

ESSEL PROPACK LIMITED

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Q1FY14 RESULTS

EsseL Propack opens FY14 on a strong note

Results Q1 FY 14– Snapshot

Consolidated* (₹ in Crore)

	Quarter ended June 2013	Quarter ended June 2012
Sales/Income from operations	480.0	430.7
Operating Profit	52.1	37.7
Net Profit	23.5	8.8

*Numbers rounded off to nearest digit

EsseL Propack global operations posted yet another strong quarter. The consolidated net profit for Q1FY14 at ₹ 23.5 crores was significantly higher than ₹ 8.8 crores for the same quarter previous year. The net sales for the quarter grew by 11.5% to ₹ 476 crores, and the operating profits by 38% to ₹ 52 crores reflecting an expansion in the operating margin by 210 bps on account of cost efficiency. This together with a 17.2% reduction in the interest expense, contributed to the healthy bottom line. Sequentially too, the operating profit increased by 11.4% on a sales growth of 1.7%.

India standalone results: Sales grew 13.7% over the previous year to ₹ 152 crores, and the operating profit by 13.9%. Helped further by 28.6% reduction in the interest cost, the net profit increased by 17.2% over the previous year to ₹ 13.2 crores. Sequentially, India operations continue to be buoyant with sales growing by 10.7% and the operating profit by 21.6%

Highlights:

1. Revenue grew across all regions, AMESA 10%, EAP 13.5%, Americas 21.5% and Europe 7.7%. Higher operating margins saw the operating profits grow in high double digits across all the regions.
2. The America region turned out a great performance helped by improved productivity and operational efficiencies. The US plastic tube business benefitted from higher capacity utilisation and is poised for break even.
3. New capacity was implemented in Europe for supply of tubes from Poland under a large long term contract with an FMCG major, and the ramp up is making good progress. The off-take and operational efficiencies improved significantly at the German unit. Consequently, Europe region has cut its losses by 30% over the previous year.
4. AMESA region continues to grow strongly in tubes sales. The region is actively creating new opportunities in the pharma and other non-oral care categories across South Asia, Middle East and Africa. The expansion of plastic tube facility at Wada is in progress to meet the growing demand.

5. The Company is actively driving growth in the high value non-oral care categories such as cosmetics, pharma, hair care, foods etc. helped by innovation in structures and advanced decoration capability. The value share in its sales of the non-oral care category during the quarter at 40.1% was higher than 38.6 % during the previous quarter.
6. The Company has initiated a number of measures to improve capital productivity. Inventory has been reduced by 10% y-o-y despite the increase in the sales. Cost reduction initiatives are under way and closely progressed as means to improve profitability and stay fit.
7. Debt portfolio has been optimised leading to reduction in the average interest rate of about 90 bps compared to last year.

The Company's business is driven by strong and sustained growth of the FMCG sector. Its R&D capability, global customer network, large scale and manufacturing expertise all help in seizing the opportunity that is being continuously thrown up across the globe.

Valuation Comparison with Global Peers

	Company Name	Business Description	Share Price (\$)*	EPS (LTM) (\$)	P/E (LTM)	Book Value (LTM) (\$)	P/BV (LTM)	EBITDA Margin (LTM)	ROE
1	Bemis	Manufacturer of flexible packaging materials and pressure sensitive label materials throughout USA, Canada, South America, Europe, and Asia.	41.40	1.66	23.10	16.63	2.49	11.90%	10.60%
2	Sealed Air Corporation	Manufacturer of a range of flexible packaging material, shrink films and packaging equipment that serve food, industrial, medical and consumer applications across USA, South America, Europe, and Asia.	27.33	-7.31	NA	8.33	3.28	12.20%	-97.68%
3	Sonoco Products Company	Manufacturer of rigid papers & closures, flexible packaging materials, pallets, containers etc. for industrial and consumer use in USA, Canada, South America, Europe, and Asia.	38.18	1.91	18.00	16.11	2.37	11.90%	13.20%
4	Ball Corporation	Manufacturer of metal cans and plastic blow moulded containers for beverage, food and household use in USA, Canada, South America, Europe, and Asia.	45.66	2.55	17.60	7.60	6.01	13.40%	38.30%
5	Crown Holdings Inc.	Manufacturer of metal cans, closures for food, beverage, household and consumer applications in US, Europe and other regions.	44.43	3.75	11.80	-1.13	NA	12.30%	NA
6	Silgan Holdings, Inc.	Manufacturer of metal and plastic containers and closures for consumer applications in USA, South America, Europe, and Asia.	48.97	2.17	22.70	8.26	5.93	13.70%	20.10%
7	AptarGroup, Inc.	Manufacturer of caps & closures, spray pumps, valves etc. primarily for the cosmetic, and personal care, pharmaceutical, household, food and beverage markets across USA, South America, Europe, and Asia.	59.64	2.38	24.50	21.69	2.75	17.00%	11.80%
8	EsseL Propack#	EsseL Propack is leading specialty packaging company for personal care & hygiene, cosmetic, pharmaceutical, household and food having presence in USA, South America, Europe, and Asia.	42.00 (INR)	6.09 (INR)	6.90	61.63 (INR)	0.68	17.41%	10.52%

Source: www.in.advn.com & Company fillings (23rd July 2013) for competitor companies

* Share Prices as on 23rd July 2013

LTM- Last Twelve Months published numbers for EPL

NA - Not Applicable