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India Research

GMDC

Buy

CMP: Rs 350

Target Price: Rs 480 (12 Months)

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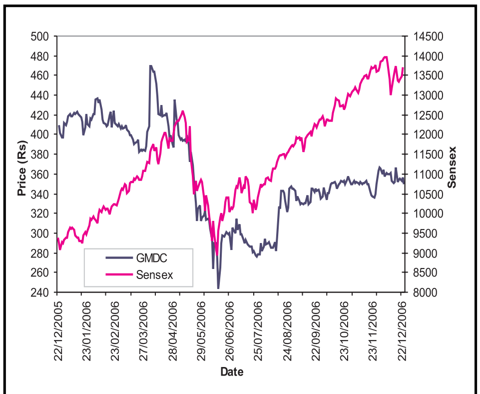
Stock Info

Market Cap (Rs cr)	1,114
Market Cap (US$ mn)	251
52 Week High / Low	491/236
Avg Daily Volume	9819
Face Value (Rs)	10
BSE Sensex	13,708
Nifty	3,940
BSE Code	532181
NSE Code	GMDCLTD
Reuters Code	GMDC.BO
Bloomberg Code	GMDC@IN

Shareholding Pattern (%)

Promoters	74.0
MF / Banks / Indian FIs	20.3
FII / NRIs / OCBs	0.7
Indian Public / Others	5.0



Mid Cap - Mining & Power

Investment Argument

- **Powering on profits from 2008:** GMDC has altered the revenue-mix by forward integrating its business model. We expect the power division to operate at above 80% PLF (Plant Load Factor) in FY2008. At this PLF, the existing 250MW power plant alone can be estimated to generate revenues of around Rs 375cr and profits of around Rs 40cr.
- **Expanded lignite capacities to fuel volume growth:** The company is in an advanced stage of commissioning two more lignite mines: the Bhavnagar mine, which has a capacity of 3MTPA, and the Akrimota mine, which has a capacity of 1MTPA. These will commence production from FY2008, which will lead to a volume growth of 15%.
- **Other products will contribute significantly to long-term growth:** The company has started exploring mining in other minerals such as bauxite, manganese, silica sand, lead, zinc and copper. GMDC will be supplying 2 to 2.25MTPA of bauxite to Ashapura Minechem. In turn, Ashapura will start refining 1MT of alumina over a period of three years, with an investment of Rs 2500 cr.
- **Candidate for potential divestment:** Currently, the Gujarat government holds a 74% stake in GMDC, which it is likely to dilute in order to fund the planned capex of 250MW.
- **Venturing into coal mining:** The government has allotted 2 coal blocks to the company with cumulative coal reserves of approximately 450 million tonnes. GMDC also has the option of taking a 26% equity stake in KSK Energy, which is in the process of setting-up a 2000MW coal-based power plant.

Valuation

GMDC has transformed from being a pure lignite player into an integrated lignite-cum-power player, which is likely to rerate the stock. At the CMP, the stock trades at 10.4X FY2007E and 5.9X FY2008E earnings of Rs 33.7 and Rs 59.7 respectively. **We have used sum-of-parts to value the company. Our fair target price is Rs 480, which values the lignite business at Rs 377 and power at Rs 103. Hence, we initate coverage with a BUY on the stock.**

Key Financial

Y/E March (Rs cr)	FY2005	FY2006	FY2007E	FY2008E
Net Sales	**369.3**	**436.2**	**611.2**	**849.5**
% chg	*0.4*	*0.2*	*0.4*	*0.4*
Net Profit	**103.4**	**35.3**	**107.2**	**189.9**
% chg	*0.3*	*(0.7)*	*2.0*	*0.8*
OPM (%)	0.4	0.4	0.4	0.4
EPS(Rs)	**32.5**	**11.1**	**33.7**	**59.7**
P/E (x)	10.8	31.6	10.4	5.9
P/CEPS(x)	10.0	6.7	5.8	4.4
ROE(%)	0.1	0.0	0.1	0.2
ROCE(%)	0.1	0.0	0.1	0.1
P/BV	1.5	1.4	1.3	1.1
EV/Sales(x)	6.0	5.0	3.4	2.3
EV/EBITDA(x)	12.6	8.9	7.0	5.0

