

Sector Update

Specialty
Chemicals

SRF (HOLD)

Navin Fluorine (REDUCE)

Galaxy Surfactants (BUY)

Sudarshan Chemicals
(ADD)

INDIA

Specialty chemicals

Price trend in Sep-20

R-22 export realisation dipped to Rs174 in Sep'20, which is the lowest price since Feb'18, and this has come despite phase-down 2, which has cut production by 25% from base line from 1st Jan, 2020. **R-22** export volumes were down only 16.9%, which means next quarter can see a sharp dip in export volumes to meet guidelines. Though spreads for BOPET-PTA/MEG and BOPP-PP has been strong in Q2FY21, it started cracking in Sep'20 with dip of 3.3% and 8.3% MoM, respectively. Lauryl alcohol prices have dipped 5.5% QoQ, which means gross profit margin expansion has very limited contribution from raw material prices movement as suspected by investors. Pigment volumes have been picking up smart with dip of only 0.7% YoY in Q2FY21.

(Note: All prices stated are in Rs/kg)

SRF Ltd: R-22 realisation under pressure; BOPET spread dips in exit-Q2FY21

- R-22 prices dips 7.8% QoQ and 2.5% YoY to Rs185 in Q2FY21, but in Sep'20, realisation was down 10.3% YoY to Rs174. Export volumes were down 29% to 4,919te in Q2FY21. Phase-down 2 was likely to hurt volumes by 25%, but in nine months, R-22 export volumes are down only 16.9%. Thus, we also expect a sharp drop in volumes in Q3FY21. Fluorspar (acid spar) price is down 3.3% QoQ / 8.2% YoY to Rs30. R-22 spread (to fluorspar and chloroform) was Rs117 vs Rs123 in Q1FY21. The spread was only Rs110 in the month of Sep'20.
- MDC (methylene chloride) prices shrunk 4.7% QoQ / 17.3% YoY to Rs33. It was also due to fall in chorine and methanol prices. We note MDC spreads should have improved QoQ.
- NTCF prices dipped 5.8% QoQ / 7.3% YoY to Rs185. Caprolactam prices were down 18.5% QoQ and 28.8% YoY to Rs80. NTCF-caprolactam spread rose to Rs105 vs Rs98 in Q1FY21. This is one of the key reasons behind improvement in SRF's technical textiles' EBIT margin in Q2FY21.
- BOPET prices were down 4.7% QoQ and 2.0% YoY at Rs119. PTA and MEG prices dipped 13.6% QoQ / 38.8% YoY to Rs33 and 4.0% QoQ / 21.2% YoY to Rs29, respectively, probably due to subdued crude oil prices. BOPET-PTA/MEG spread fell 1.2% QoQ while it was up 29.0% YoY to Rs81 (vs Rs82 in Q1FY21). However, BOPET-PTA/MEG spread fell to Rs79 (down 3.3% MoM) in the month of Sep'20.
- BOPP prices rose 0.2% QoQ and were flat YoY to Rs125 while polypropylene prices rose 12.1% QoQ / fell 13.7% YoY to Rs65. BOPP-PP price spread was at Rs60, up 20.7% YoY, but it was down 10% QoQ. In the month of Sep'20, BOPP-PP spread dipped to Rs58 (down 7.7% MoM).

NFIL: We see downside risk to R-22 realisation for FY21

- R-22 prices fell 7.8% QoQ and 2.5% YoY to Rs185. Fluorspar (acid spar) price was down 3.3% QoQ and 8.2% YoY to Rs30. R-22 spread (to fluorspar and chloroform) was Rs117 vs Rs123 in Q1FY21. Chloroform's price decline of 23.8% QoQ to Rs19 is benefiting spread. We see risk to our assumption of R-22 realisation for FY21 as it has started softening in the month of Sep'20.

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Sudarshan Chemical (SCIL): Organic pigment prices dipped 2.9% QoQ

- Organic pigment prices were down 2.9% QoQ and up 1.9% YoY to Rs489 vs Rs503 in Q1FY21. Organic pigments are inclusive of all colours including CPC. Their export volumes dipped 0.7% YoY to 27.7kte in Q2FY21
- Azo pigment mixture prices fell 8.9% QoQ and 16.3% YoY to Rs417 vs Rs458 in Q1FY21.
- Inorganic pigment prices rose 4.6% QoQ and down 6.7% YoY to Rs93 vs Rs89 in Q1FY21.

Galaxy Surfactants (GSL): Lauryl alcohol prices slightly rise

- Lauryl alcohol prices were Rs92, down 5.5% QoQ but up 11.1% YoY, vs Rs97 in Q1FY21. This means gross margin increase for Galaxy Surfactants in Q2FY21 cannot be attributed to movement in lauryl alcohol prices.

