Arihant Capital
Generating Wealth

Q1FY27 Result Update
7th August 2026

Chemplast Sanmar Ltd.

Q1 Bottoms Out; 4 Key Catalysts to Drive Margin Normalization from H2

CMP: INR 189

Rating: Accumulate

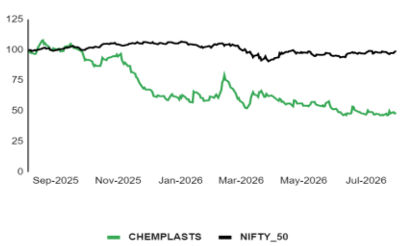
Target Price: INR 209

Stock Info	
BSE	543336
NSE	CHEMPLASTS
Bloomberg	CHEMPLAST:IN
Sector	Chemicals
Face Value (INR)	5
Equity Capital (INR Mn)	791
Mkt Cap (INR Bn)	29.03
52w H/L (INR)	461 / 182
Avg Yearly Volume (in 000')	379

Shareholding Pattern % *(As on Jul, 2026)*	
Promoters	54.99
FIIs	12.02
DIIs	23.71
Public & Others	9.28

Stock Performance (%)	1m	6m	12m
Chemplast Sanmar	-5.03	-24.6	-53.3
NIFTY	0.57	-4.2	-0.3

Chemplast Sanmar vs Nifty 50



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Chemplast Sanmar Ltd reported a weak Q1FY27, generating consolidated revenue of INR 11,250 Mn alongside an EBITDA loss of INR 1,150 Mn. Profitability was severely impacted by high-cost VCM inventory procured during Middle East conflict price spikes and persistent pressure from low-cost Chinese PVC imports following temporary duty exemptions. Management expects an operational turnaround and a return to reasonable performance from Q3FY27 onward, driven by four key positive catalysts: reinstated customs duties and Minimum Import Prices (MIP) on Suspension PVC, a favorable Madras High Court ruling on Paste PVC anti-dumping duties (ADD), strong order book execution in Custom Manufactured Chemicals (CMCD), and the ramp-up of R32 refrigerant production. High-cost legacy inventory is projected to fully wash out by August–September.

PVC Segment Performance & Market Spreads

The PVC portfolio saw mixed dynamic conditions during the quarter. Suspension PVC spreads turned negative as VCM landed costs topped $1,000/ton against realizations of $700–750/ton, though reinstatement of import duties and MIP should normalize price realization against current $700/ton replacement VCM levels. Meanwhile, Paste PVC demand recovered in June with downstream operating rates reaching 70–80%, delivering spreads ~$200/ton above Suspension PVC. Regulatory relief via reinstated basic customs duties and provisional assessment mechanisms under the court order continues to support realization improvements alongside an on-track 7,000-ton specialty expansion.

Growth Drivers, Specialty Chemicals & H2 FY27 Outlook

Growth segments and specialty chemicals provided key operational highlights. The CMCD business delivered strong results on high customer engagement across its ~50-molecule pipeline (14 commercialized), with active business development expanding into Europe, Japan, pharma, and non-agro specialty applications. In refrigerants, commercial production of R32 commenced on May 26, targeting full capacity ramp-up by Q4FY27/Q1FY28 as capacity shifts from R22. Conversely, Value-Added Chemicals faced regional pricing pressures from excess supply in Caustic Soda and Chloromethanes, though Hydrogen Peroxide volumes rebounded sequentially. Beyond Q2, management expects reinstated trade barriers and inventory normalization to drive sustained margin recovery.

Outlook and Valuation: The medium to long-term demand trajectory for both Suspension and Paste PVC remains robust, supported by strong domestic consumption and regulatory interventions already underway — including reinstated customs duty on Paste PVC, the newly implemented MIP on Suspension PVC, and the favorable Madras High Court order preserving retrospective anti-dumping duty recovery. The custom manufacturing division continues to benefit from a healthy order book and product pipeline, with 14 of ~50 molecules already commercialized and gaining traction, alongside the ramp-up of the R32 refrigerant gas facility supporting medium-term earnings diversification. While the value-added chemicals segment continues to face near-term pricing pressure from weak regional demand and excess supply, and Suspension PVC profitability remains contingent on the pace of high-cost VCM inventory wash-out (expected by August-September), the company's focus on regulatory clarity, capacity utilization, and product mix improvement underpins its confidence in a return to sustainable profitability from Q3FY27 onward. **We continue to maintain "Accumulate" rating with target price of INR 209 (valuing at 14x on FY28 EBITDA).**

