

# Clean Science & Technology

Estimate changes



TP change



Rating change



Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USD\$)	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	FY25	FY26E	FY27E
Sales	9.7	11.7	14.7
EBITDA	3.9	4.7	5.9
PAT	2.6	3.4	4.3
EPS (INR)	24.9	31.8	40.1
EPS Gr. (%)	8.3	28.0	25.9
BV/Sh.(INR)	133.3	160.0	193.6

## Ratios

Net D:E	-0.0	-0.0	-0.0
RoE (%)	20.2	21.7	22.7
RoCE (%)	19.7	21.3	22.3
Payout (%)	16.1	16.1	16.1

## Valuations

P/E (x)	58.1	45.4	36.0
P/BV (x)	10.8	9.0	7.5
EV/EBITDA (x)	39.6	32.9	26.0
Div. Yield (%)	0.3	0.4	0.4
FCF Yield (%)	0.5	0.3	0.9

## Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	75.0	75.0	75.0
DII	5.8	5.5	5.0
FII	6.1	6.0	5.9
Others	13.2	13.6	14.1

FII Includes depository receipts

**CMP: INR1,445 TP: INR1,350 (-7%)**

**Neutral**

## Stable growth amid mixed segment performance

### EBITDA Inline, PAT miss led by higher than expected Tax

- Clean Science (CLEAN)'s reported EBITDA in line with our estimate at INR1b (+5% YoY), with a gross margin of 65.5% (vs. 65.4% in 1QFY25). EBITDAM contracted to 41.1% from 42.3% in 1QFY25 due to higher other expense YoY (+13% YoY).
  - While the non-established products face demand softness, we expect the established products which contribute to ~83% of standalone sales to continue to deliver steady growth coupled with the commissioning of Performance Chemical 1 in 2QFY26 and Performance Chemical 2 by 4QFY26 is expected to be an additional revenue driver.
  - We have incorporated our PAT miss, and cut out estimates for FY26/FY27 by 9% each owing to higher tax rates.
  - We value the stock at 34x FY27E EPS to arrive at our TP of INR1,350.
- Reiterate Neutral.**

### Performance chemical drives revenue growth

- Company reported revenue of INR2.4b (+8% YoY), while the Revenue of Performance Chemicals grew ~16% YoY to INR1.8b, the revenue for Pharma & Agro Intermediates/ FMCG Chemicals declined by ~4%/~17% YoY.
- EBITDA grew by 5% which stood at INR1b. Gross margin stood at 65.5% (+10bp YoY). EBITDA margins declined 110 bps YoY due to higher other expense (+13% YoY) and stood at 41.1%.
- Adj. PAT stood at INR701m (up 6% YoY) in 1QFY26, below our estimate of INR755m, due higher than expected income tax.

### Highlights from the management commentary

- **CAPEX:** Company incurred a capex of INR800m in 1QFY26 with an additional INR1.2b planned for investment in subsidiary.
- **Hindered Amine Light Stabilizers (HALS):** Sales in 1QFY26 of INR240m and volume stood at 580 Tonnes and the management expects EBITDA at monthly sales of INR100m which is nearing breakeven. Advanced HALS grades priced at USD11-USD35/kg to be commercialized over next two quarters. Company is entering into complex products like 2020 starting next month.
- **Growth Guidance:** The company has revised its EBITDA growth guidance to 15-18% (from 18-20%) due to softness in 1QFY26 and global headwinds, but expects a stronger ramp-up from 3QFY26 onward. Company expects revenue acceleration from 2HFY26 driven by new product launches, improved capacity utilization, operating leverage, and market expansion.

