

Chemicals

Demand environment (ex-agrochemicals) buoyant

In 2QFY25, most chemical companies under our coverage are likely to witness sales recovery YoY; Anupam Rasayan will be the only outlier. For SRF, fluoro specialty chemicals sales could see a sequential uptick (still weak YoY) given likely ramp-up of new active ingredients from 3QFY25. For PI, CSM sales are likely to see strong YoY growth owing to continued robust 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 Archean. Clean Science will benefit from volume pick-up of HALS along with its flagship products. PCBL will see robust volume growth along with higher spreads. Moreover, higher EBIT contribution from Aquapharm will also be positive. Aether will see ramp-up of volumes across segments. Ami will benefit from ramp-up of CDMO sales. Sharp jump in vegetable oil and derivatives prices will bode well for the spreads of Fine Organics and Galaxy Surfactants. On the agrochemicals front, marginal recovery has been seen in patches. However, a meaningful recovery in agrochem is still awaited.

- **SRF's EBITDA likely to shrink 3% YoY:** SRF's 2QFY25 EBITDA is likely to shrink 3% YoY on account of weakness in the chemicals business, which would be weak in this quarter owing to weakness in ref gas sales while specialty chemicals may see sequential recovery (albeit weak YoY). SRF's chemicals sales are likely to be down 1% YoY. Further, owing to lower contribution from ref gas, we expect chemicals EBIT margin to come in at 20% (vs. 24.4% in 2QFY24).
- **PI's EBITDA likely to grow 18% YoY:** For PI, CSM revenue is likely to be up 15% YoY (and up 4% QoQ) while the domestic business is likely to be flattish 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 2QFY25 revenue is likely to increase 11%/13% YoY/QoQ. We have also assumed EBITDA margin at 27.7% (vs. 26%/28% in 1QFY25/2QFY24), accounting for one-off acquisition expenses. As a result, EBITDA is likely to jump 18%/11% YoY/QoQ.
- **Fine Organics and Tatva Chintan's EBITDA to grow 14% sequentially:** We estimate Fine's 2QFY25 sales to be up 12% sequentially, largely on account of sharp increase in product prices due to rise in raw material prices. Further, slight increase in EBITDA margin is likely to result in 14% QoQ growth in EBITDA. For Tatva, we estimate 3% sequential sales increase on account of 3% growth each across SDAs, PTC and PASC segments. Further, we expect sequential 118bps EBITDA margin jump. As a result, Tatva's EBITDA is likely to jump 14% QoQ.
- **Anupam Rasayan's EBITDA to shrink 46% YoY; PCBL's EBITDA to grow 3% QoQ:** We estimate Anupam Rasayan's 2QFY25 sales to shrink 32% YoY while EBITDA margin could fall 533bps on account of negative operating leverage. As a result, EBITDA is likely to decline 46% sequentially. For PCBL, we expect 3% QoQ EBITDA growth owing to i) slight volume growth, ii) increase in carbon black-CBFS spreads, and iii) higher Aquapharm contribution.
- **Clean Science's EBITDA to grow by 2% QoQ; Galaxy's EBITDA to jump 5% QoQ:** We estimate Clean's 2QFY25 revenue to grow by 3% QoQ on account of volume growth. Further, on account of slightly lower EBITDA margin, EBITDA is likely to grow by 2% QoQ. For Galaxy Surfactants, we have assumed ~3% QoQ jump in sales and jump in EBITDA margin to INR 20,518 per tonne (vs. INR 19,368 per tonne in 1QFY25). This is likely to result in EBITDA jumping by 5% QoQ.



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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

- **Deepak's EBITDA to grow by 7% QoQ; Archeon's EBITDA to grow by 30% QoQ:** During 2QFY25, Deepak's advanced intermediates (AI) sales could rise by 2% sequentially while AI EBIT margin could increase slightly to 10% (vs. 9.3% in 1QFY25). Further, benchmark phenol-acetone spreads during the quarter grew by >18% QoQ. This should result in 7% sequential rise in EBITDA for Deepak Nitrite. Archeon's 2QFY25 sales is likely to grow by 40% QoQ on account of higher salt and slight increase in bromine sales. Further, while EBITDA margin is expected to be lower QoQ, its EBITDA is likely to grow by 30% QoQ.
- **EBITDA to grow 3% QoQ for Aether, 34% QoQ for Ami:** Aether's 2QFY25 revenue could jump by 3%/13% QoQ/YoY with full recovery in production after supplies were impacted in 3Q-4QFY24 due to fire-led shutdown and steady demand. Moreover, margins are likely to be flat at ~24% (vs. 24% in 1QFY25). As a result, we expect Aether's EBITDA to grow 3% QoQ. For Ami, we estimate 19% QoQ increase in sales mainly on account of jump in CDMO sales. Further, we expect sequential 220bps EBITDA margin jump. As a result, Ami's EBITDA is likely to jump 34% QoQ.

