

Company Details

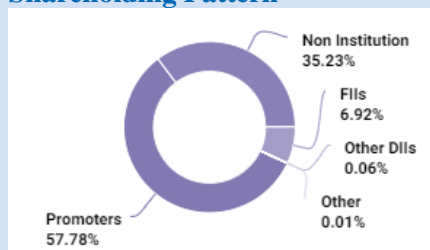
CMP:	Rs.117.25
Face value:	Rs.10.00
Market cap:	Rs.213.12 Crs.
TTM EPS	Rs.9.29
52 week high:	Rs.263
52 week low:	Rs.98.05
BSE Code:	533161
Sector	Containers & Packaging

Financial Highlights (YoY)

Rs. in crores			
	FY18	FY17	% Var
Net Sales	258.26	240.99	7.2%
Total Expendit	232.55	219.40	6.0%
PBDIT	25.71	21.59	19.1%
Op.Profit	25.82	21.68	19.1%
OPM (%)	10.0%	9.0%	11.1%
PBT	20.52	17.52	17.1%
PAT	15.26	12.73	19.9%
EPS (Rs.)	8.63	7.20	19.9%
Equity	17.69	17.69	0.0%

Quarterly Performance (YoY)

Rs. in crores			
	Q2FY19	Q2FY18	% Var
Net Sales	73.34	60.23	21.8%
Total Expe	65.90	54.07	21.9%
PBDIT	7.44	6.16	20.8%
Op.Profit	7.48	6.20	20.6%
OPM (%)	10.2%	10.3%	-0.9%
PBT	5.96	4.92	21.1%
PAT	4.43	3.75	18.1%
EPS (Rs.)	2.47	2.09	18.1%

Shareholding Pattern**Research Analyst**

Animesh Yadav

animesh.yadav@satco.co.in

Satco Capital Markets Ltd.

Board Line: +91 022 2645 6666 |

Ext: 288 | Fax: +91 022 2651 6783

Company Background

Emmbi Industries Ltd., a Dadra & Nagar Haveli based company, is engaged in manufacturing and selling of FIBC, Technical textile, Flexible tanks, Woven sacks, Car cover, Container liner etc. It manufactures over 40 products that cater to a B2B client base of over 200, spread in 56 countries. The exports contribute about 47% of the Revenue with major business across US and Europe. The Company's B2B contribution has come down from 91% to 89% in the last half year and the B2C contribution has increased by 2% to 11%. The Company has increased its capacity by 25% from 18,000mtpa to 24,000mtpa, out of which 3,600mtpa is for pond lining business and the balance for the food, and pharmaceutical grade polymers. The company has five manufacturing facilities in Silvassa.

The products are classified in four business segments:

Business Segment	%Revenue 2018	% Revenue 2017	Product Applications
Water Conservation	21%	18%	Transpiration, Storage, Irrigation, Conservation, Harvesting of water
Advanced Composites	44%	45%	Human Safety, Protective Films & Fabrics, Transportation & Management of Hazardous Material
Specialty Packaging	33%	33%	Chemicals, E-Commerce, Oil & Water, Polymer Packaging
Agro Polymers	3%	4%	Yield improvement in Agri & Dairy industry through crop protection systems, Flexible Fermentation, Weed management

The average polymer products consumption in the world is 30Kg whereas; in India it is only 10kg. This assures sustained demand for the products of the company.

Financial Performance

The company had reported Net sales of Rs. 73.34 crores in Q2FY19 higher by 21.8% against Rs. 60.23 crores in Q2FY18, while Operating profit was at Rs.7.44 crores in Q2FY19 up by 20% against the same quarter last year. The EPS grew by 18% at Rs 4.43 in Q2FY19. On Half yearly basis, the company has delivered a value growth of 16% and volume growth of 12%.

Investment Rationale

- **The Shift in the Contribution from B2B to B2C** is in favor of the company and will help to monetize or capitalize on the brand, with better view and presence in retail market through "Avana" a new strategic business unit setup by the company which offers two categories of products from Emmbi stable – Water Conservation and Crop Protection to the farmers.
- Plant capacity Utilization **has crossed 75% and nearing towards 80%**, with the Company's introduction of industry 4.0 standards (IoT & ML), the wastages are expected to reduce to a minimal level. The management promises to bring down the business cycle or the cash conversion cycle every year by 7 to 8 days.
- Emmbi's Innovation Lab. is operated by around 35 member team with 15 patents in the past six years. The company has incurred apprx. 3.08% of the revenue in FY18 towards, research and product development of new products.
- The top line of the company has been growing with an average rate of 13% from FY14-18 and with the consistent effort, growth in export and focusing on margin driven segments & products, the management expect to have a sustainable **growth rate between 16% to 18%** in the coming one to two years.
- New banking tie-up funding for Pond liners to farmers; the company has launched new funding scheme called **Maha Bank MB Jala Sanchay Pond Liner Funding, an arrangement with Axis bank, Maharashtra bank and ICICI bank** for construction of farm ponds that would help farmers enhance their crop yield.
- With the change in the product mix, improved contribution of higher valued product and innovative methods to lower the costs, the company expects the EBITDA margin to improve by 20bps on the quarterly basis and in the next 8-10 quarters to stabilize around 16%.
- The company is in the 25th year of its operation and possibility of large dividend or bonus can't be ruled out.
- As on Sep 30th, 2018, the promoters hold 57.8% equity of the company, whereas FIIs and DIIs own 6.9% and 0.07% respectively, and the balance 35.2% shares are held by the public.

