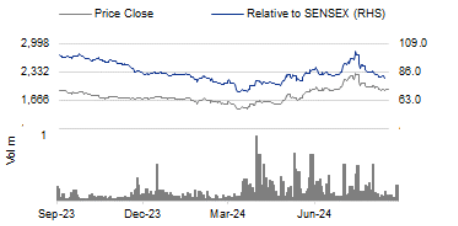
India

ADD *(previously HOLD)*

Consensus ratings*:	Buy 7	Hold 3	Sell 5
Current price:			Rs1,932
Target price:	▲		Rs2,772
Previous target:			Rs1,934
Up/downside:			43.5%
InCred Research / Consensus:			40.1%
Reuters:			VNTI.NS
Bloomberg:			VO IN
Market cap:			US$2,758m
			Rs200,272m
Average daily turnover:			US$2.9m
			Rs213.0m
Current shares o/s:			102.8m
Free float:			25.9%

Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(3.4)	3.3	2.0
Relative (%)	(6.2)	(4.0)	(16.6)

Major shareholders	% held
Promoter & Promoter Group	74.1
Mirae Asset	4.2
Canara Robeco Asset Management Co	2.0

Vinati Organics

New product offerings and revival of ATBS

- We expect ATBS' spreads over acrylonitrile to improve as the latter is in oversupply while demand outstrips supply in the case of ATBS.
- MEHQ, butyl phenols, guaiacol and anisole will start contributing meaningfully from FY26F, driving a 20% revenue CAGR over FY24-27F.
- We value the stock at 50x one-year forward P/E to arrive at our higher target price of Rs2,772. Upgrade to ADD rating (from HOLD earlier)

ATBS is reviving, but its revival is not dependent on crude oil

Following a decline in exports in FY24, ATBS exports are now bouncing back. There is growing demand for high-purity ATBS, and Vinati Organics is likely to be the only company capable of supplying it. With demand outpacing supply and channel destocking now complete, we expect the growth to resume from FY25F. Vinati Organics is currently expanding its ATBS capacity, and by FY26F, it is expected to reach 60kt. ATBS (acrylamido tertiary butyl sulfonic acid) is a versatile chemical with several industrial applications due to its unique properties, such as thermal stability, hydrophilicity, and resistance to harsh environments. We expect ATBS exports to touch 45kt by FY27F. We have not factored in any increase in its spreads over acrylonitrile (the current price of ATBS is Rs217/kg, which is likely to go up, and acrylonitrile price is likely to go down from the current level of Rs108/kg).

IBB butyl phenol and new products like guaiacol will do well

Iso-butyl benzene (IBB) has various industrial and chemical applications due to its aromatic and alkyl structure. Some key uses of iso-butyl benzene include1) its use in the pharmaceutical industry as an intermediate for making ibuprofen, 2) as a chemical intermediate for fragrances and perfumes, 3) in other chemicals - as a precursor for various chemical compounds, 4) as a specialty solvent, and 5) in the agrochemical industry. There are multiple other products in the pipeline, such as MEHQ, guaiacol, anisole, and others. Please note that, like Clean Science and Technology, Vinati Organics will be using the anisole route to produce MEHQ, and from MEHQ it can produce BHA (butylated hydroxyanisole), which will complete its antioxidant portfolio. We expect IBB exports to revert to the FY23 level in FY25F and increase to 25kt by FY27F. While butyl phenols are already adding to the topline, MEHQ, guaiacol, and anisole will start contributing from FY26F.

EPS to post 24% CAGR over FY24-27F; upgrade to ADD, TP Rs2,772

While revenue is likely to post a 20% CAGR, operational leverage and higher gross margin at 48% (vs.46.8% in FY24) will drive EPS CAGR of 25% over FY24–FY27F. The last five-year average one-year forward P/E of the stock has been 45, and we believe that higher EPS growth compared to the last three years (24% CAGR vs. -3% CAGR) deserves a 10% premium to the last five-year mean P/E. We upgrade the stock to ADD with a 12-month target price of Rs2,772. **Downside risk:** Delay in ramp-up of ATBS and MEHQ capacity.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	20,847	19,000	22,799	26,675	31,210
Operating EBITDA (Rsm)	5,954	4,701	6,216	7,498	8,873
Net Profit (Rsm)	4,580	3,234	4,356	5,260	6,235
Core EPS (Rs)	44.6	31.2	42.0	50.7	60.1
Core EPS Growth	32.1%	(30.0%)	34.7%	20.7%	18.5%
FD Core P/E (x)	43.36	61.92	45.97	38.08	32.12
DPS (Rs)	10.2	7.1	9.6	11.6	13.8
Dividend Yield	0.53%	0.37%	0.50%	0.60%	0.71%
EV/EBITDA (x)	33.01	42.47	32.14	26.46	22.14
P/FCFE (x)	103.48	(777.97)	(479.78)	78.84	58.39
Net Gearing	(9.1%)	(2.5%)	(1.8%)	(5.8%)	(10.4%)
P/BV (x)	8.95	8.09	7.15	6.25	5.43
ROE	22.6%	13.8%	16.5%	17.5%	18.1%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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New product offerings and revival of ATBS

ATBS is reviving

Following a decline in exports in FY24, ATBS exports are now bouncing back. There is rising demand for high-purity ATBS, and Vinati Organics is likely to be the only company capable of supplying it. With demand outpacing supply and channel destocking now complete, we expect its growth to resume from FY25F. Vinati Organics is currently expanding its ATBS capacity, and by FY26F it is expected to reach 60kt.

Contrary to popular belief, ATBS is not solely an oil and gas chemical ➤

ATBS (acrylamido tertiary butyl sulfonic acid) is a versatile chemical with several industrial applications due to its unique properties such as thermal stability, hydrophilicity, and resistance to harsh environments. Here are the key uses of ATBS:

1. Water Treatment Chemicals:

ATBS is widely used in the manufacture of water treatment polymers, including flocculants and coagulants. These polymers help in purifying wastewater, improving filtration, and maintaining the efficiency of cooling towers, boilers, and desalination plants.

2. Enhanced Oil Recovery (EOR):

ATBS-based polymers are commonly used in oilfield applications, especially in enhanced oil recovery techniques. These polymers improve the viscosity of the injection water, which helps in recovering more oil from reservoirs. It is also used in drilling fluids to enhance fluid viscosity, control water loss, and stabilize the wellbore.

3. Personal Care and Cosmetics:

In the cosmetics industry, ATBS is used in products like hair gels, lotions, and creams due to its ability to form stable, water-soluble polymers that provide thickening, film-forming, and moisturizing effects.

4. Textiles and Paper Industry:

ATBS is utilized in the textile industry for sizing and finishing agents, improving the strength and durability of fabrics. In the paper industry, ATBS-based polymers are used as retention aids and to improve the paper's strength and printability.

5. Adhesives and Sealants:

ATBS is used in the formulation of adhesives, sealants, and coatings due to its excellent binding properties and resistance to extreme temperatures and chemicals.

6. Paints and Coatings:

In paint and coating formulations, ATBS improves the performance of water-based systems by enhancing adhesion, water resistance, and overall durability.

