6 November 2025

2QFY26 Result Update | Sector: Chemicals

Clean Science & Technology

Estimate changes	↓
TP change	↓
Rating change	↔

Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	104.3 / 1.2
52-Week Range (INR)	1600 / 960
1, 6, 12 Rel. Per (%)	-10/-21/-41
12M Avg Val (INR M)	686

Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	10.7	12.8	14.8
EBITDA	4.1	5.0	5.8
PAT	2.8	3.4	4.0
EPS (INR)	26.3	32.1	37.8
EPS Gr. (%)	5.6	22.2	17.9
BV/Sh.(INR)	155.3	182.3	214.0
Ratios			
Net D:E	-0.0	-0.1	-0.1
RoE (%)	18.2	19.0	19.1
RoCE (%)	17.8	18.7	18.8
Payout (%)	16.1	16.1	16.1
Valuations			
P/E (x)	37.4	30.6	25.9
P/BV (x)	6.3	5.4	4.6
EV/EBITDA (x)	25.5	20.8	17.4
Div. Yield (%)	0.4	0.5	0.6
FCF Yield (%)	0.4	1.7	2.6

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	51.0	75.0	75.0
DII	19.0	5.9	4.8
FII	11.1	6.2	5.8
Others	18.9	12.9	14.4

FII Includes depository receipts

CMP: INR981 TP: INR960 (-2%) Neutral

Muted performance due to demand weakness in key segments

Operating performance below estimates

- Clean Science (CLEAN) reported EBITDA of INR871m, down 3% YoY and below our estimate of INR977m, as gross margin contracted to 60.7% (vs. 62.7% in 2QFY25) and EBITDAM contracted to 35.6% (vs. 37.7% in 2QFY25).
- While the established product portfolio witnessed demand softness in 2QFY26, this trend is expected to persist in the near term, driven by evolving market dynamics in China, deferred procurement by key customers, and demand uncertainty across end-user industries following the imposition of US tariffs.
- Factoring in the weak operating performance in 2QFY26 and the demand softness going ahead, we cut our earnings estimates for FY26/FY27/FY28 by 16%/18%/15% and value the stock at 30x FY27E EPS to arrive at our TP of INR960. **Reiterate Neutral**.

Performance chemical drives revenue growth

- The company reported revenue of INR2.4b, up 3% YoY (est. in line), while Performance Chemicals' revenue grew ~13% YoY to INR1.9b. Revenue for Pharma & Agro Intermediates/FMCG Chemicals declined ~9%/~45% YoY to INR391m/INR196m.
- Gross margin stood at 60.7% (compared to 62.4%), while EBITDA margin contracted 110bp.
- EBITDA declined 3% YoY to INR871m, below our estimate of INR977m.
- Adj. PAT stood at INR554m (down 21% YoY) in 2QFY26, below our estimate of INR668m.
- In 1HFY26, revenue/EBITDA/Adj.PAT grew 5%/1%/1% to INR4.9b/INR1.9b/INR1.3b.

Highlights from the management commentary

- **Macro environment**: The broader operating backdrop remains challenging, shaped by uncertain demand in end-markets, aggressive pricing behavior from Chinese suppliers, evolving tariff structures, and global supply chain adjustments.
- **China:** The Chinese market, contributing 25-30% of revenue, remains challenging and unpredictable. Intense local competition led to deferred customer procurement. One of the company's FMCG products in China was impacted as a key customer may have undertaken backward integration, potentially leading to a permanent volume loss.
- **New projects:** The company's Project 1 (Performance Chemical) is currently undergoing chemical trials with satisfactory results, and commercialization is expected to be announced shortly. The product offers strong synergies with existing offerings through cross-selling opportunities and backward integration. The installed capacity stands at 10,000 tons, with full-scale revenue potential of around INR3b by FY28.

