



# 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

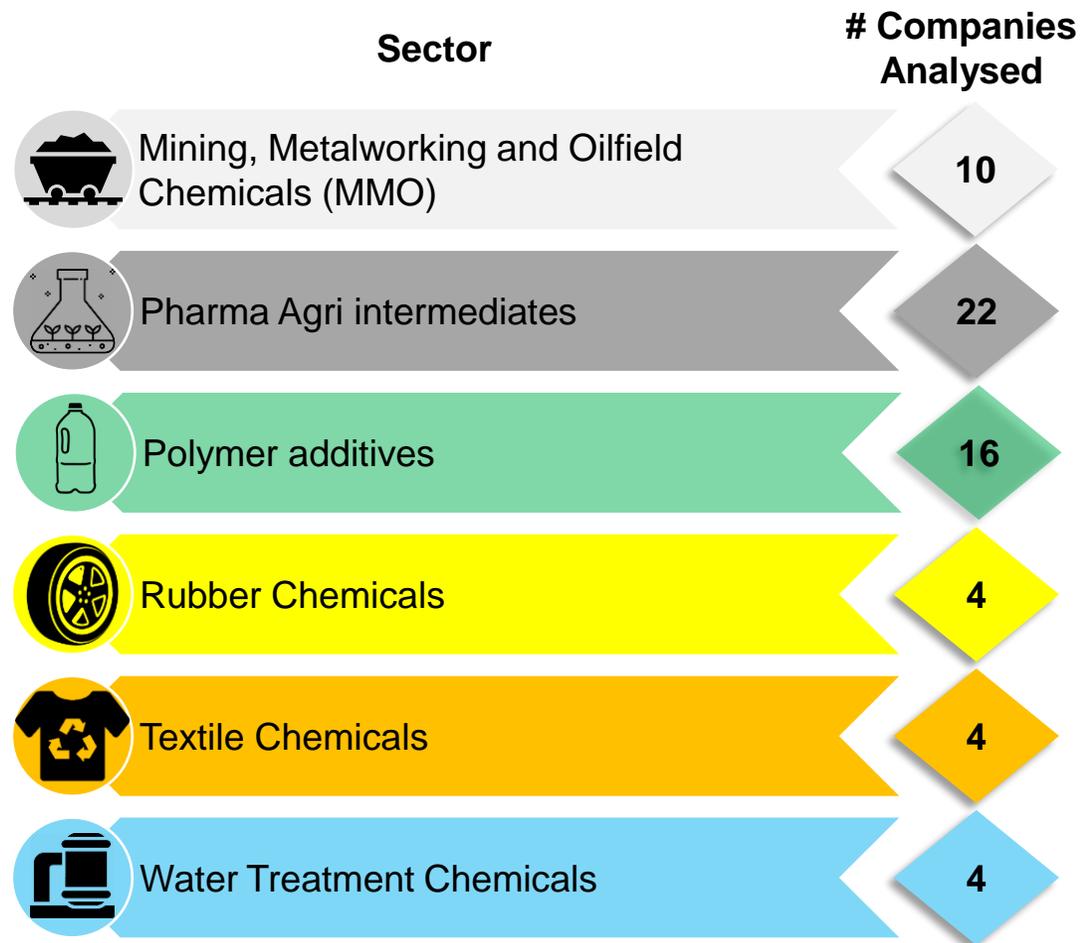
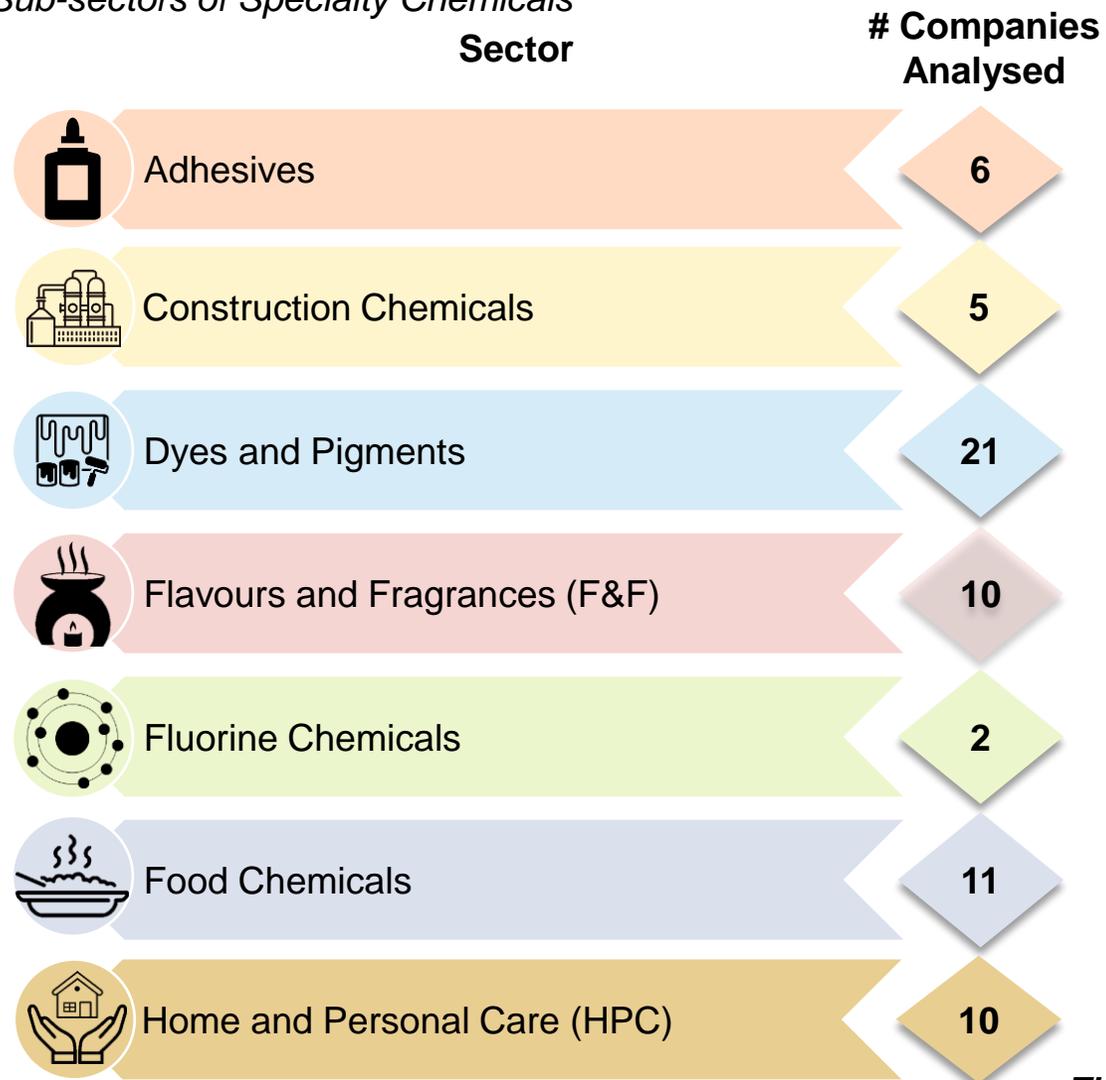


**Avalon  
Pandemic Test**

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

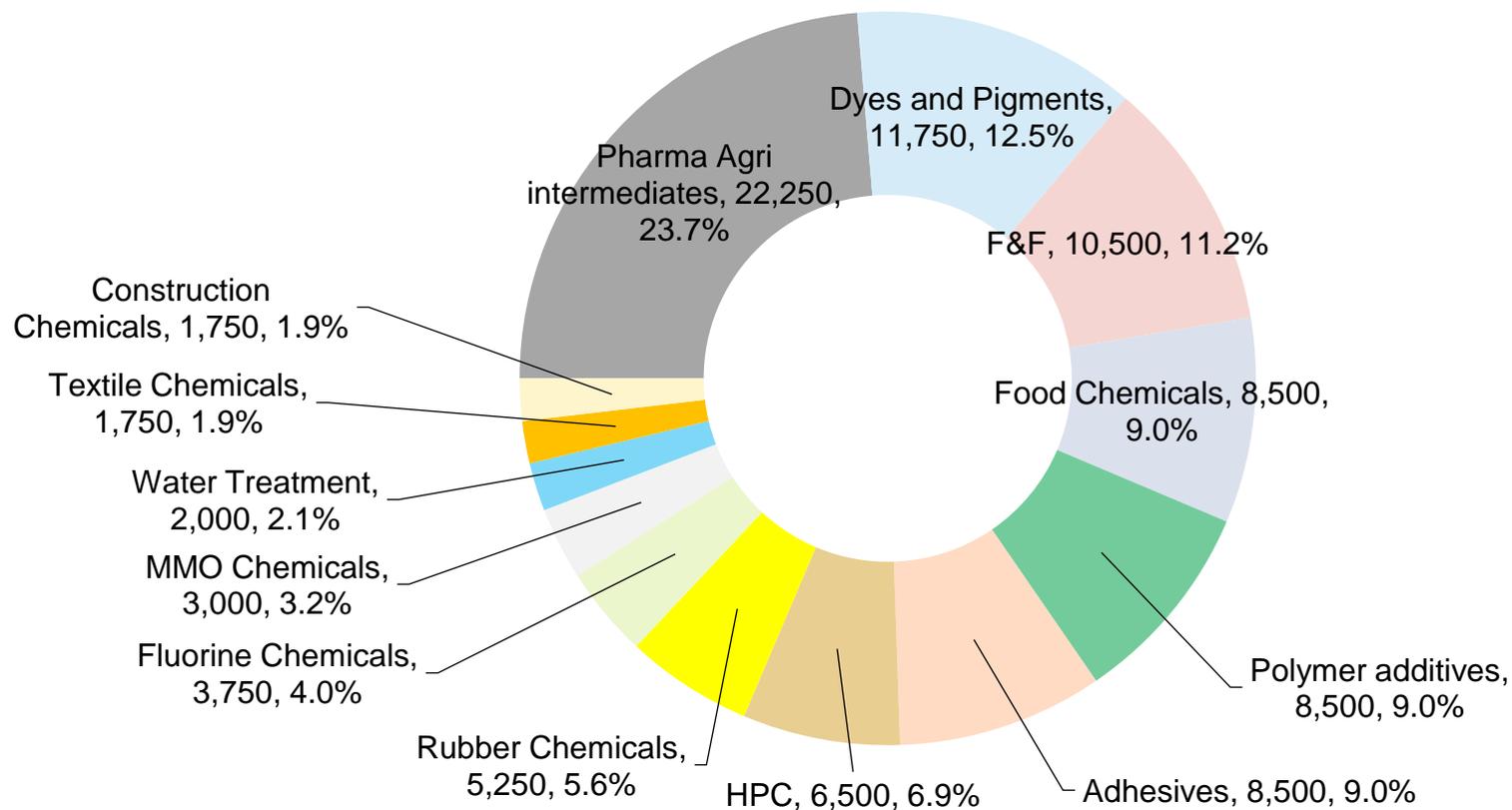
Speciality Chemical Sub-Sector	Company Name	Speciality Chemical Sub-Sector	Company Name	Speciality Chemical Sub-Sector	Company Name
 <p><b>Dyes and Pigments</b></p>	Aksharchem	 <p><b>Pharma Agri intermediates</b></p>	Aarti Industries	 <p><b>Polymer Additives</b></p>	Alok Masterbatches
	Asahi Songwon		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 Dyechem	Vinati Organics				
	Vivimed Labs				



