

Chemicals

Navigating the chemical sector's new reality

The US-Israel-Iran war has translated into a direct disruption of global oil and gas supply chains, leading to a jump in petroleum and petrochemical prices. There are feed stock availability constraints as well. More than 10 oil refineries and more than 12 oil and gas fields in the belligerent countries in Western Asia have been affected so far. 13 million barrels per day (mbpd) of oil exports from the region have already been cut, owing to infrastructure damage and production curtailment. The resulting shock is driving chemical production curtailments in the global market, leading to customer understocking and disruptions in global trade.

Even if there is a ceasefire and the Strait of Hormuz (SoH) reopens, supply disruption will last a while, and it will take months to restore production to its full potential. Disruption in production and trade flows will create a premium in the oil and gas prices. Rising petroleum product prices shall impact chemical companies at both gross profit and operating cost levels. Derivatives of crude oil and natural gas are building blocks for the chemical industry. Power & fuel, transportation, logistics and insurance costs are 40-50% of operating costs (excl. direct costs) for our coverage universe. The severity of the impact of oil and gas prices on the companies varies and it is the function of multiple variables like product categories (commodity, specialty), market competition, end-user applications, etc.

We believe the companies will benefit from increase in product realization. In medium to long term, the opportunity may arise to Indian chemical companies as the energy prices in Europe make the Indian manufacturer a cheaper alternative. However, in the near term, the margins will be under pressure, owing to a sharp increase in petroleum product prices and supply disruption. EBITDA margins for the companies under coverage are expected to fall by 100bps to 600bps in FY27 over FY26.

We are maintaining BUY recommendation for Aether Industries, Galaxy Surfactants, Neogen Chemicals and Vinati Organics while SELL recommendation on Acutaas Chemicals, Deepak Nitrite, Fine Organics and Sudarshan Chemicals. We are downgrading our recommendation for Aarti Industries, Clean Science and Technology and NOCIL from ADD to REDUCE, for Alkyl Amines and Balaji Amines from REDUCE to SELL, and for Navin Fluorine International from BUY to ADD.

Petroleum prices will remain elevated in FY27

The US-Israel-Iran war has impacted oil and gas production and refining capacities in Western Asia. War-torn countries produce 31% of total global oil and 18% of the total global natural gas (Annexure 1). Currently, there has been a global oil export cut of more than 13mbpd i.e. ~12% global oil demand, which is the highest ever historically. More than 3mbpd of crude refinery capacity in West Asia has been damaged. Blockade of the Strait of Hormuz (SoH) has resulted in non-availability of vessels and excess inventories in the oil trade market. All this led to shutting of more than 3mbpd of refining capacity in Asia. Natural gas prices have also jumped sharply due to this conflict. Global LNG supply has reduced by 20% and LNG spot prices have doubled in the last 2 months. The SoH blockade has led to challenges in naphtha procurement and a simultaneous reduction in cracker utilization from 80% to 50-60%. Therefore, we expect petroleum prices to remain elevated in FY27 as the impacted facilities will need time to resume normal operations.

Company	CMP*	Reco	TP
Aarti Industries	513	REDUCE	450
Aether Industries	1,252	BUY	1,371
Alkyl Amines Chemicals	1,580	SELL	1,037
Acutaas Chemicals	2,673	SELL	1,358
Balaji Amines	1,456	SELL	1,279
Clean Science and Technology	820	REDUCE	796
Deepak Nitrite	1,752	SELL	1,295
Fine Organic Industries	4,598	SELL	3,759
Galaxy Surfactants	1,863	BUY	2,410
Navin Fluorine International	6,797	ADD	7,171
Neogen Chemicals	1,687	BUY	2,355
NOCIL	190	REDUCE	194
SRF	2,551	ADD	2,722
Sudarshan Chemical Industries	943	SELL	823
Vinati Organics	1,335	BUY	2,135

*CMP as on 04 May, 2026

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Dependency of chemical companies on crude oil and natural gas as feedstock

A sustained rise in crude oil and natural gas prices will significantly influence the cost structure across the chemical value chain. They are the primary feedstock for monomers like ethylene, propylene, styrene, vinyl chloride, etc., chemical intermediates like ammonia, methanol, benzene, toluene, xylene, phenol, acetic acid and other key chemicals and solvents. These polymers and intermediates act as essential building blocks for numerous downstream chemical products, making the impact broad-based.

We believe that the companies under our coverage will be impacted, 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.

In contrast, 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. While they may still see a short-term margin dip due to timing mismatches in contract revisions, the ability to renegotiate terms and adjust pricing over time provides an important cushion. Consequently, margin volatility for specialty chemical players should remain limited compared to commodity chemical players.

Overall, the sector is set to witness a period of margin divergence, shaped largely by product positioning, contract structures, and the degree of pricing flexibility.

Dependency of companies on energy or operating cost

Beyond higher crude and natural gas-linked raw material prices, the disruption in production and trade flow of energy sources will be another cost headwind for the chemical sector. Chemical companies mostly rely on crude derivatives like naphtha, fuel oil, and natural gas for their energy intensive processes. Therefore, they will face a disproportionate escalation in operating costs as energy cost remains elevated and supply visibility weakens. As energy becomes structurally more expensive, companies will see an impact on their plant utilization, profitability, and competitiveness to compete with players in regions that enjoy more stable energy markets. Overall, the increase in prices of energy basket adds another layer of cost inflation.

Along with a surge in crude oil and natural gas prices, freight and insurance charges, solvents, and packaging materials costs have also seen an increase. The passing of these costs to the customers is an uphill battle. If ever the chemical companies do so, it will be with some time lag. Also, we believe that not all companies can pass through the entire impact of increase in operating cost. This shall lead to further margin pressure at operating profit level.

Types of feedstocks used by companies under coverage

The source of raw material consumed by chemical companies can be broadly categorized into three types of feedstocks:

- Oil-based
- Gas-based
- Inorganic and others

Chemical companies use raw materials based on some or all of the categories of feedstock mentioned above. Based on these categories, the value of the company's products for customers, vulnerability of company's key raw material to the change in feedstock prices, and the cost of goods sold (COGS) as a percentage of operating costs, we have categorized the potential impact of increase in feedstock prices and subsequent raw material prices on the gross margins for the companies in our coverage universe.

