

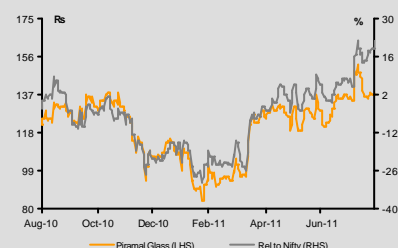
August 16, 2011

| Reco                     | Previous Reco |
|--------------------------|---------------|
| Buy                      | Buy           |
| CMP                      | Target Price  |
| Rs 139                   | Rs 205        |
| EPS change FY12E/13E (%) | -10.0 / -0.3  |
| Target Price change (%)  | -6.8          |
| Nifty                    | 5,036         |
| Sensex                   | 16,731        |

| Price Performance (%) | 1M | 3M | 6M | 12M |
|-----------------------|----|----|----|-----|
| Absolute              | 2  | 17 | 47 | 13  |
| Rel. to Nifty         | 13 | 27 | 60 | 21  |

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                 | 156/79   |
| Market Cap (Rs bn/USD mn)   | 11/243   |
| Daily Avg Volume (No of sh) | 84196    |
| Daily Avg Turnover (US\$m)  | 0.3      |

### Shareholding Pattern (%)

|              | Jun-11 | Mar-11 | Dec-10 |
|--------------|--------|--------|--------|
| Promoters    | 72.7   | 72.7   | 72.7   |
| FII/NRI      | 2.2    | 3.3    | 3.5    |
| Institutions | 3.3    | 2.4    | 2.0    |
| Private Corp | 9.9    | 9.6    | 9.9    |
| Public       | 11.9   | 12.0   | 12.0   |

Source: Capitaline

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- Piramal Glass (PGL) Q1FY12 in line with expectations – revenue growth at 14% yoy to Rs 3.2bn and APAT growth at 75.7% to Rs 290.1mn
- C&P continues with robust performance – grows 30% yoy and contributes 56% of revenues in Q1 FY12, highest till date
- Capacity expansion to aid growth momentum - 160TPD Greenfield capacity for Mass C&P market and realignment of furnace adding 50-60 TPD capacity
- Fine-tuning of earnings, FY12E revised downwards by 10% to Rs 16.9 and FY13E remains unchanged. Retain BUY with revise target price of Rs205/Share

### Q1 FY12 results in line with expectations

PGL reported yet another strong quarter led by improved product mix. Revenue grew by 14% yoy to Rs 3.2bn led by strong traction in C&P segment, which grew by 30% yoy. Pharma segment contracted by 16% yoy primarily due to conversion of 75 TPD Pharma capacity to 55 TPD C&P capacity. Specialty F&B revenues grew by 22% yoy led by an improved show in Sri Lanka operations, whose revenues grew by 27% yoy. EBIDTA rose by 15.7% yoy to Rs 717mn with EBIDTA margins expanding by 30bps yoy to 22.6%. APAT grew 75.7% yoy to Rs 290mn.

### C&P division continues to surge, share to total revenues rises to 56% – highest ever till date

C&P division continued to report stellar performance with revenue growth of 30% yoy to Rs 1.8bn. The contribution of C&P to revenues stood at 56%, highest till date. The mass C&P segment revenues reported 19% yoy growth, whereas premium C&P revenues grew at robust 43% yoy. Consumer demand in US and Europe is fairly stable, while it has been upbeat in BRIC countries, which remains positive sign for C&P business.

### Capacity expansion on track; Full impact to be visible in FY13E

PGL is well on track with its capex plans of Rs 2.6bn towards setting up a Greenfield capacity in Jambusar, Gujarat of 160TPD for Mass C&P and realignment of 4-5 existing furnaces, which would add 50-60TPD capacity. Realignment would be a continuous process spread over FY12-FY13E, while the Greenfield capacity would be commence production in March'12. The proposed capacity additions would facilitate growth momentum.

### FY12E EPS revised -7.6% to Rs 16.9/Share; FY13E remains unchanged

We have fine tuned our FY12E estimates owing to readjustments in expenditure and other income heads. Consequently, FY12E EBIDTA estimates have been lowered by 7.3% to Rs 3.4bn and APAT by 10% to Rs 1.4bn. Subsequently, revised earnings estimates for FY12E are Rs 16.9/Share. However, FY13E estimates remain unchanged.

