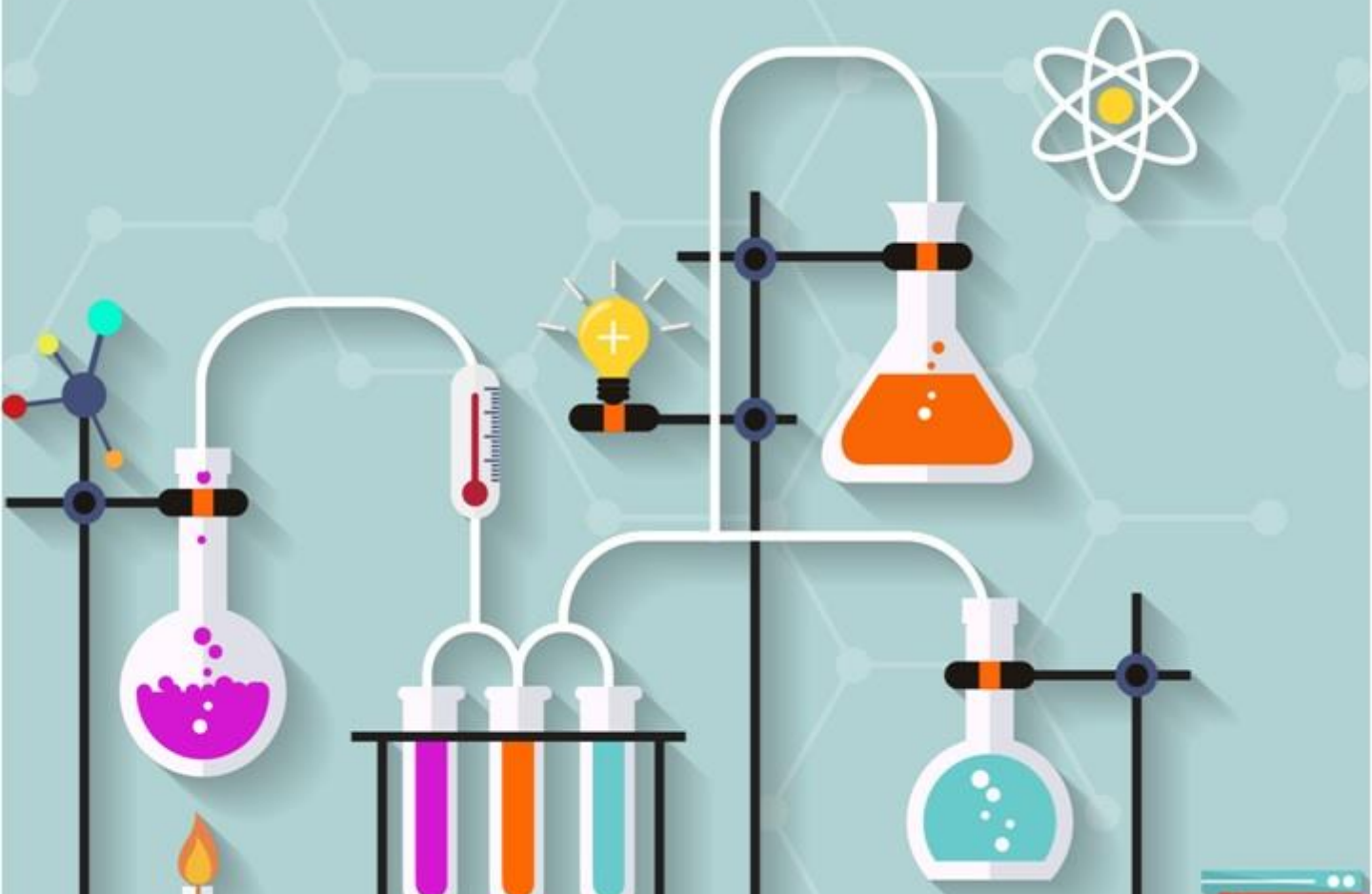


Laxmi Organic Industries Ltd.



Laxmi Organic Industries Ltd.

