

Company Name: Fineotex Chemical

BSE CODE: 533333

NSE CODE: FCL

Sector: Chemicals

Industry: Chemicals

CMP (Rs): 408 | Buy Range: 400-410 | Target Price: 466 | Upside: 15%
Duration of Recommendation: 1- 3 months

Company Data

Market Cap (Rs Cr)	4,551
Enterprise value (Rs Cr)	4,501
52-Week High/Low (Rs)	427/203
EPS (TTM) (Rs)	10.40
P/E Ratio (x)	39.4
Industry PE (x)	33.1
EV/EBITDA (x)	28.6
P/PB (x)	11.4

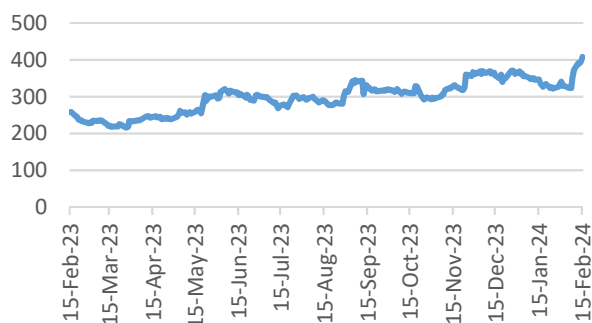
Shareholding %	Q1FY24	Q2FY24	Q3FY24
Promoters	65.04	65.04	65.04
FII's	0.75	0.72	0.82
DII's	3.65	3.86	3.69
Public	30.56	30.39	30.46
Govt	-	-	-
Total	100.0	100.0	100.0
Pledged	0.00	0.00	0.00

Financial Performance (Consolidated)

INR (Cr)	FY23	FY24E	FY25E
Revenue	517	638	792
Growth (%)	40.4%	23.5%	24.0%
EBITDA	113	169	210
EBITDA growth	58.2%	49.7%	9.0%
EBITDA margin	21.8%	26.4%	26.5%
Net Profit	90	139	174
Profit growth	10.4%	54.6%	25.7%
Profit margins	17.3%	21.7%	22.0%
EPS	8.1	12.5	15.7
BVPS	31.5	38.2	46.3
P/E (x)	28.8	37.0	25.9
P/BV(x)	7.4	10.7	8.8
ROE (%)	28.9%	30.0%	31.5%
RoCE	30.4%	32.0%	33.0%
EV/EBITDA(x)	22.68	19.70	20.57

Source: Company, Share India Securities

Price Performance



Our Recommendation: Fineotex Chemical showed strong set of numbers in Q3FY24 results where consolidated Sales/EBITDA/PAT grew by 28%/41/46% YoY. Over FY18-23 period, Sales/EBITDA/PAT has grown at CAGR of 29.7%/30.2%/30% respectively. Company's partnership with Eurodye-CTC in Belgium and HealthGuard Australia offers growth opportunities in both domestic and international markets. **We recommend BUY in price range of 400-410 with target price of 466 (based on 37x FY24E EPS) with upside 15%.**

About Company: Fineotex Chemicals Ltd manufactures auxiliaries and specialty chemicals for various industries such as textiles, construction, water treatment, fertilizer, leather, and paints.

Buisness Outlook:

Textile Chemical segment: Produces specialty chemicals for the entire textile value chain, covering processes including pre-treatment, dyeing, printing, and finishing.

Cleaning and Hygiene segment: Produces floor cleaners, hand-washes, sanitizers, dishwashers, and toilet bowl cleaners. Company also provides customized solutions.

Strong Client Base: The company's key clientele includes Welspun, Banswara Syntex, Nahar, Raymond, Arvind, Bombay Dyeing, Clariant, Pidilite, and Deepak Fertilizers.

Geographical Reach: Sales in 70 countries including Brazil, Bangladesh, Germany, Indonesia, Malaysia, Singapore, Syria, Thailand, USA, Venezuela and Vietnam. 110+ dealers in Indian and International markets.

Revenue Mix: Domestic 77% | International 23%

Strong Financial Performance: Over FY18-23 period, Sales/EBITDA/PAT has grown at CAGR of 29.7%/30.2%/30% respectively from Rs.141 cr/31 cr/24 cr to Rs. 517 cr/112.6 cr/89.6 cr respectively. EBITDA margins hover around 18% to 22%. Five-year average ROE/ROCE are 19.4%/23% respectively. Company's leverage position is 1.2x and is almost debt free with D/E 0.00%.

Q3FY24 Results:

- ❖ Consolidated sales up by 26.8% YoY to ₹ 138 Cr from ₹ 109 Cr.
- ❖ EBITDA up by 41% YoY to ₹ 40 Cr from ₹ 38 cr with 300 bps improvment in margins.
- ❖ Net Profit increased by 46% YoY to ₹ 33 Cr from ₹ 22 Cr.
- ❖ On QoQ basis, Sales, EBITDA, Net Profit were -4.7%/+5.6%/+5% respectively.

Key Risks: Exposed to the risk of an increase in raw material prices that can impact profit margins.

Disclosure:

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