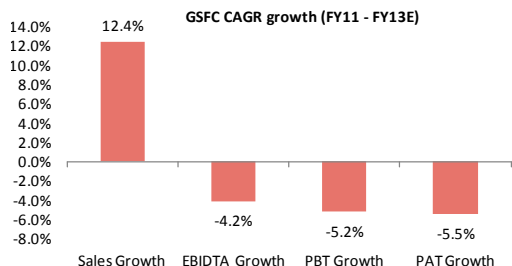


December 2, 2011

**Fertiliser & Chemicals
Sector Outlook – Positive**



Recommendation	BUY
CMP (₹)	450
Price Target (₹)	653
Upside (%)	45
52 Week H / L ₹	504/304
BSE 30	16559

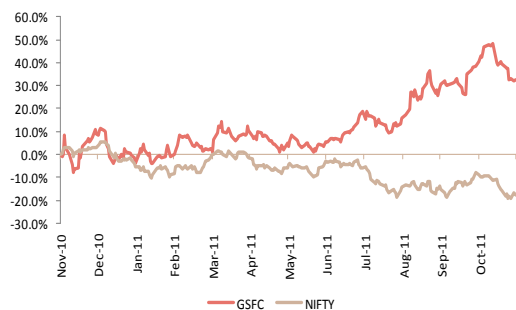
Key Data

No. of Shares, Mn.	80
Mcap, ₹ mn	35910
Mcap, USD Mn @ ₹49	733
2 W Avg Qty, (BSE+NSE) Mn	64900

Share holding, Sep'11

Promoters	37.8
FII	10.3
DII	27.1
Public & Others	24.8

Performance	1 M	3 M	6 M	12 M
Stock Return %	-4.6	16.9	29.5	32.9
Relative Return %	5.8	19.3	41.7	50.5



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Several structural advantages, upgrade estimates

We visited GSFC plant at Vadodara. It has several structural advantages in its operations due to integrated plant with backward/forward integration. It uses captive ammonia for producing fertilisers and various chemicals at Vadodara plant and transfers to Sikka (Jamnagar) unit for producing DAP. GSFC is also taking up Anone plant modernization with capex of ₹900 million which will reduce Benzene consumption in Caprolactam production process. We upgrade estimates to factor in these advantages and move forex assumption to ₹48 (from ₹46 earlier).

Ammonium Sulphate (AS) – by product of Caprolactam

GSFC sells AS to farmers as fertiliser and gets subsidy under NBS policy since April'10. GSFC has 148000 tpa capacity of AS, while 196000 of AS is available as by product of Caprolactam plants. Old Caprolactam plant has higher by-product ratios (over 4.5 tonne of AS for 1 tonne of Caprolactam), while new plant has better conversion efficiencies and produces significantly lower by-product (~2.3 tonne of AS for 1 tonne of Caprolactam). Profitability on AS has significantly improved post NBS. Subsidy of ₹5979 per tonne is paid on AS currently.

Backward integration with Phosphoric acid manufacturing for NPK/DAP

GSFC manufactures Ammonium Phosphate Sulphate (20:20:0:13) at its Vadodara plant where it has captive phosphoric acid and sulphuric acid plants which results in higher profitability. TIFERT in Tunisia will bring another 0.18 million tonne availability for producing DAP at Sikka plant by Q1FY13 end apart from 0.42 million tonne of volume tie-ups that GSFC has from global suppliers.

Captive Ammonia - A major competitive advantage

GSFC had invested ₹11.2 billion for Ammonia expansion with capacity of 0.45 million tonne that was commissioned in April 2000. GSFC uses ammonia in manufacturing of several products such as Urea, Ammonium Sulphate, complex fertiliser, DAP (by transporting Ammonia from Vadodara to Sikka), Caprolactam etc. Rise in ammonia price is advantageous for GSFC in decontrolled fertilisers vis-à-vis its peers who rely entirely on imported ammonia and helps in generating sustainable higher margins.

