

Established in the year 1935, Huhtamaki PPL (then Paper Products Ltd.) (HPPL), is a flexible packaging company based in India. The company became a part of the Huhtamaki Packaging Worldwide in 1999. PPL offers a wide portfolio of packaging solutions that include flexible packaging, labelling technologies and specialized cartons. HPPL has four state of the art, fully integrated manufacturing facilities at Thane, Silvassa, Rudrapur and Hyderabad.

Key Developments

HPPL acquired PPIL with an installed capacity of 45,000 MT for a total consideration of ~ Rs. 2,015 Crore:

HPPL took over Positive Packaging Industries Ltd. (PPIL) in January 2015 for a consideration of ~Rs. 2,015 Crore. PPIL has an annual turnover of approximately Rs. 1,000 crore and 6% market share in the Indian packaging industry. HPPL's capacity stood at ~52,000 MT before the acquisition and with the acquisition of PPIL (which has a capacity of ~45,000 MT), the total annual capacity of HPPL stands at ~97,000 MT. PPIL has technology-transfer arrangements with Dennison Manufacturing Company, US, for heat transfer of labels on plastic containers and with Fuji Seal Company, Japan, for shrink sleeve technology for labelling.

Consolidated net revenue stood at Rs. 442.2 Crore in Q1CY15:

On a consolidated basis, HPPL reported net revenue of Rs. 442.4 Crore in Q1CY15. EBITDA stood at Rs. 54.2 Crore and EBITDA margin was 12.3% during the same period. Net profit was at Rs. 20.5 Crore and net profit margin was 4.6% in Q1CY15. These numbers are not comparable to the prior quarters as HPPL acquired PPIL during January 2015.

Increase in promoter stake:

In Feb' 2014, HPPL's promoter, Huhtamaki Oyj increased its stake in the company to the tune of 68.8% as compared to 60.8% thereby affecting change in the company's name from Paper Products Ltd. to Huhtamaki-Paper Products Ltd. Huhtamaki Oyj is amongst the top 10 consumer packaging companies in the world and has 61 manufacturing units. The major customers of Huhtamaki include Costco, Kraft, McDonald's, Nestle, Unilever etc.

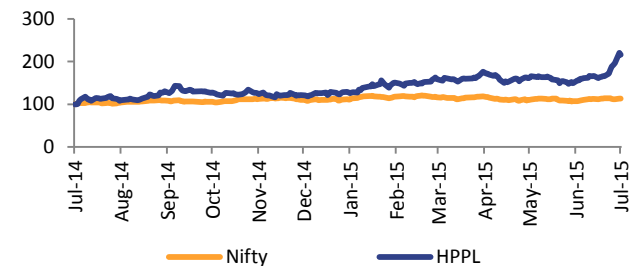
Market Data

CMP (₹)	310
Face Value	2.0
52 week H/L (₹)	332/153
Adj. all time High (₹)	332
Decline from 52WH (%)	6.6
Rise from 52WL (%)	102.6
Beta	0.7
Mkt. Cap (₹Cr)	2,254
Enterprise Value(₹Cr)	2,277

Fiscal Year Ended

	CY12A	CY13A	CY14A
Net Sales (Rs. cr)	900.6	1,085.5	1,225.3
Net Profit (Rs. cr)	45.1	56.2	66.6
Share Capital (Rs. Cr)	12.5	12.5	14.5
EPS (Rs.)	7.2	9.0	9.2
P/E (x)	43.1	34.6	33.8
P/BV (x)	0.9	0.8	0.5
ROE (%)	12.7	14.4	11.7

One year Price Chart



Shareholding	Jun15	Mar15	Diff.
Promoters	68.8	68.8	0.0
DII	5.5	5.5	0.0
FII	1.2	1.5	(0.3)
Others	24.5	24.2	0.3

HPPL is engaged in the business of providing flexible packaging solutions. It has manufacturing facilities located at Thane, Silvassa, Rudrapur and Hyderabad in India.