Exhibit 1: Detailed 2QFY25 estimates

	2QFY25E	2QFY24	1QFY25	YoY (%)	QoQ (%)
SRF					
Sales (INR mn)	34,974	31,774	34,641	10.1	1.0
EBITDA (INR mn)	6,288	6,453	6,207	-2.6	1.3
EBITDA margin (%)	18.0	20.3	17.9	-233 bps	6 bps
PBT (INR mn)	3,508	4,148	3,440	-15.4	2.0
PAT (INR mn)	2,631	3,008	2,522	-12.5	4.3
PI Industries					
Sales (INR mn)	23,419	21,169	20,689	10.6	13.2
EBITDA (INR mn)	6,494	5,514	5,832	17.8	11.3
EBITDA margin (%)	27.7	26.0	28.2	168 bps	-46 bps
PBT (INR mn)	6,079	5,122	5,663	18.7	7.3
PAT (INR mn)	4,681	4,805	4,488	-2.6	4.3
Deepak Nitrite					
Sales (INR mn)	22,139	17,781	21,668	24.5	2.2
EBITDA (INR mn)	3,320	3,023	3,092	9.8	7.4
EBITDA margin (%)	15.0	17.0	14.3	-201 bps	72 bps
PBT (INR mn)	2,975	2,772	2,748	7.3	8.2
PAT (INR mn)	2,213	2,051	2,025	7.9	9
Clean Science					
Sales (INR mn)	2,309	1,811	2,240	27.5	3.1
EBITDA (INR mn)	966	748	947	29.1	2.0
EBITDA margin (%)	41.8	41.3	42.3	51 bps	-43 bps
PBT (INR mn)	970	695	887	39.6	9.3
PAT (INR mn)	727	522	659	39.4	10.3
Ami Organics					
Sales (INR mn)	2,100	1,724	1,767	21.8	18.9
EBITDA (INR mn)	397	248	295	60.0	34.5
EBITDA margin (%)	18.9	14.4	16.7	451 bps	220 bps
PBT (INR mn)	345	-99	200	-447.0	72.9
PAT (INR mn)	252	-170	147	-248.0	71.4

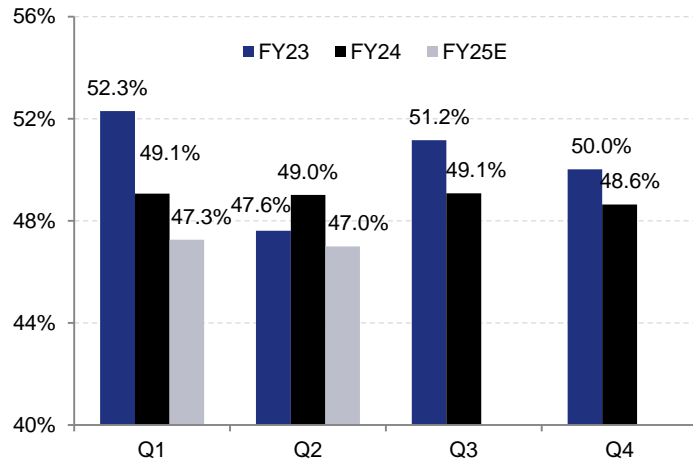
Source: Companies, JM Financial

Exhibit 2: Detailed 2QFY25 estimates

	2QFY25E	2QFY24	1QFY25	YoY (%)	QoQ (%)
Fine Organics					
Sales (INR mn)	5,693	4,717	5,083	20.7	12.0
EBITDA (INR mn)	1,394	1,044	1,218	33.6	14.5
EBITDA margin (%)	24.5	22.1	24.0	236 bps	53 bps
PBT (INR mn)	1,504	1,064	1,338	41.3	12.4
PAT (INR mn)	1,113	794	990	40.2	12.4
Aether Industries					
Sales (INR mn)	1,850	1,642	1,800	12.7	2.8
EBITDA (INR mn)	444	460	432	-3.4	2.9
EBITDA margin (%)	24.0	28.0	24.0	-399 bps	3 bps
PBT (INR mn)	438	487	423	-10.1	3.5
PAT (INR mn)	329	367	299	-10.4	9.8
Galaxy Surfactants					
Sales (INR mn)	10,046	9,831	9,741	2.2	3.1
EBITDA (INR mn)	1,306	1,249	1,241	4.5	5.2
EBITDA margin (%)	13.0	12.7	12.7	29 bps	26 bps
PBT (INR mn)	1,046	975	989	7.2	5.7
PAT (INR mn)	826	774	797	6.7	3.6
Anupam Rasayan					
Sales (INR mn)	2,650	3,921	2,542	-32.4	4.2
EBITDA (INR mn)	585	1,075	532	-45.6	10.0
EBITDA margin (%)	22.1	27.4	20.9	-533 bps	116 bps
PBT (INR mn)	210	707	162	-70.3	29.5
PAT (INR mn)	155	487	122	-68.1	27.3
Tatva Chintan					
Sales (INR mn)	1,090	967	1,055	12.8	3.4
EBITDA (INR mn)	143	202	126	-29.3	13.5
EBITDA margin (%)	13.1	20.9	12.0	-781 bps	118 bps
PBT (INR mn)	91	112	68	-18.7	33.9
PAT (INR mn)	68	78	52	-12.1	31.3
PCBL					
Sales (INR mn)	22,044	14,867	21,436	48.3	2.8
EBITDA (INR mn)	3,678	2,381	3,583	54.5	2.7
EBITDA margin (%)	16.7	16.0	16.7	67 bps	-3 bps
PBT (INR mn)	1,748	1,716	1,636	1.9	6.9
PAT (INR mn)	1,276	1,226	1,179	4.0	8.2
Archean Chemicals					
Sales (INR mn)	2,970	2,905	2,127	2.3	39.6
EBITDA (INR mn)	923	955	712	-3.3	29.6
EBITDA margin (%)	31.1	32.9	33.5	-179 bps	-240 bps
PBT (INR mn)	839	873	606	-3.9	38.5
PAT (INR mn)	629	660	448	-4.7	40.3

