

Current	Previous
CMP : Rs.95	
Rating : BUY	Rating : NR
Target : Rs.150	Target : NR

(NR-Not Rated)

STOCK INFO	
BSE	532834
NSE	Not Listed
Bloomberg	CFIN.IN
Reuters	CAMF.BO
Sector	Speciality Chemicals
Face Value (Rs)	2
Equity Capital (Rs mn)	94
Mkt Cap (Rs mn)	4,546
52w H/L (Rs)	106.55/15
1m Avg Daily Volume (BSE)	42,766

Source: BSE, NSE India, Capitaline, Company, IndiaNivesh Research

SHAREHOLDING PATTERN	%
<i>(as on June 2014)</i>	
Promoters	52.79
FII's	0.00
DII's	0.13
Public & Others	47.08

Source: BSE, NSE India, Capitaline, Company, IndiaNivesh Research

STOCK PERFORMANCE (%)	1m	3m	12m
CAMLIN	2.69	77.51	444.16
NIFTY	-0.72	13.65	35.99

Source: BSE, NSE India, Capitaline, Company, IndiaNivesh Research

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Camlin Fine Sciences Limited (Camlin) is in the business of manufacturing food antioxidants and intermediate ingredients for industrial products (Diphenol downstream range of products). Under food division the company produces customized bulk antioxidants which are ready to use solutions having applications in fats and edible oils, fried snack foods, bakery, confectionery and dairy products. Food antioxidant products increase the shelf life while preserving freshness and quality of packaged food. Under industrial division it manufactures products used as pharmaceutical intermediate, polymerization inhibitor for petrochemicals and in cosmetic bases.

Key rationales for accumulating Camlin:

- 1) Camlin is a global player in manufacture of preservatives for packaged food and industrial products.** Over the years it has built number of strong innovative products in food and industrial division. It is world's largest manufacturer of food grade antioxidants namely TBHQ and BHA. It has set up a wholly owned subsidiary in Brazil, North America and Spain to facilitate better customized products and services for its American and European clients. It is in the process of setting up distribution hubs across key geographies to attain faster growth and garner larger market share.
- 2) Presently around 75% of standalone revenue comes from food division. To maintain its global leadership positions in Bulk food antioxidants it has lined up number of innovative customized antioxidants blends for launches in FY'15.** Management is confident on success of new launches and expects them to be major growth driver for next couple of years. To be ahead of competition it is in the process of setting up a dedicated R&D and Process Development facility with state of the art equipments and infrastructures to meet continuous evolution and new demands of food industry.
- 3) Domestic packaged food industry is estimated at \$15 bn while globally it is at \$250. Fast changing lifestyles, urbanization, more couples joining workforce coupled with western food influence is likely to trigger much faster growth of packaged food industry in India.** The company is fully geared up to capitalize on growth opportunities in Food Antioxidants. It has undertaken capacity expansions at its customized blend manufacturing facilities adhering to GMP and food standards.
- 4) Industrial products division which contributes around 25% to standalone top line has shown strong upward traction in FY'14. The company has undertaken capacity expansions for its key industrial products.** Main products being Guaiacol, Veratrole, Tertiary Butyl Catechol (TBC) and Hydroquinone Mono Methyl Ether.
- 5) Camlin has developed a 'Green Process' for manufacture of Guaiacol.** Global demand for Guaiacol is huge. It is used as an intermediate for manufacturing Vanillin, an important food flavoring and Guaphenesin a pharmaceutical intermediate. **The company is enhancing its manufacturing capacity of Guaiacol by 100%.** Its sales has commenced in Indian market.
- 6) Manufacturing capacity of TBC an industrial antioxidant has been enhanced by 50%. It is used in petrochemical industry. The company is expecting to double the sales of TBC in near future.** It successfully undertook de-bottlenecking of the processes leading to substantial cost reduction and higher capacity addition.
- 7) Veratrole an intermediate used in pharmaceuticals and agrochemicals has potential of becoming high revenue earner industrial product for Camlin going forward. The company expects to garner 70% of Veratrole market share by FY'15.**
- 8) Camlin seems to be poised at inflexion point for rapid growth in coming years.** It has completed capacity enhancements for most of its existing and new products. Continuous technological up-gradation, process re-engineering and innovation focused research has several new products lined for launches in near future and its customer centric focus catering to their ever changing requirements gives them a superior edge over competitors.
- 9) Camlin stands on strong financials. Its revenue grew at a CAGR of around 30% in last 4 years, in an economically tough global environment.** During the same period Shareholders fund posted CAGR of 23% while that for fixed assets gross block

came at 13%, depicting management's resolve to add on capacities despite challenging environment. Profit after tax delivered a CAGR of 45% and cash accruals had a CAGR of 34% from FY'10 to FY'14. Q1FY15 saw revenue rise by 13.37% y-o-y and PAT by 10.30% y-o-y.

- 10) Camlin posted strong set of FY'14 numbers. **Consolidated total income at Rs. 518.33 crores for FY'14 registered 35% Y-o-Y growth while consolidated PAT at Rs. 28.71 crores posted 90% Y-o-Y growth.** Going forward we expect company to capitalize on benefits of capacity expansions leading to operating leverage along with higher operational efficiency on back drop of several new product launches.
- 11) **Assuming the company is able to sustain its growth momentum picked up in FY'14, we expect Camlin to deliver over 25% revenue growth in FY'15.** Based on annualized consolidated PAT margin of 5.50% (same as in FY'14); its FY'15 EPS works out to be Rs 7.50. Historically it has traded in P/E band of 20x to 30x (on ttm basis). **Valuing the company at P/E multiple of 20x for FY'15 the target stock price comes at Rs 150.**

We recommend buy and accumulate on 'Camlin' for a target price of Rs 150.

YE March (Rs. Crores)	REVENUE	EBITDA	PAT	EBITDA %	PAT %	EPS (Rs.)	P/E (x)
FY12A	346.81	40.87	3.79	11.78%	1.09%	0.81	117.90x
FY13A	383.84	57.23	15.09	14.91%	3.93%	3.22	29.66x
FY14A	518.33	71.30	28.71	13.76%	5.54%	6.11	15.63x

Source: BSE, NSE India, Capitaline, Company, IndiaNivesh Research



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