

MERINO INDUSTRIES LIMITED

"Conservatism pays..."

WWW.MERINOINDIA.COM

Report Date: November 18, 2020
Report Number: Annual/2020/01

ISIN: INE662B01017
Status: Unlisted EQ
Face Value: ₹10 per share
Market Capitalisation:
₹ 19.44 Bn

Shareholding Pattern

Total Shares : 10369600

Promoter Group

Individuals, Body Corporate

94.74%

Non Promoter Group

Employee, NRI And Individual
Shareholders

5.26%

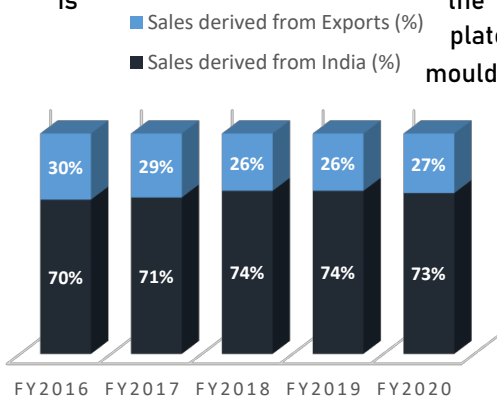
Merino Industries Limited was incorporated in 1965, it forayed into the interior design segment with plywood manufacturing in 1974. Merino Industries Limited manufactures wood products. The Company offers plywood and decorative laminates for homes, offices, commercial, and public areas. Merino Industries Ltd. serves customers in India and off shore. Merino achieve a competitive advantage through technology innovation and by delivering greater customer satisfaction.

The group is one of the world's leading manufacturers and exporters of decorative laminates. The Company has presence in almost all the states in India and has global presence in 70 plus countries operating through a network of more than 1,080+ dealers with 10,000 outlets. The group revenue of \$190 million with 50% generated in geographies other than India

Promoter Group share-holding: The Company is backed by Lohia family with promoter and promoter group companies having a strong shareholding of 94.84% with Merino Exports Private Limited being the largest shareholder having 29.58% shareholding. Shri Rup Chand Lohia is the Executive chairman and Shri Prakash Lohia is the Managing Director. Merino Industries Limited has subsidiaries which include Merino Panel Products Limited, Vegit Merino and Merino Services Limited.

Group Restructuring: As on December 2019, in an order by the NCLT, Kolkata bench, Merino Group was granted approval for Merger and Amalgamation scheme of 5 of its subsidiaries- Merino Exports Private Limited, Merino Properties Private Limited, Merino Services Limited, Merino Consulting Services Limited, Merino Panel Products into Merino Industries Limited. This scheme resulted in focused management, leading to optimum growth and development of the respective businesses and streamlining the holdings across various companies of Merino Group. This has helped the Merino Group in reducing overheads, optimizing utilization of resources thereby improving operational efficiency and increasing revenue growth.

Innovative Approach: The Group was the first in its sector to invest in power cogeneration (2.75 MW), showcasing its environment commitment. Also, the Group is the first and the only player to invest in captive plate polishing capability for stainless steel moulds used in laminates manufacturing.

