

November 10, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ☑ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	5,852		5,568	
Sales (Rs. m)	24,853	27,337	23,795	24,990
% Chng.	4.4	9.4		
EBITDA (Rs. m)	6,614	7,375	6,149	6,343
% Chng.	7.6	16.3		
EPS (Rs.)	167.7	187.0	156.7	161.5
% Chng.	7.0	15.8		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	19,511	22,194	24,853	27,337
EBITDA (Rs. m)	4,808	5,653	6,614	7,375
Margin (%)	24.6	25.5	26.6	27.0
PAT (Rs. m)	3,676	4,437	5,140	5,734
EPS (Rs.)	119.9	144.7	167.7	187.0
Gr. (%)	(37.8)	20.7	15.9	11.5
DPS (Rs.)	10.0	10.0	10.0	10.0
Yield (%)	0.2	0.2	0.2	0.2
RoE (%)	21.7	22.0	21.9	21.0
RoCE (%)	24.9	25.1	25.6	24.8
EV/Sales (x)	7.4	6.4	5.7	5.2
EV/EBITDA (x)	29.9	25.2	21.5	19.3
PE (x)	41.7	34.6	29.8	26.7
P/BV (x)	8.2	7.1	6.1	5.2

Key Data FINO.BO | FINEORG IN

52-W High / Low	Rs.5,959 / Rs.4,005
Sensex / Nifty	79,486 / 24,148
Market Cap	Rs.153bn / \$ 1,817m
Shares Outstanding	31m
3M Avg. Daily Value	Rs.167.72m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	4.89
Domestic Institution	11.57
Public & Others	8.55
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.3)	17.3	17.7
Relative	2.4	8.4	(3.8)

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Rs7.5bn green field capex announced

Quick Pointers:

- All plants operating at optimal capacity, except Patalganga plant
- Sharp increase in prices for certain vegetable oils impacted input costs during Q2FY25

We upgrade our rating to 'Buy' as the new capex will boost future earnings for the company. Fine Organic (FINEORG IN) reported a standalone revenue of Rs5.9bn, marking 26% YoY and 17% QoQ increase. Growth was largely driven by a 48% YoY surge in exports. However, rising vegetable oil prices during the quarter affected the company's gross margins. Looking ahead, we expect further growth in export volumes as global demand for the company's product portfolio remains robust. In line with this demand, Fine Organic has announced Rs7.5bn capex to establish a new greenfield manufacturing facility. Currently, all of the company's plants, except the Patalganga plant (food-grade), are operating at optimal capacity. We believe the new facility will be a key driver of future growth for the company and is expected to have a peak revenue Rs15bn at 2x asset turnover and will start contributing to topline majorly from FY28. FINEORG is currently trading at ~27x FY27E EPS. We upgrade to 'BUY' rating with revised TP of Rs5,852 at 33x FY26E/FY27E EPS.