# 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

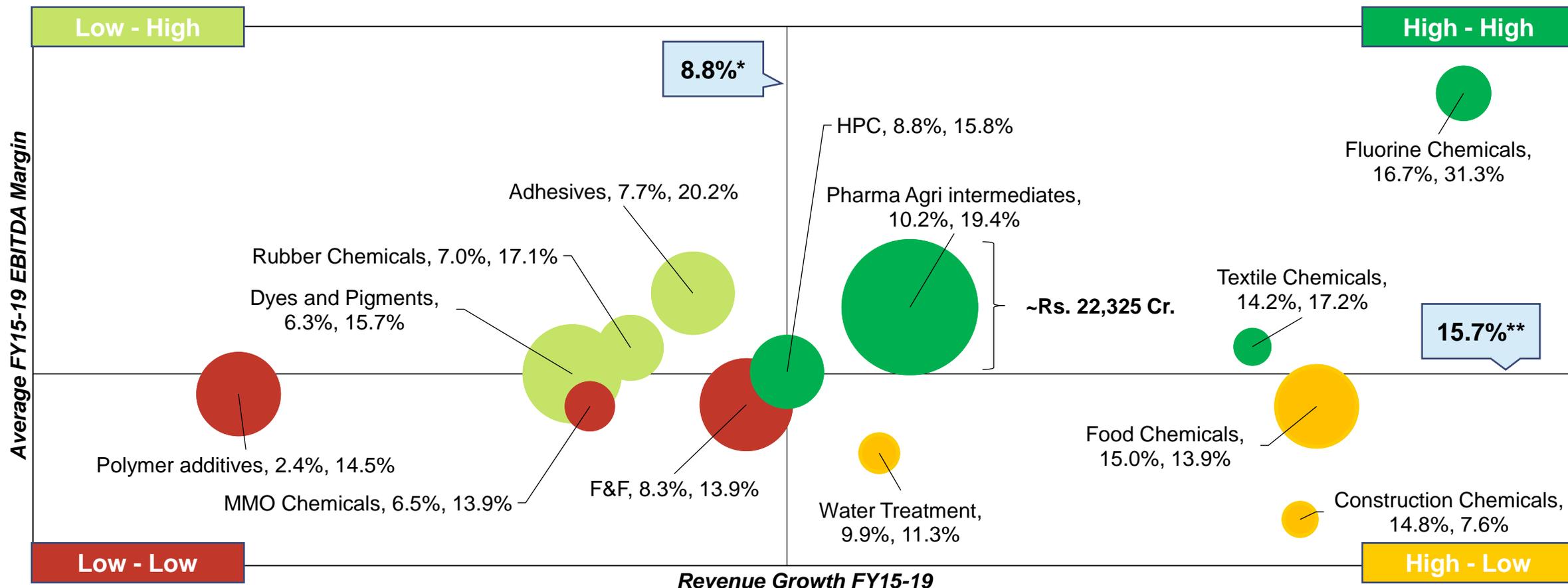
## Split of Revenue by Sectors, FY19



**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

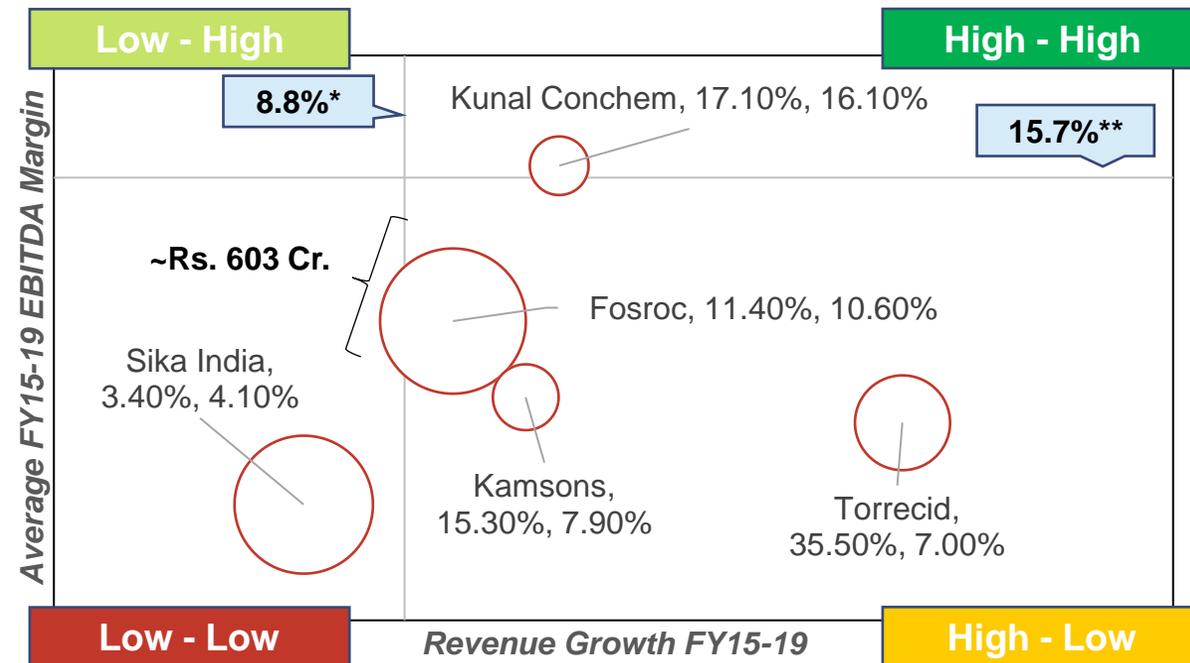
Note:

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%
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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%
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Fine Organics	Food Chemicals	21%	13%	1,047	235	62%	55%
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Excel Industries	Pharma Agri intermediates	20%	11%	807	256	56%	29%

High Export Share ≥25%

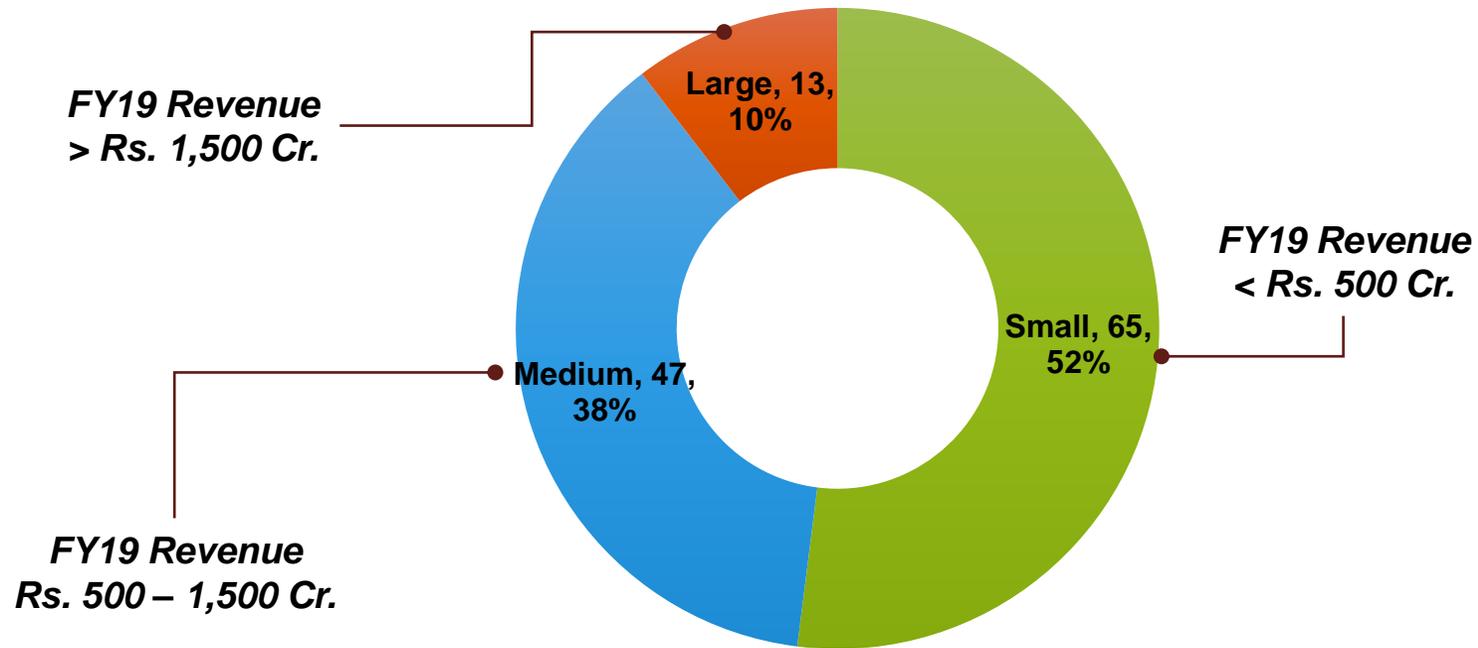
Low Share of Exports <25%

NA: Not Available

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

*Classification of Specialty Chemical Companies by Size*

### Classification of companies by Revenue, FY19

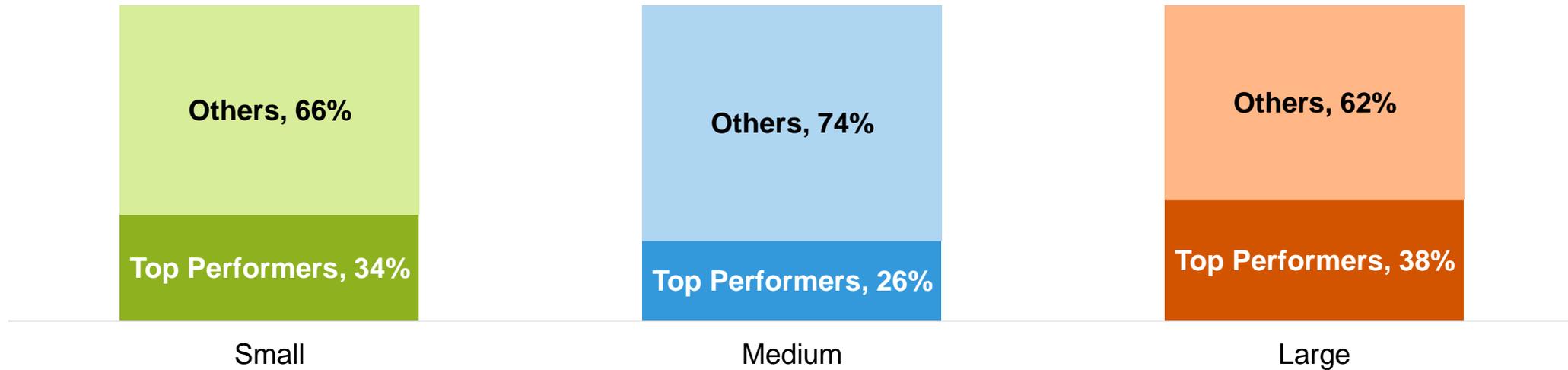


**Total 125 Companies**

# 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 EBIDTA 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 EBIDTA margin has been ~14% in the period FY15-19. Top performers have an average EBIDTA 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 EBIDTA 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

