

# Initiating Coverage

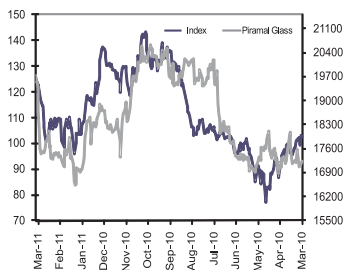
**CMP : INR 125**  
**Rating : Buy**  
**Target : INR 160**  
**Upside : 28%**

## KEY DATA

Market Cap (INR bn)	10.1
Market Cap (USD mn)	223.4
52 WK High / Low	142 / 79
Avg Daily Volume (BSE)	51220
Face Value (INR)	10
BSE Sensex	19687
Nifty	5910
BSE Code	532949
NSE Code	PIRGLASS
Reuters Code	PRML.BO
Bloomberg Code	PIRA IN

Shareholding %	1Q	2Q	3Q
Promoters	77.0	73.0	73.0
MF/Banks/Indian FIs	0.0	2.0	2.0
FII/ NRIs/ OCBs	0.0	4.0	3.0
Indian Public	23.0	21.0	22.0

## Performance Chart



Financials (INR Mn.)	F11E	F12E	FY13E
Net sales	12,111	14,028	17,192
EBITDA	2,742	3,563	4,709
EPS	11.0	16.1	26.2
PE (x)	11.4	7.7	4.8

## Sameer Vedak

Analyst  
 Tel. : 4000 2667  
 svedak@finquestonline.com

## Chintan Mewar

Vice President - Research  
 Tel. : 4000 2665  
 cmewar@finquestonline.com

## Piramal Glass Limited

Piramal Glass Limited (PGL) is among top three glass bottles manufacturers in the world. PGL has presence across three segments, Cosmetics and perfumery (C&P), Pharmaceutical and Specialty food and beverages (SF&B), with international and domestic operations contributing to ~45% and ~55% of FY10 revenues respectively. PGL has operations spread across three countries; India, USA and Sri Lanka. We believe PGL to benefit from the restructuring operations and increased share of high value C&P products. We expect sales to increase at CAGR of 16% from FY10 to FY13E, and EBITDA margin from 17% in FY10 to 27% in FY13E.

### Investment summary

#### Emphasis on C&P segment to drive revenues going ahead

Share of C&P segment to total sales has increased from 39% in FY06 to ~49% in 9MFY11. C&P is a high value business commanding better realization and higher EBITDA margin. PGL has envisaged capacity addition plan in C&P segment by a) converting pharmaceutical packaging capacities to C&P segment of ~75 mtpd by FY12E b) green field capacity expansion of 160 mtpd by FY13E c) realigning of existing capacity. As a result we believe sales of C&P segment to increase by ~34% CAGR from FY10 to INR 11,586 mn in FY13E and contribution to total sales to increase to 67% in FY13E from 44% in FY10 (increase by 2,370 bps)

#### Shifting capacity from US to India - would lead to margin expansion

We expect EBITDA margins to increase by ~475 bps to 27% in FY13E from 23% in FY11E mainly driven by decrease in employee cost by 6% and change in product mix towards high margin C&P segment to ~67% in FY13E. PGL owns wholly owned subsidiary in US catering mainly to C&P and SF&B markets. The company is in the process of relocating 85 mtpd C&P capacity to India. Employee cost in US is much higher as compared to that of India. We believe, shifting of C&P manufacturing capacity (85 mtpd) to India would lead to reduction in employee cost as % of sales from ~19% in FY10 to 12% in FY13E.

#### Increasing capacity - to consolidate leadership position in the industry

PGL has envisaged capacity addition plans of INR 2,600 mn where INR 1,600 mn is expected towards brownfield expansion (incl. realigning of furnaces - capacity addition of ~30 mtpd and conversion of pharmaceutical capacities of 75 mtpd till FY12E) and INR 1,000 mn towards greenfield expansion of 160 mtpd by FY13E. Post these capacity additions, we expect PGL's C&P capacity to increase to 735 mtpd (~52% of total capacity in FY13E). We believe higher capacities in C&P segment would consolidate PGL's market share in global C&P market to ~7% in FY13E from 5% in FY11 (increase by 200 bps) and further drive PGL's revenues and expand EBITDA margins till FY13E.

#### Stringent qualification norms - a deterrent for competition

PGL derives 55% of the domestic revenues from exports. PGL's acquisition of Glass Group, USA gave it access to some of the top brands in premium segment. Today, PGL has expanded its customer base to 17 of top 20 top customers which constitute ~80% of premium market. The company has reputed brands like L'Oreal, Revlon, Unilever, etc as its customers. These being premium brands have quite stringent eligibility criteria for its vendors which include environmental norms, design norms, design history, etc. This eliminates the risk of competition. Hence, we do not expect any major competitive threat in the premium C&P segment and believe PGL is well poised to exploit its leadership position in premium C&P segment.

