

Margins Rebound Amidst Topline Growth

CMP: INR 345

Rating: Accumulate

Target Price: INR 405

Stock Info

BSE	543336
NSE	CHEMPLASTS
Bloomberg	CHEMPLAST:IN
Sector	Chemicals
Face Value (INR)	5
Equity Capital (INR Mn)	791
Mkt Cap (INR Bn)	54
52w H/L (INR)	530 / 334
Avg Yearly Volume (in 000')	84

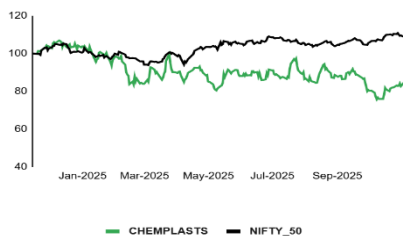
Shareholding Pattern %

(As on Sept, 2025)

Promoters	54.99
FIs	13.15
DIs	25.62
Public & Others	6.23

Stock Performance (%)	1m	6m	12m
Chemplast Sanmar	-5.6	-15.04	-28.32
NIFTY	2.46	4.45	9.49

Chemplast Sanmar vs Nifty 50



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Chemplast Sanmar Ltd reported revenue of INR 10.3bn in Q2FY26, up 4% YoY and down 6% QoQ, driven by improving performance in specialty chemicals and stable value-added chemicals volumes. EBITDA for Q2FY26 improved to INR 43 mn (vs. INR 26 mn Q2FY25, INR 17 mn Q1FY26) on margin rebound in suspension PVC; EBITDA margin improved sequentially to 4%. Net loss for the quarter came in at INR 5.10 Mn. Performance continued to be impacted by continuous dumping of suspension and Paste PVC into the Indian market. Capex for paste PVC and custom manufacturing blocks has been completed, positioning Chemplast Sanmar for near-term operational stability. The company is advancing its refrigerant gas expansion, with swing plant conversions underway and a 10 ktpa R32 facility planned, entailing an estimated capex of approximately INR 250 mn.

Stabilization in Core PVC Business Amid Dumping Pressure

The PVC division saw volumes up 11% YoY in Q2FY26, led by improved domestic offtake, especially in automobile and footwear segments, with the new Cuddalore paste PVC unit running at full steam. However, ongoing dumping from China and the EU kept margins under pressure and pricing highly volatile, while regulatory delays on anti-dumping duties and BIS quality orders remain key concerns. Despite near-term challenges, management expects robust medium-term recovery given continued industry deficit and infrastructure demand.

Strong Progress in Long-Term CMC Contracts

The custom manufacturing division continued to register steady performance with on-track dispatches and healthy volume growth. Chemplast Sanmar has commercialized 17 molecules, and multiple expansions at Berigai remain underway to tap into the USD 2 bn addressable market. Temporary softness in global agrochemicals has delayed the ramp-up on some molecules, but the outlook for new product launches, customer pipeline, and medium-term EBITDA margin scaling to ~20–25% remains intact.

Short-Term Weakness in Value Added Products Volumes

The value added chemicals portfolio—caustic soda, chloromethanes, and hydrogen peroxide—experienced a 15% YoY volume decline in Q2FY26 due to temporary curtailments and plant issues affecting caustic soda, cascading to lower hydrogen peroxide output. Chloromethanes volumes grew modestly but margins faced pressure from domestic overcapacity. Segment pricing remained stable, but near-term profitability will be contingent on resolving operational bottlenecks and downstream demand 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 expected regulatory interventions such as anti-dumping duties anticipated by Q4 FY26. The custom manufacturing segment continues to benefit from a healthy product pipeline and strategic capacity expansions with multipurpose blocks reaching completion by Q3 FY26. While the value-added chemicals segment faces short-term margin pressure due to operational challenges, the company's focus on capacity enhancement, green initiatives, and regulatory clarity underpin its confidence in sustainable margin expansion and earnings recovery over the medium term. **We revised our rating from Buy to "Accumulate" with Target Price of INR 405 per share based on SOTP after cutting medium term estimates; with an upside of 15%.**

Summary Information

Summary	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	39,230	43,461	46,579	51,237	58,410
EBIDTA	258	2,187	2,672	3,826	5,626
Net Profit	-1,584	-1,104	-1,116	-341	1,042
Diluted EPS	-10.02	-6.98	-7.06	-2.16	6.59
P/E (x)	-55.99	-80.38	-79.51	-260.26	85.11
EV/EBIDTA (x)	357.90	43.07	33.81	23.53	15.69
P/BV (x)	5.22	4.29	6.00	6.14	5.73
ROE (%)	-9.32	-5.34	-7.55	-2.36	6.73
Debt/Equity (x)	0.91	0.89	1.25	1.27	1.19

