



## Nagarjuna Construction

STOCK INFO.	BLOOMBERG
BSE SENSEX: 14,986	NJCC IN
	REUTERS CODE
S&P CNX: 4,356	NGCN.BO

2 August 2007

Buy

Previous Recommendation: Buy

Rs182

Equity Shares (m)	208.5
52-Week Range	236/125
1,6,12 Rel. Perf. (%)	-6/-20/-1
M.Cap. (Rs b)	37.9
M.Cap. (US\$ b)	0.9

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/07A	28,711	1,335	6.4	26.1	28.4	3.7	13.5	14.9	1.6	17.4
3/08E	38,098	1,784	8.6	33.6	21.3	3.2	16.1	14.6	1.3	13.0
3/09E	52,780	2,527	12.1	41.7	15.0	2.7	19.7	17.4	1.0	9.7

- 1QFY08 Performance above expectation:** During 1QFY08, Nagarjuna Constructions reported revenues of Rs7.6b (up 16.9% YoY), EBIDTA of Rs794m (up 44.3% YoY) and Net profit of Rs360m (up 10.4% YoY). While revenue growth at Rs7.6b (16.9% YoY) was lower than our estimate of Rs8.8b, EBIDTA margins at 10.4% was higher than our estimate of 8.8%. Net profit at Rs360m was in line with our expectation of Rs347m.
- Foray into new verticals to aid to future revenue growth:** NCC has forayed into three new business verticals as a part of its strategy to broad base its revenue stream. This includes developing EPC capabilities for Metals Industry, Oil & Gas and Power Sector. It has tied up with POSCO of South Korea for its foray into Metals industry and Naftogaz for Oil & Gas industry (floated a JV with 70% stake). It plans to go on its own for EPC work for the balance of plant work for the power generation project as it has necessary pre-qualifications in place. The company expects that these initiatives would contribute to the order book and revenues in FY09.
- Key Takeaways from conference call:** 1) Robust FY08 guidance: Revenue Rs37.5b and Rs2.5b for NCC Urban Infrastructure, EBIDTA margin of 10-10.5%, NPM of 5.25-5.5%, 2) Development agreement for integrated township project on 400 acres at Hyderabad to be signed on 10th August, 2007 3) Development agreement for Machilipatnam port project expected to be signed over next 2 months.
- Valuation and view:** We expect Nagarjuna Constructions to report net profit of Rs1.8b during FY08 (up 33.6% YoY) and Rs2.5b in FY09 (up 41.7% YoY). At the CMP of Rs182, the stock quotes at reported PER of 28.4x FY07, 21.3x FY08E and 15x FY09E. Adjusted for the value of BOT projects (Rs12/sh), Real Estate (Rs26/sh) and Investments (Rs10/sh), the stock quotes at PER of 21.1x FY07, 15.8x FY08E and 11.1x FY09E. Maintain **Buy**, with price target of Rs229 per share.

Y/E MARCH	(Rs Million)									
	FY07				FY08E				FY07	FY08E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Sales</b>	6,517	6,517	6,998	8,679	7,622	8,797	10,147	11,532	28,711	38,098
Change (%)	81.4	77.0	48.1	35.5	16.9	35.0	45.0	32.9	56.0	32.7
<b>EBITDA</b>	550	618	802	727	794	861	1,100	1,177	2,697	3,930
Change (%)	97.8	63.0	75.5	36.9	44.3	39.3	37.1	61.8	64.4	45.7
As of % Sales	8.4	9.5	11.5	8.4	10.4	9.8	10.8	10.2	9.4	10.3
Depreciation	58	69	76	96	104	108	115	121	299	448
Interest	57	96	185	166	145	228	275	329	504	977
Other Income	8	10	5	270	4	15	15	27	292	61
<b>PBT</b>	443	462	546	735	548	540	725	754	2,186	2,566
Tax	59	69	97	443	187	162	217	216	667	783
Effective Tax Rate (%)	13.3	14.9	17.8	60.2	34.2	30.0	30.0	28.6	30.5	30.5
<b>Reported PAT</b>	384	393	449	293	360	378	507	538	1,519	1,784
<b>Adj PAT</b>	326	334	359	339	360	378	507	538	1,358	1,784
Change (%)	70.3	59.9	33.9	-3.1	10.4	13.0	41.4	59.0	30.7	31.3

