

April 28, 2011

Reco	Previous Reco
Buy	Buy
CMP	Target Price
Rs 130	Rs 220
EPS change FY12E/13E (%)	NA
Target Price change (%)	38
Nifty	5,785
Sensex	19,292

Price Performance

(%)	1M	3M	6M	12M
Absolute	32	24	(5)	40
Rel. to Nifty	31	22	(2)	27

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Ceramics
Bloomberg	PIRA@IN
Equity Capital (Rs mn)	804
Face Value(Rs)	10
No of shares o/s (mn)	80
52 Week H/L	141/79
Market Cap (Rs bn/USD mn)	10/225
Daily Avg Volume (No of sh)	100192
Daily Avg Turnover (US\$m)	0.2

Shareholding Pattern (%)

	Dec-10	Sep-10	Jun-10
Promoters	72.7	72.7	76.8
FII/NRI	3.5	3.7	0.1
Institutions	2.0	2.2	0.1
Private Corp	9.9	9.3	11.3
Public	12.0	12.2	11.8

Source: Capitaline

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- Piramal Glass (PGL) Q4FY11 beat expectations driven by stronger traction & product mix - revenue growth at 15.2% yoy to Rs 3.3bn and APAT growth at 185.7% to Rs 327.1mn.
- Green shoots in FY11 performance with rise in C&P share and EBIDTA margins at 22.8% - Also, hinting at further traction in ensuing years
- Capacity expansion undertaken - cash flows utilized for capex and balance sheet de-leveraging may trickle after FY13E
- Introduce FY13E earnings of Rs23.3/Share - Roll EV/Ebidta to FY13E - Retain Buy rating with revised target price of Rs220/Share

Yet another strong quarter – growth led by product mix and efficient cost management

PGL ends FY11E on strong note – with yet another quarter of earnings surprise led by stronger traction, better product mix and prudent cost management. Key highlights of Q4 FY11 (1) revenue growth at 15.2% yoy to Rs 3.3bn (2) EBIDTA growth of 24% yoy to Rs 842mn and (3) APAT growth of 186% yoy to Rs 327mn after accounting for forex gain of Rs 62.7mn v/s loss of Rs 121.8mn in Q4 FY10. EBIDTA margins at 25.2%, up 180bps yoy - surpassed peak margins of 24.6% reported in Q3 FY11 and ending on strong note.

Focus on C&P continues; Premium C&P witnesses steady traction

PGL focus on C&P continues and has paid rich dividends, so far. Over the past 2 years, the share of C&P has risen from 37% in FY09 to 50% in FY11. C&P grew 25% to Rs 6.0 bn in FY11, whereas SF&B segment faltered with 4% decline to Rs 2.7bn owing to delays in offtake by liquor companies. For Q4 FY11, C&P segment grew by 25% and within that premium segment grew by 35%.

Capacity expansion plans – to support 15% revenue CAGR in FY11-FY13E period

PGL's renewed strategy of expanding capacities for growth over dept repayment has been crystallized. PGL would spend Rs 2.6bn over next 2 years and add capacities of 210 TPD - 160TPD from realigning furnaces and 50 TPD from brownfield expansion. The capacities are aimed for Premium & Mass C&P segment. These capacities would aid revenue CAGR of 15% CAGR in FY11-FY13E period.

Management guidance for FY11-13E

In the analyst meet, Management has given guidance of (1) revenue CAGR of 17% in FY12-13E period (2) EBIDTA margins of 25-26% for FY12E (3) Target Debt-Equity of 1.5:1 in FY13E (4) Capital spend of Rs2.6 bn in FY11-13E and (5) C&P contribution rising from 49% of revenues to 58% of revenues.

Financial Snapshot

Rs Mn

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
FY10	11,039	2,160	19.6	44	0.5	NA	2.3	235.5	9.9	4.3
FY11P	12,185	2,781	22.8	930	11.6	NA	37.3	11.2	6.4	3.3
FY12E	13,992	3,666	26.2	1,512	18.8	62.6	44.3	6.9	4.9	2.4
FY13E	16,092	4,299	26.7	1,877	23.3	24.1	40.4	5.5	4.0	1.8

Introduce FY13E estimates, Raise target price to Rs220/Share

We retain our earnings estimates for FY12E at Rs18.8/Share. We introduce FY13E earnings estimates of Rs23.3/Share. Growth triggers remain intact with PGL aiming to increase the C&P contribution by 900 bps in FY11-13E period. However, since PGL would undertake capacity expansion, cash flows would be utilized for capex and balance sheet de-leveraging may trickle after FY13E. We retain our positive bias on the stock and roll valuations to FY13E earnings. We value PGL at 5.5X EV/Ebitda (equal to international peers) with revised target price of Rs220/Share, with BUY rating.