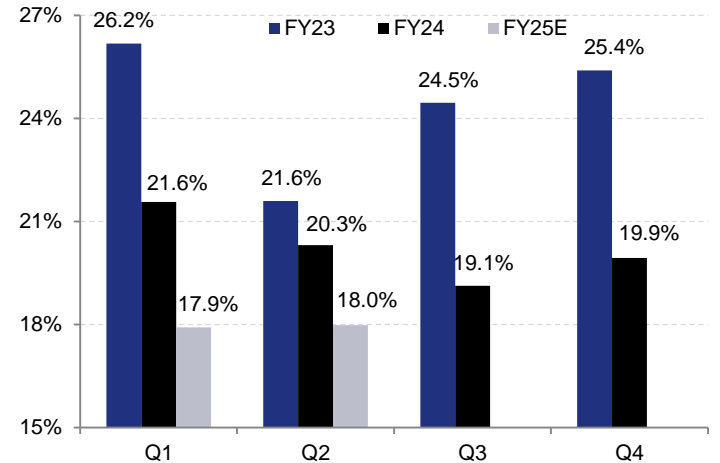
Source: Companies, JM Financial

Exhibit 3: SRF quarterly gross margin trend (%)



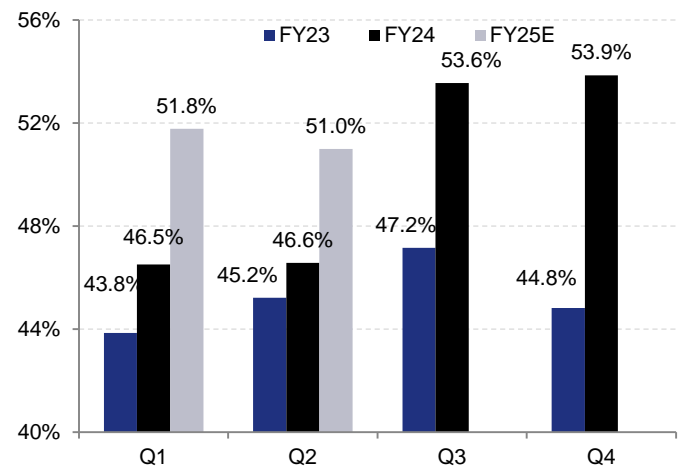
Source: Company, JM Financial

Exhibit 4: SRF quarterly EBITDA margin trend (%)



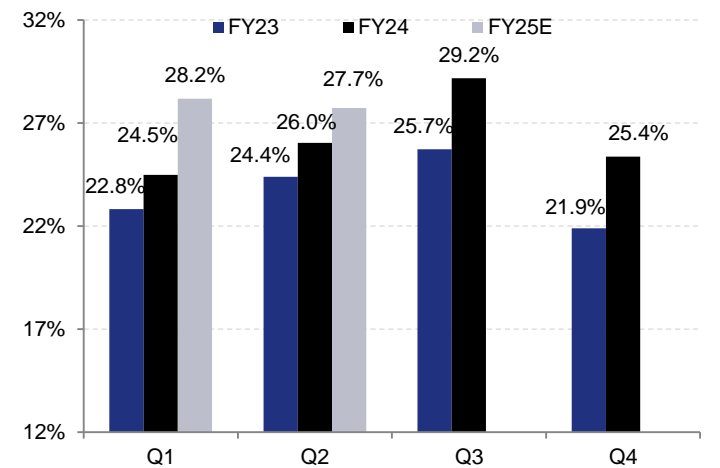
Source: Company, JM Financial

Exhibit 5: PI quarterly gross margin trend (%)



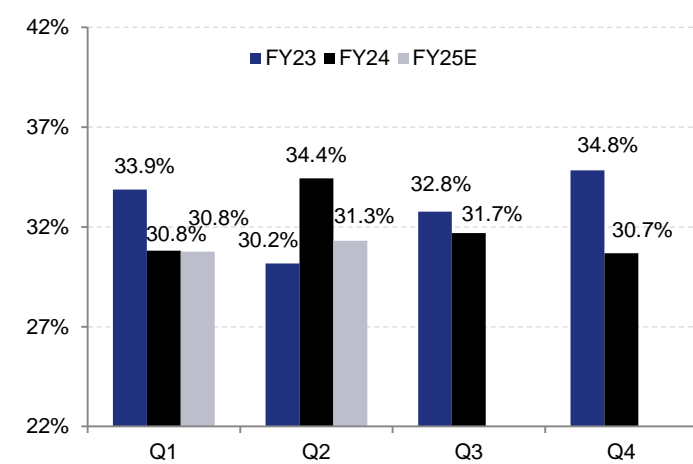
Source: Company, JM Financial

Exhibit 6: PI quarterly EBITDA margin trend (%)



