



BP WEALTH

# Initiating Coverage Report Sudarshan Chemical Inds

## Colourful Chemistry





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## Company Background

Sudarshan Chemical Industries Limited (SCIL) is a globally renowned pigment player, largest in India, manufacturing a wide range of Organic and Inorganic Pigments and mica based effect Pigments. The company was established in 1952 and remained domestic focused till 2006. The company entered into a JV with Dainippon Ink Corporation (DIC) in 1990 which lasted till 2006 after which Sudarshan went global, establishing a footprint in North America and Europe. Currently, SCIL exports to more than 85 countries and has a sales presence in North America, Europe, China, Latin America and Japan. The company has two manufacturing facilities in Roha and Mahad along with four R&D laboratories, including a newly established one in Germany.

## Investment Rationale

## Significant presence in global pigment market with a long track record

With seven decades of operating track record, SCIL has developed strong relationships with its customers and suppliers. The company operates in various segments in the industry and has a presence in the azo, phthalocyanine, high-performance pigments, inorganic pigments and effect pigments markets. According to the company, none of its domestic competitors has a presence across all the segments. Consequently, SCIL dominates the Indian pigment industry, with around 30-35% market share. Additionally, it is also the third-largest player globally (post the acquisition of BASF's pigment division by DIC Corp.), with a market share of 3%-3.5% in organic pigments. With the top two players, BASF and Clariant AG, deciding to exit the pigments segment, SCIL's global market position is likely to improve. Furthermore, SCIL caters to a diverse set of end-user industries, comprising coatings (decorative/auto/industrial), plastics, inks (packaging) and cosmetics. For the last decade, SCIL has been aggressively expanding into international markets. With growing international sales, the company aims to establish itself as a leading colour brand worldwide. The company has a global distribution network, with eight sales offices, around 60 channel partners and sales in over 85 countries. The management has set up marketing subsidiaries in these geographies to cater the developed markets of Europe, North America and Mexico. In FY20, the company opened a wholly-owned subsidiary in Japan to tap the local market. The subsidiaries are likely to support revenue growth over the coming years. Its wholly-owned Chinese subsidiary is engaged in distributing pigments in local markets and improving sourcing efficiencies. It also plans to expand in South East Asia and South Korea. The global market position of SCIL is expected to improve further over the medium term, given the ongoing consolidation in the industry. SCIL's export revenue share has grown in the last five years from 22% in FY17 to 49% in FY21. We expect higher growth to continue in the international markets supported by new product launches, increasing capacity and global expansion over the medium to long term.

## Capex program to drive future growth and bring in EBITDA improvement

The company started its capex cycle in FY17 with a plan to invest INR 10bn over five years, with the majority portion used to target growth while the rest used to improve margins. The capex is mainly focused on: Expanding capacities at Roha and Mahad plants, new product launches, cost improvement and value chain integration projects. Over INR 6bn of capex was initiated in FY20, which will be fully implemented by FY22, witnessing a few months' delays due to covid-19 pandemic. Multiple projects which are now in the final stage of implementation are likely to get commercialized soon, which is expected to boost revenue growth with the realization of the full potential of the capex should be over three years. The company expects to derive an INR 10-12bn addition in the top line at peak utilization of the new capex. Further, to diversify the product portfolio, the company plans to launch 20-25 products each year, with an inclination towards speciality chemicals, thus generating higher margins. The management expects to launch 3 speciality product lines by Q3FY22, with each line having 10 to 15 products in it. After this capex, SCIL's product portfolio will become comparable to the top three global players. Further, aiming to enhance the share of higher-margin/realization speciality product categories such as high-performance azo pigments, cosmetics and pigment dispersions should benefit the company to improve EBITDA.

## Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

## Sector Outlook

Positive

## Stock

CMP (INR)	675
Target Price (INR)	901
BSE code	SUDARSCHEM
NSE Symbol	SCHI IN
Bloomberg	SDCH.BO
Reuters	506655

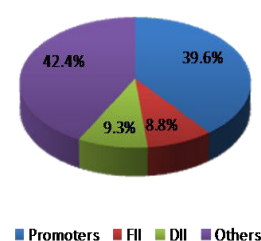
## Key Data

Nifty	17,895
52 Week H/L (Rs)	794/433
O/s Shares (Mn)	69
Market Cap (Bn)	46.7
Face Value (Rs)	2

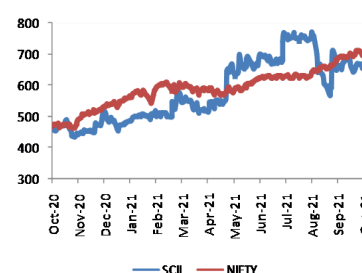
## Average volume

3 months	7,30,890
6 months	6,33,050
1 year	4,38,090

## Share Holding Pattern (%)



## Relative Price Chart



## Research Analyst

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## Strong R&D capabilities and technical innovation

With two dedicated R&D centers globally, the company continuously works on new products and customized solutions. The company is widely recognized and well respected for its R&D capabilities globally, especially in the niche domain of high-performance pigment. In FY20, the company recently launched a high-performance yellow pigment, becoming only the second company globally to manufacture this product. The product is used in coatings, plastics, and digital inks. The entire technology was developed in-house and launched within eighteen months, thus demonstrating its strong R&D capabilities. Its R&D centre in Pune has over 100 scientists and technical staff focusing on efficiency and innovation. Its labs are NABL-accredited and DSIR-approved. The company continues to invest in a comprehensive R&D Programme leveraging its world-class infrastructure, benchmarked processes, state-of-the-art technology, and a business-focused R&D strategy.

## Financial Performance to improve further

SCIL's capacity expansion in line with rising demand in end-user industries provides strong revenue visibility. During FY12-21, SCIL has clocked an average asset turnover of 2.1x. We expect similar asset turnover on incremental capex, which translates into an additional INR 12bn to revenues at peak utilization over the next 3-4 years. We expect SCIL to deliver 16.9% revenue CAGR over FY21-24e as against a 5.8% CAGR over FY16-21 driven by the rising proportion of high-margin products, huge capex, launching of new products and expanding geographical reach. As per management, capacity utilization was at ~81% in Q1FY22 and upcoming capacities coupled with new product lines would support strong revenue growth momentum in coming years. SCIL has maintained healthy EBITDA margins despite volatility in raw material prices, reflecting its efficient procurement practices. We expect SCIL to post healthy 21.6% EBITDA CAGR over FY21-24E, while margin would expand by 191bps to 16.9% driven by the increasing proportion of high-margin products and positive operating leverage from ramped up capacities. SCIL's return ratios (RoE and RoCE) to improve further with the acceleration of net profit on the back of healthy revenue growth and improving operating margins. The Cash-conversion cycle is expected to remain stable at 70- 80 days over FY22-24. Despite the continued capex, the company's debt-to-equity ratio would fall to 0.51x in FY24e, against 0.75x in FY20. Similarly, Net debt/ EBITDA ratio is expected to improve from 1.8x in FY20 to 0.6x by FY24E.

**We have valued this stock by assigning 22x to its FY24 earning estimates. We arrive at a target price of INR 901 (potential upside of 34% from CMP) for an investment horizon of 15-18 months.**

## Why we like this stock & valuation methodology

SCIL dominates the Indian pigment industry, with around 30-35% market share. Additionally, it is also the third-largest player globally (post the acquisition of BASF's pigment division by DIC Corp.), with a 3%-3.5% inorganic pigments market share. We believe the global market position of SCIL to improve further over the medium term, given the ongoing consolidation in the industry. Further, aiming to enhance the share of higher-margin/realization speciality product categories such as high-performance azo pigments, cosmetics and pigment dispersions should benefit the company to improve EBITDA. Recent capex and product portfolio expansion coupled with China +1 strategy act as strong tailwinds for the company with opportunities to increase market share. SCIL has witnessed fluctuation in demand in the domestic market coupled with a sharp surge in logistics costs, which is led by container unavailability and volatility in the raw material cost. However, SCIL has a presence in the high-value specialty chemicals value chain, in which manufacturers have increased ability to pass on hikes in input costs, although with a lag of typically one quarter. The company expects the margins profile to recover and improve from Q3FY22 onwards. We foresee 16.9% revenue CAGR, 191bps margin expansion, and 26.2% growth in earnings over FY21-24E on the back of healthy demand, market share gain, huge CAPEX, the rising proportion of high-margin products, China+1 policy and cost optimisation, resulting from backward integration. At the CMP (INR 675), the stock trades at 16.1x FY24e EPS and 10.1x EV/EBITDA. We believe the stock to witness gradual re-rating on the back of a better product pipeline and improved return ratios. We initiate coverage on the stock & recommend a 'BUY' rating with a target price of INR 901 per share, valuing the company at 22x FY24e earnings.



## Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

## Key Financials

YE March (INR. Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>16,455</b>	<b>16,742</b>	<b>17,086</b>	<b>18,641</b>	<b>20,924</b>	<b>25,295</b>	<b>29,761</b>
<i>Growth (Y-o-Y)</i>	9.8%	1.7%	2.1%	9.1%	12.2%	20.9%	17.7%
<b>EBITDA</b>	<b>2,064</b>	<b>2,121</b>	<b>2,477</b>	<b>2,800</b>	<b>3,085</b>	<b>3,950</b>	<b>5,037</b>
<i>Growth (Y-o-Y)</i>	1.1%	2.8%	16.8%	13.0%	10.2%	28.0%	27.5%
<b>Net Profit</b>	<b>847</b>	<b>1,351</b>	<b>1,445</b>	<b>1,411</b>	<b>1,511</b>	<b>2,091</b>	<b>2,836</b>
<i>Growth (Y-o-Y)</i>	(16.4%)	59.5%	7.0%	(2.4%)	7.1%	38.4%	35.7%
<b>Diluted EPS</b>	<b>12.2</b>	<b>19.5</b>	<b>20.9</b>	<b>20.4</b>	<b>21.8</b>	<b>30.2</b>	<b>41.0</b>
<i>Growth (Y-o-Y)</i>	-16.4%	59.5%	7.0%	-2.4%	7.1%	38.4%	35.7%
<b>No of Diluted shares (mn)</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>	<b>69</b>

## Key Ratios

<b>EBITDA (%)</b>	<b>12.5%</b>	<b>12.7%</b>	<b>14.5%</b>	<b>15.0%</b>	<b>14.7%</b>	<b>15.6%</b>	<b>16.9%</b>
<b>NPM (%)</b>	<b>5.1%</b>	<b>8.1%</b>	<b>8.5%</b>	<b>7.6%</b>	<b>7.2%</b>	<b>8.3%</b>	<b>9.5%</b>
<b>RoE (%)</b>	<b>20.6%</b>	<b>12.5%</b>	<b>21.8%</b>	<b>21.0%</b>	<b>19.0%</b>	<b>22.6%</b>	<b>25.8%</b>
<b>RoCE (%)</b>	<b>16.7%</b>	<b>15.3%</b>	<b>14.6%</b>	<b>14.8%</b>	<b>15.4%</b>	<b>17.6%</b>	<b>22.1%</b>
<b>Tax Rate %</b>	<b>33.2%</b>	<b>33.9%</b>	<b>19.5%</b>	<b>25.9%</b>	<b>25.2%</b>	<b>25.2%</b>	<b>25.2%</b>
<b>Book Value Per share (Rs.)</b>	<b>64</b>	<b>82</b>	<b>87</b>	<b>107</b>	<b>123</b>	<b>144</b>	<b>173</b>

