

Mold-Tek Packaging

08 June 2020

Reuters: MOLT.NS; Bloomberg: MTEP IN

Long runway for growth in F&F

We are re-initiating coverage on Mold-Tek Packaging (MTEP), which is a leading player in rigid plastic packaging and is the only backward integrated In-mold Labeling (IML) player in India. Packaging is a commoditized business on account of lack of bargaining power at both supplier (mainly RIL) and clients' (industry leaders like HUL, Asian Paints, P&G etc) end. However, pioneering IML with superior execution and consistent orders from marquee clients has enabled MTEP to stay ahead of the curve. Transformation from a polymer converter to an integrated IML player led to a stock re-rating around 6 years back and we believe faster growth in F&F can further re-rate the stock. F&F contribution has increased from ~6% in FY16 to ~23% in FY20 & we expect it to almost double in the next 3 years. Superior growth in F&F segment will further improve the overall profitability & return ratios, which are already better than peers. We expect revenue share of IML to rise to ~72% in FY23E from ~66% in FY20, led by strong growth in F&F and capacity addition in Paints. During FY21, on account of suboptimal capacity utilization during lockdown, loss of ice-cream sales (~20% of F&F) and weak consumer sentiment mainly impacting the Paints segment, we expect a ~25% YoY revenue decline. Paints and Lubes are expected to deliver moderate performance in medium term. We expect Paints and Lubes revenue share in total to fall to ~60% in FY23E from ~77% in FY20 as F&F growth will outpace these divisions meaningfully. We expect 320bps decline in FY21 EBITDA margin on account of operating deleverage. However, we expect blended EBITDA/kg to bounce back to Rs35 by FY23E (vs Rs33/kg in FY20), led by higher IML share, which enjoys ~1.5-2x margin vis-a-vis non-IML. We are categorically positive on the F&F segment and believe that MTEP has a long runway for growth in this segment by leveraging the strong client relationships. Overall, we are building in ~23% revenue CAGR over FY21-23E and earnings CAGR of ~80% during the same period. We value the company at 20x PER at Sept'22E EPS (vs 2-year median of 26x to factor in near-term demand challenges), indicating an upside of ~54%.

Structural drivers for F&F growth in place: We believe that MTEP's ability to build a strong relationship with the marquee FMCG clients like Mondelez, Hindustan Unilever, Amul etc. will result in strong order inflows in future. We believe that the higher salience of modern trade channels, improved cold chain infrastructure (relevant for dairy products) and focus of FMCG companies on packaging as a medium to premiumise products are the structural growth drivers for F&F. Also, edible oil and ghee packs (~36% of F&F revenue) will continue to deliver robust growth. We expect F&F to clock Rs2bn revenue in FY23E (~40% share) i.e. ~26% CAGR over FY20-23E, which will improve the overall profitability and return ratios.

Expect moderate growth in Paints & Lubes in near term: Paints & Lubes segments together contributed ~77% to the revenue in FY20. Management expects recovery in Lubes to be faster than in Paints in the near term. We expect moderate growth in the near term on account of sub-optimal capacity utilization due to lockdown and weak consumer sentiment. Asian Paints is the biggest client of MTEP (~24% in FY20). We expect partial capacity expansion in FY23E in Mysore and Vizag. We expect total revenue share of Paints and Lubes to fall to ~60% in FY23E as F&F growth will outpace these divisions meaningfully.

Leverage is not a big concern: Although investors are focusing on debt free balance sheets in current times, we believe that MTEP's internal cash flows would be sufficient to fulfill the obligations. Stress on working capital in FY21 would normalize quickly in our view as majority of the business is with marquee clients. We have assigned a discount to historical PE multiple to factor in these near term challenges.

4QFY20 performance highlights: MTEP's revenue grew by ~6% YoY. Revenue growth was affected on account of loss of ice-cream sales on Covid-19 related challenges. Paints division sales grew by ~29% YoY, led by higher volume at Mysore and Vizag. Lubes and F&F segments declined by ~12% YoY. EBITDA grew by just ~1% YoY and margin declined by 85bps on account of repairs at one of the old facilities (approx negative impact ~5%). Adj PAT declined by ~4% YoY on account of higher depreciation and interest costs.

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BUY

Sector: Packaging

CMP: Rs195

Target Price: Rs300

Upside: 54%

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Key Data

Current Shares O/S (mn)	27.7
Mkt Cap (Rsbn/US\$mn)	5.4/71.8
52 Wk H / L (Rs)	322/136
Daily Vol. (3M NSE Avg.)	58,695

Price Performance (%)

	1 M	6 M	1 Yr
Mold-Tek	10.0	(30.5)	(19.7)
Nifty Index	9.6	(14.9)	(14.6)

Source: Bloomberg

Exhibit 1: Financial summary

Y/E March (Rsmn)	FY19	FY20E	FY21E	FY22E	FY23E
Net Sales	3,941	4,374	3,303	4,023	5,006
Growth YoY (%)	16.1	11.0	-24.5	21.8	24.4
Gross margin (%)	39.4	41.3	40.6	41.5	41.8
EBITDA	719	800	499	756	976
EBITDA margin (%)	18.3	18.3	15.1	18.8	19.5
Adj PAT	310	404	154	347	498
Growth YoY (%)	-2.1	30.2	-61.8	124.7	43.6
RoCE (%)	20.5	20.1	9.7	16.6	20.9
RoE (%)	16.7	20.8	7.6	15.8	20.3
P/E (x)	17.7	13.6	35.5	15.8	11.0
EV/EBITDA	8.8	8.2	12.9	8.5	6.6
P/BV (x)	2.9	2.8	2.6	2.4	2.1

