

Plastiblends India

Rs 206
Leader in masterbatches for plastic industry

Sensex: 40,686

Nifty: 11,930

FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT BEFORE EO	EO	PBT AFTER EO	TAX	PAT	PPA	NET PROFIT	EPS (Rs)*
1803 (12)	567.82	0.10	54.88	2.39	57.26	7.61	49.65	11.65	38.00	0.00	38.00	10.68	27.32	0.00	27.32	10.5
1903 (12)	626.85	0.10	60.30	1.19	61.49	8.14	53.35	11.74	41.61	0.00	41.61	10.44	31.17	0.00	31.17	12
2003 (12)	605.87	0.11	67.45	2.62	70.07	1.48	68.59	17.05	51.54	0.00	51.54	14.36	37.18	0.00	37.18	14.3
2103 (12P)	542.67	0.12	65.34	3.31	68.65	4.48	64.17	16.31	47.86	-0.30	48.16	12.87	35.29	1.44	33.85	13.6
2203 (12P)	651.64	0.12	78.85	3.00	81.85	5.02	76.83	18.43	58.40	0.00	58.40	15.18	43.21	0.00	43.21	16.6

* Annualized On current Equity Of Rs 12.99 Crore of face value of Rs 5 each. Figures in crore, (P): Projections. Source: Capitaline Database

The company's strong market position in the masterbatches industry with a complete product range will help it to capitalise on huge growth potential of plastic industry, which is its main user

Incorporated in 1993, Plastiblends India manufactures white, black, and coloured masterbatches and compounds used primarily as colouring agents in plastics. The masterbatches are marketed under the trade names Polyclear, Polynuc, Polyultra, Antimicrobial, Polyrodent, PolyFR, and Anti-fibrillation.

Plastiblends extensive world class manufacturing facilities include three manufacturing units in the Union territory of Daman, two units in Roorkee and one unit in Palsana consisting state-of-art production line employing advanced manufacturing technology to produce premium quality products. They have a combined manufacturing capacity of 130,000 TPA.

The Production Lines include fast, high capacity continuous mixer (LCM) lines, twin screw extruders lines, specifically designed high speed mixers high end computerized gravimetric feeding systems sophisticated, fully computerized process control systems which ensures consistent product quality, and improved productivity, enabling faster delivery to customers.

Strong market position in the Masterbatch segment

PBIL is among the largest manufacturers of masterbatches in India, accounting for 10-12% of the organized domestic masterbatches industry. The company's units manufacture a diverse product portfolio catering to domestic as well as overseas markets. PBIL has a strong network of over 110 dealers in India and abroad, through which it caters to its markets.

It is India's largest manufacturer and exporter of Color, White, Black and Additive masterbatches, and compounds for the plastic & fibre processing industries. The company has also made presence felt in the European, North and South American, African & Asian market.

Although the company's products are in the nature of commodities, it has maintained a better operating margin than its peers owing to its strong market position and the ability to develop value-added products.



STOCK DATA

BSE Code	:	523648
BSE Group	:	B
NSE Code	:	PLASTIBLEN
Bloomberg	:	PBL.IN
Reuters	:	PLST.BO
Par Value	:	Rs 5
52-week High/Low	:	Rs 242 / Rs 96
Sector	:	Chemicals

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 1.16
Institutions	: 2.24
Govt Holding	: 0.00
Corporate Holding	: 0.00
Promoters	: 63.83
Public & Others	: 32.76

* as on 30/09/2020

Source: Capitaline Databases

Complete product range for plastics industry

Masterbatches merge seamlessly with plastics enhancing their performance and appearance. The company produces a large range of White, Black, Colour and functional masterbatches, additives and compounds suitable for all plastic processing types.

White Masterbatches: Plastiblends range of white masterbatches is manufactured with high quality and micronized Titanium Dioxide with specific base resin and additive for best suitability in end application.