Exhibit 1: Variation in COGS as a % of operating costs across our coverage universe

Company	COGS as a % of Operating Costs			
	FY22	FY23	FY24	FY25
Deepak Nitrite	79.14%	80.02%	79.84%	80.50%
Galaxy Surfactants	78.80%	79.96%	77.37%	77.17%
Fine Organics	78.58%	81.39%	76.62%	75.65%
Aether Industries	68.26%	68.27%	68.88%	74.74%
Aarti Industries	65.39%	69.47%	71.93%	74.23%
Vinati Organics	72.85%	72.75%	70.71%	71.73%
Acutaas Chemicals	65.75%	66.97%	69.90%	71.02%
Balaji Amines	71.90%	71.34%	68.54%	67.01%
Neogen Chemicals	68.63%	67.62%	65.88%	65.98%
Alkyl Amines	71.73%	63.92%	65.14%	65.15%
SRF	65.03%	65.19%	63.56%	64.30%
NOCIL	73.76%	65.09%	65.22%	63.57%
Clean Science	58.35%	61.07%	60.31%	60.57%
Sudarshan Chemicals	65.96%	65.43%	63.69%	59.83%
NFIL	60.59%	58.67%	56.12%	57.20%

Source: Company, HSIE Research

Exhibit 2: Gross margins for the companies under our coverage universe

Company	Gross Margins (%)			
	FY22	FY23	FY24	FY25
Deepak Nitrite	39.51%	32.92%	31.84%	30.11%
Galaxy Surfactants	29.74%	30.52%	32.02%	31.64%
Aarti Industries	53.10%	41.96%	39.07%	35.98%
Fine Organics	36.68%	40.98%	42.67%	41.45%
NOCIL	39.66%	45.10%	43.60%	42.72%
Balaji Amines	47.17%	46.90%	44.62%	43.80%
Acutaas	47.53%	46.37%	42.58%	45.16%
Neogen Chemicals	43.54%	43.37%	44.65%	45.62%
Aether Industries	51.18%	51.25%	46.33%	46.77%
Vinati Organics	46.74%	47.56%	46.78%	46.80%
Alkyl Amines	43.39%	49.14%	46.21%	46.92%
Sudarshan Chemicals	42.28%	40.56%	44.25%	46.99%
SRF	51.20%	50.28%	48.94%	47.60%
NFIL	54.19%	56.86%	54.70%	55.78%
Clean Science	67.20%	65.18%	64.97%	63.73%

Source: Company, HSIE Research

Exhibit 3: Potential impact of variation in feedstock prices on gross margins

Company	Potential RM Impact on Gross Margins		
	Oil	Gas	Inorganic/Others
SRF	Moderate	Low	High
NFIL	Moderate	Low	High
Deepak Nitrite	High	Moderate	Low
Acutaas Chemicals	Moderate	Moderate	Low
Aarti Industries	High	High	Low
Aether Industries	Moderate	Moderate	Low
Vinati Organics	High	Moderate	Low
Fine Organic Industries	Low	Low	High
Clean Science and Technology	High	Moderate	Low
Alkyl Amines Chemicals	Moderate	High	Low
Sudarshan Chemical Industries	Low	Low	High
Galaxy Surfactants	Moderate	Low	High
Balaji Amines	Moderate	High	Low
Neogen Chemicals	Low	Low	High
NOCIL	High	Low	Low

Source: Company, HSIE Research

Impact of sustained crude oil prices on our coverage universe

The key raw materials based on crude oil that are predominantly used in the chemical industry are ethylene, propylene, butylene, benzene, toluene, phenol, acetic acid, and aniline.

We believe crude oil prices will remain elevated in the short term, given the uncertain geopolitical scenario, which could increase the prices of crude oil-based products. The damage to refineries in West Asia has resulted in refinery production cut by ~3 million bbl per day (mbpd). The global oil supply cut, and disruption in supply chain has resulted in refinery production cut by another 3mbpd in Asia. This has reduced the supply of key refinery derivatives for petrochemical and chemicals. Several naphtha crackers in Asia have reduced their run rate sharply, from 80% in Jan-Feb to 50-60% in March.

The supply of ethane/ethylene and propane/propylene is expected to remain low in the near term. The Indian Government is managing LPG supply amidst the US-Israel-Iran war by boosting refinery production and prioritizing domestic household over commercial use of LPG. This will reduce availability of propane, propylene for production of downstream chemicals and affect the production of downstream C3 products like cumene, polypropylene, propylene oxide, acrylonitrile, phenol, and Iso Propyl alcohol.

West Asia accounts for ~13% of the global ethylene capacity and ~12mmtpa of ethylene and more than 45mmtpa of naphtha exports flow through the Strait of Hormuz. This will impact the availability of basic raw material for downstream C2 products like polyethylene, ethylene oxide, PVC, styrene, etc.

Exhibit 4: Potential impact of Crude Oil on Gross Margins



In our view, the companies that could be highly impacted by the increase in crude oil prices are Deepak Nitrite, Aarti Industries, Vinati Organics, Clean Science, and NOCIL. For these companies, their raw material basket constitutes one or more of the crude oil-based products mentioned earlier and they also form a major portion of their RM costs.

In our view, the companies that could be moderately impacted by increase in raw material prices that are derivatives of crude oil are SRF, NFIL, Acutaas Chemicals, Aether Industries, Alkyl Amines, Balaji Amines, and Galaxy Surfactants.

In our view, the companies which would be least impacted by an increase in raw material prices belonging to the crude oil category are Fine Organics, Sudarshan Chemicals, and Neogen Chemicals, as majority of their raw material basket comes in the inorganic/others category.

Impact of sustained natural gas prices on our coverage universe

The key compounds used as raw material having natural gas as a feedstock are methanol and ammonia.

Natural gas prices have jumped up sharply due to the conflict in West Asia. Global LNG supply has reduced by 20% and spot LNG prices are hovering around USD20/mmbtu currently, up from USD10-11/mmbtu in January. LNG market is expected to remain tight as LNG trains in Qatar and UAE may take a long time to fully ramp up. Also, in the near term, there will be strong demand for natural gas from Europe for refilling their storage before winter. Thus, we believe the price of natural gas and its derivatives methanol, ammonia, urea, acetic acid, etc., will remain elevated in the near term.

Exhibit 5: Potential impact of Natural Gas on Gross Margins



We believe the companies that will be highly impacted by an increase in raw material prices belonging to the natural gas category are Aarti Industries, Alkyl Amines, and Balaji Amines. India is mostly dependent on imports from West Asia for gas.

In our opinion, the impact of increase in natural gas prices and its derivatives is moderate on companies like Deepak Nitrite, Acutaas Chemicals, Aether Industries, Vinati Organics, and Clean Science and Technology.

In our opinion, the companies that would be least impacted by an increase in raw material prices belonging to the gas category are SRF, NFIL, Sudarshan Chemicals, Neogen Chemicals, NOCIL, and Fine Organics. Except for NOCIL, most of the raw material basket for other players falls under the inorganic/others category.

Exhibit 6: Potential impact of Inorganic/Others on Gross Margins



The companies that could be highly impacted by increase in raw material prices belonging to the inorganic/others category are SRF, NFIL, Fine Organics, Sudarshan Chemicals, Galaxy Surfactants, and Neogen Chemicals.

For SRF and NFIL, fluorspar is the key starting material for their products and NFIL has mentioned about the rising fluorspar prices in their Q3FY26 concall. The major raw material for both Fine Organics and Galaxy Surfactants is vegetable oil and its derivatives. Vegetable oil prices are rising globally with increase in FAO Vegetable Price Oil Index since March 2023. This index is based on prices of soybean, sunflower, rapeseed, groundnut, cottonseed, copra, palm kernel, palm, linseed, and castor oil. Vegetable oil prices are expected to remain elevated due to the uncertain geopolitical situation, extreme and volatile weather conditions, volatility in the agricultural market, etc. (**Annexure 2**).

