



Multiple Growth Triggers



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Company Overview

Incorporated in the year 1955, HIL Ltd. is operating in Construction Materials sector. HIL is India's largest manufacturer of Roofing and Building Material products. With over 3,950 employees, 20 manufacturing facilities, HIL is leader in the domestic Fibre Cement industry selling under its brand 'Charminar'. Over the years, it has expanded its business verticals and product portfolio to emerge as a trusted building material solutions provider in India. Its brand 'Birla Aerocon' is also a leader in the green building product space. HIL is working on expanding building material biz and also investing in high growth PVC pipe segments which will increase growth visibility for the company. Additionally, owing to its strong balance sheet, HIL is also looking for acquisition opportunities in non-asbestos based building material segment in order to accelerate its growth. HIL operates under 3 brands namely Charminar, Birla Aerocon and HYSIL.

Investment Rationale**Well placed in the Domestic Industry**

HIL Ltd. is CK Birla Group Co. is headquartered in Hyderabad with 20 manufacturing facilities spread across all regions and states in India with a wide distribution network of 43 sales depots and 8 sales offices having a wide range of products. It has a network of 2500 distributors and its dealership network consists of 6500 dealers. Currently HIL's comprehensive product range includes Charminar - India's largest brand of fibre cement roofing solutions and Aerocon - India's leading Building Solutions brand comprising of dry and wet walling and CPVC/UPVC pipes and fittings and HYSIL - The leading brand in green industrial insulation. As of today HIL is focusing on deeper market penetration in the rural area for its roofing segment and the urban real estate market for its building products as for the newly developed pipes and fittings project the company has announced a diversified range of products to capture the market. Rural Housing is expected to be biggest demand driver going forward as rural people still prefer to spend major portion of their income on home improvement. In rural India only 34% houses are cement based which represents significant opportunity. The demand in rural income depends on couple of factors like farm income, MNREGA and non-farm income like labor work in real estate and road construction. The government focus to double farm income by various initiatives like DBT, farm-mechanization, MSP, formal credit, crop insurance etc is expected to add to rural prosperity. This coupled with increased activity of road construction and increased actual spending in MNREGA is also aiding in improving income for rural population.

Roofing Segment to be the Cash Cow for the company

The Fibre Cement products have been in demand mainly due to the efforts made in making inroads into rural markets for the product. The Fibre Cement Sheets industry has an annual capacity of ~4.5mn MT. The Fibre Cement Sheets industry has been sluggish in recent years due to poor rural demand and cash crunch owing to demonetization, the demand is expected to revive going forward due to pick up in rural demand on account of good monsoon along with implementation of 'Housing for All by 2022' project under Pradhan Mantri Awas Yojana. In urban areas, RCC is the preferred choice of roofing solution for the buildings and accounts for ~53% of the roofing demand. Additionally, the warehousing is a leading demand driver for fibre cement roofing products in India and is expected to grow at an annual rate of ~9% over the next five years according to a KPMG report. HIL is the largest manufacturer of Fibre cement sheets sold under brand 'Charminar' and contributes ~67% of its Revenues. The current fibre cement roofing industry is dominated by 4-5 players and HIL is the largest player in Roofing solutions i.e. Fibre cement sheets having 1.15 million MT capacity. HIL being the market leader is set to capture the growing demand having the largest capacities among its peers along with the launch in new products like colour coated sheets and launched a sub-brand namely "Charminar Fortune" which is basically a green roofing solution, Non-Asbestos corrugated Roofing Sheets and started its production at the Kondapalli plant in Andhra Pradesh.

Building Products Division to drive growth

The building material industry in India is currently sized at approximately Rs. 4.4 trillion as of 2015-16 and comprises of eight key segments, namely cement, structural steel, bricks, paints, plumbing, PVC, ceramic tiles, plywood, laminates and lighting. India is a country with traditional construction practices and hence we build using bricks, cement and mortar for all our needs. New trends in construction have resulted in adoption of ready to use products like plywood, particle boards, MDF, laminated boards, gypsum boards and Fibre Cement Boards. The building products division of HIL currently operates under the brand name 'Birla Aerocon' for the sale of its building solutions products which involves the sale of products like Autoclaved Aerated Concrete Blocks, Solid Wall Panels, FOB & C-Boards, Dry Mix & Pipes & Fittings. In the building products industry, there are 3 major players in namely HIL Ltd., Visaka Industries and Everest Industries.

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook**Positive****Stock**

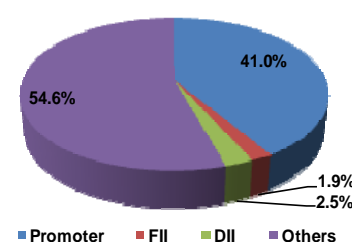
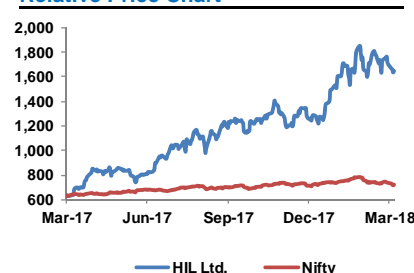
CMP (Rs)	1,650
Target Price (Rs)	2,301
BSE code	509675
NSE Symbol	HIL
Bloomberg	HIL IN
Reuters	HYDI.BO

Key Data

Nifty	10,227
52 Week H/L (Rs)	1,895/624
O/s Shares (Mn)	7.5
Market Cap (Bn)	12.2
Face Value (Rs)	10

Average volume

3 months	28,910
6 months	22,360
1 year	28,530

Share Holding Pattern (%)**Relative Price Chart****Research Analyst****Harshil Shethia**

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HIL Ltd.

Initiating Coverage

Autoclaved Aerated Concrete (AAC) Blocks: Over last few years, the cost of conventional bricks has gone up due to increase in labor cost and is currently at RS. 4800 per cubic meter, while AAC blocks cost is RS. 2800 per cubic meter because the Conventional brick manufacturing process includes manual molding & firing thus, making the process labor intensive, the manufacturing process of AAC blocks, on the other hand, is largely automated. One more major advantage of using AAC Blocks is that it saves upto 30% of the construction time in building internal & external wall, slabs etc. The major brands sold in Fly-Ash Bricks (AAC) segment are Birla Aerocon, Biltech, Magicrete, Siporex, and Xtralite. Biltech holds 40%+ market share in AAC with manufacturing capacity of 1,340,000 cubic meter followed by HIL's Aerocon of 825,000 cubic meter, while Magicrete has 800,000 cubic meter capacity. The company is to benefit from the reduction of GST from 18% previously to 12% as of today which will help in improving margins for the company as well as it will also help the company to gain volumes. Further, we expect Fly-Ash Bricks continues to deliver 16.3% CAGR for HIL till FY20E and this growth will be achieved by a gain in market share due to the shift arising due to GST.

Boards & Panels: Fibre Cement Boards and Panels is one of the fastest emerging products in the Indian market. With the rising acceptance of these products, various companies in India have eyed this as an opportunity to earn revenues. As per the Ply Reporters finding, the total industry for these is estimated to have reached Rs. 1000 crores as on FY17 and with the rising awareness among the contractors & carpenters community, we believe it to grow at the same rate i.e. 14.5% CAGR going forward reaching a market of Rs. 1500 crores by FY2020E. We expect that going forward HIL will be able to grow at a higher rate than the industry growth rate as the company will be benefitted due to GST.

Pipes & Fittings: Pipes & Fittings division witnessed degrowth of 16% in revenue during FY17 due to tough market conditions and absence of complete range of product categories. However, due to promising demand outlook of Pipes & Fittings going forward, HIL is investing Rs.130 crore to expand capacity of this segment from 7555 MT to 20000 MT which will be done overall at both its plants i.e. Faridabad & Surat. The additional expanded capacity will enhance the product portfolio of the company launching the new range of 'SWR' and pressure pipes. The company has started the production of its new range of pipes in its Faridabad plant and we expect the Surat plant to commence its operation by 1st April, 2018. With the company expanding in the new range of products, the management has also planned to venture into B2B and B2C marketing strategies. Over the years, HIL has grown its biz to become a market leader in the Indian Building Material Industry. Its product portfolio is also diversified into the Pipes and Fittings category. By leveraging its 4500+ dealer and marketing network, we expect the company to achieve 16% CAGR in the building solutions business.

Financial Performance to improve going further

We expect the company to witness expansions in its Gross and EBITDA margins from 46% and 9.7% in FY17 to 49% and 14.9% respectively due to the impact of GST. Going ahead we witness the RoCE and RoE to come back to its previous peak levels of FY13 i.e. 16.7% and 18.3% respectively from the companies subdued performance in the year FY16 due to an industry slowdown and we expect the RoCE & ROE to reach to 17.1% and 24.5% respectively by FY2020E. HIL enjoys a strong balance sheet with its Debt to Equity ratio reducing from 0.42 to 0.1 by the end of FY17 which is almost negligible and the company has always maintained its debt to equity ratio below 0.5. HIL has seen a turnaround from its negative Free Cash Flows in FY13 to positive Free Cash Flow by FY17 with low capex requirement, strong operating cash flows and controlled working capital requirements. The Company's cash conversion cycle has improved from 89 days in 2013 to 51 days in FY17 due considerable reduction in the number of inventory days from 87 days to 70 days leading to better working capital management as well as an increase in the creditor days from 30 days in FY13 to 50 days in FY17. Going forward, we expect cash conversion period to improve by 5 days going forward i.e. from 53 days in FY17 to 48 days in FY20E. The company has always maintained its dividend payment ratio greater than 15% over the years.

