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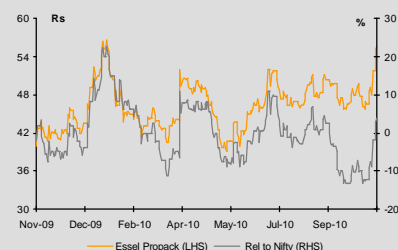
Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs56	Rs 72
EPS change FY11E/12E (%)	-12 / -3
Target Price change (%)	-5
Nifty	5,604
Sensex	18,684

Price Performance

(%)	1M	3M	6M	12M
Absolute	(12)	8	8	13
Rel. to Nifty	(6)	16	4	(2)

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Packaging
Bloomberg	ESEL@IN
Equity Capital (Rs mn)	313
Face Value(Rs)	2
No of shares o/s (mn)	157
52 Week H/L	65/38
Market Cap (Rs bn/USD mn)	8/175
Daily Avg Volume (No of sh)	435576
Daily Avg Turnover (US\$m)	0.5

Shareholding Pattern (%)

	D'10	S'10	J'10
Promoters	59.1	58.9	58.9
FII/NRI	4.3	4.7	4.7
Institutions	8.4	8.3	8.7
Private Corp	10.7	9.8	10.0
Public	17.5	18.3	17.7

Source: Capitaline

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- **Essel Propack (EPL) achieves revenue (Rs3.6 bn, up 19.2% yoy) and APAT (Rs156 mn, up 152% yoy) estimates, but misses Ebidta expectations – records 210 bps qoq decline**
- **Capacity constraints in China and India resulting in outsourcing, whereas Europe and Americas remain impacted by low utilization translating into lower growth and Ebit loss**
- **Outlook for FY12E- (1) 12-13% revenue growth (2) 20% Ebidta margin and (3) higher utilization in Europe and Americas**
- **Revise earnings by -12.3% for FY11E and -2.3% for FY12E - Maintain BUY with revised target price of Rs72/Share**

EPL's Q3FY11 performance is mixed bag, achieves revenue and APAT but misses Ebidta expectations

Q3FY11 performance was mixed bag, achieves revenue and APAT but misses Ebidta expectations. EPL reported 19.2% yoy growth in revenue to Rs3.6 bn and 151.6% yoy jump in APAT to Rs156 mn. The reported APAT was ahead of EMKAY estimates of Rs145 mn. However, Ebidta at Rs601 mn was below our expectation, impacted by reduction in gross contribution and inventory write-offs in international business. The Ebidta margins improved 10 bps yoy and decline 210 bps qoq to 16.5%.

Capacity constraints in China and India, whereas Europe and Americas remain impacted by low utilization

Anomalies were seen across geographies, China and India witnessed capacity constraints whereas Europe and Americas remain impacted by low utilization. Consequently, Amesa registered revenue growth of 23.2% yoy to Rs1.8 bn and EAP registered revenue growth of 6.8% yoy to Rs757 mn. But, experienced capacity constraints and higher outsourcing leading to decline in Ebit margins. Whereas, Europe registered revenue growth of 3.3% yoy to Rs298 mn and Americas registered revenue growth of 5.2% yoy to Rs826 mn. Europe reported increase in Ebit loss to Rs107 mn and Americas reported Ebit of Rs10 mn.

Shares outlook for FY12E- foresee (1) improvement in Americas (2) tapping efficiencies in operations combined with 12-13% revenue growth

Management gave outlook for FY12E, key highlights are (1) forecasts revenue growth of 12-13% in FY12E- with continuation of growth momentum in China and India and improvement in Americas and Europe (2) thrust lies on developing markets like India, China, Middle East and Russia (3) gain from efficiency improvement in business operations (4) drive utilizations in Americas and Europe business (5) eyeing Ebidta margins of 20% in 2HFY12E.

Financial Snapshot

YE-	Net	EBITDA		EPS	EPS	RoE	EV/			
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
CY08	12,911	1,801	13.9	-903	-5.8	-276.9	-11.1	-9.0	9.8	1.2
FY10P	16,594	2,840	17.1	295	1.6	-128.3	4.6	31.9	5.3	1.1
FY11E	14,301	2,516	17.6	523	3.3	104.8	7.2	15.6	5.7	1.0
FY12E	15,807	3,085	19.5	941	6.0	80.0	11.7	8.7	4.3	1.0

