CD Equisearch Pvt Ltd

CHANGING DIMENSIONS

July 18, 2018

Essel Propack Ltd (EPL)	
No. of shares (m)	314.4
Mkt cap (Rs crs/$m)	3287/481.2
Current price (Rs/$)	105/1.5
Price target (Rs/$)	140/2.0
52 W H/L (Rs.)	158/102
Book Value (Rs/$)	38/0.6
Beta	0.8
Daily volume (avg. monthly)	68200
P/BV (FY19e/20e)	2.5/2.2
EV/EBITDA (FY19e/20e)	7.2/6.5
P/E (FY19e/20e)	16.9/14.9
EPS growth (FY18/19e/20e)	7.0/12.0/13.5
OPM (FY18/19e/20e)	19.2/19.2/19.6
ROE (FY18/19e/20e)	16.0/15.4/15.6
ROCE(FY18/19e/20e)	11.5/11.9/12.7
D/E ratio (FY18/19e/20e)	0.6/0.5/0.4
BSE Code	500135
NSE Code	ESSELPACK
Bloomberg	ESEL IN
Reuters	ESSL.NS

Shareholding pattern*	%
Promoters	57.2
MFs / Banks / FIs	5.6
Foreign	14.7
Govt. Holding	-
Public & Others	22.6
Total	**100.0**

As on June 22, 2018
* Post bonus issue

Recommendation

BUY

Phone: + 91 (33) 4488 0011

E- mail: research@cdequi.com

Quarterly Highlights

- Modest off take in Indian beauty and cosmetic as well as pharma segment during the quarter crippled the growth in net revenues to 2.6% (y-o-y) in Q4FY18. The revision of GST rates in November last year disrupted the supply chains and resulted in lower volumes for beauty and cosmetic segment as the brands delved to redesign and art work calibrate their products to meet the GST norms. Though the growth in oral care pharma segment remained strong on the back of strong pipeline of conversion from aluminium to laminates, EPL's Indian customers that export in non oral pharma segment faced pricing pressure which resulted in reduced off take. This accentuated the slowdown in growth during the quarter.
- Despite the problems faced in India, revenues from AMESA grew by 3.4% (net of indirect taxes) during the quarter (5.9% in constant currency terms) largely owing to robust growth of 36% (y-o-y in constant currency) in Egypt, driven by the non oral care category. EAP (East Asia Pacific) witnessed revenue growth of 1.7% (2.4% in constant currency) as a result of customer demand stabilization after prolonged degrowth in oral care revenue from the region on grounds of customers losing their market share. Additionally, EAP's non oral care category grew by 13.4% y-o-y during the quarter.
- Thanks to the strong performance in US and Mexico for the quarter – revenue growth of 8.4% and 17.2% y-o-y respectively – revenues from Americas region rose by 4% (6.5% in constant currency). Improved off take by existing customers as well as new business awards explain the growth in the region. Moreover, Colombia unit demonstrated signs of recovery with improved products mix towards the non oral care segment which augmented margins from the region.
- The stock currently trades at 16.9x FY19e EPS of Rs 6.20 and 14.9x FY20e EPS of Rs 7.04. Growth will be invigorated by burgeoning demand in packaging industry, synergies from EDG (Essel Deutschland Germany) acquisition - such as enhanced cross selling opportunity in the European markets; sourcing flexibility; better capacity utilization at the Company's Europe plants - expansion of Wada and Vasind unit in India, traction in volumes in major markets in Germany and focus on the non oral care segment in US and China. Further, EPL's first mover advantage in identifying 'Liberty' technology, which separates the metal and plastic components in an eco friendly manner to be recycled efficiently, will doubtlessly bear fruits in a sustainability conscious environment. However, the disruption caused by the prospering e-commerce business indirectly exposes EPL to vagaries of demand. Weighing odds, advise buying the stock with the revised target price of Rs 140 (previous target Rs 172 (adjusted for bonus)) based on 20x FY20e EPS of Rs 7.04 over a period of 6-9 months.