Why we like this stock & valuation methodology

The fibre cement roofing industry is expected to grow at a rate of 9% according to KPMG market report where it is said that the warehousing industry will be the major demand driver going ahead. HIL being the market leader is set to capture this demand going forward. Coming to the AAC Blocks industry we expect that with the recent reduction in prices and also the reduction in taxes, we believe that the organized players will be in a favourable position and with better quality products, we believe HIL is well placed in the industry. The pipes and fittings industry in the previous 5 years has grown at a rate of 9.7% and as of today the industry size is around Rs. 800 crores. The pipes and fittings division of HIL contributes Rs. 40 crores to its topline which is around 5% of the market share. With recent expansion of capacity in both of its plant and a totally new range of pressure and 'SWR' pipes, we expect the division to grow at a CAGR of 16% going forward. We also expect to see a good demand from rural India on account of increasing rural income due to the government push in the agricultural sector with schemes like MNREGA. With track record of strong operating cash flow, reducing working capital days and decent dividend payout, HIL looks attractive investment bet for a longer term perspective. We have valued the stock at 14x its FY20E earnings which is in line with the forward multiples of its peers Visaka Industries and Everest Industries and hence come with a target price of Rs. 2,301.

We have valued this stock by assigning 15x to its FY20 earning estimates. We arrive at a target price of Rs 2,301 (potential upside of 39.4% from CMP) for an investment horizon of 15-18 months.



HIL Ltd.

Initiating Coverage

Key Financials (Consolidated)								
YE March (Rs. mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Revenue	10,365	8,695	11,078	10,963	10,536	11,442	12,558	13,834
Revenue Growth (Y-o-Y)	9.2%	(16.1%)	27.4%	(1.0%)	(3.9%)	8.6%	9.8%	10.2%
EBIDTA	1,208	444	1,175	973	1,022	1,559	1,800	2,067
EBIDTA Growth (Y-o-Y)	12.4%	(63.2%)	164.6%	(17.2%)	5.0%	52.6%	15.5%	14.8%
Net Profit	606	71	669	397	546	903	1,030	1,231
Net Profit Growth (Y-o-Y)	0.1%	(88.2%)	837.4%	(40.7%)	37.6%	65.4%	14.2%	19.5%
Diluted EPS	81.0	9.5	89.3	53.0	72.9	120.5	137.6	164.3
Diluted EPS Growth (Y-o-Y)	0.1%	-88.2%	837.4%	(40.7%)	37.6%	65.4%	14.2%	19.5%
No of Diluted shares (mn)	75	75	75	75	75	75	75	75
Key Ratios								
EBIDTA (%)	11.7%	5.1%	10.6%	8.9%	9.7%	13.6%	14.3%	14.9%
NPM (%)	5.9%	0.8%	6.0%	3.6%	5.2%	7.9%	8.2%	8.9%
RoE (%)	16.7%	1.8%	16.2%	8.9%	11.4%	16.7%	16.6%	17.1%
RoCE (%)	18.3%	3.0%	16.1%	9.6%	10.3%	18.2%	20.3%	24.5%
Tax Rate %	33.6%	27.9%	27.3%	34.0%	25.7%	30.0%	33.0%	33.0%
Book Value Per share (Rs.)	514.9	518.4	581.7	614.3	669.5	770.0	887.5	1,031.8
Valuation Ratios								
P/E (x)	20.4x	173.3x	18.5x	31.2x	22.6x	13.7x	12.0x	10.0x
EV/EBITDA	11.6x	29.1x	11.5x	14.2x	12.6x	7.8x	6.7x	5.7x
P/BV (x)	3.2x	3.2x	2.8x	2.7x	2.5x	2.1x	1.9x	1.6x
Market Cap. / Sales (x)	1.2x	1.4x	1.1x	1.1x	1.2x	1.1x	1.0x	0.9x

Source: Company, BP Equities Research

Valuation Ratios								
YE March (Rs. mn)	20.4x	115.6x	17.6x	29.1x	20.1x	13.7x	12.0x	10.0x
P/E (x)	3.2x	3.2x	2.8x	2.7x	2.5x	2.1x	1.9x	1.6x
P/BV (x)	11.6x	29.1x	11.5x	14.2x	12.6x	7.8x	6.7x	5.7x
EV/EBIDTA (x)	1.3x	1.5x	1.2x	1.3x	1.2x	1.1x	1.0x	0.9x
EV/Sales	1.2x	1.4x	1.1x	1.1x	1.2x	1.1x	1.0x	0.9x
Market Cap./ Sales (x)	1.2%	0.3%	1.2%	1.1%	0.6%	1.2%	1.3%	1.5%
Dividend Yield (%)	1.2%	0.3%	1.2%	1.0%	0.6%	1.2%	1.2%	1.2%

Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Investment Rationale

Well placed in the Domestic Industry

HIL Ltd. is a CK Birla Group Co. which is headquartered in Hyderabad with 20 manufacturing facilities spread across all regions and states in India with a wide distribution network of 43 sales depots and 8 sales offices having a wide range of products and state of the art machinery. Currently, It has a network of 2500 distributors and its dealership network consists of 6500 dealers. HIL's comprehensive product range includes Charminar - India's largest brand of fibre cement roofing solutions and Aerocon - India's leading Building Solutions brand comprising of dry and wet walling and CPVC/UPVC pipes and fittings and HYSIL - The leading brand in green industrial insulation. Charminar being the major contributor to the company's revenue is contributing around 67%. Second contributor is Aerocon which contributes to around 29% of the company's revenue and the remaining 4% is contributed by the HYSIL brand. As of today HIL is focusing on deeper market penetration in the rural area for its roofing segment and the urban real estate market for its building products as for the newly developed pipes and fittings project the company has announced a diversified range of products to capture the market.

Manufacturing Capabilities			
Brands	Products	Capacity/Annum	Manufacturing Plants
Roofing Solutions			
Charminar	Fibre Cement Sheets	1,150,000 MT	7 - Balasore, Faridabad, Jasidih, Kondapalli, Satharia, Thrissur, Wada
	Coloured Steel Sheets	27,600 MT	2 - Balasore, Wada
Building Solutions			
Birla Aerocon	Solid Wall Panels	78,000 MT	2 - Faridabad, Timmapur
	Fly-Ash Bricks (AAC)	825,000 Cubic meter	4 - Jhajjar, Chennai, Golan, Timmapur
	FOB & C-Boards	54,000 MT	1 - Hyderabad
	Dry Mix	72,000 MT	1 - Jhajjar
	Pipes & Fittings	20,000 MT	3 - Faridabad, Timmapur, Golan
Thermal Insulation			
HYSIL	Insulation for Energy Intensive Industries	4,800 MT	1 - Dharuhera

