Vinati Organics (VINORG)

ICICI Direct

CMP: ₹1,300 | Target ₹ 1,550 (19%) | Target Period: 12 months | **BUY**

July 30, 2026

Result Update

Good beginning after a weak FY26…

About the stock Vinati Organics is a leading manufacturer of specialty chemical and organic intermediaries with global market leadership in its two key products- 2-Acryl amido 2 Methylpropane Sulphonic Acid (ATBS) and Isobutyl Benzene (IBB). Other key products include IB, ATBS, Butyl phenols besides foray into antioxidants.

- The company has two manufacturing facilities at Mahad and Lote
- The company has increased its capacities in ATBS from 40,000 MT to 60,000 MT in a phased manner.
- In addition to the guided capex of ₹200- 250 crore for FY27, the company will also be incurring capex in Veeral Organics, the specialty chemicals subsidiary.

Result Performance and Investment Rationale:

- **Q1FY27: Strong revenue performance but margins below par:** Revenues stood at ₹696 crore, up 28% YoY, mainly on account of volume growth in antioxidants and other products, higher raw material costs which were passed through and rupee depreciation. GPM in the quarter came in at 46%, down ~640 bps YoY. EBITDA for the quarter stood at ₹170.5 crore, up 7% YoY translating to margins of 24.5%, down ~500 bps YoY. PAT for the quarter stood at ₹109 crore, up 4% YoY.
- **Management remains confident of delivering sustainable earnings growth**: supported by a favourable mix of high-value specialty products such as ATBS, IBB, antioxidants and other differentiated offerings. Due to the elevated raw material costs arising from geopolitical disruptions, the company was unable to pass on a meaningful portion of the increase to customers, due to which margins remained lower than their guided band. However, it has reiterated guidance for achieving 26–27% EBITDA margins in FY27, driven by continued product mix improvement, while guiding for at least 15% volume growth. With 55% of revenues derived from exports, the company also remains well positioned to benefit from global demand recovery. Further, as recently commissioned capacities ramp up and utilization improves, management expects ROCE to expand from the current 15–16% to around 20% over the next 2–3 years, reinforcing the long-term investment case.
- **Multiple growth catalylsts lined up for FY27 and beyond:** In the long run. earnings are poised to improve meaningfully as multiple growth drivers converge in H2FY27 and beyond. Management expects Veeral Organics, it's special chemicals subsidiary (main products- MEHQ (Methoxyethyl hydroquinone), Guaiacol, Anisole among others) to start contributing to the revenues from January onwards. Meanwhile ATBS is also expected to see improvement in demand from H2FY27 onwards. The company has also expanded high-quality ATBS capacity, strengthening its capabilities further. Veeral Organics, which is expected to generate revenues of ₹150 crore in FY27, has the potential to generate ₹400–500 crore of annual revenues at optimal utilization. We expect yearly growth trend to be linear going forward.

Rating and Target Price: Our Target Price is ₹1,550 based on 20x EV/EBITDA of ₹770.3 crore.

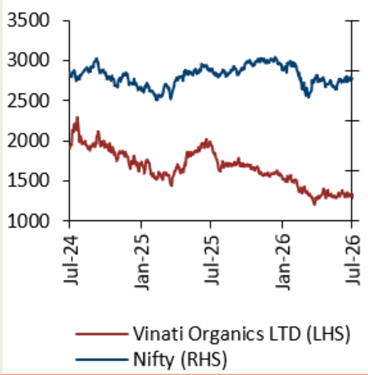
Particulars

Particular	₹ crore
Market Capitalization	13,452
Total Debt (FY26)	19
Cash & Invests (FY26)	4
EV	13,496
52-week H/L (₹)	1878/1203
Equity capital (₹)	10.4
Face value (₹)	1

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	74.2	74.2	74.2	74.2
FII	3.7	3.7	3.7	3.6
DII	9.5	9.8	9.9	9.2
Other	12.3	12.1	12.1	12.8

Price Chart



Key risks

- Lower than expected revenue growth in the new products
- Continued volatility in the raw material prices

