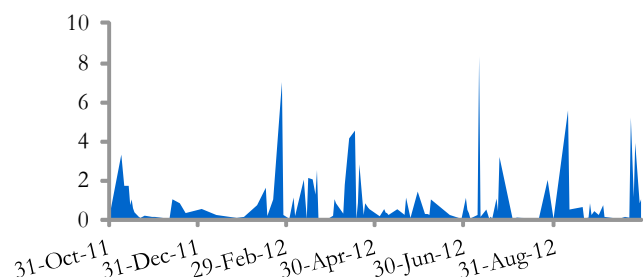


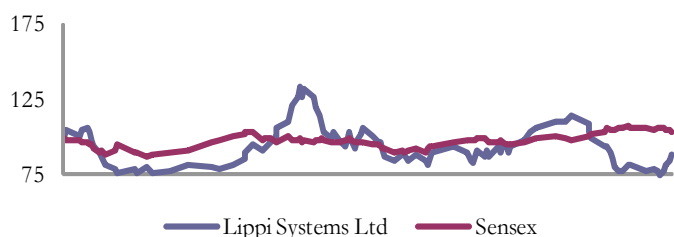
## Equity Statistics

Current Market Price	Rs.	4.8
52 Week High/Low	Rs.	7.24/4.01
Market Capitalisation	Rs. Crores	3.4
Free Float	Rs. Crores	2.6
Dividend Yield	%	-
One Year Regression Beta	Times	0.1

## BSE Volumes Trend - Average = 0.91 Thousand

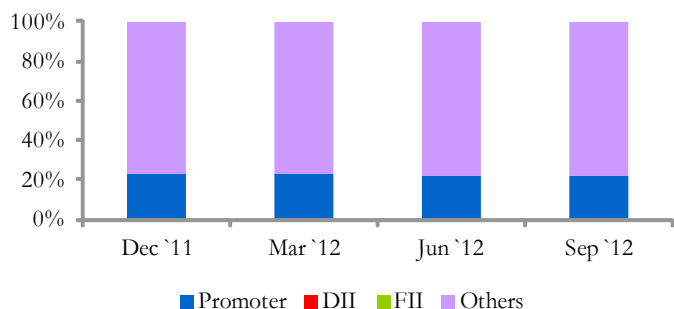


## Relative Returns



Returns	1M	3M	6M	1 Yr
Absolute	13%	-10%	-13%	-11%
Rel. to Sensex	16%	-16%	-20%	-15%

## Shareholding Pattern



Source: BSE, Capitaline and CARE Research

## Business Summary

LSL is into manufacturing of Rotogravure Printing Cylinders by Digital Engraving Process for flexible packaging, Decorative & flexo/gravure printing industries. Rotogravure printing process is widely employed by Converters in India and abroad for Decorative and Packaging Laminates. The company is also engaged in trading business of goods.

The company is having a plant for manufacturing of rotogravure printing cylinder at Ahmadabad, Gujarat. In FY12, LSL reported net sales of Rs.35.6 crore and net profit of Rs.0.2 crore.

Core strengths for LSL are increase in demand for Electronically Engraved Cylinders and upgradation of technology is done by the company in order to stay more competitive. Key risks are in terms of competition faced by LSL and rapid change in technological advancement requiring huge investment.

LSL is currently trading at 16.1 times FY12 EPS and 0.2 times book value.

## Board of Directors

Person	Role
Nandlal Agarwal	Chairman
Neha Agarwal	MD
Sanjay Agarwal	NED
Shankar Rawal	NED
Minesh Shah	NED
Kamlesh Shah	NED
Tirthraj Pandya	NED
Mahendra Patel	NED

Source: AR and CARE Research

Note: MD: Managing Director, NED: Non Executive Director

## Background

Lippi Systems Ltd (LSL) Lippi Systems Ltd was incorporated as a private limited company under the Companies Act, 1956 under the name of Lippi Systems Private Ltd in the state of Gujarat and converted into a public limited company by passing Special Resolution and Fresh Certificate of incorporation had been issued by Registrar of Companies. The company is having a plant for manufacturing of rotogravure printing cylinder at New Ahmadabad Industrial Estate, Ahmadabad, Gujarat.

## Business overview

LSL is into manufacturing of Rotogravure Printing Cylinders by Digital Engraving Process for flexible packaging, Decorative & flexo/gravure printing industries. Rotogravure printing process is widely employed by Converters in India and abroad for Decorative and Packaging Laminates. The company is also engaged in trading business of goods.

