



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

The Revenue from Operation for the Q1FY22 has increased by 108% to Rs 6327.57 Lakhs from Rs. 3038.71 Lakhs on Y-o-Y basis. The EBIDTA for the quarter has increased by 139% to Rs 981.87 Lakhs from Rs. 411.11 Lakhs on Y-o-Y basis & the Profit after tax (PAT) for the quarter has increased by 21.44% to Rs 947 Lakhs from Rs. 780 Lakhs on Y-o-Y basis.

2. MANAGEMENT COMMENTARY:

- With the picking up of opening up theme, management is hopeful that cleaing & hygiene segment will start generating more revenue going forward.
- In case of increase in price movement because of the high freight cost & containers cost which increases landed cost, company can adjust its prices and pass on to its distributors and clients.
- Since last two years company have witnessed the trend of pick up in dust repellent, perspiration absorbers, anti-microbial, antiviral. Most of the European and American companies are demanding that whatever, they will be importing garment or fabrics, have to be well treated with the antimicrobials & on domestic level Welspun is also working on to same level where products like towels has to be treated with anti-microbials. Thus depicting strong demand for company's products.

3. OTHER DEVELOPMENTS:

- The first phase of the upcoming Brownfield at Ambernath near Mumbai is expected to be commissioned by September 2021. This plant will cater to Fineotex's portfolio expansion and increase its utilization among existing and new product offerings. The plant will be state of the art automated unit which will comply to highest standards of sustainability and boost growth.
- CRISIL has assigned company a long term rating of A minus stable and short term rating of A2 plus to the bank facilities.
- Company has also strengthened its management with the addition of Mr. Arindam Choudhuri who is the CEO & has vast experience of two decades from global textile chemical industry.
- Fineotex have tied up with the American concern called Scivera, which is basically providing the sustainable technological solution for the textile field for all top international client like Levi's, Patagonia, H&M. This will place company's chemistry better and in a more sustainable way towards the certification demand.
- Fineotex recently tied up with HealthGuard, Australia with a joint operation from Malaysia base to become the exclusive global marketing and sales channel partner to provide durable metal-free sustainable chemistry solutions that are anti-microbial and anti-viral, This tie up with HealthGuard will help in broadening company's product portfolio and company have installed new products in its basket and provide sustainable solution to its customer.
- To strengthen company's R&D, Fineotex have tied up with Sasmira which is one of the state-of-the-art Research and Development Center in Mumbai. It is a premier textile Institute & company partnered with their R&D Center to focus on a new and sustainable textile solution offering towards the reduction of the water uses, energy consumption, textile waste processing.

4. VALUATION AND OUTLOOK:

Company is currently trading at 22.35X of FY23E EPS & 17.52x of FY24E EPS. With company's joint venture with HealthGuard, appointment of new Chief Executive Officer & upcoming brownfield facility at Ambernath, Maharashtra, the business prospects are looking very strong. We maintain "BUY" on stock with upgraded price target of Rs 150/share.

RECOMMENDATION - BUY

CMP -115.85

TARGET - 150(30%)

Industry	Chemicals
NSE CODE	FCL
BSE CODE	533333
Market Cap (₹ Mn)	12830.2
Shares Outstanding (in Mn)	110.70
52 wk High/Low (₹)	120/29.15
P/E	28.99
P/BV	5.86
EV/EBIDTA	20.45
MACP/SALES	5.10
Face Value (₹)	2.00
Book Value (FY21)(₹)	18.90
EPS (FY21) (₹)	3.85
Dividend Yield (%)	0.26

SHAREHOLDING PATTERN

	June21	Mar 21	Dec 20
Promoters	64.82	64.74	64.72
Mutual Funds	6.15	6.15	5.97
Public	29.03	29.11	29.31

FINANCIAL SNAPSHOT (₹ Mn)

Y/E March	2022E	2023E	2024E
Sales	2841	3551	4261
EBITDA	616	794	1008
EBITDA mrg. (%)	21.70	22.35	23.66
Adj. PAT	448	575	734
Adj. EPS (₹)	4.05	5.19	6.62
BV/Sh. (₹)	23.14	28.55	35.41
Ratios			
RoE (%)	17.48	18.19	18.70
RoCE (%)	24.54	25.49	26.01
Debt/Eq	0.01	0.01	0.01
Valuation			
P/E (x)	28.64	22.35	17.52
P/BV (x)	5.01	4.06	3.27

Valuation

Historical P/E (3 Yr Avg)	24.00
Industry P/E	45.95
Historical P/B (3 Yr Avg)	3.04
Industry P/B	9.31