Black Masterbatches: Plastiblends is a pioneer in providing a superlative spectrum of highly loaded Black masterbatches. By employing varied types and grades of carbon, it offers diverse grades of black master batches. Plastiblends black master batches play a role in such key markets as agricultural, packaging, electronics, textiles and nonwovens, wire & cable, automotive and toys.

Colour Masterbatches: Plastiblends manufactures wide range of Standard Color Masterbatches with an active color database of over 1000 shades for all major processing methods, compatible with Polyolefin's (PET & PP), PET, BT, HIPS & ABS. The company can produce tailor made masterbatches as per the customer's requirements

Polyultra: Ultraviolet stabilizers masterbatches- Polyultra masterbatches are high performance ultraviolet stabilizers for various polymers and has a wide range of applications. They have been selected to provide the best possible performance for each class of applications.

Filler Masterbatches Polymax: Polymax are performance additive masterbatch specially designed for HM-HDPE films and PE liners.

PET masterbatches: Plastiblends PET masterbatches are very successful in the market with color brilliancy and low dosage levels. The company's masterbatches are suitable to withstand high processing temperatures with very good light fastness and colour consistency. Plastiblends offers wide range of masterbatches for various applications in PET like fibre, bottle, sheets, BOPET films, POY,FDY,PET sheets and monofilament.

Conductive compounds: Normally insulators, thermoplastics can be compounded with a variety of conductive fillers to provide protection from electrostatic discharge (ESD). Static electricity and electrostatic discharge (ESD) are naturally occurring phenomena. In simple terms, static electricity is electrical energy at rest on a surface. It is generally created by the rubbing together of nonconductive materials. One material gives up electrons and becomes +ve charged; the other takes on these electrons and becomes -ve charged. This generation of static electricity by friction is termed triboelectrification. ESD is the sudden discharge of this electrostatic potential from one body to another.

In-house R&D capabilities

The company has in-house full-fledged research & development department equipped with a wide range of lab machines, equipments, instruments and testing facilities that enables it to deliver a broad spectrum of new & customized solutions for tailor made product and formulations like bio-degradable masterbatches and masterbatches for BOPP Films, PP Yarns, Fibres etc. with excellent price benefit ratio. The company also has technical experts with latest technical know-how & innovative abilities focusing on continuous upgradation

It is India's largest manufacturer and exporter of Color, White, Black and Additive masterbatches, and compounds for the plastic & fibre processing industries.

Although the company's products are in the nature of commodities, it has maintained a better operating margin than its peers owing to its strong market position and the ability to develop value-added products.

of the existing masterbatches and development of new products. The manufacturing units are highly automatic and equipped with sophisticated laboratory facilities to conduct stringent tests.

The in-house research and development facility of the company has been registered with the Department of Scientific and Industrial Research and this is the first time any company in masterbatches business that has this achievement.

Plastics are indispensable for the modern lifestyle and are found to be very useful in our day to day life

Plastics remain to be a material of choice for various applications and once again with the worldwide crisis caused by coronavirus plastics prove to be life saver than a nuisance material. Plastics was used everywhere in this covid pandemic right from the diagnostic tools to the ventilators. Use of plastics packaging boomed in the pandemic situations due to sanitation requirements and many plastics units were granted permission for operating in the lockdown time as an essential commodity. This proves how indispensable plastics are for the modern lifestyle and are found to be very useful in our day to day life.

One of the vital components of plastics industry worldwide is masterbatches, which consists of pigments and additives used for imparting required color and characteristics to the end products. It is a concentrated mixture of pigments and additives encapsulated during a heat process into a carrier resin, which is then cooled and cut into a granular shape. It imparts various properties like ultraviolet light resistance, flame retardation, anti-fouling, anti-static, lubrication, anti-slip, antimicrobial, anti-oxidant etc to end products. Use of masterbatches in production process offers many benefits like cost-effectiveness, easy to use, helps achieve the desired color and ensures a dirt-free production environment. Plastiblends is leader in manufacturing of masterbatches and has presence in practically all segment of Masterbatches i.e. White/ Black / Colour / Additive / Polywhite (filler) unlike most of other competitors who are not present in all segments.