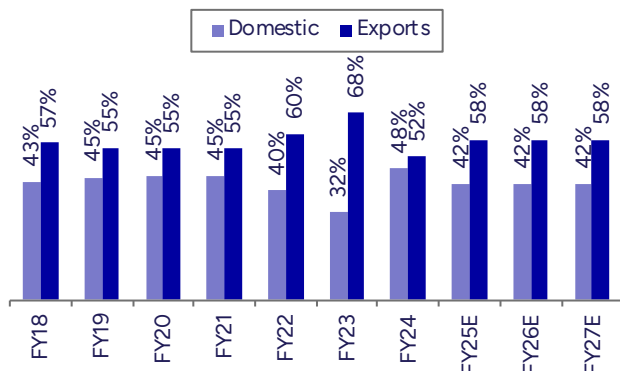
- Exports revenue increased 48% YoY:** Standalone revenue stood at Rs5.9bn (26.2% YoY/ 17.1% QoQ; PLe: Rs5.4bn, Consensus: Rs5.56bn); actual revenue was 10% above our estimates. Domestic and export sales accounted for 39% and 61% of revenue, respectively. Export revenue increased 48% YoY and 30% QoQ. H1FY25 revenue increased by 10% YoY. Consolidated revenue at Rs5.95bn increased 10% YoY/ 8% QoQ.
- Rise in input cost led to decline in gross margin by 170bps QoQ:** Gross margin was at 40.5% (vs 41.9% in Q2FY24 and 42.2% in Q1FY25), a decline of 170bps sequentially due to sharp rise in prices for certain vegetable oils. Absolute gross profit was at Rs2.4bn.
- EBITDA margin remained flat sequentially:** EBITDA came in at Rs1.4bn (36.9% YoY/ 17.4% QoQ; PLe: Rs1.3bn, Consensus: Rs1.3bn) and EBITDA margin at 24% (vs 22.1% in Q2FY24 and 24% in Q1FY25). Increase in freight and power and fuel costs led to higher other expenses. Consolidated EBITDA stood at Rs1.5bn increased 15% YoY/ 8% QoQ.
- New capex worth Rs7.5bn announced, to fuel future growth:** The company announced capex worth Rs7.5bn to set up a new facility at the SEZ land allotted to the company at Jawaharlal Nehru Port Authority. This facility will manufacture products similar to company's current portfolio and is expected to start commercial production by FY27. Capex for the project will be funded through a combination of debt and internal accruals.

Exhibit 1: Q2FY25 Result Overview (Standalone)

Standalone	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	5,955	4,717	26.2	5,408	10.1	5,083	17.1	11,038	10,038	10.0
Gross Profit	2,414	1,979	22.0	2,353	2.6	2,147	12.4	4,562	4,260	7.1
Margin (%)	40.5%	41.9%		43.5%		42.2%		41.3%	42.4%	
EBITDA	1,429	1,044	36.9	1,352	5.7	1,218	17.4	2,647	2,562	3.3
Margin (%)	24.0%	22.1%		25.0%		24.0%		24.0%	25.5%	
Other Income	217	172		179		241		458	317	
Depreciation	124	144	(13.9)	149	(16.9)	117	6.1	241	261	(7.6)
EBIT	1,522	1,071	42.1	1,382	10.2	1,342	13.4	2,864	2,617	9.4
Interest	4	7		0		4	4.5	8	13	(39.0)
PBT before exceptional items	1,518	1,064	42.7	1,382	9.9	1,338	13.5	2,857	2,604	9.7
Total Tax	387	270	43.2	348	11.4	348	11.2	735	668	10.1
ETR (%)	25.5%	25.4%		25.2%		26.0%		25.7%	25.6%	
Adj. PAT	1,131	794	42.5	1,034	9.4	990	14.3	2,121	1,936	9.5
Exceptional Items	0			0						
PAT	1,131	794	42.5	1,034	9.4	990	14.3	2,121	1,936	9.5

