GOOD Q1FY16 RESULTS

Maintain BUY

UFLEX LTD

FLEXING MUSCLES

Sunidhi "In your prosperity lies our success"

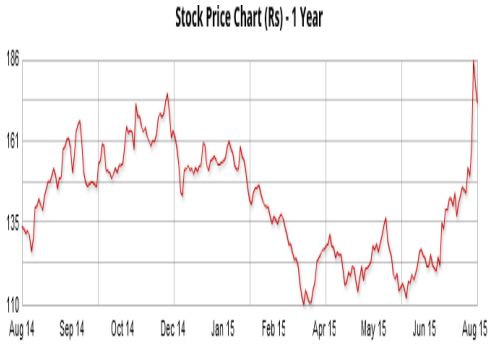
Retail Desk

06 August 2015

Rating	Buy
CMP (₹)	172
Target Price (₹)	214
Upside (%)	24
Key Data	
BSE Code	500148
NSE Code	UFLEX
Reuters code	UFLX.BO
Bloomberg Code	UFLX IN
Sensex	28223
Face Value (₹)	10
Mcap (₹ Cr.)	1242
52 week H/L (₹)	189/110
2 Wk Avg Qty	252000
Share holding, June'15	**Holding %**
Promoters	44.0
Foreign	21.1
DIs	0.1
Corporates	11.1
Public	23.7

Performance (%)	3M	6M	12M
Stock-Uflex	47.0	17.8	28.3
BSE 200	4.2	1.2	15.1
BSE 500	4.5	1.7	15.3

Price Chart: (One-Year)



http:// www.uflexltd.com

Vijay Dave

vijaydave@sunidhi.com

Ph: 91-22-6760 7700

Q1FY16 & FY15 Results:

During Q1FY16, Uflex clocked 4.6% higher sales of ₹1600.6 crore. Net profit, however rose 19.1% to ₹76.2 crore. OPM and NPM stood at 13.7% and 4.8% Vs 12.8% and 4.2% in Q4FY14. Q4FY15 EPS is ₹9.5.

During FY15, net profit rose 26.4% to ₹254.8 crore on 5.4% higher sales of ₹6180.3 crore. OPM and NPM stood at 12.2% and 4.1% Vs 12.1% and 3.4% in FY14. FY15 consolidated EPS stood at ₹35.3 against ₹25.8 in FY14. The blended tax for the consolidated entity is lower because of lower tax regime in overseas locations-Dubai: zero tax rate; Egypt: 20% and Mexico: 30%.

Company Description:

Founded in 1983, as Flex Industries by the Flex Group to manufacture multilayer laminated rolls of plastics, paper, cloth or metal foils that are used separately or in combination for various packaging applications, Uflex is India's largest flexible packaging major with large manufacturing capacities of plastic film and packaging products providing end-to-end solutions to clients across more than 140 countries.

Uflex has vast capacities for production of Polyester Chips, Biaxially Oriented Polyethylene Teraphthalate (BOPET) and Biaxially Oriented Poly Propylene (BOPP), Cast Polypropylene (CPP) films, Printing & Coating Inks, adhesives, facilities for Holography, Metallization & PVDC coating, Gravure Printing Cylinders, Gravure Printing, Lamination and Pouch formation. Uflex today has state of the art packaging facilities in India with installed capacity of 99,000 TPA.

After having established a leadership position in India, Uflex set up its first overseas operation in 2005 at Dubai, UAE. This was followed by expansion there and new facilities at Mexico, Egypt and Poland that were commissioned in 2009, 2010 and 2012 respectively. Today, Uflex has 18 state-of-the-art film lines located in 6 countries that run 24x7. The cumulative installed film manufacturing capacity is in excess of 337,000 TPA.

