ITEMS MARKED IN YELLOW ARE PART OF THE TEMPLATE, with Notes available in each section to support the information marked in Yellow

Company: Bharat Rasayan

Analyst: Anant Jain
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Business Slotting

☑ B2B ☐ B2C ☑ Asset Heavy ☐ Asset Light ☑ Intellectual Prop ☑Clear Trust Ecosystem Player ☑ Price Taker ☐Price Setter ☐Oligopoly/Monopoly/ Duopoly (Can Emerge Later) ☑ Long Gestation Customers

Customer Industry Trend/Outlook -> ☑ Tailwinds ☐ Headwinds

Structural advantage for Indian Agrochemical Industry, Outlook is getting favourable and this trend will continue for at least 3-4 years.

- Disruptions in China due to environmental issues, pollution ban, and now COVID 19 also led to shortages in many products and sharp increase in prices as well. China used to supply 90% of agrochemical requirements and India contributed 10%. Due to these issues over the last few years, there is an ongoing structural shift from China and there is expectation of Indian suppliers getting higher share ratio
- Many MNCs are also seen moving to India to fulfil this demand gap and relying on companies who have less dependency on China.
- The macro environment for the agrochemical industry remains positive and could be driven by strong fundamental growth, rising domestic demand, improved export opportunities due to the shortage of supply from China, strategic partnerships with global counterparts, robust product launches, tie-ups with innovators for new products.

Elevator Pitch

1. **Coy majorly into technicals with demand tailwinds:** BR is a pure play technical manufacturer. Technicals are what API's are in pharma. It supplies to formulation players and has a very strong customer base. Due to disruption in China there has been a structural shift for manufacturing of technicals with MNCs relying on companies with less dependence on China. With backward integration and a strong product portfolio and strong customer base the company is expected to capitalise on increasing opportunities.
2. **Clear plans of large capex about to be completed:** The Company has been expanding capacities with backward integration at Dahej and Greenfield capex at Sakhya. Further, there are continuous plans of expansion till FY23.
3. **Capex majorly focussed into CRAMS:** The Capex plans are more focussed towards utilising the capacity into CRAMS. Last few years, company has added MNC clients and the relationships are at a juncture where these companies are looking to ramp up their production and partner at a higher engagement level with the company.

4. **In the last few years worked with Japanese MNCs (last 3years plus):** Japanese Companies take time to build trust and now those clients are looking to ramp up production and collaboration with the company.
5. **Nissan JV (70:30):**

   a) Sweeter deal for Nissan

   b) Setback to their own plans

   The deal structure of 70:30 is hugely underwhelming. This JV doesn't make sense due to their share and the deal structure:

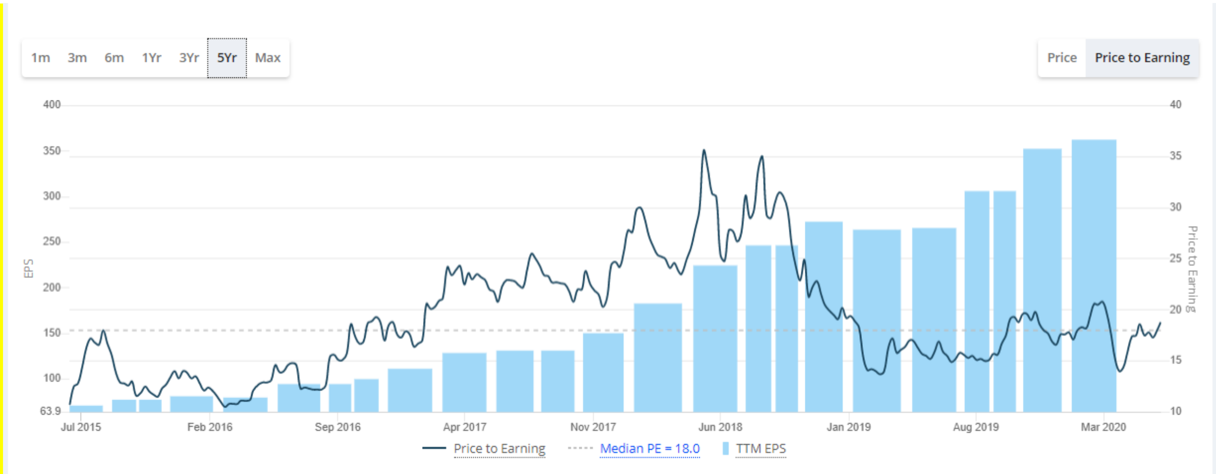
   Total Plant Expense as indicated in Nissan's report is 6.7Bn Yen. Operating Profit in 2024 could be around Rs. 200Cr out of which Nissan's share is Rs 140cr at operating level and BR's share could be appx Rs 40cr.

