

# Essel Propack Limited

## Q2FY19 Earnings Update

**Consolidated Financial Highlights for the quarter ended 30<sup>th</sup> September 2018**

*(INR Lacs)*

| Particulars                  | Q2FY19 | Q2FY18 | %<br>change | H1FY19 | H1FY18 | %<br>change |
|------------------------------|--------|--------|-------------|--------|--------|-------------|
| Total Income from operations | 68347  | 63971  | 6.8%        | 131883 | 120043 | 9.9%        |
| EBIDTA                       | 12471  | 13516  | -7.7%       | 23627  | 23931  | -1.3%       |
| EBIDTA Margin (%)            | 18.2%  | 21.1%  |             | 17.9%  | 19.9%  |             |
| EBIT                         | 7972   | 9270   | -14.0%      | 14683  | 15664  | -6.3%       |
| EBIT Margin (%)              | 11.7%  | 14.5%  |             | 11.1%  | 13.0%  |             |
| PAT                          | 5337   | 5249   | 1.7%        | 9470   | 8678   | 9.1%        |
| EPS (in Rs.)                 | 1.69   | 1.67   |             | 3.01   | 2.76   |             |

\*YTD Revenue reported is exclusive of GST/ Excise Duty recovery to make the same comparable; accordingly margin % have been restated for comparability.

### **Consolidated Performance Highlights:**

- Revenue for the quarter compared to last year same quarter grew by 16.6% in EAP (at constant currency 9.5%), 11.8% in Europe (at constant currency 5.4%), 11.2% in Americas (at constant currency 2.8%) and -1.2% in AMESA (at constant currency -2.3%).
- Sequentially, quarter Sep 18 v/s Jun 18, the revenue growth is 18.1% in EAP (at constant currency 20.1%), 14.4% in Europe (at constant currency 13.5%), 8.0% in Americas (at constant currency 6.0%) and -0.8% in AMESA (at constant currency -1.6%)
- The revenue growth would have been higher but for India revenue growth, which is continued to be impacted by pharma regulation and lower offtake by key customer. India revenue is also impacted by transporter strike. Adjusted for the same the consolidated revenue growth would have been at 10.6% and 12.3% for the quarter and YTD respectively (at constant currency 6.4% and 7.1% respectively).

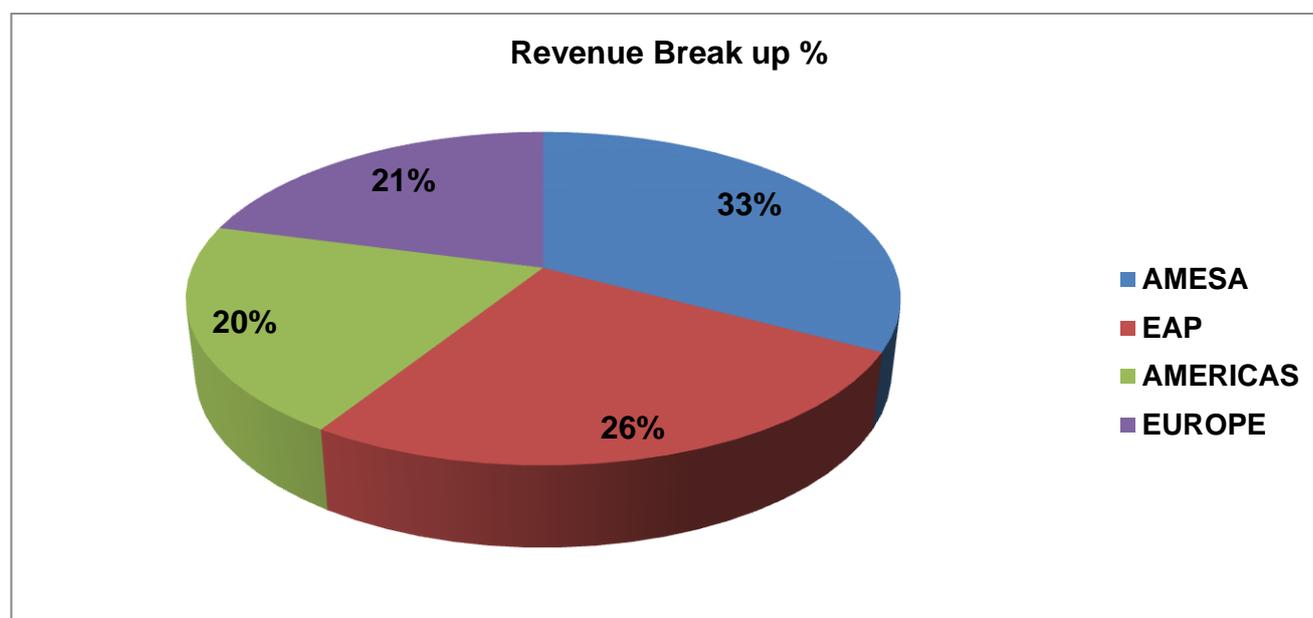
- Adjusted for India Pharma Regulation and transporter strike impact, EBIDTA would have been at 19.1% as against reported 18.2% and EBIT would have been at 12.7% as against reported 11.7%. The margin is also impacted due to time lag in RM price pass thru and product mix.
- On constant currency basis, Gross Debt as at September 18 end stood at INR 77229 Lacs compared to INR 73717 Lacs at March 18 end.
- ROE and ROCE on TTM basis is at 14.6% and 15.9% respectively.

