

CMP: INR 196

Rating: Buy

Target Price: INR 236

Stock Info

BSE	543277
NSE	LXCHEM
Bloomberg	LXCHEM:IN
Reuters	LAXR:NS
Sector	Chemicals
Face Value (INR)	2
Equity Capital (INR Mn)	554.05
Mkt Cap (INR Mn)	54,240
52w H/L (INR)	326/160
Avg Yearly Volume (in 000')	1,251

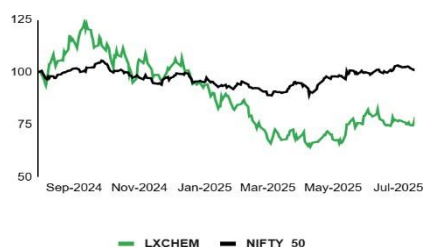
Shareholding Pattern %

(As on June, 2025)

Promoters	69.39
FIIIs	1.63
DIIIs	4.05
Public & Others	24.93

Stock Performance (%)	1m	6m	12m
Laxmi Organics	-0.85	-8.38	-24.04
NIFTY	-2.77	7.11	-0.10

Laxmi Organics vs Nifty 50



Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Ayush Chaturvedi

ayush.chaturvedi@arihantcapital.com

022-67114834

Laxmi Organics reported Q1FY26 earnings below our estimates however margins are in line our estimates. Revenue stood at INR 6.93 bn in Q1FY26, down 4% YoY (vs. INR 7.18 bn in Q1FY25) and down 2% QoQ (vs. INR 7.10 bn in Q4FY25). EBITDA came in at INR 308 mn in Q1FY26, down 57% YoY (vs. INR 712 mn in Q1FY25) and down 48% QoQ (vs. INR 590 mn in Q4FY25). EBITDA Margin deteriorated to 4.4% in Q1FY26, from 9.9% in Q1FY25 and 8.3% in Q4FY25, contracting by 547 bps YoY and 387 bps QoQ. PAT stood at INR 214 mn in Q1FY26, down 38% YoY (vs. INR 344 mn in Q1FY25) and 2% QoQ (vs. INR 218 mn in Q4FY25). PAT Margin compressed to 3.1% in Q1FY26 from 4.8% in Q1FY25, contracting by 170 bps YoY.

Investment Rationale:

Fluorination Business Ramp-Up and New Hitachi Tie-Up Create Long-Term Growth Visibility:

The company is strategically transforming its business mix by expanding into high-margin, technology-intensive specialty segments, particularly through its fluoro-intermediates platform. The upcoming contract with Hitachi Energy for SF6 replacement gas, expected to be finalized in Q2 FY26, marks its entry into an environmentally critical and fast-growing market. Specialty chemicals already yield 16% EBITDA margins, far outpacing the 2% margins in Essentials, and the new Dahej facility, which will produce 60% specialty and 40% essentials, is poised to accelerate this shift. While Q1 FY26 saw a temporary dip in specialty revenue due to a one time phase out of an agro intermediate (9% of segment sales) and timing-related deferrals (4%), management expects full recovery by H2FY26. This strategic rebalancing toward higher-value, application-specific chemicals aligns with global demand trends and offers Laxmi a sustainable competitive edge with better margin visibility and reduced cyclicality.

Volume Growth Bounce Back Despite Market Challenges: The company reported a 4% revenue growth in Q1 FY26, driven by 11% YoY volume growth in the Essentials segment, even as product pricing remained under pressure due to declining feedstock costs, especially acetic acid. This demonstrates the company's operational agility and strong market positioning. Essentials business continues to account for a significant share of the revenue, and the company has been able to maintain plant utilization and customer service levels despite unfavorable spread environment (spreads dipped to \$120/MT vs 12-year average of \$220/MT). The company also achieved INR 110 Mn in cost savings through freight and distribution optimization which also contributed in margin.

