



Indian Toners & Developers Ltd.

Date	23rd December 2015
Market Cap	Rs. 103.81 Crs.
Current Price	Rs. 128.80
Total No of Equity Shares	80.6 Lakhs
Promoters Holding	49.73%
Debt Equity Ratio	0.00
5 Years Return	38.25%
3 Years Return	101.47%
1 Year Return	53%

What is the Business of the Company ?

Company sells compatible toner powder which is used as a consumable to re-fill toner cartridges and primarily sold in the aftermarket as an alternative to OEM toners or buying new toner cartridges.

- India's **largest manufacturer** and **exporter** of compatible toners.
- Founded by **Mr. Sushil Jain**, a technocrat with an innovative vision
- Single largest market share (India)
- Exports to over 25 countries
- Over 400 employees
- Two production facilities in India
- State of the art R&D Facility
- ISO 9001:2008 & 14001:2004 certified company
- 6 Production lines:
 - 5 production lines each, with 600 tons manufacturing capacity.
 - 1 exclusive production line for R&D
- Indian Toners and Developers Limited (ITDL), an ISO 9001:2008 and ISO 14001:2004
- was incorporated in 1990, as a Public Limited Company
- Indian Toners formed a subsidiary by the name of ITDL Imagetec Limited, which became operational since beginning 2009.
 - Indian Toners is located in Rampur (U.P.), 1200 Tonnes
 - ITDL Imagetec, is located at Sitarganj (Uttarakhand). 1800 Tonnes
- Indian Toners & Developers Ltd. also offers premium quality chemical color toners for use in laser printers and copiers.

Business Timeline

- Started in 1990
- 1992 IDTL 600
- 2004 ITDL 600
- 2009 ITDL Imagetec 1200
- 2014 ITDL Imagetec 600

All capex Funded through internal accruals.

Quality of Business

- Strong Cashflow(Converting All NP to Cash)
 - In last 10 Years, Total Profit = 79.42Cr Operating Cashflow = 87.35Cr
 - In FY 15, The business is employing **54.77cr** of Assets to Generating 17.62cr of Net Operating Cash Flow.
 - Quality of Earnings is there.
- High ROCE
 - FY 2015 ROCE = 31.04%
 - Last 10 Year ROCE = 23.51%
 - Trend is increasing
- No Debts
 - All Capex Funded through Internal Accruals
- Cash Rich Balance Sheet
 - RS. 44.38Cr. in Cash and Liquid Fund
- Growth Numbers

Compounded Sales Growth:

10 Years:	10.17%
5 Years:	9.96%
3 Years:	15.20%

Compounded Profit Growth:

10 Years:	9.92%
5 Years:	18.13%
3 Years:	17.98%

- EBDITA PAT Numbers
 - Strong growth in bottom line-Over the last 5 & 3 years the company has increased its PAT by 31% and 35% respectively.
 - EBITDA margins have expanded sharply ~14% in FY09 to 24.6% in FY14.

Other Factors

- Entry Barriers - Technology, Quality, Distribution
- Current Competition - Leader in India, Leading in Asian Countries
 - China's Clandestine Imports
- Substitute Threat - Better Technology
- Bargaining Power - With Company (Commanding 25-30% Premium)
 - Very Low Working Capital Requirement
 - Constantly Improving

Pricing Power

- OPMs are constantly increasing
- Are margins Sustainable? - Yes
- Passing on the Cost Advantage? - Not substantially.
- Who controls the Pricing (FG & RM both) - Company

Emerging Moat? - I think so (Commodity to Brand) - (Quality & Branding)

*There is no information on Toner Industry. But as per Management's Interviews in few magazines it can be seen that there is a lot of room to grow in Export Markets.

Management

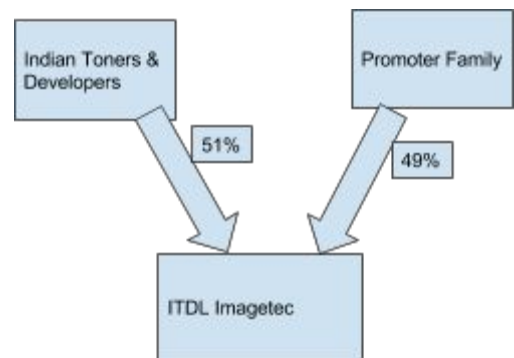
Shushil Jain

- Belongs to Industrialist Family
- father started company in 1964
- joined that business after his education in 1981
- started as Trainee & reached to VP
- Started ITDL in 1990 with VC and Bank Funds
- Collaborations with Switzerland Company for Technology
- His son Akshat Jain has also joined the Business
- Working with an Ambition to become World Leader in Toner Industry
- Zero Tolerance against Bribery, Unethical Practices

Important Points :

Indian Toners & Developers Ltd. floated a company ITDL Imagetec Ltd in 2009 and expanded their capacity by 1200 tonnes in such subsidiary.

Indian Toners & Developers holds 51% and Promoter Family hold 49% in that company.



It means, effectively Promoter Family is holding 75% of ITDL Imagetec Ltd.

As per my expectation, all future growth and capex will be in this subsidiary. They also added 600 Tonnes of capacity in 2014 in Subsidiary. I also obtained the data of ITDL Imagetec which was available and numbers are encouraging.

PAT Margins has increased from 11% in FY 2010 to 23% in FY 14%

ROCE has increased from 23% in FY 2010 to 41% in FY 2014.

There is no clarity on Dividend Policy and I believe the management will not give dividends as they have a growth appetite.

Remuneration to Promoters is 10-11%

No Equity Dilution since inception.

34% of shares of Indian Toners & Developers Ltd. are in less than Rs. 1,00,000

Valuation

- Company is valued at 103 Crs.
- There is a Cash of 44.38 Crs. on Balance Sheet as on FY15.
- Remaining Value of Rs. 58.62 Cr.
- Getting the whole Business of ITDL + 51% of ITDL Imagetec
- Generating 10.48 Crs at 58.62 Crs.
- P/E Comes around 6.

Investment Rationale

After reading about the management, It's my call that the Management is very clean. They might not be Minority shareholder friendly management but not Fraud.

The Management has a vision to become World leader in Toners through Quality Products and Reasonable pricing.

We have already seen growth coming in subsidiary and going forward also I believe there will be capex there.

Bottomline will grow faster than the Topline due to their scale and strong R&D focus. India is also an untapped market for them because they are selling toners in Bulk in Indian Market.

So considering all these aspects, I feel the company is undervalued as on the date. Though the market has recognized much of a value in past 2 years but the company has potential to grow on it's merits in future.

Hence, I think it's a good company.

Disc : I am invested.

Attachments :

- Profit and Loss & Balance Sheet
- Financial Ratios
- Management Interviews