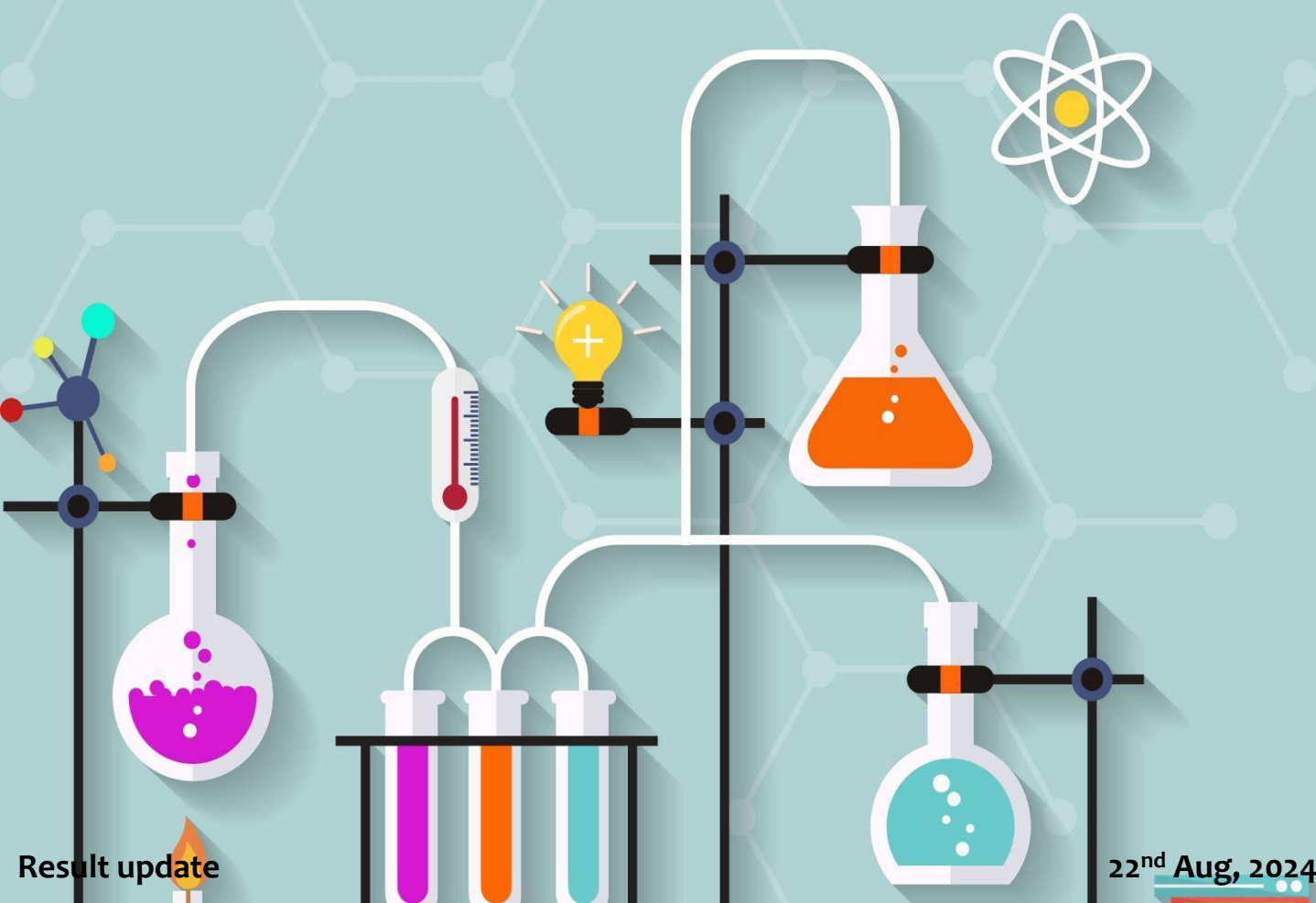




Q1FY25 Vinati Organics Ltd



Vinati Organics Ltd

H2FY25E likely to be better than H1FY25E

CMP INR 1,977*	Target INR 2,002	Potential Upside 1.2%	Market Cap (INR Mn) INR 2,04,740	Recommendation HOLD	Sector Specialty Chemicals
-------------------	---------------------	--------------------------	-------------------------------------	------------------------	-------------------------------

