

# Vinati Organics

BSE SENSEX  
81,501

S&P CNX  
24,971

**CMP: INR2,005**

**TP: INR2,500 (+25%)**

**BUY**



Vinati Organics Limited

## Stock Info

Bloomberg	VO IN
Equity Shares (m)	104
M.Cap.(INRb)/(USDb)	207.8 / 2.5
52-Week Range (INR)	2331 / 1462
1, 6, 12 Rel. Per (%)	5/16/-15
12M Avg Val (INR M)	159
Free Float (%)	25.7

## Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	25.2	29.2	33.7
EBITDA	6.3	7.5	8.8
PAT	4.4	5.3	6.2
EPS (INR)	42.7	50.9	60.2
EPS Gr. (%)	36.8	19.2	18.4
BV/Sh.(INR)	270.8	310.3	357.0

## Ratios

Net D:E	0.1	0.1	0.0
RoE (%)	16.8	17.5	18.1
RoCE (%)	15.0	15.2	16.5
Payout (%)	22.4	22.4	22.4

## Valuations

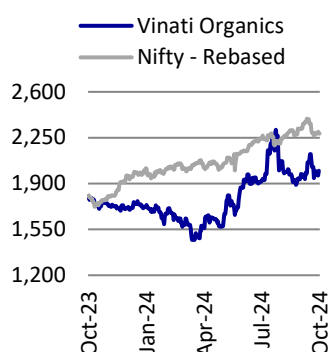
P/E (x)	46.6	39.1	33.0
P/BV (x)	7.3	6.4	5.6
EV/EBITDA (x)	33.2	27.9	23.5
Div. Yield (%)	0.5	0.6	0.7
FCF Yield (%)	-0.9	1.5	2.0

## Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	74.3	74.3	74.1
DII	7.3	6.8	8.2
FII	5.5	5.3	4.6
Others	13.0	13.6	13.1

FII includes depository receipts

## Stock performance (one-year)



## Operational synergies to further solidify leadership position

- Vinati Organics (VO) has strengthened its operations through backward integration, which is expected to expand its margins. Additionally, its vertical integration, along with the Veeral Additives (VAPL) merger, is likely to enhance economies of scale and help VO maintain/expand its market share in ATBS and antioxidants (AOs). Further, the commissioning of OSBP and DSBP plants positions VO as the sole domestic producer, reducing India's import reliance.
- With a 65% global market share in ATBS and IBB, VO aims to expand its ATBS capacity by 2HFY25. The company is also diversifying its portfolio through niche products and specialized polymers from Veeral Organics (VOPL) while advancing its sustainability strategy. In FY24, the company added 11.5MW of solar power and is targeting an additional 6.5MW in FY25, further reducing its carbon footprint.
- We continue to believe that VO's overall 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 Sep'26E EPS to arrive at a TP of INR2,500. We reiterate our BUY rating on the stock.

## Integrated operations to offer cost efficiency and economies of scale

- VO's investment in Butyl Phenol (BP) and Isobutylene (IB) production has strengthened its backward integration strategy. The in-house production is expected to cut raw material costs for the company. This move is likely to expand its margins and ensure supply chain reliability, keeping VO competitive in AOs and specialty chemicals.
- As such, VO, through its vertical integration, is expected to enhance economies of scale by expanding into related product lines, cutting costs, and strengthening its market share in ATBS and antioxidants. The VAPL merger brings operational synergies, which enhances VO's competitiveness and profitability in the antioxidants segment.
- VO also commissioned Ortho Secondary Butyl Phenol (OSBP) and Di-Secondary Butyl Phenol (DSBP) plants in FY24, serving the agrochemicals, polystyrene, and perfumery industries. As the only player in India, VO has strengthened its domestic market position while reducing import reliance (both products are currently 100% imported into India).

## Opportune expansions as demand outlook remains steady

- VO holds a 65% global market share in ATBS and IBB, primarily serving export markets. To meet the growing demand, the company is expanding its ATBS capacity, which is expected to come online in 2HFY25. Despite a temporary sales slowdown due to global destocking, VO expects long-term growth in ATBS usage for water treatment, oil recovery, and adhesives. This capex is expected to solidify the company's leadership in the specialty monomer segment.

