

Apcotex Industries

"Growth Chemistry"



*Rice Roll
& Hoses*



*Nitrile
Rubber*



*NBR
Powder*



*Dipping of Nylon,
Polyester Tyre Cord*



*Carpet
Backing*



*Footwear
& Shoe Sole*



*Paper & Paper
Board Coating*



*Textile Finishing
& Non Woven*



*Bonding & Waterproofing
in Construction*



*Brakes
& Jointing Sheets*

Buy

Target Price: Rs. 664

Apcotex Industries

Sector: Specialty Chemicals

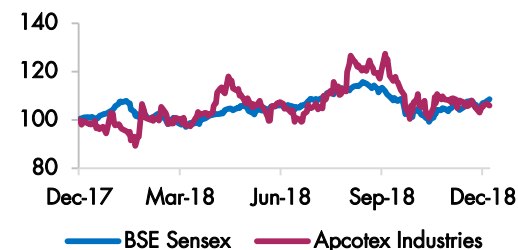
"Growth Chemistry"

CMP : Rs. 534
Potential Upside : 24%

MARKET DATA

No. of Shares : 2.08 Cr.
Market Cap : Rs. 1,105 Cr.
Free Float : 42.08%
Avg. daily vol (6mth) : 4,431
52-w High / Low : 668/440
Bloomberg : APCO IN
Promoter holding : 57.9%
DII : 0.47%

Price performance



Financial Summary

Y/E March	Net Sales (Rs Cr)	EBITDA (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
FY18	538	64	39	18.6	10.4	26.6	15.6	18.7	15.9	6.0
FY19E	616	77	45	21.8	17.4	24.5	16.0	18.5	14.5	8.2
FY20E	731	96	61	29.5	35.4	18.1	18.4	20.7	11.0	11.1

Source: Company, Axis Securities, CMP as on Dec 19, 2018

Key Drivers %

Growth (%)	FY18	FY19E	FY20E
Synthetic Rubber Vols	15.4	11.1	22.4
Net Sales	24.9	14.5	18.6
EBITDA Margin	11.9	12.5	13.2
PAT	10.4	17.4	35.4

Investment Rationale

Leading player in Emulsion Polymer segment a niche product segment

- Formidable positioning in the emulsion polymer industry given that Apcotex Industries Ltd. (AIL) has +30 years of experience
- Numero uno position in paper (42% share), carpet (65% share), construction (35%) and tyre (25%) industry for Synthetic Latex products
- Healthy volume growth of 13.5% CAGR over the last decade (FY09-18). We expect total volumes to grow at 13% CAGR over FY18-20E

NBR Market a huge opportunity

- Single largest and only player in India manufacturing Nitrile Butadiene Rubber (NBR)
- Global market estimated to be ~5,00,000MT entailing huge opportunity to incrementally grow exports market
- NBR market in India stands at ~40,000MT growing at 6-8% CAGR, while 80% NBR is imported
- AIL a market leader with 20% market share an increase of 400bps over FY16-FY18 following acquisition of Omnova Solutions. Import substitution offers huge opportunity to grow market share in high margin NBR product
- To incur Rs. 70 crore (Phase I) efficiency improvement capex at Valia plant (NBR focused) to undertake de-bottlenecking of manufacturing process and improve asset turnover. Of this Rs. 30 crore to be spent in FY19

Significantly higher entry barriers

- Handling explosive, toxic and inflammable RMs is critical, AIL has experience and expertise which is difficult to replicate
- Elongated customer approval cycles between 6 months to 3 years
- Critical process technology developed in-house allows sustainable competitive edge
- Developing proprietary products ensures product customization and thus client stickiness and loyalty

Investment Rationale

New Product foray (X-NBR) prime growth driver

- X-NBR Latex (Carboxylated NBR / Nitrile Latex) for gloves used in medical, surgical and industrial applications; ALL the only Indian manufacturer
- Low per capita consumption in countries outside NAFTA and EU which consume ~80% of manufactured gloves
- Market size is ~5–6 lakh MTPA in South East Asia; Apcotex has a Latex capacity of 55,000 tons with capex to expand Latex product in the pipeline over next 2-3 years
- Export market a huge target market for X-NBR Latex used in manufacturing gloves (medical, examination, industries)
- 80% of medical glove production is located in Asia with Malaysia being the largest producer with 69% production share

Net Debt free balance sheet allows taking leverage for growth capex

- Omnova Solutions acquisition of Rs. 30 crore in FY2016 was fully funded from internal accruals
- Management's core philosophy of self sustainability aided maintaining a net-debt free balance sheet as average gross Debt-Equity ratio has been 0.1x in FY18. This leaves enough scope to leverage balance sheet for growth capex
- However, strong CFO over FY19 and FY20E (Rs. 139.2 crore) will ensure undertaking capex without strain on return ratios
- Expect ALL to report ROE of 16.0%/18.4% in FY19E/FY20E as against 13.2% reported in FY16

Strong Operating Performance; to aid Earnings CAGR of 26% over FY18-FY20E

- We expect Apcotex Industries to post Revenue/EBITDA/Earnings CAGR of 17%/23%/26% respectively over FY18-FY20E led by
 - o ***Strong market share, new product launches, growing NBR revenue contribution, working capital efficiency and sticky clientele***
- Reported an earnings CAGR in excess of 30% over FY14-FY17, we estimate the trajectory to continue
- Consistent ROE improvement to 15.6% in FY18 over FY16; momentum to sustain in FY19E/FY20E with 16%/18.4% ROE
- We initiate coverage on Apcotex Industries with **"BUY"** rating & **target price of Rs. 664 / share ; upside 24%** over 12 months

Company Brief

Background	<ul style="list-style-type: none"> Established in 1981 as a unit of Asian Paints, the largest paint manufacturer in India. However, in 1991 Apcotex Industries Limited (AIL) was spun-off as a separate listed entity headed by Mr. Atul Choksey, now Chairman of the company and a former Managing Director of Asian Paints. AIL pioneered production of Vinyl Pyridine Latex (VP Latex) an important raw material for Tyre industry in India. AIL is the only manufacturer of X-NBR in India launched in 2018.
Products	<ul style="list-style-type: none"> Synthetic Latex (VP Latex, Nitrile Latex, XSB & Acrylic Latex) Synthetic Rubber (NBR & HSR): ApcoBuild: Own brand catering to waterproofing and construction industry, a B2B focused business
End User Industry	<ul style="list-style-type: none"> Synthetic Latex and Synthetic Rubber find application in industries like Tyre Cord Dipping, Paper/Board Coating, Carpet Backing, Construction (Concrete Modification, Water Proofing, etc.), Paints, Textile Finishing and Automotive Components. High Styrene Synthetic Rubber finds applications in footwear, automotive components, v-belts, conveyer belts and hoses.
R&D	<ul style="list-style-type: none"> Developed a strong R&D base, which enabled it to develop new products and compete against global players such as BASF and Dow Chemicals not only in India but also by entering in export markets
In-organic Growth	<ul style="list-style-type: none"> In February 2016, AIL acquired 100% stake in Omnova Solutions India Pvt Ltd (OSIPL), the Indian arm of US-based specialty company Omnova Solutions Inc, then a leader in manufacturing NBR and HSR with manufacturing plant at Valia, Gujarat. The deal was for Rs. 30 crore entirely funded from internal accruals. The acquisition is aligned to Apcotex' long term strategy to tap the full potential of the emulsion polymers industry

Source: Company, Axis Securities

Company Leadership & Management

Chairman

Founder & Promoter of Apcotex Industries when it was spun-off as a unit of Asian Paints. Mr. Atul Choksey a Chemical Engineer from Illionis Institute of Technology, Chicago, USA. He has more than three decades of experience in managing the affairs of AIL. Is on the board of various reputed companies like Marico, Ceat and Finolex Cables

Mr. Atul Choksey

Managing Director

He is a Bachelor of Science in Economics from Wharton Business School and also Bachelor of Science in Engineering from the Engineering School, both of University of Pennsylvania in U.S.A. Mr. Abhiraj Choksey is the driving force for the company and an able leader

Mr. Abhiraj Choksey

Executive Director

A Chemical Engineer. With over three decades experience of working with Apcotex Industries and Asian Paints since 1981. Mr. Gadgil is actively involved in handling the Operations, Production, Projects, Engineering, Supply Chain and other Factory administration related functions of Apcotex Industries.