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ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	1,900.0	2,248.2	2,226.9	8.3%	2,551.6	2,853.1	13.2%
EBITDA	469.7	580.9	653.9	18.0%	637.9	770.3	8.5%
EBITDA Margins (%)	24.7%	25.8%	29.4%		25.0%	27.0%	
Adj. PAT	323.0	405.3	443.7	17.2%	429.2	521.9	8.4%
Adj. EPS (₹)	31.2	39.1	42.8	8.3%	41.4	50.3	
EV/EBITDA	28.7x	23.3x	20.3x		20.5x	16.6x	
P/E	41.7x	33.3x	30.4x		31.4x	25.8x	
RoE (%)	13.1	14.5	14.0		12.2	13.3	
RoCE (%)	17.6	18.7	18.7		16.0	17.4	

Source: Company, ICICI Direct Research

Exhibit 1: Key Products

Product	Market Position	Application / End usage	Relevance
ATBS	Largest manufacturer in the world and only manufacturer in the country	Water treatments chemicals, Emulsions for paint and paper coatings, Adhesives, Textiles auxiliaries and acrylic fibre, Detergents and cleaners, oil field and mining chemicals, Construction chemicals	Used to manufacture dispersants in water chemicals Important ingredient to manufacture polymers for Enhanced Oil Recovery (EOR) Important for giving dye receptibility for acrylic fibre and other specific qualities
IBB	Largest manufacturer in the world and largest market share	Pharmaceutical	The main raw material for Ibuprofen – widely used drug in US, Europe and Asia
IB	Largest manufacturer in the country	Agro based chemicals, food additives, anti-oxidants	Used as an intermediate
Butyl Phenol	Only manufacturer in the country	Perfumery, Resins, Agrochemicals, Plastic additives, Antioxidant, Dyestuff	
Anti Oxidant	Only manufacturer in the country	Polymer, Automotive, Agriculture, Construction	
MEHQ	-	Polymerization Inhibitor, stabilizer, intermediate	The products are backward integrated with Anisole and phonol
Guaiacol	-	Used in agrochemicals and as Intermediate to manufacture API – Guaifenesin(cough syrups ingredient), Eugenol and Vanillin	

Source: Company, ICICI Direct Research

Q1FY27 Management media interaction Call Highlights

Business Performance & Margins

- The management highlighted that revenue growth was led by rupee depreciation, as 55% of the company's revenue come from exports and volume growth in antioxidants and other products.
- Raw material prices saw a significant surge, on account of the ongoing conflicts and some part of it was passed on to the customers as price increase.
- EBITDA margins did not report growth as the company was unable to pass on the entire raw material price increase to its customers.
- The management reiterated its confidence in achieving 26-27% EBITDA margin by FY27 end, supported by an improving product mix comprising ATBS, IBB, antioxidants and other speciality products. Volume growth is expected to remain healthy, with management indicating at least 15% volume growth.

ATBS Business

- The company has expanded high quality ATBS capacity from 30,000 MTPA to 50,000 MTPA.
- Management expects a gradual recovery in ATBS demand beginning October, which should support improved utilization of the expanded capacity.

Veeral Organics

- The Veeral Organics plant is currently undergoing engineering and process optimization and is expected to be completed by December'26, with meaningful revenue contribution likely to begin from January onwards.
- At optimal capacity utilization of 70-8% management expects Veeral Organics to generate ~₹400-500 crore of annual revenue
- For the current year, the business is expected to contribute ~₹150 crore.

Anisole & Raw Material Strategy-

- Addressing concerns around sourcing Anisole, management clarified that it will be manufactured from phenol and that sourcing decisions will remain purely economics driven.
- The company will continue to evaluate whether imports or domestic manufacturing offer a lower cost and will adopt the most efficient sourcing strategy.
- Management emphasized that Anisole procurement is not expected to materially impact either revenue growth or EBITDA margins.

Downstream Integration & New products

- Vinati is making new investments in its downstream products, in some of their forward integration products like Butyl Phenols, MEHQ, 4MAP and a few other antioxidants.

Antioxidants Business

- Antioxidants continue to witness healthy demand, with management indicating that market conditions remain favourable.
- Recent months have seen an improvement in realizations, supporting profitability.

