



**Q4 & FY21 RESULT UPDATE**

**Results Ahead of Expectations**

03/05/2021

<b>RATING</b>	<b>BUY</b>
<b>CMP</b>	<b>78.85</b>
<b>TARGET</b>	<b>120.00</b>
<b>UPSIDE%</b>	<b>52%</b>

Industry	Speciality Chemicals
NSE CODE	FCL
BSE CODE	533333
Market Cap (₹ Mn)	8732.50
Shares Outstanding (in Mn)	11.07
52 wk High/Low (₹)	78.85/23.00
P/E	20.50
P/BV	4.17
Face Value (₹)	2.00
Book Value(FY22E) (₹)	23.14
EPS (FY22E) (₹)	4.05
Dividend Yield (%)	0.38

(%)	Q4FY21	Q3FY21	Q4FY20
Promoter	64.74	64.72	71.42
FII	0.00	0.00	0.00
DII	6.15	5.97	0.11
Public	29.11	29.31	28.47

Year to Mar (in Mn)	FY21	FY22E	FY23E
Net Sales	2185	2841	3551
EBIDTA	405	616	794
PAT	426	448	575
EPS	3.85	4.05	5.19

**Key Risk to Call:**

*Delay in commencement of new facility,*

*Slower growth in new segments,  
Increase in cost of raw material*

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**Snapshot**

Fineotex Chemical Ltd is one of the leading manufacturers of specialty chemicals for textiles, home care ,hygiene & drilling specialities. Company manufactures range of specialty chemicals which improve process performance from the pre-weaving preparatory stage to finishing chemicals.

In continuation with our coverage which we initiated on FCL in Dec'20, on the back of healthy financial performance posted by company in Q4FY21 & full year FY21 , we are revising the price target of company from Rs 95 to Rs 120 . With upcoming brownfield project at Ambernath, entry into high margin home care & hygiene business ,strong balancesheet position with almost nil debt and healthy margin ratios , we expect company to perform significantly higher going forward. Presently company is trading at 19.46x on FY22E EPS of Rs 4.05 & 15.19x on FY23E EPS of Rs 5.19 basis . We feel that company is still trading at discount to its close peer which still gives room for more upside movement & thus makes a case yet to maintain BUY on stock with price target of Rs 120 (upside of 52%) from present level in medium to long term.

**Entry into high margin cleaning and hygiene businesses**

FCL received the FDA certifications in the hygiene and cleaning chemicals, which company have recently ventured into. These are perennial products with strong demand & are also corona-proof hence demand in these segments are growing. FCL have strong R&D team where it have employed people from JohnsonDiversey. In March'21 company have increased its sales team for this segment. Presently, FCL is working aggressively on the cleaning and hygiene chemicals for the institutional businesses like housekeeping, facility management, hospitals.

Company have been already registered with municipal corporations as it have supplied to the KEM and Kasturba hospitals in the past. Therefore will help the company in catering demand from this segment. Company is witnessing big demand for disinfectant, sanitizers, house floor cleaners. The consumption level of these products has already gone very high.

FCL is expecting margins from this business to be around 40% & have developed around 15 distributors in the March & have hired almost around 10 salespeople in the marketing in East India and West India. Going forward, FCL have been targeting almost around 50 distributors which will be supplying pan-India.

FCL is expecting around Rs 50 crores of sales in the cleaning and hygiene businesses. Along with that, there is a polymer which goes to a detergent is also attracting lot of interest & have been very successful. Company have started with Vidisha, Sulzer, Patanjali & Ghadi. These are the companies where they require the polymers for anti-redeposition of the dirt.



**Concall Takeaways**

**Upcoming brownfield project at Ambernath**

FCL will be commissioning its brownfield project in Ambernath, by June '21 & as soft opening & expanding its capacities. Company have deployed around INR200 million for the plant, INR270 million for the project. The plant will be a state-of-the-art automated plant, which will comply to the highest standards of sustainability and boost growth. The capacity expansion would be around 36,000 tons a year. These capacities are fungible, required for company's existing product lines, increasing its capacities & adding more products to it. As these are all fungible therefore company can share the capacities between all the products it would be producing. There are lot of joint venture proposals coming up to company. As many companies overseas are looking at India to set up and have a partnership for supply to pan-India and pan-Asia countries, therefore FCL is getting lot of joint venture opportunities.