## Valuation Ratios

<b>P/E (x)</b>	<b>53.8x</b>	<b>33.8x</b>	<b>31.6x</b>	<b>32.3x</b>	<b>30.2x</b>	<b>21.8x</b>	<b>16.1x</b>
<b>EV/EBITDA</b>	<b>23.8x</b>	<b>22.9x</b>	<b>20.2x</b>	<b>18.0x</b>	<b>16.1x</b>	<b>12.5x</b>	<b>9.7x</b>
<b>P/BV (x)</b>	<b>10.4x</b>	<b>8.0x</b>	<b>7.6x</b>	<b>6.1x</b>	<b>5.4x</b>	<b>4.6x</b>	<b>3.8x</b>
<b>Market Cap. / Sales (x)</b>	<b>2.8x</b>	<b>2.7x</b>	<b>2.7x</b>	<b>2.4x</b>	<b>2.2x</b>	<b>1.8x</b>	<b>1.5x</b>
<b>Net Debt / EBITDA</b>	<b>1.7x</b>	<b>1.4x</b>	<b>1.8x</b>	<b>1.7x</b>	<b>1.3x</b>	<b>1.0x</b>	<b>0.6x</b>
<b>Debt to Equity</b>	<b>0.8x</b>	<b>0.5x</b>	<b>0.8x</b>	<b>0.7x</b>	<b>0.7x</b>	<b>0.6x</b>	<b>0.5x</b>

Source: Ace Equity, BP Equities Research

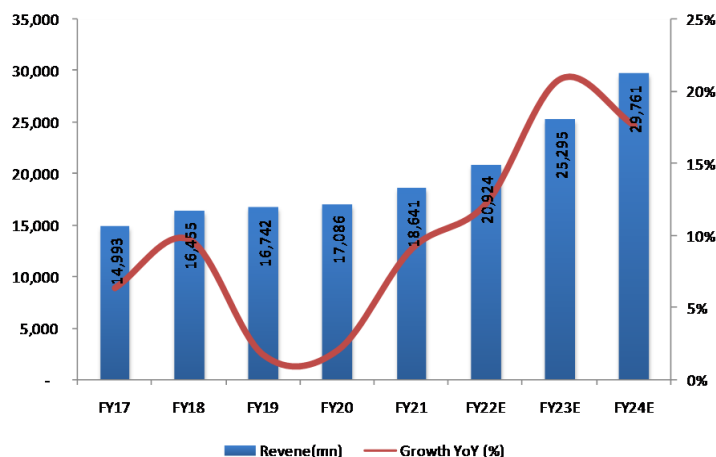


# Sudarshan Chemical Industries Ltd

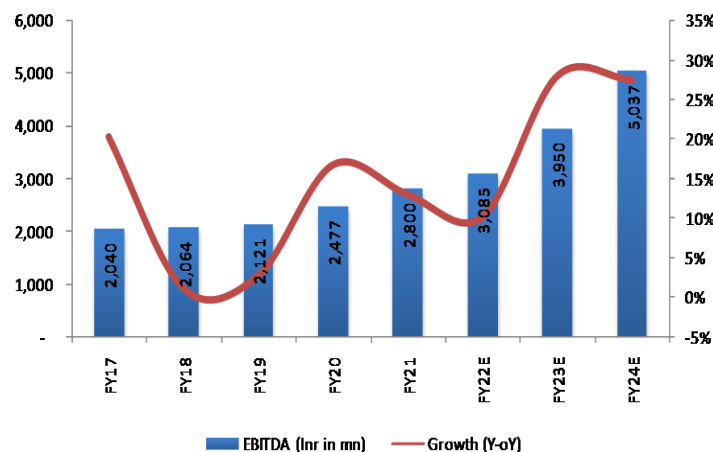
# Initiating Coverage Report

## Story In Chart

### Revenue to grow at healthy pace

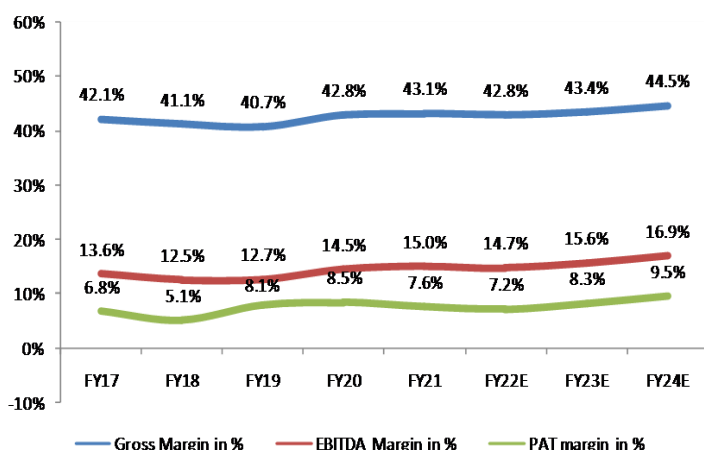


### EBITDA to grow at 21.6% CAGR over FY21-24e

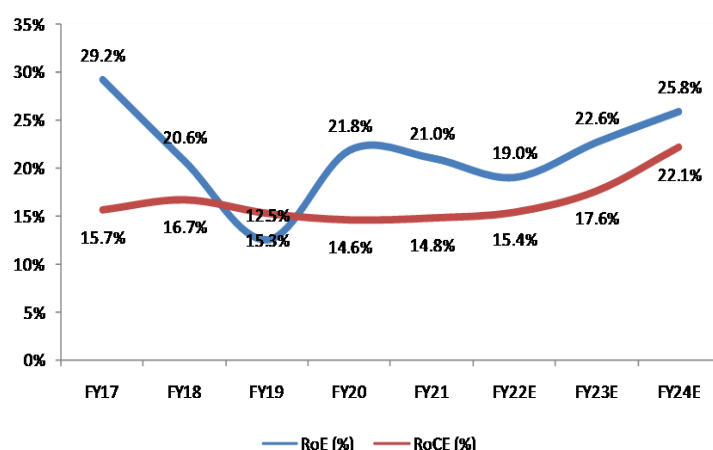


Source: Company, BP Equities Research

### High-performance products to support margin improvement

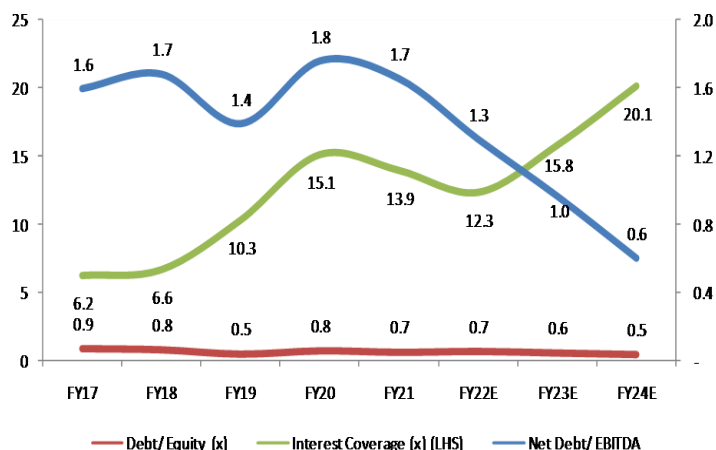


### Return ratios to expand further

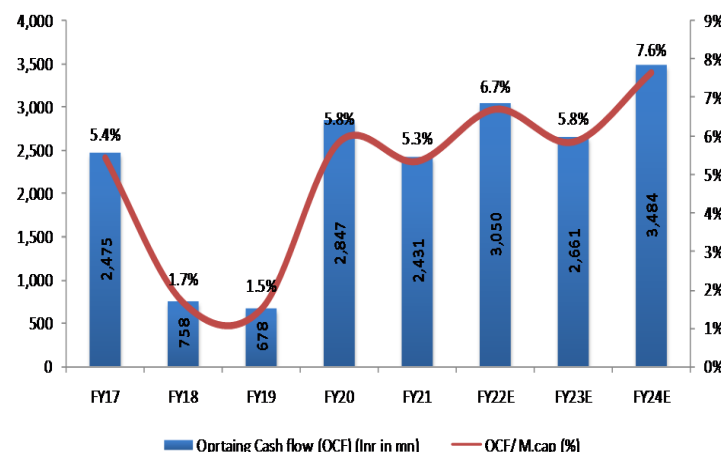


Source: Company, BP Equities Research

### Leverage ratios at comfortable level



### Cash flow generation to remain strong



Source: Company, BP Equities Research

# Sudarshan Chemical Industries Ltd

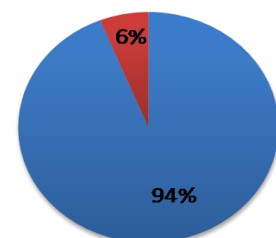
# Initiating Coverage Report

## Investment Rationale

### Significant presence in global pigment market with a long track record

With seven decades of operating track record, SCIL has developed strong relationships with its customers and suppliers. The company operates in various segments in the industry and has a presence in the azo, phthalocyanine, high-performance pigments, inorganic pigments and effect pigments markets. According to the company, none of its domestic competitors has a presence across all the segments. Consequently, SCIL dominates the Indian pigment industry, with around 30-35% market share. Additionally, it is also the third-largest player globally (post the acquisition of BASF's pigment division by DIC Corp.), with a market share of 3%-3.5% in organic pigments. With the top two players, BASF and Clariant AG, deciding to exit the pigments segment, SCIL's global market position is likely to improve. Furthermore, SCIL caters to a diverse set of end-user industries, comprising coatings (decorative/auto/industrial), plastics, inks (packaging) and cosmetics. For the last decade, SCIL has been aggressively expanding into international markets. With growing international sales, the company aims to establish itself as a leading colour brand worldwide. The company has a global distribution network, with eight sales offices, around 60 channel partners and sales in over 85 countries. The management has set up marketing subsidiaries in these geographies to cater the developed markets of Europe, North America and Mexico. In FY20, the company opened a wholly-owned subsidiary in Japan to tap the local market. The subsidiaries are likely to support revenue growth over the coming years. Its wholly-owned Chinese subsidiary is engaged in distributing pigments in local markets and improving sourcing efficiencies. It also plans to expand in South East Asia and South Korea. The global market position of SCIL is expected to improve further over the medium term, given the ongoing consolidation in the industry. SCIL's export revenue share has grown in the last five years from 22% in FY17 to 49% in FY21. We expect higher growth to continue in the international markets supported by new product launches, increasing capacity and global expansion over the medium to long term.

