

# Fine Organic Industries

Estimate changes	↔
TP change	↔
Rating change	↔

Bloomberg	FINEORG IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	135.6 / 1.5
52-Week Range (INR)	5494 / 3355
1, 6, 12 Rel. Per (%)	6/-12/0
12M Avg Val (INR M)	92

## Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	23.7	24.9	28.6
EBITDA	4.8	5.0	5.7
PAT	4.0	4.2	4.7
EPS (INR)	131.2	137.7	153.9
EPS Gr. (%)	3.2	4.9	11.8
BV/Sh.(INR)	843.3	969.1	1,109.6

## Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	16.8	15.2	14.8
RoCE (%)	16.8	15.1	14.8
Payout (%)	8.7	8.7	8.7

## Valuations

P/E (x)	33.7	32.1	28.7
P/BV (x)	5.2	4.6	4.0
EV/EBITDA (x)	26.6	25.2	21.6
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	-0.9	1.6	2.2

## Shareholding pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	75.0	75.0	75.0
DII	11.8	12.0	11.5
FII	4.4	4.6	5.2
Others	8.8	8.4	8.3

FII Includes depository receipts

**CMP: INR4,423**

**TP: INR3,920 (-11%)**

**Sell**

## Earnings under pressure amid persistent margin headwinds

- Fine Organic Industries (FINEORG) reported muted operating performance, with an EBITDA growth of 2% YoY, primarily due to gross margin contraction of 140bp YoY to 38%.
- FINEORG has been expanding its global reach by entering new geographies and strengthening its strategic partnerships. The company incorporated a wholly-owned subsidiary in Jebel Ali Free Zone, Dubai, UAE, to establish a local presence in GCC countries and improve supply chain efficiencies.
- We broadly maintain our earnings estimates for FY26/FY27/FY28 and estimate a revenue/EBITDA/Adj. PAT CAGR of 9%/6%/7% for FY25-FY28. FINEORG currently trades at ~29x FY28E EPS and ~22x FY28E EV/EBITDA. We value the stock at 26x FY27E EPS to arrive at our TP of INR3,920.

**Reiterate Sell.**

## Margin pressure despite stable demand

- FINEORG reported revenue of INR5.6b in 1QFY26, rising 8% YoY. Overall demand remained stable during the quarter.
- Exports revenue grew 2% YoY to INR2.9b, while domestic revenue grew 15% YoY to INR2.6b, driven by improved domestic demand.
- Gross margin stood at 38% (down 140p YoY), while EBITDA margin contracted 100bp YoY to 18.3% in 3QFY26, primarily due to higher raw material costs in 3QFY26.
- EBITDA stood at INR1b, up 2% YoY, and Adj. PAT dipped 4% YoY to INR792m in 3QFY26 (est INR869m).
- In 9MFY26, revenue grew 5% YoY to INR17.4b, while EBITDA/Adj. PAT declined 7%/4% to INR3.6b/INR3b.

## Highlights from the management presentation

- Freight costs have stabilized during the year and reduced further in 3Q, mainly due to a reduction in global sea freight rates.
- During the quarter, the company infused equity of about INR61.7m in its joint venture company, Fine Organic Industries (Thailand) Co. Ltd., for business growth purposes.
- FINEORG has incorporated a wholly-owned subsidiary, Fine Organics FZE, in Dubai, UAE. The subsidiary aims to establish a local presence in GCC countries and enhance supply chain efficiency.