Vinati Organics

- Ibuprofen prices dipped 23.8% QoQ and rose 39.3% YoY to Rs2,605 (vs Rs3,420 in Q1FY21).
- IBB prices rose 2.0% QoQ and 0.4% YoY to Rs135 vs Rs132 in Q1FY21.

Atul Ltd

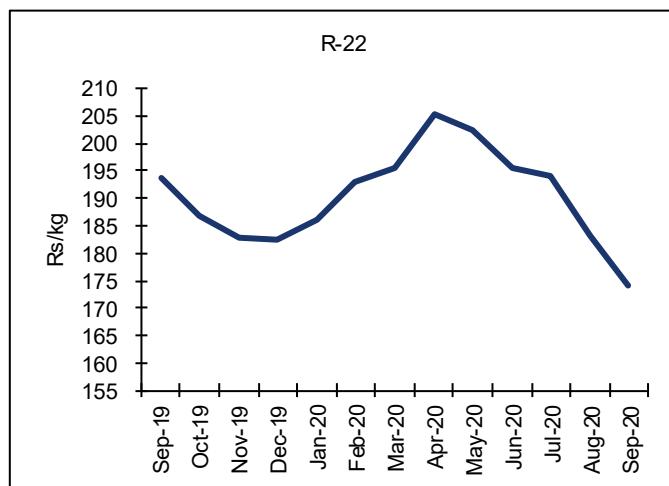
- 2,4-D prices rose 4.7% QoQ, but down 13.7% YoY to Rs155 (vs Rs148 in Q1FY21). Export volumes were down 3.8% YoY at 4,511te in Q2FY21.
- Para cresol prices were down 9.8% QoQ and 12.8% YoY at Rs171. Export volumes fell 33.0% YoY to 2,243e in Q2FY21.
- Epoxy prices dipped 7.6% QoQ and 11.4% YoY to Rs156. Export volumes dropped 4.3% YoY to 5,461te in Q2FY21.
- Resorcinol prices rose 2.8% QoQ, but fell 1.6% YoY to Rs682. Export volumes were up 47% YoY to 765te.

Gujarat Fluorochemicals

- PTFE prices dipped 1.3% QoQ, but rose 2.6% YoY to Rs683 (vs Rs692 in Q1FY21). PTFE (to fluorspar) spread shrunk 1.0% QoQ, but increased 4.1% YoY to Rs605 (vs Rs611 in Q1FY21). Export volumes were down 13.4% YoY to 2,414te in Q2FY21.

SRF Ltd

Chart 1: R-22 prices dipped 7.8% QoQ



Source: I-Sec research, Commerce Ministry

Chart 2: Fluorspar prices are down 3.3% QoQ

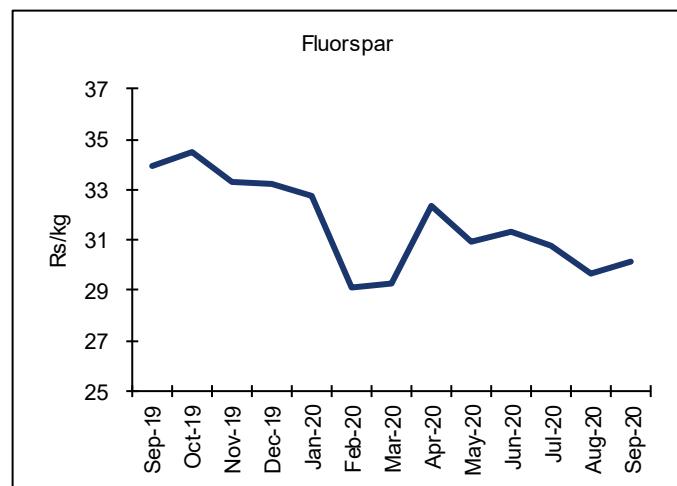
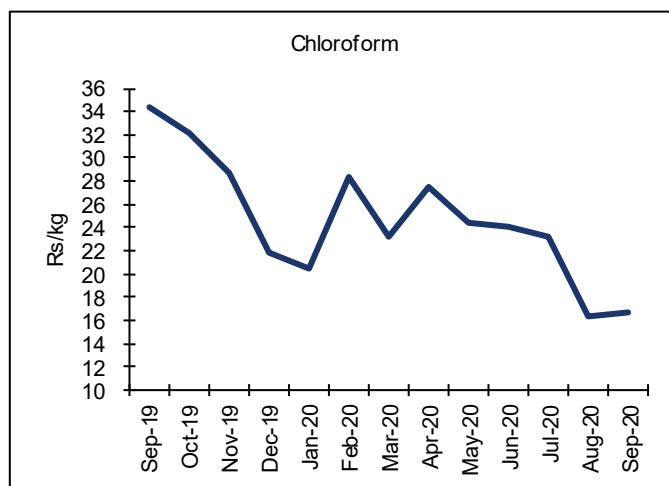