Indian masterbatches market is expected to grow at a CAGR of over 11% through 2025

Masterbatches find applications in various plastic processing industries such as Flexible Packaging (FMCG, Package and Fast Food, Shopping Bags, etc.), Consumer Durable (Electronic Appliances, Furniture, Toys, Luggage, House ware etc.), Health Care, Agriculture, Irrigation, Piping, Textiles, Telecom, Infrastructure etc. Global masterbatch market is projected to rise to USD 14 to 15 billion by 2025 and Indian masterbatch market is expected to grow at a CAGR of over 11% through 2025, on account of strong growth in the packaging and automotive sectors, favorable government regulations, rapid industrialization, and commercialization. Furthermore, there is a growing demand for light-weight and fuel-efficient vehicles, which will further fuel the growth of the plastic masterbatch market.

Consistently decreasing its borrowings

Due to effective working capital management there was further reduction of Rs 22.83 crore in borrowings during Q2FY21 in addition to reduction in Q1 of Rs 14.58 crore aggregating to total reduction of Rs 37.42 crore during last 6 months. Borrowing reduced by Rs 35.42 crore in FY19 and Rs 29.43 crore in FY20. It has resulted in total reduction of Rs 102.27 crore in last 2.5 years.

The company has in-house full-fledged research & development department equipped with a wide range of lab machines, equipments, instruments and testing facilities that enables it to deliver a broad spectrum of new & customized solutions

One of the vital components of plastics industry worldwide is masterbatches, which consists of pigments and additives used for imparting required color and characteristics to the end products.

Colour and additive masterbatches sales were highest ever in the month of September, 2020

Plastiblends net sales fell 5% to Rs 142.45 crore for quarter ended Sep'20 despite the various challenges faced due to COVID-19 compared to corresponding previous year period. Operating margins of the company were up 190 bps to 11.7% resulting in 13% increase in operating profits to Rs 16.68 crore compared to profit of Rs 14.79 crore.

Operating profit of the company is on rise which demonstrate that that the strategic steps taken by Company in past several years to change its product mix and move to more value added products and effective cost rationalization exercises at all level are yielding positive results.

Other income rose 142% to Rs 56 lakh. Interest cost was Rs 1.05 crore compared to interest income of Rs 1.47 crore. During the quarter ended 30th September 2019 the company had received Rs 3 crore as interest assistance under the 'Scheme for Assistance for Plastic Industry' of Gujrat Government towards borrowing for investment in Palsana Plant. The same was credited to interest expense for that quarter and hence there was a credit of Rs 1.47 crore on interest expense account in Sept.19 quarter. Adjusting for that interest cost has come down from Rs 1.52 crore to Rs 1.05 crore.

Depreciation rose 34% to Rs 4.01 crore. Depreciation rose due to capitalization of solar power plants, which will in future reduce power cost.

PBT before EO fell 10% to Rs 12.17 crore. Profit after current tax fell 3% to Rs 9.07 crore. There was a prior period tax of Rs 1.44 crore, after which net profit fell 18% to Rs 7.63 crore.

Despite challenging times, colour and additive masterbatch sales were highest ever in the month of September, 2020.

During Q2 of FY 2021, despite lockdown and challenging situations, Plastiblends agility and focus on maintaining uninterrupted production, supply and distribution of products helped achieve significant sales revenue as compared to corresponding period in the previous year. The company is confident that improving economy will create multiple opportunities for them going forward.

For half year ended Sep'20, net sales fell 26% to Rs 245.61 crore compared to corresponding previous year period. Operating margins of the company rose 150 bps to 12.1% leading a 16% decrease in operating profit to Rs 29.69 crore. Other income rose 60% to Rs 1.3 crore. Interest cost was Rs 2.27 compared to nil in H1FY20. Depreciation rose 32% to Rs 7.9 crore. PBT as a result fell 31% to Rs 20.84 crore. Tax expense was down 37% to Rs 5.84 crore. Net profit fell 33% to Rs 13.86 crore.

