



SKP Securities Ltd

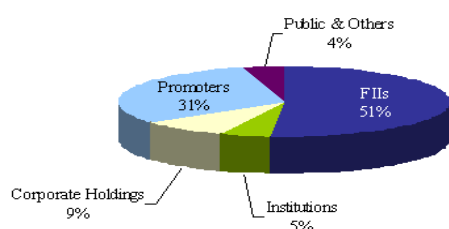
CMP Rs. 841

Target Rs. 1228

Initiating Coverage- Buy

**Key Share Data**

Face Value (Rs.)	10.00
Equity Capital (Rs. mn)	723.76
Market Capitalization (Rs. mn)	60868.22
52-wk High / Low (Rs.)	930/262
Average Yearly Volume	47176
BSE code	500219
NSE code	JISLJALEQS
Reuters code	JAIR.BO
Bloomberg code	JI IN

**Shareholding Pattern – 30<sup>th</sup> September 2009****Financials (Consolidated)**

	(Rs. mn)			
	FY09	FY10E	FY11E	FY12E
Net Sales	28583.8	37514.8	45884.5	56389.1
Sales Gr	29.0%	31.2%	22.3%	22.9%
EBIDTA	4418.3	6914.0	8718.1	10939.5
PAT	1298.6	2695.0	3672.2	4907.6
PAT Gr	-0.2%	107.5%	36.3%	33.6%
EPS (Rs.)	17.9	35.6	48.5	64.8
CEPS (Rs)	27.4	46.7	60.6	77.7

**Key Financial Ratios**

	FY09	FY10E	FY11E	FY12E
Div. yield	0.3%	0.3%	0.3%	0.3%
P/E	46.9	23.6	17.4	13.0
P/BV	6.7	5.2	4.1	3.1
P/Cash EPS	30.7	18.0	13.9	10.8
MCap/Sales	2.1	1.7	1.4	1.1
EV/EBIDTA	17.6	12.0	9.8	8.1
ROCE	13.5%	18.7%	20.2%	21.4%
ROE	14.4%	21.9%	23.4%	24.1%
EBITDM(%)	15.5%	18.4%	19.0%	19.4%
NPM (%)	4.7%	7.3%	8.1%	8.8%
Debt-Equity	2.0	1.6	1.5	1.3

**Performance comparison JISL v/s BSE Sensex****Analyst: Vineet P. Agrawal**

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**Company Profile**

Jain Irrigation Systems Ltd (JISL) is a leading agri business company operating in diverse but integrated segments of agri value chain. It is the second largest manufacturer of micro irrigation systems (MIS) globally and largest in India. JISL is one of the largest manufacturers of the PE pipes and tissue culture banana plants in India. The company also has presence in hybrid and grafted plants, greenhouses, bio fertilizers and solar water heating systems.

**Investment Rationale****Low Penetration Level of MIS in India- huge opportunity for JISL**

- The penetration level of MIS in the matured markets such as American continents and Europe is 36% and 47% respectively. Overall global average is 14%
- Penetration level in India is as low as 4%.
- JISL is increasing capacity of MIS in India to take advantage of huge opportunities present in the segment.

**Unparallel soft infrastructure – biggest entry barrier**

- JISL provides extreme value addition to the farmer community through its integrated business model
- It provides training to the cultivators both in-house and onsite.
- It provides assured crop prices to the farmers through contract farming.
- JISL helps farmers to increase their productivity through high tech agri inputs.
- This creates trust and goodwill among the farmers for JISL and places the Company on the drivers seat and makes the entry of competition difficult in this segment.

**Improving Revenue Mix – Increasing Margins**

- The penetration level of micro irrigated area is growing rapidly with various Government efforts. The segment is growing at a CAGR of 40% for last few years.
- This will improve the revenue mix of JISL. MIS contributed 42% to the total revenues in FY09, which we expect to reach 47% in FY12.
- With this improvement, EBIDTA margins of the company overall should improve from 15.5% in FY09 to 19.4% in FY12.

