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Top Conviction Ideas: Chemicals & Midcaps

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Chemicals Sector: Q2FY27 Review

✓ Specialty Resilience Amid Agrochemical Headwinds and Pricing Divergence

- **The chemical sector** witnessed a highly polarised performance in Q2FY27, with fluorochemicals, CDMO, specialty intermediates, and integrated players delivering resilient growth, while export-oriented agrochemicals, rubber chemicals, and generic-heavy intermediates faced margin pressures. China's supply rationalisation supported select chemical spreads, whereas persistent overcapacity, geopolitical shipping disruptions, and elevated freight costs continued to weigh on sector profitability. Capacity commercialisation emerged as a key operating theme.

- **Chemistry Plays:** Companies leveraging advanced fluorination chemistry, specialty ingredients, and integrated CDMO platforms outperformed. Navin Fluorine International delivered a strong earnings beat, supported by favourable HFC pricing and robust CDMO execution, while Jubilant Ingrevia benefited from improved chemical intermediate spreads. Aarti Industries surpassed Rs 3,600 Cr in quarterly revenue, driven by fuel additives and Zone 4 commercialisation. Conversely, Apcotex Industries and NOCIL faced margin pressure from raw material inflation and elevated conversion costs. Dhanuka Agritech demonstrated resilience through strong insecticide and biostimulant demand, while PI Industries reported a sharp earnings decline amid global destocking and generic competition. Camlin Fine Sciences remained under severe financial stress due to liquidity constraints and continued suspension of its Dahej diphenol facility.

- **Outlook and Guidance:** Sectoral recovery is expected to remain uneven, with high-barrier specialty chemicals, fluorochemicals, and CDMO platforms offering superior earnings visibility. Commercialisation of recently commissioned capacities is expected to drive operating leverage, while semiconductor chemicals and advanced CDMO platforms remain key growth opportunities. Near-term recovery across agrochemical CSM and commodity intermediates remains contingent on global destocking normalisation, pricing improvement, and easing of input and logistics costs.

Chemicals Sector: Q2FY27 Review

✓ Financial Performance: Chemicals

- **Dhanuka Agritech's** performance has beaten our expectations on all fronts. The company reported revenue of Rs 658 Cr, up 10% YoY and 42% QoQ, beating our estimates by 21%. EBITDA stood at Rs 153 Cr, up 12% YoY and 178% QoQ, surpassing our estimate of Rs 70 Cr. EBITDA margins improved to 23.3% vs. 22.9% in Q2FY26 and 11.9% in Q1FY27. PAT came in at Rs 109 Cr, up 16% YoY and 201% QoQ, beating our estimates. Management expects low single-digit revenue growth in FY27, with gross and EBITDA margins contracting by ~100 bps and ~125 bps, respectively, amid GST refund-related accounting impacts, input cost inflation, and weak demand. Near-term growth remains subdued due to dry El Niño conditions, with Rabi demand generation focused on Southern and Eastern markets.

- **PI Industries'** performance missed our estimates on all fronts. Consolidated revenue stood at Rs 1,702 Cr, down 9% YoY but flat QoQ, missing our estimates by 3%. Gross margin contracted to 49.5% versus 57.3% in Q2FY26. EBITDA came in at Rs 233 Cr, down 57% YoY and 37% QoQ, missing our estimates. EBITDA margin declined to 13.7%, down 1,524 bps YoY. PAT stood at Rs 122 Cr, down 70% YoY and 50% QoQ, missing our estimates. Management has revised its FY27 outlook to flattish revenue growth, reflecting continued weakness in agrochemical exports and near-term pricing pressures, which are expected to persist over the next couple of quarters. However, the company anticipates green shoots in the export business towards the end of FY27.

- **Jubilant Ingrevia Ltd** performance exceeded expectations on all fronts. Revenue stood at Rs 1,394 Cr, up 24% YoY and 7% QoQ, beating estimates by 3%. EBITDA came in at Rs 212 Cr, up 57% YoY and 7% QoQ, beating our estimates by 9%. EBITDA margins improved to 15.2%, compared to 12.1% in Q2FY26. PAT stood at Rs 111 Cr, significantly up 60% YoY, driven by improved operating leverage, outperforming the estimated Rs 101 Cr. Management reaffirmed its FY27 EBITDA guidance of Rs 750-800 Cr, indicating that strong H1 performance positions the company closer to the upper end of the range. Growth is expected to remain broad-based across all three operating segments.

