

**Q3FY25 PVC price declines
impacting margins continuously**

CMP: INR 451

Rating: Buy

Target Price: INR 607

Stock Info

BSE	543336
NSE	CHEMPLASTS
Bloomberg	CHEMPLAST:IN
Sector	Chemicals
Face Value (INR)	5
Equity Capital (INR Mn)	791
Mkt Cap (INR Bn)	71
52w H/L (INR)	634/403
Avg Yearly Volume (in 000')	270

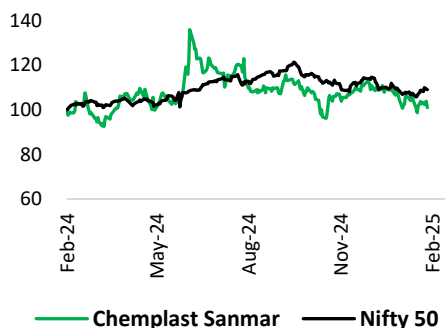
Shareholding Pattern %

(As on Dec, 2024)

Promoters	54.99
FII's	13.19
DII's	25.82
Public & Others	6.00

Stock Performance (%)	1m	6m	12m
Chemplast Sanmar	-6.1	-10.3	-1.8
NIFTY	-0.2	-3.9	8.2

Chemplast Sanmar vs Nifty 50



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Chemplast Sanmar Ltd. reported Net Loss of INR 488 mn in Q3FY25 as the PVC prices remain fluctuating due to excess supplies. The improvement in margins was a reflection of the increase in Paste PVC prices after the Union Government announced in June 2024 of imposition of Import Duty on Paste PVC resin imports from 5 east Asian nations including China. The feedstock prices (VCM & EDC) followed the Paste PVC prices, and therefore benefitted Chemplast Sanmar. On the Custom Manufacturing business segment, the Company commissioned the Phase 2 of Multi product plant in Q3FY25 while initiating the project work for the Phase 3 in future. After completing expansions in the Specialty Paste PVC resin facility at Cudallore, the Company witnessed sales volume growth in the Specialty Chemicals by 51% YoY in Q3FY25. Revenue came at INR 10,576 mn, against our estimates of INR 9,729 mn, up 6.5% QoQ / up 19.1% YoY. EBITDA came at INR 321 mn, against our estimates of INR 99 mn, up 24.2% QoQ / down 587% YoY. EBITDA Margins came at 3.0%, against our estimates of 1.0%, up 43 bps QoQ / up 377 bps YoY. Net Loss reported was at INR 488 mn, against our estimates of INR 495 mn, against Net Loss of INR 312 mn in Q2FY25 and Net Loss of INR 894 mn in Q3FY24.

**CMC segment to drive growth while PVC segment will drive Volume led growth
Overall improvement on sequential basis for Specialty chemicals business**

Revenue for Q3FY25 came at INR 10,576 mn (up 6.5% QoQ / up 19.1% YoY). The growth was mainly driven by increase in sales volumes of Specialty Chemicals by 51% YoY while Value Added Chemicals saw sequential fall and Suspension PVC volumes declined both sequentially as well as annually. In the Custom Manufacturing division, the Phase 2 of the new Multi purpose production block was commissioned in Q3FY25 and the Project activities for Phase-3 of the new MPB and the civil & infrastructure work for the next MPB have been initiated.

Cudallore facility driving new sales volumes

The Company successfully commissioned 41,000 tonnes Paste PVC expansion project during Q4FY24 which is seeing the incremental demand being addressed from this facility. The Anti-dumping duties earlier imposed had negative impact due to imports from Europe, but the management remains hopeful of the new investigations on the Import of Paste PVC resins from the European suppliers.

Not much respite from PVC price trends: The management has already given guidance of Inventory build-up for the Suspension PVC, and hence prices are expected to remain at lower levels in Q4FY25 while realizations are impacted by inventory pile up.

Outlook and Valuation:

Custom Manufacturing chemicals segment has been expanding with contracts won from global innovators and production contracts covering couple of years. As PVC prices are seen to be stable but at lower levels, Specialty Paste PVC segment will see gradual improvements as they are in line with their expansion plans. We maintain our "BUY" rating with Target Price of INR 607 per share based on SOTP after cutting medium term estimates; with an upside of 35% (earlier Buy rating, TP INR 603).