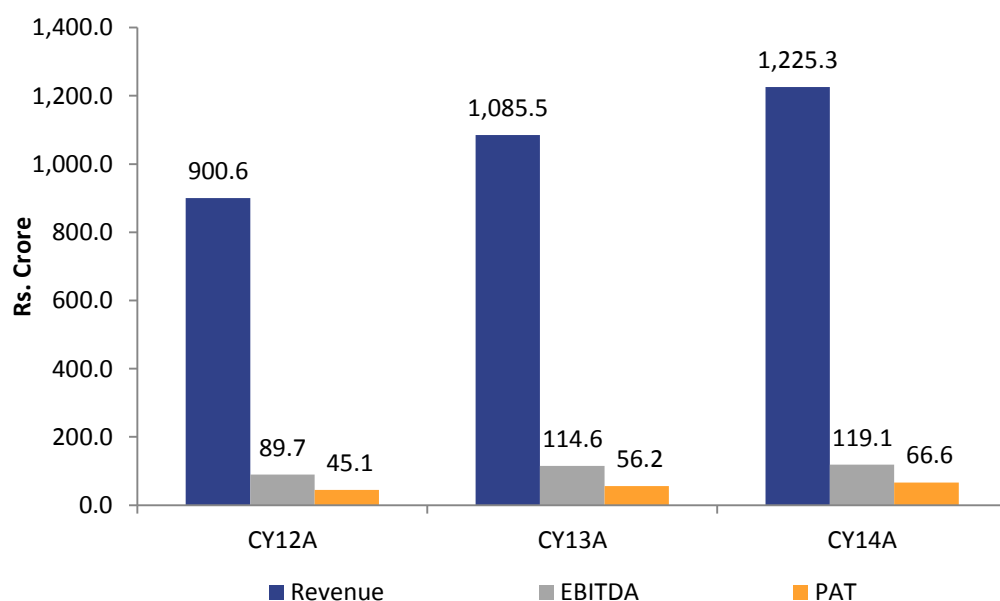
Company Overview

Established in the year 1935, Huhtamaki PPL (then Paper Products Ltd.), is a flexible packaging company based in India. The company became a part of the Huhtamaki Packaging Worldwide in 1999. PPL offers a wide portfolio of packaging solutions that include Flexible Packaging, Labelling Technologies and Specialised Cartons. HPPL has four state of the art, fully integrated manufacturing facilities at Thane, Silvassa, Rudrapur and Hyderabad.

Overseas, HPPL has presence across 4 continents (South Asia, Africa, Middle East, Europe and Central America) & provides service to over 50 customers worldwide. HPPL has its International Business Division (IBD) set up as a separate business group servicing large Multinational accounts across 4 continents and over 50 customers worldwide. In 2014, the company entered into a deal to acquire 100% stake in the Positive Packaging Industries Ltd for ~ Rs. 2,015 Crore. Positive Packaging Industries was a part of Nigeria-based Enpee Group with operations spanning in nine countries including India, UAE, Kenya, Egypt, Nigeria, South Africa, Ghana, UK and the US. The company has technology-transfer arrangements with Dennison Manufacturing Company, US, for heat transfer of labels on plastic containers and with Fuji Seal Company, Japan, for shrink sleeve technology for labelling.

HPPL renders services to many fast moving consumer goods (where it derives almost 97% of its top-line) such as Soaps and Detergents, Shampoos, Noodles, Biscuits, Baby Foods, Chocolates, Coffee, Tea, Milk powder and Juices. Its top most clientele includes Unilever, Nestle, Cadbury, Britannia, Glaxo Smith Kline, Coca Cola, Perfetti, Dabur, Marico, P&G and Colgate Palmolive. Company's top 10 clients contribute ~60% of the revenues. Around 80% of HPPL's revenues come from the domestic market, while exports account for the rest 20%.