## Revenue Distribution in %

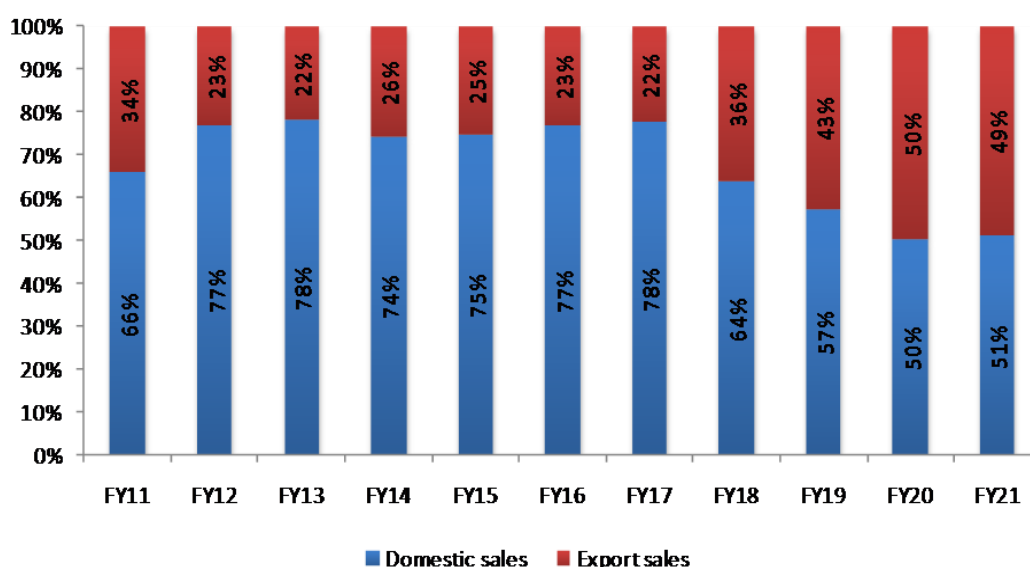


■ Sale of Pigments  
■ Sale of Engineering Equipments

Source: Company, BP Equities Research

**Share of specialty pigments increased from 64% in FY18 to 69% in FY21**

## Growth momentum remained strong in exports market



Source: Company, BP Equities Research

## FY11

Pigment, Agro Chemical, Masterbatch businesses

Amongst top 20 pigment player

Domestic market share estimate ~ @ 30%

R&D lab: India

Organic and Inorganic pigments with revenues largely from Azo and Phthalo pigments

Renewable energy: 0%

## FY21

A pure play Pigment focus

3rd largest pigment producer globally

Domestic market share estimate ~ @ 35%

R&D labs: India & Germany

Development & strong growth of High Performance and Cosmetics product range

Renewable energy: 20%

Source: Company, BP Equities Research

# Sudarshan Chemical Industries Ltd

# Initiating Coverage Report

## Products Portfolio

Organic Pigments	Azo Phthalos HPPs Dispersions	Coloured material made of organic compound with pigment properties. Commonly used for Coatings, plastics, Inks & Textile applications
Inorganic Pigments	Chromes Cadmiums Iron Oxides	Made up of mineral compounds. Are mainly oxides, sulphides of one or more than one metals. Used for plastics and industrial coatings
Effect Pigments	Mica base for industrial and cosmetics	Pigments with mica base and coated with oxides to give shimmer and glow. Mainly used in plastics, automotive coatings, cosmetics applications

## The Pigment Approval Cycle

COATINGS	PLASTICS	INKS	COSMETICS
Coatings remains a prominent focus area with Automotive and Decorative being the key segments	Market leaders in multiple geographies offering wider spectrum of colours and pigment grades.	Focus on niche applications like liquid inks to build competency and strong market share	Proven track record with significant growth for Sudarshan's progress
Automotive: 1 to 5 years Decorative: 6 months to 1 year	Plastics: 3 to 6 months	Inks: ~ 1 month	Cosmetics: 1 to 2 years

Approval cycle for pigment sales varies across products and Sudarshan Chemicals is well placed in this regard

## Manufacturing capabilities

<p><b>Manufacturing Site: Roha</b></p> <p>Built in 1973; 1100+ trained team members.</p> <p>Products Manufactured: AZO, HPP, Effect Pigments, Dispersions</p>	<p><b>Manufacturing Site: Mahad</b></p> <p>Built in 1993; 500+ trained team members.</p> <p>Products Manufactured: B&amp;G, HPP, Effect Pigments</p>
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Source: Company , BP Equities Research



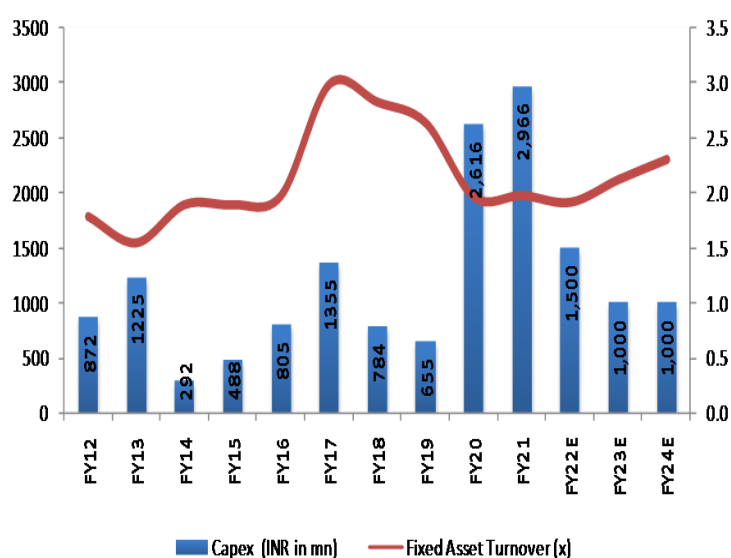
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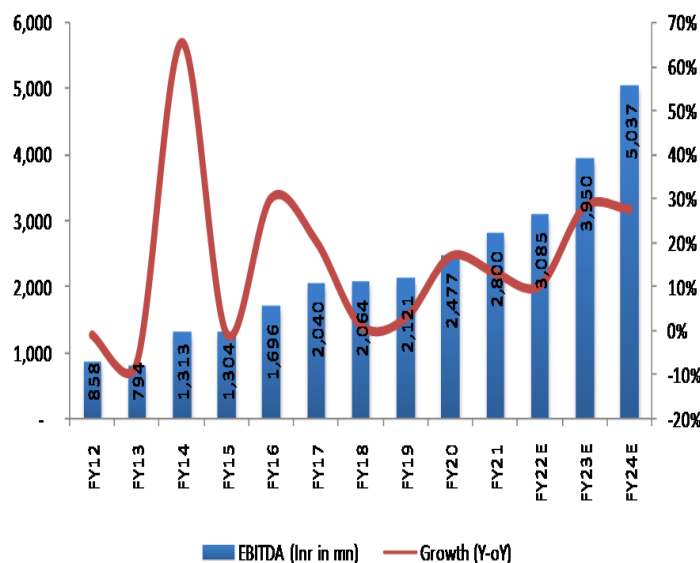
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The company started its capex cycle in FY17 with a plan to invest INR 10bn over five years, with the majority portion used to target growth while the rest used to improve margins. The capex is mainly focused on: Expanding capacities at Roha and Mahad plants, new product launches, cost improvement and value chain integration projects. Over INR 6bn of capex was initiated in FY20, which will be fully implemented by FY22, witnessing a few months' delays due to covid-19 pandemic. Multiple projects which are now in the final stage of implementation are likely to get commercialized soon, which is expected to boost revenue growth with the realization of the full potential of the capex should be over three years. The company expects to derive an INR 10-12bn addition in the top line at peak utilization of the new capex. Further, to diversify the product portfolio, the company plans to launch 20-25 products each year, with an inclination towards speciality chemicals, thus generating higher margins. The management expects to launch 3 speciality product lines by Q3FY22, with each line having 10 to 15 products in it. After this capex, SCIL's product portfolio will become comparable to the top three global players. Further, aiming to enhance the share of higher-margin/realization speciality product categories such as high-performance azo pigments, cosmetics and pigment dispersions should benefit the company to improve EBITDA.

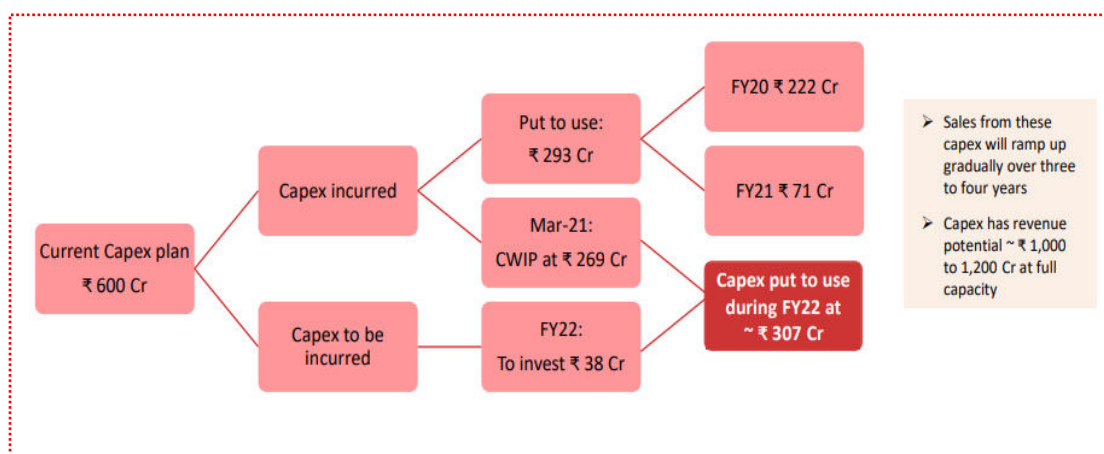
#### Capex nearing completion, Asset turn to show improvement



#### EBITDA to grow at 21.6% CAGR over FY21-24e



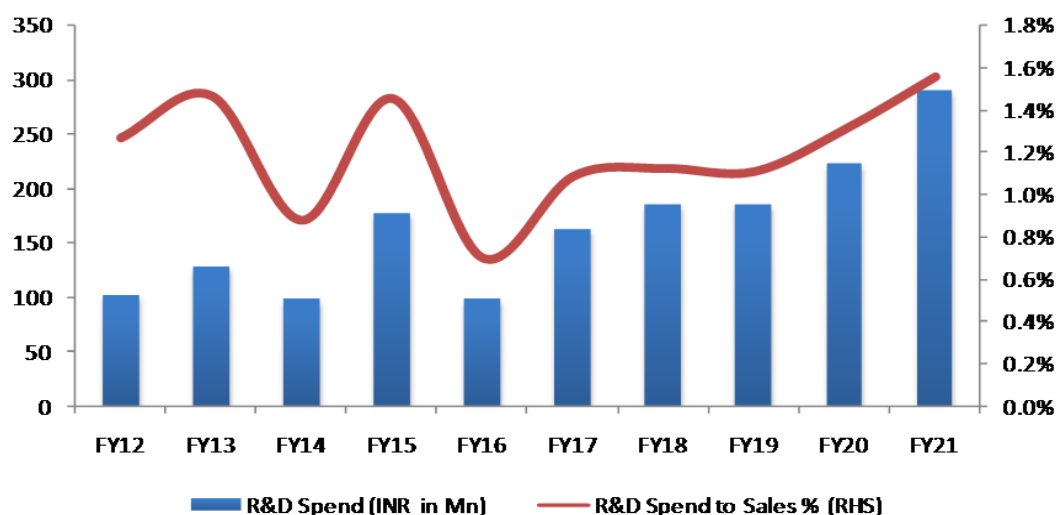
Source: Source: Company, BP Equities Research



## Strong R&D capabilities and technical innovation

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R&D spending on the rise



R&D spend have increased in the past ten years from INR 101mn in FY12 to INR 290mn in FY21 with pace of 12.4% CAGR during same period.