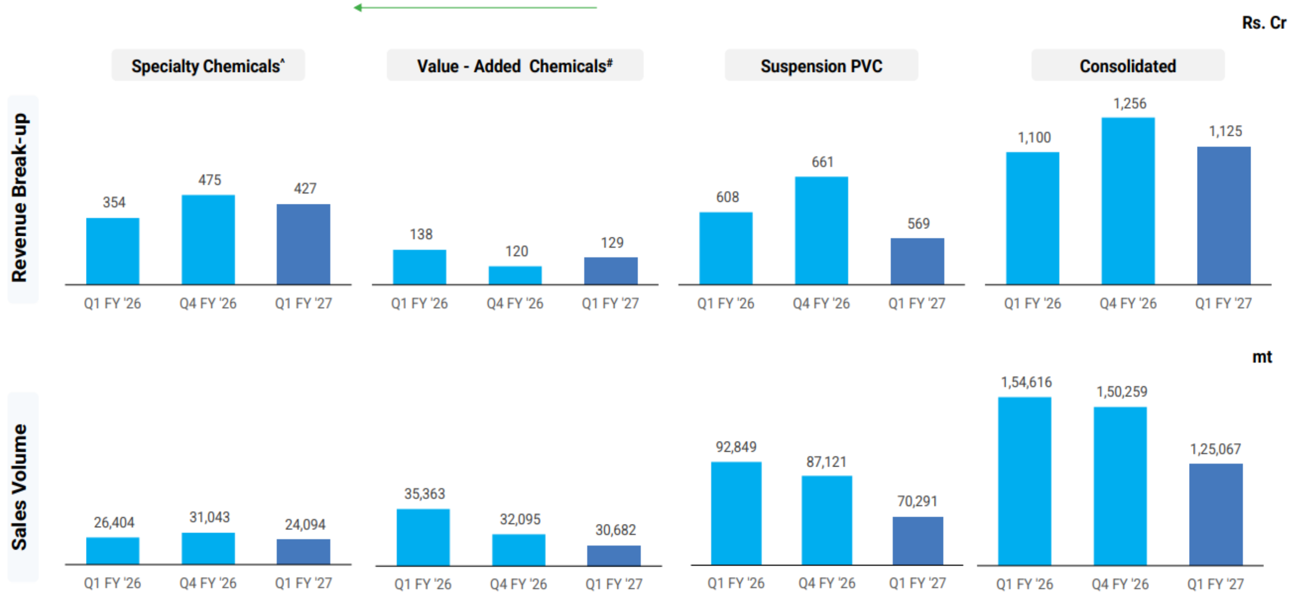
Financials

Particulars (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Net Sales	39,230	43,461	42,242	46,467	52,972
EBITDA	258	2,187	1,984	1,915	3,371
EBITDA Margin (%)	0.7%	5.0%	4.7%	4.1%	6.4%
PAT	(1,584)	(1,104)	(1,330)	(1,731)	(639)
EPS	-10.0	-7.0	-8.4	-10.9	-4.0
EV/EBITDA	167.3	19.8	21.8	22.6	12.8
ROCE	-1.6%	2.2%	0.4%	-0.5%	4.9%
ROE	-8.9%	-5.9%	-7.0%	-11.5%	-5.2%

Q1FY27

Particulars (INR Mns)	Q1FY27	Q4FY26	Q1FY26	QoQ	YoY
Revenue from operations	11,247	12,556	10,999	-10.4%	2.3%
COGS	8,465	7,244	7,327	16.9%	15.5%
Gross Profit	**2,782**	**5,311**	**3,672**	**-47.6%**	**-24.2%**
Gross Profit Margins	**24.7%**	**42.3%**	**33.4%**	**-1757bps**	**-865bps**
Expenses					
Employee Benefits Expenses	733	700	651	4.6%	12.5%
Other Expenses	3,195	2,668	2,850	19.8%	12.1%
EBITDA	**-1,146**	**1,943**	**171**	**-158.9%**	**-771.1%**
EBITDA Margins	**-10.2%**	**15.5%**	**1.6%**	**-2566bps**	**-1174bps**
Other Income	25	68	90	-62.6%	-71.9%
EBITDA (incl. Other Income)	-1,120	2,011	261	-155.7%	-529.7%
EBITDA Margins	-10.0%	16.0%	2.4%	-2598bps	-1233bps
Depreciation	610	546	533	11.8%	14.5%
EBIT	**-1,730**	**1,465**	**-272**	**-218.1%**	**535.9%**
EBIT Margins	**-15.4%**	**11.7%**	**-2.5%**	**-2706bps**	**-1291bps**
Finance Cost	592	576	592	2.8%	0.0%
PBT	**-2,323**	**889**	**-864**	**-**	**-351.5%**
Exceptional Items	0	1,499	0		
Profit Before Tax	-2,323	-610	-864	280.6%	168.8%
Tax Expenses	-567	-156	-222	262.4%	155.8%
PAT	**-1,756**	**-454**	**-643**	**286.9%**	**173.3%**

