

Fineotex Chemical Ltd.

Structural Levers Intact Despite Near-Term Softness

CMP* INR 242	Target INR 294	Potential Upside 21.5%	Market Cap (INR Mn) INR 27,830	Recommendation BUY	Sector Specialty Chemicals
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Result Highlights of Q4FY25:

- Fineotex Chemical reported revenue stood at INR 1,198 Mn., down 21.7% YoY (-4.9% QoQ), sharply below our estimates led by softness in FMCG and hygiene segment volumes, compounded by delay in deliveries in export markets like Bangladesh.
- EBITDA stood at INR 213 Mn., down 44.4% YoY (-37.9% QoQ), sharply below our estimates led by contraction of gross margins and higher operating expenditure. EBITDA margin contracted 725bps YoY (-946bps QoQ) to 17.8%. Net profit stood at INR 200 Mn., down 33.7% YoY (-27.7% QoQ), resulting in PAT margin declining by 311bps YoY (-530bps QoQ) to 16.8%.
- We have revised our FY26E/FY27E EPS estimates by -20.5% / -19.8% respectively, reflecting softness in the FMCG and hygiene segments, persistent delay in export orders amid geopolitical disruptions, and margin headwinds from front loading of operating expenses. Despite near-term challenges, we remain constructive on FCL's long-term growth trajectory led by healthy order pipeline, high-potential verticals including oil & gas and water treatment and on the back of expected customer additions.**
- We value Fineotex chemicals at 22.0x FY27E EPS, implying a target price of INR 294. We reiterate and maintain our "BUY" rating on the stock.**

MARKET DATA

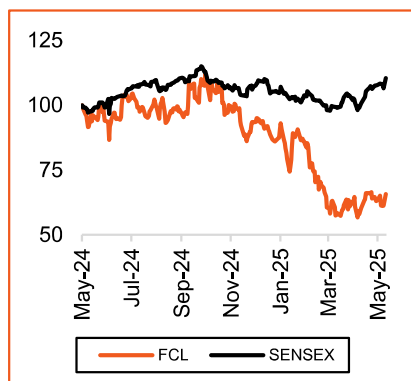
Shares outs (Mn)	115
Mkt Cap (INR Mn)	27,830
52 Wk H/L (INR)	439 / 207
Volume Avg (3m K)	457
Face Value (INR)	2.0
Bloomberg Code	FTXC:IN

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	5,170	5,690	5,333	6,025	7,228
EBITDA	1,126	1,484	1,272	1,475	1,915
PAT	896	1,210	1,092	1,239	1,623
EPS	8.0	10.8	9.4	10.2	13.4
EBITDA Margin (%)	21.8%	26.1%	23.9%	24.5%	26.5%
PAT Margin (%)	17.3%	21.3%	20.5%	20.6%	22.5%

Source: Company, Deven Choksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	81,552
NIFTY	24,826

Revenue declines on deferred orders and geopolitical disruptions

- Revenue declined by 21.7% YoY to INR 1,198 Mn. Softer momentum was attributed to weakness in the FMCG segment and delayed order deliveries.
- The management observed that the FMCG, cleaning & hygiene segment witnessed temporary volume softness, led by increase in detergent raw material prices which in turn impacted demand for specialty boosters. Product mix shift by FMCG clients towards more economical SKUs due to end-user price sensitivity and ongoing transition from powders to liquids, delaying procurement cycles.
- The management also cited geopolitical tensions in Bangladesh and other regions, which led to postponements in order deliveries during Q4FY25. These deferred orders are expected to be fulfilled in FY26E.
- The above factors led to an overall decline in volumes by 10.0% despite textile volumes growing by 15.0% for FY25.
- The new business lines, water treatment, oil, and gas, delivered strong performance in both volumes and value, supported by rising demand from global energy and infrastructure

SHARE HOLDING PATTERN (%)

Particulars	Mar-25	Dec-24	Sep-24
Promoters	62.9	63.0	63.0
FIIIs	2.8	3.3	3.2
DIIIs	3.7	3.6	3.6
Others	30.6	30.1	30.2
Total	100	100	100

*Based on the previous closing
Note: All the market data is as of previous closing

16.4%
Revenue CAGR between
FY25 and FY27E

21.9%
PAT CAGR between FY25
and FY27E

Fineotex Chemical Ltd.