Source: Source: Company, BP Equities Research

## China +1 policy to increase opportunities for Sudarshan Chemicals

The Indian chemical players are witnessing a structural change, led by a shift in global supply from china, robust domestic demand and global level consolidation. Rising labour costs and stricter pollution control measures in China has driven global companies to diversify their procurement apart from China. This is expected to be highly beneficial for low-cost countries like India. Sudarshan Chemicals is looking to utilize this opportunity. Recent capex and product portfolio expansion coupled with China +1 strategy act as strong tailwinds for the company with opportunities to increase market share.

## Pigment– M&A

The pigment industry across the globe has been seeing consolidation over the past decade. Many large chemical companies have divested certain product lines or part of the business in a quest to optimize their portfolios. Recently, two global leaders, BASF and Clariant, announced their exit from the pigment business as they look to focus on their core businesses due to challenges faced in sourcing raw materials and intense competition with Asian manufacturers. With valuations of specialty chemicals often exceeding the value of the combined business, it is expected that sellers will continue to look to monetize such assets to focus on core operations. This would further help Indian companies like Sudarshan Chemicals capture greater market share and expand their customer base internationally.

Major acquisitions by Heubach (Clariant Pigments), DIC (BASF Color & Effects) are latest changes to the evolving world of pigments

## About Pigment Industry

### What is pigment?

Pigments are compounds that provide colour to a given material by covering its surface (paints, coatings, printing inks) or mixing with it (plastic applications). Pigments are distinct from dyes, which engage in chemical reactions with the material they should colour.

### Types of Pigments

Based on the method of their formulation, pigments can be categorized into two types: inorganic pigments and organic pigments.

#### ⇒ Organic Pigments

This type of pigment occurs naturally and they have been used for centuries. They are quite simple in their chemical structure, and named organic as they contain minerals and metals that give them their colour. Organic pigment manufacturers produce them through a simple process of washing, drying, powdering and combining into a formulation. Compared to inorganic pigments, the usages of these pigments are less frequent, so there are a limited number of organic pigment suppliers. These pigments are used when the required colour strength is not too much.

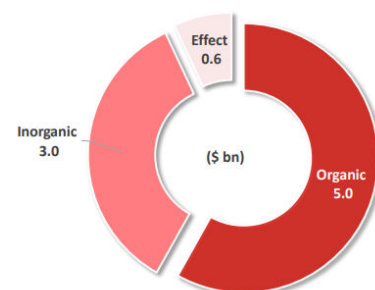
#### ⇒ Inorganic Pigments

As you can guess by its name, this pigment is exactly the opposite type of organic pigment. These pigments are also known as "synthetic pigments." They are formalized in labs and offer a great scope of control to inorganic pigment manufacturers. Inorganic pigments are manufactured by relatively simple chemical processes such as oxidation. Inorganic pigment suppliers supply this type of pigments mainly to paints, plastics, synthetic fibres, and ink. In uses where bright colours are required, organic pigments are used as they bolster high colour strength. Inorganic pigments include white opaque pigments commonly used to lighten other colours and provide opacity.

#### ⇒ Two other types of pigments are metallic pigments and industrial pigments

Metallic pigments, as implied in the name, include metal pigments such as zinc and aluminium pigments. At the same time, industrial pigments are the pigments that are widely used in industrial applications and include organic, inorganic and metallic pigments. ( Source: megmaniglobal)

### Global Colour Pigment Market - Relevant to Sudarshan



\* Excludes Black, White and Metallic Pigments.  
Based on internal Pigment industry study and various market research reports

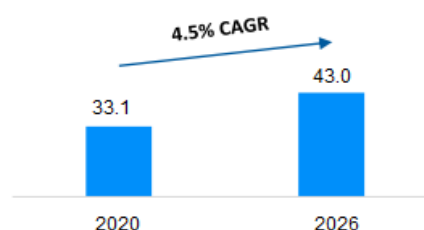
**The opportunity available for the company to be \$8.6 billion (Organic \$5 billion, Inorganic \$3 billion and Effect \$0.6 billion).**

## Pigments Industry Overview

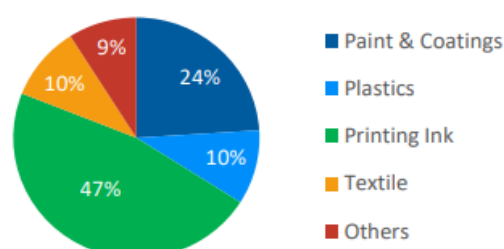
### Global Pigments Market

- The global pigments industry consists of three segments – organic, in-organic and specialty pigment
- Organic pigments account for 35-40% mkt. share out of total pigments industry
- Organic pigments include Azo Pigments (yellow & red) (50-55% share), Phthalocyanine Pigments (blue & green) (20% share) and other Pigments (25-30% share)
- Organic Pigments growth is linked to end-user industries mainly printing inks, paints and coatings and textile industries
- Paints & coatings and plastics industry have been the major growth drivers (especially from automotive sector)
- India and China are fast becoming the centre of the global Organic Pigments market

### Global Pigments Market Size (USD Bn)



### Demand Driver – Diverse Industrial Use



Source: Industry

## Domestic Pigment Industry

The Indian pigment industry has witnessed healthy growth owing to the high usage of pigments in several end-user industries such as cosmetics, paints and coatings. The pigment sales registered constant growth, increasing in value over the years. In India, major selling inorganic pigments include carbon black pigment and titanium dioxide, whose consumption was evaluated at thousands of tonnes and is majorly used in paints and the process of plastics.

### Major Segments

Product Type	Pigment Type	Description
Organic Pigments	Phthalocyanine	Phthalocyanine is the most produced organic pigment type in India.
	Azo Pigments	Azo pigments are mainly used as industrial colorant in plastics, building paints and inks.
	HPPs	HPP stands for High Performance Pigments and are generally used in applications where cost is of lesser concern like automotives, plastics and ink-jet printing
Inorganic Pigments	Titanium Oxide	Dyestuff and pigment manufacturers operating within India have started to incorporate the use of natural substances including natural dyes and organic pigments owing to its environmental friendly nature and safe usage of the product.
	Iron Oxide Pigments	
	Chrome Oxide Pigments	
	Others	

### FUTURE TRENDS

Focusing on specialty and high performance pigments, adopting for backward integration model to expand business operations, investing towards reducing adverse environmental effect, expansions through mergers and acquisitions, extending product/business portfolio, focusing towards eco-friendly/organic pigments and rising opportunities for non-toxic inorganic pigments will create a positive impact on the Indian pigments industry

### COMPETITION



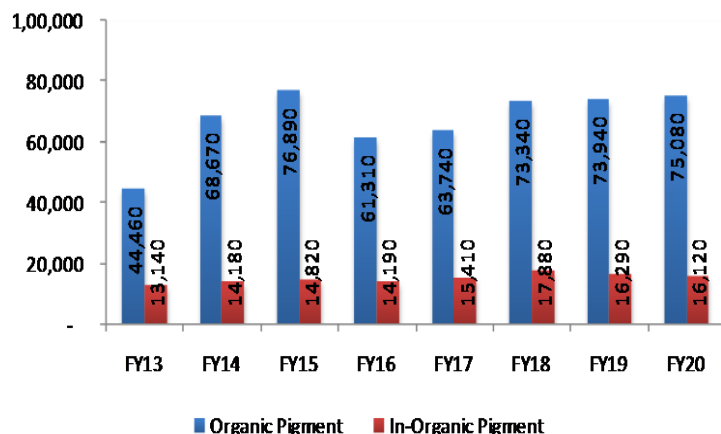
Source: Ken Research

# Sudarshan Chemical Industries Ltd

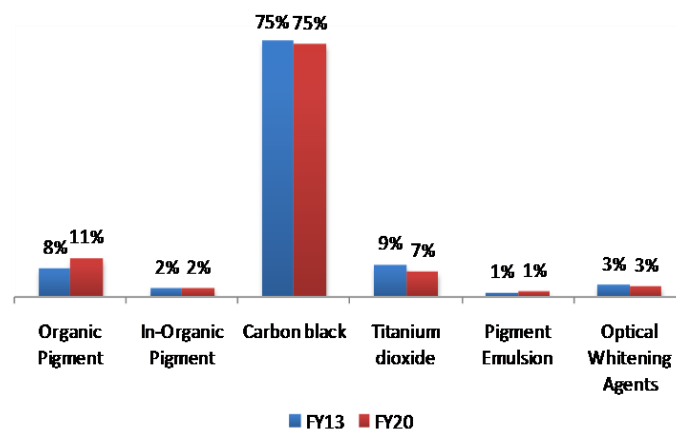
# Initiating Coverage Report

## Domestic pigment production

Organic pigment production grew at 7.8% CAGR vs 3% of In organic pigment over FY13-FY20

