

ANALYST MEET NOTE

SMALL CAP

Share Data

Reuters code	PRML.BO
Bloomberg code	PIRA IN
Market cap. (US\$ mn)	134
6M avg. daily turnover (US\$ mn)	0.01
Issued shares (mn)	80

Performance (%) 1M 3M 12M

Absolute	(11)	30	279
Relative	86	152	333

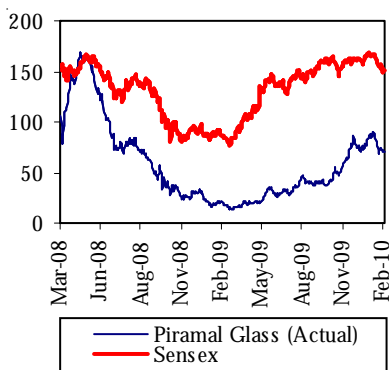
Valuation ratios

Yr to 31 Mar	FY08	FY09
EPS (Rs)	(6.1)	(27.3)
+/- (%)	NA	NA
PER (x)	NA	NA
PBV (x)	1.8	1.6
Dividend/Yield (%)	1.1	NA
EV/Sales (x)	2.4	1.9

Major shareholders (%)

Promoters	77
Public & Others	23

Relative performance



Piramal Glass

Not Rated

Price: Rs 77

BSE Index: 15,922

11 February 2010

Niche specialty glass player

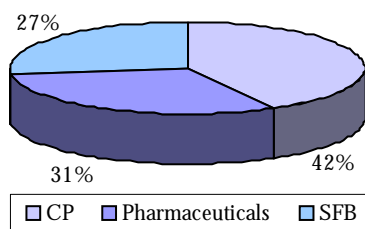
We attended the Analyst Meet of Piramal Glass. Following are the key takeaways:

- Piramal Glass Limited (PGL) manufactures a wide range of glass bottles and jars (in sizes ranging from 2 ml to 2.5 litres) for Cosmetics & Perfumery (42% of net sales), Pharmaceuticals (31% of net sales) and Speciality Food & Beverage (27% of net sales) industry. PGL has manufacturing facilities in India, US and Sri Lanka with a combined capacity of 1,115 tonnes per day.
- Cosmetics & Perfumery (CP) segment consists of premium (high end perfume bottles) and mass (nail polish and lower grade perfume bottles). PGL has identified premium segment, which constitutes 77% of overall C&P market of US\$ 2.3 bn, as its growth driver and has plans to increase its market share from 2% to 5% over the next two years. PGL's revenues from CP segment is growing at a 3-year CAGR of 25%, whereas the premium segment is growing at a 3-year CAGR 49%. France and US markets accounts for 48% of the CP market.
- PGL currently derives 42% of its revenues from CP segment with a product mix of premium (46% of CP sales) and mass (54% of CP sales). PGL intends to change this mix towards premium (63%) and mass (37%) by FY12. The premium segment yields higher realisation (~Rs 75,000 per tonne) and high RoCE (25%).
- In US, PGL has two plants consisting of 8 lines with a total capacity of 195 tpd. It manufactures glass bottles for CP, Pharmaceuticals and Speciality Food & Beverage (SFB). PGL plans to shrink its capacity in US by 80 tpd to 115 tpd over the next one year and shift CP production to India. The company aims to leverage the labour cost arbitrage prevailing between US and India. The company is confident that the savings from the labour cost will easily offset the incremental increase in freight costs and will boost the operating margins. US operations will continue to focus on pharmaceutical and SFB markets.
- The change in product mix coupled with shifting of CP production to India would lead to an improvement in PGL's operating margins. PGL expects to improve its operating margins to 28% by FY12.
- PGL's Indian operation caters to CP and pharmaceutical segment and is the largest manufacturer with 35% market share.
- In Sri Lanka, PGL has a capacity of 250 tpd and caters to liquor segment. It continues to be a leader with 88% market share.
- PGL has raised Rs 1.88 bn through rights issue and has utilised the money for repaying part of its debt (current debt stands at Rs 10.38 bn).

