

## Retail Equity Research

# Fineotex Chemical Ltd

## Chemicals

**CMP Rs. ₹ 326**
**Rating: Overweight**
**NSE CODE: FCL BSE CODE: 533333**

Fineotex Chemicals Ltd reported sales of ₹145.73 crore in Q2 FY2025, a 3% QoQ growth after a 7% decline in the previous quarter. While revenue trends remain volatile, the company has maintained stable operating margins. Operating profit stood at ₹36.40 crore, reflecting a 3% sequential increase.

Notably, other income surged to ₹6.90 crore, supporting profitability despite rising depreciation costs. Profit before tax improved to ₹40.71 crore, while net profit reached ₹31.85 crore, registering a 10% QoQ growth after two consecutive quarters of negative growth.

The company's ability to sustain margins amid fluctuating expenses indicates strong cost management. With improving revenue trends and a steady bottom line, Fineotex is well-positioned for future growth. However, monitoring expense trends and market demand fluctuations remains crucial. Continued product diversification and capacity expansion should support long-term

### Company Data

Market Cap (cr)	Rs.	3,735.14	
Enterprise Value (cr)	Rs.	4,042.16	
Outstanding Shares (cr)		11.46	
52 week high	Rs.	459.00	
52 week low	Rs.	277.00	
1m average volume (lacs)		4.79	
Face value	Rs.	2.00	
	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>
Sales	368.23	517	568.97
Growth(%)	69%	40%	10%
EBITDA	76.72	119.9	164.92
EBITDA Margin(%)	20.8%	23.2%	29.0%
PAT	55.17	88.32	119.81
Growth(%)	30%	60%	36%
EPS	5.0	8.0	10.8
P/E	36.3	29.2	34.0
P/B	7.6	7.4	9.1
EV/EBITDA	25.6	21.1	24.5
ROE(%)	21%	25.3%	27%
ROCE(%)	28%	32.5%	35.1%
ROIC(%)	23%	33.8%	39.9%
D/E	0.01	0.02	0.01

**Financial and Operational Performance:** Fineotex Chemicals reported a 3% revenue growth in Q2 FY2025, reaching ₹1,457 million, with PAT rising 10% to ₹321 million, maintaining a 22% margin. H1 FY2025 revenue stood at ₹2,876 million (4% YoY growth), while PAT grew 6.3% to ₹612 million. The company is diversifying beyond textiles into hygiene and oil & gas, enhancing operational efficiency, and expanding sustainable solutions.

**Strategic Expansion and Market Developments:** Construction of the new Ambarnath plant is progressing well, set to boost capacity next year. While the specialty chemicals industry remains strong, seasonal demand fluctuations persist. Fineotex anticipates improved market activity and supply chain stabilization, strengthening its presence in global markets like Russia and the oil and gas sector.

**Financial Strength and Future Outlook:** ICRA upgraded Fineotex's rating to ICRA A+ with a positive outlook. A ₹342.55 crore fundraise will support growth. R&D investments of ₹7-8 crores focus on sustainable innovations, backed by NABL accreditation. Despite raw material fluctuations and geopolitical uncertainties, management remains optimistic, expecting stronger H2 FY2025 performance with expanding market opportunities.

## Key Highlights

**Diverse Product Offerings** Incorporated in 1979, Fineotex Chemicals Ltd is a leading manufacturer of auxiliaries and specialty chemicals catering to multiple industries, including textiles, construction, water treatment, fertilizer, leather, and paints. It offers a comprehensive range of textile processing products for pretreatment, dyeing, printing, and finishing. Additionally, the company provides cleaning and hygiene products such as floor cleaners, hand washes, sanitizers, dishwashers, and toilet bowl cleaners, with a portfolio of over 470 products.

**Strong Operational Performance** The company recorded a 10% revenue growth in FY24, driven by a 22% increase in sales volume from 55,265 MT to 67,620 MT. Enhanced production capabilities and growing market demand contributed to this growth. EBITDA margins improved to 26% in FY24 from 22% in FY23, supported by higher gross margins.

**Prominent Clientele** Fineotex Chemicals serves a reputed client base, including Nahar Group, Welspun, Raymond, Shahi, Only Vimal, Vardhman, Chenab, JCT Ltd., and Himatsingka, among others, reinforcing its industry credibility.

**Strategic Partnerships** The company has collaborated with Eurodye-CTC, Belgium, to commercialize specialty chemicals in India. It also has a joint venture with HealthGuard, Australia, acting as an exclusive global marketing and sales partner, with joint operations in Malaysia. Furthermore, it has established an R&D center in collaboration with Sasmira Institute, a premier textile research institution in India.

