

# POLYPLEX CORPORATION LIMITED

Polyplex Corp Ltd (PCL) is one of the world's largest manufacturers of thin Polyethylene Terephthalate (PET) film catering to Packaging, Industrial, Electrical & Imaging industry through its state-of-the-art manufacturing plants and distribution facilities in India, Thailand, Turkey and the US with market share of ~5% in the thin PET film. PCL has a capacity of 186,000 MT of thin PET film and 28,800 MT of thick PET film which forms majority of the capacity.

## Rationale for Investment

**Leading players in India for thin PET film packaging** - PCL's current market share is more than 5% in the thin PET film industry which has been retained over the last five years through consistent capacity addition. Currently thin & thick PET film manufacturing capacity is 1,86,000 MT & 28,800 MT. The largest application of PET thin films is flexible packaging industry.

**Backward integrated production facilities** - PET film is made from Polyester resin (chips), which in turn is produced from Purified Terephthalic Acid (PTA) & Mono-Ethylene Glycol (MEG). PET Resin is key raw material for production of PET films. PCL is a backward integrated player as company produces its own PET resin which is further utilized for manufacturing of Base films comprising PET thin, PET thick, BOPP, CPP, and Blown PP. PCL has production capacity of 2,73,300 MT PET film resin which is more than its Base film production capacity of 2,68,645 MT as on 31st March 2017.

**Greenfield expansion in Indonesia** - Polyplex (Thailand) Public Company Limited (PTL) formed a wholly owned subsidiary, PT Polyplex Films Indonesia in October, 11 2017. The company is in the process of setting up a greenfield PET Film line with the capacity of 44,000 MT per annum along with upstream Resin Plant and downstream Metallizing Plant. The estimated cost of setting up new plant is at USD 95 million. The commercial production is expected to start in mid - 2019. We expect PTL to generate revenue of INR 300 cr on full capacity.

**Improving Financials** - The company's proposed plans of rolling out of metallizer plant in USA and Blown PP line in Thailand to increase its top line from FY19. We expect the Company to record revenue growth of 9.5% during the FY17 – 20E and operating EBITDA to grow by 12.8% CAGR during the FY 17 – 20E. For FY19E and FY20E, we expect a gradual increase in net profit margin to around 6.5% and 7.2% respectively. In absolute terms, we estimate net profit of around INR 247 cr and INR 303 cr in FY19E and FY20E, respectively.

## Outlook & Valuation

PCL holds 51% stake in its listed subsidiary, Polyplex (Thailand) Public Corporation (PTL). PTL has market capitalisation of INR 2,618 crore and is available at 1.21x P/B. However, PCL has market cap of INR 1,341.8 crore and is available at FY20E P/B of 0.5x. PCL is trading more than 48% discount to PTL's market cap.

In comparison to its peers too, PCL is available at inexpensive valuations of 0.9x FY20E EV/EBITDA, with Uflex, Jindal Poly and Cosmo Film trading at 4.0x, 5.4x and 7.4x FY17 TTM EV/EBITDA, respectively. Thus, on the back of good growth potential and inexpensive valuations, we expect the PCL stock to get rerated going ahead. We initiate coverage on the stock with a Buy recommendation and Target Price of INR 702, valuing the stock at 3x FY20E EV/EBITDA implying an upside of 38%.

## Financials : (Consolidated)

	FY 2017	FY 2018E	FY 2019E	FY 2020E
Total Revenue	3,208	3,440	3,793	4,207
EBDITA	545	599	668	749
PAT	221	225	235	289
EPS	69.2	70.2	73.5	90.5
PE	6.1	7.1	6.7	5.5

## RATING: BUY

**Target:** 702

**Upside:** 38%

**CMP :** 507.7 (As on 27/02/2018)

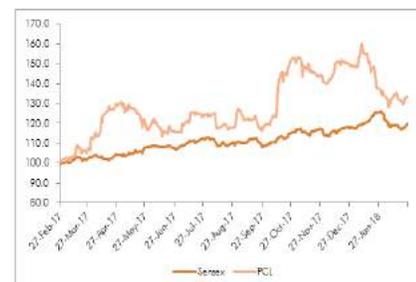
**Reuter Code :** PLYP.NS

**Bloomberg Code :** PPC IN

## Market Data

Face Value (INR)	10.0
Equity Share Capital (INR cr.)	32.6
Share Outstanding (cr.)	3.2
Market Cap (INR cr.)	1,623.9
Book Value / share	744.1
Daily Avj. Volume	19,170
52 W High	602.6
52 W Low	368.0
Shareholding	<b>%</b>
Promoter	50.03
Foreign	2.18
Institutions	6.38
Public & Others	41.41

## Sensex and Stock Movement



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## Company Overview

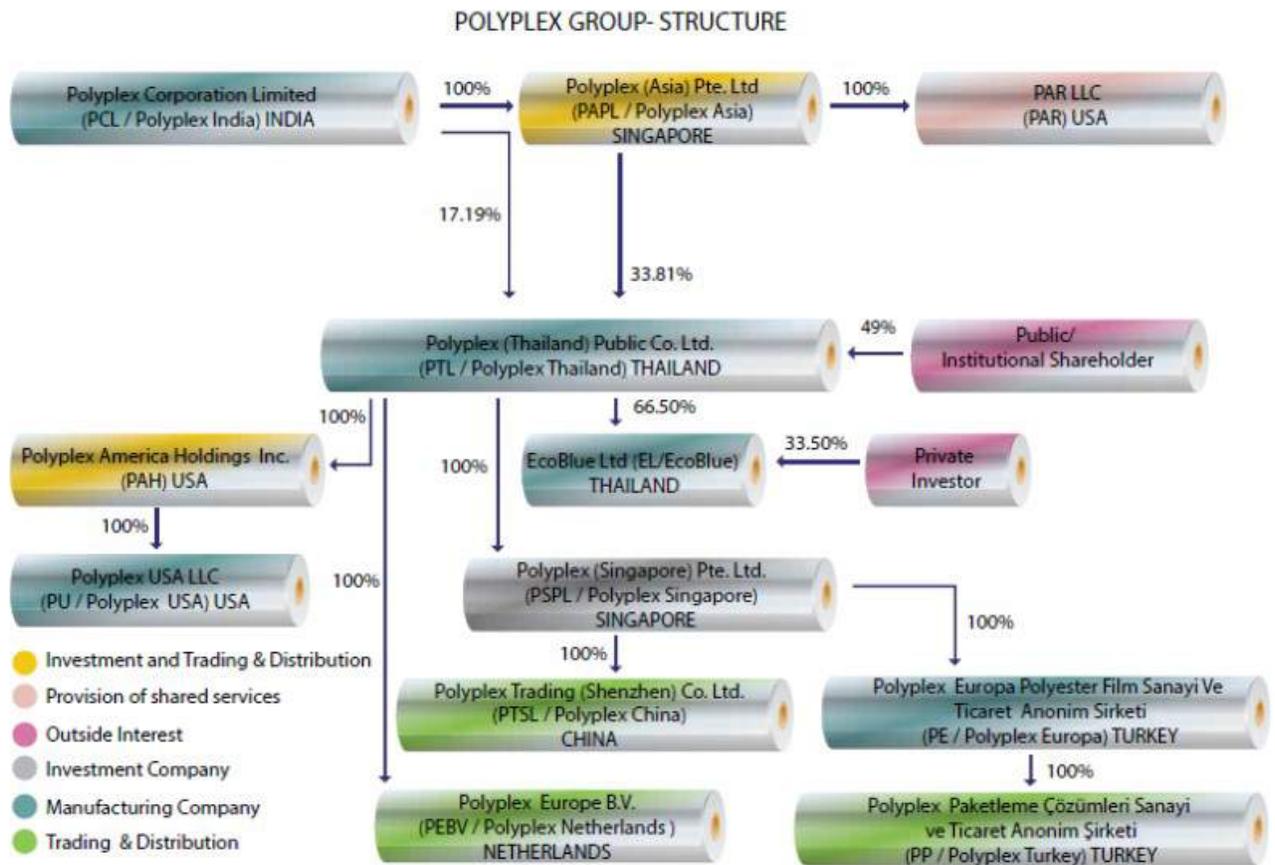
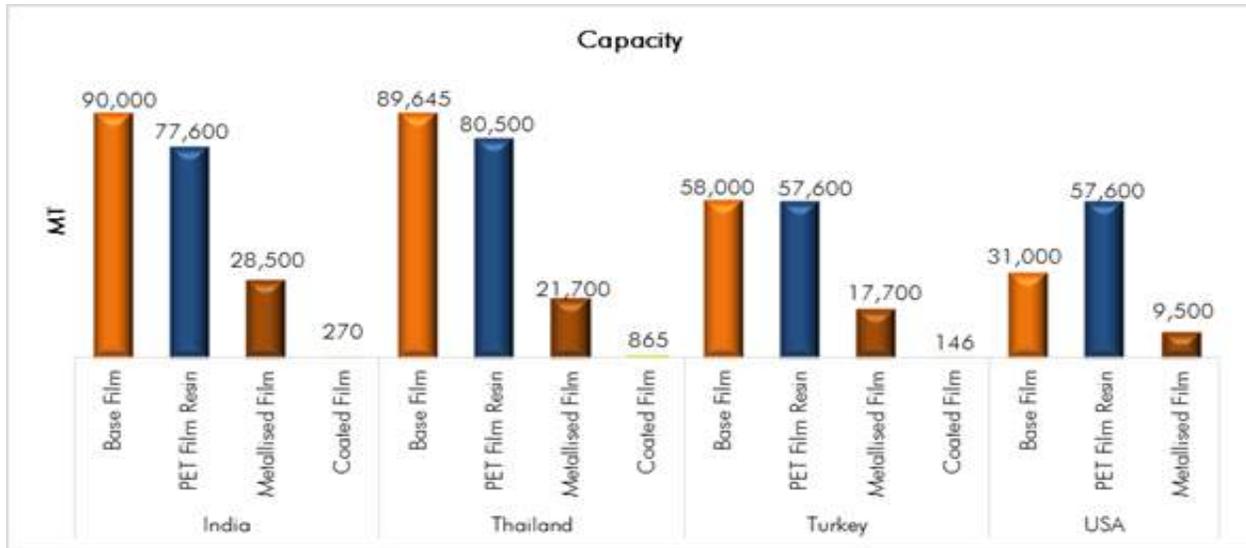
Polyplex Corp Ltd (PCL) is one of the world's largest manufacturers of thin Polyethylene Terephthalate (PET) film catering to Packaging, Industrial, Electrical & Imaging industry through its state-of-the-art manufacturing plants and distribution facilities in India, Thailand, Turkey and the US with market share of ~5% in the thin PET film. PCL has a capacity of 186,000 MT of thin PET film and 28,800 MT of thick PET film which forms majority of the capacity. Its diversified portfolio also includes Biaxially-Oriented Polypropylene (BOPP), Blown Polypropylene (Blown PP) and Cast polypropylene (CPP) films along with value added products like Metallizing, Silicone Coating, Offline Chemical Coating and Extrusion Coating. The company has global presence, supplying to about 1600 customers in 70 countries across Europe, Americas, Indian sub-continent, Far East, Asia Pacific and the Middle East. Being one of the leading PET Film manufacturers, PCL operates close to its key regional markets, with manufacturing and supply points across the world.

