

November 14, 2022

Q2FY23 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	335		335	
Sales (Rs. m)	36,003	39,822	36,003	39,822
% Chng.	-	-	-	-
EBITDA (Rs. m)	4,691	5,613	4,691	5,613
% Chng.	-	-	-	-
EPS (Rs.)	11.7	14.6	11.7	14.6
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	30,842	32,353	36,003	39,822
EBITDA (Rs. m)	3,677	3,720	4,691	5,613
Margin (%)	11.9	11.5	13.0	14.1
PAT (Rs. m)	2,564	2,397	3,084	3,848
EPS (Rs.)	9.7	9.1	11.7	14.6
Gr. (%)	101.8	(6.5)	28.7	24.7
DPS (Rs.)	0.5	0.9	1.2	1.5
Yield (%)	0.2	0.3	0.4	0.5
RoE (%)	22.0	17.0	18.6	19.6
RoCE (%)	24.4	20.1	22.0	22.9
EV/Sales (x)	2.5	2.5	2.1	1.9
EV/EBITDA (x)	21.3	21.3	16.4	13.3
PE (x)	30.8	32.9	25.6	20.5
P/BV (x)	6.1	5.2	4.4	3.7

Key Data

LAXR.BO | LXCHEM IN

52-W High / Low	Rs.502 / Rs.274
Sensex / Nifty	61,624 / 18,329
Market Cap	Rs.79bn/ \$ 976m
Shares Outstanding	265m
3M Avg. Daily Value	Rs.482.72m

Shareholding Pattern (%)

Promoter's	72.51
Foreign	0.45
Domestic Institution	1.62
Public & Others	25.41
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.6)	(13.3)	(27.7)
Relative	(14.1)	(25.7)	(28.8)

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Laxmi Organic Industries (LXCHEM IN)

Rating: HOLD | CMP: Rs299 | TP: Rs335

Performance impacted by plant shutdown

Quick Pointers:

- Weak quarter with EBITDA at Rs286mn (-7%YoY/ -71%QoQ) due to maintenance shutdown at both units at Mahad, impacting SI and AI business.
- Phase 1 of second long term SI project capitalized in Q2 (production to begin in Q3). Both plants to be at optimal performance by Q4FY23.
- Management is confident of commissioning fluorochemicals (FI) plant by Q4FY23; currently working towards securing customers and supply contracts.

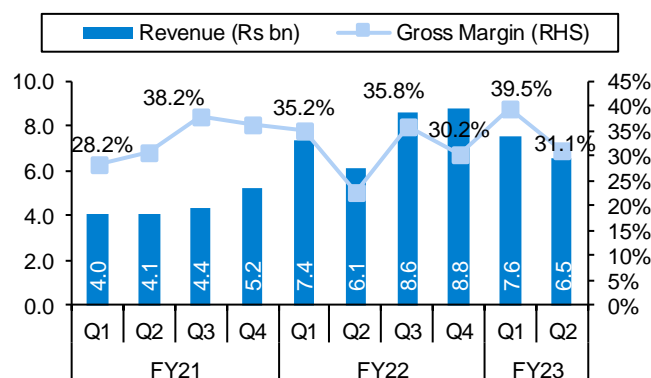
LXCHEM's Specialty Intermediates (SI) revenue visibility remains high given long term contracts from global majors while FI business faces time and cost overruns, and is likely to scale up gradually once commissioned by Q4FY23. AI and SI will remain LXCHEM's core businesses in the medium term, while FI will be a long term earnings driver. We believe, EBITDA contribution from higher value segments (SI+FI) will increase to ~70% by FY25E from ~55% in FY22 as SI EBITDA grows at ~22% CAGR and FI earnings commence in Q4FY23. While we like LXCHEM's stronghold in both AI and SI business, we believe that FI scale up will be gradual, while most positives are factored in its valuations. Maintain HOLD with SOTP based TP at Rs335 (implied consol Sep'24E EV/EBITDA of 17x and PE of 25x). [\(Detailed report\)](#)

