

Dynemic Products Ltd. ₹ 48**Dye-namic Performance !****Buy**

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Company Background

Dynemic Products Ltd. is an ISO 9001:2000 & HACCP Certified Company. It is one of the major manufacturers and exporters in India, offering complete range of Food Colors, Lake Colors, Blended Colors, FD&C Colors & Dye Intermediates. In the span of few years company achieved success in India and overseas market. And today, Dynemic stands among the major Food Colors manufacturers in India and one of the most reliable sources for entire range of Food Colors. Dynemic FD& C Colors are internationally approved and are considered safe for human consumption. The overall growing demand for dye and dye intermediaries would benefit the company in years to come.

Key Highlights

- ➔ Colorants are used by various industry especially by food, drug, cosmetic, personal care and FMCG industry in order to impart wide range of desired shades, improve its visual perception. Increasing consumption of these products especially in Asia Pacific and Latin America are expected to drive colorant demand over the next five years. Demand increased for more varieties and more-stable and vivid colors, as the demand for processed foods is increasing in India too.
- ➔ The global food colors market was worth USD 1,614.6 million in 2011 and is expected to reach 2,153.5 million in 2018, growing at a CAGR of 4.3% from 2011 to 2018. Europe is expected to acquire 32.6% of the global food colors market revenue in 2018 followed by Asia Pacific.
- ➔ Dynemic has secured its existence environmentally, It employs MEE Plants which help it recycle water as well as refrain to the strictest pollution guidelines applicable in India, Thus reducing the legal risks of change in environmental laws.
- ➔ Dyes & Dye Intermediaries have been among the commodity chemicals which have seen nearly a 300% appreciation in Prices over the last 2 years, the company would be one of the key beneficiaries looking at the portfolio of colours it handles.
- ➔ Stricter environmental laws coming up in China would ensure more business.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	654.4	834.1	865.3
Rev. growth (%)	2.06	27.46	3.74
EBITDA (INR mn)	112.7	113.5	99.5
Net profit (INR mn)	57.1	53.0	43.3
Shares outstanding (mn)	11.3	11.3	11.3
EPS (INR)	5.0	4.7	3.8
EPS growth (%)	18.96	(7.18)	(18.30)
P/E (x)	4.8	4.7	4.1
RONW (%)	17.3	14.5	11.0
ROCE (%)	11.3	9.5	7.1

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Info Codes

Reuters	: DYPR.BO
Bloomberg	: DYPL@IN
NSE	: N.A.
BSE	: 532707

Market Data

52 Wk Range (₹)	: 13 / 51
Shares in Issue (mn)	: 11.3
Mkt. Cap (₹ bn)	: 0.55
BSE 2 Wk Avg Vol	: 20000

Share Holding Pattern (%)

Promoters	: 41.93
FII's	: 0.00
DII's	: 0.00
Others	: 58.07

Investment Theme

Dynemic is among India's leading Food Colour manufacturers having a complete range of food colour manufacturing capacity. Its Food Colours are used in aerated drinks, ice-creams, chocolates, pharmaceuticals and all other items used for human consumption. The Lake Colours are used in the Cosmetic and Personal Care Industry. The company also has International approvals for many of its products certified to be fit for human consumption. Stricter environmental laws coming up in China would ensure more business. Out of the products which the company manufactures majority products are exported, this is the reason why the company has been awarded as an export house status. Looking at the sector it caters to there is very low risk of any damage to its sales by the slowing down of global economy or a crisis. So we recommend the share.