## Polyplex Global Presence

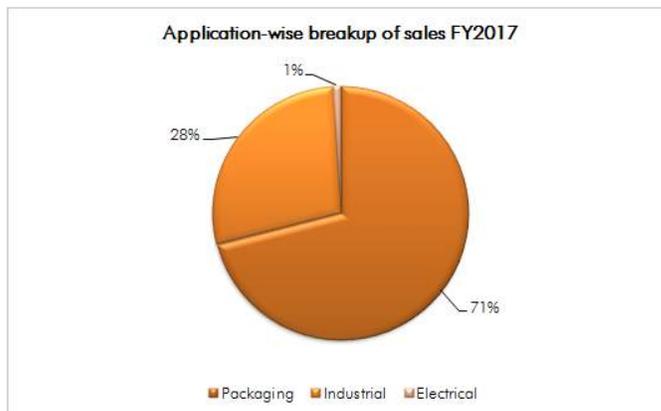
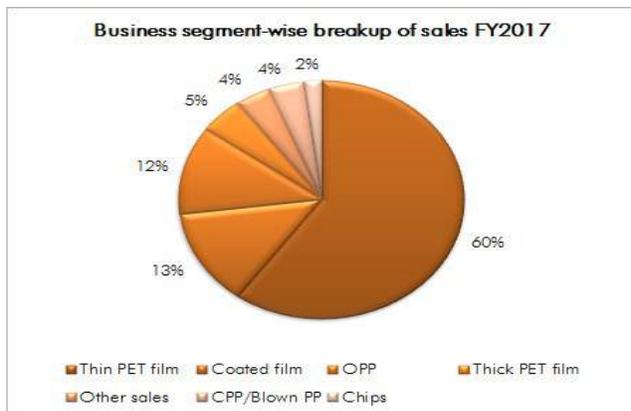
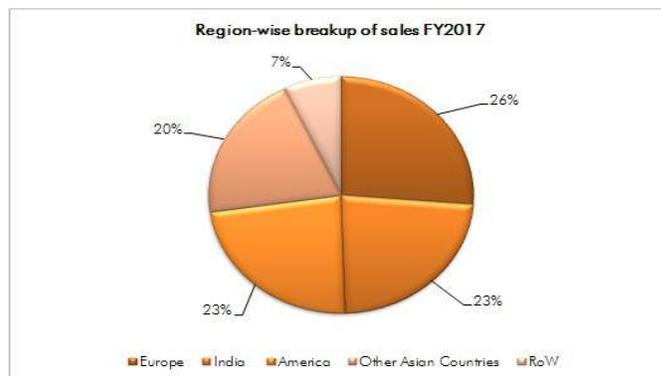
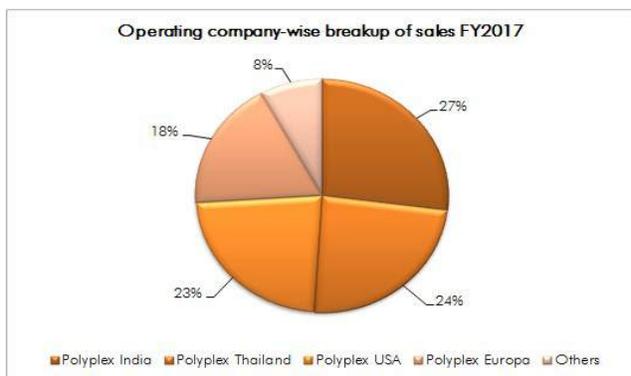
India	SEA/Far East Asia	Europe	North America
			
(Khatima/Bazpur: India)	(Rayong: Thailand)	(Corlu: Turkey)	(Decatur, AL, USA)
2 Thin PET lines 1 Intermediate PET line 1 BOPP line 4 Metallizers 1 Offline Silicon Coater 2 Offline Chemical Coaters 2 PET Resin Plants	2 Thin PET Lines 1 Thick PET Line 1 CPP Line 1 Blown Film Line 4 Metallizers 1 Offline Silicon Coater 2 Extrusion Coaters 3 PET Resin Plants	2 Thin PET Lines 4 Metallizers 2 Offline Chemical Coaters 1 PET Resin Plant	1 Thin PET Line 2 Metallizers 1 PET Resin Plant
Warehouses in India	WH/Trading Co. in China and Rep. Offices in Korea & Malaysia	WH/Trading Co. in Netherlands and WH in Germany, Italy, Poland and Spain	Warehouses in Mexico & USA
 Integrated	 Diversified	 Strategically Located	

Total Segment Wise Capacity	FY17
<b>PET Film Resin( MT)</b>	2,73,300
<b>Base Film ( MT)</b>	2,68,645
PET- Thin	1,86,000
PET- Thick	28,800
BOPP	35,000
CPP	10,000
Blown PP	8,845
<b>Metallised Film ( MT)</b>	77,400
<b>Coated Film (Mn sqm)</b>	1,281

Source - Company, DSPL Research



Source - Company, DSPL Research



Source - Company, DSPL Research

### Product mix

**Sarafil:** Sarafil base films have inherent properties of being clear, transparent, flexible and strong despite being lightweight. These films are suitable for wide range of applications in packaging, electrical and industrial applications.

- BOPET films
- BOPP Films
- CPP Films
- Blown PP Films
- Sustainable Films

Some of the applications of Sarafil:



Source - Company, DSPL Research

## Value Added Product

**Saracote:** Saracote range of silicone coated films (PET/PP) is designed to provide excellent carrier to pressure sensitive material. The typical applications are in labels, tapes, roofing shingles and peel & stick underlayments.

Some of the applications of Saracote:



**Saralam:** Saralam range of extrusion coated film products cater to a variety of end use such as thermal lamination products like book covers, identity cards, etc besides carton lamination, wide format commercial films.

Some of the applications of Saralam:



**Saraprint:** Saraprint is an innovative non tearable polyester film designed especially for digital print media segment for photo album, commercial printing, promotional & customized digital printing, label and flexible packaging applications. It exhibits excellent thermal and dimensional stability for high speed printing machines.

