

Initiating Coverage

Tata Power Company (TATPOW)

Current price Rs 1,370	Target price Rs 1,530
Potential upside 11.7%	Time Frame 12 Months

PERFORMER

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Powered for growth ...

Tata Power Company, India's largest private sector power utility, has unveiled an aggressive expansion plan to enhance its generation capacity. The company has bagged the bid to set up a 4,000 MW UMPP (ultra mega power plant) at Mundra, Gujarat. Combined with a huge investment book, these factors make the stock an excellent play on emerging opportunities in the power sector.

Power sector: Huge investments, huge opportunities

In an effort to boost generation and facilitate increased investment in the power sector, the Central government has unveiled a slew of initiatives. These include moves to improve fuel supplies to private players, and approval for setting up UMPPs. We believe these measures would open up huge opportunities for private players.

Expansions to boost capacity, drive future growth

Tata Power has drawn up an aggressive plan to augment its generation capacity to 10,131 MW by 2012 from the current 2,300 MW. Expansion projects currently underway include the 120-MW expansion at the Jojobera plant near Jamshedpur in Jharkhand, and 250-MW expansion at Trombay, near Mumbai. The additional generation capacity would boost the company's earnings visibility.

Mundra UMPP to add value to company

The company won the bid for setting up a 4,000-MW UMPP at Mundra, Gujarat. The cost of the project is estimated at Rs 20,000 crore with a 70:30 debt-equity ratio. We estimate the project value at Rs 83 per share.

Huge investment book to give stability to earnings

The current value of Tata Power's investments in listed companies translates into Rs 80.6 per share. The balance cost of its unquoted investment (excluding investment in Tata Teleservices) is Rs 1,300 crore. This huge investment book adds muscle to its financial strength and gives stability to earnings. We have valued the total quoted and unquoted investments at Rs 485 per share.

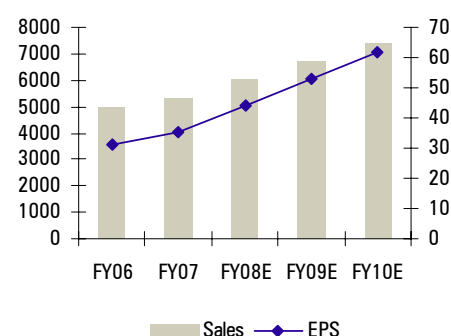
Valuations

We believe Tata Power's aggressive capacity addition, coupled with higher PLF and income from its investment would drive earnings at a CAGR of 19% over FY06-10E, and boost RoE to 14.21%. At the current price of Rs 1,370, the stock trades at a significant discount to peers. We value the stock at Rs 1,530 based on a SOTP valuation. At the target price, the stock would trade at P/E multiple of 21x its FY10E EPS of Rs 62.06.

Exhibit 1: Key Financials

Year to March 31	FY07	FY08E	FY09E	FY10E
Net profit (Rs crore)	696.80	874.89	1,037.90	1,222.50
Shares in issue (crore)	19.70	19.70	19.70	19.70
EPS (Rs)	35.37	44.41	52.69	62.06
% Growth	14.13	25.56	18.63	17.79
P/E (x)	38.73	30.85	26.00	21.11
Price/Book (x)	4.47	4.02	3.57	3.13
EV/EBIDTA	24.03	14.72	12.48	9.99
RoE (%)	10.99	13.02	13.71	14.21
RoCE (%)	11.06	15.57	14.21	13.90

Sales & EPS trend



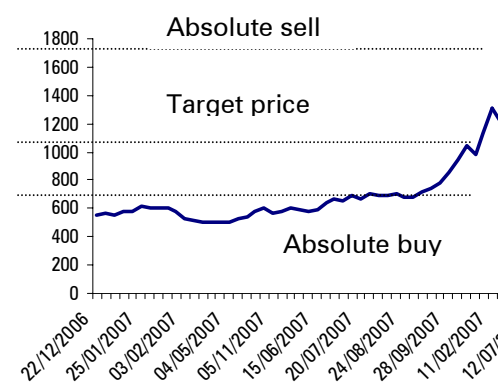
Stock Metrics

Promoters holding (%)	35.48
Market Cap (Rs crore)	28561
52 Week H/L	1449/483
Sensex	20192
Average volume	441700

Comparative return metrics (%)

Stock return	3 M	6M	12M
Tata Power	76.4	118.1	132.3
NTPC	25.0	51.7	59.7
Reliance Energy	101.4	244.1	238.6

Price trend



Company Background

Incorporated in 1919, Tata Power Company (TPC) was promoted by the Tatas. It has worked in tandem with its sister companies, the Tata Hydro Electric Power Company and the Andhra Valley Power Supply Company

A pioneer in the Indian power sector, Tata Power is rated as one of the country's largest private power utilities. The company installed and commissioned India's first 500 MW power plant at Trombay. The company has provided economical and reliable power for the last 80 years to Maharashtra and Mumbai.

