

# Result Update

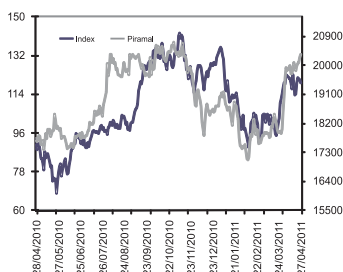
**CMP : INR 129**  
**Rating : Buy**  
**Target : INR 160**

## KEY DATA

Market Cap (INR bn)	10.4
Market Cap (USD mn)	235.8
52 WK High / Low	142 / 79
Avg Daily Volume (BSE)	44680
Face Value (INR)	10
BSE Sensex	19292
Nifty	5785
BSE Code	532949
NSE Code	PIRGLASS
Reuters Code	PRML.BO
Bloomberg Code	PIRA IN

Shareholding %	1Q	2Q	3Q
Promoters	77.0	73.0	73.0
MF/Banks/Indian FIs	0.0	2.0	2.0
FII/ NRIs/ OCBs	0.0	4.0	3.0
Indian Public	23.0	21.0	22.0

## Performance Chart



## Price Performance (%)

	3 M	6 M	12 M
Absolute	4.1	(2.8)	9.9
Relative	(24.9)	0.4	(31.6)

Financials (INR Mn.)	F11	F12E	FY13E
Net sales	12,185	14,028	17,192
EBITDA	2,851	3,519	4,477
EPS	11.6	15.6	24.8
PE (x)	11.2	8.3	5.2

## Sameer Vedak

Analyst  
 Tel. : 4000 2667  
 svedak@finquestonline.com

## Chintan Mewar

Vice President - Research  
 Tel. : 4000 2665  
 cmewar@finquestonline.com

## Piramal Glass Limited

Piramal Glass Limited (PGL) Q4FY11 and FY11 results were better than our expectations. Sales for Q4FY11 and FY11 stood at INR 3,289 mn and INR 12,185 mn and increased by 16% and 10% respectively. Increased contribution from C&P segment led to improvement in Q4FY11 EBITDA and PAT margins by 700 bps and 591 bps to 26% and 10% respectively. We expect increased focus on high value C&P segment and capacity addition of 210 TPA till FY13E, to drive the profitability of the company going ahead. While being cautious on the increasing raw material prices, we maintain our BUY rating on the stock with target price of INR 160.

### Sales increase of 10% YoY in FY11, ahead of our expectations

PGL reported net consolidated sales of INR 3,289 mn in Q4FY11 (increase by 16% YoY) and INR 12,185 mn in FY11 (increase by 10% YoY). During FY11, India, US and Sri Lanka accounted for 56%, 30% and 14% of consolidated sales respectively. Increased contribution from C&P segment (to 49% of total sales in FY11 from 44% in FY10) mainly drove the sales for the company. PGL consolidated its leadership position in global nail polish segment during FY11 with increase in its market share to ~50% from ~35% in FY10. We believe C&P segment to continue driving the net revenue till FY13E.

### Increased proportion of C&P segment drive margins

EBITDA margin stood at 26% in Q4FY11 (19% in Q4FY10) and 23% in FY11 (18% in FY10). EBITDA margins improved on account of a) increased proportion of premium segment in total C&P sales b) decrease in manpower cost c) price increase of products d) efficient raw material procurement. In FY11, sales of C&P segment increased by ~25% to INR 6,030 mn from INR 4,820 mn in FY10. Also, within the C&P segment, contribution from premium C&P segment increases by 300 bps to 45% in FY11 (42% in FY10). This led to overall increase in profitability as the C&P products command higher margins.

The employee cost as percentage of sales decreased by 60 bps YoY to 18.3% in Q4FY11 from 18.9% in Q4FY10. We believe this is mainly due to increased focus on production in India as labor cost in India is ~50% to that in the US. PGL procures natural gas (one of the key raw material) from sources like GAIL and Gujarat Gas. Gujarat gas has increased the prices of natural gas by ~20% from April 2011. Also, the LNG prices have increased in the recent past. This has resulted in increase in energy cost as percentage of sales in Q4FY11 to 15.7% (15.1% in Q4FY10). We expect gas prices to be a major concern going ahead as power and fuel accounts for ~15% of total sales. However, we believe, PGL has the ability to pass on the prices in future, helping them maintain their margins. PGL increased its product price in Q4FY11 and would continue to increase it in future (with lag of 1.5-2 months) thus protecting its margins.

