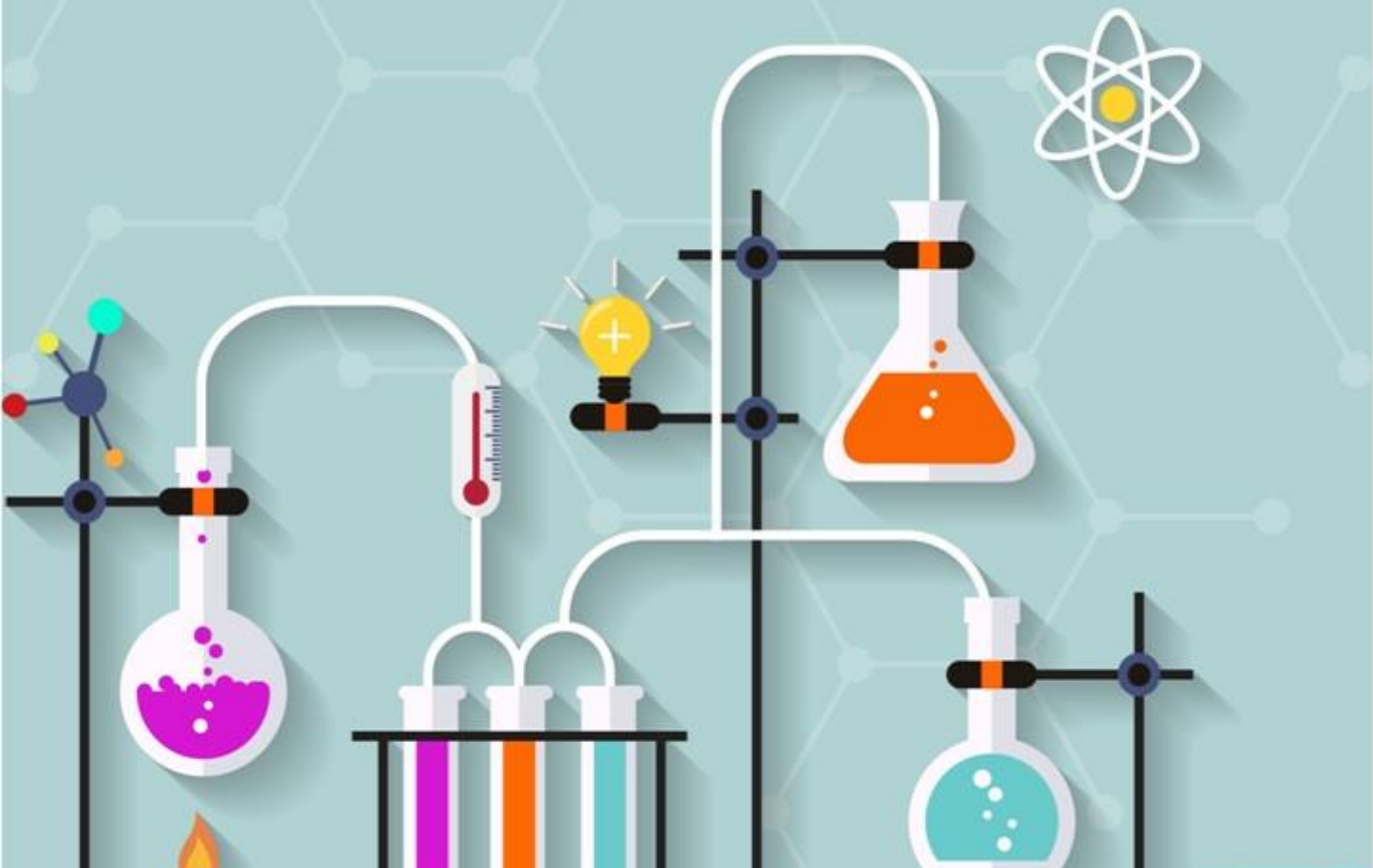


# Laxmi Organic Industries Ltd.



# Laxmi Organic Industries Ltd.

**Steady performance; outlook positive**

CMP INR 311	Target INR 380	Potential Upside 22%	Market Cap (INR Mn) INR 82,458	Recommendation BUY	Sector Specialty Chemicals
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## Result Highlights of Q1FY23

- Laxmi Organic Industries revenue grew by +2.8% yoy at INR 7,566Mn (-14.0% qoq) on account of both Acetyl Intermediates (AI) and Specialty Intermediates (SI) business growth of 33.9% / 10.3% yoy. However, there was a sequential de-growth across both the segments due to demand pressures across the world.
- EBITDA reported at INR 1,015Mn (-30.1% yoy / +39.2% qoq). EBITDA margin stood at 13.4% (-631bps yoy / +513bps qoq); the improvement in margin performance on a sequential basis was mainly on account of lower cost of goods sold, decline in staff and finance costs.
- Net Profit de-grew by 36.6% yoy at INR 649Mn (+12.9%qoq), Net margin reported at 8.6% (-532bps yoy / +204bps qoq).
- EPS stood at INR 2.43 in Q1FY23 compared to INR 3.85 in Q1FY22.