Mr. Yashodhan Gadgil

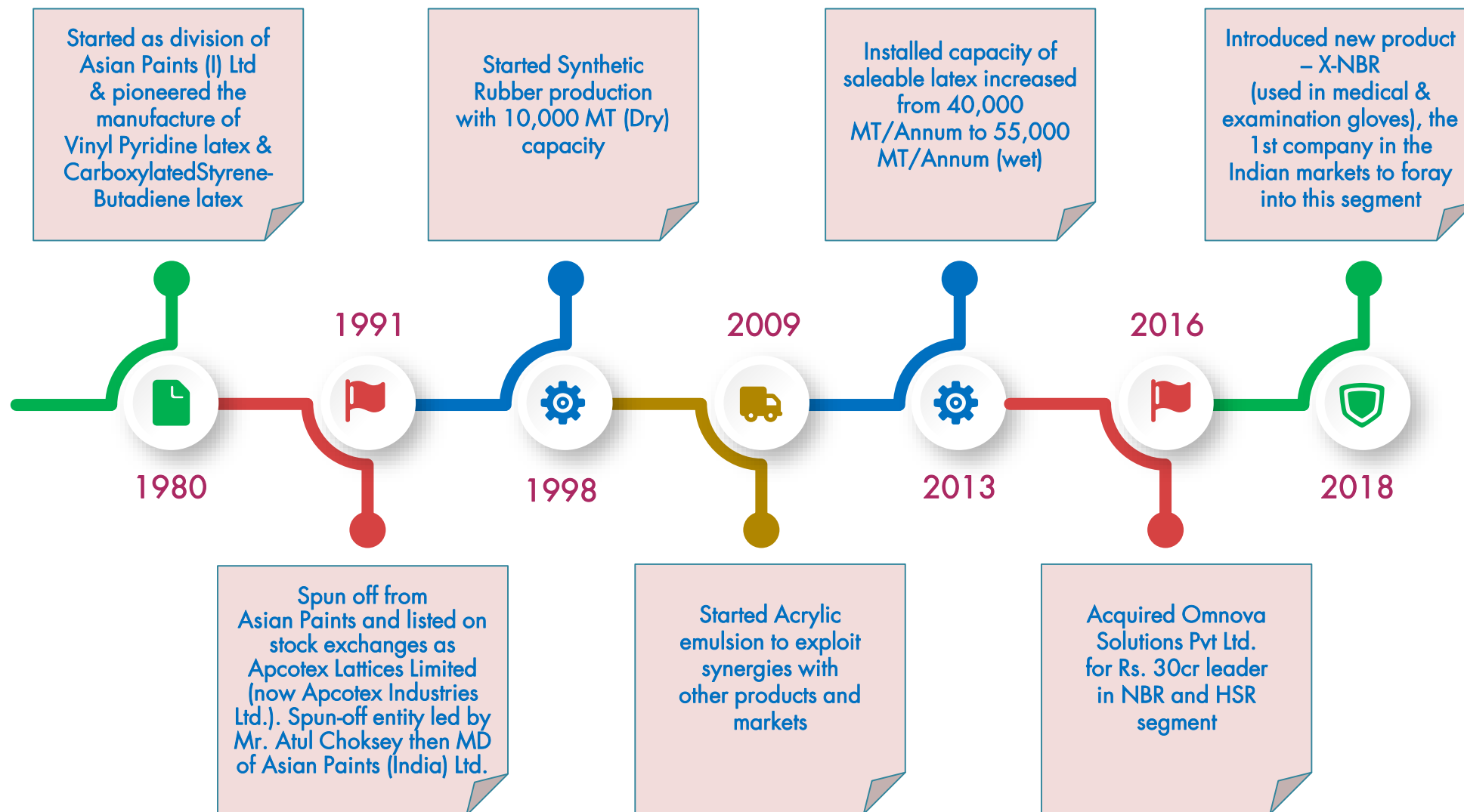
Company Secretary

Associated with Apcotex Industries over the last two decades. Mr. Kumashi is actively involved in functions of the company which includes Accounts, Finance and Compliance.

Mr. Anand Kumashi

Source: Company, Axis Securities

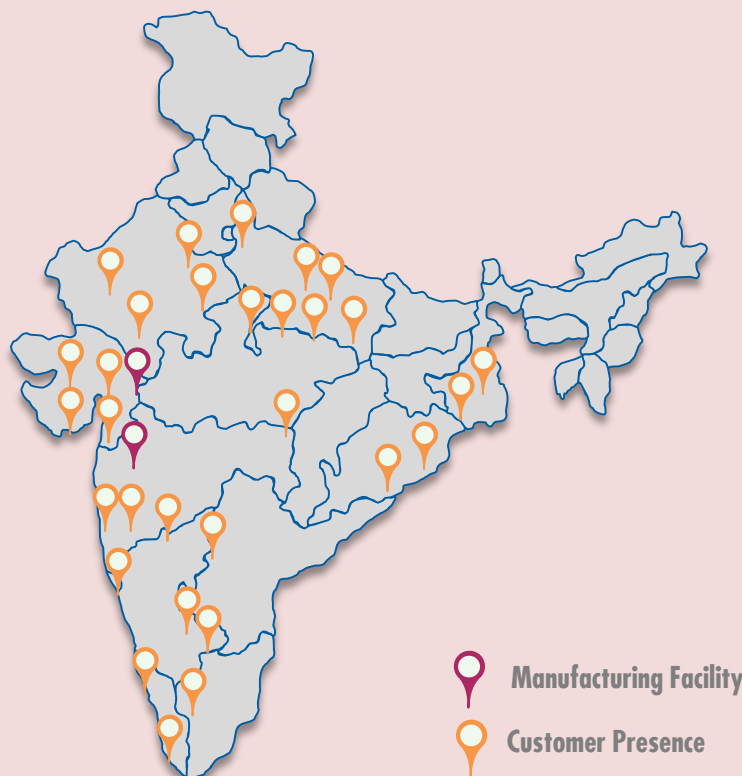
Key Milestones



Source: Company, Axis Securities

Manufacturing Presence a locational advantage

- ◆ Clientele present pan-India
- ◆ Strategic plant location ensures logistical efficiencies

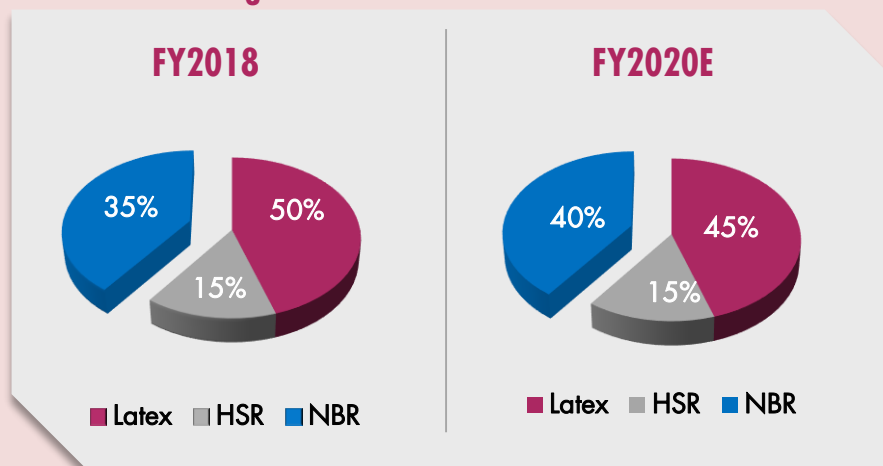


Source : Company; Axis Securities Research

Manufacturing Capacity

Product	Plant Location	Capacity
Synthetic Latex	Taloja	55,000
High Styrene Rubber (HSR)	Taloja	7,000
Nitrile Butadiene Rubber (NBR) & Allied Products	Valia	16,000
Total Installed Capacity		78,000

