

EMMBI Industries Ltd.



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Emmbi Industries Ltd.

Stellar show continues

CMP INR 109	Target INR 139	Potential Upside 27.5%	Market Cap (INR Mn) 1,928	Recommendation BUY	Sector Containers & Packaging
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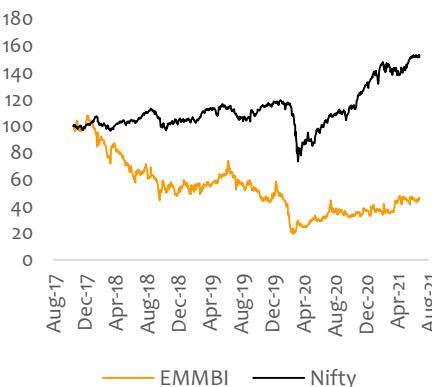
Result highlights of Q1FY22

- In Q1FY22, Emmbi's revenue grew 105% YoY/12.6% QoQ to INR 1,042 mn. It was the highest quarter revenue in company's history. This incredible growth was achieved due to increased worker efficiency, which is helping the company generate higher revenues without major capital expenditure.
- EBITDA has seen a growth of 88.2% YoY/27.6% QoQ to INR 111 mn, while EBITDA margin contracted by 95 bps YoY due to higher other expenses. Though on QoQ basis margin expanded by 125 bps to 10.7%.
- Reported PAT has seen a strong growth of 322.9% YoY/46.1% QoQ to INR 45 mn, while PAT margin expanded 221 bps YoY/99 bps QoQ to 4.3%.

MARKET DATA

Shares outs (Mn)	17.69
Equity Cap (INR Mn)	1,352
Mkt Cap (INR Mn)	1,928
52 Wk H/L (INR)	126/69
Volume Avg (3m K)	76
Face Value (INR)	10
Bloomberg Code	EMMB IN

SHARE PRICE PERFORMANCE



KEY FINANCIALS

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	2,891	3,041	2,742	3,193	3,700
EBITDA	410	374	285	394	523
PAT	179	146	77	157	247
EPS (INR)	10.1	8.3	4.3	8.9	13.9
EBITDA Margin (%)	14.2%	12.3%	10.4%	12.3%	14.1%
NPM (%)	6.2%	4.8%	2.8%	4.9%	6.7%

Source: Company, KRChoksey Research

Highest quarterly revenue achieved by Emmbi on the back of sustained strong growth
Emmbi's revenue growth in Q1FY22 was largely led by good growth in international market as well as strong growth in Avana. Both US and European markets are witnessing strong economic growth which has resulted in extremely strong order book for Emmbi's international business. Avana also witnessed strong revival during the quarter on the back of relaxation of agricultural retail restrictions by the government. The company management is aiming for INR 100 mn revenue for Avana's new consumer goods business during FY22. The consumer goods vertical of Avana had already achieved INR 30 mn revenue during Q1FY22.

Emmbi redefined its product verticals for better representation of business

During Q1FY22, Emmbi had redefined its product verticals. Emmbi will now operate from two main verticals, 1) B2B and 2) Avana – B2C. The B2B vertical will consists of Emmbi's a) domestic business and b) International business. While Avana – B2C vertical will consists of a) Avana Consumer Durables and b) Avana Consumer Goods. The reclassification of its product verticals will help the company achieve the following objectives; 1) Better representation of business, 2) Higher transparency and clarity for shareholders and other external stakeholders, 3) Redefining business priorities to cope with contingencies such as COVID and 4) Greater focus on sales and distribution.

Update on capex

Emmbi management is planning to add capacity of ~3000 tons after Q3FY22. This additional capacity will be put up within the same factory complex of Emmbi and will be fully fungible. This additional capacity will mainly come from de-bottlenecking of existing capacities and company is not planning any major capex for next 18-24 months.

MARKET INFO

SENSEX	55,437
NIFTY	16,529

SHARE HOLDING PATTERN (%)

Particulars	Jun-21 (%)	Mar-21 (%)	Dec-20 (%)
Promoters	58.28	58.28	58.18
FIIs	6.91	6.91	6.91
DII	2.73	2.73	2.73
Others	32.08	32.08	32.18
Total	100	100	100

16.2%

Revenue CAGR between FY21 and FY23E

79.3%

PAT CAGR between FY21 and FY23E

Emmbi Industries Ltd.

