Sector: Specialty Chemicals | **RESULT REVIEW Q4&FY25** | **Declared On: 05 May 2025**

DMCC Speciality Chemicals Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs275	6.86	Accumulate	Rs400	45%

**as on 09th May, 2025*

About the Company:

DMCC Speciality Chemicals Limited formerly known as The Dharamsi Morarji Chemical Company Limited, established in 1919, was the first producer of sulfuric acid and phosphate fertilisers in India and become a trusted source for quality single superphosphate. Since then, the company has commercialised downstream processes of sulfur based chemicals and today, are known as a trusted provider of speciality chemicals. DMCC is engaged in manufacturing commodity chemicals i.e. sulfuric acid, oleum and cholorosulfuric acid etc. which are further used to manufacture downstream products used by a wide range of end users. Over a period of time, DMCC has built a large portfolio of nearly 4 key products offering in the bulk chemical segment and 8-10 key products in the speciality chemical segment. The company has two state-of-the-art manufacturing facilities located at Dahej in Gujarat and Roha in Maharashtra; are also coupled with consistent R&D centres to help commercialise processes for downstream sulfur-based chemicals. Both the plants are ISO 9001:2015 certified. In 2016 DMCC had merged with Borax Morarji which has helped DMCC to enter into speciality chemical space in the boron segment. Mr. Laxmikumar Goculdas is the Chairman of the company and Mr. Bimal Goculdas is the MD and CEO.

Results: Quick Glance:

- Net revenue for the quarter under review grew by 49.1% to Rs1252mn as compared to Rs840mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 12.1% as compared to 8.8% in the corresponding quarter last year
- The company reported net profit of Rs65mn as compared to Rs58mn in the comparative quarter of the previous year; growth of 12.1%
- EPS for the quarter under review came in at Rs2.59 as compared to Rs2.31 in the corresponding period last year
- For the full year, the revenues and PAT grew by 31.5% and 85.8% respectively while the Ebitda margins stood at 13.2%
- The Board has recommended a final dividend of Rs2.50 per equity share of FV of Rs10 each for FY25

Conference Call Highlights:

- For the quarter under review, the company has reported a modest growth. The Management indicated that the decline in the margins was primarily due to a sharp, unusual spike of ~40% in sulphur prices during Q4FY25. The impact of the same will be reflected in contract pricing in Q1FY26
- In FY25, the company had witnessed a reasonably strong performance, the topline growth was driven by a combination factors like better/higher realizations and volume growth
- ~70% of the revenue is fetched from the commodity grade products and the remaining 30% comprises higher-margin products, with profitability levels broadly aligned with the company's other specialty chemical offerings
- On the **exports fron**t, the Management does not foresee any major impact from the US tariffs and any tariff increases are likely to be passed on to the customers. The export volumes to Europe were impacted due to weak market conditions and elevated energy costs in the region, the company has been actively developing alternate markets, including Latin America and China. Notably, the company is also supplying to China, where it is competitively positioned in select sulphur-based chemical products. DMCC has **expanded its global footprint** by adding ~10 new international markets, all focused on specialty chemicals
- The **Boron** chemicals segment contributed ~Rs1000mn in FY25, most of the capex for this segment has already been incurred, and going forward, only minor maintenance capex or debottlenecking plans are chalked out, if any
- The company has commercially launched **3 new specialty products**, though these have not yet reached maturity. These are being manufactured in multi-purpose plants and are undergoing typical customer validation cycles, including product refinements and approval from end-users. The Management expects these products to gain full acceptance during FY26E. These products have the potential to individually fetch ~Rs300-500mn in revenue
- The company has also introduced several new offerings; 5 in boron chemistry, 8 in specialty chemicals, and 1 in bulk chemicals. However, many of these products are still in the early stages and are not yet fully commercialized. The new Boron based products cater to diverse industries, including glass, ceramics, fiberglass, agriculture (e.g., micronutrient fertilizers), and fire retardants
- DMCC continues on its strategy to reduce the overall debt burden in the **absence of any major capex**

