

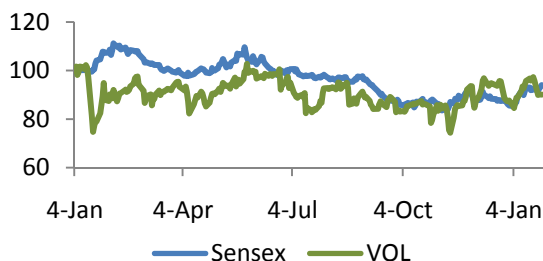
**Q3 FY11 Result Update**
**Vinati Organics Ltd**

Recommendation	BUY
CMP (27 Jan 2011)	Rs. 76
Target Price	Rs. 100
Sector	Specialty Chemicals

**Stock Details**

BSE Code	524200
NSE Code	VINATIORGA
Bloomberg Code	VO IN
Market Cap (Rs. cr)	372.4
Free Float (%)	25.1
52- wk HI/Lo	97/66
Avg. volume BSE (Quarterly)	24038
Face Value	2.0
Dividend (FY10)	35%
Shares o/s (Cr)	4.9

Relative Performance	1Mth	3Mth	1Yr
VOL	1.6%	15.0%	-9.9%
Sensex	7.2%	7.1%	-6.0%


**Shareholding Pattern as on 31/12/2010**

Promoters Holding	74.94
Institutional (Incl. FII)	0.07
Corporate Bodies	2.13
Public & others	22.86

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**Robust growth in sales:** Vinati Organics Limited (VOL) reported sales of Rs 86 cr, as compared to Rs 58 cr in Q3FY10, registering an impressive growth of 49.1% yoy. ATBS was the major growth driver. We expect the demand to remain strong for future also.

**Improvement in margins:** The company has started getting the benefit of backward integration exercise, which it took last quarter. EBITDA margins improved qoq/yoy by 190bps/100bps to 23%. We expect the company would be able to maintain these margins and see some improvement in the coming quarter.

**Key highlights of the quarter**

- The company is witnessing robust growth in ATBS. It has managed to sell 3000 Mt during the quarter as against 1500 MT in Q3FY10 and 2700 in Q2FY11 and expected to sell around 10000 MT ATBS for FY11 whole.
- The company has signed an agreement with IFC to raise \$16 mn funds to fund its Rs 100 cr capex. Out of this \$11mn is ECB and \$5mn is FCCB convertible at the rate of Rs 100 within five years of issue.
- All the additional and new facilities like ATBs, DAAM. TBA is expected to be operational by Oct 2011. Marginal benefit of which would be visible in second half of FY12 but full benefit would come only in FY13.
- The company is awaiting the Govt's approval for its power-gen facility, which is expected to come by June'11. It would take another 18 months after the approval for commissioning of the plant.
- Management has given the guidance of achieving Rs 500 cr revenues in FY13 and Rs 1000 cr revenues in FY15 based on the robust growth of ATBs and introduction of new products.

**Valuation & Recommendations**

At the current price of Rs. 76, VOL is trading at a PE of 8.3x FY11 & 6.1x FY12 earnings. We had recommended the stock at Rs 70 on 17<sup>th</sup> June 2010. Based on our estimated EPS of Rs 12.5 for FY12E and a target PE multiple of 8x we arrive at a target price of Rs. 100 per share, potential upside of 31%. Consequently, We reiterate our BUY rating on the stock with a long-term view.

Year	Net Sales (Rs Cr)	Growth %	EBITDA (Rs Cr)	EBITDA (Margins%)	PAT (Rs Cr)	PAT (Margins %)	Adj EPS (Rs)	P/E (x)	P/BV (x)
FY09	190.5	30.2	33.1	17.4	25.1	13.2	5.1	14.9	1.2
FY10	231.8	21.7	52.7	22.7	40.0	17.3	8.1	9.4	0.8
FY11e	313.1	35.1	72.0	23.0	45.1	14.4	9.1	8.3	0.5
FY12e	417.3	33.3	102.2	24.5	61.6	14.8	12.5	6.1	0.4

