

Pilani Investment

₹ 1433

*Less than its Worth!***Buy**

Gateway to Prosperity

May 15, 2015

Company Background

Pilani Investment and Industries Corporation Limited is an Investment Company registered with Reserve Bank of India as a Non-Banking Financial Company without accepting public deposits. It was incorporated on 9th August, 1948 and remains one of the flagship holding company of the Birla Conglomerate and is a high dividend paying company. The overall market cap of the company is far less than the market cap of all its listed equity investments plus a recent news about restructuring BK Birla Group companies has generated a wholesome interest in Pilani from inside the Birla Circle itself.

Key Highlights

- Pilani Investment and Industries Corporation Ltd has informed BSE that a meeting of the Board of Directors of the Company will be held on May 27, 2015, inter alia, to consider Audited Financial Results for the year ended March 31, 2015 and to recommend dividend on Equity Shares. The previous history shows a dividend track of 250%.
- Pilani Investment has a large significant holding in Birla Group companies viz. Aditya Birla Chemicals, Century Textiles, Grasim Industries, Hindalco, Aditya Birla Nuvo, Jay Shree Tea, Kesoram Industries, Ultratech Cement, Mangalam Cement, Tanfac Industries, Zuari Global and Zuari Agro Chemicals. A major chunk of it is in Cement Companies or Companies which have strong cement divisions. Given the governments focus on Infra and the demand which may surge after the Nepal Earthquake. The company's investment would grow strongly in the years to come.
- It is estimated that Kumar Mangalam Birla is set to tighten his grip over Century Textiles & Industries and Century Enka by soon taking over as chairman of the two companies owned by grandfather Basant Kumar Birla. He already chairs the board meetings of Century in the absence of 92-year-old family patriarch BK Birla, owns a 51% stake in Pilani Investments. In line with his interests Kumar Birla has been buying shares of Pilani Investments, which owns 37% of Century Textiles. His formal accession will bring both companies under the Aditya Birla Group that he controls.

Key Financials

Year Ended 31 st	Mar 12	Mar 13	Mar 14
Revenue (INR mn)	475.0	1,965.6	667.7
Rev. growth (%)	(1.8)	313.8	(66.0)
EBITDA (INR mn)	437.7	1,943.2	637.6
Net profit (INR mn)	427.6	1,589.4	599.7
Shares outstanding (mn)	7.9	7.9	7.9
EPS (INR)	54.1	200.9	75.8
EPS growth (%)	(2.6)	271.7	(62.3)
P/E (x)	28.3	6.8	14.0
RONW (%)	6.3	21.5	7.3
ROA (%)	6.1	20.2	6.7

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Info Codes

Reuters	: PILN.BO
Bloomberg	: PIICL@IN
NSE	: PILANIINV
BSE	: 590121

Market Data

52 Wk Range (₹)	: 1200 / 1624
Shares in Issue (mn)	: 7.9
Mkt. Cap (₹ bn)	: 11.38
BSE 2 Wk Avg Vol	: 443

Share Holding Pattern (%)

Promoters	: 57.55
FIs	: 0.00
DIs	: 0.25
Others	: 42.20

Investment Theme

Pilani is an NBFC (non-banking financial company) promoted by the Birla Conglomerate. The company is playing the role of a holding company for most of the Birla Group companies like Grasim, Ultratech etc. The company's activities primarily consist of investing in long-term investments in equity shares & other securities of Birla Group companies in a range of industries. The major sources of income for the company consists of dividend income and profit on sale of investments. The company also has investments mutual funds and other investment-related securities. The total portfolio value of the company is more than the total market cap of the company. We therefore feel its highly undervalued and looking at the interest generated in some of the birla scions for the company we recommend a buy.

Invest in the Company that has already a good set of investments !

Financial Statements

Income Statement

	(₹ mn)				
Year end	Mar 12	Mar 13	% Chg	Mar 14	% Chg
Income from Fin. Serv	448.0	1948.8	335.00	649.0	(66.70)
Other Income	27.0	16.8	(37.78)	18.7	11.31
Change in Stocks	0.0	0.0	-	0.0	-
Raw Material Con.	0.0	0.0	-	0.0	-
Employee Exp.	6.8	8.1	19.12	9.2	13.58
Indirect Taxes	0.7	2.2	214.29	2.2	0.00
Other Exp.	21.7	11.9	(45.16)	16.8	41.18
Operating Exp.	29.2	22.2	(23.97)	28.2	27.03
Operating Profit	418.8	1926.6	360.03	620.8	(67.78)
Total Interest	0.0	0.0	-	0.0	-
Gross Profit	445.8	1943.4	335.94	639.5	(67.09)
Net Dep.	11.9	2.7	(77.31)	1.6	(40.74)
Total Taxation	6.3	351.3	5476.19	38.2	(89.13)
Net Profit/Loss	427.6	1589.4	271.70	599.7	(62.27)