- clients, particularly in the Middle East, the US, and Russia. Large-scale procurement shifts away from China to Indian suppliers is also providing support to the growth.
- Management confirmed multiple marquee customer additions, participation in global exhibitions, and a healthy forward-looking order book. These segments are expected to play an increasingly significant role in the revenue mix from FY26E onward.
- FCL has added 25 new customers and developed 15 new products during Q4FY25.

Key Concall Highlights:

Institutional Hygiene (AquaStrike) – Potential opportunity

- Fineotex Chemical Ltd has formally entered the institutional and public health hygiene space with the launch of AquaStrike Premium, a biotech-based mosquito control solution developed using Azadirachtin, a plant-derived, non-toxic compound.
- AquaStrike has received regulatory approval from India's Central Insecticide Board and certifications from Hapkin Institute, showcasing efficacy and safety.
- Discussions are ongoing with India's National Vector Borne Disease Control Programme (NVBDCP) and Technical Administrative Committee (TAC).
- Demonstrated 100.0% mosquito mortality within 2–3 hours during lab tests, positioning it as a superior eco-friendly alternative.
- No domestic orders in India yet, despite submissions to multiple state governments, due to the political situation arising from the recent events.

Margin Profile

- EBITDA Margins declined to 17.8% (-725bps YoY) in Q4FY25 and 23.9% in FY25 (-222bps YoY), primarily due to a combination of strategic growth investments.
- The company incurred elevated promotional and brand-building expenses, including participation in international trade exhibitions. It intensified customer engagement efforts to support its expansion into high-potential verticals such as oil & gas, water treatment, and institutional hygiene.
- Pre-commercialization costs related to the upcoming 15,000 MTPA Ambernath plant, further weighed on margins without corresponding revenue contribution.
- Increased R&D and product development spending, especially on innovations like AquaStrike Premium, also added to the cost base.
- Moreover, a weaker revenue mix, driven by an ~18.0% volume decline in the high-margin FMCG and hygiene segment, amplified the margin pressure.