Particulars (Rs Cr)	Q3FY11	Q3FY10	yoy	Q2FY11	qoq
<b>Total Revenues</b>	<b>88.0</b>	<b>59.1</b>	<b>48.8</b>	<b>74.1</b>	<b>18.7</b>
Cost of materials	49.2	34.5	42.8	39.0	26.4
Employees Cost	4.2	3.1	33.1	3.6	16.4
Admin and other exps	14.3	8.5	67.4	15.8	(9.7)
<b>EBITDA</b>	<b>20.3</b>	<b>13.0</b>	<b>56.1</b>	<b>15.7</b>	<b>28.9</b>
<i>margins</i>	<i>23.0%</i>	<i>22.0%</i>		<i>21.2%</i>	
Depreciation	1.9	1.1		1.8	
<b>EBIT</b>	<b>18.4</b>	<b>11.9</b>	<b>55.3</b>	<b>14.0</b>	<b>31.8</b>
Interest	1.3	0.8	70.2	0.7	97.6
Other Income	0.0	0.0		0.0	
<b>PBT</b>	<b>17.1</b>	<b>11.1</b>	<b>54.2</b>	<b>13.3</b>	<b>28.5</b>
Tax	2.8	2.6	8.8	2.9	(2.3)
<i>Tax rate</i>	<i>16.6%</i>	<i>23.5%</i>		<i>21.8%</i>	
EO items	(0.1)	(0.8)	(88.1)	(1.8)	(94.7)
<b>PAT reported</b>	<b>14.3</b>	<b>9.3</b>	<b>55.0</b>	<b>12.1</b>	<b>18.0</b>
Equity Capital	9.9	9.9		9.9	
FV	2.0	2.0		2.0	
<b>EPS</b>	<b>2.9</b>	<b>1.9</b>	<b>55.0</b>	<b>2.5</b>	<b>18.0</b>

**Q3 FY11 Result Update**
**Vinati Organics Ltd**
**Financial Statements**

<b>Income Statement</b>				
<b>Particulars (Rs cr)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
<b>Net Sales</b>	<b>190.5</b>	<b>231.8</b>	<b>313.1</b>	<b>417.3</b>
Cost of materials	134.5	153.9	205.0	267.1
Employees Cost	8.8	11.5	15.7	20.9
Admin and other exps	14.1	13.7	20.3	27.1
<b>EBITDA</b>	<b>33.1</b>	<b>52.7</b>	<b>72.0</b>	<b>102.2</b>
<i>margins %</i>	<i>17.4</i>	<i>22.7</i>	<i>23.0</i>	<i>24.5</i>
Depreciation	3.3	5.0	7.3	10.1
Interest	3.3	4.4	6.1	7.8
Other Income	5.3	8.4	3.1	6.3
<b>Profit Before Tax</b>	<b>31.9</b>	<b>51.8</b>	<b>61.8</b>	<b>90.6</b>
Taxes	6.8	11.8	16.7	29.0
<b>Profit After Tax</b>	<b>25.1</b>	<b>40.0</b>	<b>45.1</b>	<b>61.6</b>
Extra Ordinary Items	0.0	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>25.1</b>	<b>40.0</b>	<b>45.1</b>	<b>61.6</b>
<i>margins %</i>	<i>13.2</i>	<i>17.3</i>	<i>14.4</i>	<i>14.8</i>
<b>Adj Earnings Per Share</b>	<b>5.1</b>	<b>8.1</b>	<b>9.1</b>	<b>12.5</b>

