

# CRISIL IER Independent Equity Research

**Select polymer products companies offer opportunity for shareholder value creation**

**December 2013**

Enhancing investment decisions



## Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

### About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

### About CRISIL Research

CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macroeconomy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

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**Last updated: May, 2013**

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## Polymer products companies

Select polymer products companies offer opportunity for shareholder value creation

According to CRISIL Research, the domestic polymer products industry is expected to continue to perform well driven by increase in penetration of polymer products in India and healthy demand from end-user industries. Select companies in the industry have performed better than others due to superior products and bargaining power with the customers. CRISIL Research has equity research coverage on five companies in this space and we believe that most of these companies offer scope for long-term shareholder value creation.

### Robust industry growth driven by substitution, healthy end-user demand

The domestic polymer products industry has grown at 18% and 20% CAGR over the past three and five years respectively. There are two primary reasons for this performance: 1) Lower cost of polymer products and superior properties (such as corrosion resistance, lower weight, higher life and better aesthetics) have led to the replacement of metals, wood and paper by polymers. Rise in awareness about the benefits of polymers and increase in their availability in India have supported substitution. 2) Demand from end-user industries such as FMCG, pharma, beverages, industrial chemicals, housing and consumer durables has been robust.

### Expect momentum to continue

CRISIL Research expects the domestic polymer products industry to continue to register healthy growth in the medium to long term driven by the following factors:

**a) Increase in penetration of polymer products:** The domestic per capita consumption of polymers at 9 kg is one of the lowest compared to the global average of 25 kg. We expect consumption to rise as we believe that select products such as pipes and packaging offer more scope for penetration.

**b) Sustained healthy end-user demand:** The demand for polymers products from key end-user industries is expected to remain robust. The FMCG, beverages, consumer durables and pharma industries are expected to register healthy growth driven mainly by rise in per capita income, favourable demographics and increase in penetration. Further, strong supply of real estate in metros as well as tier II and III cities and growing demand for new products such as CPVC pipes are likely to drive demand for polymer products from the housing industry.

### Select polymer products companies have posted superior earnings growth

Select polymer products companies (industry outperformers) have posted superior earnings growth in the past. Their earnings have grown at 11% and 14% CAGR while the other companies have reported 10% and 4% decline in earnings over the past three and five years, respectively. Superior earnings growth of the industry outperformers has been driven by: a) product portfolio with higher room for market penetration, b) market leadership, and c) focus on innovation and value-added products. These companies have posted ~600% returns over the past five years - compared to ~110% posted by the broader index (CNX 500) and 22% decline posted by other polymer products companies - on the back of superior earnings growth. They also command higher valuations and are currently trading at an average one-year forward P/E multiple of 10.6x compared to 5.5x for the other companies.

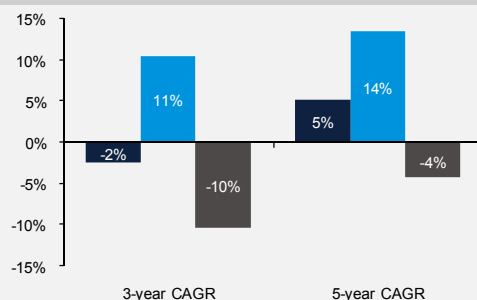
### CRISIL Research coverage: Select companies offer upside

CRISIL Research has five polymer product companies under coverage – The Supreme Industries Ltd (Supreme), Time Technoplast Ltd (Time), JBF Industries Ltd (JBF), Dhunseri Petrochem and Tea Ltd (Dhunseri) and Hitech Plast Ltd (Hitech). Time, JBF, Dhunseri and Hitech have a valuation grade of '5/5', indicating that their market price has a strong upside (more than 25%) from the current levels. Supreme has a valuation grade of 2/5, indicating that its market price has downside from the current levels (-10% to -25%).

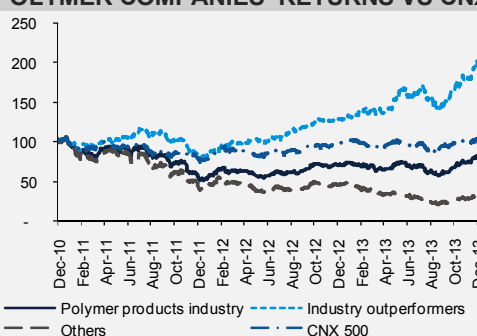
December 2013

CNX 500 4756

### OUTPERFORMERS – SUPERIOR EARNINGS



### POLYMER COMPANIES' RETURNS VS CNX 500



-Indexed to 100

### PERFORMANCE VIS-À-VIS MARKET

	Cumulative return			
	3-m	6-m	1-yr	3-yr
CNX 500	7%	7%	2%	0%
Polymer products Industry	28%	16%	14%	-19%
Industry outperformers	32%	27%	54%	100%
Others	20%	-7%	-35%	-71%

### KEY STOCK STATISTICS

Company	M.Cap (₹ mn)	CMP (₹)	Funda-mental grade	Fair value (₹)
Supreme	56,889	448	4/5	370
Time	7,323	35	4/5	47
JBF	5,367	74	2/5	126
Dhunseri	3,756	107	3/5	187
Hitech	576	44	3/5	60

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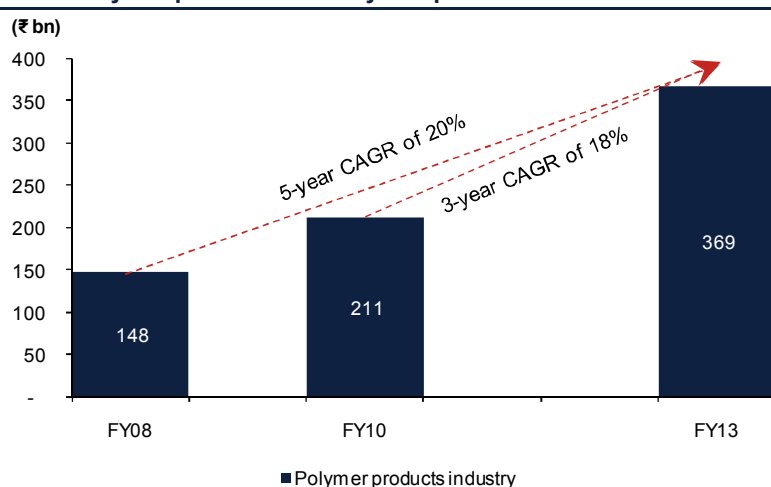
## Industry outlook

### Polymer products industry reported robust growth in the past

The polymer products industry has grown at 18% CAGR over the past three years and 20% CAGR over the past five years. The industry has reported 10% volume CAGR over the past five years. Increase in polymer prices and value-added products have boosted realisations too. The industry's robust performance can be attributed to a) the substitution effect - polymers (polyethylene, polypropylene, polyvinyl chloride, polystyrene, etc.) are replacing other packaging materials such as metals, glass, wood and paper due to low cost and superior properties; and b) strong demand from end-user industries such as FMCG, beverages, pharma, housing and consumer durables.

**Polymers are substituting other materials due to lower cost and superior properties**

**Figure 1: Polymer products industry has posted 20% CAGR over FY08-13**



**Companies included:** Astral Poly Technik, Bilcare, Cosmo Films, Essel Propack, Finolex Industries, Hitech Plast, Jindal Poly, Kisan Mouldings, Manjushree Technopak, Mold-Tek Packaging, Nilkamal, Pearl Polymer, Polyplex Corporation, Sintex Industries, The Supreme Industries, Time Technoplast, Uflex and Wim Plast Ltd

**Source:** CRISIL Research

### The substitution effect

The key reasons for preference for polymers is lower cost and superior properties (better strength, higher life of products, lower weight and better aesthetics) compared to other materials. These coupled with rise in awareness about the superior qualities and increased availability of polymers in India have led to an increase in penetration of polymer products in the domestic market. Some of the examples of substitution are as follows:

- Industrial packaging: Polymer drums are substituting metal drums in industrial applications such as packaging of chemicals. The cost of these drums is lower compared to the metal drums and they also have a higher resale value (Table 1). This and properties such as anti-corrosion, better strength, etc. have led to the increase in penetration of polymer drums in India.
- Pipes: PVC pipes are substituting galvanised iron (GI) pipes in industries such as housing, irrigation, etc. This is mainly as cost of PVC pipes is 15-20% lower than that of GI pipes. Also, PVC pipes are corrosion-free.

**The cost of PVC pipes is 15-20% lower than GI pipes**

■ Packaging:

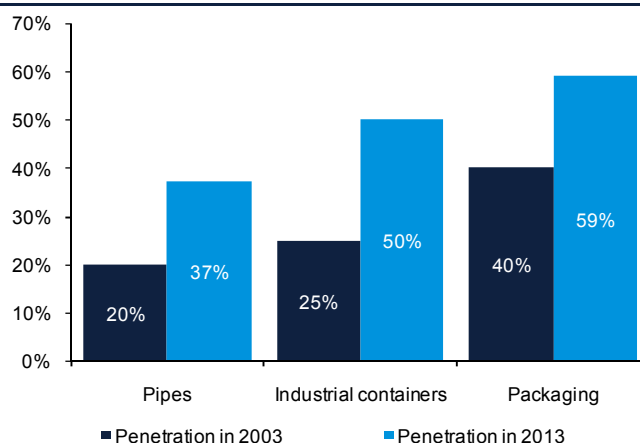
- Rigid packaging – polymer containers are replacing glass and tin containers used in packaging of food, beverages and also in industrial applications. This is mainly as polymer containers are easy to transport, have low breakage and are more cost effective.
- Flexible packaging – polymers are substituting paper in flexible packaging. Lower cost of polymer pouches and better aesthetics have resulted in this transition. This is mainly witnessed in FMCG packaging. Also, packaging of certain products is moving from rigid polymers to flexible polymers as it is possible to make smaller packages if a flexible material is used. This has been observed for items such as shampoo, ketchup, etc. packaged in sachets.

**Table 1: Polymer drums are more cost competitive**

Parameters (250 litres)	Polymer	Steel
Selling price	₹1,000 per drum	₹1,100 per drum
Resale value	₹650-700	₹300-400

Source: Industry sources, CRISIL Research

**Figure 2: Trend of polymer penetration across categories**



Source: Industry sources, CRISIL Research

## Expect growth momentum in the industry to continue

CRISIL Research expects the growth momentum in the domestic polymer products industry to continue. This is based on two beliefs: a) there is scope for further penetration of polymer products in the domestic industry, and b) the demand from end-user industries is expected to remain healthy.

### *There is scope for further penetration of polymer products*

India's current per capita consumption of polymers is 9 kg, which is significantly below the global average of 25 kg per capita. The per capita consumption of polymers in India is likely to increase as we believe that there is scope for further penetration of polymers for a number of products. Further, polymer prices are expected to soften in the medium term driven by reduction in crude oil prices, which is likely to support substitution.

**Table 2: Products with further scope for substitution**

Industry	Price differential between polymer and other products	Current penetration	Future potential
Pipes	15-20%	37%	Penetration of plastic pipes in India is lower than the global average of 50%; we believe there is significant opportunity for increase in penetration
Industrial containers	10%	50%	Domestic penetration is 50%, leaving room for an increase. Moreover, penetration of polymer drums in Asia (ex-India) is extremely low at ~5%. Hence, there is ample opportunity for industrial packaging companies which have expanded operations to other Asian countries - e.g. Time Technoplast
Packaging	NA	59%	CRISIL Research expects the share of polymers in the packaging industry to rise further

Source: CRISIL Research

***End-user industry demand is expected to remain healthy***

The key end-user industries for polymer products are expected to record healthy growth in the medium term which will drive growth in the polymer products industry.

