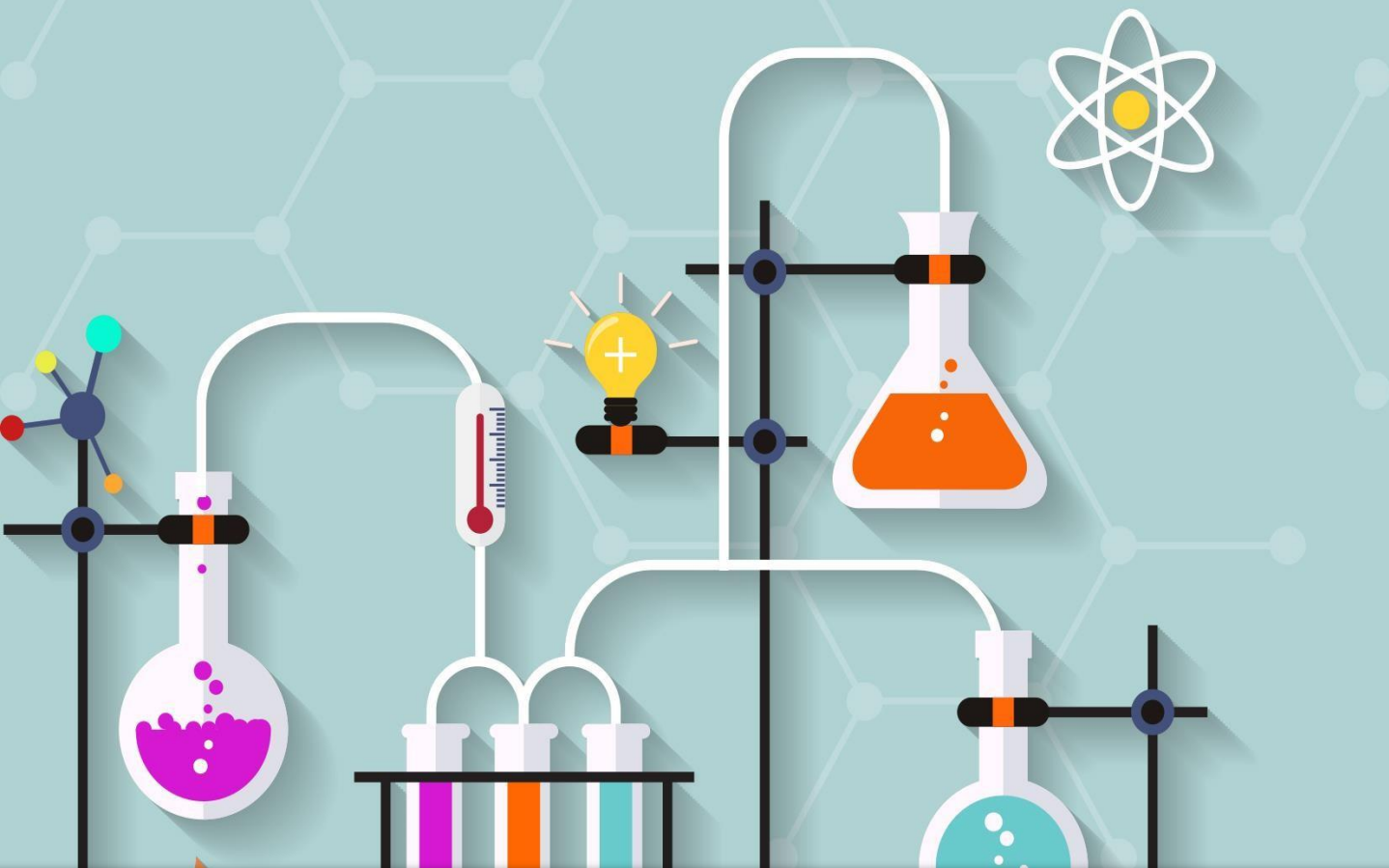




Fineotex Chemical Limited

Q3FY25



Fineotex Chemical Ltd.

