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EQUITY, DERIVATIVES, CURRENCY, COMMODITY, DEPOSITORY, MUTUAL FUNDS, INSURANCE* & NBFC*

VOL. 01/26

COMPANY REPORT

17 March 2018

Kanpur Plastipack

Price: Rs 134

Jumbo expansion ahead

BSE Sensex: 33,176

Nifty-50: 10,195

FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBDT	INTEREST	PBDT	DEP.	PBT	TOTAL TAX	PAT	EPS* (Rs)
1403 (12)	214.51	13.2	28.27	0	28.27	8.86	19.41	3.74	15.67	4.8	10.87	7.6
1503 (12)	249.22	11.7	29.26	0	29.26	8.88	20.38	3.78	16.6	5.15	11.45	8
1603 (12)	248.61	14.6	36.35	1.19	37.54	7.66	29.88	4.11	25.77	9.31	16.46	11.5
1703 (12) &	245.51	13.4	32.85	1.25	34.1	6.79	27.31	4.19	23.12	8.52	14.6	10.2
1803 (12P) &	286.52	12.4	35.65	0.81	36.46	7.33	29.13	4.76	24.37	8.89	15.48	10.8
1903 (12P) &	329.49	13	42.83	0.89	43.72	8.06	35.66	5.48	30.18	10.56	19.62	13.7

* Annualised on current equity of Rs 14.33 crore. Face Value: Rs 10. (P): Projections. Figures in Rs crore. Source: Capitaline Databases

STOCK DATA

BSE Code	:	507779
BSE Group	:	X
NSE Code	:	Not Listed
Bloomberg	:	KNP IN
Reuters	:	KPLA.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 189/ Rs 92
Sector	:	Packaging

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 1.88
Corporate Holding	: 0.82
Promoters	: 69.2
Public & Others	: 28.1
Total	: 100

* as on 31/12/2017.
Source: Capitaline Database

Kanpur Plastipack is mainly engaged in manufacturing and export of FIBC (Flexible Intermediate Bulk Container) commonly known as Jumbo bags, Woven Sacks, PP Fabrics and PP high Tenacity Multifilament Yarn.

It was established in 1971 as a raffia flat tapes and woven sacks manufacturing enterprise. The Company graduated to the production of FIBCs and bulk bags in 1999. The last six years has seen the Company diversify into PP multi-filament yarn (MFY), adding a trading division where the Company is a consignment stockist of IOCL and incorporating a solar energy division for captive consumption.

The Company possesses a rated capacity of 7 million FIBCs per annum; with woven PP fabric, the aggregate capacity is 14,000 MTPA.

The company is also one of the few in India to offer 'clean room bags' for food packaging with all international certifications.

The company has a fully integrated facility and is operating from three locations all within half a mile of each other in Kanpur. The company is BRC and ISO 22000 certified for Food Grade and Clean room bags. It is one of the few ones who offer a full range of products and services under one roof.

Its FIBCs and big bags division is doing over 5 million bags per annum and has an installed capacity for over 7 Million bags

Respected global manufacturer of world-class flexible intermediate bulk containers

KPL is a respected global manufacturer of world-class flexible intermediate bulk containers.

Kanpur Plastipack introduced research-based engineering innovation in a typically undifferentiated product space. The Company was among the first FIBC companies

in India to manufacture stiff loops out of polypropylene (PP) that strengthened product durability and transportability; the company produced special bags for packaging extremely fine powder that eliminated leaks.

It's a first stop for a number of demanding customers who seek a compressive solution for their bulk packaging needs.

A growing number of large, global customers are turning to Kanpur Plastipack for these dependable packaging solutions.

The company has managed to retain all its customers and improve volumes with some of its principal customers in Europe. The inroads made into North America have started to become steady business with a significant improvement in sales from South America. The company continues to lay emphasis on value added products and is creating the infrastructure towards that goal.

Its users are wide range of industries

Kanpur Plastipack's products are used across a range of applications that include fertilizers, cement, animal feed and pet food, seeds, chemicals and minerals, sugar and flour, among others.

The company prides in enduring associations with repeat customers, a number of whom have been working with the company for more than 20 years. The company has been providing packaging goods for 45 years.

Is a pioneer in export from India

The company is a pioneer in export from India having started this activity since 1987. It enjoys tremendous brand equity in West Europe & USA as one of India's leading exporters.

Its major export sales come from Europe, USA and South America.

The recovery of the North American Economy has thrown up new opportunities in the market which the company is gearing up to handle. Fresh efforts in South America have yielded some very positive results and opened up a huge market for fabrics which has been successfully catered this year.

The company is increasing its exposure to the American market. The inroads made into North America have started to become steady business. The acquisition of the BOPP bags unit has helped it in expanding its product portfolio.

The company continues to scale new landmarks in achievements having been awarded the prestigious AIB Certification for food grade bags. This will help it in making inroads in the American market.

