

Polyplex Corporation Limited - Q2 FY19 Result Update

Polyplex Corporation Ltd (PCL) is one of the world's largest manufacturers of thin Polyethylene Terephthalate (PET) film catering to Packaging, Industrial, Electrical & Imaging industry through its state-of-the-art manufacturing plants and distribution facilities in India, Thailand, Turkey and the US with a global market share of ~5% in the thin PET film. PCL has a capacity of 186,000 MT of thin PET film and 28,800 MT of thick PET film which forms majority of the capacity.

Q2 FY19 result beats our expectation; Margin saw improvement

- PCL's consolidated revenue increased by 36.0% YoY to INR 1,173.9 crore in Q2FY19 on the back of higher sales volume, better realisation, value addition product and improved market conditions.
- The company's Operating EBITDA rose by 69.4% YoY to INR 208.3 crore in Q2FY19. Its Operating EBITDA margin expanded by 350 basis points to 17.75% in Q2FY19 on yearly basis. PCL's EBITDA too increased by 74.92% YoY to INR 229.76 crore in Q2FY19. EBITDA margin stood at 19.58% in Q2FY19 against 15.22% in Q2FY18.
- PCL's consolidated PAT was boosted by about 2.5x to INR 159.3 crore in Q2FY19 on YoY basis due to other income. The company's PAT margin saw an improvement of 597 basis points to 13.58% in Q2FY19.
- The company has successfully cut down its total debt by INR 151 cr to INR 587.75 crore in Q2FY19 from INR 783.7 crore in Q4FY18. Its total Debt to Equity ratio stood at 0.21x in Q2FY19 vs. 0.29x in Q4FY18.
- PCL's India operation witnessed top line growth of 37.35% YoY to INR 344.76 crore in Q2FY19. The company's Operating EBITDA margin remained flat at 7.65% in Q2FY19 against 7.55% in Q2FY18. Its PAT also grew by 60.36% YoY to INR 21.6 crore in Q2FY19. PCL's PAT margin expanded by 90 basis points to 6.27% in Q2FY19 on yearly basis.
- PCL's new Greenfield PET Film Line project with a capacity of 44,000 TPA along with Resin and Metallizing plant being setup by PT Polyplex Films Indonesia, at Indonesia is progressing as per schedule.
- The company has declared interim dividend of INR 10.
- The currency risk associated with Turkey business seems to have been stabilised for now.

Valuation

PCL holds 51% stake in its listed subsidiary, Polyplex (Thailand) Public Corporation (PTL). PTL has a market capitalisation of ~INR 3,200 crore and is available at 1.3x P/B. However, PCL has market cap of INR 1,967 crore and is available at P/B of 0.7x FY20E. PCL is trading at more than ~38.5% discount to PTL's market cap. At CMP, PCL is available at valuations of 1.9x FY20E EV/EBITDA. We recommend a Hold on PCL with target price of INR 672, valuing the stock at 3x EV/EBITDA.

Financials : (Consolidated)

	(In INR Cr.)				
	FY 2016	FY 2017	FY 2018	FY 2019E	FY 2020E
Net Sales	3,202.0	3,201.0	3,572.3	3,994.0	4,450.0
EBDITA	386.9	563.5	538.3	627.5	716.4
PAT	16.3	361.4	284.1	320.6	392.4
EPS	9.1	72.4	49.9	56.2	68.9
EV/EBITDA	2.3	2.7	2.5	2.9	1.9

Source - DSPL Research, Company

RATING: HOLD

Target: 672

Upside: 10%

CMP : 613.45 (As on 15/11/2018)

Reuter Code : PLYP.NS

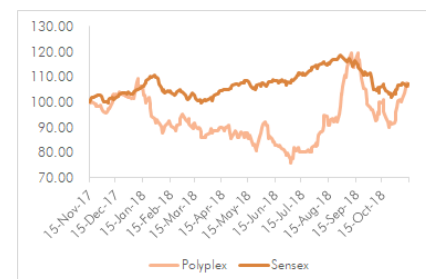
Bloomberg Code : PPC IN

Market Data

Face Value (Rs)	10.0
Equity Share Capital (cr)	32.6
Share Outstanding (cr)	3.2
Market Cap (Rs cr)	1,853.3
Book Value / share	796.7
Daily Avj. Volume	55,739
52 W High	667.8
52 W Low	406.3

Shareholding	%
Promoter	50.0
Foreign	1.9
Institutions	4.8
Public & Others	43.3

Sensex and Stock Movement



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Financials - Consolidated (in INR Cr.)