FOCUS ON GROWTH & DIVERSIFICATION

Home Care & Hygiene Chemicals	Drilling Speciality Chemicals	Other Speciality Chemicals
<p>Customised solutions for:</p> <ul style="list-style-type: none"> Housekeeping, Kitchen Care and Disinfectants Public Health and Hygiene <p>The plant has been approved and certified by the Food & Drugs Administration (Maharashtra State) department. The license has been granted for production of disinfectant/antimicrobial hygiene and cleaning products ensuring safety and effectiveness.</p> <p>Post the outbreak of COVID-19, large addressable market for solutions used in disinfectants and sanitizers</p>	<p>Customised solutions for Oil and Gas</p> <ul style="list-style-type: none"> Significant potential for offering effective products used for drilling in oil exploratory processes Sizable orders from a leading oil and gas company in India 	<p>A unique ‘Mosquito Life Cycle Controller’ product under development by Biotex</p> <ul style="list-style-type: none"> Non toxic eco-friendly solution designed with European technology in Malaysia by Biotex Approved by Ministry of Health Malaysia, Singapore <p>PUB, European Union, NSF and relevant authorities in Vietnam and Cambodia</p>

QUARTERLY FINANCIALS (CONSOLIDATED)

(₹ Mn)

Particulars	Q1FY22	Q1FY21	YoY%	Q4FY21	QoQ%
Net Sales	632.76	303.90	108.23	750.21	-15.65
OP Profit	98.19	41.1	138.85	128.49	-23.58
PBT	119.08	89.6	32.95	151.12	-21.18
PAT	94.70	77.98	21.44	112.22	-15.6
EPS	0.86	0.70	22.04	1.01	-14.85
OPM %	15.51	13.53	14.7	17.13	-9.4
NPM	15.32	26.98	-43.23	15.94	-3.89

Source: Company, Ace Equity Database



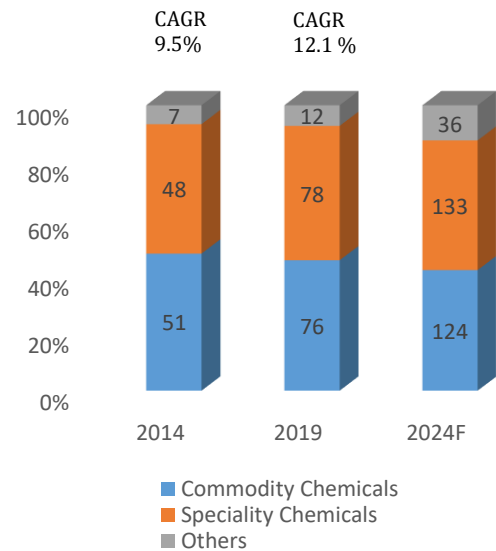
INDUSTRY OVERVIEW

The Specialty chemicals industry is driven by both domestic consumption and exports. India's specialty chemical companies are gaining favour with global MNCs because of the geopolitical shift after the outbreak of Covid-19 as the world looks to reduce its dependence on China. Currently China accounts for ~15-17% of the world's exportable specialty chemicals, whereas India accounts for merely 1-2% indicating that the country has large scope of improvement and widespread

The concept of Green Chemicals in India is evolving. The rising pollution and harm caused to water bodies owing to emission of harmful chemical effluents into water is leading to rise in concern of sustainability. The classification as green or sustainable is measured across the life cycle of any chemical product, including its design, manufacture, application, and disposal.

The demand for green chemicals is particularly high from the textile industry which is one of the major end-users of chemicals. The current strategy of most European pigment producers is to use their local facilities for high-end performance colorants for new and niche markets and source non differentiated dye, pigments from low-cost facilities based in China and India

Indian Chemicals Market, 2014, 2019 and 2024F (USD Bn)



PEER PERFORMANCE

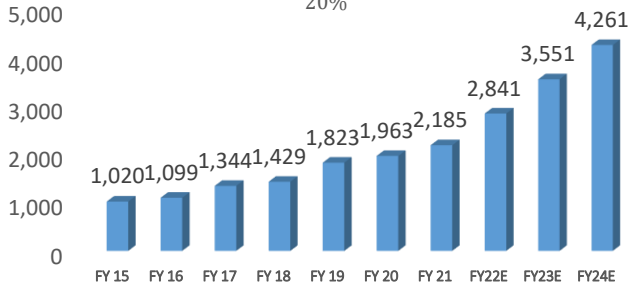
Particulars (FY21) (Rs Mn)	Fineotex	Rossari Biotech	Galaxy Surfactants	Atul Ltd
Net Sales	2185.06	7093.45	27840.60	37314.70
EBIDTA	405.37	1230.58	4488.30	9171.20
PAT	445.56	796.35	3021.40	6527.70
EBIDTA Margin %	18.55	17.35	16.12	24.58
PAT Margin %	20.39	11.23	10.85	17.49
ROE%	21.28	19.48	23.22	17.06
P/E	28.99	87.92	37.21	38.27
P/B	5.86	10.70	8.64	6.75
EV/EBIDTA	20.45	52.94	25.15	24.59
Div Yield %	0.26	0.04	0.44	0.22
Mcap/Sales	5.10	9.44	4.04	6.49