Consolidated (Figures in Rs crs)	FY16	FY17	FY18	FY19e	FY20e
Income from operation	2127.50	2302.29	2423.88	2658.72	2882.59
Other Income	26.14	50.95	26.37	24.30	24.35
EBITDA (other income included)	429.91	472.84	486.14	533.58	588.00
Profit after EO	168.86	162.65	174.14	194.93	221.23
EPS(Rs)*	5.37	5.17	5.54	6.20	7.04
EPS growth (%)	22.9	-3.7	7.0	12.0	13.5

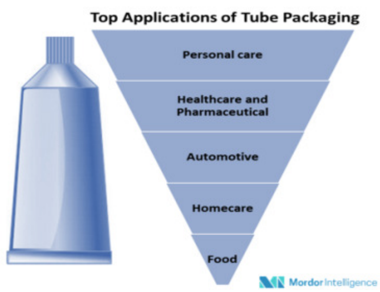
*EPS adjusted for bonus issue for all previous years

Outlook & Recommendation

Industry overview

The boom in the global packaging sector hinges on both the growth in the global economy as well as the performance of the diverse range of industries that this sector caters to – pharmaceuticals, food and beverages, cosmetics, and other consumer goods. Additionally, exponentially expanding e-commerce market and rising demand for packaged foods have a direct bearing on the packaging sector. Transparency Market Research recently revealed that packaging consumption growth has been near zero in mature markets of North America, Western Europe, and Japan. However, emerging markets in South America, Eastern Europe, and Asia have demonstrated rapid growth of packaging industry, thanks to the booming consumer goods sector in these regions offering a foray of new opportunities to packaging suppliers globally.

Zion Market Research, a market research company, in its new report on global tube packaging market published in May, 2018 estimates the market to be valued at $7.14 bn in 2017. The tube packaging market is forecast to grow at a CAGR of 7.4% between 2018 and 2023, and is anticipated to reach $10.96 bn by 2023. The trending demand in convenient and sustainable packaging has galvanized the robust growth in tube packaging market over the last few years. The sector has become highly competitive owing to the presence of a large number of manufacturers in the industry. Innovative packaging, flexible packaging, and lower cost high-quality printing are the key drivers of tube packaging market.



Squeeze tubes segment is expected to witness the highest growth during the period 2018-2023. Hassle free recycling process and deforming the packaging of the product are the drivers of market growth in squeeze tube segment. Additionally, owing to its excellent barrier quality, laminated tubes are anticipated to be the most preferred material for packaging. As per the research by Zion Market Research, oral application segment is projected to dominate the global market for laminated tubes at about 45% market shares (in value terms) during the forecast period. The tube packaging market in Asia Pacific is forecast to be the fastest growing market during 2018-2023. Zion Research reveals that rise in government spending on manufacturing as well as encouragement of FDI in India and China are efforts to advance the capacity of tube packaging industry in these regions.

The global plastic packaging market that was valued at $318.92 bn in 2017 is expected to reach a value of $399.44 bn by 2023 at a CAGR of 3.44% over the forecast period of 2018–2023, according to Mordor Intelligence, a company that engaged in market research. The plastic packaging market is expected to grow broadly in line with the global economy, accentuated by its growing application in diverse industries. Rising demand for increase in shelf life and consumer preferences towards convenient packing solutions, consistent substitution of traditional metal and glass materials in food and other markets, rising household income, growing demand from the retail sector, and increasing foray of packaging into food markets are all positively impacting the plastic packaging market. Yet, government regulations pertaining to environmental safety is constricting the growth of plastic packaging.

Transparency Market Research attributes the growing demand for packaged food products to surge in urbanization in the previous decade in emerging economies like China and India, which houses more than one-third of the global population. According to Transparency Market Research, the demand in the global aseptic packaging market will grow at a CAGR of 10%, during the forecast period of 2017 to 2024, to reach $80.49 bn by 2024 from its estimated value of $41.31 bn in 2017. Advent of eco-friendly aseptic packaging, declining cost, and ease in handling are some of the other drivers of this market. Moreover, consistent demand for aseptic packaging is expected from the developed countries in the western parts of the world owing to expanding awareness of its benefits. Pharmaceutical and dairy product manufacturers have been identified as the primary end users of the aseptic packaging market over the projected period.

Capex

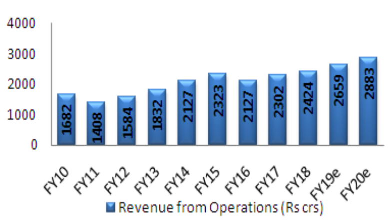
During FY18, the new state of art unit in Vapi – that was custom built as a result of consolidating three manufacturing units in western India - was stabilized. EPL successfully re-located and commissioned its caps and closures operations in the Vapi unit with the objective to save on material costs and respond swiftly to the changes in consumer demand. The company is setting up a custom built factory near Guwahati, Assam, in order to cater to the demand of the FMCG industries in the north eastern states.