Capacity expansion to 120,000 MTPA

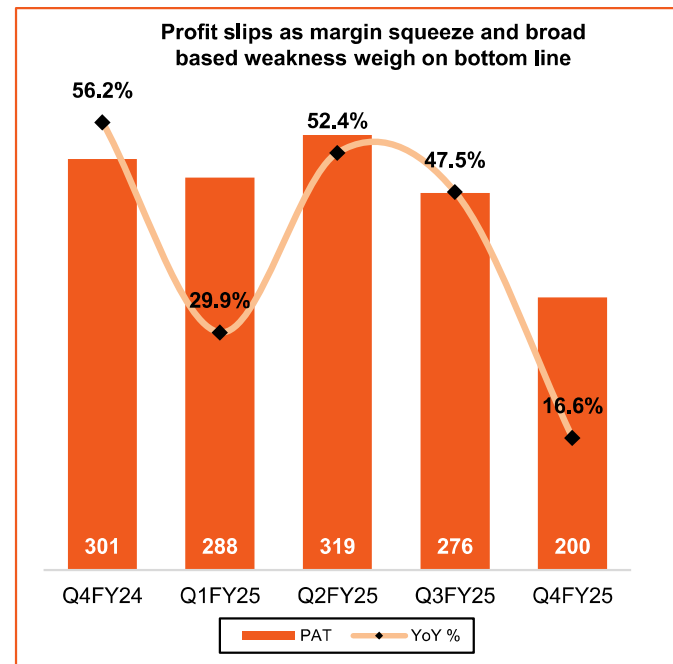
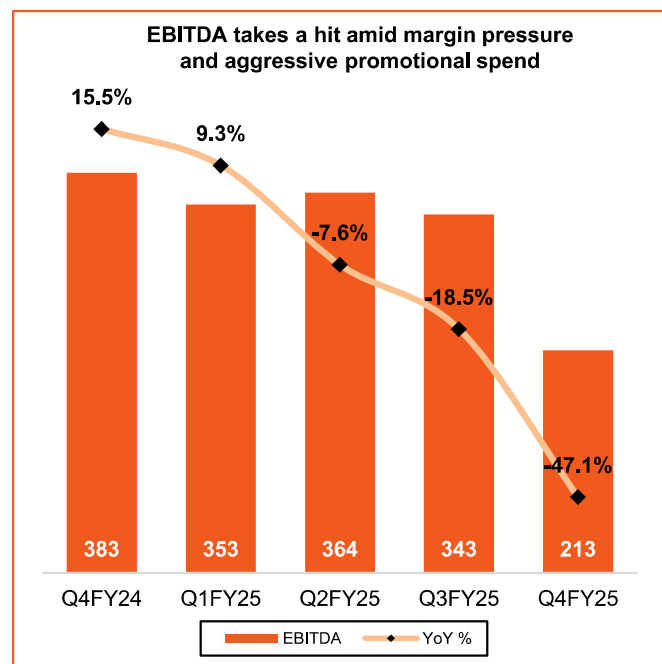
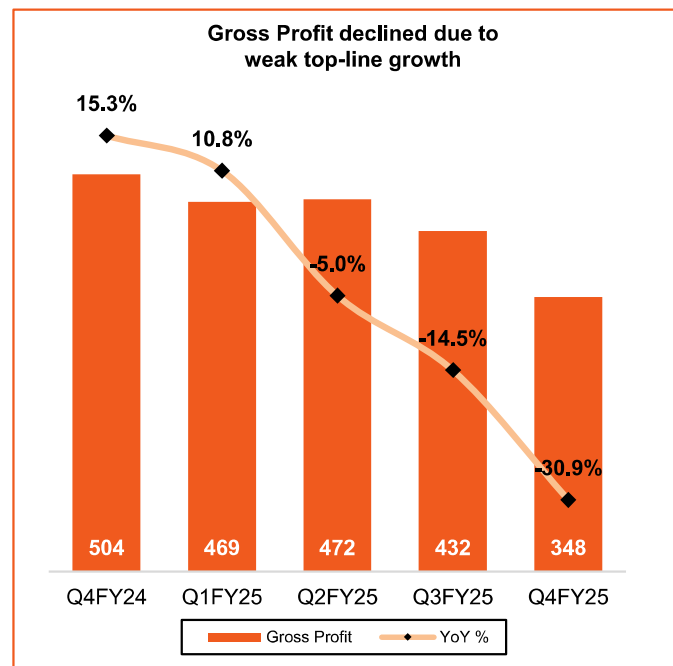
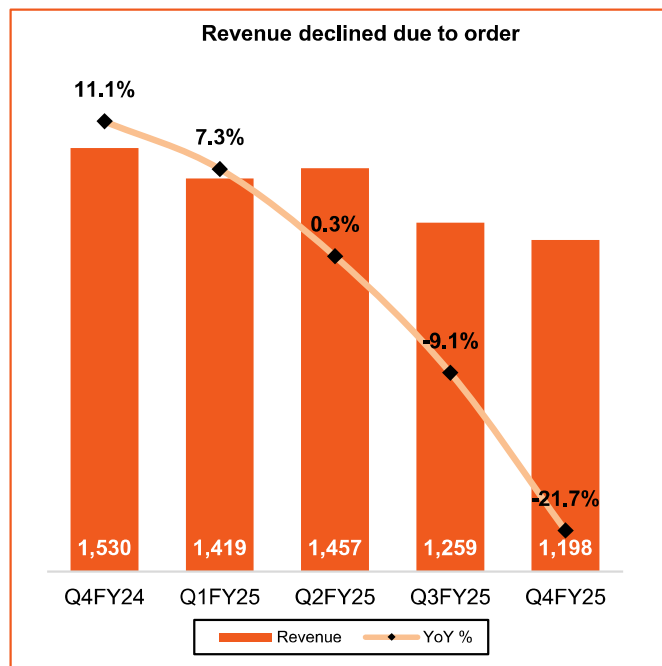
- Fineotex Chemical is currently executing a major capex initiative through the construction of a new greenfield manufacturing facility at Ambernath, with an additional installed capacity of 15,000 MTPA, scheduled to become operational by Q2FY26E.
- This expansion will increase the company's total installed capacity to 1,20,000 MTPA, enabling it to cater to rising demand across core verticals.
- As of FY25, overall capacity utilization stood at ~59.0–60.0%, indicating substantial headroom for volume-led growth post-commissioning.

