



**Top Conviction Ideas: Chemicals & Midcaps**

**SANI VISHE  
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# Chemicals Sector: Q2FY26 Review

## ✓ Resilient Performance Amidst Continued External Challenges

- **Resilient Performance Despite Tariff Uncertainty and China Overcapacity:** The chemicals sector delivered a mixed performance in Q2FY26, with most companies reporting results that were either in line with or ahead of expectations, despite ongoing macro and industry-specific challenges such as tariff-related uncertainty, Chinese overcapacity, weak downstream demand, and subdued pricing across several value chains. Revenue improvement was primarily volume-led, while EBITDA growth benefited from operating leverage. Softer input costs—particularly crude-linked intermediates and petrochemical derivatives—supported gross margin expansion. Select segments, including refrigerant gases, fluoropolymers, and a few agrochemical categories, saw improving demand trends. However, exporters continued to flag uncertainty owing to U.S. tariff actions, which may constrain near-term performance, although medium-term growth ambitions remain unchanged as capex plans proceed as scheduled. Excess capacity in China continues to pressure spreads across commodity chemicals. Within agrochemicals, global players outperformed domestic peers as channel inventory normalised, while heavy rainfall in key Indian states caused crop damage and drove elevated sales returns. Industry volumes in crop protection remained down in high single digits. Nonetheless, with Rabi sowing expected to progress well, demand is poised for improvement in H2FY26.
- **Chemistry Plays:** Companies with diversified product portfolios and strong innovation pipelines demonstrated better performance relative to the broader sector. Management commentaries highlighted a shift towards agility—adapting product lines and strategy to evolving end-market trends rather than relying solely on demand recovery. Discretionary sub-segments such as dyes, pigments, and polymers remained stable. Fluorochemicals and refrigerants continued to outperform, driven by robust R32 volumes and stronger pricing in R22. Domestic agrochemicals, however, remained weak due to the prolonged monsoon and weather-related disruptions.
- **Outlook & Guidance:** Global demand conditions remain uncertain, particularly due to potential direct and indirect effects of U.S. tariff regimes. Nonetheless, the medium-term sector outlook remains constructive, with companies maintaining their capex guidance to capture opportunities from global supply-chain diversification (China/Europe +1). Strategic focus continues launching new products, expanding into adjacent chemistry value chains, and enhancing margins through value-added offerings. Region-specific tariff structures are likely to influence cost competitiveness and may catalyse a realignment of global supply chains. While Indian exporters may experience near-term pressure, a stronger recovery is expected once clarity on global tariff frameworks emerges and customers reset sourcing patterns. Going forward, sector performance will hinge on companies' ability to differentiate technologically, move up the value chain, and maintain cost efficiency.

