



Report Date	July 31, 2008
Company Name	DIC India
Recommendation	BUY

CMP – Rs. 150/-	Target Price – Rs. 180/-	Mkt. Cap. Rs. 137.7 crore
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Investment Rationale

- DIC India, a 71.5% subsidiary of DIC Asia Pacific and leading player in domestic printing industry, has come out with excellent performance for Q2 CY2008. Net Sales increased by 18.3% to Rs.117.62 crore led by 14.5% rise in Inks business to Rs.98.78 crore (95.3% of Net Sales). Lamination Adhesive business (4.7% of Net Sales) also grew 28.4% to Rs.4.89 crore. OPM% improved to 6.5% (6%) despite increase in raw material costs (as a result in rising crude oil prices) due to operational efficiencies. Higher sales, improved margins coupled with decline in interest cost to Rs.1.19 crore (due to repayment of loans), led to 72.2% spurt in PBT to Rs.6.84 crore and 75.9% jump in PAT to Rs.4.59 crore.
- During H1 CY08, Net Sales grew @ 16.7% to Rs.221.29 crore. OPM% improved to 6.6%. This coupled with lower interest cost of Rs.2.09 crore (4.48 crore), led to 63.1% hike in PBT to Rs.11.66 crore and 63% spurt in PAT to Rs.7.56 crore.
- DIC India manufactures printing ink, which covers newsprint ink, offset ink and liquid ink used by newspaper, other publications and packaging industry. Company has technical collaboration with DIC AP and DIC Japan in area of manufacturing printing ink and other products, which helps it to upgrade facilities and modify products as per customer requirements. DIC also manufactures industrial coatings and lamination adhesives thru its subsidiary DIC coatings. Entire processing of Lamination adhesive is done on behalf of the company by DIC Coatings India, as a job worker.
- Company has setup Liquid Inks Mother Plant of 9,000-10,000 tpa capacity at Noida. The objective of setting up of LI Mother Plant is to install seamless and automated state of the art production facility. This would facilitate significant reduction in handling costs and wastages, thereby improving cost and work efficiency. Moreover, DIC would also benefit from other advantages related to bulk production viz. consistency in quality, lower logistics costs and increase in productivity.
- In order to meet the growing demand of the publishing industry, company is also expanding its News Ink capacity at Noida. Presently the News Ink colour is being manufactured at Noida plant and News Ink black at Kolkata and Ahmedabad plants. Current capacity of the News Ink black is 7200 tpa and News Ink colours 8400 tpa. Pursuant to this expansion, news ink capacity will increase to 18,000 tpa in next 18 months
- To finance the above projects and repay loans, company had come out with rights issue in ratio of 1:3 at premium of Rs.215 per share. Pursuant to this, Parent stake has increased from 65.76% to 71.75%. Parent company has also provided financial assistance by way of an ECB of USD 1 million to DIC India to finance its expansion.
- DIC's adhesive business is also growing very fast. Company is expanding capacity at Bangalore plant of subsidiary from 2,500 tpa to 4,000 tpa.
- Demand for printing ink is set to increase led by growth in packaging, publishing and printing segments. DIC India, is all set to take advantage of the opportunities thru its growth initiatives and backed by strong support of its Parent company.

Valuation

- At CMP, stock is trading 6.4 times FY 2009 expected consolidated EPS of Rs.23.6 and 5.2 times FY 2010 expected consolidated EPS of Rs.29. In view of good prospects of the company, we recommend to "BUY" the share at CMP.

Financial Summary

Rs. Crore

	CY 2008	CY 2007	%	CY 2008	CY 2007	%	CY 2007
Rs. Crore	Q2			6 months			12 mths
			Change			Change	
Net Sales	117.62	99.45	18.3%	221.29	189.64	16.7%	403.86
Total Expenses	109.96	93.44	17.7%	206.72	177.64	16.4%	376.82
EBITDA	7.66	6.01	27.4%	14.57	12.00	21.5%	27.04
EBITDA (%)	6.5%	6.0%		6.6%	6.3%		6.7%
Interest Expenses / (Income)	1.19	2.46	-51.9%	2.09	4.48	-53.3%	8.55
Depreciation	1.66	1.63	1.9%	3.34	3.24	3.2%	6.77
Other Income	2.03	2.05	-1.3%	2.52	2.87	-12.1%	4.99
P.B.T. before Extra Ordinary Items	6.84	3.97	72.2%	11.66	7.15	63.1%	16.72
Extra Ordinary Income / (Exp.)	-	-					
P.B.T. after Extra Ordinary Items	6.84	3.97	72.2%	11.66	7.15	63.1%	16.72
Net Profit	4.59	2.61	75.9%	7.56	4.64	63.0%	10.92
Equity Capital (Rs 10/-)	9.18	6.89		9.18	6.89		6.89
EPS for the period (Rs)	5.01	3.79	32.0%	8.24	6.73	22.3%	15.86

Disclosures

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