

25 April, 2025

PICK OF THE MONTH

VOL-11, NO-03

Industry: Speciality Chemicals

Fineotex Chemical Limited

BUY

CMP: Rs.251

TARGET PRICE: Rs.330

TIME : 12 months

Fineotex Chemical Limited (FCL) was incorporated as a public limited company in 2004. FCL is a part of the Fineotex Group which was established in 1979 by Mr. Surendra Tibrewala. FCL is a leading manufacturer of **specialty and performance chemicals** for textiles. The company manufactures more than 450 specialty chemicals and enzymes for textile, garment, water treatment and oil & gas industries.

Over the decades, FCL has evolved as a **single stop shop** for textile, FMCG, cleaning & hygiene. FCL is among the leading producers of **tailor made specialty and performance chemicals** offering technical services and sustainable solutions. Recently, the company has diversified into segments like home care, hygiene and drilling chemicals. The company has 3 manufacturing facilities with current total capacity of 104,000MTPA located at Navi Mumbai and Ambernath (in Maharashtra) and Selangor (in Malaysia). The company adheres to various industry standards and is also **Zero Discharge Hazardous Chemicals (ZDHC) Gateway** certified entity. In addition to this, FCL is also compliant with environmental law/regulations relating to water and air pollution.

We initiate coverage on Fineotex Chemical Ltd with a **BUY** rating and a TP of Rs330 (24.9x Mar'26 EPS of Rs13.2), implying an upside of ~32%.

Strong Foundation: FCL operates 3 manufacturing plants: (i) Ambernath (61,000MTPA) (addition of 15,000MTPA capacity; **work currently in progress**), (ii) Mahape (36,500MTPA) and (iii) Malaysia (6,500MTPA). The company has its own in-house R&D facilities. FCL follows strict environmental compliance norms and has a **central effluent treatment plant (CETP)**. FCL has a number of sticky customers in all the divisions i.e. textile, FMCG, cleaning & hygiene. In Q3FY25, FCL had **introduced 15 new products** which highlights FCL's **focus on innovation**.

Pillars to Growth-Business Verticals: In addition to the fundamental strength of the legacy business verticals, FCL is constantly trying to **add new business verticals** to its operations. The company has been gaining strength, capturing market share and intends to fetch better wallet share by exploring the synergy between textile, FMCG, cleaning & hygiene chemicals. FCL has **utilised** its fundamental strength in the textile chemical industry to enter the cleaning and hygiene industry.

Advancing Propellers: FCL has been growing organically as well as inorganically. In pursuit of the same, the company is **powered by a blend** of its Indian subsidiaries, overseas subsidiaries as well its joint ventures/collaborations. FCL has a very **conservative approach** towards funding acquisitions or capacity expansions/enhancements.

SNAPSHOT	
52 week H/L	Mcap (INR mn)
439/192	28,701
Face value: 2	
BSE Code	NSE CODE
533333	FCL

Shareholding Pattern as on 31st March, 2025		
Parameters	No of Shares	%
Promoters	72,045,027	62.8
Institutions	7,498,577	6.5
Public	35,031,486	30.5
TOTAL	114,575,090	100.0

Quarterly Performance				
Parameters (Rs mn)	Mar-24	Jun-24	Sept-24	Dec-24
Sales (Net)	1,530	1,419	1,457	1,259
EBITDA	383	352	363	343
EBITDA (%)	25.0	24.8	25.0	27.2
Other Income	41	49	69	50
Interest	6	2	2	2
Depreciation	19	22	24	26
PAT	305	292	321	278
Equity (Rs mn)	222	225	232	232

Annual Performance				
(Rs mn)	FY23	FY24	FY25E	FY26E
Total Revenue	5,170	5,690	5,861	7,030
EBITDA	1,126	1,484	1,533	1,863
EBITDA (%)	21.8	26.1	26.1	26.5
Other Income	73	165	218	229
Interest	8	13	10	10
Depreciation	43	60	91	115
PBT	1,148	1,576	1,649	1,967
PAT	896	1,210	1,270	1,514
Equity (Rs mn)	221	222	229	229
EPS (INR)	8.0	10.8	11.1	13.2

Ratio Analysis				
Parameters (Rs mn)	FY23	FY24	FY25E	FY26E
EV/EBITDA (x)	25.2	19.2	18.6	15.3
EV/Net Sales (x)	5.5	5.0	4.9	4.1
M Cap/Sales (x)	5.6	5.0	4.9	4.1
M Cap/EBITDA (x)	25.5	19.3	18.7	15.4
Debt/Equity (x)	0.0	0.0	0.0	0.0
*ROCE (%)	36.7	38.9	32.1	30.7
Price/Book Value (x)	8.0	6.2	5.1	4.1
P/E (x) (TTM)	34.7	39.7	22.6	19.0

Source: Annual Report, Progressive Research

Note: Data calculated as on 24th April, 2025, *ROCE includes non-current investments

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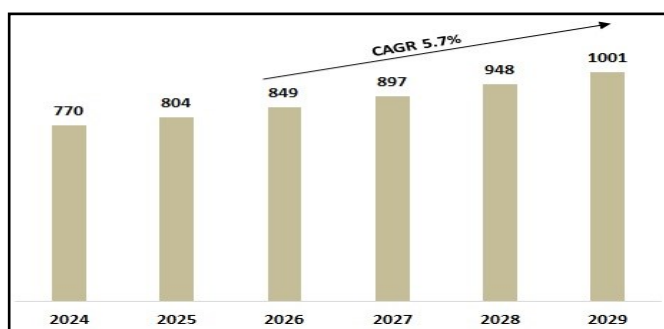
TIME : 12 months

Chemical Industry Overview:

Global Chemical Industry: is anticipated to grow from ~USD6,182bn in 2024 to ~USD6,324bn by 2025, growth of ~2.3%. The bulk chemical market size was ~USD689.96bn in 2024 and is expected to grow from ~USD715.09bn in 2025 to ~USD986.70bn by 2034 with a CAGR of ~3.60% during the forecast period (2025-34). At the same time, the specialty chemicals market size is anticipated to be ~USD383.2bn, while growing at a CAGR ~6.7% between FY24-29E. The global petrochemical market size stood at ~USD700bn in 2025 and is forecasted to grow at a CAGR of 6.11% to ~USD1,193.26bn by 2034.

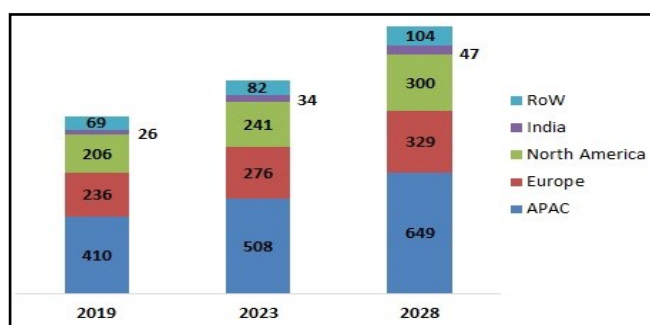
Global Specialty Chemicals Market: Specialty chemicals are low-volume and high-value products which are sold based on their quality or utility and is a fast-growing market. Specialty chemicals market is segmented based on the **application** categories, including dyes and pigments, construction chemicals, electronics chemicals, food additives, surfactants, polymer additives, water treatment chemicals, specialty chemicals for hydrocarbons, fuel additives, specialty catalysts and adsorbents, among others. Economic growth, urbanization, stringent environmental regulations, increased investments in R&D by major players are the key components driving the demand. Shifting consumer demand, climate change awareness and de-carbonization commitments is significantly increasing the demand for specialty chemicals. In coming years, it is expected that vertical integration in the value chain will increase market consolidation as the prices will become very competitive. Asia-Pacific was the largest region in the specialty chemicals market in 2024 with a share of ~44.50%, followed by Europe and North America. Some of the significant **entry barriers** include customer validation and approvals, process innovation, cost reductions, maintaining high quality standards, stringent specifications, availability of raw material, price fluctuations, regulatory compliance, environmental concerns, market dynamics, technological advancements, shift towards bio-based chemicals and carbon footprint reduction, economic and geopolitical factors, etc.

