# Sobha Developers

**Buy**

**CMP: Rs944**

**Target Price: Rs1,116 (12 Months)**

**Shailesh Kanani**

Tel: 022 - 4040 3800 Ext: 321

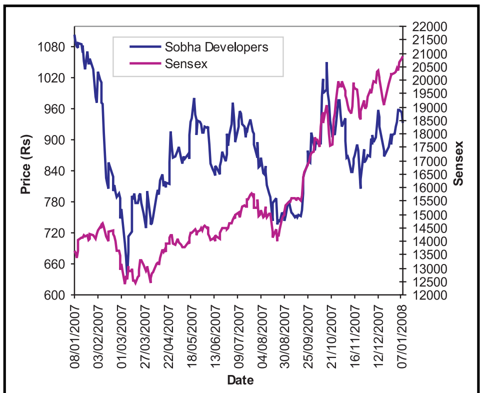
E-mail:shailesh.kanani@angeltrade.com

**Stock Info**

| | |
|---|---|
| Sector | Real Estate |
| Market Cap (Rs cr) | 6,882 |
| Beta | 0.97 |
| 52 Week High / Low | 1126/620 |
| Avg Daily Volume | 108060 |
| Face Value (Rs) | 10 |
| BSE Sensex | 20,870 |
| Nifty | 6,272 |
| BSE Code | 532784 |
| NSE Code | SOBHA |
| Reuters Code | SOBH.BO |
| Bloomberg Code | SOBHA IN |

**Shareholding Pattern (%)**

| | |
|---|---|
| Promoters | 87.0 |
| MF / Banks / Indian FIs | 2.5 |
| FII / NRIs / OCBs | 7.5 |
| Indian Public / Others | 3.0 |




## 'Riding on Quality Edifice'

*Sobha Developers (SDL) with its strong execution capabilities is all set to ride the current boom in the Real Estate market. SDL's backward integrated business model ensures quality controls and timely execution of projects. We estimate SDL to clock a CAGR growth of 42% and 47% over FY2007-2010E in Top-line and Bottom-line, respectively. Based on SOTP valuation method, we have arrived at an NAV of Rs1,010/share for the Real Estate business, and at 12x FY2010E Earnings, we value its Contractual business at Rs106/share, giving a potential upside of 18%.* ***We Initiate Coverage on the stock, with a Buy recommendation and Target Price of Rs1,116.***

- **Substantial Prime location Land reserves:** Land at prime locations, SDL's track record of timely execution and high quality construction work would help it command a premium over the prevailing prices. We believe SDL's prime location land bank in Bangalore (41% of total 4,012acres) would fetch better realisations.
- **Backward Integrated model ensures quality work and timely execution:** SDL has a unique business model wherein it deals in interiors, glazing, concrete and lifestyle products. SDL ensures that its products and services meet the required quality standards and are developed in a timely manner. This is important at a time when India is witnessing a boom in the construction sector, and all the major sub-contractors are having a huge order backlog.
- **Preferred contactor for Infosys:** Over the last few years SDL has been the preferred property developer for Infosys. We believe SDL's relationship with Infosys provides greater visibility to its Contractual business.
- **De-risking business model through new Markets/ Products:** SDL is offering new products like villas, row houses, developed plots, etc., diversifying from the traditional residential apartments. SDL is also entering new geographies over the next 6-12months. We believe this will help SDL de-risk its business model from a slowdown, if any, witnessed in South India.

**Key Financials (consolidated)**

| Y/E March (Rs. cr) | FY2007 | FY2008E | FY2009E | FY2010E |
|---|---|---|---|---|
| **Net Sales** | **1,186.4** | **1,808.1** | **2,498.8** | **3,403.3** |
| *% chg* | *89.8* | *52.4* | *38.2* | *36.2* |
| **Net Profit** | **161.5** | **235.2** | **348.9** | **512.1** |
| **% chg** | **82.5** | **45.6** | **48.4** | **46.8** |
| **FDEPS (Rs)** | **22.2** | **32.3** | **47.9** | **70.2** |
| EBITDA Margin (%) | 21.6 | 23.2 | 26.5 | 27.0 |
| P/E (x) | 42.6 | 29.3 | 19.7 | 13.4 |
| P/CEPS (x) | 37.0 | 25.5 | 17.6 | 12.4 |
| RoE (%) | 19.8 | 23.6 | 27.1 | 29.4 |
| RoCE (%) | 16.6 | 21.8 | 29.1 | 32.7 |
| P/BV (x) | 8.4 | 6.9 | 5.3 | 3.9 |
| EV/Sales (x) | 6.2 | 4.2 | 3.0 | 2.2 |
| EV/EBITDA (x) | 28.8 | 17.9 | 11.4 | 8.1 |

*Source: Company, Angel Research*

*SDL has a unique business model as it is fully backward integrated and manufactures concrete products, which enables it to provide turnkey solutions to its contractual clients*

## Company Background

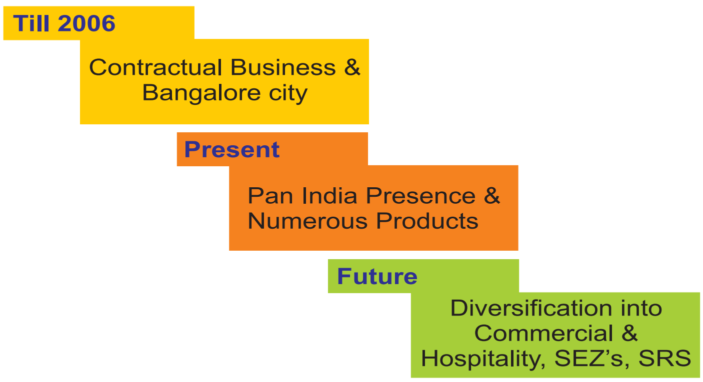
In 1995, P N C Menon, founder of Sobha Developers, forayed into Real Estate, with a vision to transform people's perception about the quality of Real Estate in the country. Menon always believed that quality would be the key differentiator between his proposed venture and other construction companies. Over the intervening years this vision continues to be the bedrock of all SDL endeavours. The company has a unique business model as it is fully backward integrated and manufactures concrete products, wood works, life style products (mattresses) and metal glazing, which enables it to provide turnkey solutions to its contractual clients. SDL's residential projects include premium apartments, villas and row houses, with amenities like club houses, shopping centres and swimming pools as a value addition to the 'Sobha lifestyle' that it offers its clients.

