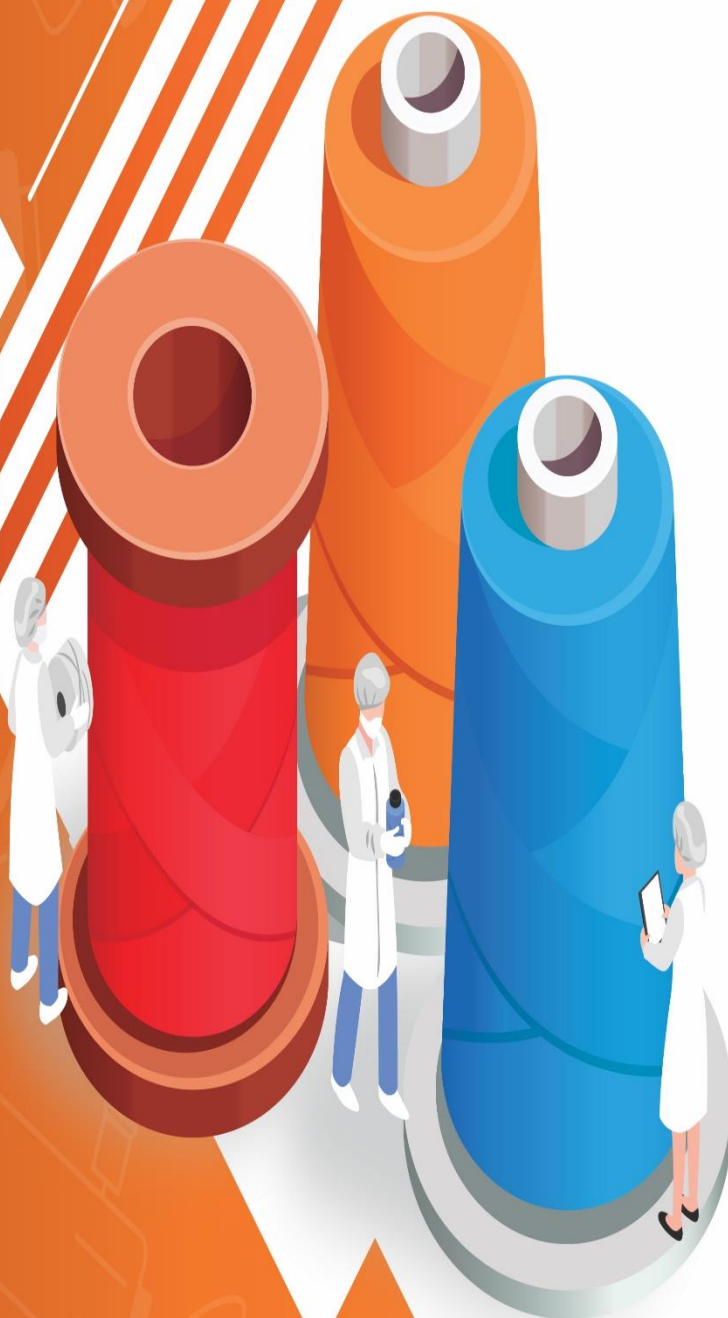


# Filatex India Limited



# Filatex India Limited

Realizations and margins to improve gradually with easing of restriction in China

CMP <b>INR 41.0</b>	Target <b>INR 52</b>	Potential Upside <b>26.8%</b>	Market Cap (INRmn) <b>INR 18,606</b>	Recommendation <b>BUY</b>	Sector <b>TEXTILE</b>
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## Result highlights for Q3FY23

- Filatex India Limited (FIL) reported revenue of INR 10,704mn, a degrowth of -0.4% YoY/-8.0% QoQ in Q3FY23.
- EBITDA de-grew by 72.1% YoY/4.1%QoQ to INR 444mn. EBITDA margin contracted by 1067 bps YoY and improved by 17 bps QoQ at 4.2%. Net Profit de-grew by 97.2% YoY/ 89.1 % QoQ to INR 159mn.
- Production volume for the quarter stood at 99,969 MT, compared to 86,336 MT, while sales volume for the quarter was 1,00,468 MT as against 90,358 MT in Q3FY22.

