

Clean Science & Technology

Estimate changes 

TP change 

Rating change 

CMP: INR1,385

TP: INR1,450 (+5%)

Neutral

Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USD\$b)	147.2 / 1.7
52-Week Range (INR)	1690 / 1243
1, 6, 12 Rel. Per (%)	1/-6/-9
12M Avg Val (INR M)	272

Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	9.5	12.7	15.8
EBITDA	3.8	5.0	6.1
PAT	2.5	3.7	4.6
EPS (INR)	24.0	35.1	43.6
EPS Gr. (%)	4.3	46.4	24.3
BV/Sh. (INR)	134.1	164.6	202.5
Ratios			
Net D:E	-0.1	-0.1	-0.2
RoE (%)	19.4	23.5	23.8
RoCE (%)	19.0	23.1	23.4
Payout (%)	13.1	13.1	13.1
Valuations			
P/E (x)	57.8	39.5	31.8
P/BV (x)	10.3	8.4	6.8
EV/EBITDA (x)	38.4	29.0	23.5
Div. Yield (%)	0.2	0.3	0.4
FCF Yield (%)	0.7	1.1	1.8

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	5.5	4.8	5.1
FII	6.0	5.8	5.9
Others	13.6	14.4	14.0

FII Includes depository receipts

Volume-led growth; capacity ramp-up remains key

- Clean Science (CLEAN)'s reported EBITDA in 3QFY25 was above our estimate at INR985m (+14% YoY), with a gross margin of 63.5% (vs. 66.8% in 3QFY24). EBITDAM contracted to 40.9% from 44.5% in 3QFY24. Revenue contribution of Performance Chemicals increased 2% YoY in 3QFY25, while that of Pharma & Agro Intermediates declined 1% and 2% YoY, respectively. PAT increased 5% YoY to INR656m during the quarter.
- A strong YoY growth was observed across various segments, fueled by higher volumes, with the markets in India, China, and RoW seeing 20%+ growth in their absolute revenue YoY. The mix fairly remained similar to the year-ago period. The utilization level for the Performance segment stood at 65-70%, while the same for the Pharma segment was 65% and that of the FMCG segment was 80%. New products in HALS and Pharma led to robust revenue in 3QFY25.
- HALS' volumes in 3QFY25 reached 190t, exiting Dec'24 at 200t with a USD4.5/kg realization in 3Q. Sales grew from 125t in 1QFY25 to 570t in 3QFY25, with 4QFY25 expected at 600-650t, driven by HALS 701, 770, 622, 944, 119, and 783. FY26 volumes are expected at 3-4ktpa with a USD5.5-6/kg realization. HALS 119 (USD8-9/kg) serves agricultural films, and HALS 944 (USD7-8/kg) is used in polyolefin films, with customers across multiple regions.
- CLEAN commercialized DHDT for Lamivudine, enabling import substitution and DCC cross-selling, with samples sent in 3QFY25 but no revenue yet. It also launched BHT, expanding its antioxidant portfolio, targeting 2-3ktpa volumes at USD3/kg, with peak revenue of INR600-800m, approvals in six months, and 1.5 years to reach 70-80% utilization. It is also setting up a Barbituric Acid plant used to make Yellow Pigment with a customer already approving its pilot plant.
- We broadly retain our estimates for FY25-27 despite the beat in 3QFY25 as we rationalize our HALS assumptions for the same period. We have also accounted for the commissioning of all new capex during FY25-27 announced in the previous quarter as well as this quarter (except for Barbituric Acid). The stock currently trades at ~40x FY26E EPS of INR35.1 and ~29x FY26E EV/EBITDA. We value the stock at 35x Dec'26E EPS to arrive at our TP of INR1,450. **Reiterate Neutral.**