Today, SDL is one of the largest companies in the Real Estate sector having completed around 19mn sq. ft. of construction since inception. Sobha has developed and constructed 32 residential projects of 5.88mn sq. ft., 1 plotted development of 1.16mn sq. ft., 4 commercial projects of 0.11mn sq. ft. and 5 factory projects of 0.58mn sq. ft. It has also constructed 104 contractual projects covering 11.07mn sq. ft., with a billing value of Rs1,500cr. SDL currently has a large land bank of around 4,012 acres, with a developable area of over 175mn sq. ft.across segments. SDL's clientele include stalwarts like Infosys Technologies, Hewlett Packard, Dell, the Taj Group, Mico and Timken, among others.

Traditionally, the Residential Segment has been the main revenue driver for players in the Real Estate business. However, going ahead SDL plans to diversify its Real Estate portfolio by foraying into the Retail and Commercial segments. Also on the anvil are the company's plans to enter the Slum Rehabilitation Scheme (SRS) and SEZ segments.

*Going ahead, SDL plans to diversify its Real Estate portfolio by foraying into the Retail and Commercial segments*

**Exhibit 1: Business Overview**




*Source: Company, Angel Research*

*Of late, India's Real Estate sector has exhibited a trend towards being better organised and having higher levels of transparency coupled with various Regulatory reforms*

## Industry Overview

In recent years, India has been clocking rapid economic growth. Historically, the Real Estate sector in India has been unorganised and characterised by factors that have impeded organised dealing such as the absence of a centralised title registry providing title guarantee, lack of uniform local laws and their application, non-availability of bank financing, high interest rates and transfer taxes and lack of transparency in transaction values. Of late, however, India's Real Estate sector has exhibited a trend towards being better organised and having higher levels of transparency coupled with various Regulatory reforms. Some of the reforms include:

- The government support for repealing the Urban Land Ceiling Act, with ten states already repealing the Act with Maharashtra being one of the latest states to do so.
- Modifications in the Rent Control Act to provide greater protection to home-owners wishing to rent out their properties.

***The Regulatory changes permitting foreign investments are expected to further increase investments in the Indian Real Estate sector***

- Rationalisation of Property Tax in many states.
- Proposed computerisation of land records.

Such changes have contributed to the development of reliable indicators of value and organised investment in the Real Estate sector by both the domestic and international financial institutions apart from resulting in greater availability of financing for the Real Estate developers as well. The Regulatory changes permitting foreign investments are expected to further increase investments in the Indian Real Estate sector. The nature of demand is also changing, with heightened consumer expectations that are influenced by higher disposable incomes, increased globalisation and introduction of new Real Estate products and services.

The Real Estate industry is broadly classified into:

- Residential Real Estate segment
- Commercial Real Estate segment
- Retail Real Estate segment

**Residential Real Estate segment**

***The XIth Five Year Plan estimates the housing shortage at approximately 22.7million housing units in fiscal 2007***

Demand for housing in India today exceeds supply due to various factors including a growing population, increasing urbanisation, affluence and disposable income as a result of growth in employment opportunities and work force, and a general trend away from India's traditional joint or extended family residences to nuclear/individual family residences. Currently in India, it is easier for home purchasers to obtain financing amidst favourable tax incentives, which has also increased the demand for housing. According to the National Housing Bank (NHB), in 2003 there was a housing shortage of 19.4 million units. Cris Infac estimated the shortage of housing units in fiscal 2004 at 19.7 million units. The XIth Five Year Plan estimates the housing shortage at approximately 22.7million housing units in fiscal 2007. Going ahead, housing shortage is expected to continue despite approximately 4.7million new housing units getting added to India's housing supply in fiscal 2005, and new housing units expected to increase to 5.3 million annually by fiscal 2010 (*Source: Cris Infac Construction Annual Review – February, 2006*).

**Commercial Real Estate segment**

***Recent growth of the commercial real estate sector in India has been largely fuelled by the increased revenue of companies in the services business***

Recent growth of the commercial real estate sector in India has been largely fuelled by the increased revenue of companies in the services business, particularly in the IT and ITES sectors. Industry sources expect the IT and ITES sectors to continue to grow and generate additional employment, which we expect will result in increased demand for commercial property.

**The Indian Retail market has the largest growth potential of the worldwide Retail markets**

**Retail Real Estate segment**

Real Estate development in the Retail segment is a relatively new phenomenon in India. The Indian Retail market has the largest growth potential of the worldwide Retail markets (*Source: A T Kearney's 2005 Global Retail Development Index*). Some of the factors that contributed to the emergence and growth of the organised Retail segment in India included:

- Increase in per capita income and household consumption
- Changing demographics and improved standard of living
- Changing consumption patterns and access to low-cost consumer credit
- Infrastructure improvements and increased availability of retail space

Historically, the Indian Retail sector has been dominated by small independent local retailers such as traditional neighbourhood grocery stores. However, in the 1990s, organised Retail outlets gained increased acceptance due to the changing demographics such as an increase in the number of working women, changes in the perception of branded products, entry of international retailers into the market and growing number of Retail malls.

**Under SRS, the Real Estate developers are authorised to rehabilitate land areas owned by the government on consent of 70% of the eligible slum dwellers**

### Slum Rehabilitation Scheme

SRS commenced in 1995 with the target to re-develop and rehabilitate the slum dwellers in Mumbai. The rehabilitation flats are built free of cost for the slum dwellers by cross-subsidisation provided by the free-sale flats. The developers are allowed to construct sale flats on slum land in exchange for the construction of flats for the slum dwellers. Under SRS, the developers are authorised to rehabilitate land areas owned by the government on consent of 70% of the eligible slum dwellers. Initially, the slum dwellers are provided temporary accommodation by the developer post which then proceeds to construct a building on the slum land comprising residential units of 225 sq. ft. each to house the eligible slum dwellers. Housing slum dwellers in the newly constructed multi-storey apartment towers frees a significant amount of land area within the slum for other development. On the cleared slum land, the developer may then construct commercial, residential or retail buildings subject to approvals of the site plan. In the event of further construction not being possible due to insufficient space on the re-developed slum land or any applicable planning restrictions, the developer is issued transferable development rights ("TDR") by the Government of Maharashtra (GoM) for the balance of the undeveloped building area, and the developer may develop certain areas in Mumbai or may sell to a third party. The main advantage of SRS is that the developers are not required to pay any substantial, one-off land purchase costs at the beginning of a project to acquire the use of such land.