- Q2 impacted by maintenance shutdown:** Consolidated revenue at Rs6.5 bn (+7% YoY/ -14% QoQ), impacted by 21 days maintenance shutdown coupled with weaker demand from pigment and pharma end use applications. YoY revenue is not strictly comparable as base quarter was impacted by flood in Mahad (plant location). Gross margin declined to 31.1% (vs 39.5% QoQ) on inventory loss in AI. EBITDA -7% YoY/ -71% QoQ to Rs286mn witnessed sharp drop QoQ led by weaker product mix in SI (switching from key product segments), coupled with adverse operating leverage, translating into EBITDA margin of 4.4% (vs 13.3% in Q1FY23 and 5.1% in Q2FY22). PAT was Rs86mn (-41% YoY/ -87% QoQ). Company became net debt positive again (vs net cash till FY22) led by weaker operating performance coupled with Rs1.8bn cash outflow towards capex in H1FY23; long term borrowing of Rs250mn raised. Core working capital days increased marginally to 41 (vs 39 in FY22).
- Concall takeaways:** (1) LXCHEM signed MoU with Welspun Corp for purchase of land, civil structures (excluding plant & machinery) of its unit situated at Dahej (Gujarat) for total consideration of Rs1.3bn (2) This acquisition will enable future expansion along with geographical de-risking (3) Received approval for Yellowstone Chemicals merger with LXCHEM (wef 02nd Oct'21) (4) -90% of incremental investments to go towards SI an FI, while AI capex to be only to the extent of debottlenecking (5) Strategy in SI is of import substitution while in FI, company is working on 10-12 products within the 100 product portfolio acquired from Mitani, which are at various stages of qualification with the customers (6) Management does not see debt/ equity exceeding 0.5x (7) Insurance claim related to Mahad flood damage not received yet, working actively with insurance company.

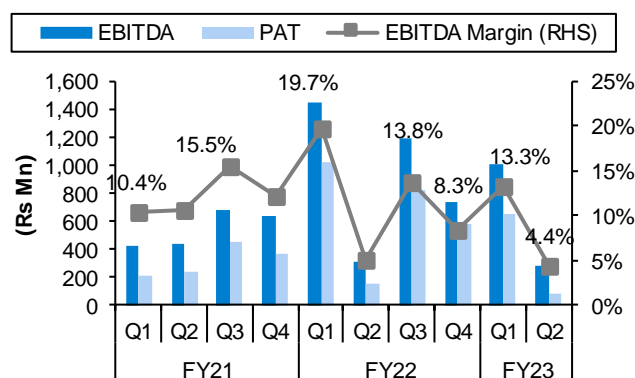
Exhibit 1: Q2FY23 Result Overview – Consolidated (Rs mn)

Y/e March	Q2FY23	Q2FY22	YoY gr.	Q1FY23	QoQ gr.	H1FY23	H1FY22	YoY gr.
Net Revenue	6,522	6,081	7.3%	7,566	-13.8%	14,088	13,444	4.8%
Material Cost	4,492	4,695	-4.3%	4,580	-1.9%	9,072	9,469	-4.2%
Gross Profit	2,030	1,386	46.5%	2,986	-32.0%	5,016	3,975	26.2%
<i>Gross Margin (%)</i>	<i>31.1%</i>	<i>22.8%</i>		<i>39.5%</i>		<i>35.6%</i>	<i>29.6%</i>	
Employee expenses	294	285	3.3%	284	3.7%	578	587	-1.5%
Other operating expenses	1,449	792	83.0%	1,698	-14.6%	3,147	1,627	93.5%
EBITDA	286	309	-7.3%	1,004	-71.5%	1,290	1,761	-26.7%
<i>EBITDA margin (%)</i>	<i>4.4%</i>	<i>5.1%</i>		<i>13.3%</i>		<i>9.2%</i>	<i>13.1%</i>	
Depreciation	170	113	50.8%	136	25.0%	306	221	38.1%
EBIT	116	196	-40.7%	868	-86.6%	985	1,540	-36.1%
Other income	29	67	-57.2%	21	34.9%	50	110	-54.6%
Interest cost	44	11	303.0%	24	80.6%	68	39	74.5%
PBT	101	252	-59.8%	865	-88.3%	966	1,611	-40.0%
Tax	15	106	-85.9%	220	-93.2%	235	442	-46.8%
Sh of ass. / Minority int	(0)	0		(0)	0.0%	(0)	0	
PAT	86	146	-40.9%	645	-86.6%	731	1,169	-37.5%
Extra ordinary income/ (exp.)	0	0		0		0	0	
Adjusted PAT	86	146	-40.9%	645	-86.6%	731	1,169	-37.5%
<i>Adj. PAT margin (%)</i>	<i>1.3%</i>	<i>2.4%</i>		<i>8.5%</i>		<i>5.2%</i>	<i>8.7%</i>	
No. of shares (mn)	265	264	0.5%	265	0.0%	265	264	0.5%
Adj. EPS (Rs.)	0.3	0.6	-41.2%	2.4	-86.6%	2.8	4.4	-37.8%

