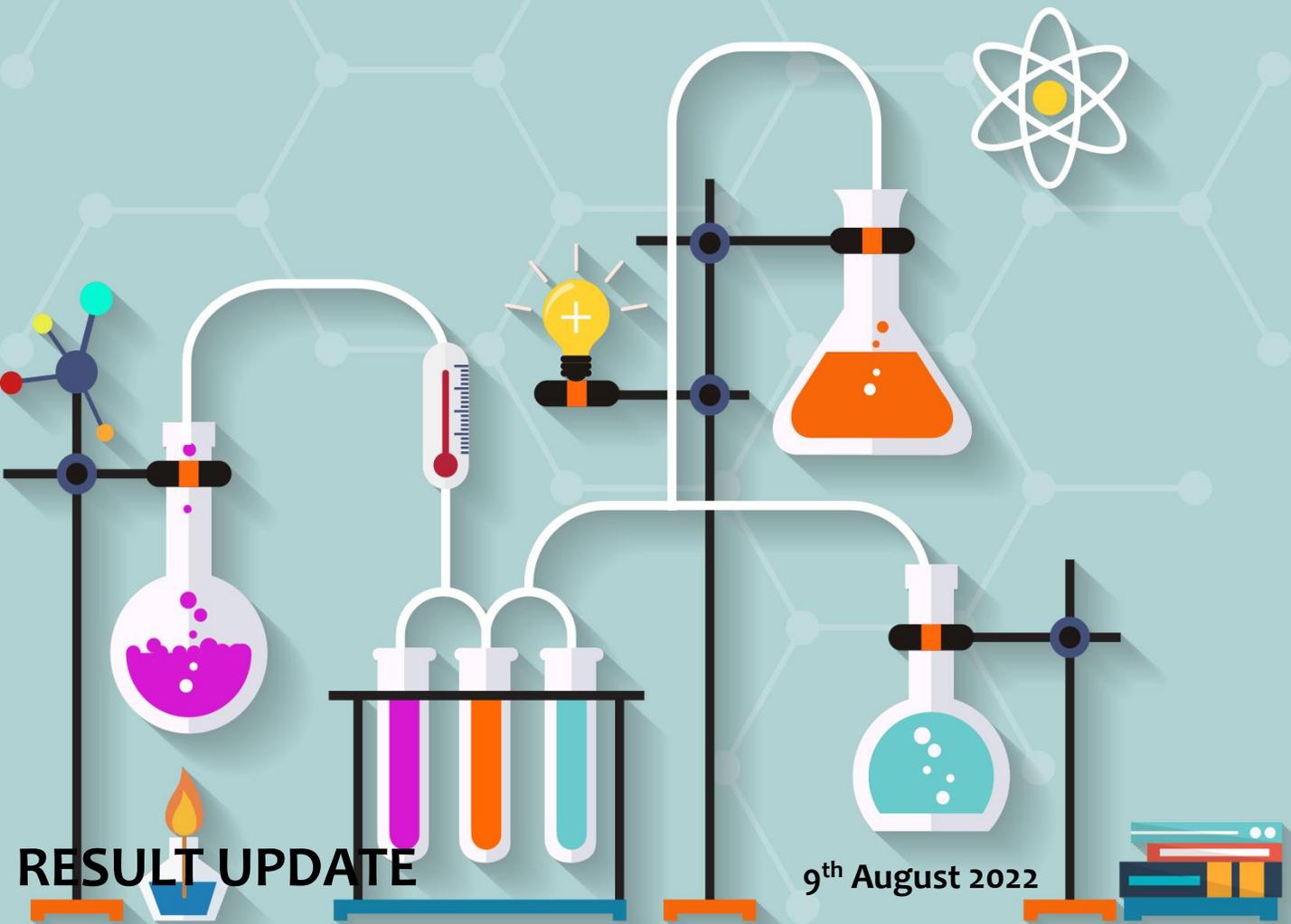


VINATI ORGANICS Ltd.



RESULT UPDATE

9th August 2022



VINATI ORGANICS LTD.

