motilal oswal Financial Services

2 August 2026
1QFY27 Result Update | Sector: Chemicals

Clean Science & Technology

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	CLEAN IN
Equity Shares (m)	106
M.Cap.(INRb)/(USDb)	78 / 0.8
52-Week Range (INR)	1257 / 652
1, 6, 12 Rel. Per (%)	-6/-11/-38
12M Avg Val (INR M)	774

Financials & Valuations (INR b)

Y/E March	FY26	FY27E	FY28E
Sales	9.6	11.0	13.4
EBITDA	3.6	4.0	5.0
PAT	2.3	2.6	3.4
EPS (INR)	21.6	24.5	31.8
EPS Gr. (%)	-13.1	13.1	30.0
BV/Sh. (INR)	149.0	169.5	196.2
Ratios			
Net D:E	-0.0	-0.1	-0.2
RoE (%)	15.3	15.4	17.4
RoCE (%)	15.0	15.1	17.1
Payout (%)	16.1	16.1	16.1
Valuations			
P/E (x)	34.0	30.0	23.1
P/BV (x)	4.9	4.3	3.7
EV/EBITDA (x)	21.9	19.1	15.1
Div. Yield (%)	0.5	0.5	0.7
FCF Yield (%)	0.9	2.7	2.6

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	51.3	51.3	75.0
DII	16.2	17.2	5.9
FII	13.4	13.4	6.2
Others	19.1	18.2	12.9

FII includes depository receipts

CMP: INR734 TP: INR790 (+8%) Neutral

Near-term headwinds persist, but growth levers intact

Operating performance in line

- Clean Science (CLEAN) reported a muted operating performance with an EBITDA of INR964m, down 3% YoY, while its gross margin dipped to 60.9% (from 65.5% in 1QFY26). The EBITDA margin contracted to 35.9% (from ~41.1% in 1QFY26).
- The operating environment in 1QFY27 remained challenging amid global macroeconomic headwinds and geopolitical uncertainties, leading to pricing pressure. Further, limited availability of shipping vessels delayed exports, resulting in temporary supply-side constraints.
- Going forward, we expect CLEAN's earnings trajectory to move up due to its continued focus on process efficiency, backward integration, scale-up of Hindered Amine Light Stabilizers (HALs), and the ramp-up of performance chemical 1 plant, along with the commercialization of performance chemical 2 plant in 3QFY27.
- We maintain our earnings estimates for FY27/FY28 and value the stock at 25x FY28E EPS to arrive at our TP of INR790. **Reiterate Neutral.**

Weak pharma intermediates and FMCG offset growth in performance chemicals

- The company reported revenue of INR2.7b, up 11% YoY (in line), led by performance chemicals (~81% of the revenue in 1Q), with revenue growth of ~21% YoY to INR2.1b. This growth was partially offset by a revenue decline of 17%/23% in Pharma & Agro Intermediates/FMCG Chemicals.
- Gross margin was 60.9% (compared to 65.5% in 1QFY26), while EBITDA margin stood at 35.9% (compared to 41.1% in 1QFY26).
- Employee expenses as % of sales were flat YoY at 6% in 1QFY27, while other expenses as % of sales stood at 19% vs. 18% in 1QFY26.
- EBITDA declined 3% YoY to INR964m (est. INR1b).
- Adj. PAT grew 5% to INR734m in 1QFY27 (est. INR706m) on account of ~65% growth in other income.

Key highlights from the management commentary

- **Macro environment:** 1QFY27 saw raw material (RM) and logistics disruptions due to global crisis, impacting volumes and delivery time periods, while demand remained steady. RM availability is improving, though prices remain elevated due to crude volatility. Currently, there is no pressure from China in the MEHQ supply chain.
- **Kemin Industries:** CLEAN secured a long-term supply agreement (min. 5 years) with Kemin Industries (US-based), aimed at strengthening supply security for its global food and feed operations. Management expects incremental capacity additions to support the contract. Kemin is an existing customer of CLEAN.

