

Chemicals

2QFY26 preview: Early signs of US tariff impact

In 2QFY26, most chemical companies under our coverage are likely to witness YoY EBITDA growth except PI Industries, Deepak Nitrite, Clean Science, Fine Organic, Galaxy Surfactants and PCBL. We expect 1) Navin Fluorine, Acutaas Chemicals, Gujarat Fluorochemicals, Paradeep Phosphates, and Aether Industries to report a good quarter, 2) SRF, Archeon, Anupam, Tatva Chintan, and PCBL to report a resilient print, and 3) PI Industries, Deepak Nitrite, Clean Science, Fine Organic, and Galaxy Surfactants to report a weak quarter. In most cases, US tariff impact is likely to be visible in the second half as certain shipments would have been moved forward to avoid the tariffs. We see higher possibility of earnings downgrades post 2QFY26. We recommend Navin Fluorine and Acutaas as our top picks.

- **Navin's EBITDA likely to be flattish sequentially; SRF's EBITDA likely to grow ~43% YoY:** Navin Fluorine's 2QFY26 sales is likely to grow 2% QoQ mainly on account of improvement in HPP sales. We expect Navin's EBITDA margin to be flattish at ~28.3%. As a result, Navin's EBITDA is likely to be flat sequentially. SRF's 2QFY26 EBITDA is likely to be up ~43% YoY on account of robust performance in the chemicals business, with decent growth in specialty chemicals, albeit on a low base. This is despite a seasonal slowdown in domestic ref gas sales though ref gas prices have improved. Chemicals sales are likely to be up ~26% YoY. Further, we expect chemicals EBIT margin to improve to ~27.5% in 2QFY26 (vs. ~18.1% in 2QFY25 and ~27.3% in 1QFY26) owing to robust ref gas prices.
- **PI's EBITDA could decline by ~29% YoY; Aether's EBITDA to rise ~52% YoY:** PI's CSM revenue is likely to be down by ~25% YoY while the domestic business is likely to decline by ~10% YoY. Further, its pharma business could see a jump in sales. As a result, 2QFY26 revenue is likely to decrease ~19% YoY. We expect EBITDA margin to decline by 338bps/241bps YoY/QoQ to ~24.9%. As a result, EBITDA is likely to be down ~29%/14% YoY/QoQ. Aether's 2QFY26 revenue could jump by 35% YoY largely on account of ramp-up of Baker Hughes contract sales. Moreover, its EBITDA margin is likely to improve to ~30.4% (vs. 27% in 2QFY25). As a result, Aether's EBITDA is likely to be up by ~52% YoY (up ~1% QoQ).
- **Deepak's EBITDA to improve by ~8% QoQ; Archeon's EBITDA to rise by ~14% QoQ:** During 2QFY26, Deepak's advanced intermediates (AI) sales could rise by ~6% sequentially (on a low base) while AI EBIT margin could increase to ~6.7% (vs. ~5.9% in 1QFY26). We expect phenolics EBIT to be up 10% QoQ. Further, we expect a sequential ~8% improvement in EBITDA driven by a likely margin improvement in both AI and phenolics segments. Archeon's 2QFY26 sales is likely to improve ~8% QoQ on account of higher salt volumes and increase in bromine derivatives contribution while bromine sales are likely to be flattish sequentially. Further, EBITDA margin is expected to improve QoQ to ~28.2% (from 26.7% in 1QFY26). As a result, EBITDA is likely to grow by ~14%/19% QoQ/YoY.
- **Acutaas' EBITDA to go up by ~44% YoY; Paradeep's EBITDA to increase by ~18% YoY:** For Acutaas, we estimate ~13% YoY rise in sales in 2QFY26 mainly on account of ramp-up of CDMO sales. Further, we expect 539bps EBITDA margin increase YoY owing to higher CDMO contribution. As a result, Acutaas' EBITDA is likely to grow by ~44% YoY. Paradeep is likely to see ~3% YoY increase in manufactured volume on account of improved sales volumes of DAP, NPK and urea. Further, on account of 158bps YoY improvement in EBITDA margin, we expect Paradeep to register ~18% YoY EBITDA growth.
- **GFL's EBITDA to go up by ~7% sequentially:** For Gujarat Fluorochemicals, we estimate ~3% QoQ improvement in sales in 2QFY26 mainly on account of improvement in sales across all segments. Further, we expect sequential 99bps EBITDA margin increase owing to improvement in gross margin. As a result, GFL's EBITDA is likely to grow by ~7% QoQ.
- **Fine Organic's EBITDA to decline by ~8% QoQ and Tatva Chintan's EBITDA to grow ~7% sequentially:** We estimate that Fine's 2QFY26 sales will decline by ~4% QoQ. Further, due to a slight decline in EBITDA margin, Fine's EBITDA is likely to decline ~8% QoQ. We estimate Tatva's sales to rise by ~3% QoQ on account of sales improvement across all segments. Further, we expect EBITDA margin to rise by 52bps sequentially. As a result, Tatva's EBITDA is likely to jump by ~7%/231% QoQ/YoY.



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

- **Anupam Rasayan's EBITDA to grow ~49% YoY; PCBL's EBITDA to grow ~4% QoQ:** We estimate Anupam Rasayan's 2QFY26 sales to grow ~63% YoY while EBITDA margin could decline 244bps YoY on account of decline in gross margin. As a result, Anupam's EBITDA is likely to grow ~49% YoY. For PCBL, we expect ~2% QoQ improvement in sales with flattish carbon black volume off-take and slight improvement in Aquapharm sales. Further, we expect sequentially flat EBITDA margin. As a result, we expect PCBL's EBITDA to grow by ~4% QoQ.
- **Clean Science EBITDA to decline ~5% YoY; Galaxy Surfactants EBITDA to decline by ~3% QoQ:** We estimate Clean's 2QFY26 revenue to decline by ~7% YoY on account of decline in performance chemicals and pharma & agro segments sales. Further, EBITDA margin is likely to improve by 79bps YoY to ~38.5%. As a result, EBITDA is likely to decline by ~5% YoY. For Galaxy Surfactants, we expect volume growth to improve slightly QoQ along with decline in EBITDA/MT to ~INR 17,407/MT (vs. ~INR 18,345/MT in 1QFY26). This is likely to result in EBITDA decline of ~3% QoQ.
- **Changes in rating and TP:** On account of change in the rating system, we change our rating from (i) HOLD to REDUCE for Galaxy Surfactants, Archean Chemical, PCBL, and PI Industries, (ii) BUY to ADD for Acutaas, and (iii) SELL to REDUCE for Paradeep Phosphates. We reduce our target multiple for – i) Clean Science owing to weakness in ramp-up of new products, resulting in a revised Sep'26 TP INR 1,355/share (from INR 1,780 earlier), ii) Galaxy Surfactants on account of sustained demand weakness, resulting in a revised Sep'26 TP of INR 2,335/share (from INR 2,515 earlier), iii) for Aquapharm in PCBL, resulting in a revised Sep'26 TP of INR 390/share (from INR 430 earlier).

