

Chemicals

Prices remain stable MoM

Summary

Majority of the chemicals maintained a stable pricing trajectory on MoM basis in Dec-23. Crude pricing also stayed stable at \$79 on a monthly basis which aided pricing stability. We expect Chinese led dumping and pressure on inventory levels in the agrochemical space to begin gradually easing by Q4FY24 only. Pricing for most of the chemicals seem to have bottomed out on account of the intense dumping. Global demand continues to remain weak on account of various macroeconomic and geopolitical factors. Modest recovery is expected in FY25. Companies which are higher up the specialty chemicals value chain stand to benefit immensely from a longer term perspective. In light of the same, our top picks are SRF and Navin Fluorine on the back of their robust fluorination prowess and strong capex plans.

Key Highlights

- **Pricing Highlights:** Heavy soda ash and caustic soda prices have registered sharp decline of 10% and 9% MoM which bodes negatively for major manufacturers such as Tata Chemicals/GHCL and Grasim/GACL respectively. Methanol price increased by 10% MoM benefitting prominent players such as RCF and NFL. Acetonitrile prices increased by a healthy 6% MoM benefitting major players such as Alkyl Amines and Balaji Amines. Acetone prices corrected by 14% MoM impacting major manufacturers such as Deepak Nitrite.
- **Outlook:** We believe that commodity chemicals segment could remain range bound from the current levels owing to decent domestic demand. However Chinese competition will continue to exert pricing pressure especially on commodity chemicals. We prefer specialty chemical players with decades of rich experience, strong R&D and execution capabilities. Companies that are delivering value added products and moving up the value chain will fare better as compared to pure commodity plays in the long term.

Valuation snapshot

Companies	Reco	Mkt Cap Rs bn	CMP (Rs)	TP (Rs)	Upside (%)	PER (x) FY25E	FY26E
SRF	BUY	735	2481	2913	18	35	28
Navin Fluorine	BUY	191	3852	4625	20	41	32
Ami Organics	BUY	41	1122	1300	29	37	30
Clean Science	HOLD	165	1549	1425	(8)	50	36
Neogen Chem.	HOLD	39	1481	1700	15	53	43

Source: IDBI Capital Research

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Exhibit 1: Pricing Snapshot

Chemical	Dec-23	Dec-22	YoY (Chg)	Nov-23	MoM (Chg)	Peak Price	Drawdown from Peak
Benzene	90	92	-2%	90	0%	120	-25%
Aniline	158	190	-17%	155	2%	254	-38%
Heavy Soda Ash	33	46	-28%	37	-10%	55	-40%
Toluene	90	97	-7%	93	-3%	155	-42%
Phthalic Anhydride	95	101	-6%	94	1%	134	-29%
Monoethylene Glycol (MEG)	63	65	-3%	59	7%	91	-31%
Phenol	100	127	-21%	104	-4%	166	-40%
Acetone	89	66	35%	104	-14%	130	-32%
Isopropyl Alcohol (IPA)	120	100	20%	120	0%	150	-20%
Acetonitrile	133	165	-19%	125	6%	330	-60%
Acetic Acid	62	57	9%	60	3%	160	-61%
Caustic Soda Lye	31	60	-48%	34	-9%	72	-57%
Ethyl Acetate	89	90	-1%	87	2%	140	-36%
Toluene Diisocyanate (TDI)	200	245	-18%	199	1%	300	-33%
Maleic Anhydride	94	90	4%	93	1%	174	-46%
Methanol	34	34	0%	31	10%	54	-37%
Acrylic Acid	81	162	-50%	77	5%	231	-65%
Vinyl Acetate Monomer	84	114	-26%	92	-9%	290	-71%
LDPE	100	123	-19%	107	-6%	151	-34%
HDPE	89	113	-21%	107	-17%	138	-35%