Price target revised upwards to ₹653, Maintain 'Buy'

We believe that due to significant structural advantages such as captive ammonia and Ammonium Sulphate as by-product in fertiliser segment will have sustainable competitive advantage over its peers. We switch valuation method from P/E to EV/EBIDTA as dynamics of Fertiliser and Chemical businesses are different and accordingly, value fertiliser business at 4.5x on EV/EBIDTA (average of our coverage universe), while chemical business is valued at EV/EBIDTA of 3x given the high volatility and commodity nature of business. We revise price target to ₹653 (₹563 earlier based on P/E of 8x for FY13E). The revision in price target is predominantly driven by upgrade in our estimates. At our target price, GSFC will trade at 7.4x and 7.8x on its FY12E and FY13E EPS. Maintain 'Buy'

Financials	Revenues ₹mn	EBIDTA ₹mn	Net Profit ₹mn	EPS ₹	P/E x	EV/EBIDTA x	ROAE %
FY09	58808.0	8242.3	4993.6	62.6	7.2	4.7	29.3
FY10	40191.9	4248.4	2544.7	31.9	14.1	9.9	12.5
FY11	47550.5	11718.9	7493.7	93.9	4.8	2.9	30.1
FY12E	51789.0	11433.5	7067.6	88.6	5.1	2.6	22.5
FY13E	60071.1	10760.3	6692.6	83.9	5.4	2.4	17.8

Source: Company, Sunidhi Research

**GSFC produced 20% of India's production in DAP**

11 million tonnes of DAP was sold in India in FY11 out of which 7.5 million tonnes was imported. India indigenously produced ~3.5 million tonnes of DAP in FY11 out of which GSFC produced ~0.7 million tonnes (20% of India's production). However as GSFC doesn't indulge in trading (imports) of DAP, its share in sales was only ~6.3%. GSFC has rated capacity of ~0.98 million tonne at Sikka plant and can operate at higher utilization levels if phosphoric acid availability improves (which is expected post TIFERT commissioning).

TIFERT to improve availability of Phosphoric acid

GSFC and Coromandel International Limited are joint partners in the Tunisian JV-TIFERT, which is setting up a 0.36 million tonnes phosphoric acid plant in Tunisia. 70% stake in the venture will be equally owned by GCT and CPG, Tunisia (100% Tunisian state owned entities) and 15% each will be the stake of GSFC and CIL. The project is expected to ensure the availability of 0.18 million tonnes of phosphoric acid each to GSFC and CIL on a long-term basis. 0.18 million tonne phosphoric acid is enough for 0.39 million tone of DAP production. Additional availability of phosphoric acid will result in better utilization of its DAP manufacturing facility. The total project cost is estimated at US\$450 million. Due to civil unrests in Tunisia, project has been delayed and has got affected recently with protests erupting again in November 2011.

Lower risk of earnings volatility with implementation of NBS

GSFC has 69% of its revenues from fertiliser business. Till FY10, fertiliser business profitability was very volatile as it didn't have any control over MRP as well as subsidy was unpredictable. With implementation of NBS, earnings volatility will be much less going forward in our view as it has freedom to raise MRP to mitigate cost pressures and subsidy is declared in advance, hence predictable.

Caprolactam prices touched \$3550/tonne in Q2, but falls with slower growth prospects in the world

GSFC has Caprolactam capacity of 70,000 tonne per annum (production ~80000 tonnes), highest in India. Caprolactam contributed ~17% of the total revenue in FY11. Caprolactam prices scaled to \$3550+ during Q4FY11 and continued to hold firm in 1HFY12. However, with slowdown worries in global economy, Caprolactam has witnessed sharp correction in last 2 months and is **currently at ~ \$2500/tonne**.

Growth prospects are dampened due to slowdown in growth across the world. The end use industries of Caprolactam viz. Automobiles (Tyre) and Textiles no longer support robust prices. Hence our estimates already account for substantial price decline which is happening due to slowdown in world economy.

Nylon-6 plant to be expanded by 15000 tpa

Capacity addition of Nylon-6 plant by another 15000 tonne per annum is planned at Baroda and the technology tie-up for the same is under progress. Existing capacity of Nylon-6 is 7000 tonne while GSFC produced 9520 tonne in FY11.

Low financial gearing, high cash & investments per share

GSFC had ₹6127 million cash at FY11 end (₹77 per share) and market value of its quoted investments and book value of unquoted investments (stakes in GNFC, GACL, GRUH Finance & more) is ₹97 per share. Net Gearing is negative 0.10x, while Gross gearing stands at 0.14x for FY11. With strong cash flow generation and low capex in FY12E and FY13E, net debt will turn further negative

**Methanol Plant to add to revenues in FY13**

GSFC plans to revamp its old Ammonia I plant to manufacture 525 tonnes per day (tpd) of methanol (0.163 million tpa at 310 days of operations). This plant will also meet the synthetic gas requirements of the Caprolactam plant. The cost of the project is estimated at ₹2.59 billion, which is inclusive of a contingency margin of around 25%. The project is expected to be commissioned by Q4FY12. The capital cost is relatively lower for GSFC, as it will be retaining a larger part of the existing Ammonia I plant infrastructure. The project is being largely funded through internal accruals. GSFC also used surplus CO₂ which is available from its integrated facilities at Vadodara that has resulted in plant's capacity to be higher (from 400 tpd to 525 tpd). This has resulted in significant cost savings while incurring capex in setting up the Methanol plant, which otherwise would have been over ₹4.5 billion.

