

27 April 2017

Initiating Coverage (BUY)

## EMMBI INDUSTRIES LTD

CMP

INR 161

Target Price

INR 207

## Stock Details

Industry	CONTAINER & PACKAGING
Bloomberg Code	EMMB:IN
BSE Code	533161
Face Value (Rs.)	10.00
Market Cap. (Rs. mn)	2887.9
52wk. Low/High (Adjusted) ((Rs.))	68.05/176.15

## Shareholding Pattern Mar '17

Promoter (%)	57.78
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	42.22
No. of Share Outstanding (mn)	17.69

## Valuation Summary

	FY 15A	FY 16A	FY 17P	FY 18P
P/E (x)*	04.87	26.88	27.00	27.00
EV/EBITDA (x)	1.62	10.87	9.94	9.97
P/BV (x)	0.46	3.96	3.72	3.84

\*TTM for Current Year

Based on Market Price as on 1<sup>st</sup> Apr is taken for Each FY

## Key Financial

Rs. Mn	FY 15A	FY 16A	FY 17P	FY 18P
Net Sales	1,838	2,079	2,599	3,249
EBITDA	202	270	314	368
Net Profit	60	106	114	135
EPS (Rs.)*	03.4	06.0	06.5	07.7

\*Un adjusted

## Key Ratios

	FY 15A	FY 16A	FY 17P	FY 18P
EBITDA Margin (%)	11.0	12.9	12.0	11.3
EBIT Margin (%)	9.3	11.1	10.4	9.9
Net Pro. Margin (%)	3.2	5.1	4.4	4.1
Debt/Equity (x)	0.11	0.07	0.07	0.05
RoNW (%)	9.8	15.5	14.7	15.2
RoCE (%)	7.8	12.4	11.8	12.3

One Year Price / Volume



We recommend 'BUY' on EMMBI INDUSTRIES LTD for a target of INR 207 - valuing the company at P/E 27x of FY18E Earning.

## INVESTMENT RATIONALE:

- Increasing share of value added products (VAP), margin accretive.
- Controlled NWC cycle, balance sheet strength to grow.
- With expansion on track; PAT growth to be robust.
- Product up-gradation, Innovation to the core.
- Online ERP system that would provide timely information for managerial decision-making and help us manage enterprise wide risk.
- Improved Financial Strength.
- The rating agency, CARE has improved both our long term, and short-term ratings to BBB+ and A3+ respectively.
- Besides the financial benefits from a tax saving perspective, we are now a preferred bidder for many government projects.
- We commenced the construction of "Positive Pressure Clean Room facility for manufacturing of Food and Pharmaceutical Grade FIBC Packaging Material". This shall initially help the company strengthen its product foothold in the international market, especially the US.
- Exports from US, UK, Europe has increased by 55% YoY and Middle East increased by 400%.
- Company is confident of showing promising growth in future from Export markets.

## VALUATIONS AND VIEW:

Emmbi Industries Limited is one of the region's most well established brands in the field of woven polyethylene and polypropylene product manufacturing. Along the way, emmbi picked up numerous awards and accolades, besides a clutch of prestigious clients across the world. We value the business at 27x FY18E EPS and recommend a BUY rating on the stock with a target price of INR 207 per share.

## RISK & CONCERN

- **Business Risk:** Unforeseen factors, be it related to industry, regulations, and/or the economy could affect business in an adverse manner, that could lead to impairment to income and capital.
- **Price volatility:** Dependent on global Crude prices. Price volatility in the international market is an area of concern.
- **Foreign Exchange Fluctuation:** Being a global player, movement in the foreign exchange rate affect the results of our operations, cash flows, liquidity and financial condition.
- **Unforeseen Events:** Unforeseen global and domestic social, economic events could act as threats to the business.
- **Future Capex Requirement:** No Information on how management going to deal with future Capex requirements.

## COMPANY BACKGROUND:

Emmbi Industries Limited (earlier Emmbi Polyarns Ltd.) is one of the region's most well established brands in the field of woven polyethylene and polypropylene product manufacturing. Emmbi Polyarns Limited was incorporated in 1994 and is headquartered in Mumbai, India. We have our manufacturing facility located at Silvassa in Gujarat. Since then, emmbi has grown from strength to strength, growing into a leading player in the area of woven polymeric products. Along the way, emmbi picked up numerous awards and accolades, besides a clutch of prestigious clients across the world.

