

# Huhtamaki PPL

Rs 201

An MNC consumer packaging company

Sensex: 29,815.59

Nifty: 8,660.25

FINANCIALS SUMMARY																
	SALES	OPM (%)	OP	OTHER INC.	PBDT	INT	PBDT	DEP.	PBT BEFORE EO	EO AFTER EO	PBT	TOTAL TAX	PAT	EO (NET OF TAX)	PAT AFTER EO	EPS (Rs)*
1612 (12)	2177.78	0.11	244.78	17.33	262.11	36.91	225.20	89.39	135.81	-2.55	133.26	51.77	81.49	0.00	81.49	11.00
1712 (12)	2130.95	0.10	218.41	13.58	231.99	31.77	200.22	85.25	114.97	0.00	114.97	51.35	63.62	0.00	63.62	8.40
1812 (12)	2369.07	0.09	223.87	14.21	238.08	29.15	208.93	85.36	123.57	10.00	113.57	57.61	55.96	21.07	34.89	8.10
1912 (12)	2582.37	0.11	293.44	16.20	309.64	31.13	278.51	86.93	191.58	-10.00	201.58	63.53	138.05	-21.07	159.12	17.40
2012 (12P)	2866.43	0.11	321.04	18.14	339.18	29.57	309.61	93.88	215.73	0.00	215.73	69.03	146.69	0.00	146.69	19.40

\* Annualized On current Equity Of Rs 15.11 Crore of face value of Rs 2 each. (P): Projections. Figures in Rs crore. Source: Capitaline Database

Huhtamaki PPL (HPPL) (earlier Paper Products) is a leading consumer packaging company and is known for its pioneering efforts in flexible packaging since 1935. It is India's leading manufacturer of primary consumer packaging and labeling materials and is the largest manufacturer in volume of finished flexible packaging in the larger Africa - India - Asia Pacific region excluding Japan.

The company offers a wide portfolio of packaging solutions that include flexible packaging, including a variety of pouching solutions, labeling technologies, shrink sleeve solutions, specialized cartons, packaging machines, tube laminates, promotional, holographic and security solutions, cylinders and specialised films for high barrier. The company caters to every form of high value packaging be it flexible, decorative, cartoons, pouches etc. Post Webtech acquisition, the company also caters to Pharma labels market as well.

With fifteen state of the art, fully integrated manufacturing facilities at Ambernath, Bengaluru, Guwahati, Hyderabad, Khopoli, Navi Mumbai, Parwanoo, Rudrapur, Sikkim, Silvassa, Taloja, Thane; a highly skilled and experienced team, HPPL is capable of working with clients from product inception to the super market and with complete control and confidentiality. The company works on the principal of "One stop shop" for all packaging solutions.

HPPL acquired 51% shareholding in India's leading manufacturer of labels for the Pharmaceuticals sector - Webtech in 2012. In January 2015, HPPL acquired 100% of Positive Packaging India Ltd.

The company has recently completed the acquisition of Mohan Mutha Polytech Private Ltd on a slump sale basis; the contribution from which will be seen in the coming quarters.

HPPL derives around 80% of its total revenues from India and has a presence across 4 continents (South Asia, Africa, Middle East and Central America) worldwide and provides services to over 50 customers worldwide.

## MNC parentage

Huhtavefa BV (investing arm of Huhtamaki group) holds 66.94% stake in HPPL.

Finland headquartered Huhtamaki is a global specialist in packaging for food and drink. The group's network comprises of 77 manufacturing units and additional 24 sales only offices in altogether 34 countries, to support customers' growth wherever they operate. With more than 17700 employees, mastering three distinctive packaging



## STOCK DATA

BSE Code	:	509820
BSE Group	:	B
NSE Code	:	PAPERPROD
Bloomberg	:	HPPL IN
Reuters	:	HUHT.BO
Face Value	:	Rs 2
52-week High/Low	:	Rs 303 / Rs 191
Sector	:	Packaging

## SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	5.72
Institutions	0.98
Govt Holding	0.00
Corporate Holding	0.00
Promoters	66.94
Public & Others	26.36

\* as on 31/12/2019

Source: Capitaline Databases

technologies, the group develops and makes packaging solutions that helps great products reach more people, more easily. In 2018, the group reported net sales of EUR 3.1 billion. The Group has its head office in Espoo, Finland and the parent company Huhtamäki Oyj is listed on Nasdaq.

#### Caters to FMCG industry

HPPL mainly caters to the premium segment of packaging. Its major clients include Britannia, Cadbury, Castrol, Coca Cola, Dabur, Emami, Eveready, GSK, Godrej, HUL, ITC, Marico, Nestle, Pepsi, Perfetti, P&G, Tata Tea, TTK-LIG, Wipro etc. HPPL derives 80-90% of its revenues from the FMCG industry. Hence, the company's growth largely depends on the growth of FMCG industry. Economic growth and rising personal disposable income are growth drivers for the consumer goods sector, which in turn improves the demand for packaging.

