

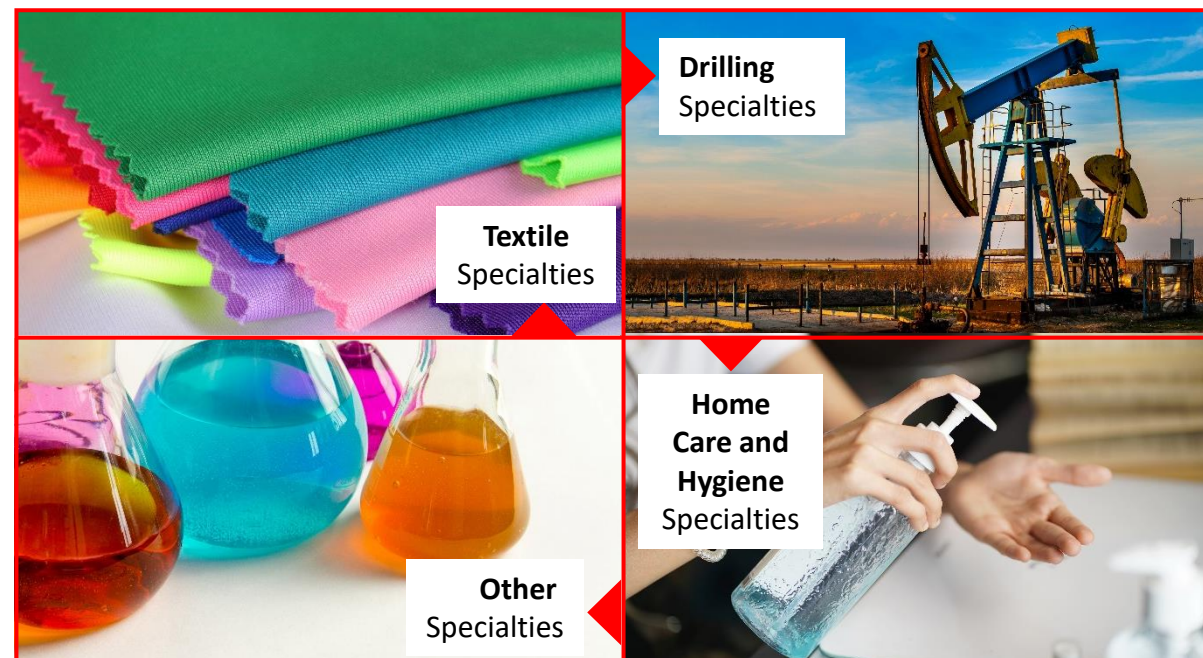


Fineotex Chemical Limited

(BSE: 533333; NSE: FCL)

Q3 and 9M FY2021

Earnings Presentation





Financial Performance

- **Q3 FY21 consolidated revenue from operations of Rs. 583 mn, up 12.1% YoY**
- **Q3 FY21 consolidated profit after tax of Rs. 134 mn, up 65.5% YoY**
- Fineotex continues to optimise operating costs and focus on profitable growth in a challenging business environment



Business Updates

- Increased focus and order trends for speciality finishing chemicals
- Gradual shift towards higher margin products
- Continuous development on the sustainable solution of the specialty chemical for textiles has contributed to the development of the business



New Manufacturing Facility

- First phase of the brownfield manufacturing facility at Ambernath, Maharashtra is progressing as per schedule. The orders for machinery has been completed and the ground levelling work is in progress. The facility is expected to be commissioned in Q1 FY22. Proposed deployment of Rs. 270 million
- It will cater to customer demands in the existing Textile Specialities and fast growing Home Care and Hygiene and Drilling Specialities business



Shareholding

- Nippon Asset Management Limited has acquired a ~6% stake in the company demonstrating our positive future outlook and strong growth prospects in the market
- During the period 5th August to 26th December 2020, the Company bought back 5,51,580 shares by utilising Rs. 18.2 mn from cash reserves (excluding brokerage, transactions cost and taxes) and have effectively closed the buyback offer due to continuous upsurge in the share price compared to the maximum buyback price

Q3 FY2021 Consolidated Financial Highlights

Rs 583.5 mn

Total Revenue

Rs 136.2 mn

EBITDA

Rs 134.0 mn

Net Profit

40.1%

Gross Margin

23.3%

EBITDA Margin

23.0%

PAT Margin

12.1%

Revenue Change
(Y-o-Y)

69.8%

EBITDA Change
(Y-o-Y)

65.5%

PAT Growth
(Y-o-Y)

6.6%

Revenue Change
(Q-o-Q)

36.7%

EBITDA Change
(Q-o-Q)

21.7%

PAT Growth
(Q-o-Q)

Performance Discussion:

