

Dynemic Products Ltd. ₹ 138**Add Colours to your Portfolio ! Buy**

May 05, 2017

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. 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's Manufacturing facilities include two well equipped plants spread over 50000 Sq Mt of area and it has also secured its existence environmentally, It employs MEE Plant s which help recycle water as well as refrain to the strictest pollution guidelines applicable, 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.
- ➔ Last year taking benefit of the dropped prices due to market slowdown promoters have increased their stake in the company. This also gives an indication that those who are involved in the day to day management of the company are bullish on the performance of the company.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	1,252.1	1,407.9	1,390.6
Rev. growth (%)	32.75	12.44	(1.23)
EBITDA (INR mn)	99.9	190.0	180.9
Net profit (INR mn)	102.3	93.4	75.2
Shares outstanding (mn)	11.3	11.3	11.3
EPS (INR)	8.8	8.3	6.3
EPS growth (%)	143.89	(6.04)	(23.27)
P/E (x)	3.43	5.66	8.14
RONW (%)	22.85	17.50	12.41
ROCE (%)	24.77	17.72	14.32

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Info Codes

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

Market Data

52 Wk Range (₹)	: 52 / 160
Shares in Issue (mn)	: 11.3
Mkt. Cap (₹ bn)	: 1.57
BSE 2 Wk Avg Vol	: 30000

Share Holding Pattern (%)

Promoters Holding	: 39.64
Corporate Holding	: 4.93
Domestic Institution	: 0.01
Foreign Institution	: 2.39
Public & Others	: 53.04

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 a very low risk of any damage to its sales by the slowing down of global economy or a crisis. Though the share has appreciated a lot from our previous recommendation just a year back. We feel there is a lot to come in the future. So we maintain a BUY on the share.

Having a Colourful Future

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	1,163.7	1,283.5	10.3	1,290.7	0.6
Other Income	3.7	2.9	(21.6)	2.1	(27.6)
Change in Stocks	2.0	66.5	3,225.0	(43.9)	(166.0)
Raw Material Con.	667.1	797.3	19.5	710.5	(10.9)
Employee Exp.	40.5	47.5	17.3	55.9	17.7
Indirect Taxes	84.7	121.5	43.4	97.8	(19.5)
Other Exp.	187.0	205.8	10.1	217.5	5.7
Operating Exp.	979.3	1,172.1	19.7	1,081.7	(7.7)
Operating Profit	190.1	180.8	(4.9)	167.2	(7.5)
Total Interest	13.7	22.5	64.2	20.9	(7.1)
Gross Profit	176.4	158.3	(10.3)	146.3	(7.6)
Net Dep.	18.1	30.2	66.9	31.5	4.3
Total Taxation	56.0	34.7	(38.0)	39.6	14.1
Net Profit/Loss	102.3	93.4	(8.7)	75.2	(19.5)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Sep 12	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	622.0	765.6	934.8	960.9
Equity Share capital	113.3	113.3	113.3	113.3
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	293.2	375.6	465.3	520.0
Secured Loans	211.4	271.7	331.6	310.9
Unsecured Loans	4.1	5.0	24.6	16.7
USES OF FUNDS	622.0	765.6	934.8	960.9
Gross Block	420.3	427.2	491.5	519.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	98.2	113.4	148.6	179.2
Net Block	322.1	313.8	342.9	340.1
Capital Work in Progress	0.1	92.6	91.7	94.3
Investments	38.8	37.6	16.8	14.5
Current Assets	394.9	520.7	646.9	618.7
Less : Current Liabilities	97.2	160.7	133.5	97.9
Total Net Current Assets	297.7	360.0	513.4	520.8
Misc. Expenses not writtenoff	(36.7)	(38.4)	(30.0)	(8.8)
NOTE				
Book Value of Unquoted Investments	34.1	37.6	16.8	14.5
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	4.8	29.5	16.3	13.0
Dividend (%)	13.0	15.0	0.0	15.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 16	Jun 16	Sep 16	Dec 16
Net Sales	377.9	309.4	353.8	354.9
Cost Of Sales	336.4	261.8	306.5	298.1
Operating Profit	41.5	47.6	47.3	56.8
Other Income	7.2	10.9	11.5	9.1
Adjusted PBDIT	48.7	58.5	58.8	65.9
Financial Expenses	5.1	4.6	3.1	3.8
Depreciation	7.9	7.7	7.9	8.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	35.7	46.2	47.8	54.1
Tax Charges	11.3	16.5	17.3	17.9
Reported Profit	24.4	29.7	30.5	36.2
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	24.4	29.7	30.5	36.2

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.
- The nature of business is cyclical. Though the last 3 months have seen a rise in rates of product prices in the international market, whether they will sustain cannot be predicted.
- Chinese Companies may look forth to setting up their base in India under the recent Make in India call initiated by the current Government.

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 and considering that the scrip has appreciated nearly 165% after our last call, we still feel Dynemic is showing off a very colourful future in years to come.

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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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