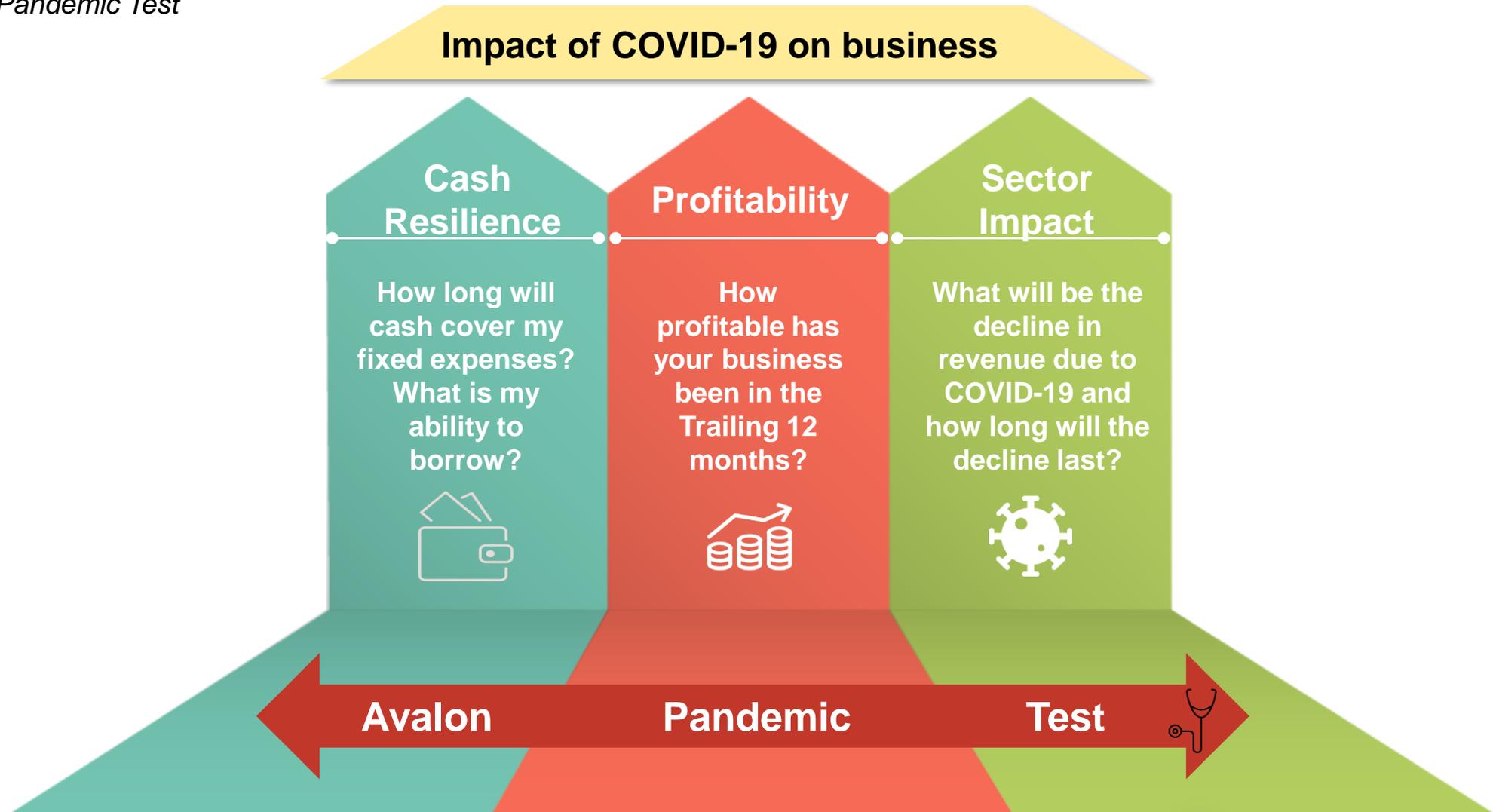
# The Specialty Chemicals were evaluated using the Avalon Pandemic test to review their resilience in a post COVID-19 world

*Avalon Pandemic Test*



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

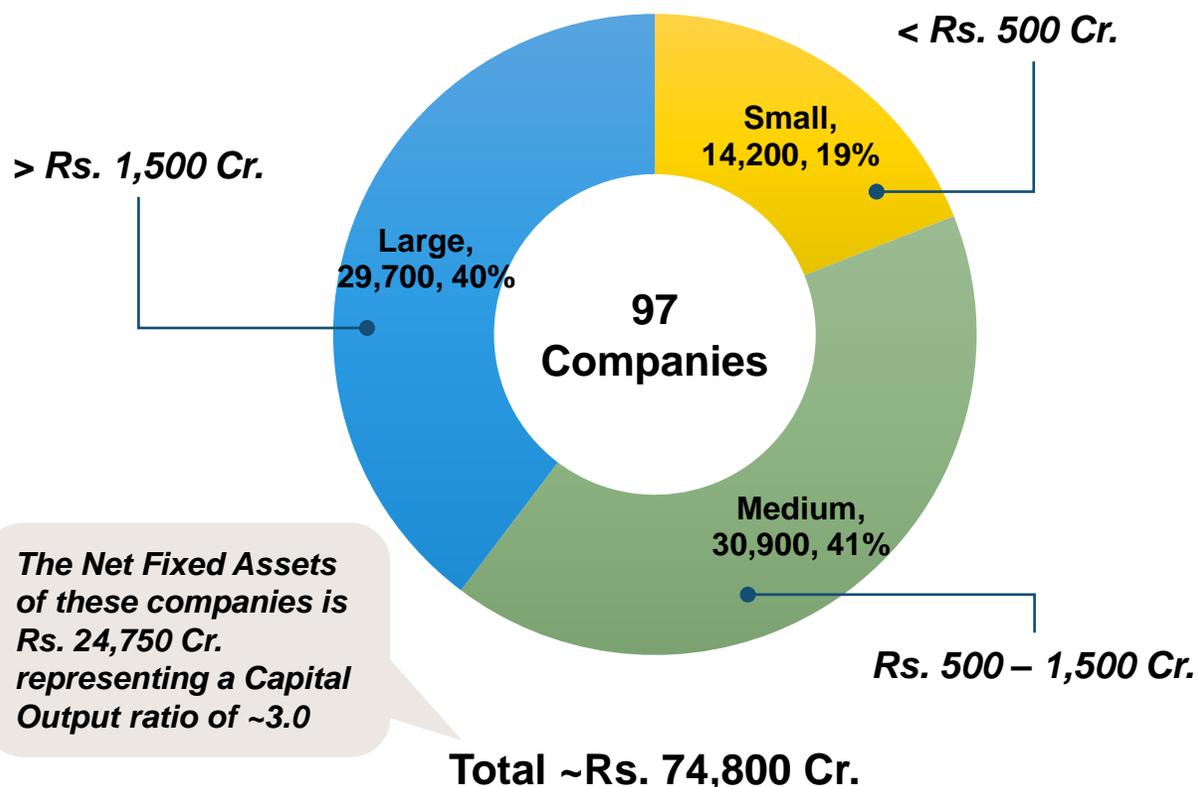
*The Avalon Pandemic Test*



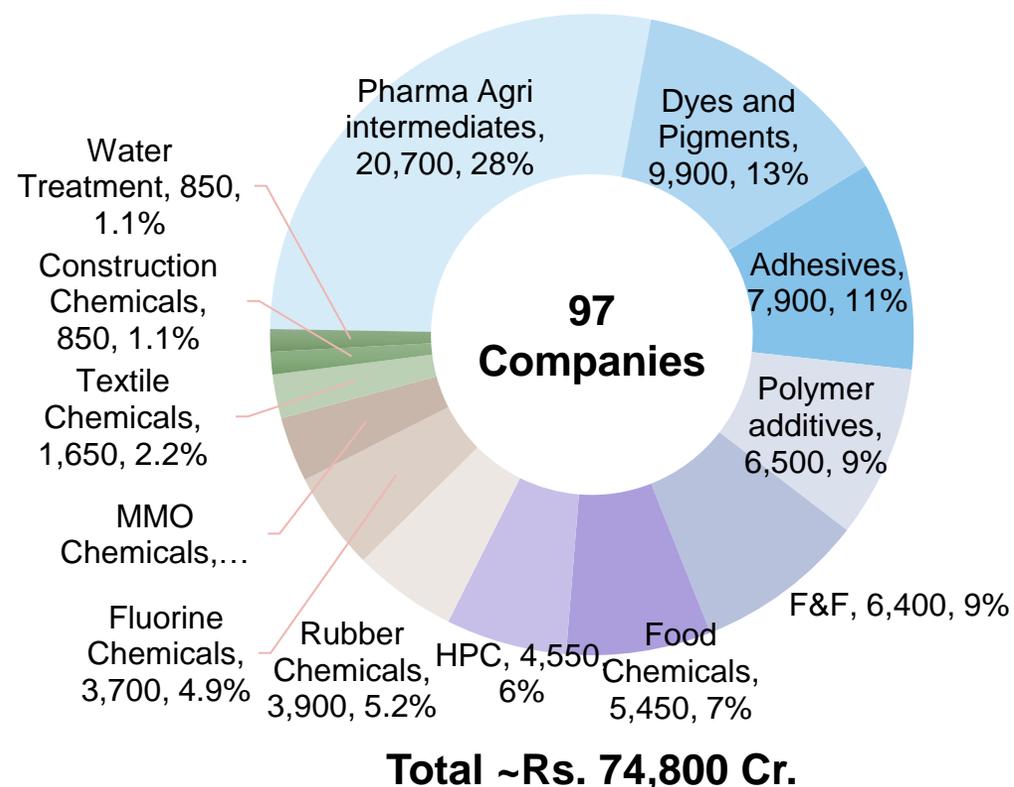
# We have used the Avalon Pandemic Test and analyzed 97 large, medium and small companies\* across Specialty Chemical sub-sectors to generate insights on the impact of COVID-19

