

Chemicals

Demand improving in specific segments

In 3QFY25, most chemical companies under our coverage are likely to witness sales recovery YoY; Archeon will be the only outlier. For SRF, fluoro specialty chemicals sales could see an uptick given likely pick-up of existing products. For PI, CSM sales are likely to see YoY growth owing to decent demand of Pyroxa along with some pick-up in new products. For Deepak, sequential uptick in phenolic spreads is likely to lift the performance of the phenolics business while the standalone business is likely to improve. Higher industrial salt volumes will bode well for Archeon. Clean Science will benefit from volume pick-up of HALS along with other new products. PCBL's carbon black volumes are likely to decline sequentially. However, higher EBIT contribution from Aquapharm will partly offset this negative impact. Ami will benefit from ramp-up of CDMO sales. Sharp jump in vegetable oil and derivatives prices will bode well for the spreads of Galaxy Surfactants. On the agrochemicals front, generic agrochemicals are likely to see decent uptick while marginal recovery has been seen in patches for non-generic agrochemicals.

- **SRF's EBITDA likely to grow 6% YoY:** SRF's 3QFY25 EBITDA is likely to be up 6% YoY on account of improved performance in the chemicals business, owing to recovery in the specialty chemicals business. Chemicals sales are likely to be up 3% YoY. Further, owing to positive operating leverage, we expect chemicals EBIT margin to come in at 19% (vs. 18.1% in 2QFY25).
- **PI's EBITDA likely to shrink 8% YoY:** For PI, CSM revenue is likely to be up 6% YoY while the domestic business is likely to be up 5% YoY. Besides, PI's pharma business could see some sequential recovery. Moreover, there will be sales contribution from the recently acquired plant health care business. As a result, its 3QFY25 revenue is likely to increase 2% YoY. We have assumed EBITDA margin at 26.2% (vs. 28%/29% in 2QFY25/3QFY24). As a result, EBITDA is likely to be down 8%/19% YoY/QoQ.
- **Fine Organics' EBITDA to shrink 16% QoQ and Tatva Chintan's EBITDA to grow 36% sequentially:** We estimate Fine's 3QFY25 sales to be drop 11% sequentially, largely on account of slowdown in volume offtake. Further, owing to negative operating leverage, Fine's EBITDA is likely to contract 16% QoQ. For Tatva, we estimate 7% sequential sales increase on account of sales recovery across segments. Further, we expect sequential 186bps EBITDA margin jump. As a result, Tatva's EBITDA is likely to jump 36% QoQ (still down 31% YoY).
- **Anupam Rasayan's EBITDA to grow 13% YoY; PCBL's EBITDA to shrink 6% QoQ:** We estimate Anupam Rasayan's 3QFY25 sales to grow 10% YoY while EBITDA margin could be up 74bps YoY on account of positive operating leverage. As a result, Anupam's EBITDA is likely to grow 13% YoY. For PCBL, we expect 3% sequential drop in sales owing to slowdown in carbon black offtake. Further, owing to 40bps sequential EBITDA margin decline, we expect PCBL's EBITDA to be down 6% QoQ (still up 23% YoY).
- **Clean Science's EBITDA to grow by 1% QoQ; Galaxy's EBITDA to jump 6% QoQ:** We estimate Clean's 3QFY25 revenue to grow by 3% QoQ on account of ramp-up of new products. Further, on account of slightly lower EBITDA margin, EBITDA is likely to grow by 1% QoQ. For Galaxy Surfactants, we have assumed ~4% QoQ jump in sales and jump in EBITDA margin to INR 19,583 per tonne (vs. INR 18,816 per tonne in 2QFY25). This is likely to result in EBITDA jumping by 6% QoQ.
- **Deepak's EBITDA to grow by 8% QoQ; Archeon's EBITDA to grow by 30% QoQ:** During 3QFY25, Deepak's advanced intermediates (AI) sales could rise by 5% sequentially while AI EBIT margin could increase slightly to 9% (vs. 7.8% in 2QFY25). Further, benchmark phenol-acetone spreads during the quarter grew by >3% QoQ. This should result in 8% sequential rise in EBITDA for Deepak Nitrite. Archeon's 2QFY25 sales is likely to grow by



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18% QoQ on account of higher salt and slight increase in bromine sales. Further, EBITDA margin is expected to be higher QoQ. As a result, its EBITDA is likely to grow by 30% QoQ.

- **EBITDA to grow 13% QoQ for Ami:** For Ami, we estimate 6% QoQ increase in sales (in 3QFY25) mainly on account of jump in CDMO sales. Further, we expect sequential 124bps EBITDA margin jump owing to higher CDMO contribution. As a result, Ami's EBITDA is likely to jump 13% QoQ.

