

Chemicals and Midcaps Q1FY25 Result Preview

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Axis Securities Equity Research

Q1FY25 CHEMICALS AND MIDCAPS: GREEN SHOOTS OF RECOVERY IN CHEMICALS; RISKS PERSIST

Chemicals

Chemicals & Agrochemicals: In Q1FY25, we expect most of the specialty chemical companies under our coverage to show stronger performance compared to Q4FY24. However, we remain cautious about growth prospects as a definitive upward trend is yet to be confirmed. Particularly in the agrochemical end-user industry, the demand scenario has not shown a clear rebound. We anticipate that meaningful recovery for chemical companies may take another quarter, with strong visibility likely appearing towards the latter half of FY25.

While global demand for agrochemicals remains subdued, there are signs of recovery in end-user industries such as dyes, pigments, and polymers (Discretionary segment), which have seen growth in demand and stabilization of prices for their final products. Commodity chemical players are expected to report some sequential recovery due to both price improvements and volume upticks.

Chemical companies with robust brands and a consistent track record continue to capitalize on opportunities in the CSM/CDMO business, driven by strategies like China +1 and Euro +1. However, ongoing issues like higher freight costs due to the Red Sea incident are impacting both exports and imports, lengthening delivery cycles and affecting turnover cycles in some cases.

Agrochemical companies catering to the domestic market are optimistic about channel sentiments, buoyed by favourable rainfall forecasts for the year. However, challenges such as inventory normalization and the lag in reflecting stronger monsoon-driven demand may persist for a few more quarters. We anticipate that most companies will continue to forecast a delayed demand recovery, now expected in H2FY25.

Overall, for Q1FY25, we anticipate a mixed performance for the Chemical and Agrochemicals universe under our coverage.

Diversified Midcaps: For the midcap stocks within our coverage, we anticipate YoY revenue growth driven by an increased focus on exports coupled with robust domestic demand. These companies, primarily in manufacturing sectors, are expected to benefit from stronger profitability as the government pushes forward with initiatives promoting manufacturing. This includes heightened capital expenditures in key sectors such as railways, defence, and renewable energy, which are likely to bolster their performance.

Aarti Industries Ltd: We anticipate that Aarti Industries Ltd's performance in Q1FY25 will improve on a YoY basis, driven by increased volumes in discretionary applications. However, demand in the non-discretionary segment may continue to remain subdued. Progress in the introduction of the chlorotoulene value chain and other strategic initiatives is expected to be a significant growth driver for FY25. Specifically for Q1FY25, we expect EBITDA to increase due to growth in top-line revenue and optimization of the product mix. This strategy is likely to enhance operational efficiencies and profitability, aligning with the company's strategic goals for the fiscal year.

Camlin Fine Science Limited: We anticipate a subdued performance primarily due to the lack of significant improvement in pricing, compounded by aggressive exports from China impacting the scale-up of Vanillin production. Despite these challenges, the company maintains its focus on the growth of downstream products of Diphenol, which is expected to yield higher margins and better realization. Sequentially, we expect margins to improve as the company had reported EBITDA and PAT level losses in Q4FY24, primarily due to impairment of assets and inventories. This sequential improvement is crucial for restoring profitability and aligning with the company's strategic objectives for the upcoming quarters.

NOCIL Ltd: We expect the top line to grow driven by a recovery in demand during the quarter, supported by increased replacement demand in infrastructure and commercial vehicles. Additionally, we anticipate improved EBITDA compared to the last impacted quarters as operational scale returns. This outlook reflects optimism for enhanced operational performance and revenue growth amid favourable market conditions.

Navin Fluorine International Ltd: We anticipate marginal sequential growth in the top line, supported by the anticipated contribution from delayed molecules in the CDMO segment starting to generate revenue in H1FY25. Additionally, growth in the home appliance industry is expected to drive strong demand in the refrigerant gas business, further bolstering revenue. As for EBITDA, we project an increase to Rs 123 Cr, primarily driven by favourable performance from HFO (Hydrofluoroolefins) and improved operational efficiencies.