Aman Chowdhary - Research Analyst (Aman.Chowdhary@MotilalOswal.com)

Sumant Kumar - Research Analyst (Sumant.Kumar@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

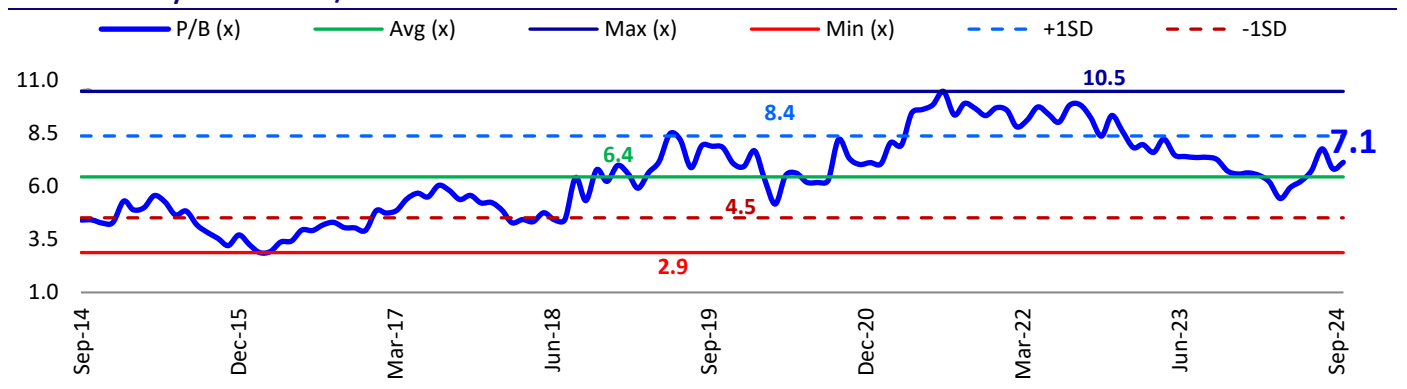
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

- VOL aims to reduce reliance on a few key products (refer to Exhibit 5) by diversifying its portfolio and customer base. VOPL, its subsidiary, has launched two new products with more set to roll out in FY25. VOPL is also developing specialized polymers with high-temperature resistance and chemical stability for the electronics, automotive, and aerospace industries.
- Sustainability is also key to VO’s long-term strategy, with a keen focus on renewable energy. The company added 11.5MW of solar power in FY24 and plans to increase its renewable energy capacity to 33 MW by FY25 with an additional 6.5MW. These initiatives align with VO's strategy to reduce carbon footprint.

**Valuation and view**

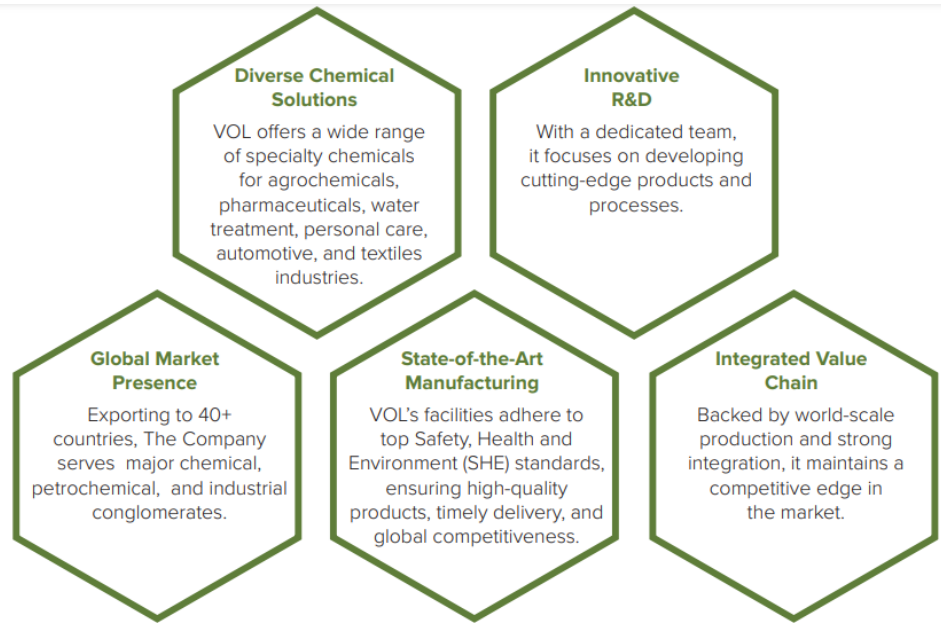
- VOPL has commissioned a plant for MEHQ and Guaiacol with other products (Anisole, 4-MAP, Iso Amylene, etc.), which will come online in FY25. VO has 3ktpa capacity (combined) for MEHQ and Guaiacol, 5ktpa for Anisole, 30ktpa Iso Amylene, and 1ktpa for 4-MAP. These products will be the key growth drivers for VO going forward.
- The supply of AOs started in FY24, which earned a revenue of INR1.5b during that year. The amalgamation of VO with VAPL has already been approved by the NCLT. VO is now the largest and the only double-integrated manufacturer of AOs in India. Our long-term view remains positive for the segment, although there is a threat of Chinese supplies.
- We continue to believe that VO’s overall 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 Sep’26E EPS to arrive at a TP of INR2,500. **We reiterate our BUY rating on the stock.**

