

Clean Science & Technology

Estimate changes



TP change



Rating change



Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	141.1 / 1.7
52-Week Range (INR)	1622 / 1275
1, 6, 12 Rel. Per (%)	1/-16/-34
12M Avg Val (INR M)	243

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	7.9	9.5	11.9
EBITDA	3.3	3.8	4.7
PAT	2.4	3.0	3.7
EPS (INR)	23.0	27.9	34.4
EPS Gr. (%)	-17.3	21.6	23.0
BV/Sh.(INR)	113.2	137.5	167.4

Ratios

Net D:E	-0.0	-0.1	-0.1
RoE (%)	22.1	22.3	22.5
RoCE (%)	21.6	21.9	22.2
Payout (%)	13.1	13.1	13.1

Valuations

P/E (x)	57.7	47.4	38.5
P/BV (x)	11.7	9.6	7.9
EV/EBITDA (x)	42.4	36.7	29.5
Div. Yield (%)	0.2	0.3	0.3
FCF Yield (%)	0.1	0.8	1.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	75.0	75.0	78.5
DII	5.0	5.1	4.8
FII	5.9	5.9	4.0
Others	14.1	14.0	12.8

FII Includes depository receipts

CMP: INR1,328

TP: INR1,375 (+4%)

Neutral

Volume-led recovery drives beat

- CLEAN's reported EBITDA in 4QFY24 beat our estimate at INR945m (-10% YoY), with a gross margin of 65.7% (vs. 70.5% in 4QFY23). EBITDAM contracted to 41.5% from 48.5% in 4QFY23. Revenue contribution of FMCG Chemicals increased YoY, while that of Performance Chemicals and Pharma & Agro Intermediates declined YoY. PAT declined 3% YoY to INR703m.
- There was strong sequential growth in both Performance and Pharma & Agro Intermediates on the back of volume growth. The management highlighted that DCC and TBHQ, which were running at lower utilization, picked up pace in 4Q. Capacity utilization for Performance Chemicals and Pharma & Agro Intermediates stood at 70%, while it stood at 75% for FMCG Chemicals.
- Revenue share of principal products declined to 76% from 84% in 3QFY24. The management highlighted that it is on track to commercialize one product in Pharma Intermediates by 3QFY25 (capex of INR300m). Clean Fino-Chem (CFCL, tax rate for the subsidiary at 15%) was also commercialized in Mar'24 and most of the volume growth is expected to be driven by new products in FY25.
- CLEAN has a market share of 50% in the domestic market in HALS770 and is aiming for 60-70% market share. Although the product is more domestic focused, it is already being shipped to Europe and the Middle East. HALS701 is an export-oriented product, which is primarily used in water treatment. Samples are being sent to customers currently for approvals.
- We expect a CAGR of 23%/19%/22% in revenue/ EBITDA/ PAT during FY24-26, with EBITDAM declining to 39.5% on consolidated basis in FY26. CLEAN is currently trading at 38.5x FY26E EPS of INR34.4 and 29.5x FY26E EV/EBITDA. We value the stock at 40x FY26E EPS to arrive at our TP of INR1,375.

Beat our estimates but margins decline YoY

- CLEAN reported revenue of INR2.3b (+5% YoY).
- **Gross margin stood at 65.7% (-470bp YoY).** EBITDA margin came in at 41.5% (-690bp YoY).
- EBITDA was INR945m (our est. of INR813m, -10% YoY). PAT stood at INR703m (our est. of INR568m, -13% YoY)
- **For FY24,** revenue stood at INR7.9b (-15% YoY), EBITDA at INR3.3b (-17% YoY) and PAT at INR2.4b (-17% YoY). EBITDAM stood at 42% (-100bp YoY).
- The board has declared a final dividend of INR3 per share for FY24.

Segmental and other highlights

- The 4Q performance was driven by volume-led growth. Progressive recovery in revenue continued, while contribution from new products increased. CFCL was commercialized in Mar'24.

