

For the Core Investor Group - BP Wealth Management

Buy Fineotex Chemical Ltd (FCL) -

CMP - INR 160/-

Target Price - INR 201 /- (Upside 26%)

M. Cap - INR 1776 Cr.

ROCE - 29.40%

- Fineotex Chemical Limited is engaged in manufacturing of Speciality chemicals having its facilities in India and its subsidiary Biotex - Malaysia

- Engaged in serious R&D activities in developing customized technical solutions to its customers.

- Forayed into the home care and hygiene segment to serve the surge in its demand in wake of the pandemic of COVID-19.

- Gained good traction in detergent market. FCL is soon confident to evolve detergent line as one of its top product line.

- Mainly into speciality textile chemicals with all major textile companies like Vardhman, Arvind, Raymond's, Welspun, Indocount and other prominent textile companies under their belt.

- A debt free company, with net cash of INR 30cr.

- A major exporter to countries including the USA thereby replacing its demand dependency on China and thus promoting & focusing on China+1 policy.

- Recently commissioned 36,000 MTPA plant in Ambarnath, at a capacity outlay of INR 27 Cr.

- The expected capacity utilisation at above facility is targeted at 80% - 85% by Q1 FY23 and with an asset turnover of 8x.
- Planning to expand the above capacity by another 21,000 MTPA with capital outlay of INR 16-17 Cr. by Q1 FY23.
- Is in advanced talks with companies like RSPL Ltd (Brand- Ghadi) and Patanjali for further trade relationship.
- Valued at 23x FY23 against peers which are trading at above 30x.
- Continuously gaining it's Wallet share from existing clients by creating niche products.
- Has a US FDA approved plant which in an world class accreditation.
- Is one of the few textile chemical companies who have managed to protect their Gross margin despite the RM inflation.
- Entered into a joint venture with HealthGuard Australia to become the exclusive global marketing and sales Channel Partner with joint operation from Malaysia.
- Announced its partnership with Eurodye-CTC , a textile chemical company based in Belgium for commercialization of specialty chemicals for the Indian market.
- Signed an MOU with Synthetic & Art Silk Mills Research Association (Sasmira) to set up its Research & Development centre at Worli Hill, Mumbai.
- Is at the forefront of sustainability led practices being guided by world class certificates like ISO, Ecopassport, GOTS, etc.
- We recommend the buy option for FCL of INR 160 with a near term target price of INR 201. .so target multiple of 30x on FY23E, EPS of INR 6.7 in light of it is in 30%

ROCE business with huge demand growth arising out of current, new and niche customers with double digit growth.

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