Sector: Commodity Chemicals **RESULT REVIEW Q1FY26** **Declared On: 14 Aug 2025**

Thirumalai Chemicals Limited

RECOMMENDATION SNAPSHOT				
***CMP**	**MCap (Rsbn)**	**Recommendation**	**Target**	**Potential Upside**
Rs285	**29.2**	**Hold**	**Rs300**	**5%**

**as on 18th Aug, 2025*

About the Company:

Thirumalai Chemicals Ltd (TCL) was incorporated in 1976 at Ranipet, Tamil Nadu. The company is a part of the Thirumalai Group, which has business interests in chemicals, surfactants, pigments and education. TCL started its operations as a single-product petrochemical company, manufacturing PAN with a capacity of ~5,000 tonnes. TCL has emerged as a renowned and a reliable player in the chemical manufacturing industry. The industry suited portfolio enables the company to deliver essential chemicals, including PAN, fumaric acid and maleic acid, along with a diverse array of fine chemical derivatives. These offerings serve a wide gamut of industries which includes, plastics, paints, food, cosmetics and pharmaceuticals. TCL is the 2nd largest producer of PAN in India. TCL is a FSSC 22000 (equivalent to GFSI), HACCP, Halal & Kosher Certified, ISO 9001, ISO 9004, ISO 14001 & ISO 50001 compliant, SMETA (Sedex Members Ethical Trade Audit) and a responsible care company. Aarti Industries, Asian Paints, Global Calcium, ITC, Berger Paints, Nocil, Nerolac, Parle, Reliance Industries, Symrise are few of the clients that the company serves. Mr. R. Parthasarathy is the Chairman and Managing Director of the company.

Results: Quick Glance:

- The net sales for the quarter reported a drop of 18.9% to Rs4501mn as compared to Rs5547mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at (5.9%) as compared to 5.5% in the comparative quarter last year
- The company reported net loss of Rs600mn as compared to a profit of Rs51mn in the same quarter last year
- The EPS for the quarter stood at Rs(5.86) as compared to Rs0.50 in the corresponding period of last year

Other Updates:

- **Dahej Project (TCL Intermediates):** the capacity has ramped-up in Q1FY26 with average throughput around 75%+. The production capacity of 175TPD was achieved by the end of Q1FY26. For FAc plant, almost all the sections were commissioned successfully. The company has obtained a BIS certification as well as provisional CCA while systems like Integrated Management System (ISO) are planned to be initiated from Q2 onwards
- **US Project:** this project offers opportunity to increase the portfolio of food ingredients (MAc & FAc) and get an access to the American and European market; in order to build a local supply source for major customers and large distributors. The Management has indicated that significant project work stands completed and the project is set to commence by FY26E
- **OOSB, Malaysia:** the losses in Q1FY26 were impacted by one-time retrenchment costs as part of cost optimization measures due to the shutdown of the MAn reactor and associated expenses. With all major overhead expenses having reduced and no further one-off expenses expected ahead, the losses from MAn operations are projected to decline. OOSB operations will further focus on the value-added downstream esters plant, which offers better unit economics

Financials:

Performance (Q1FY26)							
Q1FY26 Result (Rs mn)	**Jun-25**	**Jun-24**	**y-o-y**	**Mar-25**	**q-o-q**	**FY25**	**FY26E**
Total Revenue	4501	5547	(18.9%)	5231	(14.0%)	20495	21113
EBITDA	(267)	307	-	148	-	488	359
Other Income	22	33	(33.3%)	78	(71.7%)	206	182
Interest	182	93	96.4%	153	19.1%	492	586
Depreciation	216	138	56.6%	184	17.9%	611	701
Exceptional Items	0	0	-	0	-	0	0
Tax	(44)	58	-	31	-	53	(179)
Net Profit	**(600)**	**51**	**-**	**(141)**	**-**	**(461)**	**(567)**

Outlook and Recommendations :

