

# Clean Science and Technology | BUY

## New product launches ramping up steadily

Clean Science's 4QFY24 earnings print was better than our and consensus expectations. During the quarter, reported EBITDA was ~4%/3% higher than JMFe and consensus on account of robust volume growth. Going forward, volume recovery in the base business is likely to continue. This along with ramp-up of HALS series of products along with new pharma intermediate should result in a 35% sales growth in FY25. For FY26 and FY27, higher utilisation of the HALS unit along with contributions from 2 new performance and pharma intermediate chemicals are likely to drive 32% sales CAGR over FY24-27E. Even after assuming EBITDA contraction from 42% in FY24 to 40% in FY25 and 38% in FY27, company would still be able to post a 29% EBITDA/EPS CAGR over FY24-27E. In fact, in order to achieve our FY25 EBITDA estimates, company will only need to do additional INR 460mn of EBITDA on 4QFY24 annualised run-rate. In case there is a pick-up in product prices, there could be an upside risk to our estimates while any delay in new product approvals could be a downside risk to our estimates. We maintain BUY with a revised Sep'25 TP of INR 1,765 (from Mar'25 TP of INR 1,805 earlier).

- EBITDA beat on account of higher sales:** Clean Science's 4QFY24 consolidated gross profit, of INR 1.5bn was 10% above JMFe, (up 15% QoQ while down 2% YoY) as revenues were 6% higher than JMFe and stood at INR 2.3bn (up 17%/5% QoQ/YoY) and gross margin of 65.7% was higher than JMFe of 63.5% (and down from 66.8% in 3QFY24). During the quarter, other expenses were higher at INR 415mn (vs. JMFe of INR 340mn and INR 319mn in 3QFY24). As a result, EBITDA came in 4%/3% above JMFe/Consensus at INR 945mn (up 9% QoQ while down 10% YoY). Further, PAT was 9% above JMFe and stood at INR 703mn (up 12% QoQ while down 13% YoY).
- Additional HALS series of products to start ramping up in FY25; >INR 1.5bn capex in FY25:** During the quarter, sequential revenue growth was on account of higher volumes. Moreover, company's HALS 701 and 770 are currently are receiving good response. In fact, for 770, company has achieved a run-rate of 100MT/month and wants to take this run-rate to 200MT by Mar'25 (India imports ~200-220MT/month). Further, for 701, company intends to achieve a 100MT/month over the next 3-5 months (where it is the first manufacturer outside China). On unit 4, it was indicated that 3,000MT (~30% of the capacity) of HALS series (622, 944, 119, 2020) is expected by FY25. On top of this, revenue contribution from INR 300mn capex for pharma intermediate will commence from Sep'24. Additionally, company will incur INR > 1.5bn for two performance chemicals which are currently at pilot stage.
- Expect 29% EPS CAGR over FY24-27E; maintain BUY:** Company has indicated a 15% EBITDA margin for HALS in FY25 with a gradual ramp-up to 25% with optimum utilisation. Factoring in 4QFY24 results and management commentary, we have lowered our FY25E/FY26E EBITDA and EPS estimates by ~4%. We expect Clean to register a 29% EPS CAGR over FY24-27E. We maintain BUY with a revised Sep'25 TP of INR 1,765 (from Mar'25 TP of INR 1,805 earlier) (based on 40x Sep'26E EPS).



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,765
Upside/(Downside)	33.0%
Previous Price Target	1,805
Change	-2.2%

### Key Data – CLEAN IN

Current Market Price	INR1,328
Market cap (bn)	INR141.1/US\$1.7
Free Float	25%
Shares in issue (mn)	106.2
Diluted share (mn)	106.2
3-mon avg daily val (mn)	INR159.4/US\$1.9
52-week range	1,622/1,275
Sensex/Nifty	72,987/22,201
INR/US\$	83.5