- Q3 FY21 revenue growth was driven by gradual increase in order book from our leading customers
- Focus on speciality finishing chemicals and incoming orders of higher margin products
- Continue to maintain a strong EBITDA margin profile led by our cost rationalisation efforts
- Q3FY21 PAT included mark to market gain of Rs. 45 Mn (Rs. 22 Mn in Q3FY20)



Surendrakumar Tibrewala
Chairman and Managing Director

“Our resilience was tested in the past few quarters and Fineotex has shown perseverance throughout and post the pandemic. This is evidenced in our robust performance for the quarter, with EBITDA and profit after tax increasing 69.8% YoY and 65.5% YoY respectively. There is increased focus and order trends for specialty finishing chemicals along with incoming orders for higher margin products. We continue to focus on operational cost optimisation and improved efficiency in our processes as demand increases. We are also proud to announce an array of new products in the cleaning and hygiene vertical combined with continuous development of sustainable solutions for the specialty chemical for textiles.

Our new facility at Ambernath, Maharashtra is progressing according to schedule and is expected to be commissioned by the first quarter of FY22. The state-of-the-art facility will cater to customer needs across our business verticals. Favorable industry dynamics coupled with continued focus on high margin product is anticipated to drive growth and margin enhancement in medium term.”

Cash Position

- Aim to re-allocate capital from liquid investments towards the Ambernath facility, capacity expansion and green field projects going forward

Approach to Acquisitions

- Opportunity to drive growth through the addition of synergistic manufacturing platforms
- Continue to evaluate acquisitions and collaborate with international companies to establish operations in India

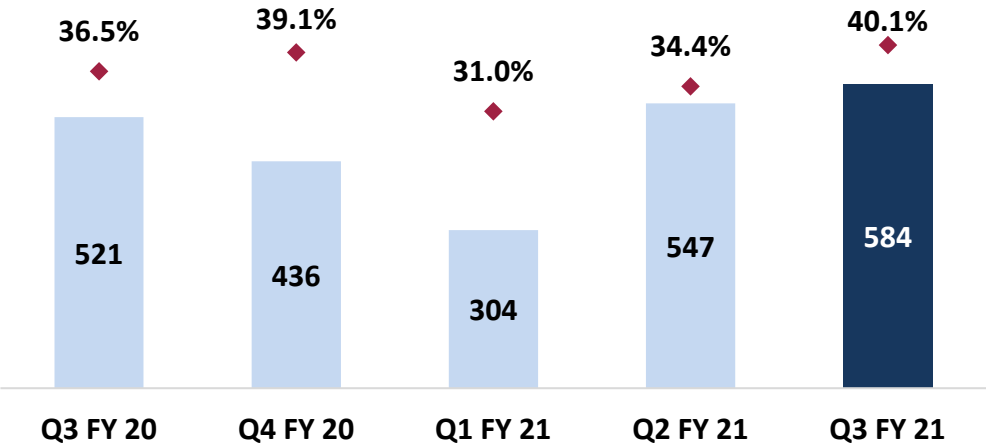
Consolidated P&L Summary: Q3 and 9M FY2021

(Rs. Million)	Q3 FY21	Q3 FY20	YoY%	Q2 FY 21	QoQ%	9M FY 21	9M FY 20	YoY%
Revenue from Operations	583.5	520.5	12.1%	547.5	6.6%	1,434.9	1,527.5	(6.1%)
COGS	349.6	330.7	5.7%	359.0	(2.6%)	918.3	965.9	(4.9%)
Gross Profit	233.9	189.9	23.2%	188.5	24.1%	516.5	561.6	(8.0%)
Gross Profit Margin	40.1%	36.5%		34.4%		36.0%	36.8%	
Employee Benefit Expenses	26.2	20.9	25.2%	19.7	33.2%	61.4	61.8	(0.6%)
Other Expenses	71.5	88.8	(19.4%)	69.2	3.4%	178.2	233.5	(23.7%)
EBITDA	136.2	80.2	69.8%	99.6	36.7%	276.9	266.3	4.0%
EBITDA Margin	23.3%	15.4%		18.2%		19.3%	17.4%	
Depreciation Expense	4.0	3.0	31.4%	3.4	15.8%	67.6	53.9	25.5%
EBIT	132.2	77.2	71.3%	96.2	37.5%	266.2	258.0	3.2%
EBIT Margin	22.7%	14.8%		17.6%		18.6%	16.9%	
Finance Cost	1.8	1.6	10.5%	1.4	21.1%	4.5	4.7	(4.9%)
Other Income	54.6	31.3	74.5%	38.1	43.5%	145.8	23.6	517.1%
PBT	185.1	106.9	73.2%	132.8		407.5	276.9	47.2%
Total Tax	51.2	26.0	97.1%	22.8	124.9%	81.5	72.5	12.5%
PAT	134.0	81.0	65.5%	110.1	21.7%	326.0	204.4	59.5%
PAT Margin	23.0%	15.6%		20.1%		22.7%	13.4%	
Basic EPS (Rs.)	1.18	0.69	71.0%	0.95	24.2%	2.83	1.74	62.6%

