



Archean  
Chemical  
Industries  
Limited

## Initiating Coverage Report





# Archean Chemical Industries Ltd.

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## Company Background

Archean Chemical Industries is a leading specialty marine chemical manufacturer in India focused on manufacturing and exporting bromine, industrial salt, and sulphate of potash to customers worldwide. Being India's largest exporter of bromine and industrial salt, Archean has a competitive edge in the global market due to its cost-efficient production of both products. The company sources its brine reserves from the Rann of Kutch, located on the Gujarat coast. It manufactures products at its state-of-the-art facility near Hajipir in Gujarat. It is strategically located on the northern edge of the Rann of Kutch brine fields and covers an area of approximately 240 sq. km. During 9MFY24, Sojitz Corporation (A Japanese trading conglomerate, largest customer and equity shareholder) contributed 31% of revenue. Its products are marketed to 38 global customers across 13 countries and 29 domestic customers. The company plans to add bromine derivative performance products to its range in the next few years, including flame retardants, clear brine fluids, and catalysts for PTA synthesis.

## Investment Thesis

### Bromine business to remain the key force to drive business

The company's strong market position is due to its relationship with global customers, established infrastructure and access to brine reserves at the Rann of Kutch. The restraint of bromine production in China due to the depletion of raw material resources and the relatively cheaper cost of bromine production in India has exponentially increased bromine exports from India over the past decade. Meanwhile, the bromine industry faces challenges due to recent tension in the Middle East. Archean is a beneficiary of the Israel-Hamas conflict as many global customers diversify their supplies outside Israel, which has increased interest in Archean's bromine export business.

### Capacity enhancement in industrial salt business to aid growth

Archean Chemical is India's largest producer of industrial salt, with a capacity of 3 million MT in 9MFY24. The company exported 100% of its industrial salt production benefits from its nearness to the captive Jakhau Jetty and Mundra Port, where it transports industrial salt to its customers globally. The company's customers located in Japan, South Korea and China, have one of the largest salt-works in one location worldwide. As demand for the Industrial salt business is primarily driven by chlorine in the Asian market, many players have expanded their production, chlorine usage, and downstream product capacities and do not see a challenge. We, thus, believe that the company will deliver strong growth in its industrial salt business as (1) The demand continues to remain robust in Japan and China due to the low cost of production, (2) Expands client base by adding new customers, and (3) Intends to expand manufacturing facilities.

### Expansion in bromine derivatives business to bear fruit in future

Archean Chemical has already established a strong footprint in bromine and is adding further bromine capacity to support the next leg of growth. The company plans to expand its product line into bromine derivative performance products, mainly brominated flame retardants, clear brine fluids and bromine catalysts used to synthesize pure terephthalic acid (PTA) and aims to reach 15% of total sales by FY25E. The estimated cost for setting up a new Randedi, Gujarat facility for bromine performance derivatives products is ~Rs. 2.520 million, funded through internal accruals. Archean Chemical increased bromine's capacity to 42,500 MTPA in January 2023 from 28,500 MTPA earlier. The increased bromine capacities will be used for captive consumption in the bromine derivatives plant, leading to expansion in its product portfolio.

## Valuation

Archean is the largest exporter of bromine and industrial salt in India and has amongst the lowest cost of production globally in both bromine and industrial salt. Being an export-oriented business with a strong client portfolio gives the company a competitive advantage over its peers. We expect Rev/EBITDA/PAT to grow at 17.2%/17.0%/23.9% CAGR over FY23–25E led by (1) leading market position and continuous expansion in bromine and industrial salt, (2) established infrastructure, and (3) high entry barriers in the specialty marine chemicals industry and attractive valuation. Thus, we expect Archean Chemical to generate stable revenues over the long term and is trading at a PE of 19.7x/13.3x on FY24e/25e EPS estimates. **We value the company at 17x FY25 EPS and arrive at a TP of Rs 812 per share, implying an upside of 23%. Thus, we initiate coverage on Archean Chemical Industries Ltd. and ascribe a BUY rating on the stock.**

## Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

## Sector Outlook

Positive

## Stock

CMP (Rs)	659
Target Price (Rs)	812
BSE code	543657
NSE Symbol	ACI
Bloomberg	ACI IN
Reuters	ARC.N.BO

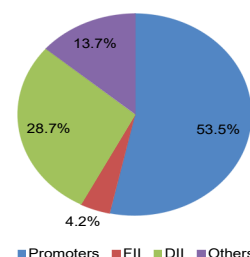
## Key Data

Nifty	22041
52 Week H/L (Rs.)	689 / 494
O/s Shares (Mn)	123
Market Cap (Bn)	81
Face Value (Rs.)	2

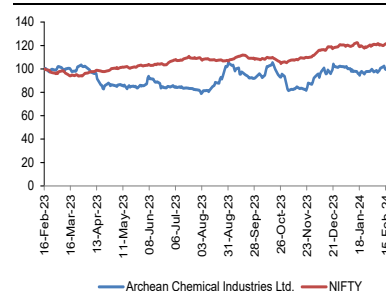
## Average volume

3 months	543,250
6 months	491,920
1 year	373,230

## Share Holding Pattern (%)



## Relative Price Chart



## Research Analyst

Prathamesh Masdekar

Prathamesh.masdekar@bpwealth.com  
022-61596158

# Archean Chemical Industries Ltd.

## Key Financials

YE March (Rs. Mn.)	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>7,408</b>	<b>11,304</b>	<b>14,411</b>	<b>15,950</b>	<b>19,787</b>
<i>Revenue Growth (Y-o-Y)</i>	21.8%	52.6%	27.5%	10.7%	24.1%
<b>EBITDA</b>	<b>2,622</b>	<b>4,672</b>	<b>6,340</b>	<b>5,791</b>	<b>8,681</b>
<i>EBITDA Growth (Y-o-Y)</i>	77.2%	78.1%	35.7%	-8.7%	49.9%
<b>Net Profit</b>	<b>666</b>	<b>1,882</b>	<b>3,826</b>	<b>3,951</b>	<b>5,877</b>
<i>Net Profit Growth (Y-o-Y)</i>	-283.9%	182.6%	103.3%	3.3%	48.8%
<b>Diluted EPS</b>	<b>6.91</b>	<b>19.54</b>	<b>31.09</b>	<b>32.11</b>	<b>47.76</b>

## Key Ratios

<b>EBITDA (%)</b>	<b>35.4%</b>	<b>41.3%</b>	<b>44.0%</b>	<b>36.3%</b>	<b>43.9%</b>
<b>NPM (%)</b>	<b>9.0%</b>	<b>16.6%</b>	<b>26.5%</b>	<b>24.8%</b>	<b>29.7%</b>
<b>RoE (%)</b>	<b>92.0%</b>	<b>71.8%</b>	<b>26.7%</b>	<b>21.6%</b>	<b>24.3%</b>
<b>RoCE (%)</b>	<b>23.7%</b>	<b>37.3%</b>	<b>41.9%</b>	<b>28.8%</b>	<b>32.7%</b>

## Valuation Ratios

<b>P/E (x)</b>	<b>91.7</b>	<b>32.5</b>	<b>20.4</b>	<b>19.7</b>	<b>13.3</b>
<b>EV/EBITDA</b>	<b>26.3</b>	<b>14.7</b>	<b>12.0</b>	<b>12.9</b>	<b>8.3</b>
<b>P/BV (x)</b>	<b>84.4</b>	<b>23.3</b>	<b>5.5</b>	<b>4.3</b>	<b>3.2</b>
<b>EBIT / Interest Expense</b>	<b>1.7</b>	<b>2.6</b>	<b>6.3</b>	<b>54.1</b>	<b>48.5</b>
<b>Debt to Equity</b>	<b>11.9</b>	<b>3.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: Company, BP Equities Research

# Archean Chemical Industries Ltd.

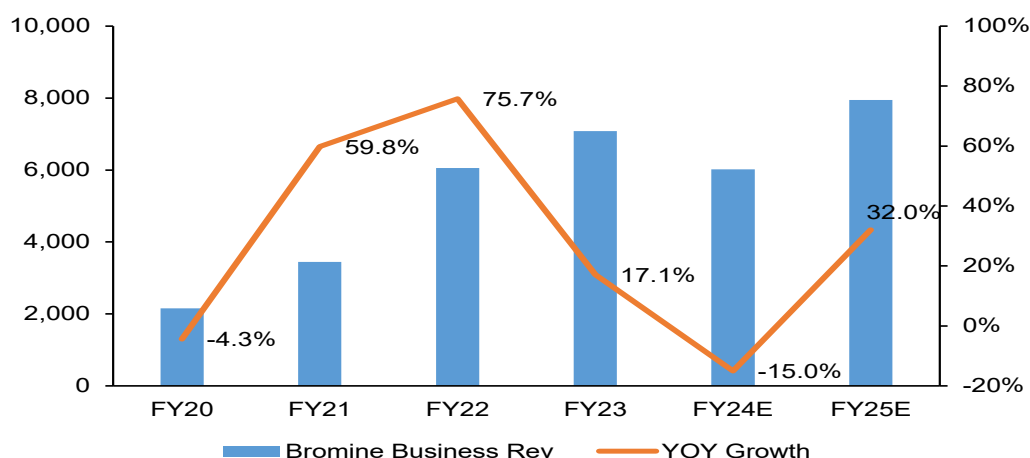
## Investment Rationale

### Leadership position in bromine business is a key growth enabler

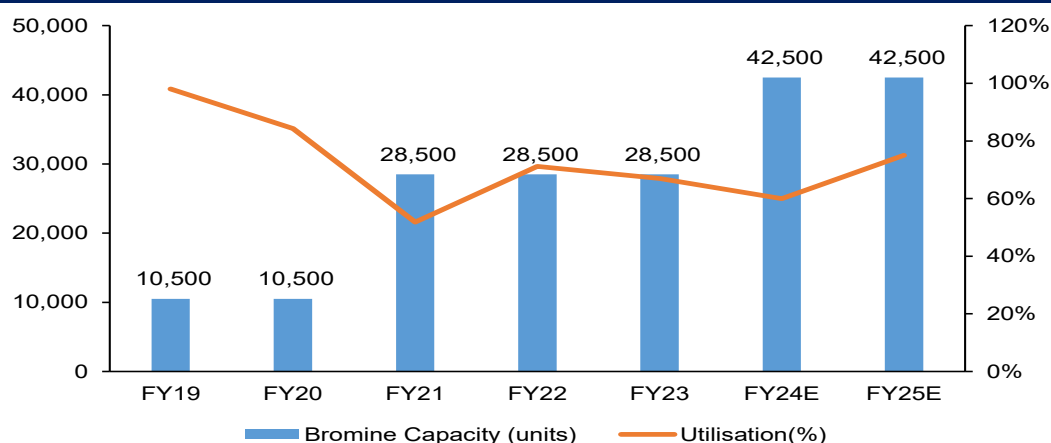
The company has been a market leader in specialty marine chemicals since 2013 and is also the largest exporter of bromine and industrial salt by volume, with the lowest cost of production across the globe. The company's strong market position is due to its relationship with global customers, established infrastructure and access to brine reserves at the Rann of Kutch. The restraint of bromine production in China due to the depletion of raw material resources and the relatively cheaper cost of bromine production in India has exponentially increased bromine exports from India over the past decade. Meanwhile, the bromine industry faces challenges due to recent tension in the Middle East. Archean is a beneficiary of the Israel-Hamas conflict as many global customers diversify their supplies outside Israel, which has increased interest in Archean's bromine export business. Currently, the company markets its products to 38 global customers in 13 countries and 29 domestic customers. Further, with the growing global presence, Archean Chemical plans to expand its product portfolio by introducing bromine derivative performance products over the next 1-2 years. These products are brominated flame retardants, clear brine fluids and bromine catalysts. The demand for bromine and bromine derivative performance products is expected to grow due to the rise in demand for flame retardants, increased consumption of oil well chemicals, and use of hydrogen bromide in flow batteries. Thus, we believe that the company has strong market position due to factors such as long-standing relationships with global customers, established infrastructure and access to the Rann of Kutch reserves and close connectivity to ports. These factors enable the company to manage the production process efficiently and deliver high-quality and timely products to customers. Further, the company's leadership position and low cost-production offer competitive advantages such as product pricing, economies of scale, and the ability to scale business, increase customer loyalty and expand client base. We expect these factors to enable Archean Chemical to deliver ~5.9% CAGR in its bromine business over the FY23-25E period.

***"Leadership position in Indian Bromine merchant sales"***

### Bromine Business to Continue Strong Momentum (Rs. Mn.)



### Bromine Utilization to Improve Due to Demand for Derivatives



Source: Company, BP Equities Research



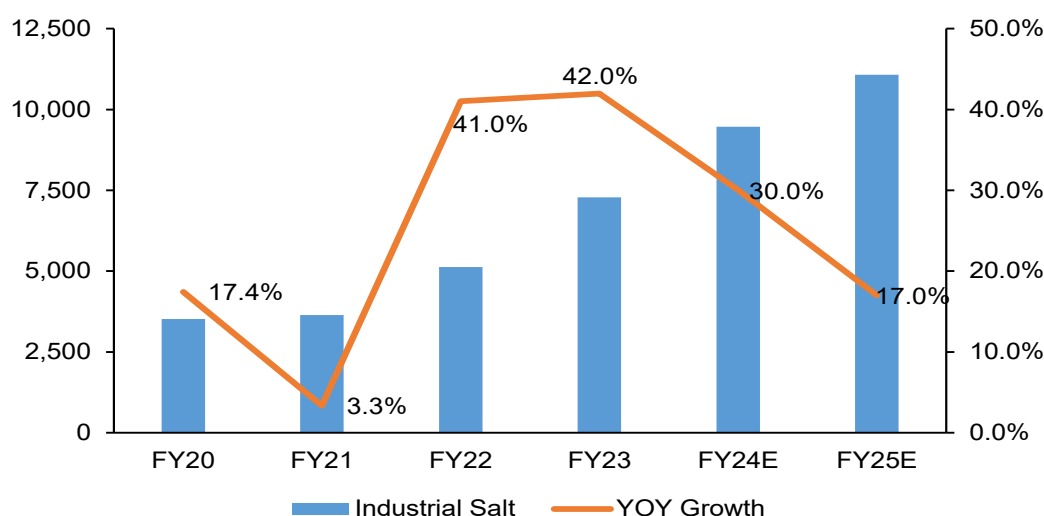
# Archean Chemical Industries Ltd.

