

Q3FY25 CHEMICALS AND MIDCAPS: STRONGER VOLUMES; PRICING PRESSURE PERSISTS

Chemicals

Chemicals & Agrochemicals: Recent exports trends and pricing data indicates that most specialty chemical companies may continue to experience pricing pressures while there may be some signs of recovery in certain pockets. We expect most of the companies to post volume lead revenue growth, while the margin expansion is expected to be limited due to competitive pricing. Furthermore, with the logistical challenges persisting during the quarter, the export volumes and freight costs remained impacted. Overall, while the pricing seems to be have bottomed out for a broader set of specialty chemicals, a clear uptrend is yet to be seen. In the agrochemical end-user industry, global demand outlook remains uncertain with limited growth opportunities as major innovators are being watchful about new investments. In the CSM/CDMO space, companies with strong brands and consistent performance continue to gain traction.

Agrochemical companies catering to the domestic market are optimistic about channel sentiments, buoyed by good rainfall this year. However, the sales of certain products especially insecticides, may have been impacted owing to inconsistent rainfall in some states. We expect lower sales returns compared to previous quarter, however expect that most companies will continue to forecast a delayed demand recovery.

Overall, for Q3FY25, we anticipate marginal improvement in performance for the Chemical and Agrochemicals universe under our coverage.

Diversified Midcaps: For the midcap stocks under coverage which primarily focus on manufacturing sectors, we expect a strong revenue growth and improved profitability led by strong demand in key end-markets. For VA Tech Wabag Ltd., while we expect single-digit revenue growth due to recent loss of a major order. However, the overall outlook remains positive. A decline in lead prices is expected to result in subdued revenue growth for Gravita India Ltd. However, the company is expected to post strong EBITDA growth (post other income) as the hedging contacts are likely to offset the price decline. Collectively, higher capital expenditure in key sectors such as railways, defence, water, and renewable energy are expected to continue driving revenue and profitability growth for the midcap companies within our coverage.

Aarti Industries Ltd: The Company lowered its full-year EBITDA guidance at the time of Q2FY25 results, citing lack of demand clarity and declining exports. However, for Q3FY25, we expect revenue to increase led by volume growth and improving export

trends for MMA. The EBITDA is expected to decrease as pricing pressures persist, with margins likely to be lower compared to previous year.

Apcotex Industries Ltd: We expect the top-line growth to be driven by an increase in volumes, however, it could be partially impacted by lower realizations. Realizations are expected to continue to remain impacted on a YoY basis by market oversupply, particularly in the nitrile latex/glove segment and elevated shipping rate. Additionally, we expect EBITDA to grow in line with revenue, with margins remaining flat QoQ.

Archean Chemical Industries Ltd (ACIL): For ACIL, the previous quarter was impacted by logistical challenges at ports and adverse weather conditions. While some of these challenges persist, top-line is expected to grow on a sequential basis, driven by a volume uptick due to higher demand. In particular, the salt volumes are expected to see a robust growth, while the contribution from Oren Hydrocarbons is expected to be limited during the quarter. Margins are anticipated to remain stable on a sequential basis.

Camlin Fine Science Limited: We anticipate top-line to grow on YoY basis due to (i) the recently acquired Vitafor business, (ii) continued growth momentum in blends and aroma business and (iii) ramp up of vanillin. The company is also looking to expand its offerings in downstream Catechol. The performance chemical business is expected to remain muted.

NOCIL Ltd: We expect the top line to grow marginally on a QoQ basis, supported by increased replacement demand in infrastructure and commercial vehicles. However, EBITDA is expected to degrow (YoY) due to logistical challenges, rising raw material costs and elevated operating expenses. Profitability is expected to remain under pressure, with EBITDA margins similar to previous quarter.

Navin Fluorine International Ltd: While sectoral headwinds continue, we anticipate revenue growth to be driven by strong export momentum, an anticipated growth in the CDMO segment, stabilization of HFO plant and positive trend in refrigerant prices. The EBITDA is expected to increase mainly due to operational efficiencies.

