

CLEAN SCIENCE AND TECHNOLOGY LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.1368.45 (As on 14th June 2023)

TARGET PRICE : Rs.1711.00

FACE VALUE : Re.1

BSE CODE : 543318

NSE CODE : CLEAN



**Clean Science and
Technology Limited**



Clean Science and Technology Ltd.

Clean Science and Technology Ltd. is a fine and specialty chemical manufacturing company incorporated in 2003. The Company is among the few global organisations focused on developing ingenious technologies with unique, innovative, sustainable and cost effective catalytic manufacturing processes. Globally, the Company is among the largest manufacturers of certain chemicals developed in-house.

The Company's speciality chemical chemistry is diversified into 3 major segments – Performance Chemicals, Pharmaceutical Chemicals, and FMCG Chemical. They are an essential ingredient in daily usage products catering to agricultural, cosmetic, aromas, and food industries.

Continuous innovation, in-house R&D and focus on value engineering are the real DNA of the Company. The Company has a unique, innovative, sustainable, and cost-effective catalytic manufacturing process for all its products. It operates from 3 manufacturing facilities. The Company takes pride in being a global manufacturing company in speciality chemicals. It has built a strong global presence and customer base. The Company's products are present in multiple countries.

ABOUT THE COMPANY

CLEAN SCIENCE AND TECHNOLOGY AT A GLANCE

A brief Introduction about the Company



- One of the fastest growing and among the most profitable fine and specialty chemical companies globally. Among the largest manufacturers of certain specialty chemicals developed in-house.
- Among the few global organizations focused on developing ingenious technologies with unique, innovative, sustainable, and cost-effective catalytic manufacturing processes

500+ Global
and domestic customers across
30+ countries

1,300+ Strong team
(**9%** women)

16+ Accreditation &
Certifications

Zero Debt Company

Sustainability and
ESG deeply ingrained in our
philosophy

72% revenues from exports

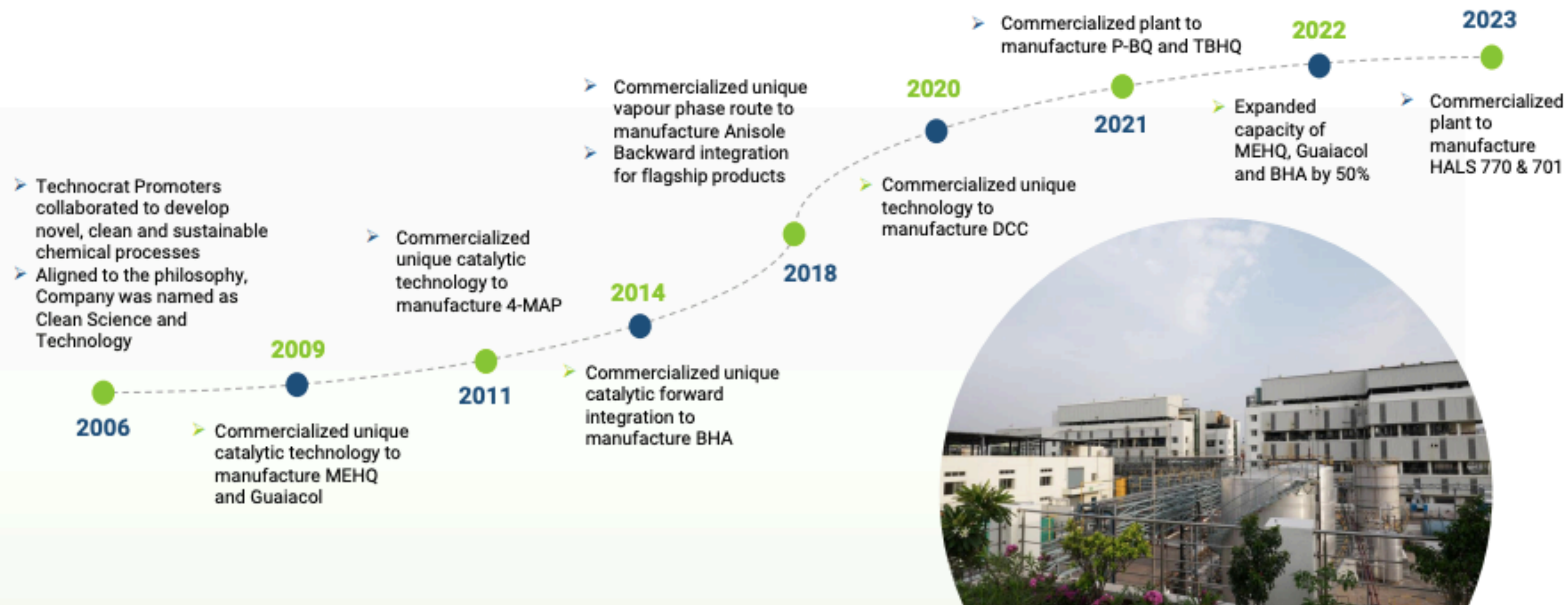
3 manufacturing units with
44,000 MTPA combined
capacity