## Key Management

Name	Designation
Mr. Sanjiv Saraf	Chairman
Mr. Pranay Kothari	ED/CEO
Mr. Brij Kishore Soni	Non-Executive Director
Mr. Jitender Balakrishnan	Non-Executive Director
Ms. Pooja Haldea	Non-Executive Director
Mr. Ranjit Singh	Non-Executive Director
Dr. Suresh Inderchand Surana	Non-Executive Director
Mr. Sanjiv Chadha	Non-Executive Director
Mr. Manish Gupta	CFO
Mr. Ashok Kumar Gurnani	Company Secretary

Source - Company, DSPL Research

### Industry overview

The traditional segmentation of PET (Polyethylene terephthalate) films has been thin and thick films based on distinct applications and lack of supply side substitutability. Thick films generally refer to films with a thickness range of 50-350 micron whereas films below 50 micron are characterized as thin film. PET film, being a higher-end preferred substrate within packaging, has grown more rapidly than other substrates, averaging around 7-9% per annum.

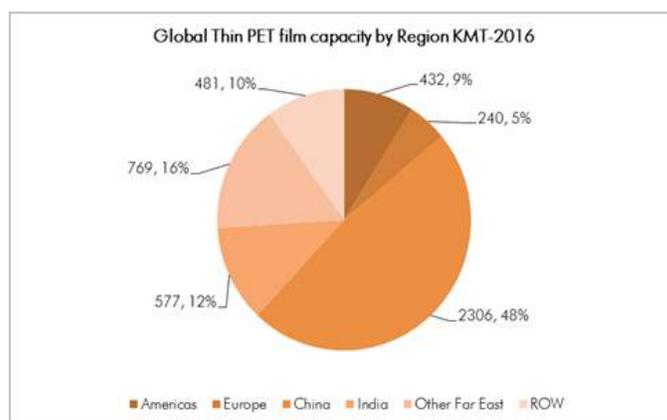
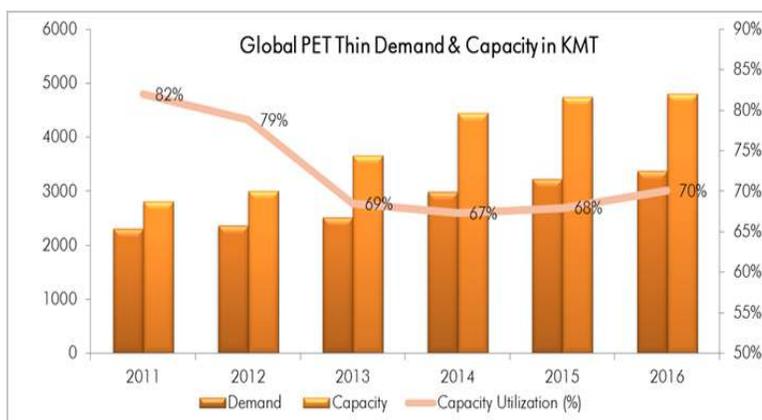
- Thin PET film:** The largest application of thin PET film is flexible packaging, accounting 72% of total thin film used. Asia is the largest market for thin PET films accounting three fourth of consumption as of 2016. Growing Asian demand is the main driving force in the global markets. Within Asia, India and China are the largest consumers accounting for 44% and 11% of total global consumption respectively.
- Thick PET film:** The demand for thick PET film is concentrated in Central and East Asia regions which accounts ~78% of global consumption. Meanwhile, India’s demand stood at 2% of total global demand as of 2016. Global Thick PET demand has grown CAGR of 8% to 9% over past few years till 2016. Electronics and electrical applications are the key end use segments in the thick film industry accounting 67% as of 2016.

Major players worldwide - Toray, Dupont Teijin, Uflex, Tianjin Wanhua, Mitisubishi, Polyplex, Jiangsu, SKC Inc., Taghleef Ind., Fuwei Films, JBF Group.

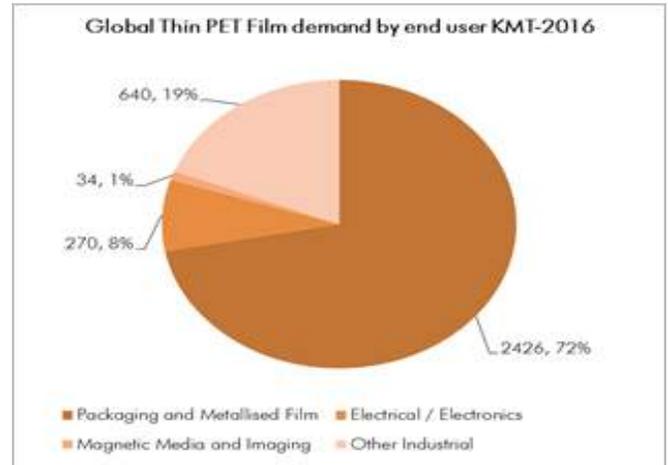
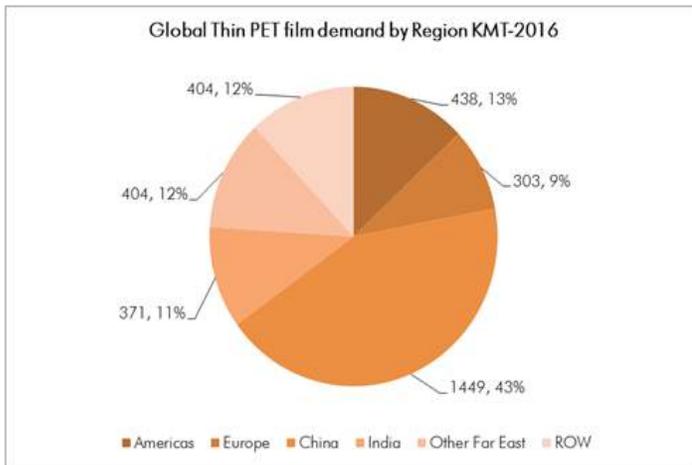
Major players in India - Uflex, Jindal, Garware, Polyplex, SRF, Ester, Chiripal, Sumilon.

### Global PET film Industry

Global thin film demand for CY2016 stood at 3,369 KMT led by Packaging and Metallised film at 72% and Electrical/Electronic at 8% in terms of end user demand, whereas consumption by region was led by China and US making up 43% & 13% respectively. Capacities on the other hand have now shifted to Asian countries like China & India making up 48% & 12% respectively taking away share from the Far Eastern countries due to their cost competitiveness. Global Thin PET demand is likely to grow 6% to 7% over next few years driven by flexible packaging.

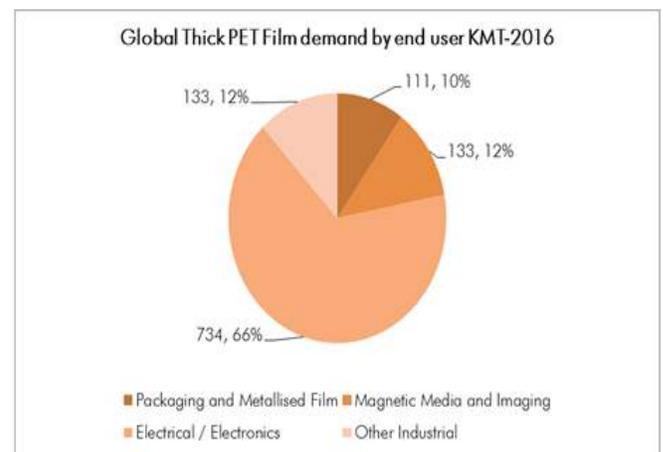
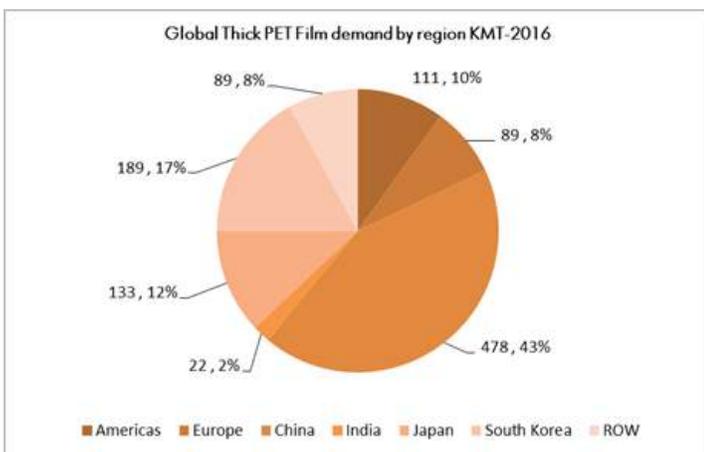
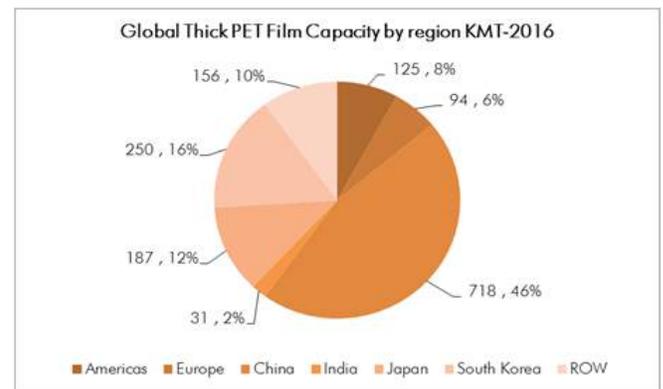
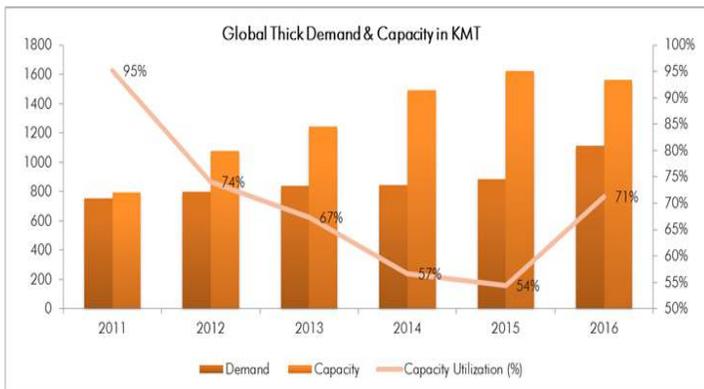