Outlook and Valuation:

The company's ongoing CAPEX at Dahej, expected to be operational by Q4 FY26, will shift its product mix towards higher-margin specialty products (60% of output), supporting better profitability from FY27 onward. Additionally, the strategic partnership with Hitachi Energy for SF6 replacement gas marks entry into an environmentally critical, high-growth fluorochemicals segment, offering long-term revenue visibility. However, near-term challenges remain, including weak spreads in the Essentials segment due to low raw material prices, continued sluggishness in agrochemical demand, and subdued international demand in coatings. The Specialty segment also saw temporary pressure due to a product phase-out and deferred orders, though these are expected to normalize by H2 FY26. **We expect Laxmi's revenue, EBITDA, and PAT to grow at a CAGR of 10.59%, 24.37%, and 17.71%, respectively, over FY26-28E and arrive at a TP of INR 236 per share via DCF Method. Accordingly, we maintain a "BUY" rating on the stock.**

Financial Performance:

Summary (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	28,678	29,854	31,306	33,716	38,288
EBIDTA	2,585	2,796	2,623	3,121	4,058
Net Profit	1,205	1,135	1,225	1,236	1,697
Diluted EPS	4.37	4.10	4.42	4.46	6.13
P/E (x)	44.84	47.84	44.32	43.93	31.99
EV/EBIDTA (x)	19.40	19.07	20.54	17.34	13.12
P/BV (x)	3.01	2.85	2.69	2.56	2.39
ROE (%)	6.70%	5.95%	6.08%	5.82%	7.46%
Debt/Equity (x)	19.40	19.07	20.54	17.34	13.12

Particulars (Mn)	Q1FY26	Q4FY25	Q1FY25	QoQ	YoY
Revenue	6,929	7,097	7,182	-2.4%	-3.5%
Expenses					
COGS	5,401	5,197	5,227	3.9%	3.3%
Gross Profit	1,528	1,900	1,955	-19.6%	-21.8%
<i>GPM (%)</i>	22.05%	26.77%	27.22%	-472bps	-517bps
Employee Benefits Expenses	409	321	387	27.6%	5.7%
Other Expenses	811	989	856	-18.0%	-5.2%
EBITDA	308	590	712	-47.9%	-56.8%
<i>EBITDA Margins</i>	4.44%	8.31%	9.91%	-387bps	-548bps
Depreciation	171	395	259	-56.6%	-33.7%
EBIT	136	195	453	-30.2%	-70.0%
EBIT Margins	1.96%	2.75%	6.31%	-78bps	-435bps
Other Income	55	11	120	402.5%	-54.0%
Finance Costs	49	73	33	-32.9%	48.3%
Exceptional Items	-	-	-		
PBT	142	132	540	7.2%	-73.7%
Taxes	(72)	(85)	196	-15.5%	-136.7%
Tax Rate (%)	-51%	-64%	36%		
PAT	214	218	344	-1.7%	-37.7%

Q1FY26 Concall Highlights

- Acetic acid prices declined by ~11% YoY, from an average of INR 450 to INR 400, and management anticipates further softening in Q1FY26.
- Ethanol prices decreased by ~15% YoY. Ethyl acetate spreads are currently subdued at \$140-150 / MT compared to historical averages of \$225 / MT over a 10-13 year period.
- The agro sector continues to show weakness in demand, while other sectors including pharmaceuticals, printing, packaging, pigments, and industrial solutions demonstrate stability.
- Signed an LOI with Hitachi Energy to manufacture chemicals for power transmission and generation, expanding into a new market segment previously served by Chinese suppliers.
- The Fluoro Intermediate site at Lote commenced commercial sales in Q4FY25, and management aims to reach 40-60% of peak revenues in FY26.
- The Dahej expansion project "Indra Dhanush" has received environmental clearance and factory licenses and remains on track for mechanical completion and chemical charging in H2FY26.
- The company is diversifying its essentials portfolio to reduce dependence on ethyl acetate from 85% currently to ~65% by FY28.
- The total planned capex is ~ INR 11,000 Mn, with a large portion expected to be completed by H1FY26.
- Anticipates a maximum term loan of INR 3,500 Mn with debt-to-equity ratio peaking at 0.23-0.30, which they plan to pay off by FY27-28.
- The company has reduced term loans from INR 900 Mn to ~ INR 420 Mn in FY25.
- Management confirmed they will not dilute equity to fund expansion plans.
- The company aims to achieve 20% ROCE by FY28 through capacity expansion, portfolio diversification, and operational improvements across the business cycle.
- One specialty product representing less than 10% of the specialty portfolio faces a regulatory phase-out in its end application, which will have a minor impact on the company's P&L in H1FY26.
- The company's exposure to the US market is less than 10% of enterprise-level sales, and they view the current market dynamics as neutral to positive.
- The EBITDA margins for specialties business was 23% for FY25, while essentials business delivered 3% EBITDA margin.
- The working capital cycle remains at 24 days compared to 11 days in the previous year.

