

Input cost surge impacts Q3

- FINEORG's Q3FY25 revenue of Rs5.1bn was in line with our estimates, however, EBITDA/PAT at Rs990mn/ 827mn came below due to higher input costs and opex. EBITDA margin at 19.3% (-492bps YoY/ -599bps QoQ) was the lowest in the last 12 quarters.
- Capex of Rs7.5bn provides much-needed growth visibility beyond FY27E. This expansion will largely be self-funded (~Rs11bn cash on books). Resumption of operations at the Badlapur facility in Q3FY25 (disrupted since Q4FY24, by fire at adjacent plant) to aid volumes. Management is also evaluating greenfield capex in USA.
- FINEORG is operating at optimal utilizations with limited volume growth headroom till new capex comes onstream; although Patalganga facility (E73; 10ktpa) is still operating at low utilizations (to be absorbed over next couple of years). We trim our EPS estimates by 5-6% for FY25-27E to factor time-lag in pass through of higher input costs but reiterate 'BUY' rating with revised TP of Rs5500 (earlier Rs.6100; 33x FY27E EPS).

Q3FY25 performance impacted by lower exports and higher costs

Consolidated revenue came in at Rs5.1bn (+5%YoY/-14%QoQ), as higher volumes were offset by lower average realizations YoY. Standalone exports at Rs2.9bn were -20% QoQ/ +41% YoY, on weaker international demand sequentially, while domestic revenue at Rs2.3bn (+5% YoY/ -1% QoQ) remained steady. Gross margin came at 39.4% (-378bps YoY/ -335bps QoQ) due to increase in input costs caused by spike in certain vegetable oil prices; incremental costs will be passed through. EBITDA at Rs990mn (-16% YoY/ -34% QoQ) was impacted by adverse operating leverage, in addition to lower gross margin. PAT came at Rs827mn (-12% YoY/ -30% QoQ), aided by higher other income (+67% YoY/ +33% QoQ).

Large capex to enable future growth

FINEORG signed a 60-year lease agreement for land (~30 acres) at Jawaharlal Nehru Port Authority (JNPA) for its wholly owned subsidiary, Fine Organic Industries (SEZ) Private Limited. Capex outlay of Rs7.5bn to significantly increase its capacity (EC for ~70ktpa), in phases. Environmental clearance is awaited, post which 18-24 months required for commercial production (expected to begin by FY27). The products targeted are similar to the company's current portfolio, primarily targeting international markets (typically polymer additives heavy; high margin). Resumption of operations at Badlapur facility from Q3FY25, (shut since Jan'24) also provides scope for regaining lost volumes.

Key Data

Nifty	22,929
Equity / FV	Rs 153mn / Rs 5
Market Cap	Rs 119bn
	USD 1.4bn
52-Week High/Low	Rs 5,959/ 3,900
Avg. Volume (no)	23,459
Bloom Code	FINEORG IN

	Current	Previous
Rating	BUY	BUY
Target Price	5,500	6,100

Change in Estimates

(Rs.bn)	Current FY25E	Current FY26E	Chg (%) /bps FY25E	Chg (%) /bps FY26E
Revenue	23	26	0.9	1.4
EBITDA	5	6	(4.1)	(5.8)
EBITDA (%)	23.9	22.5	(123)	(172)
APAT	4	5	(5.4)	(5.5)
EPS (Rs)	140.6	155.2	(5.4)	(5.5)

Valuation (x)

	FY25E	FY26E	FY27E
P/E	27.5	25.0	23.0
EV/EBITDA	19.7	18.5	15.8
ROE (%)	20.6	19.3	18.0
RoACE (%)	20.7	19.0	17.7

Q3FY25 Result (Rs Mn)