Product mix change to alter Revenue mix in FY20 over FY18



Key Products: Synthetic Latex & Synthetic Rubber

Sources of Raw Materials



Natural gas



Crude Oil

Source: Company, Axis Securities

Raw Materials

Butadiene

Styrene

Acrylonitrile



Synthetic Latex



Synthetic Rubber

Final Products



PAPER



CARPET



CONSTRUCTION



TYRE CORD



GLOVES



SPECIALTY



NITRILE RUBBER



NBR POLYBLEND


























HIGH STYRENE RUBBER













NBR POWDER

Synthetic Latex: Marquee Clientele

Clientele	Key Industry	End Use Application	Revenue Share(%)	Growth Trends	Key Competitors
  	Paper	Provides binding strength (wet and dry), adds gloss and coating holdout	25%	Steady	 
 	Carpet	Chemical additives for textile floorings, synthetic turf, mattresses, secondary backing for tufted carpets etc	15%	Steady	 
  	Construction	Waterproofing, bonding agent for cement, sand plaster on concrete and Gypsum	12%	High growth area	 
 	Tyre Cord	Tyre cord, belting fabric dipping	10%	Low growth (used in bias tyres)	
 	Specialty	Binder for non-woven Fabric, paper saturation, binder for cork sheet, textile finishing, adhesives	12%	Steady	
 	Gloves	Medical & Industrial purposes	Newly launched	High growth area	

Source: Company, Axis Securities

Synthetic Rubber: Marquee Clientele

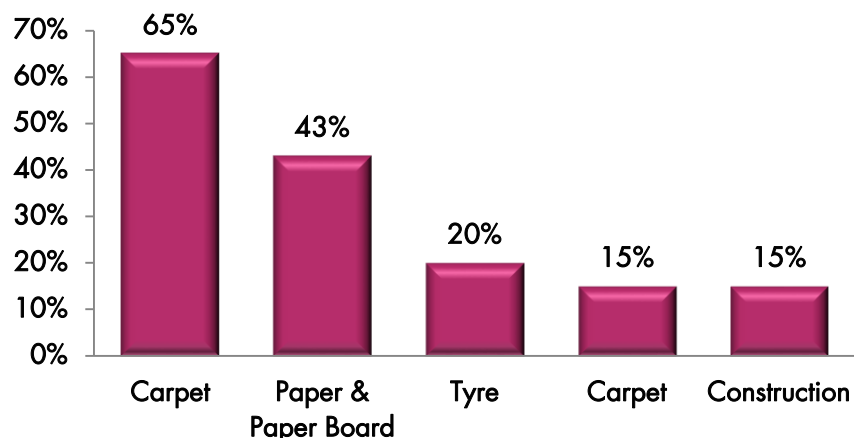
Clientele	Key Industry	End Use Application	Revenue Share(%)	Growth Trends	Key Competitors
  Jayashree Polymers	Nitrile Rubber (NBR)	For brakes & jointing sheets, automotive components, LPG Tubing, rubber component Manufacturers	70%	High growth area	KUMHO PETROCHEMICAL 
 	NBR Polyblend	For manufacture of Rice Rolls & Hoses	5-10%	Steady	-
 	NBR Powder	Jointing sheets, PVC modifications, medium CAN grade for footwear, adhesives, friction material, brake pads,	5-10%	High growth area	-
 	High Styrene Rubber (HSR)	Manufacturing of Hawaii Chappal, micro cellular solings, floor tiles, battery boxes etc	15%	Stagnant	

Source: Company, Axis Securities

Market Opportunity – Emulsion Polymerization Chemistry

- ♦ **Synthetic Latex - ~45% revenue share**
 - Apcotex Industries is among the leading players in the emulsion polymer industry with over 30 years of experience
- ♦ **Qualities:** water resistance, strength, flexibility
- ♦ **Market Size:**
 - ✓ Domestic market ~1,20,000 MT; 8-10% CAGR over FY08-18
 - ✓ ALL's capacity 55,000 MT which is 45.8% in total domestic industry share
- ♦ **Peers:** BASF, Dow Chemicals, Jubilant Industries, imports from Europe & Asia

Synthetic Latex: Market Share

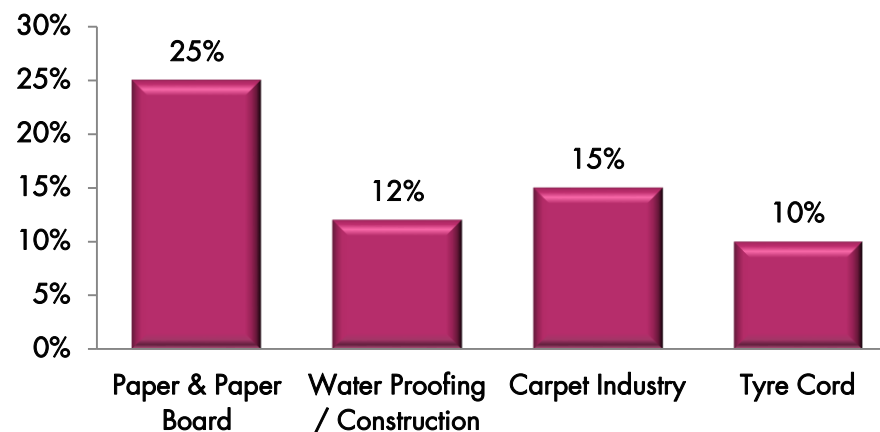


Source: Company, Axis Securities

End User Industry growth prospects

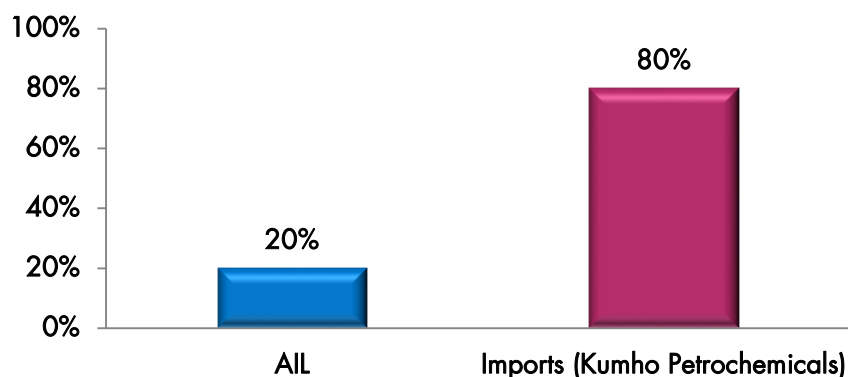
- **Paper & Paper board:** improving demand and earnings outlook augurs well for ALL's Synthetic Latex segment
- **Water Proofing / Construction:** both concrete admixture and water proofing segments expected to grow ~15% driven by infrastructure, affordable housing and construction/ infra push by Government
- **Carpet:** with US and Europe being key end user markets and reporting steady growth, carpet industry too is likely to report steady growth
- **Tyre Cord:** with healthy demand forecast for CV industry volumes, ALL too would benefit as Synthetic Latex is used in non-radial tyres which are found in CVs

