Choice Institutional Equities

FTXC: Water Treatment Chemicals Drive Next Phase of Growth

November 16, 2026 | CMP: INR 50 | Target Price: INR 57

Expected Share Price Return: 14.0% I Dividend Yield: 0.2% I Potential Upside: 14.2%

ADD

Sector View: Positive

Q2FY27 Result Update

Change in Estimates	✓
Target Price Change	✓
Recommendation	✓

Company Info	
BB Code	FTXC
Face Value (INR)	1.0
52-w High/Low (INR)	62.4 / 19.1
Mkt Cap (INR Bn / USD Bn)	57.7 / 0.61
Shares o/s (Mn)	1,165
3M Avg. Daily Volume	20,220,672

Change in Estimates

	FY27E			FY28E		
INR Bn	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	18.4	18.5	(0.8%)	22.9	22.9	-
EBITDA	2.9	2.8	0.6%	4.1	4.0	2.9%
EBITDAM%	15.5%	15.3%	21 bps	17.9%	17.4%	50 bps
Att. PAT	1.7	1.8	(1.8%)	2.6	2.5	3.7%
Adj. EPS	1.5	1.5	(1.8%)	2.2	2.1	3.7%

Actual vs CIE Estimates

INR Mn	Q2FY27A	CIE Est.	Dev.%
Revenue	3,877	4,026	(3.7%)
EBITDA	596	589	1.2%
EBITDAM %	15.4%	14.6%	75 bps
Att. PAT	342	365	(6.1%)

Key Financials

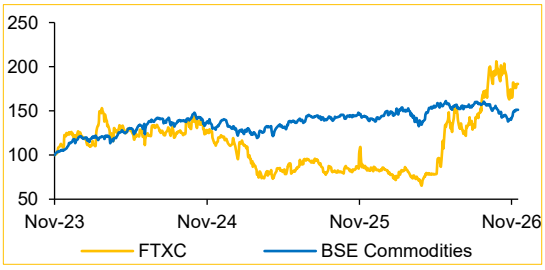
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	5,333	7,722	18,350	22,940	25,199
YoY (%)	(6.3%)	44.8%	137.6%	25.0%	9.9%
EBITDA	1,272	1,347	2,852	4,105	4,700
EBITDAM %	23.9%	17.4%	15.5%	17.9%	18.7%
Att. PAT	1,082	1,088	1,724	2,578	3,289
Adj. EPS (INR)	0.9	0.9	1.5	2.2	2.8
ROE %	18.4%	13.5%	18.0%	22.3%	23.2%
ROCE %	19.7%	14.4%	25.4%	30.7%	28.9%
PE (x)	24.7x	20.6x	33.8x	22.6x	17.7x
EV/EBITDA (x)	18.3x	14.3x	19.5x	13.5x	11.8x

Shareholding Pattern (%)

	Mar-26	Jun-26	Sep-26
Promoters	62.3%	62.3%	62.3%
FII	2.9%	3.2%	2.0%
DII	1.3%	1.3%	1.6%
Public	33.5%	33.2%	34.1%

Relative Performance (%)

	1Y	2Y	3Y
BSE Commodities	3.6%	14.0%	41.0%
FTXC	94.0%	43.6%	51.2%



FTXC Coverage Initiation



Click Here to Read Q2FY27 Chemical Sector Preview

Click Here to Read Initiating Coverage Report

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Steady Quarter; Cost Control Offsets Gross Margin Pressure

FTXC's **revenue grew 3% QoQ to INR 3.9 Bn**, supported by a steady performance in its core business and a flat performance from the **CCT business due to lumpy order execution. Gross margin contracted ~600 bps QoQ**, reflecting an unfavourable product mix and price-pass through lags. However, **improved operating efficiency and normalisation of other expenses supported EBITDA margin** (-33 bps QoQ)**.** We expect **margin improvement over the next few quarters**, aided by better cost pass-through and rising profitability at CCT. We believe **CCT's ongoing scale-up, expansion into advanced water treatment and growing international presence** will support sustained earnings growth over the medium term.