   These projections do not even by a bit excite because giving out a plant for which they have worked very hard, planned & built for 3 years which could have taken them to another level and would have reduced single plant risk and shows that the management at some level is not very confident.

   But there might be some value addition happening due to this in the product mix and it is too early to predict what might happen. This could have been better if the relationship was more in terms of contract manufacturing or even if the equity share was much lesser say 25-30%.
6. **Too many Promoter Entities/structure/shareholding**-
   Multiple promoter entities like Bharat Agro and Pesticides in same line of business, kind of structure & shareholding around those entities is a cause of discomfort. Major shareholding from additional entities looks questionable

VALUATION

Undervaluation: ☐ **Screaming** ☐ **High** ☑ **Fair**



From P/E perspective, historically the stock had been trading at Median P/E of 18 for last few years (pre-COVID crash) and has come to 14, therefore the stock points to Fair valuations.

The valuation remains fair and doesn't point to an undervaluation due to a number of factors as listed below.

1) **Quality of Business:**

From last 5-6 years the quality of business has been driven purely by asset turns while margins (34-36%) have remained stagnant which points to insignificant value addition *(see table below)*.

2) **Better Cash Flows not happening**: Balance sheet is not getting better and better Operating Cash Flows are not happening, *(See details below)* Sayakha could have changed it and taken them to a different league but there isn't any clarity on how that will evolve now.

3) **Growth Projections**: They will do better than the industry with standard growth of 20-25% but that is not enough for re-rating. The growth trajectory that they were charted to be on with Sakhya has been brought down.

Valuations to be led by:

1) **Earnings Trajectory**: Only Earning Trajectory can lead the valuations. Company will continue to grow higher than the industry at around 20-25% p.a.

2) **Value Migration**: No evidence of value migration happening. It can happen later but not certain now.

3) **Re Rating**: Company will do better than the Industry but for the Rerating growth of 20-25% is not enough Margins have to improve, there should be value addition, Balance Sheet & Operating Cash Flows have to get better.

Operating Leverage Led by:

☒ Gross Margins ☑ Asset Turns ☑ Product Mix ☒Technology

Operating Leverage is for every rupee of increase in sales leads to incremental increase in EBIT. Operating leverage is expected to be led by a combination of Asset Turns and Product Mix. There are unlikely to be any technology driven efficiencies.

Last 5-6 years there has been no improvement in the Gross Margins. They have remained pretty much stagnant (30-34%) as shown in table. The business has been driven by better Asset Turns (ROA improving continuously at 15%) and constantly improving product mix.
Going forward it is expected Asset turns to drive the business. While higher share of CRAMS and more complex patented molecules in pipeline it could be a game changer for the company.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Gross Margin	28%	38%	30%	25%	29%	36%	35%	31%	34%	24%
EBITDA Margin	8.5%	7%	11.3%	13.7%	17.7%	18.8%	17.8%	17.9%	19.6%	19.1%
Fixed Asset Turns	17.75	4.7	8.7	1.4	2.5	3.2	3.3	4.7	5.4	6.6
Asset Turns	1.64	1.4	1.1	0.7	1.2	1.3	1.4	1.6	1.5	1.3
ROA	9.6%	9.1%	7.8%	3.9%	6.6%	9.5%	10.4%	14.7%	19.5%	14.7%

There is clear visibility that product mix would change because of present relationships and future partnerships.