7. Superabsorbent Polymers (SAPs):

ATBS is used in the production of superabsorbent polymers, which are essential in hygiene products like diapers, adult incontinence products, and sanitary pads.

8. Construction Chemicals:

ATBS-based polymers are used in construction chemicals such as concrete admixtures to improve water retention, strength, and workability, especially in high-performance concrete applications.

9. Mining and Mineral Processing:

In the mining industry, ATBS is used in processes like flotation and thickening to improve the separation of minerals from ores.

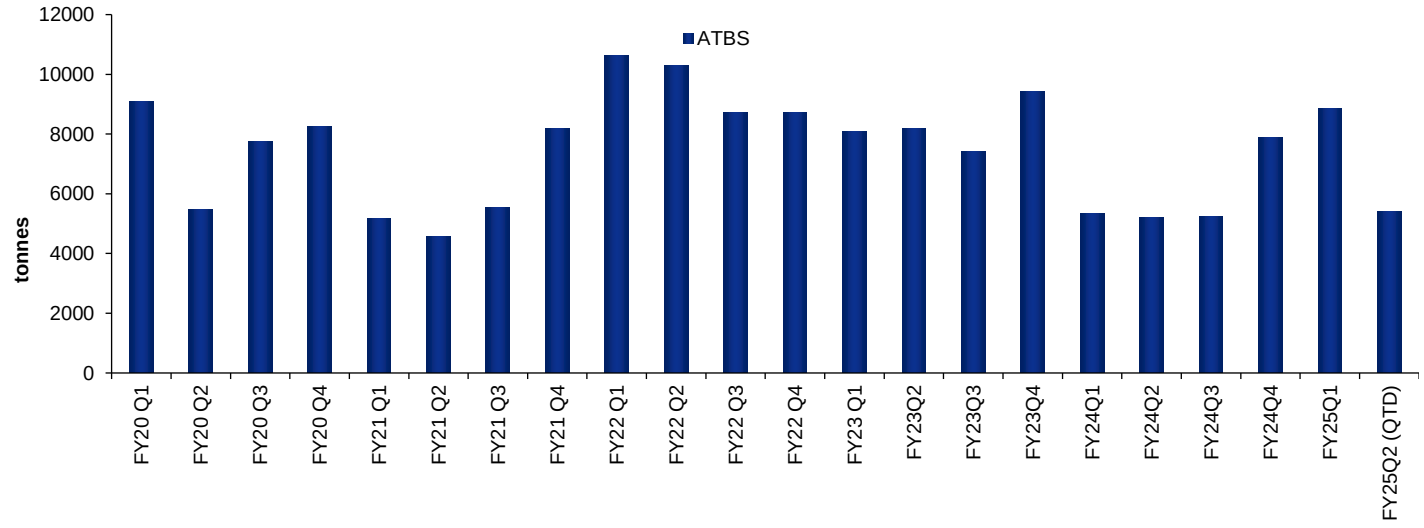
In fact, oil and gas account for only 20-25% of the overall ATBS usage ➤

Overall approximate consumption breakdown:

A. Water Treatment: 40-50%
B. Oil and Gas: 20-25%
C. Personal Care: 10-15%
D. Textiles and Paper: 5-10%
E. Adhesives and Sealants: 5-10%
F. Superabsorbent Polymers: 5%
G. Construction Chemicals: 2-5%
H. Paints and Coatings: 2-5%
I. Mining and Mineral Processing: 2-3%

Channel destocking led to lower ATBS exports in FY24, but exports are reviving in FY25F ➤

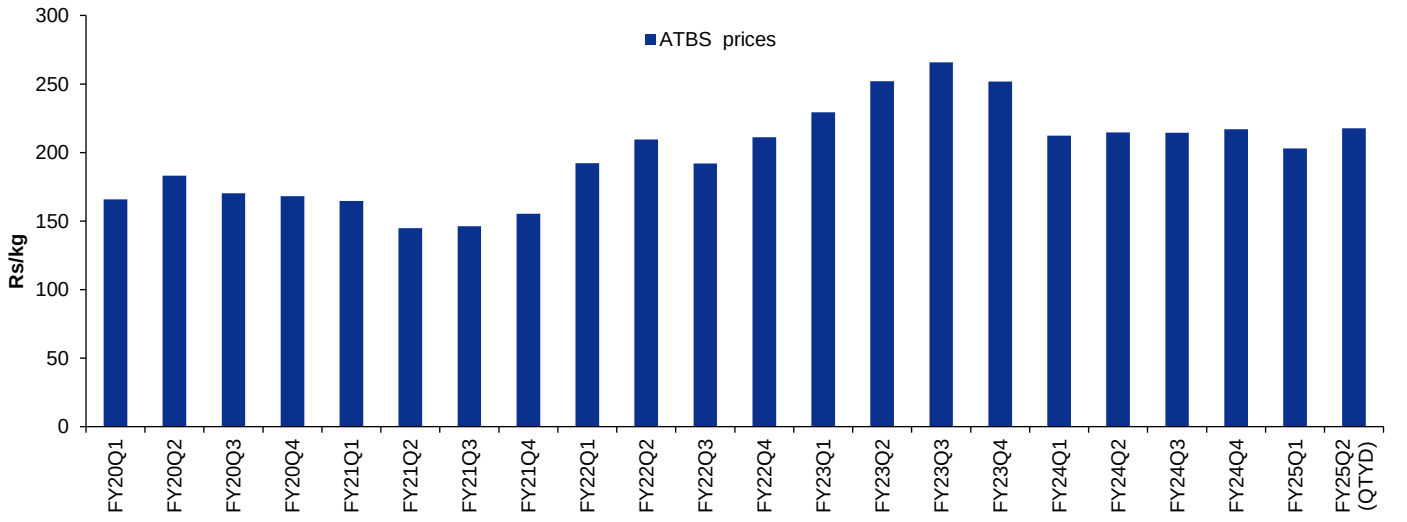
Figure 1: ATBS exports are witnessing a revival