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**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](http://www.motilaloswal.com)/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Valuation and view

- The company remains focused on strengthening its global presence through investments in overseas subsidiaries, expanding US capacity for future growth, enhancing manufacturing capabilities, and incorporating a wholly-owned subsidiary in Dubai to establish a local presence in GCC countries and improve supply chain efficiency
- The long-term prospects for FINEORG remain healthy, as the company operates within the oleochemicals industry and has consistently driven growth through R&D innovations over the years. However, we anticipate that its performance may be adversely affected in the near-to-medium term by the following factors: 1) longer-than-expected delays in the commissioning of new capacities for expansion, and 2) existing plants operating at close to optimum utilization, with no potential for debottlenecking.
- We broadly maintain our earnings estimates for FY26/FY27/FY28 and project a revenue/EBITDA/Adj. PAT CAGR of 9%/7%/8% for FY25-FY28. FINEORG currently trades at ~29x FY28E EPS and ~22x FY28E EV/EBITDA. We value the stock at 26x FY27E EPS to arrive at our TP of INR4,100. Reiterate Sell.

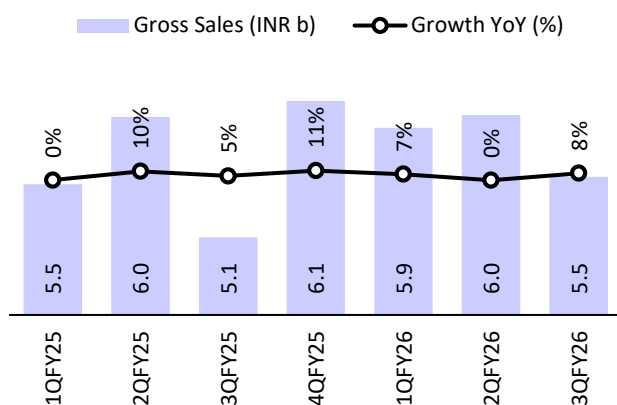
### Consolidated - Income Statement

Y/E March	FY25				FY26				FY25				(INR m)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY25	FY26E	FY26	Var.	(%)
<b>Gross Sales</b>	<b>5,497</b>	<b>5,958</b>	<b>5,132</b>	<b>6,068</b>	<b>5,884</b>	<b>5,973</b>	<b>5,548</b>	<b>6,267</b>	<b>22,655</b>	<b>23,672</b>	<b>5,241</b>	<b>6%</b>	
YoY Change (%)	0.5	10.2	5.1	11.0	7.0	0.2	8.1	3.3	16.1	4.5	2.1		
Total Expenditure	4,100	4,452	4,142	4,872	4,648	4,621	4,533	5,037	17,566	18,840	4,229		
Gross Margin (%)	43.6%	42.8%	39.4%	39.6%	40.4%	41.6%	38.0%	38.0%	22.5%	20.4%	40.0%		
<b>EBITDA</b>	<b>1,397</b>	<b>1,506</b>	<b>990</b>	<b>1,196</b>	<b>1,236</b>	<b>1,352</b>	<b>1,015</b>	<b>1,230</b>	<b>5,089</b>	<b>4,832</b>	<b>1,012</b>	<b>0%</b>	
Margin (%)	25.4	25.3	19.3	19.7	21.0	22.6	18.3	19.6	22.5	20.4	19.3		
Depreciation	117	124	130	148	118	128	138	148	512	532	135		
Interest	4	4	4	5	5	5	5	7	17	20	6		
Other Income	245	219	291	258	398	211	211	295	966	1,116	290		
<b>PBT</b>	<b>1,521</b>	<b>1,597</b>	<b>1,146</b>	<b>1,300</b>	<b>1,581</b>	<b>1,430</b>	<b>1,013</b>	<b>1,300</b>	<b>5,527</b>	<b>5,395</b>	<b>1,161</b>		
Tax	383	418	319	327	403	335	268	344	1,350	1,350	292		
Rate (%)	25.2	26.2	27.8	25.2	25.5	23.4	26.5	26.5	24.4	25.0	25.2		
Minority Interest & Profit/Loss of Asso. Cos.	5	5	0	-1	7	10	5	0	0	22	0		
<b>Reported PAT</b>	<b>1,134</b>	<b>1,175</b>	<b>827</b>	<b>974</b>	<b>1,171</b>	<b>1,085</b>	<b>739</b>	<b>956</b>	<b>4,177</b>	<b>4,022</b>	<b>869</b>		
<b>Adj PAT</b>	<b>1,134</b>	<b>1,175</b>	<b>827</b>	<b>974</b>	<b>1,119</b>	<b>1,085</b>	<b>792</b>	<b>1,007</b>	<b>4,177</b>	<b>4,023</b>	<b>869</b>	<b>-9%</b>	
YoY Change (%)	13.6	13.6	-12.2	-15.2	-1.3	-7.6	-4.3	3.4	13.5	-3.7	5.0		
Margin (%)	20.6	19.7	16.1	16.1	19.0	18.2	14.3	16.1	18.4	17.0	16.6		

