

August 2, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	1,516		1,489	
Sales (Rs. m)	10,041	11,365	10,491	12,140
% Chng.	(4.3)	(6.4)		
EBITDA (Rs. m)	4,268	4,887	4,459	5,220
% Chng.	(4.3)	(6.4)		
EPS (Rs.)	29.3	33.7	31.6	37.2
% Chng.	(7.3)	(9.5)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	9,358	7,915	10,041	11,365
EBITDA (Rs. m)	4,021	3,321	4,268	4,887
Margin (%)	43.0	42.0	42.5	43.0
PAT (Rs. m)	2,952	2,440	3,115	3,579
EPS (Rs.)	27.8	23.0	29.3	33.7
Gr. (%)	29.2	(17.3)	27.6	14.9
DPS (Rs.)	5.0	5.0	6.4	7.3
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	33.2	22.1	23.5	22.6
RoCE (%)	41.2	25.9	28.2	27.1
EV/Sales (x)	17.7	21.0	16.4	14.4
EV/EBITDA (x)	41.2	49.9	38.7	33.5
PE (x)	56.2	68.0	53.3	46.4
P/BV (x)	16.4	13.8	11.5	9.6

Key Data

CLEA.BO | CLEAN IN

52-W High / Low	Rs.1,690 / Rs.1,243
Sensex / Nifty	81,868 / 25,011
Market Cap	Rs.166bn / \$ 1,982m
Shares Outstanding	106m
3M Avg. Daily Value	Rs.274.28m

Shareholding Pattern (%)

Promoter's	74.98
Foreign	6.06
Domestic Institution	4.55
Public & Others	14.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.7	5.7	20.1
Relative	2.6	(7.5)	(2.5)

Swarnendu Bhushan

swarnendubhushan@plindia.com | 91-22-66322260

Saurabh Ahire

saurabhahire@plindia.com |

HALS at <20% utilization

Quick Pointers:

- Pharma intermediate to be commercialized during Q3FY25
- Three new products commercialized in Jul'24: HALS 622, HALS 944 and HALS 783

Clean Science and Technology (CLEAN) reported a revenue of Rs2.2bn (+19.1% YoY, -1.5% QoQ) in Q1FY25. YoY growth was driven by increased volume across all segments. The company does not expect an increase in realization for the next 2-3 quarters. HALS monthly sales are at ~120mt; the plant is operating at less than 20% utilization. The management expects this to reach 200mt by the year end. Three new HALS products were commercialized in Jul'24, with the fourth expected in Aug'24. On the capex front, two new projects have been announced for the Performance Chemical segment, with a total investment of Rs3bn. The pharma intermediate plant is on track and is expected to be commercialized in Q3FY25. New products such as DCC and TBHQ are progressing well, with new clients being onboarded. The company maintains a unique position with niche offerings, sustaining an EBITDM of 42%, supported by new products. Currently, CLEAN trades at 46x FY26 EPS and appears richly valued. We maintain a 'Hold' rating with a target price of Rs1,516, valuing the company at 45x FY26 EPS.