Particulars	Q3FY25	YoY (%)	QoQ (%)
Revenue	5,132	5.1	(13.9)
Total Expense	4,142	11.9	(7.0)
EBITDA	990	(16.3)	(34.3)
Depreciation	130	(11.6)	5.0
EBIT	860	(16.9)	(37.8)
Other Income	291	66.6	32.7
Interest	4	(17.6)	(0.6)
EBT	1,146	(4.8)	(28.2)
Tax	319	26.5	(23.6)
RPAT	827	(12.2)	(29.6)
APAT	827	(12.2)	(29.6)
		(bps)	(bps)
Gross Margin	39.4	(378)	(335)
EBITDA (%)	19.3	(492)	(599)
NPM (%)	16.1	(318)	(360)
Tax Rate (%)	27.9	689	170
EBIT (%)	16.8	(444)	(644)

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Exhibit 1: Actual vs estimates

Particulars (Rs mn)	Estimates			% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
Revenue	5,132	5,291	5,609	(3.0)	(8.5)	Revenue in-line with est. while EBITDA was below estimates on increase in input costs and higher opex.
EBITDA	990	1,303	1,303	(24.0)	(24.0)	
EBITDA Margin (%)	19.3	24.6	23.2	(534 bps)	(394 bps)	
PAT	827	1,028	1029	(19.6)	(19.6)	Earnings below est.
EPS (Rs)	27.0	33.5	33.6	(19.6)	(19.6)	

Source: Company, Dolat Capital

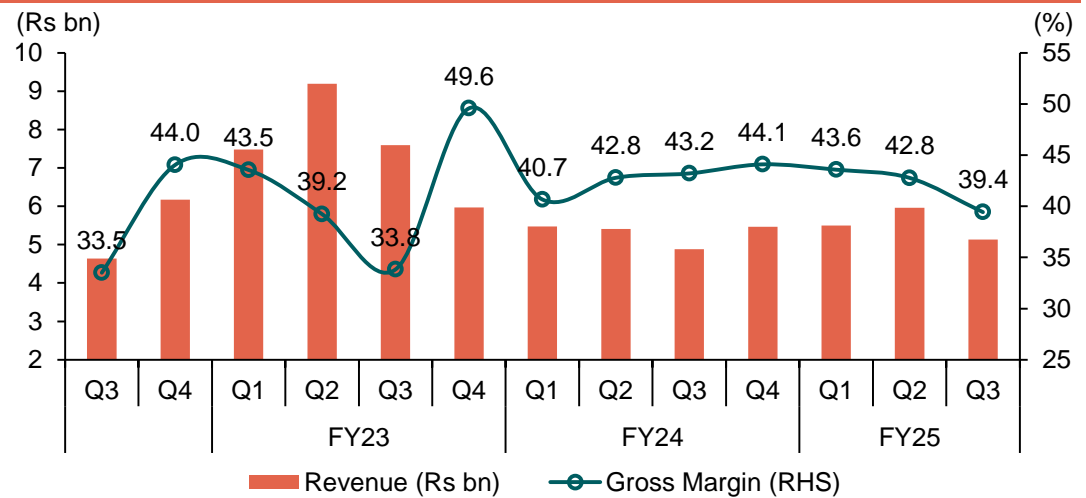
Exhibit 2: Change in estimates

Particulars (Rs mn)	FY25E			FY26E			FY27E		
	Old	New	Chg. (%)	Old	New	Chg. (%)	Old	New	Chg. (%)
Revenue	22,411	22,606	0.9	25,354	25,714	1.4	28,714	29,123	1.4
Change (%)	5.6	6.5		13.1	13.7		13.2	13.3	
EBITDA	5,638	5,408	(4.1)	6,136	5,780	(5.8)	7,065	6,661	(5.7)
Change (%)	5.6	1.3		8.8	6.9		15.1	15.2	
EBIT	5,065	4,836	(4.5)	5,466	5,110	(6.5)	6,023	5,620	(6.7)
Change (%)	6.0	1.2		7.9	5.7		10.2	10.0	
Adj. PAT	4,558	4,312	(5.4)	5,035	4,758	(5.5)	5,474	5,161	(5.7)
Change (%)	10.7	4.7		10.5	10.4		8.7	8.5	
EPS (Rs)	148.7	140.6	(5.4)	164.2	155.2	(5.5)	178.5	168.3	(5.7)