Result Highlights of Q1FY25:

- Vinati Organics Ltd (VO) reported revenue of INR 5,247 Mn, up 19.6% YoY (-4.7% QoQ), largely in line with our estimate (-2.6% miss on estimated revenue).
- EBITDA grew to INR 1,247 Mn, up 24.2% YoY (-16.8% QoQ), missing our estimates on the back of higher raw material costs and power & fuel costs leading to an EBITDA margin of 23.8% (+88bps YoY / -348bps QoQ).
- VO reported PAT of INR 842 Mn, up 21.3% YoY (-19.2% QoQ), missing our expectations due to weak operating performance and higher depreciation with PAT margin at 16.0%, up 22bps YoY (-289bps QoQ).
- We lower our FY26E EPS to INR 50.0 (previously: INR 51.3), on the back of weaker than anticipated Q1FY25E. However, we increase our PE multiple to 40.0x (previously: 35.0x), reflecting our positive outlook on demand recovery as destocking stabilizes and planned capex is expected to begin generating results in H2FY25E and FY26E. Accordingly, we raise our target price to INR 2,002 (earlier: INR 1,795). We retain our Hold rating on the shares of Vinati Organics Ltd, given the marginal upside potential.**

MARKET DATA

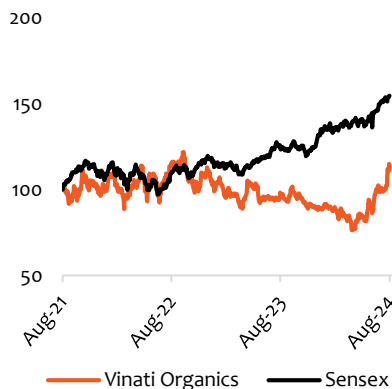
Shares outs (Mn)	103.7
Equity Cap (INR Mn)	51,185
Mkt Cap (INR Mn)	2,04,740
52 Wk H/L (INR)	2,331/1,462
Volume Avg (3m K)	122.0
Face Value (INR)	1.0
Bloomberg Code	VO IN

KEY FINANCIALS

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenue	16,155	20,727	19,000	23,629	28,591
EBITDA	4,341	5,712	4,697	6,117	7,459
EBITDA margin (%)	26.9%	27.6%	24.7%	25.9%	26.1%
PAT	3,466	4,192	3,230	4,221	5,188
PAT margin (%)	21.5%	20.2%	17.0%	17.9%	18.1%
EPS	33.7	40.8	31.2	40.7	50.0

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



Capex to give yield returns in H2FY25E

- Overall capex for Vinati Organics to be around INR 5,500 Mn – INR 5,700 Mn for FY25E.
- Revenues from IBB, IB, HP-MTBE, and customized products are anticipated to stay stable throughout the FY25E.
- Significant revenue contributions from the MEHQ plant are projected to begin in FY26E.
- Additionally, the remaining products under capex are set to be commissioned in H2FY25E.
- During H2FY25E, the ATBS expansion will also be completed, enhancing the Company's ATBS production capabilities.
- Demand for high-grade ATBS currently exceeds supply, and to address this, the Company aims to commercialize a new production line as quickly as possible.

Revenue and EBITDA guidance remain intact

- The Company anticipates a revenue CAGR of approximately 20.0% over the next three years, fueled by ATBL, antioxidants, and other products from Veeral Organics Private Limited (VOPL).
- The management expects the margin to be around 26.0%-27.0% on a sustainable basis.
- The Company expects margins to return to normal levels in Q2FY25E and Q3FY25E, suggesting that recent pressures may be short-term.
- VO anticipates price increases in Q2FY25E as a result of the raw material price hikes experienced in Q1FY25.
- The Company noted that ATBS sales have stabilized, destocking has been completed, and anticipates double-digit growth in ATBS sales.

