

Q3FY26
Rossari Biotech Ltd



Rossari Biotech Ltd.

HPPC and new capacities to drive earnings growth

CMP* INR 511	Target INR 637	Potential Upside 24.7%	Market Cap (INR Mn) INR 28,134	Recommendation BUY	Sector Specialty Chemicals
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Result Highlights

Revenue Performance

Rossari Biotech reported Q3 FY26 revenues of INR 5,817 Mn, representing a growth of 13.4% YoY.

While domestic demand in certain segments remained muted, the company sustained growth momentum through its diversified business model. This performance was primarily driven by healthy volume expansion, which management estimated at approximately 10% to 12% for the quarter.

Margins and Profitability

Consolidated EBITDA for Q3 FY26 stood at INR 689 Mn, with a margin of 11.8%. This margin was impacted by ongoing investments in capacity expansion, product development, and market-seeding initiatives, as well as higher employee-related costs following the implementation of new labor codes.

The institutional and B2C business remained soft amid a challenging domestic environment, reporting revenues of INR 680 Mn and incurring an EBITDA loss of INR INR 30 Mn. Excluding the institutional and B2C verticals, the core B2B operations delivered a steady performance with an EBITDA of INR 720 Mn and a margin of 14%. Consolidated PAT for the quarter was INR 328 Mn, resulting in a PAT Margin of 5.6%, which is down 55bps YoY and 66bps QoQ

Vertical Performance

Vertical Performance Q3 FY26 reflected a healthy growth trajectory across all core divisions, which was primarily supported by volume expansion despite a softer domestic demand environment. HPPC segment delivered an 11% YoY growth, reflecting stable demand and contributing 74% to the quarterly revenue. The TSC division recorded a healthy growth of 18% YoY, largely driven by a significant 30% year-on-year increase in textile exports. The AHN segment reported the strongest performance with a 39% YoY growth, attributed to good traction across key end-user markets and focused sales through key accounts. TSC and AHN contributed 19% and 7% to the total revenue, respectively.

Valuation and Outlook

The near-term headwinds—muted domestic demand, elevated employee costs, and gestation-led pressure from new capacities—are likely to keep earnings growth and return ratios subdued over the next few quarters.. Near-term margin softness persists, but medium-term fundamentals remain strong, supported by capacity-led growth, product diversification, and disciplined capital allocation.

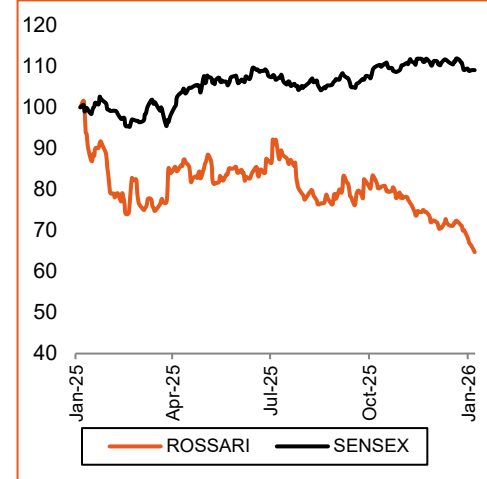
In light of the relatively softer QoQ performance and limited near-term margin expansion ,we value Rossari Biotech at a 20.0x (22.0x earlier) Dec'27 EPS, implying a target price of INR 637.We reiterate our "BUY" rating on the stock.

KEY FINANCIALS

INR millions	FY24	FY25	FY26E	FY27E	FY28E
Revenue	18,306	20,803	23,136	25,769	29,097
EBITDA	2,498	2,651	2,795	2,975	3,574
EBITDA Margin	13.6%	12.7%	12.1%	11.5%	12.3%
PAT	1,307	1,364	1,404	1,536	1,865
EPS	23.7	24.7	25.4	27.7	33.7

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn.)	55.3
Mkt Cap (INR Mn.)	28,134
52-Week H/L (INR)	834 / 502

*Based on previous closing

Note: All the market data is as of previous closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Dec-25	Sept-25	Jun-25
Promoters	68.2	68.2	68.2
FIIIs	2.3	2.7	3.5
DIIIs	18.3	18.2	17.8
Others	11.2	10.9	10.5
Total	100.0	100.0	100.0

11.3%

Revenue CAGR
between FY25-27E

6.1%

PAT CAGR
between FY25-27E

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Key Con-call Highlights:

Financial Overview

- **Revenue Growth:** The company delivered a consolidated revenue of INR 5,817 Mn, representing a 13% year-on-year growth. This growth was primarily driven by volumes, which increased by approximately 10% to 12%.
- **Profitability:** Consolidated EBITDA stood at INR 689 Mn with a margin of 11.8%. While the core B2B operations maintained a higher margin of approximately 14%, overall profitability was impacted by investments in capacity expansion, market seeding, and higher employee costs due to new labor codes.
- **Future Margin Outlook:** Management expects margins to remain in the 12% to 13% range for the next year until the ethylene oxide (EO) supply stabilizes and the product mix improves.