Beat led by lower-than-expected opex; margin expands YoY

- The company reported revenue of INR2.4b (+24% YoY). **Gross margin stood at 63.5% (+110bp YoY).** EBITDA margin was at 40.9% (+320bp YoY). Margin expansion on a sequential basis was because of a favorable product mix.
- EBITDA was at INR985m (our est. of INR863m, +14% YoY) with PAT at INR656m (our est. of INR603m, +5% YoY).
- The Board approved an interim dividend of INR2/share.
- **For 9MFY25**, revenue was at INR7b (+25% YoY), EBITDA at INR2.8b (+19% YoY), and PAT at INR1.9b (+10% YoY). EBITDAM was at 40.2% (-190bp YoY).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motiloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Other highlights

- Volumes grew YoY in 3QFY25. CLEAN incurred a total capex of INR50m in 3QFY25, primarily in its subsidiary, Clean Fino Chem.
- It commercialized DHDT and BHT products in the quarter. HALS volume scale-up and product diversification have gathered momentum. Contributions from newly launched products have been improving.
- Revenue from **Performance Chemicals** stood at INR1.7b (+27% YoY). Revenue from **Pharma Chemicals** was INR433m (+17% YoY), while the revenue from **FMCG Chemicals** was INR267m (+5% YoY), led by increased volumes.
- Revenue from the **domestic** business stood at 31%, while the rest was exports.

Valuation and view

- CLEAN is actively pursuing R&D activities and has entered the HALS series, which has an estimated global market size of USD1b. While the commercial production from CFCL has commenced, management expects HALS to ramp up in the next three years.
- The company is expected to generate INR5.4b in FCF during FY25-27, with a planned capex of INR5.9b over the same period. The stock is currently trading at ~40x FY26E EPS of INR35.1 and ~29x FY26E EV/EBITDA. We value the stock at 35x Dec'26E EPS to arrive at our TP of INR1,450. **Reiterate Neutral.**

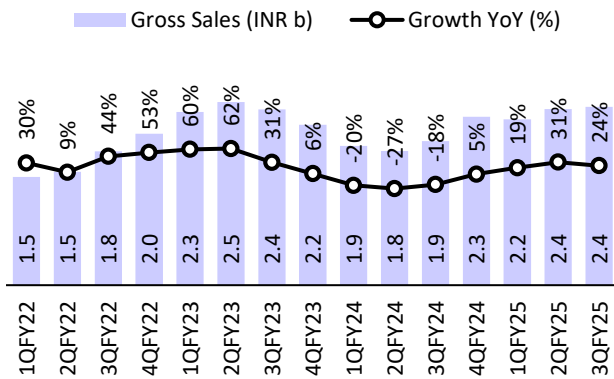
Consolidated - Quarterly Snapshot

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Gross Sales	1,881	1,811	1,947	2,275	2,240	2,381	2,408	2,460	7,915	9,490	2,361	2%
YoY Change (%)	-19.6	-26.8	-18.0	4.9	19.1	31.5	23.7	8.1	-15.4	19.9	21.2	
Gross Margin (%)	61.4%	65.9%	66.8%	65.7%	65.4%	62.4%	63.5%	64.4%	65.0%	63.9%	61.6%	1.9%
EBITDA	761	748	866	945	947	897	985	982	3,321	3,810	863	14%
Margin (%)	40.5	41.3	44.5	41.5	42.3	37.7	40.9	39.9	42.0	40.2	36.6	4.3
Depreciation	108	111	113	127	158	175	183	190	459	706	180	
Interest	1	3	1	6	1	0	1	2	9	5	1	
Other Income	134	60	78	141	99	111	52	70	413	332	124	
PBT	787	695	830	953	887	832	853	860	3,265	3,432	806	6%
Tax	198	173	204	250	228	245	196	217	825	885	203	
Rate (%)	25.1	24.9	24.6	26.3	25.7	29.4	23.0	25.2	25.3	25.8	25.2	
Adj. PAT	589	522	626	703	659	587	656	643	2,440	2,546	603	9%
YoY Change (%)	-6.3	-23.2	-25.3	-12.7	11.9	12.6	4.8	-8.5	-17.3	4.3	-3.7	
Margin (%)	31.3	28.8	32.2	30.9	29.4	24.7	27.3	26.1	30.8	26.8	25.5	1.7
Segment-wise Revenue (INR m)												
Performance Chemicals	1,260	1,213	1,305	1,604	1,546	1,643	1,662	1,662	5,382	5,382	1,669	0%
Pharma & Agro Intermediates	357	344	370	432	403	429	433	475	1,504	1,504	384	13%
FMCG Chemicals	245	272	253	259	291	356	267	324	1,029	1,029	308	-13%
Others	19	-19	19	-19	0	-46	46	-0	0	0	-0	LP