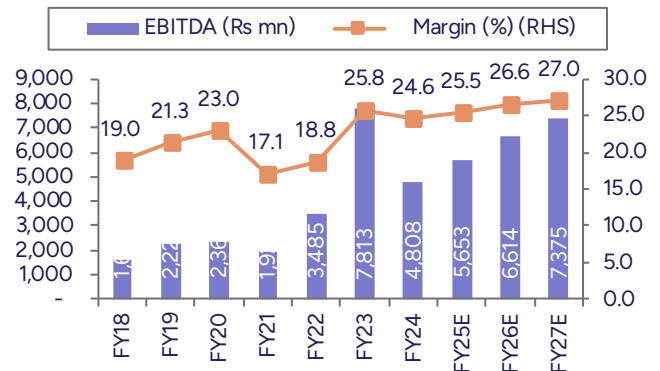
Source: Company, PL

Exhibit 2: Exports to reach 58% in FY27



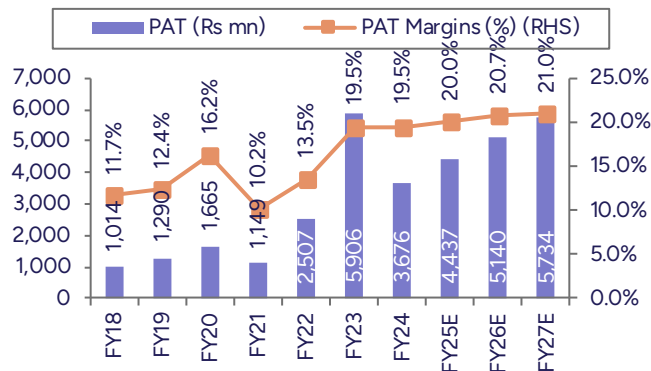
Source: Company, PL

Exhibit 3: EBITDA margin to reach 27% by FY27



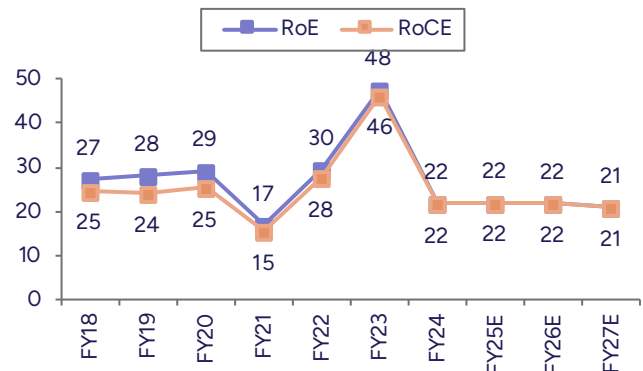
Source: Company, PL

Exhibit 4: PAT CAGR of 16% over FY24-27E



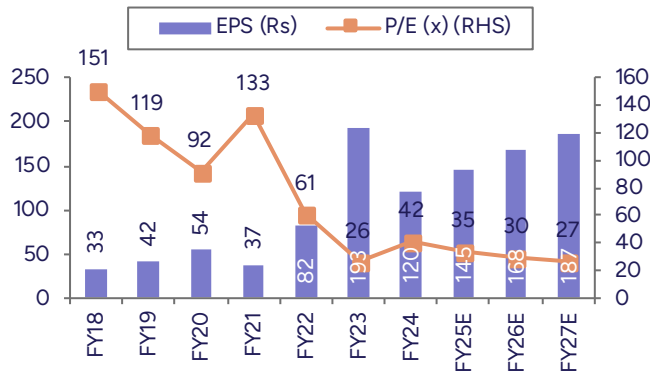
Source: Company, PL

Exhibit 5: Return ratios to hover at 21%-22%



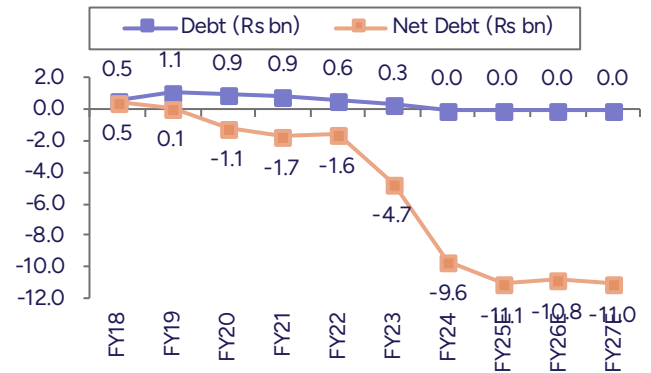
Source: Company, PL

Exhibit 6: FINEORG trades at 27x FY27 EPS



Source: Company, PL

Exhibit 7: Cash accumulation, net debt negative



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	19,511	22,194	24,853	27,337
YoY gr. (%)	(35.6)	13.7	12.0	10.0
Cost of Goods Sold	11,199	12,540	13,918	15,309
Gross Profit	8,312	9,654	10,936	12,028
Margin (%)	42.6	43.5	44.0	44.0
Employee Cost	1,137	1,279	1,381	1,478
Other Expenses	2,367	2,722	2,940	3,175
EBITDA	4,808	5,653	6,614	7,375
YoY gr. (%)	(38.5)	17.6	17.0	11.5
Margin (%)	24.6	25.5	26.6	27.0
Depreciation and Amortization	561	597	600	600
EBIT	4,247	5,056	6,014	6,775
Margin (%)	21.8	22.8	24.2	24.8
Net Interest	23	15	15	15
Other Income	717	888	870	902
Profit Before Tax	4,935	5,929	6,869	7,663
Margin (%)	25.3	26.7	27.6	28.0
Total Tax	1,259	1,492	1,729	1,929
Effective tax rate (%)	25.5	25.2	25.2	25.2
Profit after tax	3,676	4,437	5,140	5,734
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	3,676	4,437	5,140	5,734
YoY gr. (%)	(37.8)	20.7	15.9	11.5
Margin (%)	18.8	20.0	20.7	21.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,676	4,437	5,140	5,734
YoY gr. (%)	(37.8)	20.7	15.9	11.5
Margin (%)	18.8	20.0	20.7	21.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,676	4,437	5,140	5,734
Equity Shares O/s (m)	31	31	31	31
EPS (Rs)	119.9	144.7	167.7	187.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	6,267	7,767	11,567	15,367
Tangibles	6,267	7,767	11,567	15,367
