

Q2FY23 result preview

- SRF (HOLD)
- Navin Fluorine (REDUCE)
- Gujarat Fluorochem (BUY)
- Chemplast Sanmar (BUY)
- Galaxy Surfactants (HOLD)
- Rossari Biotech (HOLD)
- EPL (BUY)
- Sudarshan Chemical (ADD)
- Tatva Chintan (BUY)
- Clean Science (HOLD)
- Phillips Carbon Black (BUY)

Research Analysts:

**Sanjesh Jain**

sanjesh.jain@icicisecurities.com  
+91 22 6637 7153

**Akash Kumar**

akash.kumar@icicisecurities.com  
+91 22 6807 7637

## Specialty Chemicals

### Chemical companies to outperform on EPS growth again

We estimate our specialty chemical coverage universe revenue to grow 19.3% YoY (down 0.6% QoQ) in Q2FY23, partly on rise in prices due to input cost inflation. Gross profit to grow 22.7% YoY (down 1.4% QoQ, largely due to seasonality), which indicates strong underlying trend led by our expectation of 1) SRF's robust growth (36.7% YoY) on continuous good show in ref-gas, offset by weakness in non-chemicals business, 2) Gujarat Fluorochemicals' (57% YoY) growth on strong show in new fluoropolymers, 3) Clean Science's (52% YoY) growth on low base and 4) Navin Fluorine's EBITDA expansion from commissioning of HPP plant. We expect Rossari Biotech (+51% YoY) to benefit from the acquisitions. Tatva Chintan's performance was hurt by muted SDA sales. Galaxy Surfactants' volumes may dip on weakness in AMET, but EBITDA/kg may be healthy. Chemplast's volumes to dip YoY on seasonality and high base, but PVC spread is likely to be weak which implies steep drop in EBITDA YoY. PCBL's gross profit/kg is expected to improve on the back of better India sales, and benefits in exports market. EPL and Sudarshan are likely to continue facing cost headwinds.

- ▶ **SRF's chemical business EBIT to grow 85% YoY / down 10.5% QoQ to Rs4.7bn.** SRF's chemical business EBIT may gain from steady growth (YoY) in fluoro-specialty, and sustained high price in ref-gas (HFC) despite seasonality led weakness. Technical textiles were impacted by slowdown and packaging films' EBIT is likely to be lower QoQ on dip in margin and inventory losses. SRF's revenue to grow 29% YoY / down 6% QoQ to Rs37bn, EBITDA to rise 22.6% YoY / down 16.8% QoQ to Rs8.3bn. Net profit to grow 34.6% YoY / down 15.3% QoQ to Rs5.2bn.
- ▶ **Navin Fluorine's EBITDA to rise 47% YoY to Rs1.2bn.** Revenue is likely to grow 43.4% YoY to Rs4.7bn. This would be aided by 70% YoY growth in HPP (which also includes ref-gas and inorganic fluoride) on commissioning of intermediate product for Honeywell. Specialty chemicals and CRAMS revenue to grow 40% and 10% YoY, respectively. EBITDA margin may rise 60bps QoQ on better mix, and operating leverage. EBITDA / PAT may grow 47% / 37% YoY to Rs1.2bn / Rs850mn,
- ▶ **Gujarat Fluorochemicals' EBITDA may rise 70% YoY / 9% QoQ to Rs5bn.** Caustic soda and chloromethane revenues are likely to be stable QoQ, while ref-gas revenue to dip QoQ on seasonality. PTFE may have higher volumes (Q1FY23 was hurt due to lower availability of TFE) and new fluoropolymers to have higher capacity utilisation in FKM and PVDF on increased availability of R-142B. Gross profit margin may slightly dip QoQ. Net profit may rise 63% YoY / 10.4% QoQ to Rs3.4bn.

### Quarterly summary

(Rs mn)	Revenue			EBITDA			PAT		
	JAS'22*	% chg		JAS'22*	% chg		JAS'22*	% chg	
		(QoQ)	(YoY)		(QoQ)	(YoY)		(QoQ)	(YoY)
SRF	19,256	(5.5)	36.7	8,273	(16.8)	22.6	5,150	(15.3)	34.6
Navin Fluorine	4,653	20.3	43.4	1,231	23.3	47.4	850	7.6	36.9
Gujarat Fluorochemicals	14,461	8.4	50.0	5,009	9.2	69.5	3,381	10.4	63.2
Clean Science	2,531	8.1	65.2	1,060	16.1	54.3	744	18.2	38.9
Tatva Chintan	906	2.5	(26.7)	147	(3.5)	(59.1)	98	0.3	(69.7)
Galaxy Surfactants	11,131	(4.0)	26.9	1,399	(5.5)	97.5	906	(9.8)	116.0
Rossari Biotech	4,440	2.1	15.5	608	5.3	38.5	302	5.1	15.0
EPL	9,197	10.6	5.7	1,394	11.0	(12.5)	467	40.0	(7.8)
Sudarshan Chemical	5,578	0.7	12.0	471	13.7	(10.9)	112	58.9	(50.6)
Chemplast Sanmar	12,153	(13.9)	(27.4)	723	(62.7)	(79.1)	132	(67.5)	(91.3)
PCBL	14,972	6.3	40.2	1,981	1.3	5.9	1,282	1.5	5.0

JAS'22\*: Jul-Sep'22; Source: Company data, I-Sec research

Please refer to important disclosures at the end of this report

- ▶ **Clean Science's net profit to grow 39% YoY / 18.2% QoQ to Rs744mn.** We expect Clean Science's revenue to grow across segments partly driven by price increases. Gross profit margin is expected to jump 200bps QoQ to 63% aided by drop in key raw material prices. Company's EBITDA is likely to jump 54% YoY / 16% QoQ to Rs1bn, and EBITDA margin to be 41.9% (up 290bps QoQ).
- ▶ **Tatva Chintan's EBITDA to dip 59% YoY / 3.5% QoQ to Rs147mn.** Revenue from SDA to remain muted at Rs56mn, down 93% YoY on slowdown in auto, and de-inventorisation by customers. PTC, electronic chemicals and PASC to grow at a healthy pace, but fail to offset SDA revenue decline. The company has guided for recovery in SDA Q3FY23E onwards, and commentary on the segment will be critical for our FY23 EPS estimate.
- ▶ **Galaxy Surfactants' volumes to contract 0.6% YoY to 58.5kte on stress in AMET.** India and RoW should see steady volume performance. This will likely drive specialty care volumes up 2% YoY. The realisation may dip on drop in LA prices. Thus, revenue to dip 4% QoQ, but grow 27% YoY to Rs11bn. Gross profit margin to improve 50bps QoQ (optically on lower raw-material cost), while EBITDA margin may dip 20bps. EBITDA /kg to remain healthy at Rs23.9 (vs Rs26.8 in Q1FY23). Net profit to grow 116% YoY / down 10% QoQ to Rs906mn.
- ▶ **Rossari's net profit to grow 15% YoY / 5% QoQ to Rs302mn.** Rossari's YoY figures are not comparable as Q2FY23 has numbers from merger of Unitop and Tristar. This should add ~Rs2bn to revenue, which is included in the HPPC segment. Also, standalone business in Q2FY22 had one-off benefit in revenue. Rossari's consolidated revenue is expected to grow 16% YoY / 2.1% QoQ to Rs4.4bn. Textile business is likely to have muted revenue due to headwind for the industry. EBITDA should grow 38.5% YoY to Rs608mn, while EBITDA margin may slightly improve by 40bps QoQ to 13.7%. Lower other income to impact PBT.
- ▶ **EPL's EBITDA to dip 12.5% YoY to Rs1.4bn.** Though revenue is likely to grow 5.7% YoY, it would largely be on the back of higher feedstock price inflation. Revenue growth to come across geographies - AMESA (+5% YoY), EAP (+7%), Americas (+6%) and Europe (+10%). Gross profit may be up 1% YoY to Rs5bn and EBITDA down 12.5% YoY to Rs1.4bn (due to higher operating cost particularly higher energy cost). Net profit is likely to decline 8% YoY to Rs467mn. We expect EBIT margin improvement sequentially across segments except in Europe, while forex which is part of unallocated cost to hurt company.
- ▶ **Sudarshan Chemical's EBITDA to drop 11% YoY / up 13.7% QoQ.** Revenue is expected to rise 12% YoY / 0.7% QoQ to Rs5.6bn. Gross profit margin may improve 45bps QoQ to 40.8% and EBITDA margin may improve by 100bps to 8.4%. We expect net profit to dip 51% YoY to Rs112mn.
- ▶ **Chemplast Sanmar's EBITDA to dip 79% YoY to Rs723mn.** Volumes are likely to dip 10.3% YoY, on high base of Q2FY22, to 136kte. Revenue is estimated to dip 27.4% YoY to Rs12.2bn on lower realisation. PVC spread is expected to shrink due to high cost inventory and excess supply from China. Specialty revenue growth is impacted by lower realisation in paste-PVC, and limited growth in custom manufacturing on capacity constrain. Gross profit may be lower by 37.8% YoY to Rs3.7bn. Higher power cost will likely eat into EBITDA growth. Net profit should contract 91% YoY to Rs132mn.
- ▶ **PCBL's EBITDA to rise 5.9% YoY / 1.3% QoQ to Rs2bn.** Volume growth to be constrained by capacity, and dip 2% YoY to 113kte. Realisation to be higher on input cost inflation and better realisation in exports market. Gross profit/kg to improve 14.6% YoY (down 1% QoQ) to Rs34.7 on better domestic mix, higher spreads in exports market, rise in specialty mix and higher realisation for power (by-product). Net profit to grow 5% YoY / 1.5% QoQ to Rs1.3bn.

