



Specialty Chemicals Business: **COVID-19 – Impact and Opportunities**

Our Point of View

October 2020



We have analysed the performance of Specialty Chemicals business and sub-sectors in the Pre-COVID-19 period and subjected key companies to the Avalon Pandemic Test to assess their resilience to COVID-19



Pre-COVID-19:

Financial
Performance of
the Specialty
Chemicals Sector

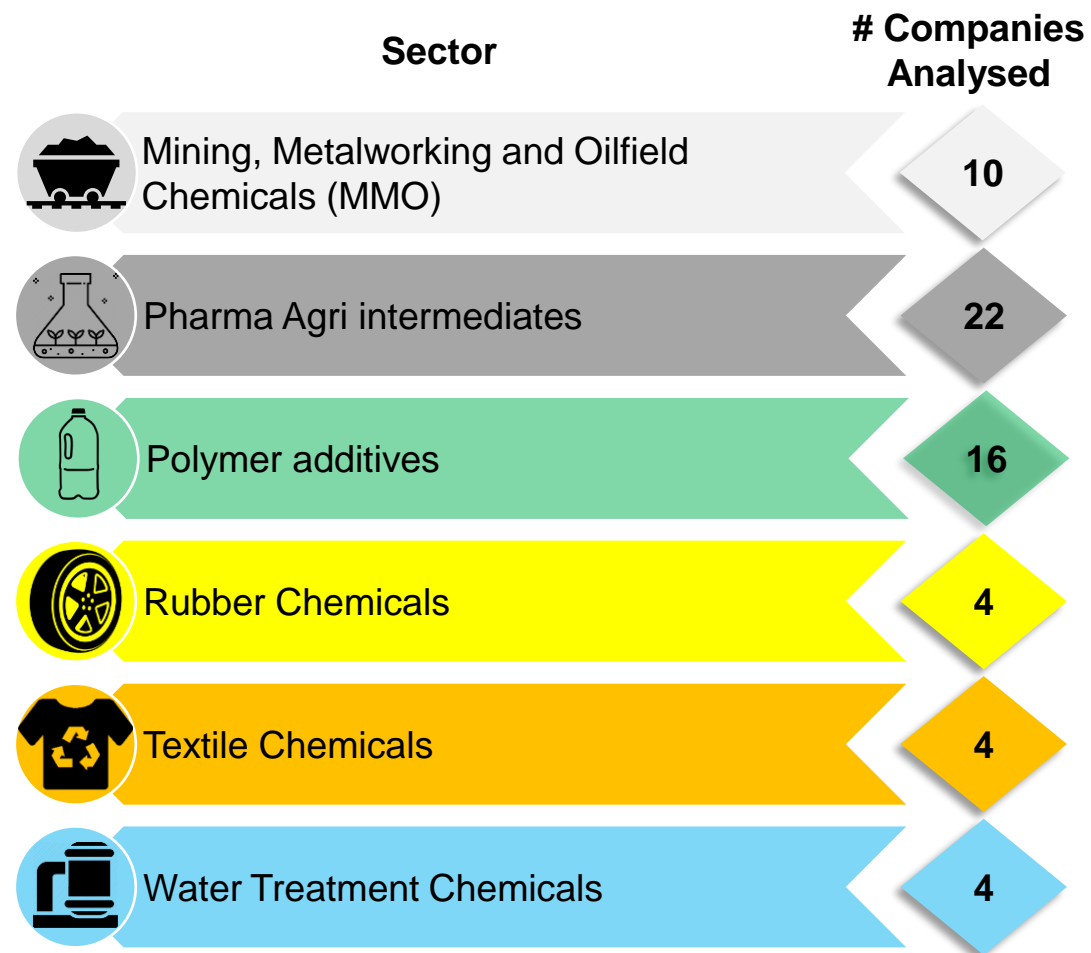
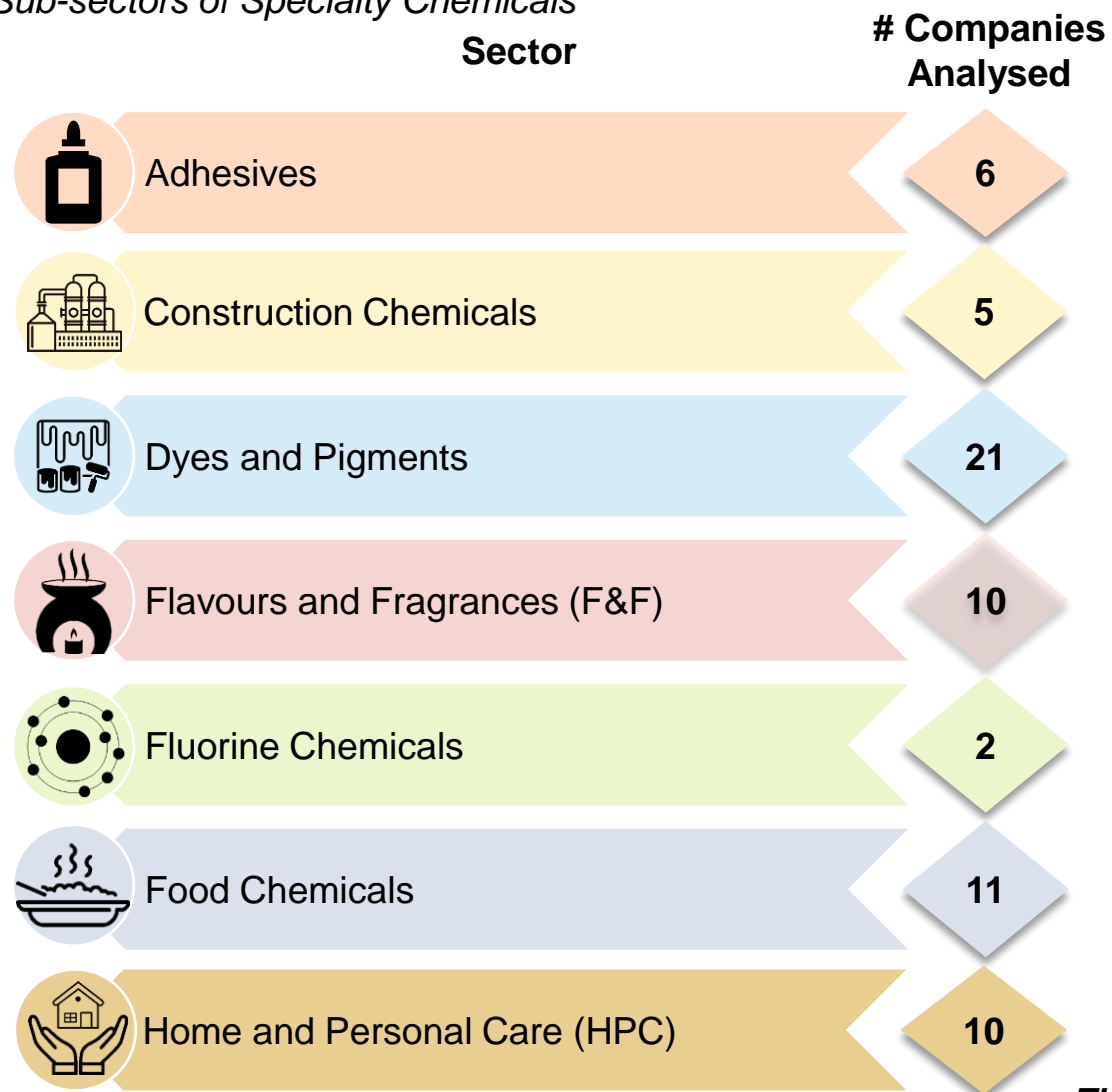


Avalon Pandemic Test

Analysis of the
Specialty
Chemicals
companies –
Resilience to
COVID-19

We have analysed 125 companies across 13 sub-sectors of the Specialty Chemicals business

Sub-sectors of Specialty Chemicals






Total = 125

The classification of companies into sub-sectors is done on the basis of an assessment of share of revenue across these sub-sectors











Dyes and Pigments, Pharma and Agri Intermediates and Polymer Additives are major sub-sectors with many prominent Specialty Chemical companies

Sample of Companies Across Sub-sectors – Major Ones

| Speciality Chemical Sub-Sector | Company Name | Speciality Chemical Sub-Sector | Company Name | Speciality Chemical Sub-Sector | Company Name |
|--|----------------------------|--|------------------------|--|-----------------------|
|  Dyes and Pigments | Aksharchem |  Pharma Agri intermediates | Aarti Industries |  Polymer Additives | Alok Masterbatches |
| | Asahi Songwon | | Actis Generics | | Amines & Plasticizers |
| | Bhageria Industries | | Alkyl Amines | | Clariant Chemicals |
| | Bodal Chemicals | | Anupam Rasayan | | Croda India |
| | DIC India | | Astec Lifesciences | | HPL Additives |
| | Dystar India | | Atul Ltd | | IG Petchem |
| | Heubach Colour | | Balaji Amines | | KLJ Polymers |
| | Indian Toners & Developers | | DMCC Ltd. | | Lubrizol |
| | Jay Chemical | | Excel Industries | | Multibase India |
| | Jaysynth Dyestuff | | Hemani Industries | | Omega Plasto |
| | Kiri Industries | | Hikal Ltd | | Palvi Industries |
| | Krishana Phoschem | | Innovassynth | | Plastiblends India |
| | Lona Industries | | Jubilant Life Sciences | | Rajiv Plastics |
| | Mazda Colours | | Neogen Chemicals | | S I Group |
| | Meghmani Finechem | | Paushak Ltd | | Shakun Polymers |
| | Poddar Pigments | | Sami Labs | | Sunshield Chemicals |
| | Seya Industries | | Saurav Chemicals | | |
| | Shree Pushkar | | Syschem India | | |
| | Sudarshan Chemical | | Transpek Industry | | |
| | Tata Pigments | | Valiant Organics | | |
| | Tulsi Dychem | | Vinati Organics | | |
| | | | Vivimed Labs | | |

Most other sub-sectors have a handful of companies with a few prominent ones in Fluorine and Rubber Chemicals

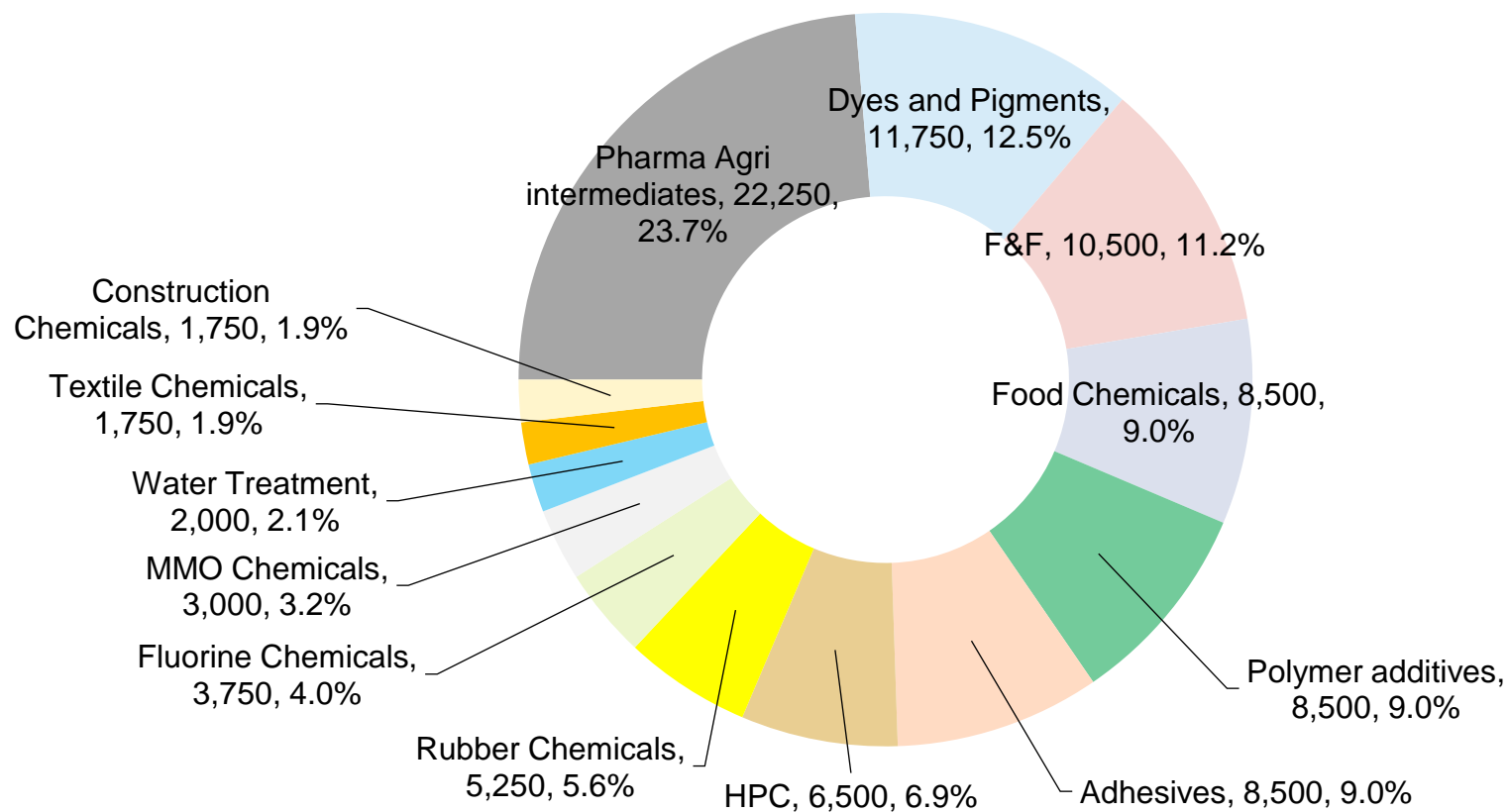
Sample of Companies Across Sub-sectors – Others

| Speciality Chemical Sub-Sector | Company Name | Speciality Chemical Sub-Sector | Company Name | Speciality Chemical Sub-Sector | Company Name |
|---|--------------------------|---|----------------------------------|--|-----------------------------------|
| Adhesives  | Bostik India | Food Chemicals  | Advanced Enzyme Tech | Textile Chemicals  | Abhilash Chemicals |
| | Henkel Ltd. | | DKSH India | | Fineotex Chemical |
| | Jubilant Agri & Consumer | | Fine Organics | | Rossari Biotech |
| | Nikhil Adhesives | | Kasyap Sweetners | | Transpek-Silox |
| | Pidilite Industries | | Kerry Ingredients | Water Treatment Chemicals  | Aquapharm Chemicals |
| | Resinova Chemie | | Plant Lipids | | Chembond Chemicals |
| | | | Polson Ltd. | | SNF India |
| Construction Chemicals  | Fosroc India | | Roha Dychem | Mining, Metalworking and Oilfield Chemicals  | Sree Rayalaseema Hi-Strength Hypo |
| | Kamsons Chemicals | Home and Personal Care  | Roquette India | | Ganesh Benzoplast |
| | Kunal Conchem | | Sukhjit Starchchem | | Global Drilling Fluids |
| | Sika India | | Vidhi Specialty Food Ingredients | | Grauer & Weil |
| | Torrecid India | | Anshul Specialty Molecules | | Gumpro Drilling Fluids |
| Flavours and Fragrances  | Camlin Fine Sciences | | Calibre Chemicals | | IDL Explosives |
| | Eternis Fine Chemicals | | Galaxy Surfactants | | Keltech Energies |
| | Fairchem Speciality | | Godrej Industries | | Oren Hydrocarbons |
| | Firmenich India | | Gulbrandsen Chemicals | | Premier Explosives |
| | Givaudan India | | Indo Amines | | Vishnu Barium |
| | IFF India | | Jocil Ltd. | | Vishnu Chemicals |
| | S.H. Kelkar | | Ultramarine & Pigments | Fluorine Chemicals  | Gujarat Fluorochemicals Ltd |
| | Oriental Aromatics | Rubber Chemicals  | Unitop Chemicals | | Navin Fluorine |
| | Symrise India | | Yasho Industries | | |
| | Synthite Industries | | Nocil Ltd. | | |
| | | | Oriental Carbon | | |
| | | | Phillips Carbon Black | | |
| | | | Polmann India | | |

