

May 30, 2025

Company Update

■ Change in Estimates | ☒ Target | ■ Reco

Change in Estimates

| | Current | | Previous | |
|----------------|---------|--------|----------|--------|
| | FY26E | FY27E | FY26E | FY27E |
| Rating | BUY | | BUY | |
| Target Price | 5,440 | | 4,930 | |
| Sales (Rs. m) | 24,847 | 27,208 | 24,847 | 27,208 |
| % Chng. | - | - | - | - |
| EBITDA (Rs. m) | 5,939 | 6,562 | 5,939 | 6,562 |
| % Chng. | - | - | - | - |
| EPS (Rs.) | 154.7 | 170.0 | 154.7 | 170.0 |
| % Chng. | - | - | - | - |

Key Financials - Consolidated

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 21,230 | 22,691 | 24,847 | 27,208 |
| EBITDA (Rs. m) | 5,340 | 5,129 | 5,939 | 6,562 |
| Margin (%) | 25.2 | 22.6 | 23.9 | 24.1 |
| PAT (Rs. m) | 4,145 | 4,105 | 4,743 | 5,212 |
| EPS (Rs.) | 135.2 | 133.9 | 154.7 | 170.0 |
| Gr. (%) | (33.1) | (1.0) | 15.5 | 9.9 |
| DPS (Rs.) | 9.0 | 10.0 | 12.4 | 13.6 |
| Yield (%) | 0.2 | 0.2 | 0.3 | 0.3 |
| RoE (%) | 23.9 | 19.5 | 18.9 | 17.5 |
| RoCE (%) | 27.4 | 21.8 | 21.3 | 19.8 |
| EV/Sales (x) | 6.3 | 5.9 | 5.4 | 4.9 |
| EV/EBITDA (x) | 25.0 | 26.2 | 22.5 | 20.2 |
| PE (x) | 34.7 | 35.0 | 30.3 | 27.6 |
| P/BV (x) | 7.5 | 6.3 | 5.3 | 4.5 |

Key Data FINO.BO | FINEORG IN

| | |
|---------------------|----------------------|
| 52-W High / Low | Rs.5,959 / Rs.3,355 |
| Sensex / Nifty | 81,633 / 24,834 |
| Market Cap | Rs.144bn / \$ 1,681m |
| Shares Outstanding | 31m |
| 3M Avg. Daily Value | Rs.137.24m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 75.00 |
| Foreign | 4.66 |
| Domestic Institution | 12.04 |
| Public & Others | 8.31 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|------|--------|-------|
| Absolute | 11.5 | (9.8) | 2.2 |
| Relative | 9.7 | (11.8) | (6.8) |

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Possible foray into developed markets

Quick Pointers:

- Developed markets offer good scope, especially for food emulsifiers
- Even developed markets offer EBITDAM of ~15% and ROCE of ~15%

Fine Organic (FINEORG IN) has been guiding that its facilities are fully utilized except Patalganga, primarily a food emulsifier plant. While erucamide remains the mainstay of the company as per our understanding, food emulsifier segment in developed markets offers a good opportunity for growth. Fine Organic has often showed its intent to foray into developed markets. Against the backdrop of 22% ROCE and 34% ROIC in past five years (excluding supernormal FY23) that the company has been making in India, it becomes important to see what kind of margins and returns one would make if it were to start manufacturing in a developed country like the US. In a segment with limited information, our report concludes from Corbion-Kingswood recent transaction that even in the US, the segment offers a good ~15% EBITDAM and ROCE of ~15%.

- Food emulsifiers segment:** Through various functionalities like emulsion stability/uniformity, viscosity control, aeration, suspension and influencing sensory attributes, food emulsifiers provide better texture and feel, extended shelf-life, optimized production, fat reduction among other product benefits. In food segment, these are used in dairy products, confectionary, processed meat, ice-creams among others. Emulsifiers also find usage in personal care and polymers. Corbion, which focused on its strengths in fermentation, divested its food emulsifier segment in 2024 at ~12x trailing EBITDA, as per our calculations.
- Corbion made ~15% EBITDAM & ~15% ROCE:** Corbion's focus had changed largely to fermentation a couple of years back when it decided to divest its non-core businesses of food emulsifiers. This segment remained largely flat in past few years with revenue CAGR of 1.4% during FY19-23. It sold off the segment comprising of two plants in the US and related employees at USD362mn to Kingswood Capital, implying ~12x trailing EV/EBITDA, as per our calculations.
- JNPA SEZ to start in FY27 end:** The EC has been obtained while few other minor approvals are being obtained. The company intends to shift large part of its existing export basket to JNPA. With existing fixed asset turnover, this could double the revenues of the company by FY29.
- Valuation and recommendation:** Fine Organic is trading at 28x FY27 EPS of Rs170 (consensus Rs150, FY25 EPS Rs134). Although the management guides that the capacities are fully utilized except at Patalganga, export data suggests that quarterly volumes in Q4FY25 were ~15% below the peaks seen in recent times. Additionally, implied realization also appears bottomed out. Considering the boost that could come from the Indian expansion and possible foray into developed markets, we value the stock at 32x FY27 EPS of Rs170 and raise the target price from Rs4,930 to Rs5,440 and reiterate our Buy recommendation on the stock.

