

# Chemicals

## Landing the year amidst the uncertainty

Revenue for our coverage universe is likely to improve by 3.1/4.3% YoY/QoQ. Prices of industrial solvent and basic chemicals remain flattish during the quarter. Agrochemical end-user industry is running on thin inventory. We believe it will be replenished considering global uncertainty. In Q4FY25, we are witnessing demand pick-up for a few pockets like ATBS, IBB, antioxidants and refrigerant gases compared to last year. Sequentially flattish demand in home and personal care business. EBITDA to remain flattish YoY while jumping 11% QoQ, led by mix of sales volumes and realisation. We are maintaining BUY recommendation on Galaxy Surfactants, Neogen Chemicals, Navin Fluorine International and Aether Industry while maintaining ADD rating on Aarti Industries, NOCIL, SRF, and Sudarshan Chemicals. We maintain SELL recommendation on Fine Organics, Clean Science and Technology, and Deepak Nitrite. While we maintain REDUCE on Alkyl Amines. We upgrade Vinati Organics from SELL to REDUCE as the stock price has corrected more than 18% in the last six months while downgrade Ami Organics from BUY to REDUCE as the stock price has jumped more than 41% over the last six months.

- **Vinati Organics:** Revenue could increase 18% YoY while increasing 24.6% QoQ. Revenue growth during the quarter is driven by improved export volume in antioxidants and IBB. EBITDA margin could increase by 77 bps QoQ. Margins will improve due to improved realisation in IBB, Antioxidants and ATBS while raw material prices remain flattish.
- **Navin Fluorine:** Revenue to increase by 8/7% YoY/QoQ to INR6.5bn. Export volumes of Honeywell's HFO molecules was in line with the company's annual guidance while we expect moderate growth in export volume of other ref gases (excluding Honeywell contract). EBITDA margin shall improve by 677/75bps YoY/QoQ to 20.5%.
- **SRF:** Revenue shall increase by 11% YoY. Revenue is expected to improve in refrigerant gas business and specialty chemical business. It is expected to improve due to improved export volume owing to strong seasonal growth. EBITDA margin shall decrease by 89bps YoY while improving 32 bps QoQ to 19%.
- **Galaxy Surfactants:** Revenue to increase by 15% YoY while remaining flattish QoQ. Raw material cost is expected to be on the elevated side. EBITDA margin is expected to grow by 0.5/81.3bps YoY/QoQ to 10.9% due to a change in the sales mix.
- **Clean Science and Technology:** Revenue to improve by 9.9% YoY due to improved sales of MEHQ and BHA while realisation to remain flattish. EBITDA margin could decrease to 40.9% by 200 bps QoQ owing to moderate fall in realisation while raw material prices to remain stagnant.
- **Ami Organics:** Revenue shall grow 3.6% YoY while decreasing 15% QoQ. Advanced pharmaceutical business is expected to grow by 3% YoY while the specialty chemicals business shall grow by 8% YoY. EBITDA margin is expected to improve by 534bps YoY to 24.5%, owing to improved contribution from the high-margin CDMO business.
- **Aarti Industries:** Revenue could be down by 3.9%QoQ while remaining YoY flattish. We expect moderate demand in the energy business compared to previous quarter. EBITDA margin could decrease by 228bps YoY while improving 120bps QoQ.

Company	OLD RECO	NEW RECO	OLD TP (INR)	NEW TP (INR)
Aarti Industries	ADD	ADD	526	514
Aether Industries	BUY	BUY	1,142	1,170
Alkyl Amines	REDUCE	REDUCE	1,673	1,568
Ami Organics	BUY	REDUCE	1,892	2,123
Clean Science and Technology	SELL	SELL	1,075	1,018
Deepak Nitrite	SELL	SELL	1,488	1,438
Fine Organic	SELL	SELL	4,039	3,790
Galaxy Surfactants	BUY	BUY	3,277	3,289
Navin Fluorine	BUY	BUY	4,230	4,513
Neogen Chemicals	BUY	BUY	2,523	2,395
NOCIL	ADD	ADD	240	231
SRF	ADD	ADD	3,014	3,043
Sudarshan Chemical	ADD	ADD	1,192	1,202
Vinati Organics	SELL	REDUCE	1,427	1,574