Source: Ace Equity Database

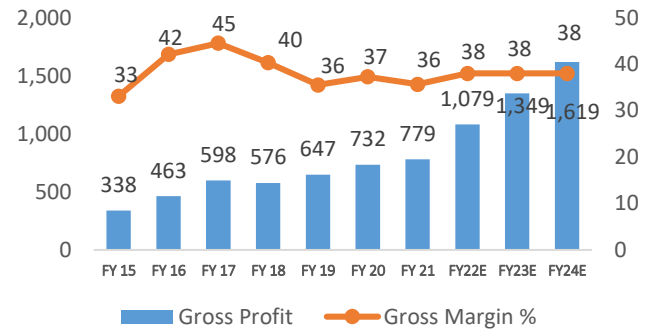


STORY IN CHARTS

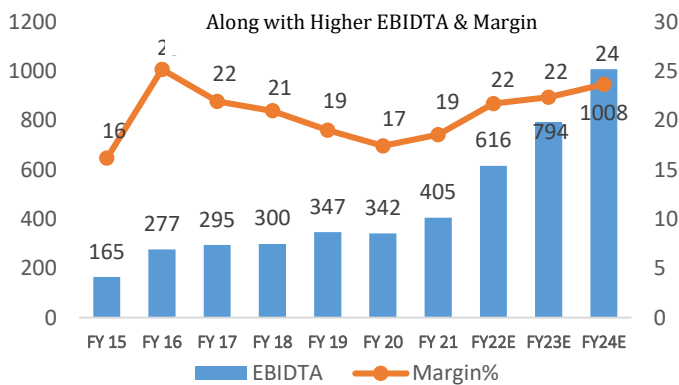
We Expect Revenue(Rs Mn) to grow at CAGR of more than 20%



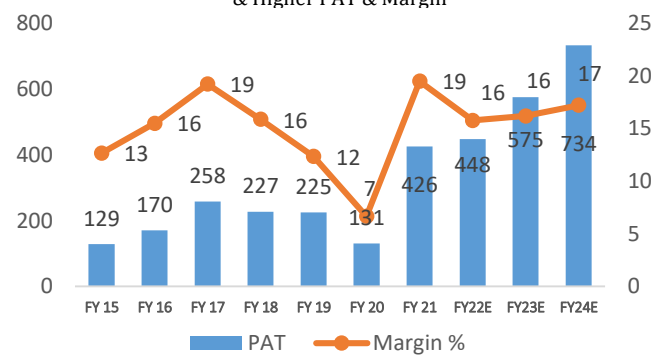
With Strong cost efficiencies leads to higher Gross Profit & Margin



