

Selective recovery signs in Q4

9 April 2025

Within Elara Chemicals universe, we have a positive stance on refrigerant companies (SRF, FLUOROCH and NFIL) as also on those companies which are dependent on raw material that are derivatives of crude oil (DN and SCHI). Commentaries by global chemical companies suggest a gradual recovery in volume in CY25 but recovery in prices is less predictable due to Chinese oversupply. However, some relief may materialize, subject to a recovery in the Chinese economy and normalization of the agriculture season in Latin America. Also, global tariff wars are a key monitorable. We expect escalation in the US-China tariff war to benefit Indian manufacturers, especially refrigerant players. Deepak Nitrite is our top pick in the space – It is expected to benefit from existing capex-led growth.

PAT to decline 12% YoY but rise 24% QoQ in Q4E, led by revenue growth and expansion in EBITDA margin: In Q4E, we expect Elara Chemicals universe to post a 12% YoY drop in PAT. Cumulative EBITDA margin may be flat YoY but may grow 122bps QoQ to 17.8%, mainly led by revenue growth of 6% QoQ in Q4E. Per government trade data, exports volume for companies within Elara Chemicals universe is estimated to fall 15% YoY and 14% QoQ, even as realization has improved QoQ. Companies such as SRF, FLUOROCH, ATLP and ARTO are expected to witness a QoQ improvement in realization.

Vinati Organics – Volume gain to drive EBITDA QoQ: Expect a 48% QoQ growth in Deepak Nitrite's (DN IN) EBITDA due to base effect given the shutdown in Q3FY25. YoY, EBITDA may fall by 17%, led by weak exports market for phenol derivatives. Vinati Organics (VO IN) may post a 23% QoQ EBITDA growth, led by high export demand.

Alkyl Amines and Balaji Amines – Falling margin to impact EBITDA QoQ: We expect Alkyl Amines (AACL IN) to post a 6% QoQ drop in EBITDA, on muted realization and weaker margin. Similarly, EBITDA for Balaji Amines (BLA IN) may dip 9% QoQ in Q4E.

Fluorochemicals – QoQ earnings growth, except for Navin Fluorine: SRF (SRF IN) is likely to post a 33% QoQ growth in EBITDA in Q4E due to growing demand and strengthening of R32 and R22 refrigerant prices.

We expect EBITDA for Gujarat Fluorochemicals (FLUOROCH IN) to grow 6% QoQ, given a slight margin improvement in fluoropolymers. Navin Fluorine (NFIL IN) may see a 9% QoQ drop in EBITDA, led by reduced exports demand and a slight drop in margin.

Aarti Industries' (ARTO IN) EBITDA may improve by 4% QoQ due to slight margin improvement, though partly offset by a fall in revenue. Atul (ATLP IN) may post a 22% QoQ drop in EBITDA, led by an anticipated decline in volume. We expect Sudarshan Chemicals (SCHI IN) to post an EBITDA growth of 18% QoQ, mainly led by revenue growth in the exports market.

Price performance

(%)	3M	6M	12M
Nifty	(4.8)	(10.3)	(1.1)
SRF	2.1	17.0	5.3
Gujarat Fluorochemicals	(6.6)	(15.6)	13.4
Deepak Nitrite	(26.5)	(35.0)	(17.5)
Navin Fluorine	4.0	18.3	30.1
Atul	(24.9)	(34.3)	(11.6)
Vinati Organics	(16.8)	(27.5)	(2.4)
Aarti Industries	(13.5)	(32.5)	(48.9)
Alkyl Amines	(10.3)	(26.9)	(20.7)
Balaji Amines	(40.0)	(48.8)	(49.5)
Sudarshan Chemicals	(13.5)	(7.1)	47.4

