

08th February 2023

CMP – ₹279.55/-

View – Accumulate on Dip

Q3FY23 Result Update

- During Q3FY23, the company reported revenue growth of 54% yoy & 32% qoq to ₹76Cr v/s ₹50Cr, this growth led by increase in realization and strong contribution from the export market. EBITDA for the quarter stood at ₹13.50Cr v/s ₹17.33Cr, declined by 22% yoy & up by 41% qoq. EBITDA margin decline to 18% v/s 35% on account of higher key RM and lower volume of HMDS & CMIC. PAT declined by 16% yoy & up by 45% qoq to ₹11.37Cr, PAT margin stood at 15% v/s 27% in Q3FY22.
- Core products HMDS and CMIC have continued to remain weak due to soft demand from pharmaceutical producers in India. CMIC production volume up by 22% yoy & 24% qoq to 187 MTPA, HMDS production volume up by 7% yoy & 10% qoq to 519 MTPA, oilwell (bromides) production volume has increased significantly by 96% yoy & 87% qoq to 1365 MTPA and new product bromo benzene production volume recorded 252 MTPA in Q3FY23.
- **Concall highlights:**
 - The company has witnessed significant growth in both bromides and new bromo-benzene products on the back of healthy demand and better procurement of key RM. Bromo benzene is receiving good enquiries from global agrochemical players.
 - The company is waiting for regulatory approvals from pollution control board for a new pharmaceutical chemical, Guanine at P9 unit and expects to get a approval by end of Q4FY23.
 - It also expects to begin production of other pharmaceutical chemicals which are primarily imported at the P10 unit by end of Q1FY24.
 - On the demand scenario of HMDS & CMIC products, the management said that the business momentum for both the products expects to revive in coming period 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 (₹)	478.00/261.00
NSE Code	CHEMCON
BSE Code	543233

Shareholding Pattern (%)

	Dec'22
Promoter Holding	74.47
FII	0.01
DII	0.27
Public & Others	25.25

Financials

	(₹ cr)				
Particulars	FY20	FY21	FY22	FY23E	FY24E
Net Sales	262	244	257	308	375
EBITDA	70	81	82	78	103
EBITDA Margin	27%	33%	32%	26%	28%
PAT	49	56	63	59	76
EPS (₹)	15.37	15.45	17.14	15.99	20.87
P/E (₹)	18.5	18.4	16.6	17.8	13.7
EV/EBITDA	15.30	11.44	10.48	11.27	8.58
ROE	34%	16%	15%	12%	14%
ROCE	35%	21%	19%	15%	17%
D/E	0.20	0.01	0.09	0.08	0.07

Source: Company, Way2wealth Research

Outlook

The Company reported CAGR of 13% in revenue, 16% in EBITDA and 24% PAT over FY18-FY22. The company is well positioned to substitute imports, innovative product development, explore newer applications (rubber, semiconductors), upcoming facility by end of FY23/Q1FY24 and maintain growth trajectory. Company's strong return ratios and healthy balance sheet strengthens our confidence on the stock.

We estimate CAGR of 21%/12%/10% in Revenue/EBITDA/PAT over FY22-24E and sustain EBITDA/ PAT margins at 28%/20% respectively. At CMP of ₹279.55, the stock is trading at ~9x EV/EBITDA & 14x PE on FY24E. Considering attractive valuation, hence, **we recommend Accumulate on dip rating on stock.**

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Consolidated Quarterly Performance

								(₹ Cr)
Particulars	Q3FY23	Q3FY22	YoY %	Q2FY23	QoQ %	9MFY23	9MFY22	YoY %
Net sales	76.47	49.54	54%	57.92	32%	223.80	167.99	33%
Total Income	76.47	49.54	54%	57.92	32%	223.80	167.99	33%
(Increase)/Decrease in stock in trade & WIP	1.13	-9.34		-11.31		-17.55	-5.48	220%
Consumption of raw material	47.49	24.98	90%	46.31	3%	139.37	79.13	76%
Purchase of Traded goods	0.33	3.37				0.33	3.37	
Employees cost	4.94	4.95	0%	4.92	0%	15.50	13.98	11%
other expenses	9.08	8.26	10%	8.42	8%	29.51	22.85	29%
Total Expenditure	62.97	32.21	95%	48.33	30%	167.16	113.84	47%
EBITDA	13.50	17.33	-22%	9.59	41%	56.64	54.14	5%
EBITDA margins %	18%	35%		17%		25%	32%	
Depreciation	2.14	1.55	38%	2.05	4%	6.11	4.57	34%
EBIT/ Operating Profit	11.36	15.78	-28%	7.54	51%	50.53	49.58	2%
Interest	0.59	0.11	461%	0.25	139%	1.00	0.48	106%
Other income	4.46	2.33	91%	3.29	36%	10.43	6.52	60%
PBT	15.23	18.00	-15%	10.58	44%	59.96	55.61	8%
Provision for current tax	3.60	4.51	-20%	2.59	39%	14.83	14.06	5%
Provision for Deferred Tax	0.26	0.01	3200%	0.16	66%	0.46	0.06	635%
PAT	11.37	13.49	-16%	7.83	45%	44.67	41.49	8%
PAT margins %	15%	27%		14%		20%	25%	-19%
reported PAT	11.37	13.49	-16%	7.83	45%	44.67	41.49	8%
No. of Shares	3.66	3.66	0%	3.66	0%	3.66	3.66	0%
EPS (Basic & diluted)	3.10	3.68	-16%	2.14	45%	12.19	11.33	8%

Source: Company, Way2wealth Research

Financial Performance

							(₹ Cr)
Financial	FY19	FY20	FY21	FY22	FY23E	FY24E	
Net sales	303.34	262.05	243.49	257.11	307.60	374.70	
COGS	184.90	148.90	122.87	122.31	169.18	198.59	
Employees cost	24.10	14.10	15.88	19.11	21.53	26.23	
other expenses	28.20	28.80	23.60	34.08	38.45	46.84	
Total Expenditure	237.20	191.80	162.35	175.50	229.16	271.66	
EBITDA	66.14	70.25	81.14	81.61	78.44	103.04	
EBITDA margins %	22%	27%	33%	32%	26%	28%	
Depreciation	2.86	4.62	6.08	6.26	8.71	9.16	
EBIT/ Operating Profit	63.28	65.63	75.07	75.35	69.73	93.89	
Interest	4.00	4.68	3.63	0.57	0.60	0.60	
Other income	1.99	3.97	4.64	9.24	10.00	10.00	
PBT	61.27	64.92	76.07	84.02	79.13	103.29	
Provision for current tax	18.20	16.10	19.55	21.47	20.57	26.85	
Provision for Deferred Tax			-0.07	-0.24			
PAT	43.07	48.82	56.59	62.78	58.56	76.43	
PAT margins %	14%	19%	23%	24%	19%	20%	
EPS (Basic & diluted)	11.80	13.38	15.45	17.14	15.99	20.87	

Source: Company, Way2wealth Research

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Disclosure of Interest Statement Chemcon Specialty Chemicals Ltd. (Chemcon) as on February 08th, 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
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