

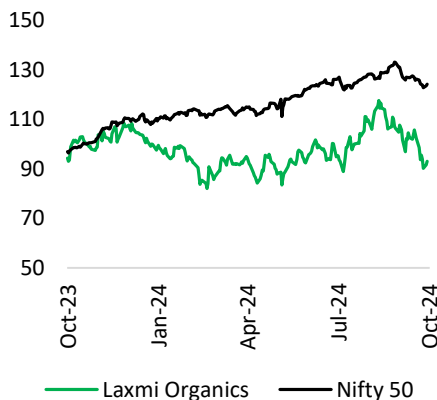
CMP: INR 252
Rating : BUY
Target Price: 453
Stock Info

BSE	543277
NSE	LXCHEM
Bloomberg	LXCHEM:IN
Reuters	LAXR.NS
Sector	Chemicals
Face Value (INR)	2
Equity Cap (INR Mn)	552.9
Mkt Cap (INR Mn)	66,824
52w H/L (INR)	326 / 220
Avg Yearly Volume (in 000')	1,466

Shareholding Pattern %
(As on Sep, 2024)

Promoters	69.5
FII	1.67
DII	3.22
Public & Others	25.61

Stock Performance (%)	1m	6m	12m
Laxmi Organics	-11.2	-1.45	-0.8
Nifty 50	-5.2	8.24	27.8

Laxmi Organics Vs Nifty 50

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Laxmi Organic Industries Limited (LOIL) is the flagship company of **Goenka Group** established in 1989 engaged in the business of acetyl intermediates and specialty chemicals. The Company primarily manufactures Ethyl Acetate, Acetic Acid and Diketene Derivative Products. Over the Years, Laxmi Organics has made several acquisitions to consolidate their market leadership in specific Product categories. They acquired Ketene & Diketene business of Clariant in 2010, acquired Yellowstone Chemicals in 2021 which made them the largest producer of Ethyl Acetate in India and in 2019 they acquired the Fluorination business of Miteni of Italy whose facility equipments have been moved to Lote facility where the first revenues from Fluorine products will commence from H2FY25.

Investment Rationale:

Capacity Expansion: Laxmi Organic Industries has laid out a capex plan of INR 11 bn to be spent equally INR 5.5 bn towards each of Essentials & Specialities Chemicals by FY28. The Company will be doubling their Ketene & Diketene business after this business while becoming 3rd largest player among Ethyl Acetate suppliers globally.

The Company is aiming an Asset Turnover of 3-5x for the Essentials segment business with EBITDA Margins of 8-12%. The Management has guided that Volumes may increase up to 1.75x by FY28 from last year's volumes of 234 KT for the Essential business. For the Speciality Chemicals division, the Management aims an Asset Turnover of 1-2x with EBITDA margins of 20-25%. The Company will be investing INR 4,000 mn in the first 2 years, i.e, FY25 & FY26, and in the second tranche, will invest INR 1,500 mn between FY 26-28 period. After the current expansion, the Company will still have 80% land reserve in Dahej, 50% in Lote and 10% in Mahad.

Hence, in summary, the Company will be witnessing the doubling of revenues of each of the Essential & Specialities segments, with the Specialities segment's contribution in Revenue & EBITDA increasing from current levels, causing the EBITDA to increase up to 3x by FY28 over FY24 EBITDA.

In Lote, the Fluorine assets of INR 5.5 bn is spent while in Dahej, both Specialities as well as Essentials production lines are present, of which Essentials will be of fixed products (35%) while Specialities (65%) are fungible with multi purpose product manufacturing capability. The Essentials volume will increase by 1.75x from 234 KTPA currently. Similarly, in the Ketenes & Diketene derivative products, the Company's capacities will double from current levels.

Outlook: Laxmi Organics has laid out ambitious expansion plans over the next 4 years by FY28 while new Product launches and operational leverage are seen kicking in and improving margins. We believe the expansion plans work out well with revenues from both the segments doubling while overall EBITDA is expected to increase by 3 times over FY28 as per laid out plans by the Company. Under the leadership of Dr Rajan Venkatesh, the MD & CEO who joined the Company last year, Laxmi Organic's Management Team has hired Professionals coming from global Chemicals supply chain experiences joining to lead the future expansion plans. We initiate coverage with a "BUY" rating for a Target Price of INR 453 per share using DCF method; giving an upside of 79.8%.

Particulars (INR Mn)	FY20	FY21	FY22	FY23	FY24
Revenue	15,341	17,684	30,842	27,939	28,671
EBITDA	1,135	2,167	3,677	3,543	2,578
EBITDA Margins	7.40%	12.25%	11.92%	12.68%	8.99%
PAT	702	1,271	2,559	2,371	1,205
EPS	3.12	4.82	9.70	8.94	4.37

Management Meeting Highlights:**Guidance:**

- The Management maintained their long term guidance for the Company's future financials for FY28, by when they aim to double the revenues, triple the EBITDA numbers and double the RoCE numbers (20% in FY28E from 10% in FY24) for the company from the numbers posted in FY24.

Key Highlights:**Capex:**

- The Company is investing INR 11 bn as capex investing INR 5,500 mn each towards both the businesses.
- The Company aims to see Asset Turnover of 3-5x for the Essentials segment for every investment towards Essential Chemicals business with EBITDA Margins of 8-12%.
- For the Essentials business, the Management has guided that Volumes may increase to 1.75x by FY28 from last year's volumes of 234 KT.
- For the Speciality Chemicals division, the Management aims an Asset Turnover of 1-2x with EBITDA margins of 20-25%. The Company will be investing INR 4,000 mn in the first 2 years, i.e, FY25 & FY26, and in the second tranche, will invest INR 1,500 mn between FY 26-28 period.
- After the current expansion, the Company will still have 80% land reserve in Dahej, 50% in Lote and 10% in Mahad.

