

Vinati Organics

Expanding and reinforcing

We are upgrading Vinati Organics (VO) from REDUCE to BUY with target price of INR 2,308. Projects worth INR8bn will be capitalised over the next one year. VO is expanding its ATBS capacity by a whopping 50% to 60KTPA (~investment of INR3bn). With 60-65% market share in ATBS globally, it is the largest exporter to the US and European markets. Robust demand for ATBS and its derivatives by diverse end-users in developed markets will fill the capacity. Veeral Organics Pvt Ltd (VOPL), a subsidiary of Vinati Organics, is expected to commission its INR5bn investment projects in Q2FY26, introducing a new set of products. Strong demand for antioxidants will enhance utilisation of the plant from below 50% to 90% by FY27. The next leg of capex is expected to be announced in coming quarters, with the company broadening its antioxidant portfolio. ATBS expansion, new product launch, and expansion in butyl phenol and antioxidants will drive the company's growth over FY26-28E.

VOPL is using a vapour phase technology (anisole route) to manufacture MEHQ and value-added products. The addition of these products will increase contribution of high-margin products to 41% in FY28 from 30-35% in FY25. This will improve the EBITDA margin by 539bps to 31.2% in FY28. The RoE is expected to increase by 446 bps to 19.9% until FY28. Currently, the stock is trading at 39/27/23x FY26/FY27/FY28E.

Improved traction in ATBS salts and high-grade ATBS in the US: India's export of ATBS, including its salts, remained in the range of 35-40KTPA during CY19 to CY24 (Exhibit 1). The US is the largest importer of ATBS and its salts, accounting for ~18 KTPA of exports from India and a ~48% share in CY24, followed by European countries with a 43% share. 90% of the total ATBS imported into the US and major European countries is from India (Exhibit 2). Vinati Organics holds the largest market share in ATBS exports from India, commanding ~80% in CY24. (Exhibit 3). In this, volumes of high-grade ATBS have improved in the past two years. The volume contribution of high-grade ATBS and NaATBS in exports to the US rose to 13% and 35%, respectively, in CY24, from 5% and 30% in CY23. High-grade ATBS is primarily used in the oil & gas industry, where demand has grown over the past three years, driven by improved oil recovery rates associated with increased use of ATBS polymers in exploration.

Financial summary (consolidated)

INR mn	Q4 FY25	Q3 FY25	QoQ (%)	Q4 FY24	YoY (%)	FY23	FY24	FY25P	FY26E	FY27E	FY28E
Net Sales	6,485	5,217	24.3	5,503	17.8	20,727	19,000	22,482	26,750	33,175	38,076
EBITDA	1,804	1,424	26.7	1,502	20.1	5,712	4,698	5,809	7,264	10,219	11,889
APAT	1,230	937	31.3	1,045	17.8	4,192	3,232	4,053	4,918	7,159	8,463
AEPS (INR)	12.0	9.1	31.3	10.2	17.8	40.8	31.4	39.4	47.8	69.7	82.3
P/E (x)						46.1	59.7	47.6	39.2	27.0	22.8
EV/EBITDA(x)						33.5	41.0	33.3	26.4	18.2	15.2
RoE (%)						20.6	13.8	15.4	16.4	20.2	19.9

Source: Company, HSIE Research

Change in estimates (consolidated)

Y/E Mar	FY26E Old	FY26E New	% Ch	FY27E Old	FY27E New	% Ch
EBITDA (INR mn)	7,407	7,264	(1.9)	8,670	10,219	17.9
Adj. EPS (INR/sh)	48.6	47.8	(1.5)	58.0	69.7	20.1

Source: Company, HSIE Research

BUY

CMP (as on 16th June 2025)	INR 1,878
Target Price	INR 2,308
NIFTY	24,947

KEY CHANGES	OLD	NEW
Rating	REDUCE	BUY
Price Target	INR 1,576	INR 2,308
EPS %	FY26E -1.5%	FY27E +20.1%

KEY STOCK DATA

Bloomberg code	VO IN
No. of Shares (mn)	104
MCap (INR bn) / (\$ mn)	195/2,262
6m avg traded value (INR mn)	145
52 Week high / low	INR 2,331/1,413

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.9	3.5	0.5
Relative (%)	10.1	3.5	(5.7)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	74.06	74.28
FIs & Local MFs	7.61	9.21
FPIs	5.31	3.83
Public & Others	12.80	12.67
Pledged Shares	0.00	0.00

Source: BSE

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Diversifying customer base of ATBS across geographies

Over last three years, VO has expanded its presence in European and other markets. The share of these markets in total exports has accelerated to 43% in CY24 from 18% in CY21. While the share of exports to the US has gradually come down from 78% in CY21 to 48% in CY24. Overall, export volumes to major European countries have increased from 10KTPA to 15KTPA at a 9% CAGR over CY19-CY24, which has offset volume degrowth in the US market (Exhibit 5). Furthermore, in the European market, the demand is rising for ATBS and its salts both (Exhibit 6).

