

**POLYPLEX CORPORATION LTD**

**18-08-2023**

**Industry: Packaging**

**Cmp: ₹ 1114**

**Recommendation: Hold/Accumulate**

### Key Data

BSE Code	524051
NSE Code	POLYPLEX
52 Week High (₹)	2326
52 Week Low (₹)	1111
Market Cap (₹ Cr)	3499
Face Value	10

### Q1FY24 Financial Analysis:

The company has reported a revenue of ₹ 1560.52 Cr, reflecting a fall of 23% YoY and a 6% QoQ, as the volumes fell by 7% in QoQ and 5% YoY. Revenue grew lower due to subdued volume and fall in selling prices along with weaker market conditions in BOPP (Biaxially oriented polypropylene)/CPP (Cast polypropylene). EBITDA fell by -83% YoY to ₹ 109 Cr from ₹ 360 Cr Q1 and EBITDA margin was reported at 4% v/s 18% YoY due to higher fixed costs - primarily utilities and repair & maintenance. The primary factor attributed to this performance setback has been the recognition of high inventory cost in books, causing adverse effects on the company's gross margin profitability. In PAT for Q1 reported a loss of ₹ 10 Cr v/s a profit of ₹ 311 Cr YoY. This loss is majorly due to an unrealized forex loss of ₹ 35.34 Cr as against an unrealized forex gain of ₹ 30.20 cr YoY.

### Recent Update

- The promoters of Polyplex Corporation divested a substantial portion of their ownership (~24.2%) just sort of the level triggering open offer to AGP Holdco Limited, a Dubai-based entity, at a price of ₹ 1700/-.
- The company has entered into a binding term sheet with the promoter group and AGP Holdco promoter group which can give rights to AGP group to increase stake in future.

### Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

### Shareholding June 2023

Promoters	50.97%
Public	49.03%

### Promoters/ Management

Mr. Sanjiv Saraf	Chairman
Mrs. Pranay Kothari	ED & CEO

### Key Ratios

PE	20.14
PB	4.28
EPS	55.79
RoE	21.24

### Price Chart



### Research Analyst

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### Mview

Polyplex Corporation has encountered recent operational difficulties, resulting in earnings which were below market expectations. The primary factor attributed to this performance setback has been the recognition of high inventory cost in books, causing adverse effects on the company's gross margin profitability.

However, the promoters of Polyplex Corporation have entered into a binding agreement by divesting 24% stake to AGP Holdco Limited at a price of ₹ 1700/- per share with the option of divesting further stake at a same price or higher. AGP Holdco Limited, a Dubai-based entity, is a leading global manufacturer of Biaxially oriented polypropylene film (BOPP).

Our internal assessment makes us believe that this change in ownership would lead to better efficiency and result in shareholder wealth in long run. Currently Polyplex is at more or less at the bottom of the earning cycle and with the revival of rural consumption and change in business cycle which would bring in both healthy volume growth and margin expansion from 2nd HFY24e. Hence, we would continue to recommend our investors may HOLD and Accumulate the stock between ₹ 1050-1250 in a phased out way with a view of 2-3 years.

### About the Company:

Polyplex Corporation Ltd. is a major player in the global polyester film industry, ranking seventh in capacity. They offer a wide range of thin and thick PET films with diverse surface properties for various applications. Additionally, they produce BOPP, Blown PP/PE, and CPP films in advanced facilities. They enhance their products through processes like Metallizing, Holography, Silicone Coating, and more. With a worldwide presence, they serve over 2650 customers across 75 countries in regions including Europe, Americas, Asia, and the Middle East.

## FINANCIAL OVERVIEW:

Particulars (in ₹ Cr)	Qtr Ended			Year Ended				
	Jun-23	Jun-22	YoY %	Mar-23	QoQ %	2023	2022	YoY %
<b>Revenue from Operations</b>	1560.52	2032.58	-23%	1667.07	-6%	7652.3	6624.4	16%
<b>Expenses</b>								
Raw Material Consumed	959.01	1252.02	-23%	994.04	-4%	4568.2	3782.17	21%
Stock Adjustment	33.63	-141.27	-124%	89.95	-63%	0.01	-360.56	100%
Purchase of Finished Goods	52.39	47.83	10%	42.36	24%	224.79	201.99	11%
Employee Expenses	133.92	124.79	7%	135.07	-1%	490.49	482.44	2%
Power, Oil & Fuel	115.33	113.6	2%	132.18	-13%	522.3	345.27	51%
Other Expenses	205.01	275.6	-26%	218.2	-6%	899.34	865.18	4%
<b>Total Expenditure</b>	1499.29	1672.57	-10%	1611.7	-7%	6705.1	5316.49	26%
<b>EBITDA</b>	61.23	360.01	-83%	55.37	11%	947.18	1307.91	-28%
<b>EBITDA Margin</b>	4%	18%	-78%	3%	18%	12%	20%	-37%
Other Income	12.42	74.72	-83%	64.15	-81%	95.19	127.98	-26%
Depreciation	74.66	71.2	5%	77.65	-4%	296.28	272.52	9%
<b>EBIT</b>	-1.01	363.53	-100%	41.87	-102%	746.09	1163.87	-36%
Interest	11.81	6.61	79%	11.34	4%	35.27	16.5	114%
<b>Profit Before Tax</b>	-12.82	356.92	-104%	30.53	-142%	710.82	1146.87	-38%
Tax	4.36	54.66	-92%	14.38	-70%	110.5	148.01	-25%
Fringe Benefit Tax	0	0		0		0	0	
Deferred Tax	-6.87	-8.75	-21%	-4.12	67%	-15.22%	34.03	-145%
<b>Profit After Tax</b>	-10.31	311.01	-103%	20.27	-151%	615.54	964.83	-36%
<b>PAT Margin</b>	-1%	15%	-104%	1%	-154%	8%	15%	-45%



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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