Investments in wind energy

GSFC has commissioned its first 10 MW Wind Mill Power Project at Kutch in Mar'08 and added another 12 MW Wind Mill Power Project in Jan'09 in Kutch District. It has subsequently implemented 18 MW Wind Power Project in Porbandar Dist. and 33 MW Wind Power Project in Kutch Dist. These projects are meeting the Company's captive power requirements as well as selling surplus power to State Grid. Encouraged by the performance of these Wind Mill Projects, the incentives available from the Government, it has implemented additional 50.4 MW Wind Power capacities that were completed in Q2FY12 in Rajkot and Surendranagar Districts of Gujarat. With this, the total capacity is 123.4 MW of wind power. We don't envisage further investments in wind energy as 123.4 MW will be enough for its captive consumption.

Caprolactam chain drives revenues, profitability in chemical segment

Caprolactam is the largest revenue contributor in its Chemical segment. We believe that Investors have looked at GSFC as chemical company and it attracted valuation multiples accordingly. Investors reacted to Caprolactam cycles while taking investment decisions. We strongly believe that GSFC should be looked at as sum of the parts and derive our valuation by valuing fertiliser business & chemical business separately.

Caprolactam prices have crashed in past few weeks to ~ \$2500/tonne from the highs of over \$3500/tonne. INR depreciation however is positive as it impacts realized revenue in INR terms positively. We continue to believe that GSFC should be looked at as a strong Fertiliser company rather than linking its fortunes with Caprolactam cycle as Caprolactam accounts for ~15% of the total revenues while Fertilisers account for ~70% of revenues. In our estimates, we had built in \$3200/tonne for FY12 and \$2500/tonne for FY13. We revise FY12 estimate for Caprolactam to \$3000/tonne while FY13E estimate is kept unchanged at \$2500/tonne.

Sensitivity on FY13 EPS with Capro-Benzene price ranges

Benzene / Capro \$ per tonne	2000	2500	3000	3500
900	74.1	90.2	106.4	122.5
1100	67.7	83.9	100.0	116.1
1300	61.3	77.5	93.6	109.7

Source: Sunidhi Research

Our base case assumes \$2500 per tonne for Caprolactam in FY13, while Benzene price is assumed at \$1100 per tonne (currently trades at ~ \$950/tonne). As shown in sensitivity analysis table, if Caprolactam prices average \$3000/tonne and Benzene remains at \$1100/tonne levels, EPS for FY13 will be ₹100.0 compared to ₹83.9 that we currently build in.

**Replication of Vadodara complex at Dahej**

GSFC plans to set up large integrated fertilizer complex, a larger replica of that in Fertilizernagar (Vadodara) to manufacture Ammonia, Urea, Caprolactam and Melamine to meet the growing demand. At present land acquisition is under progress at Dahej for the project for which GSFC has already paid ₹810 million. Total project cost will involve investment of ₹70 billion.

Tunisia civil unrest starts again, work at TIFERT & supplies of phos acid disrupted

Tunisia has been witnessing civil unrest like many other countries in that region. It is hampering work at TIFERT, which was to be commissioned by April 2012. We had assumed that full benefit of additional phosphoric acid from TIFERT will be available from Q2FY13, however given the challenging scenario; plant commissioning may be delayed further. Tunisia also supplies phosphoric acid to India. Manufacturing and Shipment of acid is also being affected in Tunisia, which will affect manufacturing of DAP at Sikka plant in 2HFY12 as well. We are lowering DAP volumes to 675000 tonnes from 750000 tonnes earlier for FY12 and 850000 tonne for FY13 (900000 tonnes earlier). Sales volumes are at risk in DAP/Complexes because of sharp rise in MRP as well. However, we believe it will hit imports more than the indigenously produced DAP.

Despite supply side issues, Q2FY12 bottom-line rises 3% YoY

GSFC reported Q2FY12 numbers. Revenues came at ₹12641 million, ahead of our estimate of ₹11505 million, down 3% YoY, up 4.7% QoQ. EBITDA was reported at Rs 3031 million, down 4% YoY, up 11% QoQ. PAT was reported at ₹2128 million, up 3% YoY and 9% QoQ.