# Chemicals Sector: Q2FY26 Review

## ✓ Financial Performance: Chemicals

- **Dhanuka Agritech's** performance was impacted by the extended monsoon season as it reported revenue of Rs 598 Cr, down 9% YoY but up 13% QoQ, missing our estimate of Rs 687 Cr. Management highlighted that higher sales returns and a temporary halt in biostimulant sales (~Rs 20 Cr impact) weighed on Q2 performance. The company expects to soon receive clearance of existing bio-stimulant products as per the new government guidelines. EBITDA came in at Rs 137 Cr, down 14% YoY but increased 64% QoQ, with improved EBITDA margins of 22.9% driven by better operating performance. Given the continuation of monsoon in October, the company revised its full-year revenue guidance downward, expecting flattish revenue growth for FY26 (vs. earlier double-digit guidance).
- **PI Industries'** performance remains muted owing to the extended monsoon and tepid demand in exports. Consolidated revenue stood at Rs 1,872 Cr was down 16% YoY but above our estimates (Rs 1,755 Cr), indicating business resilience despite challenges. Erratic and excessive rainfall impacted sales and led to higher inventory levels. Furthermore, regulatory changes in the biologicals segment weighed on growth momentum. Gross margin expanded to 57.3%, and EBITDA came in at Rs 541 Cr, down 14% YoY, with margins improving to 28.9%. The management expects a modest recovery in the global agrochemical market by Q4FY25, with normalization anticipated from the second half of CY26. Domestic prospects remain encouraging for H2FY26, supported by adequate reservoir levels post-monsoon and improved acreage for rice and corn, indicating a favourable Rabi season.
- **Navin Fluorine International Ltd (NFIL)** continued to deliver better than expected performance as revenue came in at Rs 758 Cr, registering a 46% increase YoY and 5% QoQ, beating our estimates by 6%. The revenue growth was driven by strong performance across all sectors and a notable margin expansion. EBITDA rose sharply to Rs 246 Cr, marking a robust 129% YoY and 19% QoQ growth, surpassing the estimate of Rs 177 Cr. EBITDA margins expanded significantly to 32.5% vs 20.7% in Q2FY25 and 28.5% in Q1FY26, led by operating leverage and improved product mix. The company continues to progress well on capacity expansions, which are expected to continue driving revenue growth over the medium term. The company's strong order book signals healthy revenue visibility in the medium term. The management also reiterated its confidence in maintaining EBITDA margins above 25% in the medium term, while targeting to remain in the ~30% range.
- **Aarti Industries Ltd.'s** performance exceeded expectations across all parameters. Revenue stood at Rs 2,100 Cr, up 29% YoY and 25% QoQ, surpassing estimates by 16%. The revenue growth was driven by higher volumes—particularly in the MMA business—and the recognition of bulk shipments deferred from Q1. EBITDA came in at Rs 291 Cr, up 48% YoY and 37% QoQ, beating estimates by 21%. EBITDA margin improved to 13.9%, compared to 12% in Q2FY25 and 12.7% in Q1FY26. PAT stood at Rs 106 Cr, significantly up 112% YoY and 147% QoQ, driven by improved operating leverage and the impact of exceptional items. The company continues to strengthen its presence across Europe, the Middle East, and Africa, while refining its US market strategy to maintain long-term competitiveness. Going forward, it intends to execute its growth strategy in a measured and disciplined manner, with planned capex of less than Rs 1,000 Cr for FY26. The company continues to target an annual EBITDA range of Rs 1,800–2,200 Cr by FY28.

