

February 3, 2025

## Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	ACCUMULATE		ACCUMULATE	
<b>Target Price</b>	1,934		1,925	
Sales (Rs. m)	25,496	28,062	24,669	27,193
% Chng.	3.4	3.2		
EBITDA (Rs. m)	6,603	7,313	6,334	7,025
% Chng.	4.2	4.1		
EPS (Rs.)	43.2	47.2	41.8	45.7
% Chng.	3.4	3.2		

### Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	19,000	22,412	25,496	28,062
EBITDA (Rs. m)	4,701	5,757	6,603	7,313
Margin (%)	24.7	25.7	25.9	26.1
PAT (Rs. m)	3,234	3,995	4,477	4,889
EPS (Rs.)	31.2	38.5	43.2	47.2
Gr. (%)	(22.8)	23.5	12.1	9.2
DPS (Rs.)	7.0	8.6	9.7	10.6
Yield (%)	0.4	0.5	0.6	0.6
RoE (%)	13.8	15.3	15.2	14.8
RoCE (%)	16.8	17.6	16.5	15.8
EV/Sales (x)	9.5	8.2	7.3	6.6
EV/EBITDA (x)	38.6	31.9	28.0	25.3
PE (x)	56.1	45.4	40.5	37.1
P/BV (x)	7.4	6.5	5.8	5.2

### Key Data

VNTI.BO | VO IN

52-W High / Low	Rs.2,331 / Rs.1,462
Sensex / Nifty	77,506 / 23,482
Market Cap	Rs.181bn/ \$ 2,094m
Shares Outstanding	104m
3M Avg. Daily Value	Rs.106m

### Shareholding Pattern (%)

Promoter's	74.28
Foreign	5.31
Domestic Institution	7.61
Public & Others	12.80
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.9)	(19.5)	1.6
Relative	(1.7)	(15.0)	(6.0)

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## ATBS expansion to commission soon

### Quick Pointers:

- New antioxidants in pipeline. This segment contributed Rs1.6bn in 9MFY25; FY25 revenue guidance at Rs2-2.5bn
- ATBS capacity expansion to 60,000mtpa in Q4FY25 to align with demand, on track; ATBS contributed 39% of the topline in Q3FY25

**Vinati Organics (VO IN) reported revenue of Rs5.2bn in Q3FY25, reflecting a 16.4% YoY increase, but a 5.7% QoQ decline largely due to seasonal factors. The company remains optimistic about a strong Q4FY25 and has maintained its 20% revenue growth target for FY25. ATBS, the company's key high-margin product, contributed 39% of total revenue in Q3FY25, up from 36% in Q2FY25. This rising contribution has driven margin expansion, with further improvements expected as ATBS expansion comes online. Antioxidants revenue, projected to double in FY25 from Rs1.3bn in FY24, reached Rs1.6bn in 9MFY25. MEHQ and guaiacol, launched in Mar'24, are expected to make a meaningful revenue contribution from FY26, with a peak potential of Rs4bn. ATBS capacity expansion and additional antioxidant launches are on track. As ATBS expansion aligns with growing demand and contributions from new products rise, we expect an improvement in the company's performance. The stock currently trades at 37x FY27 EPS. We maintain 'Accumulate' rating with a revised target price of Rs1,934, valuing it at 41x FY27 EPS.**