Quarterly Results

	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY Growth	QoQ Growth	YTD'11	YTD'10	YoY (%)
Net Sales	2900	2824	3067	3170	3339	15.2%	5.4%	12185	11039	10.4%
Expenditure	2220	2197	2386	2389	2498	12.5%	4.5%	9404	8715	7.9%
Material Cost	665	529	560	629	740	11.3%	17.5%	2457	2588	-5.1%
% of Sales	22.9%	18.7%	18.2%	19.9%	22.2%	-80 bps	230 bps	20.2%	23.4%	-330 bps
Employee Expenses	549	582	604	580	603	9.7%	3.8%	2369	2142	10.6%
% of Sales	18.9%	20.6%	19.7%	18.3%	18.0%	-90 bps	-30 bps	19.4%	19.4%	0 bps
Power and Fuel Expenses	429	433	472	465	515	20.1%	10.7%	1884	1694	11.2%
% of Sales	14.8%	15.3%	15.4%	14.7%	15.4%	60 bps	70 bps	15.5%	15.3%	10 bps
Freight Cost	194	195	240	233	191	-1.6%	-18.1%	859	683	25.8%
% of Sales	6.7%	6.9%	7.8%	7.4%	5.7%	-100 bps	-160 bps	7.1%	6.2%	90 bps
Other Expenses	384	458	511	481	450	17.2%	-6.5%	1835	1609	14.0%
% of Sales	13.2%	16.2%	16.6%	15.2%	13.5%	20 bps	-170 bps	15.1%	14.6%	50 bps
EBITDA	679	627	681	780	842	23.9%	7.9%	2781	2324	19.6%
Depreciation	220	229	231	270	274	24.7%	1.7%	1069	1071	-0.1%
EBIT	459	399	450	511	568	23.6%	11.1%	1712	1254	36.5%
Other Income	-122	-21	25	4	63	-151.5%	1325.0%	286	-118	-342.4%
Interest	177	170	171	190	189	6.8%	-0.6%	720	1049	-31.3%
PBT	161	207	304	325	441	174.8%	35.8%	1277	87	1376.6%
Tax	39	32	69	59	83	115.5%	40.1%	244	54	349.8%
Adjusted PAT	122	176	234	266	358	193.6%	34.9%	1034	32	3099.7%
(Profit)/Loss from JV's/Ass/MI	8	11	27	34	31	314.7%	-9.3%	103	-12	-960.8%
APAT After MI	115	165	207	231	327	185.7%	41.4%	930	44	1999.8%
Extra-Ordinary Items	0	0	0	0	0	-	-	0	0	-
Reported PAT	115	165	207	231	327	185.7%	41.4%	930	44	1999.8%
Reported EPS	1.4	2.1	2.6	2.9	4.1	185.7%	41.4%	11.6	0.6	1999.8%

Margins (%)	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	(bps)	(bps)	YTD'11	YTD'10	(bps)
EBIDTA	23.4	22.2	22.2	24.6	25.2	180	60	22.8	21.1	180
EBIT	15.8	14.1	14.7	16.1	17.0	120	90	14.0	11.4	270
EBT	5.5	7.3	9.9	10.3	13.2	770	300	10.5	0.8	970
PAT	3.9	5.8	6.7	7.3	9.8	580	250	7.6	0.4	720
Effective Tax rate	24.0	15.3	22.9	18.3	18.8	-520	60	19.1	62.7	-4360

Financials

Income Statement

Y/E, Mar (Rs. m)	FY10	FY11P	FY12E	FY13E
Net Sales	11,039	12,185	13,992	16,092
Growth (%)	9.4	10.4	14.8	15.0
Expenses	8,879	9,404	10,327	11,794
Growth (%)	0.9	5.9	9.8	14.2
Raw Materials	2,588	2,457	2,722	3,072
% Of Sales	23.4	20.2	19.5	19.1
Employee Cost	2,184	2,369	2,305	2,647
% Of Sales	19.8	19.4	16.5	16.4
Manufacturing Exps	2,450	2,734	3,257	3,796
% Of Sales	22.2	22.4	23.3	23.6
Admin Expenses	935	953	1,020	1,101
% Of Sales	8.5	7.8	7.3	6.8
Selling & Distribn Exp	722	891	1,024	1,177
% Of Sales	6.5	7.3	7.3	7.3
Ebidta	2,160	2,781	3,666	4,299
Growth (%)	67.6	28.7	31.8	17.3
Ebidta%	19.6	22.8	26.2	26.7
Other Income	-118	286	286	286
Interest	1,049	720	697	697
Depreciation	907	1,069	1,178	1,310
PBT	87	1,277	2,077	2,578
Tax	54	244	415	516
PAT (Before EO Item)	32	1,033	1,662	2,062
Growth (%)	103.0	-3104.4	-60.8	-24.1
Net Margin%	0.3	8.5	11.9	12.8
Minority Interest	-12.0	103.3	149.5	185.5
PAT (Before EO Item & after MI)	44	930	1,512	1,877
E/O Item	0	0	0	0
Reported PAT	44	930	1,512	1,877