### Price Performance

%	1M	6M	12M
Absolute	0.7	-3.3	-13.5
Relative*	0.6	-12.6	-26.6

\* To the BSE Sensex

### Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	9,358	7,915	10,698	14,307	18,396
Sales Growth (%)	36.6	-15.4	35.2	33.7	28.6
EBITDA	4,021	3,321	4,260	5,538	7,047
EBITDA Margin (%)	43.0	42.0	39.8	38.7	38.3
Adjusted Net Profit	2,952	2,440	3,057	4,122	5,247
Diluted EPS (INR)	27.8	23.0	28.8	38.8	49.4
Diluted EPS Growth (%)	29.2	-17.3	25.3	34.8	27.3
ROIC (%)	46.6	27.4	27.1	30.3	33.4
ROE (%)	33.2	22.1	22.6	24.2	24.3
P/E (x)	47.8	57.8	46.1	34.2	26.9
P/B (x)	14.0	11.7	9.4	7.4	5.8
EV/EBITDA (x)	34.2	41.4	32.2	24.4	18.7
Dividend Yield (%)	0.2	0.2	0.1	0.1	0.1

Source: Company data, JM Financial. Note: Valuations as of 15/May/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## 4QFY24 Result Review

## Exhibit 1. Clean Science's quarterly financial snapshot

Consolidated (INR mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY24E	% QoQ	% YoY	% difference
Net Sales	2,341	2,475	2,374	2,169	1,881	1,811	1,947	2,275	2,150	17%	5%	6%
COGS	913	927	779	641	726	618	646	780	785	21%	22%	
<b>Gross Profit</b>	<b>1,427</b>	<b>1,548</b>	<b>1,595</b>	<b>1,528</b>	<b>1,155</b>	<b>1,193</b>	<b>1,301</b>	<b>1,495</b>	<b>1,365</b>	<b>15%</b>	<b>-2%</b>	<b>10%</b>
Gross margin	61.0%	62.5%	67.2%	70.5%	61.4%	65.9%	66.8%	65.7%	63.5%	-109 bps	-474 bps	3%
Employee cost	100	106	118	128	117	119	116	135	120	16%	5%	
Employee cost as % of sales	4%	4%	5%	6%	6%	7%	6%	6%	6%	-0.82%	2 bps	
Other expenditure	414	467	396	349	277	326	319	415	340	30%	19%	
Other expenditure as % of sales	18%	19%	17%	16%	15%	18%	16%	18%	16%	190 bps	216 bps	
<b>EBIDTA</b>	<b>913</b>	<b>975</b>	<b>1,081</b>	<b>1,051</b>	<b>761</b>	<b>748</b>	<b>866</b>	<b>945</b>	<b>905</b>	<b>9%</b>	<b>-10%</b>	<b>4%</b>
EBITDA margin	39%	39%	46%	48%	40%	41%	44%	41.5%	42.1%	-294 bps	-692 bps	-1%
Depreciation	85	87	89	101	108	111	113	127	125	12%	26%	
EBIT	829	888	992	950	653	637	753	818	780	9%	-14%	
Interest expense	0.0	0.0	0.6	1.3	0.5	2.5	0.5	5.7	3.0	950%	330%	
Other income	18	28	126	126	134	60	78	141	80	81%	11%	
PBT	847	916	1,117	1,075	787	695	830	953	857	15%	-11%	
Tax	218	237	280	270	198	173	204	250	214	23%	-7%	
<b>PAT</b>	<b>629</b>	<b>679</b>	<b>837</b>	<b>805</b>	<b>589</b>	<b>522</b>	<b>626</b>	<b>703</b>	<b>643</b>	<b>12%</b>	<b>-13%</b>	<b>9%</b>
PAT margin	27%	27%	35%	37%	31%	29%	32%	30.9%	29.9%	-127 bps	-625 bps	3%
Basic EPS (INR)	5.92	6.40	7.88	7.58	5.55	4.91	5.90	6.62	6.05	12%	-13%	
Tax rate	25.7%	25.8%	25.1%	25.1%	25.1%	24.9%	24.6%	26.3%	25.0%	168 bps	116 bps	

