

Jan-Mar'24 Earnings Preview

Sequential Recovery Expected

Specialty chemical companies within our coverage are anticipated to report another challenging quarter, with 8/28/38% YoY drop in Rev/EBITDA/PAT. These declines are primarily attributed to sustained demand pressure and reduced realization stemming from Chinese dumping. However, we anticipate a modest improvement on a sequential basis for most companies within our universe, as the destocking nears completion and some gradual improvement in the realization is witnessed for a few chemicals. Despite this short-term relief, the chemical sector is expected to face continued strain. This is largely due to China's ongoing capacity expansions and the anticipated increase in capacity utilization within the EU27, which will further dampen demand and prices. Our [Recent report](#), highlights the prolonged challenges ahead for Indian chemical companies.

- **Key Feedstock prices experiencing downturn:** Crude oil prices have remained relatively stable YoY. However, key raw materials like Phenol, Ammonia, Sulfuric Acid, and Rapeseed oil have experienced decline of 7%/24%/11%/12% respectively. Conversely, Benzene prices have risen by 5%, while Toluene has seen a decline of 6% YoY. The impact of the Red Sea crisis is becoming evident, with freight costs witnessing a steep increase.
- **Inventory destocking almost over:** Most of the companies within our coverage have stated that destocking has almost come to an end or will be concluded in the upcoming quarters post which they expect demand recovery.
- **LNG prices cooling off:** Brent saw a modest 1% YoY decline and was up 2% QoQ, currently standing at USD90/bbl. Spot LNG prices have experienced a significant downturn, plummeting by 18% YoY and 28% QoQ after being exceptionally high last year.

Although we remain cautious on the sector we see some upside on below two stocks:

- **Navin Fluorine International Ltd (NFIL):** We expect Revenue to be flat on QoQ basis, with marginal improvement in EBITDA margin from 15.1% in Q3FY24 to 17.5% in Q4FY24. Our long term outlook on the company remains intact. We believe, investment of the company in HPP, Specialty and CDMO business over FY24-25E. to drive long term growth story. Despite a sluggish FY24E, we expect 14% CAGR in EPS during FY23-26E. With a target price of Rs3,929, we recommend a Buy rating on the stock.
- **Vinati Organics Ltd:** As upstream oil companies focus more on EOR, demand for ATBS will aid the revenue growth of the company. Destocking is largely over for major products like ATBS, IBB, IB and Butyl Phenol, all major plants have ramped up utilization. Additionally, the company will be launching several projects in FY25. We expect Rev/EBITDA/PAT to decline by 8%/28%/40% YoY, on QoQ basis with significant improvement to be visible only in FY25.

April 9, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Aarti Industries	Reduce	705	599
Clean Science and Technology	HOLD	1,335	1,386
Deepak Nitrite	Reduce	2,208	1,985
Fine Organic Industries	HOLD	4,361	4,351
Gujarat Fluorochemicals	HOLD	3,270	3,313
Jubilant Ingrevia	HOLD	486	480
Laxmi Organic Industries	SELL	251	206
Navin Fluorine International	BUY	3,093	3,929
NOCIL	Reduce	266	249
SRF	Reduce	2,614	2,222
Vinati Organics	HOLD	1,489	1,554

Source: PL Acc=Accumulate

Top Picks

Navin Fluorochemical International

Vinati Organics

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Exhibit 2: Sequential Improvement in Basic Chemicals

Commodity	Curr/Unit	Q4FY24 (Avg)	Q3FY24 (Avg)	Q4FY23 (Avg)	% Change (YoY)	% Change (QoQ)	Latest Price
Caustic Soda	USD/MT	429	426	530	-19%	1%	490
Soda Ash	USD/MT	280	323	353	-21%	-13%	237
Acetic Acid	CNY/MT	3085	3266	3100	0%	-6%	3,050
Ethyl Acetate	CNY/MT	6412	6626	6633	-3%	-3%	6,000
Phenol	USD/MT	984	1030	1060	-7%	-5%	950
PET	CNY/MT	7223	7174	7496	-4%	1%	7,325
Phthalic Anhydride	CNY/MT	7467	7396	8300	-10%	1%	7,650
TDI	CNY/MT	16834	17244	19000	-11%	-2%	15,400
Ammonia	USD/MT	478	602	630	-24%	-21%	455
Sulfuric Acid	CNY/MT	225	288	254	-11%	-22%	330
Benzene	USD/MT	1005	893	960	5%	13%	1,080
Toluene	USD/MT	860	852	915	-6%	1%	930
Crude Oil (Brent)	USD/BBL	82	80	83	-1%	2%	91
Natural Gas	USD/MMBtu	2	3	3	-18%	-28%	1.8
Rapeseed Oil	EUR/MT	890	908	1012	-12%	-2%	945
Baltic Dry Index (RHS)	Index	1838	2096	1020	80%	-12%	1,628
Freightos Index (China to US East Coast Index)		5775	2391	2454	135%	141%	4,416
USDINR		83	83	82	1%	0%	83

