



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✗	✓	✗
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✓
RQ	✗	↔	✓
RV	✗	↔	✗

Company details

Market cap:	Rs. 20,370 cr
52-week high/low:	Rs. 2,331 / 1,416
NSE volume: (No of shares)	0.7 lakh
BSE code:	524200
NSE code:	VINATIORGA
Free float: (No of shares)	2.7 cr

Shareholding (%)

Promoters	74
FII	4
DII	9
Others	13

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	6.0	30.1	10.1	2.9
Relative to Sensex	3.8	19.6	2.9	-1.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Vinati Organics Ltd

Capacity expansion and favourable demand outlook to fuel growth

Speciality Chemicals	Sharekhan code: VINATIORGA		
Reco/View: Buy	↔	CMP: Rs. 1,965	Price Target: Rs. 2,300 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Company had a strong FY25 with Revenue/PAT growth of 18%/26% respectively after a decline in FY24.
- ATBS and Antioxidants registered a strong 30%/70% revenue growth in FY25,
- The management expects a 20% revenue growth for the next three years led mainly by ATBS and Antioxidants (AOs), with long term sustainable blended EBITDA margin of 26-27%.
- We maintain a Buy on the stock, assigning a multiple of 40x on its FY27 EPS and arrive at a TP of Rs. 2,300, The stock is trading at 43x/34x its FY26/27 EPS.

Vinati Organics delivered a robust FY25, with an 18.3% year-on-year revenue increase, a 23.7% rise in operating profit, and a 25.8% surge in net profit. Growth was primarily driven by ATBS and Antioxidants. The company is boosting its ATBS capacity by 50% to 60,000 MT, fueled by robust demand and a positive outlook for the US oil and gas sector. Additionally, Vinati is investing Rs. 500 crore in VOPL to expand into high-margin niche specialty chemicals. With a favourable outlook for ATBS and Antioxidants, Vinati anticipates a revenue CAGR exceeding 20% through FY27, with margins of 26-27%, supported by strong product positioning and a debt-free balance sheet.

- ATBS expansion:** Vinati Organics is increasing its ATBS capacity from 40,000 MT to 60,000 MT, driven by strong demand, with the additional 20,000 MT already fully booked. The expansion will occur in two phases: Phase 1, adding 25-30% capacity, was to be operational by June, followed by Phase 2 a year later. The company maintained a 60-65% market share in ATBS during FY25. The outlook for ATBS remains robust, because of favourable view of oil & gas sector in the US. ATBS is utilized for Enhanced Oil Recovery (EOR).
- Other products:** In FY25, Vinati Organics' Antioxidants segment generated Rs. 210 crore in revenue, marking a robust 70% increase from FY24. Currently operating at 50% capacity, the company anticipates reaching 90% utilization within two years. The butyl phenol segment maintained steady growth, expanding by 26% in FY25, while IBB saw a 27% revenue drop due to specific demand challenges. Through VOPL, Vinati plans to launch new products like anisole, 4-MAP, TAA, and PTAP in Q2 and Q3 of FY26, targeting applications in polymerization inhibitors, oil filters, resins, flavors, fragrances, personal care, and pharmaceuticals. This supports the company's strategy to diversify into high-margin, niche markets, with VOPL expected to contribute Rs. 100 crore in revenue in FY26.
- Strong growth and financial profile:** We expect a revenue/PAT CAGR of 21% over FY25-27 for the company. The company operates in niche segments and has an exceptional product basket that holds a significant market share globally (ATBS and IBB). Hence, the company is able to generate significantly higher margins. This coupled with a debt-free balance sheet helps Vinati Organics generate superior return ratios and good cash flows. The company is expected to report a RoE/RoCE of 17%/22% in FY27.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 2,300: Vinati Organics continues to leverage its leadership in products like Isobutyl Benzene (IBB) and ATBS to strengthen its export markets. It is witnessing good traction in ATBS sales with the upcoming 20,000 MT capacity already oversold. It is a significant 50% expansion over its current 40,000 MT capacity. The management has reiterated its 20% revenue growth guidance for the next three years and EBITDA margins of 26-27%. Hence, we maintain a Buy on the stock with a revised PT of Rs. 2,300, assigning a 40x valuation multiple on its FY27 EPS. The stock currently trades at 43x/34x its FY26/27 EPS.