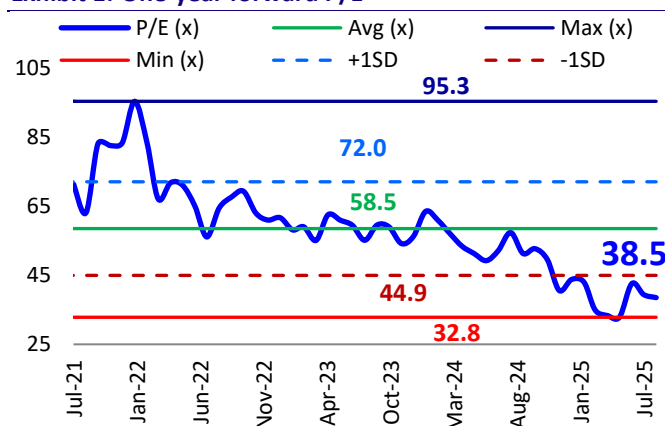
### Valuation and view

- CLEAN is actively pursuing R&D activities and has entered the HALS series, which has an estimated global market size of USD1b. The company expected to commercialise advanced grade HALS over next two quarters
- While the non-established products face demand softness, we expect the established products which contribute to ~83% of standalone sales to continue to deliver steady growth coupled with the commissioning of Performance Chemical 1 in 2QFY26 and Performance Chemical 2 by 4QFY26 is expected to be an additional revenue driver.
- We cut our estimates for FY26/FY27 cuts by 9% each owing to higher tax rates and expect a revenue/ EBITDA/ PAT CAGR of 23%/ 23%/ 27% during FY25-27E. The stock is currently trading at ~36x FY27E EPS of INR40.1 and ~26x FY27E EV/EBITDA. We value the stock at 34x FY27E EPS to arrive at our TP of INR1,350. **Reiterate Neutral.**

### Consolidated - Quarterly Snapshot

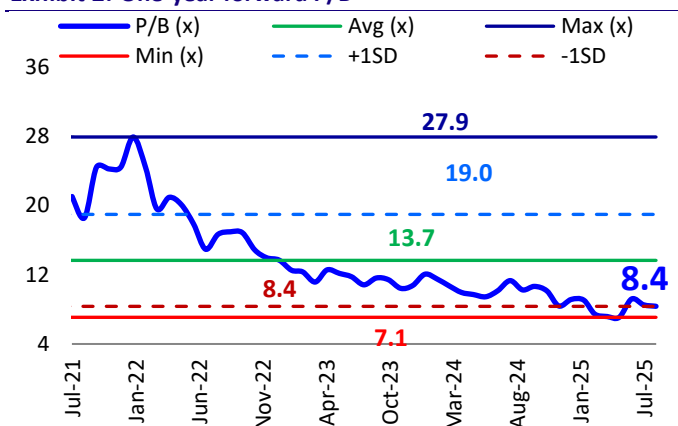
(INR m)												
Y/E March	FY25				FY26				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Gross Sales	2,240	2,381	2,408	2,637	2,429	2,641	3,169	3,499	9,666	11,737	2,597	-6%
YoY Change (%)	19.1	31.5	23.7	15.9	8.4	10.9	31.6	32.7	22.1	21.4	16.0	
Gross Margin (%)	65.4%	62.4%	63.5%	63.7%	65.5%	63.6%	64.3%	61.7%	63.7%	63.6%	63.2%	2.3%
EBITDA	947	897	985	1,048	999	990	1,288	1,388	3,876	4,664	995	0%
Margin (%)	42.3	37.7	40.9	39.7	41.1	37.5	40.6	39.7	40.1	39.7	38.3	2.8
Depreciation	158	175	183	174	187	194	197	203	691	781	177	
Other Income	99	111	52	124	134	126	131	124	386	515	127	
PBT	887	832	853	996	946	920	1,221	1,307	3,567	4,394	944	0%
Tax	228	245	196	255	245	240	255	271	923	1,011	189	
Rate (%)	25.7	29.4	23.0	25.6	25.9	26.1	20.9	20.7	25.9	23.0	20.1	
Adj. PAT	659	587	656	741	701	680	966	1,037	2,644	3,383	755	-7%
YoY Change (%)	11.9	12.6	4.8	5.4	6.3	15.8	47.1	40.0	8.3	28.0	14.5	
Margin (%)	29.4	24.7	27.3	28.1	28.8	25.7	30.5	29.6	27.4	28.8	29.1	-0.2
<b>Segment-wise Revenue (INR m)</b>												
Performance Chemicals	1,546	1,643	1,662	1,819	1,797	2,079	2,031	2,318	5,382	5,667	1,729	4%
Pharma & Agro Intermediates	403	429	433	571	389	564	576	751	1,504	1,550	581	-33%
FMCG Chemicals	291	356	267	246	243	293	327	370	1,029	1,076	288	-16%

