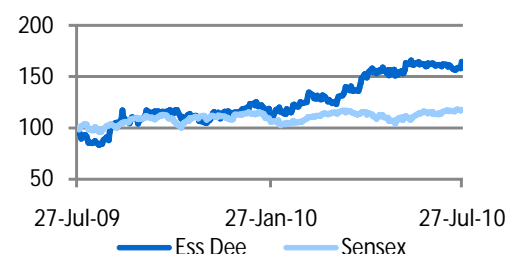


CMP Rs. 523

July 27, 2010

| | |
|-------------------------|-----------|
| BSE Code | 532787 |
| BSE ID | ESSDEE |
| High/Low 1Y (Rs.) | 535 / 263 |
| Avg. vol (3m) | 36,206 |
| Market Cap (Rs Cr) | 1,486 |
| Net IB Debt (Rs Cr) | 163 |
| Enterprise value(Rs Cr) | 1,649 |

| Shareholding % | Mar-10 | Jun-10 |
|-----------------|--------|--------|
| Promoters | 59.41 | 59.41 |
| MFs/ Fis/ Banks | 11.06 | 11.29 |
| FIs | 12.25 | 15.46 |
| Public & Others | 17.28 | 13.84 |

Stock Chart (Relative to Sensex)


| Stock Perfm.(%) | 1M | 6M | 1Yr |
|-----------------|------|------|------|
| Absolute | 0.8 | 45.4 | 64.5 |
| Rel. to Sensex | -2.0 | 34.4 | 46.9 |

| Financials (Rs.Cr) | 03/08 | 03/09 | 03/10 |
|--------------------|-------|--------|---------|
| Revenue | 317 | 452 | 588 |
| y-o-y | 89.4% | 42.5% | 30.3% |
| EBITDA | 88 | 7 | 158 |
| y-o-y | 88.4% | -91.9% | 2095.2% |
| PAT | 73 | (24) | 102 |
| EPS (Dil.) | 27.0 | (8.6) | 36.7 |
| y-o-y | 52.7% | PL | LP |
| EBITDA Margin | 27.9% | 1.6% | 26.8% |
| PAT Margin | 23.2% | -5.3% | 17.4% |
| D/E(x) | 0.27 | 0.38 | 0.42 |
| P/E(x) | 19.4x | NA | 14.2x |
| EV/EBITDA(x) | 18.3x | 225.5x | 10.3x |
| ROCE | 18.0 | NA | 23.0 |
| ROE | 19.7 | NA | 23.8 |

Financial Year ends at March 31

| Qtry Fin | 06/09 | 09/09 | 12/09 | 03/10 |
|----------|-------|-------|-------|-------|
| Revenue | 130 | 142 | 158 | 159 |
| PAT | 18 | 24 | 31 | 29 |
| EPS | 6.3 | 8.7 | 11.2 | 10.5 |

All figures in Rs. crores except for per share data

Ess Dee Aluminium Ltd.
Company Overview

Ess Dee Aluminium Ltd (EDAL) is India's largest manufacturer of aluminium foil and foil products catering to the packaging needs of the pharmaceutical and FMCG sectors. Ess Dee Aluminum's acquisition of India Foils Ltd has catapulted it into the leadership position in the specialty aluminium foil packaging sector. The company has manufacturing facilities at Daman and Goa for manufacturing aluminium foils and Poly Vinyl Films based packaging products catering to the pharmaceutical industry. The company has a wholly owned subsidiary, Flex Art Foils Pvt Ltd which is in the business of printing aluminium foil packaging products. Flex Art Foils has four units across the country located in close proximity to the pharmaceutical manufacturing hubs which enables the company to meet the needs of its customers more efficiently.

Key Business Highlights
Strong growth prospects of the Pharma & FMCG sectors

The Indian Pharmaceutical Industry ranks 14th in the global league table, with sales of almost USD 19 billion in March 2009 (Source: Department of Pharmaceuticals, Third Round Up of Developments in the Pharmaceutical Sector – July, 2009). The size of the Indian Pharma industry is expected to rise to USD 50 billion by 2020, emerging among the top 10 markets.

Assured Supply of Raw Materials

The Company imports its entire Aluminium requirement from Gulf Aluminium Rolling Mill Company (GARMO). GARMO's proximity to Aluminium Bahrain (ALBA), which is one of the world's largest smelters, ensures timely delivery of appropriate grades of aluminium, thereby enabling EDAL to comfortably meet its delivery commitments.