Exhibit 1: EBITDAM of food emulsifier segment of Corbion (fiscal yr Jan-Dec)

| Euro mn | FY19 | FY20 | FY21 | FY22 | FY23 |
|-------------|-------|-------|-------|-------|-------|
| Sales | 169.9 | 151.5 | 143.6 | 203.5 | 179.8 |
| Adj EBITDA | 24.4 | 23.5 | 17.7 | 34.3 | 28.1 |
| EBITDAM (%) | 14.4 | 15.5 | 12.3 | 16.9 | 15.6 |

Assets sold (Euro mn) 137.4

Est ROCE (%) 15.3

Source: Corbion, PL

Exhibit 2: Valuation of Corbion's food emulsifier segment

| Valuation | |
|--|-------|
| EBITDA for food segment (FY23) | 28.1 |
| Valuation by Kingswood Capital (USDmn) | 362.0 |
| USD/Euro (2023) | 1.1 |
| EV/EBITDA (x) | 11.9 |
| EV/assets (x) | 2.6 |

Source: Corbion, PL

Exhibit 3: Few recent M&As in the food emulsifier segment

| Seller | Time of announcement | Assets | Acquirer | Transaction value (USDmn) | EV/EBITDA (x) |
|---------------------------|----------------------|-----------------------------------|-------------------|---------------------------|---------------|
| Corbion | Jan'24 | Two plants in the US | Kingswood Capital | 362.0 | 11.9 |
| BASF | Dec'24 | Food and Health Ingredients | Louis Dreyfas | | Not disclosed |
| Savannah Surfactants | Nov'24 | Food additive/emulsifier business | Godrej Industries | 9.3 | |
| Novotech Food Ingredients | Aug'24 | Bread improver segment | Corbion | | Not disclosed |
| Azevedo Oleos | Oct'24 | Majority stake in the company | Oleon | | Not disclosed |

