

Result Update

Q1 FY26

Archean Chemical Industries Ltd.

Institutional
Research

Archean Chemical Industries Ltd.



BP WEALTH

Chemical | Q1FY26 Result Update

01st August 2025

Steady operational performance; Strategic focus Intact

Result Highlights

The company posted a revenue increase of 37.5% YoY / down 15.4% QoQ to Rs. 2,924 mn, above our expectations of Rs. 2,860 mn. A steady product mix drove this performance. The company maintained its position as India's largest exporter and manufacturer of elemental bromine, with stable performance and increasing domestic client traction, and expects gradual volume improvement in the coming quarters. Industrial Salt contributed nearly 70% of Q1FY26 sales, with volumes steady at 1.1 million tons. Earlier logistics challenges were resolved by adding owned and leased equipment, allowing the company to maintain its current run rate and work towards increasing volumes, given strong demand visibility. EBITDA increased 9.7% YoY / down 11.6% QoQ to Rs. 781 mn, while EBITDA margin stood at 26.7% (down 676bps YoY) in Q1FY26, owing to a contraction in gross margins by 1,730bps YoY to 91.2%. The increase in other expenses during the quarter was attributed mainly to increased packing, dispatching, and freight costs due to higher salt sales, as well as an ECL provision. The net profit stood at Rs. 401 mn (down 10.6% YoY / down 25.4% QoQ) in Q1FY26, below our expectations of Rs. 438 mn. The PAT margin was 13.7% versus 15.6% in the previous quarter. PAT was notably lower due to the initial losses incurred by subsidiaries, such as Acumen and Orin Hydrocarbon, during their first year of full operation, where raw materials were purchased for future quarters and subsequently expensed. Overall, the company continues to build long-term growth through diversification across specialty chemicals, semiconductors, and clean energy. We thus believe Archean remains optimistic about its long-term growth trajectory, focusing on operational efficiencies and strategic expansions.

Valuation and Outlook

Archean Chemical Industries Ltd commenced FY26 with a healthy performance in Q1FY26, delivering a 30% annual revenue growth and demonstrating resilience and agility amidst market volatility. The company expects gradual volume improvement in elemental bromine, driven by long-term contracts and growing domestic traction. Industrial salt is set to maintain its strong performance, with resolved logistics issues and consistent demand from chlor-alkali manufacturers. The bromine derivatives segment, currently operating at 30–40% utilisation, is expected to exceed 50% by year-end, with new product additions further boosting revenue. The company also anticipates meaningful contributions from Sulfate of Potash (SOP) in H2FY26, following successful pilot trials and the ongoing plant-scale transition. Additionally, revenue from Orin Hydrocarbon is targeted at Rs. 1.5bn for FY26, subject to certification timelines. Strategic ventures in semiconductors and energy storage offer long-term growth levers. Overall, the company remains net debt-free with a robust balance sheet and disciplined capital allocation, ensuring healthy cash flows and strategic flexibility for long-term growth opportunities. Archean Chemical is currently trading at P/E ratios of 45.3x for FY26e and 33.6x for FY26e EPS estimates. **We value the company at 38x FY27e EPS, arriving at a revised target price of Rs. 779 per share, which suggests an upside of 16%.**

Key Highlights

Particulars (Rs. Mn.)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	2,924	2,127	37.5%	3,456	-15.4%
Gross Profit	2,666	2,307	15.5%	3,332	-20.0%
Gross Margin (%)	91.2%	108.5%	-1,730bps	96.4%	-525bps
EBITDA	781	712	9.7%	883	-11.6%
OPM (%)	26.7%	33.5%	-676bps	25.5%	116bps
Net Profit	401	448	-10.6%	537	-25.4%
Net Profit Margin (%)	13.7%	21.1%	-736bps	15.6%	-183bps

Source: Company, BP Equities Research

Stock Rating

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

Sector Outlook

Neutral

Stock

CMP (Rs)	653
Target Price (Rs)	759
BSE code	543657
NSE Symbol	ACI
Bloomberg	ACI IN
Reuters	ARCN.BO