# Chemicals Sector: Q2FY26 Review

## ✓ Financial Performance: Chemicals

- **Apcotex Industries** reported revenue of Rs 337 Cr, down 4% YoY and 10% QoQ, missing our estimates by 14%. The company continued to focus on volume growth, with an 11% YoY increase in volumes. The revenues declined despite the volume growth, as low raw material costs resulted in lower finished goods. The company, however, achieved EBITDA of Rs 41 Cr, reflecting a growth of 48% YoY and 5% QoQ, largely in line with our estimates of Rs 42 Cr. EBITDA margins stood at 12.1%, improving 423 bps YoY and 179 bps QoQ. The management expects utilisation levels and margins to improve further in the coming quarters, driven by newly announced capacity and a higher export mix.
- **Archean Chemical Industries'** consolidated revenue stood at Rs 233 Cr, a decline of 3% YoY and 20% QoQ, missing our estimate by 34%. The company continued to face challenges driven by persistent macroeconomic pressures, supply chain disruptions, and geopolitical uncertainties. The extended monsoon worsened the challenges caused by macro headwinds, delaying the potential recovery. EBITDA stood at Rs 63 Cr, down 16% YoY and 20% QoQ, falling short of our estimates by 38%. The EBITDA margin decreased to 26.9%, a drop of 423 bps YoY. While the volumes during the quarter were impacted by adverse weather, the management expressed confidence in achieving bromine and salt volumes closer to the earlier guided range for the full year. The company is expected to continue witnessing industry-level headwinds in the near term, with meaningful contributions from the newer businesses expected in FY27.
- **Camlin Fine Sciences'** reported revenue of Rs 460 Cr in Q2FY26, up 9% YoY and QoQ, broadly in line with our estimate of Rs 448 Cr. The Blends division reported a healthy performance across major markets, led by strong traction in the CFS Vitafor portfolio. Vanillin revenues grew 41% QoQ, driven by a strong 35% increase in volumes, while realisations remained under pressure. EBITDA stood at Rs 33 Cr, down 23% YoY but up 76% QoQ, below our estimate of Rs 42 Cr due to higher-than-expected employee and other expenses. EBITDA margin contracted 296 bps YoY but improved 277 bps QoQ to 7.3%. The company reported a net loss of Rs 14 Cr after accounting for discontinued operations. Management reiterated confidence in achieving 20% annual growth in the Blends business, projecting FY26 revenue in the range of Rs 2,000–2,100 Cr. EBITDA margins are expected to expand meaningfully in the coming quarters, supported by operating leverage and improved efficiencies.
- **NOCIL's** performance continued to be impacted by aggressive dumping by foreign players and global uncertainties. The company reported revenue of Rs 321 Cr, down 12% YoY and 5% QoQ, broadly in line with expectations. EBITDA stood at Rs 22 Cr, declining 41% YoY and 27% QoQ, missing estimates by 23%. EBITDA margin compressed to 7.0% versus 10.4% in Q2FY25. PAT came in at Rs 12 Cr, down 71% YoY and 30% QoQ, compared to expectations of Rs 15 Cr. The company is expected to focus on pricing discipline, product mix optimization, and cost control to limit margin dilution in the absence of a clear recovery. While the management maintains a positive outlook on growth prospects with demand recovery in key sectors, uncertainties are expected to prevail in the near term.

## Chemicals Sector: Outlook

### ✓ Near-Term Weakness Continues, but Structural Growth Outlook Remains Intact

FY25 remained a difficult period for the chemical sector, and the softness has extended into H1FY26, driven by muted global demand, macroeconomic weakness across key geographies, prolonged inventory destocking, excess Chinese supply, and ongoing concerns around further slowdown in end-market consumption. While near-term challenges persist, most of these pressures are expected to ease gradually over the coming quarters. The sector's medium- to long-term fundamentals remain strong, underpinned by expanding export prospects and steady domestic demand.

- **Chemicals:** Companies under our coverage are prioritizing operational discipline and innovation to navigate this transition phase as global supply chains continue to reorganize. Players are compelled to strike a balance between pricing and volume growth to safeguard margins, selectively participating in segments with sustainable profitability while accelerating cost-efficiency programs. Although commentary indicates early signs of price stabilisation, uncertainty related to U.S. tariff policies continues to cloud near-term visibility. Nevertheless, we believe the structural growth narrative for Indian chemicals remains unchanged. Firms that sustain cost discipline and enhance operational efficiency are well-positioned to benefit as demand recovers. We maintain a cautiously optimistic stance on a gradual improvement in H2FY26.
- **Agrochemicals:** Irregular and uneven monsoon rainfall across major crop-producing regions weighed heavily on agrochemical consumption, with excessive rainfall in August and September causing crop losses and limiting product application. However, improved reservoir levels and healthier soil moisture conditions set a favourable backdrop for the upcoming rabi season. Global agrochemical players outperformed domestic peers, and channel inventories are showing signs of normalisation. Elevated water storage levels are likely to drive stronger demand for fertilisers and agri inputs as acreage expands. Additionally, revisions in Rabi fertilizer subsidies remain aligned with prevailing raw material costs, alleviating margin-related concerns. We continue to believe that companies investing in R&D, enhancing differentiated product portfolios, and entering strategic partnerships are better positioned to capture demand recovery and deliver sustainable margin gains.

