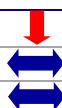


# Fine Organic Industries

## Estimate changes

TP change

Rating change



Bloomberg	FINEORG IN
Equity Shares (m)	31
M.Cap.(INRb)/(USD\$b)	133.4 / 1.5
52-Week Range (INR)	5959 / 4005
1, 6, 12 Rel. Per (%)	-3/-15/-12
12M Avg Val (INR M)	176

## Financials & Valuations (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	22.4	23.0	24.1
EBITDA	4.9	4.6	4.7
PAT	4.1	3.6	3.7
EPS (INR)	132.6	118.1	119.3
EPS Gr. (%)	10.5	-10.9	1.1
BV/Sh.(INR)	728.6	836.9	946.2

### Ratios

Net D:E	-0.5	-0.4	-0.4
RoE (%)	19.9	15.1	13.4
RoCE (%)	19.9	15.1	13.4
Payout (%)	8.3	8.3	8.3

### Valuations

P/E (x)	32.8	36.8	36.4
P/BV (x)	6.0	5.2	4.6
EV/EBITDA (x)	24.6	27.0	25.9
Div. Yield (%)	0.3	0.2	0.2
FCF Yield (%)	1.8	(0.7)	1.4

## Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	11.5	11.6	11.8
FII	5.2	4.9	3.6
Others	8.3	8.6	9.6

FII Includes depository receipts

**CMP: INR4,350**

**TP: INR3,570 (-18%)**

**Sell**

## Margin decline continues; outlook remains uncertain

- Fine Organic Industries (FINEORG) reported revenue of INR5.2b in 3QFY25, 19% below our estimate. EBITDA stood at INR1b (34% miss; up 13% YoY). EBITDAM contracted 170bp YoY to 20%, while gross margin contracted 360bp YoY to 38.2%. PAT increased 28% YoY to INR890m (our est. INR1.2b). There was a slight QoQ dip in demand from export markets. Exports contributed 56% of revenue, while domestic sales accounted for 44% of total revenue.
- In 2QFY25, certain vegetable oil prices increased notably in the domestic market, impacting input costs, and the trend continued in 3QFY25. Freight costs declined as rates stabilized, leading to normalized operational expenses in 3Q. The company's Badlapur manufacturing unit also resumed operations in 3Q after being disrupted since Jan'24 due to a fire incident at a neighboring plant.
- All plants are currently running at optimal capacity, except for Patalganga-II, where there is still some headroom available for capacity ramp-up. FINEORG has signed a lease deed with the Jawaharlal Nehru Port Authority (JNPA) to set up a manufacturing unit for the next 60 years situated at the SEZ (land parcel of ~29.2 acres). This would primarily cater to export markets. Management announced a capex of INR7.5b in 2QFY25 and plans to start commercial production by FY27, with no further guidance on capacity/revenue/asset turn.
- FINEORG has already applied for environment clearance (EC), which is currently in progress. That said, it would take 18-24 months to set up new capacities. Although the greenfield capacity is expected to take care of growth for the next 10 years, we do not expect growth to commence until FY28. Exports account for more than 50% of the total revenue for FINEORG.
- Considering the underperformance in 3Q, we cut our revenue/EBITDA/PAT estimates by 6%/12%/9% for FY25. FINEORG is currently trading at ~37x FY26E EPS and ~27x FY26E EV/EBITDA. Valuations appear expensive for a company with no earnings growth during FY24-27. **We reiterate our Sell rating on the stock with a TP of INR3,570.**

## Miss on operating performance; margin contracts YoY and QoQ

- Revenue stood at INR5.2b (19% below our est., +22% YoY). **Gross margin contracted 360bp YoY to 38.2%, with EBITDAM at 20% (-170bp YoY).**
- EBITDA stood at INR1b (est. INR1.6b, +13% YoY). PAT stood at INR890m (est. INR1.2b, +28% YoY).
- **For 9MFY25**, revenue was at INR16.3b (+14% YoY) and EBITDA was at INR3.7b (+6% YoY). PAT was at INR3b (+14% YoY). EBITDAM was at 22.7% (-170bp YoY).

