



Q3FY25E Specialty Chemical Preview



Specialty Chemical Preview.

Continued volume growth is expected to drive top-line performance

COVERAGE STOCKS

MARKET DATA

Company name	Rating	CMP	Target price	Upside
Fineotex Chemical (FTXC)	BUY	299	476	58.98%
Archean Chemical Industries (ACI)	BUY	622	890	43.20%
PI Industries (PI)	BUY	3,615	4,922	36.17%
Balaji Amines (BLA)	BUY	1,798	2,328	29.47%
Rossari Biotech (ROSSARI)	BUY	820	1,034	26.16%
Laxmi Organic Industries (LXCHEM)	ACCUMULATE	226	297	31.71%
Supreme Petrochem (SPPT)	ACCUMULATE	637	877	37.68%
Navin Fluorine (NFIL)	ACCUMULATE	3,631	3,769	3.80%
Vinati Organics (VO)	ACCUMULATE	1,696	2,002	18.05%
UPL (UPLL)	ACCUMULATE	549	591	7.68%
Gujarat Fluorochemicals (FLUOROCH)	ACCUMULATE	3,796	4,550	19.87%
Ami Organics (AMIORG)	ACCUMULATE	2,082	1,994	TA*
Anupam Rasayan India (ANURAS)	HOLD	691	735	6.38%
Tatva Chintan Pharma Chem (TATVA)	REDUCE	853	809	-5.20%

	Close	1M (%)	YTD (%)
Nifty	23,432	-1.70%	-4.40%
Sensex	77,379	-1.70%	-4.70%
USD/INR	86.19	0.10%	1.30%

Note: TP and recommendation have been retained from previous update reports; we will review it post detailed Q3Y25E results analysis and conference call of the said companies.

Source: NSE; Data as of Jan 10th, 2025; TA stands for Target Achieved

- In Q3FY25E, we expect double-digit YoY revenue growth from the specialty chemical companies in our coverage. The revenue is expected to grow 18.4% YoY and 2.9% sequentially.
- EBITDA is expected to grow at a robust rate of 39.8% YoY and 11.7% sequentially. EBITDA margins are expected to expand 275 bps YoY and 143 bps sequentially.
- Adj. PAT is expected to grow at 35.6% YoY and 15.2% QoQ. Adj. PAT margins are expected to expand 125 bps YoY and 106 bps QoQ.
- We expect positive YoY revenue growth from the entire coverage companies notably Ami Organics (strong growth in Advanced Intermediates segment), Gujarat Fluorochemicals (robust growth in Fluoropolymers vertical), and Laxmi Organic Industries (strong volume growth across business segments).
- We expect a significant EBITDA margin decline from Tatva Chintan Pharma Chem (continued weak performance) and slight EBITDA margin decline from Balaji Amines (slower than expected price recovery).
- The agrochemical industry is currently facing a mix of positive and negative conditions. While destocking is largely complete and ordering patterns are returning to normal, the industry is still experiencing price pressures.
- A major factor contributing to price pressure in agrochemical industry is overcapacity in China, which is creating a challenging environment for pricing in the market. This overcapacity is expected to persist for some time.

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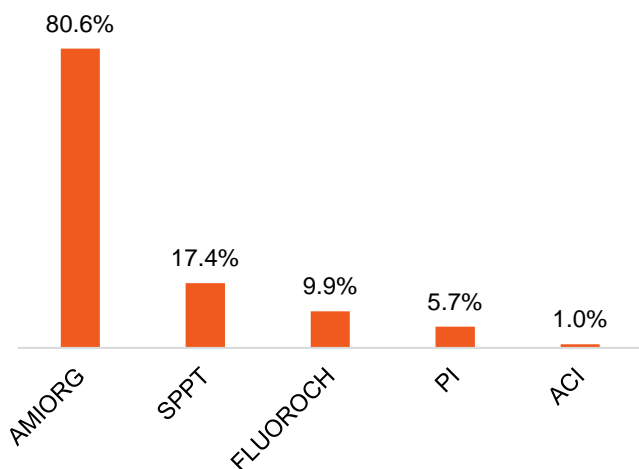
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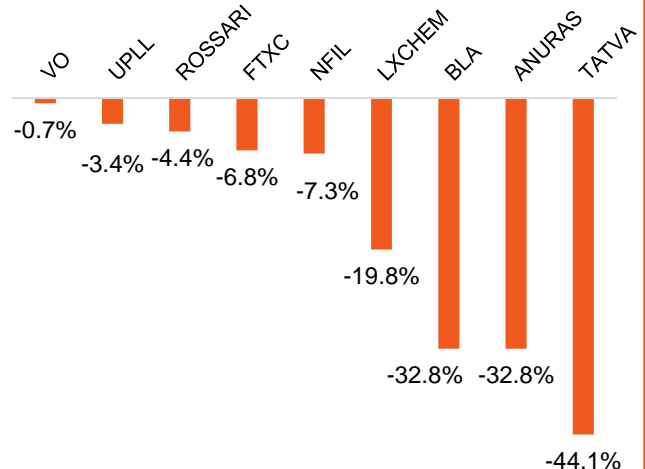
SECTOR OVERVIEW