## Multiple levers in the industrial salt business provide strong visibility

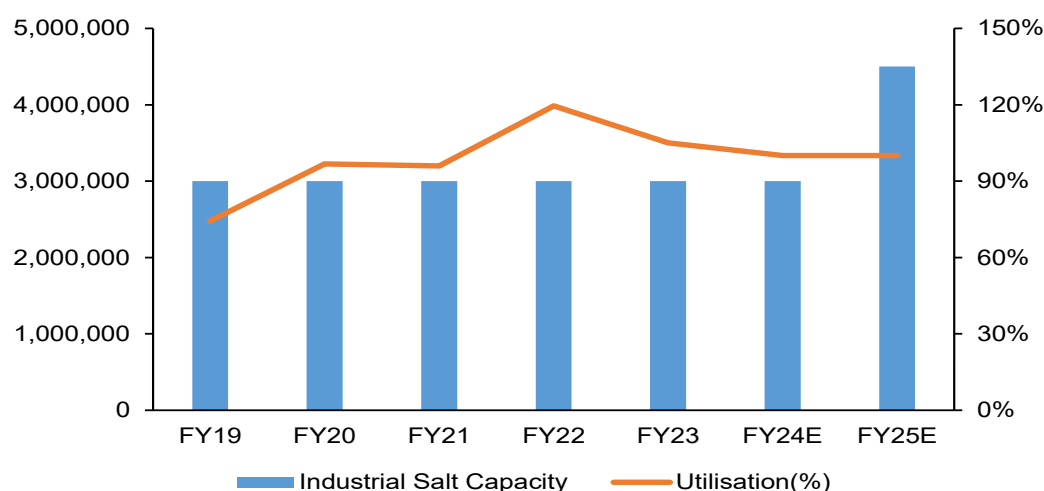
Archean Chemical is India's largest producer of industrial salt, with a capacity of 3 million MT in 9MFY24. Industrial salt has 14,000 commercial uses of salt, a source of sodium and chlorine, which are essential components of an array of materials, glass, synthetic rubber, cleansers, pesticides, paints, adhesives, fertilizers, explosives and metal coatings. The company exported 100% of its industrial salt production and benefits from its nearness to the captive Jakhau Jetty and Mundra Port, where it transports industrial salt to its customers globally. The company's customers located in Japan, South Korea and China have one of the largest saltworks in one location worldwide. The company's industrial salt-washing facility has three washeries, each with 200 tons/hour capacity. Sojitz Corporation (strategic partner) is the largest customer in industrial salt, with a committed offtake of ~2.2 million MTPA, which it subsequently distributes across Japan, South Korea and China. Sojitz accounted for more than 40% of industrial salt sales in 9MFY24 and is likely to continue relying on Sojitz Corporation. The company also has ongoing contracts with a few other customers, expanding the client base by adding new customers. Further, the company plans to expand the industrial salt production capacities. As demand for the industrial salt business is primarily driven by chlorine in the Asian market, many players have expanded their production, chlorine usage, and downstream product capacities and do not see a challenge. We, thus, believe that the company will deliver strong growth in its industrial salt business as (1) Demand continues to remain robust in Japan and China due to the low cost of production, (2) Expands its client base by adding new customers and (3) Intend to expand manufacturing facilities. We, thus, expect these factors to enable Archean Chemical to deliver ~23.3% CAGR in its industrial salt business over the FY23-25E period.

***"Largest exporter of Bromine and Industrial Salt in India"***

### Industrial Salt Business in Expansion Phase (Rs. Mn.)



### Industrial Salt Capacity Enhance and Utilization led by End-User Industries



Source: Company, BP Equities Research

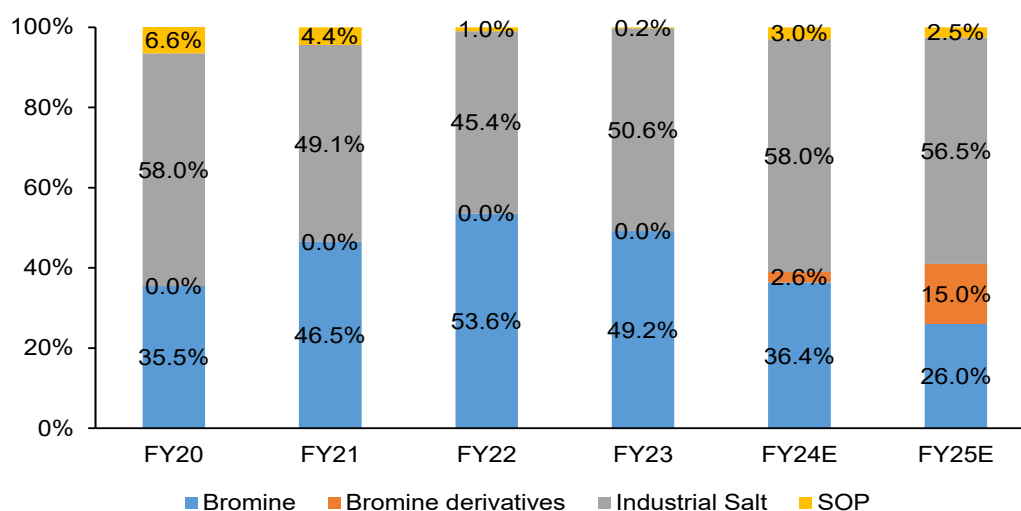
## Archean Chemical Industries Ltd.

### Thrust on downstream bromine derivatives to aid next leg of growth

Archean Chemical has already established a strong footprint in bromine and is adding further bromine capacity to support the next leg of growth. The company plans to expand its product line into bromine derivative performance products to reach 15% of total sales by FY25E, mainly brominated flame retardants, clear brine fluids and bromine catalysts used to synthesize pure terephthalic acid (PTA). (1) Brominated flame retardants are commonly used to prevent fire in electronics and electrical equipment, which accounts for more than 50% of their applications. The flame-retardant business proposed an installed capacity of 10,000 MTPA, which is likely to commence commercial operations by Q1FY25. Regarding the production of flame retardant, the company has collaborated with a Chinese technology provider to design, commission and operate the plant. Further, the company would benefit from EU countries' focus on implementing stringent fire safety regulations in the automotive, electronics, consumer goods, and textile industries. Apart from the EU, countries across the globe also follow different fire safety standards and regulations. These safety standards and regulations elevated the demand for flame retardants globally. (2) Bromine is also widely utilised in the oil and gas drilling industry as a clear brine fluid. Besides being a bromine derivative, the clear brine fluids are calcium bromide, zinc bromide, and sodium bromide fluids. Clear brine fluids proposed an installed capacity of 13,000 MTPA, which will commence commercial operations by Q4FY24. (3) Concerning pure terephthalic acid (PTA), bromide is used in producing PTA and is a vital source material for polyester production - the proposed installed capacity of 5,000 MTPA to commence commercial operations by Q4FY24. Most PTA is consumed in developing polyester resins, such as polyester films, polyester fiber, and yarn. With overall growth in economic affordability and the increase in adoption of polymers, PTA requirement is expected to increase with time. The estimated cost for setting up a new Randedi, Gujarat, facility for bromine performance derivatives products is Rs. 2,520 million, funded through internal accruals. Archean Chemical increased bromine's capacity to 42,500 MTPA in January 2023, from 28,500 MTPA earlier. The increased bromine capacities will be used for its captive consumption in the bromine derivatives plant, leading to expansion in its product portfolio.

**“Archean set up a new facility at Jhagadia, GIDC through Acume Chemicals Pvt. Ltd. (Subsidiary) to manufacture Bromine Performance Derivatives ”**

### Entry into Bromine Derivatives to Drive Business



### Capex Projects in Bromine Derivatives

Bromine derivatives	Capacity addition (MTPA)	Project completion
High-end flame retardant	10,000	Q1FY25
Clear brine fluids	13,000	Q4FY24
PTA	5,000	Q4FY24

Source: Company, BP Equities Research

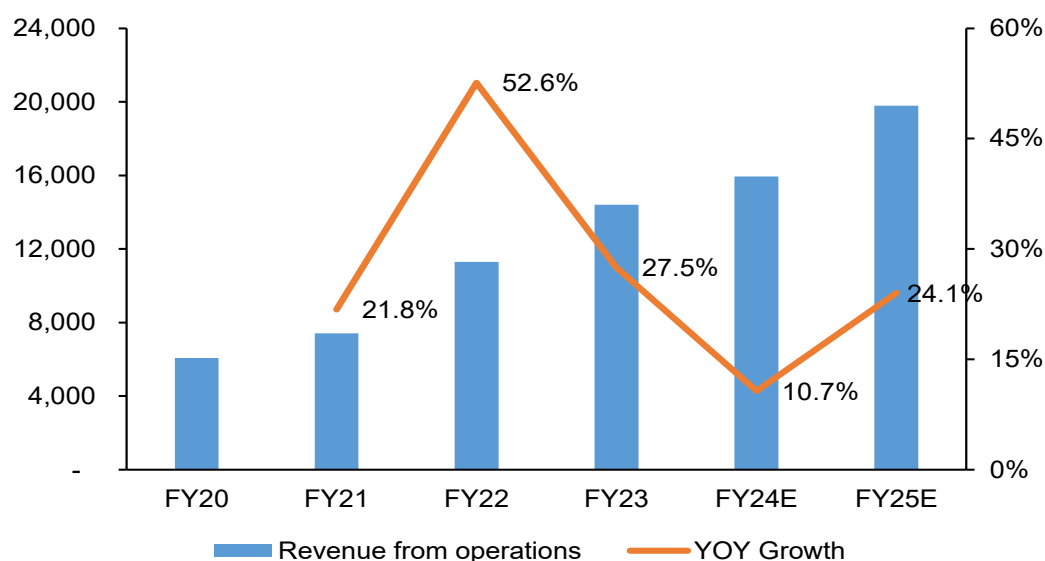
## Archean Chemical Industries Ltd.

### Robust business and industry tailwinds to aid financial performance

Archean Chemical Industries has registered a revenue CAGR of 33.3% between FY20-23, driven by a healthy ramp-up in operations, increased offtake from customers, higher capacity of bromine and industrial salt and growth in realizations, which has almost doubled over the past five years. Moderation of bromine production in China and the US due to the depletion of raw material resources, receding water levels in the Dead Sea and the relatively cheaper cost of bromine production in India has exponentially increased bromine exports from India over the past decade. Moreover, Archean greenfield expansion of bromine derivatives will increase its global footprint. The company benefitted from the bromine derivative expansion project; these derivative products will further diversify the revenue profile from FY25 onwards. We expect the company to complete bromine derivative expansion by the end of Q1FY25 by adding 28,000 Mtpa with a capex of Rs. 2,520 million. The company's cost structure and margin profile differ from those of a regular chemical manufacturing company. Archean has the lowest production cost globally in bromine and industrial salt and enjoys healthy operating efficiency with a profitability of over ~40% in FY23. On the ratio side, Archean's RoCE improved from 14.1% in FY20 to 46.4% in FY23, owing to a sharp margin improvement. However, the RoE ratio could be more meaningful due to the low capital base and turnaround in profitability. With the capacity expansion of bromine derivatives in greenfield projects to start gaining traction from FY25, we expect consistent return ratios going ahead. This will also help Archean cater to the growing demand of its existing clientele, explore new opportunities in derivatives product, and be ready for the expected demand from domestic and international markets.

***“Archean has strong earnings growth visibility across its products. The expected growth is primarily volume-driven aided by normalisation of commodity prices.”***

### Increased Revenue Contribution from all Product Verticals (Rs. Mn.)



Source: Company, BP Equities Research



## Archean Chemical Industries Ltd.

### High entry barriers in the specialty marine chemicals industry

The specialty marine chemicals industry in which the company operates has high entry barriers, which include high cost and complexity of product development, limited availability of raw materials necessary for production, limited number of locations with a suitable climate and access to reserves, lead time and expenditure required for research & development and building customer confidence. The bromine production is correlated to brine field availability, which is globally limited and has a long gestation period for commercial development. The company uses brine from its reservoirs, which provides a considerable cost advantage, given the nature of application of the company's products and processes involved, and measured against high-quality standards along with sensitive and complex product approval systems with strict impurity specifications. Further, the company's manufacturing processes involve manufacturing, storage and transporting various hazardous substances, including bromine and certain raw materials used in production that are highly corrosive, hazardous and toxic chemicals, and are required to obtain approvals from various authorities for storing dangerous substances. The company handles these chemicals with utmost ease and a high degree of technical skill and specialized expertise. Archean existing brine fields were established four to five years before commercial cultivation was possible. Accordingly, the development time of brine reservoirs creates an entry barrier to potential domestic competitors. We, thus, believe that the company will deliver strong growth in its high entry barrier marine business as Archean can sustain existing relationships with clients, the capacity to obtain raw materials at better prices, the skill to compete effectively, adhere to high quality and execution standards, ability to expand manufacturing capabilities and presence in India as well as globally.

***“Archean has proven to be a reputed producer with a track record of providing high quality products”***

### Q3FY24 Concall Highlights

(1) The company's bromine realization has been under pressure due to muted demand. Moreover, the recent conflict in the Middle East hasn't resulted in any supply disruption. The company expects the bromine price to remain at ~USD 2.7-2.9/kg as we advance. (2) Archean's bromine derivatives facility coming up in Jhagadia (Gujarat) is on track. The project is progressing as planned, and the company anticipates Phase 1 to start in Q4FY24, subject to obtaining the necessary clearance from the regulatory authority. The company commenced trial production in January, receiving great response from domestic and overseas customers. The Phase 2 of flame retardants project will start in Q1FY25. (3) The management indicated its target is to generate Rs. 2,000-3,000 mn of bromine derivatives revenue in FY25. (4) Archean acquired Oren Hydrocarbons Private Ltd. during the quarter. The company will be able to offer other specialized products for oil drilling beyond those CBR bromine derivatives. It will be able to expand its portfolio of products. (5) Archean has gained new clients for Sulphate of Potash (SOP) in the current quarter and achieved decent business. To increase the diversity of product profiles, the company continues to conduct several trials with domestic and overseas clients. (6) The company's industrial salt quarterly volume rate has remained at more than 1 million tons and is expected to continue at a stable run rate. There are limited players of this quality in the world, and Archean is one of the few producers able to deliver such large volumes. The derivative industry is witnessing the advent of new areas, especially in the Middle East, and geographical spread continues. Based on its strategic location, the company is well positioned to serve this ongoing growing global demand. (7) The company highlighted that bromine prices have decreased due to low demand from end-user industries.

