BUY (Maintain)

CMP: **INR 578** Target Price: **INR 675** ▲ 17%

ICICI Securities Limited is the author and distributor of this report

09 April 2025

India | Equity Research | Company Update

Archean Chemical Industries

Speciality Chemicals

Opportunities galore, little to lose!

In our view, ACI has a plethora of opportunities – each carrying strong value creation potential – along its path ahead. Right off the bat, the expansion in bromine derivatives, and thus, higher captive bromine consumption would likely provide a strong fillip to ACI's bromine business. Separately, Oren shall help cater to chemicals' demand for O&G exploration services along with bromine compounds. Also, the success in its SOP floatation process could unlock extensive value. Further, its foray into SiC chip production – likely production FY28E onwards – would place ACI among the few India producers in semiconductors. It is also exploring a giga-factory in ZincGel batteries using zinc-bromide electrolyte, which exhibits synergies with its own bromine. In our view, the stock has little to lose due to undemanding valuations (12.8x FY27E PE). Retain **BUY** and TP of INR 675 (based on 15x FY27E EPS).

FY26 – likely unshackling of bromine business

Bromine volumes have started recovering for the largest player, ICL, in CY24 with a rise of 32.9% to 190kte (implied industry size of 575kte), following a decline of two years. Bromine volumes were hurt owing to softer demand for electronics, and a rise in competition from phosphorus-based flame retardant after a steep price correction in phosphorus, and added pain from de-stocking in China. ICL has been aggressive in the bromine market in CY24 to grab its fair share; however, ICL's elemental bromine sales are struck at under 25% of volumes or under 50kte volumes. The key bromine producers namely, ICL, Albemarle and LANXESS, have not created a large market for elemental bromine; rather, focused at bromine compounds (or derivatives).

ACI's bromine volumes sales were stuck at under 20kte, and failed to expand in the past four years due to a limited market and softer demand. ACI commissioned a bromine-derivative plant, and has now started receiving approvals from key O&G exploration services companies; thereby, bolstering ACI's confidence to sell 10kte of bromine derivative in FY26. Rise in bromine derivatives should lift volumes for bromine for captive consumption. Moreover, improvement in agrochemical demand will likely inspire higher elemental bromine volumes in the domestic market. ACI has guided for bromine volumes of 20–25kte in FY26 (vs. ~20kte in FY25E).

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	13,301	10,361	17,431	20,001
EBITDA	4,627	3,768	6,903	7,999
EBITDA Margin (%)	34.8	36.4	39.6	40.0
Net Profit	3,190	2,498	4,796	5,566
EPS (INR)	25.8	20.2	38.9	45.1
EPS % Chg YoY	(16.9)	(21.7)	92.0	16.1
P/E (x)	22.4	28.5	14.9	12.8
EV/EBITDA (x)	11.6	13.8	7.2	5.7
RoCE (%)	18.3	11.8	20.4	19.6
RoE (%)	20.4	13.8	22.4	21.3

Sanjesh Jain
sanjesh.jain@icicisecurities.com
+91 22 6807 7153

Mohit Mishra
mohit.mishra@icicisecurities.com

Aparajita Chakraborty
aparajita.chakraborty@icicisecurities.com

Market Data

Market Cap (INR)	71bn
Market Cap (USD)	823mn
Bloomberg Code	ACI IN
Reuters Code	ARCN.BO
52-week Range (INR)	832 /408
Free Float (%)	46.0
ADTV-3M (mn) (USD)	4.3

Price Performance (%)	3m	6m	12m
Absolute	(10.4)	(15.0)	(5.3)
Relative to Sensex	(5.5)	(5.7)	(4.1)

ESG Score	2023	2024	Change
ESG score	63.4	64.4	1.0
Environment	35.1	39.8	4.7
Social	71.7	75.9	4.2
Governance	80.6	79.1	(1.5)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

13-02-2025: Q3FY25 results review

05-08-2024: Q1FY25 results review

As per ICL, bromine prices were at a decadal low in the past few quarters, and our analysis of bromine prices at China (source: Bloomberg) also suggests depressed pricing for bromine. The long-term median price for bromine was over USD 4/kg while current prices are ~USD 3/kg in Q3FY25. Bromine prices have recently started rising, which is not much of a surprise as rock phosphorus prices are now a shade higher than its long-term median at USD 350/te. Despite the recent price rise in bromine, our estimate does not indicate much of a price increase for ACI; therefore, our estimates have an upside risk if higher bromine prices sustain.

We estimate bromine revenue to grow at a CAGR of 18.3% to INR 5.4bn over FY25–27E; and bromine derivative revenue to add another INR 3.9bn in FY27E. Bromine + bromine derivative shall contribute 46.7% to revenue for ACI (vs. 37.7% in FY25); therefore, improving ACI's quality of earnings.

Industrial salts' FY25 volume dip was transient

ACI's industrial salts' volumes have grown at a CAGR of 14% over FY19–24; and has been steady during the Covid-19 years and chemical downcycle periods. However, industrial salts' volumes are likely to dip 20% in FY25E due to cyclone Asna, and supply-chain disruptions. These issues are behind, and the company expects salt volumes to normalise FY26 onwards and grow steadily. Industrial salt prices have slipped from USD 24/te in FY23, and are now trending at USD 20–21/te. We are baking in salt prices declining at a CAGR of 5% in USD terms over the next two years. Yet, ACI's industrial salts' revenues will likely grow at a CAGR of 12.5% over FY25–27E.

Oren Hydrocarbons to commence production soon; add to growth

Oren was engaged in the manufacture of specialised drilling chemicals used in O&G exploration. Oren had a diversified product profile, including fuel drilling chemicals such as barite, polyanionic cellulose (PAC), starch and other liquid products such as lubricants, defoamers, and corrosion inhibitors. ACI purchased Oren in Jul'24, and expecting to start two factories soon; and two more factories in next few months. Oren, in the pervious avatar, had revenue of over INR 4bn with EBITDA margin of 10-12%. We expect Oren to contribute revenue of INR 1bn in FY26E and INR 1.5bn in FY27E.

Foray into SiC chips + ZincGel batteries – long-term growth visibility

ACI has agreed to acquire 21% equity stake each in two entities – **1)** Clas-SiC, a UK based wafer fab (foundry) entity for GBP 15mn which will provide technology for production of MOSFETs. These chips have application in EVs, mobile phones, solar inverters, laptops, chargers and other electrical and electronics. **2)** Offgrid Energy Labs, a US based entity with ZincGel battery technology. Offgrid will set-up pilot plant in next two years to establish its products which has various advantages over lithium-ion batteries.

ACI has announced an INR 30bn investment in SiC chips in Odisha. The company is already approved for capex subsidy, which should contribute 30% of capex on *pari-passu*. It has also applied to the central government's capex incentive scheme; if approved, total government *pari-passu* contribution would rise to ~60%. ACI intends to produce MOSFET, which is seeing rapid growth (over 25% CAGR). ACI investment in Clas-SiC shall provide access to SiC production technology on an exclusive-basis for India, and all future developments. ACI intends to buy SiC wafers, and convert them into chips; but it has also set-up joint R&D facility with IIT Bhuvaneshwar for the development of SiC crystal growth. ACI's SiC foray would help it step into the highly concentrated industry with application in new-age products. It aims to commence plant operations in 30 months from the date of all approvals.

In ZincGel batteries, ACI has ambition to foray into production of zinc-bromide batteries, which have synergies with its existing business, and access to key feedstock.

It plans to build a zinc-bromide giga-factory in India, if Offgrid technology is fully established.

Financial points to unwinding some opportunities

Our estimates suggest that ACI's revenues shall grow at a CAGR of 39% to INR 20bn over FY25–27, aided by an uptick in bromine derivative; therefore, bromine volumes. Our assumption does not bake in a rise in bromine prices, yet. Salt volumes will likely normalise post FY26's transient issues, and some potential success in the SOP floatation process is factored in. Oren is likely to start production, and contribute to growth. Our estimates do not factor in the investment in Clas-SiC and Offgrid; and SiC chip production is unlikely before FY28E.

We forecast EBITDA rising at a CAGR of 46% to INR 8bn over FY25–27E with EBITDA margin touching 40% in FY27E. We envisage net profit/EPS growing to INR 5.6bn/INR 45 over FY25–27E, assuming a 49% CAGR for each.

ACI will likely continue to be debt free until the SiC chip investment accelerates, probably in FY27; and its pre-tax RoCE is healthy at 26% in FY27E. The company is trading at an undemanding valuation of 12.8x FY27E PE; and 7.4x FY27E EV/ EBITDA. The core business FCF yield (our estimate does not factor in capex in SiC chip plant) is at 6.9% FY27E.

Risks

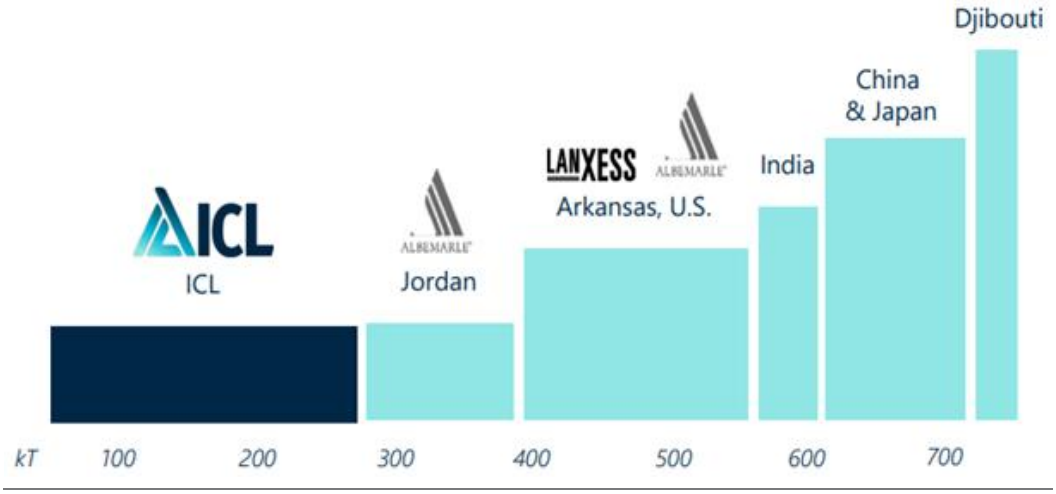
Downside risks: Continued weakness in demand for bromine, and a sharp drop in salt prices.