Chart 3: Chloroform prices dipped 23.8% QoQ



Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1.3kg of fluorspar; and 1.5kg chloroform prices for 1kg of R-22

Chart 4: R-22 spread shrunk 4.5% QoQ

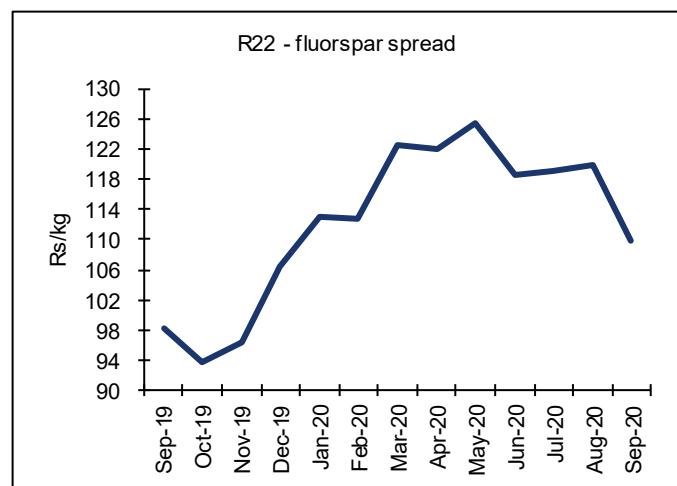
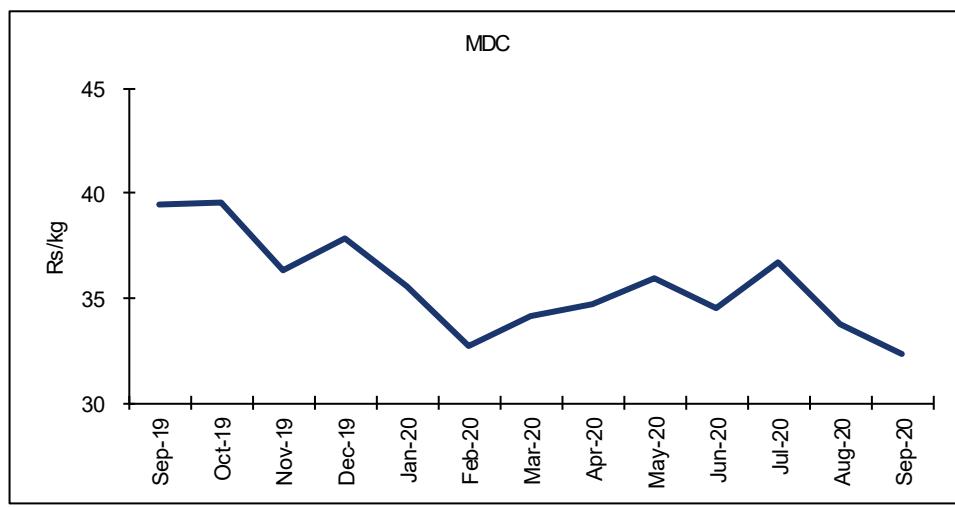
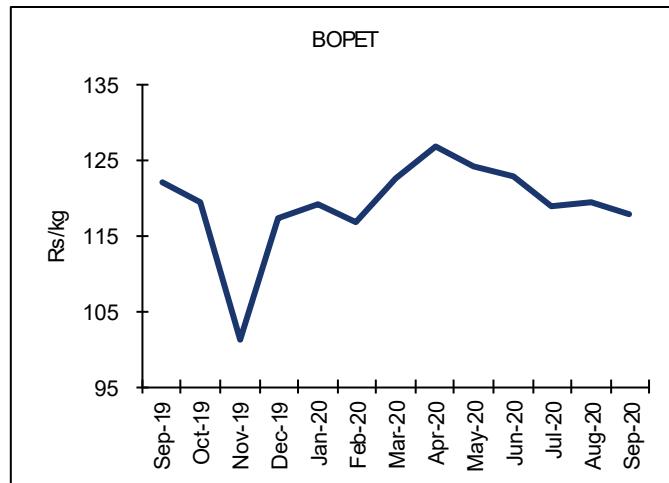
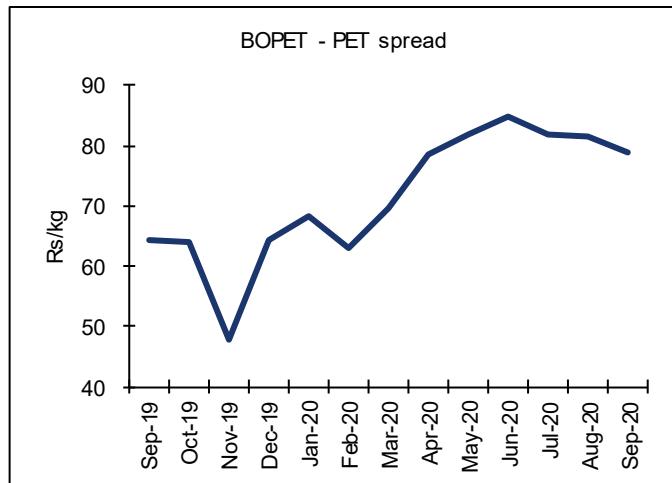