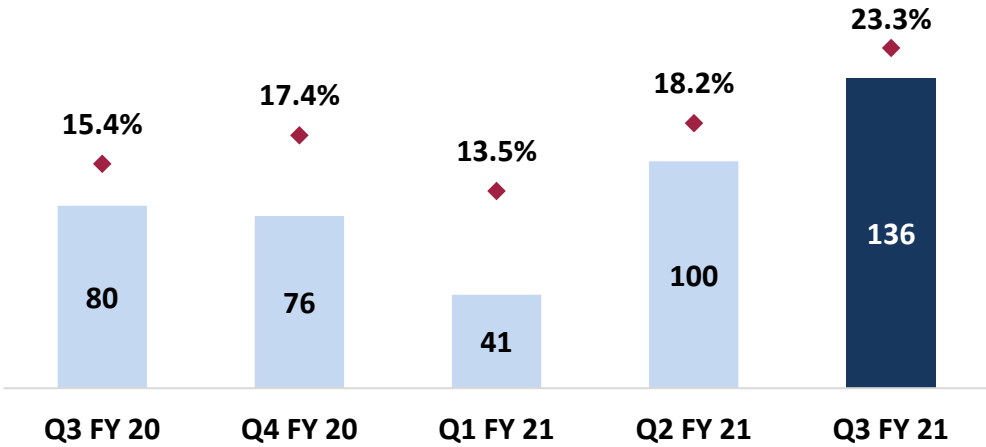
Consolidated Quarterly Performance Trend

Figures in Rs. Mn.

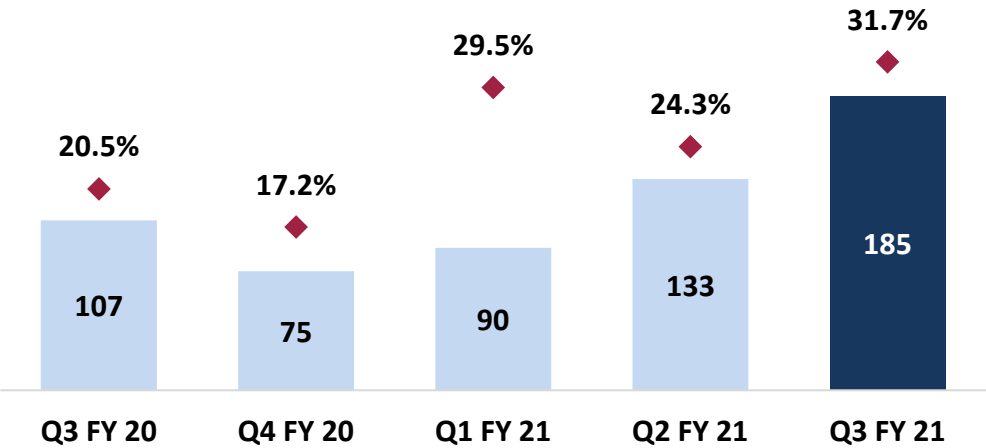
Revenue from Operations and Gross Margin