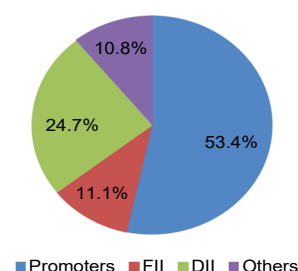
Key Data

Nifty	24,656
52 Week H/L (Rs.)	832 / 408
O/s Shares (Mn)	123
Market Cap (Rs. bn)	71
Face Value (Rs.)	2

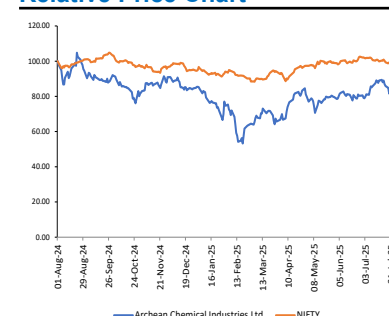
Average Volume

3 months	250,550
6 months	521,830
1 year	492,550

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights**Bromine Business:**

The company continues to maintain its leadership as India's largest exporter and manufacturer of elemental bromine. In Q1FY26, bromine contributed ~30% of total revenue, with sales volume at 4,054 tonnes. The segment's performance remained stable, supported by long-term bilateral contracts that provide resilience against spot price volatility. The company has started witnessing an uptick in price improvement and growing traction from domestic clients. With strong customer relationships and steady demand, Archean anticipates a gradual improvement in volumes over the upcoming quarters, strengthening its outlook for consistent growth in the bromine business.

Industrial Salt Business:

Industrial salt sales contributed approximately 70% of the total revenue, with sales volume maintained at 1.1 million tonnes. The company produces high-purity grade industrial salt primarily for export to over 10 countries, catering to chlor-alkali and petrochemical manufacturers. Earlier operational challenges related to logistics have been resolved mainly through the addition of more owned and leased equipment for transportation and site operations. With strong demand visibility and long-term contracts across Asia, the company expects to maintain this run rate and work towards increasing volumes. There is no significant pricing pressure on salt.

Sulphate of Potash:

The company is progressing well, with the successful completion of pilot trials and preparations underway for plant-scale trials. The company is working closely with its technology partner to enhance conversion ratios and has already initiated plant modifications. SOP is expected to become a mainstay business, and Archean is one of the few global manufacturers of this specialty fertiliser, for which market demand remains firm.

"The company is targeting volume-driven growth with margin stability, supported by operating leverage, strong customer contracts."

Bromine Derivatives:

The company operations are currently running at 30% to 40% capacity utilisation. Clear brine fluids and catalysts for purified parapsylic acid (PTA) synthesis contributed to Q1FY26 performance. The company anticipates a gradual improvement in utilisation to greater than 50% by the end of the financial year.

Orin Hydrocarbon (renamed Idealis Mudchemie):

Acquired in 2024, the company has made steady progress in reviving and refurbishing its units over the past six months. Trial runs have begun in two units, and product qualification has commenced, with acceptance already received from some domestic and international customers. The focus is on commencing commercial production soon to contribute meaningfully to the top and bottom lines this year.

Semiconductor Business:

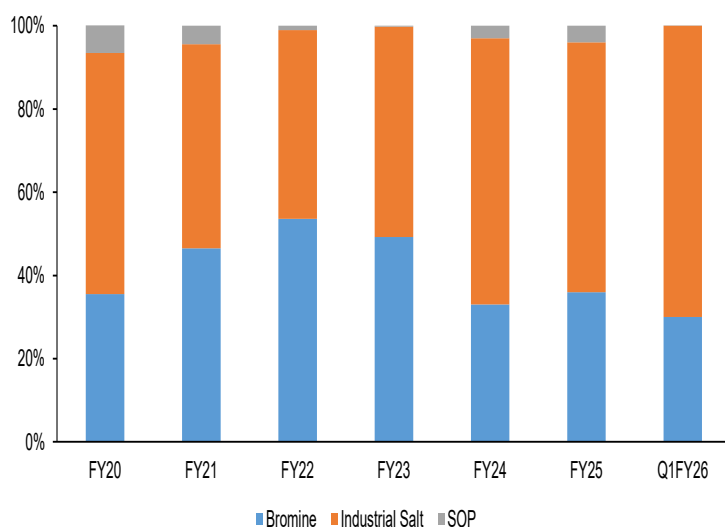
Land acquisition for this project in Orissa has been completed. Requests for Quotations (RFQs) for the Project Management Office were tendered last month, and groundwork is expected to begin post-monsoon.