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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

- Revenue from **Pharma Chemicals** was INR432 (+1% YoY), DCC contributed to growth. Revenue from **Performance Chemicals** was INR1.5b (-4% YoY), realization impacted the growth. Revenue from **FMCG Chemicals** was INR259m (+21% YoY), growth was volume led.
- Revenue from the domestic market stood at 36%, while the rest came from exports. In exports, China's share increased, while the share of the Americas and Europe declined.
- CLEAN incurred a total capex of INR2.4b in FY24, including INR2.2b investment in subsidiary.

Valuation and view

- CLEAN is actively pursuing R&D and has entered the HALS series, which has an estimated global market size of USD1b. Commercial production from CFCL has commenced and the management expects HALS utilization to reach 80% in three years.
- CLEAN is expected to generate INR2.7b in FCF during FY25-26, with a planned capex of INR4b for the same period. The company plans to finance this capex through internal accruals and is projected to maintain a net cash position in the future.
- The stock is currently trading at 38.5x FY26E EPS of INR34.4 and 29.5x FY26E EV/EBITDA. We value the stock at 40x FY26E EPS to arrive at our TP of INR1,375.

Consolidated - Quarterly Snapshot

Y/E March	FY23				FY24				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24	FY24 4QE	Var. (%)
Gross Sales	2,341	2,475	2,374	2,169	1,881	1,811	1,947	2,275	9,358	7,915	1,912	19%
YoY Change (%)	60.0	61.6	31.3	6.0	-19.6	-26.8	-18.0	4.9	36.6	-15.4	-11.8	
Gross Margin (%)	61.0%	62.5%	67.2%	70.5%	61.4%	65.9%	66.8%	65.7%	65.2%	65.0%	66.6%	-0.8%
EBITDA	913	975	1,082	1,051	761	748	866	945	4,021	3,321	813	16%
Margin (%)	39.0	39.4	45.6	48.5	40.5	41.3	44.5	41.5	43.0	42.0	42.5	-1.0
Depreciation	85	87	89	101	108	111	113	127	361	459	117	
Interest	0	0	1	1	1	3	1	6	2	9	4	
Other Income	18	28	126	126	134	60	78	141	298	413	68	
PBT before EO expense	847	916	1,118	1,075	787	695	830	953	3,956	3,265	759	26%
PBT	847	916	1,118	1,075	787	695	830	953	3,956	3,265	759	26%
Tax	218	237	280	270	198	173	204	250	1,005	825	191	
Rate (%)	25.7	25.8	25.1	25.1	25.1	24.9	24.6	26.3	25.4	25.3	25.1	
Reported PAT	629	679	838	805	589	522	626	703	2,952	2,440	568	24%
YoY Change (%)	15.2	26.9	44.5	29.1	-6.3	-23.2	-25.3	-12.7	29.2	-17.3	-29.4	
Margin (%)	26.9	27.5	35.3	37.1	31.3	28.8	32.2	30.9	31.5	30.8	29.7	1.2
Segment-wise Revenue (INR m)												
Performance Chemicals	1,545	1,645	1,685	1,582	1,260	1,213	1,305	1,524	6,457	5,303	1,285	19%
Pharma & Agro Intermediates	538	432	380	428	357	344	370	432	1,778	1,504	371	16%
FMCG Chemicals	234	296	285	215	245	272	253	259	1,029	1,029	238	9%
Others	23	102	24	-56	19	-19	19	60	94	79	18	233%

