

Essel Propack Limited

Q2FY18 Earnings Update

Consolidated Financial Highlights for the quarter ended 30th September 2017

(INR million)

Particulars	Q2FY18	Q2FY17	% change	H1FY18	H1FY17	% change
Total Income from operations	6397	5961	7.3%	12230	11460	6.7%
EBIDTA	1352	1114	21.3%	2393	2090	14.5%
EBIDTA Margin (%)	21.1%	18.7%		19.6%	18.2%	
EBIT	927	783	18.3%	1566	1446	8.3%
EBIT Margin (%)	14.5%	13.1%		12.8%	12.6%	
PAT excl. Exceptional Items	525	469	12.0%	868	845	2.7%
EPS (in Rs.) excl. Exceptional Items	3.34	4.50		5.52	6.90	

Consolidated Performance Highlights:

- Revenue reported for the Q2FY18 is exclusive of GST (implemented in India w.e.f. 1st July 2017) recovery; in the pre GST regime however, the excise duty recovery is included in the revenue. Further, significant exchange rate movements compared to previous year have caused translation impact on reported results for the quarter and half year.
- Revenue net of indirect tax (GST/ Excise) recovery grew 11.5% during the quarter and 9% during the half year as compared to the reported 7.3% and 6.7% respectively. Further, in constant currency terms, the quarter revenue growth was even higher at 14.6% (made of EDG 9.7% and organic 4.9%) for the quarter and 13.8% for the half year (as against reported 6.7%). EAP, Americas and Egypt posted robust revenue growth. The revenue growth would have been higher but for weak India growth following transition to GST w.e.f. 1st July 2017.
- Sequentially, revenue grew by 7.8% AMESA, 19.2% EAP, 22.1% Americas and 12.7% Europe.

- PAT in constant currency grew 17.3% against reported 12.0%.
- Net Debt as at September 17 end stood at INR 6653 Million, lower compared to INR 7035 Million at March 17 end, a reduction of INR 382 Million.
- ROE and ROCE on TTM basis is at 15.7% and 16.5% respectively.

Consolidated Category-wise Revenue break up for the quarter ended 30th September 2017