Exhibit 1: One-year forward P/E



Source: Company, MOFSL

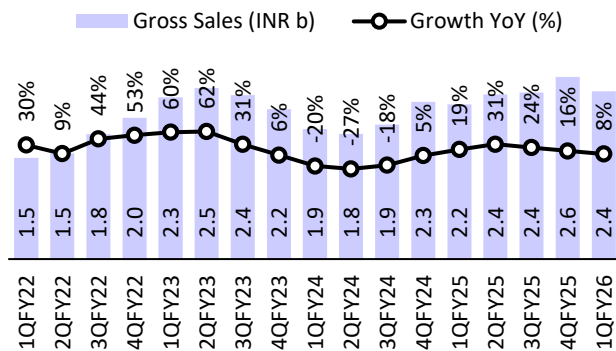
Exhibit 2: One-year forward P/B



Source: Company, MOFSL

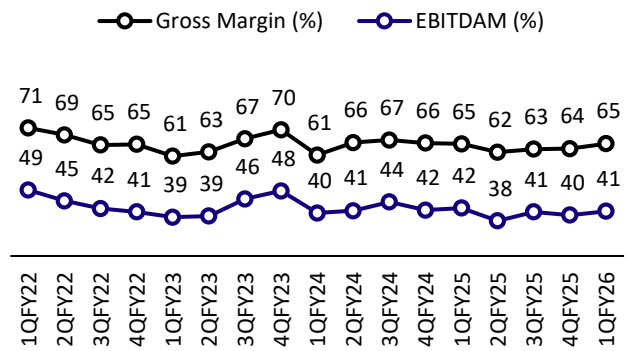
## Story in charts: 1QFY26

**Exhibit 3: Revenue increased 8% YoY**



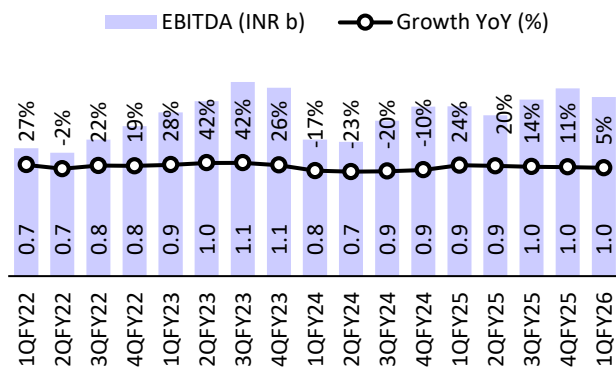
Source: Company, MOFSL

**Exhibit 4: GM remained stable and EBITDAM declined YoY**



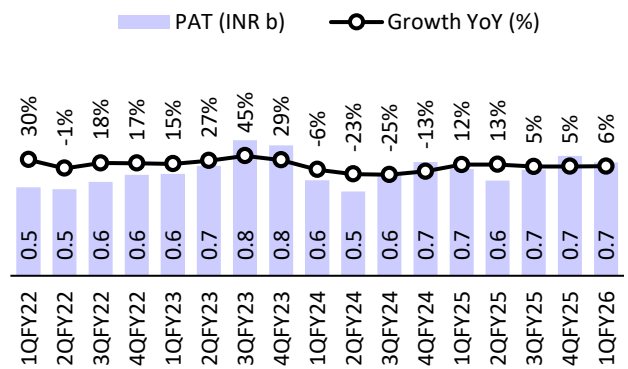
Source: Company, MOFSL

**Exhibit 5: EBITDA increased 5% YoY**



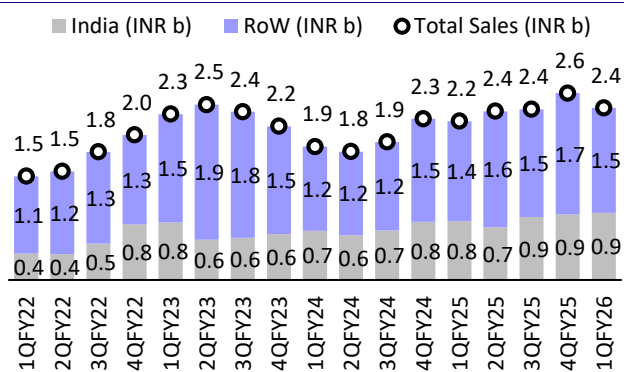
Source: Company, MOFSL

**Exhibit 6: PAT was up 6% YoY**



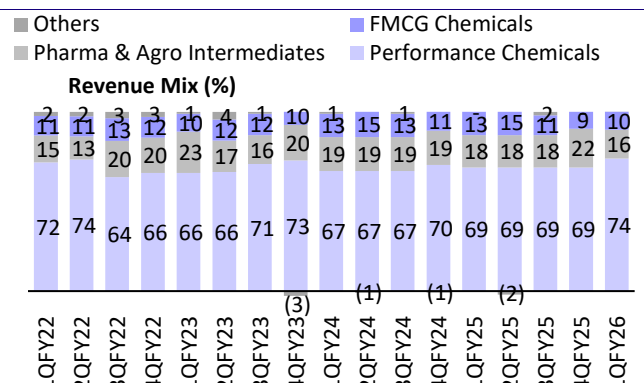
Source: Company, MOFSL

**Exhibit 7: Revenue declined across segments YoY**



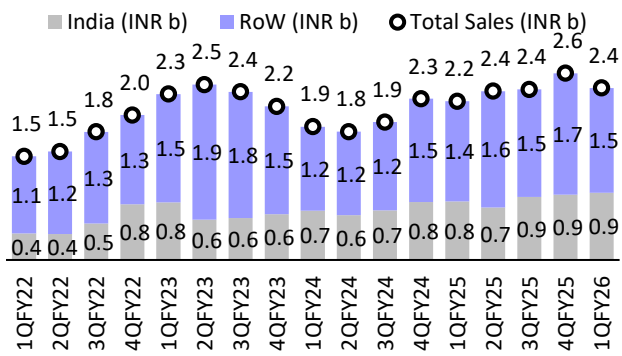
Source: Company, MOFSL

**Exhibit 8: Revenue mix of Performance Chemical increased YoY**



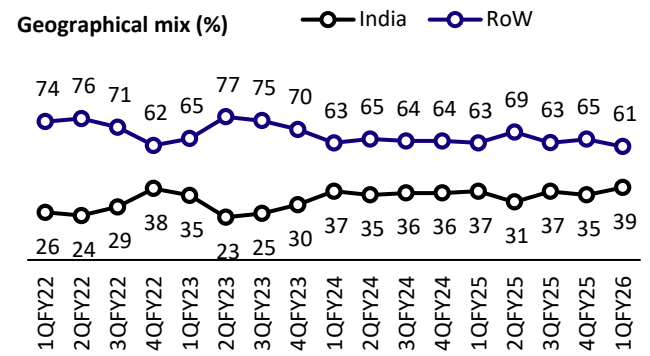
Source: Company, MOFSL

**Exhibit 9: Domestic sales increased 14% YoY**



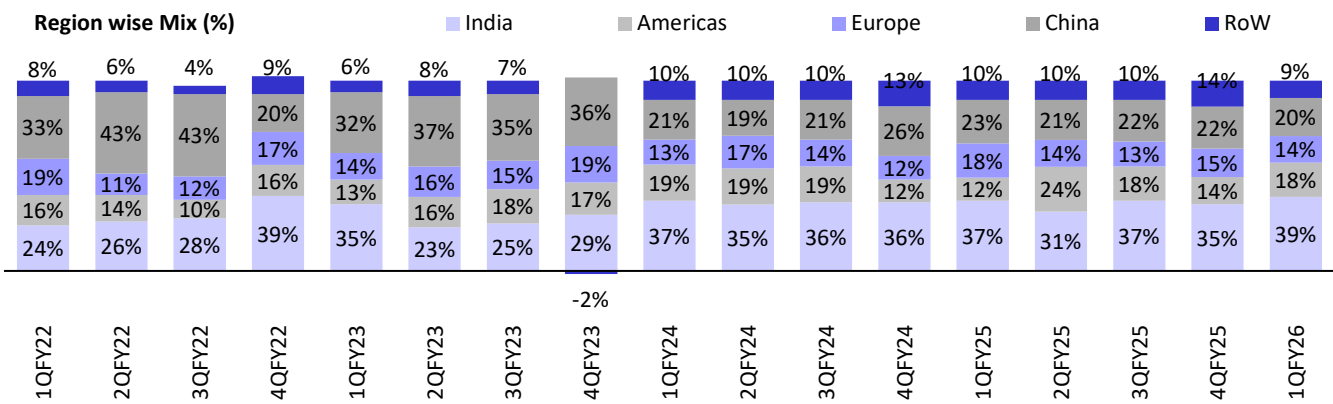
Source: Company, MOFSL

**Exhibit 10: Contribution from exports decreased 317bp YoY**



Source: Company, MOFSL

**Exhibit 11: Share of revenue for India and the Americas improved YoY, while it declined for Europe and China**



Source: Company, MOFSL



