

Dhunseri Petrochem & Tea Ltd

Forex plays spoil sport

Fundamental Grade **3/5 (Good fundamentals)**
Valuation Grade **5/5 (CMP has strong upside)**

Industry **Chemicals**

Dhunseri Petrochem & Tea Ltd's (Dhunseri's) Q2FY12 revenues and earnings were in line with CRISIL Research's expectations, barring the exceptional forex loss due to depreciation in the rupee against the dollar. The company's expansion plans – to add 210,000 MT capacity at its Haldia plant by FY13 and to set up a 420,000 MTPA greenfield plant in Egypt by FY14 – are on track. We maintain our fundamental grade of **3/5**.

Q2FY12 result analysis

- Revenues declined by 6% q-o-q, while it grew by 24% y-o-y to Rs ~45 bn; polyester chips business (~90%) was up by 27% y-o-y to Rs 40 bn while the tea business grew by 20% y-o-y.
- Realisation remained flat q-o-q at Rs ~84,500/tonne; however it was up by ~35% y-o-y from Rs 62,000/tonne due to higher raw material prices and healthy demand for PET. Both PET production and sales volume declined by 7-8% y-o-y and q-o-q basis due to short supply of PTA. We expect PTA supply to constrain sales growth in the short term.
- EBITDA margin contracted to 10.6% as compared to 15.1% in Q2FY11 due to higher raw material cost (raw material cost increased to 72.7% from 67.5% in Q2FY11). PET EBITDA/tonne increased q-o-q from Rs ~5,300 to Rs ~8,300, while it declined y-o-y (Q2FY11 Rs ~12,000). The company reported a loss of Rs 90 mn against profit of Rs 248 mn in Q2FY11 mainly on account of restatement of foreign currency term loan and other monetary items to the tune of Rs 434 mn due to depreciation in the rupee against the dollar.
- However adjusted PAT stood at Rs 344 mn as compared to Rs 291 mn in Q2FY11. Adjusted EPS grew by 18% on y-o-y basis to Rs 9.8.

Key developments – expansions on track

Dhunseri's brownfield expansion in Haldia and greenfield expansion in Egypt are on track. Of the total investment in Haldia the company has incurred Rs 1,860 mn (50%), and for Egypt plant it has incurred US\$28mn (~20%) till date.

Valuations: Current market price has strong upside

We continue to use the discounted cash flow method and maintain our earnings estimates to value Dhunseri. We maintain our fair value at Rs 243 per share, at the CMP of Rs 112, the stock merits a valuation grade of **5/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Operating income	12,294	11,582	16,593	17,795	21,816
EBITDA	1,263	1,154	2,679	1,720	2,525
Adj PAT	210	724	1,829	958	1,335
Adj EPS-Rs	6.0	20.7	52.2	27.3	36.3
EPS growth (%)	51.2	245.3	63.9	(34.4)	63.5
Dividend yield (%)	1.7	3.0	3.5	4.0	6.5
RoCE (%)	11.7	9.2	22.5	10.3	11.5
RoE (%)	5.5	14.9	28.2	14.73	16.3
PE (x)	13.0	7.6	2.9	3.6	3.1
P/BV (x)	0.7	0.9	0.7	0.5	0.5
EV/EBITDA (x)	3.8	6.1	2.4	6.1	5.1

NM: Not meaningful; CMP: Current market price

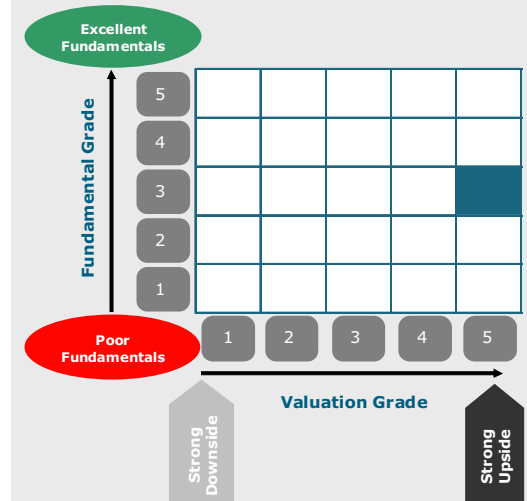
Source: Company, CRISIL Research estimate

November 15, 2011

Fair Value **Rs 243**

CMP **Rs 112**

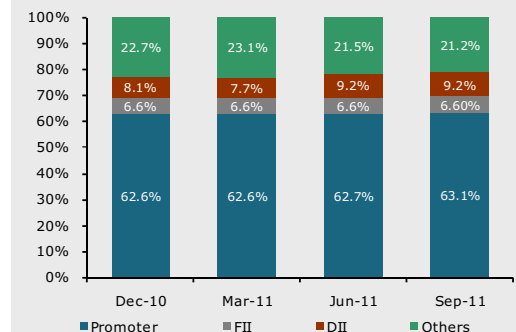
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5069/16883
NSE / BSE ticker	DPTL
Face value (Rs per share)	10
Shares outstanding (mn)	35.0
Market cap (Rs mn)/(US\$ mn)	3,939/78
Enterprise value (Rs mn)/(US\$ mn)	5,132/102
52-week range (Rs) (H/L)	244/111
Beta	1.0
Free float (%)	37.3%
Avg daily volumes (30-days)	6,657
Avg daily value (30-days) (Rs mn)	1.4

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Dhunseri	-11%	-22%	-28%	-49%
NIFTY	-1%	-0.1%	-9%	-17%

ANALYTICAL CONTACT

Chetan Majithia (Head) chetanmajithia@crsil.com
Vinay Chhawchharia vchhawchharia@crsil.com
Arun Vasu avasu@crsil.com

Client servicing desk

+91 22 3342 3561 clientservicing@crsil.com