

December 19, 2009

BUY

MEDIUM RISK

PRICE Rs.379

TARGET Rs.517

POWER

SHARE HOLDING (%)

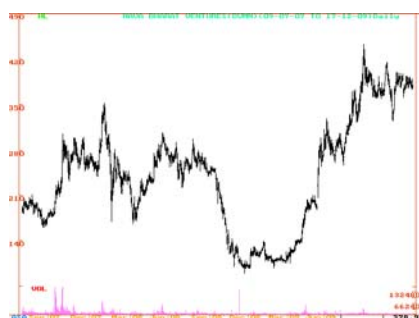
Promoters	45.8
FII	16.5
FI / MF	5.9
Body Corporates	3.9
Public & Others	27.9

STOCK DATA

Reuters Code	NABV.BO	
Bloomberg Code	NBVL@IN	
BSE Code	513023	
NSE Symbol	NBVENTURE	
Market Capitalization (*)	Rs. 32,748.2 mn US\$ 699.0 mn	
Shares Outstanding(*)	86.4 mn	
52 Weeks (H/L)	Rs.443 / 98	
Avg. Daily Volume (6m)	36191 Shares	
Price Performance (%)		
1 M	3 M	6 M
(3)	4	34

200 Days EMA Rs.313

* fully diluted equity

Part of  Bonanza

Nava Bharat Ventures Ltd (NBVL) is an evolving Power Utility with 237 MW of operational power plants. It is further expanding its capacities and would more than double its total capacity to 601MW by FY13. The Company sells majority of its power on merchant basis. It has benefited significantly due to power deficit scenario in the country and has delivered ROE in excess of 20% in past 3 years and is expected to sustain the same in future.

Reducing dependency on Ferro Alloys: NBVL is reducing its dependence on the cyclical business of Ferro alloys and shifting its focus towards Power generation. However it has kept an option to trade off Power for Ferro alloys whenever Ferro alloys production would look more margin accretive.

Power Revenues to grow at CAGR 16% from FY10E-FY12E: Based on our assumption for merchant tariff being Rs. 5.4, Rs. 5.1 & Rs.5.2 for FY10E, FY11E, and FY12E we expect power revenues to grow at CAGR 16% from FY10E-FY12E. Besides it is expanding capacities to 601 MW by Q2FY13E which would drive its volume growth. Beyond FY13, it has planned further capacity addition of 1050 MW, through a SPV in which it holds 50% stake in the project.

Foraying into Coal mining: NBVL has acquired 75% stake in Indonesian coal mines with 100% off take rights which it would use, initially for trading & then gradually for internal consumption. This is expected to save its fuel costs as well as drive its ROE.

Foray in Real Estate: NBVL owns 250 acres of land in Secunderabad, AP. It has developed a SPV, Brahmi Infratech (51% stake) along with Mantri Developers and will get 25% of the developed area in phased manner. However, due to the slowdown in the real estate space the progress on the project has been stalled. Any progress could be a further trigger for growth.

Sustainable attractive ROE: With conservative assumptions for coal trading as well as merchant power rates we believe that the company can sustain its ROE of 20% for the next few years. We assume EPS of Rs. 56.0, Rs. 55.1 and Rs. 65.5 in FY10E, FY11E & FY12E respectively, after assuming full conversion of outstanding FCCB's.

OUTLOOK & VALUATION

NBVL is an evolving Power utility, with 237 MW of operational capacity (including 9 MW bagasse based power plant). It has strategically aligned itself to downsize its Ferro alloys business which is highly cyclical in nature. The Company sells most of its power on merchant basis and has potential to generate and sustain strong ROE with the future projects like coal & manganese mining and foray into real estate. One of the major risks to our assumption would be downward pressure on the merchant rates which could hamper its margins. However, with the economy on the revival mode aided by rise in industrial production and persisting power deficit scenario, the merchant tariffs are expected to be stay in the range of Rs. 5 - 7 for next few years. NBVL has a strong balance sheet with very low leverage. With strong operational cash flows it is in a strong position to fund its future projects. At CMP of Rs.379, the stock is trading 1.5x FY11E BVPS & 1.2x FY12E BVPS and PE of 6.9x FY11E and 5.8x FY12E. We believe that it is at a significant discount to its intrinsic value & thus we initiate coverage with a BUY rating on the Company with a target price of Rs.517 (based on 1.7x its FY12E BVPS of Rs. 304.2).

KEY FINANCIALS

Y/E	Revenue (Rs mn)	APAT (Rs mn)	APAT (%Chg)	P/BVPS (x)	AEPS (Rs.)	PER (x)	ROE (%)	ROCE (%)
March								
FY10E	11483.8	4835.6	4.3	1.9	56.0	6.8	32.2	26.7
FY11E	13532.6	4763.2	(1.5)	1.5	55.1	6.9	23.9	20.9
FY12E	15676.0	5658.8	18.8	1.2	65.5	5.8	23.7	20.5

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Reducing dependency on Ferro Alloys

NBVL has Ferro alloys manufacturing plants located in the States of Andhra Pradesh and Orissa with an aggregate capacity of 200,000 TPA.