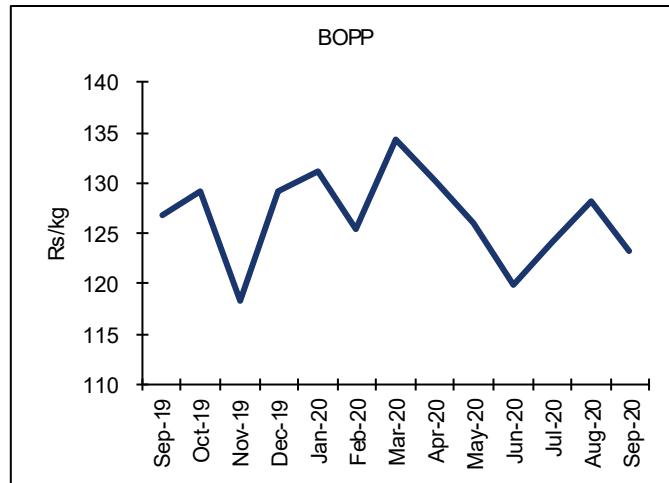
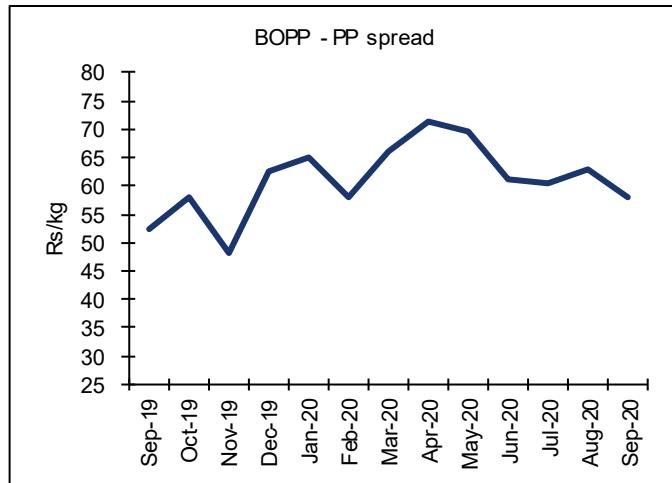
Chart 5: MDC prices dipped 4.7% QoQ



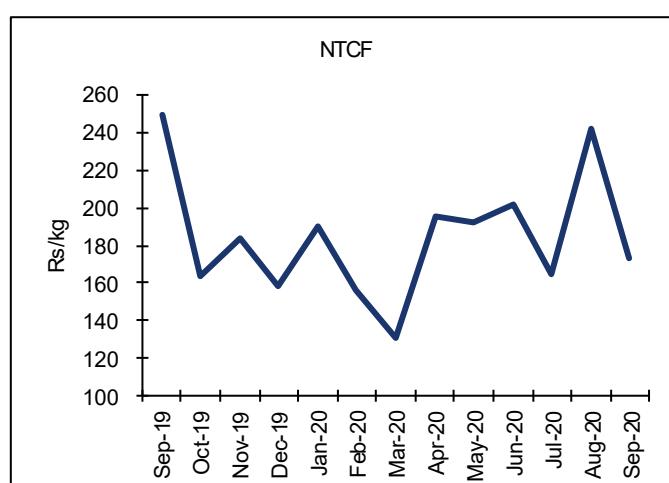
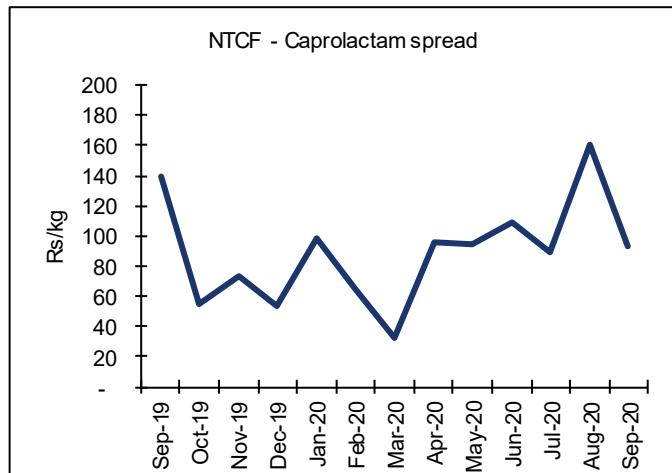
Source: I-Sec research, Commerce Ministry

