



Economy News

- ▶ The government plans to devise and publicly share a new pricing formula for key auto fuels, looking to inject greater transparency into an arcane system of price-setting amid hopes it will draw greater private participation in the state-dominated fuel retailing sector. (ET)
- ▶ Prices will ease to an acceptable level by the end of the year, two key government officials said on Monday even as Opposition parties led a nation-wide strike against the fuel price hike. Food price inflation dropped suddenly to 12.92% for the week ended June 19 from 16% in the previous week, but wholesale price index (WPI) inflation continued to soar high at 10.16% in May. (ET)
- ▶ Southwest monsoon lashed all of north India with rains over Sunday night and Monday, providing relief to the government jittery over the 16% rainfall deficit in June. The monsoons have now covered all of India except some parts of western Rajasthan, an India Meteorological Department (IMD) spokesperson said. (ET)

Corporate News

- ▶ The owners of **Fortis Healthcare**, Malvinder and Shivinder Singh, have redeemed about 39 mn shares pledged with financial institutions representing about 10% of the total equity of the company, as per a disclosure to the stock exchange on Monday. (ET)
- ▶ **GTL Infrastructure** may give new shares worth as much as \$3 billion, more than triple its market value, to Reliance Communications shareholders in exchange for the company's mobile-phone towers, two persons familiar with the matter said. GTL, based in Mumbai, may also assume about Rs 180 bn (\$3.9 billion) of Reliance's debt, they said. (ET)
- ▶ Tractor manufacturer **Escorts Ltd** announced on Monday that it has won an order worth \$40 million (about Rs 1.9 bn) to supply 1,430 units of tractors to the Government of the United Republic of Tanzania. The company said the supply would commence in July. Escorts will supply the tractors from its Farmtrac range in SKD (semi knocked down) form and assist Government organisations in Tanzania to assemble these tractors. The Farmtrac range comprises tractors of 34 hp-75 hp. (BL)
- ▶ **Network18 Media & Investments Ltd** is all set to simplify its corporate structure and cut the number of cross-holdings in the group. At present, the group has five listed companies and it is contemplating to bring down the number to two, said sources. Network18 has informed stock exchanges that following a meeting of the board of directors on July 7, it would consider a restructuring proposal through a scheme of arrangements. (BS)
- ▶ Leading sanitaryware and glass bottles' manufacturer **HSIL** is eyeing an European sanitaryware brand for acquisition. "We have shortlisted three-four European companies and the deal size could be around \$5 million. We expect to seal the deal in about six months," HSIL President (Buildings & Products) R B Kabra said. (BS)
- ▶ **JSW Energy (Bengal) Limited** will commission 1600 MW of power at Salboni in West Bengal by September 2014. The expected date of completion is March 31, 2014 for the first unit and September 30, 2014 for the second unit, mentioned JSW Energy's latest annual report. The power plant is being set up at the site of JSW Steel's 10 million tonne integrated steel project. (BS)

Equity

	5 Jul 10	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	17,441	(0.1)	1.9	(2.8)
NIFTY Index	5,236	(0.0)	2.0	(2.4)
BANKEX Index	10,698	0.3	(0.7)	(2.5)
BSET Index	5,259	0.4	(0.7)	(0.8)
BSETCG INDEX	14,454	(0.3)	4.7	0.3
BSEOIL INDEX	10,632	(0.8)	4.7	2.0
CNXMcap Index	8,105	0.2	2.7	2.3
BSESMCAP INDEX	9,133	0.3	5.7	2.4
World Indices				
Dow Jones	9,686	(0.5)	(2.5)	(11.7)
Nasdaq	2,092	(0.5)	(5.7)	(13.9)
FTSE	4,824	(0.3)	(5.9)	(16.6)
Nikkei	9,267	0.7	(7.3)	(18.6)
Hangseng	19,842	(0.3)	0.3	(7.9)

Value traded (Rs cr)

	5 Jul 10	% Chg - Day
Cash BSE	2,672	(37.7)
Cash NSE	7,765	(34.3)
Derivatives	35,803.7	(44.6)

Net inflows (Rs cr)

	2 Jul 10	% Chg	MTD	YTD
FII	(232)	(143)	305	30,549
Mutual Fund	89	(209)	(961)	(8,127)

FII open interest (Rs cr)