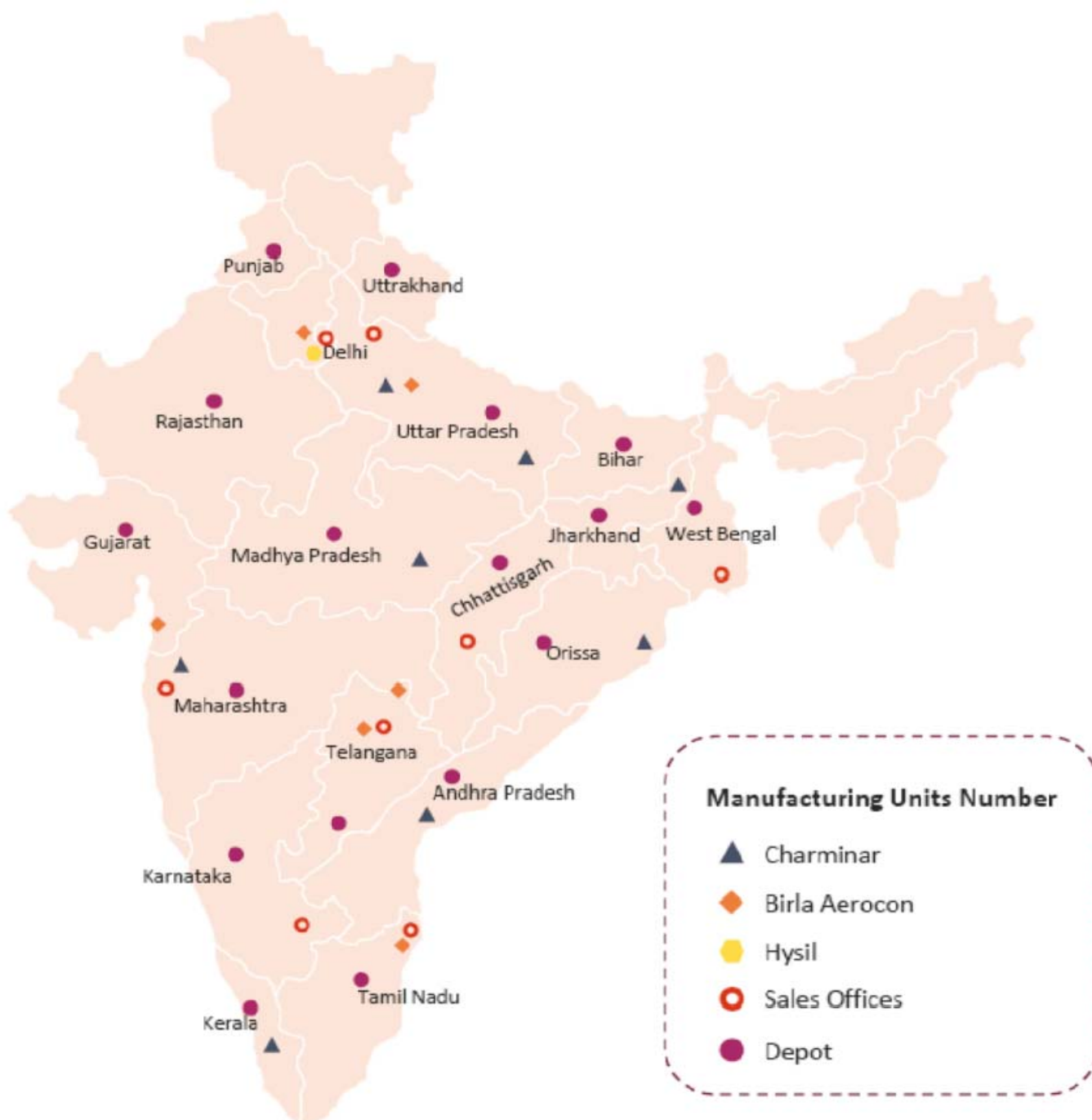
Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Rural Housing is expected to be biggest demand driver going forward as rural people still prefer to spend major portion of their income on home improvement. In rural India only 34% houses are cement based which represents significant opportunity. The demand in rural income depends on couple of factors like farm income, MNREGA and non-farm income like labor work in real estate and road construction. The government focus to double farm income by various initiatives like DBT, farm-mechanization, MSP, formal credit, crop insurance etc is expected to add to rural prosperity. This coupled with increased activity of road construction and increased actual spending in MNREGA is also aiding in improving income for rural population. We further expect that the HIL has a wide range of products and is well placed to capture the demand from the rural housing sector.

Pan India Presence

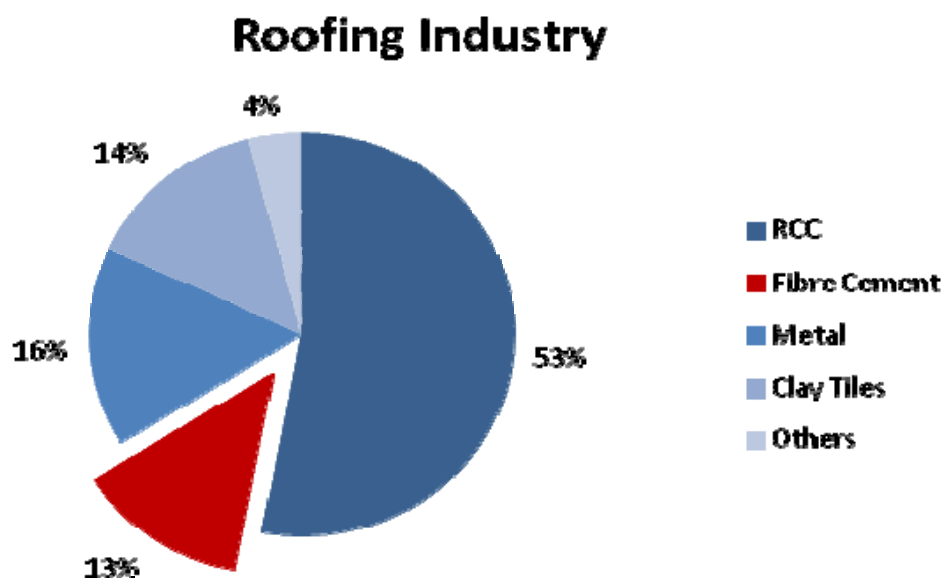


Source: Company, BP Equities Research

Roofing Segment to be the Cash Cow for the company

The fibre cement products have been in demand mainly due to the efforts made in making inroads into rural markets for the product, its affordability and qualities such as corrosion resistance, weather and fire proof nature. The Fibre Cement Sheets Industry has an annual capacity of ~4.5mn MT throughout the Country. The fibre cement sheets are marketed under their respective brand names by the companies mainly through dealers for the retail segment and directly for the projects and government departments. Although the Fibre cement sheets industry has been sluggish in recent years due to poor rural demand and cash crunch owing to demonetization, the demand is expected to revive going forward due to pick up in rural demand on account of good monsoon along with implementation of 'Housing for All by 2022' project under Pradhan Mantri Awas Yojana. The Pradhan Mantri Awas Yojana aims at providing affordable housing for the poor. Under this scheme the Government of India is supposed to build nearly 20 million homes by the year 2022, with central assistance to the tune of Rs. 2 trillion. The Government has identified 500 cities & towns in 9 states under this plan to be covered in the first 3 phases. With an increase in allocation to Rs. 230 billion in budget 2018 for the Pradhan Mantri Awas Yojana - Gramin and proposal to complete 10 million houses by 2019 for the homeless people living in 'kuchha' houses, the demand for the rural economy is bound to grow.

Indian Roofing Industry



Source: Company, BP Equities Research

As for the urban segment, concrete roof accounts for 30% of the total roofing demand across the country, followed by metal roofs and fibre cement sheets. In urban areas, RCC is the preferred choice of roofing solution for the buildings and accounts for ~53% of the roofing demand. Metal and plastic roofs are widely used in malls and retail outlets. Additionally, the warehousing is a leading demand driver for roofing products in India. According to a report by KPMG, the demand for warehousing is expected to grow at an annual rate of ~9% over the next five years. Growing number of factories, poultry farms, architectural buildings, cold storages and development of special economic zones (SEZ's) are other key demand drivers for roofing market with focus on thermal insulation and energy conservation. One of the major benefit seen across the whole industry is due to the implementation of GST which has helped to reduce the total duties from 28% to 18% respectively for the products of the company.

HIL Ltd.

Initiating Coverage

HIL is the largest manufacturer of Fibre cement sheets sold under brand '**Charminar**' and contributes ~67% of its Revenues. The current fibre cement roofing industry is dominated by 4-5 players and HIL is the largest player in Roofing solutions i.e. Fibre cement sheets having 1.15 million MT capacity along with 7 manufacturing plants. The overall capacities of its peers are as follows:



Companies	Cement Asbestos Sheet Annual Capacity (MT)	Market Share (%)
HIL	1,150,000	~26%
Visaka	802,000	~18%
Everest	865,000	~19%


The benefits of Fibre Cement sheets are as follows:

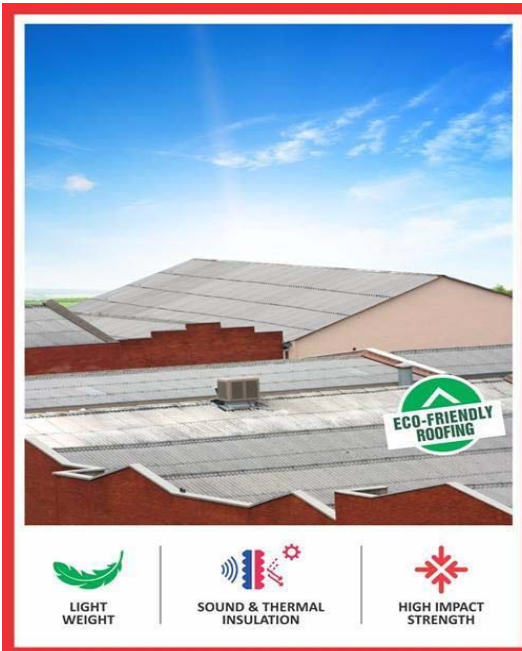
- ⇒ Very economical and sturdy
- ⇒ Lightproof and fireproof
- ⇒ Resistant to corrosion
- ⇒ Easy to work with
- ⇒ UV resistant
- ⇒ Pest and algae resistant
- ⇒ Aesthetically appealing


HIL being the market leader is set to capture the growing demand having the largest capacities among its peers along with the launch in new products like colour coated sheets and launched a sub-brand namely "Charminar Fortune" which is basically a green roofing solution, Non-Asbestos corrugated Roofing Sheets and started its production at the Kondapalli plant in Andhra Pradesh. The roofing products of the company are as follows:

Charminar - Product Profile







Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Building Products Division to drive growth

The building material industry in India is currently sized at approximately Rs. 4.4 trillion as of 2015-16 and comprises of eight key segments, namely cement, structural steel, bricks, paints, plumbing, PVC, ceramic tiles, plywood, laminates and lighting. India is a country with traditional construction practices and hence we use bricks, cement and mortar extensively. New trends in construction have resulted in adoption of ready to use products like plywood, particle boards, MDF, laminated boards, gypsum boards and Fibre Cement Boards. These new age products are replacing the traditional products in applications like walls, flooring, façade cladding, ceiling and paneling.

