

## On Path of Steady Recovery; Maintain HOLD

**Est. Vs. Actual for Q1FY26:** Revenue: **MISS**; EBITDA: **MISS**; PAT: **MISS**

### Changes in Estimates Post Q1FY26

**FY26E/FY27E:** Revenue: -5%/9%; EBITDA: -9%/9% ; PAT: -12%/10%

### Recommendation Rationale

- **Signs of Improvement despite Persistent Pressure in Bromine:** The company posted a strong 67% YoY increase in industrial salt volumes during the quarter, while bromine volumes continued to decline on a YoY basis. Despite the prolonged weakness in pricing over the past few years, the bromine segment remained partly insulated due to long-term contractual arrangements. In line with previous guidance, the company maintained its salt volume run rate at 1.1 Mn tonnes and expects further improvement in the coming quarters. Earlier operational bottlenecks, particularly in logistics, have been largely resolved.
- **SOP & Bromine Derivatives to Contribute Meaningfully:** The SOP segment continues to show encouraging momentum, with trial runs progressing steadily. The company is working closely with its technology partner to move from pilot-scale to full-scale plant trials. Initial contributions from this vertical are expected in H2FY26. In the bromine derivatives segment, including CBF and PTA synthesis, current capacity utilisation stands at 30–40%, with positive customer feedback. Management expects utilisation to exceed 50% in the near term, indicating improving traction.
- **Growth Likely to Pick Up from FY27:** With strong demand visibility and long-term customer contracts across Asia, the company remains confident of sustaining current volume levels. While recovery during the quarter was below expectations, rising capacity utilisation and a potential uptick in pricing are likely to accelerate growth from end-FY26 or early FY27.

### Sector Outlook: Neutral

**Company Outlook & Guidance:** The company is witnessing mixed trends across the chemical industry, with early signs of recovery in a few segments. Enquiry levels are steadily improving, indicating a more favourable business environment in the coming quarters and the year ahead. The company maintains a positive outlook on its bromine derivatives project and the recently acquired Oren business, which is expected to contribute meaningfully to revenue in the current fiscal year. However, management remains cautious as project ramp-up and technical approvals are progressing slower than initially anticipated. Strong and sustained demand is expected to continue in the industrial salt segment, while the SOP business is projected to recover beginning FY26.

**Current Valuation:** 10x FY27E (Unchanged)

**Current TP:** Rs 615/share (Earlier: Rs 560/share)

**Recommendation:** We maintain our **HOLD** rating on the stock.

**Financial Performance:** Although the company posted respectable YoY growth, the performance missed our estimates on all fronts. Consolidated revenue stood at Rs 292 Cr, up 37% YoY and down 15% QoQ, missing our estimate by 26% and signalling a delay in full recovery. EBITDA was Rs 78 Cr, up 10% YoY and down 12% QoQ, falling short of our estimates by 36%. The EBITDA margin stood at 26.7%, down 676 bps YoY and up 116 bps QoQ. The company's PAT was Rs 40 Cr, a drop of 10% YoY, majorly missing our estimate by 51%.

### Key Financials (Consolidated)

(Rs Cr)	Q1FY26	YoY %	QoQ%	Axis Est.	Var %
Net Sales	292	37%	-15%	397	-26%
EBITDA	78	10%	-12%	121	-36%
EBITDA Margin	26.71%	-676bps	116bps	30.50%	-379bps
Net Profit	40	-10%	-25%	82	-51%
EPS (Rs)	3.3	-10%	-25%	6.7	-51%

Source: Company, Axis Securities Research

(CMP as of 31<sup>st</sup> July, 2025)

CMP (Rs)	665
Upside /Downside (%)	(8%)
High/Low (Rs)	832/408
Market cap (Cr)	8,200
Avg. daily vol. (1M) Shrs.	5,44,218
No. of shares (Cr)	12.3

### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	53.44	53.44	53.44
FII's	10.65	10.93	11.05
DII's	22.86	23.17	24.69
Retail	13.06	12.44	10.84