	2 Jul 10	% Chg
FII Index Futures	18,832	3.6
FII Index Options	45,820	1.5
FII Stock Futures	28,891	0.3
FII Stock Options	1,223	2.1

Advances / Declines (BSE)

	5 Jul 10	A	B	S	Total	% total
Advances	109	1,092	271	1,472	52	
Declines	90	964	185	1,239	44	
Unchanged	5	78	11	94	3	

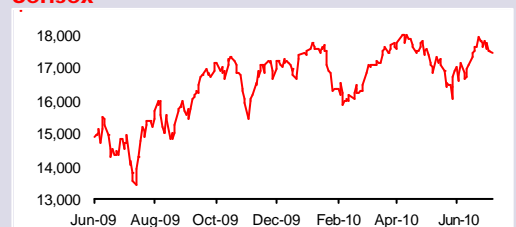
Commodity

	5 Jul 10	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	71	(1.0)	(0.1)	(17.8)
Gold (US\$/OZ)	1,209	(0.2)	(1.2)	6.3
Silver (US\$/OZ)	18	(0.3)	1.8	(1.0)

Debt / forex market

	5 Jul 10	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.62	7.53	NA	NA
Re/US\$	46.78	46.79	47.10	44.45

Sensex



EVENT UPDATE

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PIRAMAL GLASS LTD (PGL)

PRICE: Rs.95

TARGET PRICE: Rs.115

RECOMMENDATION: BUY
CONS. FY11E P/E: 10.9x

- We have gone through the FY10 Annual Report of PGL
- Share of high margin C&P business increases by 600 bps to 43% of total revenues in FY10
- Turnaround in US and Sri Lanka operations
- Rights issue and positive cash flow results in significant debt reduction
- Remain positive on medium to long term growth prospects due to sustained client acquisition in the high margin premium C&P business
- Due to 22% upside potential from current levels we continue to recommend BUY on PGL with unchanged price target of Rs.115

Summary table - Consolidated

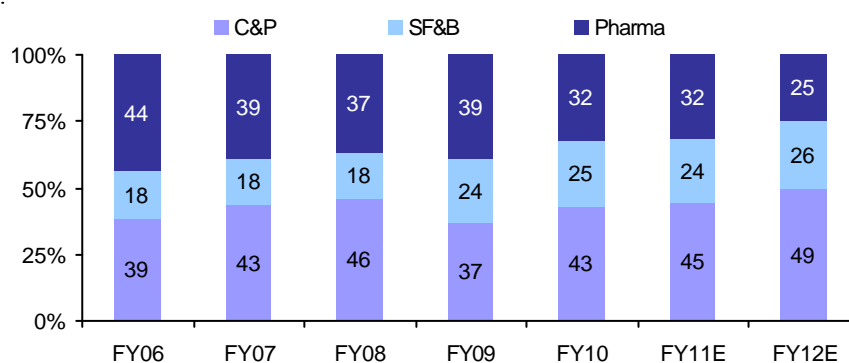
(Rs mn)	FY10	FY11E	FY12E
Sales	11,260	12,483	13,401
Growth (%)	11.6	10.9	7.4
EBITDA	2,381	2,844	3,289
EBITDA margin (%)	21.1	22.8	24.5
Net profit	44	692	1,028
Net debt	9,753	8,749	7,415
EPS (Rs)	0.6	8.6	12.8
Growth (%)	(104.3)	1,461.5	48.7
DPS (Rs)	-	-	-
ROE (%)	1.8	20.8	21.9
ROCE (%)	9.2	14.4	16.7
EV/Sales (x)	1.5	1.3	1.1
EV/EBITDA (x)	7.3	5.7	4.6
P/E (x)	170.7	10.9	7.4
P/CEPS (x)	8.0	4.5	3.7
P/BV (x)	3.0	1.8	1.4