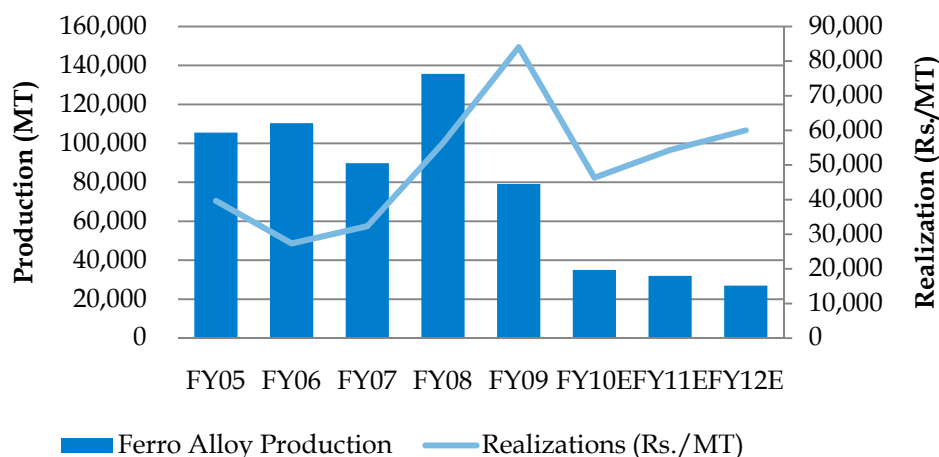
Plant	Ferro Alloys	Installed Capacity (TPA)
Paloncha, AP	Silico manganese & Ferro manganese	125,000
Kharagprasad, Orissa	Ferro Chrome	75,000

Source: Company

NBVL's strategy would be margin accretive and would enable it to sustain higher ROE.

Ferro alloys are one of the key ingredients used in the manufacture of steel and hence its fortunes are linked to the fortunes of steel industry. One of the worst commodity cycles witnessed during H2FY09 took a toll on the earnings of NBVL's ferro alloy division with precipitous falls in the realizations owing to the write down of the inventory and decrease in the revenue growth with a virtual stoppage in the movement of the stocks.

Production & Realizations



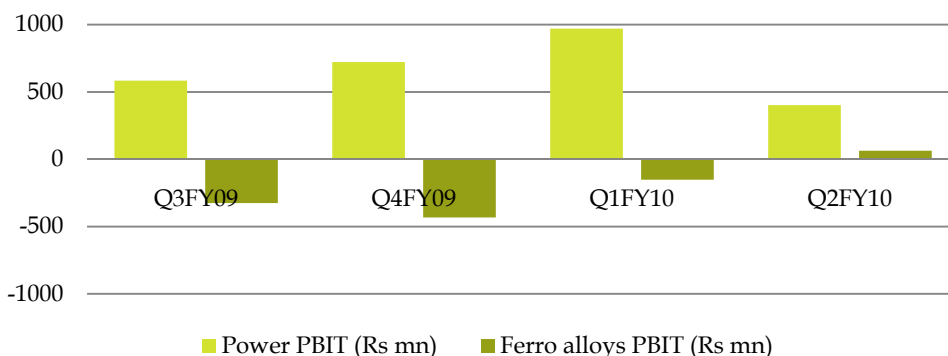
Source: Company

NBVL will take premeditated reduction in the production of Ferro Alloys and the power saved due to non-production of Ferro alloys would be sold on the merchant basis.

The recent trends in the realizations and production has convinced NBVL to take a premeditated reduction in the production of Ferro Alloys and the power saved due to non-production of Ferro alloys would be sold on the merchant basis. Thus, its focus would shift from Ferro alloys business to transforming itself into a Power Utility. Moving forward in line with this strategy, NBVL has already decreased its production of Ferro Alloys from 135,678 MT in FY08 to 79,113 MT in FY09 and is further planning to produce only ~ 35,000 MT in FY10E. Eventually it plans to completely stop its production of Ferro Chrome. We believe that the margins in the Power generation would be better than the margins for the Ferro alloys business for FY10, thus justifying NBVL's strategy to produce less Ferro Alloys. For FY10E, we have estimated the average realization of Silico Manganese to be about Rs. 45,000 per MT and average realization of Ferro Chrome to be about Rs. 50,000 per MT. We

believe that the cost of Chrome ore would be stay in around Rs. 7,500 per MT and the cost of Manganese ore to be about Rs. 12,000 per MT.

Quarterly Trend in PBIT



Source: Company

Power business will contribute about 80% of EBITDA of the company.

However, NBVL has kept an option to produce more Ferro alloys whenever it feels that producing Ferro alloys against selling power would accrue higher margin and higher ROE, especially when supply of power would be more than its demand. We believe the gradual reduction in the Ferro alloys business will enable the Power business to contribute about 80% of the EBITDA of the Company.

