

January 15, 2024

Management Meet Update

Key Financials - Company Type

Y/e Mar	FY20	FY21	FY22	FY23
Sales (Rs. m)	2,971	3,594	6,138	6,670
EBITDA (Rs. m)	386	490	934	1,107
Margin (%)	13.0	13.6	15.2	16.6
PAT (Rs. m)	120	215	527	643
EPS (Rs.)	11.0	19.8	47.7	56.4
Gr. (%)	NA	79.7	141.0	18.4
DPS (Rs.)	NA	0.5	0.5	0.5
Yield (%)	NA	0.0	0.0	0.0
RoE (%)	41.5	31.4	41.8	31.3
RoCE (%)	42.7	28.8	37.1	26.2
EV/Sales (x)	7.9	6.5	3.8	3.5
EV/EBITDA (x)	60.5	47.6	25.0	21.1
PE (x)	149.3	83.1	34.5	29.1
P/BV (x)	31.0	22.7	10.8	7.9

Key Data

YASO.BO | YASHO IN

52-W High / Low	Rs. 1,905 / Rs. 1,172
Sensex / Nifty	72,568 / 21,895
Market Cap	Rs. 18.8bn / \$ 226.4m
Shares Outstanding	11.4m
3M Avg. Daily Value	Rs. 27.7m

Shareholding Pattern (%)

Promoter's	71.54
Foreign	0.13
Domestic Institution	-
Public & Others	28.33
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.9	(4.6)	0.8
Relative	1.8	(16.5)	(21.1)

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Completing Pakhajan greenfield project

Quick Pointers:

- Greenfield expansion at Pakhajan in progress with trials ongoing as planned
- Expect overall utilization to average 70% in FY25E

We recently met the management of Yasho Industries (YASHO IN). Established in 1985, the company manufactures specialty chemicals in its 12,500mtpa plant at Vapi. The business is divided into two verticals- industrial and consumer chemicals. Industrial chemicals, accounting for ~83% of revenues, caters to tyres, automobile components, conveyor belts, latex gloves, industrial lubricants and greases, stabilizers and intermediates for pharma and agrochem industries. Consumer segment caters to flavours and fragrances, dentrifices & oral care preparations, edible oils and nutraceuticals. The company is set to capture next leg of growth through its 17,500mtpa expansion at Pakhajan. In H1FY24, EPS stood at Rs23.2. The stock trades at 35.5x annualized H1FY24 EPS.

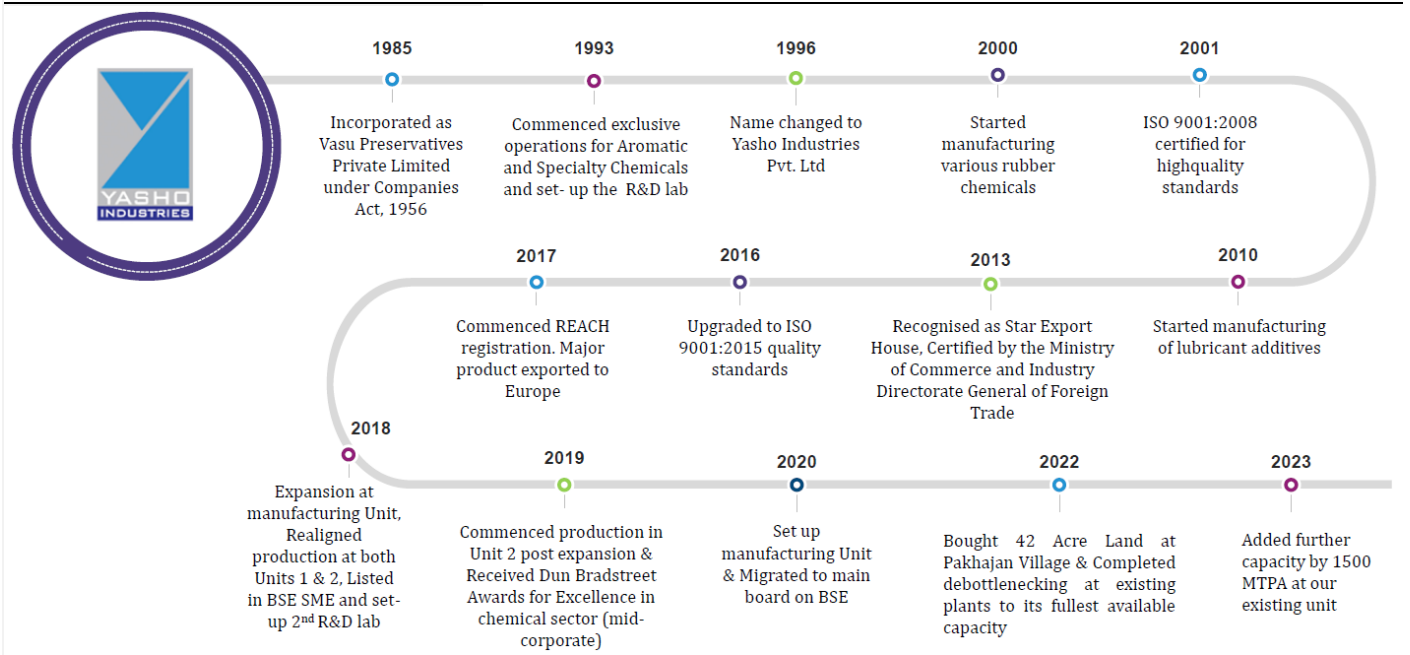
Existing demand remains stable, although realizations may dip: With ~Rs3bn of sales in H1FY24, the company appears to have a healthy 85-90% utilization at its 12,500mtpa Vapi plant and is expected to clock Rs6-6.5bn of revenues for FY24E. Demand for industrial segment remains strong, especially from the US, Middle East and India. Europe and rest of the world still appears to be struggling.

