

CMP: INR 437

Rating: Buy

Target Price: INR 619

Stock Info

BSE	543336
NSE	CHEMPLASTS
Bloomberg	CHEMPLAST:IN
Sector	Chemicals
Face Value (INR)	5
Equity Capital (INR Mn)	791
Mkt Cap (INR Bn)	69
52w H/L (INR)	633/380
Avg Yearly Volume (in 000')	278.82

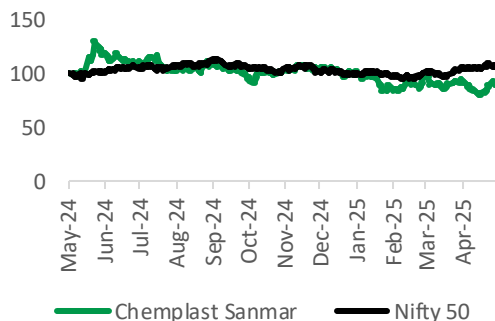
Shareholding Pattern %

(As on March, 2025)

Promoters	54.99
FII's	13.27
DII's	25.81
Public & Others	5.93

Stock Performance (%)	1m	6m	12m
Chemplast Sanmar	-1.03	-12.15	-8.38
NIFTY	2.50	2.61	8.26

Chemplast Sanmar vs Nifty 50



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Chemplast Sanmar Ltd. reported revenue for Q4 came at INR 11,510 Mn, up by 10% YoY and 9% QoQ and for FY25 it stood at INR 43,460 Mn, up by 11% YoY. It was mainly supported by the scaling up of Specialty Chemicals capacities at the Cuddalore and Berigai. EBITDA stood at INR 370 Mn, up by 75% YoY and 15% QoQ in Q4FY25 with a margin of 3%. EBITDA for FY25 came at INR 2,190 Mn, up by 747% YoY with a margin of 5%. EBITDA was largely driven due to higher prices and better profit margins in both Paste PVC and Suspension PVC (especially in the Q1FY25), improved performance in the CMC segment, and increased production at the new Paste PVC plant in Cuddalore. Loss for the Q4 stood at INR 540 Mn compared to loss of INR 310 Mn in Q4FY24 and loss of INR 490 Mn in Q3FY25. The company's profits are still being affected by the dumping of both Suspension and Paste PVC into the Indian market.

Foray into R32 refrigerant gas market

The greenfield R32 project, with an investment of ~INR 3,400 Mn and an expected completion by October 2026, presents a compelling growth opportunity. The company currently produces R22 with a capacity of ~1,700 MT at Mettur, and this expansion aligns with the significant domestic demand growth for R32, projected to reach 50,000 tons annually by the end of the decade from its current 23-25 KT. ~40% of the capital expenditure for this project will be deployed in the first year, funded by a mix of debt and internal accruals. The R32 quota allocation, will be determined based on the CO2 equivalent of India's HFC production between 2024-2026 and 65% of the HCFC production in 2009-2011, providing a clear framework for future operations.

CMC Business on Track for INR 11,000- INR 12,000 Mn revenue by FY27

The company's CMC business has emerged as a solid growth driver, with FY25 revenue jumping over 80% YoY, crossing INR 5,000 Mn. 4 out of 6 key long-term contracts signed have started commercial supplies, and one more is set to start this year. Management reaffirmed its guidance of INR11,000–12,000 Mn in CMC revenue by FY27. Even actual performance could surpass guidance if the strong product pipeline and demand trends sustain. The business has already turned PBT-positive and, with scope for operational efficiencies and product mix improvement, EBITDA margins are expected to trend higher in the next 12–18 months.

Focus on Specialty Chemicals Growth

The segment clocked a strong 53% YoY growth in FY25, reaching revenues of INR 17,640 Mn. This was driven by increased Paste PVC volumes from their newly commissioned Cuddalore plant, and an impressive 80%+ growth in the CMC business. The management is confident of scaling this further with its ongoing Phase 3 expansion and readiness to build a new multipurpose block (MPB 4) to capture growing demand. This business now forms the backbone of Chemplast's long-term growth plan.