#### Valuation

At CMP of INR 125, PGL is trading at a PE multiple of 7.7x and 4.8x and EV/EBITDA of 5.1x and 3.7x of its FY12E and FY2013E earnings respectively. We initiate coverage with **BUY** recommendation with target price of INR 160 (an upside of 28%). Our target price of INR 160 is based on FY13E EV/EBITDA of 4.3x and PE of 6.1x.

## Financial Summary

PARTICULARS (INR mn)	F10	F11E	F12E	F13E
<b>Valuation Ratios</b>				
P/E	148.7	11.4	7.7	4.8
EV/EBITDA	10.9	6.9	5.1	3.7
P/BV	4.2	3.2	2.3	1.6
Dividend yield (%)	1.2%	1.2%	1.2%	1.2%
<b>Per share data (INR)</b>				
EPS (diluted)	0.8	11.0	16.1	26.2
Cash EPS (diluted)	18.0	23.1	29.1	40.0
BVPS	29.8	39.1	53.4	77.9
DPS	1.5	1.5	1.5	1.5
<b>P&amp;L (INR mn)</b>				
Net sales	11,039.2	12,110.7	14,027.9	17,191.9
Operating expenses	9,217.7	9,515.0	10,616.8	12,597.3
EBITDA	1,821.5	2,741.6	3,562.8	4,709.1
PBIT	915.0	1,766.1	2,520.9	3,600.9
Interest expense	1,049.1	792.6	1,028.9	1,095.4
PBT	86.6	1,198.5	1,717.0	2,730.5
Tax	54.2	239.7	343.4	546.1
PAT	32.3	958.8	1,373.6	2,184.4
Adjusted PAT	44.3	883.8	1,298.6	2,109.4
<b>Growth rates (%)</b>				
Net Sales	9.4%	9.7%	15.8%	22.6%
EBITDA	146.2%	50.5%	30.0%	32.2%
EBIT	-699.6%	93.0%	42.7%	42.8%
PAT	-104.3%	1894.6%	46.9%	62.4%
<b>Balance sheet (INR mn)</b>				
Net worth	2,398.9	3,141.5	4,299.0	6,267.3
Total debt	9,824.3	8,824.3	8,324.3	7,324.3
Deferred tax balance	113.2	113.2	113.2	113.2
Total liabilities	12,712.6	12,455.3	13,112.7	14,081.0
Net fixed assets	8,421.0	8,486.2	8,444.3	8,336.2
Capital WIP & investments	141.9	101.1	101.1	101.1
Cash & cash equivalents	71.0	90.6	96.1	107.3
Net current assets (net of cash)	4,078.8	3,777.4	4,471.2	5,536.4
Total assets	12,712.6	12,455.3	13,112.7	14,081.0
<b>Cash flow (INR mn)</b>				
PAT	32.3	883.8	1,298.6	2,109.4
Depreciation	906.6	975.6	1,041.9	1,108.2
Others	(495.8)	(2,133.5)	693.8	1,065.2
Operating cash flow	3,407.2	2,160.8	1,646.6	2,152.4
Capital expenses	(385.5)	1,000.0	1,000.0	1,000.0
Chg in investments / others	-	-	-	-
Investing cash flow	(385.5)	1,000.0	1,000.0	1,000.0
Debt raised/(repaid)	(3,746.4)	(1,000.0)	(500.0)	(1,000.0)
Dividend paid	(93.8)	(141.2)	(141.2)	(141.2)
Financing cash flow	(3,840.2)	(1,141.2)	(641.2)	(1,141.2)
Opening cash balance	118.4	71.0	90.6	96.1
Closing cash balance	71.0	90.6	96.1	107.3
<b>Profitability / Solvency ratios (%)</b>				
EBITDA margin	16.5%	22.6%	25.4%	27.4%
ROCE	2.6%	11.7%	16.4%	22.0%
ROE	3.1%	31.9%	34.9%	39.9%
Net debt to equity (x)	4.1	2.8	1.9	1.2
Interest coverage ratio	0.9	2.2	2.5	3.3

## Company Description

Piramal Glass Limited (PGL) is among worlds top three glass bottles manufacturers in the world and has presence across three segments, Cosmetics and perfumery (C&P), Pharmaceutical and Specialty food and beverages (SF&B). PGL has operations in India, USA and Sri Lanka with international operations contributing and domestic operations contributing to ~45% and ~55% of FY10 revenues respectively. PGL commands ~5% market share in world premium C&P segment and ~35% market share in colour mass C&P segment. It controls ~35% market share in domestic pharmaceutical segment and ~91% market share in SF&B segment in Sri Lanka.

