



INDEPENDENT EQUITY RESEARCH

Hitech Plast Ltd

Q4FY11 First Cut

Enhancing investment decisions

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade). The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals). The valuation 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).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+/-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (- 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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Hitech Plast Ltd

Q4FY11 first cut – Revenues up, margins under pressure

Fundamental Grade 3/5 (Good fundamentals)
Valuation Grade 5/5 (CMP has strong upside)

Industry Containers & Packaging

Hitech Plast Ltd (Hitech) reported strong Q4FY11 results, in line with CRISIL Equities' expectations. Growth in revenues was largely on account of the strong demand for containers from the paints and the FMCG sectors. The pressure on margins was, however, as expected in view of the rising polymer prices and the lag in passing the same to end users. We will revisit our estimates post our interaction with the management. We maintain the fundamental grade of **3/5**.

Q4FY11 result analysis

- Hitech's Q4 revenues grew by 31% y-o-y to Rs 904 mn driven by the growth in the containers segment for both paint (35%) and FMCG (26%). For the full year, Hitech's revenues grew by 31% to Rs 3,455 mn.
- EBITDA margin decreased by 154 bps y-o-y to 11.7% mainly driven by higher raw material costs due to increase in polymer prices.
- Adjusted PAT declined 8.6% y-o-y to Rs 25 mn due to lower EBITDA margins coupled with higher depreciation and interest. PAT margin declined 121 bps y-o-y to 2.8%.
- EPS for the full year of FY11 was Rs 10.9 compared to our estimate of Rs 10.6.
- The company has declared a dividend of Rs 1.6 per share, subject to approval. At the current market price, dividend yield is 1.8%.

Valuations: Current market price has strong upside

We continue to use the discounted cash flow method to value Hitech. We continue to assign a valuation grade of **5/5**.

KEY FORECAST

(Rs mn)	FY09	FY10	FY11#	FY12E*	FY13E*
Operating income	2,176	2,634	3,455	4,080	4,826
EBITDA	330	409	469	598	721
Adj PAT	101	148	144	177	202
Adj EPS-Rs	7.7	11.3	10.9	13.4	15.3
EPS growth (%)	49.5	5.4	(3.9)	27.0	13.9
RoCE (%)	4.4	7.7	8.7	7.1	6.2
RoE (%)	0.6	1.3	1.2	1.1	0.9
P/E (x)	21.8	22.6	18.9	22.2	21.1
P/BV (x)	17.2	18.7	14.6	16.1	15.9
EV/EBITDA (x)	3.2	4.9	5.2	4.1	4.0

NM: Not meaningful; CMP: Current Market Price

#FY11 numbers based on the abridged financials

* We could revisit our estimates and fair value after interaction with the management

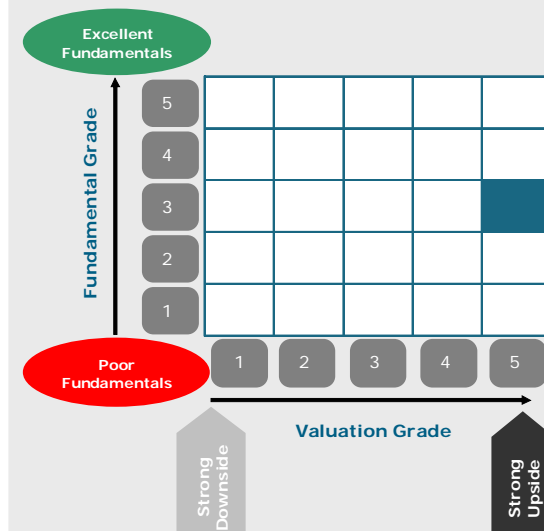
Source: Company, CRISIL Equities estimate



May 30, 2011

Fair Value Rs 132
CMP Rs 91

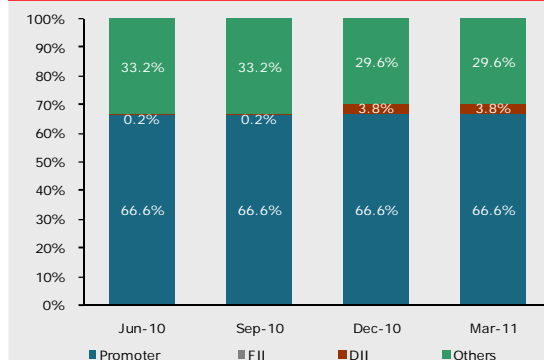
CFV MATRIX



KEY STOCK STATISTICS

NIFTY / SENSEX	5476/18262
NSE/BSE ticker	HITECHPLAS/ HITECH
Face value (Rs per share)	10
Shares outstanding (mn)	13.2
Market cap (Rs mn)/(US\$ mn)	1,204/27
Enterprise value (Rs mn) /(US\$ mn)	2,158/48
52-week range (Rs) (H/L)	140/80
Beta	0.95
Free float (%)	33.4%
Avg daily volumes (30-days)	2,516
Avg daily value (30-days) (Rs mn)	0.12

