

May 23, 2024

Q4FY24 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	SELL		SELL	
Target Price	206		206	
Sales (Rs. m)	31,972	36,269	32,475	36,118
% Chng.	(1.6)	0.4		
EBITDA (Rs. m)	3,173	3,714	3,377	4,012
% Chng.	(6.1)	(7.4)		
EPS (Rs.)	6.1	7.3	6.6	8.6
% Chng.	(7.2)	(14.7)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	27,912	28,650	31,972	36,269
EBITDA (Rs. m)	2,391	2,557	3,173	3,714
Margin (%)	8.6	8.9	9.9	10.2
PAT (Rs. m)	1,246	1,205	1,609	1,935
EPS (Rs.)	4.7	4.4	6.1	7.3
Gr. (%)	(51.9)	(7.0)	39.6	20.3
DPS (Rs.)	0.5	0.4	0.6	0.7
Yield (%)	0.2	0.2	0.2	0.3
RoE (%)	9.2	7.5	9.3	11.0
RoCE (%)	10.3	8.0	9.6	10.2
EV/Sales (x)	2.5	2.4	2.1	1.8
EV/EBITDA (x)	29.5	26.5	21.3	18.0
PE (x)	54.7	58.8	42.1	35.0
P/BV (x)	4.8	3.9	4.1	3.7

Key Data

LAXR.BO | LXCHEM IN

52-W High / Low	Rs.321 / Rs.222
Sensex / Nifty	75,418 / 22,968
Market Cap	Rs.71bn/ \$ 850m
Shares Outstanding	276m
3M Avg. Daily Value	Rs.325.46m

Shareholding Pattern (%)

Promoter's	69.72
Foreign	0.85
Domestic Institution	3.44
Public & Others	26.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.9	(4.5)	0.1
Relative	0.6	(16.4)	(17.8)

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Laxmi Organic Industries (LXCHEM IN)

Rating: SELL | CMP: Rs257 | TP: Rs206

Project ramp ups to take time

Quick Pointers:

- Approval received for Rs 7.1bn Dahej project, construction to start soon
- Merger of fully owned subsidiary Yellowstone Fine Chemicals Pvt. Ltd., Lote to Laxmi Organics Limited approved by board

Laxmi Organic Industries (LXCHEM) reported a topline of Rs 7.9bn, marking an 8% YoY growth driven by a 14% increase in volume. EBITDAM improved by 300bps YoY due to lower overheads. However, the contribution from exports decreased by 500 basis points YoY, primarily due to weak global demand in the pharma and agro sectors. The Company's Fluoro intermediate plant with a peak revenue capacity of Rs 2bn is ready, but it will take another three years to ramp up. Additionally, the Dahej project has received its first approval, and construction at the site is expected to commence soon. As a result of the ramp ups and concerning macro environment of demand, we remain cautious on the stock. The stock currently trades at 35x FY26 EPS. Using SOTP, we value it at Rs 206, implying ~20% downside from here. We recommend a Sell rating on the stock.

Revenue growth driven by both Essentials and Specialties segment:

Consolidated revenue stood at Rs 7.9bn (8% YoY/ 14.2% QoQ) (Ple: Rs 7.11bn, Consensus: Rs 7.12bn). increased primarily due to 16% YoY growth in Essentials segment and +12% YoY growth in Specialties segment. For FY24, topline improved by 2.7% to Rs 28.7bn (Essentials Rev: Rs 19.5bn; Specialties Rev: Rs 8.4bn) from Rs 27.9bn in FY23, while EBITDA margin declined to 33% from 34%.

