

# Clean Science and Technology

## BUY

### Impressive HALS Ramp Up

#### Summary

Clean Science and Technology (Clean) reported results which were in line with our expectations. The management stated that the growth is majorly led by volumes as realisations are steady. Ramp up in HALS segment was impressive with the company clocking in volume of 1,900 tons in FY25 with better realisations than anticipated at ~\$5 per kg and total revenue of Rs 800 mn. Management commentary on the roadmap for HALS ramp up seemed positive coupled with steady growth expected from base products such as MEHQ and BHA. We fine tune our estimates to factor in better offtake and realisations from the HALS series. We are positive on the company's growth prospects and capex aimed towards capturing import substitution opportunities. As valuations have turned attractive after the recent correction we upgrade our rating from HOLD to BUY with revised TP of Rs 1,641 at 35x FY27 expected earnings.

#### Key Highlights and Investment Rationale

- **Impressive HALS Road Map:** The management asserted scaling up of HALS volumes from 1,900 tons in FY25 to close to 10,000 tons in FY28. Revenue scale up for the same would be from Rs 800 mn in FY25 to ~Rs 5.6 bn in FY28 with blended realisations of Rs 580-585 per kg. Volume and revenue target for FY26 has been pegged at 4500 tons and Rs 2.1bn respectively. The management exuded confidence in their strategy of ramping up the HALS series.
- **Performance Chemicals Capex and HALS:** Out of the two Rs 1.5bn performance chemical capex projects one is slated to be commissioned in August 2025 and the next one in February 2026. Clean envisages steady and improving growth for base products and is strategically aiming to improve product mix by selling higher value HALS products like 119 and 944.

**TP** **Rs1,641**

**CMP** **Rs1,329**

Potential upside/downside 23%

Previous Rating HOLD

#### Price Performance (%)

	-1m	-3m	-12m
Absolute	10.3	2.0	(4.8)
Rel to Sensex	8.6	(5.4)	(13.9)

#### V/s Consensus

EPS (Rs)	FY26E	FY27E
IDBI Capital	35	47
Consensus	33	43
% difference	6.3	10.2

#### 3Key Stock Data

Bloomberg / Reuters	CLEAN IN / CLEA.BO
Sector	Specialty Chemicals
Shares o/s (mn)	106
Market cap. (Rs mn)	141,250
3-m daily average value (Rs mn)	1,722
52-week high / low	Rs1,690 / 1,062
Sensex / Nifty	80,952 / 24,610

#### Shareholding Pattern (%)

Promoters	75.0
FII	6.1
DII	5.5
Public	13.4

#### Financial snapshot

(Rs mn)

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	9,358	7,915	9,666	12,355	15,763
Change yoy, (%)	37	(15)	22	28	28
EBITDA	4,021	3,321	3,876	4,819	6,147
Change yoy, (%)	34	(17)	17	24	28
EBITDA Margin (%)	43.0	42.0	40.1	39.0	39.0
Adj.PAT	2,952	2,440	2,644	3,681	4,997
EPS (Rs)	28	23	25	35	47
Change yoy, (%)	29.2	(17.3)	8.4	39	36
PE(x)	47.8	57.9	53.4	38.4	28.3
Dividend Yield (%)	0	0.4	0.4	0.5	0.5
P/B (x)	35.1	42.5	36.4	29.4	22.8
RoE (%)	33.2	22.1	20.2	23.5	25.9
RoCE (%)	40.1	25.2	24	27	29

Source: IDBI Capital Research, Company

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**Exhibit 1: Quarterly Snapshot (Consolidated)**