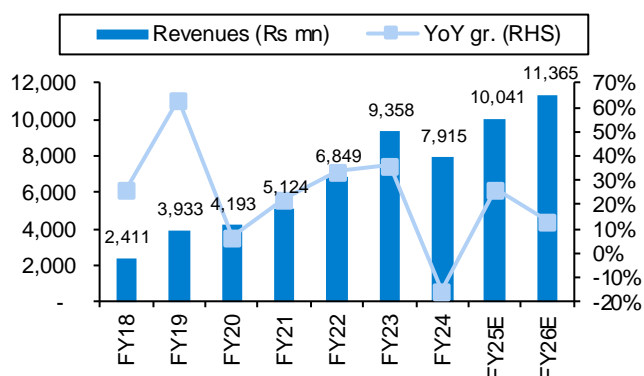
- Volume-led YoY growth in revenue:** The company experienced healthy volume growth across all segments YoY, resulting in a 19.1% YoY increase in revenue (PLe: Rs2,623mn, consensus: Rs2,481mn). However, revenue declined 1.5% QoQ due to ongoing concerns about lower realization, which are not expected to improve for another 2-3 quarters.
- EBITDA margin slightly strengthens QoQ due to lower RM prices:** EBITDA stood at Rs947mn, 24.3% YoY/ 0.2% QoQ (PLe: Rs1115mn, consensus: Rs997mn). EBITDA margin at 42.3% improved by 180bps on YoY (vs 40.5% in Q1FY24 and 41.5% in Q4FY24). Other income decreased by 26% to Rs99mn from Rs134mn in Q1FY24. Reported PAT was at Rs659mn, 11.9% YoY/- 6.2% QoQ. PAT margins were at 29% vs 31% in Q1FY24 and Q4FY24.
- Concall takeaways:** (1) Revenue contribution: Performance Chemical: 69%, Pharma and Agro Intermediate: 18%, FMCG: 13%. (2) Overall capacity utilization stood at 60-65% across segments. (3) Three new products commissioned in HAL series: HALS 622, HALS 944 and HALS 783. HAL119 is to be commissioned in Aug 2nd week. (4) Total 15 products are expected to be launched in HALS series. The new products will have realization of \$13-15, as against existing products with realization less than \$10. (5) Capex of Rs1.5bn is planned for organically developed performance chemical products with a peak revenue of Rs3.5bn, which are expected to be commercialized in H2FY26. (6) Additional capex of Rs1-1.5bn will start in Sep'24, for a water treatment chemical, which will take 12 months to commercialize. (7) New 6 megawatt solar plant is planned to be set up. (8) New clients have been onboarded for new products like DCC and TBHQ.

Exhibit 1: Q1FY25 Result Overview - Consolidated (Rs mn)

Consolidated	Q1FY25	Q1FY24	YoY gr. (%)	Q1FY25E	% Var.	Q4FY24	QoQ gr. (%)	FY25E	FY24	YoY gr. (%)
Net Sales	2,240	1,881	19.1%	2,623	-14.6%	2,275	-1.5%	10,041	7,915	26.9%
Gross Profit	1,465	1,155	26.9%	1,718	-14.7%	1,495	-2.0%	6,577	5,144	27.9%
Margin (%)	65.4%	61.4%		65.5%		65.7%		65.5%	65.0%	
EBITDA	947	761	24.3%	1,115	-15.1%	945	0.2%	4,268	3,321	28.5%
Margin (%)	42.3%	40.5%		42.5%		41.5%		42.5%	42.0%	
Other Income	99	134		97		141		370	413	-10.5%
Depreciation	158	108	46.2%	132	19.2%	127	24.3%	530	459	15.3%
EBIT	888	788	12.8%	1,079	-17.7%	959	-7.4%	4,108	3,274	25.5%
Interest	1	1	109.8%	2		6		9	9	0.0%
PBT before excep	887	787	12.7%	1,077	-17.6%	953	-6.9%	4,098	3,265	25.5%
Total Tax	228	198	15.2%	237	-3.9%	250	-9.0%	984	760	29.5%
ETR (%)	25.7%	25.1%		22.0%		26.3%		24.0%	23.3%	
Adj. PAT	659	589	11.9%	840	-21.5%	703	-6.2%	3,115	2,505	24.3%
Exceptional Items	0	0		0		0		0	0	
PAT	659	589	11.9%	840	-21.5%	703	-6.2%	3,115	2,505	24.3%