**Valuation and view**

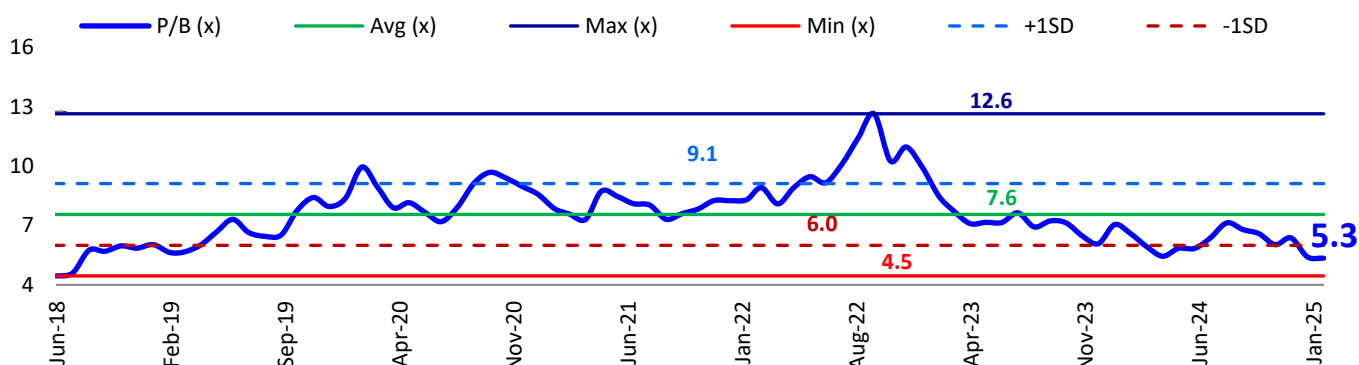
- The long-term prospects for FINEORG remain robust, as the company operates within the oleochemicals industry and has consistently driven growth through R&D innovations over the years. However, we anticipate that its performance may be adversely affected in the near-to-medium term by the following factors: 1) longer-than-expected delays in the commissioning of new capacities for expansion; 2) existing plants operating at optimum utilization with no potential of debottlenecking; and 3) further delays in the commencement of commercial supplies from the Thailand JV.
- We estimate a CAGR of 11%/-1%/0% in revenue/EBITDA/PAT over FY24-27, with margin in the range of 19-20%. FINEORG is currently trading at ~37x FY26E EPS and ~27x FY26E EV/EBITDA. Valuations appear expensive for a company with no earnings growth during FY24-27. **We reiterate our Sell rating on the stock with a TP of INR3,570.**