Exhibit 1. Detailed 2QFY26 estimates

Summary	2QFY26E	2QFY25	1QFY26	YoY (%)	QoQ (%)	Comments
SRF						
Sales (INR mn)	37,905	34,243	38,186	10.7	-0.7	
EBITDA (INR mn)	8,027	5,606	8,212	43.2	-2.2	
EBITDA margin (%)	21.2	16.4	21.5	480 bps	-33 bps	Though domestic ref gas sales is facing seasonal slowdown, ref gas prices have seen improvement during the quarter.
PBT (INR mn)	5,562	2,837	5,758	96.1	-3.4	
PAT (INR mn)	4,171	2,014	4,323	107.1	-3.5	
PI Industries						
Sales (INR mn)	17,889	22,210	19,005	-19.5	-5.9	
EBITDA (INR mn)	4,455	6,282	5,191	-29.1	-14.2	
EBITDA margin (%)	24.9	28.3	27.3	-338 bps	-241 bps	CSM sales are likely to decline YoY due to slowdown in pyroxasulfone sales
PBT (INR mn)	4,188	6,628	5,074	-36.8	-17.5	
PAT (INR mn)	3,246	5,082	4,000	-36.1	-18.9	
Deepak Nitrite						
Sales (INR mn)	19,092	20,320	18,899	-6.0	1.0	
EBITDA (INR mn)	2,050	2,975	1,896	-31.1	8.2	
EBITDA margin (%)	10.7	14.6	10.0	-390 bps	71 bps	Sequential EBITDA improvement owing to uptick in both advanced intermediates and phenolics segment margins
PBT (INR mn)	1,698	2,640	1,547	-35.7	9.8	
PAT (INR mn)	1,264	1,942	1,123	-34.9	12.6	
Clean Science						
Sales (INR mn)	2,215	2,381	2,429	-7.0	-8.8	
EBITDA (INR mn)	852	897	999	-5.0	-14.7	
EBITDA margin (%)	38.5	37.7	41.1	79 bps	-266 bps	Slowdown in demand likely for key products with uncertainty related to US tariffs. Also, unfavourable product mix is likely to lead to lower margins sequentially.
PBT (INR mn)	791	832	945	-5.0	-16.4	
PAT (INR mn)	586	587	701	-0.3	-16.4	
Navin Fluorine						
Sales (INR mn)	7,400	5,186	7,254	42.7	2.0	
EBITDA (INR mn)	2,098	1,074	2,068	95.4	1.4	
EBITDA margin (%)	28.3	20.7	28.5	765 bps	-16 bps	Likely to be a flattish quarter sequentially
PBT (INR mn)	1,593	768	1,551	107.5	2.7	
PAT (INR mn)	1,198	588	1,172	103.6	2.2	
Acutaas Chemicals						
Sales (INR mn)	2,800	2,467	2,072	13.5	35.1	
EBITDA (INR mn)	706	489	509	44.4	38.7	
EBITDA margin (%)	25.2	19.8	24.6	539 bps	65 bps	Acutaas will continue benefitting from ramp-up of CDMO sales
PBT (INR mn)	660	500	581	31.9	13.6	
PAT (INR mn)	488	375	443	30.1	10.2	

Source: Company, JM Financial

Exhibit 2. Detailed 2QFY26 estimates

	2QFY26E	2QFY25	1QFY26	YoY (%)	QoQ (%)	Comments
Fine Organic						
Sales (INR mn)	5,648	5,958	5,884	-5.2	-4.0	
EBITDA (INR mn)	1,133	1,506	1,236	-24.8	-8.3	
EBITDA margin (%)	20.1	25.3	21.0	-522 bps	-94 bps	
PBT (INR mn)	1,418	1,592	1,573	-10.9	-9.9	
PAT (INR mn)	1,055	1,174	1,171	-10.1	-9.9	
Aether Industries						
Sales (INR mn)	2,675	1,988	2,561	34.6	4.4	
EBITDA (INR mn)	813	536	807	51.6	0.7	
EBITDA margin (%)	30.4	27.0	31.5	341 bps	-111 bps	Baker Hughes contract sales to see a ramp up in 2QFY26
PBT (INR mn)	644	519	643	24.2	0.2	
PAT (INR mn)	489	348	470	40.6	4.1	
Galaxy Surfactants						
Sales (INR mn)	12,715	10,630	12,779	19.6	-0.5	
EBITDA (INR mn)	1,199	1,277	1,239	-6.1	-3.2	
EBITDA margin (%)	9.4	12.0	9.7	-258 bps	-26 bps	Demand weakness likely to have sustained in the quarter
PBT (INR mn)	949	1,045	992	-9.2	-4.4	
PAT (INR mn)	759	847	795	-10.4	-4.5	
Anupam Rasayan						
Sales (INR mn)	4,800	2,939	4,858	63.3	-1.2	
EBITDA (INR mn)	1,195	804	1,243	48.7	-3.8	
EBITDA margin (%)	24.9	27.3	25.6	-244 bps	-68 bps	
PBT (INR mn)	570	340	629	67.9	-9.3	
PAT (INR mn)	272	166	340	63.7	-20.1	
Tatva Chintan						
Sales (INR mn)	1,205	835	1,169	44.3	3.1	
EBITDA (INR mn)	185	56	173	231.0	6.7	
EBITDA margin (%)	15.3	6.7	14.8	865 bps	52 bps	
PBT (INR mn)	101	-10	91	NM	10.9	
PAT (INR mn)	76	-7	67	NM	13.8	
PCBL						
Sales (INR mn)	21,474	21,632	21,141	-0.7	1.6	
EBITDA (INR mn)	3,314	3,635	3,191	-8.8	3.9	
EBITDA margin (%)	15.4	16.8	15.1	-137 bps	34 bps	Flattish carbon black volume off-take and slight improvement in Aquapharm sales likely
PBT (INR mn)	1,314	1,638	1,202	-19.8	9.4	
PAT (INR mn)	1,025	1,235	941	-16.9	9.0	
Archean Chemicals						
Sales (INR mn)	3,164	2,405	2,924	31.6	8.2	
EBITDA (INR mn)	892	747	781	19.3	14.2	
EBITDA margin (%)	28.2	31.1	26.7	-289 bps	147 bps	Improvement in salt volumes along with ramp-up of bromine derivatives likely
PBT (INR mn)	683	630	580	8.4	17.7	
PAT (INR mn)	512	157	401	225.4	27.5	