Exhibit 1: Detailed 3QFY25 Estimates

	3QFY25E	3QFY24	2QFY25	YoY (%)	QoQ (%)
SRF					
Sales (INR mn)	36,069	30,530	34,243	18.1	5.3
EBITDA (INR mn)	6,198	5,839	5,606	6.1	10.6
EBITDA margin (%)	17.2	19.1	16.4	-194 bps	81 bps
PBT (INR mn)	3,318	3,483	2,837	-4.7	17.0
PAT (INR mn)	2,422	2,534	2,014	-4.4	20.3
PI Industries					
Sales (INR mn)	19,437	18,975	22,210	2.4	-12.5
EBITDA (INR mn)	5,099	5,536	6,282	-7.9	-18.8
EBITDA margin (%)	26.2	29.2	28.3	-294 bps	-205 bps
PBT (INR mn)	5,199	5,258	6,628	-1.1	-21.6
PAT (INR mn)	4,003	4,486	5,082	-10.8	-21.2
Deepak Nitrite					
Sales (INR mn)	20,852	20,092	20,320	3.8	2.6
EBITDA (INR mn)	3,212	3,047	2,975	5.4	8.0
EBITDA margin (%)	15.4	15.2	14.6	24 bps	76 bps
PBT (INR mn)	2,897	2,736	2,640	5.9	9.7
PAT (INR mn)	2,155	2,020	1,942	6.7	11
Clean Science					
Sales (INR mn)	2,445	1,947	2,381	25.6	2.7
EBITDA (INR mn)	906	866	897	4.6	1.1
EBITDA margin (%)	37.1	44.5	37.7	-741 bps	-60 bps
PBT (INR mn)	910	830	832	9.6	9.4
PAT (INR mn)	683	626	587	9.0	16.2
Ami Organics					
Sales (INR mn)	2,615	1,664	2,467	57.1	6.0
EBITDA (INR mn)	551	265	489	107.8	12.6
EBITDA margin (%)	21.1	15.9	19.8	513 bps	124 bps
PBT (INR mn)	519	237	500	118.8	3.7
PAT (INR mn)	384	178	375	115.4	2.2

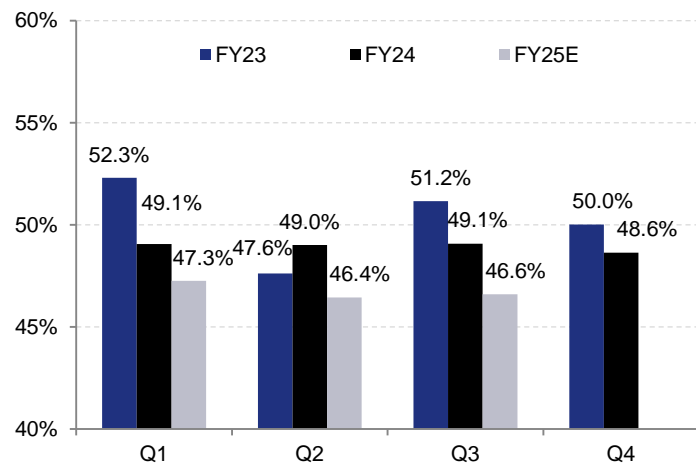
Source: Company, JM Financial

Exhibit 2: Detailed 3QFY25 Estimates

	3QFY25E	3QFY24	2QFY25	YoY (%)	QoQ (%)
Fine Organics					
Sales (INR mn)	5,300	4,258	5,955	24.5	-11.0
EBITDA (INR mn)	1,203	924	1,429	30.2	-15.8
EBITDA margin (%)	22.7	21.7	24.0	100 bps	-130 bps
PBT (INR mn)	1,293	946	1,518	36.6	-14.8
PAT (INR mn)	957	697	1,131	37.3	-15.4
Galaxy Surfactants					
Sales (INR mn)	11,046	9,405	10,630	17.4	3.9
EBITDA (INR mn)	1,355	1,125	1,277	20.5	6.2
EBITDA margin (%)	12.3	12.0	12.0	31 bps	26 bps
PBT (INR mn)	1,120	878	1,045	27.5	7.2
PAT (INR mn)	896	714	847	25.6	5.8
Anupam Rasayan					
Sales (INR mn)	3,250	2,955	2,939	10.0	10.6
EBITDA (INR mn)	894	791	804	13.0	11.2
EBITDA margin (%)	27.5	26.8	27.3	74 bps	16 bps
PBT (INR mn)	424	359	340	18.1	24.8
PAT (INR mn)	314	260	306	20.6	2.6
Tatva Chintan					
Sales (INR mn)	890	842	835	5.7	6.6
EBITDA (INR mn)	76	110	56	-30.8	36.2
EBITDA margin (%)	8.6	13.1	6.7	-451 bps	186 bps
PBT (INR mn)	14	52	-10	-73.1	-238.1
PAT (INR mn)	11	35	-7	-69.4	-259.3
PCBL					
Sales (INR mn)	20,895	16,568	21,632	26.1	-3.4
EBITDA (INR mn)	3,427	2,789	3,635	22.9	-5.7
EBITDA margin (%)	16.4	16.8	16.8	-43 bps	-40 bps
PBT (INR mn)	1,457	2,011	1,638	-27.5	-11.0
PAT (INR mn)	1,093	1,479	1,235	-26.1	-11.5
Archean Chemicals					
Sales (INR mn)	2,847	4,126	2,405	-31.0	18.4
EBITDA (INR mn)	971	1,454	747	-33.3	29.9
EBITDA margin (%)	34.1	35.2	31.1	-116 bps	302 bps
PBT (INR mn)	846	1,351	630	-37.4	34.3
PAT (INR mn)	634	1,016	157	-37.6	303.1