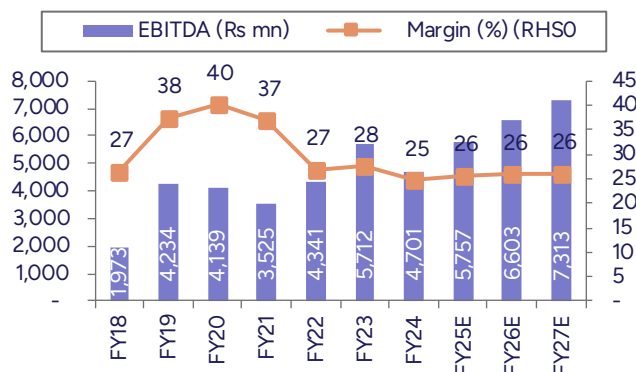
- **Healthy YoY topline growth:** Standalone and consolidated revenue stood at Rs5.2bn (16.4% YoY/ 5.4% QoQ; PLe: Rs5.5bn, Consensus: Rs5.4bn). The reported topline was 4.8% lower than our estimates. 9MFY25 revenue was 18.5% higher than 9MFY24. Gross profit margin at 49% (vs 47.2% in Q3FY24 and 45.8% in Q2FY25) improved sequentially by 320bps as contribution from ATBS increased to 39%, a high-margin product.
- **EBITDAM increased by 180bps YoY and 320bps QoQ:** EBITDA at Rs1.4bn increased 24.5% YoY and 6.5% QoQ (PLe: Rs1,345mn, Consensus: Rs1,354mn). EBITDAM stood at 27.4% (PLe: 24.5%) as against 25.6% in Q3FY24 and 24.2% in Q2FY25; the 320bps sequential increase can be attributed due to lower operating expenses.
- **PAT margin decreased 110bps QoQ due to an increase in tax rate:** Reported standalone PAT stood at Rs956mn (24.2% YoY/ -10% QoQ), while margin was 18% vs 17% in Q3FY24 and 19% Q2FY25. PAT margin decreased sequentially due to an increase in effective tax of 400bps.
- **Management commentary:** (1) Revenue decreased sequentially as Q3 exports were slightly lower for the company; Q4 is expected to be strong. (2) Margins improved as the revenue mix of ATBS improved, which is a high-margin product. (3) Revenue mix – ATBS: 39%, antioxidants: 10%, butyl phenols: 20%, IBB & others: 30%. (4) Revenue from antioxidants segment stood at Rs1.6bn in 9MFY25; FY25 guidance for the segment is Rs2-2.5bn. (5) 20% revenue growth guidance for FY25 has been maintained. (6) New antioxidants are expected to be launched soon. (7) ATBS capacity expansion from 40,000mtpa to 60,000mtpa in Q4FY25, is on track. (8) Domestic: Export mix stands at 48%:52%. (9) Veeral Organics is expected to make significant topline contribution from FY26. (10) The company incorporated wholly owned subsidiaries in USA for exploring opportunities in the US market.

Exhibit 1: Q3FY25 Result Overview - Standalone (Rs mn)

Y/e March	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	% Var.	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
<b>Net Sales</b>	<b>5,217</b>	<b>4,480</b>	<b>16.4</b>	<b>5,478</b>	<b>(4.8)</b>	<b>5,533</b>	<b>(5.7)</b>	<b>15,997</b>	<b>13,496</b>	<b>18.5</b>
Gross Profit	2,557	2,114	21.0	2,520	1.5	2,534	0.9	7,446	6,324	17.8
Margin (%)	49.0	47.2		46.0		45.8		46.5	46.9	
<b>EBITDA</b>	<b>1,428</b>	<b>1,147</b>	<b>24.5</b>	<b>1,345</b>	<b>6.2</b>	<b>1,340</b>	<b>6.5</b>	<b>4,019</b>	<b>3,199</b>	<b>25.6</b>
Margin (%)	27.4	25.6		24.5		24.2		25.1	23.7	
Other Income	67	88	(24.3)	137	(51.2)	222	(69.9)	381	292	30.6
Depreciation	205	193	6.0	228	(10.1)	205	(0.0)	606	534	13.5
<b>EBIT</b>	<b>1,290</b>	<b>1,042</b>	<b>23.8</b>	<b>1,253</b>	<b>2.9</b>	<b>1,357</b>	<b>(5.0)</b>	<b>3,794</b>	<b>2,957</b>	<b>28.3</b>
Interest	1	10	(90.9)	3	(64.0)	1	28.6	6	28	(78.2)
<b>PBT before exception item</b>	<b>1,289</b>	<b>1,032</b>	<b>24.9</b>	<b>1,251</b>	<b>3.0</b>	<b>1,357</b>	<b>(5.0)</b>	<b>3,788</b>	<b>2,929</b>	<b>29.3</b>
Total Tax	333	262	27.2	315	5.8	295	12.8	912	740	23.2
ETR (%)	25.8	25.4		25.2		21.8		24.1	25.3	
<b>Adj. PAT</b>	<b>956</b>	<b>770</b>	<b>24.1</b>	<b>936</b>	<b>2.1</b>	<b>1,061</b>	<b>(10.0)</b>	<b>2,876</b>	<b>2,189</b>	<b>31.4</b>
Exceptional Items	0	0		0		0		0	0	
<b>PAT</b>	<b>956</b>	<b>770</b>	<b>24.1</b>	<b>936</b>	<b>2.1</b>	<b>1,061</b>	<b>(10.0)</b>	<b>2,876</b>	<b>2,189</b>	<b>31.4</b>