- **FMCG:** The FMCG industry is expected to grow at 12-15% over the next few years driven by rise in per capita income, increasing preference for packaged products and rise in organised retail. Also, packaging as a medium of branding is gaining more importance in the FMCG industry. Since polymer packaging provides better aesthetics compared to most other materials, the demand of polymer products from the FMCG industry is expected to remain strong.
- **Pharma:** The domestic formulations market is expected to grow at a CAGR of 12-14% over the next five years, led by factors such as increase in healthcare awareness and higher per capita income.
- **Beverages:** CRISIL Research expects the non-alcoholic beverages industry to grow at a CAGR of 20% over the next two-three years driven by increase in penetration.
- **Housing:** The demand for plastic pipes in housing is expected to be strong driven by growing supply of real estate in metros as well as tier II and III cities. Also, new products such as CPVC pipes are adding to the demand.
- **Consumer durables:** The demand for consumer durables is expected to witness 8% volume CAGR over FY13-18 driven by rise in disposable incomes, increase in penetration levels and shorter replacement cycles.
- **Other industries:** Though the demand from industries such as auto, irrigation and construction is currently weak, the long-term prospects of these industries are healthy and likely to lead to increase in demand for polymer products used by these industries.

## Select polymer product companies have reported superior earnings growth

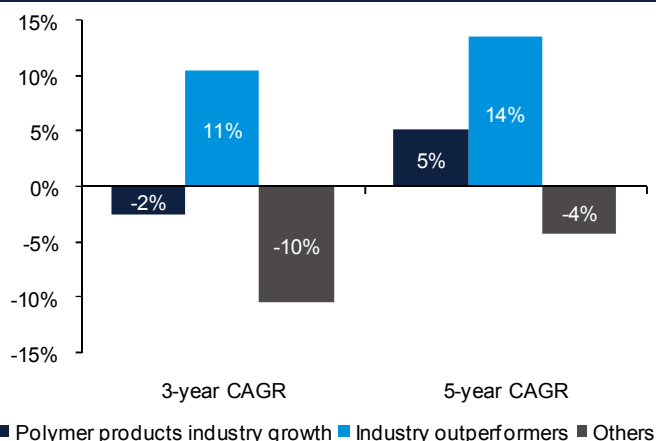
Select polymer companies (industry outperformers) have reported superior earnings growth in the past. Their earnings have grown by 11% and 14% CAGR while the other companies have reported 10% and 4% decline in earnings over the past three and five years respectively. We believe these companies have reported superior earnings growth driven by the following factors:

- Wide product portfolio with higher scope for market penetration
- Market leadership
- Focus on innovation and value-added products

The industry outperformers have better bargaining power compared to peers as there is a pull for their products in the market. This has enabled them to maintain profitability despite the recent weakening of demand and cost-side pressures.

**Industry outperformers have better bargaining power compared to peers as there is a pull for their products in the market**

**Figure 3: Outperformers – PAT growth of 14% over FY08-13**



Source: CRISIL Research

**Industry outperformers:** Astral Poly Technik, Essel Propack, Finolex Industries, The Supreme Industries and Time Technoplast

**Others:** Bilcare, Cosmo Films, Hitech Plast, Jindal Poly, Kisan Mouldings, Manjushree Technopak, Mold-Tek Packaging, Nilkamal, Pearl Polymer, Polyplex Corporation, Sintex Industries, Uflex and Wim Plast

**Table 3: Characteristics of industry outperformers**

	Product with higher scope of penetration	Market leader	Focus on value-added products
The Supreme Industries	√	√	√
Finolex Industries	√	√	-
Astral Poly Technik	√	√	√
Essel Propack	-	√	√
Time Technoplast	√	√	-

Source: Industry sources, CRISIL Research

**Valuation**

**Industry outperformers have posted higher returns vs CNX 500 and other peers in the past...**

Over the past five years, polymer product companies have posted returns in line with the CNX 500. However, industry outperformers have posted superior returns compared to CNX 500 as well as other peers. These companies have posted a five-year return of ~600% compared to 22% decline posted by other companies. Superior earnings growth of industry outperformers has led to higher returns.

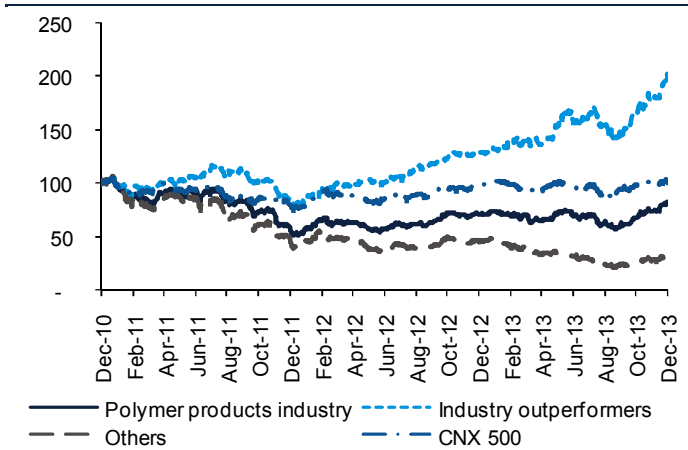
**Industry outperformers have outperformed CNX 500 and other polymer companies over the past five years**

**Table 4: Relative performance of polymer product companies with benchmark**

	1-m	3-m	6-m	1-year	3-year	5-year
Polymer products industry	10%	28%	16%	14%	-19%	129%
Industry outperformers	12%	32%	27%	54%	100%	584%
Others	6%	20%	-7%	-35%	-71%	-22%
CNX 500	3%	7%	7%	2%	0%	113%

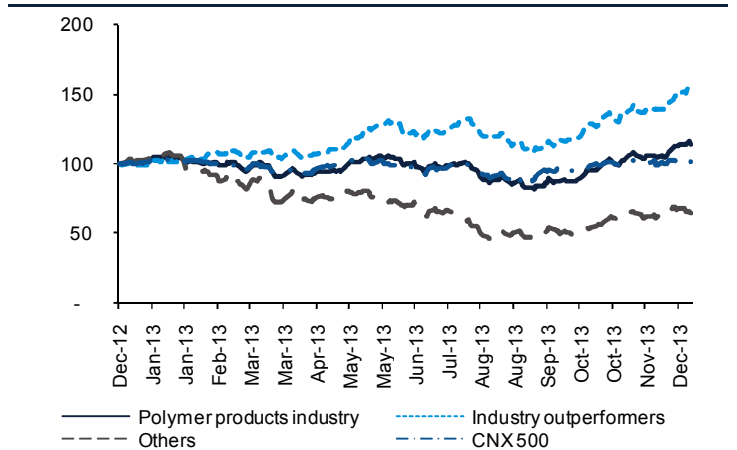
Source: NSE, CRISIL Research

**Figure 4: Three-year performance vis-à-vis CNX 500**



Source: CRISIL Research

**Figure 5: One-year performance vis-à-vis CNX 500**



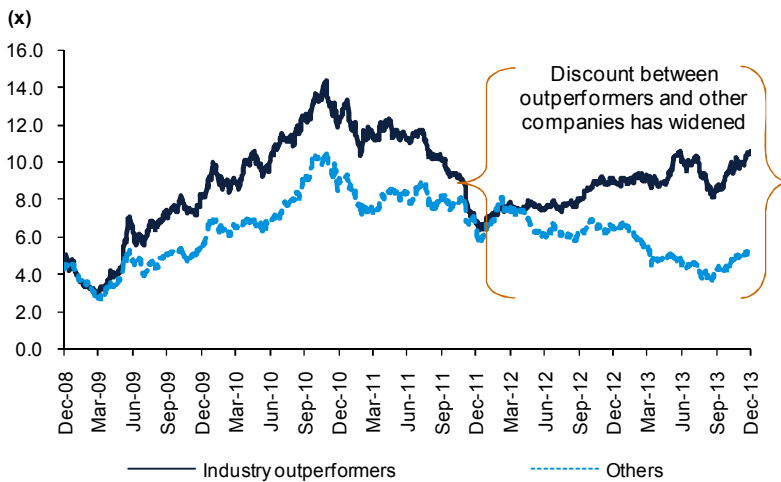
Source: Industry sources, CRISIL Research

**...And are trading at a premium to other companies**

The industry outperformers are currently trading at an average one-year forward P/E of 10.6x compared to other companies' 5.5x. Notably, the valuation gap between the two groups has increased by 50% over the past two years on the back of the strength of their business model and superior earnings growth posted by the industry outperformers.



**Figure 6: Industry outperformers are trading at twice the average P/E multiple of other companies**



Industry outperformers are currently trading at a P/E multiple of 10.6x vs 5.5x for the other companies

**Industry outperformers:** Astral Poly Technik, Essel Propack, Finolex Industries, The Supreme Industries and Time Technoplast

**Others:** Bilcare, Hitech Plast, Manjushree Technopak, Mold-Tek Packaging, Nilkamal, Sintex Industries, and Wim Plast

Source: NSE, CRISIL Research

**Select polymer products companies under CRISIL coverage offer upside**

CRISIL Research has five polymer product companies under coverage – The Supreme Industries Ltd (Supreme), Time Technoplast Ltd (Time), JBF Industries Ltd (JBF), Dhunseri Petrochem and Tea Ltd (Dhunseri) and Hitech Plast Ltd (Hitech). Time, JBF, Dhunseri and Hitech have a valuation grade of '5/5', indicating that their market price has a strong upside (more than 25%) from the current levels. Supreme has a valuation grade of 2/5, indicating that its market price has downside from the current levels (-10% to -25%).

**Valuation summary**

	NSE ticker	M.cap (₹ mn)	52-week		Grade		Price (₹)		P/E			P/B		
			High	Low	Fundamental	Valuation	CMP@	Fair Value	FY13	FY14E	FY15E	FY13	FY14E	FY15E
Supreme	SUPREMEIND	56,889	465	288	4/5	2/5	448	370	19.6	17.1	13.2	6.5	5.3	4.2
Time	TIMETECHNO	7,323	54	28	4/5	5/5	35	47	7.1	8.1	6.1	0.8	0.8	0.7
JBF	JBFIND	5,367	133	72	2/5	5/5	74	126	7.9	9.6	4.1	0.4	0.5	0.4
Dhunseri	DPTL	3,756	127	72	3/5	5/5	107	187	4.9	3.1	2.2	0.4	0.4	0.3
Hitech	HITECHPLAS	576	63	28	3/5	5/5	44	60	6.4	8.6	4.0	0.6	0.6	0.5

@ December 13, 2013

	Sales (₹ mn)			PAT (₹ mn)			EPS (₹)			EPS growth (%)			RoE (%)		
	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E
Supreme	33,949	40,454	47,496	2,901	3,336	4,300	22.8	26.3	33.9	20.5	15.0	28.9	36.8	34.0	35.2
Time	17,757	21,369	24,639	1,035	909	1,201	4.9	4.3	5.7	15.2	-12.2	32.1	12.5	9.9	11.8
JBF	74,551	83,030	97,758	968	858	2,002	13.3	13.1	30.7	(50.8)	(1.4)	133.4	5.7	5.0	11.3
Dhunseri	24,411	40,818	67,552	629	1,239	1,758	18.0	35.4	50.2	323.0	23.3	41.9	7.9	13.9	17.3
Hitech	4,398	4,716	5,541	90	67	143	6.9	5.1	10.8	-13.2	-26.2	114	7.5	5.3	10.4

Source: NSE, BSE, Company, CRISIL Research

# The Supreme Industries Ltd

## The performer

Fundamental Grade **4/5 (Superior fundamentals)**

Valuation Grade **2/5 (CMP has downside)**

The Supreme Industries Ltd (Supreme) is India's leading plastic products company. It has a well-diversified product portfolio comprising i) plastic piping system (50%), ii) packaging products (21%), iii) industrial products (18%) and iv) consumer products (8%).

### Grading rationale

- Supreme is one of the largest players in the PVC pipes industry. The company has kept pace with the market dynamics and has added high-potential products such as CPVC pipes and fittings in the past. Led by strong demand for plastic pipes in India due to upcoming investments in housing, replacement demand, and Supreme's established position, we expect this segment to continue to drive Supreme's overall growth over the next few years.
- It is the only Indian manufacturer of high-margin cross laminated (XF) films, a patented product of a Switzerland-based company which Supreme has licensed. Driven by its wide applications, we believe XF films have strong potential for growth in India.
- Supreme has an established position in its other businesses as well - protective packaging, performance films, industrial components and consumer products. We expect a majority of these businesses to continue to grow in line with end-user industries.
- The management is highly experienced with clear focus on high opportunity businesses and a strategy of moving away from commodity businesses.
- Supreme has reported PAT CAGR of 41% and average RoE of 38% over FY09-13. It has a healthy net debt: equity of 0.5x and a lean working capital cycle of 24 days which is lower than that of most of the peers.
- Intense competition in commodity products and rise in polymer prices are key risks.