Steady performance; outlook positive

CMP INR 267	Target INR 376	Potential Upside 41%	Market Cap (INR Mn) INR 70,866	Recommendation BUY	Sector Specialty Chemicals
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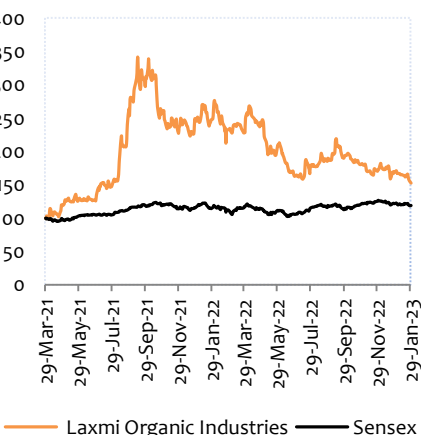
Result Highlights of Q3FY23

- Laxmi Organic Industries Ltd (LOIL) reported revenue of INR 6,546Mn(-23.9% YoY/+0.4% QoQ) on account of fall in Acetyl Intermediates (AI) prices and lower demand in Specialty Intermediates (SI) compared to last year. However, the prices in AI segment has begun to stabilize on a sequential basis; whereas SI demand started coming back towards the end of Q3FY23.
- EBITDA reported at INR 548Mn (-53.8% YoY/+91.4% QoQ). EBITDA margin stood at 8.4% (-543bps YoY/+398bps QoQ); an improvement in margin performance on a sequential basis was mainly on account of correction in input costs and narrowing spread of AI segment.
- Net Profit decline by 66.8% YoY at INR 273Mn (+216.1% QoQ), Net margin reported at 4.2% (-538bps YoY / +284bps QoQ).
- EPS stood at INR 1.03 in Q3FY23 compared to INR 3.07 in Q3FY22 and 0.33 in Q2FY23.

MARKET DATA

Shares outs (Mn)	267
Equity Cap (INR Mn)	527
Mkt Cap (INR Mn)	70,866
52 Wk H/L (INR)	501/258
Volume Avg (3m K)	531.9
Face Value (INR)	2
Bloomberg Code	LXCHEM IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	59,500
NIFTY	17,649

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

Key Financials

INR millions	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenue	15,341	17,684	30,842	28,490	38,827	43,852
EBITDA	1,135	2,167	3,677	2,687	4,969	6,489
PAT	702	1,271	2,565	1,539	3,188	4,306
EPS (INR)	2.9	5.6	9.7	5.8	12.1	16.3
EBITDA Margin (%)	7.4%	12.3%	11.9%	9.4%	12.8%	14.8%
NPM (%)	4.6%	7.2%	8.3%	5.4%	8.2%	9.8%

Source: Company data, KRChoksey Research

Topline performance remained stable:

In 9MFY23, revenue contribution from AI and SI segment stood at 65% and 35% respectively compared to 70% and 30% in H1FY23, which demonstrate an improvement in the revenue share of the SI segment. During the quarter, the company has witnessed stable demand for the AI segment despite softening of ETAC prices. SI segment has seen slowdown in the domestic market due to subdued demand from the certain products. However, the demand has started coming back towards the end of the Q3FY23 with the improvement in the global scenario; especially fall in energy prices in the Europe. During the quarter, the company has completed Phase 2 of the capex for the SI segment and concluded debottlenecking activities for the AI segment. Phase 1 of the SI segment was already completed in the H1FY23. Moreover, the company has also shifted production capacity of fluoro specialty Intermediaries segment in India, which will be commercialized in Q4FY23. Considering this, we expect that the recent capacity additions will drive the revenue growth for the company.

The management has highlighted that the revenue share from specialty type business will grow to 50% by FY25E and 55% by FY27E.

Improvement in margin with softening of input costs:

EBITDA margin grew by +398bps QoQ on back of narrowing spread in the AI segment and softening of input costs such as coal prices, fuel and power costs and freight costs. During the quarter, the contribution to profit from AI segment improved from 65% to 67% which is result of narrow spread in the AI segment; whereas SI segment yet to recover from inflationary pressure. However, the company has witnessed an improvement in demand for the SI segment towards the end of Q3FY23. We expect that an improvement in EBITDA margin owing to recovery in the SI segment and ramp in the new capacities in value added products.