Ferro alloys Industry Outlook

Ferro alloys are a range of products used in steel making. Some major alloys include manganese alloys and chromium alloys. Manganese alloys lend hardness and strength, while chromium alloys impart corrosion and heat resistance. Silico manganese is estimated to grow at a 4% CAGR through 2010, with the bulk of the increase coming from the Asia- Pacific. Ferro manganese accounts for a smaller market and in 2008-09, there was a moderation in demand owing to the economic slowdown. Chrome alloys are used in stainless steel. In 2008-09, the Indian and global demand for the product was subdued owing to a decline in stainless steel demand. China remains a big consumer and market driver. With a perceived recovery in the steel industry, the Ferro alloys outlook looks set to improve. Trends in Asia, particularly in India and China, suggest a recovery in the production of steel based on fiscal stimuli and infrastructure creation. The industry has seen fair amount of de-stocking and helped steel production to return to normal levels. Given the time-lag required for this to translate into a demand pick-up for Ferro alloys, the situation is expected to improve towards the end of the current year. The production cut-backs in steel encourage de-stocking which is expected to result in inventories returning to normal levels. Going forward, the pick-up in Ferro alloy production is likely to be staggered. Ore prices are also expected to trend lower in the interim.

Expanding Power Capacities would enable Power revenues to grow by CAGR of 16% from FY10E to FY12E

NBVL has an operational generation capacity of 228 MW. The Company is in the process of expanding its capacity by additional 64 MW in FY11 and 300 MW by FY13, at its existing locations in Orissa and Andhra Pradesh, respectively.

Plant	Fuel	Capacity (MW)	Source	Status
Paloncha, AP	Coal	114	Domestic coal	Operational
Kharagprasad, Orissa	Coal	94	Domestic coal	Operational
Samalkot, AP	Bagasse	9	-	Operational
Dharmavaram, AP	Multi-Fuel	20	Coal portion would be imported	Operational
Kharagprasad, Orissa	Coal	64	Washery rejects & Domestic coal	Expected Commissioning Q4FY11
Dharmavaram, AP	Coal	150	Imported coal	Expected Commissioning Q2FY13
Paloncha, AP	Coal	150	Domestic coal, Washery rejects, partly Imported coal	Expected Commissioning Q3FY13

Source: Company

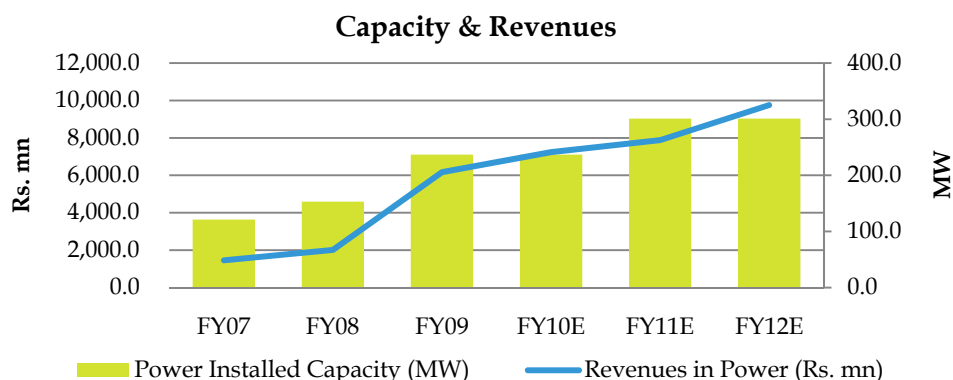
For the 64 MW Power plant, NBVL has completed financial closure, placed orders for equipment. It expects the plant to be commissioned by Q4FY11. Its 300 MW power plant would achieve financial closure by December 2009 by when ordering of BTG is planned. The aggregate capacity that would get commissioned by FY13 would be 601 MW (including 9 MW of bagasse based power plant). Most of its power produced has off-take on merchant basis with exception of 20 MW sold to Orissa Gridco at Rs. 3/unit. For its 64 MW plant NBVL has signed a base rate contract of Rs. 5/unit for three years after the date of commissioning.

Besides, these power plants NBVL has planned a 1050 MW power plant in three phases of 350 MW each. NBVL holds 50% in Navabharat Power Pvt. Ltd, a SPV formed by Malaxmi Power and NBVL for the proposed plant. The project has been allocated Rambia coal mine in Orissa with estimated reserves of about Rs. 112 mn tonnes. This will be a pit-head, coal-fired plant, with three units of 350MW each, to be installed in phased manner. At an estimated cost of Rs. 50 mn per MW, we estimate the project cost to be about Rs. 52.5 bn which would be funded by a mix of debt and equity in the ratio of 75:25.

We expect the revenue from the external sales of power to grow to Rs.9757.2 mn in FY12E, a CAGR of 16% from FY10E-FY12E. We have assumed a conservative average realization on merchant power tariff of Rs. 5.4, Rs. 5.1 & Rs.5.2 in FY10E, FY11E, and FY12E.

Aggregate capacity to increase to 601 MW by FY13. Additional 1050 MW has been planned post FY13.

Power Revenues are expected to grow at 16% CAGR during FY10-12E



Note: 20 MW got added in Mar 09 & 64 MW is expected to be added in Q4FY11E

The average realizations for FY11E and FY12E are based on our assumption that merchant power rates would stabilize somewhere near Rs.6/unit. NBVL has signed a medium term contract with traders for 120 MW at Rs. 5/unit and it sells 20MW to Orissa Gridco at Rs. 3/unit and would be able to sell the surplus power at Rs.6/unit on merchant basis. However, it is important to note that any fluctuation in the merchant rates on the downward side could lead to changes in our estimates, significantly.