EPL incurred a capex of Rs 120 crs in FY18 predominantly on brownfield projects. It undertook expansion in its plastic tubes manufacturing unit in Wada. Injection moulding capabilities as well as tooling lines were added in the manufacturing unit in Vapi. Units in China supported investments in tooling flexibility that is expected to augment the expansion into the non oral care segment in the region as well as reduce the lead time offered to its customers. Some capex was also incurred on the decoration capability in US.

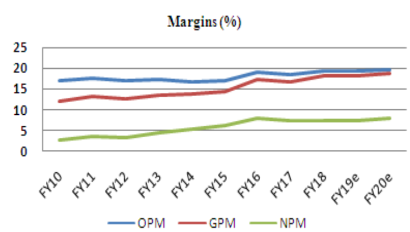
The company has allocated a budget of nearly Rs 200 crs for FY19 towards various strategic projects. EPL is expanding its lamination facility in Vasind, Maharashtra. It also seeks to strengthen its production capabilities in order to be able to expand its capacity in the future.

Financials and Valuation

Sales revenue from India was marred in the wake of transition to the GST regime effective from July 1, 2017. Moreover, lower than expected off take by customers in Europe, customer attrition in EDG and adverse sales mix (largely oral care) in Colombia unit subdued the sales growth in FY18. The revision GST rates in November last year led to further disruption in the supply chain of beauty and cosmetic segment, thus throttling off take. Income from operation (net of indirect tax) grew by 5.3% to Rs 2423.88 crs ($376.1m) in FY18 from Rs 2302.29 crs ($343.2m) in the previous fiscal. GST transition resulted in contraction of demand and pipeline inventory owing to uncertainties in the economic environment. Improvement in raw material to sales ratio (declined by 101 bps) and operational efficiency in FY18 aided the expansion of OPM to 19.2% in FY18 from 18.3% in FY17.



Source: EPL, CD Equisearch



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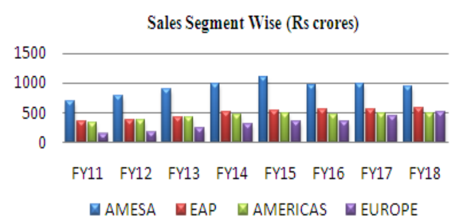
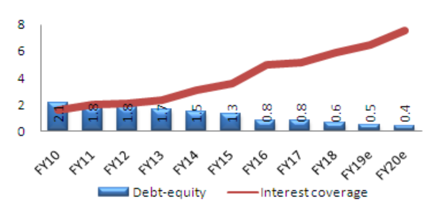


Source: EPL, CD Equisearch

Much in line with focus of EPL on the non oral care tube market (represents much higher value of 3x or more versus the oral care tube market), contribution from non oral care category rose from 39.9% in FY17 to 41.1% in FY18. Demand for laminated tubes from pharmaceuticals segment is witnessing traction due to features like tamper evidence, anti-counterfeit and innovation dispensing that provide high barrier and safety to the product. Active marketing for the company's new generation laminated tubes post the closure of extruded plastic tube operations in US in March 2016, has secured EPL with new awards that would commercialize in the current fiscal.



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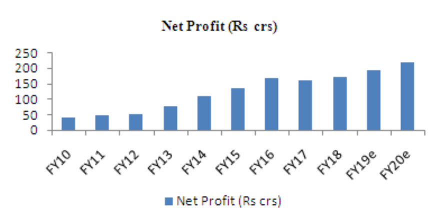

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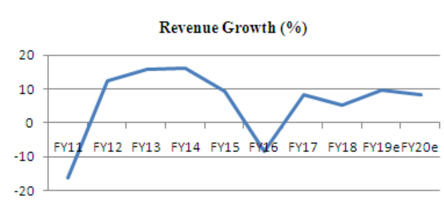
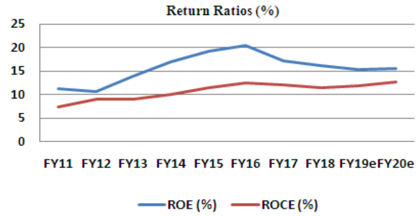


Source: EPL, CD Equisearch

Revenues from Europe posted a growth of 17.1% y-o-y owing to the benefit of EDG acquisition on September 30, 2016. Revenues from Europe excluding EDG, however, degrew by 9.3% as a result of depressed sales in Russia and lower then contracted offtake by a key customer in Poland. The German unit is facing the challenge of customer attrition on account of servicing issues due to which the customers have reduced their off take and shifted to some other suppliers. Though the company informs that corrective measures for the challenges faced in Germany have been taken, wining orders back from the customers may take more time.