Fertiliser volumes hit due to supply side issues, higher base

Fertiliser Volumes declined by 30% YoY primarily due to lower sales of Ammonium Sulphate and lower DAP volumes where production got hit due to phosphoric acid availability issues from Tunisia due to civil unrest there. GSFC depends on Tunisia for ~30% of its phosphoric acid requirements. Industrial Products business reported 20% jump in revenues and 26% YoY growth in EBIT with EBIT margin of 34.3%. Fertiliser business revenue was down by 12% YoY, with 33% YoY decline in EBIT.

Ammonium Sulphate volumes fell by 19% for 1HFY12 over 1HFY11 due to higher base of last year. GSFC carried huge inventory of AS in FY11 from FY10 end and liquidated the same in 1HFY11 resulting in higher base. We believe that GSFC will have annual run rate of ~325000 tonnes of AS every year. DAP volumes too fell by 38% YoY during Q2FY12 as phosphoric acid availability was impacted due to civil unrest in Tunisia which is major supplier nation for phosphoric acid to GSFC. Due to civil unrest, over 200 KM railway line in Tunisia could not be operational for several weeks which connects rock phosphate mines with phosphoric acid plants close to port.



Quarterly Financials

Income Statement	Q2FY11	Q1FY12	Q2FY12	YoY %	QoQ%
Net Sales	13006.6	12076.8	12641.3	-2.8%	4.7%
Total Expenditure	9834.3	9338.6	9609.9	-2.3%	2.9%
EBIDTA	3172.3	2738.2	3031.4	-4.4%	10.7%
Other Income	438.3	238.6	411.4	-6.1%	72.4%
Operating Profit	3610.6	2976.8	3442.8	-4.6%	15.7%
Interest	40.6	58.3	7.0	-82.8%	-88.0%
Depreciation	358.0	310.5	310.9	-13.2%	0.1%
PBT	3212.0	2081.7	3124.9	-2.7%	50.1%
Tax	1141.9	660.9	996.9	-12.7%	50.8%
Profit After Tax	2070.1	1420.8	2128.0	2.8%	49.8%
Extraordinary Items	0.0	-526.3	0.0		
Adj. PAT	2070.1	1947.1	2128.0	2.8%	9.3%
Basic EPS	26.0	17.8	26.7	2.8%	49.8%
Adj EPS	26.0	24.4	26.7	2.8%	9.3%
EBIDTA Margin %	24.4%	22.7%	24.0%	-41 bps	131 bps
PBT Margin %	24.7%	17.2%	24.7%	2 bps	748 bps
PAT Margin %	15.9%	16.1%	16.8%	92 bps	71 bps
Segmental Performance	Q2FY11	Q1FY12	Q2FY12	YoY %	QoQ%
REVENUE FROM OPERATIONS	13006.6	12076.8	12641.3	-2.8%	4.7%
Industrial Products	3873.3	3494.3	4640.0	19.8%	32.8%
Fertiliser	9133.3	8582.5	8001.3	-12.4%	-6.8%
PBIT	3369.1	2639.2	2800.7	-16.9%	6.1%
Industrial Products	1263.9	1351.0	1593.6	26.1%	18.0%
Fertiliser	1808.1	1288.2	1207.1	-33.2%	-6.3%
Less Interest	40.6	58.3	7.0	-82.8%	-88.0%
Other Un-Allocable Expenditure	-180.6	499.2	-331.2	83.4%	-166.3%
Total Profit Before Tax	3212.0	2081.7	3124.9	-2.7%	50.1%
CAPITAL EMPLOYED	24597.3	29707.3	31835.3	29.4%	7.2%
Industrial Products	8705.8	6953.9	7149.9	-17.9%	2.8%
Fertiliser	16909.0	17073.6	17984.2	6.4%	5.3%
Unallocate	-1017.5	5679.8	6701.2	-758.6%	18.0%
EBIT Margin (%)					
Industrial Products	32.6%	38.7%	34.3%	171bps	-432 bps
Fertiliser	19.8%	15.0%	15.1%	-471 bps	8 bps
Tax Rate %	35.6%	31.7%	31.9%	-365 bps	15 bps

