Chemicals

Subdued growth; margin compression

Chemical prices surged at the beginning of Q1FY27, owing to a rise in feedstock prices. The prices softened toward the end of the quarter along with correction in crude oil and natural gas prices. However, the average prices are still above the pre US-Israel-Iran war prices and are expected to remain elevated in the near term due to supply constraints. The companies will benefit from increase in product realization. The Q4FY26 earnings were protected by low-cost raw material inventory and the benefit shall flow in Q1FY27 as chemical companies hold inventories of 45-90 days. The impact of a rise in raw material prices and higher energy cost will impact the companies under our coverage universe. Given the current scenario, the challenge will be more pronounced for commodity chemical producers, where competitive intensity and existing pricing pressures restrict the ability to fully pass on cost increases to customers. As a result, margin compression remains a near-term risk for these players, especially those with limited pricing power or high exposure to spot contracts. The impact on specialty chemical manufacturers is likely to be more contained. These companies typically have long-term customer contracts and possess stronger product differentiation. These companies may still see a short-term margin dip due to timing mismatches in contract revisions. We are downgrading Aether Industries to ADD from BUY with a target price of INR 1,558 while upgrading Sudarshan Chemical to REDUCE from SELL with a target price of INR 923.

- **Navin Fluorine:** Revenue is expected to change by +21.6/-6.0% YoY/QoQ to INR 8,819mn, largely due to ramp-up in CDMO contract, Nectar plant and higher realization for R-32. EBITDA is expected to change by +19.4/-23.1% YoY/QoQ to INR 2,469mn. EBITDA margin is expected to change by -50.7/-624.8 bps YoY/QoQ to 28.0%. APAT is expected to change by +36.7/-20.7% to INR 1,604mn.

- **Aarti Industries:** Revenue is expected to change by +22.8/-6.7% YoY/QoQ to INR 20,569mn. EBITDA is expected to change by +21.3/-25.0% YoY/QoQ to INR 2,559mn. EBITDA margin is expected to change by +15.6/-302.4bps YoY/QoQ to 12.4%. APAT is expected to change by +30.2/-58.4% to INR 560mn. A sequential fall in earnings is largely due to lower volumes and higher energy costs.

- **Vinati Organics:** Revenue is expected to change by +5.1/-5.7% YoY/QoQ to INR 5,694mn. EBITDA is expected to change by -10.3/-15.9% YoY/QoQ to INR 1,432mn. EBITDA margin is expected to change by -431.9/-305.1 bps YoY/QoQ to 25.1%. APAT is expected to change by -6.4/-21.2% to INR 976mn. A fall in EBITDA margin is due to higher energy cost and freight costs.

- **Clean Science and Technology:** Revenue is expected to change by +9.4/+6.6% YoY/QoQ to INR 2,657mn. EBITDA is expected to change by -17.2/-13.6% YoY/QoQ to INR 827mn. EBITDA margin is expected to change by -997.4/-728.1 bps YoY/QoQ to 31.1%. APAT is expected to change by -24.7/-9.5% to INR 527mn.

- **SRF:** Revenue is expected to change by -2.4/-19.3% YoY/QoQ to INR 37,267mn. EBITDA is expected to change by -37.0/-49.1% YoY/QoQ to INR 5,225mn. EBITDA margin is expected to change by -771.2/-820.5 bps YoY/QoQ to 14.0%. APAT is expected to change by -56.5/-68.1% to INR 1,882mn.

Company	RECO	TP (INR)
Aarti Industries	REDUCE	468
Aether Industries	ADD	1,558
Alkyl Amines	SELL	1,068
Acutaas Chemicals	SELL	1423
Balaji Amines	SELL	1,596
Clean Science and Technology	REDUCE	752
Deepak Nitrite	SELL	1,503
Fine Organic	SELL	4,009
Galaxy Surfactants	BUY	2598
Navin Fluorine	ADD	7,800
Neogen Chemicals	BUY	2654
NOCIL	ADD	195
SRF	ADD	2,784
Sudarshan Chemical	REDUCE	923
Vinati Organics	BUY	1,939

