

# Fine Organic Industries

Estimate changes



TP change



Rating change



**CMP: INR4,252**

**TP: INR3,820 (-10%)**

**Sell**

## Earnings remain subdued as margin headwinds continue

- Fine Organic Industries (FINEORG) reported a muted operating performance, with an EBITDA decline of 10% YoY. Gross margin contracted 120bp YoY to 41.6%, while employee/other expenses increased 100bp/40bp YoY to 6.3%/12.7%.
  - FINEORG has been expanding its global reach by entering new geographies and strengthening its strategic partnerships. The company incorporated a wholly-owned subsidiary, Fine Organics Americas LLC, in the US to set up a manufacturing plant. Moreover, it acquired ~159.9 acres of land in Jonesville, Union County, South Carolina, to support future expansion and manufacturing capabilities.
  - We broadly maintain our earnings estimates for FY26/FY27/FY28 and estimate a revenue/EBITDA/PAT CAGR of 9% for each over FY25-FY28. FINEORG currently trades at ~32x FY27E EPS and ~25x FY27E EV/EBITDA. We value the stock at 27x FY27E EPS to arrive at our TP of INR3,820.
- Reiterate Sell.**

## Soft quarter with margin pressure despite stable demand

- FINEORG reported revenue of INR6b in 1QFY26, flat YoY, with overall demand remaining stable in 1HFY26.
- Exports revenue declined 10% YoY to INR3.3b, while domestic revenue grew 16% YoY to INR2.7b, driven by improved domestic demand in 2Q.
- Gross margin stood at 41.6% (down 120bp YoY), while EBITDA margin contracted 270bp YoY to 22.6% in 2QFY26, primarily due to higher raw materials costs in 2HFY26.
- EBITDA stood at INR1.3b, down 10% YoY, and PAT dipped 8% YoY to INR1b in 2QFY26.
- In 1HFY26, revenue grew 4% YoY to INR11.9b, while EBITDA/Adj. PAT declined 11%/4% to INR2.6b/INR2.2b
- Cash flow from operations stood at INR1.6b in Sep'25 vs INR1.1b in Sep'24.

## Highlights from the management presentation

- Gross debt stood at INR92m in Sep'25 (the company was gross debt-free in Mar'25).
- During the quarter, its wholly-owned subsidiary, WOS Fine Organic Industries (SEZ) Private Limited, issued INR650m of preference shares as part of its equity capital structure.

Bloomberg

Bloomberg	FINEORG IN
Equity Shares (m)	31
M.Cap.(INRb)/(USDb)	130.4 / 1.5
52-Week Range (INR)	5494 / 3355
1, 6, 12 Rel. Per (%)	-9/-1/-21
12M Avg Val (INR M)	109

## Financials & Valuations (INR b)

Y/E March	FY26E	FY27E	FY28E
Sales	23.9	25.1	28.9
EBITDA	5.0	5.2	6.2
PAT	4.3	4.4	5.0
EPS (INR)	138.3	143.0	164.3
EPS Gr. (%)	8.8	3.4	14.9
BV/Sh.(INR)	849.7	980.3	1,130.3

## Ratios

Net D:E	-0.3	-0.3	-0.3
RoE (%)	17.6	15.6	15.6
RoCE (%)	17.6	15.5	15.6
Payout (%)	8.5	8.7	8.7

## Valuations

P/E (x)	30.8	29.7	25.9
P/BV (x)	5.0	4.3	3.8
EV/EBITDA (x)	24.6	23.2	19.3
Div. Yield (%)	0.3	0.3	0.3
FCF Yield (%)	-1.0	1.7	2.5

## Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	75.0	75.0	75.0
DII	12.0	11.9	11.6
FII	4.6	4.8	4.9
Others	8.4	8.3	8.6