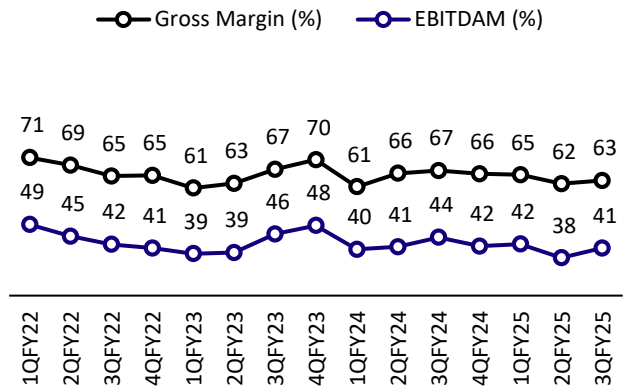
Story in charts: 3QFY25

Exhibit 1: Revenue increased 24% YoY



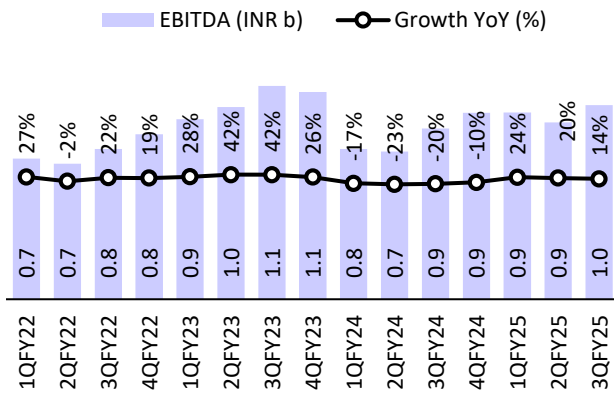
Source: Company, MOFSL

Exhibit 2: GM and EBITDAM expanded YoY



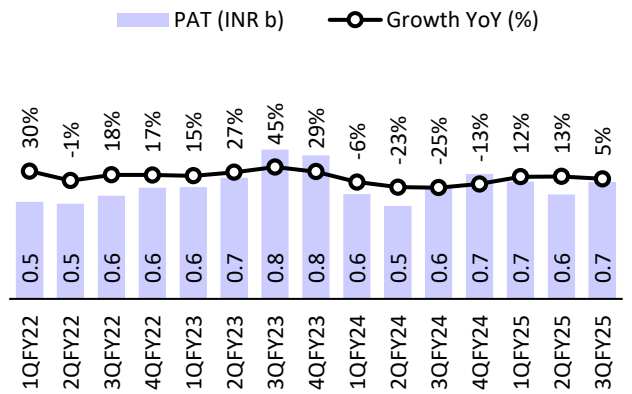
Source: Company, MOFSL

Exhibit 3: EBITDA increased 14% YoY



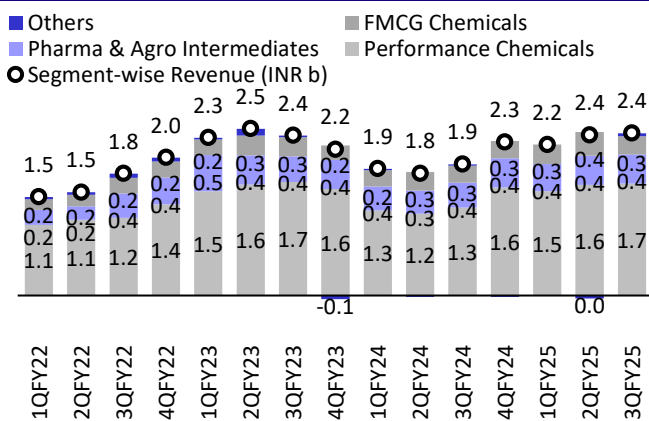
Source: Company, MOFSL

Exhibit 4: PAT was up 5% YoY



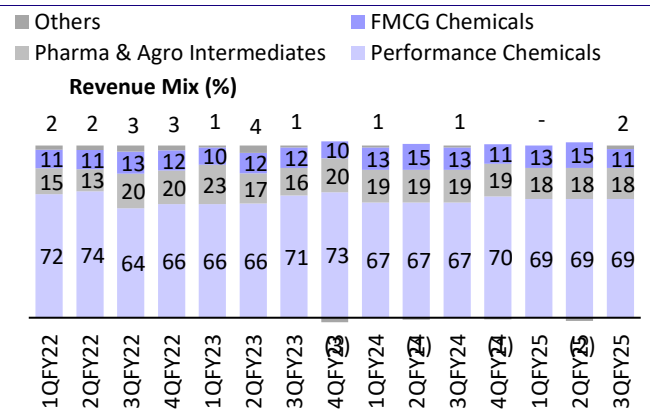
Source: Company, MOFSL

Exhibit 5: Revenue across segments rose YoY



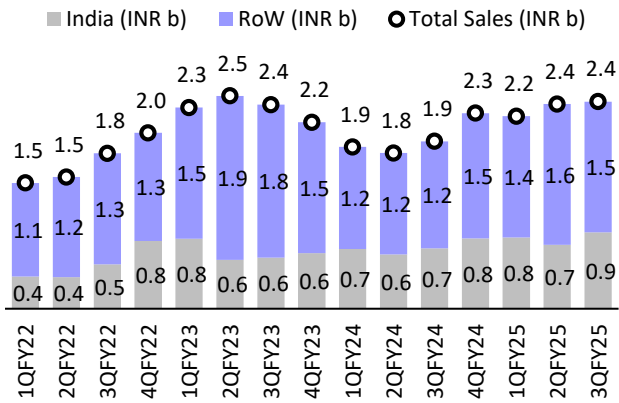
Source: Company, MOFSL

Exhibit 6: Contribution from Performance Chemicals improved YoY



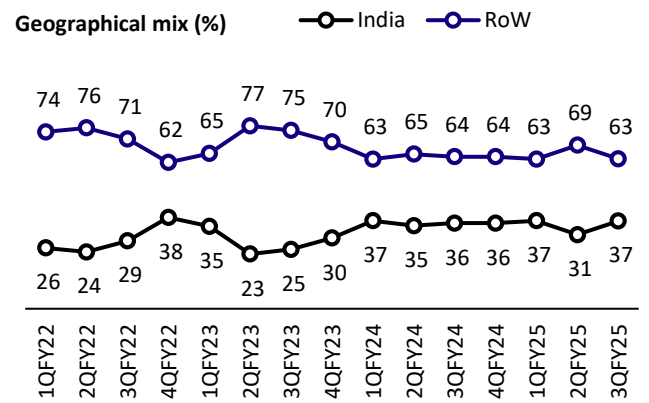
Source: Company, MOFSL

Exhibit 7: Domestic sales increased 27% YoY



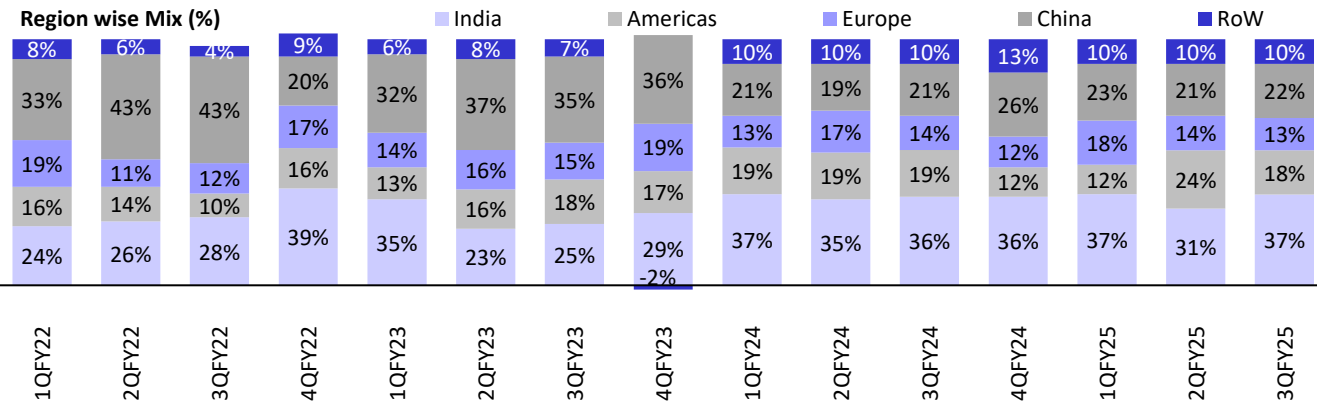
Source: Company, MOFSL

Exhibit 8: Contribution from exports declined marginally YoY



Source: Company, MOFSL

Exhibit 9: Share of revenue across regions remained fairly stable YoY



Source: Company, MOFSL

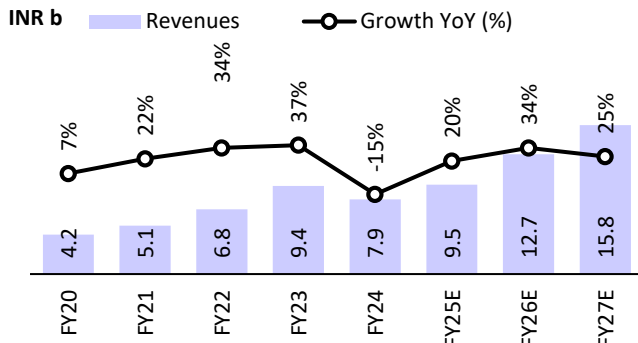


Conference call highlights

- Despite difficult time for the chemical sector, the company has posted robust growth on a YoY basis