Source: Company, Dolat Capital

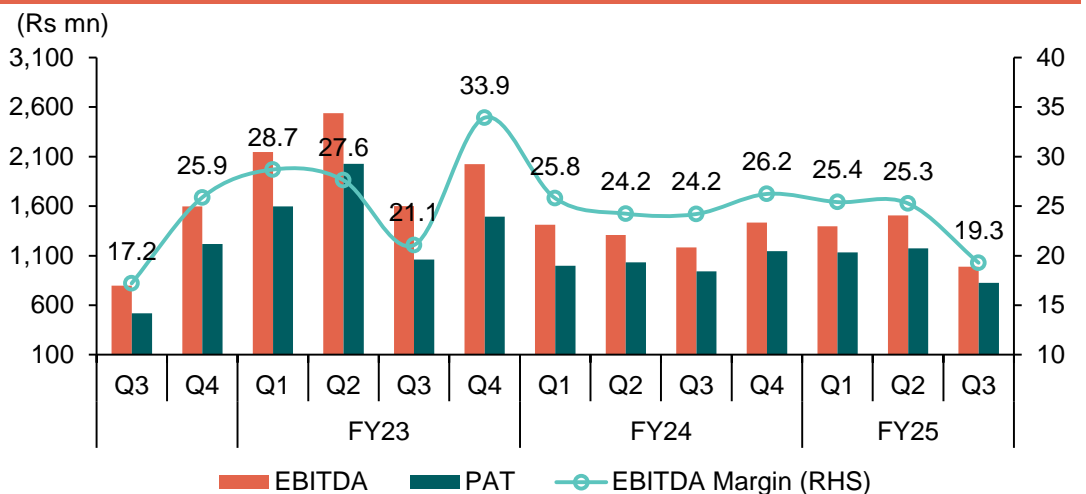
Quarterly trends

Exhibit 3: Weaker exports impact revenue; higher input costs impact GM



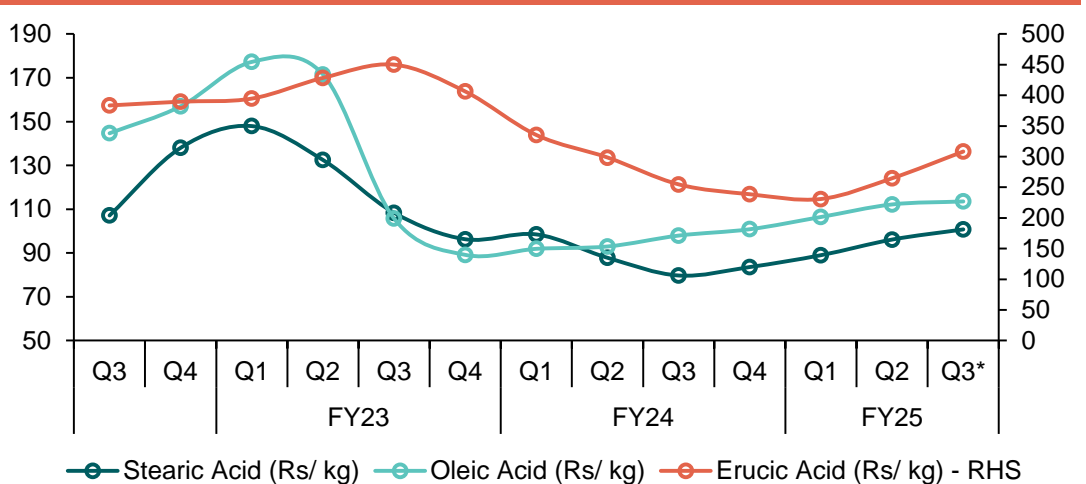
Source: Company, Dolat Capital

Exhibit 4: EBITDA declined 16% YoY/ 34% QoQ with margins at 19.3%



Source: Company, Dolat Capital

Exhibit 5: Key raw material prices trending higher



Source: Industry, Dolat Capital *Q3 data includes Oct and Nov'24

Financial Performance

Profit and Loss Account

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Revenue	21,230	22,606	25,714	29,123
Total Expense	15,889	17,198	19,933	22,461
COGS	12,170	13,068	15,465	17,463
Employees Cost	1,195	1,327	1,460	1,591
Other expenses	2,523	2,803	3,009	3,407
EBIDTA	5,340	5,408	5,780	6,661
Depreciation	561	572	671	1,042
EBIT	4,779	4,836	5,110	5,620
Interest	24	0	0	0
Other Income	719	863	1,035	1,035
Exc. / E.O. items	(6)	0	0	0
EBT	5,468	5,698	6,145	6,655
Tax	1,322	1,377	1,485	1,608
Minority Interest	0	0	0	0
Profit/Loss share of associates	(26)	(10)	98	114
RPAT	4,119	4,312	4,758	5,161
Adjustments	0	0	0	0
APAT	4,119	4,312	4,758	5,161

Balance Sheet

(Rs Mn)	FY24A	FY25E	FY26E	FY27E
Sources of Funds				
Equity Capital	153	153	153	153
Minority Interest	0	0	0	0
Reserves & Surplus	19,057	22,544	26,440	30,649
Net Worth	19,210	22,697	26,593	30,802
Total Debt	0	0	0	0
Net Deferred Tax Liability	(108)	(108)	(108)	(108)
Total Capital Employed	19,102	22,589	26,485	30,694

Applications of Funds

Net Block	2,327	3,052	4,382	9,090
CWIP	297	1,000	3,000	250
Investments	362	362	362	362
Current Assets, Loans & Advances	17,959	20,366	21,234	23,815
Current Investments	0	0	0	0
Inventories	2,609	3,097	3,522	3,750
Receivables	3,113	3,406	3,875	4,388
