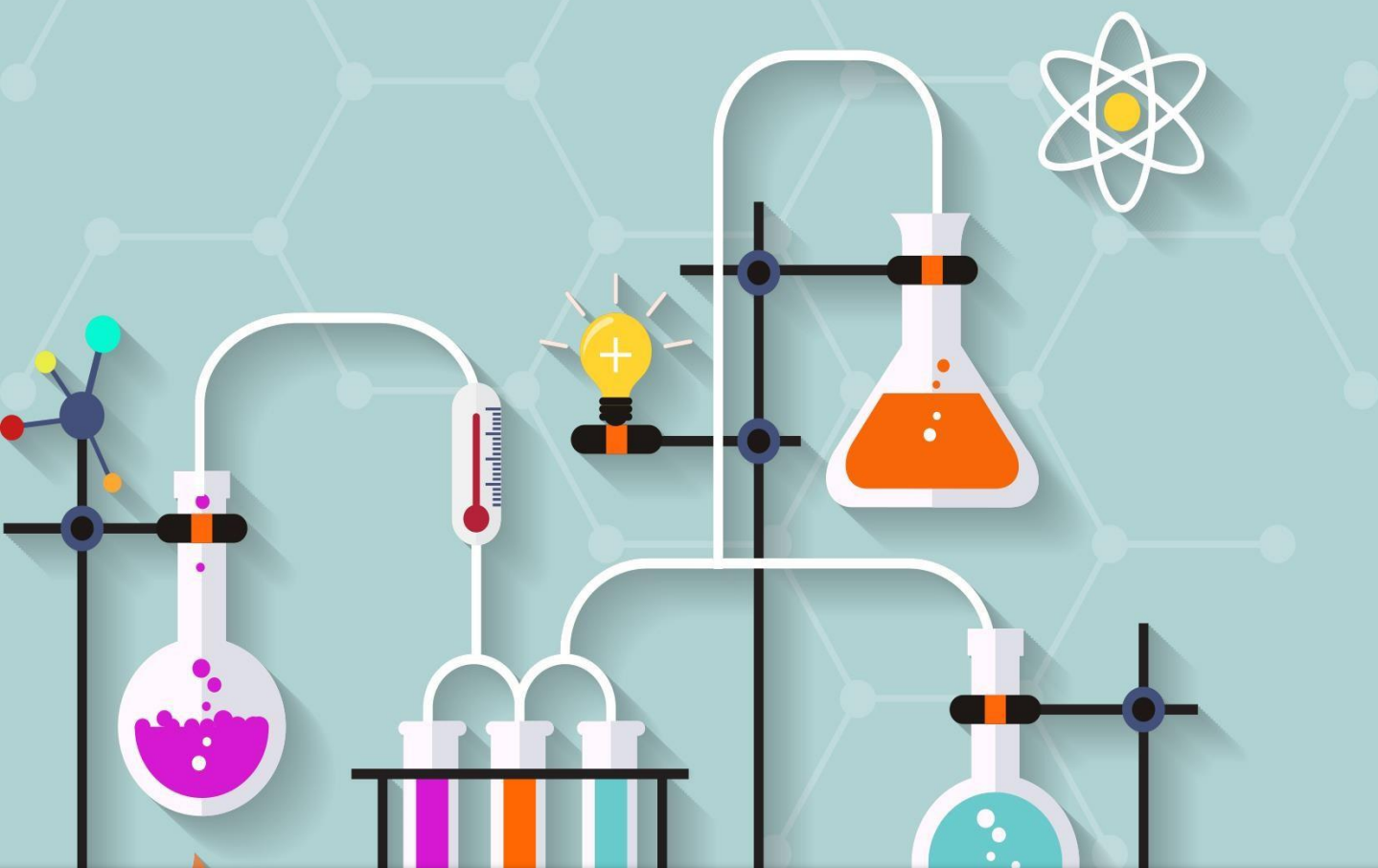




Vinati Organics Ltd

Q2FY25



Vinati Organics Ltd.

FY26E on track for solid growth

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,835	INR 2,002	9.1%	INR 1,90,150	ACCUMULATE	Specialty Chemicals

Result Highlights of Q2FY25:

- VO revenue came in line with our estimates while PAT surpassed our expectations by 4.9%.
- Revenue stood at INR 5,533 Mn, up 19.5% YoY (+5.5% QoQ).
- EBITDA grew to INR 1,337 Mn, up 27.7% YoY (+7.3% QoQ); EBITDA margin came in at 24.2% (+154bps YoY/+41bps QoQ).
- VO reported PAT of INR 1,044 Mn, up 44.1% YoY (+24.0%), beating our estimates due to higher than projected other income and lower than expected tax rates, resulting in PAT margin expansion by 321bps YoY (+282bps QoQ) to 18.9%.
- We maintain our FY26E EPS to INR 50.0 and P/E multiple of 40.0x, supported by strong expansion in ATBS capacity by Q4FY25E, enhanced capacity utilization in Antioxidants (AO) segment and ramp-up of the Veeral Organics plant in H2FY25E. Accordingly, we reiterate our target price to INR 2,002. However, we upgrade the rating on the shares of Vinati Organics to “ACCUMULATE” from “HOLD” supported by positive outlook on demand recovery as destocking stabilizes and planned capex likely to begin generating results in H2FY25E and FY26E, providing a potential upside of 9.1%, post correction from our last update.**