Source: Industry, PL Highlights - Light Green for >5% price increase; Light Red for >5% price decline

Exhibit 3: Q4FY24 Result Preview

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Aarti Industries	Sales	20,846	16,550	26.0	17,320	20.4	We anticipate sequential performance improvement, primarily led by a robust export which in turn is largely volume led. Expect stable margins.
	EBITDA	2,989	2,510	19.1	2,600	15.0	
	Margin (%)	14.3	15.2	-83 bps	15.0	-67 bps	
	PBT	1,395	1,340	4.1	1,170	19.3	
	Adj. PAT	1,462	1,480	(1.2)	1,240	17.9	
Clean Science and Technology	Sales	2,055	2,169	(5.3)	1,947	5.5	We anticipate a marginal improvement in revenue. Gross margins are projected to remain flat, with a slight improvement in EBITDAM from 44.4% in Q3FY24 to 45.5% in Q4FY24.
	EBITDA	936	1,051	(10.9)	864	8.3	
	Margin (%)	45.5	48.5	-290 bps	44.4	118 bps	
	PBT	878	1,075	(18.4)	827	6.1	
	Adj. PAT	672	805	(16.6)	624	7.7	
Deepak Nitrite	Sales	20,850	19,614	6.3	20,092	3.8	YoY, the ramp up in phenol capacity expansion would help, but phenol spreads over benzene/propylene remain subdued ~16% QoQ; expect sequential weakness in phenolics.
	EBITDA	3,329	3,480	(4.3)	3,047	9.3	
	Margin (%)	16.0	17.7	-178 bps	15.2	80 bps	
	PBT	2,839	3,152	(9.9)	2,736	3.8	
	Adj. PAT	2,183	2,339	(6.7)	2,020	8.0	
Fine Organic Industries	Sales	4,520	6,986	(35.3)	4,258	6.2	We expect demand slowdown to continue especially in US and Europe, we expect the sales to go up 6% QoQ, on YoY a decline of 35% is expected
	EBITDA	982	1,873	(47.6)	924	6.3	
	Margin (%)	21.7	26.8	-508 bps	21.7	3 bps	
	PBT	989	1,863	(46.9)	946	4.5	
	Adj. PAT	740	1,381	(46.4)	697	6.2	
Gujarat Fluorochemicals	Sales	10,846	14,714	(26.3)	9,917	9.4	Exports remain weak; expect sequential decline of 26% in sales with marginal improvement in EBITDAM.
	EBITDA	2,191	5,293	(58.6)	2,151	1.9	
	Margin (%)	20.2	36.0	-1577 bps	21.7	-149 bps	
	PBT	1,302	4,493	(71.0)	1,192	9.2	
	Adj. PAT	717	3,319	(78.4)	890	(19.4)	

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Jubilant Ingrevia	Sales	10,308	11,450	(10.0)	9,664	6.7	Speciality: Marginally better than previous quarter, but margin pressure remains due to China dumping NHS: Market is recovering, pricing improvement expected Chemical Intermediate: Subdued demand, pricing pressure amidst poor acetic acid prices & poor demand from agro chemical
	EBITDA	1,032	1,021	1.1	956	8.0	
	Margin (%)	10.0	8.9	110 bps	9.9	12 bps	
	PBT	601	755	(20.4)	550	9.1	
	Adj. PAT	600	523	14.7	384	56.1	
Laxmi Organic Industries	Sales	7,112	7,332	(3.0)	6,943	2.4	Revenue expected to be flat on QoQ basis, volumes have been low due to weak global demand. Delay in Capex has also hindered the revenue growth numbers.
	EBITDA	599	607	(1.3)	523	14.7	
	Margin (%)	8.4	8.3	15 bps	7.5	90 bps	
	PBT	356	427	(16.6)	296	20.6	
	Adj. PAT	304	243	24.8	272	11.5	
Navin Fluorine International	Sales	4,976	6,971	(28.6)	5,018		Overall export appears bleak sequentially, we expect marginal decrease in the revenue and some improvement in EBITDAM
	EBITDA	868	2,018	(57.0)	757	14.8	
	Margin (%)	17.5	28.9	-1149 bps	15.1	237 bps	
	PBT	550	1,842	(70.2)	450	22.1	
	Adj. PAT	134	1,364	(90.2)	259	(48.3)	
NOCIL	Sales	3,344	3,927	(14.8)	3,406	(1.8)	We expect 1-2% recovery in EBITDA margin on QoQ basis. Export appears bleak sequentially.
	EBITDA	470	497	(5.5)	477	(1.6)	
	Margin (%)	14.0	12.7	138 bps	14.0	4 bps	
	PBT	354	385	(8.2)	402	(12.0)	
	Adj. PAT	266	283	(6.0)	298	(10.6)	
SRF	Sales	32,902	37,781	(12.9)	30,530	7.8	We expect some improvement in Chemicals segment driven by increase in realisation of refrigerant gases. We expect 10% QoQ improvement in sales.
	EBITDA	6,263	9,316	(32.8)	5,658	10.7	
	Margin (%)	19.0	24.7	-562 bps	18.5	50 bps	
	PBT	4,118	7,334	(43.9)	3,483	18.2	
	Adj. PAT	3,432	5,625	(39.0)	2,534	35.4	
Vinati Organics	Sales	4,677	5,034	(7.1)	4,480	4.4	Demand for ATBS and IBB has shown improvement, and the destocking issue that hindered performance in past quarters has almost phased out. Consequently, we anticipate a slight sequential improvement in overall performance.
	EBITDA	1,180	1,523	(22.5)	1,146	2.9	
	Margin (%)	25.2	30.3	-503 bps	25.6	-36 bps	
	PBT	1,076	1,561	(31.1)	1,031	4.3	
	Adj. PAT	807	1,154	(30.0)	769	4.9	

