PROFITMART

RESEARCH REPORT **Dated: 30th Dec 2023**

SADHANA NITROCHEM LIMITED

BSE : SADHANANI **Sector: BENZENE BASED SPECIALITY CHEM** **BSE: 506642**

View - BUY

CMP : Rs. 85

Target Price: Rs 204 (In next 12 to 18 mths)

BUSINESS BACKGROUND

Established in 1973, Sadhana Nitro Chem Ltd. (SNCL), is a leading manufacturer specializing in intermediate specialty chemicals. & manufactures chemical intermediates, heavy organic chemicals, performance chemicals focused primarily on benzene based compounds like nitro benzene, metanillc acid, MAP etc. SNCL makes specialty based chemicals which find several applications in sectors like paper, pharma, agro chemicals, thermal dyes, light stabilizers, aerospace and dyes & Intermediates. SNCL has its manufacturing facility at Roha Maharashtra

INVESTMENT HIGHLIGHTS

Strong Bounce back in Financial Performance during H1FY24 –

SNCL reported a strong set of financial numbers in Q2FY24 with net sales at Rs 42.01 crs as compared to a revenue of Rs 36.53 crs last year in Q2, - up by 15% YoY, with EBIDTA placed at Rs 12.53 crs from Rs 4.22 crs last year in Q2 – up by 196% YoY with PAT at Rs 2.57 crs from Rs -0.37 crs last year. Cash profits in Q2FY24 stood at Rs 6.39 crs vs Rs 1.30 crs in Q2 last year

For SNCL H1FY23 Revenue was up by 27% YoY at Rs.81.40 crs while EBITDA at Rs 20.38 crs vs a EBIDTA of Rs 6.79 crs in H1 last year with the PAT at Rs 2.63 crs vs a PAT of Rs 0.65 crs in H1 last year.

SNCL is a well-established large speciality Chemicals Player enjoying marquee customers –

SNCL is a prominent manufacturer specializing in intermediate specialty chemicals. SNCL operates from its state-of-the-art manufacturing facility situated in the Roha & with 80% of the company's sales being dedicated to exports to highly developed markets, such as Japan, China, Switzerland, the United States, Germany, other parts of Europe, South Korea. SNCL's marquee customers include L'Oreal, Bayer Crop Science, Huntsman Advanced Materials, Teijin, Mitsui Chemicals, IPCA, Ricoh Paper, Koehler Paper, Mitsubishi Paper. SNCL's products find applications across sectors like Agro Chemicals, Aramide Fibre, Pharmaceuticals, Developers, Hair Colors, Dyes, Specialized Resins, Performance Chemicals, Optical Brightening Agents, Rubber Chemicals, Aerospace, Electronic Chemicals, Military Applications, Thermal Paper Intermediates etc

KEY DATA

FACE VALUE Rs	10.00
DIVD YIELD %	NA
52 WK HI/LOW	121/66
NSE CODE	SADHANANI
BSE CODE	SADHANANI
MARKET CAP	RS 2120 CRS

SHAREHOLDING PATTERN

PROMOTERS	-	71%
BANKS, MFs & DIIs	-	%
FIIs	-	%
PUBLIC	-	29%

KEY FUNDAMENTALS

YE	FY24	FY25	FY26
Rev Gr%	23	70	50
EBIDTA Gr%	133	78	55
PAT Gr%	400	180	79
EPS Gr%	243	180	79
EPS (Rs)	5.15	14.42	25.76
ROE %	6	13	21
ROCE %	8	12	18
P/E(x)	17	6	3

Sadhana Nitro Chem Group (SNCL) Profile & its Execution abilities –

Business Profile –

SNCL is promoted & is headed by Mr Asit Javeri & Mr Abhishek Javeri who are the Promoters, and deputed as Chairman & Managing Director & CFO of the company. Both of them are associated with the Company since its incorporation and are actively involved in the operations of the Company

Established in 1973, Sadhana Nitro Chem Ltd. (SNCL), is a leading manufacturer specializing in intermediate specialty chemicals. Operating from its state-of-the-art facility Roha, which is spread over 22 acres SNCL is a government recognised 2-Star Golden Export House, with 80% of the company's sales being dedicated to exports. SNCL has been awarded from the PLI scheme for manufacturing 36000 TPA of PAP in 2021, with the current production run rate of 3000 TPA.