The company continues to report losses and tepid performance. The overall sales have reported a drop of ~19% on a y-o-y basis. The Ebitda margins came in negative at 5.9% for the quarter under review. An increase in the employee cost, higher depreciation and interest outgo; all these factors have led to a loss of Rs600mn for the quarter under review. Additionally, on account of low plant utilisation during the ramp-up phase (at Dahej project) alongwith full depreciation and finance costs, weighed on the subsidiary's performance; thus adding to the consolidated loss for the quarter under review. The costs are expected to see a steady decline going forward and the utilisation is expected to improve to ~85-90% from Q2FY26 onwards; which should report positivity in the overall performance going forward. Apart from this, other factors that added to the consolidated losses for the quarter were attributed to lower spreads due to global headwinds coupled with softer volumes (on account of geopolitical factors and the looming tariff uncertainties). This impacted all the products offered by the company but more impact was seen towards PAN.

In the recent AGM/EGM, the Management indicated that its downstream customers faced tariff related setbacks (with slight aberrations in terms of almost no operations for a temporary phase) which marginally impacted the company's performance especially on the margins front (not volumes). The effect of this was expected for 1-2 quarters to some extent though the situation appears to be easing as of now. The demand for the company's products is witnessing a steady increase. The **PAN** domestic market capacity at present is ~500,000+ tonnes and is reporting a growth of ~6% p.a.; this is further expected to grow at ~11-12%. The **Dahej** project (via TCL Intermediates) has a current PAN capacity of ~90KTPA and ~24KTPA of fumaric acid (FAc). As indicated by the Management, parts of the plant had gradually commissioned since FY24, with first full year of capacity utilization expected in FY26E and a steady state revenue to be achieved from FY27E. At present, TCL contributes ~25% of India's PAN export market share and after the commencement of the Dahej project is further expected to enhance this market share.

For the **US project**, (via the US subsidiary TCL Specialties LLC) the focus would be towards food ingredients (malic acid and fumaric acid) and intermediate chemical viz; MAn (maleic anhydride). The market for snacks and beverages is experiencing a faster growth (for food ingredients); given that US is a major importer for these products with limited existing domestic production in these markets; this project serves as a lucrative opportunity for TCL. The markets for all these ingredients are underserved with only ~25% produced domestically. As per the recent update of Jul'25, a major portion of the plant is modularly built in India (at SEZ unit in Ranipet & shipped to the USA project site for final assembly) with equipment procured from global suppliers; the technology that were developed earlier by the company in India and Malaysia have been put to use alongwith latest equipments that have been procured from Germany, parts of Europe and Japan; this approach enabled the company to conduct pre-testings and thereby leading to a significant cost reduction. The Management anticipates this entire project to be completed by Oct/Dec'25 with a production ramp-up and eventual sales thereafter expected from CY26 (to be regarded as the first year of operation). In order to fund the projects, in Jun'25 the Board has approved the issue of upto 16,268,040 equity shares at a price of Rs277 per share price (via preferential issue) for a total amount of Rs4506.3mn. The funds are expected to be utilized both for general corporate purpose and majorly for the US plant. Once the new projects ramp-up and start contributing to the overall performance, they are expected to start generating better ROI. TCL's step-down subsidiary **OOSB** (that caters to the MAn business) has been reporting poor performance (over the last 2 years) which is mainly on account of the business situation in China and Far-East. M/s Cheminvest Lte Singapore which is the majority shareholder in OOSB is evaluating all suitable options for value accretion, including but not limited to divestment in full or part thereof and thereby strengthen the balance sheet. The Management intends to reduce the debt over a period of time which will enhance the bottom-line.

TCL is the 2nd largest player in India with a significant market share of ~37% in the domestic PAN industry. The ramp-up of projects will facilitate revenue addition and thereby the profitability over a medium term. The current product mix (FY25) is bifurcated as 85% PAN and 15% MAN and downstream; post the scale-up of Dahej and the US project the Management expects this mix to shift and be at 77% PAN and balance from MAN and downstream products. Striving efficiency alongwith productivity has been the key priority for the company. Going forward, considering that the project ramp-up will be a slow and gradual process than anticipated, we continue to maintain a hold on the stock for a target of Rs300.

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