- The agrochemical industry is witnessing strong volume growth, though partially offset by price reductions. Declining input costs are anticipated to support margin improvements going forward.
- Overall, in Q3FY25E our coverage companies will post high-teen revenue growth and strong profitability growth. Robust volume growth continues to be a significant contributor to overall performance across companies. This is due to increased demand in various sectors like pharmaceuticals, agrochemicals, and home/personal care.
- Several companies are relying on new product launches to boost sales such as UPL, PI Industries and Vinati Organics.
- Companies like Laxmi Organic Industries and Vinati Organics are expected to benefit from capacity expansions which will drive volume growth.
- The pricing commentary across the companies is mixed. Companies such as Balaji Amines and PI Industries are experiencing pricing pressures in their end-user markets.
- While other companies such as Supreme Petrochem, Gujarat Fluorochemicals and UPL are benefiting from stable raw material costs or increased demand leading to better price realization.
- The key monitorable are 1) New product launches, 2) Geographical Focus 3) Global demand and the pricing environment 4) Competitive pressures.
- **Our top picks are UPL (Better debt profile coupled with improved performance), Ami Organics (Continued top-line growth momentum driven by projects at various stages).**

Coverage stocks with 1-year positive return



Coverage stocks with 1-year negative return



Source: NSE

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Specialty Chemical Preview.

Exhibit 1: Quarterly result expectation for companies under coverage

INR Mn

Q3FY25E	Outperform	Base	Underperform	Remarks
ANURAS				
Sales	3,989	3,842	3,694	<ul style="list-style-type: none">Anupam Rasayan is expected to post 30.0% YoY (+30.7% QoQ) revenue growth, supported by deferment of volumes for H2FY25E.EBITDA margin is expected to expand 60 bps YoY (flat QoQ) to 27.4%, due to the company's strategic shift towards pharma and polymer segments which is a high margin segment.Adj NPM is expected to expand 558 bps YoY (+614 bps QoQ) to 11.8%.
EBITDA	1,111	1,051	992	
PAT	491	454	418	
EBITDA (%)	27.9%	27.4%	26.9%	
NPM (%)	12.3%	11.8%	11.3%	
BLA				
Sales	4,600	4,409	4,217	<ul style="list-style-type: none">Balaji Amines is expected to post 15.0% YoY (+27.1% QoQ) revenue growth, with the anticipation of improvement in volume in H2FY25E.EBITDA margin is expected to decline 33 bps YoY (-71 bps QoQ) to 19.0% with pricing pressures in key end-user industries like pharmaceuticals and agrochemicals.Adj. PAT margin is expected to contract 71 bps YoY (+36 bps QoQ) to 12.2%.
EBITDA	898	839	781	
PAT	583	537	492	
EBITDA (%)	19.5%	19.0%	18.5%	
NPM (%)	12.7%	12.2%	11.7%	
LXCHEM				
Sales	8,531	8,185	7,838	<ul style="list-style-type: none">Laxmi Organic Industries is expected to post 18.0% YoY (+6.1% QoQ), supported by the Specialty segment and demand in industrial solutions and pharma segments remains steady which will drive volume growth.EBITDA margin is expected to expand 316 bps YoY (+91 bps QoQ) to 10.6%, due to scaling up of fluoro-intermediates site which will begin commercial production in H2FY25E.Adj PAT margin is expected to expand 201 bps YoY (+229 bps QoQ) to 5.9%.
EBITDA	947	867	791	
PAT	549	485	426	
EBITDA (%)	11.1%	10.6%	10.1%	
NPM (%)	6.4%	5.9%	5.4%	