Allocation:
☑Opportunistic ☒ Strategic
50-100% POP ☐2-3x in 2-3 yrs
☐10x in 10 yrs

Opportunistic bet based on available information. Not enough clarity for strategic allocation with longer holding period.

Valuation Overhang:
☒PSU ☑Not Understood ☒Sector Apathy ☒Regulatory ☒Political ☑Corporate Governance ☒Succession Plan ☒High Salaries

Bharat Rasayan operates in the Agrichem sector with significant tailwinds, so there is no sector apathy as such. However the strengths of the business may not be fully understood. This is also clouded with some concerns on corporate governance issues.

Valuation Support:
☒Dividend Yield ☒Low Float ☑Capex Completed ☑Phased Capex coming

- Dahej Brownfield Capex of Rs 100 Cr of Phase 1 has been completed in Sept 2019. Phase 2 capex was expected to be completed by March 2020. This capex is focussed on intermediates for backward integration purposes and incremental sales.
- Dahej – Further Brownfield expansion for which EC approval is yet to be received is focused towards intermediates and capacity expansion. Hence there is clear visibility of Phased capex happening in periodical manner till FY23.
- Phased capex act as valuation support for the company because Brownfield expansions are better rather than complete Greenfield setup.

Risk covered in Multiples:
☒Everything ☑20%Downside ☑2-3x upside in 2-3 years

- Clear visibility of 25% CAGR happening. There is a risk of 20% downside and a good probability of 2-3x in 2-3 years.

Liquidity Stress Test:
☒Can sit tight for 1-2 years despite:
☒Execution Delay
☒Business Temporary Issue

- If there are execution delays, and/or temporary issues in business cycle, will look to exit. Will stay invested as long as things go as per plan.

KEY MONITORABLES

- **Patented Products in Product Mix:** Looking for more Complex Patented products with higher Margin in the portfolio and more patented CRAMS in future can be a game changer for the company.

- **Deterioration in Cash Flow Operations:**

a) Any kind of deterioration in numbers is key evidence and will change view towards the company as discussed further below. Any further deterioration in operating cash flows and margins will be a cause for concern.

b) As shown in WC table below the Receivable days have increased from 62 to 103 in FY19. However, high receivable days seem to be an industry wide issue on account of competition with China (which offered 180 days credit).

- **Increase in RPT:** Too many promoter entities and transactions amongst them make it more complex. High related party transactions – 23% of sales is to related entities at arm's length with no clarity on details. Any further deterioration/increase in RPT will be a cause for concern.

- **Margins Uptick**

BUSINESS ATTRACTIVNESS

1) Strongly differentiated business model -> Can't Say

- **CRAMS by multiple companies:** It is not like only BR is doing CRAMS at this level. There are many other players in the market doing CRAMS (*like Bhagiratha doing for DOW and other unlisted players)*. But no one has been able to achieve at the level of PI or Syngene or Divis. Hence, it is not like there is no other alternative to BR in the market.
  If the company is able to crack into more complex and advanced model like PI's or even get close to it, it can enter into a different league altogether.
- **Environmental Clearance (EC) Filings:** EC filings also do not provide any evidence of a differentiated products/strategy as such.