- Volumes have increased, decline in RM price and weakening of USD which has given the company an edge in 3QFY25
- Coal prices also came off a bit in 3Q and the plant was shut down for five days because of Diwali so consumption was on the lower side therefore decline in Opex
- Utilization levels of Performance 65-70%, Pharma 65%, FMCG 80% in 3QFY25
- Increased growth in revenues with new products in the HALS series and pharma intermediate product
- **HALS** volumes in 3QFY25 was 190t while Dec'24 exit rate was 200t
- Realization of USD4.5/kg in 3QFY25
- 1QFY25 sales was 125t, 2Q was 135t, 3Q total volumes was 570t and 4Q total volumes expected ~600-650t
- Sales contributed by HALS 701, 770, 622 and the newly launched HALS 944, 119, 783
- HALS 770 was produced in the parent company where a majority of it was produced in 3QFY25
- Expect 3-4ktpa of sales volumes in HALS in FY26, with USD5.5-6/kg selling price expected
- HALS119- used in agricultural films with customers in Turkey, Europe, and North & South America- price of ~USD8-9/kg
- HALS944- used in polyolefin films with customers in similar countries and India as well- price of ~USD7-8/kg
- 25% GM on HALS for CLEAN
- China's market share in HALS is 30%
- **Commercialized DHDT** is a pharma intermediate that is used to manufacture Lamivudine and provides import substitution play for the company.
- Also provides cross-selling opportunities to its DCC customers
- Samples have been sent to customers in 3QFY25 and no contribution in the quarter
- Further, **commercialized BHT** strengthens the antioxidant portfolio of CLEAN and is sold along with BHA, TBHQ, and AP
- Want to produce 2-3ktpa on an annual basis with pricing around USD3/kg
- Revenue at peak to be at INR600-800m
- All approvals in the next 6 months with further 1.5years to be taken to ramp up to 70-80% utilization
- CLEAN has **dropped P-BQ** product and instead with the same facility/ equipment is undertaking the below product with minimal capex
- The company is **undertaking the production of Barbituric Acid**- an intermediate used to produce pigment yellow.
 - Imported from China, not produced in India currently
 - The pilot plant has been approved by Sudarshan Chemicals
 - Expected commercialization in the next 3 months
 - GM is decent to the tune of 50%
- Acetone prices have come off which should aid in margin expansion from 4QFY25

