



Tatva Chintan Pharma Chem Ltd – Q1FY26



Tatva Chintan Pharma Chem Ltd

Improving visibility and execution warrant upgrade amid stable demand outlook

CMP INR 1,050	Target INR 860	Potential Upside -18.1%	Market Cap (INR Mn) 24,562	Recommendation SELL	Sector Specialty Chemicals
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Result highlights

Revenue: Consolidated revenue increased by 10.8% YoY (+8.3% QoQ) to INR 1,169 Mn., stood below our estimates (-4.3%), led by lower traction across the PTC (Phase Transfer Catalyst) and the PASC (Pharmaceutical and Agrochemical intermediates) segment, partially offset by stronger momentum in the SDA (Structure Directing Agents) segment. The double-digit revenue growth was driven by broad based growth across all the segments.

Margin and Profitability: EBITDA grew at a healthy pace of 37.4% YoY (+93.6% QoQ) to INR 173 Mn., stood sharply below our estimates, led by lower-than-expected gross margin and higher other expenses. Adj. net profit grew by 27.7% YoY (+545.7% QoQ) to INR 67 Mn., stood below our estimates, led by poor operational performance.

Gross margin improved by 412bps YoY (+355bps QoQ) to 50.1%, led by favorable product and customer mix, with higher contributions from SDA and PASC, export-led volume recovery and higher plant utilization. EBITDA margin improved by 287bps YoY (+653bps QoQ) to 14.8%, majorly led by expansion in gross margin partially offset by negative operating leverage. Adj. net margin improved by 75bps YoY (+474bps QoQ) to 5.7%.

Verticals/Segments: PTC segment grew by 8.5% YoY (-16.9% QoQ) to INR 323 Mn., underpinned by stable external volumes, strategic internal consumption, and a consistent pricing environment. SDA segment grew at a healthy pace of 12.5% YoY (+13.7% QoQ) to INR 394 Mn., driven by stronger demand from the U.S. and Europe region, early traction across Euro-7 linked products, and revival in global demand. PASC segment grew at 11.1% YoY (+32.3% QoQ) to INR 432 Mn., aided by ramp-up across new agro intermediates, strong customer traction in domestic and export markets, progress in validation across pharma intermediates and strategic scale-up of production aligned with incoming orders.

Outlook: We expect the company to sustain robust growth over FY27E, led by stronger volume offtake in SDA segment driven by Euro-7 demand, scale-up of agro and pharma intermediates, and increasing contribution from electrolyte salts. We expect improvement in EBITDA margins on account on increase in utilization, driving higher operating leverage.

Valuation: We have revised our FY26E/FY27E EPS estimates by +12.4%/-3.7% as we factor in improved gross and EBITDA margins over the medium term led by healthy order visibility and a favorable shift toward high-margin. Further, we expect lower revenue growth anchored towards management guidance range.

We have rolled forward our valuation to Jun'27 estimates. We value Tatva Chintan at 40.0x Jun'27 EPS, implying a target price of INR 860. Tatva Chintan is currently trading at 65.8x/34.2x of our FY26E/FY27E EPS estimates.

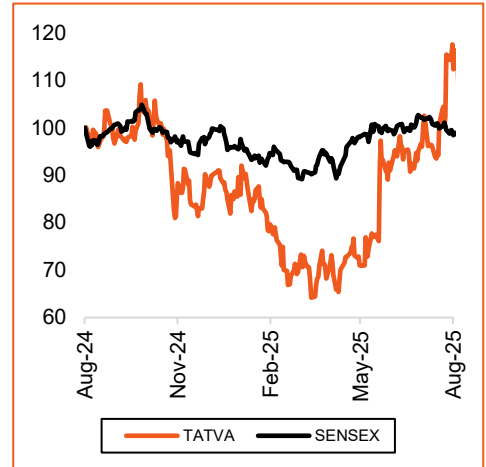
We downgrade our rating from "HOLD" to "SELL" as we believe all positive factors are fully priced in. We expect robust earnings momentum over next 2-3 years led by stronger execution across key segments, aided by stable demand outlook and improved gross margins.

