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Multibagger in making, Micro Cap

FCL Fineotex Chemical : Multibagger in making, Micro Cap

on December 18, 2017 in [Chemicals Sec](#), [Fundamental Calls](#), [Long-Term](#), [Multibaggers](#), [Positional](#)

FCL: Fineotex Chemical Ltd, Speciality Chemicals

CMP: 42.7, P/E 26, P/Bv 4.55 ROE 16+ M.Cap 480 cr Div Yld% 0.23

FCL FINEOTEX CHEMICAL LIMITED
Where dependability counts


PEERS

Peer Comparison Top 7 companies in the same business Customize columns

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs. Cr.	Div Yld %	NP Qtr Rs. Cr.	Qtr Profit Var %	Sales Qtr Rs. Cr.	Qtr Sales Var %	CMP / BV	ROE %
1.	Pallate Inds.	886.40	54.16	45,435.50	0.54	252.82	9.38	1,529.87	7.91	11.51	28.20
2.	Solar Inds.	1,159.95	49.59	10,496.39	0.43	48.25	23.31	408.40	30.33	10.12	21.11
3.	Meghmani Organ.	104.95	17.15	2,668.88	0.38	55.09	57.85	460.66	18.72	3.27	13.22
4.	Himadri Specialt	153.00	42.20	6,401.64	0.07	51.16	168.70	468.02	36.95	5.43	8.08
5.	Vinuti Organics	1,040.25	40.07	5,345.95	0.05	29.15	-4.99	160.68	14.02	7.22	22.38
6.	NOCL	174.30	23.18	2,865.16	1.03	38.07	39.50	227.60	25.52	4.30	20.07
7.	Bodai Chemicals	158.55	16.43	1,937.30	0.45	26.18	-27.01	262.51	-23.09	4.65	41.86
8.	Fineotex Chem	42.70	25.81	478.55	0.23	5.43	18.82	21.81	21.88	4.55	15.68

* Median among the Peers

About Company:

Fineotex Chemical Limited (FCL) was incorporated as a private limited company under the Companies Act 1956, on January 30, 2004 in the State of Maharashtra and its constitution was changed to a public limited company vide a new certificate of incorporation dated October 19, 2007. It is promoted by the members of the Tibrewala family, the company is in the business of manufacturing specialty chemicals and enzymes. The registered and corporate office of the company is situated at 42 and 43 Manorama Chambers, S.V. Road, Bandra West Mumbai 400 050.

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The company has acquired the business of Fineotex Chemical Industries, a proprietorship concern of Surendra Kumar Tibrewala, which was set up in the year 1995 at Mahape, MIDC in Navi Mumbai. Fineotex Chemical Industries was engaged in the manufacturing of specialty chemicals for Textile and Garment Industry (right from Pre-treatment Chemicals to finishing products), Leather Industry, Agrochemical Industry, Paper Industry, Paint Industry, Construction chemicals, Wood and Sticker Industry etc. It also manufactured various value added specialty chemicals and enzymes.

The company acquired the business of Fineotex Chemical Industries by executing the deed of Assignment dated April 1, 2007 for a lump sum cash consideration of Rs 3 crore only and acquired all assets and liabilities related to the business. Pursuant to this deed of assignment, the proprietor of Fineotex Chemical Industries was allotted 30,00,000 equity shares of Rs 10 each of Fineotex Chemical Limited.

The company proposes to set up a manufacturing facility for the production of specialty chemicals and enzymes with a capacity of 13,125 MT/annum in and around Khopoli in Maharashtra and to set up a sales office at Mumbai. Setting up this project would be a step towards expansion of current business i.e. manufacturing of specialty chemicals and enzymes for construction, textile and garments, leather and water treatment industry. This expansion would help us tap the potential of the increasing demand of the specialty chemicals in the above industries.