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ROSSARI				
Sales	5,612	5,248	5,148	<ul style="list-style-type: none"> Rossari Biotech is expected to post 13.2% YoY (+5.3% QoQ) revenue growth supported by home care, personal care, cosmetics, and agrochemicals. Geographically, Europe and South America will continue to be key focus areas.
EBITDA	755	680	641	
PAT	396	344	312	<ul style="list-style-type: none"> EBITDA margin is expected to contract 78 bps YoY (-86 bps QoQ) to 13.0%, as the company's focus is to grow top-line by maintaining EBITDA margin around the 13.0% range .
EBITDA(%)	13.5%	13.0%	12.5%	
NPM (%)	7.1%	6.6%	6.1%	<ul style="list-style-type: none"> Adj. PAT margin is expected to contract 86 bps YoY (-54 bps QoQ) to 6.6%
SPPT				
Sales	13,999	13,405	12,811	<ul style="list-style-type: none"> Supreme Petrochem is expected to post 12.9% YoY (-11.0% QoQ) revenue growth, supported by domestic demand, especially in the OEM sector.
EBITDA	1,335	1,211	1,093	
PAT	982	874	771	<ul style="list-style-type: none"> EBITDA margin is expected to expand 105 bps YoY (+72 bps QoQ) to 9.0%, due to stable pricing of the key raw material styrene monomer, a consistent price realization is anticipated.
EBITDA(%)	9.5%	9.0%	8.5%	
NPM (%)	7.0%	6.5%	6.0%	<ul style="list-style-type: none"> Adj. PAT margin is expected to expand 82 bps YoY (+52 bps QoQ) to 6.5%.
TATVA				
Sales	986	944	902	<ul style="list-style-type: none"> Tatva Chintan Pharma Chem is expected to post 12.1% YoY (+13.1% QoQ) revenue growth, due to stable demand in PTC (Phase Transfer Catalysts) segment with addition of new customers.
EBITDA	71	63	56	
PAT	22	16	11	<ul style="list-style-type: none"> EBITDA margin is expected to post contraction of 636 bps YoY (flat QoQ), due to recovery slowdown, logistical challenges, and Chinese competition.
EBITDA (%)	7.2%	6.7%	6.2%	
NPM (%)	2.2%	1.7%	1.2%	<ul style="list-style-type: none"> Adj. PAT margin is expected to contract 238 bps YoY (+252 bps QoQ).

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UPLL				
Sales	111,048	106,105	101,161	<ul style="list-style-type: none">UPL is expected to post 7.3% YoY (-4.3% QoQ) revenue growth, aligning with yearly guidance, and supported by contributions from new product launches.EBITDA margin is expected to expand 1,473 bps YoY (+351 bps QoQ), due to higher utilization of fresh inventory which should lead to better pricing as inventory destocking and pricing pressure from China is bottoming out.Adj. PAT margin is expected to be at 0.5% as against 12.3% in Q3FY24 and -4.0% in Q2FY25.
EBITDA	21,742	20,244	18,795	
PAT	1,083	504	-25	
EBITDA(%)	19.6%	19.1%	18.6%	
NPM (%)	1.0%	0.5%	0.0%	
AMIORG				
Sales	2,264	2,180	2,097	<ul style="list-style-type: none">Ami Organics is expected to post 31.0% YoY (-11.6% QoQ) revenue growth, which is aligned with revised guidance and robust CDMO pipeline.EBITDA margin is expected to expand 390 bps YoY (flat QoQ), due to favourable product mix and ramping up of projects across geographies.Adj. NPM is expected to expand 239 bps YoY (-267 bps QoQ) to 12.5%.
EBITDA	460	432	405	
PAT	293	272	251	
EBITDA(%)	20.3%	19.8%	19.3%	
NPM (%)	13.0%	12.5%	12.0%	
NFIL				
Sales	6,323	6,022	5,721	<ul style="list-style-type: none">NFIL is expected to post 20.0% YoY (+16.1% QoQ) revenue growth, supported by robust sales from the new R32 capacity, and stable HFO operations.EBITDA margin is expected to expand 662 bps YoY (+100 bps QoQ) to 21.7% due to maximized capacity utilization, and improved productivity.Adj. NPM is expected to contract 357 bps YoY (+63 bps QoQ) to 12.0%.
EBITDA	1,435	1,307	1,184	
PAT	820	721	628	
EBITDA (%)	22.7%	21.7%	20.7%	
NPM (%)	13.0%	12.0%	11.0%	