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	3,935	3,827	4,493	5,637	6,832
EBITDA	682	342	865	1,349	1,640
EBITDA Margin	17.3%	8.9%	19.2%	23.9%	24.0%
Adj. PAT	304	57	373	719	904
Adj. EPS (INR)	13.0	2.4	16.0	30.7	38.6

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	23.3
Mkt Cap (INR Mn)	24,562
52 Week H/L (INR)	1,173/621
Volume Avg (3m K)	125
Face Value (INR)	10
Bloomberg Code	TATVA IN

*Based on the previous closing

Note: All the market data is as of the previous closing

SHARE HOLDING PATTERN (%)

Particulars	Jun-25	Mar-25	Dec-24
Promoters	72.0	72.0	72.0
FIIIs	3.3	3.3	3.4
DIIIs	5.1	5.5	6.3
Others	19.6	19.2	18.2
Total	100.0	100.0	100.0

21.4%

Revenue CAGR
between FY25-FY27E

254.7%

Adj. PAT CAGR
between FY25-FY27E

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Key Concall Highlights:

PTC (Phase Transfer Catalysts)

- **New customer ramp-up:** Steady increase in volumes is expected to drive overall traction across the segment, led by full commercialization of the project by end of CY2025, for a client onboarded during the previous year.
- **Steady performance:** The Management expects the segmental growth to perform in-line with internal expectations, indicating stability with a gradual uptick in volumes from the existing customer base.
- **Vertical integration benefits:** The Company plans to divert part of its PTC production capacity for captive use in downstream manufacturing of Structure Directing Agents (SDA), for enhancing value addition and margins.
- **Favorable export outlook:** Higher growth in global demand across the U.S. and Europe geographies are likely to benefit the PTC segment indirectly, driven by higher requirement for SDAs and related downstream products.

PASC (Pharmaceutical and Agrochemical Intermediates)

- **Agro intermediates:** The growth during the quarter was driven by a commercial-scale ramp-up of a key agro intermediate and is expected to contribute meaningfully until Q3FY26E, while another agro product, which was recently approved for commercial production, has significant order pipeline, supporting growth over H2FY26E.
- **Validation and commercialization:** On the pharma side, plant-scale batches for the third pharma intermediate was successfully delivered for customer validation, while pilot-scale batches for a fourth pharma intermediate are in progress. The first and second pharma intermediates have been validated and are undergoing documentation, with commercialization expected over Aug–Sep 2026E, providing medium-term revenue visibility.
- **Healthy Order momentum:** Customer order flow has materially improved, with execution underway for two key commercial orders due in Q3FY26E, underpinning strong revenue build-up starting Q1FY26E onwards.

SDA (Structure Directing Agents)

- **Stable order pipeline:** Management noted stronger demand visibility from major customers across Europe and the U.S., leading to a predictable order book and revenue momentum. The growth during the quarter was majorly driven by volume growth.
- **Emission norms opportunity:** Orders linked to Euro-7 standards have begun, with supplies for one Euro-7 product starting October 2025E and another under validation; the 2027E Euro-7 rollout is generating pre-qualification orders, strengthening mid-term growth visibility.
- **Volume-led guidance:** Despite a ~30% drop in realizations due to lower input costs, management maintains strong volume growth guidance (40–70% YoY), backed by a robust order pipeline.
- **Improvement in Product mix:** Ongoing shift toward high-value SDAs, especially for emission control and petrochemical uses, will underpin higher segment profitability; current full-capacity utilization is focused on delivering high-margin SDA orders.

Guidance and Outlook

- **Growth outlook:** The Company expects the revenue growth to remain around 25% YoY in FY26E, while it targets for an incremental growth in the range of 20.0–25.0% YoY in FY27E, on account of healthy order pipeline and anticipated ramp-up of new products.
- **Profitability:** The Company expects improvement in EBITDA margin to ~20.0% in FY26E, led by rapid ramp-up across SDA and PASC segments.
- **Ramp-up of Electrolyte segment:** Electrolyte segment is expected to witness a significant scale-up in the revenue in the range of INR 150–200 Mn. in FY26E, while is anticipated to contribute to ~10% of total revenues by FY27E. Moreover, the segmental EBITDA margins are expected to remain at par with the SDA segment.
- **Planned investments:** FY26E CapEx is budgeted at INR 1,100 Mn., earmarked for setup of a new agro intermediates block, infrastructure upgrades for high-purity semiconductor chemicals, and early investments for a greenfield site at Jolva.

