



## Multigain Securities Services Pvt. Ltd.

Equity Research: Vinati Organics Ltd. 22 Feb ,2012

MOB: 097600 91101/02/03; Fax: 0591-2490400

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### Vinati Organics Ltd (524200)

CMP Rs.82.50

Buying Range (75-79)

Target Price : 100

Holding: 1-3 Month

Vinati Organics (VINATOR), incorporated in 1989, is a Maharashtra-based company engaged in manufacturing specialty organic intermediates and monomers. The ISO 9001:2000 certified company manufactures products like iso-butylbenzene (IBB), N-butylbenzene (NBB), and 2-acrylamido 2-methyl propane sulfonic acid (ATBS). The organic intermediate, IBB, is used mainly in the manufacture of ibuprofen, a widely used drug, while NBB is a specialty solvent and has applications in LCD and chemical synthesis. The co-monomer, ATBS, finds application in acrylic fiber, water treatment, emulsions, paints and oil field drilling industries. The manufacturing plants are located at Mahad and Lote Parashuram in Maharashtra. It has an installed capacity of 10,000 MT of IBB and 3,000 MT of ATBS. The company has received a certificate of export recognition in the product group Basic Chemicals (LSI) for export achievement in the year 2006-2007 from the Government of Maharashtra. It has entered into a long-term supply agreement with BASF Corporation, USA, the world's largest producer of ibuprofen, for the supply of IBB upto 2011 valued at approximately Rs 2,400 million. It has similar agreements with companies in China and Europe and products are exported directly to countries like USA and others. The registered office is located at B-12 & B-13/1, MIDC Industrial Area, Mahad, Raigad-402309, Maharashtra.

For the first nine months, it has already clocked an EPS of Rs.7 and is expected to end the year with PAT of Rs.55crore. At the current market cap of Rs.385crore, the scrip is trading at a PE multiple of just 7 times, but deserve much better valuation. It has allotted FCCBs to IFC, which are convertible into equity shares at Rs.100 per share. Technically, the share price is trading in a narrow range with 52-week high/low as Rs.82/60 only. It's a solid long-term bet and investors should accumulate it at sharp decline.



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