SOURCE: INCRED RESEARCH, COMPANY REPORTS

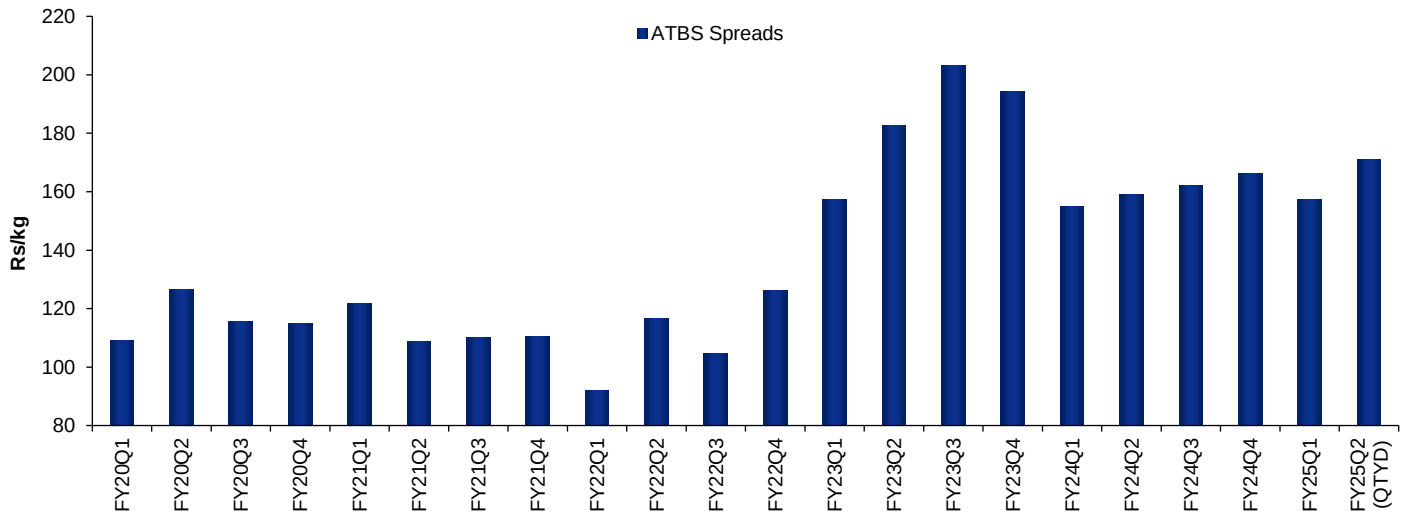
Higher demand for ATBS is leading to higher realization and increased spreads over acrylonitrile ➤

Figure 2: ATBS is on a gradual revival path, with prices up 6% QoQ



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: However, stagnant acrylonitrile prices are leading its spreads to rise by 9% QoQ



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Acrylonitrile is a key product input for ATBS, which is oversupplied ➤

The global production capacity of acrylonitrile is estimated to be around 8.6mt per year and around 3mt capacity is in the pipeline. This capacity is distributed across several key regions, with major production facilities located in Asia-Pacific, North America, and Europe.

The global demand for acrylonitrile is estimated to be approximately 5.5mt per year. This demand is driven by its extensive use in various industries, including the production of ABS, acrylic fibres, and nitrile rubber.

Asia Pacific is the biggest demand driver for acylonitrile➤

1. **Asia Pacific**: The largest contributor to both capacity and demand, driven by industrial growth and increased consumption in the automotive and electronics sectors.
2. **North America**: Significant capacity with steady demand, supported by major manufacturers and advancements in production technology.
3. **Europe**: Moderate capacity and demand, influenced by environmental regulations and market maturity.

Key Factors Influencing Market Dynamics

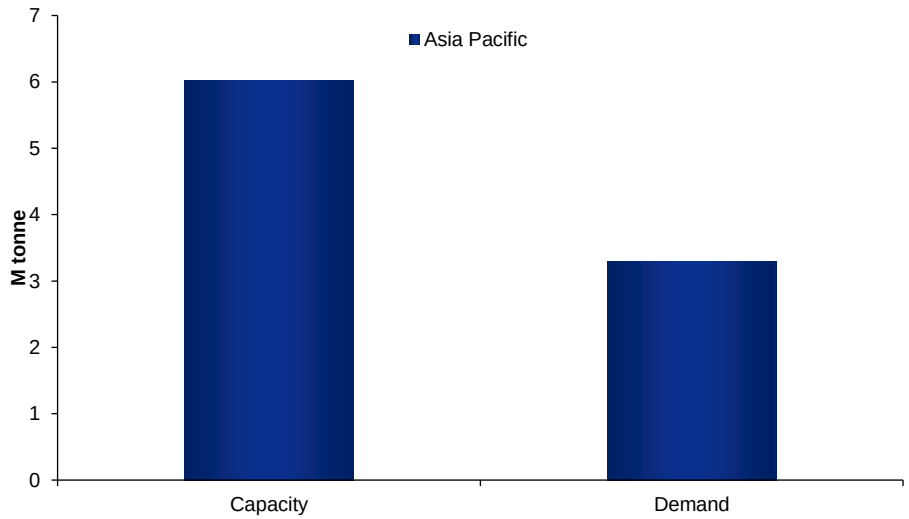
- **Technological advances**: Innovations in production processes are improving efficiency and capacity utilization.
- **Sustainability initiatives**: Rising focus on bio-based acrylonitrile and reduction of greenhouse gas emissions.
- **Economic factors**: Fluctuations in raw material prices and geopolitical factors can impact production and supply chain dynamics.

Detailed Regional Analysis of Acrylonitrile Market »

Asia Pacific

- **Capacity**: Driven by China, Asia Pacific has ~70% of the of the global capacity of 8.6mt.
    1. By 2032F, around 3mt of new acrylonitrile capacity is projected to be added in the Asia Pacific, mainly in China.
    2. Among the present large acrylonitrile producers in China, PetroChina Petrochemical, Zhejiang Petrochemical and Jiangsu Sailboat Petrochemical are planning to add a total capacity of 1,700kt by 2032F.
    3. Multiple new capacities are expected to get started between 2023 to 2027F, with an average capacity size of 260kt.
    4. Some other prominent players planning to add capacity are Kinga, CNOOC, and Tianchen Qixiang.
- **Demand**: In the Asia Pacific region, demand is driven by rapid industrialization and urbanization, especially in countries like China and India. The automotive, electronics, and construction industries are primary consumers of acrylonitrile. The demand in this region is estimated to be around 2.5mt per year.

Figure 4: Asia Pacific has almost 6mt of acrylonitrile capacity and demand is ~3.2mt, posting ~2% CAGR (all data for calendar year 2023)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

North America

- **Capacity**: North America, with the US being the primary contributor, has significant acrylonitrile production capacity. Major producers like INEOS and Ascend Performance Materials operate large-scale production facilities. The total capacity in North America is estimated to be around 1.5mt per year.
- **Demand**: In North America, demand is driven by the automotive and construction sectors, as well as the production of ABS and nitrile rubber. The demand in this region is estimated to be around 1.2mt per year.

Europe

- **Capacity**: Europe has a moderate production capacity for acrylonitrile, with significant contribution from companies like INEOS and Solvay. The total capacity in Europe is estimated to be around 1.2mt per year.
- **Demand**: In Europe, demand is stable, driven by the automotive, electronics, and textile industries. The demand in this region is estimated to be around 1mt per year.