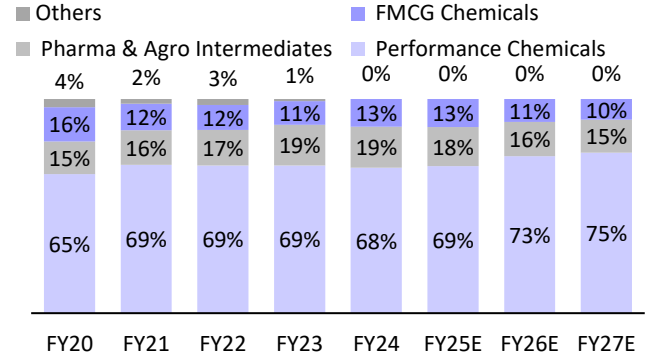
Financial story in charts

Exhibit 10: Expect 26% revenue CAGR over FY24-27...



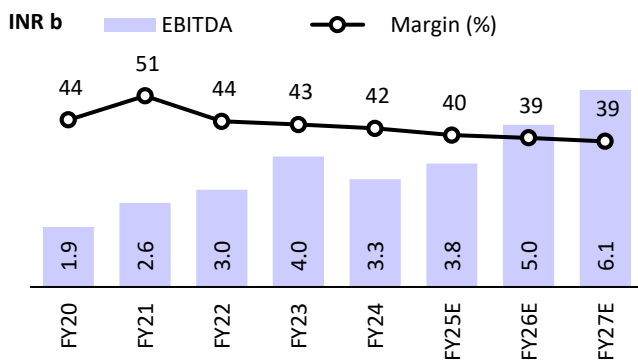
Source: Company, MOFSL

Exhibit 11: ...driven by contribution from Performance Chemicals



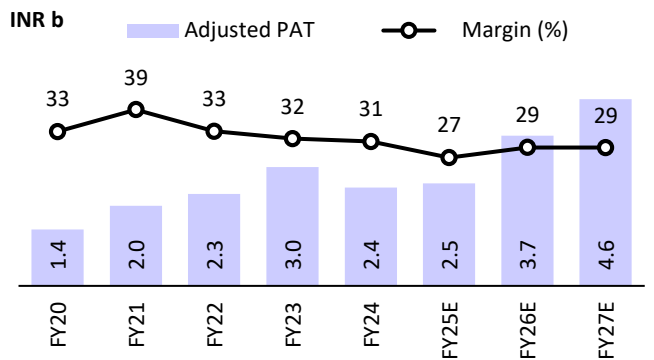
Source: Company, MOFSL

Exhibit 12: EBITDA margin to normalize on a consol. basis



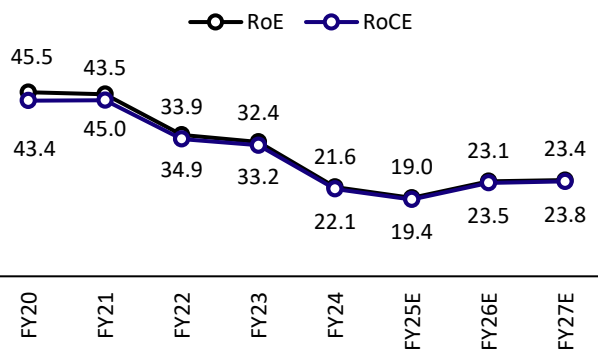
Source: Company, MOFSL

Exhibit 13: PAT margin expected to be ~29% in FY27



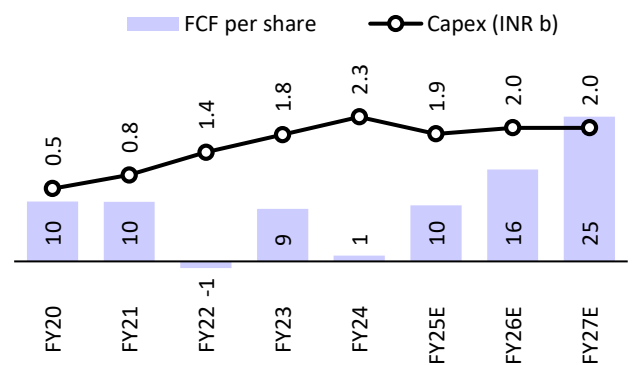
Source: Company, MOFSL

Exhibit 14: Return profile in FY27 similar to FY24



Source: Company, MOFSL

Exhibit 15: Expect capex of INR5.4b over FY25-27



Source: Company, MOFSL

Financials and valuations

Consolidated - Financial Snapshot						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	4,193	5,124	6,849	9,358	7,915	9,490	12,693	15,806
Change (%)	6.6	22.2	33.7	36.6	-15.4	19.9	33.8	24.5
Gross Margin (%)	69.2	75.9	67.2	65.2	65.0	63.9	65.3	65.5
EBITDA	1,853	2,590	2,999	4,021	3,321	3,810	5,007	6,085
Margin (%)	44.2	50.5	43.8	43.0	42.0	40.2	39.5	38.5
Depreciation	137	172	249	361	459	706	717	756
EBIT	1,716	2,417	2,750	3,660	2,861	3,104	4,290	5,329
Int. and Finance Charges	1	1	1	2	9	5	6	7
Other Income	109	256	300	298	413	332	381	474
PBT bef. EO Exp.	1,823	2,673	3,048	3,956	3,265	3,432	4,665	5,797
PBT after EO Exp.	1,823	2,673	3,048	3,956	3,265	3,432	4,665	5,797
Total Tax	427	689	763	1,005	825	885	937	1,164
Tax Rate (%)	23.4	25.8	25.0	25.4	25.3	25.8	20.1	20.1
Reported PAT	1,396	1,984	2,285	2,952	2,440	2,546	3,728	4,632