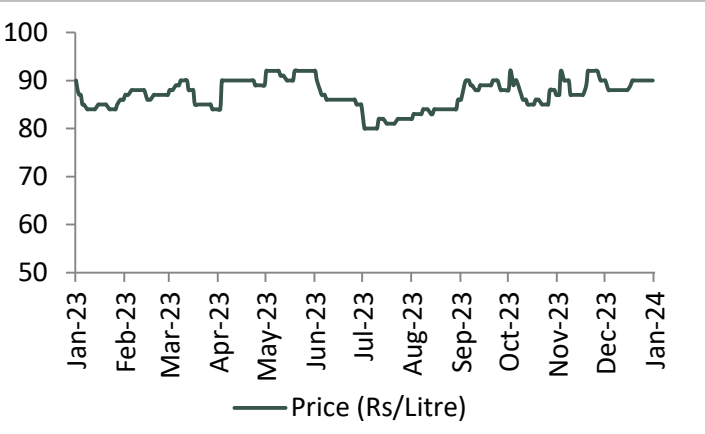
Source: Indianpetrochem, Change % based on month end prices, Peak Price =Max (From Jan-2021 to current date)

Exhibit 2: Brief Profile

Chemicals	Indian Manufacturer	Major Consumer
Benzene	BPCL, RIL, IOCL, ONGC	Aarti Inds, Apcotex, CFS, NFIL, Vinati, Deepak Nitrite, Valiant Org, Jyothy Labs
Aniline	GNFC, HOCL	Aarti Ind, Atul Ltd, Aurobindo, Bayer, Monsanto, UPL, BASF, Deepak Nitrite, Nocil, Valiant Org, Bodal, Bhageria, Kiri
Soda Ash	Tata Chem, GHCL, DCW, GFL	Deepak Nitrite
Toluene	Reliance, BPCL, Indian Oil	Aarti, NFIL, Vinati, Deepak Nitrite
Phthalic Anhydride	Thirumalai Chem, IGPL	
Mono Ethylene Glycol	RIL, India Glycols, IOCL	
Phenol	Deepak Phenolics, Hindustan Organics	
Acetone	Deepak Phenolics, SI Group	GSFC, ITC, Berger, Shalimar, Torrent Pharma, Sun Pharma, Asian Paints, Kansai Nerolac, Pfizer, NFIL
Iso Propyl Alcohol (IPA)	Deepak Nitrite, Deepak Fertilisers & Petrochemicals	
Acetonitrile	Alkyl amines, Balaji amines, Deepak Novochem	
Acetic acid	GNFC	Reliance, IOCL, Apcotex, SRF, Deepak Nitrite, Laxmi Org.
Caustic soda	Grasim, DCM Shriram, GACL, Nalco, RIL, DCW, TGV Sraac	Arvind Mills, Deepak Nitrite, GNFC, GSFC, IOC, Meghmani Organics, Nirma, NALCO, HUL, UPL
Ethyl Acetate	GNFC, Jubilant Ingrevia, Laxmi Organics	
TDI	BASF, GNFC	
High-Density Polyethylene (HDPE)	Reliance, ONGC, GAIL	
Low-Density Polyethylene (LDPE)	Reliance	
Maleic Anhydride	Thirumalai Chem, IGPL	
Methanol	RCF, NFL, IOCL, Deepak Fertilizers, GNFC, GSFC	Alkyl Amines, Balaji Amines, Aarti, CFS, NFIL, SRF, Vinati
PAN (Phthalic Anhydride)	Thirumalai Chem, IGPL	
Acrylic Acid	BPCL, IOCL, BASF, GSFC	Apcotex, Black Rose, Balmer Lawrie, Fineotex