**Robust Manufacturing Infrastructure** Fineotex Chemicals operates three manufacturing facilities located in Mahape and Ambernath (Mumbai) and Selangor (Malaysia), with a combined production capacity of 1,04,000 MTPA. The company achieved 64% capacity utilization during Q2 FY25, demonstrating strong operational efficiency.

**Expansion Initiatives** In December 2023, the company acquired an additional 7 acres of land at Ambernath MIDC, Thane, Maharashtra, for Rs. 35 Cr through internal accruals. This acquisition aims to meet the growing demand for specialty performance chemicals. Phase 1 of the expansion, with an expected capacity of 18,000-20,000 MTPA, is set to commence operations in FY26.

**Innovative R&D Developments** Biotex Malaysia, a subsidiary of Fineotex, leads R&D efforts focused on textile chemical applications. The company is developing an eco-friendly, non-toxic solution called "Mosquito Life Cycle Controller," targeting mosquito outbreak management in developing nations.

**Capital Infusion and Future Focus** In July 2024, the company raised Rs. 342.5 Cr through a preferential allotment of equity shares and convertible warrants. Fineotex Chemicals is also exploring the acquisition of a specialty chemical manufacturing firm whose product portfolio and customer base closely align with its existing operations, ensuring long-term growth and expansion.

## Quarterly Financial Consolidated

### Profit and loss account

(Rs Cr)

	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	145.27	138.45	153.02	141.90	145.73
Growth(%)	10%	-5%	11%	-7%	3%
Expenses	107.06	98.11	114.74	106.65	109.33
Operating Profit	38.21	40.34	38.28	35.25	36.40
Growth(%)	21%	6%	-5%	-8%	3%
Other Income	3.81	4.94	4.15	4.88	6.90
Depreciation	1.41	1.43	1.85	2.25	2.37
Interest	0.26	0.29	0.58	0.25	0.22
Profit before tax	40.35	43.56	40.00	37.63	40.71
Tax	8.85	10.64	9.52	8.46	8.63
Net profit	31.35	32.67	30.11	28.75	31.85
Growth(%)	18%	4%	-9%	-5%	10%

## Financial Consolidated

### Profit & Loss

(Rs Cr)

	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Sales	196.34	218.51	368.23	517.00	568.97
Growth(%)	8%	11%	69%	40%	10%
Expenses	161.56	177.94	297.03	404.40	420.59
Operating Profit	34.78	40.57	71.20	112.60	148.38
Growth(%)	1%	17%	75%	58%	32%
Other Income	-11.02	17.49	5.52	7.30	16.54
Depreciation	1.17	1.47	2.51	4.28	6.02
Interest	0.63	0.72	0.92	0.82	1.33
Profit before tax	21.96	55.87	73.29	114.80	157.57
Tax	7.65	11.31	16.40	25.24	36.55
Net profit	13.08	42.59	55.17	88.32	119.81
Growth(%)	-42%	226%	30%	60%	36%

Balance Sheet

(Rs Cr)

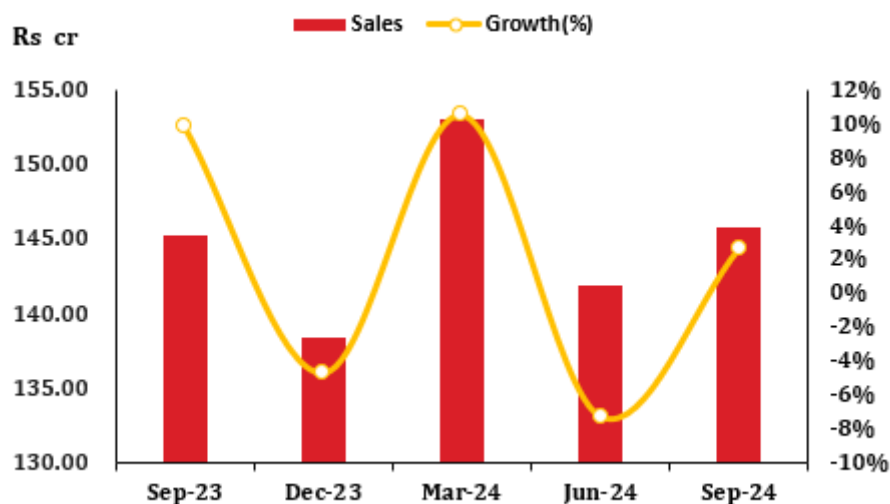
Report Date	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Equity Share Capital	22.26	22.15	22.15	22.15	22.15
Reserves	147.43	187.19	240.00	326.51	424.94
Borrowings	3.03	3.48	1.91	7.28	5.19
Other Liabilities	35.13	54.14	75.43	66.76	95.87
<b>Total</b>	<b>207.85</b>	<b>266.96</b>	<b>339.49</b>	<b>422.70</b>	<b>548.15</b>
Net Block	40.60	59.40	84.04	98.88	141.07
Capital Work in Progress	0.63	4.60	-	0.36	-
Investments	52.47	32.38	17.31	89.33	146.72
Other Assets	114.15	170.58	238.14	234.13	260.36
<b>Total</b>	<b>207.85</b>	<b>266.96</b>	<b>339.49</b>	<b>422.70</b>	<b>548.15</b>