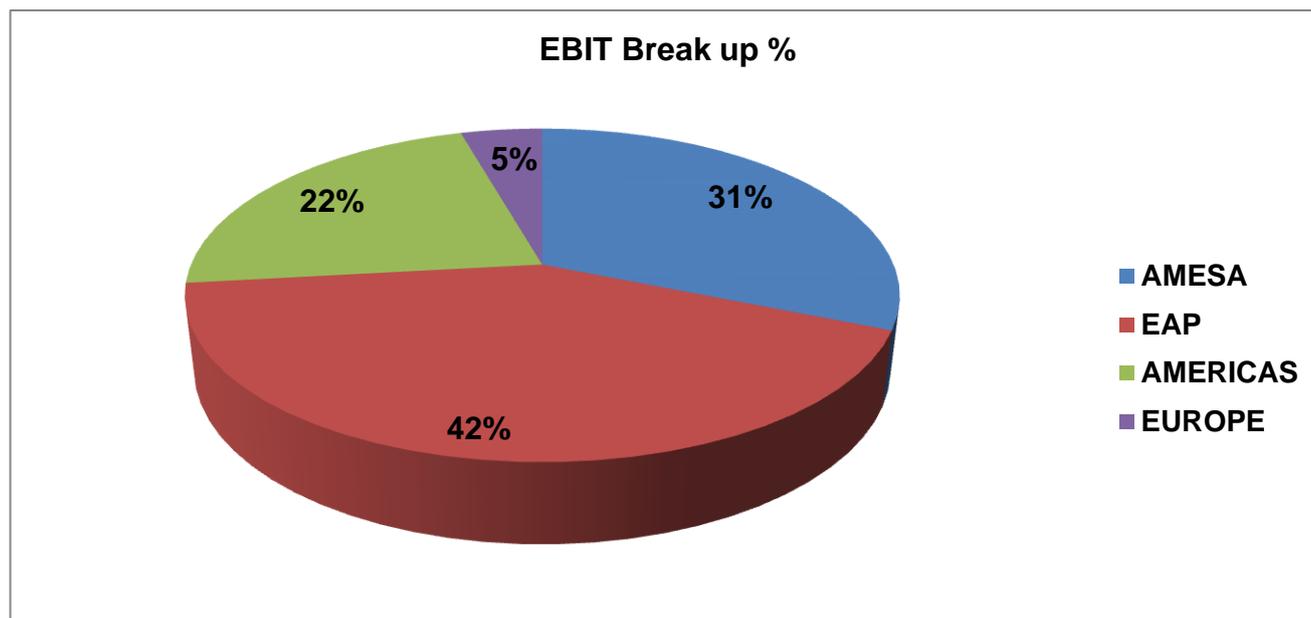
**Consolidated Category-wise Revenue break up for the quarter ended 30<sup>th</sup> September 2018**

(in %)

| Particulars   | Q2FY19 | Q2FY18 | H1FY19 | H1FY18 |
|---------------|--------|--------|--------|--------|
| Oral Care     | 57.6%  | 59.1%  | 58.4%  | 58.7%  |
| Non Oral Care | 42.4%  | 40.9%  | 41.6%  | 41.3%  |

**Region wise Revenue & EBIT Break-up for the Q2 FY19:**





(excludes 'unallocated')

### Region wise Financial Highlights:

#### AMESA

(INR Lacs)

| Particulars       | Q2FY19 | Q2FY18 | % change | H1FY19 | H1FY18 | % change |
|-------------------|--------|--------|----------|--------|--------|----------|
| Revenue           | 23366  | 23640  | -1.2%    | 46929  | 45571  | 3.0%     |
| EBIT              | 2678   | 3672   | -27.1%   | 6137   | 6747   | -9.0%    |
| EBIDTA Margin (%) | 19.5%  | 23.0%  |          | 20.9%  | 22.4%  |          |