E: MOST Estimates

**1QFY08 Performance above estimates**

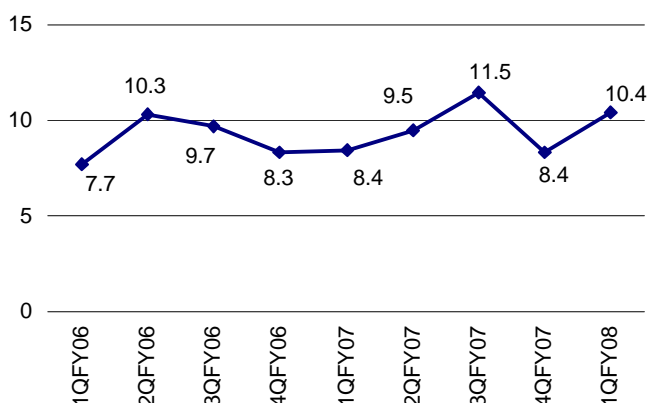
During 1QFY08, Nagarjuna Constructions reported revenues of Rs7.6b (up 16.9% YoY), EBIDTA of Rs794m (up 44.3% YoY) and Net profit of Rs360m (up 10.4% YoY). While revenue growth at Rs7.6b (16.9% YoY) was lower than our estimate of Rs8.8b, EBIDTA margins at 10.4% was higher than our estimate of 8.8%. Net profit at Rs360m was in line with our expectation of Rs347m.

The revenue booking in 1QFY08 was impacted due to 1) loss of one month of work at Mascut road project due to the flood, and 2) land acquisition delay at the client's end for one of its domestic project. The management is however confident of achieving a revenues of Rs37.5b for FY08. The Company has booked revenues of Rs105m from the real estate division in 1QFY08. It is mainly from the Ranchi project for which the total outstanding work was Rs500m as of March 2007.

**EBIDTA margins expansion to continue**

During 1QFY08, EBIDTA margins for the company stood at 10.4% vs. 8.4% during 1QFY07. The key reason for improvement in EBIDTA margin is due to change in revenue mix towards the higher margin segments and savings on the equipment hire changes front as company has invested significantly in equipments in FY07 (capex of Rs1404m). We believe that increasing contribution from the Buildings segment led to significant improvement in EBIDTA margins. The share of Buildings segment in the revenue mix increased to 31% for 1QFY08 vs 13.3% in 1QFY07.

TREND IN EBIDTA MARGIN



Source: Company/Motilal Oswal Securities

TREND IN SEGMENT-WISE REVENUE COMPOSITION (RS M)

	FY06	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08
Roads*	4,011	1,594	1,402	2,564	900	1,723
Buildings	5,256	862	1,556	1,782	3,250	2,322
Water	5,746	3,010	2,475	1,625	2,080	2,022
Irrigation / HEP	1,383	410	240	330	700	524
Electricals	1,472	608	684	558	680	524
Power	-	-	-	-	200	75
Oil & Gas	-	-	-	-	20	150
International*	-	-	-	-	1,030	150
<b>Total</b>	<b>17,868</b>	<b>6,486</b>	<b>6,384</b>	<b>6,820</b>	<b>8,870</b>	<b>7,490</b>

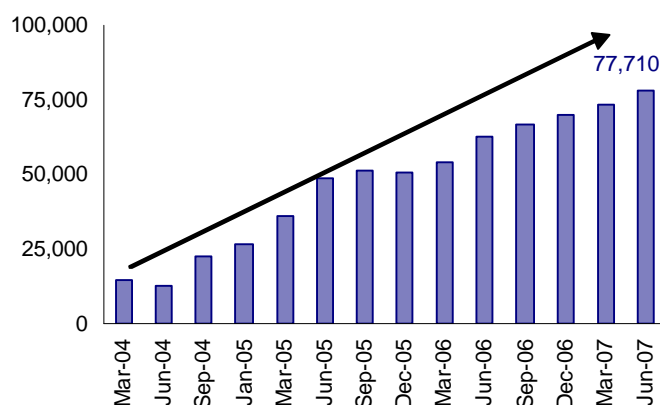
\* The company has re-classified international road and water pipeline projects as international segment, wef 4QFY07 onwards

Source: Company

**Robust order backlog ensures revenue visibility**

Order backlog stood at Rs77.7b as at June 2007 which includes Rs6.5b from own BOT projects and ~Rs2.3b from NCC Urban Infra (real estate subsidiary). During 1QFY08, the order intake for company stood at Rs9.64b. Order book composition stands as: Roads 25%, Buildings 24.5%, Water 20%, Irrigation/HEP 7%, Electricals 6%, Power 2%, Oil / Gas 5%, International 10.5%. The execution period of the current order book stands at 2.5 years.