Guidance:

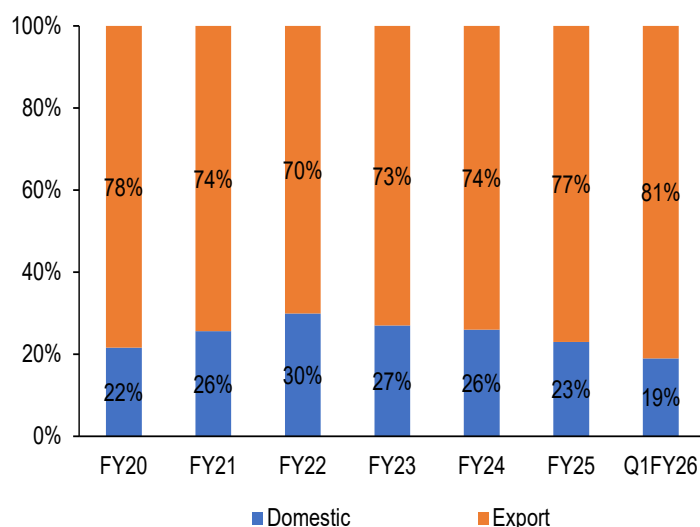
For FY26, Archean Chemical has restated its guidance across key business segments, underpinned by strong demand visibility and long-term contracts. The company expects bromine volumes to range between 22,000 and 25,000 tonnes and industrial salt volumes to be around 4.5 million tonnes for the full year. Contributions from bromine derivatives are expected to rise steadily, with utilisation likely to exceed 50% by year-end.

