

India

**Underweight** (no change)

**Highlighted Companies**

**Camlin Fine Sciences**

**ADD, TP Rs300, Rs167 close**

We have baked in vanillin benefits in our FY24F estimates to arrive at an EPS of Rs15.1 for FY24F and Rs21.8 for FY25F. Camlin Fine Sciences is likely to post a 193% EPS CAGR over FY23-25F.

**SRF Limited**

**REDUCE, TP Rs1540, Rs2308 close**

SRF trades at 20x P/E, the bluest of blue-sky EPS. In the medium term, cyclical headwinds in films and HFC businesses will lead to earnings disappointment. The company will be lucky if it achieves even 70% of the consensus earnings forecast for FY24F and FY25F.

**Gujarat Fluorochemicals**

**REDUCE, TP Rs1946, Rs3009 close**

HFC demand has started to decline. Even PVDF will face cyclical headwinds in the near term. LiPF6 is still some time away, but the collapse of its spreads has reduced the option. Earnings disappointment is on the cards. Retain our high conviction REDUCE rating on the stock.

**Summary Valuation Metrics**

P/E (x)	Mar22-F	Mar23-F	Mar24-F
Camlin Fine Sciences	39.43	26.86	11.11
SRF Limited	36.22	37.91	42.96
Gujarat Fluorochemicals	55.39	53.69	42.45

P/BV (x)	Mar22-F	Mar23-F	Mar24-F
Camlin Fine Sciences	3.51	2.78	2.05
SRF Limited	7.99	6.7	5.88
Gujarat Fluorochemicals	7.64	6.68	5.78

Dividend Yield	Mar22-F	Mar23-F	Mar24-F
Camlin Fine Sciences	0.23%	0.37%	0.9%
SRF Limited	0.24%	0.23%	0.23%
Gujarat Fluorochemicals	0%	0%	0%

**Analyst(s)**



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# Chemicals - Overall

## 1QFY24 preview - Disappointment likely

- Our quarterly results analysis indicates that out of 25 companies under coverage, more than 80% are likely to report a muted PAT growth or a fall YoY.
- The biggest disappointment may come from SRF (REDUCE), Gujarat Fluorochemicals (REDUCE), Clean Science (REDUCE) and Ami Organics.
- On the positive side, Camlin Fine Sciences' stabilizing diphenol plant and commencement of vanillin exports may drive EBITDA growth of 50% YoY.

### Disappointments galore in the chemicals space likely in 1QFY24F

The cyclical nature of the so-called structural story will be visible in this quarter as well. For the past few quarters, we have witnessed continued earnings disappointment in the sector and the same may accentuate during this quarter. The global slowdown is impacting India's export-driven chemical industry. There are some company-specific factors as well - to cite an example, product obsolescence in the case of Astec Lifesciences and Heranba. In general, global slowdown is hurting Clean Science and Technology (Clean Science), Ami Organics, Atul, SRF, etc.

### Key earnings disappointment likely for SRF and GFL

While, for the past one year, SRF and Gujarat Fluorochemicals (GFL) have barely kept up with the market, the P/E multiples are still high for both these companies. In case of GFL, the risks are multifold - 1) declining earnings, 2) likely ban on key products in Europe, 3) huge fine on 3M in a class-action suit on PFAs ([3M reaches US\\$10.3bn 'forever chemicals' settlement | NYSE:MMM \(proactiveinvestors.com\)](#)) which will deter the users of PFA, but unfortunately these events are making the terminal value of the existing business of GFL closer to Zero. SRF, on the other hand, was enjoying a cyclical upsurge in HFC prices which are now falling as demand dies down because of the inevitable decline in usage from 2024 ([Reduction of HFCs in USA from 2024 \(unilab.eu\)](#)). Normally, the supply chain starts to prepare in advance, and the same is happening as exports of HFC-125 are slowing down significantly. Please note that this was the chemical which resulted in its chemical segment's EBIT margin expanding to 35% and will lead the fall to 29-30% in 1QFY24F.

### Ami Organics, PI and Clean Science may also face dwindling growth

With the stabilization of Camlin Fine Sciences' diphenol plant, competition has heated up in the MEHQ space, which is hitting the gross margin of Clean Science's MEHQ business. We expect a 20% decline in MEHQ gross spreads QoQ for Clean Science as well as stress on its top line. For Ami Organics, 1QFY24F will be disappointing on the growth front as it will not be able to deliver a 20-22% revenue growth. The company's future is closely tied to Darolutamide (it supplies the intermediate of Darolutamide which is Methyl-5-Acetal-1h-Pyrazole-3-Carboxylate), a prostate cancer drug. Darolutamide is supposed to be better than its alternatives as the drug has better tolerability, fewer side effects, and a higher survival rate. With a miniscule option value in vinylene carbonate, investors appear to be totally betting on the huge success of Darolutamide. For PI Industries, all signs are evident of Pyroxasulfone touching its peak.

**Figure 1: Our chemicals coverage stock recommendations**

Company	Rating	Company	Rating
Bayer CropScience Ltd	ADD	Clean Science and Technology Ltd	REDUCE
Camlin Fine Sciences Ltd	ADD	Deepak Nitrite Ltd	REDUCE
Coromandel International Ltd	ADD	Dhanuka Agritech Ltd	REDUCE
Meghmani Finechem Ltd	ADD	Gujarat Fluorochemicals Ltd	REDUCE
Galaxy Surfactants Ltd	HOLD	Heranba Industries Ltd	REDUCE
Insecticides (India) Ltd	HOLD	India Pesticides Ltd	REDUCE
Navin Fluorine International Ltd	HOLD	Jubilant Ingrevia Ltd	REDUCE
Vinati Organics Ltd	HOLD	Laxmi Organic Industries Ltd	REDUCE
Aarti Industries Ltd	REDUCE	PI Industries Ltd	REDUCE
Ami Organics Ltd	REDUCE	Rallis India Ltd	REDUCE
Anupam Rasayan India Ltd	REDUCE	SRF Ltd	REDUCE
Astec Lifesciences Ltd	REDUCE	UPL Ltd	REDUCE
Atul Ltd	REDUCE		

SOURCE: INCRED RESEARCH, COMPANY REPORTS

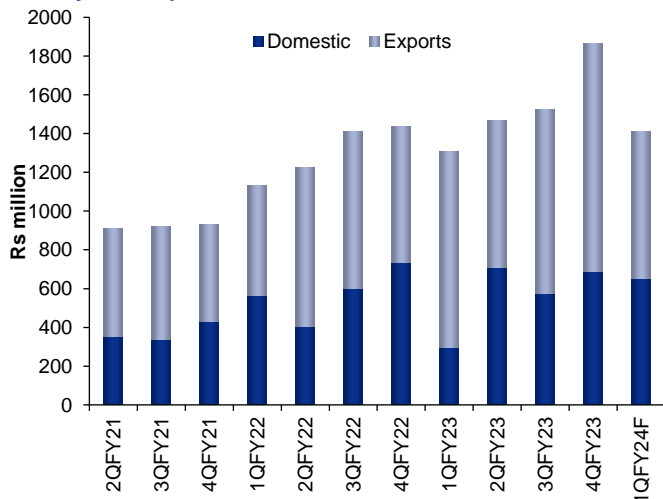
## 1QFY24 preview - Disappointment likely

The 1QFY24 results are likely to throw more negative than positive surprises to the consensus numbers. In this space, we cover 25 stocks. We have included the quarterly estimates of 1) Ami Organics, 2) Anupam Rasayan, 3) Aarti Industries, 4) Astec Lifesciences 5) Atul 6) Bayer CropSciences 7) Camlin Fine sciences 8) Clean Science, 9)Dhanuka Agritech, 10) Deepak Nitrite, 11) Galaxy Surfactants, 12) Gujarat Fluorochemicals, 13) Heranba Industries, 14) Insecticides (India), 15) India Pesticides, 16) Jubilant Ingrevia, 17) Laxmi Organic Industries, 18) Meghmani Finechem, 19) Navin Fluorine International, 20) PI Industries, 21) Rallis India, 22) SRF, 23) UPL, 24) Vinati Organics, and 25) Coromandel International.

### Ami Organics - exports to disappoint; flat EPS YoY

Investors are generally very positive on Ami Organics after its management’s guidance of 20-22% revenue growth. While the company can still achieve that number in FY24F, its 1Q performance on the revenue front may be far below that level.

**Figure 2: Exports to decline 20% YoY, but the domestic market is likely to compensate a bit for the same**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Expect flattish EBITDA and PAT for Ami Organics**

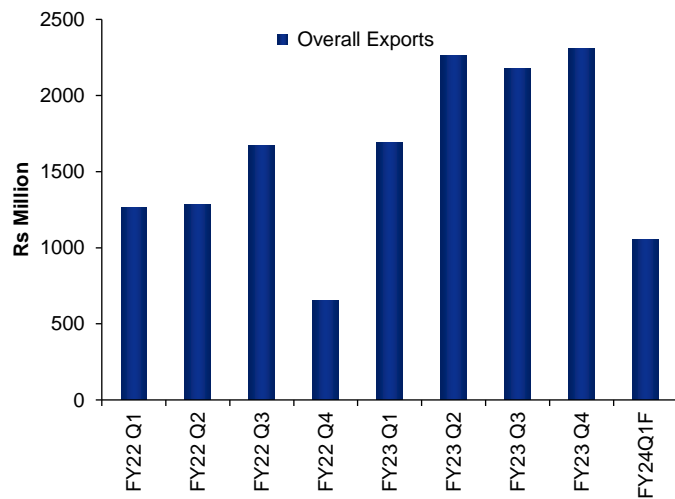
	1QFY24F	4QFY23	1QFY23
Revenues	1,408.91	1,863.8	1,310.1
EDBITA	229.78	366.6	229.2
PAT	147.79	272.0	148.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

### Anupam Rasayan – profits likely to decline by 9% YoY

Exports are witnessing a slowdown as the company’s main products such as 2-chloro-4-(4-chloro phenoxy) acetophenone and 3A – aniline, etc. are witnessing a significant decline. 1QFY23 had witnessed significant exports of agrochemical intermediates before the slowdown hit the sector. While the domestic market can do well, slowing exports will lead to EPS decline.