**Biotex, company's subsidiary into niche products**

Biotex, company's subsidiary is into high end & difficult to make kind of chemistries, which cannot be translated or made in India. Biotex is only focused on the niche and the main cream products like water repellents or soil release, fluorocarbons, C8 chemistry, C6 chemistry which are complementary to the products that company make in India. Biotex is R&D arm of company. Company spent average 1% of the sales

on the R&D facility. Many products which are made by Biotex, FCL been selling to Indian companies like water repellents and the anti-microbial businesses. FCL have been representing and bringing Biotex growth and giving it to many big Indian corporate houses like Reliance. Most of the Reliance's automotive orders are being treated by Biotex technical products for their technical textiles and the automotives.

**Strong Demand & decent growth guidance**

There has been lot of shift in the needs and the demands of the consumers, FCL has been witnessing changes in the consumer demand as according to company, the consumers have started demanding more of technical textiles and performance-driven fabrics. There's a big trend of antimicrobials & has been a jump in the trends of water repellents, oil repellents, moisture management textiles. Also, there is greater

demand due to the coronavirus for chemical finishing, microbial products and other products. As most of the companies from Europe and USA are looking at an alternate to China, and that is also one of the reason there is a big demand which has come to Indian markets, and the need for having better speciality chemicals and finishing agents has increased. This will give strong boost to demand of company's products & FCL is expected to continue to grow at 20% CAGR in its topline in coming few years.

**Expanding in new geographies**

Regarding new geographies, FCL have been working with almost 60 countries and recently have started a couple of new countries, which is Venezuela & Syria in the last quarter. So, there are the two new geographies or countries which company have started in the last three months. Apart from that, company have been participating in almost all the fairs, international fairs, like in Spain, Brazil, Iran, Pakistan, Sri Lanka, Vietnam. Hence, company is rapidly increasing its presence in almost all geographies which will give an edge to company going forward.

**Strong Clientele**

FCL is catering in India companies like Chenab, JCT, Auro Dyeing, Auro Textile, Mahavir Spinning, Nahar Group, Reliance, Sai Exports, Himmat Singka, GHCL, RaymondBanswara, Syntex, Sangam, Therefore almost all the biggest corporate houses, Welspun and Trident, are FCL's customer.

**Healthy growth in Financials**

FCL's revenue from operations stood at INR 2,185 million, which is up by 11.3% year-on-year basis. Due to pandemic, company's first quarter was not active much due to the lockdown. Company have increased focus to scale up its high-margin in speciality chemical orders from both its core textile segment and the new businesses. FCL's EBITDA stood at INR 405 million for the year, up by 18.5% year-on-year basis. EBITDA margin stood at 18.6%, expanding 120 basis point, one of the highest in the industry led by continuous focus on sustainability, which is supporting profitable growth. Also, FCL is focusing on expanding its product portfolio to offer more diverge range.

