

Lockdown dents performance...

Wim Plast (WPL) reported a sluggish performance in Q4FY20 with a decline in revenue by ~31% YoY to ₹ 76 crore. Plastic segment (~87% of revenue) revenue declined 23% YoY while other segment (includes extrusion sheet, moulds, air cooler) revenue declined 53% YoY in Q4FY20. In general, Q4 happens to be a strong quarter with contribution of ~30% in annual sales. However, we believe the lockdown situation in March 2020 would have slashed Q4 revenue by ₹ 25-30 crore (I-direct estimate). Besides, a sharp increase in gross margin by ~440 bps YoY in Q4FY20 was due to better product mix, benign raw material prices. However, higher other expenditure and employee cost (both up ~190 bps, 418 bps YoY, respectively) dragged overall EBITDA margin. With a value market share of ~20%, WPL has faced stiff competition from unorganised players in its major operating markets such as Gujarat, Rajasthan and Maharashtra. However, revenue contribution of value added products (VAP) categories has increased from 11% to ~17% in the last four years, making a huge impact on gross margin front (up ~500 bps YoY in FY20) despite muted sales of traditional products. We believe that while FY21E is likely to be a challenging year due to lockdown, a major recovery would be witnessed from FY22E onwards.

Lockdown, change in product mix weigh on revenue

Covid-19 related lockdown and change in product mix weighed on consolidated revenue (fell ~14% YoY) in FY20. However, launch of premium products, improvement in the profitability of the other segment (EBIT margin up ~600 bps YoY) helped drive overall EBITDA margins up 70 bps YoY in FY20. We believe WPL would easily sail through the near term challenges of lower demand supported by its strong balance sheet position (zero debt, strong CFO, no major capex in the near term) and benign raw material prices. We also believe market share gain for WPL from unorganised players (have ~50% of total plastic furniture industry) during the pandemic and pent up demand would help drive sales from H2FY21E onwards.

Valuation & Outlook

WPL is the third largest players in the plastic furniture industry with ~14,000 touch points across India. In the last five years, it has focused on increasing share of value added product category (currently ~17%) in its revenue. Although this has led to muted topline growth, EBITDA margin of the business stayed elevated with increasing profitability of other segments (EBIT margin rose from 2.6% in FY19 to 8.6% in FY20). While the company stayed debt free, lower asset turnover on incremental capex, higher inventory days led to lower return ratios. We cut our FY21E revenue, earning estimates by ~37%, 35%, respectively, factoring in lockdown situation and introduce FY22 estimates with revenue, earnings growth of 16%, 34% YoY, respectively. We roll over our valuation on FY22E and maintain **HOLD** rating on the stock with a revised TP of ₹ 370, valuing at 10x FY22E earnings.

Key Financial Summary

(₹Crore)	FY18	FY19	FY20E	FY21E	FY22E	CAGR (19-22E)
Net Sales	387.7	372.6	321.6	284.6	329.9	1.3
EBITDA	80.8	74.4	66.6	54.5	70.2	2.6
EBITDA Margin (%)	20.8	20.0	20.7	19.2	21.3	
Net Profit	44.5	39.3	45.1	31.9	42.6	-2.8
EPS (₹)	37.1	32.7	37.6	26.6	35.5	
P/E (x)	9.0	10.2	8.9	12.5	9.4	
Price/Book (x)	1.3	1.2	1.1	1.1	1.0	
RoE (%)	15.0	12.0	12.9	8.7	11.0	
RoCE (%)	21.8	17.6	15.6	11.4	14.4	

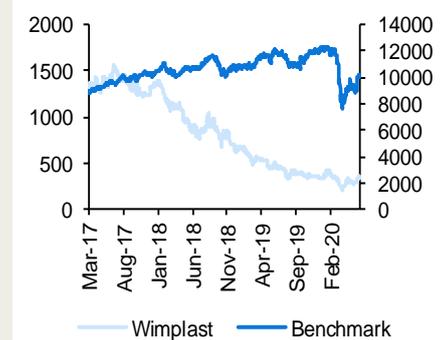
Source: ICICI Direct Research, Company



Particulars

Particular	Amount
Market Capitalization (₹Crore)	399.6
Total Debt (FY 20) (₹Crore)	0.0
Cash and Inv (FY 20) (₹Crore)	86.0
EV (₹Crore)	313.6
52 week H/L (₹)	495/211
Equity capital (₹Crore)	12.0
Face value (₹)	10.0