FY18 Revenue Contribution: Industry wise



Market Opportunity – Emulsion Polymerization Chemistry

- ♦ **Nitrile Rubber – ~40% revenue share**
- ♦ Also called as Acrylonitrile Butadiene Rubber
- ♦ **Qualities** : heat resistant, used primarily for oil resistance
- ♦ **Market Size** :
 - ✓ Domestic: ~40,000MT; 8-10% CAGR growth over FY08-18
 - ✓ Global ~5,00,000MT; 5-7% CAGR growth over FY08-18
 - ✓ AIL's capacity ~16,000 MT
- ♦ **Peers** : Kumho Petrochemicals, Korea
- ♦ **AILs Market Share** : 20% in domestic market (FY16 @18%)



Apcotex Industries to gain substantially from Import substitution (c80% imported)

- ♦ **High Styrene Rubber (HSR) – 15% revenue share**
- ♦ A special variety of Styrene Butadiene Rubber (SBR)
- ♦ **Qualities**: improve hardness, aging resistance, improves tear and tensile strength of rubbers and electrical insulation
- ♦ **Market Size**:
 - ✓ Domestic: ~8,000MT and stagnant growth (earlier 15,000MT) due to change in customer preference towards more trendy and aesthetically looking footwear / slippers / footwear
 - ✓ AIL's capacity 7,000MT
- ♦ **Peers** : None in Domestic market

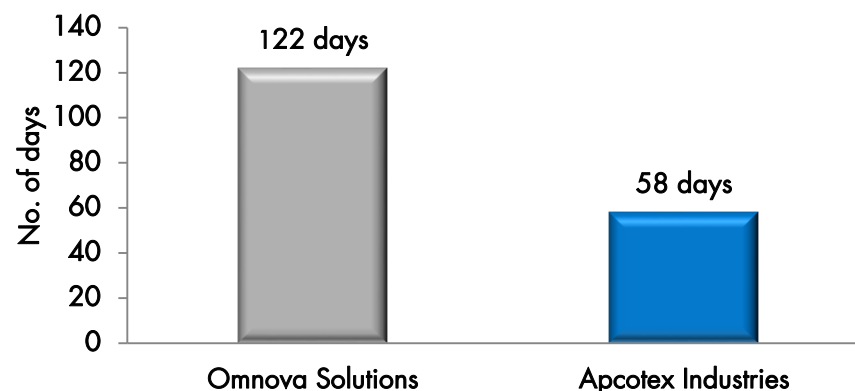
AIL became largest manufacturer in India post acquisition of erstwhile Omnova Solutions (India) Pvt. Ltd.

Omnova Solutions : A Strategic Acquisition

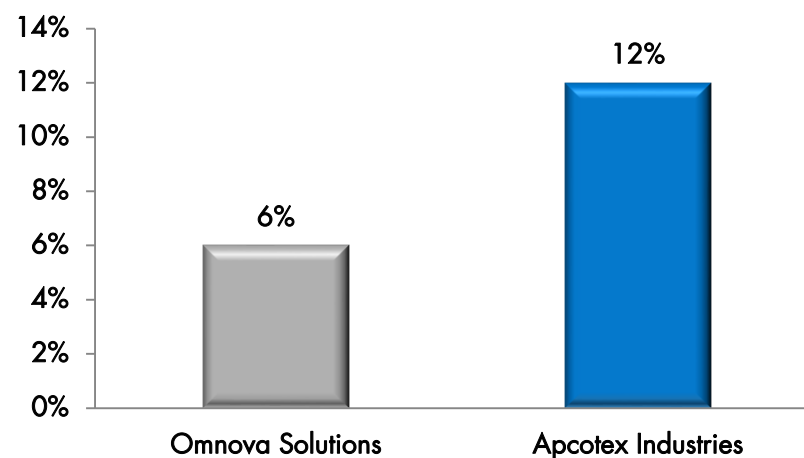
- ♦ Feb 2016, acquired 100% stake in Omnova Solutions (India) Pvt Ltd, arm of US based Omnova Solutions for Rs. 36 crore, completely funded from internal accruals
- ♦ **Acquisition rationale:**
 - ✓ Allowed tapping long term growth potential in Emulsion Polymer industry (115 acres land at Valia)
 - ✓ Expanded capacities – NBR (12,000MTPA), HSR (8,000MTPA), NBR PVC/PVC Powder (4,000MTPA)
 - ✓ Diversified end user industry – automotive, LPG Tubing, Wires & Cables
 - ✓ Became the largest player of NBR and HSR products in India
 - ✓ OSIPL enjoyed 18% market prior to acquisition. The same now has improved to 20% for AIL with whom OSIPL has merged completely
- ♦ **Successful turnaround of inefficient Omnova Solutions operations visible in :**
 - ✓ Improved Cash Conversion Cycle from 122days to 58 days now over FY16-FY18
 - ✓ Efficiency in RM procurement and lowering operating costs
 - ✓ Expansion in EBITDA Margins from 6% to 12% now over FY16-18
 - ✓ Improved capacity utilization aided by capex of Rs. 70 crore (Phase-I) towards de-bottlenecking, operational efficiency etc at Valia plant

Source: Company, Axis Securities

Sharp reduction in Cash Conversion Cycle



EBITDA Margin expansion (+600bps) aided by operating efficiency



NBR Market a huge opportunity

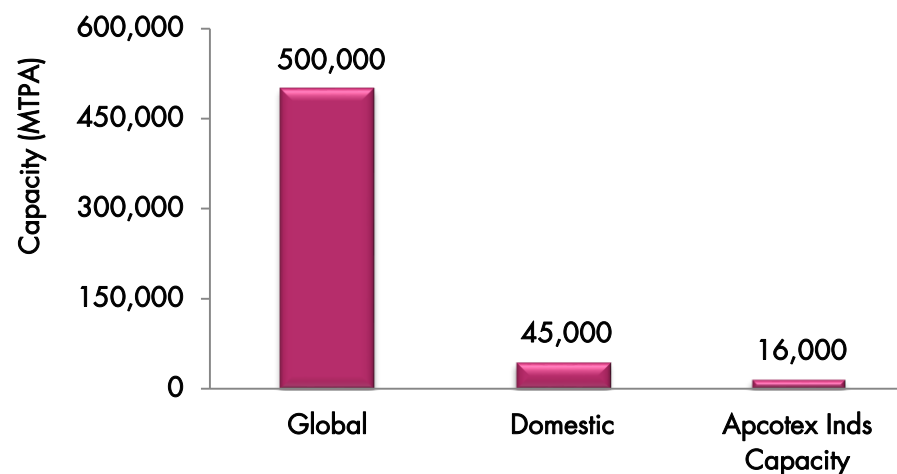
- ♦ Single largest and only player in India manufacturing NBR
- ♦ Global market estimated to be ~5,00,000MT entailing huge opportunity to incrementally grow the exports market
- ♦ NBR market in India stands at ~40,000MT growing at 6-8% CAGR
- ♦ ALL sweetly positioned to take share from imports (c80%)
- ♦ ALL a market leader with 20% market share which has increased by 400bps over FY16-FY18 following acquisition of Omnova Solutions and its facility at Valia
- ♦ Incurred Rs. 30 crore (Rs. 70crore Phase I capex) towards efficiency improvement at Valia plant (NBR focused) to undertake de-bottlenecking of manufacturing process and improve asset turnover