# Archean Chemical Industries Ltd.

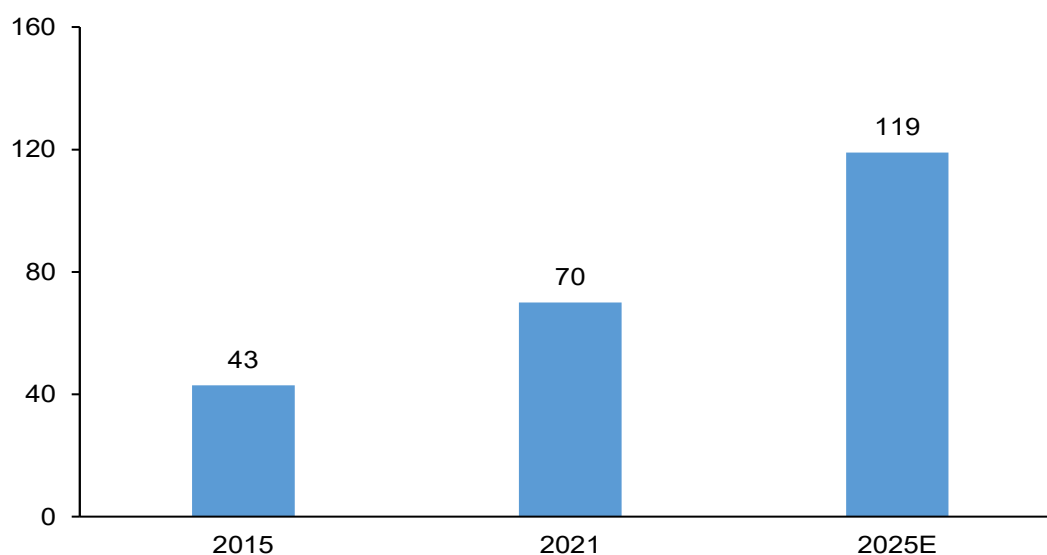
## Industry Overview

### Specialty Chemical Market Overview:

Over the past few years, the Indian chemicals industry has emerged as one of the key cogs of the entire manufacturing landscape in India. With more than 80,000 products for downstream industries like automotive, textiles, pharmaceuticals, personal care, construction & engineering, food production and processing, the significance of the chemical sector is growing by the day which stood at about USD 70 billion in 2021. With the Indian specialty chemical industry constituting about 18% of the global chemical industry, it is likely to grow at a faster pace than the overall chemical industry in India going forward.

In India, the specialty chemicals industry is driven by both domestic consumption and exports. With the geopolitical shift after the outbreak of Covid-19 as the world looks to reduce its dependence on China and move their supply chains elsewhere, India's specialty chemical companies are gaining favour with global MNCs. According to Frost & Sullivan, China currently accounts for ~15-17% of the world's exportable specialty chemicals, whereas India accounts for merely 1-2%. This opens up a large opportunity for India and companies operating in these segments are likely to benefit from the shift in dynamics at the global level. The "Make in India" drive of the government is also anticipated to add impetus to the emergence of India as a manufacturing hub for the chemicals industry in the medium term. We believe that companies operating in the specialty chemical space in India have a bright future going forward due to their focus on complex chemistries and aim to become "proprietary chemical producers", strong R&D skillset, in-house innovative processes and benefits accrued due to the economies of scale achieved by the country.

### Indian Specialty Chemical Market (USD Bn)



Source: FICCI, Indian Specialty Chemicals Industry Report

It is to be noted that the specialty chemical market has a large number of unorganised players. However, the size of the unorganised market in specialty chemicals industry is inversely related to the level of R&D and innovation required. Due to this, many sub-segments have smaller share of unorganised players such as agrochemicals, nutraceuticals, flavours & fragrances and construction chemicals. Archean Chemical is present in such sub-segments where there are high barriers to entry and it stands to benefit in the long run. While the overall specialty chemicals market in India is highly attractive, certain segments such as agrochemicals, F&F and nutraceutical ingredients, dyes & pigments, and personal care chemical are particularly attractive. We believe that the companies supplying specialty chemicals to the pharma and agrochemical industries are expected to show higher performance as compared to specialty chemical companies serving other industries. This is primarily due to the expected steady growth in pharma and agrochemicals segments, differentiated business models of the specialty companies, higher levels of product customisation offered along with stringent regulations in the end-user industries creating high entry barriers for competitors.

# Archean Chemical Industries Ltd.

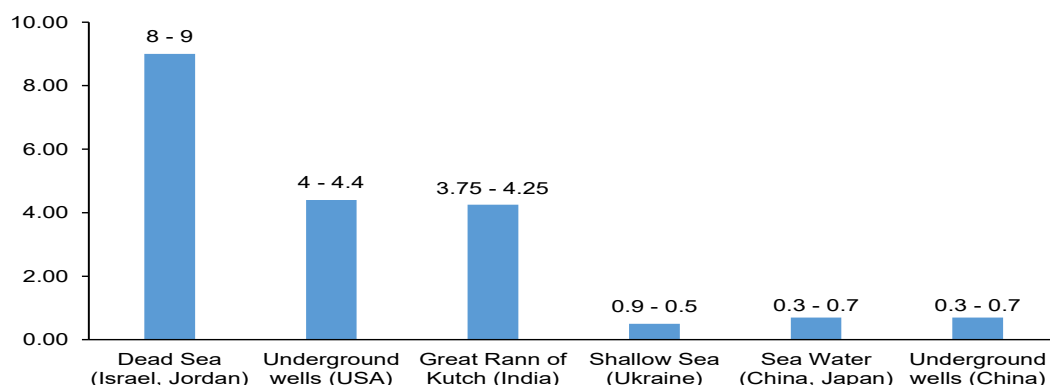
## Introduction of Bromine

Bromine is a naturally occurring element. The most recoverable form of bromine is from soluble salts in seawater, salt lakes, inland seas and brine wells. Bromine is produced from brine after separating most sodium chloride and potash. Bromine in much higher concentration is found in inland seas and brine wells. Much of the bromine and brominated compounds are manufactured at the Dead Sea in Israel, Jordan, and the US. It is widely used as a reactant and catalyst for manufacturing various products, such as agrochemicals, biocides, water disinfectants, pharmaceutical intermediates, dyes, completion fluids, flame retardants, and photographic chemicals. Bromine finds applications in chemicals, rubbers, plastics, agrochemicals, oil and gas, pharmaceuticals, electronics, textiles and other industries. The global bromine market can be segmented into applications such as flame retardants, clear brine fluids, biocides, brominated organic intermediates, fungicides, etc.

## Production Cost of Bromine

The typical cost of production of elemental bromine is USD\$500-600/t for Israel and Jordan, USD\$800 - 1,000/t for Arkansas, USD\$900-1,100/t for India, USD\$1,500-1,700/t for China and >USD\$2,500/t for Japan. Considering the lower cost of production, Israel and Jordan have high production capacities and are market leaders in bromine production.

## Global Natural Resources by Bromine Concentration (in ppm)

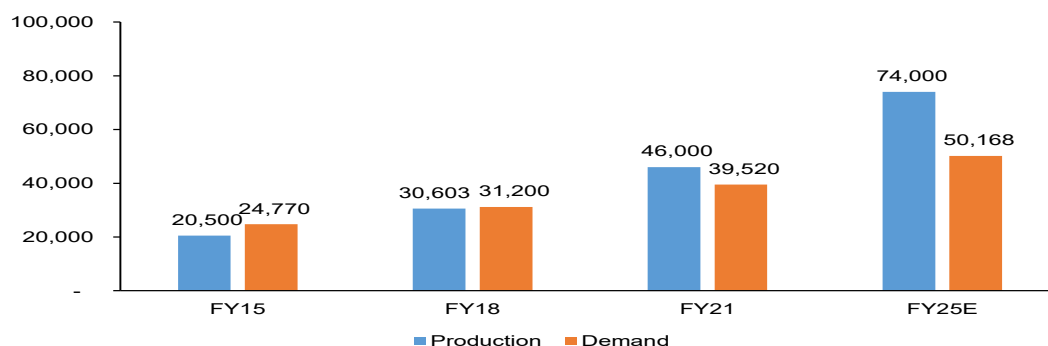


Source: F&S, BP Equities Research

## Indian Bromine Market

India's bromine production is from Bittern and produced from the underground brine mainly concentrated towards the western state of Gujarat. According to the F&S Report, with abundant resources, India's bromine capacity has developed rapidly, from 20Ktpa in 2008 to 60Ktpa in 2020. Bromine production in India ramped from 20.5Ktpa in FY15 to 46Ktpa in FY21 (estimated) - out of which approximately 13.5Ktpa was used for captive consumption. As demand for bromine in India exceeds its production volume, a portion of the bromine demand is met by imports. Imports have been from nations like Jordan (53%), Israel (41%), and the United States (4%). On the other hand, bromine has been exported by India at higher prices than bromine imported in India. According to the F&S Report, most bromine (~95%) was exported to China and other nations like the Russian Federation, Ukraine, United Kingdom and Vietnam.

## India Bromine Volumes, in MT



Source: F&S, BP Equities Research

## Archean Chemical Industries Ltd.

### Key players in the Indian Bromine industry

Sea bittern obtained in Kutch has very good bromine content and can be used for manufacturing. The most crucial factor to consider is bromine concentration in brine for a plant to operate profitably. The area for feed is limited to Rann of Kutch, which is a 200km x 200km 7-metre-deep sponge with 40% porosity. BSF permission is essential to access the sponge. All the existing players have taken up the most feasible area available in the region. Accordingly, for any new plant, the availability of rich raw materials is a concern.

### Bromine Capacity & Production Landscape in India

Key Manufacturers	Location	Approved Annual Capacity	Actual Production in FY21
Archean Chemical Industries Ltd.	Hajipir, Gujarat	42.5 KT	14 KT
Satyesh Brine Chem	Hajipir, Gujarat	25 KT	3 KT
Solaris ChemTech Industries Ltd.	Khavda, Gujarat	23 KT	18 KT
Agrocel Industries Pvt. Ltd.	Greater Rann of Kutch, Gujarat	10 KT	7 KT
Nirma Limited	Bhavnagar, Gujarat	3 KT	2 KT
Tata Chemicals Ltd.	Mithapur, Gujarat	2.4 KT	1 KT
Dev Salt Private Ltd.	Morbi district, Gujarat	2.5 KT	1 KT

Source: F&S Report, BP Equities Research

### Bromine end-user applications

#### Flame retardants

Bromine is commonly used in flame retardants due to its high atomic mass and general versatility across various applications and polymers. Over 70 different brominated flame retardants (BFR) have other properties. BFRs prevent fires in electronics and electrical equipment, accounting for over 50% of their applications. In addition, BFRs are used in wire and cable compounds and other building materials, such as insulation foams. EU countries are focused on implementing stringent fire safety regulations in the automotive, electronics, consumer goods, and textile industries. Apart from the EU, countries across the globe also follow different fire safety standards and regulations. Therefore, manufacturers of automobiles, electronics, consumer goods, and textiles need to meet the fire safety regulations of the respective countries. These safety standards and regulations have raised the demand for flame retardants globally.

#### Clear brine fluids

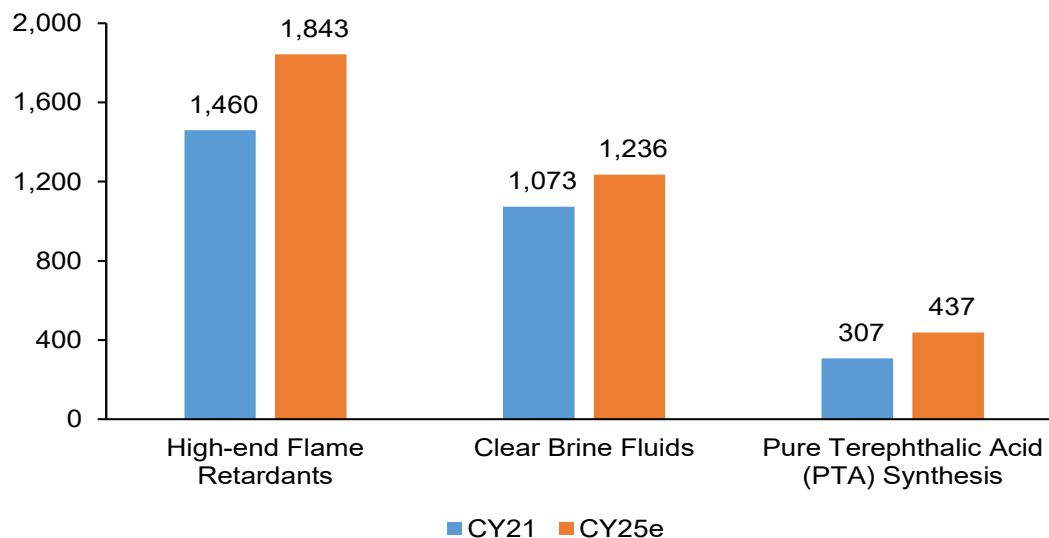
Bromine is used as a clear brine fluids in oil and gas drilling. Besides being a bromine derivative, clear brine fluids are calcium bromide, zinc bromide, and sodium bromide fluids. Clear brine fluids is a chemical compound used with additives in healthy completion operations to free the solids from brines. These fluids are extensively used in the oil and gas well-drilling industry to reduce the likelihood of damage to the well bore and productive zone. Brine fluids have high density, thus preventing the migration of fluids between underground formations through the well bore.