Source: Company, Sunidhi Research

GSFC Volumes (Tonnes)	Q2FY12	Q2FY11	Q1FY12	YoY	QoQ	H1FY12	H1FY11	YoY
Ammonium Sulphate	85,849	140,189	63,452	-38.8%	35.3%	149,301	184,667	-19.2%
NPK 20:20:0:13	80,081	75,008	67,389	6.8%	18.8%	147,470	125,892	17.1%
DAP	117,103	189,134	165,234	-38.1%	-29.1%	282,337	407,579	-30.7%
Total	283,033	404,331	296,075	-30.0%	-4.4%	579,108	718,138	-19.4%

Source: Company, Sunidhi Research



Price Target Derivation

GSFC historically traded at very low earnings multiples due to volatility and unpredictability in earnings. It was always looked upon as a play on Caprolactam – Benzene spread. This is set to change in our view as GSFC emerges as a strong fertiliser company with several structural advantages. Fertiliser segment profitability with 69% revenue in FY11 was very volatile till FY10 as it didn't have any control over MRP as well as subsidy was unpredictable. With implementation of NBS, earnings volatility will be much less going forward in our view as it has freedom to raise MRP to mitigate cost pressures and subsidy is declared in advance, hence predictable.

We visited GSFC plant at Vadodara. It uses captive ammonia for producing fertilisers and various chemicals at Vadodara plant and has surplus ammonia capacity at Vadodara unit which is transferred to Sikka (Jamnagar) unit for producing DAP. GSFC is also taking up Anone plant modernization with capex of ₹900 million which will reduce Benzene consumption and thus reduce cost of Caprolactam production. We upgrade estimates to factor in these advantages and move forex assumption to ₹48 (from ₹46 earlier).

We believe that Fertiliser business will contribute 59% of EBIDTA while chemical business will contribute the rest. We switch valuation method from P/E to EV/EBIDTA as dynamics of Fertiliser and Chemical businesses are different and accordingly, value fertiliser business at 4.5x on EV/EBIDTA (average of our coverage universe), while chemical business is valued at EV/EBIDTA of 3x given the high volatility and commodity nature of business. We revise price target to ₹653 (₹563 earlier based on P/E of 8x for FY13E). The revision in price is predominantly driven by upgrade in our estimates. At our target price, GSFC will trade at 7.4x and 7.8x on its FY12E and FY13E EPS. Maintain **'Buy'**

₹ Million	FY12E	FY13E
Fertiliser EBIDTA	5900.1	6380.5
Chemical EBIDTA	5533.4	4379.8
Fertiliser EV/EBIDTA (x)	4.5	4.5
Chemical EV/EBIDTA (x)	3.0	3.0
Fertiliser EV	26550.4	28712.3
Chemical EV	16600.2	13139.4
Total EV	43150.6	41851.7
(-) Debt	2923.3	1423.3
(+) Cash	9364.7	11695.6
Mcap	49592.0	52124.0
Target Price ₹ per share	621	653

Sensitivity to Multiples		Fertiliser EV/EBIDTA		
		3	4.5	6
Chemical EV/EBIDTA	2	478	598	718
	3	533	653	773
	4	588	708	828

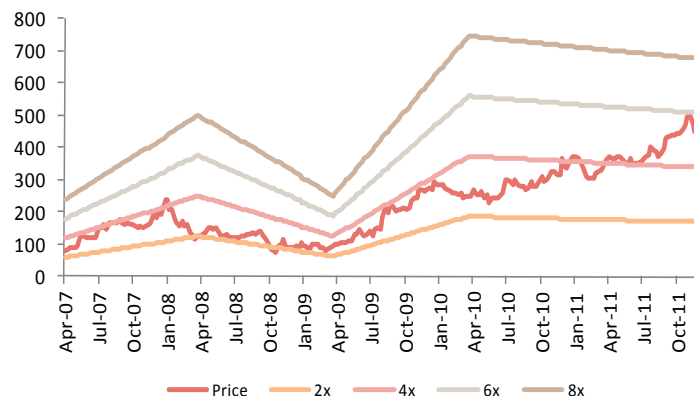
Estimates Revision	Old		New		% Change	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
₹ Million						
Sales	57909.5	58486.7	51789.0	60071.1	-10.6%	2.7%
EBIDTA	10376.5	9177.9	11433.5	10760.3	10.2%	17.2%
PAT	6366.2	5615.1	7067.6	6692.6	11.0%	19.2%
EPS	79.8	70.4	88.6	83.9	11.0%	19.1%