SNCL has built a strong reputation of manufacturing quality products along with excellence in service to clients worldwide. Production of intermediates under strict quality standards has been the hallmark of SNCL's success in attuning and propelling it to customer requirements

SNCL is a chemical intermediate manufacturer that primarily makes Meta Amino Phenol (MAP), Aniline 2,5- Disulphonic acid and Colourformer ODB2**.** SNCL has always worked towards strengthening it's product offering through vertical integration & through multiple stages internally manufactures it's own MAP and Aniline 2,5 Disulphonic acid. From MAP it manufactures it's own Keto Acid, which is used for captive consumption to manufacture Colourformer (ODB2)

Thus SNCL has transformed into a fully integrated player by starting at the base of the value chain by acquiring benzene and manufacturing it's own Nitrobenzene which later is used to make further high value added products. Hence SNCL is not dependent on intermediate manufactures and insulated from stoppages and major price fluctuations created during shortages in the intermediate suppliers space

SNCL's focus on Research & Development, has helped it to set up a integrated manufacturing competencies which have been leveraged to produce 10 intermediates currently and has also received IS0 9001-2015, IS0 14001:20015 and OHSAS B.S. 18001:2007 certifications. More importantly SNCL's focus on waste management across products has resulted in liquid effluents generated in the factory going through primary secondary and tertiary treatment before discharge.

The resultant solid waste from the internal ETP plant is sent to the approved government waste management sites. Also all other solid waste is used as raw material to several other nearby industries such as Steel and Cement, Paper and Paver Block manufacturers

Key Products & Applications –

Product	Application
Nitrobenzene	Starting point
Metanilic Acid	Dye Intermediate
Meta Amino Phenol (MAP)	Intermediate for 12 applications including Aerospace, Cosmetics, Agro, Pharma, Military etc.'
Aniline 2.5 Disulphonic acid	Intermediate for OBA and dyes
1,2,3,4-Butanetetracarboxylic acid	Intermediate for Halogen light stabilizers
3,3 Dinitro Diphenyl Sulphone	Intermediate for Aerospace and lightweight resins
3,3 Di Amino Diphenyl Sulfone	Intermediate for Aerospace and lightweight Resins
Para Amino Phenol (pAP)	Intermediate for Paracetamol
ODB2	Colourformer used for thermal paper for labels, Point of Sales, Airline tickets, baggage tags.
Aniline Oil	Intermediate for dyes and pharma applications
DEAP	Intermediate for Dyes
PFD201	Developer for Thermal paper

Sadhana Nitro Chem Ltd.'s Facility has become the 2" Plant in the world to manufacture PAP from Nitrobenzene; and has received approval from the Maharashtra Pollution Control Board (MPCB) for consent to establish production of Para Aminophenol (PAP)

Producing PAP from Nitrobenzene methods ensures higher purity & SNCL's quality now surpasses standards set by its global competitors, including those from China with the PAP made by SNCL having garnered approval from global clients including Europe, Japan and Turkey

Producing PAP from Nitrobenzene, as against its manufacturing from Para Nitro Chloro Benzene (PNCB), offers several significant benefits. The PNCB method is marked by substantial effluent production, while the Nitrobenzene approach aligns with green chemistry principles, generating zero effluent. Notably, the PNCB process results in various chlorine-based contaminants, notably Para Chloro Aniline (PCA), a substance facing increasing restrictions due to its detrimental effects. In contrast, the Nitrobenzene method avoids using any chlorine-based ingredients, ensuring a product free from PCA and other harmful impurities.

The company has achieved its targeted levels of quality and production throughput. Further, it is committed to gradually expanding its supply of products to a broad range of clients, including both international and domestic customers. To support this goal, the company has undertaken an effort to expand its production capacity

SNCL has been awarded the PLI scheme for manufacturing 36000 TPA of PAP in 2021, with the current production run rate of 3000 TPA.

