

# SAINT GOBAIN SEKURIT INDIA LTD. (SGSIL)

## Stock Performance Details

<b>Current Price</b>	<b>: Rs. 37.55**</b>
Face Value	: Rs. 10 per share
52 wk High / Low	: Rs. 70.0 / Rs. 33.0
Total Traded Volumes	: 1,05,000 shares**
Market Cap	: Rs. 342 crore**
Sector	: Auto Ancillary - Glass & Construction Material
EPS (FY12)	: Rs. 0.75 per share
P/E (TTM)	: 63.90 (x)^
P/BV (TTM)	: 4.66 (x)^
Financial Year End	: 1 <sup>st</sup> April - 31 <sup>st</sup> March
BSE Scrip Name	: SAINTGOBAIN
BSE Scrip Code	: 515043

\*\*as on 12<sup>th</sup> September, 2012; ^ as on June 2012

## Shareholding Details - June 2012

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	2,23,25,410	85.77
Total Institutional Holdings (FIIs & DIIs)	14,700	0.02
Public Holdings	1,29,52,064	14.22
<b>Total</b>	<b>9,11,05,700</b>	<b>100.00</b>

## Strategy Focus

- The Company has made investments in both the Bhosari and Chakan plants to modernise its operations, increase capacity and improve efficiency and technical performance to match the international standards.
- Saint Gobain Glass India Ltd. in respect of the voluntary delisting of the equity shares of Saint-Gobain Sekurit India pursuant to Delisting Regulations had proposed to acquire the balance 14.23% shares listed on the BSE. However, the voluntary de-listing offer could not sail through on account of the shortfall in the minimum required quantity as per regulatory guidelines. The company thus continues to remain listed on the BSE.

The total number of Equity Shares tendered by the Public Shareholders in the Delisting Offer at or below the Discovered Price is 4,884,848, which is less than the minimum number of Equity Shares required to be acquired by the Acquirer (Saint Gobain Glass India & Saint Sekurit Gobain SA France.)

## Background

- Saint-Gobain Sekurit India Ltd. (SGSIL) is a subsidiary of Saint-Gobain Sekurit S. A. France, which is part of Compagnie de Saint-Gobain, a transnational Group, headquartered in Paris. It clocked sales of Euros 42 billion in 2011.
- The Saint-Gobain group's business falls into five broad sectors of activity : Construction Products, Flat Glass, Packaging, Building Distribution and High Performance Materials. Of these five, SGSIL's operations are a part of the Flat Glass sector.
- The company manufactures glass of various types like Acoustic Glass, Anti-Heat Glass, Dark Tinted Glass, Electrochromatic Glass, Heatable Glass, Hydrophobic Glass and Laminated Glass.
- SGSIL is in the business of processing of glass to cater to the Automobile sector.
- Within the Automobile Segment, the company caters to the Automobile manufacturers (OEMs) across vehicle segments as well as in the Replacement Market.
- SGSIL has two plants in Pune which is now an automotive hub of the Western India. One plant is located at Bhosari and the other at Chakan. Both these plants are certified for ISO 14001:2004 and OHSAS 18001.
- The company's products are fitted on the body of any automobile. Typically, these glasses are either Laminated or Tempered. Normally, all windshields are Laminated and the other glasses (Backlites and Sidelites) are Tempered.
- The Laminated Glasses are manufactured in Chakan while the Tempered Glasses are produced in Bhosari.

**Financial Snapshot**

Particulars	Standalone Financials (Rs. In Million)		
	FY12	FY11	FY10
<b>Income Statement</b>			
Net Sales / Income from Operations	1,042.1	939.4	841.2
<b>Expenses</b>			
Cost of material consumed	499.3	480.2	430.9
Change in Inventories	(7.4)	(4.5)	23.4
Employee Benefit Expenses	80.4	75.4	65.9
Administrative & Other Expenses	299.6	227.1	196.4
<b>EBIDTA</b>	<b>170.2</b>	<b>161.2</b>	<b>124.6</b>
Depreciation & Amortization	75.4	60.3	66.0
Finance Costs / Interest Expense	5.0	4.1	14.3
Other Income	11.4	5.5	6.1
<b>Profit After Tax (PAT)</b>	<b>68.4</b>	<b>100.0</b>	<b>50.4</b>
<b>Key Ratios - Income Statement</b>			
EBIDTA Margin (%)	16.3	17.2	14.8
PAT Margins (%)	6.6	10.6	6.0
<b>Balance Sheet</b>			
Networth	725.1	656.7	556.7
Non - Current Liabilities / Loan Funds	-	-	107.7
Non Current Assets / Fixed Assets	573.5	466.3	477.1
Inventories	101.8	87.0	88.3
Debtors	139.3	169.3	125.9
<b>Key Ratios - Balance Sheet</b>			
Debt : Equity (x)	-	-	0.3
Book Value (BV) (in Rs.)	8.0	7.2	6.1
Return on Capital Employed (ROCE) (%)	10.2	9.8	5.4
Return on Equity (ROE) (%)	6.7	9.8	4.9
Debtors Turnover Ratio (x)	7.5	7.0	6.8
Inventory Turnover Ratio (x)	12.2	11.8	9.3
<b>Valuation Ratios</b>			
P/E (x)	59.6	20.5	38.6
P/BV (x)	5.6	3.1	3.5
EV / EBDITA (x)	22.4	12.3	15.6
Market Cap / Sales (x)	3.54	1.98	2.12