Flexible packaging industry is expected to grow around 10% CAGR in the medium term. Growing rural demand, retail push and planned investments by large MNCs in the FMCG business support the view that FMCG and consequently growth for Flexible Packaging would remain strong

#### Elite customers and end users

HPPL meets the packaging needs of almost entire range of FMCG product, seeds, specialized chemical companies, automotive tubes, electronics, healthcare and may more specific specialized uses including anti spurious packaging.

It caters mainly to premium segment of packaging and its client list includes Britannia, Cadbury, Castrol, Dabur, Emami, Godrej, Tata Beverages, TTK-LIG, Wipro, Coca Cola, Ferrero, Glaxo Smithkline, Marico, Mondelez, Nestle, Pepsico, P&G, Unilever, etc. Top 10 clients account for around 60% of company's sales.

Technical excellence and superior quality standards help its customers in improving aesthetics, increasing shelf life & handling transportation of their products. Depth of packaging expertise and best-in-class solutions provide efficient solutions and help to deliver customers brand objectives.

#### Addition of new customers and packaging solutions through NASP

The company runs its new product development through its Innovation Program called NASP (New Applications, Structures, Products and Processes). NASP is institutionalized within HPPL, with various team members at various levels taking it up as a personal mission, making it an important component of the culture of HPPL.

NASP program helps its customers in many ways, of which two are particularly noteworthy. New products, which are based on upgraded technology processes, serve company's customers need for adding value to their products and offer additional benefits to their consumers. The company also continuously works on solutions which offer cost advantages without compromising performance. Hence, NASP creates business growth, but equally important, it also protects or even improves existing business share from a customer by creating improved packaging solutions, or improving cost competitiveness.

These products were recognized by distinguished industry bodies, and the company received 31 awards from distinguished platforms such as WorldStar, AsiaStar, IndiaStar, PrintWeek India, IFCA Star and SIES SOP Star Awards.

Steady growth of its clients, benefits of inorganic acquisitions, new products and market share gains will continue to drive its growth

The company caters to every form of high value packaging be it flexible, decorative, cartoons, pouches etc

### **December 2019 quarter performance**

Huhtamaki PPL net sales rose 10% to Rs 673.22 crore in Q4CY19 compared to Q4CY18. The company operating margins decreased 80 bps to 9.9% leading to 2% increase in operating profits to Rs 66.85 crore.

Other income decreased 17% to Rs 3.26 crore compared to Rs 3.91 crore. Interest cost increased 13% to Rs 9.34 crore. Depreciation was flat at Rs 22.03 crore. PBT before EO was down 2% to Rs 38.74 crore. The company had EO expense of Rs 10 crore compared to nil in the corresponding previous year quarter. In the previous year, basis a ruling of the Supreme Court the company has recognized a provision for income tax of Rs. 21.07 crore and interest thereon of Rs.10 crore in respect of a disputed tax matter of earlier years. In this regards, based on the assessment being concluded during the quarter in favor of the company pursuant to a revised order of the Supreme Court the company has written back income tax of Rs 21.07 crore and interest thereon of Rs 10 crore. EO items pertain to interest cost reversal of Rs 10 crore. PBT after EO rose 24% to Rs 48.74 crore.

Tax provision decreased 42% to Rs 12.55 crore. PAT was up 102% to Rs 36.19 crore. Tax reversal for earlier period was Rs 21.07 crore compared to nil in the corresponding previous year period. Net profit rose 219% to Rs 57.26 crore.

### **Performance for the year ended December 2019**

For year ended December 2019, net sales rose 9% to Rs 2582.37 crore. The company operating margins increased 200 bps to 11.4%. As a result operating profits rose 31% to Rs 293.44 crore.

Other income rose 14% to Rs 16.2 crore. Interest cost rose 7% to Rs 31.13 crore. Depreciation rose 2% to Rs 86.93 crore. PBT before EO was up 55% to Rs 191.58 crore. The company had EO income of Rs 10 crore compared to EO expense of Rs 10 crore. PBT after EO was up 77% to Rs 201.58 crore.

Tax provision increased 10% to Rs 63.53 crore. PAT reported was up 147% to Rs 138.05 crore. Tax reversal for earlier period was Rs 21.07 crore compared to tax provision of Rs 21.07 crore in the corresponding previous year period. Net profit rose 356% to Rs 159.12 crore.

### **Outlook**

As the demand for Premiumization of products from FMCG and other user industries improve, the demand for Premiumization of packaging solutions will improve further. A continuous growth in consumption spending in India along with product upgradation will lead to higher value and volume growth for HPPL.

### **Valuation**

In CY 2020, we expect the company to register EPS of Rs 19.4. The scrip trades at Rs 201. P/E on CY 2019 expected EPS works out to around 10.4.

Huhtavefa BV (investing arm of Huhtamaki group) holds 66.94% stake in HPPL. Finland headquartered Huhtamaki is a global specialist in packaging for food and drink

HPPL mainly caters to the premium segment of packaging. Its major clients include Britannia, Cadbury, Castrol, Coca Cola, Dabur, Emami, Eveready, GSK, Godrej, HUL, ITC, Marico, Nestle