

Company Report

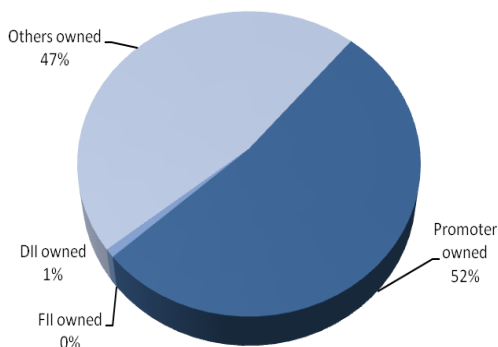
Camlin Fine Sciences Ltd.

27th June, 2015**BUY**
CMP **Rs.111.85**
Target Price **Rs.145.00**

BSE Code	532834
Market Cap (Rs Cr.)	1072.51
52 Week High/Low	121.20/40.03
Industry	Chemicals
Face Value	Rs.1.00
Shares O/S	9.59 Cr.

EPS	5.70
Book Value	14.06
P/E	19.62
P/B	7.96

Shareholding Pattern



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- Camlin Fine Sciences is one of the India's leading manufacturers and exporters of Bulk Drugs, Fine Chemicals and Food Grade products. The company is the world's second largest manufacturer and marketer of food grade antioxidants TBHQ and BHA.
- The company has registered sharp results for the quarter ending March 2015. The revenues from operations grew by about 22% to Rs.135 crores vs. Rs.110.62 cr. in the year ago quarter while it grew ~25% q-o-q. Operating profit climbed by 10.61% at Rs.16.58 crores as against Rs.14.99 crores in the previous year quarter. The adjusted net profit stood at Rs.8.42 crore for the quarter as against Rs.3.40 crore; registering manifold growth of 148%.
- Camlin Fine Sciences has commissioned antioxidant blending facility with application laboratory at Tarapur, India in April 2014 and in Brazil in September 2014. Such blending facilities are also being planned in other geographies. Further, it has successfully shifted its research and development facility from Mumbai to new state of art Research & Development facility with ultra modern Pilot plant at Tarapur in October 2014.
- Camlin Fine Sciences has been successful in holding on to the market share in major markets and also registered a growth in emerging markets by extensive customer reach through its sales teams.

Valuation

With the dominant positioning of the key products, backward and forward integration benefits and sound fundamentals; Camlin Fine Sciences is poised to grow. Further, setting up and then commissioning of the new facility at Dahej would be pave the next phase of growth for the company. We believe the company is trading at an attractive valuation at 18.22x and 14.93x of FY16EPS of Rs.6.14 and FY17EPS of Rs.7.49. We initiate a 'BUY' on the stock with a target price of Rs.145 (appreciation of about 30%) with the medium to long term investment horizon.

Business Details

Camlin the corporate group was established in 1931 and is a pioneer in art & stationery material in India. With effect from 22nd December 2006, Camlin Limited, Fine Chemical Division has de-merged into a separate company named as Camlin Fine Sciences Limited (CFS Ltd.). Today Camlin Fine Sciences is the world's second largest manufacturer and marketer of food grade antioxidants TBHQ and BHA. Its facilities are HACCP and ISO 9001 : 2000 certified. The product segments include-

Antioxidants: Food antioxidants are used in the stabilisation of fats and oils. They are used in a wide range of fried snack foods, bakery, confectionery and dairy products. The market for food antioxidants is largely segmented as:

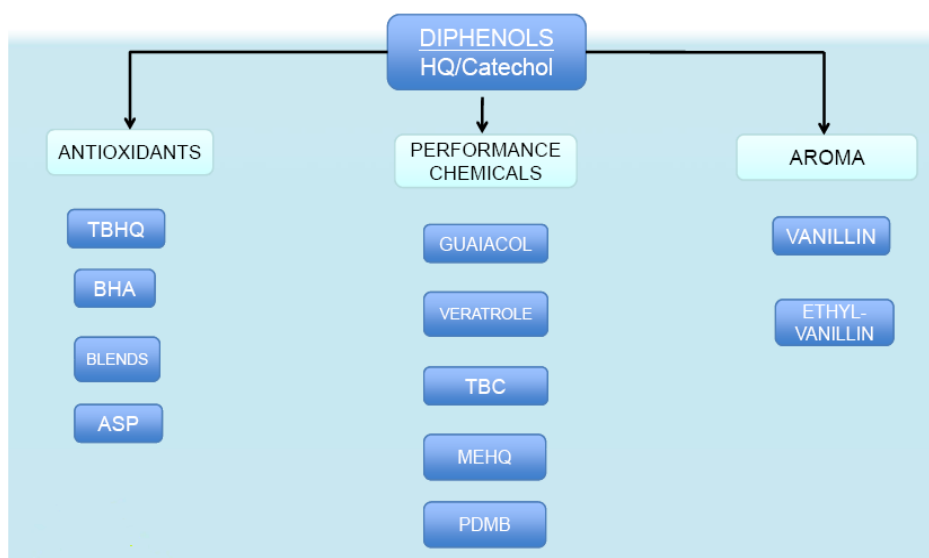
Bulk Food Antioxidants-The most widely used synthetic antioxidants, include TBHQ and BHA. They are mainly used by edible oil manufacturers as it ensures stability of oil during processing, transportation and increases its shelf life.

Antioxidants Blends: The food processing industry uses synthetic and natural antioxidants, combined with carriers to give synergistic benefits. These combinations are called as antioxidant blends.

Aroma and Flavours: Launched in 2012 in the international market; Vanillin and Ethyl Vanillin are one of the key ingredients in the aroma / flavour market used in food, feed and fragrance industry.

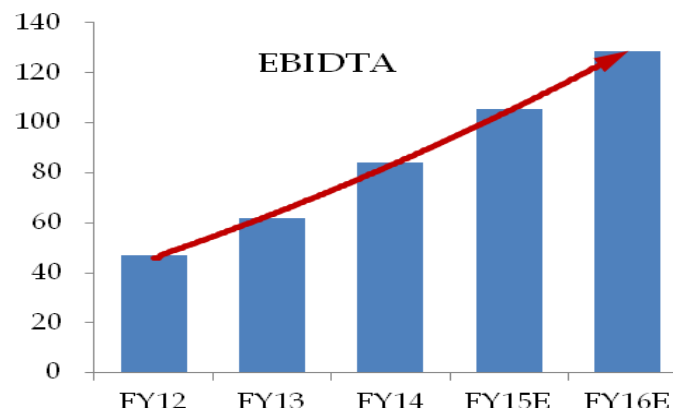
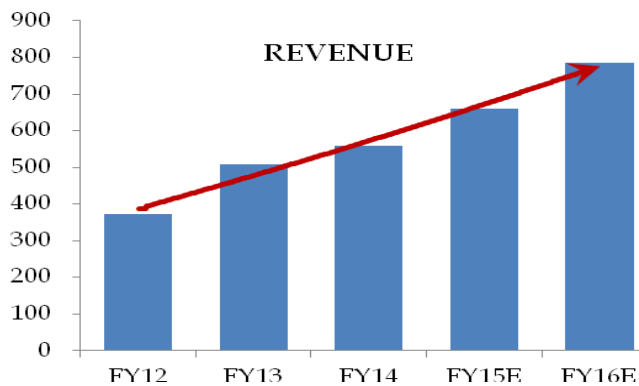
Performance Chemicals: These include chemicals mainly like Hydroquinone, Catechol, Guaiacol, Tertiary Butyl Catechol (TBC), Mono Methyl Ether Hydroquinone (MEHQ) and Veratrole.