[www.glass.piramal.com](http://www.glass.piramal.com)

## Sector

Glass Packaging

## Key Management Personnel

Mr Vijay Shah  
*Managing Director*

Mr Sandeep Arora  
*Chief Financial Officer*

Mr Chunduru Srinivas  
*VP-Strategic planning and Head Investor relations*

## PRICE PERFORMANCE (%)

	3 M	6 M	12 M
Absolute	(3.0)	(3.5)	9.8
Relative	(15.1)	0.0	(25.7)

## Valuation Thesis

At CMP of INR 125, PGL is trading at a PE multiple of 7.7x and 4.8x and EV/EBITDA of 5.1x and 3.7x of its FY12E and FY2013E earnings respectively. We initiate coverage with BUY recommendation with target price of INR 160 (an upside of 28%). Our target price of INR 160 is based on FY13E EV/EBITDA of 4.3x and PE of 6.1x.

## Investment rationale

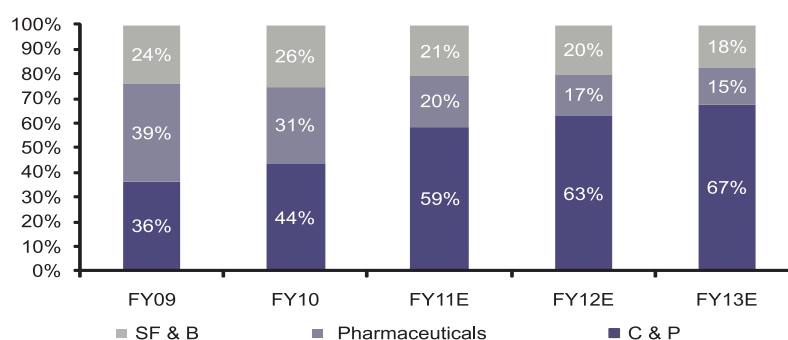
### Net sales to increase by 16% CAGR till FY13E

PGL reported net sales of INR 11,039 mn in FY10. We expect PGL to report sales to increase by CAGR of 16% till FY13E to INR 17,192 mn. We believe sales to be mainly driven by 34% CAGR increase in high value Cosmetic and Perfumery (C&P) segment (~49% of net sales in 9MFY11). We expect PGL to increase its C&P capacity by 190 mtpd to 735 mtpd in FY13E from 545 mtpd in FY11.

### Shifting focus towards C&P segment to drive top-line

Cosmetics and Perfumery (C&P) contributed to 44% of PGL's FY10 revenue with Pharmaceutical and Specialty Food and Beverages (SF&B) accounting for 31% and 26% respectively. PGL intends to increase the contribution of C&P segment to total sales to ~68% till FY13E by a) realigning of existing furnaces in Gujarat b) converting pharmaceutical capacity into high margin C&P business. PGL has also planned a greenfield mass C&P capacity in India of 160 mtpd, which would be operational in FY13E. We believe increasing contribution from C&P segment will drive revenues to INR 17,192 mn in FY13E (CAGR of 16%).

**Figure 1: Increasing contribution from C&P segment**



Source: Company, FQ Research

### Strategic acquisitions to benefit in long term

In 1998, PGL acquired majority stake (56%) in Ceylon Glass Company Ltd, Sri Lanka. The company is into manufacturing of SF&B bottles and is the market leader with ~91% market share in Sri Lanka. The Sri Lankan subsidiary accounted for ~15% of consolidated revenues in 9MFY11 and currently has one furnace of 250 mtpd capacity with five manufacturing lines.

The company earlier catered to mass segment of C&P business, which is dominant by many organized and unorganized players. PGL acquired Glass Group (formerly known as Wheaton Glass) in FY06 for USD 20 mn. Glass Group with two furnaces and eight lines with combined capacity of 195 mtpd, has history of over 100 years and presence in the global C&P and SF&B market. The company has 110 mtpd SF&B capacity and 85 mtpd C&P capacity in US with ~10% market share in C&P market in US. At the time of acquisition, Glass Group had declared bankruptcy and was under severe liquidity crunch. However, PGL infused around USD 60 mn and was able to turn around the business and make it profitable in four years. This was done through series of cost reduction exercises that involved streamlining employee strength. Acquisition of Glass Group ensured PGL access to ~37% of global C&P premium market with 17 of top 20 select customers along with access to SF&B market in US.

We believe acquisition of Glass Group is of strategic importance for PGL as more than 80% of US C&P bottle requirement is met by imports mainly from Europe. Thus having facility in US would ensure offtake of C&P and SF&B bottles as it would minimize the freight cost for the US premium cosmetics and beverage industry.

PGL is in the process of reshuffling the US operation wherein the C&P facility would be shifted to India. This would enable considerable amount of saving in the employee cost as labor cost in India is ~11% of net sales as compared to that in US where it is ~38% of net sales. Post shifting of C&P capacity in India, the US facility would be used only for SF&B business.

