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India | Equity Research | Results Update

Tatva Chintan Pharma Chem

Speciality Chemicals

TATVA remain hopeful for strong recovery in FY26

Tatva Chintan Pharma Chem's (TATVA) performance showed signs of improvement in Q4FY25 on the revenue front, but lower gross profit marred profit recovery. TATVA is hopeful of a sharp recovery in FY26, as new products commercialise in PASC and SDA volume recovers. It anticipates underlying demand for critical SDA segment to improve, after the challenging FY25. In the PASC segment, agro-intermediates should see supplies commencing from H2FY26, which is expected to drive additional growth. Gross profit margins to improve as the company optimise processes, and new products achieve desired yields; further, operating leverage should aid faster growth in EBITDA/ PAT. We cut our FY26E/FY27E EBITDA estimates by 13%/17%, and lower our TP to INR 1,000 (vs. INR 1,220), based on a PE multiple of 25x FY27E (unchanged). Maintain **BUY**.

Segmental update

- **SDA:** Segment is hit hard from weak demand for heavy-duty-vehicles, particularly in the Chinese market. Further, China HDV has seen a shift towards CNG, which does not require SDA. TATVA remains hopeful of the trend reversing and China again slowly moving to diesel-based vehicles, which should drive demand for SDA. At its peak, China supplies of SDA were 40% of total sales for TATVA. The company notes that SDA prices and volumes have stabilised at lower levels; it anticipates volumes to grow at 40-70% in FY26. TATVA expects volumes to also benefit from off-take by new customer; and likely some to address the new Euro-7 emission norms.
- **Electrolyte salt:** An existing customer is stabilising its plant, and TATVA expects supplies at commercial scale to start from Q1FY26. The qualification with its customer in Europe is progressing well, with application in hybrid car batteries. TATVA has also successfully supplied validation batch of electrolyte for zinc batteries, where it already produces salt.
- **PASC:** Agro-chemical intermediate – TATVA has four agro-intermediate products in the pipeline; one large product is already in commercial production. It expects supplies for this large product to begin Q3FY26 onwards and pick-up notably in FY27. The new capex of INR 1.1bn is towards the setting-up of plant to support supplies of up to 1ktpa. Another photo-chlorination product shall begin production by end-FY26. Third and fourth product to largely come in FY27. Pharma product validation is progressing well.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	3,935	3,827	5,529	6,981
EBITDA	682	342	1,243	1,618
EBITDA Margin (%)	17.3	8.9	22.5	23.2
Net Profit	304	57	724	937
EPS (INR)	13.0	2.4	31.0	40.1
EPS % Chg YoY	(36.8)	(81.2)	1,170.1	29.4
P/E (x)	54.3	288.9	22.7	17.6
EV/EBITDA (x)	23.8	48.8	13.9	11.1
RoCE (%)	4.1	0.6	8.6	9.6
RoE (%)	4.8	0.8	9.4	11.0

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Market Data

Market Cap (INR)	16bn
Market Cap (USD)	195mn
Bloomberg Code	TATVA IN
Reuters Code	TATV BO
52-week Range (INR)	1,284 /610
Free Float (%)	28.0
ADTV-3M (mn) (USD)	0.5

Price Performance (%)	3m	6m	12m
Absolute	(10.2)	(17.8)	(43.4)
Relative to Sensex	(13.4)	(19.5)	(52.7)

ESG Score	2023	2024	Change
ESG score	NA	61.2	NA
Environment	NA	31.2	NA
Social	NA	68.3	NA
Governance	NA	83.4	NA

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

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(7.9)	(10.6)
EBITDA	(13.0)	(17.1)
EPS	(17.4)	(17.9)

Previous Reports

29-01-2025: [Q3FY25 results review](#)

26-10-2024: [Q2FY25 results review](#)

- **PTC:** The company expects this segment to grow at a modest 10-12% in FY26 on a large base of FY25. It has sent materials for validation for two applications in polymers and polymer recycling.
- **Flame retardant:** The company has withheld production of BFR on viability.