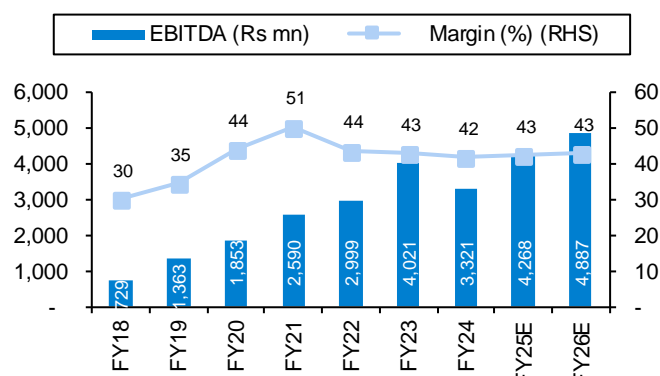
Source: Company, PL

Exhibit 2: Rev to rise to Rs11bn by FY26



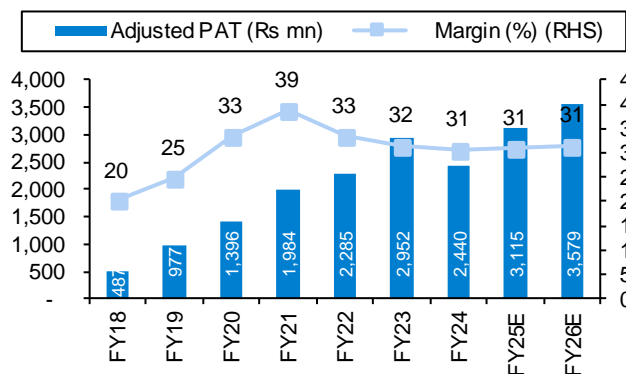
Source: Company, PL

Exhibit 3: Expect EBITDAM of 43% in FY26



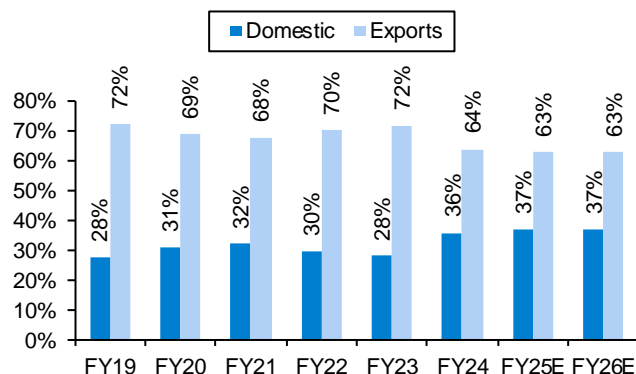
Source: Company, PL

Exhibit 4: PAT margins to be at 31%



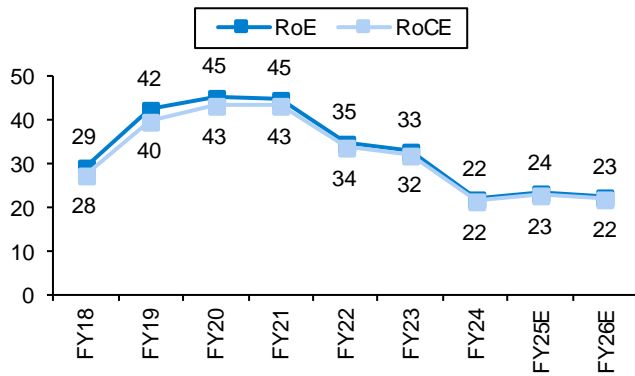
Source: Company, PL

Exhibit 5: Domestic market share to increase to 37%



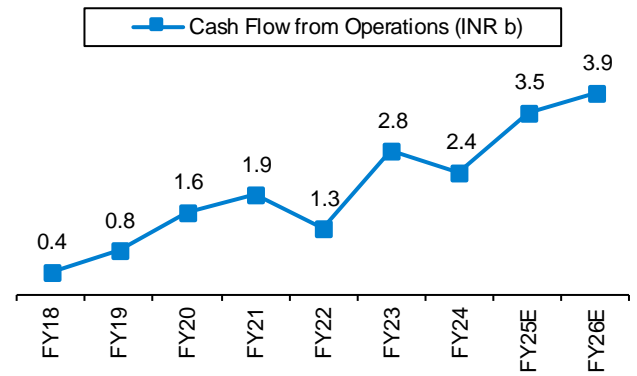
Source: Company, PL

Exhibit 6: Return ratios to be at 23%

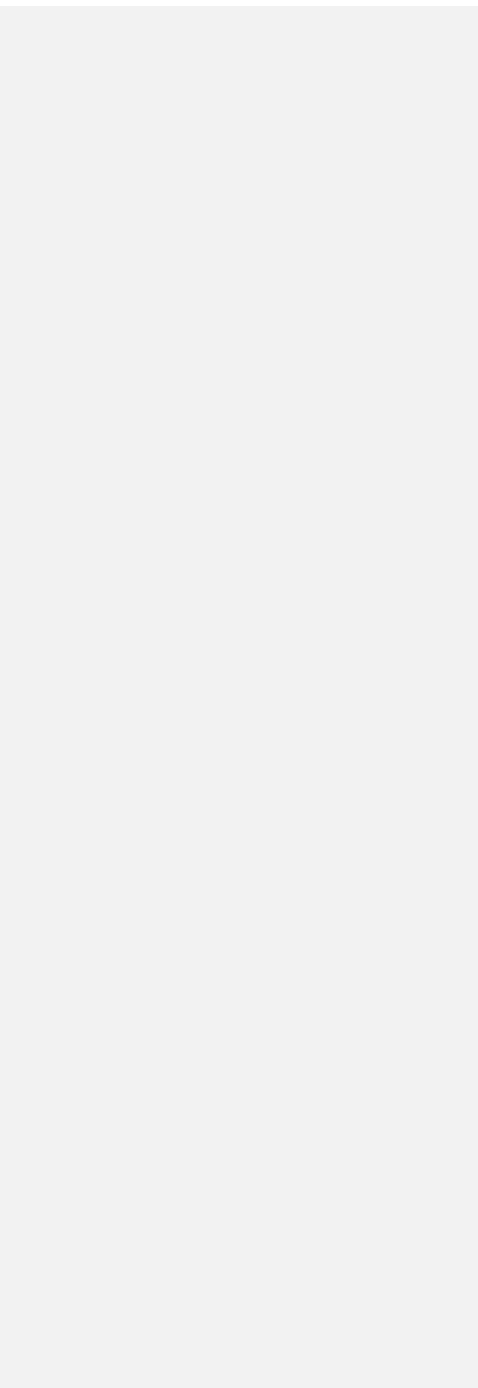


Source: Company, PL

Exhibit 7: Strong cash flow



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	9,358	7,915	10,041	11,365
YoY gr. (%)	36.6	(15.4)	26.9	13.2
Cost of Goods Sold	3,260	2,771	3,464	3,978
Gross Profit	6,098	5,144	6,577	7,387
Margin (%)	65.2	65.0	65.5	65.0
Employee Cost	452	487	602	682
Other Expenses	1,625	1,337	1,707	1,818
EBITDA	4,021	3,321	4,268	4,887
YoY gr. (%)	34.1	(17.4)	28.5	14.5
Margin (%)	43.0	42.0	42.5	43.0
Depreciation and Amortization	361	459	530	587
EBIT	3,660	2,861	3,738	4,301
Margin (%)	39.1	36.2	37.2	37.8
Net Interest	2	9	9	9
Other Income	298	413	370	418
Profit Before Tax	3,956	3,265	4,098	4,710
Margin (%)	42.3	41.3	40.8	41.4
Total Tax	1,005	825	984	1,130
Effective tax rate (%)	25.4	25.3	24.0	24.0
Profit after tax	2,952	2,440	3,115	3,579
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,952	2,440	3,115	3,579
