

15th February 2022

CMP – ₹314.30/-

View – Hold

Q3FY22 Update

Chemcon Specialty Chemical's topline fell ~24% Y-o-Y & 19% Q-o-Q to ₹495.4mn in Q3FY22, on account of drop in sales volumes. EBITDA for the quarter stood at ₹173.3mn down ~24% Y-o-Y & 8.5% Q-o-Q. EBITDA margins fell to 35% in Q3FY22 vs 35.2% in Q3FY21.

PAT de-grew 18% Y-o-Y & 7% Q-o-Q to ~₹135.9 mn from ~₹165mn in Q3FY21 due to lower operating profitability however PAT margins stood at 27.2% in Q3FY22 vs 25.4% in Q3FY21.

Important Statistics

MCAP (₹ Cr)	1,151
52week H/L (₹)	569.05/330.30
NSE Code	CHEMCON
BSE Code	543233

Key Concall Highlights

- HMDS contributed 31% to total revenue of which 84% contributed from domestic and around 16% from exports. CMIC contributed 35% to total revenues with domestic and export market contributing equally.
- Q3 FY22 total revenue stood at ₹495mn, domestic market contributed around 77% whereas international market contributed the remaining 23%.
- Total production volume for the Q3FY22 was at 1333 MT as compared to 2121 MT in Q3FY21.
- Company started commercialization of plant P8 in the quarter and for plant P9 capacity utilization to be 50% by Q4FY22 since the products have high demand in domestic and global markets

Financials

Particulars	(₹ mn)		
	FY19	FY20	FY21
Net Sales	3,033	2,621	2,435
EBITDA	661	703	811
EBITDA Margin	21.8%	26.8%	33.3%
PAT	430	489	564
EPS (₹)	13.5	15.4	16.5
P/E (₹)	23.21	20.45	20.41
EV/EBITDA	18.8	17.8	15.5
ROE	44.9%	34.2%	38.5%
ROCE	48.9%	34.6%	39.5%
D/E	0.21	0.20	0.0

Key Risks

- A significant portion of its revenue comes from a few customers and the loss of one or more such customers or a reduction in their demand for products may adversely affect its business and financials
- Company imports majority of its key RM for HMDS from China, which has been its key revenue-contributing segment. Any import related issues due to anti-china movement can affect the supply chain of the business and thereby financials.
- Promoter's court dispute remains an overhang on the stock

View

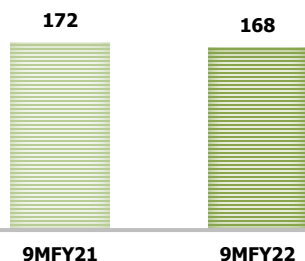
Chemcon Specialty Chemicals Ltd reported subdued numbers in this quarter on account of lower sales volumes and subdued demand in its user industries. However, we believe it is a temporary blip and company would perform better in FY23 on account of import substitution, innovative product development, exploring newer applications (semiconductor, rubber etc.) and upcoming capex in H2FY22. Company's strong return ratios and healthy balance sheet strengthens our confidence on the stock. **At CMP of ₹314.3/- Chemcon Specialty Chemicals is commanding a ~20x P/E on FY21 EPS which is at discount to peers such as, Galaxy Surfactants, Sudarshan Chemicals Ltd etc., thus advice investors to Hold the stock.**

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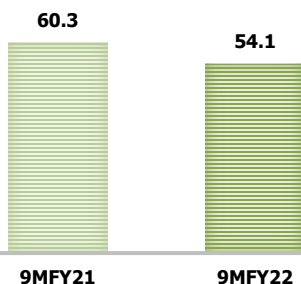
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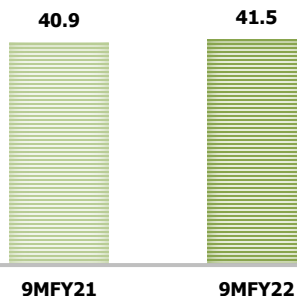
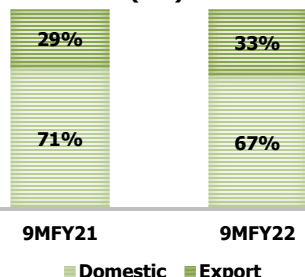
Financial Trends

TOTAL REVENUE
(₹ CR)


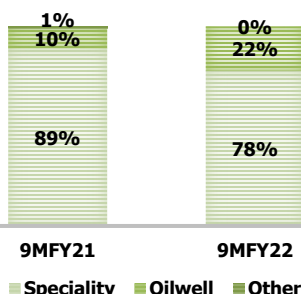
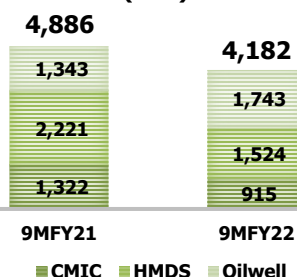
EBITDA (₹ CR)



PAT (₹ CR)


GEOGRAPHIC-WISE
(%)


BUSINESS-WISE (%)


PRODUCTION VOLUME
(MT)


Source: Company Filing, Way2wealth Research

Financial Performance

	Q3FY22	Q2FY22	Q3FY21	Y-o-Y	Q-o-Q
(₹ mn)					
Revenue	495.4	612.46	648.06	-23.6%	-19.1%
EBITDA	173.3	189.46	228.42	-24.1%	-8.5%
EBITDA Margin	35.0%	30.9%	35.2%	-27.11bps	403.97bps
Depreciation	15.5	15.0	14.13	9.8%	3.2%
EBIT	157.76	174.432	214.284	-26.4%	-9.6%
EBIT Margin	31.8%	28.5%	33.1%	-122.1bps	336.33bps
Interest	45.1	49.6	55.33	-18.5%	-9.1%
Other Income	23.3	22.5	12.15	91.8%	3.6%
PBT	135.99	147.33	171.11	-20.5%	-7.7%
Tax	1.1	1.5	6.3	-83.4%	-31.7%
PAT	134.94	145.78	164.76	-18.1%	-7.4%
PAT Margin	27.2%	23.8%	25.4%	181.35bps	343.4bps
EPS(₹)	3.68	3.98	4.50	-18.1%	-7.4%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Chemcon Specialty Chemicals Ltd. (Chemcon) as on February 15th, 2022

Name of the Security	Chemcon Specialty Chemicals Ltd. (Chemcon)
Name of the analyst	Yogita Desai
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
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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