Quarterly Results

	Q4FY10	Q5FY10	Q1FY11	Q2FY11	Q3FY11	YoY Gr (%)	QoQ Gr (%)	YTD'11	YTD'10	YoY (%)
Net Sales	3062.1	3012.5	3322.7	3686.8	3649.0	19.2	-1.0	10658.5	9029.0	18.0
Expenditure	2562.3	2526.9	2759.8	3003.6	3048.0	19.0	1.5	8811.4	7469.0	18.0
Material Cost	1410.3	1407.8	1573.8	1745.8	1764.2	25.1	1.1	5083.8	4128.0	23.2
% of Sales	46.1	46.7	47.4	47.4	48.3	230 bps	100 bps	47.7	45.7	200 bps
Employee Expenses	496.9	491.6	542.3	543.5	548.5	10.4	0.9	1634.3	1447.5	12.9
% of Sales	16.2	16.3	16.3	14.7	15.0	-120 bps	30 bps	15.3	16.0	-70 bps
Other Expenses	655.1	627.5	643.7	714.3	735.3	12.2	2.9	2093.3	1893.5	10.6
% of Sales	21.4	20.8	19.4	19.4	20.2	-120 bps	80 bps	19.6	21.0	-130 bps
EBIDTA	499.8	485.6	562.9	683.2	601.0	20.2	-12.0	1847.1	1560.0	18.4
Depreciation	253.5	255.6	266.9	268.6	266.6	5.2	-0.7	802.1	794.5	1.0
EBIT	246.3	230.0	296.0	414.6	334.4	35.8	-19.3	1045.0	765.5	36.5
Other Income	32.7	51.3	-7.7	-9.7	66.9	104.6	-789.7	49.5	95.3	-48.1
Interest	162.6	131.8	140.4	154.9	144.2	-11.3	-6.9	439.5	530.6	-17.2
PBT	116.4	149.5	147.9	250.0	257.1	120.9	2.8	655.0	330.2	98.4
Tax	-49.7	-49.3	-59.0	-116.3	-95.1	91.3	-18.2	-270.4	-196.0	38.0
Adjusted PAT	66.7	100.2	88.9	133.7	162.0	142.9	21.2	384.6	134.2	186.6
(Profit/Loss) from JV's/Ass/MI	4.7	10.3	14.4	8.1	6.0	27.7	-25.9	28.5	18.5	54.1
APAT After MI	62.0	89.9	74.5	125.6	156.0	151.6	24.2	356.1	115.7	207.8
Extra-Ordinary Items	0.0	-6.7	0.0	0.0	0.0	-	-	0.0	0.0	-
Reported PAT	62.0	83.2	74.5	125.6	156.0	151.6	24.2	356.1	115.7	207.8
Reported EPS	0.4	0.5	0.5	0.8	1.0	151.6	24.2	2.3	0.8	202.0

Margins (%)						(bps)	(bps)				(bps)
EBIDTA	16.3	16.1	16.9	18.5	16.5	10	-210	17.3	17.3	10	
EBIT	9.1	9.3	8.7	11.0	11.0	190	0	10.3	9.5	70	
EBT	3.8	5.0	4.5	6.8	7.0	320	30	6.1	3.7	250	
PAT	2.0	3.0	2.2	3.4	4.3	230	90	3.3	1.3	210	
Effective Tax rate	-42.7	-33.0	-39.9	-46.5	-37.0	570	950	-41.3	-59.4	1810	

Revised earnings by -12.3% for FY11E and -2.9% for FY12E to Rs3.3/Share and Rs6.0/Share respectively

We have fine-tuned our assumptions to factor the FY12E outlook given by management in the conference call. Consequently, we upgraded revenue by 1.9% for FY11E and 0.6% for FY12E. But, Ebidta margins not meeting assumptions - lowered Ebidta margins by 160 bps for FY11E and FY12E. Consequently, we have revised earnings by -12.3% for FY11E and -2.9% for FY12E to Rs3.3/Share and Rs6.0/Share respectively.

Maintain 'BUY' rating with target price of Rs72/Share

Turnaround has gathered pace, 9MFY11 performance indicates the same. EPL is marching towards achieving the Rs1 bn net profit in FY12E – revisiting the CY06-levels. Alongside, strong earnings performance – we expect the valuations to retrace to CY06 levels- fill up the gap created by the turmoil of CY06-08 period. We maintain positive bias with BUY rating with revised price target of Rs72/Share.

Earnings Change

Y/E, Mar (Rs. mn)	FY11E			FY12E		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Revenues	14030	14301	1.9	15717	15807	0.6
EBITDA	2702	2516	-6.9	3312	3085	-6.9
EBITDA Margin (%)	19.3	17.6	(170 bps)	21.1	19.5	(160 bps)
APAT	596	523	-12.3	970	941	-3.0
EPS	3.8	3.3	-12.3	6.2	6.0	-2.9