Plant location proximity to the client sites

The company has set up five printing units located in major pharma manufacturing bases like Baddi in Himachal Pradesh, Goa, Daman and Sikkim. Close proximity to the customer ensures lowest lead time to delivery, low inventory cost, higher customization and low freight cost for the company.

Foray into Anti-Counterfeit packaging

Around 35 per cent of pharmaceutical drugs in India are counterfeit or spurious, affecting USD 20 million of brands in the domestic market. EDAL has recently forayed into anti-counterfeit packaging technology, owing to the huge potential it provides.

Key Risks

- The volatility in the prices of aluminium may have an adverse impact on the financial performance of the company.
- The company is dependent on one supplier for sourcing its raw material. Any imbalance on that front will hamper its performance.

Valuations

The stock is currently trading at a P/E multiple of 14.2x on its FY10 EPS of Rs. 36.7 and 10.3x EV/EBITDA multiple based on FY10 EBITDA of Rs. 158 crores.

Business Description

Ess Dee Aluminium Ltd. (EDAL), promoted by Mr. Sudip Dutta (current CMD), was incorporated as a private limited company in February 2004, and was subsequently converted into a public limited company in June 2006. EDAL is primarily into the business of cold rolling aluminium sheets into strips or blister packaging (thickness of 20-40 microns) and also providing PVC based packaging products to the pharmaceutical industry. EDAL is DMF-registered with the US FDA (i.e. it is an approved vendor for primary packaging), which makes the company's packaging acceptable to pharmaceutical companies for their exported products.

EDAL is the leading manufacturer and supplier of primary packaging materials to the pharmaceutical, food and FMCG sectors

EDAL sources its entire aluminium foil stock (thickness: 300 microns) from Gulf Aluminium Rolling Mill Co. (GARMCO), Bahrain, and converts it to strip or blister packaging foil of 20-40 microns thickness by using the cold-rolling process. The company also manufactures PVC films (100-800 microns) from PVC granules, which it sources from Reliance Industries.

From April 1, 2005 onwards, EDAL amalgamated Atlanta Vinyl Pvt. Ltd., a group company manufacturing PVC films, with itself. Effective March 31, 2006, another group company, Flex Art Foils Pvt. Ltd. (FAFPL), became a 100 per cent subsidiary of EDAL. Through its wholly owned subsidiary, FAFPL, EDAL is also in the business of customized printing of aluminium foil for pharmaceutical companies. FAFPL has four printing units located at Daman, Baddi, Goa, and Vasai, which are located in close proximity to the pharmaceutical manufacturing hubs, thereby providing better logistics as well as tax advantages. EDAL exports its products to South America, the Middle East and Africa and with its expansion plans well in place; the company is also looking at entering new markets.

Acquisition of India Foils

EDAL acquired India's oldest aluminium foil manufacturer, India Foils in FY09, with a combined manufacturing capacity of 37,000 MTPA. IFL has three operational units at Kamarhatti, Hoera and Taratala. IFL's units are strategically located on the eastern coast near Flex Art's units of Baddi and Sikkim, thereby reducing lead time and transportation cost. Further, the company plans to leverage on these units to service Pharma markets in Nepal and Bangladesh. EDAL has planned a gradual ramp up of these facilities, with utilisation levels expected to pick up by FY12. This will ensure incremental volumes translating into incremental profits.

Acquisition of India Foils to benefit in the long term

Ess Dee Aluminum's Product Profile

| Product | End User Sector | Application |
|---|-------------------------|--|
| Light- Ultra Light Gauge Foil (6-12 μ) | Food & FMCG Packaging | Contraceptive, Confectioneries, Beverages, Personal care products. |
| Medium Gaug Foil (18-45 μ) | Pharma & FMCG Packaging | Pharma strip pack foil, Alu-alu pack foil, lids for foods & beverages etc. |
| Heavy Gauge Foil (50 μ & Above) | Pharma Packaging | Suppositories for pharma incl. veterinary applications |
| PVC Film | Pharma & FMCG Packaging | Used for packing stable products |
| PVdC Coated PVC Film | Pharma & FMCG Packaging | Used for packing sensitive to mid-sensitive products |

Source: Company RHP

EDAL manufactures products under aluminium foil, PVC and aluminium foil based flexible laminate categories