

Market Cap.

Rs. 188 Cr.

52 Week H/L

Rs. 219/117

CMP

Rs. 164

Target Price

Rs. 213

PHARMA

STOCK DATA

BUY

Reuters Code	SMOLF.BO	
Bloomberg Code	SORG IN	
BSE Code	540686	
NSE Symbol	-	
Face Value	Rs.10	
Shares Outstanding	1.1 Cr.	
Avg. Daily Volume (6m)	11,308 Shares	
Price Performance (%)		
1M	3M	6M
5	(5)	(8)
200 days EMA Rs.165		

SHARE HOLDING (%)

Promoters	63.8
FII	-
FI / MF	1.4
Govt. Holding	-
Bodies Corporate	3.5
Public & Others	31.2

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Smruthi Organics Ltd has recently announced its performance for the quarter ended March 31, 2024 and financial year ended FY24. Following are the key financial highlights:

Particulars	Q4FY24	Q4FY23	YoY	Q3FY24	QoQ
Net Sales	39.71	36.83	7.8%	23.48	69.1%
EBITDA	4.10	2.29	79.0%	(1.12)	N.A.
EBITDA Margin	10.4%	6.2%	420 Bps	N.A.	N.A.
Profit before Tax	2.18	0.80	172.5%	(2.94)	N.A.
Profit (loss) after Tax	1.52	0.69	120.3%	(2.29)	N.A.
PAT Margin	3.8%	1.8%	200 Bps	N.A.	N.A.
EPS	1.33	1.07	24.3%	(2.00)	N.A.

Highlights from the Quarter (Q4FY24):

Smruthi Organics Ltd (SOL) reported a comparatively stronger quarterly revenue of Rs. 39.71 cr for Q4FY24, up 7.8% YoY and 69.1% on a QoQ basis. The quantitative performance of the company reported all-round improvement as compared to the previous quarter. This is primarily attributed to the process of backward integration steadily gaining traction, thereby enhancing margins. The company reported a much improved net profit of Rs. 1.52 cr for the quarter, turning positive from the previous quarter, and up 120% YoY.

However, on a full year basis, Smruthi Organics Ltd posted slightly weaker results, falling at revenue levels. As raw material price pressure slowly eased through the year, EDITDA margins drastically improved to 9.4% from 7% in FY23. Additionally, the ongoing backward integration as well as the implementation of various cost saving measures has also contributed to improved margins at the end of the financial year.

Smruthi Organics Ltd has filed Drug Master Files in several PIC/S (Pharmaceutical Inspection Co-operation Scheme) signatory countries in order to gain market access in those countries and export their products. The company is focused more on regulated markets such as EU, Brazil, South Korea, and Europe. During the year, SOL obtained approval from the Korean FDA for the marketing of their Telmisaratan (used to treat high blood pressure) product in the Korean market, which the management believes to be a significant milestone. The company strives to gain further access in various other PIC/S signatory countries, which will help them multiply their revenue in the coming years.

With respect to the FDF division, SOL launched 2 new brands namely Enerlin (multi-vitamins) and Solsita (anti-diabetes) in FY23. In FY24, the company has worked towards the launch of various new brands, and intends to introduce new innovative brands going forward across geographies.

OUTLOOK AND VALUATION

Smruthi Organics Ltd posted a relatively stronger quarter in terms of revenue numbers as well as margins. As backward integration and FDF expansion continues to be a major focus for the company, as well as the continual focus to increase presence in the PIC/S signatory countries sustains, we can expect revenues as well as margins to improve in the coming quarters. We expect FY26E revenue at Rs.175.7 cr, EBITDA of Rs.22.5 cr at an EBITDA margin of 12.8% and PAT of Rs.10.1 cr. We estimate FY26E EPS at Rs.8.9, and assign a PE multiple of 24x, maintaining the target price of Rs.213. We keep our BUY Rating for Smruthi Organics Ltd over an investment horizon of 18-24 months.

KEY FINANCIALS

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	PAT (Rs. Cr)	NPM (%)	A-EPS (Rs.)	P/E (x)	P/S (x)	P/BV (x)
FY23	141.1	9.9	7.0%	4.1	2.9%	3.6	45.3	19.5	2.8
FY24	127.7	12.0	9.4%	3.6	2.8%	3.1	52.5	16.0	2.7
FY25 E	154.1	16.2	10.5%	5.7	3.7%	4.9	33.2	11.9	2.6
FY26 E	175.7	22.5	12.8%	10.1	5.8%	8.9	18.5	8.6	2.3



Earlier Recommendation

Date	Report Type	Reco	Price (Rs.)	Target (Rs.)
23-Dec-22	Initiating Coverage	Buy	157	213

PROFIT & LOSS STATEMENT

(Rs.Cr.)