Particulars (in INR Cr)	Sep-18	Jun-18	q-o-q (%)	Sep-17	y-o-y (%)
Revenue from Operations (net)	1,173.5	1,065.0	10.2%	862.9	36.0%
Cost of Material Consumed	705.9	647.7	9.0%	508.1	38.9%
Purchases of stock-in-trade	33.7	35.0	-3.9%	27.9	20.8%
Changes in inventories	-34.8	-26.1		-26.2	
Gross Profit	468.7	408.5	14.7%	353.1	32.7%
Gross Profit Margin	39.9%	38.4%		40.9%	
Employee Benefits Expense	87.3	79.4	9.9%	75.8	15.3%
Power, Fuel & Water	63.7	57.4	11.0%	51.8	22.9%
Other Expenses	109.4	110.6	-1.1%	102.6	6.6%
Op. EBITDA	208.3	161.1	29.3%	122.9	69.4%
Op. EBITDA Margin	17.8%	15.1%		14.2%	
Other Income	21.5	47.2	-54.5%	8.4	154.9%
EBITDA	229.8	208.3	10.3%	131.4	74.9%
EBITDA Margin	19.6%	19.6%		15.2%	
Depreciation	51.0	49.8	2.5%	49.1	4.0%
EBIT	178.7	158.5	12.7%	82.3	117.2%
EBIT Margin	15.2%	14.9%		9.5%	
Finance Costs	7.7	9.2	-16.4%	7.9	-2.7%
PBT before exceptional item	171.1	149.3	14.5%	74.4	130.0%
Exceptional Items	0.0	0.0		0.0	
PBT	171.1	149.3	14.5%	74.4	130.0%
PBT Margin	14.6%	14.0%		8.6%	
Taxes	11.7	34.0	-65.4%	8.8	34.2%
Profit after Tax (PAT)	159.3	115.4	38.1%	65.6	142.7%
PAT Margin	13.6%	10.8%		7.6%	
Other comprehensive income	173.8	46.3	275.6%	63.6	173.2%
Total comprehensive income	333.1	161.6	106.1%	129.2	157.7%
Profit for the period attributable to:	159.3	115.4	38.1%	65.6	142.7%
Owner of the Parent	90.0	60.9	47.8%	35.8	151.3%
% of PAT	56.5%	52.8%		54.6%	
Non-controlling Interest	69.3	54.5	27.3%	29.8	132.4%
% of PAT	43.5%	47.2%		45.4%	
Earnings Per Share (INR)					
Basic	28.1	19.0	47.8%	11.2	151.3%
Diluted	28.1	19.0	47.8%	11.2	151.3%

Source - DSPL Research

Financials - Consolidated (in INR Cr.)

