

Strong exports recovery while domestic demand resilient

- FINEORG's Q4FY24 Revenue/EBITDA/PAT came at Rs5.5bn/Rs1.4bn/ Rs1.1bn and beat estimates by 10%/31%/35%, mainly due to stronger than expected recovery in exports (+38% QoQ), higher spreads and operating leverage benefits. Q4/FY24 exports revenue contribution stood at 55% / 52%.**
- The company guided ambitious expansion plans, which could even involve raising debt (i.e. over and above cash on books of Rs10.5bn, which in itself is 1.7x of current gross block). It is (a) evaluating setting up of a considerable capacity outside India; (b) trying to expand its product range through acquisitions; and (c) waiting for allotment letter from govt. authorities in Maharashtra SEZ (expected shortly) to expand existing and new products.**
- We believe that capacity headroom available (albeit limited) will cater to recovery in export volumes, while upcoming SEZ expansion will aid long term growth needs. Further, strong net cash balance sheet and healthy OCF of Rs8bn over FY25-26E will enable funding the capex programme. We increase our FY25/26E EPS estimates by 4% and reiterate 'BUY' rating with revised TP of Rs5450 (34x FY26 EPS) from earlier Rs5250.**

Q4FY24 performance encouraging

Consolidated revenue at Rs5.5bn (-8%YoY/ +12%QoQ) was aided by stronger exports, especially to US. EBITDA at Rs1.44bn (-29% YoY/ +21% QoQ) and EBITDA margin at 26.2% (+203bps QoQ); YoY appears weak on an elevated base (not comparable). PAT at Rs1.15bn (-23%YoY/ +22%QoQ) aided by higher other income (+31% QoQ). Healthy operating profits coupled with stable working capital efficiency (75 days in FY24) on moderated prices, aided operating cash flow (Rs6.3bn in FY24 vs Rs 4.8bn in FY23), boosting cash balance to Rs10.5bn.

Export recovery augurs well for profitability

Gradual recovery in export volumes and new product launches (higher margin) to ensure better profitability over FY25-26E, led by improvement in capacity utilization and product mix. Our workings and management comments suggest, capacity headroom is available (albeit limited) to cater to increase in volumes, while upcoming expansion(s) at Maharashtra SEZ will cater to long term growth. Domestic demand remains strong.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	5,469	5,966	(8.3)	4,884	12.0
Total Expense	4,034	3,942	2.3	3,702	9.0
EBITDA	1,435	2,024	(29.1)	1,182	21.4
Depreciation	153	130	17.3	147	3.8
EBIT	1,282	1,894	(32.3)	1,035	23.9
Other Income	228	130	75.9	174	30.9
Interest	5	9	(41.8)	5	3.0
EBT	1,505	2,015	(25.3)	1,204	25.0
Tax	353	514	(31.3)	252	39.7
RPAT	1,151	1,494	(23.0)	942	22.2
APAT	1,157	1,494	(22.6)	942	22.8
				(bps)	(bps)
Gross Margin (%)	44.1	49.6	(547)	43.2	89
EBITDA Margin (%)	26.2	33.9	(769)	24.2	203
NPM (%)	21.0	25.0	(400)	19.3	176
Tax Rate (%)	23.4	25.5	(205)	21.0	248
EBIT Margin (%)	23.4	31.7	(830)	21.2	225

CMP	Rs 4,287		
Target / Upside	Rs 5,450 / 27%		
NIFTY	22,104		
Scrip Details			
Equity / FV	Rs 153mn / Rs 5		
Market Cap	Rs 131bn		
	USD 1.6bn		
52-week High/Low	Rs 5,165 / 4,021		
Avg. Volume (no)	23,434		
Bloom Code	FINEORG IN		
Price Performance			
1M	3M	12M	
Absolute (%)	(1)	0	(5)
Rel to NIFTY (%)	0	(1)	(25)

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	75.0	75.0	75.0
MF/Banks/FIs	12.2	11.9	10.8
FII	3.8	3.6	4.5
Public / Others	9.1	9.6	9.8

Valuation (x)

	FY24A	FY25E	FY26E
P/E	31.9	29.9	26.8
EV/EBITDA	22.6	21.7	19.5
ROE (%)	23.8	20.9	19.8
RoACE (%)	24.1	20.8	19.6

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	21.2	22.3	24.0
EBITDA	5.3	5.4	5.8
PAT	4.1	4.4	4.9
EPS (Rs.)	134.3	143.4	160.2

