

The Speciality Chemical Industry is presently benefitting from a set of favourable developments that would result in strong growth opportunities in both the exports and the domestic markets. Strong demand from shift in supply chain from China and favourable government policies are the key factors driving the robust growth potential.

The fertilizer and agrochemical firms on the other hand, are expected to benefit from (i) normal South-West monsoons this year, which bodes well for the consumption of fertilizers and agrochemicals in the Kharif season, (ii) improvement in irrigation infrastructure and government support to farmers.

We have listed below 10 High Conviction ideas from the Agrochemical and Specialty Chemical space which we expect to do well in the short to medium term as well. One can buy this basket of 10 stocks with a potential upside of 10-15% over the next 2-3 months. One can keep a stoploss of 8% on the overall basket.

Company	CMP (Rs)	Technical Target (Rs)	Upside (%)	Stop Loss	Rationale
PI Industries	1967	2270	16%	1815	PI Industries has levers in place to sustain growth momentum in the near term, led by: (a) its recently established two multi-purpose plants ramping up operations, (b) revenue from the Isagro acquisition, (c) sustained growth momentum in the CSM business on account of a strong USD1.5b order book, and (d) product launches in the domestic market (two-three annually) providing earnings visibility. We expect a revenue/EBITDA/PAT CAGR of 30%/38%/49% over FY20–22E.
Coromandel International	812	990	22%	724	Normal southwest monsoon predictions have augured well for the consumption of fertilizers and agrochemicals, thus providing a good start to FY21. Additionally, Coromandel's phosphoric acid plant, which commenced operations recently, would continue production for the whole of FY21, which was not the case in FY20 (began in Oct'19). We expect revenue/EBITDA/PAT CAGR of 10%/14%/18% over FY20–22E.
Atul Ltd	6220	7360	18%	5650	Atul has a well diversified product portfolio with an established track record and strong market position. It is the global market leader in some of its high-value products and the only supplier in India with wide distribution network. It enjoys strong balance sheet with healthy return ratios.
Tata Chemicals	328	370	13%	307	TTCH is incurring capex of INR24b at its Mithapur plant for various categories, expected to come on line in a phased manner. TTCH's cash-cow business (soda ash and sodium bicarbonate) is expected to remain relatively stable; cash generated from the business would be partially deployed toward the Specialty Chemicals segment.

*Investment in securities market are subject to market risks, read all the related documents carefully before investing.

Company	CMP (Rs)	Technical Target (Rs)	Upside (%)	Stop Loss	Rationale
BASF	1559	1977	27%	1350	BASF enjoys diversified revenue portfolio and established presence in agrochemicals, materials and industrial solutions which helps mitigate the impact of cyclicity. It enjoys strong operational and financial performance. Further strong global parent support provides huge synergy and comfort.
Rossari Biotech	775	865	12%	730	RBL has a well-diversified portfolio across home, personal care and performance chemicals, textile specialty chemicals and animal health and nutrition products. It has strong potential given (1) robust financial performance, (2) lean balance sheet and (3) doubling of capacity over next one year which will drive future growth.
Dhanuka Agritech	827	981	19%	750	Dhanuka is one of India's leading agrochemical Company with well diversified product portfolio. It's asset light business model, superior return ratios and the recent product launches are expected to drive growth. Normal monsoon, timely product launches and strong brand recognition are some of the factors favouring Dhanuka.
Sudarshan Chemicals	474	553	17%	435	Sudarshan Chemical Industries manufactures wide range of Organic and Inorganic Pigments, Effect Pigments and Agro Chemicals. It has been maintaining a healthy dividend payout ratio and healthy return ratios.
Rallis India	314	364	16%	289	Rallis India is one of India's leading crop care companies, providing agricultural solutions. Better monsoon, increase in CRAMS portfolio, changing product mix, increasing backward integration along with revised credit terms are some of the factors which provide boost to its financial performance.
Deepak Nitrite	748	904	21%	670	Deepak Nitrite is favourably positioned to capture opportunities emerging across the chemicals and specialty chemicals landscape as it is well diversified across chemical space. Domestic business growth is expected to be driven by new launches, addition of new trade partners, relaxation in credit policies and commencement of new capacity. Similarly, International business growth is expected to be driven by capacity creation for Metribuzin

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