### Shifting capacities in India - considerable saving in cost

PSL's wholly owned subsidiary in US operates (initially known as Glass Group) two furnaces with combined capacity of 195 mtpd, catering to SF&B and C&P segments. USA imports ~ 80% of the glass bottles in the C&P segment from Europe.

PGL has envisaged shifting one of the furnace producing C&P bottles (capacity: 85 mtpd) to India. Labor cost in USA is ~2-2.5x that of Indian operations. Indian operations also presents considerable cost advantage as compared to French operations in terms of overall operating cost as labor cost is almost 10% of that in France.

**Figure 2: Cost advantage of manufacturing facility in India**

	France	India
Raw material	6.0	6.0
Packaging material	4.0	4.0
Energy	8.0	8.0
Labor	53.0	4.0
Mold cost	4.0	1.0
Depreciation	12.0	7.0
Overheads	12.0	10.0
Freight	1.0	6.0
<b>Total</b>	<b>100.0</b>	<b>46.0</b>

Source: Company, FQ Research

Labour cost in India is considerable lower as compared to Europe and the US. Besides shifting C&P capacity to India, PGL intends to reduce the headcount by ~5% till FY13E. We believe shifting C&P facility to India would lead to considerable saving in operating cost as even after considering the freight cost, the cost of production in India works out to be cheaper by more than 40%. Going ahead we expect employee cost to reduce by 6% CAGR till FY13E and percentage of employee cost as percentage of sales to reduce by 780 bps from ~19% in FY10 to ~12% in FY13E.

### Increased emphasis on C&P segment to lead to margin expansion

C&P segment contributed to 43% and 49% of total revenues in FY10 and 9MFY11 respectively. PGL is the market leader in India in the pharmaceutical segment with market share of ~35%. The company exports pharmaceutical glass bottles to over 20 countries in the world. As a strategy, PGL has planned to convert part of pharmaceutical capacity into high margin C&P capacity. C&P segment commands EBITDA margin of ~30% as compared to EBITDA margin of 20-22% in pharmaceutical and 22-25% in specialty food and beverages segment. We believe this is a strategic move as C&P is a specialty business as compared to pharmaceutical bottles which are more standardized and hence margins are lower. Also being standardized, the pharmaceutical sector faces lot of competition as compared to C&P segment.

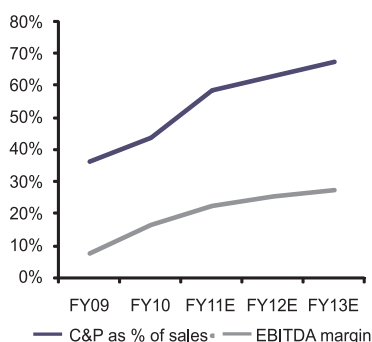
**Figure 3: EBITDA margins of different segments**

Segment	EBITDA margin
Premium C&P segment	30-32%
Mass C&P segment	~25%
Pharmaceutical	20-22%
SF&B	22-25%

Source: Company, FQ Research

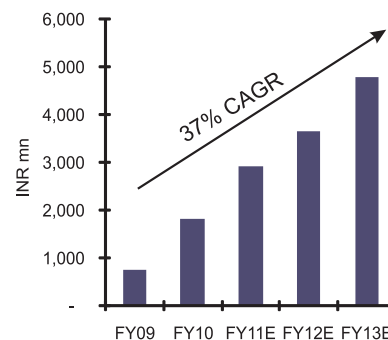
We expect pharmaceutical bottle capacity to reduce to 325 mtpd in FY13E and corresponding capacity being added to C&P segment. PGL has envisaged greenfield capacity in C&P segment of 160 mtpd to be operational in FY13E. However, on a conservative basis, we have considered its operation from Q2FY13E onwards. As a result we believe contribution of C&P segment to increase to ~67% in FY13E.

**Figure 4: EBITDA margins to improve by ~475 bps FY11E-13E**



Source: FQ Research

**Figure 5: EBITDA to increase by 37% CAGR till FY13E**



Source: FQ Research

We also expect with shifting of C&P capacity to India would result in considerable saving in operating cost. As a result we expect EBITDA to increase by CAGR of 37% from FY10 to INR 4,709 mn in FY13E and EBITDA margin to increase by 475 bps till FY13E to 27% from 23% in FY11E.