Adjusted PAT	1,396	1,984	2,285	2,952	2,440	2,546	3,728	4,632
Change (%)	43.0	42.1	15.2	29.2	-17.3	4.3	46.4	24.3
Margin (%)	33.3	38.7	33.4	31.5	30.8	26.8	29.4	29.3

Consolidated - Balance Sheet						(INR m)		
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	13	106	106	106	106	106	106	106
Total Reserves	3,408	5,290	7,578	9,994	11,925	14,139	17,380	21,408
Net Worth	3,421	5,397	7,684	10,100	12,032	14,245	17,487	21,514
Total Loans	27	3	3	1	0	0	0	0
Deferred Tax Liabilities	102	176	209	234	299	299	299	299
Capital Employed	3,550	5,576	7,897	10,335	12,331	14,545	17,786	21,813
Gross Block	2,247	2,610	3,959	5,963	8,182	10,032	12,032	14,032
Less: Accum. Deprn.	591	752	1,001	1,362	1,821	2,527	3,244	4,000
Net Fixed Assets	1,656	1,859	2,957	4,601	6,361	7,505	8,788	10,032
Capital WIP	34	550	441	205	573	573	573	573
Total Investments	1,330	2,321	1,911	3,531	3,394	3,394	3,394	3,394
Curr. Assets, Loans&Adv.	1,279	1,870	3,938	3,181	3,635	5,027	7,641	11,061
Inventory	346	529	881	1,088	1,237	1,483	1,983	2,469
Account Receivables	698	742	1,535	1,462	1,637	1,963	2,626	3,270
Cash and Bank Balance	93	157	747	125	106	796	1,982	4,015
Cash	92	93	579	125	104	794	1,980	4,013
Bank Balance	1	63	168	0	2	2	2	2
Loans and Advances	142	442	774	506	655	785	1,050	1,308
Curr. Liability & Prov.	749	1,023	1,350	1,184	1,632	1,954	2,610	3,247
Account Payables	357	610	1,021	805	1,085	1,300	1,739	2,166
Other Current Liabilities	387	408	324	370	536	642	859	1,070
Provisions	5	5	5	8	12	12	12	12
Net Current Assets	530	846	2,587	1,997	2,003	3,072	5,031	7,814
Appl. of Funds	3,550	5,576	7,897	10,334	12,331	14,545	17,786	21,813