The building products division of HIL currently operates under the brand name 'Birla Aerocon' for the sale of its building solutions products which involves the sale of products like Autoclaved Aerated Concrete Blocks, Solid Wall Panels, FOB & C-Boards, Dry Mix & Pipes & Fittings. In the building products industry, there are about 3 major players in the building products industry producing identical or similar products namely HIL Ltd., Visaka Industries and Everest Industries.

Birla Aerocon - Product Profile



The next generation in walling material

An excellent substitute for clay bricks, concrete and hollow blocks.

Saves up to 30% construction time in building internal and external walls, slabs and more.



Lightweight panels for fast-track construction.

An ideal replacement for plywood, plasterboard, particle board and brick walls.

Used for building partitions, pre-fabricated structures, mezzanine floors, and more.



The magical replacement for plywood

The versatile C-Board has multiple applications for internal and external building design.

Use it to explore design possibilities of cladding, ceiling, skirting, doors, furniture and beyond.



International quality with True Fit technology for leak-proof joints

Aerocon CPVC and uPVC pipes, fittings and solvents are suitable for a broad range of applications thanks to their unique characteristics.



A tough, durable and great value for money solution for internal and external application

The result of extensive R&D efforts and in-depth understanding of customer needs, Aerocon Flex-O-Board undergoes a high pressure steam-curing process



Breath taking beautiful tiles which promise unmatched durability under the toughest conditions

Aerocon, the premier provider of building material solutions, now launches its range of Premium Polished Vitrified Tiles.



The high grade interior ceiling material offers a number of cutting edge advantages

Ceilings are no longer just functional aspects of interiors. They are today essential a key element in interior design, playing a major role in enhancing aesthetics, increasing safety, reducing ambient noise and, yes, even cutting costs!



Thinner joints for stronger walls

Create stronger walls with "Aerocon Smartfix," the superior water resistant cement based mortar joint.



The finest coating your walls can wear

Specially developed to protect walls and ensure the colours come alive, Aerocon SmartPutty is an innovative blend of white cement, polymers and minerals.

Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Autoclaved Aerated Concrete (AAC) Blocks: Over last few years, the cost of conventional bricks has gone up due to increase in labor cost and is currently at Rs. 4800 per cubic meter, while AAC blocks cost is RS. 2800 per cubic meter. While the Conventional brick manufacturing process includes manual moulding & firing thus, making the process labor intensive, the manufacturing process of AAC blocks, on the other hand, is largely automated. Due to increased market uptake, the cost of AACs has also come down recently and it makes real business sense for construction companies and brick manufacturers in moving towards AAC, as it leads to consistent energy savings over the life of the building. One more major advantage of using AAC Blocks is that it saves upto 30% of the construction time in building internal & external wall, slabs etc.

The major brands sold in Fly-Ash Bricks (AAC) segment are Birla Aerocon, Biltech, Magicrete, Siporex, and Xtralite. Biltech holds 40% market share in AAC with manufacturing capacity of 1,340,000 cubic meter followed by HIL's Aerocon of 825,000 cubic meter, while Magicrete has 800,000 cubic meter capacity.

Companies	Fly-Ash Bricks (AAC) Annual Capacity (Cubic meter)	Market Share (%)
Biltech	1,340,000	~40%
Birla Aerocon	825,000	~25%
Magicrete	800,000	~24%
Others	-	~1%

Benefits of AAC Blocks



HIL is market leader in Fly-Ash Bricks segment and during FY17 it delivered 13% volume growth. HIL has installed capacity of 825000 cubic meter in building blocks. The company is to benefit from the reduction of GST from 18% previously to 12% as of today which will help in improving margins for the company as well as it will also help the company to gain traction volumes. Further, we expect Fly-Ash Bricks continues to deliver 16.3% CAGR for HIL till FY20E and this growth will be achieved by a gain in market share due to the shift arising due to GST.

Birla Aerocon Blocks



Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Aerocon Boards & Panels: Fibre Cement Boards and Panels is one of the fastest emerging products in the Indian market. With the rising acceptance of these products, various companies in India had eyed this as an opportunity to earn revenues. As per the Ply Reporters finding, the total industry for these is estimated to have reached Rs. 1000 crores as per the current Financial Year and with the rising awareness among the contractors & carpenters community, we believe it to grow at the same rate i.e. 14.5% CAGR going forward reaching a market of Rs. 1500 crores by FY2020E. We expect that going forward HIL will be able to grow at a higher rate than the industry growth rate as the company will be able to capture the market share lost by the unorganized players due to the implementation of GST which will create a level playing field for the unorganized and organized players.

Companies	Boards & Panels Annual Capacity (MT)	Market Share (%)
HIL	132,000	~22%
Visaka Industries	129,750	~22%
Everest Industries	150,000	~25%

The benefits of Aerocon Panels are as follows:

- ⇒ Excellent substitute for drywalls.
- ⇒ Pre-cured. Simple Installation. Save up to 80% of construction time.
- ⇒ Build full- and half-height partitions, prefabricated structures and mezzanine floors.
- ⇒ Ideal for educational institutions and hospitals.
- ⇒ Maximizes carpet area by reducing wall thickness.
- ⇒ Strong enough to hold air conditioners, televisions, audio equipment and other common loads.

Applications of Aerocon Panels



Pre-fabricated Structures



Partitions



Mezzanine Flooring



Boundary Wall

Source: Company, BP Equities Research

Applications of Aerocon Boards



FALSE CEILING



INTERNAL CLADDING



PARTITIONS



EXTERNAL CLADDING

The benefits of Aerocon Boards are as follows:

- ⇒ Good resistance to fire, moisture, corrosion and termites
- ⇒ Good resistance to sound and greater thermal insulation
- ⇒ Higher load bearing capability
- ⇒ Provides for excellent design flexibility
- ⇒ A certified green product

Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Pipes & Fittings: Pipes & Fittings division witnessed degrowth of 16% in revenue during FY17 due to tough market conditions and absence of complete range of product categories. However, due to promising demand outlook of Pipes & Fittings going forward, HIL is investing Rs.130 crore to expand its capacity from 7555 MT to 20000 MT. The additional expanded capacity will enhance the product portfolio of the company launching the new range of 'SWR' and pressure pipes. The company has started the production of its new range of pipes in its Faridabad plant and we expect the Surat plant to commence its operation by 1st April, 2018. With the company expanding in the new range of products, the management has also planned to venture into B2B and B2C marketing strategies.

Growth Outlook in PVC pipe business: The Indian plastic pipe market is forecast to grow at a CAGR of 10.4% till 2021. The major growth drivers for this market are the growth of government infrastructural spending, increasing residential & commercial construction, industrial production, irrigation sector, and replacement of aging pipelines. Polyvinyl chloride (PVC), polyethylene (PE) and polypropylene (PP) are the major raw materials used to manufacture pipe. The growth of residential and commercial construction and the growth in infrastructure development especially in the agriculture sector in the country are expected to spur growth for this segment over the coming years. The Present size of plastic piping is around Rs. 215,000 million which is expected to grow @ 14% CAGR during FY17-24. Hence, HIL despite being a new player in PVC pipe segment is well placed to capitalize the potential opportunity owing to its established brand and vast networks of dealers & retailers.

Over the years, HIL has grown its biz to become a market leader in the Indian Building Material Industry. Its product portfolio is also diversified into the Pipes and Fittings category. By leveraging its 4500+ dealer and marketing network, we expect the company to achieve 16% CAGR in the building solutions business.

Aerocon Pipes

CK BIRLA GROUP

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PIPES & FITTINGS

The right choice.
The smart choice!

