AXIS DIRECT

Result Update
19th November, 2025

Archean Chemical Industries Ltd
Specialty Chemicals

HOLD
Target Price
600

Adverse Weather Delays Recovery; Maintain HOLD

Est. Vs. Actual for Q2FY26: Revenue – MISS; EBITDA – MISS; PAT – MISS

Changes in Estimates Post Q2FY26

FY26E/FY27E: Revenue: -18%/-19%; **EBITDA:** -31%/-31%; **PAT:** -37%/-36%

Recommendation Rationale

- **Adverse Weather and Macro Headwinds Impacting Recovery:** The company continued to face challenges driven by persistent macroeconomic pressures, supply chain disruptions and geopolitical uncertainties. While the demand and pricing remained robust for Bromine, technical difficulties led to lower volumes. Similarly, industrial salt volumes were impacted by the extended monsoon, which impacted recovery and transportation.
- **Contributions from Other Businesses Awaited**: Archean has completed pilot trials in the Sulphate of Potash (SoP). However, it contributed a meagre Rs 14 Lc to the revenue during Q2. On the bromine derivatives front, the utilisation remained low at around 30-35% levels as the company awaits more customer approvals. Similarly, in the case of Oren Hydrocarbons (renamed as Idealis Chemicals), the regulatory approvals are taking longer than expected, leading to deferral of revenue contributions. It now expects meaningful revenue ramp-up from these businesses in FY27.
- **Strategic Initiatives to Drive Long-term Growth:** The company is expected to see robust revenue growth starting from FY27 as capacity utilisation and pricing improve. Additionally, it has made strategic investments in the semiconductor and battery-storage space, which are expected to support long-term growth with superior margins.

Sector Outlook: Neutral

Company Outlook & Guidance: The company is expected to continue witnessing industry-level headwinds in the near term. 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. It also expects hurdles related to Idealis Chemicals and SoP business to get sorted over the next two quarters, with meaningful contributions in FY27. The semiconductor plant in Orissa is expected to take around 30 months for completion.

Current Valuation: 13x Sep'27E (Earlier Valuation: 10x FY27E)

Current TP: Rs 600/share (Earlier TP: Rs 615/share)

Recommendation: We **maintain our HOLD rating** on the stock.

Financial Performance: Consolidated revenue stood at Rs 233 Cr, a decline of 3% YoY and 20% QoQ, missing our estimate by 34%. 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. The company's PAT was Rs 29 Cr, an increase of 85% YoY but down 28% QoQ. The strong YoY growth reflects a low base, as last year's PAT was impacted by one-time expenses.

Key Financials (Consolidated)

(Rs Cr)	Q2FY26	YoY %	QoQ%	Axis Est.	Var %
Net Sales	233	-3%	-20%	351	-34%
EBITDA	63	-16%	-20%	100	-38%
EBITDA Margin	26.85%	-423bps	13bps	28.60%	-175bps
Net Profit	29	85%	-28%	58	-50%
EPS (Rs)	2.4	85%	-28%	4.7	-50%

Source: Company, Axis Securities Research

(CMP as of 18th November, 2025)

CMP (Rs)	592
Upside /Downside (%)	1%
High/Low (Rs)	730/408
Market cap (Cr)	7,307
Avg. daily vol. (1M) Shrs.	1,28,642
No. of shares (Cr)	12.3

Shareholding (%)

	Mar-25	Jun-25	Sep-25
Promoter	53.4	53.4	53.4
FIIs	10.9	11.1	11.2
DIIs	23.2	24.7	25.5
Retail	12.4	10.8	9.9