Meta Aminophenol/3- Amino Phenol –

This is used in 12 different specialised applications including cosmetics, modified para aramid fibres, aerospace, colourformers, developers, Epoxy Resins, Electronic Chemicals, Pharma, Agro chemicals, dyes etc

Along with being largest manufacturer of MAP globally, SNC is the only manufacture that has it's MAP qualified for every one of the 12 end applications of the product.

SNCL is the largest supplier of MAP to Loreal worldwide SNCL only supplier to several MNCs Growing usage in Agro chemicals

MAP is also known by other names like 3-aminophenol and 3-hydroxyanilline where a major production of MAP is done in North America, Asia Pacific & Europe. Growing awareness and consciousness towards beauty care, hair care, grooming and personal care coupled with advancements in these segments are expected to boost the demand for MAP significantly going ahead

Some of the major manufacturers of MAP include Chemielive Pharma, AHH Chemicals, Sarchem Labs, Sumitomo Chem, HOCL etc

ODB2 2-phenyl amino-3-methyl-6-dibutyl amino fluoran –

This is used in as a chemical in thermal paper application, widely used for credit card receipts, boarding passes, luggage tags, e-commerce slips etc. ODB 2 is backward integrated - NB to MAP and further MAP to Keto Acid, making it cost effective, quality controlled and reliable for regular supply to MNCs

Colourformer is the key raw material for the coating of thermal paper and is a derivative of MAP. Thermal papers are used in credit-card billing machines, adding machines, cash registers & will be a factor of growth in usage of cards

SNCL is the only ODB2 manufacturer in India. Hence, all MNCs looking for a second source of supply (Other than China) are keen to collaborate. SNCL's current plant capacity is 550 TPA while SNCL's recent expansion has taken the capacity to 2200 TPA

From 2024, SNCL will start in-house manufacturing of one of the key raw materials required for ODB2. This RM is currently being imported from China, which increases cost and uncertainty. With full plant integration SNCL will be the only ODB2 manufacturer across the Globe to have a fully Consolidated ODB2 plant, which is backward integrated from NB to ODB2, with all intermediates manufactured in-house. With the increase in capacity to 2200 TPA, SNCL is now the biggest and most efficient, low cost manufacturer in the World

PAP Para Amino Phenol –

Para Amino Phenol is the intermediate one step prior to the world's leading pain killer Paracetamol. It is also used in Aerospace, Cosmetics and others apart from it's primary usage. India needs 60000TPA of PAP to be imported from China for Paracetamol, however due to permanent shutdowns and effluent issues only 15000TPA per year is able to be imported

SNCL has been manufacturing Nitrobenzene since 1975. Through R&D, lab trials and pilot trials SNCL has built a patent pending process for manufacturing PAP from Nitrobenzene. This has been certified by both the ICT (formerly UDCT) & by the Department of Pharmaceuticals, moreover, the ICT has certified the process as being 100% effluent free and zero discharge.

The uniqueness of SNCL's process is that through a single stage Hydrogen Reduction of Nitrobenzene, PAP is created along with four other saleable co-products, Aniline, Ammonium Sulphate, Ortho Amino Phenol & 4,4, Oxy Dianiline. It is not only a cleaner process but also more sustainable than the current process manufactured through PNCB

SNCL has been awarded from the PLI scheme for manufacturing of 36000 TPA of PAP. The company is rapidly scaling at a current run rate of about 3000 TPA

SNCL's cost of manufacturing is sustainable in the long term as it is based on locally sourced raw materials in indigenously manufactured Nitrobenzene compared to PAP manufacturers that rely on PNCB procurement.

