



Profits and planet

Sustainability has been the buzz word since past few years. Afterall, **2024 stood out as the warmest in the 175-year** observational records maintained by World Meteorological Organization. In fact, each of the past ten years were the warmest years on record. The largest three-year loss of glacier mass happened in the past three years. Carbon dioxide levels in the atmosphere are the highest in the last 800,000 years. Among numerous extreme events of rainfall, flood and drought, one of the most notable was heatwave in Saudi Arabia where temperature reached as high as 50°C.

But sustainability costs. As a result, we have witnessed flip flops by companies (as well as countries). “Drill, baby drill” has been a classic example. Amidst all this hullabaloo, a recent study does throw credible positive signs on adoption of sustainable products by industries. In a survey by PDI Technologies, the share of consumers willing to pay more for sustainable products grew from 64% in 2021 to 80% in 2024.

The study further details that the **growth of sustainable segments within each end-user vertical of chemicals has been more than the conventional ones in 2021-23**. Best has been the automobile industry where EVs have grown at 38% CAGR vs 8.6% overall growth. Even in the construction segment, CAGR of sustainable products/solutions has been 8.9% vs 4.9% overall growth.

Indian chemical companies have also been rising to the occasion. For example, Clean Science adopts green chemistry principles right from process design. Similarly, Fine Organics has been at the forefront of oleochemicals. Galaxy Surfactants has focus on reduced water usage as well as full traceability of its supply chain to mill and plantation level.

In particular, we have been **positive about the prospects of Fine Organics**. Even after today’s rally, the stock trades at ~23.6x FY27 PL EPS. The company has already announced its capex of Rs7.5bn which could add ~Rs26bn to its revenues by FY29. While our EBITDAM is ~25%, even at ~20%, this would be ~30x. This is much lesser than 36x for our coverage universe. What better stock to own in chemicals?

Exhibit 1: Breakdown of chemicals industry across major end-users



Source: OECD, Accenture, PL

Exhibit 2: Sustainable segments far outpace conventional across end-user industries



Source: Accenture, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	411	453
2	Bharat Petroleum Corporation	Hold	286	251
3	Bharti Airtel	Accumulate	1,827	1,677
4	Clean Science and Technology	Hold	1,329	1,385
5	Deepak Nitrite	Hold	1,960	1,899
6	Fine Organic Industries	BUY	5,199	4,350
7	GAIL (India)	Accumulate	204	180
8	Gujarat Fluorochemicals	Reduce	3,190	3,537
9	Gujarat Gas	Sell	395	461
10	Gujarat State Petronet	Hold	327	334
11	Hindustan Petroleum Corporation	Hold	319	319
12	Indian Oil Corporation	Hold	125	120
13	Indraprastha Gas	Sell	150	192
14	Jubilant Ingrevia	Hold	680	660
15	Laxmi Organic Industries	Hold	237	226
16	Mahanagar Gas	Accumulate	1,412	1,267
17	Mangalore Refinery & Petrochemicals	Accumulate	168	145
18	Navin Fluorine International	Accumulate	4,373	3,908
19	NOCIL	Reduce	209	223
20	Oil & Natural Gas Corporation	BUY	288	249
21	Oil India	BUY	711	424
22	Petronet LNG	Reduce	276	291
23	Reliance Industries	Accumulate	1,472	1,266
24	SRF	Hold	2,820	2,768
25	Vinati Organics	Accumulate	1,934	1,749

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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