The company has an installed generation capacity of 2,323 MW. Its thermal power stations located at Trombay in Mumbai, Jojobera in Jamshedpur (Jharkhand), and Belgaum (Karnataka). Its hydropower stations are located in Raigad, and the wind farm in Ahmednagar, both in Maharashtra. A combination of hydel and thermal generation enables the company supply power at a lower tariff rates. It incurs low T&D (transmission and distribution) losses due efficient management of the network.

Shareholder	% holding
Promoters	35.48
Institutional investors	43.75
Other investors	1.25
General public	19.52

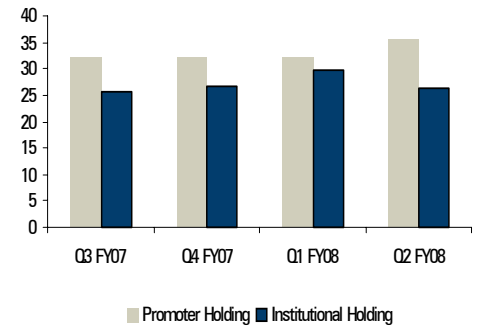
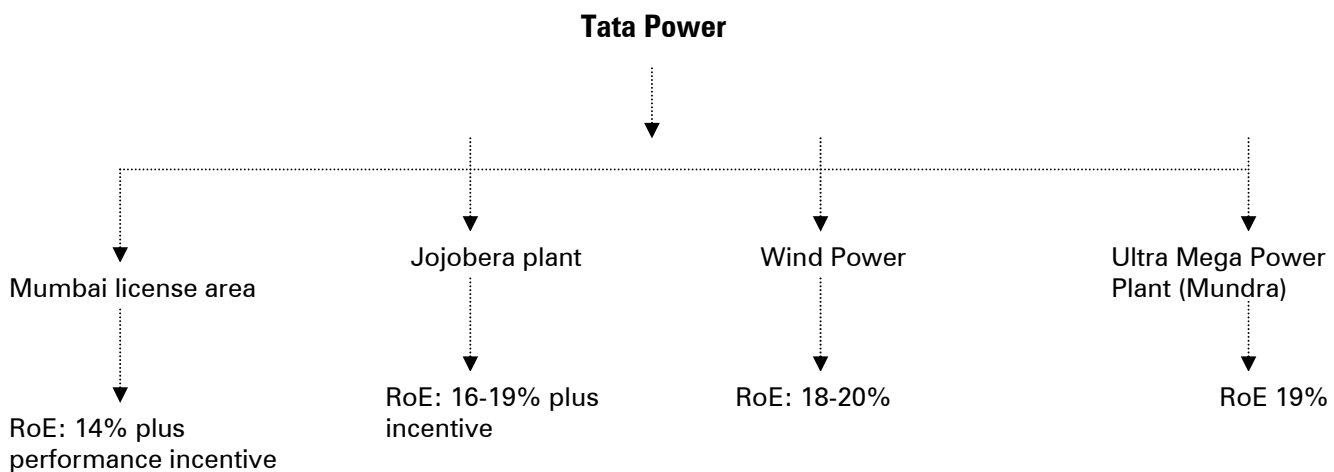


Exhibit 2: Business model



Source: Company. ICICIdirect Research

Investment Rationale

Power sector: Huge investments, huge opportunities

India would require an additional 100,000 MW of power by 2012 to provide enough electricity to propel its economic growth. The 11th Five-Year Plan (2007-11) has been fixed additional power generation capacity at 78,577 MW. According to the CEA (Central Electricity Authority), the total installed capacity amounted to 132,329 MW as on March 31, 2007. Central government undertakings accounted for approximately 34.10% of total generation capacity, state government entities for 52.97% and private sector companies for approximately 12.93%.

