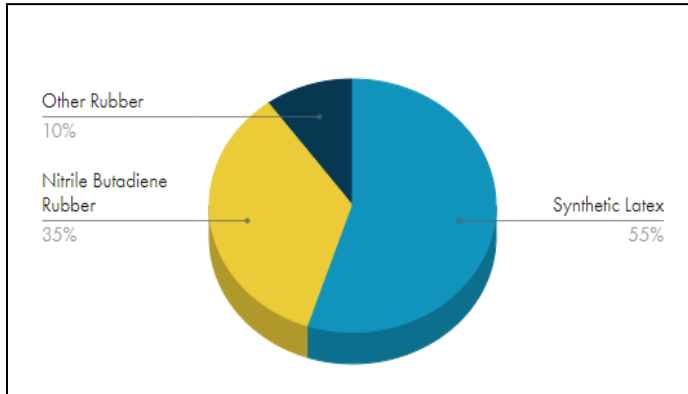
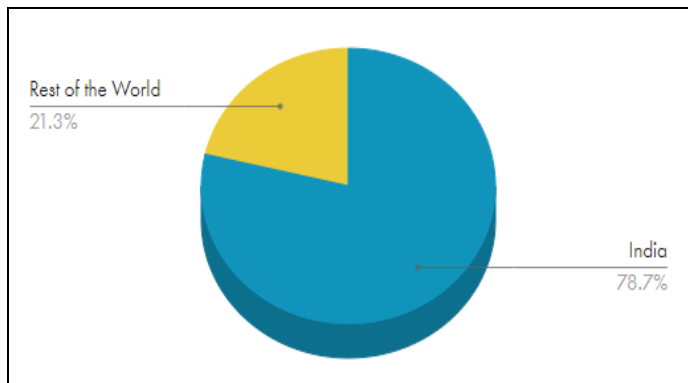


## **INTRODUCTION:**

- The company's Taloja plant was established in 1980 as a division of Asian Paints.
- In 1991, the division was spun off as a separate company, which was headed by Mr. Atul Choksey, who was former MD of Asian Paints.
- It is currently headed by Mr. Abhiraj Choksey, who is a second generation entrepreneur.
- The company has 2 main business divisions:
  1. Synthetic Rubber
  2. Synthetic Latex
- The revenue contribution from both these segments is more or less similar