Cash and Bank Balances	10,485	12,101	11,988	13,734
Loans and Advances	1,143	1,143	1,144	1,145
Other Current Assets	609	619	704	798
Less: Current Liabilities & Provisions	1,842	2,191	2,492	2,823
Payables	1,354	1,548	1,761	1,995
Other Current Liabilities	488	643	731	828
<i>sub total</i>				
Net Current Assets	16,116	18,175	18,742	20,993
Total Assets	19,102	22,589	26,485	30,694

E – Estimates

Important Ratios

Particulars	FY24A	FY25E	FY26E	FY27E
(A) Margins (%)				
Gross Profit Margin	42.7	42.2	39.9	40.0
EBIDTA Margin	25.2	23.9	22.5	22.9
EBIT Margin	22.5	21.4	19.9	19.3
Tax rate	24.2	24.2	24.2	24.2
Net Profit Margin	19.4	19.1	18.5	17.7
(B) As Percentage of Net Sales (%)				
COGS	57.3	57.8	60.1	60.0
Employee	5.6	5.9	5.7	5.5
Other	11.9	12.4	11.7	11.7
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	196.4			
Inventory days	45	50	50	47
Debtors days	54	55	55	55
Average Cost of Debt	17.9			
Payable days	23	25	25	25
Working Capital days	277	293	266	263
FA T/O	9.1	7.4	5.9	3.2
(D) Measures of Investment				
AEPS (Rs)	134.3	140.6	155.2	168.3
CEPS (Rs)	152.7	159.3	177.1	202.3
DPS (Rs)	9.0	26.9	28.1	31.0
Dividend Payout (%)	6.7	19.1	18.1	18.4
BVPS (Rs)	626.6	740.3	867.4	1004.6
RoANW (%)	23.8	20.6	19.3	18.0
RoACE (%)	24.1	20.7	19.0	17.7
RoAIC (%)	50.4	50.6	40.9	35.7
(E) Valuation Ratios				
CMP (Rs)	3874	3874	3874	3874
Mcap (Rs Mn)	118,777	118,777	118,777	118,777
EV	108,292	106,676	106,789	105,043
MCap/ Sales	5.6	5.3	4.6	4.1
EV/Sales	5.1	4.7	4.2	3.6
P/E	28.8	27.5	25.0	23.0
EV/EBITDA	20.3	19.7	18.5	15.8
P/BV	6.2	5.2	4.5	3.9
Dividend Yield (%)	0.2	0.7	0.7	0.8
(F) Growth Rate (%)				
Revenue	(29.8)	6.5	13.7	13.3
EBITDA	(35.7)	1.3	6.9	15.2
EBIT	(39.0)	1.2	5.7	10.0
PBT	(35.1)	4.2	7.8	8.3
APAT	(33.4)	4.7	10.4	8.5
EPS	(33.4)	4.7	10.4	8.5

