Vinati Organics (VO IN)

Rating: ACCUMULATE | CMP: Rs1,835 | TP: Rs2,055

November 12, 2024

Q2FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,055		2,220	
Sales (Rs. m)	24,669	27,193	24,669	27,193
% Chng.	-	-		
EBITDA (Rs. m)	6,334	7,025	6,334	6,834
% Chng.	-	2.8		
EPS (Rs.)	40.9	44.7	40.7	43.1
% Chng.	0.5	3.7		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	19,000	21,913	24,669	27,193
EBITDA (Rs. m)	4,701	5,159	6,334	7,025
Margin (%)	24.7	23.5	25.7	25.8
PAT (Rs. m)	3,234	3,498	4,239	4,635
EPS (Rs.)	31.2	33.7	40.9	44.7
Gr. (%)	(22.8)	8.2	21.2	9.4
DPS (Rs.)	7.0	7.6	9.2	10.0
Yield (%)	0.4	0.4	0.5	0.5
RoE (%)	13.8	13.5	14.6	14.3
RoCE (%)	16.8	15.4	15.8	15.2
EV/Sales (x)	10.0	8.8	7.9	7.2
EV/EBITDA (x)	40.4	37.5	30.7	27.8
PE (x)	58.8	54.4	44.9	41.0
P/BV (x)	7.7	7.0	6.2	5.6

Key Data	VNTI.BO | VO IN
52-W High / Low	Rs.2,331 / Rs.1,462
Sensex / Nifty	78,675 / 23,883
Market Cap	Rs.190bn/ $ 2,254m
Shares Outstanding	104m
3M Avg. Daily Value	Rs.144.35m

Shareholding Pattern (%)

Promoter's	74.28
Foreign	5.47
Domestic Institution	7.28
Public & Others	12.97
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.8)	16.8	4.4
Relative	(3.6)	7.8	(13.4)

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ATBS expansion to align with demand

Quick Pointers:

- New antioxidants to be launched in H2FY25; revenue guidance at Rs2-2.5bn for this segment for FY25
- ATBS expansion to 60,000mtpa in H2FY25 to align with demand; ATBS contributed to 36% of topline in Q2FY25

Vinati Organics (VO IN) reported a topline of Rs5.53bn, reflecting 19.5% YoY and 5.4% QoQ growth. It has maintained 20% revenue growth guidance for FY25. ATBS, the company's key product, contributed to 36% of total revenue in Q2FY25. Antioxidants segment revenue, which is expected to double in FY25 from Rs1.3bn in FY24, stood at Rs1bn in H1FY25. The company commenced commercial production of MEHQ and guaiacol in Mar'24, and samples have been sent to customers for approval. These products are expected to meaningfully contribute to revenue from FY26. Several key projects, including ATBS expansion, setting up of phenol plant, and launch of additional antioxidants, are on track and anticipated to come online in H2FY25. We expect the company's performance to improve as the ATBS expansion aligns with growing demand. Furthermore, contribution from newly launched products is expected to rise. The stock currently trades at 41x FY27 EPS. We maintain 'Accumulate' rating on the stock, with a revised target price of Rs2,055, valuing it at 48x FY27/FY26E.