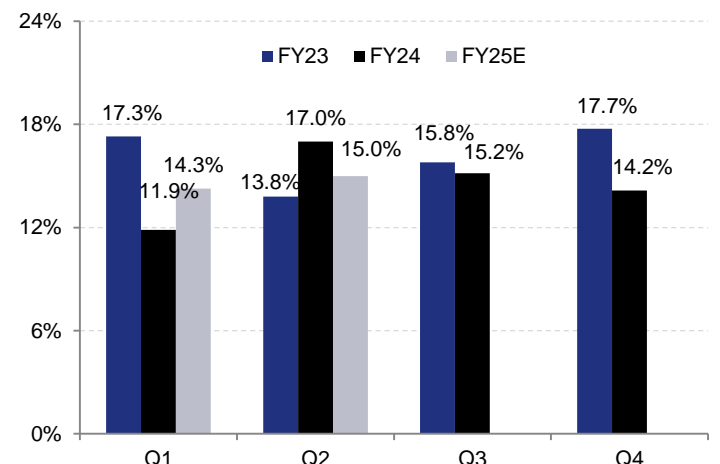
Source: Company, JM Financial

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



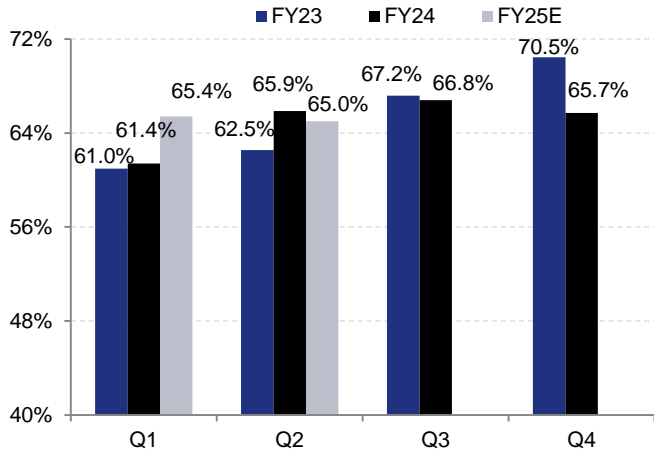
Source: Company, JM Financial

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



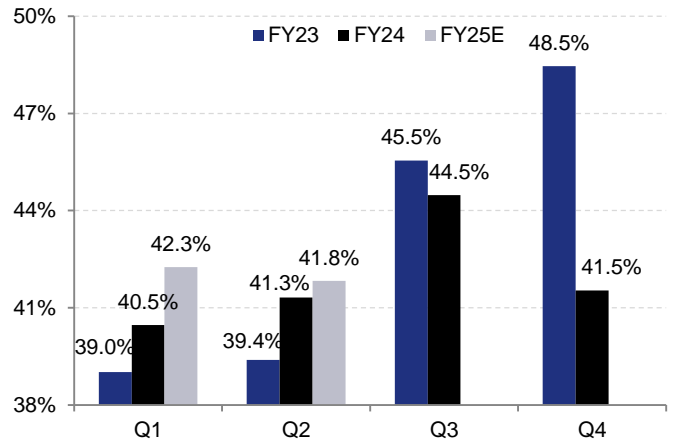
Source: Company, JM Financial

Exhibit 9: Clean quarterly gross margin trend (%)



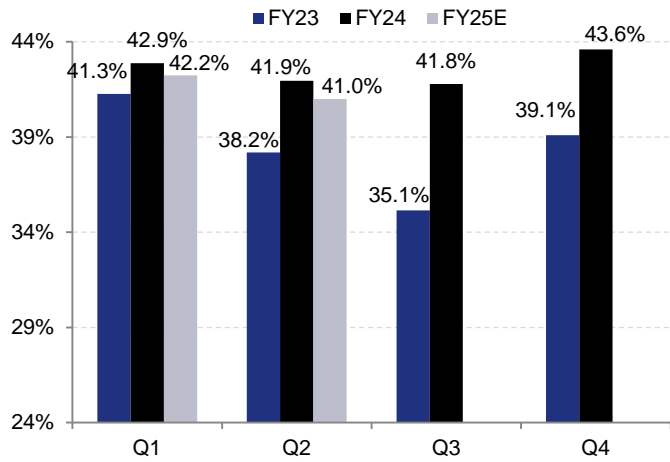
Source: Company, JM Financial

Exhibit 10: Clean quarterly EBITDA margin trend (%)



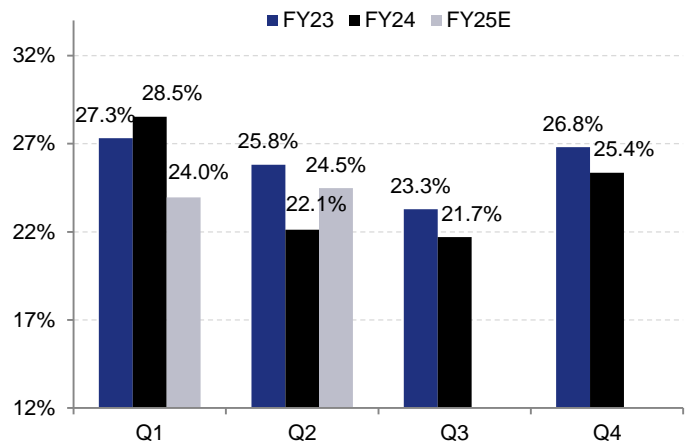
Source: Company, JM Financial

Exhibit 11: FOIL quarterly gross margin trend (%)