Source: Company, Nirmal Bang Institutional Equities Research

Valuation methodology

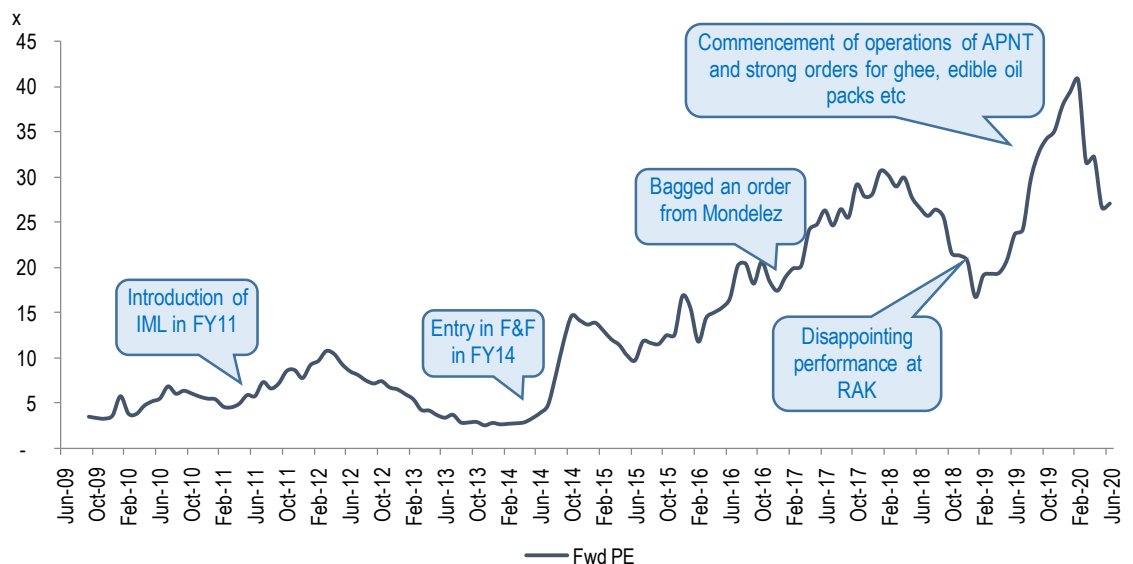
MTEP's 5-year and 2-year median PE are ~21x and ~26x, respectively. Higher PE in the recent years is on account of higher IML contribution, led by robust F&F growth and capacity expansion for APNT. Although there is no like-to-like competitor for MTEP, comparison with other packaging players suggests that MTEP's financial performance over the years has witnessed significant improvement and is better than peers. Considering the differentiated product offering and huge growth potential in F&F segment, MTEP deserves a premium valuation in our view. However, considering the near term challenges (on account of Covid-19) like weak demand for paints & lubes, stretched working capital and debt, we are valuing the company at ~20x (broadly at 5-year median PE) at Sept'22E EPS, indicating an upside of 54%.

Exhibit 2: Valuation summary

Particulars	Details	Comments
Sept'22E EPS	15	
Target PE multiple (x)	20	Broadly in-line with 5-yr median PE
Target price	300	

Source: Nirmal Bang Institutional Equities Research

Exhibit 3: 1-yr forward PE trend



Source: Company, Bloomberg, Nirmal Bang Institutional Equities Research

Quarterly financial performance - revenue impact on account of loss of ice-cream sales

MTEP's revenue grew by ~6% YoY. Revenue growth was affected on account of loss of ice-cream sales during the quarter on Covid-19 related challenges. Paints division sales grew by ~29% YoY, led by higher volume at Mysore and Vizag. Lubes and F&F segments declined by ~12% YoY. EBITDA grew by just ~1% YoY and margin declined by 85bps on account of repairs at one of the old facilities (approx impact ~5%). Adj PAT declined by ~4% YoY on account of higher depreciation and interest costs.

Exhibit 4: 4QFY20 Quarterly performance

Particulars	4QFY19	3QFY20	4QFY20	YoY %	QoQ %	FY19	FY20	YoY%
Net sales	1,009	1,007	1,065	5.6	5.7	3,941	4,374	11.0
Gross margin %	40.7	43.9	41.2	42bps	-270bps	39.4	41.3	185bps
Staff costs	105	125	117	11.7	-6.1	405	494	22.2
% sales	10.4	12.4	11.0	60bps	-139bps	10.3	11.3	103bps
Other expenses	117	124	131	11.7	4.9	430	511	18.9
% sales	11.6	12.4	12.3	67bps	-9bps	10.9	11.7	78bps
EBITDA	189	192	191	0.8	-1.0	719	800	11.3
EBITDA margin %	18.7	19.1	17.9	-85bps	-122bps	18.3	18.3	4bps
Depreciation	42	49	49	14.8	-1.0	147	191	29.5
EBIT	147	143	142	-3.2	-1.0	572	610	6.6
Interest	21	26	26	24.0	-1.2	71	102	43.6
Other income	3	0	4	26.2	670.4	13	12	-13.3
Exceptional Items	-115	-6	-16	-86.5	166.0	115	28.61	-75.1
PBT (bei)	129	117	120	-7.0	1.9	515	519	1.0
PBT	14	112	104	662.2	-6.7	400	491	22.8
ETR	25.8	21.0	23.3	-244bps	231bps	39.7	22.2	-1,750bps
Adj PAT	96	93	92	-3.9	-1.1	310	404	30.2
Adj EPS	3.5	3.4	3.3	-3.9	-1.1	11.2	14.6	30.2

Source: Company, Nirmal Bang Institutional Equities Research

Conference call key highlights

- Capacity utilization:** On account of lockdown from 25th Mar 2020, capacity utilization at all the facilities was impacted significantly. In May, blended capacity utilization stood at ~40% and the management expects the same to rise to ~60% in June. However, average utilization for 1QFY21 would be ~35-40% i.e. below the 55% level to achieve a breakeven.
- F&F growth impacted by loss of ice-cream sales during the pandemic:** F&F business in 4QFY20 was affected on account of loss of ice-cream sales. This would be further reflected in 1QFY21 sales. Management indicated that ice-creams formed ~20% of overall F&F sales in FY20. Growth in F&F was fuelled by edible oil business, which continued to do well during this pandemic. There is increased focus on hands free robotic operated food containers. Sales of chocolates segment, which is seasonal in nature, declined a bit.
- Expects better recovery in Lubes vs Paints in the near term:** Management expects greater weakness in Paints division as consumers might defer their purchases during this phase. Although from May MTEP has witnessed greater volume in proportion to the past trend, management expects this to normalize going forward. Demand from Berger and other players got impacted meaningfully. As far as APNT is concerned, there are no delays in payments for MTEP. The company is facing such challenges from small and regional players, but their contribution in revenue is less than 3%, as per management. Demand recovery in Lubes has been better than in Paints but still the volume is ~25% below normal volume as on May-20.
- FY21E EBITDA margin is not the correct indicator:** Decline in EBITDA margin in 4QFY20 (85bps YoY) was on account of sub-optimal capacity utilization and repairs & maintenance at one of the old facilities. EBITDA/kg declined ~8% YoY during the quarter on account of higher share of paints (due to Mysore and Vizag plants) and lower than expected growth in F&F. Management indicated no pricing cut during the year. It expects EBITDA margin to decline on account of operating deleverage.
- Future guidance:** Management expects at least ~40% cut in 1QFY21 revenue and expects recovery starting from 2QFY21. For FY21, it expects ~20% decline in revenue. Management has cut capex guidance for FY21 to Rs150-180mn from Rs300mn earlier. Capacity expansion in North for the paints division (planned in Oct-Nov 20) stands deferred.