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Valuation and view

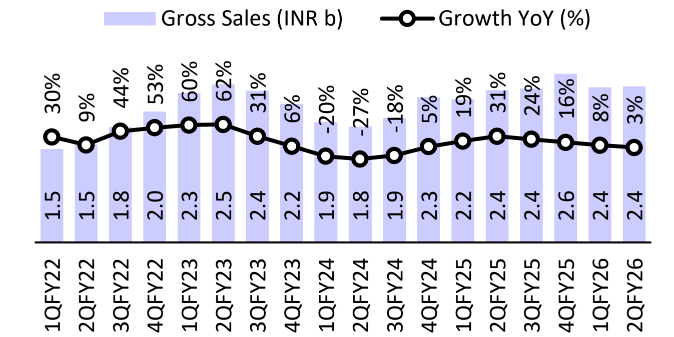
- We expect short-term headwinds to continue, with volumes likely to be affected by global demand softness, uncertainty in end markets affecting customer purchasing behavior, and reduced procurement due to competitive pricing pressure.
- The ramp-up of the advanced grade HALS, along with the commissioning of Performance Chemical 1 and Performance Chemical 2, is expected to be a key mid-term growth driver.
- Factoring in the weak operating performance in 2QFY26 and demand softness going ahead, we cut our earnings estimates for FY26/FY27/FY28 by 16%/18%/15% and value the stock at 30x FY27E EPS to arrive at our TP of INR960. Reiterate Neutral.

Consolidated - Quarterly Snapshot **(INR m)**

Y/E March	FY25				FY26				FY25	FY26E	FY26
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE
Gross Sales	**2,240**	**2,381**	**2,408**	**2,637**	**2,429**	**2,446**	**2,620**	**3,185**	**9,666**	**10,679**	**2,604**
YoY Change (%)	19.1	31.5	23.7	15.9	8.4	2.7	8.8	20.8	22.1	10.5	9.4
Gross Margin (%)	65.4%	62.4%	63.5%	63.7%	65.5%	60.7%	61.5%	62.7%	63.7%	62.6%	63.3%
EBITDA	**947**	**897**	**985**	**1,048**	**999**	**871**	**963**	**1,253**	**3,876**	**4,086**	**977**
Margin (%)	42.3	37.7	40.9	39.7	41.1	35.6	36.8	39.4	40.1	38.3	37.5
Depreciation	158	175	183	174	187	188	195	205	691	775	194
Other Income	99	111	52	124	134	67	111	111	386	423	122
PBT before EO expense	**887**	**832**	**853**	**996**	**946**	**749**	**878**	**1,158**	**3,567**	**3,730**	**904**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0
PBT	**887**	**832**	**853**	**996**	**946**	**749**	**878**	**1,158**	**3,567**	**3,730**	**904**
Tax	228	245	196	255	245	194	202	297	923	938	236
Rate (%)	25.7	29.4	23.0	25.6	25.9	26.0	23.0	25.6	25.9	25.1	26.1
Adj. PAT	**659**	**587**	**656**	**741**	**701**	**554**	**676**	**861**	**2,644**	**2,792**	**668**
YoY Change (%)	11.9	12.6	4.8	5.4	6.3	-5.6	2.9	16.3	8.3	5.6	13.7
Margin (%)	29.4	24.7	27.3	28.1	28.8	22.7	25.8	27.0	27.4	26.1	25.7