Para Aminophenol

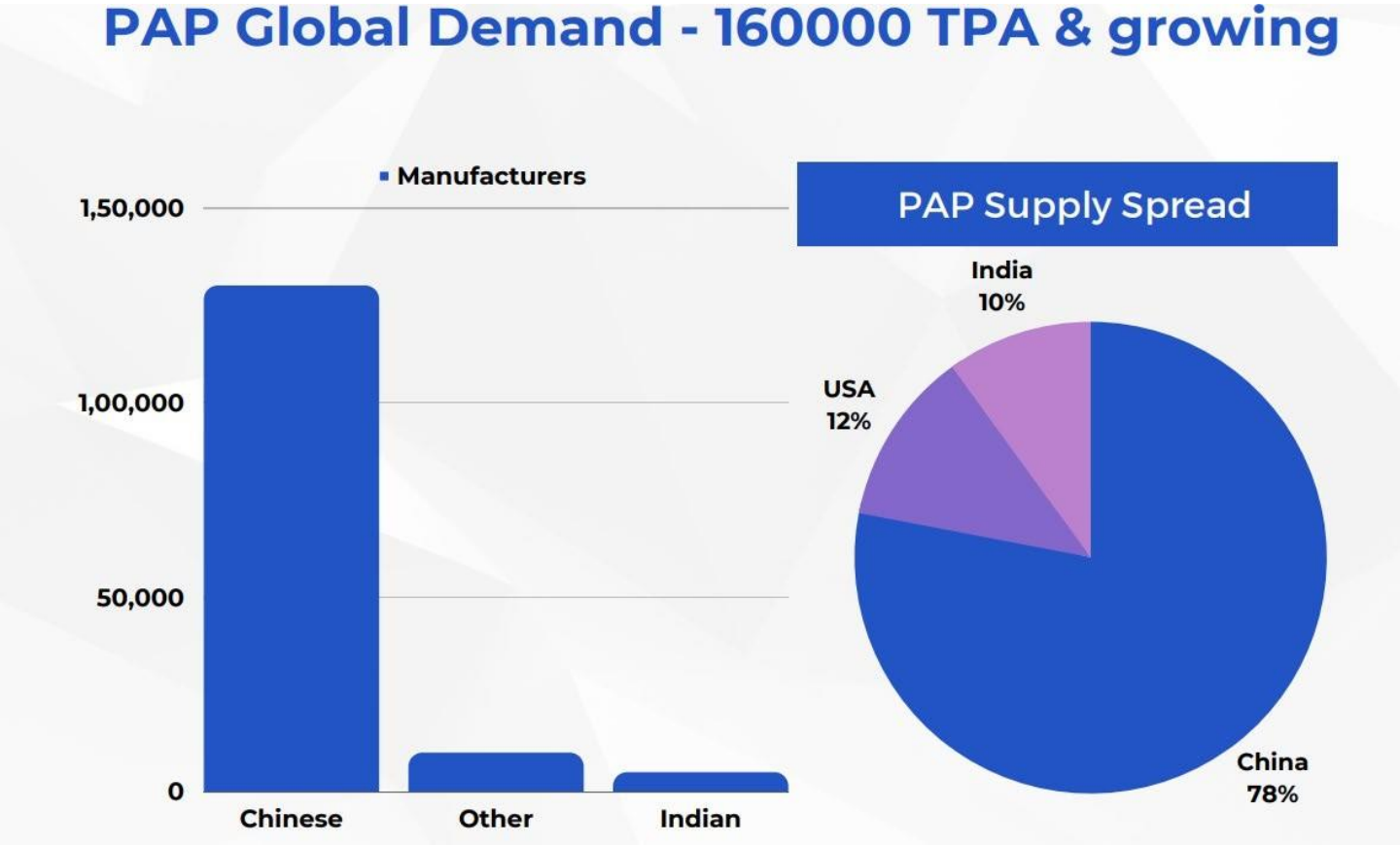
PNCB Route	NB Route
Highly Polluting	Ammonium Sulphate is a by-product which is a raw material for Fertilisers
Greyish product requiring 10% purification additional cost overhead	Pure white product
Permissions to manufacture are reducing due to polluting process	There is no effluent in this clean process and so permissions are easier
No reusable By-product	Aniline, OAP and ODA are co products which is used in the Dye, Tyre, Pharma, Electronic and Aerospace industries
High and unstable cost of production due to fluctuation PNCB prices	Lower cost of production giving long term competitiveness

Usage

Sadhana Nitro Chem is on the way to become the largest PAP manufacturer in the world and in subsequently one of the top 3 Paracetamol manufacturers in the world.

