



**Result Update  
Q2 FY25**

**Archean Chemical  
Industries Ltd.**

### Weak performance amid logistic challenges; Recovery expected in H2FY25

The company posted a revenue decline of 17.2% YoY / up 13.1% QoQ to Rs. 2,405 mn, below our expectations of Rs. 2,560 mn. The quarterly revenue decline was mainly due to logistics-related challenges.

EBITDA decreased 21.7% YoY / up 4.9% QoQ to Rs. 747 mn, while EBITDA margin stood at 31.1% (down 240bps QoQ) in Q2FY25, owing to a contraction in gross margins by 1417 bps QoQ to 94.3%. The net profit stood at Rs. 157 mn (down 52.2% YoY / down 22.1% QoQ) in Q2FY25, below our expectations of Rs. 235 mn. The PAT margin was 6.5% versus 21.1% in the previous quarter. The company reported an exceptional item due to the Asna cyclone impact, resulting in a loss of Industrial salt stock of Rs. 40.18 Crs (4.72 Lakhs MT) in Gujarat during Aug 24 / Sept 24. The company has initiated the claim process with the insurance company. The performance highlights and the recent developments in the respective products are as follows. Firstly, Elemental bromine showed mixed results, with a broad recovery in demand, particularly from the domestic market, while export demand remains somewhat subdued. The industrial salt segment encountered challenges in Q2FY25 primarily due to an extended and intense monsoon season, a period typically slower for the export business. On the other hand, Archean continues to observe positive results in trials for Sulphate of Potash (SOP), which has taken proactive steps to produce a second grade of SOP, attracting promising inquiries from both global and domestic markets.

### Valuation and Outlook

During the quarter, Archean experienced robust demand from the domestic market, which has shown a broad recovery, although demand from the export market remains subdued. Archean Chemical Industries is a leading manufacturer of marine specialty chemicals, including elemental bromine, A-grade industrial salt, and Sulphate of Potash derived from natural sea brine. The company is strategically positioned for expansion by leveraging synergies between its core marine specialty chemical business and its investments in high-growth sectors such as compound semiconductors and energy storage solutions. Nonetheless, the core business will continue to be the cornerstone of the company's growth strategy in the coming years. The company has successfully acquired Oren Hydrocarbon and received the NCLT order, with operations expected to commence in H2FY25. Archean is optimistic about its Bromine Derivatives project, projected to contribute significantly to the top line starting in Q4FY25. Furthermore, the company anticipates sustained strong demand in the Industrial Salt segment and a rebound in the SOP segment beginning in FY26. We forecast Revenue/EBITDA/PAT to grow at CAGRs of 14.6%/27.0%/23.5% from FY24 to FY26, driven by (1) a leading market position and ongoing expansion in bromine and industrial salt, (2) emphasis on capacity expansion and subsidiary operations, (3) consistent financial performance, and (4) diversification into bromine derivatives that have successfully undergone trials with customers. Consequently, we expect Archean Chemical to generate substantial long-term revenue and note that it is currently trading at P/E ratios of 35.6x for FY25e and 23.3x for FY26e EPS estimates. **We value the company at 27x FY26e EPS, arriving at a revised target price of Rs. 776 per share, which suggests an upside of 16%.**

### Key Highlights

Particulars (Rs. Mn)	Q2FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Net Sales	2,905	2,127	2,405	-17.2%	13.1%
Gross profit	2,717	2,307	2,268	-16.5%	-1.7%
Gross margin (%)	93.5%	108.5%	94.3%	77 bps	-1,417 bps
EBITDA	955	712	747	-21.7%	4.9%
OPM (%)	32.9%	33.5%	31.1%	-179 bps	-240 bps
net Profit	660	448	157	-76.2%	-64.9%
Net profit margin (%)	22.7%	21.1%	6.5%	-1,618 bps	1,454 bps

Source: Company, StoxBox

### Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

### Sector Outlook

Neutral

### Stock

CMP (Rs.)	671
Target Price (Rs.)	776
BSE code	543657
NSE Symbol	ACI
Bloomberg	ACI IN
Reuters	ARCN.BO

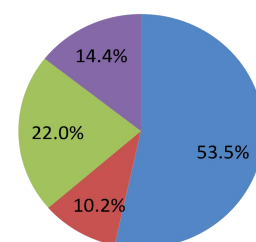
### Key Data

Nifty	23,559
52 Week H/L (Rs.)	838 / 504
O/s Shares (Mn)	123
Market Cap (Rs. bn)	83
Face Value (Rs.)	2

### Average Volume

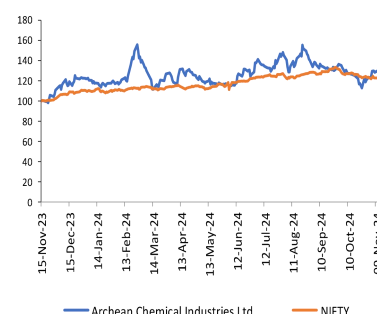
3 months	544,910
6 months	882,710
1 year	797,750

### Share Holding Pattern (%)



■ Promoters ■ FII ■ DII ■ Others

### Relative Price Chart



## Key Concall Highlights

### Bromine Business

The company is experiencing a broad recovery in demand for bromine products within the domestic market. However, demand from the export sector continues to remain subdued. The company anticipates a consistent demand for bromine driven by stable or improving end-user applications. It aims to produce over 20,000 tons of bromine for FY25, including for captive consumption and estimates production of 20,000-25,000 tons for FY26.