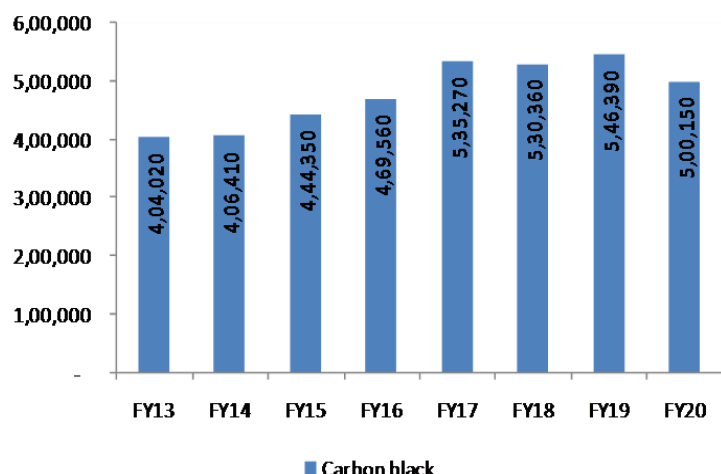


Organic pigment gaining traction compared to others Pigment type in India

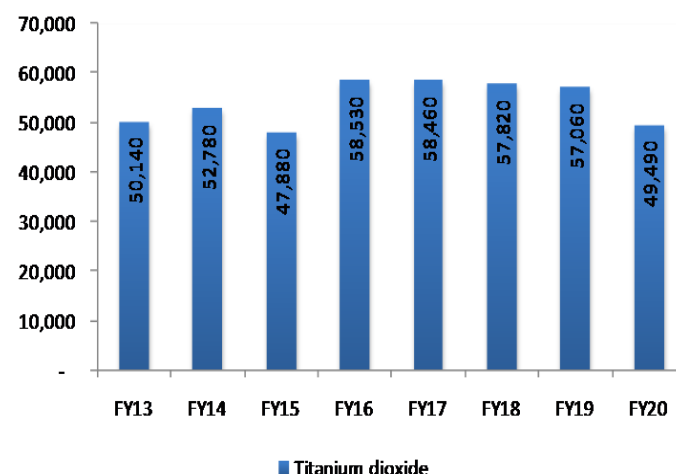


Source: Department of Chemicals and Petrochemicals AR 21, BP Equity Research

Carbon black production grew at 3.1% CAGR over FY13-FY20

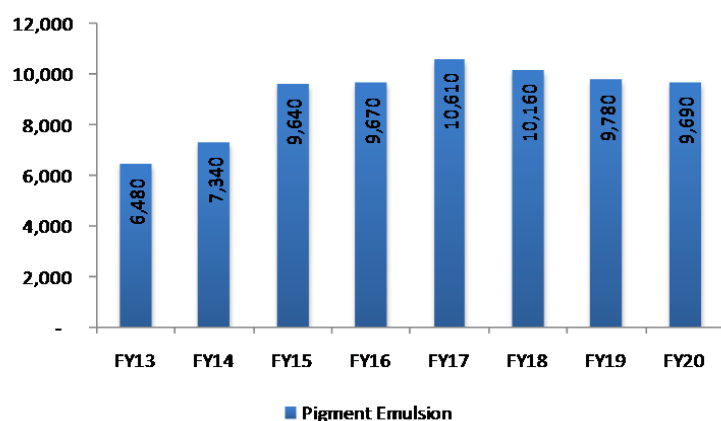


Titanium dioxide production remained flat in FY20 vs-FY13

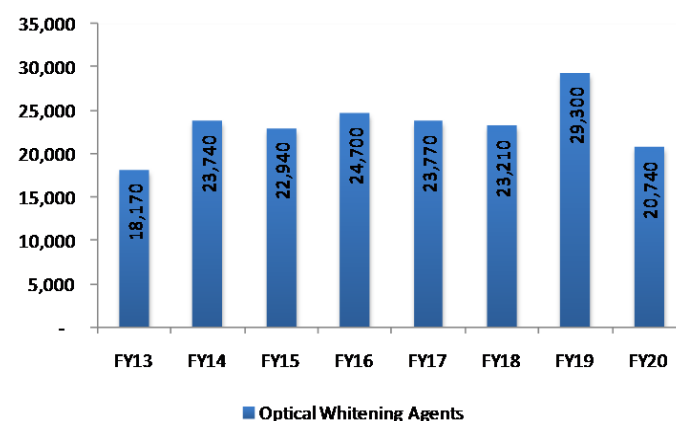


Source: Department of Chemicals and Petrochemicals AR 21, BP Equity Research

Pigment emulsion production grew at 3.1% CAGR over FY13-FY20



Optical Whitening Agents production grew at 3.1% CAGR over FY13-FY20



Source: Department of Chemicals and Petrochemicals AR 21, BP Equity Research

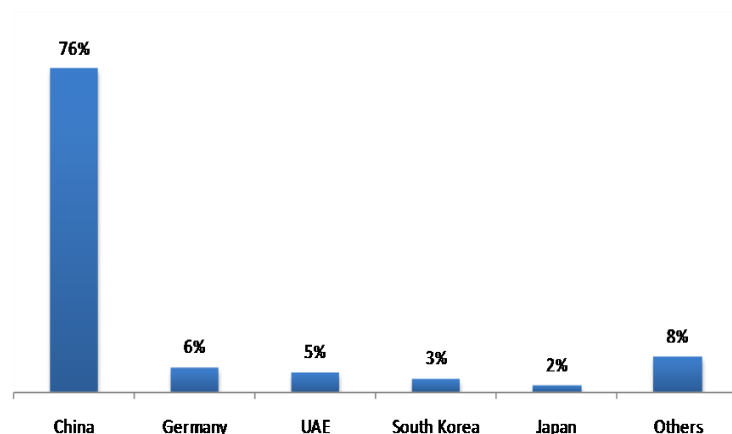


# Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

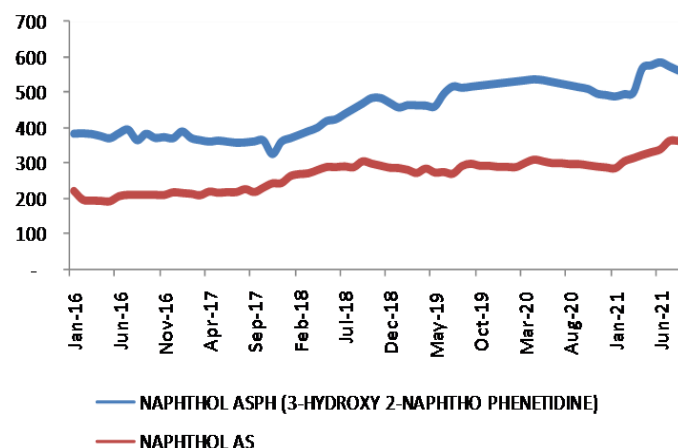
### Key raw material (RM) price trend

#### Country wise raw material import dependence

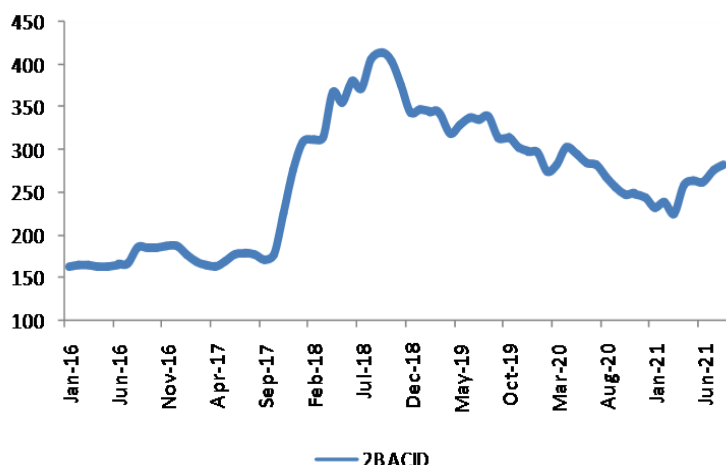


Source: Industry, BP Equity Research

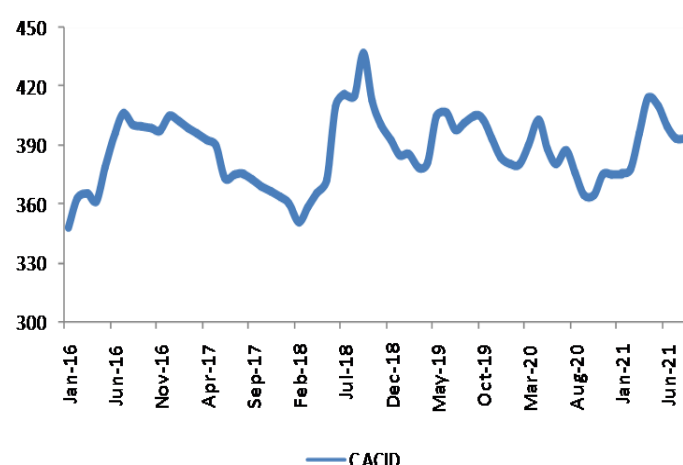
#### Naphthols (incl Naphthol AS-IRG) accounts ~19% of Imported RM



#### 2B Acid is ~4.3% of total RM import costs

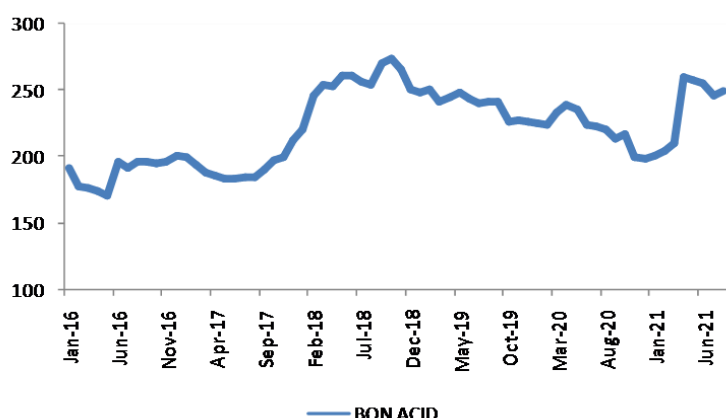


#### C Acid consist ~3.3% of total RM import costs



Source: Industry, BP Equity Research

#### BON Acid accounts ~6.4% of total raw material import cost



Source: Industry, BP Equity Research

- ⇒ The prices of basic chemicals required to manufacture pigments are volatile.
- ⇒ SCIL's 40% raw material requirements are met by import, of which around 76% of the raw material (31% of overall RM) is imported from China.
- ⇒ We observed price increases in the intermediate going into various pigment chemistries.
- ⇒ As per our channel check during August 2021, Prices of Naphthol intermediates were up 15 to 20% on a YoY basis, 2B acid prices were up by 5.1% YoY, Bon Acid prices were up by 12.9% on a YoY basis, and C Acid prices were up by 4.6% on a YoY basis.
- ⇒ However, SCIL has a presence in the high-value specialty chemicals value chain, in which manufacturers have increased ability to pass on hikes in input costs, although with a lag of typically one quarter.