Exhibit 3: Proposed capacity additions (in MW) during the 11th Five-Year plan

	Hydro	Thermal	Nuclear	Total	%
Central govt entities	9,685	26,800	3,380	39,865	50.7
State govt entities	3,605	24,347	0	27,952	35.6
Private players	3,263	7,497	0	10,760	13.7
Total	16,553	58,644	3,380	78,577	100

Source: Working Group on Power, ICICIdirect Research

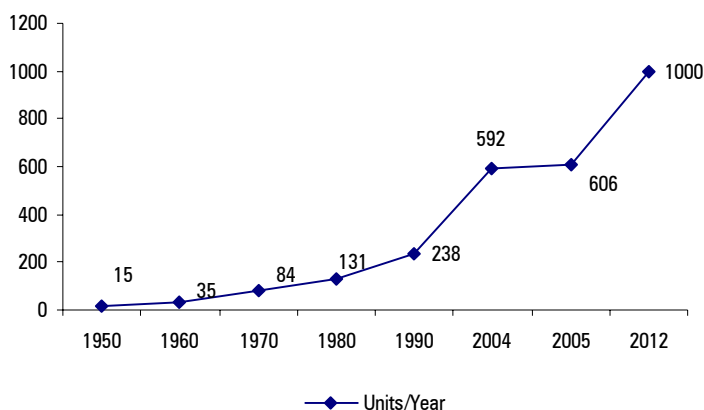
Despite the steep target of over 78,000 MW capacity addition planned, the 11th Five-Year Plan could see higher achievement at around 70% compared 50% achieved in 10th Five-Year plan (FY02-07). This stems from the fact that of the 78,577 MW of planned capacity additions, 2,515 MW projects have already been commissioned and 52,430 MW (66.7% of the proposed capacity) projects are under construction for which required contracts have been already placed.

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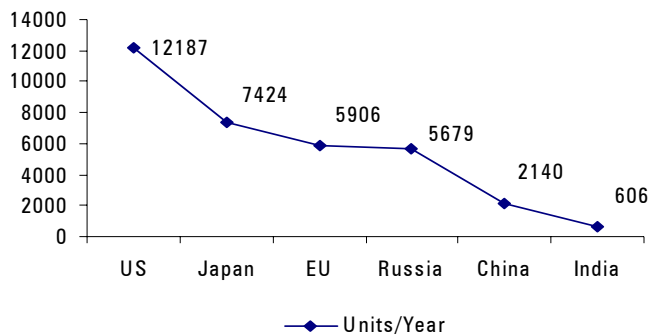
Consumption level

India's per capita power demand has been rising due to increasing incomes and growing access to power in villages. However, it is still low compared to developing countries such as China or Brazil, and much lower than levels in the developed nations. Per capita consumption is expected to rise to 1,000 units per year by 2012.

Exhibit 4: India's per capita power consumption is rising ...



Source: ICICIdirect Research

Exhibit 5: But is still low compared to other countries (FY07)


Source: ICICIdirect Research

Demand-supply scenario

With power generation falling short of demand, India has been facing a power deficit for several years. The deficit varies across the country, with the western region facing a shortage estimated at 26.5% of its peak demand requirements.

Exhibit 6: Peak power deficit (in MW)

Fiscal	MW
2001-02	10,293
2002-03	9945
2003-04	9508
2004-05	10,254
2005-06	11,463
2006-07	13,897
April-July 2007	13,686

Source: CEA, ICICI direct research

Exhibit 7: Power deficit (in MW) by region

Region	Demand	Supply	Deficit %
Northern	32,072	29,414	8.3
Western	36,371	26,732	26.5
Southern	25,682	24,194	5.8
Eastern	10,874	10,562	2.9
North-East	1589	1343	15.5
Total	102,428	88,742	13.4