Intangibles	-	-	-	-
Acc: Dep / Amortization	3,940	4,537	5,137	5,737
Tangibles	3,940	4,537	5,137	5,737
Intangibles	-	-	-	-
Net fixed assets	2,327	3,230	6,430	9,630
Tangibles	2,327	3,230	6,430	9,630
Intangibles	-	-	-	-
Capital Work In Progress	297	297	297	297
Goodwill	-	-	-	-
Non-Current Investments	1,156	1,156	1,156	1,156
Net Deferred tax assets	130	130	130	130
Other Non-Current Assets	1,488	1,693	1,895	2,085
Current Assets				
Investments	-	-	-	-
Inventories	1,952	2,196	2,422	2,650
Trade receivables	3,480	3,959	4,433	4,876
Cash & Bank Balance	9,610	11,121	10,838	11,010
Other Current Assets	-	-	-	-
Total Assets	20,441	23,782	27,602	31,835
Equity				
Equity Share Capital	153	153	153	153
Other Equity	18,460	21,565	25,163	29,177
Total Networth	18,613	21,719	25,317	29,330
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	200	228	255	280
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,320	1,485	1,637	1,792
Other current liabilities	308	351	393	432
Total Equity & Liabilities	20,441	23,782	27,602	31,835

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	4,935	5,929	6,869	7,663
Add. Depreciation	561	597	600	600
Add. Interest	(456)	15	15	15
Less Financial Other Income	717	888	870	902
Add. Other	(209)	-	-	-
Op. profit before WC changes	4,831	6,541	7,484	8,278
Net Changes-WC	2,610	(692)	(681)	(642)
Direct tax	(1,380)	(1,492)	(1,729)	(1,929)
Net cash from Op. activities	6,061	4,357	5,074	5,707
Capital expenditures	(640)	(1,500)	(3,800)	(3,800)
Interest / Dividend Income	464	-	-	-
Others	(4,114)	-	-	-
Net Cash from Inv. activities	(4,290)	(1,500)	(3,800)	(3,800)
Issue of share cap. / premium	-	-	-	-
Debt changes	(274)	-	-	-
Dividend paid	(276)	(1,331)	(1,542)	(1,720)
Interest paid	(21)	(15)	(15)	(15)
Others	(14)	-	-	-
Net cash from Fin. activities	(584)	(1,346)	(1,557)	(1,735)
Net change in cash	1,187	1,510	(283)	172
Free Cash Flow	5,421	2,857	1,274	1,907

