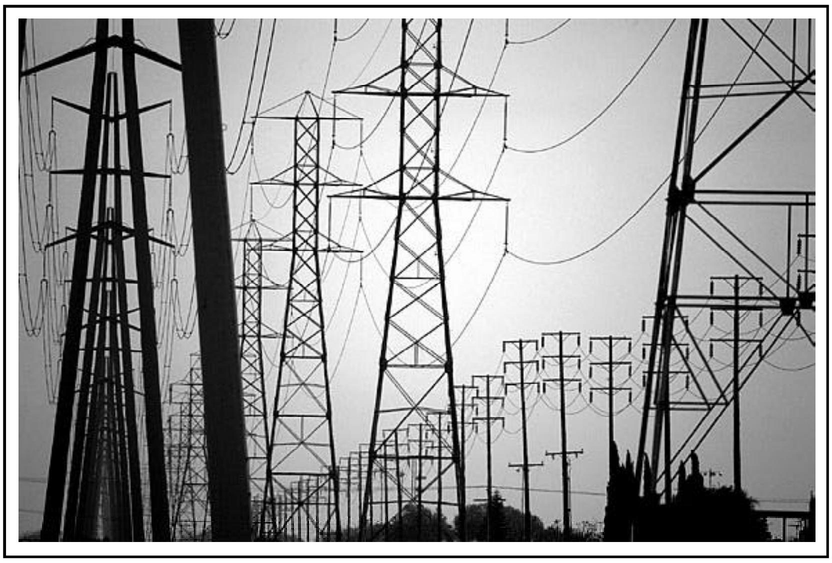
India Research

HDFC securities
Invest Right

Initiating Coverage **Power Transmission**

Transmission Tower EPC - India



Transmitting "Loads" of Growth

Head of Institutional Equities: Sanju Verma
sanju.verma@hdfcsec.com
91-22-6661 1859

Amit Mahawar
amit.mahawar@hdfcsec.com
91-22-6661 1820

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Companies

Executive Summary

STOCKS COVERED

KEC International

CMP	Rs. 346
Target	Rs. 551
Recommendation	BUY
Bloomberg Code	KECI@IN
Market Cap (Mn US$)	291

Jyoti Structures

CMP	Rs. 123
Target	Rs. 153
Recommendation	BUY
Bloomberg Code	JYS@IN
Market Cap (Mn US$)	211

Kalpataru Power Transmission

CMP	Rs. 945
Target	Rs. 1172
Recommendation	BUY
Bloomberg Code	KPP@IN
Market Cap (Mn US$)	560

We foresee strong and sustainable growth in the Transmission tower sector (at least for the next 5-6 years), driven by huge announced spending for transmission lines (both on account of increasing generation capacity and maintenance of existing lines).

The Government of India's ambitious mission of 'POWER FOR ALL BY 2012' requires installed generation capacity to reach 2, 00,000 MW by 2012 from the present level of 1, 14,000 MW (up 75.4% over 2005-12). To reach this quantum of power to the entire country, an expansion of the regional transmission network and inter-regional capacity to transmit power would be essential. The latter is required because resources are unevenly distributed in the country and power has to be carried great distances to areas where load centers exist.

KEC- our best BUY

As a multi-nation player (presence in more than 20 countries), KEC tops our rating of T&D companies. Unique business policy (aggressive foreign bidding) of KEC, which helps it to tap sustainable revenues going forward, boosts our confidence regarding its growth prospects. With strong indications of increasing order flows, both from domestic & foreign markets, KEC remains our favourite pick.

Strong project execution skills coupled with geographically diversified revenue streams, place KEC as a unique global transmission EPC player, leaving the company with unlimited International potential. At an EV/EBIDTA of 6.4XFY07E & 5.0XFY08E, we expect KEC to command a clear premium over Jyoti.

Timing of Order flows from PGCIL & from key markets like Africa & Middle-East remains a key risk

Our estimates are critically sensitive to the timing of order flows from the Powergrid & a few key markets like the Middle-East & African countries, which remains a key potential downside to our estimates.

Exhibit 1 : Valuation Matrix

YE	EBITDA (Rs. mn)	PAT (Rs. mn)	EPS* (Rs.)	EPS (Gr) %	PE (X)	RoNW (%)	EV/EBIDTA (x)	EV/MCAP (x)	EV/Sales (x)	P/BV (x)
KEC International Ltd - BUY (59.3% Upside)										
2007E	2394	934	24.8	89%	14	40.5%	6.4	1.17	0.7	4.7
2008E	2982	1268	33.7	36%	10	38.0%	5.0	1.15	0.6	3.3
2009E	3748	1677	44.5	32%	8	35.6%	3.9	1.11	0.4	2.4
Jyoti Structures Ltd - BUY (25.0% Upside)										
2007E	1163	497	6.4	80%	19	26.3%	8.7	1.07	1.0	3.7
2008E	1700	800	10.4	61%	12	27.3%	5.8	1.04	0.7	2.9
2009E	2078	1026	13.3	28%	9	27.1%	4.6	1.01	0.5	2.2
Kalpataru Power Transmission Ltd - BUY (24.0% Upside)										
2007E	2347	1360	51.3	105%	18	33.8%	10.1	0.95	1.6	3.9
2008E	3080	1783	67.3	31%	14	24.8%	7.4	0.91	1.2	3.1
2009E	3651	2112	79.7	18%	12	23.5%	5.9	0.86	0.9	2.5

* Adjusted
HDFC Sec. Research Estimates

Exhibit 2

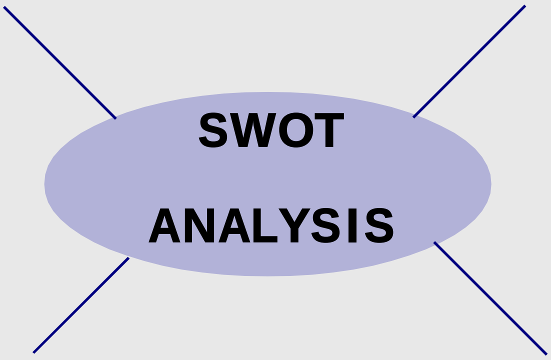
SWOT ANALYSIS - Transmission tower EPC Industry

STRENGTHS

- Domestic Transmission tower EPC sector poised for a strong 20-25% CAGR (over the next 5 years)
- PGCIL to award increasing number of orders to players with rich experience & proven capabilities. (all the three companies under our coverage fall under this category, we believe).
- Strong pre-qualification requirement acts as a check against the entry of new players. This provides further opportunities to existing players (Industry has a higher concentration of players with more than 70% of market shares with 5 key players.

WEAKNESS

- Commodity price risk in foreign projects.
- Highly working capital-intensive business.
- Lower research intensity of business leaves room for easy entry to outsiders.
- Uneven resource distribution (mainly coal) has resulted in a concentration of power generation capacities to a few areas.



OPPORTUNITIES

- Private sector participation in domestic T&D sector leaves enough room for further growth (specifically BOO based projects).
- Inadequate T&D lines leave tremendous potential for further development & thus more business to EPC contractors.
- Power deficit of 8% (during normal demand) & 11.6% (during peak demand).

THREATS

- Delay in execution of announced projects (PGCIL & Regional SEB's), might trigger a lower than expected growth for the industry.
- Huge free cash flow generation by EPC players (in our universe), poses a threat of "IDLE CAPITAL" with lower capex requirements as a normal feature.

INVESTMENT ARGUMENTS

Huge spending planned to create "Transmission Super Highways" by 2012...

India's transmission perspective for the 10th & 11th five year plans focuses on the creation of a National Grid in a phased manner by adding over 60,000 ckm of Transmission Network by 2012. Such an integrated grid will evacuate additional 1 Lac MW by the year 2012 and carry 60% of the power generated in the country. The cumulative Inter-regional Grid capacity (currently at 9450 MWs) has been planned to be raised to 37150 MWs(see exhibit no 4&5) by the end of the 10th five-year plan. This will attract an investment of Rs 705 bn (FY2002-20012).

Exhibit 3: Expected outlay in 10th & 11th five year plans

Investment Plan (Rs bn)	10th Plan	11th Plan	Total
POWERGRID's Outlay	214	283	496
Private Sector participation	97	112	209
Total Central Sector	311	394	705

Source: Ministry of Power, India

Given a clear stated plan by the Powergrid to go for huge capital outlay (see exhibit no 3), we expect an increasing number of order flows during the next five years, which will tend to benefit transmission tower EPC contractors. JSL, KEC & KPTL which has a combined domestic market share of more than 50%, we believe, will be the major beneficiaries of the Powergrid's outlay.

Exhibit 4: Planned increase in Transmission Capacity

FY Ending	FY2002	FY2007	FY2012
End of Five year plan	9th	10th	11th
Total transmission capacity (MWs)	5050	16450	37150
Total additions made (MWs)		11400	20700

Source: Powergrid Corporation Of India

We don't expect EPC tower players to own the projects...

As we understand from the EPC contractors (like KEC, Jyoti etc), they would like to participate in the BOO (Build, Own & Operate) projects, only through venture agreements, whereby, they would only execute projects, and would not, own the projects (Assets), thereby leaving the ownership to the venture partner (who of course wants to own the Projects).

Exhibit no 5 : Inter-Regional Transmission Capacity addition- 11th Plan

Name of System	Power Transfer Capacity (MW)	
NER-NR:		
Biswanathchariyali-Agra HVDC Bipole 600KV	4000	
NER-NR total		**4000**
NER-ER:		
Bongaigaon- Silliguri 400KV D/C	1000	
NER-ER		**1000**
ER-NR :		
Barh- Balia 400KV D/C (Quad Moose)	1200	
Sasaram- Fatehpur 765 KV S/C (40% Series Comp.)	2300	
ER-NR total		**3500**
ER-WR:		
Rourkela- Raipur 400KV D/C line-2(with TCSC)	1400	
North Karanpura- Sipat 765 KV S/C	2300	
Hirma- Sipat 400 KV D/C	1000	
Hirma- Raipur 400 KV D/C	1000	
ER-WR total		**5700**
NR-WR:		
Agra-Gwalior 765 KV S/C line-1(Operational at 765 KV)	1200	
Agra- Gwalior 765 KV S/C line-2	2300	
Kankroli- Zerda 400KV D/C	1000	
RAPP- Nagda 400 KV D/C	1000	
NR- WR:		**5500**
WR- SR:		
Parli- Raichur 400 KV D/C	1000	
WR-SR total		**1000**
ALL India (additions during 11th Plan)		20700

Source: MoP & PGCIL

Exhibit no 6 : Transmisson Projects Identified for Pvt sector on (BOO) basis

Future Transmission Projects Identified for Private Sector Participation-
Evacuation system for North Karanpura(1980 MW)*
Talcher Augmentation System*
Evacuation system for Maithon RB (1000MW)
Scheme for enabling import of NER/ER surplus by NR
SR-WR Synchronous Inter-Connector
Kawas-Navsari 400kv D/C
Navsari-Mumbai New Location 400kv D/C
Evacuation system for Barh-II (1320MW)
Evacuation system or Nabinagar (1000MW)
Evacuation system for Daripally Integrated project (3200MW, 800 MW in 11th Plan)
Evacuation system for Koderma 500MW
Evacuation system for Mejia EXT 1000 MW
Evacuation system for Lara Integrated project 4000MW in 11th Plan
Evacuation system for Simhadri EXT 1000MW

Source: CEA
* EOI already invited

Investment positives

Creation of National Grid will ensure even distribution of power across the nation...

Due to the uneven distribution of exploitable resources like Coal (with major concentration in Bihar/Jharkhand, Orissa, West Bengal etc) and Hydro Resources (mainly in Northern & North-Eastern Regions), Power generation in the country is unevenly poised. For instance, the Eastern Region at present has a substantial energy surplus (with total installed capacity of 15,000 MWs, vis a vis a peak load of around 6500-7500 MW & off-peak load of around 4000-4500 MW). Formation of the National Grid seems to be the ultimate solution to remove this inter-regional imbalance.

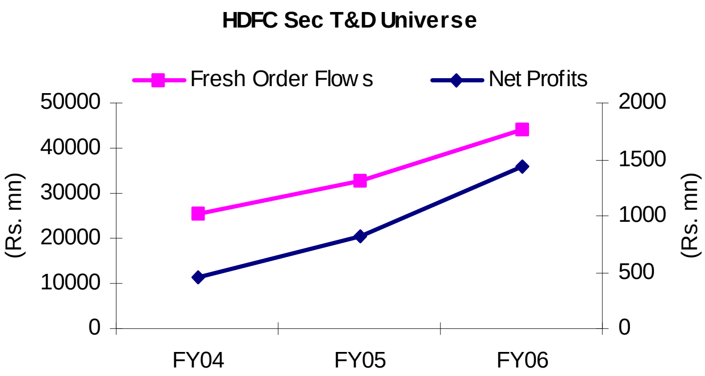
We expect order size from Powergrid to increase...

