

Dear Member,

We are pleased to inform you that Value Pick of April 2018 is released by our team today on 3rd June 2018. Value Pick stock of the month is Wim Plast Ltd (**BSE Code: 526586**). Wim Plast has a market capital of Rs. 1094 crores and operates in plastic products industry.

IMP Note: We released our Value Pick – April 2018 with delay mainly on account of continuous selling done by mutual funds in small and mid-caps stocks to realign their portfolio to meet guidelines defined by SEBI towards categorization and rationalisation of mutual funds schemes.

We have seen significant fall in stock prices of small and mid-cap stocks in the month of March and May 2018. Post recent correction in stock prices, valuations of small and mid-cap companies are becoming reasonable to attractive for long term investors. Hence, we may release reiterate buy recommendation on some of our previous stocks which can be bought / accumulated at current or lower levels with horizon of 1 to 2 years for decent returns on your investments.

1. Company Background:

Wim Plast Limited incorporated on 7th October, 1988, and listed in the year 1994 at the Bombay Stock Exchange Ltd. (BSE) and the Ahmedabad Stock Exchange Ltd. (ASE).

In the year 1994 company setup manufacturing unit of plastic moulded furniture at Daman in which company got grand success in the business. In the process of diversification in 2005 company has setup plants at Baddi, Himachal Pradesh for processing of bubbleguard extrusion sheets and also moulded furniture which was a new innovation in India in the field of extrusion technology.

Presently the company has 7 manufacturing units, three at Daman and remaining at Baddi, Chennai, Haridwar and Kolkata. It has 9 depots located at Jodhpur, Punjab, Hyderabad, Haryana, Vapi, Chennai, Muzzafarnagar, Kolkata and Cuttack and a strong consumer base throughout the country.

Since 1975, the group has been shaping plastics into high quality convenience products for homes and industries making life better & easier. Ceaselessly endeavoring to set new bench marks in quality and constantly innovating to blaze new trails in the marketplace. Today Wim Plast offers larger range of products under its brand Cello.

Wim Plast also entered into construction activities which includes commercial, residential and malls in the year 2005 being successful into multiple projects on Pan India basis. The company launched its new product Cello Air Coolers in 2015.

The management led the diversification of the company into new products and markets, resulting in Wim Plast becoming the largest manufacturer of branded commodities in India and worldwide, with a wide range of plastic molded products.

2. Recent Developments:

i) Wim Plast declares Dividend of Rs. 7 per share for FY17-18 – May 2018

The board of directors of the company in their meeting held on 29th May 2018 have recommended dividend of Rs. 7 each on equity shares of the company of face value of Rs. 10/- each for the Financial Year 2017-18.

ii) L&T Mutual Fund increases its shareholding in Wim Plast - April 2018

The shareholding of the schemes of L&T Mutual Fund in Wim Plast has exceeded 5 percent. The fund has recently purchased 899 shares to increase its shareholding to 5 percent. The various schemes of L&T Mutual Fund collectively hold 5,99,706 shares of the company.

3. Financial Performance:

Wim Plast consolidated net profit declines 6.75% in the March 2018 quarter

Net profit of Wim Plast declined 6.75% to Rs 15.19 crore in the quarter ended March 2018 as against Rs 16.29 crore during the previous quarter ended March 2017. Sales rose 12.51% to Rs 112.06 crore in the quarter ended March 2018 as against Rs 99.60 crore during the previous quarter ended March 2017.

For the full year, net profit declined 8.34% to Rs 44.53 crore in the year ended March 2018 as against Rs 48.58 crore during the previous year ended March 2017. Sales rose 10.50% to Rs 388.56 crore in the year ended March 2018 as against Rs 351.65 crore during the previous year ended March 2017.

Wim Plast consolidated net profit rises 5.28% in the December 2017 quarter

Net profit of Wim Plast rose 5.28% to Rs 10.17 crore in the quarter ended December 2017 as against Rs 9.66 crore during the previous quarter ended December 2016. Sales rose 13.41% to Rs 88.82 crore in the quarter ended December 2017 as against Rs 78.32 crore during the previous quarter ended December 2016.