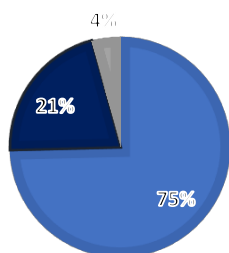


Sales derived from India vs Exports

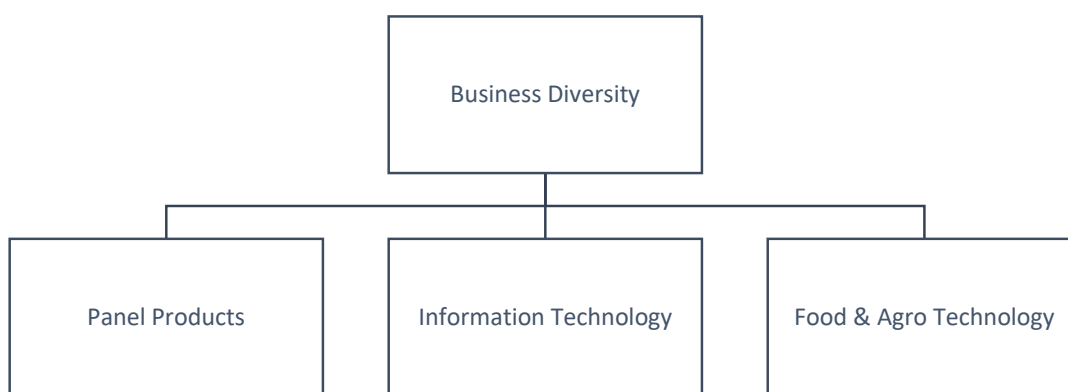
MERINO INDUSTRIES LIMITED

Revenue Contributors

- Laminates
- Panel products & furniture
- Potato flakes

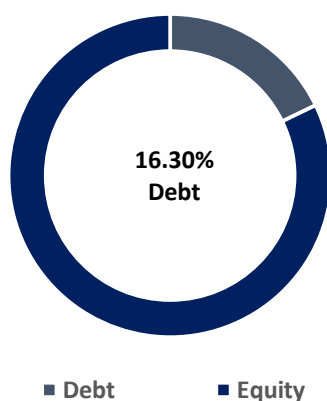


Financial Dashboard

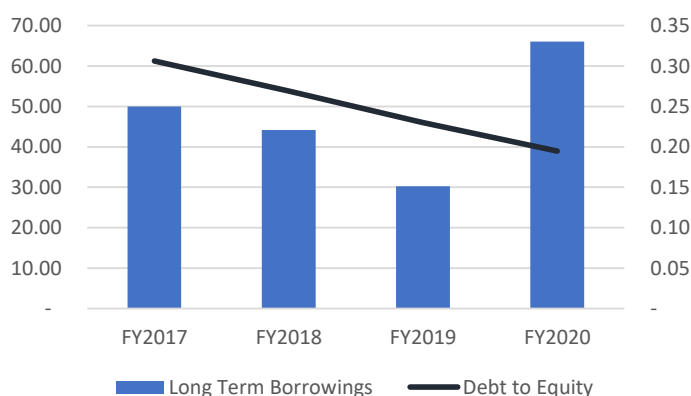


Financial Dashboard

Capital Structure



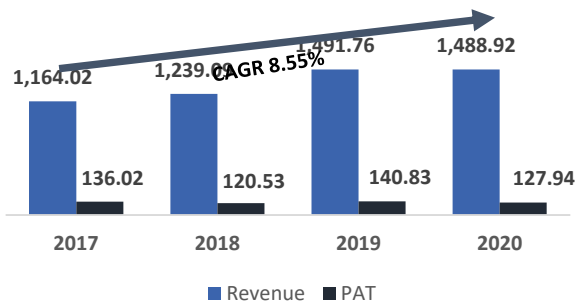
Borrowings Trend



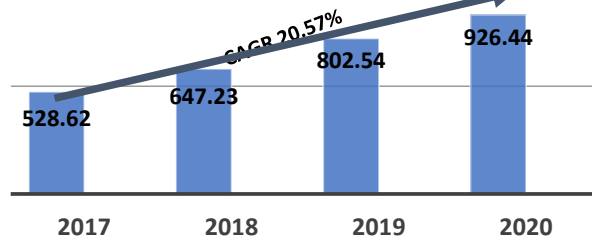
The company is virtually debt free-with Debt/Equity ratio <0.25%. It currently has a long-term borrowing of ₹ 66.01 Crores. The Group has repaid ₹ 77 Crore of its long-term debt in the past five years ending FY2020. In spite of increase in long-term borrowings, the consolidated Debt to Equity ratio has strengthened to 0.19 in FY2020 from 0.23 in FY2019 due to 26% decrease in short-term borrowings as well as 15% increase in Net Worth.

Rating: CRISIL has reaffirmed its rating of CRISIL AA- to its long-term instruments with stable outlook and rating of CRISIL A1+ for its short-term instruments as on 25th September 2020.