**Exhibit 1: One year forward P/B**



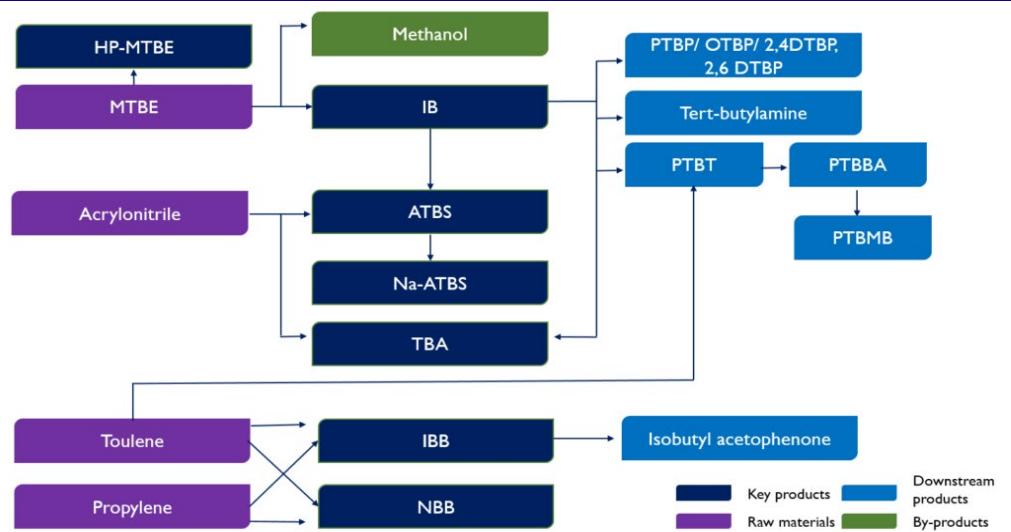
Source: MOFSL

**Exhibit 2: Key strengths of VO**



Source: Company, MOFSL

**Exhibit 3: Integrated operations to provide economies of scale and cost efficiency**



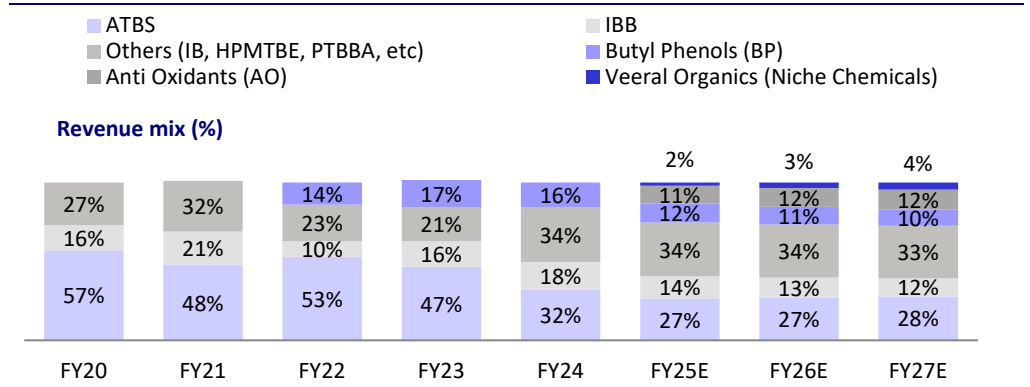
Source: Company, MOFSL

**Exhibit 4: Diverse end use product of AOs offered by VO**

End usage product	VEENOX 1010	VEENOX 1076	VEENOX 1098	VEENOX 1135	VEENOX 168
PP	★				★
PE	★	★			★
PS		★			★
ABS		★			○
PC		★			★
PC + ABS		○			○
PA	★		★		★
Polyester		○			★
PVC	○	○			
Acrylics		★			★
PU		★		★	
Elastomers		★			
Polyacetals					★
TPU					★

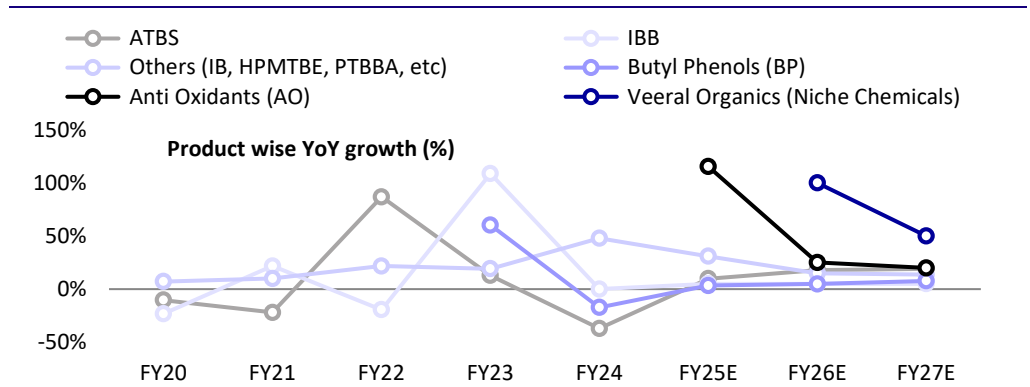
Star signifies recommended usage, circle signifies suitability; Source: Company, MOFSL

