

Ishan Dyes & Chem. Ltd. ₹ 26**Integrated Manufacture!****Accumulate**

Sep 26, 2014

Company Background

Ishan Dyes & Chemicals Ltd. entered the highly competitive Chemicals & Pigments industry in 1993. In a short span, since it actually started its production, Ishan has embedded an impeccable impression in the global Pigment and Chemical market with its superior quality products. It has clinched a vast base of customers to whom Ishan exports a wide range of phthalocyanine blue pigments for plastics, waterbase & offset inks, paint(alkyd) on a regular basis. Ishan is well known for manufacturing speciality dyes commonly called as lysochrome Pigments. Its speciality solvent dye is soluble in organic solvents and it manufactures a range of solvent dye which do not ionize. This quality of solvent Pigments makes them soluble in non-polar materials such as triglycerides. This year Ishan plans a de-bottle necking and an integrated expansion plan which augurs well for the company. Year on Year Ishan is marching ahead with a highly progressive and professional approach aimed at result orientation and based on business ethics and management techniques.

Key Highlights

- ➔ Ishan Dyes operates in the organic chemical industry since 1993 as one of the leading manufacturers and dealer in speciality dyes also known as lysochrome pigments.
- ➔ Ishan Dyes has achieved a total revenue of Rs. 0.76 bn and EBIDTA of Rs. 96.5 mn as against Rs. 0.72 bn and Rs. 70 mn as compared to the previous year, with an EBITDA margin of 12.8% for FY 2013-14.
- ➔ The Company has established its mark in export market and already has secured top client like Clariant, Hubach, Lanxess, Pyosa, Ciba, etc.
- ➔ The recent environmental policy changes in China pertaining to the Chemical segment has initiated a comply or perish regime to a stricter set of environmental laws this will ensure that chemical companies in India are expected to dominate the segment hereon.
- ➔ Most of the chemical companies are showing their performances on the field and on bourses, Indo Amine is also in the band wagon and is expected to gain the same way as its peers.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	678.4	724.9	755.1
Rev. growth (%)	10.09	6.85	4.17
EBITDA (INR mn)	92.9	36.3	98.6
Net profit (INR mn)	47.2	8.3	64.0
Shares outstanding (mn)	7.5	7.5	7.5
EPS (INR)	6.3	1.1	8.5
EPS growth (%)	(5.98)	(82.42)	671.08
P/E (x)	7.7	18.1	2.1
RONW (%)	98.6	53.0	55.3
ROCE (%)	37.2	30.1	40.6

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Info Codes

Reuters	: ISHA.BO
Bloomberg	: ISDY@IN
NSE	: -
BSE	: 531109

Market Data

52 Wk Range (₹)	: 16 / 34
Shares in Issue (mn)	: 7.5
Mkt. Cap (₹ bn)	: 0.2
2Wk Avg. Qty	: 1490

Shareholding

Promoters	: 23.88
FII's	: 0.00
DII's	: 0.00
Others	: 76.12

Investment Theme

Ishan Dyes has planned to be come an integrated Pthylocyanine Blue manufacturer, The management has undertaken an expansion and upgradation plan which will increase production volumes, which will bring efficiencies in plant operations and economies of scale. The plans are in full progress and likely to be completed by the third quarter of FY 2014-15 therefore the company may start reaping their benefits in the last quarter. These will make Ishan the front runner in its segment. Over the last year after China decided to phase out small & medium size polluting factories, the prices of many chemicals have suddenly shot up upto 300% of their cost 1 year back. This spells out a lot of opportunity with the price rise & less competition. Further there is opening up of a new market "China" which would benefit.