2) **Competitive Position getting stronger/weaker -> Can't say**

- If competitive position is getting better it should clearly reflect in the quality of earnings, but margins seems to be stagnant as stated earlier and operating Cash Flows are not improving.
- The company had negative FCF in 2012 and 2013 due to new plant which was set up in Dahej. Since then, it was able to generate positive FCF and then again, from 2017, the company's FCF deteriorated. This was due to higher receivable and inventory.
- There is no significant change in operating Profit Margin and EBIT Margin in past 10 years. Both of them are pretty much stagnant over these years.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Operating Profit Margin	23.8%	20.9%	15.8%	19.3%	18.5%	15.5%	19.2%	17.8%	17.2%	17.8%
EBIT Margin	20.2%	20.2%	15.8%	19.3%	18.4%	15.4%	19.2%	17.8%	17.2%	18.2%
FCF		-9.4	-30.4	-84.9	2.9	46.5	31.7	3.4	-10.2	-99.8

- There is Nissan JV but the deal structure (70:30) makes it a sweeter deal for Nissan and setback to the company's own future plans. Although product portfolio with Nissan can ease the discomfort in the future, but the greater risk of dependence on single plant remains.

3) **Next Level of business -> High Possibility**

- With hope of new patented products with higher margins there is a high possibility it can achieve next level of business.

- As mentioned, China factor and Nissan JV has placed BRL strongly within the industry. Success with Nissan may help to gain new customers and increase their product portfolio.

4) **Value Migration Curve -> Medium**

- Change in ratio of domestic to export sales is evidence of higher value migration happening.
  It has around 20-22 active molecules as its key products. Its key products include Metaphenoxy Benzaldehyde, Lambda Cyhalothrin, Thiamethoxam, Metribuzin, Chloropyrophil, Para Chloro Benzene Cyanide. MetaPhenoxy Benzaldyhyde is the top molecule contributing 13% of sales – the Co plans to restrict production of this molecule to current levels. The company wants to focus on phasing out of low margin products and getting into difficult and high margin molecules.

5) **Quality of earnings -> Low**

- Today it is low but there is hope that as they get into better quality products and relationships/customers could improve substantially.
- **Caveat:** It is not like you can't live with it. There are quite a few positives:
  a. Company has funded its capex through Internal Accruals completely.
  b. Balance sheet and Cash Flow picture is actually better than what reflects because of seasonal nature of business. Due to seasonality of business Q4 figures are poor comparatively than Q1 and Q2. Sep 18 and Sep 19 figures are much better than Mar 18 and Mar 19.

	Dec17	Mar18	Jun18	Sep18	Dec18	Mar19	Jun19	Sep19	Dec19	Mar20
EBIT	38.1	40.5	38.7	55.1	34.9	42.1	68	65.1	38.5	49.3
EBITDA	42.3	44.8	42.8	59.3	39.3	46.4	72.2	69.4	45.1	56
Net profit	23.1	35.5	25	35.6	21.3	29.4	41.7	54.6	25	36.2

- Nature of Business: Due to higher Exports, high shipping cost the working capital has increased substantially as given below. The debtor days have increased from 62 to 103 and Inventory days have jumped to 77 in FY 19.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Creditor Days	36	28	20	38	38	32	21	11	16	16
Debtor Days	62	62	77	89	61	66	71	71	102	103
Inventory Days	49.9	46.1	42.9	73.4	68.3	47.8	45.9	49.5	43.4	77.5

- But going forward margins should improve driven by CRAMS, better product portfolio and better set of customers.

6) **Key growth drivers- High**

- **Complex Patented Products:** As stated earlier getting into more complex patented product mix with higher margins and more exposure to CRAMS has the potential to take the company to next level.
- **Higher share of Exports:** There has been transition in nature of business of the company from domestic to exports. With increasing share of exports, margins should improve.
- **Relationships with more MNC's:** With Nissan JV taking place and disruptions in China there is high probability of relationship with more MNCs happening in the future. Many

Japanese customers are looking to ramp up collaboration with the company. BRL has increased new product registrations in newer geographies.

7) **Key Profitability Drivers**-

- **Backward Integration support with higher Margins:**
  Backward Integration of about Rs 100 Cr at Dahej plant which was expected by March 2020 is focussed at intermediates and synthetic pyrethroids manufacturing. All this funding is through internal accruals and it will help the company to reduce its dependency of raw material and will ensure better margins as well.
  Also Brownfield expansions happening and further phased capex in pipeline till FY23 clearly focussed towards intermediates and expansion of further capacity will help in introduction of new products and expanding margins.