Outlook

There is a huge potential for growth in the masterbatch industry due to rising demand for light weight, durable and environment friendly plastic materials by end user industries like automobile, agriculture etc. With the current pandemic situation faced by the world one other area that has come to the forefront is the medical plastics. The company has witnessed multiple uses of the plastics right from the virus protection masks, PPE kits , testing swabs to most critical ventilators. Plastics have proved to be a very convenient and helpful, in humanities' fight against COVID-19.

Colour and additive masterbatches sales were highest ever in the month of September, 2020

Despite challenging times, colour and additive masterbatch sales were highest ever in the month of September, 2020.

There is a huge amount of investment being planned for expansion of plastics capacity in the country and government has a huge plan of setting up eight plastic parks throughout the country. Indian plastic consumption remain at 11 kg which is one tenth that of what is consumed by per person in developed countries and there is huge potential for growth.

Indian plastic industry is also expected to benefit due to the growing sentiment against China and many industries are expected to shift their base to India. Government is already working on offering incentives for these industries to setup their manufacturing units in India. The campaign of "Atmanirbhar Bharat" is also expected to boost investment in plastics Industry. Therefore plastics consumption is expected to witness a significant boon in the coming period once the normalcy returns after the disruption caused by coronavirus.

Valuation

In FY 2021 we expect the company to register sales and net profit of Rs 542.67 crore and Rs 33.85 crore respectively. The sales and net profit are expected to increase to Rs 651.64 crore and Rs 43.21 crore in FY2022. EPS works out to Rs 16.6 for FY2022. The scrip trades at Rs 206. P/E on FY 2022 projected EPS works out to 12.4 times.

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PLASTIBLENDS INDIA: RESULTS

PARTICULARS	2009 (3)	1909 (3)	VAR.(%)	2009 (6)	1909 (6)	VAR.(%)	2003 (12)	1903 (12)	VAR.(%)
Total Operating Income	142.45	150.53	-5	245.61	330.82	-26	605.87	626.85	-3
OPM(%)	11.7%	9.8%		12.1%	10.6%		11.1%	9.6%	
OP	16.68	14.79	13	29.69	35.18	-16	67.45	60.30	12
Other Income	0.56	0.23	142	1.30	0.81	60	2.62	1.19	121
PBIDT	17.24	15.02	15	31.00	35.99	-14	70.07	61.49	14
Interest	1.05	-1.47	LP	2.27	0.00		1.48	8.14	-82
PBBDT	16.18	16.49	-2	28.73	36.00	-20	68.59	53.35	29
Depreciation	4.01	3.00	34	7.90	5.97	32	17.05	11.74	45
PBT Before EO	12.17	13.49	-10	20.84	30.03	-31	51.54	41.61	24
EO	-0.30	0.00		-0.30	0.00		0.00	0.00	
PBT after EO	12.47	13.49	-8	21.14	30.03	-30	51.54	41.61	24
Tax provision	3.41	4.16	-18	5.84	9.22	-37	14.36	10.44	38
PAT	9.07	9.33	-3	15.29	20.81	-27	37.18	31.17	19
PPA	1.44	0.00		1.44	0.00		0.00	0.00	
PAT after EO	7.63	9.33	-18	13.86	20.81	-33	37.18	31.17	19
EPS (Rs)*	#	#		#	#		14.3	12.0	

* Annualized On Current Equity Of Rs 12.99 Crore of face value of Rs 5 each. EO: Extraordinary Items. PL: Profit to Loss.

EPS Is Calculated After Excluding EO And Relevant Tax. # EPS not annualised due to seasonality of business. Figures In Rs Crore.

Source: Capitaline Database