



RESEARCH :: COMPANY :: HYDERABAD INDUSTRIES LTD

BUY

Approx price	= Rs 554/-
Target price	= Rs 800/-
Estimated EPS (FY10E)	= Rs 110/-
Projected PE (FY10E)	= 7 - 9
Investment period	=12 mnths

STOCK INFO (TTM Basis)

Sector	: Cement products
Market cap	: 458.98 crores
Equity Capital	: 7.49 cr
Face value	: Rs 10.00
Book value	: Rs 242.62
EPS (FY09)	: 96.36
Cash EPS	: 117
Dividend	: 60%
Sales Growth	: 20%
RONW	: 39%
52 week H/L	: 649.5/102
Avg Daily Vol	: 127000 (2 Wk avg)
Sensex	: 16421
BSE code	: 509675
Promoter	
Shareholding	: 42.28%
Management	: Mr. C K Birla
Incorporation	: Year 1946
Listed	: NSE/BSE
FII's/MF Holding	: 2.61/8.19%

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COMPANY PROFILE

Incorporated in 1946, Hyderabad Industries Limited (HIL) is the flagship company of C.K. Birla group of company. Company's manufacturing units are situated in Hyderabad, Faridabad, Jasidih, Dharuhera, Thimmapur, Vijayawada, Chennai, Thrissur, Wada, Sathariya and Balasore. HIL is the market leader in asbestos-based roofing industry under the brand name of "CHARMINAR".

HIL'S BUSINESS DIVISION:-

DIVISION	PRODUCTS	BUSINESS ACTIVITY	BRAND NAME
Building Products Division	Fiber Cement Roofing Sheets	Manufacturing And Marketing	CHARMINAR
	Aerocon Panels And AAC Blocks		AEROCON
Thermal Insulation Products	Calcium Silicate Insulation Product	Manufacturing And Marketing	HYSIL

SEGMENT DETAILS OF FY09 VS FY08:-

	FY09	FY08	VAR%
SEGMENT REVENUES			
Building Products	589.89	459.54	28%
Thermal insulation products	29.47	22.90	29%
SEGMENT OPERATING PROFITS			
Building Products	83.57	26.97	210%
Thermal insulation products	9.17	9.38	-2%

Both the division of the company has performed exceptionally well. Building Products division is high margin business of the company, contributing 95% to sales in FY09. Revenues from Building products increased by 28% and Thermal Insulation Products increased by 29% on Y-o-Y basis in FY09. PBIT for Building products increased massively by 210%, however PBIT for thermal insulation product division declined by 2%.

BUILDING PRODUCT SEGMENT:-

This division includes following products:-

- ✓ **Fibre cement Sheets accounting for about 87% of company's sales.**
- ✓ Autoclaved Aerated Cement Blocks,
- ✓ Aerocon panels
- ✓ Fibre cement boards, etc

THERMAL INSULATION AND JOINTINGS:-

This segment is engaged in manufacturing and marketing of insulation products used in cement , fertilizer and power sector in kilns, furnaces and boilers

This division includes following products:-

- ✓ Calcium Silicate Blocks
- ✓ Pipe covering for boilers, steam pipelines, etc

EXPANSION AND GROWTH:-

- ✓ Company started commercial production of its new fiber cement sheet plant at vijaywada, Andhra Pradesh with the production capacity of 90000 MT p.a. in july'09
- ✓ Company's unit located at wada, Maharastra has recommenced operations with effect from Nov' 09
- ✓ A new AAC Blocks plant is being set up at Golan, Surat (Gujarat) which will cater to northern and western part of the country.
- ✓ Company has expanded its thermal insulation products manufacturing capacity to 6000 MT p.a. from 3500 MT p.a. by installing additional line at its Dharuhera factory.

