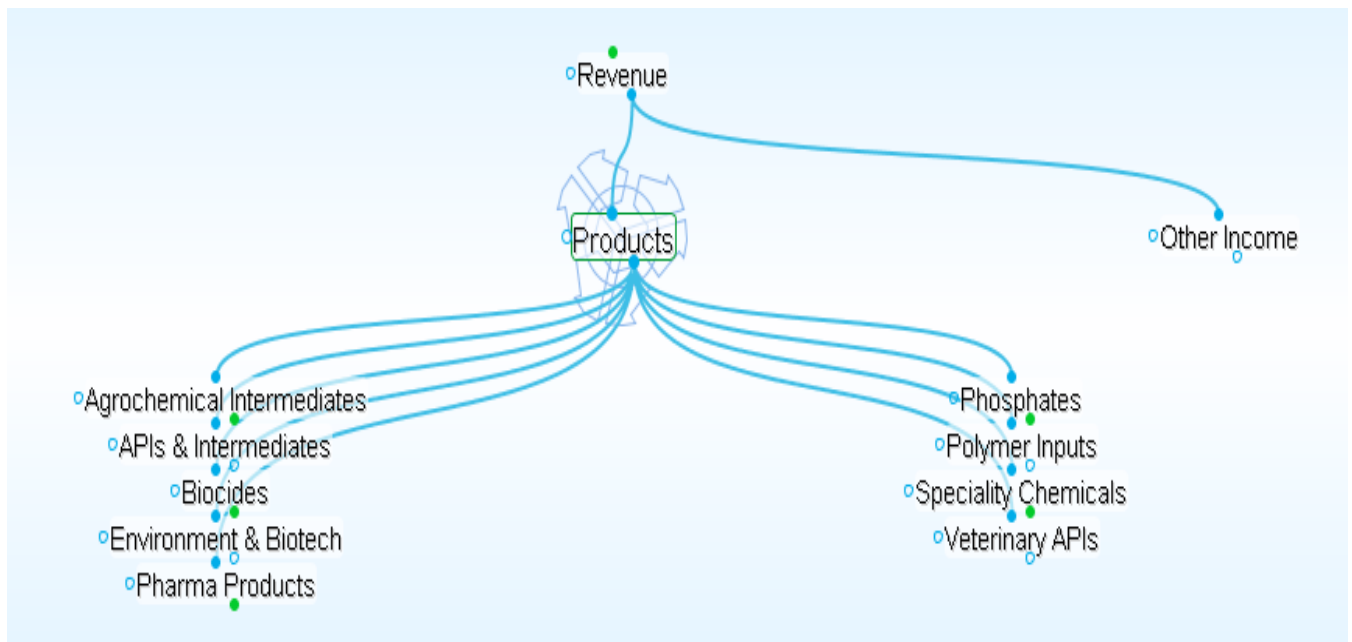


# Excel Industries Ltd.

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MCap - Rs.256.69 cr	Price Rs.203
Net Sales - Rs.451.95 cr	TTM PAT - Rs.35.60 cr
Dividend yield (%) - 3.5%	

- Company incorporated in 1941 with manufacturing plant at Maharashtra and Gujarat.
- Excel Industries is engaged in manufacturing of Agrochemical intermediates, phosphates, specialty chemicals, biocides and pharma products.
- Company using alliance manufacturing concept by which company become partner with customers and develop products for them.
- Company create synergies between customers' product and applications expertise and company's process development and manufacturing capabilities to drive solutions for the polymer industry.



- Company uses Phosphorus, Minerals, Organic Chemicals, Metals and Metal Powder as Raw Materials.
- Products of the company used in manufacturing of Organophosphorous pesticides, lube oil additives, mining chemicals, pharmaceutical, dye intermediates and fire retardant plasticizers; and also having applications in applications in cooling water treatment, boiler water treatment, soaps and detergents, textile processing, bottle washing, industrial and institutional cleaners, deflocculation of slurries, antiscalant formulations for oilfields, sea water evaporators, reverse osmosis & sugar processing.
- Company faces competition from China but rule on Anti-dumping duty can be helpful to company. China having dominance presence in each product which serves by company so this impact adversely to the performance of the company.