Capital Allocation & ROCE

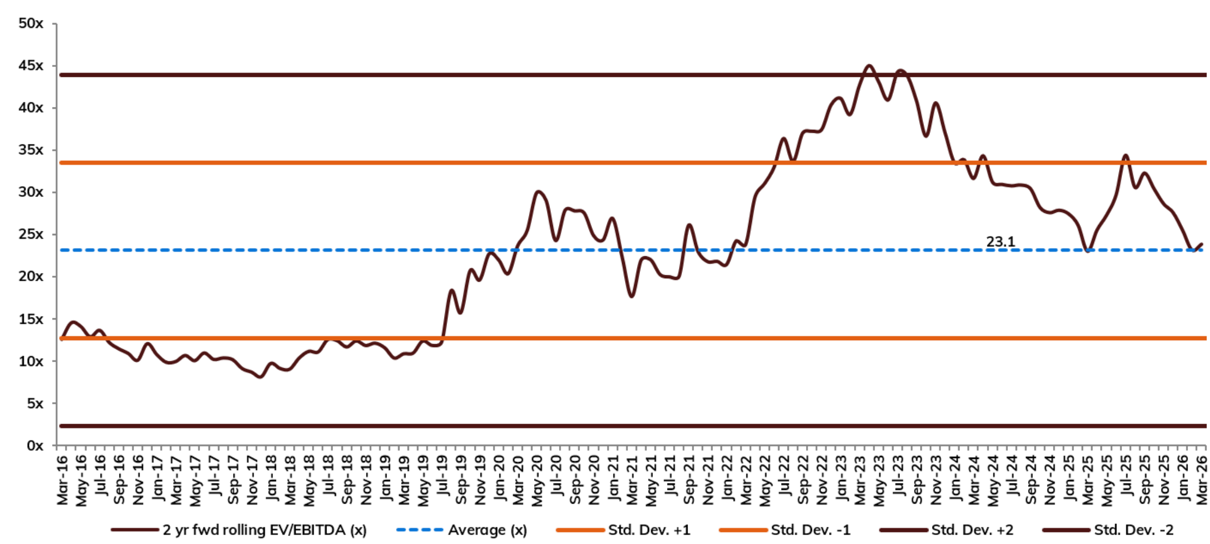
- Current ROCE stands at ~15–16%, with management expecting improvement to ~ 20% over the next 2–3 years as new capacities ramp up and utilization improves.

Exhibit 2: Manufacturing Facilities

Facilities	Plant 1	Plant 2	Veeral Organics
Location	Mahad-Raigad, Maharashtra	Lote-Ratnagiri, Maharashtra	Mahad-Raigad, Maharashtra
Products manufactured	IBB and NBB	ATBS, NaATBS, TBA, IB, HPMTBE, DAAM, Butyl phenols	Antioxidants, MEHQ, Guaiacol, Anisole
Cutting-edge technology	InstitutFrancais du Petrole (IFP) France	National Chemical Laboratories (NCL), Pune (for ATBS), SaipemSpA, Italy (for IB)	

Source: Company, ICICI Direct Research

Exhibit 3: 2 year forward EV/EBITDA band



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Total Operating Income	**2,248.2**	**2,226.9**	**2,551.6**	**2,853.1**
Growth (%)	**18.3**	**-0.9**	**14.6**	**11.8**
Raw Material Expenses	1,196.0	1,034.4	1,377.9	1,483.6
Employee Cost	139.6	175.4	153.1	171.2
Other Expenses	331.7	363.2	382.7	428.0
Total Operating Expenditure	1,667.3	1,573.0	1,913.7	2,082.7
EBITDA	**580.9**	**653.9**	**637.9**	**770.3**
Growth (%)	23.7	12.6	-2.4	20.8
Other Income	44.3	52.6	50.0	50.0
Depreciation	88.5	111.4	126.2	137.5
Net Interest Exp.	0.5	0.4	0.7	0.7
Other exceptional items	0.0	0.0	0.0	0.0
PBT	536.2	594.7	561.1	682.2
Total Tax	130.9	151.0	131.9	160.3
PAT	**405.3**	**443.7**	**429.2**	**521.9**
Adjusted PAT	405.3	443.7	429.2	521.9
Growth (%)	25.5	9.5	-3.3	21.6
Adjusted EPS (₹)	39.1	42.8	41.4	50.3