Sensitivity Analysis:

		Average Realizations of Power (per unit)				
		4.5	5	5.2	5.5	6.5
Power Off take (Mn units)	1500	6750.00	7500.00	7800.00	8250.00	9750.00
	1700	7650.00	8500.00	8840.00	9350.00	11050.00
	1821	8443.76	9381.96	9757.24	10320.16	12196.55
	2000	9000.00	10000.00	10400.00	11000.00	13000.00
	2200	9900.00	11000.00	11440.00	12100.00	14300.00

Source: Sushil Finance estimates.

Power Industry Outlook

India remains a power deficit nation despite the fiscal and non-fiscal impetus given by the State. Ranked sixth globally in power generation with an established capacity of 6,89,021 MU, the peak power deficit stood at 12% in 2008-09. While a deficit persists, the primary response from utility companies and the government seems to be in the areas of demand management. This means the off-peak usage of power will be encouraged, power cuts will become predictable and staggered across customer categories with differential rate cards for industrial, agricultural and domestic customers. The lower thermal generation due to problem with coal supplies ensured that the electricity deficit continues. With the economy showing signs of recovery aided by rise in industrial production and persistent power deficit scenario, merchant tariffs are expected to be about Rs. 5 - 7 due to slower pace of capacity addition than envisaged. The need for smooth and reliable power supply, coupled with a major push, coming from the Centre, will drive investments in the sector and would facilitate the development of new generation capacity. Although in the short-term we

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NBVL is expected to extract 45,000 to 50,000 MT per month for initial 6 months which would be later scaled to 100,000 MT per month.

expect the current merchant rates would prevail, in the longer term due to robust capacity addition the rates could come down to ~ Rs. 4.

Foray into Coal Mining, trigger for future growth

- a) NBVL has taken a 75% stake, through its Singapore subsidiary Nava Bharat (Singapore) Pte. Limited, with 100% off take rights, in an Indonesian coal mine located in South Kalimantan with reserves of 10 mn tonnes. It has also bought a 25% economic interest in the jetty which is under development near the coal mine. An adjoining area of about 745 hectares holds further potential of 20 mn tonnes of minable reserves. The investment needed is about \$18 mn, in addition to operational and capital expenditure. The mine is estimated to be operational from Q4FY10E. It is expected to extract 45,000 to 50,000 MT per month for initial 6 months which would be later scaled to 100,000 MT per month. We believe that the mine would be able to add revenues of Rs.450.0 mn in FY10E, Rs. 2933.9 mn in FY11E and Rs. 3412.1 mn in FY12E. We believe that post FY13 NBVL would start using significant amount of coal for internal consumption in power plants and thereby improve its ROE.

	FY10E	FY11E	FY12E
Production (MT)	150,000	1,050,000	1,200,000
Assumption for Internal Use (% of production)	0.0%	6.9%	5.2%
Selling Price assumption (\$)	\$63.8	\$63.8	\$63.8
Cost assumption (\$)	\$45	\$45	\$45
Exchange Rate Rs/\$	47	47	47
Revenue (Rs. mn)	450.0	2933.9	3412.1

Source: Sushil Finance Estimates

NBVL has entered into a PPP agreement with the Govt. of Zambia to acquire 65% stake in a coal mine in Zambia. NBVL will make an equity infusion to the tune of \$ 140 mn over a three year period. The company will divulge further details when a formal deal is signed. We have not considered this as a part of our estimates.

NBVL further wants to acquire economic interest to extent of 90% in 2 manganese ore mines in Indonesia. Post the fuel linkage cost of producing Ferro alloys is expected to go down by 25-30%. However the Company is still in the initial stages of the acquisition. We have not considered this as a part of our estimates.

Real Estate Foray

NBVL owns 250 acres of land in Secunderabad, AP. It has developed a SPV, Brahmi Infratech along with Mantri Developers. NBVL holds 51% stake in the SPV and will get 25% of the developed area in phased manner. Out of 250 acres, 150 acres would be processing area (SEZ) and will be given on lease whereas the balance 100 acres would be non-processing and the company would be able to earn from selling spaces. A subsidiary of Mantri Group will develop the SEZ on its own without any recourse to Brahmi Infratech or its sponsors. However, due to the slowdown in the real estate space currently there is no progress on the project.

NBVL owns 250 acres of land in Secunderabad, AP. NBVL holds 51% stake in the SPV formed to develop this land and will get 25% of the developed area in phased manner.

Considering our assumptions, NBVL would be able to sustain a ROE of 20% for next few years.