Key Factors:

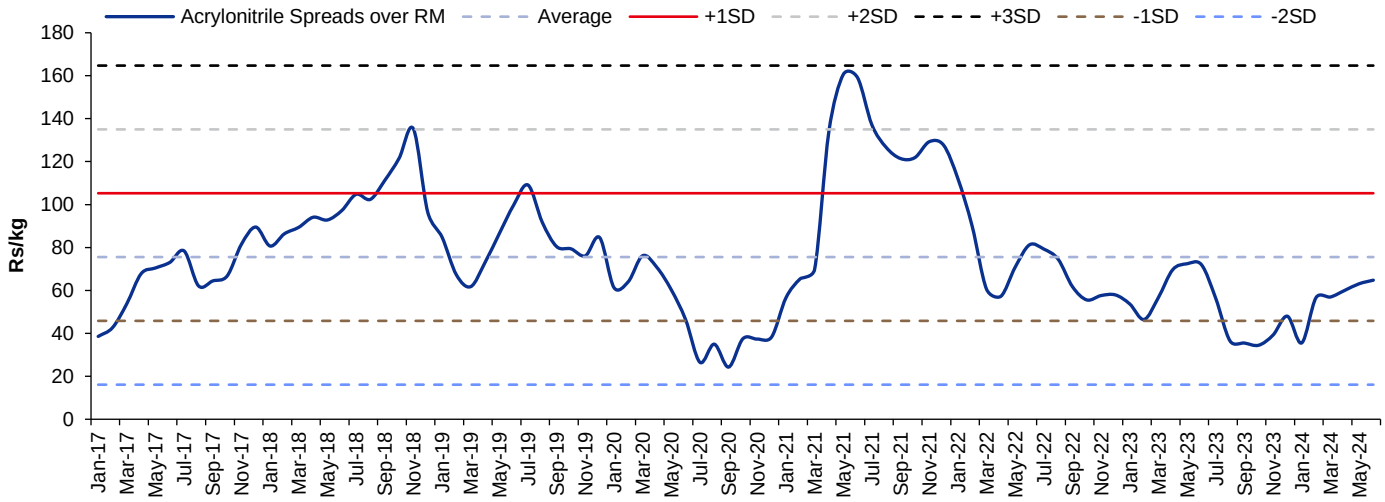
- **Environmental regulations**: Stringent environmental regulations impact production processes and capacity expansion.
- **Market maturity**: A mature market with a focus on sustainability and efficiency.

Other Regions

- **Middle East and Africa**: The production capacity in this region is relatively low compared to other regions, with some emerging capacity in countries like Saudi Arabia. Demand is also lower but growing due to industrial development.
- **South America**: Limited production capacity and demand, with a gradual growth driven by the automotive and construction sectors.

Acrylonitrile's spreads over raw material to remain depressed in the coming future ➤

Figure 5: We don't see any significant increase in acrylonitrile spreads in the coming future (raw materials for acrylonitrile are ammonia and propylene); at the same time, base prices of propylene and ammonia are unlikely to rise, resulting in a correction in acrylonitrile prices



SOURCE: INCRED RESEARCH, COMPANY REPORTS

As we have written in our reports earlier that lower LNG prices will drive down ammonia prices, but ammonia spreads will increase. Please see our report: IN: Chemicals - Overall - Ammonia's spreads over natural gas to rise. Huge overcapacity in petrochemicals is driving down the prices of ammonia as well. Hence, while the spreads will go down, at the same time, raw material prices of acrylonitrile will also fall. Thus, the users of acrylonitrile will benefit.

Hence, ATBS' spreads over raw materials are expected to increase ➤

While we have not factored in the higher spreads in our earnings model, all indicators suggest that ATBS prices will rise while acrylonitrile prices will decline. Consequently, it is likely that ATBS spreads over raw materials will increase.

IBB is likely to remain steady

IBB is a versatile chemical with multiple usage but ibuprofen remains the principal use ➤

Iso-butyl benzene (IBB) has various industrial and chemical applications due to its aromatic and alkyl structure. Some key uses of iso-butyl benzene include:

1. Pharmaceutical Industry

Intermediate for Ibuprofen: Iso-butyl benzene is a crucial precursor in the synthesis of ibuprofen, a widely used nonsteroidal anti-inflammatory drug (NSAID). It undergoes chemical reactions to form the active pharmaceutical ingredient.

2. Chemical Intermediate

Fragrances and Perfumes: IBB can be used as an intermediate in the production of fragrances and aromatic chemicals due to its pleasant odour.

Other Chemicals: It is a precursor for various chemical compounds in industries where its chemical properties are valuable for downstream products.

3. Specialty Solvent

IBB can be used as a solvent in organic synthesis due to its non-polar nature, making it effective for dissolving certain types of compounds.

4. Agrochemical Industry

Iso-butyl benzene can also be used in the production of agrochemicals, such as herbicides, pesticides, and fungicides.

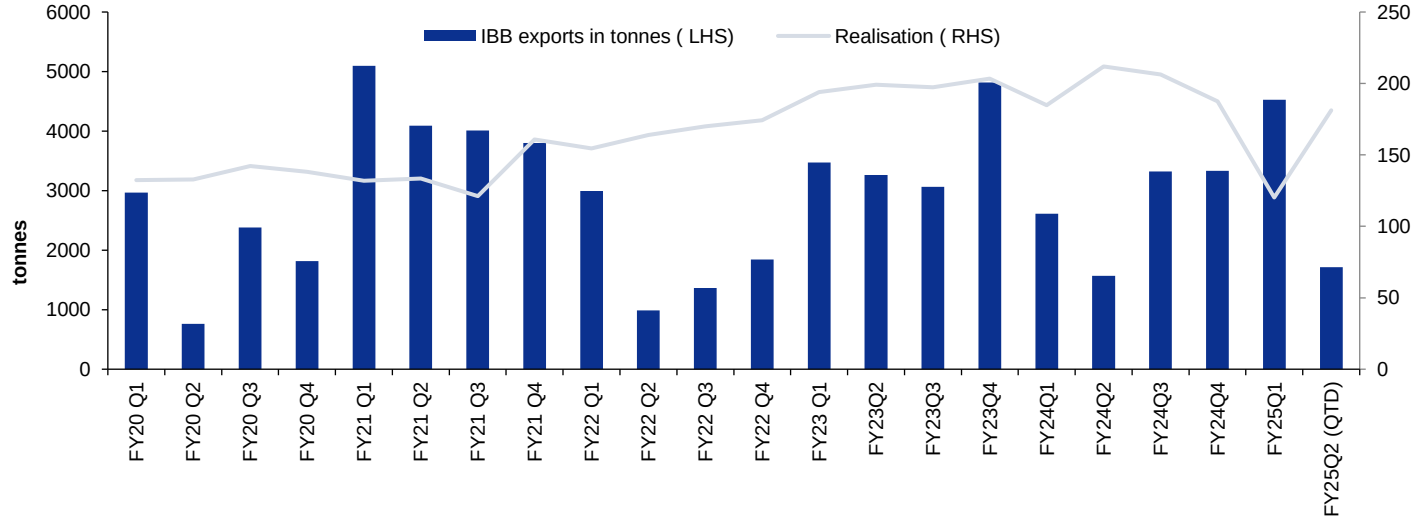
5. Laboratory Use

It may be used as a reference compound or reagent in laboratories for analytical and research purposes, particularly in organic chemistry.

The most prominent application remains its role in the pharmaceutical industry for producing ibuprofen.

Despite quarterly volatility, overall IBB exports have remained steady ➤

Figure 6: After a steep decline in 1QFY25, realization has bounced back



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Multiple other products are in the pipeline

There are multiple other products in the pipeline, such as MEHQ, guaiacol, anisole, and others. Please note that like Clean Science and Technology, Vinati Organics will be using the anisole route to produce MEHQ, and from MEHQ it can produce BHA (butylated hydroxy anisole), which will complete its antioxidant portfolio.