For Neogen Chemicals, the main raw materials are bromine and lithium. The prolonged blockade of the Strait of Hormuz amid the ongoing US-Israel-Iran conflict has created a significant supply chain risk for bromine and several other raw materials. India relies primarily on Israel for bromine imports, making the supply chain heavily concentrated and highly susceptible to geopolitical shocks.

Based on the impact assessment covered earlier, we believe that companies in our coverage universe should see a gross margin dip of 100-600 bps in FY27 over FY26.

Exhibit 7: Gross margin impact assessment

Company	Gross Margins			
	FY25	FY26E	FY27E	Change FY27-FY26
SRF	47.60%	49.23%	47.11%	-2.11%
NFIL	55.78%	58.47%	58.15%	-0.32%
Deepak Nitrite	30.11%	27.67%	25.39%	-2.29%
Acutaas	45.16%	57.74%	55.99%	-1.75%
Aarti Industries	35.98%	35.21%	33.18%	-2.03%
Aether Industries	46.77%	50.00%	48.80%	-1.20%
Vinati Organics	46.80%	51.73%	50.22%	-1.51%
Fine Organics	41.45%	39.59%	38.80%	-0.79%
Clean Science	63.73%	62.00%	56.00%	-6.00%
Alkyl Amines	46.92%	46.12%	41.98%	-4.13%
Sudarshan Chemicals	46.99%	50.43%	48.06%	-2.37%
Galaxy Surfactants	31.64%	26.72%	25.26%	-1.47%
Balaji Amines	43.80%	44.18%	41.57%	-2.61%
Neogen Chemicals	45.62%	45.94%	42.32%	-3.62%
NOCIL	42.72%	44.53%	40.93%	-3.60%

Source: Company, HSIE Research

Crude oil and natural gas prices to impact power and fuel costs

Beyond higher crude and natural gas-linked raw material prices, the disruption in production and trade flow of energy sources will be another cost headwind for the chemical sector. Chemical companies mostly rely on crude derivatives like naphtha, fuel oil, and natural gas for their energy intensive processes. Therefore, they will face a disproportionate escalation in operating costs as energy costs remain elevated and supply visibility weakens. As energy becomes structurally more expensive, companies will see an impact on their plant utilization, profitability, and competitiveness to compete with players in regions that enjoy more stable energy markets. Overall, the increase in prices of energy basket adds another layer of cost inflation.

There are 2 types of energy sources that companies use to meet their energy requirements:

- Non-Renewable: mostly coal, oil and gas
- Renewable: mostly solar and wind

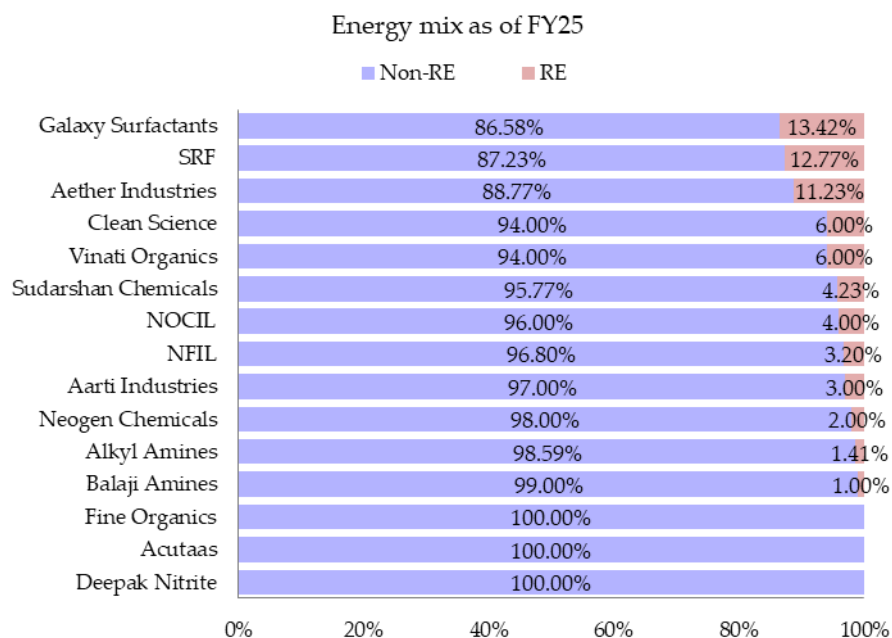
Exhibits 8: Power and fuel costs

Company	Power and Fuel costs (in INR mn)				
	FY22	FY23	FY24	FY25	CAGR(FY22-FY25)
NFIL	756	1,345	1,498	1,601	28.41%
Neogen Chemicals	203	312	319	318	16.18%
Sudarshan Chemicals	1,327	1,572	1,526	2,055	15.68%
Clean Science	619	898	656	911	13.74%
Acutaas	214	223	258	301	12.07%
Aarti Industries	1,174	1,445	1,528	1,569	10.15%
Fine Organics	773	976	890	1,028	9.97%
Vinati Organics	1,175	1,576	1,373	1,513	8.81%
SRF	11,356	14,723	13,448	13,519	5.98%
Galaxy Surfactants	630	722	719	732	5.13%
Deepak Nitrite	4,386	5,419	4,571	4,635	1.86%
Alkyl Amines	1,630	2,187	1,884	1,717	1.75%
NOCIL	1,504	1,877	1,542	1,523	0.40%
Aether Industries	304	364	269	235	-8.23%
Balaji Amines	2,099	2,376	1,699	1,496	-10.67%

Source: Companies, HSIE Research

The energy mix for the companies in our coverage universe:

Exhibits 9: Energy mix



Source: Companies, HSIE Research

For the companies in our coverage universe, majority of their energy requirements are met by non-renewable energy sources. The most commonly used non-renewable energy sources are fuel oil, naphtha, and natural gas. Power and fuel costs for all companies are mapped with the prices of the all three sources mentioned earlier, refer **Annexure 3**.

Exhibit 10: Power and Fuel as a % of Operating Costs (Excl. COGS)

Company	Power and Fuel as a % of Operating Costs(Excl. Direct Costs)				Power and Fuel Cost Impact
	FY22	FY23	FY24	FY25	
Clean Science	38.62%	43.23%	35.97%	39.90%	High
Balaji Amines	43.94%	47.47%	40.98%	38.93%	High
Alkyl Amines	47.39%	45.26%	45.42%	38.46%	High
NOCIL	44.62%	39.42%	35.47%	33.29%	High
Deepak Nitrite	40.45%	40.59%	34.57%	33.05%	High
Vinati Organics	36.62%	38.84%	32.77%	32.11%	High
SRF	34.80%	37.29%	34.96%	31.62%	High
Fine Organics	23.87%	23.94%	23.96%	24.03%	Moderate
NFIL	17.47%	21.32%	20.49%	20.61%	Moderate
Sudarshan Chemicals	20.25%	21.75%	18.91%	17.26%	Low
Aether Industries	22.69%	24.69%	18.52%	15.56%	Low
Neogen Chemicals	16.15%	16.79%	16.11%	14.59%	Low
Acutaas	15.06%	13.66%	14.56%	13.37%	Low
Aarti Industries	7.77%	8.56%	10.09%	9.71%	Low
Galaxy Surfactants	9.04%	9.30%	9.53%	8.57%	Low

Source: Company, HSIE Research

The companies that have energy intensive operations and derive their energy requirements largely from non-renewable sources will be impacted severely. In our view, the companies which could be highly impacted due to rising power and energy costs are Alkyl Amines, Balaji Amines, NOCIL, Vinati Organics, Clean Science, Deepak Nitrite, and SRF.