MARKET DATA

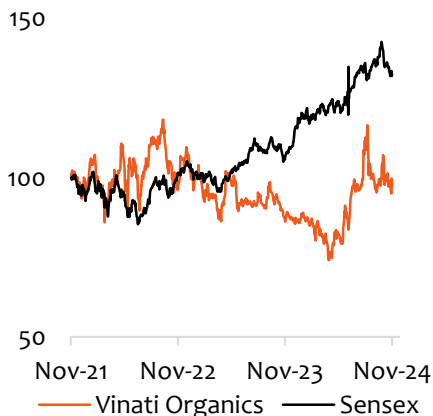
Shares outs (Mn)	103.7
Mkt Cap (INR Mn)	1,90,150
52 Wk H/L (INR)	2,331/1,462
Volume Avg (3m K)	61.0
Face Value (INR)	1.0
Bloomberg Code	VO IN

KEY FINANCIALS

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenue	20,727	19,000	23,629	28,591	32,880
EBITDA	5,712	4,697	6,117	7,459	8,578
EBITDA margin (%)	27.6%	24.7%	25.9%	26.1%	26.1%
PAT	4,192	3,230	4,221	5,188	5,959
PAT margin (%)	20.2%	17.0%	17.9%	18.1%	18.1%
EPS	40.4	31.2	40.7	50.0	57.5
P/E	45.4	58.9	45.1	36.7	31.9

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	77,580
NIFTY	23,533

Bulk of Capex Gearing Up for H2FY25E Rollout

- The company maintains earlier revenue guidance of 20.0% CAGR 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.
- Two major capex projects are currently underway: capacity expansion at ATBS and investments at VOPL.
- The Company noted that destocking has completed and anticipates double-digit growth in 2-Acrylamido 2 Methylpropane Sulfonic Acid (ATBS) sales.
- ATBS capacity expansion by 50.0% from 40,000 Tons to 60,000 Tons, likely to commission by Q4FY25E.
- VO intends to reinvest in capacity expansion and product development due to favorable demand conditions. Methoxy Ethyl Hydroquinone (MEHQ) demand is primarily concentrated in China, while there is a growing demand for Guaiacol in India.
- The Veeral Organics plant is expected to ramp up in FY25E, adding a capacity of 3,000 tonnes for MEHQ and Guaiacol.
- The MEHQ plant and Guaiacol plants were successfully commissioned few months back.
- Additionally, the remaining products under capex are set to be commissioned in H2FY25E.
- Overall capex for Vinati Organics to be around INR 5,500 Mn – INR 5,700 Mn for FY25E.

SHARE HOLDING PATTERN (%)

Particulars	Sep-24 (%)	Jun-24 (%)	Mar-24 (%)
Promoters	74.3	74.3	74.3
FIIIs	5.5	5.3	4.9
DIIIs	7.3	6.7	7.3
Others	12.9	13.7	13.5
Total	100	100	100

*Based on the previous closing
Note: All the market data is as of previous closing

22.7%

Revenue CAGR between FY24 and FY26E

26.7%

Adj. PAT CAGR between FY24 and FY26E

Vinati Organics Ltd.

Valuation and view:

Vinati Organics' Q2FY25 earnings beat our estimates, despite revenue being in-line with our projections, driven by higher other income and lower taxes. We anticipate H2FY25E will outperform H1FY25, supported by increased ATBS capacity (60,000 tons) and the expected commercialization of new product launches in H2FY25E. VO began production of MEHQ and Guaiacol with substantial revenue anticipated in FY26E. **We maintain our FY26E EPS to INR 50.0 and P/E multiple of 40.0x, supported by strong expansion in ATBS, enhanced capacity utilization in Antioxidants (AO) segment, strong revenue growth from new products, and ramp-up of the Veeral Organics plant in H2FY25E. Accordingly, we reiterate our target price to INR 2,002. However, we upgrade the rating on the shares of Vinati Organics to "ACCUMULATE" from "HOLD" supported by positive outlook on demand recovery as destocking stabilizes coupled with potential for enhanced growth stemming from expanded capacities and fresh added products in AO. At current levels, the stock offers an upside potential of 9.1%.**