Segmental Performance

- **Animal Health and Nutrition (AHN):** This was the strongest performing segment, recording a 39% year-on-year growth driven by traction in key end-user markets and focused engagement with key accounts.
- **Textile Specialty Chemicals:** Registered healthy growth of 18%, largely supported by exports, which grew nearly 30% in the first nine months of the fiscal year.
- **HPPC (Home, Personal Care and Performance Chemicals):** Delivered 11% growth despite a muted domestic environment and soft demand in Europe during the beginning of the quarter.
- **Institutional and B2C:** Performance remained subdued. The company is re-evaluating this vertical, focusing on cost optimization and potentially selling parts of the consumer business to improve overall profitability.

Manufacturing and Capacity Expansion

- **UNITOP Facility:** The newly commissioned 15,000 metric tonne ethoxylation facility at UNITOP is currently operating at 10% to 15% utilization as it ramps up. Management expects this to reach 90% utilization by FY27.
- **Supply Chain Constraints:** A near-term constraint exists for Ethylene Oxide (EO), though the situation is expected to ease during the calendar year.
- **Thailand Project:** A small formulation facility in Thailand is expected to become functional by the end of Q4 FY26 or early Q1 FY27, initially focusing on textile products.
- **Capital Expenditure:** The company expects to capitalize approximately 200 crores by the end of FY26.

Strategic Entry into Saudi Arabia (KSA)