## Chemicals - Short and Medium-term Drivers

### Negatives

**Tariff-Related Uncertainties  
Impacting Buying Decisions**

**Continued Inventory  
Rationalizations Leading to  
Slower Recovery**

**Chinese Overcapacity and  
Weaker Demand Leading to  
Pricing Pressure**

### Positives

**Introduction of new products  
with further integration in  
product lines**

**Domestic Demand Revival**

**Strategic Capex**

**Efficient inventory management,  
and cost rationalization**

**Destocking cycle nearing its end**

**Key Monitorables-** Chinese dumping exerting price pressures and potential Anti-Dumping Duties; Capex Plans and Execution; Demand trends across key end-user Industries; Impact of US Tariffs and any retaliatory measures on global supply chains

## Financial Performance & Outlook

### Praj Industries Ltd.

**Financial Performance:** The company reported revenue of Rs 842 Cr, up 3% YoY and 31% QoQ, surpassing estimates by 19%. EBITDA stood at Rs 56 Cr, down 41% YoY and 57% QoQ, in line with expectations. EBITDA margin declined to 6.6% from 11.5% in Q2FY25. PAT came in at Rs 19 Cr, down 64% YoY but up 261% QoQ, reflecting an overall performance ahead of estimates. Order intake during the quarter stood at Rs 813 Cr, compared to Rs 795 Cr in the preceding quarter.

**Outlook:** The company continues to face execution delays in the domestic bio-energy business, while projects expected from the new GenX facility have been stalled or put on hold. In H2FY26, management expects progress on the delayed projects, with execution activity likely to improve as liquidity conditions ease for customers. Although the recovery timeline for the domestic bio-energy business remains uncertain, the company is actively working on developing new growth avenues to achieve its FY30 targets.

### Mold-tek Packaging Ltd.

**Financial Performance:** Mold-Tek Packaging results were broadly in line with our expectations across key metrics. Revenue for Q2FY26 stood at Rs 210 Cr, registering a 10% YoY growth, supported by steady volume expansion of 6.8% YoY and an improved product mix. EBITDA came in at Rs 39 Cr (+17% YoY/-16% QoQ), while EBITDA/kg moderated to Rs 39/kg from Rs 41.6/kg in Q1FY26 due to lower utilization. PAT stood at Rs 15 Cr, up 10% YoY, broadly meeting our estimate of Rs 16 Cr.

**Outlook:** The company anticipates an acceleration in volume growth over the next few quarters, supported by commissioning of new capacities and product launches in the F&F, Paints, and Pharma Packaging divisions. For FY26, a volume growth rate of 12% (earlier guidance of 12–15%) is expected, largely driven by increased contribution from the Pharma and F&F segments. With a focus on capacity optimisation and an improved product mix, the company expects to achieve EBITDA per kg of Rs 41 in FY26.

### Welspun Living Ltd.

**Financial Performance:** The company reported revenue of Rs 2,441 Cr, down 15% YoY and up 8% QoQ, in line with our estimates. EBITDA stood at Rs 153 Cr, down 57% YoY and 32% QoQ, below our estimate of Rs 195 Cr. EBITDA margins contracted to 6.3%, compared to 12.45% in Q2FY25 and 9.97% in Q1FY26. Consequently, PAT came in at Rs 15 Cr, down 93% YoY and 83% QoQ, missing our estimate of Rs 42 Cr due to higher depreciation.

**Outlook:** Based on current demand trends in the US market, the company expects volume growth to remain muted in the near term. This is likely to weigh on profitability, prompting a focus on cost optimization measures to protect margins rather than risk customer attrition. Management remains optimistic about regaining growth momentum over the medium term.

### Kirloskar Brothers Ltd.

**Financial Performance:** KBL's Q2FY26 performance was weaker than our expectations. It reported revenue of Rs 1,028 Cr for Q2FY26, registering a 1% YoY degrowth and 5% QoQ growth, falling short of our estimate by 14%. EBITDA stood at Rs 108 Cr, down 24% YoY and 3% QoQ, missing our estimate of Rs 170 Cr. EBITDA margin came in at 10.5%, down 317 bps YoY and 86 bps QoQ. PAT stood at Rs 71 Cr, declining 26% YoY but rising 6% QoQ, also missing our estimate of Rs 114 Cr.