PI Industries Ltd (PI): PI continues to focus on expanding into new products within the non-AgChem sector and enhancing capabilities in non-core businesses. The company had reduced its revenue guidance during the last quarter and we expect a revenue

decline primarily owing to the softness in the AgChem exports. Accordingly, we also expect EBITDA to decline on a sequential basis.

Dhanuka Agritech Ltd: We expect top line to grow YoY as good reservoir position and a favorable groundwater situation at the start of the quarter are expected to lead to improved Rabi acreages. The launches of new molecules during the quarter remain a key monitorable for the company. The company is also expected to see an improvement in margins compared to previous year due to a better product mix and operational leverage benefits.

Diversified Mid-Cap Opportunities

Praj Industries: Praj Industries continues to expand its distribution channels for various service portfolios, including yeast, enzymes, and yield-enhancing services. We expect the company to post a strong performance in the engineering segment and recovery in the bio-energy market in Q3FY25. Margins are expected to improve due to a higher contribution from high-margin products and an increased share of exports.

Mold-Tek Packaging: Mold-Tek Packaging is expected to report revenue growth in Q3FY25, driven by increased volumes in the Paint and Pharma segments and the expansion of new capacities. Additionally, this growth is anticipated to be supported by client additions in the Food and FMCG segments, a robust new product development pipeline, and customer additions in new segments. EBITDA is expected to grow due to increased demand for value-added products and a rising contribution from the high-margin pharma segment.

Welspun Living: While demand from the export business and emerging business is expected to be strong during the quarter, logistical challenges continue to impact the business. We expect marginal improvement in EBITDA margins as the high margin emerging business continues to grow and capacity utilization increases.

Pitti Engineering Ltd.: PEL completed the merger with Pitti Castings during the last quarter, after completing two other acquisitions earlier. With the newer business contributing fully to the financials and robust demand in key end markets, PEL is expected to post a robust revenue growth. Higher contribution of value-added assemblies and merger synergy benefits playing out are expected to contribute to improved margins. The integration of newly acquired businesses, capacity expansion, and demand in export markets will be key factors to monitor.

Kirloskar Brothers Ltd. (KBL): Sustained demand in key markets and a strong order book is expected to translate into a strong YoY revenue growth for KBL. We expect EBITDA to grow at a higher pace with improvement in margins. This is likely to be driven by the company's focus on improving product mix and strategically reducing exposure in the EPC business. KBL is also expected to benefit from recent technological investments.

Va Tech Wabag Ltd.: The company had an order book of ~Rs 14,600 Cr as of Q2FY25. It anticipates an order inflow exceeding Rs 3,500 Cr in the current quarter. The top line is expected to grow sequentially as the project deliveries accelerate, albeit at a slower rate due to cancellation of a major order. EBITDA margins are expected to improve with higher execution rate and improving product mix.

Gravita India Ltd.: The company is expected to post subdued revenue growth due to a decline in realizations per kg as the lead price remained subdued during the quarter. However, the EBITDA (including other income) is expected to improve QoQ due to higher volumes and the lead price declines being offset by hedging gains. We expect the margins to improve YoY.

Key Monitorable in Q3FY25

We continue to closely monitor management commentaries regarding demand and capacities in the upcoming quarters, particularly given the uncertainties surrounding global growth prospects and geopolitical tensions in the Middle East. The companies in our coverage largely depend on Capex from other industries, and their ability to maintain growth trajectories is primarily reliant on innovation and product differentiation. Accordingly, we will continue to observe Capex plans, new product launches, updates on existing project ramp-ups, and market trends in both global and domestic consumption.