E – Estimates

Cash Flow

Particulars	FY24A	FY25E	FY26E	FY27E
Profit before tax	5,441	5,688	6,243	6,768
Depreciation & w.o.	561	572	671	1,042
Net Interest Exp	(642)	(863)	(1,035)	(1,035)
Direct taxes paid	(1,500)	(1,231)	(1,416)	(1,533)
Change in Working Capital	2,484	(589)	(747)	(580)
Non Cash	0	0	0	0
(A) CF from Operating Activities	6,345	3,578	3,715	4,662
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(860)	(2,000)	(4,000)	(3,000)
Free Cash Flow	5,485	1,578	(285)	1,662
(Inc.)/ Dec. in Investments	(3,513)	0	0	0
Other	466	863	1,035	1,035
(B) CF from Investing Activities	(3,906)	(1,137)	(2,965)	(1,965)
Issue of Equity/ Preference	0	0	0	0
Inc./(Dec.) in Debt	(274)	0	0	0
Interest exp net	(22)	0	0	0
Dividend Paid (Incl. Tax)	(276)	(825)	(862)	(952)
Other	(65)	0	0	0
(C) CF from Financing	(636)	(825)	(862)	(952)
Net Change in Cash	1,802	1,616	(112)	1,746
Opening Cash balances	5,148	6,951	8,566	8,454
Closing Cash balances	6,951	8,566	8,454	10,199

E – Estimates

Notes

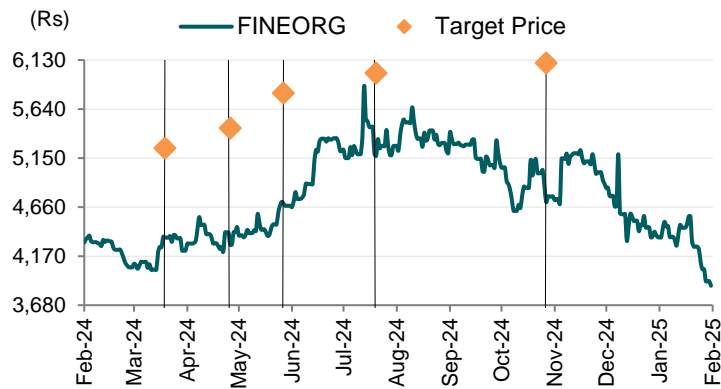
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	(11)	(18)	(10)
Rel to NIFTY (%)	(10)	(16)	(14)

Shareholding Pattern

Particulars	Jun'24	Sep'24	Dec'24
Promoters	75.0	75.0	75.0
MF/Banks/FIs	11.1	11.6	11.5
FIIIs	4.9	4.9	5.2
Public / Others	8.9	8.5	8.3



Month	Rating	TP (Rs.)	Price (Rs.)
Apr-24	BUY	5,250	4,355
May-24	BUY	5,450	4,287
Jun-24	BUY	5,800	4,698
Aug-24	BUY	6,000	5,172
Nov-24	BUY	6,100	4,711

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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