Source: Industry, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Revenues | 21,230 | 22,691 | 24,847 | 27,208 |
| YoY gr. (%) | (29.8) | 6.9 | 9.5 | 9.5 |
| Cost of Goods Sold | 12,170 | 13,286 | 14,163 | 15,372 |
| Gross Profit | 9,059 | 9,406 | 10,684 | 11,835 |
| Margin (%) | 42.7 | 41.5 | 43.0 | 43.5 |
| Employee Cost | 1,195 | 1,352 | 1,527 | 1,734 |
| Other Expenses | 2,523 | 2,926 | 3,218 | 3,540 |
| EBITDA | 5,340 | 5,129 | 5,939 | 6,562 |
| YoY gr. (%) | (35.7) | (4.0) | 15.8 | 10.5 |
| Margin (%) | 25.2 | 22.6 | 23.9 | 24.1 |
| Depreciation and Amortization | 561 | 523 | 589 | 681 |
| EBIT | 4,779 | 4,606 | 5,350 | 5,881 |
| Margin (%) | 22.5 | 20.3 | 21.5 | 21.6 |
| Net Interest | 24 | 22 | 20 | 20 |
| Other Income | 719 | 976 | 994 | 1,088 |
| Profit Before Tax | 5,468 | 5,552 | 6,323 | 6,949 |
| Margin (%) | 25.8 | 24.5 | 25.4 | 25.5 |
| Total Tax | 1,322 | 1,447 | 1,581 | 1,737 |
| Effective tax rate (%) | 24.2 | 26.1 | 25.0 | 25.0 |
| Profit after tax | 4,145 | 4,105 | 4,743 | 5,212 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 4,145 | 4,105 | 4,743 | 5,212 |
| YoY gr. (%) | (33.1) | (1.0) | 15.5 | 9.9 |
| Margin (%) | 19.5 | 18.1 | 19.1 | 19.2 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 4,145 | 4,105 | 4,743 | 5,212 |
| YoY gr. (%) | (33.1) | (1.0) | 15.5 | 9.9 |
| Margin (%) | 19.5 | 18.1 | 19.1 | 19.2 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 4,145 | 4,105 | 4,743 | 5,212 |
| Equity Shares O/s (m) | 31 | 31 | 31 | 31 |
| EPS (Rs) | 135.2 | 133.9 | 154.7 | 170.0 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 6,085 | 7,921 | 11,721 | 15,521 |
| Tangibles | 6,085 | 7,921 | 11,721 | 15,521 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | 3,815 | 4,338 | 4,927 | 5,608 |
| Tangibles | 3,815 | 4,338 | 4,927 | 5,608 |
| Intangibles | - | - | - | - |
| Net fixed assets | 2,270 | 3,583 | 6,794 | 9,913 |
| Tangibles | 2,270 | 3,583 | 6,794 | 9,913 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | 297 | 272 | 272 | 272 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 362 | 353 | 353 | 353 |
| Net Deferred tax assets | 133 | 153 | 153 | 153 |
| Other Non-Current Assets | 1,809 | 4,302 | 4,711 | 5,158 |
| Current Assets | | | | |
| Investments | - | - | - | - |
| Inventories | 2,609 | 3,629 | 3,585 | 3,914 |
| Trade receivables | 3,113 | 3,315 | 3,630 | 3,975 |
| Cash & Bank Balance | 10,485 | 9,499 | 10,149 | 10,919 |
| Other Current Assets | - | - | - | - |
| Total Assets | 21,078 | 25,107 | 29,646 | 34,657 |
| Equity | | | | |
| Equity Share Capital | 153 | 153 | 153 | 153 |
| Other Equity | 19,057 | 22,799 | 27,162 | 31,957 |
| Total Networth | 19,210 | 22,952 | 27,316 | 32,110 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | - | - | - | - |
| Provisions | 200 | 297 | 325 | 356 |
| Other non current liabilities | - | - | - | - |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | - | - | - | - |
| Trade payables | 1,354 | 1,555 | 1,674 | 1,827 |
| Other current liabilities | 313 | 303 | 332 | 363 |
| Total Equity & Liabilities | 21,078 | 25,107 | 29,646 | 34,657 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|--|----------------|----------------|----------------|----------------|
| PBT | 5,441 | 5,552 | 6,323 | 6,949 |
| Add. Depreciation | 561 | 522 | 589 | 681 |
| Add. Interest | (460) | (694) | 20 | 20 |
| Less Financial Other Income | 719 | 976 | 994 | 1,088 |
| Add. Other | (181) | (197) | - | - |
| Op. profit before WC changes | 5,361 | 5,182 | 6,933 | 7,650 |
| Net Changes-WC | 2,484 | (1,687) | (503) | (906) |
| Direct tax | (1,500) | (1,455) | (1,581) | (1,737) |
| Net cash from Op. activities | 6,345 | 2,040 | 4,849 | 5,007 |
| Capital expenditures | (864) | (1,276) | (3,800) | (3,800) |
| Interest / Dividend Income | 466 | 680 | - | - |
| Others | (3,508) | (6,090) | - | - |
| Net Cash from Invst. activities | (3,906) | (6,686) | (3,800) | (3,800) |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (274) | - | - | - |
| Dividend paid | (276) | (307) | (379) | (417) |
| Interest paid | (22) | (19) | (20) | (20) |
| Others | (14) | (18) | - | - |
| Net cash from Fin. activities | (585) | (343) | (399) | (437) |
| Net change in cash | 1,853 | (4,989) | 649 | 770 |
| Free Cash Flow | 5,481 | 764 | 1,049 | 1,207 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY24 | FY25 | FY26E | FY27E |
|----------------------------|-------|-------|-------|---------|
| Per Share(Rs) | | | | |
| EPS | 135.2 | 133.9 | 154.7 | 170.0 |
| CEPS | 153.5 | 150.9 | 173.9 | 192.2 |
| BVPS | 626.6 | 748.6 | 890.9 | 1,047.3 |
| FCF | 178.8 | 24.9 | 34.2 | 39.4 |
| DPS | 9.0 | 10.0 | 12.4 | 13.6 |
| Return Ratio(%) | | | | |
| RoCE | 27.4 | 21.8 | 21.3 | 19.8 |
| ROIC | 37.8 | 30.7 | 26.2 | 23.0 |
| RoE | 23.9 | 19.5 | 18.9 | 17.5 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.5) | (0.4) | (0.4) | (0.3) |
| Net Working Capital (Days) | 75 | 87 | 81 | 81 |
| Valuation(x) | | | | |
| PER | 34.7 | 35.0 | 30.3 | 27.6 |
| P/B | 7.5 | 6.3 | 5.3 | 4.5 |
| P/CEPS | 30.6 | 31.1 | 27.0 | 24.4 |
| EV/EBITDA | 25.0 | 26.2 | 22.5 | 20.2 |
| EV/Sales | 6.3 | 5.9 | 5.4 | 4.9 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.3 | 0.3 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Net Revenue | 5,497 | 5,958 | 5,132 | 6,068 |
| YoY gr. (%) | 0.5 | 10.2 | 5.1 | 11.0 |
| Raw Material Expenses | 3,102 | 3,409 | 3,109 | 3,666 |
| Gross Profit | 2,395 | 2,549 | 2,024 | 2,402 |
| Margin (%) | 43.6 | 42.8 | 39.4 | 39.6 |
| EBITDA | 1,397 | 1,506 | 990 | 1,196 |
| YoY gr. (%) | (1.1) | 14.9 | (16.3) | (16.7) |
| Margin (%) | 25.4 | 25.3 | 19.3 | 19.7 |
| Depreciation / Depletion | 117 | 124 | 130 | 148 |
| EBIT | 1,280 | 1,382 | 860 | 1,047 |
| Margin (%) | 23.3 | 23.2 | 16.8 | 17.3 |
| Net Interest | 6 | 4 | 4 | 7 |
| Other Income | 245 | 219 | 291 | 258 |
| Profit before Tax | 1,519 | 1,597 | 1,146 | 1,298 |
| Margin (%) | 27.6 | 26.8 | 22.3 | 21.4 |
| Total Tax | 382 | 418 | 319 | 328 |
| Effective tax rate (%) | 25.1 | 26.2 | 27.9 | 25.3 |
| Profit after Tax | 1,137 | 1,179 | 827 | 970 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 1,137 | 1,179 | 827 | 970 |
| YoY gr. (%) | 13.2 | 13.2 | (13.1) | (15.8) |
| Margin (%) | 20.7 | 19.8 | 16.1 | 16.0 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 1,137 | 1,179 | 827 | 970 |
| YoY gr. (%) | 13.2 | 13.2 | (13.1) | (15.8) |
| Margin (%) | 20.7 | 19.8 | 16.1 | 16.0 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,137 | 1,179 | 827 | 970 |
| Avg. Shares O/s (m) | - | - | - | - |
| EPS (Rs) | 36.9 | 38.3 | 27.0 | 31.7 |