## MARKET DATA

Shares O/S (Mn)	443
Equity Cap (INRmn)	443
Mkt Cap (INRmn)	18,606
52 Wk H/L (INR)	69.2/38.1
Volume Avg (3m K)	519.9
Face Value (INR)	1
Bloomberg Code	FLTIX IN

## SHARE PRICE PERFORMANCE



## MARKET INFO

SENSEX	60891.3
NIFTY	17914.5

## KEY FINANCIALS

Particulars (INRmn)	FY20	FY21	FY22	FY23E	FY24E
Net Sales	27,821	22,272	38,281	43,776	48,994
EBITDA	2221	3473	5311	2316	5089
PAT	1,215	1,658	3,027	952	3,032
EPS	5.5	7.5	13.6	4.3	13.7
EBITDA Margin (%)	8.0%	15.6%	13.9%	5.3%	10.4%

Source: Company, KRChoksey Research

## Operating at full capacity despite challenging situation:

Filatex India Limited (FIL) reported revenue of 10,704mn, declined by -0.4% YoY/-8.0% QoQ in Q3FY23. The revenue growth was impacted due to pricing pressure on the final products. However, sales volume has increased by 11% YoY from 90398 MT in Q3FY22 to 101,488 MT in Q3FY23, whereas sales volume was almost flat on a QoQ basis. In Q3FY23, total production was 99,969 MT as against 97,169 MT in Q2FY23 and 86336 MT in Q3FY22.

Performance during the quarter has been impacted due to China's prolonged Zero-COVID policy. On account of low demand in China, polyester filament manufacturers in the country have dumped low priced goods into global markets, including India, which has resulted in an increase in imports and a decrease in exports for Indian polyester filament manufacturers. Despite this challenging situation, the company has achieved 100% capacity utilisation for its plants. However, the headwind related to the dumping of goods by Chinese polyester filament manufacturers has affected realisation and margin during the quarter. Management anticipates sustainable increases in realisation and margin beginning in Q1 FY24.

## Lower price realisation impacted margins:

In Q3FY23, EBITDA stood at INR 444mn, compared to INR 1,592mn in Q2FY23, degrew 72.1%. EBITDA margin contracted by 1067 bps YoY and improved by 17 bps QoQ to 4.2% as muted price realisation led to a decline in revenue; thereby low absorption of fixed costs. Moreover, the decline in PAT during the quarter was due to the weakening of the rupee against the Euro, which resulted in notional mark-to-market exchange losses on Euro loans.

## Continued focus on value added products:

The company has completed all its ongoing capex plans and is now running its plant at full capacity. To improve the product mix and offer finer deniers, FIL has placed orders for some additional winders. These winders will increase the production capacity by 25 to 30 tons per day in semi-dull POY and are expected to be commissioned by the end of May 2023. To further enhance its product basket, FIL is setting up a new cationic chip line (70 MT per day) at Dahej, which will generate incremental revenue of INR 2500mn and completed by March 2024.

## SHARE HOLDING PATTERN (%)

Particulars	Dec-22	Sep-22	Jun-22
Promoters	64.85	65.85	65.85
FIIIs	6.18	6.37	0
DIIIs	0.00	0.00	4.45
Others	28.96	28.76	30.7
Total	100	100	100

13.1%

Revenue CAGR between FY22 and FY24E

0.1%

PAT CAGR between FY22 and FY24E

# Filatex India Limited

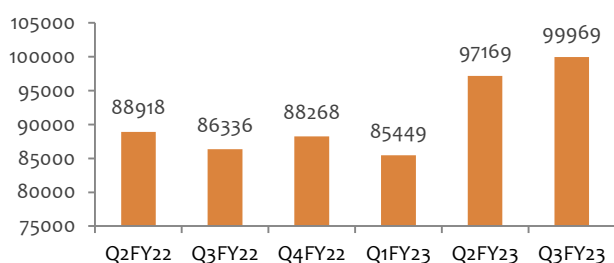
## Key Concall Highlights:

- China's prolonged Zero-COVID policy continues to adversely impact the Indian polyester sector. Chinese polyester filament manufacturers have flooded international markets including India with low priced goods. This has resulted in an increase in imports and a decrease in exports for Indian polyester filament manufacturers.
- Exports had gone down by at least 75-80%, and currently the company is doing 20% of the normal volume. It is expected to reach 30-35%.
- Indian traders and customers have imported more than 200,000 MT of filaments in the last 9 months. With over 35,000 MT imported in the month of Nov and Dec alone.
- Despite the challenging situation, the company has achieved 100% capacity utilisation for its plants. However, the headwind related to the dumping of goods by chinese polyester filament manufacturers has affected the realisation and margin during the quarter. Management anticipates sustainable increases in realisation and margin beginning in Q1 FY24.
- There are signs of a decrease in the import stream as China has finally relaxed its Zero-Covid policy. With the easing of restrictions in China, its domestic demand is gradually building up.
- The drop in profit before tax and PAT in this quarter is because of the weakening of the rupee in this quarter against the Euro, which resulted in notional mark-to-market exchange losses on Euro loans.
- The company has completed all their ongoing capex plans and is now running at full capacity. To improve its product mix and offer finer deniers, the company has placed orders for some additional winders. The winders will increase production capacity by 25-30 tons per day in semi-du POY, which is expected to be commissioned by the end of May 2023. This capacity will generate additional revenue of INR 120-130mn per annum.
- The company is also planning to set up a new cationic chip line at Dahej with a capacity of 70 MT per day, which will be completed by March 2024. This capacity will add INR 2500mn to topline every year.
- The work on the recycled polyester pilot plant continues to be in full swing.
- The combined wind and solar projects are expected to save around 100-120mn annually.
- Imported MEG would be around 60% and PTA would be around 35%. PTA is primarily imported from Taiwan, with a small amount from Thailand, and MEG is primarily imported from the Middle East.