Dividend and Liquidity

- The Board of Directors has declared a final dividend of INR 0.4 per share, bringing the total dividend payout for FY25 to INR 0.8 per share.
- As of FY25, Cash and bank balance combined stood at INR 417 Mn., with investments of INR 3,304 Mn.
- The surge in investments during FY25 was primarily driven by strategic capex for the 15,000 MTPA Ambernath plant, infrastructure upgrades including a new corporate office in Andheri, and capital work-in-progress linked to capacity expansion and business vertical scale-up initiatives.

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Story in Charts



Source: Company, DevenChoksey Research,

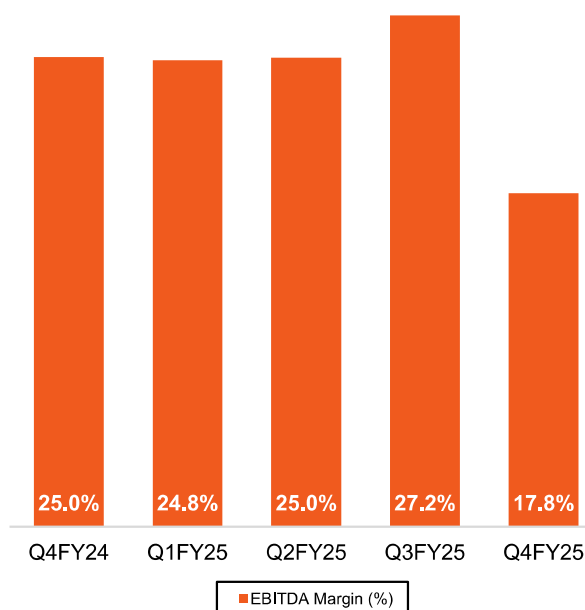
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RESULT SNAPSHOT

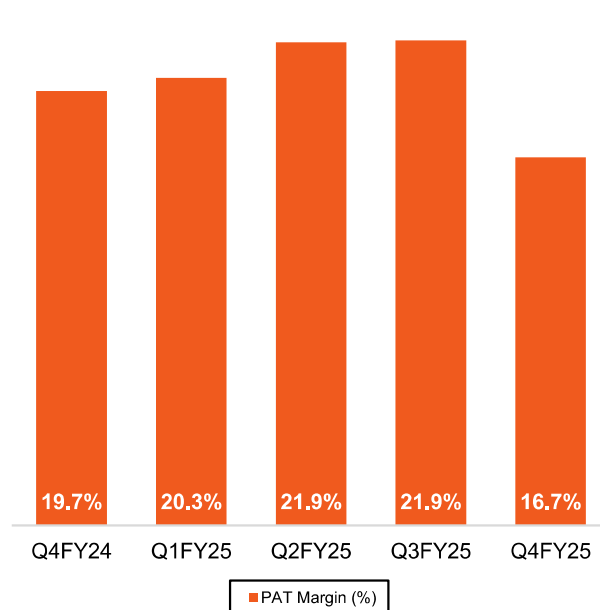
Particulars (INR Mn)	Q4FY25	Q3FY25	Q4FY25	Q-o-Q	Y-o-Y	FY25	FY24	YoY
Sales	1,198	1,259	1,530	(4.9%)	(21.7%)	5,333	5,690	(6.3%)
Total Expenditure	985	916	1,147	7.5%	(14.1%)	4,061	4,206	(3.4%)
Cost of Raw Materials	835	793	956	5.3%	(12.7%)	3,388	3,400	(0.4%)
Purchase of Stock	-44	20	32	(323.2%)	(235.8%)	30	141	(79.1%)
Changes in Inventories	-27	-72	-36	(62.4%)	(25.1%)	-141	-53	(164.6%)
Employee Cost	65	61	55	8.1%	18.1%	243	212	14.9%
Other Expenses	156	115	140	35.0%	11.3%	542	506	7.0%
EBITDA	213	343	383	(37.9%)	(44.4%)	1,272	1,484	(14.3%)
EBITDA Margins (%)	17.8%	27.2%	25.0%	-946bps	-725bps	23.9%	26.1%	-222bps
Depreciation	20	26	19	(22.4%)	8.6%	92	60	53.2%
EBIT	192.769	317	364	(39.2%)	(47.1%)	1,180	1,424	(17.1%)
Interest Expense	4	2	6	97.1%	(31.1%)	11	13	(19.7%)
Other Income	75	50	41	51.3%	82.0%	243	165	47.0%
PBT	264	365	400	(27.6%)	(34.0%)	1,412	1,575.7	(10.4%)
Tax	63	87	95	(27.3%)	(34.0%)	320	365	(12.3%)
PAT	201	278	305	(27.7%)	(33.9%)	1,092	1,210	(9.8%)
Minority Interest	2	2	4	(17.6%)	(56.0%)	10	12	(17.7%)
PAT attributable to Owners	200	276	301	(27.7%)	(33.7%)	1,082	1,198	(9.7%)
PAT Margin	16.8%	22.1%	19.9%	-530bps	-311bps	20.5%	21.3%	-79bps
Diluted EPS	1.76	2.43	2.66	(27.7%)	(33.9%)	9.53	10.56	(9.8%)