Key Risks

- Pressure in Antioxidants from Chinese players.
- Delay in the completion of expansion projects.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2,085	1,900	2,248	2,779	3,269
OPM (%)	28.6	24.7	25.8	24.1	25.5
Adjusted PAT	458	322	405	470	595
y-o-y growth (%)	32.1	(29.7)	25.8	15.9	26.6
Adjusted EPS (Rs.)	44.6	31.1	39.1	45.3	57.3
P/E (x)	44.1	63.1	50.3	43.4	34.3
P/BV (x)	9.1	8.3	7.3	6.4	5.5
EV/EBITDA (x)	33.6	43.3	35.2	29.2	23.1
RoCE (%)	28.9	17.6	19.0	19.3	21.5
RoE (%)	22.6	13.8	15.4	15.7	17.3

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector View - Structural drivers to propel sustained growth for specialty chemicals sector

We remain bullish on the medium to long-term growth prospects of the specialty chemicals sector, given a massive revenue opportunity from the perspective of import substitution, a potential increase in exports given the China Plus One strategy by global customers, and favourable government policies (such as tax incentives and production-linked incentive scheme). In our view, conducive government policies, product innovation, a massive export opportunity and low input prices would help the sector witness a sustained high double-digit earnings growth trajectory in the next 2-3 years.

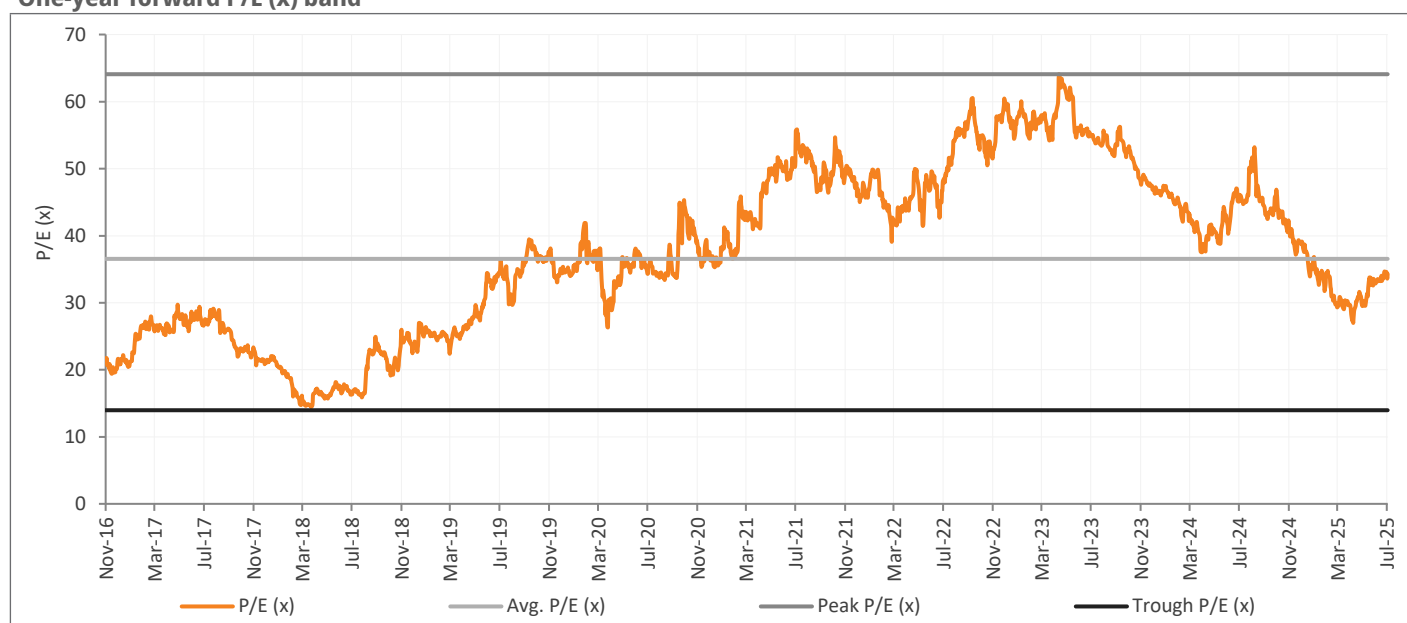
■ Company Outlook – Niche business with significant market share key products, strong traction in ATBS