These sub-sectors represent a revenue of ~Rs 94,000 Cr. in FY19 across these 125 companies with Pharma Agri Intermediates, Dyes and Pigments and F&F being large segments

Revenue – Specialty Chemicals Sub-sectors FY19

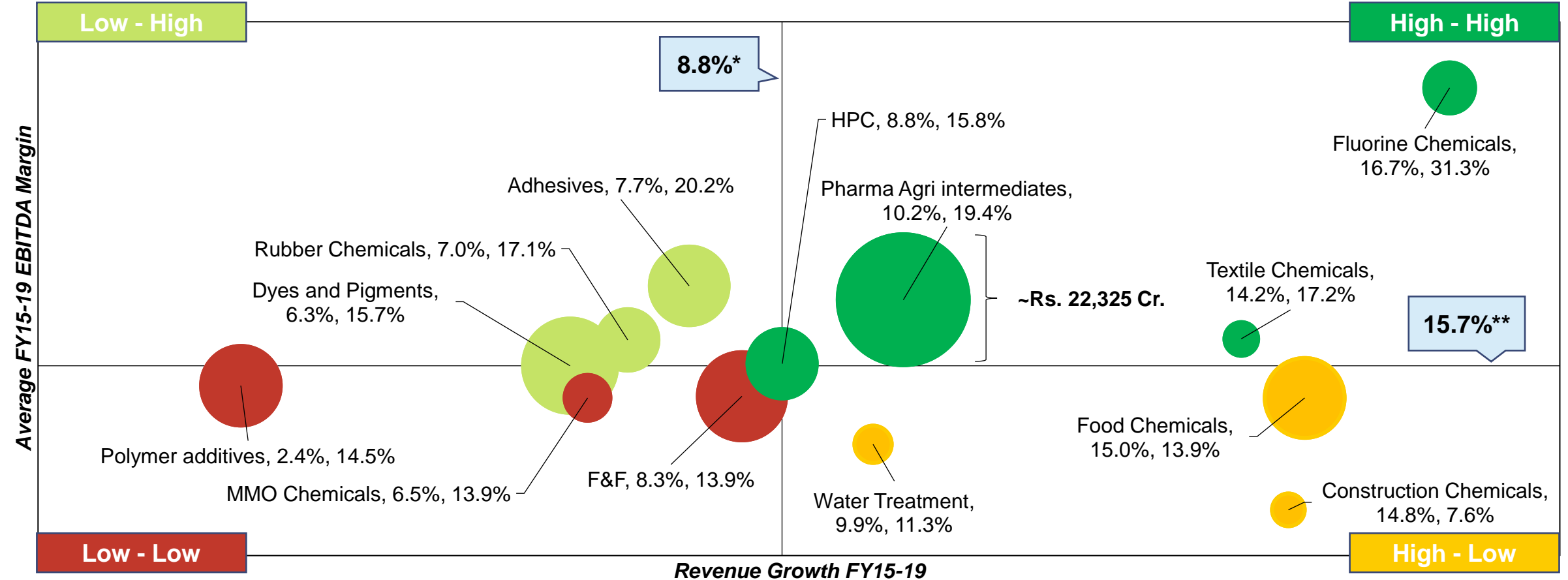
Split of Revenue by Sectors, FY19



Total ~Rs. 94,000 Cr.

Pharma Agri intermediates, HPC, Fluorine Chemicals and Textile Chemicals have been the fastest growing sub-sectors with the highest average EBITDA margins among the sample companies

Sub-sector performance



Note:
Bubble size represents the cumulative revenues of companies classified under these sectors in FY19
Label Indicates the sector name, FY15-19 CAGR of Revenues in the sector, and Average EBITDA margins in the sector during FY15-19
* Median Revenue growth across all sectors
** Median Average EBITDA margin across all sectors

Companies analyzed in the Construction Chemicals sector have generally grown faster than the median Specialty Chemical sector growth, albeit at lower EBITDA margins

Construction Chemicals Performance

Construction Chemicals Company Performance Overview FY15-19

| Company | FY19 | | FY15-19 | |
|------------------|-------------------|------------------|-------------------|-----------------|
| | Revenue (Rs. Cr.) | EBITDA (Rs. Cr.) | Avg EBITDA Margin | Revenue CAGR, % |
| Fosroc Chemicals | 603 | 6.3 | 10.6% | 11.4% |
| Sika India | 544 | 22.5 | 4.1% | 3.4% |
| Torrecid | 261 | 15.2 | 7.0% | 35.5% |
| Kamsons | 129 | 10.1 | 7.9% | 15.3% |
| Kunal Conchem | 103 | 15.8 | 16.1% | 17.1% |

Only Kunal Conchem has been above both the median revenue growth and EBITDA margin for the overall sample; While 3 others have high growth but lower EBITDA margin

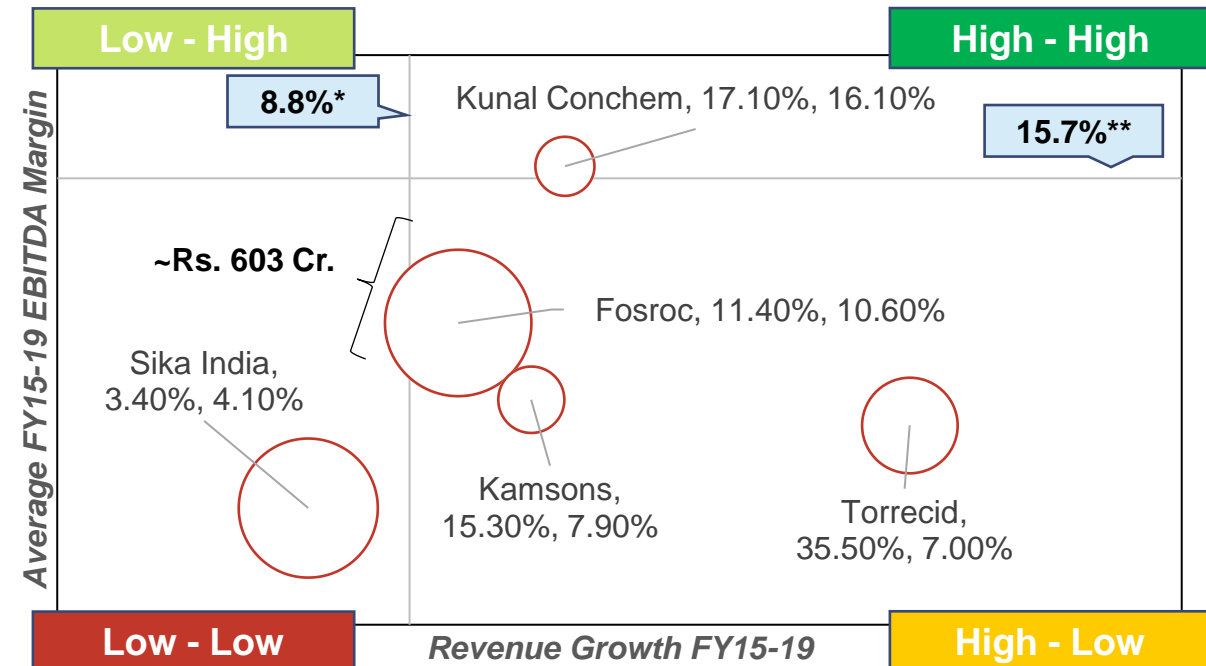
Note:

Bubble size represents the revenues of companies in FY19

Label Indicates the company name, FY15-19 CAGR of Revenues in the sector, and Average EBITDA margins in the sector during FY15-19

* Median Revenue growth across various specialty chemicals sectors

** Median Average EBITDA margin across various specialty chemicals sectors



24 companies within the top 4 sub-sectors have been the top performers with GFL, Anshul Specialty Chemicals, and Paushak Ltd having the highest average EBIDTA margins

Top Performers in the Best Performing Sub-sectors

| Company | Sector | FY15-19 | | FY19 | | |
|-----------------------------|---------------------------|-------------------|--------------|-------------------|------------------|------|
| | | Avg EBITDA Margin | Revenue CAGR | Revenue (Rs. Cr.) | EBITDA (Rs. Cr.) | ROCE |
| Gujarat Fluorochemicals Ltd | Fluorine Chemicals | 34% | 18% | 2,737 | 908 | 68% |
| Anshul Specialty Molecules | Home and Personal Care | 34% | 12% | 94 | 35 | 37% |
| Paushak Ltd | Pharma Agri intermediates | 30% | 17% | 140 | 54 | 46% |
| Fineotex Chemical | Textile Chemicals | 29% | 12% | 113 | 27 | 35% |
| Valiant Organics | Pharma Agri intermediates | 28% | 76% | 606 | 185 | 80% |
| Navin Fluorine | Fluorine Chemicals | 25% | 13% | 965 | 254 | 37% |
| Anupam Rasayan | Pharma Agri intermediates | 25% | 15% | 502 | 113 | 13% |
| Ultramarine & Pigments | Home and Personal Care | 22% | 14% | 310 | 88 | 43% |
| Saurav Chemicals | Pharma Agri intermediates | 21% | 13% | 230 | 49 | 31% |
| Gulbrandsen Chemicals | Home and Personal Care | 21% | 14% | 574 | 113 | 37% |
| Excel Industries | Pharma Agri intermediates | 20% | 11% | 807 | 256 | 56% |
| Balaji Amines | Pharma Agri intermediates | 20% | 10% | 953 | 202 | 41% |
| Astec Lifesciences | Pharma Agri intermediates | 20% | 13% | 438 | 90 | 51% |
| Actis Generics | Pharma Agri intermediates | 20% | 22% | 20 | 4 | NA |
| Hikal Ltd | Pharma Agri intermediates | 20% | 16% | 1,590 | 310 | 24% |
| Innovassynth | Pharma Agri intermediates | 19% | 17% | 150 | 24 | 19% |
| Unitop Chemicals | Home and Personal Care | 19% | 35% | 228 | 48 | NA |
| Alkyl Amines | Pharma Agri intermediates | 19% | 13% | 846 | 169 | 35% |
| Aarti Industries | Pharma Agri intermediates | 18% | 10% | 4,548 | 926 | 31% |
| Transpek Industry | Pharma Agri intermediates | 18% | 22% | 610 | 134 | 51% |
| Transpek-Silox | Textile Chemicals | 18% | 9% | 1,020 | 171 | 29% |
| Atul Ltd | Pharma Agri intermediates | 18% | 10% | 3,916 | 772 | 35% |
| DMCC Ltd. | Pharma Agri intermediates | 17% | 16% | 234 | 55 | 43% |
| Neogen Chemicals | Pharma Agri intermediates | 17% | 32% | 256 | 45 | 41% |

These 24 companies represent 63% of the total 38 companies in these 4 sub-sectors

Within the other sub-sectors as well, there are 15 top performing companies with Meghmani Finechem, Ganesh Benzoplast, and Advanced Enzyme Tech having the highest average EBIDTA margins

Top Performers in the Other Sub-sectors

| Company | Sector | FY15-19 | | FY19 | | |
|----------------------------|------------------------|-------------------|--------------|-------------------|------------------|------|
| | | Avg EBITDA Margin | Revenue CAGR | Revenue (Rs. Cr.) | EBITDA (Rs. Cr.) | ROCE |
| Meghmani Finechem | Dyes and Pigments | 39% | 16% | 710 | 326 | 74% |
| Ganesh Benzoplast | MMO Chemicals | 29% | 14% | 212 | 56 | NA |
| Advanced Enzyme Tech | Food Chemicals | 27% | 14% | 222 | 59 | 33% |
| Indian Toners & Developers | Dyes and Pigments | 27% | 36% | 119 | 30 | 29% |
| Seya Industries | Dyes and Pigments | 25% | 13% | 413 | 140 | 15% |
| Multibase India | Polymer additives | 23% | 13% | 110 | 24 | 28% |
| Gumpro Drilling Fluids | MMO Chemicals | 22% | 25% | 137 | 35 | 56% |
| Roha Dyechem | Food Chemicals | 21% | 37% | 1,857 | 396 | NA |
| Fine Organics | Food Chemicals | 21% | 13% | 1,047 | 235 | 62% |
| Krishana Phoschem | Dyes and Pigments | 20% | 20% | 153 | 34 | 20% |
| Aksharchem | Dyes and Pigments | 20% | 13% | 319 | 40 | 21% |
| Heubach Colour | Dyes and Pigments | 19% | 9% | 647 | 134 | 26% |
| Henkel Ltd. | Adhesives | 18% | 9% | 377 | 68 | 66% |
| Kunal Conchem | Construction Chemicals | 16% | 17% | 103 | 16 | NA |
| Dystar India | Dyes and Pigments | 16% | 12% | 417 | 76 | 51% |

These companies represent 17% of the total 87 companies in these sub-sectors

Thus, the top 20 performers among the sample set include a number of companies across sub-sectors representing the overall diversity and competitiveness of Specialty Chemicals in India

Top Performers Across Sub-sectors

| Company | Sector | FY15-19 | | FY19 | | |
|----------------------------|---------------------------|-------------------|--------------|-------------------|------------------|------|
| | | Avg EBITDA Margin | Revenue CAGR | Revenue (Rs. Cr.) | EBITDA (Rs. Cr.) | ROCE |
| Meghmani Finechem | Dyes and Pigments | 39% | 16% | 710 | 326 | 74% |
| GFL | Fluorine Chemicals | 34% | 18% | 2,737 | 908 | 68% |
| Anshul Specialty Molecules | Home and Personal Care | 34% | 12% | 94 | 35 | 37% |
| Paushak Ltd | Pharma Agri intermediates | 30% | 17% | 140 | 54 | 46% |
| Fineotex Chemical | Textile Chemicals | 29% | 12% | 113 | 27 | 35% |
| Ganesh Benzoplast | MMO Chemicals | 29% | 14% | 212 | 56 | NA |
| Valiant Organics | Pharma Agri intermediates | 28% | 76% | 606 | 185 | 80% |
| Advanced Enzyme Tech | Food Chemicals | 27% | 14% | 222 | 59 | 33% |
| Indian Toners & Developers | Dyes and Pigments | 27% | 36% | 119 | 30 | 29% |
| Navin Fluorine | Fluorine Chemicals | 25% | 13% | 965 | 254 | 37% |
| Anupam Rasayan | Pharma Agri intermediates | 25% | 15% | 502 | 113 | 13% |
| Seya Industries | Dyes and Pigments | 25% | 13% | 413 | 140 | 15% |
| Multibase India | Polymer additives | 23% | 13% | 110 | 24 | 28% |
| Ultramarine & Pigments | Home and Personal Care | 22% | 14% | 310 | 88 | 43% |
| Gumpro Drilling Fluids | MMO Chemicals | 22% | 25% | 137 | 35 | 56% |
| Saurav Chemicals | Pharma Agri intermediates | 21% | 13% | 230 | 49 | 31% |
| Roha Dychem | Food Chemicals | 21% | 37% | 1,857 | 396 | NA |
| Fine Organics | Food Chemicals | 21% | 13% | 1,047 | 235 | 62% |
| Gulbrandsen Chemicals | Home and Personal Care | 21% | 14% | 574 | 113 | 37% |
| Excel Industries | Pharma Agri intermediates | 20% | 11% | 807 | 256 | 56% |