- **Navin Fluorine International Ltd. (NFIL)** delivered a robust performance in Q2FY27 on all fronts. Revenue came in at Rs 1,191 Cr, registering a 57% YoY increase and 14% QoQ, beating our estimates by 12%. EBITDA rose to Rs 407 Cr, marking a robust 66% YoY and 14% QoQ growth, surpassing the estimate of Rs 359 Cr. EBITDA margins expanded significantly to 34.2% vs 32.5% in Q2FY26, led by operating leverage and improved product mix. PAT stood at Rs 269 Cr, up 81% YoY and 11% QoQ, beating our estimate of Rs 235 Cr. The company's growth outlook remains strong, supported by capacity expansions across HPP, CDMO and Specialty Chemicals. Management expects FY27 EBITDA margins to sustain at ~34%, with a long-term floor of 30%, supported by annual capex of Rs 700–1,000 Cr and EBITDA-to-cash conversion of 60–65%.

Chemicals Sector: Q2FY27 Review

✓ Financial Performance: Chemicals

- **Aarti Industries Ltd.'s** performance exceeded expectations on all fronts. Revenue stood at Rs 3,668 Cr, up 75% YoY and 54% QoQ, beating our estimates. EBITDA came in at Rs 410 Cr, up 41% YoY and 7% QoQ, beating estimates by 12%. EBITDA margins stood at 11.2%, compared to 13.9% in Q2FY26. PAT stood at Rs 170 Cr, significantly up 102% YoY and 11% QoQ, driven by improved operating leverage, outperforming the estimated Rs 114 Cr. Aarti Industries expects sustained growth driven by resilient export demand, stronger customer partnerships, and new capacity commercialisation. The company plans FY27 capex of Rs 700–800 Cr. Management reaffirmed its FY28 EBITDA target of Rs 1,800–2,200 Cr while maintaining Net Debt/EBITDA below 2.5x.
- **Apcotex Industries'** performance missed our estimates on all fronts. The company reported revenue of Rs 499 Cr, up 48% YoY but down 5% QoQ, missing our estimates by 7%. Sales volume grew 7% YoY. EBITDA stood at Rs 58 Cr, reflecting a growth of 44% YoY but a degrowth of 50% QoQ, missing our estimate. EBITDA margins stood at 11.7%, declined 37 bps YoY and 1,059 bps QoQ. PAT came in at Rs 35 Cr, up 38% YoY but declined 56% QoQ, missing our estimate. Apcotex Industries targets 10–12% volume CAGR over the next 3–5 years, driven by structural demand across automotive and industrial applications. Growth will be supported by Rs 210 Cr capex at Valia, with solid NBR expansion expected by Apr'27 and SBR latex expansion by Q2FY28.
- **Archean Chemical Industries'** performance exceeded our estimates on the EBITDA and profitability front. Consolidated revenue stood at Rs 297 Cr, up 28% YoY but down 9% QoQ, in line with our estimates. EBITDA stood at Rs 70 Cr, up 12% YoY and 4% QoQ, beating our estimates by 11%. The EBITDA margin stood at 23.6%, a drop of 324 bps YoY. The company's PAT was Rs 31 Cr, up 8% YoY and 3% QoQ, surpassing our estimate of Rs 27 Cr. Management remains optimistic about H2FY27, expecting a sequential recovery in Industrial Salt shipments and margin improvement following the Hajipur road corridor commissioning.
- **Camlin Fine Sciences** Q2 performance missed our expectations on all fronts. CFS reported revenue of Rs 491 Cr in Q2FY27, up 7% YoY but down 5% QoQ, below our estimates by 7%. EBITDA stood at Rs 2 Cr, significantly down by 93% YoY and 76% QoQ, below our estimates. EBITDA margin contracted 681 bps YoY and 133 bps QoQ to 0.5%. The company reported a net loss of Rs 30 Cr after accounting for discontinued operations. Management expects Q3FY27 performance to remain broadly at Q2FY27 levels, with marginal improvement in margins, while a meaningful recovery is anticipated from Q4FY27 as liquidity constraints ease and operating efficiencies improve.
- **NOCIL** reported revenue of Rs 427 Cr, up 33% YoY and 6% QoQ, beating our estimates by 11%. EBITDA stood at Rs 36 Cr, up 61% YoY but down 20% QoQ, below our expectation of Rs 42 Cr. EBITDA margin was 8.4%, compared to 7.0% in Q2FY26 and 11% in Q1FY27. PAT was Rs 24 Cr, up 98% YoY but fell 13% QoQ, missing our estimate of Rs 26 Cr. NOCIL expects FY27 revenue to reach the upper end of its Rs 1,400–1,600 Cr guidance range, with operating EBITDA margins targeted at ~10%. Management anticipates 8–10% full-year volume growth, supported by domestic demand recovery post-GST 2.0 and export market share gains under the China+1 strategy.

