

Tackling Cichlids[^]

[^]Cichlids found in Lake Victoria, Africa, are one of the fastest evolving species. More than five hundred have evolved over past 15,000 years- a relatively short time span with respect to evolution. Not only they are splitting into new species but also changing their appearances to suit different environments.

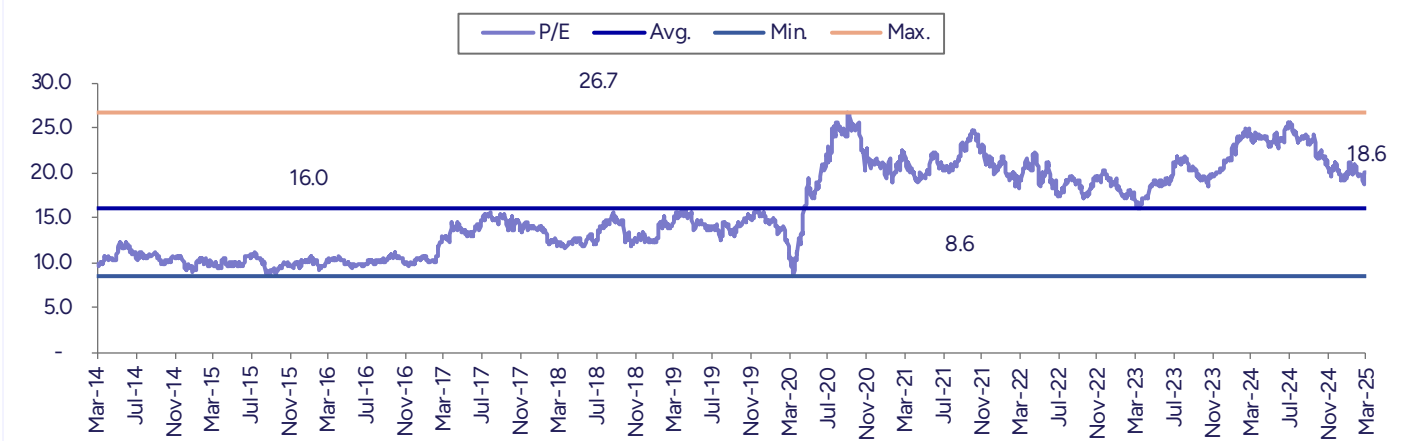
Just like the fast-evolving cichlids, the new energy industry also appears to be evolving very fast. Even if you discount the so-called **Baghdad Battery** dating back to 200BCE, battery technology has come a long way since the innovation of first modern battery by Alessandro Volta in 1800. From lead-acid batteries of 1859 to alkaline batteries of 1950s to nickel-cadmium batteries of the late twentieth century and lithium-ion batteries of the 21st century, although the evolution has come a long way, but it appears that the pace of innovation has only accelerated as we speak with increased need for higher energy density, need for lower cost as well as better safety.

Global battery market is expected to **USD680bn** by 2034 rising by a CAGR of 16.6%. The race towards such a large market is giving birth to innovations like graphene, lithium-metal, aluminium-air, magnesium-ion, calcium-ion, quantum dot, lithium-sulfur, sodium-ion, silicone-anode, solid state technologies and what not. While innovation is much warranted, it also puts traditional companies who have not been at the forefront of such technological innovation at high risk.

Although RIL has done phenomenally well in technology led segments like telecom, new energy segment appears to be more challenging. RIL bought 100% stake in REC Solar from China National Bluestar in 2021 at USD771mn. REC Solar, Norway has three manufacturing plants for manufacturing solar-grade polysilicon and PV cells/modules. However, it was sold in 2024 to Elkem at a fraction of its acquisition cost. Similarly, RIL has also received a letter for levy of liquidated damages, although insignificant, with respect to delay in start of Advanced Chemistry Cell manufacturing of 5GW under Production Linked Scheme. In **another news**, Ministry of Heavy Industries is said to have issued notices to several players for paying penalty for missing targets for EV battery production under PLI.

