

**Robust Performance in Blends Business Offset by Plant Shutdown and One-offs**
**Est. Vs. Actual for Q1FY26:** Revenue: **MISS**; EBITDA: **MISS**; PAT: **MISS**
**Change in Estimates post Q1FY26**
**FY26E/FY27E:** Revenue: -13%/-9%; EBITDA: -33%/-11%; PAT: -48%/-7%

**Recommendation Rationale**

- **Sustained Growth in Blends Segment:** The Blends division remained the primary growth driver during Q1FY26, reinforcing its market leadership. Revenue from the segment increased by 8% YoY to Rs 233 Cr, compared to Rs 215 Cr in Q1FY25. Management expects this momentum to continue, projecting a CAGR of ~20% over the next 2–3 years.
- **Stable Performance in Vanillin:** The Vanillin business delivered stable performance despite channel inventory build-up and tariff-related uncertainties, posting revenue of Rs 56 Cr in Q1FY26. Management emphasised the company's competitive positioning versus Chinese peers and anticipates further ramp-up in subsequent quarters. This outlook is supported by the imposition of anti-dumping duties on Chinese manufacturers in the U.S. and EU, which is expected to drive higher volumes and improved realisations from these markets.
- **Margins Temporarily Impacted by One-off Factors:** Consolidated revenue for Q1FY26 stood at Rs 424 Cr, with the decline primarily attributable to lower sales in the Speciality Ingredients Straights segment. This was driven by an annual maintenance shutdown in Apr'25, resulting in an unabsorbed fixed cost of Rs 12 Cr and a Rs 7.5 Cr employee bonus in the Blends business. Lower production levels during Apr'25 also impacted gross margins as restart operations led to higher consumption of materials.

**Sector Outlook: Cautiously Optimistic**

**Company Outlook & Guidance:** Management remains confident in the growth trajectory of the Blends business, reiterating the 20% growth target over the next two years. Vanillin prices are trending upward, supported by the imposition of anti-dumping duties in key export markets. Production ramp-up is planned in line with favourable pricing trends. The Aroma business is expected to gradually increase capacity utilisation, aiming to achieve 100% over the next two years. Overall, EBITDA margins are projected to improve meaningfully over the coming quarters, aided by volume growth, favourable pricing in Vanillin, and operating leverage benefits.

**Current Valuation: 20x FY27E (Earlier: 15x FY27E)**
**Current TP: Rs 215/share (Earlier TP: 175/share)**
**Recommendation: We maintain our HOLD rating on the stock.**

**Financial Performance:** CFS's Q1FY26 Revenue grew 7% YoY but declined 3% QoQ to Rs 424 Cr, missing our estimate of Rs 475 Cr. EBITDA came in at Rs 19 Cr, up 5% YoY but down 68% QoQ, missing our estimate of Rs 67 Cr due to higher employee expenses. The EBITDA margins declined by 9 bps YoY and 909 bps QoQ to 4.5%. The company reported a net loss after discontinued operations of Rs 11 Cr, after posting a positive PAT number in the previous quarter.

**Outlook:** Following the closure of its European and Chinese facilities, the company is realigning its strategy towards cost optimisation and sustainable revenue growth. Margin expansion is expected to continue as losses from discontinued operations subside and other business segments scale up. CFS is also positioned to benefit from the enforcement of anti-dumping duties in the U.S. and firming Vanillin prices. While a steady improvement in operational performance is anticipated, near-term risks relating to tariff developments and the pace of capacity ramp-up warrant a cautious stance.

**Valuation & Recommendation:** We have revised our valuation multiple to 20x FY27E (from 15x FY27E) to capture the expected improvement in performance, supported by a higher contribution from the high-margin Blends segment, favourable Vanillin pricing trends, and improving profitability. Based on this, our target price is raised to Rs 215/share (earlier Rs 175/share), implying an 8% downside from the CMP. Accordingly, we maintain our **HOLD** rating on the stock.