Source: Company, Angel Research

Company Background

The Gujarat Mineral Development Corporation (GMDC) was established by the government of Gujarat in the year 1963, for developing the major mineral resources of the state. The Gujarat government has a 74% stake in the company. Currently, the product profile of the company includes lignite, limestone, bauxite, fluorspar, silica sand and base metal. Although GMDC originally started its operations by setting-up a small sand-crushing unit, followed by fluorspar mining and beneficiation activity, lignite dominates the current activities of the corporation. The company is the also largest producer of high-grade bauxite in India. Of late, GMDC has forayed into power generation, with its first 250MW power station located in Kutch.

GMDC's Operations

Review of operations

GMDC enjoys a predominant position in lignite production and sales. The company is the largest merchant seller of lignite in the country. The company has a recorded average CAGR of 15%in the lignite segment over the last 3 years alone.

Other projects

Exhibit 1 : Year- wise Lignite Production in Million Tonnes

Mines	FY2005 (MT)	FY2006 (MT)	Revenue FY2006 (cr)	Realization (Rs/Tone)	H1FY2007 (MT)	H1FY2007 revenue (cr)	Realization (Rs/Tone)
Panandhro	6.0	5.7	319.8	557.0	2.7	182.5	664.8
Rajpardi	0.6	0.8	76.0	950.0	0.1	12.7	950.0
Mata-No-Madh	0.1	0.5	21.5	456.1	0.2	10.6	490.3
Tadkeshwar	0.0	0.0	1.0	1,166.6	0.0	1.9	1,141.2
Total	6.7	7.0	418.3	595.7	3.1	207.8	667.6

Source: Company, Angel Research

Due to the easy availability of lignite at Panandhro and Akrimota, the GMDC has set-up a 250MW power station at Chher Nani (Kutch) in March 2005. During FY2006, the first Unit was taken on lignite trials and successfully reached its rated capacity of 125MW by the end of October 2005. The second Unit was powered-up on October 10, 2005 and synchronised successfully with the power-grid by December. Both the Units were operationally stable, with Unit 1 generating 151.65MW and Unit 2 generating 24.13MWs till the end of March 2006. The Unit 2 acquired commercial status from the Gujarat Electricity Board (GEB) in May 2006, and Unit 1 is expected to get commercial status in the near future.

Exhibit 2: Product-wise performance: (Tonnes in Lacs)

	2002-03	2003-04	2004-05	2005-06
Name of the products	sales	sales	sales	sales
Lignite	55.09	52.39	66.51	70.55
Bauxite	3.43	5.49	0.66	1.09
Calcined Bauxite	0.23	0.04	0.09	0.25

Source: Company, Angel Research

Products & Customers

GMDC supplies lignite to a well-diversified industry-mix, with 40,000 odd clients from various sectors (including cement and textiles), thereby insulating itself from concentrating on a small client-base.

Exhibit 3: Key Customers for Lignite.

Gujarat Electricity Board	20%
Nirma	7%
Sanghi Industries	10%
DCW	2%
India Rayon	2%
GHCL	3%

Source: Company, Angel Research

Industry Overview

Lignite Mining & Exploration

The Lignite industry

Coal and lignite are the primary sources for the production of commercial energy in India, and will continue to occupy this prime position in the near future. The total coal resources in the country are around 247 billion tonnes, and occur mainly in the northern, eastern and central parts of India. In contrast, the lignite reserves are around 38 billion tonnes, and occur predominantly in the southern part of the country. Lignite, as a fuel, is the lowest grade of coal with a calorific value of approximately 3200 kcal/kg and a high moisture content. The details of the state-wise lignite reserves of the country are given below:-