Color up your Portfolio!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	688.2	894.0	29.90	931.1	4.15
Other Income	4.9	5.8	18.37	9.6	65.52
Change in Stocks	(11.8)	74.6	(732.20)	7.3	(90.21)
Raw Material Con.	339.6	521.9	53.68	491.4	(5.84)
Employee Exp.	24.9	33.4	34.14	33.9	1.50
Indirect Taxes	42.3	67.1	58.63	80.8	20.42
Other Exp.	161.8	238.5	47.40	242.5	1.68
Operating Exp.	580.4	786.3	35.48	841.3	6.99
Operating Profit	107.8	107.7	(0.09)	89.8	(16.62)
Total Interest	12.4	15.9	28.23	15.9	0.00
Gross Profit	100.3	97.6	(2.69)	83.5	(14.45)
Net Dep.	15.0	17.8	18.67	17.5	(1.69)
Total Taxation	28.2	26.8	(4.96)	22.7	(15.30)
Net Profit/Loss	57.1	53.0	(7.18)	43.3	(18.30)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	481.8	518.4	597.9	621.5
Equity Share capital	113.3	113.3	113.3	113.3
Share Application Money	1.1	1.1	1.1	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	193.9	231.2	267.1	293.2
Long Term Loans	127.5	126.7	147.1	145.8
Short Term Loans	46.0	46.1	69.3	69.2
USES OF FUNDS	481.8	518.4	597.9	621.5
Gross Block	351.4	374.4	399.9	420.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	56.3	68.6	82.2	98.3
Net Block	295.1	305.8	317.7	321.8
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	23.8	41.4	35.2	35.8
Current Assets	267.1	296.4	399.7	411.5
Less : Current Liabilities	104.2	125.2	154.7	147.6
Total Net Current Assets	162.9	171.2	245.0	263.9
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	12.4	28.7	24.7	24.9
Mkt Val. Quoted Investments	9.6	3.0	1.5	1.2
Contingent Liabilities	0.0	13.3	6.9	4.8
Dividend (%)	13	15	13	13

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 13	Sep 13	Dec 13	Mar 14
Net Sales	69.80	83.60	83.60	117.50
Cost Of Sales	224.50	227.10	245.90	281.10
Operating Profit	(154.70)	(143.50)	(162.30)	(163.60)
Recurring Income	192.50	183.20	225.10	213.20
Adjusted PBDIT	37.80	39.70	62.80	49.60
Financial Expenses	4.00	2.80	3.20	3.70
Depreciation	4.50	4.50	4.50	4.60
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	29.30	32.40	55.10	41.30
Tax Charges	9.10	10.20	17.30	16.60
Adjusted PAT	20.20	22.20	37.80	24.70
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	20.20	22.20	37.80	24.70

52 Week Index Relative Percentage Appreciation



Dynamic vs SENSEX

Risks Associated

➔ Risk of Environmental Laws

Since the company operates in the chemical sector the most important risk is of the Environmental Laws, Any change in the environmental laws of the state or country of the country of export would damage the current business position of the company..

➔ Increase in Raw Material Prices

Major raw materials to the company are always under inflationary pressure this is usually due to supply and demand of the raw materials coupled with the fact that 90% of the competition is locally confined to just 2 states in India Gujarat & Maharashtra.

➔ The Fluctuating Rupee

Considering the fact that many of its products are exported the risk return of sale is tied up to the fluctuating Rupee any appreciation in the Currency would bring in pressures on margins.

➔ Competition

Being a global player, the company is also exposed to competition not only from domestic players but also large international players. Cheap imports especially from countries like China could pose problems, which would have to be faced appropriately.

Dynemic

In a Nutshell

Dynemic Products is an ISO 9001:2000 & HACCP Certified Ahmedabad-based company engaged in the manufacture and export of food colors, lake colors, blended colors, FD & C colors and dye intermediates. The company is engaged in the manufacture of 1:4 Sulphophenyl-3-Carboxy-S- Pyrazolone (SPCP), which is the integral part of the food color tartrazine, acid dyes, ramazol dyes, etc. The company operates two plants, both located at Ankleshwar, dist. Bharuch, Gujarat. Dynemic USA Inc. is a wholly owned subsidiary of the company in USA, formed in order to expand geographically and to capture opportunities in the developed markets in USA. In March 2006, the company received the status of `Star Export House`. It is one of the major manufacturers and exporters in India, offering complete range of Food Colors, Lake Colors, Blended Colors, FD&C Colors & Dye Intermediates. Food colors being easily soluble in water have a wide application like in Foodstuff, Beverages, Animal feeds etc. The Lake Colors which Dynemic manufactures have a large demand in the Pharma, Cosmetic and Personal Care segment. Dynemic also has the capability to blend these colours to get the exact color requirement. Its FD & C Colours are Internationally approved for Human Consumption and therefore can command a good export price. Dynemic is also functional in Dye intermediates which are coming in demand day by day. Looking at all the above factors, we feel Dynemic is showing off a very colourful future.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months	Reduce : Expected to depreciate up to 10% over 12-months
Accumulate : Expected to appreciate 10% to 20% over 12-months	Sell : Expected to depreciate 10% or more over 12-months
Trade Buy : Expected to appreciate more than 10% over 45-days	Trade Sell : Expected to depreciate more than 10% over 45-days

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