Valuation

During the current financial year, the company has faced multiple macro challenges such as higher input costs, slowdown in demand, geopolitical issues, which resulted in subdued performance during the period. As the situation are stabilizing, we expect that the company will report strong performance from FY24E onwards. Additionally, the growth in revenue share from specialty type business will lead to the significant improvement in EBITDA margin with exponential growth in the revenue. The stock is currently trading at PE multiples of 22.1x / 16.4x based on FY24E / FY25E EPS respectively. **We revise our target price at INR 376 by assigning PE multiple of 24.0x to FY25E EPS (Previous TP: INR 380) and rolling over our estimate from FY24E to FY25E while maintain our 'BUY' recommendation (upside 41%).**

Laxmi Organic Industries Ltd.

Key Concall Highlights

- The company has completed Phase-2 of the capex for the SI segment. In addition to that, the company had finished debottleneck activities for the AI segment in the last quarter which is capitalised this quarter.
- LOIL has acquired 92 acres land during the quarter, which will be used primarily for expansion of specialty Intermediates and Fluoro-specialty Intermediates with commencement by FY25. However, the company has not outlined on the quantum of investment for this upcoming capex.
- The Italian Fluoro specialty chemical plant has been evacuated and shifted its manufacturing capacity in India. Production from this facility will be commenced from Q4FY23. This facility already has sample approval for 6–8 products that would cater pharmaceutical and agrochemical products. Demand for these products are there in both domestic and international markets.
- Going ahead, the company has clear vision to expand specialty type business and capex in the AI business will be less than 10%.
- ETAC prices globally saw softening in Q3 with correction in acetic acid price (key raw material). Demand in the AI segment has stabilised with softening of energy prices in Europe. EBITDA margin can improve in the upcoming quarters with correction in spread in AI segment. Input cost such as coal price, fuel and power costs, and freight cost are started stabilising.
- In the SI segment, Domestic demand was subdued in certain segments, which has started coming back and the global scenario has also started improving towards the end of Q3 FY23, especially with the energy prices coming down in Europe. Realisations and EBITDA margins are expected to improve in the upcoming quarters with an improvement in circumstances.

Q3FY23 Result Analysis- Consolidated

Particulars (INR mn)	Q3FY23	Q3FY22	YoY	Q2FY23	QoQ
Revenue from operations	6,546	8,599	-23.9%	6,522	0.4%
Cost of Materials consumed	4,135	5,537	-25.3%	3,317	24.7%
Purchase of Stock-in-trade	342	518	-34.0%	692	-50.6%
Changes in Inventories	-88	-538	-83.7%	483	-118.2%
COGS	4,390	5,517	-20.4%	4,492	-2.3%
Gross Profit	2,157	3,081	-30.0%	2,030	6.2%
GPM	32.9%	35.8%	-289bps	31.1%	182bps
Employee cost	289	335	-13.6%	294	-1.7%
Other Expenses	1,320	1,560	-15.4%	1,449	-9.0%
EBITDA	548	1,187	-53.8%	286	91.4%
EBITDA Margin	8.4%	13.8%	-543bps	4.4%	398bps
Depreciation & amortization	188	134	40.3%	170	10.6%
EBIT	360	1,053	-65.8%	116	209.3%
Other Income	32	20	60.5%	29	13.5%
Finance Cost	57	69	-17.7%	44	30.6%
EBT	335	1,004	-66.6%	101	231.2%
Tax expense/(credit)	63	183	-65.7%	15	318.3%
PAT	273	821	-66.8%	86	216.1%
PAT Margin	4.2%	9.5%	-538bps	1.3%	284bps
Diluted EPS	1.03	3.07	-66.5%	0.33	216.1%
Segment Revenue Performance					
Acetyl Intermediates	3,604	5,303	-32.0%	4,944	-27.1%
Specialty Intermediates	3,025	2,655	13.9%	1,578	91.6%
% of Revenue					
Acetyl Intermediates	55.1%	61.7%	-661bps	75.8%	-2074bps
Specialty Intermediates	46.2%	30.9%	1532bps	24.2%	2200bps

Source: Company data, KRChoksey Research,

Laxmi Organic Industries Ltd.