### Financial performance

We expect revenues to grow at a two-year CAGR of 19% to ₹47.5 bn in FY15, driven by growth across all segments. We expect the commercial real estate project to contribute ₹900 mn in FY14 and ₹1.9 bn in FY15. PAT is expected to grow at a two-year CAGR of 21.4% to ₹4.3 bn in FY15. RoE and RoCE are expected to remain >30% over the forecast period.

### Valuation

Our discounted cash flow-based fair value estimate for Supreme is ₹370 per share. The core business (plastics excluding industrial subsidy and commercial real estate) is valued at ₹353 per share implying P/E multiples of 16x FY14E and 13.4x FY15E core EPS.

### KEY FORECAST

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Operating income	24,638	29,659	33,949	40,454	47,496
EBITDA	3,566	4,712	5,356	6,073	7,526
Adj PAT	1,941	2,408	2,901	3,336	4,300
Adj EPS-₹	15.3	19.0	22.8	26.3	33.9
EPS growth (%)	25.6	24.1	20.4	15.0	28.9
Dividend yield (%)	1.0	1.3	1.7	1.9	2.2
RoCE (%)	31.5	37.8	37.9	35.0	39.1
RoE (%)	40.4	38.7	36.8	34.0	35.2
PE (x)	29.3	23.6	19.6	17.1	13.2
P/BV (x)	10.4	8.2	6.5	5.3	4.2
EV/EBITDA (x)	17.4	12.8	11.5	10.1	8.0

Note: Supreme has financial year ending June

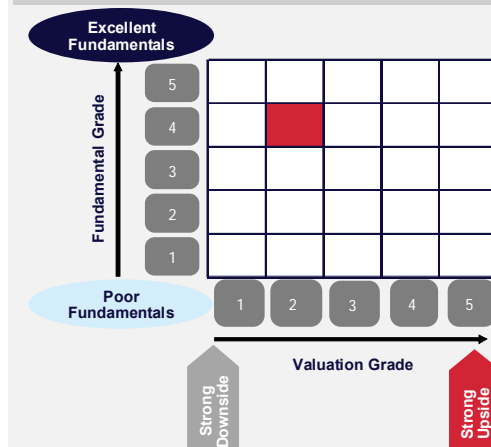
CMP: Current Market Price

Source: Company, CRISIL Research estimate

Fair Value **₹370**

CMP **₹448**

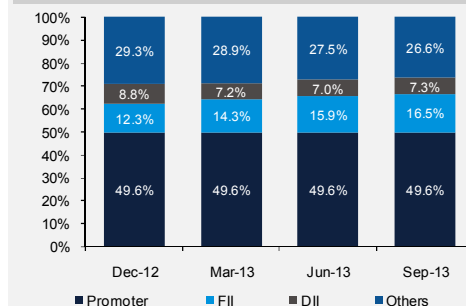
### CFV MATRIX



### KEY STOCK STATISTICS

NIFTY/SENSEX	6168/20176
NSE/BSE ticker	SUPREMEIND
Face value (₹ per share)	2
Shares outstanding (mn)	127.0
Market cap (₹ mn)/(US\$ mn)	56889/925
Enterprise value (₹ mn)/(US\$ mn)	61349/1022
52-week range (₹)/(H/L)	465/288
Beta	0.7
Free float (%)	50.4%
Avg daily volumes (30-days)	50,603
Avg daily value (30-days) (₹ mn)	21.5

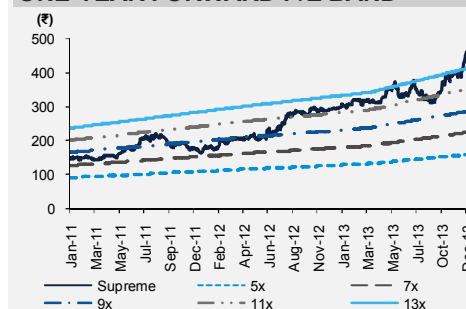
### SHAREHOLDING PATTERN



### PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Supreme	12%	36%	37%	53%
CNX 500	3%	7%	7%	2%

### ONE-YEAR FORWARD P/E BAND



## Annexure: Financials

### Income statement

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Operating income</b>	<b>24,638</b>	<b>29,659</b>	<b>33,949</b>	<b>40,454</b>	<b>47,496</b>
<b>EBITDA</b>	<b>3,566</b>	<b>4,712</b>	<b>5,356</b>	<b>6,073</b>	<b>7,526</b>
<b>EBITDA margin</b>	<b>14.5%</b>	<b>15.9%</b>	<b>15.8%</b>	<b>15.0%</b>	<b>15.8%</b>
Depreciation	629	725	817	992	1,150
<b>EBIT</b>	<b>2,938</b>	<b>3,987</b>	<b>4,539</b>	<b>5,081</b>	<b>6,375</b>
Interest	438	578	552	538	469
<b>Operating PBT</b>	<b>2,500</b>	<b>3,409</b>	<b>3,987</b>	<b>4,543</b>	<b>5,907</b>
Other income	319	149	244	291	325
Exceptional inc/(exp)	17	8	15	-	-
<b>PBT</b>	<b>2,836</b>	<b>3,567</b>	<b>4,246</b>	<b>4,834</b>	<b>6,232</b>
Tax provision	877	1,150	1,330	1,499	1,932
Minority interest	-	-	0.41	-	-
<b>PAT (Reported)</b>	<b>1,958</b>	<b>2,417</b>	<b>2,916</b>	<b>3,336</b>	<b>4,300</b>
Less: Exceptionals	17	8	15	-	-
<b>Adjusted PAT</b>	<b>1,941</b>	<b>2,408</b>	<b>2,901</b>	<b>3,336</b>	<b>4,300</b>

### Ratios

	FY11	FY12	FY13	FY14E	FY15E
<b>Growth</b>					
Operating income (%)	22.2	20.4	14.5	19.2	17.4
EBITDA (%)	19.9	32.1	13.7	13.4	23.9
Adj PAT (%)	24.9	24.1	20.4	15.0	28.9
Adj EPS (%)	24.9	24.1	20.4	15.0	28.9
<b>Profitability</b>					
EBITDA margin (%)	14.5	15.9	15.8	15.0	15.8
Adj PAT Margin (%)	7.9	8.1	8.5	8.2	9.1
RoE (%)	40.4	38.7	36.8	34.0	35.2
RoCE (%)	31.5	37.8	37.9	35.0	39.1
RoIC (%)	32.2	32.8	34.1	31.9	34.8
<b>Valuations</b>					
Price-earnings (x)	29.3	23.6	19.6	17.1	13.2
Price-book (x)	10.4	8.2	6.5	5.3	4.2
EV/EBITDA (x)	17.4	12.8	11.5	10.1	8.0
EV/Sales (x)	2.5	2.1	1.8	1.5	1.3
Dividend payout ratio (%)	27.9	31.5	32.7	32.2	29.5
Dividend yield (%)	1.0	1.3	1.7	1.9	2.2
<b>B/S ratios</b>					
Inventory days	44	34	50	35	35
Creditors days	53	45	60	52	52
Debtor days	23	21	20	22	22
Working capital days	34	29	24	19	17
Gross asset turnover (x)	2.3	2.4	2.4	2.5	2.5
Net asset turnover (x)	3.8	4.0	3.9	4.0	4.0
Sales/operating assets (x)	3.6	3.7	3.6	3.5	3.6
Current ratio (x)	1.7	1.6	1.4	1.4	1.4
Debt-equity (x)	0.9	0.5	0.5	0.4	0.3
Net debt/equity (x)	0.9	0.5	0.5	0.4	0.2
Interest coverage	6.7	6.9	8.2	9.5	13.6

### Per share

	FY11	FY12	FY13	FY14E	FY15E
Adj EPS (₹)	15.3	19.0	22.8	26.3	33.9
CEPS	20.2	24.7	29.3	34.1	42.9
Book value	43.1	54.8	69.2	85.3	107.1
Dividend (₹)	4.3	6.0	7.5	8.5	10.0
Actual o/s shares (mn)	127.0	127.0	127.0	127.0	127.0

### Balance Sheet

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Liabilities</b>					
Equity share capital	254	254	254	254	254
Reserves	5,223	6,713	8,535	10,577	13,349
Minorities	-	-	0	0	0
<b>Net worth</b>	<b>5,477</b>	<b>6,967</b>	<b>8,790</b>	<b>10,832</b>	<b>13,603</b>
Convertible debt	-	-	-	-	-
Other debt	5,143	3,511	4,698	4,698	3,498
<b>Total debt</b>	<b>5,143</b>	<b>3,511</b>	<b>4,698</b>	<b>4,698</b>	<b>3,498</b>
Deferred tax liability (net)	795	833	907	907	907
<b>Total liabilities</b>	<b>11,415</b>	<b>11,311</b>	<b>14,395</b>	<b>16,437</b>	<b>18,008</b>
<b>Assets</b>					
Net fixed assets	7,410	7,388	10,200	10,208	13,557
Capital WIP	378	703	499	2,499	99
<b>Total fixed assets</b>	<b>7,788</b>	<b>8,091</b>	<b>10,699</b>	<b>12,707</b>	<b>13,657</b>
<b>Investments</b>	<b>916</b>	<b>887</b>	<b>1,098</b>	<b>1,359</b>	<b>1,647</b>
<b>Current assets</b>					
Inventory	2,357	2,158	3,722	2,948	3,468
Sundry debtors	1,529	1,712	2,031	2,390	2,807
Loans and advances	2,417	2,278	2,269	2,427	2,850
Cash & bank balance	101	92	199	254	107
Marketable securities	41	52	40	40	40
<b>Total current assets</b>	<b>6,445</b>	<b>6,292</b>	<b>8,262</b>	<b>8,060</b>	<b>9,271</b>
<b>Total current liabilities</b>	<b>3,741</b>	<b>3,965</b>	<b>5,742</b>	<b>5,768</b>	<b>6,643</b>
<b>Net current assets</b>	<b>2,704</b>	<b>2,327</b>	<b>2,520</b>	<b>2,293</b>	<b>2,628</b>
Intangibles/Misc. expenditure	7	6	78	78	78
<b>Total assets</b>	<b>11,415</b>	<b>11,311</b>	<b>14,395</b>	<b>16,437</b>	<b>18,008</b>

### Cash flow

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Pre-tax profit	2,819	3,559	4,231	4,834	6,232
Total tax paid	(780)	(1,113)	(1,256)	(1,499)	(1,932)
Depreciation	629	725	817	992	1,150
Working capital changes	(486)	379	(99)	283	(483)
<b>Net cash from operations</b>	<b>2,181</b>	<b>3,550</b>	<b>3,693</b>	<b>4,611</b>	<b>4,968</b>
<b>Cash from investments</b>					
Capital expenditure	(2,666)	(1,027)	(3,497)	(3,000)	(2,100)
Investments and others	(264)	18	(199)	(261)	(287)
<b>Net cash from investments</b>	<b>(2,931)</b>	<b>(1,009)</b>	<b>(3,696)</b>	<b>(3,261)</b>	<b>(2,387)</b>
<b>Cash from financing</b>					
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	1,269	(1,632)	1,187	-	(1,200)
Dividend (incl. tax)	(635)	(886)	(1,113)	(1,294)	(1,529)
Others (incl. extraordinary)	30	(32)	34	(0)	(0)
<b>Net cash from financing</b>	<b>664</b>	<b>(2,550)</b>	<b>109</b>	<b>(1,294)</b>	<b>(2,729)</b>
Change in cash position	(85)	(9)	107	56	(148)
Closing cash	101	92	199	254	107

### Quarterly financials

(₹ mn)	Q1FY13	Q2FY13	Q3FY13	Q4FY13	Q1FY14
<b>Net Sales</b>	<b>6,176</b>	<b>8,150</b>	<b>9,177</b>	<b>10,537</b>	<b>7,051</b>
Change (q-o-q)	-33%	32%	13%	15%	-33%
<b>EBITDA</b>	<b>848</b>	<b>1,194</b>	<b>1,343</b>	<b>1,971</b>	<b>920</b>
Change (q-o-q)	-52%	41%	13%	47%	-53%
<b>EBITDA margin</b>	<b>13.7%</b>	<b>14.6%</b>	<b>14.6%</b>	<b>18.7%</b>	<b>13.0%</b>
PAT	390	664	758	1,089	430
<b>Adj PAT</b>	<b>390</b>	<b>664</b>	<b>758</b>	<b>1,089</b>	<b>430</b>
Change (q-o-q)	-59%	70%	14%	44%	-61%
<b>Adj PAT margin</b>	<b>6.3%</b>	<b>8.1%</b>	<b>8.3%</b>	<b>10.3%</b>	<b>6.1%</b>
<b>Adj EPS</b>	<b>3.1</b>	<b>5.2</b>	<b>6.0</b>	<b>8.6</b>	<b>3.4</b>

Source: Company, CRISIL Research estimate

# Time Technoplast Ltd

## Domestic profitability under pressure

Fundamental Grade **4/5 (Superior fundamentals)**

Valuation Grade **5/5 (CMP has strong upside)**

Mumbai-based Time Technoplast Ltd (Time) manufactures polymer-based products under four main segments: industrial packaging (62% of revenues), infrastructure products (17%), automotive products (8%) and lifestyle products (10%).