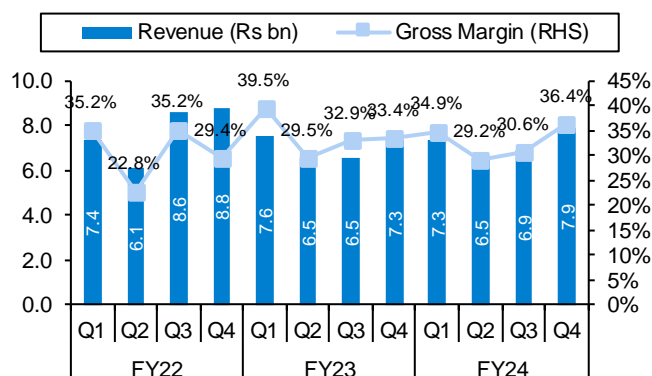
Improved product mix in Specialties led to increase in EBITDA: EBITDA stood at Rs 900mn increased 48% YoY/ 74.5% QoQ, EBITDA margin came at 11.4% (vs 8.3% in Q4FY23 and 7.4% in Q3FY24). FY24 EBITDA stood at Rs 2.57bn, 5.4% increase YoY. PAT was at Rs 443mn increased by 82% YoY/ 62.6% QoQ. FY24 PAT was at Rs 1.2bn, 3.3% decline YoY, due to higher charge of depreciation on account of capitalization of Lote assets.

Concall key takeaways: (1) Demand in North America better than other parts of the world, domestic demand is also high (2) **Key Raw material update:** Acetic Acid: Price at \$430-\$450 mt and Ethanol: Price at \$720-\$750 mt, expected to continue in Q1FY25 (3) **Fluro intermediate project:** First sales happened in FY24, ramp up to deliver sales in FY25, first product successfully qualified, signed a contract with a MNC for delivery in FY25 (4) **Dahej Project:** Received first approval, construction to begin shortly (5) Fluoro chemical plant ramp up will take 3 yrs to ramp up and peak revenue is expected to be Rs 2bn (6) Export & Import mix – 70%:30% (7) For Ethyl Acetate business the company expects 3-3.5x asset turnover and 8%-10% EBITDA margin (8) Volumes for Q4FY24 were up by 14% on QoQ and 23% YoY, for FY24 volumes were up by 20% (9) Merger of fully owned subsidiary Yellowstone Fine Chemicals Pvt. Ltd., Lote to Laxmi Organics Limited approved by board

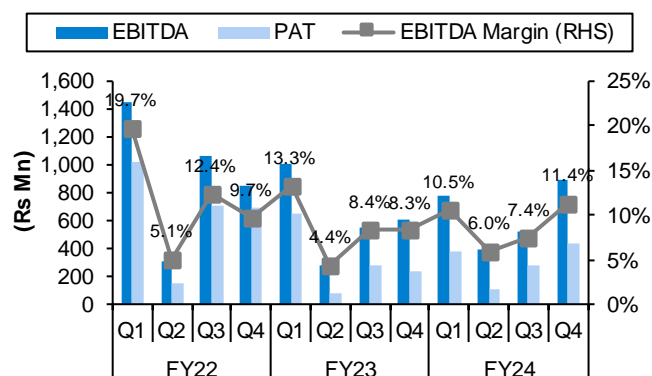
Exhibit 1: Q4FY24 Result Overview – Consolidated (Rs mn)

Y/e March	Q4FY24	Q4FY23	YoY gr. (%)	Q4FY24E	% Var.	Q3FY24	QoQ gr. (%)	FY24	FY23	YoY gr. (%)
Net Sales	7,921	7,332	8.0	7,112	11.4	6,936	14.2	28,650	27,912	2.6
Gross Profit	2,881	2,452	17.5	2,227	29.3	2,124	35.7	9,403	9,360	0.5
Margin (%)	36.4	33.4		31.3		30.6		32.8	33.5	
EBITDA	900	607	48.2	599	50.1	516	74.5	2,557	2,391	7.0
Margin (%)	11.4	8.3		8.4		7.4		8.9	8.6	
Other Income	79.0	38.4	105.8	42.0	88.2	60.4	30.9	282.3	175.3	61.1
Depreciation	306	230	32.6	277	10.2	275	11.0	1,066	724	47.2
EBIT	594	377	57.8	322	84.5	240	147.3	1,491	1,667	(10.5)
Interest	-6.3	-12	(48.8)	7.8	(181.3)	5	-221.5	65	113	(41.8)
PBT before exceptional items	680	427	59.0	356	90.8	296	130.0	1,708	1,729	(1.2)
Total Tax	237	185	28.3	53	349.8	24	902.6	503	483	4.1
ETR (%)	34.8	34.8		14.8				29.4	27.9	
Adj. PAT	443	243	82.1	304	45.9	272	62.6	1,205	1,246	(3.3)

