



INDEPENDENT **EQUITY** **RESEARCH**

Plastiblends India Ltd

Q3FY11 Result Update

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (- 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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Plastiblends India Ltd

Volume growth continues

Fundamental Grade	3/5 (Good fundamentals)
Valuation Grade	5/5 (CMP has strong upside)
Industry	Specialty Chemicals

Plastiblends India Ltd's (Plastiblends') Q3FY11 revenues and profits were above CRISIL Equities' expectations. While volume growth boosted revenues, lower cost of raw materials led to higher margins. We continue to remain positive on future prospects of the company given the robust demand for masterbatches from end-user segments like plastic packaging and plastic products, and Plastiblends' position as the largest domestic manufacturer. We maintain our fundamental grade of '3/5'.

Q3FY11 result analysis

- Plastiblends' Q3FY11 revenues grew by 14% q-o-q (29% y-o-y) to Rs 736 mn mainly driven by the volume growth.
- EBITDA margin improved 113 bps q-o-q (290 bps y-o-y) to ~10% due to lower prices of linear low density polyethylene (LLDPE), the main raw material used in manufacturing masterbatches. The decline in LLDPE prices was mainly due to the increased supplies in international markets.
- PAT grew 36% q-o-q to Rs 43 mn driven by revenue growth as well as improvement in margins, despite a higher interest burden. PAT margin grew ~93 bps q-o-q (~219 bps y-o-y) to 5.9%. EPS more than doubled to Rs 6.7 in Q3FY11 compared to Rs 3.2 in Q3FY10.
- 9MFY11 revenues grew 30% to Rs 1,983 mn while EBITDA margins remained at 10.2%. PAT grew 78% to Rs 122 mn.

Revenue estimates revised upwards

Based on the company's 9MFY11 performance, we have raised our revenue estimates by 7%. However as the interest costs have moved up, the consequent impact on the earnings is marginal.

Valuations: Current market price has strong upside

We continue to use the discounted cash flow method to value Plastiblends. We maintain our fair value at Rs 230. At this fair value, the implied P/E multiples are at 7.5x FY12E EPS and 6.5x FY13E EPS. We assign a valuation grade of '5/5' indicating 'strong upside' from current levels.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Operating income	1,679	2,105	2,751	3,334	4,042
EBITDA	202	197	281	347	428
Adj PAT	118	104	165	200	232
Adj EPS-Rs	18.1	15.9	25.4	30.8	35.6
EPS growth (%)	(26.1)	(11.4)	58.5	21.1	15.7
RoCE (%)	7.5	10.9	6.8	5.6	4.9
RoE (%)	1.2	1.4	1.2	1.1	0.9
PE (x)	19.4	17.0	20.9	22.0	23.6
P/BV (x)	16.1	13.1	18.9	20.3	20.6
EV/EBITDA (x)	4.7	6.5	4.9	4.2	3.6

NM: Not meaningful; CMP: Current Market Price

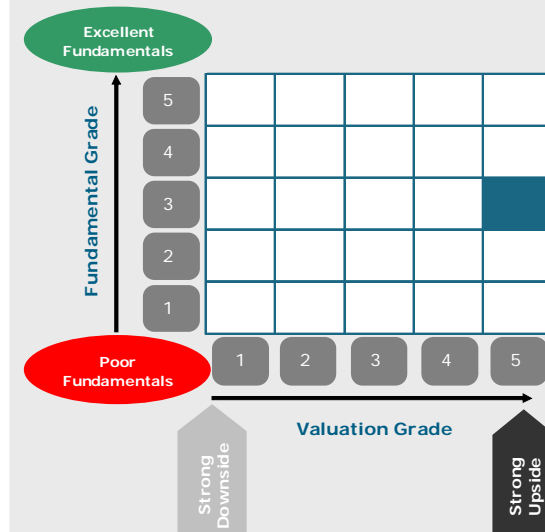
Source: Company, CRISIL Equities estimate