## Investment Argument

**We believe that premium land location, SDL's track record of timely execution and high quality construction work would help it command a premium over the prevailing market prices**

### Substantial and Prime location Land reserves

SDL is one of the leading South-based Real Estate players, with a major presence in Bangalore. SDL has a total land bank of around 4,012 acres, which supports the development of a minimum of around 175mn sq. ft. on a conservative basis of only 1FSI . We believe around 41% of SDL's total land bank, which constitutes prime locations in Bangalore, would fetch better realisations on account of being prime locations. We believe that this premium land location, SDL's track record of timely execution and high quality construction work would help it command a premium over the prevailing market prices. SDL's primary focus is on the Southern cities of the country, Pune and NCR, which are currently the fastest growing centers. Additionally, majority of SDL's land is situated at the strategic locations in the different cities and created the land bank at extremely competitive rates **(Rs136/psf).**

**Exhibit 2: SDL's Land Reserves** (Rs cr)

| Location | Acres | Payable | Value Paid | Bal Payable |
|---|---|---|---|---|
| Bangalore | 1,643 | 1,373.6 | 667.6 | 706.0 |
| Mysore | 156 | 185.6 | 22.1 | 163.5 |
| Cochin | 504 | 251.1 | 251.1 | - |
| Trichur | 15 | 4.3 | 4.3 | - |
| Chennai | 540 | 105.2 | 104.8 | 0.4 |
| Hosur | 719 | 142.5 | 142.5 | - |
| Coimbatore | 12 | 0.3 | 0.3 | - |
| Hyderabad | 78 | 11.6 | - | 11.6 |
| Pune | 153 | 117.1 | 100.4 | 16.7 |
| Gurgaon | 192 | 178.0 | 136.5 | 41.5 |
| **Total** | **4,012** | **2,369** | **1,429** | **940** |

*Source: Company*

*Majority of the land purchased by SDL in Eastern and Northern parts of Bangalore are the fastest growing areas of the city*

Total acquisition cost incurred by SDL for its land bank is to the tune of Rs2,369.2cr, of which Rs939.7cr remains unpaid, which it expects to settle over the next two years. Further, 82% (3,286 acres) of the total land bank of 4,012 acres is currently registered in the company's/nominees' name or is under the company's possession.

**Exhibit 3: Land Bank at Strategic locations**

| | |
|---|---|
| **Bangalore** | Majority of the land purchased in Eastern and Northern parts of Bangalore – the fastest growing areas of the city |
| **Pune** | Land Bank has been acquired on Hinjewadi and NIBM, Kondwa belt, the fastest growing locations in the centre of the city |
| **Cochin** | Land procured adjacent to National Highway near Le-Meridian Hotel in the centre of the city |
| **Chennai** | Land procured in Sriperambudur and Tambaram Region – the emerging destinations |
| **Hosur** | Land situated near Bangalore boarder – Just 25km away from Bangalore Electronics City |
| **Gurgaon** | Land situated at 0 km away from Delhi boarder and 7km away from the new Delhi International Airport |
| **Hyderabad** | Land has been allotted on Express way earmarked as business district by Government of AP - in between the New International Airport and Hitech city |

*Source: Company*

*SDL ensures that the products and services required for project construction and development meet the required quality standards and are developed in a timely manner by eliminating dependence on the external sub-contractors*

## Backward Integrated model ensures timely execution and quality work

SDL has a unique business model as it is fully backward integrated and manufactures concrete products, wood works, life style products (mattresses) and metal glazing, which enables it to provide turnkey solutions to its contractual clients. SDL ensures that the products and services required for project construction and development meet the required quality standards and are developed in a timely manner by eliminating dependence on the external sub-contractors. We believe this is important especially at a time when India is experiencing a construction boom and all the major sub-contractors are having a huge order backlog.

**Key constituents of backward integration**

- *Interiors:* SDL Interiors is primarily engaged in the manufacture of wood or wood-based products such as doors and windows of various descriptions, wooden floorings, ceilings, paneling, pillars and staircases, custom built furniture for commercial use and residential furniture of all types. Sobha Interiors' facilities is spread over an area of 0.78mn sq. ft. factory in Bangalore, built at an investment of Rs59.5cr, employing a total of 86 employees and 1,256 workmen. This facility involves the use of semi-automated operations to provide specialized and flexible finished products. Sobha's Interiors clocked a turnover of Rs38.9cr (including inter-division sales) in 1HFY2008. Sobha Interiors is currently expanding its existing facility multifold to include a Furniture Manufacturing Division, and is exploring the possibility of introducing new product lines including modular workstations, chairs, office furniture, a mattress manufacturing facility and residential furniture for commercial sale.

- *Glazing and Metal Works:* SDL Glazing & Metal Works is primarily engaged in metal fabrication, production of aluminum windows and doors and structural and architectural glazing. The Division also has a tie up with SCHUCO International AG., a world leader in the manufacture, development and distribution of aluminum systems. This facility was built at an investment (fixed assets) of Rs11.5cr and employs 83 personnel and 1,134 workmen. This Division had a turnover of Rs383cr (including inter-division sales) in 1HFY2008.

- *Sobha Concrete Products:* SDL Concrete Products manufactures a wide range of products such as concrete blocks, pavers, kerbstones, water drainage channels and barrier products. This facility is spread across 8 acres, built at a cost of Rs35cr, comprises a completely automated [Masa GMBH] super block machine imported from Germany, with a production capacity of 10mn blocks and 0.3mn kerbstones/ paving slabs per annum. It employs 30 key personnel and 82 workers.