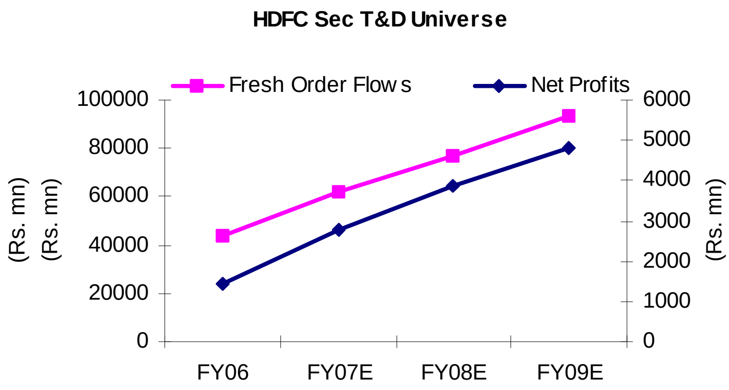
Having seen the performance of its existing pre-qualified EPC contractors, we expect Powergrid to further award large size contracts, which we believe, will ensure better profitability for the EPC contractors, despite increasing competition in the domestic T&D space. While we expect the leading T&D players to increasingly bag huge orders, we also expect their market share to remain intact.

Private participation for Transmission service through tariff based, competitive-bidding...

Realizing the important and urgent need to develop a National Transmission & Distribution system (as it still doesn't match with the installed generating capacity), the government has now allowed private sector participation in the development of transmission line networks. (Which it plans to allow through a tariff based competitive-bidding process).

Exhibit 7 : Performance of T&D sector (HDFC Sec T&D Universe





Source : HDFC Sec. Research Estimates

Transmission companies reported a 31.3% & 79.3% CAGR in fresh order flows & net profits (FY04-06) respectively.

We analysed the performance of T&D companies in our universe (KEC, Jyoti & Kalpataru), which together garnered more than 50% of the domestic T&D space share. All the three companies reported robust growth, as was evident by their fresh order book, which has grown at a CAGR of 31.3% over FY04-06.(see exhibit no 7).

We expect a further growth (CAGR over FY06-09E) of 28.7% & 49.8% in fresh Order flows & net profits respectively...

Narrating the growth story further, we expect our T&D universe to post a 28.7% & 49.8% CAGR in fresh order flows & net profits (over FY06-09E), respectively. Our view takes into account the impact of foreign order flows also. (see exhibit no 7)

Key risks and concerns

"Foreign EPC contracts"- Vast Opportunity with equal commodity price risk element...

A typical export contract involves submission of bids to a foreign customer. Once the bid is duly submitted, it takes an average of 3-4 months for the contract to materialize (provided it falls under the minimum bid criteria or any other qualifying condition). Now, as we understand, once a quote is offered, the bidder cannot (generally) increase his quote. Any unprecedented upward movement in the input material costs (i.e. steel, zinc etc), during this period (i.e. 3-4 months), comes as a blow to the bidders' operating margins. Unlike the foreign projects, contractors are well protected against the commodity price risk in executing their domestic projects (as they provide for a "Price-escalation" clause).

However, companies like KEC which aggressively and on a continual basis bid for foreign projects, try to mitigate this risk element through their attempt to bag more and more number of highly profitable foreign contracts. (these of course are difficult to operate).

Major order flows from Powergrid and regional SEB's

Since a major portion of revenues for domestic T&D players comes through Powergrid & various regional SEB's, we see this as our major concern. Any delay in order flows from these customers could significantaly hamper the revenue growth of companies in the T&D space.

Valuation Methodology & Justification-

We arrive at the target price using Discounted Cash Flow approach...

We have arrived at fair values for the stocks using the DCF approach, as we believe free cash flow generation for Transmission EPC companies will be substantial in the years to come, which helped us reflect their true value.

Exhibit 8 : Jyoti Structures Ltd

YE	Net Sales	EBITDA	PAT	EPS	EPS(Gr)%	PE(X)	RoNW(%)	EV/EBIDTA	EV/MCAP	P/BV
2005	4396	410	115	1.5	111%	73	14.7%	23.0	1.11	9.0
2006	7381	748	277	3.6	140%	31	25.6%	13.4	1.19	7.0
2007E	10452	1163	497	6.4	80%	19	26.3%	8.7	1.07	3.7
2008E	14960	1700	800	10.4	61%	12	27.3%	5.8	1.04	2.9
2009E	18406	2078	1026	13.3	28%	9	27.1%	4.6	1.01	2.2

Source : HDFC Sec. Research Estimates

Exhibit 9 : Our DCF model suggests a price target of Rs. 153.2 which indicates an upside of 25%

	(Rs mn)
DFCF-Total	5480.2
Terminal value	6861.3
Total Entity value	12341.5
Less: Debts	1570.0
Add: Cash	875.7
Add: Book Value of investments	165.9
Equity Value	11813.2
No. Of Shares (in mn.)	77.1
DCF value / share	**153.2**
Key Assumptions-	
Risk Free Return	7.50%
Market Premium	5%
Beta	1.14
Cost of Equity	13.2%
Cost of Debt	9%
Corporate Tax Rate	37%
Debt Cost (NET)	5.94%
WACC	9.07%
Terminal Growth rate	5.0%

Source : HDFC Sec. Research Estimates

Exhibit 10 : KEC International Ltd

YE	Net Sales	EBITDA	PAT	EPS	EPS(Gr)%	PE(X)	RoNW(%)	EV/EBIDTA	EV/MCAP	P/BV
2005	12303	1196	423	11.2	48%	31	19.1%	12.8	1.17	4.0
2006	17272	1623	493	13.1	16%	26	23.2%	9.6	1.19	7.0
2007E	20875	2394	934	24.8	89%	14	40.5%	6.4	1.17	4.7
2008E	25966	2982	1268	33.7	36%	10	38.0%	5.0	1.15	3.3
2009E	32748	3748	1677	44.5	32%	8	35.6%	3.9	1.11	2.4

Source : HDFC Sec. Research Estimates

Exhibit 11 : Our DCF model indicates a price target of Rs. 550.5 leaving an upside of 59.3% from current market ruling price.

	(Rs mn)
DFCF-Total	10293.7
Terminal value	12648.9
Total Entity value	22942.6
Less: Debts as on FY07	3800.0
Add: Cash as on FY07	1399.7
Add: Book Value of investments as on FY07	204.8
Equity Value	20747.1
No. of Shares (in mn.)	37.7
DCF value / share	**550.5**
Assumptions	
Risk Free Return	7.50%
Market Premium	5.0%
Beta	0.74
Cost of Equity	11.2%
Interest rate	8.0%
Corporate Tax Rate	26.0%
Post Tax cost of Debt	5.92%
WACC	9.15%
Terminal Growth rate	5.0%

Source : HDFC Sec. Research Estimates

Exhibit 12 : Kalpataru Power Transmission Ltd

YE	Net Sales	EBITDA	PAT	EPS	EPS(Gr)%	PE(X)	RoNW(%)	EV/EBIDTA	EV/MCAP	P/BV
2005	5418	629	283	10.7	104%	88	27.6%	18.0	1.10	9.1
2006	8404	1292	663	25.0	134%	38	47.1%	9.6	1.21	6.1
2007E	14886	2347	1360	51.3	105%	18	33.8%	10.1	0.95	3.9
2008E	19338	3080	1783	67.3	31%	14	24.8%	7.4	0.91	3.1
2009E	23142	3651	2112	79.7	18%	12	23.5%	5.9	0.86	2.5

Source : HDFC Sec. Research Estimates

Exhibit 13 : Our DCF indicates a price target of Rs. 1172.2 with an upside of 24%.

	(Rs mn)
DFCF-Total	13650.6
Terminal value	15658.5
Total Entity value	29309.1
Less: Debts as on FY07	1992.1
Add: Cash as on FY07	3219.8
Add: Book Value of investments as on FY06	526.3
Equity Value	31063.2
No. of Shares (in mn.)	26.5
DCF value / share	**1172.2**
Assumptions	
Risk Free Return	7.50%
Market Premium	5%
Beta	0.96
Cost of Equity	12%
Interest rate	14%
Corporate Tax Rate	28%
Post Tax cost of Debt	10.48%
WACC	13.93%
Terminal Growth rate	5.0%

Source : HDFC Sec. Research Estimates

BUY

KEC International Ltd

Investment Arguments...

CMP	**Rs. 346**
Target	**Rs. 551**
Stock Return	**59.7%**
Capital Appreciation	59.3%
Dividend Yield	0.4%

Nifty	3929
Sensex	13731

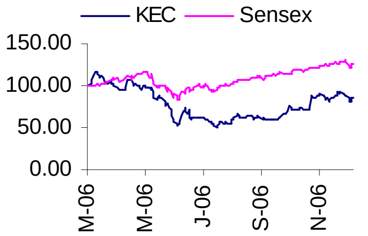
Key Stock Data	
Reuters Code	KECL.BO
BLOOMBERG Code	KECI@IN
No. of Shares (mn)	37.7
Market Cap (Rs bn)	13.0
Market Cap ($ mn)	291
Avg. 6m Vol.	34409

Stock Performance (%)			
52 - Week high / low		Rs. 510/210	
	1M	3M	6M
Absolute (%)	-2.8	36	25
Relative (%)	-4.5	22.3	-13.9

Shareholding Pattern	**(%)**
Indian Promoters	34.3
FIs & Local MFs	35.0
FIIs	12.6
Free Float (Others)	18.1

Source : BSE

Sensex and Stock Movement



Strong 50.4% CAGR in bottom-line during FY06-09E...

We expect KEC to record a robust profit CAGR of 50.4%(FY06-09E), driven by a 32.8% CAGR expected from its fresh order flows over the same period. We expect fresh order flows at 34.7% & 27.9% CAGR (FY06-09E) from foreign & domestic markets respectively.

Aggressive in export business...

KEC has a strong presence in the International T&D space, with its presence in more than 20 nations worldwide. More than 75% of KECs' order backlog (as on Oct'06) was from export markets (FY 05 & 06 export order back-log was 70% & 72% respectively). KEC looks forward to tap the increasing demand from Africa, the Middle-East, Afghanistan and the CIS countries for power transmission/distribution infrastructure. Living by its aggressive International business entry policy, KEC looks forward to explore business opportunitiies in developed nations like the US and Europe. KEC has already announced a 50:50 JV with an American company (Power Engineers Inc).

"Re-organized business" helps focused growth...

KEC International posts its scheme of arrangement, has a much better & leaner balance sheet (with most of the unproductive assets of more than Rs 4.1 billion, left over in the old company). Unlike before, KEC can now focus on its business growth without having to worry about the possibility of writing off the losses. The loans & advances now do not carry more than a normal business risk. Also, Investments as it stand in the Balance sheet, is in a company with similar business line (KEC holds more than 10% stake in RPG Transmission Ltd, another group company of RPG consortium).

Outlook & Valuation...

A leader in Global & domestic EPC transmission project execution, KEC tempts us at an EV/ EBIDTA of 6.5X(FY07E) & 5.2X (FY08E), clearly reflecting its return quality, with the highest returns (both RoE and RoCE) among transmission companies in our universe of stocks. Building in our robust export order flow expectation of 56%(FY07E), we ascribe a price target of Rs 551(upside of 57.4%) at which KEC trades 22X & 16.1X for FY07E & FY08E, respectively. (Assigning a PREMIUM valuation to KEC over Jyoti). We initiate coverage on KEC International Ltd. with an attractive outlook, assigning it a **BUY**.

Exhibit 25 : Valuation Matrix

YE (Rs mn)	2005	2006	2007E	2008E	2009E
Net Sales	12303	17272	20875	25966	32748
% Ch YoY	*50.6%*	*40.4%*	*20.9%*	*24.4%*	*26.1%*
EBITDA	1196	1623	2394	2982	3748
% Ch YoY	*21.9%*	*35.7%*	*47.5%*	*24.6%*	*25.7%*
PAT	423	493	934	1268	1677
% Ch YoY	*67.2%*	*16.7%*	*89.5%*	*35.8%*	*32.2%*
EPS (Rs)	11.2	13.1	24.8	33.7	44.5
% Ch YoY	*67%*	*17%*	*89%*	*36%*	*32%*
PE(X)	31	26	14	10	8
EV/EBIDTA(X)	12.8	9.6	6.4	5.0	3.9
RoNW(%)	19.1%	23.2%	40.5%	38.0%	35.6%
RoCE(%)	14.5%	24.5%	40.8%	40.2%	40.3%

Source : HDFC Sec. Research Estimates

"Project execution" a clear key focus...