Other Highlights:

- The Company has 2 segments: Essentials & Specialities. On revenue front, the Essentials make up ~70% of total revenue while the Specialities make up the remaining 30%, and on EBITDA front, the Specialities contribute ~70% and rest by Essentials 30%.
- The Company's Essentials customers look for reliability and consistency for their supplies from Laxmi Organics, while the Specialities customers seek higher quality standards and reliability for their Speciality supplies as per the Management.
- The Total Addressable Market is of USD 12 bn for Essentials, and USD 3.5 bn for Specialities industry of Laxmi Organics's products.
- As per the Management, Laxmi Organics has the largest Product Portfolio of Diketene derivatives globally. The Derivatives business makes 50% of export sales annually.
- After the commencement of current Expansion plans of the Company will become the one of the Top 3 players manufacturing Ketene & Diketene products globally as per the Management from current 7th position.
- 70% of the Power consumed by the Company is derived from Coal power from their CPP while 17-20% of the Power is from Green sources as per ESG compliances.
- In Lote, the Fluorine assets of INR 5.5 bn is spent while in Dahej, both Specialities as well as Essentials is there, of which Essentials will be of fixed products (35%) while Specialities (65%) are fungible with multi purpose product manufacturing capability. The Essentials volume will increase by 1.75x from 234 KTPA currently.
- The Company's major customer for Ethyl Acetate is Europe. Laxmi Organics rents Tanks for Ethyl Acetate in Netherlands to establish them as local suppliers to their customers
- They import almost entire of their Ethyl Alcohol requirements from Latin America and South Eastern Asian nations. Similarly, the Raw Material for Acetic Acid are imported from China and South East Asian nations.
- The Management explained that the prices of Essentials change on a daily basis, hence, not guaranteed that if they sell those Essentials products in regulated markets of Europe or America, they will have better margins.
- The Management is excited as these expansions will increase their Product basket in Essential segment along with doubling their capacity in the Ketenes & Diketenes category of Products.
- The Company being highly diversified in terms of end user industry, and around 15% exposure to Agro chemicals industry, says that the worst affected Agro chemicals demand has improved only moderately still as prices remain low and supplies in excess.
- The Fluorine assets of Miteni are to be manufactured in India, and the Management has guided the launch and first revenue contribution from Fluorine business coming from H2FY25. The Company expects to generate INR 2 bn of revenues from Fluorine business by FY28 and lay out the future of Electro Flourination products and Intermediates, but even that is significant for their entry in the vast supply chains of Fluorine chemicals.
- The Fluorine Intermediates business has a Total Addressable market globally of USD 2.5 bn of total USD 25 bn of Fluorine business market size.
- Regarding the duration of the contracts for both the Products, the Management explained that the Specialities orders are of on average 3 Years of supply contracts, while for the Essentials products, the contracts are volume based as Prices change on a daily basis.
- The Management observed that Innovators nowadays are ready to collaborate with other Partner's much earlier before the Patents even expire.

Business Model	Laxmi Organics industries is in the business of producing Acetyl Intermediaries and Ketenes & Diketenes derivatives products. The Acetyl Intermediaries come under the Essentials segment on account of their commoditized nature and price volatility whereas the Ketenes make the bulk of the Specialities segment. The Essential business contributes 70% of the consolidated revenues and 30% towards EBITDA, and vice versa for Specialities segment.
Strategic Positioning	LOI is the largest Ethyl Acetate player in Essentials and Ketenes & Diketenes derivatives player in Specialities in Indian markets.
Competitive Edge	The Company leads the markets in the chemicals (Ethyl Acetate and Ketenes & Diketenes) it produces.
Financial Structure	The Company's Debt to Equity ratio came down to 0.1x in FY24 against FY23's 0.3x due to the Company's lower long term loans. Going ahead, the Company's capex of INR 11 bn will be funded from their Internal Accruals & the Cash of INR 2.6 bn from the recently concluded QIP.
Future Revenue drivers	LOI's expansion in both the segments: INR 5.5 bn towards each of Essentials & Specialities segment with Asset Turnover of 3-5x and 1-2x respectively, will be doubling their segmental revenues by FY28 from current levels/FY24 levels.
Share Holder Value Proposition	The Company's EBITDA tripling to INR 6-6.5 bn by FY28 will enhance the RoCE to +20%, thereby generating significant shareholder's gains.
Earnings Visibility	The CAGR growth rate of Revenue, EBITDA and PAT between FY24 & FY27 is expected to be 17.9%/27.0%/36.3% respectively.
Risk	Major risks include raw material price fluctuations affecting adversely while supplies remain strong, dragging down the spreads for Essential chemicals in the market.
Rating Rationale and Fair Value Calculation	Laxmi Organics Industries is a leading chemical manufacturer of Ethyl Acetate and Ketenes & Diketene chemicals undergoing capacity expansion in both Essential & Specialities segment. The Asset Turnover of Essentials is between 3-5x while Specialities Asset Turnover is 1-2x, with a margin of 8-12% and 20-25% respectively for the incremental capacity. This will triple the blended EBITDA to 3x from FY24 levels without any increase in debt levels of the company. Apart from the expansion in existing products, the Company will also see revenue coming from H2FY25, and reaching INR 2 bn annual revenue from Fluorination chemistry acquired from Miteni (Italy) in 2019. We initiate coverage with a "BUY" rating for a Target Price of INR 452 per share using DCF method; giving an upside of 61%.

Exhibit 1: Summary

Summary	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	27,939	28,671	33,279	39,750	47,791
EBIDTA	3,543	2,578	3,457	4,328	5,394
Net Profit	2,371	1,205	1,875	2,466	3,136
Diluted EPS	8.94	4.37	6.80	8.94	11.37
P/E (x)	30.98	63.38	40.74	30.98	24.36
EV/EBIDTA (x)	20.59	26.55	19.73	15.93	12.91
P/BV (x)	5.20	4.25	3.87	3.46	3.05
ROE (%)	16.79%	6.70%	9.50%	11.17%	12.52%
Debt/Equity (x)	20.59	26.55	19.73	15.93	12.91

Business Overview & Journey:

Business Segments (FY24):

1. Essentials: Revenue & EBITDA contribution at 69.8% & 33% respectively.
2. Specialities: Revenue & EBITDA contribution at 30.2% & 67% respectively.