February 18, 2011

Fair Value Rs 230
CMP Rs 173

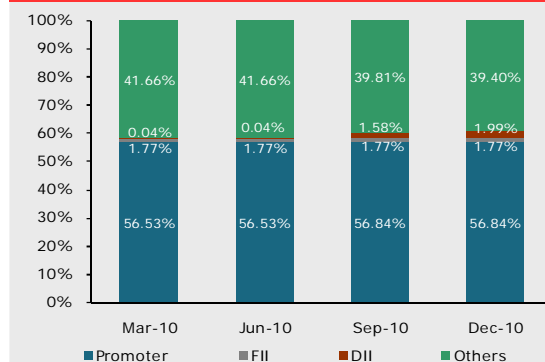
CFV MATRIX



KEY STOCK STATISTICS

NIFTY	5310
NSE ticker	PLASTIBLEN
Face value (Rs per share)	10
Shares outstanding (mn)	6.5
Market cap (Rs mn)/(US\$ mn)	1,118/24.8
Enterprise value (Rs mn)/(US\$ mn)	1,323/29.1
52-week range (Rs) (H/L)	245/128
Beta	0.57
Free float (%)	43.16
Avg daily volumes (30-days)	2,672
Avg daily value (30-days) (Rs mn)	0.5

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
PLASTIBLEND	-4%	-18%	-11%	14%
NIFTY	-8%	-14%	-2%	10%

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Q3FY11 Result Summary

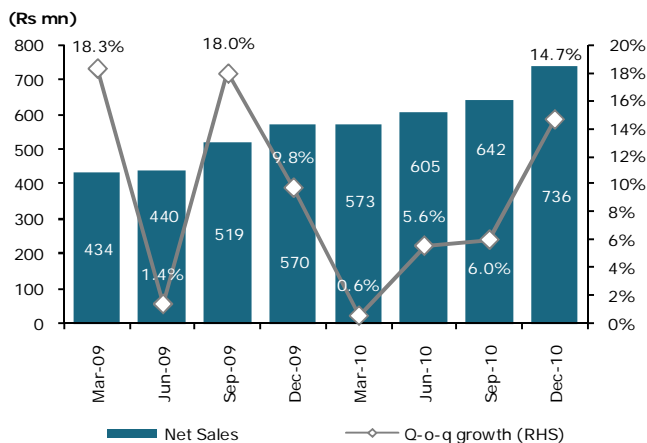
(Rs mn)	Q3FY11	Q2FY11	Q3FY10	q-o-q (%)	y-o-y (%)
Net sales	735.8	641.7	570.0	14.7	29.1
Raw material cost	520.70	453.80	417.6	14.7	24.7
Raw material cost (% of net sales)	70.8%	70.7%	73.3%	5bps	-249bps
Employees cost	19.4	17.2	16.0	12.8	21.6
Other expenses	121.90	113.60	95.8	7.3	27.2
EBITDA	74	57	41	29.2	81.5
EBITDA margin	10.0%	8.9%	7.1%	113bps	290bps
Depreciation	9.5	8.3	8.7	14.5	9.8
EBIT	64.3	48.8	32.0	31.8	100.9
Interest and finance charges	9.2	6.7	7.0	37.3	30.9
Operating PBT	55	42	25	30.9	120.6
Other Income	0.2	1.7	0.1	(88.8)	-
Forex gain/(loss)	-	-	-	-	-
PBT	55	44	25	26.2	120.5
Tax	12.0	12.0	4.0	-	200.0
PAT	43	32	21	36.1	105.5
Adj PAT	43	32	21	36.1	105.5
Adj PAT margin	5.9%	5.0%	3.7%	93bps	219bps
No of equity shares (mn)	6.5	6.5	6.5	-)	-
Adj EPS (Rs)	6.7	4.9	3.2	36.1	105.5