Price Chart



Key Highlights

- Sluggish performance in plastic segment owing to competition and lockdown
- Increasing revenue contribution from premium products has led to increase in gross margins
- We retain our positive bias on stock, maintain HOLD rating and revise target price to ₹ 370/share

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Exhibit 1: Variance Analysis

	Q4FY20	Q4FY19	YoY (%)	Q3FY20	QoQ (%)	Comments
Revenue	75.9	109.6	-30.8	76.7	-1.1	Revenue impacted by Covid-19 outbreak and subsequent lockdown during prime sales period
Other Income	4.3	0.7	522.0	1.3	230	Other income growth would be largely on account of higher treasury income
Raw Material Exp	40.0	62.6	-36.1	39.2	2.2	Change in product mix (launch of new products in plastic furniture category) vis-à-vis benign raw material prices help drive gross margin up by ~440 bps YoY
Employee cost	6.0	6.6	-9.3	6.3	-5.3	
Other Expenditure	14.8	16.8	-11.9	14.2	4.4	
Total Expenditure	60.8	86.0	-29.3	59.7	1.9	
EBITDA	15.1	23.6	-36.1	17.0	-11.4	
EBITDA Margin (%)	19.9	21.5	-167 bps	22.2	-232 bps	Saving in raw material prices completely offset by higher other expenditure, leading to decline in EBITDA margin by 167 bps YoY
Depreciation	4.5	4.3	3.1	4.4	1.6	
Interest	0.0	0.0	-6.2	0.1	-17.3	
PBT	14.9	19.9	-25.3	13.9	7.2	
Total Tax	3.9	6.9	-43.1	3.5	10.7	Transition to new corporate tax rate helped save tax outflow
PAT	11.1	13.0	-14.6	10.3	7.8	
Key Metrics						
Plastics	62.8	81.7	-23.2	68.4	-8.2	Lockdown sitaation in March drags sales of plastic furniture business
Others	13.2	27.9	-52.9	8.3	57.8	Lower offtake of air cooler in March drags performance

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ crore)	FY20E			FY21E			Introduced FY22E	Comments
	Est.	Actual	% Chg	Old	New	% Chg		
Revenue	408.2	321.6	(21.2)	449.5	284.6	(36.7)	329.9	While FY21E will be a challenging year in terms of lower demand, we believe market share gain from unorganised pie coupled with recovery in demand for plastic furniture would drive performance of the company
EBITDA	80.4	66.6	(17.1)	86.3	54.5	(36.8)	70.2	
EBITDA Margin (%)	19.7	20.7	101bps	19.2	19.2	-5bps	21.3	Change in mix coupled with various cost rationalisation measures would help fast recovery in margin
PAT	46.8	45.1	(3.7)	49.3	31.9	(35.4)	42.6	
EPS (₹)	39.0	37.6	(3.7)	41.1	26.6	(35.4)	35.5	

Source: Company, ICICI Direct Research

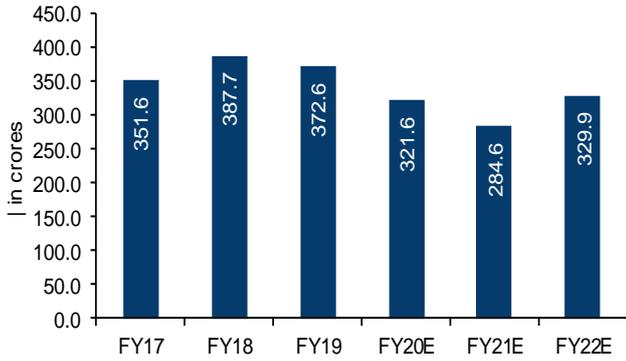
Exhibit 3: Assumptions

	Current				Comments
	FY19E	FY20E	FY21E	FY22E	
Plastic	-12.1	-12.2	-11.7	16.0	Though the contribution of value added products increased from ~11% to ~17% in the last five years, stiff competition in its key operating markets from unorganised players dented topline growth. We believe the unorganised industry has suffered significantly due to lockdown and rising tax compliance, which would, in turn, help Wimplast to gain market share, going forward
Others	57.1	-22.0	-10.0	15.2	Low base coupled with addition of new dealers would help drive growth in air cooler, moulds and extrusion sheets

