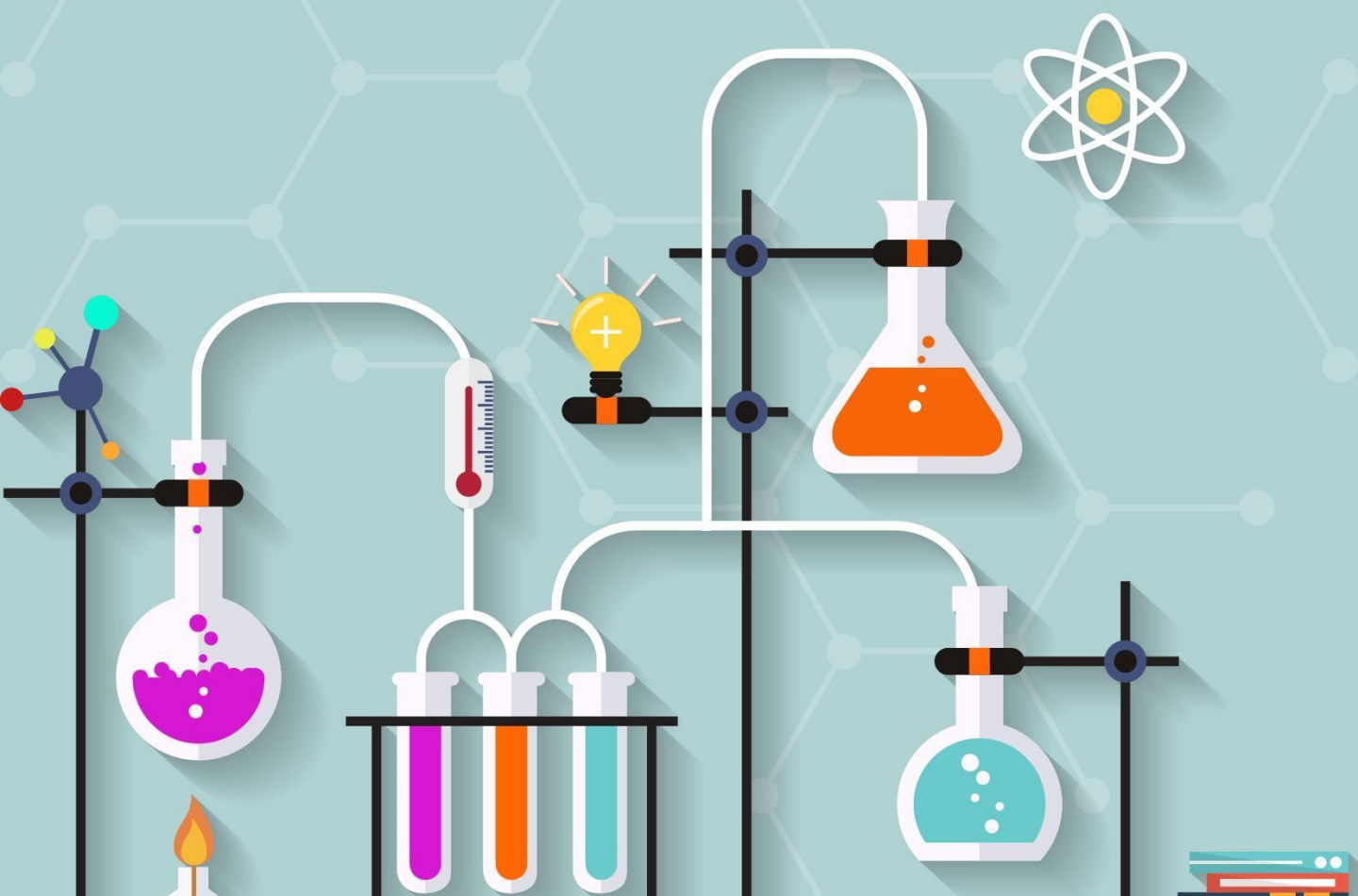




Tatva Chintan Pharma Chem Ltd

Q3FY25



Tatva Chintan Pharma Chem Ltd.

