

# Fine Organic Industries

## Demand yet to pick up

Our SELL recommendation on Fine Organics with a TP of INR 4,062 is premised on (1) the delay in capacity addition; (2) a sharp rise in raw material prices; and (3) more than anticipated delay in starting Thailand facility. Q2 EBITDA/APAT were 4/2% below our estimates, owing to higher-than-expected raw material costs and other expenses.

- Financial performance in Q2:** The revenue changed by (+10.2/8.4 YoY/QoQ %) INR 5.96bn. EBITDA changed by 14.9/2.6% YoY/QoQ to INR 1.51bn. EBITDA margin changed by (+103/-14 bps) to 25.3%. Other expenses increased by (10.3/1.9% YoY/QoQ) due to higher logistic expenses.
- Key takeaway from results:** (1) Exports contributed 61% of the total revenue. (2) All plants are running at optimal capacity where company will ramp up Patalganga plant if required (3) Company signed 60-year lease agreement for land at Jawaharlal Nehru Port Authority (JNPA) for its wholly-owned subsidiary, Fine Organic Industries (SEZ) Private Limited. once operational this facility will help company to target international market owing to Special Economic Zone status. The company will incur capex of INR 7.5bn for same funded through internal accrual and debt (3) Q2 saw increased raw material prices vegetable oil which increased raw material cost.
- Change in estimates:** We tweak our FY25/26 EPS estimates by +0.7/-0.9 % to INR 151/171 to factor in the Q2 performance.
- DCF-based valuation:** Our target price is INR 4,062 (WACC 12%, terminal growth 6.0%). The stock is trading at 32x FY26E EPS.

### Financial summary (consolidated)

INR mn	2Q	1Q	QoQ	2Q	YoY	FY22	FY23	FY24	FY25E	FY26E
	FY25	FY25	(%)	FY24	(%)					
Net Sales	5,958	5,497	8.4	5,405	10.2	18,763	30,231	21,230	22,961	26,079
EBITDA	1,506	1,397	7.8	1,311	14.9	3,645	8,311	5,340	5,878	6,802
APAT	1,174	1,133	3.7	1,034	13.6	2,597	6,181	4,125	4,618	5,238
AEPS (INR)	38.3	36.9	3.7	33.7	13.6	84.7	201.6	134.5	150.6	170.8
P/E (x)						65.3	27.5	41.1	36.7	32.4
EV/EBITDA(x)						46.1	19.8	29.8	26.4	23.0
RoE (%)						30.7	49.4	23.8	21.6	18.9

Source: Company, HSIE Research

### Change in estimates (consolidated)

Y/E Mar	FY25E Old	FY25E New	% Ch	FY26E Old	FY26E New	% Ch
EBITDA (INR mn)	5,756	5,878	2.1%	6,753	6,802	0.7%
Adj. EPS (INR/sh)	149.6	150.6	0.7%	172.4	170.8	-0.9%

Source: Company, HSIE Research

## SELL

CMP (as on 12 Nov 2024)	INR 4,869
Target Price	INR 4,062
NIFTY	23,883

KEY CHANGES	OLD	NEW
Rating	SELL	SELL
Price Target	INR 3,921	INR 4,062
EPS %	FY25E	FY26E
	+0.7%	-0.9%

### KEY STOCK DATA

Bloomberg code	FINEORG IN
No. of Shares (mn)	31
MCap (INR bn) / (\$ mn)	149/1,769
6m avg traded value (INR mn)	232
52 Week high / low	INR 5,959/4,005

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.3)	10.5	13.2
Relative (%)	(9.1)	2.2	(7.3)

### SHAREHOLDING PATTERN (%)

	June-24	Sept-24
Promoters	75.00	75.00
FIs & Local MFs	11.13	11.57
FPIs	4.94	4.89
Public & Others	8.93	8.55
Pledged Shares	0.00	0.00

Source: BSE

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