- Company recorded double digit growth in APIs segment and continue with developing new products & APIs.
- Fail to develop next generation molecular will impact adversely to the performance of the company and next generation molecular development needs many regulatory clarifications.
- Biocides is used as an industrial fungicide in Textiles, Paints, Guar gum, Adhesives and Paper-Pulp industries and as a Slimicide and Algaecide in Cooling Water Systems.
- The biocide produced by the Company has the advantage of good efficacy and cost effectiveness compared to other available alternatives. The Company has established a dominant position in this product.
- Phosphates products having applications in cooling water treatment, boiler water treatment, soaps and detergents, textile processing, bottle washing, industrial and institutional cleaners, deflocculation of slurries, antiscalant formulations for oilfields, sea water evaporators, reverse osmosis & sugar processing.
- Polymer additive used in automobile, aerospace, consumer electronics, medical and diagnostic equipment etc.
- Company supplies Polycarbonates, co-catalysts for the production of polymers, flame retardants, clarifiers and specialty monomers.
- These chemicals find application in ion extraction, chelation, polymer manufacture, as an additive in paper industry and as corrosion scale inhibitor.
- Increasing demand of liquid detergents lead increase in demand of Phosphonates.
- Veterinary APIs used for medicine of Animals and plant of the company has been licenced by the Maharashtra state FDA.
- Environment & Biotech - Municipal Solid Waste Management products selling under these categories. The sale of treat range products viz. Sanitreat and Bioculum was the highest ever. Sanitreat and Bioculum products was recommended by the Prime Minister's office and procured in a large quantity for odour control during the relief operations just after floods in Jammu & Kashmir. So such sales repetitions can be a question mark.
- The Municipal Solid Waste Management industry in India is witnessing the most exciting phase it ever has.
- The Prime Minister's 'Swachh Bharat Abhiyaan' can be a driver for further growth.

- Revenue growth due to higher credit sales --- There is not a major difference between PAT & CFO in FY15, and also company generating +ve CFO from last 9 years.
- Low equity stakes of promoters --- Promoters increased stakes in company from 28.61% in FY2001 to 51.02% in Q2FY16.
- Excel Industries and Excel Crop Care both companies are in same business then what is the need of listing of 2 different entities??? ---- Excel Crop Care demerged from Excel Industries in year 2003. And currently Excel Crop Care having purely focus on Agrochemicals, soil, seed and crop protection products. Excel Industries focus on Phosphorus and its derivatives, APIs, Mining Chemicals, Speciality chemicals etc.
- In year 2003, at the time of demerger of Excel Crop Care, Excel Industries had done Capital reduction of Face Value from Rs.10 to Rs.5.
- Company dilute its equity from 5.45 cr in FY14 to 5.95 cr in FY15.
- Total Expenses (%) falls to ~77% in FY15 compared to ~83% in FY14. Fall in total expenses (%) due to fall in Raw Material expenses are ~46% in FY15 from ~50% in FY14; and also falls in Power & fuel expenses. Company not able to pass on increases in price of raw materials to it's customers so which is creates problem to the company.
- Total Reserve of the company grown by 6% CAGR in last 11 years from Rs.94.60 cr in FY05 to Rs.178.51 cr in FY15; and MCap grown by 14% CAGR in last 11 years from Rs.66.29 cr in FY05 to Rs.337.23 cr in FY15.
- Business with Accruals --- PAT grown by 47% in last 11 years from Rs. -0.6 cr in FY05 to Rs.41.18 cr in FY15; and CFO grown by 9% in last 11 years from Rs.44.11 cr in FY05 to Rs.48.11 cr in FY15. Sloan Ratio is 6% in FY15 and 1% in last 11 years from FY05 to FY15 (between -10% to +10%, then company is in

safe zone and no funny business with accruals). Balance Sheet and Cash Aggregate Accrual Ratio is 0.07 in FY15 and Average of last 11 years is 0.01, which seems to be on the lower side and not looking any accruals problem with company.