Exhibit 5: Quarterly segment performance

Particulars	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Revenue/kg IML vs Non-IML								
IML	196	206	197	189	196	197	190	186
Non IML	161	164	166	156	165	166	159	152
Total Standalone revenue/kg	181	187	185	178	184	185	179	173
Revenue/kg segment wise								
Paints	174	177	171	166	172	177	169	161
Lubes	164	169	172	163	170	167	164	155
F&F	275	270	248	223	238	236	234	246
Total Standalone revenue/kg	181	186	185	178	184	185	179	173
EBITDA/Kg	33	33	33	34	32	34	34	31

Exhibit 6: IML vs Non-IML

Particulars	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Volume breakup (%)								
IML	56.9	53.3	59.8	64.5	60.8	61.1	65.1	61.9
Non IML	43.1	46.7	40.2	35.5	39.2	38.9	34.9	38.1
Revenue breakup (%)								
IML	61.7	58.8	63.8	68.8	64.9	65.1	69.0	66.6
Non IML	38.3	41.2	36.2	31.2	35.1	34.9	31.0	33.4
Volume growth (%)								
IML	27.4	30.2	20.0	23.3	23.4	34.8	17.8	5.6
Non IML	-4.0	9.0	-6.0	-11.8	4.8	-2.1	-6.1	18.0
Revenue growth (%)								
IML	32.0	37.5	23.4	21.0	23.1	29.0	13.6	3.5
Non IML	-5.5	15.7	3.9	-11.6	7.4	-1.2	-10.1	14.5

Exhibit 7: Industry-wise classification

Particulars	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Volume breakup (%)								
Paints	51.2	52.4	49.6	49.1	51.9	59.4	51.5	59.5
Lubes	37.8	34.3	32.6	29.5	29.6	22.9	30.4	24.9
F&F	11.0	13.2	17.7	21.5	18.5	17.7	18.1	15.7
Revenue breakup (%)								
Paints	49.1	49.7	45.9	46.0	48.7	56.7	48.7	55.4
Lubes	34.2	31.1	30.3	27.0	27.4	20.7	27.7	22.3
F&F	16.7	19.1	23.8	27.0	24.0	22.7	23.6	22.3
Volume growth (%)								
Paints	4.2	2.1	9.1	4.9	17.0	33.1	12.4	33.4
Lubes	17.1	37.5	-7.0	-10.8	-9.8	-21.7	0.6	-7.1
F&F	34.8	77.4	47.2	68.3	94.8	57.8	10.4	-19.8
Revenue growth (%)								
Paints	8.5	9.2	15.7	6.5	16.0	32.9	11.1	28.8
Lubes	21.5	49.3	3.6	-11.8	-6.5	-22.5	-4.1	-11.7
F&F	19.6	58.0	35.7	47.8	68.5	38.3	4.4	-11.7

Source: Company, Nirmal Bang Institutional Equities Research

Structural drivers for F&F growth in place

We believe MTEP has been able to build a strong relationship with the marquee FMCG clients like Mondelez, Hindustan Unilever, Amul etc, which will result in strong order inflows in future. We believe that the higher salience of modern trade channels, improved cold chain infrastructure (relevant for dairy products) and focus of FMCG companies on packaging as a medium to premiumise products are the structural growth drivers for F&F. Also, edible oil and ghee packs (~36% of F&F revenue) will continue to deliver robust growth. We expect F&F to clock Rs2bn revenue in FY23E (~40% share) i.e. ~26% CAGR over FY20-23E, which will improve the overall profitability and return ratios.

Exhibit 8: F&F volume growth

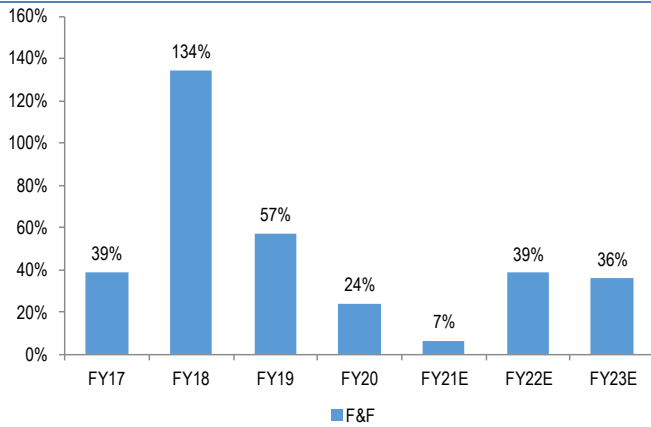
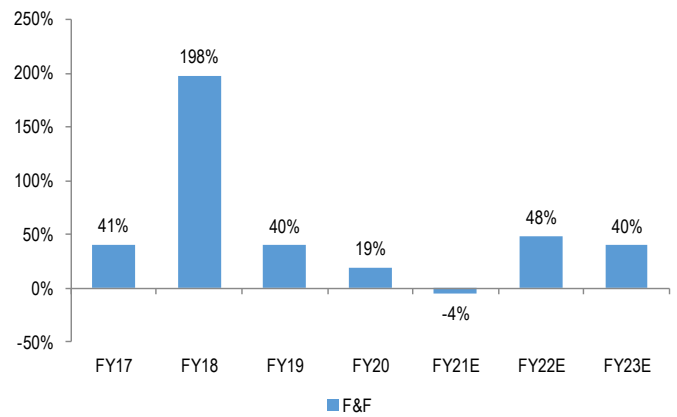


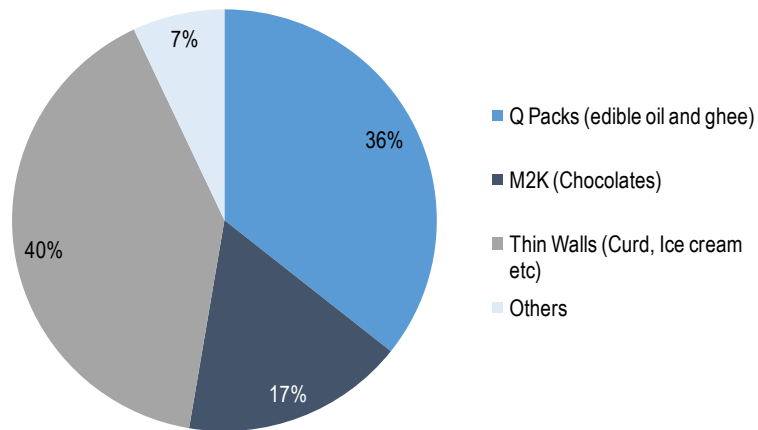
Exhibit 9: F&F revenue growth



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 10: F&F revenue breakup FY20