### Grading rationale

- Time is the market leader in the domestic industrial packaging market with ~70% market share. Over the years, it has built strong relationships with more than 500 institutional clients and has ~30 manufacturing facilities, which have enabled it to service clients across India.
- Over FY11-13, the company has opted for an Asia-focused expansion for its industrial packaging products. It currently has a presence in 10 countries. The penetration of polymer drums in these geographies is low and Time plans to replicate its India strategy in these regions. We expect the established geographies (Bahrain, Taiwan, Thailand and UAE) to drive Time's revenues in the near term. The new geographies (China, Egypt, Indonesia, Malaysia, South Korea and Vietnam) are expected to start contributing from FY14 onwards aided by Time's strategic vendor status with various global chemical companies.
- Time was unable to pass on the recent rupee depreciation-led increase in polymer prices completely since the domestic demand is sluggish. We expect raw material prices to remain high and the demand to be muted. Hence, we expect Time's overall EBITDA margin to decline by 200 bps over FY13-15 to 14.5%.
- In Q2FY14, Time started sales of composite cylinders to Reliance Gas in India and some more orders are expected from the non-subsidised LPG market. However, the subsidised domestic LPG cylinders segment, which comprises majority of the domestic market, is still to accept composite cylinders. Also, Time has not been able to secure any large order for its composite cylinders facility located in Bahrain.
- Time's capex is expected to moderate over FY13-15 as the international expansion is complete and the company now plans to focus on improving capacity utilisation rates. Accordingly, return ratios are expected to improve in FY15.
- Inability to ramp up utilisation rates of the new international capacities and further increase in raw material prices are key risks for the company.

### Financial performance

Revenues are expected to grow at a two-year CAGR of 18% to ₹24.6 bn in FY15 driven by increase in utilisation of international capacities and sustained growth in the domestic industrial packaging market. PAT is expected to grow at a two-year CAGR of 8% due to pressure on EBITDA margin.

### Valuation

Our discounted cash flow-based fair value estimate for Time is ₹47 per share. At this value, the implied P/E multiples are 10.9x FY14E and 8.2x FY15E EPS.

### KEY FORECAST

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Operating income	12,591	15,095	17,757	21,369	24,639
EBITDA	2,364	2,444	2,920	3,029	3,567
Adj PAT	1,077	898	1,035	909	1,201
Adj EPS-₹	5.1	4.3	4.9	4.3	5.7
EPS growth (%)	18.5	(17.0)	15.2	(12.2)	32.1
Dividend yield (%)	1.6	1.3	1.3	1.3	1.6
RoCE (%)	16.8	13.3	13.8	12.4	13.8
RoE (%)	17.1	12.2	12.5	9.9	11.8
PE (x)	6.8	8.2	7.1	8.1	6.1
P/BV (x)	1.1	0.9	0.8	0.8	0.7
EV/EBITDA (x)	5.5	6.1	5.3	5.3	4.6

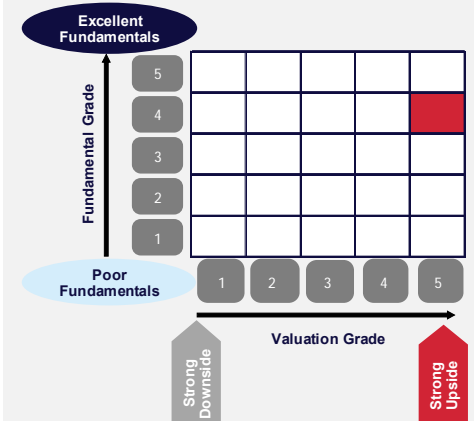
CMP: Current Market Price

Source: Company, CRISIL Research estimate

Fair Value **₹47**

CMP **₹35**

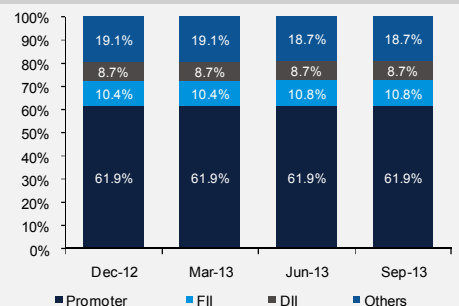
### CFV MATRIX



### KEY STOCK STATISTICS

NIFTY/SENSEX	6168/20716
NSE/BSE ticker	TIMETECHNO/TIMETECNO
Face value (₹ per share)	1
Shares outstanding (mn)	210
Market cap (₹ mn)/(US\$ mn)	7,323/118
Enterprise value (₹ mn)/(US\$ mn)	15,599/252
52-week range (₹)/(H/L)	54/28
Beta	1.0
Free float (%)	38.1
Avg daily volumes (30-days)	16,672
Avg daily value (30-days) (₹ mn)	0.6

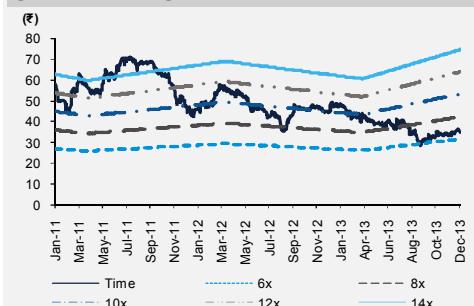
### SHAREHOLDING PATTERN



### PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Time	5%	12%	-9%	-23%
CNX 500	3%	7%	7%	2%

### ONE-YEAR FORWARD P/E BAND



## Annexure: Financials

### Income statement

(₹ m n)	FY11	FY12	FY13	FY14E	FY15E
<b>Operating income</b>	<b>12,591</b>	<b>15,095</b>	<b>17,757</b>	<b>21,369</b>	<b>24,639</b>
<b>EBITDA</b>	<b>2,364</b>	<b>2,444</b>	<b>2,920</b>	<b>3,029</b>	<b>3,567</b>
<b>EBITDA margin</b>	<b>18.8%</b>	<b>16.2%</b>	<b>16.4%</b>	<b>14.2%</b>	<b>14.5%</b>
Depreciation	440	556	675	849	961
<b>EBIT</b>	<b>1,924</b>	<b>1,888</b>	<b>2,245</b>	<b>2,180</b>	<b>2,606</b>
Interest	451	685	886	960	991
<b>Operating PBT</b>	<b>1,473</b>	<b>1,203</b>	<b>1,359</b>	<b>1,220</b>	<b>1,615</b>
Other income	19	26	49	27	27
Exceptional inc/(exp)	54	0	(9)	-	-
<b>PBT</b>	<b>1,545</b>	<b>1,230</b>	<b>1,400</b>	<b>1,247</b>	<b>1,642</b>
Tax provision	356	308	341	299	394
Minority interest	59	23	33	39	47
<b>PAT (Reported)</b>	<b>1,131</b>	<b>898</b>	<b>1,026</b>	<b>909</b>	<b>1,201</b>
Less: Exceptionals	54	0	(9)	-	-
<b>Adjusted PAT</b>	<b>1,077</b>	<b>898</b>	<b>1,035</b>	<b>909</b>	<b>1,201</b>

### Ratios

	FY11	FY12	FY13	FY14E	FY15E
<b>Growth</b>					
Operating income (%)	25.9	19.9	17.6	20.3	15.3
EBITDA (%)	21.1	3.4	19.5	3.7	17.7
Adj PAT (%)	18.5	(16.6)	15.2	(12.2)	32.1
Adj EPS (%)	18.5	(17.0)	15.2	(12.2)	32.1

### Profitability

EBITDA margin (%)	18.8	16.2	16.4	14.2	14.5
Adj PAT Margin (%)	8.6	5.9	5.8	4.3	4.9
RoE (%)	17.1	12.2	12.5	9.9	11.8
RoCE (%)	16.8	13.3	13.8	12.4	13.8
RoIC (%)	14.6	12.0	12.8	11.3	12.3

### Valuations

Price-earnings (x)	6.8	8.2	7.1	8.1	6.1
Price-book (x)	1.1	0.9	0.8	0.8	0.7
EV/EBITDA (x)	5.5	6.1	5.3	5.3	4.6
EV/Sales (x)	1.0	1.0	0.9	0.8	0.7
Dividend payout ratio (%)	10.4	11.0	9.6	10.8	9.8
Dividend yield (%)	1.6	1.3	1.3	1.3	1.6

### B/S ratios

Inventory days	97	93	93	90	90
Creditors days	68	71	70	70	70
Debtor days	67	72	68	69	69
Working capital days	108	110	106	101	103
Gross asset turnover (x)	1.6	1.6	1.5	1.6	1.6
Net asset turnover (x)	2.3	2.2	2.2	2.3	2.5
Sales/operating assets (x)	2.0	1.9	1.8	2.1	2.3
Current ratio (x)	3.3	3.1	2.9	2.8	2.8
Debt-equity (x)	0.9	1.0	0.9	0.9	0.8
Net debt/equity (x)	0.8	0.9	0.9	0.8	0.8
Interest coverage	5.2	3.6	3.3	3.2	3.6

### Per share

	FY11	FY12	FY13	FY14E	FY15E
Adj EPS (₹)	5.1	4.3	4.9	4.3	5.7
CEPS	7.2	6.9	8.1	8.4	10.3
Book value	32.7	37.4	41.7	45.6	50.9
Dividend (₹)	0.6	0.5	0.5	0.5	0.6
Actual o/s shares (mn)	209	210	210	210	210

### Balance Sheet

(₹ m n)	FY11	FY12	FY13	FY14E	FY15E
<b>Liabilities</b>					
Equity share capital	209	210	210	210	210
Reserves	6,230	7,081	7,976	8,771	9,835
Minorities	414	569	569	608	655
<b>Net worth</b>	<b>6,853</b>	<b>7,861</b>	<b>8,755</b>	<b>9,589</b>	<b>10,700</b>
Convertible debt	-	-	-	-	-
Other debt	5,891	7,685	8,246	8,646	8,796
<b>Total debt</b>	<b>5,891</b>	<b>7,685</b>	<b>8,246</b>	<b>8,646</b>	<b>8,796</b>
Deferred tax liability (net)	287	339	369	369	369
<b>Total liabilities</b>	<b>13,031</b>	<b>15,885</b>	<b>17,370</b>	<b>18,604</b>	<b>19,865</b>
<b>Assets</b>					
Net fixed assets	5,951	7,650	8,753	9,654	10,193
Capital WIP	1,191	1,349	1,475	725	475
<b>Total fixed assets</b>	<b>7,143</b>	<b>8,998</b>	<b>10,228</b>	<b>10,379</b>	<b>10,668</b>
<b>Investments</b>	-	-	-	-	-
<b>Current assets</b>					
Inventory	2,589	3,082	3,617	4,332	4,995
Sundry debtors	2,503	3,208	3,629	4,367	5,035
Loans and advances	1,071	1,376	1,289	1,710	1,971
Cash & bank balance	537	664	535	515	483
Marketable securities	-	3	4	4	4
<b>Total current assets</b>	<b>6,700</b>	<b>8,334</b>	<b>9,073</b>	<b>10,927</b>	<b>12,488</b>
<b>Total current liabilities</b>	<b>2,061</b>	<b>2,708</b>	<b>3,181</b>	<b>3,951</b>	<b>4,540</b>
<b>Net current assets</b>	<b>4,639</b>	<b>5,626</b>	<b>5,892</b>	<b>6,976</b>	<b>7,948</b>
<b>Intangibles/Misc. expenditure</b>	<b>1,249</b>	<b>1,260</b>	<b>1,249</b>	<b>1,249</b>	<b>1,249</b>
<b>Total assets</b>	<b>13,031</b>	<b>15,885</b>	<b>17,370</b>	<b>18,604</b>	<b>19,865</b>

