



The Trick Is To **Spot Them** At The **Larval Stage**

BSE Code	: 507910
Time Duration	: 1 year
CMP	: ₹278 (as on 23 February, 2017)
Target Price	: ₹376

Fiber web

SURF ON FIBER WEB

Our Tiny Treasure for the month of February 2017 is Fiberweb Technologies. Fiberweb is into manufacturing of technical textiles. It is 100% export oriented unit and specialises in spun bond polypropylene non-woven fabrics and products. The company exports 75% of its products to countries like USA, Europe, Middle East and Australia. The company's net profit has increased three-fold over the last three years.

We recommend the company on the back of strong order book, government impetus to technical textiles and improving financing performance.

Industry growth rate: In the field of technical textiles, the world market is expected to grow at 3.7% CAGR over FY15-22. However, India, which contributes only 3% to the world technical textile production, is expected to grow at 20% CAGR to touch USD 29bn. We see that within this segment of non-woven technical textiles, Fiberweb has placed itself strategically to benefit from the growth. It has developed the technical know-how and expertise to move into disposable products, particularly in the agriculture field. India's per capita consumption of technical textiles is 1.7kg as against 10-12 kg in developed countries. This gives ample scope to grow in the domestic as well as export markets.

Strong order growth: The company has order book of Rs 82cr as of Jan 2017, which leads to book-to-bill ratio of 1.3x. This gives strong revenue visibility for the next 6-9 months. The company has been witnessing good traction in the markets and expects to add new customers. We see that the order book has grown substantially over the last two quarters, and due to the execution of the same Q3FY17, revenues saw a jump of 64% yoy to Rs26cr.

The company's order book has grown at strong CAGR of 72% in the domestic market and at 62% in international markets. We expect the momentum to continue going forward due to its superior quality products.

In agriculture, hygiene and laminated segment products command premium in the USA, UK, Europe and Middle East.

Government's initiatives augur well for Fiberweb : Government has recognized technical textiles as one of the priority areas and wants to give impetus to the same. We believe this provides good growth opportunity for the company.

Capex plan to aid growth : The company plans to go for Rs.100cr expansion plan, which is to be funded by preferential allotment of equity and debt. This expansion will increase its capacity three times from current 5,000 MT to 15,000 MT. The expansion will largely come into effect by second quarter of FY18. The company plans to go for preferential allotment of equity for Rs30cr which will lead to equity dilution at the price of Rs181 per share. Also, the balance of Rs.70cr to meet expansion plans and working capital requirement will be raised through debt.

Strong margin improvement after BIFR : The company has come out of BIFR in Q1FY17. It has settled its dues worth Rs.103cr for Rs.22cr and has become net worth positive. We have seen the company has been able to lift its margins from 2.9% in FY15 to 12.3% in FY16 and we expect the company to expand margins by 400bps in FY17.

The company now has strong balance sheet post the BIFR and can fund its expansion through debt.

Financial performance : The company has seen sales growth of 22.7% on TTM basis. Also its profits have increased by 57% over the same time period. Its profit margins have also improved from 3.31% in FY15 to 19.6% on TTM basis.

The company has witnessed a strong turnaround with hardly any debt, although we expect to see debt in the books from FY18 onwards to fund the expansion.

Going forward : The company's management expects that post expansion the company's revenue will range around Rs.350cr and net profit will be in the range of Rs.40 crore. We believe that it will take few quarters to see the response and demand post the expansion. However, management is

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optimistic on achieving high growth, considering the uniqueness of the product and growing demand in agriculture and healthcare.

Valuation : The company is currently trading at P/E of 27x. It does not have any near peer to compare with and hence model-

ling in the growth we see that its FY18E is 11x and gives scope for substantial upside. Hence, we recommend BUY on the stock with a target price of Rs.376.

We would urge investors to BUY on dips and SIP your investment in three tranches.

Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201603	201503	201403	201303	201203
Net Sales	62.00	68.89	64.76	51.17	44.38
Total Income	62.21	69.11	65.18	51.58	45.17
Total Expenditure	54.25	66.63	63.30	49.00	41.24
PBIDT	7.96	2.47	1.88	2.57	3.92
PAT	7.10	2.03	-0.74	-0.91	2.55
Adj. EPS (Rs)	5.64	1.85	-0.68	-0.83	2.32

Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201612	201609	Q on Q Var%	201512	Y on Y Var%
Net Sales	26.50	22.06	20.11	16.21	63.53
Total Expenditure	21.66	18.44	17.48	14.09	53.73
PBIDT (Excl OI)	4.96	3.63	36.71	2.22	123.69
PAT	4.04	2.81	43.86	1.34	202.02
PBIDTM% (Excl OI)	18.62	16.43	13.33	13.59	37.01
PBIDTM%	18.62	16.43	13.33	13.59	37.01
PATM%	15.19	12.74	19.23	8.21	85.02
Adj. EPS(Rs)	3.21	2.23	43.95	1.22	163.11