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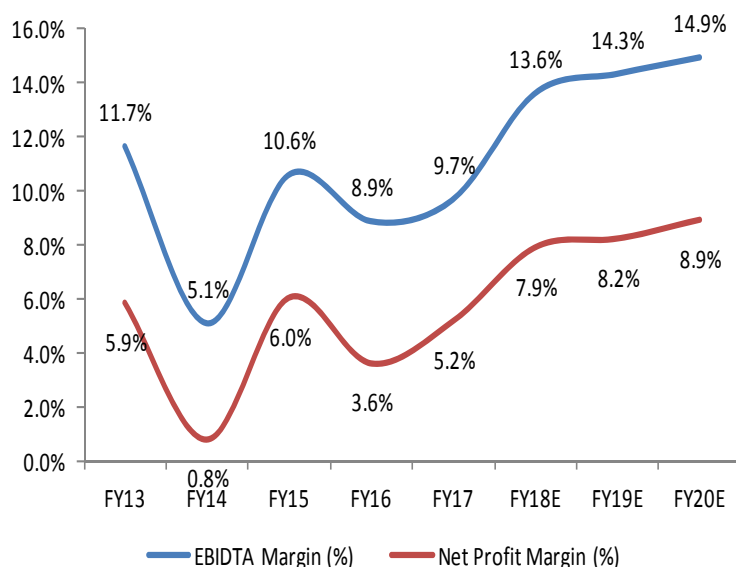
HIL Ltd.

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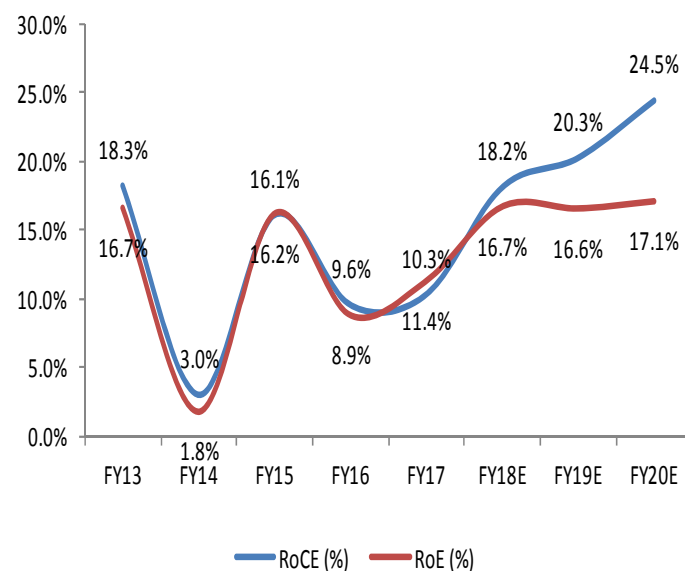
Financial performance to improve going further

We expect the company to witness expansions in its Gross and EBITDA margins from 46% and 9.7% in FY17 to 49% and 14.9% respectively due to the impact of GST. Going ahead we witness the RoCE and RoE to return to its previous peak levels of FY13 i.e. 16.7% and 18.3% respectively from the companies subdued performance in the year FY16 due to an industry slowdown and we expect the RoCE & RoE to reach to 17.1% and 24.5% respectively by FY2020E. HIL enjoys a strong balance sheet with its Debt to Equity ratio reducing from 0.42 to 0.1 by the end of FY17 which is negligible and the company has always maintained its debt to equity ratio below 0.5. HIL has seen a turnaround from its negative Free Cash Flows in FY13 to positive Free Cash Flow by FY17 with low capex requirement, strong operating cash flows and controlled working capital requirements. The Company's cash conversion cycle has improved from 89 days in 2013 to 51 days in FY17 due considerable reduction in the number of inventory days from 87 days to 70 days leading to better working capital management as well as an increase in the creditor days from 30 days in FY13 to 50 days in FY17. Going forward, we expect cash conversion period to improve by 5 days going forward i.e. from 53 days in FY17 to 48 days in FY20E. The company has always maintained its dividend payment ratio greater than 15% over the years.

Margins to improve further

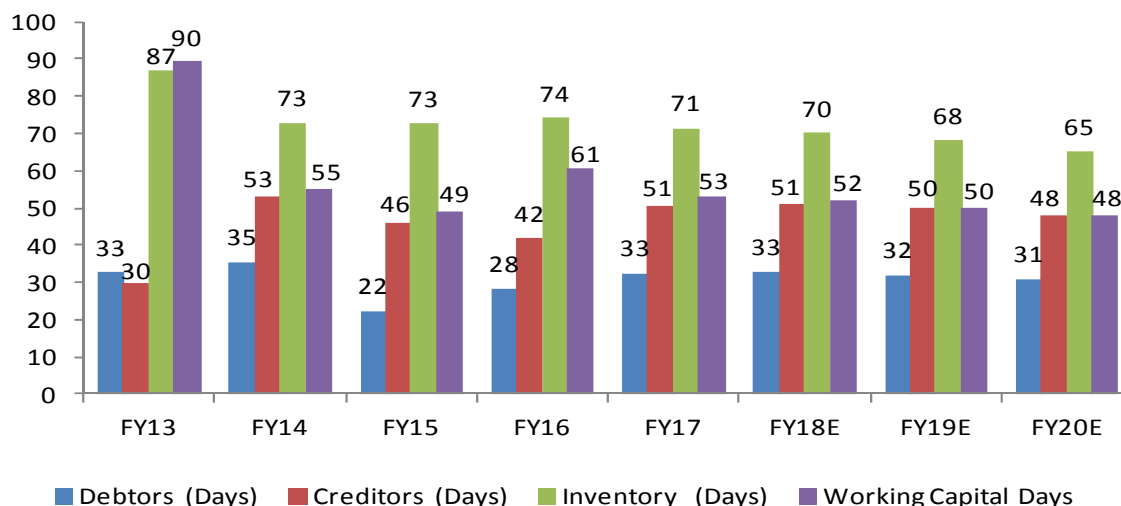


RoCE and RoE trend



Source: Company, BP Equities Research

Comfortable working capital cycle (In days)



Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Company Background

Hyderabad Industries (HIL) is a flagship company of the CK Birla group of companies, incorporated on June 17, 1946. HIL is among the market leaders 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 network of branches, depots, retailers and personnel spread all over India.

HIL's green building brand, Aerocon, includes panels for fast-track drywall substitution, AAC blocks, plywood substitutes and advanced polymer products such as pipes and fittings with True Fit™ technology for leak-proof joints. HIL's Charminar brand is one of the market leaders in roofing solutions. HIL's durable HYSIL industrial thermal insulation finds a range of applications in energy-intensive industries. Alongside these products, HIL has a skilled technical support team that helps customers benefit from solutions that use these products for maximum efficiency and effectiveness.

HIL is part of the CK Birla Group, a US\$1.6 billion conglomerate that has a history of relationships with global companies. With over 20,000 employees, 24 manufacturing facilities and numerous patents and awards, the Group's businesses operate in five continents.

HIL 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, HIL offers thermal insulation products, such as calcium silicate blocks and pipe-coverings for boilers, blast furnace shafts, annealing furnaces, pre-heater 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.

Market leader in Roofing business in India with 26% market share and 1.15 million MT capacity.

HIL Brand's



- Fibre Cement Sheets
- Coloured Steel Sheets



Dry Wall:

- Solid Wall Panels
- C- Boards
- Flex-O-Boards
- SmartBond
- Designer Board

Wet Wall:

- AAC Blocks
- Wall Putty
- Block Jointing Mortar

Plumbing :

- UPVC Pipes and Fitting
- CPVC Pipes and Fitting



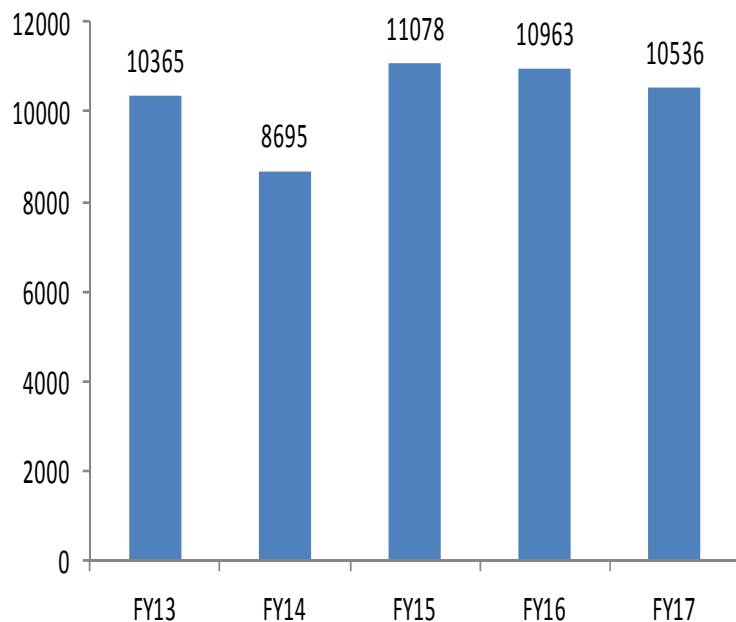
- Revolutionary High Temperature Insulation

HIL Ltd.