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- **HALs**: CLEAN entered into a manufacturing and supply agreement with Switzerland-based Geneus Chem AG for patented high-grade HALS (Alkoxy) products, to be produced at CLEAN's facilities and marketed globally on a co-branded basis. The company plans ~INR2.5b capex for the project, targeting cumulative revenue of ~INR3-3.5b over the next 3-4 years. Further, the company expects INR2.5-3b of revenue from HALS for FY27.

Valuation and view

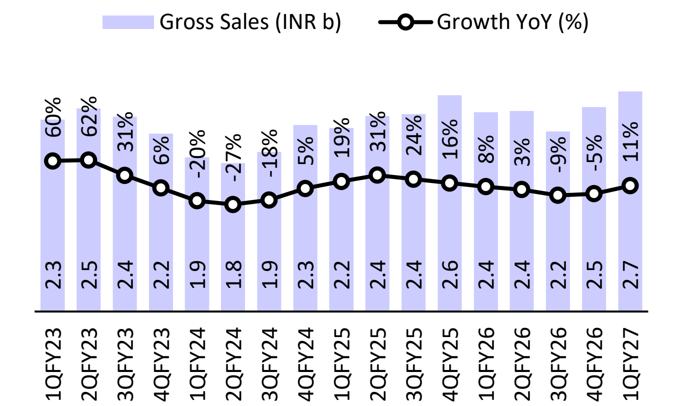
- While the macro headwinds are expected to continue in the short term with prices of raw material expected to remain elevated due to crude volatility, 1) the ramp-up of the advanced grade HALs, 2) strengthening HALs' presence in value-added specialty chemistries, 3) the scale-up of performance chemical 1 plant along with the commercialization of performance chemical 2 plant, 4) backward integration initiatives, and 5) long-term agreements with Kemin (US) and Geneus Chem (Switzerland) are expected to be key growth drivers going forward.
- We maintain our earnings estimates for FY27/FY28 and expect a CAGR of 18%/18%/21% in revenue/EBITDA/ PAT over FY26-28. We value the stock at 25x FY28E EPS to arrive at our TP of INR790. **Reiterate Neutral.**

Consolidated - Quarterly Snapshot (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Gross Sales	**2,429**	**2,446**	**2,197**	**2,493**	**2,684**	**2,661**	**2,715**	**2,920**	**9,564**	**10,981**	**2,742**	**-2%**
YoY Change (%)	*8.4*	*2.7*	*-8.8*	*-5.5*	*10.5*	*8.8*	*23.6*	*17.2*	*-1.1*	*14.8*	*12.9*	
Total Expenditure	*1,430*	*1,575*	*1,472*	*1,535*	*1,720*	*1,705*	*1,727*	*1,850*	*6,012*	*7,001*	*1,728*	
Gross Margin (%)	*65.5%*	*60.7%*	*60.7%*	*63.5%*	*60.9%*	*62.8%*	*63.1%*	*63.2%*	*62.6%*	*62.5%*	*62.5%*	
EBITDA	**999**	**871**	**725**	**958**	**964**	**956**	**988**	**1,070**	**3,552**	**3,979**	**1,014**	**-5%**
Margin (%)	*41.1*	*35.6*	*33.0*	*38.4*	*35.9*	*35.9*	*36.4*	*36.7*	*37.1*	*36.2*	*37.0*	
Depreciation	187	188	193	208	210	220	250	260	776	940	210	
Interest	1	1	2	1	1	1	1	1	4	4	1	
Other Income	134	67	98	28	222	73	108	31	327	434	141	
PBT before EO expense	**946**	**749**	**628**	**777**	**976**	**808**	**845**	**840**	**3,099**	**3,469**	**944**	
Extra-Ord expense	0	0	3	0	0	0	0	0	3	0	0	
PBT	**946**	**749**	**626**	**777**	**976**	**808**	**845**	**840**	**3,097**	**3,469**	**944**	
Tax	245	194	167	194	242	203	213	211	800	870	238	
Rate (%)	*25.9*	*26.0*	*26.7*	*25.0*	*24.8*	*25.2*	*25.2*	*25.2*	*25.8*	*25.1*	*25.2*	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	**701**	**554**	**459**	**583**	**734**	**605**	**633**	**629**	**2,297**	**2,600**	**706**	**4%**
Adj. PAT	**701**	**554**	**461**	**583**	**734**	**605**	**633**	**629**	**2,299**	**2,600**	**706**	**4%**
YoY Change (%)	*6.3*	*-5.6*	*-29.8*	*-21.3*	*4.7*	*9.1*	*37.3*	*7.9*	*-13.1*	*13.1*	*0.8*	
Margin (%)	*28.8*	*22.7*	*21.0*	*23.4*	*27.3*	*22.7*	*23.3*	*21.5*	*24.0*	*23.7*	*25.8*	