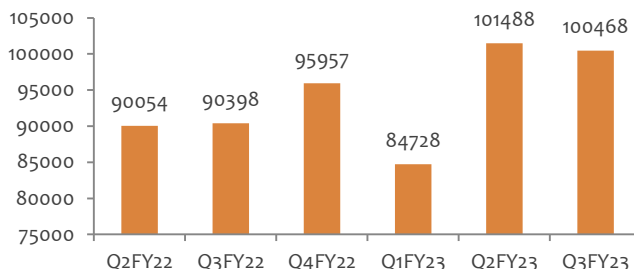
## Valuation and view

- We like FIL's continued focus on improvement of product mix, capacity addition and progress of recyclable polyester project. We expect growth momentum to continue in foreseeable future, however, margin is expected to remain under pressure as inflationary trend on RM prices are expected to continue. **We continue with "BUY" rating on the stock with revised target price of INR 52 (Previous Target: 84) assigning a P/E multiple of 7.2x on FY24E EPS of INR 13.69.**

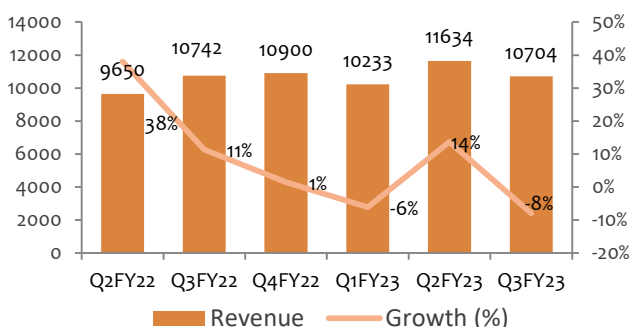
### Production volume in MT



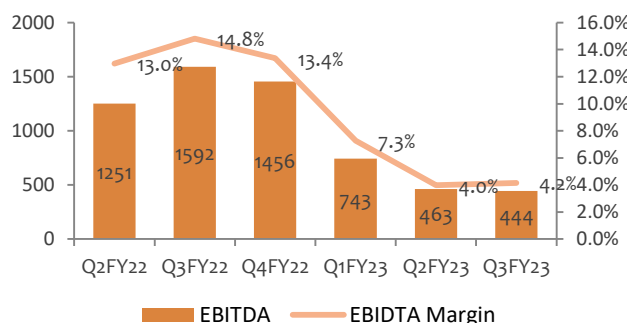
### Sales volume MT



### Revenue and Growth



### EBITDA and Margin



Source: Company, KRChoksey Research

# Filatex India Limited

## KEY FINANCIALS

Income Statement (INRmn)	Q3FY23	Q3FY22	Q2FY23	QoQ	YoY
Revenue	10,704	10,742	11,634	-8.0%	-0.4%
Cost of Material Consumed	8,914	7,979	9,836	-9.4%	11.7%
Gross Profit	1789	2763	1798	-0.5%	-35.2%
% Margin	16.7%	25.7%	15.5%	126 bps	-900 bps
Employee cost	231	230	237	-2.4%	0.6%
Other operating expenses	1114	942	1098	1.5%	18.3%
EBITDA	444	1,592	463	-4.1%	-72.1%
% margin	4.2%	14.8%	4.0%	17 bps	-1067 bps
D&A	179	165	166	7.8%	8.4%
EBIT	265	1427	297	-10.7%	-81.4%
% margin	2.5%	13.3%	2.6%	-8 bps	-1080 bps
Other income	-63	130	105	-160.0%	-148.6%
Exceptional items	0	0	0	0	0
Finance cost	160	80	61	162.8%	100.0%
PBT	42	1,476	341	-87.6%	-97.1%
Tax	15	494	89	-83.1%	-96.9%
PAT	27	983	252	-89.1%	-97.2%
% margin	0.3%	9.1%	2.2%	-191 bps	-889 bps
EPS	0.1	4.4	1.1	-89.1%	-97.2%