Attractive ROE to sustain for next few years

NBVL has 228MW operational power plants and is further adding capacities. Considering the Power Scenario in the country we believe that the revenues of the company could grow at 16% from FY10E to FY12E. We have assumed conservative merchant tariff rates of Rs. 5.4, Rs. 5.1 & Rs.5.2 for FY10E, FY11E and FY12E and we have considered the coal trading revenues of Rs. 2933.9 mn in FY11E and Rs. 3412.1 mn in FY12E which would drive the growth in its top-line during FY11E and FY12E. Relatively lower margins in Coal trading compared to Power generation would decrease the EBITDA margins of NBVL on consolidation. Also higher tax rates of Singapore subsidiary would lead to a downward pressure on the APAT for FY11E. For FY12E, we believe that NBVL's APAT would grow at 18.8% and would be able to sustain a ROE of 20% for next few years. We have assumed and EPS of Rs. 56.0, Rs. 55.1 and Rs. 65.5 for FY10E, FY11E & FY12E respectively, after assuming full conversion of outstanding FCCB's. NBVL has issued FCCBs of Japanese Yen (JPY) 6,000 mn including Green Shoe Option at a conversion price of INR 136.5 per equity share of INR 2/- each during the financial year 2006-07. FCCBs to an extent of JPY 2,480 mn were converted into 77,76,303 equity shares during FY08. Further, no FCCBs were converted into equity shares during FY09. FCCBs worth JPY 3520 mn at the fixed exchange rate of Rs. 0.3976 per Yen are outstanding for conversion at a revised price of Rs.129.3. The Company also has an option to convert all these bonds on or after 29th September, 2009 and prior to 30th September, 2011 at the then prevailing conversion price as per the terms of issue. If all the remaining bonds are converted into Equity Shares, the paid up Equity Share Capital of the Company will increase by 12.2 mn Equity Shares of Rs.2/- each. If no conversion takes place, the Bonds are redeemable on 30th September, 2011 at a redemption premium of 26.0% so as to give the bondholders gross yield to maturity of 4.7% per annum compounded semi-annually.

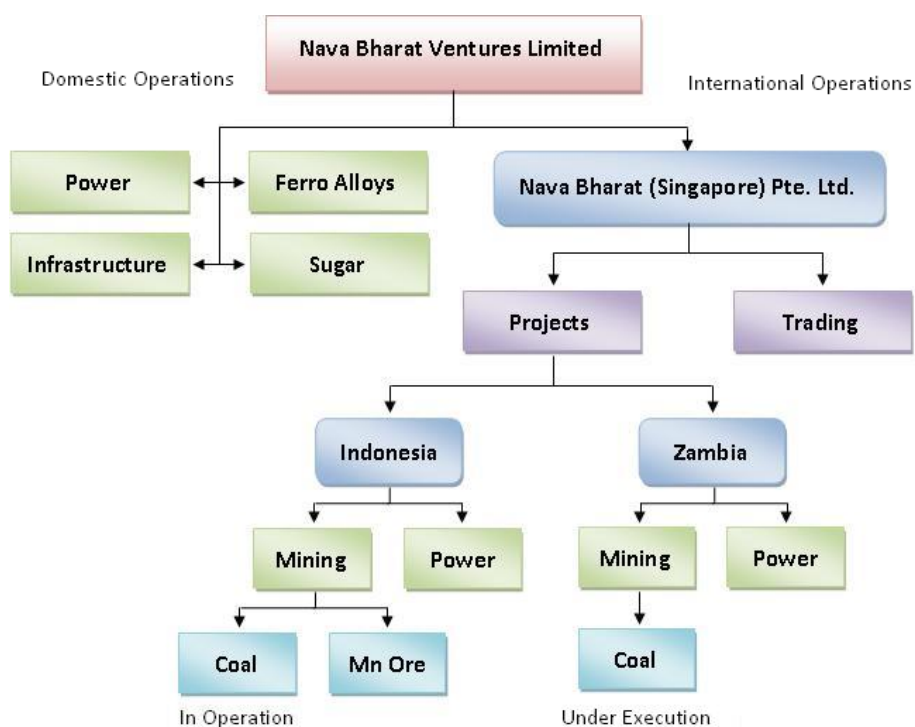
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Annexure : Company Background

Navabharat Ventures Ltd. (NBVL) is a multi-product company promoted by **Dr. D. Subba Rao, Sri P.Punnaiah** and **Sri A.S.Chowdhri** in 1972 for primarily manufacturing Ferro silicon at Paloncha in Andhra Pradesh. Over the years the Company evolved and diversified into business of Power, Sugar and Infrastructure and has been ranked sixth among Top 500 Indian Manufacturing Companies for the Batch 2009 for its innovative thinking, cost-optimization strategies, intelligent marketing, quality products and services. NBVL has domestic as well as international presence and is further in the process of entering mining operations through its international subsidiary in Singapore.

- 1) **Domestic Operations:** Consists of 4 business segments
 - a) **Ferro Alloy:** NBVL manufactures Ferro alloys at 2 plants in Andhra Pradesh (125,000 TPA) and Orissa (75,000 TPA) with a total manufacturing capacity of 200,000 TPA. The company manufactures Ferro manganese, Silico manganese & Ferro silicon at Andhra Pradesh plant and Ferro chrome at the Orissa plant. This segment contributed 48% of total revenues in FY'09, though this is expected to decline as the power division ramps up.
 - b) **Power:** NBVL has a current power generation capacity of 237MW to meet the requirements of its Ferro alloy smelters and sugar plant. Surplus power thereafter is sold to utilities. The company is able to operate them at a PLF of close to 90%. In a bid to increase its power business, the company has planned a major expansion to augment its power generation capacity to 1,651MW in the next 4-5 years. Power division currently contributes 48% of the total turnover. However, this is slated to increase substantially going forward, with a reduction in captive power consumption.
 - c) **Sugar:** NBVL has a 3,500 TCD cane crushing capacity in Andhra Pradesh capable of producing 60,000 tonnes sugar a year. The company sells sugar in South India under the brand name Deccan. NBVL also has a 20 Klpd distillery that makes approximately 6 million bulk litres of rectified spirit which is used to manufacture ethanol/extra neutral alcohol. This segment contributes close to 4.7% of the top line.
 - d) **Infrastructure:** Steady growth and strategic diversification has led Nava Bharat to foray into Infrastructure Development. An infrastructure division was established in 2005 to usher a new wave of development in this fast-growing industry. The company is currently handling few commercial and residential projects in the real estate segment through a special purpose vehicle Nava Bharat Realty Limited, the Infrastructure Division has also undertaken an IT-ITES SEZ, located in Hyderabad, India.