## Conference call highlights

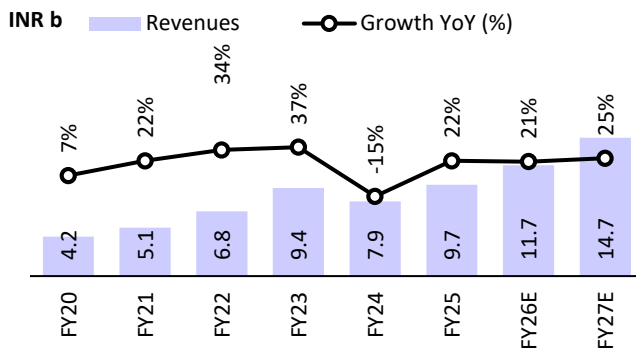
- **HALS sales** in 1QFY26 of INR240m and volume of 580 Tonnes
- HALS business to reach EBITDA breakeven at monthly sales of INR100m; currently near breakeven given ongoing momentum.
- Advanced HALS grades priced at USD11–USD35/kg to be commercialized over next two quarters.
- Entry into complex products like 2020 starting next month.
- **Capacity utilization** stood at 75% for the Performance and FMCG segment, 68% for Pharma, and 22% for HALS.
- Company is repurposing its existing PBQ facility to manufacture **Barbituric Acid**, with commercialization targeted by end-August; growth will be driven by the launch of new products including HALS, Performance Chemical 1, and Performance Chemical 2.
- Company incurred a capex of INR800m in 1QFY26 with an additional INR1.2b planned for investment in subsidiary. Performance Chemical 1 is set to commercialize by 2QFY26.
- Water trials for performance chemical 1 is set to begin in next 3-4 weeks, with the commercial production possible in Sep'25.
- The management expects performance chemical 2 to commercialize by 4QFY26.
