

Dhabriya Polywood Limited (DPL)

Stock Performance Details

| | |
|----------------------|--|
| Current Price | : ` 49.0 [^] |
| Face Value | : ` 10 per share |
| 52 wk High / Low | : ` 50.50 / 16.05 |
| Total Traded Volumes | : 4,000 shares [^] |
| Market Cap | : ` 40.18 crore [^] |
| Sector | : Plastic Products |
| EPS (FY2015) | : ` 3.4 per share |
| Equity Share Capital | : ` 8.2 crore |
| P/E (TTM) | : 14.50 (x) [^] |
| P/BV (TTM) | : 2.13 (x) [^] |
| Financial Year End | : 1 st April – 31 st March |
| BSE Scrip Name | : DHABRIYA |
| BSE Scrip Code | : 538715 |
| Listing | : BSE SME Platform |

[^] as on 9th October, 2015

Shareholding Details - September 2015

| Particulars | Shareholding | |
|--|------------------|---------------|
| | Nos. | (%) |
| Promoter & Promoter Group Holding | 58,76,800 | 71.67 |
| Total Institutional Holdings (FII & DII) | 0 | 0.00 |
| Public Holdings | 23,23,200 | 28.33 |
| Total | 82,00,000 | 100.00 |

IPO Objectives

| Particulars | Amount (Million) |
|--|------------------|
| To Fund Expansion Plan | 25.8 |
| To set up polywood application centres | 4.6 |
| General Corporate Purpose | 1.0 |
| Issue Expenses | 4.0 |
| Total | 35.4 |

Background

- Dhabriya Polywood established in the year 1995, started with the production of U/R-PVC (Unplasticized/Rigid PolyViny Chloride) Profiles under the name 'polywood'. The products sold under this brand are wood substitutes, and thus it contributes in saving lakhs of trees per year.
- The Company is into the business of manufacturing and selling of PVC Profiles and fabrication of uPVC Doors and Windows, Partitions, False Ceiling, Wall Paneling, Fencing, Kitchen Cabinets, Folding Doors and Shutters and Single Panel Door. The Company undertakes supply and installation of its products at client site and also provides after sales service.
- The manufacturing facility of the Company is located at Jaipur, Rajasthan and Coimbatore. The Company's products have wide geographical coverage across states like Rajasthan, Gujarat, Punjab, Haryana, Uttar Pradesh, Uttaranchal, West Bengal, Assam, Orrisa, Tamil Nadu, Karnataka, Kerala, Andhra Pradesh and Delhi.
- The Company is ISO 9001:2008 & ISO 14001:2004 certified. The Company's Quality Management Systems confirms to the Quality Management Systems Standard under ISO 9001:2008 and the Environmental Management Systems confirms to the Environmental management Systems Standard under ISO 14001:2004.

Issue Proceeds - Deployment Schedule

| Particulars | FY 14- 15 | FY 15- 16 | Total |
|--|-----------|-----------|-------|
| To Fund Expansion Plan | 15.0 | 8.4 | 25.8* |
| To set up polywood application centres | 2 | 2.6 | 4.6 |
| General Corporate Purpose | 0.5 | 0.5 | 1.0 |
| Issue Expenses | 4.0 | - | 4.0 |

*Rs. 2.4 million had been incurred by the Company as an advance payment on 27th August, 2014 to Fenstek International Ltd. for plant and machinery.

Financial Snapshot

| Particulars | Standalone (₹ Million) | | | |
|-------------------------------|-------------------------|--------------|--------------|--------------|
| | FY 2015 | FY 2014 | FY 2013 | FY 2012 |
| Income Statement | | | | |
| Income from Operations | 653.0 | 638.7 | 619.6 | 509.4 |
| Y-o-Y Growth (%) | 2.2 | 3.1 | 21.6 | 42.9 |
| EBITDA | 91.7 | 72.5 | 63.5 | 56.2 |
| Y-o-Y Growth (%) | 26.5 | 14.2 | 13.0 | 40.9 |
| EBITDA Margin (%) | 14.0 | 11.4 | 10.2 | 11.0 |
| Net Profit | 27.8 | 24.7 | 19.4 | 17.4 |
| Y-o-Y Growth (%) | 12.6 | 27.3 | 11.5 | 62.6 |
| NPM (%) | 4.3 | 3.9 | 3.1 | 3.4 |
| Balance Sheet | | | | |
| Fixed Assets | 232.1 | 210.0 | 121.1 | 115.2 |
| Cash and Bank Balances | 18.9 | 14.0 | 13.8 | 14.2 |
| Inventories | 128.9 | 94.2 | 102.7 | 101.9 |
| Net Working Capital | 205.7 | 171.1 | 131.2 | 118.9 |
| Net Worth | 188.2 | 131.4 | 90.9 | 71.5 |
| Balance Sheet Ratios | | | | |
| ROCE (%) | 16.9 | 18.4 | 20.2 | 22.4 |
| RONW (%) | 17.5 | 22.2 | 23.9 | 28.1 |