Source: Sunidhi Research



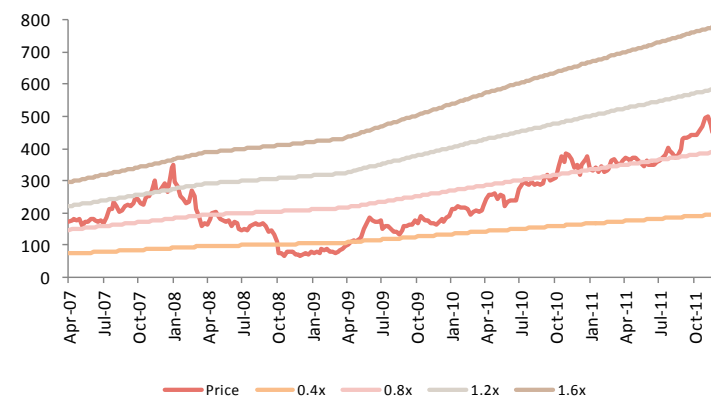
Valuation Bands (1 year forward)

Exhibit 1: Valuation Bands - P/E



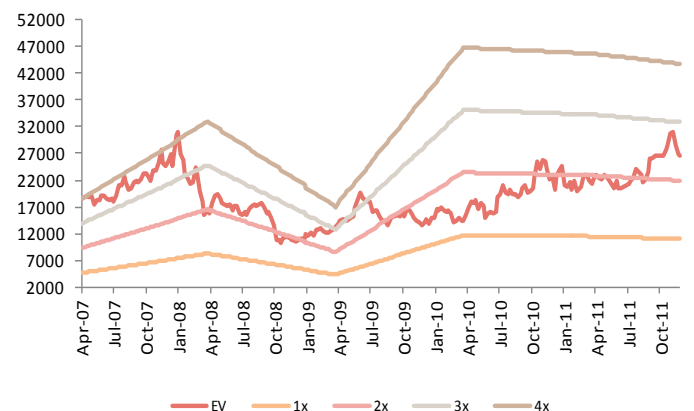
Source: Sunidhi Research

Exhibit 2: Valuation Bands - P/BV



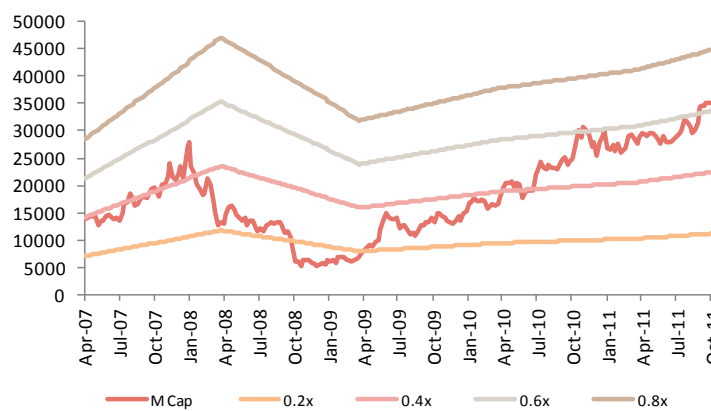
Source: Sunidhi Research

Exhibit 3: Valuation Bands - EV/EBIDTA



Source: Sunidhi Research

Exhibit 4: Valuation Bands - Mcap/Sales



Source: Sunidhi Research

Comparative valuation table

Company	Year	Sales	EBIDTA	PAT	EPS Adj	P/E	Mcap/Sales	P/ Bv	EV/ EBIDTA
CFCL	FY12E	60311.3	9250.3	3555.9	8.5	10.4	0.6	2.0	5.8
	FY13E	64590.4	11032.3	4708.6	11.3	7.9	0.6	1.7	5.7
CIL	FY12E	92160.0	11792.5	6720.1	23.8	11.7	0.9	3.4	7.7
	FY13E	108521.9	14013.9	8539.3	30.3	9.3	0.8	2.7	6.4
DFPCL	FY12E	18872.5	4284.4	1974.7	22.4	6.8	0.7	1.1	4.7
	FY13E	22154.2	4784.7	2345.0	26.6	5.8	0.6	1.0	3.4
GSFC	FY12E	51789.0	11433.5	7067.6	88.6	5.1	0.7	1.0	2.6
	FY13E	60071.1	10760.3	6692.6	83.9	5.4	0.6	0.9	2.4
TCL	FY12E	134178.4	22453.8	7723.4	30.3	10.6	0.7	1.5	6.0
	FY13E	148477.1	24510.4	9109.7	35.7	9.6	0.6	1.4	5.5
ZIL	FY12E	81225.7	4426.8	2450.0	83.2	6.3	0.2	0.8	2.8
	FY13E	89952.6	5284.6	2952.4	100.3	5.2	0.2	0.7	3.6
Average	FY12E	73089.5	10606.9	4915.3	42.8	8.5	0.6	1.7	4.9
	FY13E	82294.6	11731.0	5724.6	48.0	7.2	0.5	1.4	4.5