The color of Growth is not always Green... sometimes its Blue!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	727.4	788.0	8.33	809.3	2.70
Other Income	1.4	(30.1)	(2250.00)	5.1	(116.94)
Change in Stocks	16.8	2.7	(83.93)	15.4	470.37
Raw Material Con.	487.2	543.7	11.60	541.7	(0.37)
Employee Exp.	33.7	18.9	(43.92)	28.9	52.91
Indirect Taxes	52.2	67.5	29.31	59.5	(11.85)
Other Exp.	79.6	94.2	18.34	101.1	7.32
Operating Exp.	635.9	721.6	13.48	715.8	(0.80)
Operating Profit	91.5	66.4	(27.43)	93.5	40.81
Total Interest	14.0	12.6	(10.00)	5.2	(58.73)
Gross Profit	78.9	23.7	(69.96)	93.4	294.09
Net Dep.	20.8	22.9	10.10	20.8	(9.17)
Total Taxation	10.9	(7.5)	(168.81)	8.6	(214.67)
Net Profit/Loss	47.2	8.3	(82.42)	64.0	671.08

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	116.3	141.7	128.9	177.4
Equity Share capital	75.1	75.1	75.1	75.1
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	(50.3)	(2.5)	5.9	68.5
Long Term Loans	91.5	69.1	47.9	33.8
Short Term Loans	0.0	0.0	0.0	0.0
USES OF FUNDS	116.3	141.7	128.9	177.4
Gross Block	248.4	275.6	157.5	165.0
Less : Revaluation Reserves	12.1	12.1	12.1	12.1
Less : Accumulated Depreciation	167.6	188.1	74.7	94.3
Net Block	68.7	75.4	70.7	58.6
Capital Work in Progress	0.0	0.7	0.7	18.7
Investments	0.5	0.5	0.0	0.0
Current Assets	170.0	164.6	224.2	160.2
Less : Current Liabilities	122.9	99.5	166.7	60.1
Total Net Current Assets	47.1	65.1	57.5	100.1
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.5	0.5	0.0	0.0
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	4.6	10.7	2.1	0.0
Dividend (%)	0	0	0	0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 13	Dec 13	Mar 14	Jun 14
Net Sales	238.3	181.9	147.0	121.0
Cost Of Sales	202.2	145.6	146.1	109.1
Operating Profit	36.1	36.3	0.9	11.9
Recurring Income	0.0	0.0	0.0	0.0
Adjusted PBDIT	36.1	36.3	0.9	11.9
Financial Expenses	0.0	1.4	1.2	0.8
Depreciation	6.2	4.5	4.2	2.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	29.9	30.4	(4.5)	8.7
Tax Charges	8.8	7.0	0.0	0.0
Adjusted PAT	21.1	23.4	(4.5)	8.7
Non Recurring Items	(0.3)	0.0	9.9	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	20.8	23.4	5.4	8.7

52 Week Index Relative Percentage Appreciation



Ishan Dye 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.

➔ 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 some of its raw materials are imported and products exported the risk return of purchase / sale is tied up to the fluctuating Rupee any depreciation 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.

Ishan Dye

In a Nutshell

Ishan Dye has been into business for more than 3 decades, the company has the advantage of manufacturing speciality dyes commonly called as lysochrome Pigments. Its speciality solvent dye is soluble in organic solvents and it manufactures a range of solvent dye which do not ionize. This quality of solvent Pigments makes them soluble in non-polar materials such as triglycerides which covering a broad spectrum of applications. The Company has established its mark in export market and already has secured top clientele like Clariant, Hubach, Lanxess, Pyosa, Ciba, etc. The Company has clinched a vast base of customers to whom Ishan exports a wide range of phthalocyanine blue pigments for plastics, waterbase & offset inks, paint(alkyd) on a regular basis. Dyes and Intermediary sector which is expected to have an average annual growth rate of 15 percent. The dyes it produces are an integral part of a huge number of industries like Plastics, Printing ink, etc. Industry outlook for paint, plastics, pigments, inks and special applicants remains good. The focus of the Company in the year 2014-15 will further performance across all aspects of its business operations namely; enhance manufacturing capability and consistency in production, becoming fully compliant with environmental regulations, achieving competitiveness through efficiency in operations and enhance market presence and access leading to accelerated and profitable growth. This would help the company withstand the headwinds of business environment in the near future.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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