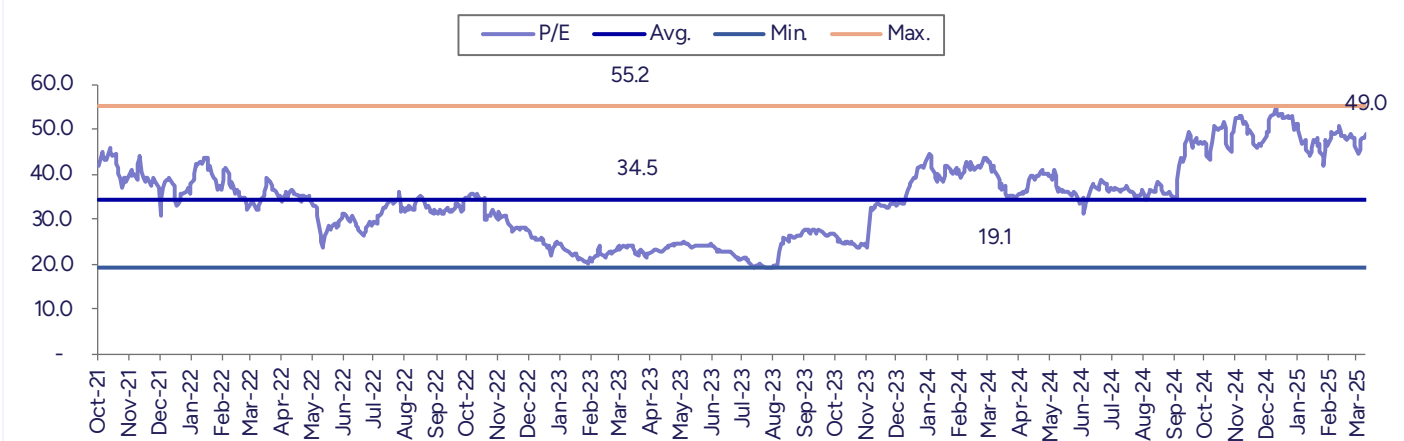
The risk of technology gets accentuated when combined with large capacities created by China in certain categories. A recent study for example in LiPF₆, highlighted that while global shipments rose 23% YoY to 208tmt in CY24, market size decline 33% in value due to ~40% over capacity. Global capacity stood at 390tmt in CY24-end with China accounting for 95% of it. Over 2022-24, LiPF₆ witnessed a decline of ~80% in price. In India, in addition to the unlisted space, listed companies like Gujarat Fluoro, Neogen, PCBL and Himadri have announced foray into new-age battery solutions. High capacity and cichlid-like changing technology has made investments in such segments risky. Only time would tell which one of these would emerge victorious!

Exhibit 1: Reliance Industries – trading at ~19x one-year forward PE



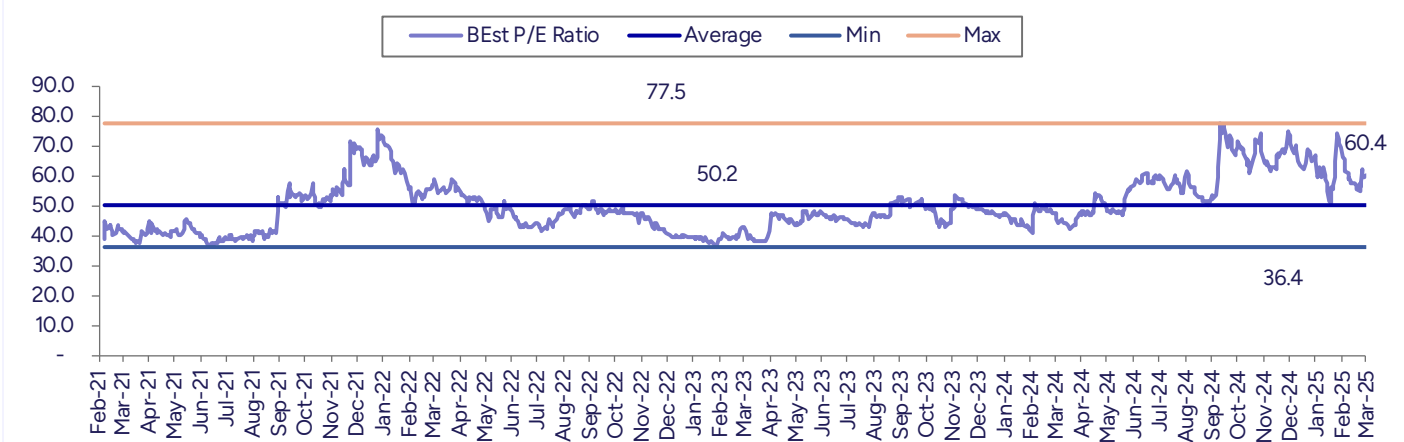
Source: Company, PL

Exhibit 2: Gujarat Fluorochemicals – valuations have been boosted post announcement of battery chemicals' foray