**Exhibit 5: ATBS continues to contribute the highest to total revenues as a single product basket**



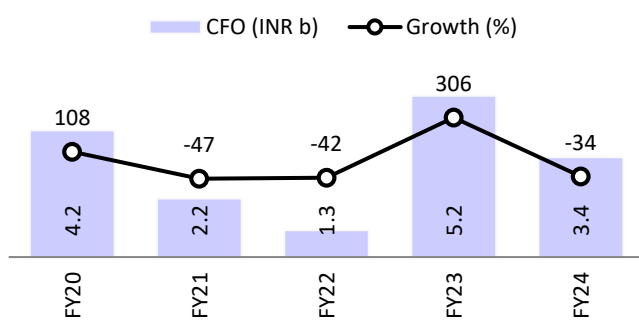
Source: Company, MOFSL

**Exhibit 6: ATBS revenues declined 37% YoY while BP declined 17% YoY in FY24**



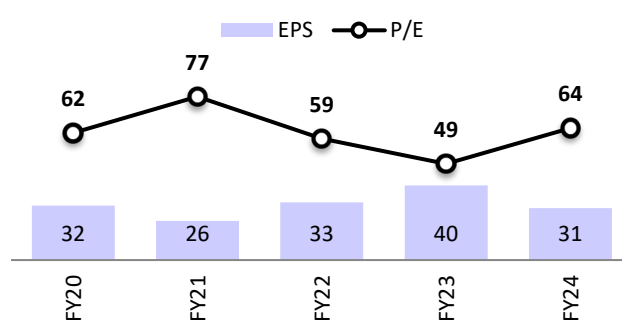
Source: Company, MOFSL

**Exhibit 7: Strong cash flow generation from operations**



Source: Company, MOFSL

**Exhibit 8: High valuation despite declining EPS in FY24**



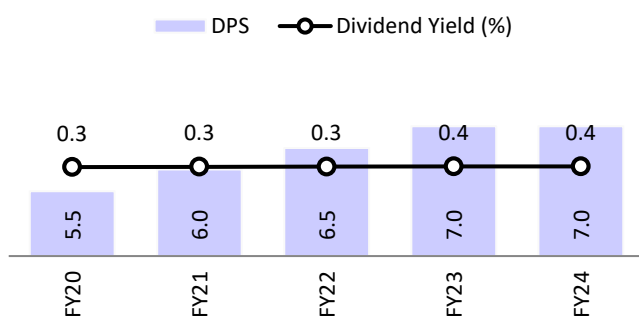
Source: Company, MOFSL

**Exhibit 9: R&D expenses and capex in specific technologies to total R&D and capex**

% R&D and capex investments to total R&D and capex investments	FY23	FY24	Improvements in environmental and social impacts
R&D	100%	100%	The company emphasizes the development of products, processes, and technologies that benefit both the environment and society.
Capex	100%	100%	

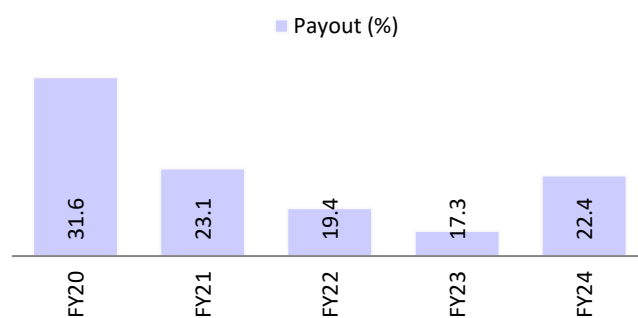
Source: Company, MOFSL

**Exhibit 10: Dividend/share declared in FY24**



Source: Company, MOFSL

**Exhibit 11: Higher payout ratio in FY24 compared to FY23**



Source: Company, MOFSL

**Exhibit 12: Cash conversion cycle at 121 days in FY24**

Cash conversion cycle (year-end basis)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Days										
Inventory	26	26	35	40	30	33	47	40	41	38
Debtor	61	66	75	87	79	72	106	104	82	102
Creditor	10	13	18	31	17	20	25	26	21	19
<b>Cash conversion cycle</b>	<b>77</b>	<b>79</b>	<b>93</b>	<b>96</b>	<b>92</b>	<b>85</b>	<b>127</b>	<b>117</b>	<b>101</b>	<b>121</b>