Financial Statements

Income statement (INR mn)

Income Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Gross Sales	27,939	28,678	29,854	31,306	33,716	38,288
Net Sales	27,939	28,678	29,854	31,306	33,716	38,288
YoY (%)	-9.4%	2.6%	4.1%	4.9%	7.7%	13.6%
Adjusted COGS	18,449	21,535	21,802	23,288	24,919	27,966
YoY (%)	-12.7%	16.7%	1.2%	6.8%	7.0%	12.2%
Personnel/ Employee benefit expenses	1,159	1,479	1,465	1,471	1,517	1,646
YoY (%)	-6.9%	27.6%	-0.9%	0.4%	3.1%	8.5%
Manufacturing & Other Expenses	4,788	3,080	3,791	3,924	4,159	4,619
YoY (%)	-0.2%	-35.7%	23.1%	3.5%	6.0%	11.1%
Total Expenditure	24,396	26,093	27,058	28,683	30,595	34,231
YoY (%)	-3.7%	-27.0%	8.2%	-6.2%	19.0%	30.0%
EBITDA	3,543	2,585	2,796	2,623	3,121	4,058
YoY (%)	-3.7%	-27.0%	8.2%	-6.2%	19.0%	30.0%
EBITDA Margin (%)	12.7%	9.0%	9.4%	8.4%	9.3%	10.6%
Depreciation	724	1,066	1,240	1,043	1,341	1,615
% of Gross Block	7.2%	8.4%	7.4%	5.3%	6.0%	6.5%
EBIT	2,819	1,519	1,556	1,580	1,780	2,443
EBIT Margin (%)	10.1%	5.3%	5.2%	5.0%	5.3%	6.4%
Interest Expenses	113	65	205	243	292	350
Non-operating/ Other income	148	254	254	190	204	232
PBT	2,854	1,708	1,605	1,527	1,693	2,325
Tax-Total	483	503	470	302	457	628
Adj. Net Profit	2,371	1,205	1,135	1,225	1,236	1,697
Reported Profit	2,371	1,205	1,135	1,225	1,236	1,697
PAT Margin	8.5%	4.2%	3.8%	3.9%	3.7%	4.4%
Shares o/s/ paid up equity sh capital	265	276	277	277	277	277
Adj EPS	9	4	4	4	4	6
Dividend payment	186	133	111	139	166	166
Dividend payout (%)	7.8%	11.0%	9.8%	11.3%	13.4%	9.8%
Retained earnings	2,185	1,073	1,024	1,087	1,070	1,531

Balance sheet

Balance Sheet (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds						
Equity Share Capital	530	552	554	554	554	554
Reserves & Surplus/ Other Equity	13,593	17,428	18,516	19,603	20,672	22,203
Networth	14,124	17,980	19,070	20,157	21,226	22,757
Unsecured Loans/ Borrowings/ Lease Liabilities	4,057	1,428	2,576	3,097	3,727	4,488
Other Liabilities	312	345	399	446	498	556
Total Liabilities	24,122	28,272	30,446	32,228	34,218	37,188
Total Funds Employed	46,547	55,163	60,040	63,461	67,266	72,994
Application of Funds						
Net Fixed Assets	-3,612	-4,308	-4,295	-3,434	-3,024	-2,655
Capital WIP	4,471	4,442	3,984	3,586	3,227	2,905
Current assets	12,167	14,772	14,107	14,366	15,089	17,419
Inventory	2,942	2,833	3,780	3,123	3,342	3,750
Inventory Days	66	49	49	49	49	49
Debtors	5,702	5,834	5,379	5,907	5,915	6,078
Debtors Days	81	73	73	69	64	58
Other Current Assets	1,301	1,262	2,046	2,660	2,926	3,218
Cash and Cash equivalent	810	1,111	416	398	533	1,098
Current Liabilities/Provisions	8,301	8,911	10,524	11,076	11,822	13,048
Creditors / Trade Payables	4,663	7,621	6,972	7,006	7,166	7,698
Creditor Days	91	86	86	91	85	81
Liabilities	919	849	1,369	1,460	1,536	1,619
Net Current Assets	3,866	5,861	3,583	3,291	3,267	4,371
Total Asset	24,122	28,272	30,446	32,228	34,218	37,188
Total Capital Employed	20,256	22,411	26,863	28,938	30,951	32,817