Source: Company, Kotak Securities - Private Client Research

Cosmetic & Perfumery (C&P) revenues grew by 31.0% to Rs.4.8 bn

- In FY10 the revenues of the C&P business grew sharply by 31.0% to Rs.4.8 bn. This was primarily due to the focus of the company on the premium C&P business. It has acquired many new clients with the help of the US acquisition.
- PGL is aggressively gaining market share from its competitors in Europe. The clients include multinational companies like Unilever, Revlon, L'Oreal, Avon, P&G, Estee Lauder and LVMH among others.
- The growth was aided by a revival in off-take across the globe and strong bounce back from the emerging economies. In the long run we feel that the glass packaging is ideal for use in products like nail polish, make-up foundations, skin creams and perfumes all being beauty products. Also increasing fashion consciousness coupled with awareness are the critical drivers for this industry especially in emerging markets.
- We feel that the growth of C&P industry will be driven by the emerging economies primarily due to a growing young population, working women and their increasing disposable income. The availability of major international brands and setting up of large retail stores across the country will also provide fillip to the demand.
- Going forward we expect the revenues of C&P business to grow at CAGR of 17.2% from Rs.4.8 bn in FY10 to Rs.6.6 bn in FY12E. We expect the contribution of C&P business in total revenues to increase from 43% in FY10 to 49% in FY12E.

Cons. Revenue breakup (%)



Source: Company; Kotak Securities - Private Client Research

Specialty Food & Beverages (SF&B) business grew by 16.5% to Rs.2.8 bn

- In FY10 the revenues of the SF&B business grew by 16.5% to Rs.2.8 bn. This was primarily due to the focus of the company on the niche market for high end liquor, wine and food.
- PGL strengths lie in localization, unique design and decoration. This business is freight intensive and hence PGL has the advantage of multiple locations in India, Sri Lanka and US.
- PGL caters to leading customers in India like UB group, Diageo, Cadbury Schweppes, Smuckers and other niche local liquor manufacturers from its US & Sri Lanka operations.
- Going forward we expect the revenues of SF&B business to grow at CAGR of 10.4% from Rs.2.8 bn in FY10 to Rs.3.5 bn in FY12E. We expect the contribution of SF&B business in total revenues to increase from 25% in FY10 to 26% in FY12E.

Pharmaceuticals business de-grew by 9.1% to Rs.3.6 bn

- In FY10 the revenues of the Pharma business registered de-growth of 9.1% to Rs.3.6 bn. This was primarily due to shift in the focus of the company from low margin pharma to high margin premium C&P business.
- In India there has been a shift towards PET mainly for oral dosage syrups and formulations leading to ~10% de-growth of the market. However the demand for glass packaging for injectibles has been growing and will be much stronger in the future as more and more pharma companies obtain US FDA approval for their injectibles manufacturing facilities in India.
- Going forward, due to shift in focus from pharma to C&P, we expect the revenues of Pharma business to de-grow at CAGR of 4.0% from Rs.3.6 bn in FY10 to Rs.3.3 bn in FY12E. We expect the contribution of pharma business in total revenues to decrease from 32% in FY10 to 25% in FY12E.

India - Standalone financials

(Rs mn)	FY08	FY09	FY10	FY11E	FY12E
Revenue	4,650	5,818	6,813	7,069	7,593
EBIDTA (%)	20.6	18.8	26.4	28.6	30.6
PAT	163	(543)	158	582	785

Source: Company, Kotak Securities - Private Client Research

USA Financials

(Rs mn)	FY08	FY09	FY10	FY11E	FY12E
Revenue	2,745	3,254	3,510	3,691	3,965
EBIDTA %	-1.3	-2.4	8.3	9.5	11.0
PAT	(318)	(358)	(37)	47	124

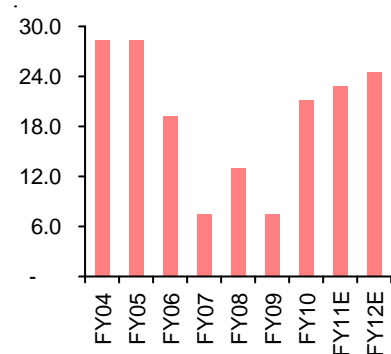
Source: Company, Kotak Securities - Private Client Research

Sri Lanka Financials

(Rs mn)	FY08	FY09	FY10	FY11E	FY12E
Revenue	745	1,277	1,479	1,723	1,843
EBIDTA %	16.8	25.3	24.8	27.3	28.9
PAT	(6)	(107)	(28)	136	259

Source: Company, Kotak Securities - Private Client Research

Cons. EBITDA (%)