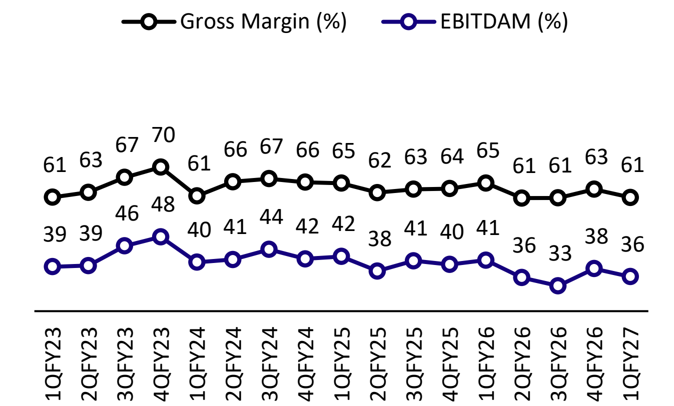
Story in charts: 1QFY27

Exhibit 1: Revenue grew 11% YoY



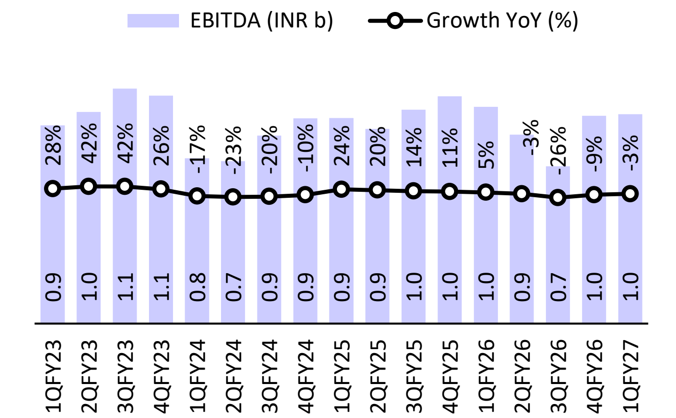
Source: Company, MOFSL

Exhibit 2: GM and EBITDAM dipped YoY



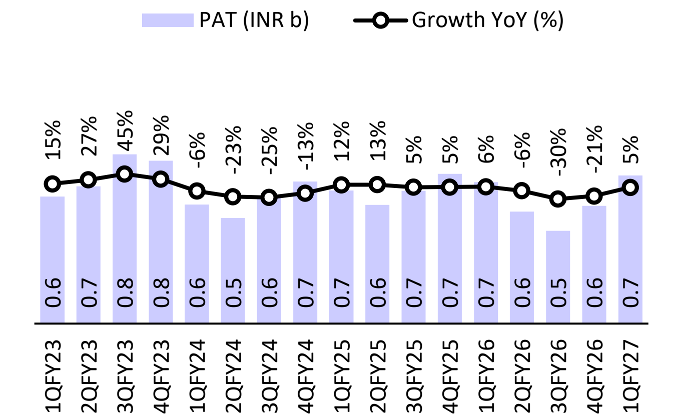
Source: Company, MOFSL

Exhibit 3: EBITDA decreased 3% YoY



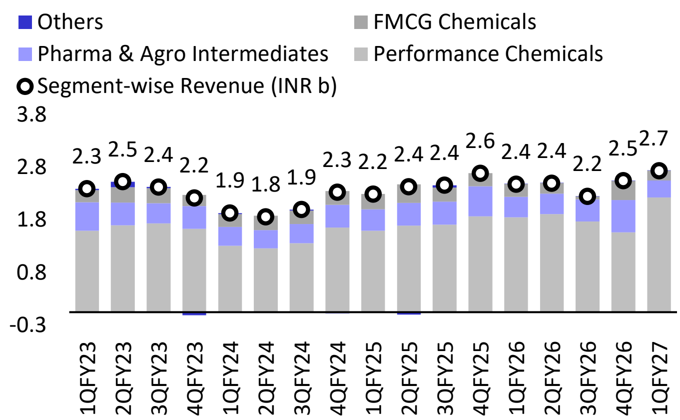
Source: Company, MOFSL

Exhibit 4: PAT down 5% YoY



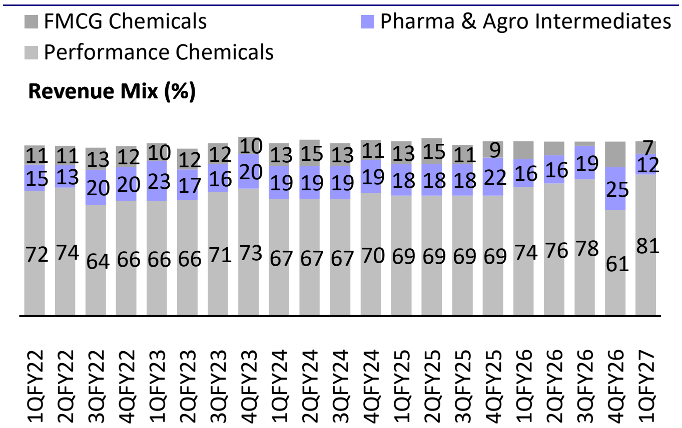
Source: Company, MOFSL

Exhibit 5: Revenue trend across segments



Source: Company, MOFSL

Exhibit 6: Revenue mix of performance chemicals rose YoY



Source: Company, MOFSL

CONFERENCE CALL

Key highlights from the management commentary

Operating performance

- Steady performance during the quarter despite global headwinds
- Revenue mix: Performance chemicals (81%), Pharma & Agro intermediaries (12%) and FMCG (7%)
- On a sequential basis, Increase in realizations across product portfolio helped in increasing standalone revenue.
- Standalone Sales were moderated YoY due to a decrease in sales volume due to affected trade routes. Raw materials were also not available due to a key supplier shutting down (~2 weeks shutdown). Demand is steady
- For standalone business, volumes are not an issue now, but RM pricing is high due to ME conflict. End-product prices have remained stable.
- 65-35% export-domestic mix for standalone business
- HALS business helped in increasing revenue on a consolidated basis
- Supply issues have come down in 2Q, but crude volatility is affecting RM prices

HALs

- HALS accounted for ~22% of total sales
- Company de-risked product concentration in HALS, with the top four legacy products' contribution declining from ~85% in 4QFY23 to ~60% this quarter
- HALS strong growth driver in the coming years due to higher exports and customer acceptances moving to high margins
- More diversified mix; 50% of sales were exports. Company's HALS are competitive
- Product mix has improved from 770 to higher grades ~35% (50% YoY), 440 to 550 price increase. Volumes are 1k tons. 40%/60% low/high grade
- HALS INR2.5-3b of annual revenue for FY27. ~30-35% of overall revenue
- 2 major competitors in Europe (BASF and Sabo) and some in China (United Chem)
- 40%+ sustainable margins
- EBITDA margins will keep improving as high-grade sales increase and operational efficiencies improve

