PL Capital
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Chemicals

Manthan

The dragon's hegemony | tough days ahead for battery value chain in India

Exactly a year back, we covered the collapse of Northvolt in our research. That was the most ambitious project of the West to challenge the dominance of the Chinese in EV battery manufacturing- a company founded by Tesla veterans on the back of a decade of advancements on Li-ion, Na-ion and Li-metal batteries, with secured funding of USD15bn and an order book of ~USD50bn, finally closing the shutters in Nov'24 with declaration of bankruptcy.

We followed that piece by another thematic Battery Chemicals: Beyond the dazzle, where we highlighted overcapacities and poor profitability, thereby raising concerns on the viability of battery chemical value chains in India. And believe us, all along, we wished to be proven wrong. However, the developments appear to prove our predictions right.

In the latest casualty, JSW has highlighted that it is having difficulty in securing LFP technology. It had earlier planned a INR400bn investment in Odisha creating a 50GWh capacity. To quote Parth Jindal ***"But making the cell itself, which is the most important part of an EV, that technology on LFP is not available anywhere outside of China and right now they are guarding it like a weapon".*** While JSW has categorically mentioned the challenges, few others including RIL have claimed to be on track.

A domestic ecosystem would have been the best bet for Indian battery chemicals value chain through targeted focus on indigenization even if the cost of manufacturing was higher than that in China. An absence of this would bite the Indian companies hard. While it is still difficult to say how things would turn out for Indian battery chemical manufacturers, we remain cautious on the space given the difficulties.

Exhibit 1: **Indian Battery Chemical Manufacturers**

Company Name	Products in battery value chain	Our Recommendation	FY28 PE (x)
Acutaas Chemicals	Electrolyte Additives	BUY	48x
Gujarat Fluorochemicals	PVDF binders, Lithium Salt, Electrolyte additives, Electrolyte Formulations, LFP Cathode Active Material, Natural Graphite Anode Active Material	Hold	55x
PCBL	Nano Silicon Additive	Accumulate	21x
Sudeep Pharma	Battery grade Iron Phosphate	Sell	61x
Himadri Speciality Chemical	Lithium Iron Phosphate, Anode Material	NA	31x
Neogen Chemicals	Electrolytes, Electrolytes Salt	NA	48x

Source: Company, PL

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Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Aarti Industries	Accumulate	526	489
2	Acutaas Chemicals	BUY	3790	3260
3	Bharat Petroleum Corporation	HOLD	305	310
4	Bharti Airtel	BUY	2275	1978
5	Clean Science and Technology	HOLD	745	734
6	Deepak Nitrite	Reduce	1586	1750
7	Fine Organic Industries	BUY	6357	5028
8	GAIL (India)	BUY	206	181
9	Gujarat Energy	HOLD	275	274
10	Gujarat Fluorochemicals	HOLD	4498	4566
11	Gujarat State Petronet	Hold	242	236
12	Hindustan Petroleum Corporation	Reduce	350	385
13	Indian Oil Corporation	Accumulate	147	140
14	Indraprastha Gas	BUY	178	152
15	Jubilant Ingrevia	Hold	711	745
16	Laxmi Organic Industries	Reduce	169	182
17	Mahanagar Gas	Accumulate	1254	1121
18	Mangalore Refinery & Petrochemicals	HOLD	150	157
19	Navin Fluorine International	Accumulate	8812	8256
20	NOCIL	HOLD	179	171
21	Oil & Natural Gas Corporation	Accumulate	273	240
22	Oil India	Accumulate	551	453
23	P.I. Industries	HOLD	2569	2483
24	Paradeep Phosphates	Accumulate	158	147
25	PCBL Chemical	Accumulate	388	366
26	Petronet LNG	Accumulate	297	279
27	Reliance Industries	BUY	1675	1327
28	SRF	Reduce	2482	2632
29	Sudeep Pharma	SELL	855	1100
30	Vinati Organics	Accumulate	1443	1296

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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