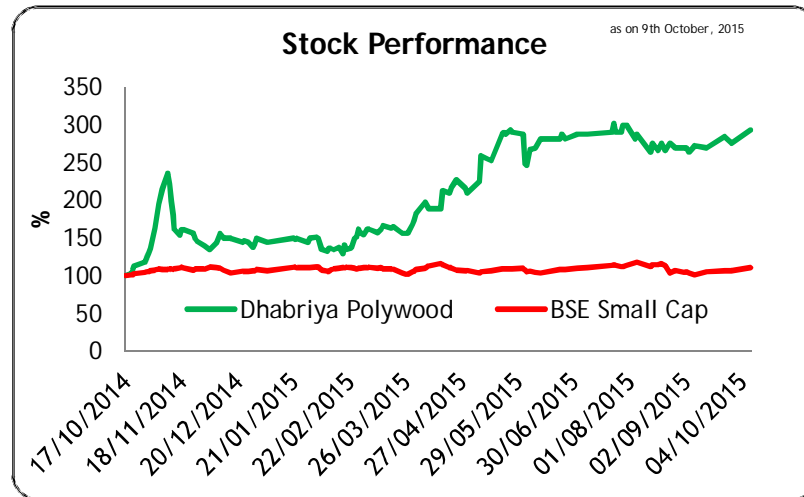
Source : RHP, Capitaline

From the Research Desk of LKW's Gurukshetra

- Net Income from Operations for the financial year ended 31st March 2015 stood at Rs. 653 million, whereas for the year ended 31st March 2014 it stood at Rs. 638.7 million. As a result, the Company witnessed a marginal growth in Topline of a CAGR of 2.2% on a y-o-y basis.
- The Company's raw materials comprising PVC resin, Calcium Carbonate, Heat Stabilizers, Pigments and Additives, uPVC Profile, Hardware for doors and windows and Steel reinforcement, is sourced from the domestic as well as from the international market. Raw Material Cost stood lower in FY15 as a percentage of Net Sales as well as on an absolute basis. It stood at Rs. 386.4 million in FY2015 as compared to Rs. 392.7 million in FY2014.
- Given the Topline growth since FY2012, the Operating Profit (EBIDTA) in FY2015 increased by 26.5% y-o-y and stood at Rs. 91.7 million from Rs. 72.5 million reported in FY14. Resultantly, Net Profit also increased by 12.6% y-o-y from Rs. 24.7 million in FY2014 to Rs. 27.8 million in FY2015. Therefore, EBIDTA and PAT Margin for FY2015 stood higher at 14.3% and 4.3% respectively.
- Total Debt which comprises Short Term and Long Term Borrowings decreased marginally in FY2015 by 1.2% on a y-o-y basis. The same decreased from Rs. 265.6 million in FY2014 to Rs. 262.4 million in FY2015.
- Trade Receivables marked an increase as a percentage of Net Sales and also in absolute value terms during FY2015. The same stood at Rs. 166.5 million, thus increasing from Rs. 123 million reported in FY2014 and Rs. 100.7 million reported in FY2013. The same as a percentage of Total Revenues remained on the higher side and stood at 25.5% in FY15 against 19.3% and 16.3% in FY2014 and FY2013 respectively.

- Inventories of Dhabriya Polywood stood at Rs. 128.9 million in FY2015, thus marking an increase from Rs. 94.2 million in FY2014, Rs. 102.7 million in FY2013 and Rs. 101.9 million in FY2012.

Performance on the Bourses



Peer Comparison

The company operates in a highly competitive industry which is characterized by the presence of organized as well as large number of fragmented players in the unorganized segment. Below mentioned tables provides a snapshot of the financial performance of the company for FY 2015 against some of the better known and well established players in the industry.

