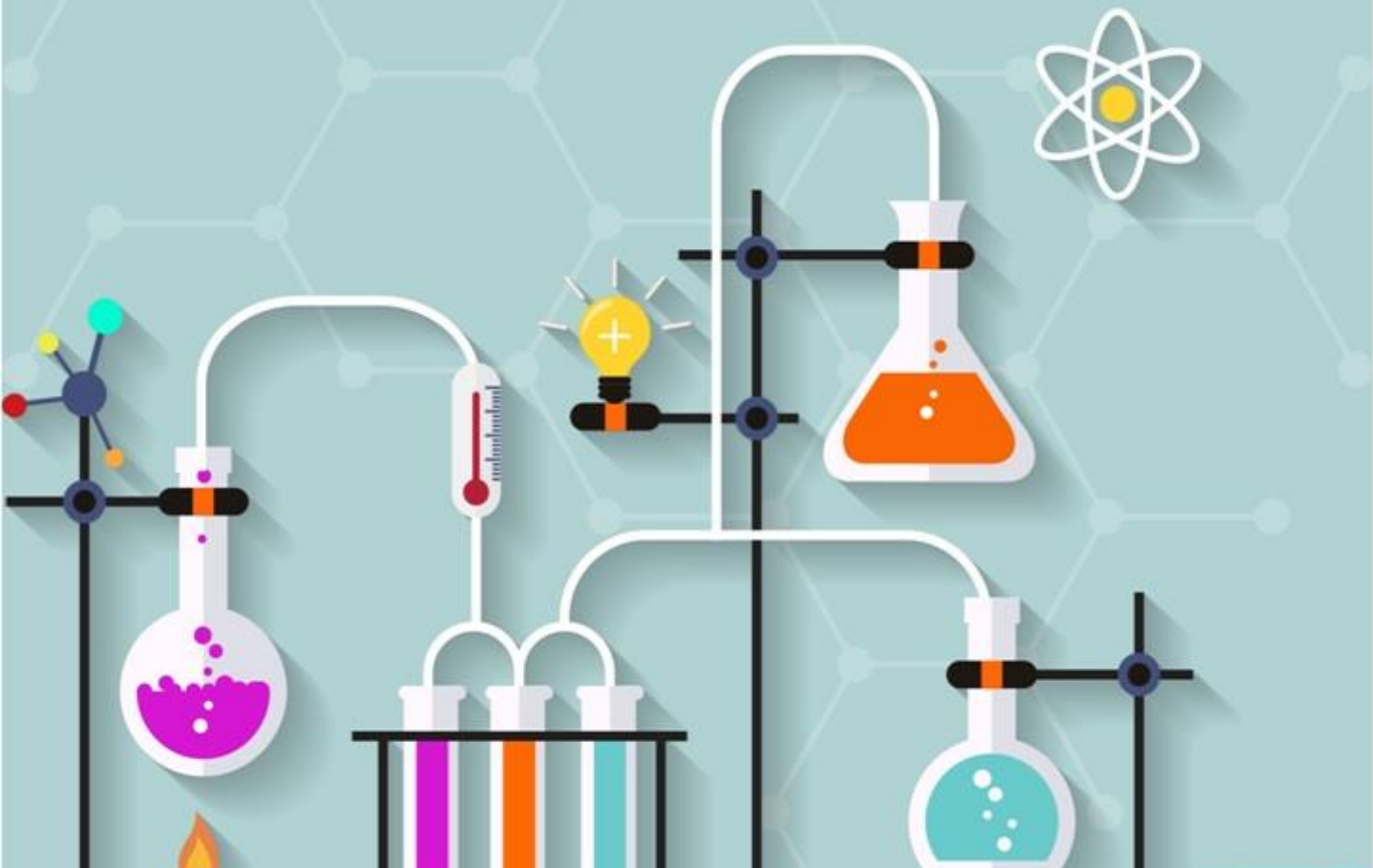


Laxmi Organic Industries Ltd.



Laxmi Organic Industries Ltd.