Segmental Highlights - Quarterly



Source: Company, Arihant Capital Research

Q1FY27 Concall Highlights

Q1 FY27 was a weak quarter, with a consolidated EBITDA loss of INR 115 crores driven largely by high-cost VCM inventory booked during the Middle East conflict-led price spike, alongside continued PVC import pressure. Management struck a constructive tone for H2 FY27, citing four converging positive triggers - reinstated customs duty and MIP on Suspension PVC, a favorable Madras High Court order on Paste PVC anti-dumping, sustained CMCD order-book strength, and R32 ramp-up -with high-cost VCM inventory expected to fully wash out by August-September and a reasonable performance guided from Q3 FY27 onward. We would watch the pace of spread normalization in Suspension PVC (targeting ~$160/ton replacement spread, versus ~$120-130/ton needed for EBITDA neutrality) as the key near-term catalyst.

Financial Performance: Consolidated revenue for the quarter stood at INR 1,125 crores, with an EBITDA loss of INR 115 crores as a sharp increase in input costs severely impacted profitability. Management attributed the underperformance of the last two quarters primarily to anti-dumping-related pressure earlier and, more recently, to high-cost VCM procurement.

Paste PVC: Demand was volatile through April and early May due to lower downstream operating rates, caused by PNG/LNG supply issues and elevated input costs, before recovering in June as raw material visibility improved and downstream operating rates rose to 70-80% range. Pricing improved versus prior quarters, aided by the customs duty reinstatement and a favorable Madras High Court order allowing provisional assessment and bond-based clearance of imports, with retrospective ADD recovery possible. Management indicated Paste PVC spreads are currently running roughly $200/ton above Suspension PVC, and regulatory/legal developments have already started reflecting in higher realized prices. The 7,000-ton specialty project remains on track for commissioning, and productivity initiatives at the Paste PVC facility are progressing well.

Suspension PVC: The segment faced declining prices through April-June, worsened by Middle East conflict-driven feedstock disruption and elevated VCM prices; the PVC-VCM spread was negative in Q1, with average VCM landed cost near $1,000+/ton against realization of $700-750/ton. Temporary customs duty exemptions on PVC resin and VCM (2 April-30 June 2026) drove higher imports, particularly from China, pressuring domestic pricing; demand also softened seasonally toward quarter-end. Management expects reinstated customs duty and the newly implemented Minimum Import Price (MIP) to lift price levels, with the replacement-level spread currently estimated at ~$160/ton, versus a normal historical range of $80-150/ton; roughly $120-130/ton spread is needed for EBITDA neutrality, and another $20-30/ton on top of that for EBITDA-positive contribution. High-cost VCM inventory carried on the books is expected to be fully worked through by September, after which the business should realize prevailing market spreads; current VCM replacement price was cited at roughly $700/ton. Management clarified that PVC and VCM pricing are both market/formula-linked rather than fixed, and the current negative spread reflects an anomaly from parcels booked during the March war-driven price spike that were not offset by a corresponding rise in PVC realization.

Custom Manufactured Chemicals Division (CMCD): The segment delivered a much-improved performance, aided by a healthy order book, accelerating customer engagement, and a robust product pipeline; management expects positive momentum to continue through FY27. Management does not see structural weakness in underlying agrochemical demand, though new molecule launch timelines in the broader industry continue to be delayed by pricing pressure on existing molecules and availability of cheap generics. Of the ~50-molecule pipeline, 14 are already commercialized and are seeing good traction linked to customers' newly launched products, with early signs of positive revival and momentum. The company is investing in senior, on-the-ground business development resources in Europe and Japan and, while remaining committed to agrochemicals, is also pursuing diversification into pharmaceutical and other specialty chemical applications where it is seeing early traction. Lower ADC production during the quarter reflected a planned shutdown for a membrane changeover, a deliberate initiative expected to improve long-term productivity; current caustic soda capacity remains at the 100,000-120,000 ton range depending on cell efficiency/ageing.