- Egypt revenue helped by strong growth in non-oral care and even stronger in oral care category, posting robust revenue growth y-o-y of 41.2% and 18.0% sequentially (30.0% and 13.1% respectively on constant currency basis) for the quarter.
- India revenue continues to impact due to pharma regulation and lower offtake by a key customer in addition to impact due to transporter strike. Adjusted for the pharma regulation and transporter strike impact, India revenue would have grown at 5.9% for the quarter against reported -5.2%.

Consequently, the region revenue would have grown at 9.0% and 9.3% for the quarter and YTD respectively (at constant currency 8.1% and 4.1% respectively).

- EBIT and EBIDTA margin for the region would have been at 14.3% and 21.6% respectively, adjusted for the pharma regulation and transporter strike impact. The margin is also impacted due to partial time lag in RM price pass thru, Assam ramp up in India and product mix in Egypt.
- The business pipeline in India is very strong and expected to yield results in the second half of the year including ramp up of Assam and commissioning of new laminator in the month of November 2018.

## **EAP**

(INR Lacs)

| Particulars       | Q2FY19 | Q2FY18 | % change | H1FY19 | H1FY18 | % change |
|-------------------|--------|--------|----------|--------|--------|----------|
| Revenue           | 18470  | 15844  | 16.6%    | 34105  | 29137  | 17.1%    |
| EBIT              | 3605   | 2964   | 21.6%    | 5680   | 5180   | 9.7%     |
| EBIDTA Margin (%) | 24.4%  | 24.0%  |          | 22.1%  | 23.5%  |          |

- EAP revenue growth helped by non oral care category resulting into increase in non oral care revenue composition by 7.3%.
- In constant currency, the revenue growth is 9.5% for the quarter and 7.9% for the half year. Sequentially the Region revenue grew by 20.1%.
- EBIT in constant currency grew 12.2% for the quarter and 74.3% sequentially. EBIT margin benefited from better product mix and operational efficiencies.
- Sequentially 20.1% revenue growth resulting into 74.3% EBIT growth is a clear example of operating leverage.

## AMERICAS

(INR Lacs)

| Particulars       | Q2FY19 | Q2FY18 | % change | H1FY19 | H1FY18 | % change |
|-------------------|--------|--------|----------|--------|--------|----------|
| Revenue           | 14350  | 12901  | 11.2%    | 27636  | 23471  | 17.7%    |
| EBIT              | 1920   | 2114   | -9.2%    | 3419   | 2852   | 19.9%    |
| EBIDTA Margin (%) | 18.1%  | 20.8%  |          | 17.1%  | 17.1%  |          |

- Revenue growth in constant currency is 2.8% for the quarter and 11.1% YTD. Sequentially revenue grew at 6.0%.
- EBIT for the quarter is impacted due to increase in operating expenses, as wages in US has increased sharply. However, sequentially EBIT has grown at 23.8% at constant currency against revenue growth of 6.0%
- Non oral care category revenue composition increased by 4.8 pp compared to last year.

## EUROPE

(INR Lacs)

| Particulars       | Q2FY19 | Q2FY18 | % change | H1FY19 | H1FY18 | % change |
|-------------------|--------|--------|----------|--------|--------|----------|
| Revenue           | 14788  | 13227  | 11.8%    | 27719  | 24961  | 11.0%    |
| EBIT              | 378    | 637    | -40.7%   | 572    | 816    | -29.9%   |
| EBIDTA Margin (%) | 9.5%   | 12.8%  |          | 9.5%   | 11.1%  |          |

- Europe revenue at constant currency grew at 5.4% for the quarter, helped by both oral and non-oral category growth. Sequentially region revenue growth is at 13.5% at constant currency.
- Poland revenue on constant currency grew 16.7% for the quarter and 17.9% sequentially, with key customer offtake normalizing during the quarter.
- EBIT margin is lower due to licensing income earned during the same quarter last year. However, sequentially EBIT grew by 94.8% (69.3% on constant currency basis against revenue growth of 13.5%).

**Overall:**

The non-oral care revenue growth focus is continued in all the regions and the business pipeline is ever strong to deliver the same. India revenue is expected to normalize with every passing quarter of this financial year. All other regions have delivered a strong revenue growth sequentially. Americas and Europe are expected to continue the growth trajectory.