The growth was backed by robust volume growth and elevated prices

CMP INR 387	Target INR 530	Potential Upside 37.1%	Market Cap (INR Mn) INR 101,747	Recommendation BUY	Sector Specialty Chemicals
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Result Highlights of Q4FY22

- Laxmi Organics Industries Ltd (LXCHEM) reported overall revenue of INR 8,799 Mn (+69.4% yoy / 2.3% qoq) below our estimates (down by ~4% qoq). However, the growth was observed in both the revenue segments where revenue from Acetyl Intermediates (AI) business stood at INR 5,338 Mn (+91.2% yoy / +0.7% qoq) and SI business revenue stood at INR 2,789Mn (+77.0% yoy / +5.0% qoq).
- EBITDA grew at INR 729 Mn by 14.5% yoy; however, it is contracted by 38.5% on a sequential basis amid rise in power and logistics expenses along with raw material price increased during the quarter.
- Net profit reported at INR 575 Mn (+58% yoy / -30% qoq) as against INR 364Mn in Q4FY21 and INR 821Mn in Q3FY22. EPS reported at INR 2.18 as against INR 1.38 in Q4FY21 and INR 3.07 in Q3FY22.
- The board of directors recommended a final dividend of INR 0.70 which is subject to approval from the shareholders.

MARKET DATA

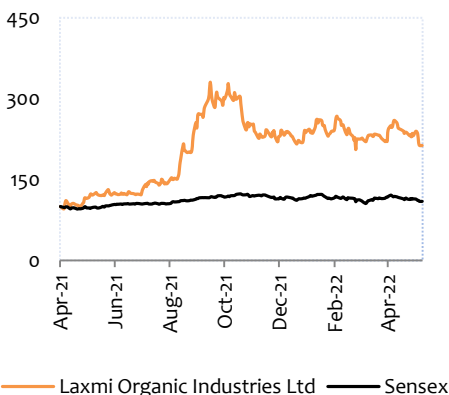
Shares outs (Mn)	264
Equity Cap (INR Mn)	527
Mkt Cap (INR Mn)	1,01,747
52 Wk H/L (INR)	628/143
Volume Avg (3m K)	1008.0
Face Value (INR)	2
Bloomberg Code	LXCHEM IN

Key Financials

INR millions	FY20	FY21	FY22	FY23E	FY24E
Revenue	15,341	17,684	30,842	35,705	41,491
EBITDA	1,135	2,167	3,677	4,463	5,809
PAT	702	1,271	2,565	3,036	3,996
EPS (INR)	2.9	5.6	9.7	11.5	15.2
EBITDA Margin (%)	7.4%	12.3%	11.9%	12.5%	14.0%
NPM (%)	4.6%	7.2%	8.3%	8.5%	9.6%

Source: Company data, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	54,836
NIFTY	16,411

SHARE HOLDING PATTERN (%)

Particulars	Mar 21	Dec 21	Sep 21
Promoters	72.9	72.9	72.9
FIIIs	0.3	0.3	0.9
DIIIs	3.4	3.3	3.3
Others	23.4	23.5	22.9
Total	100.0	100.0	100.0

Overall topline growth was driven by volume growth in both AI & SI segments

SI segment performed well with strong volume growth and product mix. In this segment, It has entered new market of US during the quarter. In case of AI segment, volume growth remained robust and it could maintain its strong product pricing in Europe.

The expansion plan for SI has been completed and it is expected to start generating revenue from the current quarter. While another major capex is expected to commission in the upcoming quarter. The focus is on expanding into newer geographies with an emphasis on contractual sales.

Price corrections in AI has an impact on margins; offset by SI's better product mix

Operating costs were increased amid volatility in the raw material prices, elevated international freight, energy and logistics costs. AI segment margins were largely impacted due to price corrections despite higher volumes. Strong product mix of SI segment helped holding the margin levels at 8.3% (-397bps yoy / -551bps qoq). We expect margin expansion from FY24 onwards, as Fluorospecialty Intermediates (FI) project is expected to commission in Q3FY23 as per plan in a phased manner.

Annual performance remained positive despite challenges during the financial year

During the year, LXCHEM reported revenue of INR 30,842Mn (+74.4% yoy) supported by both segments. AI segment grew by over 98% yoy at INR 18,093Mn as against INR 9,139Mn in FY21. SI segment grew by 73.8% yoy at INR 8,812Mn as against INR 5,069Mn in FY21, despite the loss occurred at 50 day plant shutdown on account of floods in July'21. EBITDA reported at INR 3,677 Mn (+69.7% yoy) and EBITDA margin stood at 11.9% (-33bps yoy) despite raw material price volatility and other operational challenges. Net profit reported at INR 2,565Mn (101.8% yoy) and net margins stood at 8.3% (+113bps yoy).