### Cash flow

(₹ m n)	FY11	FY12	FY13	FY14E	FY15E
Pre-tax profit	1,492	1,229	1,408	1,247	1,642
Total tax paid	(280)	(256)	(311)	(299)	(394)
Depreciation	440	556	675	849	961
Working capital changes	(764)	(858)	(394)	(1,104)	(1,004)
<b>Net cash from operations</b>	<b>887</b>	<b>672</b>	<b>1,378</b>	<b>693</b>	<b>1,205</b>
<b>Cash from investments</b>					
Capital expenditure	(2,219)	(2,423)	(1,894)	(1,000)	(1,250)
Investments and others	-	(3)	(1)	-	-
<b>Net cash from investments</b>	<b>(2,219)</b>	<b>(2,425)</b>	<b>(1,895)</b>	<b>(1,000)</b>	<b>(1,250)</b>
<b>Cash from financing</b>					
Equity raised/(repaid)	0	15	-	-	-
Debt raised/(repaid)	1,493	1,795	560	400	150
Dividend (incl. tax)	(136)	(114)	(115)	(114)	(137)
Others (incl extraordinary)	81	186	(58)	(0)	(0)
<b>Net cash from financing</b>	<b>1,437</b>	<b>1,881</b>	<b>388</b>	<b>286</b>	<b>13</b>
Change in cash position	105	127	(129)	(21)	(32)
Closing cash	537	664	535	515	483

### Quarterly financials

(₹ m n)	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14
<b>Net Sales</b>	<b>4,319</b>	<b>4,411</b>	<b>5,206</b>	<b>4,892</b>	<b>5,323</b>
Change (q-o-q)	7%	2%	18%	-6%	9%
<b>EBITDA</b>	<b>740</b>	<b>772</b>	<b>741</b>	<b>695</b>	<b>748</b>
Change (q-o-q)	12%	4%	-4%	-6%	8%
<b>EBITDA margin</b>	<b>17.1%</b>	<b>17.5%</b>	<b>14.2%</b>	<b>14.2%</b>	<b>14.1%</b>
PAT	267	291	242	190	219
<b>Adj PAT</b>	<b>267</b>	<b>291</b>	<b>242</b>	<b>190</b>	<b>219</b>
Change (q-o-q)	14%	9%	-17%	-21%	15%
<b>Adj PAT margin</b>	<b>6.2%</b>	<b>6.6%</b>	<b>4.6%</b>	<b>3.9%</b>	<b>4.1%</b>
<b>Adj EPS</b>	<b>1.3</b>	<b>1.4</b>	<b>1.2</b>	<b>0.9</b>	<b>1.0</b>

Source: Company, CRISIL Research estimate

# JBF Industries Ltd

Future growth to be driven by expansion and integration

Fundamental Grade 2/5 (Moderate fundamentals)

Valuation Grade 5/5 (CMP has strong upside)

JBF is one of the key players in the polyester segment. Since inception, JBF has focused on the polyester part of the textile value chain. The company is present in polyester chips and polyester partially-oriented yarn segments, and is now increasing its presence in bottle gradechips and PET films.

## Grading rationale

- JBF is in the process of backward integrating into manufacturing PTA (purified terephthalic acid), the key raw material for chips. This is a positive step for JBF as it will ensure consistent supply of PTA, which will reduce logistics cost, enhance margins, lower working capital requirement and improve its competitive position in the industry.
- JBF continues to focus on the de-risking strategy; after forward integrating into filament yarn (POY) it has shifted a portion of its fibre grade capacity to bottle grade capacity, owing to reduction in market size of the former. Moreover, at a five-year ~5% CAGR, PET is one of the fastest growing polyester inputs globally.
- JBF plans to expand its PET capacity by 390,000 tonnes by setting up a new plant in Belgium adjacent to British Petroleum's PTA plant, thereby giving it entry into European markets where it does not supply bottle grade chips. Proximity to BP's PTA facility will ensure continuous supply of PTA with logistical cost savings.
- In UAE, JBF is expanding the film capacity by setting up a 90,000 TPAPET plant in Bahrain. The Bahrain capacity will be exclusively for exports and will cater to the US market where it will have a competitive advantage because of Bahrain's free trade agreement (FTA) with the US.
- Key risks:** Delay in execution of the projects and cost overruns are key risks for the company. Profitability is likely to be under pressure as polyester and PET industries are expected to face oversupply globally.

## Financial performance

We expect revenues to increase at a two-year CAGR of 14.5% to ₹97.8 bn in FY15. EBITDA margin is expected to expand by 80 bps to 10.1% in FY15. We expect reduction in derivative losses to improve profitability and return ratios. EPS is expected to grow at a two-year CAGR of 52% to ₹30.7

## Valuation

Our discounted cash flow-based outstanding fair value estimate for JBF is ₹126 per share. At this value, the implied P/E multiples are 10.6x FY14E and 4.1x FY15E EPS.

## KEY FORECAST

(₹mn)	FY11	FY12	FY13	FY14	FY15
Operating income	64,658	71,772	74,551	83,030	97,758
EBITDA	9,629	7,141	6,957	7,460	9,827
Adj net income	5,408	1,948	968	858	2,002
Adj EPS-₹	75.5	27.1	13.3	13.1	30.7
EPS growth (%)	147.4	(64.2)	(50.8)	(1.4)	133.4
Dividend yield (%)	5.9	6.0	1.2	4.0	6.7
RoCE (%)	28.6	13.9	9.2	7.1	7.6
RoE (%)	40.7	12.9	5.7	5.0	11.3
PE (x)	1.8	5.0	7.9	9.6	4.1
P/BV (x)	0.7	0.6	0.4	0.5	0.4
EV/EBITDA (x)	2.6	4.9	6.6	9.6	8.7

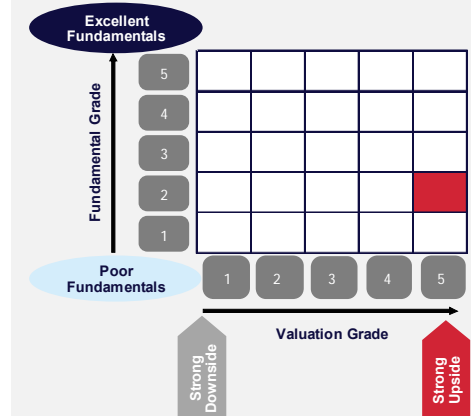
CMP: Current Market Price

Source: Company, CRISIL Research estimate

Fair Value ₹126

CMP ₹74

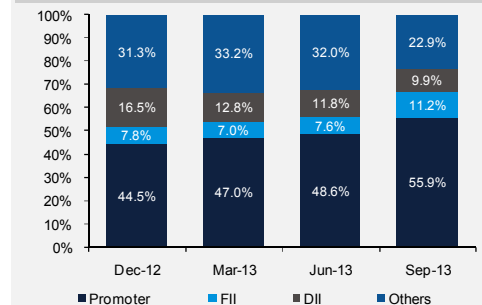
## CFV MATRIX



## KEY STOCK STATISTICS

NIFTY/SENSEX	6168/20716
NSE/BSE ticker	JBFIND
Face value (₹ per share)	10
Shares outstanding (mn)	65.3
Market cap (₹ mn)/(US\$ mn)	5,367/87
Enterprise value (₹ mn)/(US\$ mn)	44,100/744
52-week range (₹)/(H/L)	133/72
Beta	1.2
Free float (%)	44.1%
Avg daily volumes (30-days)	98,130
Avg daily value (30-days) (₹ mn)	7.9