Revenue vs PAT (in ₹ Cr)

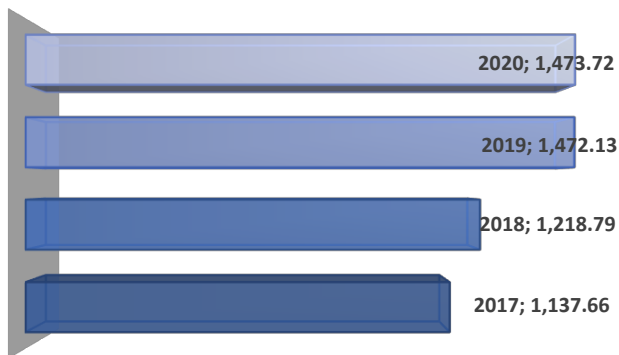


Net Worth (in ₹ Cr)

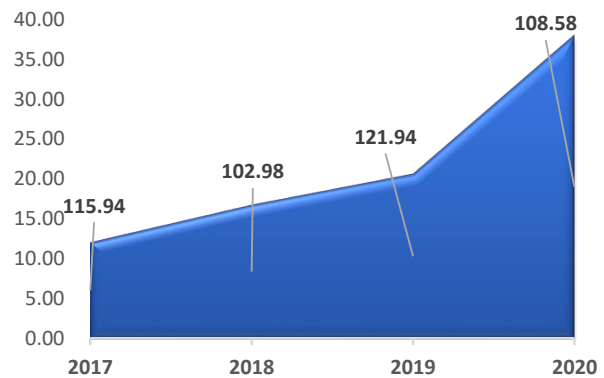


Financial Dashboard

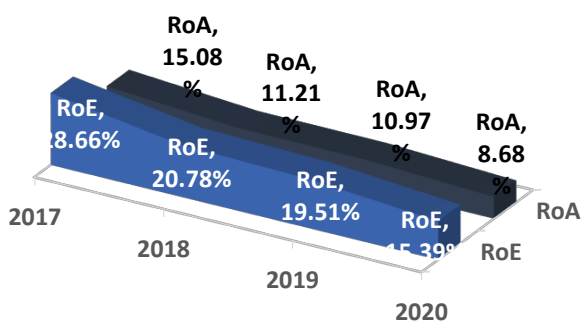
Revenue from Operations (in ₹ Cr)



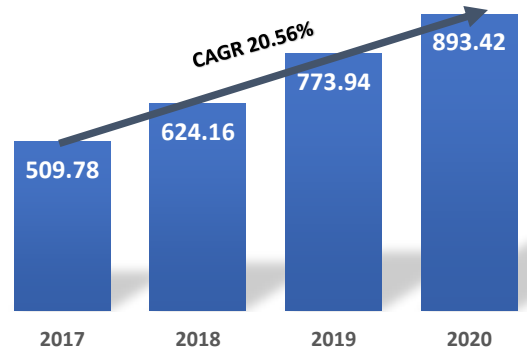
EPS Growth

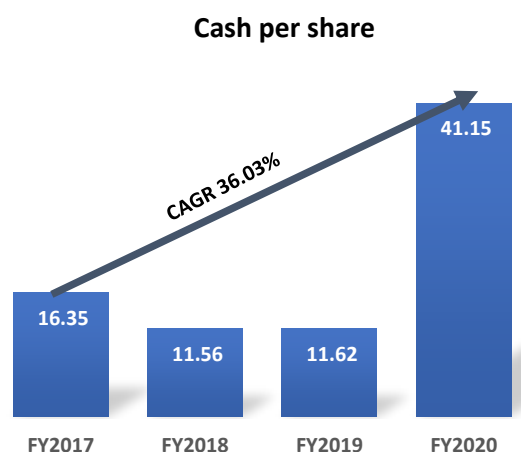
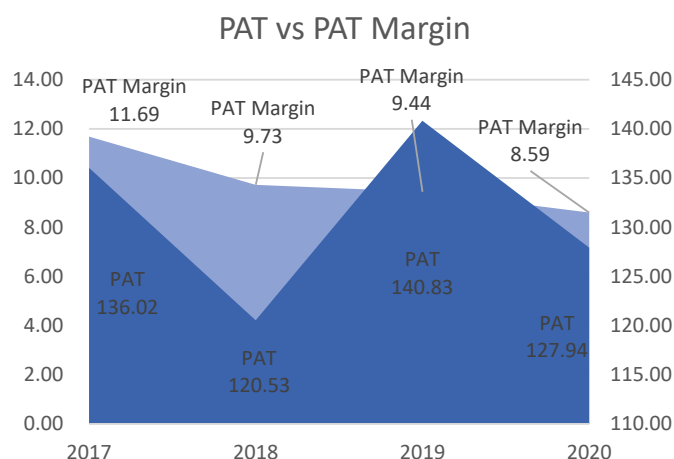