Nilesh Ghuge
nilesh.ghuge@hdfcsec.com
+91-22-6171-7342

Aditya Iyer
aditya.iyer@hdfcsec.com
+91-22-6171-7356

- **Sudarshan Chemicals:** Revenue is expected to change by +8.6/-2.4% YoY/QoQ to INR 27,237mn. EBITDA is expected to change by -30.9/-41.5% YoY/QoQ to INR 1,329mn. EBITDA margin is expected to change by -279.4/-327.0 bps YoY/QoQ to 4.9%. APAT is expected to change by -80.4/-85.5% to INR 108mn.
- **Aether Industries:** Revenue is expected to change by +22.0/+2.4% YoY/QoQ to INR 3,126mn. EBITDA is expected to change by +12.8/+10.1% YoY/QoQ to INR 910mn. EBITDA margin is expected to change by -238.7/+201.9 bps YoY/QoQ to 29.1%. APAT is expected to change by +18.0/+5.1% to INR 578mn.
- **Fine Organics:** Revenue is expected to change by +8.9/+2.5% YoY/QoQ to INR 6,409mn. EBITDA is expected to change by +15.6/+10.0% YoY/QoQ to INR 1,429mn. EBITDA margin is expected to change by +128.8/+152.8 bps YoY/QoQ to 22.3%. APAT is expected to change by +6.2/+1.1% to INR 1,188mn. We believe the company will benefit from a supply shortage in global market and deprecating rupee against the USD. However, the benefit will be curtailed due to higher freight costs.
- **Alkyl Amines:** Revenue is expected to change by +4.3/+9.3% YoY/QoQ to INR 4,230mn. EBITDA is expected to change by -3.2/+4.8% YoY/QoQ to INR 741mn. EBITDA margin is expected to change by -136.2/-75.1 bps YoY/QoQ to 17.5%. APAT is expected to change by -13.7/-5.9% to INR 427mn. Sales volumes are expected to fall due to non-availability of key raw material.
- **Galaxy Surfactants:** Revenue is expected to change by +20.7/+17.3% YoY/QoQ to INR 15,424mn. EBITDA is expected to change by +16.8/+18.9% YoY/QoQ to INR 1,446mn. EBITDA margin is expected to change by -31.4/+12.8 bps YoY/QoQ to 9.4%. APAT is expected to change by +3.6/+31.9% to INR 823mn.
- **Deepak Nitrite:** Revenue is expected to change by +12.5/+0.3% YoY/QoQ to INR 21,264mn. EBITDA is expected to change by -14.2/-56.7% YoY/QoQ to INR 1,627mn. EBITDA margin is expected to change by -237.9/-1008.2 bps YoY/QoQ to 7.7%. APAT is expected to change by -43.2/-71.0% to INR 638mn. We expect per unit realization for Phenol to improve sequentially but margins will be under pressure due to rise in raw material and energy cost.
- **Acutaas Chemicals:** Revenue is expected to change by +87.9/-10.0% YoY/QoQ to INR 3,895mn. EBITDA is expected to change by +166.6/-26.0% YoY/QoQ to INR 1,357mn. EBITDA margin is expected to change by +1028.5/-755.6 bps YoY/QoQ to 34.8%. APAT is expected to change by +139.5/-21.5% to INR 1,054mn.
- **Neogen Chemicals:** Revenue is expected to change by +11.5/-15.6% YoY/QoQ to INR 2,082mn. EBITDA is expected to change by -0.9/-28.9% YoY/QoQ to INR 312mn. EBITDA margin is expected to change by -187.5/-280.9 bps YoY/QoQ to 15.0%. APAT is expected to change by +189.6/+161.5% to INR 297mn.
- **Balaji Amines:** Revenue is expected to change by +11.9/+1.5% YoY/QoQ to INR 4,009mn. EBITDA is expected to change by -2.4/-43.4% YoY/QoQ to INR 534mn. EBITDA margin is expected to change by -194.9/-1056.0 bps YoY/QoQ to 13.3%. APAT is expected to change by -25.4/-57.9% to INR 273mn.

Rating and target price revision summary

Company	OLD RECO	NEW RECO	OLD TP (INR)	NEW TP (INR)
Aarti Industries	REDUCE	REDUCE	450	468
Aether Industries	BUY	ADD	1,429	1,558
Alkyl Amines	SELL	SELL	1,037	1,068
Acutaas Chemicals	SELL	SELL	1,358	1,423
Balaji Amines	SELL	SELL	1,494	1,596
Clean Science and Technology	REDUCE	REDUCE	776	752
Deepak Nitrite	SELL	SELL	1,327	1,503
Fine Organic	SELL	SELL	3,721	4,009
Galaxy Surfactants	BUY	BUY	2,449	2,598
Navin Fluorine	ADD	ADD	7,171	7,800
Neogen Chemicals	BUY	BUY	2,494	2,654
NOCIL	ADD	ADD	196	195
SRF	ADD	ADD	2,722	2,784
Sudarshan Chemical	SELL	REDUCE	841	923
Vinati Organics	BUY	BUY	2,109	1,939