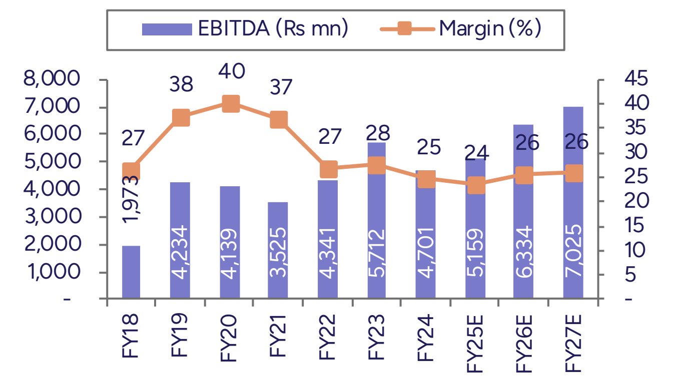
- **Healthy YoY topline growth:** Both standalone and consolidated revenue stood at Rs5.53bn (19.5% YoY/ 5.4% QoQ; PLe: Rs5.47bn, Consensus: Rs5.45bn), in line with our estimates. H1FY25 revenue was 19.5% higher than H1FY24. Gross profit margin at 45.8% (vs 45.8% in Q2FY24 and 44.9% in Q1FY25), improved slightly sequentially due to modest decrease in raw material cost.
- **EBITDAM increases 160bps YoY:** EBITDA increased 27.9% YoY and 7.1% QoQ to Rs1,340mn (PLe: Rs1,290mn, Consensus: Rs1,355mn). EBITDAM stood at 24.2% (PLe: 23.5%) as against 22.6% in Q2FY24 and 23.8% in Q1FY25, 40bps sequential increase.
- **PAT margin increased 300bps QoQ and YoY:** Reported standalone PAT was Rs1,061mn (46.4% YoY/ 23.5% QoQ), while margin stood at 19% vs 16% in Q1FY25 and Q2FY24. PAT margin increased sequentially by 300bps due increase in other income by 140% to Rs222mn.
- **Management commentary**: **(1)** Increase in revenue driven by volume growth, while realization remained stable sequentially. **(2)** RM prices saw a modest decrease. **(3)** Revenue mix: ATBS: 36%, Antioxidants: 11%, Butyl Phenols: 21%, IBB: 11%, Others: 21%. **(4)** ATBS expansion from 40,000mtpa to 60,000mtpa in H2FY25 on track. **(5)** Revenue from antioxidants segment at Rs1bn in H1FY25, to reach Rs2-2.5bn by FY25. **(6)** 20% revenue growth guidance in FY25 maintained. **(7)** Tax rate decreased as it is net of access provision of income tax from earlier years amounting to Rs380mn, and corresponding interest income of Rs106.6mn is added to other income. **(8)** New antioxidants planned to be launched in H2FY25.

Exhibit 1: Q2FY25 Result Overview - Standalone (Rs mn)

Y/e March	Q2FY25	Q2FY24	YoY gr. (%)	Q2FY25E	% Var.	Q1FY25	QoQ gr. (%)	H1FY25	H1FY24	YoY gr. (%)
Net Sales	**5,533**	**4,629**	***19.5***	**5,478**	***1.0***	**5,247**	***5.4***	**10,780**	**9,017**	***19.6***
Gross Profit	2,534	2,122	*19.4*	2,520	*0.5*	2,356	*7.6*	4,889	4,210	*16.1*
Margin (%)	*45.8*	*45.8*		*46.0*		*44.9*		*45.4*	*46.7*	
EBITDA	**1,340**	**1,048**	***27.9***	**1,290**	***3.9***	**1,251**	***7.1***	**2,591**	**2,052**	***26.3***
Margin (%)	*24.2*	*22.6*		*23.5*		*23.8*		*24.0*	*22.8*	
Other Income	222	106	*110.1*	104	*113.4*	92	*141.4*	314	203	*54.4*
Depreciation	205	173	*18.5*	228	*(10.1)*	196	*4.8*	401	340	*17.7*
EBIT	**1,357**	**981**	***38.4***	**1,166**	***16.4***	**1,147**	***18.3***	**2,505**	**1,915**	***30.8***
Interest	1	9	*(91.9)*	4	*(81.3)*	4	*(84.3)*	5	18	*(71.3)*
PBT before exception item	**1,357**	**972**	***39.6***	**1,162**	***16.7***	**1,143**	***18.7***	**2,499**	**1,897**	***31.7***
Total Tax	295	247	*19.5*	292	*1.0*	284	*4.2*	579	478	*21.1*
ETR (%)	*21.8*	*25.4*		*25.2*		*24.8*		*23.2*	*25.2*	
Adj. PAT	**1,061**	**725**	*46.4*	**869**	*22.0*	**859**	*23.5*	**1,920**	**1,419**	*35.3*
Exceptional Items	0	0		0		0		0	0	
PAT	**1,061**	**725**	***46.4***	**869**	***22.0***	**859**	***23.5***	**1,920**	**1,419**	***35.3***

