

FINEOTEX CHEMICAL LTD.



CMP: INR 236.75/- (02-Apr'25)

Target Price: Unrated

Outlook: Positive

ABOUT: Fineotex Group was established in 1979 by Mr. Surendra Tibrewala. Fineotex Chemical Ltd. (FCL) was incorporated in 2004 and manufactures specialty chemicals (over 470+ product categories; with focus on sustainable solutions) catering to textiles and FMCG, cleaning, hygiene verticals and stepping into oil & gas and water treatment verticals. Manufacturing facilities located in Maharashtra and Malaysia with current installed capacity of 104,000 MTPA.

INVESTMENT CONSIDERATIONS:

Established market position & customer retention:

- Range of specialty chemicals for entire textiles value chain (cleaning , dyeing, printing, finishing process) & over 1500+ SKUs across all product categories

Capacity expansion & revenue diversification from new segments

- Addition of 15,000 MTPA in Ambernath (India) in phase 1 to commence operations from Q2-FY26 (Sales potential of INR 80-90 Cr. assuming realization of INR 72-80 / kg & peak utilization of 75%) with potential for further capacity addition
- Existing facilities in India (installed capacity ~97,500 MTPA) fungible across existing (textiles / FMCG, cleaning, hygiene) & new business segments (Oil & Gas / Water treatment)

Continuous R&D with introduction of new products to drive sales growth

- 30 new customers added in Q3FY25 (textiles)
- Strategic collaboration with HealthGuard, Australia & Eurodye CTC for new products introduction & distribution

Particulars (INR Cr.)	FY21	FY22	FY23	FY24	9M-FY25
Revenue	219	368	517	569	414
% Y-o-Y	11%	69%	40%	10%	(0.6%)
Gross Margin %	35.7%	36.1%	34.4%	38.7%	39.3%
EBITDA %	18.6%	19.3%	21.8%	26.1%	25.6%
PAT %	18.9%	15.2%	17.1%	20.7%	20.7%
Debt (Short+Long)	4	3	8	6	1*
Equity	216	269	356	454	697*
Debt/Equity	0.02x	0.01x	0.02x	0.01x	0.00x*
NWC	75	112	101	116	150*
NWC (days)	125	111	72	74	95*
NWC includes Inventory, Receivables & Payables; & NWC days is computed as % of rev.					
CFO	9	13	107	97	26*
CFI	(7)	(1)	(102)	(47)	(244)*
CFF	(5)	(4)	(4)	(23)	182*
CFO + CFI + CFF	(2)	8	1	26	(37)*
Cash + Bank Bal.	34	38	60	40	56*
CFO / EBITDA %	23%	19%	95%	66%	36%*
*As on 30-Sep-2024 (H1-FY25)					

Credit Rating: ICRA reaffirmed A+/A1+ with outlook revised to Positive from Stable (dated 11-Nov-2024)

STOCK DATA

Particulars	02-Apr'25
NIFTY	23,332.35
Ticker	BSE:533333 NSE:FCL
CMP (INR)	236.75
52 Wk H/L (INR)	438.60/215.10
Face Value (INR)	2/-
M.Cap (INR Cr.)	2,713
O/s Shares (#)	11,45,75,090

RELATIVE STOCK PERFORMANCE



Candle Bar represents daily movement of Fineotex Chemical Ltd. while line graph indicates NIFTY 50 Index; Source: Tradingview

SHAREHOLDING PATTERN

As on	31-Dec'23	31-Mar'24	31-Dec'24
Promoter	65.04%	65.03%	62.87%
FII	0.82%	1.45%	3.36%
DII	3.69%	3.70%	3.61%
Other	30.46%	29.83%	30.17%
Total	100.00%	100.00%	100.00%
# shareholders	1,16,067	1,22,095	1,29,068

KEY RISKS & MONITORABLES

- (a) Competitive intensity is high from domestic & multinational companies (DOW, BASF etc.)
- (b) Despite export clients going for China + 1 strategy for sourcing diversification, import of raw materials for producing finished goods creates dependency on China and exposure to volatility in raw material prices. Export revenues risk are also affected by geo-political tensions & internal Government issues (Bangladesh)
- (a) Ramp up of (a) capacity utilization (15,000 MTPA upcoming plant) (b) revenues from oil & gas, water, Aquastrike segment to be key monitorables