The companies which would be least impacted are Neogen Chemicals, Galaxy Surfactants, Aarti Industries, Acutaas Chemicals, Aether Industries, and Sudarshan Chemicals, as their power and fuel cost as a percentage of operating costs excluding COGS is 8-20% only.

Export based impact

The ongoing conflict has increased freight rates, which has resulted in a structural concern over export competitiveness. For low-value, high-volume chemical products, the freight component has now become a disproportionately large share of the final invoice value. In many cases, transportation costs alone are high enough to render existing export contracts commercially unviable at current spot rates. This impact is especially severe for commodity-grade producers who operate on thin spreads and depend heavily on overseas markets to offload volumes.

Our channel check suggests that companies are facing challenges such as rising insurance premiums, higher vessel-related charges, and unpredictable shipping schedules. This combination is materially increasing the total cost of export logistics. The net effect will be a meaningful erosion in margins and a near-term drag on price competitiveness across several chemical sub-segments.

Exhibits 11: Freights + Insurance impact on Exports

Company	Freights + Insurance as a % of Operating Costs (Excl. Direct Costs)				Freight +Insurance (Export) Impact
	FY22	FY23	FY24	FY25	
Aarti Industries	32.27%	34.26%	27.71%	32.11%	High
Galaxy Surfactants	35.97%	29.37%	21.16%	23.22%	High
Fine Organics	31.82%	26.82%	13.16%	17.51%	High
SRF	18.25%	17.07%	13.18%	16.02%	Low
Deepak Nitrite	16.59%	16.15%	16.04%	15.95%	Low
Alkyl Amines	13.85%	14.51%	10.31%	13.65%	Low
Balaji Amines	12.83%	11.52%	10.69%	13.19%	Low
Aether Industries	9.69%	9.83%	10.07%	12.28%	Low
NFIL	9.80%	8.12%	7.74%	10.22%	Moderate
Acutaas	12.51%	11.39%	7.30%	9.14%	Moderate
Sudarshan Chemicals	5.58%	7.22%	7.97%	8.22%	Moderate
Neogen Chemicals	2.01%	4.40%	4.06%	6.56%	Low
Clean Science	4.64%	4.17%	4.99%	5.38%	Moderate
Vinati Organics	2.18%	2.52%	2.74%	2.73%	Low

Source: Company, HSIE Research

Exhibits 12: Contribution from exports for the coverage universe

Company	Export Contribution			
	FY22	FY23	FY24	FY25
Acutaas Chemicals	58.07%	58.97%	56.00%	73.80%
Clean Science and Technology	70.00%	72.00%	64.00%	65.00%
Galaxy Surfactants	62.00%	57.00%	59.00%	60.00%
Fine Organic Industries	60.59%	68.62%	57.00%	59.00%
NFIL	50.00%	66.00%	65.00%	57.00%
Sudarshan Chemical Industries	45.21%	49.33%	46.43%	55.19%
Vinati Organics	68.45%	61.00%	54.00%	55.00%
Aarti Industries	41.00%	48.00%	52.00%	54.00%
SRF	57.70%	59.67%	54.60%	50.15%
Aether Industries	47.00%	69.00%	35.95%	39.50%
NOCIL	36.00%	30.00%	33.00%	35.00%
Neogen Chemicals	36.00%	45.00%	27.00%	25.00%
Alkyl Amines Chemicals	12.73%	15.53%	22.33%	23.52%
Deepak Nitrite	22.49%	20.00%	20.14%	16.41%
Balaji Amines	19.00%	15.00%	14.00%	13.00%

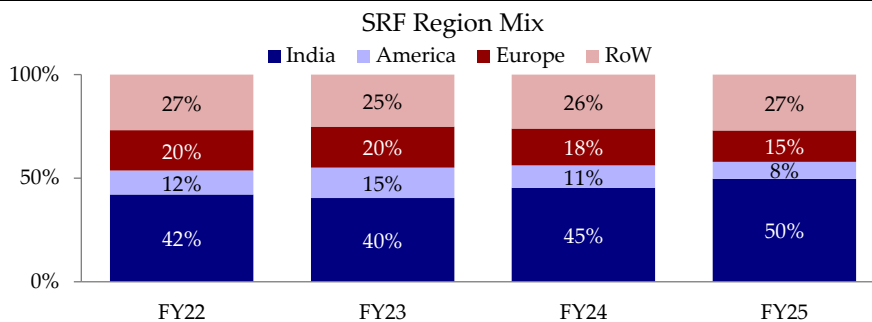
Source: Company, HSIE Research

For exports, the classification is as follows, based on FY25 full-year exports:

- Low: Export contribution <50%
- High: Export contribution >=50%

As you can see, though SRF has more than 50% contribution from exports, we still feel that the impact will be low because it has a well-diversified export base. Similarly, in the case of Deepak Nitrite, Alkyl Amines, Balaji Amines and Aether Industries, though their % costs are on the higher side as shown in **Exhibit 11**, they get majority of their revenues from the domestic market as shown in **Exhibit 12**. Therefore, we expect a low to moderate impact on these companies.

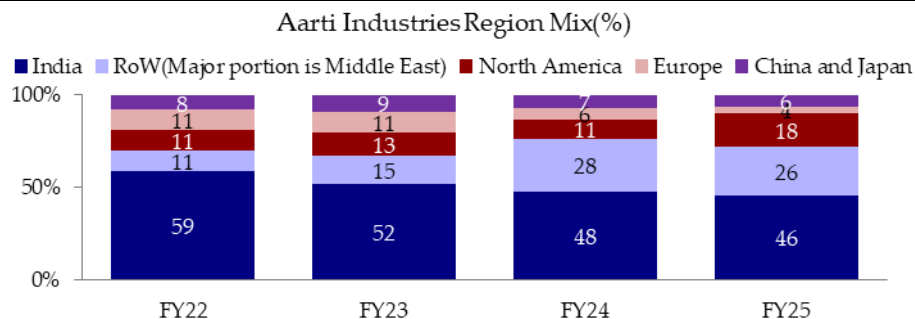
Exhibit 13: Region-wise mix for SRF



Source: Company, HSIE Research

For Aarti, majority of the exports are contributed by America and West Asia. Over 50% of Aarti’s revenue comes from exports, and within exports, majority comes from America and West Asia. Therefore, given the current geopolitical scenario between these two regions, Aarti’s exports will be majorly impacted.