MARKET INFO

SENSEX	80,905
NIFTY	24,770

SHARE HOLDING PATTERN (%)

Particulars	Jun-24 (%)	Mar-24 (%)	Dec-23 (%)
Promoters	74.3	74.3	74.1
FIIIs	5.3	4.9	4.6
DIIIs	6.7	7.3	8.2
Others	13.7	13.5	13.1
Total	100	100	100

*Based on Previous closing

22.7%

Revenue CAGR between FY24 and FY26E

26.7%

Adj. PAT CAGR between FY24 and FY26E

Vinati Organics Ltd

Key Concall Highlights:

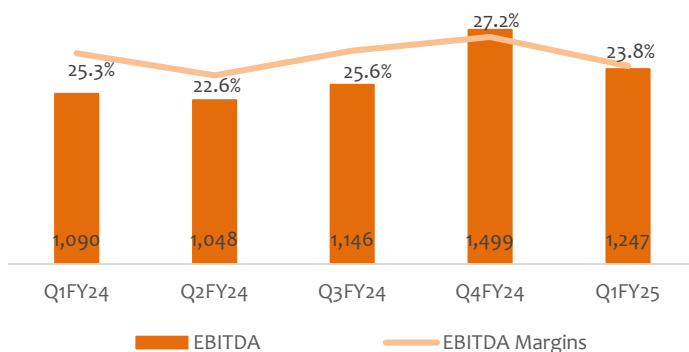
- Vinati Organics Limited has established Veeral Organics Private Limited (VOPL), a wholly-owned subsidiary focused on manufacturing niche specialty chemicals, with a capital expenditure plan exceeding INR 5,000 Mn.
- The capex strategy includes the production of MEHQ, Guaiacol, and other isoamylene derivatives.
- Additional smaller operational expenditures are expected to raise **the total capex to between INR 5,000 Mn and INR 5,700 Mn.**
- Two major capex projects are currently underway: capacity expansion at ATBS and investments at VOPL.
- Total capex for ATBS and VOPL is INR 3,000 Mn and INR 5,000 Mn, out of which INR 3,000 is already been spent.
- The change in product mix impacted gross margins. However, the Company anticipates that **EBITDA margins will stabilize at 26.0% to 27.0%** on a sustainable basis.
- Margins in Q1FY25 were reduced due to factors such as rising raw material prices, logistical challenges, and the lack of high-margin customized products.
- Most of the capex is incurred towards the end of the projects, with significant payments and equipment deliveries typically occurring at that stage.
- Both projects are anticipated to be completed in the second half of the year, which is why the capex appears elevated.
- Demand for high-grade ATBS currently surpasses supply, limiting production capacity. While global demand for antioxidants is weak, **the Company is experiencing strong growth in its AO sales for FY25E.**
- The Company intends to reinvest in capacity expansion and product development due to favorable demand conditions. MEHQ demand is primarily concentrated in China, while there is also a growing demand for Guaiacol in India.
- VO is concentrating on product sampling and improving both plant yield and efficiency. Significant revenue contributions from the MEHQ plant are anticipated starting from FY26E.
- The remaining products under capex are planned for commissioning in the latter half of FY25E. Additionally, the completion of the **ATBS expansion will enhance the Company's ATBS production capabilities during H2FY25E.**
- In terms of revenue mix, ATBS accounts for approximately 33.0% of revenue, while IBB makes up about 15.0%. Butyl phenol and IB derivatives contribute roughly 21.0%.
- Customized products represent around 4.0%, and IB, HP-MTBE, and similar products total about 12.0%. AO constitutes around 8.0%, with the remainder being other products.

