

Fine Organic Industries

Estimate changes	↔
TP change	↔
Rating change	↔

CMP: INR4,176 **TP: INR3,660 (-12%)** **Sell**

Muted earnings outlook amid margin pressure

Bloomberg	FINEORG IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	128 / 1.5
52-Week Range (INR)	5959 / 3355
1, 6, 12 Rel. Per (%)	-6/-19/-18
12M Avg Val (INR M)	183

Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
Sales	22.1	22.6	23.7
EBITDA	4.8	4.6	4.7
PAT	3.9	3.8	3.7
EPS (INR)	127.1	122.7	122.0
EPS Gr. (%)	5.9	-3.5	-0.5
BV/Sh.(INR)	723.4	835.4	946.9

Ratios

Net D:E	-0.4	-0.3	-0.3
RoE (%)	19.1	15.7	13.7
RoCE (%)	19.2	15.6	13.6
Payout (%)	8.7	8.7	8.7

Valuations

P/E (x)	32.8	34.0	34.2
P/BV (x)	5.8	5.0	4.4
EV/EBITDA (x)	24.7	26.2	25.5
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	1.2	-1.0	1.4

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	75.0	75.0	75.0
DII	12.0	11.5	10.8
FII	4.7	5.2	4.5
Others	8.3	8.3	9.8

FII Includes depository receipts

- Fine Organic Industries (FINEORG) reported revenue of INR5.8b in 4QFY25. EBITDA stood at INR1.1b (28% miss; down 18% YoY). EBITDAM contracted 660bp YoY to 18.8%, while gross margin dipped 640bp YoY to 37.2%. PAT was down 15% YoY to INR885m (our est. INR1.2b). In FY25, exports contributed 57%, and domestic sales formed 43% of revenue (56% and 44%, respectively, in 4QFY25).
- EBITDAM stood at 21.8% in FY25, hit by rising raw material and logistics costs due to global supply chain disruptions from 2QFY25. RM costs remained elevated but are expected to stabilize in the near future. The company maintained elevated inventory levels for both raw materials and finished goods to manage geopolitical risks and supply volatility, ensuring business continuity and readiness for demand spikes.
- All plants are running near full capacity, with Patalganga ramping up. FINEORG is setting up a wholly owned subsidiary in the UAE and plans to manufacture locally in the US, aiming to enhance supply chain efficiency and regulatory compliance. The company began trial production of new products, targeting segments like food, feed, cosmetics, and coatings, with phased expansion planned across the US, SEZ, and domestic plants.
- Despite global volatility, domestic demand remained robust across product categories, with continued focus on strengthening the India business. The company remains cautious on new contracts due to uncertainty around government policies such as import duties, which could impact pricing and margins. Regular maintenance spending was low in FY25, but some extra investment may be needed in the next six months, which is yet to be decided.
- We estimate a CAGR of 4%/-1%/-2% in revenue/EBITDA/PAT over FY25-27, with margin in the range of 19-20%. FINEORG is currently trading at ~34x FY27E EPS and ~26x FY27E EV/EBITDA. Valuations appear expensive for a company with no earnings growth during FY25-27. **We reiterate our Sell rating on the stock with a TP of INR3,660.**

Operating performance below est.; margin contracts YoY and QoQ

- Revenue was at INR5.8b (-4% from our est., +10% YoY). **Gross margin contracted 640bp YoY to 37.2%, with EBITDAM at 18.8% (-660bp YoY).**
- EBITDA stood at INR1.1b (est. of INR1.5b, -18% YoY). PAT stood at INR885m (est. of INR1.2b, -15% YoY).
- **For FY25, revenue was at INR22b (+13% YoY), EBITDA was at INR4.8b (-1% YoY). PAT was INR3.9b (+6% YoY), while EBITDAM was 21.7% (-300bp YoY).**
- The Board declared a final dividend of INR11 per equity share.