**Key Financials (Consolidated)**

(Rs Cr)	Q1FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	424	7%	-3%	475	-10.8%
EBITDA	19	5%	-68%	67	-71.4%
EBITDA Margin	4.5%	-9bps	-909bps	14.0%	-951bps
Net Profit (Incl Discontinued operations)	(11)	131%	-9610%	16.8	-163%
EPS (Rs)	(0.6)	129%	-9610%	1.0	-163%

Source: Company, Axis Securities Research

 (CMP as of 8<sup>th</sup> August, 2025)

CMP (Rs)	234
Upside /Downside (%)	-8%
High/Low (Rs)	205/78
Market cap (Cr)	4,425
Avg. daily vol. (1m) Shrs.	3,52,663
No. of shares (Cr)	18.8

**Shareholding (%)**

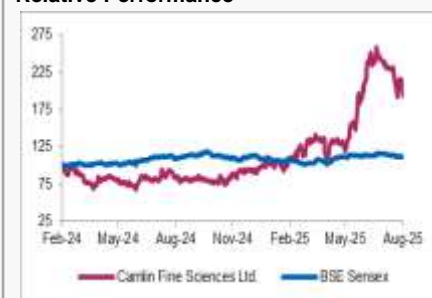
	Dec-24	Mar-25	Jun-25
Promoter	48.03	49.09	49.09
FII	0.76	1.47	2.88
DII	3.38	3.83	4.14
Others	47.83	45.61	43.88

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,667	1,990	2,490
EBITDA	208	229	386
Net Profit	-158	67	202
EPS (Rs)	-8.4	3.6	10.7
PER (x)	-27.8	65.7	21.8
P/BV (x)	5.0	4.7	3.8
EV/EBITDA (x)	23.7	21.0	12.4
ROE (%)	-18.1%	7.1%	17.6%

**Change in Estimates (%)**

Y/E Mar	FY26E	FY27E
Sales	-13%	-9%
EBITDA	-33%	-11%
PAT	-48%	-7%

**Relative Performance**


Source: Ace Equity, Axis Securities Research

**Sani Vishe**

 Research Analyst  
 Sani.vishe@axissecurities.in

**Shivani More**

 Research Associate  
 Shivani.more@axissecurities.in

## Key Concall Highlights

### Performance Overview

Q1FY26 revenue stood at Rs 424 Cr, up 7% YoY but down 3% QoQ, primarily impacted by lower sales in Speciality Ingredients Straights due to an Apr'25 maintenance shutdown and unabsorbed fixed costs of Rs 12 Cr. The EBITDA was also impacted by Rs 7.5 Cr in performance bonuses awarded to Blends employees, in recognition of their strong performance. Sluggish demand further pressured margins. Gross margin contracted to 44.1% vs. 50.8% in Q4FY25, with ~2–3% impact from lower production and higher consumption during plant restart. Blends remained the key growth driver.

- **Margin:** Gross margins are expected to sustain around ~45% ( $\pm 2-3\%$ ) range. Segment-wise, Hydroquinone chain margins are projected at ~50%, Catechol chain at ~20%, and Blends at ~40%. Employee costs rose to Rs 60 Cr (vs Rs 51 Cr in Q1FY25) due to one-time bonuses in the Blends business. The margins are expected to improve going ahead as volumes increase and employee expenses taper down.
- **Discontinued Europe and China Unit:** The company has ceased operations at its European Diphenol unit and Chinese manufacturing facility. Losses from these units have narrowed to ~Rs 6 Cr per quarter, with China losses expected to fade by FY26-end. The European site will incur ~Rs 2 Cr per quarter in maintenance costs in FY27.
- **Blends Segment:** Revenue from Blends rose 8% YoY to Rs 233 Cr, with CFS Vitafor contributing Rs 28 Cr. Management targets a 20% CAGR over the next 2–3 years and high-teens EBITDA margins.
- **Aroma/ Vanillin Business:** The segment reported revenue of Rs 56 Cr. Vanillin sales were stable despite channel inventory in the U.S. and Europe and tariff uncertainties. Current capacity utilisation is ~60% (vs 50% in Q1). Realisations averaged \$12.5/kg in Q1, with prices now slightly higher. Sales volumes for FY26 are projected at 2,500–3,000 tonnes (for US and Europe, it is expected to be 1800-2000 tons), with realisations of \$13-14/kg. Current price range of vanillin in the US market is around \$18-19, and in Europe market, it is \$14-15. Anti-dumping duties could lift U.S. prices to \$20–30/kg and EU prices to \$16–17/kg. Capacity utilisation is targeted at 70–80% in the near term, reaching full utilisation by FY28. Around 80% of Vanillin sales are to the U.S. and Europe, split evenly between contracts and spot sales.
- **Vitafor:** Revenue for CFS Vitafor rose sharply to Rs 28 Cr in Q1FY26, from Rs 16 Cr in the previous quarter, signalling robust momentum.