Key Financial: (Consolidated) (₹ crore)

Year-March	Q1FY16A	Q1FY15A	FY14A	FY15A	FY16E	FY17E
Sales/OP Inc	1600.6	1530.1	5863.3	6180.3	6550.0	7040.0
PBIDT	219.2	195.2	712.3	752.0	799.1	858.9
Interest	46.8	48.9	233.3	186.9	195.0	198.0
PBDT	172.4	146.3	479.0	565.1	604.1	660.9
Depreciation	70.8	71.4	267.1	279.4	280.5	282.5
PBT	101,6	74.9	211.9	285.7	323.6	378.4
Tax	25.4	10.9	15.1	30.9	40.5	70.3
PAT	76.2	64.0	201.6	254.8	283.1	309.5
Equity			72.2	72.2	72.2	72.2
Reserves			2750.7	2935.5	3218.6	3528.1
Book Value (₹)			391.0	416.6	455.8	498.7
CPS (₹)	20.4	18.8	64.9	74.0	75.0	82.0
EPS (₹)	10.6	8.9	27.9	35.3	39.2	42.9
OP Margin (%)	13.7	12.8	12.1	12.2	12.2	12.2
NP Margin (%)	4.8	4.2	3.4	4.1	4.0	4.3
P/E					4.4	4.0

Promoters	Ashok Chaturvedi is a visionary first generation entrepreneur and founder of Flex group of companies. The group has interests in flexible packaging solutions, biaxially oriented plastic films, chemicals, engineering, cylinders, holography & Foods. He is the chief architect of group's vision and value-driven business strategy. Under his dynamic leadership, the group has become a globally recognized player in the flexible packaging industry.
Subsidiaries	Flex Middle East FZE, UAE; UFlex Europe Ltd, UK; UFlex Packaging Inc., USA; Flex P. Films (Brasil) Comercio De Films Plasticos Ltd; UPET Holdings Ltd; Mauritius, UTech Developers Ltd; India and USC Holograms Pvt. Ltd. India; are subsidiaries. Further, UPET (Singapore) Pte. Ltd. Singapore; Flex Americas, S.A. de C.V., Mexico; Flex P. Films (Egypt) S.A.E, Egypt; Flex Films Europa Sp z o.o., Poland; Flex Films (USA) Inc., SD Buildwell Pvt. Ltd., India and Flex Industries Private Ltd, India are stepdown subsidiaries.
Other Products	Printing Cylinders, Flexographic plates, Flexo Proof Press (Wet Proof), Digital Plate Cutting Table, Solvent Recovery Plant, Laser Engraving System, Hologram, Ink & Adhesives, Customized need-based Packaging and Processing Machines.
Indian Plant	Three state-of-the-art BOPET film lines manufacturing 66,000 tpa (132 million lbs)/year. Two BOPP lines manufacture 36,000 tpa (80 million lbs.) of film per year. Five high-barrier plasma enhanced metallisers with a capacity to metallise 30,000 tpa (over 66 million lbs.) of film per year. One CPP film line manufactures over 6,000 tpa (13 million lbs)/year.
UAE Capacity	Flex Middle East's ultra-modern Polyester film lines operate at 500 m/sec to produce over 60,000 tpa (132 Million Lbs) of Polyester film. Two state-of-the-art plasma enhanced high-barrier metallisers offer 12,000 tpa (over 26 million lbs.) of high quality metallised films per annum.
Mexico Plant	Flex Americas S.A. de C.V.'s state-of-the-art manufacturing plant is in Mexico at Altamira in the State of Tamaulipas. The two BOPET film lines at this facility can turn out 72,000 tpa (about 160 million lbs.) of film per year. These film lines are some of the largest of their kind anywhere in the world. The film lines are complemented by two 2.5 meter wide plasma enhanced metallisers that can produce over 12,000 MT (26 million lbs.) of High Barrier Metallised Films per year.
Egypt Project	During FY13, Uflex commissioned an AL-OX coater for packaging films at its Egypt plant Uflex's Egypt project are located at near Cairo. At this site, Uflex has three film lines in operation – two(one BOPP and One BOPET) that produces 36, 000 and 36,000 tpa (80 million lbs) each and a CPP Film line that produces 12,000 tpa (above 26 million lbs.) of film per annum. The films lines are supplemented by three state-of-the-art plasma enhanced high-barrier metallisers that turn out 22,800 tpa (over 50 million lbs.) high quality metallised films per year. This facility also houses an AlOx coating line that produces 2,400 tpa (over 5 million lbs.) of high-barrier transparent films per year. Setting up of the AL-OX coater for packaging films at the Egypt plant is in sync with its plans to add manufacturing lines for new product categories at the existing facilities.
Poland Project	Uflex's Poland project is located at Wrzesnia near Poznan in Poland. This is its first manufacturing facility in Europe and is a significant milestone in its master-plan to set up strategically located global scale production lines as close as possible to major Packaging Film markets.