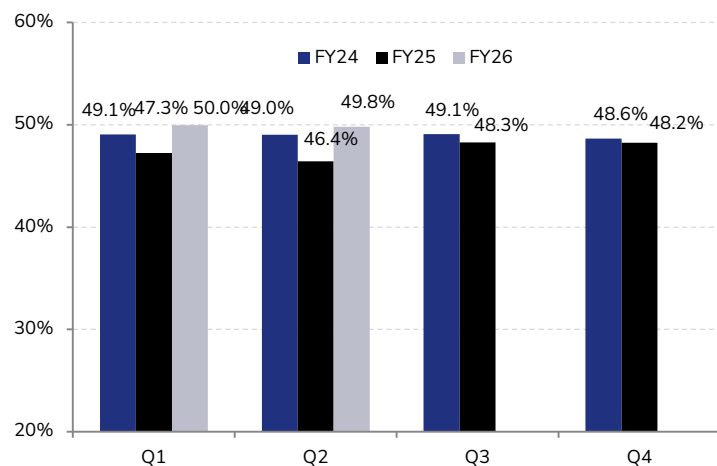
Source: Company, JM Financial

Exhibit 3. Detailed 2QFY26 estimates

	2QFY26E	2QFY25	1QFY26	YoY (%)	QoQ (%)	Comments
Paradeep Phosphates						
Sales (INR mn)	39,591	38,438	37,541	3.0	5.5	
EBITDA (INR mn)	5,004	4,253	4,659	17.7	7.4	
EBITDA margin (%)	12.6	11.1	12.4	158 bps	23 bps	Slight YoY improvement in volumes likely across DAP, NPK and Urea
PBT (INR mn)	3,704	2,957	3,423	25.3	8.2	
PAT (INR mn)	2,778	2,275	2,559	22.1	8.6	
Gujarat Fluorochemicals						
Sales (INR mn)	13,240	11,880	12,810	11.5	3.4	
EBITDA (INR mn)	3,687	2,950	3,440	25.0	7.2	
EBITDA margin (%)	27.8	24.8	26.9	301 bps	99 bps	
PBT (INR mn)	2,747	1,720	2,470	59.7	11.2	
PAT (INR mn)	2,046	1,210	1,840	69.1	11.2	

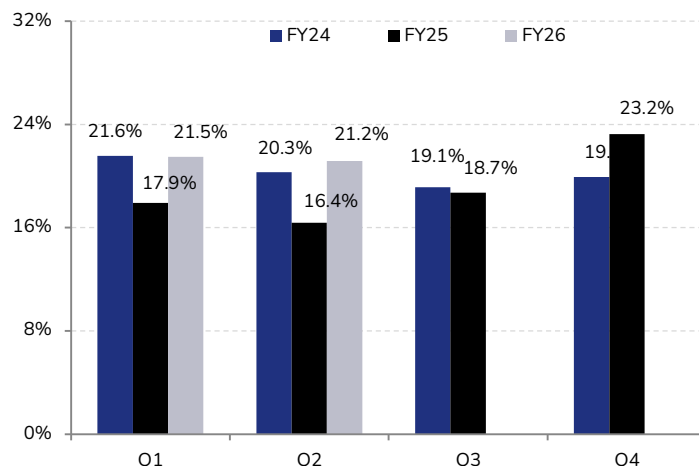
Source: Company, JM Financial

Exhibit 4. SRF quarterly gross margin trend (%)



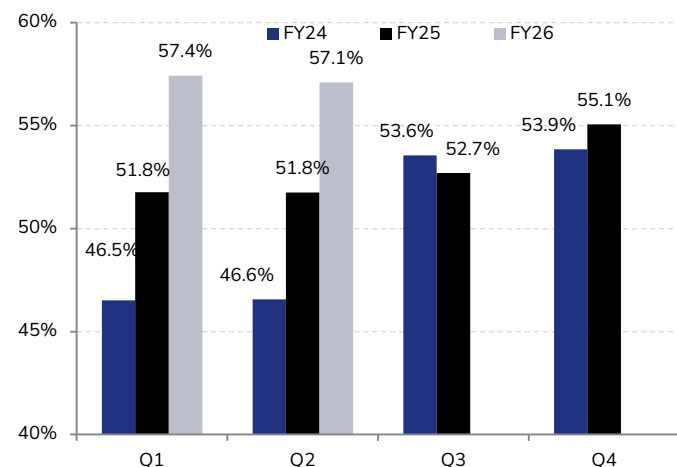
Source: Company, JM Financial

Exhibit 5. SRF quarterly EBITDA margin trend (%)



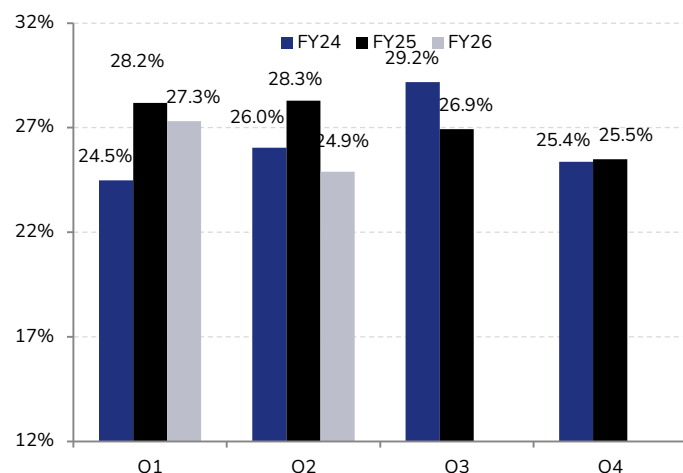
Source: Company, JM Financial

Exhibit 6. PI quarterly gross margin trend (%)