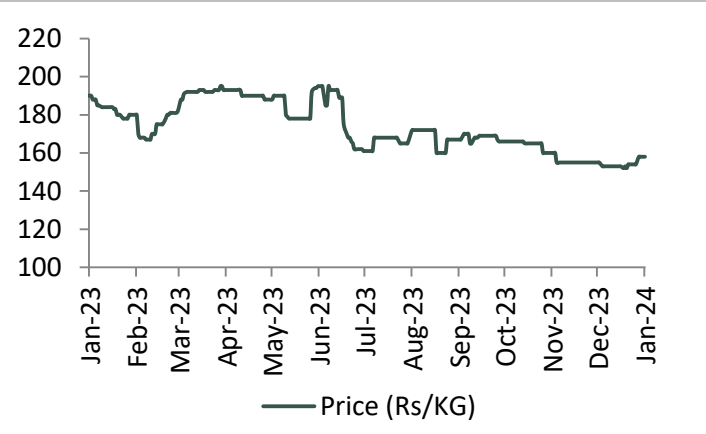
Source: Company; IDBI Capital Research

Exhibit 3: Benzene Prices remained flat on MoM



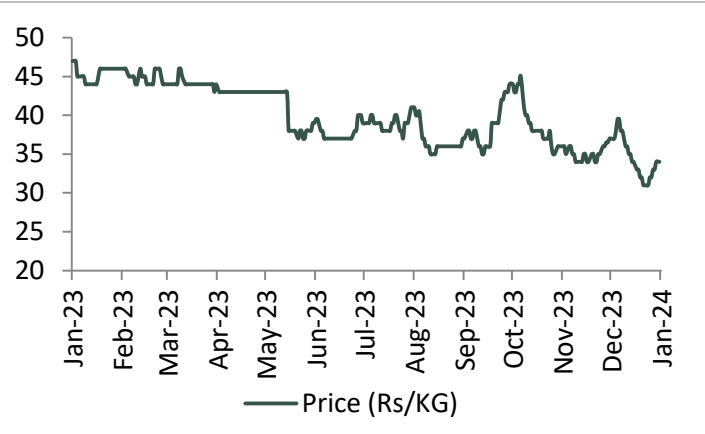
Source: Indianpetrochem

Exhibit 4: Aniline Prices up by ~2% MoM



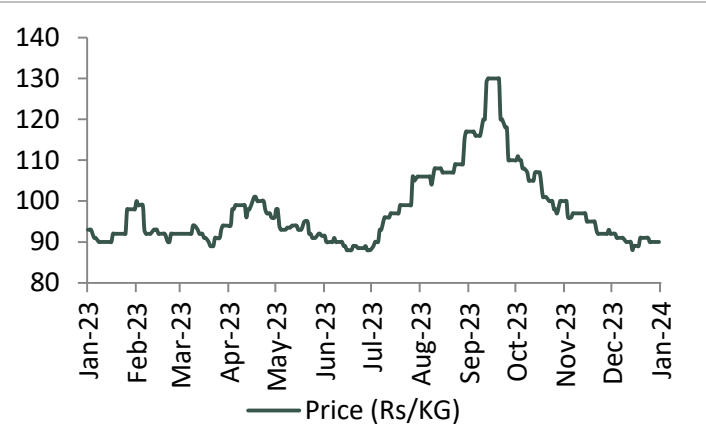
Source: Indianpetrochem

Exhibit 5: Heavy Soda Ash down by ~10% MoM



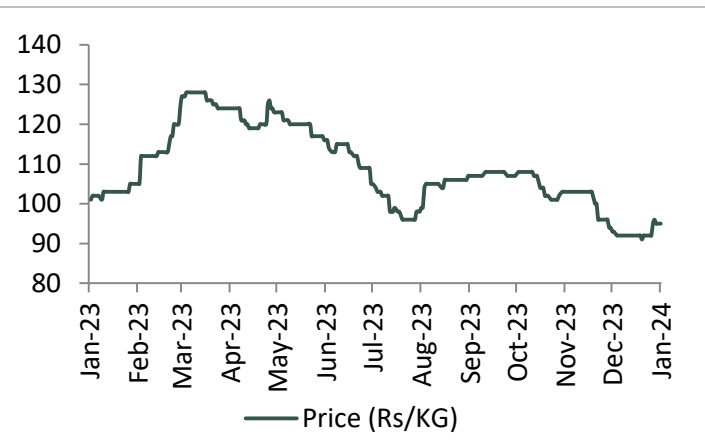
Source: Indianpetrochem

Exhibit 6: Toluene Prices down by ~3% MoM



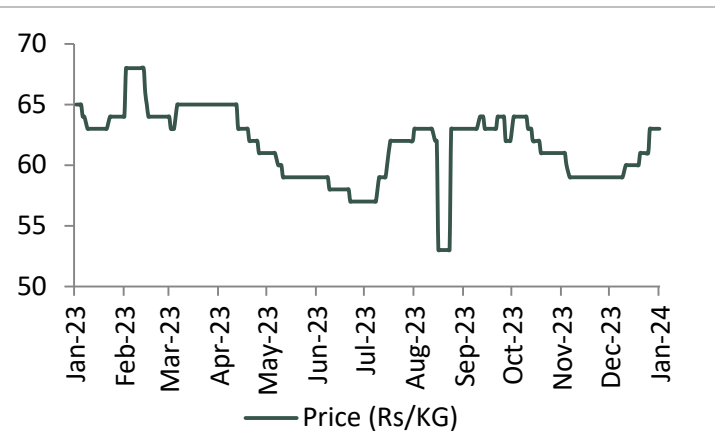
Source: Indianpetrochem

Exhibit 7: Phthalic Anhydride up by ~1% MoM