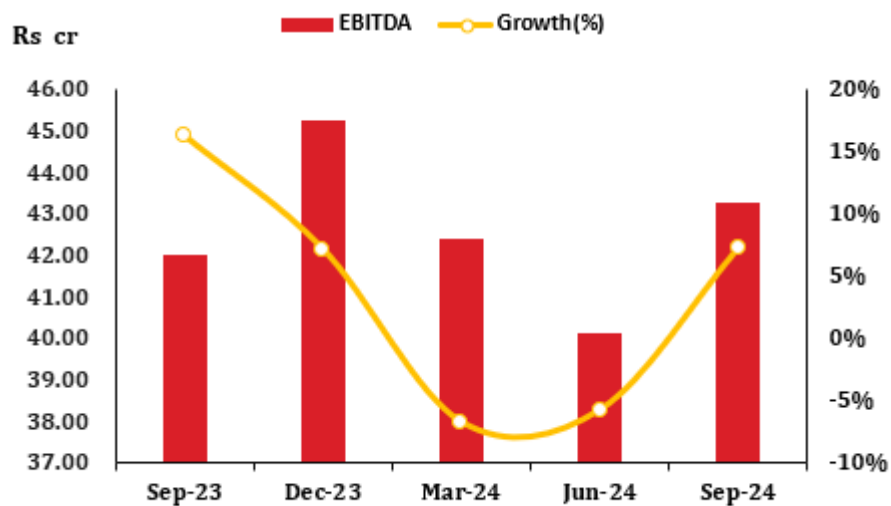
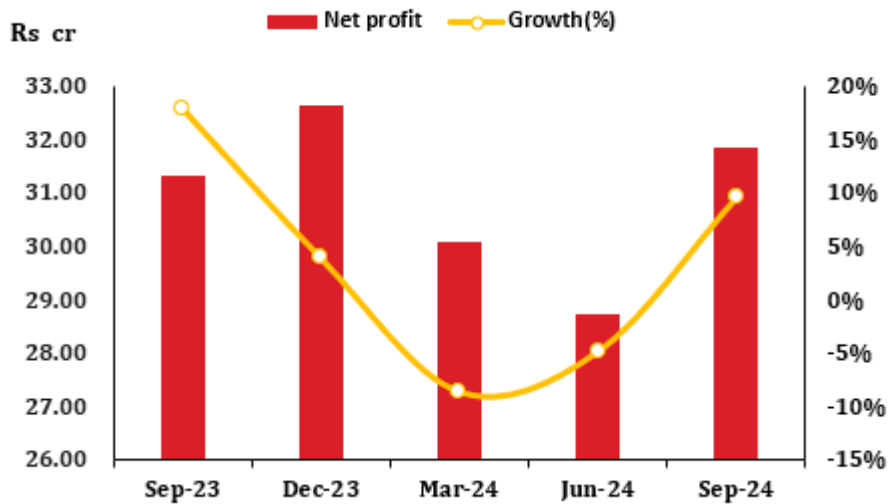
Cash Flow

(Rs Cr)

