

Rajshree Polypack (RPPL) reported revenues at Rs 677m - up 17.0% HoH. Rigid sheet sales stood at 1178MT up 8.8% HoH and thermoformed packaging products were up 16.4% HoH to 2117 MT. EBITDA margins expanded 170bps to 15.7% due to higher fixed cost absorption. EBITDA rose by 30.9% to Rs 106m. PAT stood at Rs 56m higher by 3.1% HoH.

During July, one thermoforming and one printing machine went on stream. The former is operating at 60-65% cu. There has been a delay in commissioning the barrier sheet extrusion capacity due to technical changes in the design. It has been modified to manufacture PBL (plastic based laminate) products which are recyclable. This will help the company cater to industries such as cosmetics and pharma as well. The machine is expected to be received in June-20 and begin commercial production by September-20. RPPL will be importing barrier sheets over the next couple of months to seed the market in order to facilitate quick ramp. It already has one firm order in hand for barrier products which will account for 15-20% of this capacity. Based on client response, the company might add another thermoforming machine and printing machines if needed.

During the quarter the company has added Dominos as their client for supply of moulds for the cheesy dip. They have confirmed orders from a QSR client (Rs 30-40m) as well as for ice creams (Rs 15m).

Due to slower than expected EBITDA growth in FY20E and delay in setting up the extrusion capacity, we have revised our revenue and profit estimates for FY20 and FY21 downwards by 2.3%/16.5% and 15.8%/24.2% respectively. We downgrade our rating to Accumulate with a target price of Rs 135.

Key financials (Y/e March)	2018	2019	2020E	2021E
Revenues (Rs m)	1,123	1,250	1,405	1,695
<i>Growth (%)</i>	<i>17.8</i>	<i>11.3</i>	<i>12.4</i>	<i>20.6</i>
EBITDA (Rs m)	206	187	221	322
PAT (Rs m)	96	105	116	169
EPS (Rs)	8.5	9.4	10.3	15.0
<i>Growth (%)</i>	<i>8.0</i>	<i>9.9</i>	<i>10.3</i>	<i>45.6</i>
CEPS (Rs)	18.6	14.3	16.6	22.6
Net DPS (Rs)	-	-	-	-
Profitability & Valuation	2018	2019	2020E	2021E
EBITDA margin (%)	18.3	14.9	15.7	19.0
RoE (%)	22.2	15.2	11.9	15.1
RoCE (%)	23.7	15.6	14.0	19.8
EV / sales (x)	0.9	0.6	0.6	0.5
EV / EBITDA (x)	5.2	4.0	4.1	2.8
PE (x)	9.9	9.0	8.2	5.6
P / BV (x)	2.0	1.0	0.9	0.8
Net dividend yield (%)	-	-	-	-

Source: Company Data, PL Research

Q2FY20 Result Update

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Rating	Accumulate
Price	Rs 85
Target Price	Rs 135
Implied Upside	58.8%
Sensex	40,284
Nifty	11,885
Bloomberg Code	RAJPPL:IN
Reuters Code	RAJH.NS
<i>(Prices as on November 18, 2019)</i>	

Tracking Data

Market Cap (Rs bn)	1.0
Shares O/s (m)	11.2
3M Avg. Daily Value (Rs m)	0.3

Major Shareholders

Promoters	51%
Foreign Body Corp	20%
Public & Others	29%

Stock Performance

(%)	1M	6M	12M
Absolute	0.5	(16.4)	(14.8)
Relative	(1.5)	(20.7)	(26.2)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2020E	10.3	-	NA
2021E	15.0	-	NA