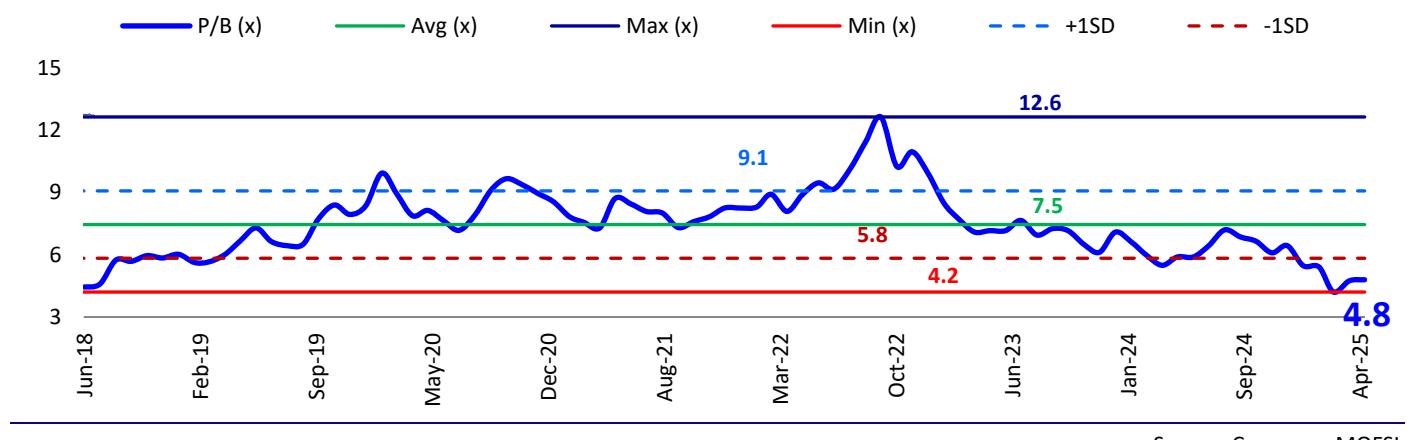
Valuation and view

- The long-term prospects for FINEORG remain robust, as the company operates within the oleochemicals industry and has consistently driven growth through R&D innovations over the years. However, we anticipate that its performance may be adversely affected in the near to medium term by the following factors: 1) longer-than-expected delays in the commissioning of new capacities for expansion; 2) existing plants operating at close to optimum utilization with no potential of debottlenecking; and 3) further delays in the ramp-up of the Thailand JV.
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Standalone - Quarterly Snapshot

Y/E March									(INR m)		
	FY24				FY25				FY24	FY25	FY25
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4QE	Var.	
Gross Sales	5,321	4,717	4,258	5,215	5,083	5,955	5,251	5,762	19,511	22,052	5,990
YoY Change (%)	-29.3	-43.0	-43.2	-25.3	-4.5	26.2	23.3	10.5	-35.6	13.0	14.9
Gross Margin (%)	42.9%	41.9%	41.8%	43.6%	42.2%	40.5%	38.6%	37.2%	42.6%	39.6%	42.9%
EBITDA	1,519	1,044	924	1,324	1,218	1,429	1,079	1,082	4,810	4,809	1,494
Margin (%)	28.5	22.1	21.7	25.4	24.0	24.0	20.6	18.8	24.7	21.8	24.9
Depreciation	117	144	147	154	117	124	131	140	563	512	139
Interest	6	7	5	5	4	4	4	5	23	17	4
Other Income	145	172	174	226	241	217	252	256	717	966	307
PBT before EO expense	1,540	1,064	946	1,391	1,338	1,518	1,197	1,193	4,941	5,246	1,658
Extra-Ord expense	0	0	0	6	0	0	0	0	6	0	0
PBT	1,540	1,064	946	1,385	1,338	1,518	1,197	1,193	4,935	5,246	1,658
Tax	397	270	249	342	348	387	307	308	1,259	1,350	420
Rate (%)	25.8	25.4	26.4	24.7	26.0	25.5	25.6	25.8	25.5	25.7	25.3
Reported PAT	1,142	794	697	1,043	990	1,131	890	885	3,676	3,897	1,238
Adj PAT	1,142	794	697	1,047	990	1,131	890	885	3,680	3,897	1,238
YoY Change (%)	-27.4	-51.6	-46.9	-24.2	-13.3	42.5	27.8	-15.5	-37.7	5.9	18.2
Margin (%)	21.5	16.8	16.4	20.1	19.5	19.0	17.0	15.4	18.9	17.7	20.7

Exhibit 1: One-year forward P/B trades at 4.8x (36% discount to its long-term average)



Source: Company, MOFSL

Story in charts – 4QFY25

Exhibit 2: Sales increased 10% YoY...