#### Pure Terephthalic Acid (PTA)

Bromine is used in the production of pure terephthalic acid (PTA). PTA is an important source material for the production of polyester. Most PTA is consumed in developing polyester resins, such as polyester films, polyester fiber and yarn, and PET material bottles. PTA is also used as an intermediate in the manufacturing of liquid crystal polymers, plasticizers, polybutylene terephthalate, and others (that include cyclohexane dimethanol, terephthaloyl chloride, polytrimethylene terephthalate, and copolyester ether elastomers). Polyesters manufactured using PTA are used in various industries, such as textiles and packaging. With overall economic affordability growth and the adoption of polymers, PTA requirement is expected to increase with time.

## Archean Chemical Industries Ltd.

### Global Demand for Bromine Derivative (USD in Mn.)

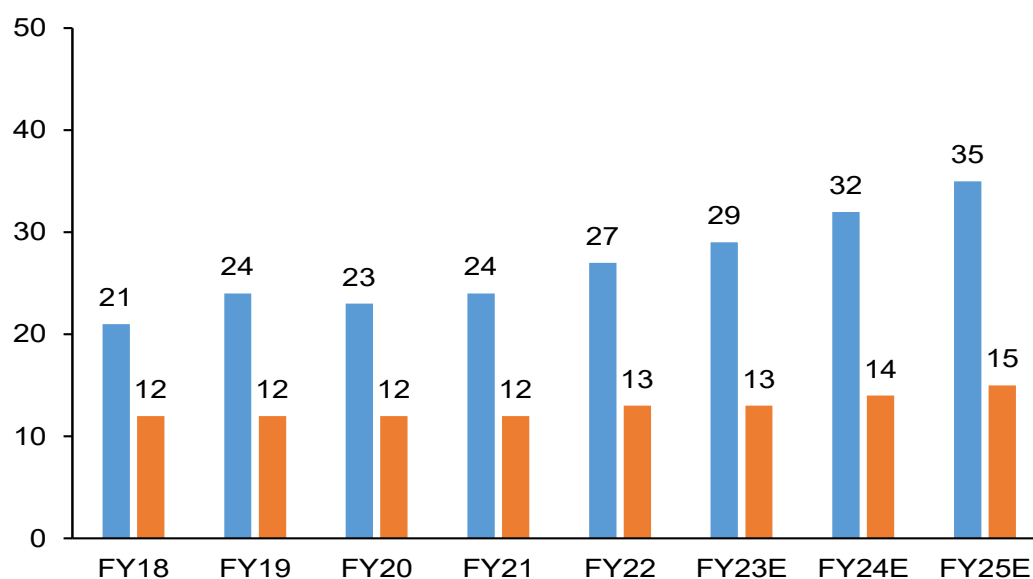


Source: F&S Report, BP Equities Research

### Industrial Salt

ACIL is the leading and largest industrial salt exporter in India by volume. The company has well developed and integrated scale salt works in Gujarat, India, and enjoys a cost advantage as the facilities are close to the port. While there are umpteen small traders and exporters from India, only a few top exporters from India have export volumes over 1 million MT. Oil & gas, chemical processing, water treatment and de-icing applications can segment the industrial salt industry. The chemical processing segment is anticipated to hold the largest share of the industrial salt market due to its growing demand for soda ash, chlorine and caustic soda production. Chloralkali production accounts for the world's largest consumption of salt. Chloralkali products such as chlorine, caustic soda, and soda ash play a vital role in the chemical industry. These products are used in different applications such as plastics, alumina, paper & pulp, and diverse end-user industries.

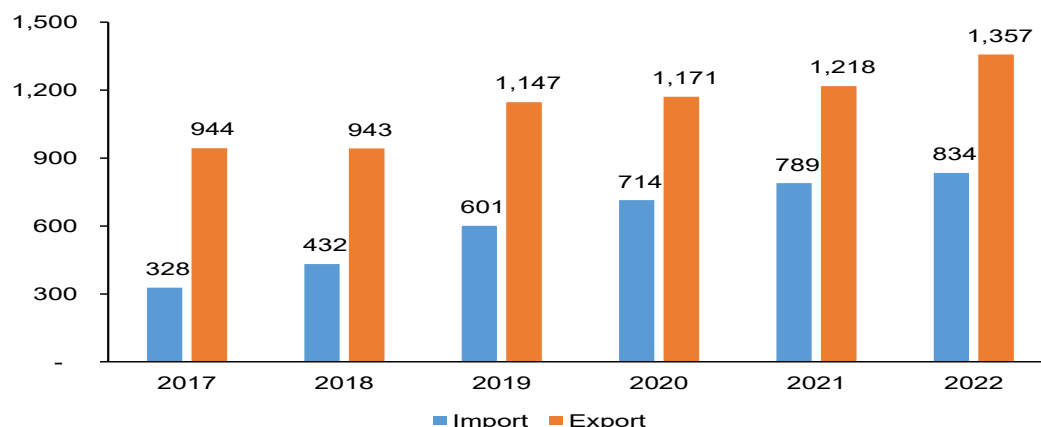
### India Industrial Salt Market (Mn. MT), FY18 to FY25E



Source: F&S Report, BP Equities Research

## Archean Chemical Industries Ltd.

### Prices of Industrial Salt, Rs. / MT



Source: F&S Report, BP Equities Research

### Key players in India for industrial salt

According to the F&S Report, ACIL is the leading and largest industrial salt exporter in India by volume. The company has well developed and integrated scale salt works in Gujarat in India and enjoys cost advantage as facilities' have proximity to port. While there are umpteen small traders and exporters from India, only few top exporters from India having export volumes over 1 million MT.

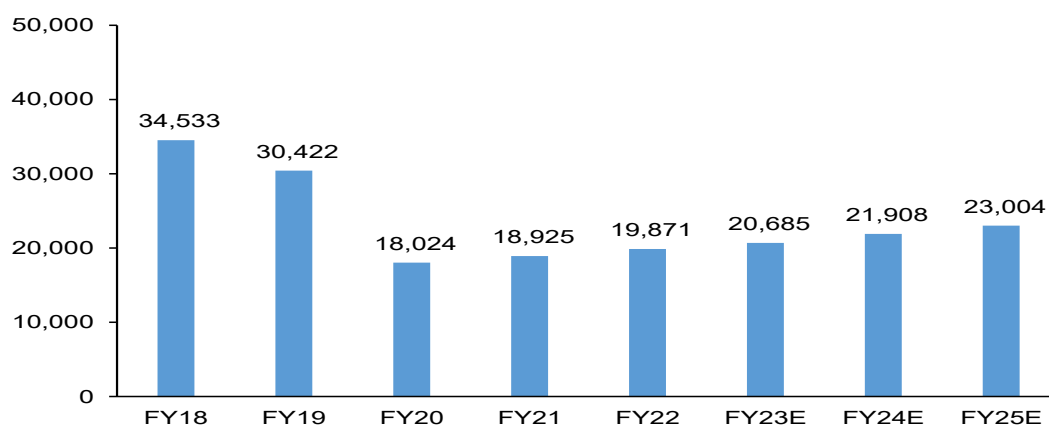
Company	Export in FY23 (Mn MT)
Archean Chemical Industries Ltd.	3.75
The Kutch Salt And Allied Industries Ltd.	~2.50

Source: BP Equities Research

### Sulphate of Potash (SOP)

Sulphate of Potash is predominately produced from sea brine in India. Archean Chemical Industries is India's only large-scale producer of fertilizer grade water soluble sulphate of potash. SOP is manufactured using three methodologies wherein production through brine is a non-chemical process and produces green SOP. Archean Chemical produces SOP through brine, which has a low cost of production and is green (no chemical process is involved). Globally, only 15% of SOP is produced through the brine route, and the majority is by the Mannheim process, which consists of converting MOP (muriate of potash) into SOP in the presence of sulphuric acid. The cost of production of SOP is lowest for brine-based production. Archean Chemical Industries Ltd. is among the top three cost-competitive producers globally.

### India Sulphate of Potash Export (MT), FY18-FY25E



Source: F&S Report, BP Equities Research



# Archean Chemical Industries Ltd.

## Business Overview

Archean Chemical Industries is a leading Specialty Marine Chemical manufacturer in India focused on manufacturing and exporting bromine, industrial salt, and sulphate of potash to customers worldwide. Being India's largest exporter of bromine and industrial salt, Archean has a competitive edge in the global market due to its cost-efficient production of both products. The company sources its brine reserves from the Rann of Kutch, located on the Gujarat coast. It manufactures its products at its state-of-the-art facility near Hajipir in Gujarat. Bromine constituted 32%, and industrial salt 65% of sales in 9MFY24, with the remaining coming from SOP. The company's integrated production facility in Hajipir, Gujarat, is a crucial component of its operations, facilitating the production of bromine, industrial salt, and sulfate of potash. It is strategically located on the northern edge of the Rann of Kutch brine fields and covers an area of approximately 240 sq. km. Archean has an installed capacity of 28,500 MT per annum of bromine, 3,000,000 MT per annum of industrial salt, and 130,000 MT per annum of sulfate of potash. Proximity to the Jakhau Jetty and Mundra Port allows the company to transport its products to international customers easily. During 9MFY24, Sojitz Corporation (a Japanese trading conglomerate, largest customer and equity shareholder) contributed 31% of sales. Furthermore, the company's top 10 customers contributed to 70% of revenue. Its products are marketed to 38 global customers across 13 countries and 29 domestic customers. The company plans to add bromine derivatives performance products to its range in the next few years, including flame retardants, clear brine fluids, and catalysts for PTA synthesis. These are used in electronics, cables, rubber, textiles, etc.

## Key Products

### Bromine:

Bromine is recovered from soluble salts in seawater, salt lakes, inland seas and brine wells. It is produced from brine after most sodium chloride and potash are separated. Archean is a market leader in Indian bromine merchant sales and the largest exporter of bromine from India. Bromine and bromine-based products are used in a broad range of end-use industries and have applications in pharmaceuticals, fumigants and agrochemicals, water treatment, mercury control, flame retardants, additives and oil & gas segments of the chemical industry.

### Industrial Salt:

Industrial salt is in high demand due to the diversity of applications in the oil and gas, chlor-alkali, and de-icing chemical industries. The company is the largest exporter of industrial salt in India. Industrial salt is the principal material in chlorine and caustic soda production (together, known as chloralkali) and is widely used in the chemical and food and beverage industries. Chlorine finds end-uses in vinyl, phosgene, chloromethanes, chlorinated, water treatment, bleach, and other organic and inorganic chemical materials. Caustic soda finds end-uses in alumina, paper and pulp, soap and detergents, textiles, water treatment, bleach, and other organic and inorganic chemical materials.

### Sulphate of Potash (SOP):

Sulphate of potash, also known as potassium sulphate, is a high-end, specialty fertilizer for chlorine sensitive crops. Archean is India's only manufacturer of sulphate potash from natural sea brine. SOP is significant in agriculture, providing both potassium and sulphur in soluble forms. This stimulates the growth of strong stems and provides disease resistance to crops and plants by promoting the thickness of the outer cell walls.

## Archean Chemical Industries Ltd.

### Archean Chemical Product Profile

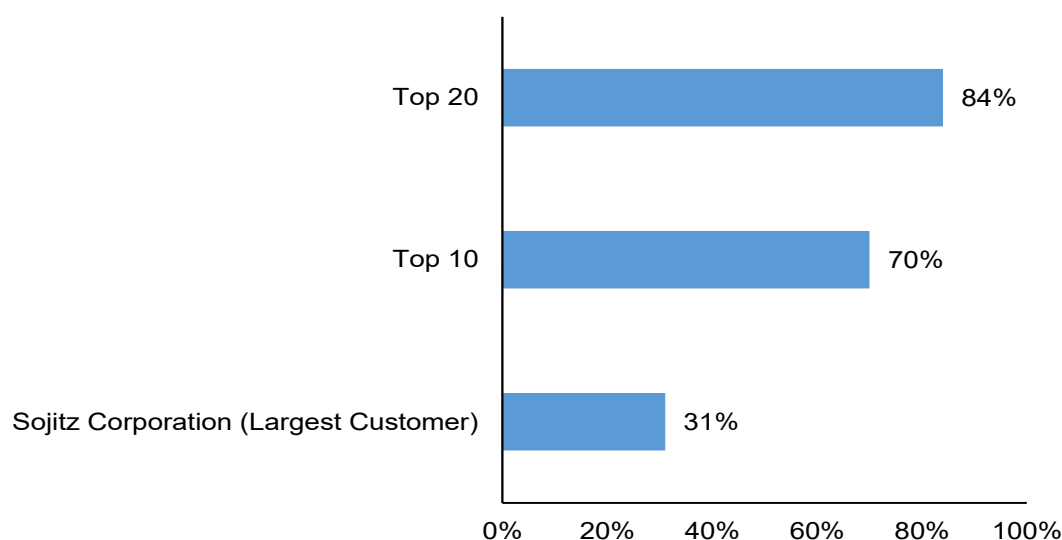
Particulars	Archean's Position	Total % of Sales (FY23)	End-users	Export Business % (FY23)
Bromine	Leadership position in Indian Bromine merchant sales	49.2%	Pharmaceuticals, Agrochemicals, Flame Retardants & Water Treatment	48%
Industrial Salt	Produced using the solar evaporation method	50.6%	Chloralkali Chemicals, Food & Beverage, Water Treatment and Oil & Gas	100%
Sulphate of Potash (SOP)	Only manufacturer of SOP from natural sea brine in India	0.2%	Agrochemicals, Various industries including glass, cosmetics etc.	70%

Source: BP Equities Research

### Enduring customer relationships helped to expand product offerings and geographic reach

Archean Chemical Industries' products are sold to 38 global customers across 13 countries and also to 29 domestic customers. The company's long-term relationships and ongoing active engagements with customers also allow it to plan its capital expenditure, and enhance the ability to benefit from increasing economies of scale with stronger purchasing power for raw materials and a lower cost base. The company enjoys relationships of over five years with seven out of the top 10 customers. Its customers include leading domestic and international MNCs such as Sojitz Corporation, Shandong Tianyi Chemical Corporation, Unibrom Corporation, Wanhau Chemicals and Qatar Vinyl Company Limited.

