

Price: 184

Recommendation: Buy

Industry: Specialty Chemicals

Sector: Commodities

Report Date: 03-Apr-2025

Laxmi Organic Industries Limited is advancing growth through strategic initiatives, focusing on operational excellence and capacity expansion with a INR 1,100 crore investment. The company aims to diversify its product mix, reducing reliance on ethyl acetate from 60% to 40% of revenues. With a 13% sales growth in Q3 and robust export performance, Laxmi Organic is poised for future success, despite challenges in the agro segment and fluoro business integration.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3040 Cr	Operating Profit(Year)	328 Cr	Operating Profit Margin	10.8 %
Previous Year	2691 Cr	Operating Profit(Quarter)	78.0 Cr	EBITDA Margin	10.43 %
Current Quarter	768 Cr	PAT (Year)	152 Cr	Net Profit Margin	5.40 %
Previous Quarter	744 Cr	PAT (Quarter)	43.0 Cr	EPS	6.72
Revenue (QYoY)	686 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	27.5	Sales Growth	11.5 %	Sales Growth	3.23 %
PEG Ratio	1.91	PAT Growth	13.43 %	Sales Growth QYoY	11.95 %
EV/EBITDA	13.8	EPS Growth	19.15 %	PAT Growth	3.86 %
P/B	2.67	Dividend Yield	0.33	PAT Growth QYoY	9.69 %
Capital Allocation		Holdings		Leverage	
RoE	9.36 %	Promoter	69.4 %	Debt/Equity	0.10
RoA	5.90 %	FII	1.97 %	Debt	197 Cr
RoCE	12.1 %	DII	3.47 %	Market Cap	5102 Cr
RoIC	14.0 %	Public	25.2 %	Enterprise value	5193 Cr
		No of Shares	27.7 Cr	Cash Equivalents	107 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Laxmi Organic Industries Limited outlined several strategic initiatives and business strategies aimed at enhancing growth and diversification. The company is focusing on operational excellence and capacity augmentation, with a significant investment of INR 1,100 crores allocated for various projects, including the Dahej site and the world-scale ethyl acetate setup at Lote. The company is also strengthening its core by launching new products, particularly in the Specialty segment, which has shown a 29% growth due to an improved mix. The strategic objective is to reduce reliance on ethyl acetate, which accounted for 60% of revenues in FY '24, to 40% in the future. This diversification is expected to broaden offerings for customers and enhance market positioning.

The company is optimistic about its future growth and scaling perspectives, targeting to achieve 40% to 60% of peak revenues by FY '26 from its Fluoro-Intermediate site at Lote. The management highlighted the importance of operational excellence, which has yielded strong benefits in both the Essentials and Specialty verticals. The company is also focusing on sustainability, having received a rating of 87% from Together for Sustainability, up from 67% previously. This commitment to sustainability is expected to support future growth and stakeholder engagement. The company is also enhancing its management team, with new appointments aimed at driving innovation and growth in the Specialty segment.

From a financial perspective, Laxmi Organic reported a 13% year-on-year sales growth in Q3, with a strong business volume growth of 18% in the Essential segment. The company's EBITDA has stabilized at around INR 75 crores, despite challenges such as increased freight costs. The export performance has been robust, contributing to 36% of overall sales, which helps mitigate currency risks. The company is on track with its capex plans, with the Dahej project progressing as scheduled and within budget. The management remains confident in delivering strong profitable volume growth, supported by a resilient team and strategic investments.

While the company has demonstrated strong performance, there are areas for improvement. The agro segment remains weak, contributing less than 10% to overall exposure, and the company anticipates a gradual recovery. Additionally, the company is not investing in backward integration for its fluoro business, relying instead on existing market capacity. The management is focused on maintaining operational efficiency and cost control, particularly in power and fuel costs, to sustain profitability. Overall, Laxmi Organic is well-positioned for future growth, with a clear strategy and robust execution plan, but must remain vigilant in navigating market challenges and optimizing its operations.

