

# Clean Science & Technology

**BSE SENSEX**  
58,075

**S&P CNX**  
17,108

**CMP: INR1,353 TP: INR1,345 (-1%)**

**Neutral**



## Stock Info

Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	143.7 / 1.7
52-Week Range (INR)	2145 / 1330
1, 6, 12 Rel. Per (%)	-2/-25/-35
12M Avg Val (INR M)	174
Free float (%)	21.5

## Financials Snapshot (INR b)

Y/E March	FY23E	FY24E	FY25E
Sales	9.7	10.7	11.7
EBITDA	4.1	4.5	4.9
PAT	3.0	3.2	3.6
EPS (INR)	27.8	30.5	33.6
EPS Gr. (%)	29.3	9.7	10.2
BV/Sh.(INR)	96.0	121.9	150.5

## Ratios

Net D:E	-0.1	-0.2	-0.3
RoE (%)	33.0	28.0	24.7
RoCE (%)	32.3	27.5	24.3
Payout (%)	15.0	15.0	15.0

## Valuations

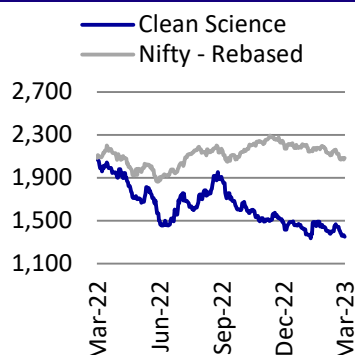
P/E (x)	48.7	44.4	40.3
P/BV (x)	14.1	11.1	9.0
EV/EBITDA (x)	35.1	31.7	28.4
Div. Yield (%)	0.3	0.3	0.4
FCF Yield (%)	0.4	1.3	1.7

## Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	78.5	78.5	78.5
DII	4.7	4.7	4.3
FII	4.0	4.4	5.1
Others	12.9	12.4	12.2

FII Includes depository receipts

## Stock performance (one-year)



## Guidance remains strong with healthy new product pipeline

- Incorporated in CY03, CLEAN is among the few global organizations focused on developing ingenious technologies with unique, innovative and cost-effective catalytic manufacturing processes. Globally, CLEAN is the largest manufacturer of certain chemicals that have been developed in-house.
- We visited the company's Kurkumbh plant on 17th Mar'23, followed by a management meeting with Mr. Siddhartha Sikchi, ED, and Mr. Pratik Bora, VP Corporate Finance. Here are the key highlights:

## Focus on process efficiencies to improve yields

- CLEAN currently has three units, all in the MIDC Kurkumbh Industrial Area, with a total capacity of 44ktpa — Performance Chemicals - 18ktpa, Pharma and Agro intermediates - 6ktpa and FMCG Chemicals - 20ktpa (largely Anisole). It is adding incremental capacities in the Hindered Amine Light Stabilizer (HALS) series, which should increase its total capacity to ~54ktpa (likely to be commissioned by Dec'23).
- Unit 1 is the oldest site and manufactures MEHQ, Guaiacol, 4MAP and BHA. At Unit 1, the company has converted its erstwhile Anisole capacity (produced through liquid phase technology) to produce Veratrole. Unit 2 also produces legacy products. The company manufactures new products, TBHQ, p-BQ and HALS, at Unit 3, along with other products.
- CLEAN focuses on its process efficiencies to improve yields of its products, which has helped the company reduce costs, expand its margin and become the market leader in most of the products globally. The company plans to expand its R&D team to ~100 scientists from 75-80 scientists currently.

## Robust capex gives revenue visibility

- The company's top four products, MEHQ, Guaiacol, BHA and 4-MAP, contribute 85% of the total revenue currently. Revenue from the already existing products is expected to be ~INR12b in FY25, with increasing demand for its products being seen. MEHQ and BHA are largely exported, while Guaiacol is largely sold in the domestic market.
- CLEAN has also set up its first line of HALS series (701 and 770) at Unit 3 (2ktpa). Additional capacities in the whole range of HALS will come up in Unit 4 (10ktpa) under its wholly owned subsidiary Clean Fino-Chem Limited, which is expected to be fully commissioned by FY25.
- Revenue from HALS is expected to rise to ~INR7b by FY27-28, assuming a 10% market share of the USD1b global market for the whole range of products. Some products are at advanced stages of R&D and are expected to contribute ~INR3b additionally, taking the total sales to INR25b by FY27-28. The total capex for the HALS series is INR3b in the subsidiary, with another INR2b for other new products.