Financial Performance:

Summary (INR Mn)	FY24	FY25E	FY26E	FY27E
Net Sales	39,230	44,485	54,203	62,936
EBIDTA	258	2,446	8,223	12,358
Net Profit	-1,584	-476	2,585	6,156
Diluted EPS	-10.02	43.58	61.15	67.27
P/E (x)	-55.99	12.87	9.17	8.34
EV/EBIDTA (x)	357.90	35.95	9.15	5.07
P/BV (x)	5.22	3.71	2.64	2.01
ROE (%)	-9.32	28.84	28.81	24.07
Debt/Equity (x)	0.91	0.39	0.28	0.22

Particulars (INR Mns)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY
Revenue from operations	10,576	9,928	8,881	6.5%	19.1%
COGS	6,832	6,241	6,033	9.5%	13.2%
Gross Profit	3,744	3,686	2,848	1.6%	31.4%
Gross Profit Margins	35.4%	37.1%	32.1%	-173bps	333bps
Expenses					
Employee Benefits Expenses	668	662	420	0.9%	59.1%
Other Expenses	2,756	2,767	2,494	-0.4%	10.5%
EBITDA	321	258	-66	24.2%	-587.8%
EBITDA Margins	3.0%	2.6%	-0.7%	43bps	377bps
Other Income	108	109	127	-0.4%	-14.5%
EBITDA (incl. OI)	429	367	61	16.9%	604.9%
EBITDA Margins	4.1%	3.7%	0.7%	36bps	337bps
Depreciation	471	453	376	3.9%	25.1%
EBIT	-42	-87	-315	-51.6%	-86.7%
EBIT Margins	-0.4%	-0.9%	-3.6%	48bps	315bps
Finance Cost	588	568	468	3.5%	25.6%
PBT	-630	-654	-783	-303.0%	-807.5%
Exceptional Items	0	0	0		
Profit Before Tax	-630	-654	-783	-3.8%	-19.6%
Tax Expenses	-142	-342	110	-58.6%	-228.2%
PAT	-488	-313	-894	56.2%	-45.4%

Q3FY25 – Key Concall Highlights

Guidance:

- The Management is expecting to finish FY25 with a healthy revenue from the Custom Manufacturing Segment.
- The extension of the PM Jal Jeevan Mission in the Union Budget to FY28 augurs well for the Suspension PVC demand as per the Management.
- The Management expects the Q4FY25 PVC prices and margins to remain lower due to the high cost inventory that has been added, and will have an impact on the immediate quarter Q4FY25 earnings as well.

Concall Highlights (Continued)

- Revenue came at INR 10,576 mn, against our estimates of INR 9,729 mn, up 6.5% QoQ / up 19.1% YoY.
- EBITDA came at INR 321 mn, against our estimates of INR 99 mn, up 24.2% QoQ / down 587% YoY.
- EBITDA Margins came at 3.0%, against our estimates of 1.0%, up 43 bps QoQ / up 377 bps YoY.
- Net Loss reported was at INR 488 mn, against our estimates of INR 495 mn, against Net Loss of INR 312 mn in Q2FY25 and Net Loss of INR 894 mn in Q3FY24.
- The management stated that the Domestic market demand of PVC has grown 11% YoY for the 9MFY25 with their 9MFY25 revenue increasing by 11% YoY to INR 31.95 bn.
- The Company witnessed better business performance on account of better margins and volumes for Past PVC, especially from the Cuddalore plant.
- The Speciality Chemicals sales volume increased to 24.9 KT, up 51% YoY for Q3FY25 while the 9MFY25 sales volume increased by 35% YoY to 71.6 KT.
- On the other hand, the Value Added Chemicals saw high single digit fall sequentially while Suspension PVC low prices led to sequential as well as annual fall in revenue and volumes both.
- The Management guided that the Paste PVC manufacturing at Cuddalore plant is ramping up smoothly, and will be completed over the next few quarters.
- The Prices and Margins remained dampened overall for PVC derivatives due to excessive dumping amidst slower global demand.
- The imposition of Anti-dumping duties on account of the June 2024 announced duties checked the flow of imports, but then backfired with increased import substitution from Europe.
- In the Custom Manufacturing division, the Phase 2 of the new Multi purpose production block was commissioned in Q3FY25.
- The Project activities for Phase-3 of the new MPB and the civil & infrastructure work for the next MPB have been initiated.
- The Prices of Chloromethanes & R22 remained under pressure led by intense competition.
- The Demand for Caustic Soda and Hydrogen Peroxide remained steady, while their prices fluctuated.
- Caustic Soda demand was stable in domestic markets, though prices were fluctuating due to global supply issues.
- Hydrogen Peroxide saw strong competition leading to Price drops, especially in Southern India.
- The Revenues from Speciality Chemicals division increased 24% QoQ / 94% YoY to INR 3,770 mn for Q3FY25.
- The Value Added Chemicals (caustic Soda, Hydrogen Peroxide and Chloromethane) revenue came down 4.35% QoQ / up 10% YoY to INR 1,540 mn in Q3FY25.
- Similarly, the Suspension PVC revenue came at INR 5,270 mn in Q3FY25, down 0.4% QoQ / down 4.87% YoY as the Suspension PVC prices corrected globally due to excess supply from China, East Asia and Europe.
- Regarding the increase in Operating Expenses for Speciality Paste PVC, the management attributed the increase in employees expenses due to both: Increments for Senior Employees as well as new hiring at Senior levels for the Technical Staff, which has increased the overall Company's Employee Expenses.