MEHQ manufactured by Vinati Organics is like that of Clean Science and Technology➤

Figure 7: Anisole, H_2O_2 and acetone are used to make MEHQ

MEHQ			
Output			
MEHQ	0.726	kg	
Guaiacol	0.31	kg	
Anisole	0.099	kg	
Input			
Anisole	0.95	kg	
Hydrogen Peroxide	0.8	kg	
Catalyst	0.1	kg	
Acetone	1.5	kg	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Anisole is manufactured using phenol and methanol

Anisole		
Output		
Anisole	1.00	kg
Input		
Phenol	1.00	kg
Methanol	0.34	kg

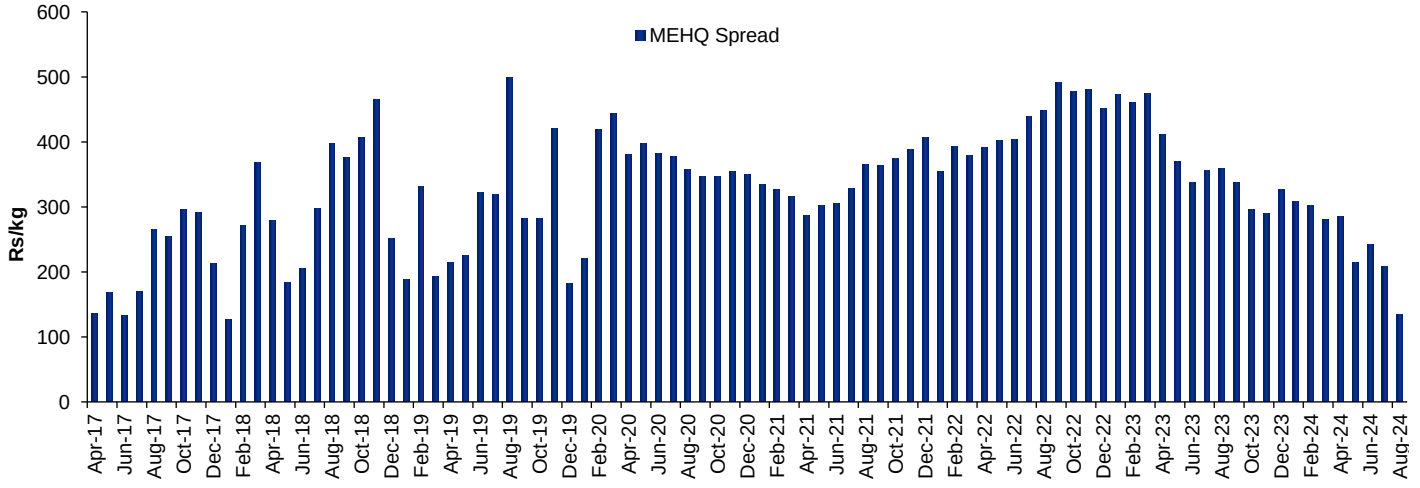
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Hence Vinati Organics doesn't suffer from the handicap of Camlin Fine Sciences (Unrated), and Clean Science and Technology has no advantage over Vinati Organics ➤

Please note that for a long time, Camlin Fine Sciences (UNRATED) was unable to compete with Clean Science and Technology (REDUCE) due to uneconomical HQ production. During production, hydroquinone (HQ) and its isomer catechol are produced in a 45%/55% ratio, respectively. Additionally, catechol sells below raw material prices, making Camlin Fine Sciences uncompetitive compared to Clean Science and Technology. However, it now appears that their vanillin production is stabilizing. So, while there will be competition in the MEHQ market, it's also true that Clean Science and Technology has no advantage over Vinati Organics in this market.

At the same time, we don't expect Vinati Organics to do wonders in MEHQ sales as the spreads of MEHQ are collapsing ➤

Figure 9: As competition heats up in the MEHQ space, its spreads are collapsing



SOURCE: INCRED RESEARCH, COMPANY REPORTS

However, Vinati Organics intends to use a significant portion of MEHQ production for captive consumption ➤

MEHQ (monomethyl ether hydroquinone) is an organic compound used primarily as a polymerization inhibitor. It plays an important role in various industrial processes. Here are some of its primary uses:

1. **Polymerization Inhibitor**: MEHQ is widely used to prevent the unwanted polymerization of monomers during storage and transport, particularly in the production of acrylates, methacrylate, styrene, and vinyl acetate. Without MEHQ, these monomers can polymerize prematurely, causing production problems.

2. **Stabilizer in Cosmetic and Personal Care Products**: MEHQ is sometimes used in a small quantity as a stabilizer for cosmetic products, such as nail polish and adhesives, where it helps to extend shelf life by preventing polymerization.

3. **Antioxidant:** It can be used as an antioxidant in formulations where protection from oxidative degradation is necessary.

4. **Photo initiators and UV-Curing Applications:** MEHQ can be used in photopolymerization processes, helping to stabilize monomers in ultra violet or UV-curable coatings, inks, and adhesives.

5. **Pharmaceutical Intermediates:** In some cases, MEHQ is used as an intermediate or additive in the production of pharmaceuticals, though this is not one of its primary applications.

Please note that Vinati Organics is present in acrylates and makes multiple anti-oxidants. It will also use MEHQ to make BHA (butylated hydroxy anisole) so as to complete its anti-oxidant product slate.

Guaiacol is a byproduct of manufacturing MEHQ and it can be utilized in multiple future products ➤

Guaiacol is an organic compound with a variety of uses across different industries, especially in pharmaceuticals, food flavouring, and industrial applications. Here are the primary uses of guaiacol:

1. **Pharmaceuticals**
   - **Expectorant**: Guaiacol has been used in medicines to treat respiratory conditions, such as bronchitis, due to its expectorant properties, helping to loosen mucus and make coughing more productive.
   - **Analgesic**: It has mild aesthetic and pain-relieving properties.
   - **Antiseptic**: Guaiacol can be used as an antiseptic for its antibacterial and antifungal properties, especially in topical formulations.
2. **Food Flavouring**
   - **Flavouring Agent**: Guaiacol is commonly used in the food industry for its smoky, spicy flavours, especially in barbecue sauces, smoked foods, and certain alcoholic beverages like whisky. It contributes to the smoky aroma and taste of many foods.
3. **Fragrances**
   - **Fragrance Ingredient**: Due to its distinctive aroma, guaiacol is used in perfumes and fragrances, providing a smoky or woody scent.
4. **Vanillin Production**
   - **Synthetic Precursor**: Guaiacol is a key starting material in the industrial production of synthetic vanillin (artificial vanilla flavours), which is widely used in the food and cosmetics industries.

5. **Chemical Intermediate**
   - **Raw Material for Synthesis**: It is used as an intermediate in the production of various other chemicals and compounds, including pharmaceuticals and agrochemicals.
6. **Antioxidant in Industrial Applications**
   - Guaiacol can be used as an antioxidant in certain industrial processes to prevent oxidative degradation of materials, especially in the production of resins and plastics.
7. **Dye and Resin Industry**
   - **Component in Dye Synthesis**: Guaiacol is used in the synthesis of certain dyes and as a stabilizer for synthetic resins.

