

MULTI BAGGER PEER TO VIP INDS - HIDDEN POTENTIAL

Highlights:

Tainwala Chemicals and Plastics Limited is Flagship Company of Tainwala group. The primarily activities of the company are manufacturing plastic sheets and securities trading. Now, the company is more of an investment firm. The contribution to the revenue of the company, by investments, is increasing year on year. The company has around 8.88% stake in Samsonite South Asia Pvt. Ltd. (Samsonite India) (2009-10 data) and have majority stake of Periwinkle Fashion Pvt. Ltd. Due to such investments, the company is getting huge dividend income which is completely forming the profits for the company.

The dividend income from the companies is expected to grow in future due to increasing funds inflows from Samsonite Group to Periwinkle and strengthening business of Samsonite India due to growing luggage market of India.

Why buying Tainwala Chemicals' stock is interesting?

Stake in Samsonite South Asia Pvt. Ltd.:

Tainwala Chemicals holds around 8.88% stake in Samsonite South Asia Pvt. Ltd which is a 60-40 joint venture between Samsonite International and Tainwala Group for operations in Asian market. The dividend income from Samsonite South Asia mainly forms the profits for the company.

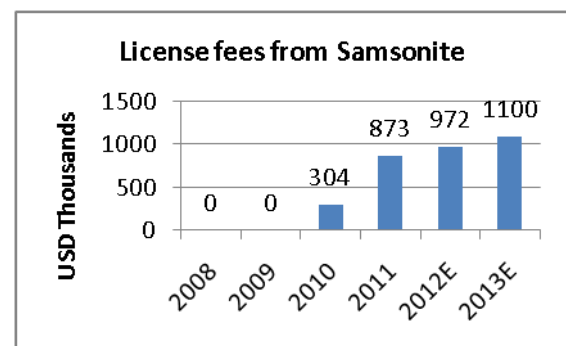
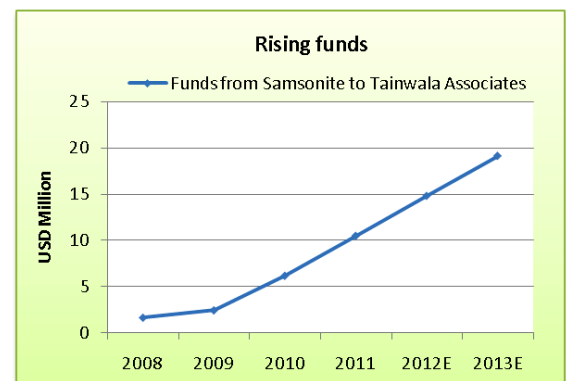
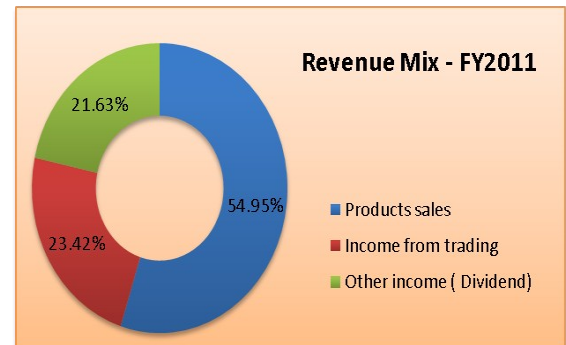
If an investor is investing in Tainwala Chemicals, he is indirectly investing in the Samsonite South Asia Pvt. Ltd. In CY2010, Samsonite South Asia Pvt. Ltd has posted Sales turnover of Rs 650 Crores and net profits of Rs 72 Crores. Assuming the given stake, the Tainwala Chemicals' revenue goes up by Rs 57.72 crores and net profits by Rs 6.31 crores. With 3x of the sales the market capitalization comes around Rs 173 crores. Given the number of equity shares of Tainwala Chemicals i.e. 9363863, we arrive at the valuation of Rs 184 per share if company sells its stake in near future.

In the above valuation calculation, we have not considered the other investments done by Tainwala Chemicals such as Periwinkle Fashion Pvt Ltd. in which it has around 17500 equity shares and Samtain. We have also not considered the current operating performance of the company which is improving. Considering the above facts the valuation of the company goes far ahead.

Periwinkle is one of the Tainwala associates company in which Tainwala Chemicals have around 17500 paid up equity shares (Annual report 2009-10). The transactions between Periwinkle and Samsonite Group show an increasing funds inflow to the Periwinkle from Samsonite. Subsequently, the dividend income of the company will increase.

