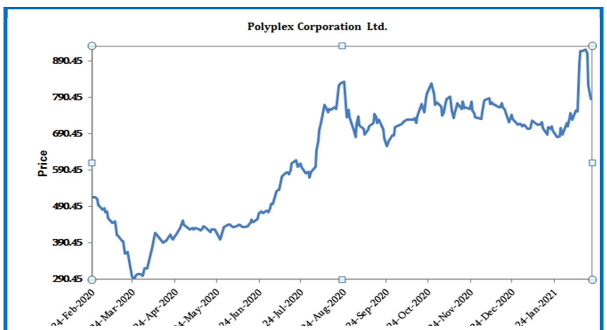
POLYPLEX CORPORATION LTD.

March 10, 2020

Polyplex Corporation Ltd. (PCL)	
Industry	Plastic Products
No. of Shares (Crore)	3.139
Face value (Rs)	10.00
Mkt. Cap (Rs. Crore)	2826.89
Price(Rs.) (9/3/2021)	900.50
Book Value (Rs)	1081.75
P/BV	0.83
BSE Code	524051
NSE Code	POLYPLEX
Bloomberg	PPC IN
Reuters	PLYP.BO
Avg. Weekly Volume (BSE+NSE)	21,68,060
52 W H/L (Rs)	945.10/282.50
Shareholding Pattern	**%**
Indian Promoters	7.23
Foreign Promoters	43.74
Institutions	6.13
FPI	7.51
Non - Institutions	30.17
Bodies Corporate	5.22
Total	**100.00**
(As on December 31, 2020)	
Recommendation	
BUY	



Company Background

Polyplex Corporation Ltd. (PCL) has the 6th largest capacity of polyester thin (PET) film globally. It is into packaging sector offering wide range of plastic films across various substrates (PET (Thin & Thick), BOPP, CPP and Blown PP/PE). Its products are used in packaging (73%) and in Industrial and electrical industry (27%). The company has large international presence with 6 manufacturing & distribution operation facilities spread across countries like India, Indonesia, Thailand, Turkey, USA, and Netherlands, with total base film capacity of 3, 81,837 MT per annum and delivering its products to more than 80 countries. PCL is the Group holding company with economic interest in overseas businesses that stood at 51%.

Investment Rationale

- Global thin PET film industry is likely to grow between 6%-7% for next few years & India is world's biggest and fastest growing flexible packaging market which is expected to grow at 9%-10%. Polyplex Capacity utilization of thin PET films is 101% in YTD against industry average of 82% placing it as an industry leader due to higher productivity/lower operational losses complimented by the expanding product portfolio.
- Polyplex consolidated debt declined to Rs.734 crores in Dec 2020 from Rs.1294.33crores in FY16. The company achieved Net Debt to EBIDTA at 0.9x.
- PCL's revenue contribution is split across regions and product application. Region wise break up of sales YTD comprised of polyplex USA, India &Thailand which contributed 70% and Turkey Indonesia and others contributed 30%. Product wise 67% of sales came from PET films and 33% comprised of specialty films.
- The company has reported Ebidta of Rs.329.30 crs in Q3FY21 on back of strong volume & revenue growth of 18% & 13.33% YoY respectively. The decline in crude oil prices supported its Ebidta growth during the quarter and margins improved by 8.95 percentage points to 26.62% vs. 17.67% in Q3FY20.
- The company plans capex of ~Rs1424 crs over FY21-23, which includes brownfield BOPP project (Indonesia), BOPET Project (US) and other projects (India+Overseas). The expansion in BOPP and BOPET segment will enable the company to meet the demands of regional markets and gain market share.
- PCL has been granted 20 patents and 6 trademarks across products, processes, brands and countries and more than 3 patents are currently under the application stage.