Capex/Net profits 10 yrs	77%
Capex/Net profits 7 yrs	64%
Capex/Net profits 5 yrs	39%

- **Complex Product Mix:** The present product mix comprising of *Metaphenoxy Benzaldehyde, Lambda Cyhalothrin* are not very complex to manufacture. They have current portfolio of around 22 products which are not very complex to manufacture and further 20 products are already in the pipeline. If they can get into something more complex like PI it can be a key profitability driver for them.

- **Patented CRAMS:** Management has already indicated towards Patented CRAMS increasing.

8) **Capital Intensity – High**

- At the end of the day it is a processor business.
- Despite the nature of this business, and higher exports, they have quite effectively managed Working Capital requirements.

GROWTH/SCALABILITY

1) Linear Growth – High

☑Industry ☒Market Share ☒Margins ☒ Price Increase ☑ Exports

a) Industry- There is a structural shift happening in the sector. Growth in the company is closely linked to industry tailwinds.

b) Increase in margin due to change in Domestic to Exports sales ratio.

2) Expansionary Growth – Medium

☑Value Migration ☑New Geography/Revenue Streams ☑CRAMS

- **CRAMS:** Management has indicated dedicated CRAMS with better customer sets which will certainly be a key driver. Due to this also see margin expansions happening in the future.
- **New Revenue Streams and addition of new geographies**: Japan today is relatively small but due to Nissan JV it can grow significantly in the future.
- **Value Migration**: There is clear evidence of Value Migration curve happening due to increase in Export sales and reducing dependence on seasonal nature of business. But Value Addition will take time. Although visibility is not high but with Patented CRAMS, with better customer sets there is a good probability of upward value migration.

Business Model Vulnerability / Strength

1) **Vulnerability:**
   a) **Poor Operating Cash Flows:** Weak Cash Flows as stated above owing to higher working Capital. If it deteriorates any further than it's a big risk.
   BRL has not been able to convert its profits over last 10 years into cash flow from operations. The company has reported Cumulative Cash flow from operations (cCFO) of Rs. 161 Cr over last 10 years (FY 10-19) against cumulative Net Profit after tax (cPAT) of Rs. 538 Cr.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Cash from Op Activity	18.7	10.1	12.5	-7.5	28.5	59.7	46.7	15.8	28.8	-52.3
Op Cash Flow/Sales	18.9%	10.7%	8.8%	-4.1%	7.9%	13.6%	10.4%	2.5%	3.6%	-5.3%
CFO/PAT	3.23	1.71	1.28	-0.79	1.42	1.88	1.38	0.29	0.29	-0.47
Working Capital	29.8	27.8	26.5	58.3	82.3	85.2	100.7	183	271.6	470
Working Capital/Sales	30%	29.7%	18.7%	31.5%	22.9%	19.5%	22.3%	29.6%	34.8%	47.5%

   b) They are not the price setters in the industry. They are into B2B non differentiated model unlike PI who is into B2B differentiated model.

2) **Strengths:**
   a) **Capex:** Ability to fund all the capex through internal accruals is a key strength.
   b) **Good Relationships:** Company has good relationships with the customers' especially Japanese clients since they have been able to maintain the similar repo with them constantly throughout all these years.
   c) **Nissan JV:** Although the projections and the JV ratio do not excite much but being able to have Nissan as a JV partner is a big thing and shows companies relationships with its clients.

3) **Control over variables:**
   - Their variables have been reducing and they have done very well there. Their Business model has transited from a Lower quality Business Model to a Medium quality Business Model and expectation is now of going towards higher.
   - They have transitioned from spot trading and changed domestic v/s exports mix. This will decrease their dependence on Monsoon and seasonal nature of business.
   - Financial Year 2012-13 was a tough year for Indian agriculture and agro chemical industry. Serious challenges were posed by the delayed and not-so-well distributed monsoon in the key agriculturally important geographies of the country. However despite these challenges, the Company has managed to overcome obstacles and achieved a reasonable growth through introduction of new products, increased production and broadened customers' base. BRL 10 yrs sales growth is 29% whereas its peers like Rallis is 8.7% and UPL is 17%.