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- **Aether Industries:** Revenue is expected to remain flattish QoQ while increasing 84% YoY. Last year, the revenue was impacted owing to fire incident at company's site-2. Product ramp-up at site-4 has resulted in revenue growth during the quarter.
- **Alkyl Amines:** Revenue shall increase by 20/15.8 YoY/QoQ. Prices of acetonitrile has improved marginally in the quarter. EBITDA margin would increase by 19/31 bps YoY/QoQ to 19.5% in Q4FY25.
- **Neogen Chemicals:** Revenue is expected to decrease by 10/10.6% YoY/QoQ owing to fire incident at plant site. EBITDA is expected to decrease by 12.5/9.6% YoY/QoQ. We expect EBITDA margin to increase by 496bps to 17.3% in 4Q.
- **Deepak Nitrite:** Revenue shall change by -10.7% YoY while remain flattish QoQ. Isopropyl alcohol (IPA) prices decreased by 7% YoY while remaining flattish sequentially. Phenol and acetone prices decreased moderately during the quarter.
- **Fine Organic:** Revenue shall increase by 5.6% QoQ while YoY it will remain flattish owing to an increase in exports volumes. We expect EBITDA margin to improved sequentially by ~300bps to 22% as company passed on impact of rising raw material prices.
- **NOCIL:** Revenue shall decrease by 10.2% YoY while remaining flattish QoQ. We expect EBITDA margin to decrease 218bps YoY while it will increase by 245 bps QoQ.
- **Sudarshan Chemical:** Revenue could decrease up to 15% YoY and 2.5% QoQ. EBITDA margin is expected to decrease by 385/12 bps YoY/QoQ to 11.7%

## Financial summary: 4QFY25E

COMPANY	NET SALES (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			APAT (INR mn)			Adj. EPS		
	4Q FY25E	QoQ (%)	YoY (%)	4Q FY25E	QoQ (%)	YoY (%)	4Q FY25E	QoQ (bps)	YoY (bps)	4Q FY25E	QoQ (%)	YoY (%)	4Q FY25E	3Q FY25	4Q FY24
Aarti Industries	17,677	(3.9)	(0.3)	2,439	5.1	(14.4)	13.8	118.8	(227.8)	701	49.2	(47.7)	1.9	1.3	3.7
Aether Industries	2,157	(1.8)	83.5	652	0.8	537.7	30.2	76.7	2,152.5	471	4.1	499.1	3.6	3.4	0.6
Alkyl Amines	4,298	15.8	20.5	838	17.7	21.7	19.5	31.1	18.8	532	21.6	38.4	10.4	8.6	7.5
Ami Organics	2,332	(15.2)	3.6	572	(16.7)	32.5	24.5	(44.3)	533.6	389	(14.3)	49.9	9.8	11.4	6.5
Clean Science and Technology	2,500	3.8	9.9	1,022	(1.0)	8.2	40.9	(200.0)	(63.9)	705	0.1	0.3	6.6	6.6	6.6
Deepak Nitrite	18,982	(0.3)	(10.7)	2,283	35.5	(24.2)	12.0	317.2	(213.6)	1,327	35.2	(30.8)	9.7	7.2	14.1
Fine Organic	5,419	5.6	(0.9)	1,194	20.6	(16.8)	22.0	274.1	(420.0)	918	11.0	(20.2)	29.9	27.0	37.5
Galaxy Surfactants	10,690	2.6	15.1	1,170	10.9	15.1	10.9	81.3	0.5	809	25.2	4.4	22.8	18.2	21.9
Navin Fluorine	6,500	7.2	8.0	1,629	10.6	48.0	25.1	75.5	677.3	924	10.5	31.3	18.7	16.9	14.2
Neogen Chemicals	1,800	(10.6)	(9.8)	313	(9.6)	(12.5)	17.4	20.3	(52.6)	88	(11.7)	(47.8)	3.5	4.0	6.8
NOCIL	3,200	0.6	(10.2)	320	33.2	(26.3)	10.0	244.6	(217.4)	193	49.4	(53.1)	1.2	0.8	2.5
SRF	38,766	11.0	8.6	7,382	12.9	3.7	19.0	31.8	(89.3)	3,370	24.4	(20.2)	11.4	9.1	14.2
Sudarshan Chemical	6,500	(2.5)	(14.9)	763	(3.4)	(36.0)	11.7	(11.8)	(384.8)	375	3.3	(35.4)	5.4	5.2	8.4
Vinati Organics	6,502	24.6	18.2	1,561	9.7	3.9	24.0	(328.1)	(328.6)	1,084	15.7	3.7	10.5	9.1	10.2
<b>Aggregate Chemicals</b>	<b>1,27,323</b>	<b>4.3</b>	<b>3.1</b>	<b>22,138</b>	<b>11.0</b>	<b>(0.2)</b>	<b>17.4</b>	<b>105.6</b>	<b>(58.2)</b>	<b>11,885</b>	<b>18.3</b>	<b>(13.5)</b>			