Source: Company, PL

Exhibit 2: Revenue impacted by maintenance shutdown


Source: Company, PL

Exhibit 3: Margin impacted by adverse operating leverage


Source: Company, PL

Exhibit 4: SOTP

SOTP	FY22	FY23E	FY24E	FY25E	CAGR (FY22-25E)
EBITDA (Rs mn)					
Specialty Intermediates	1,754	2,283	2,683	3,147	22%
Fluorochemicals	-	18	400	750	
Acetyl Intermediates	1,441	1,355	1,540	1,645	5%
Subsidiaries & Others	482	64	67	71	
Consolidated EBITDA (Rs mn)	3,677	3,720	4,691	5,613	15%
EV/EBITDA Target Multiple (x)				Sep-24	
Specialty Intermediates				22	
Fluorochemicals				18	
Acetyl Intermediates				8	
Subsidiaries & Others				6	
Enterprise Value (Rs mn)				Sep-24	Per Share
Specialty Intermediates				63,983	243
Fluorochemicals				10,350	39
Acetyl Intermediates				12,743	48
Subsidiaries & Others				415	2
Enterprise Value (Rs mn)				87,491	332
Less: Net Debt and Investments				824	3
Equity Value / MCap (Rs mn)				88,314	335
Fair Value / Target Price (Rs)				335	

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	30,842	32,353	36,003	39,822
YoY gr. (%)	74.4	4.9	11.3	10.6
Cost of Goods Sold	21,125	22,037	23,879	25,997
Gross Profit	9,717	10,316	12,124	13,825
Margin (%)	31.5	31.9	33.7	34.7
Employee Cost	1,244	1,394	1,645	1,809
Other Expenses	4,796	5,202	5,789	6,403
EBITDA	3,677	3,720	4,691	5,613
YoY gr. (%)	69.7	1.2	26.1	19.7
Margin (%)	11.9	11.5	13.0	14.1
Depreciation and Amortization	493	642	915	1,092
EBIT	3,184	3,078	3,776	4,521
Margin (%)	10.3	9.5	10.5	11.4
Net Interest	154	141	69	9
Other Income	149	60	149	298
Profit Before Tax	3,179	2,996	3,855	4,810
Margin (%)	10.3	9.3	10.7	12.1
Total Tax	614	599	771	962
Effective tax rate (%)	19.3	20.0	20.0	20.0
Profit after tax	2,565	2,397	3,084	3,848
Minority interest	1	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	2,564	2,397	3,084	3,848
YoY gr. (%)	101.8	(6.5)	28.7	24.7
Margin (%)	8.3	7.4	8.6	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,564	2,397	3,084	3,848
YoY gr. (%)	101.8	(6.5)	28.7	24.7
Margin (%)	8.3	7.4	8.6	9.7
Other Comprehensive Income	(11)	-	-	-
Total Comprehensive Income	2,553	2,397	3,084	3,848
Equity Shares O/s (m)	264	264	264	264
EPS (Rs)	9.7	9.1	11.7	14.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	6,294	12,532	13,532	15,532
Tangibles	6,269	12,507	13,507	15,507
Intangibles	26	26	26	26
Acc: Dep / Amortization	2,383	3,026	3,940	5,033
Tangibles	2,365	3,008	3,922	5,015
Intangibles	18	18	18	18
Net fixed assets	3,911	9,506	9,592	10,500
Tangibles	3,903	9,499	9,584	10,492
Intangibles	8	8	8	8
Capital Work In Progress	3,738	1,000	1,000	1,000
Goodwill	33	33	33	33
Non-Current Investments	178	178	178	178
Net Deferred tax assets	(215)	(215)	(215)	(215)
Other Non-Current Assets	63	63	63	63
Current Assets				
Investments	40	40	40	40
Inventories	3,736	3,989	4,439	4,910
Trade receivables	6,684	6,648	7,398	8,183
Cash & Bank Balance	1,822	616	2,169	4,172
Other Current Assets	768	806	395	436
Total Assets	22,675	24,663	27,288	31,704
Equity				
Equity Share Capital	527	527	527	527
Other Equity	12,479	14,637	17,412	20,875
Total Networkth	13,007	15,164	17,940	21,403
Non-Current Liabilities				
Long Term borrowings	99	77	77	77
Provisions	37	41	49	54
Other non current liabilities	44	44	44	44
Current Liabilities				
ST Debt / Current of LT Debt	1,235	1,064	-	-
Trade payables	7,117	7,091	7,891	8,728
Other current liabilities	894	938	1,044	1,155
Total Equity & Liabilities	22,675	24,663	27,288	31,704