	10 yrs	7 yrs	5 yrs	3 yrs
BRL Sales Growth	29%	32%	21.4%	30%
Rallis Sales growth	8.7%	6.7%	5.3%	10.7%
UPL Sales Growth	17%	16%	15%	16%
Dhanuka Sales growth		9.6	6.4	6.6

- The pesticide industry is working capital intensive. Due to seasonal nature of the business and the uncertainties related to timing and coverage of monsoon, level of pest infestation etc, the level of inventories the companies need to stock is large. BRL has been able to improve its Inventory turns consistently in comparison to its peers.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
BR Inv turns	7.3	7.9	8.5	4.9	5.3	7.6	7.9	7.4	8.4	4.8
Rallis Inv Turns	4.6	4.5	5.3	5.1	4.4	3.8	4.2	3.1	2.9	3.2
UPL Inv turns	5.2	4.1	4.1	4.4	4.3	4.1	3.7	3.9	3.8	2.3
Dhanuka Inv Turns		3.4	3.8	3.6	3.5	4.1	4.8	3.3	4.7	4.8

Risks Mitigations

1) **Supply and/or demand disruption - Low**
   The company has been able to manage and handle crisis very well all these years as seen above. The company has not been impacted by anything, no impact of monsoon and has been able to handle every crisis very well. Handling every period smoothly is their key characteristic and differentiates them from their peers. They were at the right place, not doing formulations not being dependent on other technicals and it fell well for them.

2) **Environmental/Regulatory – Low**
   As per reports, Bharat Rasayan's plant is one of the best plant compared to other chemical plants seen.
   They are very well diversified with large product portfolio hence even if there is some kind of regulatory ban imposed, they will be able to mitigate it.

3) **Buyer Risk/Bargaining Power of Buyer – Medium**
   Well diversified across multiple buyers.

4) **Competition – Medium**
   Although they are well placed to face competition but other players can emerge stronger.

5) **Raw Material Risk – Low (**As mentioned below in risks**)**

6) **Single Plant Risk:** There is a huge risk in dependence on a single Plant since Rohtak plant's capacity is quite less (5000 Mtpa) compared to Dahej Plant(12000 Mtpa). Hence any issues related to regulatory, accidental, and environmental can impact hugely to the company. There was some expectation from Sayakha plant of reducing this dependence but now due to JV that risk was not mitigated.

MANAGEMENT QUALITY

1) **DNA of business**
   The company has been growing by increasing share of Exports and has been able win the trust of its customers and attract MNC customers as well. The company has been able to cut costs and improve their production efficiency. Promoters have been able to meet every

opportunity/demand of the customers. Increased penetration with existing Japanese customers constantly and scaled up operations in CRAMS.

a. **Cost Efficiency Focus- High**
They have been able to cut costs while scale up plant utilisations quickly. We can see clearly from the table below that they have been able to control their costs continuously while increasing their margins.

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Raw material cost	71.6%	62%	70.4%	75.1%	71.1%	64.2%	65.1%	68.7%	65.8%	76.3%
Power & Fuel	1.6%	3.2%	2.1%	3.1%	2.7%	2.4%	2.8%	2.5%	2.3%	2%
Employee cost	5.9%	8.4%	6.2%	6.8%	6.6%	6.5%	7.3%	6.6.%	6.2%	5.8%
Other mfr Expenses	8.5%	4.5%	8.2%	5.1%	3.7%	4.1%	4.6%	4%	3.6%	2.2%

b. Production Efficiency Focus – High
Ability to scale up utilisations and attain maximum capacity as per demand creation is good. With high Asset turns (refer table earlier in the report) the company has been able to grow and improve the quality of business.