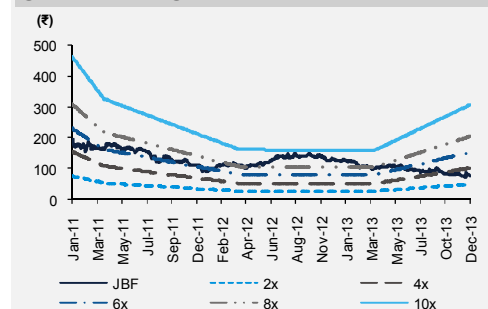
## SHAREHOLDING PATTERN



## PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
JBF	-6%	-26%	-27%	-42%
CNX500	3%	7%	7%	2%

## ONE-YEAR FORWARD P/E BAND



## Annexure: Financials (Consolidated)

Income statement						Balance Sheet					
(₹ mn)	FY11	FY12	FY13	FY14E	FY15E	(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Operating income</b>	<b>64,658</b>	<b>71,772</b>	<b>74,551</b>	<b>83,030</b>	<b>97,758</b>	<b>Liabilities</b>					
<b>EBITDA</b>	<b>9,629</b>	<b>7,141</b>	<b>6,957</b>	<b>7,460</b>	<b>9,827</b>	Equity share capital	717	720	726	651	651
<b>EBITDA margin</b>	<b>14.9%</b>	<b>10.0%</b>	<b>9.3%</b>	<b>9.0%</b>	<b>10.1%</b>	Reserves	13,526	15,340	16,873	16,378	17,731
Depreciation	1,289	1,784	2,167	2,448	3,094	Minorities	-	-	-	-	-
<b>EBIT</b>	<b>8,340</b>	<b>5,357</b>	<b>4,790</b>	<b>5,012</b>	<b>6,732</b>	<b>Net worth</b>	<b>14,243</b>	<b>16,060</b>	<b>17,600</b>	<b>17,029</b>	<b>18,382</b>
Interest	2,414	4,860	3,874	4,280	4,561	Convertible debt	-	-	-	-	-
<b>Operating PBT</b>	<b>5,926</b>	<b>497</b>	<b>916</b>	<b>732</b>	<b>2,172</b>	Other debt	18,102	28,774	41,936	64,482	78,158
Other income	84	1,246	422	277	184	<b>Total debt</b>	<b>18,102</b>	<b>28,774</b>	<b>41,936</b>	<b>64,482</b>	<b>78,158</b>
Exceptional inc/(exp)*	21	281	167	(389)	-	Deferred tax liability (net)	1,430	1,223	1,581	1,581	1,581
<b>PBT</b>	<b>6,031</b>	<b>2,024</b>	<b>1,505</b>	<b>620</b>	<b>2,356</b>	<b>Total liabilities</b>	<b>33,775</b>	<b>46,058</b>	<b>61,116</b>	<b>83,092</b>	<b>98,121</b>
Tax provision	603	(205)	371	151	353	<b>Assets</b>					
Minority interest	-	-	-	-	-	Net fixed assets	21,093	27,607	32,141	40,867	51,456
<b>PAT (Reported)</b>	<b>5,429</b>	<b>2,229</b>	<b>1,135</b>	<b>469</b>	<b>2,002</b>	Capital WIP	2,708	3,814	10,597	28,706	33,709
Less: Exceptionals	21	281	167	(389)	-	<b>Total fixed assets</b>	<b>23,800</b>	<b>31,420</b>	<b>42,737</b>	<b>69,573</b>	<b>85,165</b>
<b>Adjusted PAT</b>	<b>5,408</b>	<b>1,948</b>	<b>968</b>	<b>858</b>	<b>2,002</b>	<b>Investments</b>	<b>1,280</b>	<b>1,877</b>	<b>3,762</b>	<b>2,500</b>	<b>1,500</b>
<b>Ratios</b>						<b>Current assets</b>					
	FY11	FY12	FY13	FY14E	FY15E	Inventory	7,344	7,918	9,231	10,237	10,713
<b>Growth</b>						Sundry debtors	7,192	7,617	10,803	9,959	11,117
Operating income (%)	31.0	11.0	3.9	11.4	17.7	Loans and advances	3,424	3,900	5,554	5,397	5,312
EBITDA (%)	104.0	(25.8)	(2.6)	7.2	31.7	Cash & bank balance	2,350	3,616	3,462	835	1,331
Adj PAT (%)	184.8	(64.0)	(50.3)	(11.4)	133.4	Marketable securities	-	-	-	-	-
Adj EPS (%)	147.4	(64.2)	(50.8)	(1.4)	133.4	<b>Total current assets</b>	<b>20,310</b>	<b>23,051</b>	<b>29,049</b>	<b>26,428</b>	<b>28,473</b>
<b>Profitability</b>						<b>Total current liabilities</b>	<b>12,519</b>	<b>11,314</b>	<b>15,537</b>	<b>16,513</b>	<b>18,120</b>
EBITDA margin (%)	14.9	10.0	9.3	9.0	10.1	<b>Net current assets</b>	<b>7,791</b>	<b>11,737</b>	<b>13,512</b>	<b>9,915</b>	<b>10,352</b>
Adj PAT Margin (%)	8.4	2.7	1.3	1.0	2.0	<b>Intangibles/Misc. expenditu</b>	<b>905</b>	<b>1,025</b>	<b>1,105</b>	<b>1,105</b>	<b>1,105</b>
RoE (%)	40.7	12.9	5.7	5.0	11.3	<b>Total assets</b>	<b>33,775</b>	<b>46,058</b>	<b>61,116</b>	<b>83,092</b>	<b>98,121</b>
RoCE (%)	28.6	13.9	9.2	7.1	7.6	<b>Cash flow</b>					
RoIC (%)	30.2	23.7	11.5	8.3	7.8	(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Valuations</b>						Pre-tax profit	6,010	1,744	1,338	1,009	2,356
Price-earnings (x)	1.8	5.0	7.9	9.6	4.1	Total tax paid	(510)	(2)	(13)	(151)	(353)
Price-book (x)	0.7	0.6	0.4	0.5	0.4	Depreciation	1,289	1,784	2,167	2,448	3,094
EV/EBITDA (x)	2.6	4.9	6.6	9.6	8.7	Working capital changes	(1,596)	(2,681)	(1,929)	970	58
EV/Sales (x)	0.4	0.5	0.6	0.9	0.9	<b>Net cash from operations</b>	<b>5,194</b>	<b>845</b>	<b>1,563</b>	<b>4,276</b>	<b>5,155</b>
Dividend payout ratio (%)	10.6	26.2	8.4	69.7	27.7	<b>Cash from investments</b>					
Dividend yield (%)	5.9	6.0	1.2	4.0	6.7	Capital expenditure	(4,830)	(9,523)	(13,564)	(29,284)	(18,686)
<b>B/S ratios</b>						Investments and others	30	(597)	(1,886)	1,262	1,000
Inventory days	51	46	52	49	44	<b>Net cash from investments</b>	<b>(4,799)</b>	<b>(10,121)</b>	<b>(15,450)</b>	<b>(28,022)</b>	<b>(17,686)</b>
Creditors days	73	57	80	73	69	<b>Cash from financing</b>					
Debtor days	39	37	50	42	40	Equity raised/(repaid)	1,269	36	60	(732)	-
Working capital days	29	39	46	38	32	Debt raised/(repaid)	4,459	10,672	13,161	22,547	13,676
Gross asset turnover (x)	2.5	2.3	2.0	1.8	1.6	Dividend (incl. tax)	(666)	(678)	(111)	(382)	(649)
Net asset turnover (x)	3.2	2.9	2.5	2.3	2.1	Others (incl extraordinary)	(4,104)	511	623	(314)	-
Sales/operating assets (x)	2.9	2.6	2.0	1.5	1.3	<b>Net cash from financing</b>	<b>957</b>	<b>10,541</b>	<b>13,733</b>	<b>21,119</b>	<b>13,027</b>
Current ratio (x)	1.6	2.0	1.9	1.6	1.6	Change in cash position	1,352	1,265	(154)	(2,627)	496
Debt-equity (x)	1.3	1.8	2.4	3.8	4.3	Closing cash	2,350	3,616	3,462	835	1,331
Net debt/equity (x)	1.1	1.6	2.2	3.7	4.2	<b>Quarterly financials</b>					
Interest coverage (EBITDA/Interes	4.0	1.5	1.8	1.7	2.2	(₹ mn)	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14
Interest coverage (x)	3.5	1.1	1.2	1.2	1.5	<b>Net Sales</b>	<b>18,108</b>	<b>17,422</b>	<b>21,047</b>	<b>20,950</b>	<b>22,444</b>
<b>Per share</b>						Change (q-o-q)	0.7%	-4%	21%	0%	7.1%
	FY11	FY12	FY13	FY14E	FY15E	<b>EBITDA</b>	<b>1,721</b>	<b>1,772</b>	<b>1,754</b>	<b>1,590</b>	<b>2,055</b>
Adj EPS (₹)	75.5	27.1	13.3	13.1	30.7	Change (q-o-q)	-9%	3%	-1%	-9%	29%
CEPS	93.5	51.8	43.2	50.6	78.1	<b>EBITDA margin</b>	<b>9.5%</b>	<b>10%</b>	<b>8%</b>	<b>8%</b>	<b>9%</b>
Book value	198.8	223.0	242.3	260.8	281.5	PAT	494	298	5	(410)	(39)
Dividend (₹)	8.0	8.1	1.3	5.0	8.5	<b>Adj PAT</b>	<b>494</b>	<b>298</b>	<b>242</b>	<b>(410)</b>	<b>(39)</b>
Actual o/s shares (mn)	71.7	72.0	72.6	65.3	65.3	Change (q-o-q)	46.7%	-40%	19%	NM	NM
						<b>Adj PAT margin</b>	<b>2.7%</b>	<b>2%</b>	<b>1%</b>	<b>-2%</b>	<b>-0.2%</b>
						<b>Adj EPS</b>	<b>6.8</b>	<b>4.1</b>	<b>3.3</b>	<b>(5.6)</b>	<b>(0.6)</b>

Source: Company, CRISIL Research estimate



# Dhunseri Petrochem and Tea Ltd

Capacity-based expansion to drive growth

Fundamental Grade 3/5 (Good fundamentals)

Valuation Grade 5/5 (CMP has strong upside)

Dhunseri manufactures PET resin and grows/processes tea. The capacity expansion in Haldia (West Bengal) in November 2012 has made Dhunseri a dominant domestic PET resin manufacturer with a capacity to produce 410,000 TPA. The company is also setting up a 4,20,000 TPA PET resin plant in Egypt.

## Grading rationale

- Dhunseri's capacity is expected to double with the commissioning of the 420,000 TPA (tonnes per annum) plant in Egypt - the first PET plant in the country, giving Dhunseri a first-mover advantage. Egypt currently imports its annual requirement of ~1,60,000 TPA. Sales to Europe and America from Egypt, Dhunseri's key markets, is expected to result in savings in freight costs and efficient working capital management. The unit will also benefit from proximity to raw material sources, availability of power at a cheaper rate and tax-free status.
- Dhunseri's plant in Haldia is located in proximity to the raw material source, lowering logistic and inventory holding costs and, thereby, overall production costs.
- Dhunseri is expected to benefit from strong demand from end-user industries such as FMCG, beverages and pharma. Also, preference for PET as a packaging material has increased due to its unique qualities (eco-friendly, cost-effective and recyclable). Global PET demand is estimated to grow at a CAGR of 5-6% over the next five years. PET spreads have been weak due to oversupply. We expect an improvement in the long run with supply rationalisation of PET and PTA globally and pick-up in demand.
- Key risks:** The company's imports and foreign loan transactions are un-hedged; any adverse movement in exchange rates could adversely impact its profitability since its exposure is not entirely hedged by exports. Further, any social unrest and political instability in Egypt may adversely impact operations.

## Financial performance

We expect revenues to grow at a two-year CAGR of 66% to ₹67.6 bn in FY15, of which ₹29 bn is estimated to be contributed by the Egypt plant. EBITDA margin is expected to improve in FY15 driven by improvement in PET spreads. Gearing is expected to be 2.0x in FY15.

## Valuation

Our discounted cash flow-based fair value estimate for Dhunseri is ₹187 per share. At this value, the implied P/E multiples are 5.3x FY14E and 3.7x FY15E EPS.

## KEY FORECAST

(₹ mn)	FY11	FY12	FY13	FY14	FY15
Operating income	16,593	19,820	24,411	40,818	67,552
EBITDA	2,679	1,467	1,547	3,054	4,906
Adj net income	1,829	310	629	1,239	1,758
Adj EPS-₹	52.2	8.8	18.0	35.4	50.2
EPS growth (%)	63.9	(80.0)	323.0	23.3	41.9
Dividend yield (%)	3.4	4.8	5.9	6.4	8.2
RoCE (%)	22.5	8.2	5.1	7.8	11.6
RoE (%)	28.2	4.24	7.9	13.9	17.3
PE (x)	3.0	12.3	4.9	3.1	2.2
P/BV (x)	0.8	0.5	0.4	0.4	0.3
EV/EBITDA (x)	2.5	5.6	13.9	8.1	5.1

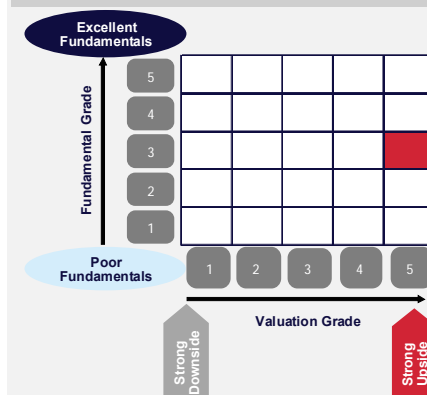
CMP: Current Market Price

Source: Company, CRISIL Research estimate

Fair Value ₹187

CMP ₹107

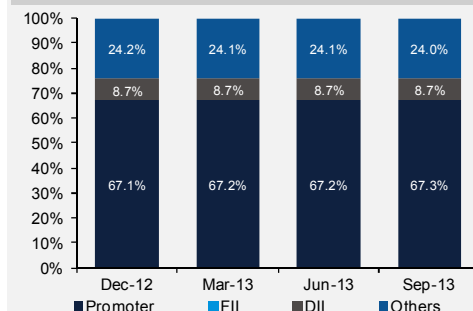
## CFV MATRIX



## KEY STOCK STATISTICS

NIFTY/SENSEX	6168/20716
NSE/BSE ticker	DPTL
Face value (₹ per share)	10
Shares outstanding (mn)	35
Market cap (₹ mn)/(US\$ mn)	3,756/61
Enterprise value (₹ mn)/(US\$ mn)	24,454/346
52-week range (₹)/(H/L)	127/72
Beta	0.7
Free float (%)	32.7%
Avg daily volumes (30-days)	10,320
Avg daily value (30-days) (₹ mn)	1.2