Exports is a key driver of the performance of these top 20 companies reinforcing the global competitiveness of Specialty Chemicals in India

Exports Share of Top 20 Performers

| Company | Sector | FY15-19 | | FY19 | | | % of Revenues from Exports, FY19 |
|----------------------------|---------------------------|-------------------|--------------|-------------------|------------------|------|----------------------------------|
| | | Avg EBITDA Margin | Revenue CAGR | Revenue (Rs. Cr.) | EBITDA (Rs. Cr.) | ROCE | |
| Meghmani Finechem | Dyes and Pigments | 39% | 16% | 710 | 326 | 74% | 1% |
| GFL | Fluorine Chemicals | 34% | 18% | 2,737 | 908 | 68% | 50% |
| Anshul Specialty Molecules | Home and Personal Care | 34% | 12% | 94 | 35 | 37% | 56% |
| Paushak Ltd | Pharma Agri intermediates | 30% | 17% | 140 | 54 | 46% | 15% |
| Fineotex Chemical | Textile Chemicals | 29% | 12% | 113 | 27 | 35% | 22% |
| Ganesh Benzoplast | MMO Chemicals | 29% | 14% | 212 | 56 | NA | NA |
| Valiant Organics | Pharma Agri intermediates | 28% | 76% | 606 | 185 | 80% | 12% |
| Advanced Enzyme Tech | Food Chemicals | 27% | 14% | 222 | 59 | 33% | 31% |
| Indian Toners & Developers | Dyes and Pigments | 27% | 36% | 119 | 30 | 29% | 26% |
| Navin Fluorine | Fluorine Chemicals | 25% | 13% | 965 | 254 | 37% | 44% |
| Anupam Rasayan | Pharma Agri intermediates | 25% | 15% | 502 | 113 | 13% | 60% |
| Seya Industries | Dyes and Pigments | 25% | 13% | 413 | 140 | 15% | NA |
| Multibase India | Polymer additives | 23% | 13% | 110 | 24 | 28% | 4% |
| Ultramarine & Pigments | Home and Personal Care | 22% | 14% | 310 | 88 | 43% | 31% |
| Gumpro Drilling Fluids | MMO Chemicals | 22% | 25% | 137 | 35 | 56% | 94% |
| Saurav Chemicals | Pharma Agri intermediates | 21% | 13% | 230 | 49 | 31% | 55% |
| Roha Dyechem | Food Chemicals | 21% | 37% | 1,857 | 396 | NA | NA |
| Fine Organics | Food Chemicals | 21% | 13% | 1,047 | 235 | 62% | 55% |
| Gulbrandsen Chemicals | Home and Personal Care | 21% | 14% | 574 | 113 | 37% | 75% |
| Excel Industries | Pharma Agri intermediates | 20% | 11% | 807 | 256 | 56% | 29% |

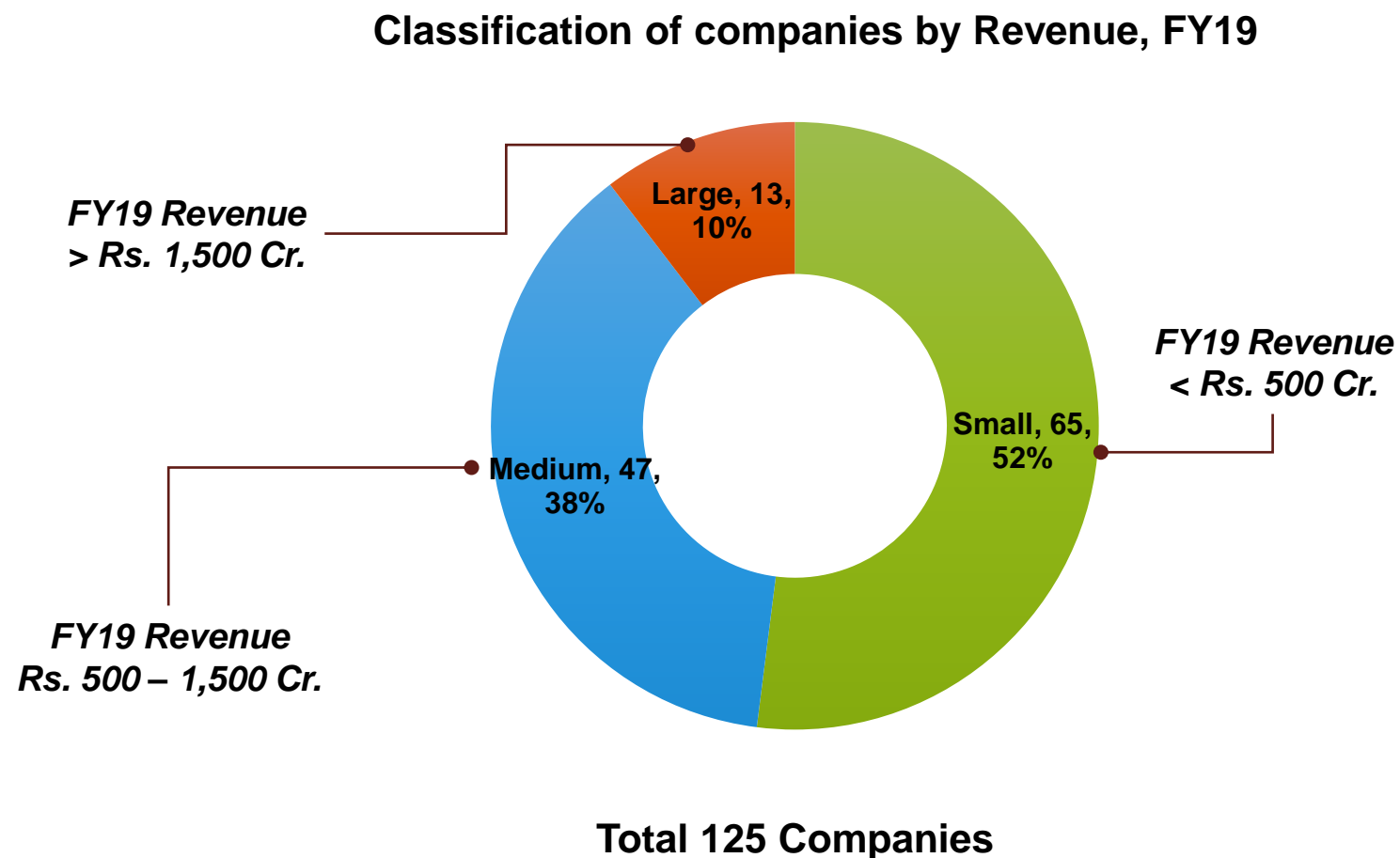
High Export Share ≥25%

Low Share of Exports <25%

NA: Not Available

Bulk of the Specialty Chemical companies are small in scale based on FY19 revenues

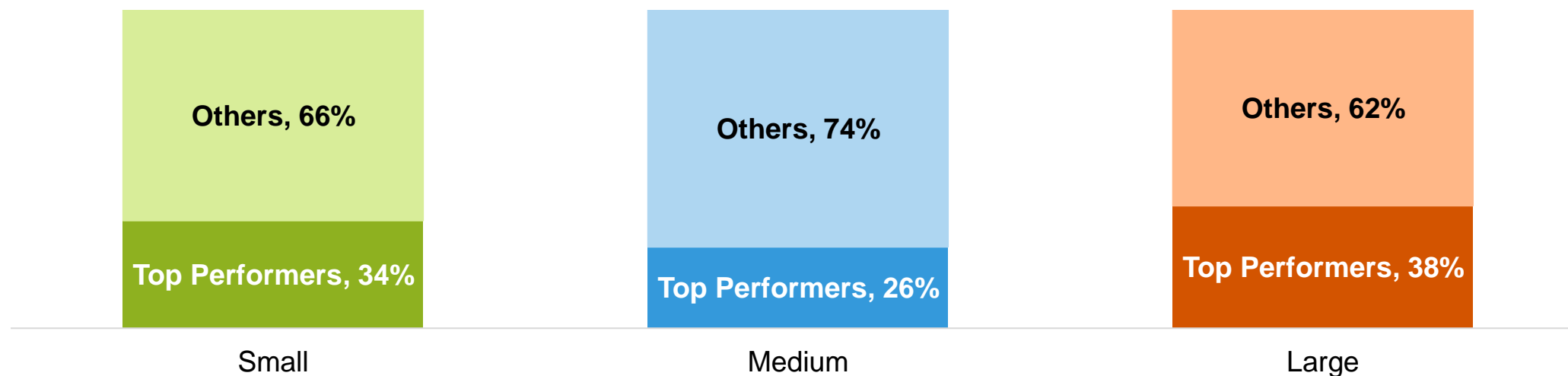
Classification of Specialty Chemical Companies by Size



However, size of the company does not seem to limit their ability to be a Top Performer

Top Performers by Scale

Top Performers by Scale of Companies



Top performers are defined as –

Companies with CAGR of Revenue between FY15-19 higher than the sector median growth rate (8.8%)

And

Avg. EBITDA margin during FY15-19 higher than the sector median EBITDA margin (15.7%)

Thus, Specialty Chemicals business has been a success story for India in the past with above average EBDITA margins and a healthy growth across a wide range of companies and sub-sectors

Summary – Performance of Specialty Chemicals



Consistent and High Profitability

Across our sample of 125 companies in 13 sub-sectors of Specialty Chemicals, the lowest average EBDITA margin has been ~14% in the period FY15-19. Top performers have an average EBDITA margin typically > 20% over FY15-19 despite the rough winds faced by the economy



High Revenue Growth despite Economic Headwinds

The revenue growth of the top performers in this period has been > 15% - 3-4 times average inflation indicating both consistent volume growth and possibly pricing power



Diversity and Depth Across Sub-sectors

The top 20 performers in terms of Average EBDITA and Revenue growth are from a diverse set of sub-sectors indicating the diversity and depth of capability across Specialty Chemicals in India. The scale of the business does not seem to impact the ability to be a top performer



Export Oriented and Globally Competitive

Exports is a key driver of performance with top companies largely being export oriented signifying the global cost advantage of India (in many cases even over China)

Let's analyse the likely impact of COVID-19 on the Specialty Chemicals business



Pre-COVID-19:

Financial
Performance of
the Specialty
Chemicals Sector



Avalon Pandemic Test

Analysis of the
Specialty
Chemicals
companies –
Resilience to
COVID-19

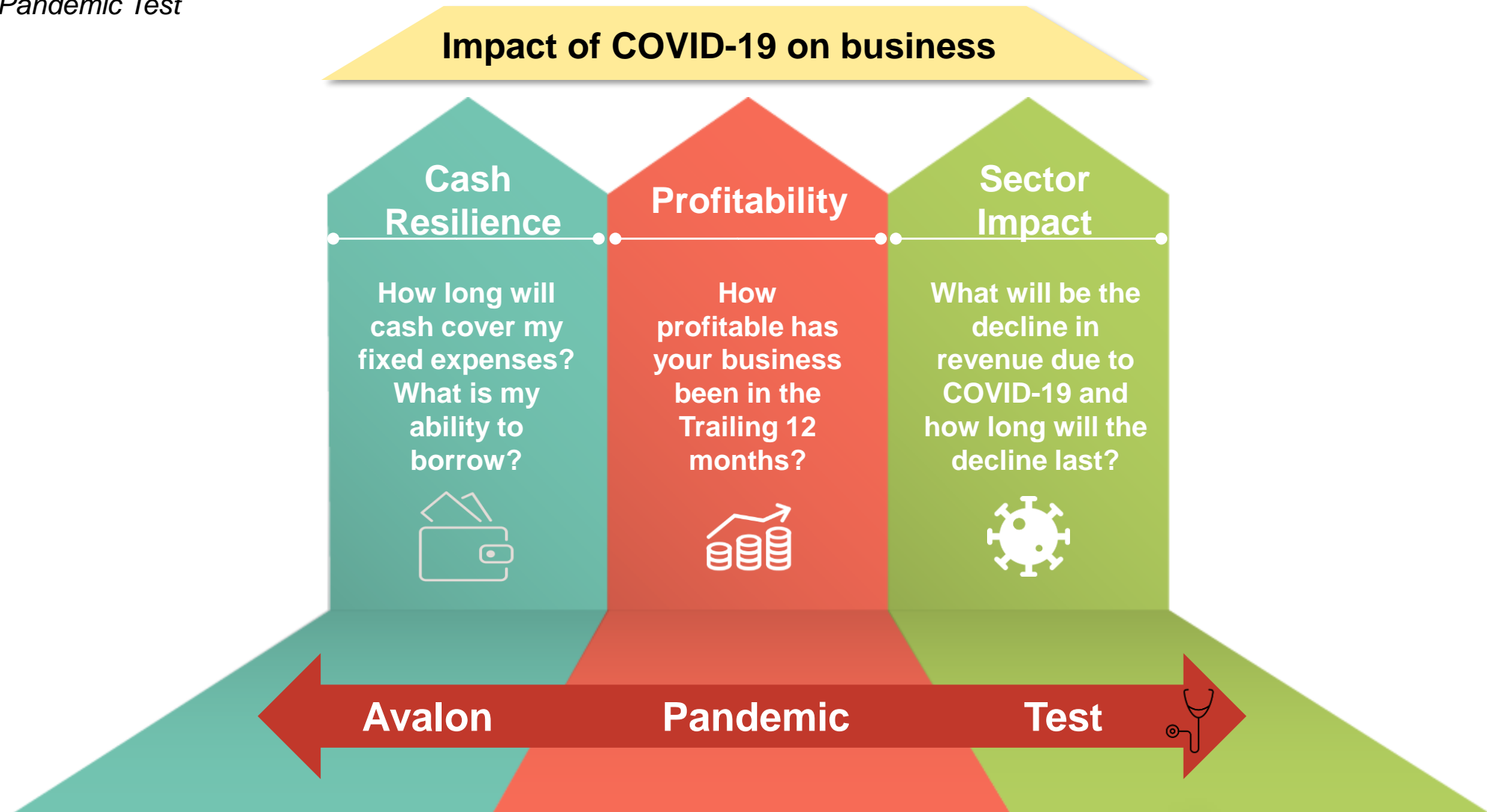
The Specialty Chemicals were evaluated using the Avalon Pandemic test to review their resilience in a post COVID-19 world

Avalon Pandemic Test



These three dimensions together form the Avalon Pandemic Test designed to assess the impact of COVID-19 on your business