Outlook and Valuation:

The company expects the situation to improve its SPVC business by the H2FY26, once ADD and BIS quality norms are enforced, which should help stabilize prices and margins. On the positive side, their Specialty Chemicals and CMC businesses are growing strongly, with management reaffirming revenue guidance of INR11,000–12,000 Mn for CMC by FY27. The newly announced R32 refrigerant gas project, expected to be completed by Oct 2026, will further strengthen their specialty chemicals portfolio. The company remains focused on reducing costs, improving efficiencies, and maintaining a healthy balance sheet while continuing to invest in high-margin, value-added businesses for long-term growth. **We maintain our "BUY" rating with Target Price of INR 619 per share based on SOTP after cutting medium term estimates; with an upside of 41.6%.**

Financial Performance:

Summary	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Net Sales	49,411	39,230	43,461	47,684	52,452	59,795
EBITDA	4,681	258	2,187	4,013	5,921	8,611
Net Profit	1,524	-1,584	-1,104	1,163	2,786	5,163
Diluted EPS	9.64	-10.02	-6.98	7.36	17.62	32.65
P/E (x)	58.22	-55.99	-80.38	76.24	31.84	17.18
EV/EBITDA (x)	18.56	357.90	43.07	24.24	16.27	10.82
P/BV (x)	4.77	5.22	4.29	5.20	4.47	3.55
ROE (%)	8.20	-9.32	-5.34	6.82	14.04	20.64
Debt/Equity (x)	0.54	0.91	0.89	0.54	0.47	0.38

Chemplast Sanmar (Consolidated)				(INR Mn)	
Particulars (INR Mn)	Q4FY25	Q3FY25	Q4FY24	QoQ	YoY
Revenue from operations	11,509	10,576	10,507	8.83%	9.53%
COGS	7,611	6,832	7,237	11.40%	5.17%
Gross Profit	3,898	3,744	3,271	4.12%	19.19%
Gross Profit Margins	33.87%	35.40%	31.13%	-153bps	274bps
Expenses					
Employee Benefits Expenses	680.40	667.70	510.50	1.90%	33.28%
Other Expenses	2,850	2,756	2,550	3.44%	11.77%
EBITDA	367	321	210	14.60%	75.07%
EBITDA Margins	3.19%	3.03%	2.00%	16bps	119bps
Other Income	138.90	108.10	126.20	28.49%	10.06%
EBITDA (incl. OI)	506	429	336	18.11%	50.65%
EBITDA Margins	4.40%	4.05%	3.20%	35bps	120bps
Depreciation	618.50	470.50	459.70	31.46%	34.54%
EBIT	-112	-42	-124	168.02%	-9.22%
EBIT Margins	-0.98%	-0.40%	-1.18%	-58bps	20bps
Finance Cost	616.60	587.80	509.50	4.90%	21.02%
PBT	-729	-630	-633	15.75%	15.11%
Exceptional Items	0	0	0		
Profit Before Tax	-729	-630	-633	15.75%	15.11%
Tax Expenses	(187.20)	(141.50)	(321.90)	32.30%	-41.85%
PAT	-541.70	-488.20	-311.30	10.96%	74.01%

Chemplast Sanmar Ltd Q4FY25 Concall KTAs

R32 investment expected to drive the specialty chemicals portfolio. With final anti-dumping duties already imposed on 6 countries and an EU investigation underway, the company's core PVC business could see margin recovery. The implementation of BIS norms by June 24, 2025 is expected to reduce low-quality PVC imports from China. The company is diversifying through its CMC, which has crossed INR 5,000 Mn in revenue and turned PBT positive, with company maintaining positive guidance despite concerns in the agrochemical sector.

Financial Performance

- Revenue for Q4 came at INR 11,510 Mn, up by 10% YoY and 9% QoQ and for FY25 it stood at INR 43,460 Mn, up by 11% YoY.
- EBITDA stood at INR 370 Mn, up by 75% YoY and 15% QoQ in Q4FY25 with a margin of 3%. EBITDA for FY25 came at INR 2,190 Mn, up by 747% YoY with a margin of 5%.

Chemplast Sanmar Ltd Q4FY25 Concall KTAs (continued)

- Loss for the Q4 stood at INR 540 Mn compared to loss of INR 310 Mn in Q4FY24 and loss of INR 490 Mn in Q3FY25.

