

CMP: INR 235

Outlook Positive

Stock Info

BSE	543336
NSE	CHEMPLASTS
Bloomberg	1909315D:IN
Reuters	CHPA.NS
Sector	Commodity chemicals
Face Value (INR)	5
Mkt Cap (INR Bn)	39.31
52w H/L (INR)	490.60/211.60
Avg yearly Vol (in 000')	168.18

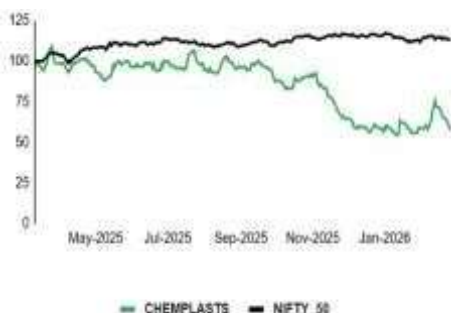
Shareholding Pattern %

(As on Dec, 2025)

Promoters	54.99%
Public & Others	45.01%

Stock Performance (%)	1m	6m	12m
CHEMPLASTS	-19.13	-42.12	-43.08
Nifty 50	-6.46	-2.89	+7.98

CHEMPLASTS Vs Nifty 50



India's largest producer of Specialty Paste PVC is a classic high-leverage turnaround candidate. After enduring a brutal cyclical bottom caused by cheap Chinese dumping—which drove the stock down nearly 50% from its 52-week highs and resulted in severe inventory write-downs—the tide is turning rapidly.

With a confirmed 50% hike in PVC prices in the current quarter, the company's operating leverage is primed to flip. This pricing surge will not only restore core margins but also trigger a massive reversal of the inventory losses accumulated over the last 9 months. Coupled with the scale-up of their new custom chemicals business as a long-term growth engine, this is a timely "buy the reversal" opportunity.

Deep Dive Analysis: The Turnaround is Here

To understand the magnitude of this opportunity, we have to look at the dual engines of immediate cyclical recovery and long-term structural growth.

The Immediate Catalyst: Q4 PVC Price Recovery & Inventory Reversal

The thesis has fundamentally shifted in the current quarter. We are now seeing a robust recovery in the core PVC business that addresses the exact pain points of the past three quarters.

The almost 50% Price Hike: PVC prices have surged by 50% in the current quarter. Because Chemplast's profit margins are highly leveraged to global PVC prices, this massive hike will flow directly to the bottom line, rapidly repairing the spread erosion seen in Q3.

Reversing 9 Months of Inventory Losses: During the first 9 months of the fiscal year, falling prices and aggressive dumping forced the company to book significant inventory losses on their raw materials and finished goods. The current 40% price surge creates a powerful double-kicker Chemplast will now revalue its existing stock at much higher prices, effectively reversing those 9-month inventory losses and booking substantial inventory gains in Q4.

The Structural Stabilizer: New Business as a Long-Term Play

While the commodity PVC business provides the immediate pricing upside and cyclical torque, Chemplast's new business pivot is a vital long-term play that the market is currently undervaluing.

Custom Manufactured Chemicals (CMC): The company is aggressively building out its CMC division, catering to global pharmaceutical and agrochemical innovators.

Margin Resilience: This segment represents higher-margin, sticky revenue based on complex, multi-step synthesis (like cyanation and hydrogenation). It acts as a structural buffer, reducing the company's reliance on commodity PVC swings over time.

Capacity Ramp-Up: With their Phase 2 capacity expansions coming online and multiple long-term Letters of Intent (LOIs) already signed with global innovators, this division is transitioning from a nascent project into a core, long-term earnings driver.

Our View

The market is currently valuing Chemplast Sanmar based on the Q3 bottom, completely ignoring the massive 50% pricing recovery currently underway. This creates a severe mispricing.

The immediate operating leverage from the price hike, combined with the mathematical reversal of 9 months of accumulated inventory losses, sets the stage for a dramatic near-term earnings surprise. Furthermore, the strategic scale-up of the CMC business ensures that the company is building long-term, cycle-agnostic value. The risk-reward ratio at current levels is heavily skewed to the upside.

We are working on the details Note.

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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