Exhibit 14: Region-wise mix for Aarti Industries

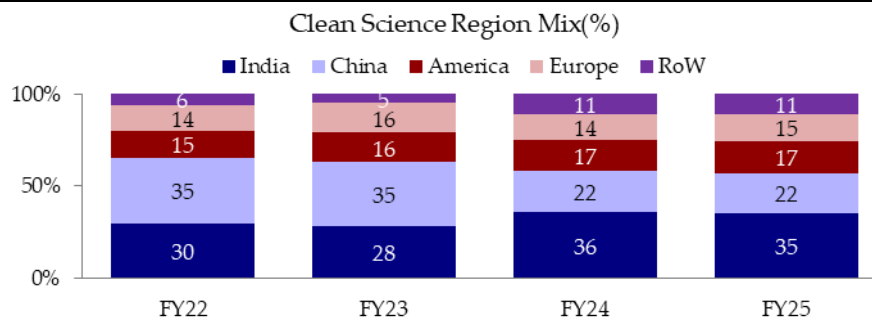


Source: Company, HSIE Research

For Clean Science, ~40-50% of the overall business comes from China and America; however, its export base looks well-diversified. Chinese players are expanding capacities in MEHQ, which can temporarily put pressure on MEHQ prices and impact exports of MEHQ, but we expect the company to maintain its competitive edge due to the following:

- Proprietary technology
- High-yield processes based on green chemistry
- Lower cost base

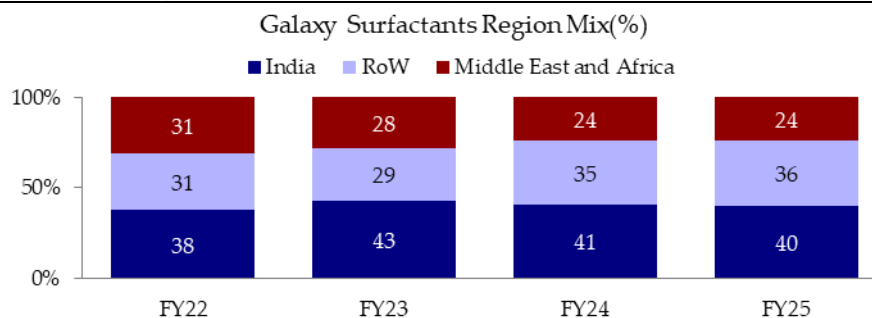
Exhibit 15: Region-wise mix for Clean Science



Source: Company, HSIE Research

For Galaxy Surfactants, ~20-30% of the overall business comes from West Asia and Africa. Therefore, due to the current geopolitical scenario, its exports would be impacted adversely, in our view.

Exhibit 16: Region-wise mix for Galaxy Surfactants



Source: Company, HSIE Research

Based on the impact assessment covered earlier, we believe that companies in our coverage universe should see an EBITDA margin dip of 100-600bps in FY27 over FY26.

Exhibit 17: EBITDA margin impact assessment

Company	EBITDA Margins			
	FY25	FY26E	FY27E	Change FY27-FY26
SRF	18.50%	21.91%	20.37%	-1.55%
NFIL	22.73%	32.64%	33.10%	0.46%
Deepak Nitrite	13.22%	10.66%	9.83%	-0.83%
Acutaas	23.04%	35.87%	34.65%	-1.22%
Aarti Industries	13.75%	14.07%	12.08%	-1.99%
Aether Industries	28.72%	32.25%	30.82%	-1.43%
Vinati Organics	25.89%	27.52%	26.60%	-0.92%
Fine Organics	22.57%	20.15%	21.22%	1.07%
Clean Science	40.12%	36.08%	31.86%	-4.22%
Alkyl Amines	18.51%	18.30%	12.29%	-6.01%
Sudarshan Chemicals	11.45%	5.75%	4.54%	-1.21%
Galaxy Surfactants	11.47%	9.69%	8.76%	-0.93%
Balaji Amines	16.70%	17.04%	14.11%	-2.93%
Neogen Chemicals	17.48%	15.49%	14.44%	-1.05%
NOCIL	9.83%	8.16%	6.83%	-1.33%

Source: Company, HSIE Research

Chemicals: Sector Update

Exhibit 18: Change in estimates

Particular(in INR mn)	EBITDA OLD			EBITDA NEW			CHANGE %		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Aarti Industries	11,196	14,822	18,011	11,296	9,650	14,677	0.89	(34.90)	(18.51)
Aether Industries	3,748	4,452	5,647	3,710	4,587	6,061	(1.01)	3.03	7.33
Alkyl Amines Chemicals	3,029	3,972	4,920	2,884	2,260	2,826	(4.80)	(43.09)	(42.57)
Acutaas Chemicals	4,804	5,805	7,184	4,804	5,805	7,184	0.00	0.00	0.00
Balaji Amines	2,605	3,378	3,899	2,382	2,206	3,468	(8.57)	(34.69)	(11.05)
Clean Science and Technology	3,361	4,254	5,344	3,361	3,568	4,762	0.00	(16.13)	(10.89)
Deepak Nitrite	8,389	14,911	24,325	8,389	8,704	14,508	0.00	(41.63)	(40.36)
Fine Organic Industries	5,173	5,842	6,433	4,768	5,853	6,853	(7.82)	0.19	6.52
Galaxy Surfactants	4,822	5,442	6,198	5,039	4,939	5,861	4.52	(9.25)	(5.44)
Navin Fluorine International	10,004	10,721	12,458	10,818	12,161	13,597	8.13	13.43	9.14
Neogen Chemicals	1,276	1,904	3,814	1,286	1,838	2,781	0.83	(3.48)	(27.07)
NOCIL	1,071	1,496	2,267	1,071	972	1,138	0.00	(35.00)	(49.78)
SRF	34,145	50,101	66,890	32,484	33,001	41,784	(4.87)	(34.13)	(37.53)
Sudarshan Chemical Industries	5,454	7,919	8,730	5,454	4,510	6,705	0.00	(43.06)	(23.19)
Vinati Organics	7,264	10,219	11,889	6,203	7,564	10,176	(14.61)	(25.98)	(14.40)