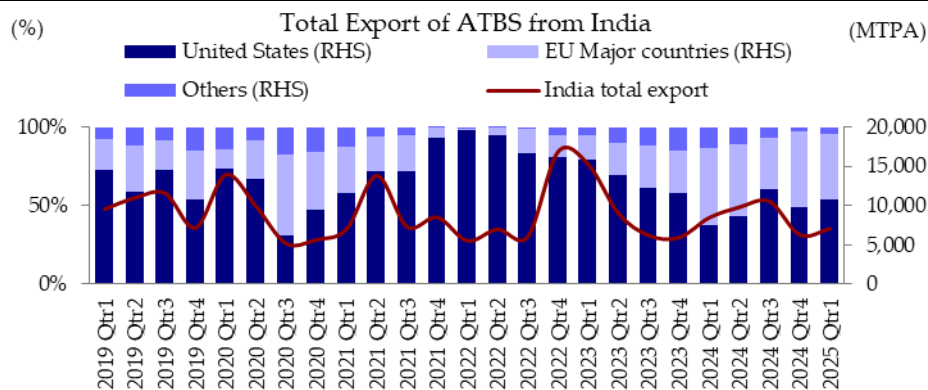
Customer mix is diversifying

Majorly ATBS demand was driven by oil and gas industry while the remaining was driven by other end-user industries like water treatment, personal care, and material science. Currently, one-third of ATBS demand is from the oil & gas industry, and one third is from water treatment. In the past three quarters, the demand of high-grade ATBS has picked up while NaATBS has maintained a quarterly run rate (Exhibit 3). This demand was primarily driven by material science and water treatment chemical industries (Exhibit 4). The demand of ATBS for the water treatment industry is expected to pick up in ensuing quarters, which will drive volume growth in coming years.

Expansion is coming at the right time

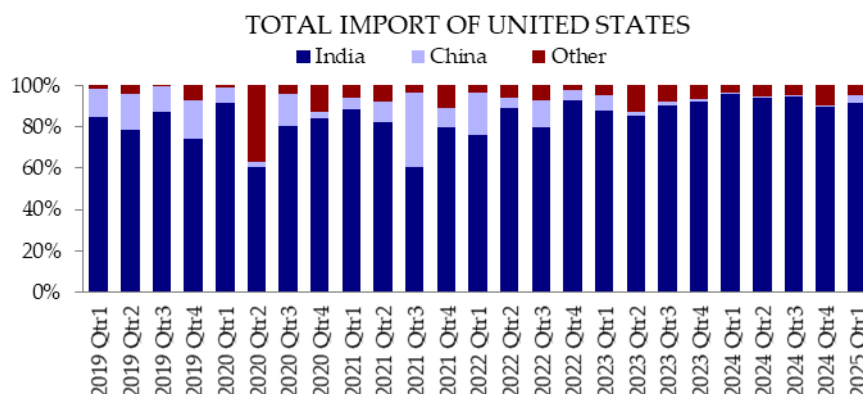
We are expecting volume growth of 18% over FY25-28 in ATBS. VO is augmenting ATBS capacity by 20KTPA, in line with demand. It will partly commission capacity of 10KTPA in Q1FY26 and the remaining 10KTPA of capacity will be commissioned in Q1FY27. As per the management, it is oversold with a backlog of orders. Thus, the ramp-up of new capacity will be quick.

Exhibit 1 : India is the largest exporter of ATBS while the US is the largest importer, followed by major European countries

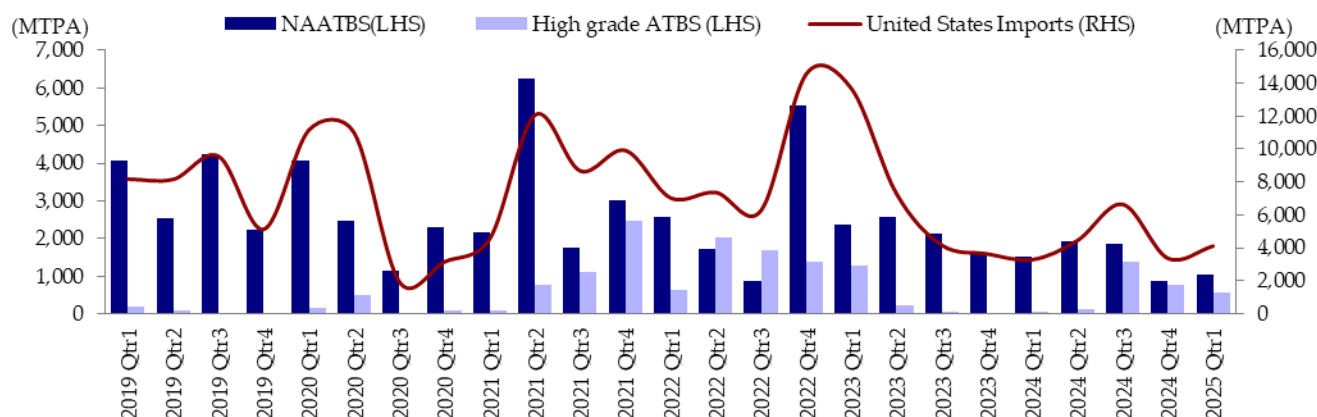


Source: Volza, HSIE Research

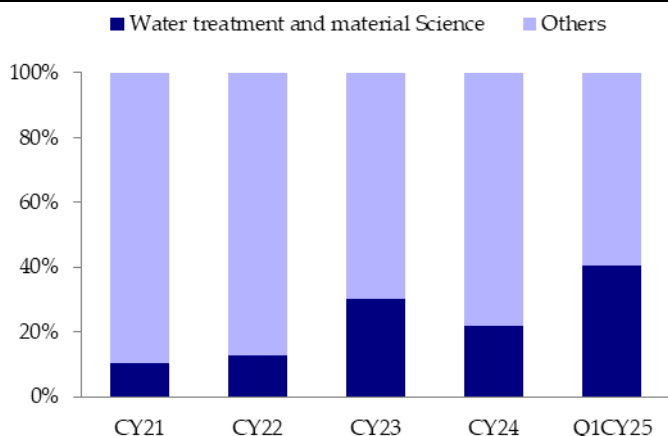
Exhibit-2: ~90% of imports of ATBS in the US is from India