Note: as on 9 April 2025; Source: Bloomberg

Company	Revenue (INR bn)		
	FY25E	FY26E	FY27E
SRF	142.2	162.2	191.4
Gujarat Fluorochemicals	47.5	63.0	81.6
Deepak Nitrite	80.7	91.6	105.9
Navin Fluorine	22.9	29.4	36.7
Atul	55.8	63.3	70.7
Vinati Organics	21.7	25.9	28.5
Aarti Industries	72.5	81.9	88.2
Alkyl Amines	15.9	18.2	20.5
Balaji Amines	14.0	18.3	25.2
Sudarshan Chemicals	27.5	30.4	34.1

Company	Adj. PAT (INR bn)		
	FY25E	FY26E	FY27E
SRF	11.3	16.5	23.7
Gujarat Fluorochemicals	4.9	7.5	12.1
Deepak Nitrite	6.1	11.2	14.2
Navin Fluorine	2.8	4.7	5.9
Atul	4.9	5.9	6.6
Vinati Organics	3.9	4.9	5.5
Aarti Industries	4.0	4.6	6.1
Alkyl Amines	1.9	2.3	2.9
Balaji Amines	1.8	2.4	3.4
Sudarshan Chemicals	1.4	1.7	2.0

Source: Elara Securities Estimate

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Key financials

Company	Revenue (INR mn)					EBITDA (INR mn)					Adjusted net profit (INR mn)				
	Q4FY25E	Q3FY25	Q4FY24	QoQ (%)	YoY (%)	Q4FY25E	Q3FY25	Q4FY24	QoQ (%)	YoY (%)	Q4FY25E	Q3FY25	Q4FY24	QoQ (%)	YoY (%)
SRF	39,413	34,913	35,697	12.9	10.4	8,236	6,196	6,958	32.9	18.4	4,406	2,711	4,222	62.5	4.4
Gujarat Fluorochemicals	11,696	11,480	11,330	1.9	3.2	3,130	2,940	2,376	6.4	31.7	1,438	1,260	1,010	14.1	42.4
Deepak Nitrite	19,402	19,034	21,262	1.9	(8.7)	2,490	1,685	3,011	47.8	(17.3)	1,609	981	2,539	64.0	(36.6)
Navin Fluorine	6,372	6,062	6,020	5.1	5.9	1,344	1,473	1,101	(8.7)	22.2	720	836	704	(13.9)	2.2
Atul	14,158	14,168	12,122	(0.1)	16.8	1,741	2,241	1,476	(22.3)	18.0	711	1,087	584	(34.6)	21.8
Vinati Organics	6,488	5,217	5,503	24.4	17.9	1,753	1,424	1,499	23.2	17.0	1,173	937	1,041	25.2	12.6
Aarti Industries	16,958	17,480	17,690	(3.0)	(4.1)	2,385	2,300	2,820	3.7	(15.4)	484	470	1,320	3.1	(63.3)
Alkyl Amines	3,887	3,712	3,566	4.7	9.0	671	712	689	(5.8)	(2.6)	406	438	385	(7.3)	5.5
Balaji Amines	3,274	3,127	4,139	4.7	(20.9)	416	457	977	(8.9)	(57.4)	279	311	725	(10.4)	(61.5)
Sudarshan Chemicals	8,063	6,664	7,642	21.0	5.5	935	790	1,191	18.4	(21.5)	373	313	580	19.0	(35.8)
Total	129,710	121,858	124,972	6.4	3.8	23,103	20,218	22,097	14.3	4.6	11,599	9,345	13,109	24.1	(11.5)