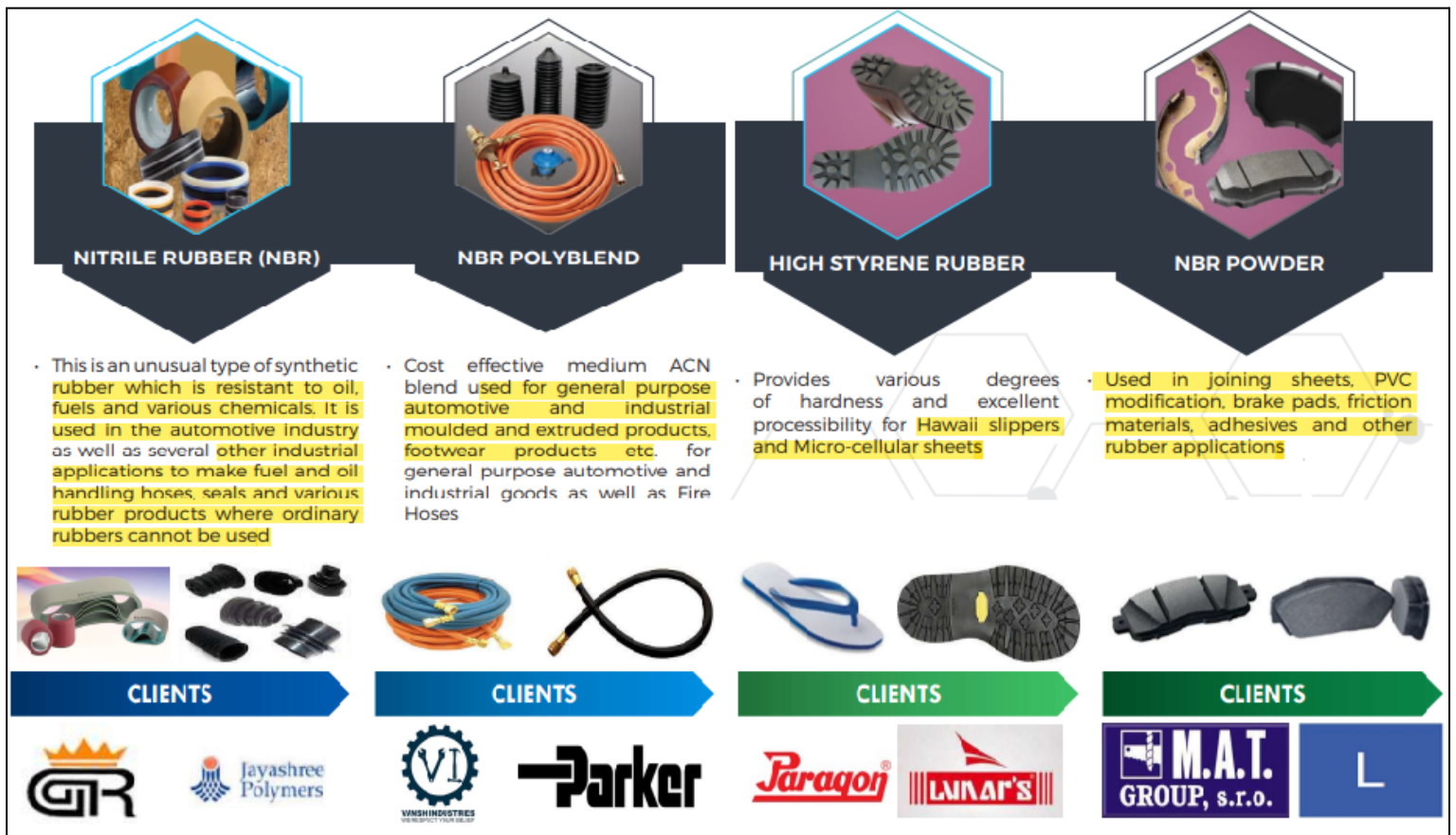


- The products of the company are bulky in nature, making it very difficult to transport over long distances and thus it is more like a local industry, however the company does export some of its products to countries like Malaysia, Thailand, Vietnam, UAE, Saudi Arabia, Egypt, etc.



## **BUSINESS SEGMENT - SYNTHETIC RUBBER:**






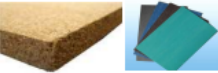














- These are artificial rubber, which are mainly polymers synthesized from petroleum by-products.
- Under this segment, company manufactures various products, but following are the key products:
  1. Nitrile Rubber (NBR)
  2. NBR Polyblend
  3. NBR Powder
  4. High Styrene Rubber (HSR)



- Apcotex is the only manufacturer of Nitrile Rubber and High Styrene Rubber in India.
- It has a high market share in case of HSR, but low market share in NBR because of capacity constraints.

## **BUSINESS SEGMENT - SYNTHETIC LATEX:**

- Under synthetic latex, following are the key products:
  1. XSB Latex (Styrene Butadiene)
  2. VP Latex (Vinyl Pyridine)
  3. Styrene Acrylics Latex
  4. Nitrile Latex

PAPER	CARPET	CONSTRUCTION	TYRE CORD	GLOVES	SPECIALTY
Provides high wet and dry binding strength, high sheet gloss; Provides excellent wet and dry binding strengths; Provides excellent coverage and coating holdout; Provides excellent gloss.	Soft secondary backings of tufted carpets, Needle felt coating and impregnation, Textile Finishing / Softener, produces chemical additives for Textile Flooring, Synthetic Turf, Mattresses etc.	Bonding agent, cementitious waterproofing 2 component repair mortar, Hydraulic cement admixture, damp proof coatings, bonding agent for cement sand plaster on concrete and Gypsum.	Tyre cord / belting fabric dipping.	For Medical and Industrial Purpose.	Binder for Nonwoven Fabric, Paper saturation, Binder for cork sheets, Jointing sheets, Textile finishing, Adhesives.
					
CLIENTS	CLIENTS	CLIENTS	CLIENTS	CLIENTS	CLIENTS
    	  	 	 	 	

- **XNBR** Latex is the new product launched by the company and it is mainly used in gloves. It is considered to be the main driver of the growth for the company.
- Apcotex is the only manufacturer of XNBR latex in India.
- **XNBR is a nitrile rubber (NBR) with the addition of a carboxyl group** to saturate the butadiene segment of the carbon polymer backbone. The added carboxyl group greatly improves the resistance of NBR to abrasive and tear wear without affecting its oil and solvent resistance or its thermal stability.