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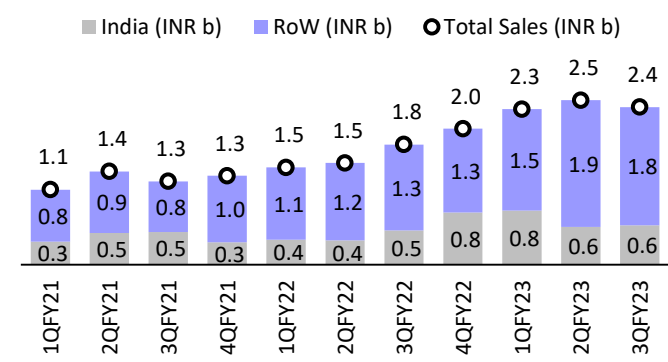
**Valuation and view**

- Continuing its R&D pursuit, CLEAN has forayed into the HALS series (estimated global market size of USD1b), being the first company to develop the HALS series in India, along with other new products in its R&D pipeline.
- CLEAN is likely to generate FCF of INR4.8b over FY23-25, with a planned capex of INR4.8b. It is funding this capex via internal accruals and will remain net cash positive.
- The stock is trading at a PE of 40x on FY25E EPS of INR33.6 and 28x FY25E EV/EBITDA. We value the company at 40x FY25E EPS to arrive at a TP of INR1,345. We maintain a Neutral rating on the stock.

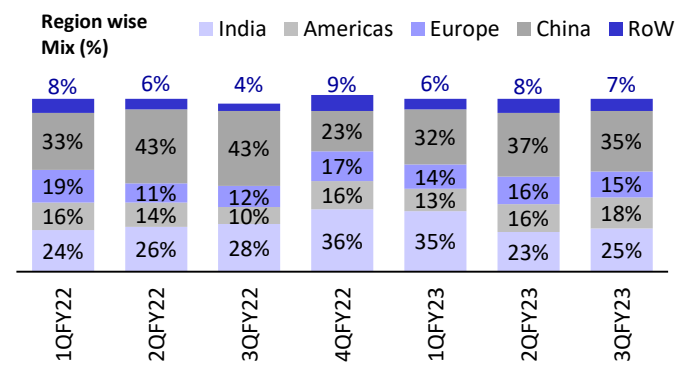
**Exhibit 1: The complete range of HALS product portfolio being developed by CLEAN**

HALS	Automotive	Industrial	Printing & Packing	Solvent Borne	Wood Industry	Adhesive	Construction Industry	Sealant	Powder coating
CLEAN LIGHT STAB 770		★		★		★		★	
CLEAN LIGHT STAB 944	★	★		★		★		★	★
CLEAN LIGHT STAB 622		★		★		★		★	★
CLEAN LIGHT STAB 119	★	★		★					★
CLEAN LIGHT STAB 783		★							★
CLEAN LIGHT STAB 292	★	★	★	★	★		★		
CLEAN LIGHT STAB 111	★	★		★					★
CLEAN LIGHT STAB 2020						★		★	
CLEAN LIGHT STAB 791	★								
CLEAN LIGHT STAB 123	★	★	★	★	★		★		