### PAT margins improve on lower tax rate

PAT for Q4FY11 and FY11 stood at INR 327 mn and INR 930 mn respectively. PAT margins improved by 591 bps in Q4FY11 to 9.9% and by 723 bps in FY11 to 7.6%. Management has indicated, the tax rate to stay lower as it has tax exemption in Sri Lanka and US till Dec 2012. (Note: Post Dec 2012, tax rate in Sri Lanka would be 10% in CY2013 and CY2014 and 20% thereafter)

### Capacity addition plans on track; to improve contribution from C&P segment

PGL has planned capacity addition of 210 tonnes till FY13E (160 tonnes of new capacity and 50 tonnes from realigning) at total capex of INR 2,600 mn. This would be mainly towards high margin C&P segment. With increasing contribution from C&P segment we expect EBITDA margin to increase from 23.4% in FY11 to 26% in FY13E.

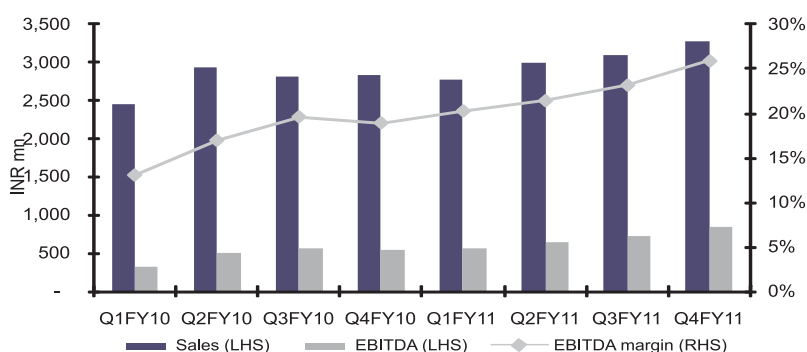
### Revise numbers on account of increasing natural gas price. Maintain Buy

Natural gas price has increased significantly in the recent past. We have incorporated increase in raw material prices in our estimates and have revised our profit outlook in FY12E and FY13E. On a conservative basis, we believe PGL to deliver EBITDA margin of 26% and EPS of INR 23.7 in FY13E. At CMP of INR 129, PGL is trading at PE of 5.4x and EV/EBITDA of 4.2x its FY13E earnings. We continue with our BUY rating on the stock with target price of INR 160. At target price of INR 160, PGL is available at PE of 6.8x and EV/EBITDA of 4.8x its FY13E earnings.