### Return ratios to improve significantly going ahead

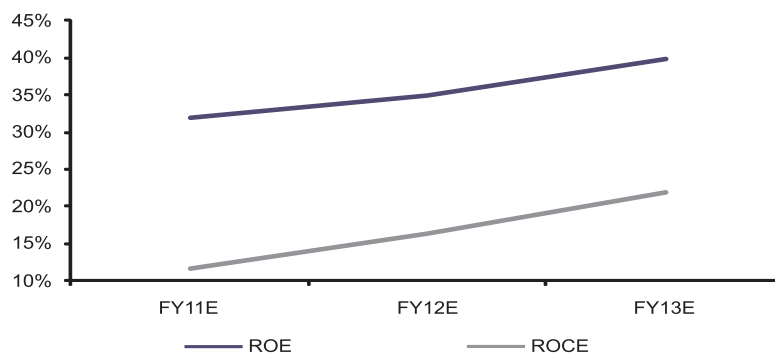
We expect return ratios to improve significantly till FY13E on the back of a) increasing contribution from high margin premium C&P segment b) reduction in debt from internal cash flows. PGL has envisaged capex of INR 2,600 mn till FY13E. However, we believe PGL is well poised to meet the requirements through internal accruals without much stress on the balance sheet. We expect Net Debt to Equity to drop to 1.2x in FY13E from 4.1x in FY10 due to repayment INR 2,500 mn till FY13E. As a result of reduced debt we expect ROE and ROCE to improve to 39% and 22% in FY13E respectively.

**Figure 6: Higher returns from C&P segment**

Segment	Products	Market size (USD mn)	Bottle price (USD)	End product price (USD)	ROCE (%)
Premium	Select perfumes	1,016	300-1,000	60	~25-30
	MNC mass and skin care	616	160-330	15	~20-25
Mass	Low mass perfumes	320	85-160	8	~10-15
	Color cosmetics	146	20-40	2	~10-15

Source: Company, FQ Research

**Figure 7: Return ratios to improve significantly by FY13E**



Source: FQ Research

**Diversified business model with presence across segments and geographies**

The global glass packaging industry is estimated to be ~USD 30 bn, comprising of moulded packaging market of USD 28 bn and tubular glass packaging industry of ~ USD 2 bn. PGL has presence across C&P, SF & B and pharmaceutical segment which together constitute ~20% of moulded glass segment and 80% of global glass packaging industry.

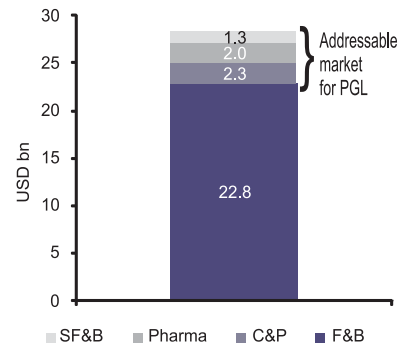
**Figure 8: Presence across different product segments**

**Global glass packaging market**



Source: Company, FQ Research

**Global moulded glass packaging market**



Source: Company, FQ Research

PSL has a well diversified business model with diversified product portfolio, sales spread across different geographies and multiple manufacturing locations across three different nations. PGL has manufacturing operations in India, Sri Lanka and US, manufacturing different type of glass like Cosmetic and Perfumery (C&P), Pharmaceutical and Specialty Food and Beverages (SF&B)

**Stringent per qualification norms**

The premium C&P industry located mostly in Europe and US has very stringent qualification norms and requires dedicated vendors. The quality norms include detailed audits of the company from various international norms like labor, environmental, historic design details etc. Also the qualification for international brand takes ~4-4.5 years per brand manufacturer. PGL has facilities to design and manufacture the product in-house with preparation of specific moulds. Once the design is finalized, the product demo is given to the clients. It takes almost 15 months before the contract is signed by the client. Acquisition of Glass Group in FY06 gave PGL access to international premium C&P segment. Also, The Indian plant has completed the entire due diligence procedure and now is ready to supply to the premium segment of C&P. We believe strict qualification norms serves as an entry barrier for new players who intend to enter the segment in the near future and would lead to further consolidate PGL's market leadership in the segment. Going forward, we expect PGL's market share in premium segment to increase by ~200 bps to ~7% in FY13E from 5% in FY11.

PGL over the period has established strong relationship with 17 out of 20 key customers, contributing to ~80% of the premium C&P market. The company has 145 products under development in last two years and has successfully commercialized 89 products. With increasing brand awareness and superior quality of the products, the global premium C&P segment is expected to grow at a CAGR of above 25% till FY13E.

**Figure 9: Exhaustive client list**

Segment	Details	
C & P segment	Key customers	P&G, Revlon, Avon, LVMH, Unilever, Coty
	Key brands	Pur Desir, Dior, Polo, Cheignon, Ralph
Pharmaceutical	Key customers	Dr Reddy's, Ranbaxy, Glenmark, Cipla, GSK, Pfizer, Lupin, Novartis
SF&B	Key customers	Cadburys, Diageo, UB group, Smuckers
	Key brands	Antiquity, Bacardi, Pomade, Bushmills

Source: Company, FQ Research

### Valuation

At CMP of INR 125, PGL is trading at a PE multiple of 7.7x and 4.8x and EV/EBITDA multiple of 5.1x and 3.7x of its FY12E and FY13E earnings respectively. The company has turned profitable from FY10 and we expect the performance to improve going ahead. We believe inclination towards high margin C&P segment and shifting of C&P segment to India would lead to further improvement in profitability till FY13E. We initiate coverage with buy recommendation with a target price of INR 160 (an upside of 28%). At target price of INR 160, PGL is available at FY13E EV/EBITDA of 4.3x and PER of 6.1x and is available at a discount of above 30% to its international competitor.