Business Snapshots

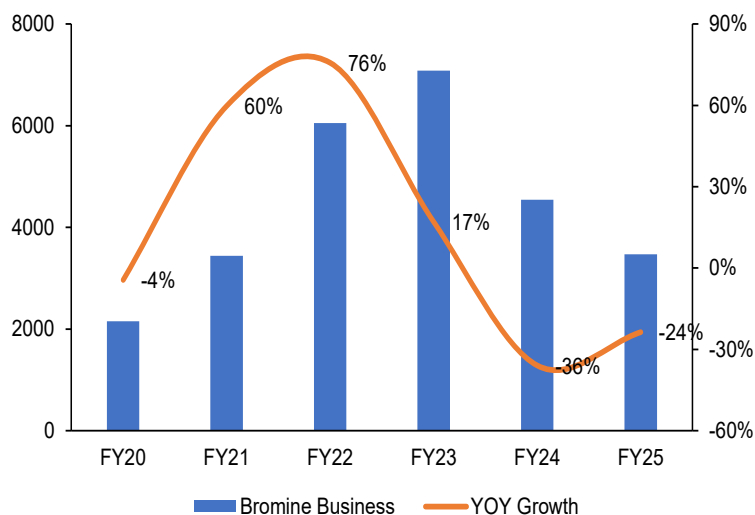
Revenue Mix



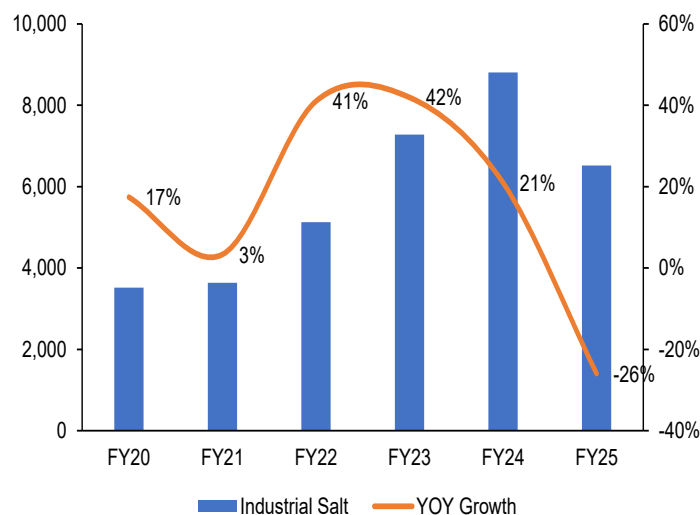
High Focus on Exports



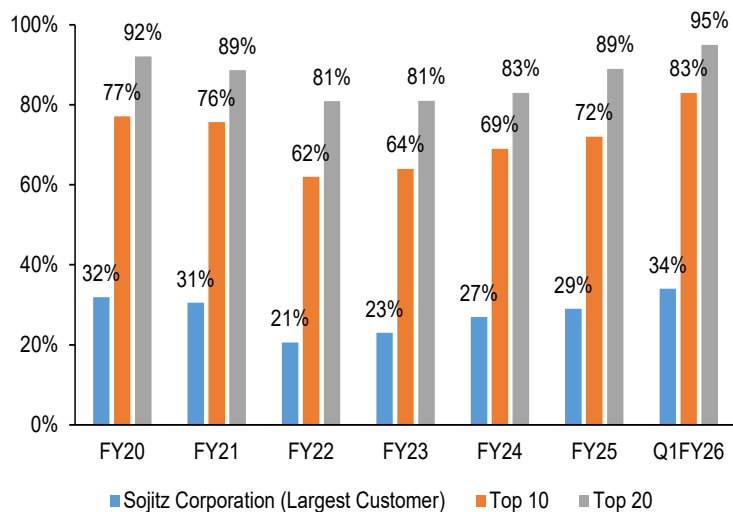
Bromine segment performance



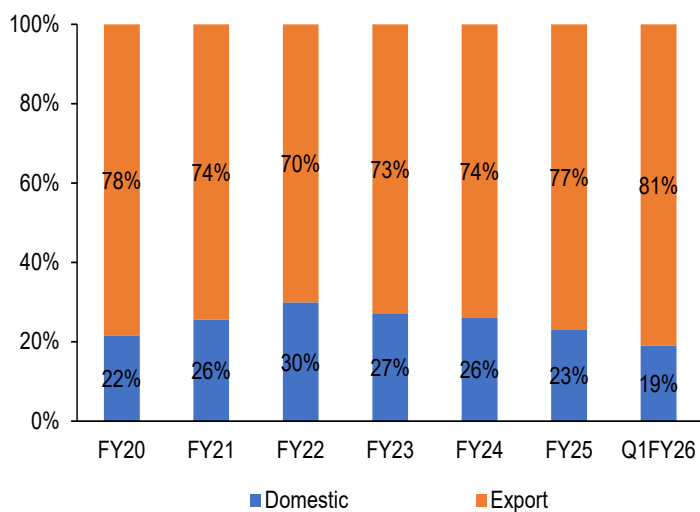
Industrial Salt segment performance



Major Client performance



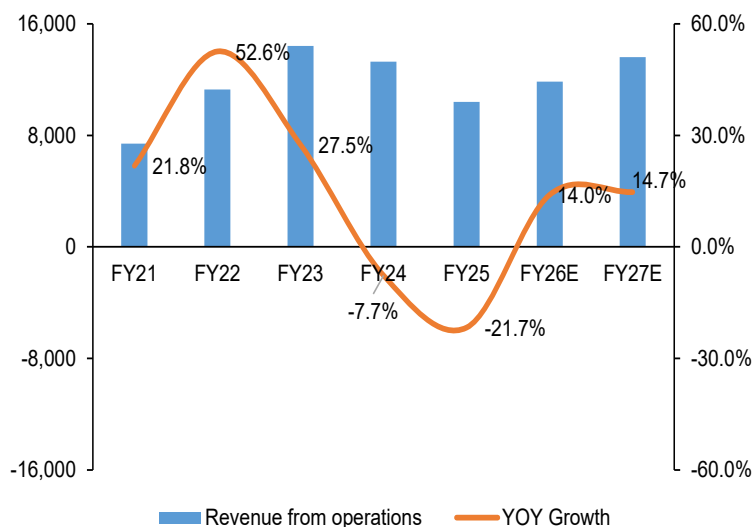