ACI's bromine business – regaining traction in FY26

About bromine

Bromine, a member of the halogen family, is found naturally in seawater, underground brine deposits and other water reservoirs (Dead Sea). Bromine concentration and extraction methods vary depending upon the source. The lower the concentration of bromine in the brines, the more difficult and expensive it is to extract. The Dead Sea (spans Israel and Jordan) is the primary source of bromine and accounts for over 50% of global supply. Underground water at Arkansas, US and Great Rann of Kutch, Gujarat India are other competitive regions for bromine.

Exhibit 1: Bromine industry relative production cost curve



Source: I-Sec research, ICL

The largest use of bromine is for flame retardants, which are used in many end-markets including electronics and related components, automotive (both ICE and EV), building and construction, furniture and textiles. Flame retardants are added to plastics, textiles and other combustible materials to prevent or inhibit fire or flames and to prevent the spread of fire. Bromine and its derivatives are also used in other industrial applications including rubber production, oil & gas drilling, water purification, and pharmaceutical and food industries. Clear brine fluids are used to balance pressure in the O&G drilling industry. Bromine-based biocides are used for treating industrial water. In the emerging application, bromine compound for energy storage - electrolyte solutions (zinc bromide) used in flow batteries.

As per ICL, '*in 2024, ~47% of the worldwide use of bromine was for flame retardants, about 20% was used for clear brine fluids and the remainder was used for intermediates, industrial uses, water treatment and other uses*.'

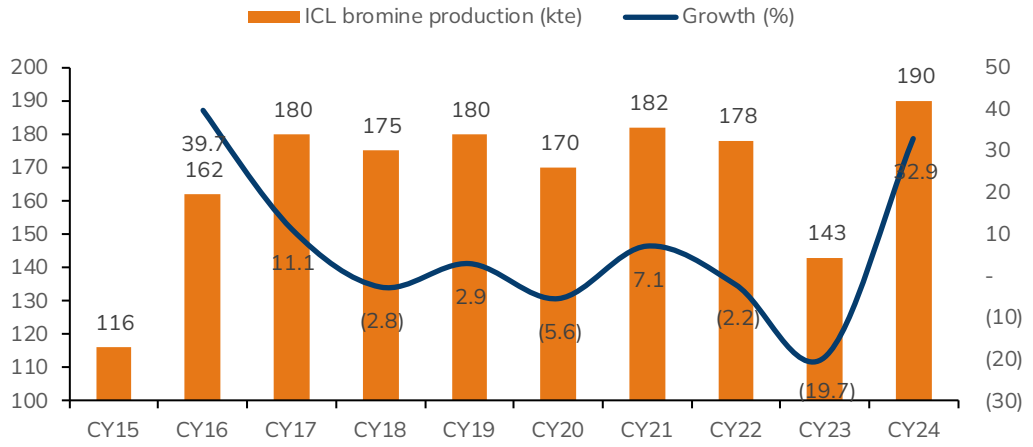
Exhibit 2: Bromine applications

Sub-business line	Product	Primary Applications	Primary End-Markets
Flame retardants	Bromine, phosphorus and magnesium-Based Flame Retardants	Plastic, building materials and textile production	Electronics, automotive, building, construction and textiles
Industrial solutions	Elemental Bromine	Chemical reagent	Tire manufacturing, pharmaceuticals and agro, PTA and flame retardants
	Brominated and Phosphorus compounds	Raw materials for pharmaceuticals and agro	Pharmaceuticals and agro
	Industrial services	Functional fluids, Biocides (Water treatment and disinfection), Merquel and MBr	Power plants and other industrial facilities
	Clear Brines	Oil and gas drillings	Oil and gas
	Energy storage	Brominated electrolytes, Phosphorus based active salt for electrolytes	Battery producers

Source: I-Sec research, ICL

Globally, three large producers – ICL Group, Albemarle and Lanxess – control the majority of bromine production. Indian and Chinese producers constitute the remainder of the production. ICL controls 33% of the global bromine market, and has the lowest cost of production. ICL's bromine production was 190kte in CY24, which implies 575kte annual demand for bromine. ICL's bromine production volumes have jumped 33% in CY24, after a decline in CY22 and CY23.

Exhibit 3: ICL's bromine production has been in range of 170–190kte over CY17–24

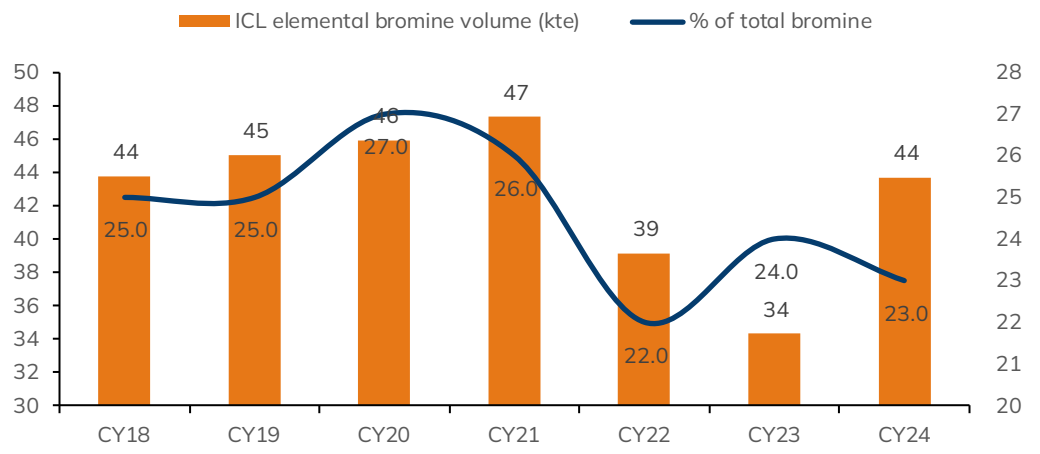


Source: I-Sec research, ICL

Surprisingly, ICL sells only 44kte of bromine in its elemental form, and majority of the bromine is captively used for production of compounds. Elemental bromine sale has remained stable, under 50kte p,a. since CY18.

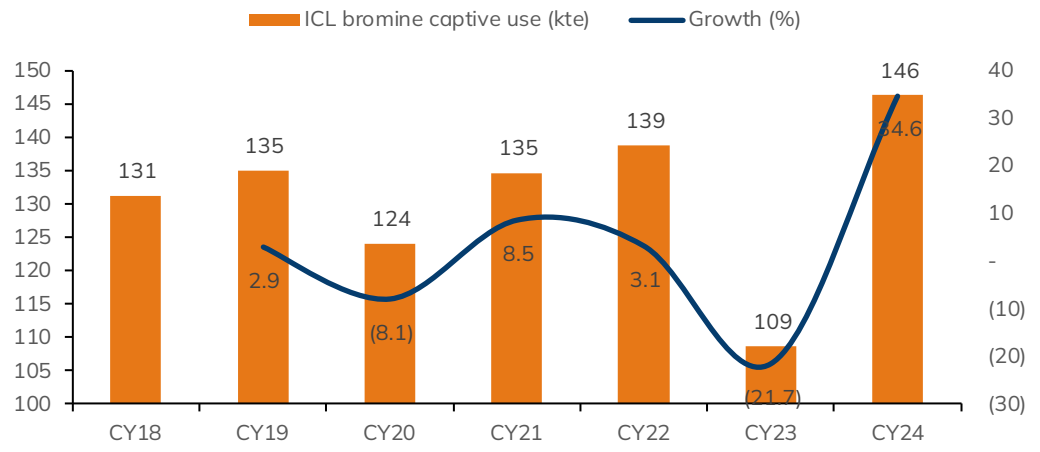
ICL has mentioned an interesting observation on the bromine industry – '*the company estimates that the majority of the global elemental bromine production is consumed internally by the bromine manufacturers, since there is a very small market for elemental bromine. Development of complex production facilities for downstream products is required in order to increase the global use of elemental bromine*.'

Exhibit 4: ICL sells only small portion as elemental bromine; majority consumed captively



Source: I-Sec research, ICL

Exhibit 5: ICL's bromine for captive consumption has grown at a CAGR of 2% over CY18–24



Source: I-Sec research, ICL

Why did bromine volumes decline in past two years?

As per ICL's CY24 comment – *'weakness in the electronics end-market, which initially emerged toward the end of 2022, persisted into 2024. The building and construction end-markets were also soft during this period, as inflation and higher interest rates remained elevated on a global basis. However, demand from the oil & gas industry remained strong…Over the long-term, ICL estimates bromine demand to remain relatively stable and expects market growth to be primarily linked to the above-mentioned market drivers. Additionally, demand for flame retardants is expected to keep in pace with the natural electronics replacement cycle and gradually accelerate, due to expected growth in EVs and energy storage solutions and as the AI trend strengthens.'*

Beyond the underlying demand being weak, we also believe China came back strongly with phosphorus-based flame retardant. China has access to low-cost phosphorus, and is likely to dominate the segment. Rock phosphorus price increased sharply during CY21 and CY22 due to speculation on EV adoption, which made phosphorus-based flame retardant less attractive; and bromine should have gained share within flame-retardant applications (largest end-use for bromine). In the past two years,

phosphorus' price has sharply corrected – below its long-term median – and China has likely gained back more share in flame retardant applications.

Bromine price significantly below long-term median

Our bromine pricing analysis has two components, which shall help understand pricing dynamics, and downside risks for prices.

1) Three time series: i) CY15–20 (pre-Covid-19); ii) CY20–25TD (post-Covid-19); and iii) CY25–TD.

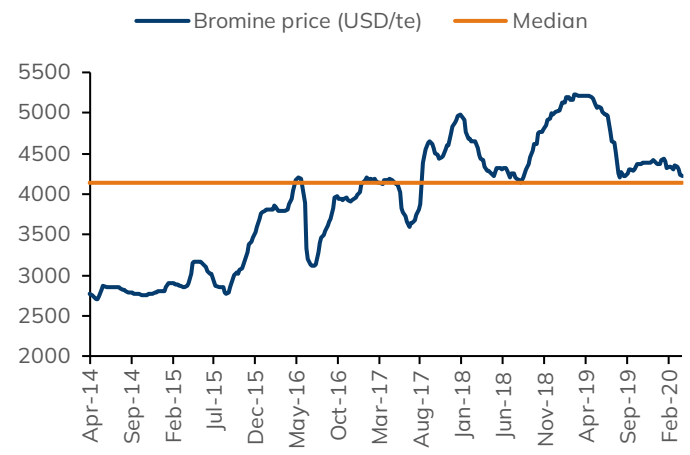
2) Bromine vs. phosphorus-based flame retardant.