Source: Sunidhi Research



Risks to our Price Target

- Delay in TIFERT project may lead to short supply of phosphoric acid, which may affect capacity utilization of DAP plant at Sikka.
- Inability to pass on entire cost pressures to farmers in fertiliser segment as government has fixed subsidy in advance under NBS policy which was set at lower benchmark international prices while price rise in imported raw material has led to increase in costs. MRP hikes are severe in DAP & complexes and may result impact volume growth in India.
- Depreciation of INR is causing huge problems to fertiliser industry as MRP of DAP/complexes is sufficient at forex rate of 49.5, however INR/USD is now over 52. Industry has committed not to raise prices till Mar'12 after securing 5% discount on DAP & complexes from suppliers.
- Chemical prices tend to be volatile and may cause volatility in profits of industrial products segment. GSFC derives significant profits from Nylon - Caprolactam chain and other chemicals. We have taken conservative price assumptions for Caprolactam in our estimates.



Valuations Summary

Year End-March	FY09	FY10	FY11	FY12E	FY13E
Per share (₹)					
EPS	62.6	31.9	93.9	88.6	83.9
CEPS	80.5	49.5	112.2	110.8	107.1
BVPS	242.0	268.6	354.4	434.2	508.7
DPS	4.5	4.5	7.0	7.5	8.0
Payout (%)	8.4%	16.5%	8.7%	9.9%	11.2%
Valuation (x)					
P/E	7.2	14.1	4.8	5.1	5.4
P/BV	1.9	1.7	1.3	1.0	0.9
EV/EBITDA	4.7	9.9	2.9	2.6	2.4
Dividend Yield (%)	1.0%	1.0%	1.6%	1.7%	1.8%
Return ratio (%)					
EBITDA Margin	14.0%	10.6%	24.6%	22.1%	17.9%
PAT Margin	8.5%	6.3%	15.8%	13.6%	11.1%
ROAE	29.3%	12.5%	30.1%	22.5%	17.8%
ROACE	31.9%	14.6%	35.2%	29.0%	24.2%
Leverage Ratios (x)					
Total D/E	0.2	0.3	0.1	0.1	0.0
Net Debt/Equity	0.1	0.3	-0.1	-0.2	-0.3
Interest Coverage	56.6	68.7	81.7	68.2	86.4
Current ratio	1.6	2.6	2.7	3.2	3.4
Growth Ratios (%)					
Income growth	65%	-32%	18%	9%	16%
EBITDA growth	77.9%	-48.5%	175.8%	-2.4%	-5.9%
PAT growth	109%	-49%	194%	-6%	-5%
Turnover Ratios					
F.A Turnover x	1.8	1.2	1.3	1.3	1.5
Inventory Days	42.5	61.6	45.1	42.4	41.9
Debtors Days	32.3	50.1	57.9	66.3	65.2
Payable days	32.3	45.2	48.9	53.2	51.0
Income Statement(₹ mn)					
Year End-March	FY09	FY10	FY11	FY12E	FY13E
Revenues	58808.0	40191.9	47550.5	51789.0	60071.1
Op. Expenses	50565.7	35943.5	35831.6	40355.5	49310.8
EBITDA	8242.3	4248.4	11718.9	11433.5	10760.3
Other Income	713.0	1130.1	1012.0	1050.0	1200.0
Depreciation	1430.4	1409.3	1464.0	1778.0	1854.5
EBIT	7524.8	3969.2	11266.8	10705.5	10105.9
Interest	133.0	57.8	137.9	156.9	116.9
PBT	7399.5	3891.2	11124.5	10548.6	9988.9
Tax	2405.9	1346.5	3630.8	3481.0	3296.3
PAT	4993.6	2544.7	7493.7	7067.6	6692.6
Minority	0.0	0.0	0.0	0.0	0.0
Sh. of Associates	0.0	0.0	0.0	0.0	0.0
Ex. ordinary	0.0	0.0	0.0	0.0	0.0
Adj Pat	4993.6	2544.7	7493.7	7067.6	6692.6