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)								
EPS	13.1	18.7	21.5	27.8	23.0	24.0	35.1	43.6
<i>EPS Growth (%)</i>	43.0	42.1	15.2	29.2	-17.3	4.3	46.4	24.3
Cash EPS	14.4	20.3	23.9	31.2	27.3	30.6	41.8	50.7
BV/Share	32.2	50.8	72.3	95.1	113.2	134.1	164.6	202.5
DPS	1.0	0.3	3.3	5.0	3.0	3.1	4.6	5.7
Payout (%)	7.4	1.7	15.1	18.0	13.1	13.1	13.1	13.1
Valuation (x)								
P/E	105.4	74.2	64.4	49.8	60.3	57.8	39.5	31.8
Cash P/E	95.9	68.2	58.1	44.4	50.8	45.2	33.1	27.3
P/BV	43.0	27.3	19.1	14.6	12.2	10.3	8.4	6.8
EV/Sales	35.1	28.7	21.4	15.7	18.6	15.4	11.4	9.1
EV/EBITDA	79.4	56.8	48.8	36.6	44.3	38.4	29.0	23.5
Dividend Yield (%)	0.1	0.0	0.2	0.4	0.2	0.2	0.3	0.4
FCF per share	10.3	10.2	-1.2	9.1	1.0	9.7	15.8	24.9
Return Ratios (%)								
RoE	45.5	45.0	34.9	33.2	22.1	19.4	23.5	23.8
RoCE	43.4	43.5	33.9	32.4	21.6	19.0	23.1	23.4
RoIC	64.2	77.3	56.1	48.5	29.0	25.5	31.7	33.2
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	2.9	2.8	2.5	1.4	1.4	1.6	1.7
Asset Turnover (x)	1.2	0.9	0.9	0.9	0.6	0.7	0.7	0.7
Inventory (Days)	30	38	47	42	57	57	57	57
Debtor (Days)	61	53	82	57	76	76	76	76
Creditor (Days)	31	43	54	31	50	50	50	50
Leverage Ratio (x)								
Current Ratio	1.7	1.8	2.9	2.7	2.2	2.6	2.9	3.4
Net Debt/Equity	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.1	-0.2

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	1,823	2,673	3,048	3,956	3,265	3,432	4,665	5,797
Depreciation	137	172	249	361	459	706	717	756
Interest Expenses	1	1	1	2	9	5	6	7
Others	-67	-109	-126	-153	-313	0	0	0
Direct Taxes Paid	-424	-659	-691	-945	-755	-885	-937	-1,164
(Inc)/Dec in WC	131	-149	-1,209	-428	-295	-380	-772	-751
CF from Operations	1,601	1,928	1,273	2,793	2,370	2,877	3,679	4,644
(Inc)/Dec in FA	-503	-840	-1,396	-1,831	-2,267	-1,850	-2,000	-2,000
Free Cash Flow	1,098	1,088	-123	962	103	1,027	1,679	2,644
Change in Investments	-563	-1,078	532	-929	380	0	0	0
Others	3	51	78	61	29	0	0	0
CF from Investments	-1,063	-1,867	-786	-2,698	-1,859	-1,850	-2,000	-2,000
Issue of Shares	0	0	0	9	9	0	0	0
Inc/(Dec) in Debt	1	-24	0	0	0	0	0	0
Interest Paid	-1	-1	-1	-1	-8	-5	-6	-7
Dividend Paid	-153	-33	0	-558	-531	-333	-487	-605
Others	-386	-1	0	-1	-2	0	0	0
CF from Fin. Activity	-540	-59	-1	-550	-532	-337	-493	-612
Inc/Dec of Cash	-3	1	486	-455	-20	690	1,186	2,033
Opening Balance	95	92	93	579	125	104	794	1,980
Closing Balance	92	93	579	124	105	794	1,980	4,013

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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