Chemicals Sector: Outlook

✓ Earnings Recovery Driven by Specialty Strength, Capacity Commercialisation, and Selective Demand Revival

Capacity Ramp-up and Supply Realignments Drive Growth Prospects: Q2FY27 witnessed continued divergence across the chemical sector, with high-barrier specialty platforms demonstrating earnings resilience, while commodity intermediates and export-oriented agrochemicals remained impacted by Chinese overcapacity, global destocking, and elevated logistics costs. The sector is transitioning from peak capex execution towards commercialisation and utilisation ramp-up of newly commissioned capacities, supporting medium-term operating leverage. Selective improvement in chemical spreads, driven by Chinese supply rationalisation and European supply disruptions, provides incremental tailwinds. However, persistent geopolitical uncertainties and volatile input costs remain key near-term challenges.

Speciality Chemicals: High-value fluorochemicals, advanced intermediates, and CDMO platforms continue to offer superior earnings visibility, supported by long-term customer contracts, favourable product mix, and increasing commercialisation of specialised capacities. Capacity ramp-ups across fuel additives, multi-purpose plants, and niche specialty projects are expected to drive incremental revenue and operating leverage. Additionally, increasing exposure to semiconductor chemicals, electronic materials, and advanced CDMO applications is strengthening long-term growth prospects while reducing dependence on cyclical commodity demand.

Agrochemicals: Export-oriented crop protection players continue to face an extended global downcycle, characterised by customer destocking, generic competition, and pricing pressure. Domestic formulation demand remains impacted by erratic monsoon distribution, with lower herbicide demand partially offset by stronger insecticide and biostimulant traction. Companies with diversified product portfolios and strong distribution networks are relatively better positioned. A recovery in global channel inventories, stabilisation of realisations, and improvement in export volumes remain key triggers for earnings recovery. Meanwhile, biologicals and differentiated crop protection molecules offer incremental medium-term growth opportunities.

Chemicals - Short and Medium-term Drivers

Negatives

- Erratic monsoon impacting domestic agrochemical demand.
- West Asia disruptions, higher freight costs and shipment delays.
- Chinese dumping and persistent global overcapacity.
- Global agrochemical destocking and pricing pressure.
- Logistics bottlenecks and delayed capacity ramp-ups.

Positives

- India- EU FTA
- India- US Trade Agreement
- Recovery in global agrochemical inventories.
- China+1 & structural tailwinds
- New product launches and portfolio diversification.
- Growing semiconductor, electronics and CDMO opportunities.
- Rising domestic demand and cost rationalisation.

Key Monitorables: RM price movements, Chinese overcapacity, dumping and potential anti-dumping measures; global inventory destocking; geopolitical disruptions and freight costs; capacity commissioning, utilisation and capex execution; export order inflows and customer contract renewals; monsoon trends and domestic crop protection demand; and margin recovery across key chemical value chains; Demand trends across key end-user Industries.

Midcaps: Q2FY27 Review

Financial Performance & Outlook

Praj Industries Ltd.

- **Financial Performance:** Performance beat expectations across all fronts. The company reported revenue of Rs 849 Cr, flat YoY but up 19% QoQ, beating our estimates by 3%. EBITDA stood at Rs 52 Cr, down 6% YoY but up 74% QoQ, beating our estimates by 28%. EBITDA margin stood at 6.2%, down from 6.6% in Q2FY26. PAT came in at Rs 23 Cr, up 20% YoY, 19% above our estimates. Order intake during the quarter stood at Rs 715 Cr, compared to Rs 1,000 Cr in the preceding quarter.
- **Outlook:** Management expects a gradual recovery in EBITDA margins from the Q2FY27 bottom of ~6.2%, supported by improving execution and a strong H2FY27 order inflow recovery. Praj targets ~Rs 10,000 Cr revenue by FY30, with ~50% export contribution, driven by international bioenergy, CBG, data centre fabrication and Bio-IBA.

Mold-Tek Packaging Ltd.