Chart 6: BOPET prices fell 4.7% QoQ**Chart 7: BOPET/PET spread shrunk 1.2% QoQ**

Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1kg of PET for 1kg of BOPET

Chart 8: BOPP prices rose 0.2% QoQ**Chart 9: BOPP/PP spread dipped 10.0% QoQ**

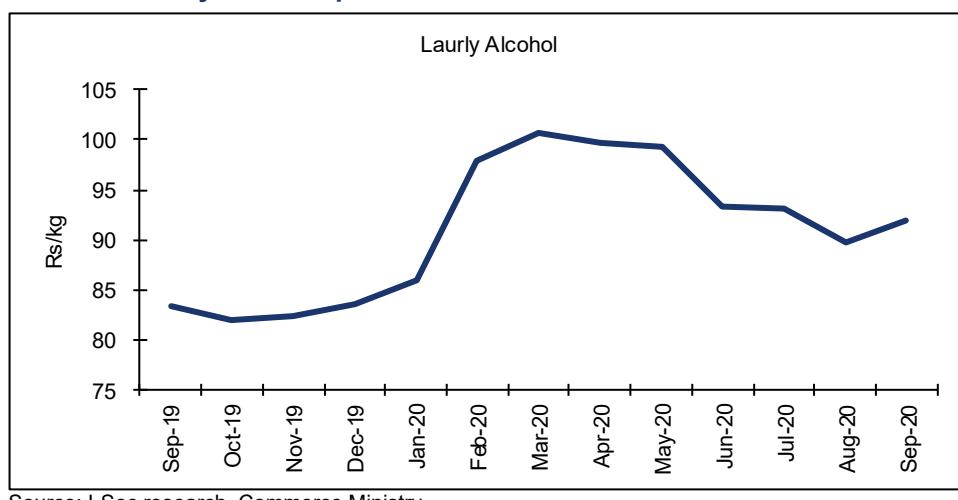
Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1kg of PP for 1kg of BOPP

Chart 10: NTCF prices declined 5.8% QoQ**Chart 11: NTCF/caprolactam spread rose 20.7% QoQ**

Source: I-Sec research, Commerce Ministry; Note: For calculating spread, we have assumed 1kg of caprolactam for 1kg of NTCF

Galaxy Surfactants

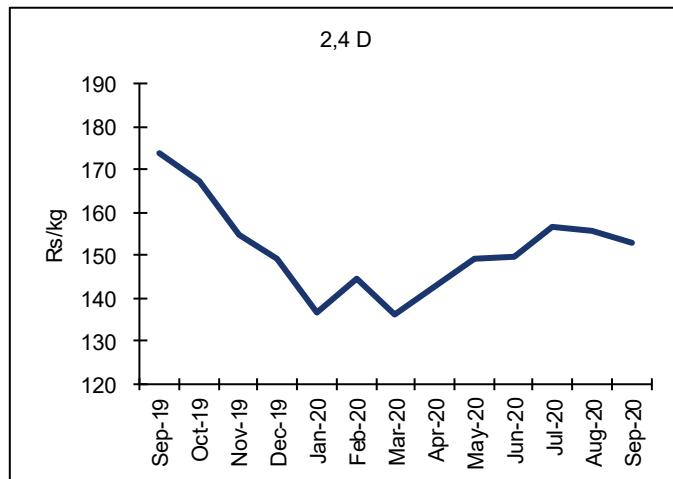
Chart 12: Lauryl alcohol prices fell 5.5% QoQ



