



Equity Research | Update | 25 Jan 10

## Vinati Organics (22 Jan 10): Rs.87

**Expect accelerated performance from current quarter onwards**

|           |            |                           |          |                          |                     |
|-----------|------------|---------------------------|----------|--------------------------|---------------------|
| BSE Code  | 524200     | Prom Holding              | 75%      | Industry                 | Specialty Chemicals |
| Listed on | BSE, NSE   | Total Shares              | 4.94 Cr. |                          |                     |
| Mkt. Cap  | Rs.429 Cr. | Avg. Daily Trading Volume |          | Rs.1.84 crore (3 months) |                     |

**Vinati Organics, initiated at Rs.25 (x-split) in Jul-09, has become a 3.5-bagger (248% appreciation) in six months.**

Vinati Organics is in the business of specialty organic chemicals & pharmaceutical intermediates. It has global oligopoly in two products (IBB & ATBS). For details on the products, please refer to our initiation report of Jul-09 available at [www.impetusadvisors.com/research.htm](http://www.impetusadvisors.com/research.htm)

We had mentioned that the company was running a pilot for another niche product with technological entry barrier and this product holds significantly greater potential than its existing products. That product is PAP-Para Amino Phenol, an ingredient to Paracetamol. The pilot is expected to be over by Mar-10.

In QE Dec09, Revenues grew 16.5% to Rs.591mn; EBIT grew 50.3% to Rs.119mn; and Adjusted PAT grew 61.5% to Rs.85mn. ATBS volume sales were in line with the average sales during Apr-Sep09. Sales realization has been rising steadily with the rise in input costs.

We had mentioned capacity expansion in IBB as a risk factor, as IOL Chemicals was setting up a 6,600 TPA IBB capacity. This capacity was commissioned in Dec09. Vinati Organics's QE Dec09 performance in IBB reflects the impact. As IOLCP is no longer a customer, the sales was diverted to China, where realizations and margins are lower.

PAP project delay was mentioned as another risk factor unless some other growth driver comes into play. While PAP project will now contribute from FY13 (we had expected this in FY12), other projects (Polymers, TOA, DAAM) are likely to contribute to growth in FY12.

IB (Isobutylene), the backward integration project, is on schedule to contribute to growth from Apr-10. We expect ATBS sales to pick up significantly from the current quarter onwards. Hence, we expect an accelerated growth henceforth on the back of IB project and significant pick up in ATBS sales.

For a detailed updated research report, please contact us.

### Weekly Chart from 01-Jul-07 to 22-Jan-10

VINATI.ORG. [B524200] 70.95, 97.50, 70.10, 86.85, 2949767 24.07%  
Price



The stock has broke-out of the upper end of the channel with heavy volume. A simultaneous average crossover by the momentum indicator augurs well for the stock.

## Financials

| Rs.mn               | Mar-09 | Mar-08 | Change | Jun-09 | Jun-08 | Change | Sep-09 | Sep-08 | Change | Dec-09 | Dec-08 | Change |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| No. of months       | 3      | 3      | %      | 3      | 3      | %      | 3      | 3      | %      | 3      | 3      | %      |
| Net Sales           | 473    | 431    | 9.8%   | 522    | 434    | 20.4%  | 626    | 544    | 15.0%  | 591    | 507    | 16.5%  |
| EBIDTA              | 125    | 84     | 47.8%  | 118    | 61     | 91.9%  | 173    | 91     | 89.3%  | 130    | 87     | 49.2%  |
| Depreciation        | 8      | 7      | 12.7%  | 11     | 8      | 44.1%  | 14     | 8      | 71.7%  | 11     | 8      | 38.5%  |
| EBIT                | 116    | 77     | 51.2%  | 107    | 54     | 98.9%  | 159    | 83     | 91.0%  | 119    | 79     | 50.3%  |
| Interest            | 8      | 9      | -11.5% | 10     | 5      | 74.5%  | 9      | 8      | 15.8%  | 8      | 11     | -30.2% |
| PBT                 | 108    | 68     | 59.7%  | 97     | 48     | 101.7% | 149    | 75     | 99.1%  | 111    | 68     | 63.6%  |
| Tax                 | 24     | 23     | 4.6%   | 34     | 11     | 215.5% | 33     | 17     | 95.0%  | 26     | 15     | 70.5%  |
| PAT                 | 84     | 44     | 88.7%  | 76     | 37     | 103.6% | 116    | 58     | 99.3%  | 93     | 52     | 76.4%  |
| Adj PAT             | 84     | 44     | 88.7%  | 63     | 37     | 68.5%  | 116    | 58     | 100.3% | 85     | 52     | 61.5%  |
| Equity Capital      | 99     | 99     | 0.0%   | 99     | 99     | 0.0%   | 99     | 99     | 0.0%   | 99     | 99     | 0.0%   |
| Annualized EPS (Rs) | 33.92  | 17.98  | 88.7%  | 25.43  | 15.09  | 68.5%  | 47.14  | 23.53  | 100.3% | 34.30  | 21.24  | 61.5%  |
| EBITDA Margin (%)   | 26.4%  | 19.6%  |        | 22.6%  | 14.2%  |        | 27.6%  | 16.8%  |        | 22.0%  | 17.1%  |        |
| EBIT Margin (%)     | 24.6%  | 17.9%  |        | 20.4%  | 12.4%  |        | 25.4%  | 15.3%  |        | 20.1%  | 15.5%  |        |
| Adj PAT Margin (%)  | 17.7%  | 10.3%  |        | 12.0%  | 8.6%   |        | 18.6%  | 10.7%  |        | 14.3%  | 10.3%  |        |
| Tax/PBT (%)         | 22.6%  | 34.5%  |        | 35.3%  | 22.6%  |        | 22.1%  | 22.6%  |        | 23.5%  | 22.6%  |        |
| Raw Material        | 238    | 285    | -16.6% | 302    | 290    | 4.4%   | 342    | 350    | -2.1%  | 357    | 313    | 14.0%  |
| % of Sales          | 51.3%  | 64.6%  |        | 57.8%  | 66.7%  |        | 53.6%  | 66.9%  |        | 59.2%  | 62.6%  |        |
| Employees Cost      | 22     | 16     | 39.9%  | 27     | 21     | 31.2%  | 29     | 22     | 29.5%  | 31     | 24     | 32.9%  |
| % of Sales          | 4.7%   | 3.5%   |        | 5.2%   | 4.8%   |        | 4.5%   | 4.3%   |        | 5.2%   | 4.7%   |        |
| Other Expenditure   | 79     | 56     | 40.7%  | 76     | 62     | 22.1%  | 95     | 60     | 59.3%  | 85     | 76     | 11.4%  |
| % of Sales          | 17.0%  | 12.7%  |        | 14.6%  | 14.4%  |        | 14.9%  | 11.4%  |        | 14.1%  | 15.3%  |        |

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