Outlook remains uncertain with lack of visibility in the key SDA segment

CMP INR 778	Target INR 761	Potential Upside (2.2%)	Market Cap (INR Mn) INR 18,129	Recommendation REDUCE	Sector Specialty Chemicals
----------------	-------------------	----------------------------	-----------------------------------	---------------------------------	--------------------------------------

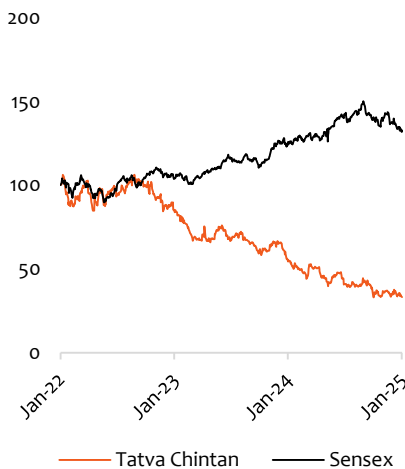
Result Highlights of Q3FY25:

- TATVA revenue missed our estimates due to significant decline in SDA segment. EBITDA beat our estimates due to lower-than-expected cost of goods sold and operating expenses. However, Adj PAT missed our estimates significantly due to higher-than-expected depreciation, lower than expected other income.
- We reduce our FY26E/FY27E by 56.4%/43.5% to 13.6/31.7, respectively due to continued struggle in SDA segment with no immediate signs of recovery, regulatory delays in Europe have dampened expected demand growth and with ongoing supply chain disruptions there is no clear catalysts for a strong recovery in the immediate future.
- We roll over our valuation multiple to FY27E and assign a PE multiple of 24.0x to arrive at a target price of INR 761 (previously: INR 809) reflecting the persisting pricing pressure, and weak end-market demand. Therefore, we maintain “REDUCE” rating.

MARKET DATA

Shares outs (Mn)	23.3
Mkt Cap (INR Mn)	18,129
52 Wk H/L (INR)	1,410/772
Volume Avg (3m K)	25
Face Value (INR)	10
Bloomberg Code	TATVA IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	76,533
NIFTY	23,163

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,236	3,935	3,781	4,468	5,946
EBITDA	606	682	361	801	1,372
Adj PAT	491	304	72	317	741
Adj EPS (INR)	22.1	13.0	3.1	13.6	31.7
EBITDA Margin (%)	14.3%	17.3%	9.5%	17.9%	23.1%
PAT Margin (%)	11.6%	7.7%	1.9%	7.1%	12.5%

Source: Company, DevenChoksey Research

Top-line growth remains subdued due to weak SDA demand

- For Q3FY25, the revenue increased 2.0% YoY (+2.9% QoQ) to INR 859 Mn, the muted growth was led by decline in SDA segment which was offset by growth in other two segments.
- Revenue from SDA (Structure Directing Agents, 26.8% of revenue) segment declined 28.7% YoY (-14.9% QoQ) to INR 230 Mn, as major SDA customers had built up inventory in previous quarters, leading to lower procurement in Q3FY25. Restocking is expected in mid-to-late 2025E, but in Q3FY25, order volumes were weak.
- Revenue from PTC (Phase Transfer Catalysts, 34.2% of revenue) segment grew 18.5% YoY (+6.9% QoQ) to INR 294 Mn, as the company successfully onboarded two major MNC customers for a new application in specialty polymers. The business is expected to ramp up over the next few quarters.
- Revenue from PASC (Pharmaceutical and Agrochemical intermediates, 34.7% of sales) grew 17.3% YoY (+9.5% QoQ) to INR 298 Mn, driven by new product commercialization, increased customer orders, and expansion in domestic and export markets.

Unfavourable product mix and impact of high-cost inventory weigh on margins

- Gross margin contracted 401 bps YoY (+281 bps QoQ) to 51.6%. Although raw material prices stabilized in Q3FY25, the company was still consuming higher-cost inventory from previous quarters.
- Additionally, revenue mix shifted away from high-margin SDA segment towards lower-margin PASC segment.
- EBITDA decreased 35.8% YoY (+26.4% QoQ) to INR 71 Mn. EBITDA margin contracted 484 bps YoY (+153 bps QoQ) to 8.2%. Adj. PAT was INR 1.4 Mn as against INR 35 Mn in Q3FY24 (-96.0% YoY) and a net loss of INR 7 Mn in Q2FY25.