Exhibit 4: Statewise Lignite Reserves (million tonnes)

State	Category-wise lignite reserves Proved	Indicated	Inferred	Total
1 Tamil Nadu & Pondicherry	2831	17359.2	11149.0	31339.1
2 Rajasthan	560.9	2620.6	1053.8	4235.4
3 Gujarat	785.3	259.4	1618.1	2662.8
4 Jammu& Kashmir	0.0	20.3	7.3	27.6
5 Kerala	0.0	0.0	9.7	9.7
Total	4177.2	20259.4	13837.9	38274.4

Source: Tenth Plan Working Group Report, NLC

Demand

The anticipated lignite demand in the country at the end of the tenth, eleventh and twelfth plan periods is:-

Exhibit 5: Demand anticipation (million tonnes)

End of Plan period	Power sector	Other sector	Total
X (2002-07)	49.3	8.5	57.8
XI (2007-12)	71.3	10.3	81.5
XII (2012-17)	96.2	12.6	108.8

Source: Tenth Plan Working Group Report

Production

The lignite production capacity in India is expected to increase from the 33.10 MTPA in FY2006, to 55.96 MTPA by the end of the tenth Plan, and to 82.16 MTPA by the end of the eleventh Plan, as per the tenth plan working group report on lignite.

The cost-effectiveness of lignite

User industries like power, cement and textiles have demonstrated that the use of lignite, as a substitute to coal, is highly cost-effective. Only major disadvantage of lignite is that it is highly combustible and hence cannot be transported over long distances. Therefore,the user industries need to be in the vicinity of the lignite mines. With the global prices of coal scaling-up significantly over the past year, thanks mainly to a surge in demand from China, these increased prices will eventually get reflected in GMDC's profitability, after a gestation period. As per current regulations, NLC will be the only other lignite mining authority in India. Though user industries get lignite blocks for mining, they are not allowed to sell lignite to third parties. Hence, the early- mover advantage and a fairly large user-base insulates GMDC's profitability.

Exhibit 6: Cost comparison between Lignite V/S Imported coal

	IImported Coal Rs/MT	Lignite – PA Rs/MT
Price (including taxes)	3,150	593
Freight	750	750
Total	3,900	1,343
Calorfic Value Kcal/kg	6,200	3,000
Cost=Total/CV Rs./Million K Cal	629.0	447.7

Source:- Industry, Company & Angel Research
Prices of imported coal taken from the Consultant's Report to the CERC
Prices of lignite as per last year from the Panandhro mines

Power Sector

Power: Demand & Supply

The Indian power sector has witnessed major developments over the last decade. The government, recognising that electricity is one of the driving forces for the economic growth of the country, has set for itself the tough goal of providing power for the whole of India by the year 2012. Thus, the government of India has drawn ambitious plans for increasing the capacity to 2,12,000MW at the end of the twelfth plan period, from the present capacity of 1,24,287MW.

Demand and opportunity

The demand for power, as projected at the end of the twelfth plan period, is around 11,29,400 Million Units. To meet the ever growing energy requirement of the future, our country will require an installed capacity of more than 2,00,000MW. Obviously, meeting such a huge energy demand will call for an exploitation of all the available energy resources and augmenting generation capacity expeditiously.

The per capita consumption of electricity, which is considered the index of development for any country, has grown from 350 units in 1998 to over 600 units in the year 2005. The National Electricity Policy envisages an availability of 1000 units of per capita electricity by the year 2012.

The mineable lignite reserves in the Country as on January 1, 2006 are around 4.18 billion tonnes, which presents a sizeable opportunity for developing pit-head thermal power stations.