### Outlook

The management noted that Vanillin prices have been rising due to the anti-dumping action against Chinese manufacturers in the U.S.A. and are likely to improve further. The company plans to gradually ramp up capacity utilisation, targeting 100% in the next 2-3 years. The Blends business is expected to maintain its strong growth trajectory, with a sustained annual growth rate of 20% over the next few years.

### Key Risks to Our Estimates and TP

- Slowdown in demand for key products and delays in approvals from customers may lead to slower ramp-up.
- Adverse outcomes of global trade negotiations may adversely impact the demand/prices of key products.
- Faster-than-expected ramp-up of facilities or surge in prices of key products may pose upside risks to our estimates.

### Change in Estimates

	New Estimates		Old Estimates		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Sales	1,990	2,490	2,280	2,748	-13%	-9%
EBITDA	229	386	342	434	-33%	-11%
PAT	67	202	129	217	-48%	-7%

Source: Company, Axis Securities Research

### Q1FY26 Results Review

	Q1FY25	Q4FY25	Q1FY26 Axis Est	Q1FY26	YoY (%)	QoQ (%)	Axis Variance %
Sales	396	437	475	424	7.0%	-3.2%	-10.8%
Expenditure							
Net Raw Material	218	215	233	237	94.3%	10.0%	
Gross Profit	178	222	242	187	5.0%	-16.0%	
Gross Margin (%)	44.9%	50.8%	51.0%	44.1%	-85bps	-671bps	-693bps
Employee Expenses	51	50	55	60	16.4%	18.8%	
Other Exp	109	113	121	108	-0.4%	-4.0%	
EBITDA	18	59	67	19	4.9%	-68.0%	-71.4%
EBITDA Margin (%)	4.6%	13.6%	14.0%	4.5%	-9bps	-909bps	-951bps
Oth. Inc	2	10	3	9	358.5%	-10.7%	
Interest	23	16	18	16	-32.3%	-1.8%	
Depreciation	20	18	18	17	-15.9%	-8.0%	
PBT	(23)	31	33	(4)	-81.8%	-113.9%	
Tax	11	8	8	(0)	-100.1%	-100.1%	
PAT (Incl'd Discontinued operations)	(35)	0	17	(11)	130.8%	-9610.1%	-163.4%
EPS	(2.2)	0.01	1.01	(0.64)	128.9%	-9610.1%	-163.4%

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Total Net Sales</b>	<b>1,682</b>	<b>1,454</b>	<b>1,667</b>	<b>1,990</b>	<b>2,490</b>
Sales Growth %	19.1%	-13.5%	14.6%	19.4%	25.1%
Total Raw Material Consumption	813	770	849	1,055	1,282
Staff costs	163	153	192	219	249
Other Expenditure	500	372	417	488	573
Total Expenditure	1,476	1,294	1,458	1,761	2,104
<b>EBITDA</b>	<b>205</b>	<b>160</b>	<b>208</b>	<b>229</b>	<b>386</b>
% Change	34.3%	-22.2%	30.3%	10.0%	68.7%
<b>EBITDA Margin %</b>	<b>12.2%</b>	<b>11.0%</b>	<b>12.5%</b>	<b>11.5%</b>	<b>15.5%</b>
Depreciation	63	56.4	63.8	74.3	85.5
EBIT	143	103	144	155	300
% Change	47.4%	-27.6%	39.6%	7.1%	94.4%
<b>EBIT Margin %</b>	<b>8.5%</b>	<b>7.1%</b>	<b>8.7%</b>	<b>7.8%</b>	<b>12.1%</b>
Interest	59	60	100	55	41
Other Income	6	16	14	14	17
PBT	80	59	49	114	277
Tax	41	6	0	28	69
<i>Tax Rate %</i>	<i>4056.7%</i>	<i>563.2%</i>	<i>6.7%</i>	<i>2843.9%</i>	<i>6919.8%</i>
<b>PAT before discontinued ops.</b>	<b>40</b>	<b>53</b>	<b>49</b>	<b>85</b>	<b>208</b>
<i>Discontinued operations</i>	<i>0</i>	<i>-158</i>	<i>-208</i>	<i>-18</i>	<i>-6</i>
<b>PAT after discontinued ops.</b>	<b>40</b>	<b>-105</b>	<b>-158</b>	<b>67</b>	<b>202</b>
PAT Growth %	-34.1%	-363.4%	50.8%	-142.3%	201.4%

Source: Company, Axis Securities Research

Note: FY24 Financials have been restated by the company to account for discontinued operations.