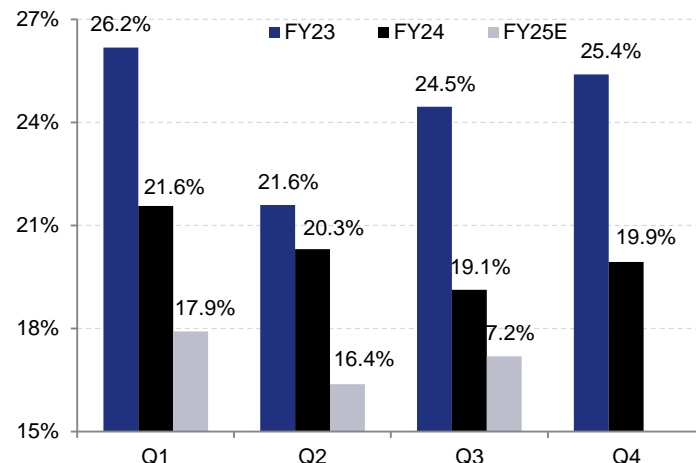
Source: Companies, JM Financial

Exhibit 3: SRF quarterly gross margin trend (%)



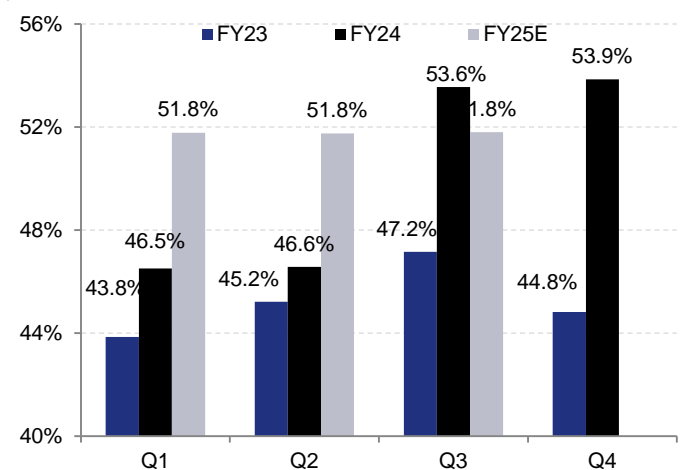
Source: Company, JM Financial

Exhibit 4: SRF quarterly EBITDA margin trend (%)



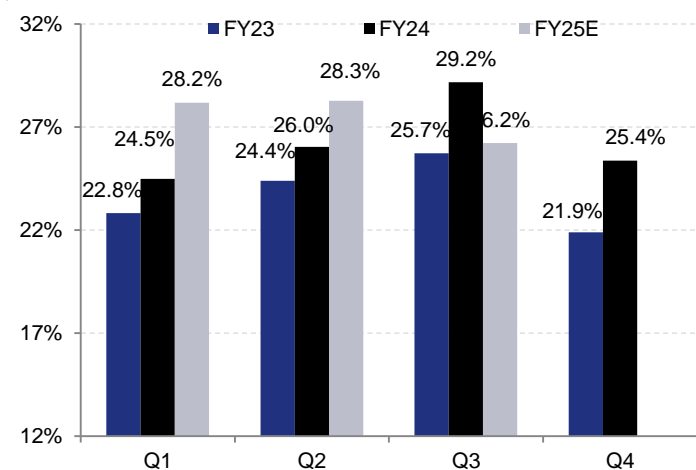
Source: Company, JM Financial

Exhibit 5: PI quarterly gross margin trend (%)



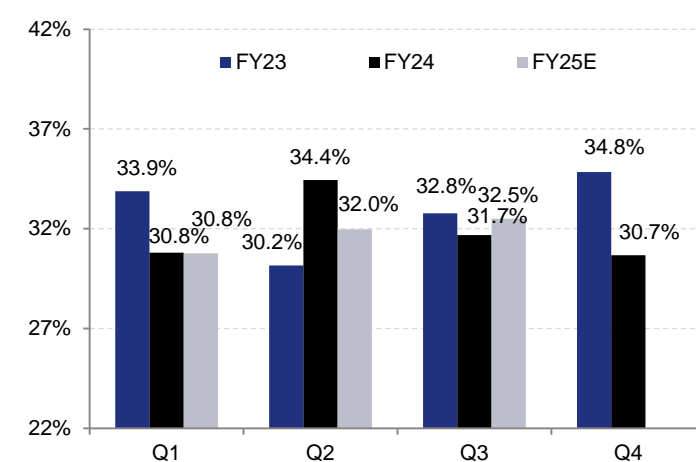
Source: Company, JM Financial

Exhibit 6: PI quarterly EBITDA margin trend (%)