ATBS segment remains the growth driver

CMP INR 2,235	Target INR 2,370	Potential Upside 6.1%	Market Cap (INR Mn) INR 2,29,805	Recommendation ACCUMULATE	Sector Specialty Chemicals
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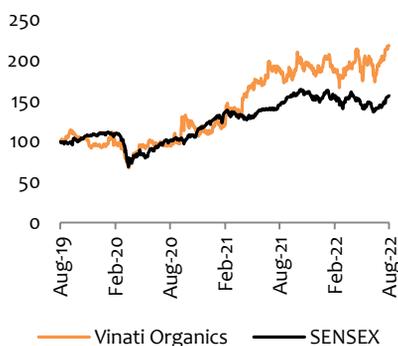
Result Highlights of Q1FY23:

- In Q1FY23, VOL's consolidated revenue grew by 31.03% YoY and by 4.16% QoQ to INR 5,063 Mn. Overall demand growth was led by ATBS segment.
- EBITDA has seen a growth of 28.79% YoY basis and de growth of 5.67% QoQ to INR 1,309 Mn, while EBITDA margins remained flat down 45bps YoY and declined by 269 bps QoQ to 25.85% in Q1FY23.
- PAT has seen a jump of 24.97% YoY to INR 1,011 Mn. The PAT margins contracted by 97 bps YoY and 83 bps QoQ to 19.97% in Q1FY23.
- EPS in Q1FY23 came at INR 9.85 against INR 9.84 in the same period last year.

MARKET DATA

Shares outs (Mn)	103
Mkt Cap (INR Mn)	2,29,805
52 Wk H/L (INR)	2,323/1,675
Volume Avg (3m K)	73.6
Face Value (INR)	1
Bloomberg Code	VO IN Equity

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	58,853
NIFTY	17,525

KEY FINANCIALS

INR Mn	Q1FY23	Q1FY22	YoY	Q4FY22	QoQ
Revenue	5,063	3,864	31.03%	4,861	4.16%
EBITDA	1,308	1,016	28.79%	1,387	-5.67%
PAT	1,011	809	24.97%	1,011	-
EBITDA Margin (%)	25.85%	26.30%	-0.45%	28.54%	-2.69%
NPM (%)	19.97%	20.94%	-0.97%	20.80%	-0.83%

Source: Company, KRChoksey Research

Demand from end user industry pushed ATBS sales:

VOL's delivered sharp uptrend in its consolidated revenues +31.03% YoY and +4.16% QoQ to INR 5,063 Mn. Such performance was led by higher volumes coming in due to increasing demand for high purity grades of ATBS. The growth was also supported by Butyl phenol business. The antioxidant plant is currently operating at 25% capacity and is expected to touch 50% capacity in next year.

Increased realisations were the result of input cost transfer:

On operational front VOL's delivered EBITDA growth of 28.79% YoY basis and 5.67% QoQ to INR 1,309 Mn. EBITDA margins remained flat down 45bps YoY and declined by 269 bps QoQ to 25.85% in Q1FY23. The company has been able to maintain the margins per kg due to softening of Acrylonitrile prices and its ability to pass on the input cost to its customers. Also freight cost has begun to come off lately from peak levels. PAT saw a jump of 24.97% YoY to INR 1,011 Mn. The PAT margins contracted by 97 bps YoY and 83 bps QoQ to 19.97% in Q1FY23. VOL is able to get bookings for shipments but overall time taken for it is still high.

Continuous investment to aid growth:

VOL intends to expand its Acrylamide tertiary-butyl sulfonic acid (ATBS) capacity from present 40,000MT to 60,000MT. The announced capex is going to be a brownfield expansion to the tune of INR 3,000 Mn which will be funded through internal accruals and is expected to get commissioned by December 2023. Also with that it plans to expand its product portfolio through Veeral Organics Pvt Ltd (its fully owned subsidiary) by introducing products like MEHQ & Guaiacol (2,000 MT) and Iso Amylene (30,000 MT). It will be a sole manufacturer of Iso Amylene in India and is initially looking to cater the export demand. These products are employed in pesticides, medicines, flavours, and polymerization inhibitors. September 2023 is the projected completion date. While this will be a greenfield expansion the total capex is approximately INR 2,800 Mn.

SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	74.06	74.06	74.06
FIIs	4.66	4.58	4.53
DIIIs	8.11	7.85	7.54
Others	13.17	13.51	13.87
Total	100	100	100