Recommendation

PCL had always maintained a stable VA (Value addition is the difference between PET film price and raw material (PTA & MEG prices) despite crude price volatility. We expect the high raw material prices to be passed on to the end customer. Further increasing contribution of specialty films would help sustain superior margins. We expect PCL to report EPS of Rs.170 in FY22e and at current price of Rs.900.50 the stock is discounted by 5 times. The company had paid Rs.147/share as 3 interim dividends for FY21. One can buy the stock with target price of Rs.1090 in 6-9 months.

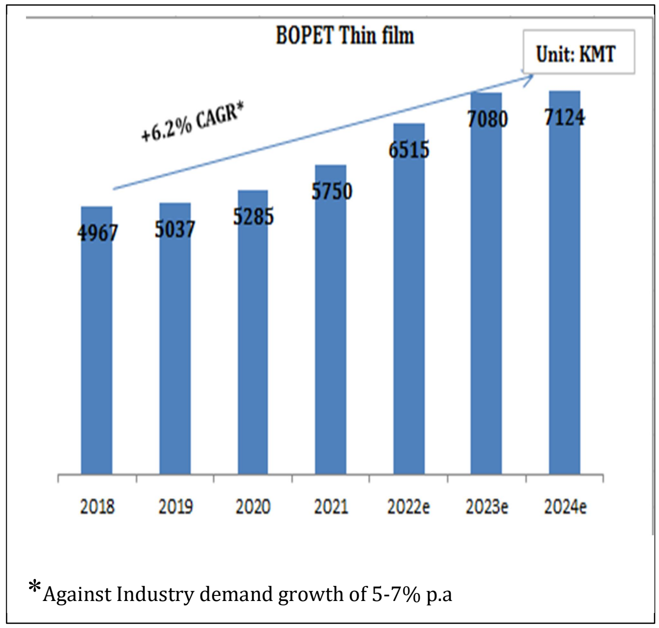
Particulars (in Rs. Crs)	Q3FY21	Q3FY20	Var%	9mFY21	9mFY20	Var%	FY20	FY19
Net Sales	1237.22	1091.67	13.33	3624.11	3297.19	9.92	4487.10	4569.89
Operating Profit	329.30	192.86	70.75	821.78	613.36	33.98	780.72	731.37
Other Income	14.15	23.00	-38.48	132.90	123.62	7.51	61.40	163.54
Total expenditure	907.92	898.81	1.01	2802.33	2683.83	4.42	3706.38	3838.52
Consol. Profit After Tax	131.36	70.97	85.09	386.49	259.07	49.18	282.04	330.03
PBIDTM%	26.62	17.67	50.66	22.68	18.60	21.94	17.40	16.00
PATM%	18.16	11.35	60.03	18.13	14.33	26.52	6.29	7.22
EPS (Rs.)	41.85	22.19	88.57	123.11	81.01	51.97	88.18	103.18