SHARE HOLDING PATTERN (%)

Particulars	Dec-24 (%)	Sept-24 (%)	Jun-24 (%)
Promoters	72.0	72.0	72.0
FIIIs	3.4	3.3	3.4
DIIIs	6.3	6.8	10.6
Others	18.2	17.8	14.0
Total	100	100	100

Note: All the market data is as of previous closing

14.8%

Revenue CAGR between FY24
and FY27E

34.7%

Adj. PAT CAGR between FY24
and FY27E

Tatva Chintan Pharma Chem Ltd.

Key Concall Highlights:

- **Underutilization of key plants led to inefficient cost absorption**, which affected margins. **Logistics & freight costs remained elevated**, which affected input costs.
- In Flame Retardants, **first commercial supply** to a customer will begin in Q4FY25E. The market remains challenging in terms of pricing, and full commercialization will depend on market conditions.
- The company believes it is at the bottom of the pricing cycle, with finished product prices and raw material prices near their historic lows over the last decade.
- **Longer shipping times** affected revenue recognition and working capital. **Shipments to the U.S. took 8 to 9 weeks** instead of the usual 6 to 7 weeks. European shipments faced 7 to 8 weeks delays (even though the distance is shorter).
- Delays were caused by ongoing **global shipping issues**, including: 1) **Red Sea crisis** & geopolitical disruptions 2) **Increased freight congestion** & logistical bottlenecks 3) Port delays in key export markets.
- **China is a major market for SDAs**, as they are used in **emission control catalysts** for **heavy-duty commercial vehicles (HCVs)**.
- The **Chinese commercial vehicle market remained subdued**, leading to **lower demand for SDAs**. Customers **reduced orders and delayed procurement** due to slow economic recovery in China.
- The **heavy-duty vehicle market** is historically **cyclical**, and **demand was in a downturn phase** during 2024. Downturns, like the current phase, can last multiple quarters.
- In SDA segment, despite early demand signs, prices remained **stable but weak**. The **industry is not engaging in price wars**, but recovery is **still slow**.
- **Euro 7 emission norms**, which will require **higher use of SDAs**, are still in the **early stages of implementation**. **Delayed regulatory enforcement** meant **lower-than-expected orders** from European customers.

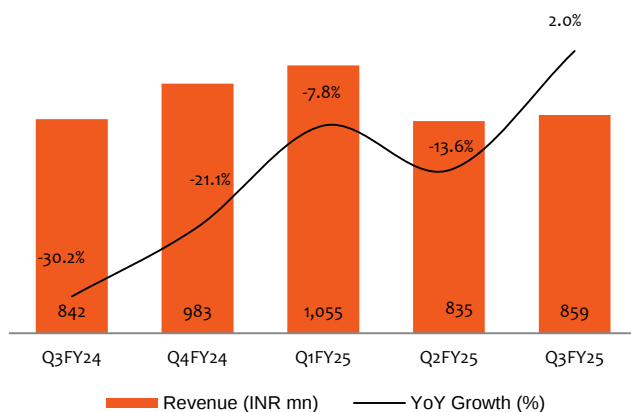
Valuation and view:

The company faced a challenging Q3FY25, with muted revenue growth driven by a steep decline in the SDA segment. Weak demand from key customers, particularly in China, weighed heavily on performance, as inventory overhang and sluggish economic recovery led to lower order volumes. While the PTC and PASC segments managed to grow, it was not enough to offset the sharp drop in SDA revenue. Margins took a significant hit due to an unfavorable product mix, higher-cost inventory consumption, and underutilization of key plants, leading to poor cost absorption. Elevated freight and logistics costs, combined with shipping delays, further strained operations, delaying revenue recognition and tightening working capital.