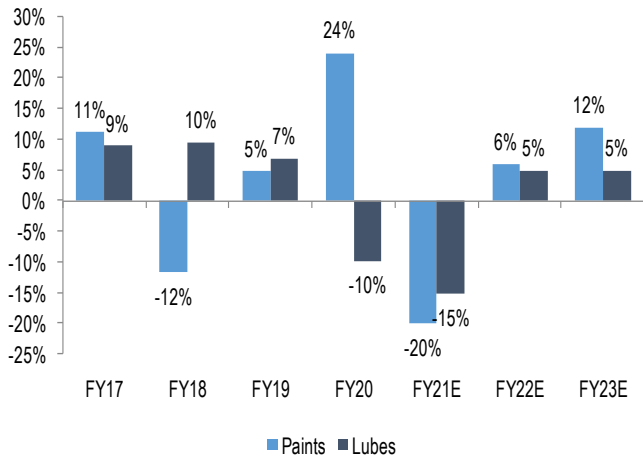


Source: Company, Nirmal Bang Institutional Equities Research

Expect moderate growth in Paints & Lubes in near term

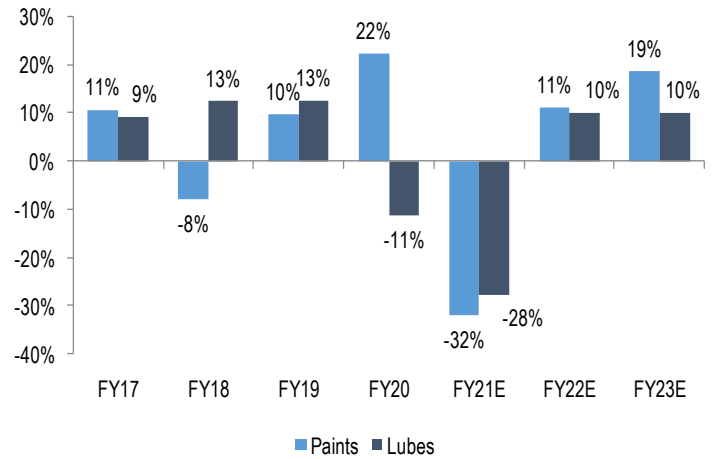
Paints & Lubes segments together contributed ~77% to the revenue in FY20. Management expects recovery in Lubes to be faster than Paints in the near term. We expect moderate growth in the near term on account of sub-optimal capacity utilization due to lockdown and weak consumer sentiment. Asian Paints is the biggest client of MTEP (~24% in FY20). We expect partial capacity expansion in FY23E in Mysore and Vizag. We expect Paints and Lubes revenue share in total to fall to ~60% in FY23E from ~77% in FY20 as F&F growth will outpace these divisions meaningfully.

Exhibit 11: Volume growth Paints and Lubes- management expects faster recovery in lubes in near term



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 12: Revenue growth paints & lubes- greater share of HTL in paints will improve the realization post FY21



Source: Company, Nirmal Bang Institutional Equities Research

Rise in F&F share will improve the overall realization and profitability over next 3 years

Exhibit 13: Volume share (industry-wise)

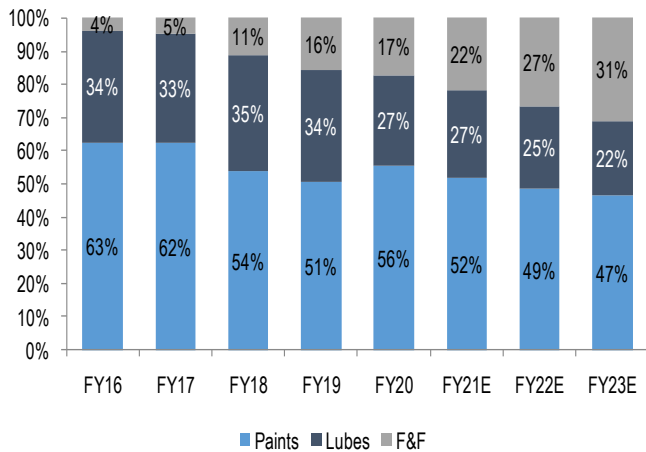
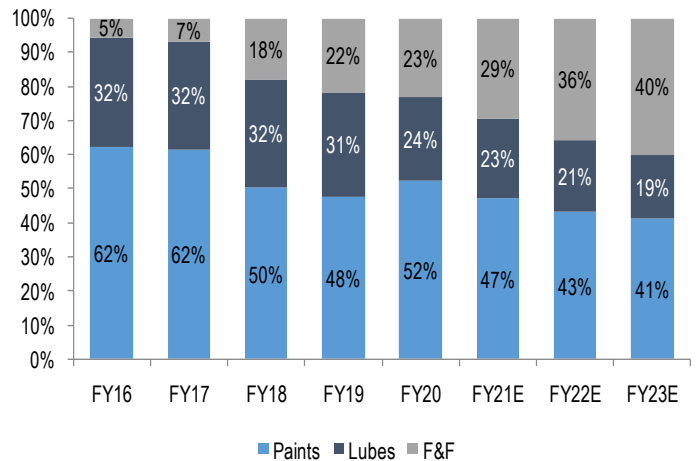


Exhibit 14: Revenue share (industry-wise)



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 15: Volume share (IML vs Non-IML)

