MIRAE ASSET Sharekhan

Stock Update

Result Update

Vinati Organics Ltd

Strong quarter; good outlook ahead

Speciality Chemcials	Sharekhan code: VINATIORGA
Reco/View: Buy ↔	CMP: Rs. 1,812	Price Target: Rs. 2,100 ↑

↑ Upgrade ↔ Maintain ↓ Downgrade

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. 18,784 cr
52-week high/low:	Rs. 2331/1416
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	11.5	16.5	-3.0	4.6
Relative to Sensex	10.2	5.3	-3.5	-5.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Company reported a Revenue of Rs. 648 crore, up 17.5% y-o-y. Operating profit of Rs. 180 crore increased 20.4% y-o-y with the OPM of 27.8% (up 58 bps y-o-y). Net profit of Rs. 123 crore increased 18.1% y-o-y.
- 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 37x on its FY27 EPS and arrive at a TP of Rs. 2,100, The stock is trading at 40x/32x its FY26/27 EPS.

Vinati Organics reported a strong Q4FY25 with revenue up 17.5% y-o-y, operating profit growth of 20.4% and net profit increase of 18.1% y-o-y. The overall results were inline. Vinati Organics is expanding its ATBS capacity by 50% to 60,000MT, driven by strong demand and a favorable outlook for the US oil & gas sector. The AO segment is primed for growth with the capacity utilization currently at 50% and company expects it reach 90% over the next two years. Vinati is also diversifying into niche specialty chemicals through a Rs. 500 crore investment in VOPL, aiming for high-margin growth. With the strong outlook for ATBS and AO, Vinati projects a 20%+ revenue CAGR till FY27 and margins of 26-27%, backed by strong product positioning and a debt-free balance sheet.

Management Commentary

- The company is expanding its ATBS capacity, increasing its total capacity from approximately 40,000 MT to 60,000 MT. The company is seeing strong demand for ATBS with the upcoming 20,000 MT capacity already oversold. Phase 1 of the capacity expansion (25-30%) will be operational by June and Phase 2 will come on stream a year later. Company's market share in ATBS remained steady at 60-65% in FY25.
- Antioxidants revenue was Rs. 210 crore in FY25, a strong growth of 70% over FY24. Currently, only 50% of the capacity is utilized and company expects it to rise to 90% over the next two years.
- The butyl phenol segment continued its consistent growth trajectory, registering a 26% expansion in FY25. IBB witnessed a 27% decline compared to FY24, reflecting specific demand side challenges.
- Company did a Rs. 400 crore capex in FY25, including towards VOPL. In FY26, Rs. 360 crore capex is expected.
- In VOPL, company is set to introduce several new products, including anisole, 4-MAP, TAA and PTAP across Q2 and Q3 of FY26 aimed at applications in polymerization inhibitors, oil filters, resins, flavors, fragrances, personal care and pharmaceuticals. Company expects Rs. 100 crore revenue from VOPL in FY26.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 2,100: 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. 2,100, assigning a 37x valuation multiple on its FY27 EPS. The stock currently trades at 40x/32x its FY26/27 EPS.

Key Risks

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

Valuation (Consolidated) Rs cr

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)	40.7	58.2	46.4	40.0	31.6
P/BV (x)	8.4	7.6	6.7	5.9	5.1
EV/EBITDA (x)	30.9	39.9	32.4	26.8	21.2
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

Results (Consolidated) | **Rs cr**

Particulars	Q4FY25	Q4FY24	YoY (%)	Q3FY24	QoQ (%)
Revenue	**648**	**550**	**17.8**	**448**	**44.7**
Total expenditure	468	400	16.9	333	40.4
Operating profit	**180**	**150**	**20.4**	**115**	**57.4**
Other Income	6	10	(36.0)	9	(30.2)
Depreciation	23	76	(70.5)	19	16.5
Finance Cost	0	20	(99.2)	1	(83.7)
PBT	**164**	**139**	**17.8**	**103**	**58.9**
Tax	41	35	16.8	26	56.0
PAT	**123**	**104**	**18.1**	**77**	**59.9**
EPS (Rs)	12.0	10.1	18.1	7.5	59.9

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – 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.