The lower margin in some of the geographies due to lower volumes/ product mix, initial expenditure incurred towards various strategic programmes and new location/ relocation like Assam and Russia in the H1 shall normalize going forward yielding benefits from these initiatives.

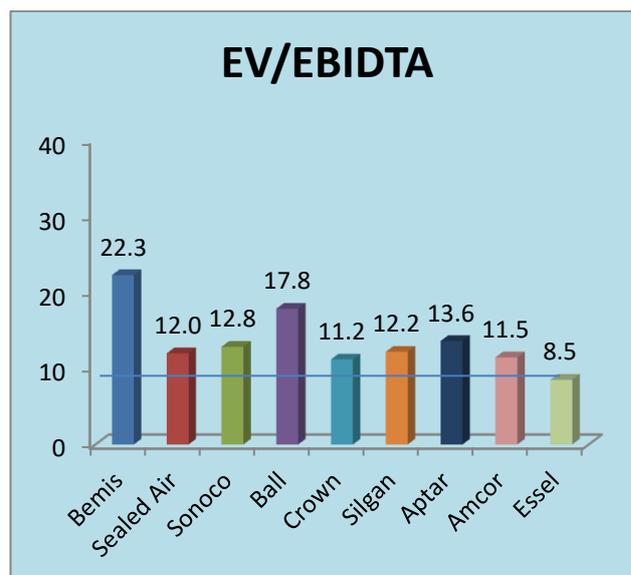
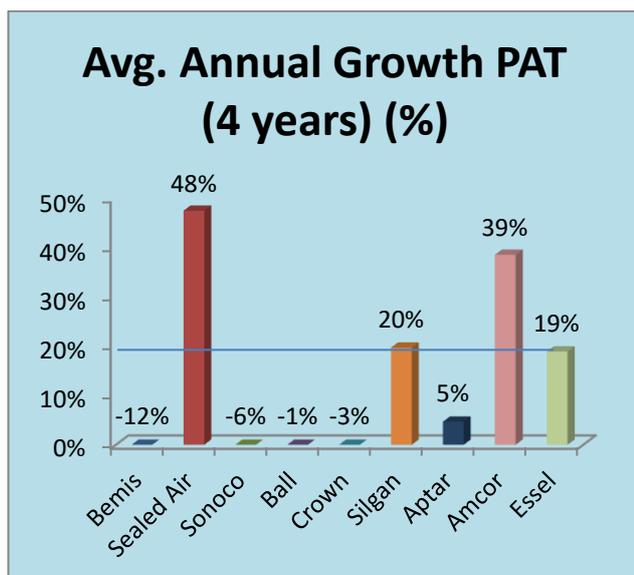
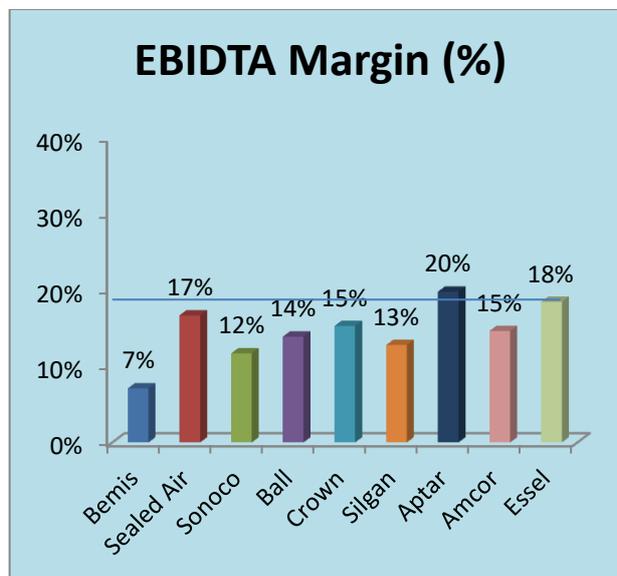
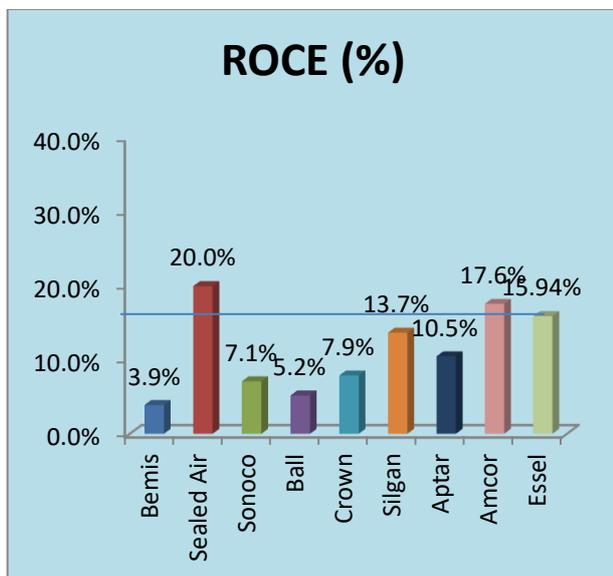
## Valuation Comparison with Global Peers – 30-09-2018