Source: Company, JM Financial

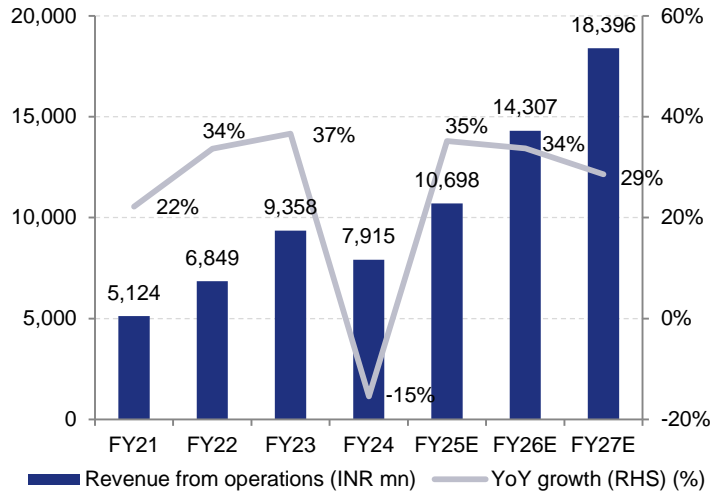
## Exhibit 2. Clean Science's segment-wise revenue break-up

	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY24E	%QoQ	%YoY	% diff vs JMFe
<b>INR mn</b>											
Performance chemicals	1,660	1,699	1,568	1,260	1,213	1,304	1,525	1,500	17%	-3%	2%
Pharma and agro intermediates	440	396	412	357	344	370	432	400	17%	5%	8%
FMCG chemicals	300	261	239	245	272	216	296	250	37%	24%	18%
Total	2,475	2,374	2,169	1,881	1,811	1,947	2,275	2,150	17%	5%	6%
<b>% of overall revenues</b>											
Performance chemicals	67%	72%	72%	67%	67%	67%	67%	70%	4bps	-530bps	
Pharma and agro intermediates	18%	17%	19%	19%	19%	19%	19%	19%	1bps	1bps	
FMCG chemicals	12%	11%	11%	13%	15%	11%	13%	12%	190bps	200bps	
Total	100%	100%	100%	100%	100%	100%	100%	100%	0bps	0bps	

