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

Polyplex Corporation Ltd. **A package full of profits!**

Our Tiny Treasure for the month of April is Polyplex Corporation Limited. The company offers a wide range of plastic films across various substrates (PET (thin & thick), BOPP, CPP and blown PP/PE). They are used in flexible packaging apart from diverse industrial applications like release liners, tapes, labels, thermal lamination, imaging & graphics, photovoltaic and optical applications. It has the fifth-largest global capacity for polyester (PET) films.

Products having wide applications

The company's segment-wise revenue mix includes thin PET film-62 per cent, coated film-13 per cent, OPP-8 per cent, thick PET film-6 per cent, CPP/blown PP-4 per cent, chips-3 per cent and others-4 per cent. Polyplex has traditionally operated predominantly in the area of thin PET films, which accounts for more than three-fourths of the overall global PET film demand. Downstream businesses like metallising, silicone coating, extrusion coating, holography and offline chemical coating have enabled the company to offer products for a variety of applications - general packaging, speciality packaging, electrical, liners, roofing and a whole gamut of other industrial applications. Recently, the company has introduced transfer metallised film/paper, which is commonly used for packaging pharmaceutical, cosmetics, liquors, calendars, DVD inserts, etc. It has successfully commissioned six holography film production lines in India for flexible packaging applications and carton lamination. New developments are being pursued in BOPP holography for book cover lamination, WPP bags for rice & grain packaging, textile bags, etc. It has also commissioned one holography line in Turkey while two are still under implementation in Thailand. Diversification into various substrates has helped the company to establish itself as a complete packaging film provider.

Growing strong on exports

Polyplex has manufacturing & distribution operations in six countries (India, Thailand, Turkey, USA, Indonesia and the Netherlands), along with additional warehouses in Poland, Spain, Germany, Italy and Mexico. In terms of geography, its revenue

mix includes India-24 per cent, USA-26 per cent, Thailand-20 per cent, Turkey-18 per cent, Indonesia-9 per cent, others-3 per cent. The company has a stable market share of about 25 per cent in Thailand & Turkey along with around 10 per cent each in India, the US and Indonesia. The global demand for PET film is expected to reach 5,555 TPA by 2024 from 4,344 TPA in 2020. Also, the COVID-19 pandemic has led to a significant rise in demand for packaging, considering the safety & hygiene factors. Owing to the fact that the company generates a majority of its revenue from exports, the company has huge opportunities on the back of this pandemic.

Capacity expansion plans

The company is in the process of laying a brownfield project in Indonesia. The project includes setting up of 10.4 metre line - 60 KTPA film capacity, 5-layer machine with inline coating. The Capex required for the project is USD 53 million, of which, funding worth USD 25 million has been confirmed. The commercial production is expected to start from H1FY22. This expansion in the BOPP segment will enable the company to broaden its product offering in the regional markets and also, help mitigate certain risks on the sustainability front. Meanwhile, another brownfield BoPET project is in the process (in the US). It includes setting up of 10.6-metre line - 50 KTPA film capacity, 650 mpm design speed. Resin plant de-bottlenecking will increase the capacity from 58 KTPA to 86 KTPA. The Capex required for this project is USD 83 million. The estimated date of the start-up given by the company is H2FY23. This expansion would help tap into the growing shift towards the local supply in regional markets as well as pull market share away from imports. The other two projects in India & overseas are likely to commence from Q3FY22 & Q4FY22, respectively. The successful implementation of these projects with an increasing share of speciality products will provide further stimulus to its business in the next 1-3 years.

Financial performance

Polyplex Corporation's consolidated revenue for the quarter

BSE Code	: 524051
Time Duration	: 1 year
CMP	: ₹870.75 (as on 22 April, 2021)
Target Price	: ₹1155

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DSJI INVESTMENT ADVISORY UNIT (CRU)

April 2021

TINY
TREASURE

Q3FY21 came in at Rs 1,237.22 crore as against Rs 1,091.67 crore in the corresponding quarter last year, registering a 13.3 per cent YoY increase. EBITDA for the quarter grew by 54.6 per cent YoY to Rs 329.3 crore as against Rs 213.07 crore in the corresponding quarter last year, with a corresponding margin expansion of 710 bps. EBITDA margin for the quarter stood at 26.6 per cent. PAT for the quarter came in at Rs 224.73 crore as against Rs 123.91 crore in the corresponding quarter last year, with a YoY increase of 81.4 per cent.

The company's revenue and operating profit have grown at a CAGR of 11.3 per cent and 20.8 per cent, respectively over the last 3 years. Despite its high Capex plans, the company's debt-to-equity ratio stands low at 0.19x. The company has been paying dividend consistently to its shareholders over the last several years.

Valuation

Polyplex Corp is trading at an attractive valuation with a TTM P/E multiple of 6.8x with TTM EPS of Rs 130.43. For FY20, it delivered ROE and ROCE of 8.6 per cent and 16 per cent, respectively. The company's PET and BoPET products have ever-increasing demand not only in domestic but also, in international markets. The demand for packaging materials like packaging films, coatings and insulation products have increased exponentially soon after the onset of the COVID-19 pandemic. The extensive expansion plans that include two brownfield projects would further boost the company's revenue and profitability in the upcoming years. Considering all these factors, we see a potential upside of 32 per cent with a target price of Rs 1,155 for the period of one year.

Inc/Exp Statement (Consolidated)

Description	202003	201903	201803	201703	201603
Net Sales	4487.1	4569.89	3572.34	3200.99	3202.04
Total Income	4548.51	4733.43	3616.51	3321.77	3235.62
Total Expenditure	3706.38	3838.52	3078.17	2758.29	2848.76
PBIDT	842.12	894.91	538.34	563.48	386.86
PAT	493.82	583.65	284.12	361.39	16.25
Dividend %	170	510	400	70	30
Adj. EPS(Rs)	88.18	103.18	49.85	72.44	9.08

Quarter On Quarter (Consolidated)

Particulars	202012	202009	Q on Q Var %	201912	Y on Y Var %
Net Sales	1237.22	1227.30	0.81	1091.67	13.33
Total Expenditure	907.92	1046.75	-13.26	898.81	1.01
PBIDT (Excl OI)	329.3	180.55	82.39	192.86	70.75
PAT	224.73	102.25	119.78	123.91	81.37
PBIDTM% (Excl OI)	26.62	14.71	80.97	17.67	50.65
PBIDTM%	27.76	15.75	76.25	19.77	40.41
PATM%	18.16	8.33	118.01	11.35	60
Adj. EPS(Rs)	41.85	24.37	71.73	22.19	88.6



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