Split of Companies in the Sample by Revenue and Sector

### Split of companies by Revenue, FY19



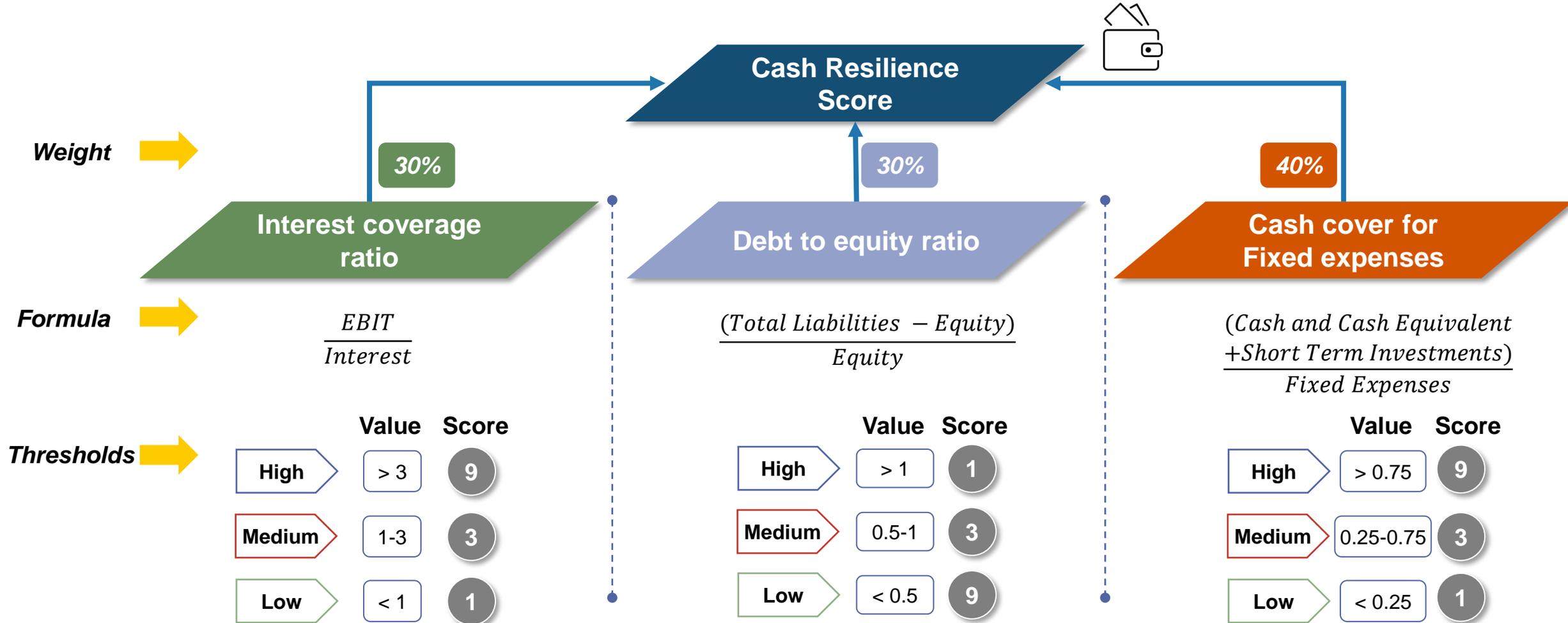
### Split of companies by sector



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

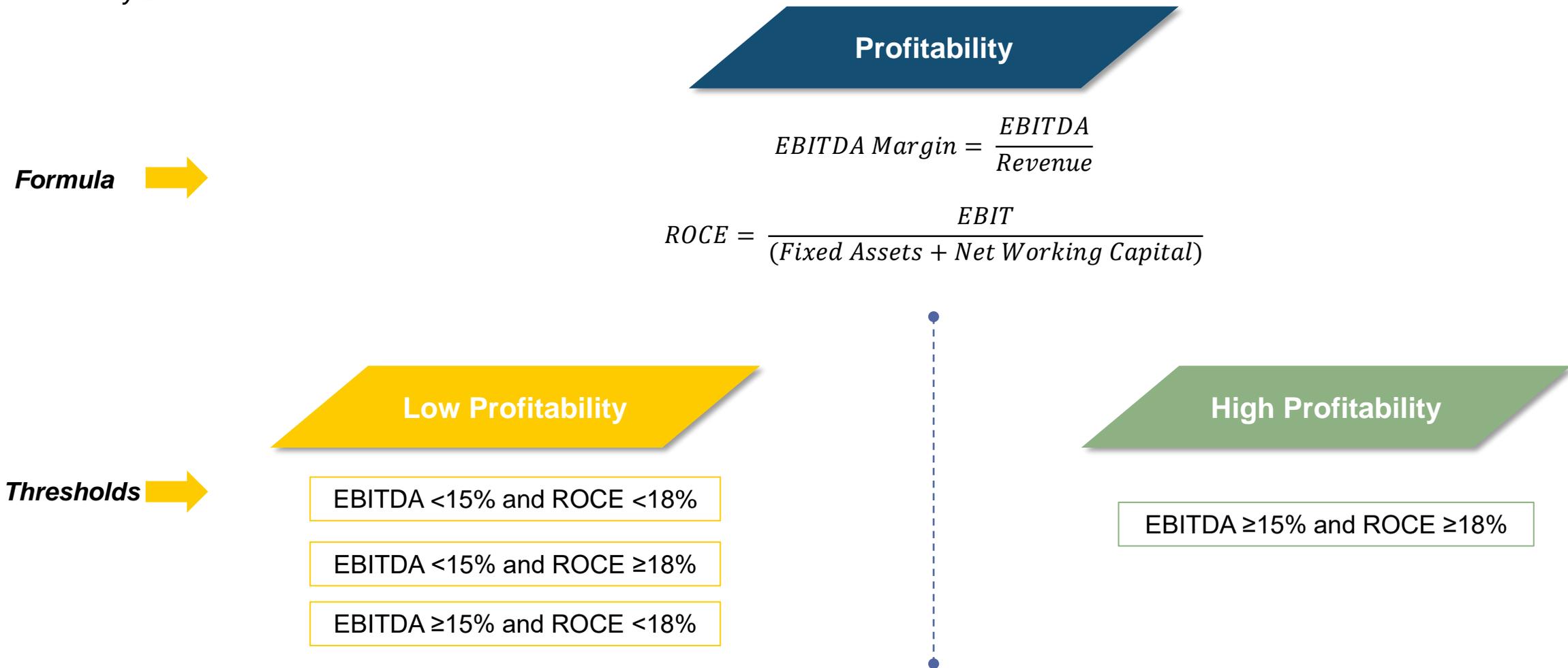
Cash Resilience Score



Note: Relevant dataset of FY19 considered

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

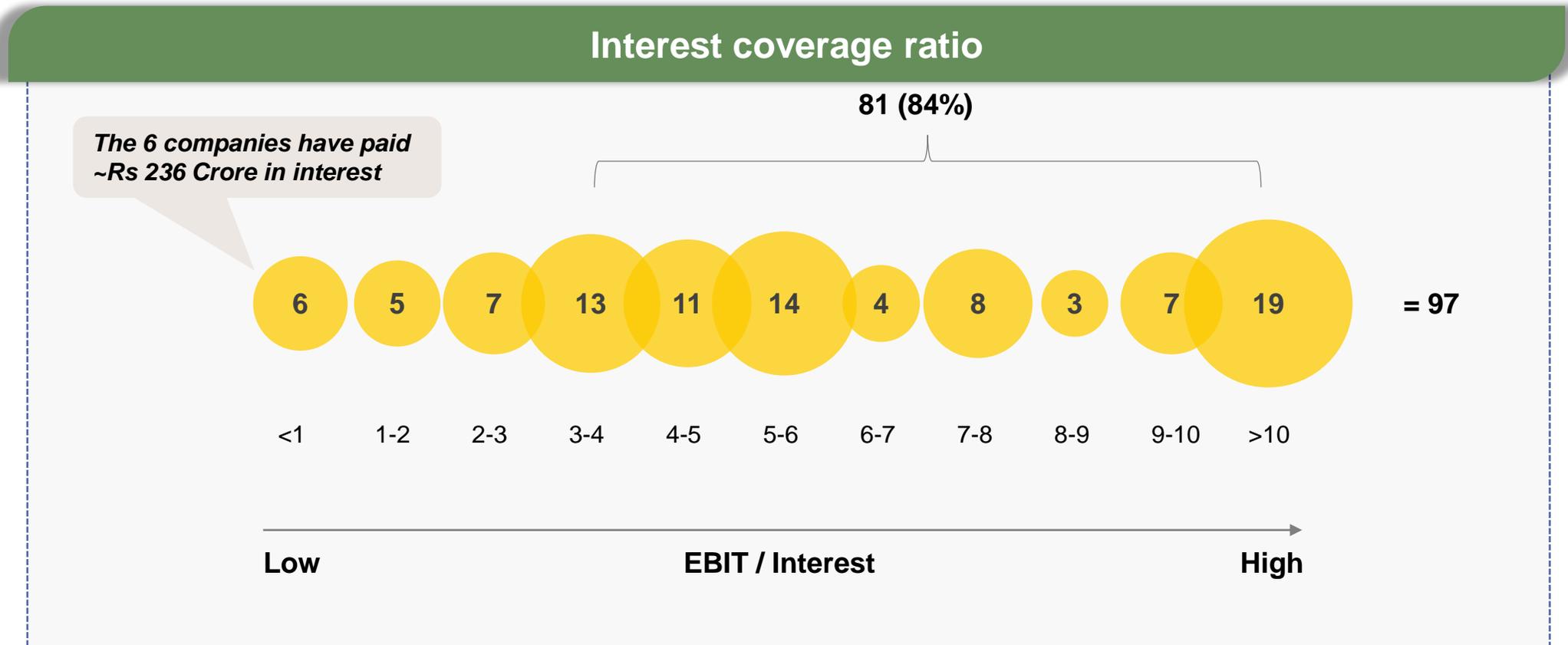
## Profitability Benchmarks



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

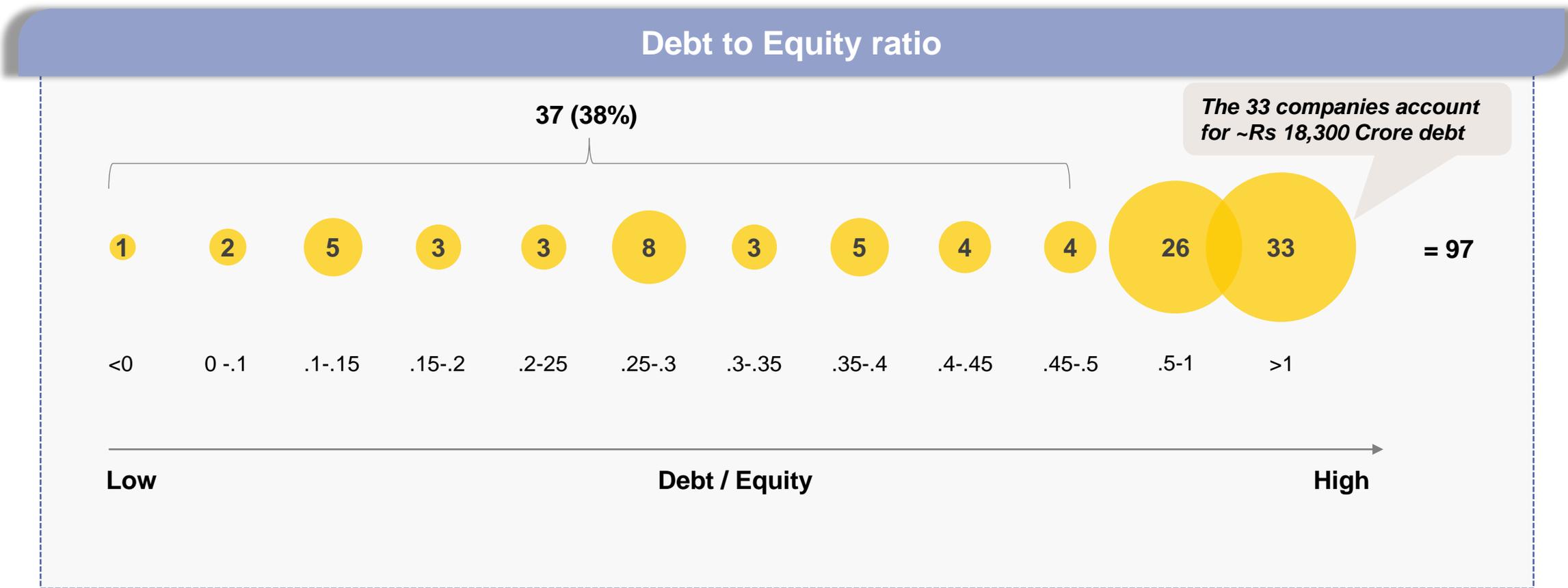
Interest coverage ratio



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.