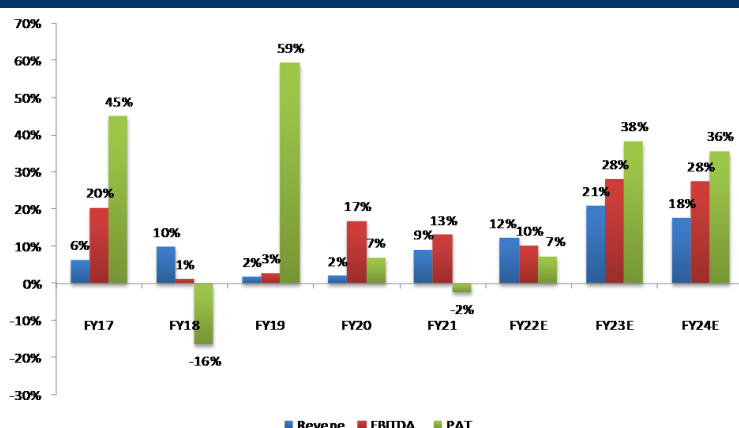
# Sudarshan Chemical Industries Ltd

# Initiating Coverage Report

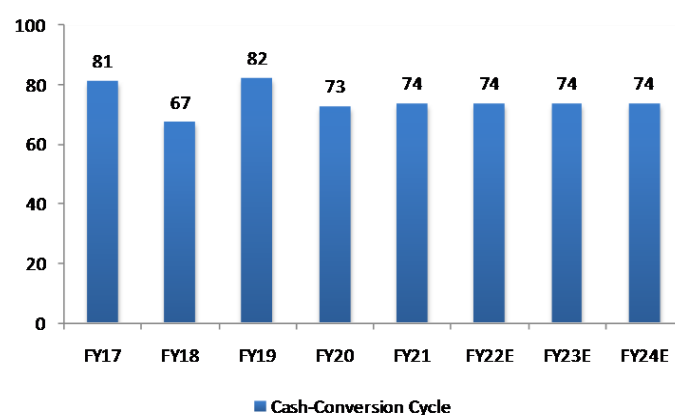
## Financial Performance to improve further

SCIL's capacity expansion in line with rising demand in end-user industries provides strong revenue visibility. During FY12-21, SCIL has clocked an average asset turnover of 2.1x. We expect similar asset turnover on incremental capex, which translates into an additional INR 12bn to revenues at peak utilization over the next 3-4 years. We expect SCIL to deliver 16.9% revenue CAGR over FY21-24e as against a 5.8% CAGR over FY16-21 driven by the rising proportion of high-margin products, huge capex, launching of new products and expanding geographical reach. As per management, capacity utilization was at ~81% in Q1FY22 and upcoming capacities coupled with new product lines would support strong revenue growth momentum in coming years. SCIL has maintained healthy EBITDA margins despite volatility in raw material prices, reflecting its efficient procurement practices. We expect SCIL to post healthy 21.6% EBITDA CAGR over FY21-24E, while margin would expand by 191bps to 16.9% driven by the increasing proportion of high-margin products and positive operating leverage from ramped up capacities. SCIL's return ratios (RoE and RoCE) to improve further with the acceleration of net profit on the back of healthy revenue growth and improving operating margins. The Cash-conversion cycle is expected to remain stable at 70- 80 days over FY22-24. Despite the continued capex, the company's debt-to-equity ratio would fall to 0.51x in FY24e, against 0.75x in FY20. Similarly, Net debt/ EBITDA ratio is expected to improve from 1.8x in FY20 to 0.6x by FY24E.

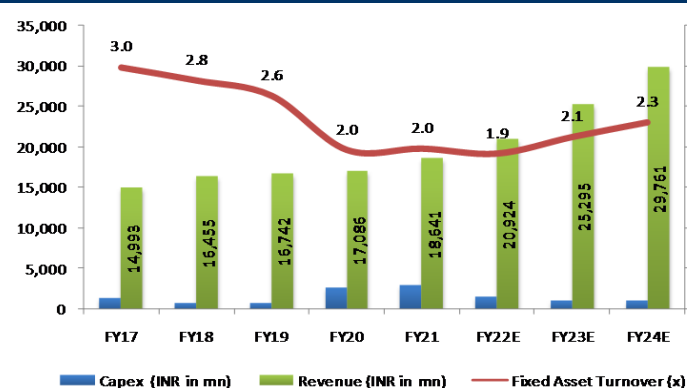
### Revenue/EBITDA/PAT growth trend (YoY)



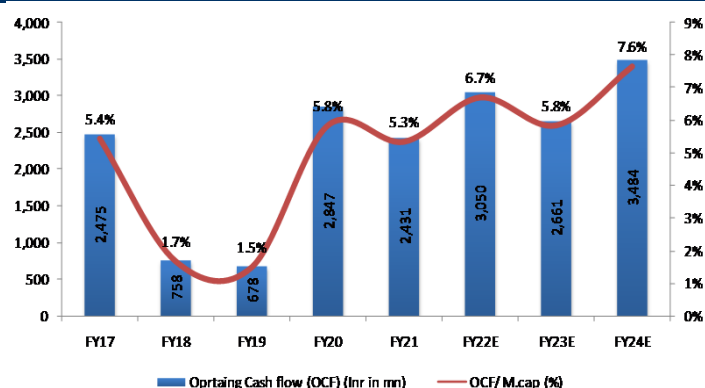
### Cash-conversion cycle to be maintained at 70-80 days



### Asset turnover to inch above 2x



### Operating cash flows to remain strong



Source: Company, BP Equity Research

## ⇒ Subsidiary Financials

INR in Mn	Total Income	EBITDA	EBITDA Margin	PAT	Nature	Country of Incorporation	Ownership in %	% of Consol revenue
Sudarshan Europe B.V	2,602	97	4%	69	Subsidiary	Netherlands	100%	14.0%
RIECO Industries Limited	1,150	83	7%	49	Subsidiary	India	100%	6.2%
Sudarshan North America, Inc.,	804	25	3%	26	Step-down subsidiary	USA	100%	4.3%
Sudarshan Mexico S de R.L. De CV	343	4	1%	1	Step-down subsidiary	Mexico	100%	1.8%
Sudarshan (Shanghai) Trading Co Ltd	175	5	3%	3	Subsidiary	China	100%	0.9%
Sudarshan Japan Limited	45	(5)	-11%	(6)	Subsidiary	Japan	100%	0.2%

Source: Company, BP Equity Research

# Sudarshan Chemical Industries Ltd

# Initiating Coverage Report

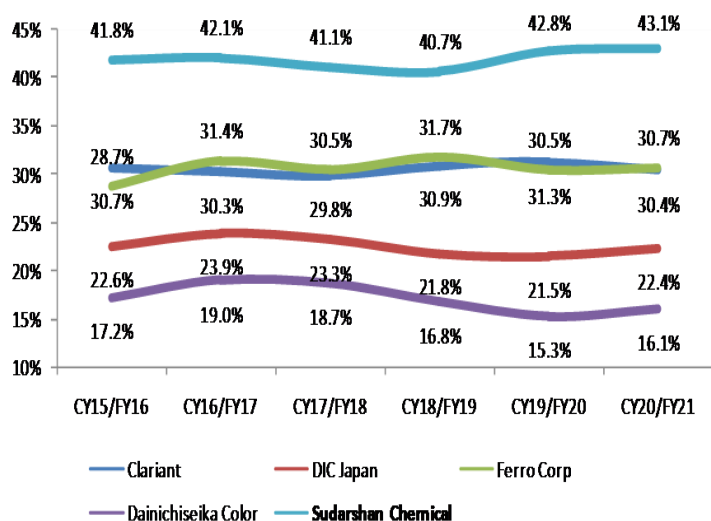
## Global Peer comparison

### SCIL maintained consistency in revenue growth

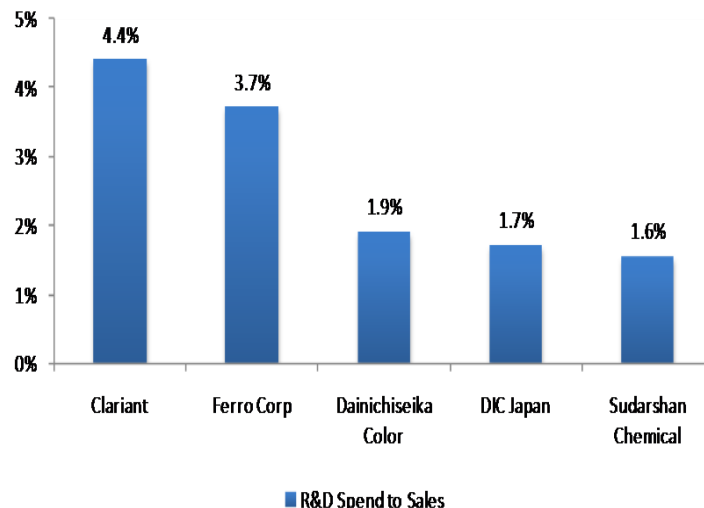
Revenue Growth Trend	CY15/FY16	CY16/FY17	CY17/FY18	CY18/FY19	CY19/FY20	CY20/FY21
Clariant	-9.7%	-1.6%	9.1%	-30.5%	-1.7%	-7.0%
DIC Japan	-13.8%	2.2%	1.6%	3.6%	-3.4%	-6.8%
Ferro Corporation	-3.3%	6.5%	22.0%	-22.5%	-6.3%	-5.5%
Dainichiseika Color & Chemcls	-10.1%	8.5%	3.9%	1.7%	-7.2%	-8.4%
Sudarshan Chemical	15.7%	6.4%	9.8%	1.7%	2.1%	9.1%

