

Slow revenue recovery, margin pressure continues...

Wim Plast (WPL) reported a sluggish performance in Q3FY22 on the profitability front wherein its EBITDA and PAT declined sharply by 20% and 19% YoY to ₹ 15 crore and ₹ 10 crore, respectively. The company has faced significant pressure in its gross margins, which declined ~870 bps YoY (50 bps QoQ). We believe a delay in price hikes (due to intense competition from regionals/small players) and adverse product mix has led to fall in gross margins. However, savings in other expenses helped arrest EBITDA margin fall to 681 bps YoY at 17%. Revenue increased 12% YoY (down ~2% QoQ) to ₹ 86.4 crore, on a favourable base of last year. Segment wise plastic segment revenue increased 14% to ₹ 80 crore while revenues from other segments declined 5% YoY despite a lower base of last year.

High competition, adverse product mix limits revenue growth

Despite a strong dealer networks and established supply chain networks, WPL has faced stiff competition from unorganised players in its major operating markets such as Gujarat, Rajasthan and Maharashtra. This is evident from the company's slow revenue recovery (of 96%) in core business during 9MFY22 over its pre-Covid level sales. The segment EBIT margin also declined sharply to 15% in 9MFY22 vs. pre-Covid level margins of 20%. We believe higher raw material costs, lower offtake of value added products and low operating leverage dragged the overall profitability of the segment. The other product segment (includes air cooler, industrial/engineering moulds, etc and contributes ~8% to 9MFY22 revenues) managed to recover only ~56% to its pre-Covid level sales. This is largely due to lower sales of air coolers. However, the company reported segment profit of ₹ 4.6 crore in 9MFY22 over a loss of ₹ 5.2 crore reported during 9MFY21.

Valuation & Outlook

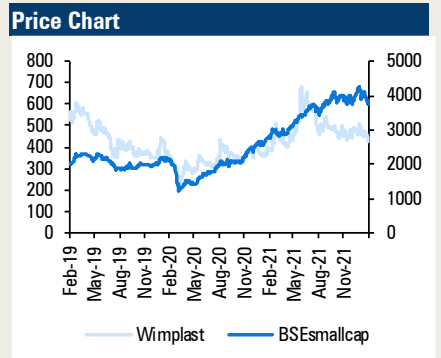
WPL is one of the largest players in the plastic furniture industry. However, in the last five years (FY16-21E), revenue and PAT declined 6% and 7%, respectively, annually led by lower EBITDA margins (declined 350 bps during the same period). If we compare WPL's performance with other leading player like Supreme Industries' who has also presence into plastic furniture business, the company has reported revenue CAGR of 3% in the same segment with expansion in EBITDA margin by 100 bps YoY to 21%. We believe WPL faced stiff competition from unorganised/regional players in its key selling markets, which has restricted the company from passing on high raw material costs. While the company stayed debt free, lower asset turnover on incremental capex, higher inventory days led to lower return ratios. We believe limited long term growth visibility in the core business and suboptimal return ratios (due to lower profitability) makes us drop coverage on WPL. We advise investors to switch to other small cap player such as Mold Teck Packaging, which has strong revenue growth potential and a robust balance sheet.



Wim Plast Ltd.

Particulars	
Particular	Amount
Market Capitalization (₹ Crore)	514.8
Total Debt (FY21) (₹ Crore)	0.0
Cash and Inv (FY21) (₹ Crore)	125.0
EV (₹ Crore)	389.8
52 week H/L (₹)	723/382
Equity capital (₹ Crore)	12.0
Face value (₹)	10.0

Shareholding pattern					
(in %)	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	69.9	69.9	69.9	69.9	63.2
FII	0.0	0.0	0.0	0.0	0.0
DII	6.5	6.4	6.4	4.6	3.8
Others	23.6	23.7	23.7	25.5	33.0



Key risks to our call

- (i) Strong growth in the plastic furniture business
- (ii) Increase in gross margins

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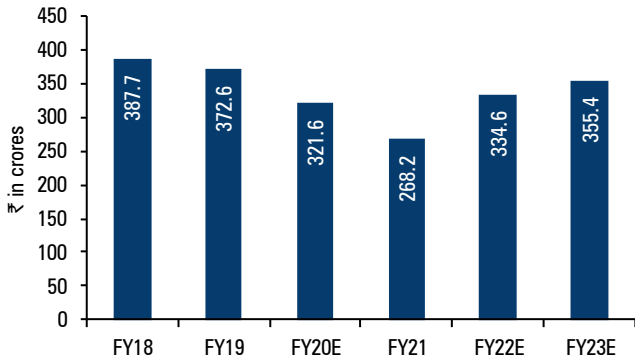
Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	3 Year CAGR (21-23E)
Net Sales	387.7	372.6	321.6	268.2	-6%	334.6	355.4	3%
EBITDA	80.8	74.4	66.6	53.3	-6%	56.9	61.7	-3%
EBITDA Margin (%)	20.8	20.0	20.7	19.9		17.0	17.3	
Net Profit	44.5	39.3	45.1	32.1	-7%	38.0	40.4	-4%
EPS (₹)	37.1	32.7	37.6	26.8		31.7	33.7	
P/E (x)	11.6	13.1	11.4	16.0		13.6	12.7	
RoE (%)	15.0	12.0	12.9	8.4		9.3	9.2	
RoCE (%)	21.8	17.6	15.6	10.9		12.2	12.1	