Numbers : consolidated numbers

Source: ACE Equity AUM Research

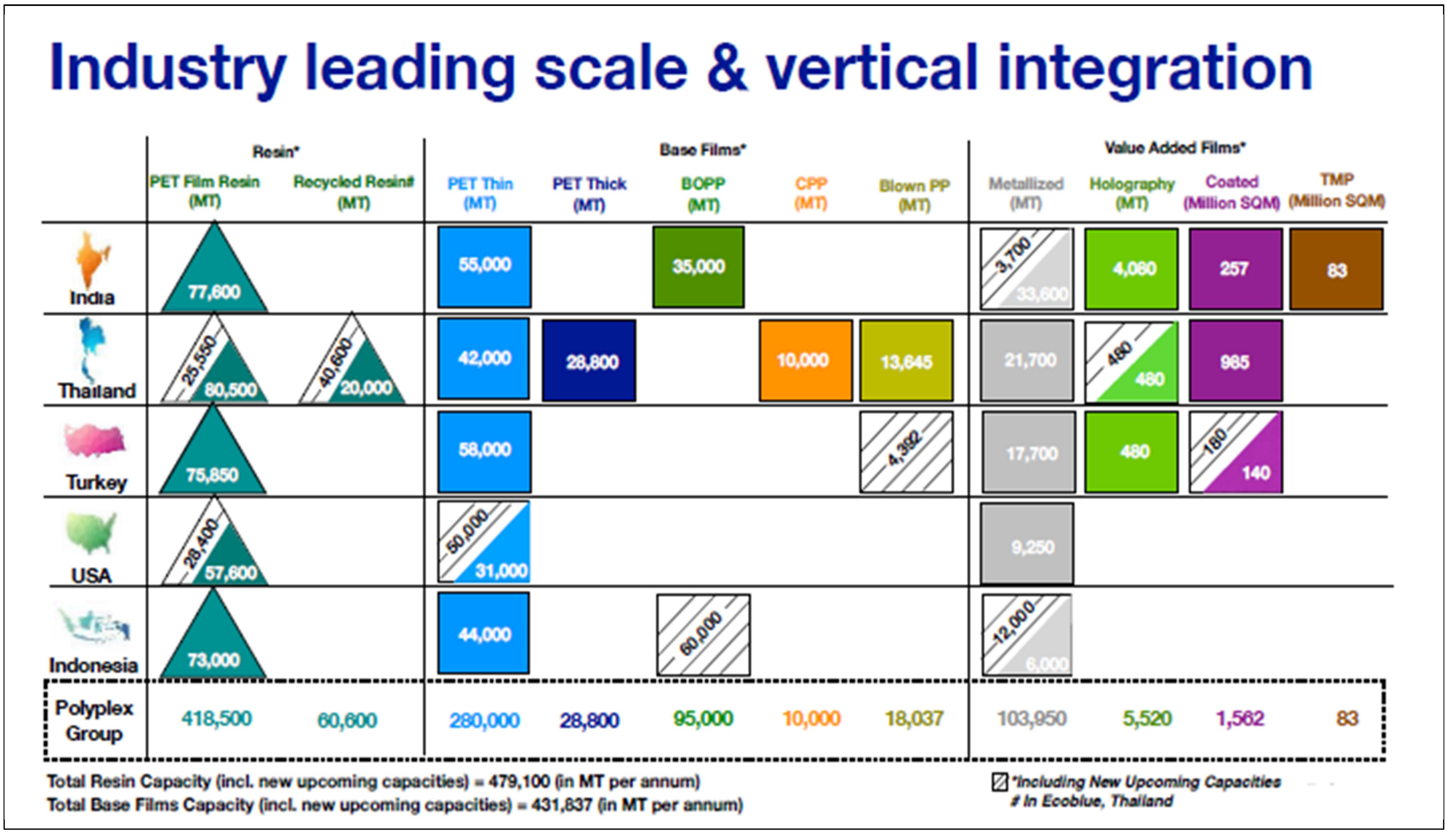
Industry Outlook

- Approx.1.67 Million Tons of Capacity (more than 64% in China) to be further added in Thin PET by 2023 globally.
- Changing cost dynamics may result in closure/underutilization of older lines
- Constant up-gradation in technology (10.6 mtr wide line) to remain a challenge for industry players stuck with mostly legacy assets for standard films.
- Raw Material Price Outlook: Crude Oil prices have recovered from post Covid lows – expected to remain range bound
- Sharp spike in export freight rates since Oct'20 expected to continue into most of 2021 before normalising gradually
- Trend towards De-Globalisation, Protectionism and preference for local & regional Suppliers.
- Concerns around Sustainability - usefulness of plastics (incl. SUPs) in focus during on-going Covid crisis.