#### Client Concentration of Archean Chemical



Source: BP Equities Research

# Archean Chemical Industries Ltd.

## Raw Materials

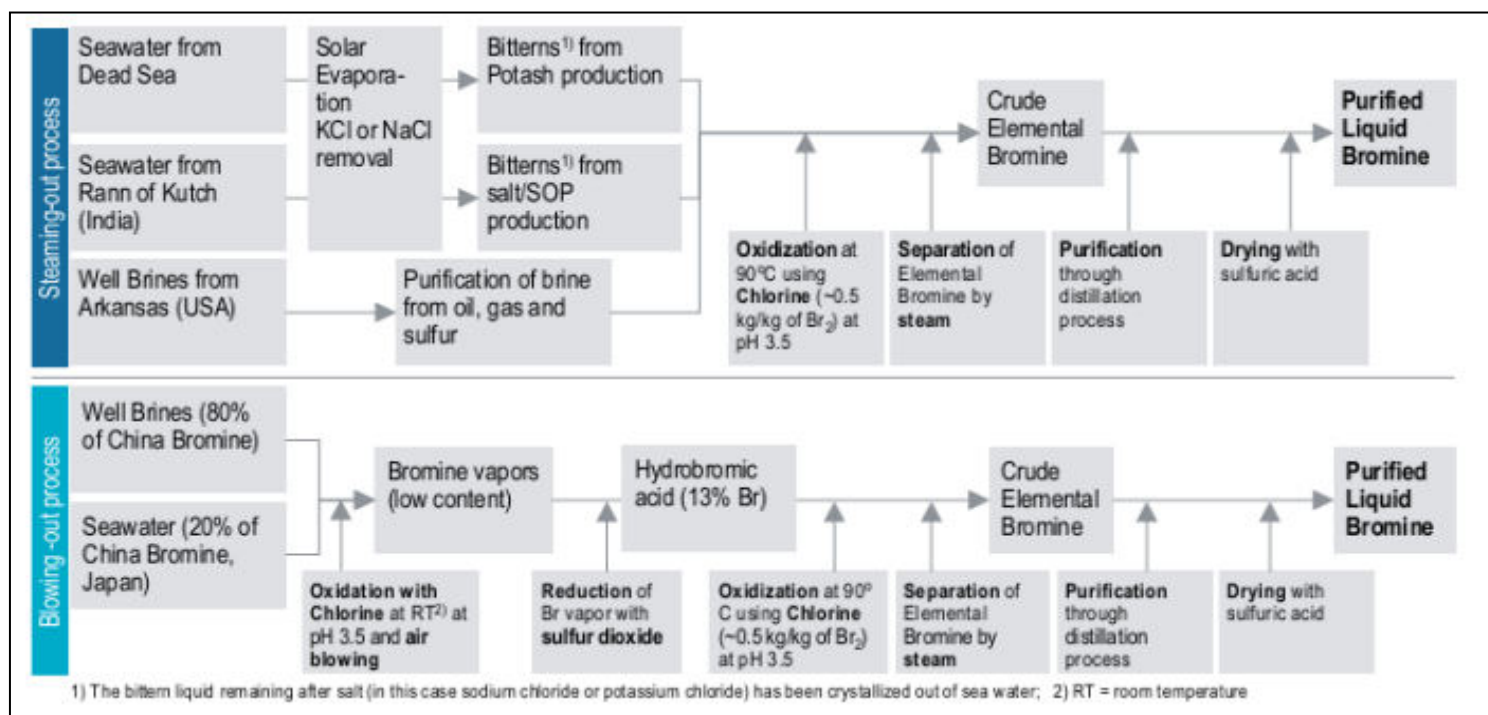
Major raw materials for Archean Chemical Industries process plant come from its brine field, which include industrial salt, kainite and end bittern. Other raw materials are primarily sourced from third party suppliers in India. The company sources most of its raw materials from domestic suppliers located within 500 km from its manufacturing facility. Major raw materials include brine, chlorine, sulphuric acid, sulphur, lime, caustic soda, coal, water and castor oil. The prices of most raw materials are based on or linked to international prices. The company does not usually enter into long-term supply contracts with any of its raw material suppliers and typically sources raw materials from third-party suppliers under shorter contracts; or purchases them from the open market.

Products	FY19		FY20		FY21		FY22		FY23	
	Capacity	Utilized	Capacity	Utilized	Capacity	Utilized	Capacity	Utilized	Capacity	Utilized
Bromine	10.5	98.0%	10.5	84.3%	28.5	51.8%	28.5	71.2%	28.5	67.0%
Industrial Salt	3,000	74.3%	3,000	96.8%	3,000	96.0%	3,000	119.5%	3,600	105.0%
Sulphate of Potash	130	10.1%	130	14.7%	130	1.5%	130	1.9%	130	2.0%

Source: BP Equities Research

## Manufacturing Process for Bromine

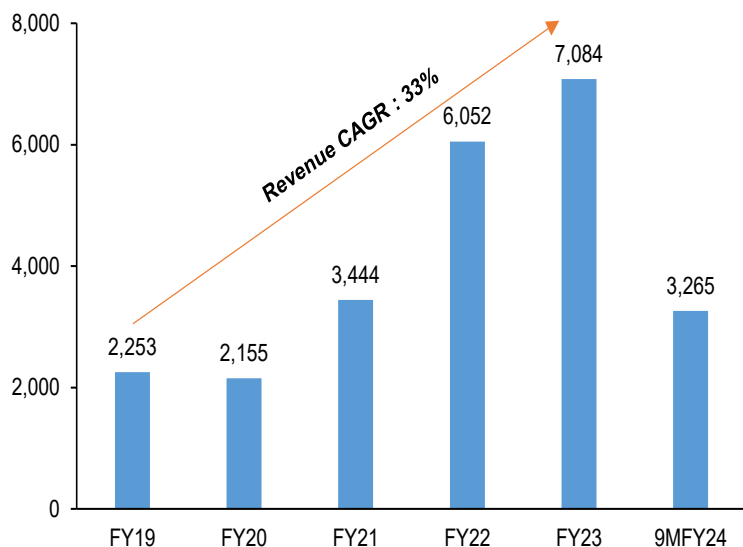
The company has an integrated production facility for manufacturing bromine, industrial salt, and sulphate of potash, at Hajipir - located at the northern edge of the Rann of Kutch brine fields. The manufacturing unit, salt fields and brine reservoirs/channels in the vicinity of unit stretch around 35 kms. Archean produces liquid bromine with specifications of < 30 ppm of moisture. There are generally two processes for bromine production: (i) The steaming-out process and (ii) The blowing-out process. The type of process utilized is largely dependent on access to brine and the feedstock grade. The steaming-out process typically requires a minimum feedstock of more than two grams of bromine/litre of brine and is less energy intensive, while the blowing-out process may use a lower feedstock grade as air is used for blowing out the bromine.



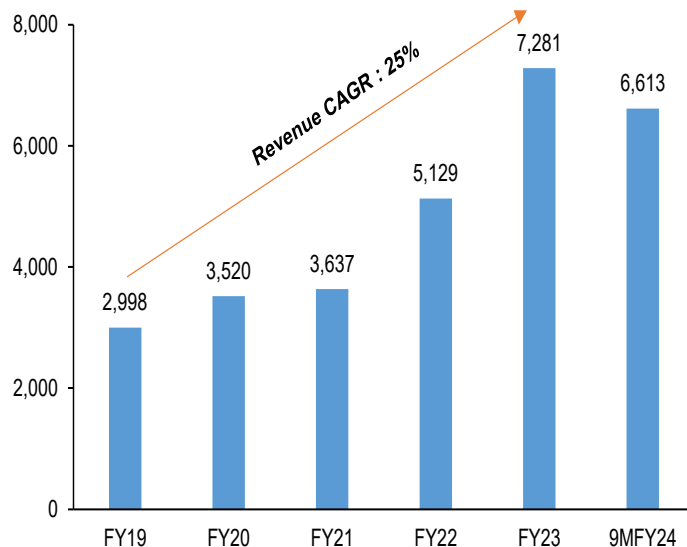
Source: Company, BP Equities Research

# Archean Chemical Industries Ltd.

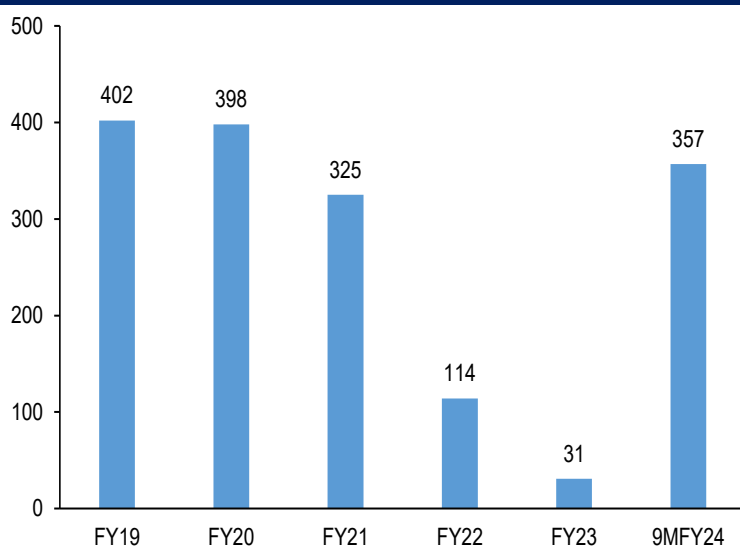
## Bromine Business Revenue Trend (Rs. Mn.)



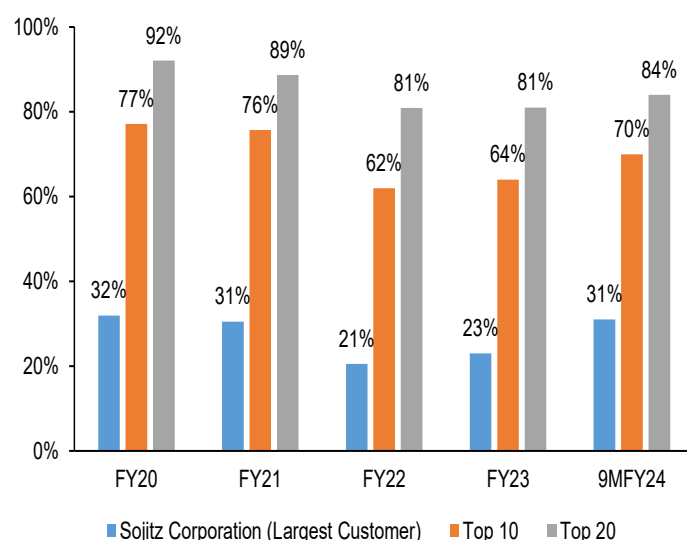
## Industrial Salt Business Revenue Trend (Rs. Mn.)



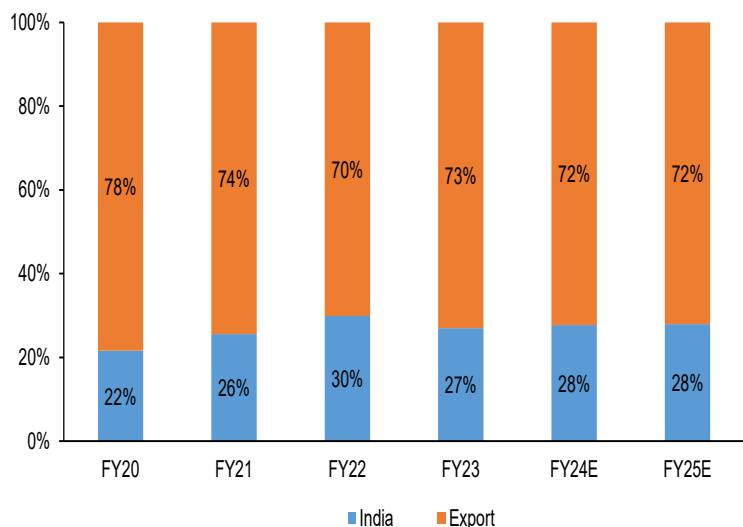
## SOP Business Revenue Trend (Rs. Mn.)



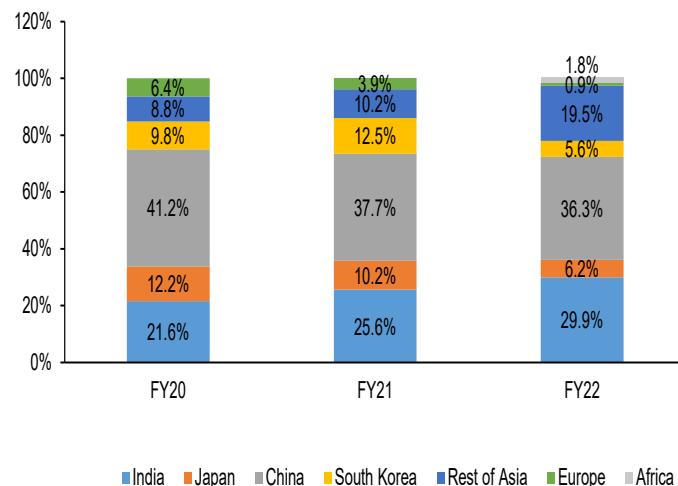
## Strong Client Concentration, in Terms of Revenue



## Domestic and Export Sales Contribution



## % wise Geographical Sales



Source: Company, BP Equities Research

# Archean Chemical Industries Ltd.

## Board of Directors

Name	Designation	Details
Ranjit Pendurthi	Managing Director	He has been associated with the company since incorporation. He holds a degree of Master of Business Administration from University of Chicago, Illinois, USA. He has 21 years of experience in the chemical business.
Ravi Pendurthi	Non-Executive Director	He holds a degree of Bachelor of Science (business administration with a concentration in management) from Monmouth University, New Jersey. He has 14 years of experience in the chemical industry. He has been previously associated with Jakhau Salt Company Private Limited and Bharath Salt Refineries Limited.
Subrahmanyam Meenakshisundaram	Non-Executive Director	He has been associated with the company since incorporation. He is admitted as an associate and fellow of the Institute of Chartered Accountants of India and holds a degree of Bachelor of Commerce from University of Madras. He has approximately four decades of experience in accounting, finance and tax. He was previously associated with Muljibhai Madhvani & Co. Limited, Chemplast Sanmar Limited, Electronics Corporation of India Limited and Mohan Breweries and Distilleries Limited.
Padma Chandrasekaran	Independent Director	She holds a post graduate diploma in business administration from Indian Institute of Management, Ahmedabad, a degree of Bachelor of Science from University of Calcutta and a degree of Master of Business Administration with prime emphasis in telecommunication from University of San Francisco. She has several years of experience in various fields such as information technology and financial services. She is associated with various companies, including PNB Metlife India Insurance Company Limited, Adani Capital Private Limited and SKYFI Education Labs Private Limited.
Chittoor Ghatambu Sethuram	Independent Director	He holds a post graduate diploma in business administration from Indian Institute of Management, Ahmedabad and a degree of Bachelor of Technology in chemical engineering from Regional Engineering College, Jawaharlal Nehru Technology University, Andhra Pradesh. He has over three decades of experience in chemical industry. He has been associated with Polyolefins Industries Limited, Sanmar Speciality Chemicals Limited, Pidilite Industries Limited and Thirumalai Chemicals Limited
Kandheri Munaswamy Mohandass	Independent Director	He is admitted as an associate and fellow of the Institute of Chartered Accountants of India and holds a degree of bachelor of science from University of Madras. He is also entitled to practice as chartered accountant by the Institute of Chartered Accountants of India. He has over four decades of experience in audit, tax, project finance, corporate restructuring and corporate laws advisory. He is a senior partner of M/s. K.M. Mohandass and Co, Chartered Accountants. He is also a Director on Aptus Value Housing Finance India Limited (an entity listed on BSE and NSE).