Source - Company, DSPL Research



Source - Company, DSPL Research

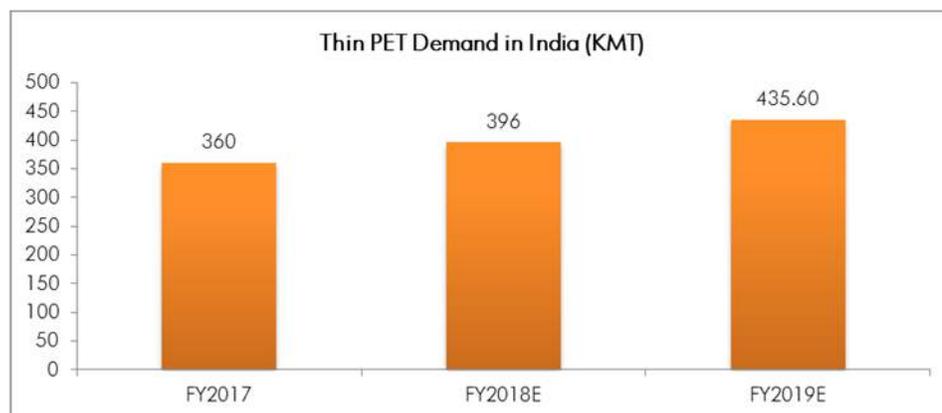
Global Thick film demand for CY2016 stood at 1,112 KMT with Electrical/Electronic industry single handedly making up 66% in terms of end user demand, whereas consumption is concentrated in Central and East Asia regions led by China and South Korea making up 42% & 17% respectively. Capacities coincidentally based out of China and South Korea is making up 46% & 16% respectively. US, Japan & Europe have seen their hold on the capacities falling by half during the period of 2011-16.



Source - Company, DSPL Research

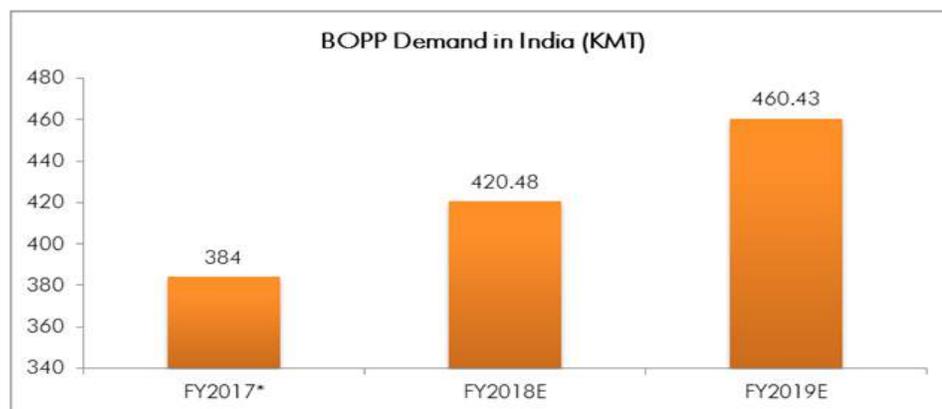
### India PET Film Industry

India is one of the world's biggest and fastest growing flexible packaging markets. The thin PET film market size in India was estimated at around 360 KMT for FY2017. The total current capacity of BOPET thin films in India is about 660 KMT per annum with some of the surplus being exported. Meanwhile Indian Thin PET demand is expected to grow by 10% to 12% over next few years.



Source - DSPL Research

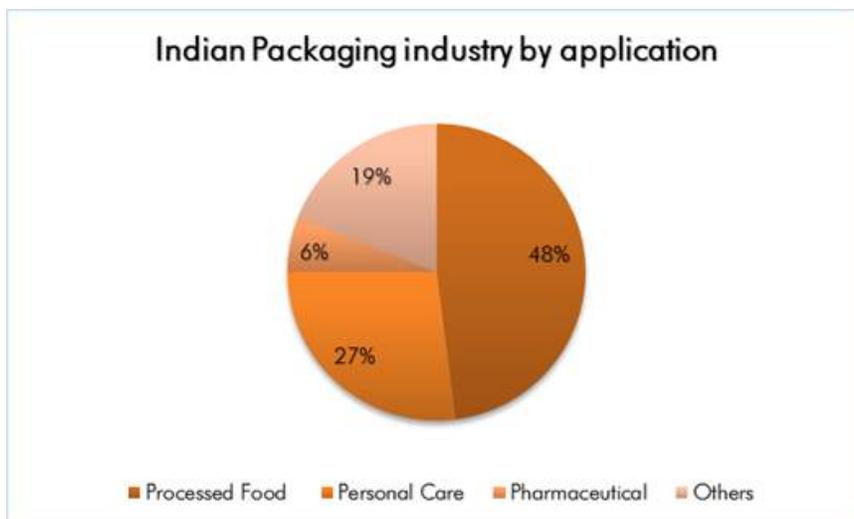
**BOPP:** The Indian biaxially oriented polypropylene (BOPP) market in FY2017 was estimated at about 384 KMT per annum with capacity of 700 KMT. PCL is expecting Indian BOPP demand to grow at ~9-10% annually.



Source - DSPL Research

### Packaging Industry

In the Indian packaging industry, processed food packaging represents 48% of the total, personal care packaging is 27%, pharmaceutical is 6%, and the rest is 19%. (Source - indiapackagingshow.com)



Source - DSPL Research, [indiapackagingshow.com](http://indiapackagingshow.com)

Demand in packaging is quite resilient as it relates to consumption of food products and consumer staples which are to a large extent non-discretionary in nature. Worldwide 54% of BOPET films and 45% of BOPP films business output is consumed as raw material by packaging industry. Packaging is one of the fastest growing industries and stood at USD 700 billion globally. It has grown higher than GDP in most of the countries. In developing country like India, it grew at a CAGR of 16% in the last five years and touched ~USD 32 billion in FY 15. The Indian packaging industry constitutes ~4% of the global packaging industry. In the coming years, Indian packaging industry is expected to grow at 18% per annum wherein, the flexible packaging is expected to grow at 25% per annum and rigid packaging to grow at 15% per annum. In India, more than 40% of packaging needs are catered by plastic (Source: FICCI-TSMG report).



Source - DSPL Research, [indiapackagingshow.com](http://indiapackagingshow.com)

In 2015, the per capita consumption of packaging in India was just 8.6kg. As a comparison: in China in the same year this was 20kg, in Germany 42kg, in the USA 71kg. This clearly indicates that the market is largely untapped and massive growth potential exist for the plastic packaging industry. (Source: pacprocess-India).

