

March 5, 2024

Management Meet Update

☑ Change in Estimates | ■ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		REDUCE	
Target Price	1,626		1,626	
Sales (Rs. m)	21,313	24,949	21,113	24,949
% Chng.	0.9	-		
EBITDA (Rs. m)	5,278	6,193	5,216	6,193
% Chng.	1.2	-		
EPS (Rs.)	36.2	42.8	35.8	42.8
% Chng.	1.4	-		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	20,727	18,571	21,313	24,949
EBITDA (Rs. m)	5,622	4,612	5,278	6,193
Margin (%)	27.1	24.8	24.8	24.8
PAT (Rs. m)	4,102	3,253	3,726	4,398
EPS (Rs.)	39.9	31.7	36.2	42.8
Gr. (%)	18.3	(20.7)	14.5	18.0
DPS (Rs.)	7.0	-	-	-
Yield (%)	0.4	-	-	-
RoE (%)	20.3	13.8	14.1	14.8
RoCE (%)	24.7	15.8	15.7	16.9
EV/Sales (x)	8.1	9.0	7.8	6.6
EV/EBITDA (x)	29.9	36.2	31.5	26.7
PE (x)	41.1	51.8	45.2	38.3
P/BV (x)	7.6	6.8	6.0	5.3

Key Data

VNTI.BO | VO IN

52-W High / Low	Rs.2,034 / Rs.1,578
Sensex / Nifty	73,872 / 22,406
Market Cap	Rs.168bn/ \$ 2,031m
Shares Outstanding	103m
3M Avg. Daily Value	Rs.111.27m

Shareholding Pattern (%)

Promoter's	74.06
Foreign	4.71
Domestic Institution	7.56
Public & Others	13.67
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.5)	(11.6)	(11.9)
Relative	(6.8)	(21.4)	(28.7)

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Focus on existing strengths

Quick Pointers:

- Multiple project commissioning in FY25
- Strong Antioxidants products pipeline, new products to be launched soon

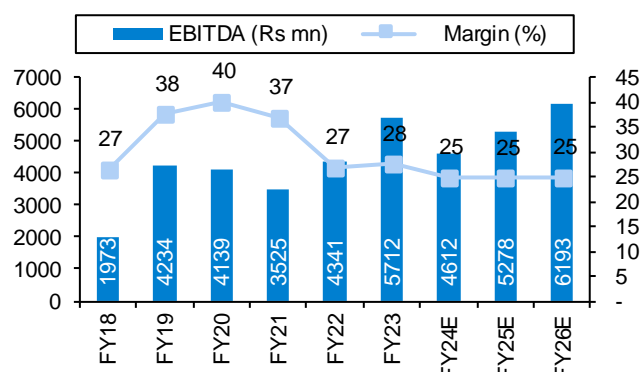
We recently met with the management of Vinati Organics (VO IN). Based on our interaction, Q4FY24 performance is expected to be slightly better than Q3FY24, but significant improvement will be visible only in FY25. Destocking is largely over and ATBS, IBB, IB and Butyl phenols plants have ramped up their capacity utilization. Throughout this year, the company will be commencing several projects, including MEHQ and Guaiacol production this month. Anisole plant is expected by 2024-end, until which, it would be sourced externally. ATBS expansion is scheduled for completion in Dec'24. Currently, the stock is trading at ~45x FY25 P/E. We upgrade the stock to HOLD from REDUCE rating previously with a target price of Rs1,626, valuing it at 38x FY26E EPS.

- **ATBS expansion aligned to meet future demand:** ATBS demand is expected to rise as upstream oil and gas companies are focusing more on EOR (Enhanced Oil Recovery) rather than drilling in new fields. Current ATBS utilization stands at 85% and is expected to ramp up further soon. ATBS capacity in China has remained stable and global consumer demand has been improving. Expansion of ATBS is expected to be completed by Dec'24, all the long lead equipment's have already arrived. Significant sales to come post 6 months of completion.
- **Antioxidants to lead future growth:** AO with 24,000mtpa total capacity is currently running at 25% capacity. Two third of the total production is expected to be exported, full utilisation of AO is expected in next 2-3 yrs. R&D pipeline for AO looks strong with end usage in plastics, lube additives, and nylon.
- **Significant part of Butyl Phenol to be used captive:** As AO walks towards its full utilisation, approximately 12,000mtpa of the total 16,000mtpa of DTBP (di tertiary butyl phenol) will be used captive to make antioxidants.
- **Production of MEHQ and Guaiacol to commence this month,** ramp may take time and revenue is expected to be low for first 6 months. IBB is running at full capacity and management expects higher numbers in IBB in FY25 as compared to this financial year.