Exhibit 01: Global Specialty Chemicals Market (USD bn)



Source: The Business Research Company, Progressive Research

Exhibit 02: Global Specialty Chemicals (by geography in USD bn)



Source: Dorf-Ketal Chemicals DRHP, Progressive Research

Indian Chemical Industry: is one of the largest in the world, ranking **6th globally** in terms of revenue. It encompasses a vast portfolio of over 80,000 products, catering to a wide range of sectors and serving as a key supplier of raw materials for numerous end-use industries. The country holds a prominent position in the global chemical landscape. India is the 3rd largest consumer of polymers, the 4th largest producer of agrochemicals. The industry is broadly classified into two segments i.e. **bulk chemicals and specialty chemicals**. The majority of chemicals produced in India fall under bulk category, which serve as building blocks for various applications. Specialty chemicals also referred to as performance chemicals are derived from base chemicals and include products such as paints, adhesives, agrochemicals, surfactants, water treatment chemicals, flavors, and fragrances. While their consumption volume is relatively lower due to their application-specific nature, specialty chemicals offer higher margins and value addition. The Indian chemical industry is a vital component of the country's economy, contributing ~3.4% to the global chemical market and ~7.0% to India's GDP. It is poised for significant growth, with projections indicating it will reach a market size of ~USD300bn by 2025. Several macroeconomic and strategic factors are driving this growth. Global companies are actively seeking to de-risk their supply chain, which were traditionally dependent on China and positioning India as a favorable alternative for sourcing/production.

Indian Specialty Chemicals Market: is one of the fastest-growing segments within the broader chemical industry, driven by rising demand across multiple end-use sectors. As of 2024, the market was valued at ~USD64.5bn, and according to estimates by IMARC Group, it is projected to reach ~USD92.6bn by 2033, growing at a CAGR of 3.80% during the forecast period (FY25-33E). Key drivers of this growth include the increasing use of specialty chemicals in industries such as electronics, automotive, construction, and manufacturing, along with accelerated industrialization. Supportive government policies, heightened foreign direct investment (FDI), and a strategic push to scale up domestic production capacity have further strengthened the sector's growth trajectory. India's emergence as a preferred manufacturing hub, combined with global efforts to diversify supply chain continues to present strong opportunities for expansion in this space.

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Chemical Industry Overview (contd.):

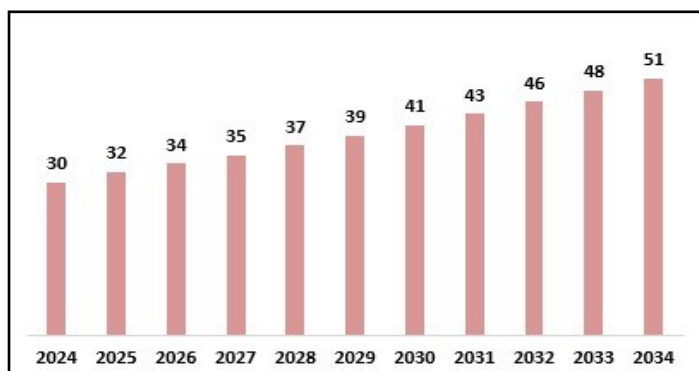
Exhibit 03: Chemicals Category

Application Category	Global Market Share (in %) CY23	Key Drivers
Dyes and Pigments	30.00	Used in textiles, paints, coatings, plastics, printing inks and cosmetics
Construction Chemicals	9.00	Rapid urbanization and infrastructure projects in emerging economies
Electronics Chemicals	8.00	Trend towards smaller and more powerful electronic devices
Flavors and Fragrances	9.00	Rising consumer preference for natural and organic products
Water Treatment Chemicals	6.00	Increasing industrial activities and urbanization
Polymer Additives	-	Demand from automotive and aerospace sector for lightweight materials
Specialty Chemicals for Hydrocarbons	2.67	-
Specialty Catalysts and Adsorbents	0.83	-

Source: Dorf-Ketal Chemicals DRHP, Progressive Research

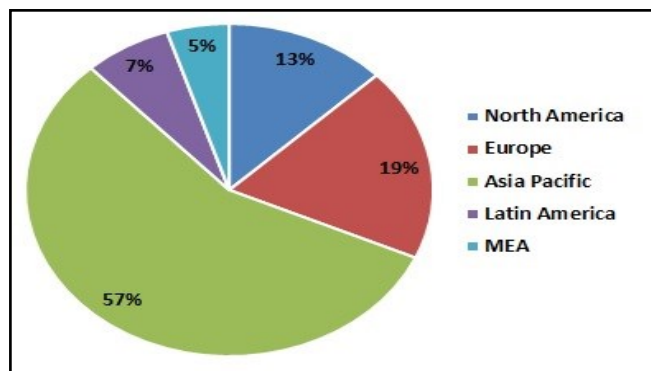
Global Textile Chemical Market: encompass a wide range of substances used throughout the various stages of clothing manufacturing and processing to enhance the properties and performance of fibers and fabrics. These include dyes, finishing agents, softeners, surfactants, and other specialty chemicals that add color, improve texture, increase durability and impart specific functionalities. There is a growing global **demand for high performance and sustainable textile products**. As consumers become more environmentally conscious and demand higher quality, the clothing industry is increasingly adopting advanced chemical solutions that improve fabric performance while minimizing the environmental impact. This shift includes the use of eco-friendly dyes, non-toxic finishing agents, and biodegradable chemicals that help reduce pollution and support sustainability. The demand for textile chemicals is steadily increasing, driven by the rapid growth of the global clothing and apparel industry where the contributing factors include rising global population, urbanization, and higher disposable incomes, all of which are fueling greater consumption of textiles. In parallel, the rising demand for sustainable and high-performance textiles has led to the development and adoption of advanced chemical solutions that enhance fabric properties such as durability, stain resistance and comfort. Technological innovations in textile manufacturing such as digital printing also rely on specialized chemicals, further accelerating demand. Additionally, the expansion of textile production in developing countries, where labor costs are lower, is intensifying the need for textile chemicals. These countries aim to meet international quality and environmental standards, further boosting the use of advanced and eco-friendly chemical formulations. It is estimated to be valued at ~USD32.18bn in 2025 and is projected to grow to around ~USD50.54bn by 2034, reflecting a CAGR of ~5.32% over the forecast period (FY2025-34E). Textile chemicals play a crucial role in various stages of textile manufacturing and processing which are designed to enhance the appearance, texture, durability, and functionality of fabrics and fibers. The market's growth is primarily fueled by the booming clothing and apparel industry, which is being driven by factors such as rising global population, urbanization, and increasing disposable incomes. Additionally, there is a marked shift in consumer preference towards sustainable, high-performance textiles, which is fostering the **demand for advanced and eco-friendly chemical solutions**. This evolving demand has led to innovations in textile chemical formulations such as biodegradable chemicals, non-toxic finishing agents, and eco-friendly dyes that not only improve fabric performance (e.g., stain resistance, comfort, breathability) but also reduce environmental impact. **As sustainability becomes a central focus** for both manufacturers and consumers, the adoption of environmentally responsible textile chemicals is expected to continue rising steadily.

Exhibit 04: Textile Chemicals Market Size (USD bn)



Source: Precedence Research, Progressive Research

Exhibit 05: Textile Chemicals Market Share (2024)



Source: Precedence Research, Progressive Research

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Chemical Industry Overview (contd.):

The **Textile Chemical Value Chain** consists of pre-treatment chemicals, the highest volume category at 30% to enhance yarn strength and abrasion resistance; dyes make up 29% but face competition from eco-friendly options; other textile chemicals include finishing agents (19%), de-sizing agents (8%), and more.

Exhibit 06: Textile Chemical Value Chain

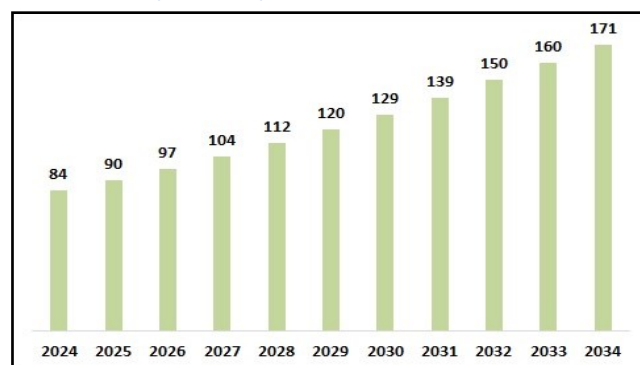
Stages	Process	Product Categories
Weaving and Spinning	Spinning: Conversion of Cotton or any other fibre into yarn	Polymers, Softener
Pre-treatment	Textile pre-treatment is the series of cleaning operations. All impurities which cause adverse effect during dyeing and printing are removed in pre-treatment process	Enzymes, Wetting & Detergent, Sequestering Additives
Dyeing	Chemicals are applied to increase process safety, efficiency, and reproducibility for production	Dyes, Acids, Alkali Levelling, Detergent, Fixer
Printing	Pigments and inks are applied to impart the desired colour to textile	Dyes, Binder, Thickener, Fixer, Detergent, Loop Accelerator
Finishing and Coating	Completes the fabric's appearance and gives it the "final touch". Special effects are produced during this process, such as wrinkle-free, easy-care, shrink resistance or a gloss effect (chintz)	Softeners, Silicones, Polymers, Resins

