

Gulshan Polyols Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price*	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs80	Rs78	Rs110	38%	BUY	Rs3.75

* Initiation price adjusted for Stock Split

About the Company:

Incorporated in 1981 as Gulshan Sugars & Chemicals Limited, Gulshan Polyols Limited (GPL) is a multi product, multi locational company and a market leader in many of its products. GPL is among one of the market leaders in manufacturing Sorbitol, precipitated calcium carbonate (PCC) and wet ground calcium carbonate (WGCC). The Company is promoted by Dr CK Jain, who is a technocrat with doctorate in Chemistry. Recently the company was recognized and awarded the Star export house in India by Government of India. The business portfolio covers a range of manufacturing activities in starch sugars, calcium carbonate; alcohol business; agro based animal feed and on-site PCC plants.

Results Declared:

- Net sales for the quarter stood at Rs1,400mn as against Rs1,220mn in the same quarter last year, growth of 14.8%
- The Ebitda margins for the quarter under review took a beating. It appears, there was an overall pressure in the market related to sorbitol prices, which also indicates participants are becoming aggressive for gaining market share. The Ebitda margins for the quarter ending September 2017 came in 10.00% as against 11.23% in the comparative quarter.
- The net profit stood at Rs25mn as compared to Rs56mn in the corresponding quarter last year.
- The EPS for the quarter stands at Rs0.53 as compared to Rs1.3 in the corresponding period last year.

Other Highlights:

- In the meeting held on November 13, 2017, the Board of Directors of the company have declared an interim dividend of Rs0.4 i.e. 40%.
- Trial run of the distillery has been completed and the company is anticipating commercial production soon.
- The company has also entered into an arrangement to set up a 24000 MTPA on site PCC / WGCC plant with a paper mill in western UP.

Financials (Standalone):

Result Update (Q2FY2018)									
Q2FY18 Result (Rs mn)	Sep-17	Sep-16	y-o-y	June-17	q-o-q	FY16	FY17	y-o-y	FY18E
Total Income	1,400	1,220	14.8%	1,506	(7.0%)	4,412	5,038	14.2%	5,711
EBITDA	140	137	2.2%	135	3.4%	608	606	(0.3%)	596
Other Income	1	6	-	2	(50.0%)	46	35	(24.3%)	37
Interest	24	13	84.6%	21	14.3%	39	52	34.8%	71
Depreciation	87	72	20.8%	82	6.1%	237	280	18.0%	303
Tax	5	2	-	(6)	-	73	30	(59.2%)	51
Net Profit	25	56	(55.4%)	40	(38.1%)	305	279	(8.4%)	208

Outlook and Recommendations:

The benefits of the upcoming distillery will show direct impact on the top line. The company is facing some margin pressure as it intends to gain some market share for sorbitol. The current year, the company is sacrificing margins for gaining market share. The current financial year appears to be a year of consolidation for Gulshan Polyols. Considering the same, we revise the target price back to Rs110 (earlier Rs140).

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