1) Three time series

i. CY15–20 (pre-Covid-19 era) – chemical prices influenced by China policy

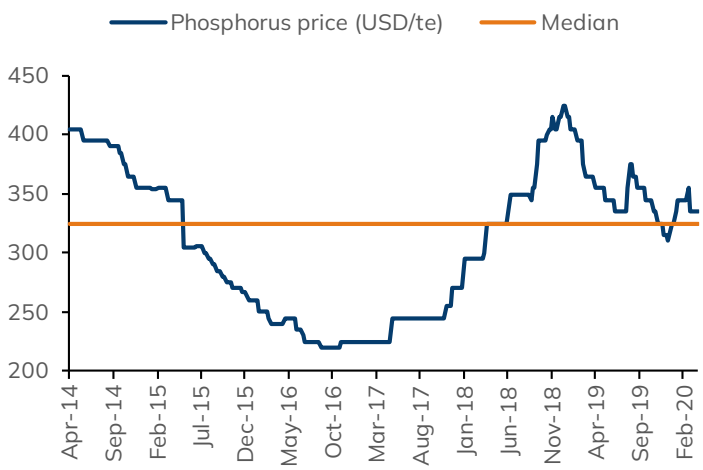
Bromine median prices were USD 4.1/kg during this period; and had remained stable over CY16–20. Phosphorus' median price was USD 325/te. Bromine's prices have been in the range of USD 4–5/kg.

Exhibit 6: Bromine median prices was over USD 4/kg



Source: I-Sec research, Bloomberg

Exhibit 7: Phosphorus median prices was USD 325/te



Source: I-Sec research, Bloomberg

ii. CY20-25TD (post-Covid-19 era) – bromine prices were volatile from supply chain disruptions; followed by soft demand

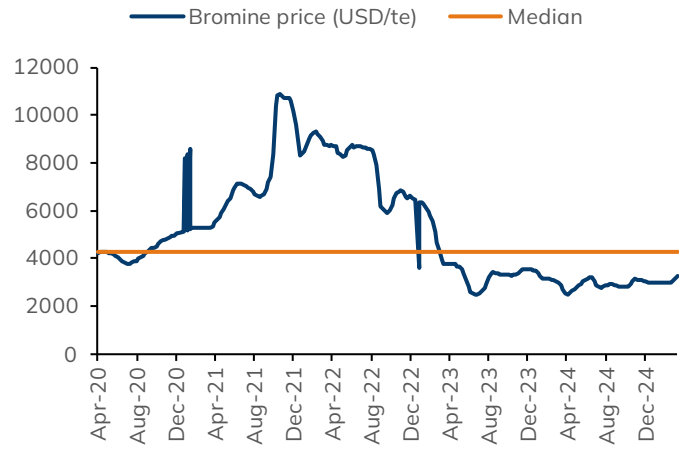
Bromine's median prices has been just above USD 4/kg during CY20–25TD; but, during CY21-23, bromine prices have been volatile, and jumped above USD 10/kg. This was due to: 1) Post Covid-19, supply chain was disrupted, inflating prices for the entire chemicals basket. 2) High speculation for chemical prices that found applications in battery (for EV application). Though bromine was not part of battery application, phosphorus did have many applications in battery. Phosphorus' sharp price jump made it less attractive for flame retardants, and more demand should have shifted to brominated-flame retardant. So, bromine prices were indirectly influenced from speculation in phosphorus. 3) bromine resources that were earlier unprofitable, saw economic value with rise in prices, and increased availability.

With EV demand normalising, and battery take-off much below expectation, the price bubble in battery chemical burst, and material prices normalised. This also hurt prices for bromine, which fell much below normal.

ICL, in its CY24 financial report noted that '*As bromine prices increased over the past several years, reaching record highs in the first half of 2022, competitive resources that were traditionally less profitable found it advantageous to return to the market. As*

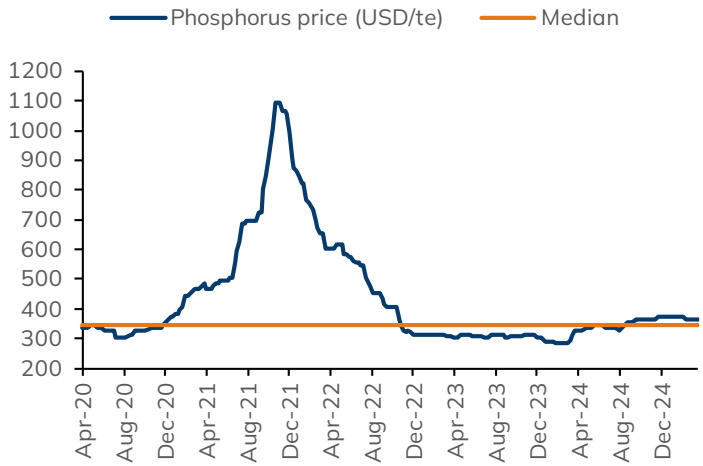
additional supply became available, bromine prices declined and returned to rates not seen in over a decade.'

Exhibit 8: Bromine prices are volatile; but median still over USD 4/kg



Source: I-Sec research, Bloomberg

Exhibit 9: Phosphorus prices influenced by speculation for EV



Source: I-Sec research, Bloomberg

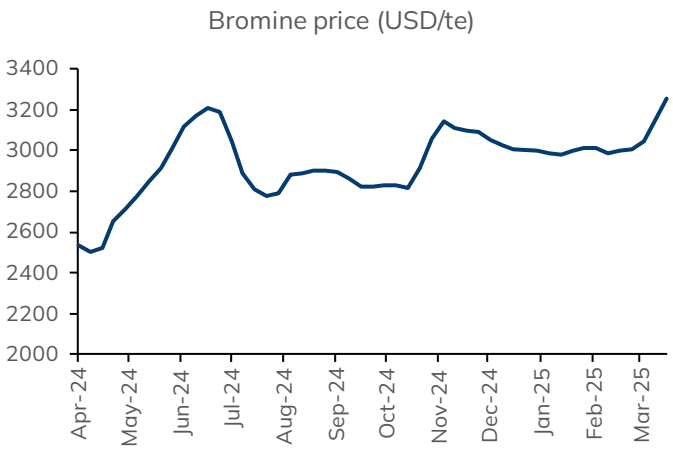
iii. CY25–TD (recent trend) – phosphorus prices above long-term median; bromine prices sharply below median

Bromine's long-term median prices have been just above USD 4/kg; however, current prices are just above USD 3/kg, which means bromine prices are still more than 25% below long-term median. In contrast, rock phosphorus prices are over USD 350/te, which is above long-term median USD 345/te.

Recently, we have been observing bromine prices inching up, with probably rising demand in bromine application, and revival in agro-application; and the impact of de-stocking in China behind. We remain hopeful for normalisation of pricing for bromine to at least its long-term median. But, our model does not factor in the benefit of price increase. We broadly maintain stable bromine prices.

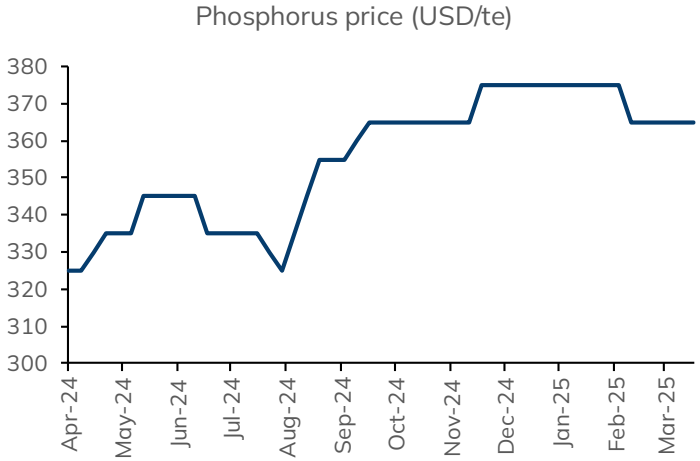
Moreover, INR's depreciation is positive for Indian bromine producers, as it competes with Israel and US where currencies are relatively stable while INR has depreciated.

Exhibit 10: Bromine prices rose recently in Mar'25, but still significantly lower than long-term median



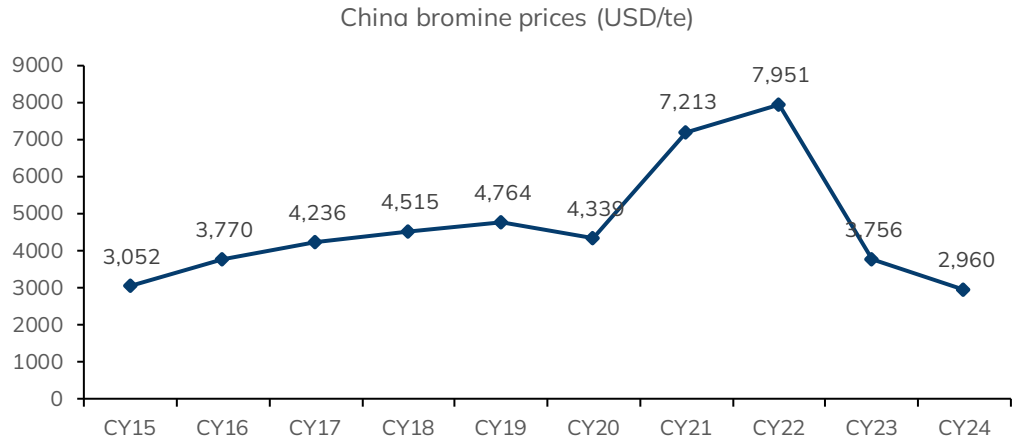
Source: I-Sec research, Bloomberg

Exhibit 11: Phosphorus prices trending well above long-term median



Source: I-Sec research, Bloomberg

Exhibit 12: China bromine prices, as reported by Bloomberg



Source: I-Sec research, Bloomberg

2. Bromine vs. phosphorus-based flame retardant

Bromine and organophosphorus constitute ~70% of organic flame retardant. ECHA (European Chemicals Agency) has released a regulatory strategy for flame retardant (link) in Mar'23. The strategy prioritises brominated flame retardants, particularly aromatic ones, for restriction, following the restrictions roadmap. Future assessments shall address non-halogen and organophosphorus flame retardants. Aromatic brominated variants raise concerns due to suspected PBT (persistent, bioaccumulative and toxic)/vPvB (very persistent, very bioaccumulative) properties, warranting minimised release. Aliphatic brominated and organophosphorus flame retardants exhibit diverse human and environmental hazards, with ongoing data generation to verify potential risks. Proposed draft restrictions await conclusive data from ongoing studies.