Source: Company, Sunidhi Research

Balance Sheet (₹ mn)

Year End-March	FY09	FY10	FY11	FY12E	FY13E
Sources of Funds					
Equity Share Capital	797.0	797.0	797.0	797.0	797.0
Reserves & Surplus	18517.8	20644.3	27489.6	33856.7	39802.3
Net Worth	19314.7	21441.2	28286.5	34653.7	40599.2
Loan Funds					
Deferred Tax Liability	1716.3	1497.0	2043.3	2043.3	2043.3
Capital Employed	24271.0	29814.1	34253.1	39620.2	44065.8
Application of Funds					
Gross Block	32153.2	32316.0	35572.4	39510.3	41210.3
Less: Depreciation	20130.0	21501.1	22959.5	24737.5	26591.9
Net Block	12023.2	10814.8	12612.9	14772.8	14618.4
WIP	509.5	1819.0	3212.1	0.0	0.0
Net Fixed Assets	12532.6	12633.8	15824.9	14772.8	14618.4
Investments					
Investments	6060.9	4249.8	4249.8	4249.8	4249.8
Current Assets					
Debtors	4806.8	6215.8	8881.1	9932.1	11520.5
Inventory	7455.8	6111.0	5647.9	6384.9	7406.0
Cash	381.4	601.2	6126.7	9364.7	11695.6
Others	1987.4	8109.1	1862.4	4256.6	4937.4
Current Liabilities					
Creditors	4689.6	4217.2	5383.8	6384.9	7406.0
Provisions	4264.3	3889.4	2955.8	2955.8	2955.8
Net Current Asset	5677.5	12930.4	14178.4	20597.6	25197.6
Misc Expenses	0.0	0.0	0.0	0.0	0.0
Total	24271.0	29814.1	34253.1	39620.2	44065.8
Cash flow Statement					
Year End-March	FY09	FY10	FY11	FY12E	FY13E
PBT	7399.5	3891.2	11124.5	10548.6	9988.9
Depreciation	1428.7	1409.3	1463.7	1778.0	1854.5
Interest (Net)	391.7	124.3	-109.8	156.9	116.9
Others	467.4	103.4	-102.8	0.0	0.0
CF before W.cap	9687.3	5528.3	12375.7	12483.5	11960.3
Inc/dec in W.cap	1034.6	-1283.8	4073.5	-3181.2	-2269.1
Op CF after W.cap	10721.9	4244.4	16449.2	9302.2	9691.2
Less Taxes	2442.0	1751.4	2943.1	3481.0	3296.3
Net CF From Operations	8279.9	2493.0	13506.2	5821.2	6394.9
Inc/(dec) in F.A + CWIP	-1290.6	-1511.2	-4681.1	-725.9	-1700.0
(Pur)/sale of Investments	-4434.6	1575.1	0.0	0.0	0.0
others	198.5	-5238.7	215.4	0.0	0.0
CF from Invst Activities	-5526.7	-5174.9	-4465.6	-725.9	-1700.0
Loan Raised/(repaid)	-2774.4	3318.1	-3099.9	-1156.9	-1616.9
Equity Raised	0.0	0.0	0.0	0.0	0.0
Dividend	-416.6	-416.4	-415.1	-700.4	-747.1
CF from Fin Activities	-3191.0	2901.7	-3515.0	-1857.3	-2364.0
Net inc /(dec) in cash	-437.8	219.8	5525.5	3238.0	2330.9
Op. bal of cash	819.2	381.4	601.2	6126.7	9364.7
Cl. balance of cash	381.4	601.2	6126.7	9364.7	11695.6



Sunidhi's Rating Rationale

The price target for a **large cap stock** represents the value the analyst expects the stock to reach over next 12 months. For a stock to be classified as **Outperform**, the expected return must exceed the local risk free return by at least 5% over the next 12 months. For a stock to be classified as **Underperform**, the stock return must be below the local risk free return by at least 5% over the next 12 months. Stocks between these bands are classified as **Neutral**.

(For Mid & Small cap stocks from 12 months perspective)

BUY	Absolute Return >20%
ACCUMULATE	Absolute Return Between 10-20%
HOLD	Absolute Return Between 0-10%
REDUCE	Absolute Return 0 To Negative 10%
SELL	Absolute Return > Negative 10%

Apart from Absolute returns our rating for a stock would also include subjective factors like macro environment, outlook of the industry in which the company is operating, growth expectations from the company vis a vis its peers, scope for P/E re-rating/de-rating for the broader market and the company in specific.

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