

Q1FY26 Result Update | Chemicals | 1 August 2025

OCCL Ltd

ADD imposition is game changer, Strong FCF generation, Decent valuations, Maintain BUY

OCCL reported much better performance & stronger margins than our estimates. The performance was better because of higher sulphuric acid margins & lower operational cost during the quarter. OCCL revenue grew by ~14.5% QoQ majorly led by higher insoluble sulphur & sulphuric acid realizations. YoY comparison cannot be done because of demerger adjustments. The blended utilization stood at ~75% as on Q1FY26. During the quarter, lower freight & lower other cost led to steep improvement in EBITDA margins to ~21.4% vs 17.4% in Q4FY25. The Insoluble Sulphur (IS) industry remained largely weak with soft recovery from international markets along with subdued domestic market. Going ahead we feel the global IS industry will improve gradually but current issues like oversupply situation might take at least ~1 year to normalize, although early signs of stabilization is seen. Export markets like Europe are suffering with muted demand & heightened geopolitical issues which is impacting recovery. Even in Indian market, competitive intensity had increased in H1CY26 & OCCL also lost some market share to its rivals but is now on course to improve its lost glory supported by imposition of ADD. Imposition of ADD against China & Japan will protect OCCL margins in the coming years. Also, backed by a strong foundation, operational agility and long-standing customer relationships, we remain confident in the ability of the company to emerge stronger and capture growth as the environment stabilizes. Some positive points about OCCL are its foray in North American market wherein company had already cleared trial runs & better pricing mechanism will lead to margin improvement for the next 2 years. We anticipate recovery will gradually happen over the next 2 years, although imposition of ADD has largely upgraded our PAT estimates by ~26%/~38% PAT over FY26E/27E respectively. The jump in our estimates is led by upgrade of both volumes & realizations. Since our last update, the stock has already witnessed a decent upmove, despite this the stock has more room on the upside. We upgrade our target P/E multiple to 15x (earlier 12x) to March 27E EPS of Rs 15.1 & thereby, arrive at target price of Rs 227 per share which is an upside of ~50% from the current valuations. We maintain our BUY rating on the stock.

Overcapacity a cause of concern, IS pricing improved & freight cost normalized, ADD imposition is game changer

- Globally oversupply situation in IS business has caused worry to global IS manufacturers as demand pace is slow & during covid times in anticipation of rising demand manufacturers build capacity faster & as demand pace faltered, the extra volumes are being dumped in global markets at cheap prices. OCCL too bears the brunt of higher dumping from China & Japan which led to poor margins in the last 2 years.
- However, with recent imposition of ADD, it will OCCL to offset the adverse effects of dumped imports.
- During the quarter, IS & sulphuric acid pricing has witnessed uptick, freight cost has normalized & other lower operational cost led to better than anticipated EBITDA margins during the quarter.
- Over the years, OCCL has lost market share to its rivals but with recent ADD imposition coupled with enhanced product quality with dispersion & thermal stability properties, we feel company is looking to gain back its lost market share once import volumes witness dip & demand supply balance achieves.

Focussed on increasing its foray in newer geographies, tariff uncertainty remains, competitive intensity high

- The company is focussed on enhancing its export business by targeting geographies like North America. However, other manufacturers like Shikoku Chemicals (Japan) & China Sunshine (China) are also increasingly looking to tap North American market which will increase competitive intensity globally.
- Here, US tariffs also play a pivotal role to get an edge in the North American market. As of now, tariff uncertainty remains & India (25% duty) remains on the backfoot compared with Japan (15% duty) on exports to US.

Valuation

- We model in higher volume growth of ~7% (earlier ~5%) & higher realizations from FY25-27E. Imposition of ADD should be a game changer as it will improve the margins & ROCE of the company. Concerns around weak export market & slower industry growth remains an overhang but is transitory once global demand picks up pace. Also, IS price has witnessed improvement by 25-30% from the bottom, stabilization of raw material prices, normalization of freight cost and strong FCF generation (FCF yield of 10-15%) are the positives.
- Currently, the stock is trading at P/E of ~10x on March 27E EPS of Rs 15.1. With imposition of ADD & stated positive triggers, we upgrade our target multiple to 15x (earlier 12x) and arrive at a target price of Rs 227 per share which offers upside of ~50% from current valuations, thereby maintaining our BUY rating on the stock.

