

Piramal Glass Ltd.

29 October 2011

BUY

Industry	Glass
CMP (INR)	121
Target (INR)	190
52 week High/Low (INR)	156/80
Market Cap (INR Mn)	9780
3M Avg. Daily Volumes('000)	62.06
Company PE (FY12e)	8.6x

Q2FY12 Result Highlights

Piramal Glass Ltd. (PIRGLASS) announced its Q2FY12 results and reported numbers that were below expectations on a QoQ basis but the company did show reasonable growth YoY. Demand this quarter seemed to stagnate and the markets in Brazil and Turkey showed different order patterns in the quarter which had a negative impact on the top line for the quarter.

Revenue for the company stood at INR 3229 mn, an increase of 7.4% YoY. EBITDA for the quarter stood at 796 mn, an increase of 7.8% YoY, with EBITDA margins remaining constant YoY at 24.1% Profit after Tax (PAT) posted by the company was INR 275 mn, an increase of 17.3% YoY. The PAT margin increased by 69 bps to 8.3% YoY.

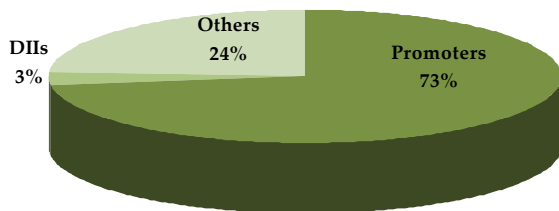
The company has shifted its long term focus more towards the high margin Cosmetics & Perfumery (C&P) segment from the traditional Pharma and Speciality Food & Beverage (SF&B) segment. For the quarter, C&P segment contributed 54% of the overall sales as compared to 56% in the previous quarter and Pharma and SF&B contributed 21% and 25% respectively to the overall sales for the quarter.

The C&P segment grew by 19% YoY. This was the slowest growth for the last three quarters mainly due to slowdown in the C&P order book in the US and low growth in the mass C&P segment.

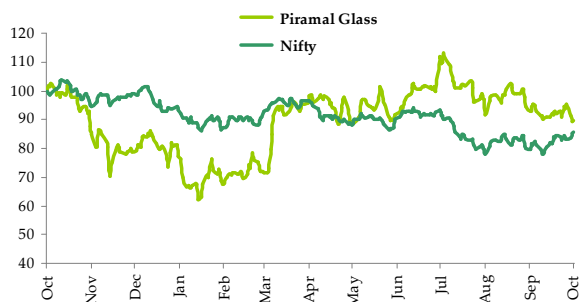
The demand in the Middle East and Europe looked strong for this quarter and the company did not witness any visible slowdown in demand in these markets for the quarter. The SF&B market also saw decent growth of 25% mainly due to strong revenue growth from the market in Sri Lanka towards this segment.

This quarter included the re-alignment of two furnaces which led to a growth in revenue of just 7.4%. The revenue growth would have stood at 15% and EBITDA margin would have been ~27% otherwise. The benefits from this re-alignment and expansion should be seen from Q1FY13.

Shareholding Pattern (%)



Stock Performance

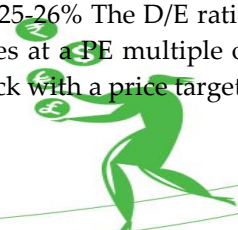


Performance (%)

	1 Month	3 Months	1 Year
Piramal Glass	-3.5	-18.2	-10.5
NIFTY	7.6	-6.7	-14.5

Outlook and Valuation

The company has witnessed a slow quarter, but we believe that with the economic situation showing signs of improvement, 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 < 1.5:1 by FY13. At CMP the stock trades at a PE multiple of 8.6x FY12E earnings. We maintain a BUY on the stock with a price target of INR 190.



Piramal Glass Ltd.

Financials

	Q2 FY12	Q2 FY11	Y-o-Y	Q1FY12	Q-o-Q
	(INR in mn)				
Net Revenue	3,229	3,007	7.4	3,172	1.8
Other Operating income	68	60	13.1	61	11.2
Net revenue & Other operating income	3,298	3,067	7.5	3,234	2.0
Operating Exp.	2,501	2,329	7.4	2,410	3.8
EBITDA	796	739	7.8	824	-3.4
<i>EBITDA (%)</i>	24.1	24.1	6 bps	25.5	-134 bps
Depreciation	264	264	0.2	247	7.2
Other income	0	0	NA	0	NA
EBIT	532	475	12.0	578	-7.9
EBIT (%)	16.1	15.5	65 bps	17.9	-174 bps
Financial charges	164	171	-4.4	172	-4.7
PBT	368	304	21.3	406	-9.3
Tax Provision	94	69	34.9	91	3.4
Tax Rate (%)	25.4	22.9	256 bps	22.3	313 bps
PAT	275	234	17.3	315	-12.9
<i>PAT (%)</i>	8.3	7.6	69 bps	10	-143 bps
Adjst.for Exceptional Items & Others	-45	-27	NA	0	NA
Reported PAT	230	207	11.0	315	-27.2
Reported PAT (%)	7.0	6.7	22 bps	9.8	-279 bps
EPS	2.9	2.6	10.9	3.9	-27.3

Source: Company, Unicon Research



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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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