The oral care category offtake as well as contracted customers saw significant decline in China in the recent years as a result of lost market share by EPL's customers. Yet, revenues during FY18 grew by 3.9% in EAP, thanks to the growing sales in non oral care category from China and Philippines. EPL is also increasing the automation in its unit in the EAP region to address the escalation of operating costs as a result of sharp increase in the wage cost.



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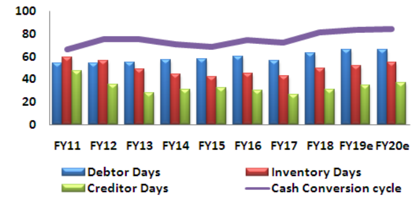


Source: EPL, CD Equisearch

The stock currently trades at 16.9x FY19e EPS of Rs 6.20 and 14.9x FY20e EPS of Rs 7.04. The flourishing e-commerce business, which is globally disrupting the supply chains of the established brands, also poses a significant challenge for EPL. The established brands operating under the traditional form of business face tough competition from products marketed online thus, introducing volatility in their off take. As a consequence, the forecast estimates made by EPL's customers becomes less impeccable. Therefore, EPL seeks to change and adapt some of its technology and processes as well as identify the bottlenecks in order to respond swiftly to the changing environment. Increasing focus on the high value non oral care segment and stabilization of demand from various regions is expected to lead to revenue growth of 9.7% and 8.4% in FY19 and FY20 respectively. In view of recent fall in stock price, we recommend buying the stock with the revised target price of Rs 140 (previous target Rs 172 (adjusted for bonus)) based on 20x FY20e EPS of Rs 7.04 over a period of 6-9 months. For more information, refer to our December report.

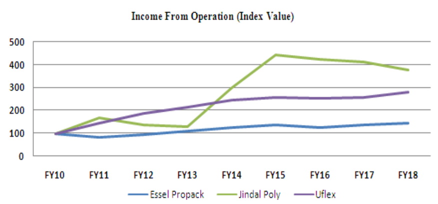
Cross Sectional Analysis

Company	Equity*	CMP	MCAP*	Sales*	Profit*	OPM (%)	NPM (%)	Int Cov	ROE (%)	Mcap/Sales	P/BV	P/E
Essel Propack	63	105	3287	2424	174	19.2	7.3	5.9	16.0	1.4	2.8	18.9
Huhtamaki	15	259	1956	2172	65	10.2	3.0	4.9	12.8	0.9	3.7	30.0
Jindal Poly	44	222	973	6448	107	9.6	2.5	3.8	4.4	0.2	0.4	9.1
Uflex	72	252	1819	6697	312	13.1	4.6	2.8	8.2	0.3	0.5	5.8

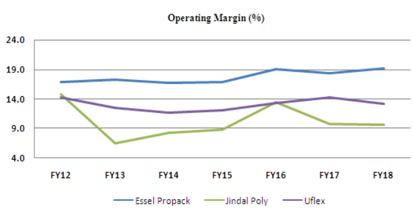
*figures in crores; calculations on ttm basis
Book value adjusted for goodwill & revaluation reserves wherever applicable

With a global film production capacity of 337,000 tonnes per annum (tpa) and its global presence across India, Dubai, Mexico, Egypt, Poland and USA, Uflex ltd is among the very few packaging companies that are fully backward integrated. The company achieved its highest ever turnover at Rs 6697.36 crs ($1039.2m) in FY18 accentuated by highest ever production and sales of packaging products. The company is witnessing traction in its holograms business (capacity of 8,600 TPA) which has improved tax collections of various jurisdictions. Flexible packaging registered a volume growth of 11% y-o-y and 5.8% y-o-y growth in value during FY18. Juices contribute about 50% of the revenues in flexible packaging while dairy and liquor constitute 30% and 20% respectively.