**Figure 4: Exports are likely to witness a decline as there is slowdown in demand for agrochemicals**



SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 5: Profit is likely to decline by 9% YoY and 47% QoQ**

	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Domestic Sales	1,744	2,491	2,268	30%	-9%
Exports	1,692	2,308	1,051	-38%	-54%
Revenue	3,436	4,800	3,319	-3%	-31%
EBITDA	986	1,173	798	-19%	-32%
PAT	420	726	382	-9%	-47%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

## Astec Lifesciences – earnings to fall YoY but big improvement likely QoQ

Earnings to decline as exports to disappoint in the current quarter. The stock's valuation is pricing in something which we don't understand.

**Figure 6: Consensus earnings are in for a huge disappointment**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Even in a best-case scenario, there is likely to be a decline in reported earnings**

	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Export	1,381	1,050	1,134	-18%	8%
Domestic	462	220	554	20%	152%
EBITDA	255	54	261	3%	384%
PAT	114	-50	109	-5%	NA

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Atul – pain to continue

- While the fall in the prices of raw materials of bisphenol-A and epichlorohydrin (ECH) is leading to a bounce in its stock price, the market is not taking rapidly falling product prices into cognizance.
- Overall spreads of all products are falling QoQ and at the same time, the fall in demand will lead to a YoY decline in the top line. Unless the company cuts fixed costs significantly, it is likely to witness a significant disappointment to consensus estimates.
- We have analyzed the proposed expansion of Atul in detail. As per our estimate, in a best-case scenario, EPS (as and when the expanded capacity comes online and the company operates at 100% of its capacity) will not be higher than Rs340. Please click the link to our report: [IN: Atul Ltd - Deep dive into expansion project - REDUCE \(REDUCE - Maintained\)](#)
- Most raw material prices for Atul are falling, be it epichlorohydrin or bisphenol-A, but at the same time the global slowdown is showing on its product prices. As a result, most of its products' spreads have started to fall.

- The fall in prices is leading to overall lower exports value. One can expect Atul's exports to fall by 15-20% YoY in 1QFY24F.
- Unless there is a huge fixed-cost reduction by the company, there is likely to be significant consensus EPS cut. As per our estimate, consensus EPS for FY24F/25F should come down by 15-20%.

Figure 8: Consensus earnings estimates in for a huge disappointment



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 9: PAT likely to decline YoY but improve QoQ

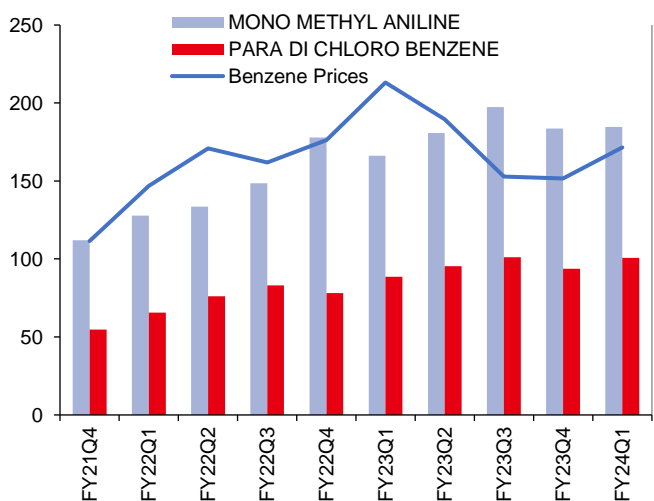
	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Exports	5,912.75	4,542.61	4,345.93	-26.5%	-4.3%
Domestic	8,855.75	7,408.89	8,855.75	0.0%	19.5%
EBITDA	2,330	1,494	2,067	-11.3%	38.4%
PAT	1,623	906	1,329	-18.2%	46.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

### Aarti Industries – earnings decline on the cards

Demand headwinds are apparent in the domestic as well as export market. Benzene prices have not fallen as much as product prices, resulting in margin compression. It is interesting to note that Aarti Industries is moving in the turf of Galaxy Surfactants. Despite falling crude oil prices, key raw material prices for Aarti Industries are not falling, which makes us believe that gross margin will remain under stress.

Figure 10: Benzene prices are not correcting, despite falling crude oil prices; however, product prices have demand headwinds



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: We expect Aarti Industries' profits to decline by 19% YoY

	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Exports	6,475	6,046	4,478	-31%	-26%
Domestic	9,628	10,514	11,554	20%	10%
EBITDA	2,815	2,520	2,634	-6%	5%
PAT	1,355	1,490	1,095	-19%	-27%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

### Bayer CropScience – expect a 15% PAT growth YoY

After many years of disappointment, finally the company's gross margin has started to expand. We expect its revenue to grow by 5% in 1QFY24F and gross margin to remain at 48.5%.

Figure 12: We expect a 15% YoY PAT growth for Bayer CropScience

	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Revenue	16,674	9,825	17,508	5.0%	78.2%
EBITDA	3,951	2,058	4,836	22.4%	135.0%
PAT	3,026	1,554	3,475	14.8%	123.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Camlin Fine Sciences – EPS to grow significantly

We had recently written a detailed note on the business dynamics of Camlin Fine Sciences. Please click the links to the same: 1) [IN: Chemicals - Overall - Sell Clean Science and buy Camlin Fine](#) 2) [IN: Camlin Fine Sciences - Improving product portfolio \(ADD - Maintained\)](#)

Figure 13: Consensus FY24F EPS estimate needs a big upgrade

Figure 14: Stabilizing diphenol plant likely to lead to significant EBITDA improvement



SOURCE: INCRED RESEARCH, COMPANY REPORTS

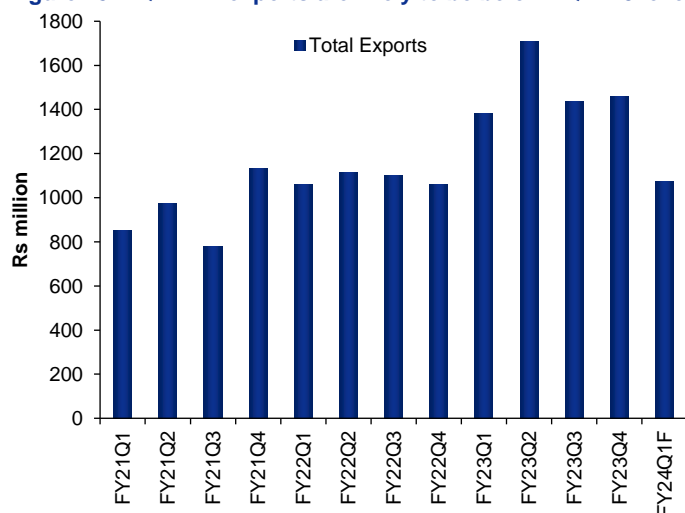
	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Revenue	3,838	4,267	4,300	12%	1%
EBITDA	466	438	742	59%	69%
PAT	36	35	363	910%	944%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Clean Science – expect EPS growth to be flattish YoY

- Clean Science is a unique story where, despite apparent headwinds, the stock price is down only 50% from its peak. Under normal circumstances, these kinds of headwinds would have resulted in a further fall in its stock price, more so when it trades at 16x sales.
- As highlighted in our recent report: [IN: Chemicals - Overall - Sell Clean Science and buy Camlin Fine](#) and also [IN: Clean Science and Technology - Still pricing in dreams - REDUCE \(REDUCE - Maintained\)](#), consensus earnings estimates are at a serious risk.

Figure 15: 1QFY24F exports are likely to be below 1QFY23 level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: We expect a miniscule profit growth YoY

	1QFY23	4QFY23	1QFY24F	YOY	QoQ
Exports	1,380	1,458	1,164	-16%	-20%
Domestic Sales	961	711	1,057	10%	49%
EBITDA	913	1,051	945	3%	-10%
PAT	629	805	649	3%	-19%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Dhanuka Agritech – we expect EPS growth at the lower base of last year

- Dhanuka Agritech did very well in FY21, as one of its products was a big success.
- The company’s key brands such as Ozone, Godiwa, Caldan and Targa Super are likely to face headwinds - either margin pressure or growth slowdown. The sudden success of Ozone (base agrochemical paraquat) was driven by the new weed, emex australis steinh, that has been spreading across the wheat crop in North India (Source: The Week). We believe this weed is now widespread, making the use of Ozone widespread too and, thus, limiting its growth potential. Import prices of raw materials for Godiwa are rising, thus raising margin pressure. Caldan’s raw material is cartap, whose import cost is rising (44% in FY20 and 4.7% in FY21) and at the same time, its usage appears to be stagnating. Targa Super’s base agrochemical (quizalofop) price is rising, and its sales volume appears to be stagnating, in our view.
- As pointed out in our [initiation report](#), Dhanuka Agritech is facing moderation in revenue growth as its key brands like Ozone, Godiwa, and Caldan are facing saturation in their usage and there is margin pressure in Godiwa, Targa Super and Caldan. Rising mancozeb prices are also a risk for the company. Please note that the rising cost of azoxystrobin is negative for margins of key product Godiwa Super, which drove revenue growth in FY21. On the other hand, there is some softness in the prices of cartap, which is a key raw material for Caldan. On an overall basis, we believe the company is likely to witness a 37% gross margin.