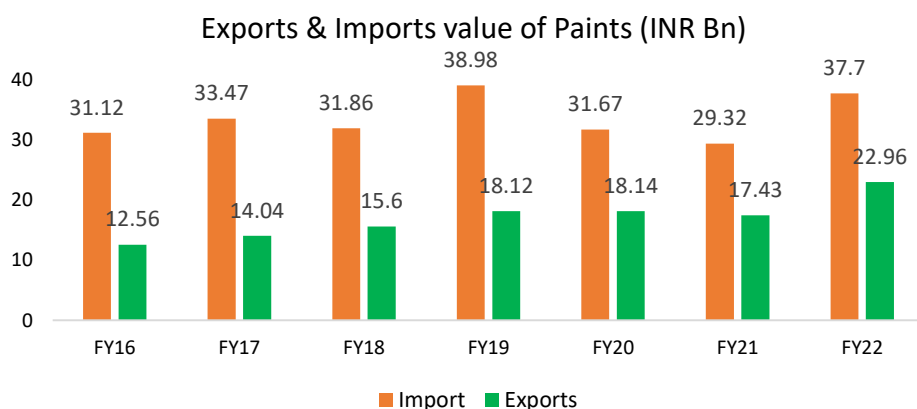
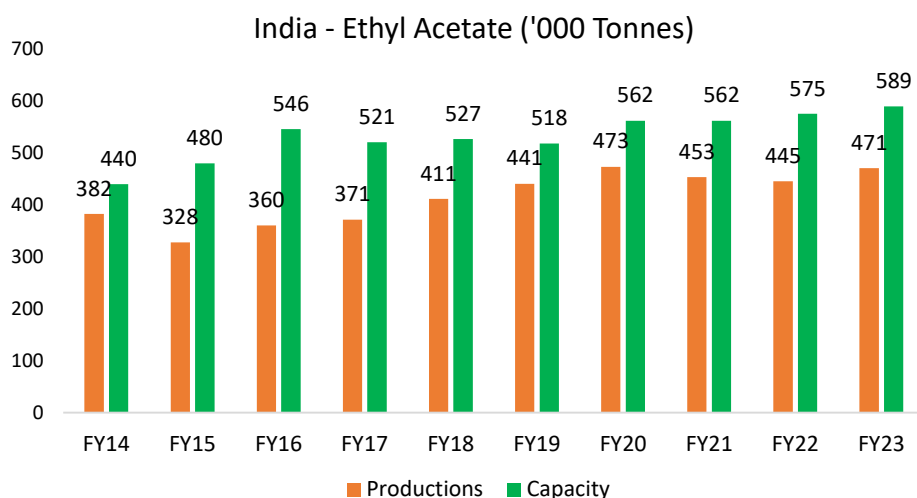
The Essentials Chemicals comprise of below key Chemicals:

- Ethyl Acetate
- Acetic Anhydride
- Acetaldehyde
- Fuel Grade Ethanol
- Other Proprietary Solvents
- Acetic Acid

Essentials Chemicals

The Essential Chemicals majorly comprise of Ethyl Acetate and other Acetyl compounds used across various industries for their solvency properties. The Market size of Ethyl Acetate in India was valued at USD 758 mn in 2024, and is projected to grow at a CAGR of 8.07% between 2024-2030 to USD 1,305 mn by 2030. Ethyl Acetate is widely used in Industries as solvent for Paints, Varnishes, Lacquers, Cleaning Mixtures and Perfumes.

India produced over 470.64 K MT of Ethyl Acetate in FY23 from an installed capacity of 589.5 K MT as of FY23. The paints & Allied Industry holds the highest usage of Ethyl Acetate among usage industries. The Global market Size of Essential chemicals is USD 12 bn, of which addressable market size of Laxmi Organics produced Essential Chemicals is USD 2.5 bn.



I. Essentials Chemicals

The Essential Chemicals majorly comprise of Ethyl Acetate and other Acetyl compounds used across various industries for their solvency properties. The Market size of Ethyl Acetate in India was valued at USD 758 mn in 2024, and is projected to grow at a CAGR of 8.07% between 2024-2030 to USD 1,305 mn by 2030. Ethyl Acetate is widely used in Industries as solvent for Paints, Varnishes, Lacquers, Cleaning Mixtures and Perfumes.

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Ethyl Acetate:

Ethyl Acetate is produced by Esterification of Acetic Acid and Ethanol in the presence of PTSA (para toluene Sulphonic Acid), feeding them constantly in the esterification kettle. Glacial Acetic Acid, 95% Ethanol and 1% PTSA is mixed for the process, with Ethanol being a major raw material for the company.

Laxmi Organics sources their Ethanol requirements from Latin American countries, mainly Brazil and some from South Asian nations including Thailand, Indonesia, etc. The reason for the Company importing almost all of their raw material Ethanol is the lower prices of Ethanol in external markets along with the availability of bulk shipments of large quantity required by the Company from single suppliers against domestic suppliers from where single large quantities of Ethanol cannot be sourced.

Acetic Acid:

Acetic Acid is used in the manufacturing of Coatings, Greases, Polyesters, Greases and Sealants. It is expected that the global market size of Acetic Acid valued at USD 1.9 bn in 2023, is expected to grow by 5.5% CAGR to reach USD 19.5 bn by 2032.

II. Speciality Chemicals:

The Specialities Chemicals comprise of the key Chemicals:

- Ketenes & Diketenes Derivatives
- Esters
- Amides & Arylides
- FluoroSpeciality Intermediates

Laxmi Organic Industries entered the Specialities business with the Acquisition of Clariant Chemicals in 2010, acquiring their Ketenes & Diketenes Derivatives of 40+ Products Portfolio.

Ketenes & Diketenes Derivatives

The Company has a 50% market share in the domestic ketenes & Diketenes Derivatives business. The global Diketenes market is expected to grow at a CAGR of 6.4% annually from a projected value of USD 485 mn in 2024 to USD 750 mn in 2031. The addressable market size of Laxmi Organic's Specialities segment is USD 3.5 bn.

FluoroSpeciality Intermediates

The Global Fluorochemicals market reached USD 24.3 bn as of 2023, and is expected to grow at a CAGR of 4.3% between 2024-2032 to reach value of USD 35.7 bn by 2032. Laxmi Organics does not intend to produce CFC gas chemicals or Refrigerants from their Fluorine chemicals segment in the future. The relevant market size of Fluorine chemicals to be produced by Laxmi Organics has a market size of USD 2.5 bn.

Laxmi Organics acquired an Italian company, Miteni (JV between Mitsubishi Japan & ENI of Italy), mainly the Fluorine business of Miteni, and afterwards the Company has been busy in shifting the equipments from Italy to their Lote facility where the Company has assembled the Electro Fluorination chemistry product manufacturing. Laxmi Organic will be witnessing the first revenues from the fluorine business in the second half of current year, i.e, H2FY25.

Going beyond FY28, Laxmi Organics is investing 2% of the Revenues from Specialties segment towards R&D for future developments. The Company holds a target of achieving 20% of the Revenue from New Products contributed from the Specialties segment.