Strong Clientele



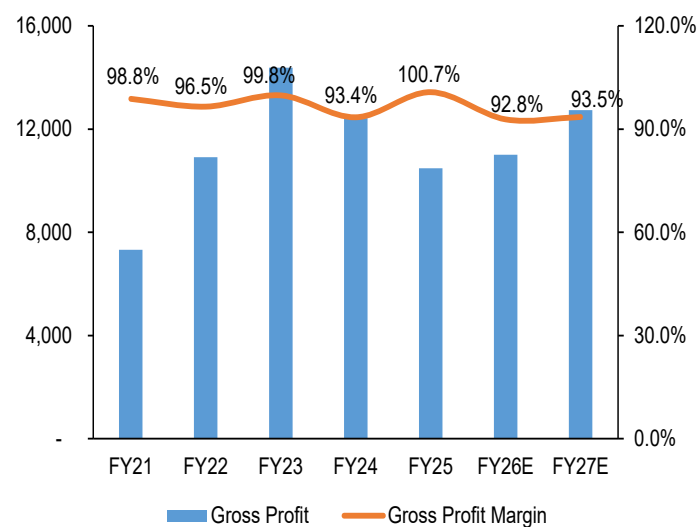
Source: Company, Bpwealth Research

Financial Snapshots

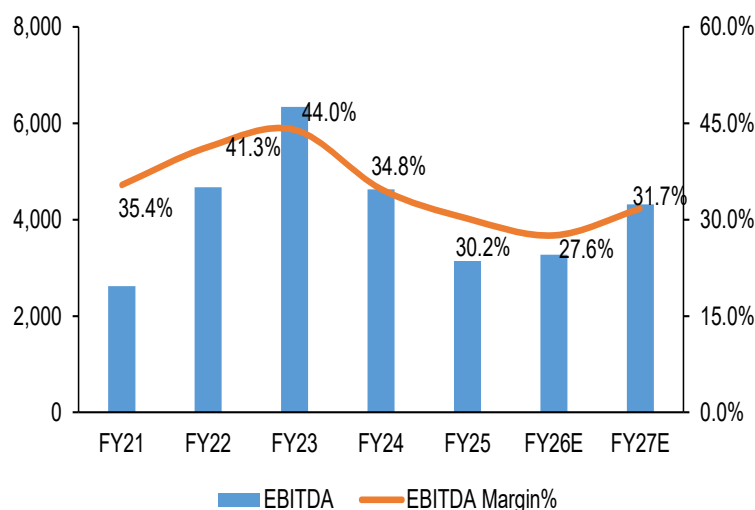
Revenues to Grow at a Healthy Pace (Rs. Mn.)



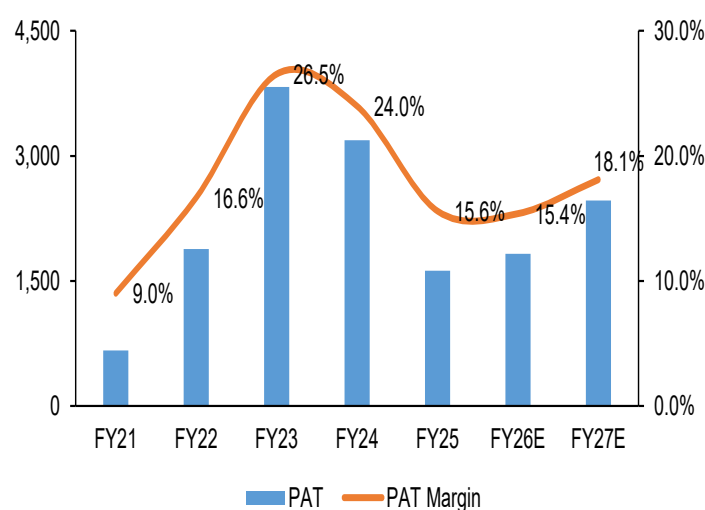
Gross Margin to Remains Stable (Rs. Mn.)



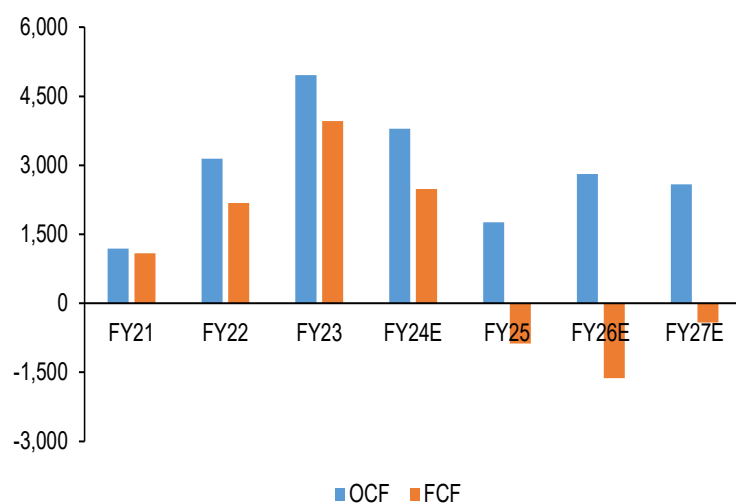
Operating Margin to Witness Recovery (Rs. Mn.)



