

Dynemic Products Ltd. ₹ 47**Fill Colours Tomorrow!****Buy**

Mar 13, 2015

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 and C' Colors and 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's 'FD and 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 viz. by food, drug, cosmetic, personal care & FMCG industry in order to impart wide range of desired shades, improve its visual perception. Increasing consumption of the products mainly in Asia and Latin America are expected to drive colorant demand over the next five years. Demand increased for more varieties & more-stable & 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 undertaken and completed the expansion project in Unit I for manufacturing Sodium Naphthionate and N.W. Acid which are also basic raw material for the Company's products. The total project cost was Rs. 4.40 crores. The commercial production of this expanded plant has been started and the effect of which will be seen soon.
- ➔ 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 both from the supply point of view and the manufacture point of view, as laws in India are also expected to grow stricter.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	834.1	865.3	1,170.8
Rev. growth (%)	27.5	3.7	35.3
EBITDA (INR mn)	113.5	99.5	204.1
Net profit (INR mn)	53.0	43.3	102.3
Shares outstanding (mn)	11.3	11.3	11.3
EPS (INR)	4.7	3.8	9.0
EPS growth (%)	(41.5)	(18.3)	136.3
P/E (x)	4.7	4.1	3.3
RONW (%)	14.5	11.0	23.3
ROCE (%)	9.5	7.1	15.0

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Info Codes

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

Market Data

52 Wk Range (₹)	: 102 / 26
Shares in Issue (mn)	: 11.3
Mkt. Cap (₹ bn)	: 0.54
BSE 2 Wk Avg Vol	: 54000

Share Holding Pattern (%)

Promoters	: 37.84
FII's	: 0.00
DII's	: 0.00
Others	: 62.16

Past Performance

Last recommended as a Buy on Jul 04, 2014 at Rs. 48. Reached target of 20% appreciation on Sep 02, 2014.

Investment Theme

Dynemic is India's leading Food Colour manufacturers with complete range of food colour manufacturing capacity. Its Food Colours are used in aerated drinks, ice-creams, chocolates, pharma and all items used for human consumption. The Lake Colours are used in the Cosmetic & Personal Care Industry. It also has International approvals for many of its products certified to be fit for human consumption. Out of its products many products are exported, this is the reason why the company has been awarded as a "Star 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.

Capacity added so More Colourful!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Total Sales + Excise	894.0	931.1	4.15	1246.3	33.85
Other Income	5.8	9.6	65.52	7.3	(23.96)
Change in Stocks	74.6	7.3	(90.21)	0.5	(93.15)
Raw Material Con.	521.9	491.4	(5.84)	609.7	24.07
Employee Exp.	33.4	33.9	1.50	38.2	12.68
Indirect Taxes	67.1	80.8	20.42	87.1	7.80
Other Exp.	238.5	242.5	1.68	315.0	29.90
Operating Exp.	786.3	841.3	6.99	1049.5	24.75
Operating Profit	107.7	89.8	(16.62)	196.8	119.15
Total Interest	15.9	15.9	0.00	27.7	74.21
Gross Profit	97.6	83.5	(14.45)	176.4	111.26
Net Dep.	17.8	17.5	(1.69)	18.1	3.43
Total Taxation	26.8	22.7	(15.30)	56.0	146.70
Net Profit/Loss	53.0	43.3	(18.30)	102.3	136.26

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	518.4	597.9	621.5	765.6
Equity Share capital	113.3	113.3	113.3	113.3
Share Application Money	1.1	1.1	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	231.2	267.1	293.2	375.6
Long Term Loans	126.7	147.1	145.8	154.4
Short Term Loans	46.1	69.3	69.2	122.3
USES OF FUNDS	518.4	597.9	621.5	765.6
Gross Block	374.4	399.9	420.1	427.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	68.6	82.2	98.3	113.4
Net Block	305.8	317.7	321.8	313.9
Capital Work in Progress	0.0	0.0	0.0	92.7
Investments	41.4	35.2	35.8	33.1
Current Assets	296.4	399.7	411.5	539.2
Less : Current Liabilities	125.2	154.7	147.6	213.3
Total Net Current Assets	171.2	245.0	263.9	325.9
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	28.7	24.7	24.9	28.3
Mkt Val. Quoted Investments	3.0	1.5	1.2	0.0
Contingent Liabilities	13.3	6.9	4.8	28.4
Dividend (%)	15	13	13	15

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 14	Jun 14	Sep 14	Dec 14
Net Sales	117.5	86.4	120.4	105.9
Cost Of Sales	281.1	260.1	289.7	259.7
Operating Profit	(163.6)	(173.7)	(169.3)	(153.8)
Recurring Income	213.2	218.3	224.1	194.7
Adjusted PBDIT	49.6	44.6	54.8	40.9
Financial Expenses	3.7	4.7	4.7	6.4
Depreciation	4.6	6.4	6.8	9.4
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	41.3	33.5	43.3	25.1
Tax Charges	16.6	11.6	13.9	7.0
Adjusted PAT	24.7	21.9	29.4	18.1
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	24.7	21.9	29.4	18.1

52 Week Index Relative Percentage Appreciation



Dynamic vs SENSEX

Risks Associated

- 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.
- 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.
- 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.
- 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

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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