4QFY24 story in charts

Exhibit 1: Revenue increased 5% YoY

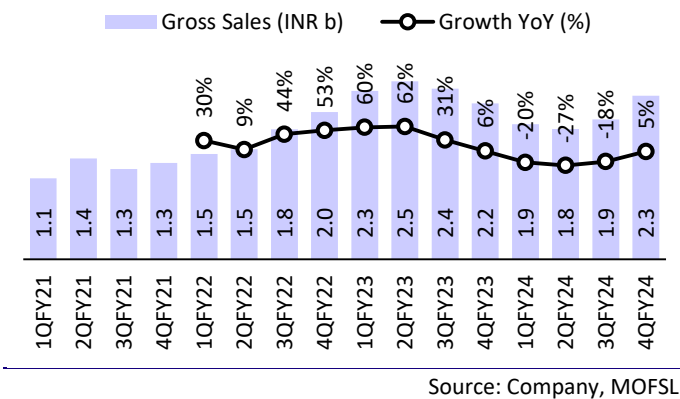


Exhibit 2: GM and EBITDAM contracted

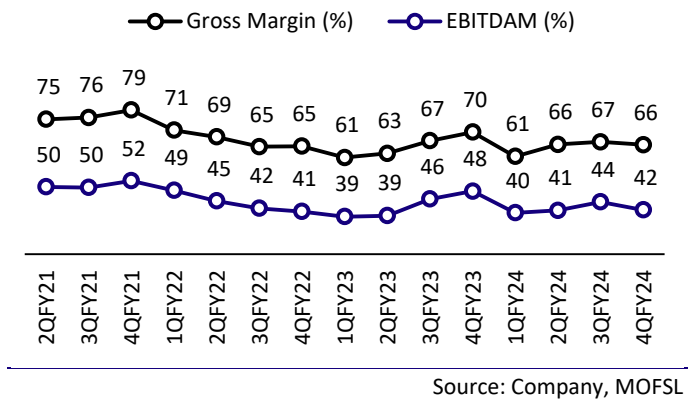


Exhibit 3: EBITDA declined 10% YoY

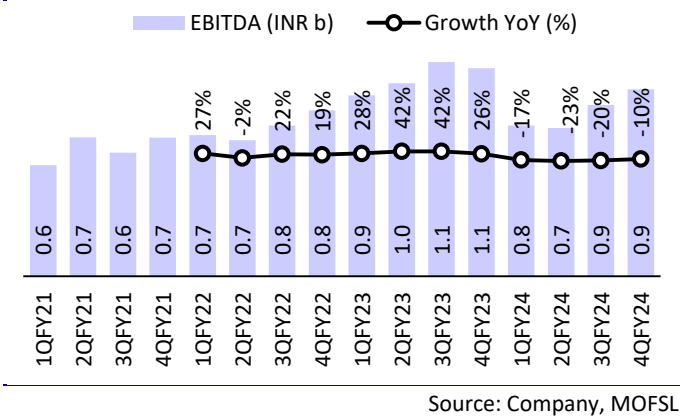


Exhibit 4: PAT was down 13% YoY