**Figure 17: We expect 16.5% PAT growth and 40% EBITDA growth for the company; last year’s lower base will be an advantage this year**

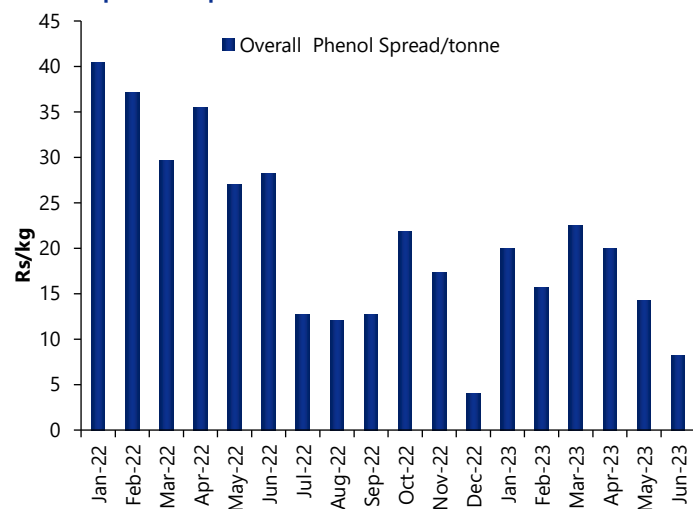
	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Revenue	3,927	3,712	4,320	10.0%	16%
EBITDA	507	771	716	41.3%	-7%
PAT	491	653	572	16.5%	-12%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Deepak Nitrite – muted earnings growth likely

Deepak Nitrite is another stock whose earnings will remain muted for the quarter. There has been a steep fall in phenol spreads over the past few months. Also, the company has been importing phenol for the past few months for its use in performance chemicals.

**Figure 18: Overall phenol spreads have declined significantly over the past few quarters**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 19: We expect its earnings to decline YoY and QoQ**

	1QFY23	4QFY23	1QFY24F	YOY	QoQ
Revenue	20,580	19,614	20,889	1%	7%
EBITDA	3,560	3,480	2,817	-21%	-19%
PAT	2,346	2,339	1,840	-22%	-21%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Gujarat Fluorochemicals – earnings likely to decline

### Fluoropolymer volume has started falling➤

- a) [3M has just settled a class action suit on PTFE for US\\$10.3bn.](#)
- b) Please note that Europe is already against this chemical and as of now, an inquiry is going on to ban fluoropolymers which come in the broader class of PFAs. <https://echa.europa.eu/hot-topics/perfluoroalkyl-chemicals-pfas>
- c) In this macroeconomic environment, every customer who uses PFAs (PTFE, PVDF and ~8,000 more chemicals) will be very cautious to use PFAs in their products.
- d) Naturally, it will lead to a volume decline.

### R-125 volume and R- 410A prices have started falling – a precursor to R-125 price decline ➤

- a) R-410A is a mixture of two refrigerants: R-125 and R-32. The ratio of R-125 to R-32 in R-410A is typically 50:50.
- b) R-125 is not used on its own as a refrigerant. It is used as a mixture component to make R-410A and other refrigerants.
- c) We had written in details about the big reduction in the CO2 quota in USA from the beginning of 2024. Please click the note here: [IN: Chemicals - Overall - R-125 & R-134A bull run is closer to its end](#)

We expect PAT to decline QoQ and YoY. The current quarter can well be beginning of the end of the bull cycle.

**Figure 20: We expect Gujarat Fluorochem's profit to decline by 21% YoY**

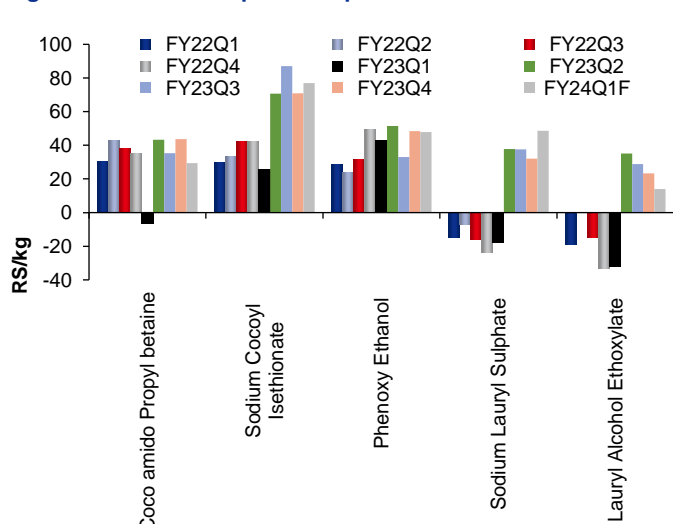
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YOY	QoQ
Revenue	13,340	14,613	14,179	14,714	13,340	0%	-9%
EBITDA	4,589	5,358	5,232	5,293	4,001	-13%	-24%
PAT	3,034	3,572	3,305	3,319	2,394	-21%	-28%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Galaxy Surfactants – PAT to remain flattish YoY

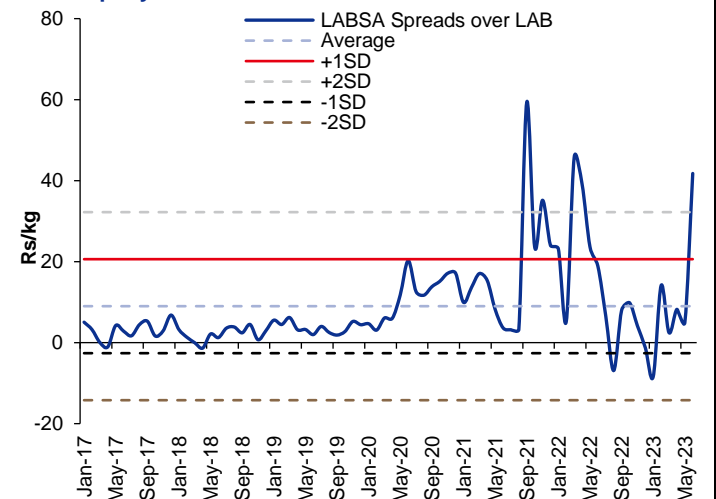
Galaxy Surfactants is expected to show a minor revenue growth QoQ, although on a YoY basis there will still be revenue decline. EBITDA/t is expected to remain flat as the volume of performance surfactants picks up, which is a relatively lower EBITDA/t product compared to specialty surfactants. Consequently, EPS will remain flattish at the QoQ level and decline at the YoY level. For 3QFY23, Galaxy Surfactants posted the highest EPS, but this was due to one-off gains and not because of any fundamental change in its business. Macroeconomic headwinds in the near future, we believe, will keep the growth prospects of this company muted.

**Figure 21: Most of its product spreads are down or flattish QoQ**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 22: However, rising LABSA spreads are very good for the company**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 23: Profit to decline 8% YoY but increase 2% QoQ

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Net Revenue	8,264	8,773	9,291	10,529	11,589	12,316	10,803	9,745	10,633	-8%	9%
Total Cost of Goods Sold	5,642	6,445	6,741	7,058	8,018	9,005	7,391	6,588	7,230	-10%	10%
Employee Benefit Expenses	542	478	516	583	619	627	600	635	657	6%	4%
Other Expenses	995	1,142	1,271	1,439	1,472	1,368	1,271	1,177	1,349	-8%	15%
Total Expenses	7,179	8,064	8,527	9,080	10,109	10,999	9,262	8,400	9,236	-9%	10%
EBITDA	1,085	709	764	1,450	1,480	1,317	1,541	1,345	1,397	-6%	4%
Depreciation	168	181	177	184	189	205	216	225	225	19%	0%
EBIT	916	528	587	1,266	1,291	1,112	1,325	1,120	1,172	-9%	5%
Other Income	45	50	18	12	-20	11	37	70	12	-160%	-83%
Interest Expenses	29	37	28	34	44	56	56	61	33	-25%	-46%
Profit Before Tax	933	541	576	1,244	1,227	1,067	1,307	1,129	1,151	-6%	2%
Total Tax Expenses	164	122	120	260	223	228	245	224	230	3%	3%
Profit After Tax	768	419	456	984	1,004	839	1,062	905	921	-8%	2%
Consolidated Net Profit	768	419	456	984	1,004	839	1,062	905	921	-8%	2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Heramba Industries - PAT likely to grow on a lower base

