

Company Details

CMP:	Rs.375.10
Face value:	Rs.5.00
Market cap:	Rs.513.89 Crs.
TTM EPS	Rs.22.76
52 week high:	Rs.496.00
52 week low:	Rs.140.00
BSE Code:	500650
NSE Code:	EXCELINDUS
Sector	Chemical

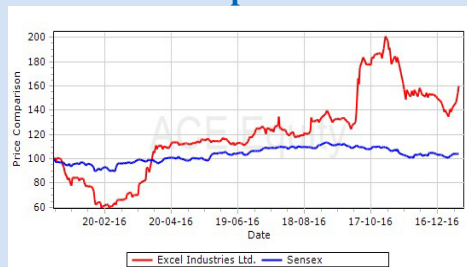
Financial Highlights (YoY)

Rs. In crores			
	FY16	FY15	% Var
Net Sales	448.13	481.56	-6.94
Total Expend	386.47	409.59	-5.64
PBDIT	61.66	71.97	-14.33
Op.Profit	64.49	78.97	-18.34
OPM (%)	14.39	16.40	-12.24
PBT	36.55	50.29	-27.32
PAT	25.20	40.56	-37.87
EPS (Rs.)	19.53	31.44	-37.87
Equity	6.45	6.45	0.00

Half-Yearly Performance (YoY)

Rs. In crores			
	H1FY17	H1FY16	% Var
Net Sales	247.30	229.11	7.94
Total Expe	215.03	193.97	10.86
PBDIT	32.27	35.14	-8.17
Op.Profit	39.33	36.71	7.14
OPM (%)	15.90	16.02	-0.74
PBT	25.90	22.53	14.96
PAT	19.14	15.72	21.76
EPS (Rs.)	14.84	12.19	21.76

Share Price Graph



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Company Background

Excel Industries Ltd., a Mumbai-based Company incorporated in 1941, is engaged in manufacture of agrochemical intermediates, phosphates, speciality chemicals, biocides and pharma products. Its manufacturing units are located in Maharashtra and Gujarat and have received ISO 14001 and IS 18001 certifications for their quality management. It also focuses on waste management area, where it has taken initiative to convert Municipal Solid Waste (MSW) into Organic Soil Conditioner (enricher). It is one of India's premier manufacturers of speciality polymer additives and high quality veterinary APIs.

Financial Performance

The net sales and PAT of the Company during FY16 at Rs.448.13 crores and Rs.25.20 crores, respectively, were down by 6.9% and 37.9% over those during FY15. **The EPS had declined from Rs.31.44 for FY15 to Rs.19.53 for FY16. The Company had paid dividend of 90% for FY16 against 140% for FY15.** The sales of the Company had declined during FY16 because of drought conditions and pricing pressure due to cheaper imports from China. However, the export sales had increased from Rs.78 crores during FY15 to Rs. 93.13 crores during FY16, registering an increase of 19.4%.

The net sales and PAT of the Company during H1FY17 at Rs.247.30 crores and Rs.19.14 crores, respectively, are up by 7.9% and 21.8% over those during H1FY16. **The EPS has improved from Rs.12.19 for H1FY16 to Rs.14.84 for H1FY17.**

Investment Rationale

- India is the second most populous country in world and its population is estimated to grow over time. In order to bridge the demand-supply gap in food grains, prevention of crop losses, among others, becomes necessary which needs deeper penetration of agrochemicals. Further, government has initiated several policy measures to enable farmers to gain access to credit facilities. These policies are more focused on providing timely and adequate credit support to all farmers. These augur well for the agro-chemical industry in coming years.
- The Company has completed 75 years and claims it has got proud past, strong present and exciting future.** The Company has diversified its business operation from agrochemical to waste management and also entered into pharma business. It is all set to apply its chemical process knowhow in the Pharmaceutical Intermediates industry while continuing its leadership position in agro-chemical intermediates and phosphorous derivatives. This diversification of the Company will de-risk its existing agrochemical business going ahead.
- Net sales and PAT of the Company have grown at a CAGR of 9.2% and 13.6%, respectively, during FY12-16 and are further expected to see robust growth with increasing demand for agrochemicals across the globe.**
- Its plans to enhance its Organophosphonates (OP) and Acetyl Chloride production capacity in the current year. It is in the process of constructing a facility for production of an OP Insecticide on campaign basis at its Roha plant. Also, it intends to undertake civil and structural work for a multi-purpose plant at the Roha site. Further, it plans to add a new API production facility at its Lote plant. **This will help in the commercial launch of new APIs as well as expand its product portfolio.**
- The Company has reduced its debt burden from Rs.94.62 crores at the end of FY14 to Rs.77.72 crores at the end of FY16. Its Debt:Equity ratio stood at 0.4:1 at the end of FY16.**
- On a paid-up capital of Rs.6.29 crores, the Company has reserves of Rs.200.61 crores. The book value of the share works out to Rs.172.44 at the end of September, 2016.
- The Company has consistently paid dividends for the past ten years.
- The promoters hold 52.4% equity capital of the Company, followed by institutions that hold 8.1% and the balance 29.5% shares are held by the public. **It is pertinent to mention that promoters and institutions have increased their stake during the year from 51% and 7.9%, respectively, to 52.4% and 8.1%.**

Concerns

Slow down in global economy, uncertain monsoon, pricing pressure, higher import duty in some countries and exchange rate fluctuations are some of the concerns.

Valuation

The share of the Company is trading at a lower P/E of 13x based on estimated earnings of Rs.29 for FY17 against that of industry at 33x. Keeping in view experienced management, positive outlook for agrochemical industry, increasing demand for its products, reduction in debt, increase in promoter & institutional holdings, low equity base, diversification of the Company into waste management & entry into pharma business and reasonably low PE ratio, we recommend a buy on share of this Company with an expected price appreciation of about 30% over the next 12 months.

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