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Q3FY25E	Outperform	Base	Underperform	View
VO				
Sales	5,409	5,152	4,894	<ul style="list-style-type: none"> VO is expected to post 15.0% YoY (-6.9% QoQ) revenue growth, supported by increased ATBS capacity (60,000 tons) and the expected commercialization of new product launches in H2FY25E.
EBITDA	1,395	1,303	1,213	
PAT	945	874	806	<ul style="list-style-type: none"> We expect enhanced capacity utilization in Antioxidants (AO) segment, and ramp-up of the Veeral Organics plant in H2FY25E. EBITDA margin is expected contract 30 bps YoY (+112 bps QoQ) to 25.3%. Adj. NPM is expected to contract 21 bps YoY (-190 bps QoQ) to 17.0%
EBITDA(%)	25.8%	25.3%	24.8%	
NPM (%)	17.5%	17.0%	16.5%	
FLUOROCH				
Sales	13,017	12,397	11,777	<ul style="list-style-type: none"> FLUOROCH is expected to post a 25.0% YoY (+4.3% QoQ) revenue growth due to uptick in prices for MDC, Caustic prices, and refrigerant prices driven by a recovery in demand.
EBITDA	3,626	3,391	3,163	
PAT	1,698	1,555	1,418	<ul style="list-style-type: none"> EBITDA margin is expected to expand 656 bps YoY (+252 bps QoQ) to 27.4% supported by capturing market share in fluoropolymers. Adj. PAT margin is expected to expand 447 bps YoY (+236 bps QoQ) to 12.5%.
EBITDA(%)	27.9%	27.4%	26.9%	
NPM (%)	13.0%	12.5%	12.0%	
PI				
Sales	22,097	21,149	20,200	<ul style="list-style-type: none"> PI Industries is expected to post revenue growth of 11.5% YoY (-4.8% QoQ), where new product launches, including biological solutions are expected to drive domestic revenue.
EBITDA	6,050	5,685	5,329	
PAT	4,940	4,622	4,314	<ul style="list-style-type: none"> EBITDA margin is expected to contract 229 bps YoY (-140 bps QoQ) to 26.9%, due to reduced FY25E guidance, global demand fluctuations, and normalization of inventory level. Adj PAT margin is expected to contract 178 bps YoY (-102 bps QoQ) to 21.9%.
EBITDA (%)	27.4%	26.9%	26.4%	
NPM (%)	22.4%	21.9%	21.4%	