Source: Company, JM Financial

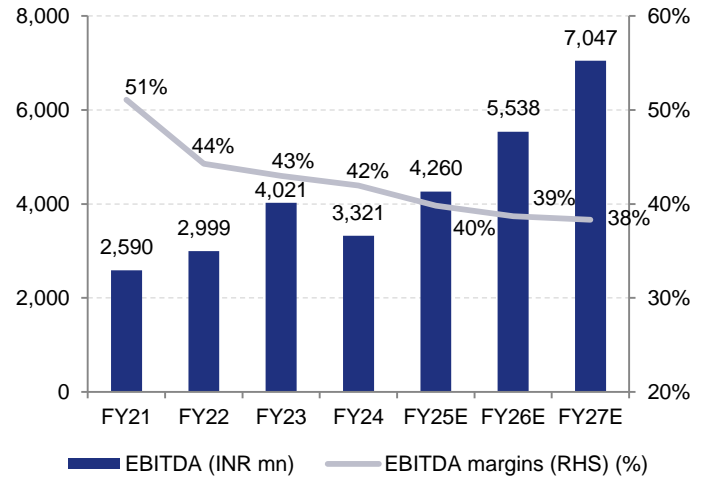
## Assumptions and Estimates

**Exhibit 3. Clean’s revenue likely to witness 32% CAGR over FY24-27E**



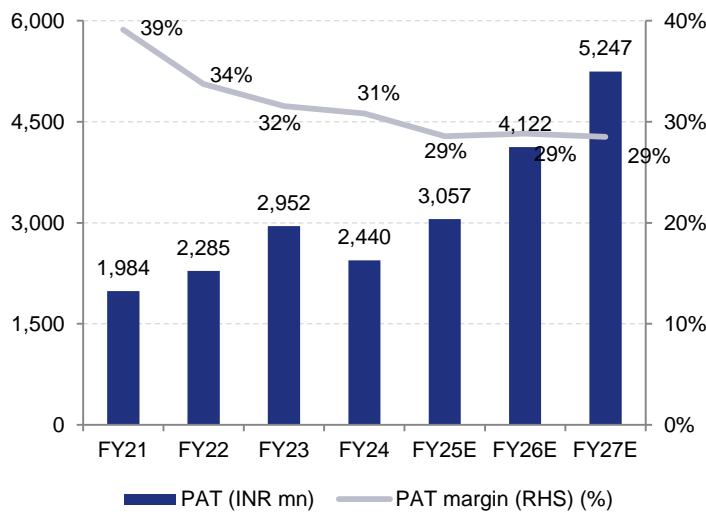
Source: Company, JM Financial

**Exhibit 4. Clean’s EBITDA likely to see 29% CAGR over FY24-27E**



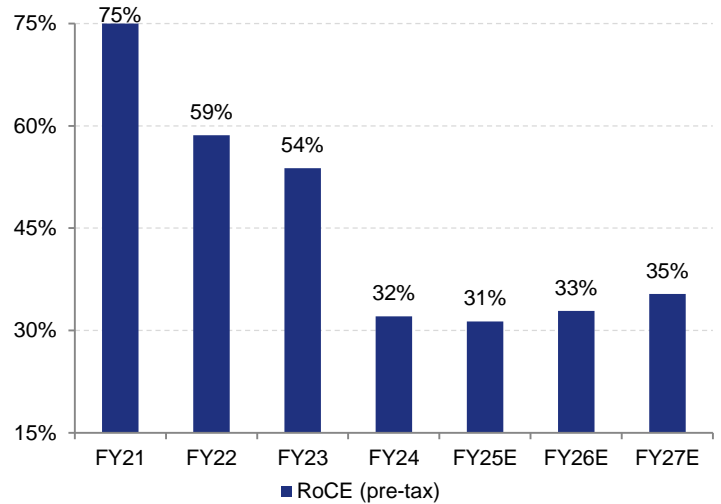
Source: Company, JM Financial

**Exhibit 5. Clean’s PAT likely to register 29% CAGR over FY24-27E**



Source: Company, JM Financial

**Exhibit 6. Clean’s RoCE likely to improve to ~35% in FY27E**



Source: Company, JM Financial

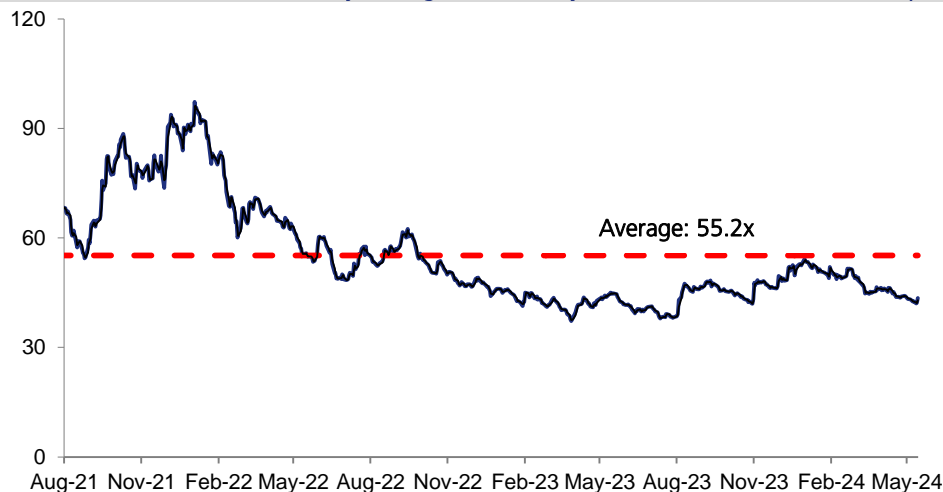
**Exhibit 7. Change in estimates**

	New	Old	Change
<b>Revenue (INR Mn)</b>			
FY25	10,698	11,120	-3.8%
FY26	14,307	14,862	-3.7%
<b>EBITDA (INR Mn)</b>			
FY25	4,260	4,459	-4.5%
FY26	5,538	5,794	-4.4%
<b>PAT (INR Mn)</b>			
FY25	3,057	3,191	-4.2%
FY26	4,122	4,280	-3.7%
<b>EPS (INR)</b>			
FY25	28.8	30.0	-4.2%
FY26	38.8	40.3	-3.7%

Source: JM Financial

## Valuation

### Exhibit 8. Clean Science is currently trading at ~43.5x 1-year forward consensus P/E multiple



Source: Bloomberg, JM Financial

### Exhibit 9. Chemical companies peer valuation

Company	Rating	CMP (INR)	TP (INR)	P/E (x)				P/B (x)				EV/EBITDA (x)				ROE (%)			
				FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