Apcotex Industries Ltd: Based on our expectations, we foresee top-line growth due to increased volume uptake, capacity expansion, and improvements in prices. Additionally, we anticipate EBITDA to witness growth, driven by management's focus on cost reduction initiatives and higher efficiencies as operational leverage comes into play.

Archean Chemical Industries Ltd: For ACIL, we anticipate the top-line to grow due to sustained Bromine prices coupled with volume growth. The company's commercialization of Bromine and clear brine capacity at Jhagadia is expected to contribute positively. EBITDA is also projected to improve QoQ in line with the overall revenue growth. Additionally, we expect margins to rise sequentially, supported by improvements in realization.

PI Industries Ltd: PI's strategic focus on expanding into new products within the non-AgChem sector and enhancing capabilities in non-core chemistries positions it well to diversify its revenue streams in the future. Revenue growth is expected to be bolstered by robust expansion in its CSM business and contributions from recently acquired pharmaceutical operations. Although the newly acquired entity currently represents a small portion of PI's revenue, its diversified offerings are anticipated to contribute

meaningfully to overall revenue. We foresee higher EBITDA primarily driven by a favourable product mix. Despite lowered guidance from one of PI's key customers, we do not anticipate a significant revenue impact, highlighting the resilience and diversified nature of PI's revenue base.

Dhanuka Agritech Ltd: We anticipate that the company's top line will grow, driven by a favourable product mix that includes a higher contribution from new product launches, alongside an optimistic monsoon forecast. The launch of three new molecules during the quarter remains a key area of focus and monitoring for the company. EBITDA is also expected to show substantial growth, increasing by 50% on a YoY basis. This growth is anticipated due to operational leverage coming into play as well as softening raw material prices. Additionally, we expect the company to achieve an EPS of 9.7/share.

Diversified Mid-Cap Opportunities

Praj Industries: Praj Industries is expanding its distribution channels for various service portfolios, including yeast, enzymes, and yield-enhancing services. The company's focus on export markets such as Brazil and the USA, coupled with government initiatives promoting Compressed Biogas (CBG) adoption, enhances its growth prospects. We anticipate YoY revenue growth as the engineering and CBG order book strengthens. EBITDA is expected to increase due to higher execution levels in the current quarter and growing contributions from exports.

Mold-Tek Packaging: Mold-Tek Packaging is expected to report higher single-digit growth in topline in Q1FY25 sequentially, driven by increased volumes in the Paint & Pharma segments and expansion of new capacities. Additionally, growth will be supported by client additions in the Food & FMCG segment, a robust new product development pipeline, and customer additions in new segments. The EBITDA is anticipated to grow due to increased demand for value-added products and a rising

contribution from the high-margin Pharma segment. The company aims for EBITDA per kg to reach Rs 40 levels in FY25, which will be closely monitored for its achievement.

Welspun Living: We anticipate that Welspun Living's top-line growth will be driven by the recovery in export demand, particularly in soft flooring from the USA, and strong demand for its home textile business. The EBITDA is expected to improve as contributions from emerging businesses increase, along with supply chain normalization and improved capacity utilization. While cotton prices appeared to have peaked in Q1, we foresee improvements in capacity utilization and efficiency gains to bolster margins.

Pitti Engineering Ltd: We anticipate strong revenue growth at PEL primarily driven by exports and contributions from the recently acquired BC IPL business. The increasing share of value-added products and exports is expected to drive EBITDA growth. However, on a QoQ basis, the EBITDA is expected to be lower due to the concentration of other income in Q4. The EBITDA margins may also be impacted by lower EBITDA per kg in the newly acquired BC IPL business. Nonetheless, the newly acquired business is expected to be EBITDA accretive, and we anticipate significant EPS growth for PEL during the quarter.

Kirloskar Brothers Ltd: A healthy order book amounting to Rs. 2,999 Cr as of Q4FY24 is expected to translate into strong YoY revenue growth for KBL in Q1FY25. The company is also anticipated to achieve robust EBITDA growth, driven by a focus on increasing revenue contribution from the service segment and augmenting the value-added product mix, which will further enhance profitability. Moving forward, key factors impacting the company's performance will include contributions from value-added

products, the performance of overseas subsidiaries, and fluctuations in raw material prices.