Source: Company, MOFSL

**Exhibit 2: Exports have been rising gradually...**

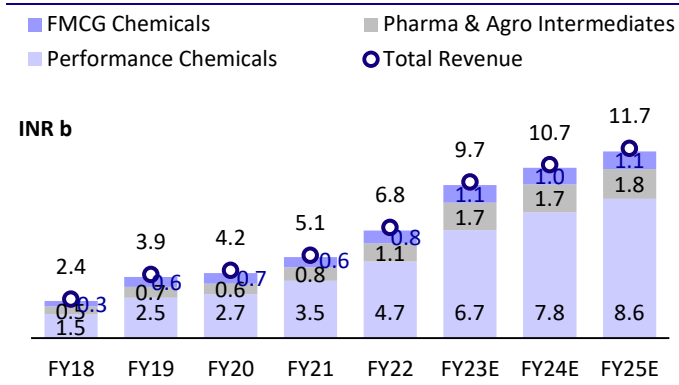
Source: Company, MOFSL

**Exhibit 3: ...with CLEAN even selling its products in China**

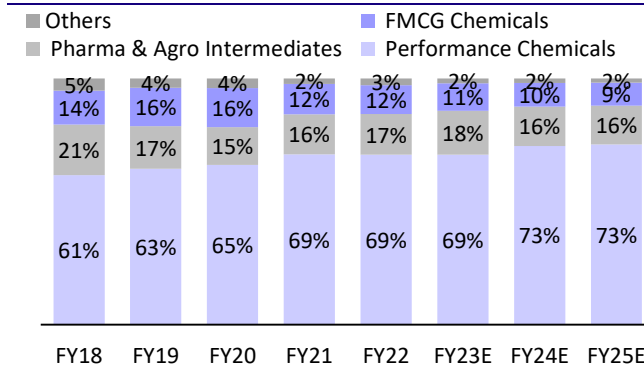
Source: Company, MOFSL

## Story in charts

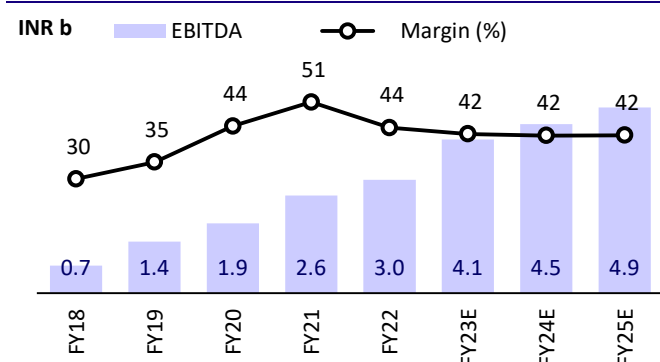
**Exhibit 4: Expect 20% revenue CAGR over FY23-25...**



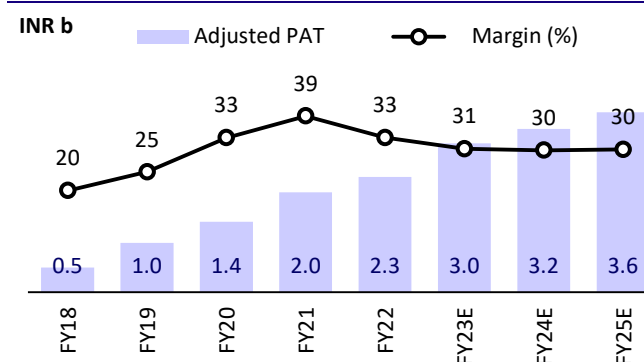
**Exhibit 5: ...driven by contribution from Performance Chemicals**



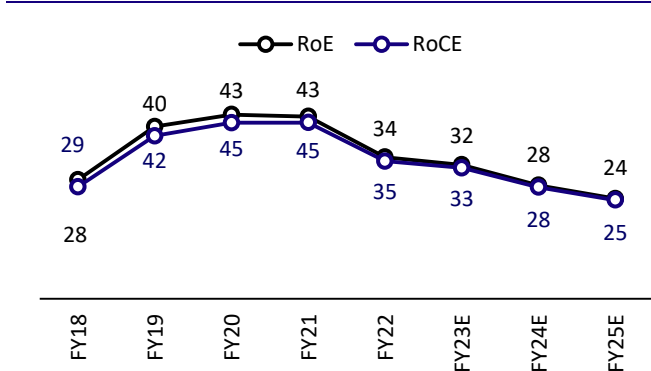
**Exhibit 6: EBITDA margin to stay robust as CLEAN continues to improve yields of its products and processes...**