Y/E Mar (Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Var (%)
Net sales	1,231	1,030	19.5	1,075	14.5	1,073	14.7
Operating costs	968	-	-	888	9.0	-	-
EBITDA	263	186	41.9	187	41.0	182	44.7
EBITDA Margin (%)	21.4	18.0	338 bps	17.4	401 bps	17.0	443 bps
Depreciation	71	-	-	70	1.4	-	-
Interest	13	-	-	13	1.9	-	-
Other income	4	-	-	10	-58.9	-	-
PBT	183	106	73.7	114	61.1	-	-
Provision for tax	52	-	-	27	93.4	-	-
Reported PAT	131	75	76.2	87	51.0	80	64.2

Source: Company, SMIFS Research

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	Adj P/E (x)	EV/EBITDA (x)
FY24	3,970	-14.6	929	23.4	430	-1.7	8.6	8.8	8.3	9.4	5.3
FY25	3,067	-22.7	529	17.3	214	-50.1	4.3	5.5	5.5	20.8	9.4
FY26E	4,969	62.0	1,091	22.0	552	157.9	11.1	13.0	12.3	13.7	7.0
FY27E	5,325	7.2	1,338	25.1	757	37.0	15.1	15.5	14.7	10.0	5.1

Source: Company, SMIFS Research Estimates



Rating: BUY

Return: ~50%

Current Price: 152

Target Price: 227

Earlier recommendation

Previous Rating: BUY

Previous Target Price | 132

Source: SMIFS Research

Market data

Bloomberg:	OCCLTD IN
52-week H/L (Rs):	153/64
Mcap (Rs bn/USD bn):	7.6/0.1
Shares outstanding (mn):	50.0
Free float:	46.8%
Daily vol. (3M Avg):	0.20mn
Face Value (Rs):	2

Source: Bloomberg, SMIFS Research

Shareholding pattern (%)

	Jun-25	Mar-25	Dec-24	Oct-24
Promoter	51.8	51.8	51.8	51.8
FII's	0.1	0.2	1.0	0.6
DII's	5.1	5.7	5.7	11.0
Public/others	43.0	42.3	41.5	36.6

Pro. Pledging

Pledging	0.0	0.0	0.0	0.0
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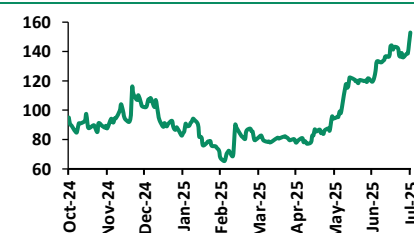
Source: BSE

Price performance (%)*

	1M	3M	12M	36M
NIFTY 50	-3.0	1.8	-0.7	44.4
NIFTY 500	-3.0	4.0	-2.6	56.3
OCCL	27.4	96.4	0.0	0.0

*as on 31st July 2025; Source: AceEquity, SMIFS Research

3 Year Price Performance Chart



Source: NSE *Since listing date

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Q1FY26 – Key takeaways from the management call

- **Demand outlook:** The company's end user industry viz. tyre sector is facing muted demand, although it will pick up pace towards the latter half of this fiscal. However, with gradual uptick in demand we expect domestic tyre volumes to grow at mid to high single digit by 6-8% from FY25-27E. Oversupply situation in IS business coupled with weaker demand in international market is impacting recovery in IS. The global market is expected to grow at mere 2-3% in the near term. OCCL has lost its market share in India and South-East Asia due to intense competition from China, although it has nearly bottomed out & with recent ADD imposition OCCL stands to gain market share in domestic market.
- **Capacity utilization:** The capacity utilization level for IS business is ~70-75% & sulphuric acid business is operating nearly full utilization levels.
- **North America a potential market to explore:** Management stated that North America business has started to witness traction & they expect some improvement in the coming year if demand picks up pace. Although, tariff related uncertainties prevail.
- **Europe market remains sluggish:** The demand in Europe which is the second largest market for the company has been sluggish due to macro economic and geopolitical environment including ongoing conflicts.
- **Imposition of ADD will benefit OCCL:** The government imposed five-year anti-dumping duties on imports of Insoluble Sulphur from China and Japan. DGTR investigations reveal that exporters from both countries had been dumping the product at low prices which affected the profitability and pricing of Indian producers. As per management, ADD will likely benefit in improving the realizations & margins of domestic companies. Depending on the exporter, the duties on Insoluble Sulphur will range from \$259-358 per metric tonne. Chinese imports will face a flat duty of \$307/MT. Among Japanese companies, Shikoku Chemicals will be charged \$259/MT, while all other Japanese exporters will face the maximum rate of \$358/MT.
- The company will incur only maintenance capex for the next 2 years. The annual maintenance capex is Rs100-120mn.