Source: ICICI Direct Research, Company

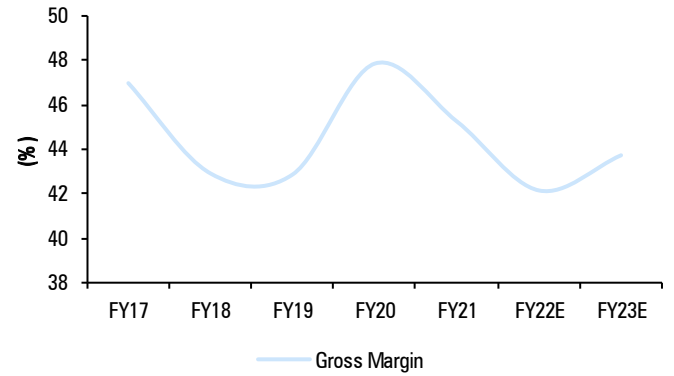
Financial story in charts

Exhibit 1: Revenue growth trend



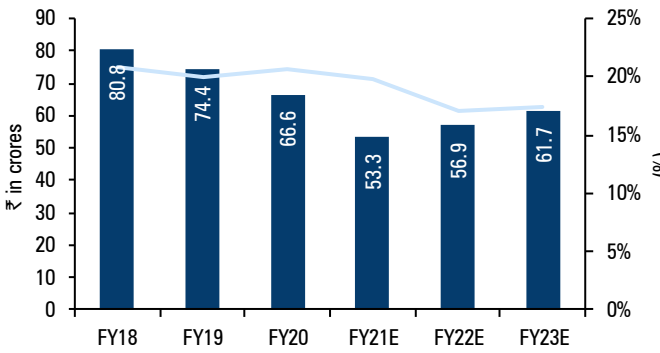
Source: ICICI Direct Research, Company

Exhibit 2: Gross margin movement



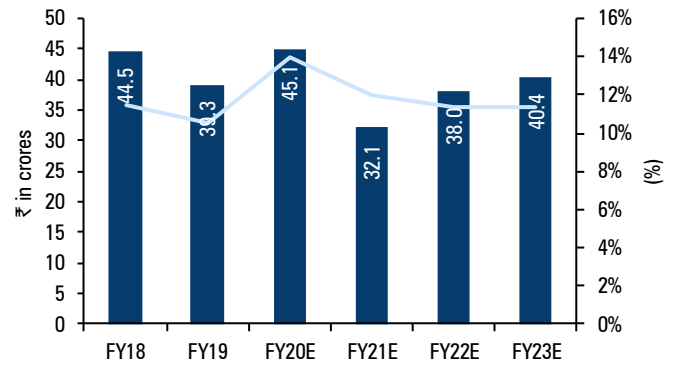
Source: ICICI Direct Research, Company

Exhibit 3: EBITDA & EBITDA margin movement



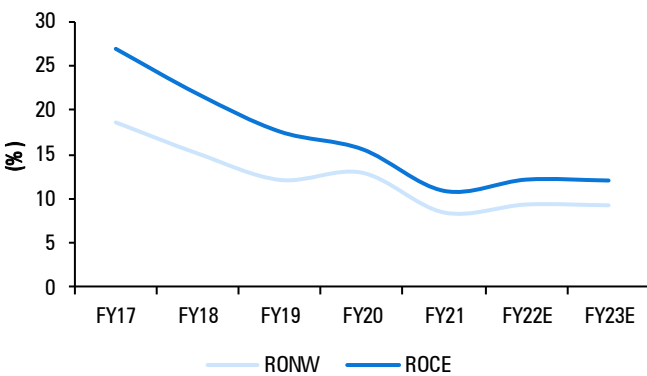
Source: ICICI Direct Research, Company

Exhibit 4: PAT & PAT margin movement



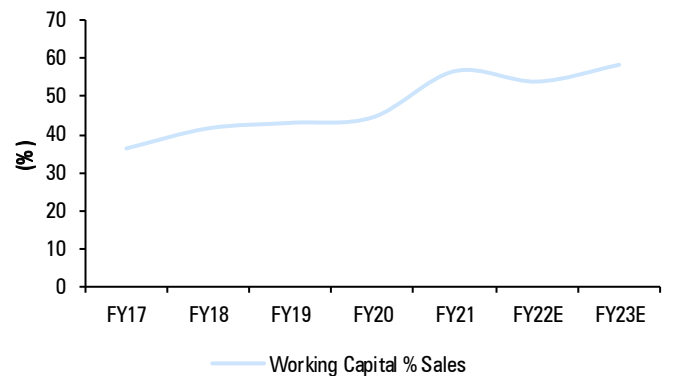
Source: ICICI Direct Research, Company

Exhibit 5: Return Ratios



Source: ICICI Direct Research, Company

Exhibit 6: Working capital as percentage of sales



Source: ICICI Direct Research, Company

Financial Summary

Exhibit 7: Profit and loss statement (₹ crore)				
(Year-end March)	FY20	FY21	FY22E	FY23E
Revenue	321.6	268.2	334.6	355.4
Growth (%)	-13.7	-16.6	24.7	6.2
Raw material expense	167.6	146.8	193.5	200.0
Employee expenses	25.9	20.0	25.5	26.3
Other expenses	61.5	48.2	58.7	67.5
Total Operating Exp	255.0	214.9	277.7	293.8
EBITDA	66.6	53.3	56.9	61.7
Growth (%)	-10.4	-20.0	6.7	8.4
Depreciation	18.5	18.0	17.1	18.8
Interest	0.2	0.2	0.2	0.2
Other Income	7.9	7.3	10.9	11.1
PBT	55.7	42.4	50.6	53.8
Total Tax	10.8	10.5	12.7	13.5
PAT	45.1	32.1	38.0	40.4
Growth (%)	14.8	-28.7	18.3	6.3

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement (₹ crore)				
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	45.1	32.1	38.0	40.4
Add: Depreciation	18.5	18.0	17.1	18.8
(Inc)/dec in Current Assets	8.1	-7.4	-33.6	-18.2
Inc/(dec) in CL and Provisions	8.7	-0.1	4.6	-5.2
Others	0.2	0.2	0.2	0.2
CF from operating activities	80.6	42.8	26.2	36.0
(Inc)/dec in Investments	-43.8	-37.3	-10.0	-10.0
(Inc)/dec in Fixed Assets	-12.4	-5.6	-4.5	-12.0
Others	-4.1	1.3	-0.1	0.0
CF from investing activities	-60.3	-41.6	-14.6	-22.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-20.3	-7.2	-4.3	-10.1