90+ Scientists over
4 R&D facilities

COMPANY EVOLUTION

Continuous R&D and Innovation has led to new product launches on a consistent basis

YEAR	2006	2009	2011	2014	2018	2020	2021	2022	2023
REVENUES (INR Crore)	-	1	19	120	241	419	512	685	936



DIVERSIFIED PRODUCT PROFILE SERVING CRITICAL END-USER INDUSTRIES

Largest capacity in the world for our flagship products

PERFORMANCE CHEMICALS



MEHQ (Monomethyl Ether of Hydroquinone)

- Used as polymerization inhibitor in acrylic acids, acrylic esters, super absorbent polymers (diapers and sanitary pads)
- Pre-cursor for agrochemical industry

1 in World & India



BHA (Butylated Hydroxy Anisole)

- Used as anti-oxidant in food and feed industry

1 in World & India



AP (Ascorbyl Palmitate)

- Used in infant food formulations, breakfast cereals and cosmetics

1 in World & India



TBHQ (Tertiary Butyl Hydroquinone)

- Stabilizer in oil industry

2 in World & India



HALS (Hindered Amine light Stabilizers)

- HALS 701 is used in water treatment
- HALS 770 is used for UV stabilization in a variety of polymers

1 in India

PHARMA AND AGRO INTERMEDIATES



Guaiacol

- Pre-cursor to manufacture APIs for cough syrup (pharma industry)
- Key raw material to produce Vanillin

2 in World

1 in India



DCC (Dicyclohexyl Carbodiimide)

- Used as reagent in anti-retroviral

2 in World

1 in India



p-BQ (Para Benzoquinone)

- Intermediate in agrochemical industry

2 in World

1 in India

FMCG CHEMICALS



4-MAP (4-Methoxy Acetophenone)

- Used in UV blocker in sunscreens (cosmetics industry)

1 in World & India



Anisole

- Precursor to perfumes, insect pheromones, pharmaceuticals
- Majority of Anisole produced is used for captive consumption

1 in World & India

KEY DIFFERENTIATORS THAT ADD VALUE

Unique benefits that set our business apart from competition



INNOVATION

Strategic process innovation and new product development driven by a strong in-house R&D team



GLOBAL LEADERS

Among the largest producers globally of critical specialty chemicals with diversified applications



PREFERRED PARTNER OF CHOICE

Strong and long term relationships with a well diversified marquee customer base



STATE-OF-THE-ART

Multiple, automated manufacturing facilities with zero liquid discharge and strong focus on EHS



PROMOTERS

Technocrat promoters supported by an experienced workforce with extensive domain knowledge



FORMULATION

Unique, innovative, sustainable and cost-effective catalytic manufacturing process



