

## Company Report

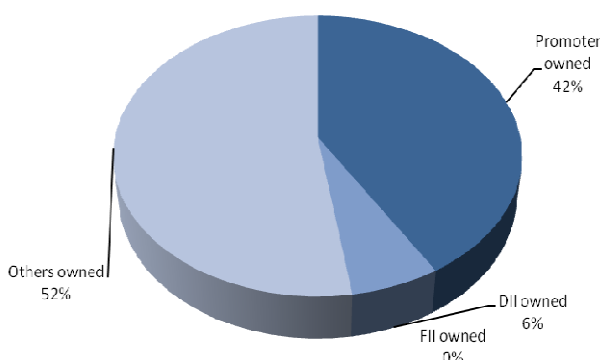
# Hyderabad Industries Ltd

31<sup>st</sup> July, 2012
**CMP** **Rs.447.05**
**Target Price** **Rs.560.00**

BSE Code	509675
NSE Code	HYDRBADIND
Market Cap (Rs Cr)	335.82
52 Week High/Low	464.80/255.00
Industry	Cement & Cement products
Face Value	Rs.10.00
Shares O/S	7462563

EPS	80.84
Book Value	457.46
P/E	5.53
P/B	0.98

### Shareholding Pattern



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- Hyderabad Industries (HIL) is a flagship company of the C K Birla group of companies. HIL has led the cement industry for well over five decades. Today HIL is a multi product, multi location organization with a formidable network of branches, depots, stockists and personnel spread all over India.
- The company has posted sharp numbers for the quarter ending June 2012. The quarter revenue stood at Rs. 332.53 crore for the Q1FY13 indicating a growth of about 33.51% as compared to Rs. 249.07 crore during the year-ago period. Sales grew by sharp 33% on a q-o-q basis supported by strong demand, peak season and better realization. Operating profit surged to Rs.54.78 crore from the corresponding previous quarter of Rs.41.69 crore. The company has posted a 30.96% increase in its net profits to Rs.32.53 crore for the quarter ended June 2012 compared to Rs. 24.84 crore in the corresponding quarter in the previous year. EPS stood at Rs.43.43. Operating profit margin was at 16.47% vs 16.74% in Q1FY12 and 12.95% in Q4FY12. Net profit margin stood at 9.78% vs 9.97% in Q1FY12 and 7.19% in Q4FY12.
- Revenues from building products; major revenue contributor; rose by 35.14% y-o-y and 33.21% q-o-q at Rs.324.52 crore. Thermal insulation products segment revenue witnessed a fall of 16.52% y-o-y while a growth of 14.01% q-o-q to stay at Rs.6.72 crore. Wind power segment has posted a sharp growth of 41.18% y-o-y and 90.91% q-o-q at Rs.1.68 crore.

## Valuation

With augmentation of capacity at existing locations, setting up new plants in strategic locations, strong market share, wide distribution channel, strong growth across all business verticals, recognized brand name and increasing thrust on green products; Hyderabad Industries Ltd. revenue visibility looks visible. We believe HIL is trading at an attractive valuation at 5.05x and 4.54x of FY13EPS of Rs.88.44 and FY14EPS of Rs.98.43. We initiate a 'BUY' on the stock with a target price of Rs.560 (appreciation of about 25%) with the long term investment horizon.

## Business Details

Hyderabad Industries Limited (HIL) is a flagship Company of the C.K. Birla Group of Companies. Incorporated on 17th June 1946, it is one of the oldest fibre cement roof manufacturing companies in India. HIL has blazed a pioneering path in the building products industry. HIL has led the cement industry for well over five decades. Today HIL is a multi product, multi location organization with a formidable network of branches, depots, stockists and personnel spread all over India.

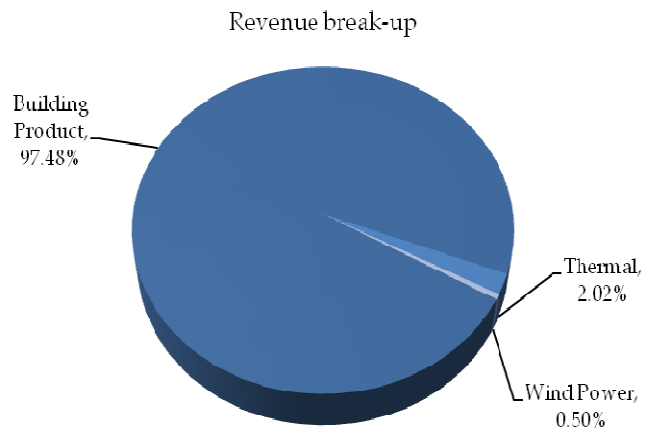
The Company is located at Hyderabad, Faridabad, Jasidih, Dharuhera, Thimmapur, Vijayawada, Chennai, Thrissur, Wada, Sathariya and Balasore. HIL's product range include Fibre Cement roofing sheets in the name of Charminar, Autoclaved Aerated Concrete Blocks and Panels called Aerocon, Calcium Silicate insulation product called HYSIL, Jointing material for Gaskets and Plant and machinery for these products.

