

## Essel Propack Limited

### Q3FY17 Earnings Update

**Consolidated Financial Highlights for the quarter ended 31<sup>st</sup> December 2016  
(excluding divested flexible packaging business)**

*(INR million)*

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Total Income from Operations	6075	5193	17.0%	17535	15818	10.9%
EBIT	607	684	-11.3%	2053	2164	-5.1%
EBIT Margin (%)	10.0%	13.2%		11.7%	13.7%	
PAT incl. Exceptional Items	380	411	-7.6%	1463	1193	22.7%
PAT excl. Exceptional Items	380	411	-7.6%	1224	1209	1.3%
EPS (in Rs.) excl. Exceptional Items	2.4	2.6		9.3	7.6	

**Consolidated Financial Highlights for the quarter ended 31<sup>st</sup> December 2016 (as reported)**

*(INR million)*

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Total Income from Operations	6075	5193	17.0%	17535	16354	7.2%
EBIT	607	684	-11.3%	2053	2176	-5.7%
EBIT Margin (%)	10.0%	13.2%		11.7%	13.3%	
PAT incl. Exceptional Items	380	411	-7.6%	1463	1321	10.8%
PAT excl. Exceptional Items	380	411	-7.6%	1224	1211	1.1%
EPS (in Rs) excl. Exceptional Items	2.4	2.6		9.3	8.4	

#### **Consolidated Performance Highlights (for continuing business):**

- The above results are based on IND AS applicable to the Company from 1<sup>st</sup> April, 2016. Previous year numbers too have been re-stated on IND AS basis.

- Quarterly and YTD results include 100% of the profit and loss of Essel Deutschland, Germany (EDG) operation, which was acquired effective 30<sup>th</sup> September 2016. To that extent the results are not comparable with previous year same quarter and YTD.
- The reported consolidated results (continuing business) was impacted due to:
  - sharply reduced revenue growth in India Operations on account of offtake contraction by FMCG customers following demonetization on 8<sup>th</sup> November 2016, estimated to cause revenue loss of Rs. 270 Million and EBIT reduction of Rs. 120 Million.
  - one off expenses in connection with consolidation of India and Colombia Units to the extent of INR 13.8 Million, and
  - Impact of full consolidation of EDG effective 1<sup>st</sup> October 2016, revenue Rs. 510.5 Million and EBIT Rs. (-) 17.5 Million.

But for the above, the results of the continuing business would have been healthy as under:

*(INR million)*

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Total Income from Operations	5832	5193	12.3%	17292	15818	9.3%
EBIT	758	684	10.8%	2278	2164	5.3%
EBIT Margin (%)	13.0%	13.2%		13.2%	13.7%	
PAT incl. Exceptional Items	467	403	16.0%	1610	1165	38.2%
PAT excl. Exceptional Items	467	403	16.0%	1371	1181	16.1%

- EDG operations are being revamped to improve its profile to match Essel's margin profile in Europe.
- ROE and ROCE on TTM basis is at 16.9% and 16.5% respectively compared to 17.5% and 16.8% previous quarter.

### Consolidated Category-wise Revenue break up for the quarter ended 31st December 2016

(in %)

Particulars	Q3FY17	Q3FY16	9MFY17	9MFY16
Oral Care	58.8%	59.5%	59.4%	58.5%
Non Oral Care	41.2%	40.5%	40.6%	41.5%