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
HiTech	-2%	3%	-15%	6%
NIFTY	-6%	3%	-5%	9%

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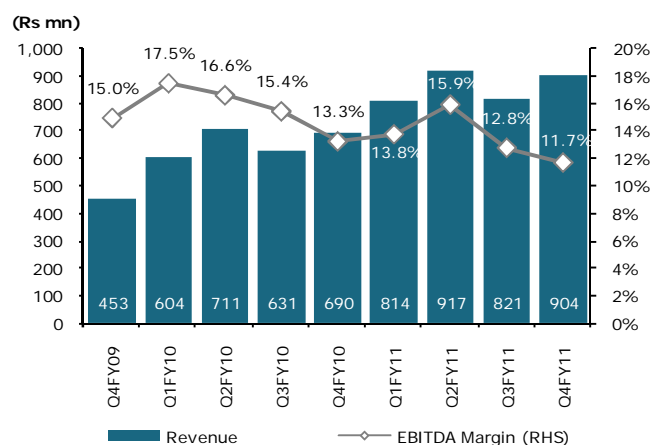
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Q4FY11 Result Summary

(Rs mn)	Q4FY11	Q3FY11	Q4FY10	q-o-q (%)	y-o-y (%)	FY11	FY10	y-o-y (%)
Net sales	904	821	690	10.1	30.9	3,455	2,636	31.1
Raw materials cost	581	510	425	13.8	36.7	2,161	1,569	37.7
Raw materials cost (% of net sales)	64.3%	62.2%	61.6%	210bps	272bps	62.5%	59.5%	302 bps
Employees cost	49	51	48	(3.1)	1.9	196	163	20.1
Other expenses	167	154	125	8.4	33.5	629	493	27.6
EBITDA	106.0	105	92	0.9	15.8	469	411	14.2
EBITDA margin	11.7%	12.8%	13.3%	-107bps	-154bps	13.6%	15.6%	-200 bps
Depreciation	34.1	32	24	5.4	40.2	126	95	33.08
EBIT	71.9	72.7	67.2	(1.0)	6.9	343.0	316.0	8.5
Interest and finance charges	34.3	34	23	2.0	49.4	124	86	45.11
Operating PBT	38	39	44	(82.8)	(15.0)	219	230	-0.05
Other Income	1.1	1.0	1.7	16.3	(34.1)	5.9	5.3	11.6
Extraordinary Income/(expense)	-	-	-	-	-	-	-	-
PBT	39	40	46	(3.2)	(15.7)	225	236	-4.7
Tax	9	15	18	(35.7)	(48.7)	63	78	-19.0
Minority Interest	4	1	2	-	-	17	8	-
PAT	25	25	28	(0.5)	(8.6)	144	149	-3.5
Adj PAT	25	25	28	(0.5)	(8.6)	144	149	-3.5
Adj PAT margin	2.8%	3.1%	4.0%	-30bps	-121bps	4.2%	5.7%	-149 bps
No of equity shares (mn)	13.2	13.2	13.2	-	-	13.2	39.4	-66.56
Adj EPS (Rs)	1.9	1.9	2.1	(0.5)	(8.6)	10.9	3.8	189