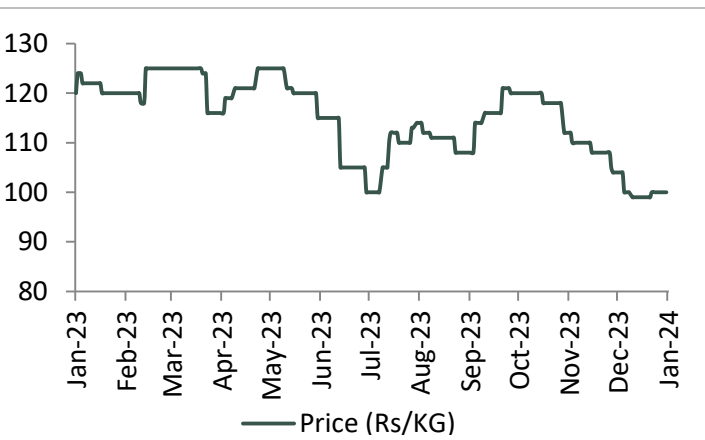
Source: Indianpetrochem

Exhibit 8: Monoethylene Glycol up by ~7% MoM



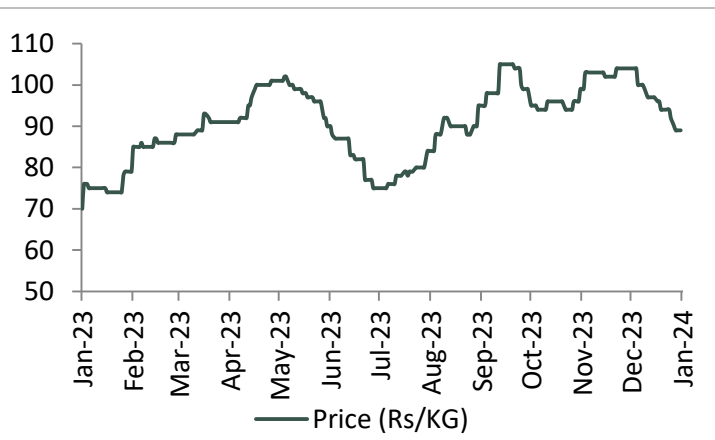
Source: Indianpetrochem

Exhibit 9: Phenol Prices down by ~4% MoM



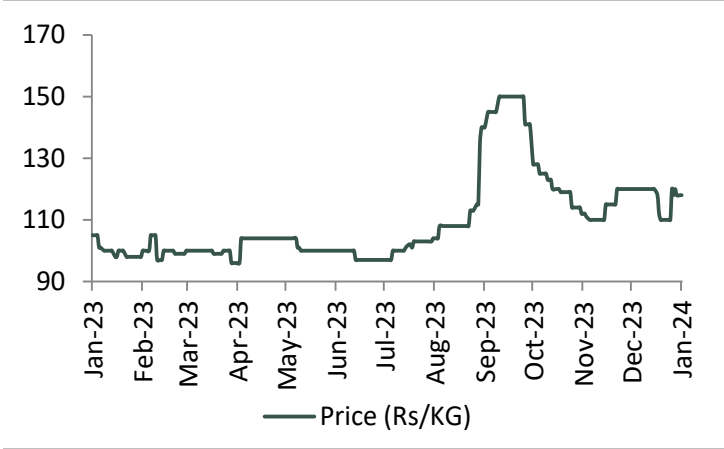
Source: Indianpetrochem

Exhibit 10: Acetone Prices down by ~14% MoM



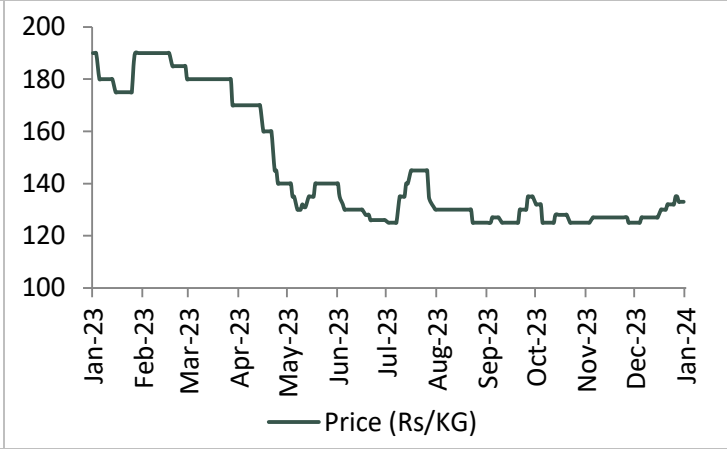
Source: Indianpetrochem

Exhibit 11: Isopropyl Alcohol remained flat MoM



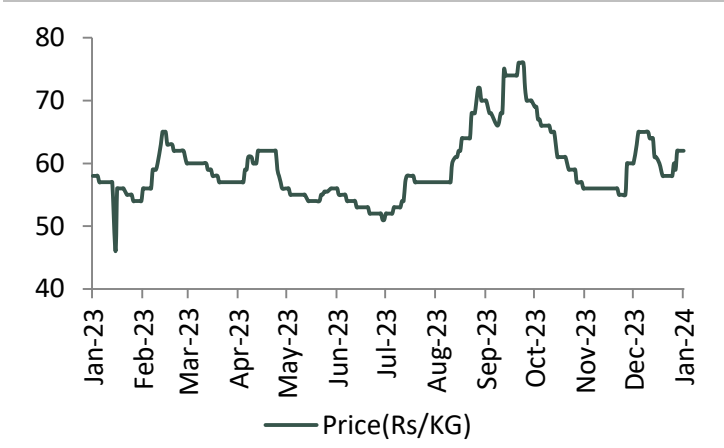
Source: Indianpetrochem