Source: Company, PL



Exhibit 4: Valuation Summary

Company Names	S/C Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
					FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Aarti Industries	C Reduce	705	599	255.6	66.2	66.8	83.3	95.7	10.9	9.9	13.5	15.1	5.5	4.3	6.0	6.4	15.0	11.9	16.6	17.6	11.6	8.6	11.2	11.0	46.9	59.0	42.4	40.0
Clean Science and Technology	C HOLD	1,335	1,386	141.8	9.4	7.7	8.9	10.0	4.0	3.3	3.6	4.1	3.0	2.4	2.6	2.9	27.8	22.7	24.3	27.7	33.2	21.8	19.6	19.1	48.0	58.8	55.0	48.2
Deepak Nitrite	C Reduce	2,208	1,985	301.2	79.7	76.4	82.2	91.3	12.9	11.5	14.5	16.2	8.5	7.8	9.3	10.4	62.5	56.8	68.3	76.3	22.9	17.5	18.0	17.2	35.3	38.8	32.4	28.9
Fine Organic Industries	S HOLD	4,361	4,351	133.7	30.3	18.8	19.8	20.7	7.8	4.5	4.2	4.5	5.9	3.4	3.2	3.5	192.6	110.0	104.9	114.5	47.6	20.6	17.2	16.7	22.6	39.6	41.6	38.1
Gujarat Fluorochemicals	C HOLD	3,270	3,313	359.2	56.8	42.3	48.8	61.9	19.7	9.9	12.4	17.1	12.5	4.9	6.2	9.1	113.5	45.0	56.1	82.8	25.5	8.6	9.8	13.0	28.8	72.6	58.3	39.5
Jubilant Ingrevia	C HOLD	486	480	77.3	47.7	40.6	47.0	53.6	5.5	4.0	5.0	5.4	3.1	1.7	2.5	2.8	19.3	10.5	15.5	17.8	12.1	6.1	8.5	9.0	25.1	46.2	31.4	27.4
Laxmi Organic Industries	C SELL	251	206	66.2	28.0	27.9	32.5	36.1	2.4	2.3	3.4	4.0	1.2	1.1	1.7	2.3	4.7	4.0	6.6	8.6	9.2	7.3	10.9	12.8	53.4	62.1	38.2	29.2
Navin Fluorine International	C BUY	3,093	3,929	153.2	20.8	19.6	26.4	32.0	5.5	3.8	6.3	8.4	3.8	1.9	4.1	5.6	75.7	37.8	81.9	112.2	18.6	8.2	15.9	18.8	40.8	81.8	37.8	27.6
NOCIL	S Reduce	266	249	44.4	16.2	14.2	16.4	18.9	2.5	2.0	2.5	3.0	1.5	1.2	1.5	1.9	9.0	7.1	8.9	11.3	10.0	7.4	8.9	10.6	29.8	37.6	30.0	23.5
SRF	C Reduce	2,614	2,222	774.9	148.7	126.9	146.1	161.4	35.3	23.5	30.4	35.4	21.6	10.9	15.3	18.0	72.9	36.9	51.5	60.6	22.9	10.1	12.8	13.4	35.8	70.9	50.8	43.1
Vinati Organics	S HOLD	1,489	1,554	153.1	20.7	18.1	20.8	24.4	5.6	4.5	5.1	6.0	4.1	3.1	3.6	4.3	39.9	30.5	35.0	41.5	20.3	13.3	13.7	14.5	37.3	48.8	42.6	35.9

