

August 12, 2021

CMP: ₹320

Target: ₹396

Q1-FY22 Result Update

- ❑ Laxmi Organic Industries has delivered a robust financial performance in this quarter. On a standalone basis, the operating revenues came in at ₹6,897 million as against ₹3,537 million in Q1FY21 and ₹4,674 million in Q4FY21.. The strong growth in revenues was fueled by 102% and 126% y/y growth in Acetyl Intermediates (AI) and Specialty Intermediates (SI), respectively. While revenue from other business grew by 29% y/y.
- ❑ On the segment front, the AI and SI grew by 31% to ₹3,674 million and 53% to ₹2,400 million respectively on q/q basis. The strong performance in AI business was attributable to higher realizations, whereas the SI business was driven by both volume and pricing. SI business recorded the highest volumes this quarter and delivered 20% export revenue.
- ❑ The demand from end-user industries also remained strong. This resulted in corresponding growth in EBIDTA of 268% y/y & 146% q/q to ₹1,367 million while PAT grew by 431% y/y & 216% q/q to ₹987 million respectively on a standalone basis. Similarly, the EBIDTA and PAT grew by 146% and 216% respectively on Q-o-Q basis. EBIDTA margin stood at 19.8% increased by 932bps y/y.
- ❑ On-going capital expenditures at the speciality manufacturing site will be delayed due to the flood. However, the fluorochemicals site has been relatively unaffected and the ongoing capex plans at Lote Parshuram site remain on track.
- ❑ Company overall utilization of working capital limits was around 76% during the year ended in March 2021. The consolidated cash-flow from operations remained healthy and increased to ₹1,231 million in FY21 (FY20: ₹1,962 million) and the free cash flow turned positive at ₹1,086million, mainly because of higher working capital inflow and healthy funds flow from operations
- ❑ Management highlighted that the floods in Maharashtra in July impaired their operations in Mahad, and their SI unit has been severely impacted. The SI unit has suffered a complete shut down in operations with flooding, lack of electricity, and other structural damages brought about by the flood. However, they also mentioned that it's a short term impact and the Company is capable to cope up with it.
- ❑ Laxmi Organics is leading manufacturer of acetyl intermediaries and specialty intermediaries in India. We believe company's specialized product offerings, entry in high margin fluoro chemistry segments, and supported by the robust first-quarter we expect the Company to achieve higher growth in the mid-to-long term. Hence, we continue our **Buy** rating with an upward target price of **₹396 per share**.

Consolidated Financials

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg	FY21	FY20	Chg
Net Sales	7,364	4,036	82.4%	17,684	15,341	15.3%
Operating Expense	5,911	3,617	63.4%	15,491	14,176	9.3%
EBITDA	1,453	420	246.2%	2,193	1,166	88.2%
Other Income	43	5		46	45	
Depreciation	109	112		465	489	
EBIT	1,387	313	343.0%	1,774	722	145.8%
Interest	28	38		190	170	
PBT	1,359	275	394.5%	1,584	551	187.3%
Tax	335	61		313	106	
Exceptional Items	-	-		-	257	
PAT	1,023	214	379.3%	1,271	702	80.9%
Minority /Other Adj.	-	-		(0)	(1)	
Consolidated PAT	1,023	214	379.3%	1,270	701	81.2%
Margins	Q1-FY22	Q1-FY21	Chg BPS	FY21	FY20	Chg BPS
Operating Margin %	19.7%	10.4%	933	12.4%	7.6%	480
Net Margin %	13.9%	5.3%	861	7.2%	4.6%	261

Source: Company, Anand Rathi Research

Consolidated Financials:

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Net Sales	15,341	17,684	22,659	31,921
Operating Expense	14,176	15,491	19,659	27,270
EBITDA	1,166	2,193	3,000	4,651
Other Income	45	46	59	83
Depreciation	489	465	645	735
EBIT	722	1,774	2,414	3,999
Interest	170	190	63	89
Misc. items	257	-	-	-
PBT	808	1,584	2,351	3,911
Tax	106	313	470	782
Minority Interest	(1)	(0)	-	-
PAT	701	1,270	1,881	3,129

Margins	FY-20	FY-21	FY-22E	FY-23E
Sales Growth %	-2.2%	15.3%	28.1%	40.9%
Operating Margin %	7.6%	12.4%	13.2%	14.6%
Net Margin %	4.6%	7.2%	8.3%	9.8%

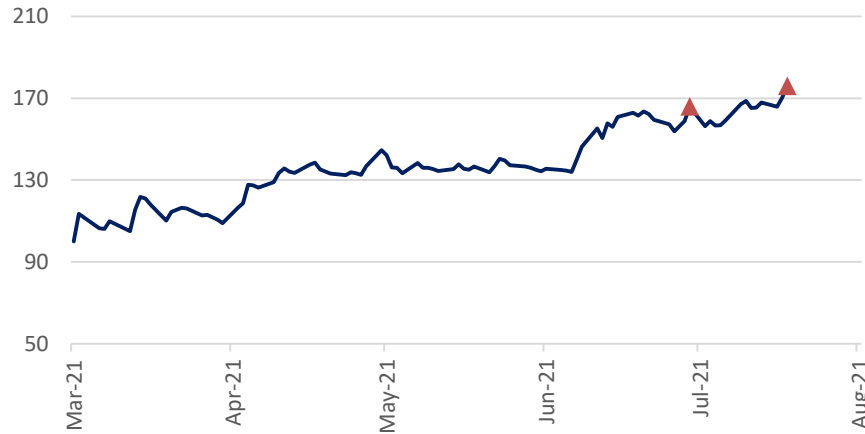
Source: Company, Anand Rathi Research

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	450	574	574	574
Reserves & Surplus	3,819	9,772	11,653	14,782
Total Shareholder's Funds	4,269	10,346	12,227	15,355
Minority Interest	4	5	5	5
Long-Term Liabilities	902	99	6	6
Other Long-term Liabilities	112	2,269	35	35
Deferred Tax Liability	(4,300)	156	156	156
Short-term Liabilities	5,287	7,675	9,834	13,853
Total	10,694	18,374	22,263	29,411
Assets				
Net Fixed Assets	4,051	4,730	8,261	8,526
Long-Term L&A	145	529	529	529
Non Current Investments	-	13	13	13
Other Non-Current Assets	112	52	52	52
Current Asset	6,385	13,050	13,409	20,292
Total	10,694	18,374	22,263	29,411

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	2.7	4.8	7.1	11.9
P/E (x)	120.4	66.4	44.9	27.0
P/B (x)	19.8	8.2	6.9	5.5
ROE	16.4%	12.3%	15.4%	20.4%

Rating and Target Price history:

Laxmi Organic Industries rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on August 12, 2021.

Laxmi Organic Industries rating details

Date	Rating	Target Price (₹)	Share Price (₹)
26-July-21	BUY	333	257
12-Aug-21	BUY	396	320

Source: Bloomberg, Anand Rathi Research

Key Risks:

- ❑ A large part of manufacturing facilities are located in one geographic area and therefore, any localized social unrest, natural disaster or breakdown of services in and around Mahad, Maharashtra or any disruption in production at, could have material adverse effect on business and financial condition.
- ❑ A sharp surge in foreign currency may adversely impact company's operations and financial condition as significant portion of revenues and expenses and certain of the borrowings of company are denominated in foreign currencies.
- ❑ Any increase in the cost of raw material or shortfall in the supply of raw materials, may adversely affect the pricing and supply of the products and have an adverse effect on company's operations and financial condition.

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