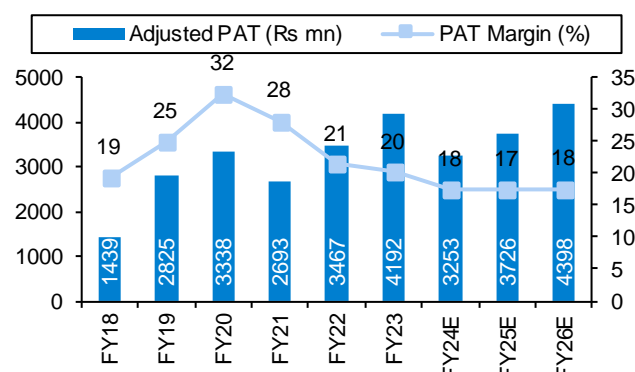
Exhibit 1: Segmental Performance (INR mn)

Business Segment	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
ATBS	3,711	6,542	5,865	4,580	8,562	9,498	7,598	8,358	9,108
IBB	1,559	2,143	1,646	2,004	1,616	3,311	3,642	4,006	4,046
Others (IB, HPMTBE, PTBBA, etc)	2,152	2,594	2,778	3,054	3,716	4,352	3,481	3,830	4,595
Butyl Phenols (BP)	-	-	-	-	2,262	3,567	3,100	3,200	3,300
Anti-Oxidants (AO)	-	-	-	-	-	-	750	1,200	2,400
Veeral Organics (Niche Chemicals)	-	-	-	-	-	-	-	720	1,500
Total	7,422	11,279	10,289	9,638	16,155	20,727	18,571	21,313	24,949