Consolidated (Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ%
<b>Net Sales</b>	<b>2,637</b>	<b>2,275</b>	<b>15.9%</b>	<b>2,408</b>	<b>9.5%</b>
<b>Expenditure</b>	<b>-1,589</b>	<b>-1,141</b>	<b>39.3%</b>	<b>-1,208</b>	<b>31.6%</b>
<i>as % of sales</i>	-60%	-50%	20.2%	-50%	
Consumption of RM	-958	-780	22.8%	-879	8.9%
<i>as % of sales</i>	-42%	-34%	22.8%	-37%	
Employee Cost	-150	-135	11.7%	-141	6.4%
<i>as % of sales</i>	-7%	-6%	11.7%	-6%	
Other expenditure	-481	-226	112.5%	-187	157.3%
<i>as % of sales</i>	-21%	-10%	112.5%	-8%	
<b>EBITDA</b>	<b>1,048</b>	<b>945</b>	<b>10.9%</b>	<b>985</b>	<b>6.4%</b>
Depreciation	-174	-127	37.4%	-183	-4.8%
<b>EBIT</b>	<b>873</b>	<b>818</b>	<b>6.8%</b>	<b>802</b>	<b>9.0%</b>
Other Income	124	141	-12.0%	52	137.2%
Interest	-1	-6	-76.0%	-1	6.3%
Exceptional	0	0	-	0	
PBT	996	953	4.5%	853	16.8%
Total Tax	-255	-250	1.8%	-196	30.0%
<b>Reported PAT</b>	<b>741</b>	<b>703</b>	<b>5.4%</b>	<b>656</b>	<b>12.9%</b>
Discontinued Ops	0	0	-	0	-
<b>AdjustedPAT</b>	<b>741</b>	<b>703</b>	<b>5.4%</b>	<b>656</b>	<b>12.9%</b>
<b>Adjusted EPS</b>	<b>7</b>	<b>7</b>	<b>5.4%</b>	<b>6</b>	<b>12.9%</b>
<b>Margins (%)</b>			<b>YoY (bps)</b>	<b>QoQ (bps)</b>	
EBIDTA	39.7%	41.5%	(180)	40.9%	(116)
EBIT	33.1%	36.0%	(283)	33.3%	(17)
EBT	37.8%	41.9%	(412)	35.4%	236
PAT	28.1%	30.9%	(279)	27.3%	84
Effective Tax rate	25.6%	26.3%	(66)	23.0%	259

Source: Company, IDBI Capital

**Conference call highlights:****Demand:**

- Clean Science Tech reported the highest sales volumes across all its key product offerings in FY25.
- HALS sales were roughly 1,900 tons in FY25, translating to Rs800mn in revenue. Sales volume was similar sequentially.
- Clean Science has managed to capture 65% of the HALS domestic market and plans to expand in the rest of the market as well. Clean is also targeting the export markets in countries such as Europe, US, MENA & South Africa.
- MEHQ and BHA saw a record sales volume in FY25, with their plants running at 70-72% capacity utilization. This indicates a further room for growth in FY26, which the company plans to go after in FY26.
- MEHQ and TBHQ is growing approx. at the rate of 4%-5% of industry standard rates. TBHQ is linked to edible oil prices while BHA is linked to pet food consumption.

**Capex Plans:**

- Clean Science invested Rs2.5Bn in the subsidiary Clean Fino Chem, in FY25.
- For FY26, the capex is expected to be Rs3Bn.
- Two new performance chemicals are ready for commercialization in FY26.
- The construction for chemical 1 is expected to be completed by Q2FY26. As for the chemical 2, the capex has already started and is expected to commercialize by Q4FY26.
- Both these performance chemicals will have capacities of around 10,000 tons.
- Phase 2 of HALS expansion will be considered post global approvals are received and the capacity utilization of the existing facility reaches 60-65%. Phase 2 will specifically target higher value products and not low margin products.

**Future Guidance:**

- The TAM for Clean Science is expected to increase by over \$1.5Bn, including HALS and the two new performance chemicals which are to be added in the future.
- The targeted sales volume for HALS is 4500 tons in FY26, which should translate to a revenue of Rs2.1Bn. The peak HALS sales from the current capacity itself could be Rs5.6-5.7Bn which would be expected in FY28.
- Blended HALS realization is expected to improve from the current rate of Rs425/kg towards Rs500/kg in FY26. This has potential to improve further. This will be on the back of higher range products getting commercialized and then being sold.
- The company is confident of maintaining EBITDA margins of 40% for FY26. These will improve further as the new performance chemicals and pharma intermediate scale up. These have a better margin contribution compared to HALS.
- The net revenue on consolidated level is expected grow by 18-20%.