**Table 1: Our chemical coverage universe revenue is likely to grow 19.3% YoY / down 0.6% QoQ**

Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
SRF	28,390	33,459	35,494	38,947	36,627	(6.0)	29.0
Navin Fluorine	3,244	3,670	3,984	3,868	4,653	20.3	43.4
Gujarat Fluorochemicals	9,640	10,075	10,738	13,340	14,461	8.4	50.0
Clean Science	1,532	1,808	2,046	2,341	2,531	8.1	65.2
Tatva Chintan	1,236	1,047	985	884	906	2.5	(26.7)
Galaxy Surfactants	8,773	9,291	10,529	11,589	11,131	(4.0)	26.9
Rossari Biotech	3,845	4,284	4,389	4,347	4,440	2.1	15.5
EPL	8,701	8,834	8,802	8,318	9,197	10.6	5.7
Sudarshan Chemical	4,980	6,018	6,272	5,542	5,578	0.7	12.0
Chemplast Sanmar	16,730	14,517	18,069	14,113	12,153	(13.9)	(27.4)
PCBL	10,676	11,561	12,188	14,091	14,972	6.3	40.2
<b>Total</b>	<b>97,747</b>	<b>1,04,563</b>	<b>1,13,497</b>	<b>1,17,379</b>	<b>1,16,649</b>	<b>(0.6)</b>	<b>19.3</b>

Source: Company data, I-Sec research

**Table 2: Underlying gross profit trend is also strong with 22.7% YoY (down 1.4% QoQ) growth**

Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
SRF	14,089	17,045	18,857	20,370	19,256	(5.5)	36.7
Navin Fluorine	1,798	2,050	2,085	2,110	2,491	18.1	38.6
Gujarat Fluorochemicals	6,593	7,356	7,624	9,624	10,358	7.6	57.1
Clean Science	1,051	1,175	1,334	1,427	1,594	11.7	51.6
Tatva Chintan	686	595	588	486	498	2.5	(27.5)
Galaxy Surfactants	2,328	2,550	3,472	3,571	3,486	(2.4)	49.7
Rossari Biotech	852	1,068	1,145	1,241	1,290	3.9	51.4
EPL	4,918	4,863	4,751	4,663	4,966	6.5	1.0
Sudarshan Chemical	2,107	2,439	2,561	2,237	2,276	1.8	8.0
Chemplast Sanmar	5,964	6,190	6,015	5,072	3,710	(26.9)	(37.8)
PCBL	3,503	3,158	3,146	3,834	3,935	2.6	12.4
<b>Total</b>	<b>43,889</b>	<b>48,489</b>	<b>51,578</b>	<b>54,634</b>	<b>53,859</b>	<b>(1.4)</b>	<b>22.7</b>

Source: Company data, I-Sec research

**Table 3: EBITDA to grow 10.4% YoY; face headwinds from power cost QoQ**

Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
SRF	6,750	8,814	9,480	9,950	8,273	(16.8)	22.6
Navin Fluorine	835	981	958	999	1,231	23.3	47.4
Gujarat Fluorochemicals	2,956	3,190	3,315	4,589	5,009	9.2	69.5
Clean Science	687	761	837	913	1,060	16.1	54.3
Tatva Chintan	359	238	220	152	147	(3.5)	(59.1)
Galaxy Surfactants	709	764	1,450	1,480	1,399	(5.5)	97.5
Rossari Biotech	439	467	523	577	608	5.3	38.5
EPL	1,594	1,387	1,331	1,256	1,394	11.0	(12.5)
Sudarshan Chemical	529	739	861	414	471	13.7	(10.9)
Chemplast Sanmar	3,464	3,528	3,464	1,941	723	(62.7)	(79.1)
PCBL	1,870	1,680	1,343	1,955	1,981	1.3	5.9
<b>Total</b>	<b>20,192</b>	<b>22,550</b>	<b>23,781</b>	<b>24,227</b>	<b>22,297</b>	<b>(8.0)</b>	<b>10.4</b>

Source: Company data, I-Sec research

**Table 4: Net profit to grow 16.5% YoY but down 4.3% QoQ**

Rs mn	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
SRF	3,825	5,055	6,057	6,080	5,150	(15.3)	34.6
Navin Fluorine	621	692	788	790	850	7.6	36.9
Gujarat Fluorochemicals	2,072	2,047	2,216	3,063	3,381	10.4	63.2
Clean Science	535	580	624	629	744	18.2	38.9
Tatva Chintan	324	228	175	98	98	0.3	(69.7)
Galaxy Surfactants	419	456	984	1,004	906	(9.8)	116.0
Rossari Biotech	262	225	241	287	302	5.1	15.0
EPL	507	571	487	334	467	40.0	(7.8)
Sudarshan Chemical	228	364	447	71	112	58.9	(50.6)
Chemplast Sanmar	1,513	2,369	2,316	406	132	(67.5)	(91.3)
PCBL	1,221	1,115	883	1,263	1,282	1.5	5.0
<b>Total</b>	<b>11,527</b>	<b>13,702</b>	<b>15,216</b>	<b>14,023</b>	<b>13,424</b>	<b>(4.3)</b>	<b>16.5</b>

Source: Company data, I-Sec research

Table 5: Chemical coverage valuation snapshot

(Rs mn)	CMP		Revenue			CAGR (%) FY22-24E	EPS (Rs)			CAGR (%) FY22-24E
	(Rs)	Mcap	FY22	FY23E	FY24E		FY22	FY23E	FY24E	
SRF	2,541	7,53,203	1,24,337	1,45,979	1,65,997	16%	63.7	79.6	85.6	16%
Navin Fluorine	4,605	2,28,178	14,534	19,976	27,003	36%	53.1	67.6	97.4	35%
Gujarat Fluoro	4,038	4,43,574	39,536	53,002	64,401	28%	71.7	115.0	142.4	41%
Chemplast	411	64,983	58,920	56,921	57,229	-1%	41.0	17.7	40.3	-1%
Galaxy	2,971	1,05,322	36,857	42,786	40,643	5%	74.1	96.6	101.8	17%
Rossari	919	50,596	14,830	18,534	20,087	16%	17.7	27.6	30.7	32%
Sudarshan	426	29,490	22,008	25,078	27,304	11%	18.8	21.2	30.2	27%
Tatva Chintan	2,490	55,191	4,336	5,275	7,697	33%	43.3	42.0	67.1	25%
Clean Science	1,665	1,76,856	6,849	10,092	11,866	32%	21.5	29.5	34.1	26%
Phillips Carbon	132	49,830	44,464	54,773	52,247	8%	11.3	11.5	14.0	11%
<b>Median</b>						<b>16%</b>				<b>25%</b>

	P/E (x)		EV/EBITDA (x)		ROCE (pre-tax)		GB turnover (x)		Capex	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
SRF	31.9	29.7	20.5	18.5	17.8	15.7	1.1	1.0	27,810	32,834
Navin Fluorine	68.1	47.3	43.6	31.2	14.5	16.1	1.0	1.2	5,189	5,409
Gujarat Fluoro	35.1	28.4	23.8	19.1	19.7	20.8	1.1	1.1	8,601	10,000
Chemplast	18.1	10.2	7.5	5.5	18.1	22.9	1.6	1.5	2,786	3,300
Galaxy	30.8	29.2	20.3	18.8	17.5	17.0	2.8	2.4	1,721	1,300
Rossari	33.3	29.9	18.7	17.0	17.7	17.1	3.1	3.1	362	368
Sudarshan	20.1	14.1	11.3	8.2	9.6	12.7	1.4	1.4	2,029	1,000
Tatva Chintan	59.3	37.1	43.0	27.1	14.2	20.4	1.7	1.9	1,085	1,010
Clean Science	56.4	48.8	41.2	35.0	32.9	30.9	1.8	1.6	1,559	1,785
Phillips Carbon	11.5	9.4	7.9	6.4	12.7	14.4	1.8	1.5	7,500	3,500
<b>Median</b>	<b>33.3</b>	<b>29.7</b>	<b>20.5</b>	<b>18.8</b>	<b>17.7</b>	<b>17.1</b>	<b>1.6</b>	<b>1.5</b>		

Source: Company data, I-Sec research

**SRF (HOLD, target price: Rs2,460)**

(QoQ chg: -23.3%; YoY chg: 36.5%)

**Q2FY23 estimates**

(Rs mn, year ending March 31)

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Revenue</b>							
Technical textiles	5,579	5,378	4,967	5,710	5,132	(10.1)	(8.0)
Chemical business	11,264	14,283	15,725	17,224	16,252	(5.6)	44.3
Packaging films	10,717	12,760	13,902	14,960	14,210	(5.0)	32.6
<b>EBIT</b>							
Technical textiles	1,328	1,135	914	1,162	787	(32.3)	(40.8)
Chemical business	2,511	4,192	5,043	5,202	4,656	(10.5)	85.4
Packaging films	1,795	2,542	2,758	2,952	2,221	(24.8)	23.7
<b>EBIT (%)</b>							
Technical textiles	23.8	21.1	18.4	20.4	15.3		
Chemical business	22.3	29.4	32.1	30.2	28.6		
Packaging films	16.7	19.9	19.8	19.7	15.6		
Revenue	28,390	33,459	35,494	38,947	36,627	(6.0)	29.0
<b>Gross profit</b>	<b>14,089</b>	<b>17,045</b>	<b>18,857</b>	<b>20,370</b>	<b>19,256</b>	<b>(5.5)</b>	<b>36.7</b>
GPM (%)	49.6	50.9	53.1	52.3	52.6		
<b>EBITDA</b>	<b>6,750</b>	<b>8,814</b>	<b>9,480</b>	<b>9,950</b>	<b>8,273</b>	<b>(16.8)</b>	<b>22.6</b>
EBITDA margin (%)	23.8	26.3	26.7	25.5	22.6		
EBIT	5,447	7,490	8,164	8,642	6,955	(19.5)	27.7
PBT	5,324	7,303	7,879	8,416	6,784	(19.4)	27.4
<b>PAT</b>	<b>3,825</b>	<b>5,055</b>	<b>6,057</b>	<b>6,080</b>	<b>5,150</b>	<b>(15.3)</b>	<b>34.6</b>
<b>EPS (Rs)</b>	<b>12.9</b>	<b>17.1</b>	<b>20.4</b>	<b>20.5</b>	<b>17.4</b>	<b>(15.3)</b>	<b>34.6</b>

Source: Company data, I-Sec research

Price chart

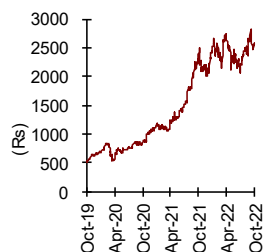
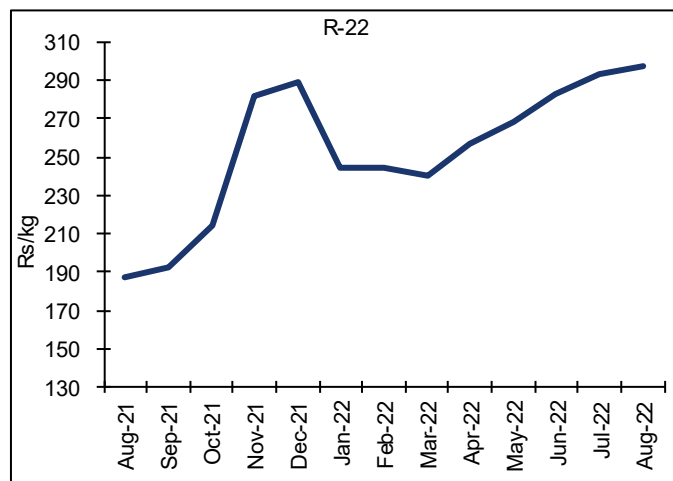
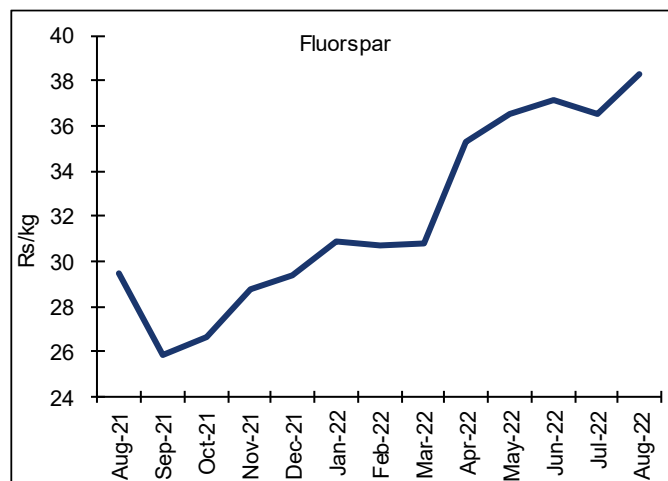