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Key Takeaways : Management Meeting (dtd. 29-Mar'25)

☐ Expected growth rates across business segments:

- While industry growth rates for Indian textile chemical market & FMCG (household cleaners) market is expected at ~5% CAGR (2024 to 2033) and ~11% CAGR (2025 to 2029) respectively, management expects growth rates for Company to be ~15% to 20% for textiles segment and ~10% to 15% for FMCG, cleaning & hygiene segment.
- Opportunity from Oil & Gas and water treatment segments is huge. Management expects that new segments have potential to cumulatively outpace revenues coming from textile and FMCG segment in 4 to 5 years time
- Aquastrike Premium: Management expects that Aquastrike Premium (Mosquito killer and water preservation additive) has the potential to quickly gain market share given product capabilities (non-toxic, eco-friendly, effective for water preservation) in India and overseas (through presence of NGOs in developing nations such as Africa which are working on solving towards better healthcare).
 - Note: As per our analysis on global mosquito control service, market size is expected to grow at CAGR of 8.8% from 2025-33 and reach ~\$1.72 Bn. in 2033.

☐ Reasons for customer retention:

- Cost Benefits:** Pricing of textile and FMCG, cleaning & hygiene products at ~5% to 10% discount to traditional products. Despite the cost benefit to end customers, Company is able to maintain the margins.
- Value chain benefits:** In textile, from cleaning to dyeing, printing and finished process ~25 chemicals are required. Company manufactures all these chemicals & becomes one-stop solution for the end customers (say for INR 3,000 cost price of textile article: ~ INR 100 is specialty chemicals cost spread across 25 different chemicals)

☐ How are manufacturing capacities fungible:

- Installed capacities in India (Ambernath: 61,000 MTPA and Mahape: 36,500 MTPA and upcoming 15,000 MTPA) are fungible across existing (textiles / FMCG, cleaning, hygiene) & new business segments (Oil & Gas / Water treatment). Standard Operating Procedures (SOPs) are in place for changeover from one business segment to another. Accordingly, on a conservative basis, peak capacity utilization is considered ~70% to 80% to account for changeover.

☐ Acquisition plans from Fund raise:

- Company raised total INR 342.5 Cr. via equity shares & warrants issuance in CY24 (~INR 192.5 Cr. recd. & INR 150 Cr. to be received in Nov'25 & Jan'26 or H2-FY26)

Fund Raise Date	Price (INR)	Equity Shares (INR Cr.)	Warrants (INR Cr.) [Received @25% / Pending]
22-May-2024	346/-	33.6	90.9 [22.7 / 68.2]
19-July-24	387.4/-	109.1	109.1 [27.3 / 81.8]
Total		142.6	199.9

- Discussions are in process for acquisition of target overseas – will be announce upon finalization. Acquisition to be EPS accretive

Outlook: Given Company's past track record of delivering year on year growth with improvement in margins, adequate cash and bank balances, revenue generational opportunities from new business segments – we have a **Positive Outlook** on the Company.

- Impact of Trump Tariffs:** Indian textile sector expected to benefit making it favorable destination for US imports due to higher tariffs on competitors like Vietnam:46%, Bangladesh:37%, China: 54%, Pakistan: 29%, Cambodia: 49% vs lower India tariffs: 26%
- We take note of the target price of INR 366/- and revenue estimates given by 1 analyst (*Source: S&P Capital IQ*)

Particulars (INR Cr.)	FY24 (A)	FY25 (E)	FY26 (P)	FY27 (P)
Revenue	569	590	721	887
% Y-o-Y Growth	10.1%	3.6%	22.2%	23.1%
EBITDA %	26.1%	26.3%	26.6%	27.7%
PAT %	20.7%	22.2%	21.6%	22.8%
CFO / EBITDA %	65.6%	90.7%	73.6%	73.4%
ROE %	26.7%	21.2%	16.8%	17.1%

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- Buy: > 15%
- Hold: -5% to 15%
- Reduce: -15% to -5%
- Sell: < -15%