**Others:**

- Company developed highest number of products during FY25, including the entire HALS series, DHDT, DHT, and two new performance chemicals.
- New value chains and complex chemistry capabilities were developed by Clean Science, including triphasic catalytic ring formations (condensation), hydrogenation, esterification, polymerization, hydro amination, and chlorination.
- Revenue contribution in FY25: Performance 69%, Pharma and Agro 19%, FMCG 12%. Performance Chemical sector was the key driver.
- HALS subsidiary, Clean Fino Chem managed to break even in Q4 FY25 on EBITDA level.

**Exhibit 2: Change in estimates**

	FY26E			FY27E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs mn)	12,703	12,355	-3%	15,565	15,763	1%
EBITDA (Rs mn)	4,700	4,819	3%	5,759	6,147	7%
<i>EBITDA margin (%)</i>	<i>37%</i>	<i>39%</i>	<i>200.00</i>	<i>37%</i>	<i>39%</i>	<i>200.00</i>
Net profit (Rs mn)	3,400	3,681	8%	4,361	4,997	15%
EPS (Rs)	32	35	8%	41	47	15%

Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net sales</b>	<b>6,849</b>	<b>9,358</b>	<b>7,915</b>	<b>9,666</b>	<b>12,355</b>	<b>15,763</b>
<i>Change (yoy, %)</i>	33.7	37	(15)	22	28	28
Operating expenses	(3,850)	(5,337)	(4,594)	(5,790)	(7,537)	(9,615)
<b>EBITDA</b>	<b>2,999</b>	<b>4,021</b>	<b>3,321</b>	<b>3,876</b>	<b>4,819</b>	<b>6,147</b>
<i>Change (yoy, %)</i>	15.8	34	(17)	17	24	28
<i>Margin (%)</i>	43.8	43.0	42.0	40.1	39.0	39.0
Depreciation	(249)	(361)	(459)	(691)	(459)	(448)
<b>EBIT</b>	<b>2,750</b>	<b>3,660</b>	<b>2,861</b>	<b>3,186</b>	<b>4,360</b>	<b>5,700</b>
Interest paid	(1)	(2)	(9)	(4)	(5)	(7)
Other income	300	298	413	386	566	988
<b>Pre-tax profit</b>	<b>3,048</b>	<b>3,956</b>	<b>3,265</b>	<b>3,567</b>	<b>4,921</b>	<b>6,681</b>
Tax	(763)	(1,005)	(825)	(923)	(1,240)	(1,684)
<i>Effective tax rate (%)</i>	25.0	25.4	25.3	25.9	25.2	25.2
Minority Interest	-	-	-	-	-	-
<b>Net profit</b>	<b>2,285</b>	<b>2,952</b>	<b>2,440</b>	<b>2,644</b>	<b>3,681</b>	<b>4,997</b>
Exceptional items	-	-	-	-	-	-
<b>Adjusted net profit</b>	<b>2,285</b>	<b>2,952</b>	<b>2,440</b>	<b>2,644</b>	<b>3,681</b>	<b>4,997</b>
<i>Change (yoy, %)</i>	15.2	29	(17)	8	39	36
EPS	21.5	27.8	23.0	24.9	34.6	47.0
Dividend per sh	-	5.2	5.0	5.0	6.0	7.2
<i>Dividend Payout (%)</i>	-	18.9	21.8	20	17	15

**Balance Sheet**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Shareholders' funds</b>	<b>7,684</b>	<b>10,100</b>	<b>12,032</b>	<b>14,164</b>	<b>17,207</b>	<b>21,440</b>
Share capital	106	106	106	106	106	106
Reserves & surplus	7,578	9,994	11,925	14,058	17,101	21,333
<b>Total Debt</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>300</b>
Other liabilities	213	261	347	358	358	358
<b>Curr Liab &amp; prov</b>	<b>1,349</b>	<b>1,155</b>	<b>1,608</b>	<b>1,556</b>	<b>1,645</b>	<b>1,939</b>
Current liabilities	1,345	1,094	1,598	1,542	1,631	1,925
Provisions	4	61	11	14	14	14
<b>Total liabilities</b>	<b>1,562</b>	<b>1,418</b>	<b>1,955</b>	<b>1,913</b>	<b>2,303</b>	<b>2,597</b>
<b>Total equity &amp; liabilities</b>	<b>9,247</b>	<b>11,518</b>	<b>13,987</b>	<b>16,078</b>	<b>19,510</b>	<b>24,037</b>
Net fixed assets	3,369	4,433	6,568	7,087	9,629	10,681
Investments	-	255	370	369	369	369
Other non-curr assets	174	527	452	631	631	631
<b>Current assets</b>	<b>5,703</b>	<b>6,303</b>	<b>6,597</b>	<b>7,990</b>	<b>8,882</b>	<b>12,355</b>
Inventories	881	1,088	1,237	1,494	1,443	1,842
Sundry Debtors	1,535	1,462	1,637	2,034	2,148	2,686
Cash and Bank	747	125	106	202	30	1,568
Loans and advances	2,540	3,629	3,617	4,260	5,260	6,260
<b>Total assets</b>	<b>9,247</b>	<b>11,518</b>	<b>13,987</b>	<b>16,078</b>	<b>19,510</b>	<b>24,037</b>