<b>Cash Flow Statement</b>				
<b>Particulars (Rs cr)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
Profit Before Tax	31.9	51.8	61.8	90.6
Interest	3.3	4.4	6.1	7.8
Depreciation	3.3	5.0	7.3	10.1
Operating Income	(5.3)	(8.4)	(3.1)	(6.3)
Extra-Ordinary Income	0.0	0.0	0.0	0.0
<b>Op Prfit Bef WC Chg</b>	<b>33.1</b>	<b>52.7</b>	<b>72.0</b>	<b>102.2</b>
Changes in WC	(2.6)	(19.5)	(4.1)	(12.9)
Tax (Including FBT)	(6.2)	(8.9)	(16.7)	(29.0)
<b>Cash Flow from Op</b>	<b>24.3</b>	<b>24.3</b>	<b>51.3</b>	<b>60.4</b>
Chgs in Fixed Assets	(39.6)	(34.8)	(90.0)	(30.0)
Other Income	5.3	8.4	3.1	6.3
<b>Cash Flow fr Investing</b>	<b>(34.3)</b>	<b>(26.3)</b>	<b>(86.9)</b>	<b>(23.7)</b>
Change in Equity Cap	0.0	0.0	0.0	0.0
Change in Borrowings	16.7	12.2	53.0	(2.0)
Dividends Paid	(2.9)	(5.8)	(5.3)	(7.2)
Interest Paid	(3.3)	(4.4)	(6.1)	(7.8)
Others	(0.0)	(0.1)	0.0	(0.0)
<b>Cash Flow fr Financing</b>	<b>10.5</b>	<b>1.9</b>	<b>41.7</b>	<b>(17.1)</b>
<b>Net Cash Flow</b>	<b>0.5</b>	<b>(0.1)</b>	<b>6.1</b>	<b>19.6</b>
Opening Cash Balance	1.4	1.9	1.8	7.8
<b>Closing Cash Balance</b>	<b>1.9</b>	<b>1.8</b>	<b>7.8</b>	<b>27.4</b>

<b>Balance Sheet</b>				
<b>Particulars (Rs cr)</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
<b>Sources of Funds</b>				
Equity Share Capital	9.9	9.9	9.9	9.9
Reserves & Surplus	55.0	89.3	129.1	183.5
<b>Shareholder's Funds</b>	<b>64.9</b>	<b>99.2</b>	<b>139.0</b>	<b>193.4</b>
<b>Total Debt</b>	<b>51.0</b>	<b>63.1</b>	<b>116.1</b>	<b>114.1</b>
Net Deferred Tax	5.9	8.7	8.7	8.7
<b>Capital Employed</b>	<b>121.7</b>	<b>171.0</b>	<b>263.9</b>	<b>316.3</b>
<b>Application of Funds</b>				
Gross Fixed Assets	71.1	110.9	180.3	221.9
Less: Depreciation	26.4	31.3	38.6	48.7
<b>Net Fixed Assets</b>	<b>44.7</b>	<b>79.6</b>	<b>141.7</b>	<b>173.2</b>
Capitall WIP	43.4	38.4	59.0	47.4
<b>Current Assets</b>	<b>49.3</b>	<b>67.1</b>	<b>86.1</b>	<b>125.1</b>
Inventories	12.1	18.9	18.2	23.0
Sundry Debtors	27.9	35.9	44.3	58.0
Cash & Bank Balances	1.9	1.8	7.8	27.4
Loans and Advances	7.5	10.6	15.7	16.7
<b>Current Liabilities</b>	<b>15.7</b>	<b>14.1</b>	<b>22.9</b>	<b>29.5</b>
Current Liabilities	11.7	9.8	17.7	22.3
Provisions	4.0	4.3	5.3	7.2
<b>Net Current Assets</b>	<b>33.6</b>	<b>53.0</b>	<b>63.1</b>	<b>95.6</b>
<b>Capital Deployed</b>	<b>121.7</b>	<b>171.0</b>	<b>263.9</b>	<b>316.3</b>

<b>Ratio Analysis</b>				
<b>Profitability Ratios</b>	<b>FY09</b>	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
EBITDA Margins	17.4	22.7	23.0	24.5
Adj PAT Margins	13.2	17.3	14.4	14.8
RoCE	51.5	53.0	41.6	40.3
RoNW	24.6	27.4	20.7	21.2
<b>Growth Ratios</b>				
Sales	30.2	21.7	35.1	33.3
EBITDA	30.8	59.1	36.6	42.0
Adj PAT	65.3	59.3	12.7	36.6
<b>Valuation Ratios</b>				
PE	14.9	9.4	8.3	6.1
P/BV	1.2	0.8	0.5	0.4
EV/EBITDA	12.8	8.3	6.7	4.5
Mcap/Sales	2.0	1.6	1.2	0.9
<b>Per Share Data</b>				
BV	13.1	20.1	28.2	39.2
EPS	5.1	8.1	9.1	12.5
CEPS	5.8	9.1	10.6	14.5
DPS	0.5	1.0	0.9	1.2

NOTE

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