Volume growth in masterbatches boosted revenues

EBITDA margin improved on lower raw material costs

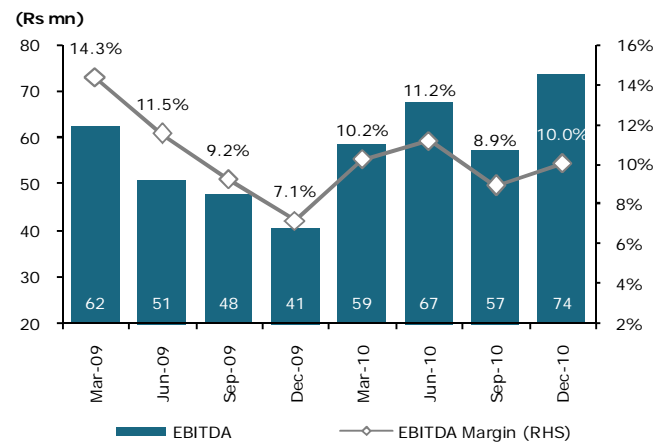
Source: Company, CRISIL Equities

Healthy revenue growth driven by volumes



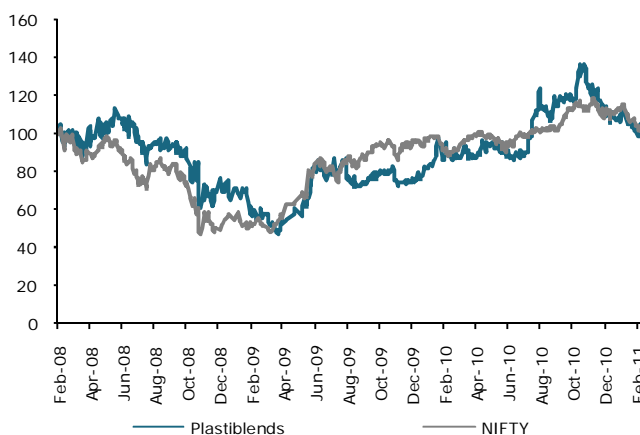
Source: Company, CRISIL Equities

Margins improve q-o-q on lower material costs



Source: Company, CRISIL Equities

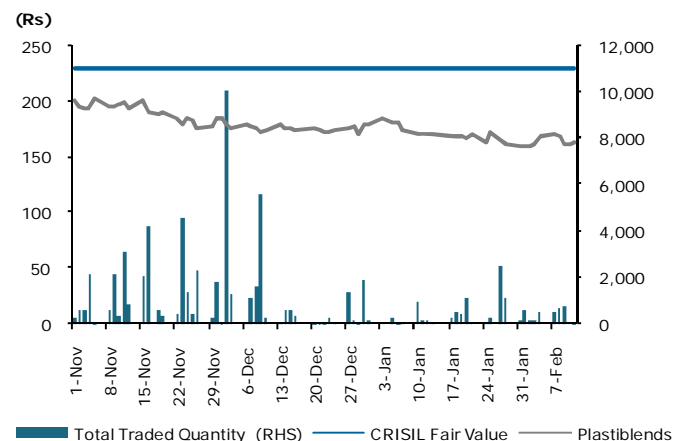
Share price movement



-Indexed to 100

Source: NSE, CRISIL Equities

Fair value movement since initiation



Source: NSE, CRISIL Equities

REVENUE ESTIMATES REVISED UPWARDS

We have calibrated our revenue estimates keeping in mind the company's 9MFY11 performance and have raised our revenue estimates by 7%. However, as the interest costs have moved up due to recent tightening by the RBI, the consequent impact on the earnings is marginal.

Rs mn	FY11E			FY12E		
	Old	New	% change	Old	New	% change
Sales	2,574	2,751	7%	3,121	3,334	7%
EBITDA	263	281	7%	325	347	7%
EBITDA Margin	10.2%	10.2%	-	10.4%	10.4%	-
PAT	158	165	4%	198	200	1%
EPS (Rs)	24.4	25.4	4%	30.5	30.8	1%

Source: CRISIL Equities

VALUATION

We continue to use the discounted cash flow method to value Plastiblends and maintain our fair value of Rs 230 per share. At this value, the implied P/E multiples are 7.5x FY12 and 6.5x FY13 earnings estimates.