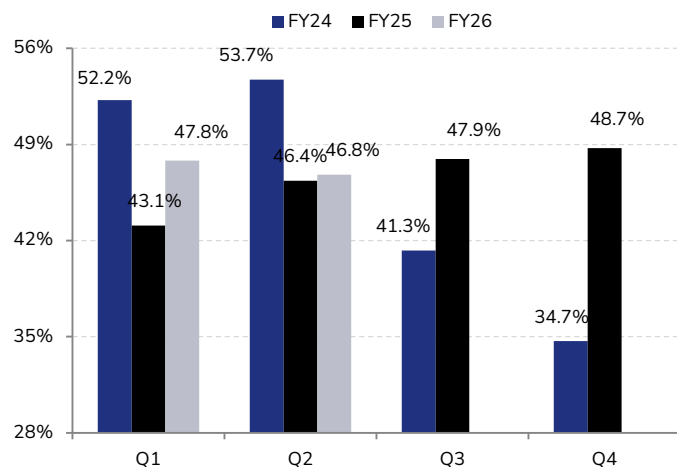
Source: Company, JM Financial

Exhibit 7. PI quarterly EBITDA margin trend (%)



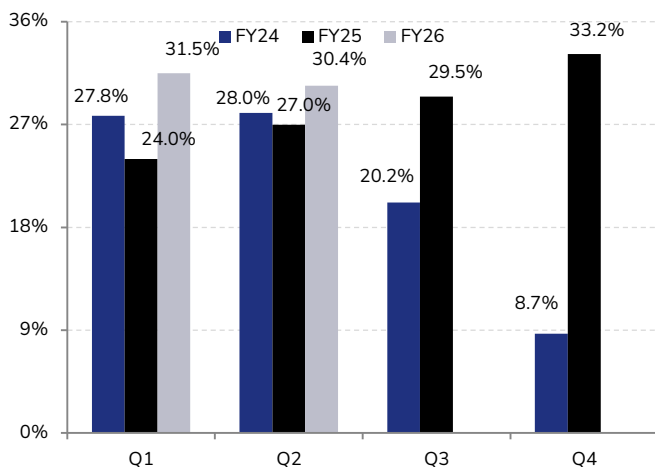
Source: Company, JM Financial

Exhibit 8. Aether quarterly gross margin trend (%)



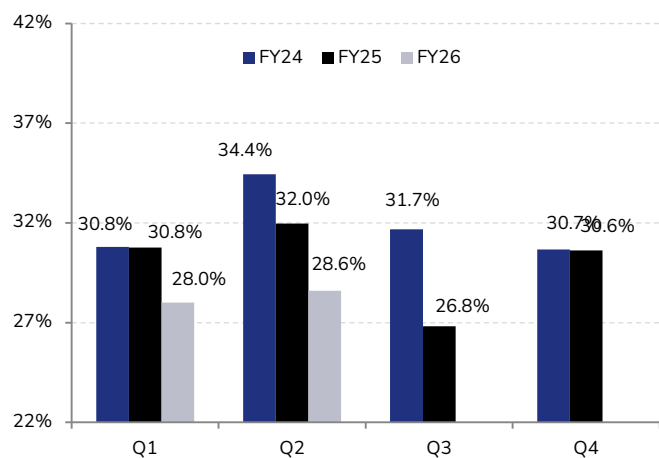
Source: Company, JM Financial

Exhibit 9. Aether quarterly EBITDA margin trend (%)



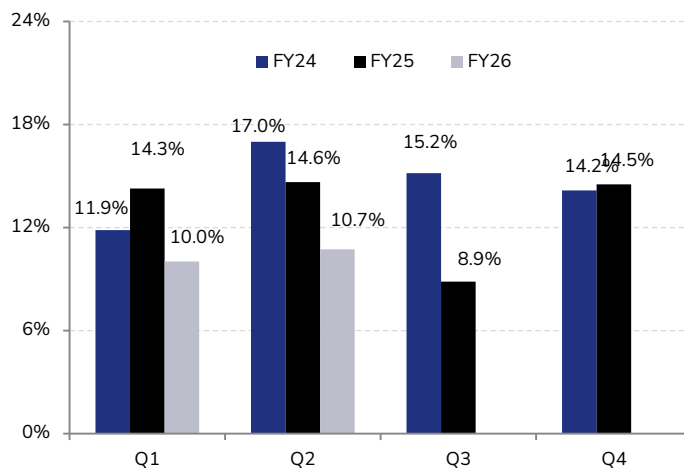
Source: Company, JM Financial

Exhibit 10. Deepak quarterly gross margin trend (%)



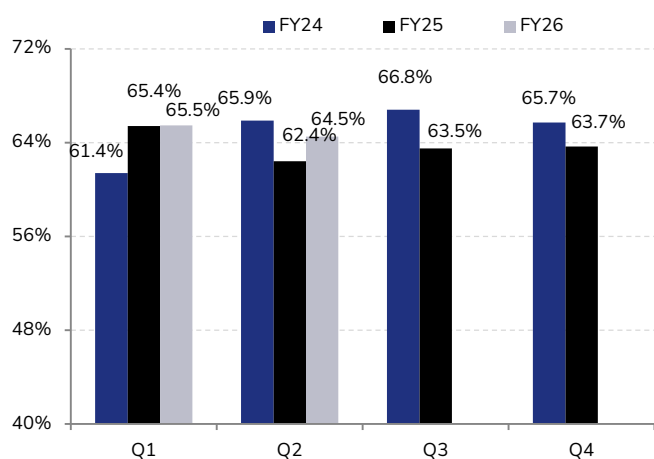
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Exhibit 11. Deepak quarterly EBITDA margin trend (%)