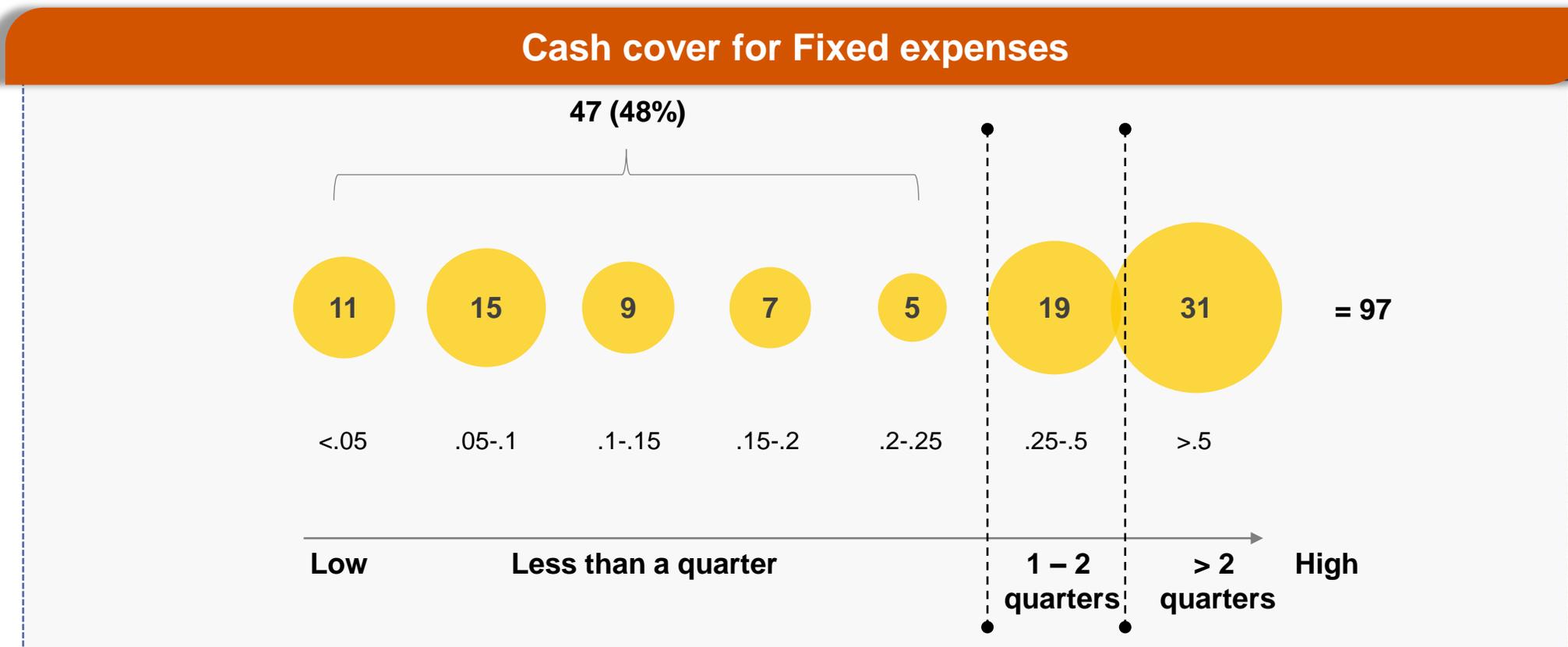
Debt to Equity ratio



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



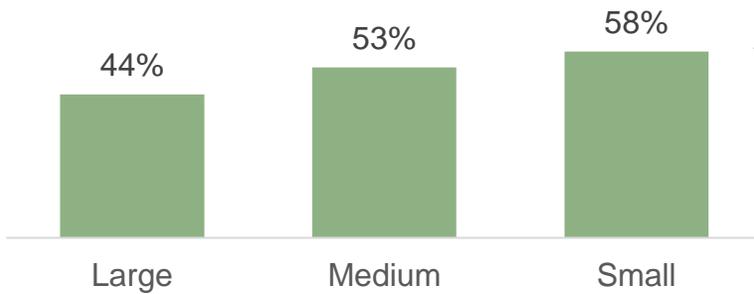
Note: Bubble size indicates number of companies; Intervals are not uniform

# 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

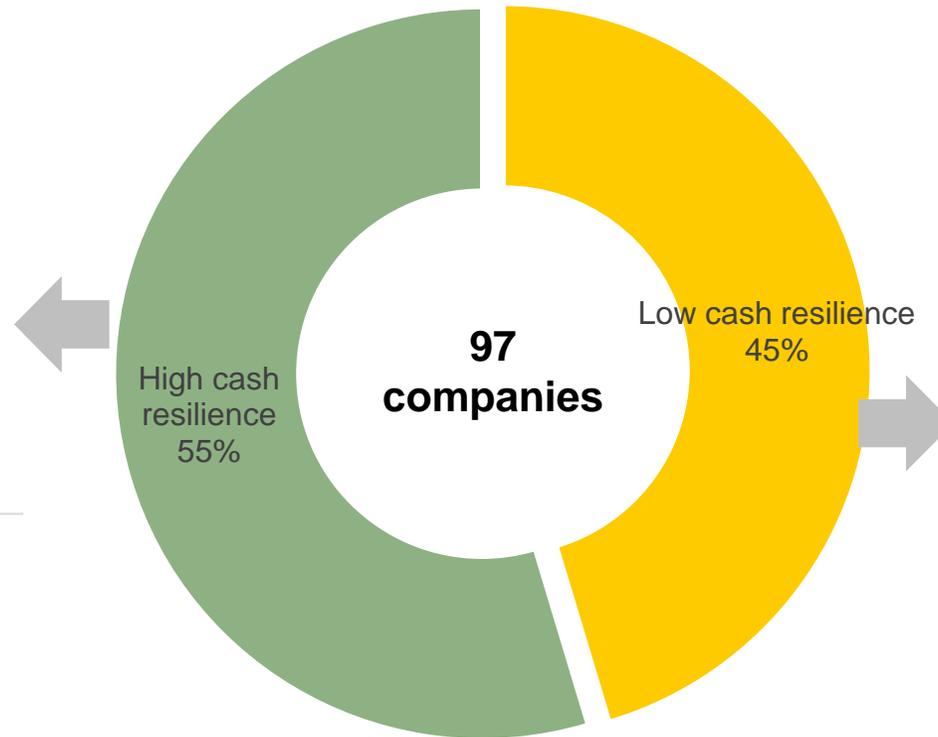
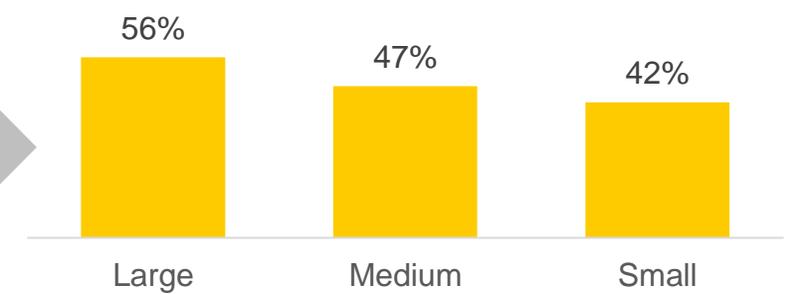
Cash Resilience Score



Cash resilience score > 4.5  
by size of companies



Cash resilience score <= 4.5  
by size of companies

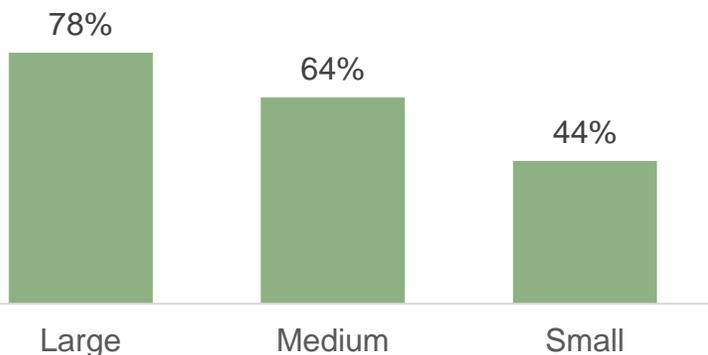


# ~55% of the Specialty Chemical companies, led by large and medium sized companies, make the cut and are High on Profitability