Post Result Conference Call Highlights

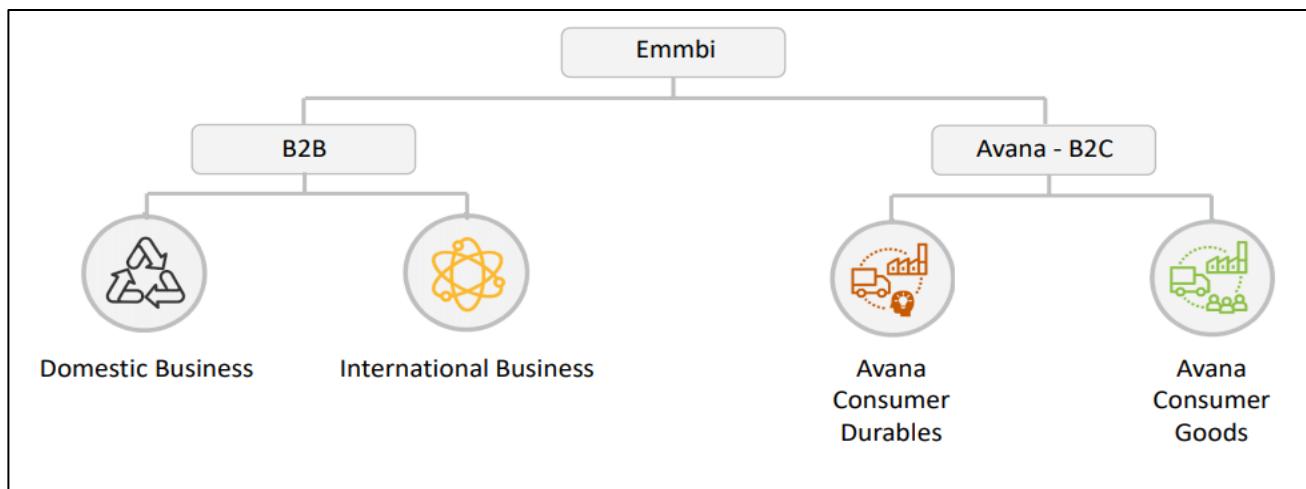
1. US and European markets have grown significantly, which has resulted in good order book for the company.
2. Capacity utilization has grown by 11%, earlier during Covid it was 76% which has gone up to 87% during Q1FY22.
3. Manpower availability is now very good in India, which is acting as a catalyst for further business growth of Emmbi.
4. Pre-monsoon quarter is usually good for the company, hence Q1FY22 turned out to be quite good.
5. More dealers and distributors were added due to running of the TV commercial for Avana.
6. Avana has clocked a revenue of INR 30 mn in Q1FY22, company is aiming for INR 100 mn for full year FY22 for Avana.
7. Agro-polymers market is massive and hence presents very good opportunity for the company.
8. After the end of the third quarter of FY22, company is planning to add capacity of 3000 tons within the same factory complex which will be fully fungible.
9. Currently 19% of revenue contribution comes from Avana, which will go up to 40% by FY24/25
10. B2C segment got affected more than B2B segment due to Covid, and hence B2C segment is taking up a little more time to come back to normalcy.
11. B2B segment has revived very strongly, US and Europe are seeing very good order book.
12. In exports the company added different product lines which are high margin products, which will help increase the overall margin for the company going forward.
13. 30-45 days lag in passing on the polymer costs to customers, hence gross margin suffered during the quarter.
14. Mainly focusing on de-bottlenecking of existing capacities, so management is not foreseeing any major capex in next 18-24 months.

Outlook & Valuation

We like Emmbi's business model, with a wide product range coupled with ability to innovate and tap new product application areas. The company has a good market positioning and a well-balanced business mix of an export play along with a compelling domestic market story. With domestic demand coming back after relaxation of Covid-19 curbs coupled with strong growth in export markets like US and Europe, we expect the company to report 16.2% and 79.3% CAGR growth in its revenue and PAT over FY21-23E period.

Since our last update, the stock has appreciated ~12% and is currently trading at a valuation of 12.3x/7.8x FY22E/23E EPS. After factoring in strong Q1FY22 results, we have increased our target P/E multiple to 10x from 8.5x earlier and now value the stock at 10x on its FY23E EPS of INR 13.9/share which yields a target price of INR 139 per share (earlier target price: INR 118 per share), implying an upside potential of 27.5% over the CMP. Accordingly, we reiterate our 'BUY' rating on the shares of Emmbi Industries Ltd.