Figure 24: PAT to grow on a lower base of 1QFY23

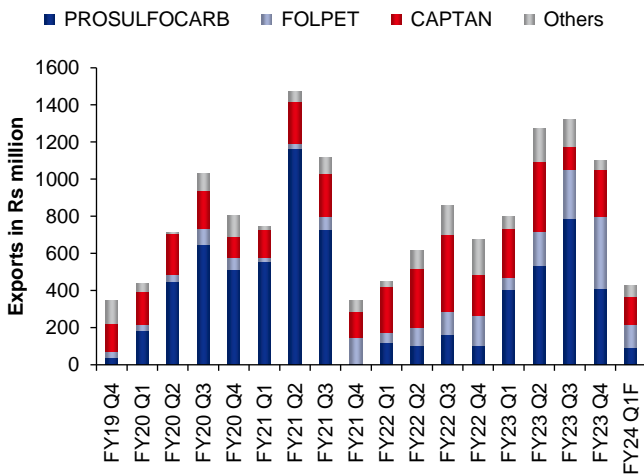
	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Exports	1,087	812	1,301	1,335	1,480	1,290	1,064	1,409	992	806	1,001	906	943	970	20%	3%
Domestic Sales	1,050	1,879	2,191	1,989	1,199	2,224	2,470	2,545	2,509	2,813	3,232	1,896	1,646	2,954	5%	79%
EBITDA	255	435	558	644	577	648	612	712	625	463	664	256	228	552	19%	143%
PAT	263	286	377	447	432	474	456	535	426	337	477	144	143	378	12%	164%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## India Pesticides - Prosulfocarb weakness to continue

India Pesticides is mainly a Prosulfocarb company and in this regard, weakness in the molecule will continue.

Figure 25: Prosulfocarb weakness to continue



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 26: PAT is likely to decline 24% YoY but increase 4% QoQ

	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Exports	797	1,103	514	-35%	-53%
Domestic	1,388	879	1,457	5%	66%
EBITDA	557	422	434	-22%	3%
PAT	411	302	313	-24%	4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Insecticides (India) - an average quarter likely

Figure 27: An average PAT growth of 7-8% is likely

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Revenue	5,607	5,822	3,565	3,019	5,887	5%	95%
EBITDA	585	685	233	(283)	655	12%	NA
PAT	380	447	93	(290)	410	8%	NA

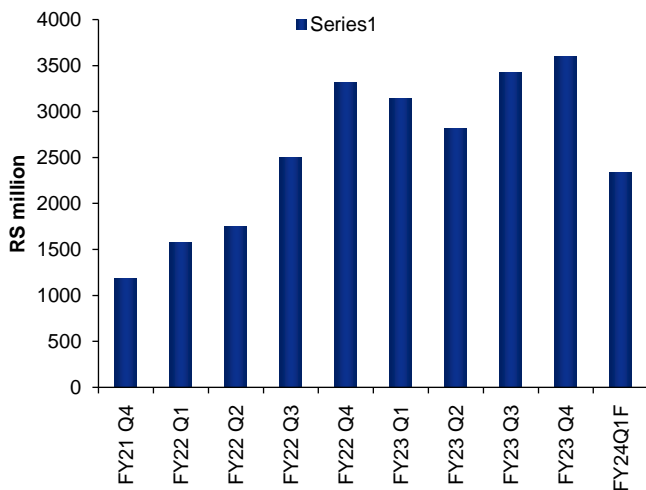
SOURCE: INCRED RESEARCH, COMPANY REPORTS



## Jubilant Ingrevia - may continue to disappoint

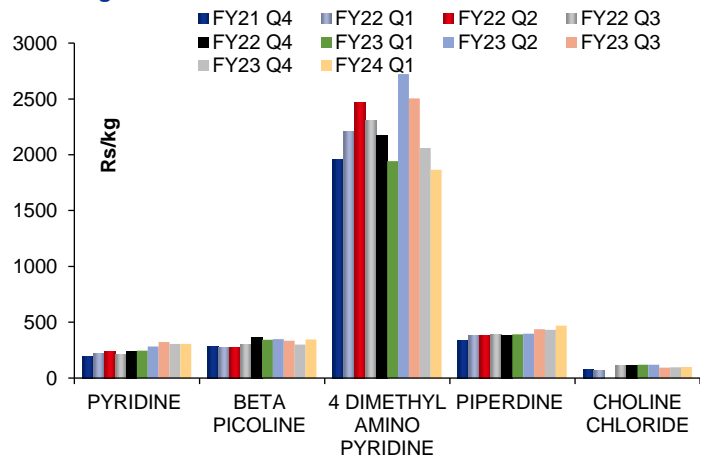
1. We have been arguing that Vitamin B3, Vitamin B4, acetic anhydride, pyridine, and ethyl acetate are commodities in nature and that supply chain filling led to a wide rally, which is now self-correcting. Please note that ethyl acetate spreads over raw material become negative from time to time, which you won't find in super cyclical steel as well. Please click our report: [IN: Jubilant Ingrevia Ltd - Pyridine getting specialty chemical multiple \(REDUCE - Downgrade\)](#), [IN: Jubilant Ingrevia Ltd - Estimating the best-case earnings \(REDUCE - Maintained\)](#)
2. Also, please note that we have already pointed out in our recent report on gene editing that agrochemicals face serious headwinds from gene-edited seeds. Agrochemicals volume growth will be difficult to come by, which is negative for pyridines. Please click our report: [IN: Chemicals - Overall - Gene editing is at the cusp of a revolution](#)
3. A big cut in consensus earnings is needed (around 20%-30%). At present, the stock trades near its 20x trailing P/E. Ideally, commodity stocks should trade at a high P/E near their bottom, but the reverse happens. The stock still trades at 2.5x its book value, which is too costly.

Figure 28: Exports of its chemicals are falling



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 29: For most of its products, realization is either flat or declining



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 30: Jubilant Ingrevia's profit is likely to decline by 27% YoY

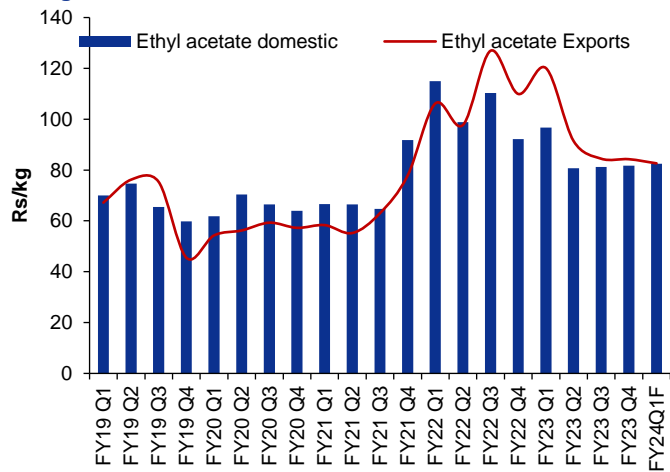
	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QOQ
Revenue	11,658	13,036	11,583	11,450	11,075	-5.0%	-3.3%
EBITDA	1,409	1,529	1,513	1,021	1,033	-26.6%	1.3%
PAT	794	843	915	523	574	-27.7%	9.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Laxmi Organics - Disappointment likely to continue

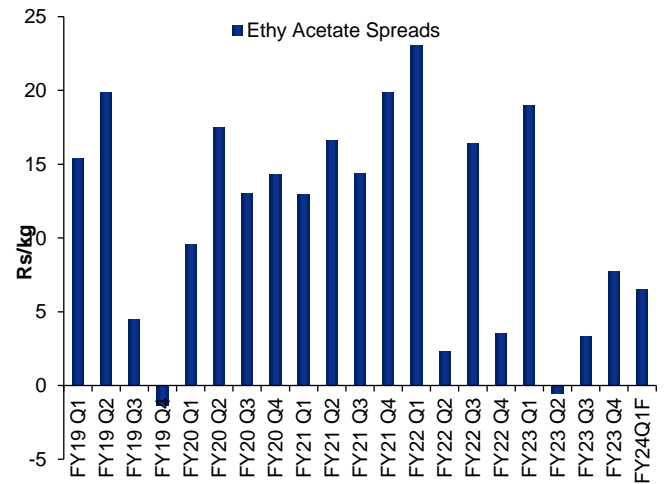
Falling ethyl acetate spreads will hit the company hard. Global slowdown is also hitting its volume. In our calculations regarding PAT, we have assumed that Laxmi Organics will be able to sell extra ethyl acetate in the domestic market. Hence, to that extent, our PAT estimate is on the aggressive side.