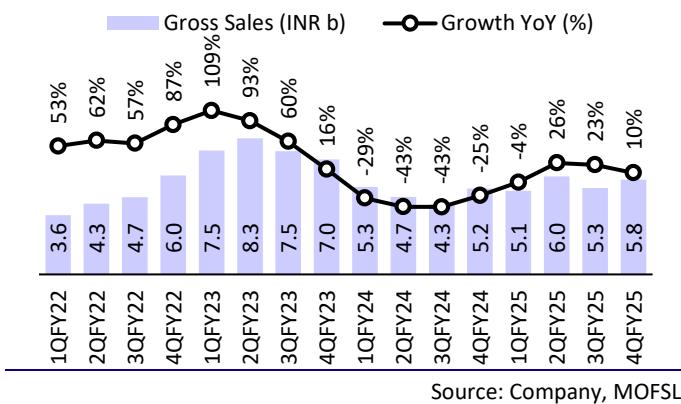


Exhibit 3: ...with EBITDAM contracting 660bp YoY to 18.8%

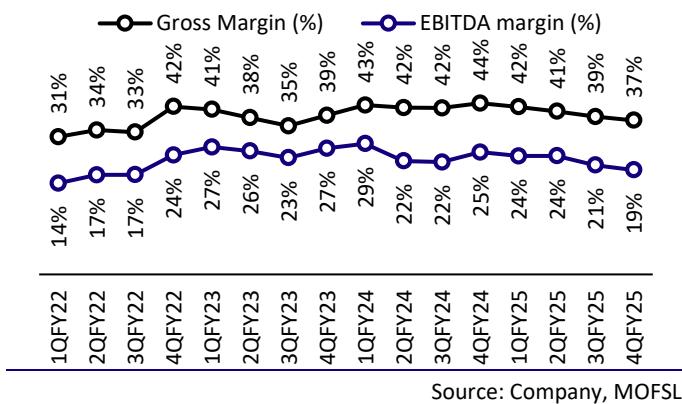


Exhibit 4: Export revenue grew 13% YoY...