The site houses a state-of-the-art Biaxially Oriented Polyester (BOPET) Film line that runs at 500 meters/minute and can turn out 36,000 tpa of film per year supplemented by plasma enhanced high-barrier metalliser that can convert 6,000 tpa of film per year.

User Industries

Uflex offers finished packaging of a wide variety of products such as snack foods, candy and confectionery, sugar, rice & other cereals, beverages, tea & coffee, desert mixes, noodles, wheat flour, soaps and detergents, shampoos & conditioners, vegetable oil, spices, marinates & pastes, cheese

& dairy products, frozen food, sea food, meat, anti-fog, pet food, pharmaceuticals, contraceptives, garden fertilizers and plant nutrients, motor oil and lubricants, automotive and engineering components etc.

Clients

Uflex offers its flexible packaging products and solutions globally to blue chip clients including Unilever, Pepsi, Wrigley, Procter & Gamble, Colgate, Palmolive, Nestle, Gillette, Ranbaxy, PerFetti, Joyco, Monsanto, ITC, Godrej Pillsbury, Tata Tea, Hindustan Petroleum, Indian Oil, Britannia, Dabur, Haldiram, Wockhardt, HUL, Parle Biscuit, 3M, among others.

Financial

Equity capital is ₹72.2 crore. With reserves of ₹2935.5 crore, the book value of the share works out to ₹417 as at FY15. The debts of ₹1812 crore give DER at 0.6:1 as at 31 March 2015.

In the last in 4 years, UL's gross block increased from ₹3075 crore as on 31 March 2011 to ₹4701 crore. Cash on hand & short/long term loans & current assets are ₹1024 crore. Uflex has maintained a dividend of 27% for FY15.

Expansion

Uflex's agenda of consistent global expansion and consolidation of its position as a truly Indian MNC is reinforced by its strategy of capacity expansion and adding manufacturing lines for various product categories across existing and newer locations.

By doing this Uflex increases proximity to the markets and brings broad portfolio of value added products for its clients at the most competitive price points. Uflex has been on a drive to set-up new plants for developing and manufacturing many new and innovative packaging products.

Uflex is setting up an Asceptic Packaging Material Project for packing liquids at Sanand Industrial Area in state of Gujarat. The Board of Directors at their meeting held on May 28, 2015 has approved for the same with an investment of approximately ₹550 crore.

The facility is expected to be operational by April 2017 and will employ 800 people. The Gujarat factory will produce seven billion packs per year for liquid products such as energy drinks, milk and juices, and about 90% of the output will be used for the domestic market.

Prospects

The world consumer flexible packaging market has picked up significantly since the global economic downturn of 2008-2009. The market tonnage in this segment is estimated at 24.3 million tonnes in 2013 and is forecast to grow at a CAGR of 4.1% during the period 2013-18, to reach a total of 29.8 million tonnes. (Source: http://www.smitherspira.com)

The global flexible packaging market is estimated to grow from $73.8 billion in 2012 to $99.6 billion by 2018 with a CAGR of 5.1% from 2013 to 2018.

This impressive rate of expansion is higher than the gross domestic product (GDP), suggesting the flexible packaging market is growing more quickly than well-developed and traditional rigid packaging markets.

In developed nations the growth of the flexible packaging sector is estimated to be growing at a rate of about 2.5 – 3.5% whereas, in developing countries this growth is in the range of 8-12% annually. India in fact, historically is growing at 15-18% p.a.

Polyethylene dominates this global market by materials accounting nearly 32% of the total market share and is projected to grow at a CAGR of 5.1% during the above said period.

Polypropylene accounts for the second largest share in the segment growing at a CAGR of 4.9% during the period under review. The BOPP segment of polypropylene holds a significant share of around 80% growing at a CAGR of 5.2% during this period.

Paper and Aluminum are growing at a CAGR of 5.5% and 5.4% respectively. Cellulosic is one of the materials which show potential growth in the future. It is projected to grow at a CAGR of 8.2% through to 2018. (Sources: Markets & Markets).

Opportunity

Approaching half of India's population is under the age of 25 compared with only around one third in China where the one-child family planning policy is resulting in a increasingly ageing population. India's much larger youthful population is increasingly receptive to buying and consuming pre-packaged products.
Also, India's fast growing and increasingly sophisticated middle class is driving demand for an ever growing range of higher value processed food products which utilize flexible packaging. Currently barely 5% of food in India reaches the consumer in pre-packaged form.

