

**Key data January 20, 2011**
**Recommendation**

Current Price	Rs.121.5
Target Price( 6-9 Months)	Rs. 160
Target Price (15-18 Months)	Rs. 225

<b>Sector</b>	Specialty Chemicals
Market cap	Rs 113 Cr
52 Wk H/L (Rs)	152.3 /51.7
Avg. daily vol. (3 month)	7367

BSE Code	532834
Bloomberg	CFIN IN
Reuters	CAMFO.BO

**Absolute returns (%)**

	<b>1 mth</b>	<b>3 mth</b>	<b>12 mth</b>
CAMLINFIN	10.4	24.1	77.1
NIFTY	8.7	-2.3	-11.8

**CAMLINFIN Vs Sensex**

**Shareholding pattern (%)**
**Sept 30,2011**

Promoters	52.99
FII	0.29
DII	-
Others	46.72
Total	100.00

**Board of Directors:**

<b>Mr. Dilip Dandekar</b>	<b>Non Executive Chairman</b>
<b>Mr. Ashish S Dandekar</b>	<b>Managing Director</b>
<b>Mr. Pramod M. Spare</b>	<b>Director</b>
<b>Mr. Sharad M. Kulkarni</b>	<b>Director</b>
<b>Mr. A. E. Faizullahoy</b>	<b>Director</b>
<b>Mr. B. A. Patel</b>	<b>Director</b>

<b>Mr. D R Puranik</b>	<b>Chief Financial Officer</b>
<b>Ms. Arpita</b>	<b>Company Secretary</b>

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## Camlin Fine Sciences Ltd.

Arch Research Team had a detailed interaction with Mr. D R Puranik, Chief Financial Officer of the company at their Mumbai office during last month. We had detailed discussion in general and in particular about acquisition of Borregaard ,Italia s.p.a. which is one of the five largest global producers of Hydroquinone. Hydroquinone is the key raw material of the company's major products.

Camlin Fine Sciences Limited, formerly Camlin Fine Chemicals Ltd, is a Mumbai based company engaged in manufacturing of fine chemicals. The main products of the company are Antioxidants, Sweeteners and Active pharmaceuticals ingredients (API's). The company has installed capacity of 3700 Metric Tonne (MT) per annum of food antioxidants. It's food antioxidant products have major market in more than 55 countries worldwide.

### Acquisition of Borregaard, Italy

Camlin Fine acquired Borregaard, Italy s.p.a. through its wholly owned subsidiary in Mauritius on 8<sup>th</sup> March 2011, which has an integrated production capacity of 8000 MT per annum. This acquisition will help the company in getting confirmed supply of key raw material and also the technology for the manufacture of Hydroquinone and Catechol.

### Expansion of Markets

Camlin Fine is expecting to increase its market share in high growth evolving markets like China ,India, Latin America and Middle East , where the food processing industry has been growing at a rate of more than 10% in comparison of Global market rate of 3%. The company is continuously focusing on Research & Development and new product launches in food antioxidants sector.

### Sub – Division of equity share

Camlin Fine Sciences has announced Sub – Division of the face value of its equity from Rs. 10/- per share to Rs.2/- per share. This will improve liquidity of stock in the Bombay Stock Exchange and enable the small investors to purchase the shares. Arch Research also requested during their meeting with the management for listing of the shares of the company in NSE, which will further improve the liquidity of script.

### Strong growth led performance

Camlin Fine Sciences has delivered a high revenue growth of 18.75% YoY and more than 500% YoY net profit growth in 2010-11. The company has moderate Debt / Equity ratio of 1.47 and RoNW of 15.95 % in 2010-11. Current appreciation of US \$ against INR will provide extra short term boost to the Company's financial performance of the year.

### Valuation & Outlook

Camlin Fine Sciences has well positioned itself in the food antioxidants industry with continuous unique marketing and R & D efforts. Borregaard acquisition will help company to shoot up its growth plan in international market in the years to come.

We believe Camlin Fine Sciences will deliver 59% Top Line growth with a strong Bottom Line growth of 69 % in FY12 in comparison of FY 11 through general and inorganic routes. At present Camlin Fine Sciences is trading at P/E of 9.12 and EV / Sale of 0.63 of FY 12.