The company also provides Aerocool roof blocks for cool indoors to the residential, commercial, and industrial buildings; and flex-O-boards for false ceiling, partitions, paneling, sign boards, return air boxing, air cooling ducts, table tops, and sandwich panels applications, as well as for partition walls, toilets, panel doors, cabinet shelves, and half-height partitions.

In addition, the company offers thermal insulation products, such as calcium silicate blocks and pipe-coverings for boilers, blast furnace shafts, annealing furnaces, preheater cyclones, and steam pipelines to the cement, power, petrochemical, and fertilizer plants; and flat products, autoclaved aerated concrete blocks, and material handling and processing plant and equipment.

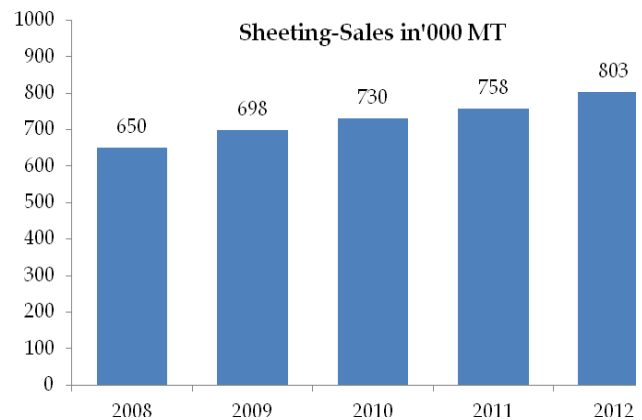
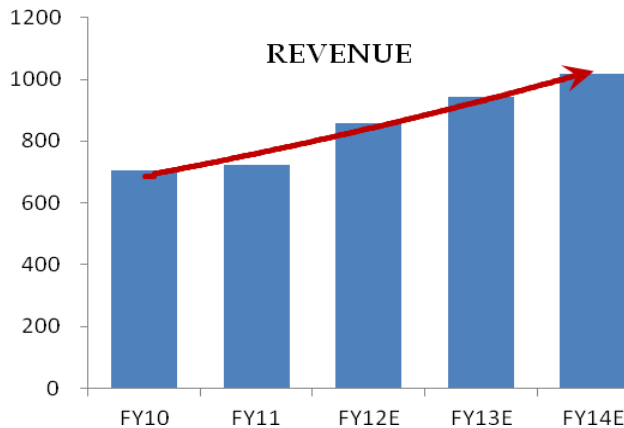
The company has 12 state-of-the-art manufacturing facilities across India. For fibre cement sheets alone, it has 10 plants across the country, with two each in the North and East, three in the South and one in the west. With a combined capacity of more than a million tonnes per annum, HIL is India's largest manufacturer and seller of fibre cement sheets. In addition, it also has four plants for Green Building products.

Its sheeting brand "**Charminar**" built over a period of 60 years based on affordability, quality, strength and durability, continues to enjoy the confidence of its customers. HIL's extensive sales and distribution network spread across the country, with a representation in all the states, is a result of its continued efforts to extend the network and ensure availability of its products even in remote rural areas.



## Strong Market Share

Fibre Cement Sheets continue to be the major revenue earner for the Company. During the year it registered a growth of 13% in revenue over the previous year. HIL continues to be the market leader in the fibre cement roofing industry with a market share of about 20%. The Autoclaved Aerated Concrete (AAC) Blocks a key offering in the Company's product basket as part of its Green Building Products initiative registered an impressive growth of over 100% during the year. Stabilization and full capacity utilization of the Golan plant in Gujarat and aggressive and successful marketing strategies in developing AAC blocks business has resulted in HIL's increased market share from 20% to 26% in the Southern & Western regions of the country. The sale of Aerocon Panels in quantity terms has increased by 21% over the previous year outperforming the industry which grew by just 16% during the same period. The Company's Aerocon Panels enjoys a domestic market share of 58%. Further, the sales in quantity terms of thermal insulation segment grew by 7% over the previous year. HIL retained market share of 65% in thermal insulation segment despite the entry of new manufacturers with India and continued imports from China.