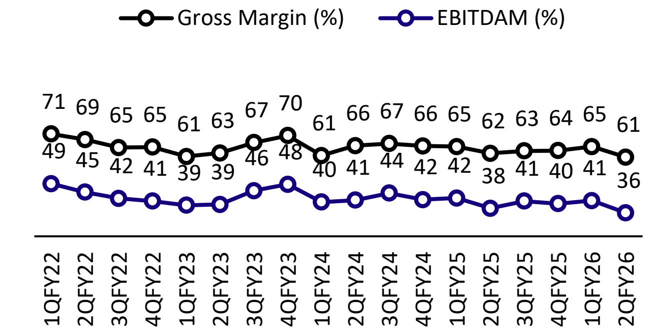
Story in charts: 2QFY26

Exhibit 1: Revenue increased 3% YoY



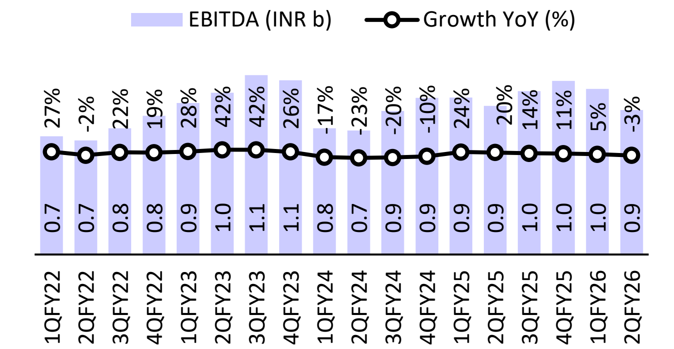
Source: Company, MOFSL

Exhibit 2: GM remained stable and EBITDAM declined YoY



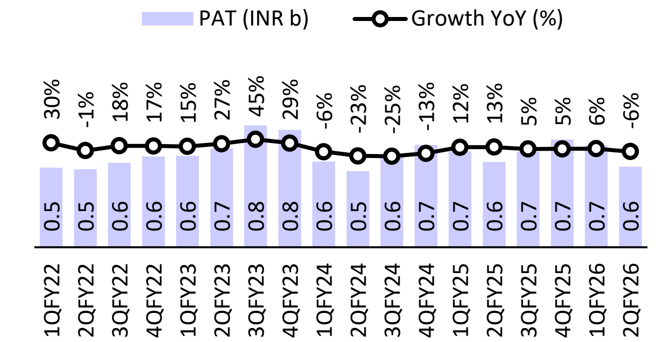
Source: Company, MOFSL

Exhibit 3: EBITDA decreased 3% YoY



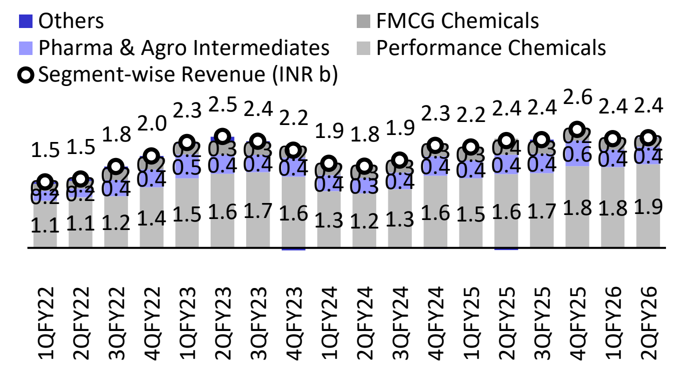
Source: Company, MOFSL

Exhibit 4: PAT down up 6% YoY



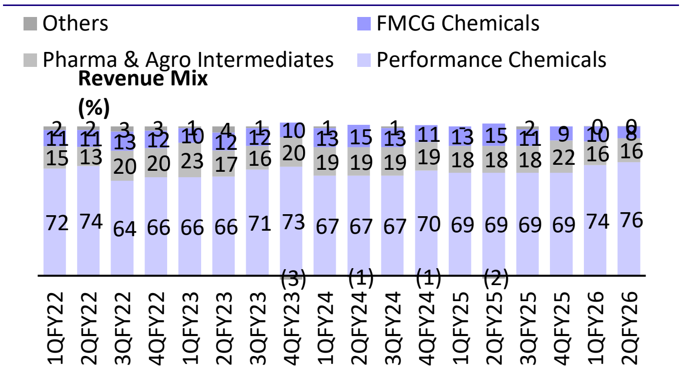
Source: Company, MOFSL

Exhibit 5: Revenue declined across segments YoY



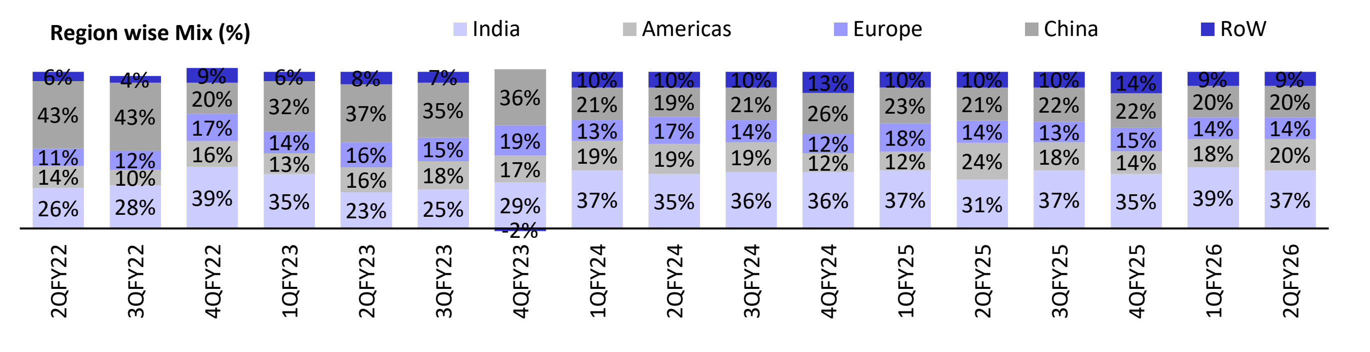
Source: Company, MOFSL

Exhibit 6: Revenue mix of Performance Chemical increased YoY



Source: Company, MOFSL

Exhibit 7: Share of revenue for India and the Americas improved YoY, while it declined for ROW and China



Source: Company, MOFSL

Conference call highlights

Operational highlights

- HALS (Hindered Amine Light Stabilizers) volumes grew 25% QoQ, supported by an improved product mix and commercialization of higher grades such as HALS 2020. Material margins expanded to 35% (from 31%), with capacity utilization at 25% and sequential growth expected to continue.
- Established Products reported a 6.5% YoY decline in volumes, impacted by weak demand and continued pricing pressure across key categories.
- The commercialization of barbituric acid and Performance Chemical 1 (PC1) is underway, with trial results satisfactory and full-scale commercialization expected in 4QFY26.

Macro-economic outlook

- Sales during the quarter were impacted by a combination of global demand softness, pricing pressure, and intensifying competition from Chinese suppliers across key end-markets. The overall demand environment remained challenging, with customers adopting a cautious procurement stance amid heightened price volatility and uncertainty in their respective downstream industries.
- In China, the market environment continued to be particularly difficult, characterized by sustained price undercutting and excess supply. Customer destocking trends, coupled with potential backward integration by a key FMCG customer, further weighed on volumes. The company's exposure to China remains significant, accounting for approximately 25-30% of total revenue, making it susceptible to fluctuations in this market.
- Additionally, the evolving tariff landscape and trade-related uncertainties led to a cascading effect on global supply chains, prompting several customers to defer or moderate their procurement plans. These factors collectively contributed to lower order volumes and a softer sales trajectory during the quarter.

Capex and new projects

- The company invested INR1.5b in its subsidiary, CSTL, during the first half of the year.
- The company's Performance Chemical 1 is currently undergoing chemical trials with satisfactory results, and commercialization is expected to be announced shortly. The product offers strong synergies with existing offerings through cross-selling opportunities and backward integration. The installed capacity stands at 10,000 tons, with full-scale revenue potential of around INR3b in FY28.