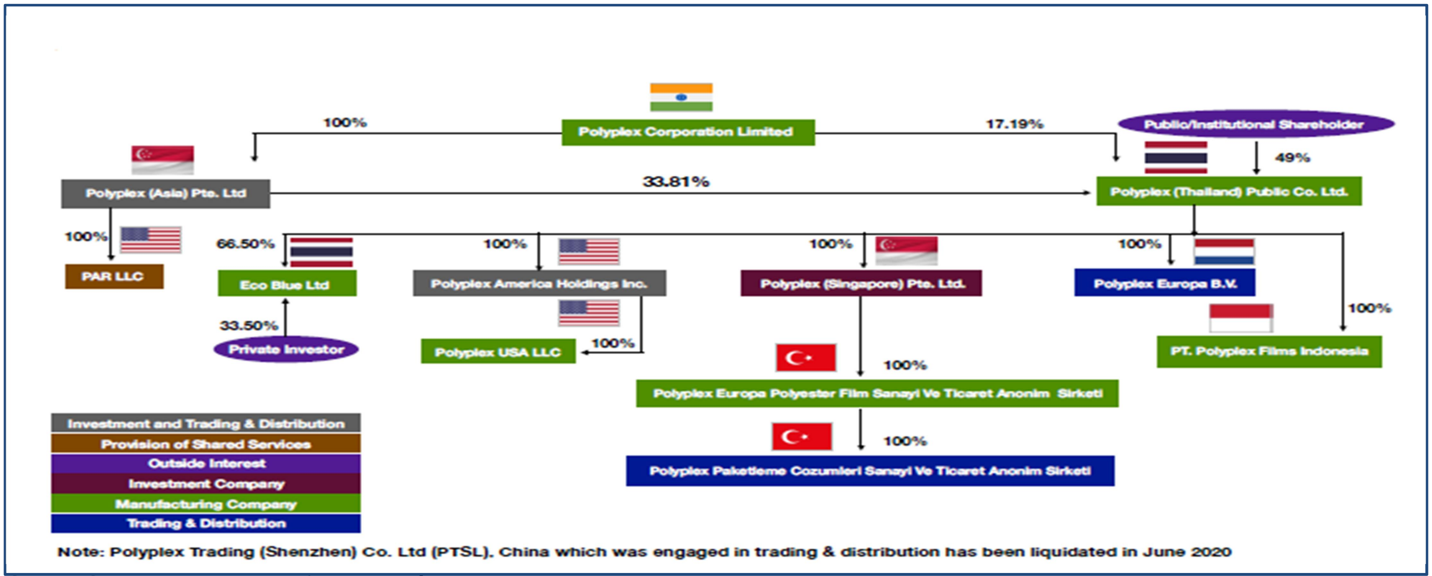
Source: Company Presentation, AUM research.