**Exhibit 7: ...with capacity additions in FY23-24 and new products from Unit 4**

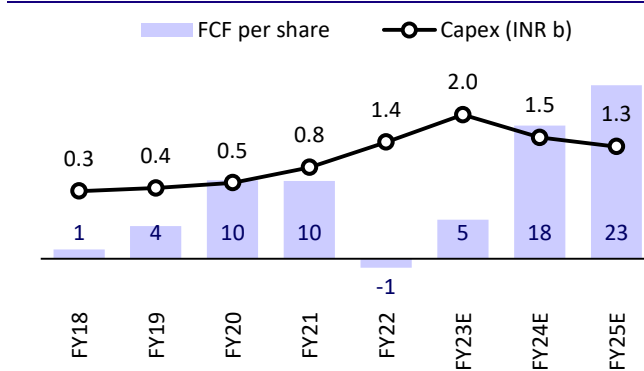


**Exhibit 8: Return profile to moderate v/s FY21**



Source: Company, MOFSL

**Exhibit 9: Capex of INR4.8b (to be funded via internal accruals) over FY23-25**



Source: Company, MOFSL

## Financials and valuations

Consolidated - Financial Snapshot						(INR m)		
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	2,411	3,933	4,193	5,124	6,849	9,659	10,727	11,749
Change (%)	26.5	63.1	6.6	22.2	33.7	41.0	11.1	9.5
Gross Margin (%)	53.0	56.5	69.2	75.9	67.2	64.3	64.5	64.5
<b>EBITDA</b>	<b>729</b>	<b>1,363</b>	<b>1,853</b>	<b>2,590</b>	<b>2,999</b>	<b>4,071</b>	<b>4,473</b>	<b>4,911</b>
Margin (%)	30.3	34.7	44.2	50.5	43.8	42.2	41.7	41.8
Depreciation	76	110	137	172	249	352	410	432
<b>EBIT</b>	<b>654</b>	<b>1,253</b>	<b>1,716</b>	<b>2,417</b>	<b>2,750</b>	<b>3,719</b>	<b>4,063</b>	<b>4,479</b>
Int. and Finance Charges	1	0	1	1	1	1	1	1
Other Income	46	113	109	256	300	242	268	295
<b>PBT bef. EO Exp.</b>	<b>699</b>	<b>1,365</b>	<b>1,823</b>	<b>2,673</b>	<b>3,048</b>	<b>3,960</b>	<b>4,330</b>	<b>4,772</b>
<b>PBT after EO Exp.</b>	<b>699</b>	<b>1,365</b>	<b>1,823</b>	<b>2,673</b>	<b>3,048</b>	<b>3,960</b>	<b>4,330</b>	<b>4,772</b>
Total Tax	212	389	427	689	763	1,007	1,090	1,201
Tax Rate (%)	30.4	28.5	23.4	25.8	25.0	25.4	25.2	25.2
<b>Reported PAT</b>	<b>487</b>	<b>977</b>	<b>1,396</b>	<b>1,984</b>	<b>2,285</b>	<b>2,954</b>	<b>3,240</b>	<b>3,571</b>
<b>Adjusted PAT</b>	<b>487</b>	<b>977</b>	<b>1,396</b>	<b>1,984</b>	<b>2,285</b>	<b>2,954</b>	<b>3,240</b>	<b>3,571</b>
Change (%)	3.9	100.7	43.0	42.1	15.2	29.3	9.7	10.2
Margin (%)	20.2	24.8	33.3	38.7	33.4	30.6	30.2	30.4

Consolidated - Balance Sheet						(INR m)		
Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	14	14	13	106	106	106	106	106
Total Reserves	1,861	2,706	3,408	5,290	7,578	10,089	12,843	15,878
<b>Net Worth</b>	<b>1,875</b>	<b>2,721</b>	<b>3,421</b>	<b>5,397</b>	<b>7,684</b>	<b>10,195</b>	<b>12,949</b>	<b>15,984</b>
Total Loans	1	26	27	3	3	3	3	3
Deferred Tax Liabilities	100	139	102	176	209	209	209	209
<b>Capital Employed</b>	<b>1,976</b>	<b>2,885</b>	<b>3,550</b>	<b>5,576</b>	<b>7,897</b>	<b>10,408</b>	<b>13,162</b>	<b>16,197</b>
Gross Block	1,375	1,724	2,247	2,610	3,959	5,179	6,539	7,870
Less: Accum. Deprn.	351	454	591	752	1,001	1,353	1,763	2,195
<b>Net Fixed Assets</b>	<b>1,024</b>	<b>1,270</b>	<b>1,656</b>	<b>1,859</b>	<b>2,957</b>	<b>3,826</b>	<b>4,776</b>	<b>5,674</b>
Capital WIP	15	39	34	550	441	1,221	1,360	1,330
<b>Total Investments</b>	<b>181</b>	<b>752</b>	<b>1,330</b>	<b>2,321</b>	<b>1,911</b>	<b>1,911</b>	<b>1,911</b>	<b>1,911</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,137</b>	<b>1,213</b>	<b>1,279</b>	<b>1,870</b>	<b>3,938</b>	<b>5,352</b>	<b>7,225</b>	<b>9,594</b>
Inventory	290	370	346	529	881	1,243	1,380	1,512
Account Receivables	397	598	698	742	1,535	2,165	2,405	2,634
Cash and Bank Balance	295	95	93	157	747	852	2,228	4,120
Cash	0	94	92	93	579	684	2,060	3,952
Bank Balance	295	0	1	63	168	168	168	168
Loans and Advances	155	151	142	442	774	1,092	1,212	1,328
<b>Curr. Liability &amp; Prov.</b>	<b>380</b>	<b>390</b>	<b>749</b>	<b>1,023</b>	<b>1,350</b>	<b>1,902</b>	<b>2,112</b>	<b>2,312</b>
Account Payables	264	223	357	610	1,021	1,440	1,599	1,752
Other Current Liabilities	113	162	387	408	324	457	507	555
Provisions	3	4	5	5	5	5	5	5
<b>Net Current Assets</b>	<b>756</b>	<b>824</b>	<b>530</b>	<b>846</b>	<b>2,587</b>	<b>3,450</b>	<b>5,114</b>	<b>7,281</b>
<b>Appl. of Funds</b>	<b>1,976</b>	<b>2,885</b>	<b>3,550</b>	<b>5,576</b>	<b>7,897</b>	<b>10,408</b>	<b>13,162</b>	<b>16,197</b>