STATISTIC

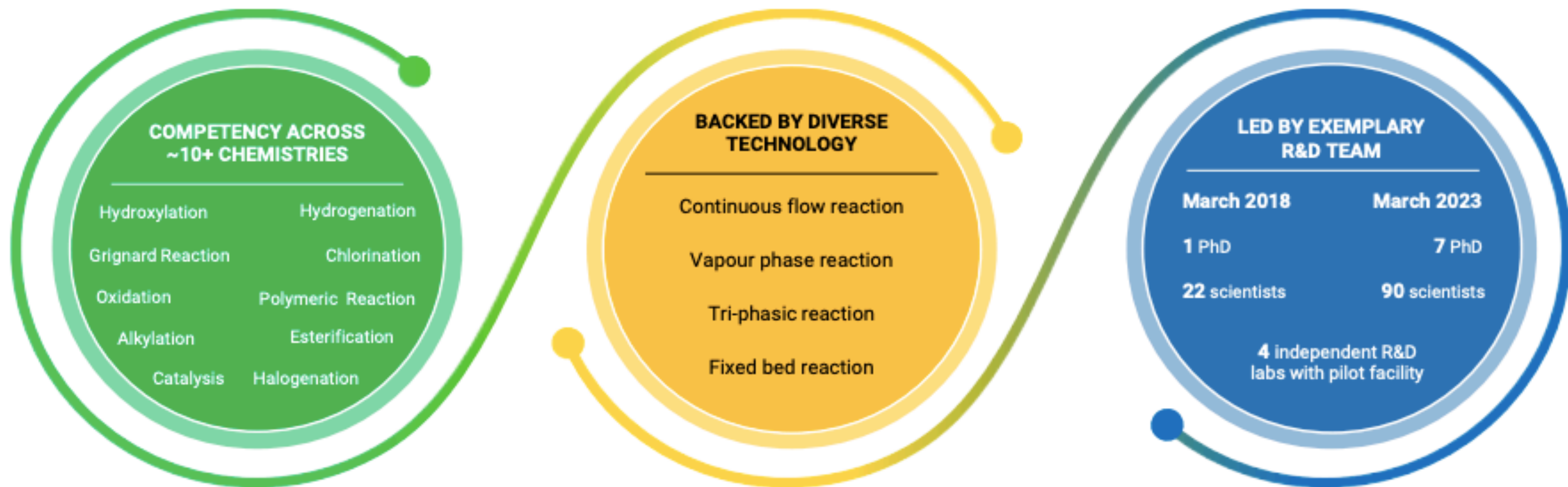
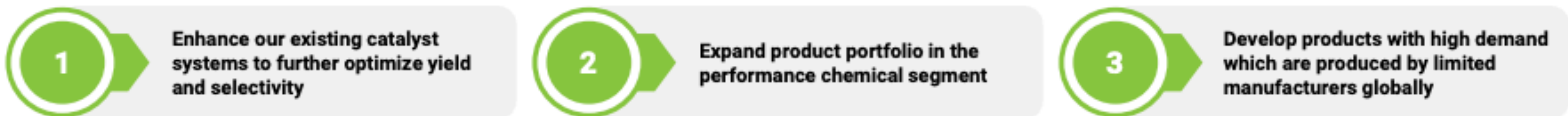
Strong and consistent financial performance

STEADFAST FOCUS ON RESEARCH & DEVELOPMENT

Pioneered commercialization of catalytic reactions



Research and Development team's focus areas



ADVANCED MANUFACTURING FACILITIES DESIGNED BY IN-HOUSE ENGINEERING TEAM

3 independent functional units at Kurkumbh Industrial Area, Maharashtra with dedicated lines for each product

UNIT 1

7 plants

Total area – **30,000 sq.m**

UNIT 2

4 plants

Total area – **23,337 sq.m**

UNIT 3

5 plants

Total area – **40,343 sq.m**

NO plant closure notice received from pollution control board

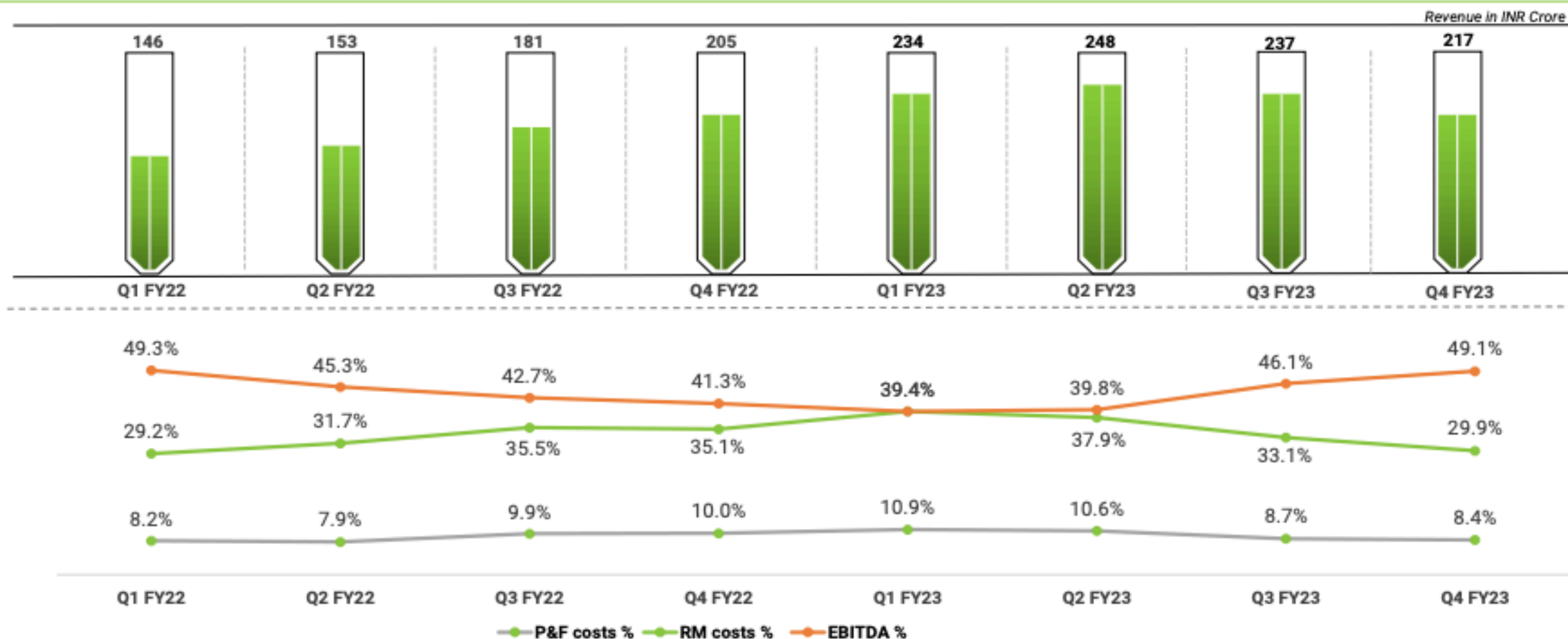
All Units are **ISO 9001, ISO 14001** and **ISO 45001** certified