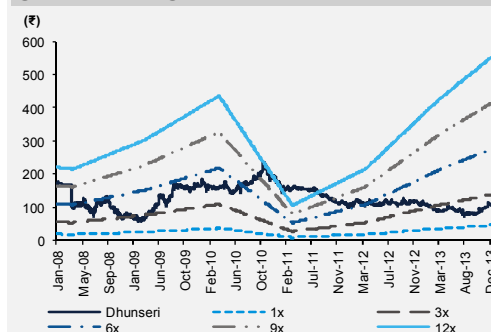
## SHAREHOLDING PATTERN



## PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Dhunseri	14%	33%	15%	-6%
CNX500	3%	7%	7%	2%

## ONE-YEAR FORWARD P/E BAND



## Annexure: Financials (Consolidated)

### Income statement

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Operating income</b>	<b>16,593</b>	<b>19,820</b>	<b>24,411</b>	<b>40,818</b>	<b>67,552</b>
<b>EBITDA</b>	<b>2,679</b>	<b>1,467</b>	<b>1,547</b>	<b>3,054</b>	<b>4,906</b>
<b>EBITDA margin</b>	<b>16.1%</b>	<b>7.4%</b>	<b>6.3%</b>	<b>7.5%</b>	<b>7.3%</b>
Depreciation	312	333	401	702	1,129
<b>EBIT</b>	<b>2,368</b>	<b>1,134</b>	<b>1,146</b>	<b>2,352</b>	<b>3,777</b>
Interest	194	916	475	1,184	1,438
<b>Operating PBT</b>	<b>2,174</b>	<b>218</b>	<b>670</b>	<b>1,168</b>	<b>2,338</b>
Other income	323	217	319	175	233
Exceptional inc/(exp)	(642)	(72)	376	-	-
<b>PBT</b>	<b>1,854</b>	<b>362</b>	<b>1,365</b>	<b>1,343</b>	<b>2,572</b>
Tax provision	667	125	228	269	514
Minority interest	-	-	132	(165)	299
<b>PAT (Reported)</b>	<b>1,187</b>	<b>238</b>	<b>1,005</b>	<b>1,239</b>	<b>1,758</b>
Less: Exceptionals	(642)	(72)	376	-	-
<b>Adjusted PAT</b>	<b>1,829</b>	<b>310</b>	<b>629</b>	<b>1,239</b>	<b>1,758</b>

### Ratios

	FY11	FY12	FY13	FY14E	FY15E
<b>Growth</b>					
Operating income (%)	43.3	19.4	23.2	67.2	65.5
EBITDA (%)	132.1	(45.2)	5.4	97.5	60.6
Adj PAT (%)	152.8	(83.1)	103.0	96.9	41.9
Adj EPS (%)	152.8	(83.1)	103.0	96.9	41.9

### Profitability

EBITDA margin (%)	16.1	7.4	6.3	7.5	7.3
Adj PAT Margin (%)	11.0	1.6	2.6	3.0	2.6
RoE (%)	28.2	4.2	7.9	13.9	17.3
RoCE (%)	22.5	8.2	5.1	7.8	11.6
RoIC (%)	32.8	14.6	8.1	8.7	12.2

### Valuations

Price-earnings (x)	3.0	12.3	4.9	3.1	2.2
Price-book (x)	0.8	0.5	0.4	0.4	0.3
EV/EBITDA (x)	2.5	5.6	13.9	8.1	5.1
EV/Sales (x)	0.4	0.4	0.9	0.6	0.4
Dividend payout ratio (%)	15.5	77.1	18.2	20.0	18.0
Dividend yield (%)	3.4	4.8	5.9	6.4	8.2

### B/S ratios

Inventory days	52	48	83	65	50
Creditors days	97	102	52	70	69
Debtor days	38	44	77	71	68
Working capital days	35	25	78	94	65
Gross asset turnover (x)	2.2	2.5	2.3	2.4	3.0
Net asset turnover (x)	3.0	3.4	3.1	2.9	3.7
Sales/operating assets (x)	2.7	2.2	1.7	2.3	3.5
Current ratio (x)	2.2	2.0	4.4	2.7	2.1
Debt-equity (x)	0.6	1.2	2.4	2.4	2.0
Net debt/equity (x)	0.2	0.6	2.1	2.2	1.8
Interest coverage	12.2	1.2	2.4	2.0	2.6

### Per share

	FY11	FY12	FY13	FY14E	FY15E
Adj EPS (₹)	52.2	8.8	18.0	35.4	50.2
CEPS	61.1	18.4	29.4	55.4	82.4
Book value	203.7	213.5	242.3	265.9	315.5
Dividend (₹)	5.2	5.2	5.2	7.1	9.0
Actual o/s shares (mn)	35.0	35.0	35.0	35.0	35.0

### Balance Sheet

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Liabilities</b>					
Equity share capital	350	350	350	350	350
Reserves	6,785	7,130	7,411	8,403	9,844
Minorities	-	-	726	561	860
<b>Net worth</b>	<b>7,135</b>	<b>7,481</b>	<b>8,487</b>	<b>9,314</b>	<b>11,054</b>
Convertible debt	-	-	-	-	-
Other debt	4,098	8,997	20,160	22,660	22,090
<b>Total debt</b>	<b>4,098</b>	<b>8,997</b>	<b>20,160</b>	<b>22,660</b>	<b>22,090</b>
Deferred tax liability (net)	671	724	901	1,008	1,214
<b>Total liabilities</b>	<b>11,904</b>	<b>17,201</b>	<b>29,548</b>	<b>32,982</b>	<b>34,358</b>
<b>Assets</b>					
Net fixed assets	5,857	5,954	9,935	17,993	18,372
Capital WIP	483	5,447	7,000	1,079	754
<b>Total fixed assets</b>	<b>6,339</b>	<b>11,401</b>	<b>16,935</b>	<b>19,072</b>	<b>19,126</b>
<b>Investments</b>	<b>612</b>	<b>339</b>	<b>211</b>	<b>211</b>	<b>211</b>
<b>Current assets</b>					
Inventory	1,824	2,276	4,772	6,710	8,328
Sundry debtors	1,722	2,517	5,324	8,387	12,955
Loans and advances	2,454	1,419	3,149	4,082	4,729
Cash & bank balance	2,905	4,064	2,184	1,943	1,609
Marketable securities	-	590	330	330	330
<b>Total current assets</b>	<b>8,905</b>	<b>10,867</b>	<b>15,759</b>	<b>21,452</b>	<b>27,951</b>
<b>Total current liabilities</b>	<b>4,001</b>	<b>5,444</b>	<b>3,556</b>	<b>7,932</b>	<b>13,089</b>
<b>Net current assets</b>	<b>4,904</b>	<b>5,424</b>	<b>12,203</b>	<b>13,519</b>	<b>14,862</b>
Intangibles/Misc. expenditure	49	37	199	179	159
<b>Total assets</b>	<b>11,904</b>	<b>17,201</b>	<b>29,548</b>	<b>32,982</b>	<b>34,358</b>

### Cash flow

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Pre-tax profit	2,497	435	989	1,343	2,572
Total tax paid	(379)	(72)	(51)	(161)	(309)
Depreciation	312	333	401	702	1,129
Working capital changes	(846)	1,230	(8,919)	(1,558)	(1,676)
<b>Net cash from operations</b>	<b>1,584</b>	<b>1,926</b>	<b>(7,580)</b>	<b>326</b>	<b>1,716</b>
<b>Cash from investments</b>					
Capital expenditure	(894)	(5,384)	(6,097)	(2,820)	(1,163)
Investments and others	203	(317)	389	-	-
<b>Net cash from investments</b>	<b>(690)</b>	<b>(5,701)</b>	<b>(5,708)</b>	<b>(2,820)</b>	<b>(1,163)</b>
<b>Cash from financing</b>					
Equity raised/(repaid)	233	-	(148)	0	-
Debt raised/(repaid)	123	4,899	11,163	2,500	(570)
Dividend (incl. tax)	(184)	(183)	(183)	(248)	(316)
Others (incl extraordinary)	(590)	219	576	0	-
<b>Net cash from financing</b>	<b>(418)</b>	<b>4,934</b>	<b>11,408</b>	<b>2,252</b>	<b>(886)</b>
Change in cash position	476	1,159	(1,880)	(241)	(334)
Closing cash	2,905	4,064	2,184	1,943	1,609

### Quarterly financials (standalone)

(₹ mn)	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14
<b>Operating Income</b>	<b>4,738</b>	<b>5,924</b>	<b>8,524</b>	<b>9,241</b>	<b>10,558</b>
Change (q-o-q)	-3%	25%	44%	8%	14%
<b>EBITDA</b>	<b>380</b>	<b>534</b>	<b>616</b>	<b>856</b>	<b>1,141</b>
Change (q-o-q)	0%	40%	15%	39%	33%
<b>EBITDA margin</b>	<b>8.0%</b>	<b>9.0%</b>	<b>7.2%</b>	<b>9.3%</b>	<b>10.8%</b>
<b>Reported PAT</b>	<b>476</b>	<b>67</b>	<b>293</b>	<b>101</b>	<b>402</b>
<b>Adjusted PAT</b>	<b>253</b>	<b>319</b>	<b>272</b>	<b>645</b>	<b>756</b>
Change (q-o-q)	-804%	-86%	336%	-66%	17%
<b>Reported PAT margin</b>	<b>10.1%</b>	<b>1.1%</b>	<b>3.4%</b>	<b>1.1%</b>	<b>3.8%</b>
<b>Reported EPS</b>	<b>13.6</b>	<b>1.9</b>	<b>8.4</b>	<b>2.9</b>	<b>11.5</b>

Source: Company, CRISIL Research estimate

# Hitech Plast Ltd

## Sailing through headwinds

Fundamental Grade	3/5 (Good fundamentals)
Valuation Grade	5/5 (CMP has strong upside)

Mumbai-based Hitech Plast Ltd (Hitech) is a leading manufacturer of polymer-based containers for the paints, FMCG, agrochemicals, lubricants and pharmaceutical industries. The paint-container segment contributed 58% to consolidated revenues in FY13 and the balance was contributed by the non-paint container segment.

### Grading rationale

- Hitech is one of the largest manufacturers of rigid polymer-based containers for the paint and FMCG industries. It has 15 facilities spread across North, West and South India.
- The company is expected to benefit from the strong growth prospects of the end-user industries in the long term.
  - Paint industry: Growth is expected to be driven by increase in penetration of paints (especially in rural India), rise in construction activity and disposable income.
  - FMCG industry: Rise in income levels, increased preference for packaged products and organised retailing are expected to drive growth in the FMCG industry.
- Hitech is focussing on expanding its client base across both the paint and FMCG segments to mitigate the client concentration risk.
- After growing at 24% CAGR over FY08-11, Hitech's revenue growth slowed down to 13% over FY12-13 due to (a) sluggish demand from paints and FMCG industries, (b) short-term plant related issues. We expect revenue growth to pick up in FY15 led by revival in end-user demand.
- The company has implemented cost-saving measures and also plans to consolidate plants located in close proximity, which is likely to aid EBITDA margin in the long term.
- Key risks:
  - Rising competition from the organised players in the paint-container segment.
  - Increase in raw material prices - as Hitech is able to pass on the increase with a lag, its EBITDA margin is impacted in a cost inflationary environment.

### Financial performance

Revenues are expected to grow at a two-year CAGR of 12% to ₹5.5 bn in FY15 driven by the paint container segment. EBITDA margin is expected to expand to 11.2% in FY15 from 10.6% in FY13. PAT is expected to increase to ₹143 mn in FY15 from ₹90 mn in FY13.

### Valuation

Our discounted cash flow-based fair value estimate for Hitech is ₹60 per share. At this value, the implied P/E multiples are 11.9x FY14E and 5.5x FY15E EPS.