**Standalone - Quarterly Snapshot**

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	FY25	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		3QE		
<b>Gross Sales</b>	<b>5,321</b>	<b>4,717</b>	<b>4,258</b>	<b>5,215</b>	<b>5,083</b>	<b>5,955</b>	<b>5,215</b>	<b>6,185</b>	<b>19,511</b>	<b>22,438</b>	<b>6,424</b>	<b>-19%</b>
YoY Change (%)	-29.3	-43.0	-43.2	-25.3	-4.5	26.2	22.5	18.6	-35.6	15.0	50.9	
<b>Gross Margin (%)</b>	<b>42.9%</b>	<b>41.9%</b>	<b>41.8%</b>	<b>43.6%</b>	<b>42.2%</b>	<b>40.5%</b>	<b>38.2%</b>	<b>38.3%</b>	<b>42.6%</b>	<b>39.8%</b>	<b>40.3%</b>	<b>-2.1%</b>
<b>EBITDA</b>	<b>1,519</b>	<b>1,044</b>	<b>924</b>	<b>1,322</b>	<b>1,218</b>	<b>1,429</b>	<b>1,042</b>	<b>1,258</b>	<b>4,809</b>	<b>4,948</b>	<b>1,583</b>	<b>-34%</b>
Margin (%)	28.5	22.1	21.7	25.4	24.0	24.0	20.0	20.3	24.6	22.1	24.6	-4.7
Depreciation	117	144	147	153	117	124	130	139	561	510	130	
Interest	6	7	5	5	4	4	4	4	23	16	6	
Other Income	145	172	174	226	241	217	288	296	717	1,043	219	
<b>PBT before EO expense</b>	<b>1,540</b>	<b>1,064</b>	<b>946</b>	<b>1,391</b>	<b>1,338</b>	<b>1,518</b>	<b>1,197</b>	<b>1,411</b>	<b>4,941</b>	<b>5,465</b>	<b>1,666</b>	<b>-28%</b>
Extra-Ord expense	0	0	0	6	0	0	0	0	6	0	0	
<b>PBT</b>	<b>1,540</b>	<b>1,064</b>	<b>946</b>	<b>1,385</b>	<b>1,338</b>	<b>1,518</b>	<b>1,197</b>	<b>1,411</b>	<b>4,935</b>	<b>5,465</b>	<b>1,666</b>	<b>-28%</b>
Tax	397	270	249	342	348	387	307	357	1,259	1,399	420	
Rate (%)	25.8	25.4	26.4	24.7	26.0	25.5	25.6	25.3	25.5	25.6	25.2	
<b>Reported PAT</b>	<b>1,142</b>	<b>794</b>	<b>697</b>	<b>1,043</b>	<b>990</b>	<b>1,131</b>	<b>890</b>	<b>1,055</b>	<b>3,676</b>	<b>4,066</b>	<b>1,246</b>	<b>-29%</b>
<b>Adj PAT</b>	<b>1,142</b>	<b>794</b>	<b>697</b>	<b>1,047</b>	<b>990</b>	<b>1,131</b>	<b>890</b>	<b>1,055</b>	<b>3,680</b>	<b>4,066</b>	<b>1,246</b>	<b>-29%</b>
YoY Change (%)	-27.4	-51.6	-46.9	-24.2	-13.3	42.5	27.8	0.7	-37.7	10.5	78.9	
Margin (%)	21.5	16.8	16.4	20.1	19.5	19.0	17.1	17.1	18.9	18.1	19.4	-2.3

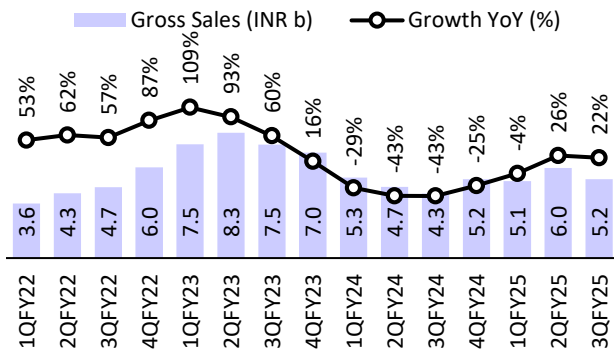
**Exhibit 1: One-year forward P/B trades at 5.3x (30% discount to its long-term average)**