Geneus

- Company's WOS entered into an agreement with Geneus Chem AG for manufacturing and supply of advanced grades of HALS product on an exclusive basis. Geneus Chem AG will issue warrants to the WOS; acquisition of 25% stake post warrants exercise.
- Geneus has developed patented products in the US, Europe and China which will be made in the company's premises and supplied globally. Technology transfer will happen with expected commissioning by 3QFY27. No tech transfer fees are payable by the company.
- Manufacturing and marketing: Geographies are defined between parties, and products will be co-branded.
- Geneus is based out of Europe, and they have good networks. Where the company has a good network, the company will sell there and vice versa

- In 3-4 years, INR3-3.5b of cumulative revenue for the company from this partnership. This revenue potential is sales to Geneus only. Any additional volume sold by the company will be added revenue.
- Alkoxy (NOR) HALS will be made by the company for Geneus, which are high grades and more expensive than traditional HALS. Applications are niche-Agricultural fills business for harsher and tougher environments. Cross-selling opportunities are also present as Geneus also uses traditional HALS grade. New product market for company. Alkoxy HALS are not replaceable by traditional
- INR2.5b capex for Geneus

Market Environment

- Non-availability of shipping vessels affected delivery times and exports
- RM costs in China were not impacted as much as in India
- Chinese pressure is not currently threatening the MEHQ supply chain

Capacity Expansion & Strategic Projects

- The Performance Chemicals-2 capex is expected to be commercialized by 3QFY27 (Nov/Dec'26). 3/4Q will be for stabilization (setting up lines), so major revenue from 1QFY28
- Necessary customer approvals are received for hydroquinone catechol plant, ramp-up in progress.
- INR1b capex was incurred in 1Q towards investment in Clean Fino Chem Ltd. (CFCL), WOS of the company. INR8.5b total investment in subsidiary

Kemin

- Company has a close relationship with the customer. Long-term agreement (min. 5years) for supply of Food and feed chemicals. Key ingredients will be sold to all global locations of Kemin. This is an existing customer, but scale has increased. Additional capacity will be required, and the company has started the process for that.
- Company is not seeing any competition for this alliance
- Contract is mainly for supply security
- 20-40% outtake in the next 2-3 months

Netherlands subsidiary

- Company's BOD approved incorporating a wholly-owned stepdown subsidiary in the Netherlands for selling/ distribution/ trading/ Job work of specialty chemicals.
- Initial capital is expected to be at EUR50k planned to be infused in tranches.
- CFCL recovered operational expenses fully. All new products in the coming time will be launched through CFCL.
- Starting in mid-Sep'26 and will cater to European markets

Others

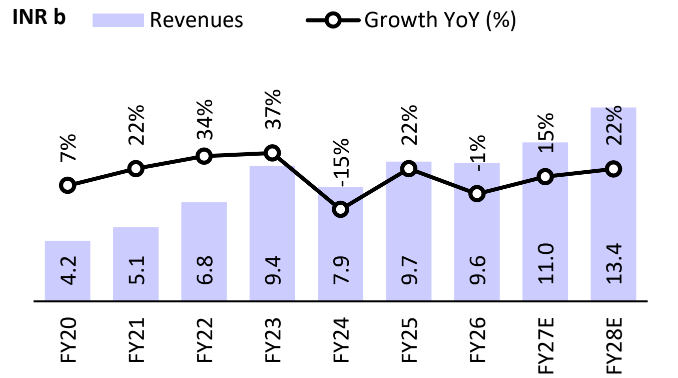
- CLEAN is a zero-debt company
- Other expenses higher due to CSR expenses/ other provisioning. 1QFY27 number is sustainable for other expenses
- Exports to the US are steady.