Financial Statements

Profit & Loss Statement (INR, Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenues	49,411	39,230	44,485	54,203	62,936
% Growth	-16.1%	-20.6%	13.4%	21.8%	16.1%
Employee Costs	1,472	1,702	2,591	2,322	2,554
Operating & Other Expenses	43,257	37,269	39,447	43,658	48,024
EBITDA	4,681	258	2,446	8,223	12,358
EBITDA Margin %	9.5%	0.7%	5.5%	15.2%	19.6%
Depreciation	1,420	1,514	1,809	1,855	2,040
Other Income	799	805	785	903	994
EBIT	4,060	(450)	1,422	7,272	11,311
Finance Cost	1,540	1,805	2,100	2,270	2,497
Exceptional Items	(805)	-	-	-	-
PBT	1,715	(2,256)	(678)	5,002	8,815
Income Tax	192	(671)	(202)	2,417	2,659
PAT	1,524	(1,584)	(476)	2,585	6,156
PAT Margin %	3.1%	-4.0%	-1.1%	4.8%	9.8%

Balance Sheet (INR, Mn)	FY23	FY24	FY25E	FY26E	FY27E
ASSETS					
Inventories	6,431	5,686	6,166	6,765	7,442
Trade Receivables	1,426	1,901	1,434	1,650	1,815
Cash & Bank Balance	11,919	8,012	10,058	22,790	35,341
Other Current Assets	1,680	2,811	1,680	1,680	1,680
Total Non-Current Assets	36,911	41,893	41,521	40,822	40,190
Total Assets	58,368	60,303	60,800	73,576	86,255
EQUITY AND LIABILITIES					
Equity Share Capital	791	791	791	791	791
Other Equity	17,794	16,215	23,100	32,769	43,406
Net Worth	18,585	17,006	23,891	33,560	44,196
Borrowings	10,192	15,475	9,444	9,570	9,666
Other Non-Current Liabilities	8,066	7,429	8,066	8,066	8,066
Trade Payables	18,615	17,458	16,489	19,470	21,417
Other Current Liabilities	2,910	2,935	2,910	2,910	2,910
Total Equity & Liabilities	58,368	60,303	60,800	73,576	86,255

Financial Statements

Cash Flow (INR, Mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,715	(2,256)	8,613	12,087	13,296
Operating Profit before WC Changes	4,610	218	10,757	14,173	15,353
Operating Profit after WC Changes	4,488	(2,249)	9,776	16,338	16,458
Tax Paid	(934)	(201)	(1,723)	(2,417)	(2,659)
Cash Flow from Operating Activities	3,554	(2,449)	8,054	13,921	13,799
Cash Flow from Investing Activities	(2,172)	(5,240)	1,162	(180)	(198)
Cash Flow from Financing Activities	(270)	3,824	(7,211)	(1,009)	(1,051)
Net Change in Cash & Cash Equivalents	1,112	(3,865)	2,005	12,732	12,551
Opening Cash & Cash Equivalents	9,998	11,110	7,244	9,249	21,981
Closing Cash & Cash Equivalents	11,110	7,244	9,249	21,981	34,532

Source: Company, Arianth Capital Research

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
Per Share (INR)					
EPS	9.6	-10.0	43.6	61.2	67.3
BVPS	117.5	107.5	151.1	212.2	279.5
Valuation (x)					
P/E	47.0	-45.2	10.4	7.4	6.7
P/BV	3.9	4.2	3.0	2.1	1.6
EV/EBITDA	24.3	440.8	10.3	7.9	7.2
Return Ratios (%)					
Gross Margin	35.0%	31.0%	46.2%	47.6%	47.6%
EBITDA Margin	9.5%	0.7%	21.1%	24.0%	24.0%
PAT Margin	3.1%	-4.0%	13.2%	16.1%	16.1%
NOPAT Margin	7.3%	-0.8%	15.3%	17.9%	17.9%
ROE	8.6%	-8.9%	33.7%	33.7%	27.4%
ROCE	15.3%	-1.7%	34.6%	36.3%	31.4%
Leverage Ratio					
Total D/E	0.5	0.5	0.4	0.3	0.2
Turnover Ratios					
Asset Turnover	0.9	0.7	0.9	0.9	0.8
Receivable Days	11	12	10	10	10
Inventory Days	48	45	43	41	41
Payable Days	138	118	115	115	116

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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