

CMP: INR 429

Rating: Accumulate

Target Price: INR 494

Stock Info

BSE	543336
NSE	CHEMPLASTS
Bloomberg	CHEMPLAST:IN
Sector	Chemicals
Face Value (INR)	5
Equity Capital (INR Mn)	791
Mkt Cap (INR Bn)	68
52w H/L (INR)	602/375
Avg Yearly Volume (in 000')	174

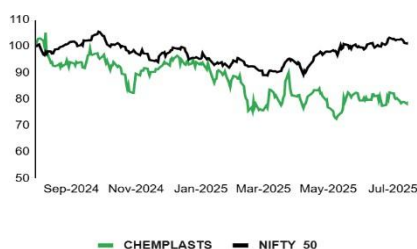
Shareholding Pattern %

(As on Jun, 2025)

Promoters	54.99
FIs	13.33
DIs	25.65
Public & Others	6.03

Stock Performance (%)	1m	6m	12m
Chemplast Sanmar	-2.14	-7.69	-19.59
NIFTY	-2.77	7.11	-0.10

Chemplast Sanmar vs Nifty 50



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Chemplast Sanmar Ltd reported revenue of INR 11,000 Mn in Q1 FY26, down 4% YoY and 4% QoQ, due to lower realizations in the PVC business and reduced caustic soda volumes, despite a pickup in suspension PVC sales. EBITDA stood at INR 170 Mn, down by 86% YoY and 54% QoQ in Q1FY26 with a margin of 2% with pressure on margins due to inventory destocking and pricing volatility. Net loss for the quarter came in at INR 640 Mn. Performance continued to be impacted by continuous dumping of suspension and Paste PVC into the Indian market.

Stabilization in Core PVC Business Amid Dumping Pressure

Despite continued dumping from Europe and China impacting Suspension and Paste PVC, volumes have shown resilience. Suspension PVC volumes rose 17% QoQ due to inventory destocking and robust domestic demand. They expect final anti-dumping duty findings by Q3 which should support better pricing and margins. Paste PVC's new plant at Cuddalore is operating at full capacity and the segment continues to benefit from steady demand in auto and consumer sectors. Management sees signs of bottoming out in global PVC cycles supported by anti-involution steps in China and potential capacity closures in Europe.

Strong Progress in Long-Term CMC Contracts

The CMC division is showing good execution with dispatches on schedule and active customer engagement. Four out of six long-term contracts are commercialized and one more is set to begin in FY26. Expansion work on MPB 3 and civil works for MPB 4 are progressing well and will be completed by Q3 FY26. Management maintained FY27 revenue guidance of INR 11–12 Bn for CMC which may be exceeded if momentum continues. This segment is already PBT positive and is expected to show margin improvement through scale and product mix shift.

Short-Term Weakness in Value Added Products Volumes

VAP segment volumes were down 16% QoQ due to temporary operational issues at the Mettur caustic soda plant affecting hydrogen availability and hence hydrogen peroxide sales. Caustic soda pricing remained firm although management expects some volatility going forward. Chloromethane's prices were stable and demand trends remain steady. With operational normalization expected, volume recovery in coming quarters should support better contribution.

Outlook and Valuation: The company expects a gradual recovery in its core PVC business from H2FY26 supported by the likely enforcement of anti-dumping duties which should help restore pricing and improve margins. Meanwhile, its Specialty Chemicals and CMC businesses continue to deliver strong performance with the CMC segment on track to achieve the guided revenue of INR 11–12 Bn by FY27. The upcoming R32 refrigerant gas project expected to be completed by October 2026 will further expand the specialty chemicals portfolio. **We revised our rating from Buy to "Accumulate" with Target Price of INR 494 per share based on SOTP after cutting medium term estimates; with an upside of 15.12%.**

Financial Performance:

Summary	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	39,230	43,461	46,685	51,354	58,543
EBIDTA	258	2,187	2,600	3,763	5,549
Net Profit	-1,584	-1,104	-1,126	-335	1,041
Diluted EPS	-10.02	-6.98	-7.12	-2.12	6.59
P/E (x)	-55.99	-80.38	-78.79	-264.86	85.19
EV/EBIDTA (x)	357.90	43.07	34.79	23.97	15.96
P/BV (x)	5.22	4.29	6.01	6.14	5.73
ROE (%)	-9.32	-5.34	-7.62	-2.32	6.73
Debt/Equity (x)	0.91	0.89	1.25	1.28	1.19