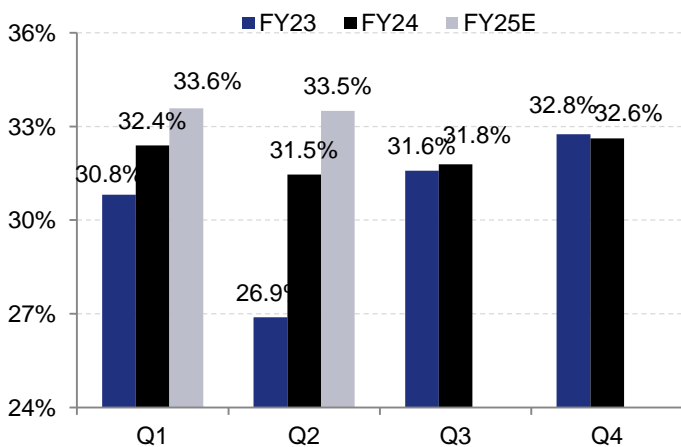
Source: Company, JM Financial

Exhibit 12: FOIL quarterly EBITDA margin trend (%)



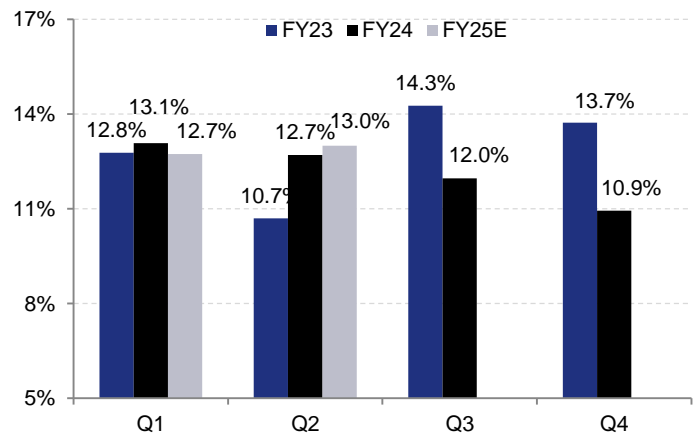
Source: Company, JM Financial

Exhibit 13: Galaxy quarterly gross margin trend (%)



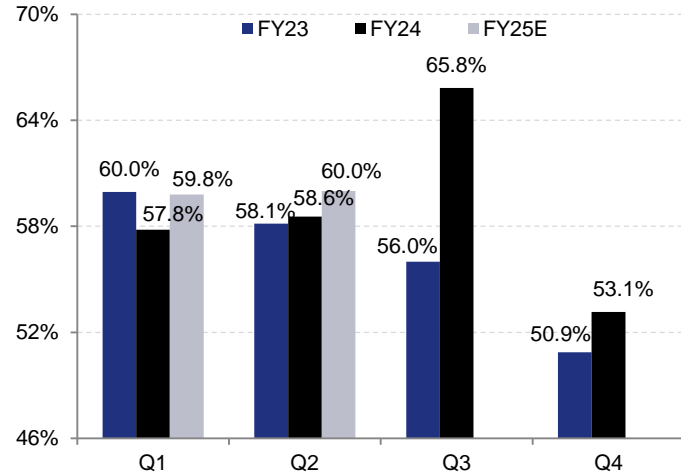
Source: Company, JM Financial

Exhibit 14: Galaxy quarterly EBITDA margin trend (%)



