

Demand pick-up still awaited

7 January 2025

We have a cautious stance on the Chemicals sector. Commentaries by global chemical companies suggest less visibility on price recovery and weak demand recovery for most segments (until H1FY26). However, some relief may materialize, subject to recovery in the Chinese economy and normalization of the agriculture season in Latin America. Deepak Nitrite is our top pick in the space – the company is expected to benefit from existing capex-led growth.

PAT to decrease 13% YoY and 17% QoQ in Q3FY25E led by volume growth: We expect Elara Chemicals universe to post a 13% YoY decline in PAT in Q3FY25E. Cumulative EBITDA margin may drop 131bps YoY and 112bps QoQ to 15.5%, led by price weakness in the exports market. Per government trade data, exports volume for companies within Elara Chemicals universe fell 6% YoY and 8% QoQ, while realization was flat YoY (down 3% QoQ). Companies such as Atul, Alkyl Amines, Balaji Amines and GFL are expected to witness a QoQ decline in both volume and realization.

Vinati Organics – Volume drop to impact EBITDA QoQ: We expect a 17% QoQ decline in Deepak Nitrite's (DN IN) EBITDA led by weak exports market for phenol derivatives. Vinati Organics (VO IN) may post a 3% QoQ decline in EBITDA, led by weak demand from the oil & gas sector in the US.

Alkyl Amines and Balaji Amines – Falling sales and realization to impact EBITDA QoQ: We expect Balaji Amines (BLA IN) to post a 67% QoQ decline in EBITDA, based on muted demand of amines given weak agrochem demand. Similarly, EBITDA for Alkyl Amines (AACL IN) may dip 66% QoQ.

Fluorochemicals – QoQ earnings to be muted, except for Navin Fluorine: SRF (SRF IN) is likely to post a 12% QoQ deceleration in EBITDA due to flat exports demand and a 12% correction anticipated in realization due to oversupply in agrochem and refrigerants by China.

Similarly, expect EBITDA growth for Gujarat Fluorochemicals (FLUOROCH IN) to be lower at 35% QoQ, given the additional headwind of weak demand in fluoropolymers. Navin Fluorine (NFIL IN) may see a 42% QoQ growth in EBITDA, led by higher realization and less dependence on agrochem as compared with SRF and FLUOROCH.

Aarti Industries' (ARTO IN) EBITDA may improve 43% QoQ due to base effect from weak gasoline-naphtha spread (that partially recovered QoQ). Atul (ATLP IN) may post a 33% QoQ decline in EBITDA, led by a drop in volume. We expect Sudarshan Chemicals (SCHI IN) to post an EBITDA growth of 2% QoQ, led by higher realization and a drop in raw material prices partially offset by lower sales volume.

Price performance

(%)	3M	6M	12M
Nifty	(4.4)	(2.5)	9.2
SRF	0.0	(3.8)	(6.9)
Gujarat Fluorochemicals	(1.8)	20.2	8.3
Deepak Nitrite	(11.0)	(8.5)	0.5
Navin Fluorine	4.7	(5.1)	(9.0)
Atul	(7.9)	2.4	(1.5)
Vinati Organics	(12.0)	(12.2)	(1.9)
Aarti Industries	(23.7)	(43.8)	(35.6)
Alkyl Amines	(21.1)	(18.5)	(34.3)
Balaji Amines	(18.4)	(25.7)	(32.8)
Sudarshan Chemicals	14.3	23.0	107.5

Note: as on 7 January 2025; Source: Bloomberg

Company	Revenue (INR bn)		
	FY25E	FY26E	FY27E
SRF	138.4	155.3	175.5
Gujarat Fluorochemicals	50.7	64.0	80.3
Deepak Nitrite	86.6	102.0	113.2
Navin Fluorine	22.5	28.3	35.3
Atul	56.0	63.5	70.9
Vinati Organics	23.0	27.2	30.1
Aarti Industries	72.5	81.9	88.2
Alkyl Amines	15.9	18.2	20.5
Balaji Amines	20.5	24.1	-
Sudarshan Chemicals	28.2	31.2	34.9

Company	Adj. PAT (INR bn)		
	FY25E	FY26E	FY27E
SRF	9.9	15.3	20.1
Gujarat Fluorochemicals	6.2	9.1	12.1
Deepak Nitrite	9.6	13.5	16.9
Navin Fluorine	2.5	4.4	5.1
Atul	4.8	6.0	6.7
Vinati Organics	4.0	5.1	5.8
Aarti Industries	4.0	4.6	6.1
Alkyl Amines	1.9	2.3	2.9
Balaji Amines	3.1	4.0	-
Sudarshan Chemicals	1.6	2.3	2.7