c. **Capital Efficiency– Low**
High working capital results in lower capital efficiency despite the higher production efficiency. However higher working capital is due to higher inventory turns and higher receivable days mostly due to the nature of their industry.

d. **Capital Allocation – High**
They have done everything right constantly. Allocating capital judiciously at the right time in well thought off and related areas to scale up their business.

e. New Revenue Stream/ Geography: High
With increase in Exports sales growth and Nissan JV coming up, they have a very high possibility of better set of customers and new revenue stream generation. Also with registrations in Brazil happening and foraying into Europe there is a high probability of newer geographies opening up.

f. Innovation- Cant Say

g. Value Chain Migration – Medium
As explained earlier the management is thinking in those lines of value migration and they are already into that process.

h. Strategic thinking – Medium
To have Nissan as a JV partner is a great decision even though the JV terms are a sweeter deal for Nissan than BR. Need to wait 2-3 years to evaluate the deal.

i. Ability to manage downturns – High
As discussed earlier company has a very great ability to manage crisis and have mitigated risks in the past vis-a-vis their peers who faltered.

j. **Walking the talk - High**
Management has continuously beaten expectations. They have done more than what they have said.

EXECUTION SKILLS

a) **Workforce Handling – Can't Say**

b) **Customer Trust – High**
The recent JV with Nissan is an indication of customer Trust. Also they have been able to attract and maintain their relationships with Japanese clients constantly.

c) **Deeper/Broader customer penetration –High**
They have been working with Japanese customers for more than 3 years and they have a successful record of delivery with its clients (which Japanese give utmost importance to– timely deliveries). Hence, those clients due their reputation are looking to ramp up production or collaboration with the company.

d) **Raw Material/ Crude -High**
They have been able to manage the Crude price fluctuations and other intermediates fluctuations well throughout difficult times.
As seen in above table in cost efficiency section, the raw material cost of the company as a proportion to sales over the years has remained almost constant at 65-70% over the years. The stable raw material cost over the years indicates that the company has the ability to pass on increases in the costs to its end customers and thereby protect its profitability margins.
Also they have the ability to pass through crude prices. Power & fuel cost as a proportion of sales have remained constant throughout at 2-3%.

REPUTATION

a) Family/Business – High
The chairman & MD have more than 4 decades of experience. They have a very high reputation in the market amongst their peers and customers as well. There are only 2 company's names heard in the market PI and Bharat Rasayan in terms of reputation.

b) Minority Shareholder Treatment – Low
- There is no history of wealth sharing with the Minority Shareholders.
- Opaque shareholding structure
- Low clarity on Related Party Transactions

MEDIUM TERM VISIBILITY – NOT HIGH

1. Earnings:

☑ **Capex Completion**: Brownfield Capex at Dahej plant focussed towards backward integration will help in reducing dependence on Raw material imports from China.
☒ **Order Book/Sales**
☑ **Mgmt. Guidance:**
- Management has indicated Patented CRAMS in the future.
- Indicated towards 50% of expanded capacity to be contracted.

- Nissan JV coming up at Sayakha plant to manufacture and export agrochemical active ingredients.
- 30-35% of Capex at Dahej plant will be focussed towards backward integration.
- Phased capex in pipelines at Dahej plant till FY23.

2. Margins :

☒ **Pricing**
☒ **Raw Material**
☒ **Employee Costs**
☑ **Product Mix**
☑**Backward Integration**: As discussed earlier Capex at Dahej plant focussed towards intermediates will decrease their dependency on China, thereby decreasing Raw material costs.

3. Efficiency :

Asset Turns: With more complex products in medium term, asset turns should go down.
Capital Turns: But at the same time Capital turns should go up. At present due to working capital, capital turns is low. But with better partnerships, better contracts and better long term arrangements expect working capital to improve and hence capital turns should also go up.

Sources referred:
1) Deep-Dive template shared by Donald/Anant
2) Annual Reports & AGM notes on VP thread
3) Company website
4) Listed competitors' info
5) Screener.in