

Date: 05/04/2019

Reco. Price: 473-476 • Target: 560 • Stoploss: 435

Time Frame: 2 months

**FINOLEX INDUSTRIES LTD -Weekly Chart**



**FINPIPE- Weekly Chart**

- The stock on weekly scale is placed close to weekly trend line support which is acting as strong support as highlighted in the above chart.
- The stock is taking support of 200 WSMA, which is placed at 475.
- RSI oscillator has retested trend line breakout and it is making higher low formation.
- The stock can be accumulated in the range of 473-476 with a stop loss of 435 on closing basis for the target 560.

## Key Data

Date Price	05/04/2019
Sector	Plastic Products
Reco _Price	473-476
Target Price	560
BSE Code	500940
NSE Code	FINPIPE
Face Value (Rs)	10/-
Mkt Cap (Rs Cr)	5,908
52 Week High	712.9
52 Week Low	440

Source: BSE,NSE

## Company background

Incorporated in 1981, Finolex Industries Ltd (Finolex), headquartered in Pune, Maharashtra, is one of the leading suppliers of PVC pipes and fittings for the agriculture and non-agricultural sectors. The company has state-of-the-art manufacturing facilities located at Pune and Ratnagiri in Maharashtra and Masar in Gujarat. It is the only PVC pipe manufacturing company in India, which enjoys backward integration with its own PVC resins manufacturing unit.

It is one of the leading and most trusted brands, commanding more than 20% market share in the organized segment. Finolex PVC pipes and fittings are available in a vast range for diverse applications in agriculture, housing, and construction industries.

Finolex has two associate companies - Finolex Plasson Industries Pvt Ltd (FPIPL) and Pawas Port Ltd. Company holds 46.35% stake in Finolex Plasson and 49.99% stake in Pawas Port Ltd. FPIPL offers wide range of products and solutions in drip and sprinkle irrigation along with doing turnkey projects.

## Investment Rationale

- In last eight years (FY11-18), the company has constantly increased the capacity of PVC pipes at 15% CAGR from 122,867 tonnes p.a. in FY11 to 3,30,000 tonnes p.a. in FY18. Further, company has plans to enhance its capacity to 4,40,000 tonnes p.a. by FY21. We believe, incremental volume would drive future volume growth.
- This incremental expansion would be largely funded through internal accruals since the company generates a healthy operating cash flow every year
- Finolex has entered into premium product segment i.e. CPVC products by entering into agreement with American based Lubrizol Corp, for supply of CPVC compound. Company envisage to scale up its CPVC volumes to almost 20000 MT p.a. from the current 5800 MT p.a. in the coming years.
- Finolex has integrated production facilities that ensure a steady supply of raw material to control the quality of pipes and fittings. Around 70% of the PVC resin manufactured by the company is utilized for captive consumption, and the remainder is sold externally. Further, company also has a 43MW power plant in Ratnagiri mainly used for captive consumption. We believe this improves operational efficiency & thus improves margins.
- Currently, Finolex has more than 850 dealers and 18,000 retail touch points across the length and breadth of India. South and West India remains the company's stronghold. Going forward, the company has plans to expand its distribution network in all geographical areas with higher focus in the Northern and Eastern regions.
- In the last six years (FY13-FY18), the company's revenue and profit have grown at a CAGR of 3% and 18% respectively. During 9MFY19, company's revenue & profitability has grown at 5% & 45% respectively. At the recommended price of Rs 475/-, the company's stock trades at 14.16x its FY20E EPS of Rs 33.54/-, which looks lucrative. Hence, we recommend to BUY with a target price of Rs 560/-.

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Budget Report	Mutual fund model portfolios
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# Asit C. Mehta

## INVESTMENT INTERMEDIATES LTD.

### Retail Research Desk:

Akhil Rathi	D: 91 22 2858 3210
Hrishikesh Yedve	D: 91 22 2858 3207
Vrinda Aditya	D: 91 22 2858 3209
Neeraj Sharma	D: 91 22 2858 3208
Rohan Gawale	D: 91 22 2858 3213
Dhiral Shah	D: 91 22 2858 3211

Email: [retailresearch@acm.co.in](mailto:retailresearch@acm.co.in)

### Research Analyst Registration Number:

**INH000002483**

**CIN: U65990MH1993PLC075388**

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