Uflex incurred a capex of Rs 500 crs in FY18 towards its world class Sanand facility and holography expansion. The company commercialized the Sanand facility in the previous fiscal, which is in the ramp up phase. Uflex reported to have sold total of 371,000 tonnes in FY18. Uflex has recently forayed into liquid aseptic packaging in Sanand with an initial capacity of 3.5 bn packs per annum. The company seeks to ramp up the facility to produce 7 bn packs per annum after considering the demand conditions. ASEPTO, the company's aseptic liquid packaging brand, is witnessing robust demand in the fast growing market of liquid aseptic packaging. Tetra pack is the dominant player with 90% market share in the liquid aseptic market in India.



Source: Companies, CD Equisearch



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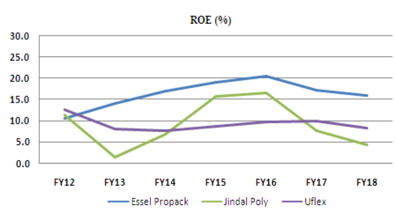

Source: Companies, CD Equisearch

HPPL's net income from operations grew by 8.0% y-o-y to Rs 553.01 crs ($86.0m) in Q1CY18 from Rs 511.84 crs ($76.4m) in Q1CY17, operating at capacity of 80%-85% during the quarter. The company recently entered into a business transfer agreement for the acquisition of Ajanta Packaging Limited, India on a slump sales basis at an enterprise value of Rs 100.30 crs. This acquisition would consolidate the company's position in the labeling business and help boon its topline. During the last quarter, the company also added a specialized digital printing machine - a wide web printing machine, the demand for which has been gaining traction globally.

The company plans to incur a capex of nearly Rs 130 crs in the current year on adding new lines that would aid different formats of packaging. The exports of the company to the African countries remain subdued, thanks to the economic and political issues in those regions. As a result, the company seeks to diversify and expand into other geographies like USA and Europe to bolster its export revenue.

Revenues of Jindal Poly Films Limited (JPFL) during FY18 was marred by degrowth in revenues from its packaging films segment by 11.6% as well as photographic products and other segment by 25.2%. In February, 2018, the company's board approved its expansion plans in India. As a result, in addition to its ongoing expansion of polyester line – H, (PET), and C P plant for manufacturing polyester chips, the company will invest Rs 225 crs in polyester line – 1, (PET). With the issuance of new shares to other investors by JPF Netherlands B V, it ceased to be a subsidiary of the JPFL with effect from December 29, 2017.

Financials

Consolidated Quarterly Results

Figures in Rs crs

	Q4FY18	Q4FY17	% chg	FY18	FY17	% chg
Income From Operations (net of tax)	**628.40**	**612.58**	**2.6**	**2423.88**	**2302.29**	**5.3**
Other Income	8.86	5.58	58.8	26.37	50.95	-48.2
Total Income	**637.26**	**618.16**	**3.1**	**2450.25**	**2353.24**	**4.1**
Total Expenditure	512.18	500.41	2.4	1964.11	1880.40	4.5
EBITDA (other income included)	**125.08**	**117.75**	**6.2**	**486.14**	**472.84**	**2.8**
Interest	13.55	15.69	-13.6	54.91	58.12	-5.5
Depreciation	42.98	37.90	13.4	167.07	141.48	18.1
PBT	**68.55**	**64.16**	**6.8**	**264.16**	**273.24**	**-3.3**
Tax	21.11	18.62	13.4	88.91	78.69	13.0
PAT	**47.44**	**45.54**	**4.2**	**175.25**	**194.55**	**-9.9**
Minority Interest	0.68	2.12	-67.9	2.61	5.28	-50.6
Share of Associate	-1.97	0.55	-458.2	-1.04	1.05	-199.0
PAT after MI and Associate	**44.79**	**43.97**	**1.9**	**171.60**	**190.32**	**-9.8**
Extraordinary Item	0.00	-5.87	-100.0	-2.54	27.67	-109.2
Adjusted Net Profit	**44.79**	**49.84**	**-10.1**	**174.14**	**162.65**	**7.1**
EPS(Rs)	2.85	3.17	-10.2	5.54	5.17	7.0