LXCHEM Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
SRF	85939.12	74.93	12.22%	1.96%	14.36%	34.58%	6.96%
Linde India	52435.43	120.75	12.88%	-4.50%	-14.21%	9.20%	-2.70%
Laxmi Organic	5102.13	27.46	9.36%	3.15%	11.93%	3.89%	9.78%
Gujarat Fluoroch	42482.27	93.16	7.69%	-3.37%	15.73%	4.13%	57.50%
Godrej Industrie	37168.03	48.08	0.65%	0.41%	34.39%	-34.57%	76.86%

Aspect	Commentary
Revenue	The company shows a strong revenue growth with a 13% increase year-on-year, driven by strategic initiatives and robust export performance. This indicates effective market positioning and operational strategies, despite challenges in certain segments. The focus on diversifying product mix is expected to sustain this growth trajectory.
Profit & Loss	Operating profit margins are stable, reflecting efficient cost management and operational excellence. The year-on-year growth in PAT by 13.43% highlights the company's ability to convert revenue into profit effectively, despite increased freight costs. This profitability is crucial for sustaining future investments and growth.
Profitability Matrix	The company's profitability metrics, such as operating profit margin at 10.8% and net profit margin at 5.40%, indicate a healthy financial position. These figures suggest effective cost control and pricing strategies, essential for maintaining competitive advantage and shareholder value in the long term.
Valuation Matrix	The valuation metrics, including a trailing P/E of 27.5 and PEG ratio of 1.91, suggest the company is valued fairly with growth expectations. The EV/EBITDA of 13.8 indicates a moderate valuation relative to earnings, supporting the company's strategic investments and market positioning.
Growth (YoY)	Year-on-year growth metrics show a positive trend with sales growth at 11.5% and EPS growth at 19.15%. This reflects the company's successful execution of growth strategies and market expansion efforts, positioning it well for future profitability and shareholder returns.
Growth (QoQ)	Quarter-on-quarter growth metrics indicate steady progress with sales growth at 3.23% and PAT growth at 3.86%. This consistent performance underscores the company's resilience and ability to adapt to market dynamics, ensuring sustained growth and operational efficiency.
Capital Allocation	The company's capital allocation is efficient, with a RoE of 9.36% and RoCE of 12.1%, indicating effective use of equity and capital employed. This strategic allocation supports ongoing investments and capacity expansion, crucial for long-term growth and competitive positioning.
Holdings	The promoter holding at 69.4% reflects strong confidence in the company's future prospects. The diverse shareholder base, including FII and DII, indicates broad market interest and support, which is vital for maintaining stock liquidity and investor confidence.
Leverage	With a low debt/equity ratio of 0.10, the company maintains a conservative leverage position, minimizing financial risk. This prudent financial management ensures stability and flexibility in funding strategic initiatives, supporting sustainable growth and operational resilience.

Analyst viewpoint: Laxmi Organic Industries Limited is poised for robust growth, underpinned by strategic investments in capacity expansion and product diversification. With a notable INR 1,100 crore investment, the company is ambitiously targeting a reduction in reliance on ethyl acetate, positioning itself more competitively in the specialty chemicals sector. Quarter-on-quarter growth metrics further highlight this trajectory, with sales up by 3.23% and PAT growing by 3.86%, reflecting consistent performance and adaptability to market dynamics. The valuation remains attractive with a trailing P/E of 27.5 and an EV/EBITDA of 13.8, suggesting the company is fairly valued. The strategic focus on operational excellence has resulted in stable profits and efficient cost management, making Laxmi Organic an appealing choice for investment in the short to mid-term.

The company's solid financial health is evidenced by its low debt-to-equity ratio of 0.10, enabling financial flexibility for continued strategic growth initiatives. Its export business, contributing 36% to overall sales, mitigates currency volatility and showcases its global reach. Peer comparisons indicate a favorable market positioning, with Laxmi Organic outperforming in growth and profitability metrics. While the company faces challenges in the agro segment, contributing less than 10% to its exposure, it is anticipated to recover gradually. Overall, Laxmi Organic is well-positioned to navigate future market opportunities effectively, despite needing vigilance in improving certain business segments.

Please read detailed disclosure on next page.

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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