Consolidated Financial Statements

Income Statement (INR mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Revenues	15,341	17,684	30,842	28,490	38,827	43,852
COGS	10,907	11,743	21,125	18,647	24,849	28,065
Gross profit	4,435	5,942	9,717	9,843	13,978	15,787
Employee cost	686	929	1,244	1,197	1,632	1,843
Other expenses	2,613	2,846	4,796	5,959	7,377	7,455
EBITDA	1,135	2,167	3,677	2,687	4,969	6,489
Depreciation & amortization	489	465	493	682	903	1,110
EBIT	647	1,702	3,184	2,005	4,066	5,379
Interest expense	140	164	154	175	178	145
Other income	45	46	149	118	147	148
PBT	808	1,584	3,179	1,948	4,035	5,382
Tax	106	313	614	409	847	1,076
PAT	702	1,271	2,565	1,539	3,188	4,306
EPS (INR)	2.86	5.59	9.73	5.84	12.09	16.33

Source: Company data, KRChoksey Research

Balance Sheet (INR mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Property, plant and equipment	3,257	3,152	3,841	6,067	8,693	9,114
Right of use assets/CWIP/other intangibles	798	1,577	3,841	3,841	3,841	3,841
Other non current assets	257	594	253	236	312	350
Inventories	1,519	2,033	3,736	3,278	4,255	4,565
Trade receivables	3,594	4,344	6,684	6,401	8,723	9,852
Cash and bank balance	363	5,394	1,822	1,925	1,037	4,751
Loans / other assets	910	1,280	1,735	1,610	2,182	2,463
TOTAL ASSETS	10,697	18,374	22,675	24,120	29,805	35,699
Equity share capital	450	527	527	527	527	527
Other equity	3,819	9,819	12,479	14,018	17,206	21,511
Non-controlling interests	4	5	4	4	4	4
Total equity	4,273	10,351	13,010	14,549	17,737	22,042
Borrowings	1,238	906	1,333	1,512	1,482	1,207
Other non current liab	232	250	321	321	321	321
Trade payables	4,116	4,750	7,117	6,635	9,042	10,212
Other financial liabilities	655	1,827	641	640	645	647
Provisions	180	291	253	244	286	306
Other current liabilities	10,694	18,373	22,675	23,900	29,512	35,135

Source: Company data, KRChoksey Research

Cash Flow Statement (INR mn)	FY20	FY21	FY22	FY23E	FY24E	FY25E
Operating Cash Flow	1,955	1,225	458	2,669	2,628	4,848
Investing Cash Flow	(559)	(6,434)	738	(2,226)	(2,627)	(421)
Financing Cash Flow	(1,232)	5,273	(1,242)	(341)	(890)	(712)
Net Inc/Dec in cash equivalents	165	64	(46)	102	(889)	3,715
Opening Balance	76	241	166	331	433	(456)
Closing Balance Cash & Cash Eq.	241	166	331	433	(456)	3,259

Source: Company data, KRChoksey Research

Key Ratio	FY20	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin (%)	7.4%	12.3%	11.9%	9.4%	12.8%	14.8%
Net Profit Margin (%)	2.9%	7.2%	8.3%	5.4%	8.2%	9.8%
RoE (%)	16.0%	17.4%	22.0%	11.2%	19.7%	21.6%
RoA (%)	6.7%	8.7%	12.5%	6.6%	11.8%	13.1%
RoCE (%)	12.8%	16.3%	25.0%	14.0%	22.9%	23.6%
Debt/Equity	0.29x	0.09x	0.10x	0.10x	0.08x	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
30-Jan-23	267	376	BUY	Buy	More than 15%
29-Jul-22	311	380	BUY	Accumulate	5% – 15%
09-May-22	387	530	BUY	Hold	0 – 5%
03-Feb-22	484	620	BUY	Reduce	-5% – 0
08-Nov-21	430	620	BUY	Sell	Less than – 5%
01-Oct-21	542	620	ACCUMULATE		

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