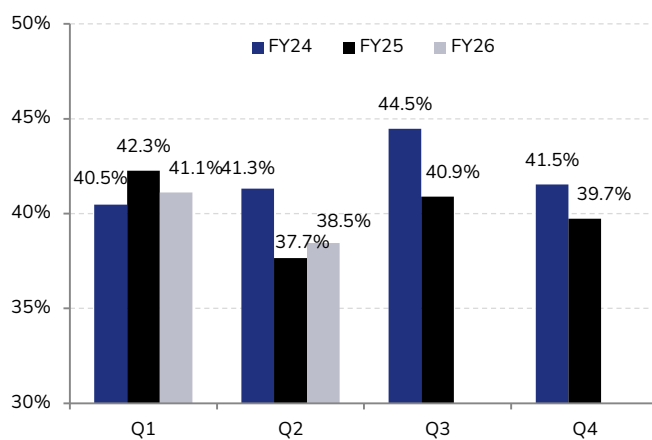
Source: Company, JM Financial

Exhibit 12. Clean quarterly gross margin trend (%)



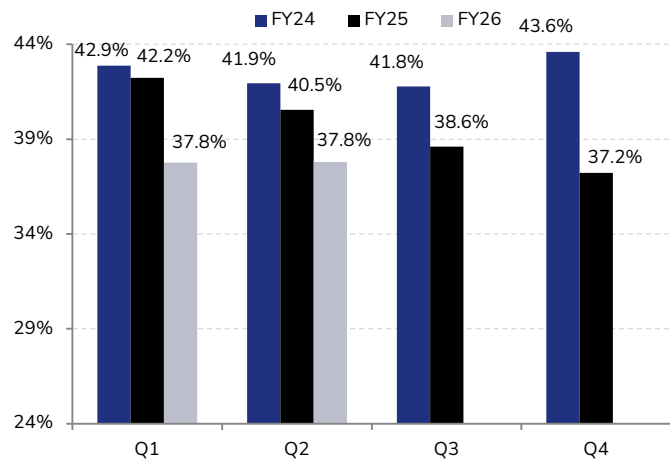
Source: Company, JM Financial

Exhibit 13. Clean quarterly EBITDA margin trend (%)



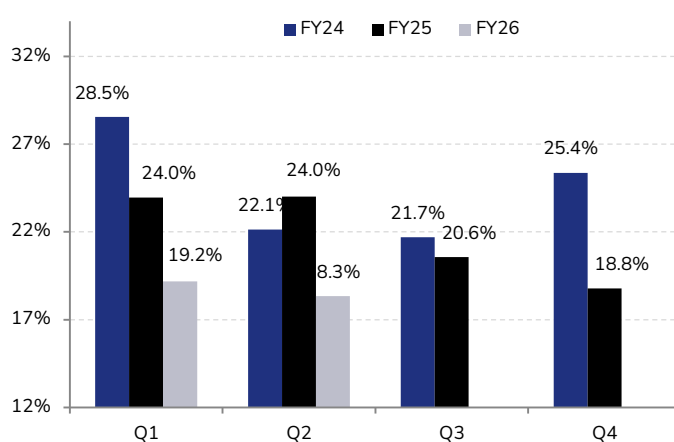
Source: Company, JM Financial

Exhibit 14. FOIL quarterly gross margin trend (%)



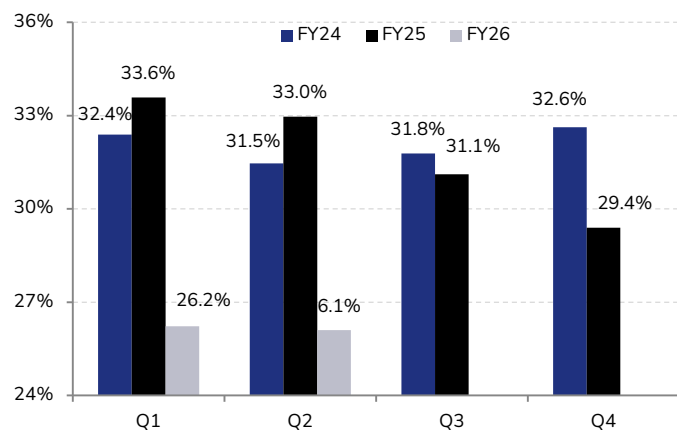
Source: Company, JM Financial

Exhibit 15. FOIL quarterly EBITDA margin trend (%)



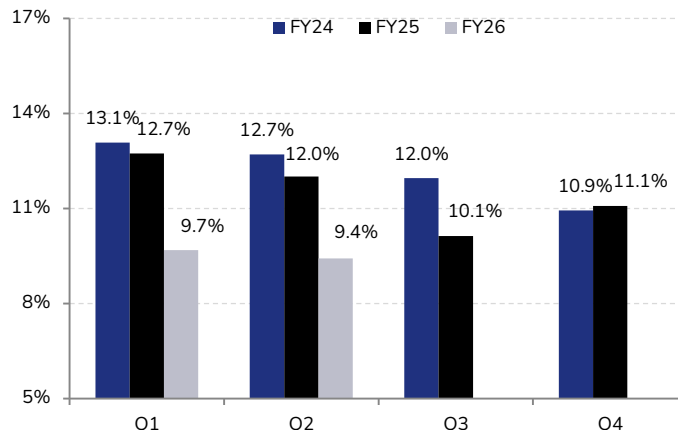
Source: Company, JM Financial

Exhibit 16. Galaxy quarterly gross margin trend (%)



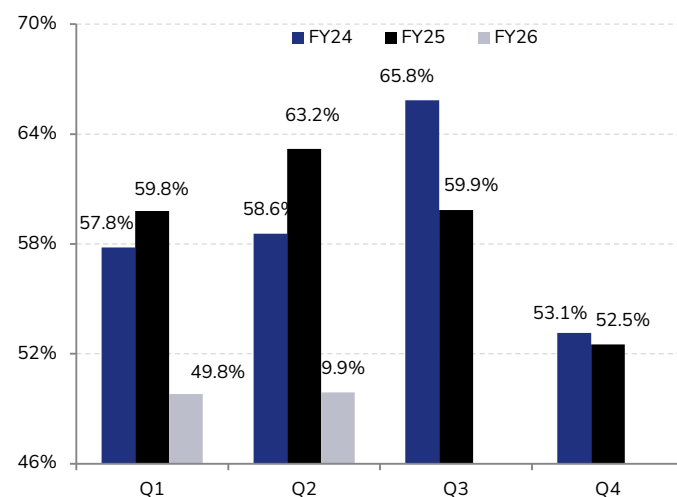
Source: Company, JM Financial

Exhibit 17. Galaxy quarterly EBITDA margin trend (%)