- Pharma intermediate plant is operational its production is stabilized. Samples have been sent to customers for validation.
- Management has revised its EBITDA growth guidance from 18–20% to 15–18%, with further clarity expected by end of 2QFY26.
- The improved product mix led to lower raw material costs and record EBITDA margins, companys volume grew by 8%YoY.
- Raw material cost declined 13% sequentially and 4% annually, while non-established products saw muted traction amid soft demand.
- The promoter group plans to reduce its stake from 75% to 51%, with a 24% stake to be divested by a part of the Boob family for estate planning purposes.
- The company aims to strengthen its growth trajectory by entering higher-grade product segments, expanding its portfolio to align with European standards, increasing wallet share with existing customers, and targeting new international markets such as Vietnam.

**Exhibit 12: Changes to our estimates**

Particulars	Actual/ Revised			Previous			Change (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Revenue (INR m)	9,666	11,737	14,664	9,666	12,223	15,240	0%	-4%	-4%
EBITDA (INR m)	3,876	4,664	5,886	3,876	4,853	5,989	0%	-4%	-2%
PAT (INR m)	2,644	3,383	4,260	2,644	3,612	4,460	0%	-6%	-4%
EPS (INR)	24.9	31.8	40.1	24.9	35.0	43.9	0%	-9%	-9%