R32 Investment:

- A new greenfield project for R32 with an investment of ~INR 3,400 Mn. The project is expected to be completed by Oct 2026. Currently company produces R22 with a capacity of ~1,700 MT at Mettur.
- Domestic demand growth for R32, currently at 23-25 KT annually and projected to reach 50,000 tons by the end of the decade.- ~40% of the capex for the R32 project will be spent in the 1st year, funded through a mix of debt and internal accruals.
- The R32 quota allocation will be determined based on the CO2 equivalent of India's production of HFCs between 2024-2026 and 65% of the HCFC production in 2009-2011.

Specialty Chemical Business:

- Volumes grew by 37% YoY to 98,339 tons and revenue for the segment stood at INR 17,640 Mn, up by 53% YoY in FY25.
- CMC division delivered 80% revenue growth in FY25 reaching to INR 5,000 Mn milestone and targeting to exceed INR 10,000 Mn
- INR 12,000 Mn in revenue from the CMC business by FY27.
- 4 out of 6 contracts under LOI have started manufacturing and supplying commercial quantities, with the 5th one expected to be commercialized mid-year.
- The company doesn't see any reduction in demand in this segment. The management is maintaining their guidance for this division.

PVC Business:

- PVC industry continues to face headwinds, primarily driven by continued oversupply at low prices.
- Dumping of suspension PVC from China, and paste PVC from the EU, has created pricing pressures and margin compression.
- The company has paste PVC capacity of 107,000 tons after commissioning the Cuddalore plant.
- The impact of this anti-dumping duty has not been fully realized yet due to increased imports from EU and Japan; authorities have initiated investigations for these regions as well.
- Long-term outlook for PVC remains positive despite short-term challenges from dumping.
- GOI imposed ADD on suspension PVC imported from China, Korea, Malaysia, Norway, Taiwan, and Thailand for 5 years in March 2025.- The conversion cost for suspension PVC is ~\$60-65/ton.

Other Highlights:

- China's carbide-based PVC production (80% of Chinese capacity) primarily uses mercury catalysts with a carbon footprint 3x that of ethylene-based production, and is expected to start being phased out by 2031 when China stops mining primary mercury.
- The agrochemical segment continues to be the primary focus for the CMC business, though there are a couple of non-agrochemical products in the pipeline.
- The management is expected to improve pricing environment and a revival in demand across their product portfolio by H2FY26.
- Project activities for phase 3 of the MPB 3 are expected to be completed by Q3FY26. The company has begun civil construction on MPB 4, which will be similar in size to MPB 3. For this it has adequate land and infrastructure to set up additional MPB at both their current Behrigai location and coastal location at Karikat.
- Plans to commercialize 3-4 new products in the current year.
- Value-added chemicals business volumes increased by 6% YoY in Q4 and 19% YoY in FY25, driven by caustic soda and hydrogen peroxide.
- Indian demand for paste PVC in FY25 grew by ~11% to 178 KT.
- Government-related procurement is expected to restart in Q1FY26, which should boost demand in the suspension PVC segment.
- The domestic demand for suspension PVC was impacted by delays in government projects and inventory pressure across the value chain. Domestic consumption of suspension PVC grew by 8% YoY from 4+ Mn MT in FY24 to 4.3 Mn MT in FY25.
- Domestic demand for AC is growing at ~15% per year, driving demand for R32 refrigerant.- CRISIL downgraded the company's long-term ratings to A+ (stable outlook) from AA-, while the short-term rating of A1+ was reaffirmed due to comfortable cash position.
- Net debt stood at INR 11,170 Mn at the end of FY25.

Financial Statements

Profit & Loss Statement (INR, Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	49,411	39,230	43,461	47,684	52,452	59,795
% Growth	-16.1%	-20.6%	10.8%	9.7%	10.0%	14.0%
Employee Costs	1,472	1,702	2,593	2,013	2,215	2,436
Operating & Other Expenses	43,257	37,269	38,681	41,657	44,316	48,748
EBITDA	4,681	258	2,187	4,013	5,921	8,611
EBITDA Margin %	9.5%	0.7%	5.0%	8.4%	11.3%	14.4%
Depreciation	1,420	1,514	1,989	1,886	2,074	2,282
Other Income	799	805	471	715	787	865
EBIT	4,060	(450)	668	2,843	4,634	7,195
Finance Cost	1,540	1,805	2,359	1,389	1,528	1,680
Exceptional Items	(805)	-	-	-	-	-
PBT	1,715	(2,256)	(1,691)	1,454	3,106	5,515
Income Tax	192	(671)	(587)	291	320	352
PAT	1,524	(1,584)	(1,104)	1,163	2,786	5,163
PAT Margin %	3.1%	-4.0%	-2.5%	2.4%	5.3%	8.6%