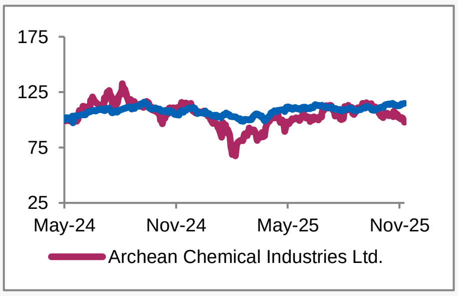
Financial & Valuations

Y/E Mar	FY25	FY26E	FY27E
Net Sales	1,041	1,391	2,162
EBITDA	314	402	719
Net Profit	162	247	482
EPS (Rs)	13.2	20.1	39.2
PER (x)	44.9	29.5	15.1
EV/EBITDA (x)	23.5	18.3	10.2
RoA (%)	7%	10%	17%
ROE (%)	9%	12%	21%

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	-18%	-19%
EBITDA	-31%	-31%
PAT	-37%	-36%

Relative Performance



Source: Ace Equity, Axis Securities Research

Results Gallery

Q1FY26
Q4FY25
Q3FY25
Q2FY25

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Outlook

The company continues to witness robust demand for its core products, with pricing trends expected to be supportive going forward. While we anticipate a stronger H2FY26 performance, we remain confident in a more pronounced rebound in FY27. We also expect the company to see improved profitability supported by operating leverage and improved pricing. Archean is also likely to benefit from sectoral tailwinds and government support, given its timely investments in the semiconductor and energy storage business.

Valuation & Recommendation

While we expect the company's recovery to be delayed due to continued near-term headwinds, we expect it to gain momentum in FY27, followed by a strong FY28. Accordingly, we have lowered our FY26E/FY27E estimates and rolled-forward estimates to FY28. We now value the stock at 13x Sep'27E and maintain our **HOLD** rating on the stock **with a revised target price of Rs 600/share, implying 1% upside from the CMP.**

Key Concall Highlights

- **Financial Performance:** In H1FY26, the company posted revenue of Rs 525 Cr, with exports contributing 79% of operating income. Bromine and Industrial Salts delivered steady performance, although seasonality continued to influence demand patterns. During Q1, the bromine segment contributed Rs 72 Cr or 33% of overall revenue as volumes were impacted by technical difficulties in the plant operations. Industrial salt contributed Rs 148 Cr of revenue, while the SOP segment, still in the trial phase, contributed Rs 14 Lc.
- **Acume Chemicals:** Bromine derivatives are now supporting overall revenue growth, with both PTA Synthesis and CBF facilities fully operational.
- **Bromine:** Bromine demand was robust and pricing was healthy; however, the production volumes were below target due to lower efficiencies in the plant. The management stated that the company has started taking corrective measures and is implementing the action plan to improve performance. The demand and pricing trends are expected to be stronger going ahead.
- **Industrial Salt**: Industrial salt sales volume for the quarter was 0.9 Mn metric tons, below the quarterly guidance of 1 Mn. The management mentioned that this shortfall is temporary and was mainly due to the prolonged monsoon season, which impacted the overall production and transportation. The management also mentioned confidence in reaching volumes close to the earlier guidance of 4.5 Mn tons in FY26, supported by demand visibility and long-term contracts in place with customers.
- **SOP:** Pilot trials have been completed, and the company is working with partners to scale up the production levels. Meaningful revenue contributions are expected in FY27, and the company continues to see the segment as a key growth driver over the medium term.
- **Oren Hydrocarbons:** The company has renamed the acquired entity as Idealis Chemicals. Of the 5 acquired units, it has completed trials in 3 units, and refurbishment is underway in the other 2 units. However, the management mentioned that the regulatory approvals are taking longer than expected and remains uncertain about the expected contributions in FY26.
- **Strategic Investments:** The company has made investments in Clas-Sic Wafer Fab Limited, which provides exclusive access to advanced SiC technology in India, strengthening its competitive position as part of the group's semiconductor roadmap through SiCSem Private Limited. SiCSem received approval from the India Semiconductor Mission (ISM) to establish a Silicon Carbide–based compound semiconductor fabrication facility at Info Valley, Bhubaneshwar. The plant will house end-to-end power device manufacturing, including wafer fabrication. Archean is also investing in Offgrid Energy Labs with the broader strategy of leveraging bromine derivatives to build a presence in the energy-storage ecosystem, particularly for renewable, industrial and grid-stability applications.
- **Other Updates:** The Income Tax Department conducted a search and seizure operation from 4th to 9th September 2025, at various locations of the company and its subsidiaries. The management mentioned that it has extended full cooperation to the authorities and will continue to do so.