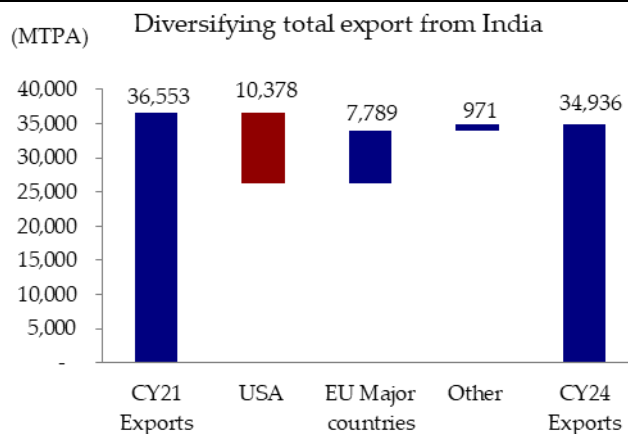
Source: Volza, HSIE Research

Exhibit 3: Volume uptake in high-grade ATBS and moderate volume growth in NaATBS in the US


Source: Volza, HSIE Research

Exhibit 4: Water treatment and material science share up from 13% in CY22 to 22% CY24 in total import in US


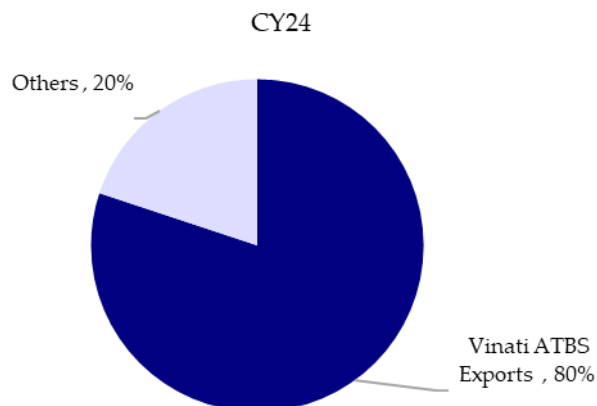
Source: Volza, HSIE Research

Exhibit-5: Improved contribution from EU region offsetting volume degrowth in the US


Source: Volza, HSIE Research

Exhibit-6: Improvement in demand of ATBS in EU major countries

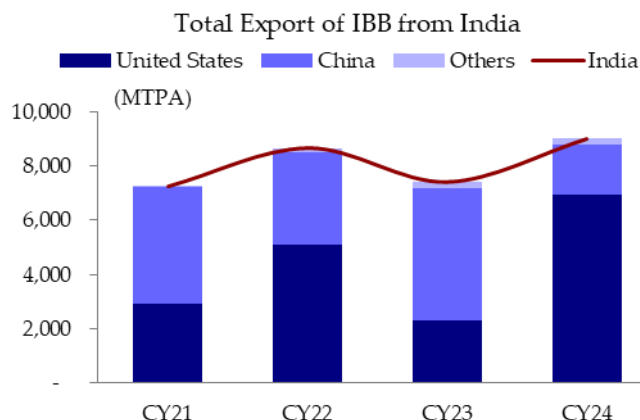

Source: Volza, HSIE Research

Exhibit 7: VO is largest exporter of ATBS from India


Source: Volza, HSIE Research

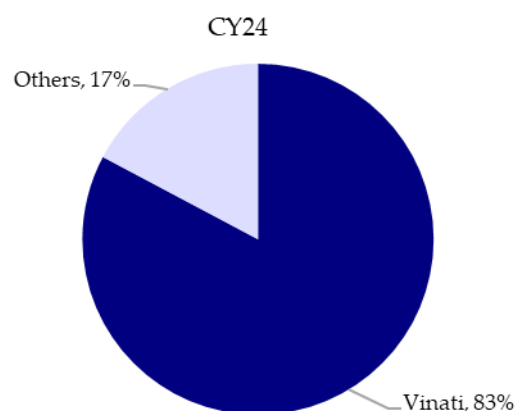
IBB is one of the largest molecules that VO exports

Exhibit-8: Rising share of exports to US from India offsetting the reduction in volume from China



Source: Volza, HSIE Research

Exhibit-9: VO is the largest exporter of IBB from India

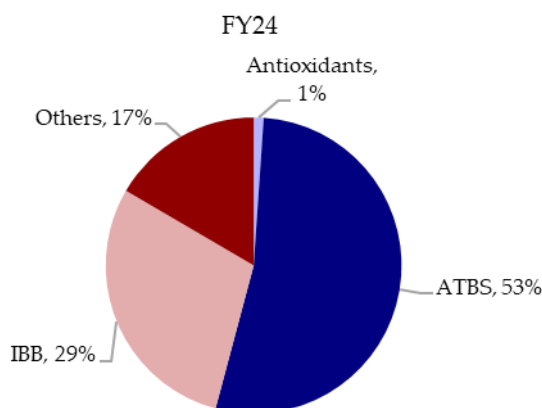


Source: Volza, HSIE Research

- Total export of IBB from India increased from ~7KTPA in CY21 to 9KTPA in CY24. India supplies IBB majorly to the US and China. Vinati Organics has a 90% share in total exports from India. IBB is a key raw material in synthesis Ibuprofen. Global demand of Ibuprofen is about 40KTPA. The contribution of the US has seen a significant jump in CY24, improving to 77% in CY24 (31% CY23), offsetting volume decline from China.