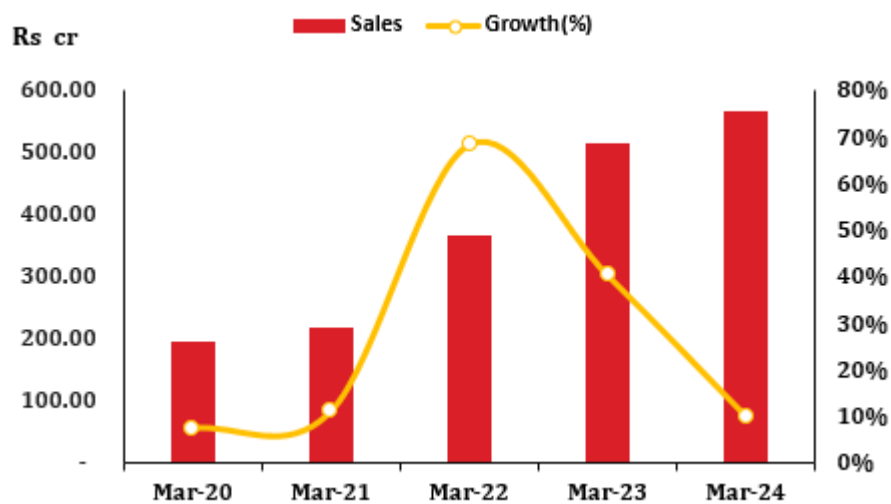
	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
Cash from Operating Activity	28.36	9.2	13.38	107.27	97.38
Cash from Investing Activity	-18.63	-7.25	0.67	-99.47	-47.44
Cash from Financing Activity	-3.88	-4.44	-5.66	-6.44	-23.91
Net Cash Flow	5.85	-2.49	8.39	1.36	26.03

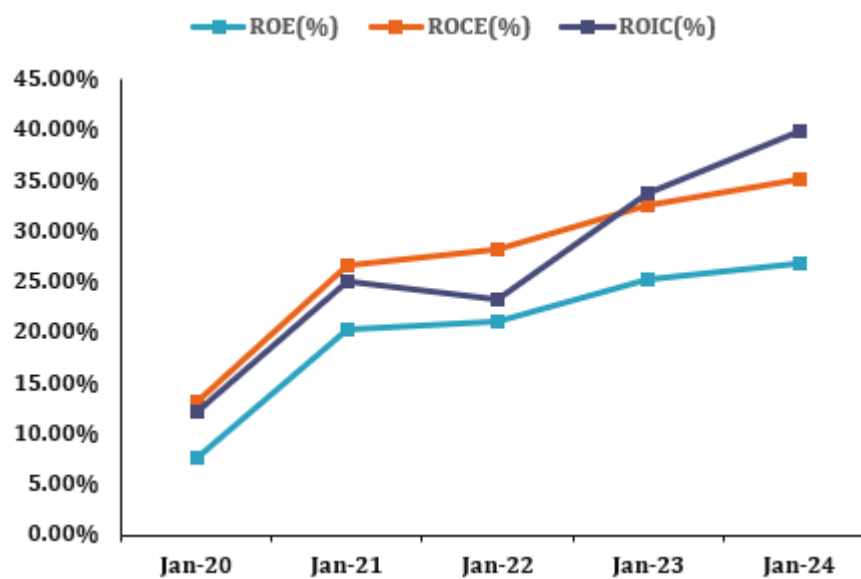
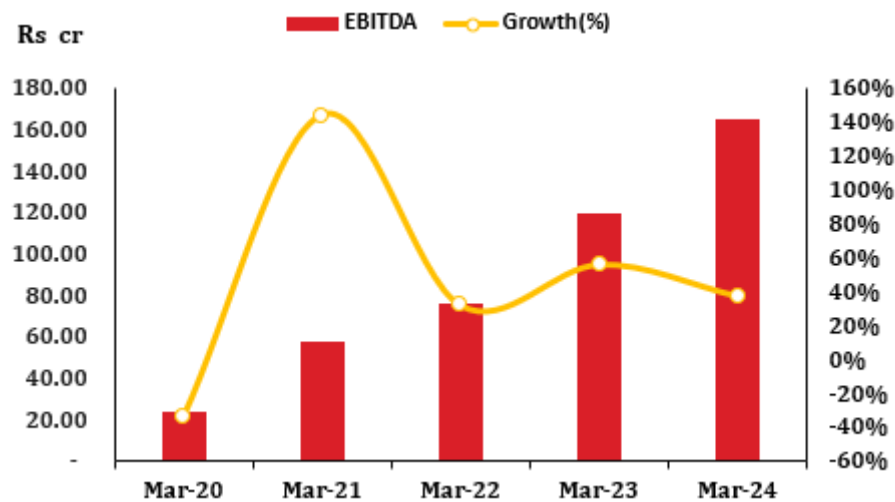
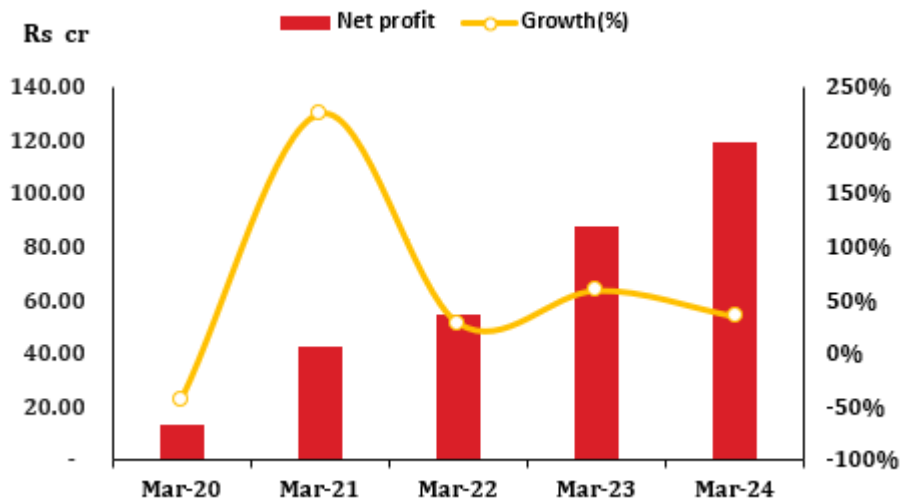
Key Metrics: Quarterly