Update on guidance

- TATVA expects FY26 to be a strong year, wherein it would reap the benefits of R&D, and new product launches. It expects to commission four agro-chemicals intermediates, three pharmaceuticals intermediates, polymer intermediate, scale up PTC for polymer application, electrolyte chemicals and others. The company anticipates its plant to reach peak utilisation by Jun/Jul'25; it is already working on optimisation. Assembly capacity shall improve significantly to ~60%, as SDA demand recovers. The company expects revenue growth of 40-70% in the SDA segment, 40-50% in the PASC segment and 10-12% in the PTC segment, leading to 25% growth in revenue at the company level.
- EBITDA margins are expected to be ~20% in FY26 aided by higher revenue from new product launches and operating leverage.

Q4FY25 result highlights

Revenue rose 9.8% YoY/25.6% QoQ

TATVA's Q4FY25 revenue rose 9.8% YoY/25.6% QoQ to INR 1.1bn. Revenue was impacted by good demand improving volumes across SDA and PTC. Prices have been stable, but at lower low levels. PTC revenue was up 43% YoY/32.3% QoQ to INR 389mn. SDA was down 15.2% YoY/+50.4% QoQ to INR 346mn. PASC's revenue was up 16.8% YoY/9.4% QoQ to INR 327mn. Electronic chemical revenue was at INR 9mn.

Gross profit margin dipped 510bp QoQ to 46.5%

Gross profit margins were impacted by unplanned production of validation batches of four new products. Therefore, the company could not achieve desired yields; and process had higher-than-expected impurities, which needs additional distillation. Further, new distillation facility has failed to achieve process efficiency for designed capacities. The company believes that these inefficiencies are getting addressed, and the process-designed efficiencies can be achieved in 4-6months. Gross profit was down 11.6% YoY/+13.1% QoQ to INR 502mn. EBITDA declined 42.7% YoY/ +26.8% QoQ to INR 90mn due to lower gross profit and unabsorbed cost of the newly-commissioned facility. EBITDA margin remained flat during Q4FY25 at 8.3%. TATVA reported net profit of INR 10mn in Q4FY25, as compared to a net profit of INR 1mn in Q3FY25.

Risks

- 1) Slower-than-expected revenue recovery; and 2) continued pressure on margins.

Exhibit 1: Tatva Chintan Pharma Chem result review (consolidated)

INR mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Revenue	983	1,055	835	859	1,079	25.6	9.8
COGS	415	570	427	415	577	38.9	39.1
Gross profit	568	485	408	444	502	13.1	(11.6)
GPM (%)	57.8	45.9	48.8	51.6	46.5		
Employee cost	144	127	129	132	140	6.2	(2.2)
% of revenue	14.6	12.0	15.5	15.4	13.0		
Other expenses	268	232	222	241	272	12.9	1.4
% of revenue	27.3	22.0	26.6	28.0	25.2		
Total expenses	412	359	352	373	412	10.5	0.1
EBITDA	156	126	56	71	90	26.8	(42.7)
EBITDA (%)	15.9	12.0	6.7	8.2	8.3		
Depreciation	62	67	68	69	73	4.8	16.4
EBIT	94	59	(12)	1	17		
Other income	45	12	4	0	7		
Finance cost	2	3	2	4	4		
PBT	137	68	(10)	(2)	20		
Tax	41	16	(4)	(4)	10		
ETR (%)	29.8	23.5	35.0	158.7	49.2		
Exceptional item							
Net profit	96	52	(7)	1	10	646.4	(89.3)
Net profit (%)	9.8	4.9	(0.8)	0.2	1.0		
EPS (INR)	4.3	2.3	(0.3)	0.1	0.5		