One-year forward P/E band



Source: NSE, CRISIL Equities

One-year forward EV/EBITDA band



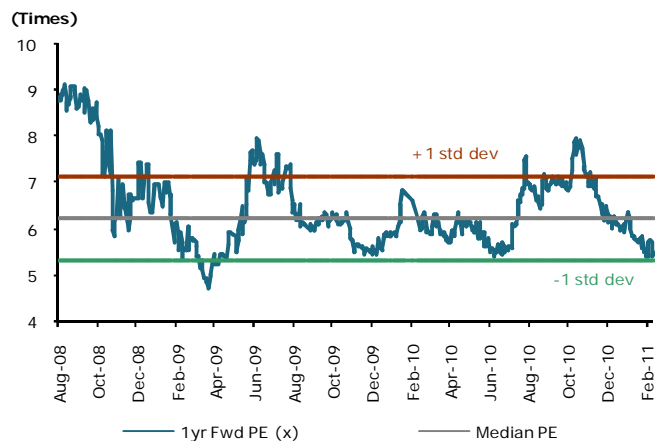
Source: NSE, CRISIL Equities

P/E – premium/discount to NIFTY



Source: NSE, CRISIL Equities

P/E movement



Source: NSE, CRISIL Equities

CRISIL IER reports released on Plastiblends India Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
10-Nov-10	Initiating coverage*	3/5	Rs 230	4/5	Rs 200
18-Feb-11	Q3FY11 result update	3/5	Rs 230	5/5	Rs 173

* For detailed initiating coverage report please visit: www.ier.co.in

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

FINANCIALS

Income statement

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Operating income	1,679	2,105	2,751	3,334	4,042
EBITDA	202	197	281	347	428
EBITDA margin	12.0%	9.4%	10.2%	10.4%	10.6%
Depreciation	31	34	41	47	54
EBIT	171	162	240	299	375
Interest	25	21	32	49	60
Operating PBT	146	142	207	251	315
Other income	9	2	2	2	3
Exceptional inc/(exp)	0	1	-	-	-
PBT	155	144	209	253	317
Tax provision	37	40	44	53	86
Minority interest	-	-	-	-	-
PAT (Reported)	118	104	165	200	232
Less: Exceptionals	0	1	-	-	-
Adjusted PAT	118	104	165	200	232

Ratios

	FY09	FY10	FY11E	FY12E	FY13E
Growth					
Operating income (%)	6.8	25.3	30.7	21.2	21.2
EBITDA (%)	7.7	(2.4)	42.4	23.6	23.6
Adj PAT (%)	(26.1)	(12.0)	59.6	21.1	15.7
Adj EPS (%)	(26.1)	(12.0)	59.6	21.1	15.7
Profitability					
EBITDA margin (%)	12.0	9.4	10.2	10.4	10.6
Adj PAT Margin (%)	7.0	4.9	6.0	6.0	5.7
RoE (%)	16.1	13.1	18.9	20.3	20.6
RoCE (%)	19.4	17.0	20.9	22.0	23.6
RoIC (%)	17.7	13.5	17.8	18.8	18.9
Valuations					
Price-earnings (x)	7.5	10.9	6.8	5.6	4.9
Price-book (x)	1.2	1.4	1.2	1.1	0.9
EV/EBITDA (x)	4.7	6.5	4.9	4.2	3.6
EV/Sales (x)	0.6	0.6	0.5	0.4	0.4
Dividend payout ratio (%)	45.2	43.7	31.8	31.8	31.8
Dividend yield (%)	6.0	4.1	4.7	5.7	6.6
B/S ratios					
Inventory days	68	76	74	74	74.6
Creditors days	37	33	35	35	35.0
Debtor days	44	44	48	48	48.1
Working capital days	67	61	63	64	64.1
Gross asset turnover (x)	2.5	2.9	3.3	3.5	3.7
Net asset turnover (x)	3.3	3.9	4.6	4.8	5.2
Sales/operating assets (x)	3.1	3.6	4.3	4.5	4.9
Current ratio (x)	2.3	2.9	2.7	2.7	2.7
Debt-equity (x)	0.1	0.3	0.4	0.4	0.4
Net debt/equity (x)	0.1	0.2	0.3	0.3	0.4
Interest coverage	6.8	7.8	7.4	6.2	6.2