Sustainable processes ensures **zero liquid discharge (ZLD)** facility

- Multiple dedicated plants for key products. To that extent, each plant is immune to challenges in other plants
- Independent plants for catalysts
- Each unit has a separate R&D facility, warehouse, engineering and utility section
- Construction for 100% owned subsidiary Clean Fino-Chem Limited (CFCL) on track.

Q4 FY23 UPDATE

Steady revenue; moderation in input prices enabled strong improvement in margins



CAPEX & BUSINESS UPDATE

- Incurred total capex of ~ Rs. 191 crores during FY 2023, including investment in subsidiary of Rs. 65 crores
- Clean Fino-Chem Limited (CFCL) construction work on track.
- Received maiden order for HALS 770 within a month of commercialization and started recording sales from Q4 FY23.

FY 2023: DEBT FREE BALANCE SHEET WITH CASH SURPLUS OF ~INR 300 CRORES

Stable return ratios; Internal accruals to fuel capex plans

In INR Crore	As at 31-March-2023	As at 31-March-2022
Assets		
Non-current assets		
Fixed Assets	422.1	292.3
Capital work-in-progress	4.1	44.1
Right of use asset	3.9	2.9
Other non-current assets	151.5	61.2
Total non-current assets	581.6	400.6
Current assets		
Inventories	108.8	88.1
Investments	281.7	190.4
Trade receivables	147.7	153.5
Cash and bank balances	12.4	29.5
Other current assets	26.5	51.8
Asset held for sale	-	11.1
Total current assets	577.1	524.4
Total assets	1,158.7	925.0
Equity and Liabilities		
Net-worth	1,018.8	768.9
Non-current liabilities		
Borrowings	-	0.3
Provisions	0.6	0.1
Other non-current liabilities	26.5	20.9
Total non-current liabilities	27.0	21.3
Current liabilities		
Trade payables	80.4	102.1
Other current liabilities	32.5	32.7
Total current liabilities	112.9	134.8
Total equity and liabilities	1,158.7	925.0

Key ratios	FY 2023	FY 2022
Return on Equity	29.8%	29.7%
Return on Capital Employed	49.8%	51.5%
Net Fixed Assets Turnover	2.2x	2.3x