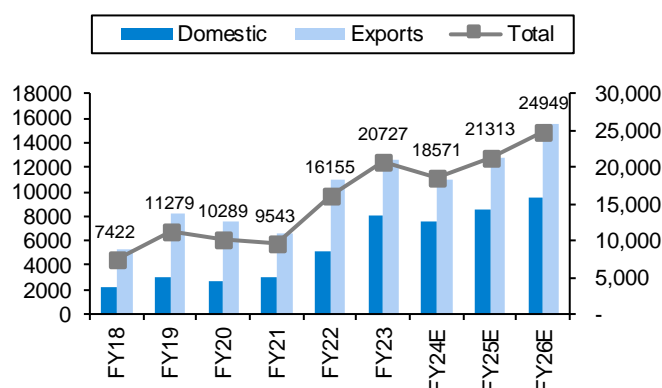
Source: Company, PL

Exhibit 2: EBITDA margins to be maintained at 25%


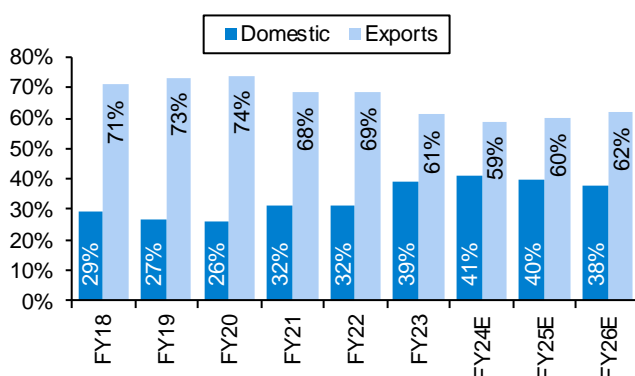
Source: Company, PL

Exhibit 3: PAT to grow at 2% CAGR over FY23-FY26E


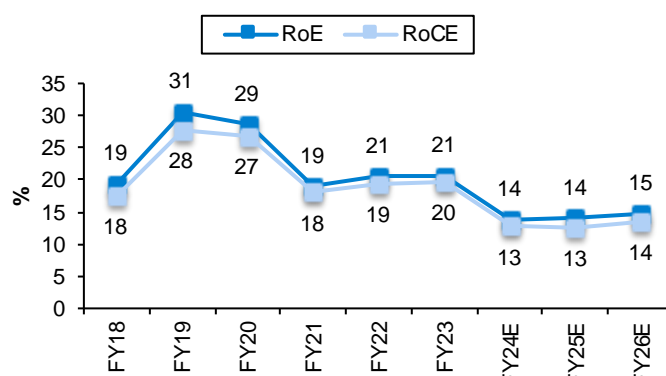
Source: Company, PL

Exhibit 4: Revenue to grow 6% CAGR over FY23-FY26E


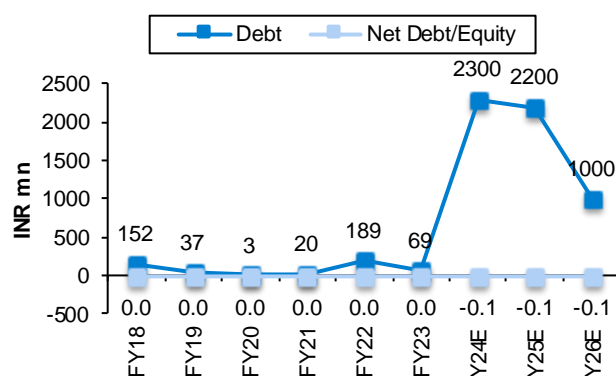
Source: Company, PL

Exhibit 5: Exports share to increase with newer product


Source: Company, PL

Exhibit 6: Return ratios at around 12-15%


Source: Company, PL

Exhibit 7: Debt free status maintained


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	20,727	18,571	21,313	24,949
YoY gr. (%)	28.3	(10.4)	14.8	17.1
Cost of Goods Sold	10,835	9,843	11,083	12,974
Gross Profit	9,892	8,729	10,230	11,976
Margin (%)	47.7	47.0	48.0	48.0
Employee Cost	996	1,146	1,329	1,541
Other Expenses	3,274	2,971	3,623	4,241
EBITDA	5,622	4,612	5,278	6,193
YoY gr. (%)	29.5	(18.0)	14.5	17.3
Margin (%)	27.1	24.8	24.8	24.8
Depreciation and Amortization	590	694	783	885
EBIT	5,032	3,917	4,495	5,308
Margin (%)	24.3	21.1	21.1	21.3
Net Interest	14	35	4	2
Other Income	524	464	488	571
Profit Before Tax	5,542	4,347	4,979	5,877
Margin (%)	26.7	23.4	23.4	23.6
Total Tax	1,440	1,094	1,253	1,479
Effective tax rate (%)	26.0	25.2	25.2	25.2
Profit after tax	4,102	3,253	3,726	4,398
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,102	3,253	3,726	4,398
YoY gr. (%)	18.3	(20.7)	14.5	18.0
Margin (%)	19.8	17.5	17.5	17.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,102	3,253	3,726	4,398
YoY gr. (%)	18.3	(20.7)	14.5	18.0
Margin (%)	19.8	17.5	17.5	17.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,102	3,253	3,726	4,398
Equity Shares O/s (m)	103	103	103	103
EPS (Rs)	39.9	31.7	36.2	42.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	11,354	14,354	16,354	18,354
Tangibles	11,354	14,354	16,354	18,354
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,534	3,228	4,011	4,896
Tangibles	2,534	3,228	4,011	4,896
Intangibles	-	-	-	-
Net fixed assets	8,820	11,126	12,343	13,458
Tangibles	8,820	11,126	12,343	13,458
Intangibles	-	-	-	-
Capital Work In Progress	2,212	2,212	2,212	2,212
Goodwill	-	-	-	-
Non-Current Investments	2,555	2,555	2,555	2,555
Net Deferred tax assets	(1,021)	(1,021)	(1,021)	(1,021)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,909	1,711	1,963	2,298
Trade receivables	4,696	4,207	4,829	5,652
Cash & Bank Balance	83	3,702	4,201	3,843
Other Current Assets	-	-	-	-
Total Assets	25,471	30,169	33,446	36,273
Equity				
Equity Share Capital	103	103	103	103
Other Equity	22,085	24,780	27,866	31,509
Total Networkth	22,188	24,883	27,969	31,612
Non-Current Liabilities				
Long Term borrowings	69	2,300	2,200	1,000
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,179	1,057	1,213	1,420
Other current liabilities	1,014	909	1,043	1,221
Total Equity & Liabilities	25,472	30,169	33,446	36,273

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,153	4,347	4,979	5,877
Add. Depreciation	519	694	783	885
Add. Interest	6	35	4	2
Less Financial Other Income	524	464	488	571
Add. Other	(215)	-	-	-
Op. profit before WC changes	6,463	5,076	5,766	6,764
Net Changes-WC	626	459	(584)	(774)
Direct tax	(1,310)	(1,094)	(1,253)	(1,479)
Net cash from Op. activities	5,780	4,441	3,930	4,511
Capital expenditures	(607)	(3,000)	(2,000)	(2,000)
Interest / Dividend Income	35	-	-	-
Others	(3,143)	540	(687)	(911)
Net Cash from Invt. activities	(3,715)	(2,460)	(2,687)	(2,911)
Issue of share cap. / premium	-	-	-	-
Debt changes	(182)	2,231	(100)	(1,200)
Dividend paid	(670)	(558)	(640)	(755)
Interest paid	(6)	(35)	(4)	(2)
Others	3	-	-	-
Net cash from Fin. activities	(856)	1,638	(744)	(1,957)
Net change in cash	1,209	3,619	498	(357)
Free Cash Flow	5,172	1,441	1,930	2,511