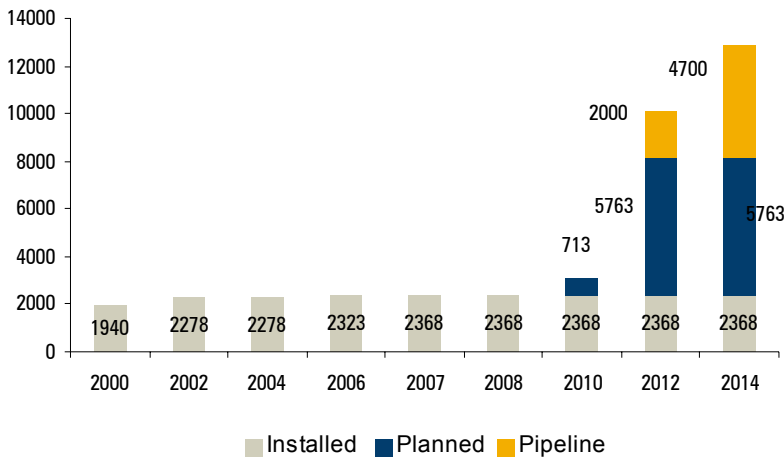
Source: CEA, ICICI direct research

A study by the CEA has projected a peak demand of 113,059 MW in FY08 and 152,746 MW in FY12. Peak demand for FY17 is projected to be at 218,209 MW. This represents a need for the substantial augmentation of power generation capacity.

▪ **Expansions to boost capacity, drive future growth**

Tata Power has drawn up an aggressive plan to augment its generation capacity to 10,131 MW by 2012 from the current 2,300 MW. Expansion projects currently underway include the 120-MW expansion at the Jojobera plant near Jamshedpur in Jharkhand, and 250-MW expansion at Trombay, near Mumbai.

Exhibit 8: Capacity expansion



Projects in pipeline include coastal power plant in Maharashtra, captive power plants for Tata Steel and wind farms

Source: Company, ICICIdirect Research

Exhibit 9: Revenue assumptions

Operational Parameters		FY07	FY08E	FY09E	FY10E
Total capacity (thermal)	MW	1,330	1,330	1,580	1,580
Availability	%	95	96	96	97
PLF	%	79	90	90	93
Gross generation	MU	9,211.01	10,508.61	12,417.06	12,826.21
Total capacity (hydro)	MW	447	447	447	447
PLF	%	60	58	55	57
Net generation	MU	1983	1827	1860	1952
Average revenue per unit	Rs	2.96	3.42	3.2	3.4

Source: ICICIdirect Research

The following are Tata Power’s major expansion projects.

250-MW power plant at Trombay: The company is setting up a 250-MW coal-based plant at Trombay to meet the future requirements of licensed area (mainly Mumbai). The project has received all clearances and work is on at the project site. The plant would become operational project during FY09.

Coast-based power plant: The company plans to set up a 1,000 MW coal-based power plant in coastal Maharashtra. It has approached the state government to facilitate the acquisition of land for the project.

Maithon Power: This is a joint venture between Tata Power and DVC (Damodar Valley Corporation) to develop a 1,050-MW thermal power plant. Tata Power will have a 74% equity stake in Maithon Power, and the balance 26% will be held by DVC. About 55% of the land has already been acquired. Coal linkage has been provided for around 50% of the total requirement. The project has been targeted for commissioning in April FY10.

120-MW power plant in Jamshedpur: Tata Power is setting up a 120-MW power plant for Tata Steel in Jamshedpur, Jharkhand. The plant will use waste gases from the steel making process. The estimated project cost is Rs 490 crore, and the project period is expected to become operational in Sep FY08. The company is in discussions with Tata Steel for setting up more captive power plants near their proposed plants in Chhattisgarh, Orissa and Jharkhand.

▪ **Mundra UMPP to add value to company**

Tata Power won the bid for setting up a 4,000-MW UMPP at Mundra at a levelised tariff of Rs 2.26 per unit. The company has already signed a contract for complete boiler on an EPC basis with Doosan Heavy Industries & Construction, South Korea. It is in the process of finalising contract for turbines with Toshiba. The cost of the project is likely to be Rs 20,000 crore. The debt equity ratio for the project is likely to be 70:30. By signing the equipment contracts with international players, the company hopes to get the benefit of rupee appreciation together with firm price contract.