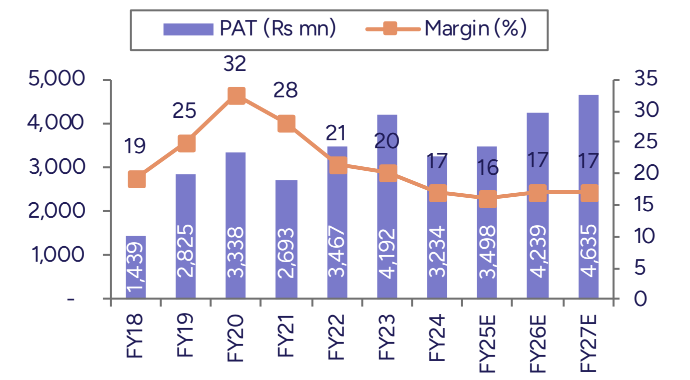
Source: Company, PL

Exhibit 2: EBITDA margins to be maintained at 26%



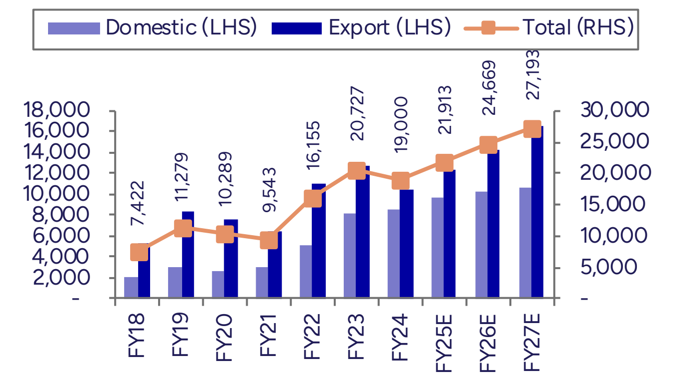
Source: Company, PL

Exhibit 3: PAT to grow at 13% CAGR over FY24-FY27E



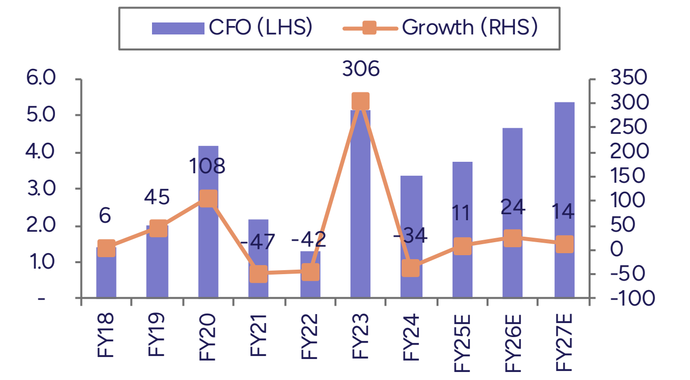
Source: Company, PL

Exhibit 4: Revenue to grow 13% CAGR over FY24-FY27E



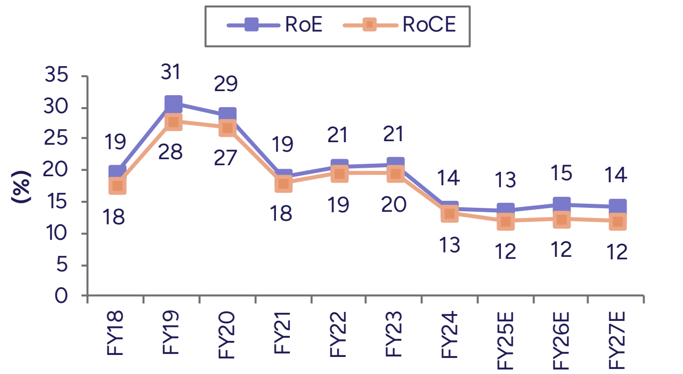
Source: Company, PL

Exhibit 5: Strong growth in CFO



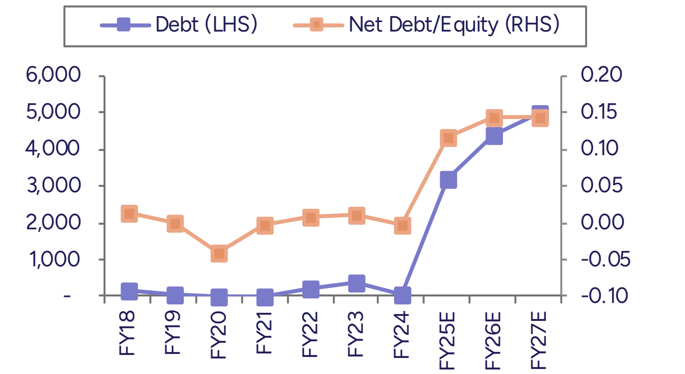
Source: Company, PL

Exhibit 6: Return ratios to hover at 12-14%



Source: Company, PL

Exhibit 7: Net debt/equity at 0-0.15



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**19,000**	**21,913**	**24,669**	**27,193**
YoY gr. (%)	*(8.3)*	*15.3*	*12.6*	*10.2*
Cost of Goods Sold	10,113	11,833	12,951	14,222
Gross Profit	8,886	10,080	11,718	12,971
Margin (%)	*46.8*	*46.0*	*47.5*	*47.7*
Employee Cost	1,189	1,415	1,684	2,004
Other Expenses	2,996	3,506	3,700	3,943
EBITDA	**4,701**	**5,159**	**6,334**	**7,025**
YoY gr. (%)	*(17.7)*	*9.7*	*22.8*	*10.9*
Margin (%)	*24.7*	*23.5*	*25.7*	*25.8*
Depreciation and Amortization	728	913	1,152	1,364
EBIT	**3,973**	**4,246**	**5,182**	**5,661**
Margin (%)	*20.9*	*19.4*	*21.0*	*20.8*
Net Interest	36	10	10	10
Other Income	388	438	493	544
Profit Before Tax	**4,325**	**4,675**	**5,665**	**6,195**
Margin (%)	*22.8*	*21.3*	*23.0*	*22.8*
Total Tax	1,327	1,177	1,426	1,559
Effective tax rate (%)	*30.7*	*25.2*	*25.2*	*25.2*
Profit after tax	**3,234**	**3,498**	**4,239**	**4,635**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**3,234**	**3,498**	**4,239**	**4,635**
YoY gr. (%)	*(22.8)*	*8.2*	*21.2*	*9.4*
Margin (%)	*17.0*	*16.0*	*17.2*	*17.0*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**3,234**	**3,498**	**4,239**	**4,635**
YoY gr. (%)	*(22.8)*	*8.2*	*21.2*	*9.4*
Margin (%)	*17.0*	*16.0*	*17.2*	*17.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,234	3,498	4,239	4,635
Equity Shares O/s (m)	**104**	**104**	**104**	**104**
EPS (Rs)	**31.2**	**33.7**	**40.9**	**44.7**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**16,566**	**22,266**	**26,766**	**31,266**
