



## Hindustan Tin Works Packaging Profits

Face Value: Rs 10

CMP: Rs 42

Target Price: Rs 70

BSE Group/Code: S/530315

52-Week High/Low: 61/32

Market Cap: Rs 43.7 cr.

### Highlights:

- Flexible packaging solutions provider
- Leading manufacturers of quality tin containers
- Established customer profile and wider customer base

### Background:

Hindustan Tin Works was incorporated in 1958 as a private limited company to trade in and manufacture tin metal containers and tin sheets. The company was converted into a public limited company in 1993. It went public in 1995.

### Promoters:

HTWL is promoted by Mr. Sanjay Bhatia, Managing Director who is a commerce graduate and L.L.B. Mr. Bhatia has years of experience in the packaging industry.

### Group Companies:

#### Hi-Tech Surfactants (P) Ltd

This group has affected a step towards diversification with this company manufacturing detergent powder. It supplies the production to Hindustan Unilever.

### Parmanand Vijay Kumar

The parent company of the group is actively engaged in trading, indenting and importing Tin Mill products since 1948. Presently, with its offices in Delhi & Mumbai, it is catering to the requirements engaged in trading, indenting and importing tin mill products.

### Products:

All types of metal packaging tins

### Manufacturing:

HTWL' fully integrated and automated manufacturing facility is supported by high-speed automatic printing and lacquering machines for multi-colour and half tone jobs. Efficient tool room and photo-litho department complement these technological strengths.

**Capacity:**

HTWL's lithographed metal container has an annual capacity in excess of 20,000 tonnes.

**Quality:**

Quality control is an integral part of the production process. Strict quality control measures, at each stage from pre-production production and to final product ensure the highest standards. HTWL holds ISO 9001:2000 Certification, which reflects high quality products. It is accredited by British Standard Institution (BSI) which in turn is accredited by UKAS (UK Accreditation System) and RVA (Dutch Accreditation Council).

**Application of Products:**

From baby products, to processed food, coffee, edible oils, ghee, dairy products, medicines, paints, lubricants, chemical and pesticides etc.

**Clients:**

The company's existing clients for tin cans include companies such as Nestle, Heinz, HUL, Kellogs, Dalmia Industries, IOC, HPCL, Britannia, Amul, Tata Coffee, Haldiram and Asian Paints Wockhardt, Vadilal, Pepsi, Coca-Cola etc.

**Representative Brands:**

Some of the representative brands of HTL's products (cans) are Lactogen, Cerelac, Everyday, Tata Coffee, Asian Paints, Cherry Blossom, Haldiram Rasgullas etc.

**Financial Performance:**

Rs in crore	Q1FY08	Q1FY07	%	FY07	FY06	%
Sales	58.58	51.01	14.8	174.45	151.06	15.5
Other Income	0.45	0.49	-8.2	8.02	0.54	1385.2
PBIDT	4.46	3.52	26.7	15.33	12.37	23.9
Interest	1.63	1.45	12.4	3.6	4.18	-13.9
PBDT	2.83	2.07	36.7	11.73	8.19	43.2
Depreciation	0.63	0.54	16.7	2.19	2.08	5.3
PBT	2.2	1.53	43.8	9.54	6.11	56.1
Tax	0.33	0.34	-2.9	3.29	2.51	31.1
Deferred Tax	0	0	-	0.64	0.4	60
PAT	1.87	1.19	57.1	5.61	3.2	75.3
Equity				10.4	7.7	
Reserves				50.4	36.6	
Book Value (Rs)				58.5	57.5	
EPS (Rs)				5.4	4.2	
OP Margin (%)	7.6	6.9		8.8	8.2	
NP Margin (%)	3.2	2.3		3.2	2.2	

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**Note:** Equity capital has gone up due to allotment of 27.50 lakh shares to the promoters and associates upon conversion of warrants at a price of Rs 44 including premium of Rs 34 per share.

**Exports:**

HTWL is one of the leading exporters of lithographed sheets, end components and flattened cans to 14 countries including Middle East, USA and Australia. The exports account for nearly 7 per cent of sales.

**Financial:**

Equity capital is Rs 10.4 crore. With reserves of Rs 50.4 crore, the book value of the share works out to Rs 59.

**Equity Holding:**

Promoters-35.5 %  
Foreign-11.5 %  
PCBs-32.2 %  
Public-20.8 %

**Joint Venture with Rexam, UK:**

HTWL had initiated expansion in FY05-06 by investing over Rs 38 crore. However, later on with a view of form a joint venture with the UK-based Rexam, it transferred assets (including work in progress) required for the JV to the joint venture company viz. HTW Beverage Can (India) Pvt Ltd (the JV Company) which eventually would change to Rexam Beverage Can (India) Pvt. Ltd. The transferred assets as well as further new investments in this regard will now form part of the investments in the books of HTWL.

The Southeast Asia's first Rs 90 crore JV with Rexam in Mumbai commenced its 450 million 2-piece beverage a year production in June 2007 with first supply of cans to Som Brewery. The joint venture is 51 % owned by Rexam and 49 % by HTWL.

The JV targeted the customers like Pepsi, Coca Cola, United Spirits (McDowell Group) and SAB Miller to supply cans. Besides meeting the local demand, the unit also looked at catering to the demands of the neighboring countries.

**About Rexam:**

Rexam serves the beverage, beauty, pharmaceuticals and food markets with around 100 manufacturing operations in more than 20 countries. The beverage can industry is a well consolidated, global industry where Rexam is the leading player. It operates predominantly in the US, South America and Europe. There are four players in the US and three significant ones in South America and Europe. Rexam's market share in these regions is 23%, 65% and 45% respectively.