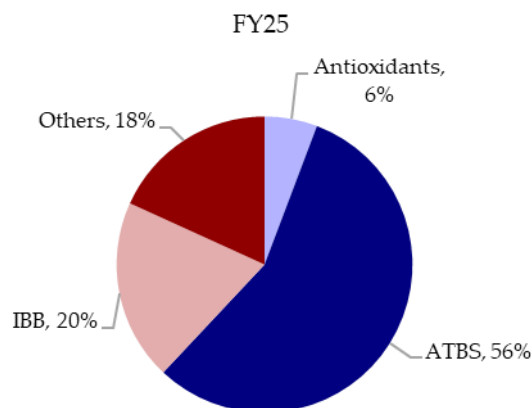
Surged in ABTS export volumes in FY25 and while ramping up antioxidants business

Exhibit 10:- Export volume grew 44% YoY in FY25 ...



Source: Volza, HSIE Research

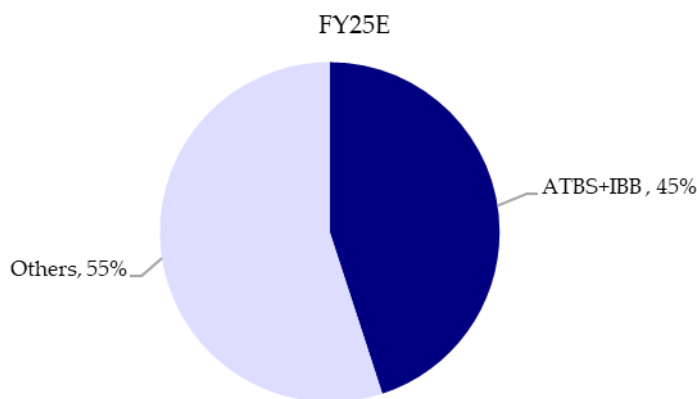
Exhibit 11:- ...driven by growth in ATBS and antioxidants



Source: Volza, HSIE Research

44% volume growth in total exports in FY25 was attributed to a surge in export volume in antioxidants and ATBS. In FY25, the total export of antioxidants was ~3,800 tonne, up from 500 tonnes, while the ATBS exports were in the range of 36,000-37,000 MTPA up from ~24,000MTPA in FY24. We believe revenue contribution from antioxidants in export has crossed INR400mn. Additionally, export revenue contribution of ATBS increased by 56% YoY to INR 8bn (FY24: ~INR 5.3bn).

Exhibit 12:-ATBS and IBB holds 45% of revenue share in FY25P



Source: Company, HSIE Research

Ramping up ABTS, antioxidant and new molecules likely to drive revenue and margin

In FY25, the revenue of VO increased by 18.3% YoY to INR 22.48bn. EBITDA increased by 11% YoY to INR 5.01bn while EBITDA margin increased by 111bps to 25.8%. The growth in FY25 was primarily driven by volume growth in ATBS and antioxidants.

As per our estimates, ATBS and IBB holds ~45% of revenue share in FY25. Vinati Organics has the largest market share in both ABTS and IBB in global market. It is a precursor to many critical products in pharma, material science, oil and gas, and water treatment.

Management expects to start the production of new molecules (MEHQ, Guaiacol, Anisole, 4-methoxyacetophenone and Iso Amylene derivatives) in H2FY26 for which it has incurred a capex of INR5bn. MEHQ will be synthesized based on vapour phase technology and thus is expected to become high-margin molecule for the company. We expect overall contribution of new molecules and ATBS to reach from ~30-35% revenue in FY25 to 41% FY28.

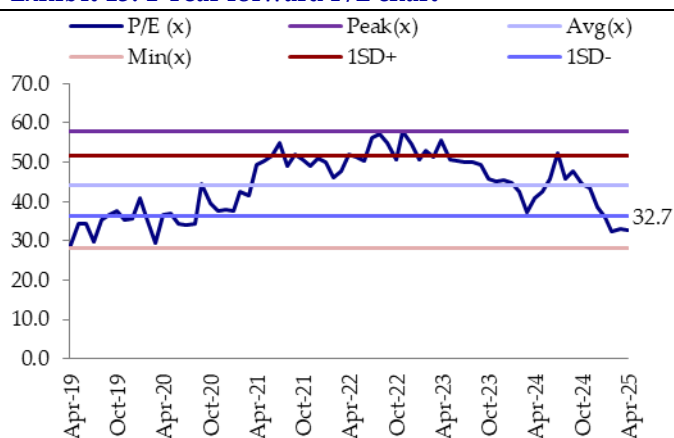
We expect revenue to increase by 19/24% to INR 26.75bn/INR 33.17bn in FY26/FY27 due to capacity expansion as well as increase in the utilisation of ATBS and ramping up antioxidants business owing to volume growth in end industries. Additionally, the ramp-up of new molecules will also drive revenue. The contribution of high-margin molecule (ATBS+MEHQ) will jump up from ~30-35% in FY25 to 40% in FY28. We expect EBITDA margin to increase by 538bps from 25.8% in FY25 to 31.2% in FY28, owing to increased contribution of high-margin molecules. We expect RoE to improve by 446bps from 15.4% to 19.9% in FY28, driven by improved margins and asset turnover. VO is expected to generate an FCF of INR 14.4bn spread over FY25-28. The stock is currently trading at a 1-year forward PE of 32.7x which is below 1-standard deviation for the period between FY19-25E.