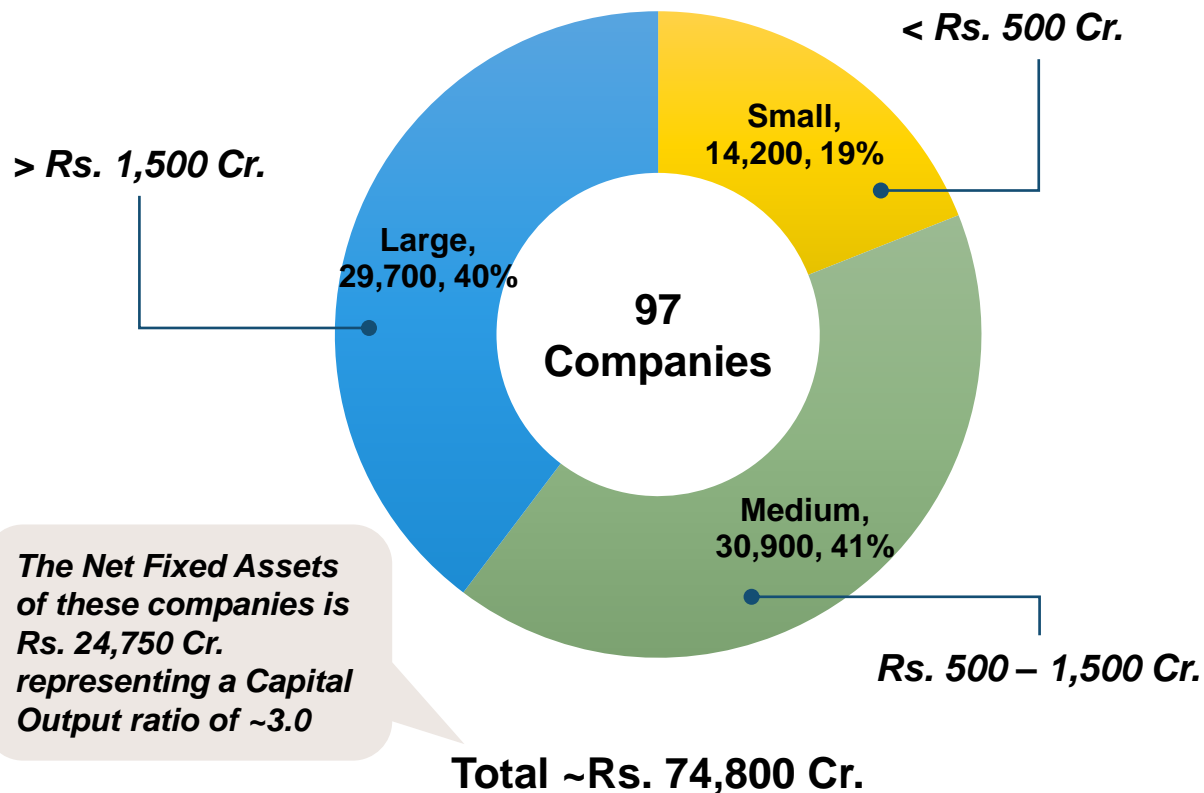
The Avalon Pandemic Test



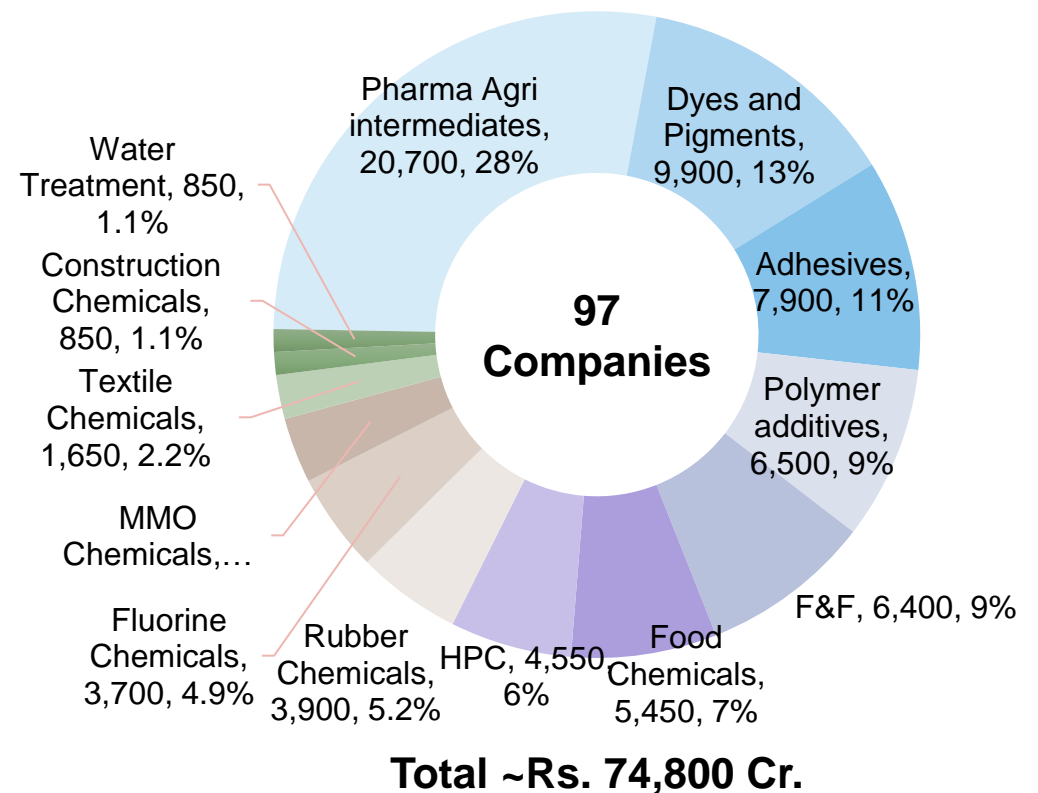
We have used the Avalon Pandemic Test and analyzed 97 large, medium and small companies* across Specialty Chemical sub-sectors to generate insights on the impact of COVID-19

Split of Companies in the Sample by Revenue and Sector

Split of companies by Revenue, FY19



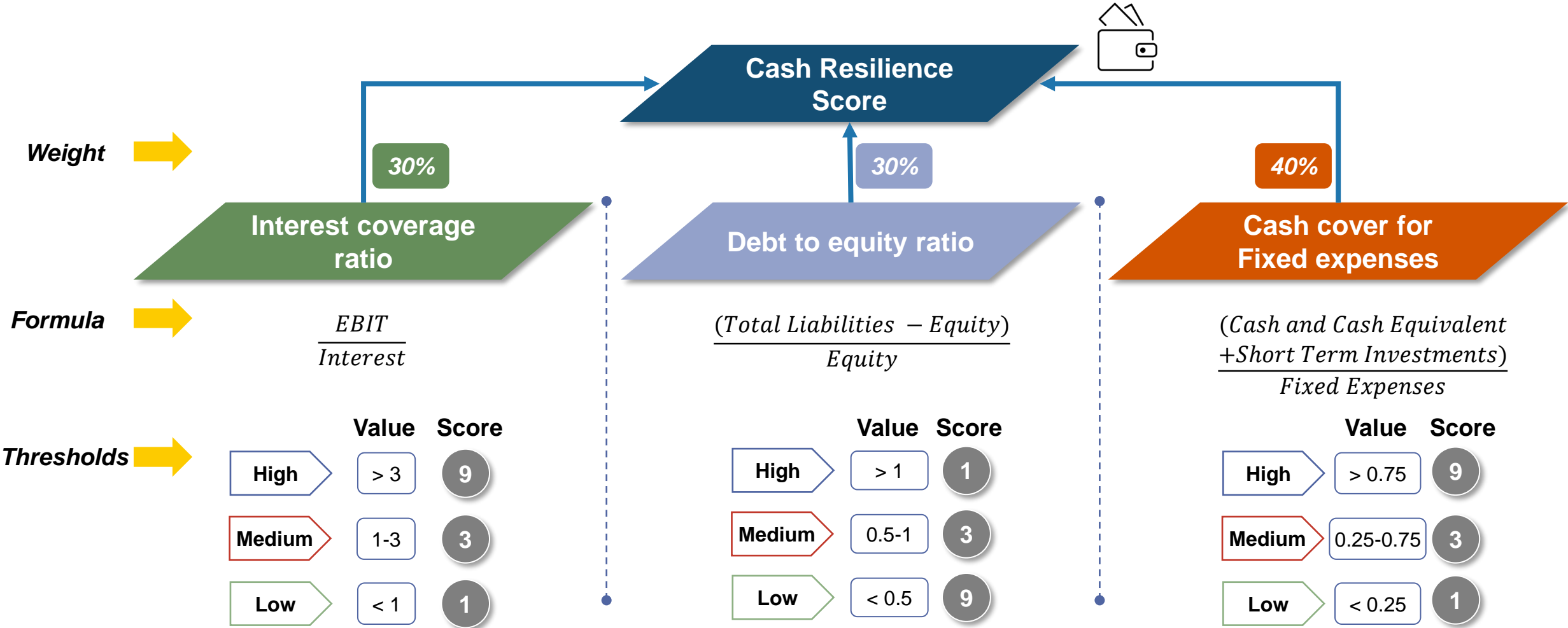
Split of companies by sector



Note: * The Avalon Pandemic Test requires detailed financial information from a reliable source. For 28 companies, comprehensive information was not available to form a conclusive view. Hence these companies were omitted from the analysis

Cash Resilience has considered three critical financial ratios – Interest Cover, Debt Equity and Cash Cover and we have defined suitable thresholds

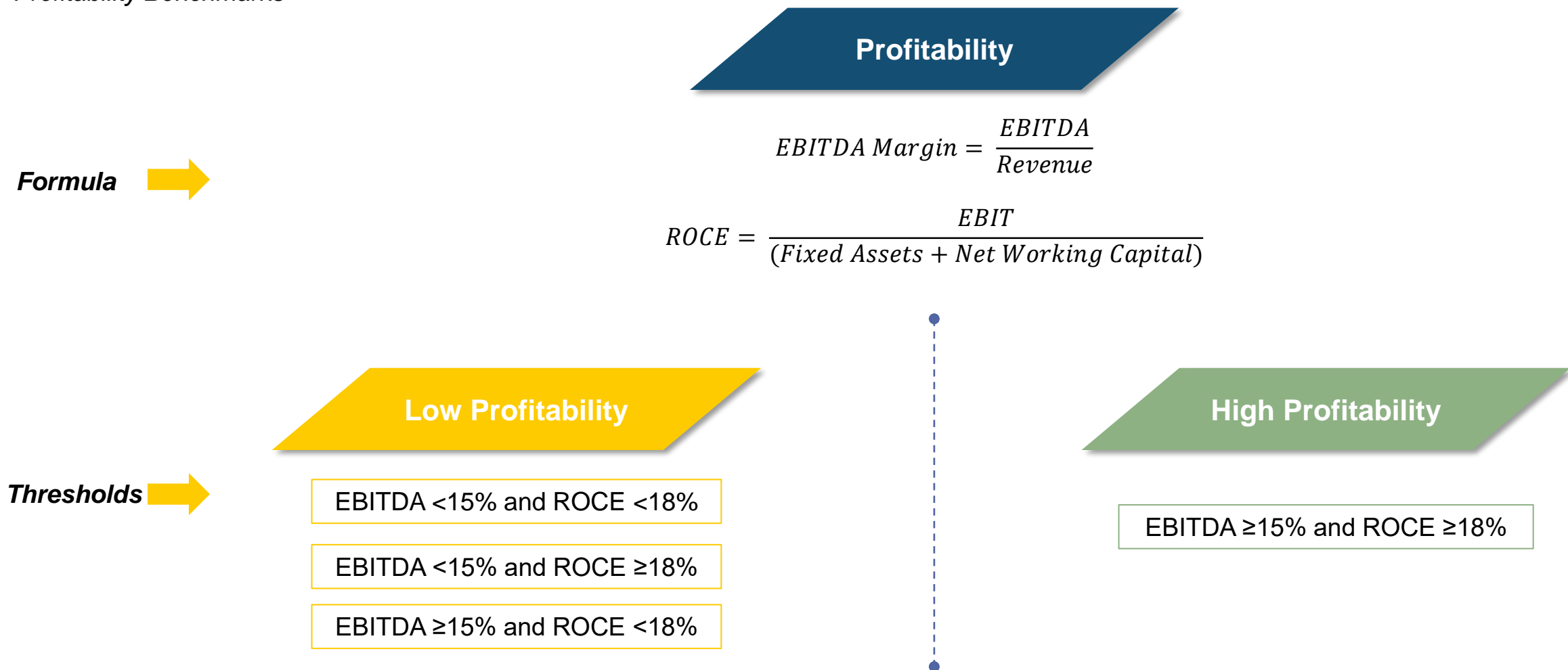
Cash Resilience Score



Note: Relevant dataset of FY19 considered

We have set a high benchmark on Profitability for India Inc. given the tough times ahead in FY21

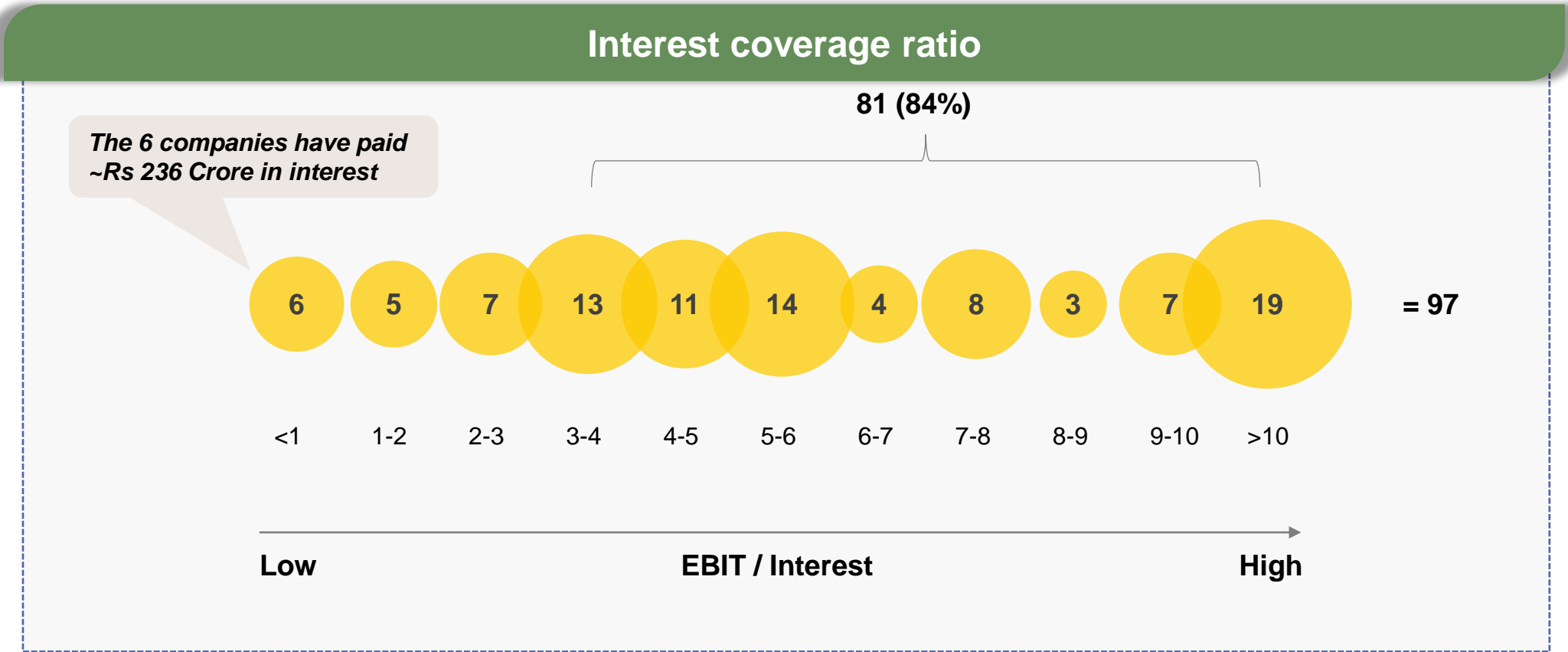
Profitability Benchmarks



Note: Relevant dataset of FY19 considered

Specialty Chemical companies seem reasonably well placed with ~84% of companies having high interest cover. However, 6 companies are highly stressed