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Exhibit 1: Actual vs estimates

Particulars (Rs mn)	Estimates			% Variation		Comment
	Actual	Dolat	Consensus	Dolat	Consensus	
Revenue	5,469	4,972	4,975	10.0	9.9	
EBITDA	1,435	1,096	1,193	30.9	20.3	
EBITDA Margin (%)	26.2	22.0	24.0	420 bps	226 bps	
PAT	1,146	847	923	35.2	24.1	
EPS (Rs)	37	27.6	30.1	35.4	24.1	

Source: Company, DART

Exhibit 2: Change in estimates

Particulars (Rs mn)	FY24	FY25E			FY26E		
		Actual	Old	New	Chg. (%)	Old	New
Revenue	21,230	23,191	22,322	(3.7)	25,028	23,970	(4.2)
Change (%)	(29.8)	9.2	5.1		7.9	7.4	
EBITDA	5,340	5,267	5,394	2.4	5,739	5,818	1.4
Change (%)	(35.7)	(1.4)	1.0		9.0	7.9	
EBIT	4,779	4,747	4,859	2.4	5,197	5,260	1.2
Change (%)	(39.0)	(0.7)	1.7		9.5	8.2	
Adj. PAT	4,119	4,240	4,396	3.7	4,722	4,913	4.0
Change (%)	(33.4)	2.9	6.7		11.4	11.8	
EPS (Rs)	134.3	138.3	143.4	3.7	154.0	160.2	4.0

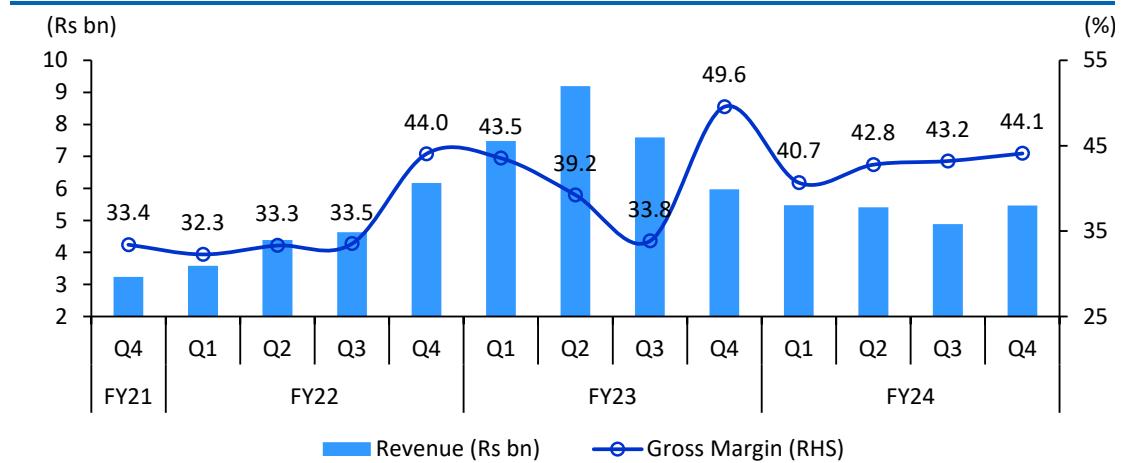
Source: Company, DART

Earnings call KTA

- **Recovery in export volumes, ex- Europe:** Exports are showing signs of revival; demand recovery seen in North America, South America, Asia; however, Europe is still languishing. FY24 exports at 52% of revenues.
- **Input costs stable; no price volatility foreseen for next few months:** Subdued global demand kept vegetable oil prices suppressed; and with fresh crop hitting market, RM prices are expected remain soft.
- **At optimal utilization currently, though capacity headroom available in some plants:** Some plants are operating at full capacity, while few have headroom available. E-73 plant at Patalganga has sufficient capacity available; to be absorbed over next 2-3 years.
- **Maharashtra land allotment and capex:** There is good progress on physical allotment of the land (~30 acres) from SEZ authorities, and now only the issuance of letter of allotment is pending, which should happen soon as per the management. Commercialization to take ~18 months post environmental clearance, which will be fast paced since its part of SEZ. Capex details disclosures to follow.
- **Thailand expansion:** One out of two permissions awaited was received; other one is also expected shortly. Plant expected to commence trial production by June'24 end. Product currently manufactured by only two companies globally:- FINEORG to be the third one.
- **Red sea crisis:** There are some headwinds for exports to Europe and US due to Red Sea related challenges, whereby lead time has increased by 1-1.5 months.
- **ECB borrowings cleared:** ECB raised for Ambernath-3 facility was repaid over last 5 years by Dec'23.