2) **International Operations:** The Company conducts its international operations primarily through Nava Bharat (Singapore) Pet Limited (NBS), a wholly owned subsidiary of Nava Bharat Ventures Limited. The company engages in the following international operations:

- b) Investing in mineral resource assets --- thermal coal and manganese ores. The company is in the process of acquiring 75% interest in coal mines in Indonesia and 65% interest in coal mines in Zambia. Company is also looking at acquiring stake in Manganese Ore mines in Indonesia.
- c) Setting up power plants to meet the growing demand for energy in Africa and Asia.
- d) In addition to projects, NBS, functioning from Singapore, handles international trade, including Ferro alloys manufactured by NBV.

The Company has six Indian subsidiaries and a subsidiary in Singapore, they are as follows:

e) Nava Bharat (Singapore) Pte. Limited

Nava Bharat (Singapore) Pte. Limited is the trading company engaged in Ferro Alloys at present and other minerals at a later stage. All the overseas acquisitions of the Company will take place through and at the behest of its Singapore subsidiary. Nava Bharat (Singapore) Pte. Limited has acquired off-take rights for coal and manganese ore in Indonesia currently. Going forward, the Singapore subsidiary has identified two investment initiatives in power, one in Zambia and the other one in Indonesia. The Group is in talks with the respective owner entities in Zambia and Indonesia for achieving binding joint venture agreements in due course.

f) Kinnera Power Company Limited

Kinnera Power Company Limited (KPCL) is a subsidiary of Nava Bharat Ventures Limited (NBVL) with 51% equity stake. The balance equity is held by Meenakshi

Infrastructure Group (MIG). MIG is implementing a road project, awarded to NBVL by NHAI, on a non recourse basis. However, under the existing guidelines of NHAI, NBVL is required to hold at least 51% equity stake in the SPV executing the road project in order to comply with the NHAI guidelines and to achieve the nonrecourse status. NBVL arranged with MIG to fund the entire equity share capital in KPCL and that in the SPV. Hence, NBVL does not have any economic interest in KPCL though, it continues to be a subsidiary of the Company till such time as NHAI permits divestment of equity. It is for this reason the accounts of KPCL are not consolidated with those of NBVL.

g) Brahmani Infratech Private Limited

Brahmani Infratech Private Limited (BIPL) is a subsidiary of NBVL. NBVL intends to have a minimum of 51% equity in BIPL, while the balance will be held by others. BIPL secured an area of about 250 acres of land from the Government of Andhra Pradesh to set up an IT / ITES SEZ on an area of 150 acres and attendant facilities and amenities on the balance 100 acres of area. BIPL entered into a joint development agreement with Mantri IT Parks Private Limited, a subsidiary of Mantri Developers Limited, Bangalore, for development of the SEZ, commercial and residential amenities on its own without any recourse to BIPL or its sponsors. In turn, BIPL is entitled to about 25% of the built up space, pro-rata in all segments of construction.

h) Nava Bharat Projects Limited

Nava Bharat Ventures Limited (NBVL) plans to create a power focused vertical, distinct from its diversified operations. Nava Bharat Projects Limited (NBPL) is a wholly owned subsidiary of NBVL and is the designated power holding company. NBPL will drive the investments into specific SPVs (Operating Companies) which implement power projects on a project finance and non recourse basis. Accordingly, NBPL holds investments (50% stake) in Navabharat Power Private Limited, the SPV implementing 3 x 350 MW power plant in Orissa along with captive coal mine and 100% stake in Nava Bharat Energy India Limited which plans to implement two 150 MW coal fired power plants in Andhra Pradesh. Besides the investments, NBPL will engage in power O&M activities and EPC activities in due course.

i) Nava Bharat Energy India Limited

Nava Bharat Energy India Limited (NBEIL) is a subsidiary of Nava Bharat Ventures Limited (NBVL) and is designated as a power operating Company of the Group. It has now been realigned to become a subsidiary of Nava Bharat Projects Limited (NBPL). NBEIL has drawn up plans to implement two 150 MW thermal power plants based predominantly on imported coal and washery rejects in Andhra Pradesh. The projects are at the initial stage of implementation with project land having been acquired and other approvals are being obtained. The plant is expected to commence operations by Q2 FY13.

j) Nava Bharat Realty Limited

Nava Bharat Realty Limited (NBRL) is a subsidiary of Nava Bharat Ventures Limited and is set up to focus on real estate ventures either directly or through SPVs. NBRL has no operations at present excepting advances for land and investments.

k) Nava Bharat Sugar and Bio Fuels Limited

Nava Bharat Ventures Limited (NBVL) has floated another subsidiary, Nava Bharat Sugar and Bio Fuels Limited to facilitate restructuring of sugar operations as and when such a plan is taken up by the Group. At present, there are no operations in this subsidiary.