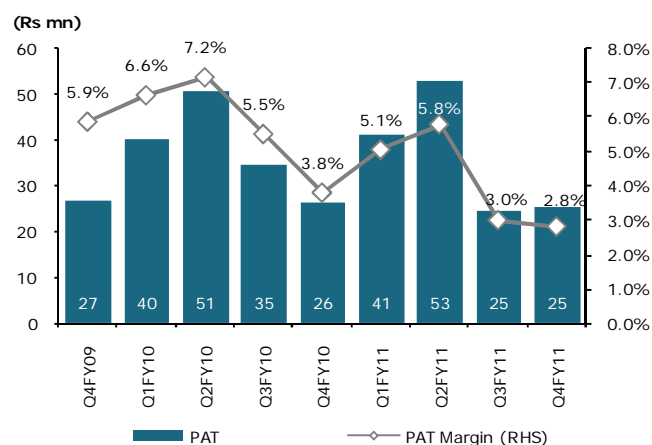
Source: Company, CRISIL Equities

Robust growth in revenues



Source: Company, CRISIL Equities

Pressure on margins due to rising polymer prices



Source: Company, CRISIL Equities

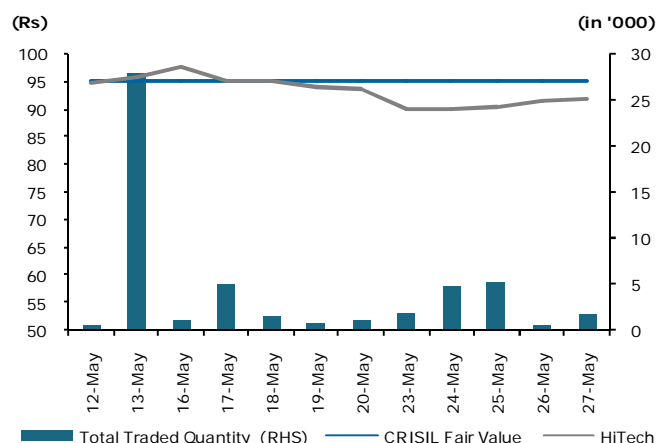
Share price movement



-indexed to 100

Source: Company, CRISIL Equities

Fair value movement since initiation



Source: BSE, CRISIL Equities

FINANCIALS

Income statement

(Rs mn)	FY09	FY10	FY11#
Operating income	2,176	2,634	3,455
EBITDA	330	409	469
EBITDA margin	15.2%	15.5%	13.6%
Depreciation	89	95	126
EBIT	242	314	343
Interest	103	85	124
Operating PBT	139	229	219
Other income	8	5	6
Exceptional inc/(exp)	41	2	-
PBT	188	236	225
Tax provision	39	78	63
Minority interest	6	7	17
PAT (Reported)	142	150	144
Less: Exceptionals	41	2	-
Adjusted PAT	101	148	144

Ratios

	FY09	FY10	FY11#
Growth			
Operating income (%)	20.7	21.1	31.2
EBITDA (%)	12.2	23.9	14.7
Adj PAT (%)	6.5	46.9	(2.8)
Adj EPS (%)	6.5	46.9	(2.8)
Profitability			
EBITDA margin (%)	15.2	15.5	13.6
Adj PAT Margin (%)	4.6	5.6	4.2
RoE (%)	17.2	18.7	14.6
RoCE (%)	21.8	22.6	18.9
RoIC (%)	20.3	18.3	16.6
Valuations			
Price-earnings (x)	4.4	7.7	8.7
Price-book (x)	0.6	1.3	1.2
EV/EBITDA (x)	3.2	4.9	5.2
EV/Sales (x)	0.5	0.8	0.7
Dividend payout ratio (%)	11.9	15.4	18.9
Dividend yield (%)	3.8	2.0	2.2
B/S ratios			
Inventory days	40	48	66
Creditors days	29	35	34
Debtor days	49	60	61
Working capital days	78	75	75
Gross asset turnover (x)	2.0	2.1	2.7
Net asset turnover (x)	3.9	3.9	3.5
Sales/operating assets (x)	3.6	3.3	3.2
Current ratio (x)	4.1	3.7	3.8
Debt-equity (x)	0.7	0.8	0.9
Net debt/equity (x)	0.7	0.7	0.8
Interest coverage	2.3	3.7	2.8

Per share

	FY09	FY10	FY11#
Adj EPS (Rs)	7.7	11.3	10.9
CEPS	14.4	18.5	20.5
Book value	52.4	68.1	81.7
Dividend (Rs)	1.3	1.7	2.1
Actual o/s shares (mn)	13.2	13.2	13.2

Balance Sheet

(Rs mn)	FY09	FY10	FY11#
Liabilities			
Equity share capital	132	132	132
Reserves	410	544	665
Minorities	149	221	280
Net worth	691	897	1,076
Convertible debt	-	-	-
Other debt	498	697	963
Total debt	498	697	963
Deferred tax liability (net)	40	49	56
Total liabilities	1,228	1,644	2,095
Assets			
Net fixed assets	612	753	1,226
Capital WIP	64	188	-
Total fixed assets	676	940	1,226
Investments	1	1	1
Current assets			
Inventory	188	273	424
Sundry debtors	328	461	578
Loans and advances	125	119	122
Cash & bank balance	43	60	57
Marketable securities	-	-	-
Total current assets	684	913	1,181
Total current liabilities	166	246	313
Net current assets	517	667	868
Intangibles/Misc. expenditure	33	35	-
Total assets	1,228	1,644	2,095

Cash flow

(Rs mn)	FY09	FY10	FY11#
Pre-tax profit	146	234	225
Total tax paid	(8)	(69)	(57)
Depreciation	89	95	126
Working capital changes	(17)	(132)	(204)
Net cash from operations	210	128	90
Cash from investments			
Capital expenditure	(246)	(361)	(377)
Investments and others	0	-	-
Net cash from investments	(246)	(361)	(377)
Cash from financing			
Equity raised/(repaid)	(0)	-	(74)
Debt raised/(repaid)	(47)	199	266
Dividend (incl. tax)	(17)	(23)	(27)
Others (incl extraordinary)	119	74	119
Net cash from financing	55	250	284
Change in cash position	19	18	(4)
Closing cash	43	60	57

Quarterly financials

(Rs mn)	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11
Net Sales	690	814	917	821	904
Change (q-o-q)	9%	18%	13%	-10%	10%
EBITDA	92	112	146	105	106
Change (q-o-q)	-6%	23%	30%	-28%	1%
EBITDA margin	13.3%	13.8%	15.9%	12.8%	11.7%
PAT	26	41	53	25	25
Adj PAT	26	41	53	25	25
Change (q-o-q)	-25%	57%	29%	-54%	3%
Adj PAT margin	3.8%	5.1%	5.8%	3.0%	2.8%
Adj EPS	2.0	3.1	4.0	1.9	1.9

#FY11 numbers based on the abridged financials

Source: Company, CRISIL Equities estimate

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