### Financial Snapshot

|       | Rs Mn  |        |      |       |      |       |      |       |        |      |
|-------|--------|--------|------|-------|------|-------|------|-------|--------|------|
| YE-   | Net    | EBITDA |      | EPS   | EPS  | RoE   | EV/  |       |        |      |
| Mar   | Sales  | (Core) | (%)  | APAT  | (Rs) | % chg | (%)  | P/E   | EBITDA | P/BV |
| FY10  | 11,039 | 2,324  | 21.1 | 44    | 0.6  | NA    | 2.3  | 252.7 | 9.5    | 4.7  |
| FY11  | 12,185 | 2,781  | 22.8 | 930   | 11.6 | NA    | 38.1 | 12.0  | 6.6    | 3.7  |
| FY12E | 14,143 | 3,396  | 24.0 | 1,361 | 16.9 | 46.4  | 41.4 | 8.2   | 5.5    | 2.7  |
| FY13E | 16,443 | 4,136  | 25.2 | 1,870 | 23.3 | 37.4  | 41.1 | 6.0   | 4.3    | 2.0  |

**Growth on track; Maintain BUY**

Progress remains on expected lines - C&P continues to grow rapidly and its share in revenues increases from 49% in Q1FY11 to 56% in Q1FY12. Also, Specialty F&B business has regained growth momentum with robust growth in Sri Lankan operations and revival in US subsidiary. Capacity expansion through Greenfield and realignments is on track and the full benefit would be realized in FY13E. Growth guidance by management is (1) revenue growth of 16-17% in FY12E & FY13E and (2) EBITDA margin of 25-26% in FY12-FY13E; EMKAY estimates largely reflect the same. We maintain BUY rating with revised target price of Rs 205/Share, which translates into 5.5x FY13E EV/EBIDTA

**Quarterly Results**

| Consolidated YE - March        | Q1FY11 | Q2FY11 | Q3FY11 | Q4FY11 | Q1FY12 | YoY (%) | QoQ (%)  |
|--------------------------------|--------|--------|--------|--------|--------|---------|----------|
| Net Sales                      | 2783   | 3007   | 3106   | 3289   | 3172   | 14.0%   | -3.5%    |
| Expenditure                    | 2164   | 2386   | 2389   | 2498   | 2455   | 13.5%   | -1.7%    |
| Material Cost                  | 529    | 560    | 629    | 740    | 637    | 20.5%   | -13.9%   |
| % of Sales                     | 19.0%  | 18.6%  | 20.3%  | 22.5%  | 20.1%  | 110 bps | -240 bps |
| Employee Expenses              | 574    | 604    | 580    | 603    | 635    | 10.5%   | 5.3%     |
| % of Sales                     | 20.6%  | 20.1%  | 18.7%  | 18.3%  | 20.0%  | -60 bps | 170 bps  |
| Power and Fuel Expenses        | 433    | 472    | 465    | 515    | 518    | 19.5%   | 0.6%     |
| % of Sales                     | 15.6%  | 15.7%  | 15.0%  | 15.7%  | 16.3%  | 80 bps  | 70 bps   |
| Freight Cost                   | 195    | 240    | 233    | 191    | 200    | 2.6%    | 4.7%     |
| % of Sales                     | 7.0%   | 8.0%   | 7.5%   | 5.8%   | 6.3%   | -70 bps | 50 bps   |
| Other Expenses                 | 433    | 511    | 481    | 450    | 466    | 7.6%    | 3.6%     |
| % of Sales                     | 15.6%  | 17.0%  | 15.5%  | 13.7%  | 14.7%  | -90 bps | 100 bps  |
| EBITDA                         | 620    | 621    | 717    | 791    | 717    | 15.7%   | -9.4%    |
| Depreciation                   | 262    | 231    | 270    | 274    | 247    | -5.8%   | -10.0%   |
| EBIT                           | 358    | 390    | 447    | 517    | 471    | 31.5%   | -9.0%    |
| Other Income                   | -21    | 25     | 4      | 63     | 46     | -314.6% | -27.1%   |
| Interest                       | 170    | 171    | 190    | 189    | 172    | 1.2%    | -9.1%    |
| PBT                            | 207    | 304    | 325    | 441    | 406    | 95.7%   | -8.1%    |
| Tax                            | 32     | 69     | 59     | 83     | 91     | 184.6%  | 8.8%     |
| Adjusted PAT                   | 176    | 234    | 266    | 358    | 315    | 79.6%   | -12.0%   |
| (Profit)/Loss from JV's/Ass/MI | 11     | 27     | 34     | 31     | 25     | 140.0%  | -19.0%   |
| APAT After MI                  | 165    | 207    | 231    | 327    | 290    | 75.7%   | -11.3%   |
| Extra-Ordinary Items           | 0      | 0      | 0      | 0      | 0      | -       | -        |
| Reported PAT                   | 165    | 207    | 231    | 327    | 290    | 75.7%   | -11.3%   |
| Reported EPS                   | 2.1    | 2.6    | 2.9    | 4.1    | 3.6    | 75.7%   | -11.3%   |