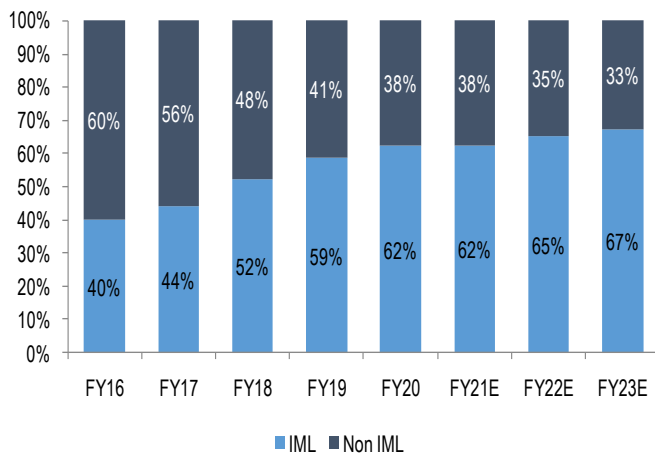
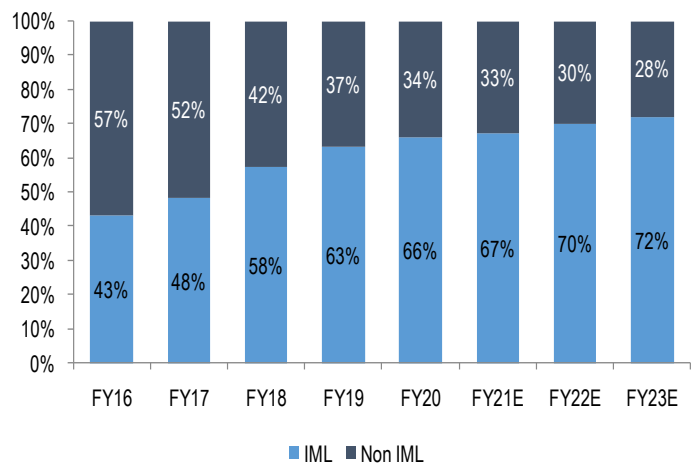


Exhibit 16: Revenue share (IML vs Non-IML)



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 17: Revenue/kg (industry-wise)

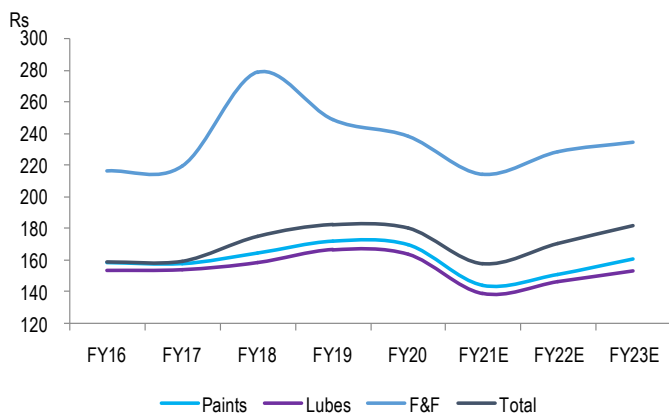
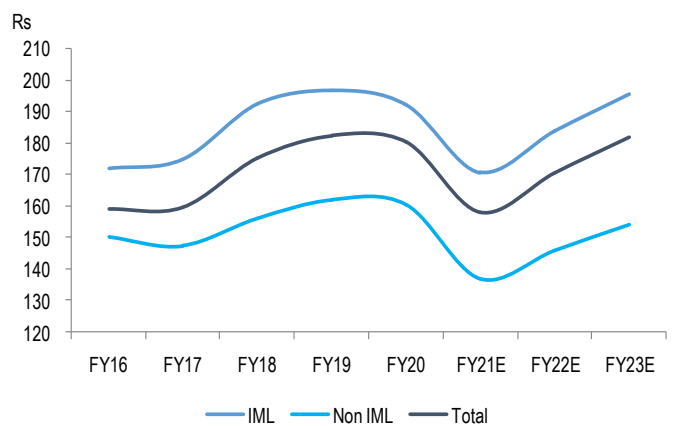


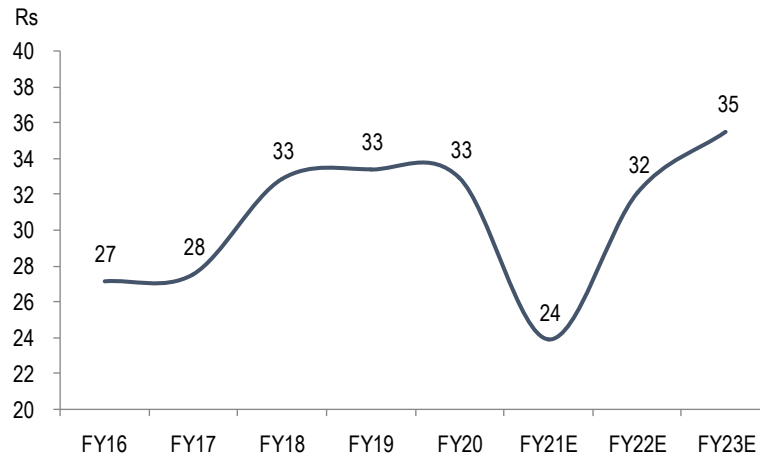
Exhibit 18: Revenue/kg (IML vs Non-IML)



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 19: EBITDA/kg- we are building in Rs35/kg in FY23E led by higher share of F&F segment



Source: Company, Nirmal Bang Institutional Equities Research

Leverage is not a big concern

Although investors are focusing on debt free balance sheets in current times, we believe that MTEP's internal cash flows would be sufficient to fulfill the obligations. Stress on working capital in FY21 would normalize quickly in our view as majority of the business is with marquee clients. We have assigned a discount to historical PE multiple to factor in these near term challenges.

Exhibit 20: Operating and free cash flow trend

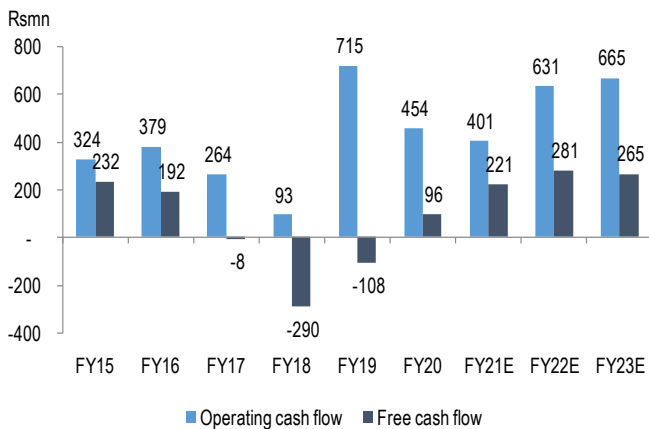
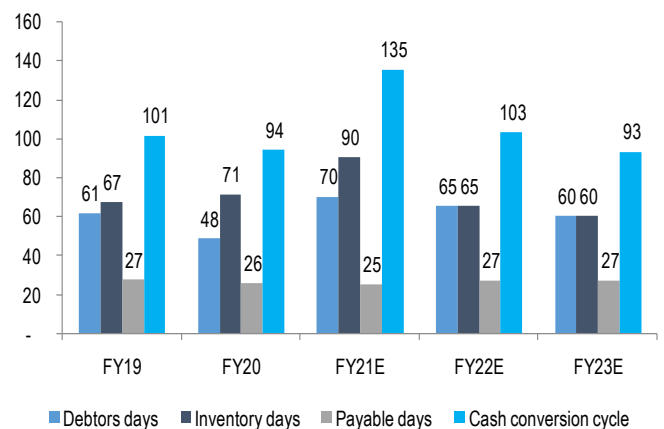


Exhibit 21: Working capital cycle



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

Peer comparison: MTEP has been consistently ahead of the curve

Although there are no like-for-like competitors for MTEP, we have compared the financial performance and valuation of key packaging players. We highlight that MTEP is the only player which has shown significant improvement in its margin profile and return ratios and has been consistently ahead of the curve. In our view, MTEP deserves a valuation premium compared to these peers on account of overall financial performance and further growth potential, both in terms of revenue and profitability with increasing focus on the F&F segment.