Refrigerant Gas (R32): Commercial production of R32 commenced on 26 May, with positive customer feedback on product specifications and new-plant commissioning progressing as per plan. Full capacity ramp-up is expected only by Q4 FY27/Q1 FY28, and management declined to give specific revenue or margin guidance at this early stage, though it expects a healthy margin contribution once ramped. The company plans to shift capacity towards R32 from R22 given the broader industry and regulatory shift toward R32, with flexibility to reassess R22 based on future opportunity.

Value-Added Chemicals (Caustic Soda / Chloromethane / Hydrogen Peroxide): Caustic soda and chloromethane continued to face a challenging pricing environment from weak regional demand and excess supply; caustic soda demand stayed stable across key end-user industries, while chloromethane volumes were hit by softer demand in select end-markets. Hydrogen peroxide volumes improved sequentially as raw material availability normalized, although pricing moderated from previously elevated levels.

Regulatory Backdrop: The Ministry of Finance allowed the anti-dumping recommendation against EU and Japan imports to lapse, but the company secured a favorable Madras High Court order enabling provisional assessment and bonded clearance, preserving the ability to retrospectively recover ADD if later imposed. Basic customs duty on Paste PVC, waived from 1 April to 15 July 2026, was reinstated effective 16 July 2026. On Suspension PVC, customs duty and VCM duty were temporarily zeroed from 2 April to 30 June 2026 (driving a surge in Chinese imports), before re-imposition of duty and introduction of an MIP floor - though management noted the MIP currently sits below prevailing market prices and functions more as a downside floor than a binding constraint.

Guidance: Management declined to give precise quarterly numbers but pointed to four converging positive triggers - Suspension PVC duty/MIP support, Paste PVC duty and legal relief, CMCD order-book strength, and R32 ramp-up - as the basis for expecting a return toward profitability. High-cost legacy VCM inventory is expected to be substantially washed out within the current quarter, with management guiding reasonable performance from Q3 FY27 onwards, while stopping short of specific numerical guidance.

Financial Statements

Profit & Loss Statement (INR, Mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Revenues	**37,987**	**58,920**	**49,411**	**39,230**	**43,461**	**42,242**	**46,467**	**52,972**
% Growth	21.6%	55.1%	-16.1%	-20.6%	10.8%	-2.8%	10.0%	14.0%
Employee Costs	1,136	1,201	1,472	1,702	2,593	2,649	2,914	3,206
Operating & Other Expenses	27,237	45,751	43,257	37,269	38,681	37,610	41,638	46,395
EBITDA	**9,615**	**11,968**	**4,681**	**258**	**2,187**	**1,984**	**1,915**	**3,371**
EBITDA Margin %	**25.3%**	**20.3%**	**9.5%**	**0.7%**	**5.0%**	**4.7%**	**4.1%**	**6.4%**
Depreciation	1,311	1,370	1,420	1,514	1,989	2,132	2,345	2,579
Other Income	164	575	799	805	471	281	310	340
EBIT	**8,468**	**11,173**	**4,060**	**(450)**	**668**	**133**	**(120)**	**1,133**
Finance Cost	4,334	3,216	1,540	1,805	2,359	2,354	2,589	2,848
Exceptional Items	1,336	-	(805)	-	-	-	-	-
PBT	5,470	7,957	1,715	(2,256)	(1,691)	(2,220)	(2,710)	(1,716)
Income Tax	1,369	1,469	192	(671)	(587)	(890)	(979)	(1,077)
PAT	**4,101**	**6,488**	**1,524**	**(1,584)**	**(1,104)**	**(1,330)**	**(1,731)**	**(639)**
PAT Margin %	**10.8%**	**11.0%**	**3.1%**	**-4.0%**	**-2.5%**	**-3.1%**	**-3.7%**	**-1.2%**