Chemplast Sanmar (Consolidated)				(INR Mn)	
Particulars (INR Mns)	Q1FY26	Q4FY25	Q1FY25	QoQ	YoY
Revenue from operations	10,999	11,509	11,449	-4.43%	-3.93%
COGS	7,327	7,611	6,846	-3.73%	7.03%
Gross Profit	3,672	3,898	4,603	-5.80%	-20.23%
Gross Profit Margins	33.39%	33.87%	40.21%	-48bps	-682bps
Employee Benefits Expenses	651.20	680.40	583.30	-4.29%	11.64%
Other Expenses	2,850	2,850	2,779	-0.01%	2.56%
EBITDA	171	367	1,241	-53.53%	-86.24%
EBITDA Margins	1.55%	3.19%	10.84%	-164bps	-929bps
Other Income	90.00	138.90	115.00	-35.21%	-21.74%
EBITDA (incl. OI)	261	506	1,356	-48.50%	-80.77%
EBITDA Margins	2.37%	4.40%	11.84%	-203bps	-947bps
Depreciation	532.80	618.50	447.10	-13.86%	19.17%
EBIT	-272	-112	909	142.30%	-129.94%
EBIT Margins	-2.47%	-0.98%	7.94%	-150bps	-1041bps
Finance Cost	592.00	616.60	586.50	-3.99%	0.94%
PBT	-864	-729	322	18.55%	-368.10%
Exceptional Items	-	-	-		
Profit Before Tax	-864	-729	322	18.55%	-368.10%
Tax Expenses	(221.60)	(187.20)	83.40	18.38%	-365.71%
PAT	-642.50	-541.70	238.90	18.61%	-368.94%

Source: Company, Arihant Capital Research

• Concall Highlights

- Suspension PVC & Paste PVC - Industry continues to face heavy import pressure, especially with dumping from EU and Japan following earlier anti-dumping duties against Asian exporters. - The Directorate General of Trade Remedies (DGTR) has initiated fresh anti-dumping investigations for EU and Japan; final findings are expected imminently.
- Suspension PVC spreads remain under pressure, though early signs of bottoming out are noted as corrective policy measures approach.
- Paste PVC plant ramp-up at Cuddalore has been successful, operating at near-full capacity utilization; Chemplast remains the country's largest producer with around 110,000 tons capacity out of total country demand of 170,000 tons.
- Variable margins for paste PVC stand at INR24,000–INR25,000 per ton and INR5,000–INR7,000 for suspension PVC, both poised to improve post-ADD implementation.
- Custom Manufactured Chemicals Division (CMCD) - On track with expansion, with the multipurpose block (Phase 3) scheduled to complete by Q3 FY26; civil works for MPB 4 progressing well.
- Strong engagement with global agrochemical customers as supply chains diversify away from China. Capex in this business remains the top priority, to be triggered by orderbook visibility.
- Value-Added Chemicals - Caustic soda production at Mettur impacted due to plant operational issues, which in turn reduced hydrogen peroxide sales.
- Caustic soda prices remained firm but further volatility is anticipated as new capacities come onstream. Chloromethane prices held steady, domestic demand stays robust.
- Refrigerant Gases - Received environmental clearance for R32 project; sizing and siting decisions pending.
- Capex deployment will be aligned with expected quota allocations under new HFC regime.
- Industry Policy and Trade Remediation - DGTR's anti-dumping investigations on fresh geographies (EU and Japan) are critical to restoring profitability, with industry expecting final notifications by Q3 FY26. Management expects government action on anti-involution (state-driven price wars and overcapacity) in China could help stabilize global PVC prices.
- Global Supply Chain - European chemical producers (notably PVC) are facing structural headwinds, resulting in plant closures and muted demand, which could ultimately benefit Indian producers via reduced import threat over time.
- Domestic Demand- PVC demand in India remains robust; industry is witnessing a 4% growth in domestic pipe demand, aided by infrastructure activity and government procurement pipeline.
- Operational Metrics & Capital Allocation-
- Capacity Utilization - Both suspension and paste PVC units running at or near 100% utilization. Inventory liquidation during quarter weighed on spreads due to higher cost of carry.
- Green Power Initiatives - Roughly 35–40% of Chemplast's power requirements are now met through long-term renewable power agreements. - These contracts are expected to translate into annual savings of INR500–600 million (50–60 crore), supporting medium-term margin improvement and ESG credentials.
- Capex Discipline - Investments in custom manufacturing and new PVC capacity guided by pipeline visibility and orderbook strength.
- R32 refrigerant project capex will be committed post-clarity on quota regime, in line with government allocations.