Exhibit 7: Changes to our estimates

Particulars	Actual/ Revised		Previous		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue (INR m)	10,981	13,391	11,115	13,569	-1%	-1%
EBITDA (INR m)	3,979	4,955	4,077	5,021	-2%	-1%
PAT (INR m)	2,600	3,379	2,601	3,413	0%	-1%
EPS (INR)	24.5	31.8	24.5	32.1	0%	-1%

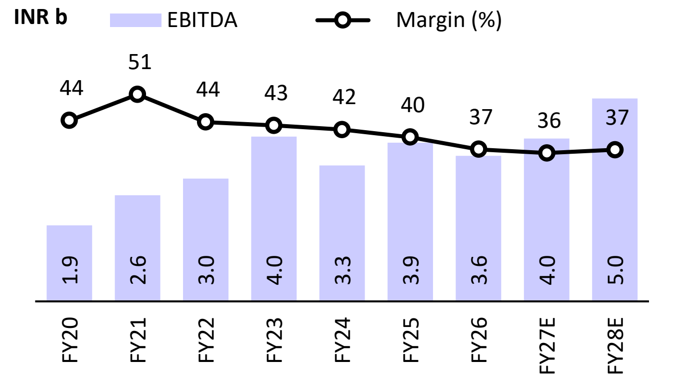
Financial story in charts

Exhibit 8: Expect 18% revenue CAGR over FY2-28



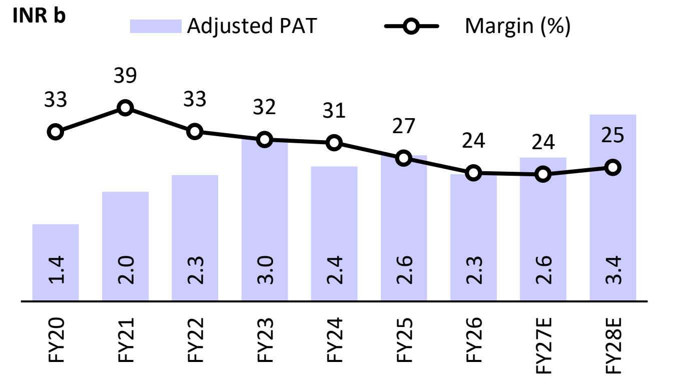
Source: Company, MOFSL

Exhibit 9: EBITDA margin to be ~37%



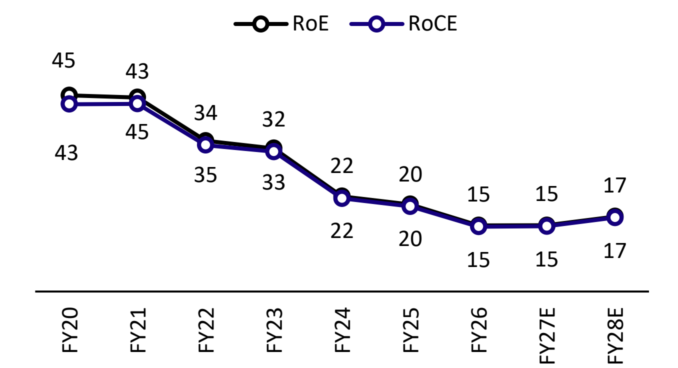
Source: Company, MOFSL

Exhibit 10: PAT margin to reach ~25% in FY26



Source: Company, MOFSL

Exhibit 11: Return profile of CLEAN



Source: Company, MOFSL

Financials and valuations

Consolidated - Financial Snapshot (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Total Income from Operations	**5,124**	**6,849**	**9,358**	**7,915**	**9,666**	**9,565**	**10,981**	**13,391**
Change (%)	*22.2*	*33.7*	*36.6*	*-15.4*	*22.1*	*-1.0*	*14.8*	*22.0*
Gross Margin (%)	*75.9*	*67.2*	*65.2*	*65.0*	*63.7*	*62.7*	*62.5*	*62.0*
EBITDA	**2,590**	**2,999**	**4,021**	**3,321**	**3,876**	**3,553**	**3,979**	**4,955**
Margin (%)	*50.5*	*43.8*	*43.0*	*42.0*	*40.1*	*37.1*	*36.2*	*37.0*
Depreciation	172	249	361	459	691	776	940	929
EBIT	**2,417**	**2,750**	**3,660**	**2,861**	**3,186**	**2,777**	**3,039**	**4,026**
Int. and Finance Charges	1	1	2	9	4	4	4	5
Other Income	256	300	298	413	386	326	434	495
PBT bef. EO Exp.	**2,673**	**3,048**	**3,956**	**3,265**	**3,567**	**3,099**	**3,469**	**4,516**
EO Items	0	0	0	0	0	3	0	0
PBT after EO Exp.	**2,673**	**3,048**	**3,956**	**3,265**	**3,567**	**3,097**	**3,469**	**4,516**
Total Tax	689	763	1,005	825	923	800	870	1,137
Tax Rate (%)	*25.8*	*25.0*	*25.4*	*25.3*	*25.9*	*25.8*	*25.1*	*25.2*
Reported PAT	**1,984**	**2,285**	**2,952**	**2,440**	**2,644**	**2,297**	**2,600**	**3,379**
Adjusted PAT	**1,984**	**2,285**	**2,952**	**2,440**	**2,644**	**2,299**	**2,600**	**3,379**
Change (%)	*42.1*	*15.2*	*29.2*	*-17.3*	*8.4*	*-13.1*	*13.1*	*30.0*
Margin (%)	*38.7*	*33.4*	*31.5*	*30.8*	*27.4*	*24.0*	*23.7*	*25.2*

Consolidated - Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	106	106	106	106	106	106	106	106
Total Reserves	5,290	7,578	9,994	11,925	14,058	15,731	17,913	20,750
Net Worth	**5,397**	**7,684**	**10,100**	**12,032**	**14,164**	**15,838**	**18,020**	**20,856**
Total Loans	3	3	1	0	0	0	0	0
Deferred Tax Liabilities	176	209	234	323	338	299	299	299
Capital Employed	**5,576**	**7,897**	**10,335**	**12,354**	**14,502**	**16,137**	**18,319**	**21,155**