i. ***TBBA (Tetrabromobisphenol A)*** is the largest brominated flame retardant and is under review as part of REACH. As per ICL '*The result of the review is that TBBA is classified as a Carcinogen 1B and is, as SVHC, added to the candidate list for Authorization. The advocacy team is actively working to identify uses that may be exempt from any potential restrictions. Currently, no uses have been banned, and it appears that the 'reactive' use in PCBs is not within the scope of ECHA. Any proposed restrictions will take several years to be implemented and enforced*.'

ii. ***Fyrol PCF [TCPP or tris (2-chloro-1-methylethyl) phosphate]*** is a large phosphorus-based flame retardant, and an NTP study concluded that TCPP is a carcinogen at highly elevated exposures. In response, Europe is moving to classify the chemical as Cat. 1B; thus, imposing new restrictions on selected consumer uses. However, in other applications, such as insulation, industry consortiums have calculated large safety margins for TCPP exposures. Based on its own review, the industry has self-classified TCPP as Cat. 2. Furthermore, discussions concerning the potential ED (Endocrine disrupter) properties of TCPP are still ongoing, adding another layer of complexity to the regulatory considerations surrounding this chemical. Denmark has submitted a proposal to ECHA to classify TCPP as carcinogenic, reproductive toxicity and endocrine disrupting effects (ED). TCPP is expected to be declared as SVHC (as per, ICL report).

iii. ***Triphenyl Phosphate (TPhP)*** was added to the SVHC list on Nov'24 due to endocrine-disrupting properties in the environment. This is expected to be classified according to the CLP regulations, either authorising or restricting the substance. Many PFRs and PISs contain TPhP as a by-product formed during production.

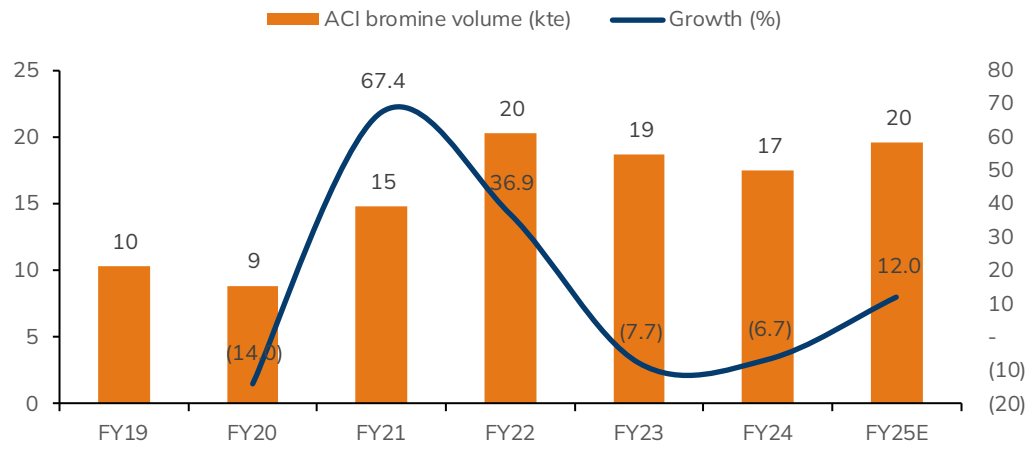
We want to conclude that brominated and phosphorus-based flame retardants are under review by ECHA for possible damage to environment, but the actual restriction may take several years, if at all implemented. We do not see an immediate risk to our estimates form the rising concern on application of flame retardants.

Phosphorus-based flame retardant has stiff competition stemming from China; and Chinese manufacturers have access to a source of high-quality, low-cost phosphorus, which improves their ability to compete in this market. In 2023, ICL, LANXESS and PCC filed an anti-dumping claim with the European Union (EU) Commission against imports of TCPP from China. In Apr'24, the EU commission applied 60% duties for imported TCPP from China. Also, in 2024, ICL filed an anti-dumping claim in US for imported TCPP materials from China.

ACI's bromine volumes to benefit from rise in downstream production

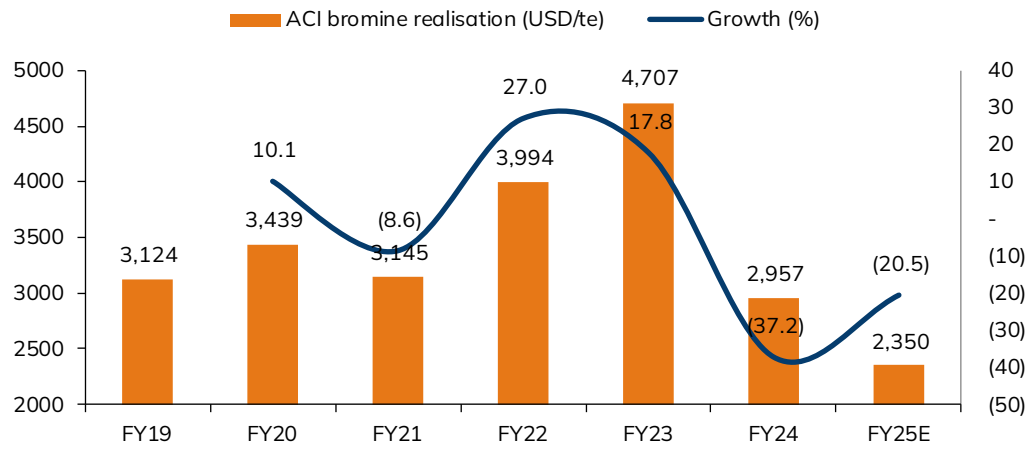
ACI has total bromine capacity of 43ktpa; while the company has been stuck at annual volumes of ~20kte over FY22–25E. It is mainly because ACI was selling largely elemental bromine, which has a limited market – as explained earlier in ICL's observations. ACI's elemental bromine sales are almost 50% of ICL's, which means it has significantly captured the market in elemental bromine. However, the larger market for bromine comes from derivative or bromine compounds.

Exhibit 13: ACI's elemental bromine sales stuck in range of ~20kte p.a. since FY22



Source: I-Sec research, Company data

Exhibit 14: ACI's bromine realisation at multi-year low



Source: I-Sec research, Company data

ACI has to ramp-up bromine derivative business if it wishes to increase bromine production. In Mar'24, ACI commissioned a bromine-derivative plant at Jhagadia, Gujarat. The company earlier planned to have 28ktpa capacity of downstream, including 13ktpa for clear brine fluid, 5ktpa for PTA synthesis catalyst and 10ktpa for flame retardant. However, in phase-1, it has commissioned CBF and PTA catalyst plant and some capacity in organic bromine for intermediate product that find application in life sciences. In India, ACI benefits from captive virgin bromine availability vs. other peers such as Neogen Chemical, who partly depend on used bromine.

ACI has guided to sell 10kte of bromine derivative in FY26, which should help increase bromine captive consumption to ~4kte in FY26. The largest product is clear brine fluid which find application in O&G exploration industry. The key customers/ partners for selling clear brine fluid are Halliburton, Baker Hughes, Schlumberger, Weatherford International, Superior Energy Services and others. We understand that the company has started receiving approvals from few large O&G exploration services companies for clear brine fluid, and this bolsters ACI's confidence on ramping-up of bromine derivative in FY26.

India has extensive demand for bromine compounds for agro and pharma-intermediate, and the company has been adding products in these segments as well, which should add to downstream volumes.

The critical component for ACI is to increase consumption of bromine in its derivative which should help increase profits for the company; and with increased sales of derivative, ACI valuation can also benefit eventually.

We expect external elemental bromine volumes sales to grow at CAGR of 12.5% over FY25-27E after a stagnation of four years with agro-chemical destocking cycle behind; and brominated-flame retardant grows with ADD on phosphorus-based flame retardant on Chinese suppliers. We expect bromine sales to increase in domestic market, while international market to grow relatively slow for elemental bromine.

However, ACI is likely to increase international footprint for bromine derivative sales, and likely to clock volumes of 11kte in FY26, and 14kte in FY27. We expect ACI to commission flame retardant plant by end-FY26; and it is already in work for transfer of technology with the partner. Rise in sales of bromine derivative will add to uptick in captive consumption of elemental bromine. Together bromine and bromine derivative contribution to revenue will likely to increase from 37.7% in FY25 to 46.7% in FY27 significantly improving the quality of earnings.

Exhibit 15: Bromine (including derivative) contribution to rise sharply improving quality of earnings for ACI

INR mn	FY24	FY25E	FY26E	FY27E	CAGR (%) - FY25-27E
Bromine					
Ele. bromine volume (kte)	17	20	23	25	12.5
Growth (%)	*(6.7)*	*12.0*	*15.0*	*10.0*	
Price (USD/te)	2,957	2,350	2,500	2,500	3.1
Price (INR/kg)	**245**	**198**	**215**	**220**	**5.2**
Growth (%)	*(35.3)*	*(18.9)*	*8.5*	*2.0*	
Bromine revenue	**4,274**	**3,881**	**4,843**	**5,434**	**18.3**
Growth (%)	*(39.7)*	*(9.2)*	*24.8*	*12.2*	
% of total revenue	*32.1*	*37.5*	*27.8*	*27.2*	
Bromine compounds					
Br. Derivatives volume (kte)	-	0	11	14	
Growth (%)				*30.0*	
of which bromine volume (kte)			4.4	6.4	
Price (USD/te)		3,132	3,105	3,079	
Price (INR/kg)		**258**	**270**	**273**	
Growth (%)			*4.6*	*1.1*	
Br. derivative revenue	5	26	2,966	3,899	
Growth (%)				*31.5*	
% of total revenue	*0.0*	*0.2*	*17.0*	*19.5*	

Source: I-Sec research, Company data

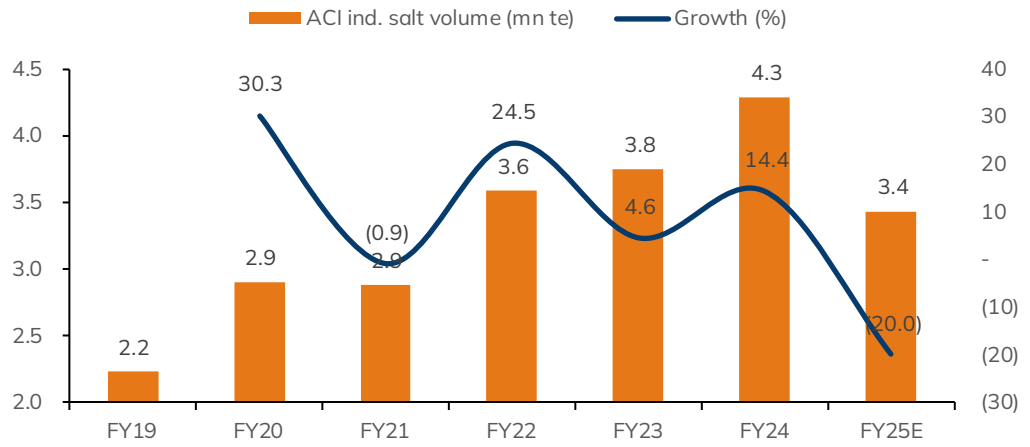
Industrial salt – transient issues marred FY25; volume should normalise from FY26

ACI's industrial salt volumes have grown at a CAGR of 14% over FY19–24; and even in its worst years during Covid-19, salt volumes declined only 1% in FY21, and subsequently jumped 24.5% in FY22 with a bull cycle in chemicals. FY24 was a challenging year for chemicals in general due to destocking, and rising competition from China; ACI's salt volumes grew a healthy 14.4% during the year.