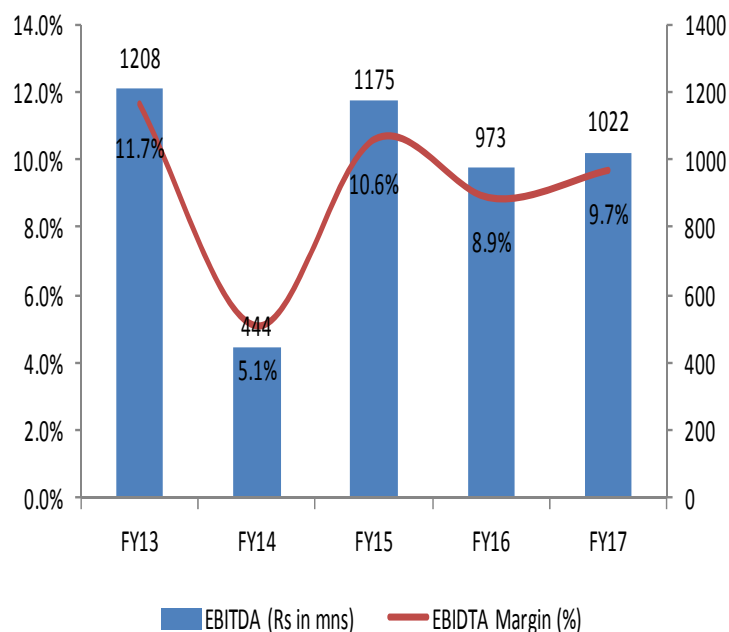
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Financial Highlights

Revenue (Rs in mn)

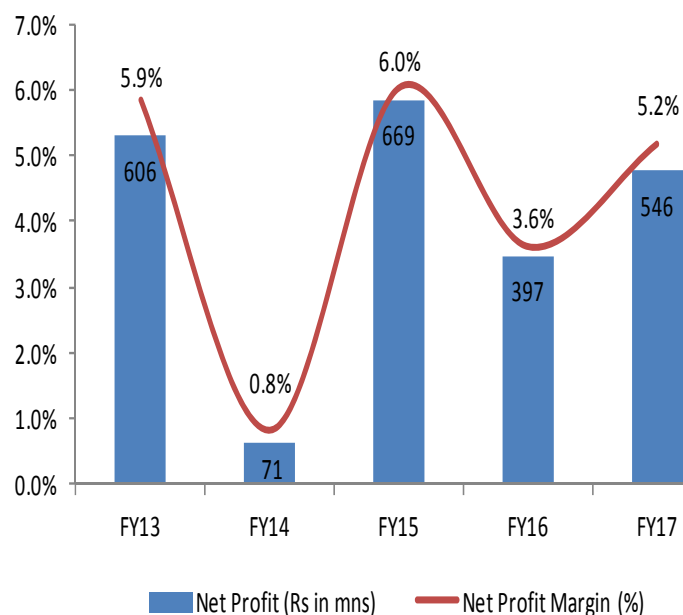


EBITDA (Rs in mn) and Margin %

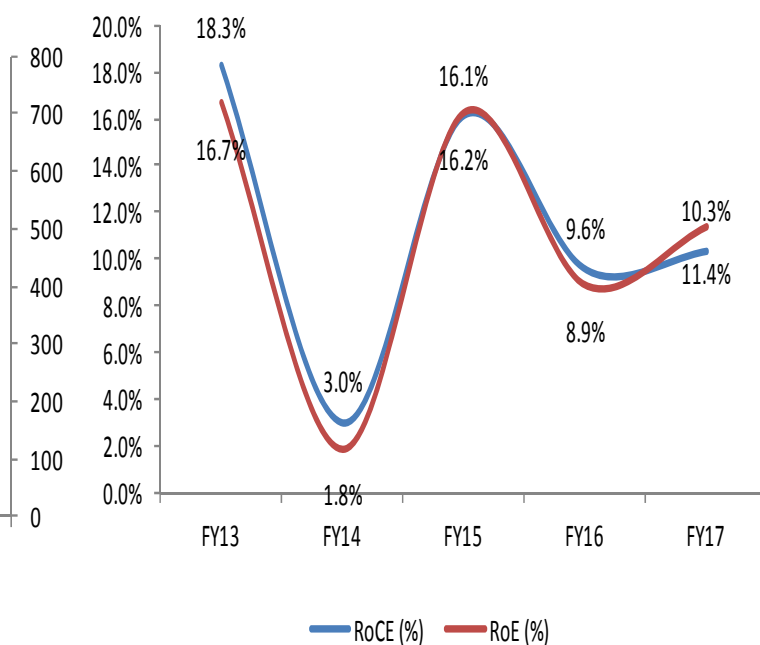


Source: Company, BP Equities Research

PAT (Rs in mn) and Margin %



ROE and ROCE trend



Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Key Milestones

1946-47	Incorporation of the company.
1949-50	First Plant for manufacturing AC Sheets at Hyderabad, Telangana.
1959-60	Second Plant for manufacturing AC Sheets at Hyderabad, Telangana.
1963-64	New factory at Faridabad, Haryana for manufacturing AC Sheets.
1964-65	Started Engineering Division at Hyderabad, Telangana
1965-66	Third Plant for manufacturing AC Sheets at Hyderabad, Telangana.
1975-76	Establishment of Research & Development at Hyderabad, Telangana.
1978-79	Commencement of Production of Moulded Thermal Insulation Articles and Jointing Products at Faridabad, Haryana.
1979-80	New plant at Jasidih, Jharkhand to manufacture AC Sheets.
1985-86	Change of name from Hyderabad Asbestos Cement Products Limited to 'Hyderabad Industry Limited'.
1995-96	Cement Grinding Unit set up at Jasidih, Jharkhand. Prefabricated building panels, based on technology from M/s Building Technologies (Australia) Pvt. Ltd, Australia was produced at a pilot plant.
2005-06	Amalgamation of Malabar Building Products Limited with the Company. Fibre Sheets plant set up at Satharia Dist. Jaunpur UP.
2008-09	New fibre sheet plant set up at Balasore, Odisha commenced commercial production.
2009-10	New fibre sheet Line set up at Kondapalli, Andhra Pradesh commenced commercial production.
2010-11	Commenced commercial production of Autoclaved Aerated Concrete (AAC) Blocks at Golan, Gujarat. Set-up wind Mill Projects at 3.6 MW at Kutch Dist. Gujarat.
2011-12	Set-up 2 additional wind power projects 1.25 MW & 2.5 MW in Coimbatore, Tamil Nadu and Jodhpur, Rajasthan.
2012-13	Change of name from Hyderabad Industries Limited to HIL Limited.
2014-15	A new wind power plant of 2.0MW in Jaisalmer, Rajasthan. AAC block plant commissioned in Jhajjar, Haryana.
2016-17	Commissioned CC sheet Unit at Balasore, Odisha and Dry-Mix Unit at Jhajjar, Haryana. HIL won Asia's Most trusted Building Material Company by IBC Info Media

Source: Company Presentation

HIL Ltd. - Management Details

Name	Designation	Details
Mr. C K Birla	Chairman	Mr. Chandra Kant Birla, aged 62, serves as the Non-Executive Chairman at Orient Cement Ltd, HIL Ltd, National Engineering Industries Ltd., AVTEC Ltd, Neosym Industries Ltd, The Indian Smelting And Refining Company Ltd, Orient Paper & Industries Ltd. and CK Birla Group. Mr. Birla is an Industrialist and has rich business experience. Mr. Birla studied B.A. degree. He person has worked in 7 different organizations across 10 different industries.
Mr. Dhirup Roy Chaudhary	Managing Director & CEO	Mr. Dhirup Roy Choudhary, aged 49, has been the Managing Director of HIL Ltd since January 16, 2017 and has been its Chief Executive Officer since April, 2017. Mr. Choudhary has extensive experience in managing businesses with international organizations. Mr. Choudhary is a Qualified Electrical & Electronics Engineer from Birla Institute of Technology, a leading engineering Institute in India. He has also done a Senior Management course from Indian Institute of Management, Ahmedabad, India. He person has worked different organizations across 2 different industries.
Mr. K. R. Veerapan	CFO	Mr. K. R. Veerappan, aged 50, has been the CEO of HIL Ltd since February, 2014 and served as its Compliance Officer until August, 2015. Mr. Veerappan served as Company Secretary of HIL Ltd until August, 2015. Mr. Veerappan is a CA from the Institute of Chartered Accounts, India. He has a B.Com degree from St. Xaviers College, Calcutta.

Source: Company, BP Equities Research

HIL Ltd.