Geography and product dynamics

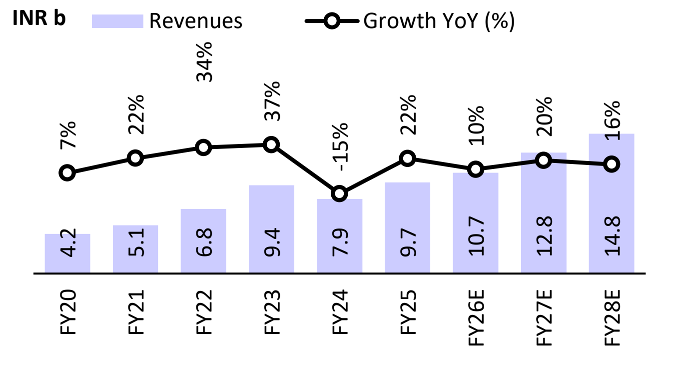
- In Americas, volumes were impacted by tariff-related uncertainties and temporary customer-specific slowdowns.
- The European market experienced minor realignment in demand patterns, while the domestic market remained broadly stable.
- The company continues to face limited competition from domestic players, with pricing and volume pressures primarily emanating from Chinese suppliers.

Exhibit 8: Changes to our estimates

Particulars	Actual/ Revised			Previous			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue (INR m)	10,679	12,824	14,839	11,506	14,384	16,605	-7%	-11%	-11%
EBITDA (INR m)	4,086	4,958	5,809	4,573	5,774	6,649	-11%	-14%	-13%
PAT (INR m)	2,792	3,412	4,022	3,305	4,164	4,750	-16%	-18%	-15%
EPS (INR)	26.3	32.1	37.8	31.1	39.2	44.7	-16%	-18%	-15%