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	119.9	144.7	167.7	187.0
CEPS	138.2	164.2	187.2	206.6
BVPS	607.1	708.4	825.7	956.6
FCF	176.8	93.2	41.6	62.2
DPS	10.0	10.0	10.0	10.0
Return Ratio(%)				
RoCE	24.9	25.1	25.6	24.8
ROIC	32.4	38.6	35.9	30.9
RoE	21.7	22.0	21.9	21.0
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.4)	(0.4)
Net Working Capital (Days)	77	77	77	77
Valuation(x)				
PER	41.7	34.6	29.8	26.7
P/B	8.2	7.1	6.1	5.2
P/CEPS	36.2	30.5	26.7	24.2
EV/EBITDA	29.9	25.2	21.5	19.3
EV/Sales	7.4	6.4	5.7	5.2
Dividend Yield (%)	0.2	0.2	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	4,258	5,215	5,083	5,955
YoY gr. (%)	(43.2)	(25.3)	(4.5)	26.2
Raw Material Expenses	2,479	2,942	2,936	3,540
Gross Profit	1,779	2,274	2,147	2,414
Margin (%)	41.8	43.6	42.2	40.5
EBITDA	924	1,322	1,218	1,429
YoY gr. (%)	(47.1)	(29.4)	(19.8)	36.9
Margin (%)	21.7	25.4	24.0	24.0
Depreciation / Depletion	147	153	117	124
EBIT	776	1,170	1,101	1,305
Margin (%)	18.2	22.4	21.7	21.9
Net Interest	5	5	4	4
Other Income	174	226	241	217
Profit before Tax	946	1,391	1,338	1,518
Margin (%)	22.2	26.7	26.3	25.5
Total Tax	249	342	348	387
Effective tax rate (%)	26.4	24.6	26.0	25.5
Profit after Tax	697	1,049	990	1,131
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	697	1,049	990	1,131
YoY gr. (%)	(46.9)	(24.1)	(13.4)	42.5
Margin (%)	16.4	20.1	19.5	19.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	697	1,049	990	1,131
YoY gr. (%)	(46.9)	(24.1)	(13.4)	42.5
Margin (%)	16.4	20.1	19.5	19.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	697	1,049	990	1,131
Avg. Shares O/s (m)	31	31	31	31
EPS (Rs)	22.7	34.2	32.3	36.9

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-24	Accumulate	5,568	5,142
2	31-Jul-24	Accumulate	6,172	5,535
3	04-Jul-24	Accumulate	5,685	5,337
4	13-May-24	Accumulate	4,779	4,287
5	09-Apr-24	Hold	4,351	4,361
6	06-Feb-24	Hold	4,575	4,496
7	08-Jan-24	Hold	4,920	4,867
8	21-Nov-23	Hold	4,252	4,250

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	512	551
2	Ashok Leyland	Accumulate	257	222
3	Bajaj Auto	Hold	11,859	11,617
4	Bharat Forge	Accumulate	1,369	1,437
5	Bharat Petroleum Corporation	Hold	316	310
6	Bharti Airtel	Accumulate	1,782	1,637
7	CEAT	Hold	3,063	2,973
8	Clean Science and Technology	Hold	1,526	1,484
9	Deepak Nitrite	Reduce	2,582	3,000
10	Divgi Torqtransfer Systems	Hold	633	591
11	Eicher Motors	BUY	5,416	4,668
12	Endurance Technologies	BUY	2,835	2,437
13	Exide Industries	Hold	520	481
14	Fine Organic Industries	Accumulate	5,568	5,142
15	GAIL (India)	Hold	204	209
16	Gujarat Fluorochemicals	Reduce	3,770	4,158
17	Gujarat Gas	Hold	565	541
18	Gujarat State Petronet	Hold	380	390
19	Hero Motocorp	Accumulate	5,906	5,495
20	Hindustan Petroleum Corporation	Accumulate	412	372
21	Indian Oil Corporation	Hold	156	147
22	Indraprastha Gas	Hold	402	417
23	Jubilant Ingrevia	Hold	695	682
24	Laxmi Organic Industries	Reduce	240	270
25	Mahanagar Gas	Accumulate	1,627	1,497
26	Mahindra & Mahindra	BUY	3,458	3,060
27	Mangalore Refinery & Petrochemicals	Sell	128	173
28	Maruti Suzuki	BUY	14,586	11,046
29	Navin Fluorine International	Accumulate	3,523	3,307

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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