**Figure 31: Domestic and export prices of ethyl acetate are falling**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 32: Spreads of ethyl acetate have fallen QoQ and significantly below the YoY number**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

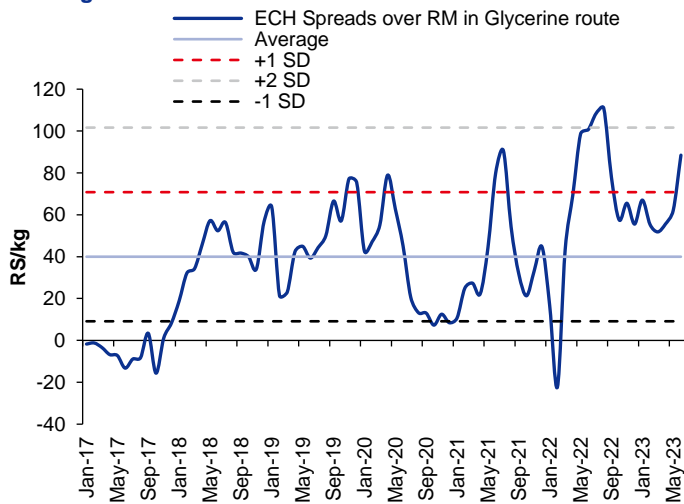
**Figure 33: We have given last 10 quarters' PAT to showcase the volatility and to highlight the point that this stock doesn't even deserve a 20 P/E, whereas it is trading at 60 P/E**

	4QFY20	1QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Exports	703	932	741	1,014	1,265	1,333	2,620	2,776	2,214	1,177	1,627	2,236	1,686	-23.9%	-24.6%
Domestic	3,162	3,104	3,614	4,455	6,350	4,816	7,266	6,179	4,790	4,307	5,369	5,705	5,705	19.1%	0.0%
EBITDA	196	420	677	637	1,453	309	1,187	729	1,015	286	548	607	594	-41.5%	-2.1%
PAT	102	214	452	364	1,023	146	821	575	649	273	243	271	271	-58.2%	11.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

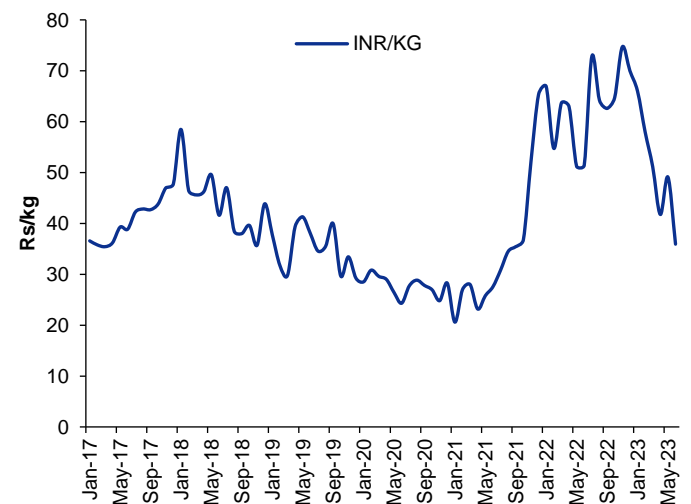
## Meghmani Finechem – we expect tepid numbers; ECH is recovering although caustic soda is falling

**Figure 34: ECH spreads over glycerin have recovered to an all-time high**



SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 35: However, caustic soda prices are muted**



SOURCE: COMPANY REPORTS, INCRED RESEARCH

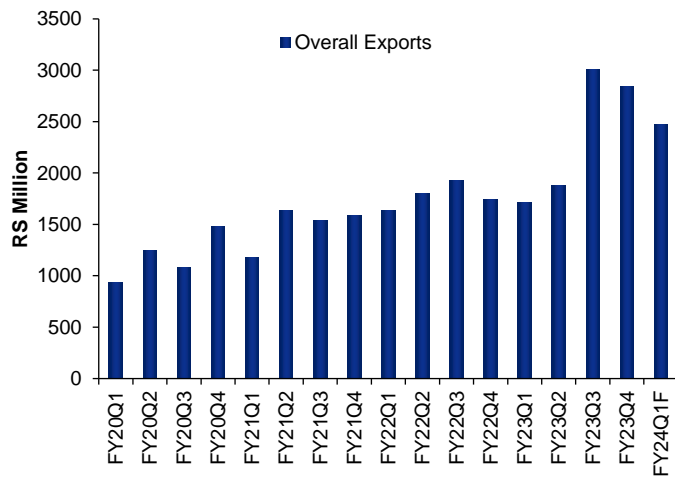
**Figure 36: PAT to decline 11% YoY but improve QoQ as ECH margins recover**

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Revenue	2,585	2,903	3,396	4,222	4,988	5,328	5,555	5,378	5,622	5,861	10.0%	4.3%
EBITDA	803	925	1,005	1,414	1,751	1,875	1,803	1,665	1,547	1,643	-12.4%	6.2%
PAT	328	370	470	697	991	1,078	916	772	768	957	-11.2%	24.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

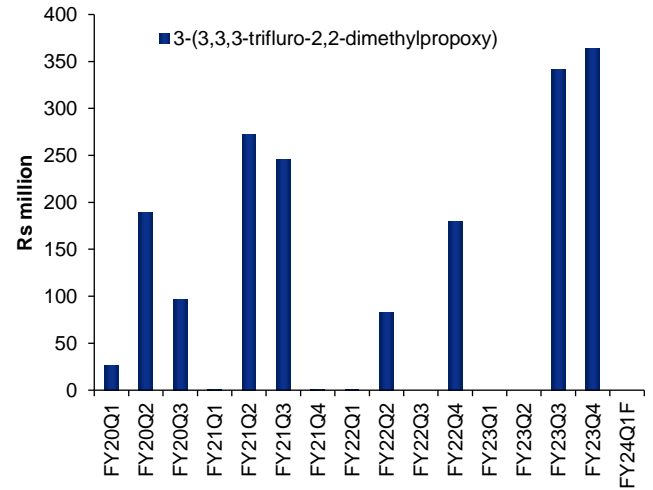
## Navin Fluorine – exports are still solid but lower QoQ, PAT should increase by 24% YoY

Figure 37: Exports are still solid, but lower QoQ



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 38: Also, resilience of company is apparent, as despite zero exports of 3-(3,3,3-trifluoro-2,2-dimethylpropoxy), it has managed a good show



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 39: Navin Fluorine is likely to report one of its best results for 1QFY24F among chemical companies; YoY PAT can grow by 24%

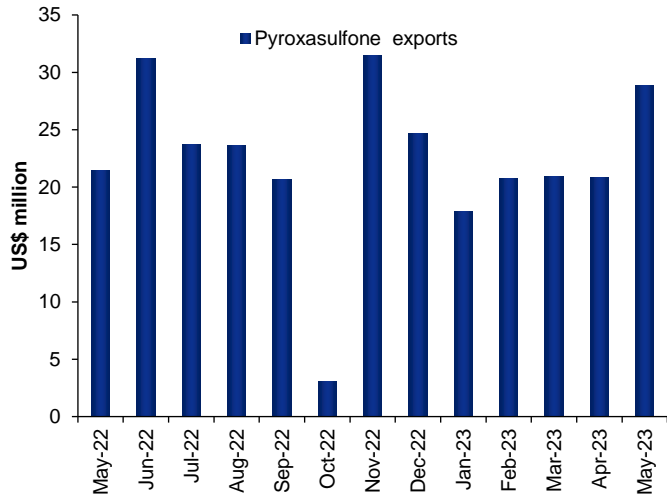
	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	FY24Q1F	YoY	QoQ
Exports	1,636	1,802	1,928	1,739	1,710	1,877	3,003	2,843	2,474	45%	-13%
Domestic Sales	1,629	1,588	1,862	2,351	2,265	2,315	2,633	4,128	2,719	20%	-34%
EBITDA	778	842	986	943	991	938	1,556	2,018	1,482	49%	-27%
PAT	559	632	688	752	745	578	1,066	1,364	921	24%	-32%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## PI Industries – muted PAT growth likely

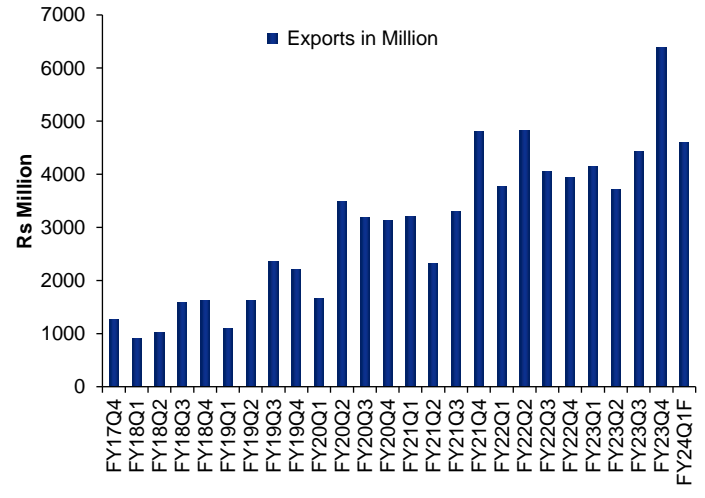
Pyroxasulfone is still going very strong but its sales appear to be peaking out. The company is expected to report EPS growth this quarter.