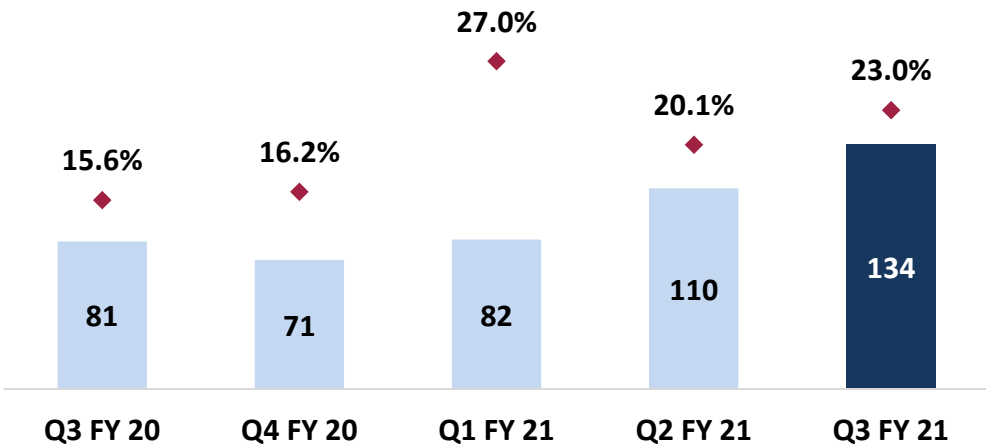
EBITDA and EBITDA Margin



PBT and PBT Margin



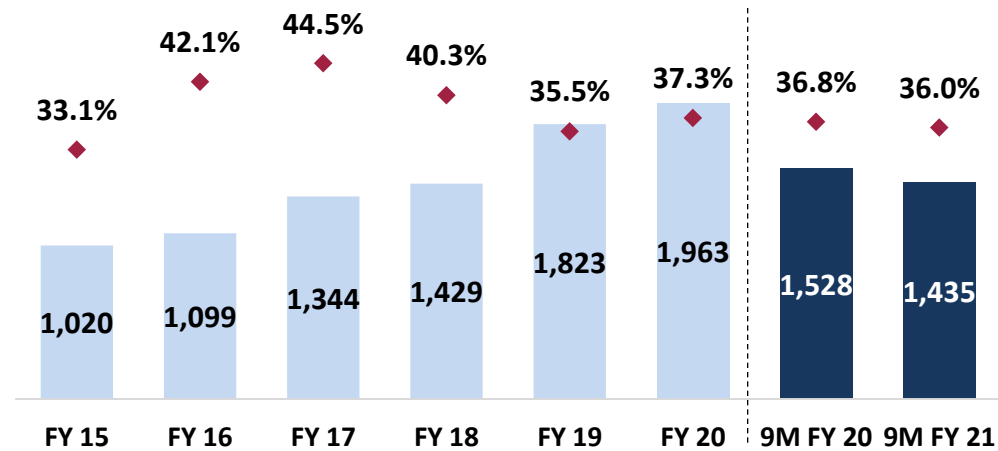
PAT and PAT Margin



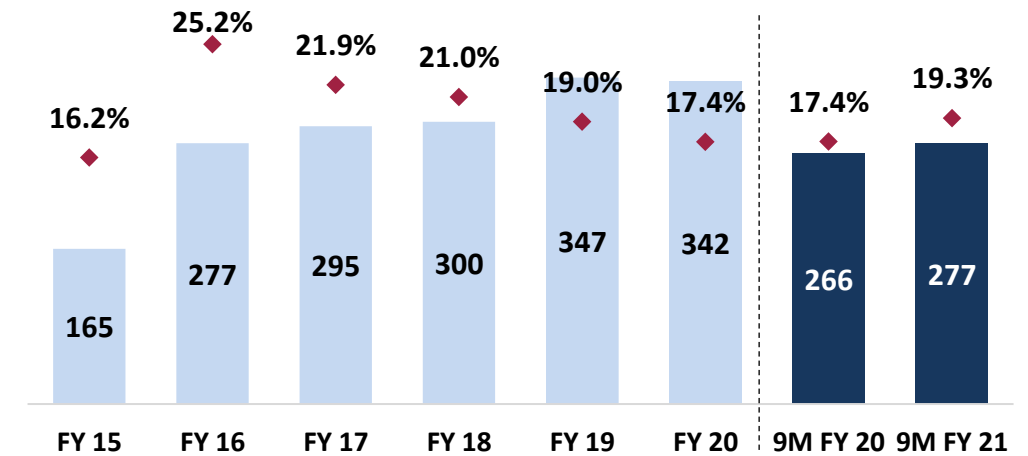
Consolidated Annual Performance Trend

Figures in Rs. Mn.

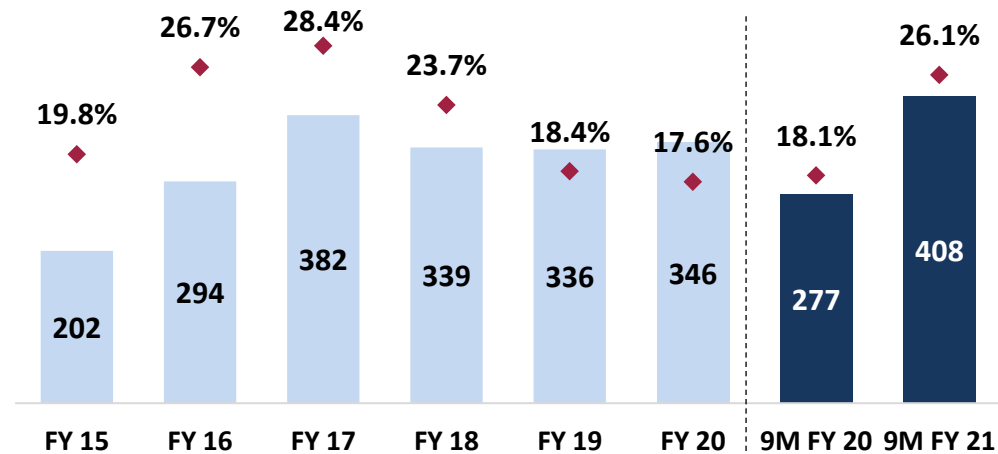
Revenue from Operations and Gross Margin



