

1st June 2023

CMP – ₹264.75/-

View – Accumulate on Dip

Q4FY23 Result Update

- During Q4FY23, the company's revenue growth declined by 11% yoy and reported flattish growth of 3% qoq to ₹79Cr v/s ₹89Cr, this sluggish growth led by low demand for both products HMDS and CMIC which has exerted some pressure on average realization. EBITDA for the quarter stood at ₹14Cr v/s ₹27Cr, declined by 49% yoy & up by 4% qoq. EBITDA margin declined to 18% v/s 31% on account of higher key RM and lower volume of HMDS & CMIC. PAT declined by 51% yoy & up by 8% qoq to ₹10Cr, PAT margin stood at 13% v/s 24% in Q4FY22.
- Core products HMDS and CMIC have continued to remain weak due to soft demand from pharmaceutical producers in India. CMIC production volume declined by 49% yoy & 18% qoq to 256 MTPA, HMDS production volume declined by 9% yoy & 8% qoq to 514 MTPA, oilwell (bromides) production volume has increased by 9% yoy & 22% qoq to 2380 MTPA and new product bromo benzene production volume recorded 81 MTPA in Q4FY23.
- The company has reported a significant increase in bromides business, it was driven by a significant increase in sales volume. However, an uncertain price movement in bromine has moderated the overall growth.
- The company has received good enquiries for Bromobenzene from global agrochemical players but unable to capitalize on it due to sharp decline in bromine prices. The management expect the new product to pick up volume once the business environment is normalized. On the other hand, the company has sent few samples of Guanine to consumers and expect to receive a healthy inquiry in the coming quarters.
- Due to the dismal outlook of end-user industries, the company will commercialize P10 facility by the end of FY24.
- On the demand scenario of HMDS & CMIC products, the management said that the business momentum for both the products expects to revive in 2HFY24 as the pharma industry to recoup and the company will be in well positioned to capitalize on future opportunities.
- Post expansion, the company will be able to grab upcoming opportunities for existing products as well as for the new products in pharmaceutical industry. The new products pipeline includes imported substitutions.
- The management is expecting asset turnover of 4x, targeting sales of ₹1000Cr in the next 4-5 years and will maintain EBITDA margins at 25-28%.

Important Statistics

MCAP (₹ bn)	~10
52 week H/L (₹)	478.00/221.00
NSE Code	CHEMCON
BSE Code	543233

Shareholding Pattern (%)	Mar'23
Promoter Holding	74.47
FII	0.01
DII	0.27
Public & Others	25.16

Financials

Particulars	FY20	FY21	FY22	FY23
Net Sales	262	244	257	303
EBITDA	70	81	82	71
EBITDA Margin	27%	33%	32%	23%
PAT	49	56	63	55
EPS (₹)	15.37	15.45	17.14	15.06
P/E (₹)	17.3	17.2	15.5	17.7
EV/EBITDA	14.32	10.59	9.64	12.84
ROE	34%	16%	15%	12%
ROCE	35%	21%	19%	15%
D/E	0.20	0.01	0.09	0.15

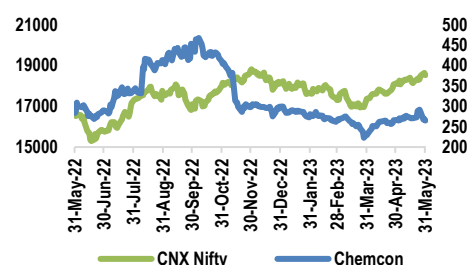
Source: Company, Way2wealth Research

Outlook

The Company reported CAGR of 14% in revenue, 9% in EBITDA and 16% PAT over FY18-FY23. The company is well positioned to substitute imports, innovative product development, explore newer applications (rubber, semiconductors), upcoming facility by end of FY24 and maintain growth trajectory. Company's strong return ratios and healthy balance sheet strengthens our confidence on the stock.

At CMP of ₹266 Ltd. is trading at ~13x EV/EBITDA & 18x PE on FY23. Considering attractive valuation, hence, we recommend Accumulate on dip rating on stock.

Relative Performance



Source: Company, Way2wealth Research

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Consolidated Quarterly Performance

Paticulars	Q4FY23	Q4FY22	YoY %	Q3FY23	QoQ %	FY23	FY22	YoY %
Net sales	79	89	-11%	76	3%	303	257	18%
(Increase)/Decrease in stock in trade & WIP	6	9		1		-12	3	-491%
Consumption of raw material	48	35	35%	47	1%	187	115	64%
Purchase of Traded goods	0	1		0		0	5	
Employees cost	5	5	-2%	5	1%	21	19	7%
other expenses	6	11	-43%	9	-29%	36	34	5%
Total Expenditure	65	62	5%	63	3%	232	176	32%
EBITDA	14	27	-49%	13	4%	71	82	-13%
EBITDA margins %	18%	31%		18%		23%	32%	
Depreciation	2	2	33%	2	6%	8	6	34%
EBIT/ Operating Profit	12	26	-54%	11	4%	62	75	-17%
Interest	0	0	483%	1	-17%	1	1	162%
Other income	3	3	6%	4	-35%	13	9	44%
PBT	14	28	-50%	15	-7%	74	84	-12%
Provision for current tax	3	7	-64%	4	-26%	17	21	-19%
Provision for Deferred Tax	1	0	-462%	0	309%	2	0	-757%
PAT	10	21	-51%	11	-8%	55	63	-12%
PAT margins %	13%	24%		15%		18%	24%	-25%
reported PAT	10	21	-51%	11	-8%	55	63	-12%
EPS (Basic & diluted)	2.86	5.81	-51%	3.10	-8%	15.06	17.14	-12%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Chemcon Specialty Chemicals Ltd. (Chemcon) as on June 1st, 2023

Name of the Security	Chemcon Specialty Chemicals Ltd. (Chemcon)
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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