Source: Company, Bloomberg, BP Equities Research

### Superior gross margin compared to peers



### Lowest R&D among peers, yet effective



Source: Company, Bloomberg, BP Equities Research

## Valuation comparison

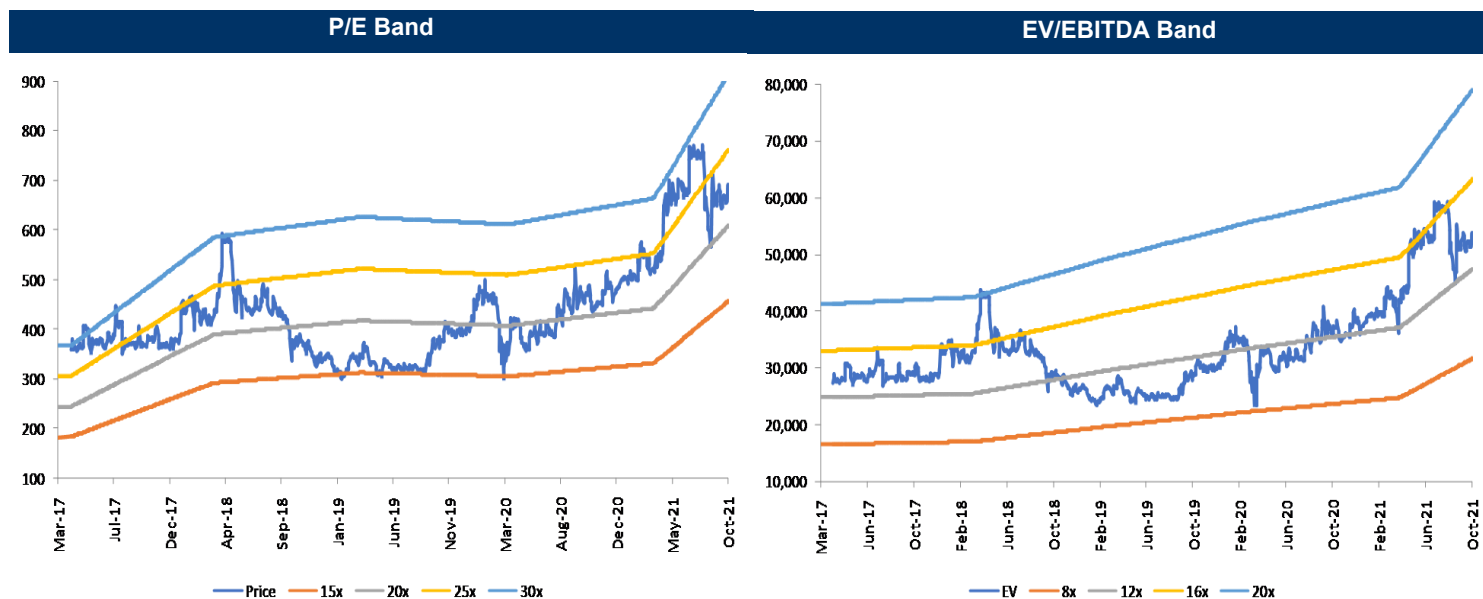
Company	CMP (INR/ USD#)	M Cap (INR/USD#. Bn)	P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
			CY21E	CY22E	CY23E	CY21E	CY22E	CY23E	CY21E	CY22E	CY23E
Sudarshan Chemical	675.0	46.7	30.2	21.8	16.1	16.1	12.5	9.7	19.0%	22.6%	25.8%
<b>Peers#</b>											
Clariant	18.8	6.23	20.0	18.4	16.7	10.1	9.9	9.0	12.6%	11.3%	12.1%
DIC Japan	27.3	2.60	12.7	8.3	7.6	7.8	6.9	6.6	6.7%	8.8%	9.0%
Ferro Corporation	20.4	1.69	16.6	15.5	13.2	8.7	8.3	7.8	22.6%	20.2%	29.0%

Source: BP Equities Research, \*=Bloomberg estimate

# Sudarshan Chemical Industries Ltd

# Initiating Coverage Report

## Band Charts



Source: BP Equities Research, Ace Equity

## Key risks and concerns:

- ⇒ Revenue and profitability are exposed to government policies related to pollution control, product toxicity, or import and export of raw materials.
- ⇒ Any delay in commissioning a new product that was about to be launched within stipulated time and costs might affect revenue growth momentum.
- ⇒ SCIL derives 31% of its raw material from China, where environmental restrictions have led to price volatility.
- ⇒ During FY21, the contribution from export revenue was ~ 49%. Therefore, adverse forex fluctuations may affect a company's financials.

## Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

## Key Milestones

1951	Established as Sudarshan Chemical Industries Pvt Ltd
1952	Started its first manufacturing facility in Swargate, Pune
1967	Started exporting globally
1973	Inaugurated manufacturing facility at Roha
1976	Got listed on BSE
1989	Collaboration with world leader, DIC, Japan
1993	Became the first Indian chemical company to receive ISO 9001 certificate
1994	Commenced manufacturing plant Mahad for Pthalos and Effect pigments
1999	Introduced SAP across all its functions
2006	Established a state-of-the-art technology R&D centre at Sutarwadi
2007	Established subsidiary Sudarshan Europe BV
2009	Expanded its footprints in the USA, incorporation of Sudarshan North America
2018	Established Sudarshan Mexico and became number 4 in pigment industry
2019	Sudarshan established laboratory in Germany
2020	Established Sudarshan Japan K.K.

Source: Company, BP Equities Research

## Board of Directors

Name	Designation	Details
Mr. Pradeep Rathi	Chairman	He has completed his MS in Chemical Engineering from MIT, USA and MBA from Columbia University, USA. He has been associated with the Company for more than four decades.
Mr. Rajesh Rathi	Managing Director	He has been associated with the company for over two decades. He has degrees in B.E.Mech.Engg from MIT, Pune; B.S.Chem.Engg from Ohio State University, USA and an MBA from Pittsburgh University, USA.
Mr. Ashish Vij	Whole Time Director	He has been associated with the company for almost 15 years. He has completed his BE (Chemical) in 1991 from UDCT, Panjab University, Chandigarh. He is certified with Six Sigma Black Belt and Lean Practitioner from Uniworld, USA and BMGI India. Also completed Strategy Intervention Program in 2009 from The Strategy Academy of Prof. Ranjan Das (Strategy Prof. of IIMC).
Mr. D. N. Damania	Non-Executive, Independent Director	He has a B.E Mechanical Engineering degree from Pune University and is a renowned technocrat. Mr. Damania is also on the Board of several other Companies.

Source: Company, BP Equities Research



## Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

## Valuation &amp; Outlook

Valuation	Basis	FY22E	FY23E	FY24E
EPS		22	30	41
Growth in EPS (YoY %)		7%	38%	36%
Implied PE		30.2	21.8	16.1
Assigned PE	(22x PE)	22	22	22
Target Price		<b>480</b>	<b>664</b>	<b>901</b>
(Implied PEG Ratio considering next 2.5 years: 0.8)				
CMP		675	675	675
Upside Potential (%)				<b>34%</b>

Source: Company, BP Equities Research

SCIL dominates the Indian pigment industry, with around 30-35% market share. Additionally, it is also the third-largest player globally (post the acquisition of BASF's pigment division by DIC Corp.), with a market share of 3%-3.5% in organic pigments. We believe the global market position of SCIL to improve further over the medium term, given the ongoing consolidation in the industry. Further, aiming to enhance the share of higher-margin/realization speciality product categories such as high-performance azo pigments, cosmetics and pigment dispersions should benefit the company to improve EBITDA. Recent capex and product portfolio expansion coupled with China +1 strategy act as strong tailwinds for the company with opportunities to increase market share. SCIL has witnessed fluctuation in demand in the domestic market coupled with sharp surge in logistics costs let by container unavailability and volatility in the raw material cost. However, SCIL has a presence in the high-value specialty chemicals value chain, in which manufacturers have increased ability to pass on hikes in input costs, although with a lag of typically one quarter. The company expects margins profile to recover and improve from Q3FY22 onwards. We foresee 16.9% revenue CAGR, 191bps margin expansion, and 26.2% growth in earnings over FY21-24E on the back of healthy demand, market share gain, huge CAPEX, rising proportion of high-margin products, China+1 policy and cost optimisation, resulting from backward integration. At the CMP (INR 675), the stock trades at 16.1x FY24e EPS and 9.7x EV/EBITDA. We believe the stock to witness gradual re-rating on the back of a better product pipeline and improved return ratios. We initiate coverage on the stock & recommend a 'BUY' rating with a target price of INR 901 per share, valuing the company at 22x FY24e earnings.



## Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

Profit & Loss A/c (Consolidated)							
YE March (INR in Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>16,455</b>	<b>16,742</b>	<b>17,086</b>	<b>18,641</b>	<b>20,924</b>	<b>25,295</b>	<b>29,761</b>
Growth %	9.8%	1.7%	2.1%	9.1%	12.2%	20.9%	17.7%
<b>Total Revenue</b>	<b>16,455</b>	<b>16,742</b>	<b>17,086</b>	<b>18,641</b>	<b>20,924</b>	<b>25,295</b>	<b>29,761</b>
<b>Less:</b>							
Raw Material Consumed	9,685	9,931	9,765	10,605	11,963	14,317	16,508
Employee Cost	1,219	1,295	1,460	1,557	1,712	1,969	2,264
Other Expenses	3,487	3,394	3,384	3,680	4,163	5,059	5,952
<b>Total Operating Expenditure</b>	<b>14,391</b>	<b>14,621</b>	<b>14,609</b>	<b>15,841</b>	<b>17,838</b>	<b>21,345</b>	<b>24,724</b>
<b>EBITDA</b>	<b>2,064</b>	<b>2,121</b>	<b>2,477</b>	<b>2,800</b>	<b>3,085</b>	<b>3,950</b>	<b>5,037</b>
Growth %	1.1%	2.8%	16.8%	13.0%	10.2%	28.0%	27.5%
Less: Depreciation	618	670	735	865	985	1,075	1,165
<b>EBIT</b>	<b>1,445</b>	<b>1,451</b>	<b>1,742</b>	<b>1,935</b>	<b>2,100</b>	<b>2,875</b>	<b>3,872</b>
Growth %	-4.9%	0.4%	20.0%	11.1%	8.6%	36.9%	34.7%
Interest Paid	310	206	164	201	251	251	251
Non-operating Income	132	76	47	170	170	170	170
Extraordinary Income	0	723	172	0	0	0	0
<b>Profit Before tax</b>	<b>1,267</b>	<b>2,044</b>	<b>1,796</b>	<b>1,904</b>	<b>2,020</b>	<b>2,795</b>	<b>3,792</b>
Tax	420	693	351	493	509	704	955
<b>Net Profit before Minority</b>	<b>847</b>	<b>1,351</b>	<b>1,445</b>	<b>1,411</b>	<b>1,511</b>	<b>2,091</b>	<b>2,836</b>
Minority Interest	0	0	0	0	0	0	0
Other Consolidated Items	0	0	0	0	0	0	0
<b>Net Profit</b>	<b>847</b>	<b>1,351</b>	<b>1,445</b>	<b>1,411</b>	<b>1,511</b>	<b>2,091</b>	<b>2,836</b>
<b>Adjusted Profit</b>	<b>847</b>	<b>628</b>	<b>1,274</b>	<b>1,411</b>	<b>1,511</b>	<b>2,091</b>	<b>2,836</b>
<b>Reported Diluted EPS INR</b>	<b>12.2</b>	<b>19.5</b>	<b>20.9</b>	<b>20.4</b>	<b>21.8</b>	<b>30.2</b>	<b>41.0</b>
Growth %	-16.4%	-59.5%	7.0%	-2.4%	7.1%	38.4%	35.7%
<b>Adjusted Diluted EPS INR</b>	<b>12.2</b>	<b>9.1</b>	<b>18.4</b>	<b>20.4</b>	<b>21.8</b>	<b>30.2</b>	<b>41.0</b>
Growth %	-16.4%	25.8%	102.7%	10.8%	7.1%	38.4%	35.7%