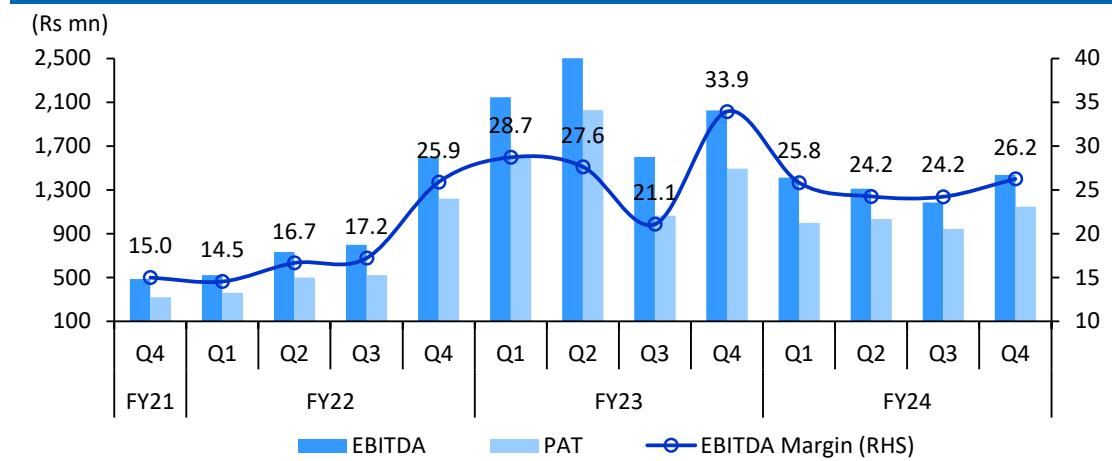
Quarterly trends

Exhibit 3: Revenue growth led by exports and GM improvement on better spreads



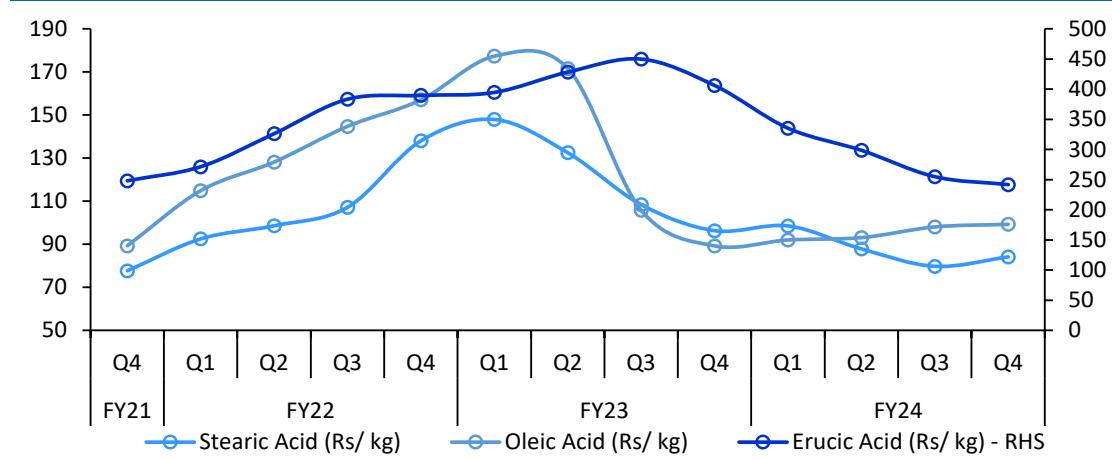
Source: Company, DART

Exhibit 4: Margin improvement led by better spreads and operating leverage benefits



