

16th November 2021

CMP – ₹390/-

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Q2FY22 Update

Chemcon specialty Chemicals' (CHEMCON) topline fell 1% Y-o-Y but was up 7% Q-o-Q to ₹612mn even as sales volumes fell by 21% Y-o-Y.

Domestic: exports contribution stood at 57%:43% in Q2FY22.

EBITDA for the quarter stood at ₹189mn down ~19% Y-o-Y (due to higher operating expenses) however it grew 6% Q-o-Q. EBITDA margins fell by ~698bps Y-o-Y to 30.9% in Q2FY22.

PAT de-grew 7% Y-o-Y to ~₹146mn from ₹156mn in Q2FY21 due to lower operating profitability. PAT margins stood at 23.8% in the quarter vs 25.3% in Q2FY21.

Important Statistics

MCAP (₹ cr)	1460
52week H/L (₹)	569.05/383.30
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.
- Q2 FY22 total revenue stood at 612mn, domestic market contributed around 57% whereas international market contributed the remaining 43%.
- Total production volume for the Q2FY22 was at 1420MT as compared to 1788 MT same period last year.
- Management guided plant P8 capacity utilization to be 50% for H2FY22 and for plant P9 capacity utilization to be 50% by Q4FY22 since the products have high demand in domestic and global markets.
- In H1FY22 total revenue stood at ₹1180mn against ₹1070mn of H1FY21. Domestic market contributed around 63% whereas international market contributes around 37% in H1FY22.
- Production volume was at 2849 MT for the H1FY22 against 2765 MT of H1FY21.

Financials

Particulars	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 (x)	28.8	25.4	25.3
EV/EBITDA(x)	25.9	24.4	21.2
ROE	44.9%	34.2%	38.5%
ROCE	48.9%	34.6%	39.5%
D/E(x)	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 a overhang on the stock

View

Chemcon Specialty Chemicals Ltd reported subdued numbers in Q2FY22 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 H2FY22 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 ₹390/- Chemcon Specialty Chemicals is commanding a ~25x P/E on FY21 EPS which is at discount to peers such as, Galaxy Surfactants, Sudarshan Chemicals Ltd etc, thus advice investors to Accumulate the stock on dips.**

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Financial Performance

(₹ mn)					
Particulars	Q2FY22	Q1FY22	Q2FY21	Y-o-Y	Q-o-Q
Rev	612.40	572.05	615.37	-0.5%	7.1%
EBITDA	189.36	178.65	233.26	-18.8%	6.0%
EBITDA Margin	30.9%	31.2%	37.9%	(698.32 bps)	(30.83bps)
Depreciation	15.0	15.2	13.9	8.0%	-1.0%
EBIT	174.332	163.462	219.340	-20.5%	6.6%
EBIT Margin	28.5%	28.6%	35.6%	(717.66 bps)	(10.76bps)
Interest	1.5	2.3	11.8	-87.0%	-32.2%
Other Income	22.5	19.4	1.4	1486.0%	15.9%
PBT	195.30	180.61	208.93	-6.5%	8.1%
Tax	49.6	46.5	53.1	-6.6%	6.7%
PAT	145.7	134.1	155.8	-6.5%	8.6%
PAT Margin	23.8%	25.4%	25.3%	(152.76 bps)	(163.45 bps)
EPS	3.98	3.66	4.25	-6.5%	8.6%

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Chemcon Specialty Chemicals Ltd. (Chemcon) as on November 16th, 2021

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
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