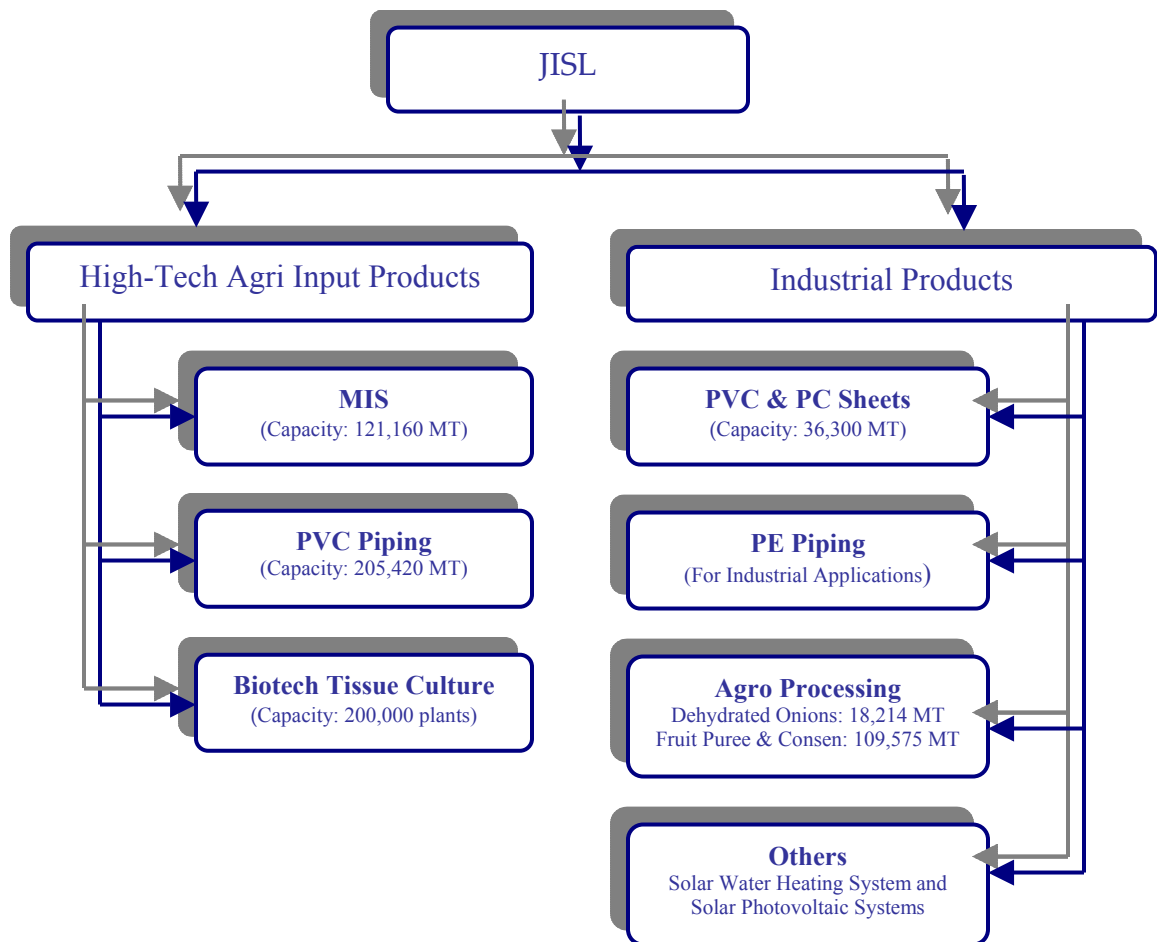
**Outlook & Recommendation**

At the current market price of Rs 841, the stock is trading at a P/E of 24x, 17x and 13x of FY10E FY11E and FY12E earnings of Rs 35.6, Rs 48.5 and Rs 64.8 respectively.