Investment Arguments

Shifting the revenue-mix by forward integrating the business model:

Moving up the value-chain

GMDC has followed Neyveli Lignite's strategy, and put up a 250MW (2 x 125MW) lignite-based power plant at Akrimota in Kutch. The power business is going to add significantly to the topline as well as the bottomline. We expect the units to run at a PLF of 80% from FY2008. This will add around Rs 375cr to the topline, and around Rs 40cr to the bottomline. Of the two units, Unit 2 has got commercial status and Unit 1 is expected to get commercial status in the near future. Around eighty percent of the project was financed by debt (Rs 1,116cr). As a result, the company has moved from singularly being a commodity player (lignite mining and sales), to being a power player as well. Given the favorable trend in the long-term fundamentals of power companies — they enjoy a significantly higher discounting — GMDC's valuations are also set to soar.

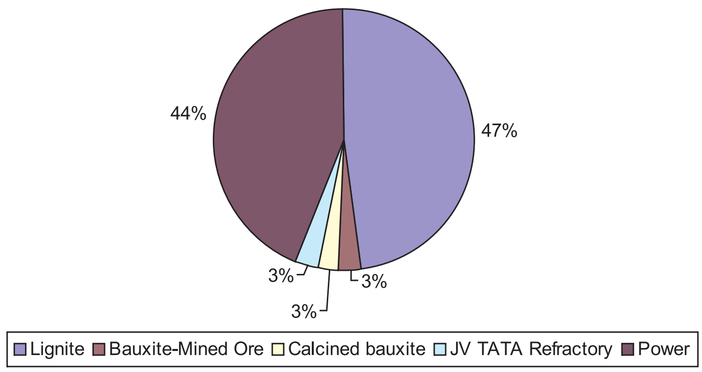
The company has signed a power purchase agreement for the entire supply from these units with the Gujarat Electricity Board (GEB). With the policy environment for power having significantly improved in favour of fresh and large investments, the power industry and, especially the power- generation segment, are being heavily discounted in the bourses. Another advantage of the power project is the substantial reduction in the provisioning of depreciation, adding Rs 50-55cr to the bottom-line.

The variable cost of producing power for GMDC is 80 paisa per unit. However, the fixed cost, which was Rs 1,430cr, increased to Rs 1,450cr because of the failure of boiler equipment and tube leakages, and has yet to be approved by the CERC.

Going forward company's revenue mix will change as shown below.

Expected Revenue-mix

Exhibit 7: Revenue Mix (FY2008E)



Source: Company, Angel Research

Expanded lignite capacities to fuel volume growth:

GMDC reported a 16.5% rise in lignite sales in FY2006, largely due to a 6% increase in production to 7.05 million tonnes and supplemented by a 10% increase in average realizations — to Rs 593 per tonne. The company is in the final stages of commissioning two more lignite mines at Bhavnagar in Saurashtra and at Akrimota in Kutch, which are estimated to start production from FY2008. The lignite reserves at these sites are estimated at 65 million tonnes and 45 million tonnes respectively: GMDC is likely to mine 1.5 million tonnes annually from the Akrimota and about 3 million tonnes from the Bhavnagar lignite mine.

Power: Demand & Supply

These expansions will lead to higher revenues through increased volumes. Additionally, with mines coming up across various parts of Gujarat, the user industry would also save considerable amounts in transport costs, which were previously incurred for transporting between the users and the mines, across the state. This will definitely shift the preference of the user industry toward lignite over the use of domestic or imported coal .

Exhibit 8: Present and up-coming lignite mines with its annual capacity

Mine	Reserves	Capacity (mn tonne p.a.)	Remark
Mata-no-Madh	350	0.6	
Akrimota	450	1.5	In two years
Umarsar	250	0.5	Production starts next year
Surkha North(Bhavnagar)	65	3.0	Next year start will fuel volume growth
Tadkeshwar (Surat)	350	1.0	Started, but next year onwards will mine at least 5 lakh tonne
Panandhro	500	7.0	90% of the revenue comes from this mine
Amod lignite mines	140	1.0	This is adjacent to Rajpardi mine
Rajpardi	200	0.5	Almost exhausted

Source: Company, Angel Research

Investment in other projects to fuel long-term growth:

Refractory business with TATA

With a stake of 26%, GMDC is entering into a J.V with TATA for the refractory business at Samakhali in Kutch. The total investment for this project is around Rs 35cr, incurred solely by TATA. In turn, GMDC will supply calcined bauxite to the plant, which is already operational with a capacity of 80,000TPA. The refractory business, which commands a higher margin, will add Rs. 30cr to the topline and Rs7cr to the bottomline.