Camlin Fine Sciences Ltd has owned manufacturing facilities in Tarapur, India; Ravenna, Italy; Indaiatuba, Brazil and two outsourced facilities at Mahad and Khapoli. It has a strong research and development which is focused on bringing in continual improvements on process and products, backward integration and developing innovative products. The research and development is equipped with comprehensive and updated instrumentation for conducting quality analysis, stability studies. The research and development also is equipped to conduct application studies on stability index of edible oils and Biodiesel. The R& D specializes in synthesis of basic molecules for drug development, synthesis of high quality laboratory chemicals, synthesis of drug metabolites.



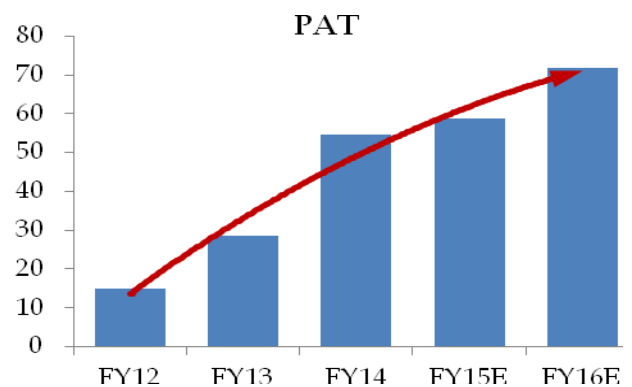
Dominant position with strong market share

Camlin fine Sciences have become the World's largest producer of Food Antioxidants namely tertiary butyl hydroquinone (TBHQ) and butyl hydroxy anisole (BHA). With the successful establishment of two major business divisions namely, Food and Industrial products; the company has witnessed positive impact in the growth of sales volume and value and entry in new geographies; thereby expanding its presence and increasing market share. The Food Division is leveraging its global leadership position in Bulk food antioxidants by launching a wide range of customised antioxidants blends which will be a major growth driver in the next few years. Further, under the industrial segment; the Company has increased its market share by 3 highly potential new products from the diphenol downstream. These products were Tertiary Butyl Catechol (TBC), Guaiacol and Veratrole which have contributed to the growth. Further, forward integration from raw material to finished product under aroma and flavours segment is also helping to gain market share.



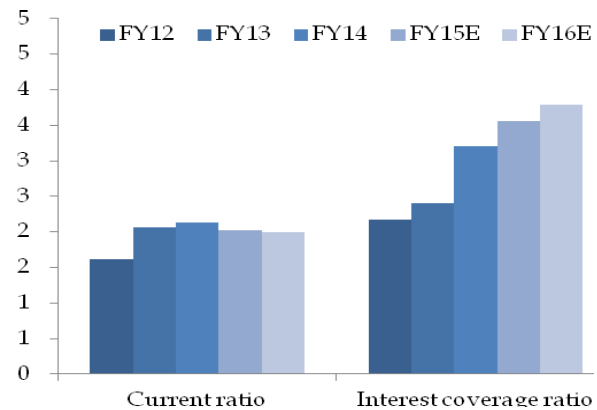
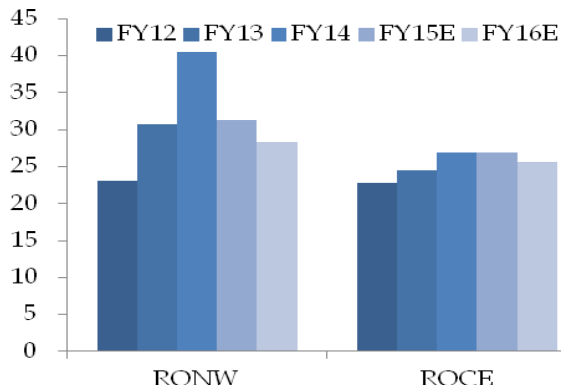
Upcoming new facility at Dahej

The Company is in the process of setting up a new facility at Dahej SEZ, Bharuch District, Gujarat at an estimated cost of Rs.191 crores. It will be for manufacturing of 9000 MT per annum of Hydroquinone, 6000 MT per annum of Vanillin and 6000 MT per annum of Catechol. The company has already acquired land for the proposed plant and applied for environment clearance apart from initiating basic engineering work. The facility is expected to commission by September, 2017. The new plant would help the company become a major supplier of Diphenol and Catechol and Vanillin as well as its derivative and down-stream products. This fully integrated project will give cost leadership to the company.