Segment Results

Figures in Rs crs

	Q4FY18	Q4FY17	% chg	FY18	FY17	% chg
Segment Revenue						
AMESA	232.92	247.21	-5.8	934.84	980.80	-4.7
EAP	142.58	140.17	1.7	574.37	552.85	3.9
AMERICAS	127.54	122.69	4.0	488.46	482.77	1.2
EUROPE	141.15	138.19	2.1	509.59	435.25	17.1
Unallocated	0.20	0.19	5.3	0.77	0.83	-7.2
Inter segmental elimination	15.99	14.02	14.1	61.61	64.56	-4.6
Income From Operations	**628.40#**	**634.43**	**-1.0**	**2446.42**	**2387.94**	**2.4**
Segment EBIT						
AMESA*	38.30	37.96	0.9	141.23	128.40	10.0
EAP*	15.42	17.11	-9.9	90.50	78.08	15.9
AMERICAS	15.02	12.57	19.5	61.12	52.65	16.1
EUROPE	5.17	10.42	-50.4	12.00	24.47	-51.0
Unallocated	-0.96	-1.46	-34.2	-4.01	-4.15	-3.4
Inter segmental elimination	-1.59	-1.46	8.9	-4.84	-3.90	24.1
Total	**74.54**	**78.06**	**-4.5**	**305.68**	**283.35**	**7.9**
Other Income**	8.86	5.58	58.8	21.39	50.95	-58.0
Other expenses	1.30	3.79	-65.7	8.00	2.94	172.1
EBIT	**82.10**	**79.85**	**2.8**	**319.07**	**331.36**	**-3.7**
Finance Cost	13.55	15.69	-13.6	54.91	58.12	-5.5
PBT	**68.55**	**64.16**	**6.8**	**264.16**	**273.24**	**-3.3**

*AMESA - Africa, Middle East & South Asia; *EAP - East Asia Pacific
**Includes exceptional items
#Net of tax

Consolidated Income Statement

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Income From Operations	**2127.50**	**2302.29**	**2423.88**	**2658.72**	**2882.59**
Growth (%)	-8.4	8.2	5.3	9.7	8.4
Other Income	26.14	50.95	26.37	24.30	24.35
Total Income	**2153.63**	**2353.24**	**2450.25**	**2683.02**	**2906.94**
Total Expenditure	1723.72	1880.40	1964.11	2149.44	2318.94
EBITDA (other income included)	**429.91**	**472.84**	**486.14**	**533.58**	**588.00**
Interest	60.91	58.12	54.91	53.30	50.12
Depreciation	123.16	141.48	167.07	186.35	207.18
PBT	**245.85**	**273.24**	**264.16**	**293.93**	**330.71**
Tax	77.57	78.69	88.91	97.00	107.48
PAT	**168.28**	**194.55**	**175.25**	**196.93**	**223.23**
Minority Interest	3.02	5.28	2.61	3.00	3.50
Share of Associate	4.84	1.05	-1.04	1.00	1.50
PAT after MI and Associates	**170.10**	**190.32**	**171.60**	**194.93**	**221.23**
Extraordinary Item	1.24	27.67	-2.54	0.00	0.00
Net Profit	**168.86**	**162.65**	**174.14**	**194.93**	**221.23**
EPS (Rs)#	5.37	5.17	5.54	6.20	7.04

#EPS adjusted for bonus issue for all previous years

Segment Results

Figures in Rs crs

	FY16	FY17	FY18
Segment Revenue			
AMESA	962.32	980.80	934.84
EAP	545.92	552.85	574.37
AMERICAS	471.90	482.77	488.46
EUROPE	347.42	435.25	509.59
Unallocated	0.77	0.83	0.77
Inter segmental elimination	122.71	64.56	61.61
Income From Operations*	**2205.62**	**2387.94**	**2446.42**
Segment EBIT			
AMESA	129.29	128.40	141.23
EAP	85.54	78.08	90.50
AMERICAS	58.31	52.65	61.12
EUROPE	20.96	24.47	12.00
Unallocated	-4.92	-4.15	-4.01
Inter segmental elimination	1.56	-3.90	-4.84
Total	**287.62**	**283.35**	**305.68**
Other Income**	26.14	50.95	21.39
Other expenses	7.00	2.94	8.00
EBIT	**306.76**	**331.36**	**319.07**
Finance Cost	60.91	58.12	54.91
PBT	**245.85**	**273.24**	**264.16**