Particulars	Revised			Previous			Change (%)			(INR m)
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
Revenue (INR m)	23,672	24,911	28,647	23,161	24,374	28,030	2%	2%	2%	
EBITDA (INR m)	4,832	5,032	5,741	4,954	5,091	5,995	-2%	-1%	-4%	
PAT (INR m)	4,023	4,222	4,719	4,199	4,255	4,886	-4%	-1%	-3%	
EPS (INR)	131.2	137.7	153.9	136.9	138.8	159.4	-4%	-1%	-3%	

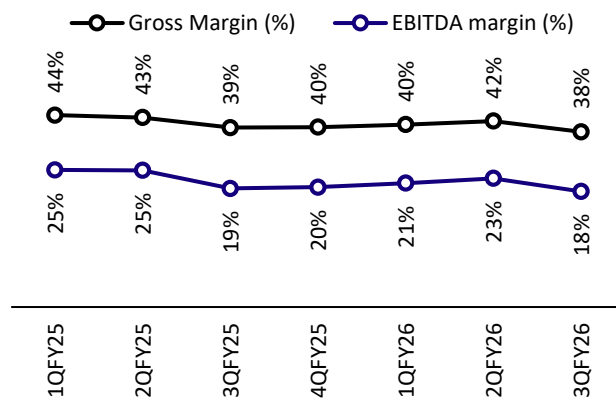
## Story in charts: 2QFY26

**Exhibit 1: Revenue grew 8% YoY**



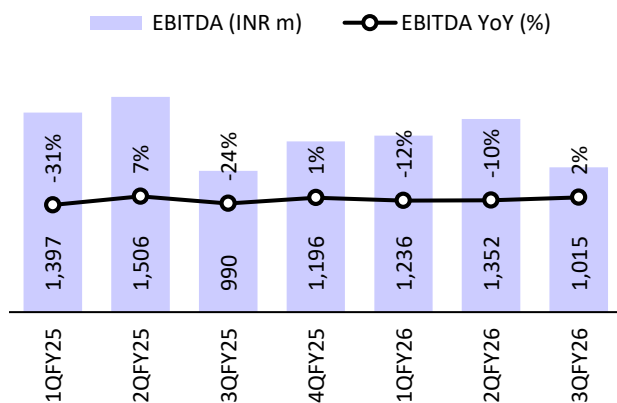
Source: Company, MOFSL

**Exhibit 2: GM and EBITDAM contracted YoY**



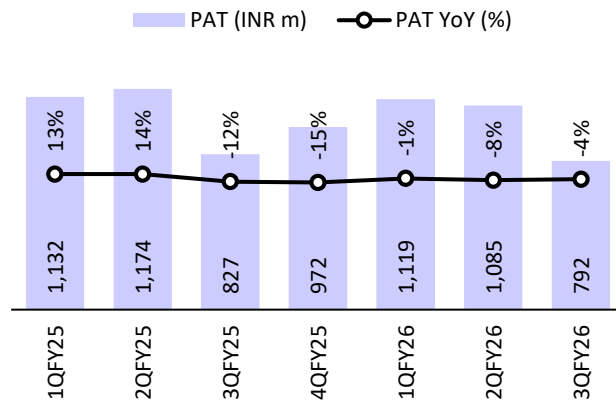
Source: Company, MOFSL

**Exhibit 3: EBITDA grew 2% YoY**



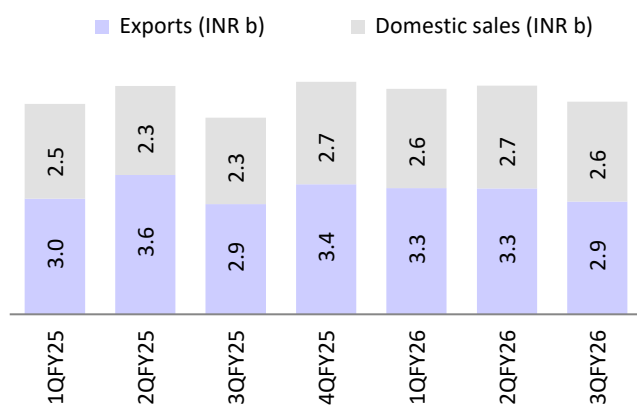
Source: Company, MOFSL

**Exhibit 4: PAT was down 4% YoY**



Source: Company, MOFSL

**Exhibit 5: Domestic revenue grew 15% YoY...**



Source: Company, MOFSL

**Exhibit 6: ...while it contributed 47% to total revenue in 3Q**



Source: Company, MOFSL

## Financials and valuations

### Consolidated - Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>11,213</b>	<b>18,584</b>	<b>30,291</b>	<b>19,511</b>	<b>22,052</b>	<b>23,672</b>	<b>24,911</b>	<b>28,647</b>
Change (%)	9.3	65.7	63.0	-35.6	13.0	7.3	5.2	15.0