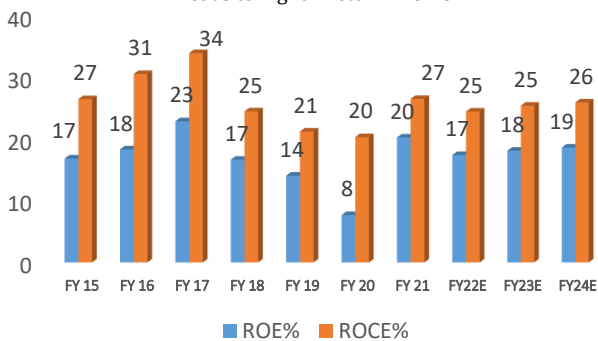
Along with Higher EBIDTA & Margin



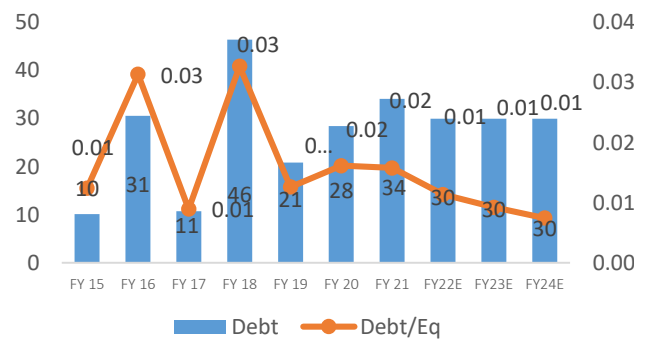
& Higher PAT & Margin



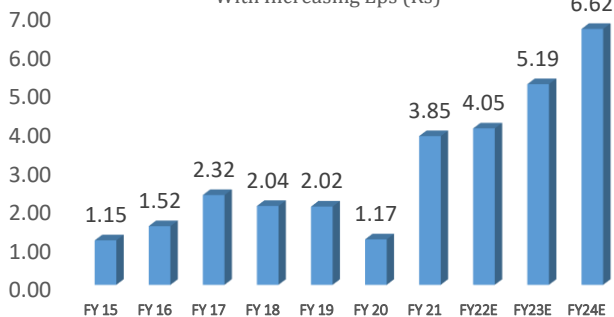
Leads to higher Return Profile



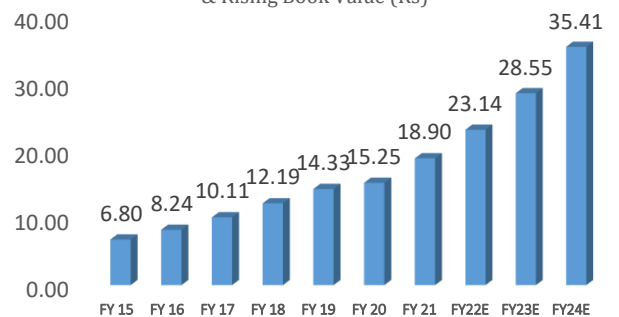
& Lower Debt/Eq



With Increasing Eps (Rs)



& Rising Book Value (Rs)





INVESTMENT RATIONALE:

- Fineotex has identified a large addressable market for solutions used in disinfectants and sanitizers and has taken steps to produce home care and hygiene products as its contribution to fight the pandemic. This timely change has opened new opportunities for Fineotex, and it has already taken steps to put in place additional facilities that provide Customised solutions for: ▪ Housekeeping, Kitchen Care and Disinfectants ▪ Public Health and Hygiene • The plant has been approved and certified by the Food & Drugs Administration (Maharashtra State) department. The license has been granted for production of disinfectant/antimicrobial hygiene and cleaning products ensuring safety and effectiveness. Post the outbreak of COVID-19, large addressable market for solutions used in disinfectants and sanitizers .
- The Company is also diversifying into the Oil Drilling industry. It is in the process of creating additional facilities at the new Brownfield plant in Ambernath, near Mumbai. The first phase is expected to be commissioned in September 2021. Equipment and machinery is currently being installed . Proposed deployment of Rs. 270 million out of which Rs. 200 million has been deployed.This will pave the way for several new products in this domain. The plant has been approved and certified by the Food & Drugs Administration (Maharashtra State) department. The license has been granted for production of disinfectant/ antimicrobial,hygiene and cleaning products ensuring safety and effectiveness.
- Fineotex continues to focus on expanding its brand and developing sustainable chemistries. Company is setting up a state of art Research & Development centre in collaboration with Sasmira Institute, one of India's premier textile institutes. Fineotex have also strengthened its leadership team by adding Mr. Arindam Choudhuri as Chief Executive Officer. He will lead the Company in the next phase of growth, expanding company's reach to new geographies
- Fineotex has entered in Joint venture with HealthGuard, Australia to become the exclusive global marketing and sales channel partner with joint operations from Malaysia. HealthGuard® will concentrate on developing cuttingedge solutions, that will be marketed and channelized across the world by Fineotex-Biotex.

RISK FACTORS:

1. Delay in commencement of new facility at Ambernath: Any delay in scheduled commencement of new facility at Ambernath can impact the future financial performance of company
2. Slower growth in Home care, Hygiene& drilling specialities business : In case if demand slows down then expected growth in home care, hygiene& drilling specialities business will get affected.
3. Increase in the cost of raw materials –Could have a material adverse effect on financials.
4. Risk of losing market share to cheaper imports from other countries.
5. Inaccuracy in forecasting demand and management of inventory or working capital balances may have an adverse impact on business, market position and result of operations of company

COMPANY RECAP

Fineotex Chemical Ltd is one of the leading manufacturers of specialty chemicals for textiles, construction, water-treatment, fertilizer, leather and paint industry. The company has a global reach of more than 60 countries including Brazil, Bangladesh, Germany, Indonesia, Malaysia, Singapore, Thailand, USA and Vietnam along with 100+dealers in Indian & international markets & has sticky marquee client base.



ANNUAL PERFORMANCE

Consolidated Income Statement

Year To March (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
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 (Rs Mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
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
Net Worth	1,125	1,357	1,595	1,697	2,093	2,563	3,162	3,922
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
Total Liabilities	1,401	1,611	1,953	2,088	2,753	3,343	4,099	5,013
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
Current Assets	587	722	1,083	1,165	1,724	2,061	2,763	3,395
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
Total Assets	1,400	1,611	1,953	2,088	2,753	3,342	4,099	5,013



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



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%



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