

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs832	10	Accumulate	Rs1100	32%

\*as on 18th Aug, 2023

### About the Company:

With a legacy of nearly 70 years, Excel Industries Limited (Excel) is involved in the business of chemical manufacturing as well as sale of industrial agrochemicals & pesticides intermediates and specialty chemicals. It is a pioneer in the domain of phosphorus, its derivatives and related chemistry. Excel is the largest producer of Phosphorous based compounds like Phosphorous Trichloride (PCl<sub>3</sub>), Phosphorous Pentasulphide (P<sub>2</sub>S<sub>5</sub>) and Diethyl Thiophosphoryl Chloride (DETC) in India. Recently, the company has ventured into environmental and biotechnology sectors. Broadly speaking, the company can be organized into two business segments namely: The products basket can be divided into chemicals, polymer units, API and intermediates, veterinary APIs and environ biotech. Promoted by Mr. Ashwin Shroff and group, the company has manufacturing plants at Roha, Lote (chemical operations) and Ahmedabad (environ biotech and API operations).

### Results: Quick Glance:

- The net sales for the quarter under review de-grew by 34.8% to Rs2,143mn as compared to Rs3,288mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 3.6% as against 16.8% in Q1FY23
- The net profit for the quarter under review came in at Rs59mn as against Rs370mn in the comparative quarter last year
- The EPS for the quarter under review stood at Rs4.6 as compared to Rs29.4 in the corresponding period last year
- The division of Environment Biotech and Chemical have reported drop of 46.1% and 34.6% on a y-o-y basis respectively

### Financials:

Performance (Q1FY24)							
Q1FY24 Result (Rs mn)	Jun-23	Jun-22	y-o-y	Mar-23	q-o-q	FY23	FY24E
Total Revenue	2143	3288	(34.8%)	2261	(5.2%)	10898	10909
EBITDA	78	552	(85.9%)	110	(29.2%)	1268	1276
Other Income	93	26	-	26	-	129	134
Interest	6	5	16.6%	4	48.8%	22	22
Depreciation	88	78	13.8%	78	12.9%	314	319
Exceptional Items	0	0	-	0	-	0	0
Share of P/L in Associates	1	0	-	3	-	0	(4)
Tax	18	125	(85.3%)	29	(36.8%)	258	273
Net Profit	59	370	(84.1%)	21	-	799	800

**Outlook and Recommendations:** It is a tepid quarter under review which reported 34.8% y-o-y drop in revenues led by the drop in its business segments of Chemicals and Environment Biotech. There has been reduction in the realizations for all the global factors engulfing the chemical industry. Most of the chemical companies are facing the impact of sluggish demand from the key regulated/semi regulated markets with major emphasis on China and its disruption from energy crisis to production to the overall demand. Excel stood no different from this situation and hence the bleak results for the quarter. The reason for the drop in the Ebitda margins remains to be the lower realizations followed by headwinds in the export volumes and the mismatch in the sales price to the input costs. The rippling effects of the prices related to the key raw materials is the major reason for the fluctuations in the gross margins and passing on the prices and inventory is a difficult task across the entire industry. The company and Reliable Infra were jointly awarded a project by Rajkot Municipal Corporation to design, build, own, operate and maintain the Construction & Demolition (C&D) waste management system in Rajkot for a period of 20 years. Pursuant to this, during the quarter ended June 30, 2023, the company has incorporated a subsidiary, Excel Rajkot C&O Waste Recycling Private Limited as a special purpose vehicle for execution of this project.

**Outlook and Recommendations (contd.):**

Excel continues to diversify its product portfolio and enhance the R&D efforts for a sustainable growth ahead. There have been measures taken to add to volume capabilities for the existing as well addition to the product portfolio. The new product development strategy is centered around new chemistry platforms with focus on export & consumer-oriented approach. Going forward, Pharma intermediates, polymer inputs and specialty chemicals which are low volume, but high value products, continue to be the focus area for Excel. Excel Industries is a long term debt free, cash rich and a consistently dividend paying company. The conservative Management of Excel keeps rewarding the shareholders with healthy dividends while being vigilant about their debt profile. We maintain a cautious view on the overall chemical industry for H1FY24 issues and maintain an accumulate on the stock for a target price of Rs1100.

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