Chemplast Sanmar (Consolidated)					(INR Mn)
Particulars (INR Mns)	Q2FY26	Q1FY26	Q2FY25	QoQ	YoY
Revenue from operations	10,332	10,999	9,928	-6.1%	4.1%
COGS	6,438	7,327	6,241	-12.1%	3.2%
Gross Profit	3,894	3,672	3,686	6.0%	5.6%
Gross Profit Margins	37.7%	33.4%	37.1%	430bps	55bps
Employee Benefits Expenses	648	651	662	-0.6%	-2.1%
Other Expenses	2,814	2,850	2,767	-1.3%	1.7%
EBITDA	433	171	258	153.4%	67.6%
<i>EBITDA Margins</i>	<i>4.2%</i>	<i>1.6%</i>	<i>2.6%</i>	<i>263bps</i>	<i>159bps</i>
Other Income	70	90	109	-22.3%	-35.6%
EBITDA (incl. OI)	502	261	367	92.7%	37.1%
EBITDA Margins	4.9%	2.4%	3.7%	249bps	117bps
Depreciation	521	533	453	-2.2%	15.0%
EBIT	(19)	(272)	(87)	-93.2%	-78.5%
EBIT Margins	(0)	(0)	(0)	229bps	69bps
Finance Cost	603	592	568	1.9%	6.2%
PBT	(622)	(864)	(654)	-28.0%	-5.0%
Exceptional Items	-	-	-		
Profit Before Tax	(622)	(864)	(654)	-28.0%	-5.0%
Tax Expenses	(112)	(222)	(342)	-49.7%	-67.4%
PAT	(510)	(643)	(313)	-20.6%	63.3%

Source: Company, Arihant Capital Research

Concall Highlights**Overall Performance Highlights**

- Company reported consolidated revenue of INR 10.33 bn in Q2FY26, modestly up from INR 9.93 bn in Q2FY25.
- EBITDA increased substantially to INR 430 mn from INR 260 mn same quarter last year; sequentially improved from INR 170 mn in Q1FY26.
- Net loss for the quarter was INR 510 mn.
- H1FY26 revenue stood at INR 21.33 bn with EBITDA INR 600 mn and net loss INR 1.14 bn.
- Consolidated net debt position as of September 30, 2025, was INR 13.19 bn.

Suspension PVC Business

- Volumes increased 11% despite demand softness linked to weak monsoon conditions.
- Pricing environment volatile; prices rose in July-August but corrected thereafter with persistent downward pressure due to oversupply from Chinese and US suppliers.
- Dumping from China into India remains unchecked with increased arrivals in H1FY26. Medium-term outlook expects global capacity rationalization and anti-involusion in China to balance supply-demand.
- Polymer demand from automotive and footwear segments supported domestic paste PVC demand recovery in Q2.

Paste PVC Segment

- New paste PVC plant at Cuddalore is operating at full capacity, contributing to volume growth.
- Margins remain under pressure due to low-priced imports, particularly from European Union suppliers, despite existing anti-dumping duties on China.
- Company has filed an anti-dumping petition against EU suppliers to address margin compression.
- Paste PVC gross margins currently soft, leading to drag on standalone EBITDA (reported INR 180 mn).
- Integrated business with value-added chemicals yields positive EBITDA overall but paste PVC gross margin softness is key constraint.

Custom Manufactured Chemicals Division (CMCD)

- Business performance on track with scheduled dispatches and active customer engagements.
- 17 products commercialized with several in the pipeline.
- Phase 3 of MPB3 and civil works for MPB4 progressing well; ramp-up expected post Q3 and Q4FY26 respectively.
- Long-term strategy targets broadening customer base and revenue scale.
- Guidance maintained INR 10 bn revenue by FY27 in CMCD with expected EBITDA margin range of 20-25%.
- Near-term impact from agrochemical sector slowdown and additional pricing pressure from Chinese overcapacity in generic AIs has moderated ramp-up pace of new molecules.

Value-Added Chemicals Segment

- Includes caustic soda, chloromethanes, hydrogen peroxide.
- Reported a 15% decline in volumes YoY mainly due to lower caustic soda production caused by temporary operational issues and conscious makeup decisions.
- Lower caustic production has led to reduced hydrogen peroxide volumes.
- Demand for caustic soda remains stable but prices declined marginally.
- Chloromethane sales volume rose with steady pricing.
- Excess chloromethane capacity in India exerted margin pressure.

Capex and Balance Sheet

- Major capex related to paste PVC and CMCD expansion largely completed and paste PVC running at 100%+ utilization.
- Refrigerant gas (R32) plant work started including swinging of existing R22 plant at Mettur and setup of additional 2KT plant and plan for another 10KT plant under evaluation.
- Regulatory clarity on refrigerant gas capacity is expected to be closer to 2027.
- Net debt peaked at INR 13.19 bn; management expects debt levels to stabilize and eventually deleverage due to capacity utilization and green energy initiatives.
- Debt repayment standard timeline estimated as project loans with 1-year post-completion moratorium and 7-year repayment period.
- Operating cash flow from expanded capacities and green power is expected to support future capex and deleveraging from FY27-28 onwards.