View and Valuation

We have **broadly maintained our FY27E estimate**, incorporating Q2FY27 performance, while **raising our FY28E EBITDA margin estimate by 50 bps**, factoring in improving operating efficiency. Our revised estimate imply **Revenue / EBITDA / Attributable PAT CAGR of 48.3% / 51.7% / 44.6% over FY26–FY29E**. Based on our DCF valuation, we **raise our target price to INR 57 (vs. INR 51 earlier)**, implying a **P/E of 23.1x on FY28E & FY29E average EPS** and a **PEG of 0.5x**. Given the **upside of 14.0% to our TP**, we **assign an 'ADD' rating to FTXC**.

Key Risks to our Valuation

Probably slower-than-expected CCT ramp-up, a possible slowdown in US drilling and production activity and further escalation of geopolitical tensions in West Asia

Resilient Operational Performance; EBITDA in Line with CIE Est.

- **Revenue rose 3% QoQ** to INR 3.9 Bn (**vs CIE estimate of INR 4.0 Bn**)
- **EBITDA grew 1% QoQ** to INR 596 Mn (**in line with CIE estimate**), with EBITDA margin at **15.4%**
- **Attributable PAT declined 11% QoQ** to INR 342 Mn (vs INR 365 Mn CIE estimate), with APAT margin at **8.8%**

Advanced Water Treatment Solutions to Drive Growth

FTXC is building a **US water and wastewater treatment business, targeting data centres, semiconductor fabs and advanced industrial facilities**. The company has signed NDAs with several Fortune 500 corporates and **expects first orders in Q4FY27E**. It **targets asset turnover of 5–6x in this business**, which it plans to fund primarily through internal accruals, and is **evaluating a fund raise to pursue further inorganic growth**. We believe this could **strengthen FTXC's presence in high-value specialty applications** over the medium term.

INR Mn	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Installed Capacity (MTPA)	267,000	104,000	156.7%	267,000	-
Revenue	3,877	1,377	181.5%	3,766	2.9%
COGS	2,738	848		2,432	
Gross Profit	1,139	529	115.1%	1,334	(14.6%)
Operating Expenses	543	219		743	
EBITDA	596	310	92.1%	591	0.8%
EBITDAM %	15.4%	22.5%	(716 bps)	15.7%	(33 bps)
Att. PAT	342	260	31.8%	384	(10.8%)
Att. PAT Margin %	8.8%	18.9%	(1,004 bps)	10.2%	(136 bps)
Adj. EPS (INR)	0.29	0.22	31.8%	0.33	(10.8%)

Source: FTXC, Choice Institutional Equities

Management Commentary

CCT revenue has roughly doubled since acquisition to a ~USD 100 Mn run rate; flat QoQ revenue reflects lumpy order timing

US Oil and Gas (CrudeChem Technologies)

- Revenue has nearly doubled since acquisition to a **~USD 100 Mn run rate**
- Flat QoQ revenue reflects **lumpy order timing**, not a structural decline; management prefers an annual view
- Stake to rise from 53.33% to **~79–80% by January 2028** under the SPA
- New geographies: supplying to Canada; strong Middle East demand (Aramco, Abu Dhabi ADIPEC show)

NDAs signed with several Fortune 500 corporates; first US water treatment orders expected in Q4FY27E

Water Treatment Chemicals

- New wholly-owned subsidiary (Fineotex America Inc.) targeting data centers, semiconductor fabs and advanced industrial facilities
- Scope: specialty water treatment chemistry, cooling, wastewater management, water reuse
- NDAs signed with several **Fortune 500 corporates**; **first orders expected in Q4FY27E**, ahead of the earlier Q1FY28E estimate
- Capex to follow **5–6x asset turnover**, funded through internal accruals

New investments to be routed through 100%-owned entities, not CCT; management targets INR 30 Bn revenue by FY28E–FY29E

