

May 12, 2011  
Mumbai

## CRISIL Equities assigns fundamental grade 3/5 to Hitech Plast Ltd

CRISIL Equities has assigned a CRISIL IER fundamental grade of 3/5 (pronounced three on five) to Hitech Plast Ltd (Hitech). The grade indicates that the company's fundamentals are 'good' relative to other listed equity securities in India. CRISIL Equities has assigned a valuation grade of 5/5, indicating that market price has 'strong upside' from the current levels. Our one-year fair value of the stock is Rs 132. The stock is currently trading at Rs 95 per share. The grades are not a recommendation to buy, sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The assigned fundamental grade takes into account Hitech's established position as a leading manufacturer of rigid polymer containers used in the packaging of paints, chemicals and FMCG products. The grade factors in Hitech's leadership – with ~35% market share – in the paints packaging market. Asian Paints, India's largest paint manufacturer, is one of Hitech's key clients contributing ~45% to Hitech's revenues. The grade also factors in Hitech's foray into manufacturing of small polymer containers used in packaging of pesticides and FMCG products. The company has a strong client base in this segment which includes players like Hindustan Unilever, Procter & Gamble, Pidilite and Reckitt Benckiser. We believe Hitech is well positioned to benefit from healthy growth in the end user industries like paints, chemicals and FMCG, where it has a strong client base. We also expect Hitech to gain from the integration in FMCG operations, resulting in an improvement in margins. An experienced and professional management with a sound knowledge of the polymer packaging industry further supports the grade.

The grade is constrained by the volatility in raw material prices, especially polymers, which are derivatives of crude oil. Further, the lag in passing on of raw material price increases to end users may put a pressure on margins. Hitech's business is also dependent on the growth of its end-user industries. Any slowdown in the paints, chemicals, and FMCG industries may have an impact on the company's performance. Also, any delay in commissioning of new capacities for medium and small containers pose a risk to our growth estimates.

### Financial outlook

CRISIL Equities expects Hitech's revenues to grow at a three-year CAGR of 22% to Rs 4.8 bn in FY13. PAT is estimated to increase at a three year CAGR of 12% to Rs 202 mn in FY13 primarily due to pressure on EBITDA margins and increased interest costs. EPS is expected to increase from Rs 11.3 in FY10 to Rs 15.3 in FY13. We expect RoE of ~16% in FY13 from 19% in FY10.

### Valuation

CRISIL Equities has used the discounted cash flow method to value Hitech and arrived at a one-year fair value of Rs 132 per share. At this value, the implied P/E multiples are 9.8x FY12 EPS and 8.6x FY13 EPS.

### About the company

Incorporated in 1991, Mumbai-based Hitech Plast was promoted by Mr. Ashwin Dani, currently non executive Vice Chairman of Asian Paints. The company started operations by manufacturing plastic containers for the packaging of paints. Hitech diversified its clientele and forayed into extrusion blow moulding technology with the acquisition of Clear Plastics in FY03 and Mipak Polymers in FY07. Hitech has a pan-India presence with five manufacturing units for paint containers and eight manufacturing units for FMCG packaging.

## About CRISIL Independent Equity Research

CRISIL IER (Independent Equity Research) is an independent, unbiased opinion on fundamentals and fair valuation of the company. CRISIL IER encompasses a comprehensive analysis of the four pillars of sustainable value creation, namely: Industry and business prospects, financial performance & outlook, management capabilities and corporate governance.

## About CRISIL Fundamental and Valuation (CFV) Matrix

The CFV matrix addresses two important aspects in investment making decision - analysis of fundamentals (addressed through fundamental grade) and analysis of returns (valuation grade). CRISIL's fundamental grade represents an overall assessment of the fundamentals of the company graded in relation to other listed equity securities in India. The grade facilitates easy comparison of fundamentals between companies, irrespective of the size or the industry they operate in. A CRISIL IER fundamental grade of '5/5' indicates 'excellent' fundamentals and a fundamental grade of '1/5' indicates 'poor' fundamentals relative to other listed equity securities in India. CRISIL's valuation grade represents an assessment of the fair value of the company's stock for an equity investor over a 12-month period. The grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP) to grade 1 (strong downside from the CMP). A CRISIL IER grading should not be construed as a recommendation to invest in the graded security, nor a comment on suitability of a particular investment for the reader.

Media Contacts	Analytical Contacts
<p><b>Mitu Samar</b> <b>Head, Market Development &amp; Communications</b> <b>CRISIL Limited</b> Tel: +91-22- 3342 1838 Mobile: +91- 98200 61934 Fax: +91-22- 3342 3001 E-mail: <a href="mailto:msamar@crisil.com">msamar@crisil.com</a></p> <p><b>Tanuja Abhinandan</b> <b>Market Development &amp; Communications</b> <b>CRISIL Limited</b> Tel: +91-22- 3342 1818 Mobile: +91- 98192 48980 Fax: +91-22- 3342 3001 E-mail: <a href="mailto:tabhinandan@crisil.com">tabhinandan@crisil.com</a></p>	<p><b>Tarun Bhatia</b> <b>Director, Capital Markets</b> <b>CRISIL Research</b> Tel: +91-22- 3342 3226 E-mail: <a href="mailto:tbhatia@crisil.com">tbhatia@crisil.com</a></p> <p><b>Sudhir Nair</b> <b>Head, Equities</b> <b>CRISIL Research</b> Tel: +91-22- 3342 3526 E-mail: <a href="mailto:snair@crisil.com">snair@crisil.com</a></p>

## About CRISIL Limited

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

## About CRISIL Research

CRISIL Research is the country's largest independent and integrated research house with strong domain expertise on Indian economy, industries and capital markets. We leverage our unique research platform and capabilities to deliver superior perspectives and insights to over 1200 domestic and global clients, through a range of research reports, analytical tools, subscription products and customised solutions.

### CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfill your request and service your account and to provide you with additional information from CRISIL and other parts of The McGraw-Hill Companies, Inc. you may find of interest. For further information, or to let us know your preferences with respect to receiving marketing materials, please visit [www.crisil.com/privacy](http://www.crisil.com/privacy). You can view McGraw-Hill's Customer Privacy Policy at [http://www.mcgraw-hill.com/site/tools/privacy/privacy\\_english](http://www.mcgraw-hill.com/site/tools/privacy/privacy_english).  
Last updated: March 31, 2011

### ***Disclaimer***

This Company commissioned CRISIL IER report is based on data publicly available or from sources considered reliable. CRISIL Ltd. (CRISIL) does not represent that it is accurate or complete and hence, it should not be relied upon as such. The data / report is subject to change without any prior notice. Opinions expressed herein are our current opinions as on the date of this report. Nothing in this report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The subscriber / user assume the entire risk of any use made of this data / report. CRISIL especially states that, it has no financial liability whatsoever, to the subscribers / users of this report. This report is for the personal information only of the authorised recipient in India only. This report should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person – especially outside India or published or copied in whole or in part, for any purpose.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IER Gradings. For information on any IER by CRISIL, please contact 'Client Servicing' at +91-22-33423561, or via e-mail: [clientservicing@crsil.com](mailto:clientservicing@crsil.com).

For more information on CRISIL IER reports, please visit: [www.crisilresearch.com](http://www.crisilresearch.com) OR <http://www.crisil.com/crisil-ier-reports>

This press release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including websites, portals etc.