Profitability

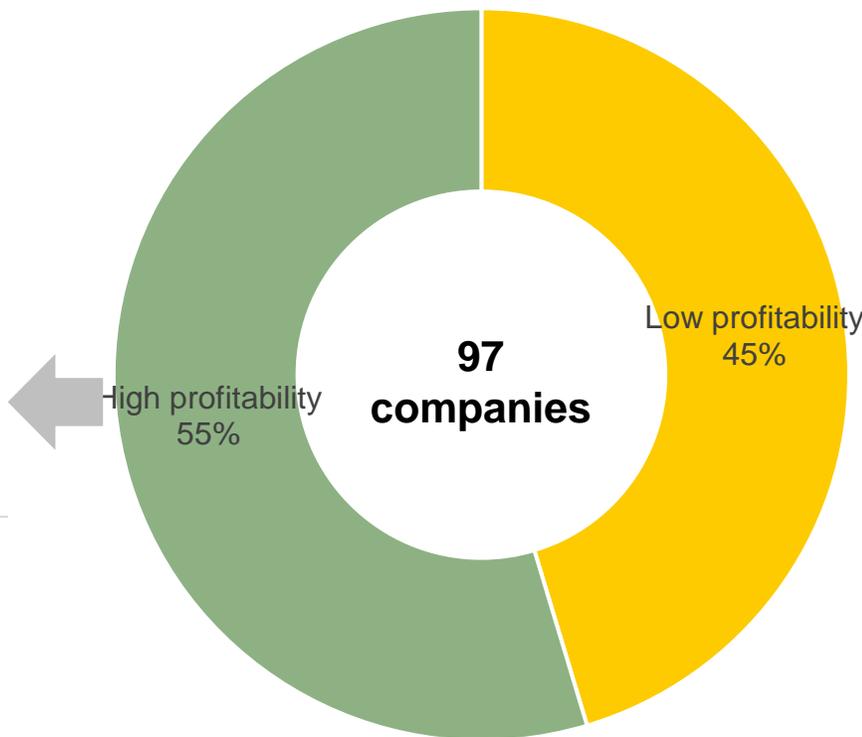


Profitability by Size of Companies

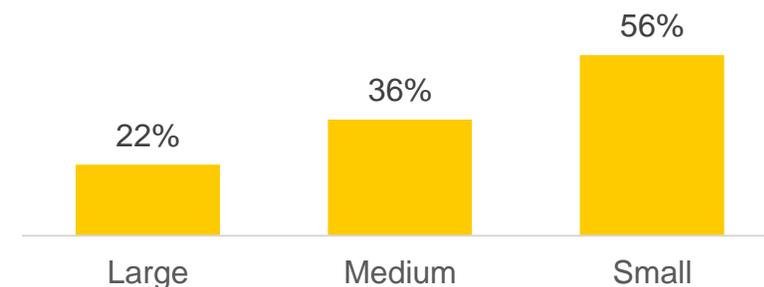


## High Profitability

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



Profitability by Size of Companies

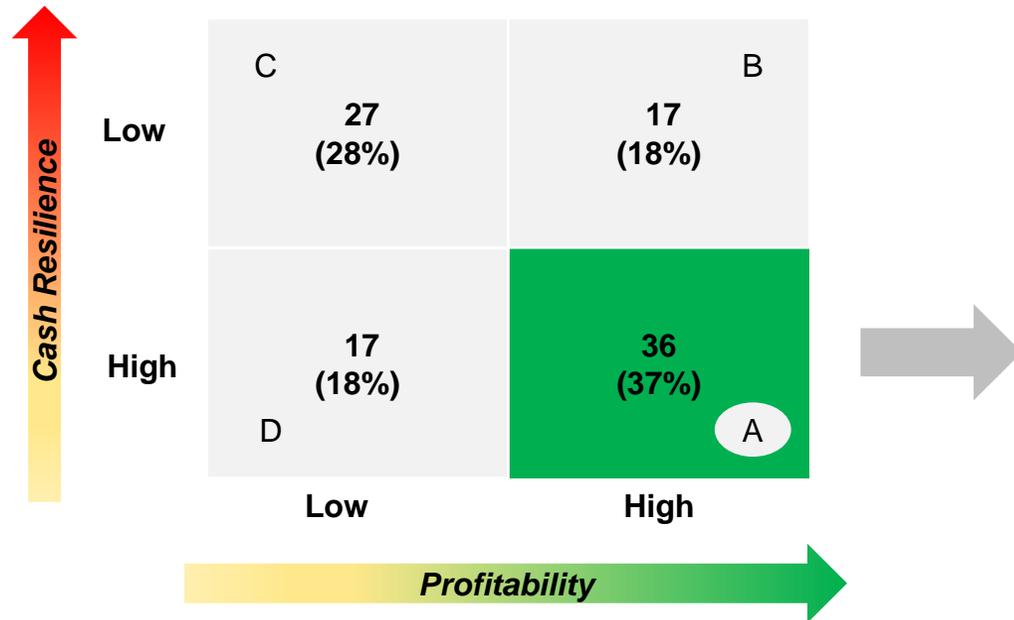


## Low Profitability

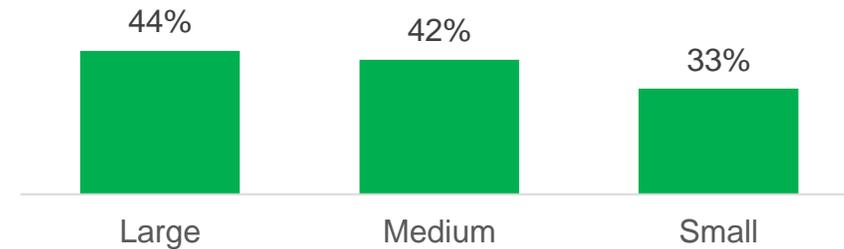
EBITDA <15% and ROCE <18%  
 EBITDA <15% and ROCE  $\geq$ 18%  
 EBITDA  $\geq$ 15% and ROCE <18%

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

*Cash Resilience vs Profitability*

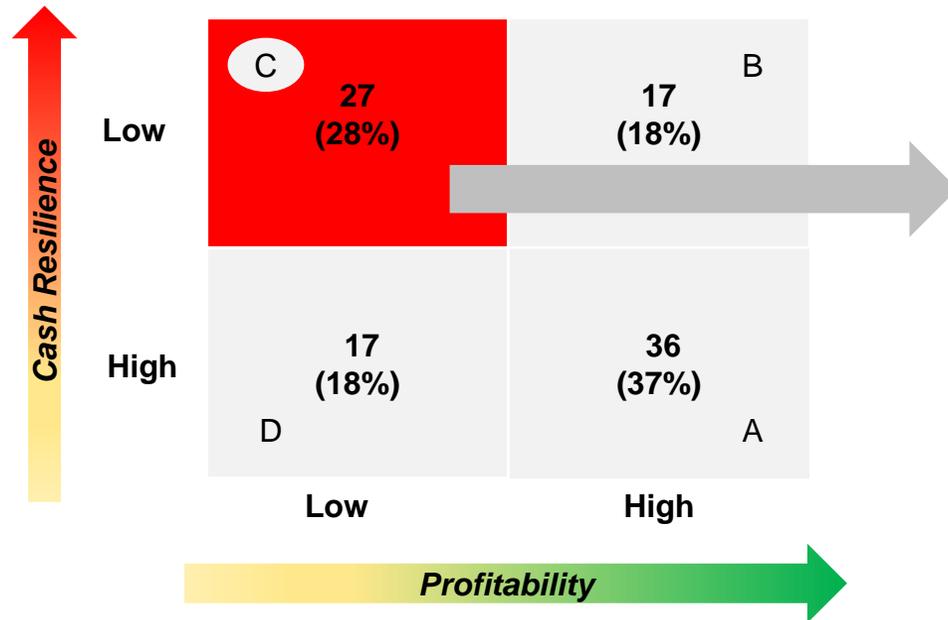


## High Cash-Resilience and Profitability by Size of Companies

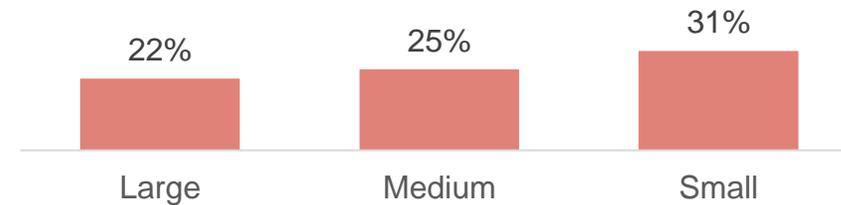


# A smaller set of 27 companies are highly stressed – low Cash Resilience and Profitability with large and medium companies faring better than the small companies

Cash Resilience vs Profitability

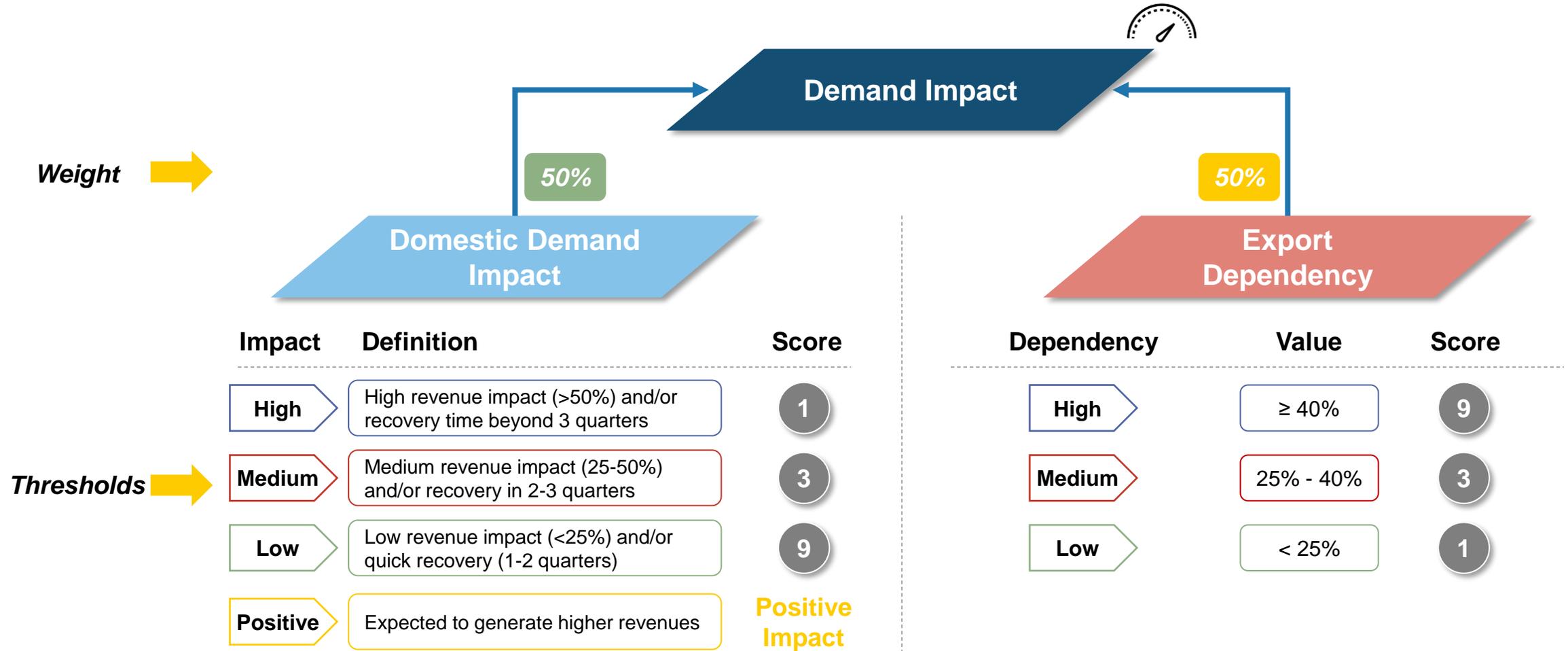


Low Cash-Resilience and Profitability by Size of Companies



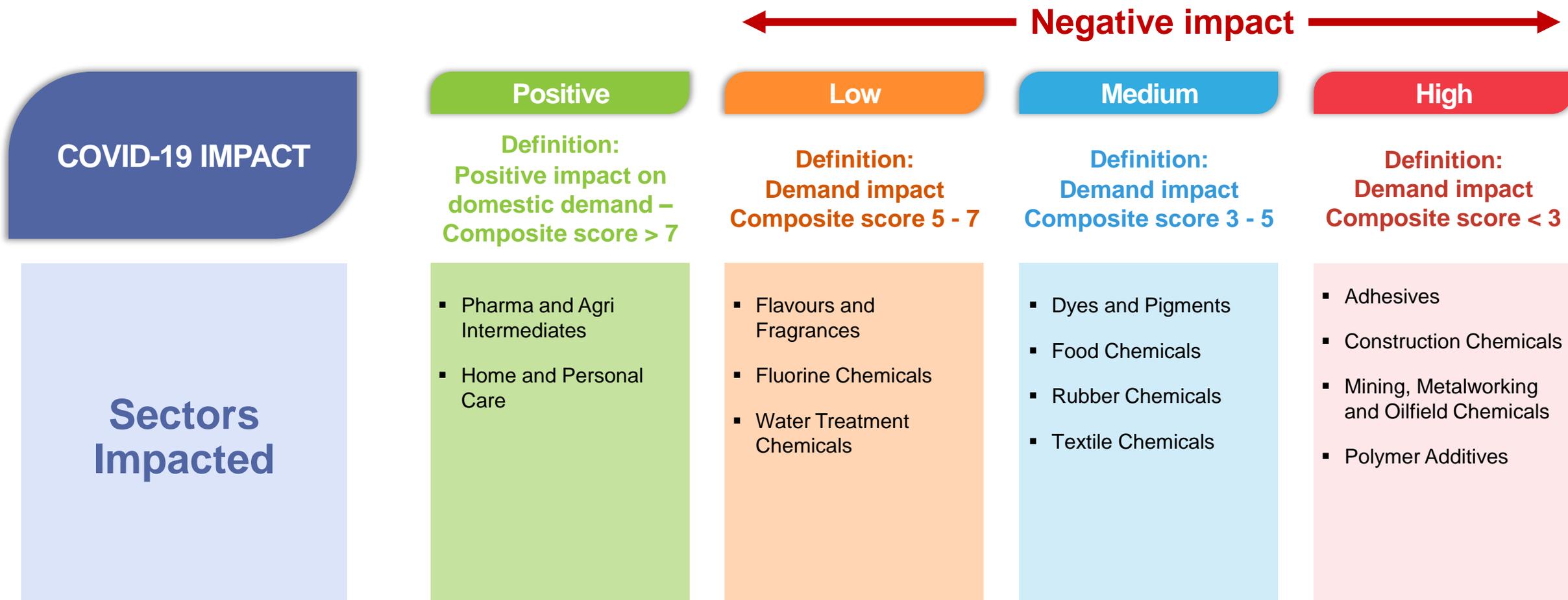
# Specialty Chemical sub-sectors have been analysed based on COVID-19's impact on domestic revenues and the likely recovery period and export dependency of the sub-sector