Balance Sheet (INR, Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
ASSETS						
Inventories	6,431	5,686	6,573	5,356	5,892	6,717
Trade Receivables	1,426	1,901	1,554	1,306	1,437	1,638
Cash & Bank Balance	11,919	8,012	7,240	712	1,673	4,854
Other Current Assets	1,680	2,811	2,385	1,680	1,680	1,680
Total Non-Current Assets	36,911	41,893	47,280	41,759	42,414	43,530
Total Assets	58,368	60,303	65,032	52,742	57,145	64,801
EQUITY AND LIABILITIES						
Equity Share Capital	791	791	791	791	791	791
Other Equity	17,794	16,215	19,894	16,270	19,056	24,218
Net Worth	18,585	17,006	20,684	17,060	19,846	25,009
Borrowings	10,192	15,475	18,417	9,291	9,367	9,485
Other Non-Current Liabilities	8,066	7,429	6,175	8,066	8,066	8,066
Trade Payables	18,615	17,458	16,669	15,416	16,957	19,331
Other Current Liabilities	2,910	2,935	3,087	2,910	2,910	2,910
Total Equity & Liabilities	58,368	60,303	65,032	52,742	57,145	64,801

Financial Statements

Cash Flow (INR, Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
PBT	1,715	(2,256)	(1,691)	1,454	3,106	5,515
Operating Profit before WC Changes	4,610	218	2,264	3,736	5,564	8,091
Operating Profit after WC Changes	4,488	(2,249)	1,457	3,947	6,439	9,439
Tax Paid	(934)	(201)	260	(2,773)	(2,728)	(2,895)
Cash Flow from Operating Activities	3,554	(2,449)	1,717	1,174	3,711	6,544
Cash Flow from Investing Activities	(2,172)	(5,240)	(4,074)	(1,312)	(1,569)	(2,154)
Cash Flow from Financing Activities	(270)	3,824	5,413	(10,259)	(1,180)	(1,210)
Net Change in Cash & Cash Equivalents	1,112	(3,865)	3,056	(10,398)	962	3,180
Opening Cash & Cash Equivalents	9,998	11,110	7,244	10,300	(97)	864
Closing Cash & Cash Equivalents	11,110	7,244	10,300	(97)	864	4,045

Source: Company, Arianth Capital Research

Key Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
Per Share (INR)						
EPS	9.6	-10.0	-7.0	7.4	17.6	32.7
BVPS	117.5	107.5	130.8	107.9	125.5	158.2
Valuation (x)						
P/E	44.1	-42.4	-60.9	57.8	24.1	13.0
P/BV	3.6	4.0	3.2	3.9	3.4	2.7
EV/EBITDA	5.4	97.0	11.5	6.2	4.2	2.9
Return Ratios (%)						
Gross Margin	35.0%	31.0%	36.7%	36.8%	39.7%	41.8%
EBITDA Margin	9.5%	0.7%	5.0%	8.4%	11.3%	14.4%
PAT Margin	3.1%	-4.0%	-2.5%	2.4%	5.3%	8.6%
NOPAT Margin	7.3%	-0.8%	1.0%	4.8%	7.9%	11.3%
ROE	8.6%	-8.9%	-5.9%	6.2%	15.1%	23.0%
ROCE	15.3%	-1.6%	2.2%	9.9%	17.2%	23.3%
Leverage Ratio						
Total D/E	0.5	0.9	0.9	0.5	0.5	0.4
Turnover Ratios						
Asset Turnover	0.9	0.7	0.7	0.8	1.0	1.1
Receivable Days	11	12	10	10	10	10
Inventory Days	48	45	43	41	41	41
Payable Days	138	118	115	115	116	117

Source: Company, Arianth Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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