## Key Milestones

2011	Strategic investment of approximately Rs. 225.05 million by Sojitz Corporation.
2013	Commence Industrial Salt operations and export to Japan and South Korea.
2014	Commence production of Bromine and export to China.
2015	Commence production of SOP and export to Belgium.
2018	Strategic investment by India Resurgence Fund, with NCDs aggregating to Rs. 8,400 million.
2021	Expansion of installed Bromine capacity to 28,500 MT and commenced exports to Qatar.
2022	IPO - Company Raised Rs. 805 Cr via Fresh Issue.
2023	Incorporated a wholly-owned subsidiary namely "Acume Chemicals Pvt. Ltd."

Source: BP Equities Research

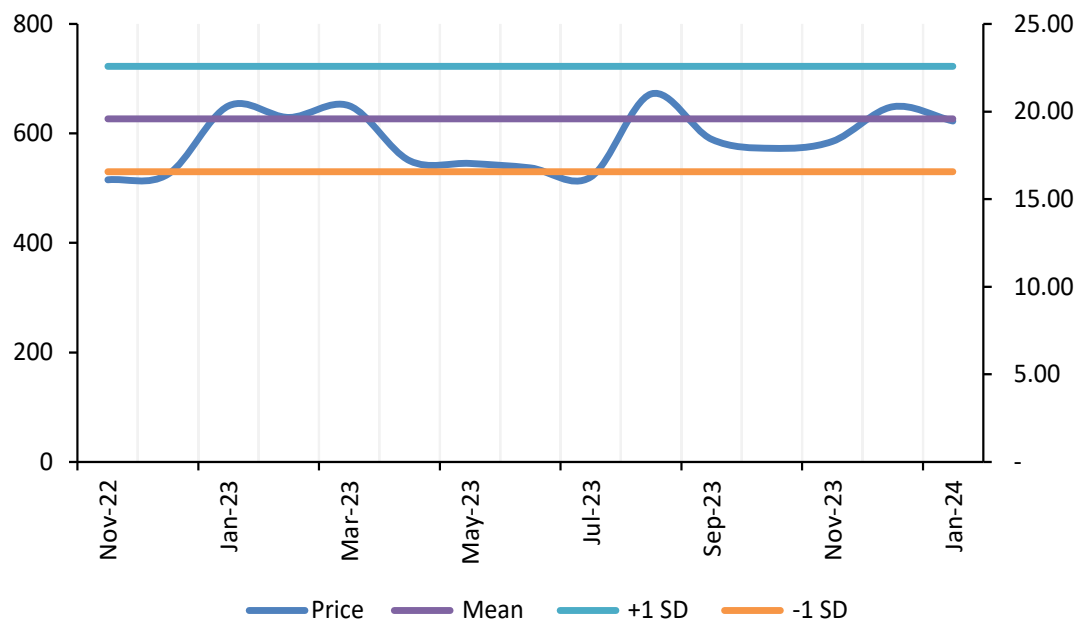
## Archean Chemical Industries Ltd.

### Valuation & Outlook:

Archean is the largest exporter of bromine and industrial salt in India and has amongst the lowest cost of production globally in both bromine and industrial salt. The company's cost structures and margin profile are significantly different from those of a regular chemical manufacturing company and have amongst the lowest production costs globally in both bromine and industrial salt. Being an export-oriented business with a strong client portfolio gives the company a competitive advantage over its peers. It also has an established infrastructure, and integrated production at one of the largest salt works at a single location. The company's manufacturing facility is also located near ports through which it caters to international clients, helping the company reduce its logistics and storage costs. The company has strong market position to factor in long-standing relationships with global customers, established infrastructure and access to the Rann of Kutch reserves and close connectivity to ports, thereby allowing it to manage the production process efficiently and deliver high-quality and timely products to its customers. Further, Archean is undergoing continuous expansion in bromine, and industrial salt is likely to clock a superior ROCE of 30.7% and ROE of 23.8% by FY25E. Given high-entry barriers into bromine and the longer business gestation period, Archean Chemical is sweetly positioned and deserves a valuation premium to its peers.

We expect Rev/EBITDA/PAT to grow at 17.2%/17.0%/23.9% CAGR over FY22-25E led by (1) leading market position and continuous expansion in bromine and industrial salt, (2) established infrastructure, (3) consistent financial performance, (4) diversification into bromine derivatives, (5) high entry barriers in the specialty marine chemicals industry, and (6) attractive valuation. Thus, we expect Archean Chemical to generate stable revenues over the long term and is trading at a P/E of 20.5x/13.8x on FY24e/25e EPS estimates. **We value the company at 17x FY25e EPS and arrive at a TP of Rs. 812 per share, implying an upside of 23%. Thus, we initiate coverage on Archean Chemical and ascribe a BUY rating on the stock.**

### One-Year Forward PE Band



Source: BP Equities Research



# Archean Chemical Industries Ltd.

## Peer Comparison

Companies	Market Cap (Rs. Mn.)	P/E (x)			EV/EBITDA (x)			ROE		
		FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Archean Chemical Industries Ltd.	81,320	21.2	20.5	13.8	12.4	13.4	8.6	26.7%	21.6%	24.3%
<b>Peers</b>										
Tata Chemicals Ltd.	247,680	14.3	15.8	16.1	8.8	9.0	9.4	12.2%	8.8%	7.9%
Deepak Nitrite Ltd.	313,660	40.6	39.0	28.8	27.1	25.4	18.8	22.9%	18.8%	21.2%
Aarti Industries Ltd.	251,720	53.7	61.4	36.6	27.7	26.8	18.8	11.5%	11.8%	14.2%
Neogen Chemicals Ltd.	36,180	76.2	61.3	39.9	35.9	32.9	23.1	10.8%	9.7%	12.5%

Source: BP Equities Research, Bloomberg estimate

Companies	Revenue (Rs. Mn.)			EBITDA Margin			PAT (Rs. Mn.)		
	FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Archean Chemical Industries Ltd.	14,411	15,950	19,787	44.0%	36.3%	43.9%	3,826	3,951	5,877
<b>Peers</b>									
Tata Chemicals Ltd.	167,890	165,638	170,023	23.1%	22.2%	20.8%	24,340	17,492	17,170
Deepak Nitrite Ltd.	79,720	77,456	88,559	16.3%	16.2%	19.1%	8,520	8,323	11,377
Aarti Industries Ltd.	66,190	64,813	78,848	16.4%	15.6%	18.2%	5,450	3,964	6,647
Neogen Chemicals Ltd.	6,860	7567	10104	16.3%	16.8%	18.0%	500	554	863

Source: BP Equities Research, Bloomberg estimate

## Key Risks

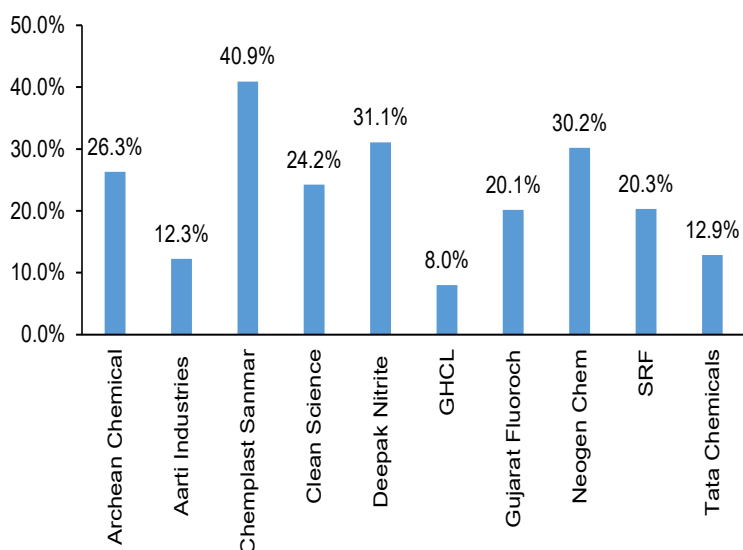
Being a well-diversified chemical company, Archean Chemical Industries is reasonably protected from volatility in particular business segments. However, macroeconomic developments largely have the potential to affect the overall business, in addition to the impact of regulatory restrictions and business development that affect individual operating entities. There are certain key risks to the business performance as below:

- ⇒ Any obstacle in land lease renewal is the most significant risk for Archean Chemical. The leased land and brine reservoirs are vital in sustaining the business. Any adverse change in land lease terms (such as renewal through the bidding process), higher royalties to be paid to the government, etc., could significantly hurt the company's profitability.
- ⇒ Archean has contractually binding volume and pricing agreement with customers for 12-month period. Hence, any steep correction in bromine prices can lead to modifying or revoking existing contracts and replacing them with new contracts at much lower prices. Considering the significant operating leverage, a drop in bromine realization could significantly impact EBITDA margins.
- ⇒ Archean intends to make significant investments in its bromine compound business but still needs to gain experience in compound production. The company is working on a technology transfer deal with a Chinese partner. Yet, it is critical for long-term value creation that Archean steps up its bromine compound capabilities and capacity.

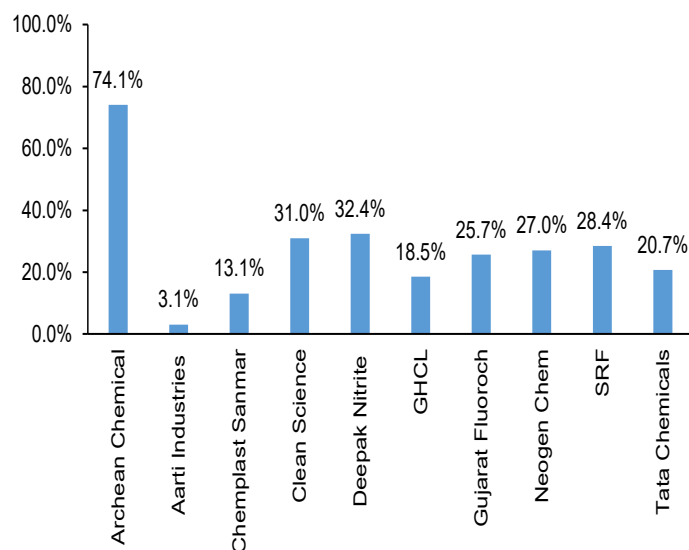
# Archean Chemical Industries Ltd.

## Peer Comparison

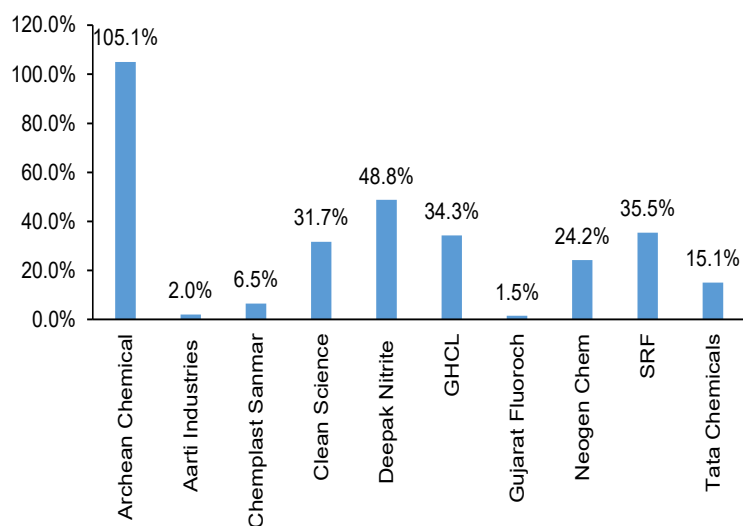
Company-wise Revenue CAGR between FY19-23



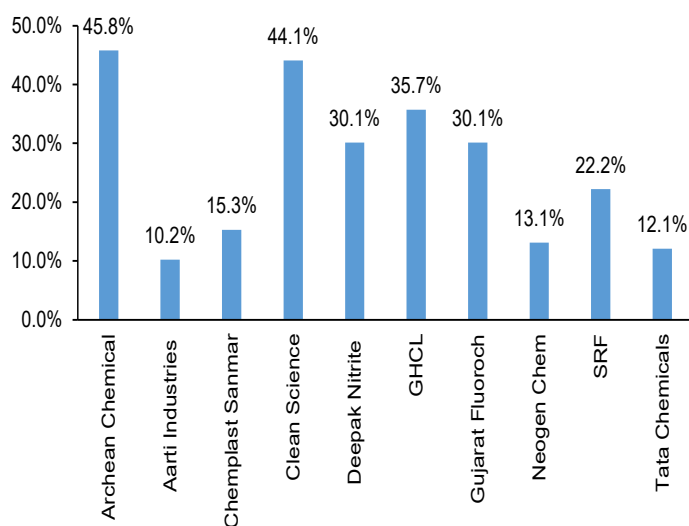
Company-wise EBITDA CAGR between FY19-23