Source: Dorf-Ketal Chemicals DRHP, Progressive Research

Indian Textile Chemical Market: is poised for significant growth, driven by rising domestic and global demand for high-quality textile products, increased textile production, favorable government policies and a growing number of international brands sourcing garments from India. Textile chemicals play a vital role in **enhancing the properties**, performance, and appearance of textiles and are used at various stages of manufacturing from fiber production to fabric finishing. Common textile chemicals include dyes, pigments, and auxiliaries such as softeners, sizing agents, and flame retardants. Dyes impart color to fabrics, while pigments contribute opacity and brightness. Softeners improve fabric feel, sizing agents enhance yarn strength and reduce shrinkage; and flame retardants are essential for fire resistance. Moreover, the increasing use of textiles in technical applications such as medical textiles, protective clothing, and geotextiles requires specialized chemical treatments to meet performance standards. This rising demand for functional textiles is further propelling the growth of the Indian textile chemical market. The India textile chemicals market size reached ~USD2.3bn in 2024 and is moving towards ~USD3.5bn by 2033, exhibiting a CAGR of 4.9% during 2025-33. The Indian textile specialty chemical industry is highly fragmented, consisting of over 500 manufacturers (both large and small) and more than 800 blenders and resellers. This fragmentation stems from the unorganized, price-sensitive nature of the domestic textile market, along with relaxed environmental regulations for smaller players and various government concessions that encourage low-cost operations. However, the landscape is gradually evolving. The rising demand for branded apparel, along with an increase in garment exports, is driving a shift towards a more organized and quality-focused industry structure. As international standards and sustainability requirements become more prominent, consolidation and professionalization among manufacturers are expected to accelerate.

Global Industrial and Institutional Cleaning Chemicals Market: is projected to grow significantly, with an estimated valuation of ~USD90.14bn in 2025, expected to surpass ~USD170.57bn by 2034 with a CAGR of ~7.36% during the forecast period (FY25-34E). The market expansion is primarily driven by the increasing demand for cleaning and disinfection solutions across key industries, particularly healthcare, food service, hospitality, and manufacturing. The growing awareness around hygiene and sanitation, accelerated by global health concerns, continues to fuel consumption of cleaning agents, disinfectants, and sanitizers. In parallel, manufacturers are increasingly shifting towards the development of sustainable and environmentally friendly cleaning solutions, focusing on reducing carbon footprints and eliminating the use of harmful chemicals. This shift is aligned with **evolving regulatory standards** and heightened consumer awareness regarding environmental sustainability. The **United States** stands out as one of the largest markets for industrial and institutional cleaning chemicals. This is attributed to the country's extensive healthcare infrastructure, large-scale industrial and manufacturing base, active maintenance of public facilities and a strong emphasis on R&D. These factors collectively contribute to the sustained high demand for advanced cleaning products in both institutional and industrial settings.

Exhibit 07: Industrial and Institutional Cleaning Chemicals Market Size (in USD bn)



Source: Precedence Research, Progressive Research

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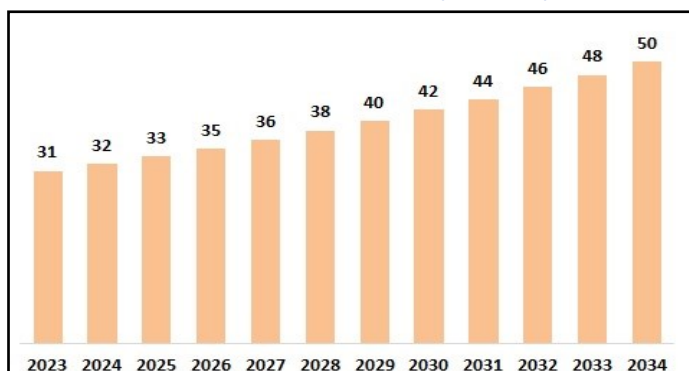
Chemical Industry Overview (contd.):

Indian Cleaning and Hygiene Chemicals Sector: India's per capita annual detergent consumption is ~2.7-3kg, which is significantly lower than developed countries. However, this figure is expected to rise in the coming years as consumer preferences is shifting toward high quality premium home care products. This transformation is being driven by key socio-economic trends, including rapid urbanization, growing number of nuclear families, rising disposable incomes etc. Within the home care segment: **Fabric care** accounts for ~68% of total consumption; **dishwashing** products represent the second-largest segment; surface-care, which includes household cleaners and **antimicrobial products**, ranks third. As lifestyle and hygiene awareness grows, these segments are expected to see increased penetration and value growth across both urban and rural markets. Indian industrial and institutional cleaning chemicals market has reached an estimated value of ~USD2.04bn in 2024 and is expected to witness a steady CAGR of ~4.56% through 2030.

Global O&G Chemical Market: accounted for ~USD32.07bn in 2024, grew to ~USD33.42bn in 2025 and is predicted to surpass ~USD50.24bn by 2034, expanding at a CAGR of 4.50%. This growth is attributed to the renewed robustness in oil exploration & production activities as well as technological developments. Oilfield chemicals play a crucial role in various stages of crude oil production, contributing to the efficiency, safety, and environmental sustainability of oilfield operations. The chemicals designed for use in oil drilling and gas exploration **enhance the efficiency** and productivity of these operations as well as play a pivotal role in safeguarding equipment against corrosion, facilitating the separation of oil and water, preventing the formation of emulsions during the oil drilling process etc.

The Indian Oil and Gas Chemicals Market: is projected to grow from ~USD707.18mn in 2024 to ~USD1,782.46mn by 2032, reflecting a CAGR of ~12.25%. The market is witnessing substantial growth, driven by key factors such as rising energy demand and proactive government initiatives aimed at enhancing domestic oil and gas production. From a regional perspective, areas of western ghats, the Krishna-Godavari basin, and the Rajasthan basin have emerged as critical hubs for oilfield services due to their abundant hydrocarbon reserves.

Exhibit 08: Oilfield Chemicals Market Size (in USD bn)



Source: Precedence Research, Progressive Research

Exhibit 09: Oilfield Chemicals Product Category

Product Category	Purpose
Inhibitors	Prevent corrosion or scaling in pipelines and equipment
Demulsifiers	Help separate oil and water during extraction processes
Rheology Modifiers	Control the flow properties of drilling fluids
Friction Reducers	Enhance fluid flow during hydraulic fracturing
Biocides	Target harmful microorganisms that cause corrosion
Surfactants	Lower surface tension to enhance oil recovery
Foamers	Generate foam to lift liquids, improve production efficiency
Other Products	Include additional chemicals for specific oilfield operations

Source: Grandview Research, Progressive Research

Global Water Treatment Chemical Market: was valued at ~USD37.45bn in 2024 and the market is projected to grow from ~USD39.80bn in 2025 to ~USD61.05bn by 2032, exhibiting a CAGR of ~6.3%. The growth is expected to be propelled by players from sugar/ethanol, fertilizers, geothermal power generation, petrochemical manufacturing, refining industries etc.

Exhibit 10: Water Treatment Chemicals Product Category

Category	Purpose	Examples
Coagulants and Flocculants	Remove suspended particles by aggregating them into clumps	Aluminum sulfate (Alum), Ferric Chloride
Biocides and Disinfectants	Kill or inhibit microorganisms like bacteria and viruses	Chlorine, Ozone, Sodium Hypochlorite
Scale and Corrosion Inhibitors	Prevent minerals scale formulation and protect equipment from corrosion	Phosphates, Polyphosphates, Molybdates
pH Adjusters and Softeners	Regulate pH levels and remove hardness-causing minerals	Lime (calcium hydroxide), Hydrochloric acid
Defoamers & Anti-Foaming Agents	Reduce or eliminate foam formation during water treatment processes	Silicone based defoamers, Alcojol based agents
Oxidizing Agents	Break down organic matter and oxidize contaminants like Fe and Mn	Potassium permanganate, Chlorine-dioxide
Activated Carbon	Adsorb impurities to improve taste, odor and clarity	Granular activated carbon, Powdered Activated Carbon
Algaecides	Control and prevent algae growth	Copper Sulfate, Quaternary Ammonium Compounds

Source: Grandview Research, Progressive Research

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Chemical Industry Overview (contd.):

Indian Water Treatment Chemicals Market: is currently valued at ~USD0.68bn (as of 2025) and is projected to reach ~USD1.04bn by 2030, growing at a CAGR of ~9%. Operating in a resource constrained environment, India holds only 4% of the world's freshwater resources while supporting ~18% of the global population. However, the same is undergoing a period of rapid transformation, fueled by accelerated industrialization, urban expansion, and rising public awareness of water quality and environmental sustainability. GOI led infrastructure initiatives have further catalyzed growth, driving substantial investments in water treatment facilities.