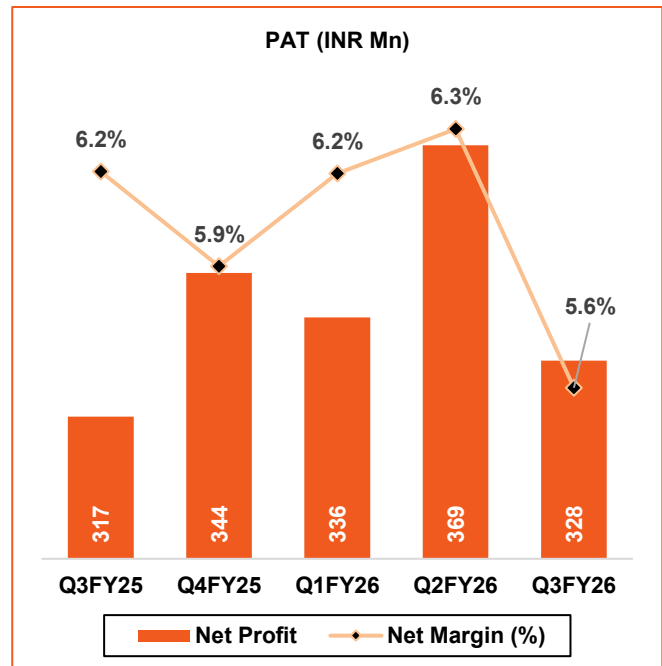
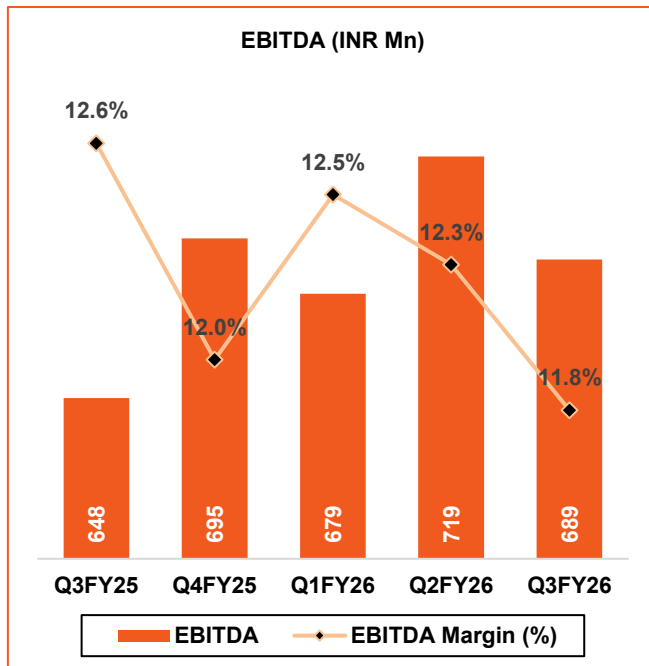
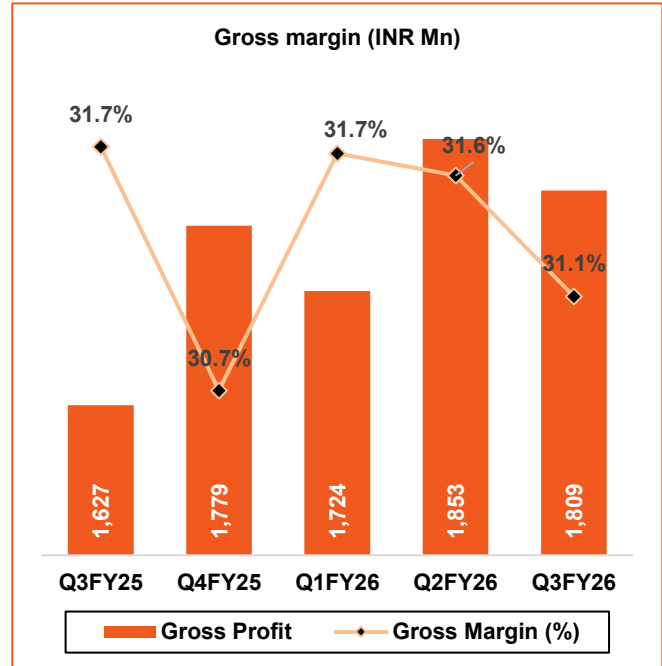
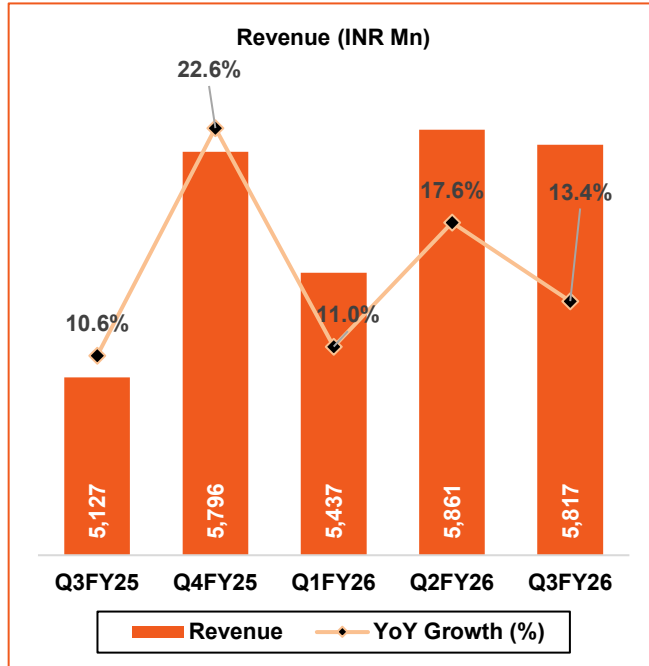
- **Greenfield Facility:** The board has granted in-principle approval to set up a specialty chemicals manufacturing facility in the Kingdom of Saudi Arabia.
- **Rationale:** The KSA expansion aims to leverage raw materials that are approximately 35% cheaper than in India and provide strategic proximity to export markets in Europe, Africa, and the Middle East.
- **Project Focus:** The facility will likely mirror the technology used in the company's Indian projects, with a particular focus on surfactants and products for the oil and gas industry.

Exports and R&D

- **Export Contribution:** International business now accounts for 33% of total turnover for the quarter. Export revenue grew 26% in the first nine months of FY26.
- **New Geographies:** The company has successfully added customers in new markets, including Turkey, Uzbekistan, Morocco, and the Philippines.
- **R&D Breakthroughs:** Sales of new products now exceed 20% of total sales. Notably, the company's bio-surfactants recently received approval from some of the world's leading personal care multinationals.