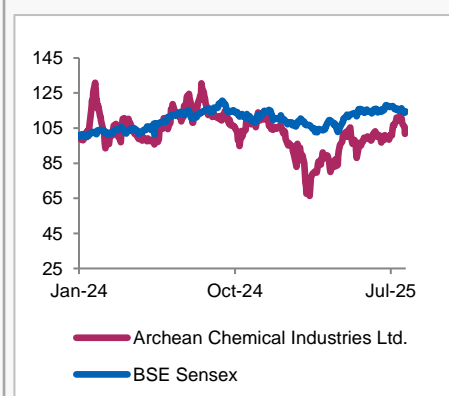
### Financial & Valuations

Y/E Mar	FY25	FY26E	FY27E
Net Sales	1,041	1,705	2,669
EBITDA	314	584	1,036
Net Profit	162	392	755
EPS (Rs)	13.2	31.8	61.4
PER (x)	50.5	20.9	10.8
EV/EBITDA (x)	26.4	13.7	7.3
RoA (%)	7%	15%	24%
ROE (%)	9%	19%	29%

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-5%	9%
EBITDA	-9%	9%
PAT	-12%	10%

### Relative Performance



Source: Ace Equity, Axis Securities Research

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## Outlook

Despite facing multiple headwinds in recent quarters, the company is witnessing improved weather conditions and a recovery in demand across core products. The management mentioned that supply chain disruptions are easing, and the company is steadily advancing its strategic initiatives. The company also expressed confidence in achieving a Bromine volume run rate of 1 Mn tonnes or above on a quarterly basis and expects meaningful contributions from newer business starting H2FY26.

## Valuation & Recommendation

While we expect the company to continue facing pricing pressures in the near term, we expect company to gain stronger momentum in FY27. Accordingly, we tweaked our estimates to account change in expectations. We continue to value the stock at 10x FY27E and maintain our HOLD rating on the stock **with a revised target price of Rs 615/share. This TP suggests an 8% downside from the current market price (CMP).**

## Key Concall Highlights

- **Financial Performance:** During the quarter, the company reported revenue of Rs 192 Cr, supported by a balanced and stable product mix. Export sales constituted 81% of the total operating income. The bromine segment contributed Rs 84 Cr and maintained stable growth, aided by long-term contracts that shielded it from spot price fluctuations. Industrial salt remained a strong performer, generating Rs 194 Cr in revenue, while the SOP segment, still in the trial phase, contributed Rs 26 Lc.
- **Acume Chemicals:** The bromine derivatives facility has commenced operations and is gradually ramping up, contributing incrementally to overall revenue.
- **Bromine:** Bromine accounted for approximately 30% of total revenue in Q1FY26. Overall business performance remained largely stable compared to the previous quarter. Archean continues to hold its position as India's leading producer and exporter of bromine, supported by consistent demand and growing traction from domestic customers. Despite a challenging pricing environment over the past few years, the company has maintained steady volumes. Recent signs of pricing improvement and strong order book visibility indicate progress toward achieving guided sales volumes.
- **Developments in Bromine Derivatives:** The bromine derivatives segment (Clear Brine Fluids and PTA catalyst) is currently operating at 30-40% capacity utilisation (20-30% in the previous quarter), with sales of around 400 tons this quarter. Management expects utilisation to surpass 50% in the near term. Clear Brine Fluids and PTA catalyst have contributed to the Q1FY26 performance.
- **Industrial Salt:** The industrial salt business accounted for roughly 70% of total revenue in Q1FY26. The company maintains a run rate of over 10 Lc tonnes and is focusing on improving operational efficiencies and cost optimisation to drive further gains.
- **SOP:** The SOP segment continues to progress well, with promising trial results and rising interest from both domestic and international customers. The company is working closely with a technology partner to scale operations from pilot to commercial levels. Meaningful revenue contributions are expected in the second half of FY26. Archean remains among the few global producers of SOP, a speciality fertiliser with limited global production capacity.
- **Oren Hydrocarbons:** The company continues to adhere to its earlier revenue guidance of Rs 150 Cr from the Oren acquisition for FY26. However, management remains cautiously optimistic, as the pace of ramp-up and technical approvals is slower than originally anticipated.