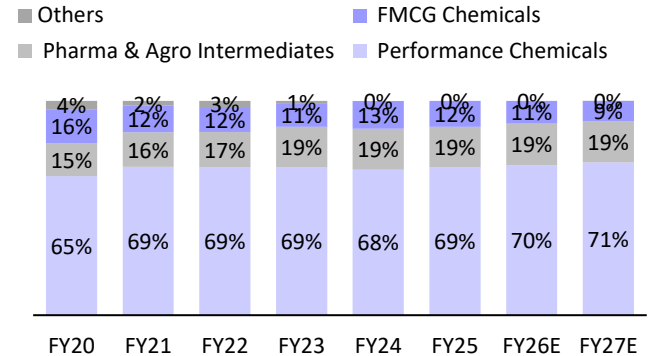
## Financial story in charts

**Exhibit 1: Expect 23% revenue CAGR over FY25-27...**



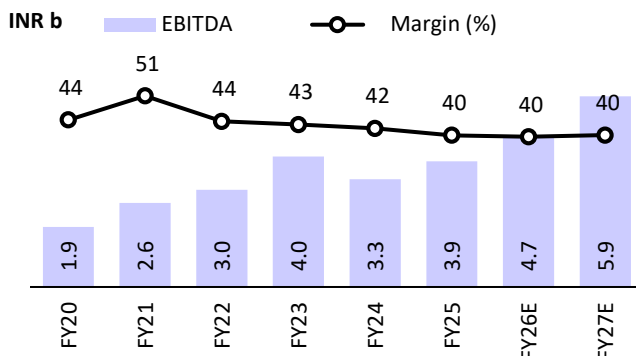
Source: Company, MOFSL

**Exhibit 2: ...driven by contribution from Performance Chemicals**



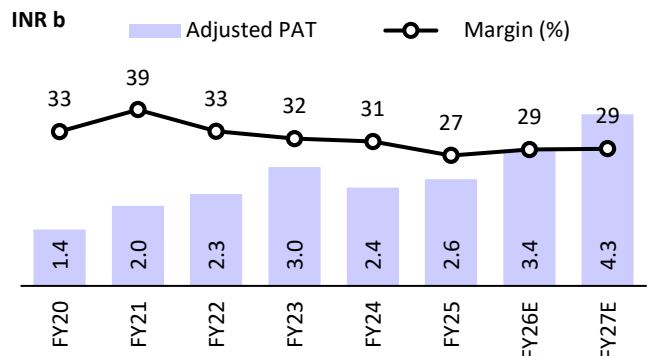
Source: Company, MOFSL

**Exhibit 3: EBITDA margin to normalize on a consol. basis**



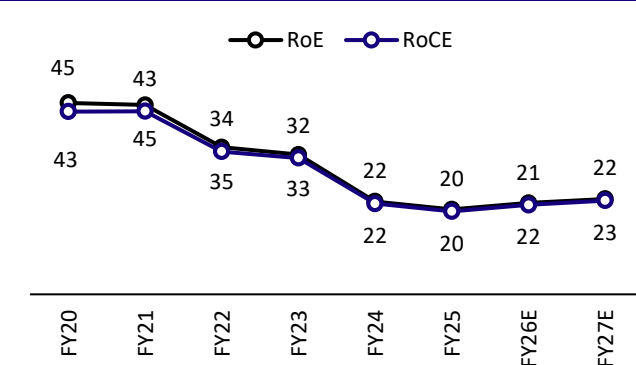
Source: Company, MOFSL

**Exhibit 4: PAT margin to reach ~29% in FY27**



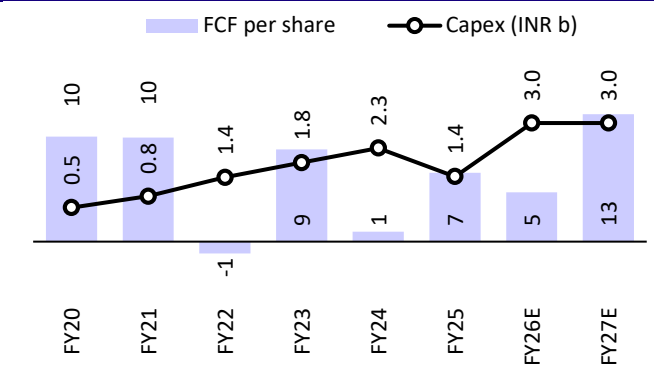
Source: Company, MOFSL

**Exhibit 5: Return profile of CLEAN**



Source: Company, MOFSL

**Exhibit 6: Capex trend**



Source: Company, MOFSL

## Financials and valuations

Consolidated - Financial Snapshot							(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Total Income from Operations</b>	<b>4,193</b>	<b>5,124</b>	<b>6,849</b>	<b>9,358</b>	<b>7,915</b>	<b>9,666</b>	<b>11,737</b>	<b>14,664</b>
Change (%)	6.6	22.2	33.7	36.6	-15.4	22.1	21.4	24.9
Raw Materials	1,292	1,236	2,247	3,260	2,771	3,507	4,272	5,279
Employees Cost	310	436	345	452	487	564	700	874
Other Expenses	738	863	1,258	1,625	1,337	1,719	2,101	2,625
<b>Total Expenditure</b>	<b>2,340</b>	<b>2,535</b>	<b>3,850</b>	<b>5,337</b>	<b>4,594</b>	<b>5,790</b>	<b>7,073</b>	<b>8,778</b>
Gross Margin (%)	69.2	75.9	67.2	65.2	65.0	63.7	63.6	64.0
<b>EBITDA</b>	<b>1,853</b>	<b>2,590</b>	<b>2,999</b>	<b>4,021</b>	<b>3,321</b>	<b>3,876</b>	<b>4,664</b>	<b>5,886</b>
Margin (%)	44.2	50.5	43.8	43.0	42.0	40.1	39.7	40.1
Depreciation	137	172	249	361	459	691	781	991
<b>EBIT</b>	<b>1,716</b>	<b>2,417</b>	<b>2,750</b>	<b>3,660</b>	<b>2,861</b>	<b>3,186</b>	<b>3,883</b>	<b>4,895</b>
Int. and Finance Charges	1	1	1	2	9	4	5	6
Other Income	109	256	300	298	413	386	515	644
<b>PBT bef. EO Exp.</b>	<b>1,823</b>	<b>2,673</b>	<b>3,048</b>	<b>3,956</b>	<b>3,265</b>	<b>3,567</b>	<b>4,394</b>	<b>5,533</b>
<b>PBT after EO Exp.</b>	<b>1,823</b>	<b>2,673</b>	<b>3,048</b>	<b>3,956</b>	<b>3,265</b>	<b>3,567</b>	<b>4,394</b>	<b>5,533</b>
Total Tax	427	689	763	1,005	825	923	1,011	1,273
Tax Rate (%)	23.4	25.8	25.0	25.4	25.3	25.9	23.0	23.0
<b>Reported PAT</b>	<b>1,396</b>	<b>1,984</b>	<b>2,285</b>	<b>2,952</b>	<b>2,440</b>	<b>2,644</b>	<b>3,383</b>	<b>4,260</b>
<b>Adjusted PAT</b>	<b>1,396</b>	<b>1,984</b>	<b>2,285</b>	<b>2,952</b>	<b>2,440</b>	<b>2,644</b>	<b>3,383</b>	<b>4,260</b>
Change (%)	43.0	42.1	15.2	29.2	-17.3	8.4	28.0	25.9
Margin (%)	33.3	38.7	33.4	31.5	30.8	27.4	28.8	29.1