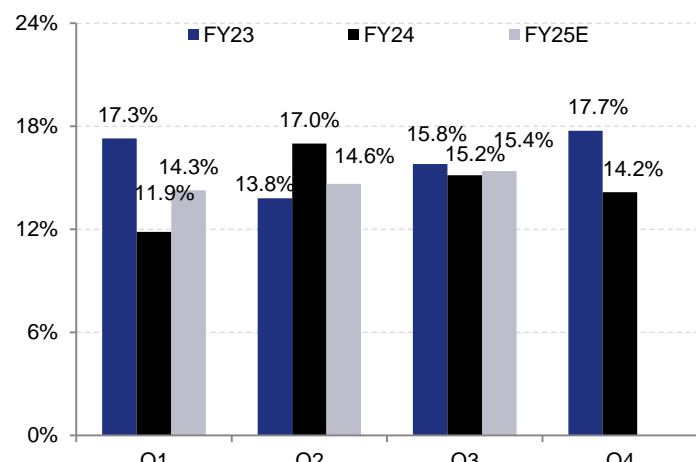
Source: Company, JM Financial

Exhibit 7: Deepak Nitrite quarterly gross margin trend (%)



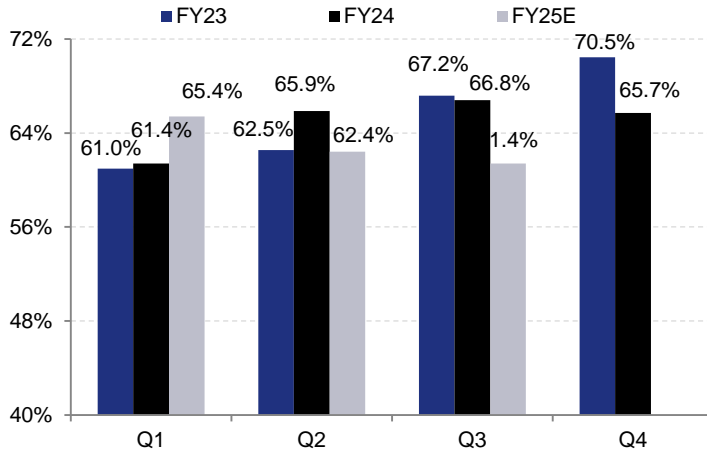
Source: Company, JM Financial

Exhibit 8: Deepak Nitrite quarterly EBITDA margin trend (%)



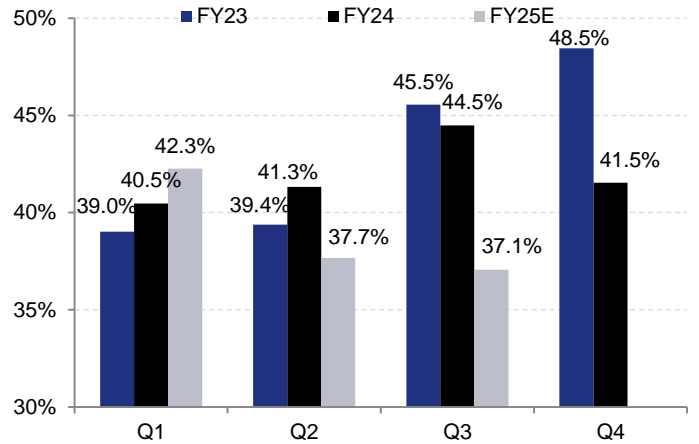
Source: Company, JM Financial

Exhibit 9: Clean quarterly gross margin trend (%)



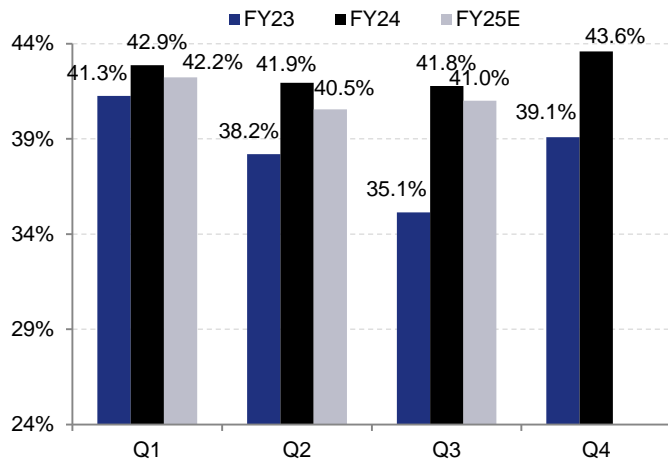
Source: Company, JM Financial

Exhibit 10: Clean quarterly EBITDA margin trend (%)