**We recommend BUY rating on the stock with a target price of Rs 1,228/- (46% upside) in 18 months using the SOTP method of valuation.**

## The Company: A snap shot

- Jain Irrigation Systems Ltd (JISL) is India's one of the leading agri-business companies with pan India presence of twenty manufacturing bases spread over five continents.
- Its products are supplied to 110 countries with the assistance 3,000 dealers and distributors worldwide.
- Business mix of the company can be broadly classified as follows:



Source: Company and SKP Research

- I. **High-Tech Agri Input Products:** The segment comprises of Micro and Sprinkler Irrigation Systems, PVC pipes, bio tech tissue culture and other agri inputs

1. **Micro Irrigation Systems (MIS):**

- **Second largest MIS Company:** JISL is the largest MIS manufacturer in India and second largest in the world with the installed (standalone) capacity of 121,161 MTPA. The company controls 55% market share in drip irrigation systems and 35% share in sprinkler Irrigation system.
- **Establishments:** JISL has three state of the art manufacturing facilities at Jalgaon, Tamil Nadu, Andhra Pradesh in India respectively. The company also has its facilities in Watertown USA; Fresno, USA and Naan, Israel.

- **Major Contributor to the revenues:** Contribution from MIS (domestic sales) has increased from 15% in FY04 to 41% in FY09. We expect the contribution from the segment to increase to 47% by FY12.
- The division has grown with the CAGR of 65% in the last five years and we further expect it to grow with the CAGR of 30% for the next three years.
- **More than 50% MIS revenues come from Maharashtra and Andhra Pradesh:** JISL has dominant presence in Maharashtra and Andhra Pradesh. The former contributes about 30-33% and latter about 20% to MIS revenues of the company.
- We expect that revenues from these two states should grow by 30-35% in the coming few years.
- **Industry:** The industry is broadly divided into the organized and unorganized segments in the country. The current industry size is estimated at Rs 17 bn and is growing rapidly.
- Currently, area of about 3 mn Ha of possible 69 mn Ha is covered under micro irrigation system in India. As per Government task force 17 mn Ha of land can be easily bring under MIS in next five years.
- Globally, MIS industry is undergoing a consolidation phase with M&A activities.

## 2. PVC Piping:

- **Market Share:** There are three major players in the organized segment of PVC piping. JISL is one of the major players in the segment with the market share of 15%.
- **Capacity:** The Company has the total installed standalone capacity of 205,420 MTPA (inclusive of PE piping), which has increased with the CAGR of 36% during the last five years.
- **Second major Contributor to the revenues:** PVC & PE Piping division is the major contributor to the revenues of the company after MIS division. It contributed 36% (standalone) to the revenues in FY09.
- We expect the contribution from the segment to go down to 32% with the change in the revenue mix of the company.
- **Demand -Supply:** The demand for PVC in India is huge, much more than the supply. Increased micro irrigation spends and push for urban infrastructure by government agencies will further improve the demand situation for the industry.

## 3. Biotech Tissue Culture:

- **Capacity:** JISL started with banana as the main crop for tissue culture in 1978. Today, it has the capacity of 20 mn plantlets per annum with the average capacity utilization of 83%.
- **Turnover:** The sales in business crossed Rs 150 mn during FY09 reflecting a growth of 26%.
- **Growth:** The segment has grown with the CAGR of 26% in last three years and we further expect it to grow with a CAGR of 33% in the next few years.

**II. Industrial Products:** This segment includes varied business lines such as PVC & PC sheets, PE pipes for industrial applications and agro processing.

**1. PVC & PC Sheets:**

- **Installed Capacity:** JISL has the installed capacity of 36,300 MTPA.
- **Performance:** The segment has seen de-growth in the last two years. Revenue mix from the business has also come down substantially to 7% in FY09 from 20% in FY04. The adverse effect of continued slow down of American housing industry has led to decline in PVC sheet business revenue by 8% last year.
- **Industry:** The market can be divided in two segments viz graphics market and building materials market (BMI).
- **Application:** The basic use of PVC sheets in BMI segment are as surrounds for windows and garage doors, corner boards, soffits and interior applications. The graphic market has been using PVC sheets in manufacturing sign and graphic boards.