Chart 1: R-22 price rose 10.1% QoQ

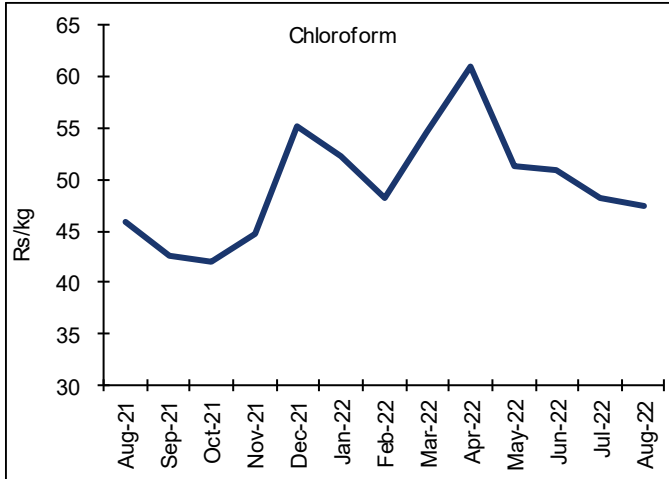


Source: I-Sec research, Commerce Ministry

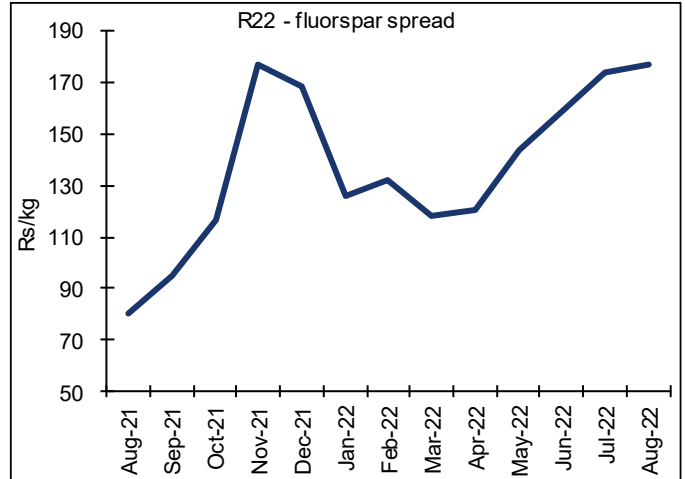
Chart 2: Fluorspar price rose 3.8% QoQ



**Chart 3: Chloroform price was down 12.3% QoQ**

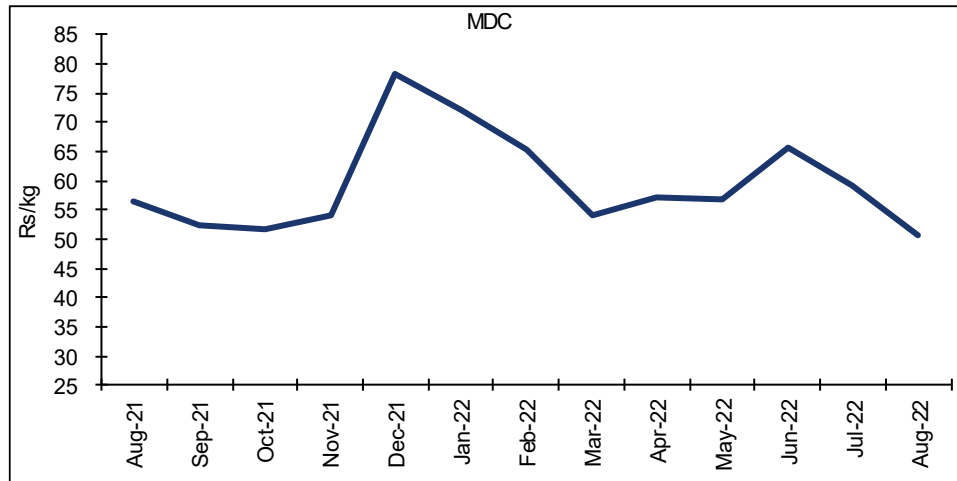


**Chart 4: R-22 spread was up**



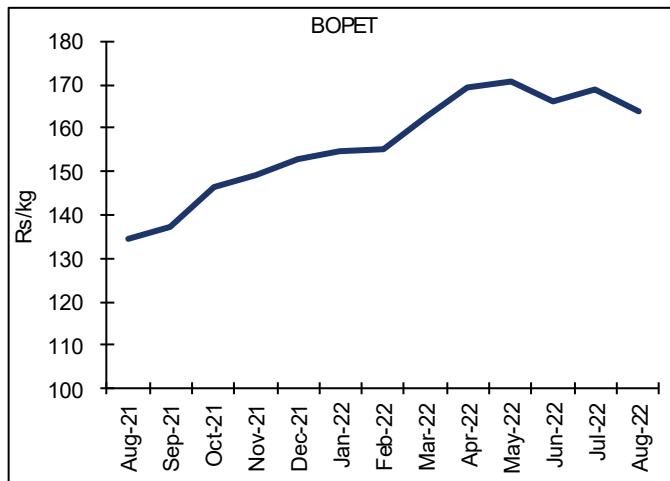
Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1.3kg of fluorspar; and 1.5kg chloroform prices for 1kg of R-22