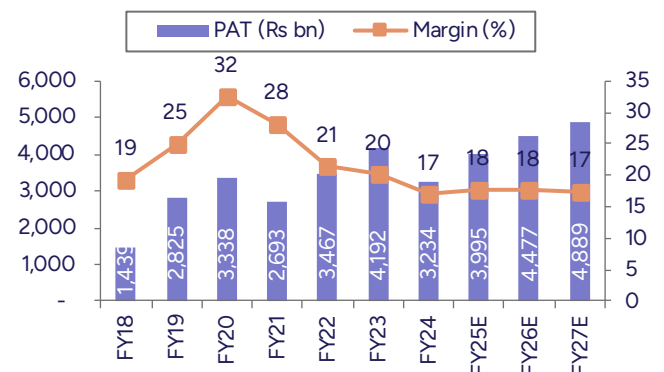
Source: Company, PL

Exhibit 2: EBITDA margins to be maintained at 26%



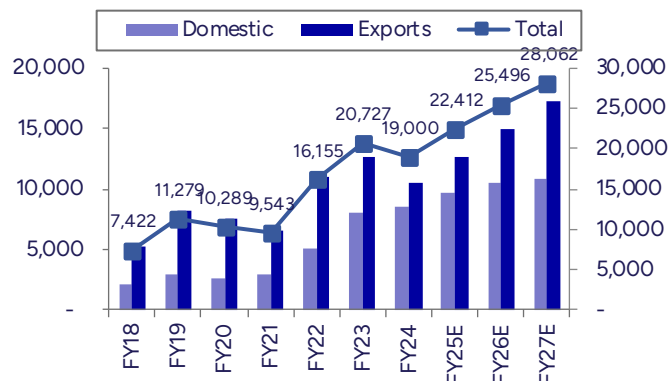
Source: Company, PL

Exhibit 3: PAT to grow at 15% CAGR over FY24-FY27E



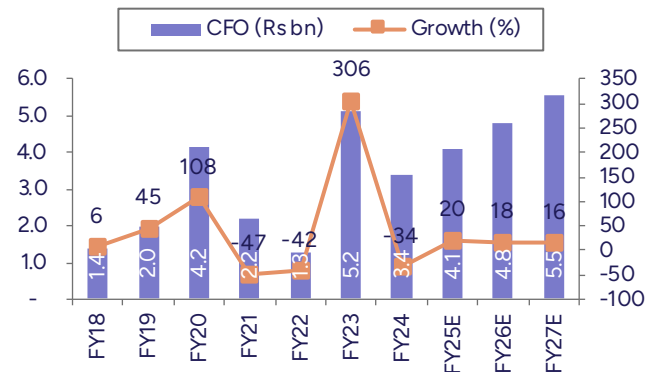
Source: Company, PL

Exhibit 4: Revenue to grow 14% CAGR over FY24-FY27E



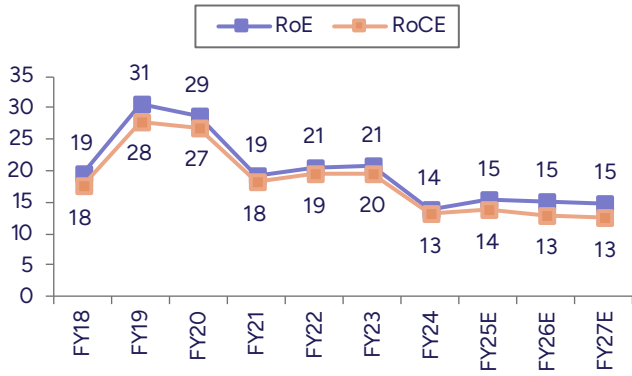
Source: Company, PL

Exhibit 5: Strong growth in CFO



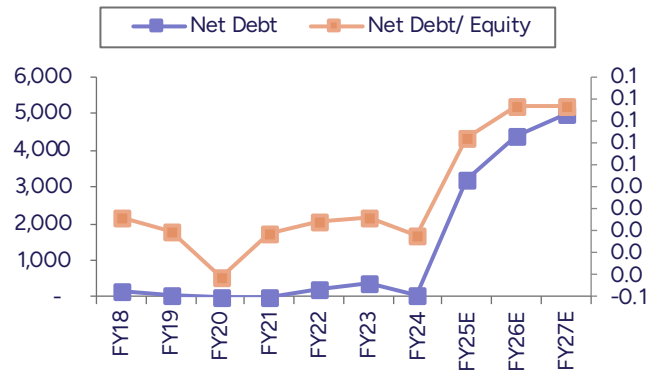
Source: Company, PL

**Exhibit 6: Return ratios to hover at 13-15%**



Source: Company, PL

**Exhibit 7: Net debt/equity at 0-0.15**



Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>19,000</b>	<b>22,412</b>	<b>25,496</b>	<b>28,062</b>
YoY gr. (%)	(8.3)	18.0	13.8	10.1
Cost of Goods Sold	10,113	11,879	13,386	14,676
Gross Profit	8,886	10,534	12,111	13,385
Margin (%)	46.8	47.0	47.5	47.7
Employee Cost	1,189	1,415	1,684	2,004
Other Expenses	2,996	3,362	3,824	4,069
<b>EBITDA</b>	<b>4,701</b>	<b>5,757</b>	<b>6,603</b>	<b>7,313</b>
YoY gr. (%)	(17.7)	22.5	14.7	10.8
Margin (%)	24.7	25.7	25.9	26.1
Depreciation and Amortization	728	858	1,119	1,331
<b>EBIT</b>	<b>3,973</b>	<b>4,899</b>	<b>5,483</b>	<b>5,982</b>
Margin (%)	20.9	21.9	21.5	21.3
Net Interest	36	8	10	10
Other Income	388	448	510	561
<b>Profit Before Tax</b>	<b>4,325</b>	<b>5,339</b>	<b>5,983</b>	<b>6,533</b>
Margin (%)	22.8	23.8	23.5	23.3
Total Tax	1,327	1,344	1,506	1,644
Effective tax rate (%)	30.7	25.2	25.2	25.2
<b>Profit after tax</b>	<b>3,234</b>	<b>3,995</b>	<b>4,477</b>	<b>4,889</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>3,234</b>	<b>3,995</b>	<b>4,477</b>	<b>4,889</b>
YoY gr. (%)	(22.8)	23.5	12.1	9.2