Source: Company; Kotak Securities - Private Client Research

Operating margins to improve on the back of turnaround in US and Sri Lankan operations

- PGL has been successful in turning around its acquired business in US and Sri Lanka.
- The US subsidiary has reported cash profits for FY10 and a positive PAT for the last 2 quarters. Similarly, the doubling of capacity at Sri Lankan operations has stabilized and it has reported a positive PAT for the last 3 quarters and a cash profit for FY10.
- Going forward we expect these business to report sharp jump in profitability on account of economies of scale and cost reduction. Also shifting of some business to low cost Indian operations would lead to sharp jump in overall operating profitability for PGL.
- Going forward we expect the operating profit margin of PGL to expand from 21.1% in FY10 to 22.8% in FY11E and further rise to 24.5% in FY12E.

Debt reduction to continue going forward

- The company has been successful in bringing down the total debt from Rs.13.6 bn in March 2009 to Rs.9.8 bn in March 2010. Debt to Equity ratio has been brought down drastically from 31.3x in FY09 to 3.9x in FY10. This was primarily due to equity infusion of Rs.1860 mn from the rights issue and positive cash generation during the year.
- Going forward we expect the debt to further come down due to no major capex requirement and positive cash flows which would be used to repay the debt. Also the company has negotiated lower interest rates for current year as compared to last year.

Forex loss of Rs.339 mn in FY10

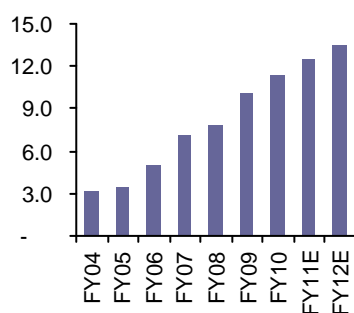
In FY10 the company has incurred forex loss of Rs.339 mn on account of hedging against its exports. However in the current year the company has not taken any forward covers for its exports and thus from now it would not be any forex losses.

Valuation & Recommendation

- We maintain our earning estimates and expect PGL to report consolidated EPS of Rs.8.6 in FY11E and moving up to Rs.12.8 in FY12E.
- At the current price of Rs.95, PGL is trading at 1.4x book value, 7.4x earnings and 3.7x cash earnings based on FY12E.
- We remain positive on the medium to long term growth prospects of PGL primarily on account of focus on high margin business; reduction in interest costs due to positive cash flows and no major capex requirement which are likely to lead to significant growth in PAT over next few years.
- Due to 22% upside potential from the current levels we continue to recommend **BUY** on PGL with unchanged price target of Rs.115.

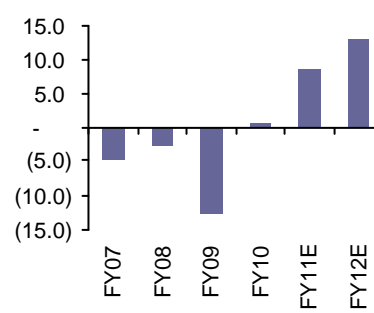
We recommend BUY on Piramal Glass with a price target of Rs.115

Cons. Revenues (Rs. Bn)



Source: Company, Kotak Securities - Private Client Research

Adj. Cons. EPS (Rs)