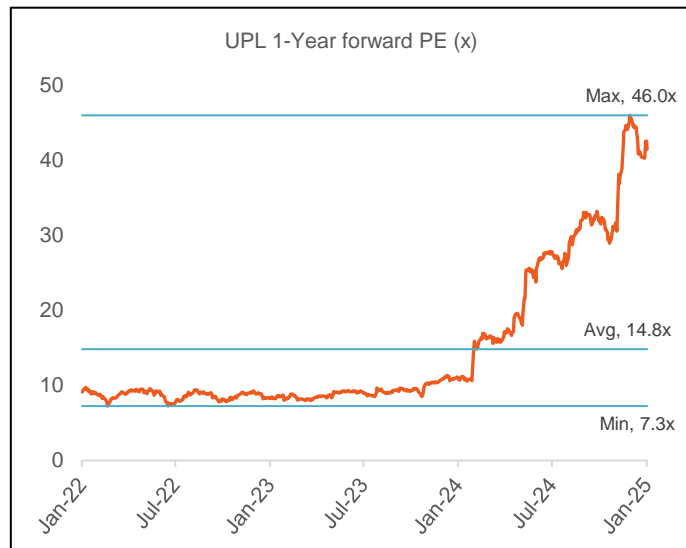
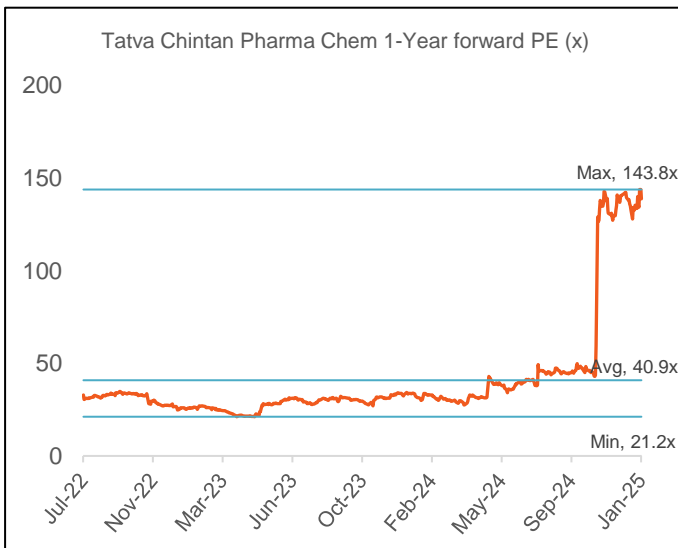
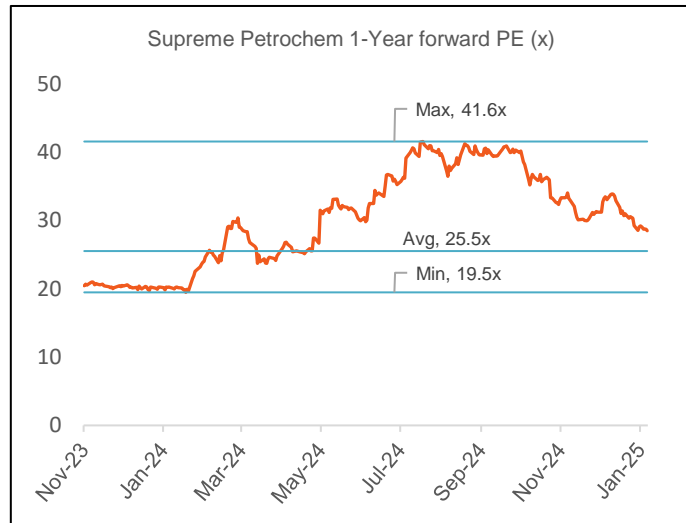
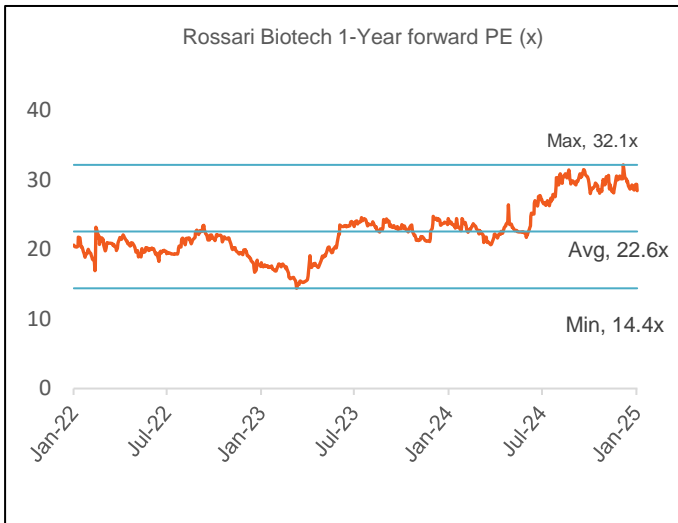
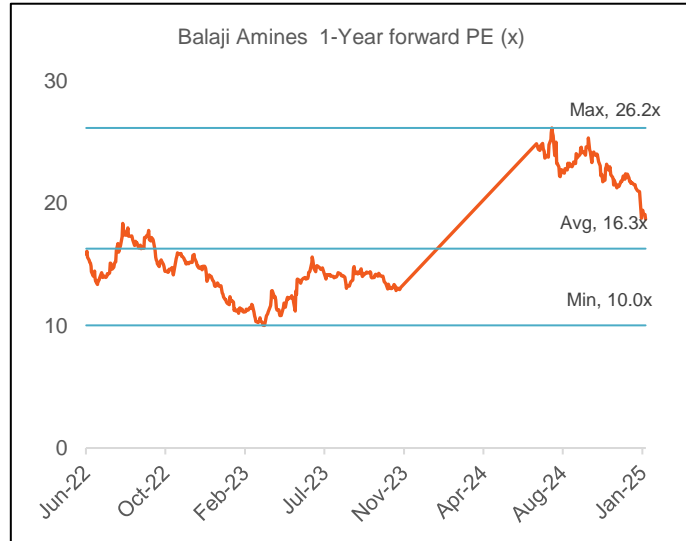
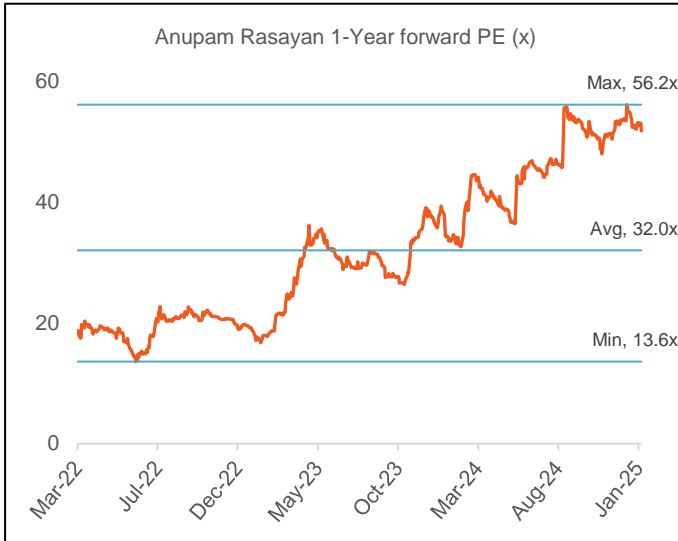
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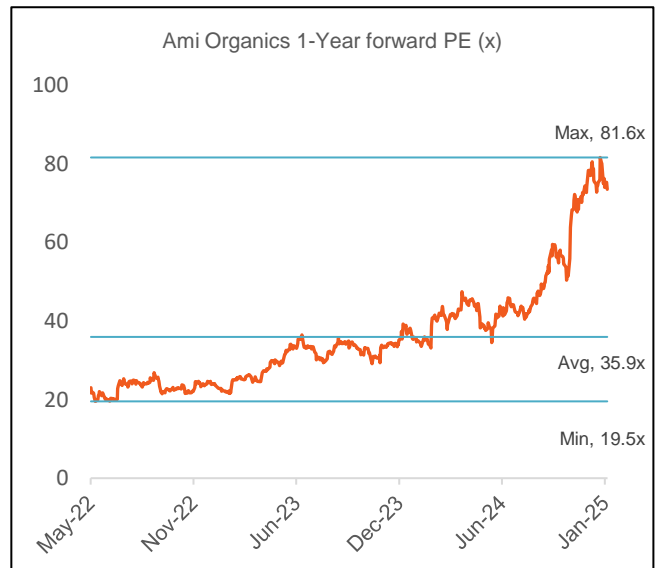
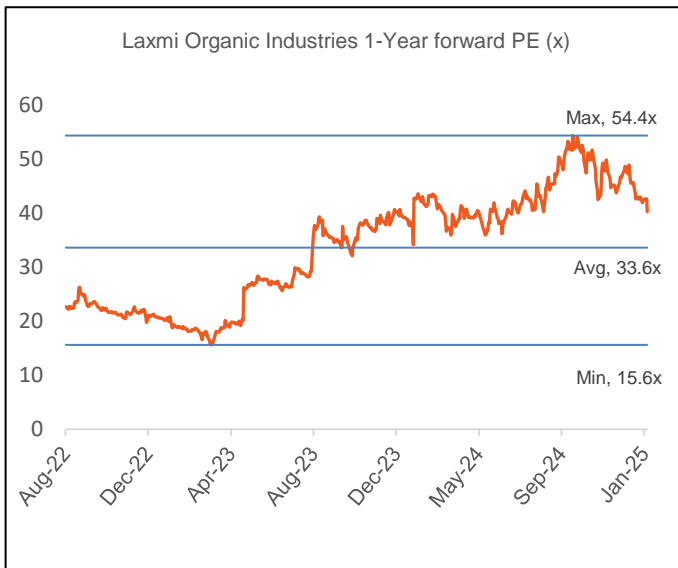
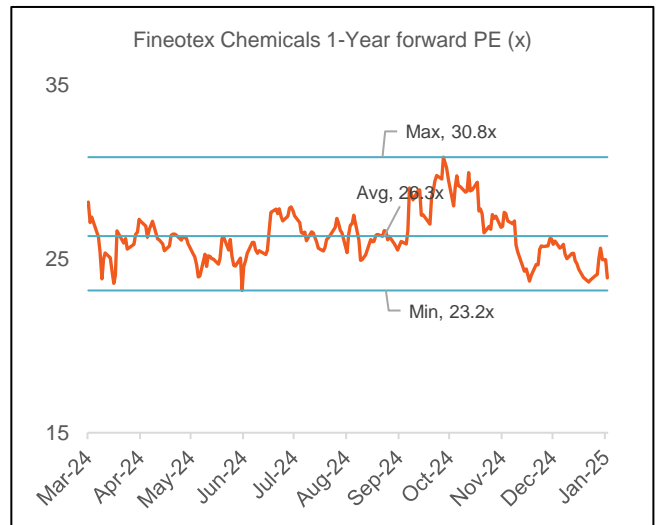
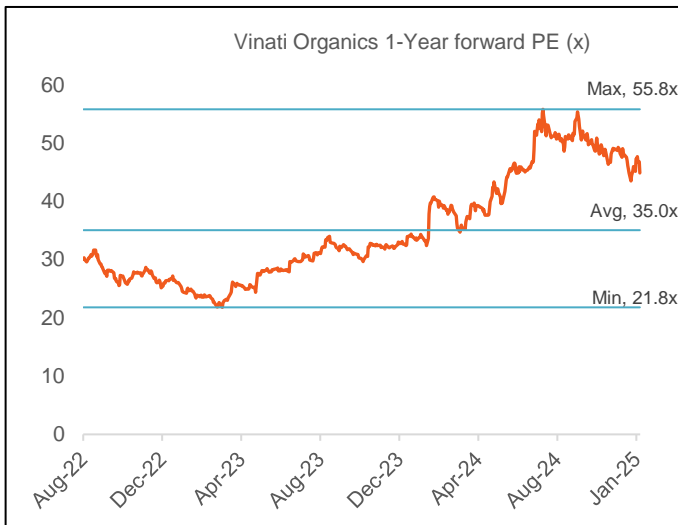
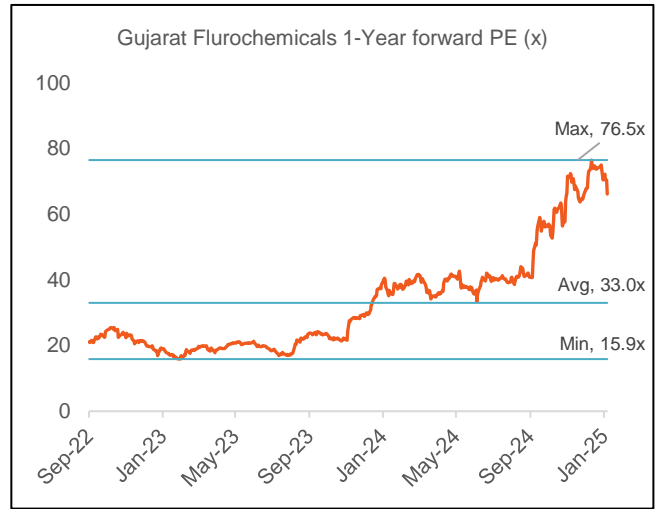
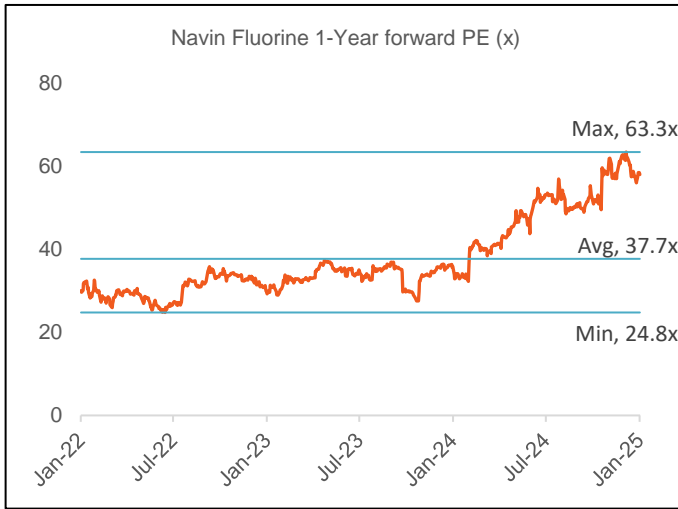
Q3FY25E	Outperform	Base	Underperform	View
FCL				
Sales	1,765	1,605	1,524	<ul style="list-style-type: none">FCL is expected to post a 16% YoY/10% QoQ growth in revenues, revenue is expected to grow on back of rising orders in Oil & Gas Segment.EBITDA margin is expected to remain stable at 24%, with PAT Margin coming at 22%Updates on new acquisition, plant and volume growth will be key item to watch for.
EBITDA	445	385	348	
PAT	408	353	319	
EBITDA(%)	25.2%	24.0%	22.8%	
NPM (%)	23.1%	22.0%	20.9%	
ACI				
Sales	5,547	5,282	5,018	<ul style="list-style-type: none">ACI is expected to post 28.0% YoY (+119.7% QoQ) revenue growth, driven by volume uptick in industrial salt.EBITDA margin is expected to contract 165 bps YoY (+253 bps QoQ) to 33.6% on account of unfavorable mix.Adj. NPM is expected to contract 72 bps YoY (+1734 bps QoQ) to 23.9%
EBITDA	1,919	1,775	1,636	
PAT	1,380	1,261	1,148	
EBITDA(%)	34.6%	33.6%	32.6%	
NPM (%)	24.9%	23.9%	22.9%	

