



Farsight

MORNING FARSIGHT

Thursday, August 09, 2018

MEGHMANI ORGANIC

CMP:RS 96

TRGT:RS 120

TIME HORIZON: 1 YEAR

Meghmani Organic is looking a good buy after good Q1FY19 earnings, after handsome FY18, while valuations continue to remain extremely attractive. For Q1FY19, company has achieved PBT of Rs 100 cr against Rs 62 cr QoQ, a growth of 61% QoQ, on an income of Rs 476 cr (up 13% YoY). Segment wise, Agro chemicals has performed well with EBIT of Rs 6.6 cr (+39% YoY —Seasonal business) and Basic Chemicals EBIT of Rs 80.8 cr, rising by 69% YoY. Recall that this division had achieved growth of +45% QoQ, +328%YoY in Q4FY18 as well. Further, Basic Chemicals has also done well with EBIT of Rs 61.4 cr against Rs 31.2 cr YoY, a growth of 97%, while Pigment Division performance was steady with EBIT of Rs 19.8 cr against Rs 19.3 cr YoY. This has resulted in Q1FY19 PAT of Rs 77 cr against Rs 43.3 cro YoY (+78 YoY), leading to an EPS of Rs 2.5 for Q1FY19 alone, which was at Rs 6.74 for FY18. One must recollect that even FY18 was a very strong year for the company, with Income / EBITDA / PAT growth of 21% / 54% / 105% respectively, at Rs 1,873 cr / Rs 462 cr 1 Rs 238 cr respectively, that too with EBITDA margin of 24.6%, PAT margin of 12.7% and RoE of 22%. Stock now ruling at Rs 96 is trading at PE of 8.7x on an estimated EPS of Rs 11 of FY19. In addition to this, when we take into account the fact that company has around 8% global Pigment market share (capacity of 31,340 TPA,among top 3 global pigments players), 4th largest Caustic-Chlorine producer in India (Basic Chemicals capacity 187,600 TPA) and strong presence in Agro chemicals (capacity 27,060 TPA) with Insecticides and Herbicides (branded products - Megastar, Megacyper, Megaban), valuations appear more attractive. Company is also undertaking capex of Rs 540 cr for setting up a Dichloro Chloromethane, Hydrogen Peroxide Project and Caustic Soda Expansion. Share ruling at Rs 96 can move to Rs 120 in 1 year. Buy as an investor.

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.