Over the past few years it has have expanded its presence in several international markets with currently being present in over 40 countries, generating 80% of total revenue.

Continues to lay emphasis on value added products

The company continues to lay emphasis on value added products and is creating the infrastructure towards that goal.

The company continues to expand its manufacturing facilities.

Technological upgradation in its plant and machinery is an ongoing process which will further improve the performance of the company.

Major expansion to commence from July 2018

The company offered 2387774 equity shares of Rs 10 each at Rs 75 per share (premium of Rs 65 per share) under the rights issue.

The rights issue was to finance setting up of a new facility in Uttar Pradesh for consolidating certain existing operations and expansion of capacity for manufacturing FIBC, Fabric, MFY & Liner. This will be a new manufacturing facility located 13 Km from the existing factories and it will be at a cost of Rs 94.64 crore. It is expected to run commercially from July 2018.

The project will further add 8400 MT per annum of Fabric and FIBC in the existing capacity of 14600 MT with additional manufacturing plans of Liner having a capacity of 1200 MT per annum. The benefits of this expansion will start accruing in FY 2018-19.

Volatility in raw material prices makes results volatile

The principle raw materials used by the company are PP and LDPE Granules which are Petrochemical products produced from derivatives of crude oil. The Company is thus exposed to risks associated with volatile prices in commodities.

For the quarter ended December 2015, sales grew 22% to Rs 73.50 crore. OPM improved 240 bps to 13.3% which took OP up 48% to Rs 9.75 crore. Other income fell 63% to Rs 36 lakh and interest cost fell 12% to Rs 1.49 crore. As depreciation rose 23% to Rs 1.25 crore, PBT jumped 53% to Rs 7.36 crore. Taxation grew 39% to Rs 2.37 crore. Thus finally net profit grew 60% to Rs 4.99 crore.

For the nine months sales grew 17% to Rs 208.15 crore. OPM fell 140 basis points to 11.9% which took OP up 5% to Rs 24.68 crore. PBT was down 8% to Rs 16.82 crore and PAT fell 7% to Rs 11.33 crore.

Good track record

The company had grown its sales at a CAGR of 12% and net profit at a CAGR of 33% between FY13 to FY16. It is only in FY17, its sales and profits fell. The profits have now started growing from December 2017 quarter and subject to volatility in raw material prices, one can expect steady show in FY 18 and good growth from FY19.

Encouraging outlook

The outlook for the current financial year looks robust and positive. The management is hopeful of improving its profitability.

The company continues to work on technological upgradation and innovation. The company has undertaken a massive project towards Operation Excellence and Lean management in its facilities which has started bringing in results As an ongoing

process all such initiatives will further improve its performance. The management continues to lay emphasis on exports of value added products and expanding the geographical reach of its export market is the company's priority.

Packaging industry continues to gain prominence, as manufacturing companies continue to get traction buoyed by positive growth sentiments. Being among the leading bulk packaging companies in the world, the management is excited with future prospects.

Valuation

For FY'18, we expect the company to register net sales and PAT of Rs 286.52 crore and Rs 15.48 crore respectively. On an equity capital of Rs 14.33 crore (out of which 69.20% is held by the promoters) and face value of Rs 10 per share, EPS works out to Rs 10.8. This EPS is likely to rise to Rs 13.7 in Fy 2019 on sales of Rs 329.49 crore and PAT of Rs 19.62 crore. At current market price of Rs 134, P/E on FY 2019 projected EPS works out to around 10.

KANPUR PLASTIPACK: RESULTS									
	1712 (3) ₹	1612 (3) ₹	VAR. (%)	1712 (9) ₹	1612 (9) ₹	VAR. (%)	1703 (12)	1603 (12)	VAR. (%)
Sales	73.50	60.40	22	208.15	177.37	17	245.51	248.61	-1
OPM (%)	13.3	10.9		11.9	13.2		13.4	14.6	
OP	9.75	6.57	48	24.68	23.44	5	32.85	36.35	-10
Other inc.	0.36	0.97	-63	0.81	2.70	-70	1.25	1.19	5
PBIDT	10.10	7.54	34	25.48	26.13	-2	34.10	37.54	-9
Interest	1.49	1.70	-12	5.27	4.80	10	6.79	7.66	-11
PBDT	8.61	5.84	47	20.22	21.33	-5	27.31	29.88	-9
Dep.	1.25	1.02	23	3.40	3.00	13	4.19	4.11	2
PBT	7.36	4.82	53	16.82	18.33	-8	23.12	25.77	-10
Total Tax	2.37	1.71	39	5.49	6.10	-10	8.52	9.31	-8
PAT	4.99	3.11	60	11.33	12.23	-7	14.60	16.46	-11
EPS (Rs) *	#	#		#	#		10.2	11.5	

* on current equity of Rs 14.33 crore. Face Value: Rs 10. Figures in Rs crore. #EPS can not be annualized due to seasonality and volatility.
Source: Capitaline Databases