Tough macro leads to weak quarter, awaiting positive triggers

CMP* INR 254	Target INR 366	Potential Upside 43.9%	Market Cap (INR Mn) INR 29,245	Recommendation BUY	Sector Specialty Chemicals
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- Fineotex Chemical Ltd(FCL) posted muted sales and volume growth for Q3FY25; primarily driven lower by a challenging demand environment in FMCG, textiles segment grew by 20% in volumes, exports also haven't been able to keep up pace due to issues in Bangladesh.
- On a 9month basis revenues remained stable coming in at INR 4,135 Mn (-0.6% YoY), EBITDA margin was also flat at 26% declining by 26 bps.
- FCL has launched 30 new products in textile chemicals. FCL has also announced the launch of their water-based mosquito repellent "AquaStrike", we believe water treatment and Oil & Gas verticals will drive growth going forward.
- We introduce FY27 estimates, with a 3yr revenue CAGR of 16% and EBITDA margins of 28%. Considering upcoming positive triggers for the company: a) buoyancy in the textile markets b) upcoming inorganic expansions b) new sustainable product launches, we value the company at 20x FY27E EPS of INR 16.6 to arrive at a target price of INR 366 implying an upside of 43.9%.**

MARKET DATA

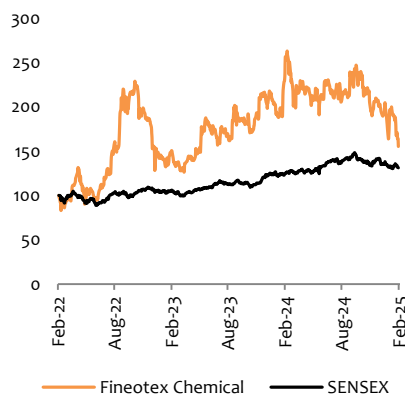
Shares outs (Mn)	115
Equity Cap (INR Mn)	4,536
Mkt Cap (INR Mn)	29,245
52 Wk H/L (INR)	459 / 263
Volume Avg (3m K)	338
Face Value (INR)	2.0
Bloomberg Code	FTXC:IN

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	5,170	5,690	5,895	7,206	8,871
EBITDA	1,126	1,484	1,552	1,915	2,458
PAT	896	1,210	1,306	1,559	2,023
EPS	7.9	10.8	11.2	12.8	16.6
EBITDA Margin (%)	22%	26%	26%	27%	28%
PAT Margin (%)	17%	21%	22%	22%	23%

Source: Company, Deven Choksey Research

SHARE PRICE PERFORMANCE



Muted Growth during the quarter affected by order postponements and geopolitical issues

Revenue degrew by 9% on a YoY for Q3FY25 coming in at INR 1,259 Mn. The drop in sales was precipitated by a) order postponements b) contraction in Cleaning & Hygiene Segment and c) lower realizations across products. Textile segment posted healthy with addition of 30 new customers, volumes rising by 20% and revenues by 12%. The order postponements was most likely due to issues with supply chains being affected in Bangladesh and will likely resolve over the next few quarters. Share of exports in the overall revenue has dropped to 19% from 24% a year ago.

New Product Launch – AquaStrike Premium marks entry into Water Chemicals Segment

FCL has launched a new product called AquaStrike, based on Azadirachtin. Azadirachtin is a compound also found in neem and is considered a very effective insecticide. FCL plans to market this product for mosquito repellent properties and water soluble and sustainable properties. The TAM for a product is very large, while existing practices involve local governments spraying smoke-based chemicals. With this new sustainable product, it can open new doors for the water segment of the company. Further, with surfactants and

Updates on Inorganic Expansion & New Manufacturing Facility Progress

FCL has raised 3,425 Mn in placements of equity shares and warrants which will be received over the next 9-10 months. Management wishes to deploy these funds in an EPS accretive manner via inorganic acquisition. We remain hopeful of management being able to deploy this cash soon, if undeployed the cash would drag down ROE/ROCE multiples.