Tangibles	16,566	22,266	26,766	31,266
Intangibles	-	-	-	-
Acc: Dep / Amortization	**3,262**	**4,174**	**5,327**	**6,690**
Tangibles	3,262	4,174	5,327	6,690
Intangibles	-	-	-	-
Net fixed assets	**13,296**	**18,092**	**21,440**	**24,576**
Tangibles	13,296	18,092	21,440	24,576
Intangibles	-	-	-	-
Capital Work In Progress	2,461	2,461	2,461	2,461
Goodwill	-	-	-	-
Non-Current Investments	2,373	2,373	2,373	2,373
Net Deferred tax assets	(1,335)	(1,335)	(1,335)	(1,335)
Other Non-Current Assets	-	-	-	-
Current Assets				
Investments	-	-	-	-
Inventories	1,984	2,289	2,576	2,840
Trade receivables	5,296	6,108	6,877	7,580
Cash & Bank Balance	127	7	20	47
Other Current Assets	-	-	-	-
Total Assets	**28,268**	**34,478**	**39,291**	**43,784**
Equity				
Equity Share Capital	104	104	104	104
Other Equity	24,540	27,253	30,541	34,137
Total Networth	**24,644**	**27,357**	**30,645**	**34,240**
Non-Current Liabilities				
Long Term borrowings	46	3,200	4,400	5,000
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,007	1,161	1,307	1,441
Other current liabilities	1,235	1,425	1,604	1,768
Total Equity & Liabilities	**28,268**	**34,478**	**39,291**	**43,784**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	4,325	4,675	5,665	6,195
Add. Depreciation	728	913	1,152	1,364
Add. Interest	36	10	10	10
Less Financial Other Income	388	438	493	544
Add. Other	(152)	-	-	-
Op. profit before WC changes	4,937	5,597	6,827	7,568
Net Changes-WC	(683)	(658)	(731)	(669)
Direct tax	(871)	(1,177)	(1,426)	(1,559)
Net cash from Op. activities	**3,383**	**3,763**	**4,670**	**5,340**
Capital expenditures	(2,445)	(5,700)	(4,500)	(4,500)
Interest / Dividend Income	89	-	-	-
Others	(1,178)	(418)	(396)	(363)
Net Cash from Invt. activities	**(3,534)**	**(6,118)**	**(4,896)**	**(4,863)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(306)	3,154	1,200	600
Dividend paid	(723)	(785)	(951)	(1,040)
Interest paid	(36)	(10)	(10)	(10)
Others	-	-	-	-
Net cash from Fin. activities	**(1,065)**	**2,359**	**239**	**(450)**
Net change in cash	**(1,216)**	**3**	**13**	**27**
Free Cash Flow	938	(1,937)	170	840