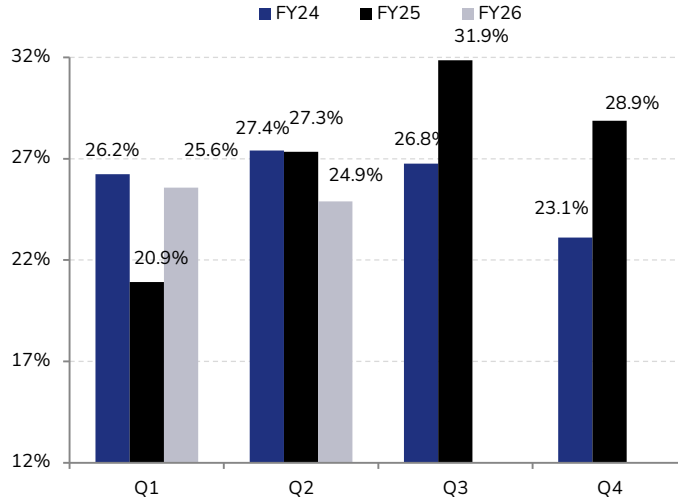
Source: Company, JM Financial

Exhibit 18. Anupam Rasayan quarterly gross margin trend (%)



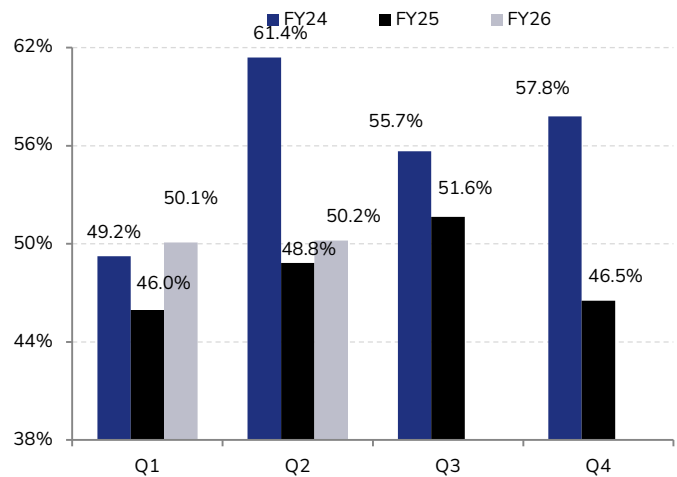
Source: Company, JM Financial

Exhibit 19. Anupam Rasayan quarterly EBITDA margin trend (%)



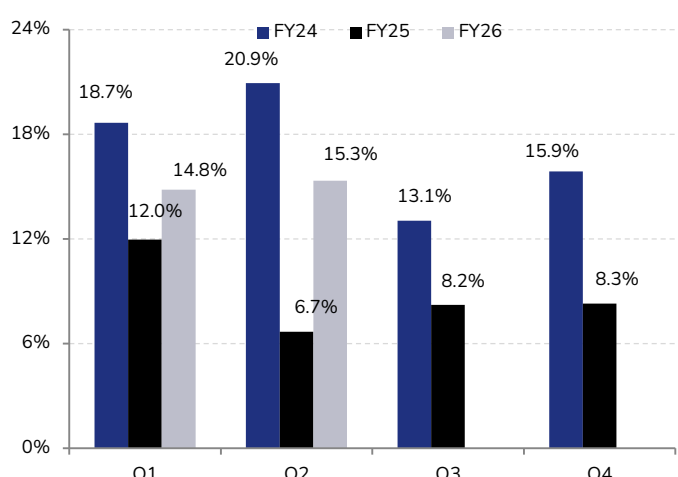
Source: Company, JM Financial

Exhibit 20. Tatva Chintan quarterly gross margin trend (%)



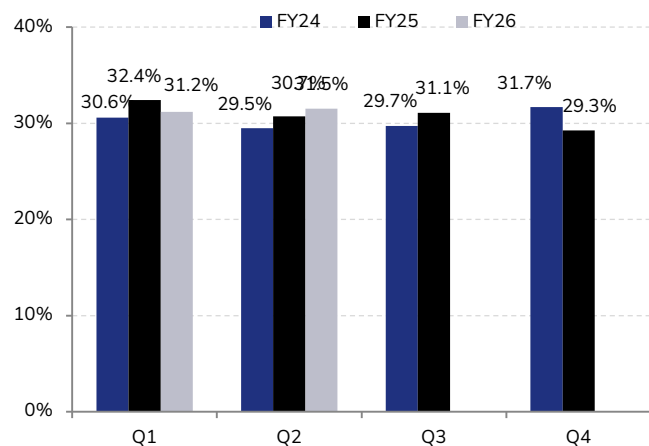
Source: Company, JM Financial

Exhibit 21. Tatva Chintan quarterly EBITDA margin trend (%)



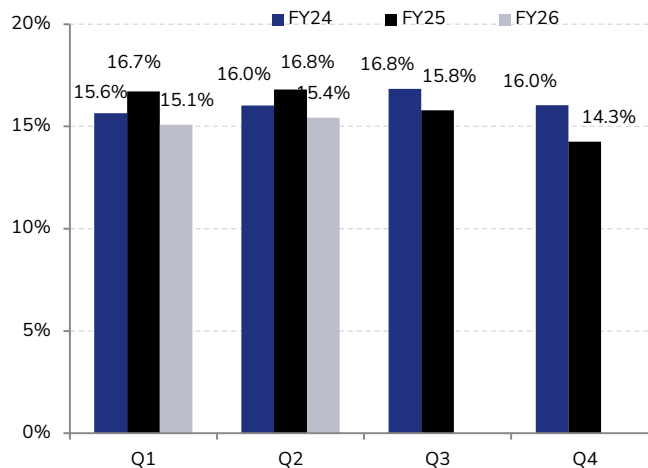
Source: Company, JM Financial

Exhibit 22. PCBL quarterly gross margin trend (%)