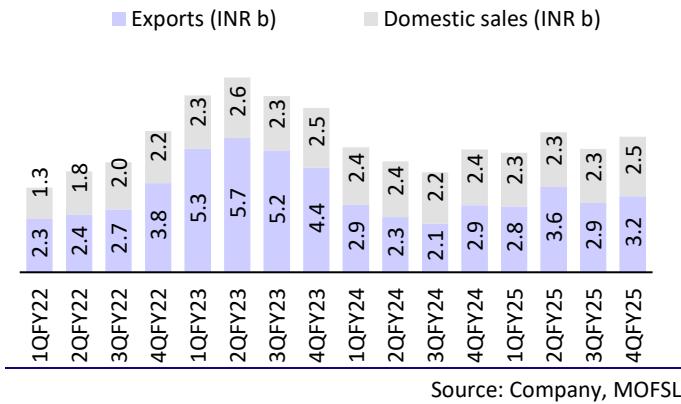


Exhibit 5: ...while it contributed 56% to total revenue in 4Q

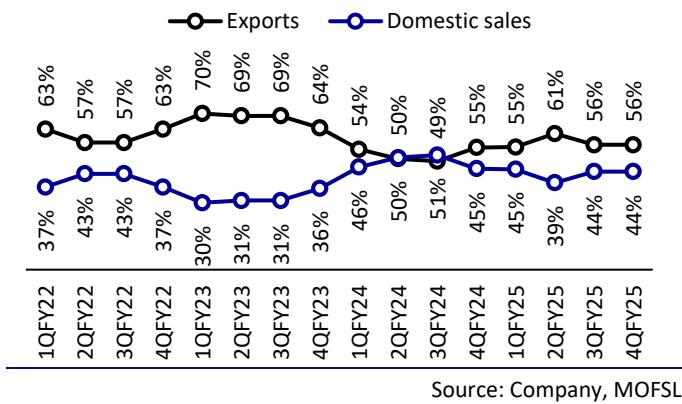


Exhibit 6: EBITDA was down 18% YoY

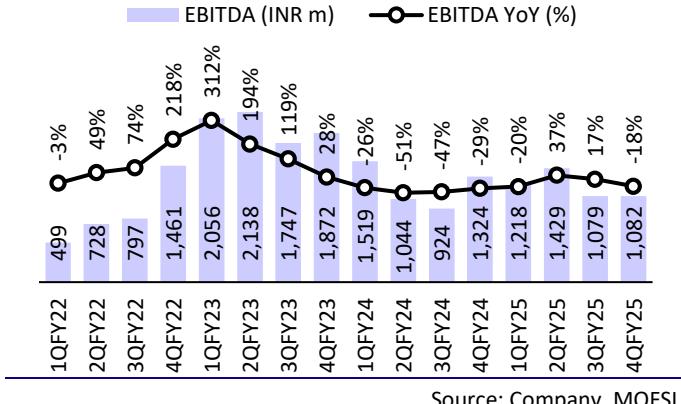
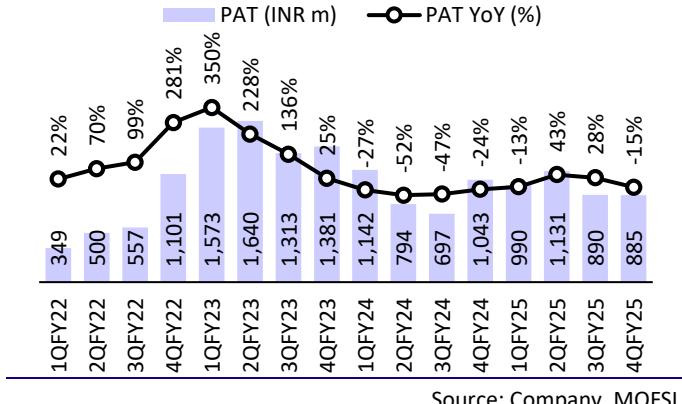


Exhibit 7: PAT was down 15% YoY



Financial story in charts

Exhibit 8: Revenue expected to decline from its FY23 peak...

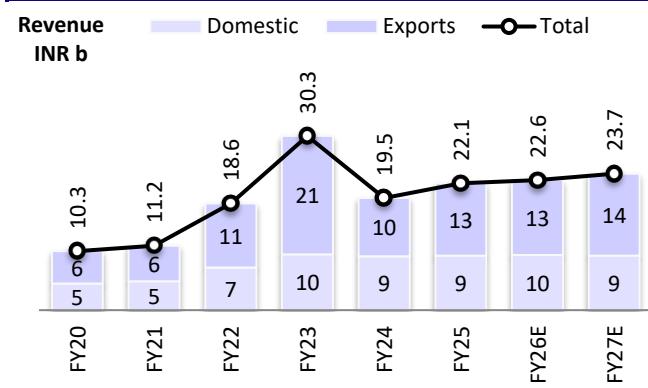


Exhibit 9: ...with the share of exports to rebound to 60%

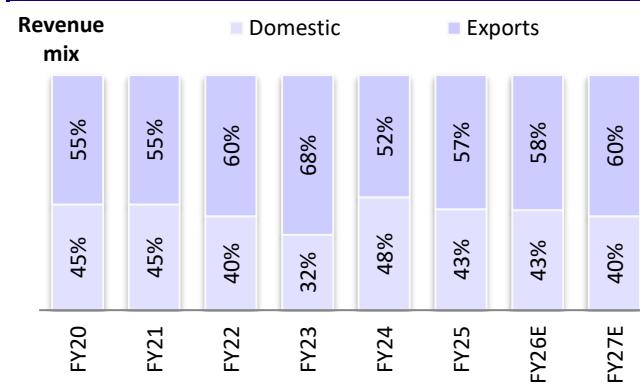


Exhibit 10: Expect EBITDAM at 19-20%...