Growth Strategy and Capital Allocation

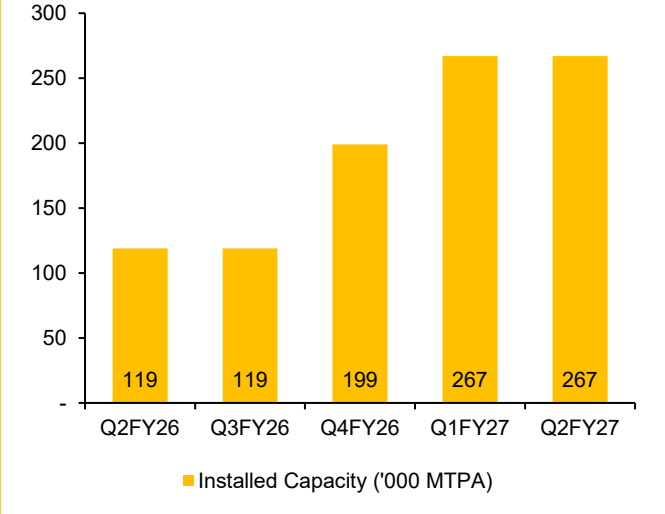
- New investments to be routed through 100%-owned Fineotex Holdings and Fineotex America, not CrudeChem
- Acquisitions must be **EBITDA-accretive**; equity dilution is not the default, and bridge debt is possible for time-sensitive deals
- Revenue target of **INR 30 Bn by FY28E–FY29E** vs ~INR 16 Bn current run rate; aspiration of **3–4x scale** in 6–7 years

Lower other expenses offset a ~600 bps rise in COGS; PAT margin recovery guided towards 16–21%

Margin and Cost Dynamics

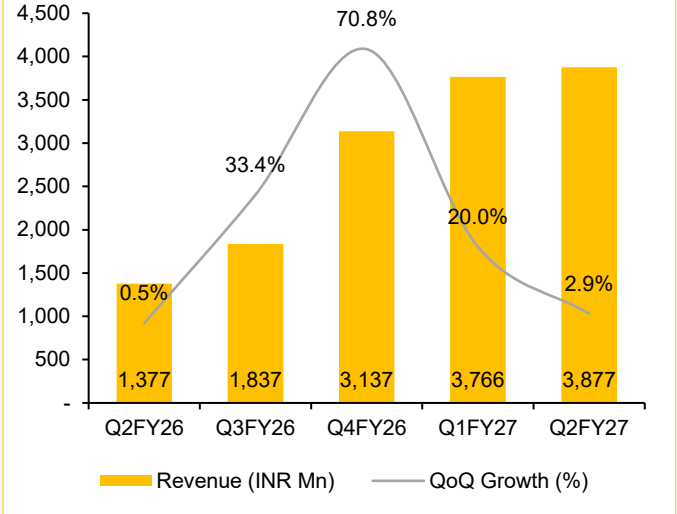
- PAT margin to moderate post CrudeChem, with recovery targeted towards **16–21%**
- CrudeChem reached a **double-digit EBITDA margin** within its first year
- QoQ, **COGS rose ~600 bps** and **other expenses fell ~620 bps** as a share of revenue; Q1FY27 other expenses carried new product-line and consultant costs
- Other income declined on lower treasury income and FX
- **Spot purchasing is now standard** with 1–2 month pass-through; inventory mismatches from longer transit from Asia self-correct

Installed Capacity at 267K MTPA after CCT Expansion



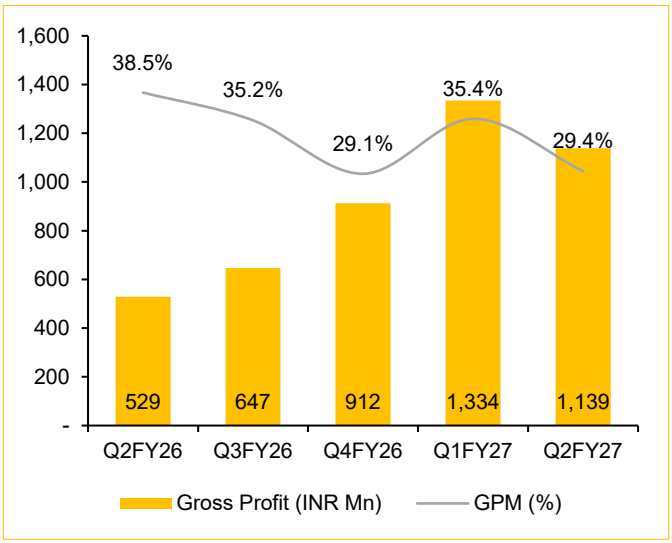
Source: FTXC, Choice Institutional Equities