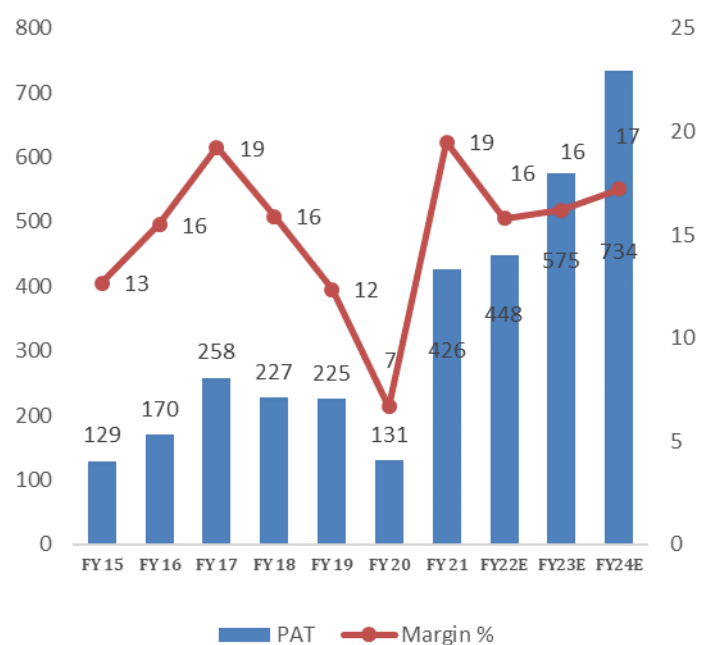
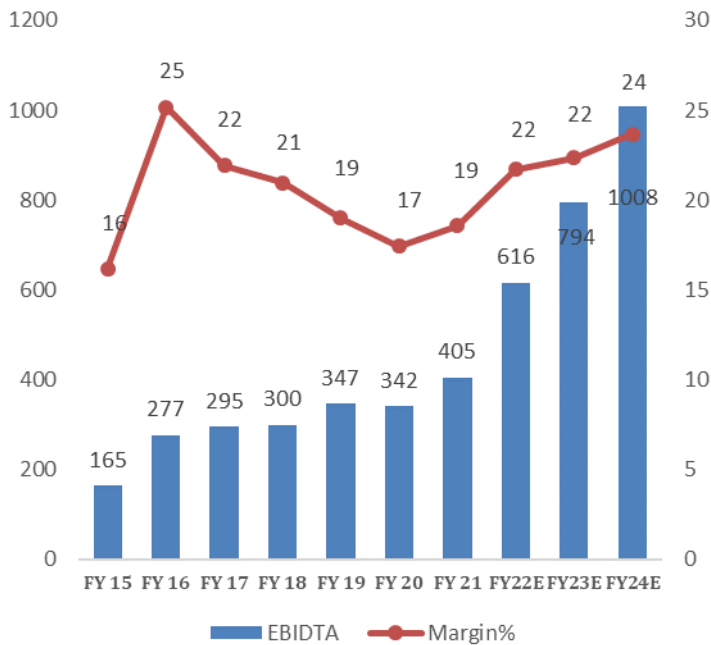
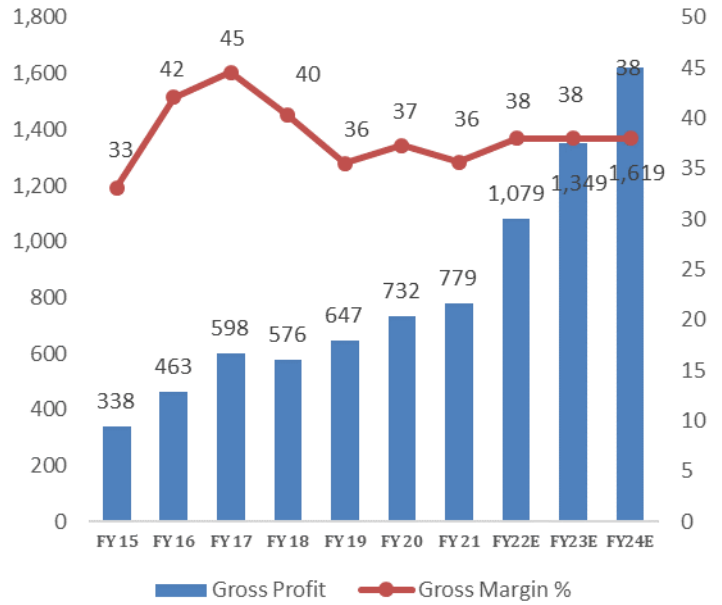
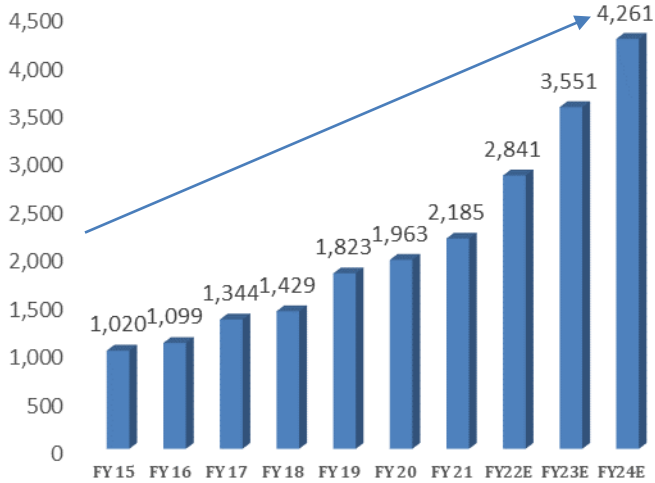
FCL's PAT stood at INR 445 million in financial year '21, which is up by 211% year-on year basis. The margin stood at 20.4%. Growth in the profitability was aided by sustained revenue growth and cost efficiencies.

