



Hyderabad Industries Ltd (HIL)

Hyderabad Industries, flagship company of C.K. Birla group, has reported fabulous performance for Q3 FY 2009. Turnover increased by 16.2% to Rs. 129.6 crore led by 14% higher sales of Building product segment of Rs. 120.53 crore. Thermal Insulation business turnover jumped up by 43.9% to Rs. 9.02 crore (Rs. 6.27 crore). OPM% zoomed to 12.1% (0.9%) mainly led by reduction in raw material cost (owing to softening of cement prices) to 51.6% (59.9%) of sales. Moreover, with correction of demand-supply mismatch, company has been able to raise the prices of its products. Consequently, PBT skyrocketed to 10.2 crore (loss of Rs. 2.3 crore). Further aided by absence of extra ordinary expenses (Rs. 1.3 crore being provision for loss on Onerous contracts), PAT shot up to Rs. 6.6 crore (loss of Rs. 1.9 crore).

For 9 months FY 2009, sales grew @ 23.8% to Rs. 435.1 crore. OPM% more than doubled to 15.3% (7.3%). Strong sales growth coupled with improved profitability led to tripling of PBT (before extra ordinary items) to Rs. 54.3 crore (Rs. 17.6 crore). PAT zoomed by whooping 245.8% to Rs. 35.6 crore.

HIL's product range includes fibre cement roofing sheets in the name of Charminar, Autoclaved Aerated Concrete (AAC) blocks & wall panels known as Aerocon, Hysil, calcium silicate insulation product and manufacturers of plant & machinery for these products.

Demand for fibre cement sheets is expected to grow ~ 10- 15% in coming years. In order to participate in this growth opportunity and to retain its substantial share in the market, company is planning to set-up new plants at strategic locations and increase production capacities of existing plants. Towards this end, HIL is setting up 125,000 mtpa fibre cement sheet plant at Vijayawada, Andhra Pradesh, which is expected to commence production in H1 FY 2010. The company commenced commercial production of fibre cement sheeting plant at Balasore, Orissa on Sep. 12, 2008.

Market for AAC blocks is also growing in consonance with growth of construction industry. HIL is setting-up a new AAC block plant in western part of the country by Q3 FY 2010. Efforts are also being made to maximise production capacity of its Chennai block plant. Demand for this product is expected to rise due to its inherent advantage of lightweight, thermal insulation and fast construction.

With continued preference of architects and builders, Aerocon panels, new generation building product, are showing healthy growth and it is expected to sustain this growth momentum even in future.

At CMP of Rs. 114.15, share (Rs. 10/- paid up) is trading at just 1.8 times FY 2009 expected EPS of Rs. 64.2 and 1.3 times FY 2010 expected EPS of Rs. 87.3. In view of excellent future prospects, we recommend to "BUY" the share at CMP.

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January 28, 2009