TREND IN ORDER BACKLOG (RS M)



Source: Company/Motilal Oswal Securities

**Key takeaways from conference call**

**Robust FY08/FY09 Management Guidance**

- ✎ Revenues Rs37.5b in FY08 and 30-35% YoY revenue growth in FY09
- ✎ EBIDTA margin improvement of 75-100bps (10-10.5%)
- ✎ Net profit margin of 5.25-5.5%.

- ✍ Order Intake of Rs58b in FY08, vs Rs47b in FY07 (up 24% YoY)
- ✍ Order backlog of Rs90b in Mar 08, vs Rs73b in Mar 07
- ✍ Tax rate of 30% considering full tax rate on construction business

### New Business initiatives

NCC has forayed into three new business verticals as a part of its strategy to broad base its revenue stream. This includes developing EPC capabilities for Metals Industry, Oil & Gas and Power Sector. The details of the same are as follow.

**Metals Industry:** It has tied up with the POSCO of South Korea for the equipment (like blast Furnace and major equipments) sourcing while NCC would do the balance of plant (BOP) work (includes civil, mechanical, electrical, etc) for the steel projects. The consortium submitted bids for the expansion planned by RINL wherein it emerged as L2 bidder while Larsen & Toubro was L1. The company is currently in talks with IISCO for its proposed expansion. It hopes to strike its maiden project in this direction very soon.

**Oil & Gas industry:** It has tied up with Naftogaz India P. Limited, a wholly owned subsidiary of Naftogaz , Ukraine which has necessary pre-qualification in the Oil & Gas business. NCC has floated a JV wherein it owns 70% stake. The scope of the work on its part would be pipeline laying and balance of plant (BOP) work for the refineries expansion. It is currently executing a project for building up the marketing terminal for IOCL valued at Rs3,553m.

**Power Business:** Here, NCC has already done civil work for many power projects and therefore possesses necessary pre-qualification. But it plans to go up the value chain to develop EPC capabilities for the construction of the total power projects with tie-up for equipment sourcing.

### Development agreement for Machilipatnam Sea port project to be signed soon

The consortium comprising of Nagarjuna Construction (25%), Maytas Infrastructure (26%), Port Operator

company (11%) and SREI Finance (38%) has received the Letter of Intent (LoI) from the Government for the Machilipatnam port project in Andhra Pradesh. The total project development cost is estimated at ~Rs15b. The project is likely to be funded through a Debt-Equity ratio of 3:1.

The development agreement is expected to be signed over the next 2 months, post which the project would require 6 months to achieve financial closure. Thus, construction is expected to commence towards end FY08. The project location is proposed to be changed by ~30kms as the local government wants the port in the vicinity of city of Machillipatnam, which entails an additional construction cost of Rs2.4b (part of this could be reimbursed by the state govt). Also, the project entails 8,000 acres of land to be provided to the consortium by the government on 99 year lease for development of SEZ.

### NCC Urban Infrastructure: Update on project progress

1. **Development agreement for HUDA project likely to be signed on 10th August, 2007 :** The consortium comprising NCC Urban Infrastructure (26% stake), Tishman (37%) and ICICI Ventures (37%) has received Letter of Intent from Hyderabad Urban Development Authority for development of an integrated township over 400 acres. The development agreement is expected to be signed on 10th August, 2007. The land is being transferred at Rs42.1m per acre, of which 25% would have to be paid on signing of the development agreement. The consortium is working on the detailed project report for the proposed development at the site and would submit the same to HUDA by December 2007. It will start the development work on the project once it receives approvals from the authorities. Consorotium will have to pay the additional 50% in the next six months while remaining 25% can be paid post development of Phase 1, which could take ~3-4 years. Nagarjuna has first right of refusal for the construction contract.