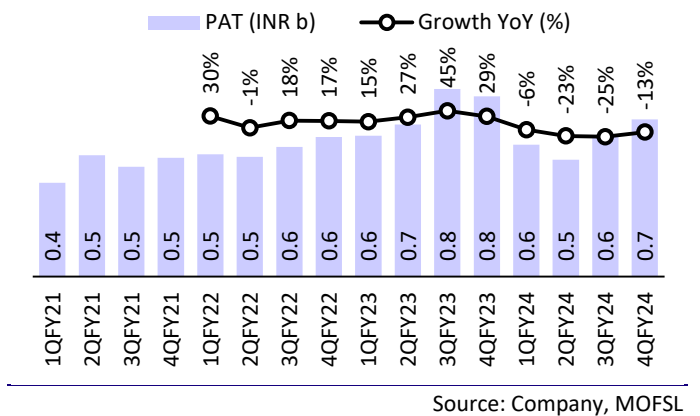


Exhibit 5: Revenue from only Pharma Chemicals declined YoY

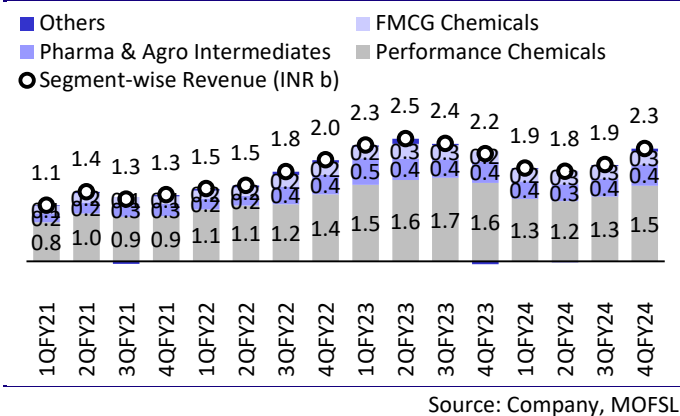


Exhibit 6: Contribution from FMCG Chemicals increased YoY

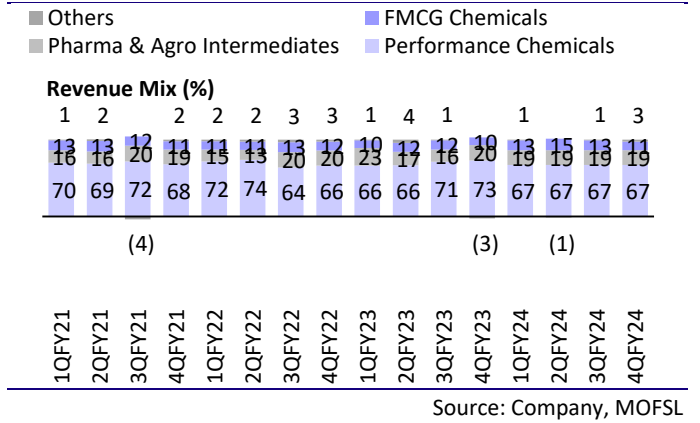
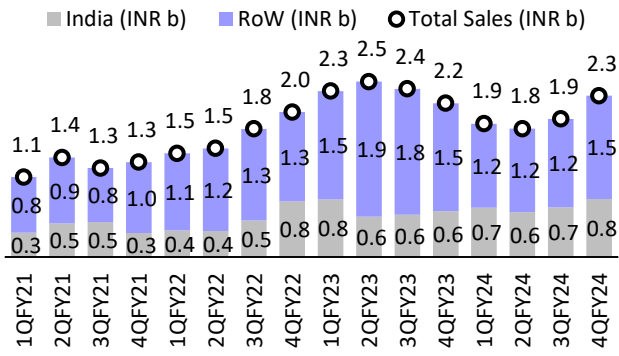
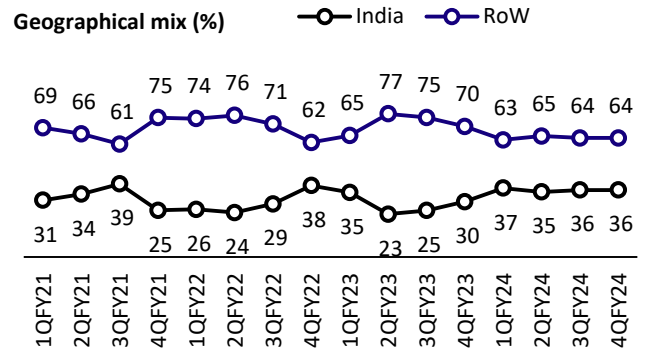