Other Projects

Downstream plant for manufacturing Electrolytic Manganese Dioxide (EMD)

GMDC, through a JV with Cubes Mines and Minerals, is also working on a project to manufacture EMD (used in industrial batteries) using an old mine at Shivrajpur in Vadodara and Zeolite in Kutch. The JV will be investing around Rs 125cr and the company will take a minimum stake of 26% in this. The capacity will be 10000-15000 TPA and the realization per ton is Rs 60,000. This project alone will contribute around Rs 20 cr to the top line and Rs 4cr to the bottomline of GMDC from FY2008.

Multi-metal project at Ambaji

GMDC has setup a multi-metal project at Ambaji and, through this, it now owns mines of lead, zinc and copper, with concentrated reserves of 8-9MT. To process this ore, approximately 5 lakh tonnes of the concetrate will be supplied to Binani Industries on a yearly basis from FY2009.

Mining for Manganese minerals

GMDC has also started mining for its downstream beneficiation plants. It has around 4.5 million tonnes of manganese reserves in its Shivrajpur mines, which can be used for another 20-25 years. Further exploration is on and these could push the reserves up by around three times the present capacity. The production capacity at present is 10000TPM, which will go up to 60000-70000TPM in FY2008. Manganese is currently sold for Rs 215 per ton. After value addition, it can be sold for Rs 4800 per ton.

Underground Coal Gasification (UGC) JV with ONGC

ONGC is putting up a pilot project of generating 50MW of power from deep-seated coal. The cost of exploration is Rs 250cr. There are approximately 63 billion tonnes of deep-seated coal reserves in Gujarat.

Tapping bauxite potential

Other Projects

The state of Gujarat is bestowed with large bauxite deposits estimated at about 104 million tonnes. About 90% of these deposits occur mainly in three Districts: Kutch, Jamnagar and Junagadh. Around 15% of the bauxite reserves are of plant grade and are used in the refractory, abrasive and chemical industries. However, a majority of the bauxite is of the non-plant grade, which has no domestic market.

At present the non-plant grade bauxite of Gujarat is exported in small quantities to cement plants in the Middle East. This can be processed to produce alumina and alumina-based chemicals and generates substantial value addition: from raw bauxite at Rs 500PMT to alumina at Rs 9,000PMT. Therefore, to utilize these vast deposits, the Gujarat government selected the Ashapura Group to setup and to implement an alumina-based plant in Kutch. In addition to this, it also proposed setting-up a 1MT alumina refinery, which would annually consume 2-2.25MT of bauxite. For this purpose, GMDC has entered into a contract with the Ashapura group, which is investing Rs 2500cr. Ashapura would manage alumina projects, while the rights to mine bauxite would remain with GMDC. The Ashapura group has agreed to buy bauxite from GMDC at market rates.

Possible divestment of the Gujarat government stake

Divestment Scenario

Currently, the Gujarat government holds a 74% stake in GMDC. With the planned setting-up of another 250MW power plant at Akrimota, the divestment of this stake is only a matter of time. For this purpose, the company may go for a rights-issue alongwith a possible follow-on public issue to partly fund the Rs 1,200-1,300cr capex. This would double the power capacity at the Akrimota facility, where the first 250MW is already fully commissioned.