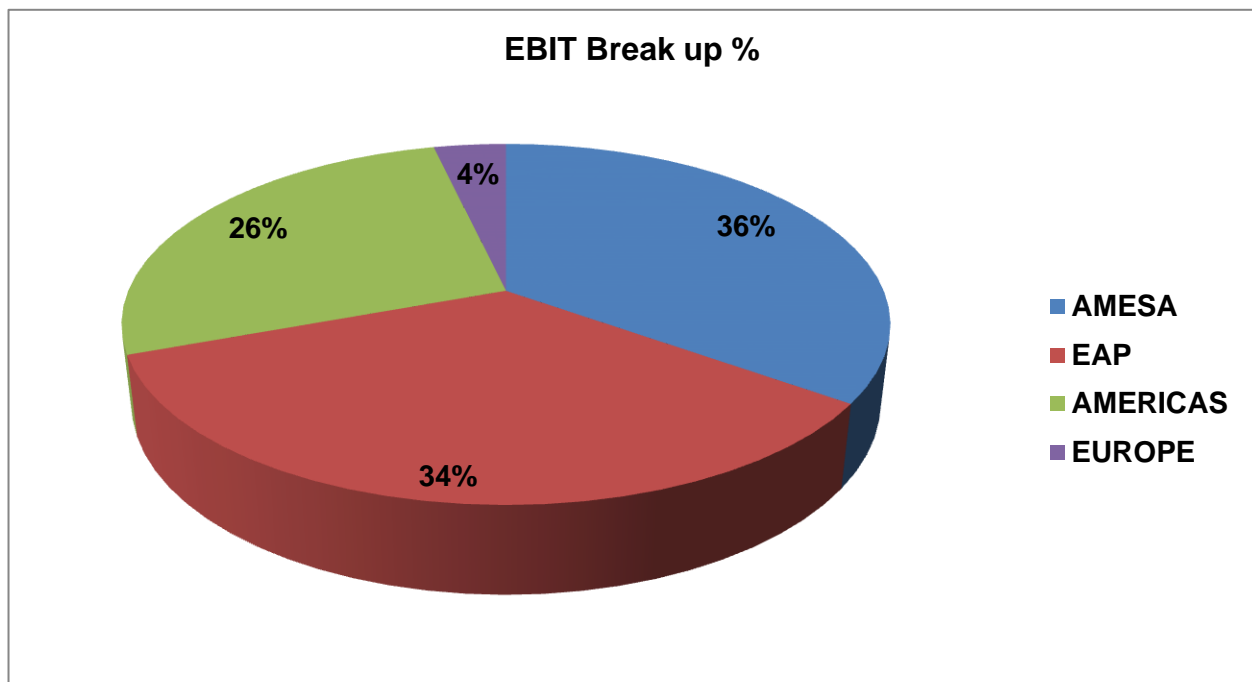
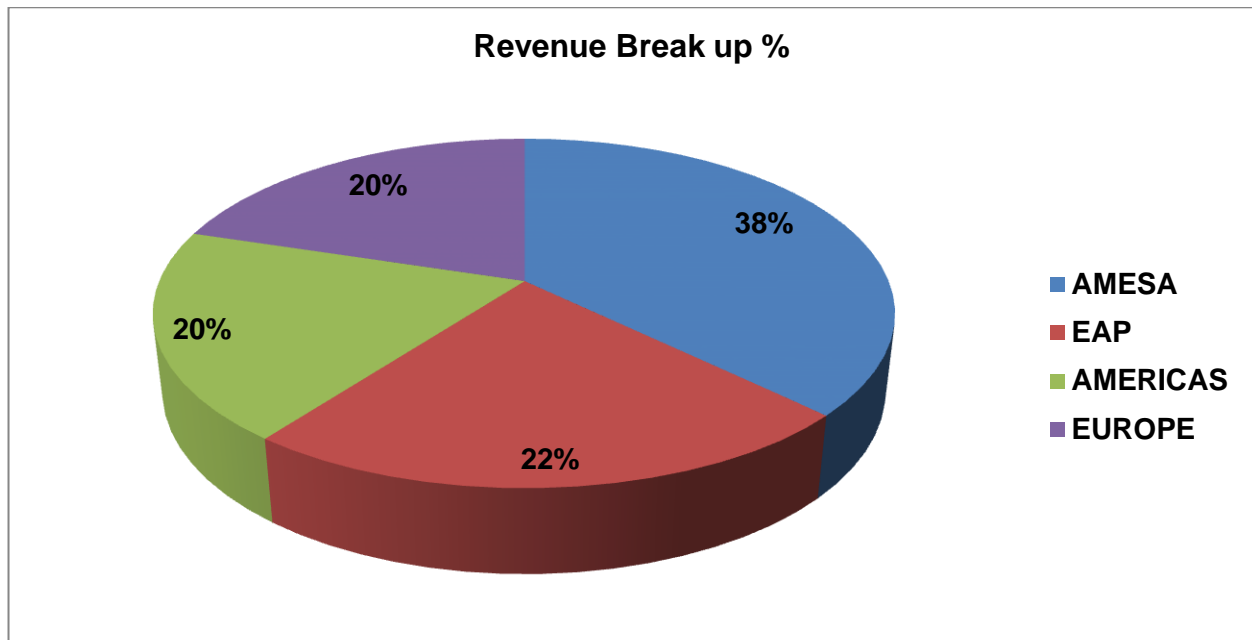
### India Standalone Performance Highlights:

- During first half of the year and particularly Q2FY17, India was witnessing a pick up in domestic demand along with new customer wins. India standalone revenue grew 15.4% y-o-y during Q2FY17. However, due to lower offtake by FMCG customers after announcement of demonetization on 8<sup>th</sup> November 2016, India Standalone revenue is adversely impacted and grew by only 2.3% y-o-y during the quarter. The impact is expected to continue in the Q4FY17, albeit at a lower scale as compared with Q3FY17.
- Consolidation of units in western India progressed further and one off cost on account of this during the quarter was Rs. 8.6 Million and Rs. 28.6 Million for 9 months.
- But for the above adverse factors, the results on underlying basis would have been healthy as stated below:

(INR million)

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Revenue	2367	2052	15.3%	6889	6068	13.5%
EBIT	302	262	15.0%	884	784	12.7%
EBIT Margin (%)	12.7%	12.8%		12.8%	12.9%	

**Region wise Revenue & EBIT Break-up for the Q3 FY17:**



*(excludes 'unallocated')*

## Region wise Financial Highlights:

### AMESA (continuing business)

(INR million)

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Revenue	2342	2257	3.7%	7336	6795	8.0%
EBIT	215	310	-30.5%	905	951	-5.0%
EBIT Margin (%)	9.2%	13.7%		12.3%	13.0%	

- Egypt is continued to post robust revenue growth. However, India revenue growth is lower due to lower offtake by FMCG customers after announcement of demonetization.
- Non oral care revenue share improved by 1.9% compared to previous year same quarter.
- Adjusted for demonetization and one off costs in India, region would have shown strong growth.

(INR million)

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Revenue	2609	2257	15.6%	7604	6795	11.9%
EBIT	343	310	11.0%	1053	951	10.7%
EBIT Margin (%)	13.2%	13.7%		13.8%	14.0%	

### EAP

(INR million)

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Revenue	1385	1360	1.8%	4127	4185	-1.4%
EBIT	203	197	3.3%	610	682	-10.5%
EBIT Margin (%)	14.7%	14.5%		14.8%	16.3%	

- Offtake issues at key oral care customers continued. However, EAP is showing sign of recovery with progress in new business development.
- Non oral care revenue share improved by 1.5% and the category grew by 17.6% for the quarter.

## AMERICAS

(INR million)

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Revenue	1223	1125	8.7%	3601	3456	4.2%
EBIT	160	147	9.1%	401	433	-7.3%
EBIT Margin (%)	13.1%	13.0%		11.1%	12.5%	

- The region revenue grew 8.7% y-o-y helped by Colombia new unit being stabilized and Mexico posting good revenue growth.
- The operating margin for the quarter and YTD would be higher at 13.5% and 12.8% respectively, if the one off costs of Rs. 5.2 Million for the quarter (Rs. 59.3 Million YTD) on transition to new unit be eliminated
- Mexico unit has been growing profitably this year.
- Operating Margin improved by 3.6% sequentially

## EUROPE

(INR million)

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Revenue	1272	828	53.7%	2971	2496	19.0%
EBIT	23	42	-46.7%	141	140	0.4%
EBIT Margin (%)	1.8%	5.1%		4.7%	5.6%	

- The profit & loss of Essel Deutschland Germany (EDG) operations is 100% consolidated beginning 1<sup>st</sup> October 2016, which was acquired effective 30<sup>th</sup> September 2016.

- Europe excluding EDG shows a decline in the revenue due to delays in new customer development in the non-oral care category. However, the margin has been sustained.

(INR million)

Particulars	Q3FY17	Q3FY16	% change	9MFY17	9MFY16	% change
Revenue	762	828	-8.0%	2460	2496	-1.4%
EBIT	40	42	-5.4%	158	140	12.9%
EBIT Margin (%)	5.3%	5.1%		6.4%	5.6%	

- EDG operations are being revamped to improve its profile to match Essel's margin profile in Europe.
- New business development in Europe is showing progress and should benefit going forward.

#### Overall:

The quarter could have been much better, but for India growth stalling post demonetization. As the demand revives in India and EDG margin profile improves, the business should revert to healthy margin and profit growth in line with our 20:20:20 strategy.

## Valuation Comparison with Global Peers – 31-12-2016

	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.	18.10%	14.10%	10.20%	12.48%	20.50	13.69	3.64	11.9
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.	39.40%	12.30%	9.40%	9.65%	28.00	2.86	16.81	17.84
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.	16.60%	12.00%	10.70%	8.51%	21.70	15.69	3.48	12.69
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.	24.60%	9.70%	7.60%	-7.96%	39.50	21.24	3.53	27.36
5	Crown Holdings Inc	Manufacturer of metal cans, closures for food, beverage, household and consumer applications in US, Europe and other regions.	298.90%	13.10%	10.50%	-6.95%	19.90	3.35	15.87	13.86
6	Silgan Holdings, Inc.	Manufacturer of metal and plastic containers and closures for consumer applications in USA, South America, Europe, and Asia.	25.60%	12.30%	9.80%	5.15%	17.80	13.65	4.02	11.63
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%	20.20%	11.20%	7.07%	24.20	20.51	3.49	10.19
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.	16.88%	16.64%	16.54%	26.78%	22.67	65.98(INR)	3.71	11.77