About the Company: Fineotex Chemical Limited (FCL) was incorporated as a public limited company in 2004. FCL is a part of the Fineotex Group which was established in 1979 by Mr. Surendra Tibrewala. FCL is a leading manufacturer of specialty and performance chemicals for textiles. The company manufactures more than 450 specialty chemicals and enzymes for the textile, garment, water treatment, and oil & gas industries. It manufactures an entire range of products for pre-treatment, dyeing, printing and finishing for textile processing. FCL is among the leading producers of **tailor made specialty performance chemicals** offering technical services and sustainable solutions. The company has 3 manufacturing facilities with current total capacity of 104,000MTPA located at Navi Mumbai and Ambarnath (in Maharashtra) and Selangor (in Malaysia). Recently, the company has diversified into segments like home care, hygiene and drilling chemicals. The company adheres to various industry standards and is also **Zero Discharge Hazardous Chemicals (ZDHC) Gateway** certified entity. In addition to this, FCL is also compliant with environmental law/regulations relating to water and air pollution. FCL has a technically skilled team across India and Bangladesh who are dedicated to supplying, servicing, and enhancing customer experience. These teams actively utilize products developed through international partnerships, including collaborations with Belgium and Australia. FCL has a good Management team with more than 4 decades of experience. The company is propelled by a total head count of 274 employees (as of March 2024). Mr. Surendra Tibrewala (Chairman and MD) supervises the overall affairs and is also involved in strategic decision making, Mr. Sanjay Tibrewala (Executive Director and son of Mr. Surendra Tibrewala) looks after the daily operations, while Mrs. Aarti Jhunjunwala (Executive Director and daughter of Mr. Surendra Tibrewala) looks after the overall international affairs of FCL.

Exhibit 11: FCL Subsidiary Benefits

Eurodye-CTC, Belgium	HealthGuard, Australia	Sasmira, India
<ul style="list-style-type: none"> •To commercialize Specialty Chemicals for the Indian Market •Facilitates an Efficient Production System and Distribution Network •Has REACH Registration, Bluesign certification, & GOTS certification •It is an Environmentally Conscious Company 	<ul style="list-style-type: none"> •Aims for Exclusive Global Marketing and Sales Channel Partner with Joint Operations from Malaysia •Developing Cutting-edge solutions to be marketed and channeled by Finotex+Biotex •Synergy to provide sustainable chemistry solutions •Products Ranging across Several Industries 	<ul style="list-style-type: none"> •State-of-the-art Research & Development center •Develop a Support and Solution Center for Technical Service to catalyze innovation •Focus on new sustainable solutions and chemicals •Provide Students with practical experience

Source: FCL Q3FY25 PPT, Progressive Research

Over the decades, FCL has evolved as a **single stop shop** for textile, FMCG, cleaning & hygiene. The vision of the Management is to provide sustainable solutions by substituting polluting agents and be cost effective. FCL has a **solution based specialty chemical** approach, where it can customize and provide specialty chemicals as per individual customers needs. FCL is one of the leading chemical manufacturers with a zero liquid discharge system, eco-friendly products, having a **strong brand recall** in Indian markets and is also recognised for promoting sustainable practices. FCL is focused on developing high-performance chemicals

Exhibit 12: Plant Location

Location	Production Capacity (in MTPA)	Advantages
Mahape	36,500	Fungible capabilities; equipped with modern infrastructure and amenities; environmentally friendly manufacturing processes
Ambarnath	61,000 (+CWIP)	Additional land premises of 7 acres at Ambarnath MIDC (addition of 15,000MTPA capacity)
Selangor, Malaysia	6,500	Provides raw materials to the Indian facilities. Cost benefits due to Free Trade Agreements (FTAs)

Source: FCL Q3FY25 PPT and AR2024, Progressive Research

which has reinforced its position as one of the market leaders in the chemical industry both domestically as well as internationally. The company has been growing via **organic as well as inorganic route**. Some of the strategic alliances with key global players: include (i) **Biotex (Malaysia)**: super-specialty textile chemical firm boasting a unique portfolio of over 50 products specializing in premium specialty finishing textile chemicals, including water and oil repellents and antimicrobials, (ii) **EuroDye (Belgium)**: enhancing the dyeing auxiliaries segment, (iii) **HealthGuard (Australia)**: strengthening the health and hygiene product portfolio, (iv) **Sasmira (India)**: expanding technical expertise in domestic markets.

FCL has its presence in ~70 countries including Brazil, Bangladesh, Germany, Indonesia, Malaysia, Singapore, Syria, Thailand, USA, Venezuela and Vietnam, coupled with 34+ technical marketing experts, 100+ dealers in Indian and international markets. FCL operates in an industry marked by **significant technical barriers to entry** and a **high degree of innovation or product customization**. In pursuit of the same, the company is gradually transitioning its portfolio towards organic chemicals; this move can help FCL gain a competitive edge.

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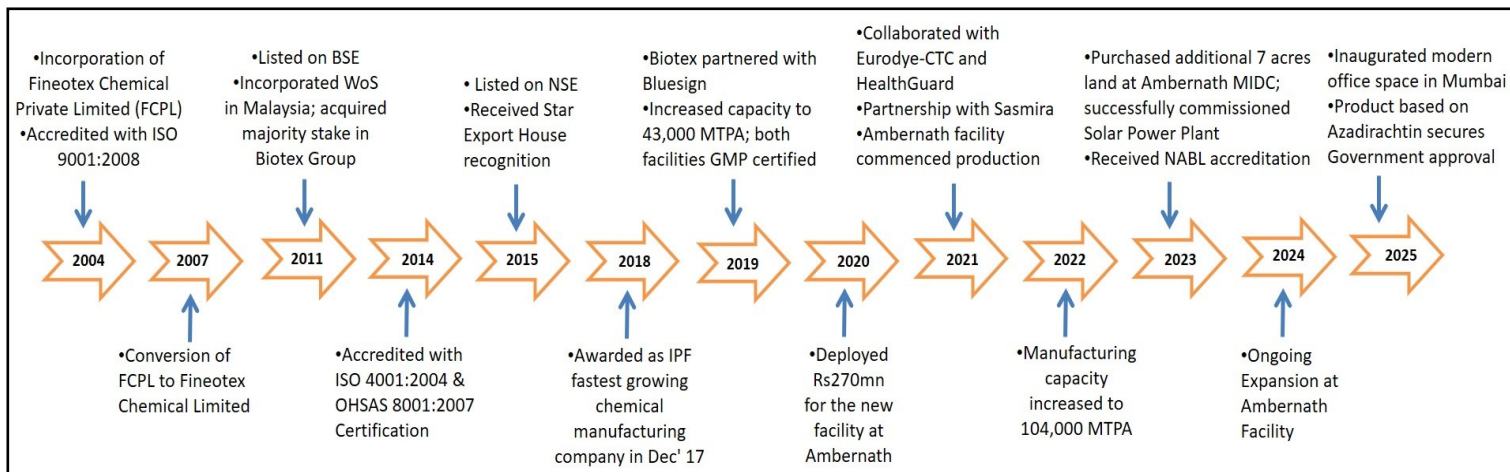
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About the Company (contd.):

Exhibit 13: Key Milestones



Source: FCL Q3FY25 PPT and AR2024, Progressive Research

Investment Rationale:

(A) Strong Foundation: FCL operates 3 manufacturing plants: (i) Ambernath plant (61,000MTPA) (addition of 15,000MTPA capacity; **work currently in progress**), (ii) Mahape (36,500MTPA) and (iii) Malaysia (6,500MTPA). The Ambernath plant is fungible and capable of producing items for both the textile chemical as well as for the cleaning and hygiene sectors. The strategic location of Ambernath provides logistical advantages and allows FCL to efficiently serve their customers. FCL has entered fast growing synergistic segments of cleaning & hygiene as well as drilling specialties while continuing to focus on the core textile chemicals business. The company has its own in-house R&D facilities for developing customised specialty chemical solutions, catering to various applications across the value chain. The company follows strict environmental compliance norms and has a **central effluent treatment plant (CETP)**. Managing its own effluent treatment facility ensures adherence to stringent regulatory standards while also trying to reduce the environmental impact. FCL has a number of sticky customers in all the divisions for e.g. in the (i) **Textile**: Chenab Textile Mills, JCT Ltd, Banswara Syntex Ltd, Welspun India Home Textiles, Vimal, Nahar Group of Companies, Himatsingka, Shahi, Raymond, Vardhman, and in (ii) **FMCG, cleaning & hygiene**: ABS, AIIMS (All India Institute of Medical Sciences), Akshaya Patra, Apollo Sage Hospitals, Fortis Hospitals, Glenmark, IIM Shillong, MMRC (Mumbai Metro Rail Corporation), Mayfair Hotels & Resorts, Sun Pharma, The Byke (A Hotel Retreat), Tunga Hotels etc. In Q3FY25, FCL had **introduced 15 new products** primarily tailored to the textile industry, reflecting the company's commitment to addressing emerging trends in this sector. These products highlight FCL's **focus on innovation** and its ability to stay ahead of evolving industry demands.