YoY gr. (%)	29.2	(17.3)	27.6	14.9
Margin (%)	31.5	30.8	31.0	31.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,952	2,440	3,115	3,579
YoY gr. (%)	29.2	(17.3)	27.6	14.9
Margin (%)	31.5	30.8	31.0	31.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,952	2,440	3,115	3,579
Equity Shares O/s (m)	106	106	106	106
EPS (Rs)	27.8	23.0	29.3	33.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	5,963	8,182	9,469	11,112
Tangibles	5,963	8,182	9,469	11,112
Intangibles	-	-	-	-
Acc: Dep / Amortization	1,362	1,821	2,351	2,937
Tangibles	1,362	1,821	2,351	2,937
Intangibles	-	-	-	-
Net fixed assets	4,601	6,361	7,118	8,175
Tangibles	4,601	6,361	7,118	8,175
Intangibles	-	-	-	-
Capital Work In Progress	205	573	1,287	1,643
Goodwill	-	-	-	-
Non-Current Investments	3,531	3,394	3,394	3,394
Net Deferred tax assets	(234)	(299)	(299)	(299)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,088	1,237	1,168	1,321
Trade receivables	1,462	1,637	1,569	1,776
Cash & Bank Balance	125	106	963	2,083
Other Current Assets	506	654	543	615
Total Assets	11,518	13,963	16,041	19,007
Equity				
Equity Share Capital	106	106	106	106
Other Equity	9,994	11,925	14,362	17,162
Total Networkth	10,100	12,032	14,468	17,268
Non-Current Liabilities				
Long Term borrowings	1	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	805	1,085	864	978
Other current liabilities	378	547	409	461
Total Equity & Liabilities	11,518	13,963	16,041	19,007