Concerns

Competition from peers, volatility in raw material prices is the main concerns.

Valuation

The share of the Company which has declined from 52week high of Rs. 263 by about 50% is trading at **TTM P/E of only 12.8x**. Keeping in view of the positive industry outlook, high promoter holding, ability to scale the top-line and improve margins, we expect the company to report **EPS of Rs.10.10 for FY19 and based on PE of 14.8x**, we estimate the price of the scrip to appreciate to Rs.150 over the next 6 months (price appreciation of about 25%).

Disclaimer: This document has been prepared by SATCO Capital Market Ltd, a registered broker dealer, and is being distributed to its clients. The information in the document has been compiled by the research department Due care has been taken in preparing the above document However, this document is not, and should not be construed, as an offer to sell or solicitation to buy any securities Any act of buying, selling or otherwise dealing in any securities referred to in this document shall be at investor's sole risk and responsibility. This document may not be reproduced, distributed or published, in whole or in part, without prior permission from the Company @ Satco Capital Markets Ltd.



EXTENDED WINGS

DELHI | MUMBAI | AHMEDABAD | KOLKATA | INDORE | PATNA | BHILLAI | BHUBNESHWAR
NASHIK | NAGPUR | PUNE | WARANGAL | VISHAKHAPATNAM | RAJAMUNDHARY | KARIMNAGAR
HYDERABAD | VIJAYWADA | CHENNAI | BANGALORE | COCHIN | TRIVENDRUM

Corporate Office:

Satco Capital Markets Ltd., 402, Silver Pearl Building, Water Field Road, Bandra (w), Mumbai - 400 050
Tel.: +91-22-6170 6700, 2645 6666 | Mob : 98205 70103

Registered Office:

Satco Capital Markets Ltd., 17, Noble Chambers, Ground Floor, Janmabhoomi Marg, Fort, Mumbai - 400 001
Tel.: +91-22-6655 6721/15 / 6655 6777

Disclaimer:

This document is not for public distribution and is meant solely for the personal information of the authorized recipient. No part of the information must be altered, transmitted, copied, distributed or reproduced in any form to any other person. Persons into whose possession this document may come are required to observe these restrictions. This document is for general information purposes only and does not constitute an investment advice or an offer to sell or solicitation of an offer to buy / sell any security and is not intended for distribution in countries where distribution of such material is subject to any licensing, registration or other legal requirements. The information, opinion, views contained in this document is as per prevailing conditions and are of the date appearing on this material only and are subject to change. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Neither Satco Capital Market Ltd., its group companies, its directors, associates, employees nor any person connected with it accepts any liability or loss arising from the use of this document. The views and opinions expressed herein by the author in the document are his own and do not reflect the views of Satco Capital Market Ltd. or any of its associate or group companies. The information set out herein may be subject to updation, completion, revision, verification and amendment and such information may change materially. Past performance is no guarantee and does not indicate or guide to future performance. Nothing in this document is intended to constitute legal, tax or investment advice, or an opinion regarding the appropriateness of any investment, or a solicitation of any type. The contents in this document are intended for general information purposes only. This document or information mentioned therefore should not form the basis of and should not be relied upon in connection with making any investment. The investment may not be suited to all the categories of investors. The recipients should therefore obtain their own professional, legal, tax and financial advice and assessment of their risk profile and financial condition before considering any decision.

Satco Capital Market Ltd, its associate and group companies, its directors, associates, employees from time to time may have various interests/ positions in any of the securities of the Company (ies) mentioned therein or be engaged in any other transactions involving such securities or otherwise in other securities of the companies / organization mentioned in the document or may have other interest with respect to any recommendation and / related information and opinions. The company follows Employee Trading Policy which regulates the trading activities of the research analysts. The compensation of the research analysts is governed as per the Board approved "Research Analyst" Policy.

Satco Capital Market Ltd. is acting as a Research Analyst and is registered under SEBI (Research Analyst) Regulations, 2014. SEBI Registration No. INH000002343

SATCO CAPITAL MARKETS LIMITED
402, 4th Floor, Silver Pearl, Waterfield Road, Bandra West, Mumbai, Maharashtra 400050