

# Fineotex Chemical Ltd. (FTXC IN)

INDIA | Market Marvel Event

## Company background:

Fineotex Chemical is one of the largest chemical companies in India producing specialty performance chemicals for the textile and FMCG (cleaning and hygiene) sectors. Additionally they manufacture specialty chemicals for the oil and gas industry. They manufacture over 450 specialty chemicals and enzymes. Their state-of-the-art manufacturing plants situated in Navi Mumbai and Malaysia have a total capacity of 1,04,000 MT per annum. The revenue mix for Q2FY24 is 77% from the domestic market and 23% from the international market.

## Meeting highlights:

- Major drivers of growth will be on account of shift towards sustainability for which the company has been preparing by obtaining certifications and performing audits. Further, major players in the textile market are already pushing for a move towards sustainable practices.
- The company expects to continue growing at a CAGR of 25% pa.
- There is opportunity to double revenue with current customers. The company has an extremely wide range of products to offer to each customer and provides them with a customized product line.
- The company has a whole range of international certifications so that it is well poised to seize opportunities globally.
- The company has spent the last 5 years on increasing its product offering via tie-ups and acquisition of Biotex that is primarily present in textile finishing.
- Their other international partnerships are with Eurodye in Belgium and Healthguard in Australia.
- New plant at Ambarnath has space for increasing capacity. However, the company has identified additional land for expansion which it plans to fund via internal accruals.
- Customers usually have a sticky relationship with the company for chemicals in textiles due to reliability of chemicals and the low cost contribution. The final product constitutes of 25 chemicals which only amounts to 3% of the total cost of textiles.
- The company does not see a major risk from its foreign competitors like BASF and DOW as they do not have a manufacturing plant in India and their chemicals are not customized to the water quality. Fineotex has also replaced them as a supplier in few cases.
- The company sees huge potential in the detergent market. Its chemicals can be a partial substitute for LABSA (acid slurry) in detergents.
- Top 10 customers are contributing less than 28% of revenue and top 10 products contribute less than 18% of revenue.
- Average R&D expenditure is Rs.6 cr. Biotex is the main driver for R&D.
- The company provides 5-6 chemicals on average per customer.

## Key Financials:

	Rs. Mn								
Year end	Net Sales	EBITDA	PAT	EPS	P/E	EV/EBITDA	P / BV	ROE	ROCE
FY20	1963.4	347.9	143.1	1.2	12.6	4.1	1.0	8.7%	13.5%
FY21	2185.1	405.7	445.6	3.8	17.1	12.0	3.5	23.5%	29.4%
FY22	3682.3	712.1	568.9	5.0	36.2	25.5	7.6	24.1%	31.1%
FY23	5170.0	1125.9	895.5	8.0	29.2	21.1	7.4	29.3%	37.3%

Source: Company, Phillip Capital

11 December 2023

## Not Rated

CMP: 369

### COMPANY DATA

O/S SHARES (MN) :	110.7
MARKET CAP (RSMN) :	40904.9
MARKET CAP (USDMN) :	492.8
52 - WK HI/LO (RS) :	380/209
TRADING VOL. 3M:	200.6
PAR VALUE (RS) :	2

### SHARE HOLDING PATTERN, %

Promoter	65.0
Institutions	4.6
Non Institutions	30.4

SHP as on September 2023

### PRICE Vs. SENSEX



Source: Phillip Capital India Research