Dividend of INR 0.40/share approved by Board

The board has approved a dividend of INR 0.40/share totalling to INR 45.8 Mn as Interim Dividend for FY25.

MARKET INFO

SENSEX	75,967
NIFTY	22,945

SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	63.0	63.0	64.5
FIIIs	3.3	3.2	0.9
DIIIs	3.6	3.6	3.7
Others	30.1	30.2	30.9
Total	100	100	100

*Based on today's closing

16%

Revenue CAGR between FY24 and FY26E

19%

PAT CAGR between FY24 and FY26E

Fineotex Chemical Ltd.

Key Concall Highlights:

- Strong Growth in expected in new segments:** Fineotex is witnessing robust growth in oil & gas and water treatment segments, with a strong order pipeline expanding geographically. Diversification into high-demand industries like specialty chemicals for industrial applications enhances long-term stability.
- Sustainability and Innovation at the Core:** The company has launched 30 new products this quarter, focusing on eco-friendly and high-performance solutions. A key innovation, AquaStrike Premium, is a biotechnology-based, eco-friendly mosquito control solution, presenting a strong market opportunity.
- Expanding Production Capacity:** A new manufacturing facility is expected to be operational by Q2 FY26, increasing production efficiency and supporting growing demand. The company is implementing renewable energy solutions, including a 100-kilowatt solar plant at Ambarnath, and optimizing processes for zero discharge of hazardous chemicals.
- Financial Performance & Profitability:** Revenue has grown at a CAGR of 30.5% since 2020, while profits have increased at a CAGR of 70.5% over the same period. EBITDA margins remained healthy at 27.2%, indicating strong operational efficiency.
- Export Slowdown & Future Rebound** Management expects a revival in exports as the political situation stabilizes and Bangladesh's financial system improves.
- Textile Segment Showing Resilience:** Textile business grew 20% in volume and 12% in revenue this quarter, compensating for muted demand in FMCG. India is gaining traction as a global textile hub, further boosted by strong participation in international textile exhibitions.
- Inorganic Growth & Acquisition Strategy:** The company has earmarked INR 300 crores for acquisitions, with a focus on EPS-accretive deals. Ongoing M&A discussions are progressing cautiously, ensuring synergy and disciplined capital allocation before finalizing any acquisitions.
- Geopolitical Tailwinds in Oil & Gas:** The company is benefiting from the shift away from China in oil & gas specialty chemicals. Fineotex has secured major orders from Eastern Europe, Middle East, and Africa and is actively pursuing strategic partnerships with industry giants.
- FMCG Sector Recovery Expected:** While FMCG demand was muted, management anticipates a rebound due to favorable taxation policies and rural demand recovery. The upcoming summer season is expected to boost demand for hygiene and cleaning products, further aiding growth.
- Credit Ratings:** ICRA upgraded Fineotex's credit rating outlook to positive, reflecting financial strength and robust expansion plans. Investors can expect sustained long-term growth, driven by diversification, strong R&D, sustainability, and disciplined financial management.

Valuation and view:

As the macro situation continues to be unstable, FCL has managed to hold it's own. With 9MFY25 revenues remaining stable, while EBITDA margins continue to hover around 26%. We believe with the upcoming new product launches, further pickup in textiles end use sector, inorganic expansion opportunity there's scope for growth and fundamentally the company remains strong.

We introduce FY27E estimates assuming a revenue growth of 23% and EBITDA margin With the upcoming triggers expected from possibility of inorganic expansion, growth in textile segment, new sustainable products we roll forward our valuation to FY27E with a Price to earning of 22x on an EPS INR 16.6 to arrive at a target price of INR 366/share. Consequently , we maintain our "BUY" rating on the stock with an upside of 43.9%.

Fineotex Chemical Ltd.