Source: Company, MOFSL

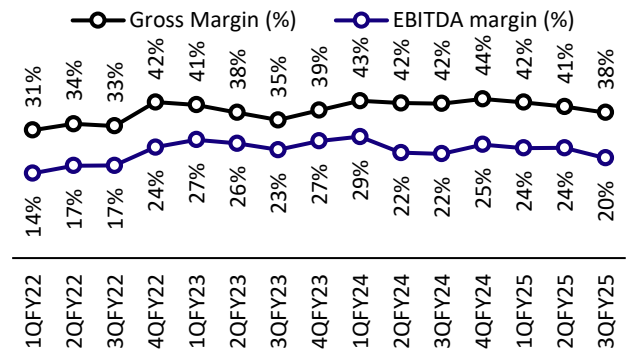
## Story in charts – 3QFY25

**Exhibit 2: Sales increased 22% YoY...**



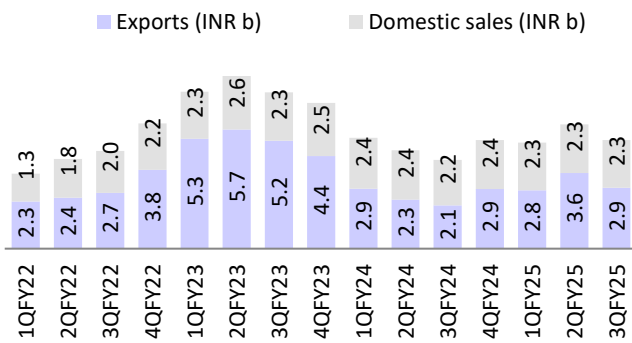
Source: Company, MOFSL

**Exhibit 3: ...with EBITDAM contracting 170bp YoY to 20%**



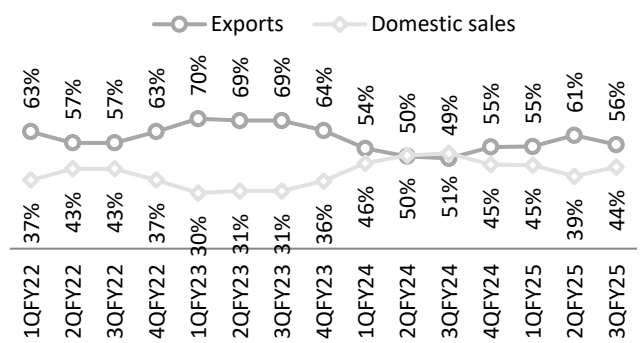
Source: Company, MOFSL

**Exhibit 4: Export revenue grew 41% YoY...**



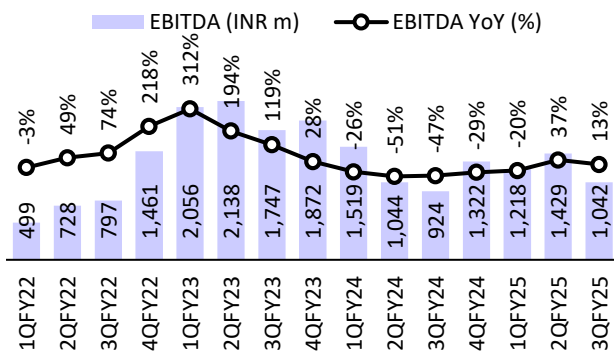
Source: Company, MOFSL

**Exhibit 5: ...while it contributed 56% to total revenue in 3Q**



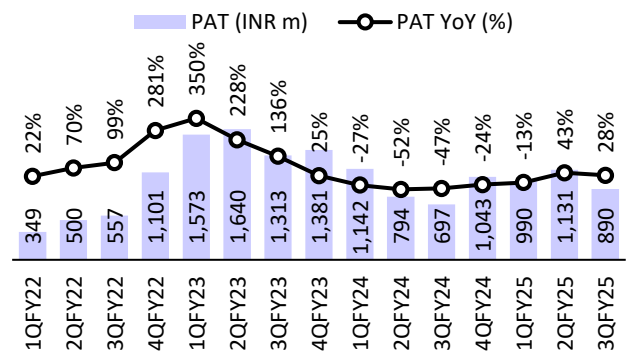
Source: Company, MOFSL