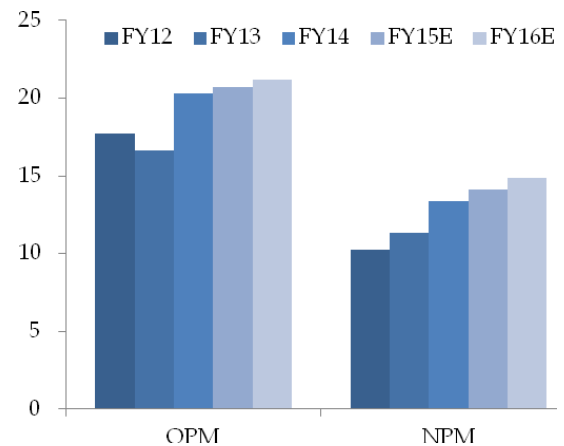
Backward integration reaping benefits

Camlin Fine Sciences is not only the world's largest manufacturer of food grade antioxidants, TBHQ and BHA but is also a backwardly integrated facility which gives it a strong strategic position in the world. The company has successfully acquired Italy-based Borregaard engaged in manufacturing fine chemicals in March 2011. Borregaard is one of the five global producers of Hydroquinone, which is the key raw material for the Company's major product. The acquisition has benefitted the company with assured & steady supply of key raw material even at times when there is short supply in the global market. Consequently the EBITDA margins have expanded sharply since this development. Further, increase in production capacity from 600 MT per month to 1000 MT per month by debottlenecking manufacturing facility at CFA Europe, Italy is also aiding the company's profitability.



Sound financials track record

Camlin Fine Sciences has registered sharp numbers for the financial year ended March 2015. Total income from operations stood at Rs.558.27 crores from Rs.508.67 crores; depicting growth of about 10%. The topline has been grown at a CAGR of 34.92% during FY11-15. Operating profit registered sharp growth of ~37% at Rs.84.17 crores from Rs. 61.65 crores. Similarly, adjusted net profit zoomed excellently by about 90% at Rs.54.67 crores from Rs.28.71 crores. The company's bottomline has been grown at CAGR of 66.79% during FY11-15. On the margins front, there is a sharp expansion for the company as compared to last year. Operating profit margin increased 296 bps at 15.08% from 12.12% last year. This expansion was on account of backward integration through Borregaard which enabled uninterrupted supply of raw material along with cost leadership for the company. On the net profit margin; the company too witnessed sharp growth from 5.64% to 9.79%.



Consolidated Profit & Loss Account

Rs. Crore

Particulars	FY13	FY14	FY15	FY16E	FY17E
Net sales	373.62	508.67	558.27	658.76	785.25
Growth		36.15%	9.75%	18.00%	19.20%
Expenditure	326.61	447.03	474.10	553.36	656.47
EBITDA	47.01	61.65	84.17	105.40	128.78
Growth		31.14%	36.54%	25.22%	22.18%
EBITDA margin	12.58%	12.12%	15.08%	16.00%	16.40%
Other income	10.22	9.66	8.38	10.54	12.56
Depreciation & Amortisation	13.61	11.79	16.25	19.61	23.80
EBIT	43.62	59.52	76.30	96.34	117.55
EBIT margin	11.67%	11.70%	13.67%	14.62%	14.97%
Interest	20.11	24.66	23.82	27.03	31.00
PBT	23.51	34.86	52.48	69.31	86.55
Tax	8.38	6.13	(2.21)	10.40	14.71
PAT	15.12	28.74	54.69	58.91	71.84
Share of Associates	0.00	0.00	0.00	0.00	0.00
Minority Interest	0.03	0.02	0.01	0.00	0.00
Adjusted PAT	15.10	28.71	54.67	58.91	71.84
Growth		90.21	90.41	7.76	21.94
Net Profit margins	4.04	5.64	9.79	8.94	9.15
Exceptional item	0.00	0.00	0.36	0.00	0.00
Reported PAT	15.10	28.71	55.03	58.91	71.84
Equity Shares	4.69	4.72	9.59	9.59	9.59
Adjusted EPS*	1.57	2.99	5.70	6.14	7.49