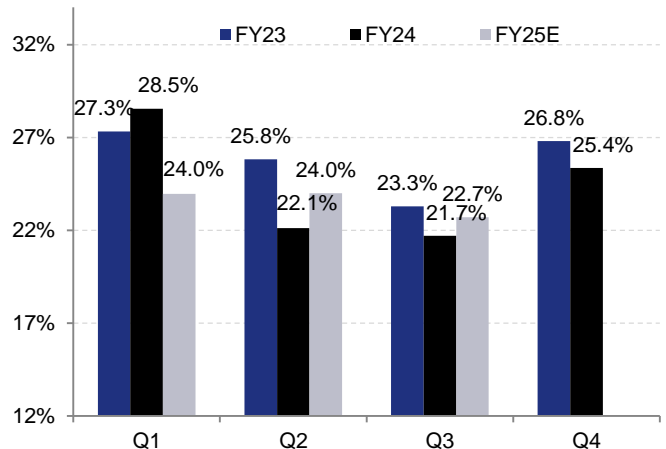
Source: Company, JM Financial

Exhibit 11: FOIL quarterly gross margin trend (%)



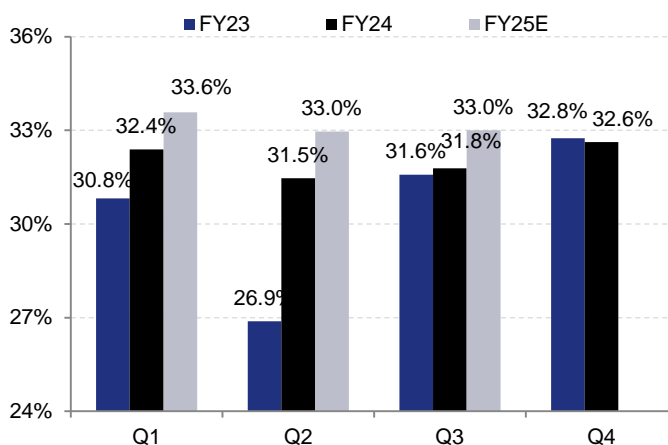
Source: Company, JM Financial

Exhibit 12: FOIL quarterly EBITDA margin trend (%)



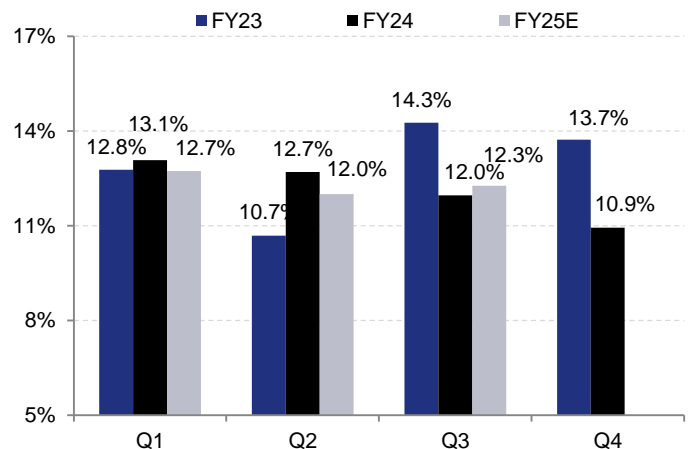
Source: Company, JM Financial

Exhibit 13: Galaxy quarterly gross margin trend (%)



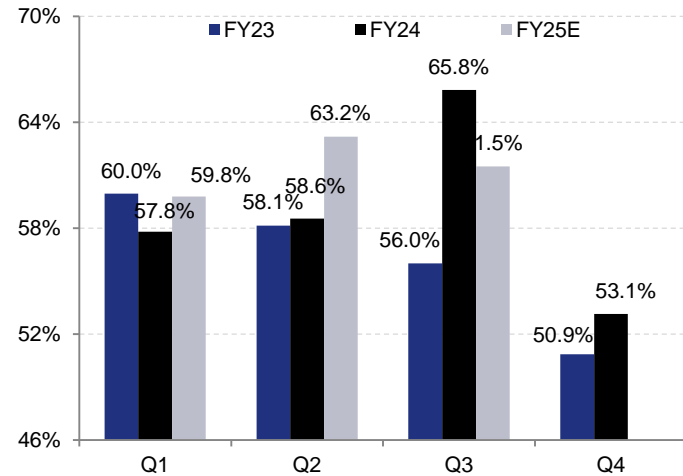
Source: Company, JM Financial

Exhibit 14: Galaxy quarterly EBITDA margin trend (%)



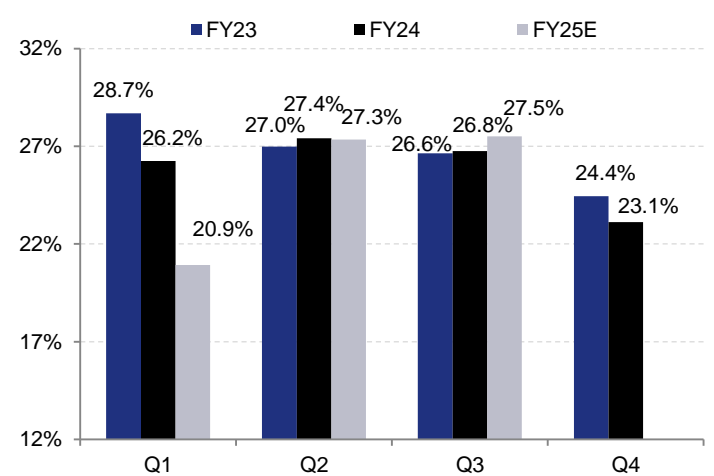
Source: Company, JM Financial

Exhibit 15: Anupam Rasayan quarterly gross margin trend (%)