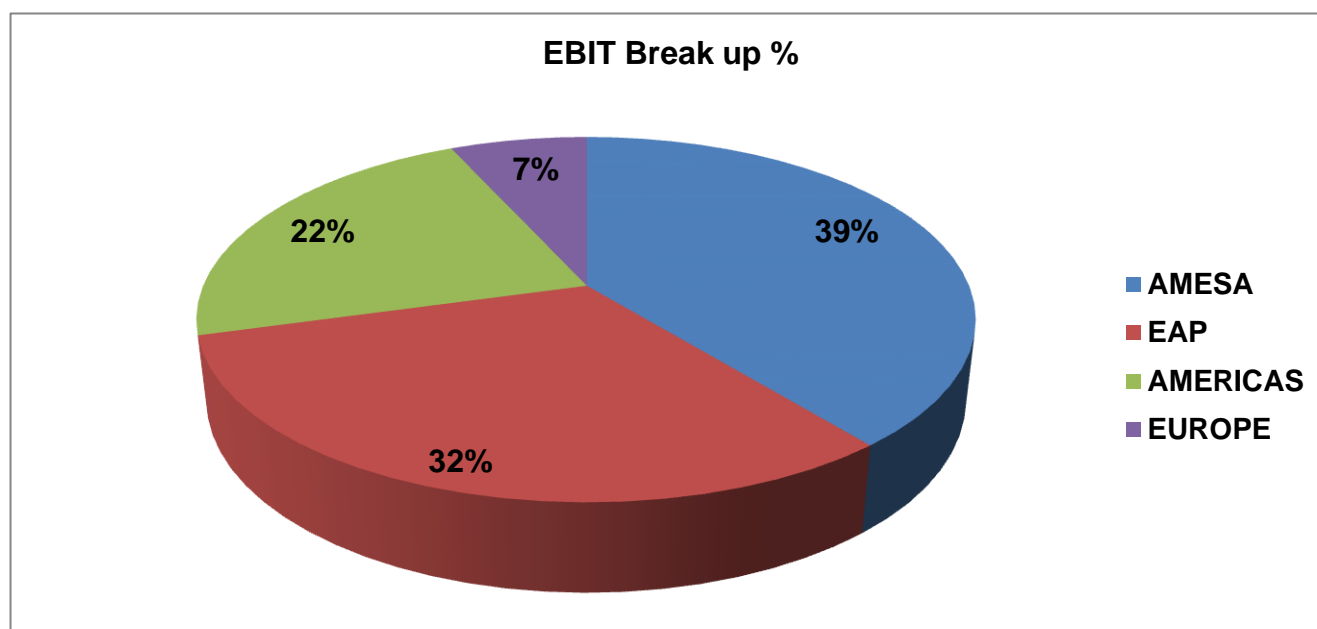
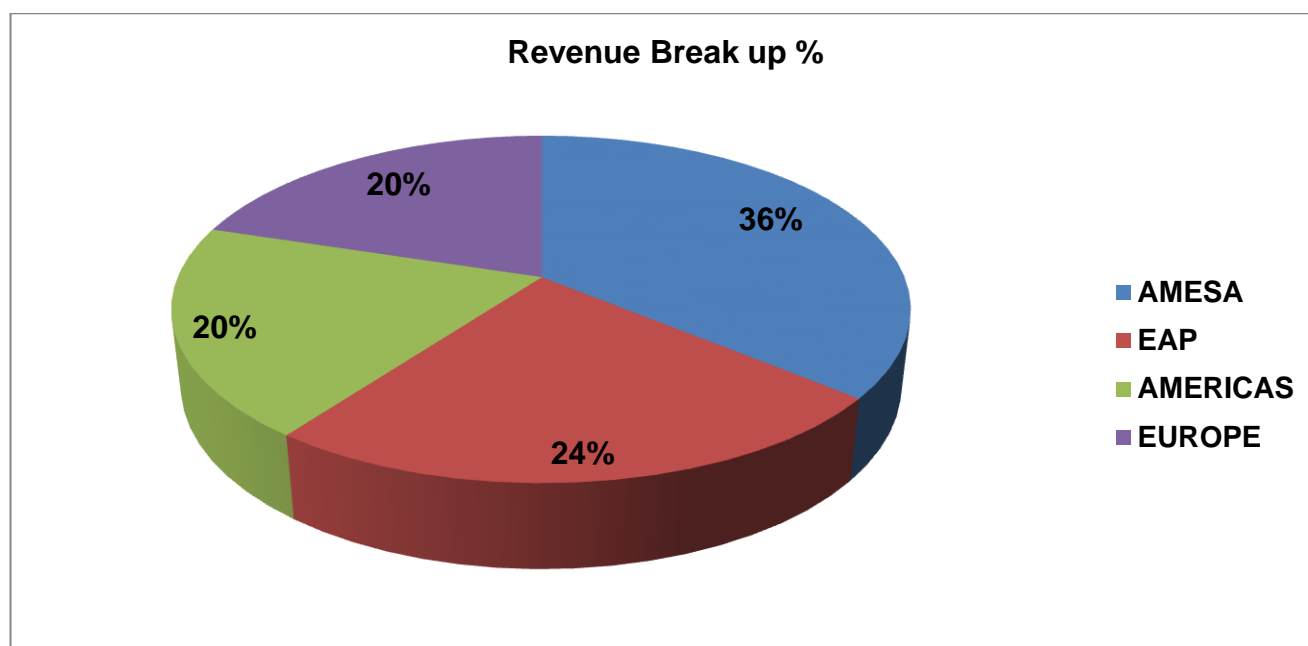
(in %)

Particulars	Q2FY18	Q2FY17	H1FY18	H1FY17
Oral Care	59.1%	60.1%	58.7%	59.8%
Non Oral Care	40.9%	39.9%	41.3%	40.2%

India Standalone Performance Highlights:

- The revenue for Q2 previous year is inclusive of Excise Duty and therefore not comparable with the Q2FY18 revenue, which is net of GST. Adjusted for the same, revenue growth for the quarter is 3.4% as against reported growth of -6.6%, still impacted by GST transition although partial recovery is seen compared to previous quarter (sequential growth 8.6%). It may be noted that India standalone revenue posted 15.4% y-o-y growth in the Q2 of the previous year.
- EBIT margin for the quarter improved by 240 bps compared to last year same quarter and by 210 bps sequentially due to improved operating efficiencies.