History of Laxmi Organic Industries:

Laxmi Organic Industries started in the year 1989 is in the business of manufacturing Acetyl Intermediates and Specialty Chemicals. The primary chemicals include Ethyl Acetate, Acetic Acid and Ketenes & Diketene derivatives manufactured by Laxmi Organics.

Laxmi Organics initially started manufacturing Acetaldehyde and Acetic Acid in 1992, and then moved on to manufacture Acetic Acid in 1996. Laxmi Organics is the largest manufacturer of Ethyl Acetate in India with a market share of 30% of the Indian Ethyl Acetate market. The Company has made 3 significant acquisitions in the last one & a half decade, giving them new product assets in the Essentials & Specialities segments.

- 1. Clariant Acquisition (2010):** Laxmi Organics acquired the Ketene & Diketene business and its downstream products from Clariant Chemicals (India) Limited in 2010 and successfully relocated the plant & machinery and other assets from Clariant's manufacturing site at the Balkum, Thane, Maharashtra to their then greenfield site at Mahad, Maharashtra, i.e. the Speciality Intermediate Manufacturing Facility. The Company also acquired the technology & know-how for manufacturing of 18 products from Clariant, over which the Company has done R&D for over a decade now, and has more than 40+ products from the Ketene / Diketene derivative space as of June 2024. Laxmi Organics is the only manufacturer of Ketenes & Diketenes in India, and has market leadership with market share of 55% of Indian Diketene markets.
- 2. Miteni Acquisiton (2019):** Laxmi Organics acquired the assets of Miteni SpA of Italy in 2019, and have rehoused the Plant Equipments at their Lote facility. With this acquisition, Laxmi Organics aims to foray into Fluorospecialities which will start revenue generation from H2FY25. The management had already guided that the Company will not be getting into Refrigerants or CFC gas products, but instead focus on products derived from Electrochemical Fluorination processes. The Company aims to achieve annual revenues of INR 2 bn by FY28 from their Fluorine chemistry business, while they are doing further R&D for future development of products from the Fluorine chemistry.
- 3. Yellowstone Chemicals (2021):** Laxmi Organics acquired the Essential Chemicals asset from Yellowstone Chemicals in 2021 making them the largest producer of Ethyl Acetate in India. The Company sold 234,000 tonnes of Essential chemicals in FY24, mainly comprising of Ethyl Acetate and Acetaldehyde, apart from smaller volumes of other Aldehydes, etc. The Essential chemicals segment caters to the growing usage of Paints, Pigments, Plastics & Textiles, etc. in the Indian markets.

Usage Industries: The Company's Arylide group pf Products are used in Paper, Plastic and Textiles for production of Pigments, Dyestuff and Printing Inks. These intermediates are used primarily in the manufacturing of Pigment Yellow, Acid Yellow, Pigment Orange and Pigment Red for inks & dyes. They also offer acetylation agents for synthesis of dyes.

The Essentials & Specialities chemicals segment addresses the requirements of various industries:

- 1. Pharmaceuticals:** Used for the synthesis of APIs, Formulating Excipients and manufacturing various drug formulations.
- 2. Packaging:** Used in Plastics Packaging, Aluminium Coatings and Protective Coatings to ensure Product safety and Preservations.
- 3. Agro-Chemicals:** Used as solvent base for various Fertilizers enhancing Soil Fertility, Pesticides to protect the plants from Pests, Herbicides to control weeds and Plant Growth Regulators.
- 4. Dyes:** Coloring agent imparting colours to Textiles, Printing material, Cosmetic Products and Food Colorant's for their aesthetic appeal.
- 5. Inks & Paint:** Used for Pigmentation, Adhesion and Durability for Printing, Writing and Surface Coatings on various substrates.
- 6. CASE (Coatings, Adhesives, Sealants and Elastomers):** Used in construction sector for coatings, adhesives and sealants, as well as in the Automotive and Industrial sectors for coatings, adhesives, sealants, and elastomeric materials.

Uses of Acetaldehydes and other Aldehyde group chemicals in various industries:

Apart from these, LOIL's products are also used in the Flavours & Fragrances industry while Acetaldehydes is used as chemical intermediate for varied uses in several industries:

- Acetaldehyde is used as an intermediate in the production of many chemicals, including plastics, synthetic rubber, perfumes, dyes, and pharmaceuticals.
- Used as a food preservative for fruit and fish.
- Used as a synthetic flavoring agent.
- Used as a solvent in the rubber, tanning, and paper industries.
- Used as a chemical intermediate for the production of Herbicides, Insecticides, Fungicides, etc. in the Agro-chemical industry.
- Other uses: Acetaldehyde is also used in the production of disinfectants, explosives, lacquers, varnishes, photographic chemicals, and room air deodorizers.

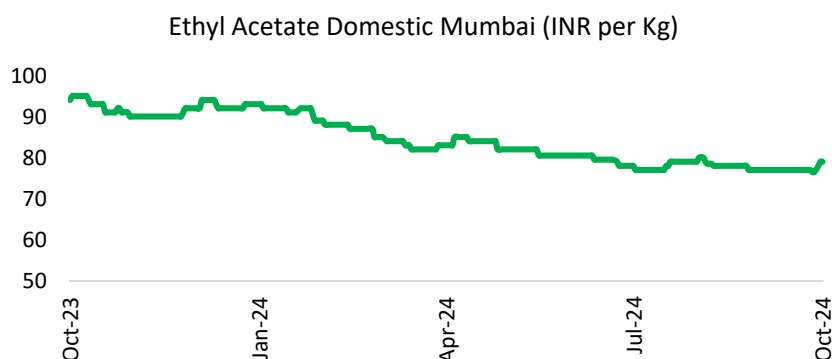
Ketenes & Diketene Derivatives Market

The global Diketene market size is expected to be USD 432 mn as of 2024, and the industry is expected to surge at a CAGR of 4.7% YoY between 2024-34F. The industry is estimated to attain a value of USD 684.5 million by 2034. Diketene or $C_4H_4O_2$, has applications in various end-use industries. This organic compound is an essential component in the production of pesticides and insecticides. The growing agricultural output worldwide is likely to fuel the demand for $C_4H_4O_2$. This organic compound is also used in the production of numerous medications. Asia Pacific region is expected to lead the industry owing to the thriving pharmaceutical industry in the region.

