

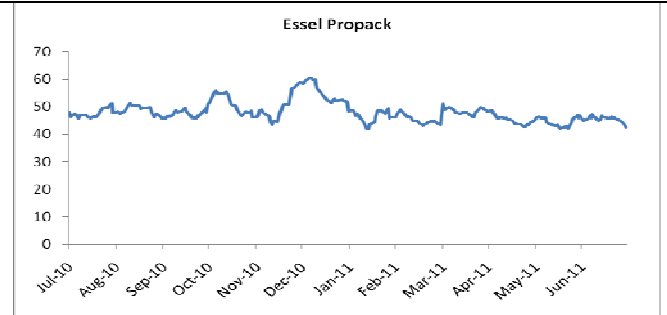
Q1 FY12 Results Update
Essel Propack Ltd.

Recommendation	BUY
CMP (01/08/2011)	Rs. 43
Sector	Packaging

Stock Details

Bloomberg Code	ESELIN
BSE Code	500135
NSE Code	ESSELPACK
Market Cap (Rs. cr)	159444
Free Float (%)	51.8%
52- wk HI/Lo	65/40.05
Avg. volume BSE (Monthly)	99404
Face value	Rs. 2
Shares o/s (Crs)	15.7

Relative Performance	1Mth	3Mth	1Yr
Essel Propack	-8.8%	-11.4%	-11.2%
Sensex	-2.7%	-4.9%	1.1%


Shareholding Pattern

Foreign Promoter Holding	10.96%
Indian Promoter Holding	48.17%
FII, banks & Institutions	14.85%
Corporate Bodies	9.55%
Public & others	16.47%

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Consolidated Quarterly Results

- Net Sales for Q1FY12 went up by 8.3% to Rs. 358.94 crores as compared to Rs. 331.48 crores in Q1FY11 and was up by 2.9% from Rs. 348.71 crores in Q4FY11. EPL reported 8.4% revenue growth, primarily led by volume growth. Laminated tubes grew by 9.3% YoY both in value and volume terms. Plastic tubes grew 23% YoY, out of which, volume growth was 11% YoY and rest was price growth. Flexible packaging business de-grew by 5% YoY.
- EBITDA increased by 2.3% to Rs. 57.61 crores in Q1FY12 compared to Rs. 56.29 crores in Q1FY11 and was up by 2.4% from Rs. 56.28 crores in Q4FY11. The Company reported an EBITDA margin of 16.1% in Q1FY12, as compared to 17% in Q1FY11 and 16.1% in Q4FY11. The margins contracted YoY due to higher input prices and time lag in raw-material prices.
- Net Profit for Q1FY12 went up by 8.5% to Rs. 9.36 crores as compared to Rs. 8.63 crores in Q1FY11 and increased by 11.8% from Rs. 8.37 crores in Q4FY11 due to the lower interest cost. Essel Propack reported a PAT margin of 2.6% in Q1FY12, as compared to 2.6% in Q1FY11 and 2.4% in Q4FY11.

International Business: The Europe grew by 10.7% YoY but continued to post EBIT losses of Rs. 5.03 crores due to the lower volumes in the Germany operations. Though loss in Poland has reduced and is expected to achieve break-even by Q2FY12. AMESA grew 9.6% YoY to Rs 171.94 crores though EBIT margins contracted by 200bps YoY. The margins in AMESA were down due to the input cost pressure and delay in pass through. India reported healthy growth of 19% YoY but growth in flexible packaging was affected. Americas declined by 1.9% YoY to Rs 79.18 crores due to muted performance in Mexico operations. The EBIT margin in Americas has declined due to the low capacity utilization in plastic tubes business. EAP region reported strong growth at 17.6% YoY.

Valuation & Recommendation

At CMP of Rs. 43, the stock is trading at a PE of 8.4x in FY12E and 6.2x in FY13E whereas on EV/EBITDA it is trading at 4.5x and 3.7x in FY12E and FY13E respectively. The company has suffered margins due to the time lag effect in the raw-material prices. To mitigate this, the company has increased the prices in July. We believe that the company will be able to bridge out the gap in time lag of its rise in raw-material prices in the coming quarters. We further expect the losses from Europe to dwindle down, AMESA and EAP to register strong growth going forward. **We maintain our "BUY" rating on the stock with a target price of Rs. 61 per share (PE of 12x in FY12E), an upside of 42% from the current level.**

Year	Net Sales	Growth %	EBIDTA	EBIDTAM (%)	PAT	PATM (%)	EPS (Rs.)	P/E(x)	P/BV
FY10	1682.2	30%	288.9	17.2%	59.9	3.6%	3.1	11.2	0.9
FY11	1415.5	-16%	241.0	17.0%	46.1	3.3%	2.9	14.6	0.8
FY12E	1586.2	12%	289.5	18.3%	80.2	5.1%	5.1	8.4	0.8
FY13E	1750.0	10%	323.8	18.5%	108.8	6.2%	7.0	6.2	0.7