KEC finds comfort in outsourcing a major chunk of its work and concentrates on better project execution (unlike JSL, which has in-house manufacturing facilities). The company has a total tower manufacturing capacity (Installed) of 58.000 tons (with two plants in Jaipur & Nagpur), and Unlike JSL, KEC has no plans in the near future to go in for expansion. The company plans to increasingly resort to outsourcing to meet the ever-increasing business demand.

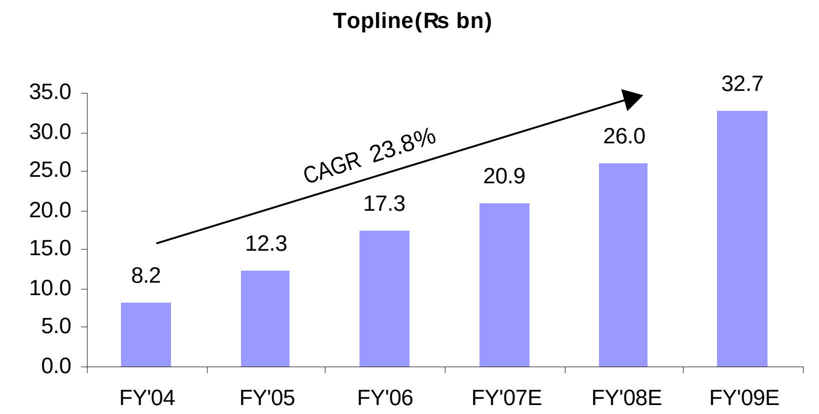
Exhibit 26 : Key Model Assumptions...

(Rs. mn)

Model Assumptions	FY'04	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Fresh Order receipts	13278	17313	16272	24409	30511	38139
Closing Order positions	20990	26000	25000	28534	33079	38469
Book-bill ratio (X)	1.94	1.71	1.51	1.20	1.10	1.01

Source : Company, HDFC Sec. Research Estimates

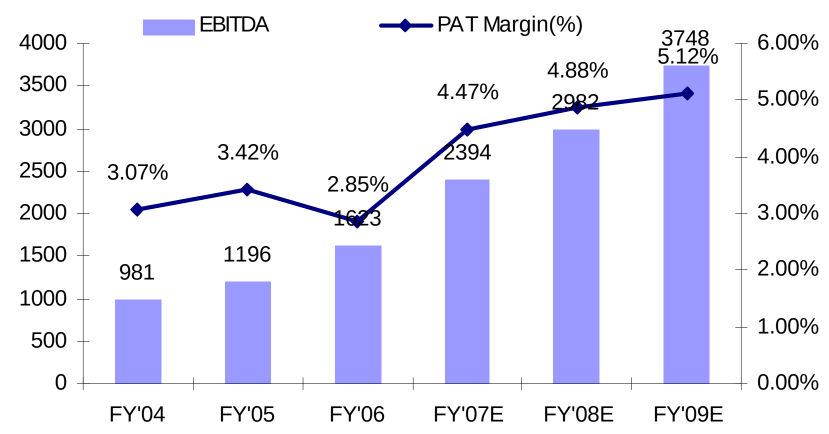
Exhibit 27 : Topline growth



We model a 23.8% CAGR in revenues for KEC over FY06-09E...

We expect KEC to report a 23.8% CAGR in revenues on the back of 32.8% CAGR expected from its fresh order flows. Strong order flows from international markets like the Middle East and African countries will drive its surge in revenues. (see exhibit 27)

Exhibit 28 : EBIDTA & Profit margin

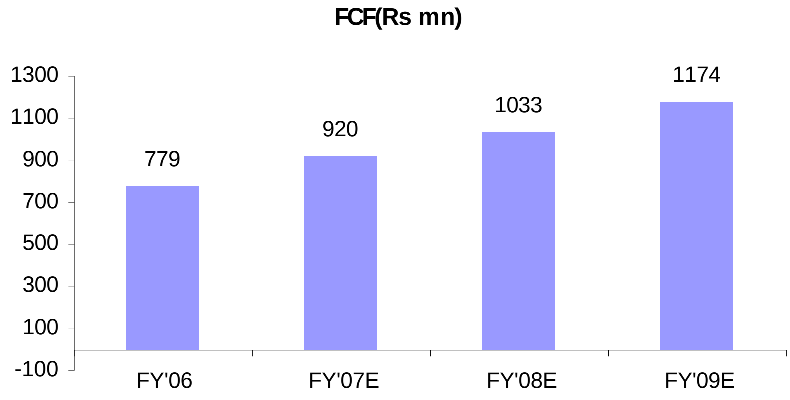


Source : HDFC Sec. Research Estimates

Improved EBIDTA margins to sustain (32.2% EBIDTA CAGR over FY06-09E)...

We expect KEC's EBITDA margins to hover at current levels (as reported during H1'FY07) of around 11.5%. KEC's pending order book had orders with larger execution time frame at low margins (2-2.5 yrs), which are now over. Despite increasing competition in the domestic market, we remain confident on KECs' margins (EBIDTA), as we believe, increasing export business will help margins to remain contained. However, PAT margins are expected to go up during FY06-09E, despite higher tax liability (we expect KEC to pay tax at Maximum Marginal rate during FY08E & FY09E), mainly on account of lesser growth in interest & depreciation cost over that period. (see exhibit 28)

Exhibit 29 : Free cash flows

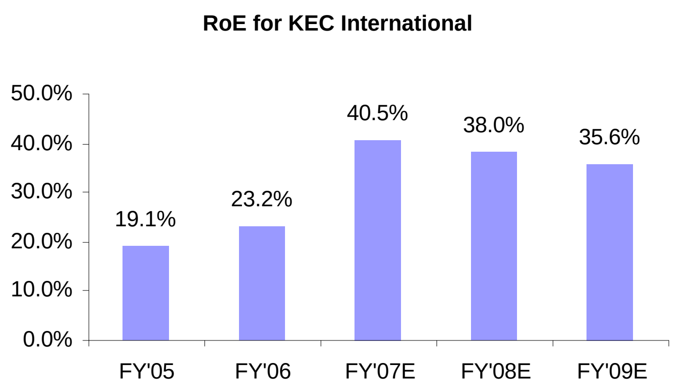


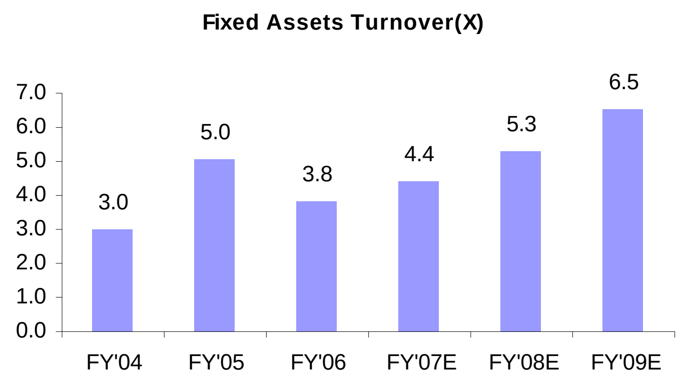
Source : HDFC Sec. Research Estimates

Robust free cash flows going forward

Despite increasing working capital needs and higher cash tax impact, we expect KEC to generate higher free cash flows going forward. Lower interest expense (we expect Interest to post a lower growth than sales over FY 06-09E), coupled with a low maintenance capex, we believe, will provide a fillip to the free cash position going forward. (see exhibit 29)

Exhibit 30 : Fixed Assets turnover & RoE



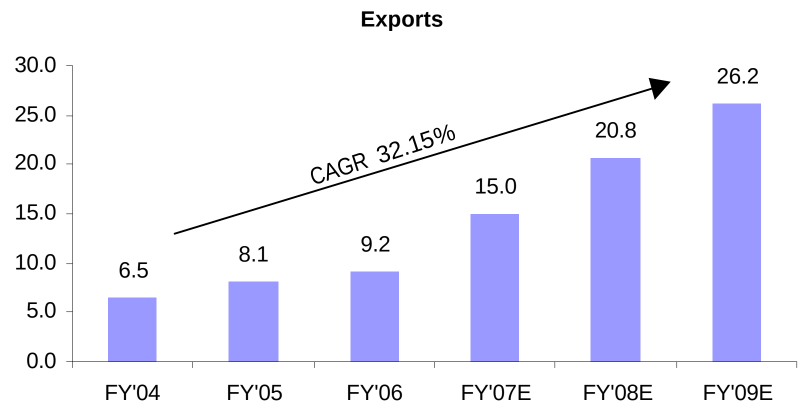


Source : HDFC Sec. Research Estimates

Improvement in Fixed Assets turnover and Net margins to boost RoE during FY07...

We expect Return on Equity for KEC to improve significantly during FY07E, led by favorable Fixed Assets turnover and net margin expansion. Lower maintenance capital expenditure requirement, despite increasing revenues, tend to improve Fixed Asset turnover for KEC. Also, lower interest cost growth and depreciation (both expected to post a lower growth than sales) ensure expanding net profit margins for the company, thereby strengthening the overall return on equity for KEC. However, due to high base impact, RoE during FY08E & 09E will fall. (see exhibit 30)

Exhibit 31 : Export order growth



Source : Company, HDFC Sec. Research Estimates

Strong export order book position...

KEC has a total order book position of Rs 3.03 billions (30th Oct'06), 75% of which comes from the Export market. We expect a 34.7% CAGR in foreign order flows for KEC (vis a vis 27.9 % for domestic fresh order flows) over FY06-09E. (see exhibit 31 & 32)

While KEC will continue to benefit from the positive domestic T&D scene (owing to huge capital spending expected by Powergrid etc), we model faster growth rates in its export orders, owing to our expectation of faster growth in exports (as is evident by the H1'FY07 fresh order book position). KEC bagged some large orders from Abu Dhabi worth Rs 2.3 billion & Rs 2.8 billion from Kazakhstan for transmission EPC contracts during H1'FY07.

Exhibit 32 : International orders-(During Q2'FY07)

Date	Particulars	Rs bn	Country
July'06	500kv, 250 km line	2.8	Kazakhisthan
	400kv- 64 km & 132kv of 28 km	2.3	Abu Dhabi
Aug'06	400 kv single circuit, 52 km	0.7	Algeria
	220 kv, 12KM	0.2	Abudhabi
	Total	6.1	

Source : Company

JV with Power Engineers Inc. USA: Will take some time to materialize

KEC International Ltd has announced that the company is planning to enter into the North American market, with a Joint Venture with Power Engineers Inc. USA. KEC Power Inc. (KPI) the new Company formed in the US will be a 50:50 Joint venture, based in the state of Idaho.

As we understand, it will be a construction JV created to carry out EPC contracts, and no manufacturing capacity will be needed there.

PEI (a US$ 100 million company) is recognized as a leader in the Transmission and Distribution consulting sector in the United States and has an employee base of 750 spreads across Northern America.

KEC foresees high value projects to come up as the US builds transmission system Infrastructure. However, with JV still to materialize any contract, we are not building in any revenue contribution from the same in our estimates.

Focus on core competence post Scheme of Arrangement…

The balance sheet of KEC International got lean after the company entered into a Composite Scheme of Arrangement. (Duly sanctioned by the Bombay High court on 27th Sep'05). Under the arrangement, the power transmission business was transferred to a new entity (while retaining the huge Rs 4.1 billion worth of Loans & Advances including investments which were unproductive, in the old company) namely, KEC Infrastructure Ltd. Later, the name of the new entity KEC Infrastructure Ltd was changed to KEC International Ltd.