Exhibit 7: Domestic sales increased 27% YoY



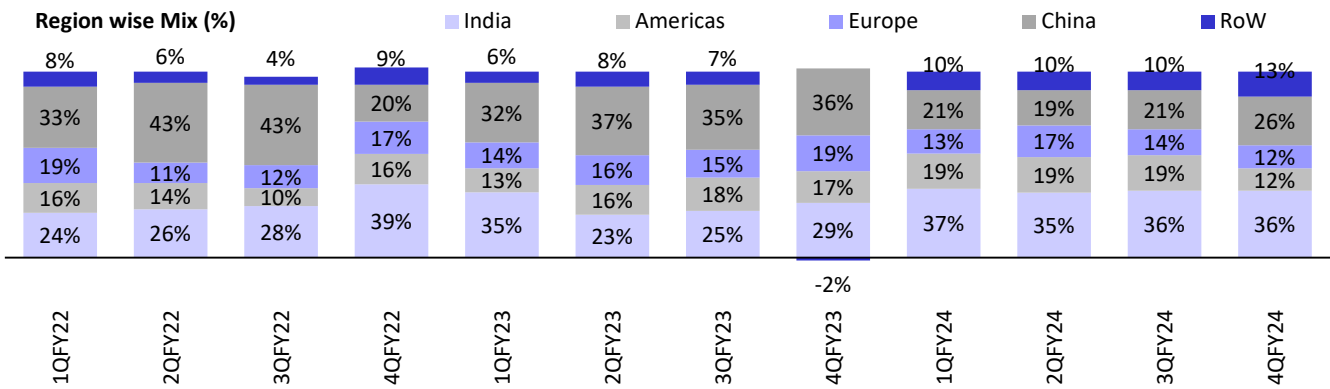
Source: Company, MOFSL

Exhibit 8: Contribution from domestic market increased YoY



Source: Company, MOFSL

Exhibit 9: Contribution from RoW and India increased YoY, while it decreased for Americas, Europe and China



Source: Company, MOSL

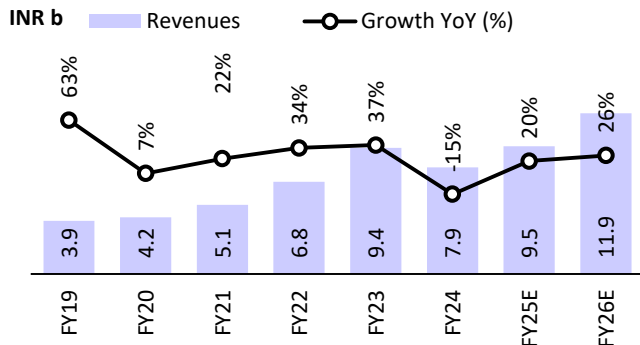


Management concall highlights

- Revenue improvement was 23% volume-led and 7% realization-led.
- Contribution from legacy products was 76% vs. 84% in 3QFY24, while new products' contribution increased to 23% from 18.5% in 4Q.
- **Capex** of INR300m for pharma intermediate and additional INR1-1.5b for performance chemicals.
- On track to commercialize the capacity for pharma intermediates by 3QFY25.
- The company does not make long-terms contracts; It generally signs monthly or quarterly contracts.
- **Capacity utilization for 4QFY24:** Performance Chemicals-70%, Pharma and Agro Intermediates-70%, FMCG-75%; these are optimal levels of utilization.
- DCC and TBHQ, which were running at lower capacity, have picked up and are running at higher utilization.
- **HALS 770:** focus is on domestic market
 - 50% of the total market demand in India is supplied by CLEAN; targets market share expansion to 60%-70%.
 - For exports, the product is already shipped to Europe and the Middle East and is in talks with customers in North America.
 - 100-110tpm sales in India; price discount of 2.5-3% to foreign suppliers
- **HALS 701:** Export-focused product
 - Used in water treatment
 - Samples are being sent currently to customers
- HALS plants are all dedicated plant and not multipurpose, all these products have two common raw materials, which are core building blocks.
- Volume growth for FY25 will be driven by new products
- Other expenses increased majorly due to inclusion of CSR expense
- Tax rate: Clean Science 25%, Subsidiary: 15%

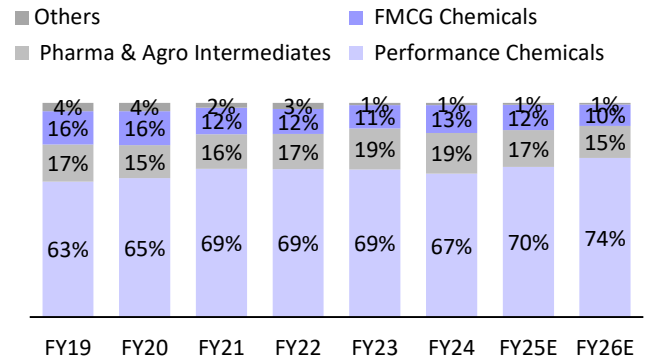
Financial story in charts

Exhibit 10: Expect 23% revenue CAGR over FY24-26...