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

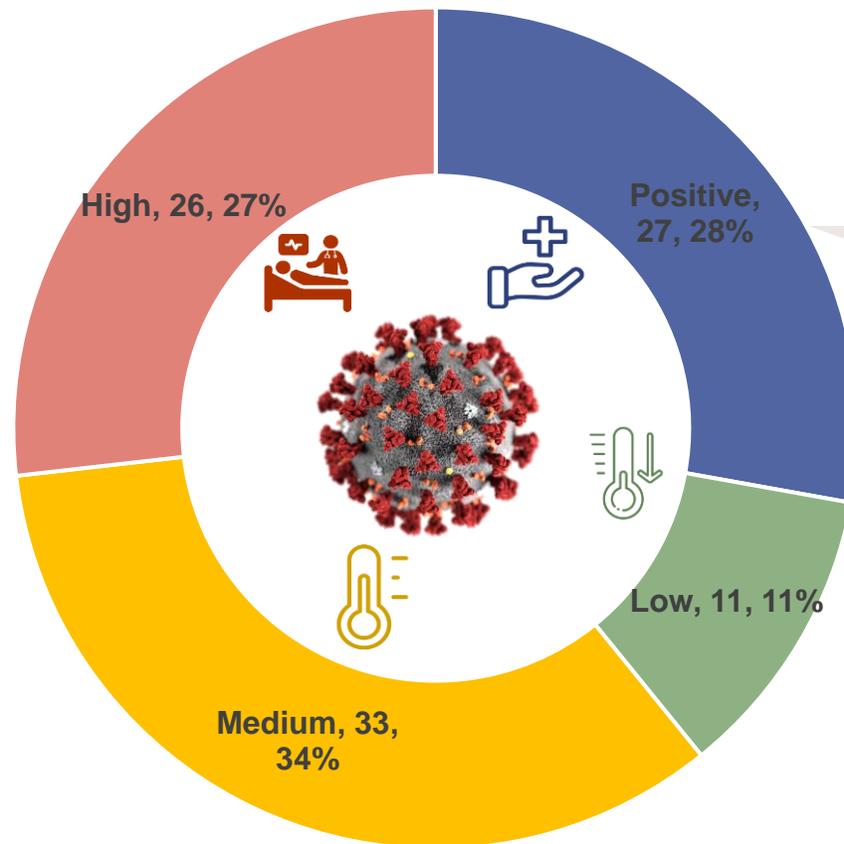
COVID-19 Impact on Sectors



# 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*



## 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	High Profitability and Cash Resilience	4,548	20%	31%	4.9	1.17	7.2
Atul Ltd.	Pharma Agri intermediates	High Profitability and Cash Resilience	3,916	20%	35%	5.6	0.26	< 1
Jubilant Life Sciences	Pharma Agri intermediates	Low Profitability and Cash Resilience	3,410	12%	26%	3.8	1.08	< 1
Galaxy Surfactants	Home and Personal Care	Either Low Cash Resilience or Profitability	1,969	16%	55%	9.5	0.67	< 1
Hikal Ltd.	Pharma Agri intermediates	Either Low Cash Resilience or Profitability	1,590	19%	24%	2.2	1.23	< 1
Vinati Organics	Pharma Agri intermediates	High Profitability and Cash Resilience	1,128	40%	49%	15.6	0.17	1.0
Balaji Amines	Pharma Agri intermediates	High Profitability and Cash Resilience	953	21%	41%	9.3	0.73	4.1
Alkyl Amines	Pharma Agri intermediates	Either Low Cash Resilience or Profitability	846	20%	35%	6.1	1.05	1.0
Excel Industries	Pharma Agri intermediates	High Profitability and Cash Resilience	807	32%	56%	13.4	0.31	< 1
Transpek Industry	Pharma Agri intermediates	Either Low Cash Resilience or Profitability	610	22%	51%	8.7	0.92	< 1
Valiant Organics	Pharma Agri intermediates	Either Low Cash Resilience or Profitability	606	31%	80%	13.7	0.55	< 1
Gulbrandsen Chemicals	Home and Personal Care	High Profitability and Cash Resilience	574	20%	37%	4.4	0.97	1.9
Anupam Rasayan	Pharma Agri intermediates	Low Profitability and Cash Resilience	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	High Profitability and Cash Resilience	471	12%	51%	3.0	1.13	< 1
Astec Lifesciences	Pharma Agri intermediates	Low Profitability and Cash Resilience	438	20%	51%	3.1	0.8	< 1
Jocil Ltd.	Home and Personal Care	High Profitability and Cash Resilience	403	3%	3%	0.8	0.22	2.2
Calibre Chemicals	Home and Personal Care	Low Profitability and Cash Resilience	377	19%	50%	28.1	0.61	~ 1
Yasho Industries	Home and Personal Care	High Profitability and Cash Resilience	336	12%	39%	3.9	2.3	2.3
Ultramarine & Pigments	Home and Personal Care	High Profitability and Cash Resilience	310	28%	43%	14.0	0.12	2.5
Neogen Chemicals	Pharma Agri intermediates	Low Profitability and Cash Resilience	256	17%	41%	14.7	1.64	< 1
Vivimed Labs	Pharma Agri intermediates	Low Profitability and Cash Resilience	252	30%	10%	3.2	1.02	4.5
DMCC	Pharma Agri intermediates	High Profitability and Cash Resilience	234	23%	43%	10.7	0.63	1.9
Saurav Chemicals	Pharma Agri intermediates	High Profitability and Cash Resilience	230	21%	31%	5.0	0.40	< 1
Innovassynth	Pharma Agri intermediates	Low Profitability and Cash Resilience	150	16%	19%	1.6	0.84	< 1
Paushak	Pharma Agri intermediates	High Profitability and Cash Resilience	140	39%	46%	12.5	0.21	< 1
Syschem	Pharma Agri intermediates	High Profitability and Cash Resilience	110	3%	8%	0.7	1.2	< 1
Anshul Specialty Molecules	Home and Personal Care	High Profitability and Cash Resilience	94	37%	37%	8.6	0.08	< 1