Peer valuation

Company	Growth in EPS from FY25-28 (%)	ROE in FY28 (%)	Change in ROE from FY25-28 (bps)	EBITDA in FY28 (%)	Changes in EBITDA margin from FY25-28 (bps)	FY28 PE (x)
Alkyl Amines	18	16.6	262.4	19.5	97	29
Vinati Organics	28	19.9	446.3	31.2	538.5	23
SRF	47	21.2	1,081.4	27.8	887	23
Fine Organics	17	15.0	(446.3)	25.0	237	22
Aether Industries	31	9.4	160.5	31.0	223	28
Clean Science	18	20.1	(11.7)	33.6	(650)	37

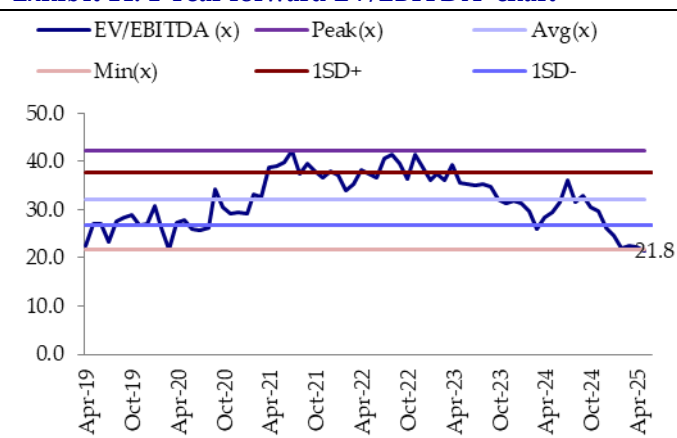
Source: Company, HSIE Research

Exhibit 13: 1 Year forward P/E chart