Hence, we give our **BUY** rating to Camlin Fine Sciences Limited with a target of Rs.160 -225 in medium to long term.

### Financials

Year to 31 March	2008-09A	2009-10A	2010-11A	2011-12E
Gross Sales (Rs Cr)	106.51	142.96	169.77	270.00
EBITDA (Rs Cr)	13.46	13.67	16.05	32.35
PAT (Rs Cr)	2.41	1.21	7.40	12.51
EPS (Rs)	4.16	2.08	7.95	13.32
Equity Cap. (Rs. Cr.)(Fv10)	5.80	5.81	9.31	9.39

Source: Company, Capitaline plus

Note : \* E – Consolidate Arch Research estimates

**Camlin Fine Sciences Ltd. – Brief History:**

- Camlin group founded by Mr. D. P. Dandekar in 1931
- Incorporated in Year 1993 Camlicon Consultants Pvt. Ltd.
- Name Changed from originally incorporated to Camlin Fine Chemicals Pvt. Ltd in 2006.
- In Aug ,2006 company was converted into public company by the name of Camlin Fine Chemicals.
- Company came with Rights issue in ratio of 3:5 in 2010 at price of Rs 16 including premium of Rs 6/share
- Amalgamation of Sangam Laboratories Ltd with Camlin Fine Sciences Ltd in 2011
- Acquired Borregaard, Italia in 2011
- Name was changed again from Camlin Fine Chemicals to Camlin Fine Sciences in Sept, 2011.

**Borregaard, Italy – An Introduction:**

Borregaard, Italia is based in Ravenna, Italy and was a subsidiary of Borregaard Industries Ltd, UK . The company has approximately 30 employees. The company has manufacturing facility of Hydroquinone and Catechol with total Installed capacity of 8000 MT per annum. It has a good manufacturing technology besides world-class engineering and technical expertise. It has a fully automated plant of TBC, Guaiacol, Veratrole and Guethol, which are the downstream products of Camlin Fine Sciences Ltd.

**Camlin Fine Share holding more than 1% as on 30<sup>th</sup> June and 30th Sept, 2011**

S.No.	Name of the Shareholder	No.of shares (30 Jun.11)	% of Total Shares	No.of shares (30 Sep. 11)	% of Total Shares
<b>A</b>	<b>Promoters</b>	<b>4940591</b>	<b>53.09</b>	<b>4940591</b>	<b>52.99</b>
<b>B</b>	<b>Public</b>	<b>1149947</b>	<b>12.36</b>	<b>1149137</b>	<b>12.32</b>
1	Nirmal Vnod Momaa	355907	3.82	355907	3.82
2	Camart Agencies Ltd	265968	2.86	265968	2.85
3	Rahul D Dhandekar	185600	1.99	185600	1.99
4	Girish S Apte	103400	1.11	102950	1.10
5	Dilip D Dhandekar	143072	1.54	142712	1.53
6	DDI Consultants Ltd	96000	1.03	96000	1.03
	<b>Total</b>	<b>6090538</b>	<b>65.45</b>	<b>6089728</b>	<b>65.31</b>

**Sources: BSE**

**About Company:**

Camlin Fine Sciences Ltd is world's largest manufacturer of food antioxidants with market share of more than 30% with installed capacity of 3700 MT, according to Company's data. The company has prepared a blue print of plan to increase it's market share up to 50% by 2013-14. The Company is keen to spread its wings into new products line like Bio Chemistry and Bio Technology ,indicating that, of that company has already changed its name to Camlin Fine Sciences Ltd form Camlin Fine Chemical Ltd.

Camlin Fine has about 185 dedicated strong Employees team of which all were given ESOP by the company.

## Products and Industry at a glance:

Camlin Fine Sciences has mainly two divisions for their products.