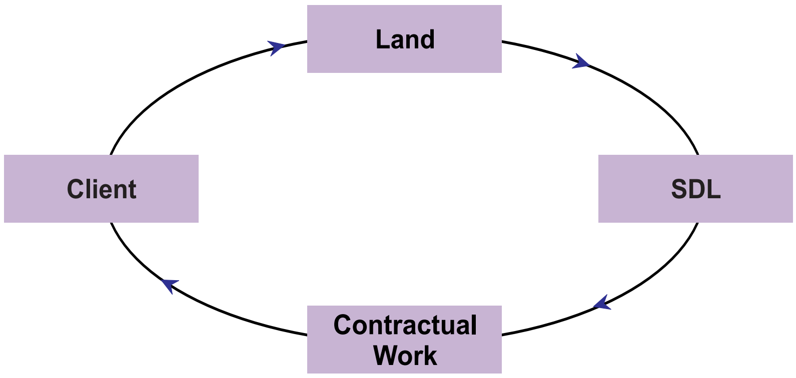
- *Lifestyle Products:* Lifestyle Products is a recent addition to SDL's backward integration strategy. This Division manufactures mattresses for bulk consumers such as Infosys and Taj Hotels. This facility set up on 0.04mn sq. ft., land was built at an investment of Rs17cr and has plant and machinery imported from the US, with fabric sourced from Belgium. It has a capacity of 200 mattresses per shift and is targeting an annual turnover of Rs10cr for FY2008.

***We believe SDL's relationship with Infosys provides greater visibility to its contractual business***

## Preferred contactor for Infosys

Over the last few years, SDL has been the preferred property developer for Infosys having developed more than 11 million sq.ft for it at a billing of more than Rs1,500cr for the latter. Though the Margins in this segment are low compared to SDL's Real Estate business, we believe SDL's relationship with Infosys provides greater visibility to its contractual business. SDL earns profits from its construction activity and there is a pre-agreed deadline for execution. Contractual work is carried out on land acquired by clients hence there is no major cash outflow for SDL. We expect the share of contractual business would come to 23% from current 35% levels by FY2010 as company is more concentrating on real estate business. SDL's OPMs are in the range of 17% while NPM ranges at 10% levels.

**Exhibit 4: Contractual Business Model**




*Source: Angel Research*

***SDL is diversifying from the traditional residential apartments by offering new products like villas, row houses, developed plots, retail, hotel and commercial offices***

## De-risking business model through foray into new Markets/Products

SDL is diversifying from the traditional residential apartments by offering new products like villas, row houses, developed plots, retail, hotel and commercial offices. SDL is also entering new geographies with plans to launch its new projects in more than six cities including Pune, Mysore and Chennai over the next 6-12months. We believe this will help SDL de-risk its business model from any slowdown, if any, witnessed in any particular part of the country.

## GDP Growth and Structural shift to organised sector

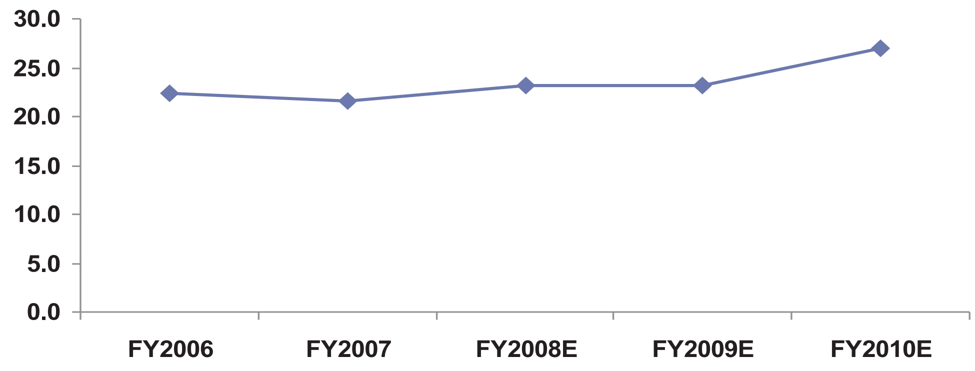
Traditionally, the Real Estate sector has been dominated by the small local players, who have provided modest housing options in unplanned city zones. This set up limited the aspirations and needs of the middle - to - upper income groups (with greater affordability) from being fulfilled. As a result, a structural shift in demand has occurred towards the bigger property players (ie., the organised sector), who are developing mixed-use townships with superior amenities (entertainment, safety and comfort). We believe this is just the beginning of a longer term trend (as seen in suburban Delhi, ie., Gurgaon and Noida, and is taking shape in cities such as Bangalore, Chennai, Hyderabad, Kolkata), which should benefit quality developers like Sobha.

## Financial Performance

***We expect SDL's OPMs to increase on the back of higher realisations and comparatively lower-margin contractual business' share in total Revenues likely to decline going ahead***

Over FY2007-10E, we expect SDL to post a CAGR growth of 42.1% in revenue on the back of strong growth in the Real Estate Market (expected to grow a CAGR of 33% from US $12bn in FY2005 to US $50bn in FY2010) supported by robust economic growth, rising income levels, rising nuclear family concept and cheaper mortgage rates, which have led to increase in affordability. On the operating front, we expect SDL's OPMs to increase on the back of higher realisations and comparatively lower-margin contractual business' share in total Revenues likely to decline going ahead. We estimate OPMs to increase from the current 21.6% to 27% in FY2010.

**Exhibit 5: EBIDTA Margin Trend**




*Source: Company, Angel Research*

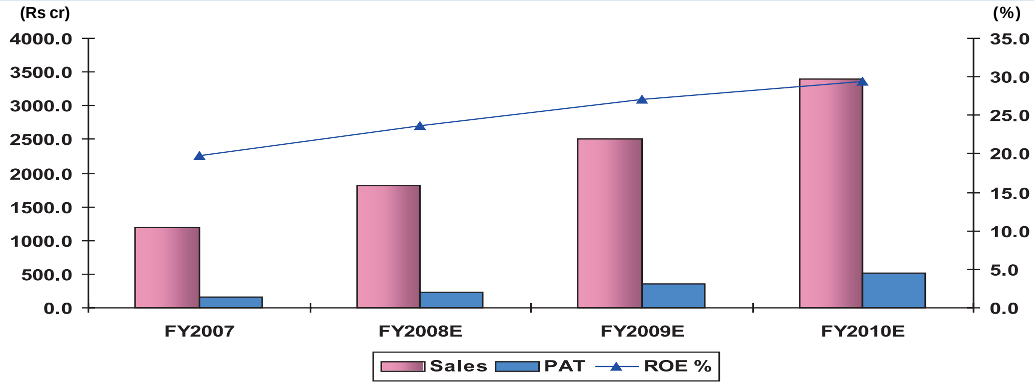
***We estimate SDL to report a CAGR growth of 46.9% in Bottomline over FY2007-10E boosted by a buoyant Topline and Margin expansion***

On the Earnings front, we estimate SDL to report a CAGR growth of 46.9% in Bottomline over FY2007-10E boosted by a buoyant Topline and Margin expansion. Moreover, SDL has already entered new geographies and introduced new products. We expect benefits of the same to start accruing over the next two to three years. Our Earnings estimates are based on the following assumptions:

**Key Assumptions**

- We have assumed that the number of sq. ft. the company would be developing and selling over the period of the next 12 years to exhaust the total land bank.
- We have taken COE of 14% to discount future cash flows.
- We have assumed 5% increase in the Selling Price per sq.ft every year and 5% rise in the construction costs.