## Financials and valuations

### Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Basic (INR)</b>								
EPS	4.6	9.2	13.1	18.7	21.5	27.8	30.5	33.6
EPS Growth (%)	3.9	100.7	43.0	42.1	15.2	29.3	9.7	10.2
Cash EPS	5.3	10.2	14.4	20.3	23.9	31.1	34.4	37.7
BV/Share	17.7	25.6	32.2	50.8	72.3	96.0	121.9	150.5
DPS	0.2	0.9	1.0	0.3	3.3	4.2	4.6	5.0
Payout (%)	4.7	9.5	7.4	1.7	15.1	15.0	15.0	15.0
<b>Valuation (x)</b>								
P/E	296	147	103	72	63	48.7	44.4	40.3
Cash P/E	256	132	94	67	57	44	39	36
P/BV	77	53	42	27	19	14	11	9
EV/Sales	60	37	34	28	21	15	13	12
EV/EBITDA	197	105	78	55	48	35	32	28
Dividend Yield (%)	0.0	0.1	0.1	0.0	0.2	0.3	0.3	0.4
FCF per share	1	4	10	10	-1	5	18	23
<b>Return Ratios (%)</b>								
RoE	29	42	45	45	35	33	28	25
RoCE	28	40	43	43	34	32	28	24
RoIC	35	51	64	77	56	49	43	41
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.7	3.4	2.9	2.9	2.8	2.8	2.5	2.2
Asset Turnover (x)	1.2	1.4	1.2	0.9	0.9	0.9	0.8	0.7
Inventory (Days)	44	34	30	38	47	47	47	47
Debtor (Days)	60	55	61	53	82	82	82	82
Creditor (Days)	40	21	31	43	54	54	54	54
<b>Leverage Ratio (x)</b>								
Current Ratio	3.0	3.1	1.7	1.8	2.9	2.8	3.4	4.1
Net Debt/Equity	-0.2	0.0	0.0	0.0	-0.1	-0.1	-0.2	-0.3

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	699	1,365	1,823	2,673	3,048	3,960	4,330	4,772
Depreciation	76	110	137	172	249	352	410	432
Interest Expenses	1	0	1	1	1	1	1	1
Others	-18	-65	-67	-109	-126	0	0	0
Direct Taxes Paid	-219	-355	-424	-659	-691	-1,007	-1,090	-1,201
(Inc)/Dec in WC	-89	-208	131	-149	-1,209	-757	-288	-275
<b>CF from Operations</b>	<b>449</b>	<b>848</b>	<b>1,601</b>	<b>1,928</b>	<b>1,273</b>	<b>2,550</b>	<b>3,364</b>	<b>3,729</b>
(Inc)/Dec in FA	-320	-388	-503	-840	-1,396	-2,000	-1,500	-1,300
<b>Free Cash Flow</b>	<b>129</b>	<b>460</b>	<b>1,098</b>	<b>1,088</b>	<b>-123</b>	<b>550</b>	<b>1,864</b>	<b>2,429</b>
Change in Investments	144	-576	-563	-1,078	532	0	0	0
Others	0	14	3	51	78	0	0	0
<b>CF from Investments</b>	<b>-175</b>	<b>-950</b>	<b>-1,063</b>	<b>-1,867</b>	<b>-786</b>	<b>-2,000</b>	<b>-1,500</b>	<b>-1,300</b>
Inc/(Dec) in Debt	1	20	1	-24	0	0	0	0
Interest Paid	-1	0	-1	-1	-1	-1	-1	-1
Dividend Paid	-51	-128	-153	-33	0	-443	-486	-536
Others	6	10	-386	-1	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-44</b>	<b>-98</b>	<b>-540</b>	<b>-59</b>	<b>-1</b>	<b>-445</b>	<b>-487</b>	<b>-537</b>
<b>Inc/Dec of Cash</b>	<b>230</b>	<b>-200</b>	<b>-3</b>	<b>1</b>	<b>486</b>	<b>105</b>	<b>1,376</b>	<b>1,892</b>
Opening Balance	65	295	95	92	93	579	684	2,060
<b>Closing Balance</b>	<b>294</b>	<b>95</b>	<b>92</b>	<b>93</b>	<b>579</b>	<b>684</b>	<b>2,060</b>	<b>3,952</b>

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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