ROA and ROE



Book Value per share





Key Investment Considerations

- ◆ Merino Industries is a consistent dividend paying company and has paid two Interim Dividends of ₹ 3.50 per share in FY2020.
- ◆ The consolidated Net Worth has grown from ₹528.62 Crores in FY2017 to ₹ 926.44 Crores in FY2020 at a CAGR of 20.57%.
- ◆ The consolidated Revenue from Operations has grown from ₹ 1,137.66 Crores in FY2017 to ₹ 1,473.72 Crores in FY2020 at a CAGR of 9.01%.
- ◆ The consolidated Total Assets have grown from ₹ 902.06 Crores in FY2017 to ₹ 1,474.67 Crores in FY2020 at a CAGR of 17.80%.
- ◆ The consolidated Profit After Tax (PAT) has reduced from ₹ 140.83 Crores in FY2019 to ₹ 127.94 Crores in FY2020 on account of 41.11% increase in Depreciation & Amortisation costs as well as 15.82% increase in Employee Benefit Expense in FY2020.
- ◆ The Cash per share has grown from ₹ 16.35 in FY2017 to ₹ 41.15 in FY2020 at a CAGR of 36.03%.

Valuation

The company is valued basis P/E(x). The company is currently trading at trailing P/E of 17.49.

As per the annual report of FY2020, the global decorative laminates market is expected to grow at 5% from FY2019 to FY2025. On the basis of the above expectation in growth and taking a conservative approach, the company is expected to post revenue of ₹ 1,563.36 Crore in FY2021. The net profit margin in FY2020 was 8.59%, accordingly, based on this margin expectation, the Profit after Tax (PAT) is estimated to be ₹ 134.29 Crores in FY2021. Similarly, the Earning per share (EPS) is estimated to be 129.51 in FY2021 and forward P/E(x) of 14.67.

(in ₹ Crores)

Metrics	FY2019A	FY2020A	FY2021E	Y-O-Y Change
Net Worth	802.54	926.44	1,019.08	10.00%
Book Value per share (in ₹ per share)	773.94	893.42	982.76	10.00%
Diluted EPS (in ₹ per share)	121.94	108.58	129.51	19.27%
Trailing P/E	-	17.49	-	-
Forward P/E	-	-	14.67	-

A-Actuals, E-Expected. The Y-O-Y change depicts % change expected in FY2021 over FY2020. P/E ratio has been calculated as per the current market price on 5th October, 2020.

Peer Comparison-Future Outlook

(in ₹ Crores)

Metrics	Merino Industries Ltd	Greenlam Industries Ltd	Century Plyboards India Ltd
Listing	Unlisted	Listed	Listed
Market Capitalization	1,866.53	1808.06	3,981
Net Worth	926.44	501.00	1,090.00
Revenue	1,488.92	1,325.00	2,329.79
Profit After Tax (PAT)	127.94	86.67	125.28
ROE	15.39%	18.8%	11.8%
EPS (in ₹ per share)	108.58	29.76	6.78
P/E(x)	17.49	25.2	54.1
Face Value Per Share (in ₹ per share)	10/-	5/-	1/-

The above values of peer group comparison are as per the financials for the year ending 31st March, 2020. The market-cap and P/E considered for listed companies are as per their respective current market price as on 5th October, 2020 and NSE website.

Future Outlook

Merino Group is focusing to reduce long-term debt to become debt-free in the foreseeable future as per the annual report of FY2020 thereby, strengthening its credit rating. The company has been funding growth through internal accruals and lowering its working capital requirements. The company plans to move towards a more sustainable business model in long term by controlling fixed costs and selectively expanding through projects that provide shorter payback.

Despite Merino Industries Limited being impacted in the first quarter of FY2021 due to shut down of operations, the it is well positioned to leverage its leadership in manufacturing capacity to improve its sales and report higher EBITDA/unit of output compared to its peers and outperform sectoral growth. The company also plans to increase export sales to offset weaker domestic demand.

The above measures are expected to increase ROE and ROCE, enhance niche presence, provide higher liquidity and maximize cashflow thereby, increasing shareholder value.