**Outlook:** The company anticipates stronger performance in H2FY26, in line with its historical trend where ~60–62% of annual revenue is typically booked in the second half. Supported by a robust order backlog and improving execution pace, management expressed optimism about meeting guidance of double-digit revenue growth in FY26. Cost-efficiency measures and volume recovery are expected to enhance productivity and improve fixed cost absorption.

# Midcap Opportunities: Review

## Financial Performance & Outlook

### Pitti Engineering Ltd.

**Financial Performance:** PEL reported Q2FY26 revenue of Rs 478 Cr, up 11% YoY and 5% QoQ, broadly in line with estimates. Capacity utilisation remained strong across operations. Sales Volume registered healthy growth across key product categories in Q2 and H1FY26. EBITDA came in at Rs 78 Cr, rising 18%YoY and 3% QoQ, also in line with our expectations. EBITDA margin stood at 16.3%, an improvement of 87 bps YoY. PAT was Rs 40 Cr, up 5% YoY and 75% QoQ.

**Outlook:** The company continues to see sustained order inflow and steady demand globally as well as domestically from sectors like traction motors, railway, components, data centres, and renewable energy sectors. The company is working with customers to increase the wallet share by providing value-added products and is exploring growth opportunities in the rising data centre sector. The management expects a significant ramp-up in volumes from Q4FY26, and expressed confidence in meeting the FY26 volume growth target (with the possibility of exceeding the same).

### Va Tech Wabag Ltd.

**Financial Performance:** Consolidated revenues rose 19% YoY and 14% QoQ to Rs 835 Cr, in line with our expectations. EBITDA came in at Rs 89 Cr, down 5% YoY and 7% QoQ, below our estimates by 16%, with margins at 10.7% compared to 13.4% in Q2FY25 and 13% in Q1FY26. PAT stood at Rs 85 Cr, up 21% YoY and 29% QoQ, beating our estimate of Rs 75 Cr, supported by higher than expected other Income. Order intake for H1FY26 was Rs 3,477 Cr, taking the order book to Rs 16,020 Cr (including Framework contracts). Net Cash Position excluding HAM Projects stood at Rs 675 Cr.

**Outlook:** The company aims to maintain an order book at three times its revenue and projects revenue growth at a CAGR of 15–20% over the next 3–5 years. Its targeted revenue mix—over 50% from international projects, 30% from industrial clients, 20% from O&M, and one-third of EPC from EP projects—is expected to support margin expansion. The healthy order intake during the quarter and robust revenue growth indicate that the company is on track to achieve its medium-term targets.

### Gravita India Ltd.

**Financial Performance:** Gravita's Q2FY26 performance surpassed our estimates on all Fronts. Consolidated revenue came in at Rs 1,036 Cr, up 12% YoY and flat QoQ, against our estimate of Rs 997 Cr. Adjusted EBITDA beat estimates at Rs 112 Cr, marking a growth of 10% YoY and flat QoQ. EBITDA margin stood at 10.8%, slightly above the estimated 10.5%, declining by 14 bps YoY and up 6 bps QoQ. PAT stood at Rs 96 Cr, registering a growth of 33% YoY, surpassing expectations by 10%.

**Outlook:** The company reiterated its medium-term targets of achieving 25% volume CAGR and 35% profit CAGR, while sustaining ROIC above 25%. Volume traction is expected to strengthen in H2FY26 as new capacities come onstream and the spillover volumes from Q2 are realised in subsequent months. Over the next 3-4 years, management intends to fully leverage growth opportunities across existing and newly launched business lines. Investments in new verticals such as paper and steel will be pursued selectively, based on visibility of sufficient demand potential. In line with this strategy, the company has reduced its capex plan to Rs 1,225 Cr from Rs 1,500 Cr for the next three years, signalling a more disciplined capital deployment approach focused on optimising returns.