Uses of Ketenes and Diketene Derivatives:

LOIL's Ketenes and Diketene derivative chemicals are used in various applications:

- Used in Organic Synthesis to make esters, amides, and other compounds that are difficult to make with other reagents.
- Used in the synthesis of the early antibiotics like penicillin and amoxicillin.
- Used in the synthesis of acetic anhydride and other organic chemicals.
- Used in the acetylation of cellulose acetate and aspirin.
- Used to synthesize cyclobutane derivatives.
- Used to synthesize derivatives of 3-oxobutanoic acid.

**Ethyl Acetate Demand, Supply and Prices**

The prices of Ethyl Acetate has remained subdued in the past 1 year on account of excess global supply of Ethanol as the sugar productions have reached new highs in Brazil. Laxmi Organic sources their Ethanol supplies majorly from Brazil and some from other South Asian markets.

We expect the Ethyl Acetate prices have pretty much bottomed out, and don't see new lows beyond that. Since, Ethanol makes up 95% of the Raw Material cost for manufacturing of Ethyl Acetate, the prices of Ethyl Acetate are expected to remain intact at current levels before there is some decrease in the supply glut, and then we expect the prices to show some uptrend.

Manufacturing Units:

Laxmi Organic Industries has 4 manufacturing units: 2 in Mahad, Maharashtra, 1 each in Dahej and Lote.

The Mahad 1 & 2 facilities, with land parcel of 45 Acres has 90% of land occupied with manufacturing facilities. The Mahad facilities are used for manufacturing both Essentials & Specialities segment, with Essentials making up 60% of the revenue and 40% of revenue comes from Specialities segment from the Mahad 1 & 2 facility combined. With the Mahad site's 90% land already occupied, there will be no further Brown field expansion possible from this facility in future.

Laxmi Organic will be spending INR 7,100 mn for the Dahej plant which has land parcel area of 86 Acres, of which only 20% of the land will be occupied after the proposed expansion, post which the revenues from Specialities will comprise of 65% of revenue generated from the Dahej plant, and remaining 35% of the revenue will be generated from Essentials chemicals.

The Lote plant for Laxmi Chemicals will serve their purpose only for manufacturing Specialities chemical products. The Lote site has a land parcel area of 30 Acres, of which 50% of the land will be occupied post the expansion at Lote facility. The Company has shifted the entire equipments from the Miteni plant in Italy to their Lote facility over the last several years, and will be seeing the first revenues from the Fluorine plant at Lote in H2FY25.

The Different kinds of reactions which Laxmi Organics is capable of doing in their plants are:

1. Ketene Synthesis
2. Diketene Synthesis
3. Ethoxylation
4. Chlorination & Thiolation
5. Diazotization
6. Reactive Distillation
7. Esterification
8. Catalytic Oxidation
9. Homogeneous catalyst
10. Air Oxidation

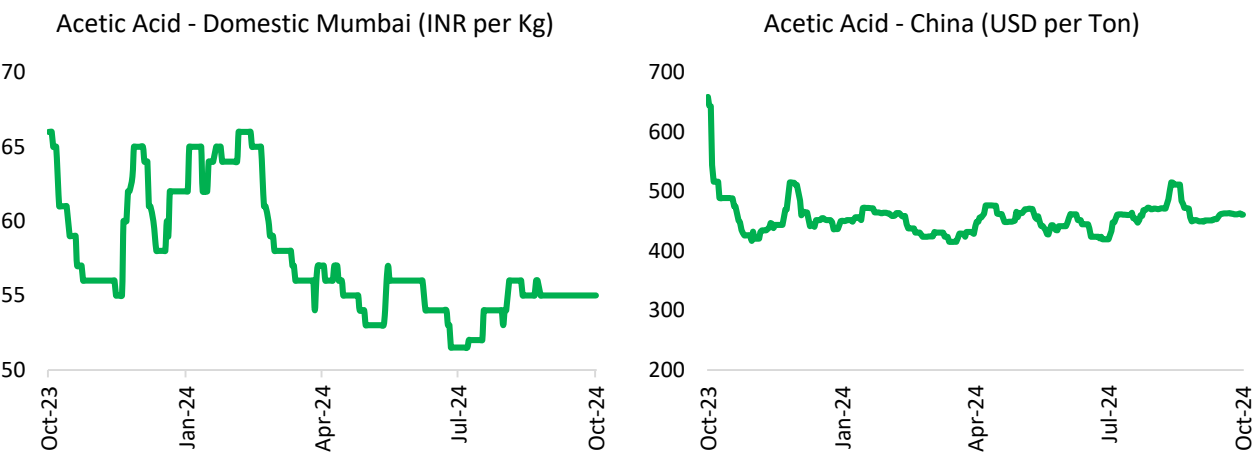
Mahad: At the Mahad facility, they have existing Ketene and Diketene production capabilities and a Kilo Lab facility that was set up to familiarize with the Miteni process technology (for fluoro chemicals). Around ~20% of the energy consumed at the Mahad manufacturing facilities is sourced from renewable resources, including hydro, wind, and solar power. This plant benefits from its strategic location near Jawaharlal Nehru (Nhava Sheva) Port, JSW Port, and Mumbai Port, which offers cost and logistical advantages.

Dahej: This is the new plant under development. The plant covers an 86-acre land parcel, with 20% of the land occupied in Phase I. The proposed product mix includes 65% specialties and 35% essentials. Following the first phase of expansion, 80% of the land will be available. The Dahej project, which focuses on specialty and essential chemicals, is expected to significantly enhance the asset turnover once it becomes operational. It will double the company's Ketene and Diketene production capabilities compared to Mahad. It is expected to start generating revenues in FY26, reaching peak revenues by FY28. A part of INR 11,000 Mn capex plan between FY2024-2028. This plant will help to serve Gujarat and North India markets.

Lote: The Lote plant encompasses a 30-acre land parcel, with 50% of the land available for further expansion. The product mix at this site focuses exclusively on specialties. In Q1 FY2025, sampled 10 products to about 20 customers across industries like agro, pharma, coatings, pigments and electronic materials and 6 products already approved by 8 customers. This plant has 6-7 block fields that can accommodate capex of up to INR 5,000 Mn.

Acetic Acid

The Acetic Acid prices have come down over the last 1 year in the domestic markets while the prices in International markets have remained mostly flat. Laxmi Organics uses Acetic Acid for the manufacturing of Essential Chemicals including Ethyl Acetate and Acetaldehyde, along with separately selling some Acetic Acid as per their captive requirement and market rates of Acetic Acid.