Source: Company, DART

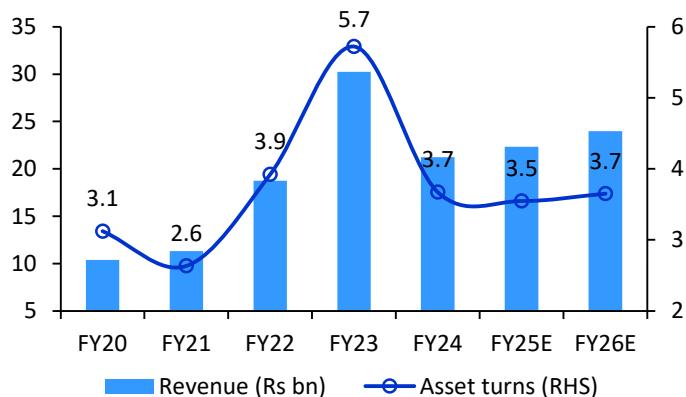
Exhibit 5: Key raw material prices have moderated & stabilized



Source: Industry, DART

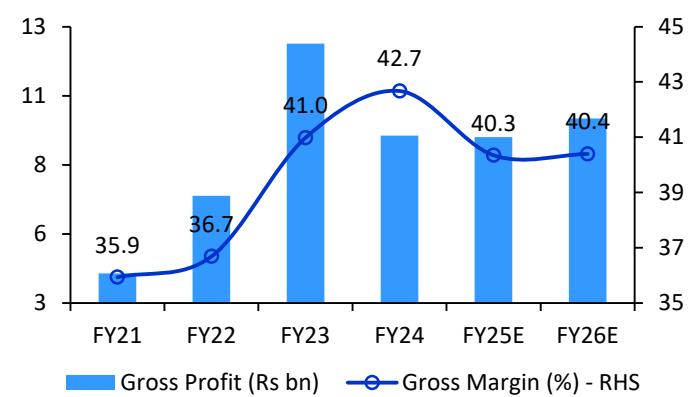
Story in charts

Exhibit 6: FY24 revenue decline on lower input prices



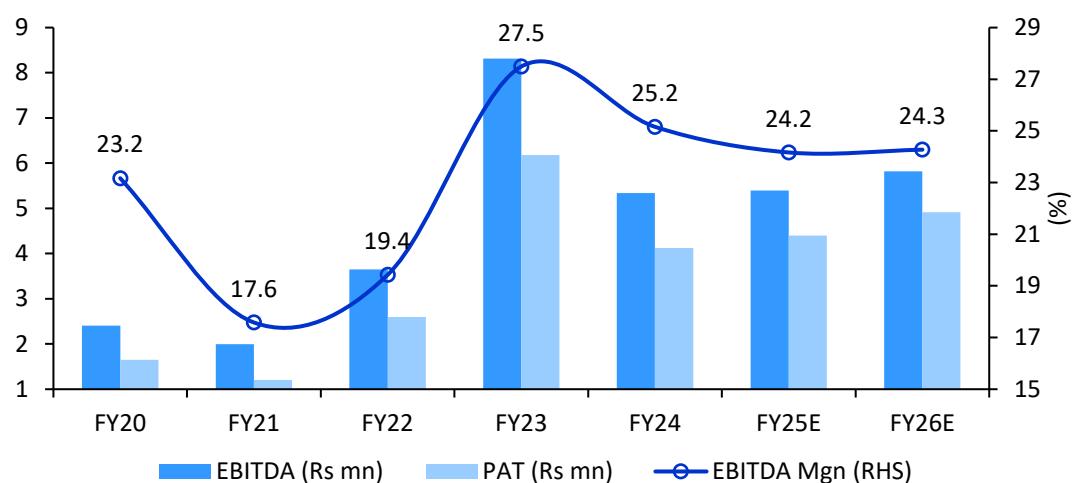
Source: Company, DART

Exhibit 7: Stable gross margins going forward



Source: Company, DART

Exhibit 8: Robust profit growth over long term (20% PAT CAGR over FY20-26E)