Revenue up 3% QoQ; Supported by Core Business Growth



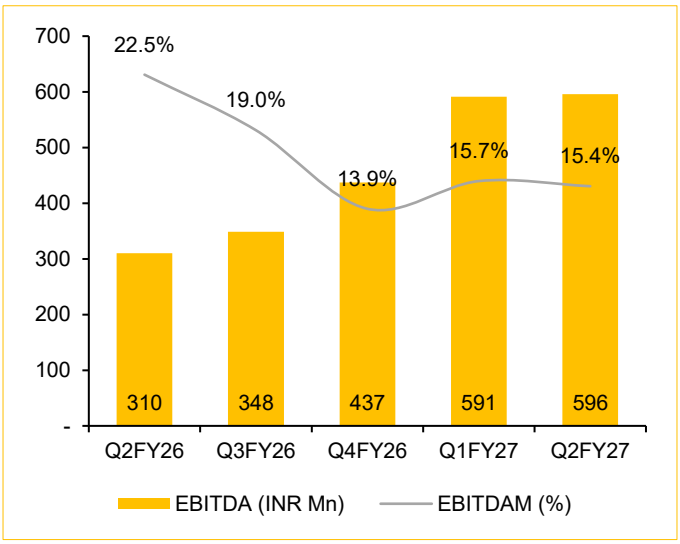
Source: FTXC, Choice Institutional Equities

Gross Margin Contracts 604 bps QoQ on Adverse Product Mix



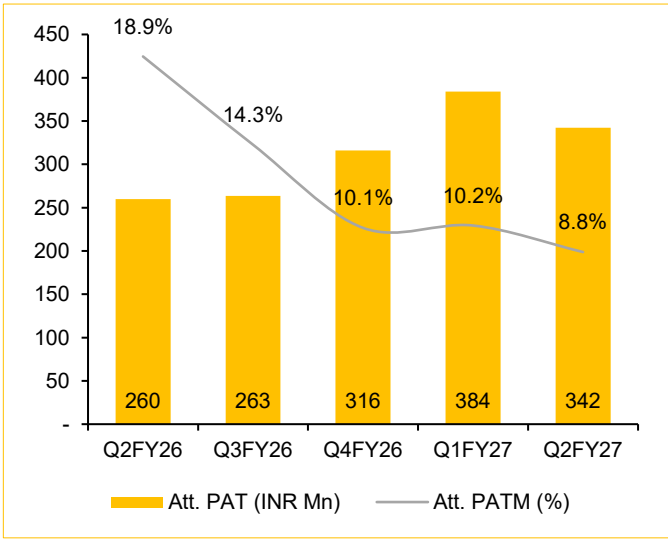
Source: FTXC, Choice Institutional Equities

