

29 March 2017

Initiating Coverage (BUY)

## INDIAN TONERS &amp; DEVELOPERS LTD

CMP

INR 160

Target Price

INR 220

Stock Details	
Industry	SPECIALTY CHEMICALS
Bloomberg Code	INTD:IN
BSE Code	523586
Face Value (Rs.)	10.00
Market Cap. (Rs. mn)	129.61
52wk. Low/High (Adjusted) ((Rs.))	117.05/176.60

Shareholding Pattern Dec '16	
Promoter (%)	49.73
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	50.27
No. of Share Outstanding (mn)	8.05

Valuation Summary				
	FY 15A	FY 16A	FY 17P	FY 18P
P/E (x)*	07.18	12.11	13.00	13.00
EV/EBITDA (x)	3.11	4.87	3.74	3.82
P/BV (x)	1.01	1.54	1.65	1.68

\*TTM for Current Year

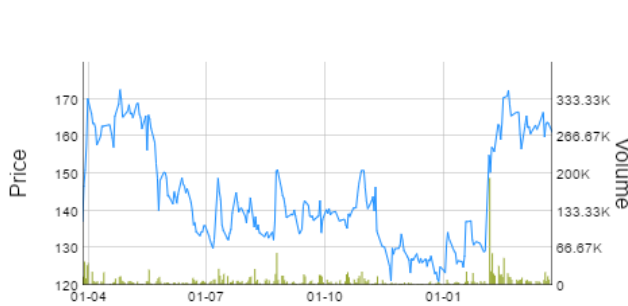
Based on Market Price as on 1<sup>st</sup> Apr is taken for Each FY

Key Financial				
Rs. Mn	FY 15A	FY 16A	FY 17P	FY 18P
Net Sales	949	1,091	1,288	1,481
EBITDA	221	255	303	343
Net Profit	105	106	119	136
EPS (Rs.)*	13.0	13.2	14.8	16.9

\*Un adjusted

Key Ratios				
	FY 15A	FY 16A	FY 17P	FY 18P
EBITDA Margin (%)	23.1	23.0	23.1	22.8
EBIT Margin (%)	20.3	20.2	20.4	20.3
Net Pro. Margin (%)	10.9	9.6	9.1	9.0
Debt/Equity (x)	0.00	0.00	0.00	0.00
RoNW (%)	15.0	13.4	13.4	13.7
RoCE (%)	10.9	9.5	10.8	11.0

One Year Price / Volume



We recommend 'BUY' on INDIAN TONERS & DEVELOPERS LTD for a target of INR 220 - valuing the company at P/E 13x of FY18E Earning.

## INVESTMENT RATIONALE:

- India's largest manufacturer and exporter of compatible toners.
- The Company is undergoing another expansion and is adding another production line, which will enhance the total production capacity of the company.
- ITDL has a widespread distribution network with around 100 distributors present in every nook and corner of the country.
- Indian Toners exports Toners to more than 25 countries and over the years, has become one of the leading toner manufacturers and toner suppliers of South East Asia.
- The Government of India has been awarding Indian Toners for its "Excellence in Export Performance" consecutively since the past several years.
- Every department of Indian Toners consists of a team of highly experienced and dedicated professionals.
- Market leadership in a niche space.
- Export potential-Global market offers a large opportunity size for the company for growth
- ITDL Toners are manufactured and examined under strict quality control standards.
- Company has very strong financials compare to its peers in industry.

## VALUATIONS AND VIEW:

ITDL is India's largest manufacturer and exporter of compatible toners for use in laser printers, the new age digital machines, multi-function printers, analogue copiers as well as wide format printers and copiers. Quality consciousness, dedication to technological progress and determination for satisfaction of its customers, shareholders and employees underline the values set forth by its founder. We value the business at 13x FY18E EPS and recommend a BUY rating on the stock with a target price of INR 220 per share.

## RISK & CONCERN

- **Competition:** End customers are mostly unaware about the goods and bads of any toner powder and price is the only determinant. Most refillers, sell the products which gives them the highest margins, which are usually cheap imported products.
- In spite of making decent profit, the company is not paying dividend and majority of profit is generated at subsidiary level where parent company has 51% stake.
- **Foreign Exchange Fluctuation:** Most of the revenues (almost 100%) are coming from export, and hence frequent and wide fluctuations in foreign currency and tough competition in the international market continues to be a challenge for your company.