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	39.9	31.7	36.2	42.8
CEPS	45.7	38.4	43.9	51.4
BVPS	215.9	242.1	272.1	307.6
FCF	50.3	14.0	18.8	24.4
DPS	7.0	-	-	-
Return Ratio(%)				
RoCE	24.7	15.8	15.7	16.9
ROIC	18.3	12.8	13.6	14.5
RoE	20.3	13.8	14.1	14.8
Balance Sheet				
Net Debt : Equity (x)	-	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	96	96	96	96
Valuation(x)				
PER	41.1	51.8	45.2	38.3
P/B	7.6	6.8	6.0	5.3
P/CEPS	35.9	42.7	37.3	31.9
EV/EBITDA	29.9	36.2	31.5	26.7
EV/Sales	8.1	9.0	7.8	6.6
Dividend Yield (%)	0.4	-	-	-

Source: Company Data, PL Research

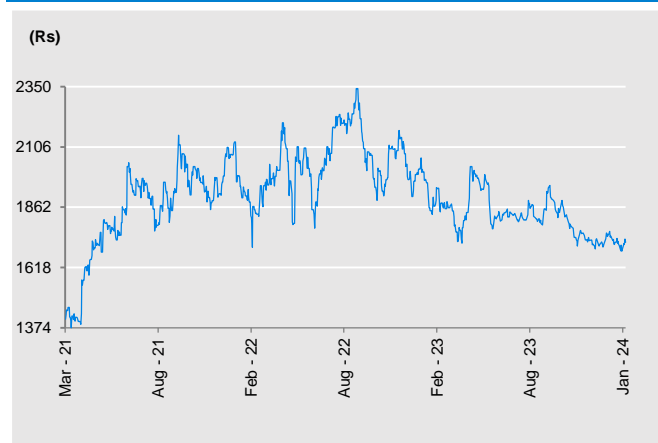
Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	5,034	4,310	4,629	4,480
YoY gr. (%)	3.6	(14.9)	(18.3)	(13.3)
Raw Material Expenses	2,504	2,259	2,507	2,366
Gross Profit	2,530	2,051	2,122	2,114
Margin (%)	50.3	47.6	45.8	47.2
EBITDA	1,523	1,090	1,048	1,146
YoY gr. (%)	9.8	(16.7)	(29.4)	(22.5)
Margin (%)	30.3	25.3	22.6	25.6
Depreciation / Depletion	130	132	173	193
EBIT	1,393	958	875	953
Margin (%)	27.7	22.2	18.9	21.3
Net Interest	1	3	9	10
Other Income	170	153	106	88
Profit before Tax	1,561	1,109	972	1,031
Margin (%)	31.0	25.7	21.0	23.0
Total Tax	407	276	247	262
Effective tax rate (%)	26.1	24.9	25.4	25.4
Profit after Tax	1,154	832	725	769
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,154	832	725	769
YoY gr. (%)	14.1	(17.7)	(37.5)	(28.1)
Margin (%)	22.9	19.3	15.7	17.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,154	832	725	769
YoY gr. (%)	14.1	(17.7)	(37.5)	(28.1)
Margin (%)	22.9	19.3	15.7	17.2
Other Comprehensive Income	(3)	-	-	-
Total Comprehensive Income	1,151	832	725	769
Avg. Shares O/s (m)	103	103	103	103
EPS (Rs)	11.2	8.1	7.1	7.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Feb-24	Reduce	1,626	1,613
2	08-Jan-24	Accumulate	1,885	1,741
3	10-Nov-23	Accumulate	1,997	1,759
4	09-Oct-23	Accumulate	1,974	1,863
5	16-Aug-23	Accumulate	1,955	1,815

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	599	663
2	Bharat Petroleum Corporation	Sell	513	633
3	Bharti Airtel	Accumulate	1,225	1,134
4	Clean Science and Technology	Hold	1,425	1,461
5	Deepak Nitrite	Reduce	1,985	2,283
6	Fine Organic Industries	Hold	4,575	4,496
7	GAIL (India)	Reduce	157	172
8	Gujarat Fluorochemicals	Hold	3,727	3,616
9	Gujarat Gas	Hold	548	562
10	Gujarat State Petronet	Accumulate	402	353
11	Hindustan Petroleum Corporation	Sell	411	543
12	Indian Oil Corporation	Sell	146	182
13	Indraprastha Gas	Hold	382	405
14	Jubilant Ingrevia	Hold	497	484
15	Laxmi Organic Industries	Sell	221	271
16	Mahanagar Gas	Reduce	1,124	1,345
17	Mangalore Refinery & Petrochemicals	Sell	140	252
18	Navin Fluorine International	BUY	3,727	3,018
19	NOCIL	Reduce	254	270
20	Oil & Natural Gas Corporation	Hold	262	258
21	Oil India	Accumulate	538	499
22	Petronet LNG	Sell	212	268
23	Reliance Industries	Accumulate	2,912	2,735
24	SRF	Reduce	2,127	2,320
25	Vinati Organics	Reduce	1,626	1,613

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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