4 Years Balance Sheet

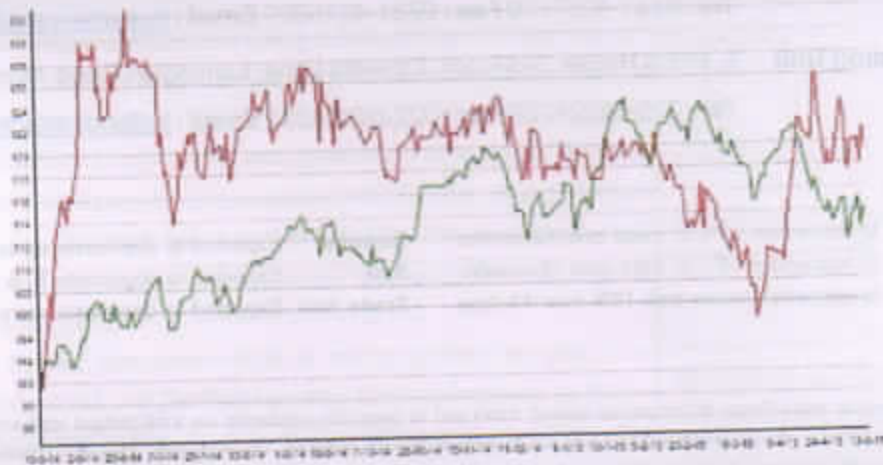
	(₹ mn)			
Balance Sheet as on 31 st	Mar 11	Mar 12	Mar 13	Mar 14
SOURCES OF FUNDS	6,519.1	6,716.9	8,074.7	8,443.1
Equity Share capital	79.1	79.1	79.1	79.1
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	6,440.0	6,637.8	7,995.6	8,364.0
Long Term Loans	0.0	0.0	0.0	0.0
Short Term Loans	0.0	0.0	0.0	0.0
USES OF FUNDS	6,519.1	6,716.9	8,074.7	8,443.1
Gross Block	0.9	1.7	1.0	1.0
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	0.6	0.7	0.4	0.5
Net Block	0.3	1.0	0.6	0.5
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	6,702.8	6,791.0	7,195.7	7,940.7
Current Assets	56.5	224.1	1,535.7	1,199.5
Less : Current Liabilities	240.5	299.2	657.3	697.6
Total Net Current Assets	(184.0)	(75.1)	878.4	501.9
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	21.4	9.9	4.3	10.3
Mkt Val. Quoted Investments	37,942.5	35,950.3	32,109.4	38,195.2
Contingent Liabilities	3.9	8.9	26.2	33.6
Dividend (%)	100	250	250	250

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 14	Sep 14	Dec 14	Mar 15
Income from Operations	136.0	40.7	383.1	40.5
Operational Expenses	6.0	5.8	6.7	5.5
Operating Profit	130.0	34.9	376.4	35.0
Recurring Income	11.3	1.9	0.0	0.0
Adjusted PBDIT	141.3	36.8	376.4	35.0
Financial Expenses	0.0	0.0	0.0	0.0
Depreciation	0.3	0.3	0.3	0.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	141.0	36.5	376.1	34.7
Tax Charges	18.4	7.5	8.2	7.6
Adjusted PAT	122.6	29.0	367.9	27.1
Non Recurring Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	122.6	29.0	367.9	27.1

52 Week Index Relative Percentage Appreciation



Pilani vs SENSEX

Points to Ponder

As on May 14, 2015 the total market value of Investment of Pilani Industries is Rs. 51.29 bn while the current market capitalisation of the company is Rs. 11.38 bn. Further this doesn't consider the non listed investment value and the real estate plus the heavy mutual fund investments in the company. Overall as a general rule with most investment companies the market cap of the investment company is usually at a 50% discount to the holding value. This leaves up a 2x margin between the current prices of Pilani and its potential.

Risks Associated

Pilani is an Investment Company and risk of the company consists principally of investment in shares and securities, loans and trade accounts receivable and investment in Mutual Funds. The portfolio value cannot be directly construed as a networth of the company. Further any risks and losses of the companies invested in directly transfer themselves into Pilani. The overall macroeconomic environment will also indirectly cause a positive negative effect on the company. So will the overall market sentiment and the approach of fund managers.

Pilani

In a Nutshell

Pilani is an investment Company of the Birla Conglomerate with significantly large holding of Birla Group companies like Aditya Birla Chemicals, Century Textiles, Grasim Industries, Hindalco, Aditya Birla Nuvo, Jay Shree Tea, Kesoram Industries, Ultratech Cement, Mangalam Cement, Tanfac Industries, Zuari Global and Zuari Agro Chemicals. Most of these companies have significantly appreciated in the last two quarters and therefore the consolidated market cap of the listed equity investments of Pilani as on May 14, 2015 has crossed the Rs 51 bn mark. This figure doesn't contain the real estate if any and the value of unlisted companies held by the company and also the nearly 2.04 Cr units of 16 different Mutual Funds and other investment schemes held by Pilani. It can therefore be inferred that as compared to the investment held by Pilani the market price is at a far discounted rate. The restructuring of the BK Birla Companies Conglomerate has also generated new interest in Pilani from the Birla Circles. Further it is estimated that the companies especially the cement companies held by Pilani will grow at a significantly fast pace on the Infra Policies in India and considering the demand after the earthquake in Nepal. If we discount the current equity holding marketcap by 50%, we feel Pilani still has a 2x scope of growth. We therefore initiate a buy on the stock.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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