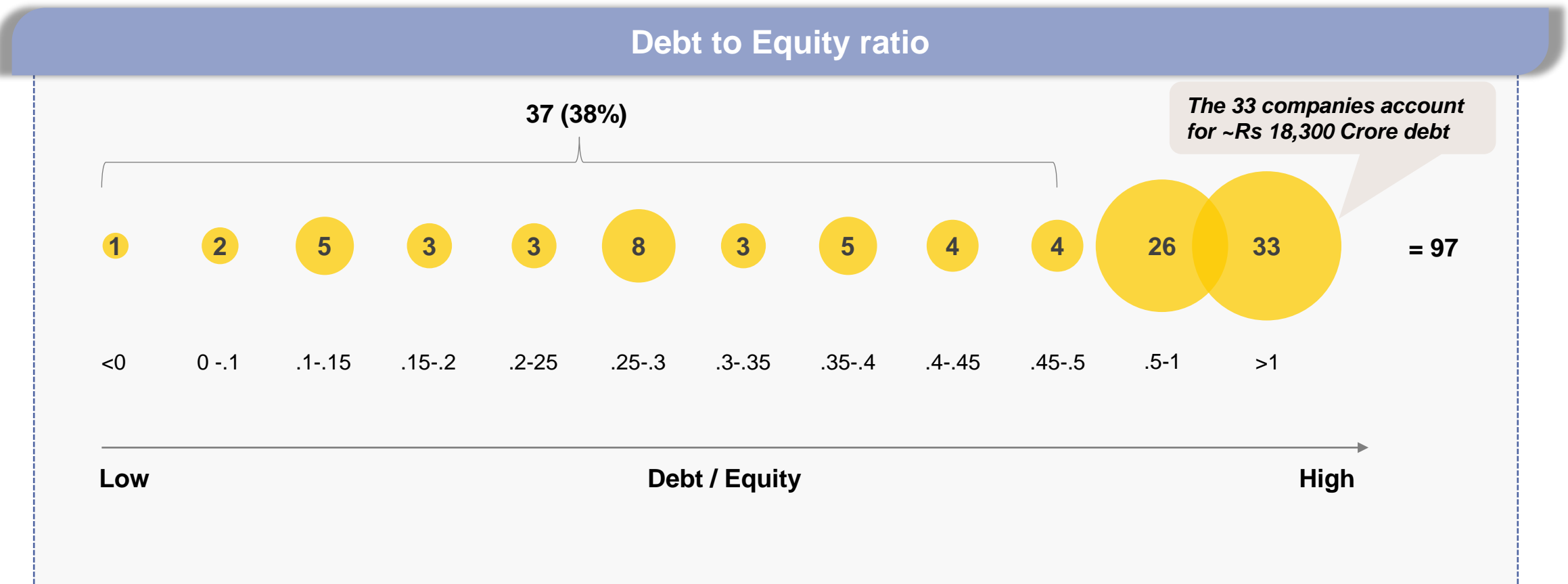
Interest coverage ratio



Note: Bubble size indicates number of companies; Intervals are not uniform

However; many companies are stressed on debt – only ~38% of companies have debt to equity ratio <0.5, 33 companies are highly stressed with an outstanding debt of Rs. 18,300 Cr.

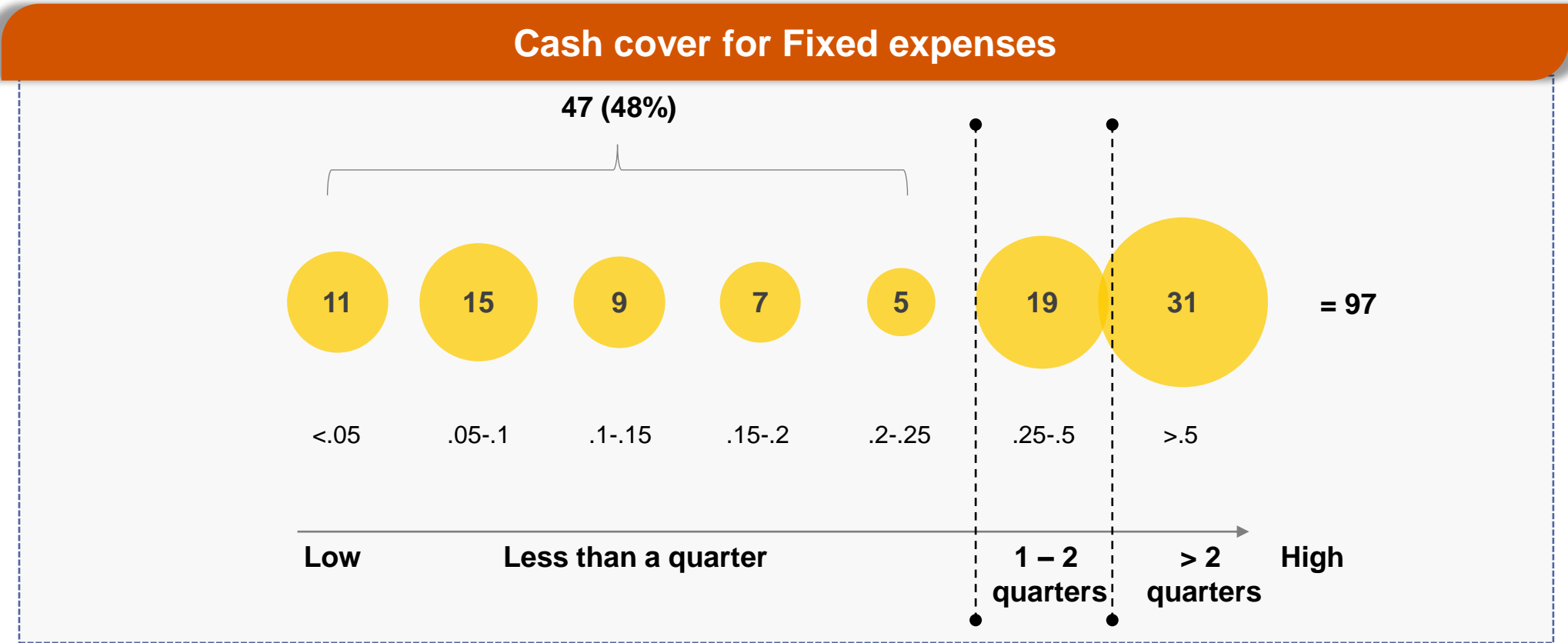
Debt to Equity ratio



Note: Bubble size indicates number of companies; Intervals are not uniform

In addition, with ~48% of companies having cash cover for less than a quarter, conserving cash will be critical for Specialty Chemicals companies

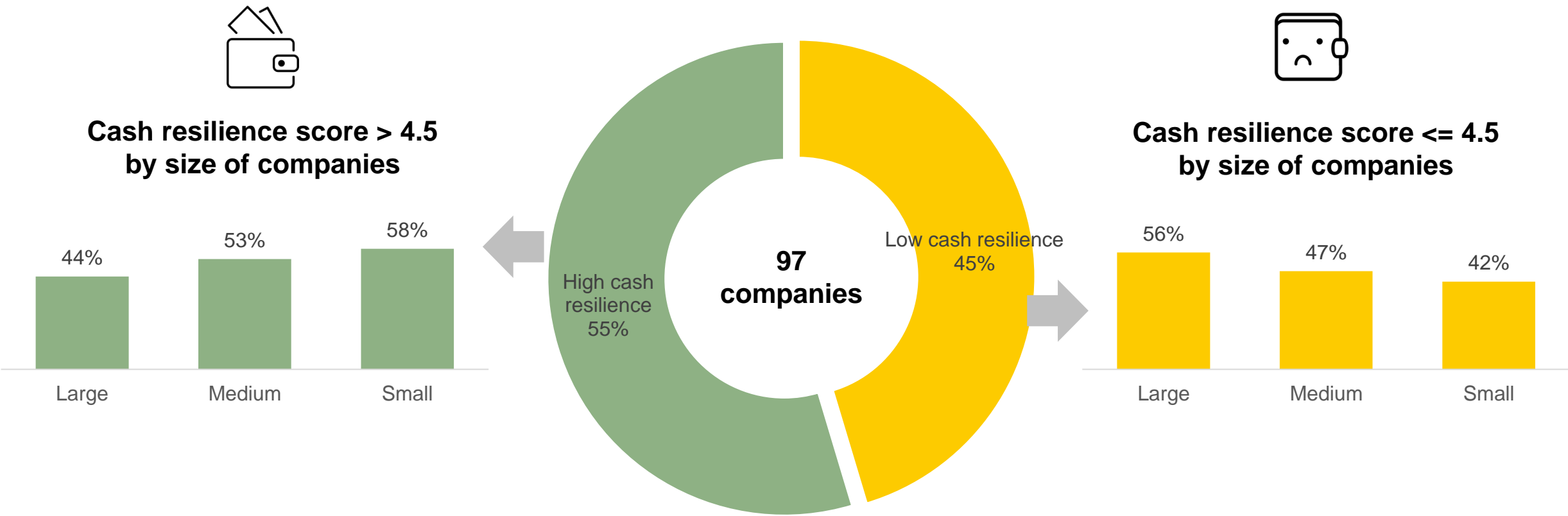
Cash cover for Fixed expenses



Note: Bubble size indicates number of companies; Intervals are not uniform

Overall, on Cash Resilience, ~55% of companies are in a good position with medium sized and small sized companies facing relatively less stress than the large companies

Cash Resilience Score

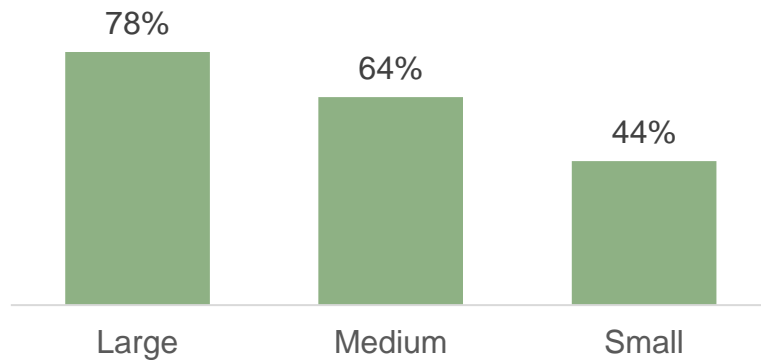


~55% of the Specialty Chemical companies, led by large and medium sized companies, make the cut and are High on Profitability

Profitability

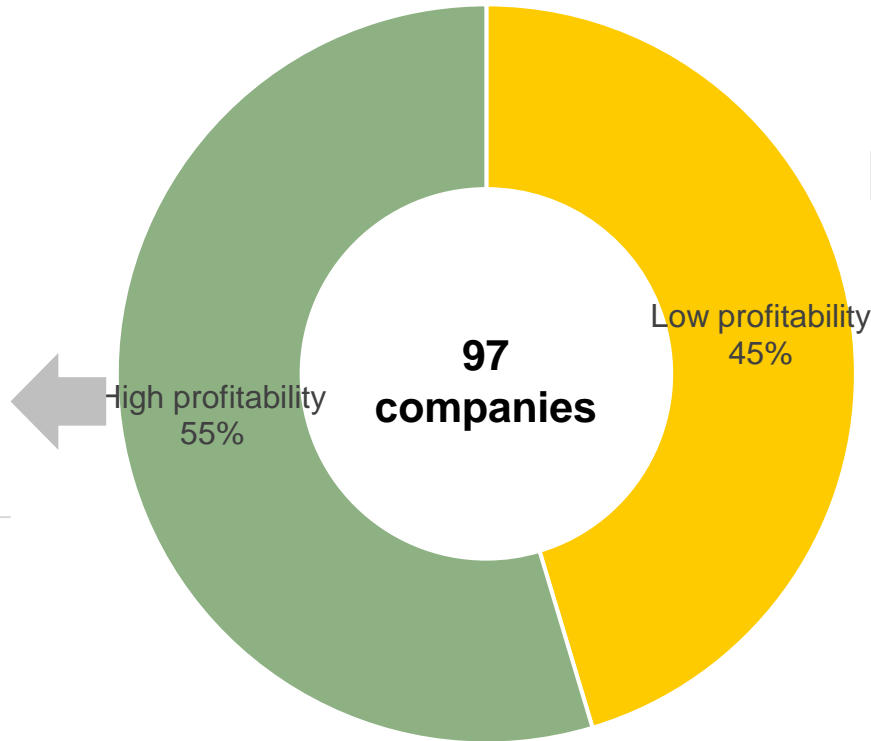


Profitability by Size of Companies

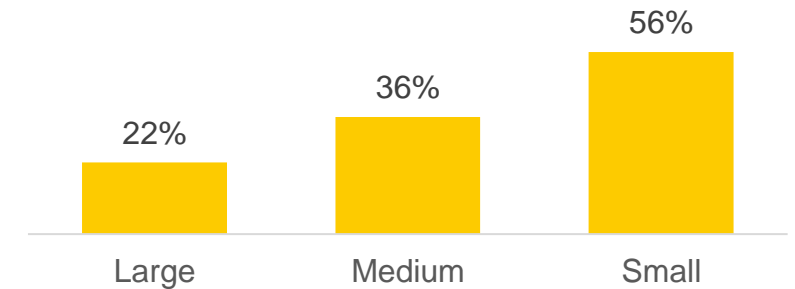


High Profitability

EBITDA \geq 15% and ROCE \geq 18%



Profitability by Size of Companies

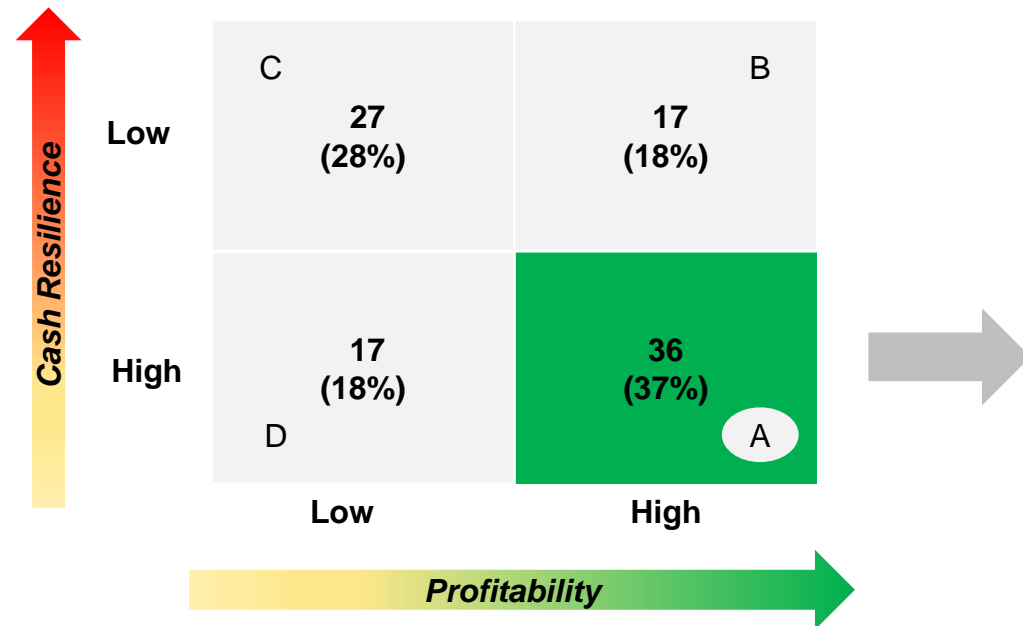


Low Profitability

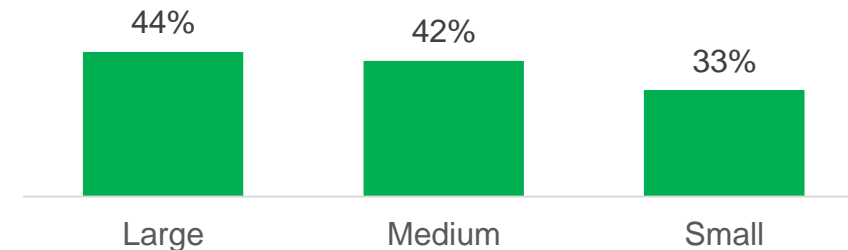
EBITDA <15% and ROCE <18%
EBITDA <15% and ROCE \geq 18%
EBITDA \geq 15% and ROCE <18%