## **BUSINESS SEGMENT - APCO BUILD:**

- Apcotex under the umbrella brand “Apco Build” is servicing the construction chemicals in the western part of India.
- Currently these products are available in Maharashtra, Goa and Gujrat.
- Contributes hardly 10% to the sales, however EBITDA margins for this segment are higher (~20 to 25%) as compared to other product segments.
- Also there is no extra CAPEX required for the manufacturing of these products.
- Following are some of the product categories under this segment
  - a. Waterproofing Polymer Products
  - b. Waterproofing Coatings
  - c. Admixtures
  - d. Bonding Agents
  - e. Repair Products
  - f. Tile Fixing Products etc.

The company sells its products through 2 models -

- **Formula based pricing** for large customers, who are willing to commit volumes. Here there is a lag while passing on the RM prices and thus can result in inventory gains and losses because of sudden changes in the RM prices.
- **Spot Selling** - Here the company can quickly pass on the RM prices, however inventory losses are possible here as well in case RM prices fall quickly.
- 25% is through formula and rest is spot based.

## MANUFACTURING PROCESS:








- Styrene is imported from the Middle east.
- Acrylonitrile is imported from Europe and USA.
- Butadiene is available in India and currently Apcotex has 2 suppliers available in India.
- Butadiene is used in manufacturing of almost all the products and thus it is one of the most important RM for the company.

## MANUFACTURING PLANTS:

- The company has 2 manufacturing plants
  - 1. Taloja (Maharashtra) Manufacturing Plant**
    - 65,000 MTPA Synthetic Latex
    - 7,000 MTPA High Styrene Rubber
  - 2. Valia (Gujrat) Manufacturing Plant**
    - 21,000 MTPA Nitrile Rubber and allied products

## **MANAGEMENT OF THE COMPANY:**

- The company is run by the technocrat management. The company was headed by Mr. Atul Choksey who was former MD of Asian Paints. It is now run by his son - Mr. Abhiraj Choksey.

	<b>MR. ATUL C. CHOKSEY</b> Chairman	He is a Chemical Engineer from Illinois Institute of Technology, Chicago, USA and has more than four decades of experience in managing the affairs of the Company. He is on the board of reputed companies like Ceat.		<b>MR. ABHIRAJ A. CHOKSEY</b> Managing Director	He is a Bachelor of Science in Economics from Wharton Business School and also Bachelor of Science in Engineering from the Engineering School, University of Pennsylvania in U.S.A.
	<b>MR. AMIT C. CHOKSEY</b> Director	He is a Bachelor of Commerce and has over 30 years of experience in managing industries manufacturing various types of construction chemicals, specialty water proofing compounds and inorganic pigments. He is the Chairman of Mazda Colours Ltd.		<b>MR. SHAILESH S. VAIDYA</b> Independent Director	He is a law graduate from Government Law College and became Solicitor in the year 1983 and has been practicing as Advocate and Solicitor. He is one of the senior partner at Kanga & Co.
	<b>DR. S. SIVARAM</b> Independent Director	He obtained his MSc degree from IIT-Kanpur followed by PhD and DSc degrees from Purdue University, W. Lafayette, Indiana, USA. He was the Director of CSIR-NCL from 2002-10 and is presently an INSA Senior Scientist and Professor at the Indian Institute of Science Education and Research, Pune. He has over fifty years of R&D experience in the area of chemicals and polymers. The President of India bestowed on him the coveted civilian honour Padma Shri in 2006.		<b>MS. PRIYAMVADA BHUMKAR</b> Independent Director	She is a graduate in Chemistry and MBA in Finance from Mumbai University having 25 years of rich experience in the field of colour dispersions. She is Managing Director of Soujanya Color Pvt. Ltd., the well-known Indian colorant manufacturing company.
	<b>MR. KAMLESH S. VIKAMSEY</b> Independent Director	He is a Chartered Accountant and a Senior Partner in reputed firm of Khimji Kunverji & Co. He was member of the Central Council of ICAI from 1998 to 2007 and held the post of president in 2005.		<b>MR. RAVISHANKAR SHARMA</b> Executive Director	He is a Chemical Engineer from Laxminarayan Institute of Technology, Nagpur, passed out in 1988 and PGDBM from Goa Institute of Management, Goa (Executive MBA) in 2009 and has more than 30 years of rich experience in the field of Production, Projects, Specialty Chemicals, operations and Manufacturing.
	<b>MR. UDAYAN D. CHOKSI</b> Independent Director	He is a graduate in Economics from Warwick University. In addition to his CA degree, he also holds an LLB from Mumbai University. He is a senior indirect tax professional and practising counsel, and was previously at Big 4 – accounting and prominent law firms. He is a Partner at Khaitan & Co.			