Source: Company, Kotak Securities - Private Client Research

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
5-Jul	Aci Infocom	Sanjay Agarwal Huf	B	150,000	30.2
5-Jul	Aci Infocom	Manoj P Lunkar	S	55,000	30.2
5-Jul	Bajaj Auto Fin	Bajaj Finserv Limited	B	2,116,900	471.9
5-Jul	Bajaj Auto Fin	Bajaj Holdings And Investment Ltd	S	2,116,900	471.9
5-Jul	Chhattisgarh Ind	Omkara Steel And Wires Private Ltd	S	149,383	10.5
5-Jul	Choksi Lab	Sneh Gangwal	B	50,000	26.5
5-Jul	Choksi Lab	Dheeraj Kumar Lohia	S	30,300	26.5
5-Jul	Choksi Lab	Jpa Holdings Private Limited	S	84,311	26.4
5-Jul	Choksi Lab	Ajith Tharakan Mathew Kanjiram p	S	39,000	25.8
5-Jul	Dazzel Conf	Rajesh Navlani	B	38,024	28.3
5-Jul	DMC Intl	Ours Trading And Holdings Private Ltd	B	154,000	14.4
5-Jul	DMC Intl	Shamsunder Gupta	S	155,500	14.4
5-Jul	Filatex Fash	Arvind Ramswarup Sabu	B	33,000	11.5
5-Jul	Filatex Fash	Shakuntla Ramswarup Sabu	B	38,828	11.1
5-Jul	Gayatri Proj	Credo India Thematic Fund Limited	S	68,847	429.0
5-Jul	IFL Promoters	Rajeshkumar Agrawal	B	46,366	21.8
5-Jul	IFL Promoters	Daffodil Tradex Private Limited	B	17,880	22.0
5-Jul	IFL Promoters	Balwantsingh Bisht	B	30,000	22.9
5-Jul	IFL Promoters	Dmc International Ltd	B	39,950	22.5
5-Jul	IFL Promoters	Balwantsingh Bisht	S	50,000	21.8
5-Jul	IFL Promoters	Jasvinder Singh	S	20,000	22.0
5-Jul	IFL Promoters	Kapil Gupta	S	41,300	22.3
5-Jul	Jindal Hotels	Bhavesh Shantilal Trivedi	B	27,400	68.1
5-Jul	Katare Spin	Sai Madhuri Jonnavithula	B	35,300	15.7
5-Jul	Katare Spin	M Sunil Kumar Yadav	S	37,000	15.7
5-Jul	Kay Power	Vijesh Lunawat	B	100,000	16.8
5-Jul	Kay Power	B.S.Khandelwal	B	81,890	17.3
5-Jul	Kay Power	Anju Gupta	S	70,000	17.4
5-Jul	Master	Mallikhar Junarao V	S	42,946	41.5
5-Jul	Mohit Inds	Datta Chandravadan Parikh	B	30,000	39.5
5-Jul	Nexsoft Info	Hitesh Shashikant Jhaveri	S	60,012	71.8
5-Jul	Nexsoft Info	Bp Fintrade Private Limited	S	27,135	71.3
5-Jul	Oregon Comm	Nilesh Sureshbhai Shah	B	10,000	394.9
5-Jul	Oregon Comm	Dhirenkumar Dharamdas Agarwal	B	5,908	394.7
5-Jul	Oregon Comm	Virendra Kumar Jayantilal Patel	S	11,202	395.0
5-Jul	Priyadarshini S	Jag Par Securities Ltd	B	55,989	55.4
5-Jul	Ranklin Sol	Mallikhar Junarao V	S	34,205	105.4
5-Jul	Shakti Pumps	Yaminiben Maheshbhai Pandya	B	55,000	204.4
5-Jul	Shakti Pumps	Avinash Concepts	B	49,000	203.6
5-Jul	Shakti Pumps	Amar Premchand Walmiki	S	50,000	203.6
5-Jul	Shakti Pumps	Vipul Hiralal Shah	S	60,000	203.5
5-Jul	Shakti Pumps	Santosh Vishram Ghadshi	S	55,000	204.0
5-Jul	Tamil Nadu N	Goldman Sachs Investments Mauritius I	S	500,765	114.0
5-Jul	Tera Software	Ruchir Infotech Pvt Ltd	S	60,000	36.1
5-Jul	Uniply Inds	Raimcom Sales Private Limited	B	68,233	12.9
5-Jul	Vertex Sec	Messrs Shreekant Phumbhra	B	67,500	94.7
5-Jul	Vertex Sec	N M Exports Private Limited	S	50,000	94.8
5-Jul	Vipul Dye Chm	Kshetra Engineering Pvt Ltd	B	44,075	31.1
5-Jul	Vipul Dye Chm	Khushalchand Jivraj Shah	S	44,075	31.1

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Infosys Tech	2,743	0.6	2.7	0.5
HDFC	2,939	0.8	2.0	0.3
PNB	1,075	2.7	1.3	0.4
Losers				
ONGC	1,285	(1.6)	(2.4)	0.7
BHEL	2,360	(1.4)	(1.8)	0.4
Reliance Com	186	(2.8)	(1.2)	5.1

Source: Bloomberg

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