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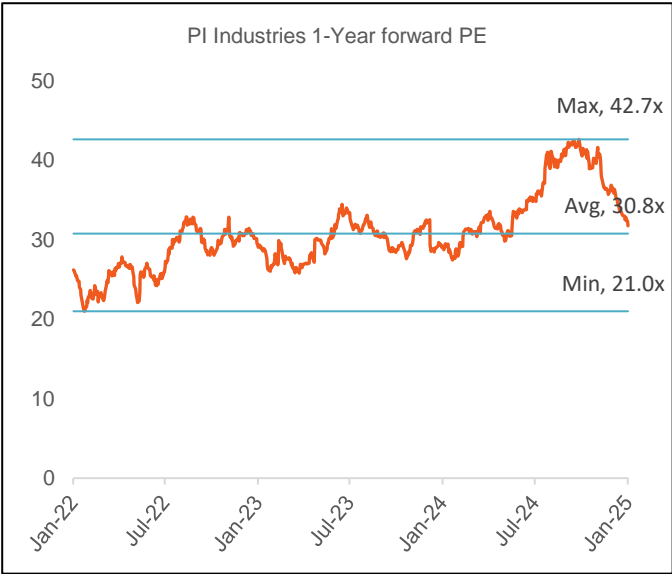
Source: Deven Choksey Research