**Exhibit 6: Financial Performance**




*Source: Company, Angel Research*

**Key Concerns**

**Interest Rates:** Housing Sector credit over FY2001-FY2006 has grown from Rs19,058cr to Rs86,734cr, which has helped fuel the Real Estate sector boom in the country. However, having witnessed unprecedented growth in credit (including housing), effects of this excess money supply was reflected in higher inflation in the country, which a few months back was over 6.5%. Since a rising inflationary trend is discomforting for any government considering the excesses it brings along with it, the Indian government too intervened and raised the interest rates over the last few quarters. Consequently, credit growth in the country slowed down from over 30% to a more manageable 22-23%. However, a slowdown in credit disbursals would adversely impact the Real Estate sector, as buyers tend to shy away from buying properties owing to the additional interest burden, which will imminently hit performance of the construction companies, more so of those who have a larger presence in the housing space. However, post the three consecutive Fed rate cuts we are expecting the RBI to take cues from the same. We are seeing the interest rates are hovering near their peak, and any cut would provide a substantial boost for the sector.

**Too much dependence on Bangalore**: SDL's total land bank of 4,012acres (41% of total land bank) is highly skewed in favour of Bangalore. This is a big concentration in one city. Hence, any sharp correction in the Real Estate prices in the city could pose risks to our Earnings forecasts particularly with the property prices having already appreciated sharply over the last two years.

**Infosys contributes 88% of Contractual revenue:** A large portion (nearly 88%) of SDL's Contractual revenue comes from Infosys. Hence, any slowdown in IT could lead to a decline in capex by IT companies especially Infosys, which is SDL's main client (contributes 88% of its Contractual business). In such a scenario, SDL could witness a slowdown in its Contractual business.

**Valuation**

We valued SDL's Real Estate business on NAV basis and have arrived at the NAV using the DCF methodology. NAV captures the value of the company's entire land bank. This is assuming it would be fully developed and sold, ie., the present cash value that can be generated from the underlying assets (land). In effect, it captures the longer term Earnings potential of the company since its land bank will take several years to be drawn down. We believe this valuation method is appropriate if the company's land bank is significantly larger than the near-term development plans. We believe the company's near-term Earnings performance would understate its longer term potential. We have used the SOTP methodology to value SDL. On NAV basis, we have arrived at Rs1,010/share for SDL's Real Estate business and at 12x FY2010E Earnings, we have valued its Contractual business at Rs106/share, which gives a potential upside of 18%. **We Initiate Coverage on the stock, with a Buy recommendation and Target Price of Rs1,116.**

## Profit & Loss Statement

Rs crore

| Y/E March | 2007 | 2008E | 2009E | 2010E |
|---|---|---|---|---|
| **Net Sales** | **1,186** | **1,808** | **2,499** | **3,403** |
| *% chg* | *89.8* | *52.4* | *38.2* | *36.2* |
| Total Expenditure | 930 | 1,388 | 1,836 | 2,485 |
| **EBIDTA** | **256.7** | **420.0** | **662.4** | **918.7** |
| *(% of Net Sales)* | *21.6* | *23.2* | *26.5* | *27.0* |
| Other Income | 2.9 | 4.0 | 5.0 | 6.0 |
| Depreciation& Amortisation | 24.4 | 34.4 | 42.1 | 44.7 |
| Interest | 48.6 | 88.1 | 104.6 | 115.7 |
| **PBT** | **186.6** | **301.5** | **520.8** | **764.3** |
| *(% of Net Sales)* | *15.7* | *16.7* | *20.8* | *22.5* |
| Extraordinary Expense/(Inc.) | - | - | - | - |
| Tax | 25.1 | 66.3 | 171.9 | 252.2 |
| *(% of PBT)* | *13.5* | *22.0* | *33.0* | *33.0* |
| **PAT** | **161.5** | **235.2** | **348.9** | **512.1** |
| *% chg* | *82.5* | *45.6* | *48.4* | *46.8* |
| *(% of Net Sales)* | *13.6* | *13.0* | *14.0* | *15.0* |
| **ADJ. PAT** | **161.5** | **235.2** | **348.9** | **512.1** |
| *% chg* | *82.5* | *45.6* | *48.4* | *46.8* |
| *(% of Net Sales)* | *13.6* | *13.0* | *14.0* | *15.0* |

## Balance Sheet

Rs crore

| Y/E March | 2007 | 2008E | 2009E | 2010E |
|---|---|---|---|---|
| **SOURCES OF FUNDS** | | | | |
| Equity Share Capital | 72.9 | 72.9 | 72.9 | 72.9 |
| Reserves& Surplus | 742.6 | 923.7 | 1,216.4 | 1,670.3 |
| **Shareholders Funds** | **815.5** | **996.6** | **1,289.3** | **1,743.2** |
| Total Loans | 583.7 | 766.5 | 836.5 | 925.2 |
| Deffered Tax Liability | 2.2 | 2.2 | 2.2 | 2.2 |
| **Total Liabilities** | **1,401** | **1,765** | **2,128** | **2,671** |
| **APPLICATION OF FUNDS** | | | | |
| Gross Block | 233.4 | 344.1 | 467.3 | 559.3 |
| Less: Acc. Depreciation | 49.5 | 83.9 | 125.9 | 170.7 |
| **Net Block** | **183.9** | **260.2** | **341.3** | **388.6** |
| Capital Work-in-Progress | 10.9 | 20.0 | 35.0 | 52.0 |
| **Investments** | **52.8** | **73.9** | **88.7** | **110.8** |
| Current Assets | 1,785.7 | 2,213.5 | 2,601.7 | 3,201.4 |
| Current liabilities | 631.8 | 802.3 | 938.6 | 1,082.2 |
| **Net Current Assets** | **1,153.9** | **1,411.3** | **1,663.1** | **2,119.2** |
| Mis. Exp. not written off | - | - | - | - |
| **Total Assets** | **1,401** | **1,765** | **2,128** | **2,671** |