### Q4FY11 Consolidated Results

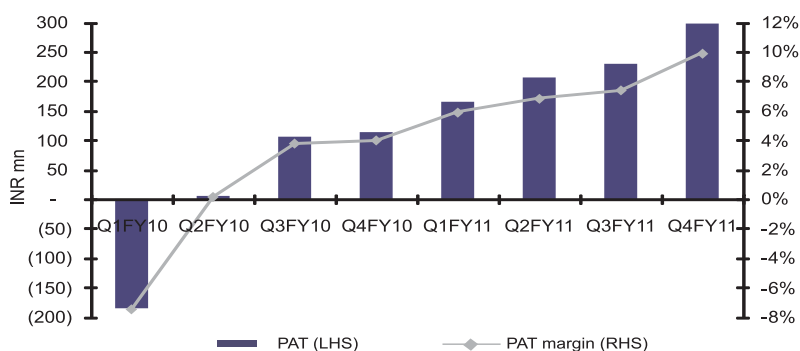
PARTICULARS (INR mn)	Q4FY11	Q4FY10	YoY	FY11	FY10	YoY
Net sales	3,288.6	2,835.5	16.0%	12,184.6	11,039.2	10.4%
<b>Expenditure</b>						
Raw material cost	664.1	564.3	17.7%	2,599.9	2,138.2	21.6%
as % of sales	20.2%	19.9%		21.3%	19.4%	
(Inc)/Dec in finished goods and WIP	64.0	89.1	-28.2%	(189.4)	348.2	-154.4%
as % of sales	1.9%	3.1%		-1.6%	3.2%	
Employee expenses	602.5	537.0	12.2%	2,368.6	2,141.7	10.6%
as % of sales	18.3%	18.9%		19.4%	19.4%	
Power and fuel	514.7	428.6	20.1%	1,884.4	1,693.9	11.2%
as % of sales	15.7%	15.1%		15.5%	15.3%	
Cost of traded goods	11.6	11.2	3.6%	46.6	101.7	-54.2%
as % of sales	0.4%	0.4%		0.4%	0.9%	
Selling, admin and other expenses	578.0	667.9	-13.5%	2,623.2	2,630.1	-0.3%
as % of sales	17.6%	23.6%		21.5%	23.8%	
<b>Total expenses</b>	<b>2,434.9</b>	<b>2,298.1</b>	<b>6.0%</b>	<b>9,333.3</b>	<b>9,053.8</b>	<b>3.1%</b>
<b>EBITDA</b>	<b>853.7</b>	<b>537.4</b>	<b>58.9%</b>	<b>2,851.3</b>	<b>1,985.4</b>	<b>43.6%</b>
EBITDA margin (%)	26.0%	19.0%		23.4%	18.0%	
Depreciation	274.0	263.9	3.8%	1,069.0	1,070.5	-0.1%
as % of sales	8.3%	9.3%		8.8%	9.7%	
<b>EBIT</b>	<b>579.7</b>	<b>273.5</b>	<b>112.0%</b>	<b>1,782.3</b>	<b>914.9</b>	<b>94.8%</b>
EBIT margin	17.6%	9.6%		14.6%	8.3%	
Interest	189.1	177.0	6.8%	720.4	1,049.1	-31.3%
Other income	50.8	64.1	-20.7%	215.4	220.6	-2.4%
<b>PBT</b>	<b>441.4</b>	<b>160.6</b>		<b>1,277.3</b>	<b>86.5</b>	
Tax expense	83.2	38.6	115.5%	243.8	54.2	349.7%
Tax rate (%)	18.8%	24.0%		19.1%	62.7%	
<b>Net Profit</b>	<b>358.2</b>	<b>122.0</b>	<b>193.6%</b>	<b>1,033.5</b>	<b>32.3</b>	<b>3103.7%</b>
Less: Minority interest	31.1	7.5	314.7%	103.3	(12.0)	-960.8%
<b>PAT (reported)</b>	<b>327.1</b>	<b>114.5</b>	<b>185.7%</b>	<b>930.2</b>	<b>44.3</b>	<b>2001.7%</b>
PAT margin (%)	9.9%	4.0%		7.6%	0.4%	
EPS (reported) (INR)	4.1	1.4		11.6	0.8	