Maintaining a "right mix": Critical to KEC's operating profitability…

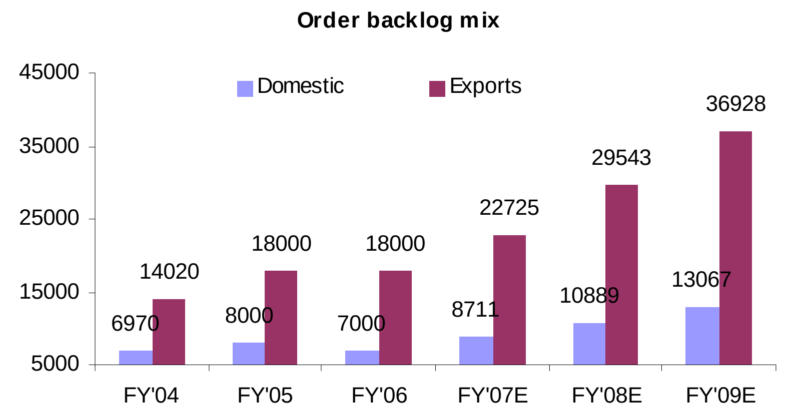
With export business constituting the majority of KECs' revenues (75% of the current order book (Oct'06) confined to the export market, mainly in Africa & the Middle-East), to maintain a right mix between the types of orders remains a margin-critical" issue.

The company selectively evaluates and accepts the EPC Contract, considering the size of contract and the conditions under which it has to be executed. Projects funded by World Bank and other Global institutions attract KECs' interest, we understand.

With its presence in more than twenty nations world-wide (with current EPC executions in Abu Dhabi, Ethiopia, Kazakhstan, Libya, Oman, Kuwait, Nigeria etc), KEC, we believe, will continue its aggressive project execution policy.

Key Risks & Concerns…

Exhibit 33 : KEC's strong export order backlog position



Source : Company, HDFC Sec. Research Estimates

Exposure to commodity price risk...

With the majority of orders coming from export markets, KEC is exposed to the commodity price risk (unlike domestic contracts, export contracts do not provide for a "price escalation" clause). (see exhibit 33)

Any unprecedented price rise of input materials like steel (16.6% of total operating cost during FY06) and zinc (2.3% of total operating cost during FY06) remains a key concern to our model estimates.

Entry in to New territories...

With its aggressive international entry policy (to post sustained growth in revenues) KEC, we believe, is exposed to uncertainties regarding the profitability of foreign projects (especially in new territories). This remains our major worry.

Slower than expected growth in order inflows...

Any slowdown in order flows from Powergrid and export markets (Mainly in Africa and the Middle-East) could mean slower than modeled growth in fresh order flows. (We expect a 32.8% CAGR in fresh order flows for KEC).

Foreign currency risk...

The Currency of invoice (for export projects) and currency of payment of costs, for KEC might be different, exposing the company to a significant currency fluctuation risk. Any significant currency fluctuation might have an adverse impact on KEC's profitability. This remains a concern despite the company planning to enter into need based forward contracts/ swaps to protect this risk.

Company Profile...

KEC (Part of Rs 95 billion RPG Group) is one of the largest Power Transmission, Engineering, Procurement and Construction (EPC) companies in the world with its presence in more than twenty countries.

Currently executing orders in countries like Abu Dhabi, Ethiopia, Kazakhshan, Libya, Kuwait, Algeria, Iraq, Afghanistan, Zambia, Oman & Nigeria, KEC also executes projects awarded by Powergrid Corporation, and various state electricity bodies.

Financials

Exhibit 34 : Income Statement

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Net Sales	**12303**	**17272**	**20875**	**25966**	**32748**
% Ch YoY	51%	40%	21%	24%	26%
Total Income	**12371**	**17277**	**20879**	**25970**	**32752**
% Ch YoY	50%	40%	21%	24%	26%
Cost of Materials(Total)	5865	8894	8712	11026	13968
% Ch YoY	75%	52%	-2%	27%	27%
Erection & Sub-contracting	2936	4176	6054	7660	9693
% Ch YoY	124.5%	42.3%	45.0%	26.5%	26.5%
Personnel Expenses	760	838	1044	1285	1605
% Ch YoY	36.9%	10.3%	24.6%	23.1%	24.8%
Other Operating expenses	452	568	1190	1194	1441
% Ch YoY	-35.6%	25.6%	109.5%	0.4%	20.6%
SG&A	1095	1174	1482	1818	2292
% Ch YoY	-14.5%	7.2%	26.3%	22.6%	26.1%
Total Operating expenditure	**11107**	**15650**	**18481**	**22984**	**29000**
% Ch YoY	54.5%	40.9%	18.1%	24.4%	26.2%
% of NS	90.3%	90.6%	88.5%	88.5%	88.6%
EBITDA	**1196**	**1623**	**2394**	**2982**	**3748**
% Ch YoY	21.9%	35.7%	47.5%	24.6%	25.7%
Margin(%)	**9.7%**	**9.4%**	**11.5%**	**11.5%**	**11.4%**
Interest	487	593	570	674	757
% Ch YoY	-19.5%	21.7%	-3.8%	18.2%	12.3%
% of NS	4.0%	3.4%	2.7%	2.6%	2.3%
Depreciation	101	269	352	388	398
% Ch YoY	-0.2%	168.0%	30.7%	10.1%	2.7%
% of NS	0.8%	1.6%	1.7%	1.5%	1.2%
PBT	**676**	**765**	**1476**	**1925**	**2597**
% Ch YoY	105.2%	13.1%	93.0%	30.4%	35.0%
Taxation-	254	272	542	656	920
% Ch YoY	-285.3%	7.1%	99.4%	21.2%	40.2%
Current	35	64	384	577	857
Deferred	219	201	158	79	63
avg tax rate(%)	37.5%	35.5%	36.7%	34.1%	35.4%
current tax rate(%)	5.1%	8.4%	26.0%	30.0%	33.0%
Net Profit(Reported)	**423**	**493**	**934**	**1268**	**1677**
% Ch YoY	67%	17%	89%	36%	32%
PAT(%)	**3.4%**	**2.9%**	**4.5%**	**4.9%**	**5.1%**

Source : HDFC Sec. Research Estimates

Exhibit 35 : Balance Sheet

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Equity Share Capital	376.4	376.9	376.9	376.9	376.9
Preference Capital(Rs 100 each)	130.0	130.0	130.0	130.0	130.0
Reserves & Surplus	2742	1365	2235	3418	4989
Net worth	**3248**	**1872**	**2742**	**3925**	**5496**
% Ch YoY	19.7%	-42.4%	46.5%	43.1%	40.0%
Secured Loans	4749	3325	3800	4370	4807
Unsecured Loans	35	1	0	0	0
Total Debt	**4784**	**3326**	**3800**	**4370**	**4807**
DTL(Net)	64	209	367	446	509
Total	**8097**	**5407**	**6909**	**8741**	**10812**
Gross block	2440	4499	4759	4909	5009
Less: Depreciation	1030	269	621	1009	1407
Net block	1410	4230	4138	3900	3602
Total Fixed Assets	**1562**	**4290**	**4138**	**3900**	**3602**
Investments	874	205	205	205	205
Current Assets, Loans & Adv					
Inventories	1064	1249	1555	1928	2434
Sundry Debtors	8440	7260	8294	10673	15160
Cash& Bank Balance	1661	636	1400	2248	3184
Loans & Advances	4961	1619	1619	1619	1619
Less: Current Liabs	10661	9860	10310	11839	15400
Net Current Assets	**5465**	**905**	**2559**	**4629**	**6998**
% Ch YoY	0.4%	-83.4%	182.8%	80.9%	51.2%
Misc exp	3.3	0.0	0.0	0.0	0.0
Total	**8097**	**5407**	**6909**	**8741**	**10812**

Exhibit 36 : Cash Flow Statement

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
PBT	**676**	**765**	**1476**	**1925**	**2597**
Depreciation	101	269	352	388	398
Interest Paid	487	593	570	674	757
Direct Taxes Paid	-81	-77	-384	-577	-857
Change in WC	1377	-404	-890	-1221	-1434
Misc. items	-47	0	0	0	0
CF from Operations	**2386**	**1157**	**1124**	**1188**	**1462**
Capex incurred(Net)	158	-376	-200	-150	-100
Purchase/Sale on Investment	7	0	0	0	0
Interest & dividend received	107	51	0	0	0
CF from investments	**272**	**-325**	**-200**	**-150**	**-100**
Proceeds from issue of Share capital	326	1	0	0	0
Redemption of Preferende equity	-90	0	0	0	0
Incr/(Decr) in Debt(Net)	-969	-1226	474	570	437
Interest Paid	-579	-630	-570	-674	-757
Divd Paid	-36	0	-64	-85	-106
CF from Fin. Activity	**-1349**	**-1856**	**-160**	**-189**	**-427**
Net Change In Cash & Cash Equivalents	**1309**	**-1024**	**764**	**849**	**935**
Add: Beginning Balance	413	1722	636	1400	2248
Closing Balance	1722	698	1400	2248	3184

Source : HDFC Sec. Research Estimates

Exhibit 37 : Ratio Analysis

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Profitability Ratios (%)					
EBITDA	9.7%	9.4%	11.5%	11.5%	11.4%
Net profit	3.4%	2.9%	4.5%	4.9%	5.1%
RoCE	14.5%	24.5%	40.8%	40.2%	40.3%
RoNW	19.1%	23.2%	40.5%	38.0%	35.6%
Dividend Payout	0.0%	9.2%	6.1%	5.9%	5.6%
Dividend yield	0.0%	0.3%	0.4%	0.6%	0.7%
Growth Ratios (%)					
Net sales	50%	40%	21%	24%	26%
EBITDA	22%	36%	48%	25%	26%
PBT	105%	13%	93%	30%	35%
PAT	67%	17%	89%	36%	32%
Valuation Ratios (X)					
PE	30.8	26.4	13.9	10.3	7.8
CPE	24.9	17.1	10.1	7.9	6.3
Price/BV	4.0	7.0	4.7	3.3	2.4
EV/EBITDA	12.8	9.6	6.4	5.0	3.9
EV/Sales	1.2	0.9	0.7	0.6	0.4
EV/Mcap	1.2	1.2	1.2	1.1	1.1
D/E(Total)	1.5	1.8	1.4	1.1	0.9
D/E(Long term)	0.0	0.0	0.0	0.0	0.0
Per share data (Rs)					
Earnings	11.2	13.1	24.8	33.7	44.5
Cash Earnings	13.9	20.2	34.1	43.9	55.1
Book-Value	86.3	49.7	72.8	104.2	145.8
Dividend	0.0	1.2	1.5	2.0	2.5
Cash	44.1	16.9	37.1	59.7	84.5
Free Cash flow	71.6	20.7	24.4	27.4	36.0
Turnover Ratios-					
Fixed Assets	5.0	3.8	4.4	5.3	6.5
Inventory	11.6	13.8	13.4	13.5	13.5
Receivable	1.5	2.4	2.5	2.4	2.2
Payable	1.0	1.3	1.7	1.9	1.8
Working Capital	2.3	19.1	8.2	5.6	4.7
Inventory(days)	32	26	27	27	27
Debtors(days)	250	153	145	150	169
Creditors(days)	353	272	212	195	202

Source : HDFC Sec. Research Estimates

BUY

JYOTI STRUCTURES LTD.

Investment Arguments

CMP	**Rs. 123**
Target	**Rs. 153**
Stock Return	**25.4%**
Capital Appreciation	25.0%
Dividend Yield	0.4%

Nifty	3929
Sensex	13731

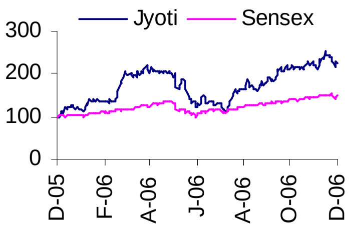
Key Stock Data	
Reuters Code	JYTS.BO
BLOOMBERG Code	JYS@IN
No. of Shares (mn)	77.1
Market Cap (Rs bn)	9.45
Market Cap ($ mn)	211.5
Avg. 6m Vol.	26417

Stock Performance (%)			
52 - Week high / low	Rs. 144/54		
	1M	3M	6M
Absolute (%)	0	14.95	73
Relative (%)	-1.67	1.2	34.1

Shareholding Pattern	**(%)**
Indian Promoters	24.9
FIs & Local MFs	14.4
FIIs	28.7
Free Float (Others)	32.0

Source : BSE

Sensex and Stock Movement



Clear visibility of strong earnings growth for JSL (54.7% CAGR over FY06-09E)...

We expect JSL to post a strong bottom-line growth (54.7% CAGR over FY06-09E), mainly on the back of positive domestic scenario prevailing in the Power T&D sector. Since Jyoti has been deriving a large portion of its revenues from the domestic market (Domestic revenues constituted 79% & 87% during FY05 & 06 respectively of Jyotis' total revenues), we expect it to continue its participation in the domestic T&D space.

Manufacturing capacity adequate to meet growing business demand...