Region wise Revenue & EBIT Break-up for the Q2 FY18:



(excludes 'unallocated')

Region wise Financial Highlights:

AMESA

(INR million)

Particulars	Q2FY18	Q2FY17	% change	H1FY18	H1FY17	% change
Revenue	2364	2565	-7.8%	4783	4994	-4.2%
EBIT	367	329	11.8%	675	690	-2.1%
EBIT Margin (%)	15.5%	12.8%		14.1%	13.8%	

- AMESA underlying revenue growth is 6.8% (as against reported -7.8%) considering that the previous year revenue for India included excise recovery, and the translation impact on Egypt revenue in the wake of Egypt currency devaluation announced in November 2016. For the half year the underlying revenue growth is 6.5% against -4.2%, as reported on constant currency basis.
- EBIT growth in constant currency is 21.9% for the quarter and 6% for the half year.
- Egypt focus on non oral care category continues, posting 7.5 pp increase in non oral care revenue composition resulting in robust revenue growth of 66.6% in constant currency for the quarter.

EAP

(INR million)

Particulars	Q2FY18	Q2FY17	% change	H1FY18	H1FY17	% change
Revenue	1584	1454	8.9%	2914	2742	6.3%
EBIT	296	247	20.0%	518	407	27.4%
EBIT Margin (%)	18.7%	17.0%		17.8%	14.8%	

- EAP revenue growth continues helped by new business development. In constant currency, the revenue growth is 10.8% for the quarter and 11.6% for the half year. Sequentially the Region revenue grew by 19.2%.
- EBIT in constant currency grew 33.1% for the quarter. EBIT margin benefited from productivity improvement and improved operational efficiencies.

AMERICAS

(INR million)

Particulars	Q2FY17	Q2FY16	% change	H1FY17	H1FY16	% change
Revenue	1290	1263	2.1%	2347	2378	-1.3%
EBIT	211	119	78.4%	285	241	18.4%
EBIT Margin (%)	16.4%	9.4%		12.2%	10.1%	

- Revenue growth in constant currency is 9.2% (against reported 2.1%) for the quarter and 3.4% for the half year. All the three units posted robust growth.
- The region revenue grew 22.1% sequentially.
- EBIT grew strongly with increased volume and operating efficiencies.

EUROPE

(INR million)

Particulars	Q2FY18	Q2FY17	% change	H1FY18	H1FY17	% change
Revenue	1323	878	50.6%	2496	1698	47.0%
EBIT	64	98	-35.1%	82	118	-30.8%
EBIT Margin (%)	4.8%	11.2%		3.3%	6.9%	

- Europe revenue growth excluding EDG was lower by 12.0% compared to last year same quarter, but grew 7.7% sequentially. The offtake issue with key customer continued, consequently the margin has been depressed.
- EDG revenue grew 20.7% sequentially and operating efficiencies improved after integration, thereby helping EBIDTA margin to 12.1% for the quarter in line with our plan.
- Europe non oral care revenue composition improved by 3.9 pp.

Overall:

The quarter has seen some recovery in India and healthy growth in the Americas region. Egypt and EAP continued to grow well. Our plans to improve EDG profitability closer to rest of Europe is now almost achieved. Work is on in Europe to drive growth in the non oral care category. Overall, the business growth is healthy as evidenced by constant currency revenue growth of 14.6% and PAT growth of 17.3%.