However, FY25 turned out to be a poor year for ACI's salt business due to a few transient issues including: 1) Cyclonic storm Asna hitting the Kutch region hard (where ACI's salt pans are located) with the region receiving rainfall of over 180% of long-term average alongside strong winds. This affected ACI's salt volumes during Q2FY25. 2) Supply chain issues impacted salt volumes in Q3FY25. ACI has now owned/leased 200 trucks to fix the supply chain issues, and has rented 400 trucks, which should help the company meet its transport requirement.

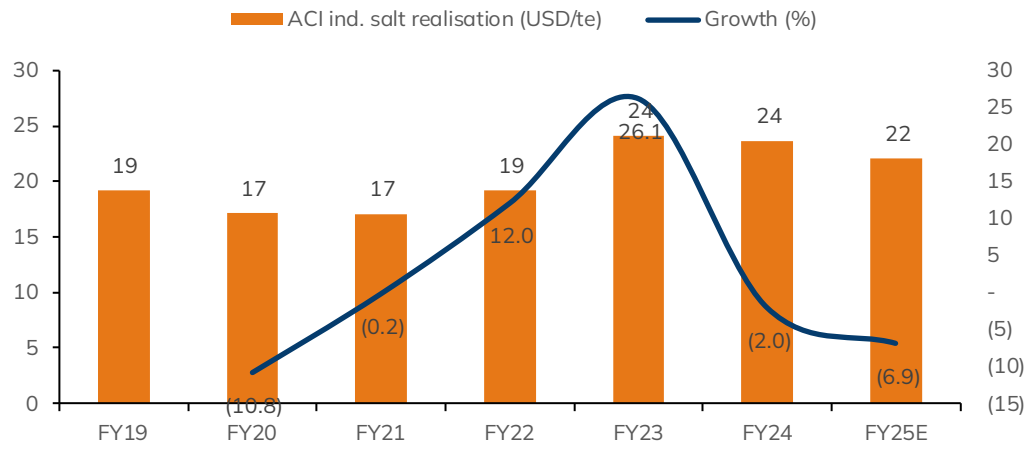
The company sells salt on a long-term contract-basis for up to two years – its largest trading partner Sojitz (50-60% of annual volumes). ACI has also been increasing its direct reach. The company has enough capacity to drive higher volumes in future, if demand rises for industrial salt. ACI sells entire salt in exports market with significant market share in China, South Korea, Japan and other APAC partners.

Exhibit 16: ACI's industrial salt volumes increased at CAGR of 14% over FY19-24; but dipped in FY25E due to transient issues



Source: I-Sec research, Company data

Exhibit 17: ACI's industrial salt realisation peaked in FY23; has been gradually normalising



Source: I-Sec research, Company data

We expect ACI's industry salt volumes to grow at a CAGR of 15.9% on a low base over FY25–27E (2.5% CAGR over FY24–27E) to 4.6mn te. A significant portion of industrial salt goes into the production of caustic soda, where the large application is in PVC. PVC demand is closely linked to real estate/housing growth, which appears to be soft in China – the largest market. We see upside risk to volumes if the housing cycle in China turns positive.

Industrial salt prices have held strong despite the down-cycle in chemicals, particularly end-use industries such as caustic soda and soda ash. However, we are modeling salt reallisation to dip at 3% annually in INR terms, and 5% annually in USD terms. Therefore, our estimates for salt appear to be conservative.

ACI's industrial salt revenues will likely grow at a CAGR of 12.5% to INR 8bn in FY27E; and its contribution in total revenue would dip from 62% in FY25 to 40% in FY27E.

Exhibit 18: ACI's industrial salt volumes to grow at CAGR of 12.5% over FY25–27E

INR mn	FY24	FY25E	FY26E	FY27E	CAGR (%) - FY25-27E
Industrial salt					
Salt volume (mn te)	4.3	3.4	4.4	4.6	15.9
Growth (%)	*14.4*	*(20.0)*	*28.0*	*5.0*	
Price (USD/te)	24	22	21	20	(4.9)
Price (INR/kg)	**1.96**	**1.86**	**1.80**	**1.75**	**(3.0)**
Growth (%)	*0.9*	*(5.0)*	*(3.0)*	*(3.0)*	
Ind. salt revenue	**8,401**	**6,384**	**7,927**	**8,074**	**12.5**
Growth (%)	*15.4*	*(24.0)*	*24.2*	*1.9*	
% of total revenue	*63.2*	*61.6*	*45.5*	*40.4*	

Source: I-Sec research, Company data

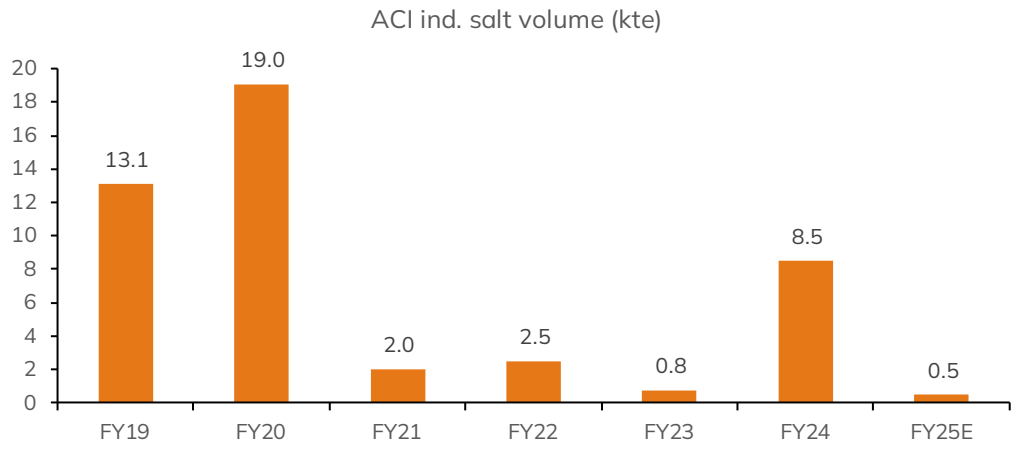
Sulphate of potash (SOP) – dark horse for FY26

ACI's SOP business has strong potential with India being a large importer of fertilizer, and the higher-than-required content of chlorine in feedstock KTMS, which is harvested during bromine production. The company has been working with a German equipment supplier to reduce chlorine in KTMS through the separate chemical process.

ACI has a total capacity 133ktpa; while it has failed to produce even 1kte in FY25. ACI's German partner has created reagent that will help ACI improve KTMS; thereby, making salt suitable for production of SOP. ACI hopes to make second grade SOP, which can be sold to domestic farmers, and exports market. The re-oriented process has worked well in lab scale trial, and company hopes to run pilot scale trial at its plant in FY26. If successful, it would enable ACI to produce SOP of desired quality in H2FY26.

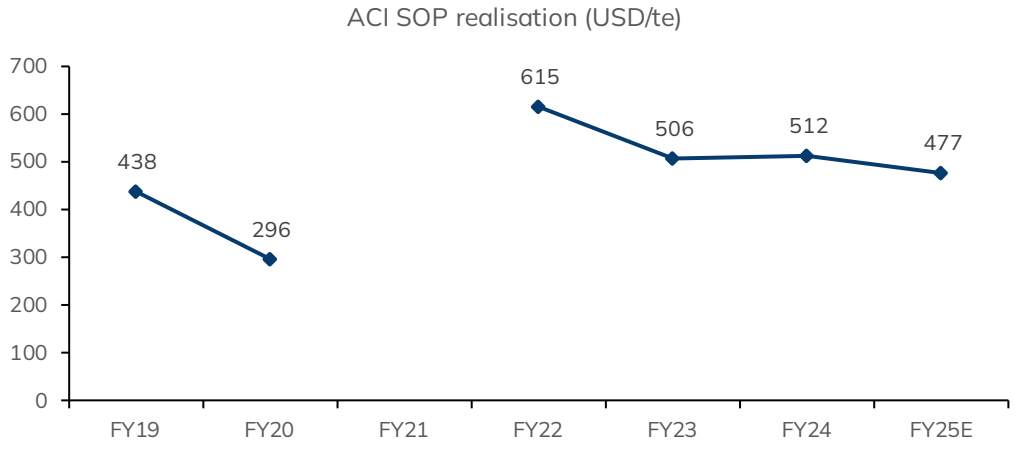
In the past, SOP volumes have been quite volatile, depending upon the required quality salt availability. We see demand as a lesser issue in SOP, as India has large imports of fertilizer.

Exhibit 19: ACI's SOP volumes has been volatile in past



Source: I-Sec research, Company data

Exhibit 20: SOP pricing has declined, but is still a very profitable product



Source: I-Sec research, Company data

We are assuming partial success in the new process for ACI in FY26 and FY27. ACI has successfully produced SOP of 19kte in FY20 and 8.5kte in FY24 without any additional process when it was able to harvest desired quality of KTMS. We have assumed SOP volumes to rise to 15–22kte in FY26E and FY27E, partially benefiting from new reagent. Any major breakthrough would provide significant upside to our estimates.

