



Farsight

MORNING FARSIGHT

Friday, August 31, 2018

PG FOILS

CMP:RS 110

TRGT:RS 135

TIME HORIZON: 1 YEAR

PG Foils, having more than 30 years of presence in manufacturing aluminum foils and flexible packaging, with an installed capacity of 11,700 MTPA at Pali, Rajasthan coupled with 2.10 MW wind power generation capacity, is looking a good buy with stock having corrected from levels of Rs 239 seen on 8th January, while Q1FY19 earnings are strong and valuations seen attractive. Company supplies wide range of hard Aluminium Foils suitable for blister foils packing of Pharmaceutical products such as Tablet, Capsules etc and has export presence in more than 13 countries. Company is having long-standing relationship with its key clientele with major focus on the pharmaceutical, dairy and FMCG sectors, and its key clients include GSK Consumer, Nestle, Amul, ITC, Cadbury, Mother Dairy, HUL, Golden Tobacco, Vadilal, Aurobindo Pharma, Pfizer, P&G, Abbott, Bayer Crop, Cadila, Dr Reddy's, Bosch etc. With growing consumption, greater demand for packaging materials has emerged especially for aluminium foil in the organized retail segment in the emerging economies. The Government of India (GoI) has imposed Anti-Dumping Duty (ADD) on imports of aluminium foils from China up to \$1.63/kg for a period of five years from May 2017. This shall benefit company by way of increased demand in the domestic market which shall result in better realizations and in turn, improve the profitability of the company. Company had ended FY18 with an EBITDA of Rs 24 cr (EBITDA margin 8.8%) and PAT of Rs 7.3 cr, leading to an EPS of Rs 9. For Q1FY19 itself, it has posted PAT of Rs 3.9 cr and EPS of Rs 4.84. On an estimated EPS of Rs 13 for FY19, stock is trading at PE of just 8.2x and current M Cap of Rs 87 cr with EV of Rs 112 cr are seen low, with annual turnover of close to Rs 300 cr and EBITDA of Rs 24 cr. Share ruling at Rs 110 can move to Rs 135 in 1 year

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock / Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.