

17 March 2017

Initiating Coverage (BUY)

KANPUR PLASTIPACK LTD

CMP

INR 121

Target Price

INR 162

Stock Details	
Industry	CONTAINER & PACKAGING
Bloomberg Code	KNP:IN
BSE Code	50779
Face Value (Rs.)	10.00
Market Cap. (Rs. mn)	963.00
52wk. Low/High (Adjusted) ((Rs.)	77.44/139.15

Shareholding Pattern Dec '16	
Promoter (%)	69.19
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	30.81
No. of Share Outstanding (mn)	7.95

Valuation Summary				
	FY 15A	FY 16A	FY 17P	FY 18P
P/E (x)*	03.45	05.96	06.00	06.50
EV/EBITDA (x)	1.94	2.94	2.72	2.63
P/BV (x)	0.69	1.36	1.24	1.23

*TTM for Current Year

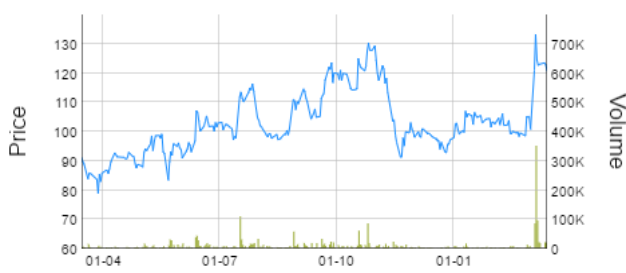
Based on Market Price as on 1st Apr is taken for Each FY

Key Financial				
Rs. Mn	FY 15A	FY 16A	FY 17P	FY 18P
Net Sales	2,460	2,460	2,583	2,789
EBITDA	293	375	408	441
Net Profit	114	165	179	199
EPS (Rs.)*	14.0	20.3	22.5	25.0

*Un adjusted

Key Ratios				
	FY 15A	FY 16A	FY 17P	FY 18P
EBITDA Margin (%)	11.7	15.0	15.6	15.6
EBIT Margin (%)	10.2	13.4	13.9	14.0
Net Pro. Margin (%)	4.6	6.6	6.8	7.0
Debt/Equity (x)	0.35	0.21	0.17	0.14
RoNW (%)	22.3	26.0	22.8	20.8
RoCE (%)	13.9	18.0	16.9	16.2

One Year Price / Volume



We recommend 'BUY' on KANPUR PLASTIPACK LTD for a target of INR 162 - valuing the company at P/E 6.50x of FY18E Earning.

INVESTMENT RATIONALE:

- KPL have a well-trained and a highly skilled work force.
- The Management is headed by people with huge experience and professionalism in Jumbo bags and FIBCs.
- Provides a One stop shop solution.
- End to end Integration allowing for complete control on Quality, Technical services, design, manufacturing and deliveries.
- A computer Interface with data base to make your Life go easier
- KPL to benefit from increased global and local acceptance of FIBCs.
- KPL is well placed in the international markets.
- The recovery of the North American economy has thrown up new opportunities in the market which the Company is gearing up to handle. Fresh efforts in South America have yielded some very positive results and opened up a huge market for fabrics.
- The management has embarked on a major project on operational excellence and business strategic growth.
- Fresh steps have been taken to improve cost effectiveness, excellence in product quality, customer service and operational productivity.

VALUATIONS AND VIEW:

KPL has evolved into an industrial bulk packaging solution provider. It is engaged in the manufacture and export of Flexible Intermediate Bulk Container (FIBC), Woven Sacks and Polypropylene (PP) high tenacity Multifilament Yarn. The company is ISO 22000 certified for food grade and clean room bags. We value the business at 6.05x FY18E EPS and recommend a BUY rating on the stock with a target price of INR 162 per share.

RISK & CONCERN

- **Price volatility:** The raw material used by the Company is oil based. Price volatility in the international market is an area of concern. Raw material price volatility and inability to pass on the hike.
- **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.
- No price advantage due to undifferentiated nature of FIBCs

COMPANY BACKGROUND:

Kanpur Plastipack Ltd., incorporated in the year 1971, is a Small Cap company operating in Packaging sector set up in the city of Kanpur. It became a public limited company in December 1985. The company has since then evolved into an industrial bulk packaging solution provider. KPL is engaged in the manufacture and export of Flexible Intermediate Bulk Container (FIBC), Woven Sacks and Polypropylene (PP) high tenacity Multifilament Yarn. The Company's segments include Manufacturing Operations, Consignment Stockiest and Solar Power Division.

The company is ISO 22000 certified for food grade and clean room bags. The Flexible Intermediate Bulk Container (FIBC) division produces 5m bags per annum. The company is promoted by Shri. Mahesh Swarup Agarwal. Spain, Italy, Germany, UK and France are among its major export markets. In the domestic market, it caters to the fertiliser and cement industries. Its manufacturing facilities are located in Kanpur- two in the Panki industrial area and one at Udyog Kunj. Exports comprise 65% of its total manufacturing and the rest is sold in the domestic market.

