

Rationale:

- Clean Science and Technology Ltd. (CLEAN) incorporated in the year 2003, is an innovation driven specialty chemical manufacturer. Over the period, CLEAN has emerged as a global leader in its key products including MEHQ, BHA, Anisole and 4-MAP, besides in other key products including Guaiacol and DCC, it is amongst the largest player globally.
- The Company has a steady revenue growth and improved and healthy operating profitability over the three fiscals through 2021. The company achieved operating income of ₹5,120 million in fiscal 2021 against ₹4,190 million in the corresponding period of the previous fiscal. Enhanced capacities of key products such as mono methyl ether of hydroquinone (MEHQ), guaiacol and butylated hydroxyanisole (BHA) and steady demand for these products supported revenue growth amid the pandemic in fiscal 2021.
- Operating profitability remained strong (45% in fiscal 2020 and above 50% in fiscal 2021) because of backward integration and increased revenues from high margin product, BHA, through forward integration. With moderate capacity utilization and steady demand for its specialty chemical products, the company is likely to register moderate revenue growth over medium term.
- The financial risk profile is robust marked by almost debt-free balance sheet, strong accretions and maintenance of surplus liquidity. Net-worth has remained strong and debt protection metrics continue to remain robust due to negligible debt and healthy profitability. Further company has surplus liquid investments of over ₹2,200 million.
- The company plans to incur capex of around ₹700 million annually towards development of new unit which will be funded by internal accruals. With no debt funded capex plans and healthy internal accruals, financial risk profile will continue to remain robust over medium term.
- The company has an established market position and dominant presence in key specialty chemical products, and a diversified clientele. Additionally CLEAN has a healthy operating efficiency and robust financial risk profile. As its products are used largely in manufacturing essential goods, hence it has seen limited impact of the Covid-19 pandemic.
- We initiate our coverage on the company with a **BUY** rating and a target price of **₹2,020** per share.

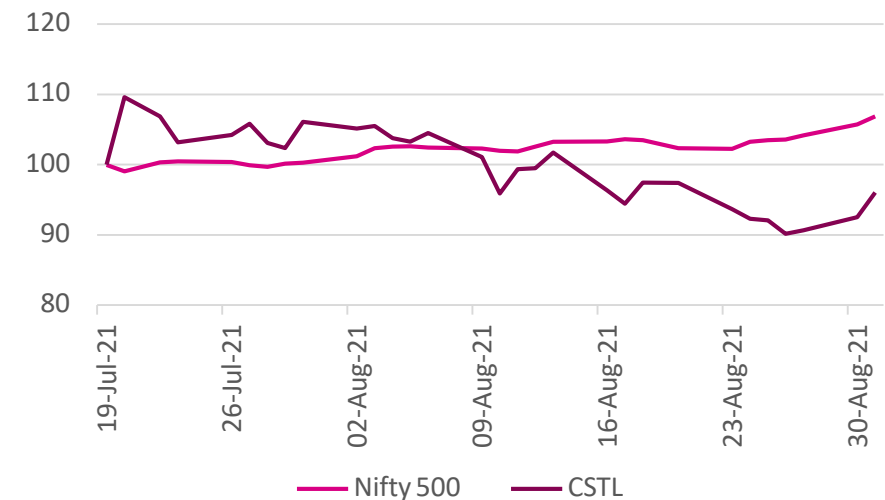
Research Team

52 Week Low / High	1,422 / 1,784
Avg. Daily Volume (3M) ('000)	1,381,000
No. of Shares O/S (Mn.) / Mkt. Cap (₹Mn.)	106 / 159,271
Shareholding (Promoters/Institutional/Others)	78.5% / 8.2% / 29.7%