Our Top Picks: *Pitti Engineering Ltd; Gravita India Ltd; VA Tech Wabag Ltd; Dhanuka Agritech Ltd*

Specialty Chemicals

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
Aarti Industries Ltd.						
Revenues	1,755	1,628	8%	1,732	1%	→ We Expect Revenue to increase led by volume growth and recovery in MMA exports.
EBITDA	237	196	21%	260	-9%	→ The EBITDA is expected to be muted to continued pricing pressure
EBITDA margin (%)	13.5%	12.0%		15.0%		→ The margin is expected to be impacted YoY due to operational deleverage and lower pricing
PAT	76	52	45%	124	-39%	→ The PAT performance is expected to be affected due to overall weak performance YoY
EPS (Rs)	2.1	1.4	45%	3.4	-39%	→ Key Monitorables: Increasing capacity utilisation levels, Updates on capex; long term contracts; demand scenario
Apcotex Industries Ltd.						
Revenues	367	351	4.5%	257	42.7%	→ We expect Topline to grow driven by volumes.
EBITDA	29	27	5.4%	25	13.8%	→ EBITDA is also expected to improve
EBITDA margin (%)	7.9%	7.8%		9.9%		→ EBITDA margins continue to be impacted by market oversupply, particularly in the nitrile latex/glove segment and elevated shipping rate.
PAT	13	11	18.4%	11	16.4%	→ The PAT is expected to be in line with the overall performance
EPS (Rs)	2.5	2.1	18.4%	2.1	16.4%	→ Key Monitorables: Update on ramp up of new project; demand trends across key end-user industries

Specialty Chemicals (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
Archean Chemical Industries Ltd.						
Revenues	285	240	18.7%	413	-30.8%	→ We expect top line to grow on account of volume uptick compared to last quarter which was impacted due logistical challenges at the ports and adverse weather conditions.
EBITDA	88	75	18.4%	145	-39.2%	→ The EBITDA is expected to improve QoQ with the overall topline
EBITDA margin (%)	31.0%	31.1%		35.2%		→ We expect the margins to remain similar on sequential basis.
PAT	53	16	237.5%	102	-47.7%	→ PAT would show strong sequential growth as Q2 was impacted by the Asna cyclone, resulting in a loss of approximately Rs 40 Cr
EPS (Rs)	4.3	1.3	237.5%	8.3	-47.7%	→ We expect the company to post an EPS of 4.32 per share

Specialty Chemicals (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
Camlin Fine Sciences Ltd.						
Revenues	398	423	-5.9%	386	3.1%	→ Top line to grow YoY due to the recently acquired Vitafor business, continued growth momentum in blends and aroma business and ramp up of vanillin plant.
EBITDA	41	43	-5.2%	23	75.8%	→ EBITDA is expected to improve YoY with margin improvement
EBITDA margin (%)	10.3%	10.2%		6.0%		→ The EBITDA margin is expected to see an increase due to positive operating performance and a favourable product mix
PAT	(0)	(116)	99.6%	(14)	97.1%	→ The loss is expected to reduce as there was one off expenses in the previous quarter.
EPS (Rs)	(0.0)	(7.4)	99.7%	(0.8)	97.1%	→ Key Monitorable: Update on Vanillin plant performance, Impact on Italian subsidiary & demand trends across key end-user industries
Navin Fluorine International Ltd.						
Revenues	594	519	14.5%	500	18.7%	→ We anticipate growth in the top line, supported by strong export momentum and the anticipated contribution in the CDMO segment, stabilization of HFO plant and positive trend in refrigerant prices.
EBITDA	122	107	13.4%	74	64.6%	→ EBITDA is expected to increase mainly due to operational efficiencies leading to improvement in margin on YoY basis
EBITDA margin (%)	20.5%	20.7%		14.8%		→ We expect the company to post a EPS of 14.4 per share
PAT	71	59	21.4%	76	-6.5%	→ Key Monitorables: New products in the pipeline, update on R32 ramp-up, CRAMS CGMP 4 & Specialty Chemicals segment
EPS (Rs)	14.4	11.9	21.4%	15.4	-6.5%	