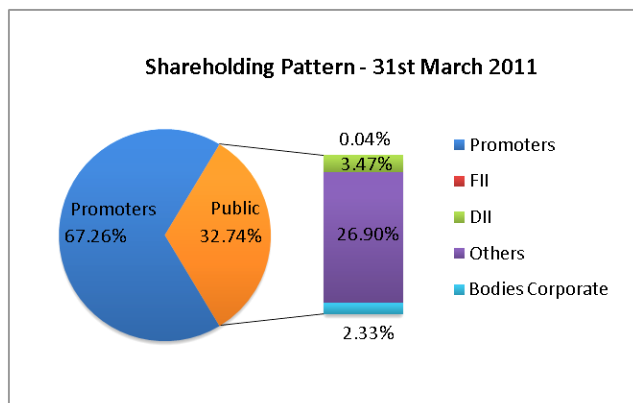
Key Income statement data (Rs Lakhs)

	FY2010	FY2011
Income from operations	760.90	1075.03
Other Income	379.11	295.80
Total Expenditure	884.35	1145.32
EBITDA	255.66	225.51
Interest	13.26	5.21
PBT	242.40	220.30
PAT	170.21	148.37
EPS	1.81	1.58





Shareholding Pattern of TCPIL



The company has total 9,363,863 paid up equity shares of face value Rs 10. The company also has authorized capital of 14 crores.

“The company is, now, more of an investment firm”

Company Profile

This is flagship company of the Tainwala Group, headquartered in Mumbai. The company's primary activities are manufacturing plastic sheets and securities trading. The company has its plastic factory at Silvassa, Dadra & Nagar Haveli with installed capacity of 6000 MT per annum.

The Chairman of the company is Mr. Dungarmal Tainwala. The managing director is Mr. Rakesh Tainwala.

The company also has huge investment in Samsonite South Asia Pvt. Ltd (Samsonite). It has around 8.88% of stake in the Samsonite India. The company is, now, more of an investment firm rather a manufacturing company.

The other group companies are:

- Tainwala Personal Care Products Pvt. Ltd.
- Samsonite South Asia Pvt. Ltd.
- Abhishri Packaging Pvt. Ltd.
- Abhishri Polycontainers

Tainwala Personal Care Products Pvt. Ltd:

Tainwala Personal Care products was formed in 1994 from the subsidiarisation of the consumer products division of Tainwala Chemicals and Plastics (India) Limited. The products of the company can be divided into following:

- Household Insecticides
- Wet Serviettes
- Baby & Adult Diapers

Samsonite South Asia Pvt. Ltd:

Samsonite South Asia Pvt. Ltd. was promoted by the Tainwala Group in a joint venture with Samsonite Corporation Limited, U.S.A. 40 % of the companies equity is held by the Tainwala Group, whereas the balance 60 % is held by Samsonite Corporation U.S.A. the company started operations in March 1997. The plant is situated at Nasik, about 120 Kms. from Mumbai. 80% of the companies production is exported worldwide including countries in North America, Europe, Asia, Africa and the Middle-East.

Tainwala Chemicals holds around 3,069,873 paid up equity shares in Samsonite South Asia Pvt. Ltd. The total number of paid up equity shares of Samsonite South Asia is 34,552,020.

Abhishri Packaging Pvt. Ltd:

The company was formed to manufacture ABS & Polycarbonate luggage for Samsonite Corporation. The production capacity of the plant located at Umergaon, 150 Kms. from Mumbai is 500,000 pieces per annum.

Abhishri Polycontainers:

The company produces industrial packaging containers with capacities upto 120 liters. The capacity of its plant is 2500 million tonnes per annum. 70% of its production is sold for export packaging. The plant is located at Silvassa, 150 Kms from Mumbai.



Samsonite International S.A.

Samsonite is the world's largest travel luggage company with the core brand name *Samsonite*. The company was founded in 1910 in Denver, Colorado by Jesse Shwayder and began business as a trunk manufacturing company. The company has presence in over 100 countries through global sales and huge distribution network.

The company sells its products under two major brand names:

- Samsonite, and
- American Tourister

The company has major presence in India, China, UAE, Thailand, Australia, Russia, Chile, Turkey, Philippines, Indonesia, and South Africa.

In last fiscal, the European and Asian market contributed around 33.5% and 33.3% to the topline of the company.

In India, Samsonite faces strong competition with VIP industries. The market share of the company in India is around 16.8% versus 15.8% of VIP Industries.

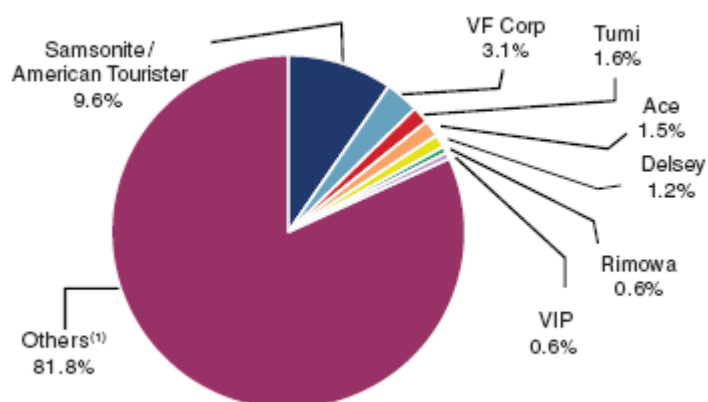
In 2010, the Samsonite Group was the market leader with a 16.8 percent share of the Indian luggage market at retail sales value. VIP Industries, which operates under a number of brands including VIP, Carlton, and Delsey (operated under license) was the second largest player with a 15.8 percent share. The Indian luggage market can be broadly classified into the organized and unorganized segment. In 2010, the unorganized segment accounted for approximately 58 percent of the luggage market in terms of retail sales value.