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	3,956	3,265	4,098	4,710
Add. Depreciation	361	459	530	587
Add. Interest	2	9	9	9
Less Financial Other Income	298	413	370	418
Add. Other	(153)	(313)	-	-
Op. profit before WC changes	4,166	3,420	4,637	5,305
Net Changes-WC	(428)	(295)	(110)	(266)
Direct tax	(945)	(755)	(984)	(1,130)
Net cash from Op. activities	2,793	2,371	3,544	3,909
Capital expenditures	(1,727)	(2,323)	(2,000)	(2,000)
Interest / Dividend Income	61	29	-	-
Others	(1,033)	435	-	-
Net Cash from Inv. activities	(2,698)	(1,859)	(2,000)	(2,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(558)	(531)	(678)	(779)
Interest paid	(1)	(8)	(9)	(9)
Others	9	7	-	-
Net cash from Fin. activities	(550)	(532)	(687)	(788)
Net change in cash	(455)	(20)	856	1,121
Free Cash Flow	1,067	48	1,544	1,909

Source: Company Data, PL Research

Key Financial Metrics

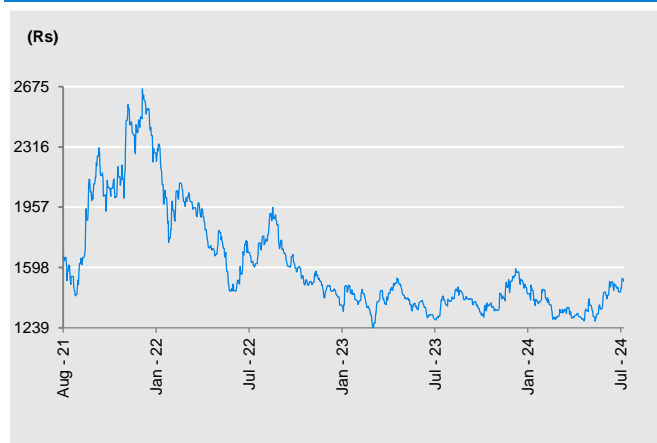
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	27.8	23.0	29.3	33.7
CEPS	31.2	27.3	34.3	39.2
BVPS	95.1	113.2	136.2	162.5
FCF	10.0	0.5	14.5	18.0
DPS	5.0	5.0	6.4	7.3
Return Ratio(%)				
RoCE	41.2	25.9	28.2	27.1
ROIC	32.3	19.5	22.3	22.8
RoE	33.2	22.1	23.5	22.6
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.1)
Net Working Capital (Days)	68	83	68	68
Valuation(x)				
PER	56.2	68.0	53.3	46.4
P/B	16.4	13.8	11.5	9.6
P/CEPS	50.1	57.2	45.5	39.8
EV/EBITDA	41.2	49.9	38.7	33.5
EV/Sales	17.7	21.0	16.4	14.4
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	1,811	1,947	2,275	2,240
YoY gr. (%)	(26.8)	(18.0)	4.9	19.1
Raw Material Expenses	618	646	780	775
Gross Profit	1,193	1,301	1,495	1,465
Margin (%)	65.9	66.8	65.7	65.4
EBITDA	748	866	945	947
YoY gr. (%)	(23.2)	(20.0)	(10.1)	24.3
Margin (%)	41.3	44.5	41.5	42.3
Depreciation / Depletion	111	112	127	158
EBIT	637	754	818	789
Margin (%)	35.2	38.7	36.0	35.2
Net Interest	3	-	6	1
Other Income	60	75	141	99
Profit before Tax	695	829	953	887
Margin (%)	38.3	42.6	41.9	39.6
Total Tax	173	203	250	228
Effective tax rate (%)	24.9	24.5	26.3	25.7
Profit after Tax	522	626	703	659
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	522	626	703	659
YoY gr. (%)	(23.2)	(25.3)	(12.7)	11.8