As a result of poor distribution infrastructure nearly 40% of fresh food in India is estimated to perish before reaching the consumer, resulting in lost income for small farmers and higher prices for consumers. This presents huge opportunities for rapid flexible packaging growth.

The growth is projected to continue because flexible packaging, particularly pouch packaging, uses less energy and materials and has lower transport costs, environmental impact and carbon footprint than its rigid counterparts.

These current trends concerning flexible packaging and rapid growth are anticipated to continue and increase over the next 10 years to 2023. High growth is expected in Europe and North America, as well as in the emerging markets of Asia and Central and South America.

Valuation & Recommendation

What started off with a tiny manufacturing unit in 1983 is today a group with flourishing business ventures with turnover in excess of US$ 1 billion and is set for a major strategic growth to position itself as the leading business conglomerate of India. In addition to plants in India, the group today has 9 greenfield plants in 5 countries outside India namely USA, Mexico, Poland, Egypt & Dubai and the products of the country are sold in 140 countries across the globe.

Today, Uflex has 18 state-of-the-art film lines located in 6 countries that run 24x7. Uflex's strong manufacturing base in India, Mexico, Dubai, Egypt, Poland and US caters to global markets spanning US, Canada, South America, UK, Europe, Russia, CIS countries, South Africa and other African countries, the Middle East and the South Asian countries.

The demand for flexible packaging is mainly derived from the demand of the user industries like processed food, personal products, beverages, lubricants, pesticides and pharmaceuticals etc. Approximately 80% of Uflex's production is consumed by Food & FMCG industry, which gives strong revenue visibility.

At the CMP of ₹172, the share is trading at a P/E of 4.4x on FY16E & 4.0x on FY17E. We maintain BUY with an increased target price of ₹214 at which, the share will trade at a P/E of 5.0x on FY17E.

Key Risk

Plastic Film business is highly competitive. Uflex faces stiff competition both from international as well as domestic manufacturers.

Sunidhi Securities & Finance Ltd.
Maker Chamber IV, 14th Floor, Nariman Point, Mumbai-400021.

Disclosures and Disclaimer for Research Report

Disclosures and Disclaimers: This Report is published by Sunidhi Securities & Finance Limited (hereinafter referred to as "Sunidhi") for private circulation. Sunidhi is a registered Stock Broker with National Stock Exchange of India Limited, BSE Limited and Metropolitan Stock Exchange of India Limited in cash, derivatives and currency derivatives segments. It is also having registration as a Depository Participant with CDSL. Sunidhi has applied for registration as Research Analyst under SEBI (Research Analyst) Regulations, 2014. Sunidhi has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

Sunidhi or its associates has not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. Sunidhi or analyst or his relatives do not hold any financial interest in the subject company. Associates may have such interest in its ordinary course of business as a distinct and independent body. Sunidhi or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the company covered by Analyst.

Sunidhi or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. Sunidhi or its associates has not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of subject company and Sunidhi / analyst has not been engaged in market making activity of the subject company.

Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report. Sunidhi or its associates may have investment positions in the stocks recommended in this report, which may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report. However, Sunidhi is maintaining Chinese wall between other business divisions or activities. Analyst has exercised due diligence in checking correctness of details and opinion expressed herein is unbiased.

This report is meant for personal informational purposes and is not be construed as a solicitation or financial advice or an offer to buy or sell any securities or related financial instruments. While utmost care has been taken in preparing this report, we claim no responsibility for its accuracy. Recipients should not regard the report as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without any notice and this report is not under any obligation to update or keep current the information contained herein. Past performance is not necessarily indicative of future results. This report accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this report. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Sunidhi or any of its affiliates/ group companies 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. Sunidhi has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Sunidhi endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Neither Sunidhi Securities nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Analyst Name: Vijay Dave; Tel No: 91-22-6760 7700; Email ID: vijaydave@sunidhi.com

Sunidhi Securities & Finance Ltd.

Bombay Stock Exchange (BSE)	National Stock Exchange of India Ltd (NSE)	Metropolitan Stock Exchange of India Limited (MSEI)
INB010676436	INB230676436	INE260676436
INF010676436	INF230676436	INB260676433
INE010676436	INE230676436	INF260676433
Compliance Officer	Mr. Mahesh Desai	Tel No: 91-22-6636 9669
Email ID	researchcare@sunidhi.com	