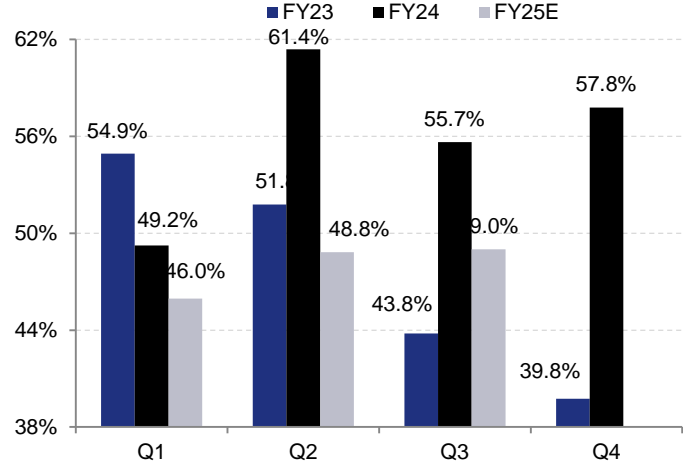
Source: Company, JM Financial

Exhibit 16: Anupam Rasayan quarterly EBITDA margin trend (%)



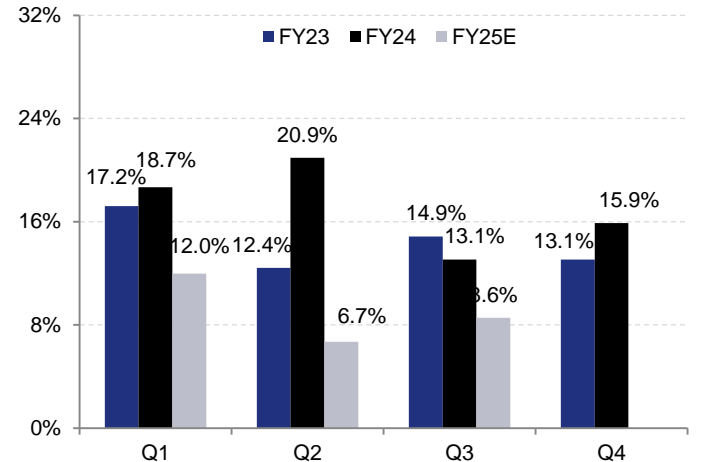
Source: Company, JM Financial

Exhibit 19: Tatva Chintan quarterly gross margin trend (%)



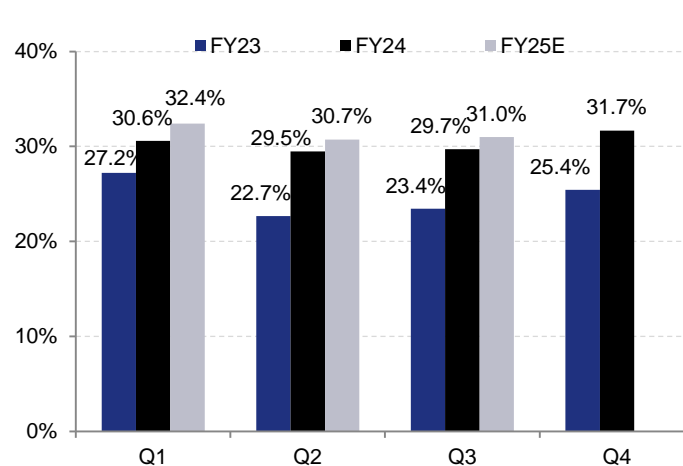
Source: Company, JM Financial

Exhibit 20: Tatva Chintan quarterly EBITDA margin trend (%)



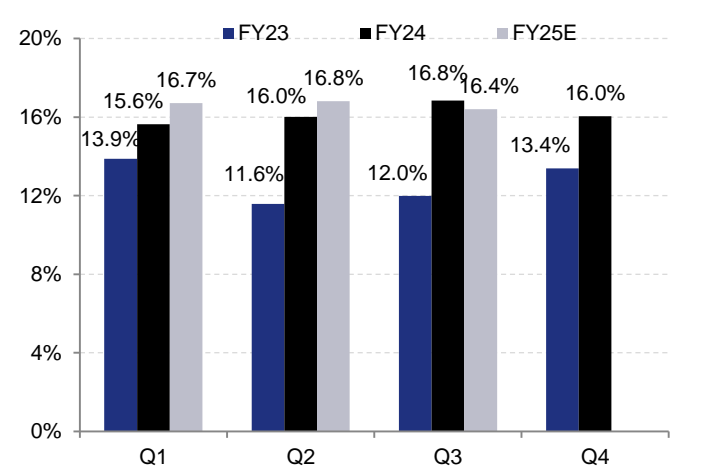
Source: Company, JM Financial

Exhibit 21: PCBL quarterly gross margin trend (%)