Source: Company, PL S=Standalone / C=Consolidated / Acc = Accumulate



Exhibit 5: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Aarti Industries	Reduce	Reduce	599	599	0.0%	66,846	66,846	0.0%	83,284	83,284	0.0%	4,332	4,039	7.2%	6,034	6,034	0.0%	11.9	11.1	7.2%	16.6	16.6	0.0%
Clean Science and Technology	HOLD	HOLD	1,386	1,425	-2.8%	7,694	7,769	-1.0%	8,856	8,877	-0.2%	2,414	2,261	6.7%	2,579	2,654	-2.8%	22.7	21.3	6.7%	24.3	25.0	-2.8%
Deepak Nitrite	Reduce	Reduce	1,985	1,985	0.0%	76,406	76,406	0.0%	82,181	82,181	0.0%	7,753	8,261	-6.2%	9,309	9,309	0.0%	56.8	60.6	-6.2%	68.3	68.3	0.0%
Fine Organic Industries	HOLD	HOLD	4,351	4,575	-4.9%	18,816	18,816	0.0%	19,757	19,757	0.0%	3,373	3,365	0.2%	3,217	3,212	0.2%	110.0	109.8	0.2%	104.9	104.8	0.2%
Gujarat Fluorochemicals	HOLD	HOLD	3,313	3,727	-11.1%	42,324	41,712	1.5%	48,750	48,750	0.0%	4,945	4,793	3.2%	6,164	6,169	-0.1%	45.0	43.6	3.2%	56.1	56.2	-0.1%
Jubilant Ingrevia	HOLD	HOLD	480	497	-3.4%	40,621	47,223	-14.0%	47,036	54,255	-13.3%	1,674	2,791	-40.0%	2,464	3,600	-31.6%	10.5	17.6	-40.0%	15.5	22.6	-31.6%
Laxmi Organic Industries	SELL	SELL	206	221	-6.6%	27,913	26,646	4.8%	32,475	32,185	0.9%	1,066	846	26.0%	1,733	1,598	8.5%	4.0	3.2	26.0%	6.6	6.1	8.5%
Navin Fluorine International	BUY	BUY	3,929	3,727	5.4%	19,624	19,624	0.0%	26,409	26,409	0.0%	1,874	1,957	-4.2%	4,058	3,825	6.1%	37.8	39.5	-4.2%	81.9	77.2	6.1%
NOCIL	Reduce	Reduce	249	254	-2.0%	14,226	14,510	-2.0%	16,431	16,759	-2.0%	1,178	1,198	-1.7%	1,478	1,506	-1.9%	7.1	7.2	-1.7%	8.9	9.0	-1.9%
SRF	Reduce	Reduce	2,222	2,127	4.5%	1,26,947	1,28,972	-1.6%	1,46,056	1,48,411	-1.6%	10,923	12,895	-15.3%	15,261	16,426	-7.1%	36.9	43.5	-15.3%	51.5	55.4	-7.1%
Vinati Organics	HOLD	HOLD	1,554	1,626	-4.4%	18,096	18,571	-2.6%	20,791	21,313	-2.5%	3,134	3,253	-3.7%	3,596	3,726	-3.5%	30.5	31.7	-3.7%	35.0	36.2	-3.5%

Source: Company, PL C=Current / P=Previous / Acc=Accumulate / UR=Under Review

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	663
2	Ashok Leyland	BUY	210	176
3	Bajaj Auto	Sell	6,300	9,010
4	Bharat Forge	Accumulate	1,270	1,146
5	Bharat Petroleum Corporation	Sell	504	592
6	Bharti Airtel	Accumulate	1,225	1,134
7	CEAT	Accumulate	2,980	2,686
8	Clean Science and Technology	Hold	1,425	1,461
9	Deepak Nitrite	Reduce	1,985	2,283
10	Divgi Torqtransfer Systems	BUY	1,135	843
11	Eicher Motors	Accumulate	4,215	4,031
12	Endurance Technologies	Hold	1,980	1,900
13	Exide Industries	Accumulate	350	322
14	Fine Organic Industries	Hold	4,575	4,496
15	GAIL (India)	Sell	162	201
16	Gujarat Fluorochemicals	Hold	3,727	3,616
17	Gujarat Gas	Hold	548	565
18	Gujarat State Petronet	Accumulate	399	378
19	Hero Motocorp	Accumulate	5,070	4,525
20	Hindustan Petroleum Corporation	Reduce	400	462
21	Indian Oil Corporation	Sell	144	170
22	Indraprastha Gas	Sell	383	475
23	Jubilant Ingrevia	Hold	497	484
24	Laxmi Organic Industries	Sell	221	271
25	Mahanagar Gas	Sell	1,125	1,485
26	Mahindra & Mahindra	BUY	2,306	2,013
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,350	12,422
29	Navin Fluorine International	BUY	3,727	3,018

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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