Source: Company, MOFSL

**Exhibit 13: Peer comparison for our coverage universe**

Company	Reco	TP (INR)	EPS (INR)			P/E (x)			P/BV (x)			EV/EBITDA (x)			ROE (%)		
			FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Alkyl Amines	Neutral	2,305	29.1	41.5	56.9	78.3	54.9	40.0	9.2	8.3	7.3	46.7	33.4	25.5	12.2	15.9	19.4
Atul	Buy	9,955	103.4	172.6	222.4	76.3	45.7	35.5	4.5	4.2	3.8	37.4	24.9	20.7	6.2	9.5	11.3
Clean Science	Neutral	1,580	23.0	26.6	36.0	68.3	59.0	43.6	13.8	11.5	9.4	49.7	41.5	32.7	22.1	21.3	23.7
Deepak Nitrite	Neutral	3,005	55.1	73.8	80.6	51.3	38.3	35.1	8.0	6.8	5.8	33.4	25.3	22.3	16.9	19.2	17.9
Fine Organic	Sell	4,250	120.0	118.8	119.0	42.3	42.8	42.7	8.4	7.1	6.2	30.8	30.4	29.7	21.8	18.0	15.4
Galaxy Surfact.	Buy	3,750	85.0	97.7	115.0	34.5	30.1	25.5	4.8	4.3	3.8	22.6	18.9	16.2	14.8	15.0	15.8
Navin Fluorine	Neutral	3,355	46.1	60.4	85.3	73.4	56.0	39.7	7.0	6.5	5.8	45.5	34.3	25.9	10.0	12.0	15.4
NOCIL	Neutral	315	7.9	9.4	11.7	36.8	30.9	24.8	2.9	2.7	2.5	24.9	21.0	17.1	8.1	9.0	10.6
P I Industries	Buy	5,470	110.6	112.5	136.9	40.9	40.2	33.1	7.9	6.7	5.6	32.5	27.9	22.8	21.1	18.0	18.5
SRF	Neutral	2,240	47.5	51.1	73.8	49.4	45.9	31.8	6.1	5.6	4.9	27.7	24.3	18.6	13.0	12.7	16.4
Tata Chemicals	Neutral	1,070	36.1	30.2	49.2	32.8	39.2	24.1	1.4	1.3	1.3	11.8	12.8	10.1	4.4	3.4	5.4
<b>Vinati Organics</b>	<b>Buy</b>	<b>2,500</b>	<b>31.2</b>	<b>42.7</b>	<b>50.9</b>	<b>63.7</b>	<b>46.6</b>	<b>39.1</b>	<b>8.4</b>	<b>7.3</b>	<b>6.4</b>	<b>43.8</b>	<b>33.2</b>	<b>27.9</b>	<b>13.8</b>	<b>16.8</b>	<b>17.5</b>

Source: Company, MOFSL

Story in charts

Exhibit 14: Expect 21% revenue CAGR over FY24-FY27

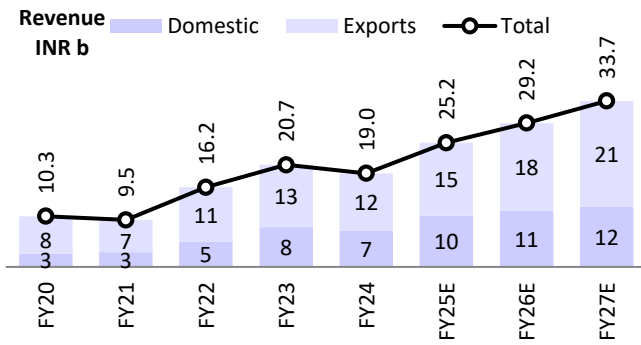


Exhibit 15: Exports likely to continue dominating going forward

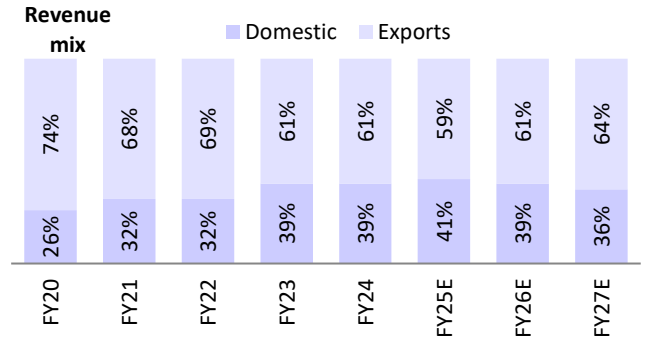


Exhibit 16: EBITDAM to gradually improve by FY27...

