

BUZZING

STOCK

DCW Ltd.

CMP – Rs.18

Analyst

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Key Stock Data

Sensex	17151
Nifty	5001
Sector	Petrochemicals-Polymers
Bloomberg	DCW IN
Reuters	DCWL.BO
No. of shares (m)	173
Market Cap (Rs m)	3114
Market Cap (US\$ m)	78
52-week H/L	19/9

Shareholding Pattern (%)

Promoters	43.74
Mutual Funds	0.02
FII's	11.60
Corporate Bodies	11.31
Pubic & Others	33.35

DCW Ltd. (DCWL), manufacturer of basic chemicals, is soaring high on back of continuously rising PVC demand in the country. DCWL operates in three business segments namely PVC resins (Poly Vinyl Chloride), Beneficiated Illmenite, Caustic Soda and Soda Ash.

Growth Strategy: DCWL has recently increased the capacity of Illmenite to 42,000 TPA. This is on back of the fact that the demand for Illmenite is increasing rapidly in the international markets. The company's exports have increased by 5% YoY to Rs.710m in FY07. DCWL's project of converting mercury cells to membrane cells in caustic soda plant will not only result in increase in capacity from 175 TPD (Tones Per Day) to 283 TPD but also will reduce the power cost substantially. Besides, the company is also setting up a thermal power plant with capacity of 50 MW, to be completed by end of FY08. This is expected to reduce the company's overall power and fuel cost.

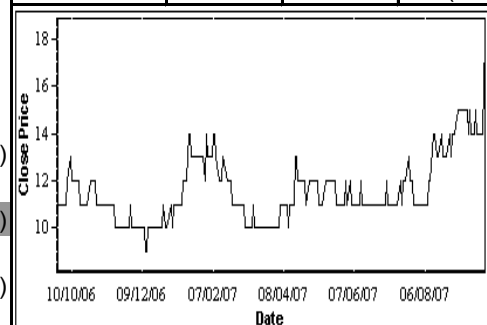
Business Profile: The PVC segment, with 90,000 TPA (Tones Per Annum) capacity, contributes around 49% to the total revenues of the company. Illmenite segment contributes around 12% to the total revenues. Caustic Soda as well as Soda Ash segments contribute around 16% and 21% to the total revenues, respectively.

Revenues in PVC segment has grown by 6% YoY in FY07 due to better realization fuelled by steep rise in demand for PVC resins in the domestic market. Similarly, in FY07, Caustic Soda as well as Soda ash division have grown by 7% YoY and 10% YoY, respectively, on back of improving realizations.

Valuations: In Q1FY08, revenue at Rs.1392m is down by 27% YoY but doubling of PBIDT margin lead to substantial rise in PAT to Rs.75m, depicting around 192% growth YoY in bottomline. Margin at 12% is up by 6 percentage points YoY. The current market price discounts the Q1FY08-annualized EPS of Rs.1.7 by 10.4x.

Financial Snapshot

	DCW Ltd.			Rs.m			Ratios (%)			
	Q1 FY08	Q1 FY07	Chg. (%)	FY07	FY06	Chg. (%)	FY07	FY06	Chg.(%)	
Financial Year End: March										
Net Sales	1,392	1,918	(27)	6,618	6,143	8	Debt -Equity	0.8	0.5	0.3
Other Income	1	32	(96)	160	175	(9)	PBIDTM	9.4	9.7	(0.3)
Total Income	1,393	1,950	(29)	6,778	6,318	7	PBDTM	8.6	9.0	(0.4)
Total Expenditure	1,231	1,838	(33)	6,157	5,721	8	RoCE	7.1	10.1	(3.0)
PBIDT	162	113	44	621	597	4	RoNW	6.1	9.8	(3.7)
Interest	2	21	(90)	54	43	26				
PBDT	160	92	74	567	554	2				
Depreciation	66	62	7	253	231	10				
Tax	20	5	333	112	50	123				
Reported Profit After Tax	75	26	192	202	273	(26)				
Extra -ordinary Items	-	23	(100)	64	-	-				
Adj. Profit After Extra-ordinary item	75	3	2,383	138	273	(49)				
No. of shares (m)	173	173	-	173	173	-				
EPS (annualised.) (Rs.)	1.7	0.6	193	1.2	1.6	(26)				
P/E	10.4	30.5		15.4	11.4					



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