- Total 11 years PAT is Rs.112.40 cr and CFO is Rs.175.33 cr. Here, we can see that CFO is higher compare to PAT which indicates that company can able to convert its profit into CFO; and this is a very healthy sign for the company.
  - **High debt level of the company** ---- Company reducing debt and due to that interest coverage increased to 4.66x in FY15; which shows improvement in the company.
  - **Operating Profit Margin (%) & PATM(%) are fluctuating in wide range** --- Company may not be able to pass increase in price of Raw material to the customers, some of the Raw materials price is depends on price of crude; Also company facing stiff competitions domestic as well as from China. (As per AR of FY11).
  - Cash Conversion Cycle --- 62.16 days in FY15 and 61 days in FY14; also 11 years average CCC comes at ~69 days. In last 3 years CCC remains stable at ~62 days, which is lower compare to previous years and 11 years' average.
  - RoE(%) improved from 12.66% in FY14 to 24.72% in FY15; improvement in RoE(%) is mainly due to improvement in PATM(%) from 3.94% in FY14 to 7.77% in FY15.
  - Company having long-term dividend payout history.
  - **Higher stock return due to expansion of PE** --- FY11 EPS was Rs.13.64 and TTM EPS is Rs.31.91 which gives 19% CAGR in 5 years. FY11 stock price was Rs.54 and Current stock price is Rs.188 which gives 28% CAGR. Thus, P/E expansion contributes ~10% in stock return and 19% due to expansion of earnings. This shows healthy future growth in returns.
  - **Management is not much competence to run business** --- From the below details of the management team, we can that management is competence to run business and also team having wide experience of same nature of business.
1. Mr. Ashwin Champraj Shroff (Chairman)
    1. Graduate in Chemistry
    2. Long experience in the same business
    3. Involves in same nature of business includes Transpek-Silox Industry Ltd., Excel Crop Care (Australia) Pty Limited, Phthalo Colours & Chemicals (I) Pvt Ltd., and Waxsam Ltd., Hong Kong.
  2. Mr. Dipesh Kantisen Shroff (Director)
    1. Harvard degree holder in Owners/President Management Programme USA and Qualification Diploma in Civil Engineering, MEP - IIM, Ahmedabad
    2. Director of Agrocel Industries Limited., Shroffs Engineering Limited, Upexcel Limited, Hyderabad Chemicals Supplies Limited, Parul Chemicals Limited, Kamaljiyot Investments Limited, Belgium and Hyderabad Chemical Product Limited. (Group companies).
  3. Mr. H. N. Motiwalla (Director)
    1. Education is of B.Com.; LL.B.; FCA and DISA
    2. Involves in other companies such as High-Tech Plast Ltd. Gujarat Organics Ltd. Ashapura Minechem Ltd. Siyaram Silk Mills, LIC Nomura Mutual Fund AMC Ltd.; and also the member of the Audit Committee of Multibase India Ltd.
  4. Mr. R. N. Bhogale (Director)
    1. On the Board for Nirlep Appliances Ltd.
    2. Engineer by qualification and experience in the auto components and kitchenware industries.
  5. Priyam S Jhaveri (Director)
    1. Educational qualification B. Com from Bombay University and Diploma in Business Management
    2. Involves in other companies includes Indian Extractions Ltd, Phthalo Colours & Chemicals (I) Pvt Ltd., Dr. Balabhai Nanavati Hospital and Sadhana Nitro Chem Ltd.
    3. Wide experience in Chemicals and Textile Auxiliary Industry.
  6. Usha A. Shroff (Executive Vice Chairperson)
    1. Master's degree in commerce.
  7. MR. ATUL G. SHROFF (Director)
    1. Director of Shri Dinesh Mills, Transpek Industry Ltd., Punjab Chemicals & Pharmaceuticals Limited, Ace Zipper Industrial Company Limited, Nascent Chemicals Industries Limited,

Onix Industry Limited, Sayaji Iron & Engineering Limited, Transpek Marketing Limited, Transpek Metadust Limited and Benzo Petrochemicals Limited.

8. Mr. M.B Parekh (Director)
    1. Part of the board of several leading corporations such as Fevicol Company Ltd., Kalva Marketing and Services Ltd., Pidilite Industries Ltd and Vinyl Chemicals (India) Ltd.
    2. Chairman and MD, Pidilite
  9. Mr. Ravi A. Shroff (Executive Director)
    1. Engineering Graduate (BE-Chemical) from Mumbai University and a Post Graduate in Chemistry from Boston University, USA.
    2. Director on the Board of reputed public companies including Transpek Industry Limited, Anshul Specialty Molecules Limited, Kamaljiyot Investments Limited and Transpek Industry (Europe) Limited.
    3. Steering strategic new business of Pharmaceutical and Veterinary APIs and has launched several new pharmaceutical molecules / products under his stewardship.
  10. Mr. Shailesh Vaidya (Director)
    1. Advocate and Solicitor
    2. Director in several public limited companies, including Siyaram Silk Mills Limited, Apcotex Industries Limited.
  11. Mr. Rajeev M Pandia (Director)
    1. Bachelor in Technology in Chemical Engineering from Indian Institute of Technology, Bombay and MS in Chemical Engineering from The Leland Stanford Junior University.
    2. Non-Executive & Independent Director of Gujarat Reclaim & Rubber Products Ltd.
- Higher salary taken by promoters ---- As I check last 3 years' salary of promoters, which increases as profit and sales increases. In FY13 promoters taken salary was ~15% of PAT and ~0.61% of Sales, In FY14 promoters taken salary was ~13% of PAT and ~0.55% of Sales, In FY15 promoters taken salary was ~11% of PAT and ~0.98% of Sales. So salary is on higher side but with increases in PAT; which not seems to be a huge problem.
  - TTM PAT Rs.35.60 / MCap Rs.256 cr = 13.91% and Dividend yield is ~3% which results to yield of ~17%; which is higher compared to FD yield. Payback ratio is at 7 years. Company facing several risks includes highly competitive industry, low bargain power of the company for pass out higher costs to consumers and risk of dumping heavily from China. RoE(%) improvements mainly due to improves PATM(%) and that only due to falls in raw material prices.