

CHEMENERGY BIOFUELS PVT. LTD.

Company Data

Market Cap (₹ in Cr)	316.62
Industry	Biofuels
Book Value per share	27.66
Net Worth (₹ in Cr)	31.28
EPS as on 31st Mar 23	5.31
Last Traded Price	280
P/E	52.77
P/B	10.12
ROE	31.86%

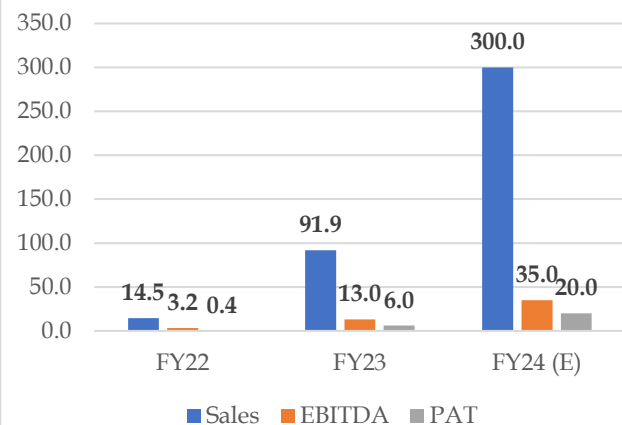
About Company:

Chemenergy Biofuels Pvt. Ltd. is in the business of manufacturing, processing, refining, import & export of biofuels such as bio-diesel and various other chemicals and chemicals byproducts like Glycerine, Fatty Acid, Black Oil, Palm Stearin. Company's Biodiesel & Glycerine plant design, process and technology is an in-house technology and can process multiple feedstocks. Its manufacturing unit is located at Khurja, Bulandshahr, Uttar Pradesh. The company has a total capacity of 174KLPD for producing Biodiesel.

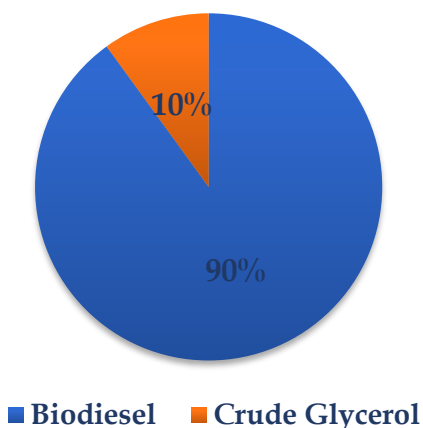
Revenue Segments:

- **Refinery:**
CHEMENERGY owns a refining plant and the facilities are well equipped with state-of-the-art refining techniques.
- **Distillation:**
CHEMENERGY enjoys outstanding expertise and technological know-how in the process of distillation – producing refined glycerine and biodiesel of impeccable purity.
- **Trading:**
CHEMENERGY is one of the leading providers of Oleo chemical products such as Palm oil, RBD Palm Stearin, Bio diesel, Crude Glycerine & Refined Glycerine.

Financials in Crore



Segmental Revenue



Key Updates:

- The company bagged an order of 12000KL at Rs.87.36/L from IOCL.
- Indian Oil has approved procurement of 6000 KL of Bio Diesel @ Rs. 107 for Second quarter of FY23.
- The turnover for April-May stood at Rs.65-70cr. with volume at 5500KL being delivered. The same is expected for June-July. The company is expected to achieve a total turnover of Rs.250-300cr. and a PAT of 15-20cr. for the FY24.
- The company has made a CAPEX announcement of Rs.40-45cr. for CBG plant which will take place in 2 phases, this is expected to fetch in revenues of Rs.30. and PBT of Rs.10-12cr. by FY25. Post full expansion the bottom line is expected to reach Rs.30cr.
- The company has plans of raising funds worth Rs.30-35cr. in 2 phases, the initial will be at a valuation of Rs.300cr.
- The company has Working Capital of Rs.60-65cr., this is sufficient to manage the operations while utilizing maximum of its capacity.