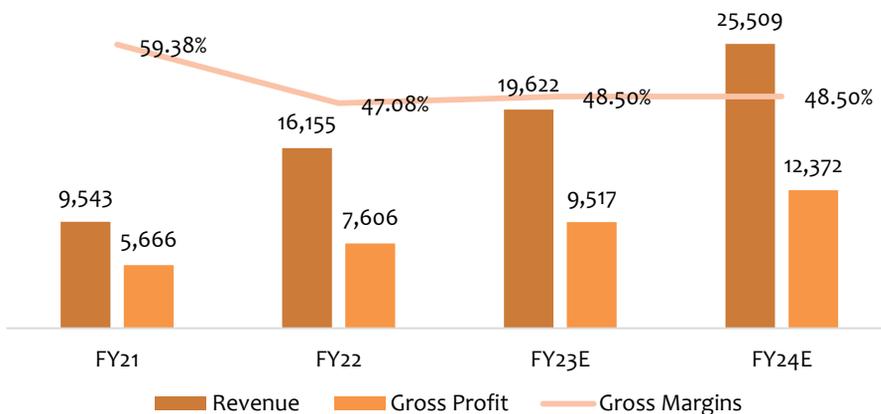
25.66%
**Revenue CAGR
between FY22 - FY24E**
27.42%
**EBITDA CAGR
between FY22 - FY24E**

VINATI ORGANICS LTD.

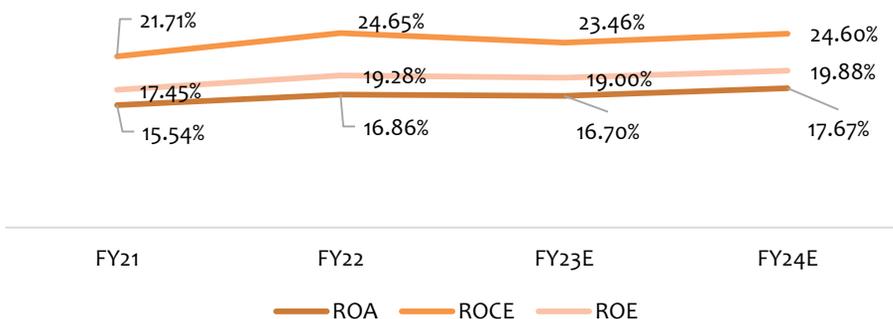
Valuation and view:

We anticipate that VOL's capacity expansion plans in the ATBS segment will significantly boost the company's current growth pace. Its emphasis on growing its Butyl Phenol business and forays into new ones via its wholly owned subsidiary Veeral Organics Pvt Ltd will bode well for the company. **At a CMP of INR 2,235 VOL is trading at P/E valuation of 53.58x/41.02x on its FY23E/24E earnings. The stock has rallied 10.10% since our last recommendation and hence we provide 'ACCUMULATE' rating. We continue to remain optimistic and apply P/E multiple of 43.5x to its FY24E earnings, with the target price of INR 2,370 per share.**

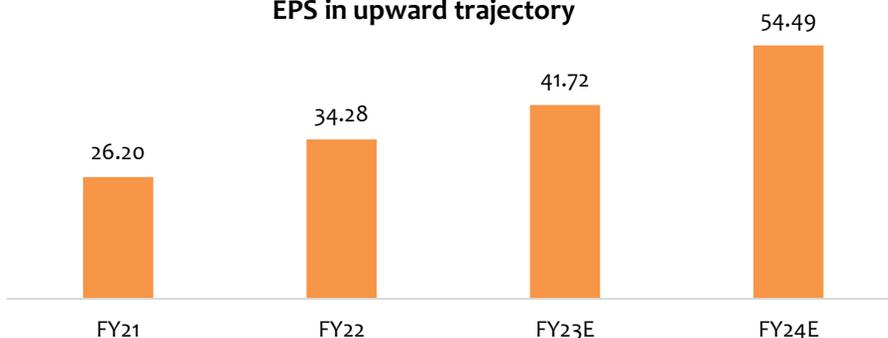
Growth Visibility (INR in Mn)



Improving Profitability Trend



EPS in upward trajectory



Source: Company, KRChoksey Research

VINATI ORGANICS LTD.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

Income Statement (INR Mn)	FY19	FY20	FY 21	FY 22	FY 23E	FY 24E
Revenues	11,279	10,289	9,543	16,155	19,622	25,508
COGS	5,251	4,287	3,877	8,549	10,105	13,137
Gross profit	6,028	6,002	5,666	7,606	9,517	12,372
Employee cost	542	643	726	839	1,432	1,786
Other expenses	1,252	1,220	1,414	2,367	2,649	3,444
EBITDA	4,234	4,139	3,525	4,399	5,435	7,142
Depreciation & amortization	274	332	429	455	961	1,275
EBIT	3,960	3,808	3,096	3,944	4,474	5,867
Interest expense	9	11	2	2	0	0
Other income	302	450	259	609	860	1,100
PBT	4,252	4,247	3,353	4,551	5,334	6,967
Tax	1428	908	659	1,026	1,045	1,365
Minority interest	0	0	0	0	0	0
PAT	2,825	3,338	2,693	3,524	4,288	5,601
EPS (INR)	27.5	32.5	26.2	33.72	41.72	54.49