Gross Margin (%)	35.2	35.7	38.4	42.6	39.6	39.5	39.8	39.3
<b>EBITDA</b>	<b>1,921</b>	<b>3,485</b>	<b>7,813</b>	<b>4,813</b>	<b>4,811</b>	<b>4,832</b>	<b>5,032</b>	<b>5,741</b>
Margin (%)	17.1	18.8	25.8	24.7	21.8	20.4	20.2	20.0
Depreciation	468	399	479	566	514	532	558	748
<b>EBIT</b>	<b>1,453</b>	<b>3,086</b>	<b>7,334</b>	<b>4,247</b>	<b>4,297</b>	<b>4,300</b>	<b>4,474</b>	<b>4,993</b>
Int. and Finance Charges	61	51	45	23	17	20	28	33
Other Income	170	332	641	717	966	1,116	1,196	1,346
<b>PBT bef. EO Exp.</b>	<b>1,562</b>	<b>3,368</b>	<b>7,930</b>	<b>4,941</b>	<b>5,246</b>	<b>5,396</b>	<b>5,642</b>	<b>6,306</b>
EO Items	0	0	0	6	0	1	0	0
<b>PBT after EO Exp.</b>	<b>1,562</b>	<b>3,368</b>	<b>7,930</b>	<b>4,935</b>	<b>5,246</b>	<b>5,395</b>	<b>5,642</b>	<b>6,306</b>
Total Tax	413	861	2,024	1,259	1,350	1,350	1,420	1,587
Tax Rate (%)	26.4	25.6	25.5	25.5	25.7	25.0	25.2	25.2
<b>Reported PAT</b>	<b>1,149</b>	<b>2,507</b>	<b>5,906</b>	<b>3,676</b>	<b>3,897</b>	<b>4,022</b>	<b>4,222</b>	<b>4,719</b>
<b>Adjusted PAT</b>	<b>1,149</b>	<b>2,507</b>	<b>5,906</b>	<b>3,680</b>	<b>3,897</b>	<b>4,023</b>	<b>4,222</b>	<b>4,719</b>
Change (%)	-31.0	118.1	135.6	-37.7	5.9	3.2	4.9	11.8
Margin (%)	10.2	13.5	19.5	18.9	17.7	17.0	16.9	16.5