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Manufacturing Facility

The manufacturing unit of the company is located at Khurja, Bulandshahr, Uttar Pradesh. The company has a total capacity of 174KLPD for producing Biodiesel. The plant has the following sections which ensure optimum product quality:

1. Degumming Section

This section removes the phosphatides (called gums) from the oil. Most of the biodiesel is produced from refined/edible type oils, however, this process of degumming has usage in high FFA feedstocks to produce biodiesel which is otherwise difficult.

2. Acid Esterification Section

This process improves the efficiency of biodiesel production.

3. Glycerine Purification Section

This optimizes the crude glycerine coming out of the plant and makes it more purified.



Products

Bio-Diesel

Bio-diesel refers to a type of diesel fuel consisting of long-chain alkyl (methyl, ethyl, or propyl) esters. Biodiesel is typically made by chemically reacting lipids (e.g., vegetable oil, soybean oil) with an alcohol producing fatty acid esters. Bio-diesel is a drop-in biofuel and thus meant to be used in standard diesel engines and is thus distinct from the vegetable and waste oils used to fuel converted diesel engines. Biodiesel can be used alone, or blended with petrodiesel in any proportions. Biodiesel blends can also be used as heating oil.

Blends of 20% biodiesel and lower can be used in diesel equipment with no, or only minor modifications.

The major clients of Biodiesel are OMC like BPCL, IOCL, HPCL, Reliance etc. The company generates around 90-92% of its revenue from this segment.

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Crude Glycerol

Glycerol (also known as glycerin) is a major by-product in the biodiesel manufacturing process. In general, for every 100 pounds of biodiesel produced, approximately 8-10 pounds of crude glycerol are created. As the biodiesel industry is rapidly expanding, a glut of crude glycerol is being created.

This segment contributes around 8-10% to the company's revenue.

RAW MATERIAL

The following are the various kinds of raw material can be used for manufacturing Bio-Diesel under the type of plant installed by the company -

- Repurpose Used Cooking Oil (RUCO)
- Acid Oil
- Palm Fatty Acid Distillate (PFAD)
- Palm Stearin

The company has installed such plant under which any of the above raw material / material mix can be used for manufacturing Bio-Diesel. The main reason for installing this type of plant is to reduce the dependence over single type of raw material so that there is minimal production loss in case of shortage of any of the above-mentioned raw material.

Management:

Mr. Sidharth Saggarr

Mr Sidharth Saggarr, aged 34 years is promoter director of the company. He did his graduation in 2007 in Commerce. He did MBA in Finance Stream from La-Trobe University, Sydney (Australia).

Mr. Yatin Saggarr

Sh. Yatin Saggarr, aged 28 years is promoter director of the company. He did B. Tech in from Vellore Institute of Technology, Vellore and is Chemical Engineer by profession. Due to his background knowledge and his area of expertise, he took the charge of Procurement and Quality Control Department of the firm. He along with Sh. Sidharth Saggarr diversified the family business from trading to indirect manufacturing of Refined Glycerine and Bio-Diesel.

Industry outlook and government initiatives:

India's Biodiesel Industry:

India Biodiesel market demand stood at 0.17 million Tonnes in FY2021 and is forecast to reach 0.26 million Tonnes by FY2030, growing at a healthy CAGR of 8.60% until 2030. Increasing crude oil import bills has made the Indian government switch to domestic fuel alternatives with Biodiesel, which is serving as the main game-changer. With the initiation of **the National Policy on Biofuels in 2019**, the demand for Biodiesel is set to witness an upward trend in the coming years. India's initiative towards promoting cleaner fuels is all set to elevate the country's overall Biodiesel demand. As India's primary energy demand is all set to double in the next two decades, the use of cleaner fuel alternatives will continue to spur the sales of Biodiesel as a fuel. The transport sector, railways, and industries are the major Biodiesel end-users in India and offer vast potential to the biofuel market.

The demand for biofuels is shifting towards emerging economies, which are working towards framing policies that favour the domestic biofuels market. India's biofuel production accounts for only one percent of the global production and hence this market is still a niche in the country. As the Central Government is providing support to the domestic players to tap the potential for India's Biodiesel market, many players are investing in this sector. The transportation

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sector is one of the major consumers of Biodiesel, followed by the energy and construction sector where it is used in operations. Strong Indian government support is also attracting international players to enter for biofuel business in India.