FII Includes depository receipts

### Valuation and view

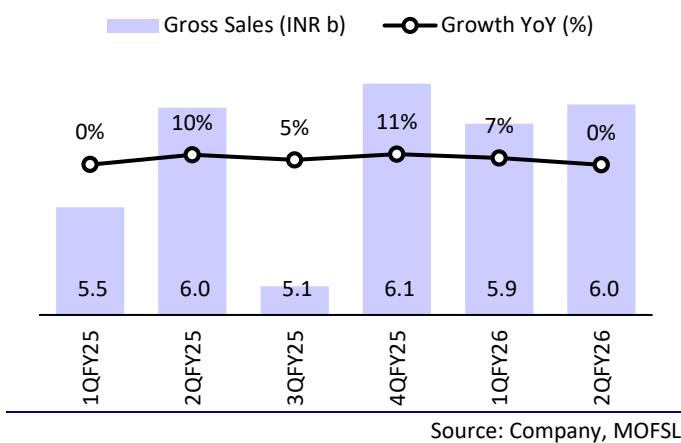
- The company remains focused on strengthening its global presence through investments in overseas subsidiaries, capacity expansion in the US for future expansion, and manufacturing capabilities. These initiatives are expected to support long-term growth.
- The long-term prospects for FINEORG remain healthy, 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, and 2) existing plants operating at close to optimum utilization with no potential for debottlenecking.
- We broadly maintain our earnings estimates for FY26/FY27/FY28 and estimate a revenue/EBITDA/PAT CAGR of 9% for each over FY25-FY28. FINEORG currently trades at ~32x FY27E EPS and ~25x FY27E EV/EBITDA. We value the stock at 27x FY27E EPS to arrive at our TP of INR3820. Reiterate Sell.

Consolidated - Income Statement										(INRm)			
Y/E March	FY25					FY26				FY25	FY26E	FY26	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE					
<b>Gross Sales</b>	<b>5,497</b>	<b>5,958</b>	<b>5,132</b>	<b>6,068</b>	<b>5,884</b>	<b>5,973</b>	<b>5,645</b>	<b>6,371</b>	<b>22,655</b>	<b>23,873</b>	<b>6,256</b>	<b>5.4</b>	<b>-5%</b>
YoY Change (%)	0.5	10.2	5.1	11.0	7.0	0.2	10.0	5.0	16.1	5.4	5.0		
Total Expenditure	4,100	4,452	4,142	4,872	4,648	4,621	4,523	5,071	17,566	18,863	4,980		
Gross Margin (%)	43.6%	42.8%	39.4%	39.6%	40.4%	41.6%	40.0%	39.6%	22.5%	21.0%	40.0%		
<b>EBITDA</b>	<b>1,397</b>	<b>1,506</b>	<b>990</b>	<b>1,196</b>	<b>1,236</b>	<b>1,352</b>	<b>1,122</b>	<b>1,301</b>	<b>5,089</b>	<b>5,010</b>	<b>1,277</b>	<b>6%</b>	
Margin (%)	25.4	25.3	19.3	19.7	21.0	22.6	19.9	20.4	22.5	21.0	20.4		
Depreciation	117	124	130	148	118	128	135	140	512	521	130		
Interest	4	4	4	5	5	5	6	7	17	22	5		
Other Income	245	219	291	258	398	211	290	292	966	1,191	250		
<b>PBT</b>	<b>1,521</b>	<b>1,597</b>	<b>1,146</b>	<b>1,300</b>	<b>1,581</b>	<b>1,430</b>	<b>1,272</b>	<b>1,376</b>	<b>5,527</b>	<b>5,729</b>	<b>1,392</b>		
Tax	383	418	319	327	403	335	320	363	1,350	1,420	351		
Rate (%)	25.2	26.2	27.8	25.2	25.5	23.4	25.2	26.3	24.4	24.8	25.2		
Minority Interest & Profit/Loss of Asso. Cos.	5	5	0	-1	7	10	0	0	0	17	0		
<b>Reported PAT</b>	<b>1,134</b>	<b>1,175</b>	<b>827</b>	<b>974</b>	<b>1,171</b>	<b>1,085</b>	<b>951</b>	<b>1,014</b>	<b>4,177</b>	<b>4,291</b>	<b>1,041</b>		
<b>Adj PAT</b>	<b>1,134</b>	<b>1,175</b>	<b>827</b>	<b>974</b>	<b>1,119</b>	<b>1,085</b>	<b>951</b>	<b>1,065</b>	<b>4,177</b>	<b>4,239</b>	<b>1,041</b>	<b>4%</b>	
YoY Change (%)	13.6	13.6	-12.2	-15.2	-1.3	-7.6	15.0	9.3	13.5	1.5	-11.4		
Margin (%)	20.6	19.7	16.1	16.1	19.0	18.2	16.9	16.7	18.4	17.8	16.6		