Exhibit 12: Acetonitrile Prices up by ~6% MoM



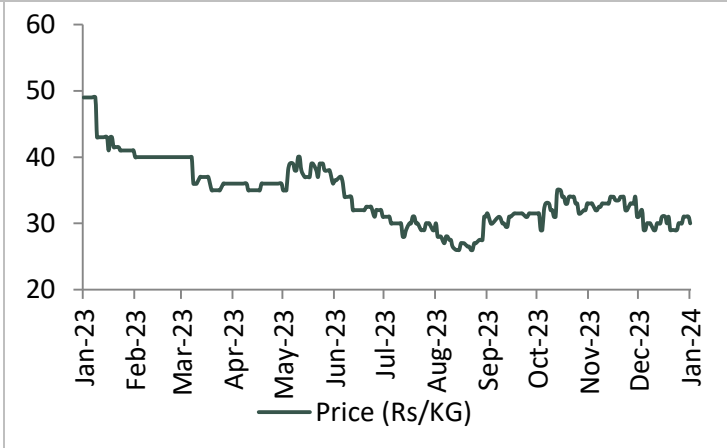
Source: Indianpetrochem

Exhibit 13: Acetic Acid Prices up by ~3% MoM



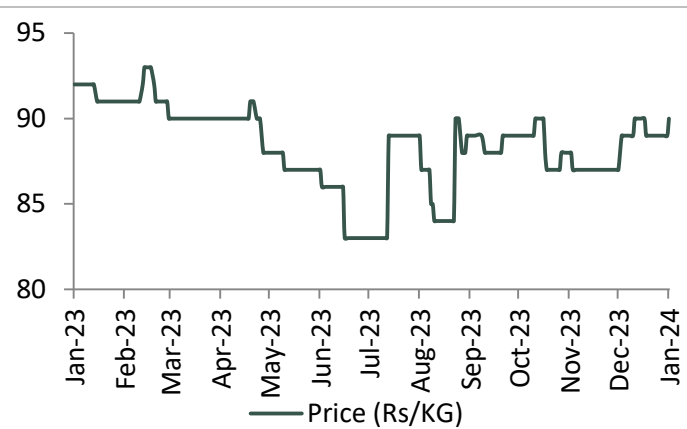
Source: Indianpetrochem

Exhibit 14: Caustic Soda Prices down by ~9% MoM



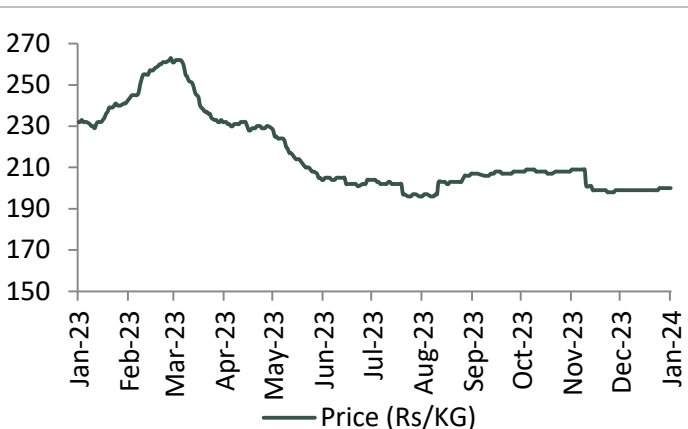
Source: Indianpetrochem

Exhibit 15: Ethyl Acetate up by ~2% MoM



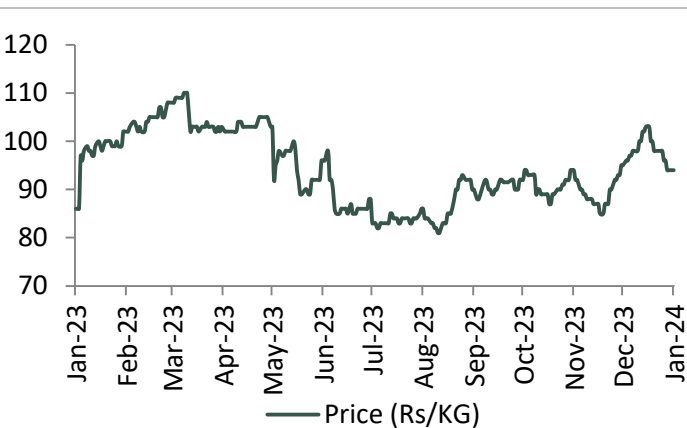
Source: Indianpetrochem

Exhibit 16: Toluene Diisocyanate up by ~1% MoM



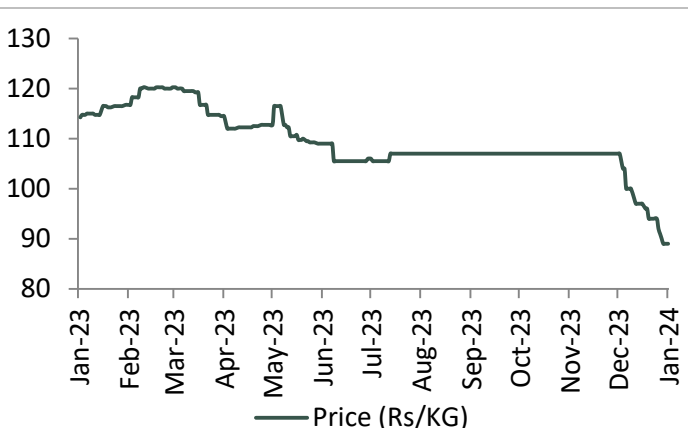
Source: Indianpetrochem