Focus on exports to boost revenue outlook

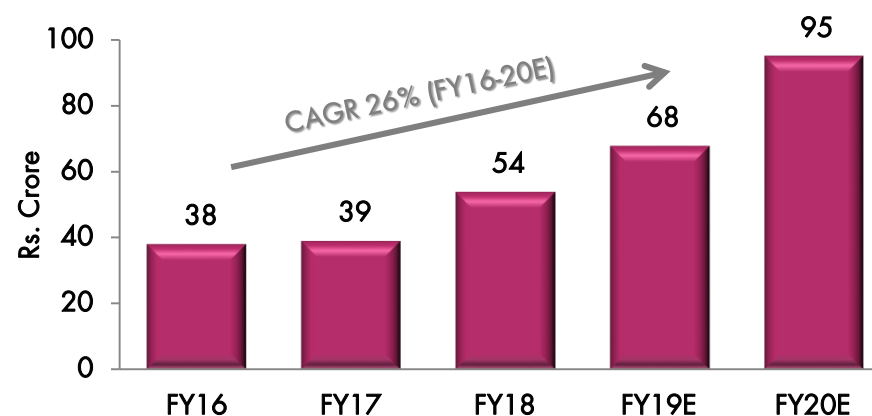
- ♦ Strong product portfolio, newly launched product XNBR, innovative, higher margin products in the pipeline a huge potential to grow exports revenue
- ♦ Healthy demand witnessed in export markets for Tyre Latex, Carpet Latex, Textile Latex, Construction Latex. NBR and X-NBR ensure large export revenue opportunity
- ♦ Exports reported 26% CAGR over FY11-18; FY18 exports contributed ~10% of Total Revenues
- ♦ Management intends to increase export revenues to 25% over next 5 years

Source: Company, Axis Securities

ALLs NBR capacity to increase to 37,000 MT over FY20-23E



Exports to provide a fillip for Revenue Growth



Apcotex Industries Ltd

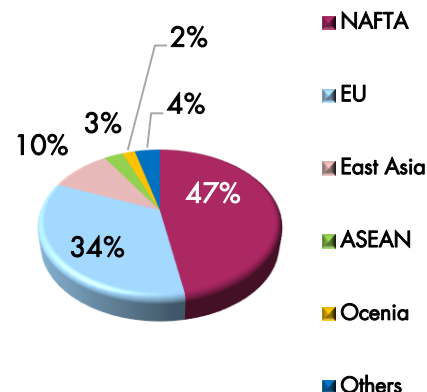
Sector: Specialty Chemicals

New Product foray (X-NBR) prime growth driver

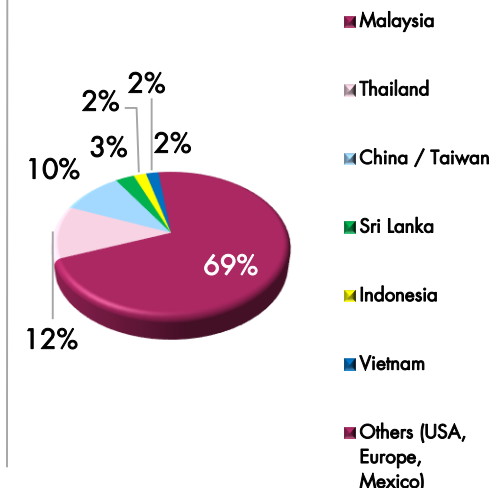
- ♦ X-NBR Latex (Carboxylated Nitrile Rubber Latex) for gloves is used in medical, surgical and examination gloves. It also finds application in industrial applications like mining, construction, manufacturing etc
- ♦ Apcotex Industries the only Indian manufacturer to produce X-NBR (Carboxylated Nitrile Rubber)
- ♦ Low per capita consumption in countries outside NAFTA and EU which consume ~80% of manufactured gloves
- ♦ Market size is ~6-7 lakh MTPA in South East Asia; Apcotex has a Latex capacity of 55,000 tons with capex to expand Latex product over next 2-3 years
- ♦ Export market a huge target market for X-NBR Latex used in manufacturing gloves (medical, examination, industries)
 - ✓ Total addressable market size of Nitrile Gloves Latex in Europe ~Rs. 2,200 Cr
 - ✓ Synthomer 2nd largest player globally with 60% share
 - ✓ Top 5 global manufacturers reported ~13% revenue CAGR over FY10-17
- ♦ Strong demand for NBR & X-NBR (health awareness, decline in demand for Natural Rubber gloves which causes allergies), management highlighted undertaking a capex of ~Rs 230-250 crore to aid in capacity expansion for NBR of 15,000 tons and Synthetic Latex ~40,000 tons. Greenfield capex to commence beyond FY20