Gross Block	2,610	3,959	5,963	8,182	9,657	10,887	11,887	12,887
Less: Accum. Deprn.	752	1,001	1,362	1,821	2,512	3,288	4,228	5,157
Net Fixed Assets	**1,859**	**2,957**	**4,601**	**6,361**	**7,145**	**7,600**	**7,660**	**7,731**
Capital WIP	550	441	205	573	302	1,180	1,180	1,180
Total Investments	**2,321**	**1,911**	**3,531**	**3,394**	**3,809**	**4,049**	**4,049**	**4,049**
Curr. Assets, Loans&Adv.	**1,870**	**3,938**	**3,181**	**3,658**	**4,821**	**5,000**	**7,369**	**10,036**
Inventory	529	881	1,088	1,237	1,494	1,537	1,765	2,152
Account Receivables	742	1,535	1,462	1,637	2,034	2,064	2,370	2,890
Cash and Bank Balance	157	747	125	106	202	282	1,953	3,431
Loans and Advances	442	774	506	678	1,091	1,117	1,282	1,564
Curr. Liability & Prov.	**1,023**	**1,350**	**1,184**	**1,632**	**1,576**	**1,692**	**1,939**	**1,841**
Account Payables	610	1,021	805	1,057	989	1,157	1,329	1,101
Other Current Liabilities	408	324	370	564	573	513	589	718
Provisions	5	5	8	12	14	22	22	22
Net Current Assets	**846**	**2,587**	**1,997**	**2,026**	**3,246**	**3,308**	**5,430**	**8,195**
Appl. of Funds	**5,576**	**7,897**	**10,334**	**12,354**	**14,502**	**16,137**	**18,319**	**21,155**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Basic (INR)								
EPS	**18.7**	**21.5**	**27.8**	**23.0**	**24.9**	**21.6**	**24.5**	**31.8**
EPS Growth (%)	*42.1*	*15.2*	*29.2*	*-17.3*	*8.3*	*-13.1*	*13.1*	*30.0*
Cash EPS	20.3	23.9	31.2	27.3	31.4	28.9	33.3	40.5
BV/Share	50.8	72.3	95.1	113.2	133.3	149.0	169.5	196.2
DPS	0.3	3.3	5.0	3.0	4.0	3.5	3.9	5.1
Payout (%)	1.7	15.1	18.0	13.1	16.1	16.1	16.1	16.1
Valuation (x)								
P/E	39.3	34.2	26.4	32.0	29.5	34.0	30.0	23.1
Cash P/E	36.2	30.8	23.6	26.9	23.4	25.4	22.1	18.1
P/BV	14.5	10.2	7.7	6.5	5.5	4.9	4.3	3.7
EV/Sales	15.2	11.3	8.3	9.8	8.1	8.1	6.9	5.6
EV/EBITDA	30.1	25.8	19.4	23.5	20.1	21.9	19.1	15.1
Dividend Yield (%)	0.0	0.4	0.7	0.4	0.5	0.5	0.5	0.7
FCF per share	10.2	-1.2	9.1	1.0	6.8	7.0	19.7	19.1
Return Ratios (%)								
RoE	45.0	34.9	33.2	22.1	20.2	15.3	15.4	17.4
RoCE	43.5	33.9	32.4	21.6	19.7	15.0	15.1	17.1
RoIC	77.3	56.1	48.5	29.0	25.6	19.8	20.9	25.5
Working Capital Ratios								
Fixed Asset Turnover (x)	2.9	2.8	2.5	1.4	1.4	1.3	1.4	1.7
Asset Turnover (x)	0.9	0.9	0.9	0.6	0.7	0.6	0.6	0.6
Inventory (Days)	38	47	42	57	56	59	59	59
Debtor (Days)	53	82	57	76	77	79	79	79
Creditor (Days)	43	54	31	49	37	44	44	30
Leverage Ratio (x)								
Current Ratio	1.8	2.9	2.7	2.2	3.1	3.0	3.8	5.5
Net Debt/Equity	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.2