Valuation

We are positive on the company's overall performance. AI segment is performing well, as it has observed steady volume growth in the last few quarters despite price volatility challenges. Further, we have estimated margin expansion in the log run on account of FI project commissioning as well as improved product mix of SI segment. We revise our estimates for FY23-24E on account of current volatility in commodity prices. Revenue and net profit are expected to grow at ~16% / ~25% CAGR during FY22-24E, respectively. The stock is currently trading at a TTM PE of 39.8x. **We implied a PE of 35.0x to FY24E EPS and revise our target at INR 530/per share (Previous TP: INR 620) and retain our 'BUY' recommendation on the stock (upside 37.1%).**

Laxmi Organic Industries Ltd.

Key Concall Highlights

i) The major part of the Capex planned for FY23E would focus on SI and FI segments in order to expand the production. ii) AI segment will continue to have debottlenecking based on the future demand from customers. iii) SI margins are largely in the range of 21-26% in line with industry. iv) SI and FI projects will start generating revenue during FY23. v) EBITDA margins for FY23 are expected to be in the range of ~12 to 13%. There is no major difference in the margins from export and domestic business. vi) Overall capacity utilisation remained at 80 to 90% during the year. vii) In Acetyl segment, finished products prices softens immediately after the correction in raw material prices. However, in SI segment, it deals with customers based on longer term contracts with annual or multi-year contracts (shorter contracts of on average 2-3 months) which helps maintaining its margins for the given period. viii) Indian industry serves more than \$4Bn of Fluorinated derivatives. ix) Export revenue contributed 39% of overall business in Q4FY22 as compared to 29% in Q3FY22.

Q4FY22 and FY22 Result Analysis- Consolidated

Particulars (INR mn)	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ	FY22	FY21	YoY
Revenue from operations	8,799	5,195	69.4%	8,599	2.3%	30,842	17,684	74.4%
Cost of Materials consumed	4,556	2,573	77.1%	5,537	-17.7%	17,163	8,092	112.1%
Purchase of Stock-in-trade	1,579	733	115.2%	518	204.7%	4,709	3,653	28.9%
Changes in Inventories	3	6	-39.5%	-538	NM	-747	-2	NM
COGS	6,138	3,312	85.3%	5,517	11.3%	21,125	11,743	79.9%
Gross Profit	2,661	1,883	41.3%	3,081	-13.7%	9,717	5,942	63.5%
GPM	30.2%	36.2%	-601bps	35.8%	-560bps	31.5%	33.6%	-209bps
Employee cost	323	357	-9.5%	335	-3.6%	1,244	929	33.9%
Other Expenses	1,609	890	80.8%	1,560	3.1%	4,796	2,846	68.5%
EBITDA	729	637	14.5%	1,187	-38.5%	3,677	2,167	69.7%
EBITDA Margin	8.3%	12.3%	-397bps	13.8%	-551bps	11.9%	12.3%	-33bps
Depreciation & amortization	138	116	18.4%	134	2.7%	493	465	5.9%
EBIT	592	521	13.7%	1,053	-43.8%	3,184	1,702	87.1%
Other Income	19	17	8.9%	20	-5.7%	149	46	222.5%
Finance Cost	46	51	-9.3%	69	-33.6%	154	164	-6.0%
EBT	565	487	15.9%	1,004	-43.7%	3,179	1,584	100.7%
Tax expense/(credit)	-10	124	-108.1%	183	-105.5%	614	313	96.0%
PAT	575	364	58.0%	821	-30.0%	2,565	1,271	101.8%
PAT Margin	6.5%	0.0%	653bps	9.5%	-302bps	8.3%	7.2%	113bps
Diluted EPS	2.18	1.38	58.0%	3.07	-29.0%	7.31	3.74	95.4%

Segment Revenue Performance

Acetyl Intermediates	5,338	2,792	91.2%	5,303	0.7%	18,093	9,139	98.0%
Specialty Intermediates	2,789	1,572	77.4%	2,655	5.0%	8,812	5,069	73.8%

% of Revenue

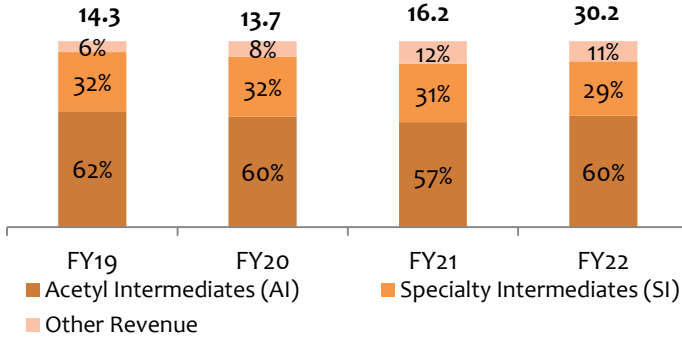
Acetyl Intermediates	60.7%	53.7%	693bps	61.7%	-100bps	58.7%	51.7%	699bps
Specialty Intermediates	31.7%	30.3%	144bps	30.9%	82bps	28.6%	28.7%	-9bps

Source: Company data, KRChoksey Research,
Note: NM- Not Meaningful

Laxmi Organic Industries Ltd.