| Margins (%)        | Q1FY11 | Q2FY11 | Q3FY11 | Q4FY11 | Q1FY12 | (bps) | (bps) |
|--------------------|--------|--------|--------|--------|--------|-------|-------|
| EBIDTA             | 22.3   | 20.6   | 23.1   | 24.1   | 22.6   | 30    | -150  |
| EBIT               | 12.9   | 13.0   | 14.4   | 15.7   | 14.8   | 200   | -90   |
| EBT                | 7.5    | 10.1   | 10.5   | 13.4   | 12.8   | 530   | -60   |
| PAT                | 5.9    | 6.9    | 7.4    | 9.9    | 9.1    | 320   | -80   |
| Effective Tax rate | 15.3   | 22.9   | 18.3   | 18.8   | 22.3   | 700   | 350   |

**Earnings Change**

| Y/E, Mar (Rs. mn) | FY12E   |         |          | FY13E   |         |          |
|-------------------|---------|---------|----------|---------|---------|----------|
|                   | Earlier | Revised | % Change | Earlier | Revised | % Change |
| Revenues          | 13992.4 | 14143.4 | 1.1%     | 16092.2 | 16442.5 | 2.2%     |
| EBITDA            | 3665.5  | 3396.3  | -7.3%    | 4298.5  | 4135.8  | -3.8%    |
| EBITDA Margin (%) | 26.2%   | 24.0%   | -2.2%    | 26.7%   | 25.2%   | -1.6%    |
| APAT              | 1512.1  | 1361.4  | -10.0%   | 1876.5  | 1870.1  | -0.3%    |
| EPS               | 18.8    | 16.9    | -10.0%   | 23.3    | 23.3    | -0.3%    |

## Financials

## Income Statement

| Y/E, Mar (Rs. m)                           | FY10          | FY11          | FY12E         | FY13E         |
|--|---------------|---------------|---------------|---------------|
| <b>Net Sales</b>                           | <b>11,039</b> | <b>12,185</b> | <b>14,143</b> | <b>16,443</b> |
| Growth (%)                                 | 9.4           | 10.4          | 16.1          | 16.3          |
| <b>Expenses</b>                            | <b>8,715</b>  | <b>9,404</b>  | <b>10,747</b> | <b>12,307</b> |
| Growth (%)                                 | -1.0          | 7.9           | 14.3          | 14.5          |
| Raw Materials                              | 2,588         | 2,457         | 2,836         | 3,260         |
| % Of Sales                                 | 23.4          | 20.2          | 20.0          | 19.8          |
| Employee Cost                              | 2,142         | 2,369         | 2,465         | 2,814         |
| % Of Sales                                 | 19.4          | 19.4          | 17.4          | 17.1          |
| Manufacturing Exps                         | 2,327         | 2,597         | 3,218         | 3,721         |
| % Of Sales                                 | 21.1          | 21.3          | 22.8          | 22.6          |
| Admin Expenses                             | 937           | 1,079         | 1,181         | 1,294         |
| % Of Sales                                 | 8.5           | 8.9           | 8.4           | 7.9           |
| Selling & Distribn Exp                     | 721           | 903           | 1,048         | 1,218         |
| % Of Sales                                 | 6.5           | 7.4           | 7.4           | 7.4           |
| <b>Ebitda</b>                              | <b>2,324</b>  | <b>2,781</b>  | <b>3,396</b>  | <b>4,136</b>  |
| Growth (%)                                 | 80.3          | 19.7          | 22.1          | 21.8          |
| Ebitda%                                    | 21.1          | 22.8          | 24.0          | 25.2          |
| Other Income                               | -118          | 286           | 286           | 286           |
| Interest                                   | 1,049         | 720           | 697           | 697           |
| Depreciation                               | 1,071         | 1,069         | 1,122         | 1,217         |
| PBT  | 87            | 1,277         | 1,863         | 2,508         |
| Tax  | 54            | 244           | 391           | 527           |
| <b>PAT (Before EO Item)</b>                | <b>32</b>     | <b>1,033</b>  | <b>1,472</b>  | <b>1,981</b>  |
| Growth (%)                                 | 103.0         | -3101.5       | -42.4         | -34.6         |
| Net Margin%                                | 0.3           | 8.5           | 10.4          | 12.1          |
| Minority Interest                          | -12.0         | 103.3         | 110.3         | 111.4         |
| <b>PAT (Before EO Item &amp; after MI)</b> | <b>44</b>     | <b>930</b>    | <b>1,361</b>  | <b>1,870</b>  |
| E/O Item                                   | 0             | 0             | 0             | 0             |
| <b>Reported PAT</b>                        | <b>44</b>     | <b>930</b>    | <b>1,361</b>  | <b>1,870</b>  |