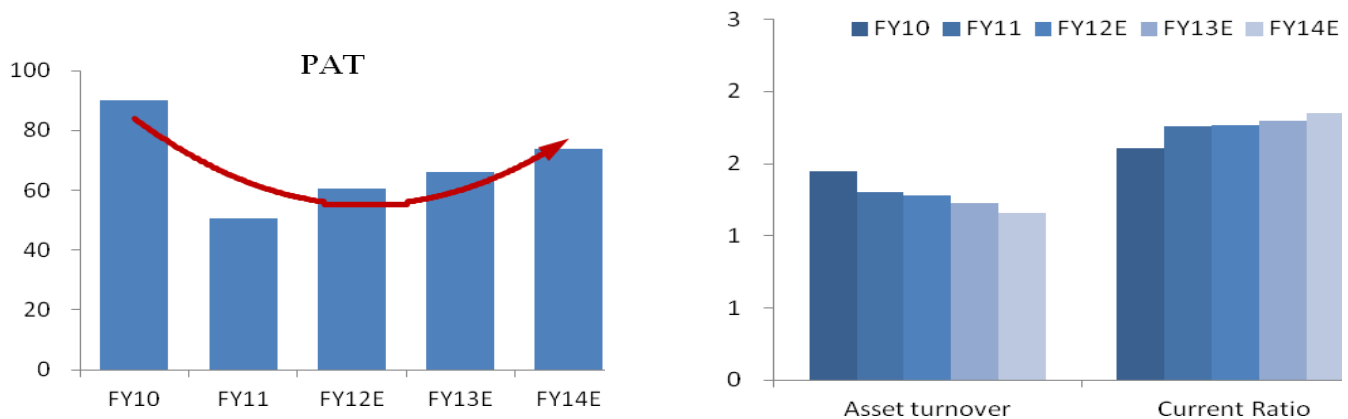


## Wind power segment poised to grow

As part of diversification, HIL has made foray in renewable energy sector. HIL has set up a 1.25 MW Wind power project near Coimbatore, Tamilnadu which was commissioned in September 2011; marking its footprint in renewable energy sector. The energy generated from this plant is used for captive consumption of AAC Blocks manufacturing unit near Chennai. Further, in May 2012; the company has successfully commissioned a 2.5 MW wind power plant comprising of 2\*1.25 MW Suzlon Make Wind Turbines in Jodhpur District, Rajasthan. The power generated from this Wind Turbine will be sold to Jodhpur Vidyut Vitran Nigam Ltd. With this the total installed capacity of the Company's Wind Power Plants has increased to 7.35 MW. On reaching the optimum generation levels, the power generated from the Company's 7.35 MW Wind power plants will be equivalent to around 25% of the Company's power consumption making the Company's Green building products much more greener. Revenue from wind Power increased from Rs. 1.19 cr in Q1FY12 and Rs. 0.88 cr in Q4FY12 to Rs. 1.68 cr in Q1FY13.

## Robust earnings

Hyderabad Industries Ltd. has posted smart financials for the year ended March 2012. Revenues from operations jumped by about 18% at Rs.858 crore from Rs.725 crore last year translating operating of Rs.107.51 crore which is up by around 22% over Rs.88.15 crore last year. Net profit climbed about 20% at Rs.60.55 crore over Rs.50.60 crore. The growth in turnover and profitability is mainly attributed to aggressive marketing strategy and ongoing cost saving initiatives. Operating profit margin expanded by mere 36bps over previous year to stay at 12.53% and net profit margin stood at 7.06% remaining almost flat y-o-y. EPS for the financial year ended March 2012 stood at Rs.80.84 as against Rs.67.56 clocked last year.



## Decent growth ahead

HIL's management is confident of maintaining its market leadership going ahead on the back of additional capacities added during the year along with new facilities planned for 2012-13. Thermal Insulation division has chalked out plans to expand the market by entering into pipe insulation and renewed thrust on exports, primarily to GCC countries. This business is expected to do well with the augmented capacity, improvements in efficiency, world class quality and reliability helping to counter the Chinese threat. High acceptance of HIL's Green building Aerocon products being environment friendly and company's focus on quality and reliability will help this segment to grow by a healthy 25% in 2012-13. With the right pricing Aerocon blocks is anticipated to witness significant growth in volumes as the builders convert from conventional red clay bricks to green AAC Blocks. To support green building products the company is planning to expand its distribution network via setting up distribution outlet in small cities and towns for market consolidation. Aerocon Panels, posted robust growth of over 21% during the year and is expected to continue to grow at similar rates for the next few years. During the year the Company has started commercial production of its second Line at its Fibre Cement Sheet Plant at Sathariya, U.P. With this additional line the total installed capacity of plant at Sathariya, in Uttar Pradesh has increased to 1,80,000 TPA.