JSL has a strong manufacturing backup with an installed tower manufacturing capacity of 76,000 tons (with plans to boost it further by 26% to 96,000 tons by April'07 through its subsidiary, JSL Refractories Ltd), which ensures JSL's sustained in-house capacity to meet the growing business demand.

Major play in domestic distribution market...

With almost 40% of current order book for JSL from the distribution business (vis a vis 32% during FY06), we expect this segment to increasingly contribute to JSLs' top-line going forward. With robust opportunities in the domestic front through projects like Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and plans initiated by various State electricity boards, we remain confident about Jyoti's performance in this segment.

Outlook & Valuation...

With clear earnings growth visibility, JSL currently quotes at an EV/EBIDTA of 8.8X & 5.8 for FY07E and FY08E and P/BV of 3.7X & 2.9X for FY07E & FY08E, respectively. JSL, we suggest will be a key vehicle to ride the Transmission sector's up trend. JSL currently trading at 19X(FY07E) & 12X(FY08E) earnings, provides an upside of 23.5%, as per our calculated DCF-based target price of Rs 153 (upside of 23.5%) at which the stock discounts its FY07E & FY08E earnings by 23.8 X & 14.8X respectively. We initiate coverage on JSL recommending it a BUY.

Exhibit 14 : Valuation Matrix

YE (Rs mn)	2005	2006	2007E	2008E	2009E
Net Sales	4396	7381	10452	14960	18406
% Ch YoY	*44.9%*	*67.9%*	*41.6%*	*43.1%*	*23.0%*
EBITDA	1196	1623	2394	2982	3748
% Ch YoY	*35.9%*	*82.2%*	*55.5%*	*46.1%*	*22.3%*
PAT	423	493	934	1268	1677
% Ch YoY	*110.8%*	*140.0%*	*79.6%*	*61.0%*	*28.2%*
EPS (Rs)	11.2	13.1	24.8	33.7	44.5
% Ch YoY	*111%*	*140%*	*80%*	*61%*	*32%*
PE(X)	73	31	19	12	9
EV/EBIDTA(X)	12.8	9.6	6.4	5.0	3.9
RoNW(%)	14.7%	25.6%	26.3%	27.3%	27.1%
RoCE(%)	20.5%	30.6%	33.4%	36.8%	36.8%

Source : HDFC Sec. Research Estimates

Exhibit 15 : Key Model Assumptions...

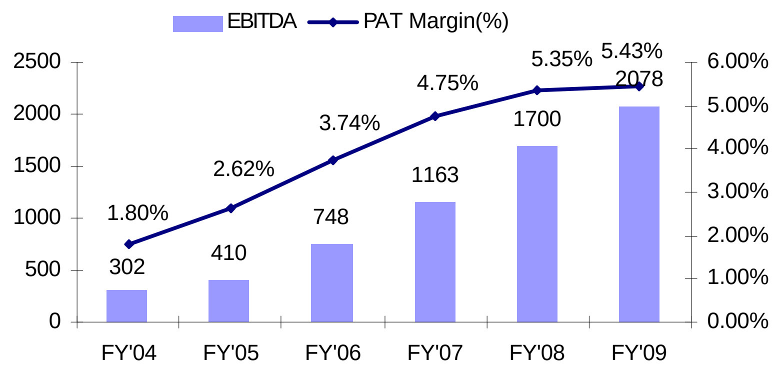
YE	FY'04	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Fresh Order receipts	4370	4000	10720	15869	19008	22602
Closing Order positions	10259	10000	13400	18817	22865	27061
Book-bill ratio (X)	2.9	2.3	1.4	1.3	1.3	1.2
Booking ratio (%)	34.5%	42.9%	73.8%	78.0%	79.5%	80.5%

Source : HDFC Sec. Research Estimates

We model a 35.5% CAGR in revenues over FY2006-09E...

We expect JSL to post 35.5% revenue CAGR over FY2006-09E, on the back of 28% CAGR expected in fresh order flows over the same period. We built in faster execution rates into our revenue model foreseeing quicker execution by the company to match up with the order flow pace. Also the increasing share of distribution (which typically takes 8-10 months, vis a vis 18-20 months for Towers etc) business supports our model assumption.

Exhibit 16 : EBITDA and PAT margins



Source : HDFC Sec. Research Estimates

EBIDTA CAGR of 40.6%(FY06-09E)...

Building in an EBIDTA margin growth (100 & 30 bps during FY07 & FY08E respectively), we expect JSL to record a 40.6% CAGR in its profits (EBIDTA) during FY06-09E. We believe, JSL will execute the projects faster to tap the faster order flows along with a shift in its revenue-mix (we expect REC orders to contribute 20% of the fresh order inflow during FY07, vis a vis 14% during FY06). REC orders are more profitable and have lesser execution duration. (see exhibit 16)

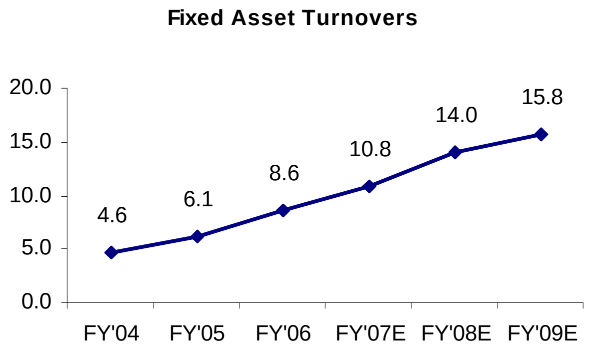
JV with Gulf Investment Corporation to add value going forward...

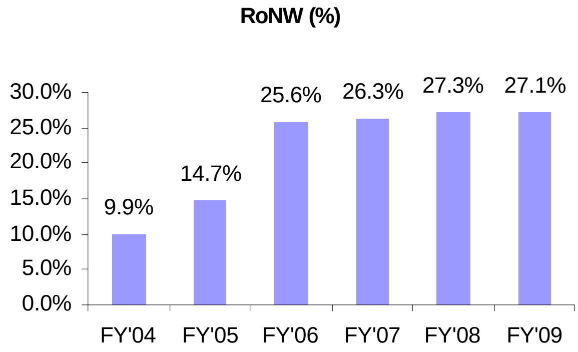
The company has entered into a venture agreement with Gulf Investment Corporation, Kuwait and has established a joint venture company in the name of Gulf International LLC in UAE. The new venture will carry out EPC transmission line related business in the Gulf Region and other countries. This venture, we believe, will help JSL tap the enormous potential in the entire Gulf region, in power T&D space.

As per the agreement, Jyoti owns 30% of the JV with an initial equity investment of Rs 80 millions. The JV will have an installed capacity of 30,000 tons located in Dubai. (Expected to commence production wef April-May'2007).

The JV has already bagged an order worth Rs 1800 millions (executable over 18 months) during October 2006 for supply, installation, testing and commissioning of 400 kv D/C overhead transmission lines on a turnkey basis. Financial contribution from the venture will start flowing in from FY09E.

Exhibit 17 : Fixed Asset turnovers & RoNW





Source : HDFC Sec. Research Estimates

Improvement in PAT margins coupled with increasing Fixed Asset turnover ratios to improve RoNW, though marginally...

We expect JSL's Return on Net worth to improve further during FY07E & FY08E, mainly driven by improving Fixed Assets turnover (see exhibit no 17) & growth in net margins. However, the growth appears to be marginal due to fresh money being raised by JSL through an equity placement during FY07 (JSL raised Rs 886.6 millions through a preferential allotment made to FIIs'), thereby expanding the base.

Exhibit 18 : JSL's Tower manufacturing capacity

YE March (Metric tons)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Installed Capacity (MT)	52000	76000	76000	96000	96000
Nasik		38000	38000	38000	38000
Raipur		38000	38000	38000	38000
JSL Refractories (Subsidiary)				20000	20000

Source : Company, HDFC Sec. Research Estimates

Jyoti to continue tapping growth through expanding manufacturing facilities...

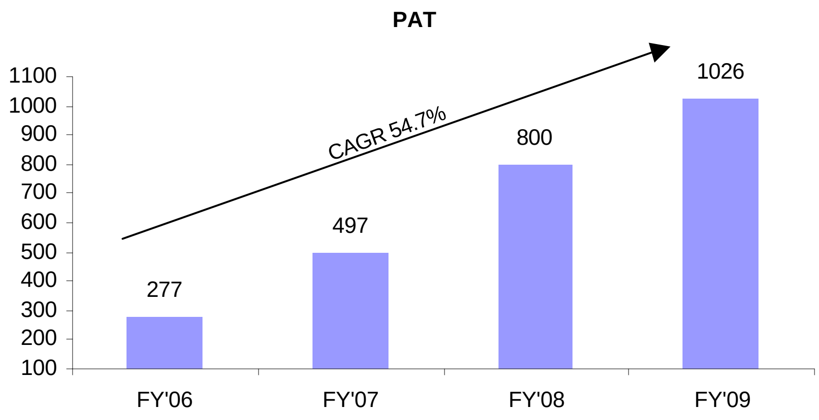
The company plans to add a third facility of 20,000 tons by April'07 (via one of its Subsidiaries, JSL Refractories Ltd), taking total tower manufacturing capacity (Installed) to 96,000 tons. Currently, JSL has two plants, one in Raipur and the other in Nasik (each having an installed capacity of 38,000 tons).

The company places its confidence on the in-house supply of towers and structures to answer qualitative issues. This expansion plan (20,000 tons), we believe, will equip JSL with increased capabilities to bid aggressively for forthcoming projects of the Power grid and various SEB's. (see exhibit 18)

We understand from the company that it has been selectively pursuing the order bids, keeping in mind the existing manufacturing capacity, orders in hand, etc. After the expansion, we believe, JSL will have wider options to tap the order flows, which most likely will help the company widen its order book base.

Key Positives

Exhibit 19 : Profit growth



Source : HDFC Sec. Research Estimates

Strong bottom line CAGR of 54.7% over FY06-09E...

We expect JSL to post a 54.7% CAGR in profits over FY06-09E, on the back of 28% CAGR in fresh order flows expected over the same period. Massive capital spending by the Powergrid Corporation, various state electricity boards etc. and a healthy export order book (currently at Rs 6560 millions for H1'FY06 vis a vis Rs 2010 million during 12M'FY06) will help it achieve the expected profits. (see exhibit 19)

Strong domestic focus: A Shield against commodity price risk...

JSL derives most of its revenues from domestic orders (domestic revenues formed 87% of total revenues for JSL during FY'06). While strong order flows from locations like the Middle-east, African countries etc will boost JSL's export revenue share (which we expect to reach 20% during FY07E), our interaction with the management makes us to believe that the company thrives mainly on the domestic market, and exports are not expected to surpass the domestic revenue share as, export contracts do not contain a "Price escalation-clause", thereby leaving room for a commodity price risk for the company. Thus for JSL, revenues from domestic markets will continue to form a major chunk.

Selective approach in international orders...

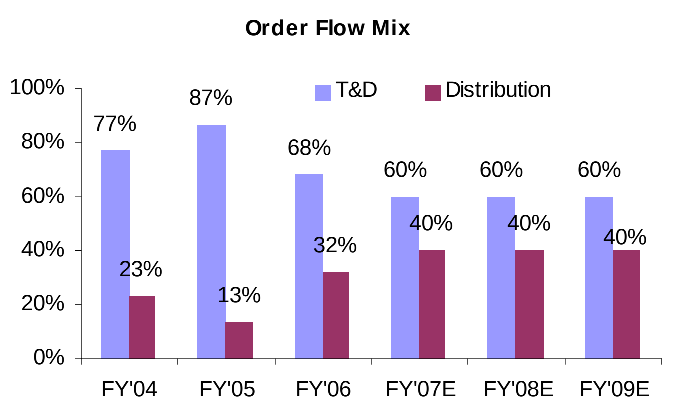
While JSL is destined for domestic focus, it carefully and selectively bids for international projects. Enormous opportunities, specifically from African (Ghana & Ethiopia) and Gulf countries have attracted JSL's interest.

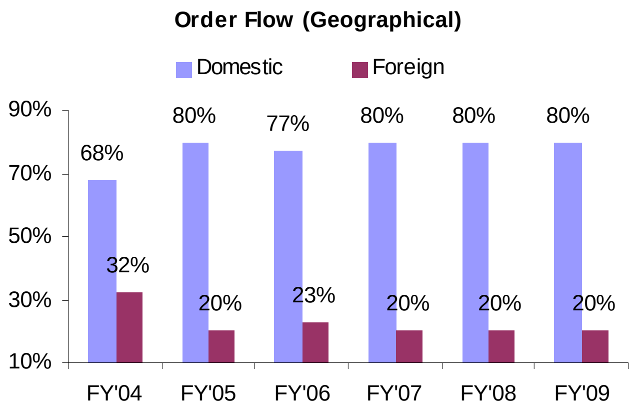
Reliance Energy, a potential customer for Jyoti (Reduced its stake to 8%)...