* Gross amount
**Includes exceptional items

Consolidated Balance Sheet

Figures in Rs crs

	FY16	FY17	FY18	FY19e	FY20e
Sources of Funds					
Share Capital	31.42	31.43	31.45	62.87	62.87
Reserves	933.37	1007.56	1219.14	1337.19	1509.15
Total Shareholders' Funds	**964.79**	**1038.99**	**1250.59**	**1400.06**	**1572.02**
Minority Interest	8.14	5.72	4.30	7.30	10.80
Long Term Debt	553.44	604.96	449.22	369.22	289.22
Total Liabilities	**1526.37**	**1649.67**	**1704.11**	**1776.58**	**1872.04**
Application of Funds					
Gross Block	1047.02	1577.90	1783.35	2003.48	2200.01
Less: Accumulated Depreciation	122.85	398.44	599.19	785.54	992.71
Net Block	**924.17**	**1179.46**	**1184.16**	**1217.94**	**1207.30**
Capital Work in Progress	57.10	19.33	41.66	31.53	5.00
Investments	30.38	15.26	13.10	14.10	15.60
Current Assets, Loans & Advances					
Inventory	198.67	245.98	286.39	326.48	368.93
Trade Receivables	331.22	376.62	459.04	504.94	542.81
Cash and Bank	84.42	102.84	173.58	162.45	296.49
Short term loans	125.27	111.98	112.78	112.78	113.23
Other Assets	182.08	126.56	102.20	104.10	109.25
Total CA & LA	**921.66**	**963.98**	**1133.99**	**1210.75**	**1430.71**
Current Liabilities	410.32	521.86	660.65	675.53	748.57
Provisions-Short term	32.36	23.11	30.59	31.19	33.49
Total Current Liabilities	**442.68**	**544.97**	**691.24**	**706.72**	**782.06**
Net Current Assets	478.98	419.01	442.75	504.03	648.65
Net Deferred Tax	-19.65	-31.72	-30.23	-30.38	-33.91
Net long term assets	55.38	48.33	52.67	39.35	29.41
Total Assets	**1526.37**	**1649.67**	**1704.11**	**1776.58**	**1872.04**

Key Financial Ratios

	FY16	FY17	FY18	FY19e	FY20e
Growth Ratios (%)					
Revenue	-8.4	8.2	5.3	9.7	8.4
EBITDA	3.8	3.6	10.5	8.9	10.2
Net Profit	22.9	-3.7	7.1	11.9	13.5
EPS	22.9	-3.7	7.0	12.0	13.5
Margins (%)					
Operating Profit Margin	19.0	18.3	19.2	19.2	19.6
Gross profit Margin	17.3	16.7	17.9	18.1	18.7
Net Profit Margin	7.9	7.2	7.3	7.4	7.7
Return (%)					
ROCE	12.6	12.1	11.5	11.9	12.7
ROE	20.4	17.1	16.0	15.4	15.6
Valuations					
Market Cap/ Sales	1.2	1.6	1.6	1.2	1.1
EV/EBITDA	7.3	10.0	8.8	7.2	6.5
P/E	14.9	23.0	21.6	16.9	14.9
P/BV	2.7	3.8	3.2	2.5	2.2
Other Ratios					
Interest Coverage	5.0	5.2	5.9	6.5	7.6
Debt Equity	0.8	0.8	0.6	0.5	0.4
Current Ratio	1.9	1.6	1.5	1.6	1.7
Dividend Payout Ratio	25.2	24.0	26.3	25.4	22.4
Turnover Ratios					
Fixed Asset Turnover	2.4	2.2	2.1	2.2	2.4
Total Asset Turnover	1.5	1.5	1.5	1.6	1.6
Debtors Turnover	6.1	6.5	5.8	5.5	5.5
Inventory Turnover	8.1	8.5	7.4	7.0	6.7
Creditor Turnover	12.1	13.7	11.7	10.6	10.0
WC Ratios					
Debtor Days	60.3	56.1	62.9	66.2	66.3
Inventory Days	44.9	43.2	49.6	52.0	54.7
Creditor Days	30.3	26.7	31.3	34.4	36.7
Cash Conversion Cycle	74.9	72.5	81.2	83.8	84.4