Exhibit 22: Comparison with peers - margin profile and return ratios

Gross margin	FY12/CY11	FY13/CY12	FY14/CY13	FY15/CY14	FY16/CY15	FY17/CY16	FY18/CY17	FY19/CY18
Mold-Tek Packaging	33.5%	35.1%	34.0%	35.0%	39.5%	38.2%	40.5%	39.4%
Essel Propack	52.9%	52.7%	50.5%	49.4%	54.7%	55.3%	56.3%	55.1%
Hutamaki PPL	30.6%	30.4%	29.4%	27.5%	30.5%	32.7%	33.0%	32.1%
Time Technoplast	33.6%	33.6%	30.8%	30.3%	28.0%	28.3%	28.7%	28.0%
HiTech Corp	39.0%	36.2%	34.9%	36.0%	40.3%	37.6%	38.8%	38.2%

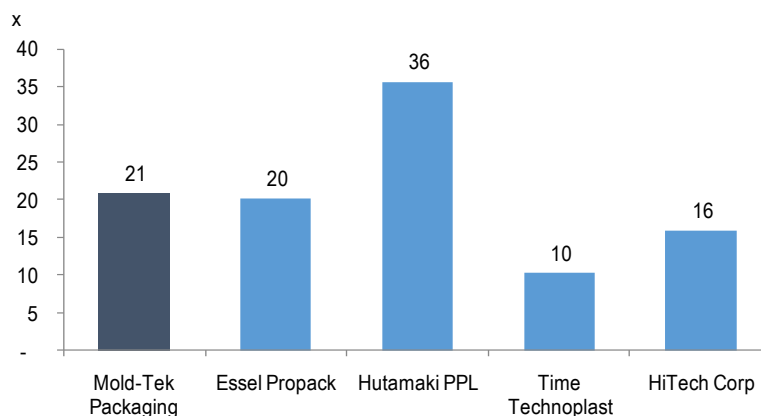
EBITDA margin	FY12/CY11	FY13/CY12	FY14/CY13	FY15/CY14	FY16/CY15	FY17/CY16	FY18/CY17	FY19/CY18
Mold-Tek Packaging	12.1%	10.4%	11.6%	14.0%	16.6%	17.2%	18.7%	18.3%
Essel Propack	18.9%	19.9%	19.5%	18.7%	20.7%	19.9%	22.9%	21.0%
Hutamaki PPL	10.8%	9.9%	9.9%	9.0%	10.5%	11.5%	10.3%	9.4%
Time Technoplast	18.7%	18.2%	15.0%	15.0%	15.5%	15.5%	16.1%	15.1%
HiTech Corp	14.1%	11.4%	10.7%	8.7%	11.6%	9.5%	9.6%	11.2%

ROCE	FY12/CY11	FY13/CY12	FY14/CY13	FY15/CY14	FY16/CY15	FY17/CY16	FY18/CY17	FY19/CY18
Mold-Tek Packaging	17.1%	12.6%	19.1%	24.4%	24.2%	21.6%	19.8%	20.5%
Essel Propack	5.3%	7.2%	8.3%	11.0%	13.1%	12.1%	14.3%	11.9%
Hutamaki PPL	15.7%	14.4%	16.1%	11.5%	8.3%	16.7%	14.2%	14.4%
Time Technoplast	13.0%	13.1%	10.9%	12.0%	10.7%	10.5%	10.9%	11.4%
HiTech Corp	17.6%	14.0%	12.3%	13.3%	17.4%	8.7%	6.3%	8.7%

ROE	FY12/CY11	FY13/CY12	FY14/CY13	FY15/CY14	FY16/CY15	FY17/CY16	FY18/CY17	FY19/CY18
Mold-Tek Packaging	20.5%	12.3%	18.3%	14.5%	18.8%	17.3%	17.5%	16.3%
Essel Propack	7.4%	7.1%	7.5%	11.9%	19.0%	10.6%	12.5%	9.5%
Hutamaki PPL	16.1%	12.8%	14.1%	11.5%	8.4%	16.1%	11.7%	6.3%
Time Technoplast	11.6%	10.8%	10.4%	8.5%	10.7%	8.2%	9.1%	9.3%
HiTech Corp	14.2%	8.6%	4.4%	6.0%	10.4%	6.5%	5.2%	10.0%

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 23: Relative valuation (5-yr median PE)



Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

We are building in ~23% revenue CAGR over FY21-23E

Exhibit 24: Revenue growth- we are building in ~23% CAGR over FY21-23E

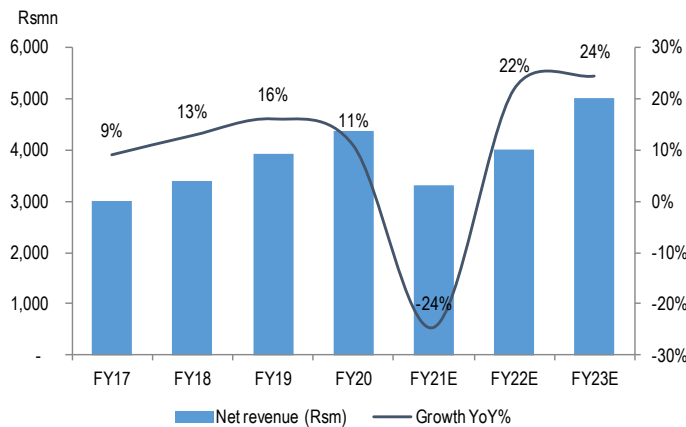
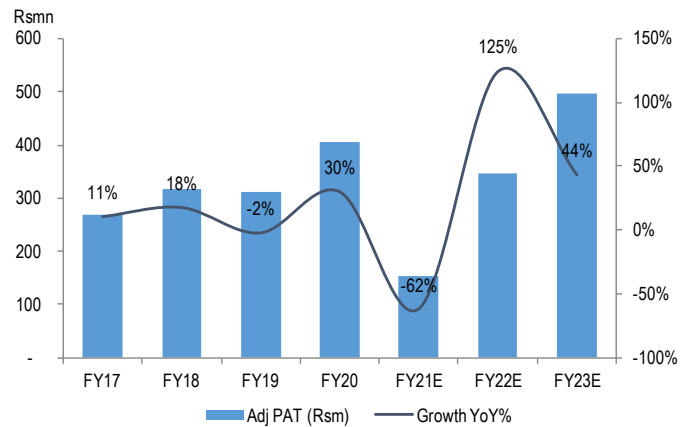