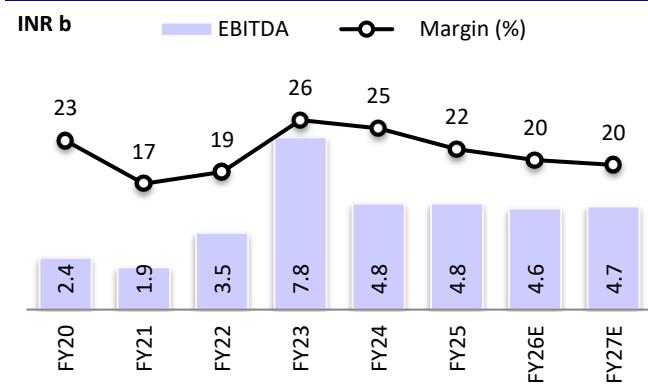


Exhibit 11: ...along with a dip in PAT margin

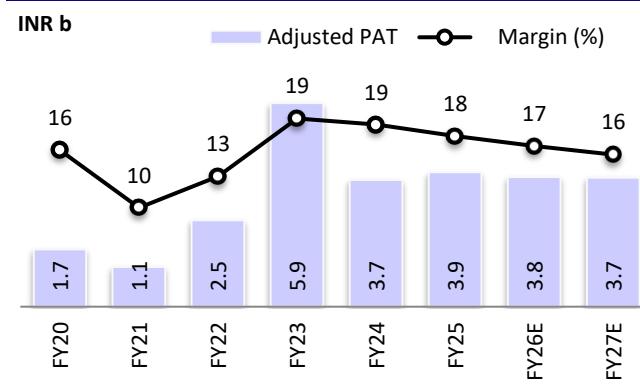


Exhibit 12: Capex for F26-27E stands at INR7.2b

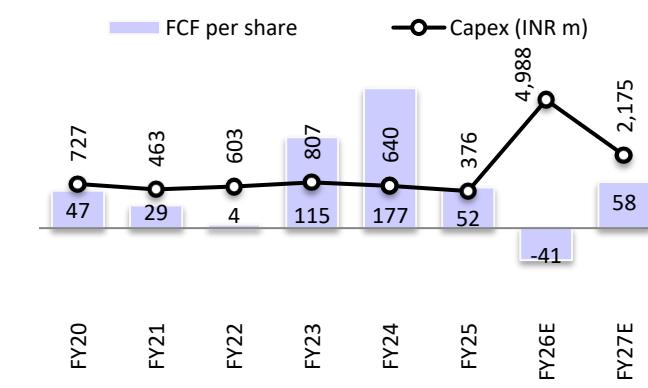


Exhibit 13: FINEORG expects to remain cash positive

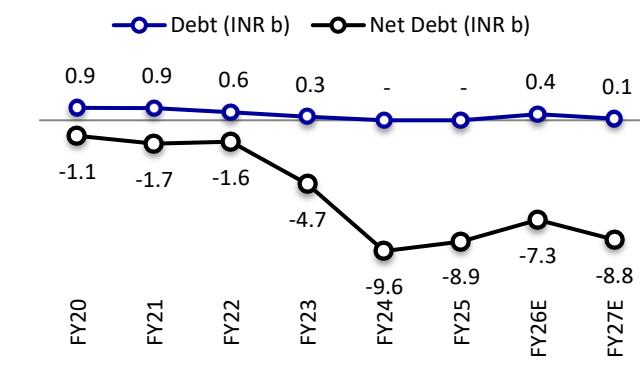
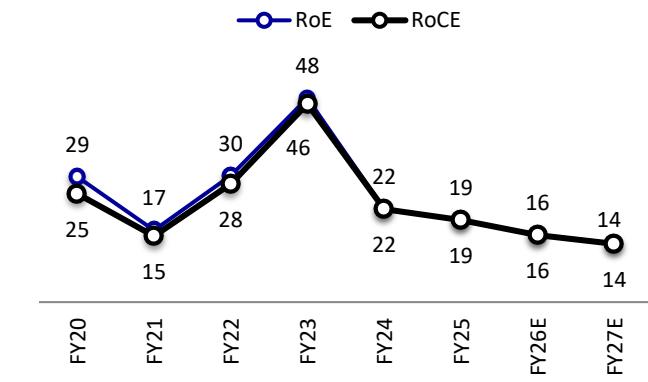
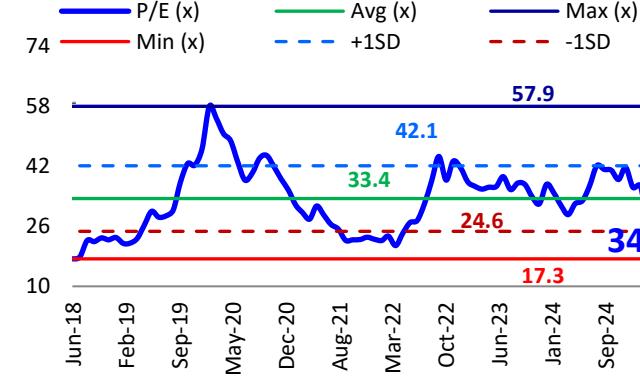