Industry and Market Dynamics

- Global PVC capacity at approx. 60 mn tons; Europe accounts for about 7-7.5 mn tons but operating rates below full capacity.
- Chinese PVC capacity ~30 mn tons with ongoing anti-involusion efforts; extent and impact of closures uncertain at present.
- India projected to remain a net importer for suspension PVC due to high domestic demand and production capacity gap; domestic demand was 4.3 mn tons last year against ~1.5 mn domestic production.
- Removal of BIS quality control orders on PVC resin is viewed negatively due to impact on product quality, especially for critical use cases like drinking water pipes.

Financial Statements

Profit & Loss Statement (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenues	39,230	43,461	46,579	51,237	58,410
% Growth	-20.6%	10.8%	7.2%	10.0%	14.0%
Employee Costs	1,702	2,593	2,422	2,665	2,931
Operating & Other Expenses	37,269	38,681	41,484	44,746	49,853
EBITDA	258	2,187	2,672	3,826	5,626
EBITDA Margin %	0.7%	5.0%	5.7%	7.5%	9.6%
Depreciation	1,514	1,989	2,113	2,325	2,557
Other Income	805	471	439	483	532
EBIT	(450)	668	998	1,984	3,600
Finance Cost	1,805	2,359	2,438	2,681	2,950
Exceptional Items	-	-	-	-	-
PBT	(2,256)	(1,691)	(1,439)	(697)	650
Income Tax	(671)	(587)	(324)	(356)	(392)
PAT	(1,584)	(1,104)	(1,116)	(341)	1,042
PAT Margin %	-4.0%	-2.5%	-2.4%	-0.7%	1.8%

Balance Sheet (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
ASSETS					
Inventories	5,686	6,573	7,019	7,721	8,801
Trade Receivables	1,901	1,554	1,787	1,965	2,240
Cash & Bank Balance	8,012	7,240	10,192	10,507	12,269
Other Current Assets	2,811	2,385	1,680	1,680	1,680
Total Non-Current Assets	41,893	47,280	41,472	41,822	42,607
Total Assets	60,303	65,032	62,061	63,507	67,302
EQUITY AND LIABILITIES					
Equity Share Capital	791	791	791	791	791
Other Equity	16,215	19,894	13,990	13,650	14,692
Net Worth	17,006	20,684	14,781	14,440	15,482
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	17,866	19,652	22,404
Other Current Liabilities	2,935	3,087	2,910	2,910	2,910
Total Equity & Liabilities	60,303	65,032	62,061	63,507	67,302

Source: Company, Arianth Capital Research

Financial Statements

Cash Flow (INR, Mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	(2,256)	(1,691)	(1,439)	(697)	650
Operating Profit before WC Changes	218	2,264	2,166	2,268	6,471
Operating Profit after WC Changes	(2,249)	1,457	2,685	3,174	7,866
Tax Paid	(201)	260	4,335	(136)	(43)
Cash Flow from Operating Activities	(2,449)	1,717	7,020	3,038	7,823
Cash Flow from Investing Activities	(5,240)	(4,074)	(1,259)	(1,508)	(2,079)
Cash Flow from Financing Activities	3,824	661	(1,926)	(1,215)	(3,982)
Net Change in Cash & Cash Equivalents	(3,865)	(1,696)	3,835	314	1,763
Opening Cash & Cash Equivalents	11,110	7,244	5,548	9,383	9,698
Closing Cash & Cash Equivalents	7,244	5,548	9,383	9,698	11,460

Key Ratios	FY24	FY25	FY26E	FY27E	FY28E
Per Share (INR)					
EPS	-10.0	-7.0	-7.1	-2.2	6.6
BVPS	107.5	130.8	93.5	91.3	97.9
Valuation (x)					
P/E	-34.5	-49.6	-49.0	-160.5	52.5
P/BV	3.2	2.6	3.7	3.8	3.5
EV/EBITDA	34.1	4.0	3.3	2.3	1.6
Return Ratios (%)					
Gross Margin	31.0%	36.7%	36.6%	38.3%	39.4%
EBITDA Margin	0.7%	5.0%	5.7%	7.5%	9.6%
PAT Margin	-4.0%	-2.5%	-2.4%	-0.7%	1.8%
NOPAT Margin	-0.8%	1.0%	1.7%	1.9%	9.9%
ROE	-8.9%	-5.9%	-6.3%	-2.3%	7.0%
ROCE	-1.6%	2.2%	3.5%	7.7%	13.9%
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

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

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