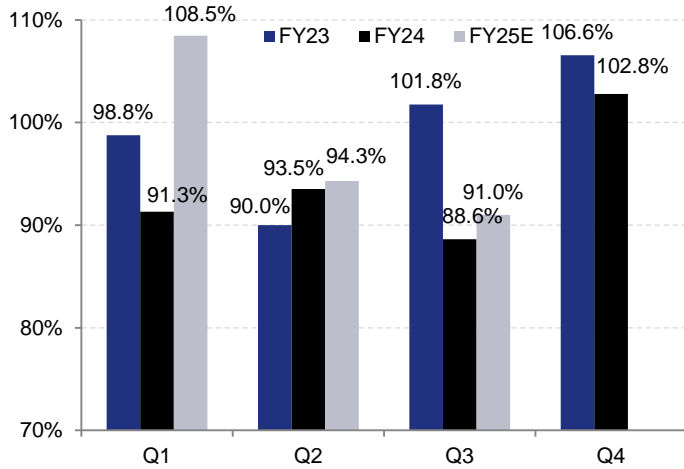
Source: Company, JM Financial

Exhibit 22: PCBL quarterly EBITDA margin trend (%)



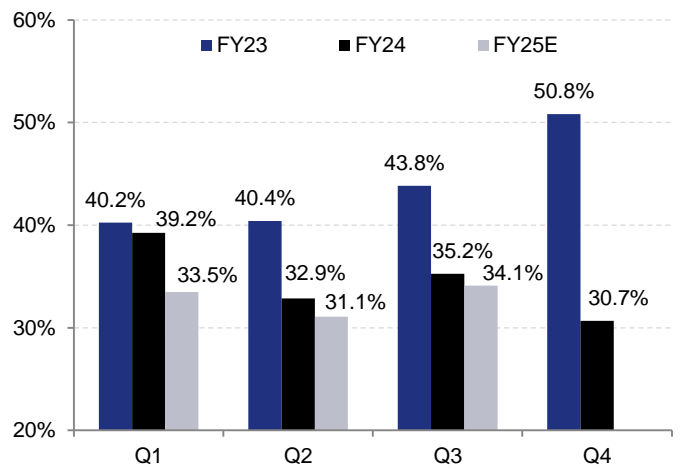
Source: Company, JM Financial

Exhibit 23: Archean Chemicals quarterly gross margin trend (%)



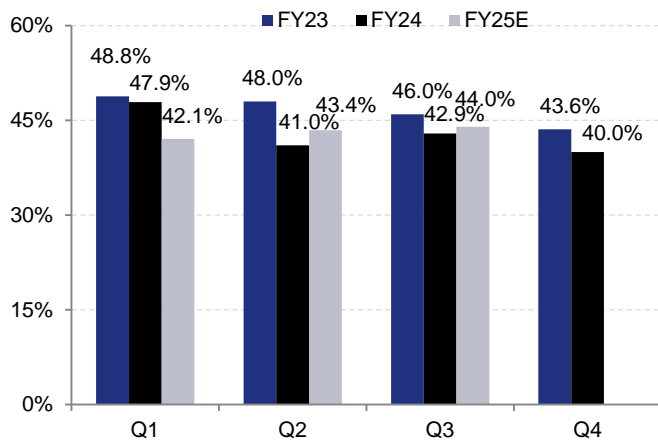
Source: Company, JM Financial

Exhibit 24: Archean Chemicals quarterly EBITDA margin trend (%)



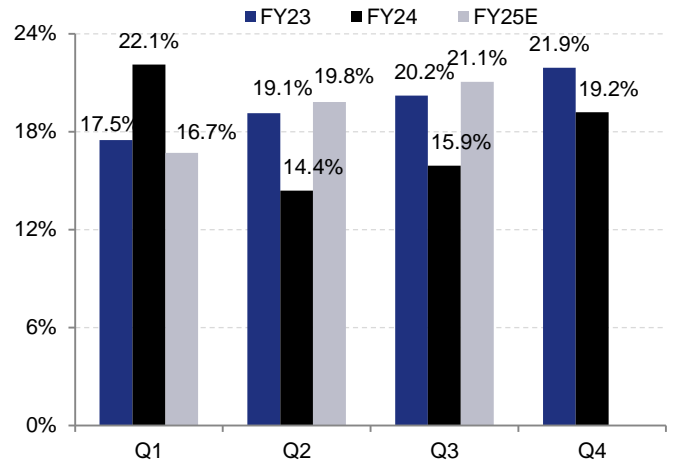
Source: Company, JM Financial

Exhibit 25: Ami Organics quarterly gross margin trend (%)



Source: Company, JM Financial

Exhibit 26: Ami Organics quarterly EBITDA margin trend (%)