### Industrial Salt business:

During the quarter, the Industrial salt business was affected primarily by the monsoon season and difficult road conditions, which hindered exports from the site to the ports. Operations were further disrupted by Cyclone Asna, resulting in a loss of salt stock. However, H2 is historically stronger for salt, and management anticipates more than 10 Lc tons of volume run rate in the coming quarters, focusing on enhancing processes and cost efficiencies.

### Sulphate of Potash:

The company continues to see encouraging results in its SOP (Sulfate of Potash) trials and has taken steps to produce a second grade of SOP. It has begun receiving inquiries from both global and domestic markets, and management anticipates meaningful contributions next year.

### Oren Hydrocarbon Update:

The company received NCLT approval and initiated refurbishments and renovations at various production sites. Two plants are expected to be fully operational within the next few weeks, with significant contributions anticipated from Q4FY25 onwards. The company focuses on products related to Clear Brine Fluids and the oil and drilling industry.

### Strategic Acquisition of Clas-Sic Wafer Fab Ltd:

During the quarter, the company acquired a 21.33% stake in Clas-Sic Wafer Fab Ltd through a primary subscription investment of GBP 10 Mn and a secondary purchase involving GBP 5 Mn. This acquisition supports the company's broader expansion strategy in the compound semiconductor space. Archean aims to produce high-quality SiC power devices within 2-3 years to serve domestic and international markets.

### Capex:

The company does not foresee any significant capital expenditures over the next six months, except expenses related to the Oren project, which are estimated to be around Rs 750 million.

*"The company is investing in new growth areas, which will aid in diversifying its revenue base and mitigating earnings volatility."*

# Archean Chemical Industries Ltd.

Chemical | Q2FY25 Result Update | 13<sup>th</sup> November 2024



Profit & Loss A/c					
YE March (Rs. Mn.)	FY22	FY23	FY24	FY25E	FY26E
Revenue from Operations	11,304	14,411	13,301	12,544	15,397
% YoY growth	53%	27%	-8%	-6%	23%
Cost Of Revenues (incl Stock Adj)	393	27	877	765	955
Gross Profit	10,911	14,383	12,424	11,778	14,442
Gross margin (%)	96.5%	99.8%	93.4%	93.9%	93.8%
Employee Cost	378	720	724	665	847
Other Operating Expenses	5,861	7,323	7,073	7,439	7,960
EBITDA	4,672	6,340	4,627	3,674	5,635
EBITDA margin (%)	41.3%	44.0%	34.8%	29.3%	36.6%
Other Income	124	433	433	454	484
Net Interest Exp.	1,617	970	85	143	294
Depreciation	669	686	703	833	979
Exceptional Items	0	0	0	0	0
PBT	2,510	5,117	4,272	3,153	4,846
Tax	628	1,291	1,082	836	1,309
Profit After Tax	1,882	3,826	3,190	2,318	3,538
PAT margin (%)	16.6%	26.5%	24.0%	18.5%	23.0%
EPS	19.5	31.1	25.8	18.8	28.8

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Chemical | Q2FY25 Result Update | 13<sup>th</sup> November 2024



