

September 4, 2025

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Aarti Industries	HOLD	385	420
Clean Science and Technology	HOLD	1,177	1,425
Deepak Nitrite	HOLD	1,770	1,883
Fine Organic Industries	BUY	4,864	5,610
Gujarat Fluorochemicals	HOLD	3,386	3,580
Jubilant Ingrevia	HOLD	734	743
Laxmi Organic Industries	REDUCE	217	179
Navin Fluorine International	Acc	4,843	5,559
NOCIL	HOLD	185	182
PCBL Chemical	BUY	384	474
SRF	HOLD	2,949	3,071
Vinati Organics	BUY	1,723	2,091

Source: PL Acc=Accumulate

Key Actionable

Book profit in SRF

Accumulate Navin Fluorine International

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End of road for high R32 prices?

Quick Pointers:

- China launched consumer goods trade-in program from Jul'24
- It extended number of ACs eligible for subsidy to three for 2025

As a result of the ongoing subsidy led consumer goods trade-in program in China, domestic sale of ACs in China has grown at 9.4% YoY in Aug-Dec'24 vs 0.8% during Jan-Jul'24. In Jan-Jul'25 also, we have seen 9.9% YoY growth in domestic sale of ACs. We believe that strong prices of R32 are also partly due to this growth in sales. Our estimate suggests that new ACs bought post 2019 account for 68% of the total existing stock and are unlikely to be replaced so soon even if they are less efficient. Even if the momentum continues for the rest of 2025, this composition would rise to ~73% by 2025-end, putting a question mark on continuation of the subsidy led trade-in beyond 2025. From export realizations, we see that price of R32 has risen from USD3.9/kg in H2CY24 to USD4.6/kg in Q1CY25 and to USD6.5/kg in Q2CY25, the high growth coinciding with the consumer goods trade-in boost. This is unlikely to sustain, bringing down R32 prices.

Consumer goods trade-in program, 2009-10: With dual objective of boosting domestic consumption and raising energy efficiency, The Chinese government keeps coming with consumer goods trade-in programs. The last one was in 2009-10 for products like TVs, refrigerators, washing machines, air conditioners, mobile phones etc, where consumers could trade-in their old appliances and avail subsidy on replacement. A total subsidy of CNY40.75bn was doled out during the same.

Relaunch in 2024-25: With same objectives, the Chinese government launched another program from Jul'24 (official launch was in Mar'24, but funding outlined only in Jul'24) covering eight product categories including ACs. The amount of subsidy for AC was set at 20% (for Grade 1) or 15% (Grade 2) or CNY2,000/unit whichever was lower. A total of CNY150bn was outlined for trade-in of old appliances. This was doubled to CNY300bn in 2025 and the number of ACs eligible for trade-in per household was also raised to three.

Unlikely continuation beyond 2025: Existing stock of room air conditioners stands at 786mn units in China. Domestic sales during 2019-2025YTD stands at 536mn and could rise to 574mn by 2025 end at current growth rate. Our estimates suggest that 211mn of these may not be Grade 1/2. However, since they are relatively new, consumers may want to wait for longer to replace these units. This translates to 212mn units that would really need to be replaced. However, since this is 27% of the existing stock, the government may not extend the subsidy-based trade-in program beyond 2025. As a result, R32 prices may start reflecting this decline in demand of ACs 3-4 months earlier.

The policy boosted R32 prices: High growth of ACs boosted demand of R32. Realization which stood at USD3.9/kg in H2CY24, rose to USD4.6/kg in Q1CY25 and to USD6.5/kg in Q2CY25. The strong R32 prices have resulted in better performance for both NFIL as well as SRF. In Q1FY26, SRF's Chemicals Business EBIT margin expanded to 27.3%, up 660 bps YoY, while Navin's High-Performance Products (HPP) division recorded a strong 45% YoY revenue growth, with overall margins improving by 930 bps YoY to 28.5%, offsetting weakness in some other segments. We expect prices to decline as the effect of the program wanes of in the coming months.

Valuation and recommendation: SRF is more levered to R32. A USD1/kg change in R32 realization impacts the EBITDA by 5% ceteris paribus considering 85% utilization. PAT is expected to be impacted by 7%. The stock is trading at 28x FY26 EV/EBITDA and 54x FY26 PE. We reiterate our HOLD call on the stock with target price of Rs3,071 based on SOTP valuation. However, considering that our valuation is based on 27x EV/EBITDA on chemicals segment, which may see a downward correction if both R32 prices were to correct and agrochem prices were not to rise, one may look at booking profits in the stock. Similarly, USD1/kg change is expected to impact EBITDA and PAT of NFIL by 7% and 10% respectively at 85% utilization. The stock is trading at 35x FY26 EV/EBITDA and 57x FY26 PE. We reiterate our ACCUMULATE call on the stock with target price of Rs5,559 based on 51x FY27 EPS. Unlike SRF, we expect positive triggers in NFIL going forward for example CDMO, clarity on R32 capacity, which may keep the stock at higher multiples.