**Exhibit 6: EBITDA was up 13% YoY**



Source: Company, MOFSL

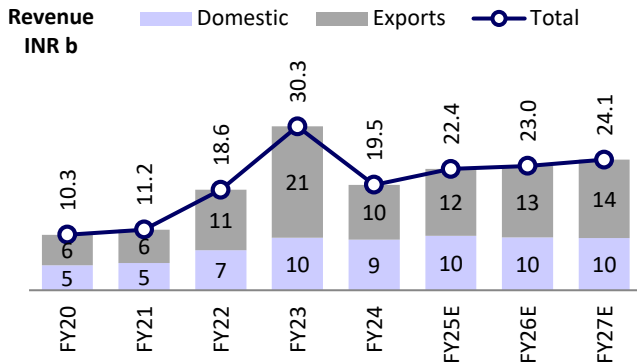
**Exhibit 7: PAT was up 28% YoY**



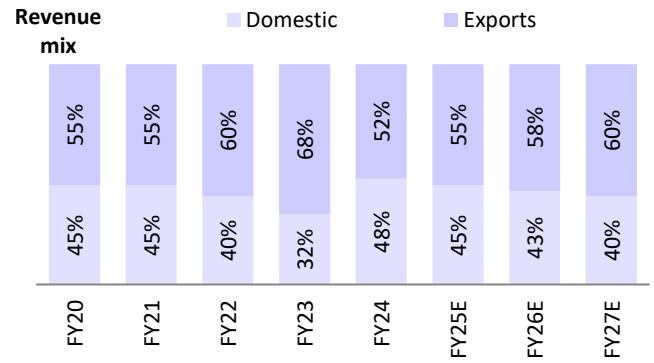
Source: Company, MOFSL

## Financial story in charts

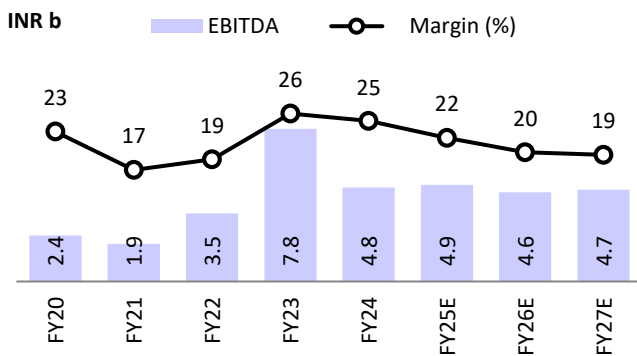
**Exhibit 8: Revenue expected to decline from its FY23 peak...**



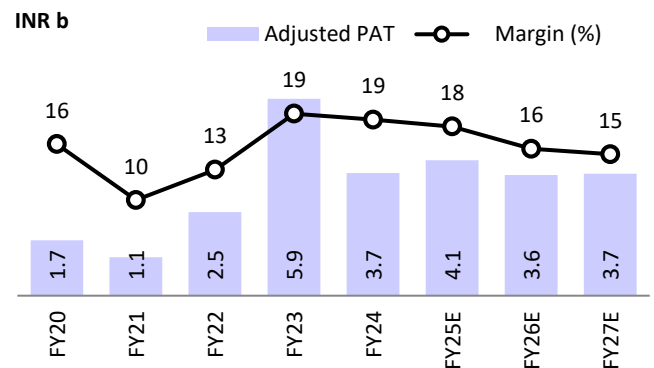
**Exhibit 9: ...with the share of exports to rebound to 60%**



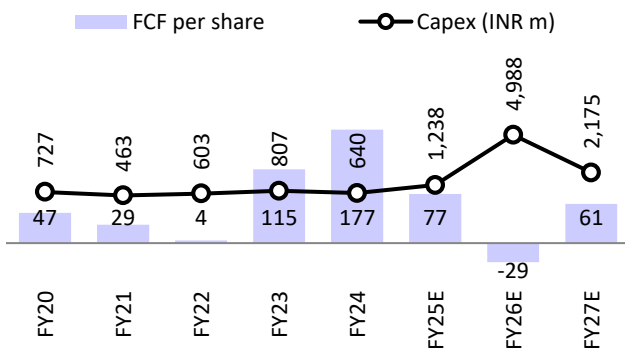
**Exhibit 10: Expect EBITDAM to be 19-20%...**



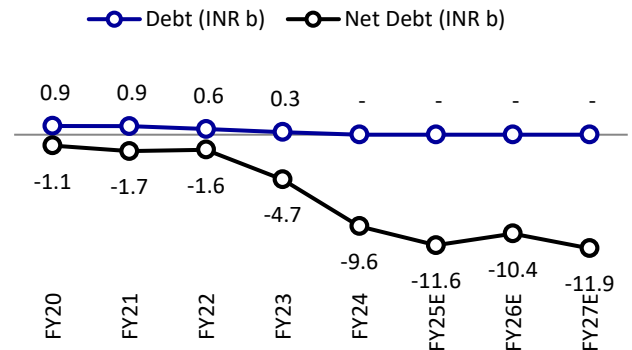
**Exhibit 11: ...along with a dip in PAT margin**