Source: Company, HSIE Research

## Change in estimates

Company	EBITDA OLD		EBITDA NEW		CHANGE %		EPS OLD		EPS NEW		CHANGE %	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Aarti Industries	9,916	12,825	9,779	12,493	(1.4)	(2.6)	7.2	13.3	6.8	12.4	(6.0)	(6.5)
Aether Industries	2,220	3,006	2,270	3,012	2.2	0.2	12.2	16.6	13.6	17.1	11.1	2.9
Alkyl Amines	3,078	3,311	3,077	3,005	(0.1)	(9.2)	39.7	39.8	38.7	35.3	(2.5)	(11.3)
Ami Organics	2,018	2,807	2,043	3,073	1.2	9.5	35.2	48.9	35.6	53.9	1.3	10.3
Deepak Nitrite	10,722	18,721	10,036	18,310	(6.4)	(2.2)	49.7	80.9	46.0	78.7	(7.4)	(2.7)
Fine Organic	5,878	6,802	5,088	6,364	(13.5)	(6.4)	150.6	170.8	132.1	157.8	(12.3)	(7.6)
Galaxy Surfactants	4,897	5,775	4,743	5,670	(3.1)	(1.8)	90.0	108.6	86.5	106.2	(3.9)	(2.2)
Sudarshan Chemical	3,738	10,053	3,513	9,909	(6.0)	(1.4)	23.7	82.5	21.2	80.7	(10.5)	(2.2)
Clean Science And Technology	4,172	5,511	3,924	5,052	(5.9)	(8.3)	28.9	37.1	25.9	33.0	(10.3)	(11.1)
Navin Fluorine International Ltd.	5,158	7,338	5,130	7,124	(0.5)	(2.9)	58.1	93.0	61.2	93.5	5.4	0.5
Neogen Chemicals	1,350	1,515	1,313	1,433	(2.8)	(5.4)	20.8	24.8	16.7	21.6	(19.7)	(13.1)
NOCIL	1,428	2,220	1,329	2,001	(6.9)	(9.8)	6.5	9.0	6.1	8.0	(6.7)	(10.8)
SRF Ltd	26,589	36,914	25,938	36,179	(2.4)	(2.0)	41.0	65.8	38.9	64.0	(5.1)	(2.8)