Source: Company, HSIE Research

Particular(in Rs/sh)	EPS OLD			EPS NEW			CHANGE %		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Aarti Industries	9.5	15.4	22.2	9.7	2.9	13.9	2.90	(81.06)	(37.50)
Aether Industries	17.7	21.9	27.5	17.3	22.3	29.6	(2.19)	1.87	7.46
Alkyl Amines Chemicals	35.8	47.8	59.4	33.7	22.7	28.7	(5.95)	(52.51)	(51.71)
Acutaas Chemicals	43.5	52.8	64.5	43.5	52.8	64.5	0.00	0.00	0.00
Balaji Amines	51.5	63.4	74.4	43.9	36.9	64.7	(14.77)	(41.74)	(12.93)
Clean Science and Technology	21.2	26.8	34.1	21.2	21.9	30.0	0.00	(18.09)	(12.06)
Deepak Nitrite	35.1	54.9	88.6	35.1	25.3	39.3	0.00	(53.93)	(55.61)
Fine Organic Industries	138.8	155.1	172.3	129.7	162.0	189.6	(6.53)	4.42	10.01
Galaxy Surfactants	81.5	95.1	108.7	86.4	83.7	98.0	6.04	(11.96)	(9.84)
Navin Fluorine International	121.4	143.8	163.1	129.3	167.4	179.8	6.51	16.47	10.20
Neogen Chemicals	7.9	26.9	39.7	8.1	24.5	7.0	3.41	(8.69)	(82.24)
NOCIL	4.0	5.8	9.3	4.0	3.5	4.2	0.00	(39.82)	(54.15)
SRF	61.0	97.5	136.2	58.8	57.0	77.5	(3.61)	(41.53)	(43.14)
Sudarshan Chemical Industries	8.6	36.5	44.1	8.6	5.3	24.7	0.00	(85.48)	(43.86)
Vinati Organics	47.9	69.7	82.3	41.3	50.4	69.9	(13.78)	(27.59)	(15.05)

Source: Company, HSIE Research

Exhibit 19: Change in recommendation and target price

Company	OLD RECO	NEW RECO	OLD TP (INR)	NEW TP (INR)
Aarti Industries	ADD	REDUCE	467	450
Aether Industries	BUY	BUY	1,241	1,371
Alkyl Amines Chemicals	REDUCE	SELL	1,940	1,037
Acutaas Chemicals	SELL	SELL	1,358	1,358
Balaji Amines	REDUCE	SELL	1,561	1,279
Clean Science and Technology	ADD	REDUCE	883	796
Deepak Nitrite	SELL	SELL	1,452	1,295
Fine Organic Industries	SELL	SELL	3,600	3,759
Galaxy Surfactants	BUY	BUY	2,647	2,410
Navin Fluorine International	BUY	ADD	7,260	7,171
Neogen Chemicals	BUY	BUY	2,761	2,355
NOCIL	ADD	REDUCE	217	194
SRF	ADD	ADD	3,374	2,722
Sudarshan Chemical Industries	SELL	SELL	920	823
Vinati Organics	BUY	BUY	2,421	2,135

Source: HSIE Research

Exhibit 20: Valuation Summary

Particulars	MCap (INR Bn)	EBITDA			Adj EPS			P/E(x)			ROE(%)		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Aarti Industries	176.95	11,296	9,650	14,677	9.7	2.9	13.9	52.7	175.5	36.9	6.1	1.8	8.1
Aether Industries	162.07	3,710	4,587	6,061	17.3	22.3	29.6	72.5	56.1	42.3	9.8	11.4	13.3
Alkyl Amines Chemicals	78.9	2,884	2,260	2,826	33.7	22.7	28.7	46.9	69.7	55.1	11.7	7.3	8.7
Acutaas Chemicals	217.51	4,804	5,805	7,184	43.5	52.8	64.5	61.4	50.6	41.4	24.1	23.3	22.9
Balaji Amines	47.37	2,382	2,206	3,468	43.9	36.9	64.7	31.0	36.9	21.0	6.6	5.3	8.7
Clean Science and Technology	87.57	3,361	3,568	4,762	21.2	21.9	30.0	38.8	37.4	27.4	14.9	13.8	16.7
Deepak Nitrite	241.42	8,389	8,704	14,508	35.1	25.3	39.3	49.9	69.2	44.6	8.5	5.8	8.5
Fine Organic Industries	140.27	4,768	5,853	6,853	129.7	162.0	189.6	35.4	28.4	24.3	15.2	15.0	14.0
Galaxy Surfactants	66.13	5,039	4,939	5,861	86.4	83.7	98.0	21.6	22.3	19.1	12.5	11.2	12.2
Navin Fluorine International	358.47	10,818	12,161	13,597	129.3	167.4	179.8	52.6	40.6	37.8	20.1	19.7	18.0
Neogen Chemicals	46.79	1,286	1,838	2,781	8.1	24.5	7.0	207.8	68.8	239.3	2.5	7.3	2.0
NOCIL	31.28	1,071	972	1,138	4.0	3.5	4.2	47.4	54.1	44.8	3.7	3.2	3.8
SRF	754.09	32,484	33,001	41,784	58.8	57.0	77.5	43.4	44.7	32.9	13.0	11.4	13.9
Sudarshan Chemical Industries	74.09	5,454	4,510	6,705	8.6	5.3	24.7	109.3	177.8	38.1	2.0	1.2	5.5
Vinati Organics	138.29	6,203	7,564	10,176	41.3	50.4	69.9	32.4	26.5	19.1	14.3	15.3	18.3

Source: Company, HSIE Research

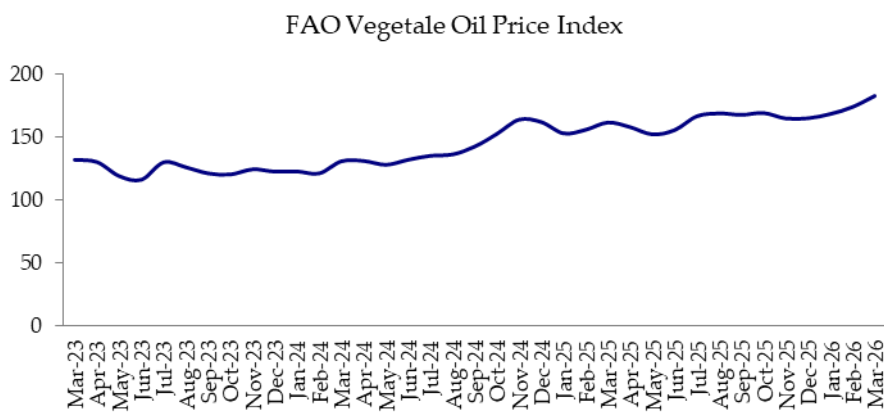
Annexures

Annexure 1: Oil and Gas production capacity of the countries affected in war

Countries	Oil production* 2024 (mbpd)	Refining capacity^ 2024 (mbpd)	NG production (Bn cubic meters)
Israel	0.02	0.301	21.4
UAE	4.006	1.271	61.4
Saudi Arabia	10.856	3.289	121.5
Qatar	1.806	0.429	179.5
Kuwait	2.719	1.43	14.9
Iraq	4.398	1.219	11.9
Bahrain	0.17	0.26	16.6
Jordan	NA	NA	NA
Syria	0.035		2.7
Oman	0.993	0.564	45.3
Cyprus	NA	NA	NA
Iran	5.062	2.46	262.9
Total	30.07	11.22	738.10
% of world	31%	11%	18%
World	96.89	104.523	4124.5