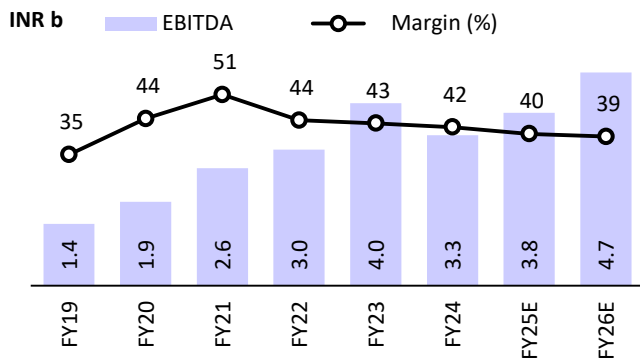
Source: Company, MOFSL

Exhibit 11: ...driven by contribution from Performance Chemicals



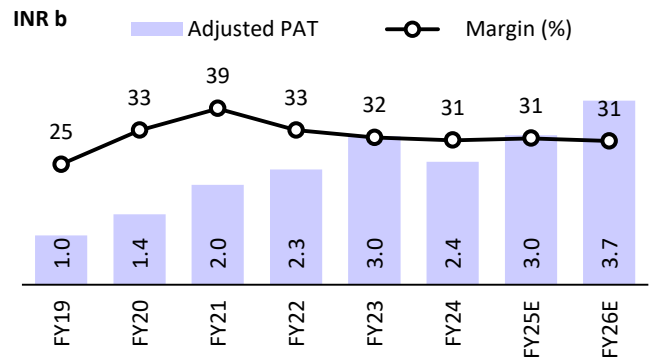
Source: Company, MOFSL

Exhibit 12: EBITDA margin to normalize on consol basis with commissioning of HALS



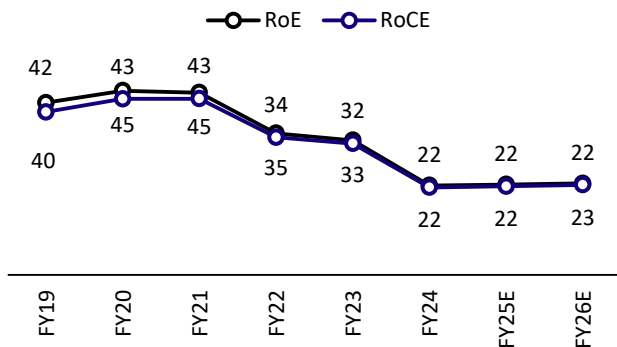
Source: Company, MOFSL

Exhibit 13: PAT margin expected to be flat



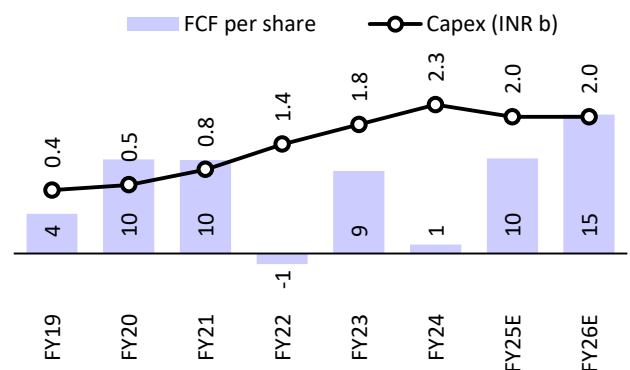
Source: Company, MOFSL

Exhibit 14: Return profile to moderate vs. FY23



Source: Company, MOFSL

Exhibit 15: Expect capex of INR4b (to be funded via internal accruals) over FY25-26