# Top Conviction Ideas: Chemicals and Midcaps

Stock

Reco.

TP\*

Recommendation Rationale



Aarti Industries Ltd

BUY

Rs. 530\*

- ✓ **Robust Volume Growth and Margin Rebound:** Aarti Industries delivered a strong performance in Q2FY26, with revenue up 29% YoY, driven by higher volumes—particularly in the MMA business—and the recognition of bulk shipments deferred from Q1. The energy segment reported an impressive 118% YoY volume growth, while the non-energy segment grew 17% YoY, indicating a broad-based recovery across end markets. EBITDA margin improved to 14%, supported by operating leverage from higher capacity utilization.
- ✓ **De-risking Through Geographic Expansion:** Despite headwinds from US tariffs, AIL delivered healthy growth driven by diversification of its product portfolio and regional rebalancing. The company continues to strengthen its presence across Europe, the Middle East, and Africa, while refining its US market strategy to maintain long-term competitiveness. Management reiterated confidence in achieving its FY28 EBITDA targets, supported by volume growth, cost optimization, operating efficiency, and the commissioning of ongoing capex projects.
- ✓ **Gradual Capacity Enhancement Through Disciplined Capex:** During Q2FY26, the company incurred capex of Rs 267 Cr, primarily directed toward ongoing expansion initiatives. Execution at Zone-4 projects remains on schedule, with multiple projects planned for commissioning in a phased manner over the next one and a half years. These strategic expansions will be undertaken selectively and are expected to strengthen integration, enhance product diversification, and support margin sustainability.
- ✓ **Valuation & Recommendation:** We continue to value the stock at 23x Sept'27E EPS, with a target price of Rs 530/share. Accordingly, we recommend a **BUY** rating on the stock.

\* Note: Target Price is based on our Q2FY26 Result Update Report

# Top Conviction Ideas: Chemicals and Midcaps

| Stock                                                                                                         | Reco. | TP*        | Recommendation Rationale                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
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|  <p>Pitti Engineering Ltd</p> | BUY   | Rs. 1,335* | <ul style="list-style-type: none"> <li>✓ <b>Robust Volume Expansion Across Core Segments:</b> PEL delivered a resilient performance with revenue and EBITDA rising 11% and 18% YoY, respectively, reflecting strong execution despite a challenging macro environment. Backed by healthy demand across key end-user industries, the company was able to deliver around 6% volume growth and expressed confidence in reaching the targeted volume growth of 10% in FY26. During the quarter, capacity utilisation stood at 90% for machined hours, 76% for sheet metal, and 77% for casting. PEL expects to see a ramp-up in capacity utilisation from Q4FY26, which shall further drive the volume growth.</li> <li>✓ <b>EBITDA Margins Improve Despite Supply-side Issues:</b> The company continued to face challenges related to the supply of electrical steel and has started importing material from Japan and Korea. Despite this, PEL delivered 18% YoY EBITDA growth during the quarter, with an 87 bps improvement in margins. Gains were driven by better operating leverage from increasing volumes and ongoing cost optimisation measures.</li> <li>✓ <b>Eyes On Next Leg of Growth:</b> As the current capacities are close to optimum utilisation, the company is planning to make a capital investment of Rs 150 Cr towards capacity expansion to meet the anticipated increase in demand. This capacity expansion is expected to be executed in stages, reaching peak levels by the end of FY27. PEL is also strategically working with customers to increase its contribution to the overall value chain. The management also mentioned that there is a major opportunity arising in the data centre space, and PEL is working on realigning the capacities to cater to the anticipated increase in demand. The management is also open to inorganic growth opportunities in the related sectors to drive the growth beyond FY28.</li> <li>✓ <b>Valuation &amp; Recommendation:</b> We value the stock at 22x its Sept'27E EPS with target price to Rs 1,335/share. We believe that the current valuations appear attractive and have a <b>BUY</b> rating on the stock.</li> </ul> |

\* Note: Target Price is based on our Q2FY26 Result Update Report

# Top Conviction Ideas: Chemicals and Midcaps

Stock

Reco.