**Figure 10: Peer comparison**

	ROE		PE (x)		EV/EBITDA (x)	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Zignago Vetro*	31.7	29.8	11.8	11.1	6.4	6.0
Gerresheimer*	12.4	13.7	14.9	12.6	6.4	5.8
Vetropack*	11.1	11.6	11.9	10.3	5.4	5.0
Vidrala*	16.5	16.3	10.0	9.0	6.9	6.5
PGL (FQ estimates)	34.9	39.9	6.5	5.1	4.7	3.8

\* For CY11E and CY12E

Source: Bloomberg, FQ research

## **Key Risk**

### **Threat of substitutes**

PGL derives ~22% of its net revenues from SF&B segment. Any increase in glass prices would result into shifting of bottles towards substitutes like polymer bottles, affecting earnings of the company.

### **Foreign exchange risk**

The US and Sri Lankan subsidiary procure raw material and sale product in foreign / local currencies, thus providing natural hedge. However, the Indian operations derive ~48-49% of their revenues through exports. With increasing contribution of exports in consolidated revenues, we believe PGL's exposure to volatile foreign currency movement to increase going ahead. PGL has hedged its foreign currency exposure at INR 46. Any depreciation of rupee beyond INR 46 would lead to forex loss for the company adversely affecting profitability of the company.

### **Increase in cost of APM gas**

PGL's furnaces in India are gas fired except one which is fired with fuel oil. PGL procures gas mainly from Gujarat gas and remaining is the APM gas (30% of requirement) procured from GAIL. The company has planned to convert the Fuel Oil furnace into gas fired furnace. However, any increase in cost of APM gas would result in lowering the operating margin of the company. Also, in case of shortage of APM gas PGL would be forced to purchase the costlier LNG affecting margins negatively.

### **Higher exposure to C&P segment**

With increased exposure to C&P segment, we expect the contribution to total sales to increase to ~62% by FY13E. Any downturn in C&P sales (directly related to discretionary spending) would adversely affect revenues and margins of PGL.

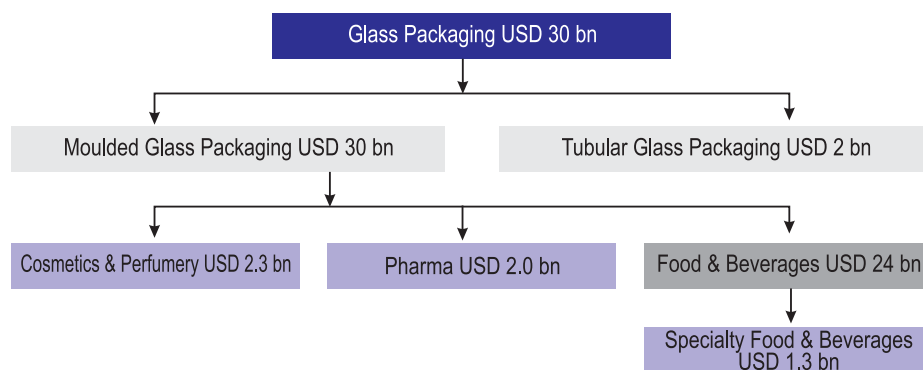
### **Delay in expansion**

PGL has envisaged capacity addition in India through realigning of existing furnaces and setting up greenfield capacity by FY13E. Any delay in setting up additional capacities could affect earnings of the company.

### About the company

PGL is India's leading container glass manufacturing company. PGL operates into three segments; Cosmetic and Perfumery (C&P) (49% of net sales), Pharmaceutical (29% of net sales) and Speciality food and Beverages (SF &B) (22% of net sales). The total target market for PGL is ~USD 5.6 bn (18% of global glass packaging industry). The company has manufacturing locations in three countries; India, US and Sri Lanka with total manufacturing capacity of 1,245 mtpd.

**Figure 11: Business segment overview:**



Source: Company, FQ Research

PGL is the market leader in SF&B segment in Sri Lanka controlling ~91% of the market share. PGL is also the market leader in color cosmetics segment (eg. Nail polish) controlling ~30% market share. Its customers include several reputed brands like L'Oreal, Revlon, Avon, etc.

