

Multibase India

Rs 544

Building a strong base

BSE Sensex: 33,679

Nifty-50: 10,390

FINANCIALS

	NET SALES	OPM (%)	OP	OTHER INCOME	PBDIT	INTEREST	PBDT	DEPR	PBT BEFORE EO	EO	PBT AFTER EO	TAX	PAT	EPS (RS)*
1503(12)	61.65	16.90%	10.42	1.23	11.65	0	11.65	0.71	10.94	0	10.94	3.72	7.22	5.7
1603(12)	70.31	19.70%	13.85	1.88	15.73	0	15.73	0.6	15.13	0	15.13	5.24	9.89	7.8
1703(12)	86.48	21.90%	18.92	2.09	21.01	0	21.01	0.68	20.33	0	20.33	7.03	13.3	10.5
1803(12P)&	105.31	22.30%	23.46	2.31	25.77	0	25.77	0.78	25	0	25	8.63	16.37	13
1903(12P)&	126.37	22.50%	28.43	2.54	30.97	0	30.97	0.85	30.12	0	30.12	10.39	19.73	15.6

* Annualized on current equity of Rs 12.62 crore. Face Value: Rs 10 & Projected FY 18 and FY 19 financials are as per New ASEO: Extraordinary items; EPS is calculated after excluding EO and relevant tax. (P): Projections. Figures in crore. Source: Capitaline Database

Incorporated in 1991, Multibase India (MI) (formerly known as Synergy Polymers) is engaged in the business of manufacturing of high-technology thermoplastic elastomeric compounds and has diversified into the manufacture and sale of products, such as silicon-enhanced products. Their product range includes TPSiV, Siloxane Masterbatches, Multibatch, Multi-Flex, Nylex, Multi-Pro and Multi-Flam.

Strong Parent

Multibase S.A. (France) holds 75% of the equity shares of Multibase India. The ultimate holding Company of Multibase S.A (France) is Dow Corning Corporation, USA. Dow Corning Corporation (DCC) was formed as a 50:50 joint venture of Corning Inc. and Dow Holdings LLC. On June 1, 2016 Dow Holdings LLC gained 100% equity stake of DCC. Accordingly Dow Holdings LLC, a subsidiary of The Dow Chemical Company (a US corporation) became 100% holding company of DCC. By virtue of aforesaid change in the holding of DCC, Multibase India became an indirect subsidiary of Dow Holdings LLC. Established in 1943 specifically to explore and develop the potential of silicones, Dow Corning is a global leader in silicon-based technology and innovation. It provides performance-enhancing solutions to serve the diverse needs of more than 25,000 customers worldwide.

A global leader in silicones, silicon-based technology and innovation, Dow Corning offers more than 7,000 products and services. The group reported \$5.65 billion of sales and \$563 million of net income in CY 2015

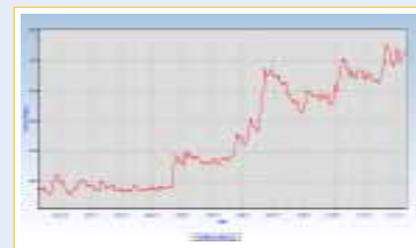
Strong R&D and innovation driving the growth

MI produces a range of both commodity and specialty products which are used in a wide range of applications in markets such as Automotive, Personal Care, Personal hygiene, Stationery, Telecommunications, consumer and industrial, wire & cable and packaging applications etc.

The company's product TPSiV (1180-50D) is used as the jacketing material in automotive brake cables.

Siloxane Masterbatches are used as internal and external lubricants. These plastic additives offer scratch and abrasion resistance, and reduces friction.

Multibatches are used as blown film, biaxially oriented polypropylene (BOPP) film, sheet extrusion for thermoforming and corrugated sheet.



STOCK DATA

BSE Code	:	526169
BSE Group	:	XC
NSE Code	:	Not listed
Bloomberg	:	MUIL.IN
Reuters	:	MTBI.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 565/ 240
Sector	:	Plastic products

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 0.9
Govt Holding	: 0
Non Promoter Corp	: 0
Promoters	: 75.01
Total Public & Others	: 24.1
Total	: 100

* as on 30/9/2017.

Source: Capitaline Databases

Nylex is used in applications, such as electrical connectors and electrical component housing and rims for safety glasses.

MI, since its inception has continuously been undergoing changes in its product profile and targeted markets, keeping in line with the changing business environment in the country. Starting out with manufacturing filled PP compounds, the company later on diversified into more value added products such as Thermoplastic Elastomers (TPE) and Siloxane Masterbatches.