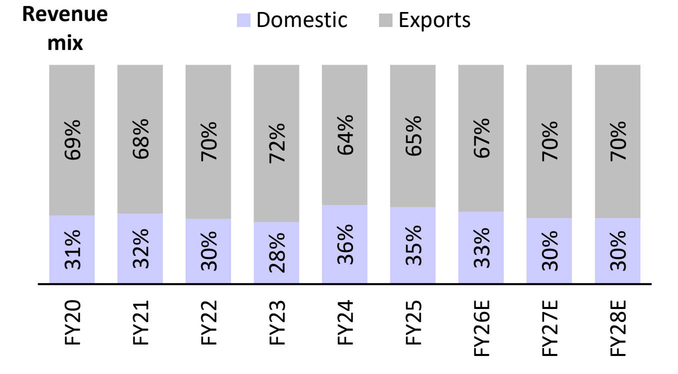
Financial story in charts

Exhibit 9: Expect 24% revenue CAGR over FY25-27…



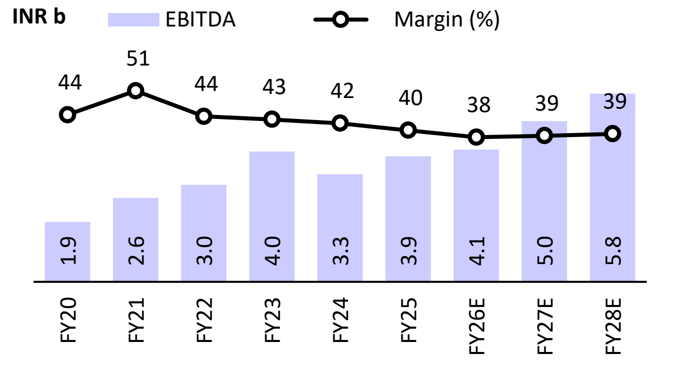
Source: Company, MOFSL

Exhibit 10: …driven by contribution from Performance Chemicals



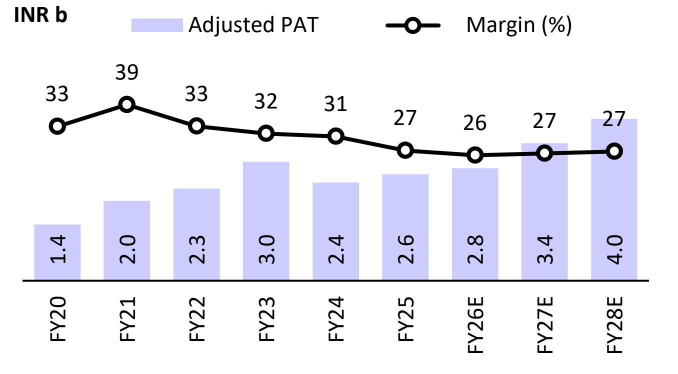
Source: Company, MOFSL

Exhibit 11: EBITDA margin to normalize on a consol. basis



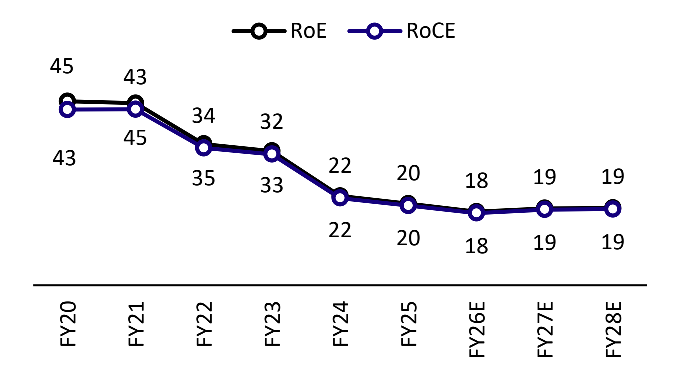
Source: Company, MOFSL

Exhibit 12: PAT margin to reach ~27% in FY27



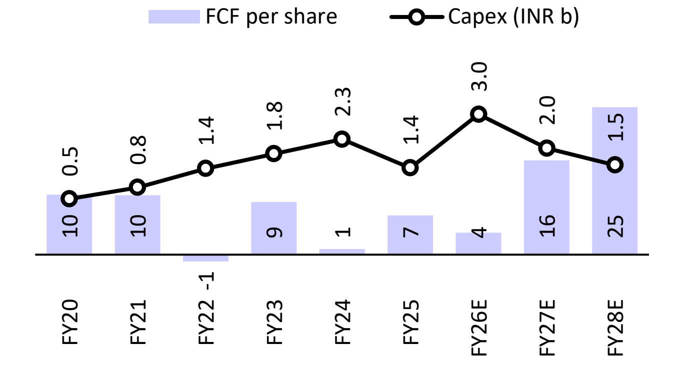
Source: Company, MOFSL

Exhibit 13: Return profile of CLEAN



Source: Company, MOFSL

Exhibit 14: Capex trend



Source: Company, MOFSL

Financials and valuations

Consolidated - Financial Snapshot								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Total Income from Operations	**5,124**	**6,849**	**9,358**	**7,915**	**9,666**	**10,679**	**12,824**	**14,839**
Change (%)	22.2	33.7	36.6	-15.4	22.1	10.5	20.1	15.7
Raw Materials	1,236	2,247	3,260	2,771	3,507	3,997	4,749	5,491
Employees Cost	436	345	452	487	564	625	751	869
Other Expenses	863	1,258	1,625	1,337	1,719	1,970	2,366	2,671
Total Expenditure	**2,535**	**3,850**	**5,337**	**4,594**	**5,790**	**6,593**	**7,866**	**9,031**
Gross Margin (%)	75.9	67.2	65.2	65.0	63.7	62.6	63.0	63.0
EBITDA	**2,590**	**2,999**	**4,021**	**3,321**	**3,876**	**4,086**	**4,958**	**5,809**
Margin (%)	50.5	43.8	43.0	42.0	40.1	38.3	38.7	39.1
Depreciation	172	249	361	459	691	775	956	1,078
EBIT	**2,417**	**2,750**	**3,660**	**2,861**	**3,186**	**3,311**	**4,002**	**4,730**
Int. and Finance Charges	1	1	2	9	4	5	5	7
Other Income	256	300	298	413	386	423	563	651
PBT bef. EO Exp.	**2,673**	**3,048**	**3,956**	**3,265**	**3,567**	**3,730**	**4,560**	**5,375**
PBT after EO Exp.	**2,673**	**3,048**	**3,956**	**3,265**	**3,567**	**3,730**	**4,560**	**5,375**
Total Tax	689	763	1,005	825	923	938	1,148	1,353
Tax Rate (%)	25.8	25.0	25.4	25.3	25.9	25.1	25.2	25.2