Valuation and view:

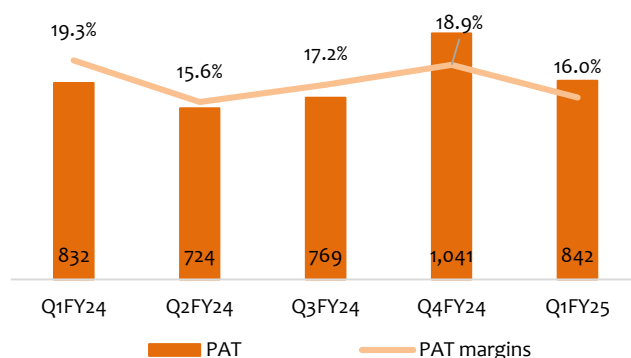
Vinati Organics' Q1FY25 earnings missed our estimates, despite revenue being largely in line. We expect H2FY25E to be better than H1FY25E, driven by a higher capacity of ATBS (60,000 Ton) along with new product launches likely to be commercialized in H2FY25E. VO commenced production for MEHQ and Guaiacol in Mar'24 with significant revenue coming in FY26E. **Based on these developments, we raise our PE multiple to 40.0x (previously: 35.0x). However, we reduce FY26E EPS to INR 50.0 (previously: INR 51.3), adjusting for weaker Q1FY25 results against our estimates. Accordingly, we raise our target price to INR 2,002 (previously: INR 1,795), showcasing the potential for enhanced growth stemming from expanded capacity, increased capacity utilization, the fresh product portfolio in AO, synergy benefits from VOPL, and better macroeconomic conditions. We retain our Hold rating, given the marginal upside potential.**

Quarterly trend in charts

EBITDA & EBITDA margin declined QoQ due to higher raw material costs and lower revenue realized



PAT and PAT margins declined sequentially



Source: Company, KRChoksey Research

Vinati Organics Ltd

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Revenues	16,155	20,727	19,000	23,629	28,591
COGS	8,607	10,745	10,113	12,479	15,042
Gross profit	7,548	9,982	8,887	11,150	13,549
Employee cost	840	996	1,190	1,370	1,658
Other expenses	2,367	3,274	2,999	3,663	4,432
EBITDA	4,341	5,712	4,697	6,117	7,459
EBITDA Margin	26.9%	27.6%	24.7%	25.9%	26.1%
Depreciation & amortization	455	590	729	924	1,001
EBIT	3,886	5,122	3,968	5,192	6,458
Interest expense	3	14	36	37	37
Other income	609	524	388	473	543
PBT	4,492	5,632	4,320	5,628	6,964
Tax	1,026	1,440	1,090	1,407	1,776
Minority interest	0	0	0	0	0
PAT	3,466	4,192	3,230	4,221	5,188
Adj. PAT	3,466	4,192	3,230	4,221	5,188
EPS (INR)	33.7	40.8	31.2	40.7	50.0
Adj. EPS	33.7	40.8	31.2	40.7	50.0

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Operating Cash Flow	1,268	5,150	3,318	3,610	3,578
Investing Cash Flow	(2,554)	(3,293)	(3,484)	(3,527)	(2,457)
Financing Cash Flow	(465)	(617)	(1,083)	(51)	(42)
Net Inc/Dec in cash equivalents	(1,752)	1,239	(1,249)	32	1,079
Cash and cash equivalents at the beginning of the year	1,761	10	1,252	4	36
Closing Balance Cash & Cash Equivalents	10	1,249	4	36	1,115

Source: Company, KRChoksey Research

Exhibit 3: Key Ratios

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
EBITDA Margin (%)	26.9%	27.6%	24.7%	25.9%	26.1%
Tax rate (%)	22.8%	25.6%	25.2%	25.0%	25.5%
Net Profit Margin (%)	21.5%	20.2%	17.0%	17.9%	18.1%
RoE (%)	19.0%	18.9%	13.1%	14.6%	15.2%
RoCE (%)	24.3%	25.1%	17.7%	19.6%	20.6%
EPS (INR)	33.7	40.8	31.2	40.7	50.0