Source: Company, MOFSL

Financials and valuations

Consolidated - Financial Snapshot								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	3,933	4,193	5,124	6,849	9,358	7,915	9,480	11,914
Change (%)	63.1	6.6	22.2	33.7	36.6	-15.4	19.8	25.7
Gross Margin (%)	56.5	69.2	75.9	67.2	65.2	65.0	65.0	65.3
EBITDA	1,363	1,853	2,590	2,999	4,021	3,321	3,811	4,700
Margin (%)	34.7	44.2	50.5	43.8	43.0	42.0	40.2	39.5
Depreciation	110	137	172	249	361	459	505	542
EBIT	1,253	1,716	2,417	2,750	3,660	2,861	3,306	4,158
Int. and Finance Charges	0	1	1	1	2	9	11	13
Other Income	113	109	256	300	298	413	419	426
PBT bef. EO Exp.	1,365	1,823	2,673	3,048	3,956	3,265	3,714	4,570
PBT after EO Exp.	1,365	1,823	2,673	3,048	3,956	3,265	3,714	4,570
Total Tax	389	427	689	763	1,005	825	746	918
Tax Rate (%)	28.5	23.4	25.8	25.0	25.4	25.3	20.1	20.1
Reported PAT	977	1,396	1,984	2,285	2,952	2,440	2,968	3,652
Adjusted PAT	977	1,396	1,984	2,285	2,952	2,440	2,968	3,652
Change (%)	100.7	43.0	42.1	15.2	29.2	-17.3	21.6	23.0
Margin (%)	24.8	33.3	38.7	33.4	31.5	30.8	31.3	30.7

Consolidated - Balance Sheet								(INR m)
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	14	13	106	106	106	106	106	106
Total Reserves	2,706	3,408	5,290	7,578	9,994	11,925	14,506	17,681
Net Worth	2,721	3,421	5,397	7,684	10,100	12,032	14,612	17,788
Total Loans	26	27	3	3	1	0	0	0
Deferred Tax Liabilities	139	102	176	209	234	299	299	299
Capital Employed	2,885	3,550	5,576	7,897	10,335	12,331	14,912	18,087
Gross Block	1,724	2,247	2,610	3,959	5,963	8,182	10,182	12,182
Less: Accum. Deprn.	454	591	752	1,001	1,362	1,821	2,326	2,869
Net Fixed Assets	1,270	1,656	1,859	2,957	4,601	6,361	7,856	9,314
Capital WIP	39	34	550	441	205	573	573	573
Total Investments	752	1,330	2,321	1,911	3,531	3,394	3,394	3,394
Curr. Assets, Loans&Adv.	1,213	1,279	1,870	3,938	3,181	3,635	5,041	7,257
Inventory	370	346	529	881	1,088	1,237	1,481	1,861
Account Receivables	598	698	742	1,535	1,462	1,637	1,961	2,465
Cash and Bank Balance	95	93	157	747	125	106	814	1,945
Cash	94	92	93	579	125	104	812	1,943
Bank Balance	0	1	63	168	0	2	2	2
Loans and Advances	151	142	442	774	506	655	785	986
Curr. Liability & Prov.	390	749	1,023	1,350	1,184	1,632	1,952	2,451
Account Payables	223	357	610	1,021	805	1,085	1,299	1,633
Other Current Liabilities	162	387	408	324	370	536	642	807
Provisions	4	5	5	5	8	12	12	12
Net Current Assets	824	530	846	2,587	1,997	2,003	3,089	4,806
Appl. of Funds	2,885	3,550	5,576	7,897	10,334	12,331	14,912	18,087