Senior Management

Name	Designation
D. Ashok	Chairman
P.T. Vikram Prasad	Managing Director
D. Ashwin	Director and CEO NBS
C.V. Durga Prasad	Director - Business Development
G.R.K. Prasad	Director - Finance & Corporate Affairs

QUARTERLY RESULTS STATEMENT (Rs.mn)

Y/E March	Q1FY10	Q2FY09	Q2FY10
Net Revenues	3567.8	3992.7	2450.8
% Change YoY	22.2	157.2	(38.6)
PBIDT	1536.0	1645.7	1324.2
% Change YoY	(12.4)	145.6	(19.5)
% Margin	43.1	41.2	54.0
Interest	86.5	76.1	71.1
% of STO	2.4	1.9	2.9
PBDT	1449.4	1569.6	1253.1
% Change YoY	(14.5)	148.6	(20.2)
% Margin	40.6	39.3	51.1
Depreciation	101.3	83.9	102.9
PBT excl. OI	1348.1	1485.7	1150.2
% Change YoY	(17.1)	155.1	(22.6)
% Margin	37.8	37.2	46.9
Other Income	21.9	24.6	75.6
% Change YoY	62.3	41.1	207.0
PBT incl OI	1370.0	1510.3	1225.8
% Change YoY	(16.4)	151.7	(18.8)
% Margin	38.4	37.8	50.0
Tax	6.3	324.7	25.4
% Change YoY	(98.3)	314.8	(92.2)
% of PBT	0.5	21.5	2.1
APAT	1363.8	1185.6	1200.3
Change YoY%	7.5	127.3	1.2
% Margin	38.2	29.7	49.0
Extraordinary	0.0	0.0	0.0
RPAT	1363.8	1185.6	1200.3
Change YoY%	7.5	127.3	1.2
% Margin	38.2	29.7	49.0

Source: Company, Sushil Finance Research Estimates

PROFIT & LOSS STATEMENT (Rs.mn)

Y/E March	FY09	FY10E	FY11E	FY12E
Net Sales	13,456.7	11,483.8	13,532.6	15,676.0
% Change YoY	44.3	(14.7)	17.8	15.8
PBIDT	5,510.0	5,920.0	6,230.1	7,360.8
% Change YoY	34.7	7.4	5.2	18.1
% Margin	40.9	51.6	46.0	47.0
Interest	331.8	340.0	350.0	470.0
% of Net sales	2.5	3.0	2.6	3.0
PBDT	5,178.2	5,580.0	5,880.1	6,890.8
% Change YoY	35.5	7.8	5.4	17.2
% Margin	38.5	48.6	43.5	44.0
Dep. & Amortization	380.9	500.7	524.2	549.5
% Change YoY	50.9	31.5	4.7	4.8
PBT excl. OI	4,797.3	5,079.2	5,355.9	6,341.3
% Change YoY	34.4	5.9	5.4	18.4
% Margin	35.6	44.2	39.6	40.5
Other Income	221.9	255.5	281.5	343.1
% Change YoY	23.1	15.1	10.2	21.9
PBT incl OI	5,019.2	5,334.7	5,637.4	6,684.3
% Change YoY	33.8	6.3	5.7	18.6
% Margin	37.3	46.5	41.7	42.6
Tax	383.2	499.1	874.2	1,025.6
% Change YoY	(31.2)	30.2	75.2	17.3
% of PBT	7.6	9.4	15.5	15.3
APAT	4,636.0	4,835.6	4,763.2	5,658.8
% Change YoY	45.2	4.3	(1.5)	18.8
% Margin	34.5	42.1	35.2	36.1
Extraord.Adj	(572.0)	100.0	100.0	-
Net Profit	5,208.0	4,735.6	4,663.2	5,658.8
Minority Int.	0.0	0.0	0.0	0.0
CON APAT	4,636.0	4,835.6	4,763.2	5,658.8
% Change YoY	45.2	4.3	(1.5)	18.8
% Margin	34.5	42.1	35.2	36.1
CON RPAT	5,208.0	4,735.6	4,663.2	5,658.8
% Change YoY	62.7	(9.1)	(1.5)	21.4
% Margin	38.7	41.2	34.5	36.1

BALANCE SHEET STATEMENT

(Rs.mn)

As on 31 st Mar.	FY09	FY10E	FY11E	FY12E
SOURCES OF FUNDS				
Share Capital	152.4	172.8	172.8	172.8
Res. & Surplus	11682.4	17386.7	21327.5	26108.0
Net Worth	11834.8	17559.5	21500.3	26280.8
Secured Loans	2886.6	3636.6	4386.6	6386.6
Unsec.Loans	1417.1	18.2	18.2	18.2
FCCB	1399.6	-	-	-
Total Loan funds	4303.7	3654.8	4404.8	6404.8
Deferred tax Liab.	211.4	216.4	221.4	227.4
Cap. Employed	16349.9	21430.7	26126.5	32913.0
APPLICATION OF FUNDS				
Gross Block	9079.8	9109.8	10109.8	10209.8
Less: Depre.	2025.6	2480.3	2960.8	3468.8
Net Block	7054.2	6629.4	7148.9	6741.0
Cap. WIP	156.1	3620.0	6900.0	11500.0
Fixed Assets	7210.3	10249.4	14048.9	18241.0
Intangible	0.0	920.0	874.0	830.3
Investments	32.4	32.4	32.4	6595.4
Sundry Drs	947.5	822.3	968.2	1120.9
Cash & Bank	4446.2	7736.4	7080.6	2700.6
Loans & Adv.	1507.9	1194.8	1404.4	1623.8
Inventories	4454.9	1934.7	3983.3	4372.4
Other cur. asset	290.7	319.8	351.7	386.9
Curr Assets, Loans & Adv	11647.1	12008.0	13788.3	10204.6
Curr Liabilities	1795.3	870.6	1792.5	1967.6
Prov.	744.6	908.5	824.6	990.6
Curr Liab & Prov	2539.9	1779.1	2617.1	2958.2
Net Curr. Assets	9107.2	10228.9	11171.2	7246.4
Total Assets	16349.9	21430.7	26126.5	32913.0