## Other Strategic Investment Highlights

- **Idealis Chemicals (Oren Hydrocarbon):** Acquired through NCLT in July 2024. Post-refurbishment, three manufacturing units are currently in trial phases and are expected to contribute from FY26 onwards.
- **Clas-Sic Wafer Fab Limited:** A primary subscription of GBP 10 Mn has been made, and of the total secondary purchase of GBP 5 Mn, GBP 2.5 Mn has been made in FY25. This secures exclusive access to advanced silicon carbide (SiC) technology in India, supporting Archean's semiconductor growth via its subsidiary, SiCSem Private Limited.
- **SiCSem Private Limited:** The company is awaiting final Central Government clearance for setting up a semiconductor facility in Odisha. The proposed plant will be an integrated facility for power device manufacturing, including wafer fabrication.
- **Offgrid Energy Labs:** The investment is expected to conclude in FY26. This aligns with the broader strategy of leveraging bromine derivatives to foray into the energy storage sector, focusing on renewable energy, industrial storage, and grid stabilisation applications.

## Sales Volumes

Sales Volumes (in MT)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Bromine	4,700	4,800	4,600	3,600	4,054
Industrial salt	6,60,000	7,92,000	7,58,000	13,00,000	11,00,000
Sulphate of Potash (SOP)	66	27	82	26	52

Source: Company, Axis Securities Research

## Key Risks to Our Estimates and TP

- The emergence of non-halogenated flame retardants may pose a threat to the growth of the Bromine market in the future
- Any delay in capacity in the expansion of Bromine Derivatives or existing projects may affect ROCE negatively
- The global slowdown and logistical challenges may affect volumes and value growth.

## Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	1,705	2,669	1,798	2,453	-5%	9%
EBITDA	584	1,036	644	952	-9%	9%
PAT	392	755	442.9	688.3	-12%	10%

Source: Company, Axis Securities Research

## Q1FY26 Result Review

Particulars	Q1FY25	Q4FY25	Axis Sec Estm (Rs Cr)	Q1FY26	% Change (YoY)	% Change (QoQ)	Variance (%)
Revenue	213	346	397	292	37%	-15%	-26%
Net Raw Material consumed	-18	12	15	26	-243%	109%	
Gross Profit	231	333	382	267	16%	-20%	
Gross Margin %	108.5%	96.4%	96.2%	91.2%	-1730bps	-525bps	-502bps
Employee	15	20	21	19	27%	-4%	
Other Expenses	145	225	240	170	17%	-25%	
Total Expenditure	141	257	276	214	51%	-17%	
EBIDTA	71	88	121	78	10%	-12%	-36%
EBITDA Margin	33.5%	25.5%	30.5%	26.7%	-676bps	116bps	-379bps
Less: Depreciation	19	21	21	23	23%	9%	
EBIT	53	67	100	55	5%	-18%	
Less: Net Interest	2	0	2	5	216%	1769%	
Add: Other income	10	8	11	8	-15%	5%	
Profit Before Extraordinary Items and Tax	61	75	110	58	-4%	-22%	
Less: Extraordinary Expense (net)	-	-	-	-			
Profit Before Tax	61	75	110	58	-4%	-22%	
Less: Total Tax	16	21	27	18	14%	-15%	
Profit After Tax	45	54	82	40	-10%	-25%	-51%
Reported EPS (Rs)	3.64	4.37	6.70	3.26	-10%	-25%	-51%