**Chart 5: MDC price was down 5.2% QoQ**

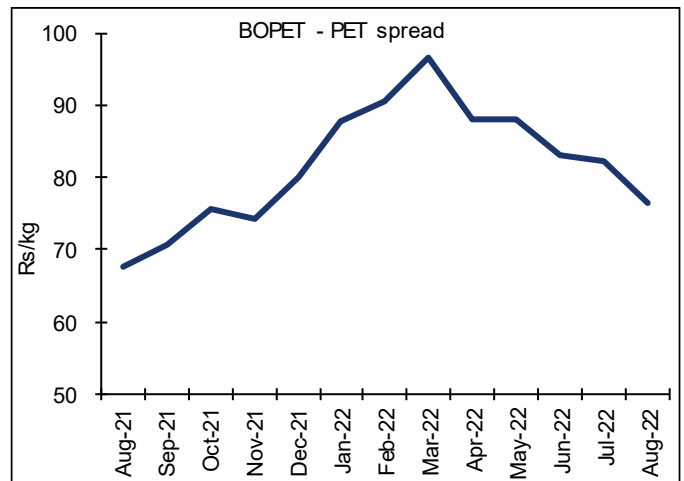


Source: I-Sec research, Commerce Ministry

**Chart 6: BOPET price dipped 1.4% QoQ**

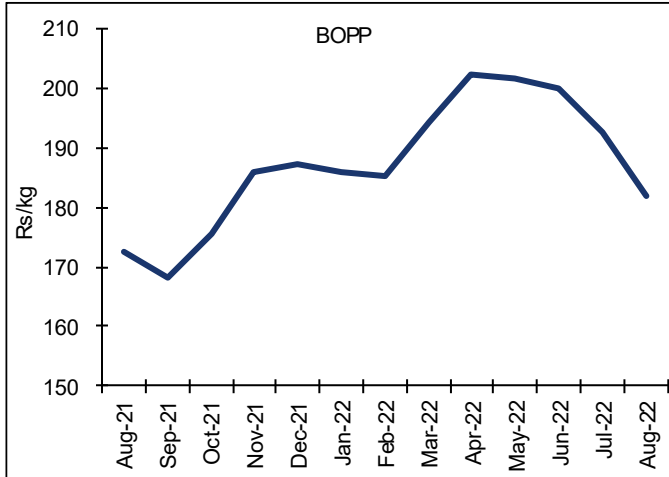


**Chart 7: BOPET/PET spread dipped 8.1% QoQ**

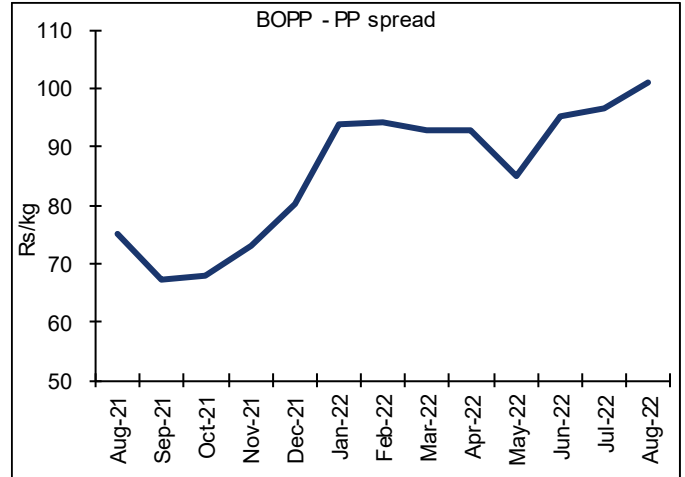


Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1kg of PET for 1kg of BOPET

**Chart 8: BOPP price fell 6.6% QoQ**

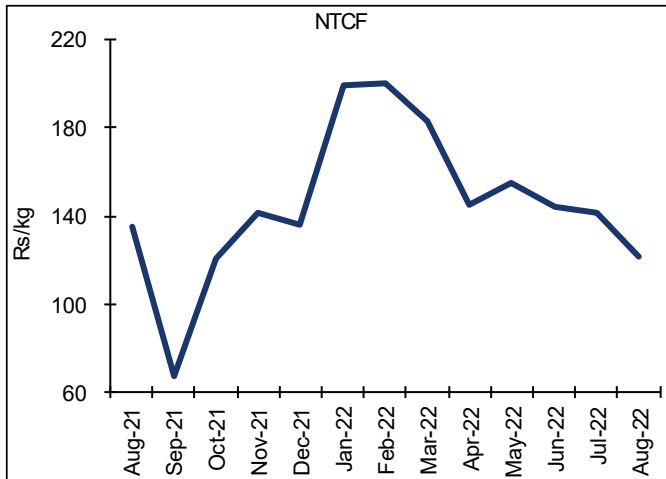


**Chart 9: BOPP/PP spread rose 9.9% QoQ**

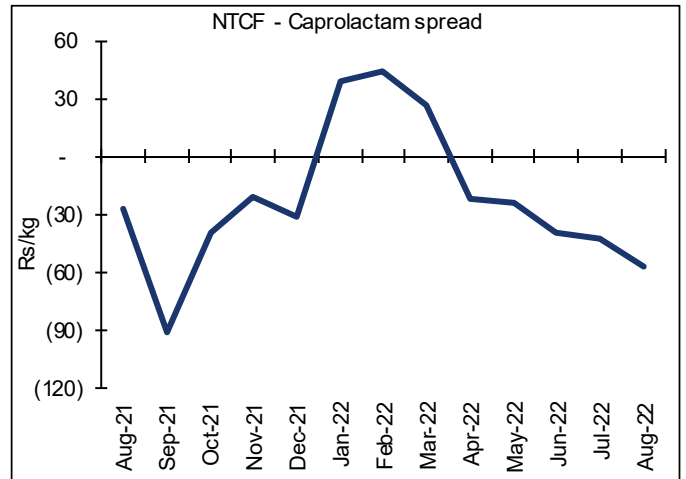


Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1kg of PP for 1kg of BOPP

**Chart 10: NTCF price dipped 10.9% QoQ**



**Chart 11: NTCF/caprolactam spread worsened**



Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1kg of caprolactam for 1kg of NTCF

## Navin Fluorine (REDUCE, target price: Rs3,900)

(QoQ chg: -8.7%; YoY chg: -0.5%)

### Q2FY23 estimates

(Rs mn, year ending March 31)

Rs mn (standalone)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Revenue</b>							
Ref-gas/inorganic/HPP	1,200	1,550	1,510	1,520	2,043	34.4	70.2
Specialty Chemicals	1,220	1,520	1,590	1,760	1,708	(3.0)	40.0
CRAMS	820	600	880	590	902	52.9	10.0
<b>Revenue</b>	<b>3,244</b>	<b>3,670</b>	<b>3,984</b>	<b>3,868</b>	<b>4,653</b>	<b>20.3</b>	<b>43.4</b>
<b>Gross profit</b>	<b>1,798</b>	<b>2,050</b>	<b>2,085</b>	<b>2,110</b>	<b>2,491</b>	<b>18.1</b>	<b>38.6</b>
<b>GPM (%)</b>	<b>55.4</b>	<b>55.9</b>	<b>52.3</b>	<b>54.5</b>	<b>53.5</b>		
<b>EBITDA</b>	<b>835</b>	<b>981</b>	<b>958</b>	<b>999</b>	<b>1,231</b>	<b>23.3</b>	<b>47.4</b>
<b>EBITDA margin (%)</b>	<b>25.8</b>	<b>26.7</b>	<b>24.0</b>	<b>25.8</b>	<b>26.5</b>		
EBIT	726	870	846	884	1,058	19.7	45.8
PBT	808	937	982	1,023	1,136	11.1	40.6
<b>PAT</b>	<b>621</b>	<b>692</b>	<b>788</b>	<b>790</b>	<b>850</b>	<b>7.6</b>	<b>36.9</b>
<b>EPS (Rs)</b>	<b>12.5</b>	<b>14.0</b>	<b>15.9</b>	<b>16.0</b>	<b>17.2</b>	<b>7.6</b>	<b>36.9</b>

Source: Company data, I-Sec research.

Price chart

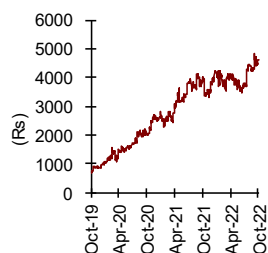
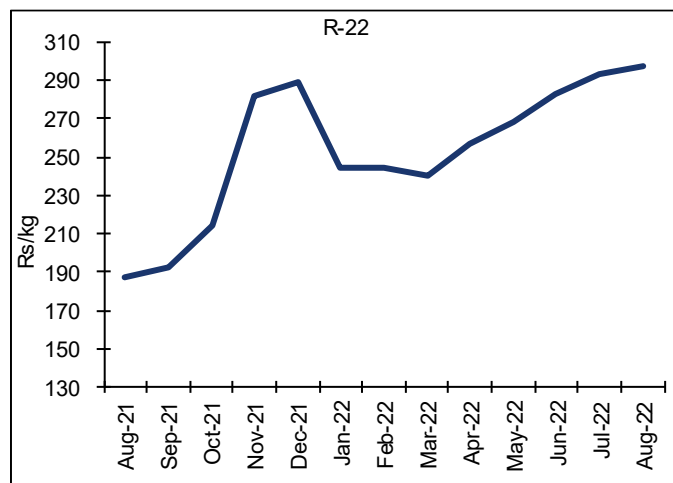


Chart 12: R-22 price rose 10.1% QoQ



Source: I-Sec research, Commerce Ministry

Chart 13: Fluorspar price rose 3.8% QoQ

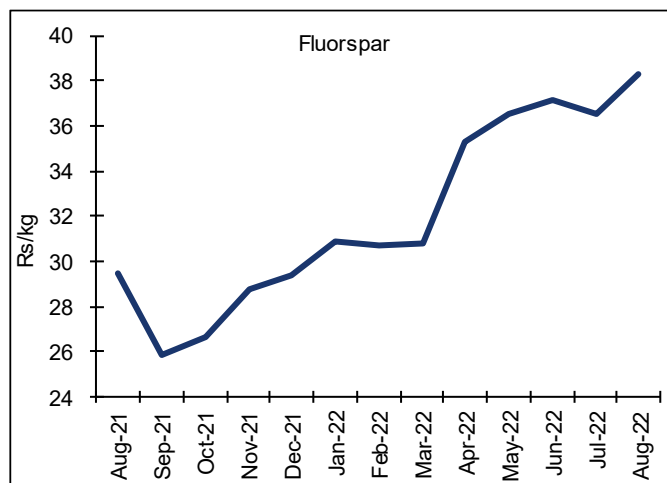
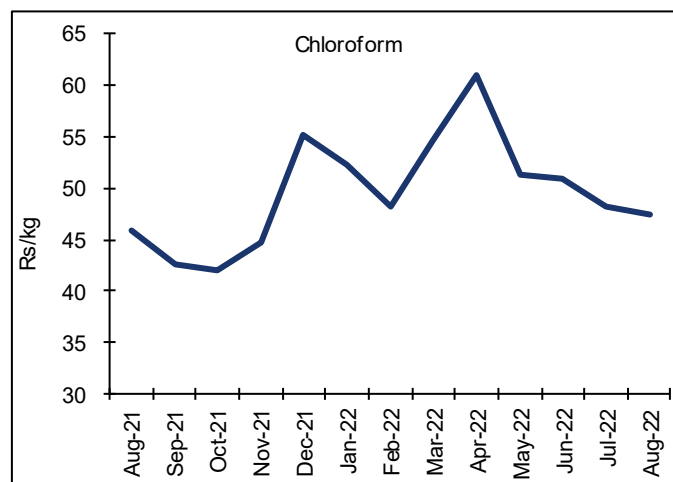
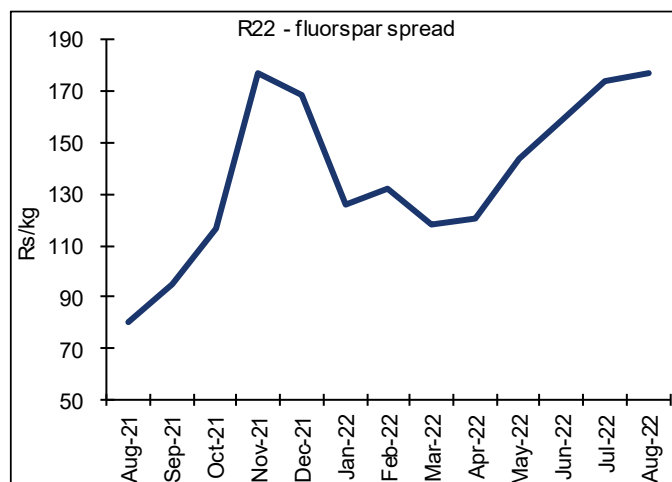


Chart 14: Chloroform price was down 12.3% QoQ



Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1.3kg of fluorspar; and 1.5kg chloroform prices for 1kg of R-22

Chart 15: R-22 spread was up

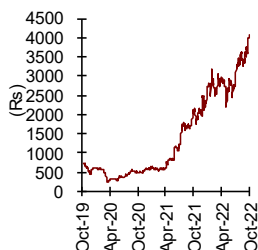




## Gujarat Fluorochemicals (BUY, target price: Rs4,270)

(QoQ chg: 2.2%; YoY chg: 141.9%)

Price chart

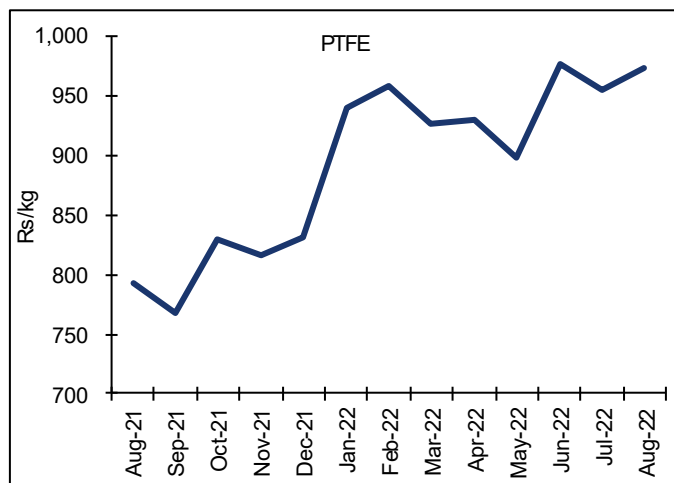


### Q2FY23 estimates

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Revenue</b>							
Caustic Soda	1,020	1,780	1,690	1,890	1,796	(5.0)	76.0
Chloromethanes	1,220	1,460	910	1,020	1,020	-	(16.4)
Refrigerant Gases	920	690	780	1,960	1,748	(10.8)	90.0
PTFE	3,600	3,860	4,510	3,790	3,904	3.0	8.4
New Fluoropolymers	1,820	1,560	1,830	3,310	3,807	15.0	109.1
Fluorospeciality Chemicals	650	490	570	1,190	1,250	5.0	92.2
Other Product	410	235	448	180	180	-	(56.2)
<b>Revenue</b>	<b>9,640</b>	<b>10,075</b>	<b>10,738</b>	<b>13,340</b>	<b>14,461</b>	<b>8.4</b>	<b>50.0</b>
<b>Gross profit</b>	<b>6,593</b>	<b>7,356</b>	<b>7,624</b>	<b>9,624</b>	<b>10,358</b>	<b>7.6</b>	<b>57.1</b>
<i>GPM (%)</i>	<i>68.4</i>	<i>73.0</i>	<i>71.0</i>	<i>72.1</i>	<i>71.6</i>		
<b>EBITDA</b>	<b>2,956</b>	<b>3,190</b>	<b>3,315</b>	<b>4,589</b>	<b>5,009</b>	<b>9.2</b>	<b>69.5</b>
<i>EBITDA margin (%)</i>	<i>30.7</i>	<i>31.7</i>	<i>30.9</i>	<i>34.4</i>	<i>34.6</i>		
EBIT	2,447	2,673	2,791	4,039	4,434	9.8	81.2
PBT	2,707	2,755	2,927	4,092	4,476	9.4	65.4
<b>PAT</b>	<b>2,072</b>	<b>2,047</b>	<b>2,216</b>	<b>3,063</b>	<b>3,381</b>	<b>10.4</b>	<b>63.2</b>
<b>EPS (Rs)</b>	<b>18.8</b>	<b>18.6</b>	<b>20.2</b>	<b>27.9</b>	<b>30.8</b>	<b>10.4</b>	<b>63.2</b>