Cumulative Financial Data

Rs crs	FY12-14	FY15-17	FY18-20e
Income from operations	5542	6753	7965
Operating profit	938	1218	1538
EBIT	632	888	1051
PBT	375	689	893
PAT after MI & AP	238	469	590
Dividends**	62	117	144
OPM (%)	16.9	18.0	19.3
NPM (%)	4.4	7.0	7.5
Interest coverage	2.5	4.5	6.6
Debt-equity*	1.5	0.8	0.4
ROE (%)	13.7	18.6	15.8
ROCE (%)	9.5	11.6	12.1
Fixed asset turnover	2.4	2.2	2.3
Debtors turnover	6.3	6.0	5.8
Creditors turnover	9.7	11.2	10.8
Inventory turnover	7.0	7.8	7.0
Debtor days	57.9	60.3	63.2
Inventory days	51.8	46.6	52.4
Creditor days	37.8	32.7	33.8
Cash Conversion	71.9	74.2	81.8
Dividend payout ratio (%)	26.3	23.7	24.6

FY12-14 implies three years ending FY14.
*as on terminal year
**includes CDT on subsidiary dividends

Consolidated revenues of EPL grew by 12.5%, 15.7% and 16.1% in FY12, FY13 and FY14 respectively accentuated by robust sales growth in India in FY12 and in all four regions (AMESA, EAP, Americas and Europe) in FY13 and FY14. Helped by improvement in operational efficiency, consolidated net profit grew by 48.5% in FY13, while reduction in finance cost by ~11% in FY14 led to a profit growth 40.8%. Increased focus on improving the non oral care category and the resulting improvement in the product mix, sharp reducing in the raw material prices in FY16 and operating efficiencies enabled operating margins to expand by 112 bps to 18% in period FY15-17 as compared to 16.9% in FY12-14. Essel fully acquired EDG in FY17 in an attempt to enlarge its presence in the European tube market. Additionally, scaling up its operations in US and China to expand its global presence, EPL nearly doubled its profits in the period FY15-17 as compared to FY12-14.

EPL's continued focus on the non oral care category – huge market size and lucrative prospects – with an aim to expand its revenue contribution to 50% by FY20 from 41.1% in FY18 would doubtlessly prop up company's business growth. As a result, revenues are expected to multiply ~1.2 times in FY18-20 from FY15-17. Its debt equity ratio is forecast to fall further to 0.4 in FY20 from 0.8 in FY17, resulting in improvement in the interest coverage ratio from 4.5 in FY15-17 to 6.6 in FY18-20 period.

Financial Summary – US dollar denominated

million $	FY16	FY17	FY18	FY19e	FY20e
Equity capital	4.7	4.8	4.8	9.2	9.2
Shareholders' funds	139.2	151.0	183.1	195.7	220.9
Total debt	106.9	123.1	112.9	91.4	83.3
Net fixed assets (inc CWIP)	147.9	182.7	186.3	180.9	175.4
Investments	4.6	2.4	2.0	2.1	2.3
Net current assets	65.9	57.6	61.1	66.6	87.8
Total assets	223.8	245.2	252.8	250.8	264.8
Revenues	325.0	343.2	376.1	389.3	422.1
EBITDA	65.4	66.1	76.0	78.1	86.1
PBDT	56.1	57.4	67.5	70.3	78.8
PBT	37.3	36.3	41.6	43.0	48.4
Profit after MI & EO	25.8	24.2	27.0	28.5	32.4
EPS ($)**	0.08	0.08	0.09	0.09	0.10
Book Value ($)	0.44	0.48	0.58	0.62	0.70

*Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 68.30/$). All dollar denominated figures are adjusted for extraordinary items.
** EPS adjusted for bonus

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CD Equisearch Private Limited (CIN: U67120WB1995PTC071521)
Registered Office: 37, Shakespeare Sarani, 3rd Floor, Kolkata – 700 017; Phone: +91(33) 4488 0000; Fax: +91(33) 2289 2557 Corporate Office: 10, Vasawani Mansion, 5th Floor, Dinshaw Wachha Road, Churchgate, Mumbai – 400 020. Phone: +91(22) 2283 0652/0653; Fax: +91(22) 2283, 2276 Website: www.cdequi.com; Email: research@cdequi.com

buy: >20%	accumulate: >10% to ≤20%	hold: ≥-10% to ≤10%	reduce: ≥-20% to <-10%	sell: <-20%

Exchange Rate Used- Indicative

Rs/$	FY15	FY16	FY17	FY18
Average	61.15	65.46	67.09	64.45
Year end	62.59	66.33	64.84	65.04

All $ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.