Valuation Comparison with Global Peers – 30-09-2017

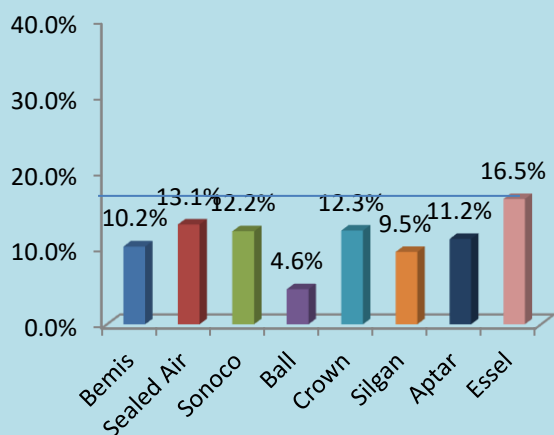
	Company Name	Business Description	Performance Indicators*				Value Indicators*			
			ROE	EBIDTA Margin (LTM)	ROCE	Avg. Annual Growth PAT (Last 4 years)	P/E (LTM)	Book Value (LTM) (\$)	P/BV (LTM)	EV/EBITDA
1	Bemis	Manufacturer of flexible packaging materials and pressure sensitive label materials throughout USA, Canada, South America, Europe, and Asia.	19.10%	14.30%	10.20%	4.60%	18.40	14.05	3.20	11.15
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.	85.60%	14.50%	13.10%	60.93%	18.00	1.79	24.94	14.82
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.	18.80%	14.60%	12.20%	9.41%	18.50	16.68	3.12	10.05
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.	11.20%	8.90%	4.60%	-10.36%	51.50	10.24	4.18	32.95
5	Crown Holdings Inc	Manufacturer of metal cans, closures for food, beverage, household and consumer applications in US, Europe and other regions.	194.50%	15.20%	12.30%	15.73%	16.60	5.94	9.97	12.77
6	Silgan Holdings, Inc.	Manufacturer of metal and plastic containers and closures for consumer applications in USA, South America, Europe, and Asia.	27.70%	12.30%	9.50%	-6.04%	23.00	4.42	5.99	13.29
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%	6.19%	27.20	20.87	4.21	12.78
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.	15.66%	18.44%	16.45%	18.97%	23.47	71.70(INR)	3.51	10.18

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

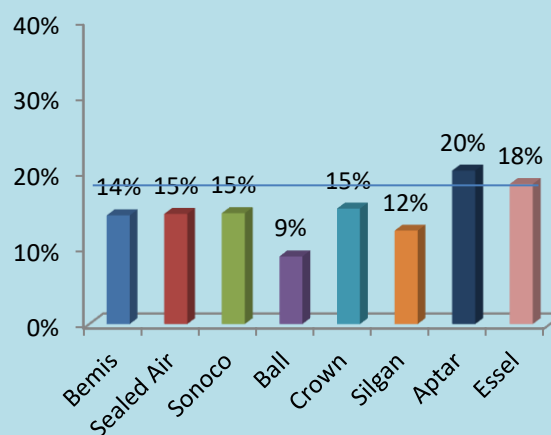
* LTM- Latest Twelve Months for Peers and Trailing Twelve Months (based on IND AS) for EPL at 30-09-2017



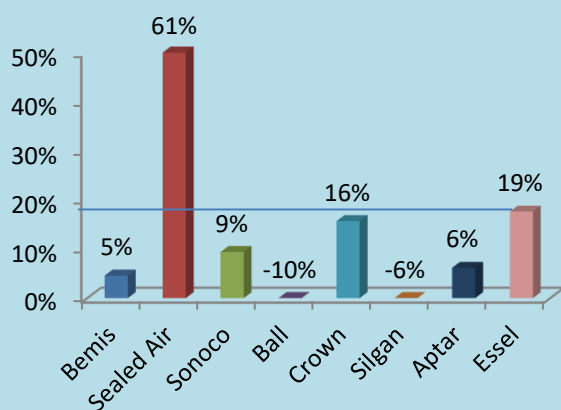
ROCE (%)



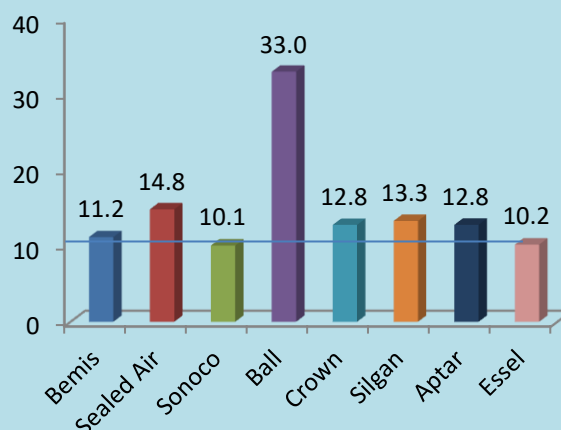
EBIDTA Margin (%)



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



EV/EBIDTA



Source: 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 FY17 turnover of over USD 368 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 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.