The Company increased its presence in the Automotive (safety and non safety products) and Silicon based thermoplastics segment. It prioritized its focus on Silicon-enhanced products and identified new opportunities in engineering polymer markets. Global grades are now being produced in Daman to address the requirement of Automotive sector. The company is continuously looking at introduction of new products and participation in new markets, while finding the most competitive way to serve the mature markets. With this business strategy, the company expects a continuous growth in the coming years.

The company has a gross block of only around Rs 9 crore. But the incremental growth that is coming and is expected is through mainly through R&D wherein by adding additional extruder machine lines helps to speed up the elastomeric process and increases the output per hour. Thus strong R&D helps to increase the overall installed capacities and thus results in favourable asset turnover. MI is continuously doing research and development work at the modern R & D plant in Daman which yields a continuous flow of new generation products on a regular basis.

The company expects to further invest in extruder machine lines for the increasing demand of elastomers.

Has products that meet the new norms of auto industry

Indian automobile industry is going through massive changes considering the aspects of safety and regulations. Demand for automatic safety system products is on a rise and will replace the traditional products and systems made from rubber, plastics or any manual interventions. All these will lead to a further increase in demand of Thermo elastomeric products.

Thermoplastic elastomers (TPE) are steadily replacing the rubber and the plastics used in automotive applications because thermoelastomer enhance the rubber's benefits with the design freedom, streamlined processing and recyclability of thermoplastics apart from being soft, colorability, resilience, flexibility and strength.

MI's TPEs helps to address top challenges such as cost reductions through streamlined processing. In addition to processing benefits TPE compounds offer benefits such as excellent colorability and aesthetics and resistance to color degradation, particularly after exposure to UV radiation, low compression set within a wide temperature range, high fatigue resistance, excellent resistance to alcohols, acids, aqueous solutions, bases and detergents, high thermal properties

MI offers these materials in a range of hardnesses (20 Shore A to 50 60 Shore D) and densities (0.90 g/cm³ to 1.20 g/cm³). They maintain high performance when exposed to temperature extremes from -50 °C to 120 °C.

TPE provides unique, long-term performance for many indoor and outdoor applications, such as automotive parts, that are exposed to prolonged, direct sunlight. Resistant to scratching and UV light, this silicone-enriched TPE is well suited for a variety of interior and exterior applications, including vehicle components where maintaining aesthetics is critical.

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Thermoset materials such as epoxy moulding compounds (EMCs), phenolics and urethanes are well suited for demanding applications that require excellent mechanical strength and physical properties. However, to meet more-stringent requirements - driven by technological trends such as electronics miniaturization and higher usage temperatures- thermosets need higher performance capabilities. These materials can be significantly upgraded in multiple ways with Dow Corning's silicone-based additives. Enhancements may include new properties such as flame retardancy, improved thermal resistance, better compatibility between fillers and the base resin and optimized processing.

TPE sales in India continued to grow at a steady rate by converting some of the non TPE applications to TPE. Earlier TPE's are profoundly used in luxury cars. But with changing norms, they will soon be used in almost all the passenger cars in India. This will bring in vast demand for the company's product which is backed by strong technology of the Parent.

Parent has a whole bouquet of new technology products to offer to Indian markets

The company has a wide range of products made from the silicon technology for varied industries be it Aviation, Aerospace, Automotive, Beauty and Personal Care, Chemicals, Semi conductor, construction, consumer goods, electrical, F&B, healthcare, home appliances, household, lighting, Oil & Gas, paints, plastics and composites, additives, master batches, power and utilities, solar etc.

In Oil & Gas sector, backed by industry experience and silicon chemistry expertise, Dow Corning's has solutions to protect the equipment with silicone solutions and are also used to control the foam, for insulation, for water/oil separation, hydraulic fracturing and equipment assembly and maintenance.

Its automobiles solutions provides safely and reliability, reduce friction and other lubrication solutions. Thermosets used in sporting goods such as helmets, racquets and boats are typically reinforced with glass fiber. Pre-treatment of glass fiber with Dow Corning silicone-based coupling agents can improve the affinity and/or reactivity between the fiber and the base resin during compounding.

Dow's silicones are widely used for encapsulating semiconductor chips on printed circuit boards (PCBs). Dow Corning thermoset additives improve the durability of electronic components at high temperatures and high humidity, and prevent bleed-out from composites. They also provide stress relief during heat cycling to minimize cracking, distortion and warpage .

Like other TPEs, Dow's materials can be manufactured using standard thermoplastic processes that enable high productivity and lower costs. Applications such as consumer electronics, particularly wearable electronics such as fitness bands, are a key application area for TPSiV materials, due to their outstanding aesthetics, comfort, skin contact safety and high performance.

Silicone additives from Dow Corning also offer solutions for wire and cable formulators, such as processing aids to reduce torque and die drool, properties extenders to enhance dispersion and performance of flame retardants and other additives, reinforced material enhancers to improve compatilization and crosslinking etc.