- **Financial Performance:** Mold-Tek Packaging's results have beaten our estimates on all fronts. Revenue for Q2FY27 stood at Rs 274 Cr, up 31% YoY but down 9% QoQ, beating our estimates by 7%. EBITDA came in at Rs 51 Cr (+29% YoY/-9% QoQ), beating our expectations of Rs 47 Cr, while margin stood at 18.4%. EBITDA/kg reached Rs 46.5/kg. PAT stood at Rs 21 Cr, up 36% YoY but down 18% QoQ, beating our estimates.
- **Outlook:** Management targets 10% FY27 volume growth to 46,000-47,000 MT, driven by Paints, Food & FMCG, Q-Packs and Pharma, partly offsetting lubricant weakness. Pharma is on track to achieve Rs 50+ Cr revenue. Despite a shift towards higher-value thin-walled packaging, EBITDA/kg is expected to sustain at Rs 45–46, with FY27 EBITDA guided at Rs 250 Cr (>20% YoY growth) and operating cash flow targeted to double to Rs 215 Cr.

Welspun Living Ltd.

- **Financial Performance:** Welspun Living's Q2FY27 performance beat our estimates on all fronts. The company reported revenue of Rs 2,838 Cr, up 16% YoY and 2% QoQ, beating our estimates by 4%. EBITDA stood at Rs 338 Cr, up 120% YoY and 5% QoQ, beating our estimate of Rs 309 Cr. EBITDA margins stood at 11.9%, compared to 6.3% in Q2FY26 and 11.5% in Q1FY27. PAT came in at Rs 170 Cr, significantly up YoY and 4% QoQ, beating our estimates by 6%.
- **Outlook:** Welspun Living targets 14%–15% annual revenue growth over the next 3–4 years, driven by steady US demand and over 20% growth in the UK/Europe. Management aims to achieve 15%+ normalised EBITDA margins within two years while sustaining 14%–15% pre-tax ROCE. Annual capex of Rs 400–500 Cr will support automation, debottlenecking, and operational efficiency.

Midcaps: Q2FY27 Review

Financial Performance & Outlook

Elecon Engineering Ltd

- **Financial Performance:** Elecon's quarterly performance has exceeded our expectations on all fronts. Revenues stood at Rs 639 Cr, up 11% YoY and 23% QoQ, beating estimates by 6%. The company reported EBITDA of Rs 148 Cr, up 18% YoY and 36% QoQ, beating our estimate of Rs 128 Cr. EBITDA margins increased to 23.1% compared to 21.7% in Q2FY26 and 21.0% in Q1FY27. PAT came in at Rs 96 Cr, registering an increase of 10% YoY, beating our estimates.
- **Outlook:** The company projects consolidated revenue growth of around 15% (mid-double-digit) in H2FY27, driven by accelerating execution in the MHE division following recent customer site clearances. Management remains committed to defending profitability by maintaining a minimum consolidated EBITDA margin at FY26 levels (~22.1%), while guiding for 20% to 22% EBIT margins in the Gear division and 22% to 24% in MHE as operational scale expands. Supported by an all-time high open order book of Rs 1,635 Cr and an expected ~8% CAGR for the domestic heavy-duty gearbox industry through FY30, Elecon reaffirmed its Vision FY30 target of reaching Rs 5,000 Cr in consolidated revenue.

Pitti Engineering Ltd.

- **Financial Performance:** PEL reported Q2FY27 revenue of Rs 578 Cr, up 21% YoY and 9% QoQ, beating our estimates by 4%. EBITDA came in at Rs 89 Cr, up 14% YoY and 3% QoQ, in line with our expectations. EBITDA margin stood at 15.4%, a decrease of 89 bps YoY and 96 bps QoQ. PAT was Rs 34 Cr, down 15% YoY and up 15% QoQ, missing our estimate of Rs 44 Cr, mainly due to lower other income.
- **Outlook:** Management reiterated its upgraded FY27 lamination volume target of over 82,000 MT. Management expects a recovery in Q4 and remains focused on achieving a sustainable blended EBITDA margin of 17%+, supported by standalone machined components delivering margins of over 25%. Robust demand from data centres, railways, power generation and mining is expected to sustain growth momentum. The expanded manufacturing footprint is expected to unlock revenue potential of approximately Rs 3,800 Cr at full utilisation by FY31.

Va Tech Wabag Ltd.