Pakhajan, the next leg of growth: The company is doing pilot runs at its 17,500mtpa greenfield project at Pakhajan and is expected to start commercialization from Q1FY25. On the combined capacity of 30,000mtpa, the company guides to ~70% utilization in FY25E. Pakhajan would be primarily for high volume products.

Pakhajan offers further growth potential: Existing 12,500mtpa plant at Vapi is set across 3.5acres. Pakhajan has a total 42acres of land. In phase-I, the company is completing 17,500mtpa capacity which at current prices, could add Rs5bn to overall sales at full utilization. With continued expansions, the consumer segment's contribution would decline to single digits going forward. Traditionally, consumer segment has lower margins compared with industrial segment for the company.

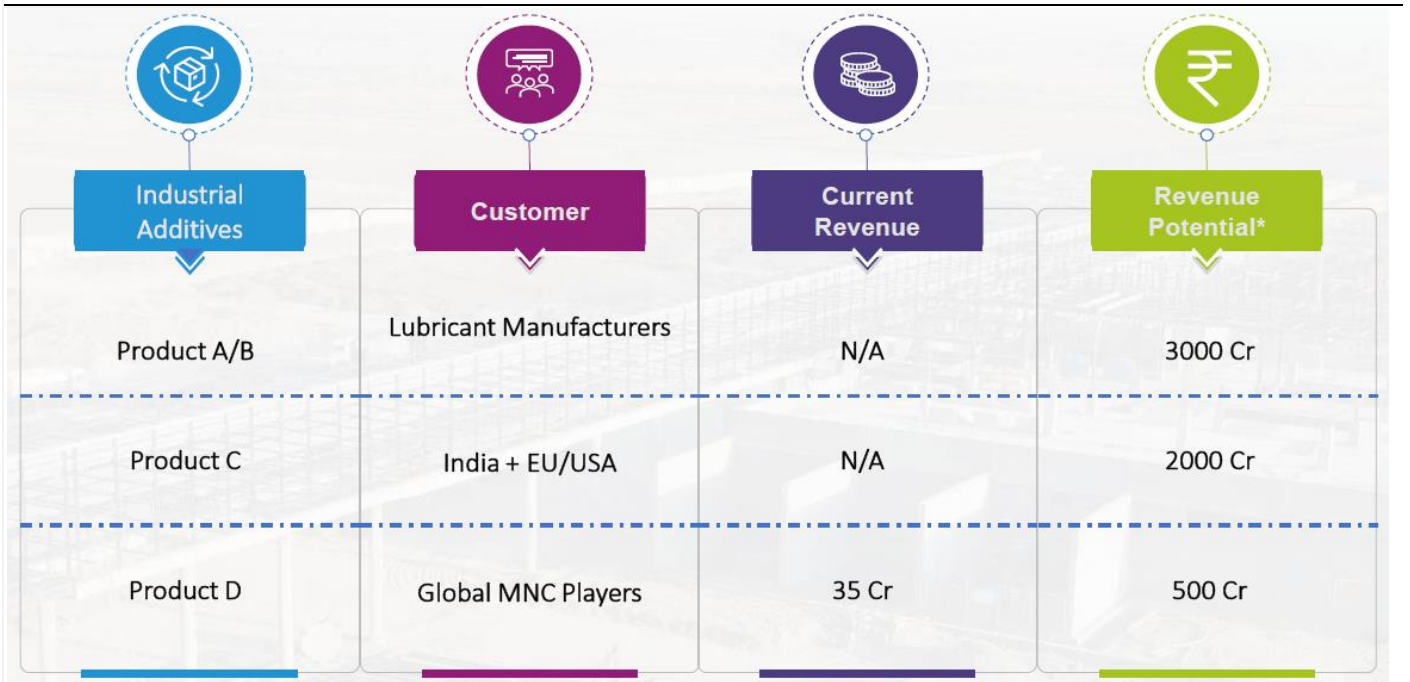
No debt repayment soon: The company does not expect any debt repayment before FY25-end and expects debt to peak at ~Rs5bn. The product pipeline consists of three new products with market potential of Rs50bn. Out of this, the company would not want to capture more than 20-25%. No forward integration is envisaged. However, in the future, we may see backward integration, more for secured supply of key raw materials than for margin expansion. Current expansions would be funded by internal accruals and fund raise already done.