**Figure 12: Business segment overview**

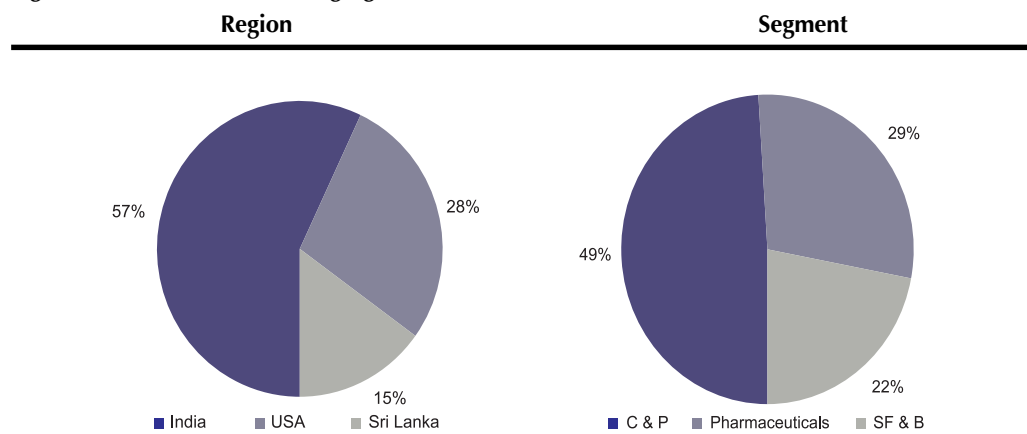
	C&P	Pharma	SF&B
Products	Perfumery Color cosmetic bottles	Vials/bottles in amber & flint	Speciality bottles for boutique wine and liquor
Capacity (tpd)*	545	365	335
Market share	Global market share : 5% Market share in color cosmetics: 30%	Among top 5 global players in USP Type-1 glass Domestic market share: 35%	Market share in Sri Lanka: 91%
Markets	Europe, USA, India	India	India, USA, Sri Lanka, Latin America
Key competitors	Zignago, SGD	Hindustan National glass, HSIL	Saver glass, USA
Revenue (INR mn)*	4,406.0	2,567.0	1,923.0
% of total sales	49%	29%	22%
EBITDA margin (%)	~30%	20-25%	22-27%

Source: Company, FQ Research

\* For 9MFY11

PGL has well diversified business model with C&P, Pharma and SF&P contributing to 49%, 29% and 22% of its consolidated revenues in 9MFY11. Geography wise, India contributes to 57%, USA contributing to 28% and Sri Lanka contributing to 15% of consolidated revenues in 9MFY10.

**Figure 13: 9MFY11 revenue segregation**



Source: Company, FQ Research

## Consolidated Financials

### Profit and Loss Statement

Particulars (INR mn)	F10	F11E	F12E	F13E
<b>Net sales</b>	<b>11,039</b>	<b>12,111</b>	<b>14,028</b>	<b>17,192</b>
% chg	9.4	9.7	15.8	22.6
Total expenditure	9,218	9,369	10,465	12,483
<b>Operating profit</b>	<b>1,822</b>	<b>2,742</b>	<b>3,563</b>	<b>4,709</b>
(% of net sales)	16.5	22.6	25.4	27.4
Other income	221	225	225	225
Depreciation & amortisation	907	976	1,042	1,108
Interest	1,049	793	1,029	1,095
<b>PBT</b>	<b>87</b>	<b>1,199</b>	<b>1,717</b>	<b>2,731</b>
(% of net sales)	0.8	9.9	12.2	15.9
Tax	54	240	343	546
(% of PBT)	62.6	20.0	20.0	20.0
<b>PAT</b>	<b>32</b>	<b>959</b>	<b>1,374</b>	<b>2,184</b>
Add / (less): minority interest	12	(75)	(75)	(75)
<b>PAT (reported)</b>	<b>44</b>	<b>884</b>	<b>1,299</b>	<b>2,109</b>
% chg	(104.3)	1,894.6	46.9	62.4