Exhibit 10: Details of Mundra UMPP

Project size (MW)	4,000
Capital cost (Rs crore)	20,000
Debt:equity	70:30
Debt (Rs crore)	14,000
Equity (Rs crore)	6,000
Operating assumption	
PLF	85%
Unit Generated	26,112
Auxillary consumption	8%
Net Unit Generation	24,023
Coal cost per tonne (Rs)	2250
Specific coal consumption (kg/kwh)	0.36
Cost of coal per kwh (Rs)	0.77
Transportation & handling cost (Rs)	0.22
Fixed cost per unit (Rs)	0.91
Total cost per unit (Rs)	1.90
Selling price per unit (Rs)	2.26
Profit per unit (Rs)	0.36
ROE of Project	18.9%

Source: ICICIdirect Research

Exhibit 11: Valuation of Mundra UMPP

Net present value (Rs crore)	1645.42
Discounting factor	11.50%
Equity shares (crore)	19.7
Value per share (Rs)	83.52

Source: ICICIdirect Research

Construction work is likely to start in the beginning of 2008. The first 800 MW super-critical technology-based unit is expected to go on stream by the second half of 2011

Tata Power also operates in other power-related businesses. The details of these businesses are given below.

Distribution business

North Delhi Power Ltd (NDPL)

The company's distribution joint venture with the Delhi state government, NDPL, posted a revenue of Rs 2,052.20 crore in FY07, a growth of 11.15% and a net profit of Rs 185.79 crore against Rs 112.52 crore in FY06. The aggregated technical and commercial losses have been reduced from 53.40% to 23.70 % in a period of 4 years and 9 months, as against the regulatory target of 31.10% by the end of 5 years. This has resulted in additional revenues of Rs 207.77 crore during FY07 against Rs 172.16 crore in FY06, enabling NDPL to have an additional operating profit of Rs 72.39 crore (Rs 55.39 crore in FY06).

NDPL business to report growth of 17.5 % CAGR over FY07-10E

We expect these businesses to witness a 17.5 % CAGR over FY07-10 to Rs 3328.8 crore. We value these business with P/E multiple basis with 1-year forward earning of 17x FY10E.

Transmission business

Tata Transmission Project: The Tata Transmission Project is a project being implemented by Powerlinks Transmission Ltd, a joint venture between Tata Power and Power Grid Corporation. This project involves the construction of 1,200 km of 400-kV transmission lines from Siliguri in West Bengal to Delhi. It was conceptualised to evacuate 1,020 MW of power from Bhutan and transmit it power-deficit states in northern India, while also facilitating the transmission of surplus power from the north-eastern region. The Bareilly-Mandola portion has been completed three months ahead of the project completion date of June 2006.

In its first year of operations in FY07, the JV earned revenues of Rs 135.01 crore and a profit after tax of Rs 20.57 crore. We expect total sale of Rs 330 crore in FY10 and net profit of Rs 49.50 crore in FY10.

Power trading: Tata Power Trading Company traded 675 MUs (million units) of power in FY07 and earned revenue of Rs 207.76 crore and profit after tax of Rs 3.18 crore. The company is now a recognized trading company in the country

Strategic Electronics Division: During FY07, the Strategic Electronics Division (SED) registered operating revenue of Rs 38.18 crore against Rs 62.05 crore in FY06. This was due to a significantly lower 'Book and Bill' revenue as a result of the Defense Ministry's programs taking longer time than anticipated to fructify into orders. The SED is on a positive note with order bookings in excess of Rs 200 crore. It has been assigned the status of a prime contractor with the Defense Ministry and bagged the Pinaka Multi-Barrel Rocket Launcher contract in March 2006. It also concluded negotiations for the supply of multiple advanced air defense systems to be installed and commissioned in a three-year span.

▪ **Funding requirements: No dilution in equity expected**

A total equity corpus of Rs 8,460 crore would be required for Tata Power's proposed projects. We believe internal accruals, amounting to Rs 4,316 crore between FY07-10E, would be sufficient for the equity requirements of its projects. Further, the low promoter's holding (~35%) reduces the possibility for a further dilution in equity.

As a step towards meeting its funding requirements, the company proposed to make a preferential issue of equity shares and warrants to Tata Sons, the holding company of the Tata Group. It expects to raise approximately Rs 1,200 crore through the preferential issue in FY08 and FY09. The company is considering various options to meet its funding requirements and is well positioned to raise the required borrowing from the overseas and domestic market.

During the year, Tata Power raised a Rs 450-crore long-term loan from IDFC (Infrastructure Development Finance Corporation) to meet its capex requirements. It also placed Rs 500 crore commercial paper with domestic mutual funds. It has finalised a rupee-denominated Rs 350 crore loan from the ADB (Asian Development Bank) and IREDA (Indian Renewable Energy Development Agency) to fund its new Wind project in Maharashtra.