Figure 40: Pyroxasulfone sales appear to be peaking out



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 41: Non-SEZ exports appear to be flat YoY



SOURCE: INCRED RESEARCH, COMPANY REPORTS

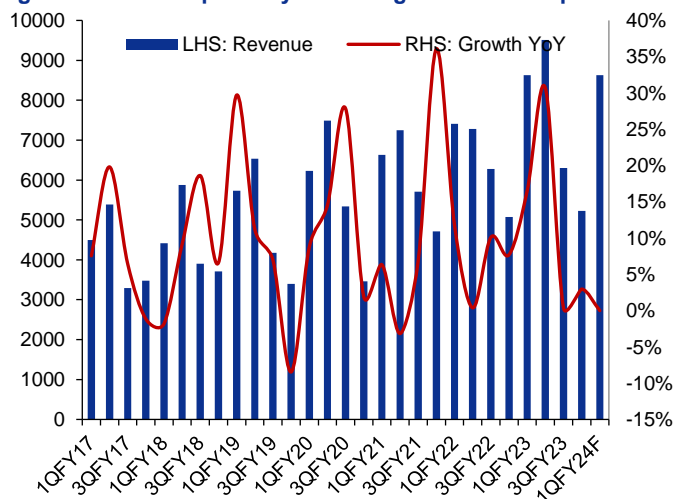
Figure 42: We expect EPS to grow 10% YoY and 3% QoQ; gross margin likely to fall YoY

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Exports	6,140	7,990	9,020	10,060	8,070	9,930	10,760	11,142	11,421	12,783	13,286	12,813	12,205	6.9%	-4.7%
Domestic	4,460	3,590	2,600	1,911	3,870	3,610	2,800	2,810	4,011	4,917	2,846	2,838	4,212	5.0%	48.4%
EBITDA	2,292	2,801	2,755	2,274	2,489	2,920	2,965	3,050	3,523	4,319	4,151	3,428	3,723	5.7%	8.6%
PAT	1,455	2,176	1,954	1,798	1,872	2,296	2,226	2,044	2,624	3,348	3,518	2,806	2,899	10.5%	3.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

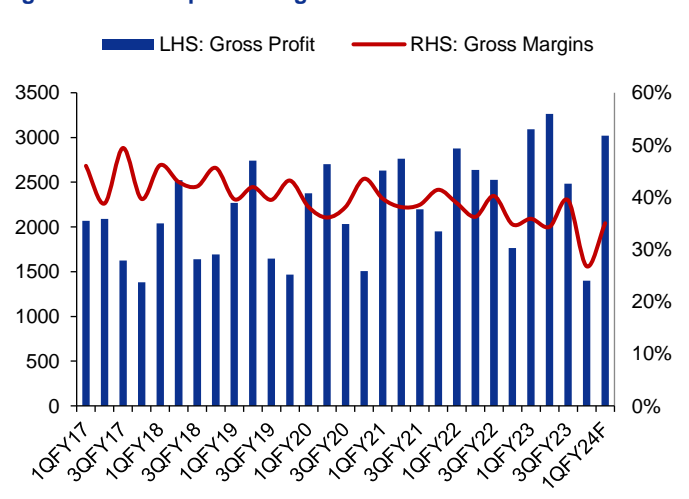
## Rallis India – delayed rains can play havoc; we expect EPS to decline YoY

Figure 43: Don't expect any revenue growth for the quarter



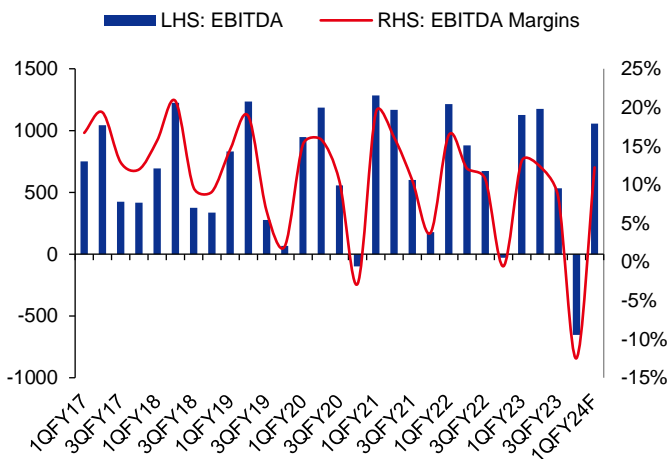
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 44: Gross profit margin to decline



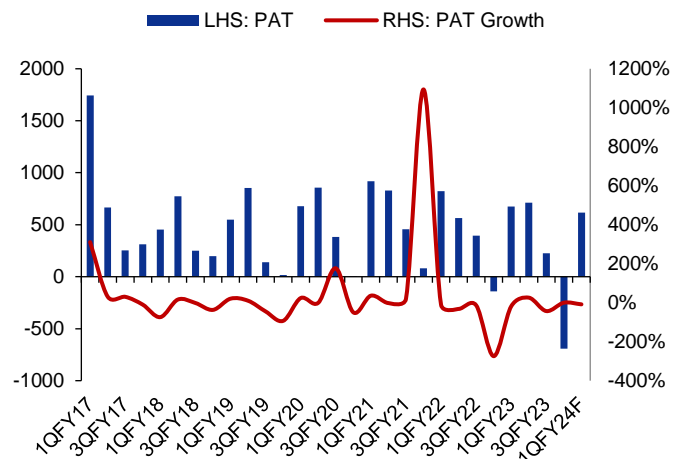
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 45: EBITDA margin likely to fall



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 46: We expect PAT to decline by 9% YoY



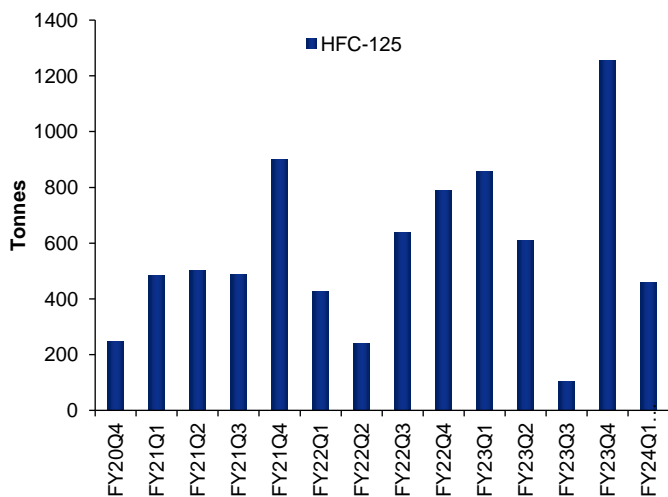
SOURCE: INCRED RESEARCH, COMPANY REPORTS

### SRF – the best is over as EPS to decline YoY and QoQ

#### R-125 volume and R- 410A prices have started to fall - a precursor to R-125 price decline

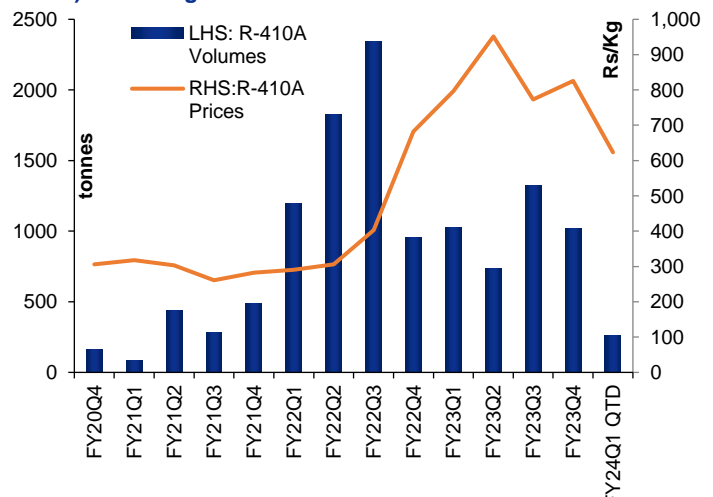
- R-410A is a mixture of two refrigerants: R-125 and R-32. The ratio of R-125 to R-32 in R-410A is typically 50:50.
- R-125 is not used on its own as a refrigerant. It is used as a mixture component to make R-410A and other refrigerants.
- We had written in detail about the big reduction in the CO2 quota in USA from the beginning of 2024. Please click for the report here: [IN: Chemicals - Overall - R-125 & R-134A bull run is closer to its end](#)

Figure 47: Decline in SRF's R-125 exports is significant...



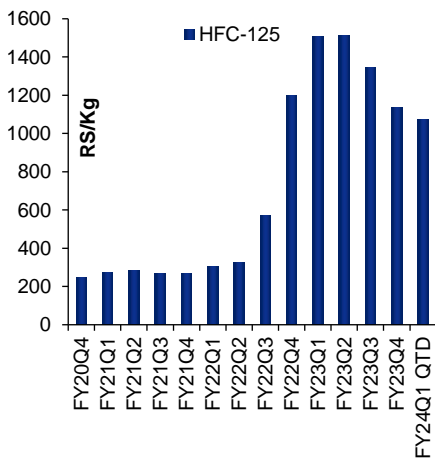
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 48: ...and price fall in R-410A (a precursor to price fall in R-125) is also significant



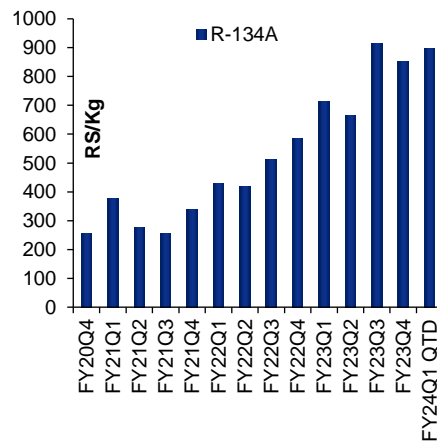
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 49: HFC-125 prices are down 30% YoY...