Source: Company, ICICI Direct Research

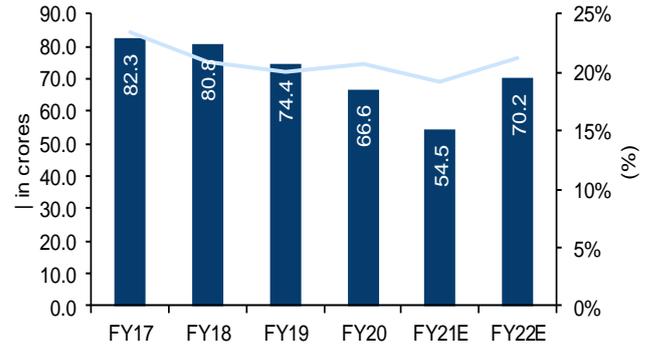
Financial story in charts

Exhibit 4: Revenue growth trend



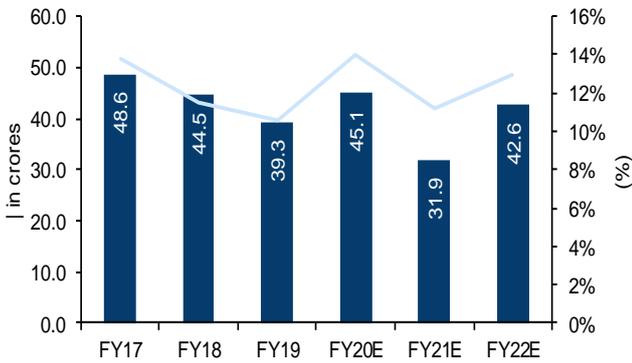
Source: ICICI Direct Research, Company

Exhibit 5: EBIDTA margin movement



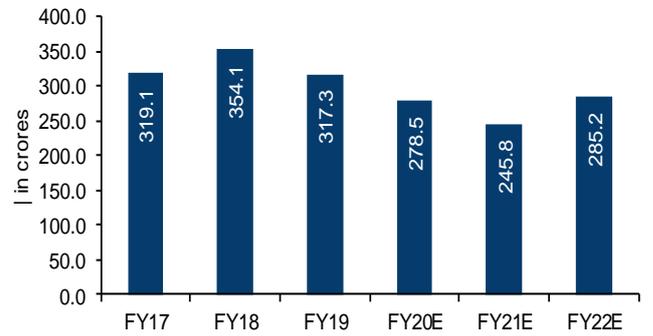
Source: ICICI Direct Research, Company

Exhibit 6: PAT margin movement



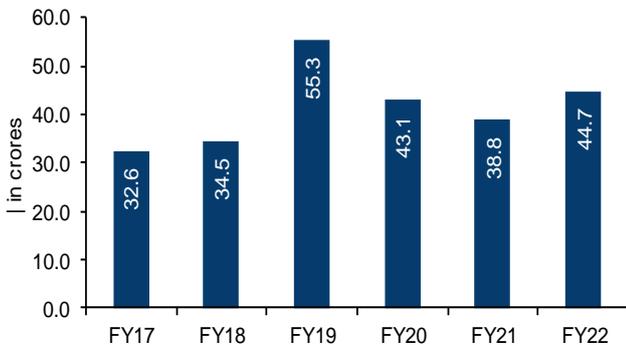
Source: ICICI Direct Research, Company

Exhibit 7: Revenue from plastic segment



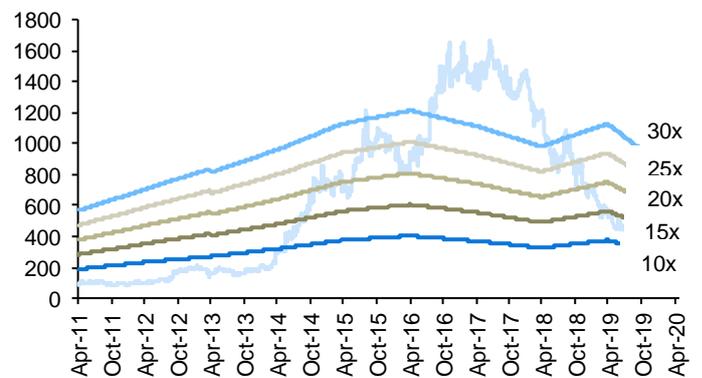
Source: ICICI Direct Research, Company

Exhibit 8: Revenue from other segment



Source: ICICI Direct Research, Company

Exhibit 9: PE chart



Source: ICICI Direct Research, Company

Exhibit

Source: IC

Financial Summary

Exhibit 11: Profit and loss statement (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Revenue	372.6	321.6	284.6	329.9
Growth (%)		-14%	-11%	16%
Raw Material Expenses	212.8	167.6	140.5	159.1
Employee Expenses	27.5	25.9	27.0	31.3
Other expenses	57.9	61.5	62.6	69.3
Total Operating Exp	298.2	255.0	230.1	259.7
EBITDA	74.4	66.6	54.5	70.2
Growth (%)		-10%	-18%	29%
Depreciation	16.8	18.5	19.9	21.4
Interest	0.2	0.2	0.2	0.2
Other Income	2.0	7.9	8.0	8.2
PBT	59.3	55.7	42.4	56.7
Total Tax	20.1	10.8	10.6	14.2
PAT	39.3	45.1	31.9	42.6
Growth (%)		15%	-29%	34%