CashFlow

Y/E, Mar (Rs. m)	FY10	FY11P	FY12E	FY13E
Pre-Tax Profit	87	1,277	2,077	2,578
Depreciation	907	1,069	1,178	1,310
Non Cash	552	103	149	186
Chg in Working Cap	573	203	-790	-718
Tax Paid	-40	-244	-415	-516
Operating Cash Flow	2,078	2,408	2,199	2,841
Capex	-208	-1,500	-1,600	-1,000
Free Cash Flow	1,870	908	599	1,841
Investments	0	0	0	0
Change in Equity Capital	1,232	0	0	0
Loans	-3,150	-630	0	0
Dividend	0	-285	-456	-570
Others	0	0	0	0
Net Change in Cash	-48	-7	143	1,271
Opening Cash Position	119	71	64	207
Closing Cash Position	71	64	207	1,478

Balance Sheet

Y/E, Mar (Rs. m)	FY10	FY11P	FY12E	FY13E
Equity Share Capital	804	804	804	804
Reserves	1,595	2,343	3,549	5,041
Networth	2,399	3,147	4,353	5,845
Secured Loans	8,266	8,266	8,266	8,266
Unsecured Loans	1,558	928	928	928
Loan Funds	9,824	9,194	9,194	9,194
Deferred Tax	113	113	113	113
Minority Interest	376	480	629	815
Capital Employed	12,713	12,934	14,290	15,968
Gross Block	13,673	15,173	15,773	17,773
Less: Depreciation	5,252	6,321	7,499	8,809
Net Block	8,421	8,852	8,274	8,964
Capital Work In Progress	141	141	1,141	141
Investments	1	1	1	1
Current Assets	5,873	6,140	7,027	9,322
Inventories	2,542	2,703	3,012	3,463
Debtors	2,635	2,604	3,008	3,460
Cash & Bank	71	64	207	1,478
Loans & Advances	625	769	800	920
Current Liabilities & Prov	1,723	2,200	2,154	2,460
Net Current Assets	4,150	3,941	4,874	6,862
Miscellaneous Expenditure	0	0	0	0
Capital Deployed	12,713	12,934	14,290	15,968

Key Ratios

Y/E, Mar	FY10	FY11P	FY12E	FY13E
Profitability %				
Ebidta Mgn	19.6	22.8	26.2	26.7
PAT Mgn	0.3	8.5	11.9	12.8
ROCE	8.3	15.6	20.4	21.6
ROE	2.3	37.3	44.3	40.4
Per Share Data				
EPS	0.5	11.6	18.8	23.3
CEPS	4.6	23.6	32.4	38.7
BVPS	29.8	39.1	54.1	72.7
DVPS	0.0	3.5	5.7	7.1
Valuations (X)				
PER	235.5	11.2	6.9	5.5
CPER	28.1	5.5	4.0	3.3
P/BV	4.3	3.3	2.4	1.8
Ev/Sales	1.8	1.6	1.4	1.1
Ev/Ebidta	9.9	6.4	4.9	4.0
Dividend Yield (%)	0.0	2.7	4.4	5.5
Turnover X Days				
Debtor TO Days	88.0	78.5	78.5	78.5
Inventory TO Days	91.0	78.6	78.6	78.6
Gearing Ratio				
Net Debt/Equity	4.1	2.9	2.1	1.3
Total Debt/Equity	4.1	2.9	2.1	1.6

Recommendation History: Piramal Glass – PIRA IN

Date	Reports	Reco	CMP	Target
21/01/2011	<u>Piramal Glass Q3FY11 Result Update</u>	Buy	109	160
28/10/2010	<u>Piramal Glass Q2FY11 Result Update</u>	Buy	137	160
29/07/2010	<u>Piramal Glass Q1FY11 Result Update</u>	Buy	115	142
11/05/2010	<u>Piramal Glass Ltd - Initiating Coverage</u>	Buy	92	117

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