

EMMBI Industries Ltd.



Emmbi Industries Ltd.

Stellar show continues

CMP INR 92	Target INR 139	Potential Upside 50.7%	Market Cap (INR Mn) 1,634	Recommendation BUY	Sector Containers & Packaging
----------------------	--------------------------	----------------------------------	-------------------------------------	------------------------------	---

Result Highlights

- In Q4FY22, Emmbi's revenue grew 17.9% YoY to INR 1,091 mn. Though on sequential basis revenue was marginally down by 0.5% QoQ. For FY22 revenue stood at INR 4,356 mn, a growth of 59% YoY.
- EBITDA has seen a growth of 47% YoY to INR 128 mn. On QoQ basis EBITDA was mostly flat, up by 1% QoQ. EBITDA margin saw an expansion of 233 bps YoY and 18 bps QoQ to 11.7%.
- PAT has seen a strong growth of 49.9% YoY to INR 46 mn. However on QoQ basis PAT suffered a decline of 9.3%. PAT margin expanded by 90 bps YoY to 4.2%, though on QoQ basis it suffered a decline of 41 bps.

MARKET DATA

Shares outs (Mn)	17.7
Mkt Cap (INR Mn)	1634
52 Wk H/L (INR)	132/85
Volume Avg (3m K)	63
Face Value (INR)	10
Bloomberg Code	EMMB IN

KEY FINANCIALS

Particulars (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	3,041	2,742	4,356	4,436	4,621
EBITDA	374	285	491	594	642
PAT	146	77	190	354	392
EPS (INR)	8.3	4.3	10.8	20.0	22.2
EBITDA Margin (%)	12.3%	10.4%	11.3%	13.4%	13.9%
NPM (%)	4.8%	2.8%	4.4%	8.0%	8.5%

Source: Company, KRChoksey Research

Recovery in end-user markets supported revenue growth

In Q4FY22, Emmbi's revenue grew 17.9% YoY to INR 1,091 mn. The growth was supported by a recovery in the end-user industry like FMCG, Pharma, Chemicals, Construction, etc., both in domestic as well as in international markets. The company benefited from a strong recovery in its key export markets of USA and Europe. For FY22, revenue stood at INR 4,356 mn, a growth of 59% YoY. The growth for FY22 was an all-round growth in all of its key verticals. B2B International saw a growth of 73.24% YoY growth, while B2B domestic grew by 43.11% YoY. Avana Consumer Durables saw a growth of 20.77% YoY, while Avana Consumer Goods clocked a stupendous growth of 560% YoY. Emmbi is witnessing strong traction in its export market. The company is having a robust export order book. The agriculture retail restriction removal has also boosted the performance of the company.

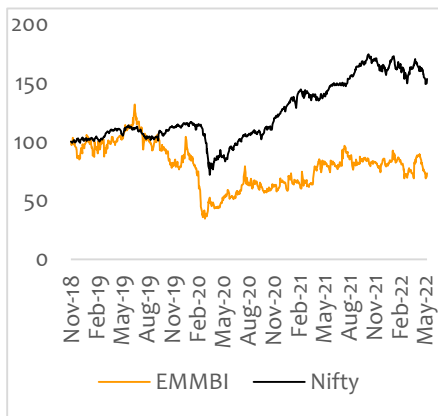
Healthy operating and production efficiency

EBITDA has seen a growth of 47% YoY to INR 128 mn. On QoQ basis EBITDA was mostly flat, up by 1% QoQ. EBITDA margin saw an expansion of 233 bps YoY and 18 bps QoQ to 11.7%. The company is focusing on increasing production efficiency with manpower efficiency reaching industry highs. PAT has seen a strong growth of 49.9% YoY to INR 46 mn. However, on QoQ basis PAT suffered a decline of 9.3%. PAT margin expanded by 90 bps YoY to 4.2%, though on QoQ basis it suffered a decline of 41 bps.

Future Growth Drivers

Packaging growth is directly correlated to GDP growth of the country. The company is debottlenecking its manufacturing facility which has helped it create ability to produce higher quantities, with higher margins. Emmbi is keeping a strong focus on sustainable industry packaging and has applied for registering the Emmbi ReClaim trademark.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	54,318
NIFTY	16,259

SHARE HOLDING PATTERN (%)

Particulars	Mar-22 (%)	Dec-21 (%)	Sept-21 (%)
Promoters	58.3	58.3	58.3
FIIIs	7.1	7.1	6.9
DIIIs	1.9	1.9	1.9
Others	32.7	32.7	32.9
Total	100	100	100

19.0%

Revenue CAGR between FY21 and FY24E

72.3%

PAT CAGR between FY21 and FY24E

Emmbi Industries Ltd.

Post Result Conference Call Highlights

- The company's gross revenues for FY22 have crossed the milestone of INR 5 bn mark for the first time in its 25 years history.
- The year was very interesting, the company had a very good growth of around 59% YoY in the revenue, which came from various sector and the best part is growth was not dominated by any one particular sector. Every segment has performed very well.
- Out of the total growth of 59% for the full year FY22, volume growth was to the tune of around 30% and realization growth was the balance.
- The cash conversion cycle has improved from 149 days last year to 107 days in last quarter and has further improved to 96 days this quarter. As Emmbi is in growth stage, hence the cash conversion cycle is a bit stretched. However management is taking every effort to improve the cash conversion cycle and have been successful in keeping its promise to bring it to below 100 days.
- In the last quarter (Q3FY22), the company has launched Reclaim 30- to cater to the UK's new plastic packaging tax. The company is keeping a strong focus on sustainable industry packaging and has applied for registering the Emmbi ReClaim trademark. The company further expects that the trend can spread to EU and US markets which will give the company a further edge in this vertical.
- Reclaim30 is Emmbi's range of sustainable plastic packaging, which uses 30%+ recycled polypropylene in which the company is positioning itself as one-stop-shop for such sustainable packaging products by combing superior quality with a strong understanding of laws & paperwork.