Specialty Chemicals (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
NOCIL Ltd.						
Revenues	369	363	1.8%	341	8.4%	➔ Expect topline to grow YoY due to volume recovery during the quarter and pick up in replacement demand
EBITDA	38	38	0.6%	49	-22.1%	➔ However, EBITDA is expected to be subdued due to logistical challenges, rising raw material costs and elevated operating expenses.
EBITDA margin (%)	10.3%	10.4%		14.3%		➔ The EBITDA Margin is expected to remain at a similar level sequentially
PAT	25	42	-40.7%	30	-16.7%	➔ The PAT is expected to decline with the overall performance
EPS (Rs)	1.5	2.5	-40.7%	1.8	-16.7%	➔ Key Monitorables: Effect of global slowdown on rubber prices; Chinese import pressure & competition scenario & share of value-added products

Agri Chemical

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
PI Industries Ltd.						
Revenues	1,992	2,221	-10.3%	1,898	5.0%	→ Revenue is expected to de-grow due to some softness in the AgChem export segment due to continued global industry challenges
EBITDA	558	628	-11.2%	554	0.8%	→ Similarly, EBITDA is expected to degrow
EBITDA margin (%)	28.0%	28.3%		29.2%		→ EBITDA margins are expected to remain similar on a sequential basis
PAT	419	508	-17.5%	449	-6.5%	→ PAT to be in-line with overall performance
EPS	27.6	33.4	-17.5%	29.5	-6.5%	→ We expect an EPS of 27.6
Dhanuka Agritech Ltd.						
Revenues	458	654	-30.0%	403	13.5%	→ Higher Rabi acreages and positive pricing trend for products expected to drive revenue growth
EBITDA	86	160	-46.1%	62	38.4%	→ EBITDA is also expected to witness a significant growth on YoY basis as operational leverage kicks in
EBITDA margin (%)	18.8%	24.4%		15.4%		→ We expect the margins to improve over same quarter last year owing to a favorable product mix.
PAT	60	118	-49.3%	45	31.4%	→ The PAT is expected to be in line with the overall performance with company reporting EPS of 13.1 per share
EPS	13.1	25.8	-49.3%	10.0	31.4%	

Mid-Caps

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
Mold-Tek Packaging Ltd.						<div>➔ Top line is expected to grow due to boost in FF, Paint & Pharma volumes along with new capacities.</div> <div>➔ The EBITDA to grow on the back of an increase demand in value-added products and growing contribution from high margin pharma segment.</div> <div>➔ We expect EBITDA margins to improve due to operational leverage</div> <div>➔ PAT is expected to increase in line with the overall operational performance.</div> <div>➔ Key Monitorable: Demand off-take from key end user industries; RM price inflation; New Product foray/Capex Update</div>
Revenues	197	191	3.0%	165	19.1%	
EBITDA	36	34	8.6%	30	20.3%	
EBITDA margin (%)	18.5%	17.5%		18.3%		
PAT	17	14	23.6%	14	22.9%	
EPS	5.3	4.3	23.6%	4.3	22.9%	
Praj Industries Ltd.						<div>➔ We expect top line to grow on account of improvement in order execution in bioenergy & engineering segment in the current quarter.</div> <div>➔ EBITDA is expected to grow on YoY & QoQ basis</div> <div>➔ We expect margins to improve as operational leverage clicks in and scope for improvement based on the export order.</div> <div>➔ The PAT would go in-line with overall growth</div> <div>➔ We expect the company to post an EPS of 3.90 per share</div>
Revenues	897	816	9.9%	829	8.2%	
EBITDA	104	94	10.7%	96	8.0%	
EBITDA margin (%)	11.6%	11.5%		11.6%		
PAT	72	54	33.0%	70	1.6%	
EPS	3.9	2.9	33.0%	3.8	1.6%	