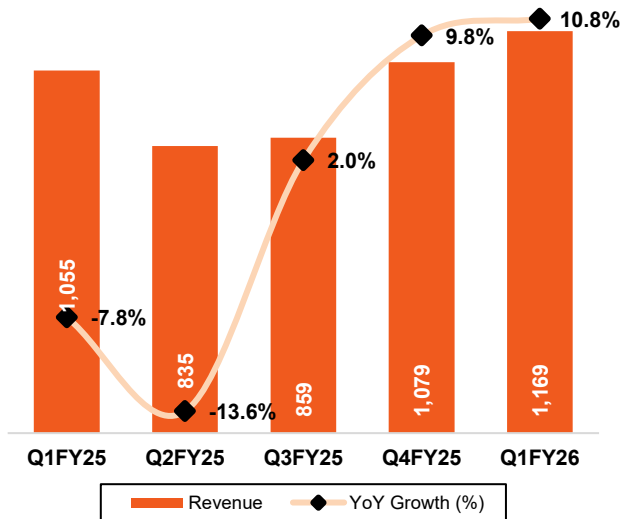
Other highlights

- The exports market continued to driven the overall revenue growth, as its contribution increased at a steady pace from 62.0% in Q1FY25 to 71.0% in Q1FY26. The growth was led by stronger demand from global markets including Japan, USA, Germany, Malaysia, Switzerland, South Korea, and China. Further, stronger momentum in exports market supported in maintaining pricing discipline and reducing its reliance on price-sensitive domestic markets.

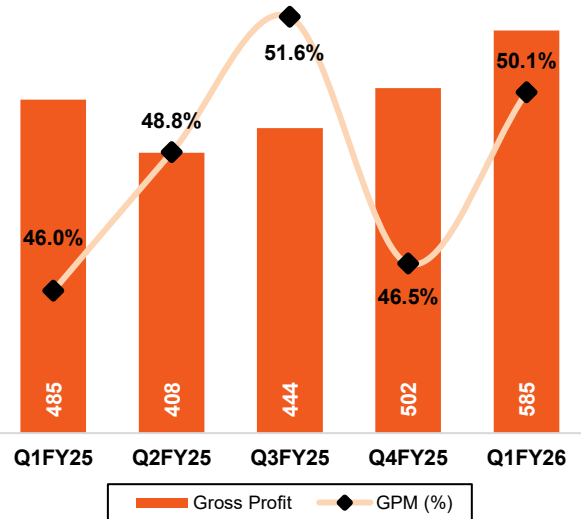
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Story in charts

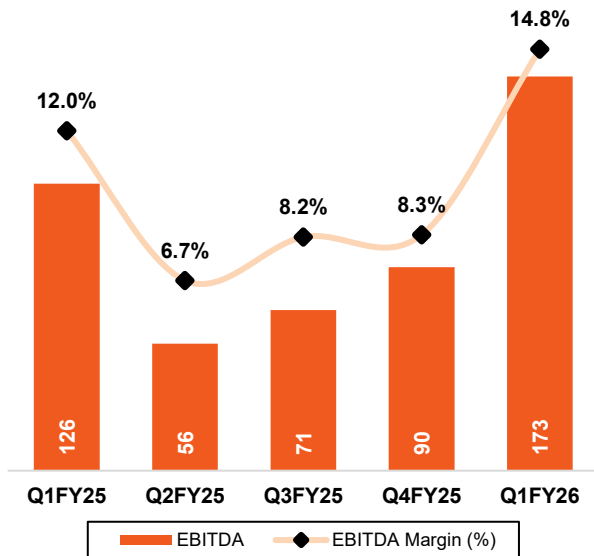
Strong traction in revenue was driven by broad based growth across the segments



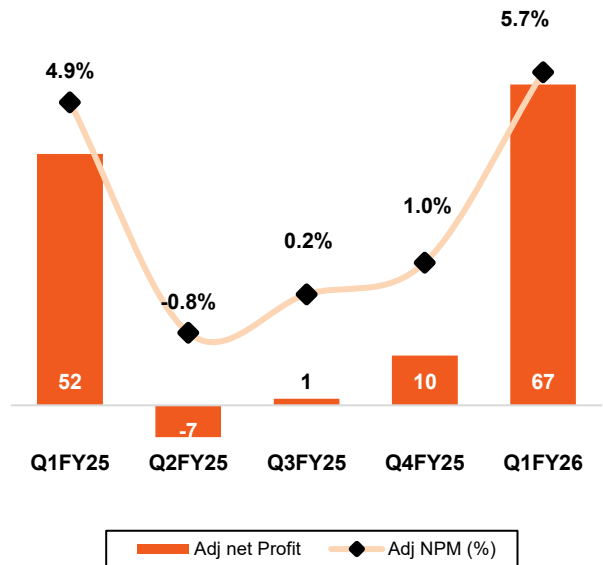
Expansion in gross margins was driven by improved product mix