Per share

	FY09	FY10	FY11E	FY12E	FY13E
Adj EPS (Rs)	18.1	15.9	25.4	30.8	35.6
CEPS	22.9	21.3	31.7	38.1	43.9
Book value	117.3	126.3	142.3	161.7	184.2
Dividend (Rs)	8.2	7.0	8.1	9.8	11.3
Actual o/s shares (mn)	6.5	6.5	6.5	6.5	6.5

Balance Sheet

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Liabilities					
Equity share capital	65	65	65	65	65
Reserves	697	756	860	986	1,132
Minorities	-	-	-	-	-
Net worth	762	821	925	1,051	1,197
Convertible debt	-	-	-	-	-
Other debt	108	218	329	419	504
Total debt	108	218	329	419	504
Deferred tax liability (net)	34	37	37	37	37
Total liabilities	903	1,076	1,291	1,507	1,738
Assets					
Net fixed assets	538	545	644	736	823
Capital WIP	28	42	42	52	52
Total fixed assets	566	587	686	789	875
Investments	13	7	7	7	7
Current assets					
Inventory	246	354	452	548	664
Sundry debtors	223	272	362	438	532
Loans and advances	59	52	67	82	99
Cash & bank balance	9	12	18	19	26
Marketable securities	33	52	52	52	52
Total current assets	570	742	951	1,139	1,373
Total current liabilities	246	260	353	427	517
Net current assets	324	482	598	711	856
Intangibles/Misc. expenditure	-	-	-	-	-
Total assets	903	1,076	1,291	1,507	1,738

Cash flow

(Rs mn)	FY09	FY10	FY11E	FY12E	FY13E
Pre-tax profit	155	143	209	253	317
Total tax paid	(32)	(36)	(44)	(53)	(86)
Depreciation	31	34	41	47	54
Working capital changes	52	(136)	(110)	(113)	(137)
Net cash from operations	206	6	96	134	148
Cash from investments					
Capital expenditure	(97)	(55)	(140)	(150)	(140)
Investments and others	31	(13)	-	-	-
Net cash from investments	(67)	(68)	(140)	(150)	(140)
Cash from financing					
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	(85)	110	111	90	85
Dividend (incl. tax)	(53)	(46)	(61)	(74)	(86)
Others (incl extraordinary)	0	1	(0)	-	-
Net cash from financing	(138)	65	50	16	(1)
Change in cash position	1	3	6	0	7
Closing cash	9	12	18	19	26

Quarterly financials

(Rs mn)	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11
Net Sales	570	573	605	642	736
Change (q-o-q)	10%	1%	6%	6%	14.7%
EBITDA	41	59	67	57	74
Change (q-o-q)	-15%	44%	15%	-15%	29%
EBITDA margin	7.1%	10.2%	11.2%	8.9%	10.0%
PAT	21	35	46	32	43
Adj PAT	21	35	46	32	43
Change (q-o-q)	38%	68%	31%	-32%	36%
Adj PAT margin	3.7%	6.2%	7.7%	5.0%	5.9%
Adj EPS	3.2	5.4	7.2	4.9	6.7

Note: All ratios are computed on Adj PAT

Source: Company, CRISIL Equities estimate

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