Source: Company, Axis Securities

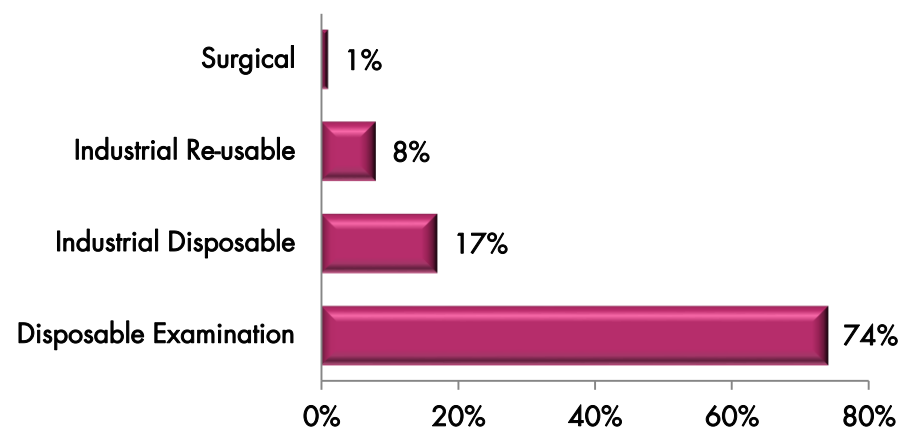
Global Glove Consumption



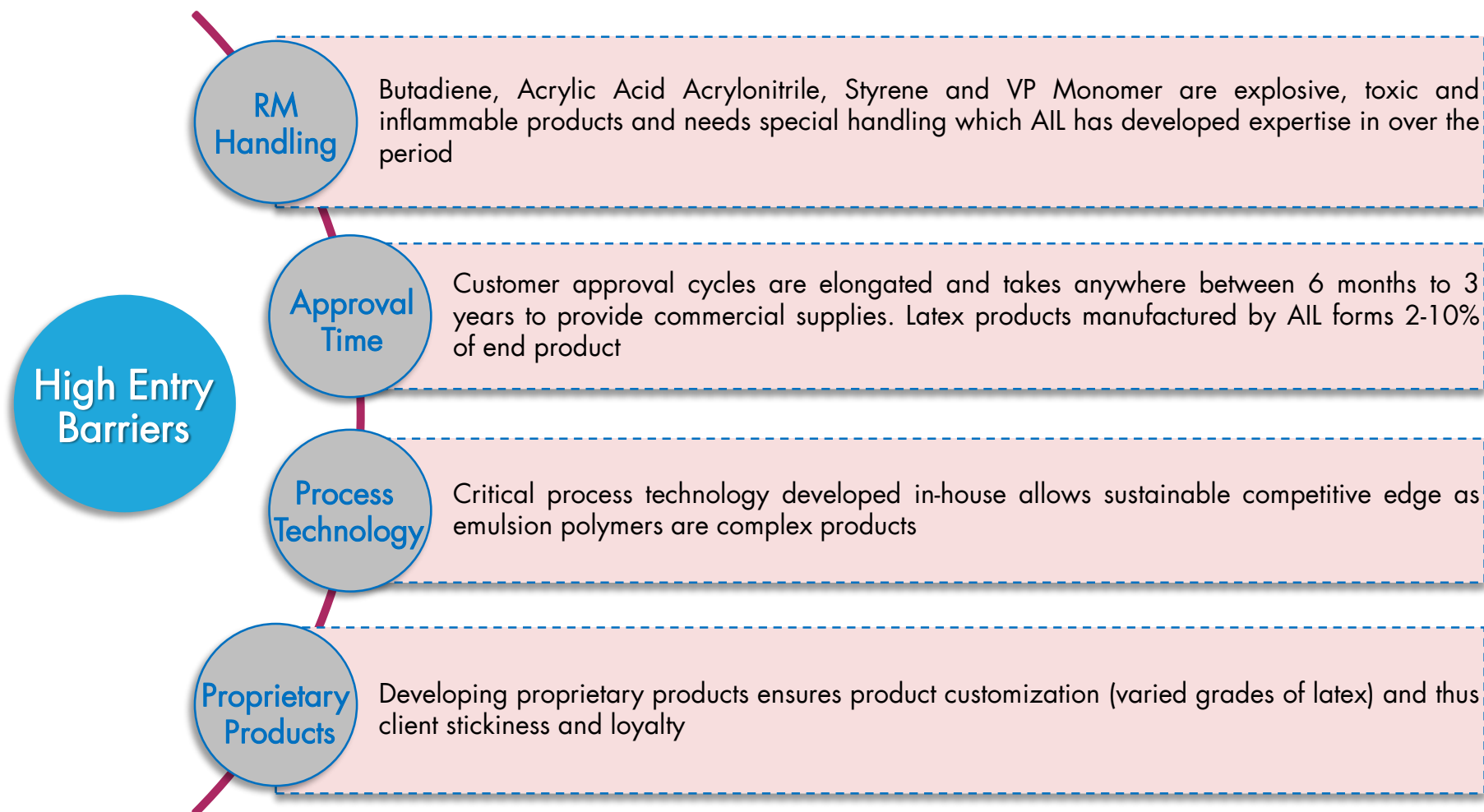
Global Glove Production



End User Industries : Gloves



Significantly Higher Entry Barriers

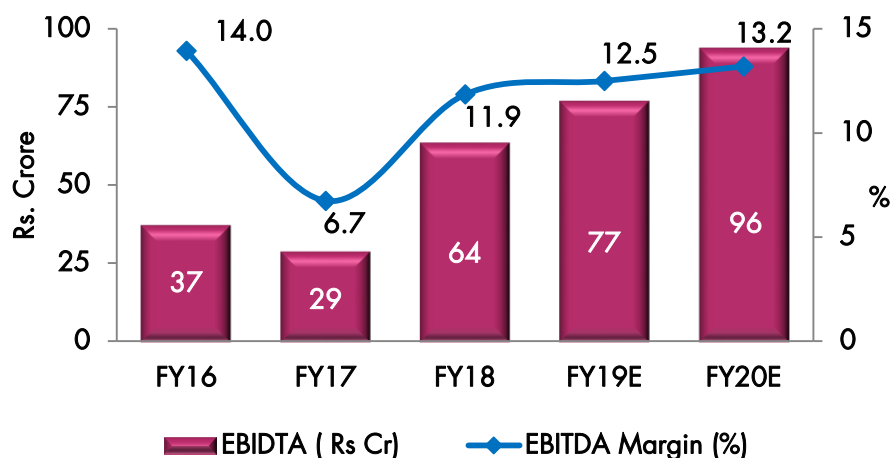


Source: Company, Axis Securities

Financial Commentary

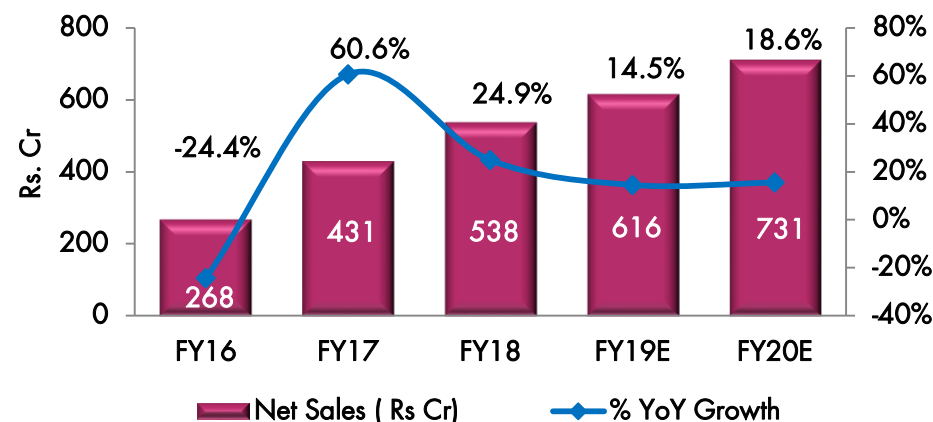
- ♦ Revenue CAGR 16.5% over FY18-FY20E driven by improving product mix:
 - 25% topline growth reported in FY18 led by strong growth in NBR and steady business from latex segment.
 - Latex to report steady 8-10% growth backed by paper & waterproofing segment
 - NBR to be a key growth driver in our view:
 - ✓ Contribution to improve to ~44% by FY20E from 40% in FY18 driven by launch of X-NBR (new product) used in medical & industrial gloves
 - ✓ Healthy new product launch pipeline
 - ✓ 25% capacity addition in NBR

EBITDA Margin expansion of 650bps over FY17



Source: Company, Axis Securities

Topline growth of 16.5% CAGR over FY18-20E



- ♦ Margin expansion on the card aided by better utilization and growing share of higher margin NBR
 - Following acquisition of Omnova Solutions in FY16, EBITDA Margins contracted to historic lows of 6.7% led by inefficiencies in acquired company.
 - 520bps expansion in EBITDA Margins to 11.9% in FY18 over FY16 due to :
 - ✓ Turnaround in loss making Omnova Solutions
 - ✓ Improved capacity utilization at Valia and Taloja plants
- ♦ H1FY19 EBITDA Margin at 12.1% despite RM volatility. This was due to new product launch (Carboxylated NBR used in medical gloves), growing revenue share of higher margin NBR and improved capacity utilization.
- ♦ Expect utilization levels to improve to 85% by FY20E from 75% in FY18

Financial Commentary

Earnings CAGR of 26% over FY18-20E

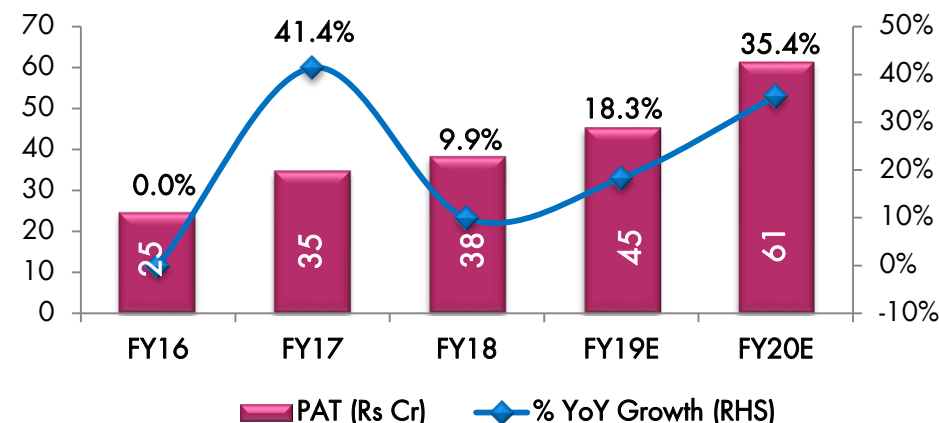
- ♦ ALL reported 15% PAT CAGR over FY15-18 impacted by workmen strike, Omnova Solutions integration and slower off-take from key clients (BILT)
- ♦ Going ahead, over FY18-20E we expect the company to report 26% PAT CAGR aided by better product mix, improved operating efficiency and new product launches