### Quarterly sales, EBITDA and EBITDA margin trend



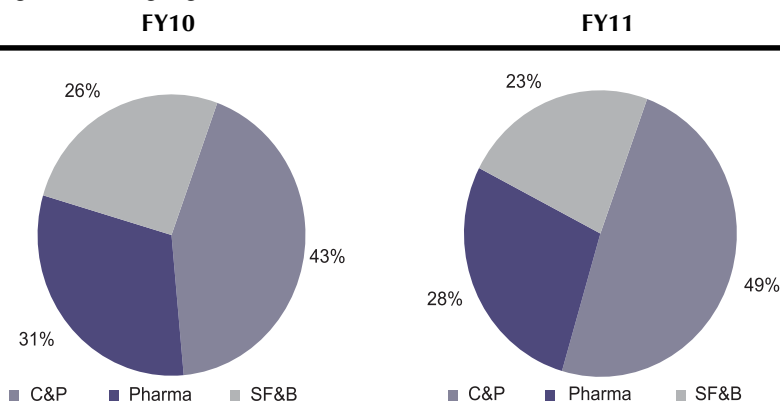
Source: Company, FQ Research

### Quarterly PAT and PAT margin trend



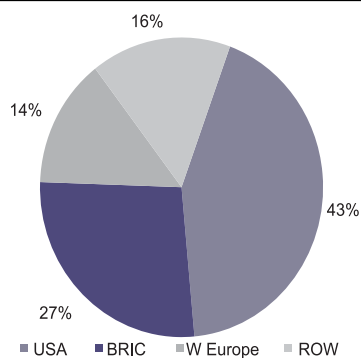
Source: Company, FQ Research

### Revenue segregation among segments



Source: Company, FQ Research

### Region wise revenue segregation of C&P segment (FY11)



Source: Company, FQ Research

**Change in estimates**

INR mn	FY12E		FY13E	
	Revised	Previous	Revised	Previous
Sales	14,027.9	14,027.9	17,191.9	17,191.9
EBITDA	3,518.7	3,562.8	4,477.4	4,709.1
EBITDA margin (%)	25.1%	25.4%	26.0%	27.4%
PAT	1,196.7	1,298.6	1,905.1	2,109.4
PAT margin (%)	8.5%	9.3%	11.1%	12.3%
EPS (INR)	14.9	16.1	23.7	26.2

## Consolidated Financials

### Profit and Loss Statement

Particulars (INR mn)	F10	F11E	F12E	F13E
<b>Net sales</b>	<b>11,039</b>	<b>12,185</b>	<b>14,028</b>	<b>17,192</b>
% chg	9.4	10.4	15.1	22.6
Total expenditure	9,054	9,333	10,509	12,715
<b>Operating profit</b>	<b>1,985</b>	<b>2,851</b>	<b>3,519</b>	<b>4,477</b>
(% of net sales)	18.0	23.4	25.1	26.0
Other income	221	215	225	225
Depreciation & amortisation	1,071	1,069	1,378	1,509
Interest	1,049	720	776	718
<b>PBT</b>	<b>86</b>	<b>1,277</b>	<b>1,590</b>	<b>2,475</b>
(% of net sales)	0.8	10.5	11.3	14.4
Tax	54	244	318	495
(% of PBT)	62.7	19.1	20.0	20.0
<b>PAT</b>	<b>32</b>	<b>1,034</b>	<b>1,272</b>	<b>1,980</b>
Add / (less): minority interest	12	(103)	(75)	(75)
<b>PAT (reported)</b>	<b>44</b>	<b>930</b>	<b>1,197</b>	<b>1,905</b>
% chg	(104.3)	2,001.7	28.7	59.2

### Ratios

Particulars	F10	F11E	F12E	F13E
<b>Valuation Ratio (x)</b>				
P/E	153.6	11.2	8.7	5.4
P/CEPS	6.1	5.2	4.0	3.0
P/BV	4.3	3.1	2.4	1.7
EV / Sales	1.8	1.6	1.4	0.6
EV / EBITDA	10.1	6.8	5.5	4.2
MCap/Sales	0.9	0.9	0.7	0.6
<b>Leverage Ratio (x)</b>				
Debt-Equity	4.1	2.7	2.0	1.4
Interest coverage -on EBIT	0.9	2.5	2.8	4.1
<b>Per Share Data (INR)</b>				
Diluted EPS	0.8	11.6	14.9	23.7
Diluted cash EPS	21.1	24.9	32.0	42.5
DPS	1.5	3.5	2.0	2.0
Book value	29.8	41.6	54.2	75.5
<b>Returns %</b>				
ROE	3.1	32.4	31.1	36.5
ROCE	2.6	11.6	13.2	16.7
Dividend payout (%)	181.7	30.3	13.4	8.4
<b>Du-Pont Analysis</b>				
Operating margin (EBIT/Sales) (%)	8.3	14.6	15.3	17.3
Interest burden (PBT/EBIT) (%)	9.5	71.7	74.3	83.4
Tax burden (PAT/PBT) (%)	0.5	0.7	0.8	0.8
Asset turnover (Sales/assets) (x)	1.3	1.4	1.6	2.0
<b>Margin Ratios(%)</b>				
EBITDA margin	18.0	23.4	25.1	26.0
PBT margin	0.8	10.5	11.3	14.4
PAT margin	0.4	7.6	8.5	11.1
<b>Growth Ratios (%)</b>				
Net Sales	9.4	10.4	15.1	22.6
EBITDA	168.3	43.6	23.4	27.2
EBIT	-699.6	94.8	20.1	38.7
PAT	-104.3	2001.7	28.7	59.2
<b>Operating Cycle</b>				
Debtors days	87	83	85	90
Inventory days	84	75	90	100
Creditors days	35	40	40	40