Biodiesel in Automobile Sector

Pollution is increasing day by day and one the major reasons behind this is automobile pollutants, which come out due to the use of petrol or diesel-based automobiles. Biodiesel is the alternative option which least harms the environment. There are several reasons in the support of using biodiesel as an alternative fuel:

- It is biodegradable, nontoxic and produces fewer pollutants when burnt completely. It can be used in pure form (B100) or blended with petroleum diesel. Most of the common blend includes B2 (2% biodiesel, 98% diesel), B5 (5% biodiesel, 95% Petro diesel) or B20 (20% biodiesel, 80% Petro diesel).
- It has reduced exhaust emissions as compared to petroleum diesel fuel and also it has lower toxicity as compared to the petroleum diesel fuel.

Growth Levers:

- **On stream of New Capacity:** As Company has expanded its manufacturing capacity, new production is expected to boost its financials going forward. Demand is very strong from OMCs as they have to comply with biodiesel blending norms.
- **Government's thrust on Biodiesel:** The order continuity from the OMCs and the constant initiatives from the government shows the seriousness of the government for moving towards biodiesel. As per the recent circular by the government regarding the same, if any OMC sells unblended diesel, then an additional cess of Rs.2/L will be levied from April 2023 onwards. The government also has set target to achieve 5% biodiesel blending in the next 2 years. These will be strong growth driver for the companies involved in the business of producing Biodiesel.
- **Strong orders in Pipeline:** The company recently received 12000KL of Biodiesel from IOCL. With the tenders for the Quarter standing at 2.3L tonnes for the industry, the market size of the industry is expected to be roughly Rs.8000-10000 crores. The recent developments in the industry are expected to benefit the company and the future growth prospects looks positive.

Peer Comparison:

Rs. In cr.

	Chemenergy FY23	Kotyark FY23
Total Income	92	114
Total Expenditure	79	96
EBITDA	13	18
EBITDAm	14.1%	15.8%
PAT	6	11
Market Cap.	316.62	520
No. of Share (in cr.)	1.13	0.87
EPS	5.31	13.13
Book Value per share	27.66	65
P/E	52.77	45.27
P/B	10.12	9.15

No other listed Players.

- No unlisted player with such kind of plant and capacity.
- Large players like Emami have small captive consumption units.

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Investment Rationale:

- **Attractive Valuation:** The company is trading at a very competitive price multiple as compared to its peers.
- **Growing Industry;** under 'Make in India' initiative government has identified various sectors which are in Renewable energy.
- The company is expected to achieve a utilization of 75-80% in the foreseeable future. With the improvement in capacity utilization the company's top line is expected to witness a substantial increase going ahead.
- **New Opportunities:** Other than Private players, IOCL has started procuring in large amount which reveals government focus on mixing of 10% Bio diesel in Diesel over the next few years. The company has made a CAPEX announcement of Rs.40-45cr. for CBG plant which will take place in 2 phases, this is expected to fetch in revenues of Rs.30. and PBT of Rs.10-12cr. by FY25. Post full expansion the bottom line is expected to reach Rs.30cr.
- **Robust Financials;** High growth achieved in revenue on a y-o-y basis with positive EBITDA and high profitability margins. The turnover for April-May stood at Rs.65-70cr. with volume at 5500KL being delivered. The same is expected for June-July. The company is expected to achieve a total turnover of Rs.250-300cr. and a PAT of 15-20cr. for the FY24.
- Exploring the potential of leveraging **carbon credits**.
- The company may also benefit from the rise in crude oil price as this will **improve realization**.
- The current market capitalization of Chemenergy Biofuels Pvt. Ltd. is Rs.316.62 crores and is presently trading at P/E of 52.77x. The expected EPS of Rs.17.69 for FY24 discounts the current market price of Rs.280 by a P/E of ~15.83x. This is low for a company which is anticipated to more than triple its earnings in the foreseeable future.