Copper and cylinder are the key raw materials for LSL.

## Strengths and growth drivers

- The increase in demand for Electronically Engraved Cylinders
- Upgradation of technology is done by the company in order to stay more competitive.
- Increase in capacity of engraving and manufacturing cylinders for laminates.
- Marketing and Pre-press division at various places to cater to the needs of the customer.

## Risk and concerns

- The rapid change in technological advancement requiring huge investment is an area of concern for the company.
- Competition both at domestic and international is increasing.

## Future strategy and expansion plans

- Currently the company has no expansion plans.

## Industry outlook

The Indian Packaging Industry is one of the fastest growing markets in the world, growing at a rate of around 15% p.a. The growth is derived from several end-user segments which are all growing at healthy rate such as - processed foods, beverages, fruit and marine products, cosmetics and personal care, stationery and accessories, apparel/garments, white goods, electrical/electronic appliances and equipments, shoes and leather products, gems and jewellery, toys and sporting goods and chemicals and fertilizers.

Indian packaging industry is broadly categorized into 7 main segments. Flexible Packaging is the largest segment of the industry with 21% share, followed by Rigid (18%), Paper (17%), Glass (10%), Metals (6%), Caps & Closures (5%), Labels (4%) and others (19%). Currently, non-flexible packaging captures more than 80% of the market share, but the traditional rigid packaging users are migrating to flexible packaging in recent times. In terms of growth, flexible packaging is the fastest growing segment.

The industry can be broadly categorized as a capital, fast changing technology and highly fragmented in nature. Raw-material forms the major cost component in the packaging industry, accounting for roughly 55-60% of total income. Raw-material is majorly imported (in case of both plastic and paper packaging) due to low availability in India. Price of raw-material is volatile in nature as most of the raw materials used by the packaging players are crude derivatives, thus highly correlated to crude prices.

Global packaging players (such as Amcor, Bemis) are also entering and expanding their presence in the domestic market, which has increased the level of competitiveness in the industry. Increased competition and lower ability to pass on increase in cost on account of the fragmented industry structure are adversely affecting the business and financial conditions of the industry players.

The Indian packaging industry has been governed by various regulatory policies by the government to safeguard the interests of the consumer and the society at large (particularly for food & beverages). Food packaging materials in India are regulated by the Ministry of Health and Family Welfare under the Prevention of Food Adulteration Act, 1954. In addition, the rules require plastic containers used in contact with food to conform to standards promulgated by the Bureau of Indian Standards. Some of the other regulations governing the sector include Standards of Weights & Measures Act, environment regulations, custom & excise duties etc.

Peer Comparison		Year ended March 31, 2012			
Income statement (Rs. Crore)	LSL	CIL	KIL	PML	
Total income	35.7	4,350.9	78.6	24.2	
Net sales	35.6	4,117.2	13.8	24.1	
EBITDA	2.5	638.4	7.6	1.3	
Ordinary PAT	0.2	591.3	67.5	0.5	
Adjusted PAT	0.2	574.9	45.3	0.5	
<b>Per share data (Rs.)</b>					
Adjusted BVPS	27.1	73.7	611.9	13.4	
Diluted EPS	0.3	20.7	46.6	0.9	
<b>Growth (Y-o-Y) (%)</b>					
Growth in total income	(21.9)	4.4	14.1	(5.0)	
Growth in net sales	(21.8)	1.8	229.6	(1.6)	
Growth in EBITDA	(24.9)	(11.0)	(625.0)	42.2	
Growth in adjusted PAT	50.0	(2.7)	25.9	(66.9)	
Growth in EPS*	10.5	(30.5)	25.9	(67.4)	
<b>Profitability ratio (%)</b>					
EBITDA margin	7.0	15.5	54.7	5.3	
Adjusted PAT margin	0.6	13.2	57.6	1.9	
<b>Valuation ratios (Times)</b>					
Price/EPS (P/E)	16.1	23.4	6.8	17.1	
Price/Book value (P/BV)	0.2	6.6	0.5	1.2	
Enterprise value (EV)/EBITDA	3.7	20.7	31.6	8.5	

Source: BSE, Capitaline and CARE Research

Note: CIL: Cummins India Ltd., KIL: Kirloskar Industries Ltd., PML: Polymechplast Machines Ltd.