PRODUCT MIX OF FY 2009 Vs FY 2008:-

	2009			2008			Y-o-Y % increase in sales
	Installed Capacity	Production	Sales value(cr.)	Installed Capacity	Production	Sales value (cr.)	
Asbestos cement sheet/Acc	764500	668955	525.91	674500	660180	403.98	30%
Autoclaved concrete blocks	100000	88051	34.37	100000	81157	26.09	32%
Building panels	460000	15618	17.37	460000	18450	17.41	-
Asbestos cement sheets/Pipe	4400	2104	11.01	4400	107	10.16	8%
Thermal insulation products	6000	4616	29.09	3500	3884	22.55	29%

QUARTERLY ANALYSIS:

Particulars	31-Dec-09	31-Dec-08	Var% YOY	30-Sep-09	Var% QOQ
Net Sales	146.01	129.64	12.63	143.41	1.81
Other Income	1.34	0.87	54.02	1.05	27.62
Total Income	147.35	130.51	12.90	144.46	2.00
Less: Expenditure	119.92	113.93	5.26	113.36	5.79
PBIDT	27.43	16.58	65.44	31.1	-11.80
Less: Interest	1.42	2.58	-44.96	1.27	11.81
Less: Depreciation	3.89	3.82	1.83	3.57	8.96
PBT	22.12	10.18	117.29	26.26	-15.77
Less: Tax	7.57	3.58	111.45	8.77	-13.68
Net Profit	14.55	6.6	120.45	17.49	-16.81

During the quarter ended on 31st Dec, 2009 the net sales of the company reported an increment of 13% on y-o-y basis to Rs 146.01cr as against Rs 129.64cr during the corresponding quarter last year. The operating profit for quarter increased by massive 65.44% to Rs 27.43cr against Rs 16.58cr, largely on account of increased revenue of the company.

Net profit for the quarter rose by an impressive 120.45% y-o-y basis to Rs 14.55cr as against Rs 6.6cr during the corresponding quarter last year. The current price of Rs 554 discounts the company's Q3 December 2009 annualized EPS of Rs 96.36, by a PE multiple of 6.18.

PEER COMPARISON:

Particulars	Hyderabad Inds. Ltd	Everest Inds. Ltd	Visaka Inds. Ltd	Ramco Inds. Ltd
Equity	7.47	14.8	15.88	8.66
Market Cap	458.98	249.45	215.97	548.61
Sales	680.99	611.84	593.02	441.69
PBIDT	134.07	47.83	106.45	93.2
Net Profit	71.91	23.09	51.86	39.19
PBIDTM (%)	20%	8%	18%	14.64
PATM (%)	11%	4%	9%	9.16
EPS	96.36	15.6	32.66	4.53
P/E	6.18	10.8	4.16	13.98
EV/ Sales	0.79	0.66	0.57	1.8
EV/PBIDT	4.1	8.39	3.19	8.51

Hyderabad industries is the market leader in asbestos based roofing industry with installed capacity of 764500 MT and market share of around 20.5% and is also largest manufacturer of calcium silicate, insulation blocks, pipe sections and jointing for gasketting.

INDIAN CEMENT PRODUCT INDUSTRY

The cement products manufacturers, manufactures value-added utility building products like Fibre Cement Sheets, Autoclaved Aerated Cement Blocks, Aerocon Panels and Fibre Cement Boards. There are 17 major players in this industry with about 63 manufacturing unit. Everest industries, Hyderabad industries, Ramco industries and Visaka industries are the major domestic players. The efficiency of the companies in this sector is apprehended by the ability of the firm to source inputs at reasonable cost as well as the scale of operation. The cement product industry especially the asbestos cement manufacturers celebrates thrust given by the government on rural infrastructure – especially on rural housing through Indira Awaas Yojana which is a positive indicator because cement product sector derives sizeable portion of demand from rural housing sector and rest from industrial sheds. So the players with strong focus on rural segment like, Everest industries and strong brand s are better placed. Post monsoon the demand in northern market may continue to be strong driven mainly by the common wealth game related development activity. Union Budget 2009-10 has increased the excise duty incidence on cement products from 4% to 8%. But with speedy implementation of infrastructure and development projects, it will help Cement and Cement Product sectors industry to sustain its strong demand. Cement is the major input used by the industry especially the asbestos cement manufacturers. According to CMIE (Center For Monitoring Indian Economy) cement prices are expected to weaken in second half of 2009-10 as 35 million tonnes of fresh cement capacity will come on stream, which will put pressure on realizations of company. A total addition of 270,000 MT in the sheeting industry during the year along with 4.5% growth rate in sheeting industry has put pressure on pricing and sales volume. Chrysotile asbestos sheets which is one of the major raw material used in cement product industry is majorly imported from china and brazil, so depreciated Indian rupee will hit industry margins.