**2. Current Projects:** NCC Urban Infrastructure has a land bank of 530 acre, of which 127 acres is contributed by NCC and 140 acres is from Ranchi and Vizag project (allotted by the government). In Phase 1, the company has drawn plans to develop 267 acres to be developed over a 4 year period, and possible revenues of Rs22b. On the remaining 263 acres, the company plans to start development over the next 12 months. The management has guided for revenues of: FY08 Rs2.5b (development of 3-3.5m sq ft), FY09 Rs5.5-6b and FY10 Rs10b.

#### NCC URBAN INFRASTRUCTURE (PROJECTS UNDER DEVELOPMENT)

	LAND (ACRES)	DEV AREA (M SQ FT)	FLATS/ VILLA (NOS)	REALI- ZATION (RS M)
<b>SPVs</b>				
Ranchi Project	55.0	2.5	1,800	3,300
NCC Vizag	85.0	3.0	0	4,000
<b>Total (A)</b>	<b>140</b>	<b>5.5</b>		<b>7,300</b>
<b>NCC Urban Infra</b>				
Tulip Tower	8.0	0.9	512	1,460
Symphony Chennai	9.3	0.7	400	1,320
Gachibowli, Hyderabad	9.0	1.0	192	3,080
Bachupalli, Hyderabad	25.0	0.7	225	4,000
Puppala Guda, Hyderabad	14.0	1.6	560	3,500
Others (Bangalore/Cochin)	23.8	1.6	703	2,320
Group, Hyderabad	38.0	1.5	250	4,430
<b>Total (B)</b>	<b>127</b>	<b>7.9</b>		<b>20,110</b>
<b>Total (A + B)</b>	<b>267</b>	<b>13.4</b>	<b>4,642</b>	<b>27,410</b>

Source: Motilal Oswal Securities

### Progress on BOT projects

NCC currently has a portfolio of 5 BOT road projects and 2 hydro power projects. The total equity commitment for all its road BOT project is Rs2.8b of which the company has already invested Rs1.8b.

### Status of BOT projects:

- ✍ **Bangalore-Maddur Annuity Project** (Rs2.5b, NCC's share - 33.3%) has been completed and commenced commercial operation in June 2006. The expected ROE in the project is ~25% vs 18% at the time of bidding due to bonus for earlier completion (four months). The project reported a net profit of Rs160m during FY07.
- ✍ **Meerut-Muzzafarpur Toll Project** (project value Rs5b, NCC's share 50%) is under construction and has achieved financial closure in June 2006.

- ✍ **Bangalore Elevated Corridor project** (its value Rs7.65b, NCC's share 30%) is currently under construction and financial closure was achieved in Jul-06.

- ✍ **Oral - Bhognipur (35kms) and Bhognipur - Barah** (17.8kms) road projects on annuity basis (project value Rs5.2b, NCC's share 64%) achieved financial closure in August 2006.

- ✍ **Sorang HEP (100MW) in Himachal Pradesh (project cost of Rs6b, NCC's share 30%):** The company has completed the detailed feasibility of the project and is expected to achieve financial closure by mid FY08. The company plans to setup the project on merchant basis, and 12% free power is to be provided to the Government of Himachal Pradesh. It expects equity IRR of 20% on the project.

- ✍ **Himalayan Green project (Sikkim, 280 MW):** The Company has 50% stake in the project and the Detailed Project Report (DPR) is currently under preparation. It expects to complete DPR towards end FY08 and would have a window of six more months for achieving the financial closure.

### Fund raising plans of upto US\$180m

The company is looking at the opportune time for its fund raising plans as it has a window till February 2008 (one year from the shareholders approval in February 2007) to raise the funds. It plans to raise Rs8.1b (US\$180m) through a QIP offering which would be utilized for enhancing its net worth to qualify for bidding of large projects and fund investments in proposed BOT projects. The promoters stake in the company is expected to come down to ~22-23%, vs current levels of 28% post the QIP offering.