Supply

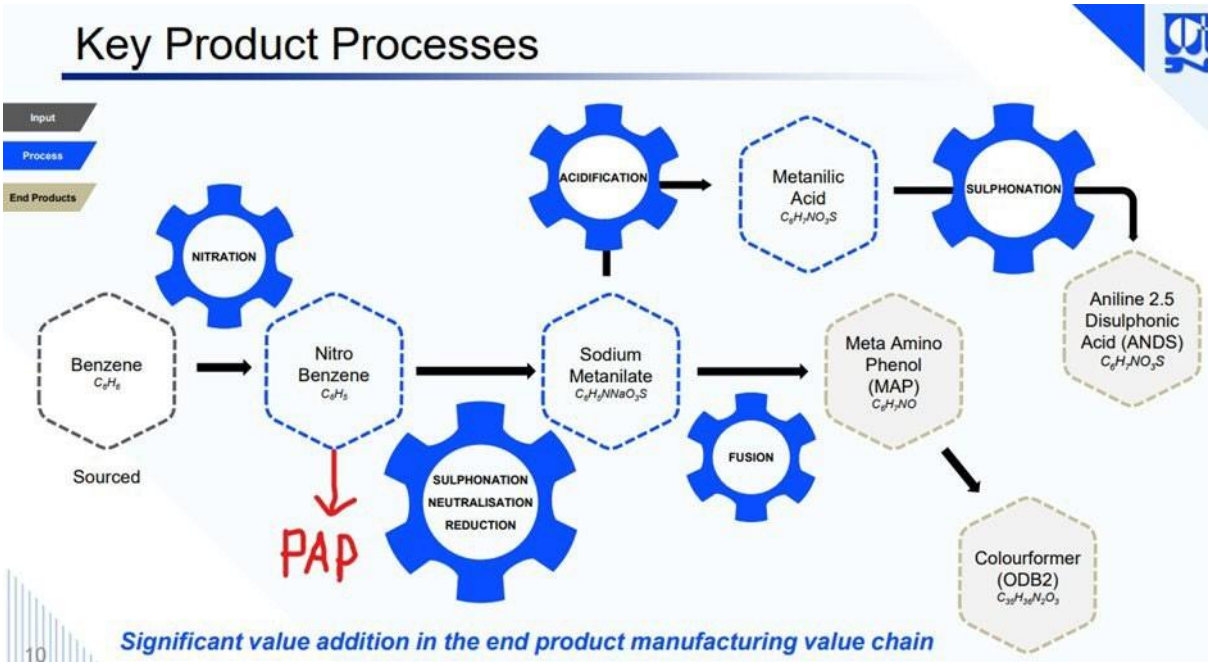
Supply in China before shutdowns 150,000 TPA
Supply in China post shutdowns 80,000-100,000 TPA



The PAP industry expects prices of paracetamol raw materials & the bulk drug to revert back to normal in a couple of quarters going ahead. Asia pacific is anticipated to witness the highest growth in the PAP market due to rising product demand as an intermediate in the pharma industry, rapid growth in the cosmetics industry in north america, and increasing use of the PAP product in the coating industry in Europe and also due to rising product adoption from the rubber industry in Middle East and Africa

The widely used way to manufacture paracetamol is via PNCB (Para Nitro Chloro benzene) route and the NB (Nitrobenzene) route. PNCB to PAP is a well established route while NB to PAP is difficult to manufacture but is more environmentally friendly to produce PAP

Many players have tried to manufacture PAP via the NB route but have not succeeded owing to the complicated technology involved. The process of manufacture of PAP from MB is also a shorter process involving hydrogeneration of nitrobenzene in a single step reaction to PAP using certain noble metals as catalysts. SNCL has succeeded in manufacturing PAP from NB which is validated now by its global customers wherein we expect stable supplies from April 2024 onwards



