

EMMBI Industries Ltd.



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Emmbi Industries Ltd.

Strong result in uncertain times

CMP INR 96	Target INR 118	Potential Upside 23.1%	Market Cap (INR Mn) 1,698	Recommendation BUY	Sector Containers & Packaging
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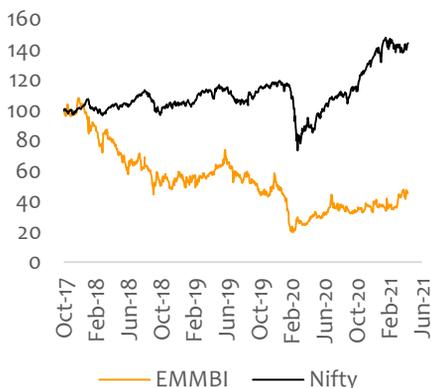
Result highlights

- Emmbi Industries reported revenue growth of 23.9% YoY/25.8% QoQ to INR 925 mn, mainly on the back of good growth in exports.
- EBITDA has seen a growth of 1.7% YoY/14.8% QoQ to INR 87 mn, while EBITDA margin contracted by 206 bps YoY/90 bps QoQ on account of higher other expenses. Due to higher freight costs (shipping rate) in the international markets, which has seen an uptick of nearly 50% in the month of March only, other expenses has seen a 32.5% YoY/29.4% QoQ increase, thereby impacting EBITDA margin both on YoY and QoQ basis.
- Reported PAT has seen a strong growth of 30.2% QoQ to INR 31 mn, however on YoY basis, PAT has seen a decline of 18.2% due to higher tax expenses (718.3% YoY increase) compared to corresponding quarter of previous year.

MARKET DATA

Shares outs (Mn)	17.69
Mkt Cap (INR Mn)	1,698
52 Wk H/L (INR)	112/62
Volume Avg (3m K)	105
Face Value (INR)	10
Bloomberg Code	EMMB IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	52,735
NIFTY	15,815

SHARE HOLDING PATTERN(%)

Particulars	Mar-21 (%)	Dec-20 (%)	Sep-20 (%)
Promoters	58.28	58.18	58.17
FIIIs	6.91	6.91	6.91
DIIIs	2.73	2.73	2.73
Others	32.08	32.18	32.19
Total	100	100	100

KEY FINANCIALS

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	2,891	3,041	2,742	3,193	3,700
EBITDA	410	374	285	394	523
PAT	179	146	77	157	247
EPS (INR)	10.1	8.3	4.3	8.9	13.9
EBITDA Margin (%)	14.2%	12.3%	10.4%	12.3%	14.1%
NPM (%)	6.2%	4.8%	2.8%	4.9%	6.7%

Source: Company, KRChokseyResearch

Best-ever quarter for the company in its 24-year history in terms of revenue growth:

Emmbi's topline growth in Q4FY21 was largely led by good growth in exports market as domestic market continued to face uncertainty due to Covid related disruption. The company by virtue of its fungible manufacturing facility, and diversification of states in rural markets was able to withstand the Covid related disruption. Seeing a slowdown in rural markets, the company has diverted its certain capacities into exports. In addition, Emmbi had worked on diversifying states for pond-lining thereby reducing the risks associated with lockdowns in any particular state. All these measures helped the company to clock commendable revenue growth both in YoY and QoQ terms despite Covid.

Minimal fall in capacity utilization despite Covid related disruption:

Emmbi Industries had lost overall 34 days in the entire FY21 due to Covid related disruption. So effectively, the company had worked for 11 months in FY21. In pre-Covid times, during FY20, the capacity utilization of the company stood at 76%, whereas the same stood at 69% for FY21, despite all the bottlenecks faced by the company on account of Covid, by losing nearly 1-month of work. The company management is confident that going forward in the coming quarters, the company will reach optimum capacity utilization, once normalcy returns.

Update on Avana:

Due to 45% decline in retail on All-India basis, and 29% decline in Mumbai alone, Avana suffered setback in FY21. During the quarter, Emmbi appointed a 'Brand Ambassador' Mr. Sayaji Shinde for Avana, and created TV commercials, which has generated over 1000 leads and Emmbi management is confident that these leads will generate good business for the company in the coming quarter of Q1FY22.

16.2%

Revenue CAGR between FY21 and FY23E

79.3%

PAT CAGR between FY21 and FY23E

Emmbi Industries Ltd.

Post Result Conference Call Highlights:

1. Q4FY21 was the best quarter for the company in terms of revenue growth despite all the Covid related difficulties faced by the company. Going forward for Q1FY22, company has given its guidance of replicating its Q4FY21 performance and is confident of double-digit revenue growth for FY22.
2. Currently B2B contributes 84%, while B2C contributes 16% to its overall revenue. Going forward in FY22 the company expects its B2C revenue to be 22-25% of total revenue and further aiming for 50:50 revenue mix by FY25.
3. As far as EBITDA margin is concerned, the company expects around 200 bps expansion in its margin for FY22, while it aims to achieve around 14.5% margin in FY23.
4. Currently around 20-22% of revenue is coming from patented products and company is aiming to increase it going forward as new products get patented.
5. Emmbi management is currently focusing on maintaining its topline growth even at times at the cost of margin and hence do not expect its debt figure to come down substantially going forward. However, the company aims to repay around INR 130-135 mn of its term loan in FY22, once business claws back to normalcy.