Reliance Energy, which currently holds 8% in JSL (after selling some stake from its original holding of 14.5%, bought on 16th Dec'04 at Rs 22.2/share, adjusted for stock split), could be a potential customer for JSL. Our view mainly revolves around the fact that REL does not currently have the kind of setup required for T&D business (i.e manufacturing facility).

However, till date, JSL hasn't bagged any business from REL, as we learn from the management.

Exhibit 20 : Order flow mix





Source : Company, HDFC Sec. Research Estimates

Order inflows reflecting increase in Distribution business...

FY'06 saw jyoti's Fresh Distribution order receipts taking a northward move, with fresh order receipts in this segment accounting for 32% (13% FY05) of the total fresh orders received during the year. For the first half of FY07, the share of fresh distribution orders has already touched 40% of the total orders received.

While looking forward to tapping more and more opportunities in the transmission tower space, JSL plans to maintain a "balanced-mix" in projects under execution (The company refers 60:40 mix as a balanced one, with 60% being towers and 40% distribution).

With the governments' increasing thrust on rural electrification development through the Rajiv Gandhi Grameen Vidyutikaran Yojana, we see JSL's share of distribution business remaining firm (at the current level of around 40%). (see exhibit 20)

JSL raised Rs 886.6 millions in May'2006 through preferential allotment...

The Company raised Rs 886.6 millions through preferential allotment. The issue size was 7.75 million shares (Rs 2 paid up), which was issued at a premium of Rs 112.4/share. Morgan Stanley and its affiliates were issued 7 million shares while 0.75 million shares were issued to Deutsche International Trust Corp (Mauritius) Ltd.

The Company plans to utilize the proceeds to partly repay the debt (Rs 460 millions already paid till date) and partly to finance working capital needs and for general corporate purposes.

Key Risks & Concerns...

Spurt in domestic T&D space could provoke cutthroat competition...

With a huge potential for increasing order flows in the T&D space, we expect pre-qualified players to aggressively bid for projects (with a natural thrust to gain market share), restraining us from ruling out a scenario of cutthroat competition. This could have a substantial impact on JSL's profitability at the operating levels.

Delay in implementation of projects announced, could hamper JSL's targeted growth rate...

Any delay in implementation of projects announced by Powergrid and regional electricity boards, could significantly dent Jyoti's business growth. This remains a key risk to our model revenue growth rate.

Financial health of SEBs granting the project...

Adverse financial condition of the SEBs granting the project (distribution), poses a significant risk of a "payment default" or "delayed payment", which will have a definite negative impact on JSL's working capital management.

Company Profile...

Chaired by Mr S. D. Kshirsagar, Jyoti Structures (Incorporated in May'74) is among the very few companies worldwide, which possesses the capabilities to execute total turnkey jobs that involve the setting up of both transmission lines and substations. With operations extended to around 33 countries, JSL is equipped with the capability to handle projects from Concept to commissioning of transmission lines up to 800kv and Substations up to 400kv.

Key customer base for JSL includes, Hydro Quebec (Canada), United Group (Australia), Enel Power (Italy), Balfour Beaty (UK) etc.

Financials

Exhibit 21 : Income Statement

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Net Sales	**4396**	**7381**	**10452**	**14960**	**18406**
% Ch YoY	45%	68%	42%	43%	23%
Total Income	**4401**	**7402**	**10463**	**14970**	**18416**
% Ch YoY	45%	68%	42%	43%	23%
Cost of Materials(Total)	2748	4261	6010	8567	10619
% Ch YoY	51%	55%	41%	43%	24%
Erection & Sub-contracting	522	1094	1528	2186	2689
% Ch YoY	19.0%	109.4%	39.7%	43.1%	23.0%
Personnel Expenses	143	185	235	329	387
% Ch YoY	26.8%	30.0%	27.1%	39.9%	17.4%
Other Operating expenses	314	727	1010	1460	1750
% Ch YoY	105.9%	131.4%	38.9%	44.6%	19.9%
SG&A	258	366	506	719	884
% Ch YoY	21.3%	41.5%	38.5%	41.9%	23.0%
Total Operating expenditure	**3986**	**6633**	**9289**	**13260**	**16328**
% Ch YoY	45.9%	66.4%	40.0%	42.8%	23.1%
% of NS	90.7%	89.9%	88.9%	88.6%	88.7%
EBITDA	**410**	**748**	**1163**	**1700**	**2078**
% Ch YoY	35.9%	82.2%	55.5%	46.1%	22.3%
Margin(%)	**9.3%**	**10.1%**	**11.1%**	**11.4%**	**11.3%**
Interest	195	258	305	338	384
% Ch YoY	12.8%	32.7%	18.1%	10.6%	13.7%
% of NS	4.4%	3.5%	2.9%	2.3%	2.1%
Depreciation	39	48	56	63	70
% Ch YoY	-3.3%	23.0%	16.2%	12.2%	11.2%
% of NS	0.9%	0.7%	0.5%	0.4%	0.4%
PBT	**181**	**462**	**813**	**1309**	**1634**
% Ch YoY	92.0%	155.0%	75.9%	61.0%	24.9%
Taxation-	66	185	316	509	635
% Ch YoY	66.0%	181.5%	70.4%	61.0%	24.9%
Current	56	172	301	484	605
Deferred	10	9	15	24	30
avg tax rate(%)	36.3%	40.1%	38.9%	38.9%	38.9%
current tax rate(%)	31.1%	37.2%	37.0%	37.0%	37.0%
Net Profit(Reported)	**115**	**277**	**497**	**800**	**999**
% Ch YoY	111%	140%	80%	61%	25%
Share of Profits from Associates	0	0	0	0	27
Net Profits(Adj.)-Incl Associates	115	277	497	800	1026
% Ch YoY	111%	140%	80%	61%	28%
PAT(%)	**2.6%**	**3.7%**	**4.8%**	**5.3%**	**5.4%**

Source : HDFC Sec. Research Estimates

Exhibit 22 : Balance Sheet

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Equity Share Capital	138.2	138.2	154.2	154.2	154.2
Reserves & Surplus	806	1078	2406	3154	4120
Net worth	**944**	**1216**	**2561**	**3309**	**4274**
% Ch YoY	50.8%	28.8%	110.5%	29.2%	29.2%
Secured Loans	854	1203	1390	1656	1822
Unsecured Loans	265	406	180	150	100
Total Debt	**1119**	**1609**	**1570**	**1806**	**1922**
DTL(Net)	**69**	**78**	**93**	**117**	**147**
Total	**2132**	**2903**	**4223**	**5232**	**6343**
Gross block	716	853	968	1068	1168
Less: Depreciation	290	322	378	441	512
Net block	426	531	590	627	657
Total Fixed Assets	**441**	**546**	**590**	**627**	**657**
Investments	87	166	166	166	193
Current Assets, Loans & Adv					
Inventories	915	1213	1513	1943	2374
Sundry Debtors	1838	2487	3153	4511	5752
Other Current Assets	539	633	633	633	633
Cash& Bank Balance	171	38	876	1422	1827
Loans & Advances	456	517	517	517	517
Less:					
Current Liabs	2277	2558	3226	4589	5611
Net Current Assets	**1602**	**2190**	**3466**	**4438**	**5492**
% Ch YoY	8.3%	36.7%	58.3%	28.0%	23.8%
Misc exp	2.2	1.1	0.0	0.0	0.0
Total	**2132**	**2903**	**4222**	**5231**	**6342**

Exhibit 23 : Cash Flow Statement

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
PBT	**181**	**462**	**813**	**1309**	**1634**
Depreciation	39	48	56	63	70
Interest Paid	195	258	305	338	384
Direct Taxes Paid	-58	-181	-301	-484	-605
Change in WC	-558	-678	-439	-425	-649
Misc. items	6	5	0	0	0
CF from Operations	**-195**	**-85**	**435**	**800**	**834**
Capex incurred(Net)	-64	-142	-100	-100	-100
Purchase/Sale on Investment	-6	-122	0	0	0
Interest & dividend received	0	0	0	0	0
CF from investments	**-71**	**-263**	**-100**	**-100**	**-100**
Proceeds from issue of Share capital	222	15	891	0	0
Redemption of Preferende equity	0	0	0	0	0
Incr/(Decr) in Debt(Net)	266	490	-39	236	116
Interest Paid	-196	-259	-305	-338	-384
Divd Paid	-17	-31	-44	-52	-61
CF from Fin. Activity	**276**	**214**	**503**	**-154**	**-329**
Net Change In Cash & Cash Equivalents	**10**	**-134**	**838**	**547**	**405**
Add: Beginning Balance	161	171	38	876	1422
Closing Balance	171	38	876	1422	1827

Exhibit 24 : Ratio Analysis

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Profitability Ratios (%)					
EBITDA	9.3%	10.1%	11.1%	11.4%	11.3%
Net profit	2.6%	3.7%	4.8%	5.3%	5.4%
RoCE	20.5%	30.6%	33.4%	36.8%	36.8%
RoNW	14.7%	25.6%	26.3%	27.3%	27.1%
Dividend Payout	14.4%	11.1%	7.8%	5.8%	5.4%
Dividend yield	0.2%	0.4%	0.4%	0.5%	0.6%
Growth Ratios (%)					
Net sales	44.8%	68.2%	41.4%	43.1%	23.0%
EBITDA	35.9%	82.2%	55.5%	46.1%	22.3%
PBT	92.0%	155.0%	75.9%	61.0%	24.9%
PAT	110.8%	140.0%	79.6%	61.0%	24.9%
Valuation Ratios (X)					
PE	73.5	30.6	19.0	11.8	9.5
CPE	2.2	4.7	7.2	11.2	13.9
Price/BV	9.0	7.0	3.7	2.9	2.2
EV/EBITDA	23.0	13.4	8.7	5.8	4.6
EV/Sales	2.1	1.4	1.0	0.7	0.5
EV/Mcap	1.1	1.2	1.1	1.0	1.0
D/E(Total)	0.6	0.5	0.1	0.0	0.0
D/E(Long term)	0.3	0.3	0.1	0.0	0.0
Per share data (Rs)					
Earnings	1.5	3.6	6.4	10.4	13.3
Cash Earnings	2.2	4.7	7.2	11.2	13.9
Book-Value	13.7	17.6	33.2	42.9	55.4
Dividend	0.2	0.4	0.5	0.6	0.7
Cash	2.5	0.6	11.4	18.4	23.7
Free Cash Flow	-3.9	-3.5	4.2	9.0	9.4
Turnover Ratios-					
Fixed Assets	6.1	8.6	10.8	14.0	15.8
Inventory	4.8	6.1	6.9	7.7	7.8
Receivable	2.4	3.0	3.3	3.3	3.2
Payable	1.8	2.6	2.9	2.9	2.9
Working Capital	2.7	3.4	3.0	3.4	3.4
Inventory(days)	76.0	60.0	52.8	47.4	47.1
Debtors(days)	152.6	123.0	110.1	110.1	114.1
Creditors(days)	207.7	140.7	125.9	125.4	125.1

Source : HDFC Sec. Research Estimates

BUY

Kalpataru Power Transmission Ltd

CMP	**Rs. 945**
Target	**Rs. 1172**
Stock Return	**24.4%**
Capital Appreciation	24.0%
Dividend Yield	0.4%

Nifty	3929
Sensex	13731

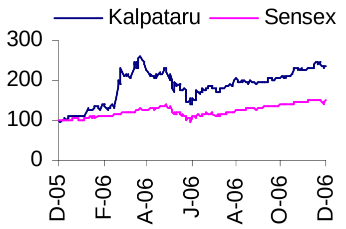
Key Stock Data	
Reuters Code	KAPT.BO
BLOOMBERG Code	KPP@IN
No. of Shares (mn)	26.5
Market Cap (Rs bn)	25
Market Cap ($ mn)	560
Avg. 6m Vol.	20725

Stock Performance (%)			
52 - Week high / low	Rs. 1060/377		
	1M	3M	6M
Absolute (%)	5.5	20.4	53.4
Relative (%)	3.8	6.7	14.5

Shareholding Pattern	**(%)**
Indian Promoters	63.7
FIs & Local MFs	20.2
FIIs	8.1
Free Float (Others)	8.0

Source : BSE

Sensex and Stock Movement



Investment Argument...