Manufacturing Facilities of Laxmi Organics

Laxmi Organics has 4 manufacturing sites in Mahad, Raigad District Maharashtra (2 facilities), Dahej (Gujarat) and Lote Parshuram, Ratnagiri District (Maharashtra). The facilities at Mahad and Lote are their existing facilities while the Company has acquired 86 acres of land at Dahej for their future Capex plans.

Mahad: The Mahad facility has 2 manufacturing units with a combined land parcel of 45 acres. The output from the 2 units at Mahad comprises of revenue mix of Essentials 60% and Specialities 40%.

The Mahad facility is located in close proximity to the JNPT (Nhava Sheva), JSW Port and Mumbai Port Trust.



Mahad facility with 2 units for Essential (60%) and Specialities (40%)

The Company's Mahad facility with 45 acres of Land Parcel will be 90% occupied after the planned Capex execution with the Specialities and Essentials capacity mix of 40% : 60% respectively post capex.

Mahad facility Product wise Capacity	Present	Addition	Total
1. Diketene derivatives (TPM)	2,015	690	2,705
a. Ester Derivative	1,000	300	1,300
b. Amide Derivatives	480	145	625
c. Arylide Derivatives	535	245	780
2. Diketene (TPM)	1,350	500	1,850
3. Acetic Anhydride (TPM)	1,200	1,800	3,000
4. Ketene derivatives (TPM)	-	1,600	1,600
5. Ethyl Acetate (TPM)	-	5,000	5,000
6. Ethylene / Propylene Oxide derivatives (TPM)	-	500	500
7. Sodium Acetate	-	500	500
8. CPP (Power MW)	-	11	11

Dahej (Essentials & Specialities Mixed): The Company has acquired 86 acres of land for the planned capex in both the segments with Essentials and Specialities making up 35% & 65% respectively of revenue output. The facility has 86 acres of Land Parcel and will occupy 20% of the land reserve after the proposed Capex. Laxmi Organics will be replicating the current capacity for Specialities chemicals at Mahad plant in their new facility at Dahej.



Laxmi Organics upcoming Dahej Facility for both Essentials & Specialities segment

The Company also has several other manufacturing facilities at other places, including:

1. Distillery at Ganganagar, Kolhapur Maharashtra
2. Distillery at Jarandeshwar, Satara Maharashtra
3. Hydro Power Project at Yadgaon, Pune Maharashtra

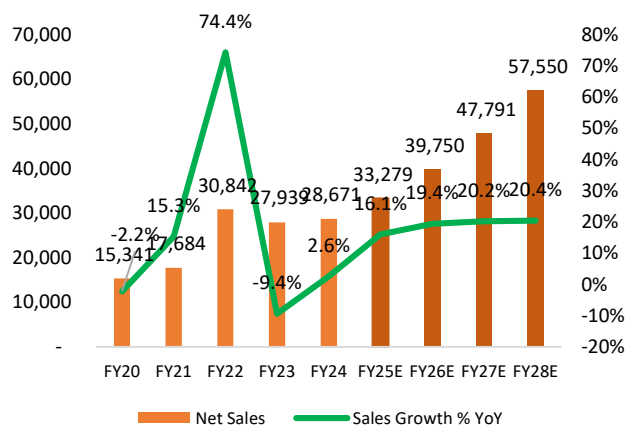


Lote Parshuram Facility where the Company has housed their Fluorination Assets

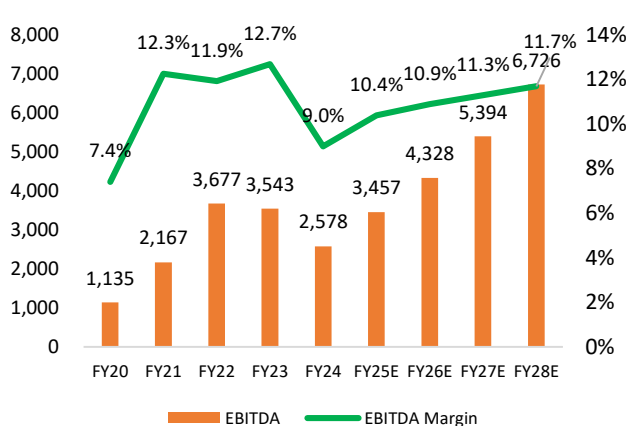
Lote Parshuram: The Lote facility has 30 acres of land with land Occupancy levels at 50% and is manufacturing facility for Specialities segment brought post the acquisition of Miteni, Italy assets for Fluorochemicals products. Post the planned Capex at Lote, the facility will still have 50% of land parcel left for future brownfield expansion.

Graphs

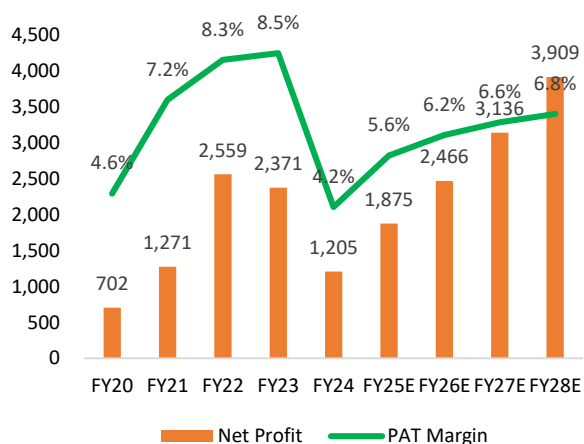
Sales & Growth (INR Mn)