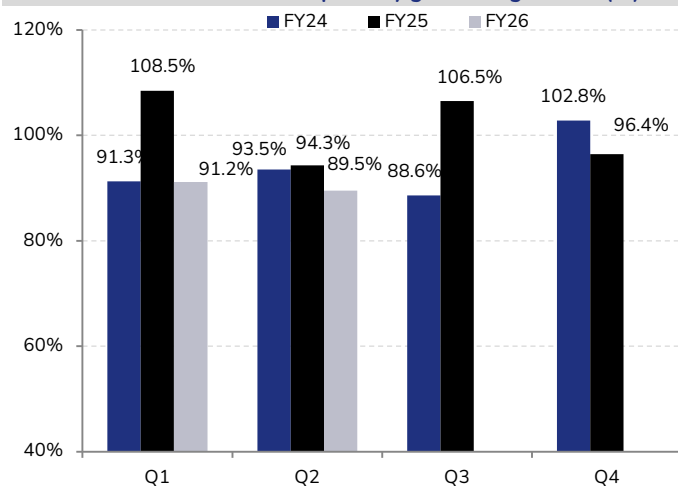
Source: Company, JM Financial

Exhibit 23. PCBL quarterly EBITDA margin trend (%)



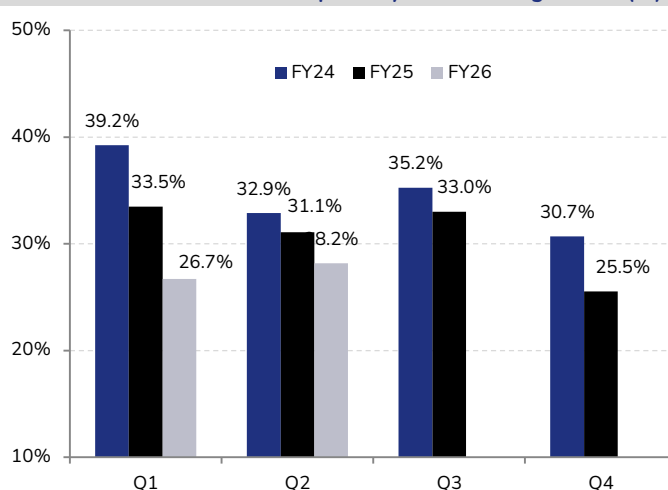
Source: Company, JM Financial

Exhibit 24. Arcean Chemicals quarterly gross margin trend (%)



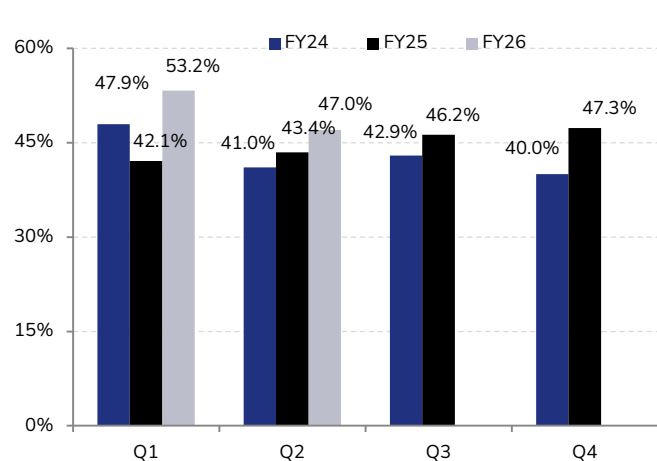
Source: Company, JM Financial

Exhibit 25. Arcean Chemicals quarterly EBITDA margin trend (%)



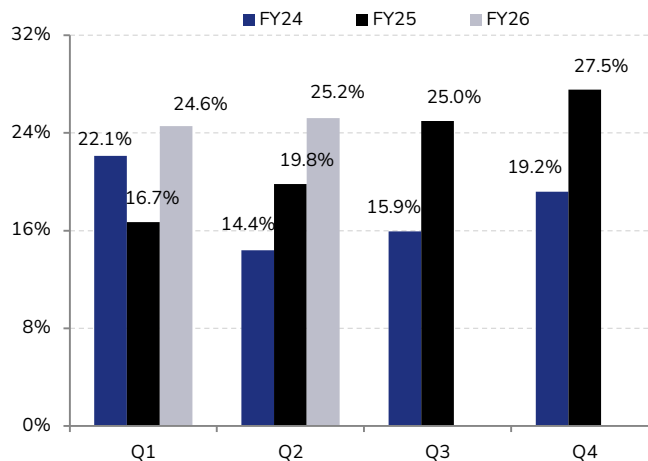
Source: Company, JM Financial

Exhibit 26. Acutaas quarterly gross margin trend (%)

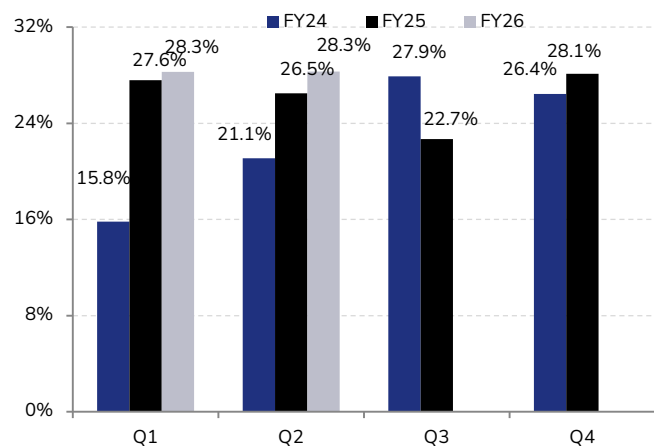


Source: Company, JM Financial

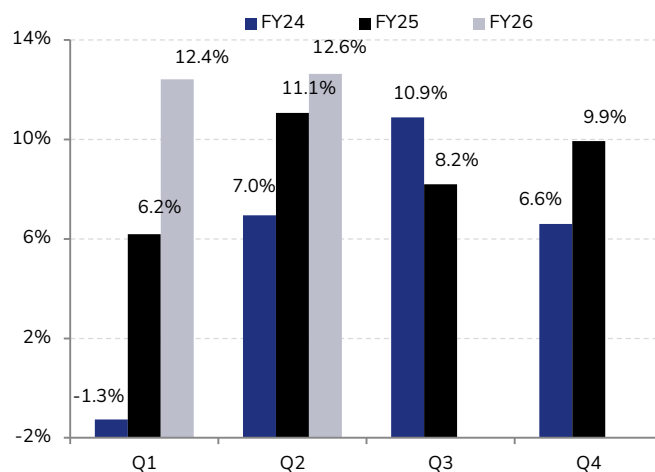
Exhibit 27. Acutaas quarterly EBITDA margin trend (%)