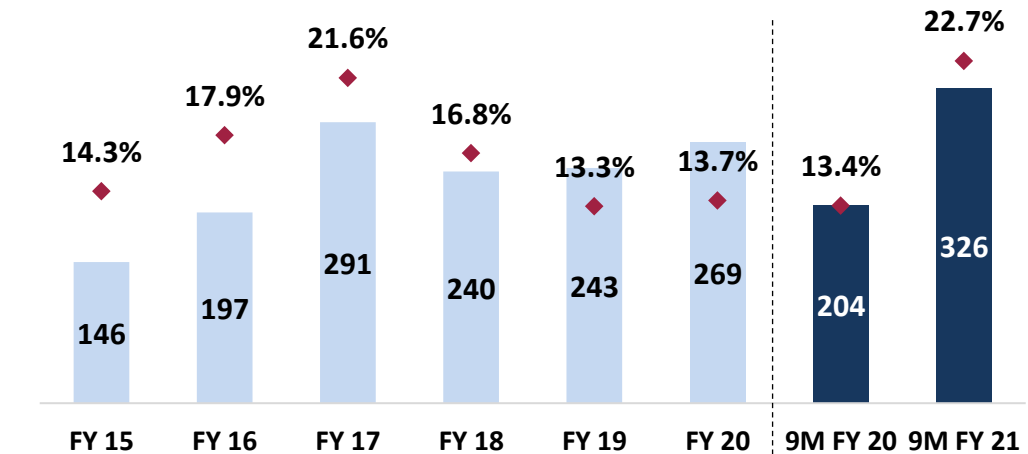
EBITDA and EBITDA Margin



PBT and PBT Margin*



PAT and PAT Margin*



* Excluded non cash impact recognized on financial assets in FY20





Fineotex+ Biotex Synergies

Leverage Fineotex's industry insights and long standing customer relationships with Biotex's high end product expertise and regional positioning to serve global customers



Greenfield Developments

Upcoming brownfield facility at Ambarnath, Maharashtra to be future ready for next phase of growth. Partnerships with International companies to establish manufacturing facilities in India



New Product Categories

Enter fast growing synergistic segments such as Home Care and Hygiene and Drilling Specialties while continuing to focus on the core Textile Chemicals business