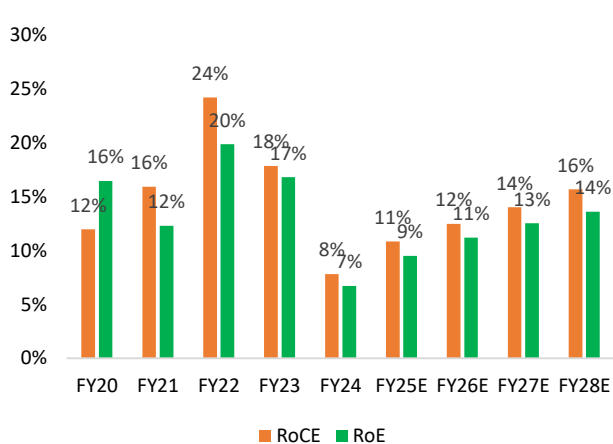
EBITDA & Margins



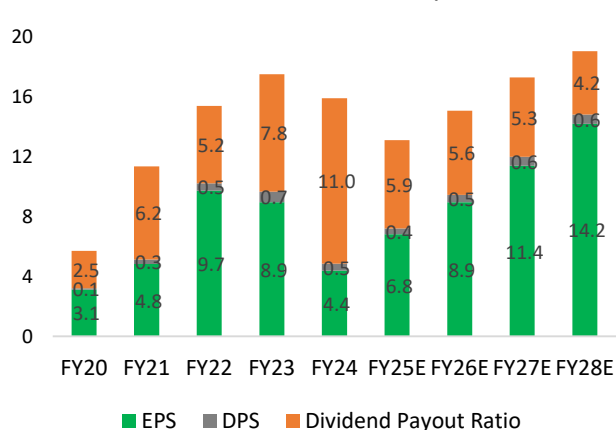
Net Profit & PAT Margins



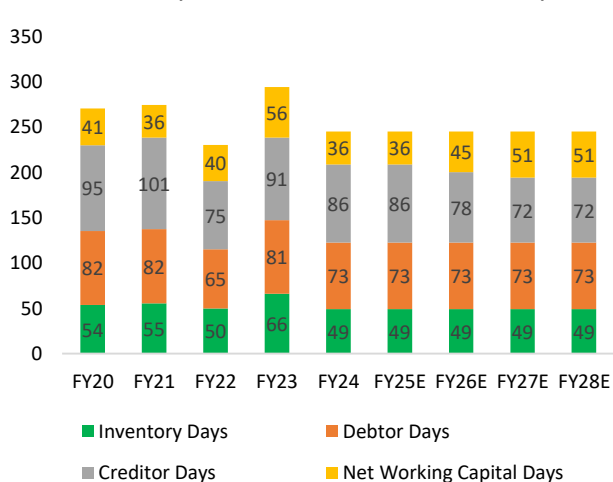
RoCE & RoE



EPS, DPS & Dividend Payout



Inventory, Debtor, Creditor and WC Days



Management table

Personnel	Designation	Description
Mr. Ravi Goenka	Executive Chairman	He holds a Bachelors' degree in Chemical Engineering from Bangalore University having a diversified experience of more than 3 decades in the chemicals and paper industry, 18 years in the education industry and more than 2 decades in the power industry. He is a Director on the Board of International Knowledge Park Private Limited, which established the Ecole Mondiale World School and Russell Square International College. He was also an Ex-Trustee of Mumbai Port Trust and Jawaharlal Nehru Port Trust, and the former President of the Executive Committee of the Indian Chemical Council.
Dr. Rajan Venkatesh	Managing Director & Chief Executive Officer	He holds a Master's degree in Chemistry from ICT-Mumbai, an M.Phil. in Polymer Science and Technology from the University of Manchester, and a Ph.D. in Polymer Chemistry from Eindhoven University of Technology in the Netherlands. His professional journey has exposed him to diverse cultures and markets, including 19 years at BASF. During his tenure at BASF, Dr. Rajan led various business functions and large-scale projects across Germany, Singapore, India, and Hong Kong. Before joining the Company, he served diversified roles across the Indian and global markets.
Mr. Harshvardhan Goenka	Executive Director, Strategy and Business Development	He holds a Bachelor's degree in science from Babson College, Boston, USA. With more than a decade of experience in the chemicals industry, he is responsible for driving the growth agenda and establishing new ventures at Laxmi Organic. He is an active member of the Entrepreneurs Organisation, Mumbai, and the Babson Alumni Club. Since his appointment to the Board in November 2020, Mr. Goenka has played a key role in shaping the Company's strategic direction.
Mr. S. Daipayan Bora	Chief Transformation Officer	He holds a Master's degree in Personnel Management & Industrial Relations from Tata Institute of Social Sciences. With more than 2 decades of experience in human resource management and related areas, Mr. Bora joined the Company in October 2017 as the Chief Transformation Officer.
Dr. Ajay Audi	Executive Vice President, Research & Development	He holds the position of Executive Vice President of Research & Development. He earned his Doctorate in Science in Organic Chemistry from the University of Mumbai. With over 35 years of experience in process development and scale-ups of agro-chemicals, pharma APIs and specialty chemicals, Dr. Audi has been part of the team since December 2012.
Jitendra Agarwal	President, Essentials BU	He is an Associate member of the ICAI. With over 30 years of experience in finance, accounts, global procurement, supply chain, sales and marketing, operations, industrial relations and business management, he has been associated with the Company since June 2018.
Mr. Prashant Patil	- Executive Vice President, Manufacturing	He holds the position of Executive Vice President of Manufacturing for Specialty Intermediates (SI). He earned his Bachelor's degree in Chemical Engineering from Mumbai University and a Post-Graduate Diploma in Materials Management from Welingkar Institute. With more than 3 decades of experience in manufacturing, projects, and process engineering in specialty chemicals, he has been part of the team since November 2016.
Mr. Salil Mukundan	Chief Technology Officer	He is a BTech (Chemical) from IIT, Bombay with more than 3 decades of experience in Companies including Dorfketal Chemicals India Private Limited, Deepak Nitrite Limited, IPCA Laboratories Limited, Arch Pharmalabs Limited, and Apte Amalgamations Limited.

Peer Comparison

Peers / Particulars	Laxmi Organic	Ami Organics Ltd	Archean Chemical industries Ltd	Aether Industries Ltd	IOL Chemicals
CMP	252	1,540	702	997	444
Market Cap (INR Mn)	66,824	63,030	86,660	132,110	26,070
Revenue	28,671	7,175	13,763	5,982	21,330
% Growth	2.60%	16.30%	-7.30%	-8.10%	-3.80%
EBITDA	2,578	1,285	5,110	1,576	2,320
EBITDA Margins (%)	9.0%	17.9%	37.1%	26.3%	11.0%
PAT	1,205	487	3,224	825	1,350
PAT Margins (%)	4.20%	6.80%	23.40%	13.80%	6.33%
EPS (INR)	4.4	11.6	26.2	6.7	23.07
P/E	57.3	132.8	26.8	149.9	21.9
RoCE	7.80%	13.90%	24.10%	5.60%	12.00%
RoE	6.70%	7.10%	20.50%	4.00%	8.68%

Risks to Investment:

The major risks to investments in Laxmi Organics comprise of the below scenario based risks due to both the Company as well as Industry headwinds:

1. The prices of key raw materials and Products remain subdued for longer period of time due to oversupply across the globe. For example, the prices of Ethyl Acetate has come down significantly over the last 1 year. Similarly, the price of Raw Material Ethanol is subdued in International markets compared to domestic prices due to the Ethanol Blending Program of Indian Government.
2. The timeline for completion of the Capex Program announced by the company could get delayed due to Capital crunch if Profits are subdued with lower available cash from Internal Accruals.
3. The Company's Leadership Team has seen frequent changes over the past several years, and this has eroded their valuations since listing. However, the current MD & CEO has been roping in senior level segmental heads with Professionals having experience in working with Global Supply chains.