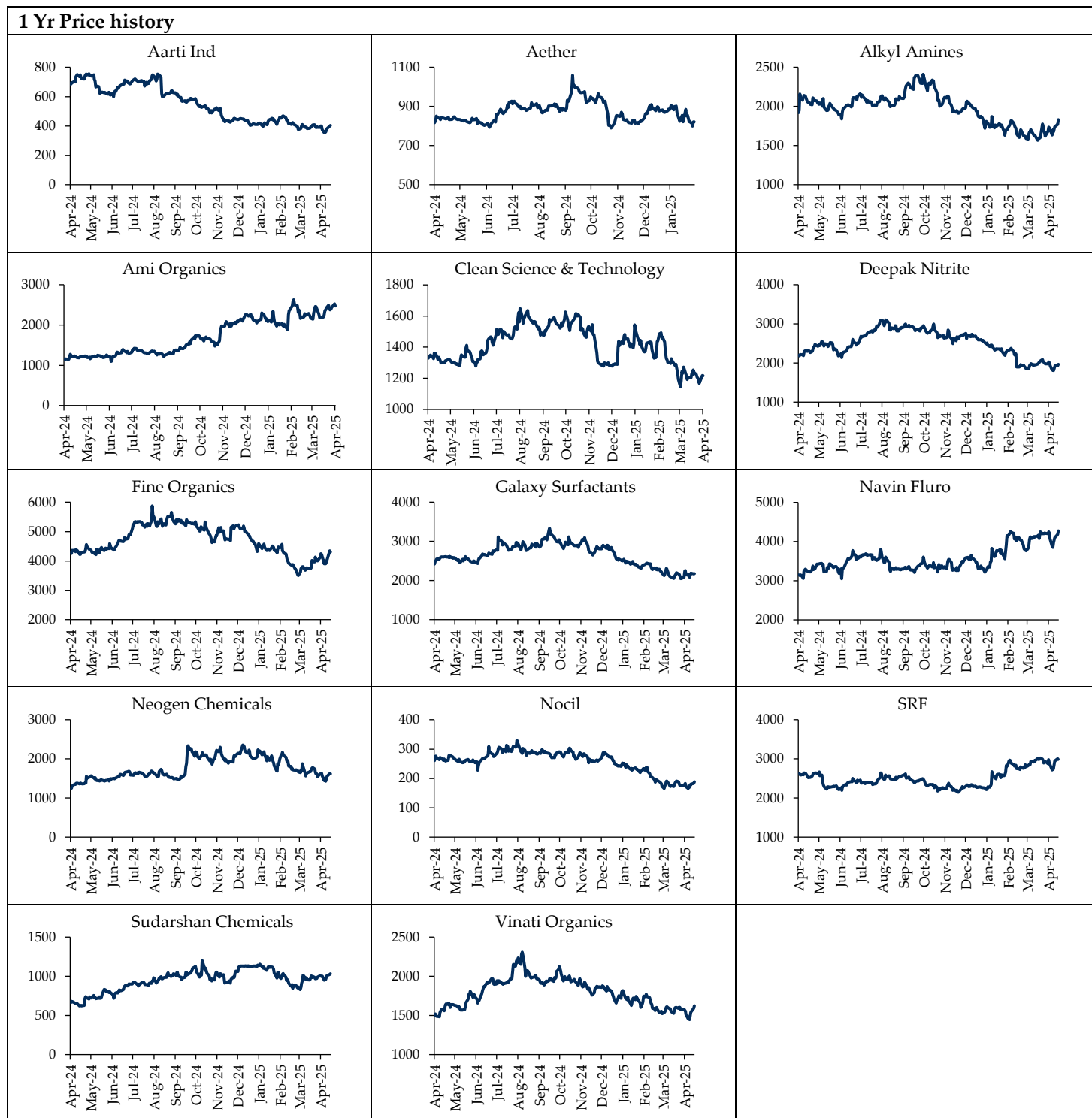
Source: Company, HSIE Research

## Valuation summary

Company	MCap (INR bn)	CMP (INR)	RECO	TP (INR)	Adj EPS (INR/sh)				P/E (x)				P/BV (x)				ROE (%)			
					FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Aarti Industries	146.45	404	ADD	514	11.5	6.8	12.4	19.6	35.2	59.8	32.5	20.7	2.8	2.7	2.5	2.3	8.2	4.5	7.9	11.5
Aether Industries	110.92	837	BUY	1,170	7.0	13.6	17.1	21.8	119.0	61.7	49.0	38.4	5.4	3.3	3.1	2.9	5.6	6.7	6.6	7.8
Alkyl Amines	93.59	1,831	REDUCE	1,568	29.1	38.7	35.3	48.5	62.9	47.3	51.8	37.8	7.4	6.6	6.0	5.3	12.2	14.7	12.1	14.9
Ami Organics	92.14	2,323	REDUCE	2,123	18.0	35.6	53.9	63.2	128.9	65.2	43.1	36.7	105.3	55.1	37.0	31.7	11.3	15.1	16.6	16.9
Clean Science and Technology	125.79	1,184	SELL	1,018	23.0	25.9	33.0	38.1	51.5	45.7	35.9	31.1	10.5	8.9	7.4	6.3	22.1	21.0	22.5	21.9
Deepak Nitrite	268.69	1,970	SELL	1,438	55.3	46.0	78.7	95.7	35.6	42.8	25.0	20.6	5.6	5.0	4.3	3.6	17.0	11.7	18.4	19.0
Fine Organic	132.11	4,309	SELL	3,790	134.5	132.1	157.8	177.8	32.0	32.6	27.3	24.2	6.9	5.7	4.3	3.4	23.8	19.2	18.1	15.7
Galaxy Surfactants	77.42	2,184	BUY	3,289	84.8	86.5	106.2	130.0	25.7	25.3	20.6	16.8	3.6	3.2	2.9	2.6	14.8	13.4	14.8	16.1
Navin Fluorine	211.52	4,271	BUY	4,513	54.6	61.2	93.5	134.1	78.2	69.8	45.7	31.8	8.9	8.1	7.2	6.1	11.8	12.1	16.6	20.7
Neogen Chemicals	40.40	1,620	BUY	2,395	14.3	16.7	21.6	40.5	113.6	97.0	75.1	40.0	5.3	5.1	4.8	4.3	5.7	5.3	6.6	11.4
NOCIL	31.49	189	ADD	231	7.9	6.1	8.0	9.3	24.0	31.0	23.6	20.2	1.9	1.8	1.7	1.6	8.1	5.9	7.5	8.3
SRF	886.89	2,992	ADD	3,043	45.1	38.9	64.0	95.3	66.4	77.0	46.8	31.4	7.7	7.1	6.3	5.4	12.3	9.6	14.3	18.5
Sudarshan Chemical	71.51	1,033	ADD	1,202	39.2	21.2	80.7	80.2	26.3	48.7	12.8	12.9	17.3	24.6	9.5	8.9	10.7	5.5	5.8	5.4
Vinati Organics	167.02	1,625	REDUCE	1,574	35.2	37.5	49.3	58.9	46.1	43.3	33.0	27.6	6.8	6.0	5.2	4.4	15.5	14.7	16.8	17.3

Note: CMP is as on 16th April 2025

Source: Company, HSIE Research

**Rating Criteria**

BUY: >+15% return potential  
 ADD: +5% to +15% return potential  
 REDUCE: -10% to +5% return potential  
 SELL: > 10% Downside return potential

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