- **Financial Performance:** Consolidated revenue rose 20% YoY and 13% QoQ to Rs 1,000 Cr, in line with our expectations. EBITDA came in at Rs 124 Cr, up 39% YoY and 56% QoQ, surpassing our estimate of Rs 119 Cr, with margins at 12.4% compared to 10.7% in Q2FY26 and 9.0% in Q1FY27. PAT stood at Rs 105 Cr, up 23% YoY and 16% QoQ, beating our estimates by 13%. Order intake was Rs 5,200 Cr during H1FY27, taking the order book to Rs 20,200 Cr (excluding framework contracts). Net cash position, excluding HAM projects, stood at Rs 1,144 Cr.
- **Outlook:** VA Tech Wabag offers strong 3–5 year growth visibility, backed by a record order backlog of Rs 20,207 Cr. Management targets 15–20% revenue CAGR and EBITDA margins of 13–15%, supported by technology-led project execution and contractual cost pass-throughs. Its asset-light model ensures efficient working capital management, with 101 NWC days and net cash of Rs 11,442 Mn (excluding HAM). Return metrics are targeted at RoCE >20% and RoE >15%, while O&M revenues are expected to scale to ~20% of turnover, backed by a Rs 6,500 Cr order backlog.

Midcaps: Q2FY27 Review

Financial Performance & Outlook

Gravita India Ltd.

- **Financial Performance:** The company reported consolidated revenue of Rs 1,427 Cr, up 38% YoY but down 3% QoQ, surpassing our estimate by 5%. Adjusted EBITDA came in line with our estimate, marking a 28% YoY growth but remaining flat QoQ. Adjusted EBITDA margin stood at 10%, below the estimated 10.5%, declining 75 bps YoY but increasing 25 bps QoQ. PAT stood at Rs 102 Cr, up 6% YoY but declined 4% QoQ, largely in line with our expectation.
- **Outlook:** Gravita remains committed to its Vision 2030 targets of 20–25% volume CAGR, 30–35% profitability growth and ~25% ROIC, driven by value-added products contributing 60%+ and non-lead businesses 50%+ of revenue. Global sourcing through its US subsidiary and domestic battery scrap procurement of 40–50% aim to mitigate supply-chain challenges. Copper capacity utilisation is expected to reach 65–70% over the next 2–3 quarters, with unit EBITDA targeted at Rs 65,000–70,000/MT in the near term and Rs 80,000–90,000/MT over 2–3 years. A Rs 1,680 Cr capex plan through FY29 will support capacity expansion from ~480,000 MTPA to 800,000+ MTPA.

Kirloskar Brothers Ltd.

- **Financial Performance:** KBL reported revenue of Rs 1,277 Cr for Q2FY27, up 24% YoY and 16% QoQ, beating our estimates by 9%. EBITDA stood at Rs 124 Cr, up 15% YoY and 7% QoQ, largely in line with our estimate. EBITDA margin came in at 9.7%, down 81 bps YoY and 74 bps QoQ. PAT stood at Rs 74 Cr, up 4% YoY and 11% QoQ, missing our estimate of Rs 81 Cr.
- **Outlook:** Management reiterated its FY27 standalone revenue growth target of double digits, supported by a consolidated order book of Rs 4,628 Cr and strong demand across domestic and international markets. Overseas margins are expected to improve in H2FY27, aided by UK utility service contracts, raw material price pass-throughs and execution of pending orders. Long-term growth opportunities include nuclear power, data centres, oil & gas, water infrastructure and the UK AMP-8 programme.