TP\*

Recommendation Rationale



VA Tech Wabag Ltd

BUY

Rs. 1,930\*

- ✓ **Robust Execution and Order Pipeline to Fuel H2FY26 Growth:** Wabag delivered a 19% YoY growth in revenue for Q2FY26. Revenue recognition is typically skewed towards the second half of the year, indicating strong H2. The management mentioned that margins may vary every quarter, while the medium-term margin outlook remains intact.
- ✓ **Healthy Order Wins Underpin Growth Prospects:** During H1FY26, the company secured fresh order inflows of ~Rs 3,477 Cr, ending the quarter with a diversified order book of ~Rs 16,020 Cr (including framework agreements), translating to over 4x its annual revenue. Additionally, it is the preferred bidder for orders worth over Rs 3,000 Cr, which are expected to materialise in the coming months.
- ✓ **Entering the Sunrise Sectors:** Notable wins during the quarter include a CBG production project under the BOT model in Uttar Pradesh and UPW, ETP & ZLD orders for Renewsys Solar's Hyderabad facility, marking a strategic foray into the Future Energy Solutions vertical. These new sectors hold a high growth potential and can open up a whole new set of opportunities for the company.
- ✓ **Valuation & Recommendation:** We believe the order book remains healthy and have a positive long-term view on the stock. Accordingly, we continue to value the stock at 21x Sept'27E with a target price of Rs 1,930/share, recommending a **BUY** rating on the stock.

\* Note: Target Price is based on our Q2FY26 Result Update Report

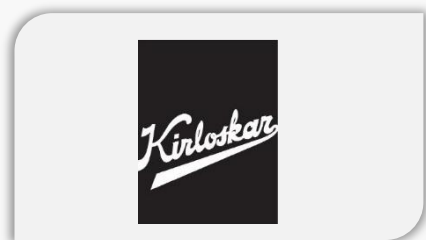
# Top Conviction Ideas: Chemicals and Midcaps

Stock

Reco.

TP\*

Recommendation Rationale



**Kirloskar Brothers Ltd**

**BUY**

**Rs. 2,330\***

- ✓ **Robust Order Pipeline Ensuring Revenue Visibility:** KBL posted a marginal decline in revenue by 0.8% YoY in Q2FY26, impacted by seasonal factors such as a prolonged monsoon and external headwinds. Demand momentum, however, stayed firm across both the small pump and industrial segments. The consolidated order book expanded to Rs 3,564 Cr (vs Rs 3,345 Cr in Q1FY26), ensuring healthy visibility for upcoming quarters. The company's strong order book, diversified operations, and strong execution record indicate very strong growth prospects in H2FY26 and FY27.
- ✓ **Profitability Impacted by Mix and Forex, Efficiency Measures Underway:** The YoY moderation in EBITDA margin was primarily driven by product mix variations and adverse forex movements. Nevertheless, KBL continues to emphasize operational efficiency and cost optimisation initiatives, which are expected to aid margin recovery in the coming quarters. Management remains confident about achieving sustainable growth backed by balanced exposure between domestic and international markets, a strong order pipeline, and continued focus on operational excellence.
- ✓ **Valuation & Recommendation:** We value the stock at 25x Sept'27E EPS, with a target price of Rs 2,330/share. With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in the medium term. The current order book provides strong revenue visibility. Accordingly, we recommend a **BUY** rating on the stock.

\* Note: Target Price is based on our Q2FY26 Result Update Report

# Top Conviction Ideas: Chemicals and Midcaps

Stock

Reco.