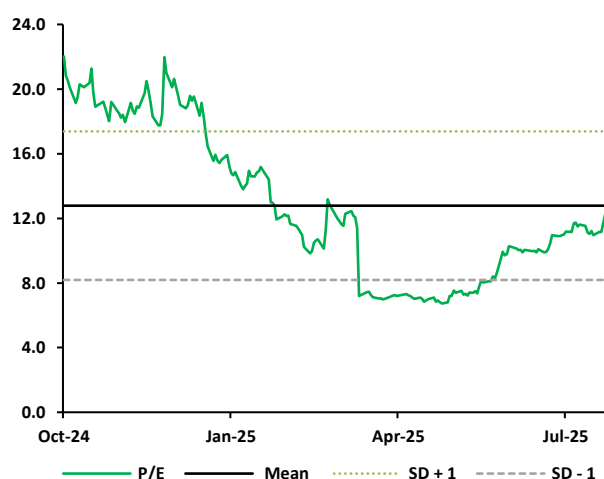
Valuation and Recommendations

We model in higher volume growth of ~7% (earlier ~5%) & higher realizations from FY25-27E. Imposition of ADD should be a game changer as it will improve the margins & ROCE of the company. Concerns around weak export market & slower industry growth remains an overhang but is transitory once global demand picks up pace. Also, IS prices has witnessed improvement by 25-30% from the bottom, stabilization of raw material prices, normalization of freight cost and strong FCF generation (FCF yield of 10-15%) are the positives.

Currently, the stock is trading at P/E of ~10x on March 27E EPS of Rs 15.1. With imposition of ADD & stated positive triggers, we upgrade our target multiple to 15x (earlier 12x) and arrive at a target price of Rs 227 per share which offers upside of ~50% from current valuations.

Therefore, we maintain **BUY** rating on the stock.

