

Guidance: Doubling Revenue, 3x EBITDA and RoCE improvement to 20% by FY28 over FY24 Financials

CMP: INR 285

Outlook: Positive

Stock Info

BSE	543277
NSE	LXCHEM
Bloomberg	LXCHEM:IN
Reuters	LAXR.NS
Sector	Chemicals
Face Value (INR)	2
Equity Cap (INR Mn)	552.9
Mkt Cap (INR Bn)	83,577
52w H/L (INR)	320 / 220
Avg Yearly Volume (in 000')	1,466

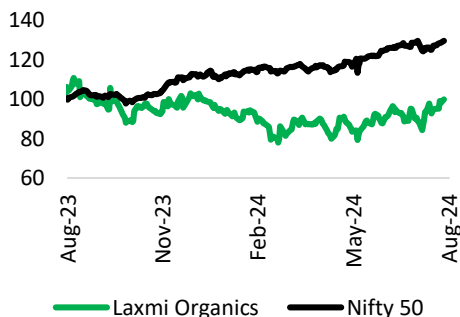
Shareholding Pattern %

(As on June, 2024)

Promoters	69.55
FII	1.05
DII	2.16
Public & Others	27.25

Stock Performance (%)	1m	3m	12m
Laxmi Organics	16.7	14.5	5.0
Nifty 50	0.9	12.9	29.8

Laxmi Organics Vs Nifty 50



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Laxmi Organic Industries Limited (LOIL) is the flagship company of **Goenka Group** established in 1989 engaged in the business of acetyl intermediates and specialty chemicals. The Company primarily manufactures Ethyl Acetate, Acetic Acid and Diketene Derivative Products. Over the Years, Laxmi Organics has made several acquisitions to consolidate their market leadership in specific Product categories. They acquired Ketene & Diketene business of Clariant in 2010, acquired Yellowstone Chemicals in 2021 which made them the largest producer of Ethyl Acetate in India and in 2019 they acquired the Fluorination business of Miteni of Italy whose facility equipments have been moved to Lote facility where the first revenues from Fluorine products will commence from H2FY25.

Investment Rationale:

Capacity Expansion: Laxmi Organic Industries has laid out a capex plan of INR 11 bn to be spent equally INR 5.5 bn towards each of Essentials & Specialities Chemicals by FY28. The Company will be doubling their Ketene & Diketene business after this business while becoming 3rd largest player among Ethyl Acetate suppliers globally.

The Company is aiming an Asset Turnover of 3-5x for the Essentials segment business with EBITDA Margins of 8-12%. The Management has guided that Volumes may increase up to 1.75x by FY28 from last year's volumes of 234 KT for the Essential business. For the Speciality Chemicals division, the Management aims an Asset Turnover of 1-2x with EBITDA margins of 20-25%. The Company will be investing INR 4,000 mn in the first 2 years, i.e, FY25 & FY26, and in the second tranche, will invest INR 1,500 mn between FY 26-28 period. After the current expansion, the Company will still have 80% land reserve in Dahej, 50% in Lote and 10% in Mahad.

Hence, in summary, the Company will be witnessing the doubling of revenues of each of the Essential & Specialities segments, with the Specialities segment's contribution in Revenue & EBITDA increasing from current levels, causing the EBITDA to increase up to 3x by FY28 over FY24 EBITDA.

In Lote, the Fluorine assets of INR 5.5 bn is spent while in Dahej, both Specialities as well as Essentials production lines are present, of which Essentials will be of fixed products (35%) while Specialities (65%) are fungible with multi purpose product manufacturing capability. The Essentials volume will increase by 1.75x from 234 KTPA currently. Similarly, in the Ketenes & Diketene derivative products, the Company's capacities will double from current levels.

Outlook: Laxmi Organics has laid out ambitious expansion plans over the next 4 years by FY28 while new Product launches and operational leverage are seen kicking in and improving margins. We believe the expansion plans work out well with revenues from both the segments doubling while overall EBITDA is expected to increase by 3 times over FY28 as per laid out plans by the Company. Under the leadership of Dr Rajan Venkatesh, the MD & CEO who joined the Company last year, Laxmi Organic's Management Team has hired Professionals coming from global Chemicals supply chain experiences joining to lead the future expansion plans.

We are coming out with an Initiating Coverage report soon on the Company.