Margin (%)	17.0	17.8	17.6	17.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>3,234</b>	<b>3,995</b>	<b>4,477</b>	<b>4,889</b>
YoY gr. (%)	(22.8)	23.5	12.1	9.2
Margin (%)	17.0	17.8	17.6	17.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,234	3,995	4,477	4,889
<b>Equity Shares O/s (m)</b>	<b>104</b>	<b>104</b>	<b>104</b>	<b>104</b>
<b>EPS (Rs)</b>	<b>31.2</b>	<b>38.5</b>	<b>43.2</b>	<b>47.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>16,566</b>	<b>21,566</b>	<b>26,066</b>	<b>30,566</b>
Tangibles	16,566	21,566	26,066	30,566
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>3,262</b>	<b>4,120</b>	<b>5,239</b>	<b>6,570</b>
Tangibles	3,262	4,120	5,239	6,570
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>13,296</b>	<b>17,447</b>	<b>20,827</b>	<b>23,997</b>
Tangibles	13,296	17,447	20,827	23,997
Intangibles	-	-	-	-
Capital Work In Progress	2,461	2,461	2,461	2,461
Goodwill	-	-	-	-
Non-Current Investments	2,373	2,373	2,373	2,373
Net Deferred tax assets	(1,335)	(1,335)	(1,335)	(1,335)
Other Non-Current Assets	-	-	-	-
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	1,984	2,341	2,663	2,931
Trade receivables	5,296	6,247	7,107	7,822
Cash & Bank Balance	127	834	865	1,039
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>28,268</b>	<b>34,923</b>	<b>39,959</b>	<b>44,654</b>
<b>Equity</b>				
Equity Share Capital	104	104	104	104
Other Equity	24,540	27,639	31,112	34,904
<b>Total Networkth</b>	<b>24,644</b>	<b>27,743</b>	<b>31,215</b>	<b>35,007</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	46	3,200	4,400	5,000
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	1,007	1,187	1,351	1,487
Other current liabilities	1,235	1,457	1,658	1,825