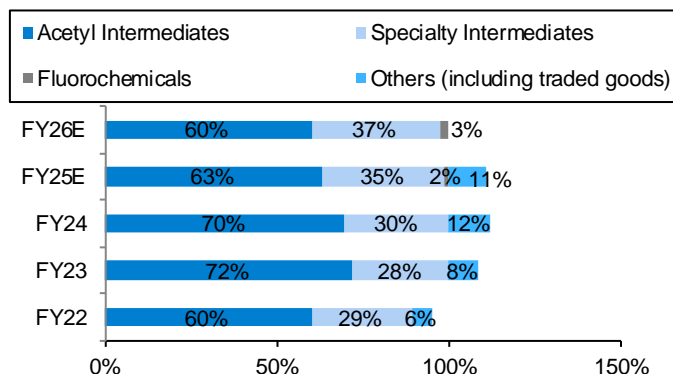
Source: Company, PL

Exhibit 2: Revenue improved on increase in volumes


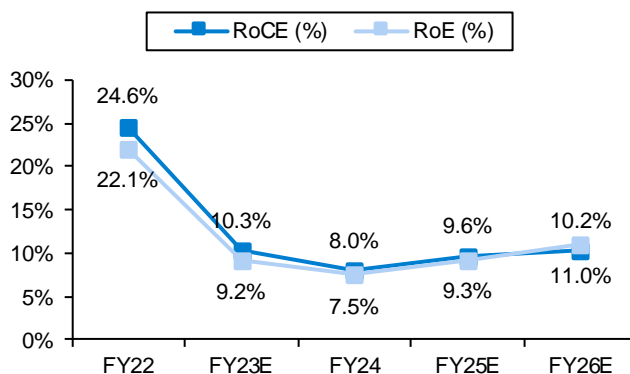
Source: Company, PL

Exhibit 3: EBITDA margin improved due to lower overheads


Source: Company, PL

Exhibit 4: Fluorochemicals to start contributing from FY25


Source: Company, PL

Exhibit 5: Return ratios to be around 9-11%


Source: Company, PL

**Exhibit 6: Valuation – SOTP based TP at Rs 221; Maintain Sell rating****SOTP**

Enterprise Value (Rs mn)	EV/EBITDA (x)	Per Share
Specialty Intermediates	16	161
Fluorochemicals	18	10
Acetyl Intermediates	10	34
Enterprise Value		206
Less: Net Debt and Investments		-0.5
Fair Value / Target Price (Rs)		206