Lower Operational Expenses Protected EBITDA Margin



Source: FTXC, Choice Institutional Equities

Att. PAT Grows 31.8% YoY; Lower Other Income Weighs on QoQ Margin decline



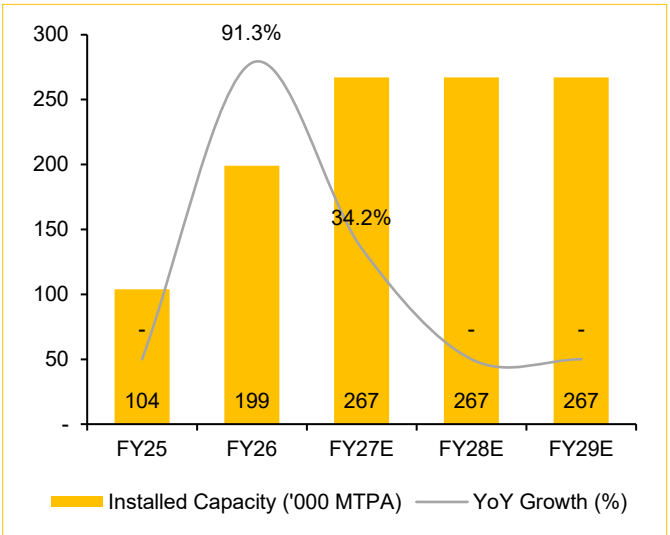
Source: FTXC, Choice Institutional Equities

1-year Forward PE Chart



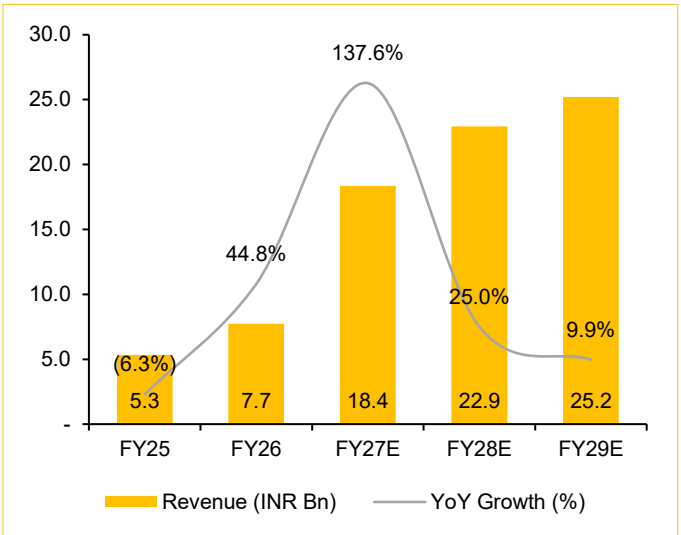
Source: FTXC, Choice Institutional Equities

CCT Capacity Rises from 80K to 148K MTPA in FY27 (till date)



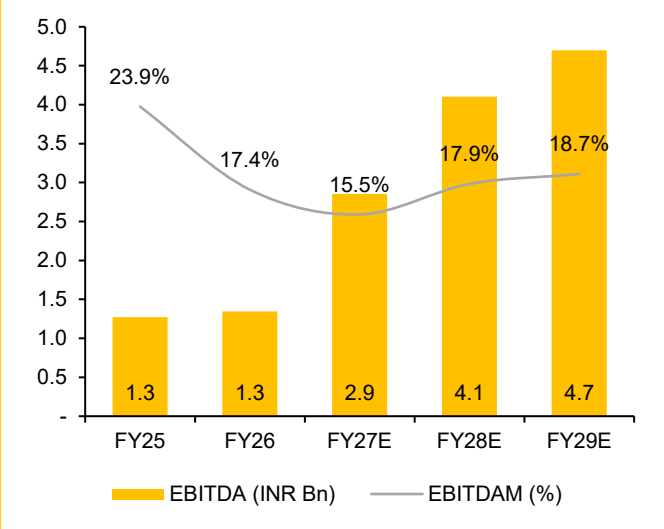
Source: FTXC, Choice Institutional Equities