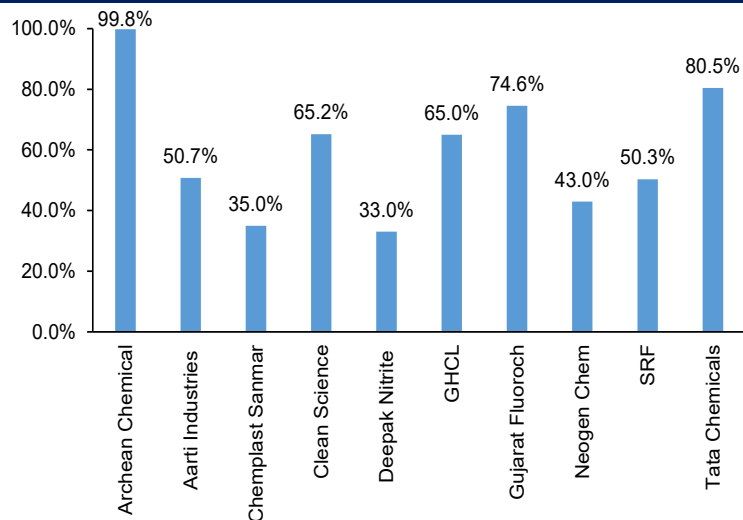
Company-wise PAT CAGR between FY19-23



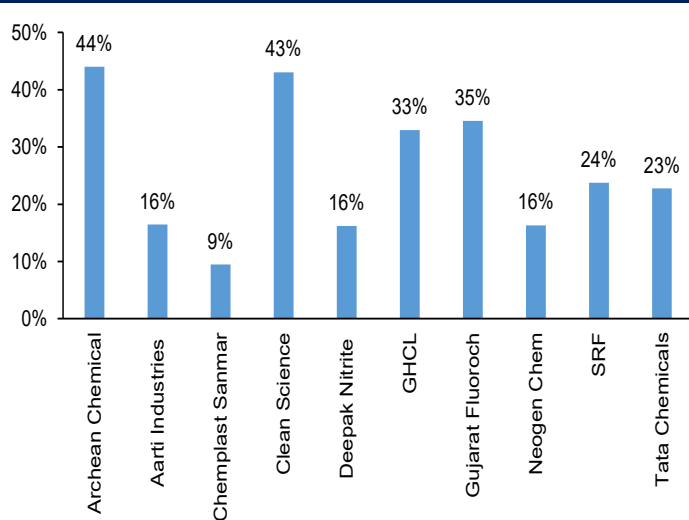
Company-wise FY23 ROCE (%)



Company-wise FY23 Gross Margin (%)



Company-wise FY23 Operating Profit Margin (%)



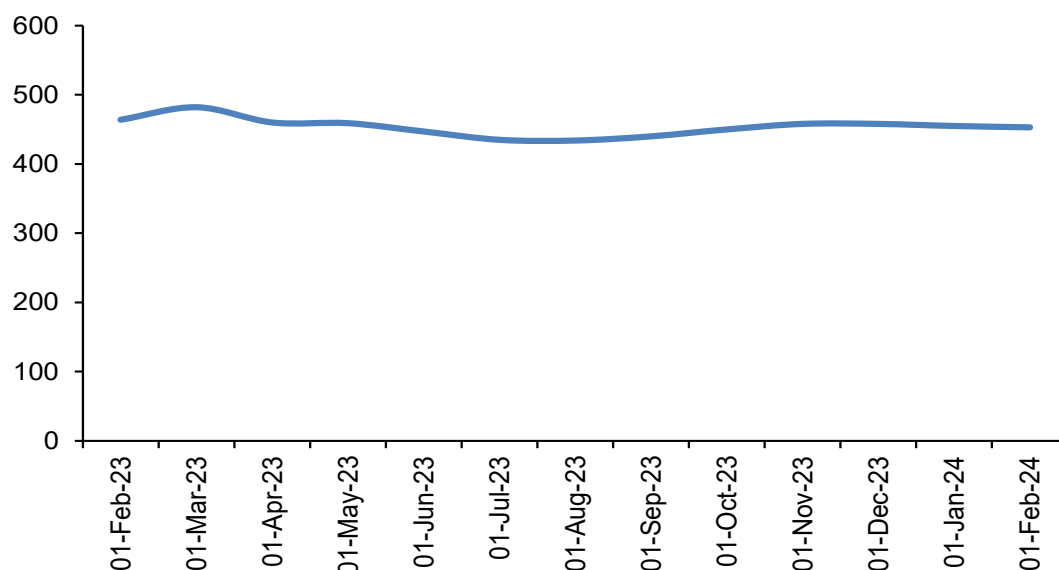
Source: Bloomberg, BP Equities Research

# Archean Chemical Industries Ltd.

## Bromine Prices in India and China

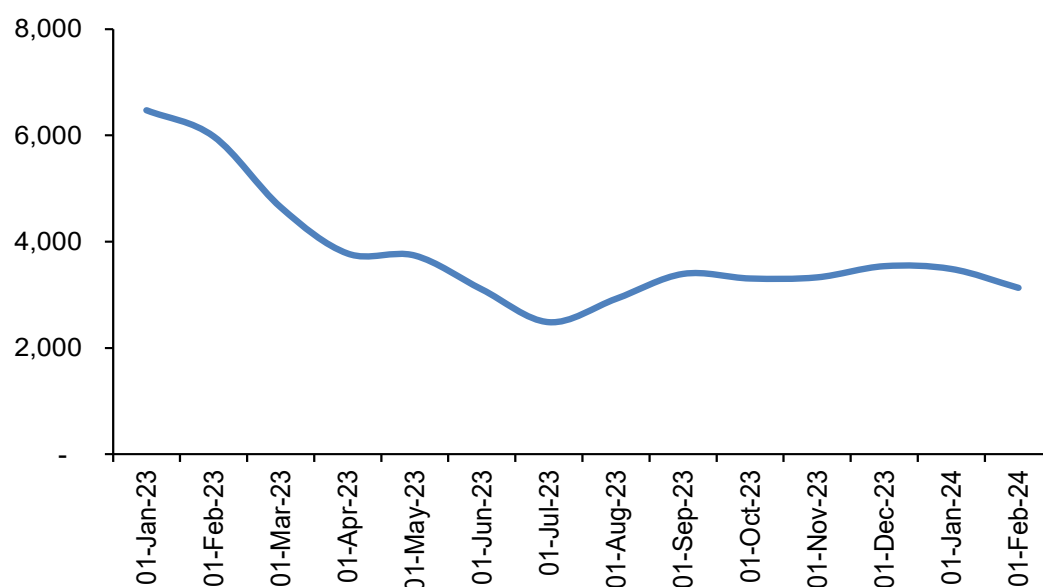
Bromine market is controlled by very few players, and its natural hazards become an important entry barrier. The top-5 elemental bromine producers are also largest bromine compound manufacturers globally. India will continue to have a competitive advantage over Israel and the US due to its depreciating currency. Further, India is expected to rise as a reliable supplier of bromine, hence its natural progression into bromine compounds looks certain.

India Bromine Price (Rs./Kg)



Source: India Petrochem, BP Equities Research

China Bromine Price (US/MT)



Source: Bloomberg, BP Equities Research

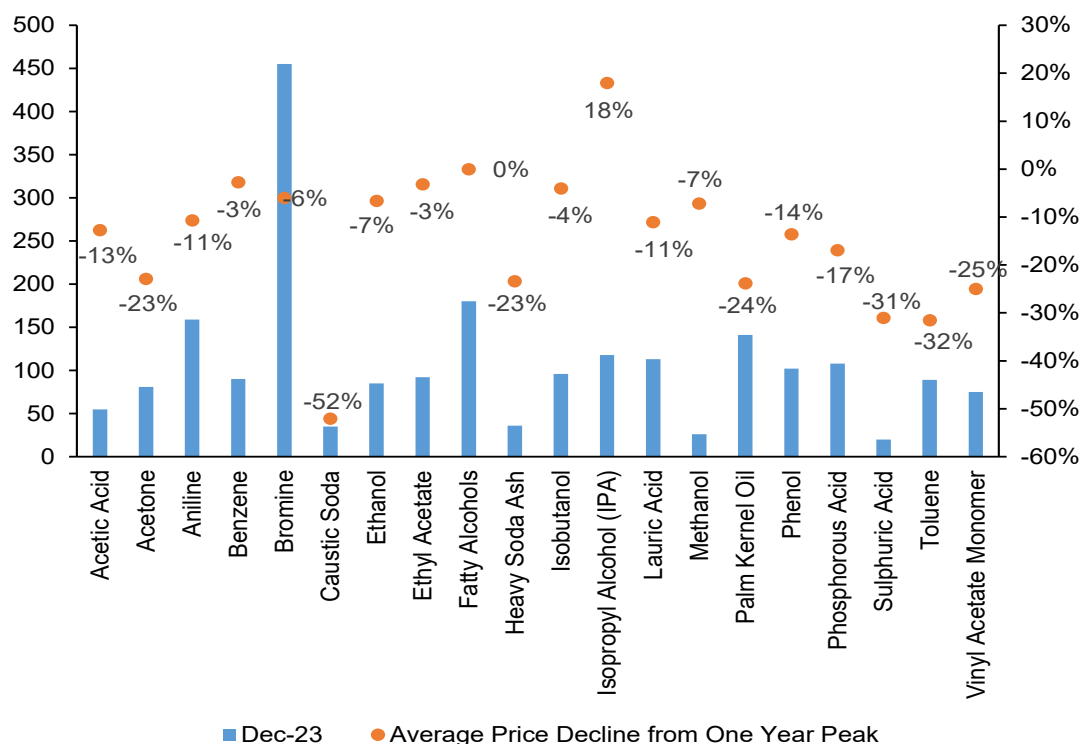
# Archean Chemical Industries Ltd.

## Major Indian chemical witness Average Price Decline

India's chemical industry today is at a crossroads as the reopening of Chinese chemical manufacturing has resulted in cheaper imports to India, putting pressure on prices for domestic producers. The global economic slowdown has only added to the pain. The unfavourable conditions have contributed to lower exports of specialty chemicals from India and hit chemical stocks. H1FY24 saw a drop in production volumes as dealers and end-users had higher inventory. Chemical manufacturers have also struggled with margin pressures due to high-priced inventory impacting profitability. This problem is likely to persist till the end of FY24. However, contract manufacturers and export-oriented producers should recover faster than their industry peers.

The prices of major chemicals sold in India have corrected by around 15% from their peak, impacting margins. As a result, manufacturers resort to lower sales rather than cutting their prices in line with Chinese competition.