Financial Statements

Cash Flow Statement

Cash Flow Statement (INR Mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	2,371	1,205	1,135	1,225	1,236	1,697
Adjustments: Add						
Depreciation and amortisation	724	1,066	1,240	1,043	1,341	1,615
Interest adjustment	-35	-188	-49	53	87	118
Change in assets and liabilities	2,874	1,950	2,215	2,183	2,498	3,264
Inventories	796	109	-947	657	-219	-409
Trade receivables	982	-132	455	-527	-8	-162
Trade payables	-2,453	2,958	-650	35	159	532
Other Liabilities and provisions	1,521	-2,351	2,242	512	582	690
Other Assets	382	38	-784	-614	-266	-293
Taxes	104	12	54	34	37	41
Net cash from operating activities	4,162	2,603	2,591	2,279	2,783	3,662
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-4,818	-2,646	-3,679	-2,555	-2,597	-2,242
Net Sale/(Purchase) of investments	-28	-777	31	335	335	350
Net cash (used) in investing activities	-4,882	-3,407	-4,053	-2,231	-2,273	-1,903
Interest expense	1,160	-120	-592	-101	-126	-152
Dividend paid	-132	-186	-133	-111	-139	-166
Other financing activities	-1,152	2,653	-45	-139	-166	-166
Net cash (used) in financing activities	206	2,666	-526	-101	-126	-152
Closing Balance	1,309	3,171	1,183	1,129	1,514	3,120
FCF	97	-115	-1,559	-560	-158	1,119
Capex (% of sales)	4,065	2,717	4,149	2,800	2,900	2,500

Key Ratios

Key Ratios	FY23	FY24	FY25	FY26E	FY27E	FY28E
Solvency Ratios						
Debt / Equity	0.3	0.1	0.1	0.2	0.2	0.2
Net Debt / Equity	0.2	-0.1	0.1	0.1	0.1	0.1
Debt / EBITDA	1.1	0.5	0.9	1.2	1.2	1.1
Current Ratio	0.8	-0.7	0.5	0.7	0.7	0.3
DuPont Analysis						
Sales/Assets	1.2	1.0	1.0	1.0	1.0	1.0
Assets/Equity	1.7	1.6	1.6	1.6	1.6	1.6
RoE	16.8%	6.7%	6.0%	6.1%	5.8%	7.5%
Per share ratios						
Reported EPS	8.9	4.4	4.1	4.4	4.5	6.1
Dividend per share	0.7	0.5	0.4	0.5	0.6	0.6
BV per share	53.3	65.2	68.8	72.8	76.6	82.1
Cash per Share	3.1	4.0	1.5	1.4	1.9	4.0
Revenue per Share	105.4	104.0	107.8	113.0	121.7	138.2
Profitability ratios						
Net Profit Margin (PAT/Net sales)	8.3%	8.5%	4.2%	3.8%	3.9%	3.7%
Gross Profit / Net Sales	34.0%	24.9%	27.0%	25.6%	26.1%	27.0%
EBITDA / Net Sales	12.7%	9.0%	9.4%	8.4%	9.3%	10.6%
EBIT / Net Sales	10.1%	5.3%	5.2%	5.0%	5.3%	6.4%
ROCE (%)	17.8%	7.8%	7.8%	7.5%	7.9%	10.1%
Activity ratios						
Inventory Days	66	49	49	49	49	49
Debtor Days	81	73	73	69	64	58
Creditor Days	91	86	86	91	85	81
Leverage ratios						
Interest coverage	25.0	23.2	7.6	6.5	6.1	7.0
Debt / Asset	0.2	0.0	0.1	0.1	0.1	0.1
Valuation ratios						
EV / EBITDA	15.4	19.4	19.1	20.5	17.3	13.1
PE (x)	21.9	44.8	47.8	44.3	43.9	32.0

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800	6 Lad Colony, Y.N. Road, Indore - 452003, (M.P.) Tel: (91-731) 4217100/101 CIN: L66120MP1992PLC007182

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800