Income Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Gross Sales	27,939	28,671	33,279	39,750	47,791	57,550
Net Sales	27,939	28,671	33,279	39,750	47,791	57,550
YoY (%)	-9.4%	2.6%	16.1%	19.4%	20.2%	20.4%
Adjusted COGS	18,449	21,535	24,560	29,136	34,839	41,723
YoY (%)	-12.7%	16.7%	14.0%	18.6%	19.6%	19.8%
Personnel/ Employee benefit expenses	1,159	1,479	1,769	2,113	2,540	3,059
YoY (%)	-6.9%	27.6%	19.6%	19.4%	20.2%	20.4%
<i>Manufacturing & Other Expenses</i>	<i>4,788</i>	<i>3,080</i>	<i>3,494</i>	<i>4,174</i>	<i>5,018</i>	<i>6,042</i>
YoY (%)	-0.2%	-35.7%	13.5%	19.4%	20.2%	20.4%
Total Expenditure	24,396	26,093	29,822	35,423	42,397	50,824
YoY (%)	-3.7%	-27.2%	34.1%	25.2%	24.6%	24.7%
EBITDA	3,543	2,578	3,457	4,328	5,394	6,726
YoY (%)	-3.7%	-27.2%	34.1%	25.2%	24.6%	24.7%
EBITDA Margin (%)	12.7%	9.0%	10.4%	10.9%	11.3%	11.7%
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	2,317	2,994	3,836	4,963
EBIT Margin (%)	10.1%	5.3%	7.0%	7.5%	8.0%	8.6%
Interest Expenses	113	65	81	98	117	141
Non-operating/ Other income	148	261	390	466	560	674
PBT	2,854	1,708	2,625	3,363	4,279	5,497
Tax-Total	483	503	750	897	1,142	1,588
Adj. Net Profit	2,371	1,205	1,875	2,466	3,136	3,909
Reported Profit	2,371	1,205	1,875	2,466	3,136	3,909
PAT Margin	8.5%	4.2%	5.6%	6.2%	6.6%	6.8%
Shares o/s/ paid up equity sh capital	265	276	276	276	276	276
Adj EPS	9	4	7	9	11	14
Dividend payment	186	133	110	138	165	165
Dividend payout (%)	7.8%	11.0%	5.9%	5.6%	5.3%	4.2%
Retained earnings	2,185	1,073	1,765	2,328	2,971	3,743

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	19,194	21,521	24,492	28,236
Networth	14,124	17,980	19,745	22,073	25,044	28,787
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	29,978	33,305	37,645	43,772
Total Funds Employed	46,547	55,163	58,309	64,634	72,911	84,662
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	16,829	18,689	21,250	25,763
Inventory	2,942	2,833	3,293	3,907	4,672	5,595
Inventory Days	66	49	49	49	49	49
Debtors	5,702	5,834	6,695	7,997	9,615	11,579
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	1,295	1,156	1,041	1,363
Current Liabilities/Provisions	8,301	8,911	8,585	9,256	10,222	12,102
Creditors / Trade Payables	4,663	7,621	7,158	7,667	8,463	10,147
Creditor Days	91	86	86	78	72	72
Liabilities	919	849	905	972	1,027	1,087
Net Current Assets	3,866	5,861	8,244	9,433	11,028	13,661
Total Asset	24,122	28,272	29,978	33,305	37,645	43,772
Total Capital Employed	20,256	22,411	21,734	23,872	26,617	30,111

Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Profit before tax	2,371	1,205	1,875	2,466	3,136	3,909
Adjustments: Add						
Depreciation and amortisation	724	1,066	1,140	1,333	1,558	1,762
Interest adjustment	-35	-195	-309	-368	-443	-534
Change in assets and liabilities	2,874	1,943	2,596	3,293	4,086	4,972
Inventories	796	109	-460	-614	-765	-923
Trade receivables	982	-132	-861	-1,302	-1,618	-1,963
Trade payables	-2,453	2,958	-463	509	796	1,683
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	595	1,583	2,060	3,168
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	513	577	660	764
Net cash (used) in investing activities	-4,882	-3,400	-275	-2,222	-2,678	-2,611
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	3,695	3,298	2,971	3,888
FCF	97	-122	-1,929	-1,447	-1,477	-375
Capex (% of sales)	4,065	2,717	2,500	3,000	3,500	3,500

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	0.5	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%	9.5%	11.2%	12.5%	13.6%
Per share ratios						
Reported EPS	8.9	4.4	6.8	8.9	11.4	14.2
Dividend per share	0.7	0.5	0.4	0.5	0.6	0.6
BV per share	53.3	65.2	71.6	80.0	90.8	104.4
Cash per Share	3.1	4.0	4.7	4.2	3.8	4.9
Revenue per Share	105.4	104.0	120.7	144.1	173.3	208.7
Profitability ratios						
Net Profit Margin (PAT/Net sales)	8.3%	8.5%	4.2%	5.6%	6.2%	6.6%
Gross Profit / Net Sales	34.0%	24.9%	26.2%	26.7%	27.1%	27.5%
EBITDA / Net Sales	12.7%	9.0%	10.4%	10.9%	11.3%	11.7%
EBIT / Net Sales	10.1%	5.3%	7.0%	7.5%	8.0%	8.6%
ROCE (%)	17.8%	7.8%	10.8%	12.5%	14.0%	15.7%
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	28.4	30.6	32.7	35.3
Debt / Asset	0.2	0.0	0.1	0.1	0.1	0.1
Valuation ratios						
EV / EBITDA	19.6	25.2	18.7	15.1	12.3	9.8
PE (x)	28.2	57.7	37.1	28.2	22.2	17.8

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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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