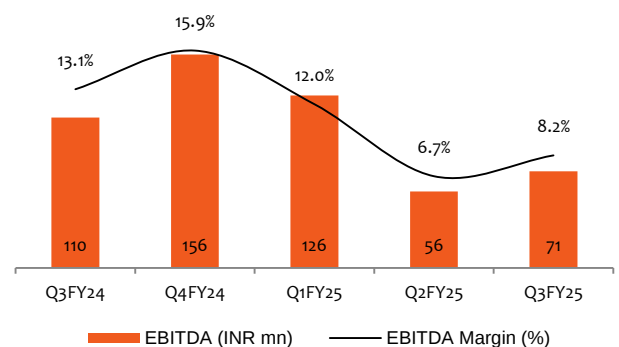
We reduce our FY26E/FY27E by 56.4%/43.5% to 13.6/31.7, respectively due to continued struggle in SDA segment with no immediate signs of recovery, regulatory delays in Europe have dampened expected demand growth and with ongoing supply chain disruptions there is no clear catalysts for a strong recovery in the immediate future. We expect the revenue to grow at 14.8% CAGR and Adj. PAT to grow at 34.7% CAGR over FY24-FY27E. Currently, the stock is trading at PE multiple of 57.7/24.7 based on FY26E/FY27E EPS, respectively. We roll over our valuation multiple to FY27E and assign a PE multiple of 24.0x to arrive at a target price of INR 761 (previously: INR 809) reflecting the persisting pricing pressure, weak end-market demand and operating deleverage taking significant hit to the margins. Therefore, we maintain our “REDUCE” rating on the stock with downside potential of 2.8%.

Quarterly trend in charts

Weak revenue growth led by decline in SDA segment



Contraction in EBITDA margins (YoY) due to unfavourable product mix



Source: Company, DevenChoksey Research

Tatva Chintan Pharma Chem Ltd.

Result Snapshot

Particulars (Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY	9MFY25	9MFY24	YoY
Revenue from Operations	859	835	842	2.9%	2.0%	2,749	2,952	-6.9%
Total Expenditure	788	779	732	1.2%	7.7%	2,496	2,427	2.9%
Cost of Raw Materials	450	393	418	14.6%	7.8%	1,258	1,353	-7.0%
Purchase of Stock	11	5	11	112.4%	4.4%	22	28	-22.2%
Changes in Inventories	-46	29	-55	-259.6%	-15.8%	132	-54.8	-340.9%
Employee Cost	132	129	148	2.3%	-10.4%	389	404.0	-3.8%
Other Expenses	241	222	211	8.2%	14.0%	695	695.5	-0.1%
EBITDA	71	56	110	26.4%	-35.8%	253	526	-52.0%
EBITDA Margin (%)	8.2%	6.7%	13.1%	153 bps	-484 bps	9.2%	17.8%	-862 bps
Depreciation	69	68	66	1.6%	5.2%	204.0	193.7	5.3%
EBIT	1	-12	44	-111.2%	-96.9%	49	332	-85.4%
Other Income	0	4	12	-88.3%	-96.4%	15.9	29.8	-46.5%
Interest Expense	4	2	4	141.9%	10.3%	9.0	63.2	-85.7%
Share of Associates	0	0	0	NA	NA	0.0	0.0	NA
PBT before Exceptional	-2	-10	52	NA	NA	56	299	-81.4%
Exceptional Items	0	0	0	NA	NA	0.0	0.0	NA
PBT	-2	-10	52	NA	NA	55-53	299	-81.4%
Tax	-4	-4	18	NA	NA	9	91	-90.5%
Minority interest	0	0	0	NA	NA	0.0	0.0	NA
PAT	1	-7	35	NA	-96.0%	47	207	-77.4%
PAT Margin (%)	0.2%	-0.8%	4.1%	NA	-394 bps	1.7%	7.0%	-532 bps
EPS	0.1	-0.3	1.5	NA	-95.9%	2.0	9.2	-78.3%
Adj. PAT	1.4	-7	35	NA	-96.0%	47	207.4	-77.4%
Adj. PAT Margin (%)	0.2%	-0.8%	4.1%	NA	NA	1.7%	7.0%	-532 bps
Adj. EPS	0.1	-0.3	1.5	NA	-96.0%	2.0	9.1	-78.0%

Source: Company, DevenChoksey Research

Tatva Chintan Pharma Chem Ltd.