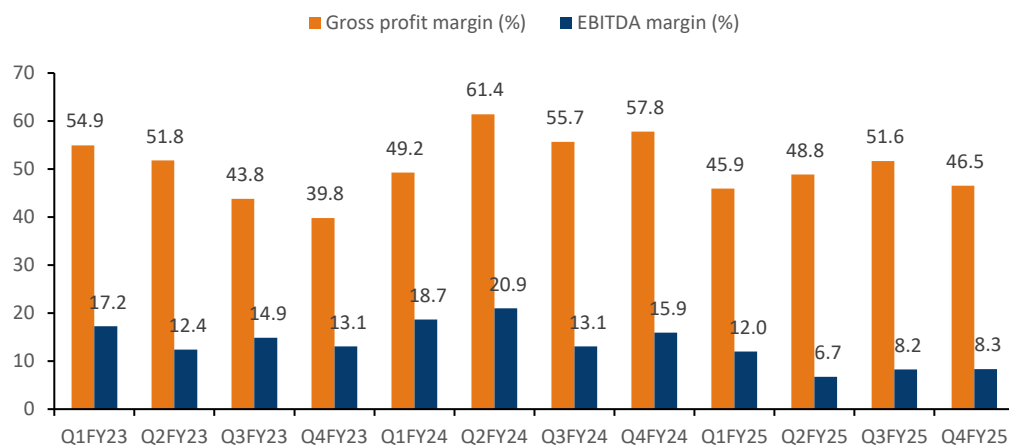
Source: I-Sec research, Company data

Exhibit 2: Tatva Chintan segmental revenue breakup

INR mn	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	QoQ (%)	YoY (%)
Segment revenue							
PTC	272	297	275	294	389	32.3	43.0
SDA	408	350	271	230	346	50.4	(15.2)
Electronic Chemical	13	13	13	25	9	(64.0)	(30.8)
PASC	280	389	272	299	327	9.4	16.8
Total	983	1,055	835	859	1,079	25.6	9.8
Mix (%)							
PTC	27.7	28.2	32.9	34.2	36.1		
SDA	41.5	33.2	32.5	26.8	32.1		
Electronic Chemical	1.3	1.2	1.6	2.9	0.8		
PASC	28.5	36.9	32.6	34.8	30.3		

Source: I-Sec research, Company data

Exhibit 3: Gross profit and EBITDA margin trends



Source: I-Sec research, Company data

Exhibit 4: Earnings revision

INR mn	Revised		Earlier		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	5,529	6,981	6,003	7,810	(7.9)	(10.6)
Gross profit	3,038	3,862	3,294	4,283	(7.8)	(9.8)
GPM (%)	54.9	55.3	54.9	54.8		
EBITDA	1,243	1,618	1,430	1,952	(13.0)	(17.1)
EBITDA (%)	22.5	23.2	23.8	25.0		
PAT	724	937	877	1,141	(17.4)	(17.9)
EPS (INR)	31.0	40.1	37.5	48.8	(17.4)	(17.9)

Source: I-Sec research, Company data

Exhibit 5: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	72.0	72.0	72.0
Institutional investors	10.2	9.8	8.7
MFs and others	6.8	6.3	5.3
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	3.4	3.5	3.4
Others	17.8	18.2	19.3

Source: Bloomberg, I-Sec research

Exhibit 6: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	3,935	3,827	5,529	6,981
Operating Expenses	3,253	3,485	4,286	5,363
EBITDA	682	342	1,243	1,618
EBITDA Margin (%)	17.3	8.9	22.5	23.2
Depreciation & Amortization	256	277	317	379
EBIT	426	65	926	1,239
Interest expenditure	65	13	36	80
Other Non-operating Income	75	23	35	36
Recurring PBT	436	76	925	1,196
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	132	19	200	259
PAT	304	57	724	937
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	304	57	724	937
Net Income (Adjusted)	304	57	724	937