Reported PAT	**1,984**	**2,285**	**2,952**	**2,440**	**2,644**	**2,792**	**3,412**	**4,022**
Adjusted PAT	**1,984**	**2,285**	**2,952**	**2,440**	**2,644**	**2,792**	**3,412**	**4,022**
Change (%)	42.1	15.2	29.2	-17.3	8.4	5.6	22.2	17.9
Margin (%)	38.7	33.4	31.5	30.8	27.4	26.1	26.6	27.1

Consolidated - Balance Sheet								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Equity Share Capital	106	106	106	106	106	106	106	106
Total Reserves	5,290	7,578	9,994	11,925	14,058	16,401	19,265	22,640
Net Worth	**5,397**	**7,684**	**10,100**	**12,032**	**14,164**	**16,507**	**19,371**	**22,747**
Total Loans	3	3	1	0	0	0	0	0
Deferred Tax Liabilities	176	209	234	323	338	338	338	338
Capital Employed	**5,576**	**7,897**	**10,335**	**12,354**	**14,502**	**16,846**	**19,709**	**23,085**
Gross Block	2,610	3,959	5,963	8,182	9,657	12,657	14,657	16,157
Less: Accum. Deprn.	752	1,001	1,362	1,821	2,512	3,287	4,243	5,321
Net Fixed Assets	**1,859**	**2,957**	**4,601**	**6,361**	**7,145**	**9,370**	**10,414**	**10,836**
Capital WIP	550	441	205	573	302	302	302	302
Total Investments	**2,321**	**1,911**	**3,531**	**3,394**	**3,809**	**3,809**	**3,809**	**3,809**
Curr. Assets, Loans&Adv.	**1,870**	**3,938**	**3,181**	**3,658**	**4,821**	**5,103**	**7,269**	**10,250**
Inventory	529	881	1,088	1,237	1,494	1,580	1,897	2,195
Account Receivables	742	1,535	1,462	1,637	2,034	2,165	2,600	3,009
Cash and Bank Balance	157	747	125	106	202	153	1,324	3,371
Cash	93	579	125	104	200	151	1,323	3,369
Bank Balance	63	168	0	2	2	2	2	2
Loans and Advances	442	774	506	678	1,091	1,205	1,447	1,675
Curr. Liability & Prov.	**1,023**	**1,350**	**1,184**	**1,632**	**1,576**	**1,739**	**2,086**	**2,113**
Account Payables	610	1,021	805	1,057	989	1,093	1,312	1,220
Other Current Liabilities	408	324	370	564	573	633	760	879
Provisions	5	5	8	12	14	14	14	14
Net Current Assets	**846**	**2,587**	**1,997**	**2,026**	**3,246**	**3,364**	**5,183**	**8,137**
Appl. of Funds	**5,576**	**7,897**	**10,334**	**12,354**	**14,502**	**16,846**	**19,709**	**23,085**