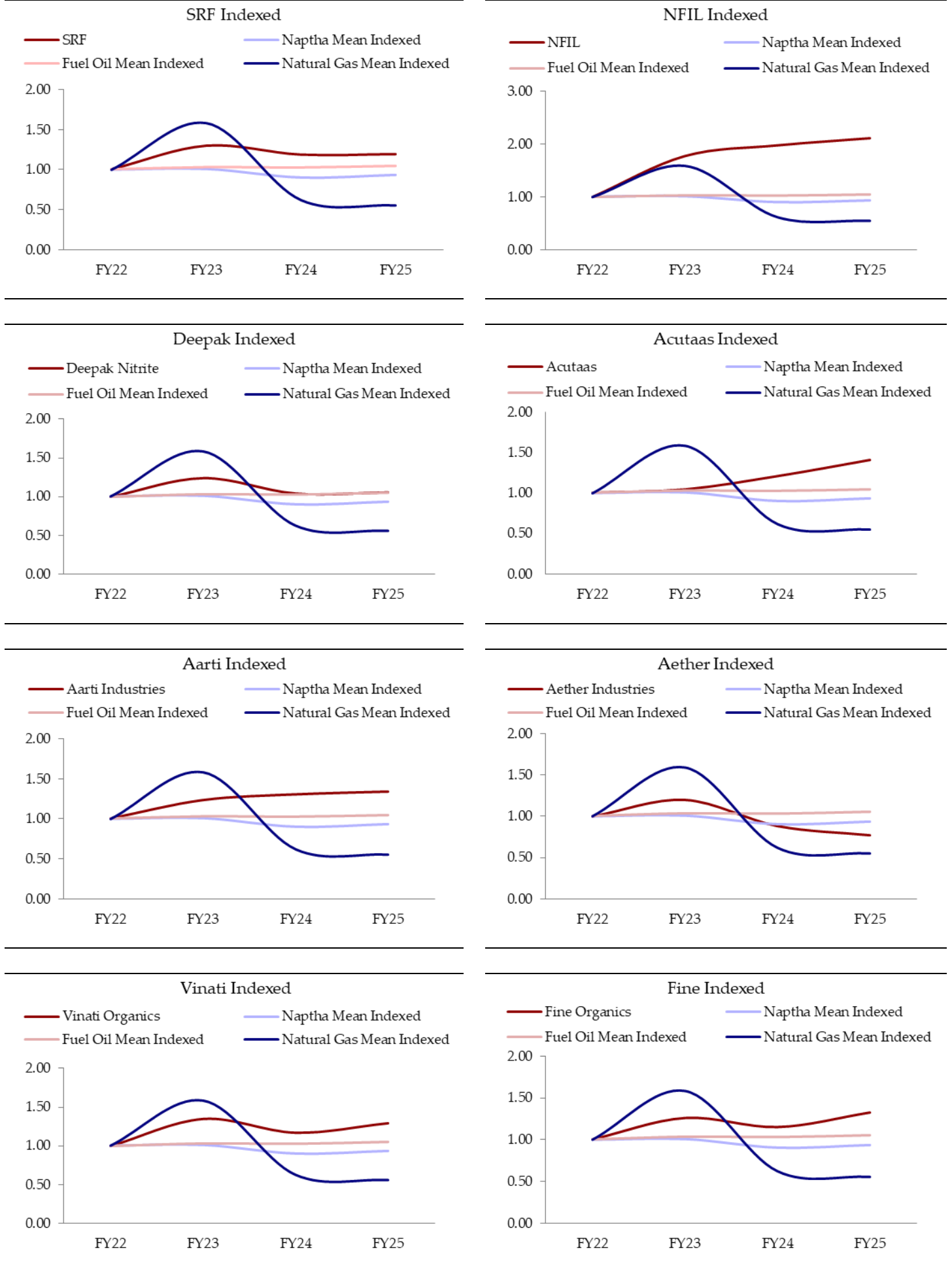
Source: HSIE Research

Annexure 2: Vegetable oil price trends



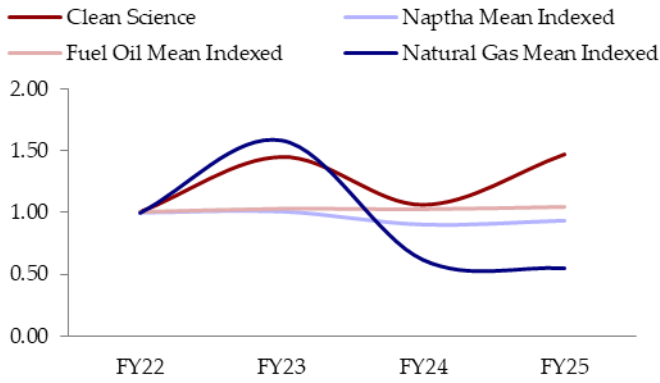
Source: Food and Agriculture Organization