## MARKET DATA

Shares outs (Mn)	264
Equity Cap (INR Mn)	527
Mkt Cap (INR Mn)	82,458
52 Wk H/L (INR)	628/255
Volume Avg (3m K)	1,239
Face Value (INR)	2
Bloomberg Code	LXCHEM IN

## Key Financials

INR millions	FY20	FY21	FY22	FY23E	FY24E
Revenue	15,341	17,684	30,842	32,953	38,827
EBITDA	1,135	2,167	3,677	4,449	5,708
PAT	702	1,271	2,565	3,081	3,849
EPS (INR)	2.9	5.6	9.7	11.7	14.6
EBITDA Margin (%)	7.4%	12.3%	11.9%	13.5%	14.7%
NPM (%)	4.6%	7.2%	8.3%	9.3%	9.9%

Source: Company data, KRChoksey Research

## Topline performance remained stable

In Q1FY23, AI / SI segments reported revenue of INR 4,918Mn (33.9% yoy / -7.9% qoq) and INR 2,648Mn (10.3% yoy / -5.1% qoq), respectively. AI contributed 65% of total revenue whereas SI segment at 35% of total revenue. The volume grew by 50% yoy in AI segment backed by YCPL acquisition in FY22 and sequentially remained flat. The demand was under stress in SI segment due to inflationary pressures.

Overall contribution from exports stood at 40% of overall revenue at INR 2,928Mn. It serves customers from different countries and has a low dependence on a single export market. During the quarter, 50% of export revenue came from Europe followed by 18% / 12% / 10% / 6% / 3% from America, Rest of Asia pacific, Middle East, Africa and Russia. Top 10 customers of Laxmi Organic contributed ~41% of total revenue in FY22 v/s 37% in FY21.

We estimate AI business to grow at CAGR of 4.3% over FY22-24E with low capex requirement (~5% of FY23 capex) while SI segment to grow at a CAGR of 10.2% over the same period.

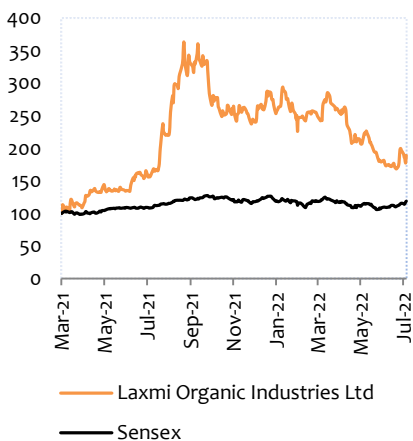
## Better product mix translated into sequential higher margins

EBITDA margin grew by +513bps qoq on account of increase in the revenue share of SI segment to 65% as against 60.7% in Q4FY22. AI and SI both segments contributed 50% of profits. Contribution margin (EBITDA) improved 30% qoq in AI segment and 10% qoq in SI segment (35% yoy). Domestic Ethyl Acetate prices remained flat in Q1FY23 v/s Q4FY22 and Acetic Acid prices were declined during the period. Commissioning of new plants for the SI and Fluorospecialty Intermediates (FI) segment is expected to boost revenue growth along with margin improvement in FY23.

## Valuation

AI segment has delivered a stable growth in Q1FY23 and lower CAPEX is intended for debottlenecking of AI capacities on the back of expected demand growth in this segment. We have estimated margin expansion in the log run on account of better product mix of SI and FI project commissioning in FY23. It has sustained its strong market share in both AI and SI segments. We revise our revenue estimates of FY23E / FY24E downwards by -8% / -6% on account of sluggish demand and current volatility in commodity prices, PAT estimates are revised by 1% / -4%, respectively. The stock is currently trading at PE multiples of 26.6x / 21.0x based on FY23E / FY24E EPS, respectively. **We revise our target price at INR 380 by assigning PE multiple of 26.0x to FY24E EPS (Previous TP: INR 530) and retain our 'BUY' recommendation on the stock with an upside 22% over the CMP.**