## Cash Flow Statement

Rs crore

| Y/E March | 2007 | 2008E | 2009E | 2010E |
|---|---|---|---|---|
| Profit before tax | 186.6 | 301.5 | 520.8 | 764.3 |
| Depreciation | 24.4 | 34.4 | 42.1 | 44.7 |
| Change in Working Capital | 723.8 | 201.3 | 196.0 | 305.7 |
| Direct taxes paid | 30.7 | 66.3 | 171.9 | 252.2 |
| **Cash Flow from Operations** | **(543.5)** | **68.2** | **194.9** | **251.2** |
| Inc./ (Dec.) in Fixed Assets | 117.0 | 119.8 | 138.2 | 109.0 |
| **Free Cash Flow** | **(660.5)** | **(51.6)** | **56.7** | **142.2** |
| Inc./ (Dec.) in Investments | 50.1 | 21.1 | 14.8 | 22.2 |
| Issue of Equity | 605.4 | - | - | - |
| Inc./(Dec.) in loans | 160.6 | 182.8 | 70.0 | 88.7 |
| Dividend Paid (Incl. Tax) | (43.7) | (54.1) | (56.2) | (58.3) |
| Others | (11.7) | - | - | - |
| **Cash Flow from Financing** | **683.9** | **107.6** | **(0.9)** | **8.3** |
| Inc./(Dec.) in Cash | 23.4 | 56.0 | 55.8 | 150.4 |
| **Opening Cash balances** | **45.0** | **68.4** | **124.4** | **180.2** |
| **Closing Cash balances** | **68.4** | **124.4** | **180.2** | **330.7** |

## Key Ratios

| Y/E March | 2007 | 2008E | 2009E | 2010E |
|---|---|---|---|---|
| **Per Share Data (Rs)** | | | | |
| EPS (fully diluted) | 22.2 | 32.3 | 47.9 | 70.2 |
| Cash EPS | 25.5 | 37.0 | 53.6 | 76.4 |
| DPS | 6.0 | 6.5 | 6.8 | 7.0 |
| Book Value | 111.9 | 136.7 | 176.9 | 239.1 |
| **Operating Ratio (%)** | | | | |
| Raw Material / Sales (%) | 7.5 | 8.1 | 8.4 | 9.1 |
| Inventory (days) | 116.2 | 118.7 | 112.9 | 116.3 |
| Debtors (days) | 48.5 | 45.4 | 41.3 | 37.8 |
| Debt / Equity (x) | 0.7 | 0.8 | 0.6 | 0.5 |
| **Returns (%)** | | | | |
| RoE | 19.8 | 23.6 | 27.1 | 29.4 |
| RoCE | 16.6 | 21.8 | 29.1 | 32.7 |
| Dividend Payout | 27.1 | 20.2 | 14.1 | 10.0 |
| **Valuation Ratio (x)** | | | | |
| P/E | 42.6 | 29.3 | 19.7 | 13.4 |
| P/E (Cash EPS) | 37.0 | 25.5 | 17.6 | 12.4 |
| P/BV | 8.4 | 6.9 | 5.3 | 3.9 |
| EV / Sales | 6.2 | 4.2 | 3.0 | 2.2 |
| EV / EBITDA | 28.8 | 17.9 | 11.4 | 8.1 |

| | | |
|---|---|---|
| Fund Management & Investment Advisory | (☎ 022 - 4040 3800 / 2835 9600) | |
| Ajay Jaiswal | Investment Strategist (Kolkata) | ajay.jaiswal@angeltrade.com |
| P. Phani Sekhar | Fund Manager | phani.sekhar@angeltrade.com |
| Prakarsh Gagdani | AVP - Investment Advisory | prakarsh@angeltrade.com |
| Research Team | (☎ 022 - 4040 3800 / 2835 9600) | |
| Hitesh Agrawal | Head - Research, Cement, Media | hitesh.agrawal@angeltrade.com |
| Sarabjit Kour Nangra | VP-Research, Pharmaceutical | sarabjit@angeltrade.com |
| Vaishali Jajoo | Automobile | vaishali.jajoo@angeltrade.com |
| Harit Shah | IT, Telecom | harit.shah@angeltrade.com |
| Rohit Nagraj | Oil & Gas | rohit.nagraj@angeltrade.com |
| Pawan Burde | Metals & Mining | pawan.burde@angeltrade.com |
| Vaibhav Agrawal | Banking | vaibhav.agrawal@angeltrade.com |
| Girish Solanki | Mid-cap | girish.solanki@angeltrade.com |
| Shailesh Kanani | Infrastructure & Real Estate | shailesh.kanani@angeltrade.com |
| Anand Shah | FMCG | anand.shah@angeltrade.com |
| Sulabh Agrawal | Mid-cap | sulabh.agrawal@angeltrade.com |
| Puneet Bambha | PMS | puneet.bambha@angeltrade.com |
| Amit Bagaria | PMS | amit.bagaria@angeltrade.com |
| Akshat Vyas | Research Associate (Pharmaceutical) | akshat.vyas@angeltrade.com |
| Reena Walia | Research Associate (Mid-cap) | reena.walia@angeltrade.com |
| Neha Idnany | Research Associate - (PMS) | neha.idnany@angeltrade.com |
| Sandeep Wagle | Chief Technical Analyst | sandeep@angeltrade.com |
| Ajit Joshi | AVP Technical Advisory Services | ajit.joshi@angeltrade.com |
| Milan Sanghvi | Sr. Technical Advisor | milan.sanghvi@angeltrade.com |
| Nitin Kunte | Technical Advisor | nitin.kunte@angeltrade.com |
| Brijesh Ail | Technical Analyst | brijesh.ail@angeltrade.com |
| Vaishnavi Jagtap | Technical Analyst | vaishnavi.jagtap@angeltrade.com |
| Siddarth Bhamre | Fund Manager - Derivatives & Equities | siddarth.bhamre@angeltrade.com |
| Anisha Gupta | Analyst - (PMS) | anisha.gupta@angeltrade.com |
| Kalpesh Gohel | Associate (PMS) | kalpesh.gohel@angeltrade.com |
| Commodities Research Team | | |
| Amar Singh | Research Head (Commodities) | amar.singh@angeltrade.com |
| Samson P | Sr. Technical Analyst | samsonp@angeltrade.com |
| Anuj Gupta | Sr. Technical Analyst | anuj.gupta@angeltrade.com |
| Girish Patki | Sr. Technical Analyst | girish.patki@angeltrade.com |
| Commodities Research Team (Fundamentals) | | |
| Badruddin | Sr. Research Analyst (Agri) | badruddin@angeltrade.com |
| Harmit Virvadia | Sr. Research Analyst (Bullion) | harmit.virvadia@angeltrade.com |
| Bharathi Shetty | Research Editor | bharathi.shetty@angeltrade.com |
| Bharat Patil | Production | bharat.patil@angeltrade.com |