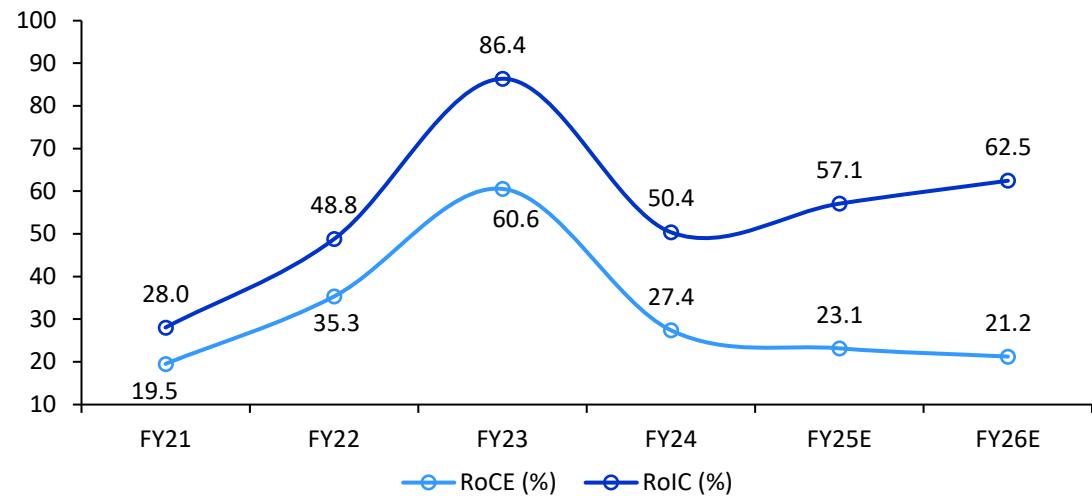


Source: Company, DART

Exhibit 9: Strong cash flows over FY24-FY26E to enable funding the capex programme

Cash Flow (Rs bn)	FY21	FY22	FY23	FY24	FY25E	FY26E
PBIT	1.6	3.5	8.3	5.0	5.8	6.5
Add: Depreciation	0.5	0.4	0.5	0.6	0.5	0.6
Add: Others	(0.1)	(0.2)	(0.5)	(0.2)	(0.9)	(1.1)
Working Capital Changes	(0.2)	(2.2)	(1.2)	2.5	(0.2)	(0.4)
Less: Tax	(0.4)	(0.8)	(2.3)	(1.5)	(1.2)	(1.5)
Cash from Operations	1.3	0.7	4.9	6.3	4.0	4.0
Capex	(0.5)	(0.6)	(0.8)	(0.9)	(0.3)	(0.3)
Free Cash Flow	0.9	0.1	4.0	5.5	3.7	3.8
Working Capital (Days)						
Inventory	41	46	54	45	45	45
Receivable	52	59	42	54	50	50
Payable	(31)	(30)	(21)	(23)	(20)	(20)
Core W.C.Days	61	75	75	75	75	75
Other Current Assets	22	23	12	10	10	10
Other Current Liabilities & Prov	8	12	7	8	10	10
Overall W.C.Days	75	85	80	77	75	75

Source: Company, DART ^not built-in our assumptions for capex or corresponding revenue as not announced yet

Exhibit 10: Resilient operational performance to aid high return ratios


Source: Company, DART

RoCE moderation over FY24-26E to 21% on net cash of ~Rs 18 bn given strong cash flow generation, visible in RoIC of >60%.

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	30,231	21,230	22,322	23,970
Total Expense	21,920	15,889	16,928	18,152
COGS	17,842	12,170	13,316	14,287
Employees Cost	1,053	1,195	1,291	1,420
Other expenses	3,025	2,523	2,322	2,445
EBIDTA	8,311	5,340	5,394	5,818
Depreciation	479	561	535	558
EBIT	7,832	4,779	4,859	5,260
Interest	46	24	0	0
Other Income	642	719	863	1,121
Exc. / E.O. items	0	(6)	0	0
EBT	8,428	5,468	5,722	6,381
Tax	2,229	1,322	1,382	1,542
RPAT	6,181	4,119	4,396	4,913
Minority Interest	0	0	0	0
Profit/Loss share of associates	(18)	(26)	56	73
APAT	6,181	4,119	4,396	4,913

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	153	153	153	153
Minority Interest	0	0	0	0
Reserves & Surplus	15,259	19,057	22,628	26,662
Net Worth	15,412	19,210	22,781	26,815
Total Debt	272	0	0	0
Net Deferred Tax Liability	(99)	(108)	(108)	(108)
Total Capital Employed	15,586	19,102	22,673	26,707