|   | Company Name            | Business Description  | Performance Indicators* |                     |        |                                       | Value Indicators* |                       |            |           |
|---|-------------------------|---|-------------------------|---------------------|--------|---------------------------------------|-------------------|-----------------------|------------|-----------|
|   |                         |   | ROE                     | EBIDTA Margin (LTM) | ROCE   | Avg. Annual Growth PAT (Last 4 years) | P/E (LTM)         | Book Value (LTM) (\$) | P/BV (LTM) | EV/EBITDA |
| 1 | Bemis                   | Manufacturer of flexible packaging materials and pressure sensitive label materials throughout USA, Canada, South America, Europe, and Asia.  | 7.60%                   | 7.10%               | 3.90%  | -12.09%                               | 43.80             | 12.85                 | 3.48       | 22.27     |
| 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.  | 212.60%                 | 16.70%              | 20.00% | 47.50%                                | 7.20              | -2.34                 | 0          | 11.98     |
| 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.  | 10.80%                  | 11.70%              | 7.10%  | -6.41%                                | 30.20             | 17.75                 | 2.96       | 12.84     |
| 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.  | 10.10%                  | 13.90%              | 5.20%  | -1.47%                                | 40.50             | 11.31                 | 3.84       | 17.84     |
| 5 | Crown Holdings Inc      | Manufacturer of metal cans, closures for food, beverage, household and consumer applications in US, Europe and other regions.   | 66.80%                  | 15.30%              | 7.90%  | -2.73%                                | 17.50             | 5.80                  | 7.18       | 11.18     |
| 6 | Silgan Holdings, Inc.   | Manufacturer of metal and plastic containers and closures for consumer applications in USA, South America, Europe, and Asia.  | 43.70%                  | 12.80%              | 13.70% | 19.77%                                | 9.60              | 7.58                  | 3.12       | 12.19     |
| 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.  | 17.70%                  | 19.80%              | 10.50% | 4.68%                                 | 28.80             | 21.67                 | 4.63       | 13.60     |
| 8 | Amcor Group             | Amcor Ltd. engages in the manufacture and supply of packaging products for the food, beverage, healthcare, home, personal care, and tobacco industries. It operates through the following business segments: Amcor Rigid Plastics, Amcor Flexibles, and Other/Investments. The Amcor Rigid Plastics segment | 76.14%                  | 14.65%              | 17.61% | 38.58%                                | 16.09             | 0.75                  | 12.06      | 11.45     |
| 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.   | 14.62%                  | 18.48%              | 15.94% | 18.97%                                | 18.34             | 42.22(INR)            | 2.48       | 8.50      |

Source: [www.in.advn.com](http://www.in.advn.com) & Company filings for competitor companies

\* LTM- Latest Twelve Months for Peers and Trailing Twelve Months (based on IND AS) for EPL at 30-09-2018





Source: [www.in.advfn.com](http://www.in.advfn.com) for competitor companies  
For more details – see table (Page 7)

## About Essel Propack Ltd:

Essel Propack, part of the USD 4.2 billion Essel Group, with FY18 turnover of over USD 372 million, is the largest specialty packaging global company, manufacturing laminated plastic tubes catering to the FMCG and Pharma space. Employing over 3158 people representing 25 different nationalities, Essel Propack functions through 19 state of the art facilities and in eleven countries, selling circa 7 billion tubes and continuing to grow every year.

Holding Oral Care market share of 36% in volume terms globally, Essel Propack is the world's largest manufacturer with units operating across countries such as USA, Mexico, Colombia, Poland, Germany, Egypt, Russia, China, Philippines and India. These facilities cater to diverse categories that include brands in Beauty & Cosmetics, Pharma & Health, Food, Oral and Home, offering customized solutions through continuously pioneering first-in-class innovations in materials, technology and processes.

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### **SAFE HARBOUR**

*Certain statements in this release concerning our future growth prospects are forward-looking statements which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fiscal policy, competition, inflationary pressures and general economic conditions affecting our industry. The Company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the Company.*