Research & Investment Advisory: Acme Plaza, 3rd Floor 'A' wing, M.V. Road, Opp Sangam Cinema, Andheri (E), Mumbai - 400 059



| Ratings (Returns) | Buy (> 15%) | Accumulate (5 to 15%) | Neutral (5 to -5%) | Reduce (> -5%) | Sell (> -15%) |
|---|---|---|---|---|---|

| | | | |
|---|---|---|---|
| Corporate & Marketing Office | : | 612, Acme Plaza, M.V. Road, Opp Sangam Cinema, Andheri (E), Mumbai - 400 059 | Tel : (022) 4000 3600 / 2835 9600 |
| Wealth Management | : | e-mail : wmshelpdesk@angeltrade.com | Tel : (022) 4000 3945 / 3900 |
| Investment Advisory Helpdesk | : | e-mail : advisory@angeltrade.com | Tel : (022) 4040 3800 |
| Commodities | : | e-mail : commodities@angeltrade.com | Tel : (022) 4000 3900 / 01 |
| Feedback | : | e-mail : feedback@angeltrade.com | Tel : (022) 2835 5000 |

## Regional Offices:

**Ahmedabad - Harshit Bhavsar**
Tel: (079) 3007 0749 - 751

**Bengaluru - Dhiraj Pandey**
Tel: (080) 4153 6700 - 03

**Chennai - Thiruneer Selvan**
Tel: (044) 4226 9000 Fax: 2498 1742

**Hyderabad - Shiva Shankar**
Tel: (040) 6673 3573 / 74

**Indore - Pramathu Chowksey**
Tel: (0731) 3013 360 - 65

**Jaipur - Ranveer Singh**
Jaipur - 302 001 Tel: (0141) 222 3334

**Kanpur - Vivek Singh**
Tel: (0512) 3297 478/3017 100

**Kolkata - Vijay Kothari**
Tel: (033) 4009 9899

**Lucknow - Ankush Arora**
Tel: (0522) 6567 826

**Nashik - Nilesh Supekar**
Nashik - 422 002. Tel: (0253) 6614 235/236

**New Delhi - Anshit Khanna**
Tel: (011) 4605 6600 / 4151 2555 / 2666

**Pune - Sunita Magnani**
Tel: (020) 2551 3143 / 2553 0912 - 14

**Rajkot - Vijay Popat**
Tel :(0281) 6451929 / 1910

**Surat - Pinky Kothari**
Tel: (0261) 6696 666

**Visakhapatnam - Vamshi Krishna**
Tel :(0891) 6620 572-75

## Private Client Group Offices:

**Mumbai - Prakarsh Gagdani**
Tel: (022) 4040 3800 Fax: (022) 4040 3899

**Ahmedabad (C. G. Road) - Arpit Shah**
Tel: (079) 3007 4049 / 50

**Surat - Ali Asgar Rasiwala**
Mobile : (0261) 6696 666

## Sub - Broker Marketing:

**Acme Plaza - Pankaj Mungre**
Tel: (022) 4000 3900 Fax: (022) 4000 3999

## Branch Offices:

**Andheri (Lokhandwala) - Muskaan Doultani**
Tel : (022) 2639 2626 / 3255 0987

**Andheri (W) - Dinesh Nihalani**
Tel: (022) 2635 2345 / 6668 0021

**Bandra (W) - Gyan Joshi**
Tel: (022) 2655 5560 / 70

**Bandra (W) - Faruq Wakani**
Tel: (022) 6643 2694 - 99

**Borivali (W) - Gautam Agarwal**
Tel:(022) 2895 2600 / 1 / 2

**Borivali (W) - Tarun Dhami**
Tel: (022) 3092 1969 / 2892 8890

**Chembur - Rajesh Mehta**
Tel:(022) 6703 0210 / 11 /12

**Chembur - (Basant) - Atul Dwivedi**
Tel:(022) 3267 9114/ 15/ 16

**Fort - Ajit Karandikar**
Tel: (022) 2263 4050-55

**Ghatkopar (E) - Ashwin Thakkar**
Tel: (022) 6799 3185 - 88 / 2510 1525

**Goregaon (W) - Sanjiv Dhami**
Tel: (022) 2878 9401 / 02

**Kalbadevi - Viren Ved**
Tel: (022) 2243 5599 / 2242 5599

**Kandivali (W) - Sachin Ghelani**
Tel: (022) 2867 3800 / 2867 7032

**Kandivali (Thakur Village) - Akharam Chaudhary**
Tel: (022) 2846 1267 / 1654 / 2056 / 2076

**Malad (E) - Satish Kanwarjani**
Tel: (022) 2880 4440

**Malad (W) - Tushar Shah**
Tel: (022) 2880 0960 / 68

**Mulund (W) - Niraj Anand**
Tel: (022) 2562 2282

**Thane (W) - Diksha Khushalani / Rajesh Kumar**
Tel: (022) 2539 0786 / 0789 / 0796

**Vashi - Punit Chopra**
Tel: (022) 2765 4749 / 2251

**Vile Parle (W) - Dimple Shah**
Tel: (022) 2610 2894 / 95

**Ahmedabad (Bapu Nagar) - Milan Kanabar**
Tel : (079) 3026 0204 / 0205

**Ahmedabad (C. G. Road) - Ritesh Patel**
Tel: (079) 4021 4023

**Ahmedabad (Gurukul) - Kaivalya Shah**
Tel: (079) 6522 5510 / 3012 5492-94

**Ahmedabad (Kalupur) - Jicky Thomas**
Tel: (079) 3240 7474 / 75

**Ahmedabad (Maninagar) - Ashok Kumar**
Tel: (079) 3048 0241 / 0242 / 0245