Key Monitorable in Q1FY25

We will closely monitor management commentaries on demand in the upcoming quarters, especially as uncertainties around global growth prospects, geopolitical tensions, and inflationary pressures in Western economies persist. The companies' ability to manage current inflationary pressures and navigate global headwinds will be crucial as they strive to maintain their growth trajectories while safeguarding market share and margins. We will continue to keenly observe Capex plans and updates on existing project ramp-ups, as well as market trends in global and domestic consumption. Additionally, policy decisions and allocations towards key sectors in the Union Budget to be presented on 23rd July will be crucial for most of the companies discussed above.

***Our top positive plays are: [Archean Chemical Industries Ltd;](#)
[PI Industries Ltd;](#) [Praj Industries Ltd;](#) [Mold-tek Packaging;](#)
[Pitti Engineering](#)***

Specialty Chemicals

Year-end March (Rs Cr)	Q1FY25E	Q4FY24	QoQ(%)	Q1FY24	YoY(%)	Result expectations
Aarti Industries Ltd.						<ul style="list-style-type: none"> ➔ We expect Revenue to grow YoY with improvement in volumes for discretionary applications. However, Non-discretionary continues to remain weak. ➔ The EBITDA is expected to increase as we expect top-line growth by driving operational excellence ➔ The margin is expected to marginally improve over the last quarter ➔ The PAT would be in affected sequentially due to increased depreciation and Interest cost ➔ Key Monitorables: Increasing capacity utilization levels, Updates on Capex; Long-term contracts; Demand scenario
Revenues	1,755	1,773	-1.0%	1,414	24.1%	
EBITDA	290	283	2.3%	202	43.4%	
EBITDA margin (%)	16.5%	16.0%		14.3%		
PAT	108	132	-18.5%	70	53.7%	
EPS (Rs)	3.0	3.6	-18.5%	1.9	53.7%	
Apcotex Industries Ltd.						<ul style="list-style-type: none"> ➔ We expect Topline to grow due to an increase in volume, expansion capacity and strengthening prices. ➔ EBITDA is also expected to witness significant growth due to cost reduction and operational leverage kicking in ➔ With an improvement in the EBITDA Margin profile ➔ The PAT is expected to be in line with the overall performance ➔ Key Monitorable: Update on ramp-up of new project; demand trends across key end-user industries
Revenues	332	311	6.8%	278	19.4%	
EBITDA	36	31	14.4%	25	40.5%	
EBITDA margin (%)	10.8%	10.1%		9.2%		
PAT	19	15	26.0%	12	59.2%	
EPS (Rs)	3.7	3.0	26.0%	2.3	59.2%	

Specialty Chemicals (Cont'd)

Year-end March (Rs Cr)	Q1FY25E	Q4FY24	QoQ(%)	Q1FY24	YoY(%)	Result expectations
Archean Chemical Industries Ltd.						
Revenues	378	284	33.1%	343	10.1%	→ We expect the topline to grow on account of price recovery in Bromine along with a volume uptick
EBITDA	125	87	43.1%	135	-7.4%	→ The EBITDA is expected to improve QoQ with the overall topline
EBITDA margin (%)	33.0%	30.7%		39.2%		→ We expect the margins to rise on a sequential basis with improvement in realization.
PAT	87	58	51.6%	94	-7.0%	→ The PAT would go in line with EBITDA
EPS	7.1	4.7	51.6%	7.6	-7.0%	→ We expect the company to post an EPS of 7.10/share
Camlin Fine Sciences Ltd.						
Revenues	382	402	-5.0%	420	-9.1%	→ Topline to de-grow due to lack of significant improvement in pricing.
EBITDA	32	(13)	344.8%	39	-16.2%	→ The EBITDA is expected to improve with some margin improvement
EBITDA margin (%)	8.5%	-3.3%		9.2%		→ The EBITDA margin is expected to grow on a QoQ basis as the growth of downstream products of Diphenol which is expected to yield higher margins
PAT	2	(82)	102.1%	12	-85.4%	→ The loss is expected to reduce sequentially
EPS (Rs)	0.1	(4.9)	102.3%	0.8	-85.4%	→ Key Monitorable: Update on Vanillin plant performance, Impact on Italian subsidiary; demand trends across key end-user industries