Vinati Organics' butyl phenol production has ramped up well and more growth is expected going ahead ➤

Butyl phenol refers to a group of organic compounds where a butyl group is attached to a phenol (hydroxybenzene) ring. These compounds can come in different isomeric forms, such as para-butylphenol and ortho-butylphenol, and have various industrial and commercial applications. Given below are the main uses of butyl phenols:

1. **Resin Production**
   - **Phenolic Resins**: Butyl phenol is widely used as a raw material in the production of phenolic resins, which are highly heat-resistant and durable. These resins are used in various industries for making laminates, coatings, adhesives, and moulded products.
   - **Epoxy Resins**: Some forms of butyl phenol are used in epoxy resin systems, particularly for industrial coatings and composites, where their properties enhance adhesion and durability.
2. **Adhesives and Sealants**
   - Butyl phenols are used in the formulation of adhesives and sealants, particularly those used in construction and manufacturing. They help improve the bond strength and durability of adhesives, making them suitable for demanding applications.
3. **Rubber Chemicals**
   - In the rubber industry, butyl phenol derivatives can act as antioxidants and stabilizers, protecting rubber materials from oxidative degradation, thereby improving the longevity and performance of rubber products such as tyres, hoses, and seals.
4. **Plasticizers**
   - Butyl phenol is used as a plasticizer or modifier in polymer materials to enhance flexibility and reduce brittleness, especially in certain types of plastics and rubber materials.
5. **Corrosion Inhibitors**
   - Some butyl phenol derivatives are used as corrosion inhibitors in industrial fluids, such as lubricants and fuels. They help protect metal surfaces from rust and corrosion by forming a protective film.
6. **Chemical Intermediates**
   - Butyl phenols are used as intermediates in the synthesis of various chemicals, including surfactants, detergents, and pharmaceuticals. They are important building blocks in organic chemistry due to their reactivity.
7. **Coatings and Varnishes**
   - Butyl phenols are used in the formulation of coatings, varnishes, and paints. They enhance the chemical resistance, gloss, and durability of the

finished products, making them suitable for industrial and protective coatings.

8. **Fragrance and Flavouring Industry**
   - Some butyl phenol derivatives have been used in a limited amount in the fragrance and flavouring industry, contributing to specific scent profiles, although this is not their primary use.

9. **Stabilizers in Fuels**
   - Butyl phenols are sometimes used as stabilizers in fuels to prevent oxidation and the formation of gum-like substances that can clog engines and fuel systems.

10. **Disinfectants and Preservatives**
   - Certain butyl phenol derivatives exhibit antimicrobial properties and are used in the formulation of disinfectants, preservatives, and biocides, especially in industrial and agricultural applications.

Vinati Organics is planning to incur Rs5bn capex in this space over FY25F ➤

Seeing the potential of butyl phenol, MEHQ, and other chemicals, Vinati Organics is incurring a Rs5bn capital expenditure in this space over FY25F. Please note that after this capex is completed, Vinati Organics can cater to multiple industries and multiple segments of the chemicals market.

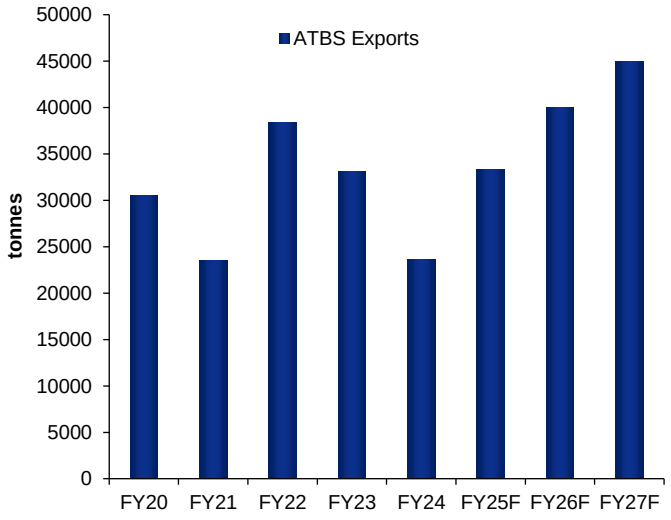
Earnings and valuation

Management has given guidance of a 20% revenue CAGR for the next three years, and we believe the company can easily achieve this. We expect some gross margin improvement in the coming quarters because of the rise in ATBS and IBB prices, as well as a likely fall in acrylonitrile prices. As of now, Vinati Organics imports phenol, whose prices are also expected to fall soon.

Revenue growth to be driven by the rise in ATBS exports and new product sales ➤

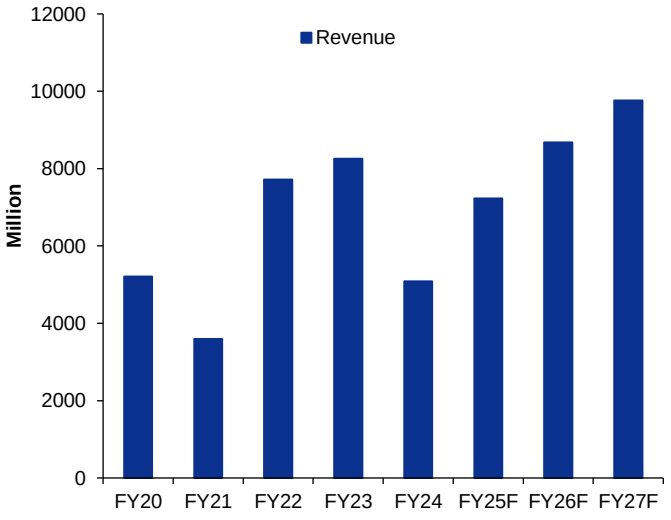
We expect ATBS exports to touch 45,000t by FY27F.

Figure 10: We expect ATBS export volume to touch 45,000t by FY27F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

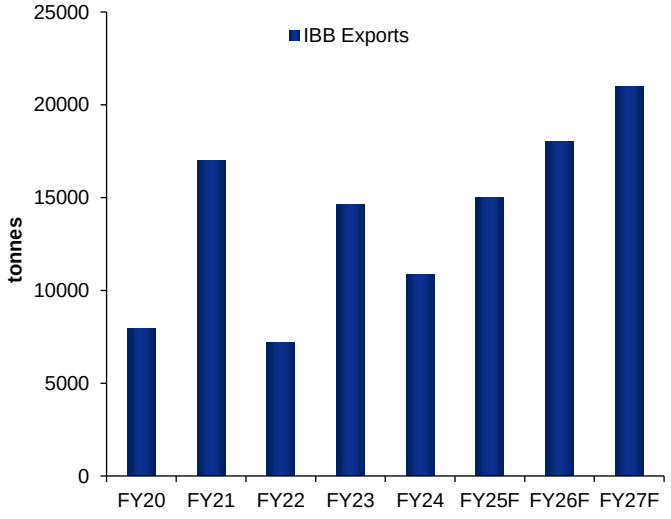
Figure 11: Please note that we are not expecting any increase in ATBS prices; also, we have assumed current spreads over acrylonitrile for gross margin