FCL offers a diverse range of products across various textile manufacturing processes: (i) **Pre-Treatment Chemicals**: products such as Finozyme ALFA CONC./ALFA 50 and Finocon WK CONC, (ii) **Dyeing Solutions**: innovations like Diquet S and Finocon FBOL, (iii) **Printing Chemicals**: designed to cater to diverse textile printing methods, (iv) **Finishing Agents**: advanced solutions such as Finosol EM and Finoguard SI, (v) **Enzymes**: including FINOZYME PML for textile bio-polishing. FCL holds the distinction of having the **highest number of product certifications** in the industry. Over 300 products have achieved **DST Level 3 layer approvals**, providing ecological certifications that are highly valued by global buyers. These certifications enhance FCL's credibility as a provider of sustainable solutions to its customers. Over the decades, the company has graduated to be known as an innovative solution based chemical player. The company intends to **create a supply-side dominance** and aims to enhance **customer loyalty** by creating customized value-added products that reduce power, water consumption and also help lower effluent treatment costs. The growing demand for chemical treatment in textiles, particularly antimicrobial products, has contributed to improvement in the overall Ebitda margins of the company. Unlike competitors like Dow and BASF, who import products to India and struggle to **adapt to local water and cleaning sector needs**, FCL excels in **providing tailored solutions** and addressing technical challenges locally, setting them apart from global giants. The company is rapidly exploring and expanding into newer business verticals. The company has already ventured into **speciality chemicals for oil & gas drilling** and is in discussions with some of the major players in this field. The company has already secured significant orders from a prominent Indian entity in this sector.

25 April, 2025

PICK OF THE MONTH

VOL-11, NO-03

Industry: Speciality Chemicals

Fineotex Chemical Limited

BUY

CMP: Rs.251

TARGET PRICE: Rs.330

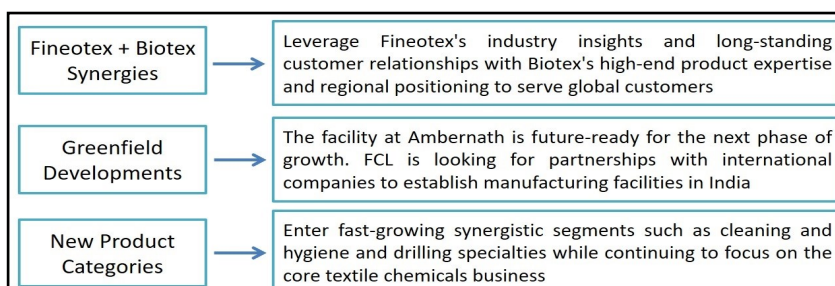
TIME : 12 months

Investment Rationale (contd.):

(A) Strong Foundation (contd.):

R&D: FCL operates in an industry which is marked by significant technical barriers to entry, which also requires a high degree of innovation or product customization. The company has been prioritizing R&D, forming strategic partnerships while maintaining a customer-centric approach in order to drive sustainable growth. The company has its own in-house R&D facilities for developing customised specialty chemical solutions, catering to various applications across the value chain. The subsidiary company i.e., **Biotex Malaysia**, plays a very critical role in driving R&D and product development/innovation. The recent accreditation from the **NABL and pharmaceutical FDA** approval justifies the highest standards of quality and regulatory compliance blended in the operations of FCL. In addition to manufacturing specialty chemicals, FCL also offers **tailored made technical solutions** and services, supported by a strong focus on R&D. The **strategic alliances** with partners like EuroDye, HealthGuard, and Sasmira, help enhance the market presence as well as product offerings. NABL accreditation for the laboratory at Sasmira reinforces the focus on R&D, with an annual outflow of ~Rs70-80mn allocated for innovation. The company has a strong in-house R&D team which is helping in capability development and enhance wallet share which is in line with the vision to grow the market share across existing and new customers in both Indian and international markets. FCL is continuously introducing **new products** in specialty chemicals for textiles and other sectors, exploring untapped territories to expand its market reach, and providing advanced technical solutions and value-added services. FCL's innovations include: (i) development of silicone functional ranges (epoxy, hydrophilic, and colour-enhancing finishes), (ii) transitioning the entire chemical portfolio to organic chemicals, pre-empting environmental regulations in key export markets, (iii) launching EuroDye CTC dyeing auxiliaries, offering significant advancements in the dyeing process, (iv) FCL expanded its operations by developing new resin finish products, successfully tailored for European and American buying houses. The company has integrated ESG considerations into its business strategy with a vision to contribute positively to the communities and also create long-term value for its stakeholders. Many global giants in the FMCG space are looking at reducing or finding alternates to **LABSA** (linear alkyl benzene sulphonic acid) which can provide opportunities to players like FCL to explore the same with the help of its strong R&D team.

Exhibit 14: FCL-Growth Enablers



Source: FCL Q3FY25 PPT and AR2024, Progressive Research

(B) Pillars to Growth-Business Verticals: The core foundation of the company has been laid by the experienced Management team. In addition to the fundamental strength of the legacy business verticals, the company is constantly trying to add new business verticals/horizons to the operations. The company has been gaining strength, capturing market share and intends to fetch better wallet share by exploring the synergy between textile, FMCG, cleaning & hygiene chemicals. FCL has **utilised its fundamental strength in the textile chemical industry to enter the cleaning and hygiene industry**; where several chemical compounds that are used in the textile specialty vertical have applications in the cleaning and hygiene vertical as well. This strategy has allowed FCL expand/diversify its business and revenue streams while leveraging its core competencies. FCL aims to maintain the same standards of quality and performance in its cleaning and hygiene products as its textile chemicals. The yardsticks to growth are explained below,

(i) Textile Chemicals: FCL is a specialty chemicals producer with a major focus on the textile chemicals segment. The company offers tailor-made solutions designed to meet the specific needs of its customers. Operating in a sector characterized by high technical barriers to entry and a strong emphasis on product development and customization, **FCL has a significant competitive edge**. R&D efforts in this segment are spearheaded by Biotex (Malaysia), which leads application research and product innovation. The textile chemicals segment is experiencing accelerated growth, with **30 new customers** added in Q3FY25 alone. FCL offers an end-to-end product range for textile processing, covering the entire supply chain i.e. (a) **Pre-Treatment**: cleaning processes, (b) **Dyeing**: specialized solutions, (c) **Printing**: diverse chemical products for various textile printing methods, (d) **Finishing**: final touch for enhanced fabric quality and functionality. **Customization** is the foundation of FCL's offering, considering variations in textile substrates (e.g., cotton, polyester, acrylic, wool, nylon), production processes, and machine configurations. This approach ensures precise, tailor-made solutions for customers. The entire processes of textile together require 25 different functional chemicals and all put together constitutes ~3% of the overall cost for customers, with each individual chemical accounting for ~0.15%. Despite **this minimal cost impact, these chemicals are critical** to the overall process and have significant entry and exit barriers in the market, ensuring long-term customer retention and strengthening the company's competitive position.

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Investment Rationale (contd.):

(B) Pillars to Growth- Business Verticals (contd.):

(i) Textile Chemicals (contd.):

The textile chemicals industry is characterized by high entry barriers, primarily due to significant **customer switching costs**. Although chemicals account for only 3% of total production costs in textile manufacturing, their critical role in the production process makes timely delivery and performance more important than cost. Switching to a new chemical supplier carries considerable risks, which reinforces customer loyalty and creates a strong bond between suppliers and clients. FCL has **established long-term relationships** with premium clients, ensuring a high degree of customer retention. Market trends, including shifts in cotton and polyester prices, directly influence the demand for respective chemical products. These fluctuations are inherent to the industry but provide opportunities for product innovation. Textile chemicals have shown resilience despite high commodity price fluctuations. While the textile chemicals sector is closely tied to the cotton industry, it is poised for growth. With the expected stabilization of cotton prices and an increase in textile production, the demand for specialty chemicals in processing and finishing is set to rise. FCL's focus on providing customized, sustainable, and high-performance solutions positions the company as a leader in this evolving market.

(ii) **FMCG, Cleaning & Hygiene:** FCL has successfully diversified into the cleaning and hygiene sector by leveraging its technical expertise from the textiles business and established capabilities in production and distribution. This strategic expansion into the FMCG chemicals market began in 2019 with major focus on home care, cleaning and hygiene chemistry. FCL manufactures a broad range of products, including floor cleaners, hand washes, sanitizers, dishwashing liquids, toilet bowl cleaners, mosquito repellents, and more. FCL operates through two distinct **business models** in this segment i.e. **B2B sales:** supplying specialty chemicals as additives for FMCG products like detergents, floor cleaners, and dishwashing solutions and Institutional sales: Producing its own branded line of hand washes and floor cleaners for hotels, hospitals etc. FCL's strategic entry into the cleaning and hygiene market has positioned the company to **capitalize on emerging opportunities**. By leveraging its existing expertise and aligning with sustainability trends, FCL continues to strengthen its portfolio and enhance its competitive edge in this growing sector. Over the past four years, the company has gained significant traction, serving more than 50 customers, including industry giants like Unilever and Patanjali. FCL's commitment to sustainable chemicals aligns with the increasing global demand for eco-friendly solutions, a focus shared by major players (such as P&G and Unilever), who prioritize sustainability in their operations. While growth in the FMCG segment has been subdued so far in CY25, **recent tax reforms** have spurred both urban and rural demand. Seasonal fluctuations are typical in this segment, with **higher sales observed during the summer months** due to increased consumer usage of cleaning products. FCL has effectively repurposed processes and products from its textile chemicals segment with minimal adjustments, ensuring efficient operations in the cleaning and hygiene domain.