Source: I-Sec research, Commerce Ministry

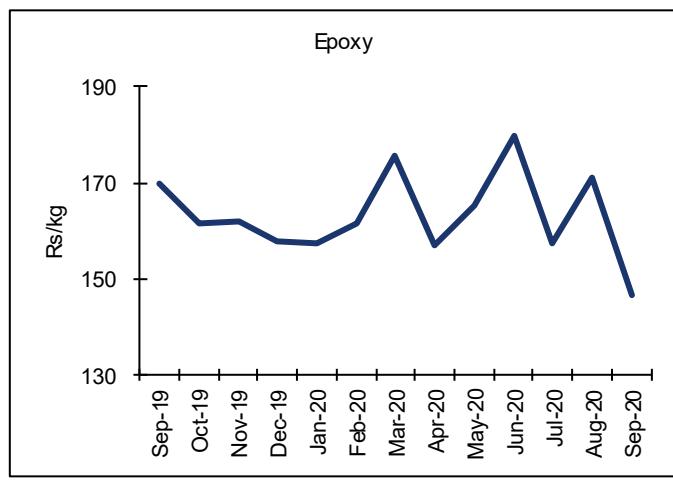
Atul Ltd

Chart 13: 2,4-D prices rose 4.7% QoQ



Source: I-Sec research, Commerce Ministry

Chart 15: Epoxy prices dipped 7.6% QoQ



Source: I-Sec research, Commerce Ministry

Chart 14: Para cresol prices were down 9.8% QoQ

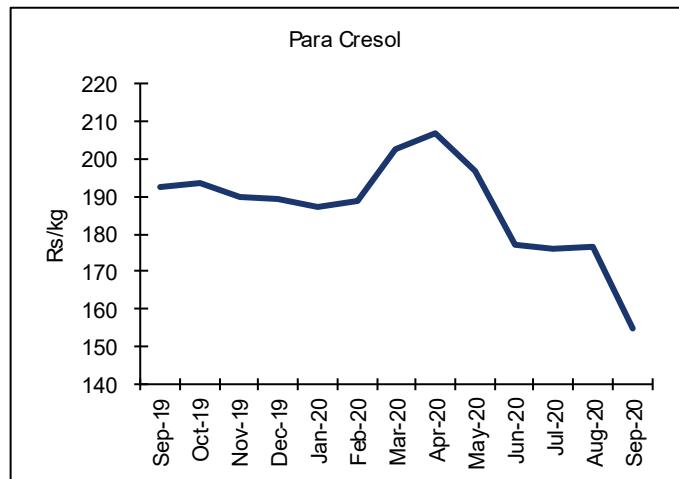
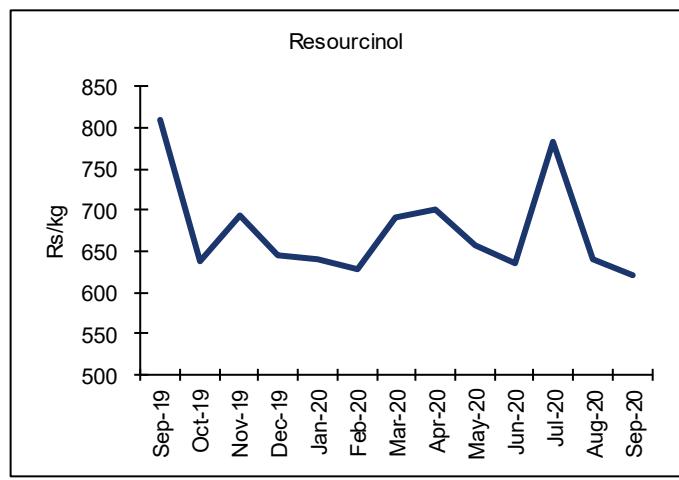
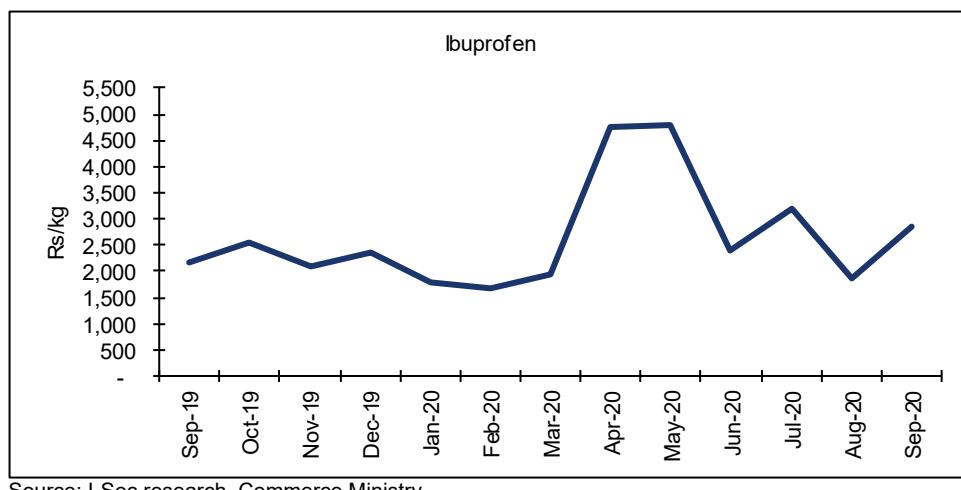