Annexure 3: Power and Fuel cost vs commonly used fuels for the coverage universe

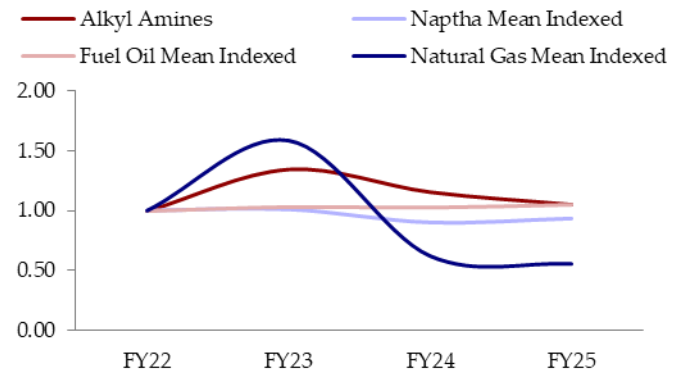


Chemicals: Sector Update

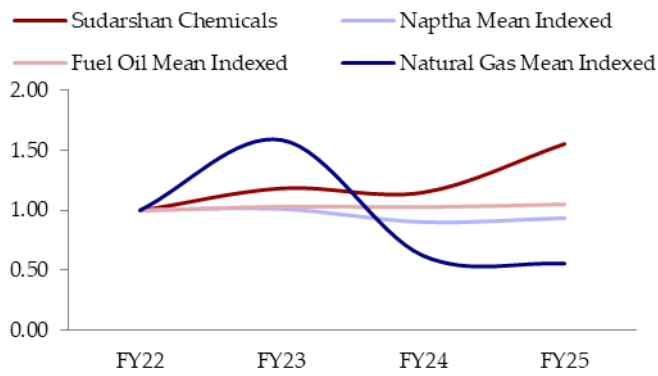
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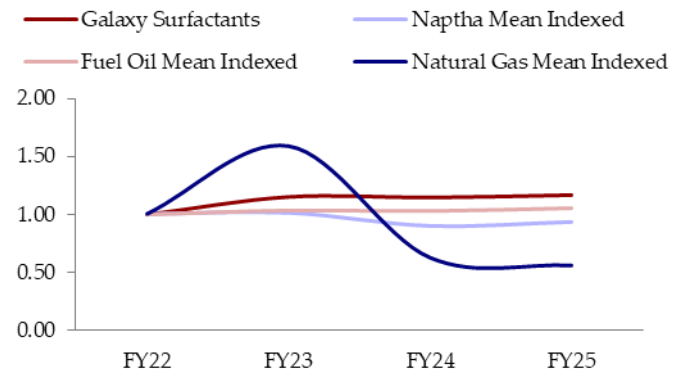
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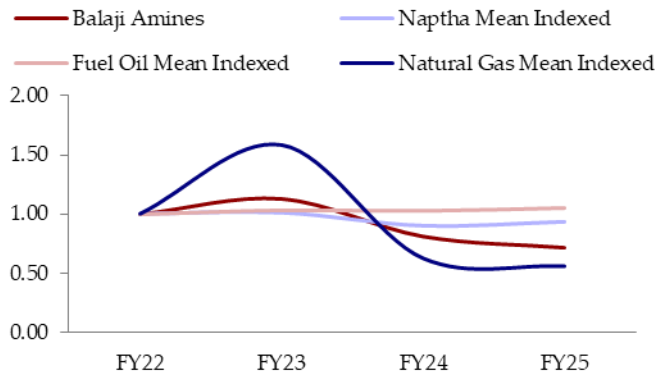
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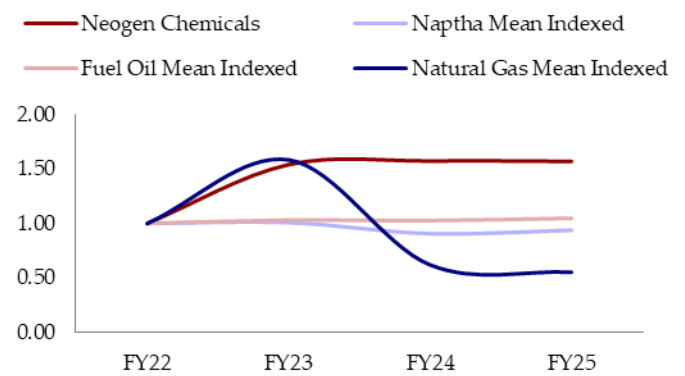
Galaxy Surfactants Indexed



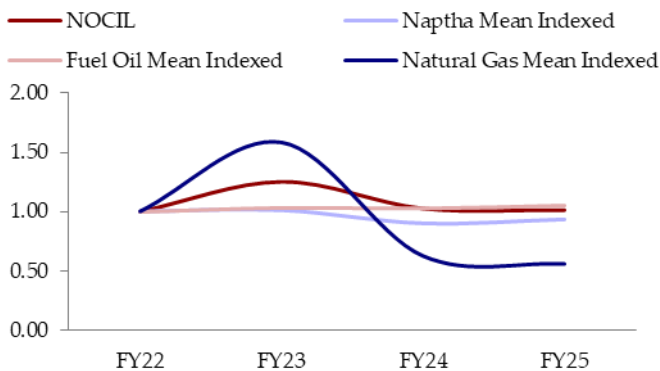
Balaji Amines Indexed



Neogen Chemicals Indexed

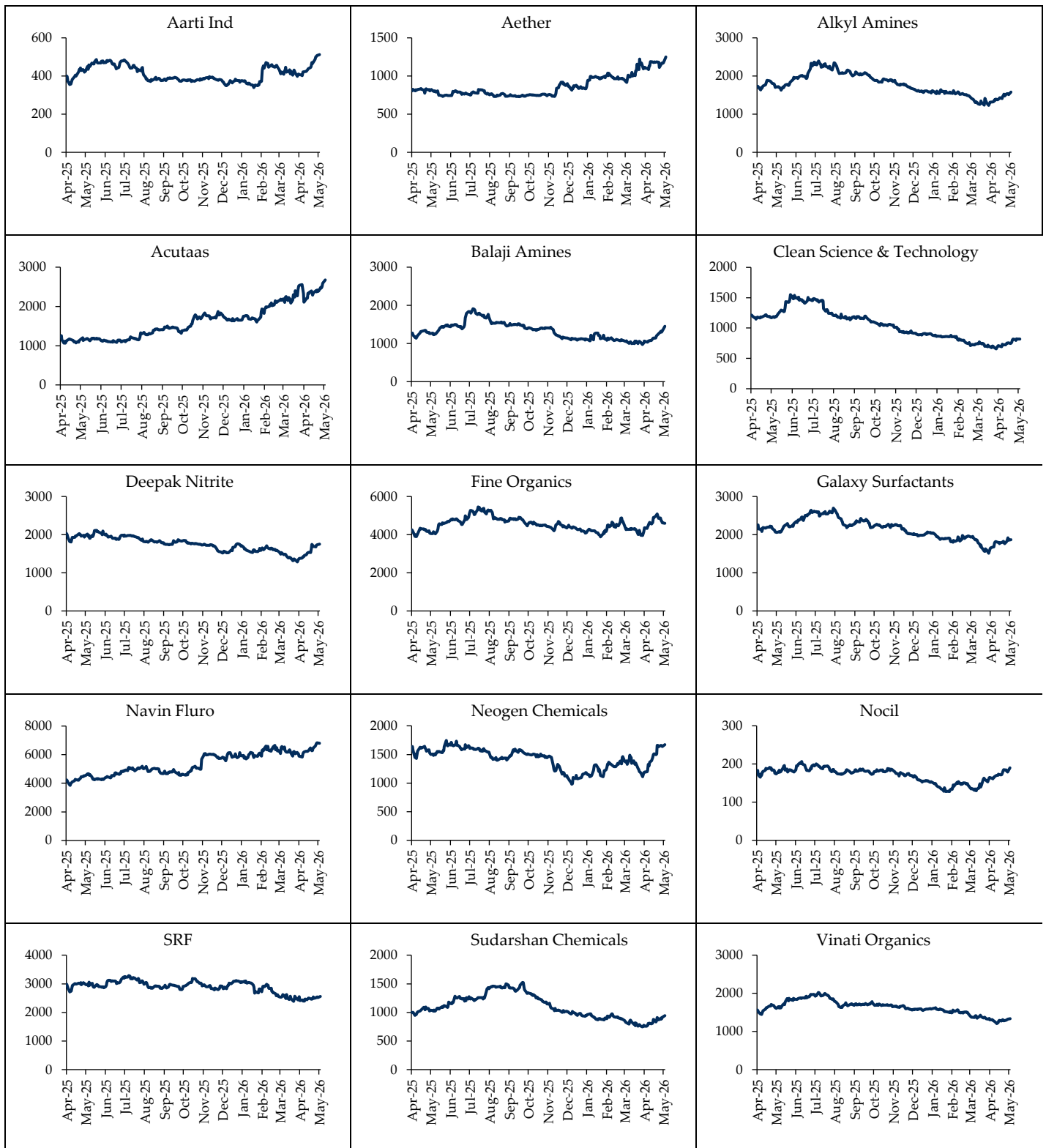


NOCIL Indexed



Source: Companies, HSIE Research

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

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