Products-

- Flexible Intermediate Bulk Containers- FIBC Bags
- PP/ HDPE Woven Bags
- Woven Fabrics
- FIBC/ Woven Bags Accessories
- Sulzer Fabric
- Multi Filament Yarn

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	266	5.8	1,917.5	1.21	73.8	(6.88)	1,495.9	0.92	0.53
Essel Propack	166	20.3	3,674.4	0.94	38.0	(7.62)	588.1	17.88	5.24
Time Technoplast	103	17.1	2,332.7	0.50	36.5	30.92	671.1	17.87	1.87
HSIL	325	19.2	2,350.0	1.23	26.5	(33.59)	481.8	(1.42)	1.48
Manaksia	70	4.1	455.6	2.88	25.0	49.85	228.6	(7.31)	0.35
Varun Beverages	358	76.1	6,526.7	-	(90.6)	NaN	424.9	NaN	49.56
Huhtamaki PPL	240	20.6	1,745.1	1.17	15.3	(25.83)	522.5	(1.04)	2.49
Kanpur Plastipa.	123.0	6.0	97.9	0.33	3.3	(1.19)	61.4	11.60	1.39

*TTM

FINANCIAL OVERVIEW

Q4 FY16 Performance Highlight

(in Million)	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	549.90	625.44	560.03	626.93	613.68	11.60%	-2.11%
Other Income	--	--	--	--	--		
Total Income	549.90	625.44	560.03	626.93	613.68	11.60%	-2.11%
Expenditure	-479.07	-529.12	-457.46	-551.34	-536.18		
As a % of Sales	87.12%	84.60%	81.68%	87.94%	87.37%		
Interest	-11.93	-17.52	-16.24	-14.79	-17.02	42.67%	15.08%
PBDT	58.89	78.8	86.32	60.8	60.49		
As a % of Sales	10.71%	12.60%	15.41%	9.70%	9.86%		
Depreciation	-10.46	-10.52	-9.8	-10.04	-10.19		
PBT	48.43	68.28	76.52	50.76	50.3	3.86%	-0.91%
As a % of Sales	8.81%	10.92%	13.66%	8.10%	8.20%		
Tax	-14.8	-35.15	-27.8	-16.1	-17.1	15.54%	6.21%
Net Profit	33.63	33.13	48.72	34.66	33.2	-1.28%	-4.21%
As a % of Sales	6.12%	5.30%	8.70%	5.53%	5.41%		
Equity	79.59	79.59	79.59	119.39	119.39	50.01%	0.00%
EPS (Rs)	4.23	4.16	--	2.9	2.78	-34.28%	-4.14%
CEPS (Rs)	5.54	5.48	7.35	3.74	3.63		
OPM %	12.88	15.4	18.32	12.06	12.63		
NPM %	6.12	5.3	8.7	5.53	5.41		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Net Sales	1,752	2,122	2,460	2,460	2,583	2,789	3,068
Other Operating Income	16	23	32	37	36	37	42
Expenditure	1,537	1,862	2,200	2,121	2,210	2,385	2,621
EBITDA	231	283	293	375	408	441	489
Depreciation	30	37	38	41	43	45	46
EBIT	201	245	255	334	365	397	443
Interest Expenses	86	89	89	77	87	90	101
PBT	116	157	166	258	278	307	342
Tax	47	48	52	93	99	108	119
Other Income	-	-	-	-	-	-	-
Extraordinary Items	(0)	(0)	-	-	-	-	-
Net Income Before Adjustment	69	109	114	165	179	199	223
Minority Int./Income from Assoc.	-	-	-	-	-	-	-
Adjusted PAT	69	109	114	165	179	199	223

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	100	100	100	100	100	100	100
Reserves & surplus	272	365	462	606	767	946	1,147
Share Warrants	-	-	-	-	-	-	-
Net worth	371	465	562	706	867	1,045	1,246
Minority Interest	-	-	-	-	-	-	-
Share Application Money	-	-	-	-	-	-	-
Loan Funds	263	244	198	150	152	150	148
Net deferred tax liability	54	54	60	74	74	74	74
Long-term Provisions	23	30	39	44	46	50	55
Total Liabilities	712	794	859	975	1,139	1,321	1,525
Net block	584	603	664	696	683	668	652
Investment, Loan & Adv.	25	27	34	46	48	51	56
Total Current Assets	753	988	950	989	1,145	1,392	1,682
Current Liabilities & Provisions	650	825	790	758	737	792	868
Net Current Assets	103	163	160	231	408	600	815
Total Assets	712	794	859	975	1,139	1,321	1,525

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
Operating Cash Flow	241	208	272	288
Cash Flow from Investments	(64)	(32)	(33)	(35)
Cash Flow from Financing	(182)	(71)	(74)	(74)
Net Changes in Cash	(5)	105	165	179
Opening Cash	16	11	116	281
Closing Cash Balance	11	116	281	460

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