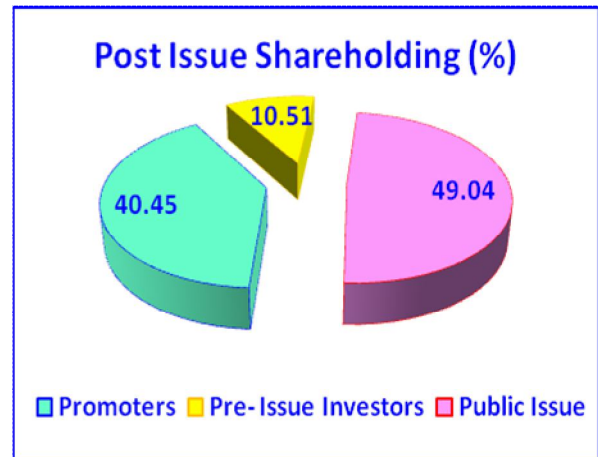




Paramount Print Packaging Limited (PPPL)

INR 32-35 (FV 10)

Sector	Packaging
Website	http://www.pppltd.in
Issue Opens	20 April 2011
Issue Closes	25 April 2011
Issue	1.31 Crore Shares
Price Band (Rs.)	32-35
Aggregating	45.85 Crore
Key Executives	Ashwin B Sukhadia, Anuj V Sukhadia Dharmesh A Sukhadia, Vipul A Sukhadia
Registrar	Sharepro Services
BRLM	Onelife Capital Advisors
Post Issue Equity	Rs. 26.7 Crore



Assuming Issue at Rs.35/Share Upper Band

Company Background

Mumbai based PPPL was started as in 1941 as packaging box maker by little known Sukhadia family. The family run business was converted into Private Limited Company in 1985 and later into Public Limited Company in 2010.

The Company operates a fully automated plant at Navi Mumbai, capable of supplying different types of folding box cartons that suit the needs of its customers. The Company's plant has the capacity to convert approximately 500 tons of paper board every month. In terms of finished products, it has the capacity to produce 20 lac cartons a day.

The Company offers a packing solution consisting of a wide range of cartons. Those cartons are mainly used in packaging of medicines, soaps, toothpaste, perfumes, shaving cream, shampoo, moisturizing cream, face wash, Automobile spare parts & accessories, Cigarettes, Corn flakes, tea, coffee and spices.

PPPL provides different types of packaging - rigid, flexible, wrapping, Processing, Plate making, Printing, Lamination, Varnishing, UV Varnish, Hot Foil Stamping, Embossing, Die-cutting & Glueing of various types of cartons to complete lines.

Objectives of the Issue

The company is likely to raise Rs.45.85 Crore (at upper band of Rs.35/ Share) through the IPO. It plans to utilize the proceeds as:

Particulars (INR Crore)	Estimated Cost
Setting up new facility for manufacturing high end duplex board cartons, Shippers and printed corrugated box at Gujarat	31.94
Augmenting Long Term Working Capital Requirement	4.96
Total Rupees Crore	36.9

Besides, it plans to meet General & Corporate Expenses, Issue expenses etc. through the IPO proceeds.



Highlights

- Packaging plays a very distinct role in today's modern consumerist economy with the need for widespread adoption of branding and development of consumer preferences. Any manufactured item, to gain market share, requires packaging to ensure safety, convenience and attractiveness. Packaging is a key component for consumption and consumer preferences in today's economy.
- Packaging helps in preservation of quality and lengthening shelf life of products such as milk, biscuits, drugs, processed and semi-processed foods, fruits and vegetables, edible oils, etc. Packaging is also required for most other manufactured goods to preserve it from any damage during transit.
- Packaging industry is boosted by the demand for branded products, automated mass production especially in Food & FMCG items.
- Paper (36%) and Plastic (34%) are the largest materials used by packaging industry, Followed by Metal (17%) and Glass (10%).
- The global packaging industry is currently estimated at US\$ 550 billion.
- The Indian packaging industry is expected to grow to Rs. 82,500 crore (US\$18.3 Billion) by 2015 from the current Rs. 65,000 crore (US\$ 14.5 Billion). Presently, India stands as the 11th largest in world packaging industry.
- The ongoing retail boom, growth in FMCG, Food Processing, Pharma, Automotive, and Chemicals etc. are triggers for long sustainable growth in packaging industry.
- PPPL is small packaging solutions provider based in Mumbai with easy access to raw materials (Paper Mills in Maharashtra & South India, Petrochemicals from Gujarat) and customers (Industries in Maharashtra, Gujarat etc.)
- It has integrated facility that includes pre-press, procuring of raw material from various sources, cutting paper as per requirement, printing, hot foil stamping, varnishing, UV coating, lamination, embossing, punching and pasting. Its processes are automated to an optimum level which gives the Company the ability to execute high quality and large volume printing jobs, efficiently in lead times.
- The company serves a wide range of industries including FMCG, Pharma, Tobacco, Automotive, Food Processing etc.
- It plans to enter into the manufacture of higher end products in duplex board cartons, shippers and printed corrugated box by setting up a new manufacturing facility at Gujarat.

Financial Highlights

₹ Crore	FY 10	9 M FY 2011	FY 11 E
Net sales	46.8	43.3	58.46
Other Income	0.1	0.3	0.50
Total Sales	46.9	43.6	58.96
Operating Expenses	37.27	33.68	45.42
Operating Profits	9.53	9.62	13.04
Interest	3.85	4.36	5.87
Depreciation	2.93	2.36	3.18
PBT	2.75	2.9	3.99
Tax	1.09	1.19	1.51
PAT	1.66	1.71	2.47
Equity (FY 10)	11.32	11.7	26.7
EPS (Rs.)	1.47	1.46	0.93
PE @ Rs. 35	23.87	23.95	37.82



Peerset Comparison

Core (FY 10)	PPPL	Uflex	Bilcare
FY 10 Total Sales	46.9	1692	565
FY 10 PAT	1.66	97	75
Equity	11.32	65	22.7
Face Value	10	2	10
9M FY 2011 Total Sales	43.6	1746	495
9 M FY 2011 PAT	1.71	210	62
9 M EPS	1.51	6.46	27.31
CMP	35	180	450
9 M PE (Annualized)	15.45	13.93	12.36
Market Cap	39.62	5850.00	1021.50
M Cap/FY 10 Sales	0.84	3.46	1.81
9 M FY 2011 PAT (%)	3.92	12.03	13.27

Risks

- The issue looks over-priced as bigger peers in listed space are at much lower valuations.
- The industry as a whole lacks bargaining power with suppliers of petro-chemicals based raw materials and also, there is very limited pricing power as the buyers are a few big units.
- ICRA's low "2/5" Grade itself explains the risks in the issue.
- Huge dilution of promoters shareholding in the IPO is a concern.

Valuation & Recommendation: Risky

PPPL is a small Mumbai based packaging solutions provider. Though there is good growth potential in the business, but the company operates on low margins. The IPO pricing looks stretched as bigger peers are trading at much lower valuation. **We find the IPO to be very RISKY bet.**

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