Balance Sheet					
YE March (Rs. Mn.)	FY22	FY23	FY24	FY25E	FY26E
<b>Assets</b>					
<b>Non-current assets</b>					
<b>Total Net Block</b>	<b>10,455</b>	<b>10,649</b>	<b>11,180</b>	12,843	14,854
Capital work-in-progress	172	362	462	466	476
Goodwill	1	2	1	1	1
Other Intangible Assets	0	0	20	20	20
Right used of assets	406	450	416	520	624
Investments	1	0	0	0	0
Other Financial Assets	18	219	209	215	215
Deferred Tax Asset	0	3	11	13	13
Long term Loans and advances	274	99	998	962	1,181
<b>Total Non-current assets</b>	<b>11,326</b>	<b>11,784</b>	<b>13,297</b>	<b>15,041</b>	<b>17,384</b>
<b>Current Assets</b>					
Current investments	111	2,101	3,499	3,849	4,427
Inventories	1,208	1,678	1,273	934	2,103
Trade receivables	1,530	1,177	1,564	1,228	1,809
Cash and cash equivalents	122	60	455	357	475
Bank Balances other than Cash & Cash Eq.	465	267	0	0	0
Short-term loans and advances	5	4	4	4	5
Other Current Assets (Inc Current tax assets net)	400	320	321	1,512	1,787
Other current financial assets	146	163	146	137	211
<b>Total Current Assets</b>	<b>3,986</b>	<b>5,770</b>	<b>7,262</b>	<b>8,022</b>	<b>10,816</b>
<b>Total Assets</b>	<b>15,313</b>	<b>17,554</b>	<b>20,559</b>	<b>23,062</b>	<b>28,200</b>
<b>Liabilities</b>					
Share Capital	193	246	247	247	247
Reserves and Surplus	2430	14,063	16,770	19,087	22,625
<b>Total Shareholders funds</b>	<b>2,623</b>	<b>14,309</b>	<b>17,016</b>	<b>19,334</b>	<b>22,872</b>
Long-term borrowings	8,428	8	594	1,194	1,844
Other Long Term (financial) Liabilities	1,182	0	0	0	0
Deferred Tax Liability (net)	96	1,155	1,238	990	990
Long term Provision	3	0	51	0	0
Other financial liabilities	770	0	0	0	0
Lease Liabilities	455	357	312	265	218
<b>Non-Current Liabilities</b>	<b>10,934</b>	<b>1,520</b>	<b>2,194</b>	<b>2,450</b>	<b>3,052</b>
Short-term borrowings	21	207	2	17	37
Trade payables	1,123	956	998	763	1,684
Other Financial Liabilities	49	214	241	241	253
Other current liabilities	486	194	28	172	211
Short-term provisions	8	3	6	2	4
Current Tax Liabilities (net)	0	29	3	3	3
Lease liabilities	69	122	71	82	85
<b>Total Current Liabilities</b>	<b>1,755</b>	<b>1,725</b>	<b>1,349</b>	<b>1,279</b>	<b>2,277</b>
<b>Total Liabilities</b>	<b>15,313</b>	<b>17,554</b>	<b>20,559</b>	<b>23,062</b>	<b>28,200</b>

Source: Company, Bloomberg Estimates

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Chemical | Q2FY25 Result Update | 13<sup>th</sup> November 2024



## Cash Flow Statement

YE March (Rs. Mn.)	FY22	FY23	FY24	FY25E	FY26E
PBT	2,510	5,117	4,272	3,153	4,846
Depreciation & Amortization	669	686	703	833	979
Other Adjustments	1,614	936	-156	-312	-190
(Inc) / Dec in Working Capital	-1,648	-1,570	64	645	-909
Taxes	0	-208	-1090	-836	-1,309
<b>Cash from Ops.</b>	<b>3,145</b>	<b>4,961</b>	<b>3,794</b>	<b>3,483</b>	<b>3,418</b>
Capital Expenditure & investments	-1,101	-2,903	-3,073	-2,924	-3,900
<b>Cash from Investing</b>	<b>-1,101</b>	<b>-2,903</b>	<b>-3,073</b>	<b>-2,924</b>	<b>-3,900</b>
Issue of Share capital	0	7886	1	0	0
Net Borrowings	-135	166	381	-220	941
Others	-2,102	-10,172	-697	-143	-294
Issuance of Dividend	0	0	0	0	0
<b>Cash from Financing</b>	<b>-2,237</b>	<b>-2,120</b>	<b>-326</b>	<b>(657)</b>	<b>600</b>
Extraordinary receipts/payment	0	0	0	0	0
<b>Net Inc/Dec in cash equivalents</b>	<b>-193</b>	<b>-62</b>	<b>395</b>	<b>(98)</b>	<b>118</b>
<b>Opening Balance</b>	<b>315</b>	<b>122</b>	<b>60</b>	<b>455</b>	<b>357</b>
Forex & Others	0	0	0	0	0
<b>Closing Balance Cash and Cash Equivalents</b>	<b>122</b>	<b>60</b>	<b>455</b>	<b>357</b>	<b>475</b>

Source: Company, Bloomberg Estimates

## Key Operating Ratios

YE March	FY22	FY23	FY24	FY25E	FY26E
<b>Profitability</b>					
Return on Assets	12.3%	21.8%	15.5%	10.0%	12.5%
Return on Capital Employed	37.3%	41.9%	24.7%	16.0%	20.8%
Return on Equity	71.8%	26.7%	18.7%	12.0%	15.5%
<b>Margin Analysis</b>					
Gross Margin	96.5%	99.8%	93.4%	93.9%	93.8%
EBITDA Margin	41.3%	44.0%	34.8%	29.3%	36.6%
Net Income Margin	16.6%	26.5%	24.0%	18.5%	23.0%
<b>Short-Term Liquidity</b>					
Current Ratio	2.3	3.3	5.4	5.3	4.1
Quick Ratio	1.6	2.4	4.4	4.6	3.2
Fixed Asset Turnover	1.7	1.1	0.9	0.8	0.8
<b>Long-Term Solvency</b>					
Total Debt / Equity	3.2	0.0	0.1	0.1	0.1
EBIT / Interest Expense	2.6	6.3	31.5	23.1	17.5
<b>Valuation Ratios</b>					
EV/EBITDA	15.5	12.7	21.7	21.7	14.1
P/E	34.3	21.6	26.0	35.6	23.3
P/B	24.6	5.8	4.3	4.3	3.6

Source: Company, Bloomberg Estimates

## Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

### Analyst (s) Certification :

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