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	57,570
NIFTY	16,930

## SHARE HOLDING PATTERN (%)

Particulars	Jun 22	Mar 22	Dec 21
Promoters	72.5	72.9	72.9
FIIIs	0.6	0.3	0.3
DIIIs	3.22	3.4	3.3
Others	23.7	23.4	23.5
Total	100.0	100.0	100.0

# Laxmi Organic Industries Ltd.

## Key Concall Highlights

i) CAPEX planned for FY23 stands at INR 300-350Cr; of which AI segment may utilise INR 15-20Cr for debottlenecking of capacities and INR 150-180Cr is planned for SI Segment. The rest is likely to be utilised for fluorospecialty segment. ii) In FY22, CAPEX for SI segment stood at INR 152Cr and it has utilised INR 30Cr in Q1FY23. iii) The management expects asset turnover ratio of AI segment will always be 30% higher than SI segment, as low capex is required for AI segment as against SI segment mainly requires consistent brownfield expansion. iv) In Q2FY23, supply of higher value molecule of SI segment to begin, with the commissioning of new plant during the quarter. v) In SI segment, export revenue grew by 50% yoy. vi) In FI segment, it expects commissioning of the plant along with the revenue generation. 95% of civil and structural work is completed despite challenges during the quarter. ~60% of packing and dispatch work has been done at Italy. The process was slowed down due to heatwave in Europe; a dedicated team of Laxmi organic industries has been established there, to control and reduce the impact of this disruption.

## Q1FY23 Result Analysis- Consolidated

Particulars (INR mn)	Q1FY23	Q1FY22	YoY	Q4FY22	QoQ
<b>Revenue from operations</b>	<b>7,566</b>	<b>7,364</b>	<b>2.8%</b>	<b>8,799</b>	<b>-14.0%</b>
Cost of Materials consumed	4,179	3,782	10.5%	4,556	-8.3%
Purchase of Stock-in-trade	867	1,377	-37.1%	1,579	-45.1%
Changes in Inventories	-477	-385	23.8%	3	-
COGS	4,569	4,774	-4.3%	6,138	-25.6%
<b>Gross Profit</b>	<b>2,997</b>	<b>2,589</b>	<b>15.7%</b>	<b>2,661</b>	<b>12.6%</b>
<b>GPM</b>	<b>39.6%</b>	<b>35.2%</b>	<b>445bps</b>	<b>30.2%</b>	<b>937bps</b>
Employee cost	284	302	-6.0%	323	-12.1%
Other Expenses	1,698	835	103.4%	1,609	5.6%
<b>EBITDA</b>	<b>1,015</b>	<b>1,453</b>	<b>-30.1%</b>	<b>729</b>	<b>39.2%</b>
<b>EBITDA Margin</b>	<b>13.4%</b>	<b>19.7%</b>	<b>-631bps</b>	<b>8.3%</b>	<b>513bps</b>
Depreciation & amortization	143	109	31.7%	138	4.1%
<b>EBIT</b>	<b>872</b>	<b>1,344</b>	<b>-35.1%</b>	<b>592</b>	<b>47.4%</b>
Other Income	21	43	-50.5%	19	11.2%
Finance Cost	24	28	-13.8%	46	-47.4%
<b>EBT</b>	<b>869</b>	<b>1,359</b>	<b>-36.0%</b>	<b>565</b>	<b>53.9%</b>
Tax expense/(credit)	220	335	-34.4%	-10	-2301.1%
<b>PAT</b>	<b>649</b>	<b>1,023</b>	<b>-36.6%</b>	<b>575</b>	<b>12.9%</b>
<b>PAT Margin</b>	<b>8.6%</b>	<b>13.9%</b>	<b>-532bps</b>	<b>6.5%</b>	<b>204bps</b>
<b>Diluted EPS</b>	<b>2.43</b>	<b>3.85</b>	<b>-36.9%</b>	<b>2.18</b>	<b>11.5%</b>
<b>Segment Revenue Performance</b>					
Acetyl Intermediates	4,918	3,674	<b>33.9%</b>	5,338	<b>-7.9%</b>
Specialty Intermediates	2,648	2,400	<b>10.3%</b>	2,789	<b>-5.1%</b>
<b>% of Revenue</b>					
Acetyl Intermediates	65.0%	49.9%	<b>1511bps</b>	60.7%	<b>433bps</b>
Specialty Intermediates	35.0%	32.6%	<b>241bps</b>	31.7%	<b>330bps</b>