PAST FIVE YEARS PERFORMANCE

(Rs cr)

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
Net Sales	620.7	482.71	439.7	450.29	407.47
Other Income	2	4.69	4.05	3.6	2.85
Total Income	622.71	487.4	443.75	453.89	410.32
Expenditure	-530.22	-447.05	-404.19	-379.62	-358.13
Interest	-9.08	-7.32	-4.4	-3.5	-10.54
Profit Before Tax and Depreciation	83.41	33.03	35.16	70.77	41.65
Depreciation	-13.98	-11.12	-9.55	-8.11	-8.5
Profit before tax	69.43	21.91	25.61	62.66	33.15
Tax	-25.34	-7.83	-8.36	-22.4	-7.4
Net Profit	44.09	14.08	13.97	37.68	9.74
Equity Share capital	7.49	7.49	7.49	7.17	7.17
EPS	59.08	18.86	18.73	50.5	13.63
Cash EPS	77.35	33.64	30.57	63.15	25.09
Operating Profit Margin	14.9	8.36	9.00	16.49	12.81
Net Profit Margin	7.10	2.92	3.18	8.37	2.39

BALANCE SHEET: HYDERABAD INDUSTRIES LTD

(Rs cr)

	2009	2008	2007	2006	2005
NETWORTH	186.2	151.01	141.81	132.36	84.45
LOANS- TERM	60.48	21.46	23.06	26.41	63
LOANS-WORKING CAPITAL	19.84	70.31	52.25	33.38	48.71
DEFERRED TAX LIABILITY	18.69	16.31	13.49	11.61	-8.98
TOTAL	285.21	259.09	230.61	203.76	187.18
NET BLOCK INCLUDING WP	196.33	152.21	132.07	125.58	102.56
INVESTMENTS	9.34	9.45	9.57	18.06	12.79
NET WORKING CAPITAL	79.54	97.43	88.97	60.12	69.37
DEFERRED REVENUE EXPENSES	0	0	0	0	2.46
TOTAL	285.21	259.09	230.61	203.76	187.18

ANALYSIS & REPORT

Why to invest in shares of Hyderabad Industries Limited?

1. SECTOR:

Growth for Cement product industry depends on Real estate and construction and infrastructure related activity. With the initiatives made by the government in various infrastructure projects, road networks and housing facilities, coupled with the housing sector boom and urban and rural development, high growth in the cement product industry is expected in forthcoming years.

Fibre cement sheets are gaining popularity because of their strong physical properties as compared other roofing materials. The fiber cement industry is estimated to grow at 5% for financial year 2009-10.

Asbestos cement industry is growing at 10-12%. Industry was relatively untouched by global turmoil but industry may find it difficult to survive with campaigns against asbestos products. If asbestos loses out then companies with diversified product portfolio will be able to outperform.

Cement is a necessary component of infrastructure development and a basic raw material for the construction industry. The total utilization of cement in a year is used as an indicator of economic growth. India is the world's second largest producer of cement after China, with cement companies adding nearly eight million tonnes (MT) capacity in April 2009, taking the total installed capacity to 219 MT.

2. COMPANY:

- Hyderabad industries limited is leading manufacturer of fibre cement sheets in india with an estimated market share of about 20.5%
- HIL outperformed fibre cement sheet industry with 7% growth as compared to 4.5% growth of industry.
- Company is making continous efforts to increase production capacity of of existing plants so as to retain significant share in the market.
- In order to expand its product reach company is assessing strategic locations to set up new plants
- With the growing demand for thermal insulation products, company is assessing development of new applicatons and strategic acquisition to increase market size.

3. FUNDAMENTALS:

- During FY 2009 Company gross revenue registered a growth of 27% to Rs 663.97 crores from Rs 523.47 crores previous
- Fibre cement sheet being the main product accounts for about 85% of company's sales. Production and sales (quantity) registered a growth of 1% and 7% to 668955 MT and 698119 MT respectively for FY 2009
- New units at Balasore & Vijaywada for fibre cement sheets and Surat for AAC plants getting streamlined will improve margins of comapny.
- Production and sales (quantity) of thermal insulation products have increased by 19% and 21% to 4616 MT and 2728 MT respectively for FY 2009. With the success of Green Building products and sucessful expansion taken by the company we expect further growth in this product line.

Notes: Figures and graph sourced from www.bseindia.com , capital market and annual report (2008-09).

END

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