



## 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 = 87.35Crs
  - 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

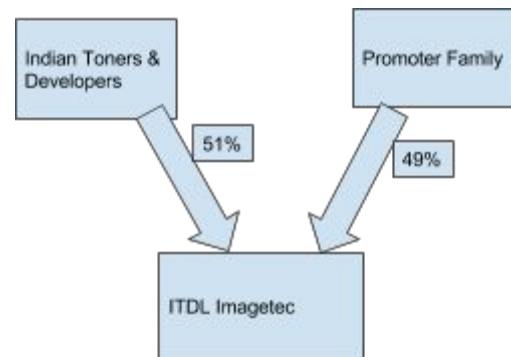
### Shushil Jain

- 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