SOURCE: INCRED RESEARCH, COMPANY REPORTS

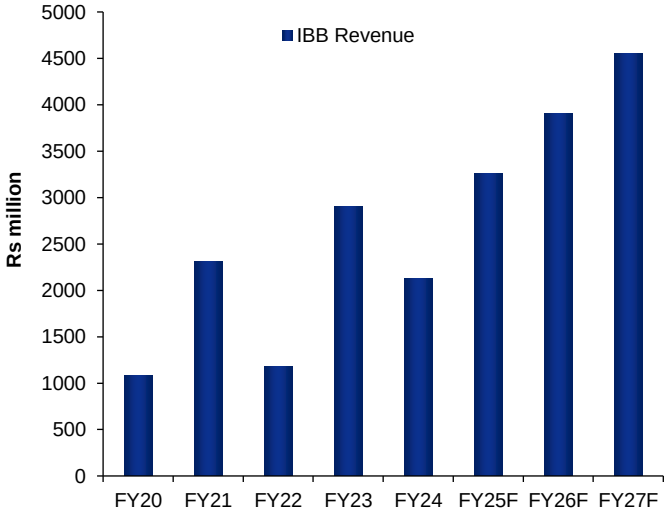
IBB should also revert to its mean level ➤

Figure 12: IBB should revert to the FY23 level in FY25F and be on the growth path



SOURCE: INCRED RESEARCH, COMPANY REPORTS

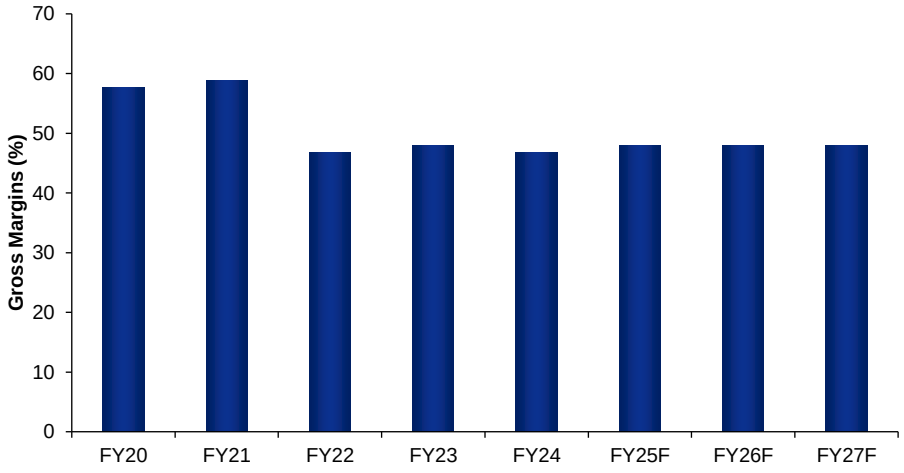
Figure 13: In the case of ATBS, we don't build in any increase in IBB prices as well



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Gross margin should stabilize around 48% ➤

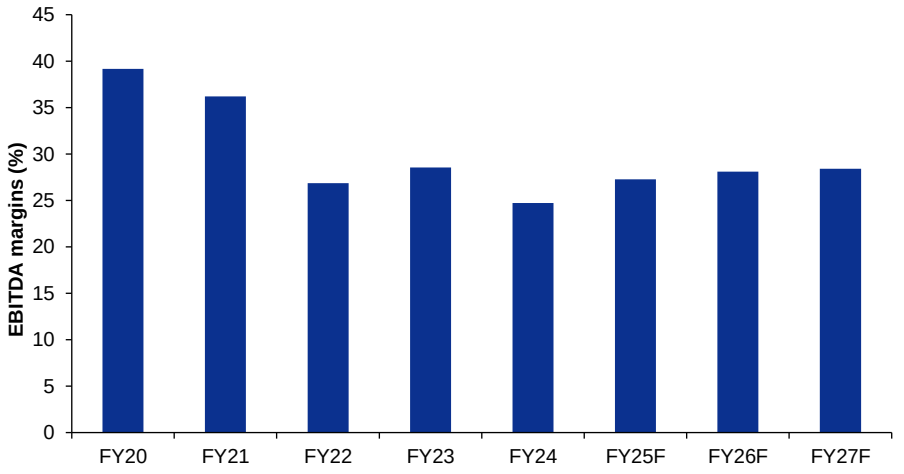
Figure 14: We don't expect the gross margin to go to historical highs, but it will remain around 48%



SOURCE: INCRED RESEARCH, COMPANY REPORTS

As a result, the EBITDA margin will remain around 27% ➤

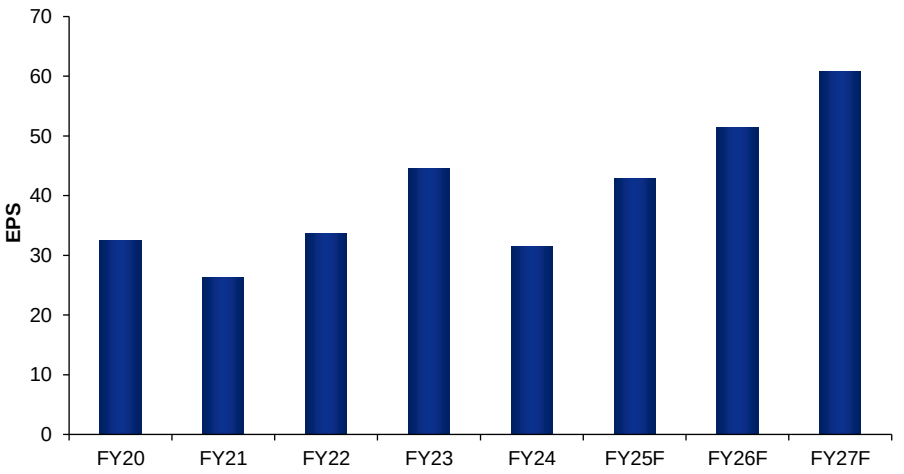
Figure 15: We expect the EBITDA margin to remain around 27%



SOURCE: INCRED RESEARCH, COMPANY REPORTS

EPS is likely to post a 25% CAGR over FY24-27F ➤

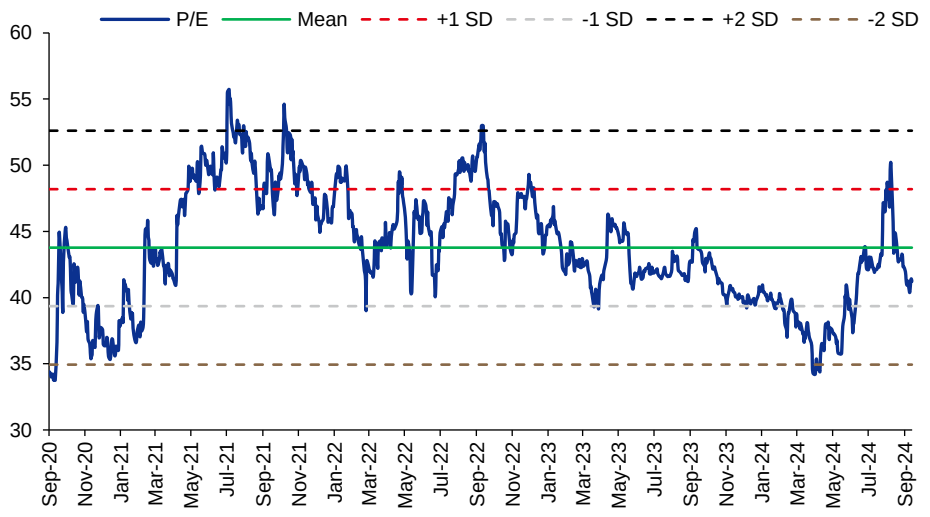
Figure 16: EPS to post a 25% CAGR over FY24-27F