Chart 16: Resorcinol prices rose 2.8% QoQ



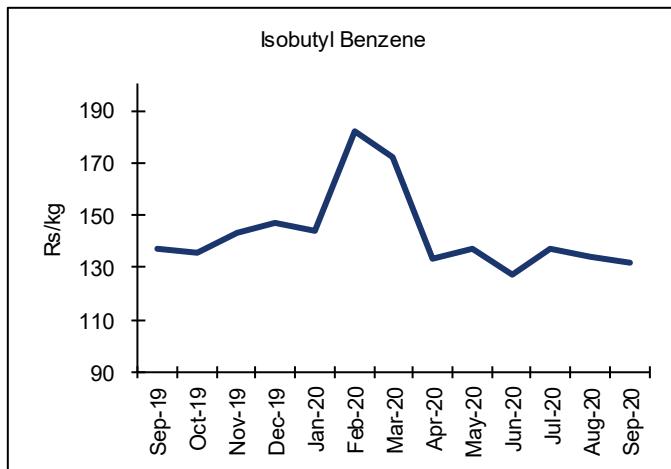
Vinati Organics

Chart 17: Ibuprofen prices dipped 23.8% QoQ



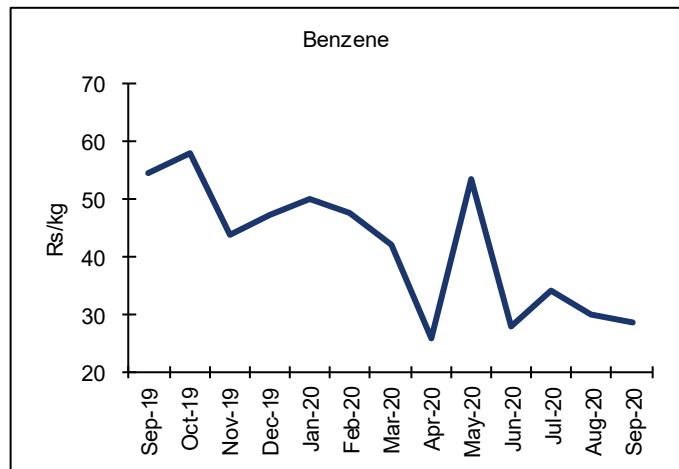
Source: I-Sec research, Commerce Ministry

Chart 18: IBB prices rose 2.0% QoQ



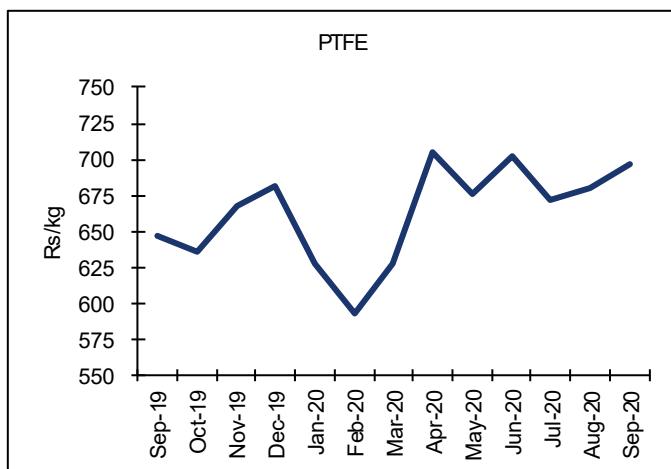
Source: I-Sec research, Commerce Ministry