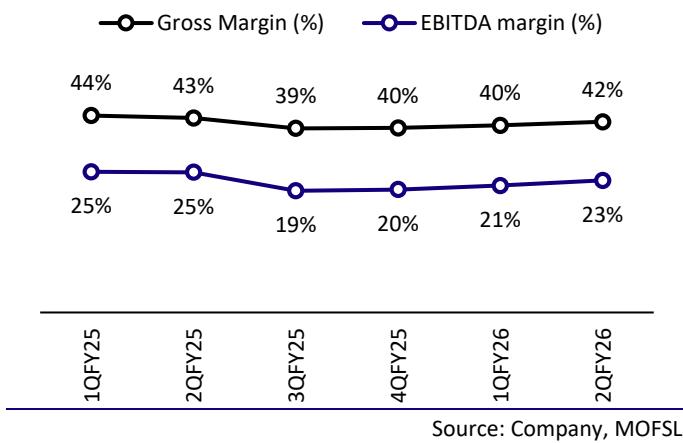
Particulars	Revised			Previous			Change (%)			
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	
	Revenue (INR m)	23,873	25,135	28,904	24,157	25,500	29,324	-1%	-1%	-1%
EBITDA (INR m)	5,010	5,226	6,155	4,935	5,241	6,175	2%	0%	0%	
PAT (INR m)	4,239	4,384	5,037	4,195	4,253	4,852	1%	3%	4%	
EPS (INR)	138.3	143.0	164.3	136.8	138.7	158.2	1%	3%	4%	

## Story in charts: 2QFY26

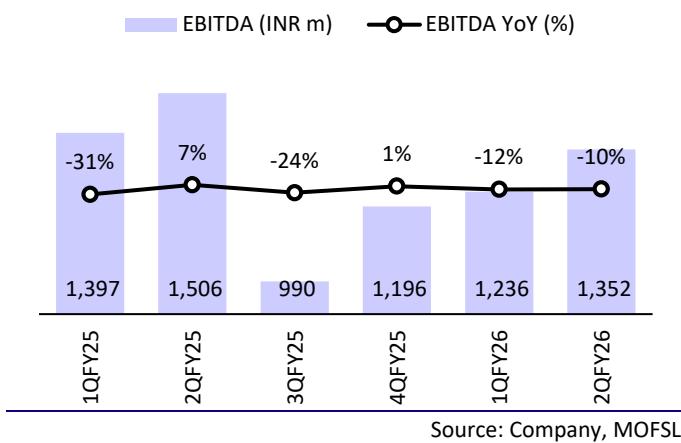
### Exhibit 1: Revenue was flat YoY



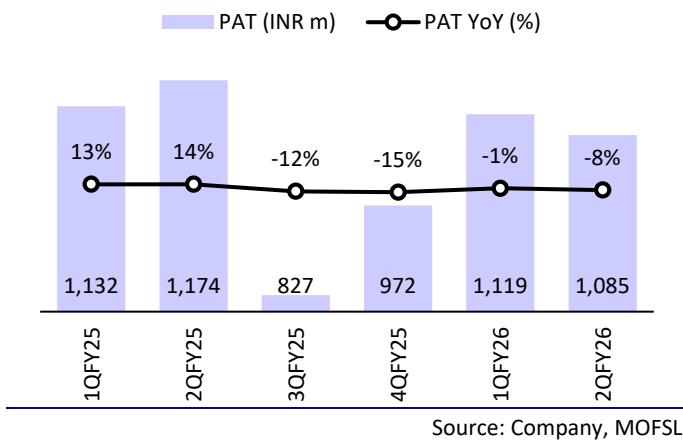
### Exhibit 2: GM and EBITDAM contracted YoY