Profit & Loss Statement	FY2018	FY2019E	FY2020E	Balance Sheet	FY2018	FY2019E	FY2020E
Net Sales	3,572	3,994	4,450	Share Capital	33	33	33
Raw Material Cost	2,150	2,388	2,652	Reserves and Surplus	2,516	2,635	2,989
Gross Profit	1,423	1,606	1,798	Shareholders Fund	2,548	2,668	3,022
Employee Cost	303	339	369	Minority Interest	1,072	1,072	1,072
Other Manufacturing Cost	625	679	756	Total Loan	739	1,039	889
Operating EBITDA	494	588	672	Deferred Tax Liabilities	-	-	-
Op. EBITDA Margin (%)	13.8%	14.7%	15.1%	Total Liabilities	4,359	4,778	4,983
Other Income	44	40	44	Net Fixed Assets	2,218	2,607	2,481
Depreciation	185	211	225	Capital work in Progress	8	8	8
EBIT	353	416	491	Deferred Tax Assets	49	49	49
EBIT Margin	9.9%	10.4%	11.0%	Goodwill	0	0	0
Finance Cost	39	62	58	Investments	133	183	233
Exceptional Item	-	-	-	Sundry Debtors	550	569	622
PBT	314	354	434	Cash & Bank	781	990	1,222
Tax	30	34	41	Loans & Advances	24	24	24
PAT	284	321	392	Inventories	567	547	610
Less - Non-controlling Interest	125	141	172	Other Current Assets	538	447	452
PAT after Non-controlling interest	159	180	220	Total Current Assets	2,459	2,578	2,930
Share O/S (in cr)	3.2	3.2	3.2	Sundry Creditors	267	317	354
Basic EPS (INR)	49.9	56.2	68.9	Provision	10	28	31
Diluted EPS (INR)	49.9	56.2	68.9	Other Current Liabilities	231	301	335
Cash EPS (INR)	107.7	122.2	139.2	Total Current liabilities & Provision	509	647	720
				Net Assets	1,950	1,931	2,210
				Total Assets	4,359	4,778	4,983

Cashflow Statement	FY2018	FY2019E	FY2020E	Ratios Analysis	FY2018	FY2019E	FY2020E
PBT	314	354	434	Per Share Value			
Depreciation & Amortization	185	211	225	EPS (Rs)	49.9	56.2	68.9
Finance Cost	39	62	58	BVPS (Rs)	796.7	834.0	944.7
Others	21	-	-	DPS (Rs)	9.0	45.0	10.0
(Incr)/Decr in Working Capital	(225)	229	(47)	Turnover Ratio			
Tax Paid	(27)	(34)	(41)	Inventory Days	51	51	47
Cash Flow from Operating	307	823	628	Debtors Days	52	51	49
(Incr)/ Decr in Gross PP&E	(138)	(600)	(100)	Creditors Days	27	27	28
Others	11	(50)	(50)	Cash Conversion Cycle	76	75	69
Cash Flow from Investing	(126)	(650)	(150)	Asset Turnover Ratio	0.7	0.7	0.8
(Decr)/Incr in Share Capital	-	-	-	Profitability Ratio			
(Decr)/Incr in Debt	77	300	(150)	EBITDA Margin	15.1%	15.7%	16.1%
Interest Paid	(40)	(62)	(58)	PAT margin	8.0%	8.0%	8.8%
Others	(50)	-	-	ROA	5.8%	5.9%	6.9%
Dividend Paid	(29)	(201)	(38)	ROE	11.1%	12.0%	13.0%
Cash Flow from Financing	(42)	36	(246)	ROCE	8.1%	8.7%	9.9%
Change in Currency Fluctuation Reserve arising on Consolidation	20	-	-	Solvency Ratio			
Incr/(Decr) in Balance Sheet Cash	159	209	232	Debt / Equity Ratio	0.3	0.4	0.3
Op Cash and cash equivalents	200	781	990	Current Ratio	2.1	1.6	1.9
Cl. Cash and cash equivalents	359	990	1,222	Quick Ratio	1.5	1.2	1.5
Other Bank Balance	422	-	-	Interest Coverage Ratio	13.7	10.1	12.4
Cash & Bank	781	990	1,222	Valuation Ratios			
				PE (x)	9.4	10.9	8.9
				P/B (x)	0.6	0.7	0.6
				EV/EBITDA (x)	2.5	2.9	1.9
				Mcap/Sales (x)	0.4	0.5	0.4
				Earning Yield (%)	10.6%	9.2%	11.2%
				Dividend Yield (%)	1.9%	7.3%	1.6%
				Free Cash Flow Yield (%)	8.6%	8.2%	24.0%

Source - DSPL Research

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Buy	> 15%
Hold	> -10% to 15%
Sell	< -10%
Not Rated	We have forward looking estimates for the stock but we refrain from assigning recommendation

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