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenues	4,236	3,935	3,781	4,468	5,946
COGS	2,261	1,742	1,913	2,039	2,433
Gross profit	1,975	2,193	1,868	2,429	3,513
Employee cost	412	548	544	536	714
Other expenses	957	964	963	1,091	1,427
EBITDA	606	682	361	801	1,372
Depreciation	96	256	274	354	366
EBIT	510	426	87	447	1,006
Finance Costs	84	65	18	30	42
Other Income	57	75	21	64	65
PBT	448	436	90	481	1,030
Tax	(7)	132	18	163	288
PAT	455	304	72	317	741
EPS (INR)	20.5	13.3	3.1	13.6	31.7

Exhibit 3: Cash Flow Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
CFFO	278	980	538	421	717
CFFI	(1,011)	(1,205)	(479)	(436)	(435)
CFFF	378	305	236	224	212
Net Inc/Dec in cash	(357)	80	294	208	494
Opening Cash	630	274	354	648	857
Adjustment	0	(1)	0	0	0
Closing Cash	274	353	648	857	1,351

Exhibit 4: Key Ratio

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	14.3%	17.3%	9.5%	17.9%	23.1%
Net Profit Margin (%)	11.6%	7.7%	1.9%	7.1%	12.5%
RoE (%)	9.5%	4.1%	1.0%	4.1%	8.9%
ROA (%)	6.0%	3.7%	0.9%	3.5%	7.2%
RoCE (%)	10.9%	6.8%	1.5%	6.6%	12.8%
Current Ratio	1.3	3.7	3.1	2.6	2.4
P/E(x)	38.2	59.0	253.8	57.7	24.7

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	222	234	234	234	234
Other Equity	4,926	7,137	7,151	7,422	8,116
Total Equity	5,148	7,371	7,385	7,656	8,350
Non-Current Liabilities					
Borrowings	42	6	6	6	6
Long term provisions	3	4	3	4	5
Other Non-Current Liabilities	8	10	10	12	16
Total Non-Current Liabilities	54	20	20	23	28
Current Liabilities					
Borrowings	1,660	136	436	736	1,036
Trade Paybles	322	450	311	367	570
Other current liabilities	405	210	207	222	256
Total Current Liabilities	2,387	797	954	1,326	1,862
Total Liabilities	2,441	816	974	1,349	1,890
Non-Current Assets					
Property Plants and Equipments	1,648	3,965	4,197	4,350	4,491
Capital work-in-progress	2,307	729	729	729	729
Other Non-current assets	510	513	509	517	535
Total Non-Current Assets	4,466	5,208	5,436	5,596	5,756
Current Assets					
Inventories	1,625	1,528	1,191	1,347	1,629
Trade Receivables	844	699	694	771	977
Cash and Bank	448	383	678	886	1,381
Oher current assets	206	370	360	404	497
Total Current Assets	3,123	2,979	2,924	3,408	4,485
Total Assets	7,589	8,187	8,359	9,004	10,240

Source: Company, DevenChoksey Research

Tatva Chintan Pharma Chem Ltd.

Tatva Chintan Pharma Chem Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
30-Jan-25	778	761	REDUCE
28-Oct-24	819	809	REDUCE
27-July-24	1,000	1,021	HOLD
08-May-24	1,193	1,223	HOLD
22-Jan-24	1,436	1,487	ACCUMULATE
22-Nov-23	1,480	1,555	ACCUMULATE
08-May-23	1,681	1,934	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH00001295. It is also registered as a Depository Participant with CDSL, CDSL Registration No IN-DP-425-2019.

KRChoksey Shares & Securities Pvt Ltd. and DRChoksey Finserv Private Ltd. (Demerged entity from KRChoksey Shares & Securities Limited) are regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of Research Analysts including preparing and distribution of Research Reports. This research report is prepared and distributed by DRChoksey Finserv Private Ltd in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000011246. It may be further notified that KRCSSPL carries on the activity of preparation as well as distribution of reports in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000001295.

Deven Choksey Research is a brand name of DRChoksey Finserv Private Limited. The information and opinions in this report are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavour to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension follows applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities. KRCSSPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst and has not been engaged in market making activity of the company covered by research analyst. It is confirmed that, I, Dipak Saha Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions. KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months. KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services. KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company. KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report. It is confirmed that, Dipak Saha, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report. KRCSSPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction. Please send your feedback to research.insti@krchoksey.com

In case of any grievances, please write to grievance@krchoksey.com

Visit us at www.krchoksey.com

KRChoksey Shares and Securities Pvt. Ltd.

CIN-U67120MH1997PTC108958

Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

Phone: 91-22-66355000

Compliance Officer: Varsha Shinde

Email: varsha.shinde@krchoksey.com

RESEARCH ANALYST

Dipak Saha, research5@krchoksey.com, +91-22-6696 5408

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com