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Story in Charts



Source: Company, DevenChoksey Research

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Result Snapshot

Particulars (INR Mn)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Revenue	5,817	5,861	5,127	-0.8%	13.4%
Total Expenditure	5,128	5,142	4,480	-0.3%	14.5%
COGS	4,008	4,009	3,500	0.0%	14.5%
Employee benefit expense	403	378	357	6.5%	12.8%
Other expenses	718	755	622	-5.0%	15.3%
EBITDA	689	719	648	-4.2%	6.3%
EBITDA Margin (%)	11.8%	12.3%	12.6%	-43bps	-79bps
Depreciation expense	196	182	183	7.6%	7.1%
EBIT	493	537	464	-8.3%	6.1%
EBIT Margin (%)	8.5%	9.2%	9.1%	-69bps	-59bps
Other income	5	16	6	-68.3%	-7.6%
Finance costs	77	61	49	25.8%	55.0%
Share of profit from JV/associates	4	5	3	-15.0%	19.9%
PBT before Exceptional	425	497	424	-14.4%	0.3%
Exceptional items	0	0	0	0.0%	0.0%
PBT	425	497	424	-14.4%	0.3%
Tax Exp	97	128	107	24.2%	16.0%
Minority Interest	0	0	0	0.0%	0.0%
PAT	328	369	317	-11.1%	3.4%
PAT Margin (%)	5.6%	6.3%	6.2%	-66bps	-55bps
EPS	5.9	6.7	5.7	-11.1%	3.4%

Source: Company, Deven Choksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR mns	FY25	FY26E	FY27E	FY28E
Revenue	20,803	23,136	25,769	29,097
COGS	14,333	15,941	17,854	20,043
Gross Profit	6,470	7,195	7,915	9,054
Total expenses	3,819	4,399	4,940	5,480
EBITDA	2,651	2,795	2,975	3,574
Depreciation	671	738	782	943
EBIT	1,980	2,057	2,194	2,630
Finance costs	178	248	220	220
Other income	40	49	56	56
Profit before tax	1,852	1,875	2,044	2,481
Total tax expense	488	471	507	617
Net Profit	1,364	1,404	1,536	1,865
Diluted EPS	24.7	25.4	27.7	33.7

Exhibit 2: Cash Flow Statement

INR mns	FY25	FY26E	FY27E	FY28E
CFO	1,374	1,289	1,744	2,039
CFI	-1,837	-1,951	-944	-944
CFF	649	2,570	-781	-906
Net Inc/Dec	186	1,908	18	189
Opening Bal	252	442	2,350	2,368
Adjustments	4	0	0	0
Closing Bal	442	2,350	2,368	2,557

Exhibit 3: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
EBITDA Margin (%)	12.7%	12.1%	11.5%	12.3%
Net Profit Margin (%)	6.6%	6.1%	6.0%	6.4%
RoE (%)	12.2%	11.2%	11.0%	12.0%
ROA (%)	7.9%	6.7%	6.4%	7.4%
RoCE (%)	14.6%	11.4%	11.6%	13.1%
Debt/Equity	0.2x	0.4x	0.3x	0.2x

Source: Company, Deven Choksey Research

Exhibit 4: Balance Sheet

INR mns	FY25	FY26E	FY27E	FY28E
Fixed Assets	4,937	6,410	6,839	7,107
Intangible Assets	2,448	2,237	2,026	1,815
Investments	838	838	838	838
Loans and other assets	152	152	152	152
Trade receivables	4,745	5,388	6,001	6,776
Inventories	3,551	3,949	4,399	4,966
CCE	442	2,350	2,368	2,557
Bank Balance	130	130	130	130
Other Assets	1,719	1,719	1,720	1,720
Total Assets	18,962	23,172	24,472	26,060
Equity Capital	111	111	111	111
Reserves	11,744	13,120	14,594	16,272
Shareholders Equity	11,854	13,230	14,705	16,383
Trade Payables	2,863	2,852	3,177	3,587
Current liabilities	2,429	2,275	2,275	2,275
Non-Current liabilities	1,689	4,689	4,189	3,689
Provisions	126	126	126	126
Total Liabilities and Equity	18,962	23,172	24,472	26,060

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Date	CMP (INR)	TP (INR)	Recommendation
21-Jan-26	511	637	BUY
23-Oct-25	651	813	BUY
25-Jul-25	717	860	BUY
30-Apr-25	658	852	BUY
24-Jan-25	753	914	BUY
23-Oct-24	787	1,034	BUY
24-Jul-24	806	931	BUY
08-May-24	723	841	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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