## Standalone Profit & Loss Account

Rs. Crore

Particulars	FY10	FY11	FY12	FY13E	FY14E
Net sales	703.69	724.53	857.81	943.59	1019.08
Growth		2.96%	18.40%	10.00%	8.00%
Expenditure	552.21	636.38	750.30	825.64	888.64
EBITDA	151.47	88.15	107.51	117.95	130.44
Growth		-41.81%	21.96%	9.71%	10.59%
EBITDA margin	21.53%	12.17%	12.53%	12.50%	12.80%
Other income	6.25	9.57	8.49	9.06	9.68
Depreciation & Amortisation	15.55	17.95	21.18	23.85	25.62
EBIT	142.17	79.77	94.82	103.15	114.50
EBIT margin	20.20%	11.01%	11.05%	10.93%	11.24%
Interest	6.25	5.63	7.46	8.53	9.19
PBT	135.92	74.14	87.36	94.63	105.32
Tax	46.02	23.53	26.81	28.39	31.60
Adjusted PAT	89.90	50.60	60.55	66.24	73.72
Growth		(43.71)	19.65	9.40	11.30
Net Profit margins	12.78	6.98	7.06	7.02	7.23
Extraordinary item	(0.18)	0.00	0.00	0.00	0.00
Reported PAT	89.72	50.60	60.55	66.24	73.72
Equity Capital	7.49	7.49	7.49	7.49	7.49
Res. & Surplus	254.29	290.78	335.14	387.15	445.89
Equity Shares	0.75	0.75	0.75	0.75	0.75
EPS	120.03	67.56	80.84	88.44	98.43

### Ratios

Particulars	FY10	FY11	FY12	FY13E	FY14E
Return on Equity	34.34	16.97	17.67	16.78	16.26
Return on Capital employed	43.60	20.81	21.25	20.29	19.88
Debt/Equity	0.25	0.29	0.30	0.29	0.27
Asset turnover	1.45	1.30	1.28	1.23	1.16
Current Ratio	1.61	1.76	1.77	1.80	1.85
Book value per share	349.51	398.24	457.46	526.91	605.33

## Balance Sheet

Rs. Crore

Particulars	FY10	FY11	FY12	FY13E	FY14E
Share Capital	7.49	7.49	7.49	7.49	7.49
Reserves & Surplus	254.29	290.78	335.14	387.15	445.89
Shareholders' funds	261.78	298.27	342.63	394.64	453.38
Borrowings	64.30	85.01	103.56	113.69	122.49
Deferred tax Liability	20.53	28.04	35.58	35.58	35.58
<b>Sources of funds</b>	<b>346.60</b>	<b>411.32</b>	<b>481.77</b>	<b>543.91</b>	<b>611.45</b>
Gross block	321.11	420.86	484.49	530.11	569.32
Accumulated Depreciation	137.51	153.78	174.96	198.81	224.43
Net block	183.60	267.08	309.54	331.30	344.89
Capital work in progress	69.08	22.85	16.84	21.76	27.31
Goodwill	0.00	0.00	0.00	0.00	0.00
Investments	9.23	9.11	9.00	10.60	11.67
Projects in progress	0.00	0.00	0.00	0.00	0.00
Inventories	138.51	151.51	185.33	218.99	262.51
Sundry debtors	52.35	62.65	84.64	105.44	133.73
Cash and bank balance	10.50	10.51	9.44	12.17	14.86
Other current assets	2.82	3.11	3.65	4.06	4.95
Loans and advances	19.09	32.61	53.76	64.89	79.25
Total current assets	223.27	260.39	336.82	405.53	495.31
Deferred tax asset	0.00	0.00	0.00	0.00	0.00
Current liabilities and provisions	138.58	148.12	190.42	225.30	267.73
Net current assets	84.70	112.28	146.40	180.24	227.57
Misc exp	0.00	0.00	0.00	0.00	0.00
<b>Uses of funds</b>	<b>346.60</b>	<b>411.32</b>	<b>481.77</b>	<b>543.90</b>	<b>611.45</b>

## Quarterly Financial Highlights

Rs. Million

Particulars	Q1FY13	Q1FY12	Q4FY12	YoY%	QoQ%
Revenues	332.53	249.07	249.96	33.51	33.03
Expenditures	277.75	207.38	217.59	33.93	27.65
Operating Profit	54.78	41.69	32.37	31.40	69.23
Net Profit	32.53	24.84	17.96	30.96	81.12
OPM%	16.47	16.74	12.95	(27bps)	352bps
NPM %	9.78	9.97	7.19	(19bps)	259bps
EPS*	43.43	33.16	23.98	30.97	81.11

\*Adjusted for current no. of equity shares

## Past Price movement of the stock



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<i>Disclosure of Interest Statement</i>	<i>Company Name</i>
<i>1. Analyst Ownership of the Stock</i>	<i>No</i>
<i>2. Hem &amp; its Group Company Ownership of the Stock</i>	<i>No</i>
<i>3. Hem &amp; its Group Companies' Director Ownership of the Stock</i>	<i>No</i>
<i>4. Broking relationship with company covered</i>	<i>No</i>

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