Q1FY12 Consolidated Result

Rs. in crores

Particulars	Q1FY12	Q1FY11	YoY%	Q4FY11	QoQ%
Net Sales	358.94	331.48	8.3%	348.71	2.9%
Other Operating Income	1.11	0.79	40.5%	0.95	16.8%
Total Income	360.05	332.27	8.4%	349.66	3.0%
Increase / Decrease in Stock	8.22	1.93	325.9%	4.09	101.0%
Consumption of raw material	163.72	155.45	5.3%	164.72	-0.6%
Employees Cost	56.85	54.23	4.8%	52.62	8.0%
Other Expenditure	73.65	64.37	14.4%	71.95	2.4%
Total Expenditure	302.44	275.98	9.6%	293.38	3.1%
PBIDT	57.61	56.29	2.3%	56.28	2.4%
Interest	14.46	14.04	3.0%	14.52	-0.4%
Other Income	0.7	0.97	-27.8%	1.32	-47.0%
Gain/Loss on Foreign Exchange	-0.53	-1.74	-69.5%	-0.50	6.0%
PBDT	43.32	41.48	4.4%	42.58	1.7%
Depreciation	27.01	26.69	1.2%	26.01	3.8%
Tax	6.82	5.9	15.6%	6.18	10.4%
Reported Profit After Tax	9.49	8.89	6.7%	10.39	-8.7%
Share of Profits of Associates	0.51	0.59	-13.6%	0.39	30.8%
Minority Interest	0.64	0.85	-24.7%	1.11	-42.3%
Extra-ordinary Items	0	0		1.30	-100.0%
Adjusted Profit After Extra-ordinary item	9.36	8.63	8.5%	8.37	11.8%
EPS (Unit Curr.)	0.60	0.55		0.53	
Equity	31.31	31.31		31.31	
Face Value	2	2		2	
PBIDTM(%)	16.1%	17.0%		16.1%	
PBDTM(%)	12.1%	12.5%		12.2%	
PATM(%)	2.6%	2.6%		2.4%	

Segment Result

Rs. in crores

Particulars	Q1FY12	Q1FY11	YoY%	Q4FY11	QoQ%
Segmental Revenue					
AMESA	171.94	156.89	9.6%	172.65	-0.4%
EAP	71.39	60.71	17.6%	60.06	18.9%
Americas	79.18	80.75	-1.9%	82.4	-3.9%
Europe	37.54	33.92	10.7%	34.55	8.7%
Unallocated	0	0		0	
Total	360.05	332.27	8.4%	349.66	3.0%
Less: Intersegmental Revenue	0	0		0	
Net sales	360.05	332.27	8.4%	349.66	3.0%
Segment Results					
AMESA	20.45	21.79	-6.1%	23.81	-14.1%
EAP	16.05	14.87	7.9%	10.33	55.4%
Americas	0.27	-0.74	-136.5%	2.21	-87.8%
Europe	-5.03	-3.98	26.4%	-3.41	47.5%
Unallocated	-0.91	15.48	-105.9%	50.9	-101.8%
Total	30.83	47.42	-35.0%	83.84	-63.2%
Gain/Loss on Foreign Exchange	-0.53	-1.74		-0.5	
Less: Intersegmental Revenue	0.23	16.85		52.25	
Segment Result	30.07	28.83		31.09	
Add Interest Income	3.39	5.36		5.08	
Less: Interest Exp.	17.85	19.4		19.6	
Add / Less Exceptional exp.	0	0		-1.3	
PBT	15.61	14.79	5.5%	15.27	2.2%
Margins					
AMESA	11.9%	13.9%		13.8%	
EAP	22.5%	24.5%		17.2%	
Americas	0.3%	-0.9%		2.7%	
Europe	-13.4%	-11.7%		-9.9%	