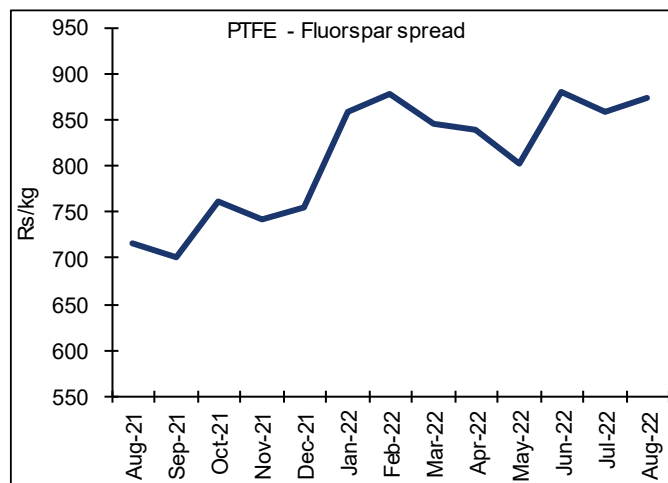
Source: Company data, I-Sec research

Chart 16: PTFE price rose 3.0% QoQ



Source: I-Sec research, Commerce Ministry

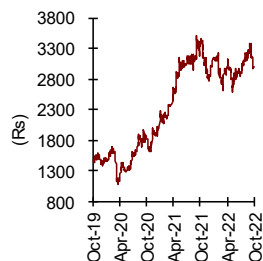
Chart 17: PTFE/fluorspar spread was up



## Clean Science & Technology (HOLD, target price: Rs1,700)

(QoQ chg: -26.6%; YoY chg: NA)

Price chart



### Q2FY23 estimates

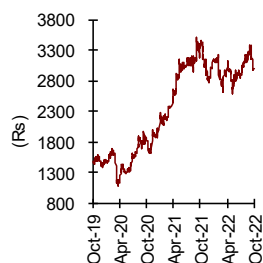
Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Revenue</b>							
Performance chemicals	1,126	1,151	1,390	1,530	1,633	6.7	45.0
Pharma intermediates	197	363	357	530	591	11.5	200.0
FMCG chemicals	171	231	245	230	257	11.5	50.0
Others	38	63	54	51	51	-	34.9
Revenue	1,532	1,808	2,046	2,341	2,531	8.1	65.2
<b>Gross profit</b>	<b>1,051</b>	<b>1,175</b>	<b>1,334</b>	<b>1,427</b>	<b>1,594</b>	<b>11.7</b>	<b>51.6</b>
GPM (%)	68.6	65.0	65.2	61.0	63.0		
<b>EBITDA</b>	<b>687</b>	<b>761</b>	<b>837</b>	<b>913</b>	<b>1,060</b>	<b>16.1</b>	<b>54.3</b>
EBITDA margin (%)	44.9	42.1	40.9	39.0	41.9		
EBIT	626	701	767	829	976	17.7	55.8
PBT	712	776	839	847	994	17.4	39.6
<b>PAT</b>	<b>535</b>	<b>580</b>	<b>624</b>	<b>629</b>	<b>744</b>	<b>18.2</b>	<b>38.9</b>
<b>EPS (Rs)</b>	<b>5.0</b>	<b>5.5</b>	<b>5.9</b>	<b>5.9</b>	<b>7.0</b>	<b>18.2</b>	<b>38.9</b>

Source: Company data, I-Sec research

## Tatva Chintan Pharma Chem (BUY, target price: Rs2,730)

(QoQ chg: 1.2%; YoY chg: NA)

Price chart



### Q2FY23 estimates

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Revenue</b>							
PTC	210	247	300	407	411	1.0	95.4
SDA	766	533	385	62	56	(10.0)	(92.7)
Electronic Chemical	0	22	22	71	78	10.0	15,633.1
PASC	260	234	277	345	362	5.0	39.5
Revenue	1,236	1,047	985	884	906	2.5	(26.7)
<b>Gross profit</b>	<b>686</b>	<b>595</b>	<b>588</b>	<b>486</b>	<b>498</b>	<b>2.5</b>	<b>(27.5)</b>
GPM (%)	55.5	56.8	59.7	54.9	54.9		
<b>EBITDA</b>	<b>359</b>	<b>238</b>	<b>220</b>	<b>152</b>	<b>147</b>	<b>(3.5)</b>	<b>(59.1)</b>
EBITDA margin (%)	29.0	22.7	22.3	17.2	16.2		
EBIT	338	217	198	129	122	(4.9)	(63.8)
PBT	354	255	190	137	131	(4.4)	(63.0)
<b>PAT</b>	<b>324</b>	<b>228</b>	<b>175</b>	<b>98</b>	<b>98</b>	<b>0.3</b>	<b>(69.7)</b>
<b>EPS (Rs)</b>	<b>14.6</b>	<b>10.3</b>	<b>7.9</b>	<b>4.4</b>	<b>4.4</b>	<b>0.3</b>	<b>(69.7)</b>

Source: Company data, I-Sec research

## Galaxy Surfactants (HOLD, target price: Rs3,055)

(QoQ chg: -5.2%; YoY chg: -7.6%)

### Q2FY23 estimates

(Rs mn, year ending March 31)

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Volumes (te)</b>							
Performance surfactants	38,023	36,983	35,410	35,443	37,263	5.1	(2.0)
Specialty care products	20,791	21,044	22,101	19,829	21,207	6.9	2.0
<b>Total</b>	<b>58,814</b>	<b>58,027</b>	<b>57,511</b>	<b>55,272</b>	<b>58,469</b>	<b>5.8</b>	<b>(0.6)</b>
<b>Realisation/kg (Rs)</b>							
Performance surfactants	147	154	173	198	184	(7.0)	25.0
Specialty care products	155	172	200	230	202	(12.4)	30.0
<b>Total</b>	<b>150</b>	<b>160</b>	<b>183</b>	<b>209</b>	<b>190</b>	<b>(9.1)</b>	<b>26.9</b>
<b>Revenue</b>							
Performance surfactants	5,590	5,700	6,110	7,000	6,848	(2.2)	22.5
Specialty care products	3,230	3,610	4,430	4,570	4,283	(6.3)	32.6
<b>Total</b>	<b>8,820</b>	<b>9,310</b>	<b>10,540</b>	<b>11,570</b>	<b>11,131</b>	<b>(3.8)</b>	<b>26.2</b>
Revenue	8,773	9,291	10,529	11,589	11,131	(4.0)	26.9
<b>Gross profit</b>	<b>2,328</b>	<b>2,550</b>	<b>3,472</b>	<b>3,571</b>	<b>3,486</b>	<b>(2.4)</b>	<b>49.7</b>
GPM (%)	26.5	27.4	33.0	30.8	31.3		
<b>EBITDA</b>	<b>709</b>	<b>764</b>	<b>1,450</b>	<b>1,480</b>	<b>1,399</b>	<b>(5.5)</b>	<b>97.5</b>
EBITDA margin (%)	8.1	8.2	13.8	12.8	12.6		
EBIT	528	587	1,266	1,291	1,209	(6.3)	129.1
PBT	541	576	1,244	1,227	1,176	(4.1)	117.4
<b>PAT</b>	<b>419</b>	<b>456</b>	<b>984</b>	<b>1,004</b>	<b>906</b>	<b>(9.8)</b>	<b>116.0</b>
<b>EPS (Rs)</b>	<b>11.8</b>	<b>12.9</b>	<b>27.8</b>	<b>28.3</b>	<b>25.6</b>	<b>(9.8)</b>	<b>116.0</b>

Source: Company data, I-Sec research

Price chart

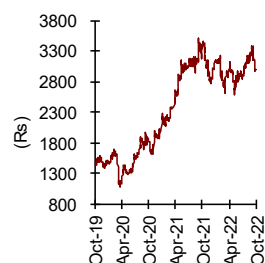
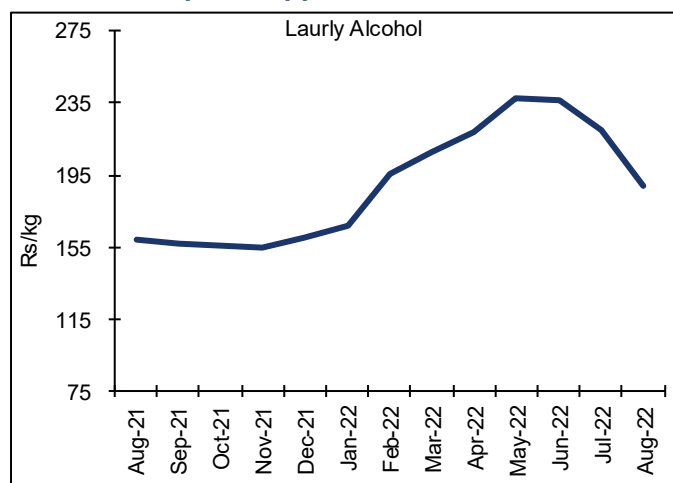
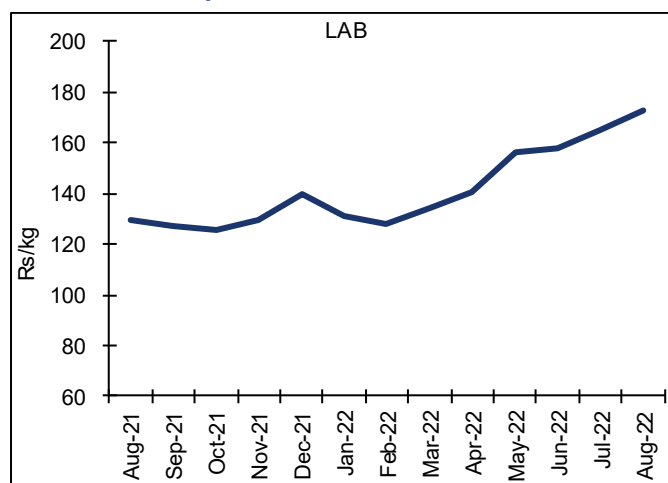