Exhibit 14: Return ratios to decline in the coming years



Source: Company, MOFSL

Exhibit 15: FINEORG trades at 34.7x 1-year forward P/E



Source: Company, MOFSL

Financials and valuations

Standalone - Income Statement								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	10,262	11,213	18,584	30,291	19,511	22,052	22,603	23,733
Change (%)	-1.7	9.3	65.7	63.0	-35.6	13.0	2.5	5.0
Gross Margin (%)	40.9	35.2	35.7	38.4	42.6	39.6	39.9	40.4
EBITDA	2,361	1,921	3,485	7,813	4,813	4,811	4,595	4,672
Margin (%)	23.0	17.1	18.8	25.8	24.7	21.8	20.3	19.7
Depreciation	347	468	399	479	566	514	532	654
EBIT	2,014	1,453	3,086	7,334	4,247	4,297	4,064	4,018
Int. and Finance Charges	48	61	51	45	23	17	18	19
Other Income	205	170	332	641	717	966	980	998
PBT bef. EO Exp.	2,172	1,562	3,368	7,930	4,941	5,246	5,026	4,998
EO Items	0	0	0	0	-6	0	0	0
PBT after EO Exp.	2,172	1,562	3,368	7,930	4,935	5,246	5,026	4,998
Total Tax	507	413	861	2,024	1,259	1,350	1,265	1,258
Tax Rate (%)	23.3	26.4	25.6	25.5	25.5	25.7	25.2	25.2
Reported PAT	1,665	1,149	2,507	5,906	3,676	3,897	3,761	3,740
Adjusted PAT	1,665	1,149	2,507	5,906	3,680	3,897	3,761	3,740
Change (%)	29.0	-31.0	118.1	135.6	-37.7	5.9	-3.5	-0.5
Margin (%)	16.2	10.2	13.5	19.5	18.9	17.7	16.6	15.8

Standalone - Balance Sheet								(INR m)
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	153	153	153	153	153	153	153	153
Total Reserves	6,154	7,235	9,432	15,068	18,460	22,026	25,461	28,878
Net Worth	6,308	7,388	9,585	15,221	18,613	22,179	25,615	29,031
Total Loans	915	892	585	272	0	0	444	111
Capital Employed	7,222	8,280	10,170	15,493	18,613	22,179	26,059	29,142
Gross Block	4,192	4,459	5,192	5,518	6,627	7,001	11,989	14,164
Less: Accum. Deprn.	2,033	2,500	2,899	3,378	3,944	4,458	4,990	5,643
Net Fixed Assets	2,159	1,958	2,293	2,140	2,683	2,543	6,999	8,520
Capital WIP	58	263	141	404	297	268	268	268
Total Investments	442	437	431	531	1,156	1,805	1,805	1,805
Curr. Assets, Loans&Adv.	5,964	6,902	9,413	14,648	16,305	19,628	19,535	21,224
Inventory	1,195	1,089	2,017	2,987	1,952	2,752	3,607	3,788
Account Receivables	1,451	1,752	3,316	4,769	3,480	3,660	3,751	3,939
Cash and Bank Balance	2,056	2,612	2,158	4,974	9,610	8,910	7,765	8,874
Cash	2,009	2,564	2,089	4,892	6,075	1,302	157	1,266
Bank Balance	48	48	69	82	3,535	7,608	7,608	7,608
Loans and Advances	1,262	1,449	1,922	1,918	1,262	4,307	4,411	4,624
Curr. Liability & Prov.	1,401	1,281	2,108	2,230	1,828	2,065	2,548	2,676
Account Payables	843	990	1,514	1,707	1,320	1,508	1,977	2,076
Other Current Liabilities	526	156	290	366	308	267	273	287
Net Current Assets	4,563	5,622	7,305	12,418	14,477	17,563	16,986	18,549
Appl. of Funds	7,222	8,280	10,170	15,493	18,613	22,179	26,059	29,142

