Rating matrix		
Rating	:	Buy
Target Price	:	₹ 180
Target Period	:	12 months
Potential Upside	:	20%

What's changed?	
Target	Changed from ₹ 150 to ₹ 180
EPS FY17E	Changed from ₹ 7.9 to ₹ 7.1
EPS FY18E	Changed from ₹ 10.0 to ₹ 8.9
EPS FY19E	Introduced at ₹ 11.1
Rating	Unchanged

Key financials

₹ crore	FY16	FY17E	FY18E	FY19E
Net Sales	207.0	229.4	264.0	294.8
EBITDA	25.6	29.3	33.9	36.5
Net Profit	10.6	12.6	15.8	19.6
EPS	6.0	7.1	8.9	11.1

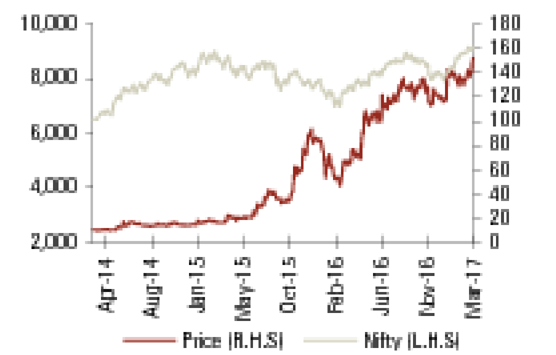
Valuation summary

	FY16	FY17E	FY18E	FY19E
P/E	25.0	21.1	16.8	13.5
Target P/E	30.1	25.4	20.2	16.2
EV / EBITDA	12.8	11.6	9.9	8.5
P/BV	3.6	3.2	2.7	2.3
RoNW	14.5	14.9	16.0	16.8
RoCE	16.5	15.3	16.9	18.2
ROIC	15.7	16.9	16.8	18.1

Stock data

Stock Data	
Market Capitalization	₹ 266 crore
Total Debt (FY16)	₹ 62 crore
Cash and Cash Equivalent (FY16)	₹ 1 crore
EV	₹ 327 crore
52 week H/L	158 / 63
Equity Capital	17.7
Face Value	₹ 10
MF Holding (%)	0.0
FII Holding (%)	0.0

Price Chart



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Emmbi Industries (EMMIND) ₹ 150

Growth to sustain; re-rating on the cards…

- Emmbi Industries (Emmbi) is a technical textile player manufacturing polypropylene based FIBCs (packaging material) and other utility products viz. water conservation tanks & farm pond liners
- 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
- The current capacity at Emmbi is at 18200 tonne while the company has recently commissioned a 3600 tonne exclusive facility for pond liners (at the end of March 2017) with another 2400 tonne pharma grade FIBC facility due to commissioning in early FY18E. This will ensure a robust 12.5% CAGR in topline in FY16-19E. Consequent PAT CAGR is expected at 22.8% (in FY16-19E) with a conservative 70 bps improvement in EBITDA margins
- We believe robust growth prospects (23% CAGR) amid healthy return ratios (15%+) will drive re-rating for Emmbi, going forward

Increasing share of value added products (VAP), margin accretive

Emmbi's product profile can be classified into four main segments, i.e. speciality packaging (FIBC), advance composites (FIBC+ embedded property), water conservation products and agri products. In FY16, the company clocked net sales of ₹ 207 crore, which comprising speciality packaging (39% in FY16, 48% in FY15), advance composites (43% in FY16, 36% in FY15), water conservation products (16% in FY16, 15% in FY15) and agri products (2.8% in FY16, 2.3% in FY15). Thus, with the focus on increasing share of high margin VAP, profitability is on the uptrend. EBITDA margins in FY16 were at 12.3% vs. 10.7% in FY15, up 160 bps YoY. Going forward, we expect margins to improve further 70 bps over FY16-19E to 13.0 % in FY19E.

Controlled NWC cycle, balance sheet strength to grow!

The working capital cycle has improved significantly with net working capital days coming in at 130 days in FY16 vs. 171 days in FY15. The improvement is largely on account of increasing share of domestic business and realising credit inputs against full immediate payments in the past. The consequent debt gearing has improved with debt: equity at 0.9x in FY16 vs. 1.3x in FY15. Total debt in absolute amount declined from ₹ 81 crore in FY15 to ₹ 63 crore in FY16. Going forward, on the back of expansion (capex ₹ 22 crore) in progress, we expect debt gearing to remain at 0.9x levels in FY17E & then eventually decline to 0.5x by FY19E.

With expansion on track; PAT growth to be robust, retain BUY!

In the B2C segment, Emmbi manufactures water conservation tanks and farm pond liners targeting rural India. It has been at the forefront of developing the brand equity of its B2C products and participates actively in various farm fairs across the country. The company's pond liner offering has witnessed encouraging response in the marketplace, with notable presence in Rajasthan & Maharashtra. Emmbi, on an average, generates ~₹ 20 crore as CFO thereby witnessing CFO yield of ~7.5%. With a robust growth trajectory amid healthy product demand and good promoter pedigree, we increase our target P/E multiple and introduce FY19E numbers. We now value Emmbi at ₹ 180 i.e. 18x P/E on FY18E & FY19E average EPS of ₹ 10.0.share. We maintain our **BUY** recommendation on Emmbi.