Exhibit 21: We have assumed FY27E SOP volumes to breach previous high

	FY24	FY25E	FY26E	FY27E
SOP				
SOP volume (kte)	8.5	0.5	15.0	22.5
Growth (%)				*50.0*
Price (USD/te)	512	477	538	554
Price (INR/kg)	**42**	**40**	**46**	**49**
Growth (%)	*4.2*	*(5.0)*	*15.0*	*5.0*
SOP revenue (INR mn)	**360**	**20**	**695**	**1,094**
Growth (%)				*57.5*
% of total revenue	*2.7*	*0.2*	*4.0*	*5.5*

Source: I-Sec research, Company data

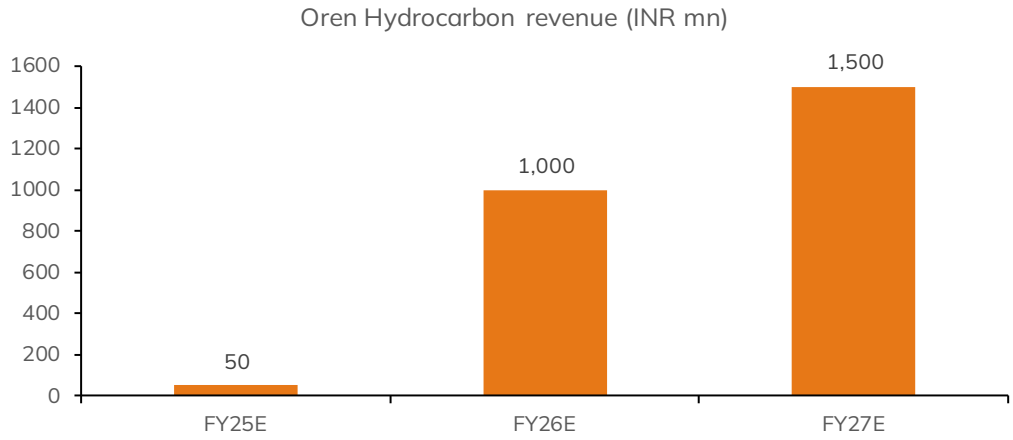
Oren Hydrocarbon – new growth avenue

ACI purchased Oren Hydrocarbons via the NCLT route for INR 760mn in Jul'24. Oren Hydrocarbons was incorporated in 1990, and based out of Chennai (dated article on company – link). Oren was engaged in the manufacture of specialised drilling chemicals, including mud chemicals used in O&G exploration. Oren had a diversified product profile which includes chemicals required in fuel drilling such as barite, polyanionic cellulose (PAC), starch and other liquid products such as lubricants, defoamers, and corrosion inhibitors. Oren had established relationships with large customers such as Halliburton, Canadian Energy Service, Schlumberger, Oman Oil Industrial Supply Service among others.

ACI is in the process of re-starting the business, and its factories. Oren had six facilities, and ACI plans to restart two plants soon; and two plants are in process of refurbishment. We expect Oren to have four plants running in FY26. Mud chemicals and clear brine fluid are sold to the same customers, and now ACI has expanded offering O&G exploration services companies.

In the past, Oren has generated total revenues of over INR 4bn with EBITDA margins of 10–12%. However, considering the company would undergo customer approval, and audit, the ramp-up shall be gradual for ACI. We have factored in revenue of INR 1bn in FY26E and INR 1.5bn in FY27E.

Exhibit 22: Oren Hydrocarbons revenue to ramp-up gradually



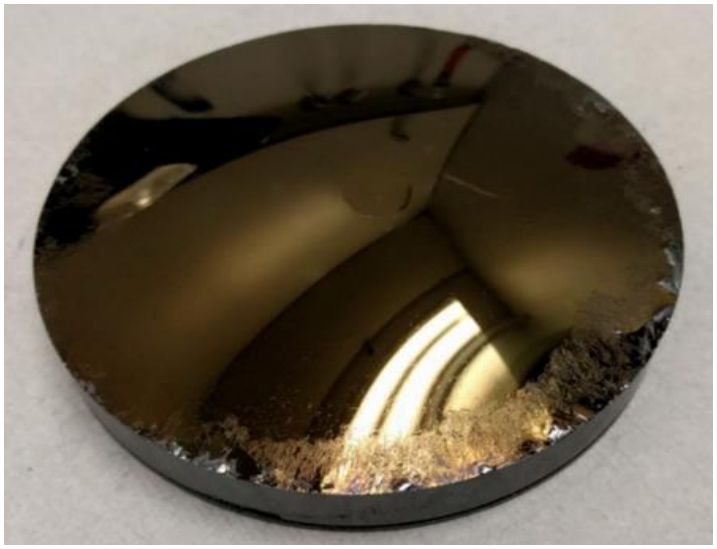
Source: I-Sec research, Company data

Silicon carbide (SiC) – foray into MOSFET/ diodes with large growth opportunity in India

ACI has invested GBP 15mn for 21% equity stake in Clas-SiC, a UK-based wafer fab (foundry) set-up. In lieu of its investment into Clas-SiC, ACI would get access to technology for production of semiconductor chips such as MOSFET and diodes with India exclusivity. ACI has announced investment of INR 30bn in setting-up a facility for production of MOSFET and diodes in Odisha. The company has received approval for state capex incentive on *pari-passu* basis, which should cover almost ~30% of its capex investment. ACI has also applied for the central government's capex incentive benefit (again on *pari-passu*), which is still pending; and if approved, would increase government subsidy contribution to ~60% of total capex investments.

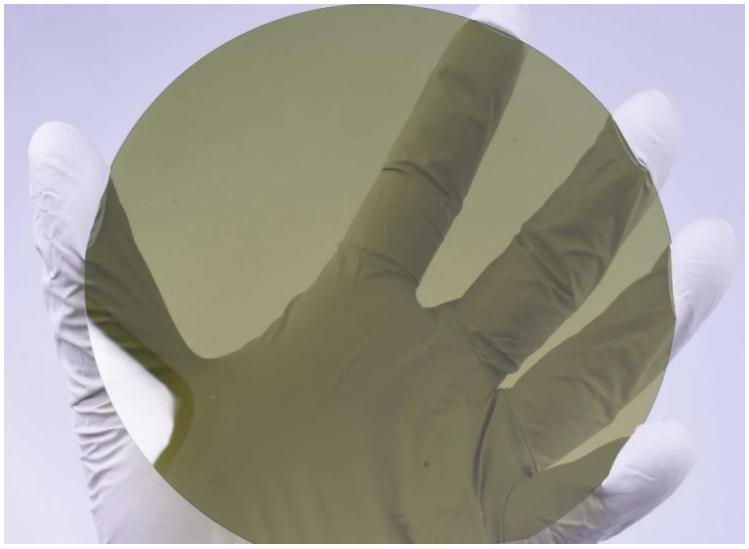
The base for production of MOSFET and diodes is silicon carbide wafer, which is cut from silicon carbide crystal, and appears like CDs. Silicon carbide crystals are indeed produced from heating high purity silicon and coke powder at an over 2,000-degree Celsius temperature to form rock-hard crystal called boule.

Exhibit 23: Silicon carbide boule (crystal)



Source: I-Sec research, Industry

Exhibit 24: SiC wafer (which appears like CD)



Source: I-Sec research, Industry

Silicon is used widely in semiconductor production due to its characteristic of being at a midpoint between an insulator and conductor; and its properties such as conductivity can be altered as per the electronic devices. Silicon is widely available and affordable. Moreover, silicon and carbon together form a strong bond, making the chip durable and functional even in extremely high voltage and temperatures situations.

Production process for manufacturing chip from SiC wafer

1. ***Oxidisation***: SiC wafer is oxidized by adding a layer of glass-like material called silicon-di-oxide, which acts as a barrier to prevent electricity from going where it should not. This barrier is mainly useful for the MOSFET, and without oxidation the MOSFET chip would short circuit.

2. ***Photolithography***: It is a process used for drawing tiny patterns on a wafer using light. These patterns eventually become the circuits on a chip. A chemical called photoresist is applied on wafer which reacts to the light. A mask, similar to a stencil, is put on the wafer, which guides in creating circuit, and is used for passing the light through. A UV light is passed through clear parts of the mask, which hits the wafer and hardens on the wafer surface.

3. ***Etching***: It involves cutting off unwanted material to physically shape the chip. Post etching, the exposed area is cleaned using phosphoric acid, or potassium hydroxide.
4. ***Doping***: In the process, certain atoms are added for more electrons or positive electrons for the moment when the electricity is inside the chip. Notably, silicon is not very efficient for carrying electricity; therefore, phosphorus or boron is used to move electricity inside the chip.
5. ***Metal surface***: A layer of metal (such as aluminum, tungsten, copper) is added on the surface, which aids electricity flow and connects the chip to external sources.

MOSFETs (Metal-oxide-semiconductor field-effect transistor)

MOSFETs are among the largest chips produced from SiC, and are designed for efficient switching and amplification. It operates by controlling the flow of current between its source and drain terminals, regulated by a voltage applied to the gate. This gate voltage creates an electric field that either allows or blocks current flow, making the MOSFET highly efficient.

MOSFETs can switch on and off very fast; and use very little energy. It is very small; therefore, many can fit on a chip. The advantage over normal switches is - SiC chip turns on and off depending on voltage and not manually. It switches million times per second unlike the normal switch and SiC chip uses almost no energy to switch so many times.

MOSFET is the most common transistor in digital circuits, with requirement ranging over millions included in a memory chip or microprocessor. It is found in devices such as electric vehicles, mobile phones, solar inverters, laptops, chargers and other electrical and electronics.

The salient features of SiC chips are: it can handle a high voltage range 600V–3,200V; they have high heat resistance – can work at 200 degrees Celsius, whereas silicon would sustain only up to 150 degrees Celsius; SiC has 50% lower switching loss than silicon. It enables smaller lighter systems. Diodes are used in AC-DC conversion while MOSFET is used in DC-DC.

Global players in SiC

Wolfspeed Inc. is known as the largest manufacturer of base SiC wafers. The company specialises in SiC and GaN (gallium Nitride); and it sees the entire production process from wafer packaging to device packaging. The other large player is German company InfineOn Tech, and it offers a broad range of SiC, including MOSFETs and diodes. However, the company also outsources certain products in the manufacturing process. The other player is ST Microelectronics. All three companies have invested significantly in epitaxy processes, which helps manufacture clean quality wafers.