### Balance Sheet

Particulars (INR mn)	F10	F11E	F12E	F13E
<b>SOURCES OF FUNDS</b>				
Equity share capital	804	804	804	804
Reserves & surplus	1,595	2,543	3,551	5,268
<b>Shareholders funds</b>	<b>2,399</b>	<b>3,347</b>	<b>4,356</b>	<b>6,073</b>
Total loans	9,824	9,200	9,050	8,900
Minority interest	376	499	499	499
Deffered tax liability	113	143	143	143
<b>Total Liabilities</b>	<b>12,713</b>	<b>13,189</b>	<b>14,047</b>	<b>15,614</b>
<b>APPLICATION OF FUNDS</b>				
Gross block	13,673	15,317	16,217	17,757
Less: acc. depreciation	5,252	6,321	7,699	9,209
<b>Net block</b>	<b>8,421</b>	<b>8,996</b>	<b>8,517</b>	<b>8,548</b>
Capital work-in-progress	141	-	100	160
<b>Investments</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Current assets	5,873	6,349	7,903	9,403
Current liabilities	1,723	2,157	2,474	2,498
<b>Net current assets</b>	<b>4,150</b>	<b>4,192</b>	<b>5,429</b>	<b>6,905</b>
<b>Total Assets</b>	<b>12,713</b>	<b>13,189</b>	<b>14,047</b>	<b>15,614</b>

### Cash Flow Statement

Particulars (INR mn)	F10	F11E	F12E	F13E
<b>PAT</b>	<b>32</b>	<b>930</b>	<b>1,197</b>	<b>1,905</b>
Depreciation	1,071	1,069	1,378	1,509
Chg in working capital	(636)	(19)	1,125	1,419
Other current assets	(1,832)	(336)	-	-
<b>CF from operations</b>	<b>3,571</b>	<b>2,355</b>	<b>1,450</b>	<b>1,996</b>
Capital expenses	385	(1,503)	(1,000)	(1,600)
<b>CF from investing</b>	<b>385</b>	<b>(1,503)</b>	<b>(1,000)</b>	<b>(1,600)</b>
<b>Free cash flow</b>	<b>3,957</b>	<b>852</b>	<b>450</b>	<b>396</b>
Debt raised/(repaid)	(3,746)	(624)	(150)	(150)
Dividend(Incl tax)	(94)	(329)	(188)	(188)
<b>CF from financing</b>	<b>(3,840)</b>	<b>(954)</b>	<b>(338)</b>	<b>(338)</b>
<b>Net change in cash</b>	<b>116</b>	<b>(102)</b>	<b>112</b>	<b>57</b>
<b>Opening cash balance</b>	<b>118</b>	<b>235</b>	<b>133</b>	<b>244</b>
<b>Closing cash balance</b>	<b>235</b>	<b>133</b>	<b>244</b>	<b>302</b>

### Recommendation Summary

Event	Date	Price	Rating	Target
Initiating Coverage	06-04-2011	125	Buy	160
Result Update (Q4F11)	29-04-2011	129	Buy	160

**ANALYST DISCLAIMER:** Each analyst of FINQUEST Securities (P) Ltd. whose name appears on page 1 of the research reports accessible on this website hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about any and all of the securities or issuers discussed herein that are within the analyst's coverage universe and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the provision of specific recommendations or views expressed by the research analyst in the research report.

## FINQUEST Securities (P) Ltd.

602 Boston House, Next to Cinemax, Suren Road, Andheri (East) Mumbai 400 093.

Tel.: 91-22-4000 2600 • Fax: 91-22-4000 2605 • Email: [info@finquestonline.com](mailto:info@finquestonline.com)

Website: [www.finquestonline.com](http://www.finquestonline.com)

**DISCLAIMER:** This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions. Opinion expressed is our current opinion as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action. Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, FINQUEST, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent FINQUEST and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. FINQUEST and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions. FINQUEST and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

**BUY**

**More than 10% return**

**HOLD**

**Between 5-10% return**

**SELL**

**Less than 5% return**