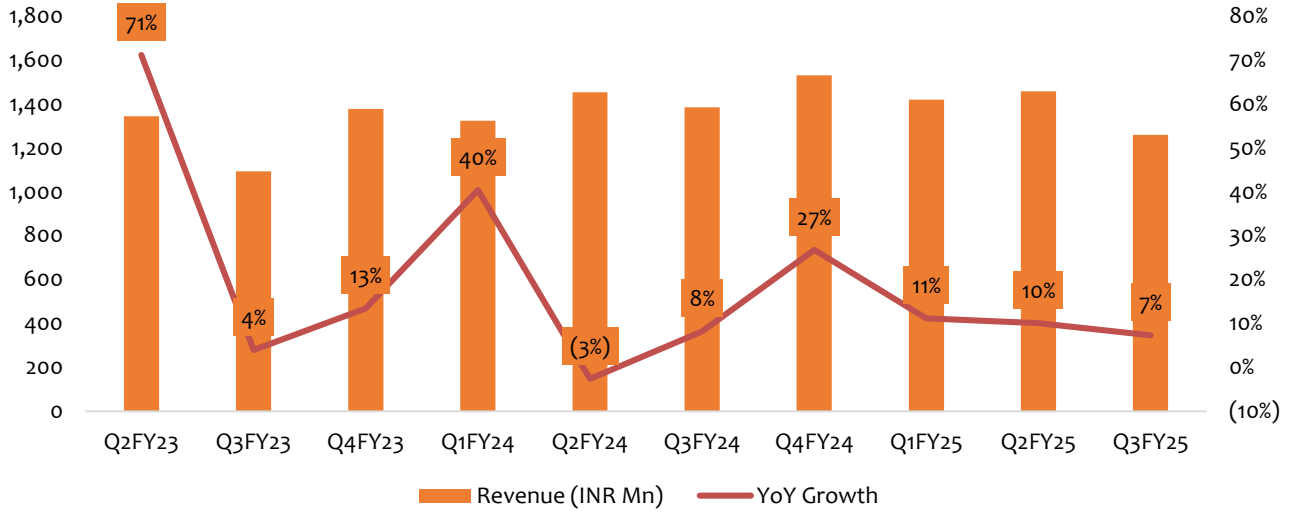
Result Snapshot

Particulars (Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY	9MFY25	9MFY24	YoY
Net Sales	1,259	1,457	1,385	-13.6%	-9.1%	4,135	4,160	-0.6%
Raw Materials	793	830	789			2,553	2,444	
Cost of materials	20	50	31			73	109	
Purchase of traded goods	(72)	20	(10)			(114)	(17)	
(Increase)/Decrease in Stock	740	900	810		-8.6%	2,512	2,536	
Gross Profit	519	557	574	-6.9%	-9.7%	1,623	1,624	0.0%
Gross Margin (%)	41.19%	38.22%	41.47%	297 bps	-28 bps	39.25%	39.03%	22 bps
Employees cost	61	61	55	-0.9%	11.1%	178	156	13.7%
Other Expenses	115	132	116	-12.7%	-0.8%	386	366	5.4%
EBITDA	343	364	404	-5.8%	-15.0%	1,059	1,101	-3.8%
EBITDA Margin (%)	27%	25%	29%	226 bps	-191 bps	26%	26%	-85 bps
Depreciation	26	24	14	9.2%	81.0%	72	42	72.9%
EBIT	317	340	389	-6.8%	-18.5%	987	1,059	-6.8%
Other income	50	69	49	-27.7%	1.0%	168	124	35.3%
Interest	2	2	3	-4.9%	-30.6%	7	7	-10.8%
EBT	365	407	436	-10.4%	-16.2%	1,148	1,176	-2.3%
Tax	87	86	106	0.2%	-18.7%	257	270	-4.7%
PAT	278	321	329	-13.2%	-15.5%	891	905	-1.6%
Net Margin (%)	22.10%	22.01%	23.78%	10 bps	-168 bps	21.54%	21.77%	-23 bps
Non-controlling interests	2	2	3	(8.2%)	(22.3%)	8	8	(1.1%)
PAT (attributable to shareholders)	276	319	327	-13.24%	-15.42%	882	897	-1.63%
# Shares	116	116	116			116	116	
Adj. EPS	2.43	2.75	2.82	-11.58%	-13.79%	7.61	7.74	-1.63%