### Consolidated - Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	153	153	153	153	153	153	153	153
Total Reserves	7,235	9,432	15,068	18,460	22,026	25,701	29,558	33,868
<b>Net Worth</b>	<b>7,388</b>	<b>9,585</b>	<b>15,221</b>	<b>18,613</b>	<b>22,179</b>	<b>25,854</b>	<b>29,711</b>	<b>34,021</b>
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	892	585	272	0	0	444	111	111
<b>Capital Employed</b>	<b>8,280</b>	<b>10,170</b>	<b>15,493</b>	<b>18,613</b>	<b>22,179</b>	<b>26,298</b>	<b>29,822</b>	<b>34,132</b>
Gross Block	4,459	5,192	5,518	6,627	7,001	7,486	7,706	15,306
Less: Accum. Deprn.	2,500	2,899	3,378	3,944	4,458	4,990	5,547	6,295
<b>Net Fixed Assets</b>	<b>1,958</b>	<b>2,293</b>	<b>2,140</b>	<b>2,683</b>	<b>2,543</b>	<b>2,497</b>	<b>2,159</b>	<b>9,011</b>
Capital WIP	263	141	404	297	268	4,633	6,613	13
<b>Total Investments</b>	<b>437</b>	<b>431</b>	<b>531</b>	<b>1,156</b>	<b>1,805</b>	<b>1,805</b>	<b>1,805</b>	<b>1,805</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>6,902</b>	<b>9,413</b>	<b>14,648</b>	<b>16,305</b>	<b>19,628</b>	<b>20,032</b>	<b>22,053</b>	<b>26,532</b>
Inventory	1,089	2,017	2,987	1,952	2,752	3,778	3,976	4,572
Account Receivables	1,752	3,316	4,769	3,480	3,660	3,928	4,134	4,754
Cash and Bank Balance	2,612	2,158	4,974	9,610	8,910	7,714	9,098	11,657
Loans and Advances	1,449	1,922	1,918	1,262	4,307	4,612	4,846	5,549
<b>Curr. Liability &amp; Prov.</b>	<b>1,281</b>	<b>2,108</b>	<b>2,230</b>	<b>1,828</b>	<b>2,065</b>	<b>2,669</b>	<b>2,808</b>	<b>3,229</b>
Account Payables	990	1,514	1,707	1,320	1,508	2,071	2,179	2,506
Other Current Liabilities	156	290	366	308	267	286	301	347
<b>Net Current Assets</b>	<b>5,622</b>	<b>7,305</b>	<b>12,418</b>	<b>14,477</b>	<b>17,563</b>	<b>17,364</b>	<b>19,245</b>	<b>23,303</b>
<b>Appl. of Funds</b>	<b>8,280</b>	<b>10,170</b>	<b>15,493</b>	<b>18,613</b>	<b>22,179</b>	<b>26,298</b>	<b>29,822</b>	<b>34,132</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>37.5</b>	<b>81.8</b>	<b>192.6</b>	<b>120.0</b>	<b>127.1</b>	<b>131.2</b>	<b>137.7</b>	<b>153.9</b>
EPS Growth (%)	-31%	118%	136%	-38%	6%	3%	5%	12%
Cash EPS	52.7	94.8	208.2	138.5	143.8	148.6	155.9	178.3
BV/Share	241.0	312.6	496.5	607.1	723.4	843.3	969.1	1,109.6
DPS	11.0	9.0	9.0	10.0	11.0	11.4	11.9	13.3
Payout (%)	29.3	11.0	4.7	8.3	8.7	8.7	8.7	8.7
<b>Valuation (x)</b>								
P/E	118.0	54.1	23.0	36.9	34.8	33.7	32.1	28.7
Cash P/E	83.9	46.7	21.2	31.9	30.7	29.8	28.4	24.8
P/BV	18.4	14.1	8.9	7.3	6.1	5.2	4.6	4.0
EV/Sales	11.9	7.2	4.3	6.5	5.7	5.4	5.1	4.3
EV/EBITDA	69.7	38.5	16.8	26.2	26.3	26.6	25.2	21.6
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
FCF per share	28.7	4.5	115.1	176.7	51.5	-41.5	68.8	97.9
<b>Return Ratios (%)</b>								
RoE	16.8	29.5	47.6	21.8	19.1	16.8	15.2	14.8
RoCE	15.4	27.6	46.3	21.7	19.2	16.8	15.1	14.8
RoIC	22.2	37.0	64.2	36.9	34.0	27.6	27.4	22.7
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	5.4	8.7	13.7	8.1	8.4	9.4	10.7	5.1
Asset Turnover (x)	1.4	1.8	2.0	1.0	1.0	0.9	0.8	0.8
Inventory (Days)	35	40	36	37	46	58	58	58
Debtor (Days)	57	65	57	65	61	61	61	61
Creditor (Days)	32	30	21	25	25	32	32	32
<b>Leverage Ratio (x)</b>								
Current Ratio	5.4	4.5	6.6	8.9	9.5	7.5	7.9	8.2
Interest Cover Ratio	23.9	61.0	164.4	183.1	254.2	213.5	162.7	149.9
Net Debt/Equity	-0.2	-0.2	-0.3	-0.5	-0.4	-0.3	-0.3	-0.3

### Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	1,562	3,368	7,930	4,935	5,246	5,396	5,642	6,306
Depreciation	468	399	479	566	521	532	558	748
Others	-106	-257	-546	-673	-927	-2	28	33
Direct Taxes Paid	-415	-769	-2,092	-1,380	-1,375	-1,350	-1,420	-1,587
(Inc)/Dec in WC	-167	-2,001	-1,435	2,610	-1,510	-997	-497	-1,499
<b>CF from Operations</b>	<b>1,343</b>	<b>741</b>	<b>4,336</b>	<b>6,057</b>	<b>1,956</b>	<b>3,579</b>	<b>4,310</b>	<b>4,001</b>
(Inc)/Dec in FA	-463	-603	-807	-640	-376	-4,850	-2,200	-1,000
<b>Free Cash Flow</b>	<b>880</b>	<b>137</b>	<b>3,529</b>	<b>5,417</b>	<b>1,580</b>	<b>-1,271</b>	<b>2,110</b>	<b>3,001</b>
Change in Investments	4	-18	-150	-4,114	-6,688	0	0	0
Others	57	60	110	464	673	0	0	0
<b>CF from Investments</b>	<b>-402</b>	<b>-561</b>	<b>-847</b>	<b>-4,290</b>	<b>-6,391</b>	<b>-4,850</b>	<b>-2,200</b>	<b>-1,000</b>
Inc/(Dec) in Debt	-347	-306	-357	-274	0	444	-333	0
Interest Paid	-52	-37	-44	-21	-14	-20	-28	-33
Dividend Paid	-92	-337	-276	-276	-307	-348	-365	-408
Others	106	27	-9	-14	-17	0	0	0
<b>CF from Fin. Activity</b>	<b>-385</b>	<b>-654</b>	<b>-686</b>	<b>-584</b>	<b>-338</b>	<b>76</b>	<b>-726</b>	<b>-442</b>
<b>Inc/Dec of Cash</b>	<b>555</b>	<b>-475</b>	<b>2,803</b>	<b>1,183</b>	<b>-4,774</b>	<b>-1,196</b>	<b>1,384</b>	<b>2,559</b>
Opening Balance	2,009	2,564	2,089	4,892	6,075	1,302	106	1,490
<b>Closing Balance</b>	<b>2,564</b>	<b>2,089</b>	<b>4,892</b>	<b>6,075</b>	<b>1,302</b>	<b>106</b>	<b>1,490</b>	<b>4,050</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES

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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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