Exhibit 12: Funding requirements

Capex: Fund requirement						Fund: Source (Rs crore)				
Plant	MW	Funds (Rs cr)	Cost/MW	Equity	Equity %		FY07	FY08	FY09	FY10
Wind	100	600	6	180	30%	PAT	696	874	1037	1222
DG	100	500	5	150	30%	Dep	291	290	314	344
Trombay	250	1250	5	375	30%	Less: Dividend	188	188	188	188
Jojobera	1050	5250	5	1575	30%	Internal accural	799	976	1163	1378
Haldia	120	600	5	180	30%		A	B	C	D
UMPP	4000	20000	5	6000	30%					
CPP	144	720	5	216	30%					
Total		28920		8460			A+B+C+D=Rs 4316 crore			

Source: ICICIdirect Research

▪ **Fuel availability: Not a issue**

Tata Power signed a \$1.1-billion (Rs 4,950 crore) deal to buy a 30% stake in two Indonesian coal companies, and in a related coal trading company, all promoted by PT Bumi Resources Tbk (Bumi), Indonesia. L Kaltim Prima Coal and PT Arutmin Indonesia are two of Indonesia's largest coalmines, which together produced 53.5 million tonnes in 2006, of which 95% was exported. Tata Power has also signed an off-take agreement with Kaltim Prima, which entitles it to purchase 10 million tonnes of coal per annum.

Tata Power will make this acquisition through an offshore special purpose vehicle (SPV). Funding would be through a combination of debt in SPV, internal accruals and borrowings. The company will require 21 million tonnes of imported coal for its planned projects. The Indonesian deal will take care of 50% of Tata Power's requirements.

Trombay Thermal Power Station has a requirement for low sulphur and low ash coal to meet environmental stipulations. Tata Power has therefore, entered into long-term contracts with Indonesian mines. These long-term contracts are for a period of 5 years (up to FY09) and can be extended by another 5 years at the company's option. This will be enhanced by the off-take agreement signed by Tata Power with companies owned by PT Bumi Resources Tbk.

The off-take agreement entitles Tata Power to purchase about 10.5 million tonnes of coal per annum. The acquisition secures the company's fuel requirements for the Mundra UMPP and supports the assumptions made in the bid for the Mundra UMPP.

Risks and Concerns

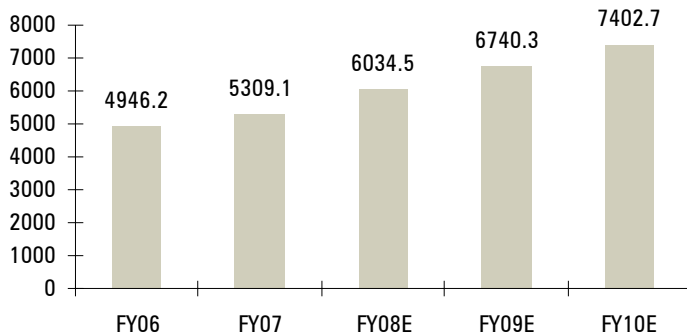
- Any delay to its UMPP at Mundra, as tariffs are based on strict deadlines
- Performance of its telecom business would have impact on the book value of investment
- The Mumbai bulk licensee runs until 2014 and is usually renewed automatically
- Delay in proposed project under construction could have impact on company's valuation
- Tata Power's aggressive capacity expansion that is about 5x what it has done so far has poses significant execution challenges

Financials

Net sales to register steady growth

We expect a 10.6% CAGR in revenues from sale of electricity to Rs 7,402.2 crore from Rs 4,962.2 crore over FY06-10E. The increase will be mainly because of increased units sold as a result of the increase in the capacity by 250 MW and higher PLF of existing capacities.

Exhibit 13: Increased capacity, higher PLF to boost sales



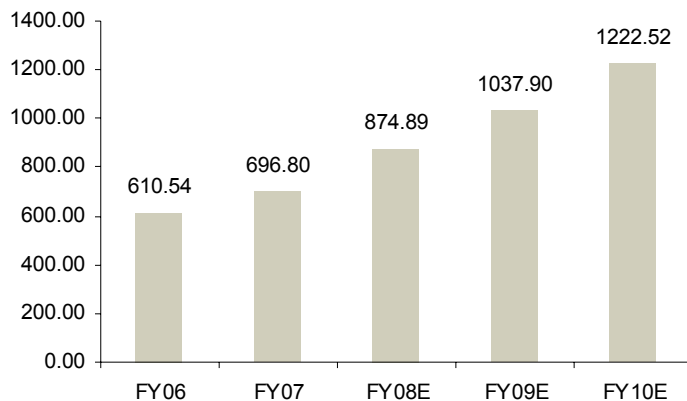
10.6% CAGR in sales over FY06-10E in line with capacity expansion

Source: ICICIdirect Research

Net profit to jump

We expect a 19% CAGR in net profit to Rs 1,222.52 crore from Rs 610.54 crore over FY06-10E on account of capacity expansion and improving operational efficiency.