### Balance Sheet

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Share Capital</b>	<b>16</b>	<b>17</b>	<b>19</b>	<b>19</b>	<b>19</b>
Reserves & Surplus	804	848	883	950	1,151
<b>Total Shareholders' Funds</b>	<b>824</b>	<b>857</b>	<b>875</b>	<b>942</b>	<b>1,143</b>
Non-Current Liabilities					
Long-term Borrowings	408	333	268	174	112
Deferred Tax Liability (Net)	15	7	3	3	3
<b>Total Non-Current Liabilities</b>	<b>443</b>	<b>362</b>	<b>303</b>	<b>210</b>	<b>150</b>
Current Liabilities					
Short-Term Borrowings	371	325	377	323	261
Trade Payables	288	325	377	376	439
Other Financial Liability	64	32	52	103	126
Other Current Liability	38	33	16	21	26
<b>Total Current Liability</b>	<b>793</b>	<b>732</b>	<b>846</b>	<b>849</b>	<b>881</b>
<b>Total Liabilities</b>	<b>1,236</b>	<b>1,095</b>	<b>1,149</b>	<b>1,060</b>	<b>1,031</b>
<b>Total Equity &amp; Liability</b>	<b>2,060</b>	<b>1,952</b>	<b>2,024</b>	<b>2,001</b>	<b>2,174</b>
Assets					
PP&E	753	712	593	668	733
Intangible assets	66	60	58	75	84
Capital Work in Progress	41	46	10	10	10
<b>Total Non-Current Assets</b>	<b>972</b>	<b>951</b>	<b>840</b>	<b>916</b>	<b>991</b>
Current Assets:					
Inventories	568	513	527	463	566
Trade Receivable	305	285	328	327	375
Cash and Cash Equivalents	94	80	104	94	5
Bank Balance	5	13	50	50	50
Other Current Assets	102	97	124	139	174
<b>Total Current Assets</b>	<b>1,088</b>	<b>1,001</b>	<b>1,183</b>	<b>1,086</b>	<b>1,183</b>
<b>Total Assets</b>	<b>2,060</b>	<b>1,952</b>	<b>2,024</b>	<b>2,001</b>	<b>2,174</b>

Source: Company, Axis Securities Research

Note: FY24 Financials have been restated by the company to account for discontinued operations.

**Cash Flow**

(Rs Cr)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
PBT	80	59	49	114	277
Discontinued Operations	0	0	-208	-18	-6
Depreciation & Amortization	63	79	74	74	86
Chg in Working cap	-139	32	-78	145	-93
Direct tax paid	-20	-48	-38	-28	-69
<b>Cash flow from operations</b>	<b>51</b>	<b>139</b>	<b>27</b>	<b>326</b>	<b>218</b>
Chg in Gross Block	-144	-61	-42	-149	-159
Chg in Investments	29	-8	-4	0	0
Proceeds on redemption of Fin. Assets	0	0	-31	0	0
<b>Cash flow from investing</b>	<b>-125</b>	<b>-66</b>	<b>-75</b>	<b>-136</b>	<b>-143</b>
Proceeds / (Repayment) of Short-Term Borrowings (Net)	52	0	-15	-54	-62
Proceeds from the issue of Equity Instruments of the company	1	1	223	0	0
Loans	81	25	-56	-94	-62
Finance Cost paid	-52	-73	-70	-55	-41
Dividends paid	-14	-28	0	0	0
<b>Cash flow from financing</b>	<b>60</b>	<b>-86</b>	<b>72</b>	<b>-201</b>	<b>-163</b>
<b>Chg in cash</b>	<b>-14</b>	<b>-13</b>	<b>24</b>	<b>-10</b>	<b>-88</b>
Cash at start	108	94	80	104	94
Cash at end	<b>94</b>	<b>80</b>	<b>104</b>	<b>94</b>	<b>5</b>