### Key Metrics: Yearly





## Key Ratio:

Leverage Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
D/E	0.02	0.02	0.01	0.02	0.01
Debt/Assets	0.01	0.01	0.01	0.02	0.01
Debt/Ebitda	0.13	0.06	0.02	0.06	0.03
Debt/Capital Ratio	2%	2%	1%	2%	1%
Cash flow/Debt	9.36	2.64	7.01	14.73	18.76
Interest coverage ratio	35.86	78.60	80.66	141.00	119.47
Sales Change	8%	11%	69%	40%	10%
Ebit Change	-34%	151%	31%	56%	37%
Operating Leverage	0.13	1.47	1.10	1.44	3.16
Financial Leverage	1.22	1.28	1.30	1.21	1.23

## Efficiency ratios

Receivable days	100	138	110	72	89
Receivable turnover	3.65	2.64	3.32	5.10	4.10
Inventory days	0.00	0.00	0.00	0.00	0.00
Inventory turnover	8	6	5	9	8
Net Fixed assets turnover	4.84	3.68	4.38	5.23	4.03
Sales/capital employed	1.14	1.03	1.39	1.45	1.26
Total Asset Turnover	0.94	0.82	1.08	1.22	1.04

## Profitability ratios

Ebitda	23.76	58.06	76.72	119.9	164.92
Ebitda margin	12%	27%	21%	23%	29%
Gross Profit	68.59	70.92	121.66	167.71	208.37
Gross Profit Margin	35%	32%	33%	32%	37%
EBIT	22.59	56.59	74.21	115.62	158.9
EBIT Margin	12%	26%	20%	22%	28%
ROE	8%	20%	21%	25%	27%
Net profit margin	7%	19%	15%	17%	21%
EPS	1.18	3.85	4.98	7.98	10.81
DU Pont ROE	8%	20%	21%	25%	27%
Net Profit Margin	7%	19%	15%	17%	21%
Sales/Total assets	0.94	0.82	1.08	1.22	1.04
Financial Leverage	1.22	1.28	1.30	1.21	1.23
DU PONT ROA	6%	16%	16%	21%	22%
Net Profit Margin	7%	19%	15%	17%	21%
Sales/Total assets	0.94	0.82	1.08	1.22	1.04

Capital Allocation Ratios	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24
ROCE	22%	16%	21%	31%	35%
EBIT Margin	12%	26%	20%	22%	28%
Sales/cap employed	1.14	1.03	1.39	1.45	1.26
NOPAT	14.72	45.13	57.60	90.20	122.04
Capital employed	172.72	212.82	264.06	355.94	452.28
ROIC	9%	21%	22%	25%	27%

Valuation Ratios					
Price/Earnings	12.51	17.10	36.26	29.22	34.03
Price/Book	0.96	3.48	7.63	7.40	9.12
Marketcap	163.61	728.41	2,000.35	2,580.42	4,076.89
Enterprise Value	148.71	697.98	1,964.20	2,528.13	4,042.16
EV/EBITDA	6.26	12.02	25.60	21.09	24.51



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