

Bhansali Engineering**₹ 114***For better Tomorrow...!!!***Accumulate**

Sep 28, 2018

Company Background

Bhansali Engineering Polymers Ltd (BEPL) is one of the leading petrochemical company in India involved in the manufacturing of ABS & SAN. It is a vertically integrated petrochemical company that manufactures ABS which acts as a raw material for leading companies dealing in automobiles, home appliances, tele communications, luggage, bus body & various other multifaceted applications. It has two plants at Satnoor, Madhya Pradesh & Abu Road, Rajasthan. BEPL not have any subsidiary for FY18, however it has one Joint Venture/Associate name called; Bhansali Nippon A&L Pvt Ltd, BEPL holds 50% of the paid up equity share capital. BEPL also entered into Joint Venture agreement with Nippon A&L Inc, Japan in May-2013 and got incorporated a new entity such as; Bhansali Nippon A&L Pvt Ltd in India to obtain their technical support and sales support in specialized grade products of ABS, ASA & AES resins which has commenced giving good operational results. FY18 was good in terms of capacity utilization, Turnover, PBDIT & Net Profit. Production rose by 26.38% to approximately 65,008 tonnes, Gross turnover to ₹ 1,204.55 crores, EBITDA rose by 133.66 % to ₹ 168.13 crores & net profit to ₹ 99.64 crore.

Key Highlights

- ➔ BEPL is one of the two petrochemical manufacturing company, involved in the manufacturing of ABS & SAN. ABS acts as a raw material for leading companies dealing in automobiles, home appliances, telecommunications and other applications.
- ➔ Planning to ramp up its ABS capacity to 1,37,000 TPA by end of 2018. It will implement in two phases, in phase one it expand from 80,000 to 1,00,000 TPA, this is already implemented. In phase two it will increase the capacity from 1,00,000 to 1,37,000 TPA. With is expansion it will beat its competitor.
- ➔ R&D centre at Aburoad unit was set up with a cost of ₹ 20 crore will be operational by Q3FY19. This R&D centre will enable to gradually increase the market share of speciality ABS grades & decreasing sale of General Purpose grades. As speciality grades have good market.
- ➔ During the FY18 it's net sales were improved by 64.8% to ₹ 10,316.9 million.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (₹ in mn)	5,967.9	7,125.3	12,182.5
Rev. growth (%)	(11.37)	19.39	70.98
EBITDA (₹ in mn)	400.1	719.6	1,681.3
Net profit (₹ in mn)	166.9	356.3	996.4
Shares outstanding (mn)	165.9	165.9	165.9
EPS (₹)	1.0	2.2	6.0
EPS growth (%)	219.35	117.17	0.00
P/E (x)	18.18	0.00	28.34
RONW (%)	13.87	24.54	47.35
ROCE (%)	21.53	28.51	57.22

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Info Codes

Reuters	: BHAN.BO
Bloomberg	: BEPL IN
NSE	: BEPL
BSE	: 500052

Market Data

52 Wk Range (₹)	: 80/224
Shares in Issue (mn)	: 165.9
Market. Cap (bn)	: 19.02
BSE 2 Wk Avg Vol	: 320000

Share Holding Pattern (%)

Promoters Holding	: 55.00
Public & Others	: 36.59
Corporate Holding	: 03.07
Foreign Institution	: 03.78
Institutions	: 01.56
Govt Holding	: 00.00

Investment Theme

ABS market in India continues to grow at around 15% CAGR & the consumption in the fiscal 2018 was 3,00,000 MT. BEPL sales volume increased from 50,732 MT in the previous year to 66,016 MT for FY18 with an increment of 30.12%. ABS is a high margin product, especially from the automotive industry. In India we have only two producers of ABS, this two suppliers are not able to supply up to the demand level. BEPL has established a JV company with Nippon A&L Inc, Japan but its full impact will be visible after the R&D Centre gets established, this centre will operational by Q3FY19. During the FY18 it increased its capacity from 80,000 to 1,00,000 TPA and further expansion also planning the company to 1,37,000 TPA. And also planning captive power plant. The JV deal & capacity expansions will surely brighten the future.

Simplifying a Complex Concept....!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Sales	5,308.6	6,261.5	18.0	10,316.9	64.8
Other Income	25.4	84.4	232.3	137.0	62.3
Change in Stocks	71.1	435.9	513.1	(519.8)	(219.2)
Raw Material Con.	4,178.5	5,836.4	39.7	7,517.9	28.8
Employee Exp.	227.5	252.4	10.9	374.3	48.3
Indirect Taxes	633.9	779.4	23.0	1,728.6	121.8
Other Exp.	(34.9)	(806.0)	2,209.5	(1,368.0)	69.7
Operating Exp.	5,005.0	6,062.2	21.1	8,252.8	36.1
Operating Profit	400.1	719.6	79.9	1,681.3	133.6
Total Interest	110.8	98.0	0.0	77.4	0.0
Gross Profit	289.3	621.6	114.9	1,603.9	158.0
Net Dep.	55.4	54.2	(2.2)	60.7	12.0
Total Taxation	67.0	211.1	215.1	546.8	0.0
Net Profit/Loss	166.9	356.3	113.5	996.4	179.7