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	27,912	28,650	31,972	36,269
YoY gr. (%)	(9.5)	2.6	11.6	13.4
Cost of Goods Sold	18,552	19,248	21,189	23,947
Gross Profit	9,360	9,403	10,782	12,322
Margin (%)	33.5	32.8	33.7	34.0
Employee Cost	1,159	1,479	1,700	1,904
Other Expenses	5,810	5,367	5,909	6,704
EBITDA	2,391	2,557	3,173	3,714
YoY gr. (%)	(35.0)	7.0	24.1	17.1
Margin (%)	8.6	8.9	9.9	10.2
Depreciation and Amortization	724	1,066	1,276	1,613
EBIT	1,667	1,491	1,897	2,101
Margin (%)	6.0	5.2	5.9	5.8
Net Interest	113	65	58	74
Other Income	175	282	311	559
Profit Before Tax	1,729	1,708	2,150	2,586
Margin (%)	6.2	6.0	6.7	7.1
Total Tax	483	503	541	651
Effective tax rate (%)	27.9	29.4	25.2	25.2
Profit after tax	1,246	1,205	1,609	1,935
Minority interest	0	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,246	1,205	1,609	1,935
YoY gr. (%)	(51.6)	(3.3)	33.5	20.3
Margin (%)	4.5	4.2	5.0	5.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,246	1,205	1,609	1,935
YoY gr. (%)	(51.6)	(3.3)	33.5	20.3
Margin (%)	4.5	4.2	5.0	5.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,246	1,205	1,609	1,935
Equity Shares O/s (m)	265	276	264	264
EPS (Rs)	4.7	4.4	6.1	7.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	10,234	12,941	18,883	21,383
Tangibles	10,208	12,916	18,857	21,357
Intangibles	26	26	26	26
Acc: Dep / Amortization	3,121	4,187	5,462	7,076
Tangibles	3,103	4,169	5,444	7,058
Intangibles	18	18	18	18
Net fixed assets	7,113	8,755	13,421	14,307
Tangibles	7,105	8,747	13,413	14,300
Intangibles	8	8	8	8
Capital Work In Progress	4,471	4,442	1,000	1,000
Goodwill	33	33	33	33
Non-Current Investments	131	99	99	99
Net Deferred tax assets	(272)	(283)	(283)	(283)
Other Non-Current Assets	207	172	172	172
Current Assets				
Investments	200	1,231	1,231	1,231
Inventories	2,942	2,833	3,329	3,776
Trade receivables	5,702	5,834	6,511	7,386
Cash & Bank Balance	1,309	3,171	2,232	2,148
Other Current Assets	1,301	1,262	1,409	1,598
Total Assets	24,122	28,272	29,927	32,307
Equity				
Equity Share Capital	530	552	527	527
Other Equity	13,587	17,425	16,133	17,875
Total Network	14,118	17,976	16,661	18,402
Non-Current Liabilities				
Long Term borrowings	1,303	972	2,672	2,700
Provisions	41	61	61	61
Other non current liabilities	81	64	64	64
Current Liabilities				
ST Debt / Current of LT Debt	2,666	385	667	-
Trade payables	4,663	7,621	8,505	9,648
Other current liabilities	972	905	1,010	1,145
Total Equity & Liabilities	24,122	28,272	29,927	32,307

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,729	1,708	2,150	2,586
Add. Depreciation	724	1,066	1,276	1,613
Add. Interest	107	63	58	74
Less Financial Other Income	175	282	311	559
Add. Other	64	63	(311)	(559)
Op. profit before WC changes	2,625	2,900	3,173	3,714
Net Changes-WC	(133)	3,086	(386)	(307)
Direct tax	(501)	(371)	(535)	(643)
Net cash from Op. activities	1,991	5,616	2,251	2,764
Capital expenditures	(4,757)	(2,475)	(2,500)	(2,500)
Interest / Dividend Income	84	128	311	559
Others	832	(2,548)	(2,740)	-
Net Cash from Invt. activities	(3,841)	(4,895)	(4,929)	(1,941)
Issue of share cap. / premium	94	2,676	(24)	-
Debt changes	2,632	(2,612)	1,982	(639)
Dividend paid	(186)	(133)	(161)	(193)
Interest paid	(194)	(217)	(58)	(74)
Others	(127)	(27)	-	-
Net cash from Fin. activities	2,219	(314)	1,739	(907)
Net change in cash	369	407	(939)	(84)
Free Cash Flow	(2,768)	3,139	(249)	264