Business area of the company

The company manufactures specialty chemicals consumed by textile and garment industry, leather, construction, adhesives paper, water treatment, agrochemicals, paint and other industries. The company's existing plant is located at A - 699 and A - 700, TTC Industrial Area, Mahape, Navi Mumbai, District Thane. Its products have an established international market in countries like Bangladesh, Indonesia, Bulgaria, Pakistan, Colombia, Singapore, etc. Also, the company's products are sold in Indian cities like Mumbai, Balotra Bhilwara, Delhi, Ludhiana, Tirupur, Karur, Erode, etc.

Milestones

- > 1995: Incorporation of Fineotex Chemical Industries (FCI)
- > 2003: FCI received ISO 9001:2000 from JAS-ANZ Certification
- > 2003: Registered Trademark for "FINEOTEX"
- > 2004: Incorporation of Fineotex Chemical Private Limited
- > 2007: Acquisition of business of Fineotex Chemical Industries by Fineotex Chemical Private Limited
- > 2007: Converted to Public Limited Company
- > 2007: FCL received ISO 9001:2000 from JAS-ANZ Certification

Positive:

- i. Sales Growth: TTM 7%, 3 Yrs 12%, 5 Yrs 18%, 10 Yrs 11%
- ii. PAT Growth: TTM 16%, 3 Yrs 40%, 5 Yrs 25%, 10 Yrs 17%
- iii. ROE% : TTM 16%, 3 Yrs 16%, 5 Yrs 14%, 10 Yrs 14%
- iv. QoQ sale growth @ 5% (Sep 17)
- v. QoQ PAT growth @ 25% (Sep17)
- vi. Operating margins are highest at 27%
- vii. Stock is at 26 PE which is median among peers
- viii. Company is a regular dividend paying with div. yield of 0.23%
- ix. Company is regular tax payer
- x. Promoter holding is very good at **72.36%** with zero pledge shares.
- xi. Promoter increasing the stake gradually
- xii. Reserves are highest at 73 cr.
- xiii. Fixed assets increased by 60% from 2015 to 2017 which shows active capacity expansion
- xiv. Return on Capital employed is very good at **33%** and in uptrend

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- i. Return on Assets is very good at **19%** and in uptrend
- i. Debt to equity is very less at almost **ZERO** only (Debt decreasing YoY even there is increase in assets)
- i. Interest coverage ratio is Huge at **85.84** and highest historically
- i. Market Cap to sales is at little higher side at 2.97 which is a sign of undervalued
- i. Given **multi-year** breakout recently

Negative:

- i. Market cap to sales is little higher for a Micro cap so will take time for immediate stock price appreciation
- i. Only for patience investors, who can keep a track of company earnings
- i. Stock P/e and P/bv is although at median but little higher for a micro cap company
- i. Company increasing share capital YoY although the same is using for expansion but ratio proportionality is good

Goods :

- > The Company manufactures over 400 specialty chemicals and enzymes to Textile, Garment, Construction, Leather, Agrochemicals, Adhesive and Water Treatment.
- > The Company has a global presence across 33 countries and caters to well known companies in India and overseas. The Company has received Star Export House recognition with its increase in exports.
- > **FCL acquired Manya Steels Private Limited is the only Indian subsidiary. It was acquired for diversification. The Company would commence commercial operations in the future.**
- > Majority of revenues are coming from the Textile segment, we undertake manufacturing of entire range of products for Pre treatment, Dyeing, Printing and Finishing process.
- > The main competitive advantage includes: • High Entry Barriers • Sticky Customer Profile • Customer doesn't focus on pricing but on reliability & technical superiority • The Fineotex brand is well established since 3 decades and known for its superior quality • Network of 68 distributors pan-India, offering higher returns to them to ensure better market share • Products catering to the entire value chain in textile manufacturing process • Products are unique & efficient concentrated products with low dosage, transport and storage costs.
- > **Outlook** - A large domestic demand for textiles, growth in branded apparel, strengthening exports and opportunities for technical specialty textiles, together provide a large and growing market for textile specialty chemicals.
- > **Company launched its new innovative product for mosquitoes which is approved and non toxic completely**