Financial snapshot for HPPL



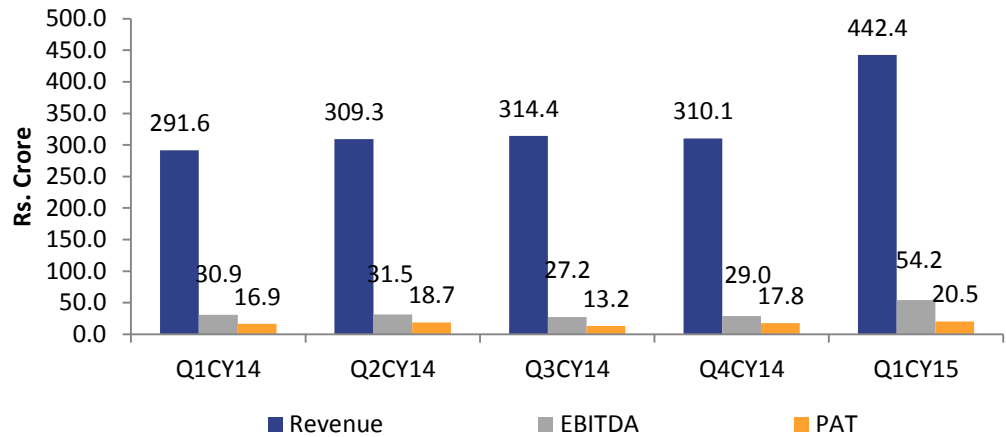
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On a standalone basis, the company has reported a growth of 4.4% YoY in Q1CY15 at Rs. 283 Crore. The company's majority (~65%) of the revenue comes from flexible packaging industry which mainly caters to the FMCG segment. EBITDA for the period under review stood at Rs. 36.3 Crore showing a growth of 31.3% YoY mainly due to decrease in the stock pileup of the Company that declined by 44.7% and fall in expenses on raw materials by 1.7%. PAT was reported at Rs. 18.3 Crore in Q1CY15 showing an increase of 11.1% on a YoY basis. This was as a result of an increase in other income by 118% on YoY basis offsetting the increase in depreciation, interest and tax expenses.

Quarterly performance trend



HPPL acquires PPIL for a sum of ~ Rs. 2,015 Crore

In July 2014, HPPL proposed to acquire Positive Packaging Ltd. and completed the takeover deal in January 2015 for a sum of ~ Rs. 2,015 Crore. Positive Packaging Industries was started in 1995-96, had an annual turnover of approximately Rs. 1,000 Crore and 6% market share in the Indian packaging industry.

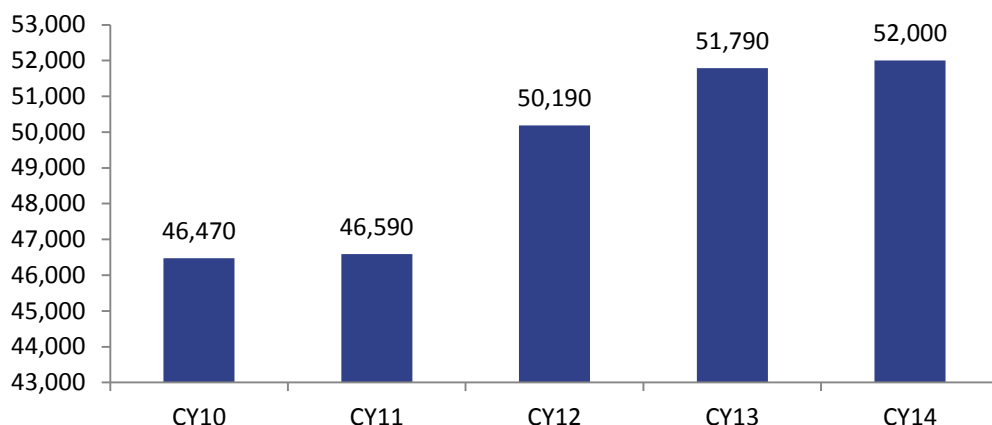
PPIL is a privately owned flexible packaging company and has nine manufacturing facilities located in India and the UAE apart from having business in Africa.

The current installed capacity of HPPL is 52,000 MT and the utilisation rate is 75-80%. PPIL's total installed capacity stood at 45,000 MT before the acquisition. After the completion of this acquisition, HPPL's total manufacturing capabilities will stand at ~97,000 MT.

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HPPL's installed capacity over the years (TPA)