**Ahmedabad (Ramdevnagar) - Krunal Pandya**
Tel : (079) 2692 6401 / 51

**Ahmedabad (Sabarmati) - Kaushik Rathi**
Tel : (079) 2692 6401 / 51

**Ahmedabad (Satellite) - Rishi Parghi**
Tel: (079) 4000 1000

**Ahmedabad (Shahibaug) - Chirag Raghvani**
Tel: (079) 22861053 / 5 / 6

**Amreli - Nishith Hemani**
Tel: (02792) 228 800/231039-42

**Anand - Pragnesh Pandya**
Tel : (02692) 267 041-45

**Ankleshwar - Ankit Mathur**
Tel: (02646) 652 681-85

**Baroda - Rashmikant Thakar**
Tel: (0265) 6624 103-04 / 6624 280

**Baroda (Akota) - Jaydeep Shah**
Tel: (0265) 2355 258 / 6499 286

**Baroda (Manjalpur) - Chirag Patel**
Mobile : 098252 27403

**Bhavnagar - Apurva Dhami**
Tel: (0278) 2512099 / 755 / 3001717 / 18

**Bhopal - Sandeep Kothana**
Tel :(0755) 3256 663 / 4024 000

**Gandhinagar - Vivek Thakker**
Tel: (079) 4010 1010 - 31

**Gondal - Lenin Trivedi**
Tel: (02825) 240 693 / 4

**Himatnagar - Sanjay Patel**
Tel: (02772) 241 008 / 241346

**Indore - Alok Rathi**
Tel: (0731) 4042242 / 4044 366 / 4087 966

**Jaipur - (Rajapark) Amit Kumar Garg**
Tel: (0141) 4000 500, 94143 14448

**Jalgaon - Sandeep Mundra**
Tel: (0257) 3200 906

**Jamnagar - Jwalant Shingala**
Tel : (0288) 266 4941-44, 3217 790

**Jodhpur - Aditya Dwivedi**
Tel: (0291) 5100- 941 - 948 / 98280-90009

**Junagadh - Nimesh Raichura**
Tel : (0285) 2622 483 /2622 484

**Kota - Sumit Maheshwari**
Tel : (0285) 2622 483 /2622 484

**Mehsana - Alipt Doshi**
Tel: (02762) 645 291 / 92

**Nadiad - Vipul Patel**
Tel : (0268) - 2527 230 / 31

**Nashik - Nilesh Supekar**
Tel: (0253) 6611 201 / 206

**New Delhi (Bhikaji Cama Place) - Sumit Bhuttan**
Tel: (011) 41659 711/12

**New Delhi (Lawrence Rd.) - Surender Kumar**
Tel: (011) 3262 8699 / 8799

**New Delhi (Pitampura) - Roopal Agarwal**
Tel:(011)4700 2380 / 84

**New Delhi (Preet Vihar) -Gulshan Khurana**
Tel: (011) 4242 1105 - 07

**Palanpur - Paresh Patel**
Tel : (02742) 645 171 / 72

**Patan - Shikha Saxena**
Tel: (02766) 222 306

**Porbandar - Ketan Thanki**
Tel : (0286) 221 5310 / 31 / 221 5450

**Pune - Iftikhar Chouhan**
Tel : (020) 6620 6591 / 6620 6595

**Rajkot (Ardella) Hitesh Rupareliya**
Tel : (0281)2440 266 - 266

**Rajkot (University Rd.) - Prashant Ukani**
Tel : (0281) 2577408

**Rajkot (Bhaktinagar) - Dhaval Dave**
Tel : (0280) 236 1935 / 329 6881 / 329 8100

**Rajkot (Indira Circle) - Denish Patel**
Tel : (0281) 2585 751, 99258 84848

**Rajkot (Orbit Plaza) - Hitesh Popat**
Tel: (0281) 2463 291-94

**Rajkot (Star Chambers) - Manish Baradia**
Tel : (0281) 2233 230 / 50

**Rajkot (Star Chambers) - Kiran Marthak**
Tel : (0281) 2225 401 / 02 / 03

**Secunderabad - Srinivas**
Tel : (040) 6690 5192 / 3 / 4

**Surat (Mahidharpura) - Sameet Kapadia**
Tel: 2402 911 - 915

**Surat (Parle Point) - Akshay Panwala**
Tel : (0261) 2257 990 / 909

**Surat (Ring Road) - Piyush Bothra**
Tel : (0261) 6696 666

**Surendranagar - Prashant Jani**
Tel : (02752) 325905 / 223305

**Udaipur - Anurag Jain**
Tel - 098870 60723 / 099291 04723

**Valsad - Suchita Krishnani**
Tel - (02632) 645 344 / 45

**Vapi - Jalpa Desai**
Tel: (0260) 2400 210 / 214 / 236

**Vijayawada - Badrinath Majeti**
Tel :(0866) 6636900 / 901/ 902 / 903

**Angel Broking Limited**
**Central Support & Registered Office:G-1, Akruti Trade Centre, Road No. 7, MIDC Marol, Andheri (E), Mumbai - 400 093 Tel : 2835 8800 / 3083 7700**

Angel Broking Ltd : BSE Sebi Regn No : INB 010996539 / CDSL Regn No: IN - DP - CDSL - 234 - 2004 / PMS Regn Code: PM/INP000001546 Angel Capital & Debt Market Ltd: INB 231279838 / NSE FNO: INF 231279838 / NSE Member code -12798 Angel Commodities Broking (P) Ltd: MCX Member ID: 12685 / FMC Regn No: MCX / TCM / CORP / 0037 NCDEX : Member ID 00220 / FMC Regn No: NCDEX / TCM / CORP / 0302