



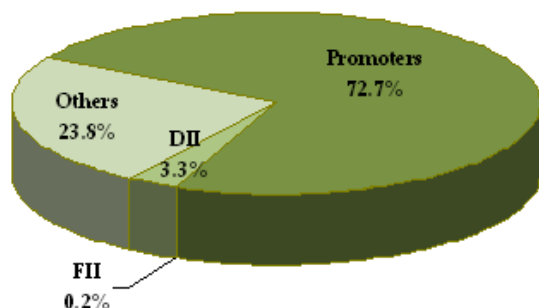
# Piramal Glass Ltd.

18 August 2011

BUY

| Industry                    | Glass      |
|-----------------------------|------------|
| CMP (INR)                   | 130        |
| Target (INR)                | 190        |
| 52 week High/Low (INR)      | 155.6/80.2 |
| Market Cap (INR Mn)         | 10818.5    |
| 3M Avg. Daily Volumes('000) | 92.76      |
| Company PE (FY12e)          | 8.2x       |

## Shareholding Pattern (%)



## Stock Performance



## Performance (%)

|               | 1 Month | 3 Months | 1 Year |
|---------------|---------|----------|--------|
| Piramal Glass | 1.6     | 16.8     | 12.1   |
| NIFTY         | -9.8    | -8.4     | -7.1   |

## Q1FY12 Result Highlights

Piramal Glass Ltd. (PIRGLASS) announced its Q1FY12 results and reported a good performance for the quarter, mainly on account of improved product mix. Its revenue increased to INR 3172 mn, an increase of 14% YoY. EBITDA stood at INR 824 mn, up 29% YoY. EBITDA margins increased by 286 bps to 25.5%

Profit before Tax (PBT) rose to INR 406 mn, an increase of 95.7% YoY. Profit after Tax (PAT) posted by the company was INR 315 mn, an increase of 79.6% YoY. The PAT margin increased by 353 bps to 9.8% YoY.

Since the last two years, the company has shifted its long term focus more towards the high margin Cosmetics & Perfumery (C&P) segment from the traditional Pharma and Speciality Food & Beverage (SF&B) segment. For the quarter, C&P segment contributed 56% of the overall sales as compared to 50% in the previous quarter and Pharma and SF&B contributed 22% each of the overall sales.

The C&P segment grew by 30% YoY. The premium segment within the C&P segment grew 40% and now contributes to 50% of the total C&P segment. The company estimates the C&P premium segment to grow between 28-30% YoY and the SF&B segment to grow at 22% YoY, mainly due to international operations.

With the company's focus now shifted towards the C&P segment, the Pharma segment has seen a fall in growth of 17% PIRGLASS has shrunk their 75 TPD capacity furnace used for Pharma segment, and has now converted it to a 55 TPD capacity furnace used to manufacture premium C&P products.

**Capex:** Between FY12-FY13, the company has a planned capex of INR 2600 mn, with INR 1000 mn assigned to add capacity of 160 TPD for the C&P segment to the existing greenfield plant at Jambusar. This project is scheduled to be operational by March 2012. The remaining INR 1600 mn will be spent on realignment of the existing furnaces which will increase the capacity of each furnace by ~50-60 TPD and will increase the total capacity by ~210 TPD.

## Outlook and Valuation

The company is well positioned to capture a greater market share in the high margin C&P segment and has projected a sales growth of 17-18% (CAGR FY11-FY13). The EBITDA margin should be around 25-26% The D/E ratio is currently at 2.4:1 and the company expects to reduce this to 1.5:1 by FY13. At CMP the stock trades at a PE multiple of 8.2x FY12E earnings. We maintain a BUY on the stock with a price target of INR 190.

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## Financials

(INR in mn)

|                                      | Q1 FY12    | Q1 FY11    | Y-o-Y          | Q4 FY11     | Q-o-Q          |
|--------------------------------------|------------|------------|----------------|-------------|----------------|
| Net Revenue                          | 3,172      | 2,783      | 14.0           | 3,289       | -3.5           |
| Other Operating income               | 61         | 41         | 50.9           | 51          | 20.9           |
| Net revenue & Other operating income | 3,234      | 2,824      | 14.5           | 3,339       | -3.2           |
| Operating Exp.                       | 2,410      | 2,185      | 10.3           | 2,435       | -1.0           |
| <b>EBITDA</b>                        | <b>824</b> | <b>639</b> | <b>29.0</b>    | <b>905</b>  | <b>-8.9</b>    |
| EBITDA (%)                           | 25.5       | 22.6       | 286 bps        | 27.1        | -160 bps       |
| Depreciation                         | 247        | 262        | -5.8           | 274         | -10.0          |
| Other income                         | 0          | 0          | NA             | 0           | NA             |
| EBIT                                 | 578        | 377        | 53.1           | 631         | -8.4           |
| EBIT (%)                             | 17.9       | 13.4       | 451 bps        | 18.9        | -102 bps       |
| Financial charges                    | 172        | 170        | 1.2            | 189         | -9.1           |
| PBT                                  | 406        | 207        | 95.7           | 441         | -8.1           |
| Tax Provision                        | 91         | 32         | 184.6          | 83          | 8.8            |
| Tax Rate (%)                         | 22.3       | 15.3       | 697 bps        | 18.8        | 345 bps        |
| <b>PAT</b>                           | <b>315</b> | <b>176</b> | <b>79.6</b>    | <b>358</b>  | <b>-12.0</b>   |
| Adjst.for Exceptional Items & Others | 0          | 0          | NA             | 0           | NA             |
| Reported PAT                         | 315        | 176        | 79.6           | 358         | -12.0          |
| <b>Reported PAT (%)</b>              | <b>9.8</b> | <b>6.2</b> | <b>353 bps</b> | <b>10.7</b> | <b>-98 bps</b> |
| EPS                                  | 3.9        | 2.2        | 79.8           | 4.5         | -11.9          |

Source: Company, Unicon Research \*Standalone Financials



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## Unicon Investment Ranking Methodology

| Rating       | Buy    | Accumulate | Hold        | Reduce       | Sell    |
|--------------|--------|------------|-------------|--------------|---------|
| Return Range | >= 20% | 10% to 20% | -10% to 10% | -10% to -20% | <= -20% |

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