## **GROWTH TRIGGERS:**

- The company has undertaken a big CAPEX, which will almost double its capacities and can add incremental revenue of ~600 Cr.
  - 50,000 MTPA for XNBR Latex at Valia
  - 35,000 MTPA for existing products at Taloja
- The CAPEX is expected to be complete by Q4 FY23. In the first year, the capacity utilization expected is around 40% and then it can go to 100% in the subsequent year.
- The total CAPEX spend is 200 Cr.
- The Taloja plant is a swing plant, meaning that the new capacities of 35,000 MTPA can be used to manufacture any product, based on the demand scenario.
- The company expects stable/better margins going forward because of
  - a. Economies of scale.
  - b. Better and diverse customer profile.
  - c. Ability to buy large quantities of raw materials at lower prices.
  - d. Geographical expansion
- The company has made provisions for additional revenue of ~300 Cr with the small investment of 30 - 35 Cr. By this, the company can achieve 2000 Cr of topline in next 4 to 5 years.

to the 1,000 odd crores that we already have plus we have left provision for additional investments at a very low cost I mean I want to say maybe around additional 30 crores, 35 crores will give us additional revenue of 300 crores. So, we have build the companies or build these projects to ensure that we can get to 2,000 crores without any significant investments.

One is that look the company is now well positioned with very minimal investment to get to 2,000 crores over the next maybe 4 years to 5 years so there is no additional major investments required. Number two our return on capital even as these margins return on capital, return on networth is quite healthy and number three we feel that we are quite well diversified company and one of the things that COVID has taught us to be more flexible and now our plants are much more flexible. So, in case there is a downturn in one industry we can always make it up



- The manpower required for running the new plant at Taloja is very miniscule. For running a 35,000 TPA plant, the company will need less than 10 people and thus margins could be higher.

It is literally I was firstly surprised with the level of automation that they have been able to pull through and so just to give you an example in our Taloja plant 35,000 tons which will give us at least 200 crores, 250 crores of revenue we need an additional maybe 6 people, 8 people per shift just that is it. So, it is highly automated everything is run from automated DCF system and

- Growing share of exports. Currently exports contribute only ~20% of the revenue. Going forward, the management is confident of increasing this share to 30-35%.

well. Going forward of course exports will go significantly higher infact our prediction is, because of nitrile latex for gloves which is largely for export, export should be much higher you know, 35 to 40% of our total turnover could be export.



## **RISKS:**

- Dependency on imports for raw materials. Styrene and Acrylonitrile are imported in India.
- Excess capacity of gloves to put pressure on XNBR latex uptick for next couple of quarters.
- The capacity utilization for the new XNBR latex would be less (~40%) for FY24 because of the over-capacity of gloves all across the world.
- The company faces competition from the imports and has to adjust their prices based on the import prices of the products, indicating some lack of pricing power.

share and we have to correct our prices in some of the products where we face intense import competition. I think one of the other reasons have also been overall slowdown in China over prices are. So, even though imports may only be 15%, 20% of the total markets it still impacts the entire market in terms of pricing.

- Strikes at Taloja plant, which had happened in the past as well.
- High Styrene Rubber may become obsolete in the coming time.
- During the last couple of years, because of high freight cost, the imports were less, however the freight cost has declined and thus imports can increase, leading to over-capacity and pressure on margins.

looking at the market going forward. So one is some of the tailwind that we had, for example, one of the tailwinds that we had is that the higher cost of freight for import competition, as you know about for 40-45% of our product range. We do not have any manufacturers in India that we compete with. So a lot of the competition is import. Now, over the last two year and a half or so we had been protected, I would not say protected is the wrong word. But we had an advantage where freight shipping freight rates have gone up, obviously, those are correcting, they are still not down to pre-COVID levels, but they are down, down by 50-60%, from their highs at least. So those are slowly returning to normalcy. So that sort of benefit that we had for a few quarters may not be there going forward. In addition to that, inventory, the raw

## VALUATIONS: Apcotex Model

## TECHNICALS:



- The Vstop is **negative**.
- The ADX is above 25 however it is trending lower. There is some positive movement in the DI+, however one needs to see if the DI+ trend continues.



- On weekly charts, EMA10 was earlier acting as resistance, which seems to have broken and looks like EMA10 is going to cross EMA30 forming a golden cross-over.
- The RSI has started shaping up and is currently at 59.



- On CRS, the stock has been underperforming the index, however looks like it has started to move up.