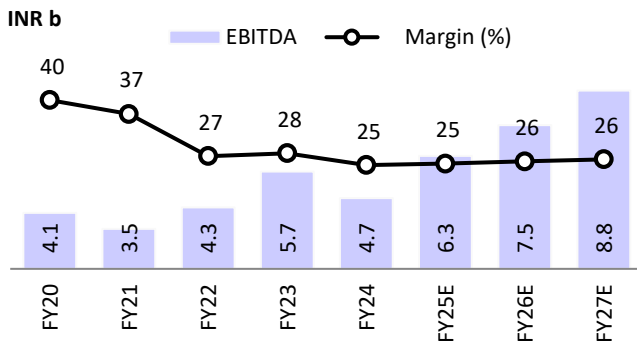


Exhibit 17: ...with PAT also improving

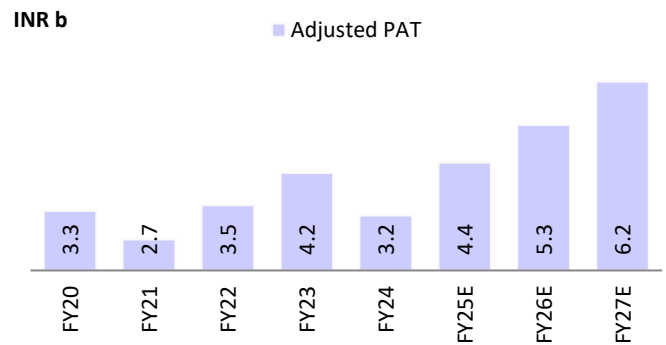


Exhibit 18: Expect INR9.5b capex during FY25-FY27

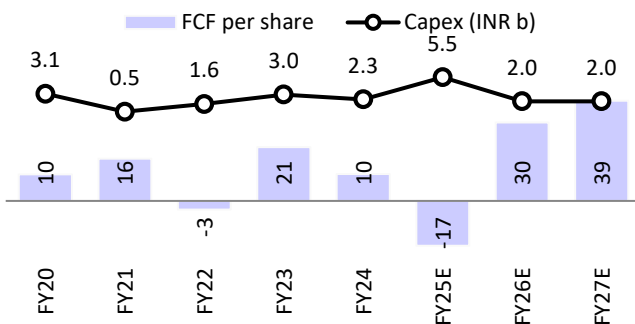


Exhibit 19: Return ratios at 17-18% in FY27E

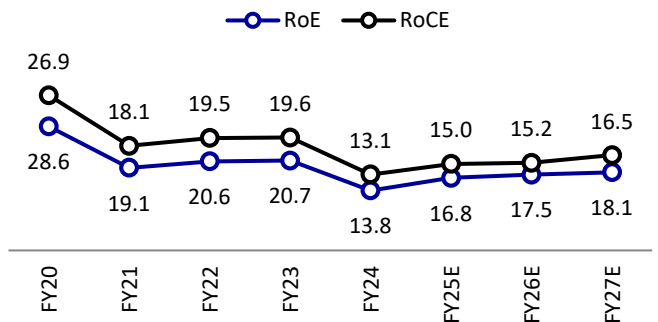


Exhibit 20: One year forward P/E

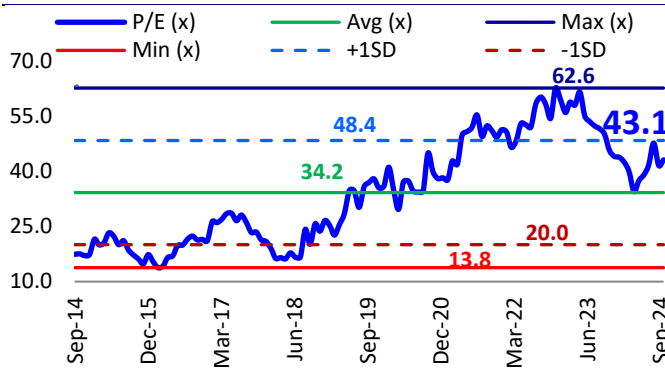
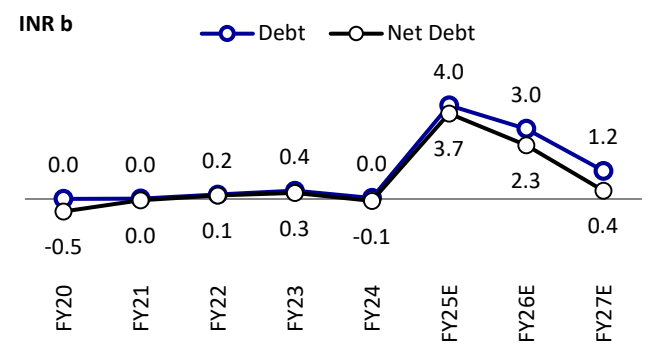