SRF	BUY	2,287	2,795	31.3	50.7	40.0	30.6	6.6	5.9	5.2	4.5	20.1	27.8	22.7	18.1	22.9	12.3	13.9	15.9
UPL	BUY	514	650	10.6	NM	22.3	14.4	1.3	1.4	1.4	1.3	6.0	14.3	8.7	7.5	13.6	-3.4	6.2	9.0
PI Industries	HOLD	3,661	3,720	45.5	35.9	32.9	29.0	7.7	6.4	5.3	4.5	34.0	26.4	23.1	20.1	18.4	19.4	17.6	16.8
Deepak Nitrite	BUY	2,424	2,565	36.6	44.5	29.5	24.4	7.6	6.5	5.3	4.4	23.9	27.4	18.7	15.6	22.9	15.8	19.9	19.7
Clean Science	BUY	1,326	1,765	47.7	57.7	46.1	34.2	13.9	11.7	9.4	7.4	34.2	41.5	32.2	24.4	33.2	22.1	22.6	24.2
Navin Fluorine	BUY	3,321	4,105	43.9	72.0	50.2	35.9	7.5	6.9	6.2	5.5	31.2	43.3	31.3	23.3	18.6	10.0	13.0	16.2
Fine Organics	SELL	4,407	3,840	22.9	36.6	34.5	34.0	8.9	7.3	6.2	5.4	16.7	26.1	23.7	23.1	47.6	21.8	19.4	16.9
Galaxy Surfactants	HOLD	2,544	2,540	23.7	30.1	28.3	26.6	4.8	4.1	3.6	3.2	15.9	17.9	16.7	15.3	22.0	14.8	13.6	12.7
PCBL Ltd.	BUY	256	355	21.9	18.0	16.9	14.4	3.4	2.9	2.5	2.1	14.5	10.9	9.7	8.3	16.2	17.3	15.7	15.7
Aether Industries	BUY	833	1,095	79.5	86.4	51.3	37.7	8.3	5.2	4.7	4.2	55.1	56.6	32.7	24.4	16.0	7.6	9.7	11.8
Anupam Rasayan	HOLD	792	830	48.0	68.4	43.0	29.2	3.7	2.8	2.6	2.4	20.9	23.2	19.0	15.1	8.8	4.7	6.3	8.6
Archean Chemicals	BUY	616	720	17.8	23.8	12.9	10.3	4.8	4.5	3.3	2.5	11.6	15.7	8.2	6.0	45.2	20.4	29.5	27.7
Tatva Chintan Pharma Chem	HOLD	1,101	1,130	52.5	84.9	50.3	37.0	5.0	3.5	3.3	3.1	44.6	37.4	26.4	20.0	9.9	4.8	6.8	8.6