Source: Company, DevenChoksey Research

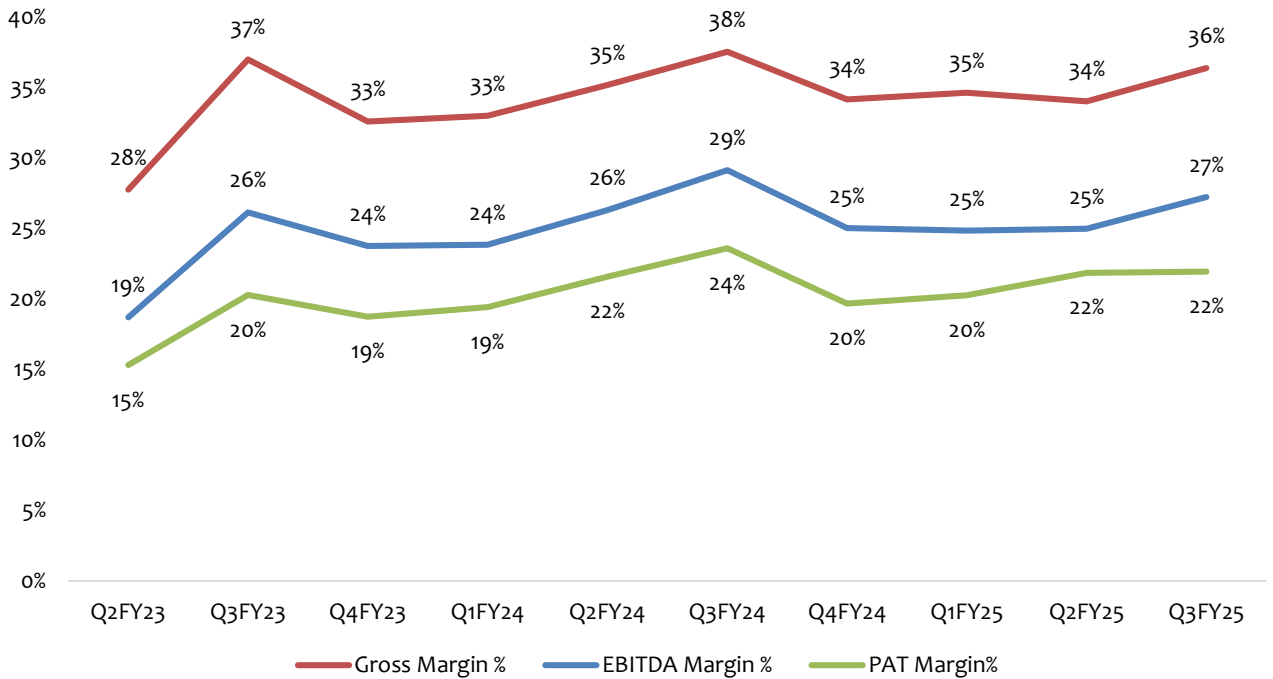
Fineotex Chemical Ltd.