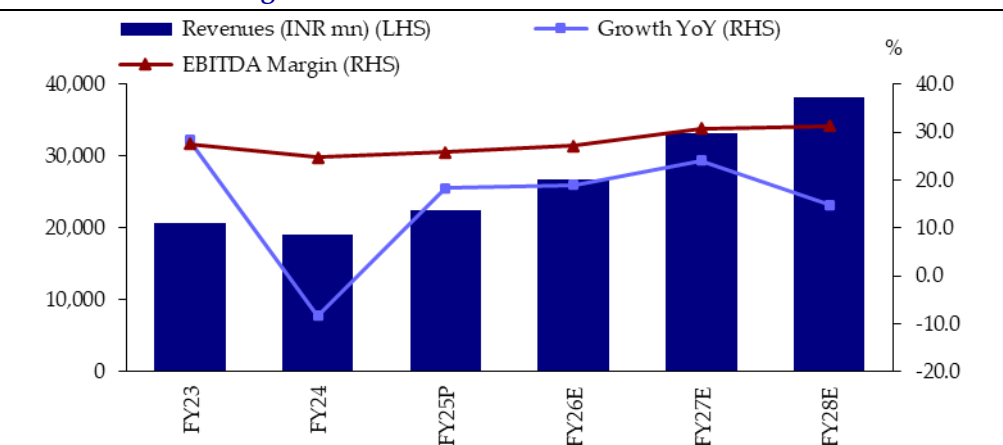
Source: NSE, Company, HSIE Research

Exhibit 14: 1 Year forward EV/EBITDA chart

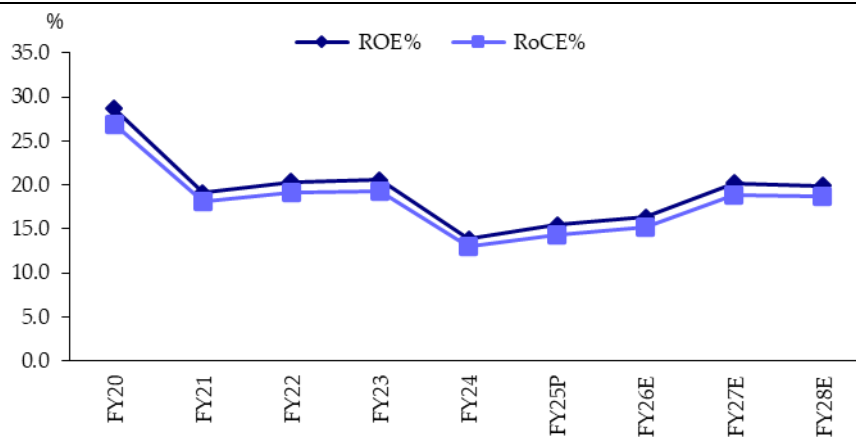


Source: NSE, Company, HSIE Research

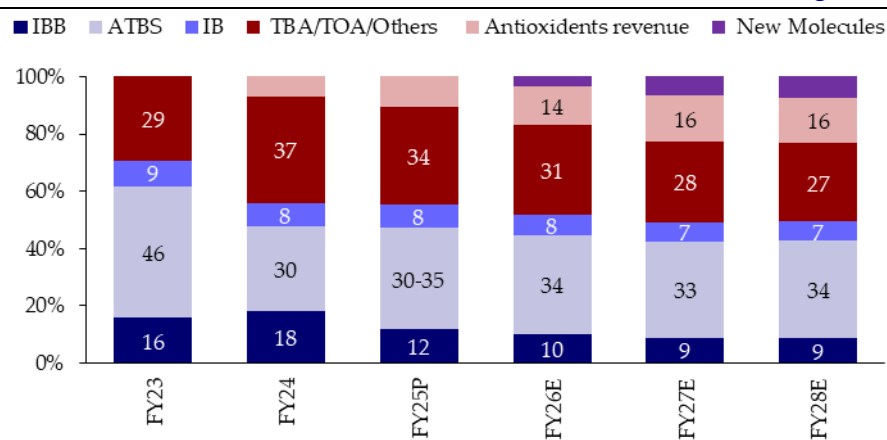
Exhibit-15: Revenue growth



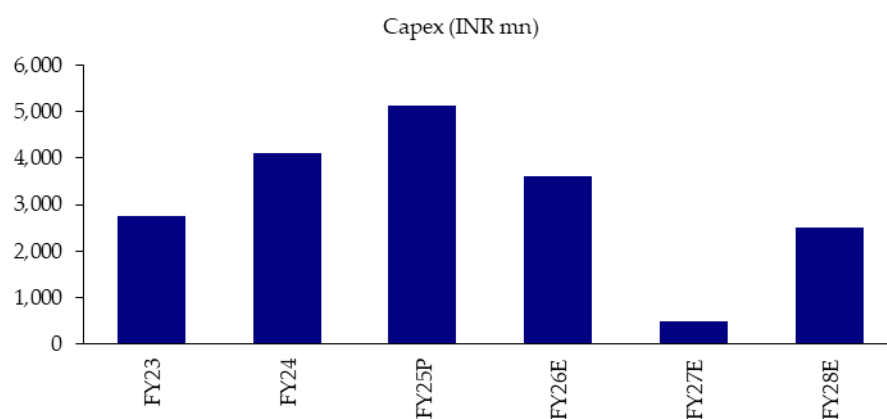
Source: Company, HSIE Research

Exhibit-16: RoE/RoCE


Source: Company, HSIE Research

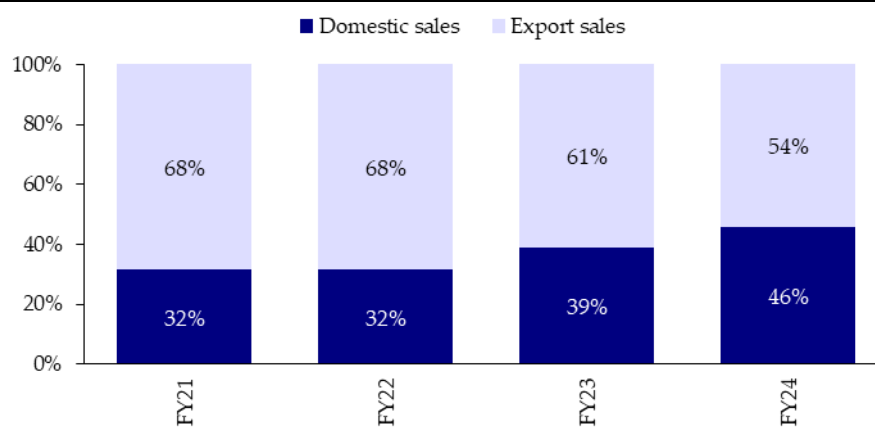
Exhibit-17: Contribution from antioxidants and new molecules is rising