Quarterly results – 3QFY10 (Consolidated)

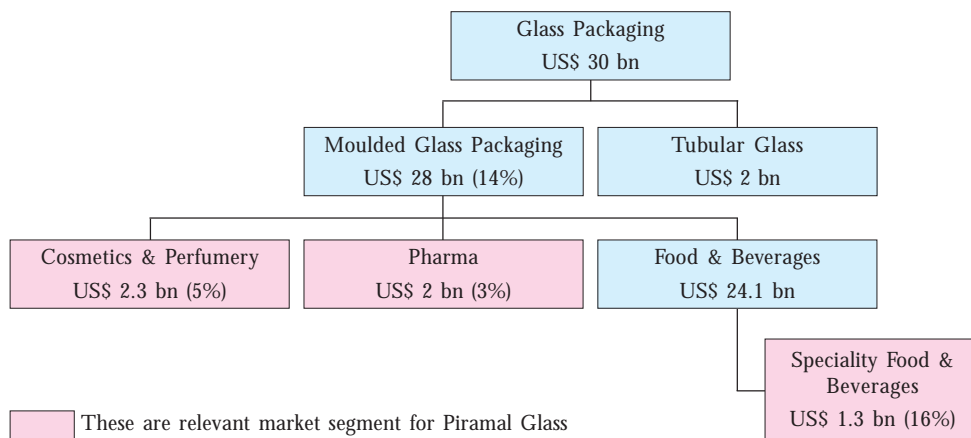
(Rs mn)	3QFY09	3QFY10	YoY (%)	2QFY10	QoQ (%)	9MFY09	9MFY10	YoY (%)	FY08	FY09	YoY (%)
Net Revenue	2,700	2,862	6.0	2,990	(4.3)	7,581	8,360	10.3	7,786	10,237	31.5
Total Expenditure	2,330	2,309	(0.9)	2,362	(2.3)	6,408	6,730	5.0	6,769	8,809	30.1
EBITDA	370	554	49.8	628	(11.8)	1,173	1,630	38.9	1,017	1,428	40.4
EBITDA margin (%)	13.7	19.3	-	21.0	-	15.5	19.5	-	13.1	13.9	-
Other Income	(214)	-	-	(69)	-	(311)	(145)	-	223	(479)	-
Depreciation	230	229	(0.6)	229	-	667	687	3.0	693	893	28.8
EBIT	(75)	325	-	330	(1.6)	196	798	-	796	56	(93.0)
Interest	363	197	(45.8)	310	(36.5)	915	872	(4.7)	672	1,314	95.5
PBT	(438)	128	-	20	528.4	(719)	(74)	-	(125)	(1,258)	-
Tax	(55)	15	-	15	3.4	(53)	16	-	(102)	(186)	-
Reported PAT	(382)	113	-	6	1,882.5	(666)	(90)	-	(227)	(1,072)	-
Adjusted PAT	(371)	108	-	5	1,896.3	(626)	(70)	-	(228)	(1,025)	-
Minority Interest	(11)	5	-	-	-	(40)	(20)	-	(2)	(47)	-
Adjusted EPS (Rs)	(20.7)	1.3	-	0.1	1,896.3	(34.8)	(8.8)	-	(12.7)	(57.0)	-

Revenue mix (9MFY10, Rs 8.36 bn)



Source: B&K Research

Glass packaging – market opportunity



Source: Piramal Glass Limited

PGL's operation facilities

	India	USA*	Sri Lanka
Capacity (tpd)	675	195	250
No. of furnaces	8	2	1
No. of production lines	36	8	5
Contribution to revenues (%)	54	32	14

*Capacity to be cut down to 115 tpd by FY11.

C&P market details

	Colour cosmetics	Low mass perfumes	MNC mass segment	High end
Description	Nail polish bottles	Perfumes with end price of US\$ 8 primarily sold in emerging economies	Perfumes with end price of US\$ 15 primarily sold in developed economies	High end perfume with end price of US\$ 60+
Price range per 1,000 bottles	US\$ 20-40	US\$ 85-160	US\$ 160-330	US\$ 330-1,000
Market size	US\$ 155 mn (8% of CP market)	US\$ 400 mn (15% of CP market)	US\$ 575 mn (29% of CP market)	US\$ 950 mn (48% of CP market)
PGL's market share (%)	26.0	10.0	5.0	2.0
Key markets	Latin America, West Europe, Turkey and India	India, Middle East, Latin America, Turkey and Russia	West Europe, North America, Latin America and India	France and USA markets
Global competition	Pochet, Bormioli Luigi, Heinz, SGD, Vitro, Gerresgeuner and Zignago			

Source: B&K Research

Peer group

(Rs mn)	Shares o/s (mn)	M Cap	FY09		9MFY10		EV/Sales (x)	P/BV (x)
			Revenues	PAT	Revenues	PAT		
Asahi India Glass	159.9	10,354	13,028	(393)	9,552	(75)	2.1	5.1
HNG	87.4	20,021	14,386	1,079	9,818	1,308	1.9	2.4
Piramal Glass	80.4	6,189	10,237	(1,025)	8,360	(70)	2.4	1.6

Source: B&K Research

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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