Venturing into coal mining and coal-based power

Venturing into coal

The company is fast turning from a purely lignite-based mining company into a multi-mineral company, by acquiring coal mines within India. It has already bagged the Morga-II coal block in Chhattisgarh from the government, which is estimated to have mineable coal reserves of 250MT and a mining potential of 350MT. This block can support power plants with a capacity upto 2,000MW for a period of 30 years.

Recently, GMDC was also allotted a coal block in Jharkhand. As the reserves in this block are small (around 100MT), the company has asked the Centre to allot a bigger block at Moharkudi in West Bengal in place of the Jharkhand block. Apart from this, the company has bid for every one of the 11 coal blocks that the Centre recently announced for PSUs. Of these, GMDC expect that at least 2 blocks will be allotted in their favour.

For the Morga-II block, GMDC has entered into a coal supply and investment agreement with KSK Energy Ventures. KSK Energy will set up a 250-MW power plant at Vardha and another 750-MW plant near Morga mines, at an estimated investment of Rs 4,000 crore. GMDC has the option of taking a 26% equity stake in the power company which is to be set up by KSK Energy.

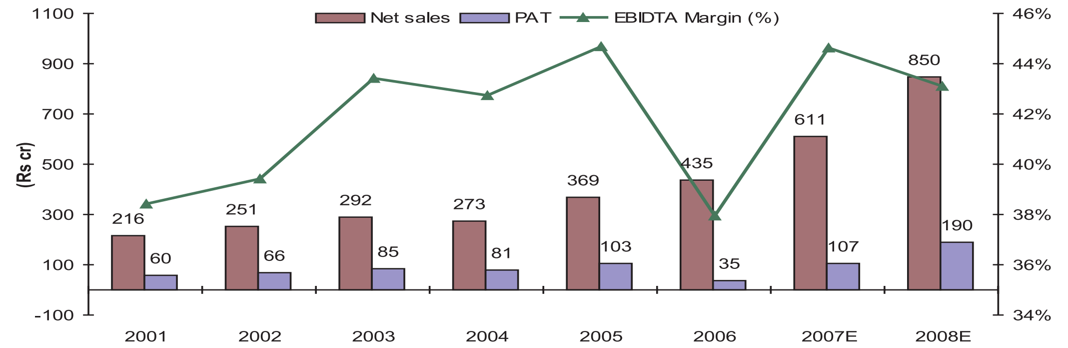
In addition to this, GMDC has recently tied-up with KSK Energy to set-up a second power project, based on coal supplies from Morga. These plants, with an estimated capacity of 2000MW, are expected to be commissioned in about four years.

Financial Overview

GMDC's lignite business has grown at a CAGR of 15% from 2001 to 2006. This performance was largely on the back of a robust volume growth, as well as an increase in realisations. Going forward, we expect the company to deliver a growth of 39% from FY2007 to FY2008 in its topline, which will largely be contributed by the revenue from its power project.

Financials

Exhibit 9: Performance



Source: Company, Angel Research

As compared to its overall OPM of around 40%, GMDC enjoys a higher margin of 65% to 70% in the mining segment. With the new mines coming online, the transportation cost of selling lignite is expected to reduce considerably and the OPM is expected to rise from FY2007. GMDC's profits in FY2006 declined considerably due to the high costs incurred on the power project. The company's net profit declined to Rs 30cr in FY2006, from Rs 103cr in FY2005, thanks mainly to a net loss of Rs 190cr on this power project. However, the net profit from the mining operations alone was much higher at Rs 220cr.

Investment Concerns

Concerns

Power concerns: The profitability of the company could be affected if Unit 1 of the power project, with a capacity of 125 MW, is not commercially operational by FY2008. However, since Unit 2 is also of the same technology and is already commercially operational, Unit 1 can be expected to follow suit by FY2008.

Price risk: Prices of lignite normally track the imported coal prices. Hence, if coal prices fall internationally, the domestic lignite prices will also follow suit, affecting the profitability of the lignite business. However, since the prices of lignite have only risen by 20% over the last 3 years, we do not anticipate a big fall. Even if the prices were to fall, their impact would be cushioned by the healthy margin of 65% in the lignite business.