### Growth drivers for packaging in India

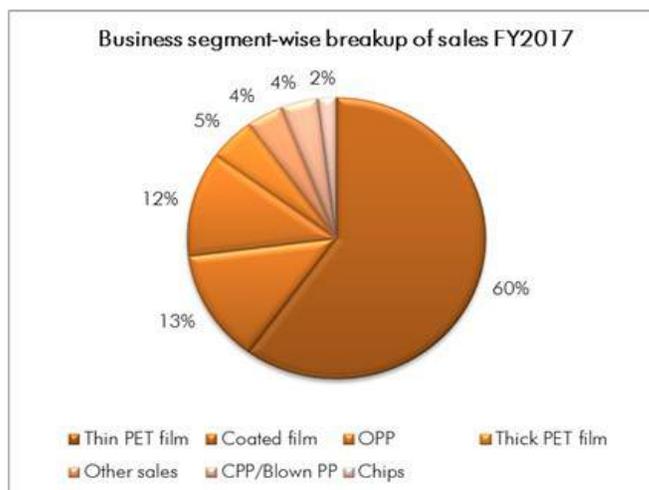
- Increase in organized sector share in retailing
- Continuous product innovation
- Increase in e-commerce
- Favourable demographics
- Higher disposable incomes
- Environmental awareness
- Health awareness

## Investment Rationale

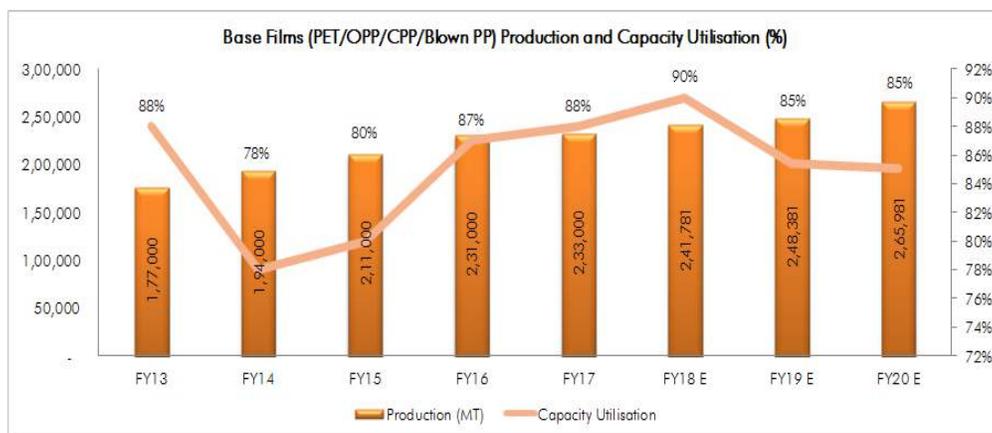
### Leading player in India for thin PET film packaging

The largest application of thin PET film is flexible packaging, accounting 72% of total thin film used. Asia is the largest market for thin PET films accounting for three fourth of consumption as of 2016. Global Thin PET demand is likely to grow by 6% to 7% over next few years driven by flexible packaging. Meanwhile, Indian Thin PET demand expected to grow by 9% to 10% over next few years. According to Smithers Pira, the global market for flexible packaging is forecasted to grow at an annual average rate of 3.4% during the period 2015-2020, reaching USD 248 billion. Asia is the largest regional market with 40 percent of global market volume, followed by Western Europe and North America. Asia is also projected to be the fastest growing market for consumer flexible packaging over the forecast period, with an annual average rate of 6.6 percent in volume terms. India and China are the fastest growing national markets for consumer flexible packaging at 9.4 percent and 6.9 percent annual rates, respectively, over the 2015-20 forecast period.

PCL is among the leading players in the thin PET film packaging business with a globalized asset and resource base, which account for ~65% of the company's total revenues. PCL's relevant segments of packaging, industrial and electrical constitute 99% of the total thin film demand and the high-end technology segments like magnetic media, printing media and imaging segments constitute less than 1% of the total consumption of thin PET films. PCL's current market share is more than 5% in the thin PET film industry which has been retained over the last five years through consistent capacity addition. Currently, PCL's thin & thick PET film manufacturing capacity is 1,86,000 MT & 28,800 MT. The largest application of PET thin films is flexible packaging industry.



Source - Company, DSPL Research



Source - Company, DSPL Research

We expect PCL's Base Films segment to attain ~85% capacity utilisation in FY19 E & FY20 E after the start of Indonesia plant in mid-year of FY19. Thus, with utilisation levels expected to remain high, we expect Base films prices to remain firm. As a result, we estimate PCL's Base Films (~50% of total revenue) to clock revenues of around INR 1,767 cr and INR 1,869 cr in FY19 E and FY20 E, respectively.



Source - Company, DSPL Research

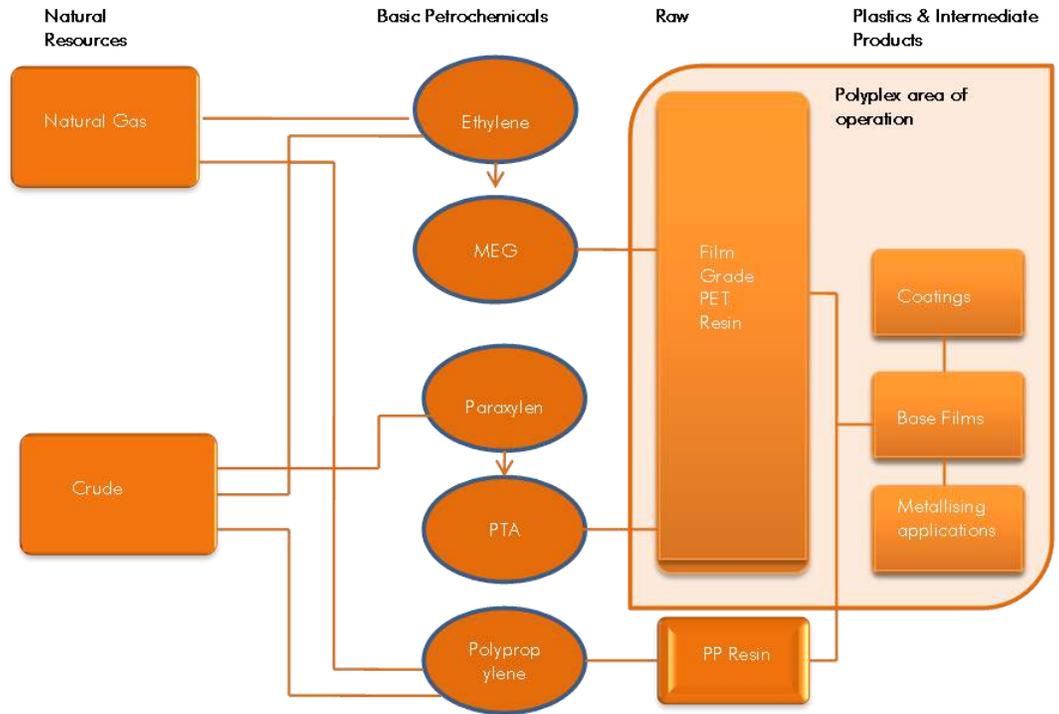
### Backward integrated production facilities

PET film is made from Polyester resin (chips), which in turn is produced from Purified Terephthalic Acid (PTA) & Mono-Ethylene Glycol (MEG). PET Resin is key raw material for production of PET films. PCL is a backward integrated player as company produces its own PET resin which is further utilized for manufacturing of Base films comprising PET thin, PET thick, BOPP, CPP, and Blown PP. Strategically, the company has presence of PET resin plants at each manufacturing facility to cater PET resin demand seamlessly. PCL has production capacity of 2,73,300 MT PET film resin which is more than its Base film production capacity of 2,68,645 MT as on 31st March 2017.

The cost of PET resin is the single-largest component of the total production costs. PCL's cost of manufacturing is dependent on natural resources Natural gas/Crude as PTA and MEG are derived petrochemical products.

PCL's end products cater demand from various Industrial buyers and packaging converters.

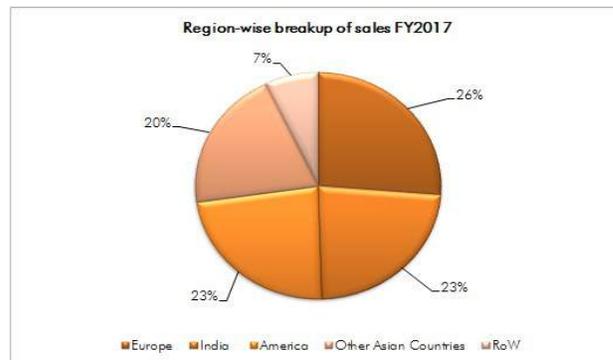
Value chain of Polyplex Corporation's business



Source - Company, DSPL Research

Derives majority of the revenue from International subsidiaries

Approximately ~75% of the company's revenues are generated through overseas markets with a presence in 87 countries across the world having large customer base of over 1,350 end customers. Revenues break up from various geographies in FY17 consists of Europe ~26%, India ~23%, America ~23%, Other Asian Countries ~20% and Rest of the world ~7%.