<b>Total Equity &amp; Liabilities</b>	<b>28,268</b>	<b>34,923</b>	<b>39,959</b>	<b>44,654</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	4,325	5,339	5,983	6,533
Add. Depreciation	728	858	1,119	1,331
Add. Interest	36	8	10	10
Less Financial Other Income	388	448	510	561
Add. Other	(152)	-	-	-
Op. profit before WC changes	4,937	6,205	7,113	7,874
Net Changes-WC	(683)	(790)	(818)	(680)
Direct tax	(871)	(1,344)	(1,506)	(1,644)
<b>Net cash from Op. activities</b>	<b>3,383</b>	<b>4,071</b>	<b>4,789</b>	<b>5,549</b>
Capital expenditures	(2,445)	(5,000)	(4,500)	(4,500)
Interest / Dividend Income	89	-	-	-
Others	(1,178)	(490)	(443)	(368)
<b>Net Cash from Invt. activities</b>	<b>(3,534)</b>	<b>(5,490)</b>	<b>(4,943)</b>	<b>(4,868)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(306)	3,154	1,200	600
Dividend paid	(723)	(897)	(1,005)	(1,097)
Interest paid	(36)	(8)	(10)	(10)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(1,065)</b>	<b>2,249</b>	<b>185</b>	<b>(507)</b>
<b>Net change in cash</b>	<b>(1,216)</b>	<b>830</b>	<b>31</b>	<b>174</b>
Free Cash Flow	938	(929)	289	1,049

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	31.2	38.5	43.2	47.2
CEPS	38.2	46.8	54.0	60.0
BVPS	237.7	267.6	301.1	337.7
FCF	9.0	(9.0)	2.8	10.1
DPS	7.0	8.6	9.7	10.6
<b>Return Ratio(%)</b>				
RoCE	16.8	17.6	16.5	15.8
ROIC	11.7	13.4	12.7	12.1
RoE	13.8	15.3	15.2	14.8
<b>Balance Sheet</b>				
Net Debt : Equity (x)	-	0.1	0.1	0.1
Net Working Capital (Days)	121	121	121	121
<b>Valuation(x)</b>				
PER	56.1	45.4	40.5	37.1
P/B	7.4	6.5	5.8	5.2
P/CEPS	45.8	37.4	32.4	29.2
EV/EBITDA	38.6	31.9	28.0	25.3
EV/Sales	9.5	8.2	7.3	6.6
Dividend Yield (%)	0.4	0.5	0.6	0.6