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	9.2	13.1	18.7	21.5	27.8	23.0	27.9	34.4
EPS Growth (%)	100.7	43.0	42.1	15.2	29.2	-17.3	21.6	23.0
Cash EPS	10.2	14.4	20.3	23.9	31.2	27.3	32.7	39.5
BV/Share	25.6	32.2	50.8	72.3	95.1	113.2	137.5	167.4
DPS	0.9	1.0	0.3	3.3	5.0	3.0	3.6	4.5
Payout (%)	9.5	7.4	1.7	15.1	18.0	13.1	13.1	13.1
Valuation (x)								
P/E	144.1	100.8	70.9	61.6	47.7	57.7	47.4	38.5
Cash P/E	129.5	91.8	65.3	55.5	42.5	48.5	40.5	33.6
P/BV	51.7	41.1	26.1	18.3	13.9	11.7	9.6	7.9
EV/Sales	35.8	33.5	27.4	20.4	15.0	17.8	14.8	11.7
EV/EBITDA	103.2	75.9	54.3	46.7	35.0	42.4	36.7	29.5
Dividend Yield (%)	0.1	0.1	0.0	0.2	0.4	0.2	0.3	0.3
FCF per share	4.3	10.3	10.2	-1.2	9.1	1.0	10.4	15.3
Return Ratios (%)								
RoE	42.5	45.5	45.0	34.9	33.2	22.1	22.3	22.5
RoCE	40.2	43.4	43.5	33.9	32.4	21.6	21.9	22.2
RoIC	51.4	64.2	77.3	56.1	48.5	29.0	28.7	29.8
Working Capital Ratios								
Fixed Asset Turnover (x)	3.4	2.9	2.9	2.8	2.5	1.4	1.3	1.4
Asset Turnover (x)	1.4	1.2	0.9	0.9	0.9	0.6	0.6	0.7
Inventory (Days)	34.4	30.1	37.7	47.0	42.4	57.0	57.0	57.0
Debtor (Days)	55.5	60.8	52.9	81.8	57.0	75.5	75.5	75.5
Creditor (Days)	20.7	31.1	43.4	54.4	31.4	50.0	50.0	50.0
Leverage Ratio (x)								
Current Ratio	3.1	1.7	1.8	2.9	2.7	2.2	2.6	3.0
Net Debt/Equity	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.1

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	1,365	1,823	2,673	3,048	3,956	3,265	3,714	4,570
Depreciation	110	137	172	249	361	459	505	542
Interest Expenses	0	1	1	1	2	9	11	13
Others	-65	-67	-109	-126	-153	-313	0	0
Direct Taxes Paid	-355	-424	-659	-691	-945	-755	-746	-918
(Inc)/Dec in WC	-208	131	-149	-1,209	-428	-295	-377	-587
CF from Operations	848	1,601	1,928	1,273	2,793	2,370	3,107	3,621
(Inc)/Dec in FA	-388	-503	-840	-1,396	-1,831	-2,267	-2,000	-2,000
Free Cash Flow	460	1,098	1,088	-123	962	103	1,107	1,621
Change in Investments	-576	-563	-1,078	532	-929	380	0	0
Others	14	3	51	78	61	29	0	0
CF from Investments	-950	-1,063	-1,867	-786	-2,698	-1,859	-2,000	-2,000
Issue of Shares	0	0	0	0	9	9	0	0
Inc/(Dec) in Debt	20	1	-24	0	0	0	0	0
Interest Paid	0	-1	-1	-1	-1	-8	-11	-13
Dividend Paid	-128	-153	-33	0	-558	-531	-388	-477
Others	10	-386	-1	0	-1	-2	0	0
CF from Fin. Activity	-98	-540	-59	-1	-550	-532	-399	-490
Inc/Dec of Cash	-200	-3	1	486	-455	-20	708	1,131
Opening Balance	295	95	92	93	579	125	104	812
Closing Balance	95	92	93	579	124	105	813	1,943

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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