Only 36 companies (~37% of the sample) have strong fundamentals when both Cash Resilience and Profitability are considered

Cash Resilience vs Profitability

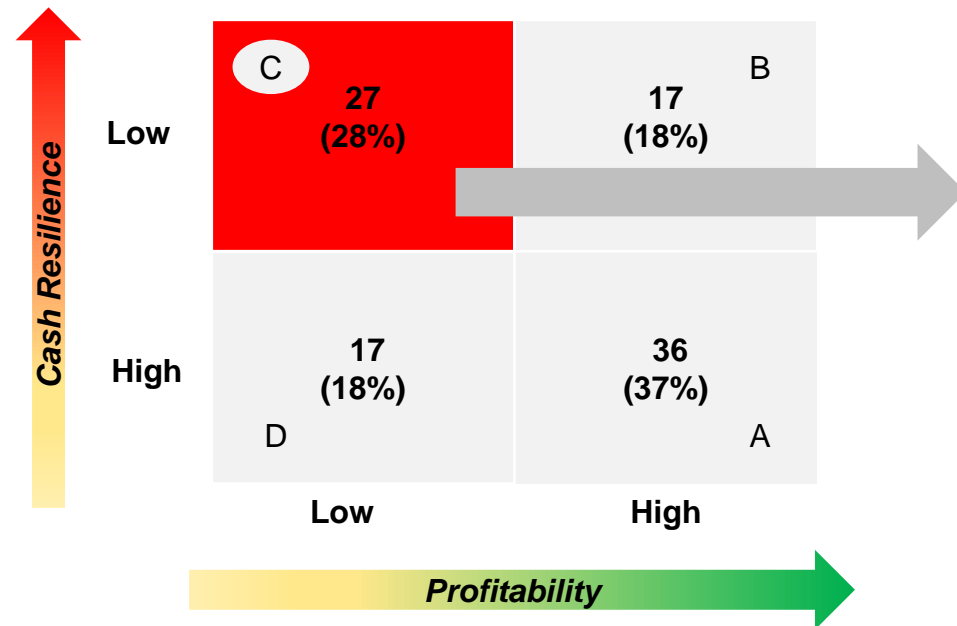


High Cash-Resilience and Profitability by Size of Companies

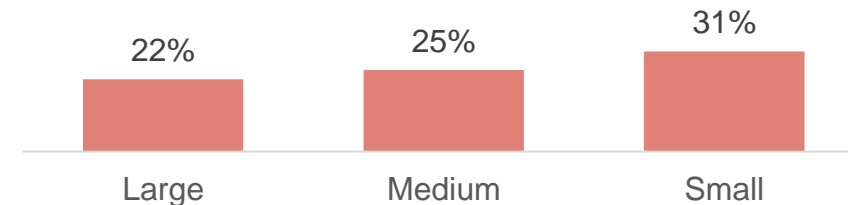


A smaller set of 27 companies are highly stressed – low Cash Resilience and Profitability with large and medium companies faring better than the small companies

Cash Resilience vs Profitability

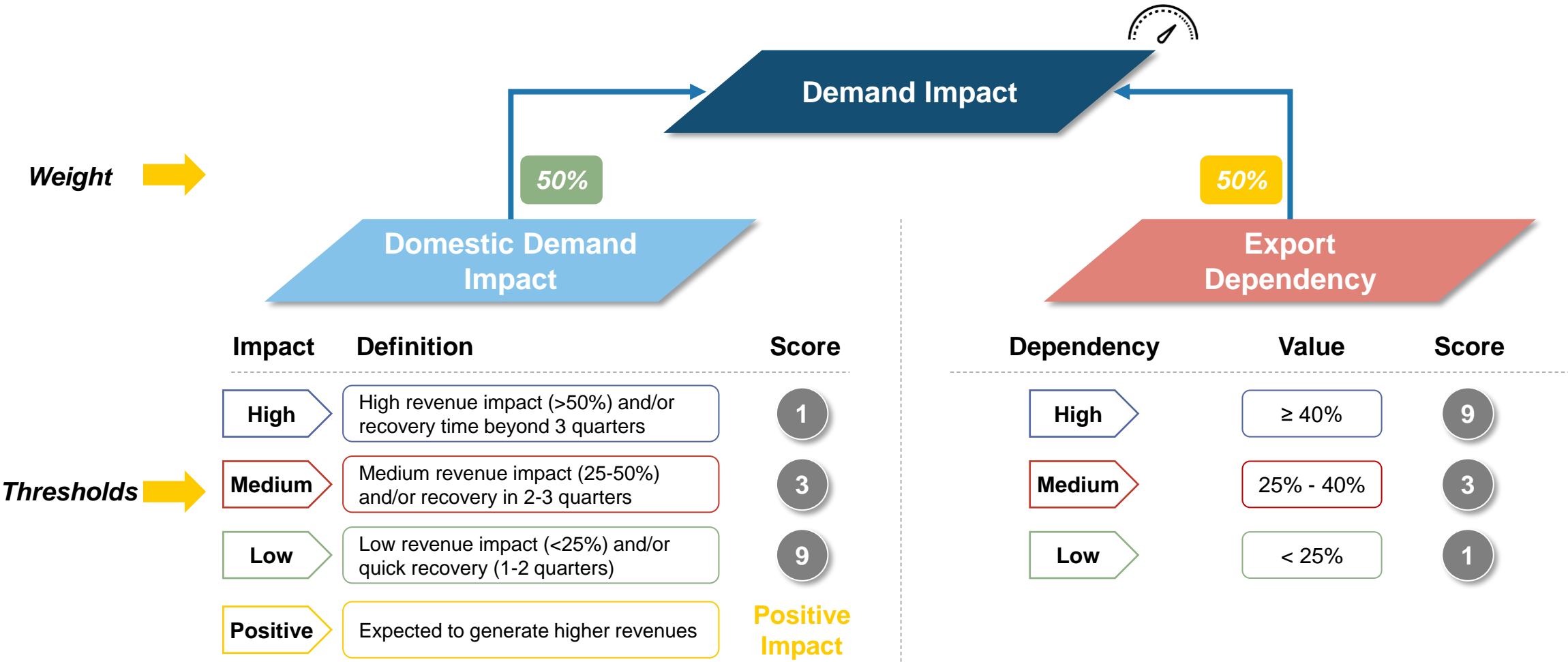


Low Cash-Resilience and Profitability by Size of Companies



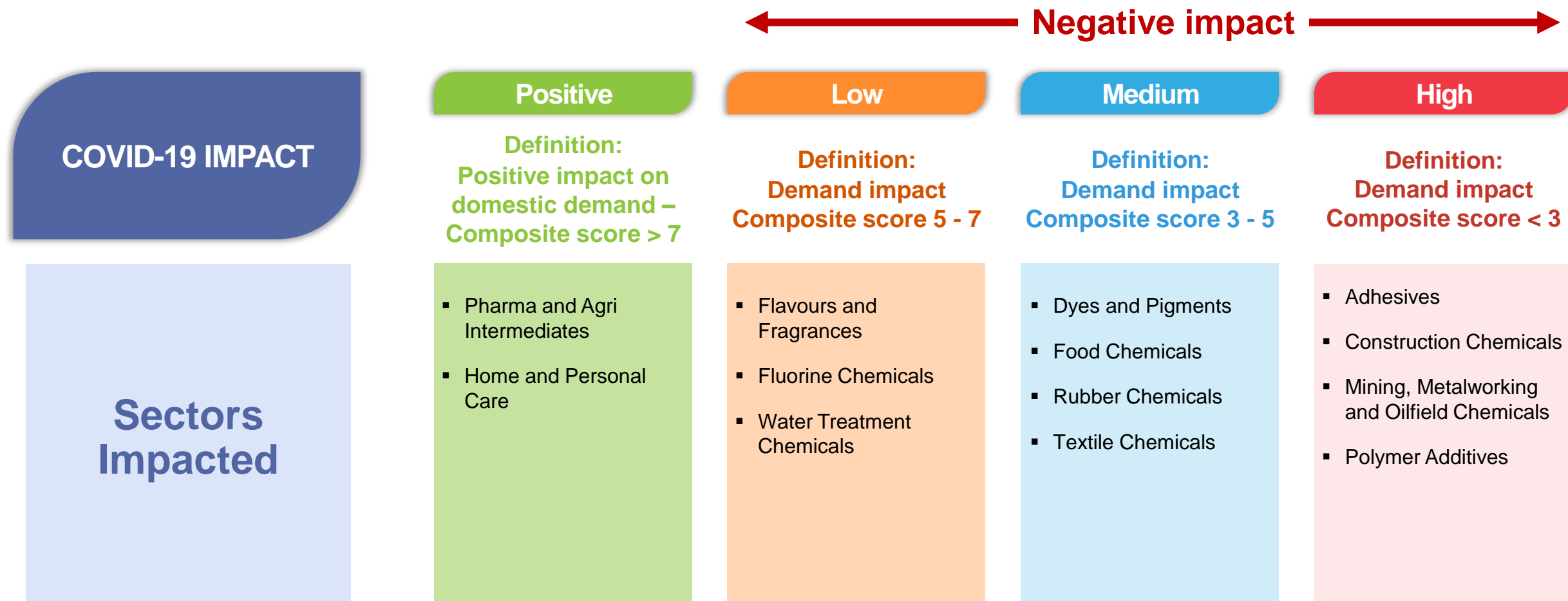
Specialty Chemical sub-sectors have been analysed based on COVID-19's impact on domestic revenues and the likely recovery period and export dependency of the sub-sector

COVID-19 Impact on Sectors



COVID-19 will have a positive impact on Pharma Agri Intermediates & HPC. However, other sectors will witness revenue decline in varying degrees with many of them likely to take > 2-3 quarters to recover

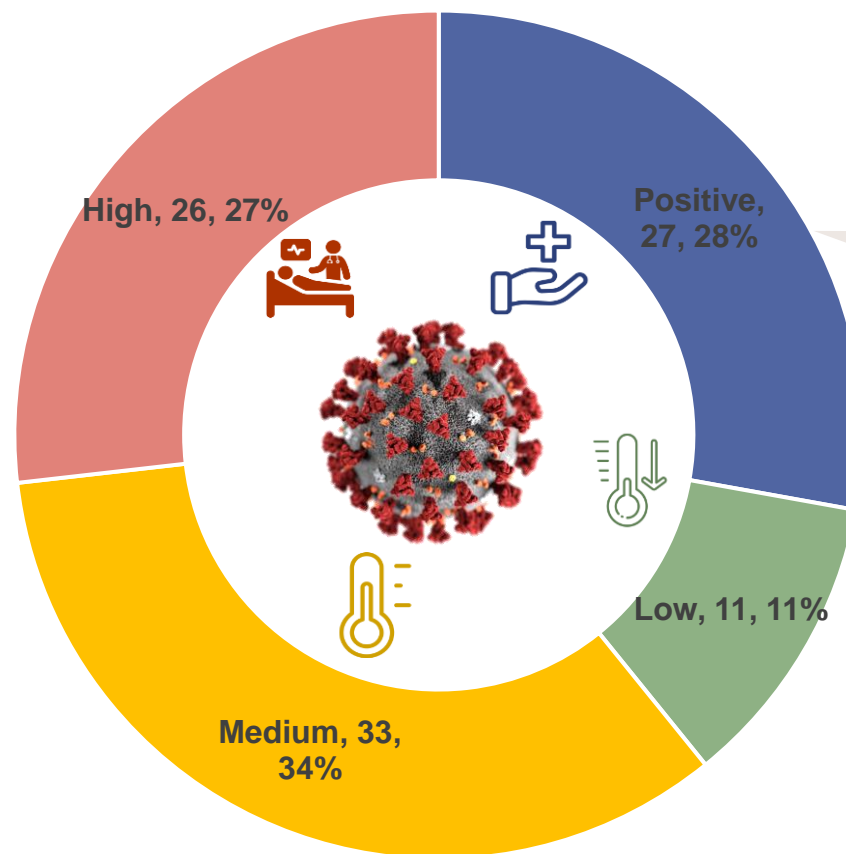
COVID-19 Impact on Sectors



The impact of COVID-19 on Specialty Chemicals demand is not expected to be as bad as manufacturing in general – about 28% will be positively impacted and another ~11% will have low impact

Sectoral Impact of COVID-19

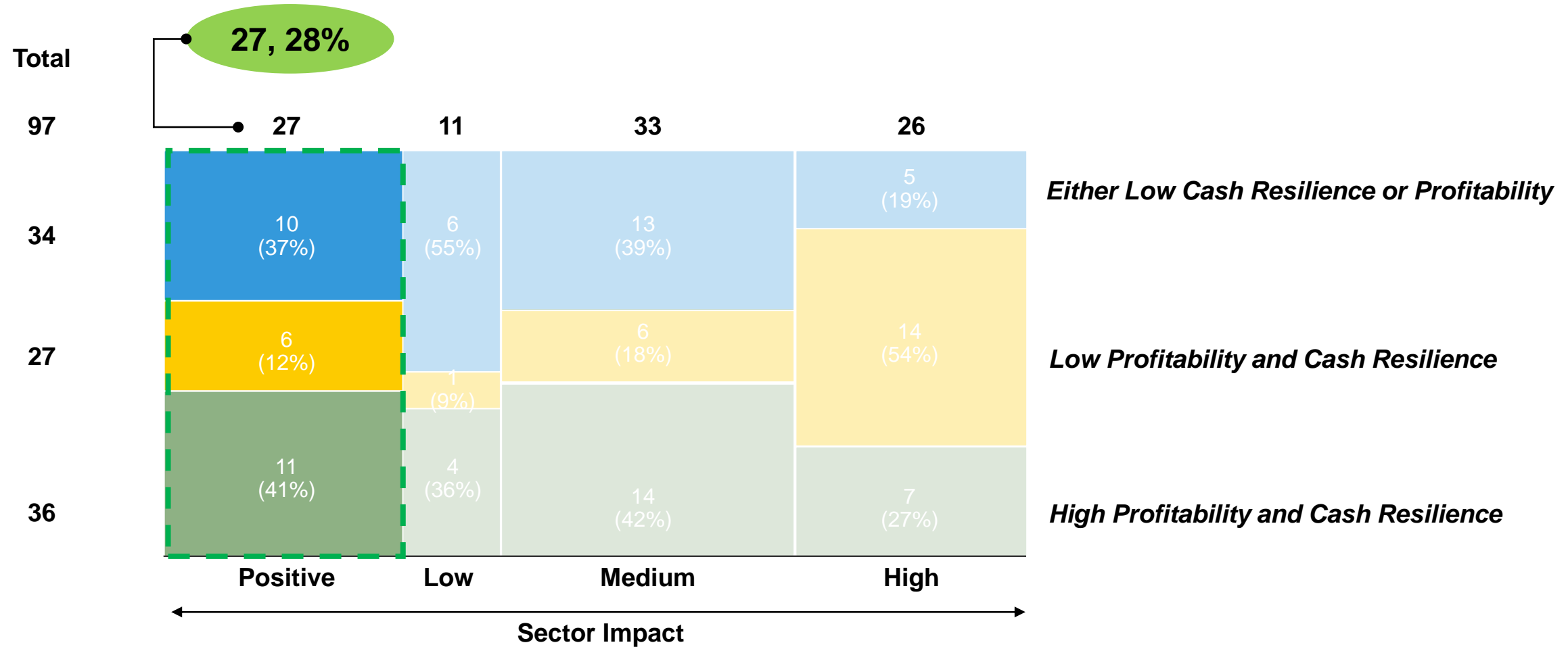
COVID-19 Impact on Companies



Across a sample of ~1500 manufacturing companies, ~75% had Medium and High Impact and only 1% had a positive impact