Product Capacities –

PRODUCT	TPA	PRODUCT	TPA
MAP	2500	PARA AMINO PHENOL (PAP)	3000
BTCA	500		
ANILINE 2,5	1400	ANILINE	600
ODB2	2200	AMMONIUM SULPHATE	4500
PFD201	250	OAP	60
3,3 DNDS	300	4,4 ODA	150
NB	12000		
DEMAP	500		

SNCL enjoys marquee customers some of which include –



Nitro Benzene (NB) –

Nitro Benzene is primarily jused as a precusor for Anilline – its feedstock is benzene which on nitration produces NB and can be selectively reduced to azobenzene, hydrazobenzene, azoxybenzene etc. Globally NB market size was estimated at US 12.5 bn which is expected to grow by 6% by 2031

Factors that can lead to expansion of the NB market are expansion of the construction industry, increasing demand for rubber in the Automotive sector, urbanization in developed & developing countries & increase in demand for fertilisers in the agriculture segment. NB is used in manufacture of aniline, with applications in agricultural, polymers, leather, automotive, pharma, chemicals, dyes, pesticides and synthetic rubber

Globally NB is dominated by Asia Pacific in terms of demand whereas US dominates North America due to high demand from construction, automotive and electronics sectors. Europe & Germany are also large players in NB catering to these industry segments

Aniline –

As per verifiedmarketresearch.com the aniline market size was valued at 7.38 MT in 2020 and is projected to reach 12 MT growing at a CAGR of 5% till 2028. The market by application is bifurcated in to dyes and pigments, MDI, Plant protecting products, rubber chemicals pharma etc.

Some of the major triggers propelling the growth of demand for aniline are increasing use of this as a raw material in production of several end use industrial products, textile dyes, rubber industry, pharma and synthetic sweetners manufacturing gelatin, nirotoulene, nitrogen benzene and some more applications in the explosive industry

What makes SNCL's business so attractive –

Key Competitive Moats enjoyed by SNCL –

SNCL is fully integrated with focus on cost optimization & clean environment - SNCL enjoys a fully integrated business model where in a majority of SNCL's revenue comes from exports (65-70%) and its major clients are L'oreal, Huntsman Advanced Materials, Tejin and Bayer Crop Science etc where in SNCL's expertise lies in a niche segment of the nitrobenzene value chain, for which it sources raw materials like benzene, nitric acid, caustic potash, sulphur based chemicals and iron powder

Currently Nitrobenzene, Meta Amino phenol (MAP), Metanilic acid, Aniline, Ortho Aminophenol, Para Amino Phenol, Ammonium sulphate, diethyl keto acid etc.Currently 99% of revenue comes from chemical intermediates and 35% revenue is from MAP & OBD2 with 65-75%+ exports

Historically, volatility in basic chemical prices has been a key operational risk for the company. However, it manufactures the main intermediate, nitrobenzene, to meets its requirement. This is a key positive for the company as not only does it aid margins but it also insulates the company from the sourcing risk

First Mover Advantage, in PAP using a new process technology –

SNCL has been awarded Production Linked Incentives (PLI) from the govt of India for PAP plants of 36000 tpa. SNCL has commenced production of its first PAP plant in June 2022 & post commercialization of the PAP plant has successfully stabilized both production and quality during the Q2FY23.

Through R&D, lab trials and pilot trials SNCL has built a patent pending process for manufacturing PAP from Nitrobenzene.

This has been certified by both the ICT (formerly UDCT) & by the Department of Pharmaceuticals, moreover, the ICT has certified the process as being 100% effluent free and zero discharge

SNCL has succeeded in manufacturing PAP from NB which is validated now by its global customers wherein we expect stable supplies from April 2024 onwards. SNCL has spent 5 years of hardwork having invested Rs 100 crs on this project to start producing PAP and the opportunity that the company is having with great technology process superiority and also team understanding to convert the batch process to continuous process looks promising

Many players have tried to manufacture PAP via the NB route but have not succeeded owing to the complicated technology involved. Key competitive advantages enjoyed by SNCL in PAP would be green & clean technology (only player in India) cheaper raw material where it can scale up its operations significantly going ahead

Finest processes for Safety, Hygiene and Maintenance –

SNCL’s PAP facility is the world's second plant to manufacture pAP from Nitrobenzene, for producing Paracetamol, amongst other prescription drugs.