Sales Volumes

Sales Volumes (in MT)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Bromine	4,700	4,800	4,600	3,600	4,054	3,160
Industrial salt	6,60,000	7,92,000	7,58,000	13,00,000	11,00,000	8,89,193
Sulphate of Potash (SOP)	66	27	82	26	52	26

Source: Company, Axis Securities Research

Key Risks to Our Estimates and TP

- The emergence of non-halogenated flame retardants may pose a threat to the growth of the Bromine market in the future.
- Any delay in capacity in the expansion of Bromine Derivatives or existing projects may affect ROCE negatively.
- The global slowdown and logistical challenges may affect volumes and value growth.

Change in Estimates

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	1,391	2,162	1,705	2,669	-18%	-19%
EBITDA	402	719	584	1,036	-31%	-31%
PAT	247	482	392	755	-37%	-36%

Source: Company, Axis Securities Research

Q2FY26 Result Review

Particulars	Q2FY25	Q1FY26	Axis Sec Estm (Rs Cr)	Q2FY26	% Change (YoY)	% Change (QoQ)	Variance (%)
Revenue	240	292	351	233	-3%	-20%	-34%
Net Raw Material consumed	14	26	23	0	-99%	-99%	
Gross Profit	227	267	328	233	3%	-13%	
Gross Margin %	94.3%	91.2%	93.5%	99.9%	564bps	877bps	644bps
Employee	13	19	21	17	31%	-10%	
Other Expenses	139	170	207	154	10%	-10%	
Total Expenditure	166	214	251	171	3%	-20%	
EBITDA	75	78	100	63	-16%	-20%	-38%
EBITDA Margin	31.1%	26.7%	28.6%	26.8%	-423bps	13bps	-175bps
Less: Depreciation	19	23	23	24	21%	3%	
EBIT	55	55	78	39	-29%	-29%	
Less: Net Interest	3	5	5	6	72%	3%	
Add: Other income	11	8	10	6	-42%	-22%	
Profit Before Extraordinary Items and Tax	63	58	83	40	-37%	-31%	
Less: Extraordinary Expense (net)	40	-	-	-			
Profit Before Tax	23	58	83	40	75%	-31%	
Less: Total Tax	7	18	25	11	54%	-39%	
Profit After Tax	16	40	58	29	85%	-28%	-50%
Reported EPS (Rs)	1.28	3.26	4.72	2.36	85%	-28%	-50%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	**1,330**	**1,041**	**1,391**	**2,162**	**2,682**
COGS	88	-8	47	43	53
Staff costs	72	61	80	109	134
Operating Exp.	707	674	862	1,291	1,550
Total Expenditure	867	727	989	1,443	1,737
EBITDA	**462.7**	**314.2**	**401.9**	**719.0**	**945.2**
EBITDA Margin %	**34.8%**	**30.2%**	**28.9%**	**33.3%**	**35.2%**
Depreciation	70	79	90	101	119
EBIT	436	272	346	672	893
Interest	8	8	21	26	26
Other Income	43	37	35	54	67
PBT	427	224	325	646	868
Tax	108	62	78	164	214
Tax Rate %	*25.3%*	*27.5%*	*24.0%*	*25.4%*	*24.7%*
PAT	**319**	**162**	**247**	**482**	**653**
EPS	**25.9**	**13.2**	**20.1**	**39.2**	**53.1**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	25	25	25	25	25
Reserves & Surplus	1,677	1,839	2,068	2,513	3,117
Net Worth	**1,702**	**1,864**	**2,092**	**2,538**	**3,141**
Financial Non-Current Liability	91	194	194	194	194
Other Non-current Liability	-	0	0	0	0
Deferred Tax Liability	124	123	123	123	123
Total Non-Current Liability	**219**	**332**	**332**	**332**	**332**
Current Financial Liability	131	188	221	277	323
Other Current Liability	3	3	3	3	3
Provisions	-	5	5	5	5
Total Current Liability	**135**	**197**	**226**	**282**	**327**
Total Equity & Liability	**2,056**	**2,393**	**2,650**	**3,152**	**3,801**
Application Of Funds					
PPE	1,118	1,285	1,445	1,694	1,926
Capital Work in Progress	46	65	65	65	65
Right Use of Assets	42	93	93	93	93
Intangible Assets	2	5	5	5	5
Non-Current Financial Assets	**16**	**179**	**179**	**179**	**179**
Other Non-Current Assets	100	71	71	71	71
Total Non-Current Assets	**1,330**	**1,702**	**1,862**	**2,111**	**2,342**
Inventories	127	168	198	296	367
Current-Financial Assets	552	420	487	642	988
Other Current Assets	32	82	82	82	82
Total Current Assets	**726**	**691**	**788**	**1,041**	**1,459**
Total Assets	**2,056**	**2,393**	**2,650**	**3,152**	**3,801**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
PBT	427	224	325	646	868
Depreciation & Amortization	70	79	90	101	119
Finance Cost	8	8	21	26	26
Chg in Working cap	6	-58	-47	-128	-97
Direct tax paid	-109	-55	-78	-164	-214
Cash flow from operations	**379**	**176**	**311**	**481**	**701**
Chg in Gross Block	-131	-264	-250	-350	-350
Chg in Investments	-117	171	-	-	-
Other Investments	14	-149	-	-	-
Cash flow from investing	**-307**	**-246**	**-250**	**-350**	**-350**
Fresh Issue Proceeds	0	0	-	-	-
Proceeds / (Repayment) of ST Borrowings (Net)	-55	-0	-	-	-
Finance Cost paid	-3	-2	-21	-26	-26
Dividends paid	-55	-12	-19	-37	-50
Cash flow from financing	**-33**	**65**	**-40**	**-62**	**-75**
Chg in cash	**40**	**-5**	**22**	**68**	**275**
Cash and cash equivalents at the beginning of the year	6	46	41	62	130
Cash and Cash equivalents at the end of the year	**45**	**41**	**62**	**130**	**406**