Chart 18: LA price dipped 11.1% QoQ



Source: I-Sec research, Commerce Ministry

Chart 19: LAB price rose 10.6% QoQ



## Rossari Biotech (HOLD, target price: Rs920)

(QoQ chg: -12.5%; YoY chg: -27.6%)

### Q2FY23 estimates

(Rs mn, year ending March 31)

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Revenue</b>							
HPPC	2,361	3,052	3,036	3,165	3,069	(3.0)	30.0
Textile chemicals	1,097	1,028	1,098	939	1,042	11.0	(5.0)
Animal health & nutrition	387	204	255	243	329	35.3	(15.0)
Revenue	3,845	4,284	4,389	4,347	4,440	2.1	15.5
<b>Gross profit</b>	<b>852</b>	<b>1,068</b>	<b>1,145</b>	<b>1,241</b>	<b>1,290</b>	<b>3.9</b>	<b>51.4</b>
GPM (%)	22.2	24.9	26.1	28.5	29.0		
<b>EBITDA</b>	<b>439</b>	<b>467</b>	<b>523</b>	<b>577</b>	<b>608</b>	<b>5.3</b>	<b>38.5</b>
EBITDA margin (%)	11.4	10.9	11.9	13.3	13.7		
EBIT	337	289	358	424	455	7.2	34.9
PBT	357	318	329	381	411	8.1	15.1
<b>PAT</b>	<b>262</b>	<b>225</b>	<b>241</b>	<b>287</b>	<b>302</b>	<b>5.1</b>	<b>15.0</b>
<b>EPS (Rs)</b>	<b>4.8</b>	<b>4.1</b>	<b>4.4</b>	<b>5.2</b>	<b>5.5</b>	<b>5.1</b>	<b>15.0</b>

Source: Company data, I-Sec research

Price chart

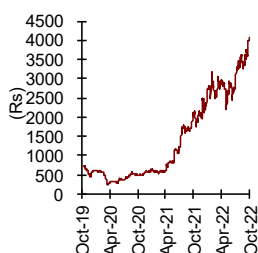


Chart 20: Acetic acid price declined 2.9% QoQ

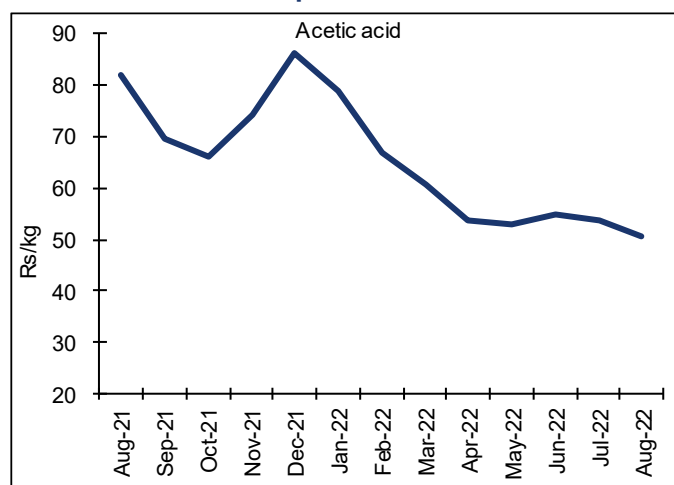


Chart 21: Acrylic acid price fell 1.6% QoQ

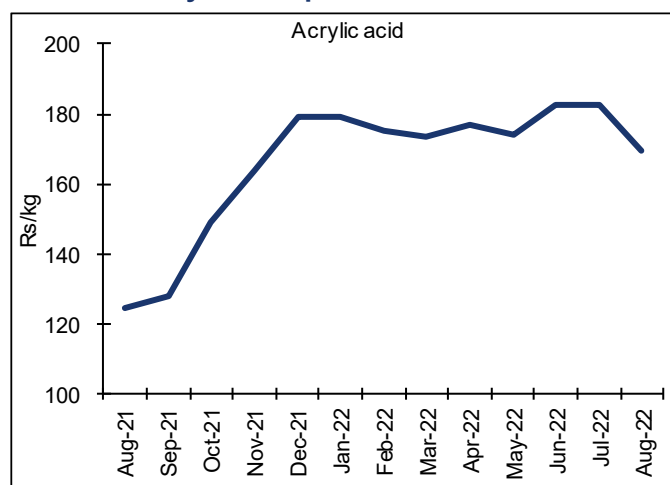


Chart 22: Silicone oil price was down 7.5% QoQ

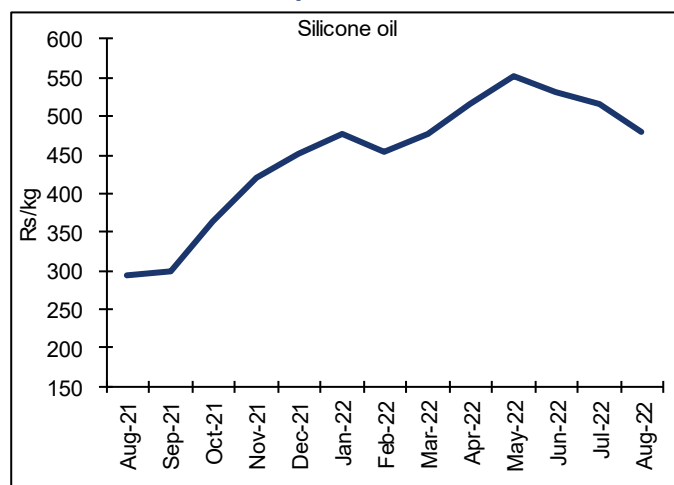
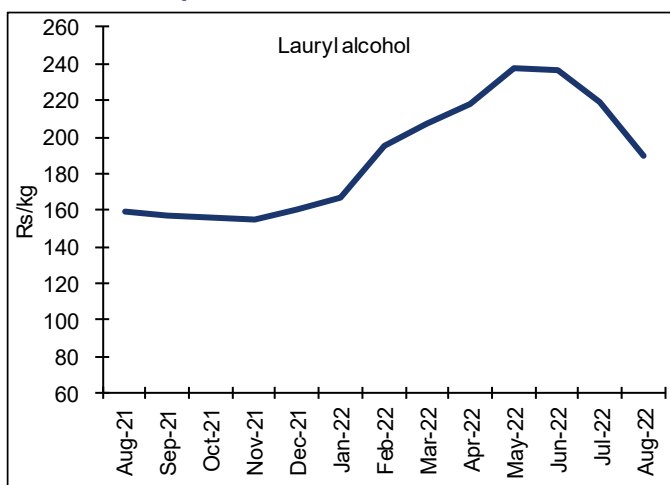


Chart 23: LA price contracted 11.1% QoQ

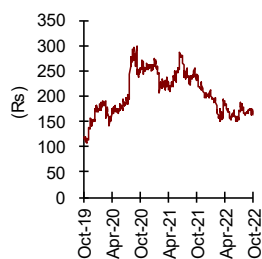


Source: I-Sec research, Commerce Ministry

**EPL (BUY, target price: Rs225)**

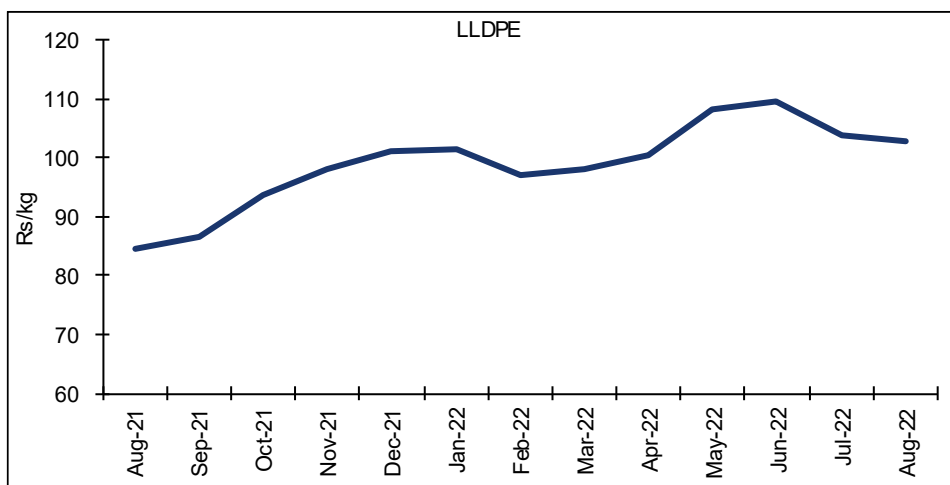
(QoQ chg: -13.7%; YoY chg: -42.1%)

Price chart

**Q2FY23 estimates***(Rs mn, year ending March 31)*

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Revenue</b>							
AMESA	3,075	3,225	3,140	3,197	3,229	1.0	5.0
EAP	2,136	2,459	1,971	1,928	2,286	18.5	7.0
Americas	1,860	1,899	1,964	1,973	1,972	(0.1)	6.0
Europe	1,882	1,732	2,086	1,972	2,070	5.0	10.0
<b>EBITDA</b>							
AMESA	679	685	571	634	673	6.1	(0.9)
EAP	476	549	291	374	466	24.7	(2.1)
Americas	284	175	311	242	262	8.1	(7.9)
Europe	206	118	252	173	161	(7.0)	(21.9)
<b>EBITDA (%)</b>							
AMESA	22.1	21.2	18.2	19.8	20.8		
EAP	22.3	22.3	14.8	19.4	20.4		
Americas	15.3	9.2	15.8	12.3	13.3		
Europe	10.9	6.8	12.1	8.8	7.8		
Revenue	8,701	8,834	8,802	8,318	9,197	10.6	5.7
<b>Gross profit</b>	<b>4,918</b>	<b>4,863</b>	<b>4,751</b>	<b>4,663</b>	<b>4,966</b>	<b>6.5</b>	<b>1.0</b>
GPM (%)	56.5	55.0	54.0	56.1	54.0		
<b>EBITDA</b>	<b>1,594</b>	<b>1,387</b>	<b>1,331</b>	<b>1,256</b>	<b>1,394</b>	<b>11.0</b>	<b>(12.5)</b>
EBITDA margin (%)	18.3	15.7	15.1	15.1	15.2		
EBIT	972	745	700	604	742	22.9	(23.6)
PBT	889	673	608	524	662	26.4	(25.5)
<b>PAT</b>	<b>507</b>	<b>571</b>	<b>487</b>	<b>334</b>	<b>467</b>	<b>40.0</b>	<b>(7.8)</b>
<b>EPS (Rs)</b>	<b>1.6</b>	<b>1.8</b>	<b>1.5</b>	<b>1.1</b>	<b>1.5</b>	<b>35.5</b>	<b>(7.8)</b>