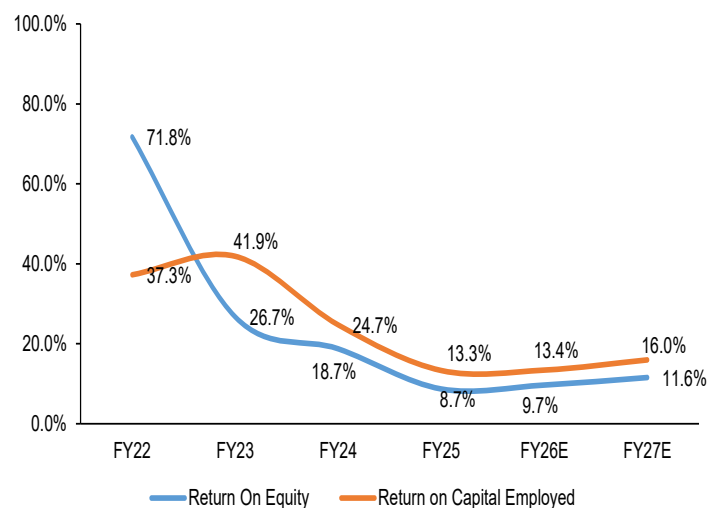
Overall PAT Margin to Improve Going Ahead (Rs. Mn.)



OCF/FCF (Rs. Mn.)



Return Ratios to Remain Healthy



Source: Company, Bpwealth Research

Profit & Loss A/c					
YE March (Rs. Mn.)	FY23	FY24	FY25	FY26E	FY27E
Revenue from Operations	14,411	13,301	10,410	11,868	13,616
% YoY growth	27%	-8%	-22%	-11%	15%
Cost Of Revenues (incl Stock Adj)	27	877	-78	854	885
Gross Profit	14,383	12,424	10,488	11,013	12,731
Gross margin (%)	99.8%	93.4%	100.7%	92.8%	93.5%
Employee Cost	720	724	611	653	790
Other Operating Expenses	7,323	7,073	6,736	7,090	7,621
EBITDA	6,340	4,627	3,142	3,271	4,320
EBITDA margin (%)	44.0%	34.8%	30.2%	27.6%	31.7%
Other Income	433	433	373	319	339
Net Interest Exp.	970	85	81	143	187
Depreciation	686	703	794	947	1,074
Exceptional Items	0	0	-402	0	0
PBT	5,117	4,272	2,639	2,500	3,398
Tax	1,291	1,082	616	675	935
Profit After Tax	3,826	3,190	1,621	1,825	2,464
PAT margin (%)	26.5%	24.0%	15.6%	15.4%	18.1%
EPS	31.1	25.8	13.1	14.8	20.0