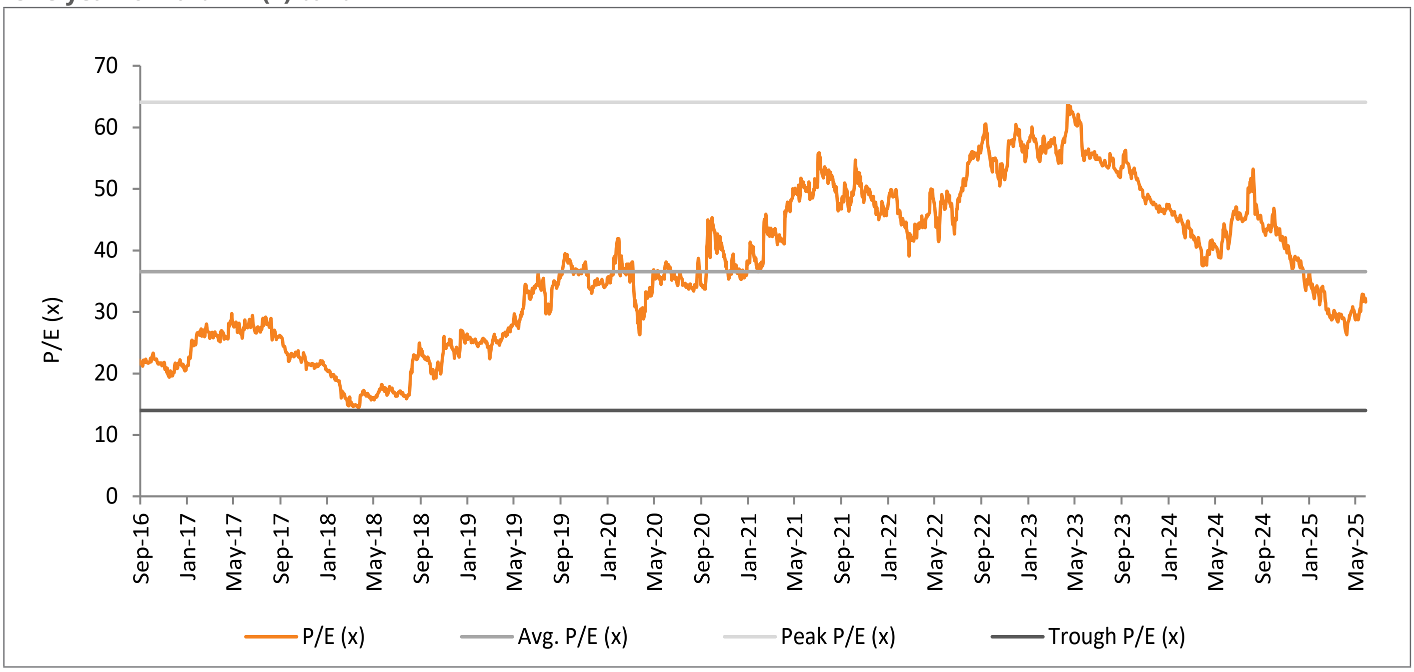
■ Company Outlook – Niche business with significant market share key products, strong traction in ATBS

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. 2,100

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. 2,100, assigning a 37x valuation multiple on its FY27 EPS. The stock currently trades at 40x/32x 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: Bloomberg

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Canara Robeco Asset Management Co	2.91
2	Aditya Birla Sun Life Asset Manage	1.61
3	Mirae Asset Financial Group	1.16
4	INVESTOR EDUCATION & PROTECTN FD	1.06
5	Vanguard Group Inc/The	1.04
6	ICICI Prudential Life Insurance Co	0.66
7	L&T Mutual Fund Trustee Ltd/India	0.56
8	Blackrock Inc	0.51
9	Dimensional Fund Advisors LP	0.31
10	HSBC Holdings PLC	0.27

Source: Bloomberg

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 detoriating 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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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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