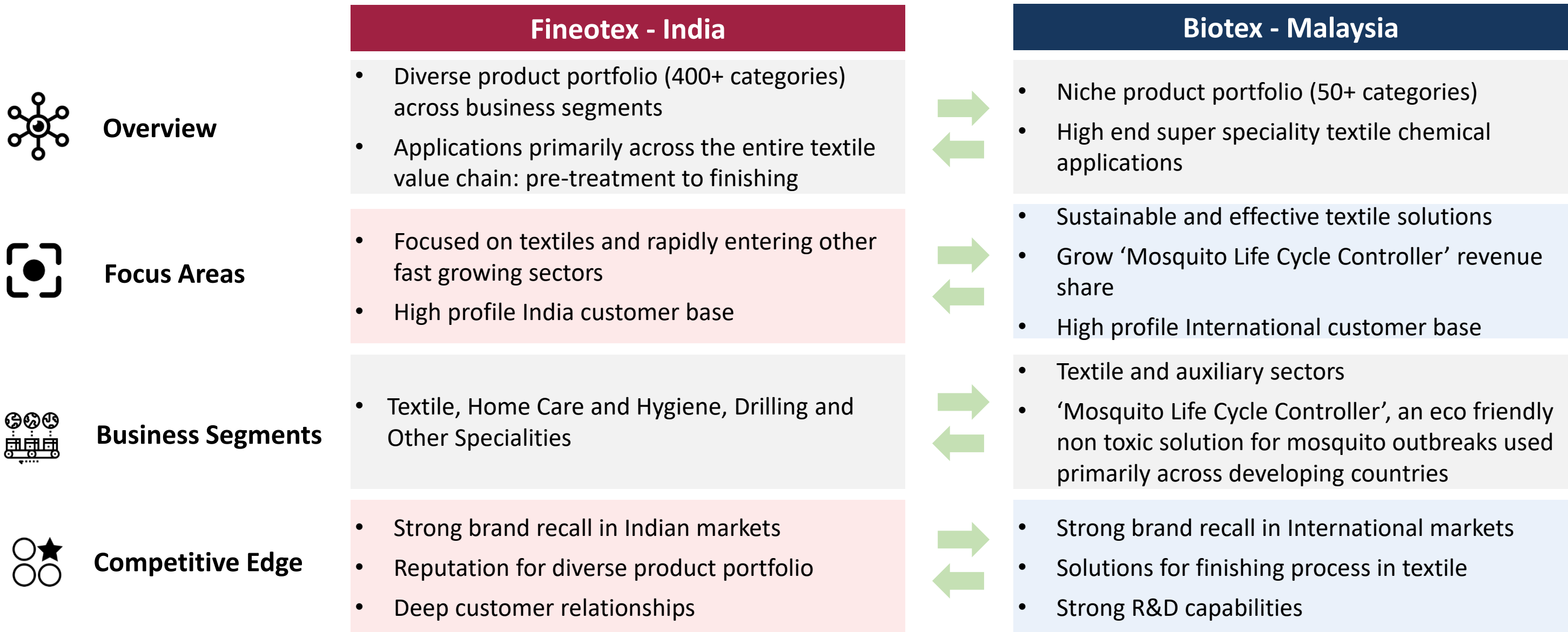
Grow Market Share

Strong in-house development capabilities to grow market share across existing and new customers in both Indian and International markets. Continue to develop direct customer relationships and expand distribution network
















Disciplined Capital Allocation

Fineotex has a conservative approach to funding acquisitions, capacity expansions and greenfield/brownfield developments through internal accruals. Capital structure targeted to be net debt neutral









Fineotex and Biotex complement each others strengths and offer distinguished speciality chemical solutions globally

Location	Operating Facts	Strategic Advantages	Manufacturing Excellence
<div><p>Navi Mumbai, India</p></div>	<ul style="list-style-type: none">FY20 Production Volume: 20,440 MTCurrent Utilisation: 56%Peak Utilisation: 75%	<ul style="list-style-type: none">Strategically located plant near key port close to Mumbai with logistical advantage to textile hubs across North, West, South and Central India	<div></div>
<div><p>Selangor, Malaysia</p></div>	<ul style="list-style-type: none">FY20 Production Volume: 4,550 MTCurrent Utilisation: 70%Peak Utilisation: 75%	<ul style="list-style-type: none">Easy access to high quality raw materials in the regionBackward integration into key raw materialsCost benefits due to Free Trade Agreements (FTAs) with important regional markets like Vietnam, China and India	<div></div>




* GMP stands for Good Manufacturing Practice Certification

Certificate	Value Proposition
	<ul style="list-style-type: none">Bluesign is recognized as a leading certification for sustainability in the global textile industry. As a partner, Biotex is committed to applying the bluesign system to meet the highest level of safety for both people and environment, to use resources responsibly, and to continuously improve environmental performance
	<ul style="list-style-type: none">The Global Organic Textile Standard (GOTS) is recognised as the world's leading processing standard for textiles made from organic fibres. It defines high-level environmental criteria along the entire organic textiles supply chain and requires compliance with social criteria as well
	<ul style="list-style-type: none">European certification which validates raw materials used for Bioguard C6 repellent (manufactured by Biotex) from a sustainability stand point
	<ul style="list-style-type: none">BHive is a platform that promotes transparency and the use of more sustainable chemistry for textile and apparel manufacturers, brands, and retail organizationsBHive membership demonstrates commitment to chemical sustainability and transparency
	<ul style="list-style-type: none">ISO 9001:2015 defines the guiding principles to create efficiencies by aligning and streamlining processes throughout the organization, create new opportunities, meet regulatory requirements, and help organizations expand into new markets in which clients demand ISO 9001 certification
	<ul style="list-style-type: none">Part of a global multi stakeholder initiative within the fashion and footwear industry working towards reducing chemical footprintAim is to accelerate progress towards ultimate goals of cleaner water, cleaner air, and safer production

Leading the transition from synthetic to lower carbon footprint products

Certificate	Value Proposition
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	<ul style="list-style-type: none">ISO 14001: 2015 has standardized and proven framework that help organizations to develop an effective environmental management strategy;Global recognition for organizations' efforts to improve their environmental strategies
	<ul style="list-style-type: none">OHSAS 1800:2007 is an international standard which provides a framework to identify, control and decrease the risks associated with health and safety within the workplace. Implementing the standard signals stakeholders that employee's health and safety as a priority within the organisation
	<ul style="list-style-type: none">The SA 8000 Standard is the world's leading social certification program. It provides a holistic framework allowing organizations of all types, in any industry, and in any country to demonstrate their dedication to the fair treatment of workers
	<ul style="list-style-type: none">Star export house is an Indian exporter who has excelled in international trade and successfully achieved certain minimum amount of export performance in two out of three financial yearsThis certification provides significant competitive advantages in international trade
	<ul style="list-style-type: none">ZDHC is a part of a global multi stakeholder initiative within the fashion and footwear industry working towards reducing chemical footprintAim is to accelerate progress towards ultimate goals of cleaner water, cleaner air, and safer production

Fineotex and Biotex play a critical role in sustainable chemistry and drive efforts towards social responsibility