Consolidated - Balance Sheet							(INR m)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	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	14,058	16,897	20,473
<b>Net Worth</b>	<b>3,421</b>	<b>5,397</b>	<b>7,684</b>	<b>10,100</b>	<b>12,032</b>	<b>14,164</b>	<b>17,003</b>	<b>20,579</b>
Total Loans	27	3	3	1	0	0	0	0
Deferred Tax Liabilities	102	176	209	234	323	338	338	338
<b>Capital Employed</b>	<b>3,550</b>	<b>5,576</b>	<b>7,897</b>	<b>10,335</b>	<b>12,354</b>	<b>14,502</b>	<b>17,342</b>	<b>20,917</b>
Gross Block	2,247	2,610	3,959	5,963	8,182	9,657	12,657	15,657
Less: Accum. Deprn.	591	752	1,001	1,362	1,821	2,512	3,293	4,284
<b>Net Fixed Assets</b>	<b>1,656</b>	<b>1,859</b>	<b>2,957</b>	<b>4,601</b>	<b>6,361</b>	<b>7,145</b>	<b>9,364</b>	<b>11,373</b>
Capital WIP	34	550	441	205	573	302	302	302
<b>Total Investments</b>	<b>1,330</b>	<b>2,321</b>	<b>1,911</b>	<b>3,531</b>	<b>3,394</b>	<b>3,809</b>	<b>3,809</b>	<b>3,809</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>1,279</b>	<b>1,870</b>	<b>3,938</b>	<b>3,181</b>	<b>3,658</b>	<b>4,821</b>	<b>5,776</b>	<b>7,815</b>
Inventory	346	529	881	1,088	1,237	1,494	1,814	2,267
Account Receivables	698	742	1,535	1,462	1,637	2,034	2,470	3,085
Cash and Bank Balance	93	157	747	125	106	202	167	808
Cash	92	93	579	125	104	200	165	806
Bank Balance	1	63	168	0	2	2	2	2
Loans and Advances	142	442	774	506	678	1,091	1,325	1,655
<b>Curr. Liability &amp; Prov.</b>	<b>749</b>	<b>1,023</b>	<b>1,350</b>	<b>1,184</b>	<b>1,632</b>	<b>1,576</b>	<b>1,910</b>	<b>2,383</b>
Account Payables	357	610	1,021	805	1,057	989	1,201	1,500
Other Current Liabilities	387	408	324	370	564	573	695	869
Provisions	5	5	5	8	12	14	14	14
<b>Net Current Assets</b>	<b>530</b>	<b>846</b>	<b>2,587</b>	<b>1,997</b>	<b>2,026</b>	<b>3,246</b>	<b>3,866</b>	<b>5,432</b>
<b>Appl. of Funds</b>	<b>3,550</b>	<b>5,576</b>	<b>7,897</b>	<b>10,334</b>	<b>12,354</b>	<b>14,502</b>	<b>17,342</b>	<b>20,917</b>



## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>13.1</b>	<b>18.7</b>	<b>21.5</b>	<b>27.8</b>	<b>23.0</b>	<b>24.9</b>	<b>31.8</b>	<b>40.1</b>
EPS Growth (%)	43.0	42.1	15.2	29.2	-17.3	8.3	28.0	25.9
Cash EPS	14.4	20.3	23.9	31.2	27.3	31.4	39.2	49.4
BV/Share	32.2	50.8	72.3	95.1	113.2	133.3	160.0	193.6
DPS	1.0	0.3	3.3	5.0	3.0	4.0	5.1	6.4
Payout (%)	7.4	1.7	15.1	18.0	13.1	16.1	16.1	16.1
<b>Valuation (x)</b>								
P/E	109.9	77.4	67.2	52.0	62.9	58.1	45.4	36.0
Cash P/E	100.1	71.2	60.6	46.3	53.0	46.1	36.9	29.2
P/BV	44.9	28.4	20.0	15.2	12.8	10.8	9.0	7.5
EV/Sales	36.6	29.9	22.3	16.4	19.4	15.9	13.1	10.4
EV/EBITDA	82.8	59.2	50.9	38.1	46.2	39.6	32.9	26.0
Dividend Yield (%)	0.1	0.0	0.2	0.3	0.2	0.3	0.4	0.4
FCF per share	10.3	10.2	-1.2	9.1	1.0	6.8	4.8	12.5
<b>Return Ratios (%)</b>								
RoE	45.5	45.0	34.9	33.2	22.1	20.2	21.7	22.7
RoCE	43.4	43.5	33.9	32.4	21.6	19.7	21.3	22.3
RoIC	64.2	77.3	56.1	48.5	29.0	25.6	25.7	25.9
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	2.9	2.9	2.8	2.5	1.4	1.4	1.4	1.4
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	56	56	56
Debtor (Days)	61	53	82	57	76	77	77	77
Creditor (Days)	31	43	54	31	49	37	37	37
<b>Leverage Ratio (x)</b>								
Current Ratio	1.7	1.8	2.9	2.7	2.2	3.1	3.0	3.3
Net Debt/Equity	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0

### Consolidated - Cash Flow Statement

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>(INR m)</b>								
OP/(Loss) before Tax	1,823	2,673	3,048	3,956	3,265	3,567	4,394	5,533
Depreciation	137	172	249	361	459	691	781	991
Interest Expenses	1	1	1	2	9	4	5	6
Others	-67	-109	-126	-153	-335	-284	0	0
Direct Taxes Paid	-424	-659	-691	-945	-755	-955	-1,011	-1,273
(Inc)/Dec in WC	131	-149	-1,209	-428	-279	-884	-655	-926
<b>CF from Operations</b>	<b>1,601</b>	<b>1,928</b>	<b>1,273</b>	<b>2,793</b>	<b>2,364</b>	<b>2,139</b>	<b>3,514</b>	<b>4,332</b>
(Inc)/Dec in FA	-503	-840	-1,396	-1,831	-2,261	-1,419	-3,000	-3,000
<b>Free Cash Flow</b>	<b>1,098</b>	<b>1,088</b>	<b>-123</b>	<b>962</b>	<b>103</b>	<b>720</b>	<b>514</b>	<b>1,332</b>
Change in Investments	-563	-1,078	532	-929	402	-119	0	0
Others	3	51	78	61	6	20	0	0
<b>CF from Investments</b>	<b>-1,063</b>	<b>-1,867</b>	<b>-786</b>	<b>-2,698</b>	<b>-1,853</b>	<b>-1,517</b>	<b>-3,000</b>	<b>-3,000</b>
Issue of Shares	0	0	0	9	9	9	0	0
Inc/(Dec) in Debt	1	-24	0	0	0	0	0	0
Interest Paid	-1	-1	-1	-1	-9	-3	-5	-6
Dividend Paid	-153	-33	0	-558	-531	-531	-544	-685
Others	-386	-1	0	-1	0	0	0	0
<b>CF from Fin. Activity</b>	<b>-540</b>	<b>-59</b>	<b>-1</b>	<b>-550</b>	<b>-532</b>	<b>-525</b>	<b>-549</b>	<b>-691</b>
<b>Inc/Dec of Cash</b>	<b>-3</b>	<b>1</b>	<b>486</b>	<b>-455</b>	<b>-20</b>	<b>96</b>	<b>-35</b>	<b>641</b>
Opening Balance	95	92	93	579	125	104	200	165
<b>Closing Balance</b>	<b>92</b>	<b>93</b>	<b>579</b>	<b>124</b>	<b>104</b>	<b>200</b>	<b>166</b>	<b>806</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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