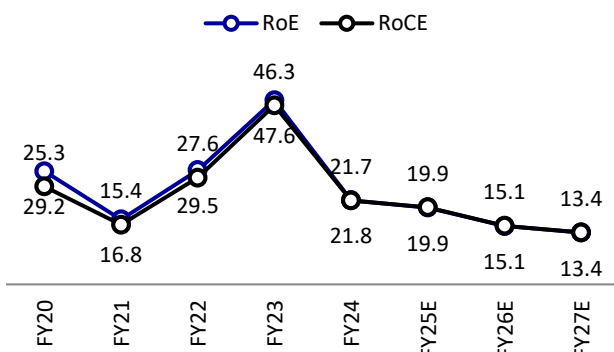
**Exhibit 12: Capex for FY25-27E stands at INR8.4b**



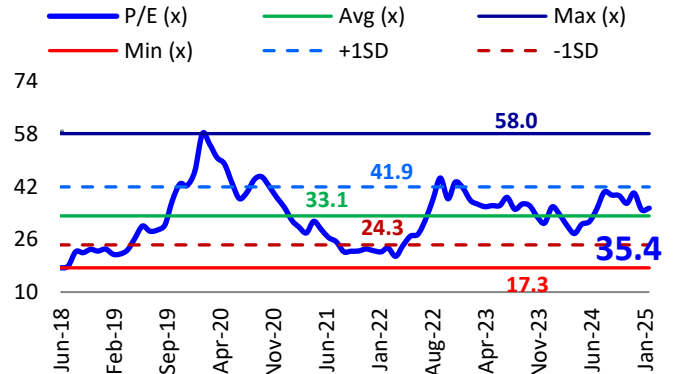
**Exhibit 13: FINEORG expects to remain cash positive**



**Exhibit 14: Return ratios to decline in the coming years**



**Exhibit 15: FINEORG trades at ~35x 1-year forward P/E**



Source: Company, MOFSL

Source: Company, MOFSL

## 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>10,262</b>	<b>11,213</b>	<b>18,584</b>	<b>30,291</b>	<b>19,511</b>	<b>22,438</b>	<b>22,999</b>	<b>24,149</b>
Change (%)	-1.7	9.3	65.7	63.0	-35.6	15.0	2.5	5.0
Gross Margin (%)	40.9	35.2	35.7	38.4	42.6	39.8	39.3	40.0
<b>EBITDA</b>	<b>2,361</b>	<b>1,921</b>	<b>3,485</b>	<b>7,813</b>	<b>4,808</b>	<b>4,948</b>	<b>4,559</b>	<b>4,694</b>
Margin (%)	23.0	17.1	18.8	25.8	24.6	22.1	19.8	19.4
Depreciation	347	468	399	479	561	510	600	679
<b>EBIT</b>	<b>2,014</b>	<b>1,453</b>	<b>3,086</b>	<b>7,334</b>	<b>4,247</b>	<b>4,438</b>	<b>3,960</b>	<b>4,015</b>
Int. and Finance Charges	48	61	51	45	23	16	17	18
Other Income	205	170	332	641	717	1,043	896	893
<b>PBT bef. EO Exp.</b>	<b>2,172</b>	<b>1,562</b>	<b>3,368</b>	<b>7,930</b>	<b>4,941</b>	<b>5,465</b>	<b>4,839</b>	<b>4,890</b>
EO Items	0	0	0	0	-6	0	0	0
<b>PBT after EO Exp.</b>	<b>2,172</b>	<b>1,562</b>	<b>3,368</b>	<b>7,930</b>	<b>4,935</b>	<b>5,465</b>	<b>4,839</b>	<b>4,890</b>
Total Tax	507	413	861	2,024	1,259	1,399	1,218	1,231
Tax Rate (%)	23.3	26.4	25.6	25.5	25.5	25.6	25.2	25.2
<b>Reported PAT</b>	<b>1,665</b>	<b>1,149</b>	<b>2,507</b>	<b>5,906</b>	<b>3,676</b>	<b>4,066</b>	<b>3,621</b>	<b>3,659</b>
<b>Adjusted PAT</b>	<b>1,665</b>	<b>1,149</b>	<b>2,507</b>	<b>5,906</b>	<b>3,680</b>	<b>4,066</b>	<b>3,621</b>	<b>3,659</b>
Change (%)	29.0	-31.0	118.1	135.6	-37.7	10.5	-10.9	1.1
Margin (%)	16.2	10.2	13.5	19.5	18.9	18.1	15.7	15.2