- Your Company continues to do well globally by adding new geographies, the exports for the year has risen by 21% of the topline. Domestically the Company has widened its distributor network and currently has 85 agents all over India. The consolidated revenue growth of your Company was 18%
- From the Standalone Financial Perspective we have seen consistent improvement for the consecutive past years, your Company has achieved EBITDA of Rs. 1,920 Lakhs, a growth of 5% and Profit after Tax of Rs. 1,595 Lakhs, a growth of 5.6%. The strong track record of cash generation was sustained. The company continues to be cash surplus.
- Fineotex Malaysia Limited, the foreign subsidiary of Fineotex Chemical Limited, launched its new product "**Aquastrike VCF- A Non Toxic & Ecofriendly Mosquito Killer Liquid**". It is a non toxic, non polluting, Eco-friendly solution, produced in Malaysia with European design engineering. It is approved by Ministry of Health in Malaysia and declared as Non-Pesticide by the Pesticide Board and allowed to be used freely by consumers. The Singapore PUB (Public Utility Board) has approved it and it even has the EU approval for shipment to Europe. NSF had also confirmed its Non Toxicity in drinkable water. The Vietnam and Cambodia bodies have also approved and soon it will be under WHO registration application.

Subject:- Disclosure as per Regulation 30(3) of the SEBI (LISTING OBLIGATIONS & DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

In compliance to Regulation 30 (3) of the SEBI (LODR) Regulations 2015, we wish to inform our shareholders that Fineotex Chemical Limited along with its Malaysian Subsidiary BT Biotex Sdn Bhd has launched its new product called **AQUASTRIKE VCF: The Ecofriendly, nontoxic solution for Mosquito outbreak in several countries!**

Aquastrike is approved by Ministry of Health in Malaysia and declared as **Non-Pesticide** by the **Pesticide Board** and allowed to use freely by consumers. The **Singapore PUB (Public Utility Board)** has approved it and even has the **EU approval** for shipment to Europe. NSF had also confirmed its Non Toxicity even in drinkable water. The Vietnam and Cambodia bodies have also approved and soon it will be under **WHO registration application**. The **Patent** for the same has been filed in Malaysia as well.

The application for approval has been done in the **Central Inspection Board of India (CIB)** and to the **Prime Minister Office** for the **Swachh Bharat Abhiyan** as this will be helpful to break the mosquito lifecycle and also preserve the aquatic life in the water and keep the water free of insecticides and other harmful substance which affects human health.

It is a non toxic, non polluting, Eco-friendly solution, produced in Malaysia with European design engineering. Simply poured on the water surface at a rate of 1ml per square meter, the chemical based liquid forms a molecule thick film, that doesn't stop water oxygenation (so no effect on fish, worms, snails and vegetals) but alter the water surface tension. As a result, larvae and pupae are unable to attach their breathing syphon and end up drowning.

The adult mosquitoes while trying to lay eggs on the surface of the water, drown because of the lower surface tension.

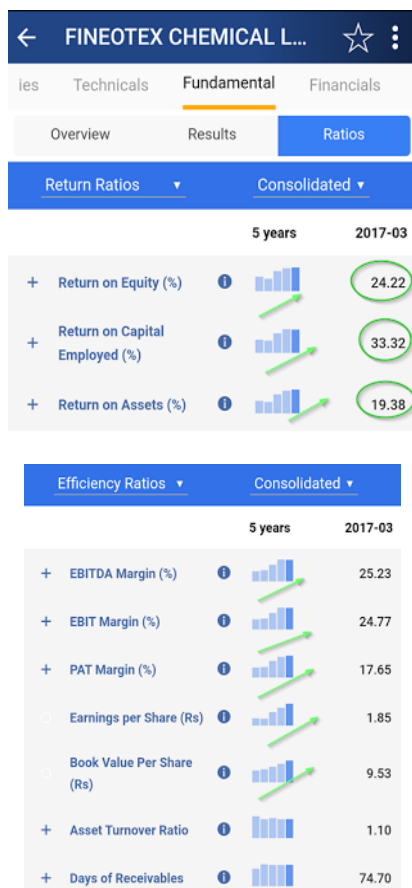
It doesn't kill the mosquitoes by poisoning. Aquastrike effect is physical not chemical, which also eliminate the risk of mosquito developing immunity to the product as it is the case with some insecticides or even BTI. All the tests have shown the perfect efficiency of the product (including tests done by laboratories approved by WHO).