Income Statement (INRmn)	FY20	FY21	FY22	FY23E	FY24E
<b>Revenues</b>	27,821	22,272	38,281	43,776	48,994
COGS	22140	15782	28569	36163	38040
<b>Gross profit</b>	5,681	6,489	9,712	7,613	10,954
Employee cost	747	671	859	938	998
Other expenses	2,713	2,345	3,543	4,360	4,867
<b>EBITDA</b>	2221	3473	5311	2316	5089
EBITDA Margin	8.0%	15.6%	13.9%	5.3%	10.4%
Depreciation & amortization	513	584	634	695	783
<b>EBIT</b>	1,709	2,890	4,677	1,621	4,306
Interest expense	613	588	360	439	370
Other income	124	95	252	108	106
<b>PBT</b>	1220	2396	4586	1290	4042
Tax	5	738	1,559	338	1,011
Share of Profit/(Loss) of Associates/Minority	0	0	0	0	0
<b>Net profit</b>	1,215	1,658	3,027	952	3,032
<b>EPS (INR)</b>	5.53	7.51	13.59	4.30	13.69

Cash Flow Statement (INRmn)	FY20	FY21	FY22	FY23E	FY24E
Net Cash Generated From Operations	1566	3014	3042	1569	3578
Net Cash Flow from/(used in) Investing Activities	-2342	-1128	-857	-2200	-2500
Net Cash Flow from Financing Activities	566	-1802	-2291	650	-700
Net Inc/Dec in cash equivalents	-210	84	-106	19	378
Opening Balance	241	31	115	9	28
Closing Balance Cash and Cash Equivalents	31	115	9	28	406

Source: Company, KRChoksey Research

# Filatex India Limited

Balance Sheet (INR mn)	FY20	FY21	FY22	FY23E	FY24E
Share capital	439.4	441.6	450.5	443.0	443.0
Reserves and surplus	5,509	7,183	10,404	11,356	14,387
<b>Shareholders' funds</b>	<b>5,949</b>	<b>7,625</b>	<b>10,855</b>	<b>11,799</b>	<b>14,830</b>
Long-term borrowings	6,114	5,360	3,037	3,237	3,037
Short term borrowings	575.3	126.9	528.0	978.0	478.0
<b>Total debt</b>	<b>6,690</b>	<b>5,487</b>	<b>3,565</b>	<b>4,215</b>	<b>3,515</b>
Other Financial liabilities	683	1,023	1,731	1,731	1,731
Long-term provisions/ Other Liabilities	72	78	90	90	90
<b>SOURCES OF FUNDS</b>	<b>13,394</b>	<b>14,213</b>	<b>16,240</b>	<b>17,834</b>	<b>20,165</b>
PPE	11,153	10,944	12,076	13,581	15,298
Other Intangible Assets	7	8	9	8	8
Capital WIP	251	1301	414	414	414
Other financial assets	766	501	552	551	551
<b>Non-current assets</b>	<b>12,170</b>	<b>12,746</b>	<b>13,042</b>	<b>14,546</b>	<b>16,263</b>
Inventories	1,717	2,544	3,757	4,756	5,002
Trade receivables	1,186	1,216	1,451	1,679	1,879
Cash and Bank Balance	218	361	288	28	406
<b>Other current &amp; financial assets</b>	<b>923</b>	<b>1,196</b>	<b>1,695</b>	<b>1,697</b>	<b>1,698</b>
Current assets	<b>4,044</b>	<b>5,317</b>	<b>7,191</b>	<b>8,160</b>	<b>8,986</b>
<b>less: current liabilities and provisions</b>	<b>2,821</b>	<b>3,851</b>	<b>3,993</b>	<b>4,872</b>	<b>5,084</b>
Trade payables	1,860	2,742	3,176	4,062	4,273
Other current liabilities	960	1109	818	810	811
<b>Net current assets</b>	<b>1,224</b>	<b>1,466</b>	<b>3,198</b>	<b>3,288</b>	<b>3,902</b>
<b>APPLICATION OF FUNDS</b>	<b>13,394</b>	<b>14,213</b>	<b>16,240</b>	<b>17,834</b>	<b>20,165</b>

Key Ratios	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	8.0%	15.6%	13.9%	5.3%	10.4%
RoE (%)	20.4%	21.7%	27.9%	8.1%	20.4%
RoCE (%)	13.5%	22.0%	32.4%	10.1%	23.5%
EV/EBITDA	13.1	8.0	4.9	11.7	5.1
EV/Sales	1.0	1.3	0.7	0.6	0.5
EPS (INR)	5.5	7.5	13.6	4.3	13.7

Source: Company, KRChoksey Research

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# Filatex India Limited

Filatex India Limited				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
17-Feb-23	41.0	52	BUY	Buy	More than 15%
3-Jun-22	54.3	84	BUY		
31-Jan-22	59.4	84	BUY	Accumulate	5% – 15%
12-Nov-21	51.2	84	BUY		
7-Oct-21	56.2	84	BUY	Hold	0 – 5%
				Reduce	-5% – 0
				Sell	Less than – 5%

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