Growth moderates due to macro challenges



Source: Company, DevenChoksey Research

Margins remain steady



Source: Company, DevenChoksey Research

Fineotex Chemical Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue from operation	5,170	5,690	5,895	7,206	8,871
Cost of goods sold (COGS)	3,392	3,488	3,606	4,426	5,506
Employee benefits expense	184	212	190	196	197
Other expenses	468	506	547	669	710
Total Expenses	4,044	4,206	4,343	5,291	6,413
EBITDA	1,126	1,484	1,552	1,915	2,458
Depreciation and amortization expense	43	60	63	73	73
EBIT	1,083	1,424	1,489	1,841	2,385
Other income	73	165	215	279	363
Finance costs	8	13	14	14	14
Profit before tax	1,148	1,576	1,690	2,107	2,734
Exceptional items - income / expense	0	0	0	0	0
Profit / loss before tax	1,148	1,576	1,690	2,107	2,734
Current tax	242	348	0	0	0
Total Tax expense	252	365	384	548	711
Profit after tax	896	1,210	1,306	1,559	2,023

Source: Company, Deven Choksey Research

Exhibit 2: Cash Flow Statement

Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Cash Generated From Operations	1,073	974	1,408	1,409	1,803
Net Cash Flow from/(used in) Investing Activities	-1,018	-469	-3,227	-3,175	-20
Net Cash Flow from Financing Activities	-64	-239	1,912	1,486	-14
Effect of exchange differences	24	-6	0	0	0
Net Inc/Dec in cash equivalents	14	260	93	-280	1,770
Opening Balance	289	303	563	657	376

Source: Company, Deven Choksey Research

Exhibit 3: Ratio Analysis

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	21.8%	26.1%	26.3%	26.6%	27.7%
Tax rate (%)	22.0%	23.2%	22.7%	26.0%	26.0%
Net Profit Margin (%)	17.3%	21.3%	22.2%	21.6%	22.8%
RoE (%)	28.7%	29.9%	21.2%	16.8%	17.1%
EPS (INR)	8.0	10.8	11.3	12.8	16.6
CFO/EBITDA	95.3%	65.6%	90.7%	73.6%	73.4%

Source: Company, DevenChoksey Research

Exhibit 4: Balance Sheet

Balance sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Property, plant & equipment	888	1,310	1,247	1,409	1,336
Capital work in progress	4	0	235	0	0
Investment property	39	39	39	39	39
Goodwill on consolidation	61	61	61	61	61
Investments	893	1,080	4,051	7,207	7,207
Others	24	16	16	16	16
Non - current tax assets	33	76	76	76	76
Other non - current assets	45	41	41	41	41
Total non - current assets	1,988	2,623	5,767	8,849	8,776
Inventories	473	501	503	617	768
Investments	0	388	390	225	2,151
Trade receivables	1,014	1,388	1,156	1,413	1,740
Cash and cash equivalents	376	227	319	368	420
Bank balances	220	172	172	172	172
Other financial asset	7	21	21	21	21
Other current assets	77	90	90	90	90
Asset classified as held for sale	72	72	72	72	72
Total current assets	2,239	2,858	2,722	2,977	5,432
Total assets	4,227	5,482	8,489	11,826	14,208
Equity and Liabilities					
Equity share capital	221	222	232	240	240
Other equity	3,265	4,249	7,471	10,521	12,544
Minority interest	70	65	65	65	65
Total equity	3,557	4,536	7,767	10,826	12,849
Other financial liabilities	10	10	10	10	10
Provisions	0	3	3	3	3
Deferred tax liabilities (net)	21	39	39	39	39
Total non - current liabilities	32	52	52	52	52
Borrowings (overdraft)	73	52	52	52	52
Trade payables	474	728	503	618	769
Other financial liabilities	2	6	6	6	6
Other current liabilities	87	103	103	103	103
Provisions	4	4	4	4	4
Current tax liabilities (net)	0	0	0	0	0
Total current liabilities	638	894	670	784	935
Total liabilities	670	946	721	836	987
Total equity and liabilities	4,227	5,482	8,489	11,662	13,836

Fineotex Chemical Ltd.

Fineotex Chemicals Limited			
Date	CMP (INR)	TP (INR)	Recommendation
18-Feb-25	254	366	BUY
15-Nov-24	348	476	BUY
12-Aug-24	367	529	BUY
31-May-24	355	573	BUY
20-Feb-24	436	571	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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