

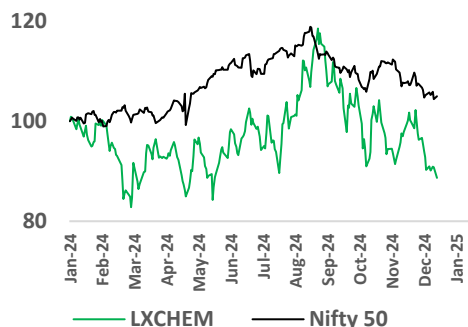
CMP: INR 226
Target Price: INR 449
Rating: Buy
Stock Info

BSE	543277
NSE	LXCHEM
Bloomberg	LXCHEM:IN
Reuters	LAXR:NS
Sector	Chemicals
Face Value (INR)	2
Equity Capital (INR Mn)	551.56
Mkt Cap (INR Mn)	62,720
52w H/L (INR)	326/212
Avg. Daily Volume (in 000')	1,536.5

Shareholding Pattern %
(As on Dec, 2024)

Promoters	69.39
DIs	3.47
FIs	1.97
Others	25.17

Stock Performance (%)	1M	6M	1Y
LXCHEM	-7.73	-11.2	-16.1
Nifty 50	-2.3	-5.2	9.2

LXCHEM Vs Nifty

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Laxmi Organic Industries have reported decent set of numbers with reasonable growth in Revenue led by improvement in product mix and volume growth. EBITDA saw improvement on the back of operational efficiencies like controlled power and fuel costs but faced issues due to escalated freight costs in export sales. Exports improved to 36% of total revenues majorly led by the essentials segment. The management reiterated their guidance of 2x revenues by FY28 on the back of capex in the floro-intermediates and new Dahej project. The company expects to incur half of the INR 11bn capex planned by early phase of H1FY26. The company is in line to achieve 10% of peak revenues in floro-intermediates in FY25 and 40-60% revenues by FY26.

Q3FY25 Result Highlights:

- Revenue came at INR 7,863 mn, against our estimates of INR 8,467 mn, up 1.9% QoQ / up 13.3% YoY.
- EBITDA came at INR 748 mn, against our estimates of INR 799 mn, flat QoQ / up 53.1% YoY.
- EBITDA Margins came at 9.5%, against our estimates of 9.4%, down 28 bps QoQ / up 200 bps YoY.
- PAT came at INR 293 mn, against our estimates of INR 413 mn, up 15.3% QoQ / up 7.8% YoY.
- Total volumes increased by ~17% on a YoY basis in Q3FY25 and ~15% in 9MFY25 on a YoY basis across both business units.

Outlook & Valuations: Laxmi Organics is in line with their expansion plans and reiterated the guidance for FY28 with the floro-intermediates business and brownfield expansion at Dahej driving the growth ahead. They maintain a healthy product pipeline in floro-intermediates and other derivatives. The company continues to witness stable demand from end user industries like pharma, packaging and coatings while Agchem is set for recovery. Overall, the company is working on improving operational efficiencies with focus on volume growth. We maintain our “Buy” Rating on the stock with a Target Price of INR 449 based on DCF method.

Financial Snapshot:

Summary	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	27,939	28,671	32,630	38,985	46,880
EBIDTA	3,543	2,578	3,546	4,431	5,516
Net Profit	2,371	1,205	1,806	2,509	3,186
Diluted EPS	8.94	4.37	6.55	9.10	11.55
P/E (x)	25.28	51.71	34.51	24.84	19.56
EV/EBIDTA (x)	17.67	22.54	16.32	13.20	10.72
P/BV (x)	4.24	3.47	3.17	2.83	2.49
ROE (%)	16.79%	6.70%	9.18%	11.38%	12.71%
Debt/Equity (x)	17.67	22.54	16.32	13.20	10.72

Quarterly Result

Particulars (Mn)	Q3FY25	Q2FY25	Q3FY24	QoQ	YoY
Revenue	7,863	7,713	6,936	2.0%	13.4%
Expenses					
COGS	5,835	5,544	5,380	5.2%	8.5%
Gross Profit	2,029	2,169	1,556	-6.5%	30.4%
GPM (%)	25.80%	28.12%	22.44%	-232bps	336bps
Employee Benefits Expenses	345	412	377	-16.2%	-8.5%
Other Expenses	936	1,010	663	-7.3%	41.1%
EBITDA	748	747	516	0.1%	45.0%
EBITDA Margins	9.51%	9.68%	7.43%	-18bps	207bps
Depreciation	312	275	275	13.6%	13.3%
EBIT	436	472	240	-7.7%	81.3%
EBIT Margins	5.54%	6.12%	3.47%	-58bps	208bps
Other Income	56	67	60	-15.3%	-6.7%
Finance Costs	22	76	5	-71.7%	315.0%
Exceptional Items	-	-	-		
PBT	471	462	296	1.7%	59.2%
Taxes	177	182	24	-2.3%	651.3%
Tax Rate (%)	38%	39%	8%	-156bps	2972bps
PAT	293	281	272	4.3%	7.8%

Source: Company, Arianth Research

Concall Takeaways:

- All sector the company caters to including Pharma, Agro, Packaging, Coatings, Flavours and fragrances, all have seen stable demand on sequential basis except for Agro segment which continues to remain weak.
- Price of Acetic Acid, their key feedstock, has been stable in the last quarter around US\$ 380/ton. With the Chinese new year, many producers have planned shutdown, due to which the company expects increase in price to US\$ 410/ton but no major spike as all the shutdowns are pre planned. They expect the price to stabilise in the near term.
- Ethyl Acetate spreads are currently nearing the bottom. They expect some improvement but not on a major level.
- Operational efficiencies have helped the company in yielding better volumes, especially to the specialty business.
- Building up inventory in Q2 has helped the company in volume growth as well as better product mix.
- While Ethyl Acetate continues to remain their key product with 60% contribution to FY24 revenues, they expect it to come down to 40% with new products coming in.
- Project at Dahej continues to remain on track to receive pending regulatory approvals and remains on schedule. They are working diligently towards Floro intermediates plant at Lote and are in line to achieve 10% of peak revenues in FY25 and 40-60% in FY26. Asset base at Lote is successfully commercialised.
- Segmental highlights: Specialty business grew by 29% YoY while Essentials business saw 5% YoY growth. Overall, the company witnessed decent volume growth in both the segments.
- In spite of 17% volume growth, the company did not see any major change in Power and fuel costs leading to improvement in margins. Gross margins have also improved on YoY basis but declined QoQ due to higher freight costs and slight increase in RM prices.
- Exports business has improved to 36% contribution to overall sales. Though challenges in freight costs still persist and were high almost 100% YoY. Essentials has contributed majorly to the exports in Q3.
- The initial layout of INR 11bn capex, INR 8bn is for Dahej plant. They expect to incur half of this capex by mid FY26.
- The management reiterated the guidance of 2x revenue by FY28 led by incremental capex. For essentials, they expect 3-5x asset turnover with 8-12% margins and Speciality can generate 1-2x asset turnover with 20-25% margins.
- 60% of the new products are floro-heavy while rest of the 40% is other derivatives.
- The company is now rated AA/Stable/A1+ with recognition for their efforts on sustainability leading to improving rating on sustainability at 87% from 67%.

Financials

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Gross Sales	27,939	28,671	32,630	38,985	46,880	56,464
Net Sales	27,939	28,671	32,630	38,985	46,880	56,464
YoY (%)	-9.4%	2.6%	13.8%	19.5%	20.3%	20.4%
Adjusted COGS	18,449	21,535	23,541	27,931	33,400	40,002
YoY (%)	-12.7%	16.7%	9.3%	18.6%	19.6%	19.8%
Personnel/ Employee benefit expenses	1,159	1,479	1,686	2,014	2,422	2,917
YoY (%)	-6.9%	27.6%	14.0%	19.5%	20.3%	20.4%
Manufacturing & Other Expenses	4,788	3,080	3,858	4,609	5,542	6,675
YoY (%)	-0.2%	-35.7%	25.3%	19.5%	20.3%	20.4%
Total Expenditure	24,396	26,093	29,084	34,554	41,364	49,594
YoY (%)	-3.7%	-27.2%	37.5%	25.0%	24.5%	24.5%
EBITDA	3,543	2,578	3,546	4,431	5,516	6,869
YoY (%)	-3.7%	-27.2%	37.5%	25.0%	24.5%	24.5%
EBITDA Margin (%)	12.7%	9.0%	10.9%	11.4%	11.8%	12.2%
Depreciation	724	1,066	1,140	1,333	1,558	1,762
% of Gross Block	7.2%	8.4%	7.5%	7.3%	7.2%	7.0%
EBIT	2,819	1,513	2,406	3,098	3,958	5,107
EBIT Margin (%)	10.1%	5.3%	7.4%	7.9%	8.4%	9.0%
Interest Expenses	113	65	81	98	117	141
Non-operating/ Other income	148	261	341	407	490	590
PBT	2,854	1,708	2,665	3,408	4,330	5,556
Tax-Total	483	503	859	899	1,144	1,594
Adj. Net Profit	2,371	1,205	1,806	2,509	3,186	3,962
Reported Profit	2,371	1,205	1,806	2,509	3,186	3,962
PAT Margin	8.5%	4.2%	5.5%	6.4%	6.8%	7.0%
Shares o/s/ paid up equity sh capital	265	276	276	276	276	276
Adj EPS	9	4	7	9	12	14
Dividend payment	186	133	110	138	165	165
Dividend payout (%)	7.8%	11.0%	6.1%	5.5%	5.2%	4.2%
Retained earnings	2,185	1,073	1,696	2,371	3,021	3,797

Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Profit before tax	2,371	1,205	1,806	2,509	3,186	3,962
Adjustments: Add						
Depreciation and amortisation	724	1,066	1,140	1,333	1,558	1,762
Interest adjustment	-35	-195	-260	-310	-373	-449
Change in assets and liabilities	2,874	1,943	2,576	3,394	4,207	5,110
Inventories	796	109	-323	-589	-733	-885
Trade receivables	982	-132	-730	-1,278	-1,589	-1,928
Trade payables	-2,453	2,958	-670	525	777	1,643
Other Liabilities and provisions	1,521	-2,351	134	159	166	193
Other Assets	382	38	-379	-492	-640	-832
Taxes	104	12	28	31	34	38
Net cash from operating activities	4,162	2,596	635	1,750	2,222	3,339
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-4,818	-2,646	-786	-2,796	-3,335	-3,372
Net Sale/(Purchase) of investments	-28	-770	464	518	590	680
Net cash (used) in investing activities	-4,882	-3,400	-324	-2,281	-2,748	-2,695
Interest expense	1,160	-120	205	241	292	360
Dividend paid	-132	-186	-133	-110	-138	-165
Other financing activities	-1,152	2,653	-110	-138	-165	-165
Net cash (used) in financing activities	206	2,666	205	241	292	360
Closing Balance	1,309	3,171	3,686	3,397	3,162	4,166
FCF	97	-122	-1,889	-1,280	-1,315	-204
Capex (% of sales)	4,065	2,717	2,500	3,000	3,500	3,500

Balance Sheet (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Sources of Funds						
Equity Share Capital	530	552	552	552	552	552
Reserves & Surplus/ Other Equity	13,593	17,428	19,124	21,495	24,516	28,313
Networth	14,124	17,980	19,676	22,047	25,068	28,864
Unsecured Loans/ Borrowings/ Lease						
Liabilities	4,057	1,428	1,732	2,107	2,570	3,149
Other Liabilities	312	345	385	431	483	542
Total Liabilities	24,122	28,272	29,702	33,088	37,460	43,601
Total Funds Employed	46,547	55,163	57,757	64,201	72,541	84,319
Application of Funds						
Net Fixed Assets	-3,612	-4,308	-4,295	-2,516	-2,246	-2,003
Capital WIP	4,471	4,442	2,665	2,398	2,159	1,943
Current assets	12,167	14,772	16,553	18,473	21,065	25,592
Inventory	2,942	2,833	3,157	3,745	4,479	5,364
Inventory Days	66	49	49	49	49	49
Debtors	5,702	5,834	6,565	7,843	9,432	11,360
Debtors Days	81	73	73	73	73	73
Other Current Assets	1,301	1,262	1,641	2,133	2,773	3,605
Cash and Cash equivalent	810	1,111	1,292	1,191	1,108	1,460
Current Liabilities/Provisions	8,301	8,911	8,378	9,066	10,013	11,854
Creditors / Trade Payables	4,663	7,621	6,952	7,477	8,254	9,898
Creditor Days	91	86	86	78	72	72
Liabilities	919	849	905	972	1,027	1,087
Net Current Assets	3,866	5,861	8,175	9,407	11,051	13,738
Total Asset	24,122	28,272	29,702	33,088	37,460	43,601
Total Capital Employed	20,256	22,411	21,527	23,682	26,409	29,862

Key Ratios	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Solvency Ratios						
Debt / Equity	0.3	0.1	0.1	0.1	0.1	0.1
Net Debt / Equity	0.2	-0.1	-0.1	-0.1	0.0	0.0
Debt / EBITDA	1.1	0.5	0.5	0.4	0.4	0.4
Current Ratio	0.8	-0.7	-0.6	-0.3	-0.1	-0.2
DuPont Analysis						
Sales/Assets	1.2	1.0	1.1	1.2	1.3	1.3
Assets/Equity	1.7	1.6	1.5	1.5	1.5	1.5
RoE	16.8%	6.7%	9.2%	11.4%	12.7%	13.7%
Per share ratios						
Reported EPS	8.9	4.4	6.5	9.1	11.6	14.4
Dividend per share	0.7	0.5	0.4	0.5	0.6	0.6
BV per share	53.3	65.2	71.3	79.9	90.9	104.7
Cash per Share	3.1	4.0	4.7	4.3	4.0	5.3
Revenue per Share	105.4	104.0	118.3	141.4	170.0	204.7
Profitability ratios						
Net Profit Margin (PAT/Net sales)	8.3%	8.5%	4.2%	5.5%	6.4%	6.8%
Gross Profit / Net Sales	34.0%	24.9%	27.9%	28.4%	28.8%	29.2%
EBITDA / Net Sales	12.7%	9.0%	10.9%	11.4%	11.8%	12.2%
EBIT / Net Sales	10.1%	5.3%	7.4%	7.9%	8.4%	9.0%
ROCE (%)	17.8%	7.8%	11.3%	12.9%	14.4%	16.1%
Activity ratios						
Inventory Days	66	49	49	49	49	49
Debtor Days	81	73	73	73	73	73
Creditor Days	91	86	86	78	72	72
Leverage ratios						
Interest coverage	25.0	23.1	29.5	31.7	33.7	36.3
Debt / Asset	0.2	0.0	0.1	0.1	0.1	0.1
Valuation ratios						
EV / EBITDA	17.7	22.5	16.3	13.2	10.7	8.5
PE (x)	25.3	51.7	34.5	24.8	19.6	15.7

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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