Source: Company data, I-Sec research

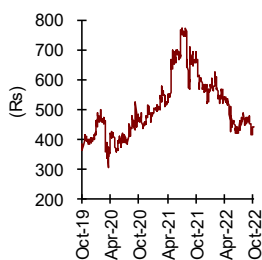
**Chart 24: LLDPE price dipped 2.9% QoQ**

Source: I-Sec research, Commerce Ministry

## Sudarshan Chemical (ADD, target price: Rs510)

(QoQ chg: -22.2%; YoY chg: -43.8%)

Price chart



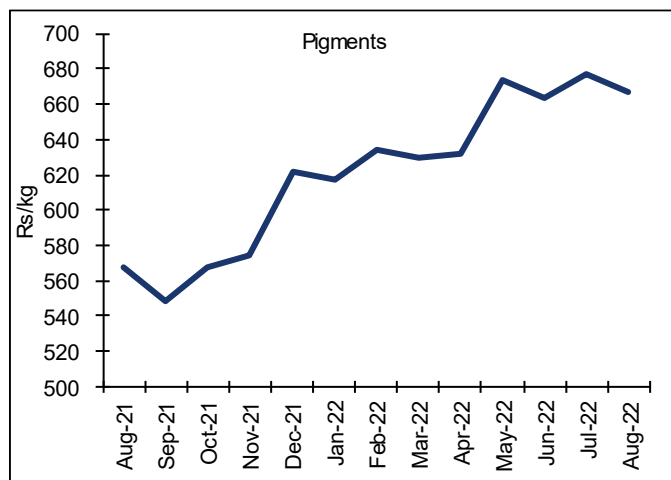
### Q2FY23 estimates

(Rs mn, year ending March 31)

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
Revenue	4,980	6,018	6,272	5,542	5,578	0.7	12.0
<b>Gross profit</b>	<b>2,107</b>	<b>2,439</b>	<b>2,561</b>	<b>2,237</b>	<b>2,276</b>	<b>1.8</b>	<b>8.0</b>
GPM (%)	42.3	40.5	40.8	40.4	40.8		
<b>EBITDA</b>	<b>529</b>	<b>739</b>	<b>861</b>	<b>414</b>	<b>471</b>	<b>13.7</b>	<b>(10.9)</b>
EBITDA margin (%)	10.6	12.3	13.7	7.5	8.4		
EBIT	313	520	613	156	200	28.2	(36.0)
PBT	279	488	575	104	148	42.4	(46.9)
<b>PAT</b>	<b>228</b>	<b>364</b>	<b>447</b>	<b>71</b>	<b>112</b>	<b>58.9</b>	<b>(50.6)</b>
<b>EPS (Rs)</b>	<b>3.3</b>	<b>5.3</b>	<b>6.5</b>	<b>1.0</b>	<b>1.6</b>	<b>58.9</b>	<b>(50.6)</b>

Source: Company data, I-Sec research

Chart 25: Pigment price inflation was 2.5% QoQ



Source: I-Sec research, Commerce Ministry

Chart 26: Azo pigment mixture price down 0.7%

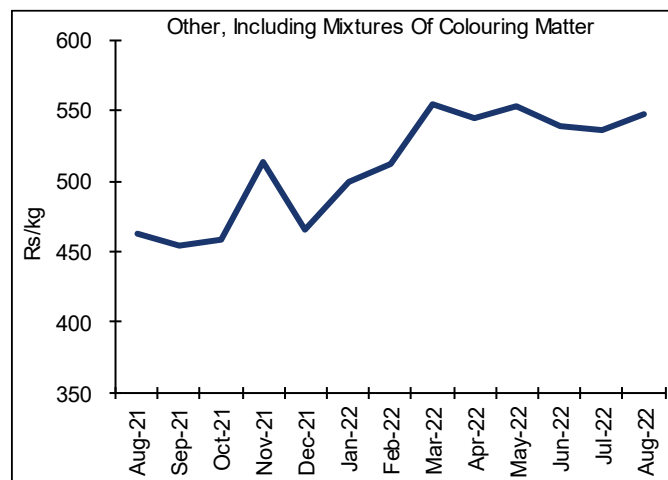
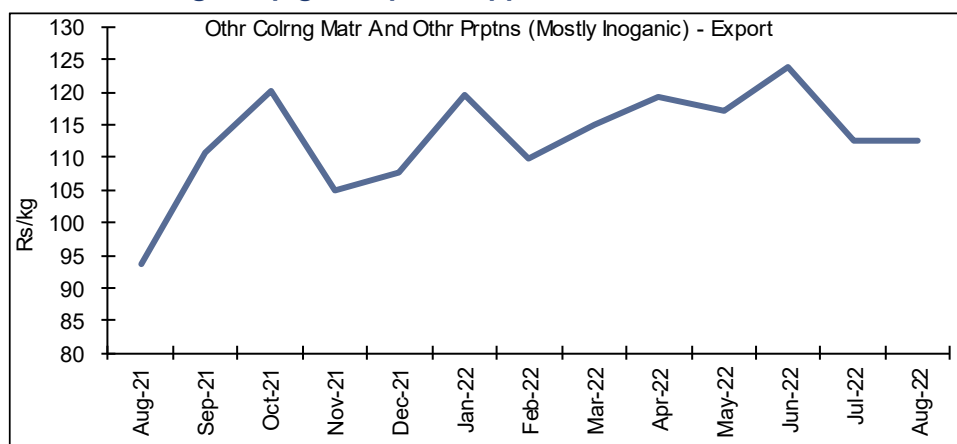


Chart 27: Inorganic pigment price dipped 6.1% QoQ

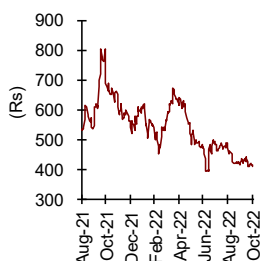


Source: I-Sec research, Commerce Ministry

## Chemplast Sanmar (BUY, target price: Rs725)

(QoQ chg: -22.9%; YoY chg: NA)

Price chart

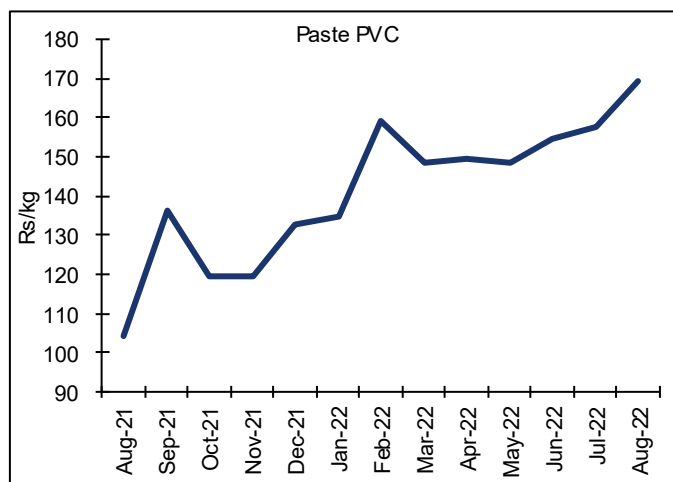


### Q2FY23 estimates

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
<b>Volumes (te)</b>							
Specialty	20,842	14,055	22,109	13,639	15,139	11.0	(27.4)
Non-Specialty	37,851	39,498	40,521	37,989	41,000	7.9	8.3
Suspension PVC	93,155	65,089	87,523	74,483	80,000	7.4	(14.1)
<b>Total</b>	<b>1,51,848</b>	<b>1,18,642</b>	<b>1,50,153</b>	<b>1,26,111</b>	<b>1,36,139</b>	<b>8.0</b>	<b>(10.3)</b>
<b>Revenue</b>							
Specialty	3,700	2,940	4,200	2,570	2,225	(13.4)	(39.9)
Non-Specialty	1,640	2,220	2,290	2,310	2,493	7.9	52.0
Suspension PVC	11,390	9,360	11,580	9,230	7,435	(19.4)	(34.7)
<b>Total</b>	<b>16,730</b>	<b>14,520</b>	<b>18,070</b>	<b>14,110</b>	<b>12,153</b>	<b>(13.9)</b>	<b>(27.4)</b>
<b>Realisation/kg</b>							
Specialty	178	209	190	188	147	(22.0)	(17.2)
Non-Specialty	43	56	57	61	61	-	40.3
Suspension PVC	122	144	132	124	93	(25.0)	(24.0)
<b>Gross profit/kg</b>							
Specialty	156	269	168	251	163	(35.0)	4.4
Suspension PVC	29	37	26	22	15	(30.0)	(46.7)
Revenue	16,730	14,517	18,069	14,113	12,153	(13.9)	(27.4)
<b>Gross profit</b>	<b>5,964</b>	<b>6,190</b>	<b>6,015</b>	<b>5,072</b>	<b>3,710</b>	<b>(26.9)</b>	<b>(37.8)</b>
GPM (%)	35.7	42.6	33.3	35.9	30.5		
<b>EBITDA</b>	<b>3,464</b>	<b>3,528</b>	<b>3,464</b>	<b>1,941</b>	<b>723</b>	<b>(62.7)</b>	<b>(79.1)</b>
EBITDA margin (%)	20.7	24.3	19.2	13.8	6.0		
EBIT	3,133	3,197	3,062	1,536	318	(79.3)	(89.9)
PBT	1,862	2,954	2,801	1,332	176	(86.8)	(90.5)
<b>PAT</b>	<b>1,513</b>	<b>2,369</b>	<b>2,316</b>	<b>406</b>	<b>132</b>	<b>(67.5)</b>	<b>(91.3)</b>
<b>EPS (Rs)</b>	<b>9.6</b>	<b>15.0</b>	<b>14.7</b>	<b>2.6</b>	<b>0.8</b>	<b>(67.5)</b>	<b>(91.3)</b>