- **Food Ingredients Division:**

This division manufactures mainly Synthetic antioxidants, BHA, BHT and Ascorbyl Palmitate etc., which takes care of shelf life enhancement of food products which contain fats and oil. According to the company's Annual Report of the year ending 2010-11, the global market for Synthetic food antioxidants is about 10,000 MT with an approximate value of \$ 110 million and a global growth rate of 3 % per annum. It is used in the prevention of rancidity of edible fat & oils. Ascorbul Plamitate is generally used in the baby food industry.

- **Industrial Products Division:**

This division consists of the wide range of products for Industrial applications like Catechol, TBC, MEHQ, Guaiacol, Guethol and Technical Grade TBHQ etc. Catechol is approximately 600 times sweeter than sugar. Its market is in glut situation due to adverse scenario of the prices and margin. Guaiacol and Guethol have huge market application in food additive, cough suppressant and fragrance industry respectively. Camlin Fine Sciences has started development of these products in the Research Division and will commence commercial production of the same shortly.

Technical grade of TBHQ (M- TBHQ) has wide application as an antioxidant in Biodiesel industry. 35 Million Tons of Biodiesel is produced per year world-wide. According to Company's Annual Report of the year ending 2010-11, M-TBHQ has an estimated potential consumption of 2000-3000 Million Tons/year valued at \$ 17 million.

## Key Risk to our assumptions:

- Increase in cost of raw materials
- Fluctuations in FOREX
- Concern about Middle East & European markets

## Annual Results:

Particulars	2008-09	2009-10	Rs.in Cr.		
			2010-11	1HF 2011-12	2011-12 *E
Gross Revenue	106.51	142.96	169.77	122.35	270.00
Total Revenue	104.39	141.40	172.18	121.60	268.40
Expenditure	90.93	127.73	156.13	103.76	236.05
EBIDTA	13.46	13.67	16.05	17.84	32.35
Depreciation	4.08	4.67	5.65	3.16	5.87
Interest	5.76	6.78	9.17	7.08	12.12
Profit before tax	3.85	3.34	9.15	10.25	17.87
Tax	1.71	2.26	1.75	2.92	5.36
Net Profit	2.41	1.21	7.40	7.33	12.51
Equity Cap.(Fv. Rs 10)	5.80	5.81	9.31	9.32	9.39
EPS	4.16	2.08	7.95	7.88	13.32

**Note: \*E – Consolidate Analyst Estimates**

**Balance Sheet:**

Sources of funds	Rs.in Cr.			
	2008-09	2009-10	2010-11	2011-12 *E
Share capital	5.80	5.81	9.31	9.39
Reserve & Surplus	22.51	23.32	37.14	45.73
Loan funds	28.38	46.62	68.22	83.22
Deferred Tax liability	3.07	3.29	2.93	2.93
<b>Total</b>	<b>59.76</b>	<b>79.04</b>	<b>117.60</b>	<b>141.27</b>
<b>Application of funds</b>				
Net Fixed Assets	35.02	40.38	72.51	69.14
Investment	0.01	0.50	1.22	1.50
Net Current Assets	24.73	38.16	43.87	70.63
<b>Total</b>	<b>59.76</b>	<b>79.04</b>	<b>117.60</b>	<b>141.27</b>

**Ratio Matrix:**

Particulars	2008-09	2009-10	2010-11	2011-12 *E
Sale Growth %	29.34	34.22	18.75	59.04
EBIDTA Growth %	7.68	1.56	17.41	101.56
NPM Growth %	-8.01	-49.79	511.57	69.05
EPS	4.16	2.08	7.95	13.32
CEPS	11.19	10.12	14.02	19.57
EBIDTA margins %	12.64	9.56	9.45	11.98
PAT margins %	2.26	0.85	4.36	4.63
P/Book Value	0.93	2.24	1.40	2.07
P/E	10.96	53.99	8.81	9.12
E.V./EBIDTA	3.93	7.93	7.50	5.22
E.V./Sales	0.50	0.76	0.71	0.63
RoNW %	8.51	4.16	15.93	22.69
RoA %	6.88	3.00	10.21	18.09
RoCE %	4.25	1.60	6.45	9.04
Debt / Equity	1.00	1.60	1.47	1.51

**Note: \*E – Consolidate Analyst Estimates**

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