Q1 FY12 Results Update
Essel Propack Ltd.
Financial Analysis

Profitability (Rs. Cr)	FY10 (15 m)	FY11	FY12E	FY13E	Balance Sheet (Rs. Cr)	FY10 (15 m)	FY11	FY12E	FY13E
Y/E - March					Share Capital	31.3	31.3	31.3	31.3
Revenues - Net	1682.2	1415.5	1586.2	1750.0	Equity/Warrant	0.0	0.0	0.0	0.0
<i>% change</i>	4.2%	5.2%	12.1%	10.3%	Reserves & Surplus	729.5	764.4	829.2	927.6
Operating Profit	288.9	241.0	289.5	323.8	Net Worth	760.8	795.7	860.5	958.9
<i>% change in OP</i>	79.9%	4.3%	20.1%	11.8%	Minority Interest	8.3	6.7	8.3	10.3
Interest	94.7	58.5	53.2	49.5	Total Loans	839.8	813.2	763.2	713.2
Other Income	11.93	3.73	4.99	5.99	Net Deferred Tax Assets	3.7	-8.3	-8.3	-8.3
EBDT	206.1	186.3	241.3	280.3	Total Liabilities	1612.6	1607.3	1623.8	1674.1
Depreciation	132.9	106.2	111.4	117.3	Net Fixed Assets	612.4	592.1	565.7	533.4
Extraordinary	-30.2	0.7	0.0	0.0	Investments	47.7	49.9	49.9	49.9
PBT	103.4	80.8	129.8	163.0	Goodwill	360.7	360.7	360.7	360.7
Tax	38.6	33.2	48.0	52.2	CWIP	58.0	56.6	56.6	56.6
PAT	64.8	47.5	81.8	110.8	Forex Diff	8.0	0.0	0.0	0.0
Share of Profit & loss	1.4	1.7	1.9	1.9	Inventories	164.3	211.1	226.0	244.5
Minority Interest	6.3	3.2	3.5	4.0	Sundry Debtors	202.1	218.2	230.3	249.3
PAT after MI	59.9	46.1	80.2	108.7	Cash & Bank	94.4	64.4	85.1	144.1
Adj.PAT	41.0	46.1	80.2	108.8	Loans & Advances	254.5	284.6	287.0	307.1
EPS	3.1	2.9	5.1	7.0	C A L&A	715.3	778.2	828.5	945.1
Adj EPS*	2.1	2.9	5.1	7.0	CL & P	197.4	241.3	241.6	273.5
Cash EPS	10.1	9.8	12.3	14.6	Working Capital	517.9	536.9	586.9	671.6
DPS (Rs.)	0.3	0.5	0.6	0.7	Misc Exp	8.0	10.3	4.0	2.0
Quarterly (Rs. Cr)	Sep.10	Dec.10	Mar.11	June.11	Total Assets	1612.6	1606.6	1623.8	1674.1
Revenue	368.68	364.90	349.66	360.05					
EBITDA	68.32	60.10	56.28	57.61	Cash Flow (Rs. Cr)	FY10 (15 m)	FY11E	FY12E	FY13E
Interest	15.49	14.42	14.52	14.46	Operating				
EBDT	52.83	45.68	41.76	43.15	Profit Before Tax	73.2	80.0	129.8	163.0
Dep	26.86	26.66	26.01	27.01	Direct Taxes paid	-53.4	-33.2	-48.0	-52.2
Other Inc.	0.72	0.72	1.32	0.70	Depreciation	132.9	106.2	111.4	117.3
Forex Gain / Loss	-1.69	5.97	-0.50	-0.53	Change in WC	6.4	-63.2	-30.1	-25.2
Exceptional Items	0.00	0.00	-1.30	0.00	Interest Expenses	117.5	58.5	53.2	49.5
PBT	25.00	25.71	15.27	16.31	Other Non cash items	-42.9	2.0	2.0	2.0
Tax	11.63	9.51	6.18	6.82	CF from Operation	233.7	150.3	218.3	254.4
PAT	13.37	16.20	9.09	9.49	Investment				
Share of profit from associate cos.	0.45	0.24	0.39	0.51	Capex	-35.6	-87.4	-85.0	-85.0
Minority Interest	0.36	0.84	1.11	0.64	Other Investment	130.0	0.0	0.0	0.0
PAT after MI	13.46	15.60	8.37	9.36	Total Investment	94.5	-87.4	-85.0	-85.0
EPS (Rs.)	0.86	1.00	0.53	0.60	Free Cash Flow	328.2	62.9	133.3	169.4
Operational Ratio	FY10 (15 m)	FY11	FY12E	FY13E	Financing				
EBITDA margin (%)	17.2%	17.0%	18.3%	18.5%	Equity raised/(repaid)	0.0	0.0	0.0	0.0
Adj.PAT margin (%)	2.4%	3.3%	5.1%	6.2%	Inc/Dec in Reserves	0.0	0.0	0.0	0.0
Adj.PAT Growth (%)	NA	40.4%	74.1%	35.7%	Debt raised/(repaid)	-173.9	-26.6	-50.0	-50.0
Price Earnings (x)	21.0	15.0	8.6	6.3	Dividend (incl. tax) paid	-10.8	-7.8	-9.4	-11.0
Book Value (Rs.)	48.6	50.8	55.0	61.3	Deferred Revenue Exp.	-5.5	0.0	0.0	0.0
ROCE (%)	8.1%	8.6%	11.3%	12.9%	Interest Expenses	-116.8	-58.5	-53.2	-49.5
RONW (%)	4.5%	6.1%	9.7%	12.0%	Cash Flow from Fin Acti	-307.0	-92.9	-112.6	-110.4
Debt Equity Ratio	1.1	1.0	0.9	0.7	Net Cash Flow	21.2	-30.0	20.7	59.0
Price / Book Value (x)	0.9	0.9	0.8	0.7	Beginning Cash Flow	81.7	94.4	64.4	85.1
EV / Sales	1.0	1.0	0.8	0.7	Less: Sale of subsidiaries	-8.5	0.0	0.0	0.0
EV / EBIDTA	6.0	5.8	4.5	3.7	Cash as in Bal Sheet	94.4	64.4	85.1	144.1

NOTE

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