Financials and valuations

Ratios								
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Basic (INR)								
EPS	**18.7**	**21.5**	**27.8**	**23.0**	**24.9**	**26.3**	**32.1**	**37.8**
EPS Growth (%)	42.1	15.2	29.2	-17.3	8.3	5.6	22.2	17.9
Cash EPS	20.3	23.9	31.2	27.3	31.4	33.6	41.1	48.0
BV/Share	50.8	72.3	95.1	113.2	133.3	155.3	182.3	214.0
DPS	0.3	3.3	5.0	3.0	4.0	4.2	5.2	6.1
Payout (%)	1.7	15.1	18.0	13.1	16.1	16.1	16.1	16.1
Valuation (x)								
P/E	52.6	45.6	35.3	42.8	39.5	37.4	30.6	25.9
Cash P/E	48.4	41.2	31.5	36.0	31.3	29.3	23.9	20.5
P/BV	19.3	13.6	10.3	8.7	7.4	6.3	5.4	4.6
EV/Sales	20.3	15.1	11.1	13.2	10.8	9.8	8.0	6.8
EV/EBITDA	40.2	34.5	25.9	31.4	26.9	25.5	20.8	17.4
Dividend Yield (%)	0.0	0.3	0.5	0.3	0.4	0.4	0.5	0.6
FCF per share	10.2	-1.2	9.1	1.0	6.8	3.8	16.2	25.4
Return Ratios (%)								
RoE	45.0	34.9	33.2	22.1	20.2	18.2	19.0	19.1
RoCE	43.5	33.9	32.4	21.6	19.7	17.8	18.7	18.8
RoIC	77.3	56.1	48.5	29.0	25.6	21.8	22.3	23.7
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	2.8	2.5	1.4	1.4	1.3	1.3	1.4
Asset Turnover (x)	0.9	0.9	0.9	0.6	0.7	0.6	0.7	0.6
Inventory (Days)	38	47	42	57	56	54	54	54
Debtor (Days)	53	82	57	76	77	74	74	74
Creditor (Days)	43	54	31	49	37	37	37	30
Leverage Ratio (x)								
Current Ratio	1.8	2.9	2.7	2.2	3.1	2.9	3.5	4.9
Net Debt/Equity	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1

Consolidated - Cash Flow Statement								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
OP/(Loss) before Tax	2,673	3,048	3,956	3,265	3,567	3,730	4,560	5,375
Depreciation	172	249	361	459	691	775	956	1,078
Interest Expenses	1	1	2	9	4	5	5	7
Others	-109	-126	-153	-335	-284	0	0	0
Direct Taxes Paid	-659	-691	-945	-755	-955	-938	-1,148	-1,353
(Inc)/Dec in WC	-149	-1,209	-428	-279	-884	-167	-648	-907
CF from Operations	**1,928**	**1,273**	**2,793**	**2,364**	**2,139**	**3,404**	**3,726**	**4,200**
(Inc)/Dec in FA	-840	-1,396	-1,831	-2,261	-1,419	-3,000	-2,000	-1,500
Free Cash Flow	**1,088**	**-123**	**962**	**103**	**720**	**404**	**1,726**	**2,700**
Change in Investments	-1,078	532	-929	402	-119	0	0	0
Others	51	78	61	6	20	0	0	0
CF from Investments	**-1,867**	**-786**	**-2,698**	**-1,853**	**-1,517**	**-3,000**	**-2,000**	**-1,500**
Issue of Shares	0	0	9	9	9	0	0	0
Inc/(Dec) in Debt	-24	0	0	0	0	0	0	0
Interest Paid	-1	-1	-1	-9	-3	-5	-5	-7
Dividend Paid	-33	0	-558	-531	-531	-449	-548	-647
Others	-1	0	-1	0	0	0	0	0
CF from Fin. Activity	**-59**	**-1**	**-550**	**-532**	**-525**	**-453**	**-554**	**-653**
Inc/Dec of Cash	**1**	**486**	**-455**	**-20**	**96**	**-49**	**1,172**	**2,047**
Opening Balance	92	93	579	125	104	200	151	1,323
Closing Balance	**93**	**579**	**124**	**104**	**200**	**151**	**1,323**	**3,369**

NOTES

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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