Exhibit 2: Impact of USD1/kg change in R32 realisation

Particular	Navin	SRF
Capacity (mtpa)	9,000	25,000
Utilisation (%)	85%	85%
Volumes (mtpa)	7,650	21,250
EBITDA impact (Rs mn)	658	1,828
FY27 EBITDA (Rs mn)	9,326	37,729
% of FY27 EBITDA	7%	5%
PAT impact (Rs mn)	520	1,371
FY27 PAT (Rs mn)	5,401	19,264
% of FY27 PAT	10%	7%

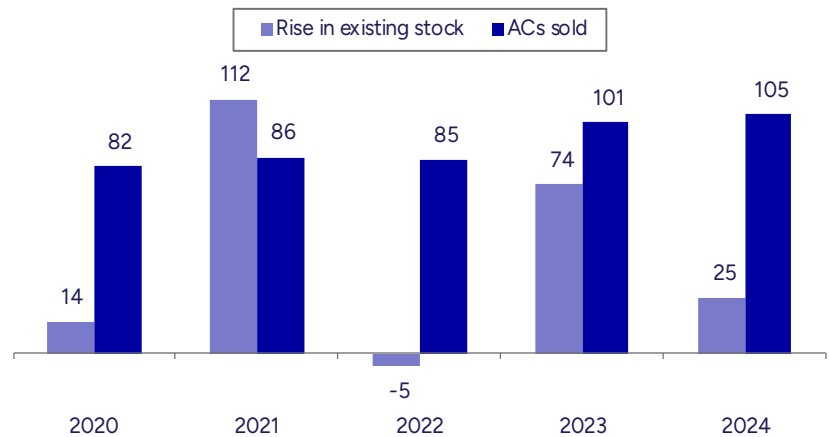
Source: Company, PL

Exhibit 3: China monthly domestic sales of ACs (10,000 units)

	2023	2024	YoY gr. (%)	2025	YoY gr. (%)
Jan	450	735	63.3	730	-0.7
Feb	700	600	-14.3	740	23.3
Mar	1,045	1,245	19.1	1,280	2.8
Apr	1,050	1,240	18.1	1,280	3.2
May	1,275	1,250	-2	1,440	15.2
Jun	1,270	1,050	-17.3	1,220	16.2
Jul	1,195	920	-23	1,050	14.1
Aug	820	780	-4.9		
Sep	600	605	0.8		
Oct	550	610	10.9		
Nov	560	690	23.2		
Dec	610	750	23		
Jan-Jul	6,985	7,040	0.8	7,740	9.9
Aug-Dec	3,140	3,435	9.4		

Source: China IOL, PL

Exhibit 4: Replacement demand dominates (mn units)