Source: Companies, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	9,358	7,915	10,698	14,307	18,396	
Sales Growth	36.6%	-15.4%	35.2%	33.7%	28.6%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>9,358</b>	<b>7,915</b>	<b>10,698</b>	<b>14,307</b>	<b>18,396</b>	
Cost of Goods Sold/Op. Exp	3,260	2,771	4,343	5,880	7,634	
Personnel Cost	452	487	524	701	901	
Other Expenses	1,625	1,337	1,570	2,188	2,814	
<b>EBITDA</b>	<b>4,021</b>	<b>3,321</b>	<b>4,260</b>	<b>5,538</b>	<b>7,047</b>	
EBITDA Margin	43.0%	42.0%	39.8%	38.7%	38.3%	
EBITDA Growth	34.1%	-17.4%	28.3%	30.0%	27.3%	
Depn. & Amort.	361	459	615	763	901	
EBIT	3,660	2,861	3,645	4,775	6,146	
Other Income	298	413	431	510	581	
Finance Cost	2	9	0	0	0	
PBT before Excep. & Forex	3,957	3,265	4,076	5,285	6,727	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	3,957	3,265	4,076	5,285	6,727	
Taxes	1,005	825	1,019	1,163	1,480	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,952	2,440	3,057	4,122	5,247	
<b>Adjusted Net Profit</b>	<b>2,952</b>	<b>2,440</b>	<b>3,057</b>	<b>4,122</b>	<b>5,247</b>	
Net Margin	31.5%	30.8%	28.6%	28.8%	28.5%	
Diluted Share Cap. (mn)	106.2	106.2	106.2	106.2	106.2	
<b>Diluted EPS (INR)</b>	<b>27.8</b>	<b>23.0</b>	<b>28.8</b>	<b>38.8</b>	<b>49.4</b>	
Diluted EPS Growth	29.2%	-17.3%	25.3%	34.8%	27.3%	
Total Dividend + Tax	319	319	82	106	135	
Dividend Per Share (INR)	3.0	3.0	0.8	1.0	1.3	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	10,100	12,032	15,007	19,023	24,136	
Share Capital	106	106	106	106	106	
Reserves & Surplus	9,994	11,925	14,901	18,917	24,030	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	1	0	0	0	0	
Def. Tax Liab. / Assets (-)	257	323	323	323	323	
<b>Total - Equity &amp; Liab.</b>	<b>10,358</b>	<b>12,354</b>	<b>15,330</b>	<b>19,346</b>	<b>24,459</b>	
Net Fixed Assets	4,806	6,935	8,620	9,858	10,958	
Gross Fixed Assets	5,561	7,792	10,092	12,092	14,092	
Intangible Assets	13	7	8	9	10	
Less: Depn. & Amort.	1,345	1,805	2,420	3,183	4,083	
Capital WIP	205	573	573	573	573	
Investments	3,276	3,026	3,026	3,026	3,026	
Current Assets	3,436	4,003	5,608	8,881	13,454	
Inventories	1,088	1,237	1,671	2,235	2,874	
Sundry Debtors	1,462	1,637	2,213	2,960	3,806	
Cash & Bank Balances	125	104	699	2,662	5,750	
Loans & Advances	0	0	0	0	0	
Other Current Assets	761	1,024	1,024	1,024	1,024	
Current Liab. & Prov.	1,160	1,608	1,924	2,418	2,979	
Current Liabilities	805	1,085	1,466	1,960	2,521	
Provisions & Others	355	524	458	458	458	
Net Current Assets	2,276	2,394	3,684	6,463	10,475	
<b>Total - Assets</b>	<b>10,358</b>	<b>12,354</b>	<b>15,330</b>	<b>19,346</b>	<b>24,459</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	3,957	3,265	4,076	5,285	6,727	
Depn. & Amort.	361	459	615	763	901	
Net Interest Exp. / Inc. (-)	-3	-20	-29	-29	-29	
Inc (-) / Dec in WCap.	-428	-295	-695	-816	-925	
Others	-148	-284	0	0	0	
Taxes Paid	-945	-755	-1,019	-1,163	-1,480	
<b>Operating Cash Flow</b>	<b>2,794</b>	<b>2,371</b>	<b>2,948</b>	<b>4,040</b>	<b>5,194</b>	
Capex	-1,834	-2,323	-2,301	-2,001	-2,001	
Free Cash Flow	960	48	647	2,040	3,193	
Inc (-) / Dec in Investments	-1,410	385	0	0	0	
Others	546	80	29	29	29	
<b>Investing Cash Flow</b>	<b>-2,698</b>	<b>-1,859</b>	<b>-2,272</b>	<b>-1,972</b>	<b>-1,972</b>	
Inc / Dec (-) in Capital	-1	0	0	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	0	-1	0	0	0	
Others	-549	-531	-82	-106	-135	
<b>Financing Cash Flow</b>	<b>-550</b>	<b>-532</b>	<b>-82</b>	<b>-106</b>	<b>-135</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-455</b>	<b>-20</b>	<b>595</b>	<b>1,963</b>	<b>3,088</b>	
Opening Cash Balance	579	124	104	699	2,662	
Closing Cash Balance	124	104	699	2,662	5,750	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Net Margin		31.5%	30.8%	28.6%	28.8%	28.5%
Asset Turnover (x)		1.0	0.7	0.8	0.8	0.8
Leverage Factor (x)		1.0	1.0	1.0	1.0	1.0
RoE		33.2%	22.1%	22.6%	24.2%	24.3%