There are 27 companies in the Pharma Agri Intermediates and HPC sub-sectors which are likely to be positively impacted by COVID-19

Companies with Positive Impact



Of these, Aarti Industries, Atul Ltd., Vinati Organics, and Balaji Amines are some of the prominent companies which have high profitability and cash resilience

Companies with Positive Impact

| Company Name | Sub-sector | Profitability and Cash Resilience Classification | FY19 | | | | | Cash Cover (Quarters) |
|------------------------|---------------------------|--|------------------|----------|--------|----------------|-----------|-----------------------|
| | | | Revenue (Rs. Cr) | EBITDA % | ROCE % | Interest cover | D/E ratio | |
| Aarti Industries | Pharma Agri intermediates | | 4,548 | 20% | 31% | 4.9 | 1.17 | 7.2 |
| Atul Ltd. | Pharma Agri intermediates | | 3,916 | 20% | 35% | 5.6 | 0.26 | < 1 |
| Jubilant Life Sciences | Pharma Agri intermediates | | 3,410 | 12% | 26% | 3.8 | 1.08 | < 1 |
| Galaxy Surfactants | Home and Personal Care | | 1,969 | 16% | 55% | 9.5 | 0.67 | < 1 |
| Hikal Ltd. | Pharma Agri intermediates | | 1,590 | 19% | 24% | 2.2 | 1.23 | < 1 |
| Vinati Organics | Pharma Agri intermediates | | 1,128 | 40% | 49% | 15.6 | 0.17 | 1.0 |
| Balaji Amines | Pharma Agri intermediates | | 953 | 21% | 41% | 9.3 | 0.73 | 4.1 |
| Alkyl Amines | Pharma Agri intermediates | | 846 | 20% | 35% | 6.1 | 1.05 | 1.0 |
| Excel Industries | Pharma Agri intermediates | | 807 | 32% | 56% | 13.4 | 0.31 | < 1 |
| Transpek Industry | Pharma Agri intermediates | | 610 | 22% | 51% | 8.7 | 0.92 | < 1 |
| Valiant Organics | Pharma Agri intermediates | | 606 | 31% | 80% | 13.7 | 0.55 | < 1 |
| Gulbrandsen Chemicals | Home and Personal Care | | 574 | 20% | 37% | 4.4 | 0.97 | 1.9 |
| Anupam Rasayan | Pharma Agri intermediates | | 502 | 22% | 13% | 4.0 | 1.59 | < 1 |

High Profitability and Cash Resilience

Low Profitability and Cash Resilience

Either Low Cash Resilience or Profitability

Ultramarine Pigments, DMCC, Paushak and Saurav Chemicals are some of the smaller companies with < Rs. 500 Cr. revenue which have high profitability and cash resilience

Companies with Positive Impact

| Company Name | Sub-sector | Profitability and Cash Resilience Classification | FY19 | | | | | Cash Cover (Quarters) |
|----------------------------|---------------------------|--|------------------|----------|--------|----------------|-----------|-----------------------|
| | | | Revenue (Rs. Cr) | EBITDA % | ROCE % | Interest cover | D/E ratio | |
| Indo Amines | Home and Personal Care | | 471 | 12% | 51% | 3.0 | 1.13 | < 1 |
| Astec Lifesciences | Pharma Agri intermediates | | 438 | 20% | 51% | 3.1 | 0.8 | < 1 |
| Jocil Ltd. | Home and Personal Care | | 403 | 3% | 3% | 0.8 | 0.22 | 2.2 |
| Calibre Chemicals | Home and Personal Care | | 377 | 19% | 50% | 28.1 | 0.61 | ~ 1 |
| Yasho Industries | Home and Personal Care | | 336 | 12% | 39% | 3.9 | 2.3 | 2.3 |
| Ultramarine & Pigments | Home and Personal Care | | 310 | 28% | 43% | 14.0 | 0.12 | 2.5 |
| Neogen Chemicals | Pharma Agri intermediates | | 256 | 17% | 41% | 14.7 | 1.64 | < 1 |
| Vivimed Labs | Pharma Agri intermediates | | 252 | 30% | 10% | 3.2 | 1.02 | 4.5 |
| DMCC | Pharma Agri intermediates | | 234 | 23% | 43% | 10.7 | 0.63 | 1.9 |
| Saurav Chemicals | Pharma Agri intermediates | | 230 | 21% | 31% | 5.0 | 0.40 | < 1 |
| Innovassynth | Pharma Agri intermediates | | 150 | 16% | 19% | 1.6 | 0.84 | < 1 |
| Paushak | Pharma Agri intermediates | | 140 | 39% | 46% | 12.5 | 0.21 | < 1 |
| Syschem | Pharma Agri intermediates | | 110 | 3% | 8% | 0.7 | 1.2 | < 1 |
| Anshul Specialty Molecules | Home and Personal Care | | 94 | 37% | 37% | 8.6 | 0.08 | < 1 |

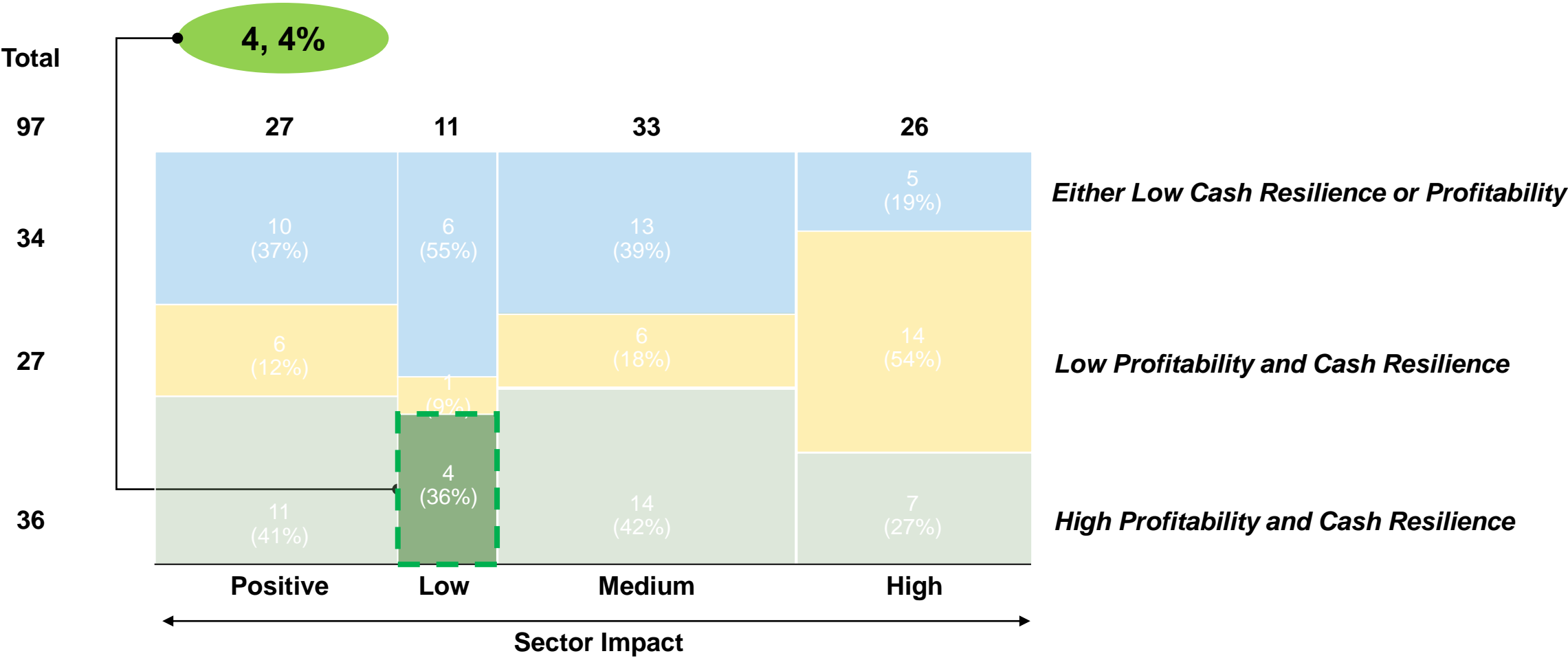
High Profitability and Cash Resilience

Low Profitability and Cash Resilience

Either Low Cash Resilience or Profitability

Only 4 companies in various Specialty Chemicals sub-sectors will see Low impact and have the financial wherewithal to withstand the stress of COVID-19

Companies with Financial Wherewithal



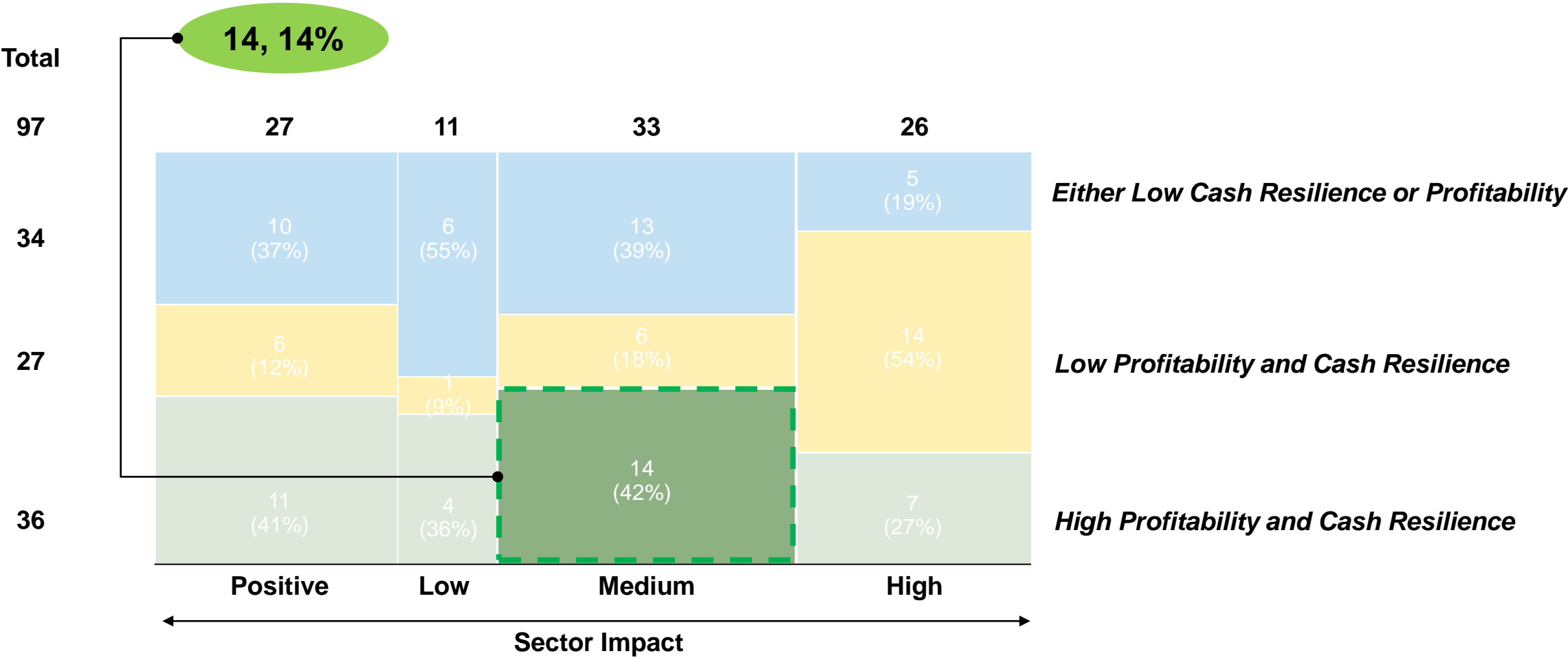
Top performers in the Fluorine Chemicals and F&F figure in this list

Companies with Financial Wherewithal

| Company Name | Sub-sector | FY19 | | | | | Cash Cover (Quarters) |
|-------------------------|--------------------|------------------|----------|--------|----------------|-----------|-----------------------|
| | | Revenue (Rs. Cr) | EBITDA % | ROCE % | Interest cover | D/E ratio | |
| Gujarat Fluorochemicals | Fluorine Chemicals | 2,737 | 65% | 68% | 10.0 | 0.28 | 6.2 |
| Synthite Industries | F&F | 1,335 | 16% | 24% | 4.3 | 0.38 | < 1 |
| Navin Fluorine | Fluorine Chemicals | 965 | 26% | 37% | 9.3 | 0.20 | 1.1 |
| Symrise India | F&F | 510 | 15% | 35% | 9.3 | 0.38 | 4.2 |

14 companies in various Specialty Chemicals sub-sectors will see Medium impact and have the financial wherewithal to withstand the stress of COVID-19

Companies with Financial Wherewithal



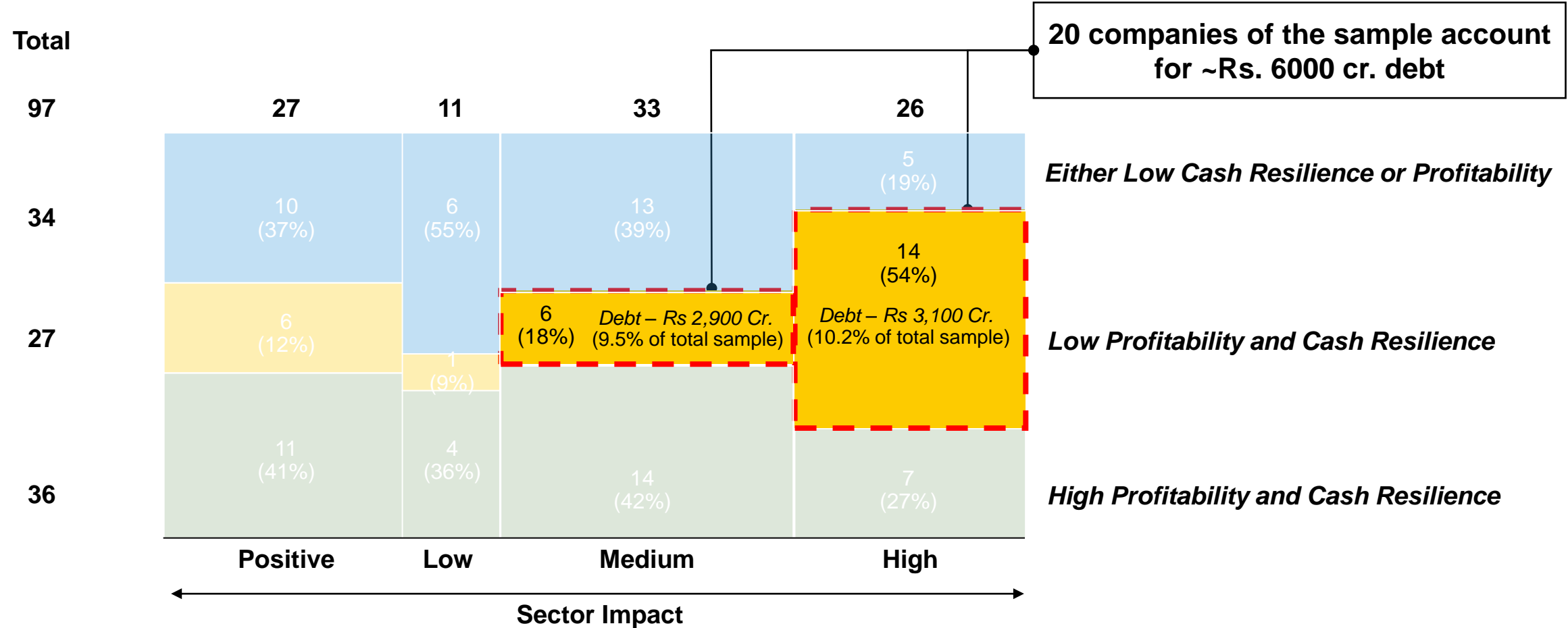
Many of these companies are in Dyes and Pigments sub-sector with prominent ones being Bodal Chemicals and Kiri Industries. Others include Fine Organics and Oriental Carbon