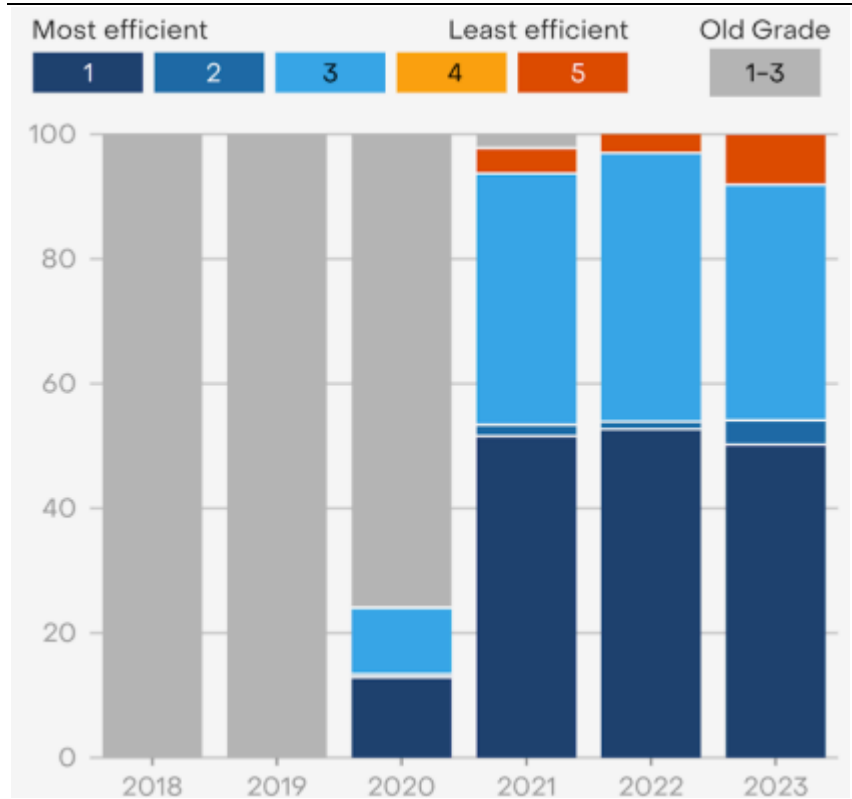
Source: China IOL, www.stats.gov.cn, PL

Exhibit 5: % of existing stock that really needs to be replaced

Existing stock	786
ACs sold in 2020-2024	459
Expected AC sales in 2025 at existing growth rate	115
Total new ACs	574
Remaining old ones	212
% of existing stock	27

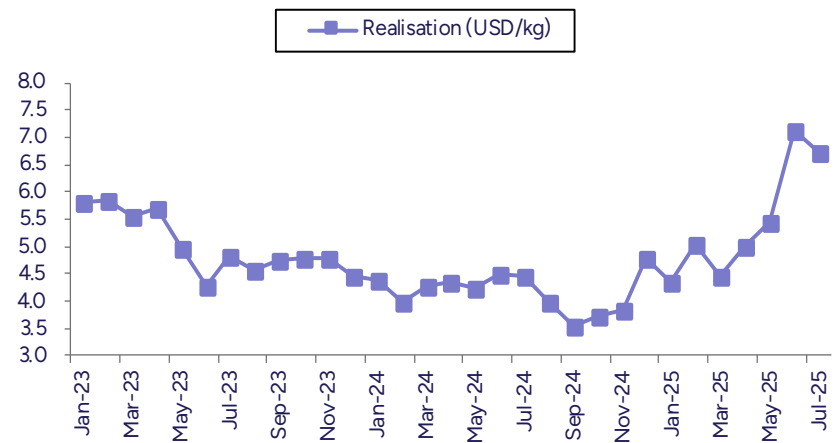
Source: China IOL, www.stats.gov.cn, PL

Exhibit 6: Proportion of efficient ACs in domestic sales (%)



Source: Ember, PL

Exhibit 7: R32 prices saw sharp jump Q4FY25 onwards



Source: Industry, PL

Exhibit 8: Home appliances program trade in program launched in 2024 boosted consumption in China

Date	Department	Policy title	Details
March 2024	State Council	Action plan to promote large-scale equipment upgrades and consumer goods trade-in	Strategic action plan of the "Two New" policy
March 2024	SAMR, NDRC, MIIT, MEE, MOHURD, MOFCOM, MEM	Action plan to drive equipment upgrades and consumer goods trade-in with standard improvement	Highlight the importance of standard improvement in the "Two New" policy
July 2024	NDRC, MoF	Measures on increasing support on large-scale equipment upgrades and consumer goods trade-in	Funding announcement: 150 billion CNY (\$20.9 billion USD) in ultra-long special treasury bonds to support consumer goods trade-in Funding deadline: 31-Dec-24
August 2024	MOFCOM, NDRC, MoF, SAMR	Notice on further improving efforts on the trade-in of home appliances	Dedicated policy for home appliances, measures are aligned with broader action plans
January 2025	NDRC, MoF	Notice on strengthening efforts and expanding the scale of large-scale equipment updates and consumer goods trade-in	Strategic action plan of the "Two New" policy in 2025. Expansion in 2025: Home appliance categories increase from 8 to 12; air conditioner subsidies extend to up to three units. Funding deadline: 31-Dec-25
January 2025	MOFCOM, NDRC, MOF, SAMR	Notice on efforts on the trade-in of home appliances for 2025	Dedicated policy for home appliances in 2025, measures are aligned with broader action plans
March 2025	State Council	Government Work Report 2025	Top government policy blueprint Funding announcement: 300 billion CNY (\$ 41.8 billion USD) in ultra-long special treasury bonds to support consumer goods trade-in
March 2025	State Council	Special action plan to boost consumption	Broader strategy to enable consumers and boost domestic consumption