Improvement in EBITDA margin was majorly driven by expansion in gross margins



Expansion in Adj. net margin was led by improved operational performance



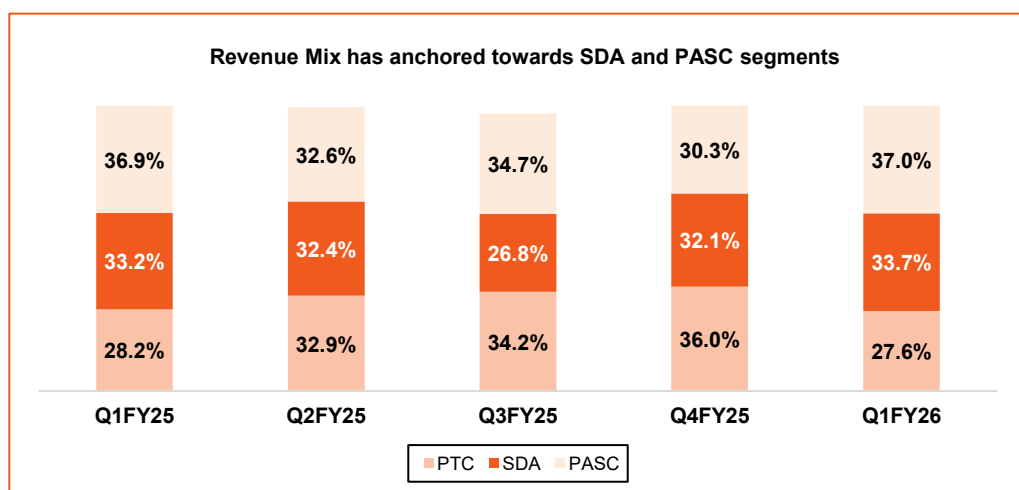
Source: Company, DevenChoksey Research

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Result Snapshot

Particulars (Mn)	Q1FY26	Q4FY25	Q1FY25	QoQ	YoY
Revenue from Operations	1,169	1,079	1,055	8.3%	10.8%
COGS	583	577	570	1.1%	2.4%
Employee Cost	141	140	127	0.3%	11.0%
Other Expenses	271	272	232	-0.3%	17.0%
Total Expenditure	995	989	928	0.6%	7.2%
EBITDA	173	90	126	93.6%	37.4%
EBITDA Margin (%)	14.8%	8.3%	12.0%	653 bps	287 bps
Depreciation	90	73	67	23.6%	34.6%
EBIT	84	17	60	393.7%	40.5%
Other Income	12	7	12	60.0%	-1.5%
Interest Expense	4	4	3	6.4%	31.5%
Share of Associates	0	0	0	NM	NA
PBT before Exceptional	91	20	68	349.0%	33.7%
Exceptional Items	0	0	0	NM	NA
PBT	91	20	68	349.0%	33.7%
Tax	25	10	16	145.7%	53.1%
Minority interest	0	0	0	NM	NM
PAT	67	10	52	545.7%	27.7%
EPS	2.8	0.4	2.2	0.0%	-80.3%

Source: Company, Deven Choksey Research



Source: Company, Deven Choksey Research

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Change in Estimates:

Although, Tatva Chintan witnessed a broad-based growth during Q1FY26, the performance stood below our estimates across the board, led by lower growth momentum across the PTC and PASC segments. The growth during the quarter was majorly led by stronger traction in the SDA segment driven by higher volume offtake from the U.S. and Europe geographies, aided by steady order flows for Euro-7 norms. PASC benefited from ramp ups of agri intermediate and higher pharma validations, while PTC witnessed stable growth led by steady internal consumption supporting value addition. Although improvement was observed in gross margins on account of favorable mix and higher plant utilization, overall profitability fell short of our expectations, led by lower-than-expected expansion in margins and higher other expenses.