## COMPANY BACKGROUND:

Indian Toners and Developers Limited (ITDL), an ISO 9001:2008 and ISO 14001:2015 Certified Company, was incorporated in 1990, as a Public Limited Company with more than 18000 shareholders. Employing a highly automated and integrated Swiss/German plant, ITDL had a capacity to produce 650 mt of toners per annum. ITDL is a leading manufacturer of compatible black toners for photocopiers, laser printers, digital machines and multifunction printers.

Indian Toners & Developers Ltd. is India's largest manufacturer and exporter of compatible toners for use in laser printers, the new age digital machines, multi-function printers, analogue copiers as well as wide format printers and copiers. Indian Toners & Developers Ltd. also offers premium quality chemical color toner products for use in laser printers and copiers.

Quality consciousness, dedication to technological progress and determination for satisfaction of its customers, shareholders and employees underline the values set forth by its founder. Every department of ITDL consists of a team of highly experienced and dedicated professionals in order to maintain a privileged relationship with the large and ever growing family of valued and satisfied customers.

### Products-

- Chemical Color Toner
- Laser Toner
- Copier/ Digital Toner
- Wide Format Copier & Printer Toner
- Packaging

## INDUSTRY OVERVIEW:

The growth of toner industry is expected to grow with expected rise in shipping volume of hardware (copier/MFP, laser/LED printer, laser/LED fax and production printer) and increase in printing volume. The regions where shipment volume is expected to grow are emerging market countries such as China, South East Asia, India and Brazil. Even though the growth rate may differ from countries, increasing population and expansion of infrastructure are seemed to cover the deficit from developed countries. Potential demand is high in these regions, but low-end machines are preferred and high priced high-end machines such as A3 MFP and color devices are not sold well. In order to expand basic demand, manufacturers are marketing low end devices so far and believe that the need of high end machines like A3 MFP and color MFP will follow.

## Peer Comparison

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div. Yld (%)	NP Qtr. (Rs Cr)	Qtr. Profit Var (%)	Sales Qtr. (Rs Cr)	Qtr. Sales Var (%)	CMP/BV
Pidilite Inds.	697	41.6	35,708.4	0.60	202.4	2.20	1,334.4	(0.28)	10.24
Solar Inds.	166	20.3	6,787.2	0.60	47.6	14.57	433.1	13.67	5.24
Vinati Organics	705	26.4	3,638.7	0.57	32.6	7.89	164.4	8.04	5.69
Bodal Chemicals	148	14.1	1,611.4	0.41	31.6	41.74	275.7	35.25	4.79
NOCIL	90	14.5	1,470.6	1.31	25.5	26.15	177.3	4.20	2.61
Sudarshan Chem.	347	26.0	2,399.8	0.87	12.2	(7.53)	283.1	4.09	6.04
Meghmani Organ.	37	10.6	947.3	0.81	20.0	(28.02)	320.9	0.18	1.34
<b>Indian Toners</b>	<b>160.0</b>	<b>13.0</b>	<b>129.6</b>	<b>-</b>	<b>1.8</b>	<b>(35.23)</b>	<b>27.4</b>	<b>(1.23)</b>	<b>1.54</b>

\*TTM

## FINANCIAL OVERVIEW

### Q4 FY16 Performance Highlight

(in Million)	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	94.01	97.01	88.21	73.43	80.27	-14.62%	9.31%
Other Income	1.83	12.62	2.27	2.58	11.03		
Total Income	95.84	109.63	90.48	76.01	91.30	-4.74%	20.12%
Expenditure	-76.48	-80.50	-78.94	-61.79	-72.70		
As a % of Sales	81.35%	82.98%	89.49%	84.15%	90.57%		
Interest	-0.17	-0.16	-0.22	-0.27	-0.22	29.41%	-18.52%
PBDT	19.18	28.98	11.32	13.94	18.38		
As a % of Sales	20.40%	29.87%	12.83%	18.98%	22.90%		
Depreciation	-3.34	-3.04	-3.15	-3.24	-3.4		
PBT	15.84	25.94	8.17	10.7	14.98	-5.43%	40.00%
As a % of Sales	16.85%	26.74%	9.26%	14.57%	18.66%		
Tax	-3.38	-2.66	-1.99	-3.13	-1.92	-43.20%	-38.66%
Net Profit	12.46	23.28	6.18	7.57	13.06	4.82%	72.52%
As a % of Sales	13.25%	24.00%	7.01%	10.31%	16.27%		
Equity	80.59	80.59	80.59	80.59	80.59	0.00%	0.00%
EPS (Rs)	1.55	2.89	0.77	0.94	1.62	4.52%	72.34%
CEPS (Rs)	1.96	3.27	1.16	1.34	2.04		
OPM %	20.59	30.03	13.08	19.37	23.17		
NPM %	13.25	24	7.01	10.31	16.27		

## Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
<b>Net Sales</b>	<b>686</b>	<b>846</b>	<b>949</b>	<b>1,091</b>	<b>1,288</b>	<b>1,481</b>	<b>1,703</b>
Other Operating Income	14	15	9	19	26	24	27
<b>Expenditure</b>	<b>548</b>	<b>639</b>	<b>737</b>	<b>855</b>	<b>1,010</b>	<b>1,162</b>	<b>1,337</b>
<b>EBITDA</b>	<b>152</b>	<b>222</b>	<b>221</b>	<b>255</b>	<b>303</b>	<b>343</b>	<b>393</b>
Depreciation	22	23	27	31	35	37	38
<b>EBIT</b>	<b>130</b>	<b>199</b>	<b>194</b>	<b>225</b>	<b>269</b>	<b>306</b>	<b>355</b>
Interest Expenses	3	2	2	2	3	3	4
<b>PBT</b>	<b>128</b>	<b>197</b>	<b>192</b>	<b>222</b>	<b>266</b>	<b>303</b>	<b>351</b>
Tax	16	18	52	57	70	78	89
Other Income	-	-	-	-	-	-	-
Extraordinary Items	(2)	(3)	20	2	-	-	-
<b>Net Income Before Adjustment</b>	<b>109</b>	<b>177</b>	<b>161</b>	<b>167</b>	<b>196</b>	<b>225</b>	<b>262</b>
Minority Int./Income from Assoc.	43	61	56	60	77	89	102
<b>Adjusted PAT</b>	<b>66</b>	<b>115</b>	<b>105</b>	<b>106</b>	<b>119</b>	<b>136</b>	<b>160</b>

## Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 12A	FY 13A	FY 14A	FY 15A	FY 16E	FY 17P	FY 18P
Equity share capita	81	81	81	81	81	81	81
Reserves & surplus	463	576	664	761	859	971	1,102
Share Warrants	-	-	-	-	-	-	-
<b>Net worth</b>	<b>543</b>	<b>656</b>	<b>744</b>	<b>842</b>	<b>940</b>	<b>1,052</b>	<b>1,183</b>
Minority Interest	119	180	236	296	-	335	346
<b>Loan Funds</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>0</b>	<b>(2)</b>
Net deferred tax liability	48	47	44	54	54	54	54
Other Long-term Liabilities	7	6	7	7	9	10	11
Long-term Provisions	2	3	4	5	5	6	7
<b>Total Liabilities</b>	<b>720</b>	<b>894</b>	<b>1,037</b>	<b>1,206</b>	<b>1,010</b>	<b>1,458</b>	<b>1,601</b>
<b>Net block</b>	<b>355</b>	<b>351</b>	<b>419</b>	<b>412</b>	<b>457</b>	<b>450</b>	<b>442</b>
<b>Investment, Loan &amp; Adv.</b>	<b>75</b>	<b>89</b>	<b>90</b>	<b>380</b>	<b>101</b>	<b>121</b>	<b>135</b>
<b>Total Current Assets</b>	<b>447</b>	<b>646</b>	<b>725</b>	<b>631</b>	<b>1,057</b>	<b>1,195</b>	<b>1,351</b>
<b>Current Liabilities &amp; Provisions</b>	<b>158</b>	<b>192</b>	<b>198</b>	<b>219</b>	<b>606</b>	<b>311</b>	<b>329</b>
<b>Net Current Assets</b>	<b>289</b>	<b>453</b>	<b>527</b>	<b>412</b>	<b>451</b>	<b>884</b>	<b>1,022</b>
<b>Total Assets</b>	<b>720</b>	<b>894</b>	<b>1,037</b>	<b>1,206</b>	<b>1,010</b>	<b>1,458</b>	<b>1,601</b>

## Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 15A	FY 16E	FY 17P	FY 18P
<b>Operating Cash Flow</b>	<b>189</b>	<b>176</b>	<b>118</b>	<b>120</b>
<b>Cash Flow from Investments</b>	<b>(179)</b>	<b>199</b>	<b>(50)</b>	<b>(44)</b>
<b>Cash Flow from Financing</b>	<b>(23)</b>	<b>(9)</b>	<b>(26)</b>	<b>(30)</b>
<b>Net Changes in Cash</b>	<b>(14)</b>	<b>365</b>	<b>41</b>	<b>46</b>
Opening Cash	65	52	417	458
<b>Closing Cash Balance</b>	<b>52</b>	<b>417</b>	<b>458</b>	<b>504</b>

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