Margin (%)	28.8	32.2	30.9	29.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	522	626	703	659
YoY gr. (%)	(23.2)	(25.3)	(12.7)	11.8
Margin (%)	28.8	32.2	30.9	29.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	522	626	703	659
Avg. Shares O/s (m)	106	106	106	106
EPS (Rs)	4.9	5.9	6.6	6.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Jul-24	Hold	1,489	1,482
2	16-May-24	Hold	1,383	1,328
3	09-Apr-24	Hold	1,386	1,335
4	04-Feb-24	Hold	1,425	1,461
5	08-Jan-24	Hold	1,368	1,572
6	03-Nov-23	Hold	1,368	1,374
7	09-Oct-23	Hold	1,418	1,410
8	04-Aug-23	Hold	1,206	1,298

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	634	718
2	Ashok Leyland	Accumulate	261	246
3	Bajaj Auto	Accumulate	10,326	9,718
4	Bharat Forge	Hold	1,615	1,672
5	Bharat Petroleum Corporation	Reduce	269	302
6	Bharti Airtel	Accumulate	1,618	1,430
7	CEAT	Accumulate	2,992	2,667
8	Clean Science and Technology	Hold	1,489	1,482
9	Deepak Nitrite	Reduce	2,268	2,677
10	Divgi Torqtransfer Systems	Accumulate	831	742
11	Eicher Motors	BUY	5,335	4,737
12	Endurance Technologies	Hold	2,664	2,735
13	Exide Industries	Hold	559	532
14	Fine Organic Industries	Accumulate	6,172	5,535
15	GAIL (India)	Reduce	211	241
16	Gujarat Fluorochemicals	Reduce	2,775	3,250
17	Gujarat Gas	Accumulate	623	645
18	Gujarat State Petronet	BUY	409	311
19	Hero Motocorp	Accumulate	5,914	5,558
20	Hindustan Petroleum Corporation	Sell	340	396
21	Indian Oil Corporation	Sell	151	183
22	Indraprastha Gas	Sell	374	541
23	Jubilant Ingrevia	Hold	592	586
24	Laxmi Organic Industries	Sell	206	257
25	Mahanagar Gas	Sell	1,492	1,846
26	Mahindra & Mahindra	BUY	3,250	2,881
27	Mangalore Refinery & Petrochemicals	Sell	135	218
28	Maruti Suzuki	BUY	14,432	12,104
29	Navin Fluorine International	Accumulate	4,144	3,771

PL's Recommendation Nomenclature (Absolute Performance)

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



ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Swarnendu Bhushan- IIT, MBA Finance, Mr. Saurabh Ahire- MBA, Passed CFA Level II Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Swarnendu Bhushan- IIT, MBA Finance, Mr. Saurabh Ahire- MBA, Passed CFA Level II Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com