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	4.7	4.4	6.1	7.3
CEPS	7.4	8.2	10.9	13.5
BVPS	53.2	65.2	63.2	69.8
FCF	(10.4)	11.4	(0.9)	1.0
DPS	0.5	0.4	0.6	0.7
Return Ratio(%)				
RoCE	10.3	8.0	9.6	10.2
ROIC	8.3	6.7	9.0	9.2
RoE	9.2	7.5	9.3	11.0
Balance Sheet				
Net Debt : Equity (x)	0.2	(0.2)	0.0	0.0
Net Working Capital (Days)	52	13	15	15
Valuation(x)				
PER	54.7	58.8	42.1	35.0
P/B	4.8	3.9	4.1	3.7
P/CEPS	34.6	31.2	23.5	19.1
EV/EBITDA	29.5	26.5	21.3	18.0
EV/Sales	2.5	2.4	2.1	1.8
Dividend Yield (%)	0.2	0.2	0.2	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	7,336	6,523	6,936	7,921
YoY gr. (%)	(3.0)	-	6.0	8.0
Raw Material Expenses	4,779	4,617	4,812	5,040
Gross Profit	2,557	1,906	2,124	2,881
Margin (%)	34.9	29.2	30.6	36.4
EBITDA	773	389	516	900
YoY gr. (%)	(23.0)	36.0	(5.9)	48.2
Margin (%)	10.5	6.0	7.4	11.4
Depreciation / Depletion	210	275	275	306
EBIT	564	114	240	594
Margin (%)	7.7	1.7	3.5	7.5
Net Interest	46	21	5	(6)
Other Income	40	82	60	79
Profit before Tax	557	175	296	680
Margin (%)	7.6	2.7	4.3	8.6
Total Tax	174	68	24	237
Effective tax rate (%)	31.2	38.9	8.0	34.8
Profit after Tax	383	107	272	443
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	384	108	272	443
YoY gr. (%)	(40.4)	25.0	(0.1)	82.1
Margin (%)	5.2	1.6	3.9	5.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	384	108	272	443
YoY gr. (%)	(40.4)	25.0	(0.1)	82.1
Margin (%)	5.2	1.6	3.9	5.6
Other Comprehensive Income	2	3	-	-
Total Comprehensive Income	386	111	273	443
Avg. Shares O/s (m)	265	265	265	265
EPS (Rs)	1.4	0.4	1.0	1.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	Sell	206	251
2	25-Jan-24	Sell	221	271
3	08-Jan-24	Reduce	267	289
4	30-Oct-23	Reduce	220	254
5	09-Oct-23	Reduce	252	280

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	595	669
2	Ashok Leyland	BUY	210	176
3	Bajaj Auto	Sell	7,267	9,021
4	Bharat Forge	BUY	1,615	1,405
5	Bharat Petroleum Corporation	Reduce	547	619
6	Bharti Airtel	Accumulate	1,373	1,310
7	CEAT	BUY	3,017	2,545
8	Clean Science and Technology	Hold	1,383	1,328
9	Deepak Nitrite	Reduce	2,268	2,464
10	Divgi Torqtransfer Systems	BUY	1,135	843
11	Eicher Motors	BUY	5,335	4,658
12	Endurance Technologies	Accumulate	2,346	2,168
13	Exide Industries	Accumulate	495	472
14	Fine Organic Industries	Accumulate	4,779	4,287
15	GAIL (India)	Sell	163	209
16	Gujarat Fluorochemicals	Reduce	3,120	3,638
17	Gujarat Gas	Accumulate	589	553
18	Gujarat State Petronet	BUY	400	294
19	Hero Motocorp	BUY	5,629	4,614
20	Hindustan Petroleum Corporation	Sell	420	501
21	Indian Oil Corporation	Reduce	151	169
22	Indraprastha Gas	Sell	368	452
23	Jubilant Ingrevia	Hold	526	512
24	Laxmi Organic Industries	Sell	206	251
25	Mahanagar Gas	Sell	1,116	1,300
26	Mahindra & Mahindra	BUY	2,716	2,372
27	Mangalore Refinery & Petrochemicals	Sell	142	233
28	Maruti Suzuki	BUY	14,432	12,703
29	Navin Fluorine International	Accumulate	3,621	3,377

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



ANALYST CERTIFICATION

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