Exhibit 15: Product Offerings

Category	Product Offerings
Housekeeping	Air freshener, Carpet cleaner, Carpet shampoo, Deodorizers, Floor cleaner, Furniture maintainer, Glass cleaner, Hygienic bathroom cleaner, Hygienic hard surface cleaner, Multi surface cleaner, Surface cleaner cum disinfectant, Toilet bowl cleaner, Toilet seat disinfectant, Washroom cleaner
Kitchen Care	Automatic dish wash detergent, Automatic dish wash neutralizer, Drain cleaner, Heavy duty floor cleaner, Kitchen multipurpose cleaner, Manual dish wash liquid, Oven and grill cleaner, Stainless steel polish
Disinfection	Hand disinfectant, Gentle wash, Multi surface disinfectant, Surface disinfectant-fogging and fumigation, Hand sanitizer, Veg & non-veg disinfectant cleaner, Sanitizing tablet

Source: FCL Q3FY25 PPT, Progressive Research

(iii) **Oil & Gas:** FCL is actively involved in the production of specialty chemicals that enhance the efficiency, safety, and environmental sustainability of oil and gas production. These chemicals are crucial for reducing maintenance costs and extending the operational lifespan of equipment. Key products in this segment include demulsifiers, corrosion inhibitors, biocides, and surfactants. FCL specializes in providing customized solutions for the oil and gas industry, particularly in **drilling operations**, and is gaining recognition for its **high-performance chemicals used in exploratory drilling**. This expertise has already attracted significant orders from a leading oil and gas company in India, establishing a strong presence in the domestic market. FCL has also forged strategic partnerships with some of the largest global oil and gas companies. Recent geopolitical shifts, including USA initiatives to reduce reliance on China, present **significant opportunities for Indian manufacturers like FCL**. Major US oil and gas companies have outlined plans to increase sourcing from India by 5x, driving a surge in demand for Indian specialty chemicals. However, scaling operations to meet this demand poses a challenge, as few companies in India possess the capacity and product portfolio required.

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Investment Rationale (contd.):

(iii) Oil & Gas (contd.):

FCL is well-positioned to capitalize on this opportunity by aligning its offerings with global standards and expanding its reach. The oil and gas specialty chemicals sector is known for its **high entry barriers** and long-term stability, providing a solid foundation for sustained growth. While establishing collaborations with global clients takes time due to lengthy evaluation processes, once these relationships are formed, they tend to be enduring, **ensuring steady business growth**. The critical role these chemicals play in production processes strengthens customer loyalty and serves as a significant deterrent to switching suppliers. FCL continues to strengthen its position in this niche yet growing sector, poised to benefit from **global demand shifts**, increasing emphasis on sustainability, and its ability to deliver tailor made high-performance solutions. The oil and gas segment remains a **key strategic focus for FCL**, offering substantial long-term growth potential.

(iv) Water Treatment: FCL manufactures a comprehensive range of polymers under the **Diquet** brand, designed to meet the diverse needs of the water treatment industry. These polymers effectively prevent scale deposits, enabling higher flow rates, improved efficiency, and extended equipment lifespans. Cooling systems, commonly used across industries to dissipate heat by circulating water, often face the challenge of recirculating water accumulating impurities. This leads to the precipitation of salts and other particles, which can deposit on equipment surfaces, reducing heat transfer efficiency and increasing operating costs. The **Diquet range** of scale inhibitors provide reliable and efficient solutions to prevent scale formation, thus improving the overall system performance. The products offered by FCL significantly reduce maintenance costs and minimize the risk of unscheduled downtime, ensuring consistent, reliable performance for customers. To meet the growing demand for effective water treatment solutions, **FCL's products enhance** critical parameters such as Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), and Total Dissolved Solids (TDS). These innovations contribute to more sustainable water management and treatment practices. FCL's water treatment products are primarily targeted at the private sector, with a broad range of applications. The company has also earned international recognition, securing product approvals and initiating exports to the Middle East, particularly for use in desalination plants employing multi-stage flash (MSF) technology.

Exhibit 16: FCL v/s Biotex- Focus Area

Category	Fineotex	Biotex
Overview	<ul style="list-style-type: none"> Diverse Product Portfolio (470 categories) Applications for Entire Textile Value Chain 	<ul style="list-style-type: none"> Niche Product Portfolio (50 categories) High-end Super Specialty Textile Chemicals
Focus Area	<ul style="list-style-type: none"> Textiles and Other Fast Growing Sectors High Profile Indian Customers 	<ul style="list-style-type: none"> Prioritizes Sustainable Textile Solutions Focus on Mosquito Life Cycle Controller Focuses on International Customer Base.
Business Verticals	<ul style="list-style-type: none"> Textile Cleaning and Hygiene Drilling and Other Specialties 	<ul style="list-style-type: none"> Textile and Auxiliary Sectors Mosquito Life Cycle Controller
Competitive Edge	<ul style="list-style-type: none"> Strong Brand Recall Renowned Product Portfolio Deep Relationships with Customers. 	<ul style="list-style-type: none"> Strong Brand Recall Expertise in Finishing Process in Textiles Strong R&D capabilities

Source: FCL Q3FY25 PPT, Progressive Research

AquaStrike Premium is a biotechnology-based **mosquito control solution**. FCL has introduced this ground-breaking product formulated with **Azadirachtin**, a bioactive compound derived from neem that is widely used as a potent insecticide. This next-generation product is designed to address the challenges posed by conventional mosquito control methods while simultaneously contributing to water preservation. This innovative product is designed to replace traditional smoke based chemical treatments commonly deployed by the local governments in India, which often pose risks to human health as well as the environment. It presents a significant market opportunity while driving impactful innovations in the global chemical industry. This product developed by **Biotex Malaysia**, offers a sustainable alternative with advanced efficacy. The multifunctional capabilities offered by AquaStrike solidifies its position as a safe and sustainable alternative to conventional insecticides. Some of the key advantages of this product include (a) **Nontoxic/Eco-Friendly**: Unlike conventional oil-based solutions, AquaStrike Premium minimizes adverse effects on human health and aquatic ecosystems, (b) **Efficient Mosquito Control**: this product disrupts the mosquito life cycle with greater efficiency as compared to the traditional methods, (c) **Water Preservation**: in addition to mosquito control, it also supports the prevention of water evaporation and aligns with broader water conservation policies, offering multifunctional benefits.

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Investment Rationale (contd.):

(iv) Water Treatment (contd.):

The total addressable market (TAM) for AquaStrike is extensive and is driven by increasing demand for eco-conscious pest control solutions. The mosquito control and water preservation markets represent a substantial growth opportunity for this innovative product. The **scalability** which it can offer (as one of the critical divisions of FCL) shows promising growth in the coming years where investment by the government as well as private-sector will play a pivotal role. This product has already gained traction in countries around Malaysia and is actively marketed to authorities and NGOs in India. FCL is optimistic about scaling up the operations with notable progress starting April-May 2025. As governments and organizations worldwide prioritize environmentally responsible practices, this product can play a **pivotal role in transforming** the water treatment and pest control industries.

(C) Advancing Propellers: FCL has been growing organically as well as inorganically. In pursuit of the same, the company is **powered by a blend** of its Indian subsidiaries, overseas subsidiaries as well its joint ventures/ collaborations.

Indian Subsidiaries: In September 2020, FCL incorporated a wholly owned subsidiary (WoS) named Fineotex Specialities Private Limited (FSPL) with an investment of Rs10mn to the equity capital. It had commenced operations in November 2021 and is contributing handsomely to the topline and bottom-line since then. In addition to this, in FY24, the company has incorporated another WoS named Finoclean Specialities Private Limited with an initial investment of Rs10mn to the equity share capital. Manya Manufacturing India Private Limited is the Indian subsidiary which was acquired for a diversification.