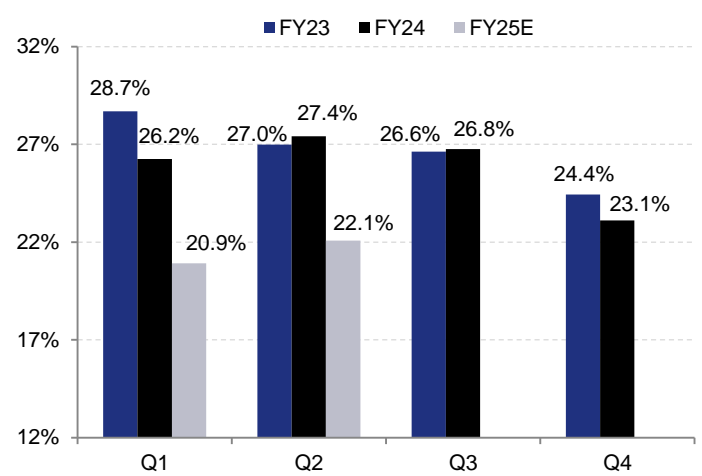
Source: Company, JM Financial

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



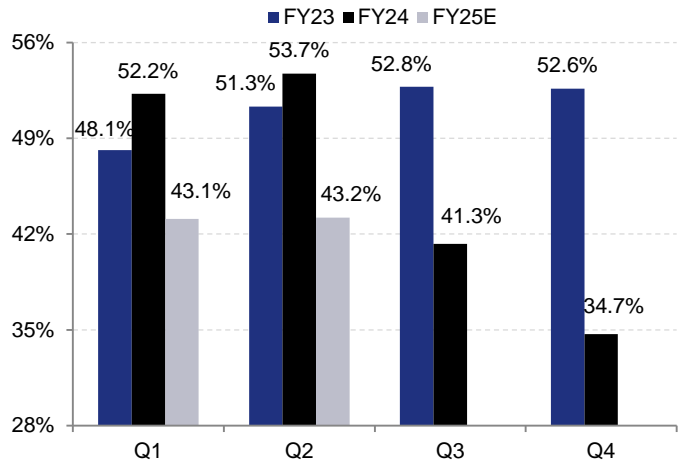
Source: Company, JM Financial

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



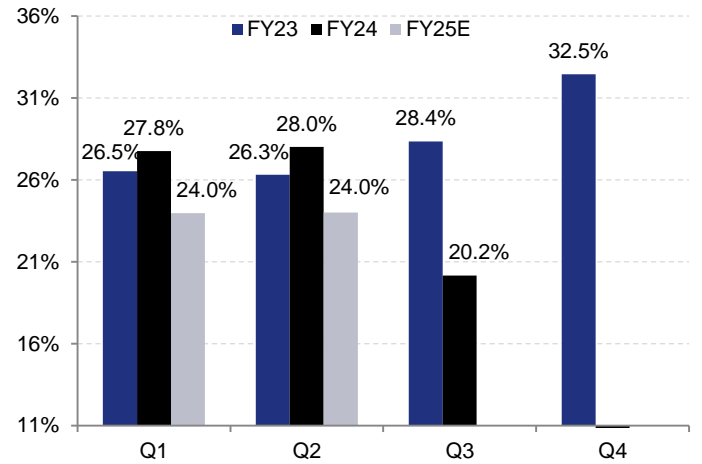
Source: Company, JM Financial

Exhibit 17: Aether Industries quarterly gross margin trend (%)



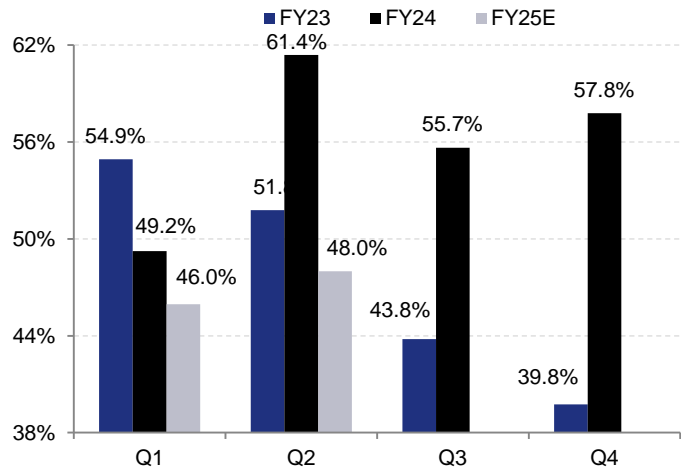
Source: Company, JM Financial

Exhibit 18: Aether Industries quarterly EBITDA margin trend (%)