Source: Company, HSIE Research

Exhibit-18: Company will incur a capex of INR 3.6bn in FY26


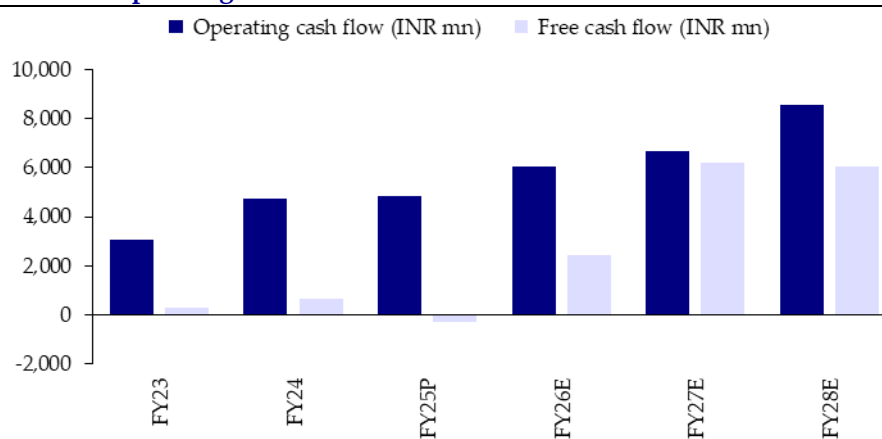
Source: Company, HSIE Research

Exhibit-19: Domestic/export trend



Source: Company, HSIE Research

Exhibit-20: Operating and free cash flow



Source: Company, HSIE Research

INCOME STATEMENT

Year ending March (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E	FY28E
Net Revenues	10,289	9,543	16,155	20,727	19,000	22,482	26,750	33,175	38,076
<i>Growth (%)</i>	<i>(8.8)</i>	<i>(7.3)</i>	<i>69.3</i>	<i>28.3</i>	<i>(8.3)</i>	<i>18.3</i>	<i>19.0</i>	<i>24.0</i>	<i>14.8</i>
Material Expenses	4,287	3,877	8,607	10,745	10,113	11,960	14,703	17,391	19,937
Employee Expenses	643	726	840	996	1,189	1,396	1,480	1,569	1,663
Other Expenses	1,220	1,414	2,367	3,274	2,999	3,317	3,303	3,997	4,587
EBITDA	4,139	3,525	4,341	5,712	4,698	5,809	7,264	10,219	11,889
<i>EBITDA Margin (%)</i>	<i>40.2</i>	<i>36.9</i>	<i>26.9</i>	<i>27.6</i>	<i>24.7</i>	<i>25.8</i>	<i>27.2</i>	<i>30.8</i>	<i>31.2</i>
<i>EBITDA Growth (%)</i>	<i>(2.2)</i>	<i>(14.8)</i>	<i>23.1</i>	<i>31.6</i>	<i>(17.8)</i>	<i>23.7</i>	<i>25.0</i>	<i>40.7</i>	<i>16.3</i>
Depreciation	332	429	455	590	728	885	1,226	1,310	1,415
EBIT	3,808	3,096	3,886	5,122	3,970	4,924	6,038	8,909	10,474
Other Income (Incl. EO Items)	450	259	609	524	388	443	474	569	728
Interest	11	2	3	14	36	5	5	5	5
PBT	4,247	3,353	4,492	5,632	4,322	5,362	6,507	9,472	11,197
Exceptional Items									
PBT After Exceptional Items	4,247	3,353	4,492	5,632	4,322	5,362	6,507	9,472	11,197
Tax (Incl Deferred)	908	659	1,026	1,440	1,090	1,309	1,589	2,313	2,734
RPAT	3,338	2,693	3,466	4,192	3,232	4,053	4,918	7,159	8,463
APAT	3,338	2,693	3,466	4,192	3,232	4,053	4,918	7,159	8,463
<i>APAT Growth (%)</i>	<i>18.2</i>	<i>(19.3)</i>	<i>28.7</i>	<i>20.9</i>	<i>(22.9)</i>	<i>25.4</i>	<i>21.4</i>	<i>45.6</i>	<i>18.2</i>
Adjusted EPS (Rs)	32.5	26.2	33.7	40.8	31.4	39.4	47.8	69.7	82.3
<i>AEPS Growth (%)</i>	<i>18.2</i>	<i>(19.3)</i>	<i>28.7</i>	<i>20.9</i>	<i>(22.9)</i>	<i>25.4</i>	<i>21.4</i>	<i>45.6</i>	<i>18.2</i>

Source: Company, HSIE Research

BALANCE SHEET

Year ending March (INR mn)	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E	FY28E
SOURCES OF FUNDS									
Share Capital - Equity	103	103	103	103	104	104	104	104	104
Reserves	12,691	15,331	18,512	22,027	24,512	27,829	32,113	38,587	46,313
Total Shareholders' Funds	12,794	15,434	18,615	22,130	24,616	27,933	32,217	38,691	46,417
Long Term Debt	2	12	100	104	-	-	-	-	-
Short Term Debt	3	20	184	249	46	626	626	644	662
Total Debt	6	32	284	352	46	626	626	644	662
Long-Term Provisions & Others	743	827	974	1,170	1,599	1,725	1,877	2,044	2,228
TOTAL SOURCES OF FUNDS	13,543	16,294	19,873	23,652	26,261	30,284	34,720	41,379	49,307
APPLICATION OF FUNDS									
Net Block	7,508	7,568	8,744	11,588	14,887	17,241	22,001	22,563	23,491
CWIP	310	547	3,102	2,425	2,492	4,382	1,995	624	781
LT Loans & Advances	187	2,671	1,394	1,165	1,121	791	807	823	839
Total Non-current Assets	8,004	10,786	13,239	15,177	18,499	22,413	24,803	24,009	25,111
Inventories	932	1,219	2,014	2,330	1,985	2,212	2,610	3,087	3,539
Debtors	2,018	2,772	4,529	4,638	5,296	5,923	6,674	8,277	9,500
Other Current Assets	640	542	1,488	1,591	2,009	1,643	803	995	1,142
Cash & Equivalents	2,811	1,878	64	2,070	377	139	1,853	7,268	12,521
Short Term Loans & Advances	26	139	169	30	231	461	548	680	780
Total Current Assets	6,426	6,549	8,265	10,659	9,899	10,378	12,488	20,308	27,483
Creditors	557	664	1,222	1,214	1,008	1,485	1,456	1,716	1,957
Other Current Liabilities & Provns	330	378	409	970	1,129	1,022	1,115	1,222	1,330
Total Current Liabilities	887	1,041	1,631	2,184	2,137	2,507	2,571	2,938	3,287
Net Current Assets	5,539	5,508	6,634	8,475	7,762	7,871	9,917	17,370	24,196
TOTAL APPLICATION OF FUNDS	13,543	16,294	19,873	23,652	26,261	30,284	34,720	41,379	49,307