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Jubilant Ingrevia Ltd	BUY	Rs. 915*	• **Robust Operating Leverage and FY27 Guidance Tracking Towards the Upper End:** Jubilant Ingrevia delivered healthy Q2FY27 performance, with revenue rising 24% YoY to Rs 1,394 Cr and EBITDA increasing 57% YoY to Rs 212 Cr. EBITDA margin expanded to 15.2%, driven by the successful execution of the company's strategic 'Pinnacle' transformation and disciplined cost management. Supported by strong H1FY27 performance, with EBITDA increasing 44% YoY to Rs 431 Cr, management reaffirmed its FY27 EBITDA guidance of Rs 750-800 Cr, indicating that strong operational traction positions the company to achieve the upper end of the target. • **Specialty Chemicals and CDMO Funnel Accelerating Portfolio Enrichment:** The high-margin Specialty Chemicals business sustained healthy EBITDA margins of 25% on revenue of Rs 560 Cr, up 16% YoY, supported by firm pricing in Fine Chemicals and strong volume ramp-up across innovator CDMO projects. Excluding the single large CDMO order, Jubilant has a commercialised pipeline of over 25 confirmed molecules, with estimated peak annual revenue potential of Rs 1,500+ Cr. At least one-third of this potential is expected to contribute to the P&L in FY27. Alongside double-digit volume growth in Vitamin B3 across high-value Human Nutrition and Personal Care applications, the product mix continues to shift towards specialised, high-margin solutions with stronger customer stickiness. • **European Disruption and Strategic Semiconductor Expansion:** Chemical Intermediates profitability rebounded sharply, with EBITDA surging 226% YoY to Rs 64 Cr and margins reaching 11.4%, driven by firm realisations and market share gains in Acetic Anhydride. The closure of a major European competitor's plant in mid-Sep'26 presents a potential multi-year structural tailwind, with Jubilant targeting a doubling of its European market share from ~20%. The resulting financial benefits are expected to become more meaningful from FY28 onwards. Strategically, the acquisition of a 40% stake in ZettaOne Technologies (EDMS) for Rs 189 Cr establishes an integrated platform in electronics and semiconductors, expanding Jubilant's semiconductor chemical application pipeline by ~30% and complementing its planned annual capex deployment of 400–500 Cr.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Elecon Engineering Company Ltd	BUY	Rs. 610*	• **Robust Order Book and Strong Inflows Enhance Revenue Visibility:** Elecon's consolidated order book strengthened to Rs 1,635 Cr as of Sep'26, supported by healthy order inflows across both divisions. The Gear segment's order book increased to Rs 1,056 Cr, while MHE order backlog grew to Rs 579 Cr. Consolidated order inflows remained healthy, with Gear order intake at Rs 493 Cr and MHE order intake rising to Rs 253 Cr during Q2FY27. The improvement in order replenishment, particularly in MHE and overseas markets, provides better execution visibility for the coming quarters. We believe the strong order pipeline, coupled with the expectation of improved project execution in H2FY27, should support sustained revenue growth. • **Gear Division Drives Margin Expansion; MHE Execution Recovery Offers Upside:** The Gear division continued to anchor performance, with Q2FY27 revenue growing to Rs 488 Cr and EBIT increasing 27.2% YoY to Rs 108 Cr. Improved pricing discipline, normalisation of steel price volatility and a favourable execution environment supported profitability. Meanwhile, MHE revenue grew to Rs 151 Cr, while order intake rose to Rs 253 Cr, indicating healthy underlying demand despite execution-related variability. Management expects MHE execution and margins to improve in H2FY27, with EBIT margins guided at 22 24%. We believe sustained Gear profitability, alongside an expected recovery in MHE execution, should support consolidated earnings growth. • **Overseas Business Strengthens as Elecon Progresses Towards Its FY30 Ambition:** International operations continued to outperform, with overseas revenue rising to Rs 159 Cr and contributing approximately 25% of revenue during Q2. H1FY27 overseas revenue increased to Rs 309 Cr, while H1 overseas order inflows rose to Rs 420 Cr. Growing international order inflows and improving execution across overseas markets strengthen the company's diversification beyond domestic demand. Elecon is targeting revenue of Rs 5,000 Cr by FY30, with overseas markets contributing approximately 50%, supported by organic expansion and potential acquisitions or strategic tie-ups in the US and Europe. We believe increasing export contribution, coupled with a healthy balance sheet and ongoing capacity investments, provides a platform for medium-term growth.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
VA Tech Wabag Ltd	BUY	Rs. 2,430*	• **Record Order Book Provides Strong Revenue Visibility:** VA Tech Wabag's robust order backlog of Rs 20,207 Cr, equivalent to over 4x its annual revenue base, provides strong medium-term revenue visibility. Healthy order inflows of over Rs 5,200 Cr during H1FY27, coupled with a diversified project portfolio across domestic and international markets, underpin the company's targeted 15–20% revenue CAGR. • **Healthy Execution and Operating Leverage to Support Profitable Growth:** Strong project execution drove 20% YoY revenue growth and 23% YoY PAT growth in Q2FY27, reflecting operating leverage and improving profitability. Management's EBITDA margin guidance of 13 15%, alongside sustained execution momentum and increasing contribution from high-margin O&M operations, is expected to support earnings growth and maintain RoCE above 20%. • **Strong Balance Sheet and Strategic Focus on High-Growth Opportunities:** VA Tech Wabag continues to maintain a robust balance sheet, with net cash exceeding Rs 1,100 Cr excluding HAM assets and healthy operating cash generation. Strategic focus on desalination, industrial wastewater treatment, semiconductors, data centres, and other technology-led water solutions, along with the targeted increase in O&M contribution to 20% of revenue, is expected to strengthen its long-term growth prospects and earnings quality.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Navin Fluorine International Ltd	BUY	Rs. 9,650*	• **HPP – Strong Volume Growth and Favourable Pricing:** The HPP segment reported revenue growth of 49% YoY to Rs 604 Cr, driven by higher volumes, firm HFC pricing and steady HFO demand. The 15,000 MTPA R32 capacity expansion is on track to be commissioned shortly. Furthermore, the four-year extension of the Solstice HFO supply contract through Dec'32 provides incremental revenue potential of ~US$180 Mn, strengthening long-term revenue visibility. The Chemours liquid cooling project, involving Rs 120 Cr capex, is expected to commission in Q3FY27, with commercial delivery orders secured for Q4FY27. • **Specialty Chemicals – Sustained Growth and Improved Asset Utilisation:** The Specialty Chemicals segment recorded revenue growth of 58% YoY to Rs 348 Cr, supported by process optimisation, debottlenecking, and improved campaign efficiencies. NFIL has secured commercial campaign orders for five new molecules through the remainder of FY27 and into FY28, providing healthy near-term revenue visibility. Continued optimisation of existing multi-purpose plants and the Dahej MPP debottlenecking are expected to support throughput and operating leverage, while the Rs 90 Cr Advanced Materials capacity expansion, scheduled for completion in Q2FY28, provides an additional growth avenue. • **CDMO – Strong Commercial Momentum and Expanding Pipeline:** The CDMO business delivered robust revenue growth of 78% YoY to Rs 239 Cr, driven by commercial volumes, new qualification campaigns and deeper engagement with European innovator partners. The company remains on track to achieve its US$100 Mn CDMO revenue target in FY27, supported by a diversified pipeline across oncology, cardiovascular, neurology and animal health. The Rs 125 Cr cGMP4 Phase II expansion, expected to become operational by the end of Q4FY27, is expected to provide dedicated capacity for the Fermion relationship.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Mold-Tek Packaging Ltd	BUY	Rs. 450*	• **Strong Earnings Growth Driven by Premiumisation:** The company reported a healthy Q2FY27 performance, with revenue growing 31% YoY to Rs 274 Cr, EBITDA increasing 29% to Rs 51 Cr and PAT rising 36% to Rs 21 Cr. EBITDA/kg improved 18% YoY to Rs 46.5, reflecting a favourable shift towards lightweight, higher-value packaging. Despite moderate volume growth of 10%, improved product mix supported strong profitability. • **Pharma and Food & FMCG Emerging as Key Growth Drivers:** Pharma packaging volumes grew 26% YoY, while Food & FMCG volumes surged 24%, supported by new product launches, increasing IML adoption and Panipat facility ramp-up. Q-Packs also delivered 16% volume growth, while Paints witnessed steady volume growth of 9%. The company is further expanding its pharma portfolio through new MNC packaging lines and specialised healthcare applications, supporting a gradual improvement in business mix. • **Margin Resilience Despite Raw Material Volatility:** Despite sharp PP resin price increases and supply disruptions amid geopolitical uncertainties, the company maintained EBITDA margins at 18.7% through contractual raw material cost pass-through mechanisms. Increasing IML penetration (77% of volumes) and a higher share of lightweight, value-added packaging are expected to support realisations and sustain EBITDA/kg at Rs 45–46 in FY27. • **Strong Growth Visibility from New Product Pipeline and Cash Generation:** Management retains its FY27 EBITDA guidance of Rs 250 Cr, with volume growth of ~10% and an operating cash flow target of Rs 215 Cr. New specialty closures and spouts, expected to contribute Rs 50–60 Cr in revenue at ~30% EBITDA margins over two years, along with pharma and semiconductor packaging opportunities, provide additional medium-term growth visibility. Moderating capex of Rs 75–80 Cr in FY27 should also support improving free cash flow and balance sheet strength.