Specialty Chemicals (Cont'd)

Year-end March (Rs Cr)	Q1FY25E	Q4FY24	QoQ(%)	Q1FY24	YoY(%)	Result expectations
Navin Fluorine International Ltd.						<ul style="list-style-type: none"> → We expect the topline to grow marginally on a sequential basis despite a slowdown in the CDMO segment.
Revenues	623	602	3.5%	491	26.8%	→ The EBITDA is expected to increase mainly due to favourable performance from HFO.
EBITDA	123	110	12.1%	114	8.0%	→ The margins are expected to see an increase due to positive operational performance.
EBITDA margin (%)	19.8%	18.3%		23.3%		→ We expect the company to post an EPS of 13.79 per share.
PAT	68	70	-2.9%	62	11.0%	→ Key Monitorables: New products in the pipeline, update on R32 ramp-up, CRAMS CGMP 4 and Specialty Chemicals segment
EPS (Rs)	13.8	14.2	-2.9%	12.4	11.0%	
NOCIL Ltd.						<ul style="list-style-type: none"> → We expect the topline to grow due to volume recovery during the quarter and a pick-up in replacement demand
Revenues	416	357	16.7%	397	4.9%	→ The EBITDA is expected to be better than the previous impacted quarters as well as owing to scale returns
EBITDA	56	45	25.8%	55	1.2%	→ The EBITDA is expected to grow over the last quarter
EBITDA margin (%)	13.5%	12.5%		14.0%		→ The PAT is expected to de-grow sequentially due to higher depreciation
PAT	37	42	-11.9%	34	6.8%	→ Key Monitorables: Effect of global slowdown on rubber prices; Chinese import pressure and competition; share of value-added products
EPS (Rs)	2.2	2.5	-11.9%	2.1	6.8%	

Agri Chemical

Year-end March (Rs Cr)	Q1FY25E	Q4FY24	QoQ(%)	Q1FY24	YoY(%)	Result expectations
PI Industries Ltd.						
Revenues	2,073	1,741	19.1%	1,910	8.5%	→ Revenue growth is supported by strong growth in the CSM business and a decent contribution from the newly acquired pharma business.
EBITDA	543	442	22.9%	477	13.9%	→ We expect higher EBITDA with the introduction of new products.
EBITDA margin (%)	26.2%	25.4%		24.9%		→ EBITDA margins are expected to improve due to a favourable product mix.
PAT	435	370	17.7%	392	11.0%	→ PAT to be in line with overall performance.
EPS	28.6	24.3	17.7%	25.8	11.0%	→ We expect an EPS of 28.6.
Dhanuka Agritech Ltd.						
Revenues	404	368	9.7%	369	9.5%	→ We expect Topline to grow on account of a higher share of new innovative molecules.
EBITDA	65	80	-18.3%	44	50.1%	→ EBITDA is also expected to witness significant growth on a YoY basis as operational leverage kicks in.
EBITDA margin (%)	16.2%	21.7%		11.8%		→ We expect the margins to improve over the same quarter last year.
PAT	44	59	-24.8%	33	34.8%	→ The PAT is expected to be in line with the overall performance.
EPS	9.7	12.9	-24.8%	7.2	34.8%	→ The company is expected to report EPS of Rs 9.7/share.