Exhibit 17: FCL Subsidiaries Ownership

Subsidiary Name	Incorporation Country	Ownership Interest (in %)
Finolex Malaysia Ltd	Malaysia	100.00
BT Chemicals SDN BHD	Malaysia	71.92
BT Biotex SDN BHD	Malaysia	72.38
Rovatex SDN BHD	Malaysia	74.76
Finolex Biotex Healthguard FZE	UAE	100.00
Manya Manufacturing India Pvt Ltd	India	100.00
FSPL Specialities Pvt Ltd	India	100.00
Finolex Specialities Pvt Ltd	India	100.00
BT Biotex Ltd	UAE	100.00

Source: FCL AR2024, Progressive Research

Foreign Subsidiaries: Fineotex Malaysia Limited (FML), was incorporated in a free trade zone in Labaun, Malaysia in 2011. FML has controlling interest in three other companies in Malaysia that have established manufacturing and trading activities. These companies are BT Biotex SDN BHD, BT Chemicals SDN BHD and Rovatex SDN BHD. The **synergies between the three entities** has helped the subsidiary grow at a consolidated level. FML incorporated a WoS BT Biotex Limited, UAE with an initial investment of USD10,000. The company is exploring expansion and diversification of activities in the Middle East. Fineotex Specialties FZE was incorporated in UAE on 25th January 2015 and operates in a free zone in UAE. It has been renamed as Fineotex Biotex Healthguard FZE after the strategic alliance with HealthGuard. The Management is trying to leverage industry insights and customer base of FCL with high-end product expertise and regional positioning Biotex to serve global customers; thus trying to **capitalise on this synergy for better operational growth**. The company is also trying to develop direct customer relationships and expand the distribution network.

Collaborations: (a) HealthGuard: Founded in 1991, HealthGuard is an Australian biotech innovator specializing in the development of intelligent biotech solutions. Their products are endorsed by leading global brands such as IKEA and Turner Bianca. FCL through its collaboration with HealthGuard, has extended its buyer network and has introduced advanced bio-effective textile treatments. This partnership underscores the commitment to fostering innovation and sustainability in the global textile market. FCL has also secured global licensing rights for HealthGuard's premium anti-microbial surface coatings, enabling access to cutting-edge solutions in anti-microbial chemistry. FCL is already working towards bringing the manufacturing of these products to India, which will strengthen FCL's local production capacity as also sustainability focus.

(b) EuroDye CTC: FCL has partnered with EuroDye CTC, a Belgian based specialty chemicals company established in 1978, to introduce their advanced dyeing and pre-treatment products to the Indian market. These products are specifically designed to support sustainable textile manufacturing by minimizing environmental impact and enhancing product performance.

Exhibit 18: Product Offering

Category	Product Offering
Anti-Viral	Protect against a broad range of deadly viruses and microbes
Anti-Dustmite	Hypoallergenic treatments to destroy pathogens that are known to trigger Asthma
Anti-Mosquito	Assist in combating deadly diseases such as malaria caused by blood-feeding mosquitoes
Anti-Microbial	Protect against a broad range of microbes, enhancing hygiene and freshness
Anti-Bedbugs	Prevent the infestation of blood-sucking bed bugs known to cause irritation

Source: FCL Q3FY25 PPT, Progressive Research

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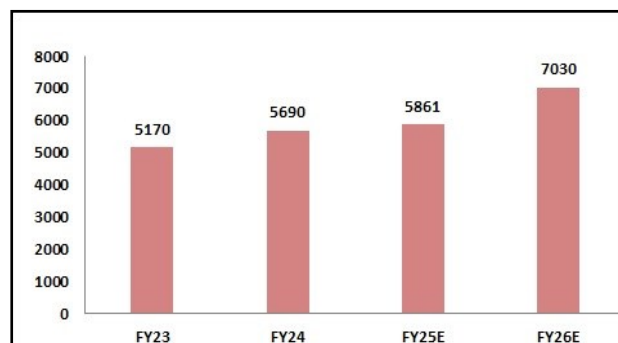
TIME : 12 months

Financials: FCL has been reporting **impressive results** owing to its commitment to operational excellence and strategic focus. It has a very strong financial risk profile while reporting healthy profit margins with comfortable capital structure and good coverage ratios/indicators. Currently, the textile segment has been experiencing notable growth, with increasing volumes driving its performance. On the other hand, the FMCG, health and hygiene segment is currently witnessing lower volumes and realizations due to portfolio adjustments among FMCG customers. FCL has been maintaining **operating margins** in the range of ~19-24% during FY20-23, with a sharp rise in FY24 owing to healthy uptick in overall sales volumes. Despite the fluctuation in the business cycles, FCL has been able to maintain gross margins in the range of ~35-40% which clearly indicates good command over the barriers to entry in the speciality chemicals with a **good product mix**. The gross margins in textiles are higher than in other segments due to the need for technical expertise, certifications, and sustainability practices. EBITDA margins remain consistent across divisions, supported by FCL's ability to efficiently manage operational costs, including stringent factory audits conducted by **German certification bodies**. Domestic sales contributed ~81% of the revenue in Q3FY25. The textile chemicals segment dominates with 78% of revenue, followed by 22% by FMCG, health, and hygiene verticals and others. Exports translates into ~19-22% of the total revenue. The **top 10 products** for FCL contribute not more than 28% of revenue, and the **top 10 raw material** do not contribute more than 20% of purchases, minimizing dependency and exposure to price fluctuations. The company is currently running at a blended **capacity utilization** of ~63-65%. The Management has mentioned that H2 has always been better than H1 as there is a reduced demand for textile chemicals and detergent chemicals during the monsoon season. The company has been diligently working on the **cash conversion cycle** which has improved significantly from 111 days in FY22 to 65 days in FY24. The company is more or less a **debt free entity with good cash reserves** and is open for any inorganic growth. Going forward **non-textile verticals** are anticipating to contribute to volume and value growth.

FCL has a very **conservative approach** towards funding acquisitions or capacity expansions/enhancements. The Management has a very **disciplined capital structure** which is targeted to be net debt neutral with a healthy credit profile. The Management has an **ambitious growth target of ~28-30%** over the next few years which is expected to be largely fueled by rising demand for technical textiles and amplified demand from many countries like Turkey, Brazil etc. The company is preparing the facility at Ambarnath future ready for the next phase of growth. In addition to this, FCL is also exploring the **possibilities of partnerships** with international players to establish manufacturing facilities in India. To meet growing demand, the company acquired ~7 acres of land in Ambarnath on December 30, 2023, for Rs350mn. This facility is anticipated to add ~15,000MPA of production capacity and is designed to be fungible, allowing production across textile chemicals, FMCG, cleaning and hygiene segments. **NABL accreditation** for the laboratory in Sasmera reinforces the focus on R&D, with an annual outflow of ~Rs70-80mn allocated for innovation.

The company has raised ~Rs1925mn via **issuance of common equity and warrants**. FCL will be receiving ~Rs1500mn in FY26E for the balance pay out towards the warrants which is directed towards organic as well as inorganic expansion plans. A successful fund-raise of Rs3425.5mn (Rs450mn contributed by promoters) will support both organic and inorganic growth strategies. The fundraising was executed in 2 phases: Phase-1 was involved by the allotment of equity and convertible warrants totaling to ~Rs1244mn with upfront amount of ~Rs227.2mn. Phase-2 involved further equity and convertible warrants totaling Rs2180mn with an upfront payment of Rs272.6mn. To date, the total fund raised by FCL is amounting Rs3425.5mn with Rs1920mn received through equity allotment and warrant subscription.

Exhibit 19: Revenue Trend (Rs in mn)



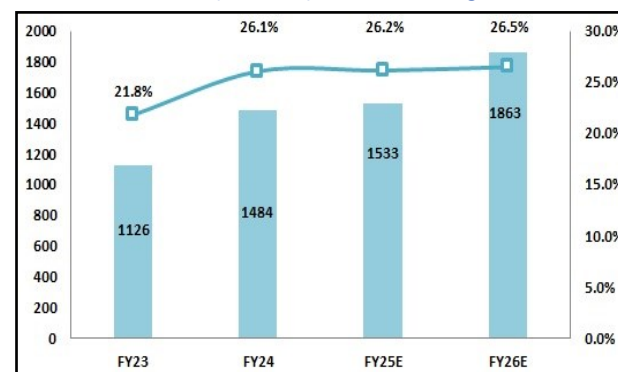
Source: Annual Reports, Progressive Research

Exhibit 20: PAT (Rs in mn) v/s PAT Margins



Source: Annual Reports, Progressive Research

Exhibit 21: Ebitda (Rs in mn) v/s Ebitda Margins



Source: Annual Reports, Progressive Research

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Financials (contd.):

The estimated capacity addition in new plant in Phase-1 is 15,000MTPA; and as a thumb rule the 1st plant always have the highest cost to setup infrastructure, land building, labour, teething issues etc. Once these are stabilised, the next round takes lesser time. In the next round of expansion with the available free land at the current site (~33,000 sq. mt. area) can add up to 50,000MTPA where the incremental cost is anticipated to be lower with lesser time to erect/ commercialize the operations. *(Initial 15,000MTPA is expected to be ~60% of the capex and the rest 35,000MTPA can be achieved by an investment of ~Rs400-425mn considering the current prices).*