 Home Care and Hygiene Chemicals	 Drilling Speciality Chemicals	 Other Speciality Chemicals
<ul style="list-style-type: none">Customised solutions for:<ul style="list-style-type: none">FMCG - branded detergentsPublic Health and HygieneSignificant opportunity to work with leading branded detergent manufacturers for their polymer requirementsPost the outbreak of COVID-19, large addressable market for solutions used in disinfectants and sanitizers	<ul style="list-style-type: none">Customised solutions for Oil and GasSignificant potential for offering effective products used for drilling in oil exploratory processesSizable orders from a leading oil and gas company in India	<ul style="list-style-type: none">A unique ‘Mosquito Life Cycle Controller’ product under development by BiotexNon toxic eco-friendly solution designed with European technology in Malaysia by BiotexApproved by Ministry of Health Malaysia, Singapore PUB, European Union, NSF and relevant authorities in Vietnam and Cambodia

Key Products



Home care and Hygiene Chemicals

‘Mosquito Life Cycle Controller’
under development

Non-textile segments will drive volume and value growth going forward

- Located on ~4 acres of land
- The facility is progressing as per schedule and is expected to be commissioned in Q1 FY2022
- Proposed deployment of Rs. 270 million
- Cater to customer demands in the existing Textile Specialities and fast growing Home Care and Hygiene and Drilling Specialities business

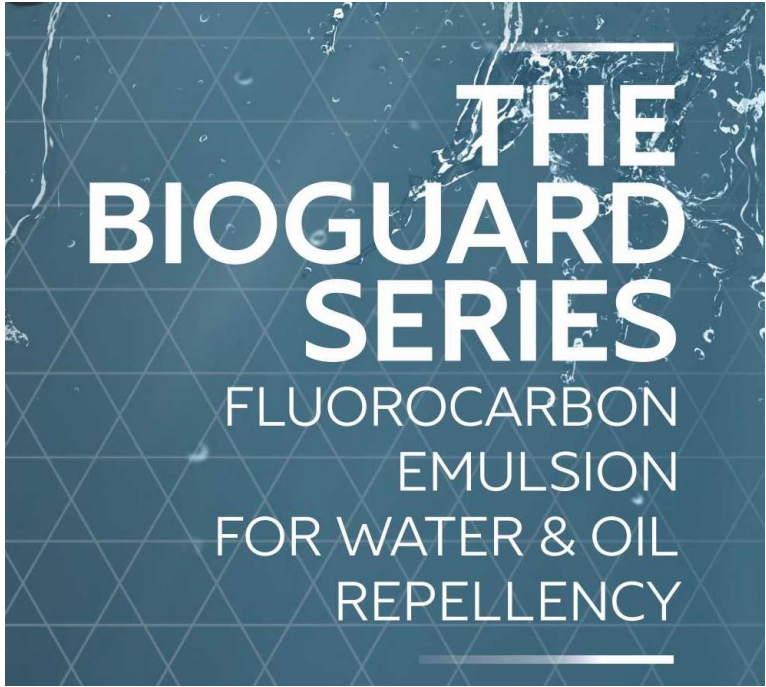
- State of the art automated unit which will be fully compliant with the highest standards of sustainability
- Located in close proximity to key port areas near Mumbai providing logistical and cost advantages