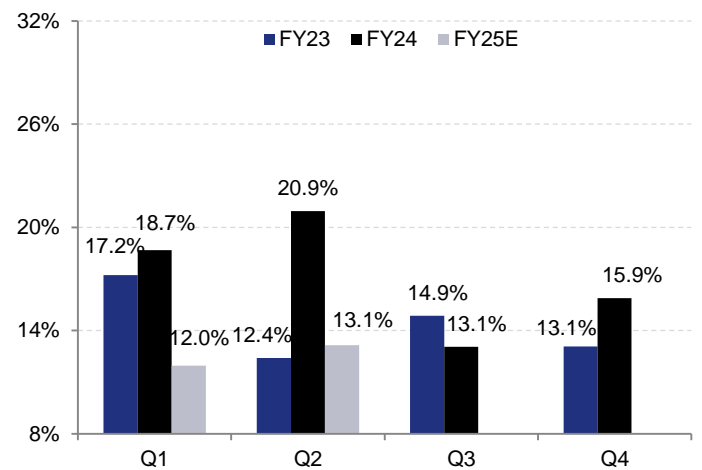
Source: Company, JM Financial

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



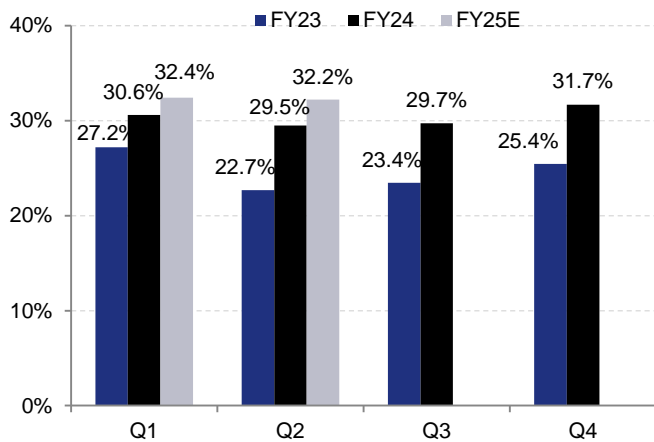
Source: Company, JM Financial

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



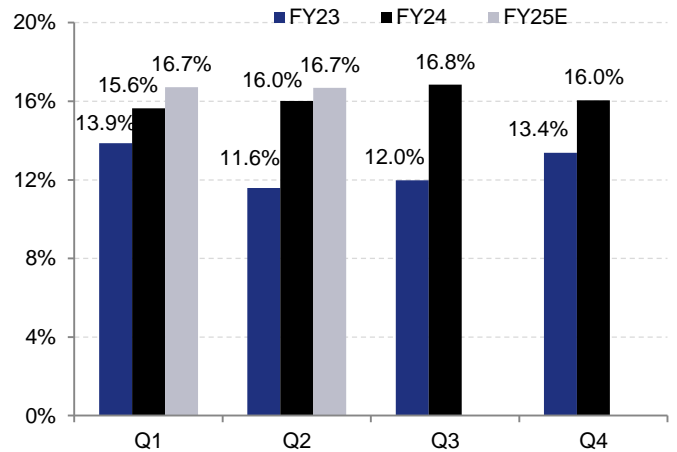
Source: Company, JM Financial

Exhibit 21: PCBL quarterly gross margin trend (%)



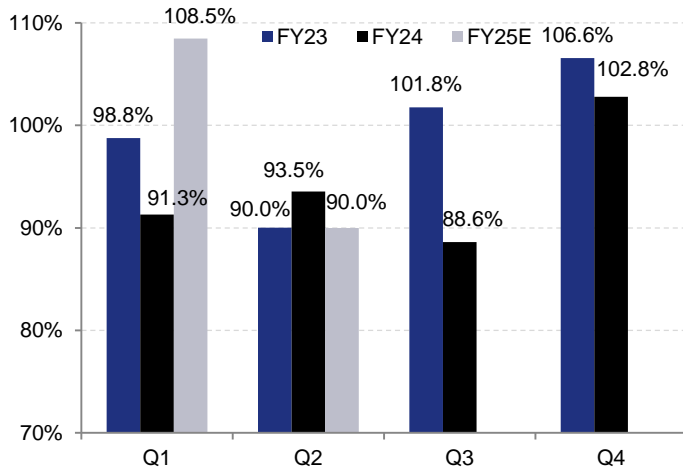
Source: Company, JM Financial

Exhibit 22: PCBL quarterly EBITDA margin trend (%)