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Net Revenue</b>	<b>1,441</b>	<b>1,330</b>	<b>1,041</b>	<b>1,705</b>	<b>2,669</b>
COGS	3	88	-8	104	146
Staff costs	72	72	61	95	147
Operating Exp.	732	707	674	922	1,339
Total Expenditure	807	867	727	1,121	1,633
<b>EBITDA</b>	<b>634.0</b>	<b>462.7</b>	<b>314.2</b>	<b>584.4</b>	<b>1,035.8</b>
<b>EBITDA Margin %</b>	<b>44.0%</b>	<b>34.8%</b>	<b>30.2%</b>	<b>34.3%</b>	<b>38.8%</b>
Depreciation	69	70	79	86	91
EBIT	609	436	272	539	1,011
Interest	97	8	8	11	1
Other Income	43	43	37	40	66
PBT	512	427	224	528	1,011
Tax	129	108	62	136	255
Tax Rate %	25.2%	25.3%	27.5%	25.8%	25.2%
<b>PAT</b>	<b>383</b>	<b>319</b>	<b>162</b>	<b>392</b>	<b>755</b>
<b>EPS</b>	<b>31.1</b>	<b>25.9</b>	<b>13.2</b>	<b>31.8</b>	<b>61.4</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
Share Capital	25	25	25	25	25
Reserves & Surplus	1,406	1,677	1,839	2,201	2,899
<b>Net Worth</b>	<b>1,431</b>	<b>1,702</b>	<b>1,864</b>	<b>2,226</b>	<b>2,924</b>
Financial Non-Current Liability	37	91	194	94	94
Other Non-current Liability	-	-	0	0	0
Deferred Tax Liability	115	124	123	123	123
<b>Total Non-Current Liability</b>	<b>152</b>	<b>219</b>	<b>332</b>	<b>232</b>	<b>232</b>
Current Financial Liability	148	131	188	228	317
Other Current Liability	21	3	3	10	10
Provisions	3	-	5	5	5
<b>Total Current Liability</b>	<b>172</b>	<b>135</b>	<b>197</b>	<b>239</b>	<b>328</b>
<b>Total Equity &amp; Liability</b>	<b>1,755</b>	<b>2,056</b>	<b>2,393</b>	<b>2,697</b>	<b>3,484</b>
<b>Application Of Funds</b>					
<b>PPE</b>	<b>1,065</b>	<b>1,118</b>	<b>1,285</b>	<b>1,302</b>	<b>1,311</b>
Capital Work in Progress	36	46	65	65	65
Right Use Of Assets	45	42	93	93	93
Intangible Assets	0	2	5	5	5
<b>Non-Current Financial Assets</b>	<b>22</b>	<b>16</b>	<b>179</b>	<b>179</b>	<b>179</b>
Other Non-Current Assets	10	100	71	71	71
<b>Total Non-Current Assets</b>	<b>1,178</b>	<b>1,330</b>	<b>1,702</b>	<b>1,719</b>	<b>1,727</b>
Inventories	168	127	168	220	366
Current-Financial Assets	361	552	420	656	1,288
Other Current Assets	32	32	82	82	82
<b>Total Current Assets</b>	<b>577</b>	<b>726</b>	<b>691</b>	<b>979</b>	<b>1,757</b>
<b>Total Assets</b>	<b>1,755</b>	<b>2,056</b>	<b>2,393</b>	<b>2,697</b>	<b>3,484</b>

Source: Company, Axis Securities Research

**Cash Flow**

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
PBT	512	427	224	528	1,011
Depreciation & Amortization	69	70	79	86	91
Finance Cost	97	8	8	11	1
Chg in Working cap	-157	6	-58	-57	-212
Direct tax paid	-21	-109	-55	-136	-255
<b>Cash flow from operations</b>	<b>496</b>	<b>379</b>	<b>176</b>	<b>431</b>	<b>635</b>
Chg in Gross Block	-100	-131	-264	-100	-100
Chg in Investments	-195	-117	171	-	-
Other Investments	-1	14	-149	-	-
<b>Cash flow from investing</b>	<b>-290</b>	<b>-307</b>	<b>-246</b>	<b>-100</b>	<b>-100</b>
Fresh Issue Proceeds	789	0	0	-	-
Proceeds / (Repayment) of ST Borrowings (Net)	-4	-55	-0	-100	-
Finance Cost paid	-163	-3	-2	-11	-1
Dividends paid	-	-55	-12	-30	-57
<b>Cash flow from financing</b>	<b>-212</b>	<b>-33</b>	<b>65</b>	<b>-141</b>	<b>-58</b>
<b>Chg in cash</b>	<b>-6</b>	<b>40</b>	<b>-5</b>	<b>190</b>	<b>477</b>
Cash and cash equivalents at the beginning of the year	12	6	46	41	231
Cash and Cash equivalents at the end of the year	<b>6</b>	<b>45</b>	<b>41</b>	<b>231</b>	<b>708</b>