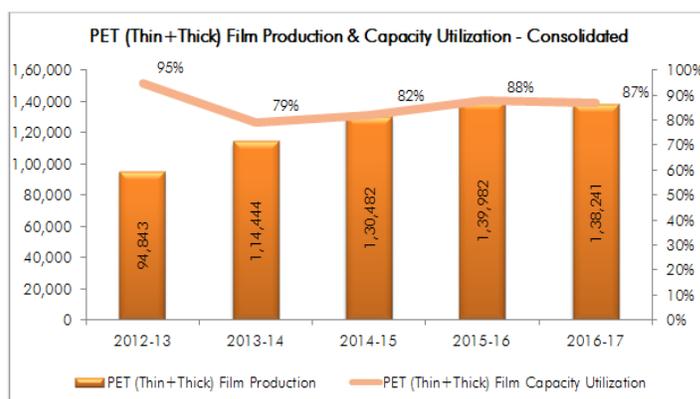
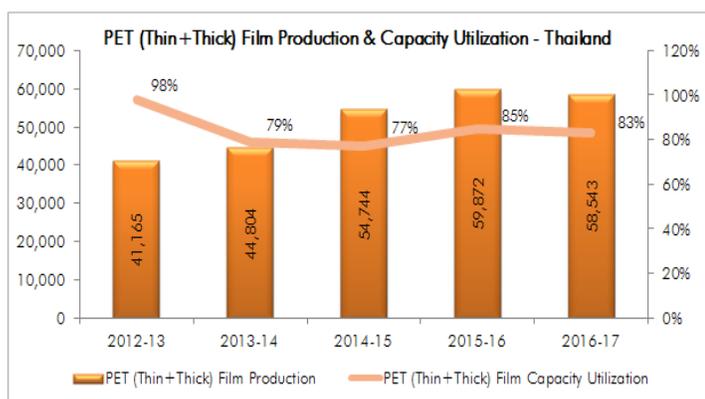
Source - Company, DSPL Research

PCL's subsidiaries in Thailand and Turkey are major contributors to its overall revenues. Currently PCL has largest PET film production capacity in Thailand, where it hold 51% stake. Thai subsidiary is listed and its latest market cap of appx. Rs 2,559 Crs is more than parent PCL, which is INR 1,533 Crs. Thailand's PET film market is of small scale as compared to the global PET film market. As per management, demand of PET film (thin & thick) in Thailand is approximately 50,000 tons per year with growth rate for next few years expected to be about 7-8% p.a.

The PET film industry in Thailand has been expanding continuously in the past. The main driving factor for the past few years has been the growth of the packaging, industrial and electrical segments. Meanwhile, PET film producers have boosted their capacity utilization and/or their production capacity aggressively to respond to the increasing growth of demand. The current demand-supply scenario for PET films in Thailand to remain stable in near term. For the companies in Thailand engaged in this business, capacity utilization of 85-90% for both thin & thick are considered a high utilization rate. The capacity utilization rates for the standalone Polyplex Thailand Limited (PTL) film lines (Thin + Thick) and Consolidated are 83% & 87% for FY17. In FY17, PTL consolidated sales revenue is mainly driven by exports, with 80-85% of its total sales revenue comes from export.

Country-wise Capacity	FY17
<b>Base Film ( MT)</b>	<b>2,68,645</b>
<i>India</i>	<i>90,000</i>
<i>PET-Thin</i>	<i>55,000</i>
<i>BOPP</i>	<i>35,000</i>
<b>Thailand</b>	<b>89,645</b>
<i>PET- Thin</i>	<i>42,000</i>
<i>PET- Thick</i>	<i>28,800</i>
<i>CPP</i>	<i>10,000</i>
<i>Blown PP</i>	<i>8,845</i>
<b>Turkey</b>	<b>58,000</b>
<i>PET-Thin</i>	<i>58,000</i>
<b>USA</b>	<b>31,000</b>
<i>PET-Thin</i>	<i>31,000</i>
<b>PET Film Resin (MT)</b>	<b>2,73,300</b>
<i>India</i>	<i>77,600</i>
<i>Thailand</i>	<i>80,500</i>
<i>Turkey</i>	<i>57,600</i>
<i>USA</i>	<i>57,600</i>
<b>Metallised Film ( MT)</b>	<b>77,400</b>
<i>India</i>	<i>28,500</i>
<i>Thailand</i>	<i>21,700</i>
<i>Turkey</i>	<i>17,700</i>
<i>USA</i>	<i>9,500</i>
<b>Coated Film (Mn sqm)</b>	<b>1,281</b>
<i>India</i>	<i>270</i>
<i>Thailand</i>	<i>865</i>
<i>Turkey</i>	<i>146</i>

PTL - Standalone Revenue Mix (%)	
Particular	2017
Asia	49%
North America	21%
Europe	4%
Others	4%
<b>Total Export</b>	<b>77%</b>
<b>Domestic Sales</b>	<b>23%</b>



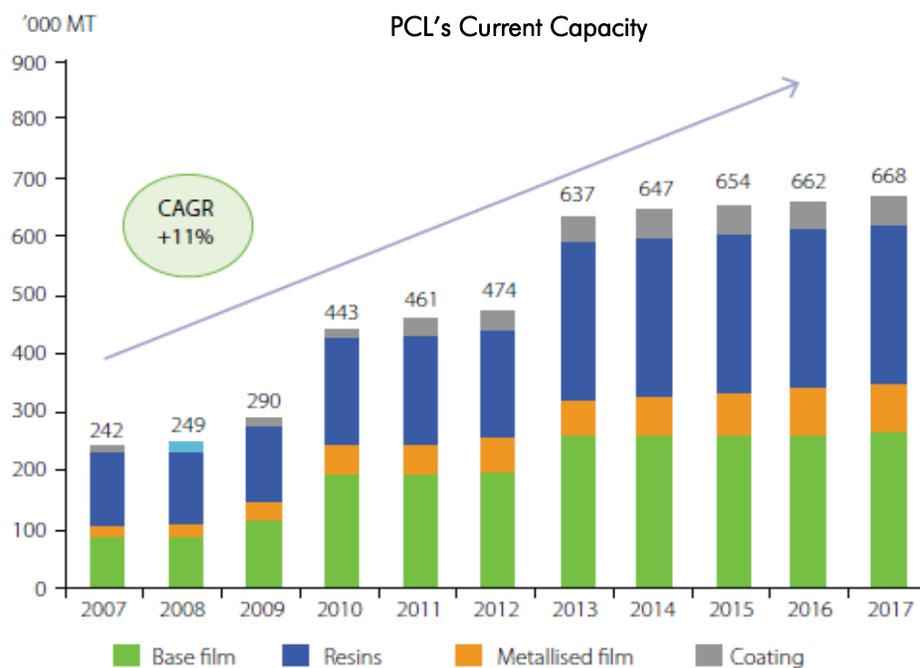
Source - Company, DSPL Research

## Greenfield expansion in Indonesia

Polyplex (Thailand) Public Company Limited (PTL) formed a wholly owned subsidiary, PT Polyplex Films Indonesia in October, 11 2017. The company is in the process of setting up a greenfield PET Film line with the capacity of 44,000 MT per annum along with upstream Resin Plant and downstream Metallizing Plant. The estimated cost of setting up new plant is at USD 95 million. Funding of the project will be through a mix of long term / short term debt and equity infuse by the company. The commercial production is expected to start in mid - 2019. It will be located in an industrial estate in Serang towards west of Jakarta and cater mainly the domestic market in Indonesia as well as other export markets. We expect PTL to generate revenue of INR 300 cr on full capacity.

Further PCL's expansion across USA and Thailand is at final stage of implementation

- New metallizer in USA:** In order to expand capacity and to upgrade technology, Polyplex USA, subsidiary of PCL plans to roll out a new metallizer with an annual capacity of 6,000 MT. It is expected to be commissioned by March 2018 and replace an existing asset which is old and inefficient. This will enable Polyplex USA to create differentiation through improved product/customer mix and generate better margins.
- New Blown PP line in Thailand:** PCL's subsidiary, Polyplex Thailand is expanding manufacturing facility by adding a second Blown PP line with an annual capacity of 4,200 MT in order to cater to growing demand. It is expected to be commissioned by June 2018. This would further diversify the product portfolio and enable higher value-added sales mix.