Financial summary: 1QFY27E

COMPANY	NET SALES (INR mn)			EBITDA (INR mn)			EBITDA Margin (%)			APAT (INR mn)			Adj. EPS		
	1QFY27E	QoQ (%)	YoY (%)	1QFY27E	QoQ (%)	YoY (%)	1QFY27E	QoQ (bps)	YoY (bps)	1QFY27E	QoQ (%)	YoY (%)	1QFY27E	4QFY26	1QFY26
Aarti Industries	20,569	(6.7)	22.8	2,559	(25.0)	21.3	12.4	(302.4)	(15.6)	560	(58.4)	30.2	1.5	3.7	1.2
Aether Industries	3,126	2.4	22.0	910	10.1	12.8	29.1	201.9	(238.7)	578	5.1	18.0	4.4	4.2	3.7
Alkyl Amines	4,230	9.3	4.3	741	4.8	(3.2)	17.5	(75.1)	(136.2)	427	(5.9)	(13.7)	8.4	8.9	9.7
Acutaas Chemicals	3,895	(10.0)	87.9	1,357	(26.0)	166.6	34.8	(755.6)	1,028.5	1,054	(21.5)	139.5	12.9	16.4	5.4
Balaji Amines	4,009	1.5	11.9	534	(43.4)	(2.4)	13.3	(1056.0)	(194.9)	273	(57.9)	(25.4)	8.4	20.0	11.3
Clean Science and Technology	2,657	6.6	9.4	827	(13.6)	(17.2)	31.1	(728.1)	(997.4)	527	(9.5)	(24.7)	5.0	5.5	6.6
Deepak Nitrite	21,264	0.3	12.5	1,627	(56.7)	(14.2)	7.7	(1008.2)	(237.9)	638	(71.0)	(43.2)	4.7	16.1	8.2
Fine Organics	6,409	2.5	8.9	1,429	10.0	15.6	22.3	152.8	128.8	1,188	1.1	6.2	38.7	38.3	36.5
Galaxy Surfactants	15,424	17.3	20.7	1,446	18.9	16.8	9.4	12.8	(31.4)	823	31.9	3.6	23.2	17.6	22.4
Navin Fluorine	8,819	(6.0)	21.6	2,469	(23.1)	19.4	28.0	(624.8)	(50.7)	1,604	(20.7)	36.7	31.3	41.5	23.0
Neogen Chemicals	2,082	(15.6)	11.5	312	(28.9)	(0.9)	15.0	(280.9)	(187.5)	297	161.5	189.6	10.8	4.1	4.1
NOCIL	3,362	1.8	0.0	211	3.9	(28.8)	6.3	13.1	(253.4)	100	(44.9)	(39.1)	0.6	1.1	1.1
SRF	37,267	(19.3)	(2.4)	5,225	(49.1)	(37.0)	14.0	(820.5)	(771.2)	1,882	(68.1)	(56.5)	6.4	19.9	9.1
Sudarshan Chemicals	27,237	(2.4)	8.6	1,329	(41.5)	(30.9)	4.9	(327.0)	(279.4)	108	(85.5)	(80.4)	1.6	9.4	7.9
Vinati Organics	5,694	(5.7)	5.1	1,432	(15.9)	(10.3)	25.1	(305.1)	(431.9)	976	(21.2)	(6.4)	9.5	12.1	10.1
Aggregate Chemicals	**1,66,041**	**(5.4)**	**10.6**	**22,408**	**(32.2)**	**(8.9)**	**13.5**	**(532.3)**	**(288.9)**	**11,034**	**(42.3)**	**(17.1)**			

Source: Company, HSIE Research

Change in estimates

Company	EBITDA OLD			EBITDA NEW			CHANGE %			EPS OLD			EPS NEW			CHANGE %		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Aarti Industries	9,650	14,677	18,955	10,838	15,287	19,762	12.3	4.2	4.3	2.9	13.9	23.4	4.6	13.4	22.8	57.2	(3.9)	(2.4)
Aether Industries	4,549	6,499	7,887	4,638	6,499	7,887	2.0	0.0	0.0	21.6	31.8	39.1	22.1	31.8	39.1	2.4	0.0	0.0
Alkyl Amines	2,260	2,826	4,073	2,326	2,806	4,080	2.9	(0.7)	0.2	22.7	28.7	45.5	24.5	28.6	45.7	7.8	(0.4)	0.6
Clean Science and Technology	3,943	4,830	5,747	3,597	4,348	5,091	(8.8)	(10.0)	(11.4)	24.1	29.7	35.7	21.6	26.4	31.1	(10.1)	(11.3)	(12.8)
Deepak Nitrite	8,466	14,167	22,646	8,505	14,244	22,752	0.5	0.5	0.5	27.0	41.5	64.1	27.2	41.9	64.6	0.8	1.0	0.9
Navin Fluorine	10,721	12,458	12,458	10,637	12,668	14,885	(0.8)	1.7	19.5	143.8	163.1	163.1	144.4	168.7	205.3	0.4	3.4	25.9
NOCIL	1,001	1,618	2,117	988	1,603	2,099	(1.3)	(1.0)	(0.8)	3.6	5.7	7.8	3.6	5.7	7.8	(0.0)	(0.0)	(0.0)
SRF	33,001	41,784	52,972	31,335	39,999	51,061	(5.0)	(4.3)	(3.6)	57.0	77.5	104.2	51.0	70.5	96.5	(10.5)	(9.0)	(7.4)