Source: Elara Securities Estimate

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Key financials

Company	Revenue (INR mn)					EBITDA (INR mn)					Adjusted net profit (INR mn)				
	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)	Q3FY25E	Q2FY25	Q3FY24	QoQ (%)	YoY (%)
SRF	30,242	34,243	30,530	(11.7)	(0.9)	4,715	5,380	5,658	(12.4)	(16.7)	1,679	2,014	2,534	(16.6)	(33.7)
Gujarat Fluorochemicals	10,098	11,880	9,917	(15.0)	1.8	1,913	2,950	2,062	(35.1)	(7.2)	505	1,210	801	(58.3)	(37.0)
Deepak Nitrite	19,914	20,320	20,092	(2.0)	(0.9)	2,474	2,975	3,047	(16.9)	(18.8)	1,595	1,942	2,021	(17.8)	(21.0)
Navin Fluorine	5,963	5,186	5,001	15.0	19.2	1,525	1,074	757	42.0	101.5	914	588	389	55.4	134.9
Atul Ltd	12,418	13,928	11,378	(10.8)	9.1	1,622	2,427	1,517	(33.2)	6.9	787	1,368	709	(42.4)	11.0
Vinati Organics	5,091	5,533	4,480	(8.0)	13.6	1,301	1,337	1,146	(2.7)	13.5	969	1,044	769	(7.2)	25.9
Aarti Industries	18,704	17,160	17,240	9.0	8.5	2,846	1,990	2,590	43.0	9.9	1,215	550	1,240	120.9	(2.0)
Alkyl Amines	3,527	4,149	3,221	(15.0)	9.5	248	735	596	(66.2)	(58.4)	114	475	334	(76.0)	(65.9)
Balaji Amines	2,949	3,469	3,834	(15.0)	(23.1)	201	607	742	(66.8)	(72.9)	116	415	558	(71.9)	(79.1)
Sudarshan Chemicals	5,917	6,961	5,658	(15.0)	4.6	964	945	619	2.0	55.7	411	411	146	(0.0)	181.4
Total	114,822	122,829	111,351	(6.5)	3.1	17,808	20,421	18,734	(12.8)	(4.9)	8,305	10,016	9,502	(17.1)	(12.6)

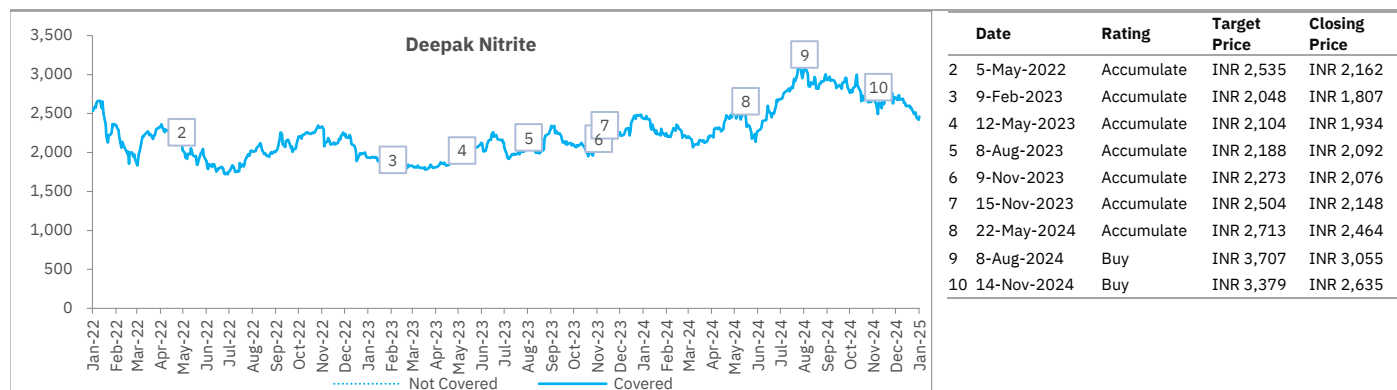
Source: Company, Elara Securities Estimate

Coverage matrix

Company	Ticker	Rating	Mcap	CMP*	Target	Upside	EV/EBITDA (x)			P/E (x)			ROE (%)		
			(INR bn)	(INR)	(INR)	(%)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
SRF	SRF IN	Reduce	684	2,308	2,232	(3.3)	31.4	23.6	19.3	69.1	44.8	34.0	8.3	11.8	13.9
Gujarat Fluorochemicals	FLUOROCH IN	Accumulate	431	3,926	4,583	16.7	33.5	25.8	20.5	69.5	47.2	35.6	9.4	12.0	14.3
Deepak Nitrite	DN IN	Buy	335	2,460	3,379	37.4	23.4	16.9	13.6	34.8	24.8	19.9	18.4	21.6	22.2
Navin Fluorine	NFIL IN	Buy	172	3,478	4,049	16.4	48.5	28.9	22.5	69.6	39.2	33.7	10.0	15.9	16.3
Atul	ATLP IN	Accumulate	204	6,920	8,340	20.5	21.6	18.3	16.8	41.2	33.2	29.6	9.0	10.3	10.6
Vinati Organics	VO IN	Buy	177	1,707	2,279	33.5	29.9	24.0	20.8	44.5	35.0	30.5	15.3	17.4	17.7
Aarti Industries	ARTO IN	Accumulate	147	405	541	33.5	16.6	12.9	11.1	37.1	31.7	24.0	7.2	7.9	9.6
Alkyl Amines	AACL IN	Reduce	89	1,736	1,978	14.0	28.8	23.7	19.2	47.1	38.3	31.1	13.9	15.0	16.1
Balaji Amines	BLA IN	Buy	57	1,766	2,677	51.5	11.4	8.6		18.5	14.3		16.6	18.4	
Sudarshan Chemicals	SCHI IN	Buy	78	1,132	1,186	4.7	21.6	16.4	14.5	49.4	33.6	28.5	13.1	17.1	17.7

Note: *Pricing as on 7 January 2025; TP and ratings as per our last published reports; Source: Elara Securities Estimate

Coverage History



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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