Standalone - Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	153	153	153	153	153	153	153	153
Total Reserves	6,154	7,235	9,432	15,068	18,460	22,186	25,505	28,859
<b>Net Worth</b>	<b>6,308</b>	<b>7,388</b>	<b>9,585</b>	<b>15,221</b>	<b>18,613</b>	<b>22,339</b>	<b>25,658</b>	<b>29,012</b>
Total Loans	915	892	585	272	0	0	0	0
<b>Capital Employed</b>	<b>7,222</b>	<b>8,280</b>	<b>10,170</b>	<b>15,493</b>	<b>18,613</b>	<b>22,339</b>	<b>25,658</b>	<b>29,012</b>
Gross Block	4,192	4,459	5,192	5,518	6,267	7,504	12,492	14,667
Less: Accum. Deprn.	2,033	2,500	2,899	3,378	3,940	4,449	5,049	5,728
<b>Net Fixed Assets</b>	<b>2,159</b>	<b>1,958</b>	<b>2,293</b>	<b>2,140</b>	<b>2,327</b>	<b>3,055</b>	<b>7,443</b>	<b>8,939</b>
Capital WIP	58	263	141	404	297	297	297	297
<b>Total Investments</b>	<b>442</b>	<b>437</b>	<b>431</b>	<b>531</b>	<b>1,156</b>	<b>1,156</b>	<b>1,156</b>	<b>1,156</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>5,964</b>	<b>6,902</b>	<b>9,413</b>	<b>14,648</b>	<b>16,661</b>	<b>20,430</b>	<b>19,426</b>	<b>21,417</b>
Inventory	1,195	1,089	2,017	2,987	1,952	2,979	3,054	3,206
Account Receivables	1,451	1,752	3,316	4,769	3,480	4,002	4,102	4,308
Cash and Bank Balance	2,056	2,612	2,158	4,974	9,610	11,607	10,386	11,931
Cash	2,009	2,564	2,089	4,892	6,075	8,072	6,851	8,396
Bank Balance	48	48	69	82	3,535	3,535	3,535	3,535
Loans and Advances	1,262	1,449	1,922	1,918	1,618	1,841	1,884	1,972
<b>Curr. Liability &amp; Prov.</b>	<b>1,401</b>	<b>1,281</b>	<b>2,108</b>	<b>2,230</b>	<b>1,828</b>	<b>2,599</b>	<b>2,664</b>	<b>2,797</b>
Account Payables	843	990	1,514	1,707	1,320	2,014	2,064	2,168
Other Current Liabilities	526	156	290	366	308	354	363	381
<b>Net Current Assets</b>	<b>4,563</b>	<b>5,622</b>	<b>7,305</b>	<b>12,418</b>	<b>14,833</b>	<b>17,831</b>	<b>16,762</b>	<b>18,620</b>
<b>Appl. of Funds</b>	<b>7,222</b>	<b>8,280</b>	<b>10,170</b>	<b>15,493</b>	<b>18,613</b>	<b>22,339</b>	<b>25,658</b>	<b>29,012</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>54.3</b>	<b>37.5</b>	<b>81.8</b>	<b>192.6</b>	<b>120.0</b>	<b>132.6</b>	<b>118.1</b>	<b>119.3</b>
EPS Growth (%)	29%	-31%	118%	136%	-38%	10%	-11%	1%
Cash EPS	65.6	52.7	94.8	208.2	138.3	149.2	137.7	141.5
BV/Share	205.7	241.0	312.6	496.5	607.1	728.6	836.9	946.2
DPS	11.0	11.0	9.0	9.0	10.0	11.1	9.9	10.0
Payout (%)	24.4	29.3	11.0	4.7	8.3	8.3	8.3	8.3
<b>Valuation (x)</b>								
P/E	80.0	116.0	53.2	22.6	36.2	32.8	36.8	36.4
Cash P/E	66.3	82.4	45.9	20.9	31.4	29.1	31.6	30.7
P/BV	21.1	18.0	13.9	8.8	7.2	6.0	5.2	4.6
EV/Sales	12.9	11.7	7.1	4.2	6.3	5.4	5.3	5.0
EV/EBITDA	56.0	68.5	37.8	16.5	25.7	24.6	27.0	25.9
Dividend Yield (%)	0.3	0.3	0.2	0.2	0.2	0.3	0.2	0.2
FCF per share	47.3	28.7	4.5	115.1	176.7	76.7	-29.4	60.9
<b>Return Ratios (%)</b>								
RoE	29.2	16.8	29.5	47.6	21.8	19.9	15.1	13.4
RoCE	25.3	15.4	27.6	46.3	21.7	19.9	15.1	13.4
RoIC	35.8	22.2	37.0	64.2	36.9	39.2	25.7	20.4
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	7.0	5.4	8.7	13.7	8.7	8.3	4.4	2.9
Asset Turnover (x)	1.4	1.4	1.8	2.0	1.0	1.0	0.9	0.8
Inventory (Days)	42	35	40	36	37	48	48	48
Debtor (Days)	52	57	65	57	65	65	65	65
Creditor (Days)	30	32	30	21	25	33	33	33
<b>Leverage Ratio (x)</b>								
Current Ratio	4.3	5.4	4.5	6.6	9.1	7.9	7.3	7.7
Interest Cover Ratio	42.1	23.9	61.0	164.4	183.1	273.3	232.2	224.2
Net Debt/Equity	-0.2	-0.2	-0.2	-0.3	-0.5	-0.5	-0.4	-0.4