Fig 1: 1-year forward P/E

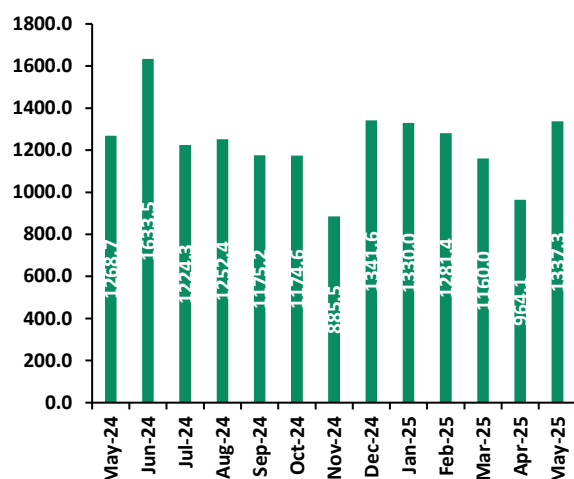


Source: AceEquity, SMIFS Research

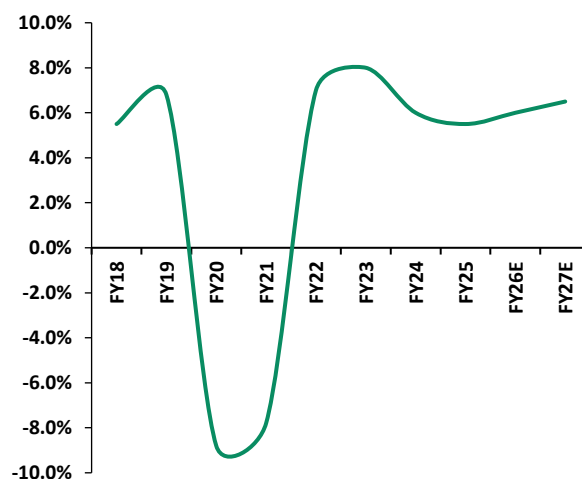
Fig 2: 1-year forward EV/EBITDA



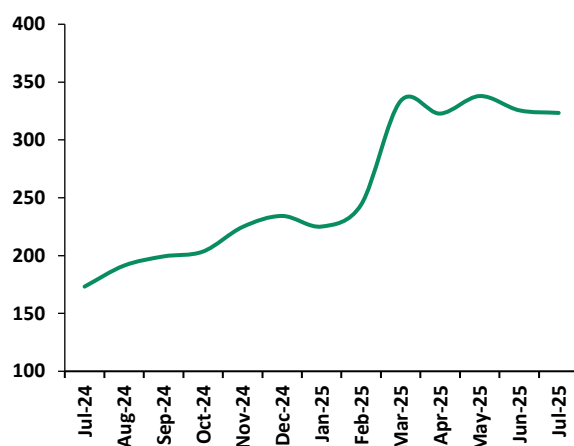
Source: AceEquity, SMIFS Research

Fig 3: IS Export Data
(in Tonnes)


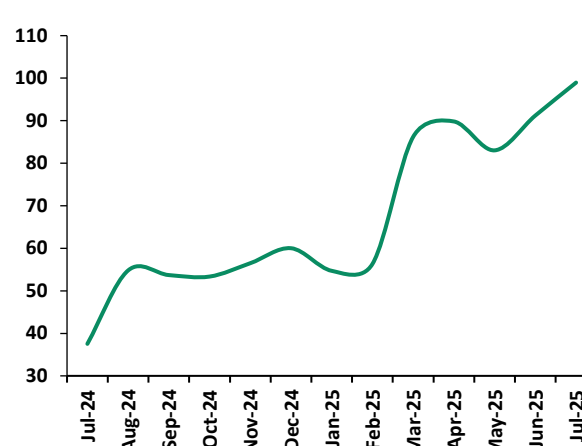
Source: Company, SMIFS Research

Fig 4: Expect 6-8% tyre growth from FY24-27E
(in %)


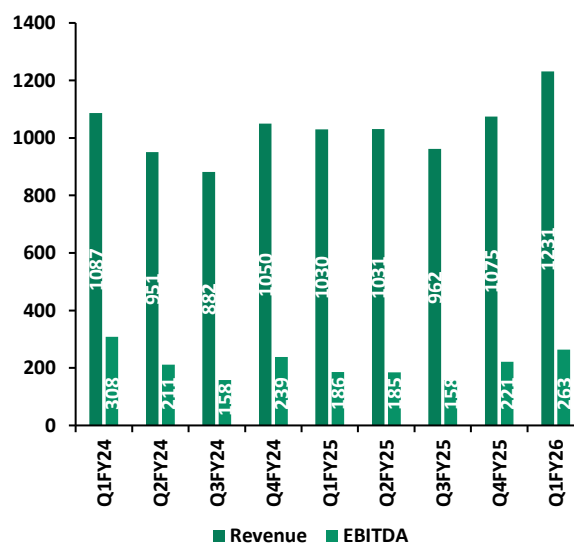
Source: Company, SMIFS Research

Fig 5: China Sulphur Prices
(in \$ per ton)


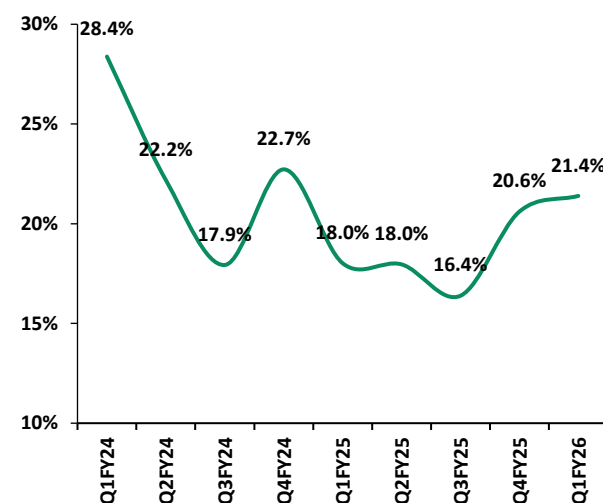
Source: Industry, SMIFS Research

Fig 6: China Sulphuric Acid Prices
(in \$ per ton)


Source: Industry, SMIFS Research

Fig 7: Quarterly Adjusted Revenue & EBITDA
(In Rs mn)


Source: Industry, SMIFS Research. *In Q4FY25, EBITDA has been adjusted with one-off cost of ~Rs34.7mn incurred due to implementation of Scheme of Arrangement.