## Cash Flow

| Y/E, Mar (Rs. m)             | FY10         | FY11E        | FY12E        | FY13E        |
|------------------------------|--------------|--------------|--------------|--------------|
| <b>Pre-Tax Profit</b>        | <b>87</b>    | <b>1,277</b> | <b>1,863</b> | <b>2,508</b> |
| Depreciation                 | 907          | 1,069        | 1,122        | 1,217        |
| Non Cash                     | -4           | 16           | 110          | 111          |
| Chg in Working Cap           | 573          | 265          | -922         | -796         |
| Tax Paid                     | -40          | -137         | -391         | -527         |
| <b>Operating Cash Flow</b>   | <b>1,522</b> | <b>2,491</b> | <b>1,783</b> | <b>2,514</b> |
| Capex                        | -208         | -1,502       | -1,339       | -1,000       |
| <b>Free Cash Flow</b>        | <b>1,314</b> | <b>989</b>   | <b>444</b>   | <b>1,514</b> |
| Investments                  | 0            | 0            | 0            | 0            |
| Change in Equity Capital     | 625          | 0            | 0            | 0            |
| Loans                        | -3,150       | -624         | 0            | 0            |
| Dividend                     | 0            | -92          | -399         | -519         |
| Others                       | 0            | 0            | 0            | 0            |
| <b>Net Change in Cash</b>    | <b>21</b>    | <b>272</b>   | <b>45</b>    | <b>995</b>   |
| <b>Opening Cash Position</b> | <b>119</b>   | <b>71</b>    | <b>133</b>   | <b>177</b>   |
| <b>Closing Cash Position</b> | <b>71</b>    | <b>133</b>   | <b>177</b>   | <b>1,172</b> |