Financial summary

Profit and loss statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Net Sales	207.0	229.4	264.0	294.8
Other Operating Income	1.0	1.1	1.1	1.1
Total Operating Income	208.0	230.5	265.1	295.9
Growth (%)	13.1	10.9	15.0	11.6
Raw Material Expenses	139.7	156.4	178.4	199.2
Employee Expenses	7.8	7.9	9.8	10.9
Other Operating Expense	34.8	36.9	42.9	47.3
Total Operating Expenditure	182.3	201.2	231.1	257.4
EBITDA	25.6	29.3	33.9	38.5
Growth (%)	30.1	14.4	15.7	13.4
Depreciation	3.6	4.1	4.9	5.3
Interest	9.0	8.3	8.2	7.2
Other Income	1.3	0.1	0.5	0.5
PBT	14.3	17.0	21.4	26.5
Exceptional Item	0.0	0.0	0.0	0.0
Total Tax	3.7	4.4	5.6	6.9
PAT	10.6	12.6	15.8	19.6
Growth (%)	76.7	18.6	25.7	24.2
EPS (₹)	6.0	7.1	8.9	11.1

Source: Company, ICICIdirect.com Research

Cash flow statement				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Profit after Tax	10.6	12.6	15.8	19.6
Add: Depreciation	3.6	4.1	4.9	5.3
(Inc)/dec in Current Assets	-3.7	-6.5	-13.1	-12.9
Inc/(dec) in CL and Provisions	16.6	2.4	4.0	2.4
Others	9.0	8.3	8.2	7.2
CF from operating activities	36.2	18.8	19.8	21.6
(Inc)/dec in Investments	-0.1	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-10.8	-22.0	-5.0	-5.0
Others	0.8	0.0	0.0	0.0
CF from investing activities	-10.1	-22.0	-5.0	-5.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	-18.2	13.0	-5.0	-7.5
Dividend paid & dividend tax	-1.1	-1.3	-1.5	-1.7
Inc/(dec) in Share Cap	0.0	0.0	0.0	0.0
Others	-9.0	-8.3	-8.2	-7.2
CF from financing activities	-28.3	3.5	-14.7	-16.4
Net Cash flow	-2.2	0.3	0.1	0.3
Opening Cash	3.3	1.1	1.4	1.5
Closing Cash	1.1	1.4	1.5	1.7

Source: Company, ICICIdirect.com Research

Balance sheet				₹ Crore
(Year-end March)	FY16	FY17E	FY18E	FY19E
Liabilities				
Equity Capital	17.7	17.7	17.7	17.7
Reserve and Surplus	55.3	66.6	80.9	98.8
Total Shareholders funds	73.0	84.3	98.6	116.5
Total Debt	62.4	75.4	70.4	62.9
Deferred Tax Liability	5.7	5.7	5.7	5.7
Total Liabilities	141.1	165.4	174.7	185.1
Assets				
Gross Block	80.5	87.5	107.5	112.5
Less: Acc Depreciation	17.9	22.1	26.9	32.2
Net Block	62.6	65.5	80.6	80.3
Capital WIP	0.0	15.0	0.0	0.0
Total Fixed Assets	62.6	80.5	80.6	80.3
Liquid Investments	0.0	0.0	0.0	0.0
Other Investments	0.4	0.4	0.4	0.4
Inventory	57.0	62.9	72.3	80.8
Debtors	32.1	34.6	39.8	44.4
Loans and Advances	12.0	12.2	10.6	10.3
Other Current Assets	0.0	0.0	0.0	0.0
Cash	1.1	1.4	1.5	1.7
Total Current Assets	102.2	111.0	124.1	137.3
Creditors	15.9	17.6	20.2	22.6
Provisions	8.1	8.8	10.1	10.2
Current Liabilities & Prov	24.0	26.4	30.4	32.8
Net Current Assets	78.1	84.6	93.8	104.5
Application of Funds	141.1	165.4	174.7	185.1

Source: Company, ICICIdirect.com Research

Key ratios				
(Year-end March)	FY16	FY17E	FY18E	FY19E
Per share data (₹)				
EPS	6.0	7.1	8.9	11.1
Cash EPS	8.0	9.4	11.7	14.1
BV	41.2	47.6	55.7	65.8
DPS	0.6	0.7	0.8	1.0
Cash Per Share (Incl Invst)	0.6	0.8	0.8	1.0
Operating Ratios (%)				
EBITDA Margin	12.3	12.7	12.8	13.0
PBT / Total Op. income	6.9	7.4	8.1	9.0
PAT Margin	5.1	5.5	6.0	6.6
Inventory days	101	100	100	100
Debtor days	57	55	55	55
Creditor days	28	28	28	28
Return Ratios (%)				
RoE	14.5	14.9	16.0	16.8
RoCE	16.5	15.3	16.9	18.2
RoIC	15.7	16.9	16.8	18.1
Valuation Ratios (x)				
P/E	25.0	21.1	16.8	13.5
EV / EBITDA	12.8	11.6	9.9	8.5
EV / Net Sales	1.6	1.5	1.3	1.1
Market Cap / Sales	1.3	1.2	1.0	0.9
Price to Book Value	3.6	3.2	2.7	2.3
Solvency Ratios				
Debt/EBITDA	2.4	2.6	2.1	1.6
Debt / Equity	0.9	0.9	0.7	0.5
Current Ratio	4.2	4.2	4.0	4.1
Quick Ratio	1.8	1.8	1.7	1.7

Source: Company, ICICIdirect.com Research

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Buy: >10%/15% for large caps/midcaps, respectively;
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