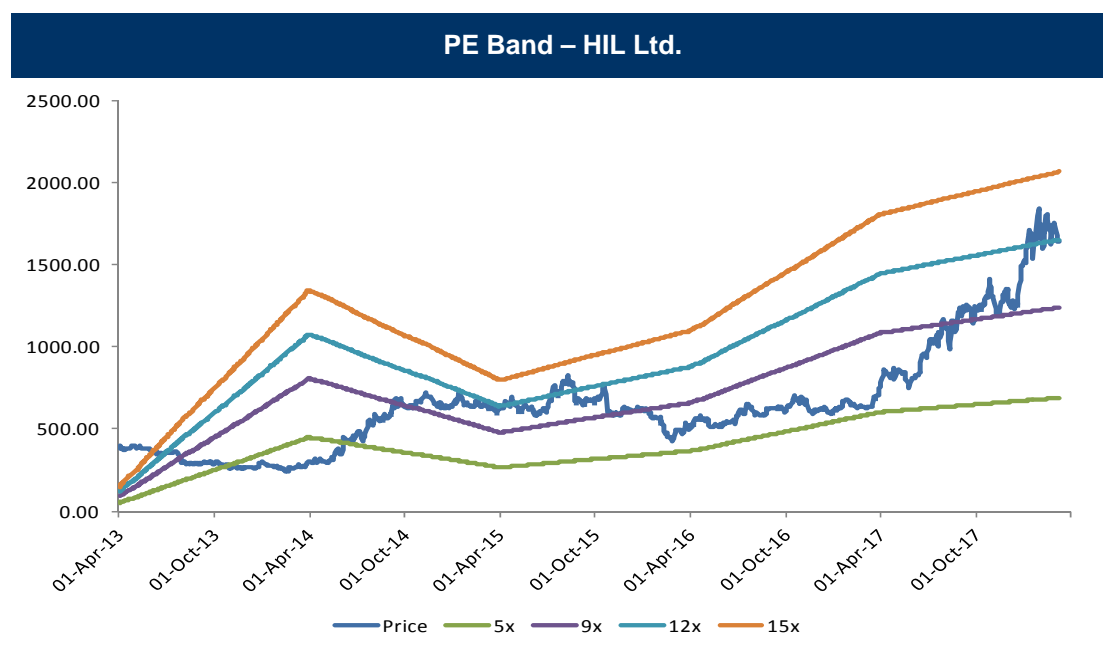
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⇒ Peer group comparison

Company	CMP	M Cap	P/E (x)		EPS (Rs.)		EV/EBITDA (x)		RoE (%)	
	(Rs.)	(Rs. Bn)	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
HIL Ltd	1650	12.3	12.0	10.0	137.6	164.3	6.7	5.7	16.6%	17.2%
Visaka Industries	637	10.1	13.5	12.2	47.2	52.4	4.3	3.6	10.9%	10.9%
Everest Industries	480	7.4	18.0	12.4	26.7	38.7	6.0	3.9	6.8%	9.1%

Source: BP Equities Research

⇒ PE Band



Source: BP Equities Research, Ace Equity

Key Risks and concerns

- ⇒ The increase in the asbestos prices is a key risk for the company as it is banned in most countries due to its chemical properties and it is one of the major raw materials for its products.
- ⇒ Any lack in creation of awareness of its products may lead to loss of market share further affecting its profitability.

HIL Ltd.

Initiating Coverage

Valuation and Outlook

Valuation	Basis	FY18E	FY19E	FY20E
HIL Ltd.				
EPS		120.5	137.6	164.3
Growth in EPS (YoY %)		65%	14%	19%
Implied PE		13.7x	12.0x	10.0x
Assigned PE		14	14	14
Target Price				2,301
(Assigned PEG Ratio considering next 3 years: 0.5)				
CMP				1,650
Upside Potential (%)				39.4%

Source: Company, BP Equities Research

We have valued this stock by assigning 14x to its FY20 earning estimates. We arrive at a target price of Rs 2,301 (potential upside of 39.4% from CMP) for an investment horizon of 15-18 months.

The fibre cement roofing industry is expected to grow at a rate of 9% according to KPMG market report where it is said that the warehousing industry will be the major demand driver going ahead. HIL being the market leader is set to capture this demand going forward. Coming to the AAC Blocks industry we expect that with the recent reduction in prices and also the reduction in taxes. We believe that the organized players will be in a favourable position and with better quality products HIL is well placed in the industry. The pipes and fittings industry in the previous 5 years has grown at a rate of 9.7% and as of today the industry size is around Rs. 800 crores. The pipes and fittings division of HIL contributes Rs. 40 crores to its topline which is 5% of the market share. With recent expansion of capacity in both of its plant and a totally new range of pressure and 'SWR' pipes, we expect the division to grow at a CAGR of 16% going forward. We also expect to see a good demand from rural India on account of increasing rural income due to the government push in the agricultural sector with schemes like MNREGA. With track record of strong operating cash flow, reducing working capital days and decent dividend payout, HIL looks attractive investment bet for a longer term perspective. We have valued the stock at 14x its FY20E earnings which is in line with the forward multiples of its peers Visaka Industries and Everest Industries and hence come with a target price of Rs. 2,301.



HIL Ltd.

Initiating Coverage

	Profit & Loss A/c							
YE March (Rs. mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Revenues	10,365	8,695	11,078	10,963	10,536	11,442	12,558	13,834
Growth %	20.8%	-16.1%	27.4%	(1.0%)	-3.9%	8.6%	9.8%	10.2%
Total Operating Revenue	10,365	8,695	11,078	10,963	10,536	11,442	12,558	13,834
Growth %		-16.1%	27.4%	(1.0%)	-3.9%	8.6%	9.8%	10.2%
Less:								
Raw Material Consumed	5,537	5,150	6,131	6,275	5,723	5,835	6,405	7,056
Power & Fuel Cost	730	523	557	517	511	542	574	608
Employee Cost	894	885	1,037	1,141	1,202	1,322	1,454	1,600
Other Manufacturing Expenses	612	467	547	565	602	644	686	727
General and Administration Expenses	432	389	622	420	431	453	471	490
Selling and Distribution Expenses	714	623	776	728	721	732	779	858
Miscellaneous Expenses	239	214	233	343	324	355	389	429
Total Operating Expenditure	9,157	8,251	9,903	9,990	9,514	9,883	10,758	11,767
EBIDTA	1,208	444	1,175	973	1,022	1,559	1,800	2,067
Growth %	-61.5%	-63.2%	164.6%	(17.2%)	5.0%	52.6%	15.5%	14.8%
Less: Depreciation	267	287	340	397	410	498	540	552
EBIT	941	157	834	576	612	1,061	1,260	1,515
Growth %	-67.9%	-83.3%	432.5%	(31.0%)	6.3%	73.3%	18.8%	20.2%
Interest Paid	106	102	58	92	52	38	16	1
Non-operating Income	79	80	176	144	243	267	294	323
Extraordinary Items	0	(36)	(33)	(28)	(69)	0	0	0
Profit Before tax	914	99	920	601	734	1,290	1,538	1,837
Tax	307	28	251	204	189	387	508	606
Net Profit before Minority	606	71	669	397	546	903	1,030	1,231
Minority Interest	0	0	0	0	0	0	0	0
Net Profit	606	71	669	397	546	903	1,030	1,231
Adjusted Profit	606	107	702	424	614	903	1,030	1,231
Reported Diluted EPS Rs	81.0	9.5	89.3	53.0	72.9	120.5	137.6	164.3
Growth %	0.1%	-88.2%	837.4%	-40.7%	37.6%	65.4%	14.2%	19.5%
Adjusted Diluted EPS Rs	81.0	14.3	93.7	56.6	82.0	120.5	137.6	164.3
Growth %	0.1%	-82.4%	556.8%	-39.6%	44.9%	46.9%	14.2%	19.5%

Source: Company, BP Equities Research

	Common Sized Profit & Loss Account							
YE March (Rs. mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less:								
Raw Material Consumed	53.4%	59.2%	55.3%	57.2%	54.3%	51.0%	51.0%	51.0%
Power & Fuel Cost	7.0%	6.0%	5.0%	4.7%	4.8%	4.7%	4.6%	4.4%
Employee Cost	8.6%	10.2%	9.4%	10.4%	11.4%	11.6%	11.6%	11.6%
Other Manufacturing Expenses	5.9%	5.4%	4.9%	5.2%	5.7%	5.6%	5.5%	5.3%
General and Administration Expenses	4.2%	4.5%	5.6%	3.8%	4.1%	4.0%	3.7%	3.5%
Selling and Distribution Expenses	6.9%	7.2%	7.0%	6.6%	6.8%	6.4%	6.2%	6.2%
Miscellaneous Expenses	2.3%	2.5%	2.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Total Operating Expenditure	88.3%	94.9%	89.4%	91.1%	90.3%	86.4%	85.7%	85.1%
EBIDTA	11.7%	5.1%	10.6%	8.9%	9.7%	13.6%	14.3%	14.9%
Less: Depreciation	2.6%	3.3%	3.1%	3.6%	3.9%	4.4%	4.3%	4.0%
EBIT	9.1%	1.8%	7.5%	5.3%	5.8%	9.3%	10.0%	10.9%
Interest Paid	1.0%	1.2%	0.5%	0.8%	0.5%	0.3%	0.1%	0.0%
Non-operating Income	0.8%	0.9%	1.6%	1.3%	2.3%	2.3%	2.3%	2.3%
Extraordinary Items	0.0%	-0.4%	-0.3%	-0.3%	-0.7%	0.0%	0.0%	0.0%
Profit Before tax	8.8%	1.1%	8.3%	5.5%	7.0%	11.3%	12.2%	13.3%
Tax	3.0%	0.3%	2.3%	1.9%	1.8%	3.4%	4.0%	4.4%
Net Profit before Minority	5.9%	0.8%	6.0%	3.6%	5.2%	7.9%	8.2%	8.9%
Minority Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Profit	5.9%	0.8%	6.0%	3.6%	5.2%	7.9%	8.2%	8.9%
Adjusted Profit	5.9%	1.2%	6.3%	3.9%	5.8%	7.9%	8.2%	8.9%

Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

Cash Flows								
YE March (Rs. Mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
PAT	606.4	71.3	668.6	396.6	545.6	902.7	1,030.5	1,230.9
Less: Non Operating Income	(78.8)	(80.0)	(176.2)	(144.2)	(242.8)	(267.1)	(293.8)	(323.2)
Add: Depreciation	267.1	287.2	340.2	397.4	409.5	498.3	540.3	552.3
Add: Interest Paid	106.1	102.3	57.7	91.7	51.8	38.3	15.8	0.8
Operating Profit before Working Capital Changes	900.8	416.4	923.6	769.2	833.0	1,172.2	1,292.8	1,460.8
(Inc)/Dec in Current Assets	(216.8)	484.3	(95.7)	(313.6)	86.4	(178.4)	(626.0)	(1,144.1)
Inc/(Dec) in Current Liabilities	(20.2)	401.3	228.8	(23.9)	170.1	33.7	248.9	285.9
Changes in Inventory	(612.8)	730.0	(467.9)	(20.0)	161.8	(132.3)	(214.0)	(244.8)
Net Cash Generated From Operations	51.0	2,032.0	588.8	411.8	1,251.3	895.2	701.6	357.9
Cash Flow from Investing Activities	0.0							
(Inc)/Dec in Fixed Assets	(520.4)	(656.5)	(1,241.8)	(590.4)	(90.9)	(400.0)	(700.0)	(200.0)
(Inc)/Dec in Capital Work In Progress	(24.9)	(137.9)	258.4	(37.1)	41.3	68.6	0.0	0.0
(Inc)/Dec in Investment (Strategic)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Inc)/Dec in Investment (Others)	1.9	(69.2)	9.0	41.1	(15.9)	0.0	0.0	0.0
Add: Non Operating Income Income	78.8	80.0	176.2	144.2	242.8	267.1	293.8	323.2
Net Cash Flow from/(used in) Investing Activities	(454.3)	(788.4)	(795.5)	(423.8)	36.2	(64.3)	(406.2)	123.2
Cash Flow from Financing Activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Total Loans	738.9	(1,052.2)	574.6	325.3	(890.6)	(100.0)	(300.0)	(200.0)
Inc/(Dec) in Reserves & Surplus	(1.7)	(1.7)	(17.5)	0.0	(43.4)	0.0	0.0	0.0
Inc/(Dec) in Equity	0.0	0.0	0.0	4.5	1.0	0.0	0.0	0.0
Dividend Paid	(149.3)	(37.3)	(149.3)	(130.6)	(74.6)	(150.0)	(150.0)	(150.0)
Less: Interest Paid	(106.1)	(102.3)	(57.7)	(91.7)	(51.8)	(38.3)	(15.8)	(0.8)
Adjustments	(51.4)	(27.3)	(103.0)	(57.9)	(84.8)	(0.0)	(0.0)	0.0
Net Cash Flow from Financing Activities	405.6	(1,262.7)	186.0	(4.5)	(1,228.2)	(288.3)	(465.8)	(350.8)
Net Inc/Dec in cash equivalents	2.3	(19.1)	(20.7)	(16.6)	59.3	542.6	(170.4)	130.2
Opening Balance	94.4	96.7	77.7	57.0	40.4	99.7	642.3	471.9
Closing Balance Cash and Cash Equivalents	96.7	77.7	57.0	40.4	99.7	642.3	471.9	602.1

Source: Company, BP Equities Research

HIL Ltd.

Initiating Coverage

	Balance Sheet (Consolidated)							
YE March(Rs. mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Liabilities								
Equity Capital	75	75	75	75	75	75	75	75
Share application money pending allotment	0	0	0	5	6	6	6	6
Reserves & Surplus	3,782	3,808	4,282	4,521	4,934	5,686	6,567	7,648
Equity	3,857	3,883	4,357	4,601	5,014	5,767	6,647	7,728
Preference Share Capital	0	0	0	0	0	0	0	0
Net Worth	3,857	3,883	4,357	4,601	5,014	5,767	6,647	7,728
Minority Interest								
Net Deferred tax liability/(Asset)	422	436	499	519	487	487	487	487
Total Loans	1,719	653	1,164	1,469	611	511	211	11
Capital Employed	5,997	4,971	6,020	6,589	6,112	6,764	7,345	8,226
Assets								
Gross Block	5,325	5,982	7,223	7,814	7,905	8,305	9,005	9,205
Less: Depreciation	1,925	2,185	2,422	2,762	3,086	3,585	4,125	4,677
Net Block	3,400	3,797	4,801	5,052	4,818	4,720	4,880	4,527
Capital WIP	193	331	73	110	69	0	0	0
Long Term Loans & Advances	148	217	208	167	183	183	183	183
Non Current Investments	108	112	110	91	232	232	232	232
Current Assets								
Inventories	2,466	1,736	2,204	2,224	2,062	2,194	2,408	2,653
Sundry Debtors	1,014	675	686	1,013	864	1,034	1,135	1,251
Cash and Bank Balance	97	78	57	40	100	642	472	602
Loans and Advances	389	249	324	343	224	229	251	277
Other Current Assets	52	47	57	23	26	28	31	34
Total Current Assets	4,018	2,784	3,327	3,644	3,455	4,309	4,978	6,497
Less:Current Liabilities & Provisions								
Sundry Creditors	849	1,269	1,390	1,252	1,465	1,381	1,503	1,644
Provisions	169	96	146	188	90	114	126	138
Other Current Liabilities	850	906	963	1,036	1,090	1,184	1,299	1,432
Total Current Liabilities & Provisions	1,869	2,271	2,499	2,476	2,646	2,679	2,928	3,214
Net Current Assets	2,148	514	828	1,169	810	1,629	2,050	3,283
Miscellaneous Assets	0	0	0	0	0	0	0	0
Capital Applied	5,997	4,971	6,020	6,589	6,112	6,764	7,345	8,226

Source: Company, BP Equities Research



HIL Ltd.

Initiating Coverage

Key Ratios (Consolidated)

YE March (Rs. mn)	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Key Operating Ratios								
EBITDA Margin (%)	11.7%	5.1%	10.6%	8.9%	9.7%	13.6%	14.3%	14.9%
Tax / PBT (%)	33.6%	27.9%	27.3%	34.0%	25.7%	30.0%	33.0%	33.0%
Net Profit Margin (%)	5.9%	0.8%	6.0%	3.6%	5.2%	7.9%	8.2%	8.9%
RoE (%)	16.7%	2.8%	17.0%	9.5%	12.8%	16.7%	16.6%	17.1%
RoCE (%)	18.3%	3.0%	16.1%	9.6%	10.3%	18.2%	20.3%	24.5%
Current Ratio (x)	2.1x	1.2x	1.3x	1.5x	1.3x	1.6x	1.7x	2.0x
Dividend Payout (%)	28.7%	61.2%	26.5%	39.6%	16.5%	16.6%	14.6%	12.2%
Book Value Per Share (Rs.)	514.9	518.4	581.7	614.3	669.5	770.0	887.5	1,031.8
Financial Leverage Ratios								
Net Debt/ Equity (x)	0.4x	0.1	0.3	0.3	0.1	(0.0)	(0.0)	(0.1)
Interest Coverage (x)	11.4x	4.3x	20.4x	10.6x	19.7x	40.7x	113.9x	2569.1x
Interest / Debt (%)	7.7%	8.6%	6.3%	7.0%	5.0%	6.8%	4.4%	0.7%
Growth Indicators %								
Growth in Gross Block (%)	10.8%	12.3%	20.8%	8.2%	1.2%	5.1%	8.4%	2.2%
Sales Growth (%)	20.8%	(16.1%)	27.4%	(1.0%)	(3.9%)	8.6%	9.8%	10.2%
EBITDA Growth (%)	12.4%	(63.2%)	164.6%	(17.2%)	5.0%	52.6%	15.5%	14.8%
Net Profit Growth (%)	0.1%	(88.2%)	837.4%	(40.7%)	37.6%	65.4%	14.2%	19.5%
Diluted EPS Growth (%)	0.1%	(88.2%)	837.4%	(40.7%)	37.6%	65.4%	14.2%	19.5%
Turnover Ratios								
Debtors (Days of net sales)	33	35	22	28	33	33	33	33
Creditors (Days of Raw Materials)	30	53	46	42	51	51	51	51
Inventory (Days of Optg. Costs)	87	73	73	74	71	70	70	70

Source: Company, BP Equities Research



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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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