### Standalone - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	2,172	1,562	3,368	7,930	4,935	5,465	4,839	4,890
Depreciation	347	468	399	479	561	510	600	679
Others	-144	-106	-257	-546	-668	16	17	18
Direct Taxes Paid	-612	-415	-769	-2,092	-1,380	-1,399	-1,218	-1,231
(Inc)/Dec in WC	416	-167	-2,001	-1,435	2,610	-1,002	-152	-312
<b>CF from Operations</b>	<b>2,178</b>	<b>1,343</b>	<b>741</b>	<b>4,336</b>	<b>6,058</b>	<b>3,590</b>	<b>4,085</b>	<b>4,044</b>
(Inc)/Dec in FA	-727	-463	-603	-807	-640	-1,238	-4,988	-2,175
<b>Free Cash Flow</b>	<b>1,451</b>	<b>880</b>	<b>137</b>	<b>3,529</b>	<b>5,418</b>	<b>2,352</b>	<b>-902</b>	<b>1,869</b>
Change in Investments	-287	4	-18	-150	-4,114	0	0	0
Others	172	57	60	110	464	0	0	0
<b>CF from Investments</b>	<b>-842</b>	<b>-402</b>	<b>-561</b>	<b>-847</b>	<b>-4,290</b>	<b>-1,238</b>	<b>-4,988</b>	<b>-2,175</b>
Inc/(Dec) in Debt	-14	-347	-306	-357	-274	0	0	0
Interest Paid	-63	-52	-37	-44	-21	-16	-17	-18
Dividend Paid	-407	-92	-337	-276	-276	-339	-302	-305
Others	137	106	27	-9	-14	0	0	0
<b>CF from Fin. Activity</b>	<b>-346</b>	<b>-385</b>	<b>-654</b>	<b>-686</b>	<b>-584</b>	<b>-355</b>	<b>-319</b>	<b>-323</b>
<b>Inc/Dec of Cash</b>	<b>989</b>	<b>555</b>	<b>-475</b>	<b>2,803</b>	<b>1,183</b>	<b>1,997</b>	<b>-1,221</b>	<b>1,545</b>
Opening Balance	1,020	2,009	2,564	2,089	4,892	6,075	8,072	6,851
<b>Closing Balance</b>	<b>2,009</b>	<b>2,564</b>	<b>2,089</b>	<b>4,892</b>	<b>6,075</b>	<b>8,072</b>	<b>6,851</b>	<b>8,396</b>

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Explanation of Investment Rating	
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Nainesh Rajani

Email: [nainesh.rajani@motilalosal.com](mailto:nainesh.rajani@motilalosal.com)

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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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