NM: Non Meaningful

Quarterly financials		Quarter ended June 30, 2012				
Income statement (Rs. crore)	Q1FY13	Q4FY12	Q3FY12	Q2FY12	Q1FY12	
Total income	3.9	12.2	14.5	5.9	3.1	
Net sales	3.9	12.1	14.5	5.9	3.1	
EBITDA	0.9	0.1	0.7	0.7	0.9	
Ordinary PAT	0.3	(0.0)	0.0	0.1	0.2	
Adjusted PAT	0.3	(0.0)	0.0	0.1	0.2	
<b>Growth (Q-o-Q) (%)</b>						
Growth in net sales	(68.3)	(16.1)	146.3	88.7		
<b>Profitability ratio (%)</b>						
EBITDA margin	22.9	1.2	4.9	11.9	29.3	
Adjusted PAT margin	6.7	NM	0.1	1.2	5.1	

Source: BSE, Capitaline and CARE Research

NM: Non Meaningful

## Financial analysis

- In FY12, LSL reported net sales of Rs.35.6 crore – down 21.8% y-o-y. Total income witnessed a decline of 21.9% during the same period. Raw materials (especially copper and cylinder) form the largest portion of cost for LSL. In FY12, raw materials cost as a percentage of net sales was at around 81.0%.
- The company reported EBITDA margins and adjusted PAT margins of 7% and 0.6%, respectively in FY12.
- LSL had gross debt to equity of 0.3 times as on March 31, 2012. The total debt as on March 31, 2012 was at Rs.5.9 crore compared to an adjusted networth of Rs.19 crore.
- Operating cash flows for the company have been negative in FY09, FY10, FY11 and FY12.
- The company has not paid dividend for FY12.

Annual financial statistics	FY08	FY09	FY10	FY11	FY12
<b>Income statement (Rs. crore)</b>					
Total income	11.4	25.8	31.7	45.7	35.7
Net sales	11.0	25.4	31.4	45.5	35.6
EBITDA	3.9	2.9	3.0	3.3	2.5
Depreciation and amortization	2.6	2.4	2.1	2.2	1.8
EBIT	1.3	0.6	0.9	1.1	0.8
Interest	0.8	1.0	0.7	1.1	0.5
PBT	0.9	(0.0)	0.6	0.3	0.4
Ordinary PAT	0.6	0.0	0.2	0.2	0.2
Adjusted PAT	0.6	0.1	0.2	0.1	0.2
<b>Balance sheet (Rs. crore)</b>					
Adjusted networth	18.3	18.3	18.6	18.8	19.0
Total debt	6.9	6.8	5.1	5.6	5.9
Cash and bank	6.0	0.0	0.0	0.0	0.1
Investments	0.3	0.3	0.3	0.3	0.3
Net fixed assets (incl. CWIP)	9.9	9.2	7.3	7.6	6.8
Net current assets (excl. cash, cash equivalents)	10.3	16.7	17.0	17.0	8.1
<b>Per share data (Rs.)</b>					
Adjusted BVPS	26.2	26.2	26.5	26.8	27.1
Diluted EPS*	0.8	0.0	0.3	0.3	0.3
DPS	-	-	-	-	-
<b>Growth (Y-o-Y) (%)</b>					
Growth in total income		127.0	23.0	44.3	(21.9)
Growth in net sales		129.9	23.7	45.0	(21.8)
Growth in EBITDA		(26.1)	4.1	9.9	(24.9)
Growth in adjusted PAT		(89.3)	250.0	(33.3)	50.0
Growth in EPS*		(89.3)	250.0	(33.3)	50.0
<b>Key financial ratio</b>					
EBITDA margin (%)	35.7	11.5	9.7	7.3	7.0
Adjusted PAT margin (%)	4.9	0.2	0.7	0.3	0.6
RoCE (%)		2.2	2.4	4.2	2.2
RoE (%)		0.1	1.3	1.0	1.1
Gross debt - equity (times)	0.4	0.4	0.3	0.3	0.3
Net debt - equity (times)	0.0	0.4	0.3	0.3	0.3
Interest coverage (times)	1.8	0.6	1.3	1.0	1.5
Current ratio (times)	7.8	2.4	2.2	8.6	1.8
Inventory days		9.2	6.9	5.2	4.5
Receivable days		159.2	201.9	111.5	107.7

Source: BSE, Capitaline and CARE Research

Financial Year (FY) refers to period from April 1 to March 31

NM: Non Meaningful

## DISCLOSURES

- Each member of the team involved in the preparation of this grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.
- This report has been sponsored by the BSE Investors' Protection Fund.

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Published on behalf of The Stock Exchange Investors' Protection Fund

First Floor, P J Towers, Dalal Street, Mumbai.  
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