



Vinati Organics

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR2,108 TP: INR2,425 (+15%) Buy

Bloomberg	VO IN
Equity Shares (m)	104
M.Cap.(INRb)/(USD\$)	218.5 / 2.6
52-Week Range (INR)	2331 / 1462
1, 6, 12 Rel. Per (%)	11/18/-10
12M Avg Val (INR M)	147

Financials & Valuations (INR b)

Y/E March	FY24	FY25E	FY26E
Sales	19.0	25.2	29.9
EBITDA	4.7	6.3	7.8
PAT	3.2	4.4	5.6
EPS (INR)	31.2	42.7	53.9
EPS Gr. (%)	-22.8	36.8	26.4
BV/Sh.(INR)	237.7	270.8	312.6

Ratios

Net D:E	-0.0	0.1	0.1
RoE (%)	13.8	16.8	18.5
RoCE (%)	13.1	15.0	16.0
Payout (%)	22.4	22.4	22.4

Valuations

P/E (x)	67.6	49.4	39.1
P/BV (x)	8.9	7.8	6.7
EV/EBITDA (x)	46.5	35.2	28.2
Div. Yield (%)	0.3	0.5	0.6
FCF Yield (%)	0.5	-0.8	1.5

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	74.3	74.3	74.1
DII	6.8	7.3	8.1
FII	5.3	4.9	4.5
Others	13.6	13.5	13.4

FII Includes depository receipts

Subdued performance but confident of regaining momentum

- Vinati Organics (VO)'s 1QFY25 revenue came in below our estimate at INR5.2b. Gross margin declined 270bp YoY to 44.9%, while EBITDAM was up 100bp YoY at 23.8%. EBITDA increased 25% YoY to INR1.3b and PAT grew 24% to INR860m (our est. INR1.1b). The management noted that 1QFY24 result was restated to give effect to the scheme of merger approved by NCLT.
- VO's global market share in ATBS is 62-65%. VO is enhancing its ATBS capacity by 50%, which is expected to come online in 2H. Revenue from the Butyl Phenol (BP) segment was INR3b in FY24. The management in its previous concall highlighted that it expected peak revenue of INR3-3.2b. The customized products portfolio is expected to deliver good growth going forward as well.
- The management in 4QFY24 guided for a revenue CAGR of 20% in the next three years, driven by new as well as existing products, with the product mix being similar as it is currently. Although it looks like a farfetched idea after the 1Q earnings, we do expect momentum to pick up in subsequent quarters. We expect a CAGR of 25%/ 29%/ 31% in revenue/ EBITDA/ PAT during FY24-26, with EBITDAM likely to gradually cross 26% by FY26E.
- We keep our estimates unchanged. The stock is trading at ~39x FY26E EPS of INR54 and ~28x FY26E EV/EBITDA. It had a fixed asset turnover of 1.5x as of FY24. We value VO at 45x FY26E EPS to arrive at our TP of INR2,425. **We reiterate our BUY rating on the stock.**

Miss across board; sequential decline in margin

- Revenue was INR5.2b (est. INR5.6b, +25% YoY). EBITDA stood at INR1.3b (est. INR1.5b, +50% YoY).
- Gross margin was 44.9% (-270bp YoY), with EBITDAM of 23.8% (+100bp YoY).
- PAT was INR860m (est. of INR1.1b, +51% YoY).

Valuation and view

- Veeral Organics (a wholly owned subsidiary of VO) has commissioned a plant for MEHQ and Guaiacol with other products (Anisole, 4-MAP, Iso Amylene, etc.), which will come online in FY25. VO has 3ktpa capacity (combined) for MEHQ and Guaiacol, 5ktpa for Anisole, 30ktpa Iso Amylene and 1ktpa for 4-MAP. These products will be the key growth drivers for VO going forward.
- The supply of AOs has also started in FY24 with revenue of INR1.5b for the year. The amalgamation of VO with Veeral Additives is approved by the NCLT. VO is now the largest and the only double-integrated manufacturer of AOs in India. Our long-term view remains robust for the segment, although there is a threat of Chinese supplies.
- We continue to believe that VO's long-term growth outlook is healthy. The stock is trading at ~39x FY26E EPS of INR54 and ~28x FY26E EV/EBITDA. It had a fixed asset turnover of 1.5x as of FY24. We value the company at 45x FY26E EPS to arrive at a TP of INR2,425. **We reiterate our BUY rating on the stock.**