ACI's comments on SiC investment

1. ***Q3FY25 earnings call***

'Through our subsidiary, SiCSem Private Limited, we will eventually invest about Rs. 3,000 cr ores in a compound semiconductor facility, the first of its kind in the country, which integrates wafer fabrication for key industries such as electric vehicles, energy storage, industrial tools, data centers, fast chargers and consumer appliances, etc. The state government of Odisha has allotted 14.32 acres of land in Bhubaneswar for this project. Under the Odisha Semiconductor and Fabless Policy 2023, further reinforcing commitment to India's semiconductor ecosystem, which is encouraged and envisaged by ISM, India Semiconductor Mission.'

'I think between ground breaking and actually starting construction is obviously a whole host of things that need to be in place. One of the important ones is land, which again we already have and allotted, so I think that's an important step as well. And then we move into the local permissions, etc. for construction, and then start calling and reviewing tenders, bids, etc. So, we are evaluating working with a large firm for managing this. And I think that will assist us in putting things together very quickly and having to maintain a lean team internally, but at the same time, bringing better execution capability than what we may have internally. And I think these are the factors that will take into place over the next few months. I think once we put shovel to ground, I think it's 24 to 30 months.'

'...the investment in Clas-SiC is for the technology and the process know-how to make certain products. So, that will be obviously used by SiCSem under the licensing royalty and consulting agreement. And for the products that we make at SiCSem, we will be solely responsible for what we wish to make and want to make. So, that's within our domain, we are not bound by an agreement as such with anyone.'

2. Q2FY25 earnings call

'...the domestic market size. So SiC devices or compound semiconductor devices, the market is growing. Right now, overall global market size would be around $2 billion to $3 billion, and we expect this to grow at a very good CAGR of more than 25% till 2030. So we do expect that in the next 5 to 6 years, the market will increase from the current size of $2 billion to more than $10 billion.'

'...the thought process is we have seen and we have been at this Clas-SiC investment initiative for a few months now. Right now, we have the exclusivity of the technology agreement in India, which will continue to be so.'

'...the semiconductor industry is a large industry, right? So choosing technologies, finding partnerships and getting someone to share the technology is not a very straightforward or easy process. However, the company that we have tied up with in the U.K. and have taken the equity stake is precisely to do that. Now we have access to not just the current generation technology, but we also have access to ongoing future improvements and future technologies as well.'

'...the synergy with IIT Bhubaneswar initiative. So we have taken a bit of a different approach. we are working with IIT Bhubaneswar on the research part of actually making silicon carbide crystal, right? This, I think, is being pioneered within India and no one has done it and very few, I think, have done this globally as a comprehensive combined effort within the semiconductor industry in terms of a company doing the silicon carbide as well, crystal growth.

So we are trying to marry the research initiatives with the commercial aspects of developing the silicon carbide wafer fab. So the synergy will come from having our own silicon carbide crystal growth as well as being able to deliver on the wafer fab with the classic investment and tie-up on technology for India.'

'...the agreement is only on the exclusivity of the technology tie-up for India. In terms of manufacturing and sales, it's not bound by any agreement. That's purely our company's prerogative.'

Offgrid Energy Labs, allows foray into Zn-Br battery

ACI has invested USD 12mn into the US-based Offgrid Energy Labs for 21% equity stake. Offgrid has presence in ZincGel battery technology. Offgrid's ZincGel battery technology delivers unrivaled energy efficiency, is non-flammable, and has a far longer life than lithium – all while having a substantially lower cost. ZincGel is designed to be easily recyclable and is made without any toxic materials, conflict minerals, or rare earths.

Offgrid's plan is to set up a pilot plant in US over the next two years. ACI plans to set-up a giga factory in India for ZincGel batteries in future when the process and technology is established.

ACI's comments on Offgrid

1. Q3FY25 earnings call

'This investment aligns with the Company's broader strategy to enter the energy storage sector, particularly focusing on renewable energy and industrial storage applications. A bromine business synergizes directly with the zinc bromide-based batteries. We are confident that this will be a significant growth area for us in the future with the increasing focus on sustainable energy solutions in India, and as well as storage solutions globally.'

'I think that business also, obviously, the growth potential is pretty large. The market is large, especially for stationary storage systems and energy storage. I think that's a growing market. The fact that it ties in with a bromine business through zinc bromide technology I think helps us on both fronts; one, for our own business of bromine; as well as secondly, getting into a high growth space with a very sound battery technology that remains under control and can be produced without having to depend too much, or maybe, if anything, nothing at all on imported parts or components.'

2. Q2FY25 earnings call

'The company's bromine business has a direct synergy with ZincGel batteries, which using bromide chemistry for the battery. ZincGel scope zinc bromide batteries offer superior cycle life, safety and cost effectiveness when compared to existing battery technologies in the market, making them ideal for daily discharge charge cycles in commercial and industrial solar applications as well as utility scale grid stability projects.

We will initially support the establishment of a pilot manufacturing facility in the U.K. with an intention to establish a giga factory in India in the near future to scale up the zinc-bromide battery production. Again, road map from concept to commercialization will take 2 years' time, and we will obviously keep our shareholders updated in due course.'

'The investment in Offgrid is a bit different. It's not -- it's a pure ownership into the company because, as we said, the synergy between zinc-bromide and our bromine business. So here, I think we are taking a different position. We will have the opportunity and access to the technology to manufacture of setup giga battery facilities. And alternatively, as shareholders or investors, as you can call it, where we also license the technology to others in other countries to set up similar giga factories.'

Financials

Exhibit 25: Existing business volumes start growing from FY26 with destocking cycle behind; new businesses to ramp-up

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%) FY25-27E
Volumes (kte)								
Salt	2,880	3,586	3,750	4,290	3,432	4,393	4,613	15.9
Bromine	15	20	19	17	20	23	25	12.5
Br derivatives	-	-	-	-	0	11	14	
SOP	2	2	1	8	1	15	23	
Price (INR/kg)								
Salt	1.26	1.43	1.94	1.96	1.86	1.80	1.75	(3.0)
Bromine	232	298	378	245	198	215	220	5.2
Br derivatives	-	-	-	-	258	270	273	
SOP	163	46	41	42	40	46	49	
Revenue (INR mn)								
Salt	3,637	5,129	7,281	8,401	6,384	7,927	8,074	12.5
Bromine	3,444	6,053	7,084	4,274	3,881	4,843	5,434	18.3
Br derivatives	-	-	-	5	26	2,966	3,899	
SOP	325	114	31	360	20	695	1,094	
Oren Hydrocarbons	-	-	-	-	50	1,000	1,500	
Others	1	9	15	261	-	-	-	
Total	**7,408**	**11,304**	**14,411**	**13,301**	**10,361**	**17,431**	**20,001**	**38.9**

Source: I-Sec research, Company data

Exhibit 26: EBITDA to grow at CAGR of 45.7% over FY25-27E. SiC investment to drive growth from FY28

INR mn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%) FY25-27E
Financial								
Revenue	7,408	11,304	14,411	13,301	10,361	17,431	20,001	38.9
COGS	89	393	27	877	(207)	1,394	1,600	
Gross profit	**7,319**	**10,911**	**14,383**	**12,424**	**10,569**	**16,036**	**18,401**	**31.9**
GMP (%)	*98.8*	*96.5*	*99.8*	*93.4*	*102.0*	*92.0*	*92.0*	
Growth (%)		*49.1*	*31.8*	*(13.6)*	*(14.9)*	*51.7*	*14.7*	
Employee cost	353	378	720	724	543	706	777	19.6
% of revenue	*4.8*	*3.3*	*5.0*	*5.4*	*5.2*	*4.1*	*3.9*	
Other expenses	4,343	5,861	7,323	7,073	6,257	8,427	9,625	24.0
% of revenue	*58.6*	*51.8*	*50.8*	*53.2*	*60.4*	*48.3*	*48.1*	
Total expenses	4,696	6,240	8,043	7,798	6,800	9,133	10,402	23.7
EBITDA	**2,622**	**4,672**	**6,340**	**4,627**	**3,768**	**6,903**	**7,999**	**45.7**
EBITDA (%)	*35.4*	*41.3*	*44.0*	*34.8*	*36.4*	*39.6*	*40.0*	
Growth (%)		*78.1*	*35.7*	*(27.0)*	*(18.6)*	*83.2*	*15.9*	
D&A	554	669	686	703	808	888	976	9.9
EBIT	**2,068**	**4,003**	**5,654**	**3,923**	**2,960**	**6,015**	**7,023**	**54.0**
Growth (%)		*93.5*	*41.2*	*(30.6)*	*(24.5)*	*103.2*	*16.8*	
Other income	140	124	433	433	455	478	502	5.0
Finance cost	1,304	1,617	970	85	70	70	70	
PBT	**905**	**2,510**	**5,117**	**4,272**	**3,345**	**6,423**	**7,455**	**49.3**
Growth (%)		*177.5*	*103.8*	*(16.5)*	*(21.7)*	*92.0*	*16.1*	
Tax expenses	239	628	1,291	1,082	847	1,627	1,888	49.3
ETR (%)	*26.4*	*25.0*	*25.2*	*25.3*	*25.3*	*25.3*	*25.3*	
PAT	**666**	**1,882**	**3,826**	**3,190**	**2,498**	**4,796**	**5,566**	**49.3**
Growth (%)		*182.6*	*103.3*	*(16.6)*	*(21.7)*	*92.0*	*16.1*	
EPS (INR)	**6.9**	**19.5**	**31.1**	**25.8**	**20.2**	**38.9**	**45.1**	**49.3**

Source: I-Sec research, Company data

Exhibit 27: Healthy balance sheet will support investment into new ventures including SiC investment