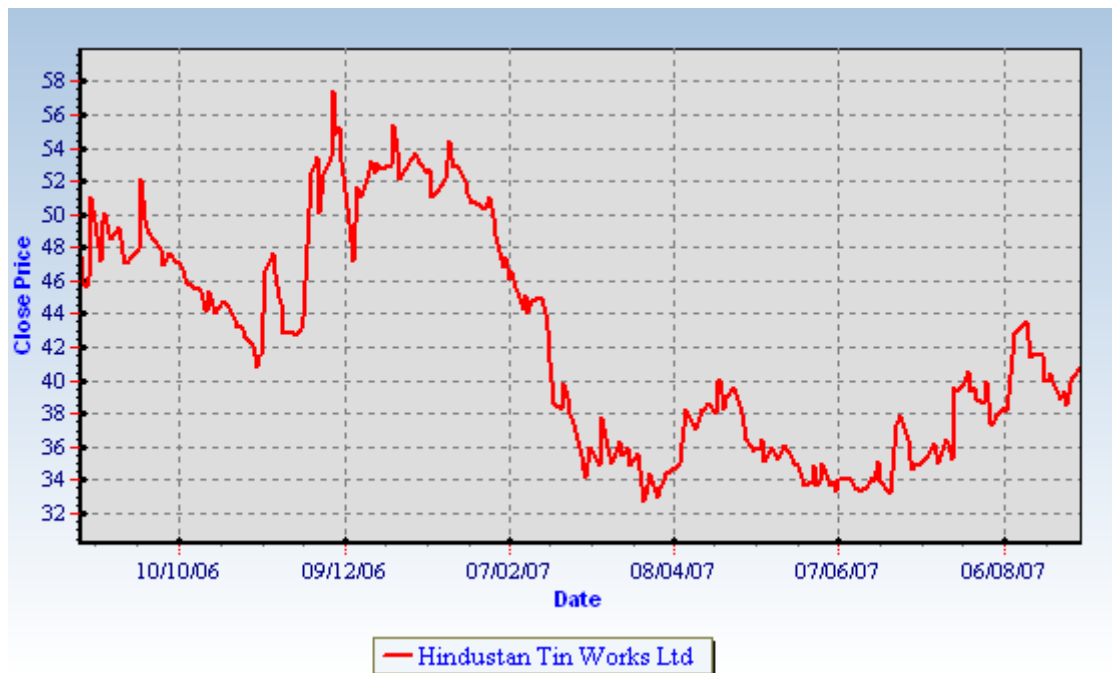
## Prospects:

Consumer packaging is a huge, global market worth some US \$ 388 billion according to the Packaging Industry Research Association (PIRA). In spite of a challenging year for the packaging industry, brought on largely by unprecedented rises in input costs, consumer packaging remains a vibrant and growing industry.

It is expected that the Indian beverage market will continue to experience good growth over the forecast period. This presents attractive growth opportunities for packaging formats used in this market, particularly metal beverage cans, demand for which is driven by a fast growing young population and substantial middle-class expansion.

Beverage and food packaging account for more than two thirds of the total market whilst the other areas of interest to Rexam, for example packaging for pharmaceuticals and beauty/personal care products, account for more than 10%.

## One-Year Price Chart:





## Outlook:

HTWL is the pioneer and leader in the metal container industry. For four decades, it has been meeting the packaging requirements for a host of products, many of them are now brand leaders. HT Cans or "Green Cans" as it is called, produced by HTWL are the No. 1 Packaging choice today. User-friendly and recyclable, they are environmental friendly.

HTWL is the largest manufacturers of lithographed metal containers equipped with the most sophisticated machinery from UK, Switzerland, Germany, USA, Taiwan, Italy and Japan. HTWL has the technology and infrastructure to produce ergonomic cans, customized to the needs of the product, in any number, size, shape and design. Its expertise in round, irregular tin cans and especially OTS cans is unmatched.

## Valuations & Recommendations:

HTWL has established itself as one of the leading manufacturers of quality tin containers in India emerging as a market leader. The active presence in the can making industry over the years has enabled it to earn and enjoy a good reputation with customers.

HTWL stand-alone is likely to achieve sales of Rs 240 crore in FY08 with a net profit increasing to Rs 10 crore. This would give an EPS of Rs 9.6 in FY08. Sales are expected to go up to Rs 280 crore in FY09 and PAT to Rs 13 crore yielding an EPS of Rs 12.5.

HTWL expects the Rexam JV to contribute sales of Rs 80 crore in the very first year 2007-08. Conservatively PAT would be around Rs 6 crore. This would go up to Rs 120 crore in FY08 with a PAT increasing to Rs 9 crore.

HTWL is likely to post consolidated net profit of Rs 16 crore in FY08 and Rs 22 crore in FY09 giving a consolidated EPS of Rs 12.4 and Rs 16.7 respectively excluding the 51 % share of Rexam in the JV company.

In view of the improving results, increasing demand of HTWL's products coupled with bright prospects of the packaging industry, the shares of HTWL can be considered for investment with a medium term perspectives. The JV with Rexam will also certainly re-rate the valuation of HTWL.

Further the possibility of demerger of its JV business in future can not be ruled out, which would unlock substantial shareholders value.

The shares of HTWL are traded at Rs 42 at a P/Ex of 3.4 on FY08E and 2.5 on consolidated FY08 & FY09E respectively are recommended with a price target of Rs 70 in the medium term. This translates into a gain of over 67 %. The industry average P/E of the packaging industry currently rules at staggering 20.



# Sunidhi

Hindustan Tin Works

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