(In millions)

| Particulars | Dhabriya Polywood | Nilkamal | Time Technoplast |
|------------------------|-------------------|-------------------|-------------------|
| Income from Operations | 653.0 | 17,866.6 | 13430.9 |
| EBIDTA | 91.7 | 1,549.8 | 2017.6 |
| Net Profit | 27.8 | 438.9 | 700.2 |
| EBIDTA Margins (%) | 14.0 | 8.7 | 15.0 |
| PAT Margins (%) | 4.3 | 2.5 | 5.2 |
| Book Value Per Share | 23.0 | 330.0 | 39.3 |
| P/E (x) | 8.5 [^] | 14.2 [*] | 15.3 [*] |
| P/BV (x) | 1.3 [^] | 1.8 [*] | 1.3 [*] |
| RONW (%) | 17.5 | 8.9 | 8.8 |

Source: Capitaline: [^] as on March 2015, ^{*} as on June 2015 (TTM Basis)

About the Industry

Plastics are an essential part of modern life, with an increase in living standards, growing environmental awareness, building and construction industry and sustainable development thinking which are few of the driving factors for the rise in demand for the new and material solutions. The global plastics industry has recorded an average annual growth of 9% since 1950. In the past 30 years, international plastics production grew by 500%. World plastics production ramped up from 1.5 million tons in 1950 to almost 300 million tons in 2013. The global plastics material demand is forecasted to grow 3.7% p.a. for the period 2012 to 2017.

Increasing application scope of building and construction plastics in green building market coupled with growing demand for bio-based plastics is expected to open opportunities for the growth of the market over the next few years. PVC components continue to be most widely consumed and accounts for around 35% of the global demand. The demand for PVC is more due to its characteristics such as durability, abrasion resistance and light weight. Asia Pacific is expected to witness the highest growth of CAGR of 7.5% between 2013 and 2019 on account of increasing usage of door fittings and ducts.

With a CAGR of 7%, global market value for plastics in building & construction application market is anticipated to be worth US\$ 45.6 billion by 2016, as per Research and Markets. On a global scale, Europe accounts for more than 30% of the market. While, US accounts for the largest share of the global market value on a country basis, India and Japan surpasses the US in terms of growth rate anticipated in the near future and leads the world. Among the end-use segments in building & construction plastics, Insulation market is expected to reach US\$ 13.3 billion. Pipes & ducts occupy for 36% the entire market as the largest share, driving a CAGR of 6.6% during 2011-2016. Doors & fittings witnessed the fastest growing end-user, with a CAGR of approximately 8.8% by 2016.

The Indian plastics industry marked its beginning in 1957 with the production of polystyrene. Thereafter, the industry has grown and diversified rapidly. The industry spans the country and hosts more than 2,000 exporters. It employs about 4 million people and comprises more than 30,000 processing units, 85-90% of which are small and medium-sized enterprises.

The Indian plastics industry produces and exports a wide range of raw materials, plastic-moulded extruded goods, polyester films, laminates, moulded/soft luggage items, writing instruments, plastic woven sacks and bags, polyvinyl chloride (PVC), leather cloth and sheeting, packaging, consumer goods, sanitary fittings, electrical accessories, laboratory/medical surgical ware, tarpaulins, laminates, fishnets, travel ware, and others.

Demand from original equipment manufacturers (OEMs) has led to producers focusing more on delivering products customized in line with end-user needs. Moreover, the Indian plastics industry has started manufacturing specific items to meet customer requirements. Design, style, and pattern are set

The Indian plastics industry offers excellent potential in terms of capacity, infrastructure and cheap labour availability. It is supported by a large number of polymer producers, and plastic process machinery and mould manufacturers in the country.

Among the industry's major strengths is the availability of raw materials in the country. Thus, plastic processors do not have to depend on imports. These raw materials, including polypropylene, high-density polyethylene, low-density polyethylene and PVC, are manufactured domestically.

Management Outlook

The outlook for growth in the infrastructure space looks positive, having been supported by government investment to improve the country's infrastructure as well as spending on affordable homes to meet the country's rising demand for housing. In the 2014-15 budget, the Indian Government increased its expenditure on the infrastructure sector and allocated Rs. 1.8 trillion, an increase of 8.6% over the 2013-14 budget.