Oilfield & Water Treatment Chemicals Forecast to Drive 48% Revenue CAGR



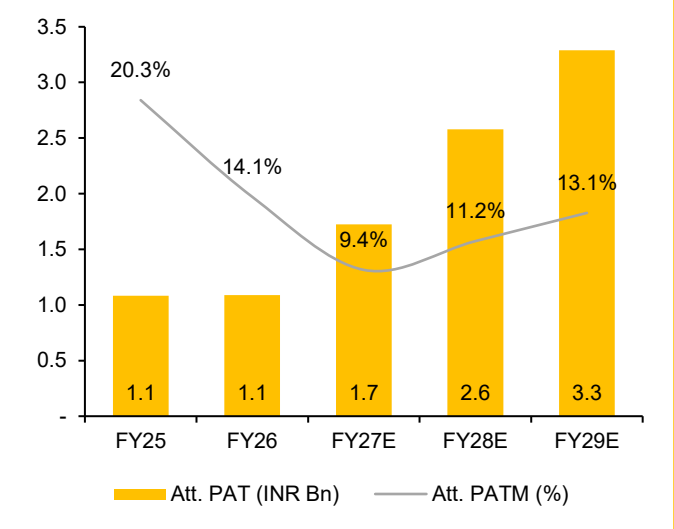
Source: FTXC, Choice Institutional Equities

Operational Efficiency Likely to Drive Upside on Margin



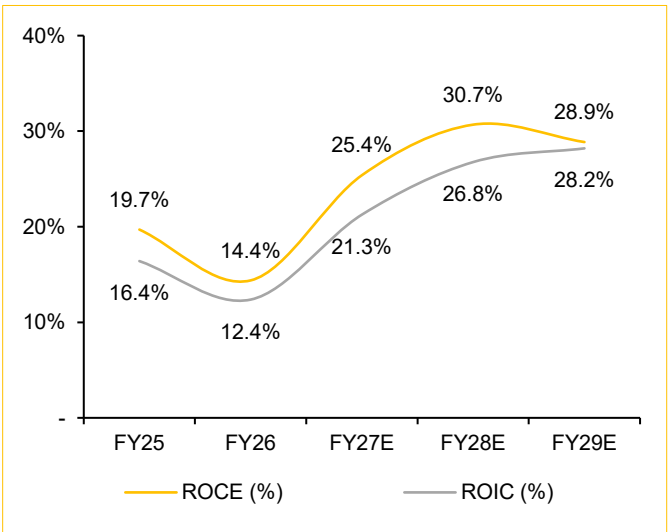
Source: FTXC, Choice Institutional Equities

Proposed CCT Stake Increase in Jan '28E to Lift Att. PAT Margin



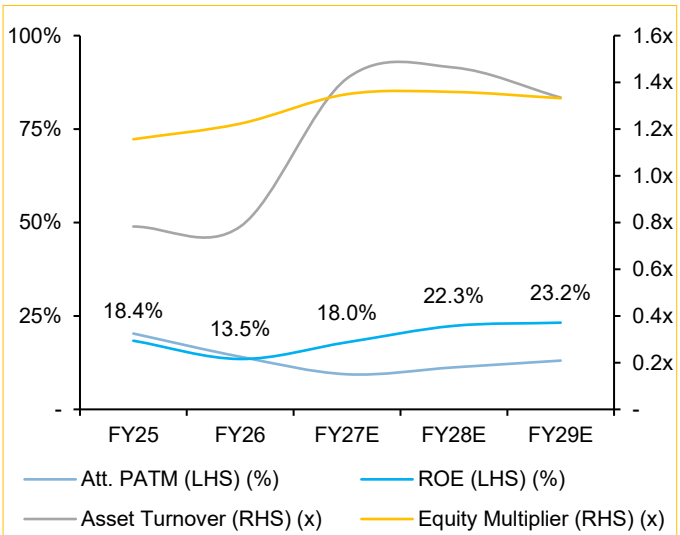
Source: FTXC, Choice Institutional Equities

ROCE / ROIC Forecast to Expand ~1,448 / 1,583 bps over FY26–FY29E



Source: FTXC, Choice Institutional Equities

Higher Asset Turnover Projected to Lift ROE to ~23.2% in FY29E



Source: FTXC, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Profit & Loss (INR Mn)	FY26	FY27E	FY28E	FY29E
Net Revenue	**7,722**	**18,350**	**22,940**	**25,199**
COGS	5,174	12,672	15,856	17,287
Gross Profit	**2,549**	**5,678**	**7,084**	**7,912**
Operating Expenses	1,201	2,826	2,979	3,212
EBITDA	**1,347**	**2,852**	**4,105**	**4,700**
Depreciation	134	176	214	232
EBIT	1,213	2,675	3,890	4,468
Other Income	331	258	254	186
Interest Expense	14	22	7	7
PBT	1,530	2,911	4,137	4,647
PAT	**1,250**	**2,287**	**3,330**	**3,764**
Minority Interest	**163**	**563**	**752**	**475**
Att. PAT	**1,088**	**1,724**	**2,578**	**3,289**
EPS (fully diluted) [INR]	**0.9**	**1.5**	**2.2**	**2.8**