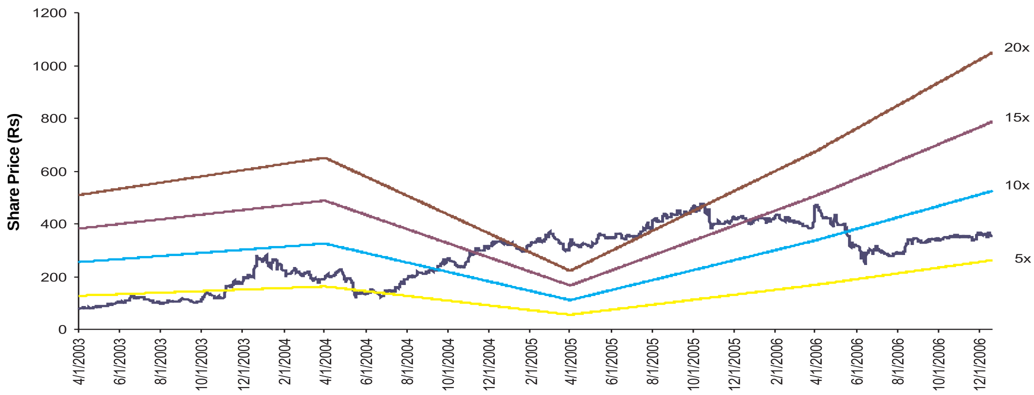
Competition in lignite: Under the Coal Mines (Nationalisation) Act, lignite can be mined only for captive consumption by private companies. GMDC, however, mines lignite for industrial use in addition to its captive requirements. Currently, a bill is pending with the parliament to amend the Act, to allow private players to mine lignite for industrial use. If this bill is passed, GMDC could face tough competition, in the sale of lignite, from private operators.

Valuation

GMDC has transformed its business, from a pure lignite model to an integrated lignite-cum-power model, with the commissioning of its 250MW power plant. The short-term trigger for the company would be the commissioning of Unit 1 and the other lignite mines becoming operational, which will directly add to the volumes of the company. The long-term trigger would be the coal gasification, the alumina project and the additional 250MW lignite-based power project.

The current price of Rs 353 discounts the projected FY2007 EPS of Rs 33.7 by 10.4 times, and the projected FY2008 EPS of Rs 59.7 by 5.9 times. The incoming production from the new mines and the benefits from the power project will sustain the growth of GMDC well beyond FY2007. For a company with an impeccable track-record of healthy profitability, strong possibilities of the power ventures electrifying its turnover, and a significant discounting on the bourses, there is enough room for sustained appreciation from the current levels. **We have used sum-of-parts to value the company. Our fair target price is Rs 480: we have valued the lignite business at Rs 377 and the power business at Rs 103. Hence, we recommend a BUY on the stock.**

Exhibit 10: P/E Band



Source: Company, Angel Research

Profit & Loss Statement — Rs crore

Y/E March	FY2005	FY2006	FY2007E	FY2008E
Net Sales	**369.3**	**436.2**	**611.2**	**849.5**
% chg	*35.3*	*18.1*	*40.1*	*39.0*
Other income	11.3	81.9	27.0	26.9
Total income	380.5	518.2	638.2	876.4
EBITDA	**164.9**	**165.6**	**262.4**	**366.2**
% of Net Sales	*44.7*	*38.0*	*42.9*	*43.1*
Interest & Financial Charges	0.2	50.6	79.2	74.0
Depreciation	8.0	130.3	55.8	66.0
PBT	**168.0**	**66.7**	**154.5**	**253.2**
Tax	64.6	31.4	30.9	63.3
% of PBT	*38.4*	*47.1*	*20.0*	*25.0*
PAT	**103.4**	**35.3**	**123.6**	**189.9**
% chg	*27.8*	*(65.9)*	*250.5*	*53.7*
PAT Margin %	*28.0*	*8.1*	*20.2*	*22.3*