Outlook & Valuation:

We like Emmbi's business model, with a wide product range coupled with ability to innovate and tap new product application areas. The company has a good market positioning and a well-balanced business mix of an export play along with a compelling domestic market story. With gradual easing of Covid-19 related curbs, we expect the company to improve its capacity utilization, thereby aiding its fixed asset turnover ratio in the coming quarters.

After factoring in good Q4FY21 results, we have revised our FY22E estimates upwards and have introduced FY23E estimates. Since our last earnings update on the stock (at INR 80/share), the stock has rallied 20%. At a CMP of INR 96, Emmbi Industries is trading at a valuation of 10.8x/6.9x FY22E/23E EPS. **We have rolled over our target P/E multiple to FY23E and now value the stock at 8.5x on its FY23E EPS of INR 13.9/share which yields a target price of INR 118 per share (earlier INR 92 per share), a potential upside of 23.1% over the CMP. Accordingly, we upgrade our rating on the stock from 'ACCUMULATE' to "BUY".**

Emmbi Industries Ltd.

Financials:

Income Statement:

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	2,891	3,041	2,742	3,193	3,700
Cost of sales	1,874	1,997	1,721	1,925	2,292
Gross profit	1,016	1,042	1,019	1,266	1,406
Employees Benefit Expenses	151	169	179	249	310
Finance costs	110	119	114	109	106
Depreciation	63	70	72	82	92
Other expenses	455	500	555	622	573
EBITDA	410	374	285	394	523
Margin	14.2%	12.3%	10.4%	12.3%	14.1%
EBIT	350	306	214	316	435
Margin	12.1%	10.1%	7.8%	9.9%	11.8%
Pretax Income	240	187	100	207	329
Income tax expense	61	40	24	50	82
Net profit	179	146	77	157	247
Margin	6.2%	4.8%	2.8%	4.9%	6.7%
Diluted EPS (INR)	10.1	8.3	4.3	8.9	13.9

Source: Company, KRChoksey Research

Cashflow Statement:

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Cash from Operations	261	200	36	517	404
Cash from Investing	-166	-187	-154	-32	-236
Cash from Financing	-91	-23	108	-336	-103
Net increase/(decrease) in cash and cash eq	3	-9	-10	148	66
Cash and cash eq at the beginning of the year	26	28	19	9	157
Cash and cash eq at the end of the year	28	19	9	157	223

Source: Company, KRChoksey Research

Emmbi Industries Ltd.

Balance Sheet

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Inventories	729	787	902	811	775
Trade receivables	452	520	638	236	542
Cash and Cash eq	28	19	9	157	223
Bank balances other than cash and cash eq	10	18	6	6	6
Other current assets	155	161	138	559	288
Total Current Assets	1,373	1,504	1,693	1,770	1,833
Property, plant and equipment	1,082	1,150	1,242	1,177	1,291
Capital work in progress	37	61	39	39	39
Intangible assets	92	107	130	136	150
Financial assets	8	12	14	14	14
DTA	23	21	21	22	23
Income tax asset	110	130	147	154	169
Other non current assets	0	0	0	0	0
Total non-current assets	1,352	1,481	1,592	1,542	1,686
Total Assets	2,726	2,985	3,285	3,311	3,519
Liabilities and equity					
Borrowings	609	716	676	745	760
Trade Payables	273	264	259	356	313
Other financial liabilities	104	106	158	125	93
Provisions	0	0	0	0	0
Total current liabilities	985	1,086	1,092	1,226	1,165
Non-current liabilities	591	616	841	584	615
Total liabilities	1,576	1,701	1,933	1,810	1,780
Share capital	177	177	177	177	177
Other Equity	973	1,107	1,175	1,325	1,563
Total equity	1,150	1,284	1,352	1,502	1,739
Total liabilities and equity	2,726	2,985	3,285	3,311	3,519

Source: Company, KRChoksey Research

Key Ratios	FY19	FY20	FY21	FY22E	FY23E
EBITDA Margin (%)	14.2%	12.3%	10.4%	12.3%	14.1%
Net Profit Margin (%)	6.2%	4.8%	2.8%	4.9%	6.7%
RoE (%)	16.8%	12.0%	5.8%	11.0%	15.2%
RoCE (%)	16.6%	13.0%	8.3%	12.7%	15.8%
Current Ratio (x)	1.4X	1.4X	1.5X	1.4X	1.6X
EPS (INR)	10.1	8.3	4.3	8.9	13.9

Source: Company, KRChoksey Research

Emmbi Industries Ltd.

Emmbi Industries Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
28-Jun-21	96	118	BUY	Buy	More than 15%
17-Mar-21	80	92	ACCUMULATE		
15-Dec-20	78	92	BUY	Accumulate	5% – 15%
24-Sep-20	79	96	BUY		
04-Sep-20	81	96	BUY	Hold	0 – 5%
22-Jun-20	68	96	BUY		
14-Feb-20	100	174	BUY	Reduce	-5% – 0
15-Nov-19	102	174	BUY		
27-Sep-19	130	174	BUY	Sell	Less than – 5%

ANALYST CERTIFICATION:

I, Parvati Rai (MBA-Finance, M.com), Head Research, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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KR Choksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.