## Balance Sheet

| Y/E, Mar (Rs. m)                      | FY10          | FY11E         | FY12E         | FY13E         |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                  | 804           | 804           | 804           | 804           |
| Reserves                              | 1,595         | 2,216         | 3,288         | 4,751         |
| <b>Net worth</b>                      | <b>2,399</b>  | <b>3,020</b>  | <b>4,093</b>  | <b>5,555</b>  |
| Secured Loans                         | 8,266         | 6,947         | 6,947         | 6,947         |
| Unsecured Loans                       | 1,558         | 2,253         | 2,253         | 2,253         |
| <b>Loan Funds</b>                     | <b>9,824</b>  | <b>9,200</b>  | <b>9,200</b>  | <b>9,200</b>  |
| <b>Deferred Tax</b>                   | <b>113</b>    | <b>143</b>    | <b>143</b>    | <b>143</b>    |
| <b>Minority Interest</b>              | <b>376</b>    | <b>499</b>    | <b>609</b>    | <b>721</b>    |
| <b>Capital Employed</b>               | <b>12,713</b> | <b>12,861</b> | <b>14,045</b> | <b>15,619</b> |
| Gross Block                           | 14,300        | 15,174        | 15,774        | 17,774        |
| Less: Depreciation                    | 5,496         | 6,580         | 7,702         | 8,919         |
| <b>Net Block</b>                      | <b>8,804</b>  | <b>8,594</b>  | <b>8,072</b>  | <b>8,855</b>  |
| Capital Work In Progress              | 141           | 402           | 1,141         | 141           |
| <b>Investments</b>                    | <b>1</b>      | <b>1</b>      | <b>1</b>      | <b>1</b>      |
| <b>Current Assets</b>                 | <b>5,490</b>  | <b>6,349</b>  | <b>7,073</b>  | <b>9,190</b>  |
| Inventories                           | 2,159         | 2,504         | 3,044         | 3,538         |
| Debtors                               | 2,635         | 2,779         | 3,042         | 3,536         |
| Cash & Bank                           | 71            | 133           | 177           | 1,172         |
| Loans & Advances                      | 625           | 933           | 811           | 943           |
| <b>Current Liabilities &amp; Prov</b> | <b>1,723</b>  | <b>2,484</b>  | <b>2,242</b>  | <b>2,568</b>  |
| <b>Net Current Assets</b>             | <b>3,767</b>  | <b>3,865</b>  | <b>4,831</b>  | <b>6,622</b>  |
| Miscellaneous Expenditure             | 0             | 0             | 0             | 0             |
| <b>Capital Deployed</b>               | <b>12,713</b> | <b>12,861</b> | <b>14,045</b> | <b>15,619</b> |

## Key Ratios

| Y/E, Mar               | FY10  | FY11E | FY12E | FY13E |
|------------------------|-------|-------|-------|-------|
| <b>Profitability %</b> |       |       |       |       |
| Ebitda Mgn             | 21.1  | 22.8  | 24.0  | 25.2  |
| PAT Mgn                | 0.3   | 8.5   | 10.4  | 12.1  |
| ROCE                   | 8.3   | 15.6  | 19.0  | 21.6  |
| ROE                    | 2.3   | 38.1  | 41.4  | 41.1  |
| <b>Per Share Data</b>  |       |       |       |       |
| EPS                    | 0.6   | 11.6  | 16.9  | 23.3  |
| CEPS                   | 5.4   | 23.6  | 29.3  | 36.6  |
| BVPS                   | 29.8  | 37.5  | 50.9  | 69.1  |
| DVPS                   | 0.0   | 1.1   | 5.0   | 6.4   |
| <b>Valuations (X)</b>  |       |       |       |       |
| PER                    | 252.7 | 12.0  | 8.2   | 6.0   |
| CPER                   | 25.9  | 5.9   | 4.7   | 3.8   |
| P/BV                   | 4.7   | 3.7   | 2.7   | 2.0   |
| Ev/Sales               | 1.9   | 1.7   | 1.4   | 1.2   |
| Ev/Ebitda              | 9.5   | 6.6   | 5.5   | 4.3   |
| Dividend Yield (%)     | 0.0   | 0.8   | 3.6   | 4.6   |
| <b>Turnover X Days</b> |       |       |       |       |
| Debtor TO Days         | 88.0  | 81.1  | 81.1  | 81.1  |
| Inventory TO Days      | 84.6  | 69.8  | 69.8  | 69.8  |
| <b>Gearing Ratio</b>   |       |       |       |       |
| Net Debt/Equity        | 4.1   | 3.0   | 2.2   | 1.4   |
| Total Debt/Equity      | 4.1   | 3.0   | 2.2   | 1.7   |

**Recommendation History: Piramal Glass – PIRA IN**

| Date       | Reports  | Reco | CMP | Target |
|------------|--|------|-----|--------|
| 28/04/2011 | <a href="#">Piramal Glass Q4FY11 Result Update</a> | Buy  | 130 | 220    |
| 21/01/2011 | <a href="#">Piramal Glass Q3FY11 Result Update</a> | Buy  | 109 | 160    |
| 28/10/2010 | <a href="#">Piramal Glass Q2FY11 Result Update</a> | Buy  | 137 | 160    |
| 29/07/2010 | <a href="#">Piramal Glass Q1FY11 Result Update</a> | Buy  | 115 | 142    |

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