Exhibit 25: Earnings growth- we are building in ~80% CAGR over FY21-23E



Source: Company, Nirmal Bang Institutional Equities Research

Source: Company, Nirmal Bang Institutional Equities Research

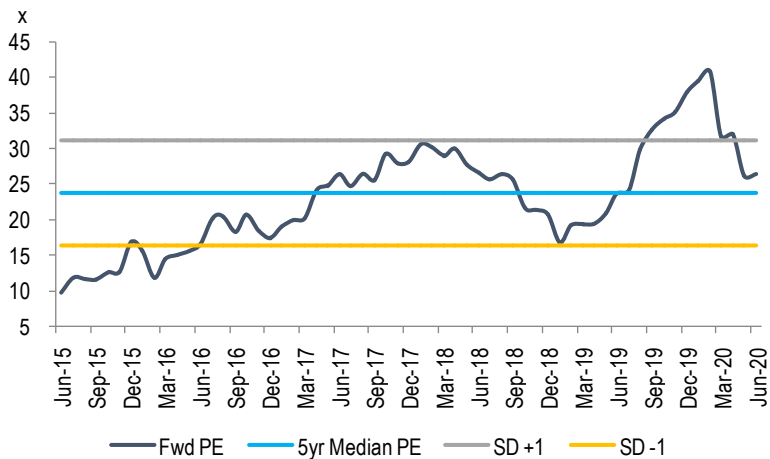
We have a Buy on MTEP with TP of Rs300 indicating an upside of 54% from CMP

Exhibit 26: Valuation summary

Particulars	Details	Comments
Sept'22E EPS	15	
Target PE multiple (x)	20	Broadly in-line with 5-yr median PE
Target price	300	

Source: Nirmal Bang Institutional Equities Research

Exhibit 27: One-year forward P/E



Source: Bloomberg, Company, Nirmal Bang Institutional Equities Research

Company background

MTEP was established in 1986 by two technocrats, J Lakshmana Rao and A Subramanyam. The company has more than 20 years of experience in rigid plastic packaging in India and claims market leadership with ~25% market share. It is involved in manufacturing injection molded packaging containers, primarily pails (cylindrical containers) for paints, lubricants, food and other products. The company has a world-class integrated facility, from product inception to mold designing, processing and decorating products. It did backward integration and started manufacturing in-house robots (currently 45) so as to reduce cost and improve quality control. MTEP currently is the only completely backward integrated player in IML technology globally, as per the management. MTEP has capacity of ~39,000 tonnes in India.

Exhibit 28: Management committee

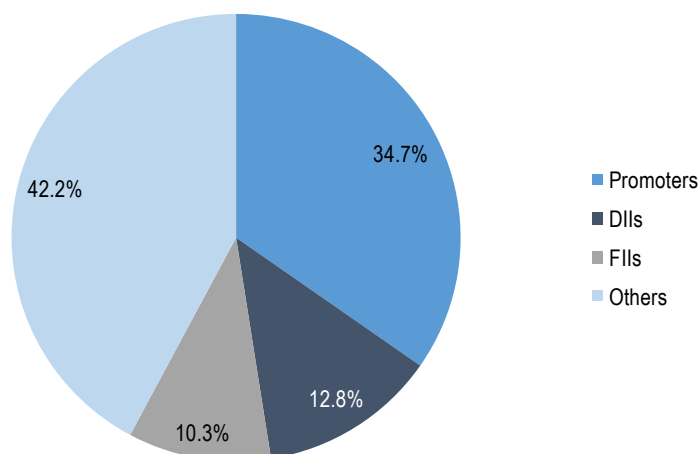
Name	Designation
J Lakshmana Rao	Chairman & Managing Director
A Subramanyam	Deputy Managing Director
P Venkateswara Rao	Deputy Managing Director

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 29: Capacity details

Unit	Location	State	Capacity (tonnes)
Unit I	Anagram village	Telangana	8,750
Unit II	Dommarapochampally village	Telangana	3,500
Unit III	Bhimpore	Daman	7,500
Unit IV	Mendak	Telangana	1,500
Unit V	Hosur	Tamil Nadu	750
Unit VI	Jeedimetla	Telangana	2,000
Unit VII	Mhavashi village, Satara	Maharashtra	3,000
RAK plant	Now Hyderabad	Telangana	3,000
APNT Plant I	Vizag	Telangana	3,000
APNT Plant II	Mysore	Karnataka	3,000
Label manufacturing unit	Quthbullapur	Telangana	5mnsqm

Exhibit 30: Shareholding pattern as on Mar-20



Source: BSE, Nirmal Bang Institutional Equities Research

Exhibit 31: Top 5 public shareholders

Particulars	% holding
DSP Blackrock Small Cap Fund	6.52
Verdipapirfondet Odin Emerging Markets	3.89
Principal Mutual Fund	3.65
Kitara India Micro Cap Growth Fund	2.99
Edelweiss Trusteeship Co Ltd	1.95

Source: BSE, Nirmal Bang Institutional Equities Research

Exhibit 32: Key clients in F&F



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 33: Key products in F&F



Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 34: Key products in Paints and Lubes



Source: Company, Nirmal Bang Institutional Equities Research

Financials
Exhibit 35: Income statement

Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	3,941	4,374	3,303	4,023	5,006
Growth YoY%	16.1	11.0	-24.5	21.8	24.4
COGS	2,387	2,569	1,962	2,353	2,913
Gross margin %	39.4	41.3	40.6	41.5	41.8
Staff costs	405	494	413	455	556
Other expenses	430	511	429	459	561
EBITDA	719	800	499	756	976
Growth YoY%	13.3	11.3	-37.7	51.6	29.1
EBITDA margin %	18.3	18.3	15.1	18.8	19.5
Depreciation	147	191	201	218	239
EBIT	572	610	297	538	738
Interest	71	102	103	86	84
Other income	13	12	12	12	12
PBT (bei)	515	519	206	464	666
PBT	400	491	206	464	666
ETR	39.7	22.2	25.2	25.2	25.2
PAT	241	382	154	347	498
Adj PAT	310	404	154	347	498
Growth YoY%	-2.1	30.2	-61.8	124.7	43.6

