

CLEAN SCIENCE AND TECHNOLOGY (CST) – ADD

Company Update

Current Market Price (CMP)

Rs.1,329

Target Price

Rs.1,540

Rationale:

- Reported an improved set of results sequentially for Q3FY24.
- Still significantly lower yoy amid weak demand and lower realizations.
- A demand recovery will only be gradual.
- The 15 KTPA capacity for HALS is being commissioned this month.
- We trim FY25E-26E EPS by 4-5% and revise our FV to Rs1,540 (30X FY26E P/E).

(EPS – Earnings Per Share; HALS - Hindered amine light stabilizers; P/E=Price to Earnings Ratio; KTPA=Kilo Tonnes Per Annum)

Company Update:

Positives:

- Base business continues to generate very high margins.
- Management has aggressive growth targets aimed at ramping up revenues from HALS.
- Q3FY24 growth primarily volume-led on a qoq basis, with realizations holding steady.

Negatives:

- Demand weakness and stiff competition are hurdles that need to be overcome.
- The newer products will also probably start at lower margins in their initial years.
- Valuations still remain rich, at 49X/28X our revised FY25E/26E EPS.
- We would continue to look for more attractive entry points into the stock.

[Click here](#) For detailed report dated 5th Feb 2024. Note: CMP & valuation may differ due to difference in dates.



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