Financials

Income Statement

Y/E, Dec (Rs. Mn)	CY08	FY10	FY11E	FY12E
Net Sales	12,911	16,594	14,301	15,807
Growth (%)	8.2	28.5	-15.0	10.5
Expenses	11,110	13,754	11,785	12,722
Growth (%)	9.6	23.8	-15.0	8.0
Raw Materials	5,810	7,289	6,648	7,348
% Of Sales	45.0	43.9	46.5	46.5
Employee Cost	2,536	3,098	2,205	2,316
% Of Sales	19.6	18.7	15.4	14.6
Manufacturing Exps	1,361	1,657	1,628	1,680
% Of Sales	10.5	10.0	11.4	10.6
Admin Expenses	999	1,675	956	995
% Of Sales	7.7	10.1	6.7	6.3
Selling & Distribn Exp	405	35	348	384
% Of Sales	3.1	0.2	2.4	2.4
Ebidta	1,801	2,840	2,516	3,085
Growth (%)	0.1	57.7	-15.1	22.6
Ebidta%	13.9	17.1	17.6	19.5
Other Income	-479	114	104	104
Interest	699	847	658	606
Depreciation	1,120	1,374	1,093	1,232
PBT	-497	733	869	1,350
Tax	346	371	309	371
PAT (Before EO Item)	-842	362	561	979
Growth (%)	-252.1	-143.0	69.3	74.6
Net Margin%	-6.5	-0.9	3.9	6.2
E/O Item	20	305	0	0
Minority Interest	60	68	38	38
PAT (Bef. EO-after min int)	-903	599	523	941
Reported PAT	-883	295	523	941

Cash Flow

Y/E, Dec (Rs. Mn)	CY08	FY10P	FY11E	FY12E
Pre-Tax Profit	-497	732	869	1,350
Depreciation	1,120	1,329	1,093	1,232
Non Cash	-641	-6	0	0
Chg in Working Cap	-1,191	64	494	-440
Tax Paid	-242	-534	-309	-371
Operating Cash Flow	-1,450	1,585	2,148	1,771
Capex	-841	-847	-700	-700
Free Cash Flow	-2,291	738	1,448	1,071
Investments	-383	1,292	0	0
Equity Capital	0	0	0	0
Loans	3,215	-1,796	-1,900	0
Dividend	-275	-108	-94	-157
Others	1	2	3	4
Net Change in Cash	266	126	-546	915
Opening Cash Position	551	817	944	397
Closing Cash Position	817	944	397	1,312

Balance Sheet

Y/E, Dec (Rs. Mn)	CY08	FY10P	FY11E	FY12E
Equity Share Capital	313	313	313	313
Reserves	6,679	7,215	7,644	8,429
Networth	6,992	7,528	7,957	8,742
Secured Loans	4,997	5,151	4,151	4,151
Unsecured Loans	5,317	3,247	2,347	2,347
Loan Funds	10,314	8,398	6,498	6,498
Net Deferred Tax	61	37	37	37
Minority interest	166	83	121	159
Capital Employed	17,533	16,046	14,613	15,436
Gross Block	18,925	18,473	19,173	19,873
Less: Depreciation	7,704	8,742	9,835	11,067
Net Block	11,221	9,730	9,338	8,806
Capital Work In Progress	423	580	580	580
Goodwill	0	0	0	0
Investments	453	477	477	477
Current Assets	7,590	7,153	5,915	7,411
Inventories	2,079	1,643	1,582	1,749
Debtors	2,020	2,021	1,718	1,899
Cash & Bank	817	944	397	1,312
Loans & Advances	2,673	2,545	2,218	2,451
Current Liabilities & Prov	2,205	1,974	1,777	1,918
Net Current Assets	5,385	5,179	4,139	5,493
Miscellaneous Expenditure	52	80	80	80
Capital Deployed	17,533	16,046	14,613	15,436

Key Ratios

Y/E, Dec	CY08	FY10P	FY11E	FY12E
Profitability %				
Ebidta Mgn	13.9	17.6	17.6	19.5
PAT Mgn	-6.5	2.0	3.9	6.2
ROCE	1.2	9.9	10.0	13.0
ROE	-11.1	4.6	7.2	11.7
Per Share Data				
EPS	-5.8	1.6	3.3	6.0
BVPS	43.1	46.8	49.6	54.6
DPS	1.5	0.4	0.6	1.0
Valuations (X)				
PER	-9.0	31.9	15.6	8.7
P/BV	1.2	1.1	1.0	1.0
Ev/Sales	1.4	0.9	1.0	0.8
Ev/Ebidta	9.8	5.3	5.7	4.3
Dividend Yield (%)	2.8	0.7	1.2	1.9
Turnover (X Days)				
Debtor TO Days	50.5	43.8	43.8	43.8
Inventory TO Days	56.1	40.4	40.4	40.4
Gearing Ratio				
Net Debt/Equity (X)	1.4	1.0	0.8	0.6
Total D/E (X)	1.5	1.1	0.8	0.7

Recommendation History: Essel Propack – ESEL IN

Date	Reports	Reco	CMP	Target
03/11/2010	Essel Propack Q2FY11 Result Update	Buy	56	76
30/07/2010	Essel Propack Q1FY11 Result Update	Buy	48	76
30/04/2010	EPL Q5FY09 Result Update	Buy	48	76
01/02/2010	EPL Q4CY09 Result Update	Buy	46	76

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