Exhibit 21: Debt profile of VO



## Financials and valuations

Standalone- Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>10,289</b>	<b>9,543</b>	<b>16,155</b>	<b>20,727</b>	<b>19,000</b>	<b>25,193</b>	<b>29,197</b>	<b>33,668</b>
Change (%)	-8.8	-7.3	69.3	28.3	-8.3	32.6	15.9	15.3
Gross Margin (%)	58.3	59.4	46.7	48.2	46.8	47.5	48.0	48.5
<b>EBITDA</b>	<b>4,139</b>	<b>3,525</b>	<b>4,341</b>	<b>5,712</b>	<b>4,701</b>	<b>6,317</b>	<b>7,479</b>	<b>8,797</b>
Margin (%)	40.2	36.9	26.9	27.6	24.7	25.1	25.6	26.1
Depreciation	332	429	455	590	728	869	899	927
<b>EBIT</b>	<b>3,808</b>	<b>3,096</b>	<b>3,886</b>	<b>5,122</b>	<b>3,973</b>	<b>5,448</b>	<b>6,579</b>	<b>7,870</b>
Int. and Finance Charges	11	2	3	14	36	40	45	48
Other Income	450	259	610	524	388	504	511	522
<b>PBT bef. EO Exp.</b>	<b>4,247</b>	<b>3,353</b>	<b>4,493</b>	<b>5,632</b>	<b>4,325</b>	<b>5,912</b>	<b>7,045</b>	<b>8,344</b>
<b>PBT after EO Exp.</b>	<b>4,247</b>	<b>3,353</b>	<b>4,493</b>	<b>5,632</b>	<b>4,325</b>	<b>5,912</b>	<b>7,045</b>	<b>8,344</b>
Total Tax	908	659	1,026	1,440	1,091	1,488	1,773	2,100
Tax Rate (%)	21.4	19.7	22.8	25.6	25.2	25.2	25.2	25.2
<b>Reported PAT</b>	<b>3,338</b>	<b>2,693</b>	<b>3,467</b>	<b>4,192</b>	<b>3,234</b>	<b>4,424</b>	<b>5,272</b>	<b>6,244</b>
<b>Adjusted PAT</b>	<b>3,338</b>	<b>2,693</b>	<b>3,467</b>	<b>4,192</b>	<b>3,234</b>	<b>4,424</b>	<b>5,272</b>	<b>6,244</b>
Change (%)	18.2	-19.3	28.7	20.9	-22.8	36.8	19.2	18.4
Margin (%)	32.4	28.2	21.5	20.2	17.0	17.6	18.1	18.5

Standalone - Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	103	103	103	103	104	104	104	104
Total Reserves	12,691	15,331	18,179	22,032	24,540	27,971	32,060	36,903
<b>Net Worth</b>	<b>12,794</b>	<b>15,434</b>	<b>18,281</b>	<b>22,135</b>	<b>24,644</b>	<b>28,075</b>	<b>32,164</b>	<b>37,007</b>
Total Loans	3	20	189	352	46	4,000	3,000	1,200
Deferred Tax Liabilities	705	779	900	1,099	1,335	1,335	1,335	1,335
<b>Capital Employed</b>	<b>13,502</b>	<b>16,234</b>	<b>19,370</b>	<b>23,586</b>	<b>26,025</b>	<b>33,410</b>	<b>36,499</b>	<b>39,542</b>
Gross Block	8,551	9,045	10,675	14,122	16,558	22,058	24,058	26,058
Less: Accum. Deprn.	1,060	1,489	1,944	2,534	3,262	4,131	5,030	5,957
<b>Net Fixed Assets</b>	<b>7,491</b>	<b>7,557</b>	<b>8,732</b>	<b>11,588</b>	<b>13,296</b>	<b>17,927</b>	<b>19,028</b>	<b>20,101</b>
Capital WIP	310	547	473	2,290	2,461	2,461	2,461	2,461
<b>Total Investments</b>	<b>2,274</b>	<b>2,887</b>	<b>979</b>	<b>2,555</b>	<b>2,373</b>	<b>2,373</b>	<b>2,373</b>	<b>2,373</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>4,355</b>	<b>6,345</b>	<b>10,714</b>	<b>9,404</b>	<b>10,137</b>	<b>13,620</b>	<b>16,081</b>	<b>18,579</b>
Inventory	932	1,219	1,762	2,330	1,984	2,631	3,049	3,516
Account Receivables	2,018	2,772	4,584	4,638	5,296	7,023	8,139	9,385
Cash and Bank Balance	537	68	43	97	127	348	699	841
Cash and liquid investments	1,586	1,762	13	1,219	3	224	575	717
Bank Balance	0	52	33	73	124	124	124	124
Loans and Advances	869	2,285	4,326	2,338	2,729	3,619	4,194	4,836
<b>Curr. Liability and Prov.</b>	<b>927</b>	<b>1,102</b>	<b>1,527</b>	<b>2,250</b>	<b>2,242</b>	<b>2,972</b>	<b>3,445</b>	<b>3,972</b>
Account Payables	557	664	1,146	1,214	1,007	1,335	1,547	1,784
Other Current Liabilities	213	391	328	976	1,158	1,535	1,779	2,051
Provisions	157	47	54	60	77	103	119	137
<b>Net Current Assets</b>	<b>3,428</b>	<b>5,243</b>	<b>9,187</b>	<b>7,154</b>	<b>7,895</b>	<b>10,648</b>	<b>12,637</b>	<b>14,606</b>
<b>Appl. of Funds</b>	<b>13,502</b>	<b>16,234</b>	<b>19,371</b>	<b>23,587</b>	<b>26,026</b>	<b>33,410</b>	<b>36,499</b>	<b>39,542</b>



## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
EPS	32.2	26.0	33.4	40.4	31.2	42.7	50.9	60.2
EPS Growth (%)	18.2	-19.3	28.7	20.9	-22.8	36.8	19.2	18.4
Cash EPS	35.4	30.1	37.8	46.1	38.2	51.1	59.5	69.2
BV/Share	123.4	148.9	176.3	213.5	237.7	270.8	310.3	357.0
DPS	5.5	6.0	6.5	7.0	7.0	9.6	11.4	13.5
Payout (%)	31.6	23.1	19.4	17.3	22.4	22.4	22.4	22.4
<b>Valuation (x)</b>								
P/E	61.7	76.5	59.5	49.2	63.7	46.6	39.1	33.0
Cash P/E	56.2	66.0	52.6	43.1	52.0	38.9	33.4	28.7
P/BV	16.1	13.4	11.3	9.3	8.4	7.3	6.4	5.6
EV/Sales	20.0	21.6	12.8	10.0	10.8	8.3	7.1	6.1
EV/EBITDA	49.7	58.5	47.5	36.1	43.8	33.2	27.9	23.5
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.4	0.5	0.6	0.7
FCF per share	10.3	16.4	-3.4	20.9	10.5	-17.5	30.4	38.9
<b>Return Ratios (%)</b>								
RoE	28.6	19.1	20.6	20.7	13.8	16.8	17.5	18.1
RoCE	26.9	18.1	19.5	19.6	13.1	15.0	15.2	16.5
RoIC	31.7	21.5	19.6	20.9	15.0	16.5	16.6	18.2
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	1.7	1.3	2.0	2.0	1.5	1.6	1.6	1.7
Asset Turnover (x)	0.8	0.6	0.8	0.9	0.7	0.8	0.8	0.9
Inventory (Days)	33	47	40	41	38	38	38	38
Debtor (Days)	72	106	104	82	102	102	102	102
Creditor (Days)	20	25	26	21	19	19	19	19
<b>Leverage Ratio (x)</b>								
Current Ratio	4.7	5.8	7.0	4.2	4.5	4.6	4.7	4.7
Net Debt/Equity ratio	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0

### Standalone - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	4,247	3,353	4,493	5,632	4,325	5,912	7,045	8,344
Depreciation	332	429	455	590	728	869	899	927
Direct Taxes Paid	-1,005	-607	-1,081	-1,310	-871	-1,488	-1,773	-2,100
(Inc.)/Dec. in WC	811	-874	-2,257	244	-684	-1,643	-1,062	-1,186
<b>CF from Operations</b>	<b>4,159</b>	<b>2,190</b>	<b>1,271</b>	<b>5,155</b>	<b>3,382</b>	<b>3,690</b>	<b>5,154</b>	<b>6,033</b>
(Inc.)/Dec. in FA	-3,094	-490	-1,618	-2,991	-2,294	-5,500	-2,000	-2,000
<b>Free Cash Flow</b>	<b>1,065</b>	<b>1,700</b>	<b>-347</b>	<b>2,163</b>	<b>1,087</b>	<b>-1,810</b>	<b>3,154</b>	<b>4,033</b>
Change in Investments	-674	127	267	-366	-1,277	0	0	0
Others	1,793	-1,619	-1,206	22	38	-890	-575	-642
<b>CF from Investments</b>	<b>-1,975</b>	<b>-1,982</b>	<b>-2,558</b>	<b>-3,335</b>	<b>-3,534</b>	<b>-6,390</b>	<b>-2,575</b>	<b>-2,642</b>
Issue of Shares	0	0	0	0	0	0	0	0
Inc./(Dec.) in Debt	0	17	164	4	-104	3,954	-1,000	-1,800
Interest Paid	-11	-2	-3	-14	-36	-40	-45	-48
Dividend Paid	-1,046	-55	-618	-670	-723	-993	-1,183	-1,401
<b>CF from Fin. Activity</b>	<b>-1,090</b>	<b>-31</b>	<b>-462</b>	<b>-613</b>	<b>-1,065</b>	<b>2,921</b>	<b>-2,228</b>	<b>-3,249</b>
<b>Inc./Dec. in Cash</b>	<b>1,094</b>	<b>176</b>	<b>-1,749</b>	<b>1,207</b>	<b>-1,216</b>	<b>221</b>	<b>351</b>	<b>142</b>
Opening Balance	492	1,586	1,762	13	1,219	3	224	575
<b>Closing Balance</b>	<b>1,585</b>	<b>1,762</b>	<b>13</b>	<b>1,219</b>	<b>3</b>	<b>224</b>	<b>575</b>	<b>717</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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#### Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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