Source: Company, DevenChoksey Research

EBITDA Margin slides as growth investments and input pressures weigh on profitability



PAT Margin compress on weaker operating performance and strategic cost overruns



Source: Company, DevenChoksey Research

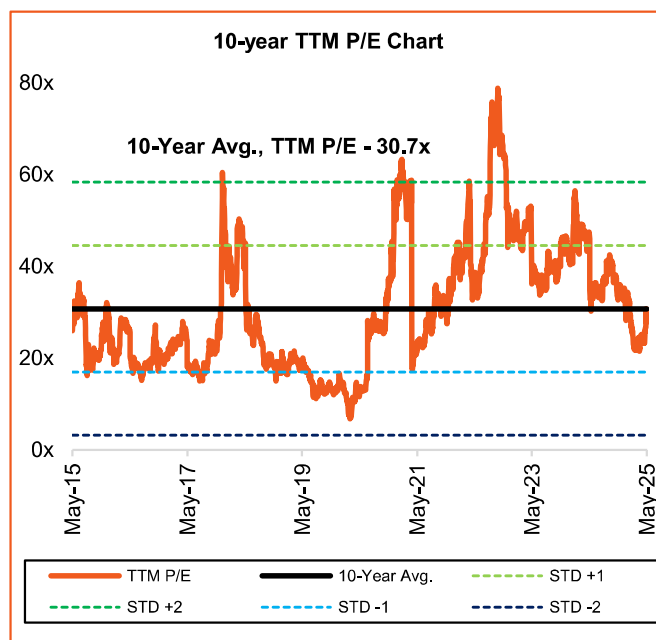
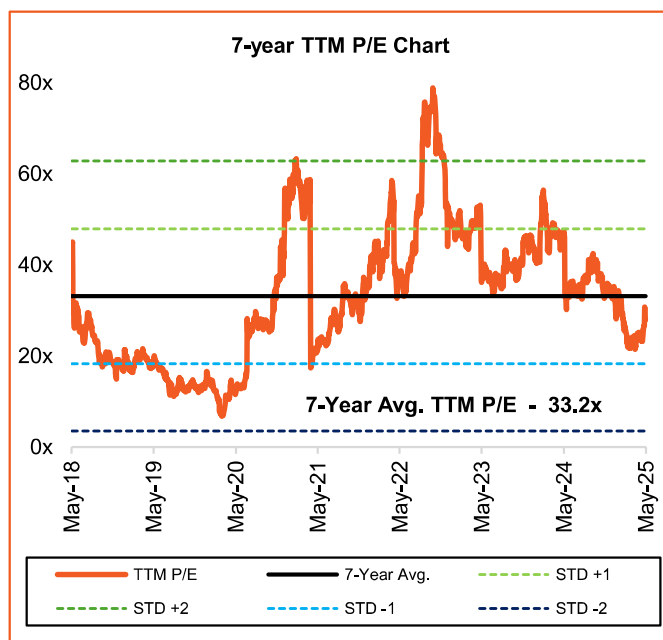
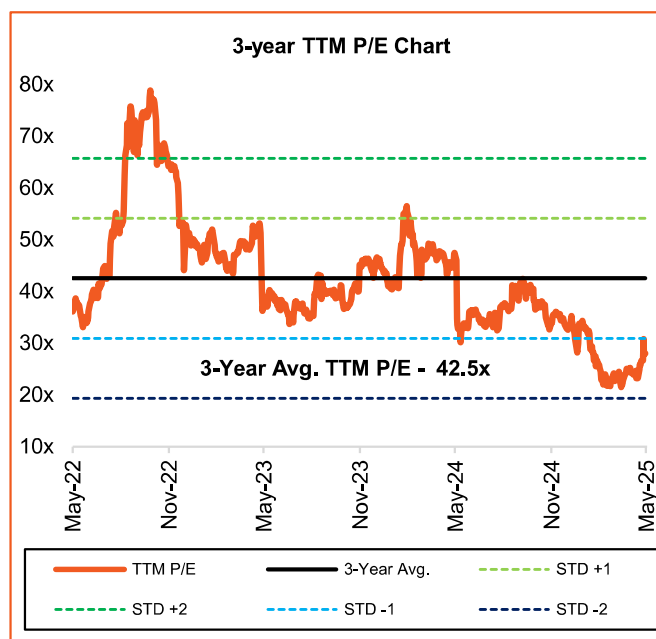
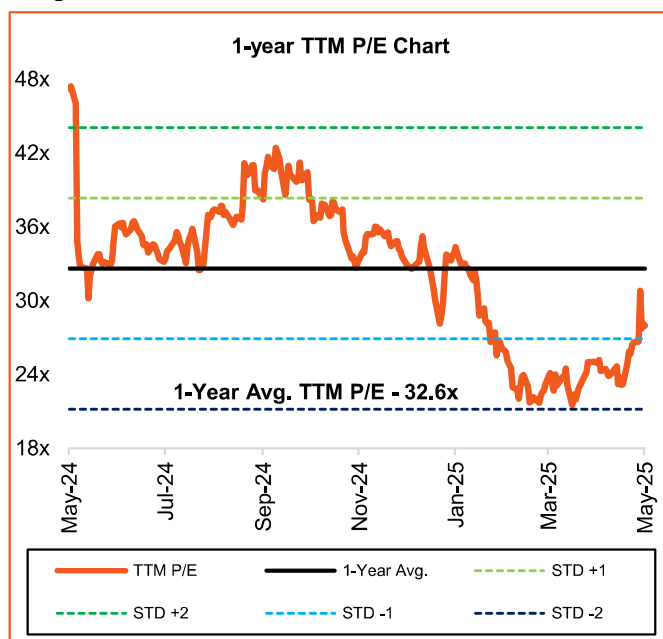
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Valuation and view:

Fineotex Chemical reported a revenue decline in Q4FY25 to INR 1,198 Mn., primarily due to softness in the FMCG and hygiene segment volumes, along with deferred export shipments amid geopolitical disruptions in key markets such as Bangladesh. EBITDA margins contracted to 17.8% in Q4FY25 and 23.9% for FY25, reflecting the impact of front-ended promotional investments, operational scale-up costs, and lower volumes. Although the Textile Chemicals segment demonstrated resilience with steady volume growth supported by firm demand and new client additions, the FMCG and Hygiene business remained under pressure from elevated raw material prices and an adverse shift in customer product preferences. On the other hand, emerging verticals such as Oil & Gas and Water Treatment are gaining momentum, backed by a robust enquiry funnel and expanding global interest.

We have revised our FY26E/FY27E EPS estimates by -20.5% / -19.8% respectively, reflecting softness in the FMCG and hygiene segments, persistent delay in export orders amid geopolitical disruptions, and margin headwinds from front loading of operating expenses. Despite near-term challenges, we remain constructive on FCL's long-term growth trajectory led by healthy order pipeline, high-potential verticals including oil & gas and water treatment and on the back of expected customer additions.

We value Fineotex chemicals at 22.0x FY27E EPS, implying a target price of INR 294. We reiterate and maintain our “BUY” rating on the stock.