Result Snapshot

Particulars (INR Mn)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Sales	5,533	5,247	4,629	5.5%	19.5%
Total Expenditure	4,196	4,001	3,582		
Cost of Raw Materials	2,978	3,202	2,341		
Purchase of Stock	23	0	0		
Changes in Inventories	21	-311	166		
Employee Cost	355	336	297		
Other Expenses	446	413	436		
Power & Fuel	374	360	341		
EBITDA	1,337	1,247	1,048	7.3%	27.7%
EBITDA Margins (%)	24.2%	23.8%	22.6%	41bps	154bps
Depreciation	223	214	173		
EBIT	1,114	1,033	874		
Interest Expense	1	4	9		
Other Income	222	93	106		
PBT	1,335	1,121	972		
Tax	292	280	247		
PAT	1,044	842	724	24.0%	44.1%
PAT Margin	18.9%	16.0%	15.6%	282bps	321bps
Diluted EPS	10.1	8.1	7.0		

Source: Company, DevenChoksey Research

Vinati Organics Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Revenues	20,727	19,000	23,629	28,591	32,880
COGS	10,745	10,113	12,479	15,042	17,298
Gross profit	9,982	8,887	11,150	13,549	15,582
Employee cost	996	1,190	1,370	1,658	1,907
Other expenses	3,274	2,999	3,663	4,432	5,096
EBITDA	5,712	4,697	6,117	7,459	8,578
EBITDA Margin	27.6%	24.7%	25.9%	26.1%	26.1%
Depreciation	590	729	924	1,001	1,166
EBIT	5,122	3,968	5,192	6,458	7,412
Interest expense	14	36	37	37	38
Other income	524	388	473	543	625
PBT	5,632	4,320	5,628	6,964	7,999
Tax	1,440	1,090	1,407	1,776	2,040
Minority interest	0	0	0	0	0
PAT	4,192	3,230	4,221	5,188	5,959
Adj. EPS	40.4	31.2	40.7	50.0	57.5

Exhibit 3: Cash Flow Statement

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
CFFO	5,150	3,318	3,610	3,578	4,599
CFFI	(3,293)	(3,484)	(3,527)	(2,457)	(2,375)
CFFF	(617)	(1,083)	(51)	(41)	(43)
Net Inc/Dec	1,239	(1,249)	32	1,080	2,181
Opening Balance	10	1,252	4	35	1,116
Closing Balance	1,249	4	35	1,116	3,296

Exhibit 4: Key Ratios

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E
EBITDA Margin (%)	27.6%	24.7%	25.9%	26.1%	26.1%
Tax rate (%)	25.6%	25.2%	25.0%	25.5%	25.5%
Net Profit Margin (%)	20.2%	17.0%	17.9%	18.1%	18.1%
RoE (%)	18.9%	13.1%	14.6%	15.2%	23.2%
RoCE (%)	25.1%	17.7%	19.6%	20.6%	32.9%
EPS (INR)	40.4	31.2	40.7	50.0	57.5
P/Ex	45.4	58.9	45.1	36.7	31.9

Source: Company, DevenChoksey Research

Exhibit 2: Balance Sheet

INR Millions	FY23	FY24	FY25E	FY26E	FY27E
Equity					
Equity Capital	103	104	104	104	104
Other Equity	22,027	24,512	28,733	33,921	39,880
Non controlling interest	0	0	0	0	0
Total Equity	22,130	24,616	28,837	34,024	39,984
Non-Current Liabilities					
Deferred tax liabilities (Net)	1,099	1,334	1,334	1,334	1,334
Other Liability	174	265	330	399	459
Total Non-Current Liabilities	1,273	1,599	1,664	1,733	1,793
Current Liabilities					
Borrowings	249	46	36	37	37
Trade Paybles	1,214	1,008	1,244	1,499	1,724
Other financial liabilities	96	126	156	189	217
Other current liabilities	875	1,003	1,462	1,749	1,997
Total Current Liabilities	2,433	2,183	2,898	3,474	3,976
Total Liabilities	25,836	28,398	33,398	39,231	45,752
Non-Current Assets					
Property Plants and Equipments	11,578	14,880	17,956	19,954	21,788
CWIP	2,425	2,492	2,492	2,492	2,492
Investments	334	394	394	394	394
Other current assets	841	733	910	1,100	1,264
Total Non-Current Assets	15,177	18,499	21,752	23,940	25,938
Current Assets					
Inventories	2,330	1,985	2,395	2,898	3,333
Trade Receivables	4,638	5,296	6,150	7,442	8,558
Cash and Bank	57	4	35	1,116	3,296
Bank Balance	73	124	124	124	124
Oher current assets	3561	2489	2941	3711	4502
Total Current Assets	10,659	9,899	11,646	15,291	19,813
Total Assets	25,836	28,398	33,398	39,231	45,751

Vinati Organics Ltd.

Vinati Organics Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
18-Nov-24	1,835	2,002	ACCUMULATE
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

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%

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