

Mangalam Timber Products ₹31

As Good As Natural Wood...!!!

Buy



Oct 27, 2017

Company Background

Mangalam Timber Products Ltd, manufactures medium density fibre (MDF) boards. It was incorporated on 27th August, 1982 in Cuttack. The Registered Office and works is situated at Kusumi, Nowrangpur, Orissa. The quality of the Company's product was guaranteed to conform to American National Standard', for MDF board for interior use. It's product, is the finest product of its kind to be manufactured in India. It is used for a variety of interior and exterior applications, in house building as also in furniture making. MDF is regarded as the best substitute for plywood and solid wood. Its brand Duratuff has been in the market since 1987. The product is suitable for furniture, doors, door frames, panelling, partitioning, cupboards, ceilings, etc. Company has assumed a leadership role in the industry by promoting social forestry projects & industrial plantations to meet company's requirements of raw materials. More than 5 mn trees have been planted in non-cultivated barren lands, thereby providing employment and earning opportunity to tribals in the backward areas of Orissa. Its plant is the only MDF Plant in India having ISO 9002 Certificate. In 2016 company had commenced commercial production of captive thermal power plant at Nabarangpur.

Key Highlights

- ➔ Mangalam operates in only one segment called Medium Density Fibre, for it's main raw material is firewood. Company is engaged in plantation under various schemes to ensure there will never be lack of raw materials.
- ➔ Market Forecast states India will be deficient in wood fiber up to 2021, including forecast of imports of logs, lumber, wood panels and pulp and paper.
- ➔ The Company is very conscious about improvement in productivity is carrying out research work in house to develop new products and improve the quality of existing products.
- ➔ Mangalam is going to launch 100% Anti fungal MDF for 2017-18, it has good demand in the coastal area of India.
- ➔ The Company has own power plant upto 3 MW and plantation over 40,000 acre of land to avoid shortage of power and raw materials. They have recently served contracts with various State Governments to expand Plantations.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	482.7	444.0	365.1
Rev. growth (%)	(27.52)	(8.02)	(17.77)
EBITDA (INR mn)	(59.1)	(105.8)	(155.0)
Net profit (INR mn)	(100.8)	(126.5)	(123.4)
Shares outstanding (mn)	52.8	52.8	52.8
EPS (INR)	0.0	0.0	0.0
EPS growth (%)	0.00	0.00	0.00
P/E (x)	0.00	0.00	0.00
RONW (%)	0.00	0.00	0.00
ROCE (%)	0.00	0.00	0.00

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: MGLT.BO
Bloomberg	: MGTP IN
NSE	: MANGTIMBER
BSE	: 516007

Market Data

52 Wk Range (₹)	: 25/37
Shares in Issue (mn)	: 52.8
Market. Cap (bn)	: 0.57
BSE 2 Wk Avg Vol	: 11000

Share Holding Pattern (%)

Promoters Holding	: 39.00
Public & Others	: 61.00
Corporate Holding	: 00.00
Foreign Institution	: 00.00
Institutions	: 00.00

Investment Theme

Mangalam Timber is a Birla group company, manufacturing the medium density fibre boards. Its brand name is Duratuff. MDF, and the product is manufactured using plantation timber/waste wood/agro waste. The product is suitable for furniture, doors, door frames, panelling, partitioning, cupboards, ceilings, etc. Product is manufactured using plantation timber/waste wood/agro waste. Company has lot of shortage of raw materials, to get full company is started plantation upto 5 mn trees. It will be beneficial for the company in long term, because company facing lot of raw material shortage by this activity company can overcome the raw material shortage. And another major issue power disturbance to cross over the issue, company already started a power generation plant with 3 MW. Company is the only Medium Density Fibreboard Plant in India having ISO 9002 Certificate.