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>5,503</b>	<b>5,247</b>	<b>5,533</b>	<b>5,217</b>
YoY gr. (%)	6.0	-	19.5	16.4
Raw Material Expenses	2,941	2,891	2,999	2,660
Gross Profit	2,563	2,356	2,534	2,557
Margin (%)	46.6	44.9	45.8	49.0
<b>EBITDA</b>	<b>1,502</b>	<b>1,251</b>	<b>1,340</b>	<b>1,428</b>
YoY gr. (%)	2.0	-	27.9	24.5
Margin (%)	27.3	23.8	24.2	27.4
Depreciation / Depletion	194	196	205	205
<b>EBIT</b>	<b>1,308</b>	<b>1,055</b>	<b>1,135</b>	<b>1,223</b>
Margin (%)	23.8	20.1	20.5	23.4
Net Interest	9	4	1	1
Other Income	96	92	222	67
<b>Profit before Tax</b>	<b>1,396</b>	<b>1,143</b>	<b>1,357</b>	<b>1,289</b>
Margin (%)	25.4	21.8	24.5	24.7
Total Tax	351	284	295	333
Effective tax rate (%)	25.1	24.8	21.8	25.8
<b>Profit after Tax</b>	<b>1,045</b>	<b>859</b>	<b>1,061</b>	<b>956</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>1,045</b>	<b>859</b>	<b>1,061</b>	<b>956</b>
YoY gr. (%)	-	-	46.4	24.1
Margin (%)	19.0	16.4	19.2	18.3
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>1,045</b>	<b>859</b>	<b>1,061</b>	<b>956</b>
YoY gr. (%)	-	-	46.4	24.1
Margin (%)	19.0	16.4	19.2	18.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>1,045</b>	<b>859</b>	<b>1,061</b>	<b>956</b>
Avg. Shares O/s (m)	103	103	103	103
<b>EPS (Rs)</b>	<b>10.2</b>	<b>8.4</b>	<b>10.3</b>	<b>9.3</b>

Source: Company Data, PL Research

**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	Accumulate	1,925	1,707
2	12-Nov-24	Accumulate	2,055	1,835
3	05-Oct-24	Accumulate	2,220	2,015
4	12-Aug-24	Accumulate	2,237	2,108
5	04-Jul-24	Accumulate	2,048	1,948
6	18-May-24	Accumulate	1,781	1,620
7	09-Apr-24	Hold	1,554	1,489
8	05-Mar-24	Hold	1,626	1,638
9	12-Feb-24	Reduce	1,626	1,613

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	381	405
2	Bharat Petroleum Corporation	Hold	286	271
3	Bharti Airtel	Accumulate	1,783	1,599
4	Clean Science and Technology	Hold	1,329	1,385
5	Deepak Nitrite	Reduce	2,295	2,460
6	Fine Organic Industries	BUY	5,765	4,474
7	GAIL (India)	Accumulate	192	167
8	Gujarat Fluorochemicals	Reduce	3,190	3,537
9	Gujarat Gas	Sell	362	508
10	Gujarat State Petronet	Hold	351	359
11	Hindustan Petroleum Corporation	Hold	373	353
12	Indian Oil Corporation	Hold	124	123
13	Indraprastha Gas	Sell	150	192
14	Jubilant Ingrevia	Hold	680	660
15	Laxmi Organic Industries	Hold	237	226
16	Mahanagar Gas	Accumulate	1,412	1,267
17	Mangalore Refinery & Petrochemicals	Accumulate	168	145
18	Navin Fluorine International	Accumulate	4,373	3,908
19	NOCIL	Reduce	226	247
20	Oil & Natural Gas Corporation	BUY	300	260
21	Oil India	BUY	714	465
22	Petronet LNG	Reduce	276	291
23	Reliance Industries	Accumulate	1,472	1,266
24	SRF	Hold	2,698	2,831
25	Vinati Organics	Accumulate	1,925	1,707

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## **ANALYST CERTIFICATION**

### **(Indian Clients)**

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