Exhibit 1: History of Yasho Industries



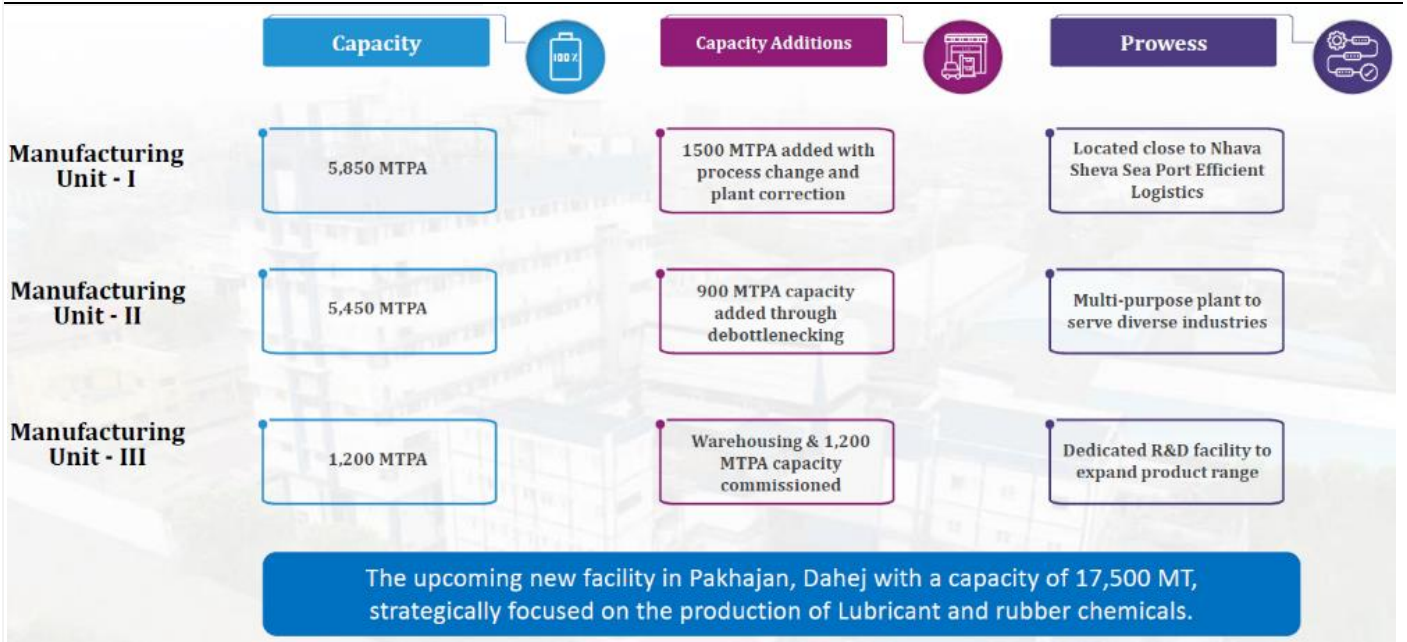
Source: Company, PL

Exhibit 2: Product pipeline

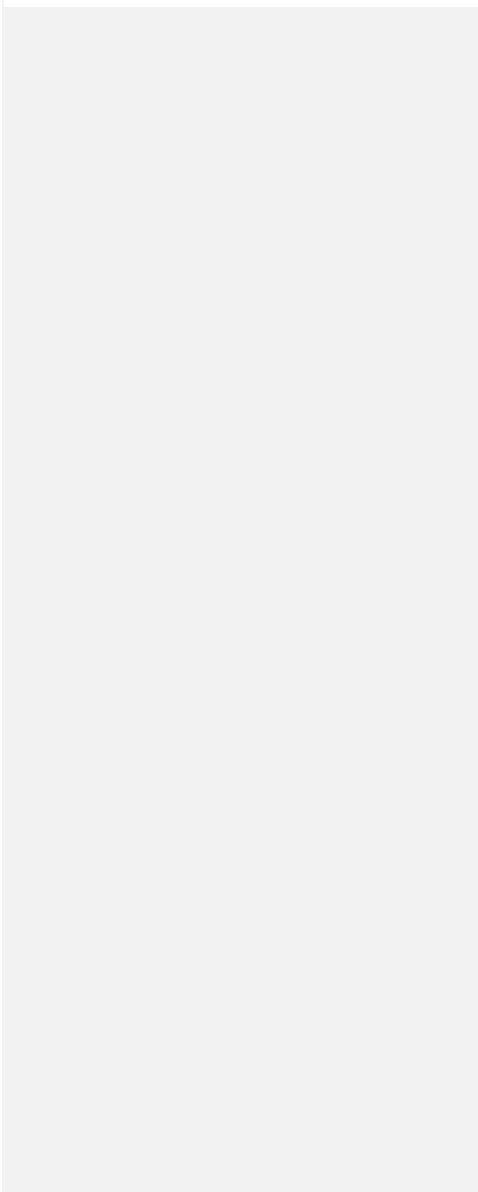


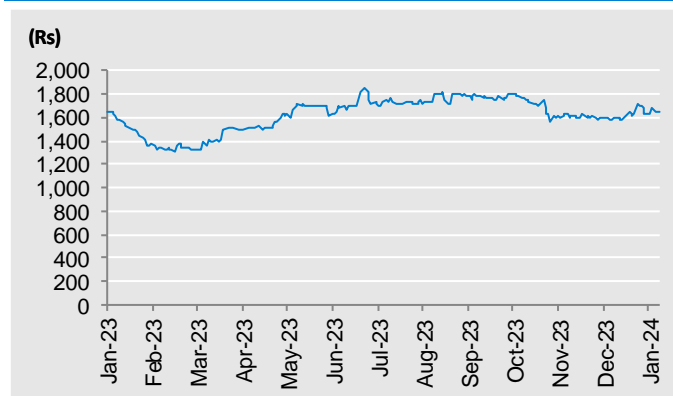
Source: Company, PL

Exhibit 3: Manufacturing capabilities



Source: Company, PL



Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Aarti Industries	Reduce	584	629
2	Bayer Cropscience	Accumulate	5,920	5,193
3	Bharat Petroleum Corporation	Sell	371	453
4	Bharti Airtel	Accumulate	1,088	1,047
5	Clean Science and Technology	Hold	1,368	1,572
6	Deepak Nitrite	Reduce	1,881	2,451
7	Dhanuka Agritech	BUY	1,060	883
8	Fine Organic Industries	Hold	4,920	4,867
9	GAIL (India)	Hold	155	164
10	Godrej Agrovet	Hold	420	515
11	Gujarat Fluorochemicals	Reduce	3,342	3,626
12	Gujarat Gas	Hold	473	505
13	Gujarat State Petronet	Accumulate	374	334
14	Hindustan Petroleum Corporation	Sell	276	420
15	Indian Oil Corporation	Sell	94	133
16	Indraprastha Gas	Hold	416	431
17	Insecticides India	Accumulate	600	519
18	Jubilant Ingrevia	Hold	433	498
19	Laxmi Organic Industries	Reduce	267	289
20	Mahanagar Gas	Reduce	1,065	1,238
21	Mangalore Refinery & Petrochemicals	Sell	106	134
22	Navin Fluorine International	BUY	4,260	3,823
23	NOCIL	Reduce	236	274
24	Oil & Natural Gas Corporation	BUY	259	216
25	Oil India	Hold	379	380
26	P.I. Industries	BUY	4,600	3,648
27	Petronet LNG	Reduce	208	229
28	Rallis India	Reduce	190	217
29	Reliance Industries	Accumulate	2,718	2,608

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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