Duratuff since 1987...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	395.8	385.4	(2.6)	297.3	(22.9)
Other Income	43.6	15.8	(63.8)	34.3	117.1
Change in Stocks	(23.3)	(103.3)	343.3	(4.2)	(95.9)
Raw Material Con.	224.0	182.3	(18.6)	169.4	(7.1)
Employee Exp.	103.2	89.9	(12.9)	89.5	(0.4)
Indirect Taxes	43.3	42.8	(1.2)	33.5	(21.7)
Other Exp.	151.4	137.8	(9.0)	142.1	3.1
Operating Exp.	521.9	452.8	(13.2)	434.5	(4.0)
Operating Profit	(105.8)	(154.9)	46.4	(107.1)	(30.9)
Total Interest	35.8	34.8	(2.8)	48.8	40.2
Gross Profit	(141.6)	(189.7)	34.0	(155.9)	(17.8)
Net Dep.	16.1	13.8	(14.3)	14.3	3.6
Total Taxation	(56.9)	(77.0)	35.3	(46.8)	(39.2)
Net Profit/Loss	(100.8)	(126.5)	25.5	(123.4)	(2.5)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	639.4	626.4	510.7	516.3
Equity Share capital	528.0	528.0	528.0	528.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	(159.6)	(263.6)	(390.0)	(513.4)
Secured Loans	181.1	137.1	144.7	129.4
Unsecured Loans	89.9	224.9	228.0	372.3
USES OF FUNDS	639.4	626.4	510.7	516.3
Gross Block	251.8	934.9	934.9	1,070.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	7.8	706.8	720.6	734.4
Net Block	244.0	228.1	214.3	335.7
Capital Work in Progress	15.4	17.1	86.2	14.2
Investments	0.5	0.5	0.5	0.5
Current Assets	426.2	397.4	253.0	247.3
Less : Current Liabilities	286.3	307.2	410.0	478.9
Total Net Current Assets	139.9	90.2	(157.0)	(231.6)
Misc. Expenses not writtenoff	239.6	290.5	366.7	397.5
NOTE				
Book Value of Unquoted Investments	0.5	0.5	0.5	0.5
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	209.0	201.6	200.0	199.9
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 16	Dec 16	Mar 17	Jun 17
Net Sales	31.9	103.9	71.0	0.1
Cost Of Sales	66.3	128.3	135.6	14.7
Operating Profit	(34.4)	(24.4)	(64.6)	(14.6)
Other Income	16.0	0.3	3.2	0.3
Adjusted PBDIT	(18.4)	(24.1)	(61.4)	(14.3)
Financial Expenses	4.8	11.6	24.4	19.6
Depreciation	3.6	4.2	3.1	4.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	(26.8)	(39.9)	(88.9)	(37.9)
Tax Charges	(9.4)	(14.0)	(18.1)	(5.8)
Reported Profit	(17.4)	(25.9)	(70.8)	(32.1)
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	(17.4)	(25.9)	(70.8)	(32.1)

52 Week Index Relative Percentage Appreciation



Mangalam Timber vs SENSEX

Risks Associated

- ➔ The performance of the company was deeply impacted due to lower production, due to shortage of raw material and lack of power supply.
- ➔ Acute power supply restriction, disturbance in power supply due to various reasons by Southern Electricity Supply Company of Odisha Limited.
- ➔ Factors such as general economic slowdown and adverse market conditions coupled with ever increasing raw material prices, power & fuel and transportation costs have severally affected the margins for products manufactured by the Company.
- ➔ Cheap imports from China, Indonesia, Vietnam, Malaysia and even Bangladesh is biggest challenge to the Industry.
- ➔ The demand for product is directly related to the growth of infrastructure and real estate sector, if those sectors perform well then product demand also good.

Scope of Growth

- ➔ GST implimentation was good reform for industry, and is expected to provide numerous benefits to both business and consumers. Inter-state trade will become easy and the market will be integrated at the national level.
- ➔ Company has installed its own captive power plant to mitigate shortage of power, achieve higher production level as well as reduce its cost of production, company has started trial run of the power plant.
- ➔ Company started plantation activities to overcome raw material shortage, in it's owned and leased land, will make self-sufficient in its principal raw material in future.



Mangalam Timber

In a Nutshell

Mangalam Timber Products Ltd, is the pioneer in the manufacture of medium density fibre boards. MDF are growing as essential part of interior furnishing, the demand for product is directly related to the growth of infrastructure and real estate sector, with continued government focus on infrastructure and real estate sector. Raw material costs especially firewood, Melamine and Urea have increased substantially and have affected performance during the year. Further, unavailability of firewood, which is a key raw material of the company's product, also affected the company's performance to a large extent. Other raw materials also have shown an upward trend in prices. Plantation activities undertaken by the company for 5 mn trees in it's owned & leased land, will make the self-sufficient of its principal raw material in future. Performance of the company was deeply impacted due to unavailability of raw materials, other raw materials price rise and power disturbance. To overcome this issues the company has started the action, constructed 3MW captive thermal power plant and Plantation activities are part of the action. With it's own power plant, the company will be 100% selfsufficient through its own power generation. Severe price pressure from the peers wherein the market prices line are being negatively redefined. During the year, production got reduced to 9031 MT as compared to 9819 MT in the previous year. Gross sales for the year have reduced to ₹ 330.82 mn as compared to ₹ 428.18 mn in the previous year. Loss for the year stands to ₹ 123.40 mn as against ₹ 126.47 mn in the previous year. Due to losses, the Board of Directors has not recommended any dividend for the financial year 2016-17. Company is however taking good precatons for future growth.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 "Amardarshan" 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

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

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.