*Adjusted for stock splits

Ratios

Particulars	FY13	FY14	FY15	FY16E	FY17E
Return on Equity	23.09	30.77	40.54	31.25	28.38
Return on Capital employed	22.83	24.48	26.88	26.95	25.57
Debt/Equity	1.92	1.61	1.10	0.90	0.82
Asset turnover	1.01	1.38	1.31	1.22	1.14
Current Ratio	1.62	2.06	2.13	2.02	2.00
Book value per share	13.93	19.77	14.06	19.66	26.40
Interest coverage	2.17	2.41	3.20	3.56	3.79

Balance Sheet

Rs. Crore

Particulars	FY13	FY14	FY15	FY16E	FY17E
Equity Share Capital	9.39	9.44	9.59	9.59	9.59
Reserves & Surplus	55.99	83.86	125.28	178.92	243.57
Shareholders' funds	65.38	93.30	134.87	188.51	253.16
Borrowings	125.71	149.89	149.02	168.91	206.64
Deferred tax liability	3.15	0.00	0.00	0.00	0.00
Minority Interest	0.00	0.00	0.00	0.00	0.00
Sources of funds	194.24	243.20	283.88	357.42	459.80
Gross block	251.04	283.15	325.49	392.12	475.91
Accumulated Depreciation	167.76	199.99	216.24	235.85	259.65
Net block	83.28	83.15	109.25	156.27	216.26
Capital WIP	0.76	22.08	0.00	0.00	0.00
Investments	1.23	1.21	1.09	0.75	2.41
Deferred tax assets	0.00	4.04	12.69	12.69	12.69
Goodwill on consolidation	0.00	0.00	0.00	0.00	0.00
Inventories	149.00	109.20	136.38	163.56	201.02
Sundry debtors	87.06	101.32	113.42	137.54	169.04
Cash and bank balance	25.74	15.80	19.26	26.02	31.98
Other current assets	0.00	8.10	8.60	11.15	13.71
Loans and advances	22.40	23.78	25.24	33.46	41.12
Total current assets	284.20	258.21	302.90	371.73	456.87
Current liabilities and provisions	175.24	125.49	142.05	184.03	228.44
Net current assets	108.96	132.72	160.85	187.71	228.44
Misc exp	0.00	0.00	0.00	0.00	0.00
Uses of funds	194.24	243.20	283.88	357.42	459.80

Standalone Quarterly Financial Highlights

Rs. Crore

Particulars	Q4FY15	Q4FY14	Q3FY15	YoY%	QoQ%
Revenues	135.12	110.62	108.56	22.15	24.47
Expenditures	118.54	95.63	92.63	23.96	27.97
Operating Profit	16.58	14.99	15.93	10.61	4.08
Adjusted Net Profit	8.42	3.40	6.84	147.65	23.10
OPM%	12.27	13.55	14.67	(128bps)	(240bps)
NPM %	6.23	3.07	6.30	316bps	(7bps)
Adjusted EPS*	0.88	0.36	0.71	144.44	23.94

*Adjusted for current no. of equity shares

Past Price movement of the stock



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<i>Disclosure of Interest Statement</i>	<i>Company Name</i>
<i>1. Analyst Ownership of the Stock</i>	<i>No</i>
<i>2. Hem & its Group Company Ownership of the Stock</i>	<i>Yes</i>
<i>3. Hem & its Group Companies' Director Ownership of the Stock</i>	<i>Yes</i>
<i>4. Broking relationship with company covered</i>	<i>No</i>

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