Source: Company, HSIE Research

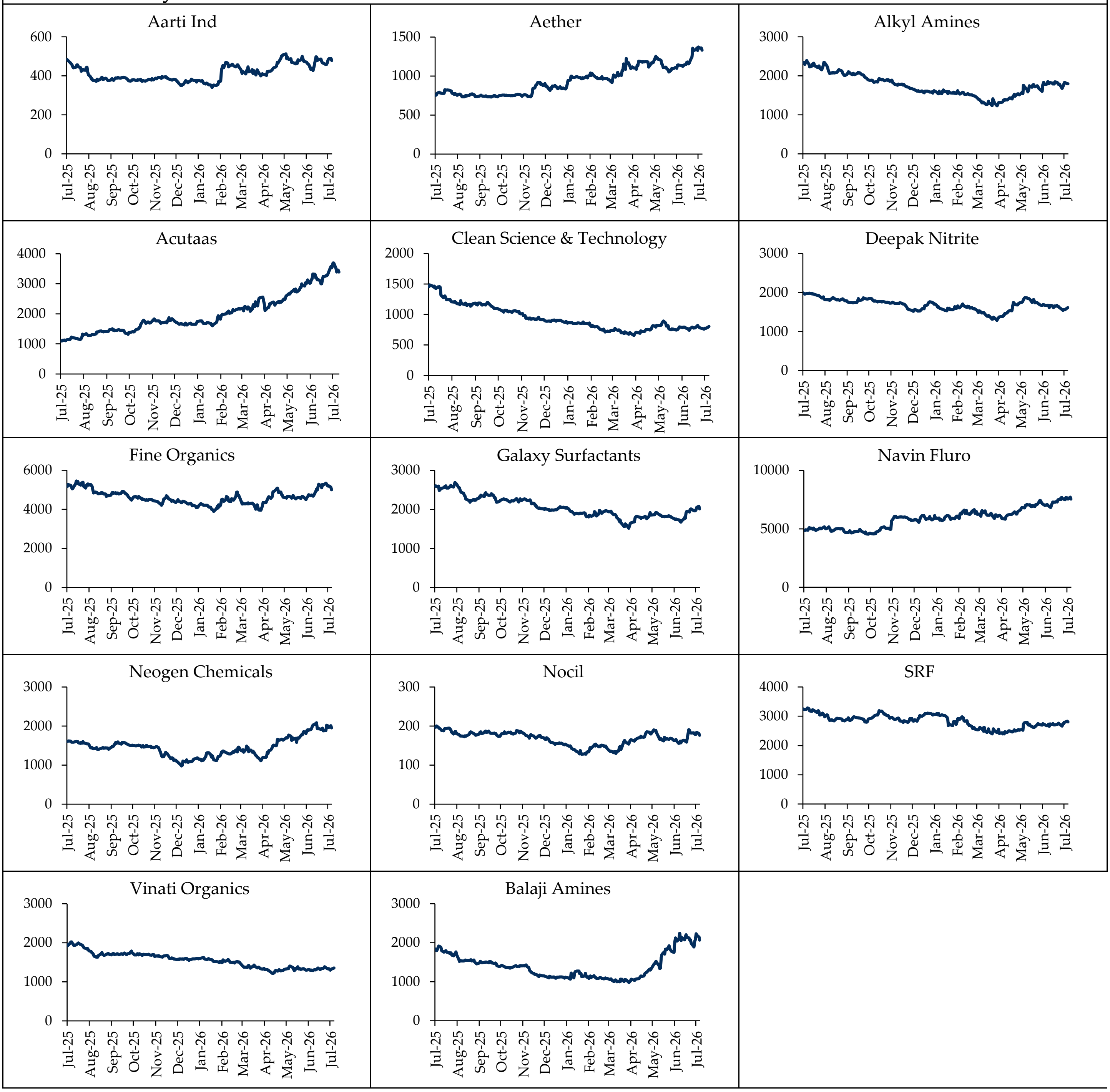
Valuation summary

Company	MCap (INR bn)	CMP (INR)	RECO	TP (INR)	EBITDA(INR mn)				Adj EPS (INR/sh)				P/E (x)				ROE (%)			
					FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E	FY26	FY27E	FY28E	FY29E
Aarti Industries	175	484	REDUCE	468	11,670	10,838	15,287	19,762	11.3	4.6	13.4	22.8	42.6	105.2	36.1	21.1	7.1	2.8	7.7	12.0
Aether Industries	199	1,501	ADD	1,558	3,636	4,638	6,499	7,887	17.1	22.1	31.8	39.1	86.7	67.0	46.6	37.9	9.7	11.3	14.2	15.1
Alkyl Amines	100	1,956	SELL	1,068	2,846	2,326	2,806	4,080	35.2	24.5	28.6	45.7	44.9	64.6	55.3	34.6	12.3	7.9	8.7	12.8
Acutaas Chemicals	278	3,401	SELL	1,423	4,804	5,805	7,184	7,717	43.5	52.8	64.5	68.8	61.4	50.6	41.4	38.8	24.1	23.3	22.9	20.0
Balaji Amines	78	2,415	SELL	1,596	2,654	2,557	4,028	4,971	52.2	43.2	72.6	93.8	40.9	49.4	29.4	22.8	8.6	6.7	10.4	12.1
Clean Science and Technology	82	770	REDUCE	752	3,550	3,597	4,348	5,091	21.6	21.6	26.4	31.1	38.2	38.1	31.3	26.5	15.3	13.7	14.9	15.5
Deepak Nitrite	224	1,644	SELL	1,503	9,807	8,505	14,244	22,752	41.0	27.2	41.9	64.6	42.7	64.4	41.8	27.1	10.7	6.2	8.9	12.6
Fine Organics	153	5,000	SELL	4,009	4,830	5,771	5,837	7,844	134.3	156.3	159.3	212.2	34.4	29.5	29.0	21.8	16.6	15.8	12.7	13.6
Galaxy Surfactants	71	2,001	BUY	2,598	4,753	5,059	5,917	6,482	75.4	85.4	100.5	119.0	24.8	21.9	18.6	15.7	10.5	10.6	11.6	12.9
Navin Fluorine	395	7,712	ADD	7,800	10,817	10,637	12,668	14,885	129.6	144.4	168.7	205.3	59.1	53.1	45.4	37.3	20.4	17.8	18.2	19.2
Neogen Chemicals	52	2,085	BUY	2,654	1,373	1,773	3,773	4,549	11.5	21.8	40.6	36.7	147.3	77.2	41.5	45.9	3.6	5.4	8.1	6.9
NOCIL	29	173	ADD	195	1,008	988	1,603	2,099	3.7	3.6	5.7	7.8	50.2	50.9	32.3	23.7	3.5	3.4	5.2	6.8
SRF	822	2,775	ADD	2,784	34,096	31,335	39,999	51,061	59.9	51.0	70.5	96.5	42.6	50.0	36.2	26.4	13.3	10.3	12.7	15.3
Sudarshan Chemicals	79	999	REDUCE	923	5,899	5,375	7,403	9,635	6.2	6.2	22.1	41.5	161.6	160.7	45.3	24.1	1.4	1.4	4.9	8.9
Vinati Organics	139	1,333	BUY	1,939	6,539	6,884	8,289	10,156	42.7	45.2	56.1	70.4	31.3	29.5	23.8	19.0	14.9	14.0	15.3	16.6

Note: CMP is as on 10th July 2026

Source: Company, HSIE Research

1 Yr Price history



Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: >10% Downside return potential

Disclosure:
We, **Nilesh Ghuge, MMS & Aditya Iyer, PGDM** authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.
Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.
Any holding in stock – NO
HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:
This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. This report may have been refined using AI tools to enhance clarity and readability.
Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.
This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.
If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.
Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.
This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.
HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.
HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL 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.

HSL 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 in the normal course of business.

HSL 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 HSL nor Research Analysts 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. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

Please note that HDFC Securities has a proprietary trading desk. This desk maintains an arm's length distance with the Research team and all its activities are segregated from Research activities. The proprietary desk operates independently, potentially leading to investment decisions that may deviate from research views.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: customercare@hdfcsec.com Phone: (022) 3901 9400

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

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

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

HDFC Securities
Institutional Equities
Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfcsec.com