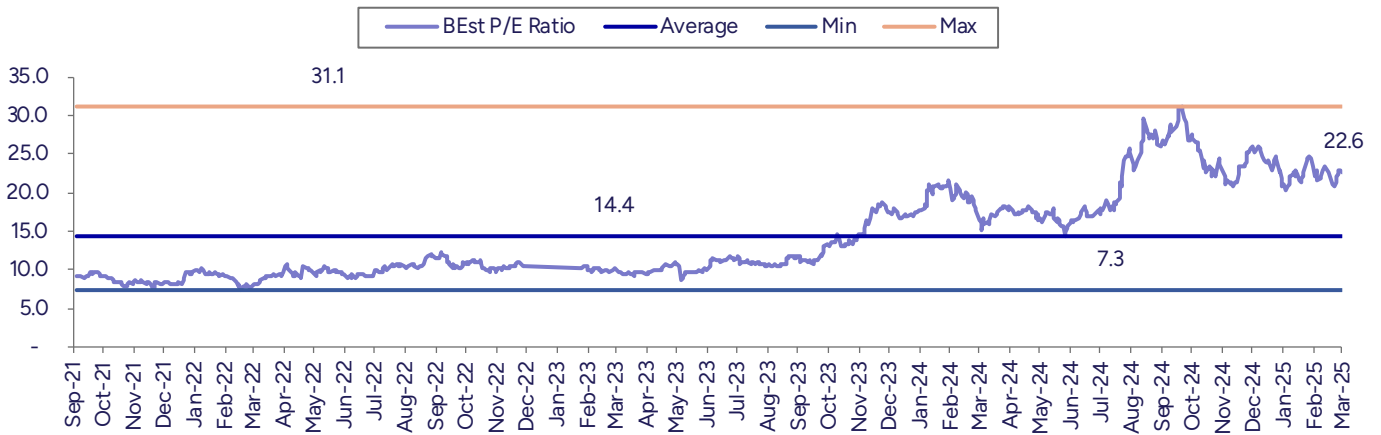
Source: Company, PL

Exhibit 3: Neogen Chemicals – high valuations due to foray into battery chemicals



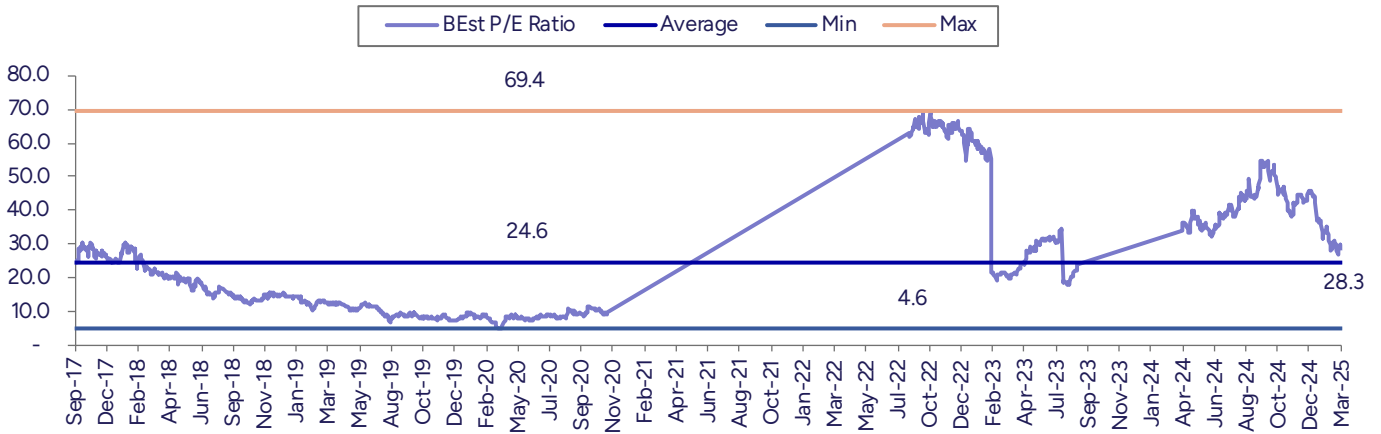
Source: Company, PL

Exhibit 4: PCBL Chemicals –foray into nano-carbon tubes



Source: Company, PL

Exhibit 5: Himadri Specialty Chemicals – announced launch of LiPF6



Source: Company, 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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