Financial Statements

Profit & Loss Statement (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenues	39,230	43,461	46,685	51,354	58,543
% Growth	-20.6%	10.8%	7.4%	10.0%	14.0%
Employee Costs	1,702	2,593	2,243	2,467	2,714
Operating & Other Expenses	37,269	38,681	41,843	45,123	50,280
EBITDA	258	2,187	2,600	3,763	5,549
EBITDA Margin %	0.7%	5.0%	5.6%	7.3%	9.5%
Depreciation	1,514	1,989	2,122	2,335	2,568
Other Income	805	471	510	561	617
EBIT	(450)	668	987	1,990	3,598
Finance Cost	1,805	2,359	2,456	2,701	2,971
Exceptional Items	-	-	-	-	-
PBT	(2,256)	(1,691)	(1,468)	(712)	627
Income Tax	(671)	(587)	(342)	(377)	(414)
PAT	(1,584)	(1,104)	(1,126)	(335)	1,041
PAT Margin %	-4.0%	-2.5%	-2.4%	-0.7%	1.8%

Source: Company, Arianth Capital Research

Balance Sheet (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
ASSETS					
Inventories	5,686	6,573	7,035	7,738	8,822
Trade Receivables	1,901	1,554	1,791	1,970	2,246
Cash & Bank Balance	8,012	7,240	10,108	10,327	11,977
Other Current Assets	2,811	2,385	1,680	1,680	1,680
Total Non-Current Assets	41,893	47,280	41,477	41,832	42,623
Total Assets	60,303	65,032	62,092	63,548	67,348
EQUITY AND LIABILITIES					
Equity Share Capital	791	791	791	791	791
Other Equity	16,215	19,894	13,980	13,645	14,687
Net Worth	17,006	20,684	14,771	14,436	15,477
Borrowings	15,475	18,417	18,439	18,439	18,440
Other Non-Current Liabilities	7,429	6,175	8,066	8,066	8,066
Trade Payables	17,458	16,669	17,907	19,697	22,455
Other Current Liabilities	2,935	3,087	2,910	2,910	2,910
Total Equity & Liabilities	60,303	65,032	62,092	63,548	67,348

Source: Company, Arianth Capital Research

Financial Statements

Cash Flow (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	(2,256)	(1,691)	(1,468)	(712)	627
Operating Profit before WC Changes	218	2,264	2,046	2,130	6,508
Operating Profit after WC Changes	(2,249)	1,457	2,586	3,038	7,907
Tax Paid	(201)	260	4,335	(136)	(43)
Cash Flow from Operating Accivities	(2,449)	1,717	6,921	2,902	7,864
Cash Flow from Investing Activities	(5,240)	(4,074)	(1,264)	(1,514)	(2,086)
Cash Flow from Financing Activities	3,824	661	(1,905)	(1,169)	(4,127)
Net Change in Cash & Cash Equivalents	(3,865)	(1,696)	3,751	219	1,650
Opening Cash & Cash Equivalents	11,110	7,244	5,548	9,299	9,518
Closing Cash & Cash Equivalents	7,244	5,548	9,299	9,518	11,168
Source: Company, Arianth Capital Research					

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Per Share (INR)					
EPS	-10.0	-7.0	-7.1	-2.1	6.6
BVPS	107.5	130.8	93.4	91.3	97.9
Valuation (x)					
P/E	-42.4	-60.9	-59.7	-200.7	64.5
P/BV	4.0	3.2	4.5	4.7	4.3
EV/EBITDA	33.7	4.0	3.3	2.3	1.6
Return Ratios (%)					
Gross Margin	31.0%	36.7%	35.5%	37.2%	38.3%
EBITDA Margin	0.7%	5.0%	5.6%	7.3%	9.5%
PAT Margin	-4.0%	-2.5%	-2.4%	-0.7%	1.8%
NOPAT Margin	-0.8%	1.0%	1.6%	1.8%	10.2%
ROE	-8.9%	-5.9%	-6.4%	-2.3%	7.0%
ROCE	-1.6%	2.2%	3.4%	7.8%	13.8%
Leverage Ratio					
Total D/E	0.9	0.9	1.2	1.3	1.2
Turnover Ratios					
Asset Turnover	0.7	0.7	0.7	0.8	0.9
Receivable Days	18	13	14	14	14
Inventory Days	53	55	55	55	55
Payable Days	162	140	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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