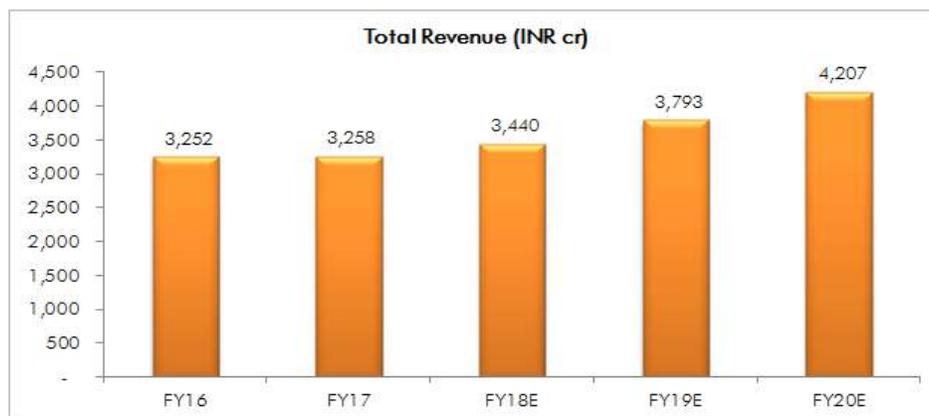
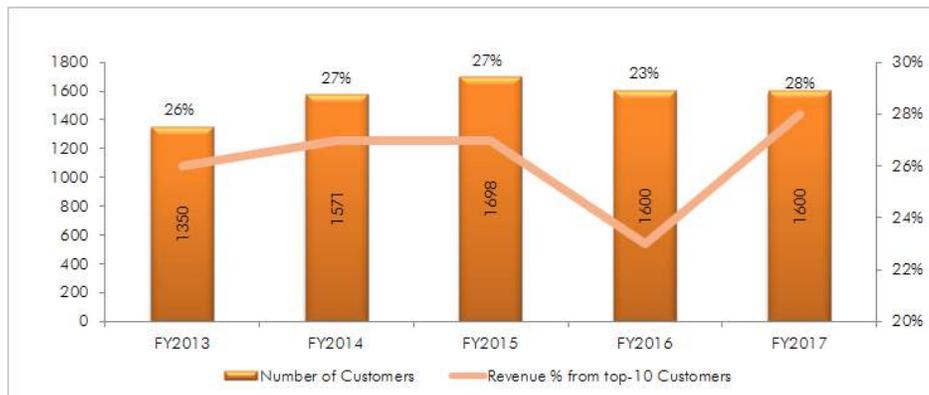
### Note:

- Coater capacities converted into MT based on current product mix.
- Figures for 2017 include the proposed investments (which are under implementation) for a new replacement metallizer in USA and a second Blown PP line in Thailand.

Source - Company, DSPL Research

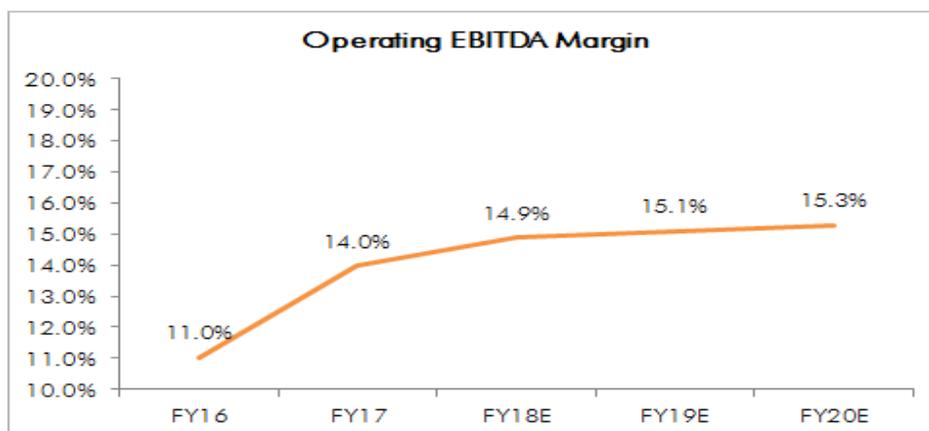
### Improving Financials

PCL’s consolidated net sales stood at Rs 3,207.67 crore, up by 0.2% yoy in FY2017 due to overcapacity and weak demand. PCL earns consistently more than 25% from its top 10 customers since last five financial years. The company’s proposed plans of rolling out of metallizer plant in USA and Blown PP line in Thailand to increase its top line from FY19. We expect the Company to record revenue growth of 9.5% during the FY17 – 20E.



Source - Company, DSPL Research

Operating EBITDA margin improved by 3% yoy to 14% in FY17 largely due to the decline in other expenses and employee expenses. PCL’s operating EBITDA margin was slightly weak for FY13-15 due to weak demand. We expect operating EBITDA to grow by 12.8% CAGR during the FY 17 – 20E.



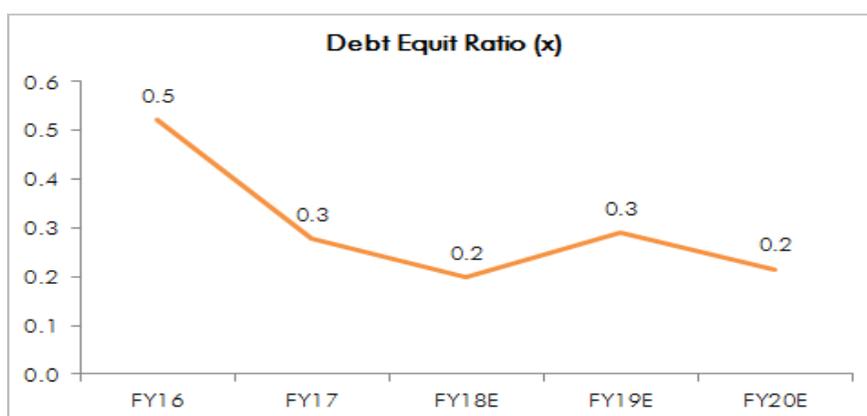
Source - Company, DSPL Research

We estimate the company to record operating EBITDA of around INR 513 cr in FY18E, which is expected to increase to INR 573 cr and INR 644 cr in FY19E and FY20E respectively, mainly owing to increase in revenues. For FY19E and FY20E, we expect a gradual increase in net profit margin to around 6.5% and 7.2% respectively. In absolute terms, we estimate net profit of around INR 247 cr and INR 303 cr in FY19E and FY20E, respectively.



Source - Company, DSPL Research

PCL is virtually debt free company. The company's debt to equity ratio stood at 0.28x in FY2017. The company has cash and cash equivalents of INR 981.76 crore against debt of INR 812.45 cr as of FY2017.



Source - Company, DSPL Research

PCL enjoy low tax rate - Turkey enjoys 100% corporate tax exemptions and Thailand enjoy certain local investment tax holidays by Board of Investments and India tax exemption is till FY18-FY19. As a result of these exemptions, the company would enjoy lower tax rate for the next few years.

## Outlook & Valuation

The PET film industry has seen various structural changes over the years with Asia now dominating production and consumption. Film producers from Asia (mostly headquartered in India) have become major global players. PCL being one of the world's largest PET film producer is well placed to service future demand, which is complemented by its excellent geographical reach through its plants in Thailand, Turkey, US and India.

Due to increase in population growth, urbanisation, improved quality of life, increasing environmental awareness and rising consumerism, per capita consumption of packaging films in India is increasing day by day, PCL is well placed. PCL garners a major part of its revenues from the packaging industry, which is expected to register an increase of around 8% - 9% over next few year. Moreover with capacity expansion plan in Indonesia, Thailand and USA, PCL is expected to yield good returns from it.

PCL holds 51% stake in its listed subsidiary, Polyplex (Thailand) Public Corporation (PTL). PTL has market capitalisation of INR 2,618 crore and is available at 1.21x P/B. However, PCL has market cap of INR 1,341.8 crore and is available at FY20E P/B of 0.5x. PCL is trading more than 48% discount to PTL's market cap.

In comparison to its peers too, PCL is available at inexpensive valuations of 0.9x FY20E EV/EBITDA, with Uflex, Jindal Poly and Cosmo Film trading at 4.0x, 5.4x and 7.4x FY17 TTM EV/EBITDA, respectively. Thus, on the back of good growth potential and inexpensive valuations, we expect the PCL stock to get rerated going ahead. We initiate coverage on the stock with a Buy recommendation and Target Price of INR 702, valuing the stock at 3x FY20E EV/EBITDA implying an upside of 38%.