**Cash Flow Statement**

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	3,048	3,956	3,265	3,567	4,921	6,681
Depreciation	249	361	459	691	459	448
Tax paid	(691)	(945)	(755)	(955)	(1,240)	(1,684)
Chg in working capital	(1,074)	(475)	(279)	(885)	26	(642)
Other operating activities	(260)	(104)	(326)	(280)	5	7
<b>Cash flow from operations (a)</b>	<b>1,272</b>	<b>2,794</b>	<b>2,364</b>	<b>2,138</b>	<b>4,171</b>	<b>4,810</b>
Capital expenditure	(1,396)	(1,727)	(2,261)	(1,419)	(3,000)	(1,500)
Chg in investments	580	(1,033)	402	(119)	(1,000)	(1,000)
Other investing activities	30	61	6	20	-	-
<b>Cash flow from investing (b)</b>	<b>(786)</b>	<b>(2,698)</b>	<b>(1,852)</b>	<b>(1,517)</b>	<b>(4,000)</b>	<b>(2,500)</b>
Equity raised/(repaid)	-	-	9	9	-	-
Debt raised/(repaid)	-	-	-	-	300	-
Dividend (incl. tax)	-	(558)	(531)	(531)	(638)	(765)
Chg in minorities	-	-	-	-	-	-
Other financing activities	(1)	7	(9)	(3)	(5)	(7)
<b>Cash flow from financing (c)</b>	<b>(1)</b>	<b>(550)</b>	<b>(532)</b>	<b>(525)</b>	<b>(343)</b>	<b>(772)</b>
<b>Net chg in cash (a+b+c)</b>	<b>485</b>	<b>(455)</b>	<b>(20)</b>	<b>96</b>	<b>(172)</b>	<b>1,538</b>



**Financial Ratios**

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	72.3	95	113	133	162	202
Adj EPS (Rs)	21.5	27.8	23.0	24.9	34.6	47.0
Adj EPS growth (%)	15.2	29	-17	8	39	36
EBITDA margin (%)	43.8	43.0	42.0	40.1	39.0	39.0
Pre-tax margin (%)	44.5	42.3	41.3	36.9	39.8	42.4
Net Debt/Equity (x)	-0.1	0.0	0.0	0.0	0.0	-0.1
ROCE (%)	40.8	40	25	24	27	29
ROE (%)	34.9	33	22	20	23	26
<b>DuPont Analysis</b>						
Asset turnover (x)	0.9	0.9	0.6	0.6	0.7	0.7
Leverage factor (x)	1.2	1.2	1.2	1.1	1.1	1.1
Net margin (%)	33.4	31.5	30.8	27.4	29.8	31.7
<b>Working Capital &amp; Liquidity ratio</b>						
Inventory days	47	42	57	56	43	43
Receivable days	82	57	76	77	63	62
Payable days	97	55	84	62	52	52

**Valuations**

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	61.8	47.8	57.9	53.4	38.4	28.3
Price/Book value (x)	18.4	14.0	11.7	10.0	8.2	6.6
EV/Net sales (x)	20.5	15.1	17.8	14.6	11.4	8.9
EV/EBITDA (x)	46.8	35.1	42.5	36.4	29.4	22.8
Dividend Yield (%)	0.0	0.4	0.4	0.4	0.5	0.5

Source: Company; IDBI Capital Research

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**Key to Ratings Stocks:**

**BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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