Due to pandemic ,company witnessed shortage of the containers and there has been some delays of the supply and raw materials coming out of, international markets. This lead to increase in the freight cost of the imported products for all the businesses all over world. That have created a smaller impact on the gross margins. But going forward, given the company's strong product mix ,it will continue to show decent margins.

The Board has recommended a dividend of INR 0.30 per share for the financial year '21 compared to INR 0.05 in the financial year '20.

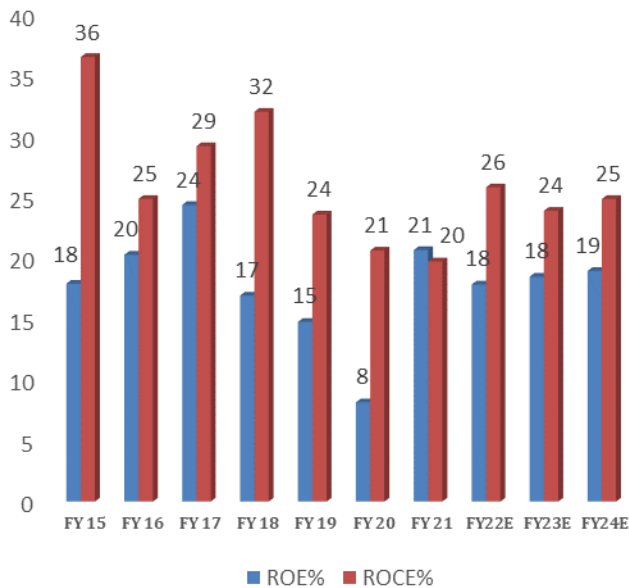
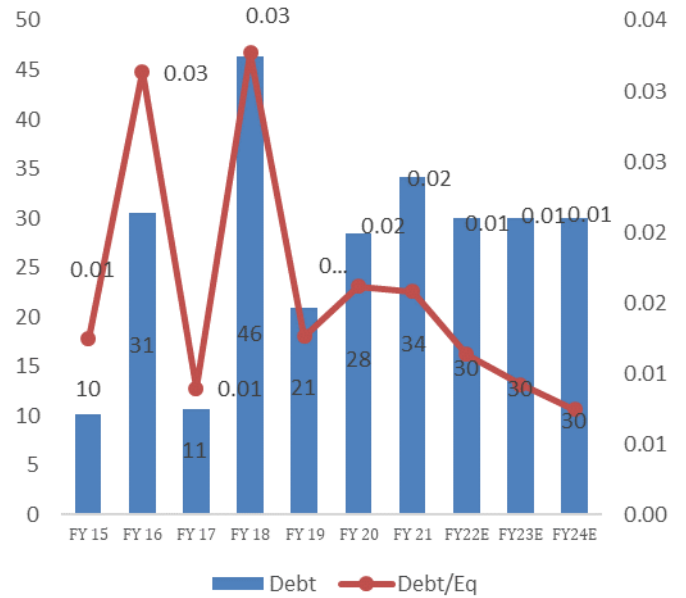
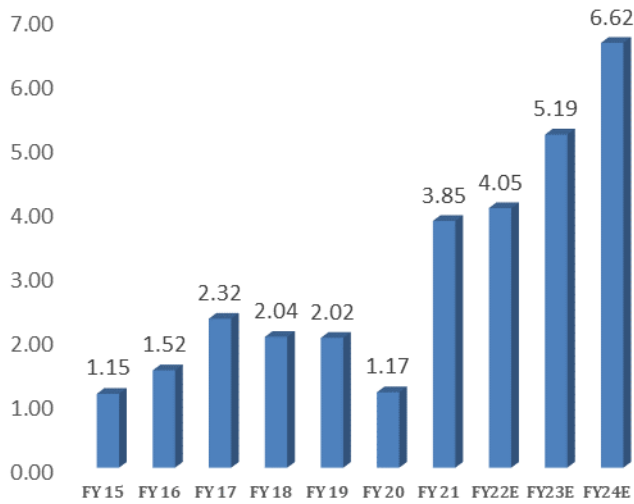