TP\*

Recommendation Rationale



Gravita India Ltd

BUY

Rs. 2,600\*

- ✓ **Volume Growth in Lead and Aluminium:** The company delivered a strong operational performance, with overall volumes rising 12% YoY and revenue increasing by 15% YoY. This was primarily led by a substantial 96% YoY jump in aluminium volumes and a 10% YoY increase in lead volumes. Value-added products contributed 47% of the revenue mix for the quarter. EBITDA (including hedging gains) stood at Rs 112 Cr, supported by a higher contribution from value-added products (~47% of total revenue).
- ✓ **Capacity Ramp-up is on Track:** The current operational capacity of 3.4 Lc MTPA is set to increase by 1 Lc MTPA by year-end, with a roadmap to reach 7 Lc MTPA by FY28. The lithium-ion battery recycling pilot facility in Mundra is progressing well and is likely to become operational in Q2FY26. Similarly, the new rubber recycling plant in Mundra is on schedule and is expected to contribute from the end of FY26. The recently acquired rubber recycling unit in Romania is currently delivering an EBITDA of Rs 7–8 per kg, with expectations of improved performance in H2.
- ✓ **Growth to Accelerate from H2FY26:** In line with its long-term growth roadmap, the company is targeting a 25% CAGR in volumes and a 35% CAGR in profitability, while maintaining ROIC above 25%. Management has guided similar volume growth for FY26, the majority (~15–16%) of which would be coming from existing capacities, and the remaining (8–10%) expected from upcoming capacity additions. The contribution from new capacities is expected to pick up from Q3 onwards as new capacities start being commercialised.
- ✓ **Valuation & Recommendation:** We continue to value the stock at 32x FY27E EPS, with a target price of Rs 2,600/share. Accordingly, we recommend a **BUY** rating on the stock.

\* Note: Target Price is based on our Q2FY26 Result Update Report

# Top Conviction Ideas: Chemicals and Midcaps

| Stock                                                                                                                  | Reco.      | TP*             | Recommendation Rationale                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
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|  <p><b>Mold-Tek Packaging Ltd</b></p> | <b>BUY</b> | <b>Rs. 850*</b> | <ul style="list-style-type: none"> <li>✓ <b>Pharma Division – Sustained Momentum:</b> The pharma packaging segment continued to deliver robust growth, with revenue increasing 45% QoQ to Rs 10.8 Cr. Management highlighted pharma packaging as a key structural growth driver, supported by new client additions, innovative product offerings, and increasing capacity utilization (&gt;50%). The company reiterated its FY26 revenue target of Rs 35 Cr, with a peak potential of Rs 55–60 Cr at current capacity, indicating a meaningful contribution to margin expansion over the medium term.</li> <li>✓ <b>F&amp;F Segment – Strong Growth Despite Weather Disruptions:</b> The F&amp;F segment, including Q-Pack, witnessed a 35% volume growth in H1FY26, despite a shortened summer and persistent rainfall. Strategic diversification into non-seasonal categories has reduced dependency on cyclical demand and improved business resilience. The Panipat facility, expected to become operational in Q3FY26, will further enhance capacity and market reach, supporting continued growth momentum in Q4FY26 and beyond.</li> <li>✓ <b>Paints Segment – Muted Quarter, Outlook Steady:</b> The paints division recorded modest 3% YoY growth due to heavy rains, although performance from key client Aditya Birla Group (ABG) remained healthy. With capacity expansions at Cheyyar and Panipat now complete, utilization is expected to improve in the coming quarters. The company continues to benefit from the shift toward RCPP packaging, which aligns with customers' sustainability goals.</li> <li>✓ <b>Margins and Utilization:</b> Capacity utilization dropped from 74% in Q1FY26 to 63% in Q2FY26, impacting operating leverage and EBITDA/kg. Despite the short-term moderation and seasonally weak quarter, margins remain higher YoY, supported by an improved product mix. Management expects EBITDA/kg to average around Rs 41/kg for FY26, with gradual improvement in profitability over the medium term as utilization levels improve.</li> <li>✓ <b>Valuation &amp; Recommendation:</b> We continue to value the stock at 20x Sept'27E EPS, with a target price of Rs 850/share. Accordingly, we recommend a <b>BUY</b> rating on the stock.</li> </ul> |

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