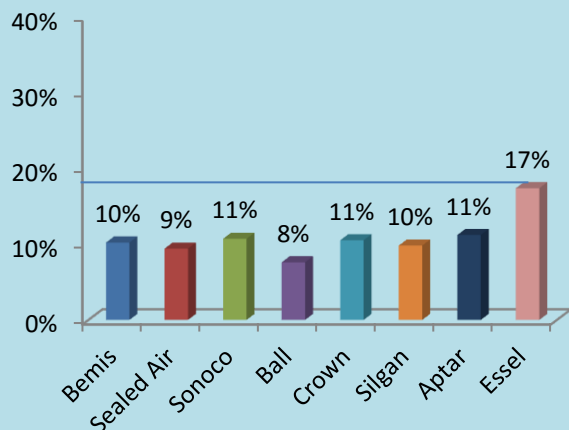
Source: www.in.advfn.com & Company filings for competitor companies

\* LTM- Latest Twelve Months for Peers and Trailing Twelve Months (based on Indian GAAP) for EPL at 31-12-2016.

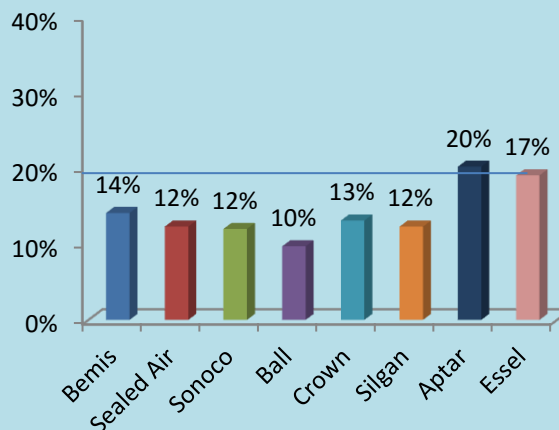




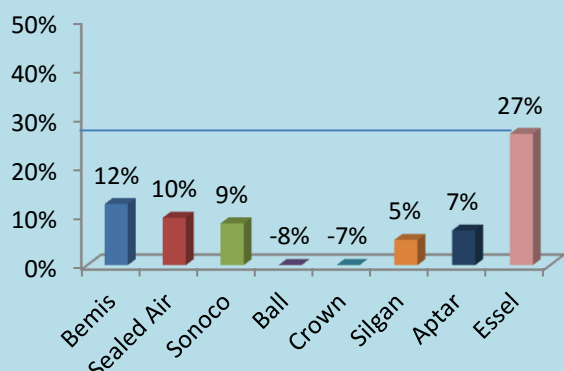
### ROCE (%)



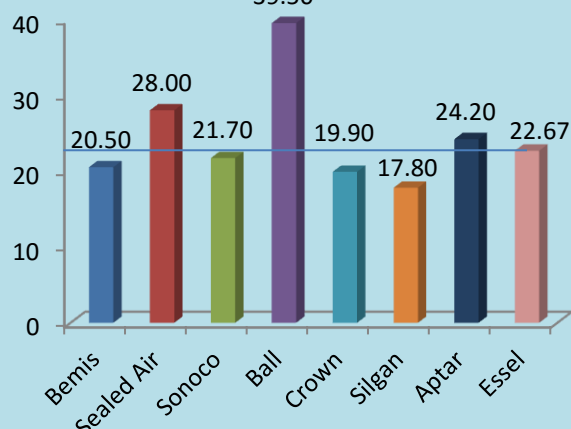
### EBIDTA Margin (%)



### Avg. Annual Growth PAT (4 years) (%)



### P/E



## Essel leads the pack in Avg. Annual PAT growth and ROCE

Source: [www.in.advfn.com](http://www.in.advfn.com) for competitor companies

For more details – see table (Page 8)

## **About Essel Propack Ltd:**

Essel Propack, part of the USD 2.4 billion Essel Group, with FY16 turnover of over USD 322 million, is the largest specialty packaging global company, manufacturing laminated plastic tubes catering to the FMCG and Pharma space. Employing over 2852 people representing 25 different nationalities, Essel Propack functions through 21 state of the art facilities and in eleven countries, selling more than 6 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.

## ***For more information contact***

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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.*