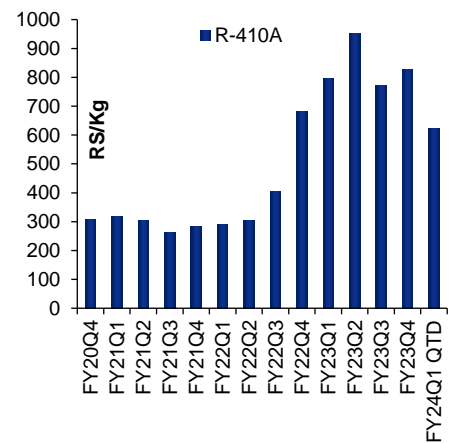
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 50: ...and R-134A prices are still a bit higher YoY...



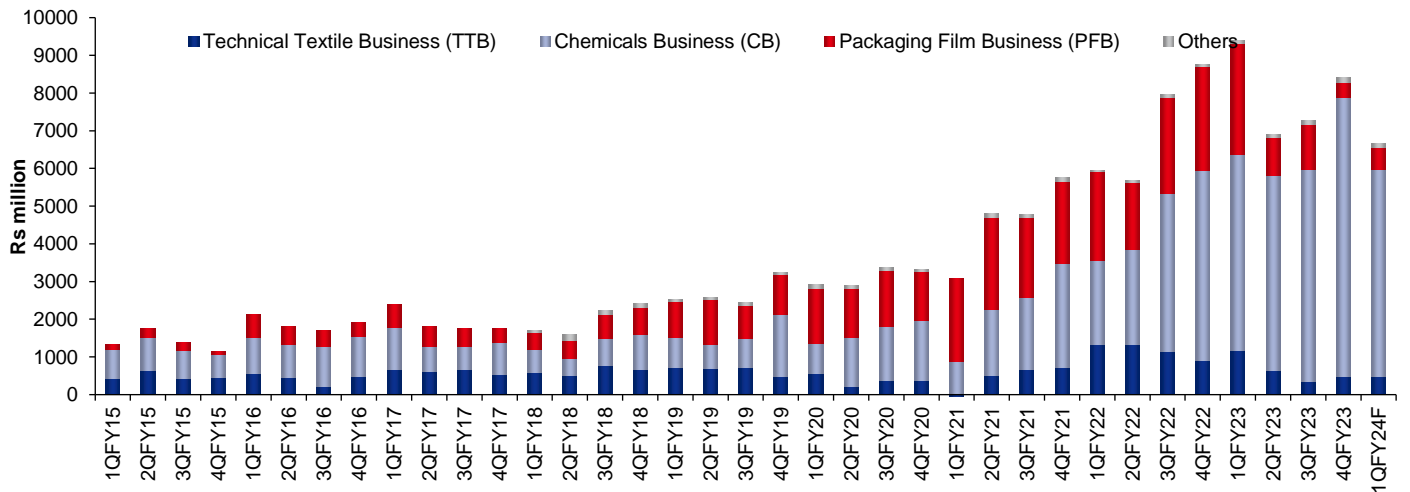
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 51: ...but R-410A prices are falling



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 52: Peak of chemical business is well behind us



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 53: We expect PAT to decline by 27% YoY and 21% QoQ

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Net Revenue	26,994	28,390	33,459	35,494	38,947	37,278	34,697	37,781	35,711	-8%	-5%
Total Cost of Goods Sold	13,317	14,301	16,414	16,637	18,578	19,529	16,944	18,884	18,213	-2%	-4%
Employee Benefit Expenses	1,820	1,777	2,068	2,135	1,942	1,953	2,102	2,142	2,142	10%	0%
Power & Fuel Expenses	2,318	2,638	3,002	3,398	4,103	3,737	3,443	3,440	3,440	-16%	0%
Other Expenses	2,895	3,130	3,496	3,958	4,126	4,007	3,723	3,719	3,719	-10%	0%
<b>Total Expenses</b>	<b>20,350</b>	<b>21,846</b>	<b>24,980</b>	<b>26,128</b>	<b>28,749</b>	<b>29,226</b>	<b>26,211</b>	<b>28,185</b>	<b>27,513</b>	<b>-4%</b>	<b>-2%</b>
<b>EBITDA</b>	<b>6,644</b>	<b>6,544</b>	<b>8,479</b>	<b>9,366</b>	<b>10,198</b>	<b>8,052</b>	<b>8,486</b>	<b>9,596</b>	<b>8,198</b>	<b>-20%</b>	<b>-15%</b>
Depreciation	1,230	1,303	1,324	1,316	1,307	1,393	1,507	1,546	1,546	18%	0%
EBIT	5,414	5,241	7,155	8,050	8,891	6,659	6,979	8,050	6,651	-25%	-17%
Other Income	138	111	107	72	99	327	100	223	223	127%	0%
Interest Expense	275	234	294	357	325	445	620	659	659	103%	0%
<b>Profit Before Tax</b>	<b>5,349</b>	<b>5,324</b>	<b>7,303</b>	<b>7,879</b>	<b>8,416</b>	<b>6,181</b>	<b>6,309</b>	<b>7,334</b>	<b>5,936</b>	<b>-29%</b>	<b>-19%</b>
<b>Total Tax Expenses</b>	<b>1,396</b>	<b>1,500</b>	<b>2,247</b>	<b>1,823</b>	<b>2,336</b>	<b>1,371</b>	<b>1,200</b>	<b>1,709</b>	<b>1,496</b>	<b>-36%</b>	<b>-12%</b>
<b>Profit After Tax</b>	<b>3,953</b>	<b>3,825</b>	<b>5,055</b>	<b>6,057</b>	<b>6,080</b>	<b>4,810</b>	<b>5,109</b>	<b>5,625</b>	<b>4,440</b>	<b>-27%</b>	<b>-21%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## UPL – cyclical bottom may form this quarter; PAT to remain flattish YoY and QoQ

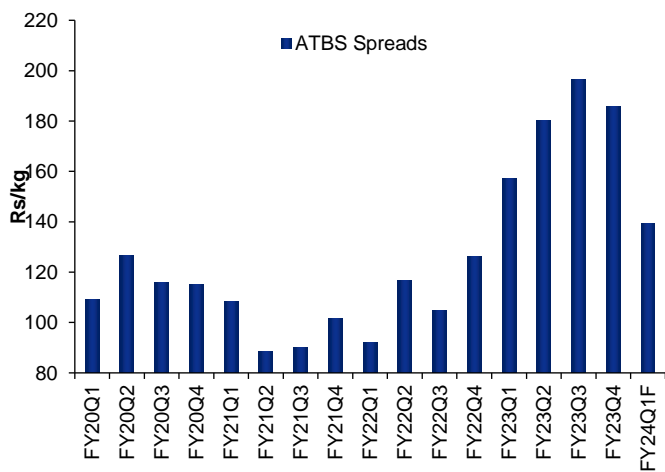
**Figure 54: We expect gross margin to expand QoQ but profit will dip YoY; having said that, the current quarter may indicate a cyclical bottom**

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YOY	QoQ
Net Revenue	85,150	1,05,670	1,12,970	1,58,610	1,08,210	1,25,070	1,36,790	1,65,690	1,19,031	10%	-28%
Total Cost of Goods Sold	37,030	52,210	51,540	79,940	46,640	57,810	64,540	98,210	57,135	23%	-42%
Employee Benefit Expenses	10,300	10,790	11,660	13,470	12,440	12,330	13,210	12,580	12,580	1%	0%
Other Expenses	19,190	22,220	23,120	29,280	25,700	27,250	28,700	24,750	24,750	-4%	0%
<b>Total Expenses</b>	<b>66,520</b>	<b>85,220</b>	<b>86,320</b>	<b>1,22,690</b>	<b>84,780</b>	<b>97,390</b>	<b>1,06,450</b>	<b>1,35,540</b>	<b>94,465</b>	11%	-30%
<b>EBITDA</b>	<b>18,630</b>	<b>20,450</b>	<b>26,650</b>	<b>35,920</b>	<b>23,430</b>	<b>27,680</b>	<b>30,340</b>	<b>30,150</b>	<b>24,566</b>	5%	-19%
Depreciation	5,510	5,660	6,000	6,420	5,880	6,080	6,240	7,270	7,270	24%	0%
EBIT	13,120	14,790	20,650	29,500	17,550	21,600	24,100	22,880	17,296	-1%	-24%
Other Income	480	470	700	1,160	730	780	1,150	2,110	2,110	189%	0%
Interest Expense	6,070	3,590	5,290	8,000	5,190	6,440	8,940	9,060	9,060	75%	0%
Exceptional Items	-1,520	-1,540	-2,740	-3,800	-2,750	-3,670	-1,700	-3,220			
<b>Profit Before Tax</b>	<b>6,010</b>	<b>10,130</b>	<b>13,320</b>	<b>18,860</b>	<b>10,340</b>	<b>12,270</b>	<b>14,610</b>	<b>12,710</b>	<b>10,346</b>	0%	-19%
<b>Total Tax Expenses</b>	<b>-1,520</b>	<b>2,490</b>	<b>1,670</b>	<b>2,650</b>	<b>590</b>	<b>2,310</b>	<b>1,350</b>	<b>3,110</b>	<b>2,607</b>	342%	-16%
<b>Profit After Tax</b>	<b>7,530</b>	<b>7,640</b>	<b>11,650</b>	<b>16,210</b>	<b>9,750</b>	<b>9,960</b>	<b>13,260</b>	<b>9,600</b>	<b>7,739</b>	-21%	-19%
Minority Interest	-720	-1,400	-2,430	-3,560	-1,280	-1,550	-2,730	-2,880	-1,045	-18%	-64%
Share of Associates	-40	100	140	1,140	300	-270	340	1,200	300	0%	-75%
<b>Consolidated Net Profit</b>	<b>6,770</b>	<b>6,340</b>	<b>9,360</b>	<b>13,790</b>	<b>8,770</b>	<b>8,140</b>	<b>10,870</b>	<b>7,920</b>	<b>6,994</b>	-20%	-12%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