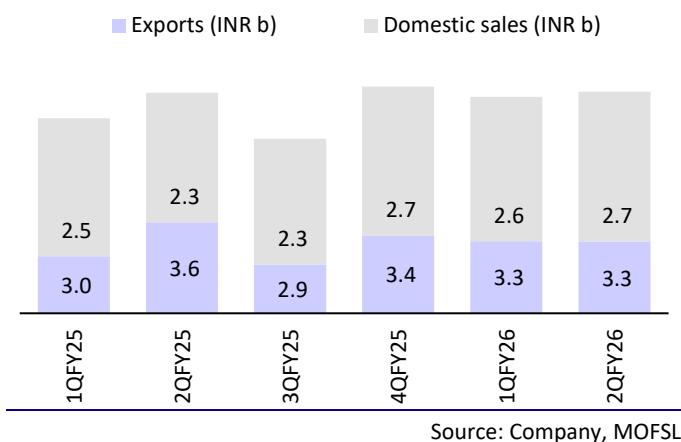
### Exhibit 3: EBITDA declined 10% YoY



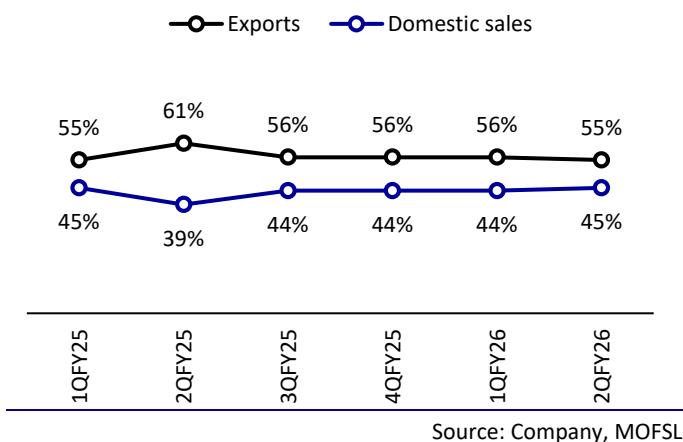
### Exhibit 4: PAT was down 8% YoY



### Exhibit 5: Domestic revenue grew 16% YoY...



### Exhibit 6: ...while it contributed 45% to total revenue in 2Q



## Financials and valuations

Consolidated - Income Statement								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Total Income from Operations</b>	<b>11,213</b>	<b>18,584</b>	<b>30,291</b>	<b>19,511</b>	<b>22,052</b>	<b>23,873</b>	<b>25,135</b>	<b>28,904</b>
Change (%)	9.3	65.7	63.0	-35.6	13.0	8.3	5.3	15.0
Gross Margin (%)	35.2	35.7	38.4	42.6	39.6	40.4	40.7	40.9
<b>EBITDA</b>	<b>1,921</b>	<b>3,485</b>	<b>7,813</b>	<b>4,813</b>	<b>4,811</b>	<b>5,010</b>	<b>5,226</b>	<b>6,155</b>
Margin (%)	17.1	18.8	25.8	24.7	21.8	21.0	20.8	21.3
Depreciation	468	399	479	566	514	521	547	749
<b>EBIT</b>	<b>1,453</b>	<b>3,086</b>	<b>7,334</b>	<b>4,247</b>	<b>4,297</b>	<b>4,489</b>	<b>4,679</b>	<b>5,406</b>
Int. and Finance Charges	61	51	45	23	17	22	28	33
Other Income	170	332	641	717	966	1,191	1,206	1,359
<b>PBT bef. EO Exp.</b>	<b>1,562</b>	<b>3,368</b>	<b>7,930</b>	<b>4,941</b>	<b>5,246</b>	<b>5,659</b>	<b>5,858</b>	<b>6,731</b>
EO Items	0	0	0	6	0	-70	0	0
<b>PBT after EO Exp.</b>	<b>1,562</b>	<b>3,368</b>	<b>7,930</b>	<b>4,935</b>	<b>5,246</b>	<b>5,729</b>	<b>5,858</b>	<b>6,731</b>
Total Tax	413	861	2,024	1,259	1,350	1,420	1,475	1,694
Tax Rate (%)	26.4	25.6	25.5	25.5	25.7	24.8	25.2	25.2
<b>Reported PAT</b>	<b>1,149</b>	<b>2,507</b>	<b>5,906</b>	<b>3,676</b>	<b>3,897</b>	<b>4,291</b>	<b>4,384</b>	<b>5,037</b>
<b>Adjusted PAT</b>	<b>1,149</b>	<b>2,507</b>	<b>5,906</b>	<b>3,680</b>	<b>3,897</b>	<b>4,239</b>	<b>4,384</b>	<b>5,037</b>
Change (%)	-31.0	118.1	135.6	-37.7	5.9	8.8	3.4	14.9
Margin (%)	10.2	13.5	19.5	18.9	17.7	17.8	17.4	17.4