Source: Company, BP Wealth Research

Balance Sheet					
YE March (Rs. Mn.)	FY23	FY24	FY25	FY26E	FY27E
Assets					
Non-current assets					
Total Net Block	10,649	11,180	12,855	14,590	16,506
Capital work-in-progress	362	462	648	466	476
Goodwill	2	1	1	1	1
Other Intangible Assets	0	20	45	45	45
Right used of assets	450	416	925	787	669
Investments	0	0	1,365	0	0
Other Financial Assets	219	209	426	215	215
Deferred Tax Asset	3	11	44	53	53
Long term Loans and advances	99	998	711	910	1,045
Total Non-current assets	11,784	13,297	17,020	17,067	19,009
Current Assets					
Current investments	2,101	3,499	2,022	2,042	2,062
Inventories	1,678	1,273	1,681	1,570	2,235
Trade receivables	1,177	1,564	1,646	1,606	2,423
Cash and cash equivalents	60	455	405	216	218
Bank Balances other than Cash & Cash Eq.	267	0	123	0	0
Short-term loans and advances	4	4	6	4	4
Other Current Assets (Inc Current tax assets net)	320	321	820	325	373
Other current financial assets	163	146	211	130	187
Total Current Assets	5,770	7,262	6,914	5,893	7,502
Total Assets	17,554	20,559	23,934	22,960	26,511
Liabilities					
Share Capital	246	247	247	247	247
Reserves and Surplus	14,063	16,770	18,393	18,594	21,058
Total Shareholders funds	14,309	17,016	18,640	18,841	21,305
Long-term borrowings	8	594	1,516	785	1,040
Other Long Term (financial) Liabilities	0	0	0	0	0
Deferred Tax Liability (net)	1,155	1,238	1,233	1,380	1,694
Long term Provision	0	51	151	52	53
Other financial liabilities	0	0	2	1	2
Lease Liabilities	357	312	420	277	313
Non-Current Liabilities	1,520	2,194	3,321	2,495	3,102
Short-term borrowings	207	2	265	52	87
Trade payables	956	998	1,051	1,095	1,516
Other Financial Liabilities	214	241	421	228	224
Other current liabilities	194	28	33	163	187
Short-term provisions	3	6	10	2	4
Current Tax Liabilities (net)	29	3	48	3	3
Lease liabilities	122	71	145	82	85
Total Current Liabilities	1,725	1,349	1,973	1,624	2,105
Total Liabilities	17,554	20,559	23,934	22,960	26,511

Source: Company, BP Wealth Research

Cash Flow Statement

YE March (Rs. Mn.)	FY23	FY24	FY25	FY26E	FY27E
PBT	5,117	4,272	2,238	2,500	3,398
Depreciation & Amortization	686	703	794	947	1,074
Other Adjustments	936	-156	-147	143	187
(Inc) / Dec in Working Capital	-1,570	64	-575	-101	-1,142
Taxes	-208	-1,090	-546	-675	-935
Cash from Ops.	4,961	3,794	1,762	2,814	2,583
Capital Expenditure & investments	-2,903	-3,073	-2,462	-3,273	-3,037
Cash from Investing	-2,903	-3,073	-2,462	-3,273	-3,037
Issue of Share capital	7,886	1	0	0	0
Net Borrowings	166	381	966	147	455
Others	-10,172	-697	-293	0	0
Issuance of Dividend	0	0	0	0	0
Cash from Financing	-2,120	-326	650	147	455
Extraordinary receipts/payment	0	0	0	0	0
Net Inc/Dec in cash equivalents	-62	395	(50)	(312)	2
Opening Balance	122	60	456	528	216
Forex & Others	0	0	0	0	0
Closing Balance Cash and Cash Equivalents	60	455	405	216	218

Key Operating Ratios

YE March	FY23	FY24	FY25	FY26E	FY27E
Profitability					
Return on Assets	21.8%	15.5%	6.8%	7.9%	9.3%
Return on Capital Employed	41.9%	24.7%	13.3%	13.4%	16.0%
Return on Equity	26.7%	18.7%	8.7%	9.7%	11.6%
Margin Analysis					
Gross Margin	99.8%	93.4%	100.7%	92.8%	93.5%
EBITDA Margin	44.0%	34.8%	30.2%	27.6%	31.7%
Net Income Margin	26.5%	24.0%	15.6%	15.4%	18.1%
Short-Term Liquidity					
Current Ratio	3.3x	5.4x	3.5x	3.6x	3.6x
Quick Ratio	2.4x	4.4x	2.7x	2.7x	2.5x
Fixed Asset Turnover	1.1x	0.9x	0.7x	0.7x	0.7x
Long-Term Solvency					
Total Debt / Equity	0.0x	0.1x	0.1x	0.0x	0.1x
EBIT / Interest Expense	6.3x	51.5x	33.6x	18.5x	19.2x
Valuation Ratios					
EV/EBITDA	8.2x	11.1x	21.9x	24.2x	18.4x
P/E	14.2x	17.1x	43.5x	44.2x	32.7x
P/B	3.8x	2.8x	3.0x	4.3x	3.8x

Source: Company, BP Wealth Research

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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