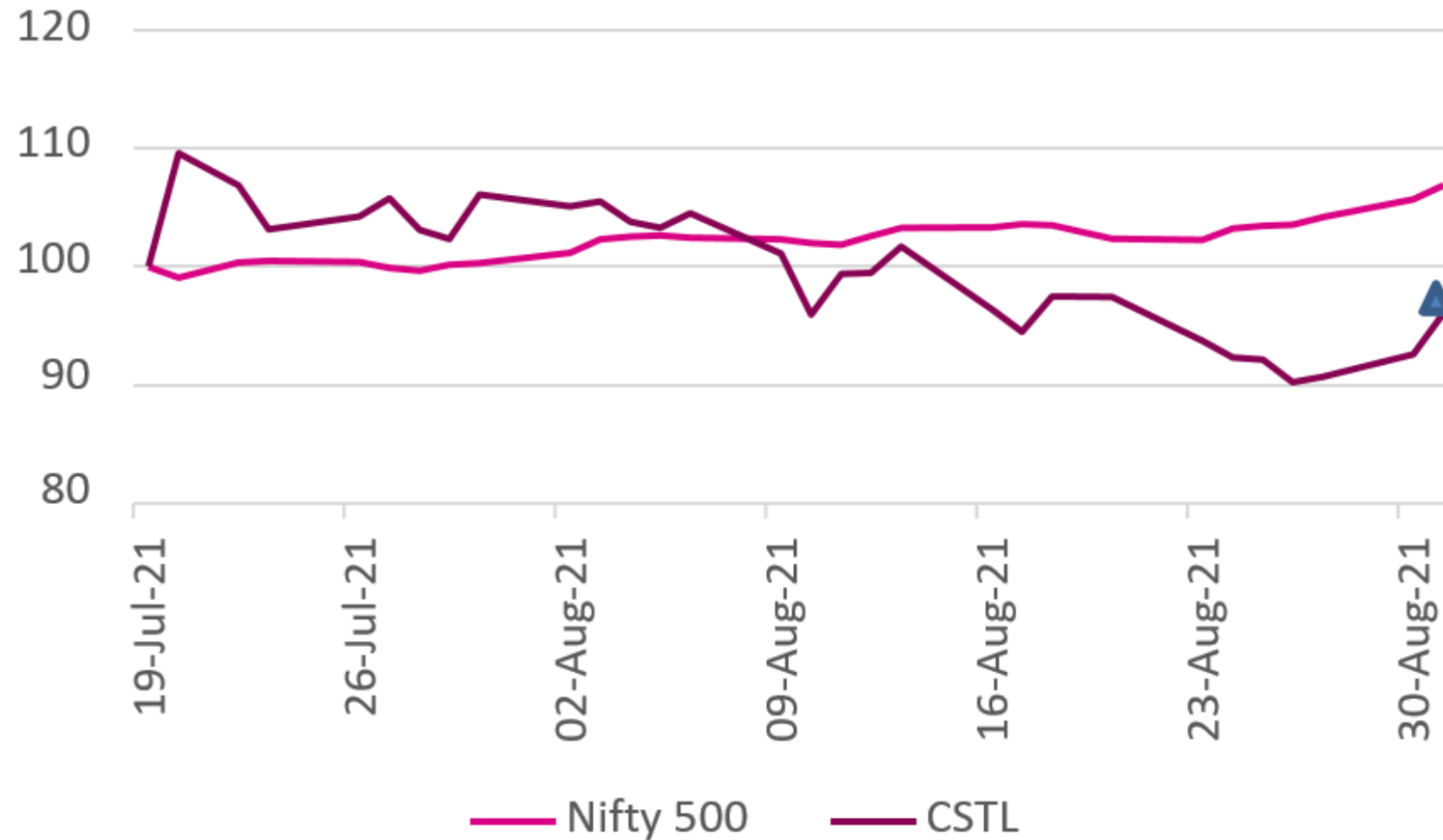
(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Revenue	4,193	5,124	6,271	7,997
EBIDTA	1,853	2,589	3,243	4,256
EBIDTA Margin	44.2%	50.5%	51.7%	53.2%
PAT	1,396	1,983	2,411	3,018
PAT Margin	33.3%	38.7%	38.4%	37.7%
P/E	118.1	83.4	68.7	54.7

Source: Company, Estimates,. Note: Prices are as on 2-Sep-21

Price Performance (July'21=100)



CLEAN rating history & price chart



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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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