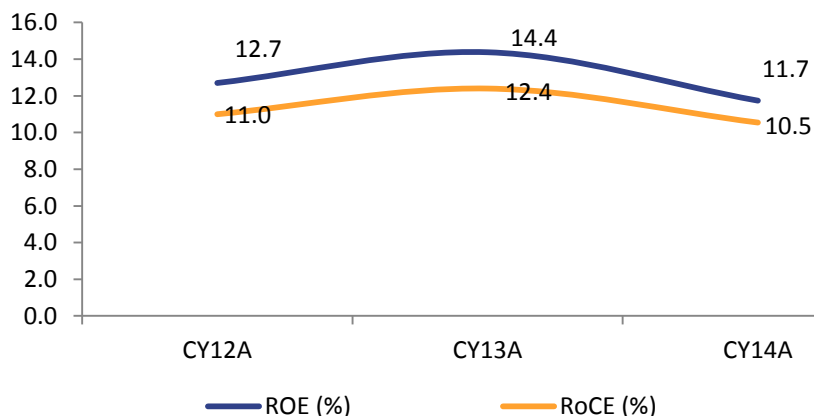


HPPL's increasing focus on NASP program

HPPL focuses on its innovation program, called NASP (New Applications, Structures and Products/Processes). The NASP program emphasizes on key business segments and products – exports, specialized pouches and labeling business.

The company maps the sales of NASP products introduced into the market using a 3 year cycle, and calls these NASP sales. During CY14, the NASP sales contribution to the overall sales was around 29%. It has remained consistent at this level since the last year.

Return ratios trend



Increase in promoter stake

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Balance Sheet (Consolidated)

(₹Cr)	CY12A	CY13A	CY14A
Share Capital	12.5	12.5	14.5
Reserve and surplus	342.4	378.3	552.9
Net Worth	355.0	390.8	567.5
Minority interest	18.5	20.1	22.0
Long-term borrowings	34.3	39.9	35.4
Deferred tax liability	0.7	1.0	5.5
Long term Provisions	1.5	1.3	1.4
Current Liabilities	194.0	209.4	248.3
Total Equity & Liabilities	603.9	662.5	880.1
Fixed Assets	227.9	223.2	261.7
Goodwill	19.6	19.6	19.6
Long term loans and advances	11.6	16.8	25.2
Deferred tax assets	0.0	0.0	0.0
Other non-current assets	3.5	4.3	0.3
Current Assets	341.4	398.7	573.5
Total Assets	603.9	662.5	880.1

Cash Flow (Consolidated)

Y/E (₹ Cr)	CY12A	CY13A	CY14A
Net profit/loss before tax	61.7	80.7	87.6
Net cashflow from operating activities	62.7	50.9	93.8
Net cash used in investing activities	(53.9)	(21.6)	(204.3)
Net cash used from financing activities	(16.3)	(28.5)	106.4
Net inc/dec in cash and cash equivalents	(7.5)	0.9	(4.2)
Cash and cash equivalents begin of year	22.3	14.9	15.8
Cash and cash equivalents end of year	14.8	15.8	11.7

Financial performance snapshot

Consolidated net revenue of Huhtamaki PPL was reported at Rs. 1,225.3 Crore in CY14, showing an increase of 12.9% as compared to the last year. EBITDA increased by 3.9% during the same period and stood at Rs. 119.1 Crore in CY14. The bottom-line grew by 18.6% in CY14 to Rs. 66.6 Crore. The factors which led to the increase in the net profit were an increase in the other income by 89%, fall in the interest expenses by 17.3% and decrease in the tax rate of the company by 660 bps in CY14.

Profit & Loss Account (Consolidated)

(₹Cr)	CY12A	CY13A	CY14A
Net Sales	900.6	1,085.5	1,225.3
Expenses	810.9	970.9	1,106.3
EBITDA	89.7	114.6	119.1
Other Income	8.3	4.9	9.3
Depreciation	35.7	42.0	43.9
EBIT	62.3	77.4	84.4
Interest	0.6	3.8	3.1
Exceptional Item	0.0	7.1	6.3
Profit Before Tax	61.7	80.7	87.6
Tax	16.6	22.9	19.1
Minority Interest	(0.1)	(1.6)	(1.9)
Net Profit	45.1	56.2	66.6

Key Ratios (Consolidated)

	CY12A	CY13A	CY14A
EBITDA Margin (%)	10.0	10.6	9.7
EBIT Margin (%)	6.9	7.1	6.9
NPM (%)	5.0	5.2	5.4
ROCE (%)	11.0	12.4	10.5
ROE (%)	12.7	14.4	11.7
EPS (Rs.)	7.2	9.0	9.2
P/E (x)	43.1	34.6	33.8
BVPS(Rs.)	56.6	62.3	78.1
P/BVPS (x)	0.9	0.8	0.5
EV/EBITDA (x)	25.5	19.9	19.1



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