### Valuation and view

We expect Nagarjuna Constructions to report net profit of Rs1.8b during FY08 (up 33.6% YoY) and Rs2.5b in FY09 (up 41.7% YoY). At the CMP of Rs182, the stock quotes at reported PER of 28.4x FY07, 21.3x FY08E and 15x FY09E. Adjusted for the value of BOT projects (Rs12/sh), Real Estate (Rs26/sh) and Investments (Rs10/sh), the stock quotes at PER of 21.1x FY07, 15.8x FY08E and 11.1x FY09E. Maintain **Buy**, with price target of Rs229 per share.

## SUM OF PARTS VALUE

	BUSINESS SEGMENT	METHOD	VALUATION (X)	VALUE (RS M)	VALUE (RS/SH)	RATIONALE
NCC Standalone	Construction	FY09E PER (x)	15	37,912	182	At par with industry average
<b>BOT Portfolio</b>						
A) Operational Projects						
Bangalore Mysore Annuity	BOT Road	DCF, Cost of Equity: 10%		196	0.9	Based on NPV of cash flows
B) Projects under Construction Phase						
Meerut Muzzafarpur Toll Project	BOT Road	Book Value		280	1.3	Book Value of investments till Mar 08
Orai - Bhognipur and Bhognipur - Barah Annuity Project	BOT Road	Book Value		936	4.5	Book Value of investments till Mar 08
Bangalore Elevated Highway Project	BOT Road	Book Value		590	2.8	Book Value of investments till Mar 08
C) Projects yet to achieve Financial Closure						
Sorang HEP (100MW)	BOT Hydro Power	Book Value		450	2.2	Book Value of investments till Mar 08
Himalayan Green HEP (280MW)	BOT Hydro Power	Book Value		-	0.0	Project under DPR phase
<b>Real Estate</b>						
NCC Urban Infra (Land Bank)	Real Estate	NPV, Cost of Equity: 15%		4,163	20.0	Based on NPV of cash flows
National Games Village (Ranchi)	Real Estate	NPV, Cost of Equity: 15%		436	2.1	Based on NPV of cash flows
Jubilee Hills (Hyderabad)	Real Estate	NPV, Cost of Equity: 15%		330	1.6	Based on NPV of cash flows
Madhudwada (AP)	Real Estate	NPV, Cost of Equity: 15%		420	2.0	Based on NPV of cash flows
Investments (at Book Value)				1,934	9.8	Book Value of investments till Mar 08
<b>Total</b>				<b>47,647</b>	<b>229</b>	



## Nagarjuna Construction: an investment profile

### Company description

Nagarjuna Construction Company is a Hyderabad-based construction company, and has its origins from the partnership business Nagarjuna Construction Corporation established in 1978. It is promoted by Mr. A.V.S. Raju. The company has a fairly diversified business mix with a presence across roads, buildings, water, irrigation, hydro power etc.

### Key investment arguments

- ✍ Current order book of Rs77.7b vs Rs73b as of March 2007
- ✍ Recent Fund raising would further enhance net worth enabling it to bid for bigger ticket sized projects and also build a BOT portfolio
- ✍ NCC is focusing on several new verticals like Oil & Gas pipelines, EPC capabilities in Metal and Power sector and real estate development etc.

### Key investment risks

- ✍ BOT projects depress initial RoE.
- ✍ Retention of experienced personnel is a challenge
- ✍ Infrastructure capex is highly cyclical and dependent on government policies

### Recent developments

- ✍ Development agreement for the Hyderabad project (on 400 acres) is expected to be signed on 10th August 2007.

### Valuations and view

- ✍ Based on SOTP methodology, we arrive at our PT of Rs229/sh.
- ✍ At the CMP of Rs182, the stock quotes at reported PER of 28.4x FY07, 21.3x FY08E and 15x FY09E. **Maintain Buy.**

### Sector view

- ✍ Increased government commitment towards infrastructure projects has led to several large projects taking off the ground
- ✍ We notice a trend of margin expansion, driven by changing composition of order book and higher margins at bidding stage
- ✍ BOT ventures could unlock sizable value.