Exhibit 14: Higher operational efficiency to propel net profit



Source: ICICIdirect Research

ROE to improve

We expect RoE to improve from 8.37% in FY06 to 14.21% in FY10E on the back of improved PLF of above 80%. Tata Power has strong financial position, which would enable company to finance its capacity expansion without diluting equity. We expect the debt-equity ratio to rise to 0.98 in FY10 from 0.5 in FY06.

Valuation

We value Tata Power's core business valued at Rs 962 per share. We have valued the core business at Rs 5.5 crore per MW based on its FY10E proposed capacity. We are giving a premium to the replacement cost on account of long gestation period for new capacity addition and robust cash flows.

Exhibit 15: Valuation of core business

Particulars	FY10E
Installed capacity (MW)	4,132
Capital cost per MW (Rs crore)	5.5
Replacement cost (Rs crore)	22726
Capex	2836
Less Debt	8000
Cash	1400
Share value	18,962
Equity shares (crore)	19.7
Value per share (Rs)	962.5

Source: ICICIdirect Research

Exhibit 16: Valuation of quoted investments

Company	Number of equity shares	Cost of investment (Rs crore)	Current price (Rs)	Current value of investment
Tata Teleservices	192,263,168	167.62	53.95	1037.26
VSNL	2,575,837	121.84	625.55	161.13
PTC India	15,705,300	17.63	153.15	240.53
Nelco	11,099,630	11.07	127.45	141.46
Total		326		1,580

Source: ICICIdirect Research

The value of investments in quoted companies works out to Rs 80 per share.

We have valued Tata Power's stake in Tata Teleservices factoring in the Rs 1,500 crore Temasek paid in early 2006 to acquire a 10% stake in the company. This gives the company a value of Rs 15,000 crore. Tata Power transmission & distribution business have been valued at 17x P/E of its FY10 earnings.

Exhibit 17: Valuation of Tata Power in telecom, T&D business

Tata Power value in telecom, T& D business	Rs 6,040 crore
Number of equity shares (in crore)	19.7
Value per share	Rs 306

Source: ICICIdirect Research

The balance cost of unquoted investment (excluding investment in Tata Teleservices) is Rs 1,300 crore. Unquoted investments include investments in subsidiaries and joint ventures. We have valued these investments on a relative basis.

Exhibit 18: Value of unquoted investments

Investment Value	
Book value of unquoted investment	Rs 1,300 crore
P/B (x)	1.5
Investment value	Rs 1,950 crore
Number of equity shares (in crore)	19.7
Value per share	Rs 99

Source: ICICIdirect Research

We believe Tata Power's aggressive capacity addition, coupled with higher PLF and income from its investment would drive earnings at a CAGR of 19% over FY06-10E, and boost RoE to 14.21%. At the current price Rs 1,370, the stock trades at a significant discount to peers. We valued the stock at Rs 1,530 based on a SOTP valuation. At the target price, the stock would trade at P/E multiple of 21.1x its FY10E EPS of Rs 62.06.

Exhibit 19: Peer comparison

	NTPC			Reliance Energy			Tata Power		
	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E	FY08E	FY09E	FY10E
Net profit	8905.90	10226.80	12566	1001.0	1191.1	1441.2	874.8	1037.9	1222.5
EPS (Rs)	10.80	12.40	15.25	43.90	52.24	63.03	44.41	52.69	62.06
RoE (%)	14.52	14.29	14.86	8.8	8.72	8.83	13.02	13.71	14.21