Specialty Chemical Preview.

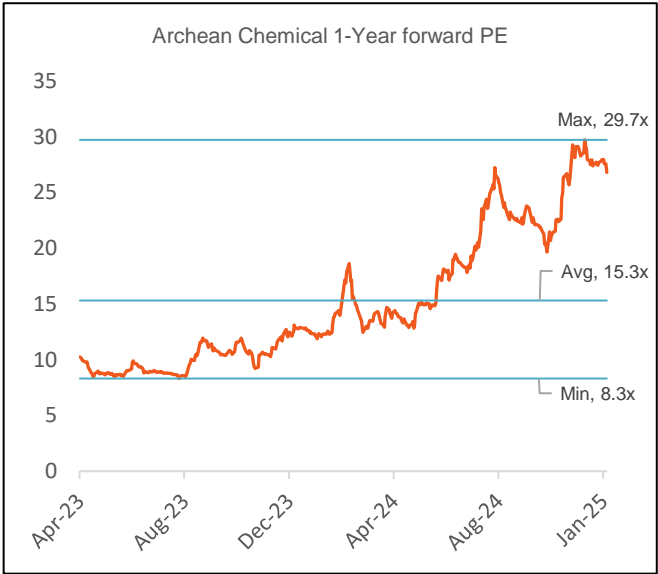


Source: Deven Choksey Research

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Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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