We expect the company to sustain robust growth over FY27E, led by stronger volume offtake in SDA segment driven by Euro-7 demand, scale-up of agro and pharma intermediates, and increasing contribution from electrolyte salts. We expect improvement in EBITDA margins on account on increase in utilization, driving higher operating leverage.

We have revised our FY26E/FY27E EPS estimates by +12.4%/-3.7%, as we factor in improved gross and EBITDA margins over the medium term led by healthy order visibility and a favorable shift toward high-margin. Further, we expect lower revenue growth anchored towards management guidance range.

	New Estimates			Old Estimates			Variation		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	4,493	5,637	6,832	4,545	6,055	NA	-1.1%	-6.9%	NA
EBITDA	865	1,349	1,640	808	1,410	NA	7.0%	-4.3%	NA
EBITDA (%)	19.2%	23.9%	24.0%	17.8%	23.3%	NA	146 bps	65 bps	NA
Adj. PAT	373	719	904	331	746	NA	12.8%	-3.7%	NA
Adj. EPS	16.0	30.7	38.6	14.2	31.9	NA	12.4%	-3.7%	NA

Source: Company, Deven Choksey Research and Analysis

Valuation:

We have rolled forward our valuation to Jun'27 estimates. We value Tatva Chintan at 40.0x Jun'27 EPS, implying a target price of INR 860.

Tatva Chintan is currently trading at 65.8x/34.2x of our FY26E/FY27E EPS estimates.

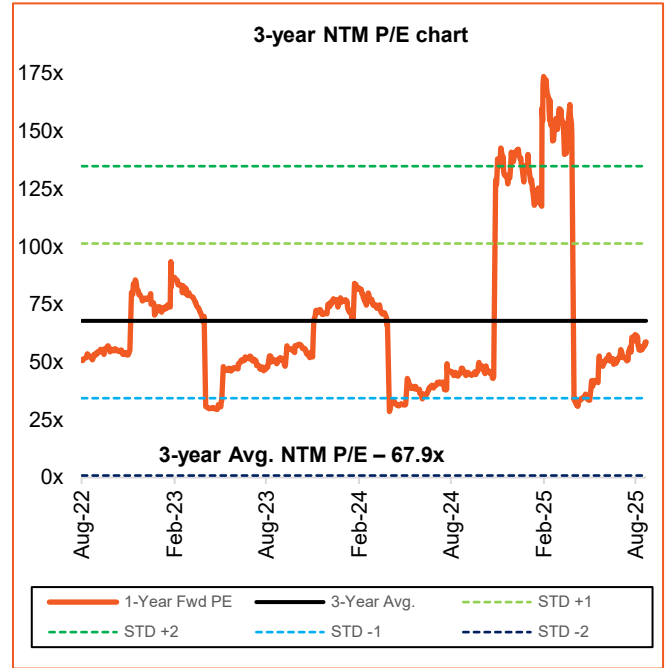
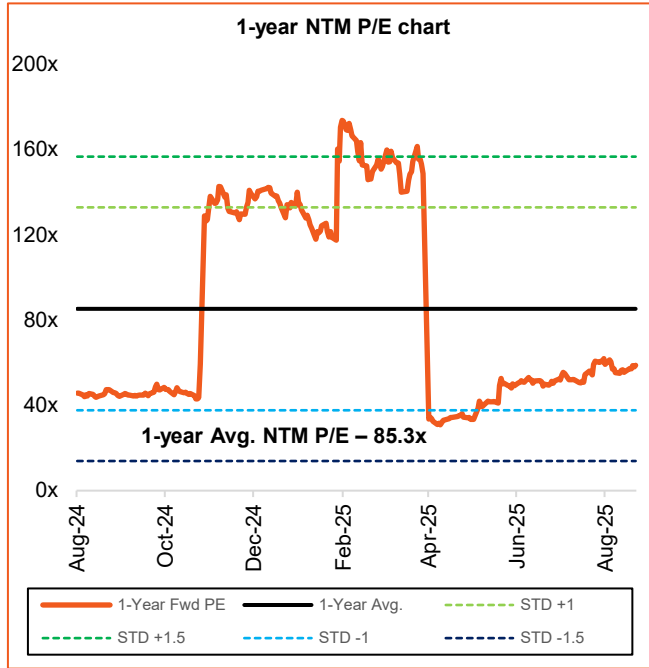
We downgrade our rating from “HOLD” to “SELL” as we believe all positive factors are fully priced in. We expect robust earnings momentum over next 2-3 years led by stronger execution across key segments, aided by stable demand outlook and improved gross margins.