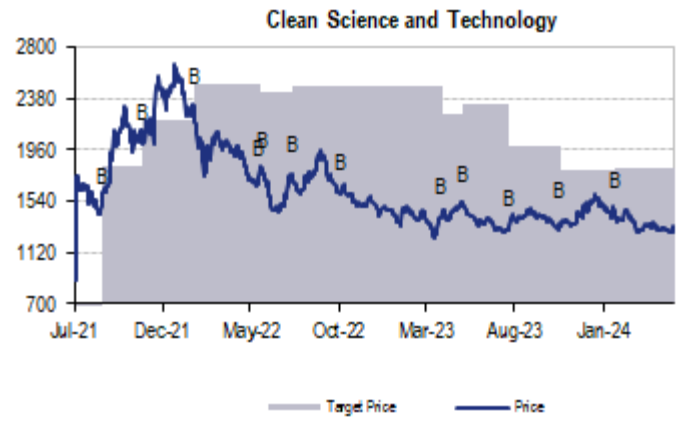
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
BV/Share (INR)		95.1	113.3	141.3	179.1	227.2
ROIC		46.6%	27.4%	27.1%	30.3%	33.4%
ROE		33.2%	22.1%	22.6%	24.2%	24.3%
Net Debt/Equity (x)		-0.3	-0.3	-0.2	-0.3	-0.4
P/E (x)		47.8	57.8	46.1	34.2	26.9
P/B (x)		14.0	11.7	9.4	7.4	5.8
EV/EBITDA (x)		34.2	41.4	32.2	24.4	18.7
EV/Sales (x)		14.7	17.4	12.8	9.4	7.2
Debtor days		57	76	76	76	76
Inventory days		42	57	57	57	57
Creditor days		55	86	83	82	81

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
1-Sep-21	Buy	1,820	
11-Nov-21	Buy	2,195	20.6
7-Feb-22	Buy	2,500	13.9
30-May-22	Buy	2,425	-3.0
7-Jun-22	Buy	2,425	0.0
27-Jul-22	Buy	2,485	2.5
20-Oct-22	Buy	2,485	0.0
11-Apr-23	Buy	2,255	-9.2
18-May-23	Buy	2,325	3.1
4-Aug-23	Buy	1,995	-14.2
2-Nov-23	Buy	1,790	-10.3
4-Feb-24	Buy	1,805	0.8

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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