**Ratio Analysis**

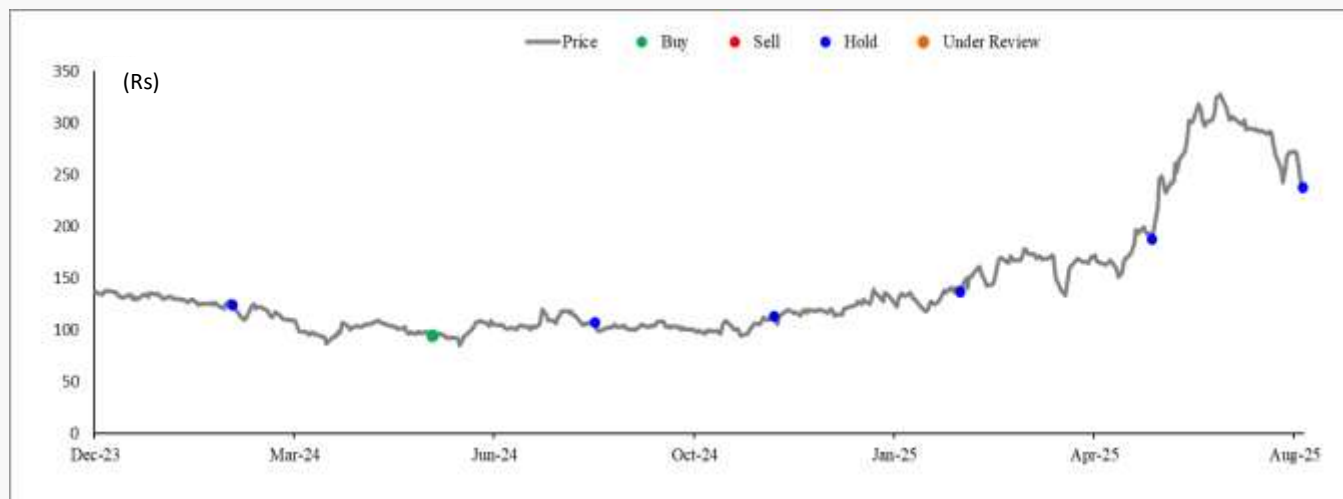
(%)

Y/E March	FY23	FY24	FY25	FY26E	FY27E
<b>Growth (%)</b>					
Net Sales	19.1%	-13.5%	14.6%	19.4%	25.1%
EBITDA	34.3%	-22.2%	30.3%	10.0%	68.7%
APAT	-34.1%	-363.4%	50.8%	-142.3%	201.4%
<b>Per Share Data (Rs)</b>					
Adj. EPS	2.5	-6.3	-8.4	3.6	10.7
BVPS	52.5	51.2	46.5	50.1	60.8
DPS	0.0	0.0	0.0	0.0	0.0
<b>Profitability (%)</b>					
EBITDA Margin	12.2%	11.0%	12.5%	11.5%	15.5%
Adj. PAT Margin	2.4%	-7.2%	-9.5%	3.4%	8.1%
ROCE	12.3%	9.2%	13.8%	15.0%	23.9%
ROE	4.8%	-12.2%	-18.1%	7.1%	17.6%
ROIC	12.3%	9.2%	13.8%	15.0%	23.9%
<b>Valuations (X)</b>					
PER	92.3	-37.4	-27.8	65.7	21.8
P/BV	4.5	4.6	5.0	4.7	3.8
EV / EBITDA	21.2	28.2	23.7	21.0	12.4
EV / Net Sales	2.6	3.1	3.0	2.4	1.9
<b>Turnover Days</b>					
Asset Turnover	2.0	1.4	1.6	1.9	2.0
Inventory days	101.9	135.7	113.8	85.0	83.0
Debtors' days	65.6	74.0	67.2	60.0	55.0
Creditors' days	117.2	145.3	150.8	130.0	125.0
Working Capital Days	50.3	64.4	30.2	15.0	13.0
<b>Gearing Ratio</b>					
Total Debt to Equity (x)	0.8	0.7	0.6	0.4	0.3

Source: Company, Axis Securities Research

Note: FY24 Financials have been restated by the company to account for discontinued operations.

## Camlin Fine Sciences Price Chart and Recommendation History



Date	Reco	TP	Research
12-Feb-24	HOLD	120	Result Update
22-May-24	BUY	120	Result Update
13-Aug-24	HOLD	107	Result Update
12-Nov-24	HOLD	115	Result Update
17-Feb-25	HOLD	135	Result Update
26-May-25	HOLD	170	Result Update
11-Aug-25	HOLD	215	Result Update

Source: Axis Securities Research

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Compliance Officer Details: Name – Mr. Rajiv Kejriwal, Tel No. – 022-68555574, Email id – [compliance.officer@axisdirect.in](mailto:compliance.officer@axisdirect.in);

Registered Office Address – Axis Securities Limited, Unit No.002, Building- A, Agastya Corporate Park, Piramal Realty, Kamani Junction, Kurla (W), Mumbai – 400070.

Administrative office address: Axis Securities Limited, Aurum Q Parc, Q2 Building, Unit No. 1001, 10th Floor, Level – 6, Plot No. 4/1 TTC, Thane – Belapur Road, Ghansoli, Navi Mumbai, Pin Code – 400710.

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.