4. Investment Rationale:

i) India per capita plastic consumption is around ~10 kg per person. The average global per capita consumption of plastic is 27 kg per person. The usage of plastics in the country is still significantly low with limited penetration in the rural areas. However, it is expected that the per capita consumption of plastic will increase in India mainly on account of rise in rural consumption, which will give major boost to plastic industry and augur well for the company.

ii) Wim Plast has history of strong brand positioning under brand Cello to market and sell its products in moulded furniture (plastic furniture and material handling products) and boards (false ceiling, wall panel, bubble guard sheet etc) category. We believe entry into air cooler business in 2015 will augur well as it will support revenue growth for the company going forward.

iii) Out of seven manufacturing units of the company, three manufacturing units based at Chennai, Himachal Pradesh and Kolkata enjoy the benefits in excise duty and central sales tax and will get these benefits for period of 10 years. The benefit includes 100% income tax exemption up to initial five years and 30-50% for next five years, tax benefit offers competitive advantage to the company over its peers.

iv) Wim Plast has extensive trade network as most of its manufacturing plants are located at close proximity to major cities like Mumbai, Delhi, Ahmedabad, Kolkata and Chennai. We expect that the company with strong brand Cello will continue to acquire larger market share in smaller towns and cities with its increasing dealer network and brand extension.

v) The company has a pan-India distribution network in the retail market and has manufacturing units in all the four zones. Renewed focus on distribution and manufacturing can help the company to reach every nook and corner of India. The company has made a decent growth with introduction of new designs in the market of both moulded furniture and coolers and is expected to do well in coming years.

vi) Wim Plast consumes Polypropylene as the major raw material for its products manufactured. Polypropylene being a crude derivative has witnessed increase in the price

due to the rise in the crude oil price. Brent crude oil price has increased by more than 60% (from 48 dollar per barrel to 80 dollar per barrel) over last one year, hence the company reported lower operating margins. However, keeping a long term view of 2 to 3 years, we believe crude oil prices to trade well below 60 dollar per barrel considering lower demand of oil with rise in consumption of electric vehicle globally which will augur well for companies operating in plastic industry.

vii) The company has been able to maintain its debt free position since last eight years i.e. from FY11-18. Most of the company's capacity expansion in this period has been funded by the internal accruals. We expect the company to maintain its debt-free position going forward with healthy free cash flows from operations.

viii) Wim Plast has registered sales CAGR of 9.5% and profit CAGR of 16.4% with ROE of 22.6% over last 5 years. The company's management has paid uninterrupted dividend since 2007, dividend yield at current price is 0.77%. The company price to book value is 3.69.

ix) As of Mar'18, promoter's shareholding in the company is 69.9%. Institution shareholding in the company is 9.51% which includes investments of L&T Mutual Fund, Kotak Mutual Fund and Value Quest India Moat Fund.

5. Key Concerns & Risks:

i) Major raw material Polypropylene prices are dependent on the crude oil prices, recent rise in crude oil prices have impacted company's operating performance. Any further appreciation in crude oil will have adverse impact on company's profitability.

ii) Weak macro sentiment and lower consumer spending could affect the performance of the company's retail business.

6. Saral Gyan Recommendation:

As per our estimates, Wim Plast can deliver PAT of 57.9 crores for full financial year 2019-20 with annualized EPS of Rs. 48.25. At current price of 911.60, stock is available at forward P/E multiple of 18.9X based on FY19-20 earnings which makes it attractively valued compared to other companies in the Industry.

Wim Plast has made strong presence in domestic market by introducing high quality plastic products under its brand Cello over last 2 decades. Recent initiatives by the company by venturing into cooler market and expanding its geographical presence by

reaching smaller towns will continue to drive revenue growth. Considering company's strong track record, robust cash flows, expected expansion in operating margins with rise in sales growth and fall in raw material prices in medium to long term and attractive valuations of the company with healthy balance sheet, Saral Gyan team recommends "Buy" on Wim Plast Ltd at current market price of Rs. 911.60 for target of 1550 over a period of 12 to 24 months.

Buying Strategy:

- 75% at current market price of 911.60
- 25% at price range of 730 – 800 (in case of correction in stock price in near term)

Portfolio Allocation: 3% of your equity portfolio.

Regards,

Team – Saral Gyan,
Saral Gyan Capital Services.

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Definitions of Terms Used:

- a. Buy recommendation: This means that the investor could consider buying the concerned stock at current market price keeping in mind the tenure and objective of the recommendation service.
- b. Hold recommendation: This means that the investor could consider holding on to the shares of the company until further update and not buy more of the stock at current market price.
- c. Buy at lower price: This means that the investor should wait