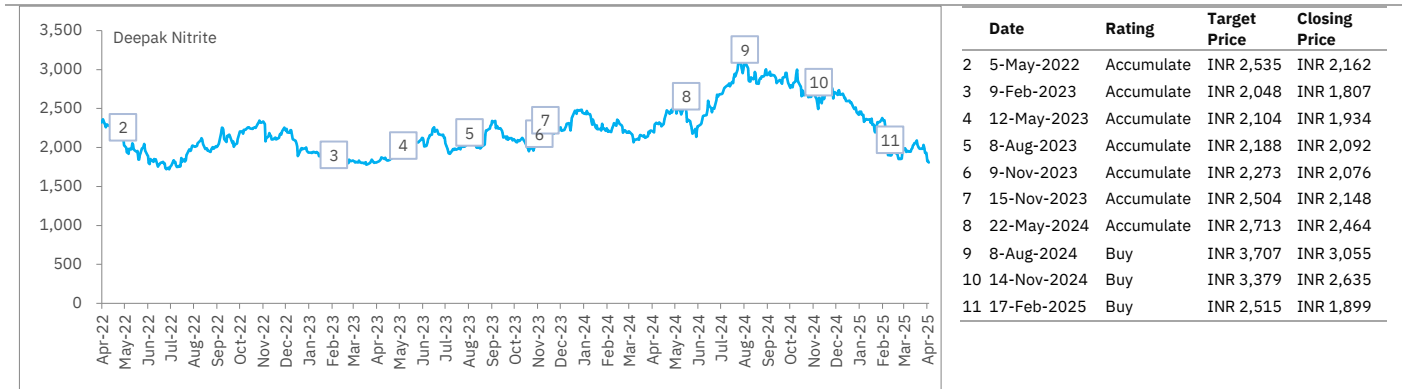
Source: Company, Elara Securities Estimate

Coverage matrix

Company	Ticker	Rating	Mcap	CMP*	Target	Upside	EV/EBITDA (x)			P/E (x)			ROE (%)		
			(USD mn)	(INR)	(INR)	(%)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
SRF	SRF IN	Accumulate	9,337	2,760	3,071	11.3	34.4	26.4	20.3	72.2	49.4	34.5	9.5	12.6	15.9
Gujarat Fluorochemicals	FLUOROCH IN	Buy	4,669	3,709	4,583	23.6	36.3	27.8	19.3	82.9	54.1	33.7	7.5	10.1	14.7
Deepak Nitrite	DN IN	Buy	2,843	1,828	2,515	37.5	26.2	15.1	12.1	40.8	22.3	17.5	12.0	19.1	20.4
Navin Fluorine	NFIL IN	Accumulate	2,276	3,849	4,682	21.7	40.9	29.1	23.0	68.1	40.3	32.2	11.2	16.9	18.4
Atul	ATLP IN	Accumulate	1,765	5,183	7,129	37.5	17.0	14.9	13.7	31.2	26.1	23.3	9.1	10.1	10.4
Vinati Organics	VO IN	Buy	1,732	1,481	2,128	43.7	27.3	21.7	19.3	39.1	31.4	28.1	15.1	16.9	16.8
Aarti Industries	ARTO IN	Accumulate	1,496	364	541	48.7	15.3	11.8	10.2	33.3	28.4	21.6	7.2	7.9	9.6
Alkyl Amines	AACL IN	Reduce	989	1,699	1,978	16.4	28.1	23.1	18.7	46.1	37.5	30.4	13.9	15.0	16.1
Balaji Amines	BLA IN	Accumulate	428	1,172	1,719	46.7	12.8	9.5	7.0	21.6	15.5	11.1	9.8	12.3	15.2
Sudarshan Chemicals	SCHI IN	Buy	875	965	1,114	15.5	22.2	19.4	17.1	48.1	39.0	34.0	8.2	7.4	8.0

Note: *Pricing as on 9 April 2025; TP and ratings as per our last published reports; Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
2	5-May-2022	Accumulate	INR 2,535	INR 2,162
3	9-Feb-2023	Accumulate	INR 2,048	INR 1,807
4	12-May-2023	Accumulate	INR 2,104	INR 1,934
5	8-Aug-2023	Accumulate	INR 2,188	INR 2,092
6	9-Nov-2023	Accumulate	INR 2,273	INR 2,076
7	15-Nov-2023	Accumulate	INR 2,504	INR 2,148
8	22-May-2024	Accumulate	INR 2,713	INR 2,464
9	8-Aug-2024	Buy	INR 3,707	INR 3,055
10	14-Nov-2024	Buy	INR 3,379	INR 2,635
11	17-Feb-2025	Buy	INR 2,515	INR 1,899

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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