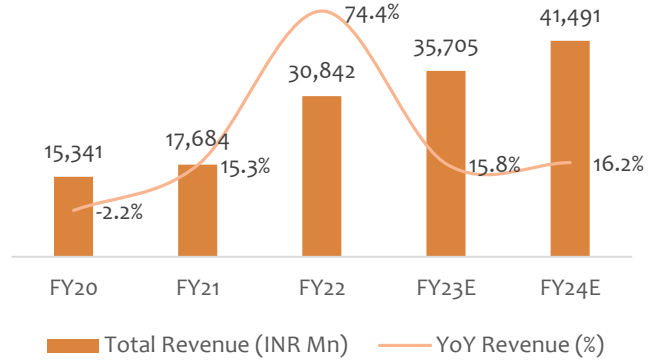
Topline Performance

Standalone revenue (INR Bn) grew at 28% CAGR over FY19-22

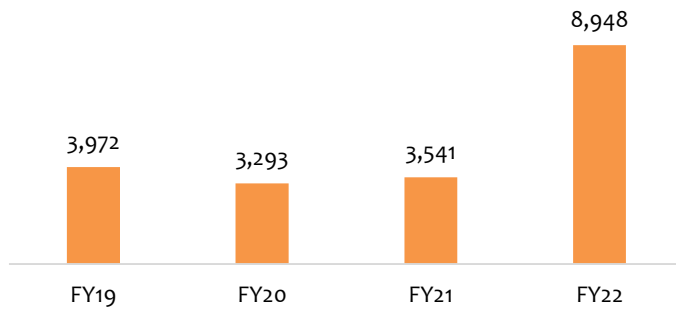


Source: Company data, KRChoksey Research

Revenue growth estimated at 16% CAGR over FY22-24E

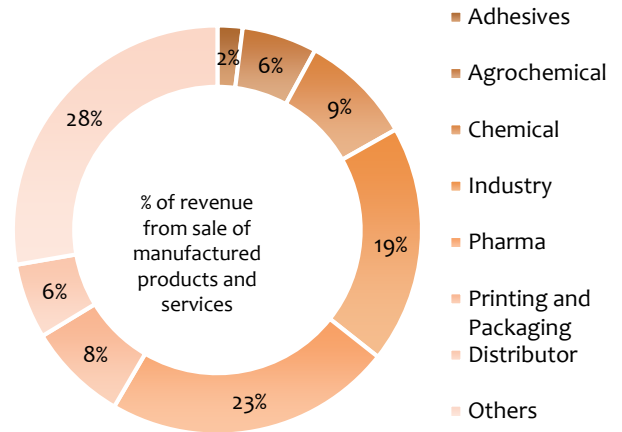


Export Revenue grew by 153% yoy during FY22

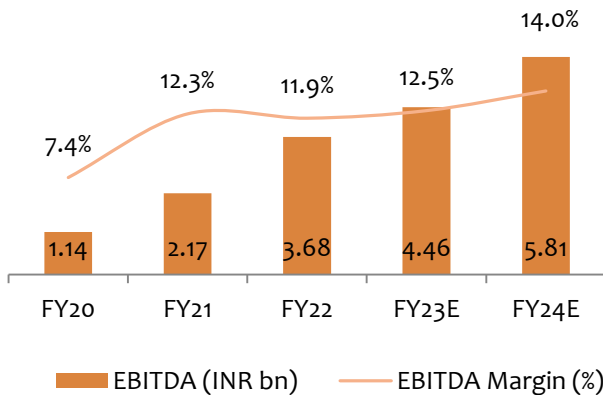


Source: Company data, KRChoksey Research

Customer base – catering to diverse industries

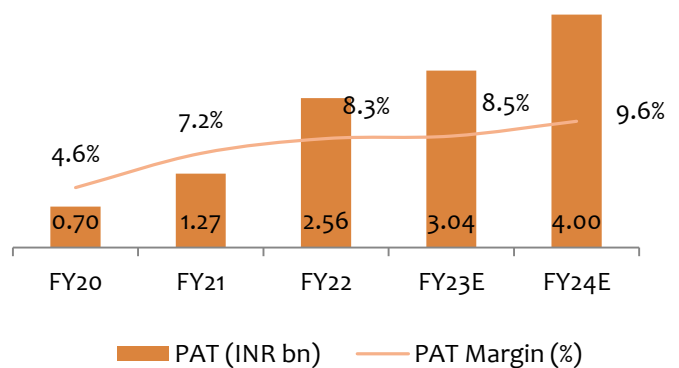


EBITDA to grow at 25.7% CAGR over FY22-24E



Source: Company data, KRChoksey Research

PAT to grow at 24.8% CAGR over FY22-24E



Laxmi Organic Industries Ltd.

Consolidated Financial Statements

Income Statement (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Revenues	15,341	17,684	30,842	35,705	41,491
COGS	10,907	11,743	21,125	23,923	27,592
Gross profit	4,435	5,942	9,717	11,783	13,900
Employee cost	686	929	1,244	1,785	1,867
Other expenses	2,613	2,846	4,796	5,534	6,224
EBITDA	1,135	2,167	3,677	4,463	5,809
Depreciation & amortization	489	465	493	639	759
EBIT	647	1,702	3,184	3,824	5,050
Interest expense	140	164	154	126	139
Other income	45	46	149	146	148
PBT	808	1,584	3,179	3,843	5,058
Tax	106	313	614	807	1,062
Minority interest	0	0	0	0	0
PAT	702	1,271	2,565	3,036	3,996
EPS (INR)	2.86	5.59	9.73	11.52	15.16

Source: Company data, KRChoksey Research

Balance Sheet (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Property, plant and equipment	3,257	3,152	3,841	4,309	5,579
Right-of-use assets / CWIP / other intangibles	798	1,577	3,841	3,841	3,841
Other non current assets	257	594	253	289	332
Inventories	1,519	2,033	3,736	4,696	5,456
Trade receivables	3,594	4,344	6,684	8,315	9,662