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	2,979	2,652	3,445	4,319
of which cash & cash eqv.	383	141	278	566
Total Current Liabilities & Provisions	660	596	811	957
Net Current Assets	2,319	2,056	2,634	3,362
Investments	101	-	-	-
Net Fixed Assets	5,034	5,502	6,306	7,461
ROU Assets	729	296	296	296
Capital Work-in-Progress	336	215	336	370
Total Intangible Assets	-	-	-	-
Other assets	51	82	90	99
Deferred Tax Assets	123	126	126	126
Total Assets	8,187	8,362	9,967	12,004
Liabilities				
Borrowings	143	364	1,064	2,064
Deferred Tax Liability	-	-	-	-
Provisions	13	14	15	17
Other Liabilities	-	-	-	-
Equity Share Capital	234	234	234	234
Reserves & Surplus	7,137	7,154	7,843	8,733
Total Net Worth	7,371	7,388	8,076	8,967
Minority Interest	-	-	-	-
Total Liabilities	8,187	8,362	9,967	12,004

Source Company data, I-Sec research

Exhibit 9: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	1,055	835	859	1,079
% growth (YOY)	(7.8)	(13.6)	2.0	9.8
EBITDA	126	56	71	90
Margin %	12.0	6.7	8.2	8.3
Other Income	12	4	0	7
Extraordinaries	-	-	-	-
Adjusted Net Profit	52	(7)	1	10

Source Company data, I-Sec research

Exhibit 10: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	623	323	1,043	1,359
Working Capital Changes	357	(110)	(448)	(447)
Capital Commitments	(1,285)	(639)	(1,121)	(1,534)
Free Cashflow	(303)	(426)	(526)	(621)
Other investing cashflow	78	124	35	36
Cashflow from Investing Activities	78	124	35	36
Issue of Share Capital	1,966	-	-	-
Interest Cost	(65)	(13)	(36)	(80)
Inc (Dec) in Borrowings	(1,548)	221	700	1,000
Dividend paid	(47)	(23)	(36)	(47)
Others	(1)	-	-	-
Cash flow from Financing Activities	305	185	627	873
Chg. in Cash & Bank balance	80	(117)	137	289
Closing cash & balance	353	266	278	566

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	13.0	2.4	31.0	40.1
Adjusted EPS (Diluted)	13.0	2.4	31.0	40.1
Cash EPS	23.9	14.3	44.5	56.3
Dividend per share (DPS)	2.0	1.0	1.5	2.0
Book Value per share (BV)	315.1	315.8	345.3	383.3
Dividend Payout (%)	15.4	41.0	5.0	5.0
Growth (%)				
Net Sales	(7.1)	(2.7)	44.5	26.3
EBITDA	12.6	(49.8)	263.5	30.2
EPS (INR)	(36.8)	(81.2)	1,170.1	29.4
Valuation Ratios (x)				
P/E	54.3	288.9	22.7	17.6
P/CEPS	29.4	49.4	15.8	12.5
P/BV	2.2	2.2	2.0	1.8
EV / EBITDA	23.8	48.8	13.9	11.1
EV/SALES	4.1	4.4	3.1	2.6
Dividend Yield (%)	0.3	0.1	0.2	0.3
Operating Ratios				
Gross Profit Margins (%)	55.7	48.0	54.9	55.3
EBITDA Margins (%)	17.3	8.9	22.5	23.2
Effective Tax Rate (%)	30.3	24.7	21.7	21.7
Net Profit Margins (%)	7.7	1.5	13.1	13.4
NWC / Total Assets (%)	22.4	22.9	23.6	23.3
Net Debt / Equity (x)	0.0	0.0	0.1	0.2
Net Debt / EBITDA (x)	(0.4)	0.7	0.6	0.9
Profitability Ratios				
RoCE (%)	4.1	0.6	8.6	9.6
RoE (%)	4.8	0.8	9.4	11.0
RoIC (%)	4.4	0.7	8.8	10.0
Fixed Asset Turnover (x)	0.9	0.7	0.8	0.9
Inventory Turnover Days	141.7	127.8	107.8	97.8
Receivables Days	64.8	78.7	73.7	73.7
Payables Days	41.8	31.2	31.2	31.2

Source Company data, I-Sec research

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