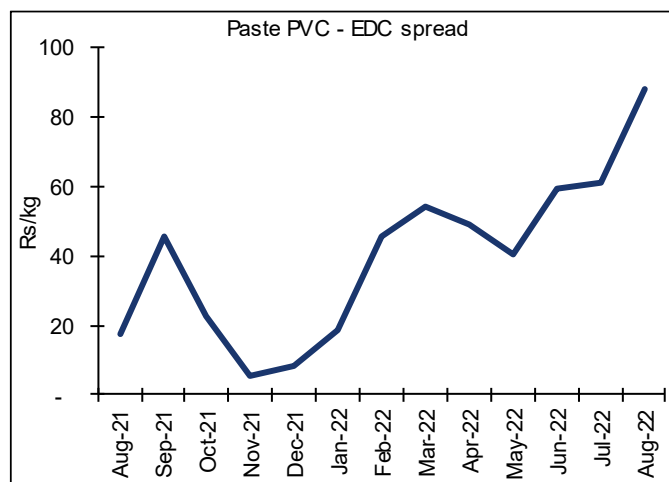
Source: Company data, I-Sec research

Chart 28: Paste PVC price rose 7.5% QoQ

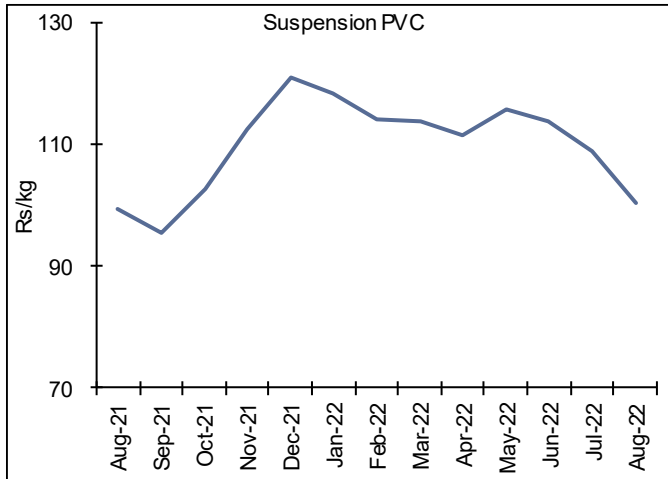


Source: I-Sec research, Commerce Ministry

Chart 29: P-PVC / EDC spread expanded QoQ

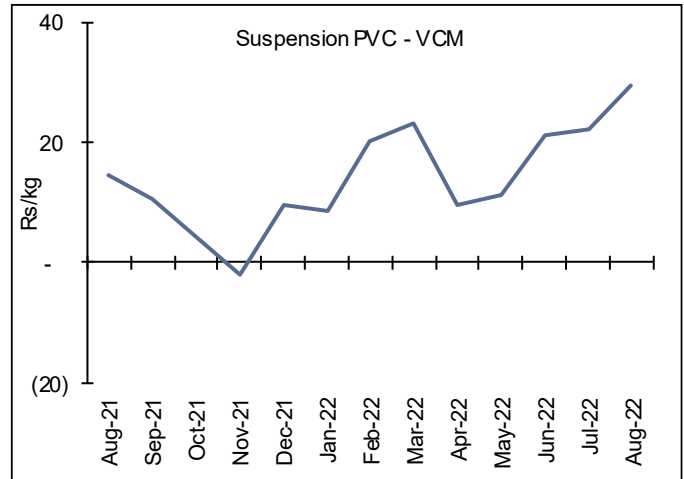


**Chart 30: S-PVC price was down 7.3% QoQ**

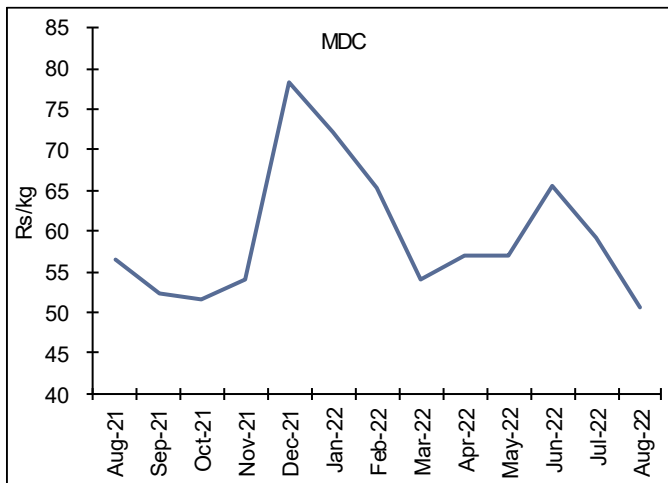


Source: I-Sec research, Commerce Ministry

**Chart 31: S-PVC / VCM spread improved**

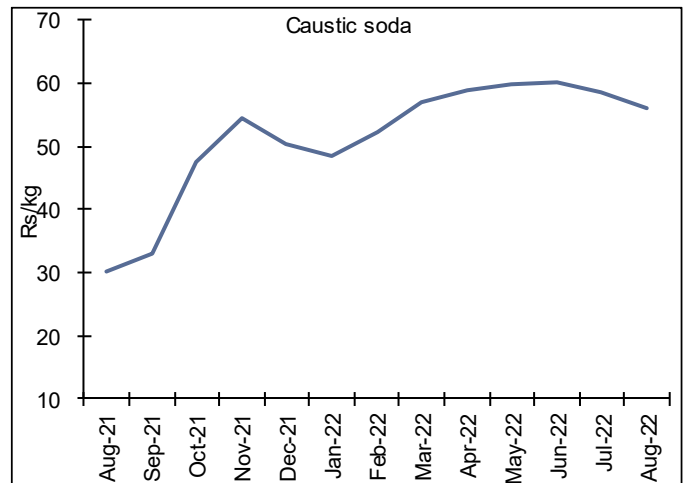


**Chart 32: MDC price dipped 5.2% QoQ**



Source: I-Sec research, Commerce Ministry

**Chart 33: Caustic soda price dipped 4% QoQ**

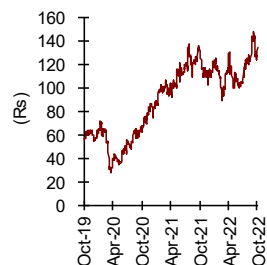




**PCBL (BUY, target price: Rs170)**

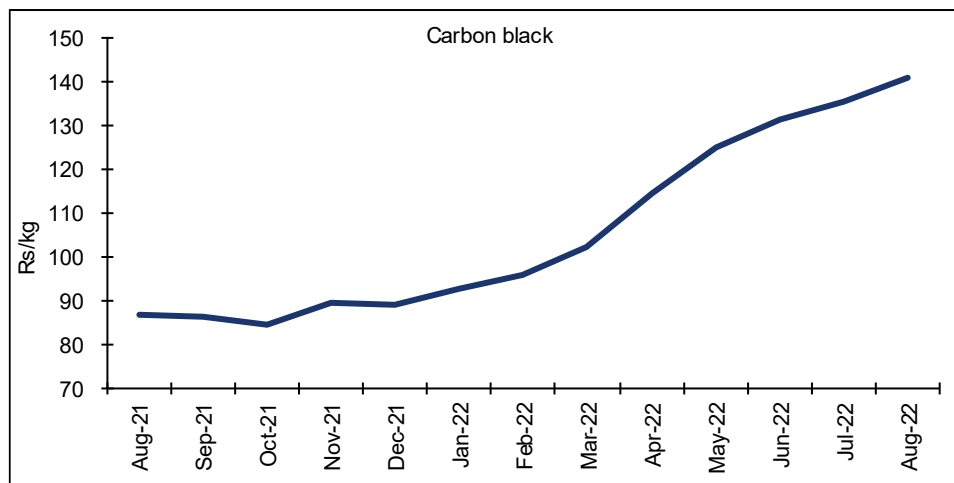
(QoQ chg: -10.6%; YoY chg: -10.1%)

Price chart

**Q2FY23 estimates**

Rs mn (consolidated)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23E	QoQ (%)	YoY (%)
Volume (te)	1,15,717	1,16,594	1,12,452	1,09,377	1,13,403	3.7	(2.0)
Realisation/kg (Rs)	90.3	96.8	106.0	125.6	126.9	1.0	40.5
GP/kg (Rs)	30.3	27.1	28.0	35.1	34.7	(1.0)	14.6
<b>Revenue</b>							
Carbon black	10,452	11,283	11,921	13,739	14,387	4.7	37.7
Power	430	459	447	531	585	10.3	36.0
<b>Total</b>	<b>10,882</b>	<b>11,742</b>	<b>12,368</b>	<b>14,270</b>	<b>14,972</b>	<b>4.9</b>	<b>37.6</b>
<b>EBIT</b>							
Carbon black	1,678	1,455	1,386	1,835	1,825	(0.5)	8.7
Power	249	290	260	313	345	10.3	38.5
<b>Total</b>	<b>1,927</b>	<b>1,746</b>	<b>1,647</b>	<b>2,148</b>	<b>2,170</b>	<b>1.0</b>	<b>12.6</b>
<b>EBIT (%)</b>							
Carbon black	16.1	12.9	11.6	13.4	12.7		
Power	57.9	63.2	58.2	58.9	58.9		
<b>Total</b>	<b>17.7</b>	<b>14.9</b>	<b>13.3</b>	<b>15.0</b>	<b>14.5</b>		
Revenue	10,676	11,561	12,188	14,091	14,972	6.3	40.2
<b>Gross profit</b>	<b>3,503</b>	<b>3,158</b>	<b>3,146</b>	<b>3,834</b>	<b>3,935</b>	<b>2.6</b>	<b>12.4</b>
GPM (%)	32.8	27.3	25.8	27.2	26.3		
<b>EBITDA</b>	<b>1,870</b>	<b>1,680</b>	<b>1,343</b>	<b>1,955</b>	<b>1,981</b>	<b>1.3</b>	<b>5.9</b>
EBITDA margin (%)	17.5	14.5	11.0	13.9	13.2		
EBIT	1,566	1,372	1,039	1,580	1,602	1.4	2.3
PBT	1,527	1,392	1,091	1,608	1,633	1.5	7.0
<b>PAT</b>	<b>1,221</b>	<b>1,115</b>	<b>883</b>	<b>1,263</b>	<b>1,282</b>	<b>1.5</b>	<b>5.0</b>
<b>EPS (Rs)</b>	<b>3.2</b>	<b>3.0</b>	<b>2.3</b>	<b>3.3</b>	<b>3.4</b>	<b>1.5</b>	<b>5.0</b>

Source: Company data, I-Sec research

**Chart 34: Carbon black price inflation was 12% QoQ**

Source: I-Sec research, Commerce Ministry

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