Fig 8: Quarterly Adjusted EBITDA Margin
(in %)


Source: Company, SMIFS Research. *In Q4FY25, EBITDA Margin has been adjusted with one-off cost of ~Rs34.7mn incurred due to implementation of Scheme of Arrangement.

Quarterly financials, operating metrics and key performance indicators

Fig 9: Quarterly Financials (Standalone)

Y/E March (Rs mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Sales	951	882	1,050	1,030	1,031	962	1,075	1,231
Raw Materials	323	314	367	-	364	365	431	554
Employee Costs	134	131	138	-	126	122	140	135
Other Expenditure	283	278	306	-	356	317	318	279
EBITDA	211	158	239	186	185	158	187	263
Depreciation	72	72	72	-	70	70	70	71
Interest	30	26	25	-	22	19	13	13
Other Income	6	4	30	-	8	3	10	4
PBT	115	64	172	106	101	71	114	183
Tax	32	4	39	-	26	19	27	52
Tax rate (%)	27.6	5.7	22.7	-	25.7	26.3	23.6	28.4
Reported PAT	83	61	133	75	75	52	87	131
YoY Growth (%)								
Revenue	-22.2	-14.2	1.4	NA	8.4	9.1	2.4	19.5
EBITDA	4.6	-33.6	-3.9	NA	-12.3	-0.3	-21.7	41.9
PAT	7.5	-41.9	14.8	NA	-10.1	-13.4	-34.4	76.2
QoQ Growth (%)								
Revenue	-12.5	-7.3	19.1	NA	0.1	-6.7	11.7	14.5
EBITDA	-31.6	-25.0	50.9	NA	-0.3	-14.8	18.5	41.0
PAT	-45.4	-27.4	118.8	NA	0.7	-30.1	65.7	51.0
Margin (%)								
Gross	66.0	64.4	65.1	NA	64.7	62.0	59.9	55.0
EBITDA	22.2	17.9	22.7	18.0	18.0	16.4	17.4	21.4
PAT	8.8	6.9	12.6	7.2	7.3	5.5	8.1	10.7
Employee cost as % of sales	14.1	14.9	13.2	NA	12.2	12.7	13.0	11.0
Other expenses as % of sales	29.7	31.6	29.2	NA	34.5	32.9	29.6	22.6

Source: Company, SMIFS Research, Note: In Q1FY25 demerger took place hence before quarter numbers are not comparable. In Q4FY25, EBITDA & its margin includes one-off cost of ~Rs34.7mn incurred due to implementation of Scheme of Arrangement.

Fig 10: Change in Estimates

	New Estimates		Old Estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	4,969	5,325	4,404	4,816	12.8%	10.6%
EBITDA	1,091	1,338	912	1,038	19.7%	28.9%
EBITDA Margin (%)	22.0%	25.1%	20.7%	21.6%	126 bps	358 bps
PAT	552	757	442	548	25.0%	38.1%
EPS (Rs)	11.1	15.1	8.8	11.0	25.6%	37.7%

Source: Company, SMIFS Research Estimates

- Led by imposition of ADD we have upgraded our volume & realization estimate for the next 2 years.