Balance Sheet (INR, Mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
ASSETS								
Inventories	4,071	7,111	6,431	5,686	6,573	6,017	7,002	7,982
Trade Receivables	739	1,899	1,426	1,901	1,554	922	1,782	2,032
Cash & Bank Balance	6,513	12,292	11,919	8,012	7,240	5,329	9,304	9,756
Other Current Assets	1,424	1,309	1,680	2,811	2,385	1,674	1,680	1,680
Total Non-Current Assets	32,118	33,410	36,911	41,893	47,280	48,338	41,400	41,922
Total Assets	**44,865**	**56,021**	**58,368**	**60,303**	**65,032**	**63,152**	**61,724**	**63,648**
EQUITY AND LIABILITIES								
Equity Share Capital	670	791	791	791	791	791	791	791
Other Equity	(4,165)	16,260	17,794	16,215	19,894	16,756	11,702	11,063
Net Worth	**(3,495)**	**17,050**	**18,585**	**17,006**	**20,684**	**17,546**	**12,493**	**11,854**
Borrowings	20,245	8,815	10,192	15,475	18,417	19,518	20,171	20,903
Other Non-Current Liabilities	8,132	8,312	8,066	7,429	6,175	5,179	5,216	5,258
Trade Payables	16,561	19,284	18,615	17,458	16,669	16,373	17,823	20,318
Other Current Liabilities	3,421	2,560	2,910	2,935	3,087	4,536	6,021	5,315
Total Equity & Liabilities	**44,865**	**56,021**	**58,368**	**60,303**	**65,032**	**63,152**	**61,724**	**63,648**

Source: Company, Arihant Capital Research

Financial Statements

Cash Flow (INR, Mn)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT	5,627	7,956	1,715	(2,256)	(1,691)	(2,220)	(2,710)	(1,716)
Operating Profit before WC Changes	**10,890**	**12,158**	**4,610**	**218**	**2,264**	**1,098**	**782**	**1,208**
Operating Profit after WC Changes	11,369	10,780	4,488	(2,249)	1,457	1,991	387	2,473
Tax Paid	(605)	(1,770)	(934)	(201)	260	4,335	(136)	(43)
Cash Flow from Operating Acctivities	**10,764**	**9,010**	**3,554**	**(2,449)**	**1,717**	**6,326**	**251**	**2,430**
Cash Flow from Investing Activities	**21,516**	**1,082**	**(2,172)**	**(5,240)**	**(4,074)**	**(1,051)**	**(1,268)**	**(1,785)**
Cash Flow from Financing Activities	**(30,167)**	**(3,129)**	**(270)**	**3,824**	**661**	**(376)**	**(934)**	**(193)**
Net Change in Cash & Cash Equivalents	2,113	6,963	1,112	(3,865)	(1,696)	4,898	(1,951)	452
Opening Cash & Cash Equivalents	922	3,035	9,998	11,110	7,244	5,548	10,446	8,495
Closing Cash & Cash Equivalents	**3,035**	**9,998**	**11,110**	**7,244**	**5,548**	**10,446**	**8,495**	**8,947**

Key Ratios	FY24	FY25	FY26	FY27E	FY28E
Per Share (INR)					
EPS	-10.0	-7.0	-8.4	-10.9	-4.0
BVPS	107.5	130.8	111.0	79.0	75.0
Valuation (x)					
P/E	-18.9	-27.1	-22.5	-17.3	-46.8
P/BV	1.8	1.4	1.7	2.4	2.5
EV/EBITDA	167.3	19.8	21.8	22.6	12.8
Return Ratios (%)					
Gross Margin	31.0%	36.7%	36.7%	36.1%	37.3%
EBITDA Margin	0.7%	5.0%	4.7%	4.1%	6.4%
PAT Margin	-4.0%	-2.5%	-3.1%	-3.7%	-1.2%
NOPAT Margin	-0.8%	1.0%	0.2%	-0.2%	0.8%
ROE	-8.9%	-5.9%	-7.0%	-11.5%	-5.2%
ROCE	-1.6%	2.2%	0.4%	-0.5%	4.9%
Leverage Ratio					
Total D/E	0.9	0.9	1.0	1.5	1.6
Turnover Ratios					
Asset Turnover	0.7	0.7	0.7	0.7	0.8
Receivable Days	18	13	14	14	14
Inventory Days	53	55	55	55	55
Payable Days	162	140	115	116	117

Source: Company, Arihant Capital Research

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

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