### Ratios

Particulars	F10	F11E	F12E	F13E
<b>Valuation Ratio (x)</b>				
P/E	148.7	11.4	7.7	4.8
P/CEPS	6.9	5.4	4.3	3.1
P/BV	4.2	3.2	2.3	1.6
EV / Sales	1.8	1.6	1.3	0.6
EV / EBITDA	10.9	6.9	5.1	3.7
MCap/Sales	0.9	0.8	0.7	0.6
<b>Leverage Ratio (x)</b>				
Debt-Equity	4.1	2.8	1.9	1.2
Interest coverage -on EBIT	0.9	2.2	2.5	3.3
<b>Per Share Data (INR)</b>				
Diluted EPS	0.8	11.0	16.1	26.2
Diluted cash EPS	18.0	23.1	29.1	40.0
DPS	1.5	1.5	1.5	1.5
Book value	29.8	39.1	53.4	77.9
<b>Returns %</b>				
ROE	3.1	31.9	34.9	39.9
ROCE	2.6	11.7	16.4	22.0
Dividend payout (%)	181.5	13.7	9.3	5.7
<b>Du-Pont Analysis</b>				
Operating margin (EBIT/Sales) (%)	8.3	14.6	18.0	20.9
Interest burden (PBT/EBIT) (%)	9.5	67.9	68.1	75.8
Tax burden (PAT/PBT) (%)	0.5	0.7	0.8	0.8
Asset turnover (Sales/assets) (x)	1.3	1.4	1.7	2.1
<b>Margin Ratios(%)</b>				
EBITDA margin	16.5	22.6	25.4	27.4
PBT margin	0.8	9.9	12.2	15.9
PAT margin	0.4	7.3	9.3	12.3
<b>Growth Ratios (%)</b>				
Net Sales	9.4	9.7	15.8	22.6
EBITDA	146.2	50.5	30.0	32.2
EBIT	-699.6	93.0	42.7	42.8
PAT	-104.3	1894.6	46.9	62.4
<b>Operating Cycle</b>				
Debtors days	87	86	86	88
Inventory days	84	84	84	85
Creditors days	35	46	46	40

### Balance Sheet

Particulars (INR mn)	F10	F11E	F12E	F13E
<b>SOURCES OF FUNDS</b>				
Equity share capital	804	804	804	804
Reserves & surplus	1,595	2,337	3,495	5,463
<b>Shareholders funds</b>	<b>2,399</b>	<b>3,142</b>	<b>4,299</b>	<b>6,267</b>
Total loans	9,824	8,824	8,324	7,324
Minority interest	376	376	376	376
Deffered tax liability	113	113	113	113
<b>Total Liabilities</b>	<b>12,713</b>	<b>12,455</b>	<b>13,113</b>	<b>14,081</b>
<b>APPLICATION OF FUNDS</b>				
Gross block	13,673	14,714	15,714	16,714
Less: acc. depreciation	5,252	6,227	7,269	8,377
<b>Net block</b>	<b>8,421</b>	<b>8,486</b>	<b>8,444</b>	<b>8,336</b>
Capital work-in-progress	141	100	100	100
<b>Investments</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Current assets	5,873	6,341	7,237	8,133
Current liabilities	1,723	2,473	2,670	2,489
<b>Net current assets</b>	<b>4,150</b>	<b>3,868</b>	<b>4,567</b>	<b>5,644</b>
<b>Total Assets</b>	<b>12,713</b>	<b>12,455</b>	<b>13,113</b>	<b>14,081</b>

### Cash Flow Statement

Particulars (INR mn)	F10	F11E	F12E	F13E
<b>PAT</b>	<b>32</b>	<b>884</b>	<b>1,299</b>	<b>2,109</b>
Depreciation	907	976	1,042	1,108
Chg in working capital	(636)	(301)	694	1,065
Other current assets	(1,832)	-	-	-
<b>CF from operations</b>	<b>3,407</b>	<b>2,161</b>	<b>1,647</b>	<b>2,152</b>
Capital expenses	(385)	1,000	1,000	1,000
Chg in investments/others	-	-	-	-
<b>CF from investing</b>	<b>(385)</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Free cash flow</b>	<b>3,793</b>	<b>1,161</b>	<b>647</b>	<b>1,152</b>
Debt raised/(repaid)	(3,746)	(1,000)	(500)	(1,000)
Dividend(Incl tax)	(94)	(141)	(141)	(141)
<b>CF from financing</b>	<b>(3,840)</b>	<b>(1,141)</b>	<b>(641)</b>	<b>(1,141)</b>
<b>Net change in cash</b>	<b>(47)</b>	<b>20</b>	<b>5</b>	<b>11</b>
<b>Opening cash balance</b>	<b>118</b>	<b>71</b>	<b>91</b>	<b>96</b>
<b>Closing cash balance</b>	<b>71</b>	<b>91</b>	<b>96</b>	<b>107</b>

**ANALYST DISCLAIMER:** Each analyst of FINQUEST Securities (P) Ltd. whose name appears on page 1 of the research reports accessible on this website hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about any and all of the securities or issuers discussed herein that are within the analyst's coverage universe and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the provision of specific recommendations or views expressed by the research analyst in the research report.

## **FINQUEST Securities (P) Ltd.**

602 Boston House, Next to Cinemax, Suren Road, Andheri (East) Mumbai 400 093.

Tel.: 91-22-4000 2600 • Fax: 91-22-4000 2605 • Email: [info@finquestonline.com](mailto:info@finquestonline.com)

Website: [www.finquestonline.com](http://www.finquestonline.com)

**DISCLAIMER:** This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action. Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, FINQUEST, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent FINQUEST and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. FINQUEST and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. FINQUEST and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

**BUY**

**More than 10% return**

**HOLD**

**Between 5-10% return**

**SELL**

**Less than 5% return**