Consolidated - Cash Flow Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
OP/(Loss) before Tax	2,673	3,048	3,956	3,265	3,567	3,097	3,469	4,516
Depreciation	172	249	361	459	691	776	940	929
Interest Expenses	1	1	2	9	4	4	4	5
Others	-109	-126	-153	-335	-284	-206	0	0
Direct Taxes Paid	-659	-691	-945	-755	-955	-913	-870	-1,137
(Inc)/Dec in WC	-149	-1,209	-428	-279	-884	-12	-451	-1,288
CF from Operations	**1,928**	**1,273**	**2,793**	**2,364**	**2,139**	**2,745**	**3,093**	**3,026**
(Inc)/Dec in FA	-840	-1,396	-1,831	-2,261	-1,419	-2,005	-1,000	-1,000
Free Cash Flow	**1,088**	**-123**	**962**	**103**	**720**	**740**	**2,093**	**2,026**
Change in Investments	-1,078	532	-929	402	-119	-35	0	0
Others	51	78	61	6	20	15	0	0
CF from Investments	**-1,867**	**-786**	**-2,698**	**-1,853**	**-1,517**	**-2,025**	**-1,000**	**-1,000**
Issue of Shares	0	0	9	9	9	5	0	0
Inc/(Dec) in Debt	-24	0	0	0	0	0	0	0
Interest Paid	-1	-1	-1	-9	-3	-3	-4	-5
Dividend Paid	-33	0	-558	-531	-531	-638	-418	-543
Others	-1	0	-1	0	0	-4	0	0
CF from Fin. Activity	**-59**	**-1**	**-550**	**-532**	**-525**	**-640**	**-422**	**-548**
Inc/Dec of Cash	**1**	**486**	**-455**	**-20**	**96**	**80**	**1,671**	**1,478**
Opening Balance	92	93	579	125	104	200	280	1,951
Closing Balance	**93**	**579**	**124**	**104**	**200**	**280**	**1,951**	**3,429**

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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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