Note: Target Price is based on our Q2FY27 Result Update Report

Top Conviction Ideas: Chemicals and Midcaps

Stock	Reco.	TP*	Recommendation Rationale
Aarti Industries Ltd	BUY	Rs. 665*	• **MMA Portfolio Sustains Strong Momentum on Capacity Expansion and Robust Global Demand:** Fuel additives delivered strong performance in Q2FY27, supported by elevated global refining margins, healthy gasoline-naphtha cracks, and expanded MMA capacity from 290 KTPA to 360 KTPA. With capacity operating near full utilisation and sustained demand for octane boosters, the segment remains a key growth driver. Over the medium term, AIL expects the Energy & Additives revenue contribution to normalise to 30–40% as non-energy businesses scale up. • **Non-Energy Business Benefits from China Supply Rationalisation and Improving Product Spreads:** Non-Energy businesses witnessed a strong recovery in Q2FY27, supported by robust volume growth, market share gains, and improving global supply dynamics. China's capacity rationalisation and withdrawal of export VAT rebates on key NCB products are supporting pricing discipline and spread improvement across the pharmaceutical, agrochemical, and dyes value chains. While fluoro-compounds and PDA chains remain relatively subdued, improving DCB demand and customer qualifications are expected to support further recovery. • **Zone 4 Commercialisation and Strategic Partnerships Strengthen Medium-Term Growth Visibility:** Phase 1 of Zone 4 was commissioned in Sep'26, with the remaining four chemistry blocks scheduled for commissioning during FY27. AIL plans to launch 5–10 products in FY27, scaling to 20–25 products by FY28, with an estimated Rs 250–350 Cr bottom-line contribution over the initial 18 months. Additionally, the long-term strategic agreement with a global specialty chemical major, offering ~Rs 1,500 Cr cumulative revenue potential, reinforces growth visibility. Management reaffirmed its FY28 EBITDA target of Rs 1,800–2,200 Cr, supported by operating leverage and capacity ramp-up.