Company	CMP	MCAP	Revenue CAGR	EBITDA CAGR	EBITDA Margin (%)	EV/EBITDA		P/E		ROE (%)	
	INR	In Mn.	FY23-25E (%)	FY23-25E (%)	FY25	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Tatva Chintan Pharma	1,050	24,562	-4.9%	-24.9%	8.9%	36.1x	71.9x	83.2x	277.2x	8.6%	10.0%
Domestic Peers											
SH Kelkar & Co	260	35,987	12.2%	31.6%	10.2%	11.1x	10.7x	23.0x	32.9x	10.8%	5.9%
Vishnu Chemicals	496	33,388	1.8%	-3.4%	14.6%	11.6x	14.6x	20.1x	23.7x	18.1%	15.6%
Mean			7.0%	14.1%	12.4%	11.4x	12.7x	21.5x	28.3x	14.4%	10.7%
Median			7.0%	14.1%	12.4%	11.4x	12.7x	21.5x	28.3x	14.4%	10.7%

Source: Company, Bloomberg, Deven Choksey Research and Analysis

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Valuation Charts



Source: Bloomberg, DevenChoksey Research

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Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Revenues	3,827	4,493	5,637	6,832
COGS	1,989	1,928	2,224	2,695
Gross profit	1,838	2,565	3,413	4,137
Employee cost	529	592	715	861
Other expenses	966	1,109	1,349	1,636
EBITDA	342	865	1,349	1,640
Depreciation	277	369	405	451
EBIT	66	496	944	1,189
Finance Costs	13	28	32	32
Other Income	23	33	46	48
PBT	76	500	958	1,205
Tax	19	127	240	301
PAT	57	373	719	904
EPS (INR)	2.4	16.0	30.7	38.6

Exhibit 3: Cash Flow Statement

INR Mn	FY25	FY26E	FY27E	FY28E
CFFO	247	738	1,116	777
Capex	(763)	(1,100)	(700)	(700)
Dividend Paid	(47)	(47)	(117)	(140)
Change in Capital	225	500	(100)	(100)
Closing Cash	114	209	423	275
FCF	(516)	(362)	416	77

Exhibit 4: Key Ratio

Key Ratio	FY25	FY26E	FY27E	FY28E
Gross Margin (%)	48.0%	57.1%	60.5%	60.5%
EBITDA Margin%	8.9%	19.2%	23.9%	24.0%
ROE%	0.8%	4.8%	8.6%	10.0%
ROCE%	1.2%	6.7%	11.6%	13.3%
P/E	277.2x	65.8x	34.2x	27.2x
EV/EBITDA	71.9	28.5	18.2	15.0

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Equity				
Equity Capital	234	234	234	234
Other Equity	7,154	7,481	8,083	8,846
Total Equity	7,388	7,715	8,317	9,080
Non-Current Liabilities				
Borrowings	0	200	200	200
Long term provisions	4	4	4	4
Other Non Current Liabilities	10	10	10	10
Total Non-Current Liabilities	14	214	214	214
Current Liabilities				
Borrowings	364	664	564	464
Trade Paybles	327	369	618	749
Other current liabilities	270	279	292	311
Total Current Liabilities	960	1,312	1,473	1,523
Total Liabilities	974	1,526	1,687	1,737
Non-Current Assets				
Property Plants and Equipments	4,960	5,691	5,986	6,235
Capital work-in-progress	215	215	215	215
Other Non current assets	535	535	535	535
Total Non-Current Assets	5,710	6,441	6,736	6,985
Current Assets				
Inventories	1,340	1,354	1,544	1,872
Trade Receivables	825	862	927	1,310
Cash and Bank	141	237	450	302
Other current assets	347	347	347	348
Total Current Assets	2,652	2,800	3,268	3,832
Total Assets	8,362	9,241	10,004	10,817

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Date	CMP (INR)	TP (INR)	Recommendation
03-Sept-25	1,050	860	SELL
07-May-25	749	766	HOLD
30-Jan-24	783	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

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%

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DRChoksey FinServ Private Limited

CIN Number -U67100MH2020PTC352816

Registered Office and Corporate Office:

5th Floor Abhishek Building, Behind Monginis Cake Factory, Off New Link Road, Andheri West, Mumbai-400058