Earnings CAGR of 47.1% during FY06-09E...

We expect Kalpataru to record a strong growth in earnings during FY06-09E, mainly driven by a 24.9% CAGR in fresh order receipts in T&D division (which had a 90% share in FY06 revenues) & 86.3% CAGR in infrastructure revenues (which had 4.4% share in FY06 revenues). Surge in T&D division for KPTL is mainly from domestic revenues, which comprise 70% of its total T&D revenues (FY06).

Diversified business model...

KPTL has a diversified business model with four divisions, viz, Transmission & Distribution (90% of FY06 revenues), Infrastructure (4.4% of FY06 revenues), Real-Estate (3.3% of FY06 revenues) & Biomass energy division (2.2% of FY06 revenues). Going forward, the company plans to venture into infrastructure projects, which we believe, will further strengthen KPTLs' business profile and provide sustainable revenue streams.

Strategic stake in JMC Projects leaves tremendous potential...

With KPTL having 49.9% stake in JMC (which is an emerging player in the Infrastructure space with a huge order backlog of RS 7.75 billion currently), we remain overjoyed about KPTL's future growth prospects, as we expect the company to significantly get a boost in its earnings, given a majority stake in a company operating in a high growth sector (Infrastructure) like the one in which it does.

Outlook & Valuation...

A unique player in domestic T&D space (with diversified revenue streams), Kalpataru is expected to report the strongest growth in FY07E earnings (with an expected EPS growth of 105%, on an adjusted basis). With the highest margins (both EBIDTA & PAT) in our universe of T&D stocks, Kalpataru currently trades at 18XFY07E & 14XFY08E. Even awaiting development regarding Kalpataru's further business plans (for utilization of Rs 3.4 bn raised), our DCF model indicates a price target of Rs 1172 at which KPTL trades at a target multiple of 22.8X & 17.4X for FY07 & FY08E respectively, we initiate coverage with a **BUY**. (24.6% upside).

Exhibit 38 : Valuation Matrix

YE (Rs mn)	2005	2006	2007E	2008E	2009E
Net Sales	5418	8404	14886	19338	23142
% Ch YoY	*57.2%*	*55.1%*	*77.1%*	*29.9%*	*19.7%*
EBITDA	629	1292	2347	3080	3651
% Ch YoY	*21.9%*	*35.7%*	*47.5%*	*24.6%*	*25.7%*
PAT	283	663	1360	1783	2112
% Ch YoY	*104.1%*	*134.4%*	*105.0%*	*31.2%*	*18.4%*
EPS (Rs)	10.7	25.0	51.3	67.3	79.7
% Ch YoY	*104%*	*134%*	*105%*	*31%*	*18%*
PE(X)	88	38	18	14	12
EV/EBIDTA(X)	18.0	9.6	10.1	7.4	5.9
RoNW(%)	27.6%	47.1%	33.8%	24.8%	23.5%
RoCE(%)	29.3%	41.3%	38.0%	33.0%	31.9%

Source : HDFC Sec. Research Estimates

We expect further venture into Residential projects...

The company, after successfully completing a residential project in Mumbai , we believe, will further venture into new project (Kalpataru Habitat, a 2.7 Lac square feet residential project with total Revenues of Rs 1.4 billion spread over FY04-06 was successfully completed and fully sold out by KPTL).

However, awaiting further stated intentions from the company, we have not modeled any further revenues from this segment.

Exhibit 39 : Key Model Assumptions...

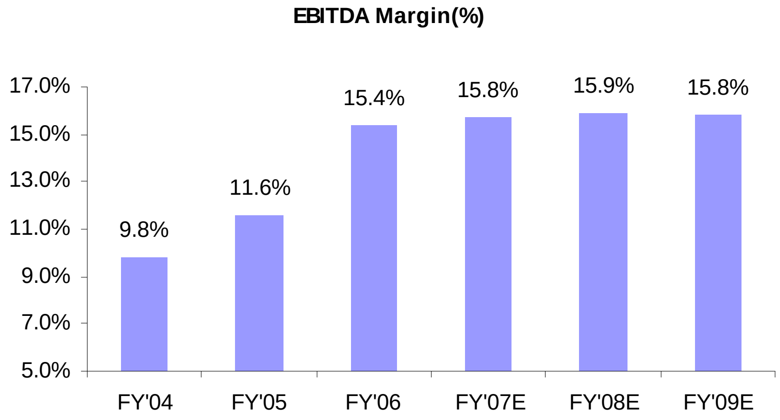
Model Assumptions	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Fresh Order receipts	7.7	11.2	16.8	9.9	21.9	27.4
Closing Order positions	4500	11000	20000	28287	37989	49626
Book-bill ratio (X)	0.0	1.0	1.4	1.5	1.6	1.8
Booking ratio (%)	0.0%	61.8%	69.9%	80.8%	80.7%	77.5%

Source : Company, HDFC Sec. Research Estimates

Revenues to grow at a 40.2% CAGR over FY06-09E...

We expect KPTL to record a 40.2% CAGR in its revenues driven by a 24.9% CAGR in fresh order flows (Transmission & distribution business) and 86.3% CAGR in its Infrastructure revenues (pipelines) over FY06-09E.

Exhibit 40 : EBITDA margins

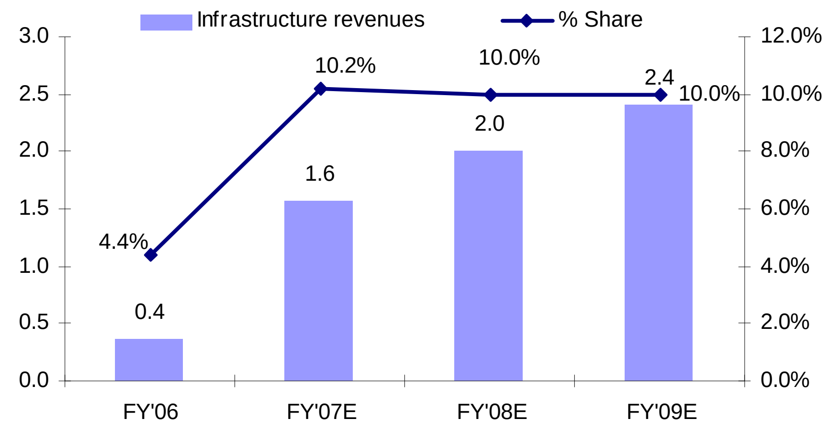


Source : HDFC Sec. Research Estimates

Kalpataru enjoys best EBIDTA margins in T&D space....

KPTL's high EBIDTA margin is the reflection of its efficient manufacturing base (T&D division) along with its integrated business model (having three other highly profitable divisions). With KPTL operating at an increased capacity of 84,000 MTPA full year for the first time, we expect it to maintain EBIDTA margins at the current increased levels of 15.4~15.9%.(see exhibit 40)

Exhibit 41 : Infrastructure revenues & its share



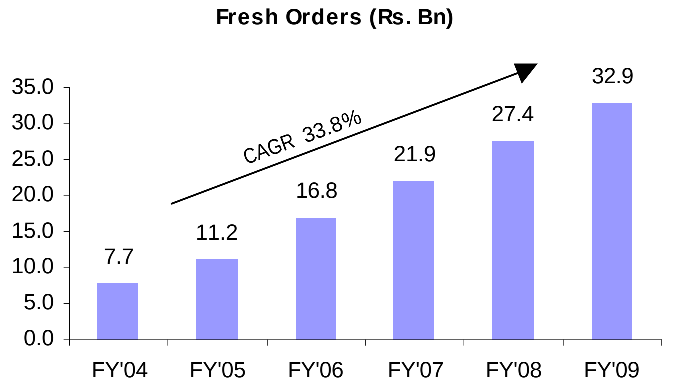
Source : HDFC Sec. Research Estimates

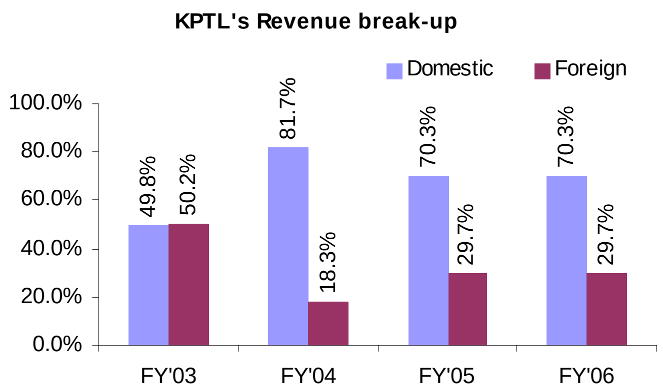
Kalpataru to witness a revenue-mix shift during FY07E...

We expect a change in Kalpatarus' revenue-mix during FY07E, on account of a sharp surge in Infrastructure revenues.

We expect the infrastructure division to contribute 10% to Kalpataru's top line (vis a vis 4% during FY06), during FY07E through FY09E. The T&D division's share during FY07 is expected to go marginally down to 88%(vis a vis 90% during FY06); this is despite a growth of 73%(YoY), expected in T&D division during FY07E.

Exhibit 42 : Fresh order growth & revenue break up





Source : Company, HDFC Sec. Research Estimates

An impressive 33.8% CAGR (FY04-09E) in fresh orders received (T&D division)...

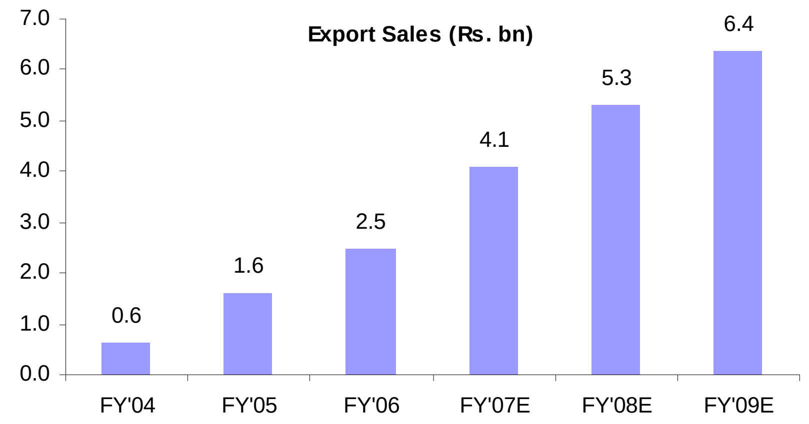
Kalpataru has a strong fresh order growth track record, most of which is from the domestic market (almost 70%). The company also has a presence in export markets with projects completed in Algeria, Turkey and Zambia etc. During FY06, Kalpataru bagged orders worth Rs 5.3 billions (US$ 120 millions) from Algeria, Ethiopia and Philippines (31.5% of fresh orders bagged during FY06). (see exhibit 42)

Robust 86.3% CAGR (FY06-09E) expected in revenues from the Infrastructure division...

We model a whopping 86.3% CAGR in KPTLs' infrastructure division revenues during FY06-09E, on the back of strong 324% jump expected during FY07E. This is on the back of Rs 1.8 billion Partial EPC Pipeline contract. (Which is a 74 Kms long Pipeline project from GAIL awarded in July'06). Infrastructure revenues during FY07E will also include part of Rs 830 million with orders from BPCL (awarded during FY06) and Rs 310 million Kota pipeline project from GAIL.

With tremendous potential for gas and crude pipeline growth over the next 3-4 years (mainly driven by IOCL, BPCL, HPCL, GSPC, Reliance and GAIL), we are positive on KPTL infrastructure division's growth prospects.

Exhibit 43 : Export sales



30,000 MTPA added (Transmission division), to cater to higher export demand...

During Aug'05, Kalpataru boosted its total 54,000 MTPA fabrication plant's capacity to 84,000 MTPA (up by 55.6%), for a capex of Rs 160 millions, mainly to cater to increasing export demand (particularly in Sub-Saharan African Countries and the Middle East region), by setting up a 100% EOU unit. This we believe, is an important move by KPTL and will ensure improved tapping of the export market. (see exhibit 43)

Bio-Mass Energy division to witness a 25.9% CAGR (FY06-09E) on doubling of capacity during FY07...

Exhibit 44 : Key Model Assumptions-

Bio-Mass Power Unit-	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Installed Capacity (Mw)	7	7	14	14	14
Units Sold (Mn Kwh)	35	47	61	93	93
Revenues (Rs mn)	129	181	238	361	361
PPA (RS/unit)	3.7	3.9	3.9	3.9	3.9

Kalpataru has recently set up its second Power Plant of 7Mw(Nov'06), doubling the total installed power generation capacity to 14Mw at a total capital expenditure of Rs 300 million. Despite an expected increase in power division revenues during FY06-09E, we actually see its share in total revenues going down (from 2.2% during FY06 to 1.5% during FY07E), owing to higher growth in other divisions. (see exhibit 44)

Rs 3.47 billion (US$75) rose through QIP during FY'07...