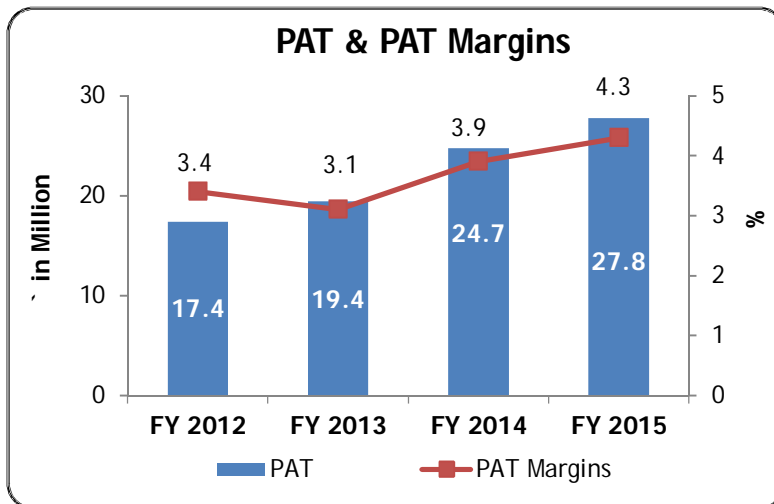
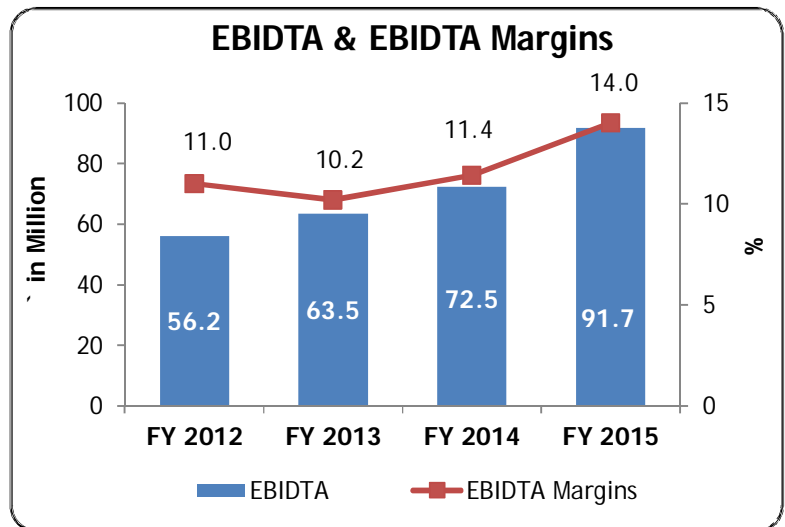
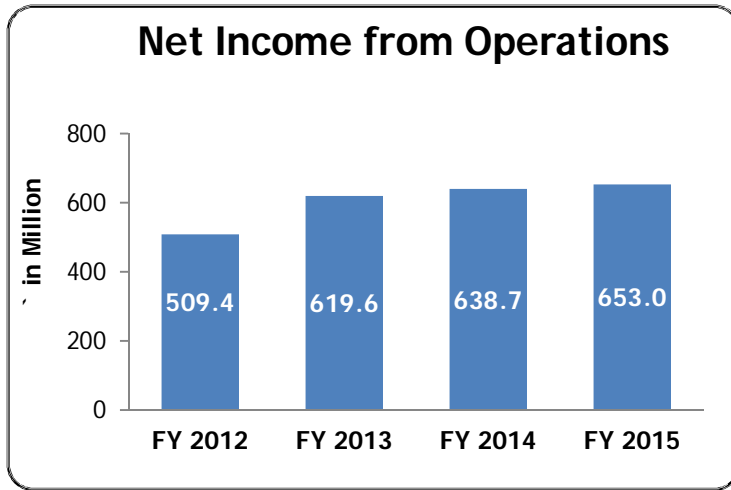
According to the World Population Statistics, the country's population grew by 17.7% from 2000 to 2011 - from 1.1 billion to 1.2 billion - and is expected to reach 1.4 billion and 1.6 billion by 2020 and 2040 respectively. As a proportion of the total, the country's urban population increased from 27.8% in 2001 to 31.2% in 2011, and is expected to reach 33.0% by 2026. The country's growing population and rapid urban development will create fresh demand for residential construction market over the forecast period.

Some of the additional key growth triggers include green building concept, builders getting acquainted with PVC doors and windows, building codes like TERI-GRIHA, ECO Homes are to be implemented in the country and European companies having set up window/door fabrication units few going for backward integration.

Going forward, the growth prospects for the Company appear to be satisfactory given that it offers diversified product range, strong marketing and distribution network and diversified client base and with plans to tap new market to enhance its geographical reach and clients, plans to provide other value added services such as timely delivery, onsite installation services as per customer construction schedule and after sales service as and when required to train and educate our customers regarding benefits and advantages PVC profiles and uPVC windows and doors and thereby adding value to customers.

However, certain risks such as dependency on real estate market sentiments, fluctuation in prices of raw materials, intense competition from larger players in the organised as well as unorganised space, changes in the government policies and increasing working capital requirements need to be monitored.

Financial Graphs



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Disclosure

Each member of the team involved in the preparation of this report, hereby affirms that there exists no conflict of interest.



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LOTUS KNOWLWEALTH (LKW) commenced business in 1990 and is currently engaged in providing **CAPITAL MARKET RESEARCH, INVESTMENT ADVISORY and STRATEGY** services.

GURUKSHETRA is the Research and Training arm of LKW.

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