Efficient capital allocation to ensure Return Ratios remain healthy

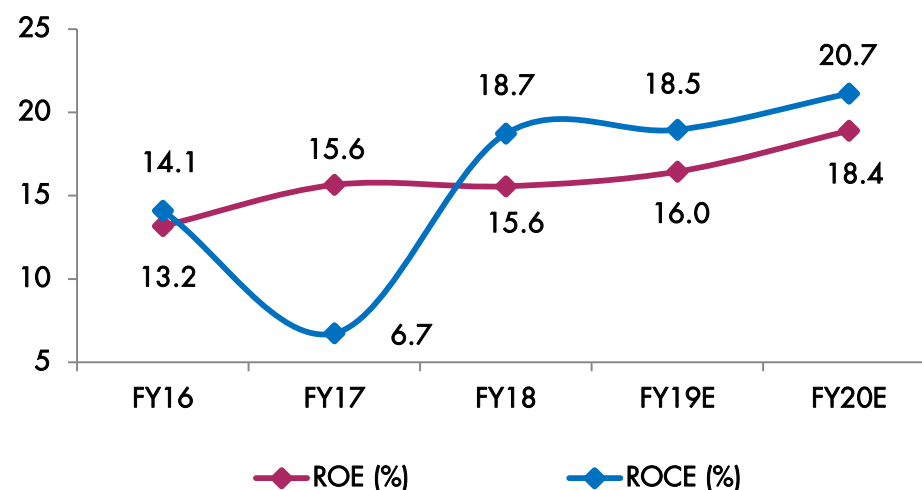
- ♦ Apcotex Industries has a net-debt free balance sheet as of FY18. Thus it allows enough room to leverage its balance sheet for growth capex
- ♦ Despite this, we expect the company to report healthy ROEs of 16.0%/18.4% in FY19/FY20E from 13.2% reported in FY16 aided by better operating profit (net margin to improve to 8.4% in FY20E from 7% in FY15)

Source: Company, Axis Securities

Consistent Earnings growth aided by new products & exports



Healthy Return Ratios to be maintained despite capex

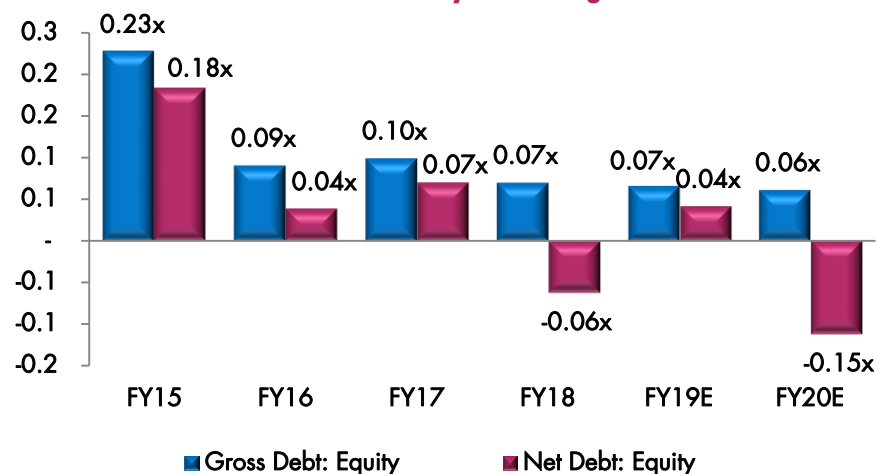


Financial Commentary

Strong balance sheet allows scope to leverage for growth capex

- ◆ Apcotex Industries has maintained strong balance sheet despite healthy growth in capacity creation. Its Net Debt-Equity ratio remained in the range of 0.15x-0.07x from FY15-FY18
- ◆ Expect cash flows to improve over FY18-FY20E aided by improved operating performance and higher margins products
- ◆ We expect the company to become a totally debt free company over FY19E / FY20E from 0.15x in FY15

Net-debt free balance sheet - a key advantage

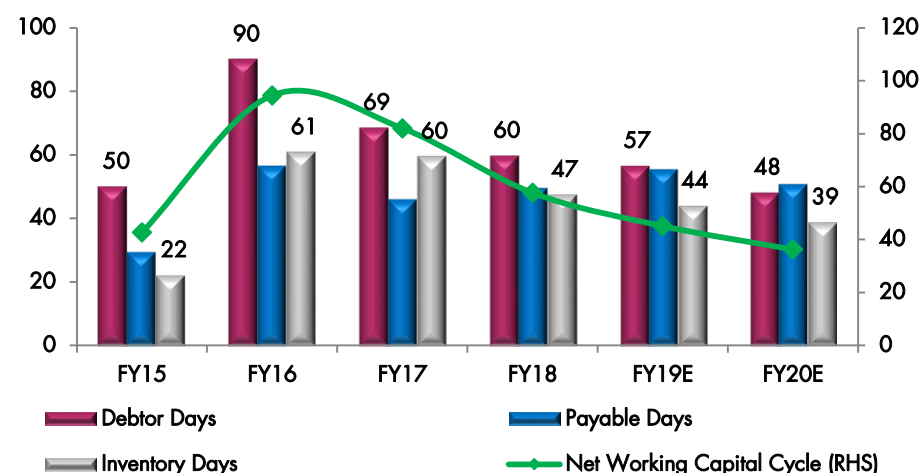


Source: Company, Axis Securities

WC efficiency driven by healthy reduction in Debtor & Inventory days

- ◆ Following acquisition of Omnova Solutions in FY2016 Debtor Days increase sharply from 50 days in FY15 to 90 days in FY16. In FY18 it stood at 60 days a sharp reduction owing to Management's focus on improving working capital efficiency
- ◆ Inventory days too declined from 61 days in FY16 to 47 days in FY18 aided by dynamically managing RM procurement
- ◆ Expect a significant improvement in Net Working Capital to 37days in FY20E from 95 days reported in FY16 and 58 days in FY18

Significant improvement in Working Capital Efficiency



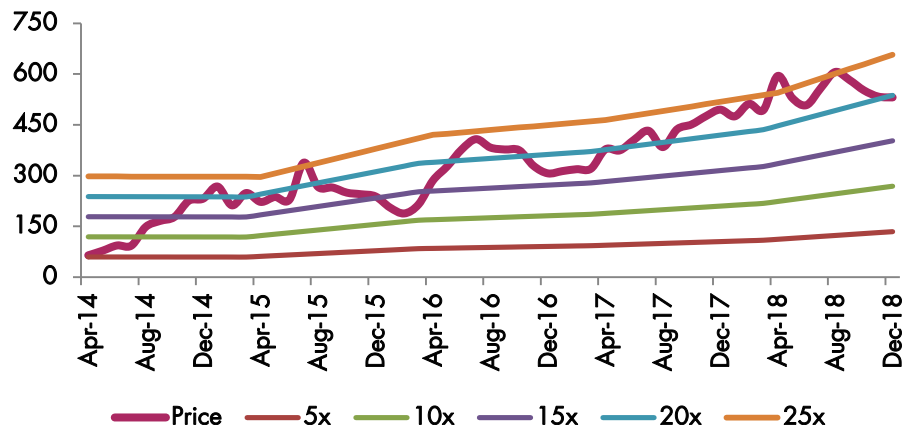
Peer Comparison

	As of 18 th Dec 2018		CY2018							TTM		FY2019E	
	Market Cap (Full) Rs. Cr	CMP	Net Sales (Rs.cr)	YoY Sales (%)	EBITDA Margin	PAT (Rs. cr)	Debt: Equity (x)	ROE (%)	ROA (%)	P/E	EV/ EBITDA	P/E	EV/ EBITDA
Apcotex Industries*	1,105	534	538	25	12.2%	39	0.07	16.5	12.0	23.8	14.4	21.1	13.3
Synthomer	10,889	359	12,766	46	11.8%	638	0.70	20.7	6.5	12.1	8.0	11.2	7.8
Trinseo	13,447	45	28,392	12	11.8%	2,096	1.74	59.2	12.8	4.8	4.9	5.4	4.3
Celanese	80,742	85	39,192	7	20.8%	5,381	1.26	34.6	10.6	8.3	8.9	7.7	6.6
Nantex	3,216	28	2,506	26	12.4%	175	0.02	12.0	10.3	9.5	5.3	-	-