Source: Company, JM Financial

Exhibit 28: Chemical companies peer valuation

Company	Rating	CMP (INR)	TP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
				FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
SRF	BUY	2,307	2,660	51.2	54.8	35.5	27.6	6.0	5.4	4.8	4.1	28.0	26.7	20.3	16.5	12.3	10.4	14.3	16.1
PI Industries	HOLD	3,593	4,275	32.7	32.6	28.9	25.0	6.3	5.2	4.4	3.8	25.2	21.8	18.8	16.0	21.0	17.5	16.6	16.3
Deepak Nitrite	BUY	2,461	3,020	41.4	37.7	29.8	24.4	7.0	6.0	5.0	4.2	29.8	25.4	19.9	16.5	18.2	17.1	18.4	18.9
Clean Science	BUY	1,446	1,845	62.9	54.2	39.7	30.9	12.8	10.4	8.3	6.6	45.3	37.6	28.3	21.6	22.1	21.1	23.2	23.7
Navin Fluorine	BUY	3,470	4,105	75.2	61.7	45.3	35.4	7.2	6.6	5.9	5.2	45.1	36.6	28.2	23.0	10.0	11.2	13.8	15.7
Fine Organics	SELL	4,500	4,035	37.4	32.5	33.0	32.9	7.4	6.2	5.4	4.8	26.7	22.5	21.9	20.8	21.8	20.9	17.6	15.4
Galaxy Surfactants	HOLD	2,496	2,810	29.4	25.9	23.9	22.2	4.1	3.5	3.1	2.7	18.5	16.1	14.7	13.4	14.8	14.6	13.8	13.1
PCBL Ltd.	BUY	438	620	33.6	30.8	21.6	16.3	5.1	4.4	3.6	3.0	20.2	14.1	11.8	9.9	16.2	15.2	18.3	20.0
Aether Industries	BUY	894	1,135	123.5	69.6	46.8	35.4	5.8	5.3	4.8	4.2	87.0	46.6	32.4	23.7	5.8	8.0	10.8	12.7
Ami Organics	BUY	2,218	2,500	112.4	72.6	42.5	31.1	13.5	7.1	6.2	5.2	72.0	46.1	28.6	21.2	12.7	12.8	15.5	18.2
Anupam Rasayan	HOLD	710	740	60.6	81.3	46.4	28.9	2.8	2.7	2.5	2.3	22.9	26.3	19.1	14.7	5.0	3.4	5.7	8.4
Archean Chemicals	BUY	652	795	24.8	28.5	19.7	12.9	4.7	4.2	3.5	2.8	16.4	19.0	12.3	7.9	20.4	15.4	19.3	23.9
Tatva Chintan Pharma Chem	SELL	900	705	69.3	147.1	63.2	38.3	2.9	2.8	2.7	2.6	30.5	46.1	27.7	19.7	4.8	1.9	4.4	6.9

Source: Companies, JM Financial

Exhibit 28: Chemical companies estimates

Company	Sales (INR bn)				Sales CAGR (%)	EBITDA (INR bn)				EBITDA CAGR (%)	PAT (INR bn)				PAT CAGR (%)
	FY24	FY25E	FY26E	FY27E	FY24 - FY27E	FY24	FY25E	FY26E	FY27E	FY24 - FY27E	FY24	FY25E	FY26E	FY27E	FY24 - FY27E
Anupam Rasayan	14.8	13.8	17.2	21.5	13.5	3.8	3.4	4.6	6.0	16.4	1.7	1.4	2.1	3.2	23.8
Clean Science Tech	7.9	9.9	14.1	18.2	32.1	3.3	4.0	5.2	6.7	26.6	2.4	2.8	3.9	5.0	26.8
Tatva Chintan	3.9	3.8	4.8	5.9	14.3	0.7	0.5	0.8	1.1	16.8	0.3	0.1	0.3	0.6	21.9
Galaxy Surfactants	37.9	40.7	43.6	46.5	7.0	4.6	5.2	5.5	5.8	8.0	3.0	3.4	3.7	4.0	9.8
PI Industries	76.7	82.1	93.7	106.8	11.7	20.1	23.1	26.3	29.9	14.1	16.7	16.7	18.9	21.8	9.3
SRF Ltd	129.1	149.6	174.3	202.5	16.2	25.8	27.1	35.4	43.2	18.7	13.4	12.5	19.3	24.8	22.9
Deepak Nitrite	76.8	83.1	93.9	102.4	10.0	11.2	13.2	16.8	20.3	21.8	8.1	8.9	11.3	11.3	11.6
Fine Organics	19.5	23.4	24.6	25.8	9.8	4.8	5.6	5.7	5.9	7.3	3.7	4.2	4.2	4.2	4.4
PCBL	64.2	86.3	100.3	113.7	21.0	10.4	14.9	17.6	20.5	25.4	4.9	5.4	7.6	10.1	27.3
Archean Chemical	13.3	12.0	17.9	24.4	22.4	4.6	4.0	5.9	8.7	23.5	3.2	2.4	4.0	6.1	24.2
Ami Organics	7.2	9.8	13.1	16.7	32.4	1.3	2.0	3.1	4.2	48.3	0.5	1.3	2.1	2.9	81.7

Source: Companies, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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