H1FY19 Result Overview (Rs m)					
Y/e March	H1FY20	H1FY19	YoY Growth	H2FY19	HoH Growth
Net Revenue	677	671	0.9	579	17.0
Expenditure					
Raw Material Cost	386	402	(3.9)	327	18.0
<i>% of revenue</i>	<i>57.0</i>	<i>59.9</i>		<i>56.5</i>	
Employee Cost	57	52	9.5	55	2.5
<i>% of revenue</i>	<i>8.4</i>	<i>7.7</i>		<i>9.5</i>	
Other Expense	128	112	14.6	115	11.2
<i>% of revenue</i>	<i>19.0</i>	<i>16.7</i>		<i>19.9</i>	
Total Expenditure	571	565	1.0	498	14.7
EBITDA					
	106	106	0.2	81	30.9
<i>Margin (%)</i>	<i>15.7</i>	<i>15.8</i>		<i>14.0</i>	
Depr. & Amortization	31	27	15.2	28	11.0
EBIT	75	78	(4.9)	53	41.7
Net Interest	8	11	(28.0)	9	(11.9)
Other Income	13	5	191.7	21	(35.7)
Profit before Tax	80	72	11.1	64	24.6
Total Tax	24	21	13.9	10	145.5
<i>Effective tax rate (%)</i>	<i>29.7</i>	<i>29.0</i>		<i>15.1</i>	
Reported PAT	56	51	10.0	54	3.1
<i>PAT Margin (%)</i>	<i>0.5</i>	<i>7.6</i>		<i>0.5</i>	
EPS	5.0	4.5	9.9	4.8	3.0

Source: Company Data, Idea Research

Income Statement (Rs m)

Y/e March	2018	2019	2020E	2021E
Sales	1,123	1,250	1,405	1,695
Raw material cost	646	729	810	963
Gross Profit	477	521	594	732
Employee cost	88	107	118	132
Other expenses	183	227	256	278
EBITDA	206	187	221	322
Depreciation	52	56	70	85
Interest	24	20	16	19
Other income	7	25	22	10
PBT	136	136	157	228
Tax	40	30	41	59
PAT	96	105	116	169
Avg shares	11.2	11.2	11.2	11.2
EPS (Rs)	8.5	9.4	10.3	15.0

Cash Flow Abstract (Rs m)

Y/e March	2018	2019	2020E	2021E
C/F from Operations	150	80	140	200
C/F from Investing	(24)	(27)	(278)	(192)
C/F from Financing	(104)	264	(16)	(29)
Inc. / Dec. in Cash	23	317	(154)	(21)
Opening Cash	10	33	350	196
Closing Cash	33	350	196	174
FCFF	127	53	(138)	8

Key Financial Metrics

Y/e March	2018	2019	2020E	2021E
Growth				
Revenue (%)	17.8	11.3	12.4	20.6
EBITDA (%)	0.5	(9.1)	18.2	46.0
PAT (%)	8.0	9.9	10.3	45.6
EPS (%)	8.0	9.9	10.3	45.6
Profitability				
EBITDA Margin (%)	18.3	14.9	15.7	19.0
PAT Margin (%)	8.5	8.4	8.3	10.0
RoCE (%)	23.7	15.6	14.0	19.8
RoE (%)	22.2	15.2	11.9	15.1
Balance Sheet				
Net Debt : Equity	0.2	(0.2)	(0.0)	(0.0)
Net Wrkng Cap. (days)	38.2	45.7	43.0	43.0
Valuation				
PER (x)	9.9	9.0	8.2	5.6
P / B (x)	2.0	1.0	0.9	0.8
EV / EBITDA (x)	5.2	4.0	4.1	2.8
EV / Sales (x)	0.9	0.6	0.6	0.5
Earnings Quality				
Eff. Tax Rate	29.4	22.5	26.0	26.0
Other Inc / PBT	0.0	0.2	0.1	0.0
Depreciation Rate	7.7%	7.6%	7.7%	7.7%

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2018	2019	2020E	2021E
Non-Current Assets	486	522	774	909
Net fixed assets	446	443	673	788
Capital Work In Progress	-	2	-	-
Non-Current Investments	3	0	2	4
Loans	35	76	84	96
Other Non-Current Assets	1	0	15	20
Current Assets	370	720	611	672
Inventories	110	130	137	165
Trade receivables	204	208	234	282
Cash and Bank balances	33	350	196	174
Loans	20	32	37	41
Other current assets	3	0	7	10
Total Assets	856	1241	1385	1581

Equity

Equity Share Capital	80	112	112	112
Other Equity	390	806	922	1091
Total Networth	470	919	1035	1204
Non-Current Liabilities	182	109	93	67
Long Term borrowings	138	73	53	23
Deferred tax liabilities	44	36	40	44
Current Liabilities	204	214	258	311
Short term borrowings	10	16	36	56
Trade Payables	112	104	117	139
Provisions	3	8	9	11
Other current liabilities	79	85	95	105
Total Equity & Liabilities	856	1241	1385	1581

Source: Company Data, PL Research.

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