Particulars (INR Mn)	FY20	FY21	FY22	FY23	FY24
Revenue	15,341	17,684	30,842	27,939	28,671
EBITDA	1,135	2,167	3,677	3,543	2,578
EBITDA Margins	7.40%	12.25%	11.92%	12.68%	8.99%
PAT	702	1,271	2,559	2,371	1,205
EPS	3.12	4.82	9.70	8.94	4.37

Management Meeting Highlights:**Guidance:**

- The Management maintained their long term guidance for the Company's future financials for FY28, by when they aim to double the revenues, triple the EBITDA numbers and double the RoCE numbers (20% in FY28E from 10% in FY24) for the company from the numbers posted in FY24.

Key Highlights:**Capex:**

- The Company is investing INR 11 bn as capex investing INR 5,500 mn each towards both the businesses.
- The Company aims to see Asset Turnover of 3-5x for the Essentials segment for every investment towards Essential Chemicals business with EBITDA Margins of 8-12%.
- For the Essentials business, the Management has guided that Volumes may increase to 1.75x by FY28 from last year's volumes of 234 KT.
- For the Speciality Chemicals division, the Management aims an Asset Turnover of 1-2x with EBITDA margins of 20-25%. The Company will be investing INR 4,000 mn in the first 2 years, i.e, FY25 & FY26, and in the second tranche, will invest INR 1,500 mn between FY 26-28 period.
- After the current expansion, the Company will still have 80% land reserve in Dahej, 50% in Lote and 10% in Mahad.

Other Highlights:

- The Company has 2 segments: Essentials & Specialities. On revenue front, the Essentials make up ~70% of total revenue while the Specialities make up the remaining 30%, and on EBITDA front, the Specialities contribute ~70% and rest by Essentials 30%.
- The Company's Essentials customers look for reliability and consistency for their supplies from Laxmi Organics, while the Specialities customers seek higher quality standards and reliability for their Speciality supplies as per the Management.
- The Total Addressable Market is of USD 12 bn for Essentials, and USD 3.5 bn for Specialities industry of Laxmi Organics's products.
- As per the Management, Laxmi Organics has the largest Product Portfolio of Diketene derivatives globally. The Derivatives business makes 50% of export sales annually.
- After the commencement of current Expansion plans of the Company will become the one of the Top 3 players manufacturing Ketene & Diketene products globally as per the Management from current 7th position.
- 70% of the Power consumed by the Company is derived from Coal power from their CPP while 17-20% of the Power is from Green sources as per ESG compliances.
- In Lote, the Fluorine assets of INR 5.5 bn is spent while in Dahej, both Specialities as well as Essentials is there, of which Essentials will be of fixed products (35%) while Specialities (65%) are fungible with multi purpose product manufacturing capability. The Essentials volume will increase by 1.75x from 234 KTPA currently.
- The Company's major customer for Ethyl Acetate is Europe. Laxmi Organics rents Tanks for Ethyl Acetate in Netherlands to establish them as local suppliers to their customers
- They import almost entire of their Ethyl Alcohol requirements from Latin America and South Eastern Asian nations. Similarly, the Raw Material for Acetic Acid are imported from China and South East Asian nations.
- The Management explained that the prices of Essentials change on a daily basis, hence, not guaranteed that if they sell those Essentials products in regulated markets of Europe or America, they will have better margins.
- The Management is excited as these expansions will increase their Product basket in Essential segment along with doubling their capacity in the Ketenes & Diketenes category of Products.
- The Company being highly diversified in terms of end user industry, and around 15% exposure to Agro chemicals industry, says that the worst affected Agro chemicals demand has improved only moderately still as prices remain low and supplies in excess.
- The Fluorine assets of Miteni are to be manufactured in India, and the Management has guided the launch and first revenue contribution from Fluorine business coming from H2FY25. The Company expects to generate INR 2 bn of revenues from Fluorine business by FY28 and lay out the future of Electro Flourination products and Intermediates, but even that is significant for their entry in the vast supply chains of Fluorine chemicals.
- The Fluorine Intermediates business has a Total Addressable market globally of USD 2.5 bn of total USD 25 bn of Fluorine business market size.
- Regarding the duration of the contracts for both the Products, the Management explained that the Specialities orders are of on average 3 Years of supply contracts, while for the Essentials products, the contracts are volume based as Prices change on a daily basis.
- The Management observed that Innovators nowadays are ready to collaborate with other Partner's much earlier before the Patents even expire.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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