### KEY FORECAST

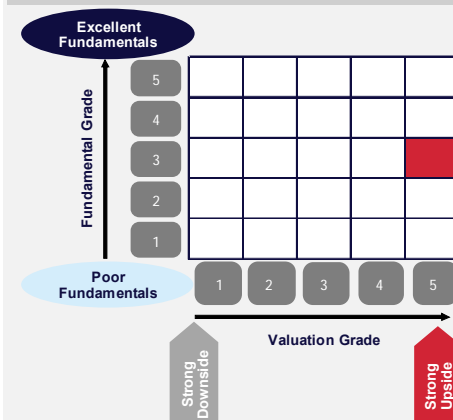
(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Operating income	3,451	3,861	4,398	4,716	5,541
EBITDA	466	460	468	491	622
Adj PAT	142	104	90	67	143
Adj EPS-₹	10.8	7.9	6.9	5.1	10.8
EPS growth (%)	(4.1)	(26.5)	(13.2)	(26.2)	114.0
Dividend yield (%)	3.7	3.7	3.7	2.4	3.8
RoCE (%)	18.7	14.0	12.7	12.8	17.1
RoE (%)	14.4	9.3	7.5	5.3	10.4
PE (x)	4.1	5.5	6.4	8.6	4.0
P/BV (x)	0.7	0.7	0.6	0.6	0.5
EV/EBITDA (x)	3.8	4.2	4.0	3.9	3.1

CMP: Current Market Price;

Source: Company, CRISIL Research estimate

Fair Value	₹60
CMP	₹44

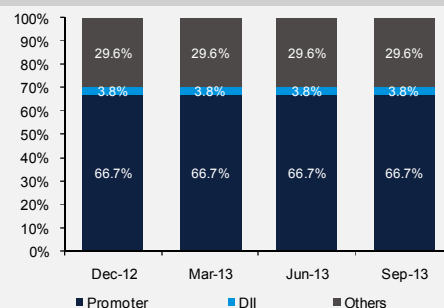
### CFV MATRIX



### KEY STOCK STATISTICS

NIFTY/SENSEX	6168/20716
NSE/BSE ticker	HITECHPLAS/HITECH
Face value (₹ per share)	10
Shares outstanding (mn)	13.2
Market cap (₹ mn)/(US\$ mn)	576/9
Enterprise value (₹ mn)/(US\$ mn)	1,851/30
52-week range (₹)/(H/L)	63/28
Beta	0.9
Free float (%)	33.3%
Avg daily volumes (30-days)	1,248
Avg daily value (30-days) (₹ mn)	0.1

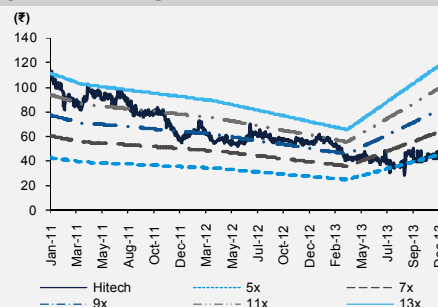
### SHAREHOLDING PATTERN



### PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Hitech	11%	-4%	8%	-18%
CNX 500	3%	7%	7%	2%

### ONE-YEAR FORWARD P/E BAND



## Annexure: Financials

### Income statement

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Operating income</b>	<b>3,451</b>	<b>3,861</b>	<b>4,398</b>	<b>4,716</b>	<b>5,541</b>
<b>EBITDA</b>	<b>466</b>	<b>460</b>	<b>468</b>	<b>491</b>	<b>622</b>
<b>EBITDA margin</b>	<b>13.5%</b>	<b>11.9%</b>	<b>10.6%</b>	<b>10.4%</b>	<b>11.2%</b>
Depreciation	126	154	173	192	203
<b>EBIT</b>	<b>340</b>	<b>307</b>	<b>295</b>	<b>299</b>	<b>419</b>
Interest	123	175	183	170	161
<b>Operating PBT</b>	<b>217</b>	<b>131</b>	<b>112</b>	<b>129</b>	<b>258</b>
Other income	5	7	15	4	4
Exceptional inc/(exp)	2	2	-	(8)	-
<b>PBT</b>	<b>224</b>	<b>141</b>	<b>126</b>	<b>126</b>	<b>263</b>
Tax provision	63	37	23	45	89
Minority interest	17	(2)	13	22	31
<b>PAT (Reported)</b>	<b>144</b>	<b>106</b>	<b>90</b>	<b>59</b>	<b>143</b>
Less: Exceptionals	2	2	-	(8)	-
<b>Adjusted PAT</b>	<b>142</b>	<b>104</b>	<b>90</b>	<b>67</b>	<b>143</b>

### Ratios

	FY11	FY12	FY13	FY14E	FY15E
<b>Growth</b>					
Operating income (%)	31.0	11.9	13.9	7.2	17.5
EBITDA (%)	14.0	(1.3)	1.6	4.9	26.8
Adj PAT (%)	(4.1)	(26.5)	(13.2)	(26.2)	114.0
Adj EPS (%)	(4.1)	(26.5)	(13.2)	(26.2)	114.0

### Profitability

EBITDA margin (%)	13.5	11.9	10.6	10.4	11.2
Adj PAT Margin (%)	4.1	2.7	2.1	1.4	2.6
RoE (%)	14.4	9.3	7.5	5.3	10.4
RoCE (%)	18.7	14.0	12.7	12.8	17.1
RoIC (%)	16.3	13.4	13.4	11.5	14.1

### Valuations

Price-earnings (x)	4.1	5.5	6.4	8.6	4.0
Price-book (x)	0.7	0.7	0.6	0.6	0.5
EV/EBITDA (x)	3.8	4.2	4.0	3.9	3.1
EV/Sales (x)	0.5	0.5	0.4	0.4	0.3
Dividend payout ratio (%)	17.1	23.0	27.3	23.3	15.4
Dividend yield (%)	3.7	3.7	3.7	2.4	3.8

### B/S ratios

Inventory days	55	44	27	34	34
Creditors days	34	19	20	20	20
Debtor days	56	54	47	51	51
Working capital days	75	81	70	68	70
Gross asset turnover (x)	2.2	2.0	1.9	1.9	2.1
Net asset turnover (x)	3.7	3.3	3.3	3.4	4.2
Sales/operating assets (x)	3.2	3.0	3.1	3.3	4.1
Current ratio (x)	3.8	4.8	3.8	4.2	4.2
Debt-equity (x)	0.9	1.0	0.8	0.8	0.7
Net debt/equity (x)	0.8	0.9	0.8	0.8	0.7
Interest coverage	2.8	1.8	1.6	1.8	2.6

### Per share

	FY11	FY12	FY13	FY14E	FY15E
Adj EPS (₹)	10.8	7.9	6.9	5.1	10.8
CEPS	20.3	19.6	20.0	19.6	26.2
Book value	60.5	66.8	71.8	75.1	84.0
Dividend (₹)	1.6	1.6	1.6	1.0	1.7
Actual o/s shares (mn)	13.2	13.2	13.2	13.2	13.2

### Balance Sheet

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
<b>Liabilities</b>					
Equity share capital	132	132	132	132	132
Reserves	665	749	814	857	974
<b>Net worth</b>	<b>797</b>	<b>880</b>	<b>946</b>	<b>989</b>	<b>1,106</b>
Minorities	280	278	292	313	344
Convertible debt	-	-	-	-	-
Other debt	963	1,182	1,047	1,087	1,057
<b>Total debt</b>	<b>963</b>	<b>1,182</b>	<b>1,047</b>	<b>1,087</b>	<b>1,057</b>
Deferred tax liability (net)	56	52	57	57	57
<b>Total liabilities</b>	<b>2,095</b>	<b>2,393</b>	<b>2,342</b>	<b>2,446</b>	<b>2,564</b>
<b>Assets</b>					
Net fixed assets	1,093	1,242	1,440	1,348	1,295
Capital WIP	100	133	27	27	27
<b>Total fixed assets</b>	<b>1,193</b>	<b>1,375</b>	<b>1,467</b>	<b>1,375</b>	<b>1,322</b>
<b>Investments</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current assets</b>					
Inventory	424	382	270	349	410
Sundry debtors	578	624	615	711	835
Loans and advances	122	152	191	236	277
Cash & bank balance	57	74	48	49	46
Marketable securities	-	12	16	16	16
<b>Total current assets</b>	<b>1,181</b>	<b>1,243</b>	<b>1,139</b>	<b>1,360</b>	<b>1,583</b>
<b>Total current liabilities</b>	<b>313</b>	<b>259</b>	<b>296</b>	<b>321</b>	<b>374</b>
<b>Net current assets</b>	<b>868</b>	<b>984</b>	<b>843</b>	<b>1,039</b>	<b>1,210</b>
<b>Intangibles/Misc. expenditure</b>	<b>33</b>	<b>32</b>	<b>32</b>	<b>32</b>	<b>32</b>
<b>Total assets</b>	<b>2,095</b>	<b>2,393</b>	<b>2,342</b>	<b>2,446</b>	<b>2,564</b>

### Cash flow

(₹ mn)	FY11	FY12	FY13	FY14E	FY15E
Pre-tax profit	222	138	126	134	263
Total tax paid	(57)	(41)	(18)	(45)	(89)
Depreciation	126	154	173	192	203
Working capital changes	(204)	(87)	119	(195)	(174)
<b>Net cash from operations</b>	<b>87</b>	<b>164</b>	<b>401</b>	<b>85</b>	<b>203</b>
<b>Cash from investments</b>					
Capital expenditure	(377)	(335)	(264)	(100)	(150)
Investments and others	-	(12)	(3)	-	-
<b>Net cash from investments</b>	<b>(377)</b>	<b>(347)</b>	<b>(267)</b>	<b>(100)</b>	<b>(150)</b>
<b>Cash from financing</b>					
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	266	219	(135)	40	(30)
Dividend (incl. tax)	(25)	(25)	(25)	(14)	(22)
Others (incl extraordinary)	45	5	(0)	(10)	(4)
<b>Net cash from financing</b>	<b>286</b>	<b>200</b>	<b>(160)</b>	<b>16</b>	<b>(56)</b>
Change in cash position	(4)	17	(26)	1	(3)
Closing cash	57	74	48	49	46

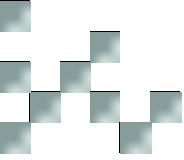
### Quarterly financials

(₹ mn)	Q2FY13	Q3FY13	Q4FY13	Q1FY14	Q2FY14
<b>Net Sales</b>	<b>1,111</b>	<b>1,049</b>	<b>1,096</b>	<b>1,116</b>	<b>1,174</b>
Change (q-o-q)	-2%	-6%	4%	2%	5%
<b>EBITDA</b>	<b>145</b>	<b>98</b>	<b>88</b>	<b>114</b>	<b>124</b>
Change (q-o-q)	12%	-32%	-10%	30%	9%
<b>EBITDA margin</b>	<b>13.1%</b>	<b>9.4%</b>	<b>8.0%</b>	<b>10.2%</b>	<b>10.6%</b>
<b>PAT</b>	<b>33</b>	<b>24</b>	<b>10</b>	<b>10</b>	<b>15</b>
<b>Adj PAT</b>	<b>33</b>	<b>24</b>	<b>10</b>	<b>17</b>	<b>15</b>
Change (q-o-q)	39%	-28%	-58%	76%	-15%
<b>Adj PAT margin</b>	<b>3.0%</b>	<b>2.3%</b>	<b>0.9%</b>	<b>1.6%</b>	<b>1.3%</b>
<b>Adj EPS</b>	<b>2.5</b>	<b>1.8</b>	<b>0.8</b>	<b>1.3</b>	<b>1.1</b>

Source: Company, CRISIL Research estimate

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## Our Capabilities

### Making Markets Function Better

#### Economy and Industry Research

- Largest team of economy and industry research analysts in India
- Coverage on 70 industries and 139 sub-sectors; provide growth forecasts, profitability analysis, emerging trends, expected investments, industry structure and regulatory frameworks
- 90 per cent of India's commercial banks use our industry research for credit decisions
- Special coverage on key growth sectors including real estate, infrastructure, logistics, and financial services
- Inputs to India's leading corporates in market sizing, demand forecasting, and project feasibility
- Published the first India-focused report on Ultra High Net-worth Individuals
- All opinions and forecasts reviewed by a highly qualified panel with over 200 years of cumulative experience

#### Funds and Fixed Income Research

- Largest and most comprehensive database on India's debt market, covering more than 15,000 securities
- Largest provider of fixed income valuations in India
- Value more than ₹53 trillion (USD 960 billion) of Indian debt securities, comprising outstanding securities
- Sole provider of fixed income and hybrid indices to mutual funds and insurance companies; we maintain 12 standard indices and over 100 customised indices
- Ranking of Indian mutual fund schemes covering 70 per cent of assets under management and ₹4.7 trillion (USD 85 billion) by value
- Retained by India's Employees' Provident Fund Organisation, the world's largest retirement scheme covering over 60 million individuals, for selecting fund managers and monitoring their performance

#### Equity and Company Research

- Largest independent equity research house in India, focusing on small and mid-cap companies; coverage exceeds 125 companies
- Released company reports on 1,442 companies listed and traded on the National Stock Exchange; a global first for any stock exchange
- First research house to release exchange-commissioned equity research reports in India
- Assigned the first IPO grade in India

## Our Office

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