Source: Company, HSIE Research

CASH FLOW STATEMENT

(Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	4,247	3,353	4,492	5,632	4,322	5,362	6,507	9,472	11,197
Non-operating & EO Items	386	(563)	(333)	(42)	(24)	(87)	(240)	(240)	(240)
Interest Expenses	11	2	3	14	36	5	5	5	5
Depreciation	332	429	455	590	728	885	1,226	1,310	1,415
Working Capital Change	(580)	(437)	(1,132)	(1,774)	711	(198)	(332)	(2,038)	(1,573)
Tax Paid	(908)	(659)	(1,026)	(1,440)	(1,090)	(1,309)	(1,589)	(2,313)	(2,734)
OPERATING CASH FLOW (a)	2,714	3,251	3,125	3,064	4,731	4,832	6,057	6,677	8,549
Capex	(1,492)	(727)	(4,185)	(2,757)	(4,094)	(5,129)	(3,600)	(500)	(2,500)
Free Cash Flow (FCF)	1,222	2,524	(1,060)	307	637	(297)	2,457	6,177	6,049
Others	121	(2,484)	1,277	229	44	330	(16)	(16)	(16)
INVESTING CASH FLOW (b)	(1,371)	(3,211)	(2,908)	(2,528)	(4,050)	(4,799)	(3,616)	(516)	(2,516)
Debt Issuance/(Repaid)	(33)	26	252	68	(306)	580	-	18	18
Interest Expenses	(11)	(2)	(3)	(14)	(36)	(5)	(5)	(5)	(5)
FCFE	1,178	2,548	(811)	361	295	278	2,451	6,189	6,062
Dividend	(671)	(617)	(618)	(719)	(771)	(822)	(874)	(925)	(976)
Others	(129)	84	147	196	429	126	152	167	184
FINANCING CASH FLOW (c)	(845)	(508)	(222)	(470)	(683)	(122)	(727)	(745)	(780)
NET CASH FLOW (a+b+c)	499	(469)	(5)	67	(2)	(89)	1,714	5,415	5,253
Closing Cash & Equivalents	537	68	63	130	128	39	1,753	7,168	12,421

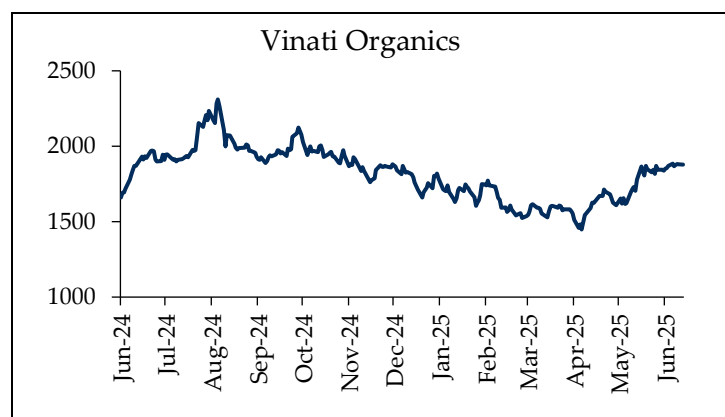
Source: Company, HSIE Research

KEY RATIOS

KEY RATIOS	FY20	FY21	FY22	FY23	FY24	FY25P	FY26E	FY27E	FY28E
PROFITABILITY (%)									
GPM	58.3	59.4	46.7	48.2	46.8	46.8	45.0	47.6	47.6
EBITDA Margin	40.2	36.9	26.9	27.6	24.7	25.8	27.2	30.8	31.2
APAT Margin	32.4	28.2	21.5	20.2	17.0	18.0	18.4	21.6	22.2
RoE	28.6	19.1	20.4	20.6	13.8	15.4	16.4	20.2	19.9
RoIC (or Core RoCE)	28.3	19.8	17.5	18.4	12.5	13.3	14.5	20.1	22.3
RoCE	26.8	18.1	19.2	19.3	13.1	14.3	15.1	18.8	18.7
EFFICIENCY									
Tax Rate (%)	21.4	19.7	22.8	25.6	25.2	24.4	24.4	24.4	24.4
Fixed Asset Turnover (x)	1.5	1.1	1.6	1.7	1.2	1.1	1.1	1.2	1.3
Inventory (days)	32	45	57	46	36	39	39	38	36
Debtors (days)	68	102	129	92	97	104	99	101	97
Other Current Assets (days)	22	20	42	31	37	29	12	12	12
Payables (days)	19	24	35	24	19	26	22	21	20
Other Current Liab & Provns (days)	11	14	12	19	21	18	17	15	14
Cash Conversion Cycle (days)	91	129	182	126	131	128	111	115	112
Debt/EBITDA (x)	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.1	0.1
Net D/E (x)	(0.2)	(0.1)	0.0	(0.1)	(0.0)	0.0	(0.0)	(0.2)	(0.3)
Interest Coverage (x)	348.6	1,461.1	1,502.1	359.3	109.3	946.9	1,161.1	1,689.0	1,931.0
PER SHARE DATA (Rs)									
EPS	32.5	26.2	33.7	40.8	31.4	39.4	47.8	69.7	82.3
CEPS	35.7	30.4	38.1	46.5	38.5	48.0	59.8	82.4	96.1
Dividend	5.5	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5
Book Value	124.5	150.2	181.1	215.3	239.5	271.8	313.4	376.4	451.6
VALUATION									
P/E (x)	57.8	71.7	55.7	46.1	59.7	47.6	39.2	27.0	22.8
P/BV (x)	15.1	12.5	10.4	8.7	7.8	6.9	6.0	5.0	4.2
EV/EBITDA (x)	46.0	54.2	44.5	33.5	41.0	33.3	26.4	18.2	15.2
EV/Revenues (x)	18.5	20.0	12.0	9.2	10.1	8.6	7.2	5.6	4.8
OCF/EV (%)	1.4	1.7	1.6	1.6	2.5	2.5	3.2	3.6	4.7
FCF/EV (%)	(0.8)	(0.4)	(2.2)	(1.4)	(2.1)	(2.7)	(1.9)	(0.3)	(1.4)
FCFE/Mkt Cap (%)	0.6	1.3	(0.4)	0.2	0.2	0.1	1.3	3.2	3.1
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5

Source: Company, HSIE Research

Price history



Rating Criteria

BUY: >+15% return potential
ADD: +5% to +15% return potential
REDUCE: -10% to +5% return potential
SELL: >10% Downside return potential

Vinati Organics: Company Update

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