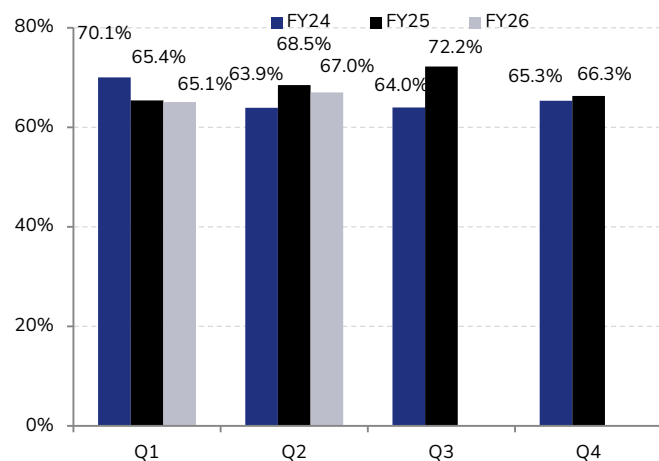
Source: Company, JM Financial

Exhibit 28. Paradeep Phosphates quarterly gross margin trend (%)

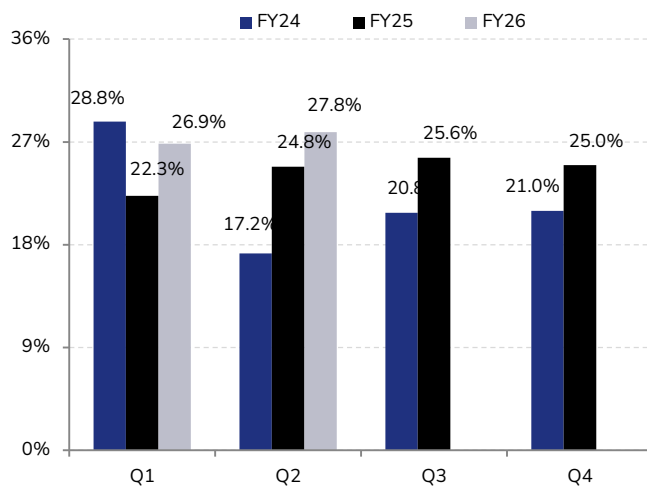
Source: Company, JM Financial

Exhibit 29. Paradeep Phosphates quarterly EBITDA margin trend (%)

Source: Company, JM Financial

Exhibit 30. GFL quarterly gross margin trend (%)

Source: Company, JM Financial

Exhibit 31. GFL quarterly EBITDA margin trend (%)

Source: Company, JM Financial

Exhibit 32. Changes in rating and TP in our coverage universe

Company	New Rating	Old Rating	New TP	Old TP
Clean Science	BUY	BUY	1,355	1,780
Galaxy Surfactants	REDUCE	HOLD	2,335	2,515
Archean Chemicals	REDUCE	HOLD	635	635
PCBL Chemical	REDUCE	HOLD	390	430
Acutaas Chemicals	ADD	BUY	1500	1500
Paradeep Phosphates	REDUCE	SELL	175	175
PI Industries	REDUCE	HOLD	3745	3920

Source: JM Financial

Exhibit 33. Chemical companies peer comparison

Company	Rating	CMP (INR)	TP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
				FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
SRF	BUY	2,968	3,510	70.3	45.1	33.1	31.1	7.0	6.2	5.4	4.7	33.7	25.4	19.8	17.4	10.4	14.5	17.3	16.1
PI Industries	REDUCE	3,582	3,745	32.9	32.6	29.7	26.9	5.4	4.7	4.1	3.6	23.3	21.4	19.2	17.3	17.5	15.3	14.8	14.4
Deepak Nitrite	BUY	1,802	2,265	36.0	31.8	25.4	24.1	4.6	4.1	3.6	3.2	23.5	21.2	16.7	15.5	13.6	13.7	15.0	14.0
Clean Science	BUY	1,061	1,355	42.6	33.9	26.4	21.2	8.0	6.5	5.2	4.2	28.1	23.7	18.0	14.2	20.2	21.0	21.9	22.0
Navin Fluorine	BUY	4,571	6,050	78.6	46.6	37.5	31.1	8.6	6.0	5.4	4.7	44.0	28.2	24.2	20.0	11.5	15.2	15.1	16.1
Fine Organic	SELL	4,621	4,070	34.5	35.4	35.6	32.5	6.2	5.4	4.8	4.3	25.8	26.1	24.2	20.5	19.5	16.3	14.3	14.0
Galaxy Surfactants	REDUCE	2,256	2,335	26.2	24.1	22.1	20.9	3.4	3.1	2.9	2.6	15.8	14.6	13.3	12.3	13.4	13.5	13.6	13.2
PCBL Chemical	REDUCE	379	390	32.9	26.2	20.6	18.1	3.9	3.5	3.2	2.8	14.4	13.4	11.6	10.6	12.5	14.1	16.2	16.4
Aether Industries	BUY	749	1,030	58.5	50.1	33.2	25.3	4.5	4.1	3.6	3.2	41.1	29.9	22.4	17.1	7.9	8.5	11.5	13.4
Acutaas Chemicals	ADD	1,403	1,500	71.6	48.6	36.9	30.2	8.8	7.5	6.3	5.3	48.5	33.7	25.4	20.6	16.2	16.7	18.6	19.0
Anupam Rasayan	SELL	1,087	680	128.0	97.5	58.5	40.7	4.2	3.8	3.5	3.2	33.3	26.8	21.5	17.7	3.3	4.1	6.3	8.3
Archean Chemicals	REDUCE	656	635	40.1	27.4	17.4	13.6	4.4	3.8	3.2	2.6	25.6	17.4	11.5	8.7	11.3	14.8	19.9	21.1
Tatva Chintan Pharma Chem	SELL	1,039	535	425.3	91.9	66.6	53.2	3.3	3.2	3.0	2.9	71.7	35.0	27.1	23.4	0.8	3.5	4.7	5.6
Paradeep Phosphates	REDUCE	189	175	28.0	18.7	16.3	16.1	3.8	3.1	2.6	2.3	15.0	11.1	9.8	9.4	14.4	18.4	17.6	15.2
Gujarat Fluorochemicals	REDUCE	3,696	3,780	74.5	54.2	40.0	34.1	5.6	5.1	4.5	4.0	36.4	27.5	20.8	17.7	8.3	9.9	12.0	12.5

Source: Companies, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Previous Rating System: Definition of ratings	
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.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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