Applications of Funds

Net Block	2,140	2,327	2,090	1,782
CWIP	404	297	250	250
Investments	388	362	362	362
Current Assets, Loans & Advances	15,026	17,959	21,829	26,308
Inventories	4,450	2,609	2,752	2,955
Receivables	3,506	3,113	3,058	3,284
Cash and Bank Balances	5,230	10,485	14,268	18,273
Loans and Advances	839	1,143	1,139	1,140
Other Current Assets	1,001	609	612	657
Less: Current Liabilities & Provisions	2,373	1,842	1,858	1,995
Payables	1,758	1,354	1,223	1,313
Other Current Liabilities	615	488	635	682
<i>sub total</i>				
Net Current Assets	12,653	16,116	19,971	24,313
Total Assets	15,586	19,102	22,673	26,707

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	41.0	42.7	40.3	40.4
EBIDTA Margin	27.5	25.2	24.2	24.3
EBIT Margin	25.9	22.5	21.8	21.9
Tax rate	26.4	24.2	24.2	24.2
Net Profit Margin	20.4	19.4	19.7	20.5
(B) As Percentage of Net Sales (%)				
COGS	59.0	57.3	59.7	59.6
Employee	3.5	5.6	5.8	5.9
Other	10.0	11.9	10.4	10.2
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	171.2	196.4		
Inventory days	54	45	45	45
Debtors days	42	54	50	50
Average Cost of Debt	10.7	17.9		
Payable days	21	23	20	20
Working Capital days	153	277	327	370
FA T/O	14.1	9.1	10.7	13.5
(D) Measures of Investment				
AEPS (Rs)	201.6	134.3	143.4	160.2
CEPS (Rs)	217.2	152.7	160.8	178.4
DPS (Rs)	9.0	9.0	26.9	28.7
Dividend Payout (%)	4.5	6.7	18.8	17.9
BVPS (Rs)	502.7	626.6	743.0	874.6
RoANW (%)	49.4	23.8	20.9	19.8
RoACE (%)	48.6	24.1	20.8	19.6
RoAIC (%)	86.4	50.4	57.1	62.5
(E) Valuation Ratios				
CMP (Rs)	4287	4287	4287	4287
P/E	21.3	31.9	29.9	26.8
Mcap (Rs Mn)	131,432	131,432	131,432	131,432
MCap/ Sales	4.3	6.2	5.9	5.5
EV	126,474	120,947	117,163	113,159
EV/Sales	4.2	5.7	5.2	4.7
EV/EBITDA	15.2	22.6	21.7	19.5
P/BV	8.5	6.8	5.8	4.9
Dividend Yield (%)	0.2	0.2	0.6	0.7
(F) Growth Rate (%)				
Revenue	61.1	(29.8)	5.1	7.4
EBITDA	128.0	(35.7)	1.0	7.9
EBIT	141.3	(39.0)	1.7	8.2
PBT	139.0	(35.1)	4.6	11.5
APAT	138.1	(33.4)	6.7	11.8
EPS	138.1	(33.4)	6.7	11.8

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	8,410	5,441	5,778	6,455
Depreciation & w.o.	479	561	535	558
Net Interest Exp	(527)	(642)	(863)	(1,121)
Direct taxes paid	(2,281)	(1,500)	(1,243)	(1,506)
Change in Working Capital	(1,227)	2,484	(215)	(374)
Non Cash	0	0	0	0
(A) CF from Operating Activities	4,853	6,345	3,992	4,012
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(807)	(860)	(250)	(250)
Free Cash Flow	4,046	5,485	3,742	3,762
(Inc.)/ Dec. in Investments	(150)	(3,513)	0	0
Other	110	466	863	1,121
(B) CF from Investing Activities	(847)	(3,906)	613	871
Issue of Equity/ Preference	0	0	0	0
Inc./ (Dec.) in Debt	(357)	(274)	0	0
Interest exp net	(45)	(22)	0	0
Dividend Paid (Incl. Tax)	(276)	(276)	(825)	(879)
Other	(436)	(65)	0	0
(C) CF from Financing	(1,114)	(636)	(825)	(879)
Net Change in Cash	2,892	1,802	3,780	4,004
Opening Cash balances	2,257	5,148	6,951	10,730
Closing Cash balances	5,148	6,951	10,730	14,735

E – Estimates

Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jul-23	Accumulate	5,250	4,462
Nov-23	Accumulate	4,800	4,268
Jan-24	Accumulate	5,200	4,856
Feb-24	Accumulate	5,200	4,504

*Price as on recommendation date

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