Y/E Mar.	FY23	FY24	FY25E	FY26E
Revenue	141	128	154	176
Raw Material Cost	91	72	92	101
Employee Cost	16	17	17	19
Other Expenses	24	26	29	33
EBITDA	10	12	16	22
<i>EBITDA Margin (%)</i>	<i>7.0%</i>	<i>9.4%</i>	<i>10.5%</i>	<i>12.8%</i>
Depreciation	5	6	5	5
EBIT	5	6	11	17
<i>EBIT Margin (%)</i>	<i>3.8%</i>	<i>5.0%</i>	<i>7.2%</i>	<i>9.8%</i>
Finance Costs	1	1	4	4
Other Income	0	0	0	0
Profit before Tax	5	5	8	14
Tax Expense	0	1	2	3
Adjusted PAT	4	4	6	10
<i>Net Margin (%)</i>	<i>2.9%</i>	<i>2.8%</i>	<i>3.7%</i>	<i>5.8%</i>
Adjusted EPS	3.6	3.1	4.9	8.9

BALANCE SHEET

(Rs.Cr.)

Y/E Mar.	FY23	FY24	FY25E	FY26E
PP&E	37	40	41	43
Right of Use Assets	-	0	0	0
Capital WIP	2	1	1	1
Other Non-Current	1	2	2	2
Goodwill	-	-	-	-
Inventories	24	30	33	37
Trade Receivables	37	41	44	48
Cash and Bank Balances	1	1	3	6
Other Current Assets	4	4	4	4
Total Assets	106	118	129	142
Equity Share Capital	11	11	11	11
Other equity	57	58	62	69
Non-Current trade payables	-	-	-	-
Borrowings	1	6	4	3
Other Non-Current Liabilities	1	1	1	1
Current lease liabilities	-	-	-	-
Trade Payables	25	29	35	40
Other Financial Liabilities	0	0	0	1
Current Borrowings	5	6	8	8
Other Current Tax Liab & Provisions	5	7	7	7
Total Liabilities	106	118	129	142

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

(Rs.Cr.)

Y/E Mar.	FY23	FY24	FY25E	FY26E
PBT	5	5	8	14
Depreciation	5	6	5	5
Interest	1	1	4	4
CFO before Working Cap chg	10	12	16	22
Chg in Inventories	(4)	(6)	(3)	(4)
Chg in Trade Receivables	(8)	(4)	(3)	(4)
Chg in Trade Payables	15	4	7	5
Chg in Current Assets & Liabilities	-	-	-	-
Cash Flow from Operations	12	6	17	19
Interest Paid	(1)	(1)	(4)	(4)
Dividend Paid	(2)	(2)	(2)	(2)
Income Taxes Paid	(0)	(1)	(2)	(3)
Other Adjustments	(1)	7	1	0
Cash Flow from Financing	(5)	2	(7)	(9)
Capital Expenditure	(8)	(8)	(7)	(7)
Other Adjustments	2	0	(0)	(0)
Cash Flow from Investing	(6)	(8)	(7)	(7)
Opening Cash	(1)	0	1	3
Total Cash Flow	1	0	2	3
Closing Cash	0	1	3	6

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY23	FY24	FY25E	FY26E
Growth (%)				
Revenue	5.4%	-9.5%	20.6%	14.0%
EBITDA	-47.9%	21.6%	34.8%	38.3%
Net Profit	-60.2%	-13.6%	58.0%	79.5%
Profitability (%)				
EBITDA Margin	7.0%	9.4%	10.5%	12.8%
Net Profit Margin	2.9%	2.8%	3.7%	5.8%
ROCE	7.2%	7.9%	13.2%	18.6%
ROE	6.1%	5.1%	7.7%	12.6%
Per Share Data (Rs.)				
EPS	3.6	3.1	4.9	8.9
BVPS	59.5	60.8	63.8	70.6
DPS	2.0	1.5	2.0	2.0
CEPS	7.6	8.1	9.4	13.5
Valuation (x)				
P/E	45.3	52.5	33.2	18.5
P/BV	2.8	2.7	2.6	2.3
EV/EBITDA	19.5	16.0	11.9	8.6
P/Sales	1.3	1.5	1.2	1.1
Turnover				
Inventory days	62	85	130	134
Debtor days	96	117	105	100
Creditor days	64	82	84	84
Gearing (x)				
D/E	0.08	0.17	0.16	0.14

Source: Company, Sushil Finance Research

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%
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Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No