Balance Sheet — Rs crore

Y/E March	FY2005	FY2006	FY2007E	FY2008E
SOURCES OF FUNDS				
Equity Share Capital	31.8	31.8	31.8	31.8
Reserves & Surplus	736.2	749.7	840.9	1010.1
Shareholder's Funds	**768.0**	**781.5**	**872.7**	**1041.9**
Total Loans	1114.6	1083.7	963.7	843.7
Deferred Tax Liab./ (Asset)	25.2	107.2	29.5	35.0
Total Liabilities	**1908**	**1972**	**1866**	**1921**
APPLICATION OF FUNDS				
Gross Block	927.5	1713.6	1746.2	1769.9
Less: Accu. Depreciation	218.7	348.6	432.0	498.0
Net Block	**708.8**	**1365.0**	**1314.3**	**1271.9**
Capital Work-in-Progress	714	45.15	27.60	6.36
Investments	**71.7**	**71.6**	**72.3**	**68.7**
Current Assets	601.6	660.5	702.9	849.5
Current Liabilities	219.2	206.9	243.5	305.8
Net Current Assets	**382.4**	**453.6**	**459.4**	**543.8**
Miscellaneous Expenses	30.8	37.0	(7.6)	29.9
Total Assets	**1908**	**1972**	**1866**	**1921**

Cash Flow Statement — Rs crore

Y/E March	FY2005	FY2006	FY2007E	FY2008E
Profit Before Tax	168.0	66.7	133.3	253.2
Taxes	64.6	31.4	26.2	63.3
Depeciation	8.0	130.3	83.4	66.0
Change in Working Capital	(210.7)	(8.5)	(5.8)	(84.4)
Cash Flow from operations	**(99.2)**	**157.1**	**184.8**	**171.5**
Inc/ (Dec) in Fixed Assets	208.0	117.2	11.4	6.1
Free Cash Flow	**(307.3)**	**39.8**	**173.4**	**165.4**
Incr/(Dec) In Investments	(1.9)	(0.1)	0.7	(3.6)
Issue of Equity/Preference	-	-	-	-
(Decr)/Incr in Debt	325.5	(31.0)	(120.0)	(120.0)
Dividend & Dividend tax	18.1	21.8	18.1	23.6
Cash Flow from Financing	**309.2**	**(52.6)**	**(138.8)**	**(140.0)**
Incr/(Decr) In Cash	2.0	(12.7)	34.5	25.4
Cash at beginning of the year	71.6	73.6	60.9	95.4
Cash at year-end	73.6	60.9	95.4	120.8

Key Ratios

Y/E March	FY2005	FY2006	FY2007E	FY2008E
Per Share Data (Rs)				
EPS	32.5	11.1	38.9	59.7
Cash EPS	35.1	52.1	56.4	80.5
DPS	5.0	6.0	5.0	6.5
BookValue	241.5	245.7	274.4	327.6
Operating Ratios (%)				
Raw Material / Net Sales (%)	0.0	0.0	0.0	0.0
Inventory (days)	46.4	46.0	40.2	43.8
Debtors (days)	54.7	54.8	58.4	60.2
Debt / Equity (x)	1.5	1.4	1.1	0.8
Returns (%)				
ROE	0.1	0.0	0.1	0.2
ROCE	0.1	0.0	0.1	0.1
Dividend Payout	15.4	54.1	14.8	10.9
Valuation Ratios (x)				
P/E (x)	10.8	31.6	10.4	5.9
P/CashEPS (x)	10.0	6.7	5.8	4.4
P/BV (x)	1.5	1.4	1.3	1.1
EV/Total Sales (x)	6.0	5.0	3.4	2.3
EV/EBITDA (x)	12.6	8.9	7.0	5.0

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Ratings (Returns) **Buy > 15%,** **Hold 0-15%,** **Sell < - 10%**

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