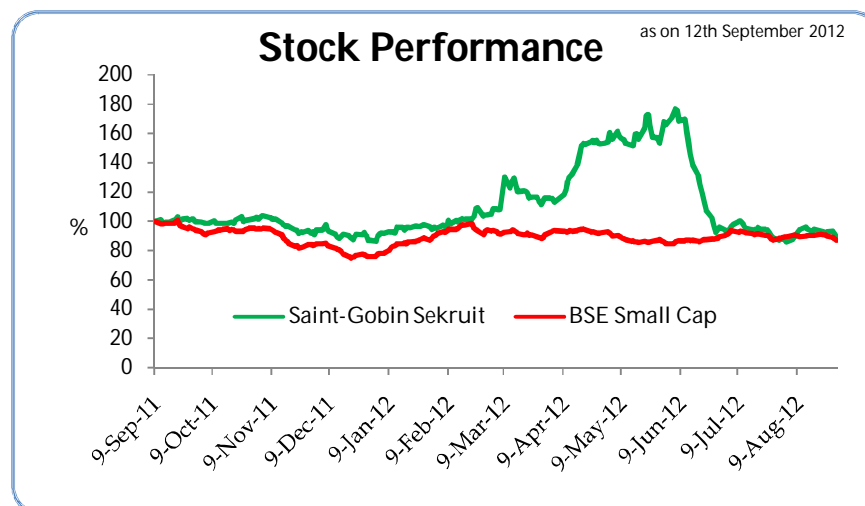
Source : Capitaline Database, as on 31<sup>st</sup> March, 2012

**From the Research Desk of LKW's Gurukshetra.com**

- The company reported an increase of 11% in the net sales for FY2012 which stood at Rs. 1150.8 million as compared to Rs. 1037.2 million in the previous fiscal. The increase has been on account of improved business traction in the commercial vehicle and three wheeler market segments in the Automobile industry, which witnessed a sharp fall in growth for the period under review.
- In terms of technological advancement, both the Chakan and Bhosari plants in Pune, Maharashtra have been able to show progress in technical performance on account of improved technical assistance and support from the parent company's international technical team.

- Though sales grew at a slower than expected pace, the total cost of production increased by 12% to Rs. 879.3 million in FY2012. This brought the EBITDA and the PAT margins under pressure for the period under review. The power and fuel costs which are a major cost component too have increased.
- Further, the rise in cost of manufacturing for the period under review rose due to a general inflationary scenario, demand deceleration in the automobile segment and Rupee depreciation. Nevertheless, the impact of these increased costs was contained to an extent as the company was able to pass on the rise in input costs to its customers.
- For FY2012, the Profit After Tax stood at Rs. 68.4 million indicating a decline of 31.6% y-o-y. This has also been on account of an increase in depreciation and amortization charges which, as a percent of sales, have increased to 7.4% from 6.2% in FY2011.
- The company is a debt free company which augurs well for the company over the longer term. Moreover, in terms of working capital ratios, the Debtor Turnover & Inventory Turnover ratio has improved indicating cost control and other channel check measures adopted by the management.
- In Q1 FY13, the company's sales increased marginally by 5.1% at Rs. 247.10 million as compared to Rs. 235.10 million for the corresponding quarter in the previous fiscal. However, in terms of costs the company has witnessed an increase in the power & fuel costs by over 25% and other expenses by close to 52% on a y-o-y basis.
- The company has strong parental backing, which is an established player in the Automotive Glass business and known in the market for providing quality, being able to cater to growing demands of Auto Makers given the proximity of its manufacturing plants and providing cost efficient products. Further, the requirement of high capital investment ensures entry only to players with big scale and size of business operations. However, its fortunes are dependent on the Automobile sector which is the end user industry. Thus, given the current scenario where the Automobile industry has witnessed deceleration in demand, the growth prospects of SGSIL too are likely to be impacted.
- French building materials company Saint Sekurit Gobain S A France along with Saint Gobain Glass India owned 85.77% stake in the company at the end of June 2012 quarter.

### Performance on the Bourses



## Peer Comparison

While, the company is a leading player in the automotive glass segment and is part of the transnational Saint Gobain Glass Group, the below table provides a snapshot of the financial performance for FY2012 vis-à-vis its peers.