Conference Call Highlights (contd.):

- The overall **cash conversion cycle** for the company continues to remain stable. The capacity utilization levels have improved over the previous year and the company is operating at levels that align with its earlier topline guidance of ~Rs5000mn annually, supported by improved prices, and no major capex planned, a moderate outlay of ~Rs100-150mn is expected in the near term. These investments will primarily be for debottlenecking and shifting mature products from multi-purpose plants into dedicated facilities as capacity utilization rises. The Management indicated that the **blended capacity utilization** in the specialty chemicals segment currently stands at ~50-60% on a full year basis, based on current quarterly revenue of ~Rs520mn from this segment, the company is operating at an annualized run rate of ~Rs2000-2100mn. There is sufficient capacity headroom within the existing infrastructure to potentially double current specialty sales, implying a revenue potential of up to ~Rs4000mn at optimal utilization in the next 10-12 quarters
- The Management indicated that the commissioning of a **large copper smelter** in Kutch by an Indian manufacturing company later this year is a potential risk/threat to a number of players like DMCC as the same can put downward pressure on sulphuric acid prices across the country. They further clarified that the smelter is expected to generate ~1,000 tons of sulphuric acid per day as a by-product. As a result of this, the manufacturers who use sulphur to make SO_2 or SO_3 can face some competitive pricing pressure and weaker demand

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	**Mar-25**	**Mar-24**	**y-o-y**	**Dec-24**	**q-o-q**	**FY25**	**FY24**	**y-o-y**	**FY26E**
Total Revenue	1252	840	49.1%	1180	6.1%	4313	3280	31.5%	4701
EBITDA	151	74	-	177	(14.7%)	570	363	57.2%	623
Other Income	4	93	(95.2%)	4	13.3%	13	104	(87.1%)	14
Interest	22	38	(43.1%)	25	(13.3%)	105	138	(23.7%)	90
Depreciation	40	43	(6.8%)	43	(5.0%)	167	157	6.4%	172
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	29	27	4.6%	35	(17.3%)	96	57	69.8%	109
Net Profit	**65**	**58**	**12.1%**	**79**	**(17.8%)**	**215**	**116**	**85.8%**	**266**

Outlook and Recommendations:

In Q4FY25, the company delivered stable performance, driven by consistent operations and steady demand across key segments, despite a planned 10 days' maintenance shut at Dahej facility. Revenue growth was fuelled by increased volumes and modest realizations. However, profitability was impacted by a sharp rise in sulphur prices, though the company was largely able to pass on these costs in its commodity chemicals business, particularly affecting margins in the specialty chemical sector and export markets. While the domestic market's continued strength and demand recovery offer a degree of stability, the company continues to remain proactive addressing margin erosion to ensure sustainable profitability. The company is planning a ~20-25 days' **planned maintenance shutdown** in the Roha facility, which is expected to temporarily impact revenue for the upcoming quarter. To mitigate potential disruptions, careful planning will be implemented to minimize operational headwinds. The company is cautiously optimistic about global uncertainties, particularly tariff developments, and expects limited adverse impacts on its US exports. Continuous monitoring of geopolitics remains essential. Meanwhile, the Boron business is a key growth driver, the product under pipeline would show strong momentum with a potential for further expansion. The company's strategic focus on diversifying into downstream Boron products aims to add value and drive growth. The efforts for expanding its global footprint, focusing on specialty chemicals is progressing well, as bulk chemical exports remain India-centric, DMCC is working to gradually reduce its dependency on bulk chemicals. The anticipated entry of new players in the sulphuric acid market may lead to increased supply and softer prices, posing a competitive challenge. The comfortable debt position and stable cash conversion cycle provide a solid financial foundation for future growth, supported by planned moderate capex for debottlenecking and capacity optimization. DMCC is poised to capitalize on emerging opportunities, leveraging its ample capacity, robust infrastructure, and technical expertise. With a commitment to sustainable growth and shareholder value, the company maintains a cautiously optimistic outlook for the future and thus we continue to maintain our target price of Rs400.

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