Source: Company, KRChoksey Research

Vinati Organics Ltd

KEY FINANCIALS

Exhibit 4: Balance Sheet

INR Millions	FY22	FY23	FY24	FY25E	FY26E
Non-current assets					
Property, plant and equipment (PPE)	8,719	11,578	14,880	17,956	19,954
Capital work-in-progress	515	2,425	2,492	2,492	2,492
Other intangible assets	12	10	7	7	7
Financial assets					
Investments	935	334	394	394	394
Loans	2,523	0	0	0	0
Other financial assets	21	9	17	21	26
Other non-current assets	412	822	710	882	1,068
Total non-current assets	13,138	15,177	18,499	21,752	23,940
Current assets					
Inventories	1,762	2,330	1,985	2,395	2,898
Investments	1	1,940	249	249	249
Trade receivables	4,584	4,638	5,296	6,150	7,442
Cash and cash equivalents	10	57	4	36	1,115
Bank balances other than (iii) above	33	73	124	124	124
Loans	3	0	1	2	2
Other financial assets	274	30	230	286	632
Other current assets	919	1,316	1,623	2,019	2,443
Total current assets	7,760	10,659	9,899	11,647	15,291
TOTAL ASSETS	20,898	25,836	28,398	33,398	39,231
EQUITY AND LIABILITIES					
Equity share capital	103	103	104	104	104
Other equity	18,177	22,027	24,512	28,733	33,921
Equity attributable to the equity shareholders	18,280	22,130	24,616	28,837	34,024
Total equity	18,280	22,130	24,616	28,837	34,024
Liabilities					
Non-current liabilities					
Borrowings	0	104	0	0	0
Other financial liabilities	54	60	77	96	117
Deferred tax liabilities (Net)	900	1,099	1,334	1,334	1,334
Other non-current liabilities	45	0	171	212	257
Total non-current liabilities	945	1,273	1,599	1,664	1,733
Current liabilities					
Financial liabilities					
Borrowings	184	249	46	36	37
Trade payables	1,094	1,214	1,008	1,244	1,499
Other financial liabilities	74	96	126	156	189
Provisions	54	60	77	96	117
Current tax liabilities (Net)	6	0	93	93	93
Other current liabilities	261	814	833	1,273	1,540
Total current liabilities	1,673	2,433	2,183	2,898	3,474
Total liabilities	2,617	3,706	3,782	4,561	5,207
TOTAL EQUITY AND LIABILITIES	20,898	25,836	28,398	33,398	39,231

Source: Company, KRChoksey Research

Vinati Organics Ltd

Vinati Organics Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
22-Aug-24	1,977	2,002	HOLD
28-May-24	1,766	1,795	HOLD
16-Feb-24	1,671	1,692	HOLD
15-Nov-23	1,758	1,960	ACCUMULATE
16-Aug-23	1,816	2,051	ACCUMULATE
25-May-23	1,788	2,051	BUY
07-Feb-23	1,891	2,370	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

I, Unnati Jadhav (MMS, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH00001295. It is also registered as a Depository Participant with CDSL, CDSL Registration No IN-DP-425-2019.

KRChoksey Shares & Securities Pvt. Ltd. and DRChoksey Finserv Private Ltd. (Demerged entity from KRChoksey Shares & Securities Limited) are regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of Research Analysts including preparing and distribution of Research Reports. This research report is prepared and distributed by DRChoksey Finserv Private Ltd in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH00001246. It may be further notified that KRCSSPL carries on the activity of preparation as well as distribution of reports in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH00001295.

The information and opinions in this report are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavour to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension follows applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities. KRCSSPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, I, Unnati Jadhav Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months. KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company

KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.

It is confirmed that, Unnati Jadhav, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report. KRCSSPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

In case of any grievances, please write to grievance@krchoksey.com

Visit us at www.krchoksey.com

KRChoksey Shares and Securities Pvt. Ltd.

CIN-U67120MH1997PTC108958

Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: 91-22-6633 5000; Fax: 91-22-6633 8060

Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058

Phone: 91-22-66355000

Compliance Officer: Varsha Shinde

Email: varsha.shinde@krchoksey.com

RESEARCH ANALYST

Unnati Jadhav, research@krchoksey.com, +91-22-6696 5420

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com