Source: Ace Equity, BP Equities Research

Common Sized Profit & Loss Account							
YE March (INR. Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Total Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Less:</b>							
Raw Material Consumed	58.9%	59.3%	57.2%	56.9%	57.2%	56.6%	55.5%
Employee Cost	7.4%	7.7%	8.5%	8.4%	8.2%	7.8%	7.6%
Other Expenses	21.2%	20.3%	19.8%	19.7%	19.9%	20.0%	20.0%
<b>Total Operating Expenditure</b>	<b>87.5%</b>	<b>87.3%</b>	<b>85.5%</b>	<b>85.0%</b>	<b>85.3%</b>	<b>84.4%</b>	<b>83.1%</b>
<b>EBITDA</b>	<b>12.5%</b>	<b>12.7%</b>	<b>14.5%</b>	<b>15.0%</b>	<b>14.7%</b>	<b>15.6%</b>	<b>16.9%</b>
Depreciation	3.8%	4.0%	4.3%	4.6%	4.7%	4.3%	3.9%
Interest Paid	1.9%	1.2%	1.0%	1.1%	1.2%	1.0%	0.8%
Non-operating Income	0.8%	0.5%	0.3%	0.9%	0.8%	0.7%	0.6%
Extraordinary Items	0.0%	4.3%	1.0%	0.0%	0.0%	0.0%	0.0%
<b>Profit Before Tax</b>	<b>7.7%</b>	<b>12.2%</b>	<b>10.5%</b>	<b>10.2%</b>	<b>9.7%</b>	<b>11.0%</b>	<b>12.7%</b>
Current tax	2.6%	4.1%	2.1%	2.6%	2.4%	2.8%	3.2%
<b>Profit After Tax</b>	<b>5.1%</b>	<b>8.1%</b>	<b>8.5%</b>	<b>7.6%</b>	<b>7.2%</b>	<b>8.3%</b>	<b>9.5%</b>
<b>Adjusted Profit</b>	<b>5.1%</b>	<b>3.8%</b>	<b>7.5%</b>	<b>7.6%</b>	<b>7.2%</b>	<b>8.3%</b>	<b>9.5%</b>

Source: Ace Equity, BP Equities Research



## Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

Cash Flows (Consolidated)							
YE March (INR in. Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>PAT</b>	<b>847</b>	<b>1,351</b>	<b>1,445</b>	<b>1,411</b>	<b>1,511</b>	<b>2,091</b>	<b>2,836</b>
(Less)/Add: Extraordinary Income/Expense	0	(723)	(172)	0	0	0	0
Less: Non Operating Income	(132)	(76)	(47)	(170)	(170)	(170)	(170)
Add: Depreciation	618	670	735	865	985	1,075	1,165
Add: Interest Paid	310	206	164	201	251	251	251
Tax Adjustment	0	0	0	0	0	0	0
<b>Operating Profit before Working Capital Changes</b>	<b>1,644</b>	<b>1,428</b>	<b>2,126</b>	<b>2,307</b>	<b>2,576</b>	<b>3,246</b>	<b>4,081</b>
(Inc)/Dec in Current Assets	(613)	(1,049)	1,415	(1,606)	(800)	(1,532)	(1,565)
Inc/(Dec) in Current Liabilities	(150)	647	335	1,739	1,778	1,912	1,953
Changes in Inventory	(122)	(347)	(1,030)	(9)	(504)	(965)	(986)
<b>Net Cash Generated From Operations</b>	<b>758</b>	<b>678</b>	<b>2,847</b>	<b>2,431</b>	<b>3,050</b>	<b>2,661</b>	<b>3,484</b>
<b>Cash Flow from Investing Activities</b>							
(Inc)/Dec in Fixed Assets	(806)	(529)	(2,358)	(720)	(1,500)	(1,000)	(1,000)
(Inc)/Dec in Capital Work In Progress	22	(126)	(258)	(2,246)	0	0	0
(Inc)/Dec in Investment (Strategic)	560	(761)	(1,280)	(360)	(402)	(771)	(787)
(Inc)/Dec in Investment (Others)	(0)	5	(9)	(4)	0	0	0
Add: Non Operating Income	132	76	47	170	170	170	170
(Inc)/Dec in Intangible Assets	3	(58)	18	(58)	0	0	0
<b>Net Cash Flow from/(used in) Investing Activities</b>	<b>(89)</b>	<b>(1,393)</b>	<b>(3,840)</b>	<b>(3,217)</b>	<b>(1,732)</b>	<b>(1,600)</b>	<b>(1,617)</b>
<b>Cash Flow from Financing Activities</b>							
Inc/(Dec) in Total Loans	(62)	248	2,174	1,075	1,200	0	0
Inc/(Dec) in Reserves & Surplus	(16)	342	(678)	420	(0)	0	0
Inc/(Dec) in Equity	0	0	0	13	0	0	0
Dividend Paid	(242)	(415)	(436)	(415)	(445)	(615)	(835)
Less: Interest Paid	(310)	(206)	(164)	(201)	(251)	(251)	(251)
Adjustments	(49)	(37)	1	(22)	0	0	0
Exceptional Item	0	723	172	0	0	0	0
<b>Net Cash Flow from Financing Activities</b>	<b>(680)</b>	<b>654</b>	<b>1,068</b>	<b>868</b>	<b>505</b>	<b>(866)</b>	<b>(1,085)</b>
<b>Net Inc/Dec in cash equivalents</b>	<b>(11)</b>	<b>(61)</b>	<b>75</b>	<b>82</b>	<b>1,823</b>	<b>195</b>	<b>781</b>
<b>Opening Balance</b>	<b>153</b>	<b>142</b>	<b>81</b>	<b>156</b>	<b>238</b>	<b>2,062</b>	<b>2,256</b>
<b>Closing Balance Cash and Cash Equivalents</b>	<b>142</b>	<b>81</b>	<b>156</b>	<b>238</b>	<b>2,062</b>	<b>2,256</b>	<b>3,038</b>

Source: Ace Equity, BP Equities Research



## Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

Balance Sheet (Consolidated)							
YE March( INR in Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Liabilities</b>							
Equity Capital	138	138	138	138	138	138	138
Reserves & Surplus	4,261	5,539	5,869	7,285	8,351	9,826	11,827
<b>Equity</b>	<b>4,400</b>	<b>5,677</b>	<b>6,008</b>	<b>7,436</b>	<b>8,502</b>	<b>9,977</b>	<b>11,978</b>
<b>Net Worth</b>	<b>4,400</b>	<b>5,677</b>	<b>6,008</b>	<b>7,436</b>	<b>8,502</b>	<b>9,977</b>	<b>11,978</b>
Minority Interest							
Net Deferred tax liability/(Asset)	1,332	2,161	2,854	3,569	3,569	3,569	3,569
<b>Total Loans</b>	<b>3,611</b>	<b>3,031</b>	<b>4,512</b>	<b>4,872</b>	<b>6,072</b>	<b>6,072</b>	<b>6,072</b>
<b>Capital Employed</b>	<b>9,343</b>	<b>10,869</b>	<b>13,374</b>	<b>15,877</b>	<b>18,143</b>	<b>19,618</b>	<b>21,619</b>
<b>Assets</b>							
Gross Block	5,838	6,367	8,725	9,445	10,945	11,945	12,945
Less: Depreciation	1,084	1,717	2,454	3,297	4,282	5,357	6,522
<b>Net Block</b>	<b>4,754</b>	<b>4,650</b>	<b>6,271</b>	<b>6,149</b>	<b>6,663</b>	<b>6,588</b>	<b>6,423</b>
Capital WIP	56	182	440	2,686	2,686	2,686	2,686
Long Term Loans & Advances	950	1,711	2,924	3,286	3,688	4,459	5,246
Other Non Current Assets	68	68	135	133	133	133	133
Intangible assets under development	0	58	40	98	98	98	98
Non- Current Investments	5	0	9	13	13	13	13
<b>Current Assets</b>							
Inventories	2,729	3,077	4,107	4,116	4,620	5,585	6,571
Sundry Debtors	3,333	3,461	3,641	4,847	5,440	6,577	7,738
Cash and Bank Balance	142	81	156	238	2,062	2,256	3,038
Current Investments	0	0	0	0	0	0	0
Loans and Advances	954	1,613	1,051	1,308	1,468	1,775	2,088
Other Current Assets	1,006	1,268	235	378	424	513	603
<b>Total Current Assets</b>	<b>8,164</b>	<b>9,500</b>	<b>9,190</b>	<b>10,887</b>	<b>14,014</b>	<b>16,705</b>	<b>20,038</b>
<b>Less: Current Liabilities &amp; Provisions</b>							
Sundry Creditors	2,644	2,422	3,715	4,411	5,827	7,044	8,288
Provisions	338	1,243	624	598	672	812	955
Other Current Liabilities	1,672	1,636	1,297	2,364	2,654	3,208	3,774
<b>Total Current Liabilities &amp; Provisions</b>	<b>4,654</b>	<b>5,300</b>	<b>5,635</b>	<b>7,374</b>	<b>9,152</b>	<b>11,064</b>	<b>13,017</b>
<b>Capital Applied</b>	<b>9,343</b>	<b>10,869</b>	<b>13,374</b>	<b>15,877</b>	<b>18,143</b>	<b>19,618</b>	<b>21,619</b>

Source: Ace Equity, BP Equities Research



## Sudarshan Chemical Industries Ltd

## Initiating Coverage Report

## Key Ratios (Consolidated )

YE March (INR. In Mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Key Operating Ratios</b>							
EBITDA Margin (%)	13%	13%	14%	15%	15%	16%	17%
Tax / PBT (%)	33%	34%	20%	26%	25%	25%	25%
Net Profit Margin (%)	5%	8%	8%	8%	7%	8%	10%
RoE (%)	21%	12%	22%	21%	19%	23%	26%
RoCE (%)	17%	15%	15%	15%	15%	18%	22%
Current Ratio (x)	1.8x	1.8x	1.6x	1.5x	1.5x	1.5x	1.5x
Dividend Payout (%)	29%	31%	30%	29%	29%	29%	29%
Book Value Per Share (Rs.)	64	82	87	107	123	144	173

## Financial Leverage Ratios

Debt/ Equity (x)	0.8x	0.5x	0.8x	0.7x	0.7x	0.6x	0.5x
Interest Coverage (x)	6.6x	10.3x	15.1x	13.9x	12.3x	15.8x	20.1x

## Growth Indicators %

Sales Growth (%)	10%	2%	2%	9%	12%	21%	18%
EBITDA Growth (%)	1%	3%	17%	13%	10%	28%	28%
Net Profit Growth (%)	(16%)	(59%)	7%	(2%)	7%	38%	36%
Diluted EPS Growth (%)	(16%)	(59%)	7%	(2%)	7%	38%	36%

## Turnover Ratios

Debtors Days	74	75	78	95	95	95	95
Creditors Days	67	60	93	102	102	102	102
Inventory Days	61	67	88	81	81	81	81

Source: Ace Equity, BP Equities Research



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