### Net Revenue(Rs Mn)

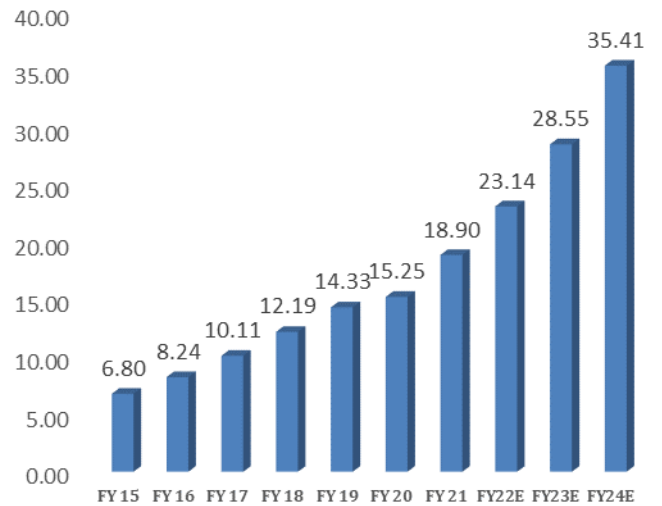




### Eps (Rs)



### Book Value (Rs)





## Quarterly Financial Snapshot

INR Mn	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %
Net Sales	750.20	435.80	72.13	583.50	28.57
EBIDTA	128.50	75.60	69.87	136.20	-5.65
Other Income	29.10	4.10	609.00	54.60	-46.70
Depreciation	4.00	3.30	22.42	4.00	0.00
Interest	2.50	1.60	52.47	1.80	38.89
Exceptional Item	.	-132.10	--	0.00	0.00
PBT	151.10	-57.30	363.83	185.10	-18.37
Tax	31.60	4.10	679.51	51.20	-38.28
PAT	112.20	-63.10	277.99	130.80	-14.22
EPS	1.01	-0.57	278.87	1.18	-14.41

## Margin Analysis

INR Mn	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %
EBIDTA Margin	17.13	17.36	-1.33	23.34	-26.61
PAT Margin	15.94	-14.07	213.24	22.96	-30.57



## Consolidated Income Statement

Year To March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
(Rs Mn)								
Net Sales	1344	1429	1823	1963	2185	2841	3551	4261
Expenditure	1049	1130	1477	1621	1780	2224	2757	3373
EBIDTA	295	300	347	342	405	616	794	1008
Depreciation	6	7	10	12	15	60	60	60
Other Income	97	52	8	22	175	80	80	80
EBIT	386	345	344	352	566	636	814	1028
Interest	4	6	10	6	7	10	15	15
PBT	382	339	335	346	559	626	799	1013
Exceptional Item	0	0	2	(126)	0	0	0	0
Tax	91	100	93	77	113	157	200	253
PAT	291	240	243	143	446	470	599	760
Minority Interest	(33)	(13)	(18)	(12)	(20)	(22)	(24)	(26)
Consolidated Net Profit	258	227	225	131	426	448	575	734