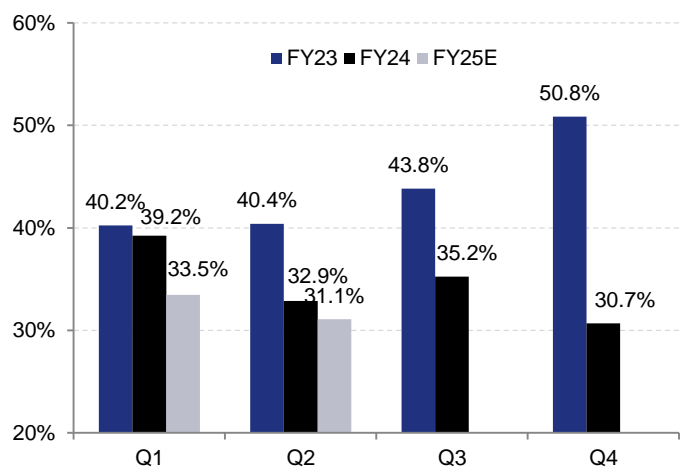
Source: Company, JM Financial

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



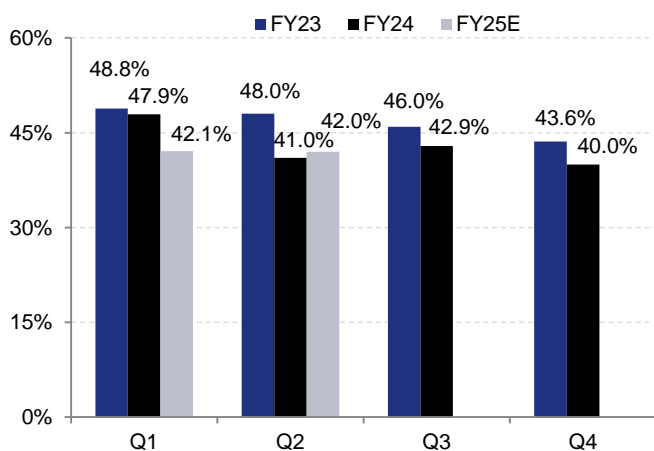
Source: Company, JM Financial

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



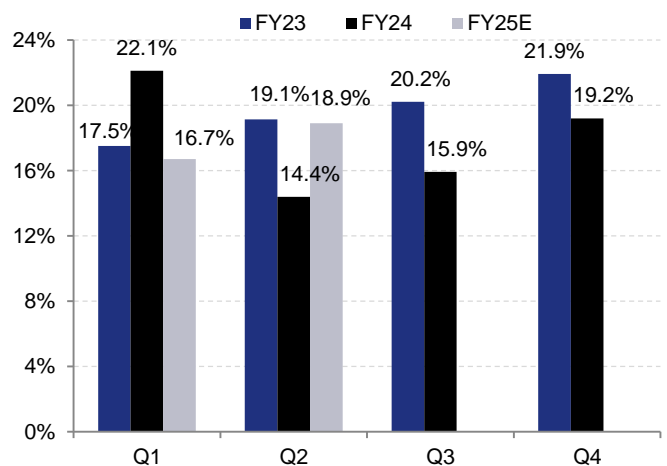
Source: Company, JM Financial

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 27: 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	2,424	2,780	53.7	43.1	33.0	26.1	6.3	5.5	4.8	4.1	29.4	24.2	19.5	15.9	12.3	13.6	15.6	17.1
UPL	BUY	605	650	NM	49.8	24.7	NM	1.7	1.6	1.6	NM	15.8	9.9	8.6	NM	-3.4	3.3	6.4	NM
PI Industries	HOLD	4,673	4,340	42.5	43.2	37.0	32.1	8.1	6.8	5.8	4.9	33.4	28.4	24.3	20.9	21.0	17.2	16.9	16.5
Deepak Nitrite	BUY	2,880	3,180	48.1	39.9	32.2	27.0	8.1	6.8	5.7	4.8	34.7	26.0	21.4	17.6	18.2	18.6	19.3	19.3
Clean Science	BUY	1,590	1,760	69.2	56.6	41.5	32.3	14.0	11.3	8.9	7.0	49.9	39.7	29.9	22.8	22.1	22.1	24.0	24.4
Navin Fluorine	BUY	3,456	4,105	74.9	53.5	37.8	29.7	7.2	6.5	5.7	5.0	44.9	33.1	24.6	20.0	10.0	12.8	16.1	17.9
Fine Organics	SELL	5,155	3,890	42.9	40.0	39.4	38.8	8.5	7.2	6.3	5.5	30.9	28.0	27.3	26.5	21.8	19.5	17.1	15.2
Galaxy Surfactants	HOLD	2,943	2,700	34.6	31.6	29.1	27.0	4.8	4.2	3.7	3.2	21.9	19.7	18.0	16.5	14.8	14.1	13.4	12.8
PCBL Ltd.	BUY	553	635	42.5	37.6	26.8	20.2	6.4	5.5	4.6	3.7	24.4	16.7	14.0	11.8	16.2	15.7	18.6	20.2
Aether Industries	BUY	945	1,030	130.6	72.5	48.5	36.8	6.1	5.6	5.0	4.4	92.1	48.6	33.6	24.7	5.8	8.1	11.0	12.8
Ami Organics	BUY	1,650	1,965	83.4	58.1	34.6	25.4	10.0	5.3	4.7	4.0	53.8	37.0	23.1	17.2	12.7	11.9	14.3	16.9
Anupam Rasayan	HOLD	757	725	140.9	160.8	88.0	56.1	6.6	6.3	5.8	5.2	50.0	53.7	39.0	29.4	5.0	4.0	6.8	9.8
Archean Chemicals	BUY	715	830	29.2	23.7	16.4	13.1	5.5	4.5	3.6	2.9	19.4	15.4	10.3	7.8	20.4	20.9	24.4	24.3
Tatva Chintan Pharma Chem	HOLD	1,026	1,020	55.1	39.8	26.5	18.4	2.3	2.2	2.0	1.9	24.2	19.5	13.8	10.3	4.8	5.6	7.9	10.5

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
SRF	129.1	153.7	178.8	206.5	17.0	25.8	31.3	38.8	47.0	22.1	13.4	16.7	21.8	27.5	27.3
PI Industries	76.7	87.7	100.0	114.0	14.2	20.1	23.6	27.2	30.9	15.3	16.7	16.4	19.2	22.1	9.8
Deepak Nitrite	76.8	87.4	96.9	105.5	11.2	11.2	14.9	18.0	21.4	24.0	8.1	9.8	12.1	12.1	14.3
Clean Science	7.9	10.1	14.2	18.4	32.5	3.3	4.2	5.5	7.0	28.4	2.4	3.0	4.1	5.2	28.9
Fine Organics	19.5	21.3	21.9	22.6	5.0	4.8	5.2	5.2	5.2	2.8	3.7	3.9	4.0	4.1	3.3
Galaxy Surfactants	37.9	39.3	42.1	45.0	5.8	4.6	5.0	5.3	5.7	7.0	3.0	3.3	3.6	3.9	8.6
PCBL Ltd.	64.2	91.2	106.2	120.7	23.4	10.4	15.2	18.0	20.8	26.2	4.9	5.5	7.8	10.3	28.0
Aether Industries	6.0	9.2	12.7	16.7	40.8	1.3	2.5	3.7	4.9	55.2	0.8	1.7	2.6	3.4	60.5
Ami Organics	7.2	9.8	12.8	16.1	30.8	1.3	1.8	2.9	3.8	43.9	0.5	1.2	1.9	2.6	75.8
Anupam Rasayan	14.8	15.5	19.5	24.4	18.3	3.8	3.5	4.8	6.4	18.8	1.7	1.5	2.5	3.7	30.3
Archean Chemicals	13.3	16.5	23.4	28.1	28.3	4.6	5.6	8.1	9.9	29.0	3.2	3.9	5.7	7.1	30.6
Tatva Chintan Pharma Chem	3.9	4.9	5.6	6.7	19.1	0.7	0.9	1.2	1.6	33.6	0.3	0.4	0.6	0.9	44.1

Source: Companies, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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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.
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