Consolidated - Balance Sheet								(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	153	153	153	153	153	153	153	153
Total Reserves	7,235	9,432	15,068	18,460	22,026	25,898	29,902	34,503
<b>Net Worth</b>	<b>7,388</b>	<b>9,585</b>	<b>15,221</b>	<b>18,613</b>	<b>22,179</b>	<b>26,051</b>	<b>30,056</b>	<b>34,656</b>
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	892	585	272	0	0	444	111	111
<b>Capital Employed</b>	<b>8,280</b>	<b>10,170</b>	<b>15,493</b>	<b>18,613</b>	<b>22,179</b>	<b>26,495</b>	<b>30,167</b>	<b>34,767</b>
Gross Block	4,459	5,192	5,518	6,627	7,001	7,506	7,726	15,326
Less: Accum. Deprn.	2,500	2,899	3,378	3,944	4,458	4,979	5,526	6,275
<b>Net Fixed Assets</b>	<b>1,958</b>	<b>2,293</b>	<b>2,140</b>	<b>2,683</b>	<b>2,543</b>	<b>2,527</b>	<b>2,200</b>	<b>9,051</b>
Capital WIP	263	141	404	297	268	4,813	6,793	193
<b>Total Investments</b>	<b>437</b>	<b>431</b>	<b>531</b>	<b>1,156</b>	<b>1,805</b>	<b>1,805</b>	<b>1,805</b>	<b>1,805</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>6,902</b>	<b>9,413</b>	<b>14,648</b>	<b>16,305</b>	<b>19,628</b>	<b>20,041</b>	<b>22,202</b>	<b>26,977</b>
Inventory	1,089	2,017	2,987	1,952	2,752	3,810	4,011	4,613
Account Receivables	1,752	3,316	4,769	3,480	3,660	3,962	4,171	4,797
Cash and Bank Balance	2,612	2,158	4,974	9,610	8,910	7,619	9,132	11,969
Loans and Advances	1,449	1,922	1,918	1,262	4,307	4,650	4,888	5,598
<b>Curr. Liability &amp; Prov.</b>	<b>1,281</b>	<b>2,108</b>	<b>2,230</b>	<b>1,828</b>	<b>2,065</b>	<b>2,691</b>	<b>2,833</b>	<b>3,258</b>
Account Payables	990	1,514	1,707	1,320	1,508	2,088	2,199	2,528
Other Current Liabilities	156	290	366	308	267	289	304	350
<b>Net Current Assets</b>	<b>5,622</b>	<b>7,305</b>	<b>12,418</b>	<b>14,477</b>	<b>17,563</b>	<b>17,350</b>	<b>19,368</b>	<b>23,718</b>
<b>Appl. of Funds</b>	<b>8,280</b>	<b>10,170</b>	<b>15,493</b>	<b>18,613</b>	<b>22,179</b>	<b>26,495</b>	<b>30,167</b>	<b>34,767</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Basic (INR)</b>								
EPS	<b>37.5</b>	<b>81.8</b>	<b>192.6</b>	<b>120.0</b>	<b>127.1</b>	<b>138.3</b>	<b>143.0</b>	<b>164.3</b>
EPS Growth (%)	-31%	118%	136%	-38%	6%	9%	3%	15%
Cash EPS	52.7	94.8	208.2	138.5	143.8	155.2	160.8	188.7
BV/Share	241.0	312.6	496.5	607.1	723.4	849.7	980.3	1,130.3
DPS	11.0	9.0	9.0	10.0	11.0	12.0	12.4	14.2
Payout (%)	29.3	11.0	4.7	8.3	8.7	8.5	8.7	8.7
<b>Valuation (x)</b>								
P/E	113.4	52.0	22.1	35.4	33.5	30.8	29.7	25.9
Cash P/E	80.6	44.9	20.4	30.7	29.6	27.4	26.4	22.5
P/BV	17.6	13.6	8.6	7.0	5.9	5.0	4.3	3.8
EV/Sales	11.5	6.9	4.1	6.2	5.5	5.2	4.8	4.1
EV/EBITDA	67.0	37.0	16.1	25.1	25.2	24.6	23.2	19.3
Dividend Yield (%)	0.3	0.2	0.2	0.2	0.3	0.3	0.3	0.3
FCF per share	28.7	4.5	115.1	176.7	51.5	-43.9	73.5	107.9
<b>Return Ratios (%)</b>								
RoE	16.8	29.5	47.6	21.8	19.1	17.6	15.6	15.6
RoCE	15.4	27.6	46.3	21.7	19.2	17.6	15.5	15.6
RoIC	22.2	37.0	64.2	36.9	34.0	28.8	28.4	24.3
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	5.4	8.7	13.7	8.1	8.4	9.4	10.6	5.1
Asset Turnover (x)	1.4	1.8	2.0	1.0	1.0	0.9	0.8	0.8
Inventory (Days)	35	40	36	37	46	58	58	58
Debtor (Days)	57	65	57	65	61	61	61	61
Creditor (Days)	32	30	21	25	25	32	32	32
<b>Leverage Ratio (x)</b>								
Current Ratio	5.4	4.5	6.6	8.9	9.5	7.4	7.8	8.3
Interest Cover Ratio	23.9	61.0	164.4	183.1	254.2	206.8	170.2	162.3
Net Debt/Equity	-0.2	-0.2	-0.3	-0.5	-0.4	-0.3	-0.3	-0.3

### Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	(INR m) FY28E
OP/(Loss) before Tax	1,562	3,368	7,930	4,935	5,246	5,659	5,858	6,731
Depreciation	468	399	479	566	521	521	547	749
Others	-106	-257	-546	-673	-927	22	28	33
Direct Taxes Paid	-415	-769	-2,092	-1,380	-1,375	-1,420	-1,475	-1,694
(Inc)/Dec in WC	-167	-2,001	-1,435	2,610	-1,510	-1,078	-506	-1,512
<b>CF from Operations</b>	<b>1,343</b>	<b>741</b>	<b>4,336</b>	<b>6,057</b>	<b>1,956</b>	<b>3,704</b>	<b>4,452</b>	<b>4,307</b>
(Inc)/Dec in FA	-463	-603	-807	-640	-376	-5,050	-2,200	-1,000
<b>Free Cash Flow</b>	<b>880</b>	<b>137</b>	<b>3,529</b>	<b>5,417</b>	<b>1,580</b>	<b>-1,346</b>	<b>2,252</b>	<b>3,307</b>
Change in Investments	4	-18	-150	-4,114	-6,688	0	0	0
Others	57	60	110	464	673	0	0	0
<b>CF from Investments</b>	<b>-402</b>	<b>-561</b>	<b>-847</b>	<b>-4,290</b>	<b>-6,391</b>	<b>-5,050</b>	<b>-2,200</b>	<b>-1,000</b>
Inc/(Dec) in Debt	-347	-306	-357	-274	0	444	-333	0
Interest Paid	-52	-37	-44	-21	-14	-22	-28	-33
Dividend Paid	-92	-337	-276	-276	-307	-367	-379	-436
Others	106	27	-9	-14	-17	0	0	0
<b>CF from Fin. Activity</b>	<b>-385</b>	<b>-654</b>	<b>-686</b>	<b>-584</b>	<b>-338</b>	<b>55</b>	<b>-740</b>	<b>-469</b>
<b>Inc/Dec of Cash</b>	<b>555</b>	<b>-475</b>	<b>2,803</b>	<b>1,183</b>	<b>-4,774</b>	<b>-1,291</b>	<b>1,512</b>	<b>2,838</b>
Opening Balance	2,009	2,564	2,089	4,892	6,075	1,302	11	1,524
<b>Closing Balance</b>	<b>2,564</b>	<b>2,089</b>	<b>4,892</b>	<b>6,075</b>	<b>1,302</b>	<b>11</b>	<b>1,524</b>	<b>4,361</b>

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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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