Source: ICICIdirect Research

Financial Summary

Profit & Loss

	<i>(Rs crore)</i>			
Year ending March	FY07	FY08E	FY09E	FY10E
Sales	5,309.13	6,034.49	6,740.31	7,402.70
% Growth	7.34	13.66	11.70	9.83
Operating Profit	1,068.92	1,744.31	1,978.32	2,360.61
% Growth	-10.23	63.18	13.42	19.32
Depreciation	291.92	290.13	314.42	344.50
EBIT	777.00	1,454.18	1,663.89	2,016.10
% Growth	-14.83	87.15	14.42	21.17
Interest	191.59	204.33	261.32	318.16
Profit before Tax	585.41	1,249.84	1,402.57	1,697.95
% Growth	-21.64	113.50	12.22	21.06
Taxation	-111.39	374.95	364.67	475.42
Net Profit	696.80	874.89	1,037.90	1,222.52
% Change	14.13	25.56	18.63	17.79

10.6% CAGR in sales
over FY07-10E

19% CAGR in net profit
over FY07-10E

Balance Sheet

	<i>(Rs crore)</i>			
Year ending March	FY07	FY08E	FY09E	FY10E
Equity Share Capital	197.92	197.92	197.92	197.92
Reserves & Surplus	5,835.19	6,522.08	7,371.98	8,406.50
Loans	3,633.36	4,482.12	6,350.05	8,410.93
Current Liabilities & Provisions	1,757.30	2,463.13	3,251.72	4,072.60
Total Liabilities	11,423.77	13,665.25	17,171.67	21,087.96
Gross Block	6,229.71	6,519.61	7,804.51	8,267.51
Accumulated Depreciation	3,199.40	3,489.53	3,803.95	4,148.46
Net Block	3,030.31	3,030.08	4,000.56	4,119.05
Capital Work-in-progress	781.05	1,898.81	2,471.25	5,836.84
Investments	3,570.15	3,570.15	3,570.15	3,570.15
Cash	1,367.72	2,216.43	3,906.26	4,069.29
Trade Receivables	1,478.22	1,723.34	1,991.66	2,258.79
Loans & Advances	1,195.85	1,225.97	1,231.32	1,233.36
Total Asset	11,423.77	13,665.25	17,171.67	21,087.96

High capex due to
expansion projects

Cash Flow

	<i>(Rs crore)</i>			
Year ending March	FY07	FY08E	FY09E	FY10E
Profit Before Tax	586.01	1,249.84	1,402.57	1,697.95
Depn	291.92	290.13	314.42	344.50
Cash Flow before WC Changes	752.34	1,539.97	1,716.99	2,042.45
Net Increase in Current Liabilities	362.90	705.80	788.62	820.88
Net Increase in Current Assets	-716.72	-215.00	-262.97	-267.13
Cash Flow after WC Changes	398.52	2,030.77	2,242.65	2,596.20
Extraordinary items	38.18	374.95	364.67	344.50
Purchase of Fixed Assets	-781.36	-1,407.66	-1,857.32	-3,828.61
Others	45.31	-445.10	92.40	46.44
Cash Flow from Investing Activities	-946.56	-1,852.76	-1,764.92	-782.17
Increase / (Decrease) in Loan Funds	919.71	848.76	1,035.43	1,192.50
Others	-381.54	-188.00	-188.00	-188.00
Cash Flow from Financing Activities	538.52	660.76	847.43	1,004.50
Op bal Cash & Cash equivalents	974.05	1,002.71	2,216.43	3,906.26
Closing Cash/ Cash Equivalent	1,002.71	2,216.43	3,906.26	4,069.29

Ratio Analysis

Year ending March	FY07	FY08E	FY09E	FY10E
EPS (Rs)	35.37	44.41	52.69	62.06
Book Value	306.25	341.12	384.26	436.77
Net profit Margin (%)	13.40	14.50	15.40	16.51
RoNW	10.99	13.02	13.71	14.21
RoCE	11.06	15.57	14.21	13.12
Enterprise Value	25,684.49	25,684.54	25,862.58	31,829.78
EV/EBIDTA	24.03	14.72	13.07	9.99
Sales to Equity	0.88	0.90	0.89	0.85
Market Cap	26,989.00	26,989.00	26,989.00	26,989.00
Market Cap to sales	5.08	4.47	4.00	3.72
Price to Book Value	4.47	4.02	3.57	3.13
P/E	38.73	30.85	26.00	21.11

RATING RATIONALE

ICICIDirect endeavours to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Outperformer: 20% or more;

Performer: Between 10% and 20%;

Hold: $\pm 10\%$ return;

Underperformer: -10% or more.

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