Emmbi's Redefined Product Verticals



Source: Company, KRChoksey Research

Emmbi Industries Ltd.

Financials:

Income Statement:

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Revenue	2,891	3,041	2,742	3,193	3,700
Cost of sales	1,874	1,997	1,721	1,925	2,292
Gross profit	1,016	1,042	1,019	1,266	1,406
Employees Benefit Expenses	151	169	179	249	310
Finance costs	110	119	114	109	106
Depreciation	63	70	72	82	92
Other expenses	455	500	555	622	573
EBITDA	410	374	285	394	523
Margin	14.2%	12.3%	10.4%	12.3%	14.1%
EBIT	350	306	214	316	435
Margin	12.1%	10.1%	7.8%	9.9%	11.8%
Pretax Income	240	187	100	207	329
Income tax expense	61	40	24	50	82
Net profit	179	146	77	157	247
Margin	6.2%	4.8%	2.8%	4.9%	6.7%
Diluted EPS (INR)	10.1	8.3	4.3	8.9	13.9

Source: Company, KRChoksey Research

Cashflow Statement:

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Cash from Operations	261	200	36	517	404
Cash from Investing	-166	-187	-154	-32	-236
Cash from Financing	-91	-23	108	-336	-103
Net increase/(decrease) in cash and cash eq	3	-9	-10	148	66
Cash and cash eq at the beginning of the year	26	28	19	9	157
Cash and cash eq at the end of the year	28	19	9	157	223

Source: Company, KRChoksey Research

Emmbi Industries Ltd.

Balance Sheet

Particulars (INR mn)	FY19	FY20	FY21	FY22E	FY23E
Inventories	729	787	902	811	775
Trade receivables	452	520	638	236	542
Cash and Cash eq	28	19	9	157	223
Bank balances other than cash and cash eq	10	18	6	6	6
Other current assets	155	161	138	559	288
Total Current Assets	1,373	1,504	1,693	1,770	1,833
Property, plant and equipment	1,082	1,150	1,242	1,177	1,291
Capital work in progress	37	61	39	39	39
Intangible assets	92	107	130	136	150
Financial assets	8	12	14	14	14
DTA	23	21	21	22	23
Income tax asset	110	130	147	154	169
Other non current assets	0	0	0	0	0
Total non-current assets	1,352	1,481	1,592	1,542	1,686
Total Assets	2,726	2,985	3,285	3,311	3,519
Liabilities and equity					
Borrowings	609	716	676	745	760
Trade Payables	273	264	259	356	313
Other financial liabilities	104	106	158	125	93
Provisions	0	0	0	0	0
Total current liabilities	985	1,086	1,092	1,226	1,165
Non-current liabilities	591	616	841	584	615
Total liabilities	1,576	1,701	1,933	1,810	1,780
Share capital	177	177	177	177	177
Other Equity	973	1,107	1,175	1,325	1,563
Total equity	1,150	1,284	1,352	1,502	1,739
Total liabilities and equity	2,726	2,985	3,285	3,311	3,519

Source: Company, KRChoksey Research

Key Ratios	FY19	FY20	FY21	FY22E	FY23E
EBITDA Margin (%)	14.2%	12.3%	10.4%	12.3%	14.1%
Net Profit Margin (%)	6.2%	4.8%	2.8%	4.9%	6.7%
RoE (%)	16.8%	12.0%	5.8%	11.0%	15.2%
RoCE (%)	16.6%	13.0%	8.3%	12.7%	15.8%
Current Ratio (x)	1.4x	1.4x	1.5x	1.4x	1.6x
EPS (INR)	10.1	8.3	4.3	8.9	13.9

Source: Company, KRChoksey Research

Emmbi Industries Ltd.

Emmbi Industries Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
13-Aug-21	109	139	BUY	Buy	More than 15%
30-Jun-21	97	118	BUY	Accumulate	5% – 15%
28-Jun-21	96	118	BUY	Hold	0 – 5%
17-Mar-21	80	92	ACCUMULATE	Reduce	-5% – 0
15-Dec-20	78	92	BUY	Sell	Less than – 5%
24-Sep-20	79	96	BUY		
04-Sep-20	81	96	BUY		
22-Jun-20	68	96	BUY		
14-Feb-20	100	174	BUY		
15-Nov-19	102	174	BUY		
27-Sep-19	130	174	BUY		

ANALYST CERTIFICATION:

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