## Consolidated Balance Sheet

Year To March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
(Rs Mn)								
Equity Share Capital	223	223	223	223	221	221	221	221
Reserves & Surplus	902	1,135	1,372	1,474	1,872	2,342	2,941	3,700
<b>Net Worth</b>	<b>1,125</b>	<b>1,357</b>	<b>1,595</b>	<b>1,697</b>	<b>2,093</b>	<b>2,563</b>	<b>3,162</b>	<b>3,922</b>
Minority Interest	72	62	57	63	67	76	87	95
Other Non Current Liabilities	3	6	6	6	13	13	13	13
Current liabilities & Provisions	201	186	295	323	580	691	838	984
<b>Total Liabilities</b>	<b>1,401</b>	<b>1,611</b>	<b>1,953</b>	<b>2,088</b>	<b>2,753</b>	<b>3,343</b>	<b>4,099</b>	<b>5,013</b>
Net Block	173	192	261	307	495	545	557	777
Capital WIP	0	1	1	6	46	20	40	50
Goodwill	61	61	61	61	61	61	61	61
Investment	38	38	38	38	38	38	38	38
Other Non Current Assets	542	597	508	511	389	617	640	692
<b>Current Assets</b>	<b>587</b>	<b>722</b>	<b>1,083</b>	<b>1,165</b>	<b>1,724</b>	<b>2,061</b>	<b>2,763</b>	<b>3,395</b>
Cash & Bank Balance	131	80	147	179	339	235	325	493
Debtors	292	279	491	538	827	1,151	1,343	1,710
Inventories	131	211	251	211	288	374	517	621
Other Current assets	32	152	193	236	270	302	578	571
<b>Total Assets</b>	<b>1,400</b>	<b>1,611</b>	<b>1,953</b>	<b>2,088</b>	<b>2,753</b>	<b>3,342</b>	<b>4,099</b>	<b>5,013</b>



## Key ratios

Profitability (%)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Gross Margin	44.53	40.30	35.50	37.28	35.67	38.00	38.00	38.00
EBIDTA Margin	21.94	20.97	19.01	17.42	18.55	21.70	22.35	23.66
EBIT Margin	21.47	20.51	18.46	16.82	17.88	19.59	20.66	22.25
Effective Tax Rate	23.84	29.35	27.65	34.84	20.22	25.00	25.00	25.00
Net Margin	19.22	15.88	12.35	6.66	19.49	15.78	16.20	17.22
ROE	22.97	16.72	14.12	7.71	20.35	17.48	18.19	18.70
ROCE	33.99	24.57	21.31	20.41	26.58	24.54	25.49	26.01
Debt/EBIDTA	0.04	2.31	1.17	0.08	0.08	0.05	0.04	0.03
Debt/EQ	0.01	0.03	0.01	0.02	0.02	0.01	0.01	0.01

## Turnover Ratios

Turnover (x)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Fixed Assets Turnover	7.79	7.44	7.00	6.40	4.42	5.21	6.38	5.48
Inventory Turnover	10.23	6.78	7.27	9.31	7.60	7.60	6.86	6.86
Receivable Turnover	4.60	5.12	3.71	3.65	2.64	2.47	2.64	2.49
Payable Turnover	8.68	13.16	8.74	8.92	4.85	4.85	4.85	4.85
Inventory Days	35.68	53.87	50.22	39.20	48.03	48.03	53.17	53.17
Receivable Days	79.43	71.30	98.36	100.10	138.10	147.84	138.04	146.52
Payable Days	42.03	27.74	41.77	40.90	75.29	75.29	75.29	75.29

## Per Share Data

	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
EPS	2.32	2.04	2.02	1.17	3.85	4.05	5.19	6.62
CEPS	2.38	10.49	2.11	1.28	3.98	4.59	5.74	7.17
BV	10.11	12.19	14.33	15.25	18.90	23.14	28.55	35.41
DPS	0.10	0.20	0.10	0.05	0.30	0.30	0.30	0.30





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