## Major Chemical Companies Average Price Decline from its One Year Peak



Source: India Petrochem, BP Equities Research

# Archean Chemical Industries Ltd.

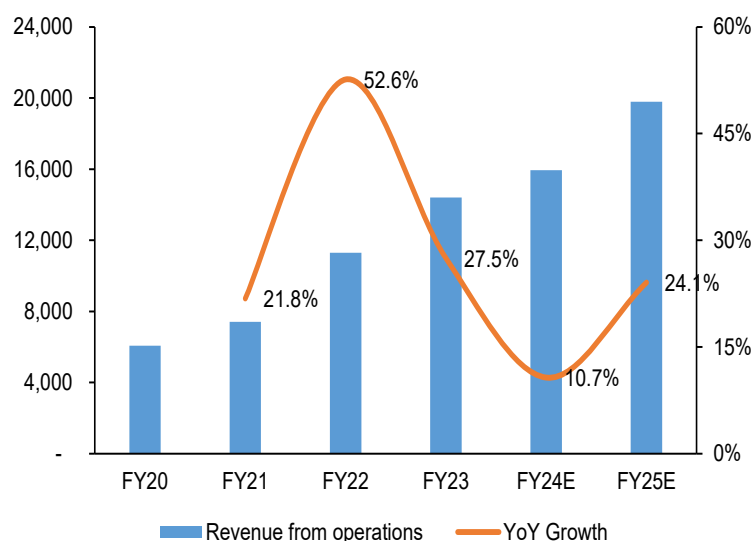
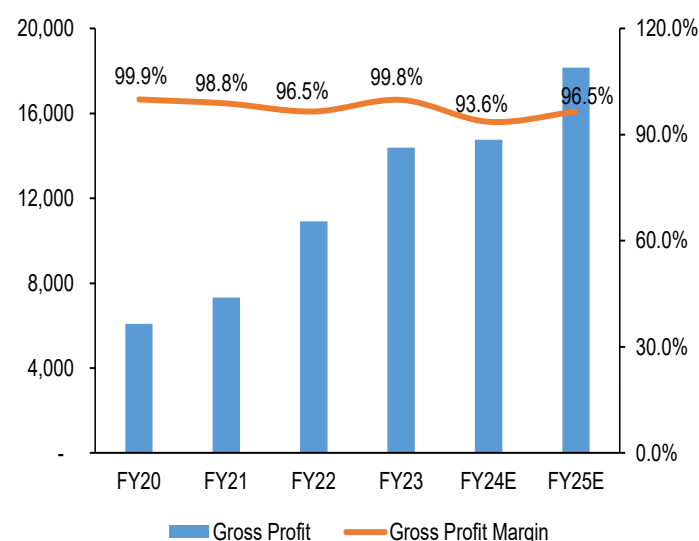
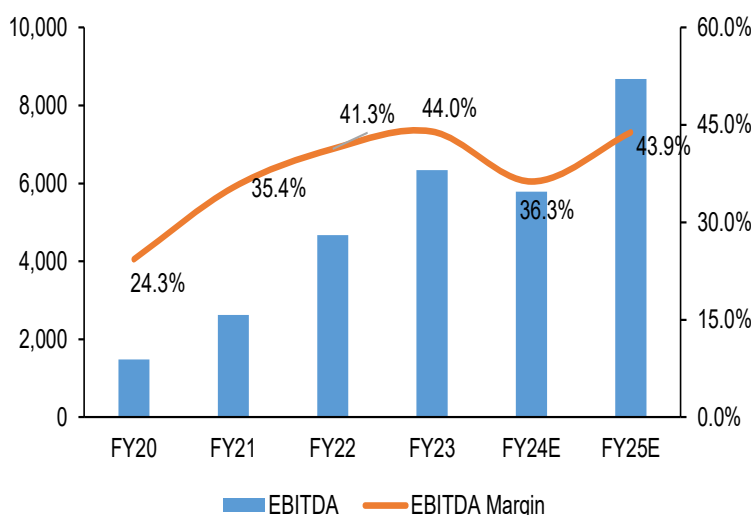
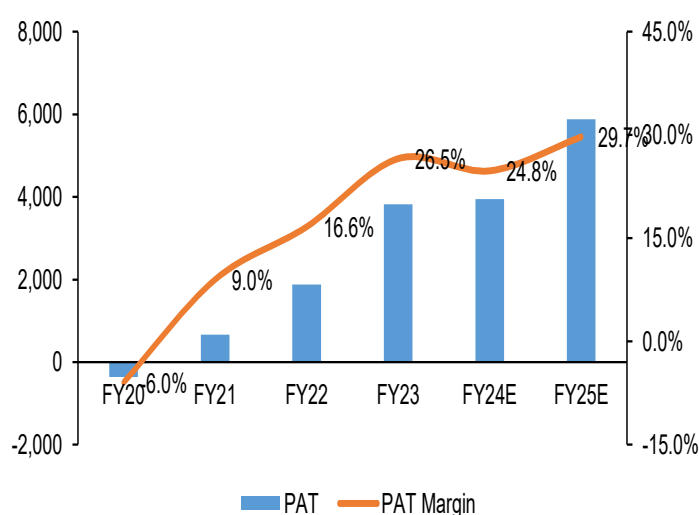
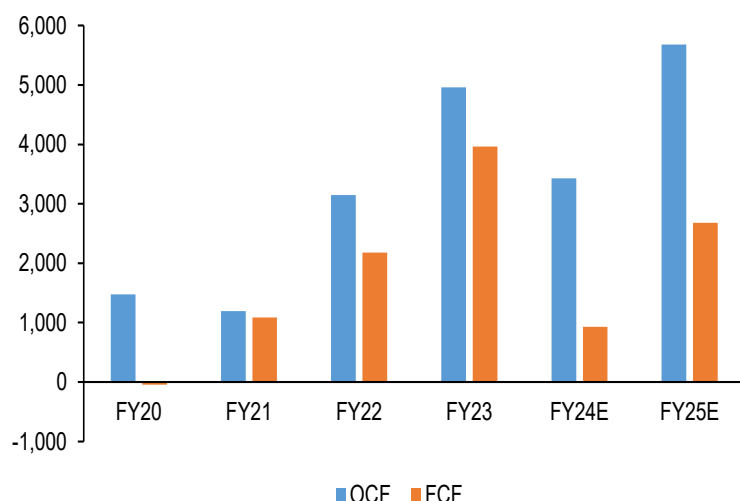
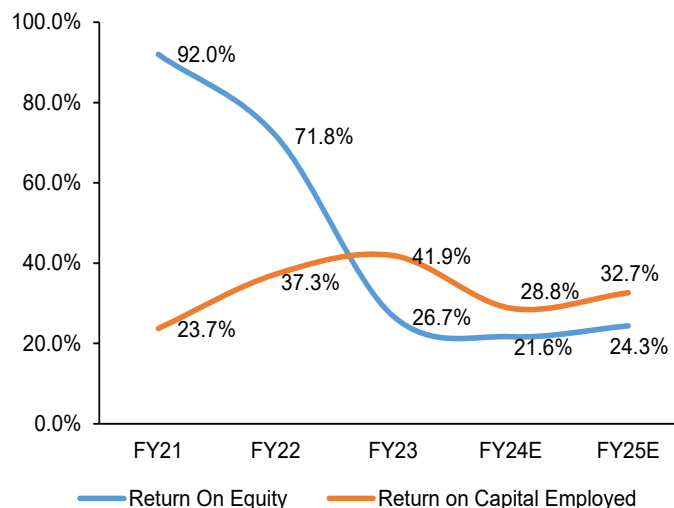
## Financial Matrix

YE March Rs. Mn.	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	6,082	7,408	11,304	14,411	15,950	19,787
Gross profit	6,078	7,319	10,911	14,383	14,531	18,501
EBITDA	1,480	2,622	4,672	6,340	5,791	8,681
PAT	-362	666	1,882	3,826	3,951	5,877
(% of sales)						
Gross margin	99.9%	98.8%	96.5%	99.8%	91.1%	93.5%
Staff costs	5.7%	4.8%	3.3%	5.0%	5.3%	5.5%
Other expenses	69.9%	58.6%	51.8%	50.8%	49.5%	44.1%
EBITDA margin	24.3%	35.4%	41.3%	44.0%	36.3%	43.9%
PAT margin	-6.0%	9.0%	16.6%	26.5%	24.8%	29.7%
OCF (% of EBITDA)	99.7%	45.4%	67.3%	78.2%	59.2%	65.4%
FCF (% of PAT)	12.4%	163.0%	115.8%	103.6%	23.6%	45.6%
ROE	-605.1%	92.0%	71.8%	26.7%	21.6%	24.3%
ROCE (%)	12.2%	23.7%	37.3%	41.9%	28.8%	32.7%
FA turnover (x)	NA	NA	1.7x	1.1x	1.1x	1.1x

Source: BP Equities Research

# Archean Chemical Industries Ltd.

## Financials in Charts

**Revenues to Grow at a Healthy Pace (Rs. Mn.)**

**Gross Margin to Remains Stable (Rs. Mn.)**

**Operating Margin to Witness Recovery (Rs. Mn.)**

**Overall PAT Margin to Improve Going Ahead (Rs. Mn.)**

**FCF Remains Positive (Rs. Mn.)**

**Return Ratios to Remain Healthy**


Source: BP Equities Research



# Archean Chemical Industries Ltd.

Profit & Loss A/c						
YE March (Rs. Mn.)	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue from Operations</b>	6,082	7,408	11,304	14,411	15,950	19,787
<b>% YoY growth</b>		22%	53%	27%	11%	24%
Cost Of Revenues (incl Stock Adj)	3	89	393	27	1,420	1,286
<b>Gross Profit</b>	6,078	7,319	10,911	14,383	14,531	18,501
<b>Gross margin (%)</b>	100%	99%	97%	100%	91%	94%
Employee Cost	345	353	378	720	845	1,088
Other Operating Expenses	4,254	4,343	5,861	7,323	7,894	8,731
<b>EBITDA</b>	1,480	2,622	4,672	6,340	5,791	8,681
<b>EBITDA margin (%)</b>	24%	35%	41%	44%	36%	44%
Other Income	88	140	124	433	461	491
Net Interest Exp.	1,218	1,304	1,617	970	101	169
Depreciation	518	554	669	686	805	952
Exceptional Items	0	0	0	0	0	0
<b>PBT</b>	-167	905	2,510	5,117	5,346	8,050
Tax	195	239	628	1,291	1,395	2,174
<b>Profit After Tax</b>	-362	666	1,882	3,826	3,951	5,877
<b>PAT margin (%)</b>	-6%	9%	17%	27%	25%	30%
<b>EPS</b>	-3.8	6.9	19.5	31.1	32.1	47.8

Source: BP Equities Research

# Archean Chemical Industries Ltd.

Balance Sheet						
YE March (Rs. Mn.)	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Liabilities</b>						
Share Capital	193	193	193	246	246	246
Reserves and Surplus	-133	531	2430	14,063	18,014	23,891
<b>Total Shareholders funds</b>	<b>60</b>	<b>724</b>	<b>2,623</b>	<b>14,309</b>	<b>18,260</b>	<b>24,137</b>
Long-term borrowings	8,483	8,464	8,428	8	128	103
Other Long Term (financial) Liabilities	2,107	1,704	1,182	0	0	0
Deferred Tax Liability (net)	0	0	96	1,155	1,155	1,155
Long term Provision	0	4	3	0	0	0
Other financial liabilities	720	1,204	770	0	0	0
Lease Liabilities	382	402	455	357	357	357
<b>Non-Current Liabilities</b>	<b>11,691</b>	<b>11,778</b>	<b>10,934</b>	<b>1,520</b>	<b>1,640</b>	<b>1,615</b>
Short-term borrowings	90	120	21	207	532	932
Trade payables	1671	1,118	1,123	956	1,055	1,114
Other Financial Liabilities	48	141	49	214	306	325
Other current liabilities	681	386	486	194	218	271
Short-term provisions	7	9	8	3	3	5
Current Tax Liabilities (net)			0	29	29	29
Lease liabilities	37	49	69	122	122	122
<b>Total Current Liabilities</b>	<b>2,535</b>	<b>1,823</b>	<b>1,755</b>	<b>1,725</b>	<b>2,143</b>	<b>2,677</b>
<b>Total Liabilities</b>	<b>14,286</b>	<b>14,324</b>	<b>15,313</b>	<b>17,554</b>	<b>22,043</b>	<b>28,428</b>
<b>Assets</b>						
<b>Non-current assets</b>						
<b>Total Net Block</b>	<b>8,823</b>	<b>10,072</b>	<b>10,455</b>	<b>10,649</b>	<b>12,344</b>	<b>14,391</b>
Capital work-in-progress	1,582	189	172	362	362	362
Goodwill	1	1	1	2	2	2
Other Intangible Assets	0	0	0	0	0	0
Right used of assets	331	334	406	450	450	450
Investments	1	1	1	0	0	0
Other Financial Assets	17	16	18	219	219	219
Deferred Tax Asset	771	533	0	3	3	3
Long term Loans and advances	138	172	274	99	131	163
<b>Total Non-current assets</b>	<b>11,664</b>	<b>11,318</b>	<b>11,326</b>	<b>11,784</b>	<b>13,511</b>	<b>15,590</b>
<b>Current Assets</b>						
Current investments	471	412	111	2,101	3,781	6,807
Inventories	988	1106	1,208	1,678	1,993	2,561
Trade receivables	445	681	1,530	1,177	1,969	2,151
Cash and cash equivalents	245	315	122	60	260	610
Bank Balances other than Cash & Cash Eq.	3	3	465	267	0	0
Short-term loans and advances	4	5	5	4	5	6
Other Current Assets (Inc Current tax assets net)	460	343	400	320	350	434
Other current financial assets	7	142	146	163	175	271
<b>Total Current Assets</b>	<b>2,622</b>	<b>3,006</b>	<b>3,986</b>	<b>5,770</b>	<b>8,532</b>	<b>12,838</b>
<b>Total Assets</b>	<b>14,286</b>	<b>14,324</b>	<b>15,313</b>	<b>17,554</b>	<b>22,043</b>	<b>28,428</b>

Source: BP Equities Research

# Archean Chemical Industries Ltd.

## Cash Flow Statement

YE March (Rs. Mn.)	FY20	FY21	FY22	FY23E	FY24E	FY25E
PBT	-167	905	2,510	5,117	5,346	8,050
Depreciation & Amortization	518	554	669	686	805	952
Other Adjustments	1,323	1,415	1,614	936	-360	-321
(Inc) / Dec in Working Capital	-196	-1,683	-1,648	-1,570	-965	-829
Taxes	-3	0	0	-208	-1,395	-2,174
<b>Cash from Ops.</b>	<b>1,475</b>	<b>1,191</b>	<b>3,145</b>	<b>4,961</b>	<b>3,431</b>	<b>5,679</b>
Capital Expenditure & investments	-1,967	-18	-1,101	-2,903	-3,453	-5,534
<b>Cash from Investing</b>	<b>-1,967</b>	<b>-18</b>	<b>-1,101</b>	<b>-2,903</b>	<b>-3,453</b>	<b>-5,534</b>
Issue of Share capital	0	0	0	7886	0	0
Net Borrowings	1,165	11	-135	166	56	375
Others	-901	-1,114	-2,102	-10,172	-101	-169
Issuance of Dividend	0	0	0	0	0	0
<b>Cash from Financing</b>	<b>264</b>	<b>-1,103</b>	<b>-2,237</b>	<b>-2,120</b>	<b>-45</b>	<b>206</b>
Extraordinary receipts/payment	0	0	0	0	0	0
<b>Net Inc/Dec in cash equivalents</b>	<b>-228</b>	<b>70</b>	<b>-193</b>	<b>-62</b>	<b>-67</b>	<b>350</b>
<b>Opening Balance</b>	<b>472</b>	<b>245</b>	<b>315</b>	<b>122</b>	<b>327</b>	<b>260</b>
Forex & Others	0	0	0	0	0	0
<b>Closing Balance Cash and Cash Equivalents</b>	<b>245</b>	<b>315</b>	<b>122</b>	<b>60</b>	<b>260</b>	<b>610</b>

Source: BP Equities Research

## Key Operating Ratios

YE March	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Profitability</b>						
Return on Assets	-2.5%	4.6%	12.3%	21.8%	17.9%	20.7%
Return on Capital Employed	12.2%	23.7%	37.3%	41.9%	28.8%	32.7%
Return on Equity	-	92.0%	71.8%	26.7%	21.6%	24.3%
<b>Margin Analysis</b>						
Gross Margin	99.9%	98.8%	96.5%	99.8%	91.1%	93.5%
EBITDA Margin	24.3%	35.4%	41.3%	44.0%	36.3%	43.9%
Net Income Margin	-6.0%	9.0%	16.6%	26.5%	24.8%	29.7%
<b>Short-Term Liquidity</b>						
Current Ratio	1.0	1.6	2.3	3.3	4.0	4.8
Quick Ratio	0.6	1.0	1.6	2.4	3.1	3.8
Fixed Asset Turnover	-	-	1.7	1.1	1.1	1.1
Debt-service Coverage	1.2	2.0	2.9	6.5	57.6	51.2
<b>Long-Term Solvency</b>						
Total Debt / Equity	143.2	11.9	3.2	0.0	0.0	0.0
EBITDA / Interest Expense	0.9	1.7	2.6	6.3	54.1	48.5
<b>Valuation Ratios</b>						
EV/EBITDA	48.2	27.2	15.2	12.4	13.4	8.6
P/E	-	95.3	33.7	21.2	20.5	13.8
P/B	-	87.7	24.2	5.7	4.4	3.4

Source: BP Equities Research

Research Desk

Tel: +91 22 61596138

Institutional Sales Desk

Tel: +91 22 61596403/04/05

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**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001  
  
BP Equities Pvt. Ltd.  
CIN No: U67120MH1997PTC107392