Source: Company, Sushil Finance Research Estimates

FINANCIAL RATIOS STATEMENT

Y/E March	FY09	FY10E	FY11E	FY12E
Growth (%)				
Net Sales	44.3	(14.7)	17.8	15.8
Net Profit	62.7	(9.1)	(1.5)	21.4
EBITDA	34.7	7.4	5.2	18.1
EPS	48.5	(8.0)	(1.5)	18.8
CEPS	69.6	(18.9)	(0.9)	19.9
Gr.Fix.Assets	54.8	0.3	11.0	1.0
Capital Emp.	33.7	31.1	21.9	26.0
Valuation				
EPS (Rs.)	60.8	56.0	55.1	65.5
CEPS (Rs.)	370.8	300.6	297.9	357.2
BVPS (Rs)	155.3	203.2	248.8	304.2
PER (x)	6.2	6.8	6.9	5.8
PEG (x)	0.1	(0.8)	(4.6)	0.3
P/CEPS (x)	1.0	1.3	1.3	1.1
P/BVPS (x)	2.4	1.9	1.5	1.2
EV/EBITDA (x)	5.5	5.1	5.1	5.3
EV/Net Sales (x)	2.1	2.5	2.2	2.3
Profitability				
ROCE (%)	38.6	26.7	20.9	20.5
RONW (%)	52.3	32.2	23.9	23.7
EBIDTA Margin(%)	40.9	51.6	46.0	47.0
EBDTA Margin (%)	38.5	48.6	43.5	44.0
NP Margin (%)	38.7	41.2	34.5	36.1
Tax/PBT (%)	7.6	9.4	15.5	15.3
Turnover				
Avg. Drs.Days	26	26	26	26
Avg. Crs.Days	184	180	180	180
N.Fixed Assets (x)	1.9	1.1	1.0	0.9
Total Assets (x)	0.8	0.5	0.5	0.5
CMP (Rs.)	379.0	379.0	379.0	379.0
Mkt.Cap. (Rs.mn)	28875.4	32748.2	32748.2	32748.2
EV (Rs.mn)	28707.8	28641.5	30047.2	36427.2

CASH FLOW STATEMENT

(Rs.mn)

Y/E March	FY09	FY10E	FY11E	FY12E
Cash Flow from Operating Activity				
Profit before tax & Extraordinary Items	5019.2	5334.7	5637.4	6684.3
Depreciation & Amortization	367.8	454.7	480.5	508.0
Extraordinary items	572.0	(100.0)	(100.0)	0.0
Provision for Taxes	(383.2)	(499.1)	(874.2)	(1025.6)
Incr/(Decr) in Deferred Tax Liability	61.5	5.0	5.0	6.0
(Incr)/Decr in Working Capital	(1796.4)	2168.5	(1598.0)	(455.2)
(Incr)/Decr in Mis. Expense not written off	0.2	0.0	0.0	0.0
Cash Flow from Operating	3841.1	7363.9	3550.6	5717.5
Cash Flow from Investing Activity				
(Incr)/ Decr in Gross PP&E	(3215.1)	(30.0)	(1000.0)	(100.0)
(Incr)/Decr In Work in Progress	2092.7	(3463.9)	(3280.0)	(4600.0)
(Incr)/Decr In Investments	205.3	0.0	0.0	(6563.0)
(Incr)/Decr in Other Non-Current Assets	0.0	(920.0)	46.0	43.7
Cash Flow from Investing	(917.1)	(4413.9)	(4234.0)	(11219.3)
Cash Flow from Financing Activity				
(Decr)/Incr in Debt	310.7	(648.9)	750.0	2000.0
(Decr)/Incr in Share Capital	(3.5)	20.4	0.0	0.0
(Decr)/Incr in Securities Premium	(787.0)	1788.7	5.1	5.6
(Decr)/Incr in Warrants application Money	(0.7)	0.0	0.0	0.0
Dividend	(664.5)	(820.1)	(727.5)	(883.9)
Cash Flow from Financing	(1145.0)	340.2	27.7	1121.7
Incr/(Decr) in Balance Sheet Cash	1779.1	3290.2	(655.7)	(4380.1)
Cash at the Start of the Year	2667.1	4446.2	7736.4	7080.6
Cash at the End of the Year	4446.2	7736.4	7080.6	2700.6

Source : Company, Sushil Finance Research Estimates

Rating Scale

This is a guide to the rating system used by our Equity Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with “Neutral” Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.

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