

Pilani Investment

₹ 1415

Get it at Quarter Value !**Buy**

Sep 23, 2016

Company Background

Pilani Investment and Industrial Corporation Limited (Pilani) 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 awesome interests in Pilani from inside the Birla Circle itself.

Key Highlights

- ➔ Pilani has always been a high dividend paying company with a record of 250% dividend payment every year which was again reiterated this year.
- ➔ 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. 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 his 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 Mangalam 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.
- ➔ The total Market Cap of Pilani as on date is 11 bn while the total value of Quoted Securities has crossed the 48.72 bn mark, This means the Market Price is grossly undervalued at nearly 4 times the value underneath. This fact of Pilani makes it a really good investment.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	667.5	507.2	466.1
Rev. growth (%)	(66.04)	(24.01)	(8.10)
EBITDA (INR mn)	1,940.9	639.5	443.6
Net profit (INR mn)	599.7	424.2	389.1
Shares outstanding (mn)	7.9	7.9	7.9
EPS (INR)	71.6	48.6	44.1
EPS growth (%)	(63.62)	(32.16)	(9.15)
P/E (x)	14.83	26.92	30.61
RONW (%)	7.26	4.97	4.47
ROCE (%)	7.72	5.18	4.61

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: PILN.BO
Bloomberg	: PIICL:IN
NSE	: PILANIINV
BSE	: 50121

Market Data

52 Wk Range (₹)	: 1220 / 1519
Shares in Issue (mn)	: 7.9
Mkt. Cap (₹ bn)	: 11.19
BSE 2 Wk Avg Vol	: 450

Share Holding Pattern (%)

Promoters Holding	: 57.55
Corporate Holding	: 00.00
Domestic Institution	: 00.25
Foreign Institution	: 00.00
Public & 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 investments. The major sources of income for the company is through 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 biria scions for the company we recommend a Buy on Pilani.

Invest in the Invested

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Income from Fin. Serv.	639.2	505.3	26.50	466.0	8.43
Other Income	28.3	1.9	1,389.47	0.1	1,800.00
Change in Stocks	-	-	-	-	-
Raw Material Con.	-	-	-	-	-
Employee Exp.	9.1	10.5	(13.33)	11.6	(9.48)
Indirect Taxes	-	-	-	-	-
Other Exp.	2.7	2.4	12.50	5.3	(54.72)
Operating Exp.	16.3	50.7	(67.85)	45.6	11.18
Operating Profit	639.4	443.6	44.14	403.6	9.91
Total Interest	-	-	-	-	-
Gross Profit	639.4	443.6	44.14	403.6	9.91
Net Dep.	1.6	1.3	23.08	2.1	(38.10)
Total Taxation	38.2	18.1	111.05	12.4	45.97
Net Profit/Loss	599.6	424.2	41.35	389.1	9.02

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	8,074.7	8,443.1	8,629.3	8,780.4
Equity Share Capital	79.1	79.1	79.1	79.1
Equity Application Money	0.0	0.0	0.0	0.0
Preference Shares Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	7,995.6	8,364.0	8,550.2	8,701.3
Long Term Loan	0.0	0.0	0.0	0.0
Short Term Loan	0.0	0.0	0.0	0.0
USES OF FUNDS	8074.7	8443.1	8629.3	8780.4
Gross Block	1.0	1.0	1.0	1.0
Less: Revaluation Reserves	0.0	0.0	0.0	0.0
Less: Accumulated Depreciation	0.4	0.6	0.7	0.8
Net Block	0.6	0.4	0.3	0.2
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	7195.7	7940.8	8080.5	8863.6
Current Assets	1128.4	759.2	814.0	203.6
Less: Current Liabilities	250.0	257.3	265.5	287.0
Total Net Current Assets	878.4	501.9	548.5	(83.4)
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	2232.4	1351.4	1487.6	2246.1
Mkt Val Quoted Investments	29,879.90	36846.7	52249.5	48713.4
Contingent Liabilities	0	33.6	36.2	24.7
Dividend (%)	250	250	250	250

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 15	Dec 15	Mar 16	Jun 16
Operating Income	359.60	25.10	19.70	64.50
Other Operating Income	4.50	11.50	6.60	5.20
Employee Expenses	2.60	2.60	3.70	2.90
Selling & Administrative Expenses	3.90	14.50	22.50	1.80
Other Expenses	(0.20)	4.30	2.40	1.60
Operating Profit	357.80	15.20	(2.30)	63.40
Financial Expenses	0.00	0.00	0.00	0.00
Other write offs	0.00	0.00	0.00	0.00
Depreciation	0.50	0.50	0.60	1.60
Adjusted PBT	357.30	14.70	(2.90)	61.80
Tax Charge	4.20	4.00	(0.40)	10.30
Reported Profit After Tax	353.00	10.80	(2.50)	51.60
Extra-ordinary Items	0.00	0.00	0.00	0.00
Adjusted Profit After Extra-ordinary item	353.00	10.80	(2.50)	51.60

52 Week Index Relative Percentage Appreciation



Pilani vs SENSEX

Points to Ponder

As on March 31, 2016 the total market value of Quoted Investment of Pilani Industries is Rs 48.72 bn while the current market capitalisation of the company is Rs 11 bn Further this doesnt 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 4 quarters and therefore the consolidated Market Cap of the listed Equity Investments of Pilani as on March 21, 2016 has crossed the 48.72 bn mark. It is also required to be noted that this figure doesn't contain the real estate holding if any and the value of unlisted companies held by Pilani. The figure also does not give effect of the 20 mn plus units of 16 different Mutual Funds and other Investment Scheme which Pilani is holding. It can therefore be inferred that as compared to the market value of investment held by Pilani the Market Price of the company is at a very 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. Even 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.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : im@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

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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