Source: Industry, PL

Exhibit 9: Valuation Summary

Company Names	S/ C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs bn)				EBITDA (Rs bn)				PAT (Rs bn)				EPS (Rs)				RoE (%)				PE (x)			
						FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E	FY24	FY25	FY26E	FY27E
Aarti Industries	C	HOLD	385	420	139.5	63.7	72.7	80.4	91.9	9.8	10.0	12.2	15.1	4.2	3.3	4.5	6.1	11.5	9.1	12.3	16.8	8.1	6.0	7.7	9.6	33.5	42.4	31.3	23.0
Clean Science and Technology	C	HOLD	1,177	1,425	125.1	7.9	9.7	11.7	13.2	3.3	3.9	4.7	5.4	2.4	2.6	3.4	3.8	23.0	24.9	31.6	35.6	22.1	20.2	21.6	20.4	51.2	47.3	37.2	33.0
Deepak Nitrite	C	HOLD	1,770	1,883	241.4	76.8	82.8	82.1	92.2	11.2	10.9	11.4	13.6	8.1	7.0	6.9	8.0	59.4	51.1	50.5	58.9	18.2	13.7	12.1	12.7	29.8	34.6	35.1	30.1
Fine Organic Industries	C	BUY	4,864	5,610	149.1	21.2	22.7	24.8	27.2	5.3	5.1	5.9	6.6	4.1	4.1	4.8	5.2	135.2	133.9	155.9	170.0	23.9	19.5	19.0	17.5	36.0	36.3	31.2	28.6
Gujarat Fluorochemicals	C	HOLD	3,386	3,580	371.9	42.8	47.4	55.4	63.2	9.5	11.6	14.6	16.8	4.3	5.5	7.2	8.2	39.6	49.7	65.8	74.6	7.6	8.3	9.5	9.8	85.5	68.1	51.5	45.4
Jubilant Ingrevia	C	HOLD	734	743	116.0	41.4	41.8	46.1	49.1	4.2	5.2	6.4	6.9	1.8	2.5	3.1	3.2	11.6	15.9	19.8	20.2	6.8	8.9	10.1	9.3	63.4	46.2	37.1	36.4
Laxmi Organic Industries	C	REDUCE	217	179	60.2	28.7	29.9	33.2	36.5	2.6	2.8	3.4	3.9	1.2	1.1	1.5	1.7	4.4	4.1	5.4	6.0	7.5	6.1	7.6	7.8	49.7	53.0	40.2	36.2
Navin Fluorine International	C	Acc	4,843	5,559	240.2	20.7	23.5	29.1	35.4	4.0	5.3	7.5	9.3	2.2	2.9	4.2	5.4	44.1	58.2	84.7	108.9	9.6	11.5	15.0	17.0	109.9	83.2	57.2	44.5
NOCIL	S	HOLD	185	182	30.8	14.4	13.9	14.8	16.1	2.0	1.4	1.6	1.8	1.3	1.0	1.0	1.2	8.0	6.2	6.3	7.0	8.2	5.9	5.9	6.3	23.1	30.0	29.4	26.3
PCBL Chemical	C	BUY	384	474	145.0	64.2	84.0	96.2	110.8	10.4	13.4	15.0	18.0	4.9	4.4	5.8	8.1	13.0	11.5	15.4	21.5	16.1	12.5	14.9	18.5	29.5	33.3	25.0	17.8
SRF	C	HOLD	2,949	3,071	877.2	131.4	146.9	164.3	180.2	25.8	27.2	32.4	37.7	13.4	12.5	16.3	19.3	44.9	42.1	54.7	64.8	12.3	10.4	12.2	12.9	65.7	70.1	54.0	45.5
Vinati Organics	S	BUY	1,723	2,091	178.6	19.0	22.5	25.7	29.4	4.7	5.9	6.8	7.7	3.2	4.2	4.8	5.4	31.2	40.0	46.4	52.3	13.8	15.8	16.0	15.9	55.2	43.0	37.2	33.0

Source: Company, PL S=Standalone / C=Consolidated / Acc = Accumulate

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Hold	420	407
2	Bharat Petroleum Corporation	Hold	333	323
3	Bharti Airtel	Accumulate	2,090	1,930
4	Clean Science and Technology	Hold	1,425	1,445
5	Deepak Nitrite	Hold	1,883	1,831
6	Fine Organic Industries	BUY	5,610	4,807
7	GAIL (India)	Hold	180	181
8	Gujarat Fluorochemicals	Hold	3,580	3,486
9	Gujarat Gas	Hold	432	431
10	Gujarat State Petronet	Accumulate	348	304
11	Hindustan Petroleum Corporation	Accumulate	422	402
12	Indian Oil Corporation	Accumulate	152	140
13	Indraprastha Gas	Reduce	186	205
14	Jubilant Ingrevia	Hold	743	777
15	Laxmi Organic Industries	Reduce	179	196
16	Mahanagar Gas	Accumulate	1,559	1,483
17	Mangalore Refinery & Petrochemicals	Accumulate	152	139
18	Navin Fluorine International	Accumulate	5,559	5,198
19	NOCIL	Hold	182	174
20	Oil & Natural Gas Corporation	BUY	273	239
21	Oil India	BUY	581	425
22	Petronet LNG	Hold	311	302
23	Reliance Industries	BUY	1,555	1,357
24	SRF	Hold	3,071	3,150
25	Vinati Organics	BUY	2,091	1,720

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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