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	3,178	2,996	3,855	4,810
Add. Depreciation	493	642	915	1,092
Add. Interest	63	141	69	9
Less Financial Other Income	149	60	149	298
Add. Other	212	(60)	(149)	(298)
Op. profit before WC changes	3,946	3,720	4,691	5,613
Net Changes-WC	(2,929)	(331)	(114)	(591)
Direct tax	(561)	(586)	(739)	(928)
Net cash from Op. activities	457	2,803	3,838	4,094
Capital expenditures	(3,083)	(3,500)	(1,000)	(2,000)
Interest / Dividend Income	114	60	149	298
Others	3,707	992	-	-
Net Cash from Invt. activities	738	(2,448)	(851)	(1,702)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,033)	(193)	(1,064)	-
Dividend paid	(132)	(240)	(308)	(385)
Interest paid	(48)	(141)	(69)	(9)
Others	(29)	4	7	5
Net cash from Fin. activities	(1,242)	(569)	(1,434)	(389)
Net change in cash	(47)	(214)	1,553	2,003
Free Cash Flow	(2,635)	(697)	2,838	2,094

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	9.7	9.1	11.7	14.6
CEPS	11.6	11.5	15.2	18.7
BVPS	49.3	57.5	68.0	81.2
FCF	(10.0)	(2.6)	10.8	7.9
DPS	0.5	0.9	1.2	1.5
Return Ratio(%)				
RoCE	24.4	20.1	22.0	22.9
ROIC	27.3	17.5	19.2	21.9
RoE	22.0	17.0	18.6	19.6
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.2)
Net Working Capital (Days)	39	40	40	40
Valuation(x)				
PER	30.8	32.9	25.6	20.5
P/B	6.1	5.2	4.4	3.7
P/CEPS	25.8	25.9	19.7	16.0
EV/EBITDA	21.3	21.3	16.4	13.3
EV/Sales	2.5	2.5	2.1	1.9
Dividend Yield (%)	0.2	0.3	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Net Revenue	8,599	8,799	7,566	6,522
YoY gr. (%)	97.4	69.4	2.8	7.3
Raw Material Expenses	5,517	6,138	4,580	4,492
Gross Profit	3,081	2,661	2,986	2,030
Margin (%)	35.8	30.2	39.5	31.1
EBITDA	1,187	729	1,004	286
YoY gr. (%)	75.4	14.5	(30.9)	(7.3)
Margin (%)	13.8	8.3	13.3	4.4
Depreciation / Depletion	134	138	136	170
EBIT	1,053	592	868	116
Margin (%)	12.2	6.7	11.5	1.8
Net Interest	69	46	24	44
Other Income	20	19	21	29
Profit before Tax	1,004	565	865	101
Margin (%)	11.7	6.4	11.4	1.6
Total Tax	183	(10)	220	15
Effective tax rate (%)	18.2	(1.8)	25.4	14.8
Profit after Tax	821	575	645	86
Minority interest	-	1	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	821	574	645	86
YoY gr. (%)	81.6	57.9	(37.0)	(40.9)
Margin (%)	9.5	6.5	8.5	1.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	821	574	645	86
YoY gr. (%)	81.6	57.9	(37.0)	(40.9)
Margin (%)	9.5	6.5	8.5	1.3
Other Comprehensive Income	(4)	(5)	7	1
Total Comprehensive Income	816	569	651	87
Avg. Shares O/s (m)	264	264	265	265
EPS (Rs)	3.1	2.2	2.4	0.3

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Oct-22	Hold	335	343
2	07-Sep-22	Hold	335	329

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Accumulate	880	774
2	Fine Organic Industries	Accumulate	7,000	6,200
3	Jubilant Ingrevia	BUY	860	534
4	Laxmi Organic Industries	Hold	335	343
5	NOCIL	Accumulate	275	232

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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