"MULTIBAGGER STOCK IDEA" - EMMBI POLYARNS LIMITED

Scripscan : Emmbi Polyarns Limited.

Cmp : 14.55

Traded in : NSE-BSE

Marketcap : 20 Crs.

Risk category : Low

Returns expected : 50%CAGR for next 5 years.

Story : Emmbi Polyarns was started in the year 1994 as a trading company. Within first two years of its inception it started manufacturing polyarns. For the last 15 years the company is a manufacturing outfit and it's sales distribution is almost 50% in the domestic market and 50% as exports. Emmbi Polyarns is primarily involved into the processing of various woven polyethylene and polypropylene based products. Company started with packaging and later on metamorphosed into various specialty fabrics and water conservation products. Presently, Emmbi Polyarns Ltd. has a geographic spread in more than 25 States in India and in around 40 countries across the world. Demand for polymer-based bulk packaging material is set to increase as companies are going in for bigger packaging sizes. India's per capita polymer consumption is about 2.6 kg., compared to 40 kg. in Japan, 35 kg. in the US, 28 kg. in Europe and 10 kg. in China. The company came out with its IPO in 2010 and was successful in raising 40 Crs. from the same. The issue which was graded by Credit Analysis and Research Limited (CARE) had an IPO Grade 2' which indicated below average fundamentals for the company. But I give much importance to such rating stuff, as it discloses all the negatives/positives of a company. I closely glanced through the CARE rating fineprint and got to know the company's or management's ability to complete this expansion project, because comparatively it was on much larger horizon than Emmbi's existing status, and the rating agency was a little apprehensive about its ability to complete it. The company planned to establish a facility, which was earlier 5000 tons; in its fineprint it mentioned the same was being targeted to 17,800 tons. Now instead of 17,800 tons it actually completed the project with a capacity of 18,200 metric tons ! So, not only did it successfully complete its high risk project but even came up with extra capacity of 400 tons. In the future its focus will be on improving the profitability by way of increasing the share of non-commoditized, non-packaging products from the existing packaging products. The major improvement in its profitability will also come by way of its increased capacity utilization. If one considers its last quarter capacity utilization, it's targeting close to 58% while as the capacity utilization for next year has been targeted in the range of 65% to 70% of its total installed capacity. It is expecting to see top line of close to 108 to 110 Crores for the year 2012 and is expecting a top line in the range of around 165 to 175 Crores for the year ending 2013. The expected EPS for the present year is expected to lie somewhere between 2.7 to 2.9 Rupees while as for the next year EPS would be in range of 5.5 to 6 Rupees. The book value at the end of running quarter 3 for the company is at ₹ 30.30 for a share and at the end of this financial year it is expected to be in the range of around ₹ 35. By the end of the financial year 2013 the management is expecting a book value of its share to be in the range of ₹ 45 *plus*. Regarding the growth of the company, it could achieve this mainly because of the improvement in its spread and the product line. In the past year almost at the same time the company was distributing its products in India and in around 32 countries, while as within one year it could expand and spread its tentacles in eight additional countries and presently Emmbi is selling and distributing its products in India and 20 other countries. Presently, competitors for these products of Emmbi are from China, Mexico, Turkey, and some parts of Korea. Considering our highly liberated industry and rates of labour going steeply high in China, Turkey and Mexico, there is a predominant shift of buying, which is perceptively from these countries to India. Certainly the growth that the management of Emmbi is targeting at will not be extremely difficult to achieve. At present it quotes at a mere 2.2 PE and its expected forward earnings would be quite a deal. It rewarded its stakeholders with a dividend of 20 paisa per share during last September, which with higher profits may well get raised to 70 paisa by FY13 resulting in a dividend yield of over 5%. It would be prudent to note that it offered its IPO at 40 bucks which got oversubscribed. Thus, investors opting for Emmbi presently have little to loose and may well earn a jackpot in this counter, provided they stay put in it for the next couple of years. The promoters too allotted themselves some 12 lakh shares at ₹ 17 each, which shows their confidence and conviction in the company. Blindly go for it folks!