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)								
EPS	54.3	37.5	81.8	192.6	120.0	127.1	122.7	122.0
EPS Growth (%)	29%	-31%	118%	136%	-38%	6%	-3%	-1%
Cash EPS	65.6	52.7	94.8	208.2	138.5	143.8	140.0	143.3
BV/Share	205.7	241.0	312.6	496.5	607.1	723.4	835.4	946.9
DPS	11.0	11.0	9.0	9.0	10.0	11.0	10.6	10.6
Payout (%)	24.4	29.3	11.0	4.7	8.3	8.7	8.7	8.7
Valuation (x)								
P/E	76.8	111.2	51.0	21.6	34.7	32.8	34.0	34.2
Cash P/E	63.5	79.0	44.0	20.0	30.1	29.0	29.8	29.1
P/BV	20.3	17.3	13.3	8.4	6.9	5.8	5.0	4.4
EV/Sales	12.3	11.2	6.8	4.1	6.1	5.4	5.3	5.0
EV/EBITDA	53.7	65.6	36.2	15.8	24.6	24.7	26.2	25.5
Dividend Yield (%)	0.3	0.3	0.2	0.2	0.2	0.3	0.3	0.3
FCF per share	47.3	28.7	4.5	115.1	176.7	51.5	-40.6	58.2
Return Ratios (%)								
RoE	29.2	16.8	29.5	47.6	21.8	19.1	15.7	13.7
RoCE	25.3	15.4	27.6	46.3	21.7	19.2	15.6	13.6
RoIC	35.8	22.2	37.0	64.2	36.9	34.0	22.2	17.5
Working Capital Ratios								
Fixed Asset Turnover (x)	7.0	5.4	8.7	13.7	8.1	8.4	4.7	3.1
Asset Turnover (x)	1.4	1.4	1.8	2.0	1.0	1.0	0.9	0.8
Inventory (Days)	42	35	40	36	37	46	58	58
Debtor (Days)	52	57	65	57	65	61	61	61
Creditor (Days)	30	32	30	21	25	25	32	32
Leverage Ratio (x)								
Current Ratio	4.3	5.4	4.5	6.6	8.9	9.5	7.7	7.9
Interest Cover Ratio	42.1	23.9	61.0	164.4	183.1	254.2	229.0	215.6
Net Debt/Equity	-0.2	-0.2	-0.2	-0.3	-0.5	-0.4	-0.3	-0.3

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	2,172	1,562	3,368	7,930	4,935	5,246	5,026	4,998
Depreciation	347	468	399	479	566	521	532	654
Others	-144	-106	-257	-546	-673	-927	18	19
Direct Taxes Paid	-612	-415	-769	-2,092	-1,380	-1,375	-1,265	-1,258
(Inc)/Dec in WC	416	-167	-2,001	-1,435	2,610	-1,510	-568	-453
CF from Operations	2,178	1,343	741	4,336	6,057	1,956	3,742	3,959
(Inc)/Dec in FA	-727	-463	-603	-807	-640	-376	-4,988	-2,175
Free Cash Flow	1,451	880	137	3,529	5,417	1,580	-1,246	1,784
Change in Investments	-287	4	-18	-150	-4,114	-6,688	0	0
Others	172	57	60	110	464	673	0	0
CF from Investments	-842	-402	-561	-847	-4,290	-6,391	-4,988	-2,175
Inc/(Dec) in Debt	-14	-347	-306	-357	-274	0	444	-333
Interest Paid	-63	-52	-37	-44	-21	-14	-18	-19
Dividend Paid	-407	-92	-337	-276	-276	-307	-325	-324
Others	137	106	27	-9	-14	-17	0	0
CF from Fin. Activity	-346	-385	-654	-686	-584	-338	101	-675
Inc/Dec of Cash	989	555	-475	2,803	1,183	-4,774	-1,145	1,109
Opening Balance	1,020	2,009	2,564	2,089	4,892	6,075	1,302	157
Closing Balance	2,009	2,564	2,089	4,892	6,075	1,302	157	1,266

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BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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