Risks and Concerns: Like any other specialty chemical company, FCL is also exposed to the fluctuations of the key **raw materials** for its products. FCL uses a wide range of raw materials, which are imported as well as procured from domestic markets. The major raw materials used for production are soda ash, caustic, acetic acid, and vinyl acetate. Any adverse price movement in these chemicals might impact the margins of the company. These RM prices are volatile, dependent on demand-supply trends and crude oil price volatility. This leads to volatility in raw material prices, a factor which cannot be eliminated; however, FCL has been able to pass on the price fluctuations to its clients. Cotton requires more chemicals and more process, polyester being synthetic requires less chemicals thus the product **mix has to be carefully analysed** by FCL while also following the market trends for natural v/s man made fibres. As the company is present in the chemical industry, it is exposed to the risk associated with regulations **on environment safety** and potential penalties in case of any non-compliance. FCL's business is closely tied to the textile industry, which experiences **cyclical patterns**. Economic downturns or shifts in consumer demand for textiles can impact FCL's revenues and profitability. FCL faces high **competitive intensity** from players in the domestic as well as in the international market. The company does not have a defined forex hedging policy which has also resulted in significant **forex losses** in the past. Some of the customers of the company are currently revamping their portfolios and launching new products and sometimes such transitions can lead to a period of **temporary slowdown** in the overall volumes served. This can involve changes in branding, product formulations, or recipes, resulting in a natural slack in demand. Additionally, the monsoon season is traditionally challenging for the entire detergent business, as demand tends to decline in rural and broader markets where detergent usage reduces significantly during this period. This generally translates into slightly weaker first half of any year and a stronger second half. There has been constant fluctuation in the prices of **freight costs** and availability of containers for exports; this continues to be a constant threat to a number of export players, speciality chemical players across the industry. A number of market participants have applied to equity warrants of FCL at a much higher price as compared to the CMP; there can be some ambiguity for conversion/honoring the contract. The company has already received 25% of the amount from such investors. However, if the conversions do not occur, FCL can retain/forfeit the cash without tax elements involved in the transaction. The upcoming projects are not awaiting for the warrants related funds as the company already has enough surplus cash equivalents/funds which are to the tune of ~Rs3000mn.

Exhibit 22: SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> •Diverse Product Portfolio •Serving Multiple Industries •Wide Distribution Network •Broad Customer Base •Financial Stability, Consistent Growth •Experienced Management Team 	<ul style="list-style-type: none"> •Risk of Product Obsolescence •Rapid Technological Changes •High Dependence on R&D Investments •Raw Material Fluctuations
Opportunity	Threat
<ul style="list-style-type: none"> •Expanding Global Demand •Potential to Strengthen International Presence •Rising Demand for Eco-friendly Solutions •Sustainable Innovations Products •Exploring New Uses for Existing Products 	<ul style="list-style-type: none"> •Exposure to Geopolitical Uncertainties •Exposure to Economic Fluctuations •Stringent Environmental Regulations •Economic downturns Affecting Sales

Source: FCL AR2024, Progressive Research

Outlook and Recommendations: As a key participant in the specialty chemicals sector, with a strong emphasis on textile chemicals, FCL operates in an industry marked by **significant technical barriers** to entry and a high degree of innovation and product customization. The Management continues to have a clear focus on specialty chemicals and customised value-added solutions. FCL faces competition from domestic as well as multinational companies which have established brands with a large capital base which demands a strong focus on customized solutions as well as **new product development** or **diversification** into new segments to stay competitive. The company continues to anticipate strong demand for its products, which is expected to support the growth in the scale of operations with better profitability. FCL's business strategy places significant emphasis on inorganic growth and collaborations to enhance its technical expertise. It has an established track record in textile chemicals with a diversified customer base consisting of many reputed MNC companies in the domestic as well as the export markets, strong credit profile, minimal debt levels, significant free cash and cash equivalents coupled with healthy cash flow from operations, constant spends on R&D for developing new products, JVs with reputed international players which helps acquire new customers and diversify products and geographic offerings. **Strategic alliances** with partners and institutions, including EuroDye, HealthGuard and Sasmira, further helps enhance FCL's market presence and product offerings.

25 April, 2025

PICK OF THE MONTH

VOL-11, NO-03

Industry: Speciality Chemicals

Fineotex Chemical Limited

BUY

CMP: Rs.251

TARGET PRICE: Rs.330

TIME : 12 months

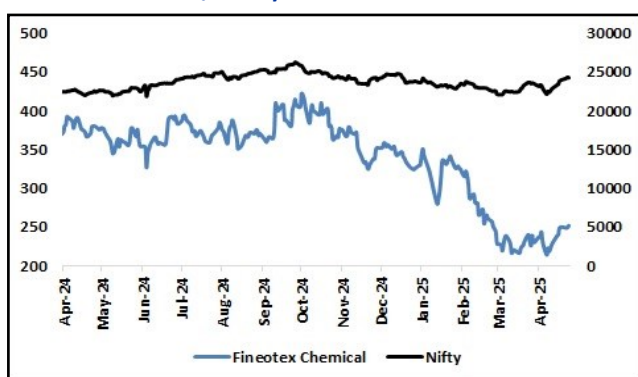
Outlook and Recommendations (contd.):

FCL continues to advance towards its strategic initiatives to consistently enhance productivity, build on the core strengths in specialty chemicals for textiles and other sectors, as well as focus on diversification to meet the evolving market/clients need. In pursuit of the same, the company is working on a **strong pipeline of new product introductions**, enhancing the portfolio while taking some proactive measures to adapt to the market trends and customer needs. This diversification can help strengthen the business and revenue streams while leveraging the company's core competencies.

The Management is consistently **exploring new avenues**, developing new technologies and entering new business segments to sustain the growth strategy while exploring promising sectors like health, hygiene, and oil and gas. FCL is continuously exploring untapped territories, investing strategically in production capabilities, prioritizing sustainable growth initiatives, considering acquisitions, capacity expansions, strengthening manufacturing capabilities, expanding the product portfolio with **high-value niche products** which can help fetch better volumes as well as value in the upcoming 6-8 quarters. The company has been working on some sustainability initiatives, which are currently gaining traction, with new products catering to eco-friendly demands in detergents and textiles. Water treatment chemicals are now being exported, with applications extending to oil and gas industries.

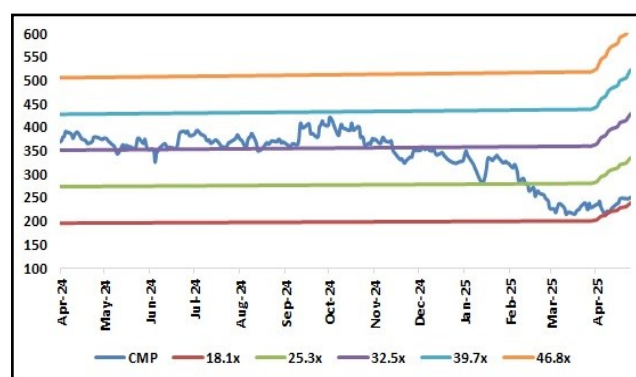
Over the past 3 decades, FCL has been strengthening its brand via **diligent strategic collaborations** with esteemed industry leaders. The anticipated global focus on health and hygiene is propelling FCL to enhance its production capabilities and innovating new specialty chemicals. The **ongoing capex** will cater to the **growing demands** in specialty performance chemicals, encompassing textile, home care, cleaning, hygiene, and drilling specialties. FCL is witnessing a significant increase in demand for these specialized finishing products, and is already preparing to get fully equipped to cater to this demand. As the textile industry is the primary market for FCL's specialty chemicals, the company has cultivated **strong relationships with leading textile brands**. The strategic expansion into the cleaning and hygiene sector leverages the company's technical expertise and production capabilities, providing with a competitive advantage. FCL is dedicated to sustainability and is actively **reducing its environmental footprint** through collaborative efforts with peers in the textile, cleaning, and hygiene sectors. The **company's evolution** from specializing in textile chemicals to diversifying into health and hygiene, and oil and gas sectors underscores its commitment to **tailor made solutions** which has enhanced its customer trust as well as strengthened the company's brand equity. FCL is a single stop solution in textile, FMCG, cleaning & Hygiene, which has fungible production capacities, high customer retention, debt free status and R&D strength via international collaborations where the recent diversifications can further bolster the company's growth with strong margins and better return ratios. All the triggers mentioned above make the company a good investment for long term investors; thus we initiate a **BUY** for a target price of Rs330 with a horizon of 12 months.

Exhibit 23: Price v/s Nifty



Source: Ace Equity, Progressive Research

Exhibit 24: One Year Forward P/E



Source: Ace Equity, Progressive Research

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