Chart 19: Benzene prices dipped 7.9% QoQ



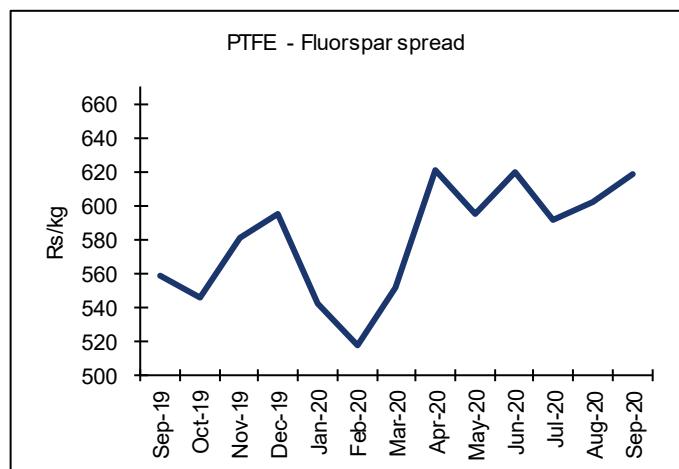
Gujarat Fluorochemicals

Chart 20: PTFE prices dipped 1.3% QoQ



Source: I-Sec research, Commerce Ministry

Chart 21: PTFE/fluorspar spread dipped 1.0% QoQ



Sudarshan Chemical Industries

Chart 24: Pigment prices declined 2.9% QoQ

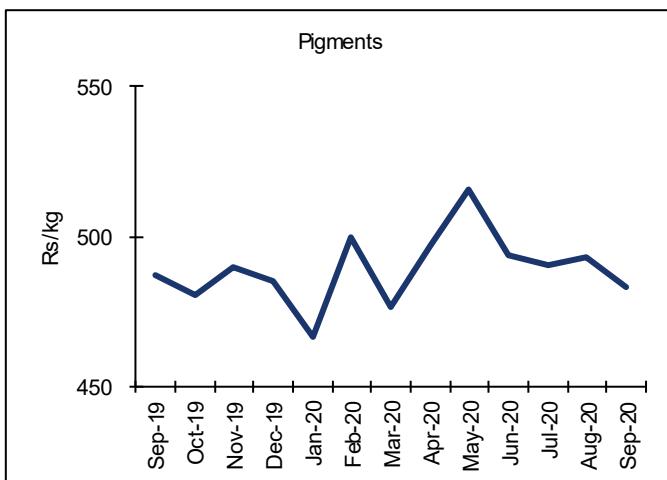
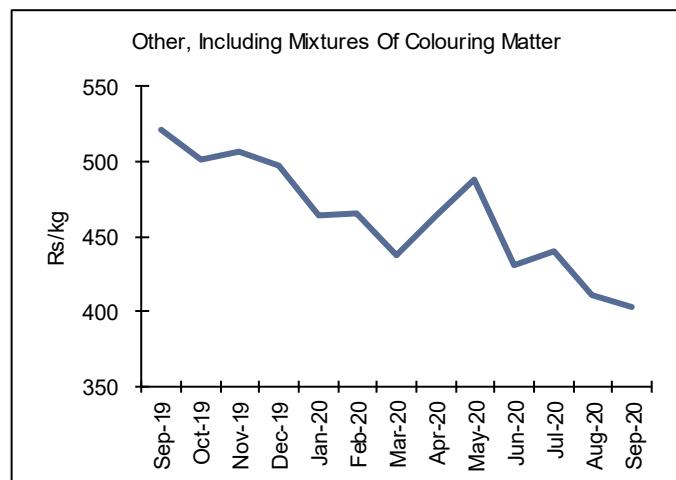
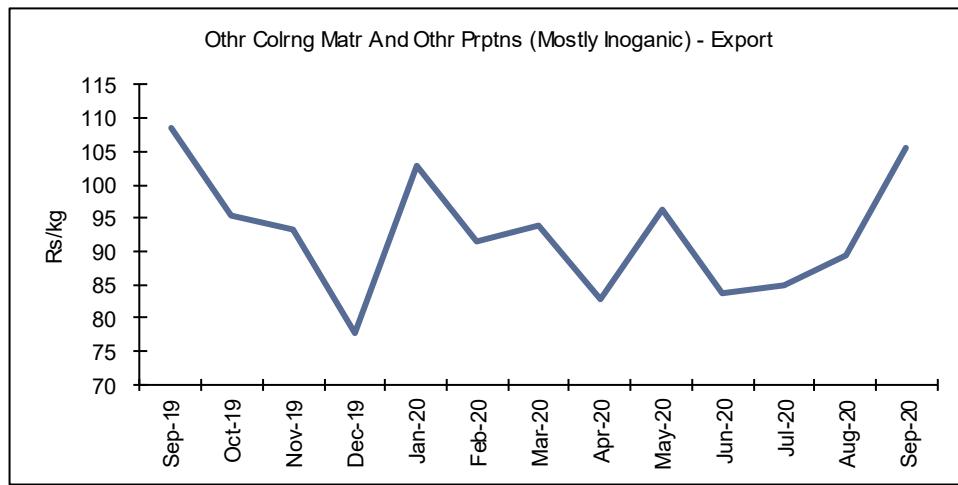


Chart 25: Azo pigment mixture prices declined 8.9% QoQ

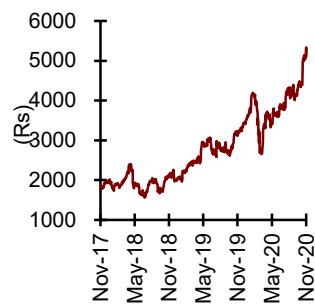
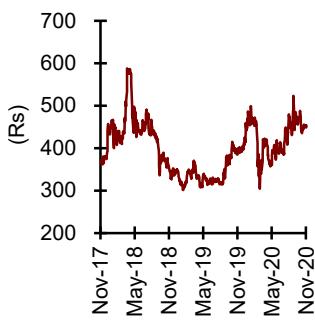


Source: I-Sec research, Commerce Ministry

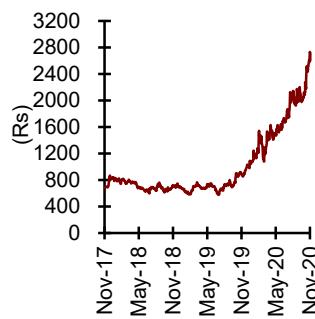
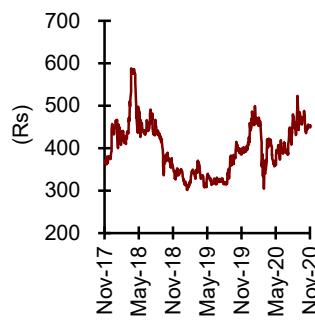
Chart 26: Inorganic pigment prices rose 4.6% QoQ



Source: I-Sec research, Commerce Ministry

Price charts**SRF****Galaxy Surfactants**

Source: Bloomberg

Navin Flourine**Sudarshan Chemical**

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