Financial Statements (Standalone)

Income Statement				
YE March (Rs mn)	FY24	FY25	FY26E	FY27E
Revenues	3,970	3,067	4,969	5,325
Raw Materials	1,374	1,160	2,155	2,126
% of sales	34.6	37.8	43.4	39.9
Personnel	542	387	504	527
% of sales	13.7	12.6	10.1	9.9
Other Expenses	1,125	990	1,219	1,334
% of sales	28.3	32.3	24.5	25.1
EBITDA	929	529	1,091	1,338
Other Income	44	21	18	55
Depreciation	286	209	287	299
EBIT	687	341	823	1,094
Finance cost	111	55	50	36
Core PBT	576	286	772	1,058
Exceptional items	0	0	0	0
PBT	576	286	772	1,058
Tax-Total	146	72	220	302
<i>Tax Rate (%) - Total</i>	<i>25.4</i>	<i>25.1</i>	<i>28.5</i>	<i>28.5</i>
Reported PAT	430	214	552	757
Adjusted PAT	430	214	552	757

Source: Company, SMIFS Research Estimates

Key Ratios			
YE March	FY25	FY26E	FY27E
Growth Ratio (%)			
Revenue	-22.7	62.0	7.2
EBITDA	-43.0	106.2	22.6
Adjusted PAT	-50.1	157.9	37.0
Margin Ratios (%)			
Gross Profit	62.2	56.6	60.1
EBITDA	17.3	22.0	25.1
EBIT	11.1	16.6	20.5
Core PBT	8.6	15.2	18.8
Adjusted PAT	7.0	11.1	14.2
Return Ratios (%)			
ROE	5.5	13.0	15.5
ROCE	5.5	12.3	14.7
Turnover Ratios (days)			
Gross block turn ratio (x)	0.5	0.8	0.8
Adj OCF / Adj PAT (%)	301.7	98.0	131.6
Inventory	71	65	65
Debtors	77	70	70
Creditors	28	25	25
Cash conversion cycle	121	110	110
Solvency Ratio (x)			
Debt-equity	0.2	0.1	0.1
Net debt/equity	0.1	0.0	-0.2
Gross debt/EBITDA	1.2	0.5	0.3
Current Ratio	1.9	2.5	3.5
Interest coverage ratio	6.2	16.3	30.4
Dividend			
DPS	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0
Per Share (Rs.)			
Basic EPS (reported)	4.3	11.1	15.1
Adj EPS	4.3	11.1	15.1
CEPS	8.5	16.8	21.1
BVPS	79.3	90.4	105.5
Valuation			
Adj P/E	20.8	13.7	10.0
P/BV	1.1	1.7	1.4
EV/EBITDA	9.4	7.0	5.1
EV/Sales	1.6	1.5	1.3
Adj Mcap / Core PBT	16.4	9.5	6.4
Adj Mcap / Adj OCF	6.7	13.3	6.4

Source: Company, SMIFS Research Estimates

Balance Sheet			
YE March (Rs mn)	FY25	FY26E	FY27E
Sources of funds			
Equity Share Capital	100	100	100
Reserves & Surplus	3,863	4,416	5,172
Shareholders' Fund	3,963	4,515	5,272
Total loan funds	620	504	360
Other Liabilities	372	472	506
Total Liabilities	4,955	5,492	6,138
Application of funds			
Gross Block	6,237	6,371	6,505
Net Block	3,789	3,636	3,470
Capital WIP	27	13	13
Quasi cash investments	12	12	12
Other Investments	-	-	-
Other Non-Current Assets	86	134	136
Inventories	599	885	948
Sundry Debtors	649	953	1,021
Cash & bank balances	2	292	1,059
Current investments	101	101	101
Other current assets	77	117	126
Total Current Assets	1,429	2,349	3,256
Sundry Creditors	235	340	365
Other current liabilities	153	312	385
Total Current Liabilities	388	652	749
Net Current Assets	1,041	1,697	2,507
Total Assets	4,955	5,492	6,138

Source: Company, SMIFS Research Estimates

Cash Flow Statement			
YE March (Rs mn)	FY25	FY26E	FY27E
Operating profit before WC changes	546	1,091	1,338
Net changes in working capital	198	-314	-11
Tax Paid	-46	-220	-302
Cash flow from operating activities	698	558	1,025
Adj. OCF	646	541	996
Capital expenditure	-123	-119	-134
Adj FCF	523	422	861
Cash flow from investing activities	-261	-101	-79
Debt	-689	-150	-150
Dividend	0	0	0
Interest and Lease	-52	-16	-30
Cash flow from financing activities	-740	-166	-180
Net change in cash	-304	290	767

Source: Company, SMIFS Research Estimates

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