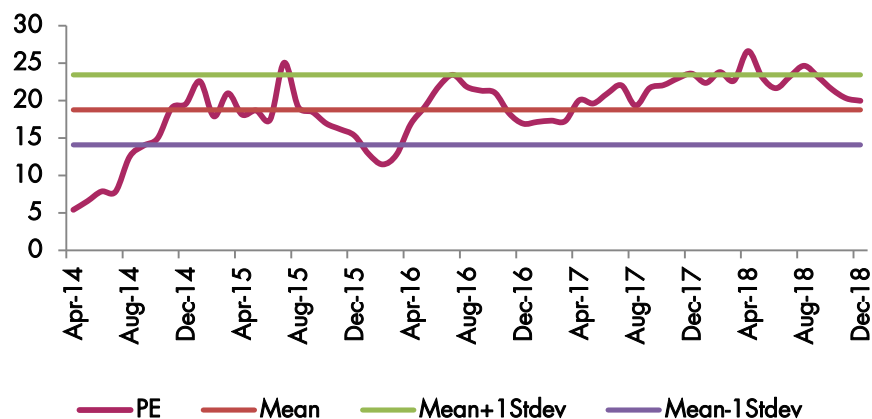
Source : Company; Axis Securities Research; Reuters, Apcotex Industries data is as of FY2018

Outlook & Valuations

P/E band



12mth fwd P/E (x)



Source: Company, Axis Securities

Valuation

- ◆ We estimate Apcotex Industries to post Revenues/Earnings CAGR of 16.5% / 26% respectively over FY18-FY20E
- ◆ We expect the company to report EBITDA Margin of ~12.5% / 13.2% over FY19E/FY20E an expansion of 650bps over from 6.7% reported in FY17
- ◆ ROEs are estimated to increase to +18% over FY18-FY20E
- ◆ We value Apcotex Industries at 22.5x FY20E EPS given the growth prospects and arrive at a TP of Rs. 664 (24% Upside)

Risk Factors

- ◆ Volatility in key petrochemical prices like Acrylonitrile, Styrene and Butadiene which forms ~65-70% of total RM costs. AIL is insulated from the same given the complete pass through to customers
- ◆ Dependence on any single customer to impact volume growth
- ◆ Growth slowdown in key end user industries
- ◆ Delay in capacity expansion
- ◆ Forex volatility
- ◆ Stringent environmental pollution related regulations

Financials

Profit & Loss

(Rs Cr)

	FY17	FY18	FY19E	FY20E
Total Net Sales	431	538	616	731
% Change	60.6%	24.9%	14.5%	18.6%
Total Raw material Consumption	269	361	419	501
Staff costs	29	34	13	16
Other Expenditure	104	80	107	118
Total Expenditure	402	474	539	634
EBITDA	29	64	77	96
% Change	-22.4%	119.5%	20.8%	25.2%
EBITDA Margin %	6.7%	11.9%	12.5%	13.2%
Depreciation	12.1	12.1	19.6	21.4
EBIT	17	52	57	75
% Change	-40.5%	204.5%	11.1%	30.8%
EBIT Margin %	3.90%	9.60%	9.30%	10.30%
Interest	3	2	2	2
Other Income	30	7	9	15
(as % of PBT)	69%	13%	14%	17%
PBT	43	56	65	88
Tax	8	17	19	26
<i>Tax Rate %</i>	<i>19.4%</i>	<i>30.7%</i>	<i>30.0%</i>	<i>30.0%</i>
APAT	35	39	45	61
% Change	41.8%	10.4%	17.4%	35.4%

Source: Company, Axis Securities

Balance Sheet

(Rs. Cr)

	FY17	FY18	FY19E	FY20E
Share Capital	10	10	10	10
Reserves & Surplus	213	236	273	324
Net Worth	223	246	284	334
Total Loan funds	22	17	18	19
Deferred Tax Liability	1	2	2	2
Long Term Provisions	2	2	3	3
Other Long Term Liability	4	8	4	5
Capital Employed	252	276	311	363
Gross Block	99	99	174	176
Less: Depreciation	11	21	41	62
Net Block	87	78	134	114
Investments	64	71	71	91
Sundry Debtors	78	98	93	100
Cash & Bank Bal	7	33	15	70
Loans & Advances	0	0	0	0
Inventory	45	49	52	55
Other Current Assets	10	10	11	13
Total Current Assets	140	190	171	239
Curr Liab & Prov	45	73	76	92
Net Current Assets	94	117	95	146
Total Assets	252	276	310	363

Financials

Apcotex Industries Ltd

Sector: Specialty Chemicals

Cash Flows

(Rs Cr)

	FY17	FY18	FY19E	FY20E
PBT	43	56	65	88
Depreciation & Amortization	12	12	20	21
Provision for Taxes	3	2	2	2
Chg in Deferred tax	-26	-8	0	0
Chg in Working cap	-3	5	1	-15
Diret tax paid	-7	-14	-19	-26
Cash flow from operations	22	53	68	69
Chg in Gross Block	-11	-12	-77	-2
Chg in Investments	-138	-14	0	0
Chg in WIP	141	16	0	0
Cash flow from investing	-8	-10	-77	-2
Proceeds / (Repayment) of Short Term Borrowings (Net)	5	-5	0	0
Repayment of Long Term Borrowings	-8	0	0	0
Loans	0	0	1	1
Finance Cost paid	-3	-2	-2	-2
Dividends paid	-9	-9	-8	-11
Dividend Distribution Tax paid	-2	-2	0	0
Cash flow from financing	-17	-18	-9	-12
Chg in cash	-3	25	-18	55
Cash at start	9	6	33	15
Cash at end	6	31	15	70

Source: Company, Axis Securities

Ratios

(%)

	FY17	FY18	FY19E	FY20E
Growth (%)				
Net Sales	60.6%	24.9%	14.5%	18.6%
EBITDA	-22.4%	119.5%	20.8%	25.2%
APAT	41.8%	10.4%	17.4%	35.4%
Per Share Data (Rs.)				
Adj. EPS	16.8	18.6	21.8	29.5
BVPS	107.1	118.4	136.2	160.4
DPS	4.5	6.0	8.2	11.1
Profitability (%)				
EBITDA Margin	6.7%	11.9%	12.5%	13.2%
Adj. PAT Margin	8.1%	7.1%	7.4%	8.4%
ROCE	6.7%	18.7%	18.5%	20.7%
ROE	15.6%	15.6%	16.0%	18.4%
ROIC	9.3%	30.0%	25.5%	37.2%
Valuations (X)				
PER	19.0	26.6	24.5	18.1
P/BV	3.0	4.2	3.9	3.3
EV / EBITDA	23.5	15.9	14.5	11.0
EV / Net Sales	1.6	1.9	1.8	1.5
Turnover Days				
Asset Turnover	3.0	5.4	4.5	4.2
Inventory days	59.5	47.5	44.0	38.8
Debtors days	68.6	59.8	56.6	48.2
Creditors days	46.1	49.6	55.5	50.8
Working Capital Days	82.0	57.7	45.1	36.3
Gearing Ratio				
Total Debt to Equity (x)	0.1	-0.1	0.0	-0.2

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Apcotex Industries Ltd

Sector: Specialty Chemicals

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HOLD	Between 10% and -10%
SELL	Less than -10%
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