Kalpataru in one of the largest QIPs' has raised Rs 3.47 billion (issuing 4.7 million shares at a Premium of Rs 717/shares). The company has deployed around Rs 1.2 billion as working capital requirement. For the balance sum of around Rs 2.27 billions no firm decision has yet been taken. Pending an investment decision, the balance money has been deployed, for the time being, in money market instruments.

Strategic Investment in JMC Projects (KPTL holds 49.9% of its Equity)...

KPTL holds 49.9% in JMC Projects (at a book value of Rs 65.5/share as on date). JMC is one of the leading civil contractors in the field of construction, commercial / residential buildings, software parks, Industrial structures / factories, infrastructure projects like roads, bridges, underpasses, metro stations etc. It employs over 900 people and has an order backlog of over RS 7.75 billions (as on YE'06).

Going forward, KPTL might increase its stake in JMC, making it a subsidiary company.

Key Concerns & Risks...

Inadequate experience in Infrastructure division...

KPTL, a new player in the Infrastructure business might face significant competition and thus might not achieve the revenue growth (as projected by us). The company, to execute pipeline contracts, has entered into a consortium agreement/co-operation with a Russian company. Again, discontinuance of this co-operation might hamper KPTL's capacity to execute pipeline projects.

Variable price risk for input materials...

For KPTL a significant portion of operating expenditure comprises of steel and zinc cost (with a combined weight of 31% in FY06 operating cost). However, with most of its revenues coming from the domestic market (domestic EPC contracts contain "Price variable" clause), the risk for Kalpataru is largely limited to foreign projects (which has a 30% revenue share), that do not provide a "price variable" clause.

Company Profile...

Located at Gandhinagar Gujarat, in Western India, Kalpataru Power Transmission Ltd is one of the leading companies in the field of turnkey projects for EHV Transmission Lines up to and including 800 KV in India and Overseas. The Company also derives revenues from its Infrastructure division (mainly Pipeline). The company, through its majority stake in JMC Projects, plans to enter the building & Infrastructure space.

Financials

Exhibit 45 : Income Statement

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Net Sales	**5418**	**8404**	**14886**	**19338**	**23142**
% Ch YoY	57.2%	55.1%	77.1%	29.9%	19.7%
Total Income	**5432**	**8453**	**14922**	**19374**	**23177**
% Ch YoY	57.2%	55.6%	76.5%	29.8%	19.6%
Cost of Materials(Total)	2474	4570	8102	10462	12516
% Ch YoY	37.7%	84.7%	77.3%	29.1%	19.6%
Manufacturing expenses	1347	1620	2962	3829	4628
% Ch YoY	58.2%	20.3%	82.9%	29.3%	20.9%
Personnel Expenses	236	389	700	851	995
% Ch YoY	66.2%	64.6%	79.9%	21.6%	16.9%
SG&A	285	517	1020	1305	1504
% Ch YoY	80.2%	81.1%	97.3%	28.0%	15.2%
Total Operating expenditure	4790	7112	12539	16259	19491
% Ch YoY	54.1%	48.5%	76.3%	29.7%	19.9%
EBITDA	**629**	**1292**	**2347**	**3080**	**3651**
% Ch YoY	85.5%	105.5%	81.8%	31.2%	18.5%
Margin(%)	**11.6%**	**15.4%**	**15.8%**	**15.9%**	**15.8%**
Interest	157	310	312	407	491
% Ch YoY	30.3%	98.2%	0.6%	30.4%	20.6%
% of NS	2.9%	3.7%	2.1%	2.1%	2.1%
Depreciation	55	88	141	179	200
% Ch YoY	21.6%	59.8%	60.7%	26.5%	11.9%
% of NS	1.0%	1.0%	0.9%	0.9%	0.9%
PBT	**430**	**942**	**1928**	**2529**	**2995**
% Ch YoY	138.0%	118.8%	104.7%	31.2%	18.4%
Taxation-	147	279	569	746	884
% Ch YoY	249.6%	89.0%	104.2%	31.2%	18.4%
Current	139	266	530	708	854
Deferred	8	3	39	38	30
avg tax rate(%)	32.3%	28.2%	27.5%	28.0%	28.5%
current tax rate(%)	34.2%	29.6%	29.5%	29.5%	29.5%
Net Profit(Reported)	**283**	**663**	**1360**	**1783**	**2112**
% Ch YoY	104.1%	134.4%	105.0%	31.2%	18.4%
PAT(%)	**5.2%**	**7.8%**	**9.1%**	**9.2%**	**9.1%**

Exhibit 46 : Balance Sheet

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Equity Share Capital	108.6	108.6	265.0	265.0	265.0
Reserves & Surplus	1029	1571	6096	7728	9688
Net worth	**1138**	**1679**	**6361**	**7993**	**9953**
% Ch YoY	24.5%	47.6%	278.8%	25.7%	24.5%
Secured Loans	1005	2328	1992	2292	2617
Unsecured Loans	100	0	0	0	0
Total Debt	**1119**	**1609**	**1570**	**1806**	**1922**
DTL(Net)	55	58	97	134	164
Total	**2298**	**4065**	**8449**	**10419**	**12735**
Gross block	977	1594	2477	2627	2777
Less: Depreciation	271	354	495	673	873
Net block	706	1240	1983	1954	1904
Total Fixed Assets	**708**	**1524**	**1983**	**1954**	**1904**
Investments	100	294	526	526	526
Current Assets, Loans & Adv					
Inventories	1728	2199	2444	2633	2785
Sundry Debtors	1282	2973	5723	7431	8890
Cash& Bank Balance	64	166	3220	4488	6029
Loans & Advances	360	670	670	670	670
Less:					
Current Liabs	1947	3763	6117	7282	8069
Net Current Assets	**1487**	**2246**	**5940**	**7939**	**10305**
Misc exp	1.5	1.0	0.0	0.0	0.0
Total	**2297**	**4065**	**8449**	**10419**	**12735**

Source : HDFC Sec. Research Estimates

Exhibit 47 : Cash Flow Statement

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
PBT	430	942	1928	2529	2995
Depreciation	55	88	141	179	200
Interest Paid	114	161	312	407	491
Direct Taxes Paid	-139	-275	-530	-708	-854
Change in WC	-44	-679	-641	-730	-825
Misc. items	-2	-8	0	0	0
CF from Operations	**414**	**228**	**1210**	**1676**	**2008**
Capex incurred(Net)	-169	-904	-600	-150	-150
Purchase/Sale on Investment	-100	-193	-232	0	0
Interest & dividend received	6	10	0	0	0
CF from investments	**-307**	**-1111**	**-832**	**-150**	**-150**
Proceeds from issue of Share capital	0	0	3473	0	0
Redemption of Preferende equity	0	0	0	0	0
Incr/(Decr) in Debt(Net)	-27	1223	-336	300	325
Interest Paid	-114	-160	-312	-407	-491
Divd Paid	-37	-62	-151	-151	-151
CF from Fin. Activity	**-178**	**1001**	**2674**	**-258**	**-317**
Net Change In Cash & Cash Equivalents	**-71**	**118**	**3052**	**1268**	**1541**
Add: Beginning Balance	100	30	166	3219	4487
Closing Balance	30	148	3219	4487	6028

Source : HDFC Sec. Research Estimates

Exhibit 48 : Ratio Analysis

(Rs mn)	FY'05	FY'06	FY'07E	FY'08E	FY'09E
Profitability Ratios (%)					
EBITDA	11.6%	15.4%	15.8%	15.9%	15.8%
Net profit	5.2%	7.8%	9.1%	9.2%	9.1%
RoCE	29.3%	41.3%	38.0%	33.0%	31.9%
RoNW	27.6%	47.1%	33.8%	24.8%	23.5%
Dividend Payout	19.2%	8.2%	9.7%	7.4%	6.3%
Dividend yield	0.5%	0.5%	0.5%	0.5%	0.5%
Growth Ratios (%)					
Net sales	57.2%	55.6%	76.5%	29.8%	19.6%
EBITDA	85.5%	105.5%	81.8%	31.2%	18.5%
PBT	138.0%	118.8%	104.7%	31.2%	18.4%
PAT	104.1%	134.4%	105.0%	31.2%	18.4%
Valuation Ratios (X)					
PE	88.5	37.8	18.4	14.0	11.9
CPE	30.4	13.7	16.7	12.8	10.8
Price/BV	9.1	6.1	3.9	3.1	2.5
EV/EBITDA	18.0	9.6	10.1	7.4	5.9
EV/Sales	2.1	1.5	1.6	1.2	0.9
EV/Mcap	1.1	1.2	1.0	0.9	0.9
D/E(Total)	1.0	1.4	0.3	0.3	0.3
D/E(Long term)	0.3	0.6	0.2	0.1	0.1
Per share data (Rs)					
Earnings	10.7	25.0	51.3	67.3	79.7
Cash Earnings	31.1	69.2	56.6	74.0	87.2
Book-Value	104.1	154.0	239.8	301.4	375.4
Dividend	5.0	5.0	5.0	5.0	5.0
Cash	5.9	15.3	121.5	169.4	227.5
Free Cash Flow	10.4	-21.0	21.7	56.3	68.8
Turnover Ratios-					
Fixed Assets	5.5	5.3	6.0	7.4	8.3
Inventory	4.4	6.1	9.1	10.6	11.7
Receivable	4.2	2.8	2.6	2.6	2.6
Payable	2.3	1.9	2.1	2.3	2.4
Working Capital	3.6	3.7	2.5	2.4	2.2
Inventory(days)	83	60	40	34	31
Debtors(days)	86	129	140	140	140
Creditors(days)	161	189	175	162	150

Source : HDFC Sec. Research Estimates

INSTITUTIONAL SALES / DEALING	Tel No.: (022) 2490 4860	Fax: (022) 2490 4899	Contact Nos.
Sanju Verma	Head of Institutional Equities	sanju.verma@hdfcsec.com	91-22-6661 1859
Deepak Sakpal	Sales	deepak.sakpal@hdfcsec.com	91-22-2490 4865
Kartik Broker	Sales	kartik.broker@hdfcsec.com	91-22-2490 4865
Brijesh Sanghrajka	Sales Trading / Dealing		91-22-2490 1800
Saurabh Sarang	Sales Trading / Dealing		91-22-2490 1800
Dinesh Mukadam	Sales Trading / Dealing		91-22-2490 1800
EQUITY RESEARCH	**Tel No. (022) 6661 1700**	**Fax: (022) 2496 5066**	**Contact Nos.**
Ranjit Kapadia	Analyst	ranjit.kapadia@hdfcsec.com	91-22-6661 1758
Ambrish Mishra	Analyst	ambrish.mishra@hdfcsec.com	91-22-6661 1757
Mukesh Agarwal	Analyst	mukesh.agarwal@hdfcsec.com	91-22-6661 1753
Gauri Vaideeswaran	Analyst	gauri.vaideeswaran@hdfcsec.com	91-22-6661 1714
Amit Mahawar	Analyst	amit.mahawar@hdfcsec.com	91-22-6661 1820
Surjit Singh Arora	Analyst	surjit.arora@hdfcsec.com	91-22-6661 1791
Jonas Bhutta	Analyst	jonas.bhutta@hdfcsec.com	91-22-6661 1731
PRODUCTION & DATABASE	**Tel No.: (022) 6661 1700**	**Fax: (022) 2496 5066**	**Contact Nos.**
Vinod Menon	Editor	vinod.menon@hdfcsec.com	91-22-6661 1768
Mahendra Karande		hdfcsec-research@hdfcsec.com	91-22-6661 1843
Geetanjali Ovalekar		geetanjali.ovalekar@hdfcsec.com	91-22-6661 1731

RATING SYSTEM

BUY = Expected to outperform the BSE Sensex by 15% or more over a 12 months' time frame.

MO = Market Outperformer - Expected to outperform the BSE Sensex by 10% or more over a 12 months' time frame.

MP = Market Performer - Expected to be a neutral performer relative to the BSE Sensex over a 12 months' time frame.

MU = Market Underperformer - Expected to underperform the BSE Sensex by 10% or more over a 12 months' time frame.

SELL = Expected to underperform the BSE Sensex by 15% or more over a 12 months' time frame