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 37: Balance sheet

Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
Share capital	139	139	139	139	139
Reserves	1,768	1,832	1,956	2,164	2,463
Net worth	1,906	1,971	2,095	2,303	2,602
Long term debt	740	815	733	733	733
Short term debt	149	252	252	200	200
Total debt	889	1,066	985	933	933
Other non-current liabilities	153	143	143	143	163
Total Equity & Liabilities	2,948	3,181	3,223	3,379	3,698
Gross block	2,639	3,057	3,237	3,587	3,987
Accumulated depreciation	875	1,066	1,268	1,486	1,724
Net Block	1,763	1,991	1,969	2,101	2,262
CWIP	160	115	115	115	115
Intangible and others	-	-	-	-	-
Other non-current assets	98	135	135	135	135
Investments	97	73	90	105	120
Trade receivables	664	580	633	716	823
Inventories	438	500	484	419	479
Cash & Cash equivalents	9	10	11	12	10
Other current assets	169	189	151	181	200
Total current assets	1,280	1,278	1,279	1,328	1,512
Trade payables	179	180	134	174	216
Other current liabilities	307	265	265	265	265
Total current liabilities	486	445	400	439	481
Total Assets	2,948	3,181	3,223	3,379	3,698

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 36: Cash flow

Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
PBT	400	491	206	464	666
Depreciation	152	194	201	218	239
Interest	71	102	103	86	84
Other adjustments	(96)	(84)	(12)	(12)	(12)
Change in Working capital	324	(124)	(46)	(9)	(144)
Tax paid	(136)	(125)	(52)	(117)	(168)
Operating cash flow	715	454	401	631	665
Capex	(822)	(357)	(180)	(350)	(400)
Free cash flow	(108)	96	221	281	265
Other investing activities	165	80	(5)	(3)	(3)
Investing cash flow	(658)	(278)	(185)	(353)	(403)
Issuance of share capital	0	0	0	0	0
Movement of Debt	152	227	(81)	(52)	0
Dividend paid (incl DDT)	(134)	(301)	(31)	(139)	(199)
Other financing activities	(71)	(102)	(103)	(86)	(64)
Financing cash flow	(52)	(175)	(215)	(277)	(263)
Net change in cash flow	5	1	1	1	(1)
Opening C&CE	9	9	10	11	12
Closing C&CE	9	10	11	12	10

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 38: Key ratios

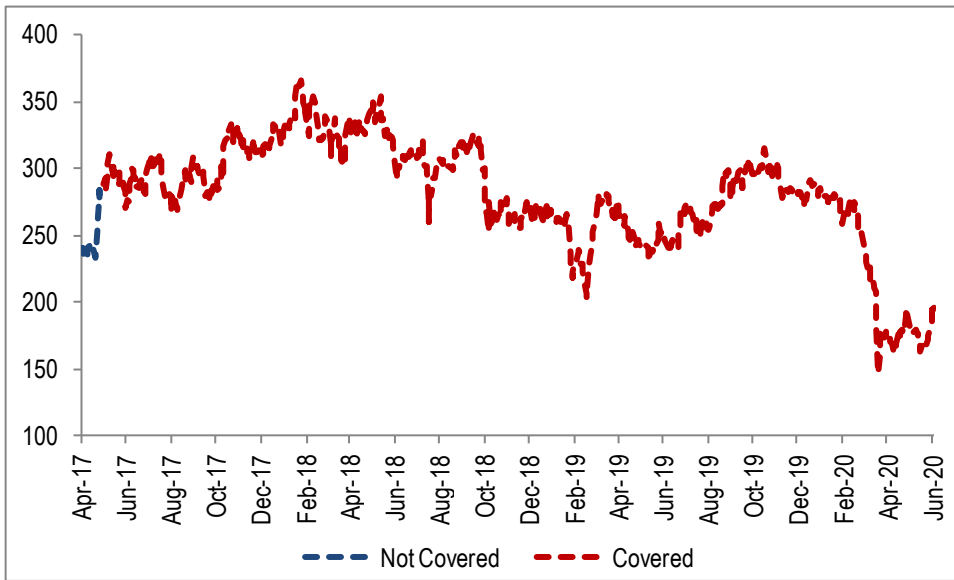
Y/E March (Rsm)	FY19	FY20	FY21E	FY22E	FY23E
Per share (Rs)					
Adj EPS	11.2	14.6	5.6	12.5	18.0
Book value	68.8	71.2	75.6	83.2	94.0
DPS	4.0	1.2	1.1	5.0	7.2
Valuation (x)					
P/Sales	1.4	1.3	1.7	1.4	1.1
EV/sales	1.6	1.5	2.0	1.6	1.3
EV/EBITDA	8.8	8.2	12.9	8.5	6.6
P/E	17.7	13.6	35.5	15.8	11.0
P/BV	2.9	2.8	2.6	2.4	2.1
Return ratios (%)					
RoCE	20.5	20.1	9.7	16.6	20.9
RoE	16.7	20.8	7.6	15.8	20.3
Profitability ratios (%)					
Gross margin	39.4	41.3	40.6	41.5	41.8
EBITDA margin	18.3	18.3	15.1	18.8	19.5
PAT margin	7.8	9.2	4.7	8.6	9.9
Liquidity ratios (%)					
Current ratio	1.0	1.0	1.1	1.1	1.2
Quick ratio	0.7	0.6	0.7	0.8	0.9
Solvency ratio (%)					
Debt to Equity ratio	0.5	0.5	0.5	0.4	0.4
Turnover ratios					
Fixed asset turnover ratio (x)	2.7	2.3	1.7	2.0	2.3
Debtor days	61	48	70	65	60
Inventory days	67	71	90	65	60
Creditor days	27	26	25	27	27
Net Working capital days	101	94	135	103	93

Source: Company, Nirmal Bang Institutional Equities Research

Rating track

Date	Rating	Market price (Rs)	Target price (Rs)
26 April 2017	Buy	259	351
31 May 2017	Buy	287	387
8 September 2017	Buy	302	381
15 November 2017	Buy	315	426
7 February 2018	Buy	325	460
1 June 2018	Buy	321	450
6 August 2018	Buy	307	450
13 November 2018	Buy	266	400
31 January 2019	Buy	219	400
8 June 2020	Buy	195	300

Rating track graph



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ACCUMULATE -5% to 15%

SELL < -5%

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