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

Cash Flow Statement (INR Mn)	FY19	FY20	FY 21	FY 22	FY 23E	FY 24E
Operating Cash Flow	2,003	4,159	2,189	1,269	4,049	4,081
Investing Cash Flow	(1,601)	(2,978)	(1,982)	(2,554)	(3,972)	(3,366)
Financing Cash Flow	(403)	(1,090)	(31)	(465)	(18)	(666)
Net Inc/Dec in cash equivalents	3	1,094	176	(1751)	59	49
Opening Balance	0	4	1,585	1762	11	70
Adjustments	0	491	0	0	0	0
Closing Balance Cash & Cash Equiv.	4	1,585	1,762	11	70	118

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY19	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margins (%)	37.5%	40.2%	36.9%	27.23%	27.70%	28%
Net Profit Margin (%)	25%	32.4%	28.2%	21.82%	21.85%	21.96%
RoE (%)	26.9%	26.1%	17.5%	19.28%	19.00%	19.88%
RoCE (%)	40.4%	33.3%	21.7%	24.65%	23.46%	24.60%
RoA (%)	23%	23.1%	15.5%	16.86%	16.70%	17.67%
Debt/Equity	0.0X	0.0X	0.0X	0.0X	0.0X	0.0X

Source: Company, KRChoksey Research

VINATI ORGANICS LTD.

Exhibit 4: Balance Sheet

Balance Sheet (INR Mn)	FY19	FY20	FY 21	FY 22	FY 23E	FY 24E
Property, plant and equipment (PPE)	4,719	7,491	7,557	8,557	11,456	14,556
Right-of-use assets	0	0	0	5	9	13
Capital work-in-progress	1,912	310	547	301	300	300
Other intangible assets	26	17	12	1	2	2
Investments	0	0	1,078	0	0	0
Loans	1	0	1,329	2,102	2,238	2,950
Other financial assets	1	23	13	20	26	34
Deferred tax assets (Net)	118	82	65	65	65	65
Other non-current assets	277	156	252	398	518	673
Total non-current assets	7,084	8,108	10,851	11,448	14,614	18,594
Inventories	924	932	1,219	2,068	2,796	3,634
Investments	965	2,274	1,809	1,809	1,809	1,586
Trade receivables	2,440	2,018	2,772	4,135	5,913	7,688
Cash and cash equivalents	4	91	17	1,015	68	349
Bank balances other than (iii) above	38	446	52	52	52	52
Loans	0	3	1	1	2	2
Other financial assets	825	558	138	218	284	369
Other current assets	0	0	476	754	980	1,274
Total current assets	5,191	6,321	6,484	10,051	11,903	14,953
TOTAL ASSETS	12,276	14,430	17,335	21,499	26,517	33,547
Equity share capital	103	103	103	103	103	103
Other equity	10,410	12,691	15,331	18,643	23,167	29,138
Total equity	10,513	12,794	15,434	18,745	23,270	29,241
Other financial liabilities	32	44	47	19	25	33
Deferred tax liabilities (Net)	846	705	779	767	767	950
Other non-current liabilities	29	41	48	76	99	129
Total non-current liabilities	875	746	840	863	891	1,111
Borrowings	37	3	20	21	21	22
Trade payables	531	557	664	1,309	1,629	2,139
Other financial liabilities	76	31	45	72	94	121
Provisions	32	44	47	74	97	126
Current tax liabilities (Net)	106	113	73	80	80	220
Other current liabilities	105	142	212	336	436	567
Total current liabilities	888	890	1,062	1,891	2,356	3,194
Total liabilities	1,763	1,636	1,901	2,754	3,248	4,305
TOTAL EQUITY AND LIABILITIES	12,276	14,430	17,335	21,499	26,517	33,547

Source: Company, KRChoksey Research

VINATI ORGANICS LTD.

Vinati Organics Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
9-Aug-22	2,235	2,370	ACCUMULATE	Buy	More than 15%
17-May-22	2,030	2,349	BUY		
2-Feb-22	1,972	2,349	BUY	Accumulate	5% – 15%
13-Nov-21	2,003	2,349	BUY		
1-Oct-21	1,928	2,349	BUY	Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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