#### COMPARATIVE VALUATIONS

		NCC	IVRCL	HCC
P/E (x)	FY08E	21.3	15.5	23.7
	FY09E	15.0	10.6	16.0
P/BV (x)	FY08E	3.2	1.7	1.9
	FY09E	2.7	1.5	1.7
EV/Sales (x)	FY08E	1.3	0.9	1.0
	FY09E	1.0	0.7	0.9
EV/EBITDA (x)	FY08E	13.0	8.8	10.6
	FY09E	9.7	6.7	8.4

#### SHAREHOLDING PATTERN (%)

	JUN-07	MAR-07	JUN-06
Promoter	24.6	24.6	25.8
Domestic Inst	15.5	14.9	9.9
Foreign	33.9	33.4	29.8
Others	26.0	27.1	34.6

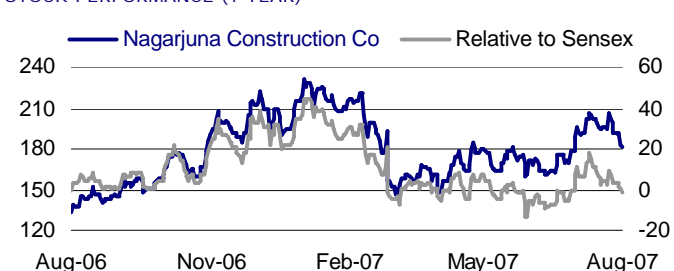
#### EPS: MOST FORECAST VS CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY08	8.6	10.0	-14.4
FY09	12.1	12.4	-2.3

#### TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
182	229	25.8	Buy

#### STOCK PERFORMANCE (1 YEAR)



INCOME STATEMENT					
(Rs Million)					
Y/E MARCH	2005	2006	2007	2008E	2009E
<b>Net Sales</b>	<b>11,885</b>	<b>18,404</b>	<b>28,711</b>	<b>38,098</b>	<b>52,780</b>
Change (%)	56.8	54.9	56.0	32.7	38.5
Construction Expenses	10,407	15,803	24,572	31,964	44,388
Staff Cost	309	473	844	1,561	1,951
Office and Site Est. Exps	262	487	597	642	752
<b>EBITDA</b>	<b>907</b>	<b>1,641</b>	<b>2,698</b>	<b>3,930</b>	<b>5,688</b>
% of Net Sales	7.6	8.9	9.4	10.3	10.8
Depreciation	109	182	299	448	578
Interest	147	217	504	977	1,362
Other Income	49	20	292	61	76
<b>PBT</b>	<b>700</b>	<b>1,262</b>	<b>2,186</b>	<b>2,566</b>	<b>3,824</b>
Tax	127	223	667	783	1,296
Rate (%)	18.2	17.7	30.5	30.5	33.9
<b>Reported PAT</b>	<b>573</b>	<b>1,039</b>	<b>1,519</b>	<b>1,784</b>	<b>2,527</b>
EO Expenses	22	10	-184	0	0
<b>Adjusted PAT</b>	<b>595</b>	<b>1,049</b>	<b>1,335</b>	<b>1,784</b>	<b>2,527</b>
Change (%)	88.0	76.3	27.3	33.6	41.7

BALANCE SHEET					
(Rs Million)					
Y/E MARCH	2005	2006	2007	2008E	2009E
Share Capital	159	207	417	417	417
Reserves	3,087	9,212	9,914	11,364	13,418
<b>Net Worth</b>	<b>3,255</b>	<b>9,450</b>	<b>10,336</b>	<b>11,781</b>	<b>13,835</b>
Loans	2,648	4,629	11,403	14,775	18,975
Deferred Tax Liability	66	66	115	115	115
<b>Capital Employed</b>	<b>5,969</b>	<b>14,145</b>	<b>21,855</b>	<b>26,671</b>	<b>32,925</b>

