

Fineotex Chemical Ltd.

CMP INR 346	Target INR 571	Potential Upside 65%	Market Cap (INR Mn) INR 40,562	Recommendation BUY	Sector Specialty Chemicals
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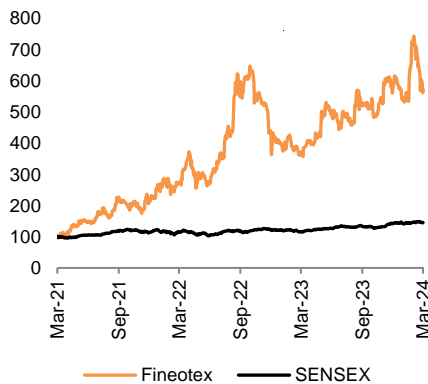
Result Highlights of Q3FY24:

- For Q3FY24, Fineotex Chemical's(FCL) posted a revenue of INR 1385 Mn growing by 26% YoY and -5% QoQ on a consolidated basis. For 9MFY24 revenue stood at INR 4160 Mn, growing by 10%. Volumes grew by 37% Y-o-Y
- EBITDA stood at INR 404 Mn, on the back of 42% gross margins, with EBITDA margin coming in at 29%. with margin expansion of 301 bps. EBITDA for 9MFY24 was INR 1101 Mn growing by 38%, 9MFY24 margin at 26.4%
- PAT for the quarter came in at INR 329 MN, with margins at 24%, expanding by 320 bps YoY, for 9MFY24 PAT was INR 905 MN growing by 42%. On a standalone basis FCL grew its PAT by ~100%.
- EPS for the quarter came in at INR 2.95/share, compared with INR 2 in the same quarter last year. For 9MFY24, the EPS stood at INR 8.10, comparing with INR 5.64 a growth of 43%. ROE for 9MFY24 stood at 30%, with ROCE at 35%

MARKET DATA

Shares outs (Mn)	111
Mkt Cap (INR Mn)	40,562
52 Wk. H/L (INR)	458 / 208
Volume Avg (3m K)	88.333
Face Value (INR)	2.0
Bloomberg Code	FTXC:IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	72,641
NIFTY	22,011

Key Takeaways from Plant Visit at Ambernath

- We visited the new and existing Ambernath facilities of FCL. The existing plant was well-maintained, clean.
- FCL has acquired a set of factory buildings, office buildings and other smaller structures as part of the deal @ INR 350 Mn.
- Construction is underway for 4 floors of reactors that will be fungible. The factory shed is already constructed, and only the floors and machinery needs to be constructed.
- New plant to be ready within 10-12 months, with a lower than expected capex due to already existing concrete structures on the site.
- The site is right next to a railway station for easy staff access
- The site has about 40-50% of vacant land for future expansions/phases.
- Office buildings include spaces for labs, QC processes, loading bays, warehouses.
- The new plant is about 10 mins away from the existing plant.

Valuation and view:

FCL witnessed a strong quarter, with standalone profits for 9MFY24 jumping 101%. As cotton prices hit lower levels, we expect the company to perform better in the coming quarters. The recent fundraise by the company for foreign opportunities might bring additional impetus to company's growth prospects. We remain positive on the stock. **Currently, the stock is trading at 33x/25x/19x FY24E/FY25E/FY26E EPS, respectively. We assign a PE multiple of 30x to arrive at a target price of INR 570 (unchanged). Given the 65% upside from current levels, we remain optimistic about the long-term prospects of the company and accord a "BUY" rating on Fineotex Chemical Ltd.**

SHARE HOLDING PATTERN (%)

Particulars	Dec-23	Sep-23	Jun-23
Promoters	65.0	65.0	65.0
FIIIs	0.8	0.7	0.8
DIIIs	3.7	3.9	3.7
Others	30.5	30.4	30.5
Total	100	100	100