**** Note: Target Price is based on our Q2FY27 Result Update Report***

Chemicals and Midcaps Coverage Universe

Company Name	Current Reco	Target Price	Sales (Rs Cr)			EBDITA (Rs Cr)			PAT (Rs Cr)			EPS (Rs)			ROE			RoCE			PE		
			FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Chemicals																							
Aarti Industries Ltd	BUY	665	12,228	14,184	16,170	1,675	2,113	2,490	749	1,012	1,231	21	28	34	11%	13%	14%	11%	13%	15%	21	15	13
Apcotex Industries Ltd	BUY	650	1,726	2,258	2,495	273	361	417	181	253	291	35	49	56	25%	29%	28%	20%	23%	22%	14	10	9
Archean Chemical Industries Ltd	HOLD	480	1,512	1,993	2,200	313	503	597	147	348	418	12	28	34	7%	16%	17%	11%	20%	22%	37	16	13
Camlin Fine Sciences Ltd	BUY	145	2,085	2,365	2,614	67	239	342	-55	99	166	-3	5	9	-6%	10%	14%	0%	13%	22%	-32	18	11
Dhanuka Agritech Ltd	BUY	1,550	2,163	2,551	2,951	413	510	620	292	359	424	66	81	95	17%	18%	18%	22%	23%	26%	15	12	10
Navin Fluorine International Ltd	BUY	9,650	4,714	5,862	6,686	1,549	1,938	2,237	1,060	1,360	1,598	207	266	312	21%	22%	21%	22%	24%	23%	42	33	28
NOCIL Ltd	BUY	175	1,618	1,708	1,825	162	188	215	125	154	176	7	9	11	7%	8%	8%	5%	6%	6%	18	15	13
P I Industries Ltd	BUY	2,750	6,647	7,843	9,019	1,283	1,859	2,264	838	1,314	1,639	55	87	108	7%	11%	12%	10%	14%	16%	32	20	16
Jubilant Ingrevia Ltd	BUY	915	5,435	6,300	7,204	798	926	1,066	400	473	551	25	30	35	12%	13%	13%	15%	16%	17%	25	21	18
Midcaps																							
Gravita India Ltd	BUY	2,270	5,579	6,823	9,357	589	753	1,038	478	602	822	65	82	111	18%	19%	22%	21%	21%	24%	21	16	12
Kirloskar Brothers Ltd	BUY	2,100	5,217	6,784	7,513	647	909	1,097	387	587	713	49	75	90	15%	19%	20%	21%	27%	28%	32	21	17
Mold-Tek Packaging Ltd	BUY	450	1,101	1,330	1,506	210	266	305	100	140	168	15	22	26	13%	16%	16%	16%	20%	20%	19	13	11
Pitti Engineering Ltd	BUY	1,230	2,329	2,624	2,794	364	429	468	151	205	230	40	54	61	14%	17%	16%	19%	21%	21%	22	17	15
Praj Industries Ltd	HOLD	260	3,488	3,927	4,395	246	353	419	123	198	254	7	11	14	9%	13%	14%	14%	19%	20%	36	22	17
VA Tech Wabag Ltd.	BUY	2,430	5,043	5,517	6,329	693	766	936	545	632	777	88	102	125	19%	19%	19%	23%	23%	24%	23	20	16
Welspun Living Ltd	BUY	240	11,312	13,132	15,111	1,379	1,808	2,332	725	1,151	1,625	8	12	17	14%	19%	22%	14%	20%	26%	29	18	13
Elecon Engineering Company Ltd	BUY	610	2,580	3,213	3,662	579	803	949	391	565	676	17	25	30	16%	20%	20%	20%	24%	26%	24	17	14

*Note: Based On Q2FY27 Result Updates

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