Source: Company, Axis Securities Research

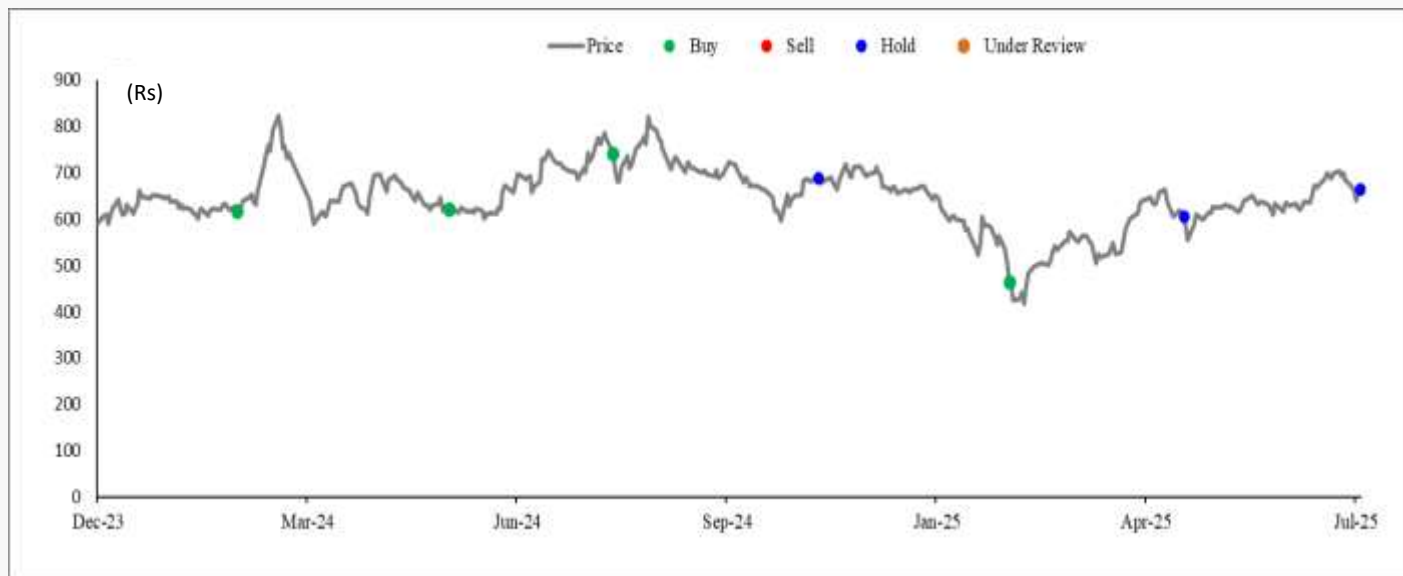
**Ratio Analysis**

(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Efficiency Ratios</b>					
Asset Turnover (x)	0.88	0.70	0.47	0.67	0.86
Inventory Turnover(x)	0.02	0.59	-0.05	0.54	0.50
Sales/Total Assets	0.82	0.65	0.43	0.63	0.77
Receivable days	34	38	56	40	39
Inventory Days	37	40	52	41	40
Payable days	26	27	36	27	26
<b>Financial Stability Ratios</b>					
Total Debt/Equity(x)	0.0	0.0	0.1	0.0	0.0
Total Asset/Equity(x)	1.3	1.2	1.3	1.2	1.2
Current Ratio(x)	3.3	5.4	3.5	4.1	5.4
Quick Ratio(x)	2.4	4.4	2.7	3.2	4.2
<b>Operational &amp; Financial Ratios</b>					
Earnings Per Share (Rs)	31	26	13	32	61
Book Value (Rs)	116	138	151	181	238
Tax Rate (%)	25.2%	25.3%	27.5%	25.8%	25.2%
<b>Performance Ratios</b>					
ROA (%)	23.3%	16.7%	7.3%	15.4%	24.4%
ROCE (%)	41.4%	24.9%	13.2%	23.2%	36.0%
ROE (%)	45.2%	20.4%	9.1%	19.2%	29.3%

Source: Company, Axis Securities Research

## Archean Chemical Industries Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
07-Feb-24	BUY	885	Result Update
21-May-24	BUY	865	Result Update
06-Aug-24	BUY	829	Result Update
13-Nov-24	HOLD	730	Result Update
13-Feb-25	BUY	520	Result Update
8-May-25	HOLD	560	Result Update
1-Aug-25	HOLD	615	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.