Source: Company, ICICI Direct Research

Exhibit 13: Balance sheet				
(Year-end March)	FY19	FY20E	FY21E	FY22E
Liabilities				
Equity Capital	12.0	12.0	12.0	12.0
Reserve and Surplus	313.9	338.6	354.6	375.5
Total Shareholders funds	325.9	350.6	366.6	387.5
Others	12.6	8.1	8.1	8.1
Total Liabilities	338.4	358.7	374.8	395.6
Assets				
Gross Block	179.2	190.7	211.6	236.6
Less: Acc Depreciation	43.9	62.4	82.3	103.8
Total Fixed Assets	135.3	128.3	129.3	132.9
Investments	38.7	82.5	92.5	102.5
Inventory	98.2	98.4	87.3	90.4
Debtors	76.3	66.3	70.2	72.3
Loans and Advances	0.3	0.4	0.4	0.4
Other CA	6.5	8.2	7.3	8.4
Cash	3.9	3.5	2.9	3.9
Total Current Assets	185.2	176.7	168.0	175.3
Creditors	12.7	13.1	11.7	10.8
Provisions	1.5	1.9	1.4	1.3
Other CL	11.2	19.0	6.3	7.3
Total Current Liabilities	25.4	34.1	19.4	19.4
Net Current Assets	159.8	142.6	148.6	155.9
Total Assets	338.4	358.7	374.8	395.6

Source: Company, ICICI Direct Research

Exhibit 12: Cash flow statement (₹ crore)				
(Year-end March)	FY19	FY20E	FY21E	FY22E
Profit after Tax	39.3	45.1	31.9	42.6
Add: Depreciation	16.8	18.5	19.9	21.4
(Inc)/dec in Current Assets	5.7	8.1	8.0	-6.3
Inc/(dec) in CL and Provisions	-9.4	8.7	-14.7	0.0
CF from operating activities	52.6	80.6	45.4	58.0
(Purchase)/Sale of Fixed Ass	-27.4	-12.4	-20.0	-25.0
Others	-19.4	-47.9	-10.0	-10.1
CF from investing activities	-46.8	-60.3	-30.0	-35.1
Dividend paid & dividend tax	-10.1	-20.3	-15.9	-21.7
Others	-0.2	-0.4	-0.1	-0.2
CF from financing activities	-10.3	-20.6	-16.0	-22.0
Net Cash flow	-4.5	-0.3	-0.6	1.0
Opening Cash	8.4	3.9	3.5	2.9
Closing Cash	3.9	3.5	2.9	3.9

Source: Company, ICICI Direct Research

Exhibit 14: Key ratios				
(Year-end March)	FY19	FY20E	FY21E	FY22E
Per share data (₹)				
EPS	32.7	37.6	26.6	35.5
Cash EPS	46.7	53.0	43.2	53.4
BV	271.6	292.1	305.5	322.9
DPS	8.4	16.9	13.3	18.1
Operating Ratios (%)				
EBITDA Margin	20.0	20.7	19.2	21.3
PAT Margin	10.5	14.0	11.2	12.9
Asset Turnover	2.1	1.7	1.3	1.4
Inventory Days	96.2	111.6	112.0	100.0
Debtor Days	74.8	75.2	90.0	80.0
Creditor Days	12.4	14.9	15.0	12.0
Return Ratios (%)				
RoE	12.0	12.9	8.7	11.0
RoCE	17.6	15.6	11.4	14.4
RoIC	17.4	13.8	9.4	12.6
Valuation Ratios (x)				
P/E	10.2	8.9	12.5	9.4
EV / EBITDA	5.3	5.9	7.3	5.6
EV / Net Sales	1.1	1.2	1.4	1.2
Market Cap / Sales	1.1	1.2	1.4	1.2
Price to Book Value	1.2	1.1	1.1	1.0
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	7.1	5.1	8.5	8.8
Quick Ratio	3.3	2.2	4.0	4.2

Source: Company, ICICI Direct Research

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