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

# Laxmi Organic Industries Ltd.

## Consolidated Financial Statements

Income Statement (INR mn)	FY20	FY21	FY22	FY23E	FY24E
<b>Revenues</b>	<b>15,341</b>	<b>17,684</b>	<b>30,842</b>	<b>32,953</b>	<b>38,827</b>
COGS	10,907	11,743	21,125	22,078	25,470
<b>Gross profit</b>	<b>4,435</b>	<b>5,942</b>	<b>9,717</b>	<b>10,874</b>	<b>13,356</b>
Employee cost	686	929	1,244	1,318	1,631
Other expenses	2,613	2,846	4,796	5,108	6,018
<b>EBITDA</b>	<b>1,135</b>	<b>2,167</b>	<b>3,677</b>	<b>4,449</b>	<b>5,708</b>
Depreciation & amortization	489	465	493	598	875
<b>EBIT</b>	<b>647</b>	<b>1,702</b>	<b>3,184</b>	<b>3,851</b>	<b>4,832</b>
Interest expense	140	164	154	96	107
Other income	45	46	149	145	147
<b>PBT</b>	<b>808</b>	<b>1,584</b>	<b>3,179</b>	<b>3,900</b>	<b>4,872</b>
Tax	106	313	614	819	1,023
<b>PAT</b>	<b>702</b>	<b>1,271</b>	<b>2,565</b>	<b>3,081</b>	<b>3,849</b>
<b>EPS (INR)</b>	<b>2.86</b>	<b>5.59</b>	<b>9.73</b>	<b>11.69</b>	<b>14.60</b>

Source: Company data, KRChoksey Research

Balance Sheet (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Property, plant and equipment	3,257	3,152	3,841	6,150	8,804
Right-of-use assets / CWIP / other intangibles	798	1,577	3,841	3,841	3,841
Other non current assets	257	594	253	269	312
Inventories	1,519	2,033	3,736	3,792	4,255
Trade receivables	3,594	4,344	6,684	7,403	8,723
Cash and bank balance	363	5,394	1,822	1,748	2,070
Loans / other assets	910	1,280	1,735	1,855	2,182
<b>TOTAL ASSETS</b>	<b>10,697</b>	<b>18,374</b>	<b>22,675</b>	<b>25,820</b>	<b>30,950</b>
Equity share capital	450	527	527	527	527
Other equity	3,819	9,819	12,479	15,560	19,409
Non-controlling interests	4	5	4	4	4
<b>Total equity</b>	<b>4,273</b>	<b>10,351</b>	<b>13,010</b>	<b>16,091</b>	<b>19,940</b>
Borrowings	1,238	906	1,333	830	716
Other non current liab	232	250	321	321	321
Trade payables	4,116	4,750	7,117	7,674	9,042
Other financial liabilities	655	1,827	641	642	645
Provisions	180	291	253	262	286
Other current liabilities	<b>10,694</b>	<b>18,373</b>	<b>22,675</b>	<b>25,820</b>	<b>30,950</b>

Source: Company data, KRChoksey Research

Cash Flow Statement (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Operating Cash Flow	1,955	1,225	458	3,286	3,925
Investing Cash Flow	(559)	(6,434)	738	(2,309)	(2,654)
Financing Cash Flow	(1,232)	5,273	(1,242)	(1,052)	(950)
Net Inc/Dec in cash equivalents	165	64	(46)	(76)	322
Opening Balance	76	241	166	331	256
Closing Balance Cash & Cash Eq.	241	166	331	256	577

Source: Company data, KRChoksey Research

Key Ratio	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	7.4%	12.3%	11.9%	13.5%	14.7%
Net Profit Margin (%)	2.9%	7.2%	8.3%	9.3%	9.9%
RoE (%)	16.0%	17.4%	22.0%	21.2%	21.4%
RoA (%)	6.7%	8.7%	12.5%	12.7%	13.6%
RoCE (%)	12.8%	16.3%	25.0%	24.3%	24.5%
Debt/Equity	0.29x	0.09x	0.10x	0.05x	0.04x

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
29-Jul-22	311	380	BUY	Buy	More than 15%
09-May-22	387	530	BUY	Accumulate	5% – 15%
03-Feb-22	484	620	BUY	Hold	0 – 5%
08-Nov-21	430	620	BUY	Reduce	-5% – 0
01-Oct-21	542	620	ACCUMULATE	Sell	Less than – 5%

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