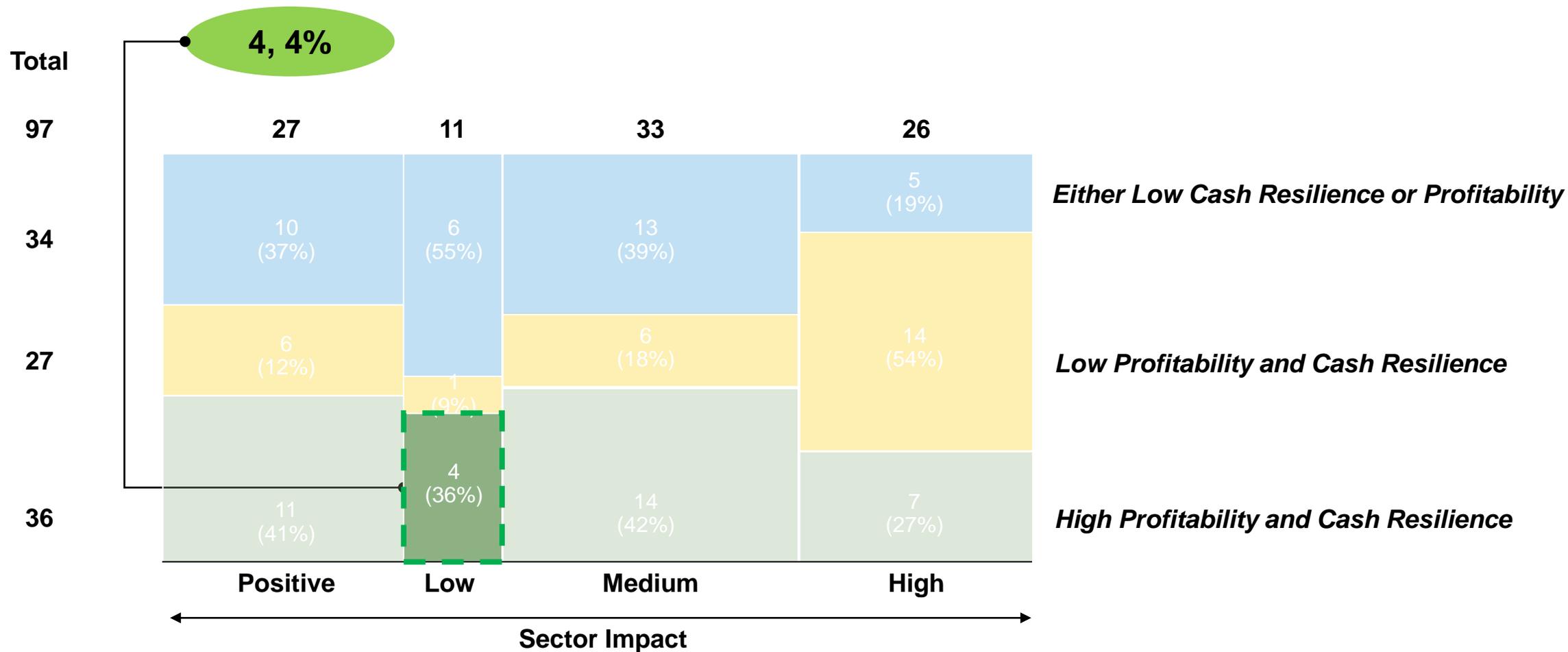
High Profitability and Cash Resilience

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*



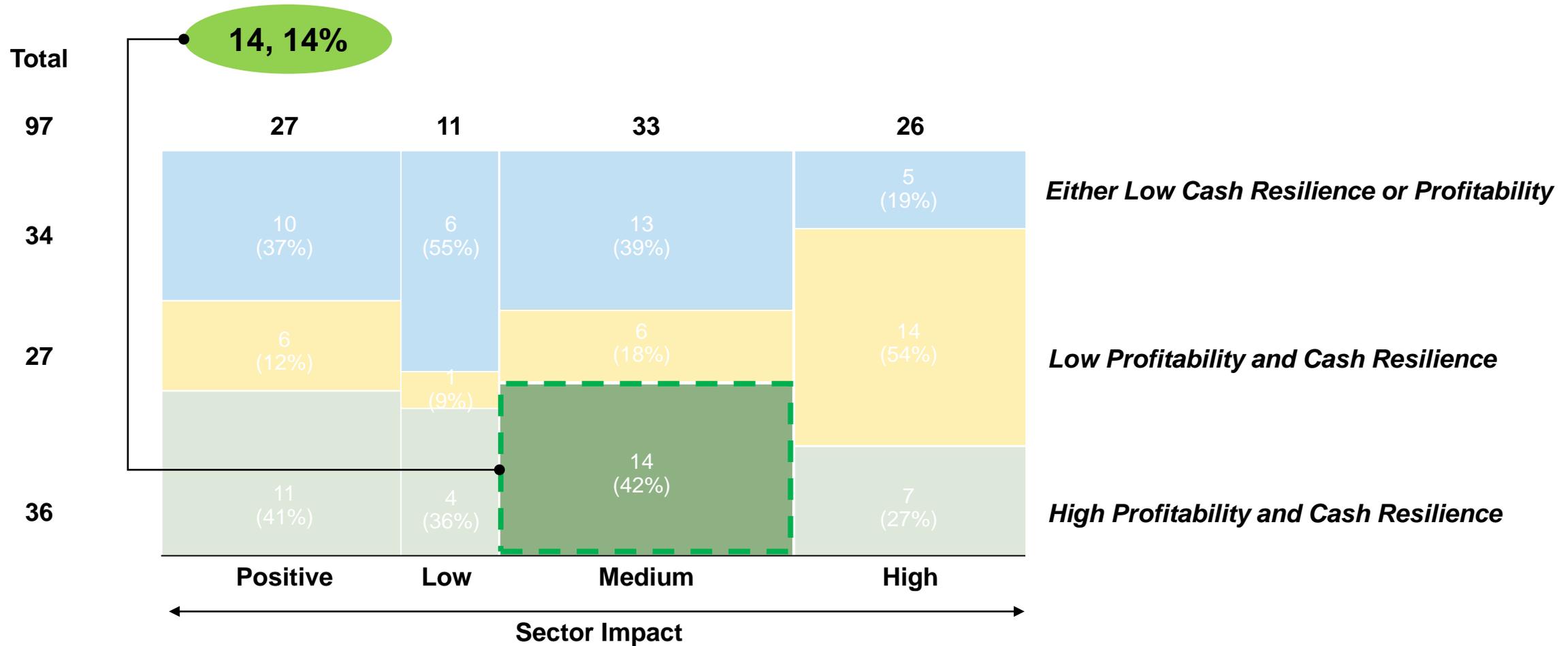
## Top performers in the Fluorine Chemicals and F&F figure in this list

*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*



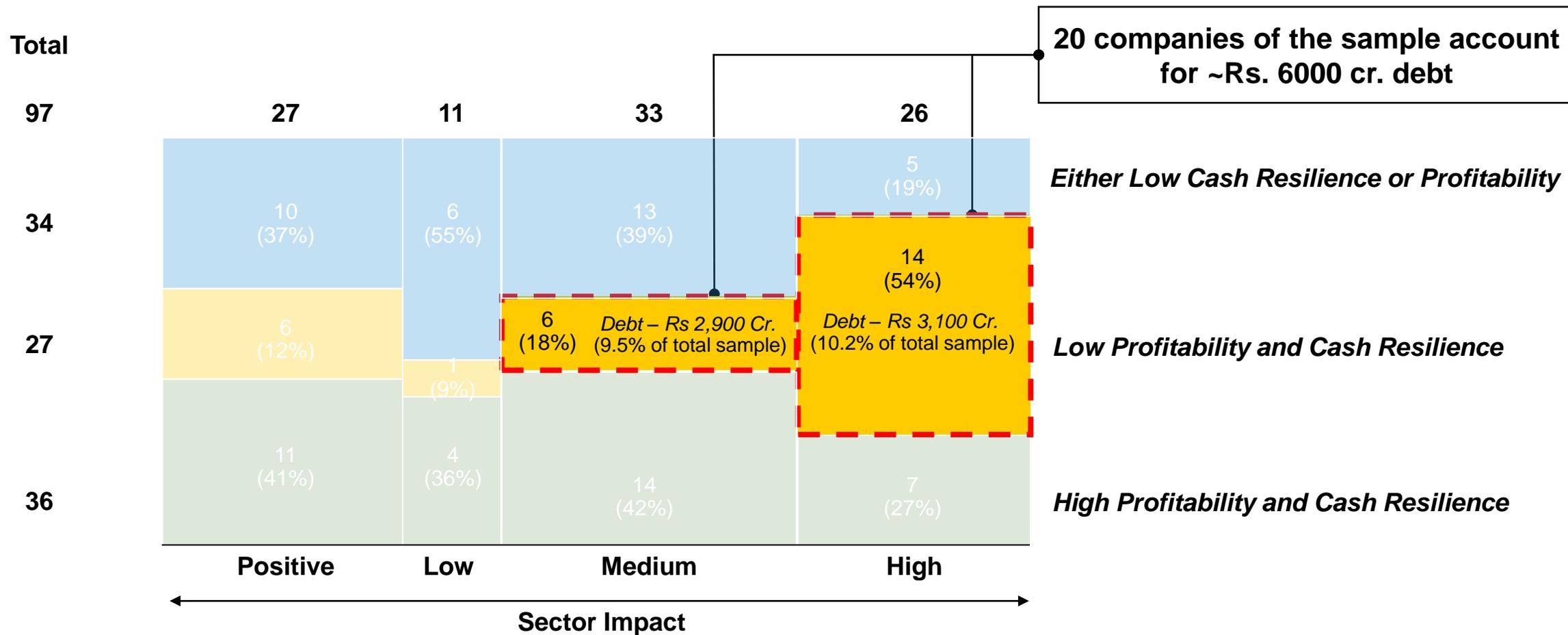
## Many of these companies are in Dyes and Pigments sub-sector with prominent ones being Bodal Chemicals and Kiri Industries. Others include Fine Organics and Oriental Carbon

*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

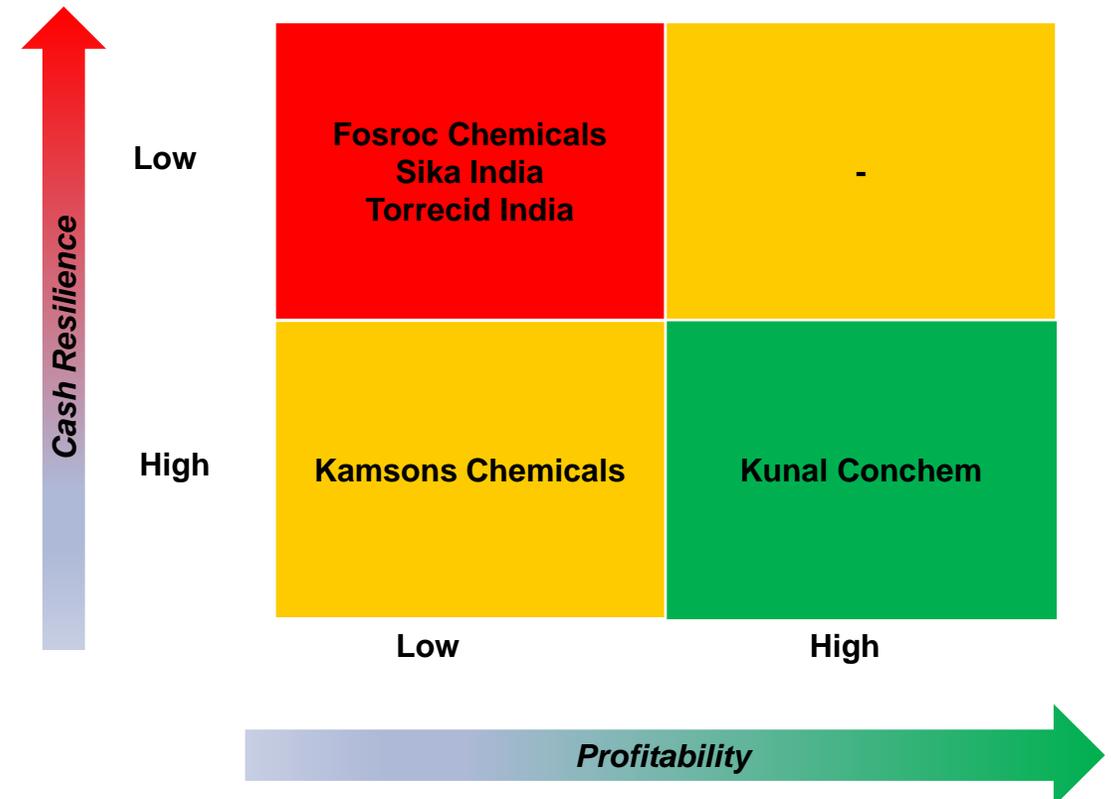
## Avalon Consulting Pandemic Test Model – Cash Resilience and Profitability

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
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## 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

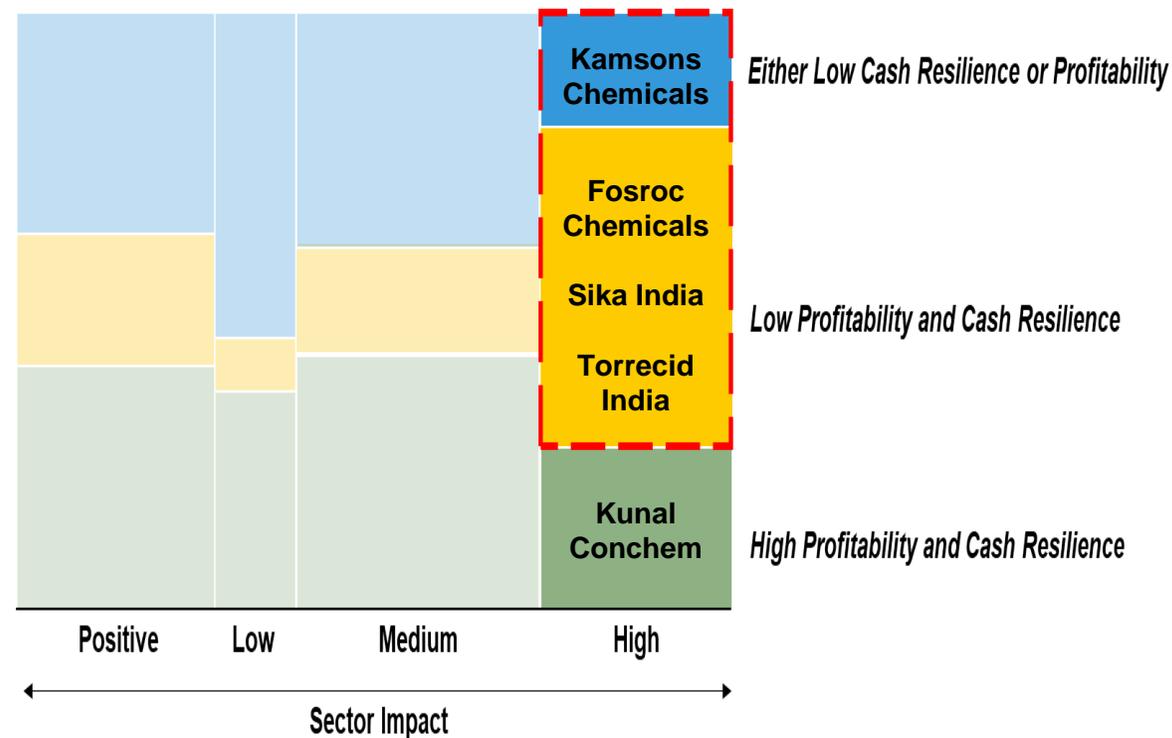
*Evaluation of Construction Chemicals Companies on Avalon Pandemic Test*

## 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
Torreclid		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 EBIDTA 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 EBIDTA 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