Source: Company Data, PL Research

Price Chart

Recommendation History



| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 13-May-25 | BUY | 4,930 | 4,176 |
| 2 | 08-Apr-25 | BUY | 4,798 | 3,960 |
| 3 | 06-Feb-25 | BUY | 5,199 | 4,350 |
| 4 | 08-Jan-25 | BUY | 5,765 | 4,474 |
| 5 | 10-Nov-24 | BUY | 5,852 | 5,000 |
| 6 | 05-Oct-24 | Accumulate | 5,568 | 5,142 |
| 7 | 31-Jul-24 | Accumulate | 6,172 | 5,535 |
| 8 | 04-Jul-24 | Accumulate | 5,685 | 5,337 |

Analyst Coverage Universe

| Sr. No. | CompanyName | Rating | TP (Rs) | Share Price (Rs) |
|---------|-------------------------------------|------------|---------|------------------|
| 1 | Aarti Industries | Reduce | 394 | 449 |
| 2 | Bharat Petroleum Corporation | Reduce | 267 | 311 |
| 3 | Bharti Airtel | Accumulate | 1,988 | 1,834 |
| 4 | Clean Science and Technology | Hold | 1,354 | 1,329 |
| 5 | Deepak Nitrite | Reduce | 1,799 | 2,096 |
| 6 | Fine Organic Industries | BUY | 4,930 | 4,176 |
| 7 | GAIL (India) | Hold | 191 | 184 |
| 8 | Gujarat Fluorochemicals | Reduce | 3,541 | 3,988 |
| 9 | Gujarat Gas | Sell | 372 | 464 |
| 10 | Gujarat State Petronet | Hold | 348 | 339 |
| 11 | Hindustan Petroleum Corporation | Sell | 321 | 410 |
| 12 | Indian Oil Corporation | Reduce | 122 | 143 |
| 13 | Indraprastha Gas | Sell | 150 | 185 |
| 14 | Jubilant Ingrevia | Hold | 735 | 700 |
| 15 | Laxmi Organic Industries | Reduce | 172 | 190 |
| 16 | Mahanagar Gas | Hold | 1,410 | 1,410 |
| 17 | Mangalore Refinery & Petrochemicals | Sell | 109 | 129 |
| 18 | Navin Fluorine International | Accumulate | 5,161 | 4,595 |
| 19 | NOCIL | Reduce | 172 | 184 |
| 20 | Oil & Natural Gas Corporation | Accumulate | 276 | 242 |
| 21 | Oil India | BUY | 649 | 430 |
| 22 | Petronet LNG | Reduce | 292 | 321 |
| 23 | Reliance Industries | Accumulate | 1,482 | 1,300 |
| 24 | SRF | Hold | 3,069 | 2,928 |
| 25 | Vinati Organics | Accumulate | 1,882 | 1,765 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (IIR) | : Rating likely to change shortly |

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