INR mn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%) FY25-27E
Capital productivity								
Gross block	**12,166**	**13,143**	**13,935**	**15,098**	**16,598**	**17,598**	**18,698**	**6.1**
Revenue/GB (x)	*0.61*	*0.86*	*1.03*	*0.88*	*0.62*	*0.99*	*1.07*	
EBITDA/GB (x)	*0.22*	*0.36*	*0.45*	*0.31*	*0.23*	*0.39*	*0.43*	
Capex	**105**	**966**	**999**	**1,310**	**1,500**	**1,000**	**1,100**	
Intensity (% of revenue)	*1.4*	*8.5*	*6.9*	*9.8*	*14.5*	*5.7*	*5.5*	
D&A/capex (x)	*5.3*	*0.7*	*0.7*	*0.5*	*0.5*	*0.9*	*0.9*	
Capital employed	9,308	11,076	14,525	17,611	19,739	24,245	29,254	21.7
pre-tax ROCE (%)	23.1	39.3	44.2	24.4	15.9	27.3	26.3	
Leverage								
Net debt	7,855	7,751	(2,213)	(3,358)	(5,385)	(7,816)	(11,810)	
ND/EBITDA (x)	*3.0*	*1.7*	*(0.3)*	*(0.7)*	*(1.4)*	*(1.1)*	*(1.5)*	
Cash conversion								
Inventory days	55	39	42	35	37	39	41	
Debtor days	34	49	30	43	47	51	55	
Creditor days	55	36	24	27	29	31	33	
Cash conversion	**33**	**52**	**48**	**50**	**54**	**58**	**62**	
WC as % of revenue	*7.2*	*14.6*	*13.1*	*10.4*	*7.8*	*11.5*	*11.7*	

Source: I-Sec research, Company data

Exhibit 28: Enough cashflow for investment, unlikely to have higher leverage in future for investments

INR mn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	CAGR (%) FY25-27E
Ops CF (after tax & lease)	2,763	4,668	6,385	3,604	2,921	5,276	6,110	44.6
% of EBITDA	*105.4*	*99.9*	*100.7*	*77.9*	*77.5*	*76.4*	*76.4*	
Chg of WC	(1,683)	(1,648)	(1,570)	64	591	(1,963)	(891)	
CFO	**1,081**	**3,021**	**4,815**	**3,668**	**3,512**	**3,313**	**5,219**	**21.9**
% of revenue	*14.6*	*26.7*	*33.4*	*27.6*	*33.9*	*19.0*	*26.1*	
Capex (incl acquisition)	(105)	(966)	(999)	(2,079)	(1,500)	(1,000)	(1,100)	
FCF	**975**	**2,055**	**3,816**	**1,589**	**2,012**	**2,313**	**4,119**	**43.1**
% of revenue	*13.2*	*18.2*	*26.5*	*11.9*	*19.4*	*13.3*	*20.6*	
Finance cost	(1,003)	(1,977)	(1,626)	(28)	(70)	(70)	(70)	
FCFE	**(28)**	**77**	**2,191**	**1,562**	**1,942**	**2,243**	**4,049**	**44.4**

Source: I-Sec research, Company data

Exhibit 29: ACI peers' snapshot

USD mn	CMP USD	MCap USD bn	Revenue			CAGR (%) CY25-26E	EPS (USD)			CAGR (%) CY25-26E
			CY25E	CY26E	CY27E		CY25E	CY26E	CY27E	
Global										
ICL Group	5.7	7.3	7,100	7,333	7,544	3.1	0.43	0.48	0.49	6.7
Albemarle	50.8	6.0	5,040	5,706	6,570	14.2	(0.6)	2.4	5.5	-
Domestic (INR mn)	**INR**	**INR bn**	**FY25E**	**FY26E**	**FY27E**		**FY25E**	**FY26E**	**FY27E**	
Neogen	1,432	38	8,215	11,241	18,114	48.5	19	28	48	59.1
ACI	578	71	10,661	16,346	20,614	39.1	19	31	42	50.2

INR mn	PE (x)		EV/EBITDA (x)		ROE (%)	
	CY25E	CY26E	CY25E	CY26E	CY25E	CY26E
Global						
ICL Group	13.1	11.9	6.1	5.8	9.8	9.8
Albemarle	-	21.3	12.1	8.2	(0.4)	5.6
Domestic (INR mn)	**FY26E**	**FY27E**	**FY26E**	**FY27E**	**FY26E**	**FY27E**
Neogen	51.1	29.6	21.3	12.9	13.6	13.6
ACI	18.8	13.8	12.0	9.3	20.9	20.9

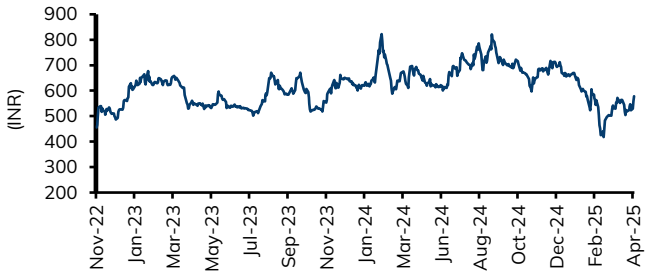
Source: Bloomberg

Exhibit 30: Shareholding pattern

%	Jun '24	Sep '24	Dec '24
Promoters	53.5	53.5	53.4
Institutional investors	30.7	32.2	33.5
MFs and others	12.7	13.7	14.8
FIs/Banks	0.1	0.2	0.2
Insurance	5.2	4.9	4.8
FIIs	12.7	13.4	13.7
Others	15.8	14.3	13.1

Source: Bloomberg, I-Sec research

Exhibit 31: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 32: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	**13,301**	**10,361**	**17,431**	**20,001**
Operating Expenses	7,798	6,800	9,133	10,402
EBITDA	**4,627**	**3,768**	**6,903**	**7,999**
EBITDA Margin (%)	34.8	36.4	39.6	40.0
Depreciation & Amortization	703	808	888	976
EBIT	3,923	2,960	6,015	7,023
Interest expenditure	85	70	70	70
Other Non-operating Income	-	-	-	-
Recurring PBT	**4,272**	**3,345**	**6,423**	**7,455**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	1,082	847	1,627	1,888
PAT	3,190	2,498	4,796	5,566
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**3,190**	**2,498**	**4,796**	**5,566**
Net Income (Adjusted)	**3,190**	**2,498**	**4,796**	**5,566**

Source Company data, I-Sec research

Exhibit 33: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	7,262	8,408	13,420	18,539
of which cash & cash eqv.	455	2,482	4,913	8,907
Total Current Liabilities & Provisions	1,347	1,105	1,939	2,327
Net Current Assets	**5,915**	**7,302**	**11,481**	**16,212**
Investments	3,499	3,499	3,499	3,499
Net Fixed Assets	12,078	12,770	12,882	13,005
ROU Assets	416	416	416	416
Capital Work-in-Progress	482	482	482	482
Total Intangible Assets	-	-	-	-
Other assets	1,207	1,260	1,481	1,642
Deferred Tax Assets	11	11	11	11
Total Assets	**20,559**	**22,450**	**27,795**	**33,199**
Liabilities				
Borrowings	**595**	**595**	**595**	**595**
Deferred Tax Liability	**1,238**	**1,238**	**1,238**	**1,238**
Provisions	51	56	61	67
Other Liabilities	-	-	-	-
Equity Share Capital	247	247	247	247
Reserves & Surplus	16,769	18,896	23,402	28,412
Total Net Worth	**17,016**	**19,143**	**23,649**	**28,659**
Minority Interest	-	-	-	-
Total Liabilities	**20,559**	**22,450**	**27,795**	**33,199**

Source Company data, I-Sec research

Exhibit 34: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	2,839	2,127	2,405	2,423
% growth (YOY)	(25.8)	(38.0)	(17.2)	(41.3)
EBITDA	871	712	747	799
Margin %	30.7	33.5	31.1	33.0
Other Income	120	97	109	89
Extraordinaries	0	0	(402)	0
Adjusted Net Profit	576	448	157	478

Source Company data, I-Sec research

Exhibit 35: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	**3,729**	**2,921**	**5,276**	**6,110**
Working Capital Changes	64	591	(1,963)	(891)
Capital Commitments	(2,079)	(1,500)	(1,000)	(1,100)
Free Cashflow	**1,715**	**2,012**	**2,313**	**4,119**
Other investing cashflow	**(994)**	**455**	**478**	**502**
Cashflow from Investing Activities	(994)	455	478	502
Issue of Share Capital	1	-	-	-
Interest Cost	(28)	(70)	(70)	(70)
Inc (Dec) in Borrowings	381	-	-	-
Dividend paid	(554)	(370)	(290)	(557)
Others	(125)	-	-	-
Cash flow from Financing Activities	(326)	(440)	(360)	(626)
Chg. in Cash & Bank balance	**395**	**2,027**	**2,431**	**3,994**
Closing cash & balance	455	2,482	4,913	8,907

Source Company data, I-Sec research

Exhibit 36: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	25.8	20.2	38.9	45.1
Adjusted EPS (Diluted)	25.8	20.2	38.9	45.1
Cash EPS	31.5	26.8	46.1	53.0
Dividend per share (DPS)	3.0	2.3	4.5	5.2
Book Value per share (BV)	137.9	155.1	191.7	232.2
Dividend Payout (%)	11.6	11.6	11.6	11.6
Growth (%)				
Net Sales	(7.7)	(22.1)	68.2	14.7
EBITDA	(27.0)	(18.6)	83.2	15.9
EPS (INR)	(16.9)	(21.7)	92.0	16.1
Valuation Ratios (x)				
P/E	22.4	28.5	14.9	12.8
P/CEPS	18.3	21.6	12.5	10.9
P/BV	4.2	3.7	3.0	2.5
EV / EBITDA	11.6	13.8	7.2	5.7
EV/SALES	4.1	5.0	2.8	2.3
Dividend Yield (%)	0.5	0.4	0.8	0.9
Operating Ratios				
Gross Profit Margins (%)	93.4	102.0	92.0	92.0
EBITDA Margins (%)	34.8	36.4	39.6	40.0
Effective Tax Rate (%)	25.3	25.3	25.3	25.3
Net Profit Margins (%)	24.0	24.1	27.5	27.8
NWC / Total Assets (%)	9.5	5.9	11.0	11.5
Net Debt / Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)
Net Debt / EBITDA (x)	(0.7)	(1.4)	(1.1)	(1.5)
Profitability Ratios				
RoCE (%)	18.3	11.8	20.4	19.6
RoE (%)	20.4	13.8	22.4	21.3
RoIC (%)	32.8	21.4	14.9	27.5
Fixed Asset Turnover (x)	1.1	0.8	1.4	1.5
Inventory Turnover Days	34.9	36.9	38.9	40.9
Receivables Days	42.9	46.9	50.9	54.9
Payables Days	27.4	29.4	31.4	33.4

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com and Kadambari_balachandran@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Sanjesh Jain, PGDM; Mohit Mishra, MBA, CA; Aparajita Chakraborty, M. Sc. (Finance); authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We 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. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and 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 ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities 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. ICICI Securities 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. ICICI Securities 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.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any 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 managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates 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 ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

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 ICICI Securities 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 themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122