4 Years Balance Sheet

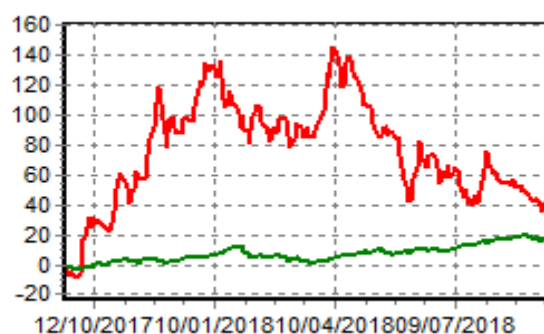
(₹ mn)

Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	2,299.9	1,628.8	3,038.3	2,626.4
Equity Share capital	165.9	165.9	165.9	165.9
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	1,690.6	1,110.5	1,461.2	2,415.4
Secured Loans	365.7	318.2	0.0	0.0
Unsecured Loans	77.7	34.2	1,411.2	45.1
USES OF FUNDS	2,299.9	1,628.8	3,038.3	2,626.4
Gross Block	3,367.7	1,824.8	980.5	1,180.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	2,146.1	1,006.3	50.6	106.2
Net Block	1,221.6	818.5	929.9	1,074.2
Capital Work in Progress	0.0	0.0	0.0	60.7
Investments	10.0	15.0	15.0	15.0
Current Assets	2,692.1	2,654.5	3,251.9	3,069.3
Less : Current Liabilities	1,663.9	1,872.0	1,131.6	1,506.4
Total Net Current Assets	1,028.2	782.5	2,120.3	1,562.9
Misc. Expenses not writtenoff	40.1	12.8	(26.9)	(86.4)
NOTE				
Book Value of Unquoted Investments	10.0	15.0	15.0	15.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	106.2	58.8	0.0	0.0
Dividend (%)	10.0	10.0	10.0	20.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 17	Dec 17	Mar 18	Jun 18
Net Sales	2,479.4	2,579.3	3,017.9	2,016.9
Cost Of Sales	2,101.3	2,146.3	2,580.2	1,741.8
Operating Profit	378.1	433.0	437.7	275.1
Other Income	20.4	55.6	52.6	2.9
Adjusted PBDIT	398.5	488.6	490.3	278.0
Financial Expenses	24.8	22.5	19.0	2.9
Depreciation	15.4	15.5	14.5	17.0
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	358.3	450.6	456.8	258.1
Tax Charges	107.3	160.0	170.8	90.4
Reported Profit	251.0	290.6	286.0	167.7
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	251.0	290.6	286.0	167.7

52 Week Index Relative Percentage Appreciation

Bhansali vs SENSEX
Risks Associated

- ➔ ABS business has the exchange risk, as rupee depreciates it leads to increase the import raw materials cost. Styrene & Acrylonitrile monomers are key importing raw materials. The only raw material which is available is Butadiene monomer, which constitutes weight wise only 15% out of the total raw material composition.
- ➔ Q1FY19 net sales were down by 49.63% to ₹ 2,016.90 million, EBITDA contraction by 76.33% to ₹ 278.1 million & finally net profit also declined by 70.54% to ₹ 167.7 million on quarterly basis. Sales and net profit declined on account of fire accident at Satnoor plant.

Scope of Growth

- ➔ During the FY18, it has paid the entire dues/outstanding working capital credit facilities amounting to ₹ 216.50 crore. Consequently, Allahabad Bank has issued no dues letter, shares pledge release letter to company.
- ➔ During the FY18, BEPL had increase the production capacity of ABS from 80,000 TPA to 1,00,000 TPA, this capacity expansion will leads to rise top & bottom line items for FY19.
- ➔ In India, ABS is manufactured by Bhansali Engineering and one more, both of these together account for about 75% market share. The rest market is met by imports.
- ➔ BEPL manufactures, Acrylonitrile Butadiene Styrene Resins & Styrene Acrylonitrile Resins for FY18 its total revenue contributions are 95.03% & 4.97% respectively. Total revenue was ₹ 12,045.5 million, improved by 71.07% against the previous year's total revenue. Styrene is a key raw material, it's price will rise particularly due to plant shutdowns in global styrene market.

In a Nutshell

Bhansali Engineering Polymers is one of the two leading petrochemical company in India involved in the manufacturing of ABS & SAN. ABS which acts as a raw material for leading companies dealing in automobiles, home appliances, telecommunications. Acrylonitrile Butadiene Styrene (ABS) is a composed of three different monomers. ABS is made up of acrylonitrile, butadiene & styrene in varying proportions. The proportions of individual monomers may vary from 15-35% acrylonitrile, 40-60% styrene & 5-30% butadiene. Styrene is fully importing from Korea, China & Thailand, but Butadiene & Acrylonitrile have some local players. It has two plants at Satnoor, Madhya Pradesh & Abu Road, Rajasthan. During the current FY it had fire accident at Satnoor plant, due to this production was disturbed little bit and recommenced during the Q1. At Abu Road, it developed a R&D Centre, the centre will be operational by Q3 of current FY. Company has also entered into Joint Venture agreement with Nippon A & L Inc, Japan incorporated a new entity such as; Bhansali Nippon A&L Pvt Ltd in India to obtain their technical support and sales support in specialized grade products of ABS, ASA & AES resins etc., which has commenced giving good operational results. In the JV company holds 50% of paid up equity share capital. It acquired the land and planning of captive power plant as an integral part of the expansion programme. BEPL has the capacity expansion plans, as part of its plan extended already, its ABS production capacity from 80,000 TPA to 1,00,000 TPA. Further also has the plan to do mega greenfield project of 2,00,000 TPA by March, 2022. The aggressive steps were taken by the company, will help to increase the sales and profit figures in the current year.

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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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