20%

Revenue CAGR between
FY23 and FY26E

33%

PAT CAGR between FY23
and FY26E

Fineotex Chemical Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue from operation	2185	3682	5170	5885	7274	9010
Cost of goods sold (COGS)	1406	2351	3392	3861	4700	5731
Employee benefits expense	89	136	184	177	200	225
Other expenses	285	483	468	353	400	450
Total Expenses	1779	2970	4044	4391	5300	6407
EBITDA	406	712	1126	1494	1974	2602
Depreciation and amortization expense	15	25	43	43	43	53
EBIT	391	687	1083	1451	1931	2550
Other income	175	55	73	95	123	160
Finance costs	7	9	8	8	8	8
Profit before tax	559	733	1148	1538	2046	2702
Exceptional items - income / expense	0	0	0	0	0	0
Profit / loss before tax	559	733	1148	1538	2046	2702
Total Tax expense	113	164	252	338	450	594
Profit after tax	446	569	896	1200	1596	2108

Source: Company, Deven Choksey Research

Exhibit 2: Cash Flow Statement

Particulars (INR Mn)	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY26E
Net Cash Generated From Operations	92	134	1073	1100	1365	1818
Net Cash Flow from/(used in) Investing Activities	-65	-7	-1018	-966	-1267	-1646
Net Cash Flow from Financing Activities	-44	-57	-64	-8	-8	-8
Net Inc/Dec in cash equivalents	-25	84	14	126	89	164
Opening Balance	230	205	289	303	429	518
Closing Balance Cash and Cash Equivalents	205	289	303	429	518	683

Source: Company, DevenChoksey Research

Exhibit 3: Ratio Analysis

Key Ratio	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY26E
EBITDA Margin (%)	18.6%	19.3%	21.8%	25.4%	27.1%	28.9%
Tax rate (%)	20.2%	22.4%	22.0%	22.0%	22.0%	22.0%
Net Profit Margin (%)	20.4%	15.4%	17.3%	20.4%	21.9%	23.4%
RoE (%)	22.7%	23.4%	28.7%	28.9%	28.7%	28.5%
EPS (INR)	3.83	4.97	7.97	10.83	14.41	19.03
CFO/EBITDA	22.7%	18.8%	95.3%	73.6%	69.1%	69.9%

Source: Company, DevenChoksey Research

Fineotex Chemical Ltd.

Exhibit 4: Balance Sheet

INR Mn	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY26E
Property, plant & equipment	495	740	888	845	802	984
Capital work in progress	46	0	4	4	235	0
Investment property	38	39	39	39	39	39
Goodwill on consolidation	61	61	61	61	61	61
Investments	315	173	893	1869	2915	4571
Others	19	8	24	24	24	24
Non - current tax assets	0	12	33	33	33	33
Other non - current assets	38	43	45	45	45	45
Total non - current assets	1013	1077	1988	2920	4155	5758
Inventories	288	596	473	538	655	799
Investments	9	0	0	0	0	0
Trade receivables	827	1109	1014	1154	1427	1767
Cash and cash equivalents	232	308	376	503	592	757
Bank balances	108	72	220	220	220	220
Other financial asset	3	31	7	7	7	7
Other current assets	119	129	77	77	77	77
Asset classified as held for sale	72	72	72	72	72	72
Total current assets	1656	2318	2239	2572	3050	3700
Total assets	2670	3395	4227	5492	7205	9457
Equity and Liabilities						
Equity share capital	221	221	221	221	221	221
Other equity	1872	2400	3265	4465	6061	8169
Minority interest	67	73	70	70	70	70
Total equity	2161	2694	3557	4756	6353	8460
Other financial liabilities	5	8	10	10	10	10
Provisions	1	1	0	0	0	0
Deferred tax liabilities (net)	7	11	21	21	21	21
Total non - current liabilities	13	20	32	32	32	32
Borrowings (overdraft)	35	19	73	73	73	73
Trade payables	368	588	474	539	656	800
Other financial liabilities	1	1	2	2	2	2
Other current liabilities	91	70	87	87	87	87
Provisions	2	3	4	4	4	4
Current tax liabilities (net)	0	0	0	0	0	0
Total current liabilities	496	681	638	704	821	965
Total liabilities	509	701	670	736	853	997
Total equity and liabilities	2670	3395	4227	5492	7205	9457

Source: Company, DevenChoksey Research

Fineotex Chemical Ltd.

Fineotex Chemical Limited			
Date	CMP (INR)	TP (INR)	Recommendation
22-March-24	346	571	BUY
20-February-24	436	571	BUY
09-February-24	374	531	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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