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Efficiency Ratios					
Asset Turnover (x)	0.70	0.47	0.55	0.75	0.77
Inventory Turnover(x)	0.59	-0.05	0.26	0.18	0.16
Sales/Total Assets	0.65	0.43	0.52	0.69	0.71
Receivable days	38	56	49	43	45
Inventory Days	40	52	48	42	45
Payable days	27	36	31	27	29
Financial Stability Ratios					
Total Debt/Equity(x)	0.0	0.1	0.1	0.1	0.0
Total Asset/Equity(x)	1.2	1.3	1.3	1.2	1.2
Current Ratio(x)	5.4	3.5	3.5	3.7	4.5
Quick Ratio(x)	4.4	2.7	2.6	2.6	3.3
Operational & Financial Ratios					
Earnings Per Share (Rs)	26	13	20	39	53
Book Value (Rs)	138	151	170	206	255
Tax Rate (%)	25.3%	27.5%	24.0%	25.4%	24.7%
Performance Ratios					
ROA (%)	16.7%	7.3%	9.8%	16.6%	18.8%
ROCE (%)	24.9%	13.2%	15.0%	25.4%	28.2%
ROE (%)	20.4%	9.1%	12.5%	20.8%	23.0%

Source: Company, Axis Securities Research

Archean Chemical Industries Ltd Price Chart and Recommendation History

Date	Reco	TP	Research
07-Feb-24	BUY	885	Result Update
21-May-24	BUY	865	Result Update
06-Aug-24	BUY	829	Result Update
13-Nov-24	HOLD	730	Result Update
13-Feb-25	BUY	520	Result Update
8-May-25	HOLD	560	Result Update
1-Aug-25	HOLD	615	Result Update
19-Nov-25	HOLD	600	Result Update

Source: Axis Securities Research

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