Mid-Caps

Year-end March (Rs Cr)	Q1FY25E	Q4FY24	QoQ (%)	Q1FY24	YoY (%)	Result expectations
Mold-Tek Packaging Ltd.						<ul style="list-style-type: none"> → Topline is expected to grow boosted by Paint & Pharma volumes along with new capacities.
Revenues	191	177	8.0%	186	2.7%	<ul style="list-style-type: none"> → EBITDA is expected to grow on the back of increased demand for value-added products and growing contributions from the high-margin pharma segment.
EBITDA	39	36	10.3%	35	11.8%	<ul style="list-style-type: none"> → EBITDA margins are expected to improve due to stable PP prices and a strong product pipeline.
EBITDA margin (%)	20.5%	20.1%		18.8%		<ul style="list-style-type: none"> → PAT is expected to increase in line with overall operational performance.
PAT	21	18	19.6%	19	14.7%	<ul style="list-style-type: none"> → Key Monitorable: Demand off-take from key end-user industries; Raw material price inflation; New product foray/Capex update.
EPS	6.5	5.4	19.6%	5.7	14.7%	
Praj Industries Ltd.						<ul style="list-style-type: none"> → We expect the top line to grow YoY as the engineering and CBG order book is picking up.
Revenues	800	1,019	-21.5%	737	8.6%	<ul style="list-style-type: none"> → The EBITDA is expected to grow as the company will see higher execution in the current quarter.
EBITDA	88	126	-30.5%	71	23.0%	<ul style="list-style-type: none"> → We expect the margins to improve on a YoY basis as operational leverage kicks in and there is scope for improvement based on the export order.
EBITDA margin (%)	11.0%	12.4%		9.7%		<ul style="list-style-type: none"> → The PAT would align with EBITDA growth.
PAT	58	92	-36.8%	59	-1.0%	<ul style="list-style-type: none"> → We expect the company to post an EPS of 3.52/share.
EPS	3.2	5.0	-36.8%	3.2	-1.0%	

Mid-Caps (Cont'd)

Year-end March (Rs Cr)	Q1FY25E	Q4FY24	QoQ (%)	Q1FY24	YoY (%)	Result expectations
Kirloskar Brothers Ltd.						<ul style="list-style-type: none"> → A healthy order book is expected to translate into strong YoY revenue growth, while it may fall sequentially against a seasonally strong Q4.
Revenues	1,043	1,224	-14.7%	900	16.0%	→ EBITDA is expected to post strong YoY growth.
EBITDA	149	228	-34.4%	116	29.2%	→ The EBITDA margins are expected to improve compared to previous years as the company has been focusing on improving product mix and strategically reducing the share of low-margin EPC business.
EBITDA margin (%)	14.3%	18.6%		12.8%		→ Similarly, we expect significant growth in net profit on a YoY basis.
PAT	93	153	-39.3%	64	46.2%	→ Going ahead, contribution from value-added products, performance of overseas subsidiaries, and raw material prices will be key factors impacting the company's performance.
EPS	11.7	19.3	-39.3%	8.0	46.2%	
Pitti Engineering Ltd.						<ul style="list-style-type: none"> → We expect strong revenue growth primarily driven by exports and contributions from the recently acquired BCIPL business.
Revenues	393	328	20.0%	290	35.8%	→ While the increasing share of value-added products and exports are expected to drive EBITDA growth, on a QoQ basis, the EBITDA is expected to be lower due to the concentration of other income in Q4.
EBITDA	52	80	-35.3%	43	19.4%	→ The EBITDA margins are also likely to be impacted due to lower EBITDA per kilogram in the newly acquired BCIPL business.
EBITDA margin (%)	13.2%	24.4%		15.0%		→ PAT is expected to decline on a QoQ basis but increase on a YoY basis in line with EBITDA.
PAT	18	40	-54.9%	14	30.3%	→ Key monitorables include updates on the completion of the Pitti Castings merger, export volumes, and synergies from the BCIPL merger.
EPS	5.7	12.6	-54.9%	4.4	30.3%	

Textile

Year-end March (Rs Cr)	Q1FY25E	Q4FY24	QoQ(%)	Q1FY24	YoY(%)	Result expectations
Welspun India Ltd						
Revenues	2,465	2,575	-4.3%	2,184	12.9%	→ We expect topline growth to be driven by recovery in export demand, especially in soft flooring from the USA, and strong demand for the home textile business.
EBITDA	375	359	4.5%	311	20.6%	→ EBITDA is expected to improve as the company's emerging business grows with supply chain normalization and improved capacity utilization.
EBITDA margin (%)	15.2%	13.9%		14.2%		→ We expect margins to improve due to operational leverage.
PAT	209	131	59.8%	163	28.2%	→ PAT is expected to improve in line with overall growth.
EPS	2.1	1.3	59.8%	1.6	30.3%	→ EPS is expected to be Rs 2.15 per share.

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