

Growth in the wings

17th May 2007

Not Rated

Price	Target Price
Rs329	N.A.

Sensex – 14127

Price Performance

(%)	1M	3M	6M	12M
Absolute	14	21	n.a.	n.a.
Rel. to Sensex	11	21	n.a.	n.a.

Source: Bloomberg

Stock Details

Sector	Metals
Reuters	ESDA.BO
Bloomberg	EDA@IN
Equity Capital (Rs mn)	264
Face Value (Rs)	10
52 Week H/L (Rs)	344/210
Market Cap (Rs bn)	8.7
Daily Avg Vol (No of shares)	192987
Daily Avg Turnover (US\$ mn)	1.6

Shareholding Pattern (%)

(31st Mar.'07)

Promoters	64.6
FII/NRI	7.0
Institutions	15.0
Private Corp.	5.6
Public	7.8

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Ess Dee Aluminium (Ess Dee) announced its 4QFY07 and FY07 results yesterday. The company is primarily into the packaging industry and provides packaging solution to pharmaceutical industry. It is also foraying into packaging of FMCG products. It recently expanded its capacity from 3,600t to 9,100t and is now expanding this further to 18,100t by July 2007. For the 4QFY07 the company reported PAT of Rs161mn and Net Sales of Rs706mn. For the full year FY07 the company reported PAT of Rs373mn (yoy up 297%) and Net Sales of Rs1,674mn (yoy up 168%). Ess Dee reported 4QFY07 EPS of Rs 7.66 and full year FY07 EPS of Rs17.7 (yoy down 42%), The Company has been recently listed on 28 Dec 2006 after its IPO, which resulted in equity dilution of 2.52x. Ess Dee has made significant announcements during its analyst meet yesterday that includes setting up a plant in Sikkim and Dubai and is eyeing an acquisition. Ess Dee is currently a debt free company with gearing at 0.23% only.

Ess Dee to set up a new plant in Sikkim

Ess Dee has finalized its plans to set up a plant in Sikkim to cater to a host of pharmaceutical companies that have recently setup their plants in that state due to proximity to the east Indian market and fiscal benefits provided by the government. The company has refused to divulge the details of the size of the plant or the total outlay. However, it has mentioned that the machinery orders have already been placed and the plant will be commissioned latest by Sep 2007.

And will also set up a plant in Dubai

The company has also announced its plans to setup a unit in Dubai, which will also include a rolling mill. The key reason for setting up the plant in Dubai is serving the gulf market in the near term and finally catering to the US market from its Dubai arm. Currently exports of packaging material from India attract a import duty of 12% in US. However, exports of packaging material from Dubai will be duty free. The plant will be setup with a view of acquiring US FDA approval, which will enable it to take advantage of the zero import duty. The company has however refused to divulge the details regarding the size of the plant or the total outlay involved. However, it will release the details regarding the Sikkim and Dubai plants in the next month.

Ess Dee has announced its plans for acquisition

Ess Dee has also finalized its plans for an acquisition. The company is in advanced talks in this regard. It has again refused to divulge the details of acquisition. However, the promoters have announced that they have no plans for any further dilution of equity. Since the company is nearly debt free and has ruled out equity dilution; we believe it will raise debt to fund the acquisition.

Brief profile of the company

The company is primarily engaged in packaging industry where it provides end to end solution to pharmaceutical companies in packaging their non-glass products which includes foil packaging, blister packaging and other modes of non-glass packaging. The company has aluminium rolling mill with a currently installed capacity of 9,100t. It also has a 4,00t PVC manufacturing plant. PVC is used as a coating on to blister packs. The company is virtually a debt free company and aluminum costs fluctuation is passed to the customers with minimal impact of aluminium price volatility at LME.

Valuation

The stock is currently trading at 18.5x its EPS of Rs17.7. The company expects to double its size in FY08 in terms of turnover and EPS and has aggressive growth plans further. We do not have any rating on the stock.

Financials

	4QFY07	FY07	FY06	% yoy change
Net Sales	708	1,674	625	168
Expenditure				
Consumption of raw material	520	1,184	454	161
Change in stock	(31)	(113)	(25)	357
Net consumption of Raw materials	489	1071	429	150
as a % to net sales	73%	71%	73%	-190bps
Total cost of goods sold	489	1071	429	150
as a % to net sales	69%	64%	69%	-470bps
Gross profit	219	603	196	208
Gross margin	31.0%	36.0%	31.3%	470bps
Personnel exp	16	63	23	177
Other exp	20	70	22	214
as a % to net sales	3%	4%	4%	62bps
Total operating exp	36	134	45	195
EBITDA	183	469	150	212
Ebitda margin	25.9%	28.0%	24.1%	396bps
Depreciation & amortization	4	12	7	89
EBIT	179	457	144	218
EBIT margin	25.3%	27.3%	23.0%	426bps
Interest	19	65	36	78
Other income	21	33	11	204
PBT	182	425	118	259
Provision for tax	20	52	24	113
ETR (%)	11%	12%	21%	-837bps
PAT	161	373	94	297
Net margin	22.8%	22.3%	15.0%	723bps
Equity capital	264	264	75	252
EPS - Basic and diluted	7.66	17.70	30.68	-42

All fig in Rs mn Except for % and per share data

Segment Results

	4QFY07	FY07	FY06	% yoy change
Segment Revenue				
Foil	415	724	445	63
PVC	91	298	191	56
Foil Printing	223	685	0	-
Less: Other income	-21	-33	-11	204
Total Revenue	708	1,674	625	168
Segment EBIT				
Foil	131	295	113	160
PVC	22	60	41	45
Foil Printing	47	135	0	-
Total Revenue	200	490	155	217
Segment Capital Employed				
Foil	1,660	1,660	297	458
PVC	375	375	148	153
Foil Printing	218	218	0	-
Total Revenue	2,253	2,253	445	406

All fig in Rs mn Except for % data

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