Polyplex Group Capacity Expansion



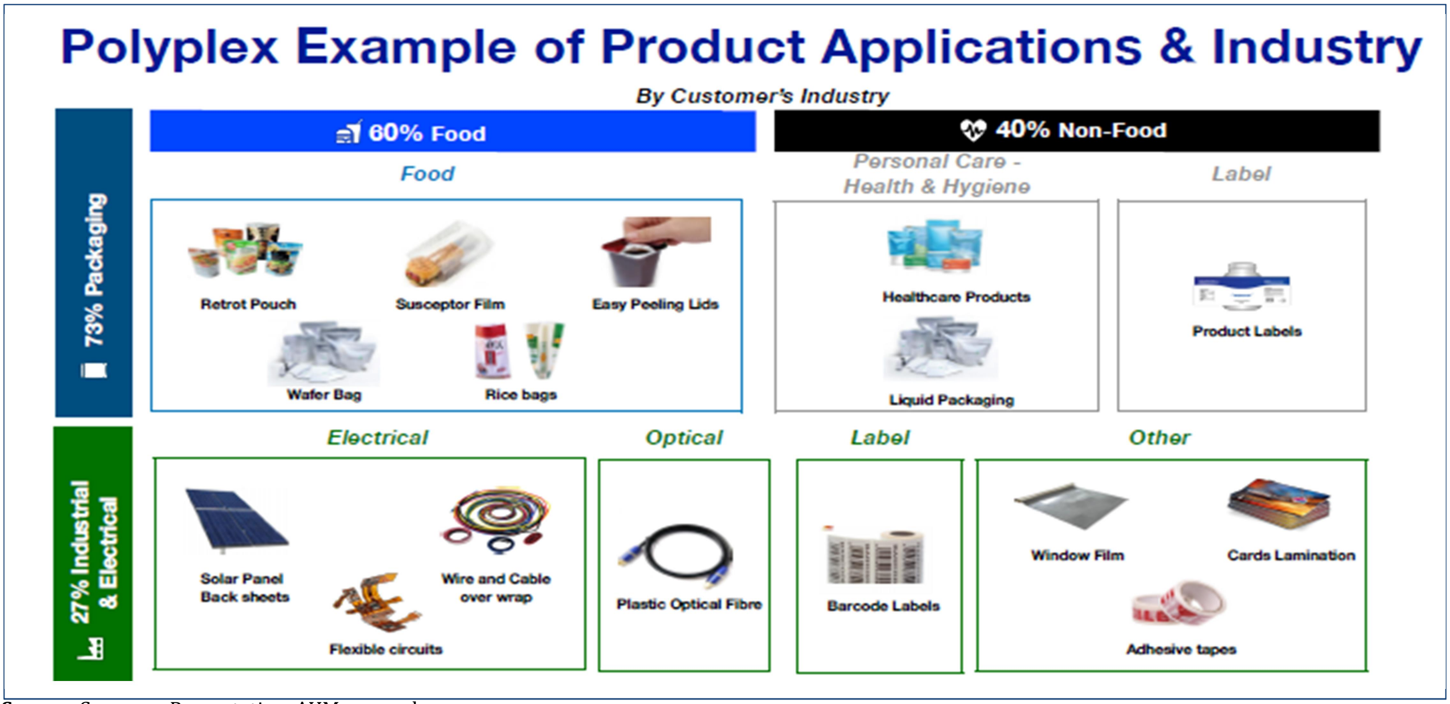
Source: Company Presentation, AUM research.

Polyplex Group Structure



Source: Company Presentation, AUM research.

- PET film is a versatile product with wide and growing range of applications. These diverse applications and product versatility leads to a constant pipeline of new product variations and applications thus reducing dependence on any one application or product.
- Downstream businesses like metallizing, silicone coating, extrusion coating, holography and offline chemical coating have enabled Polyplex to offer products for a variety of applications - general packaging, specialty packaging, electrical, liners, roofing and a whole gamut of other industrial applications.
- PCL also has non-tearable polyester film in India designed especially for digital print media segments. Recently, the Company has introduced Transfer Metallized Film/Paper which is commonly used for packaging of pharmaceutical, cosmetics, liquors, calendars, DVD inserts etc.



Source: Company Presentation, AUM research.

Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	**Q3FY21**	**Q3FY20**	**Var%**	**9mFY21**	**9mFY20**	**Var%**
Net Sales	1237.22	1091.67	13.33	3624.11	3297.19	9.92
Total Expenditure	907.92	898.81	1.01	2802.33	2683.83	4.42
PBIDT (Excl OI)	329.30	192.86	70.75	821.78	613.36	33.98
Other Income	14.15	23.00	-38.48	132.90	123.62	7.51
Operating Profit	343.45	215.86	59.11	954.68	736.98	29.54
Interest	3.88	3.97	-2.27	13.38	13.31	0.53
PBDT	339.57	211.89	60.26	941.30	723.67	30.07
Depreciation	70.81	60.78	16.50	208.80	170.44	22.51
Tax	44.03	27.20	61.88	75.40	80.88	-6.78
Profit After Tax	224.73	123.91	81.37	657.10	472.35	39.11
Minority Interest	-93.37	-52.94	-76.37	-270.61	-213.28	26.88
Consolidated Net Profit	131.36	70.97	85.09	386.49	259.07	49.18
EPS (Rs.)	41.85	22.19	88.57	123.11	81.01	13.55