Mid-Caps (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
Kirloskar Brothers Ltd.						<ul style="list-style-type: none"> ➔ Sustained demand in key markets and a strong order book are expected to translate into a strong YoY revenue growth.
Revenues	1,116	1,036	7.7%	965	15.6%	<ul style="list-style-type: none"> ➔ We expect EBITDA to grow at a higher pace.
EBITDA	161	142	13.0%	124	29.9%	<ul style="list-style-type: none"> ➔ The EBITDA margins are expected to improve compared to the previous year as the company has been focusing on improving product mix, strategically reducing the share of low margin EPC business.
EBITDA margin (%)	14.4%	13.7%		12.8%		<ul style="list-style-type: none"> ➔ Similarly, we expect significant growth in net profit on YoY basis.
PAT	115	96	19.8%	83	37.8%	<ul style="list-style-type: none"> ➔ Key Monitorables: Updates on technological upgrades, contribution from value-added products, performance of overseas subsidiaries and raw material price.
EPS	14.4	12.0	19.8%	10.5	37.8%	
Pitti Engineering Ltd.						<ul style="list-style-type: none"> ➔ The Topline is expected to grow sequentially due to organic growth coupled with increasing contribution from acquired/merged entities.
Revenues	480	429	11.8%	294	63.5%	<ul style="list-style-type: none"> ➔ EBITDA is expected to grow supported by revenue growth and higher contribution of high value-added assemblies.
EBITDA	75	66	13.5%	44	70.1%	<ul style="list-style-type: none"> ➔ Operating leverage and favorable revenue mix are expected to drive better margins.
EBITDA margin (%)	15.6%	15.4%		15.0%		<ul style="list-style-type: none"> ➔ We expect PAT growth to be significant as the benefits of operating leverage and operational synergies flow through.
PAT	43	38	12.4%	13	220.9%	<ul style="list-style-type: none"> ➔ Integration of recently acquired/merged businesses and demand prospects in key end markets will be key monitorable factors going ahead.
EPS	12.1	10.8	12.4%	4.2	192.3%	

Mid-Caps (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
VA Tech Wabag Ltd.						<ul style="list-style-type: none"> ➔ The top line is expected to grow sequentially as the project deliveries accelerate, albeit at a slower rate.
Revenues	760	700	8.5%	704	7.9%	<ul style="list-style-type: none"> ➔ We expect similar growth in EBITDA.
EBITDA	101	94	7.8%	99	2.0%	<ul style="list-style-type: none"> ➔ The margins are expected to improve with higher execution rate and higher contribution from industrials and exports.
EBITDA margin (%)	13.3%	13.4%		14.0%		<ul style="list-style-type: none"> ➔ PAT is expected to grow in line with EBITDA.
PAT	77	70	9.1%	63	22.5%	<ul style="list-style-type: none"> ➔ Key Monitorable: Order execution and inflow, contribution from O&M and International business, updates on the order from Saudi Water Authority.
EPS	12.4	11.4	9.1%	10.1	22.4%	
Gravita India Ltd.						<ul style="list-style-type: none"> ➔ We expect subdued revenue growth due to a decline in realizations per kg.
Revenues	967	927	4.3%	758	27.6%	<ul style="list-style-type: none"> ➔ The EBITDA (including other income) however is expected to improve QoQ due to higher volumes.
EBITDA	105	101	3.8%	90	17.5%	<ul style="list-style-type: none"> ➔ We expect the margins to improve compared to same quarter last year
EBITDA margin (%)	10.9%	10.9%		11.8%		<ul style="list-style-type: none"> ➔ PAT is expected to grow in line with EBITDA
PAT	68	72	-5.2%	61	10.8%	<ul style="list-style-type: none"> ➔ We expect the company to post a EPS of Rs 9.86 per share
EPS	9.9	10.4	-5.2%	8.9	10.8%	

Mid-Caps (Cont'd)

Year-end March (Rs Cr)	Q3FY25E	Q2FY25	QoQ (%)	Q3FY24	YoY (%)	Result Expectations
Welspun India Ltd						➔ We expect topline growth on a YoY basis driven by demand from export business
Revenues	2,820	2,873	-1.9%	2,411	17.0%	➔ The EBITDA is expected to increase as company's emerging business is growing.
EBITDA	367	358	2.5%	339	8.2%	➔ We expect the margins to take a hit as compared to the last year led by higher freight cost
EBITDA margin (%)	13.0%	12.4%		14.1%		➔ The PAT is expected to improve in line with the overall growth
PAT	212	202	4.5%	179	18.2%	➔ Expect an EPS of Rs 2.18 per share
EPS	2.2	2.1	4.5%	1.8	18.2%	

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