Growth Indicators:

The Indian luggage market was estimated at US\$916 million in retail sales value in 2010 and is forecast to reach approximately US\$1,874 million in 2015, representing a 15.4 percent CAGR between 2010 and 2015.

The travel bag segment accounted for the largest portion of the Indian luggage market in 2010. Between 2010 and 2015, the travel bag segment is forecast to grow at a 16.0 percent CAGR at retail sales value.

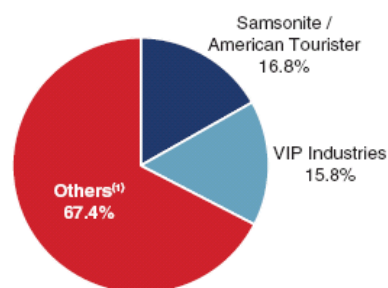
Global Luggage Market Share in 2010



Total: US\$24,744 million

Source: DRHP of Samsonite International, 2011

Indian Luggage Market Share, 2010



Total = US\$916 million

Source: Frost & Sullivan, DRHP of Samsonite International, 2011

Peer Comparison

	in Rs Crore	
	Samsonite India CY 2010	VIP Industries FY 2011
Sales Turnover	650	743
Net Profit	72	62
NPM (%)	11.08	8.34
Market Share (%)	16.8	15.8
Market Cap	Not Known*	2157

* Not listed

Market Capitalization of Samsonite International is around Rs 11600 Crore.



Annexure I: Transactions with Samsonite Group

#	Agreements	Transactions	2008	2009	2010	2011E	2012E	2013E
1	Manufacturing agreement with Abhisri	Purchase from Samsonite	0.137	0.569	0.957	1.5	2.2	2.9
		Sales to Samsonite	1.5	2.3	5.2	8.3	12	15.6
2	Dealership agreement with Bag zone	Purchase from Samsonite	0	0.505	5.1	8.4	12.6	18.9
		Rent reimbursed by Samsonite	0	0	0.822	2	2.6	3.3
3	Dealership Agreement with Samtain	Purchase from Samsonite	19.1	3.7	4.5	6.4	8.3	10.8
4	Shop-in shop supply agreement with Planet Retail	Purchase from Samsonite	0.031	0.038	0.067	0.091	0.183	0.201
5	Leave and License agreement with Mr. Rakesh Tainwala	License Fee from Samsonite	0.014	0.013	0.014	0.018	0.02	0.023
6	Leave and license agreement and amenities agreement with Periwinkle	License Fee from Samsonite	0	0	0.304	0.873	0.972	1.1
7	Lease agreement with Tainwala Holdings	Rent and taxes paid by Samsonite	0.05	0.047	0.051	0.067	0.074	0.081
8	Leave and license agreement with Tainwala Trading	License fee from Samsonite	0.05	0.047	0.051	0.067	0.074	0.081
Amount Payable by Tainwala Associates to Samsonite			19.26	4.812	10.6	16.39	23.28	32.80
Amount Payable by Samsonite to Tainwala Associates			1.614	2.407	6.13	10.45	14.76	19.08

Annexure II: Financials of TCPIL

Balance Sheet

Particulars	In Rs Lakhs	
	FY2010	FY2011
Shareholder's Fund		
Capital	936.39	936.39
Reserves & Surplus	2757.66	2855.49
Loan Funds		
Secured Loans	19.84	9.01
Total	3713.89	3800.89
Fixed Assets	630.44	591.45
Investments	1197.15	1352.28
Current Assets, Loans & Advances		
Inventories	453.11	592.66
Sundry Debtors	109.62	183.19
Cash & Bank Balances	360.28	209.92
Other Current Assets	17.86	73.97
Loans and Advances	1028.39	912.86
Less Current Liabilities & Provisions		
Current Liabilities	108.33	85.01
Provisions	25.16	30.43
Net Current Assets	1835.77	1857.16
Profit and Loss Account	50.53	0.00
Total	3713.89	3800.89

Ratio Analysis

Particulars	FY2010	FY2011
Profit Margins		
Operating Profit Margin	-16.22%	-6.54%
EBITDA Margin	22.43%	16.45%
PAT Margin	14.93%	10.82%
Profitability Ratios		
ROE	18.18%	15.84%
ROA	10.83%	8.99%
ROCE	13%	10%
Leverage Ratios		
Debt Equity Ratio	0.02	0.01
Current Ratio	8.69	12.47
Efficiency Ratios		
Inventory Turnover days	171	167
Debtor Days	53	62
Valuation Ratios		
P/E Ratio	8.84	10.76
P/BV	1.6	1.7
EPS	1.81	1.58



Research Analyst

The Report is prepared by Mr.Srigopal Bajaj, Head of Research.

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