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
PBT & Extraordinary	536.2	594.7	561.1	682.2
Add: Depreciation	88.5	111.4	126.2	137.5
After other adjustments				
(Inc) / Dec in Working Capital	-57.9	8.7	41.4	-83.6
Taxes	-94.4	-136.4	-131.9	-160.3
Others	-14.1	-20.5	0.7	0.7
CF from operating activities	**458.2**	**557.9**	**597.5**	**576.4**
Purchase of Fixed Assets	-500.3	-269.6	-281.1	-200.0
Others	57.8	-143.9	0.0	0.0
CF from investing activities	**-442.5**	**-413.5**	**-281.1**	**-200.0**
Issue/(Buy back) of Equity	-0.7	0.0	0.0	0.0
Inc/(dec) in loan funds	58.0	-62.8	-9.2	0.0
Dividend paid & dividend tax	0.0	0.0	-85.8	-104.4
Others	-73.0	-78.4	-0.7	-0.7
CF from financing activities	**-15.6**	**-141.1**	**-95.7**	**-105.0**
Net cash flow	0.1	3.3	220.7	271.4
Opening cash	0.4	0.5	3.8	224.5
Closing cash	0.5	3.8	224.5	495.8

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

Year end March	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	10.4	10.4	10.4	10.4
Reserves & Surplus	2,782.9	3,151.3	3,494.7	3,912.2
Total Shareholders Funds	**2,793.3**	**3,161.7**	**3,505.1**	**3,922.5**
Minority Interest	0.0	0.0	0.0	0.0
Long Term Borrowings	20.9	18.6	9.4	9.4
Net Deferred Tax liability	154.0	183.8	183.8	183.8
Other long term liabilities	0.0	0.0	0.0	0.0
Long term provisions	0.0	0.0	0.0	0.0
Current Liabilities and Provisions				
Short term borrowings	62.6	0.0	0.0	0.0
Trade Payables	148.5	121.3	209.7	234.5
Other Current Liabilities	92.5	94.1	107.8	120.5
Short Term Provisions	9.4	10.1	11.6	13.0
Total Current Liabilities	313.0	225.4	329.1	367.9
Total Liabilities	**3,281.3**	**3,589.5**	**4,027.4**	**4,483.7**
Assets				
Net Block	1,724.1	2,121.8	2,490.8	2,553.3
Capital Work in Progress	438.2	214.1	0.0	0.0
Intangible assets under devl.	0.0	0.0	0.0	0.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Non-current investments	55.4	37.0	37.0	37.0
Deferred tax assets	0.0	0.0	0.0	0.0
Long term loans and advances	0.0	0.0	0.0	0.0
Other Non Current Assets	25.9	0.0	0.0	0.1
Current Assets, Loans & Advances				
Current Investments	10.0	190.5	190.5	190.5
Inventories	221.2	311.1	314.6	351.7
Sundry Debtors	592.3	521.3	559.3	625.3
Cash and Bank	0.5	3.8	224.5	495.8
Loans and Advances	46.1	47.6	47.6	47.6
Other Current assets	167.8	142.4	163.1	182.4
Current Assets	1,037.8	1,216.6	1,499.5	1,893.3
Total Assets	**3,281.3**	**3,589.5**	**4,027.4**	**4,483.7**

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

Year end March	FY25	FY26	FY27E	FY28E
Per share data (₹)	-	-	-	-
Adj. EPS	39.1	42.8	41.4	50.3
Adj. Cash EPS	47.6	53.5	53.6	63.6
BV	269.4	304.9	338.0	378.3
DPS	7.8	8.6	8.3	10.1
Operating Ratios (%)	-	-	-	-
Gross Margin (%)	46.8	53.5	46.0	48.0
EBITDA Margin (%)	25.8	29.4	25.0	27.0
PAT Margin (%)	18.0	19.9	16.8	18.3
Debtor Days	96	85	80	80
Inventory Days	36	51	45	45
Creditor Days	24	20	30	30
Cash Conversion Cycle	108	117	95	95
Return Ratios (%)	-	-	-	-
Return on Assets (%)	12.4	12.4	10.7	11.6
RoCE (%)	18.7	18.7	16.0	17.4
RoE (%)	14.5	14.0	12.2	13.3
Solvency	-	-	-	-
Total Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	1,032.1	1,451.6	852	1,035
Current Ratio	3.3	5.4	4.6	5.1
Quick Ratio	2.6	4.0	3.6	4.2
Valuation Ratios (x)	-	-	-	-
EV/EBITDA	23.3	20.3	20.5	16.6
P/E	33.3	30.4	31.4	25.8
P/B	4.8	4.3	3.8	3.4
EV/Sales	6.0	6.0	5.1	4.5

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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