Cash and bank balance	363	5,394	1,822	3,256	4,842
Loans / other assets	910	1,280	1,735	2,006	2,329
TOTAL ASSETS	10,694	18,373	22,675	27,474	32,804
Equity share capital	450	527	527	527	527
Other equity	3,819	9,819	12,479	15,516	19,512
Non-controlling interests	4	5	4	4	4
Total equity	4,273	10,351	13,010	16,047	20,043
Borrowings	1,238	906	1,333	1,093	926
Other non current liab	232	250	321	321	321
Trade payables	4,116	4,750	7,117	9,098	10,572
Other financial liabilities	655	1,827	641	643	646
Provisions	180	291	253	273	297
Other current liabilities	10,694	18,373	22,675	27,474	32,804

Source: Company data, KRChoksey Research

Cash Flow Statement (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Operating Cash Flow	1,955	1,225	458	2,762	3,773
Investing Cash Flow	(559)	(6,434)	738	(468)	(1,270)
Financing Cash Flow	(1,232)	5,273	(1,242)	(861)	(917)
Net Inc/Dec in cash equivalents	165	64	(46)	1,432	1,586
Opening Balance	76	241	166	331	1,764
Closing Balance Cash & Cash Eq.	241	166	331	1,764	3,350

Source: Company data, KRChoksey Research

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	7.4%	12.3%	11.9%	12.5%	14.0%
Net Profit Margin (%)	2.9%	7.2%	8.3%	8.5%	9.6%
RoE (%)	16.0%	17.4%	22.0%	20.9%	22.1%
RoA (%)	6.7%	8.7%	12.5%	12.1%	13.3%
RoCE (%)	12.8%	16.3%	25.0%	24.2%	25.4%
Debt/Equity	0.29x	0.09x	0.10x	0.07x	0.05x

Source: Company data, KRChoksey Research

Laxmi Organic Industries Ltd.

Laxmi Organic Industries Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
09-May-22	387	530	BUY	Buy	More than 15%
03-Feb-22	484	620	BUY	Accumulate	5% – 15%
08-Nov-21	430	620	BUY	Hold	0 – 5%
01-Oct-21	542	620	ACCUMULATE	Reduce	-5% – 0
				Sell	Less than – 5%

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