Vinati Organics operates in niche segments and has an exceptional product basket that holds a significant market share globally (ATBS and IBB). Hence, the company is able to generate significantly higher margins. This coupled with a debt-free balance sheet helps Vinati Organics generate superior return ratios. The election of the new government in US and its focus on the oil & gas sector bodes well for ATBS demand. Company is expanding ATBS capacity by 20,000 MT, over the 40,000 MT existing capacity and is seeing strong demand with the new capacity already oversold. We expect a strong 20%/21% CAGR of revenue/PAT over FY24-27.

■ Valuation – Maintain Buy with a revised PT of Rs. 2,300

Vinati Organics continues to leverage its leadership in products like Isobutyl Benzene (IBB) and ATBS to strengthen its export markets. It is witnessing good traction in ATBS sales with the upcoming 20,000 MT capacity already oversold. It is a significant 50% expansion over its current 40,000 MT capacity. The management has reiterated its 20% revenue growth guidance for the next three years and EBITDA margins of 26-27%. Hence, we maintain a Buy on the stock with a revised PT of Rs. 2,300, assigning a 40x valuation multiple on its FY27 EPS. The stock currently trades at 43x/34x its FY26/27 EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Incorporated in 1989, Vinati Organics is one of India's leading manufacturers and exporters of specialty organic intermediaries, monomers, and polymers. Vinati Organics is the world's largest manufacturer and seller of Isobutyl Benzene (IBB) and 2-Acrylamido 2-Methylpropane Sulfonic Acid (ATBS) having a significant market share in both the product categories. Vinati Organics is an export-oriented company, as more than 50% of its overall revenue are derived from export markets.

Investment theme

Vinati Organics operates in niche segments and have an exceptional product basket with a significant market share in its products globally. Hence, the company can generate significantly higher margin profile. This coupled with a lean balance sheet helps Vinati Organics to generate superior return ratios. Vinati Organics is expected to see increased volumes in ATBS (2-Acrylamido 2 Methylpropane Sulfonic Acid) due to capacity expansion and good demand. The election of the new government in US and its focus on the oil & gas sector bodes well for ATBS demand. Also, the management is investing Rs. 500 crore to establish production plants for niche products like MEHQ (Methylhydroquinone), Guaiacol, Anisole, and Isoamylene derivatives, revenues from which will start in H1FY26.

Key Risks

- ♦ Pressure in Antioxidants from Chinese players.
- ♦ Delay in the completion of expansion projects.

Additional Data

Key management personnel

Name	Designation
Vinod Saraf	Chairman
Vinati Saraf Mutreja	Managing Director and CEO
N. K. Goyal	Chief Financial Officer
Milind A. Wagh	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Canara Robeco Asset Management Co	2.98
2	Aditya Birla Sun Life Asset Manage	1.62
3	INVESTOR EDUCATION & PROTECTN FD	1.06
4	Vanguard Group Inc/The	1.04
5	L&T Mutual Fund Trustee Ltd/India	0.84
6	ICICI Prudential Life Insurance Co	0.68
7	Blackrock Inc	0.53
8	Mirae Asset Financial Group	0.50
9	ICICI Prudential Asset Management	0.39
10	Dimensional Fund Advisors LP	0.32

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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