### Key Risks

- Higher Crude Prices
- Currency Fluctuation
- Economy slowdown
- Demand Supply Scenario

## Peer Comparative Valuation

## Comparative valuation FY2017

Particular	Jindal Poly Films Ltd	Uflex Ltd	Polyplex Corporation Ltd	Cosmo Films
Revenue (INR Cr)	7,294	6,505	3,208	1,587
EBITDA (INR Cr)	740	899	545	167
<i>EBITDA Margin (%)</i>	<i>10.1%</i>	<i>13.8%</i>	<i>17.0%</i>	<i>10.5%</i>
PAT (INR Cr)	275	348	221	89
<i>PAT Margin (%)</i>	<i>3.8%</i>	<i>5.4%</i>	<i>6.9%</i>	<i>5.6%</i>
Long Term (INR Cr)	1,093	1,030	411	349
Short Term (INR Cr)	551	752	252	195
Current liabilities (INR Cr)	392	321	150	63
Total Debt (INR Cr)	<b>2,036</b>	<b>2,102</b>	<b>812</b>	<b>607</b>
Investment (INR Cr)	200	43	100	28
Cash & Bank Balance (INR Cr)	<b>106.8</b>	<b>296.3</b>	<b>981.8</b>	<b>28.4</b>
ROE (%)	11.6%	9.6%	9.3%	<b>16.2%</b>
ROCE (%)	7.3%	9.7%	8.5%	<b>9.9%</b>
Cash Per Share (INR)	24.4	41.0	306.9	14.6
<b>TTM Valuation</b>				
P/E (x)	7.0	7.9	7.6	8.5
EV/Sales (x)	0.5	0.5	0.3	0.8
EV/EBITDA (x)	5.4	4.0	1.7	7.4
Mkt Cap/Sales (x)	0.2	0.4	0.4	0.4
Debt / Equity (x)	0.7	0.5	0.3	1.0

## Financials - Consolidated (in INR Cr.)

Profit & Loss Statement	FY2017	FY2018E	FY2019E	FY2020E
Net Sales	3,208	3,440	3,793	4,207
Raw Material Cost	1,936	2,067	2,272	2,512
<b>Gross Profit</b>	<b>1,272</b>	<b>1,372</b>	<b>1,521</b>	<b>1,695</b>
Employee Cost	293	292	322	358
Other Manufacturing Cost	530	568	626	694
<b>Operating EBITDA</b>	<b>448</b>	<b>513</b>	<b>573</b>	<b>644</b>
<i>Op. EBITDA Margin (%)</i>	<i>14.0%</i>	<i>14.9%</i>	<i>15.1%</i>	<i>15.3%</i>
Other Income	97	86	95	105
Deperication	202	212	245	251
<b>EBIT</b>	<b>343</b>	<b>386</b>	<b>422</b>	<b>498</b>
<i>EBIT Margin</i>	<i>10.7%</i>	<i>11.2%</i>	<i>11.1%</i>	<i>11.8%</i>
Finance Cost	35	33	53	43
Exceptional Item	(73)	(111)	(116)	(143)
<b>PBT</b>	<b>234</b>	<b>242</b>	<b>254</b>	<b>312</b>
Tax	12	18	18	23
<b>PAT</b>	<b>221</b>	<b>225</b>	<b>235</b>	<b>289</b>
Share O/S (in cr)	3.2	3.2	3.2	3.2
Basic EPS (INR)	69	70	74	91
Diluted EPS (INR)	69	70	74	91
Cash EPS (INR)	132	137	150	169

Balance Sheet	FY2017	FY2018E	FY2019E	FY2020E
Share Capital	33	33	33	33
Reserves and Surplus	2,347	2,545	2,751	3,010
<b>Shareholders Fund</b>	<b>2,380</b>	<b>2,578</b>	<b>2,784</b>	<b>3,043</b>
Minority Interest	824	824	824	824
Total Loan	663	513	813	663
Deferred Tax Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>3,867</b>	<b>3,915</b>	<b>4,421</b>	<b>4,530</b>
<b>Net Fixed Assets</b>	<b>2,212</b>	<b>2,050</b>	<b>2,404</b>	<b>2,253</b>
<b>Capital work in Progress</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Deferred Tax Assets	25	25	25	25
Goodwill	0	0	0	0
<b>Investments</b>	<b>100</b>	<b>150</b>	<b>200</b>	<b>250</b>
Sundry Debtors	468	499	540	588
Cash & Bank	982	1,113	1,179	1,346
Loans & Advances	114	114	114	114
Inventories	436	471	520	576
Other Current Assets	24	38	42	46
<b>Total Current Assets</b>	<b>2,024</b>	<b>2,236</b>	<b>2,394</b>	<b>2,670</b>
Sundry Creditors	256	273	301	334
Provision	9	25	27	29
Other Current Liabilities	240	258	285	316
<b>Total Current liabilities &amp; Provision</b>	<b>505</b>	<b>556</b>	<b>613</b>	<b>679</b>
<b>Net Assets</b>	<b>1,519</b>	<b>1,680</b>	<b>1,781</b>	<b>1,991</b>
<b>Total Assets</b>	<b>3,867</b>	<b>3,915</b>	<b>4,421</b>	<b>4,530</b>

Cashflow Statement	FY2017	FY2018E	FY2019E	FY2020E
<b>PBT</b>	<b>364</b>	<b>353</b>	<b>369</b>	<b>455</b>
Depreciation & Amortization	203	212	245	251
Finance Cost	35	33	53	43
Others	(139)	-	-	-
(Incr)/Decr in Working Capital	(9)	(28)	(37)	(42)
Tax Paid	(16)	(18)	(18)	(23)
<b>Cash Flow from Operating</b>	<b>439</b>	<b>552</b>	<b>613</b>	<b>684</b>
(Incr)/ Decr in Gross PP&E	(72)	(50)	(600)	(100)
Others	57	(161)	(166)	(193)
<b>Cash Flow from Investing</b>	<b>(14)</b>	<b>(211)</b>	<b>(766)</b>	<b>(293)</b>
(Decr)/Incr in Share Capital	30	-	-	-
(Decr)/Incr in Debt	(451)	(150)	300	(150)
Interest Paid	(36)	(33)	(53)	(43)
Others	-	-	-	-
Dividend Paid	(19)	(27)	(29)	(31)
<b>Cash Flow from Financing</b>	<b>(476)</b>	<b>(210)</b>	<b>218</b>	<b>(224)</b>
Change in Currency Fluctuation Reserve arising on Consolidation	(102)	-	-	-
Incr/(Decr) in Balance Sheet Cash	(153)	132	65	168
<b>Cash and cash equivalents at the Start of the Year</b>	<b>1,135</b>	<b>982</b>	<b>1,113</b>	<b>1,179</b>
<b>Cash and cash equivalents at the End of the Year</b>	<b>982</b>	<b>1,113</b>	<b>1,179</b>	<b>1,346</b>

Ratios Analysis	FY2017	FY2018E	FY2019E	FY2020E
<b>Per Share Value</b>				
EPS (Rs)	69.2	70.2	73.5	90.5
BVPS (Rs)	744.1	805.9	870.4	951.3
DPS (Rs)	6.0	7.0	7.5	8.0
<b>Turnover Ratio</b>				
Inventory Days	48	48	48	48
Debtors Days	51	51	50	49
Creditors Days	25	28	28	28
Cash Conversion Cycle	74	71	70	69
Asset Turnover Ratio	0.7	0.8	0.8	0.8
<b>Profitability Ratio</b>				
EBITDA Margin	17.0%	17.4%	17.6%	17.8%
PAT margin	6.9%	6.5%	6.2%	6.9%
ROA	5.1%	5.0%	4.7%	5.6%
ROE	9.3%	8.7%	8.4%	9.5%
ROCE	8.5%	9.9%	9.6%	11.0%
<b>Solvency Ratio</b>				
Debt / Equity Ratio	0.3	0.2	0.3	0.2
Current Ratio	2.7	3.0	2.6	2.8
Quick Ratio	2.1	2.3	2.0	2.2
Interest Coverage Ratio	15.4	18.0	12.6	17.4
<b>Valuation Ratios</b>				
PE (x)	6.1	7.2	6.9	5.6
P/B (x)	0.6	0.6	0.6	0.5
EV/EBITDA (x)	1.7	1.5	1.6	0.9
Mcap/Sales (x)	0.4	0.5	0.4	0.4
Earning Yield (%)	16.5%	13.8%	14.5%	17.8%
Dividend Yield (%)	1.4%	1.4%	1.5%	1.6%
Free Cash Flow Yield (%)	24.7%	28.9%	-2.5%	33.3%

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