Outlook & Valuation

We continue to remain bullish on the company's growth story led by its unique offerings of innovative solutions and first-mover advantage in the agro-polymers market. With a continued focus on expansion by diversifying into different products and introducing new products, the company has laid a firm ground for its consumer product. The company has launched new products and the management expects to further work on newer products to cater to the market. Reclaim 30 range has been launched to cater to the new UK's plastic packaging tax. This move can give company a first mover advantage as more countries would adopt to these laws. The company has also applied for registering the Emmbi ReClaim trademark.

After factoring in good Q4FY22 numbers, we have revised our FY23E and FY24E estimates upwards. At CMP of INR 92, shares of the company are trading at a P/E of 4.6x/4.2x its FY23E/FY24E EPS. We now value the stock at 6.25x (earlier 7.3x) on its revised FY24E EPS of INR 22.2/share (earlier INR 19.2/share), which yields a target price of INR 139 (unchanged) giving an upside potential of 50.7%. Accordingly, we maintain our 'BUY' rating on the stock.

Emmbi Industries Ltd.

Financials:

Income Statement:

Particulars (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue	3,041	2,742	4,356	4,436	4,621
Cost of sales	1,997	1,721	2,767	2,794	2,865
Gross profit	1,042	1,019	1,589	1,641	1,756
Employees Benefit Expenses	169	179	197	271	282
Finance costs	119	114	147	105	100
Depreciation	70	72	87	19	20
Other expenses	500	555	901	776	832
EBITDA	374	285	491	594	642
Margin	12.3%	10.4%	11.3%	13.4%	13.9%
EBIT	306	214	405	577	623
Margin	10.1%	7.8%	9.3%	13.0%	13.5%
PBT	187	100	258	472	523
Income tax expense	40	24	68	118	131
Net profit	146	77	190	354	392
Margin	4.8%	2.8%	4.4%	8.0%	8.5%
Diluted EPS (INR)	8.3	4.3	10.8	20.0	22.2

Source: Company, KRChoksey Research

Cashflow Statement:

Particulars (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Cash from Operations	200	36	261	637	370
Cash from Investing	-187	-154	-198	-123	-157
Cash from Financing	-23	108	-63	-475	-199
Net increase/(decrease) in cash and cash eq	-9	-10	0	38	13
Cash and cash eq at the beginning of the year	28	19	9	10	48
Cash and cash eq at the end of the year	19	9	10	48	61

Source: Company, KRChoksey Research

Emmbi Industries Ltd.

Balance Sheet

Particulars (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Inventories	787	902	977	967	932
Trade receivables	520	638	759	820	952
Cash and Cash equivalent	19	9	10	48	61
Bank balances other than cash and cash equivalent	18	6	0	0	0
Other current assets	161	138	158	99	103
Total Current Assets	1,504	1,693	1,904	1,934	2,048
Property, plant and equipment	1,150	1,242	1,369	1,426	1,534
Capital work in progress	61	39	0	0	0
Intangible assets	107	130	150	165	181
Financial assets	12	14	19	22	21
DTA	21	21	2	22	23
Income tax asset	130	147	102	112	123
Total non-current assets	1,481	1,592	1,642	1,747	1,883
Total Assets	2,985	3,285	3,546	3,681	3,931
Liabilities and equity					
Borrowings	716	676	940	760	775
Trade Payables	264	259	313	464	422
Other financial liabilities	106	158	22	93	93
Provisions	0	0	0	0	0
Total current liabilities	1,086	1,092	1,275	1,316	1,289
Non-current liabilities	616	841	737	485	383
Total liabilities	1,701	1,933	2,012	1,802	1,672
Share capital	177	177	177	177	177
Other Equity	1,107	1,175	1,357	1,702	2,082
Total equity	1,284	1,352	1,534	1,879	2,259
Total liabilities and equity	2,985	3,285	3,546	3,681	3,931

Source: Company, KRChoksey Research

Key Ratios	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	12.3%	10.4%	11.3%	13.4%	13.9%
Net Profit Margin (%)	4.8%	2.8%	4.4%	8.0%	8.5%
RoE (%)	12.0%	5.8%	13.2%	20.7%	19.0%
RoCE (%)	13.0%	8.3%	13.6%	20.1%	19.7%
Current Ratio (x)	1.4x	1.5x	1.5x	1.5x	1.6x
EPS (INR)	8.3	4.3	10.8	20.0	22.2

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
18-May-22	92	139	BUY	Buy	More than 15%
15-Feb-22	101	139	BUY		
08-Nov-21	104	139	BUY	Accumulate	5% – 15%
13-Aug-21	109	139	BUY		
30-Jun-21	97	118	BUY	Hold	0 – 5%
28-Jun-21	96	118	BUY		
17-Mar-21	80	92	ACCUMULATE	Reduce	-5% – 0
15-Dec-20	78	92	BUY		
24-Sep-20	79	96	BUY	Sell	Less than – 5%
04-Sep-20	81	96	BUY		
22-Jun-20	68	96	BUY		

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.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSPL is a registered Research Entity vide SEBI Registration No. INH000001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSPL policies, in circumstances where KRCSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Parvati Rai (MBA-Finance, M.com), Head Research of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Parvati Rai (MBA-Finance, M.com), Head Research do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

Visit us at www.krchoksey.com

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.

ANALYST

Parvati Rai, head-research@krchoksey.com, +91-22-6696 5413

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576

www.krchoksey.com