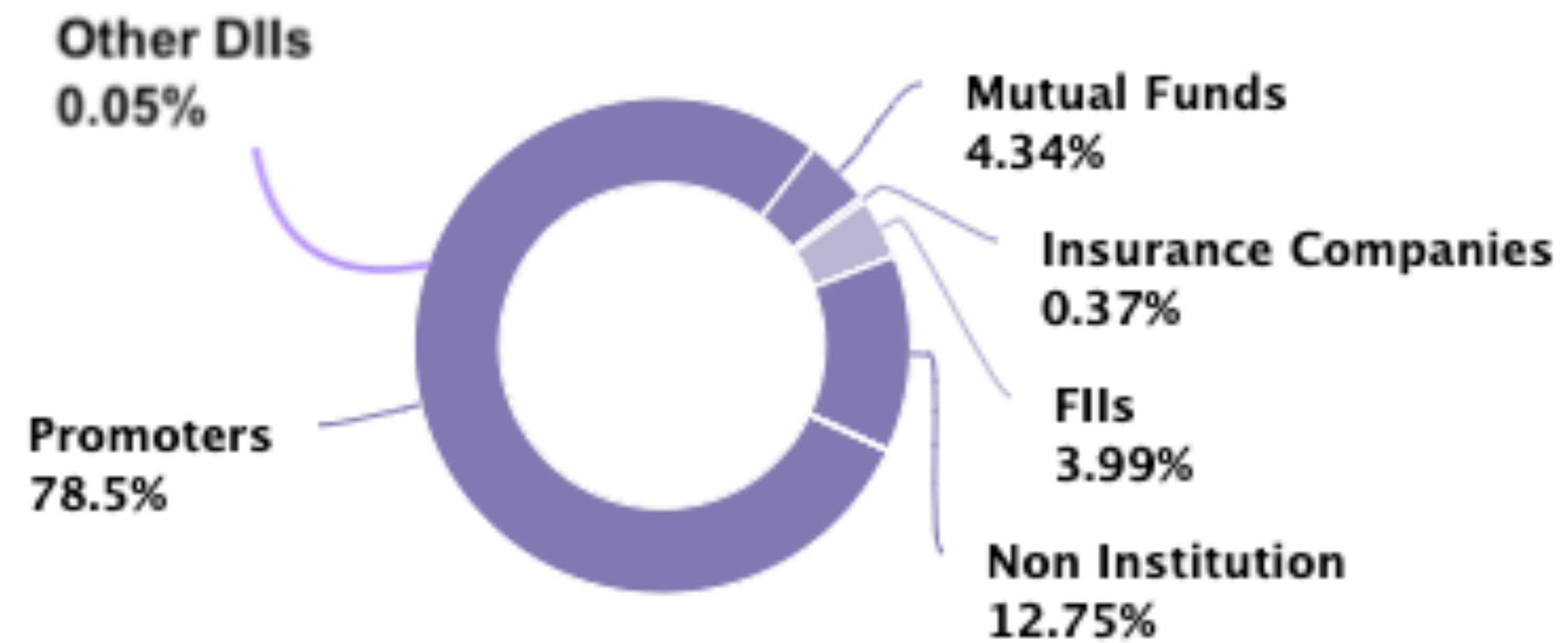
Yearly Results

YEARLY RESULTS OF CLEAN SCIENCE & TECHNOLOGY (in Rs. Cr.)	MAR '23	MAR '22
Net Sales/Income from operations	935.80	684.89
Total Income From Operations	935.80	684.89
EXPENDITURE		
Consumption of Raw Materials	338.39	245.11
Increase/Decrease in Stocks	-12.44	-20.45
Power & Fuel	89.82	--
Employees Cost	45.20	34.55
Depreciation	36.09	24.92
Other Expenses	72.73	125.79
P/L Before Other Inc., Int., Excpt. Items & Tax	366.01	274.97
Other Income	29.83	29.97
P/L Before Int., Excpt. Items & Tax	395.83	304.94
Interest	0.20	0.15
P/L Before Exceptional Items & Tax	395.64	304.80
P/L Before Tax	395.64	304.80
Tax	100.46	76.30
P/L After Tax from Ordinary Activities	295.18	228.50
Net Profit/(Loss) For the Period	295.18	228.50
Net P/L After M.I & Associates	295.18	228.50
Equity Share Capital	10.62	10.62
Reserves Excluding Revaluation Reserves	999.38	757.34
EPS BEFORE EXTRA ORDINARY		
Basic EPS	27.79	21.51
Diluted EPS	27.78	21.51
EPS AFTER EXTRA ORDINARY		
Basic EPS.	27.79	21.51
Diluted EPS.	27.78	21.51