Source: Bloomberg, DevenChoksey Research

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KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY24	FY25	FY26E	FY27E
Revenue from operation	5,690	5,333	6,025	7,228
Cost of goods sold (COGS)	3,488	3,276	3,693	4,477
Employee benefits expense	212	243	245	257
Other expenses	506	542	612	578
Total Expenses	4,206	4,061	4,549	5,313
EBITDA	1,484	1,272	1,475	1,915
Depreciation and amortization expense	60	92	107	122
EBIT	1,424	1,180	1,369	1,793
Other income	165	243	316	411
Finance costs	13	11	11	11
Profit before tax	1,576	1,412	1,674	2,193
Exceptional items - income / expense	0	0	0	0
Profit / loss before tax	1,576	1,412	1,674	2,193
Current tax	345	293	0	0
Total Tax expense	365	320	435	570
Profit after tax	1,210	1,092	1,239	1,623

Exhibit 2: Cash Flow Statement

Cash Flow Statement (INR Mn)	FY24	FY25	FY26E	FY27E
Net Cash Generated From Operations	974	693	1,442	1,551
Net Cash Flow from/(used in) Investing Activities	-469	-2,725	-1,570	-231
Net Cash Flow from Financing Activities	-239	1,765	1,488	-11
Effect of exchange differences	-6	-6	0	0
Net Inc/Dec in cash equivalents	260	-272	1,361	1,309
Opening Balance	303	563	291	1,652
Closing Balance	563	291	1,652	2,961

Exhibit 3: Ratio Analysis

Key Ratios	FY24	FY25	FY26E	FY27E
EBITDA Margin (%)	26.1%	23.9%	24.5%	26.5%
Tax rate (%)	23.2%	22.7%	26.0%	26.0%
Net Profit Margin (%)	21.3%	20.5%	20.6%	22.5%
RoE (%)	29.9%	18.3%	14.1%	14.8%
EPS (INR)	10.8	9.4	10.2	13.4
CFO/EBITDA	65.6%	54.5%	97.8%	81.0%

Source: Company, DevenChoksey Research

Exhibit 4: Balance Sheet

Balance sheet (INR Mn)	FY24	FY25	FY26E	FY27E
Property, plant & equipment	1,310	1,725	1,869	1,947
Capital work in progress	0	211	0	0
Investment property	39	0	0	0
Goodwill on consolidation	61	61	61	61
Investments	1,080	3,304	4,803	4,803
Others	16	37	37	37
Non - current tax assets	76	66	66	66
Other non - current assets	41	132	132	132
Total non - current assets	2,623	5,537	6,969	7,047
Inventories	501	645	515	624
Investments	388	0	2	2
Trade receivables	1,388	1,159	1,182	1,418
Cash and cash equivalents	227	293	1,652	2,961
Bank balances	172	124	124	124
Other financial asset	21	9	9	9
Other current assets	90	184	184	184
Asset classified as held for sale	72	72	72	72
Total current assets	2,858	2,609	3,863	5,518
Total assets	5,482	8,146	10,832	12,565

Equity and Liabilities

Equity share capital	222	229	237	237
Other equity	4,249	7,084	9,814	11,437
Minority interest	65	76	76	76
Total equity	4,536	7,389	10,127	11,750
Other financial liabilities	10	20	20	20
Provisions	3	1	1	1
Deferred tax liabilities (net)	39	66	66	66
Total non - current liabilities	52	87	87	87
Borrowings (overdraft)	52	2	2	2
Trade payables	728	568	516	625
Other financial liabilities	6	2	2	2
Other current liabilities	103	95	95	95
Provisions	4	4	4	4
Current tax liabilities (net)	0	0	0	0
Total current liabilities	894	671	619	729
Total liabilities	946	758	706	815
Total equity and liabilities	5,482	8,146	10,832	12,565

Fineotex Chemical Ltd.

Fineotex Chemicals Limited				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
27-May-25	242	294	BUY	Buy	More than 15%
18-Feb-25	254	366	BUY	Accumulate	5% – 15%
15-Nov-24	348	476	BUY	Hold	0 – 5%
12-Aug-24	367	529	BUY	Reduce	-5% – 0
31-May-24	355	573	BUY	Sell	Less than – 5%
20-Feb-24	436	571	BUY		

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**ISHANK
NAVAL
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