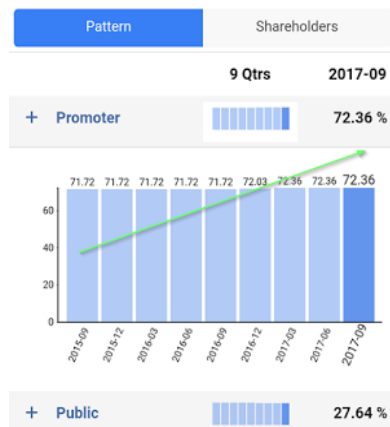
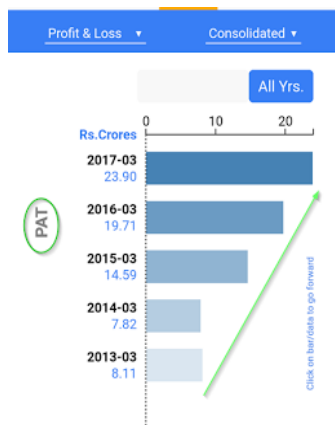
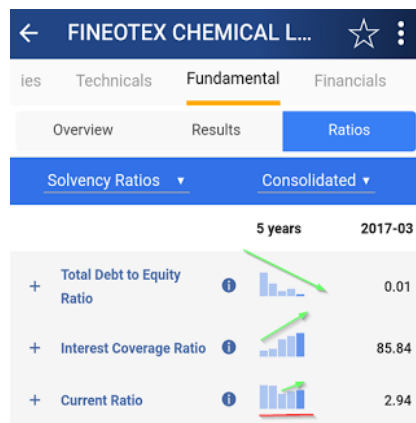
Our Company has managed to grow consistently, thanks to our value added products with high entry barriers and ongoing Research and Development. It is our constant endeavour to deliver innovative products and services pertaining to the needs of the industry we service. We continuously strive to increase our corporate client list by providing custom textile solutions as well as trouble shooting in critical situation, thus improving our wallet share permanently. Your Company manufactures predominantly chemicals for the entire value chain for the textile industry including pretreatment, dyeing, printing and finishing process. The company also manufactures other chemicals for various industries like agro, adhesives, construction, water treatment etc. Your Company witnessed a CAGR growth of 32% in last 5 years.

In the coming years, your Company will continue to provide thrust to the core business of Specialty Chemicals. Enhancing customer profitability and satisfaction, identifying appropriate textile solutions will rank in high priority. International business will be a very important lever of growth for the group with new geographies along with sale of Aquastrike in Asia and European Countries. Your Company will continue to target market penetration, increase of market share, service delivery and profitability. Looking ahead, your Company anticipates many developments in the economic and business environment, some of which are local phenomena and some triggered by global trends. The Indian Economy is on the threshold of the next phase of growth through government sponsored "Make-In-

Bads:

- > Company do not foresee any major shifts in the near future. Due to the commoditization of existing textile chemicals, major players as well as a few scaled up Indian players
- > As company is very confident about their new product AQUASTRIKE, its receipt and competitive advantage to be observed
- > Company looking for diversification in complete offset, need to observe the efficiency
- > Less competitive advantage on their core products of Textile sector





Conclusion:

By considering the company strong financials, Its cash surplus, efforts for diversification, promoters confidence in increasing share YoY, new innovative products, threats and opportunities, FCL Fineotex Chemicals looking like a Potential Multi bagger for Long-Term Perspective.

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