(Rs. In million)

Particulars	Standalone Financial		
	Saint Gobain Sekurit	Sezal Glass	Asahi India Glass
Net Sales	1,042	475	16,457.4
EBIDTA	170	-517	1,752.5
PAT	68	-526	-587.3
EBIDTA Margins (%)	16.33	NM	10.65
PAT Margins (%)	6.56	NM	NM
P/E (x) **	63.9	NA	NA
P/BV (x) **	4.66	0.22	6.01
Debt : Equity (x)	-	2.56	3.88
EV / EBIDTA (x)**	20.61	NA	10.63

Source : Capitaline Database; \*\* TTM – as on June 2012; NM – Not Meaningful; NA – Not Applicable

## About the Industry

The Indian Auto Components Industry derives its growth impetus from the growth in demand in the Automobile Industry. It is currently valued at USD 30 billion and is estimated to grow to USD 100 billion by 2020. This translates into a CAGR growth of over 12-15 per cent as per Automotive Components Manufacturers Association (ACMA). Further, Indian share in world auto components is estimated to grow over 3 per cent by 2015-16 against a meager 0.4 per cent in 2003-04.

India's car industry has been struggling since the start of the decade as India's previously rapid GDP growth has slowed down, even as the RBI raised interest rates to fight inflation.

Automakers sold 118,142 cars in August 2012, down 18.6 percent from a year ago, according to data released on 10th September, 2012 by Society of Indian Automobile Manufacturers, SIAM.

The group has already cut its fiscal year growth estimate to 9-11 percent from its previous projection of 10-12 percent.

The slow down witnessed by the Automobile Industry has impacted the demand sentiments for the Auto Component Industry as well. However, an expected pick-up in growth for the Automobile industry over the longer term is expected to eventually drive growth for the auto component sector including the glass manufacturing segments

The peer group includes companies like Asahi Glass which have reasonable scale and cater specifically to the auto component space.

## Outlook

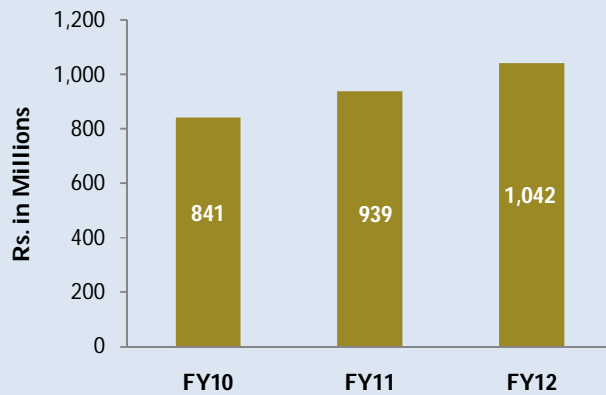
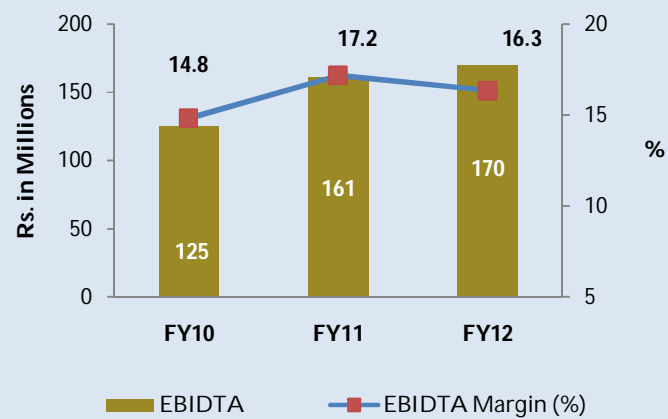
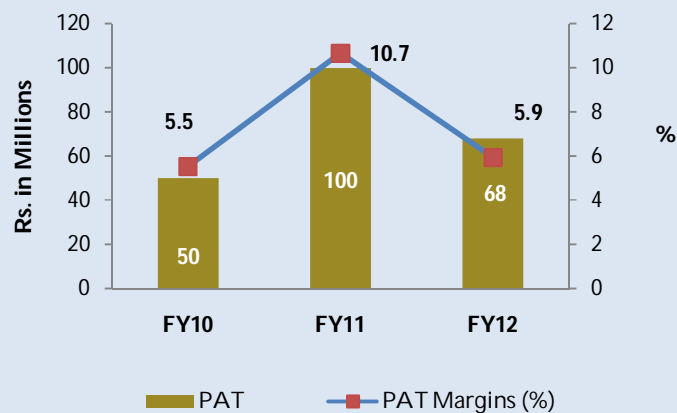
The company has posted an increase in sales y-o-y. However, cost pressures are weighing on the profitability and the overall operational performance.

At the domestic level the issues of economic slowdown, currency fluctuations, high inflation and interest costs would continue to impact growth rates until such time as there is reversal of trend in the economic scenario and in turn, in the auto sector which is its primary end user industry.

However, as it is part of the auto components industry within the overall automotive industry, which is emerging as one of the most preferred destination for Automobile Manufacturers across the globe, the long term outlook remains positive.

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**Financial Graphs**
**Net Income from Operations**

**EBITDA & EBITDA Margins**

**PAT & PAT Margins**


**Disclosure**

Each member of the team involved in the preparation of this report, hereby affirms that there exists no conflict of interest.



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