Consolidated Income Statement (Value in Rs. Crs)				
Particulars	**FY20**	**FY19**	**FY18**	**FY17**
Net Sales & Other Operating Income	4487.10	4569.89	3572.34	3200.99
Total Expenditure	3706.38	3838.52	3078.17	2758.29
PBIDT (Excl OI)	780.72	731.37	494.17	442.71
Other Income	61.40	163.54	44.17	120.77
Operating Profit	842.12	894.91	538.34	563.48
Interest	18.02	29.08	39.43	47.02
PBDT	824.10	865.83	498.91	516.46
Depreciation	253.33	209.10	185.01	196.63
Exceptional Income/ Expense	69.41	0.00	0.00	56.28
Tax	146.36	73.07	29.78	14.73
Profit After Tax	493.82	583.65	284.12	361.39
Minority Interest	-211.78	-253.62	-124.66	-129.68
Share of Associate	0.00	0.00	0.00	0.00
Consolidated Net Profit	282.04	330.03	159.45	231.71
EPS (Rs.)	88.18	103.18	49.85	72.44

Source: Company, Ace Equity, AUM Research

Consolidated Balance Sheet (Value in Rs. Crs)				
Particulars	**FY20**	**FY19**	**FY18**	**FY17**
EQUITY AND LIABILITIES				
Share Capital	32.56	32.56	32.56	32.56
Total Reserves	2996.69	2738.68	2515.66	2269.80
Shareholder's Funds	**3029.26**	**2771.24**	**2548.23**	**2302.37**
Minority Interest	1457.41	1235.19	1072.21	884.87
Secured Loans	431.19	245.48	254.82	410.64
Unsecured Loans	0.00	0.00	0.00	0.00
Deferred Tax Assets / Liabilities	16.73	-52.49	-49.35	-52.88
Other Long Term Liabilities	7.22	0.83	1.61	1.84
Long Term Trade Payable	0.00	0.00	0.00	0.00
Long Term Provisions	16.28	11.66	8.48	7.58
Total Non-Current Liabilities	**471.42**	**205.48**	**215.57**	**367.19**
Trade Payables	239.94	235.30	267.46	256.16
Other Current Liabilities	273.65	283.39	228.58	237.79
Short Term Borrowings	256.68	418.75	483.88	252.41
Short Term Provisions	160.68	90.63	41.12	28.22
Total Current Liabilities	**930.95**	**1028.06**	**1021.04**	**774.58**
Total Liabilities	**5889.04**	**5239.97**	**4857.05**	**4329.01**
ASSETS				
Gross Block	5274.96	4348.03	4095.62	3755.10
Less: Accumulated Depreciation	2453.86	2109.32	1880.97	1573.94
Net Block	**2821.10**	**2238.71**	**2214.66**	**2181.16**
Capital Work in Progress	29.79	181.43	8.09	10.26
Non-Current Investments	163.62	115.32	135.66	101.64
Long Term Loans & Advances	88.45	106.03	74.41	16.49
Other Non-Current Assets	62.77	282.19	342.18	603.66
Total Non-Current Assets	**3165.74**	**2923.68**	**2775.00**	**2913.22**
Current Investments	72.18	10.88	0.94	1.28
Inventories	677.81	664.09	566.53	435.72
Sundry Debtors	678.95	601.17	549.67	468.46
Cash and Bank	961.14	783.65	781.02	385.06
Other Current Assets	54.78	52.74	104.88	33.15
Short Term Loans and Advances	278.44	203.76	79.01	92.13
Total Current Assets	**2723.31**	**2316.30**	**2082.05**	**1415.79**
Net Current Assets (Including Current Investments)	**1792.36**	**1288.23**	**1061.01**	**641.21**
Total Assets	**5889.04**	**5239.97**	**4857.05**	**4329.01**

Source: Company, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

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