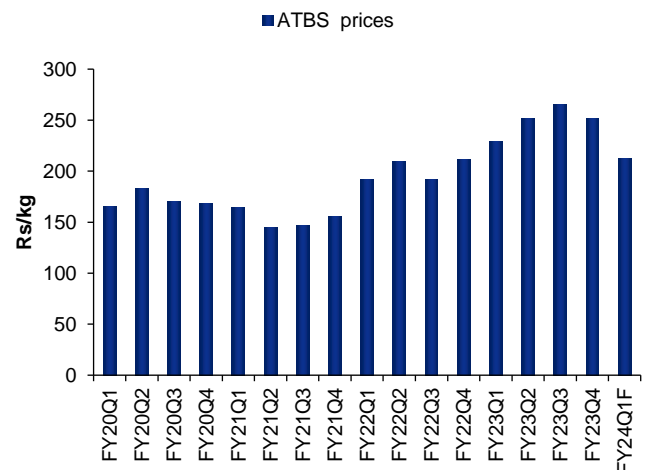
## Vinati Organics – flattish YoY profit growth likely

**Figure 55: ATBS spreads have fallen QoQ but are still up YoY**



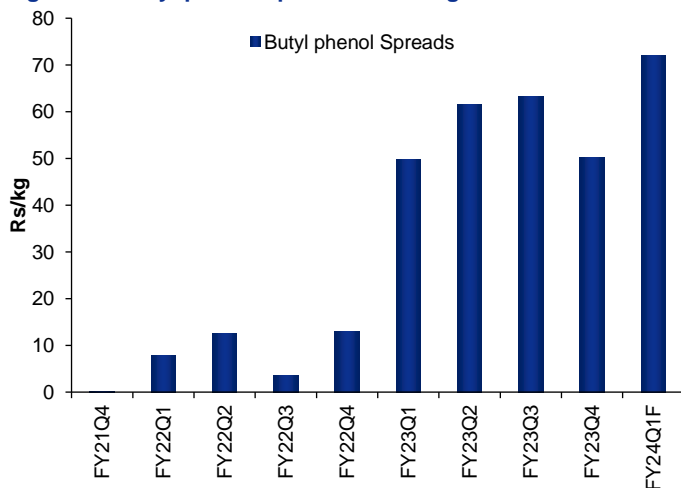
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 56: We have seen some decline in ATBS prices as well - the result of high supply chain stocks**



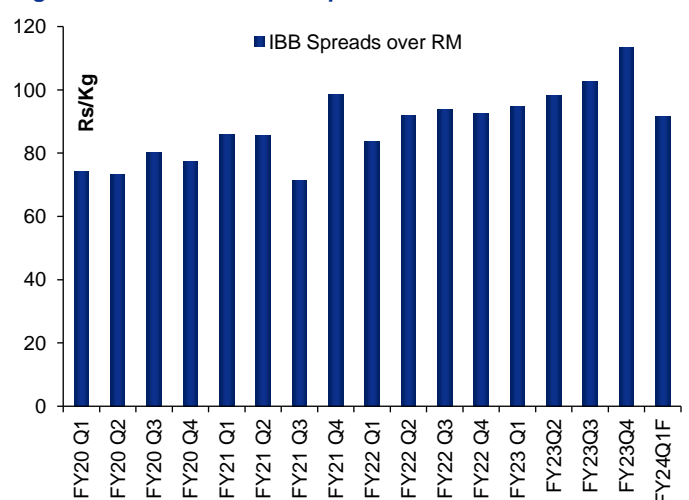
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 57: Butyl phenol spreads are doing fine...**



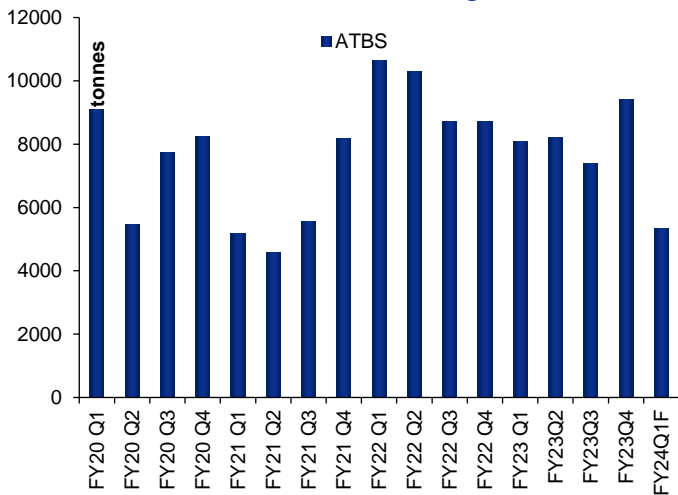
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 58: ...and so are IBB spreads**



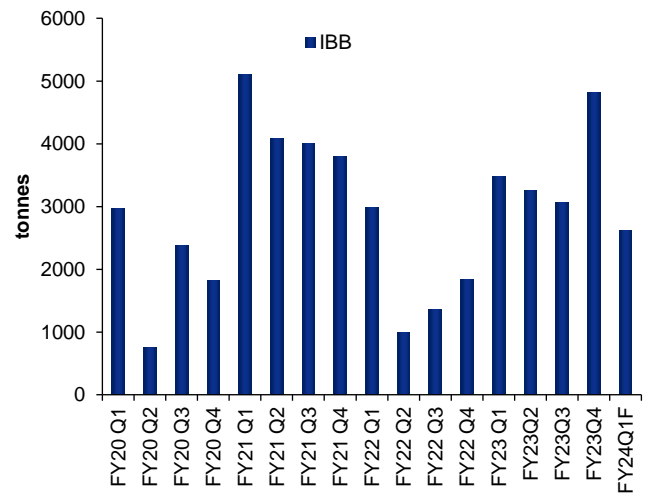
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 59: Decline in ATBS volume exports is a key worry as it will lower revenue and hence, EBITDA margin can decline**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 60: IBB export volume is also down**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 61: We expect flattish profit growth YoY**

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24F	YoY	QoQ
Net Revenue	2,798	3,864	3,741	3,690	4,861	5,063	5,663	5,087	5,034	4,810	-5%	-4%
Total Cost of Goods Sold	1,142	2,140	1,962	1,884	2,621	2,757	3,113	2,460	2,504	2,549	-8%	2%
Employee Benefit Expenses	177	209	212	215	205	232	231	241	228	228	-2%	0%
Other Expenses	488	500	557	663	647	765	833	748	779	750	-2%	-4%
<b>Total Expenses</b>	<b>1,806</b>	<b>2,849</b>	<b>2,731</b>	<b>2,762</b>	<b>3,473</b>	<b>3,754</b>	<b>4,178</b>	<b>3,449</b>	<b>3,511</b>	<b>3,527</b>	<b>-6%</b>	<b>0%</b>
<b>EBITDA</b>	<b>991</b>	<b>1,015</b>	<b>1,010</b>	<b>928</b>	<b>1,388</b>	<b>1,309</b>	<b>1,485</b>	<b>1,638</b>	<b>1,523</b>	<b>1,283</b>	<b>-2%</b>	<b>-16%</b>
Depreciation	107	110	113	115	117	128	130	130	130	130	2%	0%
EBIT	884	905	897	813	1,271	1,181	1,354	1,507	1,393	1,153	-2%	-17%
Other Income	66	176	136	146	151	187	200	168	170	170	-9%	0%
<b>Profit Before Tax</b>	<b>949</b>	<b>1,081</b>	<b>1,033</b>	<b>949</b>	<b>1,420</b>	<b>1,363</b>	<b>1,554</b>	<b>1,675</b>	<b>1,561</b>	<b>1,322</b>	<b>-3%</b>	<b>-15%</b>
<b>Total Tax Expenses</b>	<b>240</b>	<b>272</b>	<b>220</b>	<b>126</b>	<b>409</b>	<b>351</b>	<b>394</b>	<b>421</b>	<b>407</b>	<b>333</b>	<b>-5%</b>	<b>-18%</b>
<b>Profit After Tax</b>	<b>709</b>	<b>809</b>	<b>814</b>	<b>823</b>	<b>1,011</b>	<b>1,012</b>	<b>1,160</b>	<b>1,254</b>	<b>1,154</b>	<b>989</b>	<b>-2%</b>	<b>-14%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Coromandel International – seasonally strong quarter likely but growth can be a challenge

**Figure 62: We expect a 4.8% PAT growth and a 9% EBITDA growth**

	1QFY23	4QFY23	1QFY24F	YoY	QoQ
Revenue	57,291	54,758	61,874	8.0%	13.0%
EBITDA	6,854	4,032	7,471	9.0%	85.3%
PAT	4,976	2,630	5,213	4.8%	98.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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