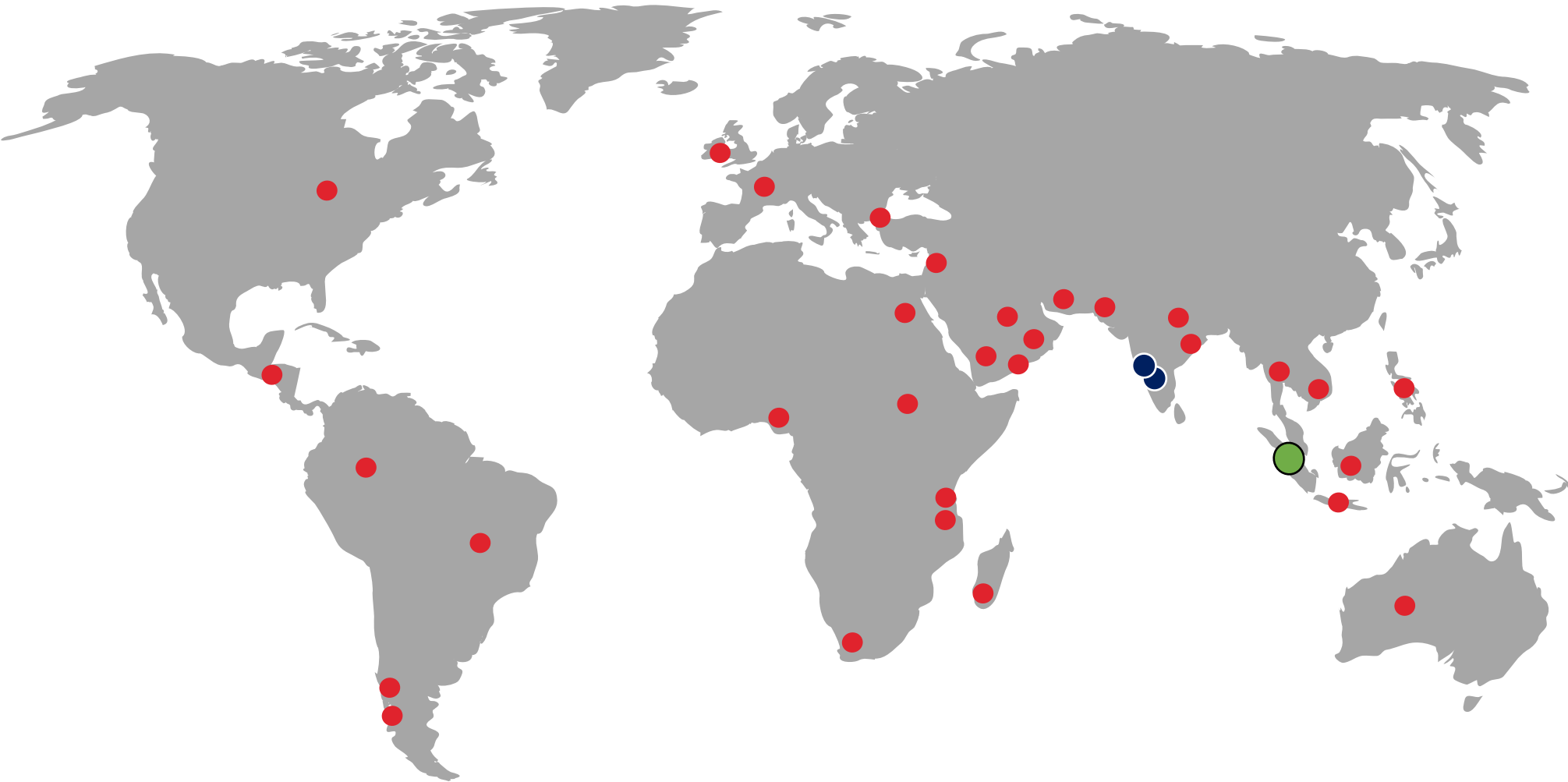
Upcoming facility provides additional manufacturing capacity for existing product lines and new growth areas



Fineotex + Biotex together offer tailored solutions across the textile value chain with a focus on higher realisations

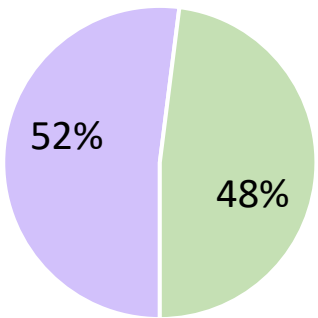


‘The Bioguard Series’ of products from Biotex with water and oil repellent features in great demand post outbreak of COVID-19



- Sales in **60+** countries including Brazil, Bangladesh, Germany, Indonesia, Malaysia, Singapore, Thailand, USA and Vietnam
- **30+** technical marketing experts
- **100+** dealers in Indian and International markets

FY20 Revenue Mix



International India

● Facilities at Mahape and Ambernath (upcoming), Mumbai, India ● Facility at Bangi, Malaysia ● Sales

Diversified revenue mix across clients, products and geographies coupled with technical expertise



- 1 Diversified business – **top 10 customers** contribute to **33% of sales** and **top 10 products** contribute to **18% of sales**
- 2 **Management proven acquisition track record:** Biotex (73% owned) **net profit has grown by a factor of 4x** since acquisition in 2011 and **de-leveraged into a debt free Company**
- 3 Biotex Malaysia spearheads the **R&D solutions, application research** and **product development** and is **approved as a Bluesign partner** – the highest sustainability certificate in textile chemistry globally
- 4 International acceptance by marquee customers: **50%** of sales come from **60+** countries
- 5 Successful entry into the **Home Care and Hygiene chemicals and Drilling Speciality chemicals** segments to drive future growth and leverage core technical expertise
- 6 Track record of creating value for shareholders, **10-year CAGR: Revenues 24.4%, EBITDA 21.7%, and PAT 22.2%**
- 7 High cash flow conversions of **83% in FY20** with cash flow from operations **10-year CAGR: 22.0%**
- 8 Effectively paid **30% of profits in taxes** over the past 5 years
- 9 Well capitalised balance sheet, **net cash positive**, to allow for future capacity expansion and acquisitions through internal accruals

This presentation contains statements that contain “forward looking statements” including, but without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to Fineotex Chemical Limited (“Fineotex Chemical” or the Company) future business developments and economic performance.

While these forward looking statements indicate our assessment and future expectations concerning the development of our business, a number of risks, uncertainties and other unknown factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that could affect our business and financial performance.

Fineotex Chemical undertakes no obligation to publicly revise any forward looking statements to reflect future / likely events or circumstances.

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