Dow Corning's silicone additives offer solutions for PE film and lamination packaging, such as longer-lasting slip performance and prevented die build-up during extrusion Masterbatch ensures stable, long-term slip performance without the drawbacks of standard agents. It enables to optimize film processing and produce high-quality, attractive packaging such as food bags, wrappers and pouches. This unique, new silicone-based masterbatch reduces friction to enable higher throughput and

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productivity, is non-migrating to prevent transfer and preserve film's ability to be printed and metallized, maintains optical properties and controls costs with low loadings and application only on the film's outer layer

White silicone elastomeric additives control LCD and LED light diffusion effectively

Silicones are Effective as an additive for polycarbonate applications, polymethylmethacrylate and polystyrene to provide good optical performance balance of transmittance.

Innovative silicon-based breakthroughs designed to help to achieve buildings that promote occupant comfort, safety and security, improve productivity, lower risk and enable greater design freedom. This is High Performance building solutions.

Solutions that have the sustainable nature of silicone to help meet the objectives of LEED green certifications, BREEAM and other global equivalents.

Range of solutions for cosmetics, skin and beauty care.

The group thus has solutions for the requirements of going green with high safety standards and procedures.

Parent has strong plans for India for next 5 years

Currently, MI has products such as TPE and Master Batches and a constant innovation has helped in achieving turnover of around Rs 86 crore in FY 17.

Looking at the change in safety and regulatory norms and looking at the green initiatives in India, the Parent has plans to introduce its wide range of silica solutions to Indian markets in next 5 years. This will widen the product offering of MI and also widen the client base going forward.

While being a debt free and having a surplus cash of around Rs 28 crore as on Mar 17 gives an advantage on any future capacity additions, strong R&D will result in increasing productivity per hour, thereby will reduce any physical capex that may be required for future growth which will continue to result in incremental asset turnover.

Financials are getting better and better

For June 17 quarter, net sales was up by 36% to Rs 25.16 crore, OPM stood at 22.5%, as compared to 21% for June 16 quarter, thus resulting in a 45% increase in OP to Rs 5.67 crore on YoY basis. Other income stood at Rs 0.51 crore up by 11%. Depreciation was up by 12% to Rs 0.19 crore, which resulted in a 43% rise in PBT to Rs 5.99 crore. After paying total tax of Rs 2.07 crore up by 44%, PAT stood at Rs 3.92 crore up by 43%.

For FY 17, net sales were higher by 23% to Rs 86.48 crore. OPM stood at 21.9% thus resulting in a 37% increase in OP to Rs 18.92 crore. Other income was up by 11% to Rs 2.09 crore, resulting in PBIDT of Rs 21.01 crore up by 34%.

Depreciation was up by 13% to Rs 0.68 crore resulting in a PBT of Rs 20.33 crore up by 34% YoY. After providing total tax of Rs 7.03 crore, up by 34%, PAT stood at Rs 13.30 crore up by 34%.

Valuation

We expect the company to register net sales and PAT of Rs 105.31 crore and Rs 16.37 crore for FY 18. For FY 19, we expect the company to register net sales and PAT of Rs 126.37 crore and PAT of Rs 19.73 crore for FY 19. This gives an EPS of Rs 13 and Rs 15.6 for FY 18 and FY 19 respectively. At current market price of Rs 544, the scrip trades around 35 times its FY 19 projected earnings.

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MULTIBASE INDIA: RESULT

	1706(03)₹	1606(03)₹	VAR. (%)	1703(12)	1603(12)	VAR. (%)
Net Sales	25.16	18.56	36	86.48	70.31	23
OPM (%)	22.5%	21.0%		21.9%	19.7%	
OP	5.67	3.90	45	18.92	13.85	37
Other Income	0.51	0.46	11	2.09	1.88	11
PBDIT	6.18	4.36	42	21.01	15.73	34
Interest	0.00	0.00	0	0.00	0.00	
PBDT	6.18	4.36	42	21.01	15.73	34
Depreciation	0.19	0.17	12	0.68	0.60	13
PBT before EO	5.99	4.19	43	20.33	15.13	34
EO	0.00	0.00	0	0.00	0.00	0
PBT after EO	5.99	4.19	43	20.33	15.13	34
Tax	2.07	1.44	44	7.03	5.24	34
PAT	3.92	2.75	43	13.30	9.89	34
EPS (Rs)*	#	#		10.5	7.8	

* Annualized on current equity of Rs 12.62 crore. Face Value: Rs 10. & Quarterly results are as per New AS.
 LP: Loss to Profit PL: Profit to Loss. EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax.
 Var.(%) exceeding 999 is restricted to 999.
 Figures in crore. Source: Capitaline Database