Balance Sheet (Consolidated in INR Mn)

Balance Sheet (INR Mn)	FY26	FY27E	FY28E	FY29E
Net Worth	9,397	11,512	13,681	17,116
Borrowings	82	82	82	82
Trade Payables	1,609	2,215	2,771	3,021
Other Non-current Liabilities	104	104	104	104
Other Current Liabilities	400	400	400	400
Total Net Worth & Liabilities	**11,592**	**14,312**	**17,038**	**20,723**
Net Block	2,029	2,820	2,908	2,977
Non-current Investments	2,904	2,904	1,404	1,404
Inventories	1,546	2,162	2,706	2,950
Trade Receivables	2,903	4,072	5,090	5,591
Cash & Cash Equivalents	462	608	1,076	3,948
Other Non-current Assets	907	905	3,014	3,012
Other Current Assets	840	840	840	840
Total Assets	**11,592**	**14,312**	**17,038**	**20,723**

Ratio Analysis	FY26	FY27E	FY28E	FY29E
Growth Ratios				
Revenue (%)	44.8%	137.6%	25.0%	9.9%
Gross Profit (%)	23.9%	122.8%	24.8%	11.7%
EBITDA (%)	5.9%	111.6%	43.9%	14.5%
Att. PAT (%)	0.5%	58.5%	49.6%	27.6%
Margin Ratios				
Gross Profit Margin (%)	33.0%	30.9%	30.9%	31.4%
EBITDA Margin (%)	17.4%	15.5%	17.9%	18.7%
EBIT Margin (%)	15.7%	14.6%	17.0%	17.7%
Att. PAT Margin (%)	14.1%	9.4%	11.2%	13.1%
Profitability				
ROE (%)	13.5%	18.0%	22.3%	23.2%
ROCE (%)	14.4%	25.4%	30.7%	28.9%
ROIC (%)	12.4%	21.3%	26.8%	28.2%
Working Capital				
Inventory Days	77	62	62	62
Receivable Days	96	81	81	81
Payable Days	77	64	64	64
Cash Conversion Cycle	96	79	79	79
Valuation				
P/B (x)	2.5x	5.6x	4.6x	3.7x
P/E (x)	20.6x	33.8x	22.6x	17.7x
EV/Sales (x)	2.5x	3.0x	2.4x	2.2x
EV/EBITDA (x)	14.3x	19.5x	13.5x	11.8x

Source: FTXC, Choice Institutional Equities

Cash Flows (INR Mn)	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	(238)	1,051	2,296	3,325
Cash Flows from Investing	1,052	(710)	(1,563)	(117)
Cash Flows from Financing	(625)	(194)	(265)	(336)

DuPont Analysis	FY26	FY27E	FY28E	FY29E
NCI Burden	87.0%	75.4%	77.4%	87.4%
Tax Burden	81.7%	78.6%	80.5%	81.0%
Interest Burden	126.1%	108.8%	106.3%	104.0%
EBIT Margin	15.7%	14.6%	17.0%	17.7%
Asset Turnover	0.8x	1.4x	1.5x	1.3x
Equity Multiplier	1.2x	1.3x	1.4x	1.3x
ROE (%)	**13.5%**	**18.0%**	**22.3%**	**23.2%**

Source: FTXC, Choice Institutional Equities

Historical share price chart: FTXC



Date	Rating	Target Price
July 22, 2026	BUY	51
July 25, 2026	BUY	51
November 16, 2026	ADD	57

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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