Others	-0.4	7.8	-8.0	-0.2
CF from financing activities	-20.6	0.6	-12.4	-10.3
Net Cash flow	-0.3	1.8	-0.7	3.7
Opening Cash	3.9	3.5	5.3	4.6
Closing Cash	3.5	5.3	4.6	8.3

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet				
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	12.0	12.0	12.0	12.0
Reserve and Surplus	338.6	371.4	397.2	427.5
Total Shareholders funds	350.6	383.4	409.2	439.5
Others	8.1	7.4	7.4	7.4
Total Liabilities	358.7	390.9	416.6	446.8
Assets				
Gross Block	190.7	197.1	201.6	213.6
Less: Acc Depreciation	62.4	80.4	97.4	116.3
Total Fixed Assets	128.3	116.8	104.2	97.4
Investments	82.5	119.7	129.7	139.7
Inventory	98.4	103.2	119.2	131.5
Debtors	66.3	67.3	82.5	87.6
Loans and Advances	0.4	0.7	0.7	0.7
Other CA	8.2	9.4	11.8	12.5
Cash	3.5	5.3	4.6	8.3
Total Current Assets	176.7	185.9	218.7	240.6
Creditors	13.1	13.1	13.8	11.7
Provisions	1.9	1.9	2.0	1.7
Other CL	19.0	18.9	22.8	19.9
Total Current Liabilities	34.1	33.9	38.5	33.3
Net Current Assets	142.6	151.9	180.2	207.3
Total Assets	358.7	390.9	416.6	446.8

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	37.6	26.8	31.7	33.7
Cash EPS	53.0	41.7	45.9	49.4
BV	292.1	319.5	341.0	366.2
DPS	16.9	6.0	3.6	8.4
Operating Ratios (%)				
EBITDA Margin	20.7	19.9	17.0	17.3
PAT Margin	14.0	12.0	11.4	11.4
Asset Turnover	1.7	1.4	1.7	1.7
Inventory Days	111.6	140.4	130.0	135.0
Debtor Days	75.2	91.5	90.0	90.0
Creditor Days	14.9	17.8	15.0	12.0
Return Ratios (%)				
RoE	12.9	8.4	9.3	9.2
RoCE	15.6	10.9	12.2	12.1
RoIC	13.8	9.2	9.7	9.8
Valuation Ratios (x)				
P/E	16.6	23.2	19.7	18.5
EV / EBITDA	11.2	13.9	13.0	12.0
EV / Net Sales	2.3	2.8	2.2	2.1
Market Cap / Sales	2.3	2.8	2.2	2.1
Price to Book Value	2.1	1.9	1.8	1.7
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	5.1	5.3	5.6	7.0
Quick Ratio	2.2	2.3	2.5	3.0

Source: Company, ICICI Direct Research

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