Producing pAP from Nitrobenzene, as against its manufacturing from Para Nitro Chloro Benzene (PNCB), offers several significant benefits. The PNCB method is marked by substantial effluent production, while the Nitrobenzene approach aligns with green chemistry principles, generating zero effluent

To ensure the plant's stability and product quality, the company conducted over 100 batch runs while transitioning to continuous production mode. The switch from batch to continuous production necessitated adjustments in vessel alignment, piping, and instrumentation, a process that spanned six months. SNCL has consequently garnered product approvals from customers in regions like Europe, Japan, & Turkey

Top Quality Management –

SNCL was founded by the Javeri family, and its current management has been in the benzene-based compounds business for over 30 years & the present management's industry experience, and ability to withstand business cycles is well established

Currently the promoter team is headed by Mr Asit Javeri & Mr Abhishek Javeri who are the Promoters, & designated as Chairman & Managing Director, CFO of the company

Long runway for growth with multiple growth levers –

SNCL is in a sweet spot with a long runway for growth. Some of the Growth levers available include

PAP market opportunity both globally & domestically presents a huge scale up opportunity ahead –

Para Amino Phenol is the intermediate one step prior to the world's leading pain killer Paracetamol. It is also used in Aerospace, Cosmetics and others apart from it's primary usage. India needs 60000TPA of PAP to be imported from China for Paracetamol, however due to permanent shutdowns and effluent issues only 15000TPA per year is able to be imported

The uniqueness of SNCL's process is that through a single stage Hydrogen Reduction of Nitrobenzene, PAP is created along with four other saleable co-products, Aniline, Ammonium Sulphate, Ortho Amino Phenol & 4,4, Oxy Dianiline. This helps the company as it is able to generate revenue from all these products

What is important is that PAP is largely a imported product from china and with the company ramping up its PAP capacity with PLI benefits also coming in we expect a significant increase in volumes from April 2024 onwards going ahead

Key Weakness –

Since raw materials form an important component of the company's value chain, foreign exchange, cost and availability of some of the key raw materials like benzene, nitric acid, caustic potash, Sulphur based chemicals, iron powder are an area of concern

Recent Developments –

Sadhana Nitro Chem Ltd will be setting up a 15-20 MW Green Hydrogen Facility for captive usage (self-consumption). The company will set up a green hydrogen facility, based on a solar plant and wind farm with a capacity of 15MW-20MW.

The company board has approved a rights issue, subject to necessary approvals from regulatory authorities. The rights shares is being offered at Rs. 121 per share (a premium of Rs. 120), and the company will look to raise up to a total of Rs. 49.95 Crs

The funds of the rights issue will be predominantly used for acquisition of a 126-acre land plot. This land will be strategically employed for the establishment of both a solar power facility and a wind energy installation.

These sustainable energy sources will be harnessed to generate electricity, which, in turn, will be utilised for the production of green hydrogen via water electrolysis. This green energy expansion offers the company strategic advantage of backward integration, with control over its energy supply. Further, any surplus green hydrogen produced will be made available for sale to external parties.

Green hydrogen refers to hydrogen produced through a process that uses renewable energy sources, such as wind, solar, or hydroelectric power, to power the electrolysis of water.

The electrolysis process involves splitting water molecules (H20) into hydrogen (H2) and oxygen (02), without generating carbon emissions. This method contrasts with traditional hydrogen production, such as steam methane reforming, which relies on fossil fuels and generates greenhouse gas emissions.