Key Financial Ratios

KEY FINANCIAL RATIOS OF CLEAN SCIENCE & TECHNOLOGY (in Rs. Cr.)	MAR 23	MAR 22	MAR 21
PER SHARE RATIOS			
Basic EPS (Rs.)	27.79	21.51	18.68
Diluted EPS (Rs.)	27.78	21.51	18.68
Cash EPS (Rs.)	31.18	23.86	20.30
Book Value [ExclRevalReserve]/Share (Rs.)	95.07	72.35	50.81
Book Value [InclRevalReserve]/Share (Rs.)	95.07	72.35	50.81
Revenue from Operations/Share (Rs.)	88.08	64.48	48.24
PBDIT/Share (Rs.)	40.66	31.05	26.79
PBIT/Share (Rs.)	37.26	28.71	25.17
PBT/Share (Rs.)	37.24	28.69	25.16
Net Profit/Share (Rs.)	27.78	21.51	18.68
NP After MI And SOA / Share (Rs.)	27.78	21.51	18.68
PROFITABILITY RATIOS			
PBDIT Margin (%)	46.15	48.16	55.53
PBIT Margin (%)	42.29	44.52	52.18
PBT Margin (%)	42.27	44.50	52.16
Net Profit Margin (%)	31.54	33.36	38.71
NP After MI And SOA Margin (%)	31.54	33.36	38.71
Return on Networth/Equity (%)	29.22	29.73	36.75
Return on Capital Employed (%)	38.19	38.61	47.92
Return on Assets (%)	25.62	24.71	30.06
Total Debt/Equity (X)	0.00	0.00	0.00
Asset Turnover Ratio (%)	0.90	0.86	0.94
LIQUIDITY RATIOS			
Current Ratio (X)	5.46	4.23	3.87
Quick Ratio (X)	4.51	3.57	3.36
Inventory Turnover Ratio (X)	3.44	3.48	3.15
Dividend Payout Ratio (NP) (%)	0.00	0.00	0.00
Dividend Payout Ratio (CP) (%)	0.00	0.00	0.00
Earnings Retention Ratio (%)	0.00	0.00	0.00
Cash Earnings Retention Ratio (%)	0.00	0.00	0.00
COVERAGE RATIOS			
Interest Coverage Ratios (%)	2,214.97	2,243.95	3,127.44
Interest Coverage Ratios (Post Tax) (%)	2,214.97	2,243.95	3,127.44
VALUATION RATIOS			
Enterprise Value (Cr.)	13,420.03	21,095.82	0.00
EV/Net Operating Revenue (X)	14.34	30.80	0.00
EV/EBITDA (X)	31.07	63.95	0.00
MarketCap/Net Operating Revenue (X)	14.35	30.91	0.00
Retention Ratios (%)	0.00	0.00	0.00
Price/BV (X)	13.30	27.55	0.00
Price/Net Operating Revenue	14.35	30.91	0.00
Earnings Yield	0.02	0.01	0.00

Shareholding Pattern an on Mar'23



Summary

- ❖ With deliverance of robust performance in Q4 of FY'23, the Company's Net Sales grew up by 5.99% i.e. Rs.216.86 crs in Mar'23 versus Rs.204.60 crs in Mar'22. However, the Net Profits increased by 29.11% i.e. Rs.80.53 crs in Mar'23 as compared to Rs.62.37 crs in Mar'22.
- ❖ As per fine financials and fair fundamentals, the Company is available at a good price of Rs.1368.45 with its 52 week low at Rs.1227.10 and its 52 week high at Rs.1980.00.
- ❖ Since the Promoters are holding majority stake around 78.50% as well as its robust valuations, it is fair to assume that the Management is committed to growth of the Company.
- ❖ In Public Shareholding as on Mar'23, the FIIs and the Other DIIs collectively stood with 4.04% stake. Whilst, the Mutual Fund Houses own 4.34% holdings.
- ❖ It is reassuring to see that Clean Science and Technology Ltd. is held by AXIS MF, PGIM MF, ABSL MF, CANARA ROBECO MF, INVESCO MF, NIPPON INDIA MF, EDELWEISS MF, SUNDARAM MF and a few more.
- ❖ On consolidated basis, the Company registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 29.22% & 38.19% respectively as on Mar'23.
- ❖ For the year ending, Mar'23, Clean Science and Technology Ltd. has declared an equity dividend of 500.00% i.e. Rs.5.00 per equity share.

Disclosure

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I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.researchlyne.com which is primarily focused on research of Multi-Cap stocks of India.

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1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

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Mr. Amiteshwar Singh Proprietor of M/s Amiteshwar.in
SEBI Registered "Research Analyst" Reg. No. INH100010013

Contact: +917973835409

Email: info@Researchlyne.com

Address: Ground Floor, 236 E Block, Bhai Randhir Singh Nagar,
Ludhiana - 141012 (Pb.)