Emmbi is engaged in the manufacture and sale of FIBC (Flexible Intermediate Bulk Containers) and Woven Sacks and various woven polymer based products like Container Liners, Protective Irrigation System, Canal Liners, Flexi Tanks, Car Covers etc. Emmbi Industries is a technical textile player manufacturing polypropylene based FIBCs (packaging material) and other utility products. Flexible intermediate bulk containers (FIBCs) are used in transportation of bulk commodities like chemicals, fertilisers, cereals, detergent, etc. Majority of FIBCs are meant for exports. Emmbi manufacturers both commoditised product & value added products namely anti-carcinogenic, tapering proof FIBCs among others.

### Products-

- Speciality Fibcs
- Standard Fibcs
- Containers Liner & Box Bags
- Sacks
- Jalasanchay: Aqua save water conservation products
- Krishirakshak: Crop Protection products
- Speciality Films & Fabrics
- Asbestos Removal Products
- Anti-Corrosive VCI Packaging

## INDUSTRY OVERVIEW:

Including packaging machinery, the global packaging industry turned over around USD485bn with packaging container sales of almost USD460bn and machinery sales of around USD25bn. Used in a wide range of industries across food and drink, healthcare, cosmetics and other consumer goods as well as a range of industrial sectors, packaging has become an essential everyday item, with its usage growing broadly in line with the global economy. As such, the health of the packaging industry is linked to that of the world economy as a whole and global trade.

## Peer Comparison

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div. Yld (%)	NP Qtr. (Rs Cr)	Qtr. Profit Var (%)	Sales Qtr. (Rs Cr)	Qtr. Sales Var (%)	CMP/BV
Uflex	323	7.1	2,335.6	0.99	73.8	(6.88)	1,495.9	0.92	0.65
Essel Propack	166	20.3	4,007.5	0.86	38.0	(7.62)	588.1	17.88	5.24
Varun Beverages	468	54.7	8,538.7	-	(90.6)	NaN	424.9	NaN	4.51
Time Technoplast	116	19.3	2,632.4	0.44	36.5	30.92	671.1	17.87	2.11
HSIL	338	20.0	2,445.1	1.18	26.5	(33.59)	481.8	(1.42)	1.54
Manaksia	71	4.2	464.4	2.82	25.0	49.85	228.6	(7.31)	0.36
Huhtamaki PPL	266	23.7	2,005.5	1.02	15.3	(25.83)	522.5	(1.04)	2.86
<b>Emmbi Industries</b>	<b>163.3</b>	<b>27.0</b>	<b>288.8</b>	<b>0.31</b>	<b>2.4</b>	<b>(5.16)</b>	<b>55.5</b>	<b>4.48</b>	<b>3.96</b>

\*TTM

## FINANCIAL OVERVIEW

### Q4 FY16 Performance Highlight

(in Million)	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	531.51	562.89	534.43	568.74	555.31	4.48%	-2.36%
Other Income	0.62	0.85	0.16	0.22	0.08		
Total Income	532.13	563.74	534.59	568.96	555.39	4.37%	-2.39%
Expenditure	-464.63	-491.72	-464.89	-495.66	-488.85		
<i>As a % of Sales</i>	87.42%	87.36%	86.99%	87.15%	88.03%		
Interest	-21.3	-20.35	-19.9	-19.61	-22.52	5.73%	14.84%
PBDT	46.2	51.67	49.8	53.69	44.02		
<i>As a % of Sales</i>	8.69%	9.18%	9.32%	9.44%	7.93%		
Depreciation	-9.39	-9.98	-10.11	-10.04	-10.65		
PBT	36.81	41.69	39.69	43.65	33.37	-9.35%	-23.55%
<i>As a % of Sales</i>	6.93%	7.41%	7.43%	7.67%	6.01%		
Tax	-11.59	-4.65	-10.33	-10.55	-9.43	-18.64%	-10.62%
Net Profit	25.22	37.04	29.36	33.1	23.94	-5.08%	-27.67%
<i>As a % of Sales</i>	4.74%	6.58%	5.49%	5.82%	4.31%		
Equity	176.9	176.9	176.9	176.9	176.9	0.00%	0.00%
EPS (Rs)	1.43	2.09	1.66	1.87	1.35	-5.59%	-27.81%
CEPS (Rs)	1.96	2.66	2.23	2.44	1.96		
OPM %	12.7	12.79	13.04	12.89	11.98		
NPM %	4.74	6.58	5.49	5.82	4.31		

### Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	1,402	1,591	1,838	2,079	2,599	3,249	3,736
Other Operating Income	0	1	6	13	27	16	23
<b>Expenditure</b>	<b>1,276</b>	<b>1,437</b>	<b>1,642</b>	<b>1,823</b>	<b>2,312</b>	<b>2,897</b>	<b>3,331</b>
<b>EBITDA</b>	<b>126</b>	<b>154</b>	<b>202</b>	<b>270</b>	<b>314</b>	<b>368</b>	<b>428</b>
Depreciation	25	29	31	37	41	44	45
<b>EBIT</b>	<b>101</b>	<b>125</b>	<b>172</b>	<b>233</b>	<b>273</b>	<b>325</b>	<b>383</b>
Interest Expenses	53	63	89	90	120	145	169
<b>PBT</b>	<b>48</b>	<b>62</b>	<b>83</b>	<b>143</b>	<b>153</b>	<b>180</b>	<b>214</b>
Tax	16	19	23	37	39	44	51
Extraordinary Items	-	-	-	-	-	-	-
<b>Net Income Before Adjustment</b>	<b>32</b>	<b>43</b>	<b>60</b>	<b>106</b>	<b>114</b>	<b>135</b>	<b>162</b>
Minority Int./Income from Assoc.	-	-	-	-	-	-	-
<b>Adjusted PAT</b>	<b>32</b>	<b>43</b>	<b>60</b>	<b>106</b>	<b>114</b>	<b>135</b>	<b>162</b>

### Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Equity share capita	177	177	177	177	177	177	177
Reserves & surplus	367	405	457	553	655	776	921
Share Warrants	-	-	-	-	-	-	-
Misc Expenditure	-	-	-	-	-	-	-
<b>Net worth</b>	<b>544</b>	<b>582</b>	<b>634</b>	<b>730</b>	<b>832</b>	<b>953</b>	<b>1,098</b>
Minority Interest	-	-	-	-	-	-	-
<b>Loan Funds</b>	<b>84</b>	<b>61</b>	<b>71</b>	<b>52</b>	<b>54</b>	<b>52</b>	<b>50</b>
Net deferred tax liability	37	43	50	57	57	57	57
Other Long-term Liabilities	-	-	-	-	-	-	-
Long-term Provisions	36	43	41	70	88	110	126
<b>Total Liabilities</b>	<b>701</b>	<b>731</b>	<b>796</b>	<b>911</b>	<b>1,032</b>	<b>1,174</b>	<b>1,333</b>
<b>Net block</b>	<b>475</b>	<b>520</b>	<b>555</b>	<b>626</b>	<b>661</b>	<b>644</b>	<b>625</b>
Investment, Loan & Adv.	36	41	35	56	66	83	95
<b>Total Current Assets</b>	<b>761</b>	<b>849</b>	<b>973</b>	<b>969</b>	<b>1,221</b>	<b>1,538</b>	<b>1,839</b>
<b>Current Liabilities &amp; Provisions</b>	<b>571</b>	<b>681</b>	<b>767</b>	<b>742</b>	<b>917</b>	<b>1,093</b>	<b>1,228</b>
<b>Net Current Assets</b>	<b>190</b>	<b>169</b>	<b>205</b>	<b>227</b>	<b>304</b>	<b>445</b>	<b>611</b>
<b>Total Assets</b>	<b>701</b>	<b>731</b>	<b>797</b>	<b>911</b>	<b>1,032</b>	<b>1,174</b>	<b>1,333</b>

### Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
<b>Operating Cash Flow</b>	<b>366</b>	<b>93</b>	<b>57</b>	<b>181</b>
<b>Cash Flow from Investments</b>	<b>(108)</b>	<b>(92)</b>	<b>(49)</b>	<b>(44)</b>
<b>Cash Flow from Financing</b>	<b>(281)</b>	<b>6</b>	<b>9</b>	<b>(59)</b>
<b>Net Changes in Cash</b>	<b>(22)</b>	<b>8</b>	<b>17</b>	<b>77</b>
Opening Cash	33	10	18	35
<b>Closing Cash Balance</b>	<b>10</b>	<b>18</b>	<b>35</b>	<b>113</b>

## Research Analyst Details

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