Exhibit 17: Maleic Anhydride up by ~1% MoM



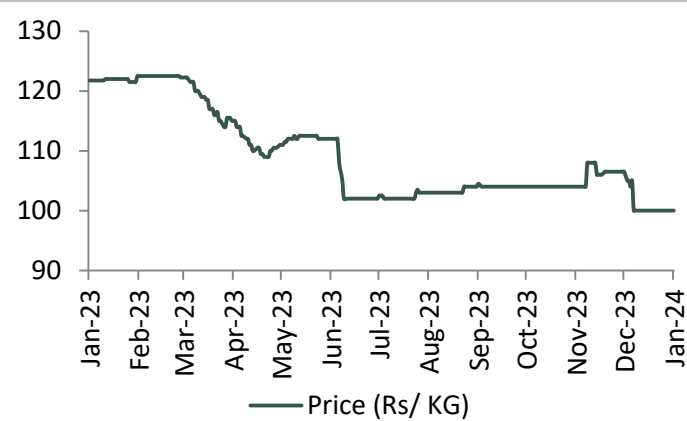
Source: Indianpetrochem

Exhibit 18: HDPE down by ~17% MoM



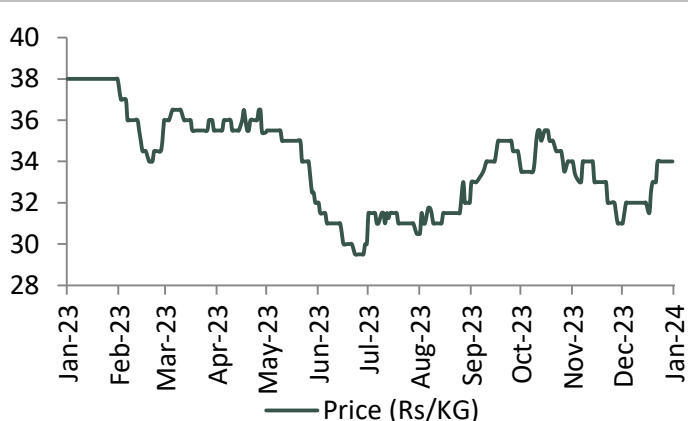
Source: Indianpetrochem

Exhibit 19: LDPE down by ~6% on MoM



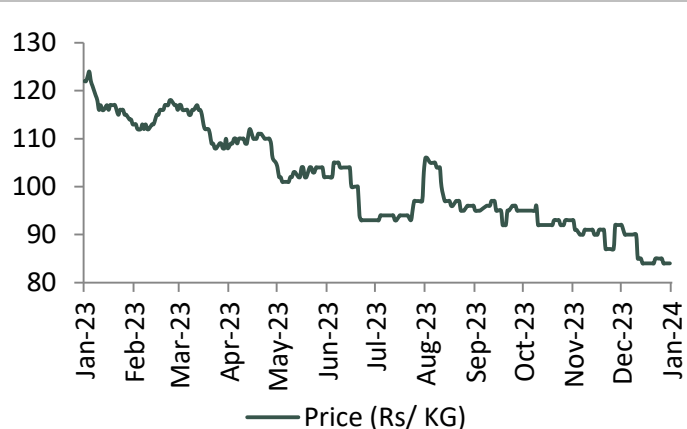
Source: Indianpetrochem

Exhibit 20: Methanol up by ~10% MoM



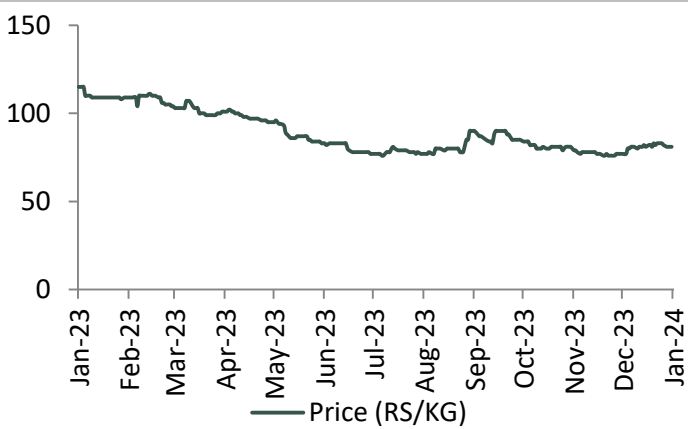
Source: Indianpetrochem

Exhibit 21: Acrylic Acid up by ~5% MoM



Source: Indianpetrochem

Exhibit 22: VAM down by ~9% MoM



Source: Indianpetrochem