Companies with Financial Wherewithal

| Company Name | Sub-sector | FY19 | | | | | Cash Cover (Quarters) |
|----------------------------------|-------------------|------------------|----------|--------|----------------|-----------|-----------------------|
| | | Revenue (Rs. Cr) | EBITDA % | ROCE % | Interest cover | D/E ratio | |
| Bodal Chemicals | Dyes and Pigments | 1,379 | 18% | 34% | 12.7 | 0.48 | < 1 |
| Kiri Industries | Dyes and Pigments | 1,062 | 15% | 26% | 4.1 | 0.69 | 1.8 |
| Fine Organics | Food Chemicals | 1,047 | 22% | 62% | 12.4 | 0.39 | 5.5 |
| Transpek-Silox | Textile Chemicals | 1,020 | 17% | 29% | 7.7 | 0.27 | < 1 |
| Meghmani Finechem | Dyes and Pigments | 710 | 46% | 74% | 5.0 | 1.16 | 6.1 |
| Bhageria Industries | Dyes and Pigments | 463 | 28% | 32% | 4.9 | 0.36 | 8.6 |
| Dystar India | Dyes and Pigments | 417 | 18% | 51% | 26.8 | 0.61 | 6.2 |
| Shree Pushkar | Dyes and Pigments | 400 | 17% | 23% | 5.5 | 0.28 | 4.9 |
| Oriental Carbon | Rubber Chemicals | 389 | 34% | 24% | 5.9 | 0.48 | < 1 |
| Vidhi Specialty Food Ingredients | Food Chemicals | 226 | 21% | 50% | 18.6 | 0.68 | 4.4 |
| Advanced Enzyme Tech | Food Chemicals | 222 | 26% | 33% | 5.8 | 0.16 | < 1 |
| Krishana Phoschem | Dyes and Pigments | 153 | 22% | 20% | 2.3 | 0.60 | 7.9 |
| Indian Toners & Developers | Dyes and Pigments | 119 | 25% | 29% | 7.5 | 0.12 | 3.2 |
| Fineotex Chemical | Textile Chemicals | 113 | 23% | 35% | 27.2 | 0.15 | 1.2 |

20 Companies (21% of the sample) in High and Medium impacted sectors which are also stressed in both Cash Resilience and Profitability, will be most severely impacted

Impact of Sector and Financial Performance



These companies are across sub-sectors like Polymer Additives Adhesives and Dyes and Pigments. Prominent names include MNCs like Roquette India and Clariant and Indian companies like Plastiblends

Companies Likely to be Most Severely Impacted

| Company Name | Sub-sector | FY19 | | | | | Cash Cover (Quarters) |
|--------------------------|------------------------|------------------|----------|--------|----------------|-----------|-----------------------|
| | | Revenue (Rs. Cr) | EBITDA % | ROCE % | Interest cover | D/E ratio | |
| Roquette India | Food Chemicals | 1,901 | 7% | 1% | 0.1 | 2.10 | < 1 |
| Clariant Chemicals | Polymer additives | 1,033 | 7% | 6% | 0.8 | 0.45 | 1.1 |
| S I Group | Polymer additives | 1,027 | 10% | 22% | 4.1 | 1.03 | 1.2 |
| DIC India | Dyes and Pigments | 839 | 2% | 1% | 0.2 | 1.40 | 1.5 |
| Vishnu Chemicals | MMO Chemicals | 668 | 13% | 25% | 4.0 | 1.14 | < 1 |
| Plastiblends India | Polymer additives | 627 | 10% | 16% | 3.9 | 0.54 | < 1 |
| Fosroc India | Construction Chemicals | 603 | 14% | 79% | 12.0 | 1.40 | < 1 |
| Jubilant Agri & Consumer | Adhesives | 548 | 8% | 30% | 2.6 | < 0 | < 1 |
| IDL Explosives | MMO Chemicals | 458 | 9% | 53% | 9.6 | 1.47 | 1.3 |
| Amines & Plasticizers | Polymer additives | 455 | 8% | 52% | 12.8 | 1.77 | < 1 |
| Nikhil Adhesives | Adhesives | 446 | 4% | 30% | 4.6 | 0.73 | 1.2 |
| Resinova Chemie | Adhesives | 437 | 15% | 6% | 0.5 | 0.31 | 2.8 |
| Seya Industries | Dyes and Pigments | 413 | 34% | 15% | 7.8 | 0.74 | < 1 |
| DKSH India | Food Chemicals | 406 | 5% | 23% | 39.0 | 0.80 | 1.0 |
| Mazda Colours | Dyes and Pigments | 362 | 13% | 15% | 1.5 | 0.53 | < 1 |
| Kerry Ingredients | Food Chemicals | 354 | 11% | 34% | 3.5 | 1.35 | < 1 |
| Shakun Polymers | Polymer additives | 321 | 13% | 48% | 9.9 | 0.66 | < 1 |
| Torrecid India | Construction Chemicals | 261 | 6% | 13% | 1.5 | 5.03 | < 1 |
| Keltech Energies | MMO Chemicals | 226 | 7% | 18% | 2.2 | 1.26 | 1.8 |
| Sunshield Chemicals | Polymer additives | 190 | 9% | 11% | 1.9 | 10.20 | < 1 |

Within Construction Chemicals, only 1 company shows a good position on the Avalon Pandemic Test parameters, while others have scored low on both Cash Resilience and Profitability

Evaluation of Construction Chemicals Companies on Avalon Pandemic Test

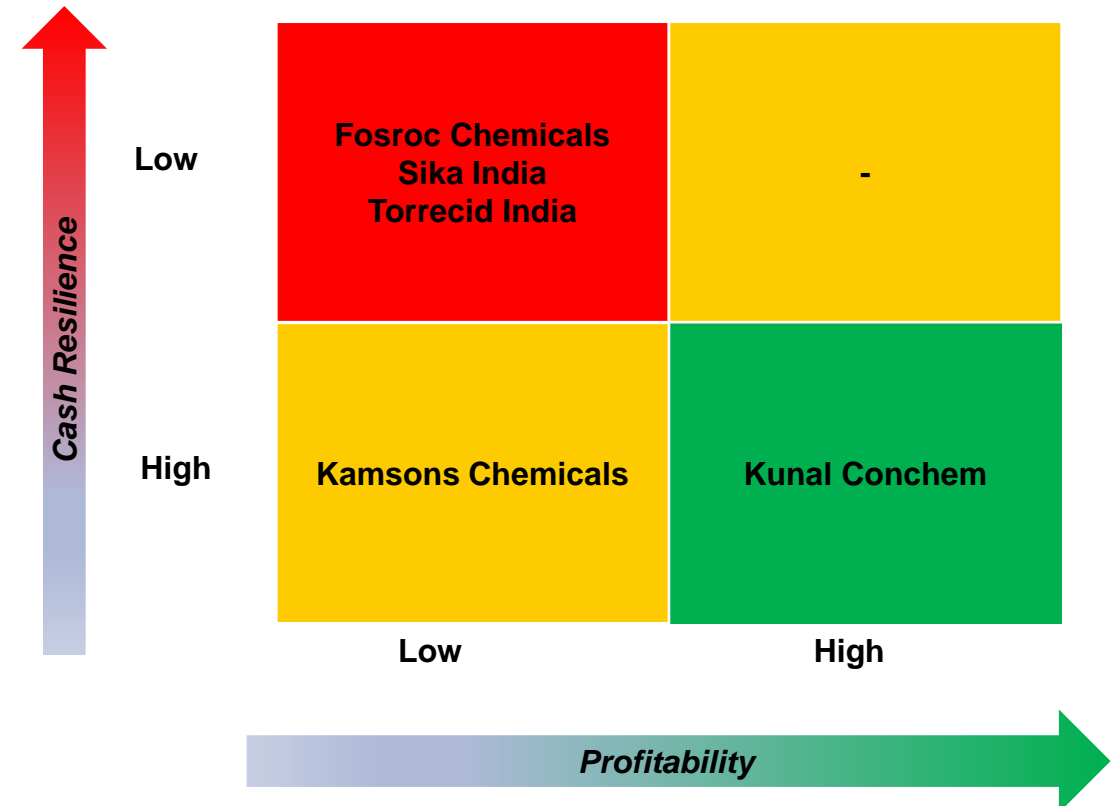
Avalon Consulting Pandemic Test Model – Cash Resilience and Profitability

| Company | Cash Resilience Parameters | | | | Profitability Parameter | | |
|------------------|-----------------------------|---------------|----------------------|-------------|-------------------------|------|-------------|
| | Interest Coverage Ratio (x) | D/E Ratio (x) | Cash Cover Ratio (x) | Final Score | Avg EBITDA Margin | ROCE | Final Score |
| Fosroc Chemicals | 12.1 | 1.4 | 0.2 | Low | 10.6% | 70% | Low |
| Sika India | 0.9 | 6.0 | 0.03 | Low | 4.1% | 3% | Low |
| Torrecid | 1.5 | 5.0 | 0.06 | Low | 7.0% | 13% | Low |
| Kamsons | 31.6 | 0.98 | 1.12 | High | 7.9% | 51% | Low |
| Kunal Conchem | 29.1 | 0.81 | 0.37 | High | 16.1% | 40% | High |

Only Kunal Conchem has scored high both on Cash Resilience and Profitability

| | | |
|------|--------|-----|
| High | Medium | Low |
|------|--------|-----|

Model Results for Construction Chemicals Sector



Construction sector will be severely impacted by COVID-19 and share of Exports of sample companies is also low. Hence, Construction Chemicals companies will have a high COVID-19 impact

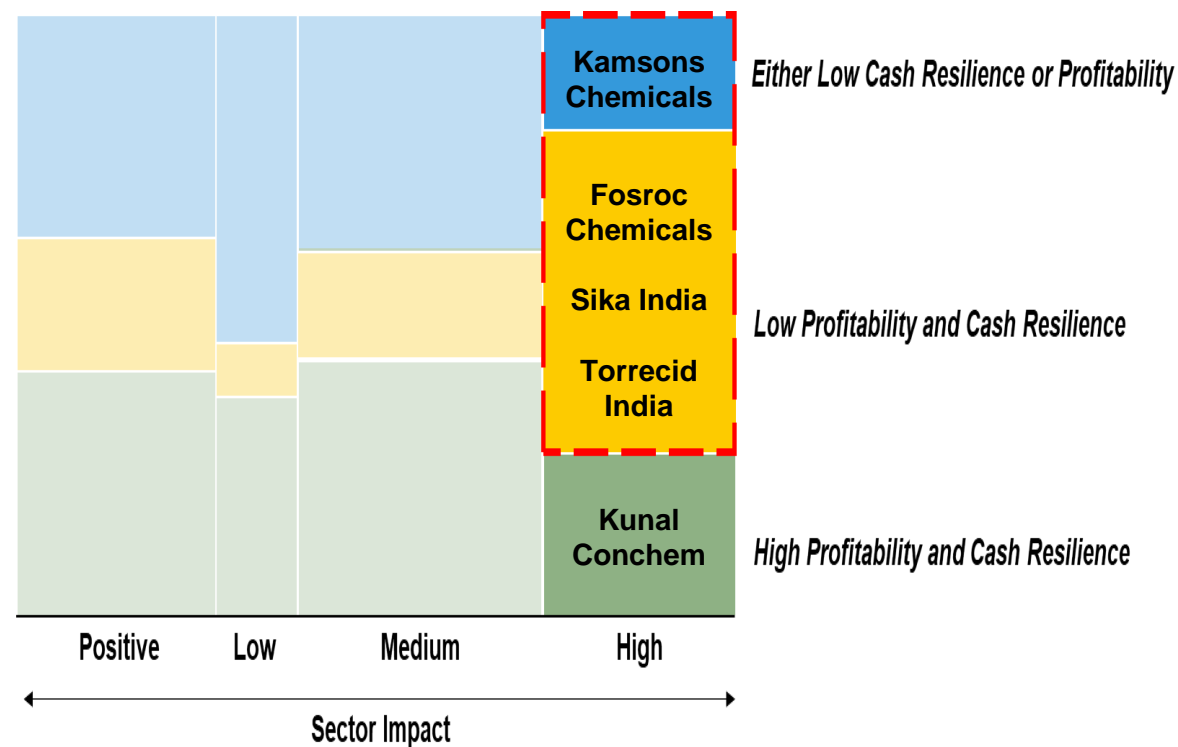
Evaluation of Construction Chemicals Companies on Avalon Pandemic Test

Avalon Consulting Pandemic Test Model – Sector Impact

| Company | Business Impact | Share of Exports in Sales (FY19, %) | Sector Impact |
|------------------|---|-------------------------------------|---------------|
| Fosroc Chemicals | High: As it is focused on Construction sector which will see a strong impact in the next 4-6 quarters due to COVID-19 | 6% | High |
| Sika India | | 0% | High |
| Torrecid | | 8% | High |
| Kamsons | | 0% | High |
| Kunal Conchem | | 0% | High |

All companies analysed in Construction Chemicals are domestic focused. With domestic construction sector being deeply impacted by COVID-19, Construction Chemicals Sector to have a significant demand impact

Model Results for Construction Chemicals Sector



Thus, the intrinsic strengths of the Indian Specialty Chemicals industry will help many of the companies weather the COVID-19 storm – only a handful of companies will be impacted severely

Summary – Performance of Specialty Chemicals



Consistent and High Profitability

Across our sample of 125 companies in 13 sub-sectors of Specialty Chemicals, the lowest average EBDITA margin has been ~14% in the period FY15-19. Top performers have an average EBDITA margin typically > 20% over FY15-19 despite the rough winds faced by the economy



High Revenue Growth despite Economic Headwinds

The revenue growth of the top performers in this period has been > 15% - 3-4 times average inflation indicating both consistent volume growth and possibly pricing power



Diversity and Depth Across Sub-sectors

The top 20 performers in terms of Average EBDITA and Revenue growth are from a diverse set of sub-sectors indicating the diversity and depth of capability across Specialty Chemicals in India. The scale of the business does not seem to impact the ability to be a top performer



Export Oriented and Globally Competitive

Exports is a key driver of performance with top companies largely being export oriented signifying the global cost advantage of India (in many cases even over China)

- ❖ **Several companies in Pharma and Agri Intermediates and HPC sub-sectors will be positively impacted**
- ❖ **Being profitable and cash resilient, many of the companies across sub-sectors have the financial wherewithal to withstand this storm**
- ❖ **Only about 20% of the companies have a weak financial position and will be highly stressed due to their presence in High and Medium Impact sub-sectors**

Our Values – The Avalon EDGE

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E ENTREPRENEURSHIP
Enterprising ownership to transform ideas into pragmatic and profitable solutions

D DEDICATION TO EXCELLENCE
Commitment to premier quality and highest standards in everything we do

G GREAT VALUE CREATION
Focus on delivering maximum client impact through innovation and collaboration

E ETHICAL APPROACH
Respect, fairness and transparency in all our interactions