Gross Fixed Assets	1,665	2,569	5,007	6,892	8,892
Less: Depreciation	576	720	964	1,412	1,990
<b>Net Fixed Assets</b>	<b>1,089</b>	<b>1,849</b>	<b>4,043</b>	<b>5,481</b>	<b>6,903</b>
Capital WIP	9	67	186	0	0
Investments	462	877	4,768	6,160	6,160
<b>Curr. Assets</b>	<b>7,462</b>	<b>15,699</b>	<b>20,963</b>	<b>24,599</b>	<b>32,484</b>
Inventory	1,523	3,893	4,041	5,219	7,230
Debtors	1,916	3,017	5,817	7,306	10,122
Cash & Bank Balance	1,372	2,809	2,434	1,464	1,660
Loans & Advances	2,629	5,942	8,579	10,517	13,379
Other Current Assets	21	39	93	93	93
<b>Current Liab. &amp; Prov.</b>	<b>3,087</b>	<b>4,368</b>	<b>8,061</b>	<b>9,568</b>	<b>12,621</b>
Creditors	2,160	3,107	5,026	6,568	9,121
Other Liabilities	621	803	1,790	1,800	2,000
Provisions	305	457	1,244	1,200	1,500
<b>Net Current Assets</b>	<b>4,375</b>	<b>11,331</b>	<b>12,902</b>	<b>15,031</b>	<b>19,863</b>
Misc. Expenses	34	22	10	0	0
<b>Application of Funds</b>	<b>5,969</b>	<b>14,146</b>	<b>21,909</b>	<b>26,671</b>	<b>32,925</b>

E: MOST Estimates

RATIOS					
Y/E MARCH	2005	2006	2007	2008E	2009E
<b>Basic (Rs)</b>					
<b>Adjusted EPS</b>	<b>3.7</b>	<b>5.1</b>	<b>6.4</b>	<b>8.6</b>	<b>12.1</b>
Growth (%)	-32.3	35.7	26.1	33.6	41.7
Cash EPS	4.4	6.0	7.8	10.7	14.9
Book Value	40.5	91.3	49.8	56.5	66.4
DPS	0.6	0.8	1.2	1.4	2.0
Payout (incl. Div. Tax.)	18.8	18.1	18.9	18.7	18.7
<b>Valuation</b>					
P/E (standalone)		35.8	28.4	21.3	15.0
Cash P/E		30.5	23.2	17.0	12.2
EV/EBITDA		24.0	17.4	13.0	9.7
EV/Sales		2.1	1.6	1.3	1.0
Price/Book Value		2.0	3.7	3.2	2.7
Dividend Yield (%)		0.4	0.7	0.8	1.1
<b>Profitability Ratios (%)</b>					
RoE	24.5	16.6	13.5	16.1	19.7
RoCE	18.5	14.7	14.9	14.6	17.4
<b>Turnover Ratios</b>					
Debtors (Days)	59	60	74	70	70
Inventory (Days)	47	77	51	50	50
Creditors. (Days)	76	72	75	75	75
Asset Turnover (x)	2.6	1.8	1.6	1.6	1.8
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.8	0.5	1.1	1.3	1.4

CASH FLOW STATEMENT					
(Rs Million)					
Y/E MARCH	2005	2006	2007	2008E	2009E
PBT before Extraordinary Itc	<b>700</b>	<b>1,262</b>	<b>2,186</b>	<b>2,566</b>	<b>3,824</b>
Add : Depreciation	109	182	299	448	578
Interest	147	217	504	977	1,362
Less : Direct Taxes Paid	127	223	667	783	1,296
(Inc)/Dec in WC	-1,376	-5,519	-1,946	-3,098	-4,636
<b>CF from Operations</b>	<b>-547</b>	<b>-4,082</b>	<b>376</b>	<b>110</b>	<b>-169</b>
(Inc)/Dec in FA	-287	-999	-2,612	-1,700	-2,000
(Pur)/Sale of Investments	-458	-415	-3,890	-1,392	0
<b>CF from Investments</b>	<b>-745</b>	<b>-1,414</b>	<b>-6,502</b>	<b>-3,092</b>	<b>-2,000</b>
(Inc)/Dec in Networth	1,154	5,357	-232	-49	0
(Inc)/Dec in Debt	1,108	1,981	6,774	3,372	4,200
Less : Interest Paid	147	217	504	977	1,362
Dividend Paid	108	188	287	334	473
<b>CF from Fin. Activity</b>	<b>2,007</b>	<b>6,933</b>	<b>5,751</b>	<b>2,012</b>	<b>2,365</b>
<b>Inc/Dec of Cash</b>	<b>715</b>	<b>1,437</b>	<b>-375</b>	<b>-970</b>	<b>196</b>
Add: Beginning Balance	657	1,372	2,809	2,434	1,464
<b>Closing Balance</b>	<b>1,372</b>	<b>2,809</b>	<b>2,434</b>	<b>1,464</b>	<b>1,660</b>



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1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

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