Exhibit 23: Sectoral Stock Performance

	Mkt Cap	Performance (%)				Relative to Index (%)			
	Rs bn	1M	12M	3 Year	5 Year	1M	12M	3 Year	5 Year
SRF	735	5	9	118	519	-3	-11	63	419
Gujarat Fluorochemicals	406	27	17	540	-	19	-2	485	-
Deepak Nitrite	338	13	26	151	1,044	4	6	96	944
Aarti Industries	235	16	6	18	112	8	-13	-37	12
Navin Fluorine International	191	4	-5	46	455	-4	-25	-9	355
Clean Science	165	15	5	-	-	7	-15	-	-
Fine Organics	153	18	-12	97	323	10	-31	42	223
Alkyl Amines	130	19	-4	63	742	11	-24	8	642
Aether Industries	118	7	6	-	-	-1	-14	-	-
GNFC	117	9	37	234	120	1	17	179	20
Anupam Rasayan	113	9	58	-	-	1	39	-	-
Galaxy Surfactants	98	-1	12	38	130	-9	-7	-17	30
Balaji Amines	86	32	-1	184	492	24	-21	129	392
Jubilant Ingrevia	81	19	-4	-	-	11	-24	-	-
Laxmi Organics	80	9	-1	-	-	1	-20	-	-
Gujarat Alkalies and Chemicals	57	7	5	122	42	-1	-14	67	-58
GHCL	56	7	17	181	149	-1	-2	126	49
Ami Organics	41	1	17	-	-	-8	-2	-	-
Neogen Chemicals	39	-2	20	101	-	-10	0	46	-
I G Petrochemicals	14	5	-9	11	12	-3	-29	-44	-88

Source: Bloomberg, IDBI Capital Research



Notes

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