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	**4,480**	**5,503**	**5,247**	**5,533**
YoY gr. (%)	*(13.3)*	*6.0*	*19.6*	*19.5*
Raw Material Expenses	2,366	2,941	2,891	2,999
Gross Profit	2,114	2,563	2,356	2,534
Margin (%)	*47.2*	*46.6*	*44.9*	*45.8*
EBITDA	**1,146**	**1,502**	**1,251**	**1,340**
YoY gr. (%)	*(22.5)*	*2.0*	*24.6*	*27.9*
Margin (%)	*25.6*	*27.3*	*23.8*	*24.2*
Depreciation / Depletion	193	194	196	205
EBIT	**953**	**1,308**	**1,055**	**1,135**
Margin (%)	*21.3*	*23.8*	*20.1*	*20.5*
Net Interest	10	9	4	1
Other Income	88	96	92	222
Profit before Tax	**1,031**	**1,396**	**1,143**	**1,357**
Margin (%)	*23.0*	*25.4*	*21.8*	*24.5*
Total Tax	262	351	284	295
Effective tax rate (%)	*25.4*	*25.1*	*24.8*	*21.8*
Profit after Tax	**769**	**1,045**	**859**	**1,061**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**769**	**1,045**	**859**	**1,061**
YoY gr. (%)	*(28.1)*	*(0.2)*	*23.8*	*46.4*
Margin (%)	*17.2*	*19.0*	*16.4*	*19.2*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**769**	**1,045**	**859**	**1,061**
YoY gr. (%)	*(28.1)*	*(0.2)*	*23.8*	*46.4*
Margin (%)	*17.2*	*19.0*	*16.4*	*19.2*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**769**	**1,045**	**859**	**1,061**
Avg. Shares O/s (m)	103	103	103	103
EPS (Rs)	**7.5**	**10.2**	**8.4**	**10.3**

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	31.2	33.7	40.9	44.7
CEPS	38.2	42.5	52.0	57.9
BVPS	237.7	263.9	295.6	330.3
FCF	9.0	(18.7)	1.6	8.1
DPS	7.0	7.6	9.2	10.0
Return Ratio(%)				
RoCE	16.8	15.4	15.8	15.2
ROIC	11.7	11.5	11.8	11.4
RoE	13.8	13.5	14.6	14.3
Balance Sheet				
Net Debt : Equity (x)	-	0.1	0.1	0.1
Net Working Capital (Days)	121	121	121	121
Valuation(x)				
PER	58.8	54.4	44.9	41.0
P/B	7.7	7.0	6.2	5.6
P/CEPS	48.0	43.1	35.3	31.7
EV/EBITDA	40.4	37.5	30.7	27.8
EV/Sales	10.0	8.8	7.9	7.2
Dividend Yield (%)	0.4	0.4	0.5	0.5

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-24	Accumulate	2,220	2,015
2	12-Aug-24	Accumulate	2,237	2,108
3	04-Jul-24	Accumulate	2,048	1,948
4	18-May-24	Accumulate	1,781	1,620
5	09-Apr-24	Hold	1,554	1,489
6	05-Mar-24	Hold	1,626	1,638
7	12-Feb-24	Reduce	1,626	1,613
8	08-Jan-24	Accumulate	1,885	1,741

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	411	474
2	Ashok Leyland	Accumulate	240	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	BUY	5,852	5,000
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	3,456	2,891
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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