SOURCE: INCRED RESEARCH, COMPANY REPORTS

We value Vinati Organics at 50x one-year forward EPS to arrive at our 12-month target price of Rs2,772 ➤

Figure 17: Over the last five years, Vinati Organics has traded at ~45x its one-year forward P/E



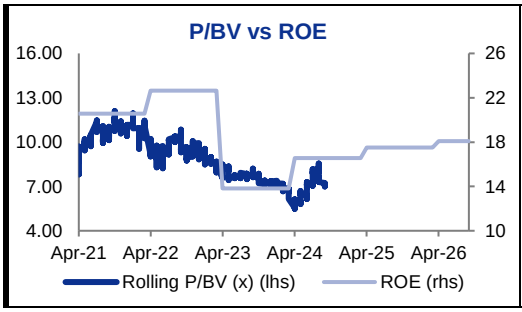
SOURCE: INCRED RESEARCH, COMPANY REPORTS

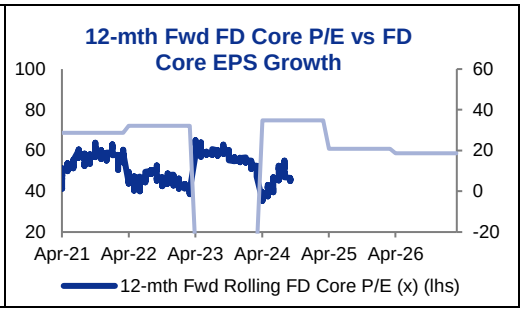
Figure 18: We value the stock at 50x (10% premium to last five years' average P/E) one- year forward EPS to arrive at our target price of Rs2,772

Target Price Methodology		
FY26F EPS	Rs/share	50.7
FY27F EPS	Rs/share	60.1
Sept FY26F EPS		55.4
P/E Multiple	x	50.0
Target Price	Rs/share	2,772

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	**20,847**	**19,000**	**22,799**	**26,675**	**31,210**
Gross Profit	**20,847**	**19,000**	**22,799**	**26,675**	**31,210**
Operating EBITDA	**5,954**	**4,701**	**6,216**	**7,498**	**8,873**
Depreciation And Amortisation	(519)	(728)	(931)	(1,062)	(1,194)
Operating EBIT	**5,435**	**3,973**	**5,285**	**6,435**	**7,679**
Financial Income/(Expense)	(6)	(36)	(4)		
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	724	388	544	599	659
Profit Before Tax (pre-EI)	**6,153**	**4,325**	**5,825**	**7,034**	**8,337**
Exceptional Items					
Pre-tax Profit	**6,153**	**4,325**	**5,825**	**7,034**	**8,337**
Taxation	(1,573)	(1,091)	(1,469)	(1,774)	(2,103)
Exceptional Income - post-tax					
Profit After Tax	**4,580**	**3,234**	**4,356**	**5,260**	**6,235**
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**4,580**	**3,234**	**4,356**	**5,260**	**6,235**
Recurring Net Profit	4,580	3,234	4,356	5,260	6,235
Fully Diluted Recurring Net Profit	**4,580**	**3,234**	**4,356**	**5,260**	**6,235**

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	5,954	4,701	6,216	7,498	8,873
Cash Flow from Invt. & Assoc.					
Change In Working Capital	622	(684)	(841)	(1,282)	(1,499)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(215)	(152)	(178)		
Other Operating Cashflow	(1,889)	(1,319)	(2,390)	(2,949)	(3,547)
Net Interest (Paid)/Received	(6)	(36)	(4)		
Tax Paid	1,310	871	1,469	1,774	2,103
Cashflow From Operations	**5,775**	**3,382**	**4,272**	**5,040**	**5,930**
Capex	(607)	(2,436)	(5,500)	(2,500)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,067)	(1,098)	858		
Cash Flow From Investing	**(3,674)**	**(3,534)**	**(4,642)**	**(2,500)**	**(2,500)**
Debt Raised/(repaid)	(182)	(104)	(46)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(670)	(723)	(997)	(1,204)	(1,428)
Preferred Dividends					
Other Financing Cashflow	(7)	(238)	(4)		
Cash Flow From Financing	**(860)**	**(1,064)**	**(1,048)**	**(1,204)**	**(1,428)**
Total Cash Generated	1,241	(1,216)	(1,418)	1,336	2,003
Free Cashflow To Equity	**1,919**	**(256)**	**(417)**	**2,540**	**3,430**
Free Cashflow To Firm	**2,107**	**(116)**	**(366)**	**2,540**	**3,430**

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS…cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	2,023	670	513	1,849	3,851
Total Debtors	4,696	5,296	6,355	7,436	8,700
Inventories	1,909	1,984	2,381	2,786	3,260
Total Other Current Assets	1,267	2,280	1,292	1,305	1,318
Total Current Assets	**9,895**	**10,231**	**10,541**	**13,375**	**17,129**
Fixed Assets	11,032	15,751	20,325	21,763	23,069
Total Investments	615	2,124			
Intangible Assets					
Total Other Non-Current Assets	3,930	162	162	162	162
Total Non-current Assets	**15,577**	**18,037**	**20,487**	**21,925**	**23,231**
Short-term Debt	2	46			
Current Portion of Long-Term Debt					
Total Creditors	1,179	1,007	1,208	1,413	1,653
Other Current Liabilities	1,014	997	423	433	445
Total Current Liabilities	**2,196**	**2,050**	**1,631**	**1,846**	**2,099**
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	67	239	60	60	60
Total Non-current Liabilities	**67**	**239**	**60**	**60**	**60**
Total Provisions	1,021	1,335	1,335	1,335	1,335
Total Liabilities	**3,284**	**3,624**	**3,026**	**3,242**	**3,494**
Shareholders Equity	22,188	24,644	28,003	32,058	36,865
Minority Interests					
Total Equity	**22,188**	**24,644**	**28,003**	**32,058**	**36,865**

Key Ratios

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	29.0%	(8.9%)	20.0%	17.0%	17.0%
Operating EBITDA Growth	37.2%	(21.0%)	32.2%	20.6%	18.3%
Operating EBITDA Margin	28.6%	24.7%	27.3%	28.1%	28.4%
Net Cash Per Share (Rs)	19.66	6.04	4.95	17.83	37.15
BVPS (Rs)	215.87	238.74	270.12	309.25	355.62
Gross Interest Cover	866.52	109.42	1,273.14		
Effective Tax Rate	25.6%	25.2%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	22.9%	22.9%	22.9%	22.9%	22.9%
Accounts Receivables Days	81.24	95.98	93.27	94.35	94.35
Inventory Days	nm	nm	nm	nm	nm
Accounts Payables Days	nm	nm	nm	nm	nm
ROIC (%)	26.3%	16.9%	18.3%	20.4%	22.3%
ROCE (%)	25.5%	16.1%	19.1%	20.5%	21.5%
Return On Average Assets	19.8%	12.2%	14.7%	15.9%	16.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.