By utilizing solar and wind power, the entire hydrogen production cycle becomes sustainable and emission free. Green hydrogen holds immense promise as a clean, sustainable energy carrier

Green hydrogen facility is expected to yield substantial cost savings, significantly increasing to the company’s bottom line. Beyond financial gains, this expansion offers it a strategic advantage through backward integration, giving it a greater control over its supply chain

SNCL enjoys a strong balance sheet with huge scalability potential going ahead –

SNCL runs a strong business model covering multiple product segments across multi locations while it continues to invest on a sustained basis largely from its internal accruals and some debt funding

We expect that going ahead overall bottomline growth in the next 3 years starting FY23 onwards should easily increase at a CAGR of 75-80% with PAT estimated at Rs 75 crs by FY26 from Rs 15 crs estimated in FY24 and with capex funded largely from internal cash flows.

What is important is that going ahead due to improved profitability largely due to the stabilization of the new PAP facility, higher contribution from MAP and OBD2 will improve cash flows significantly going ahead

We believe the biggest & strongest moat the company enjoys is its technical expertise of manufacturing PAP and since it is a integrated player, gives it a strong edge over competition. Also in PAP looking at the supply gap and rising demand both in india and globally there is virtually no other player which can directly compete with SNCL for PAP made via NB which puts it in on a monopolistic positioning

More important now for the company is execution which we believe will get reflected from FY25 onwards in terms of financial numbers going ahead

Business Outlook & Stock Valuation –

On a rough cut basis, in FY24E, Topline is expected to touch Rs 176 crs, followed by Rs 300 crs in FY25E and Rs 450 crs in FY26E

On the bottomline level we expect the company to record a PAT of Rs 15 crs in FY24E which is expected to bounce back to Rs 42 crs in FY25 and Rs 75 crs in FY26

Thus on a conservative basis, SNCL should record a EPS of Rs 5.15 for FY24E. For FY25E and FY26E our expectation is that earnings traction for SNCL would continue to be strong wherein we expect a EPS of Rs 14.42 and Rs 25.76 respectively.

Also another attractive point for SNCL is that EPS growth over the next four years between FY23 to FY26 is expected to average 80-100% plus YoY. On the other Cash earnings in absolute terms are expected to touch Rs 61 crs & Rs 98 crs in FY25 and FY26 respectively which is another positive

The company management is confident of improving EBIDTA margins in going ahead via operational efficiency and better product mix.

Looking at SNCL's steady financial track record, strong product domain and dominant market share and strong promoters we expect the stock to get re-rated in the future.

Hence we believe that the SNCL stock should be purchased at the current price for a price target of around Rs 204 over the next 18 months

FINANCIALS

For YE March RsCrs	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Net Sales	106.00	103.00	132.00	143.00	176.42	300.00	450.00
EBIDTA	29.00	23.00	15.00	21.00	48.88	87.00	135.00
EBIDTA %	27.36	22.33	11.36	14.69	27.71	29.00	30.00
Interest	3.00	3.00	5.00	10.00	15.50	13.50	13.00
Depreciation	6.00	6.00	6.00	8.00	15.00	19.00	23.00
Non Op Other Income	2.00	5.00	5.00	2.00	1.50	1.50	1.50
Profit Before Tax	22.00	19.00	9.00	6.00	19.88	56.00	100.50
Profit After Tax	15.00	16.00	6.00	3.00	15.00	42.00	75.00
Diluted EPS (Rs)	16.67	11.43	3.00	1.50	5.15	14.42	25.76
Cash Profits	21.00	22.00	12.00	11.00	30.00	61.00	98.00
CPS Rs	23.33	15.71	6.00	5.50	10.30	20.95	33.65
Equity Capital	9.00	14.00	20.00	20.00	29.12	29.12	29.12
Reserves	107.00	116.00	116.00	208.00	268.82	310.82	385.82
Borrowings/Lease	46.00	83.00	116.00	139.00	150.00	125.00	110.00
Gross Block	114.83	115.83	163.41	199.89	229.89	254.89	284.89
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source Company our Estimates

KEY CONCERNS

Any major correction globally in product prices can severely impact company’s profitability as a large portion of revenues come from exports

Since raw materials form an important component of the company's value chain, foreign exchange, cost and availability of some of the key raw materials like benzene, nitric acid, caustic potash, Sulphur based chemicals, iron powder are an area of concern