**2. PE Piping (for industrial usage):**

- **Application:** PE pipes are used on sewage and effluent disposal, replacement of cement/metal pipes.
- **Presence:** JISL is operating in all the segments of the industry like cable duct, sprinklers, gas distribution, water conveyance, sewage conveyance, effluent disposal etc.
- **Market Share:** The Company has the commanding presence in the gas and cable duct segments of the PE pipe business with the overall market share of 30%.
- **JISL is the only player to manufacture pipes above 1000 mm diameter:** Recently JISL has become the first company in India to successfully install indigenously manufactured 1600 mm diameter PE pipe under seawater in one of the prestigious infrastructure projects in Chennai.
- **Demand Drivers:** The massive infrastructure projects undertaken under the Bharat Nirman Yojana, increased investments by telecom industry and plans for piped gas in cities, continues to be the potential demand drivers for the industry. The demand for next 18 months is expected to be 250,000 kms of duct pipes

**3. Agro Processing:** Agro processing business of JISL can be divided in two segments viz onion & vegetables dehydration and fruit processing.

**A. Onion and Vegetables Dehydration:**

- **Third largest producer:** JISL has the overall capacity to produce around 25,000 MTPA of finished product between its three plants in (Jalgaon & Baroda) India and USA. It is the third largest dehydrated onion producer in the world.
- **Market Share:** JISL enjoys the export share of more than 50% dehydrated onions from the country.
- **Acquisition of Cascade Specialities Inc:** JISL has acquired controlling stake in Cascade Specialities Inc. in the second half of FY07. With this acquisition the company has established presence in the USA, world biggest market for dehydrated onion. USA accounts for 65% of the world's total production.

- USA is also the biggest consumer of dehydrated onions followed by European Union, Latin America etc.
- **Industry:** Global onion dehydrated industry is pegged at around 180,000 MTPA growing at the rate of 6-8% per annum.
- We expect that with the growing demand of dehydrated onions and general upward movement of prices of food products, globally, JISL will be able to achieve higher sales volumes and realizations in the coming years.

#### B. Fruit Processing:

- **Capacity:** JISL established modern food processing plants, decades ago, realizing the opportunity and potential of fruit and vegetable processing. The current fruit processing capacity of the company is 109,575 MTPA.
- **Largest food processor:** Today, JISL is the largest processor of fruits and vegetables from India. The company has also set up a most modern and largest pomegranate processing facility at Jalgaon.
- **Industry size and growth:** There are 4,000 fruit processing units in India with an aggregate processing capacity of 1.2 MTPA. As per the estimates 20% of the output is exported and rest are consumed domestically. The Indian fruit processing industry is growing currently by 20% per annum.

### Merger & Acquisitions

JISL have acquired a number of domestic and international companies in the recent past with the purpose getting access to most advanced technologies and to set its footprints in the international markets.

Player	Stake	Country	Segment
Tera Agro Technologies	100%	India	Food Processing
Food Processing Division of Parle	100%	India	Food Processing
Chapin Watermatic	100%	USA	MIS
NuCedar Mills Inc	80%	USA	PVC Sidings
Cascade Speciality Inc	80%	USA	Dehydrated Onions
Naandan Jain Irrigation CS Ltd	50%	Israel	MIS
Thomas Machines SA	70%	Switzerland	Backward Integration

*Source: Company Annual Report*

### Recent Developments

1. The Company issued 60,000 Zero Coupon Currency Convertible Bonds (ZCCBs) of face value USD 1,000 each aggregating to USD 60 mn, in March 2006, redeemable at 139.37% on or before 30<sup>th</sup> March 2011. 81.92% of ZCCBs were converted in FY09 and rest in FY10 at the conversion price of Rs 345.59 at the fixed exchange rate of Rs 44.36 to USD 1.
2. Out of 8.6 mn Equity warrants issued by the company in FY08, 1.1 mn has been converted in to equity shares in FY09 and rest are lapsed during the year.

## Investment Arguments

### 1. Low Penetration Level of MIS in India- huge opportunity for JISL:

- Penetration level of MIS and sprinkler irrigation system is lowest in India at around 4%. About 3 mn Ha of possible 69 mn Ha area is covered under MIS in India. Following table shows potential for MIS in India:

Micro Irrigation Potential in India	Mn Ha
Arable Land Bank	140
Less: Rain fed Area	71
Land Available for MIS	69
Less: Current penetration	3
<b>Current penetration level</b>	<b>4%</b>
<b>Opportunity available for JISL</b>	<b>66</b>

Source: Company

- The annual potential for MIS coverage is pegged at 1-2 mn Ha in the next three years.
- Global coverage of sprinkler and drip irrigated area is 39 mn Ha. Global opportunities for MIS at a glance:

Region	Available Irrigated Area	Sprinkler Irrigated Area	Drip Irrigated Area	Total Micro Irrigated Area	Proportion of Available Irrigated Area
Americas	41.9	13.3	1.9	15.2	36%
Europe	25.2	10.1	1.8	11.9	47%
Asia	194.0	6.8	1.8	8.6	4%
Africa	12.5	1.9	0.2	2.1	17%
Oceania	2.6	0.9	0.2	1.1	42%
<b>World Total</b>	<b>276.2</b>	<b>33.0</b>	<b>5.9</b>	<b>38.9</b>	<b>14%</b>

Source: Company

### Strategic Acquisitions – Taking advantage of Global Opportunities:

- JISL has secured firm foothold in the mature North American market with its two acquisitions Chapin Watermatics Inc (in 2006) and Aquarius Brands Inc. (in 2007).
- Chapin Watermatics Inc, USA is a pioneer and leading manufacturer of drip tape and is known as complete source for field crop, nursery and green house drip irrigation systems. **Chapin is currently selling its products in North and South America, Europe, other Middle Eastern and African Countries.**
- Aquarius is a leading designer and manufacturer of micro-irrigation systems for agriculture, landscape and nursery applications. JISL became second largest drip irrigation company with this acquisition.
- With these two acquisitions JISL gained 10% market share in North America.
- JISL also acquired controlling stake in Naandan, Israel, in FY08, engaged in drip and sprinkler irrigation systems since 1937. **This acquisition gives JISL strategic access to markets all over the world, especially in Europe South America and Australia.**

**Increasing domestic capacities – Taking advantage of domestic opportunities:**

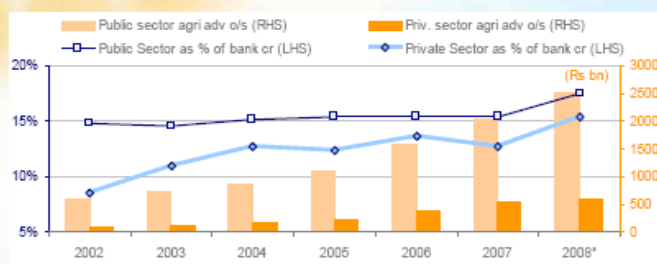
- JISL is expanding its capacity aggressively to maintain its leadership in India. It has increased its installed capacities of MIS from 18,205 MT in FY06 to 121,160 MT in FY09 with the CAGR of 88%.
- JISL has plans for capital expenditure to the tune of Rs 6.5 bn, spanning in next three years, of which Rs 3.9 bn (60% of total capex) is allocated for MIS. The Company invested Rs 1.19 bn to increase the capacity of the MIS division, last year.

*JISL is well positioned to take advantage of the emerging opportunities domestically and globally with these strategic acquisitions and capacity expansions.*

**2. Unparallel soft infrastructure – biggest entry barrier:**

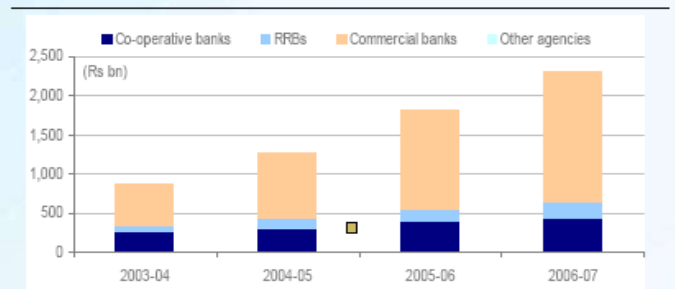
- JISL has built unparalleled soft infrastructure by maintaining strong networking with farmers, which is helping it to continue its journey on the growth path especially in rural India.
- JISL provides extreme value addition to the prosperity of the farmers through:
  - ➔ **Knowledge:** JISL provides training to the farmers – in-house and onsite.
  - ➔ **Assured Price:** JISL is engaged in ‘contract farming’. It buys back farm produce at pre-determined prices from over 3,000 farmers.
  - ➔ **Increased Productivity:** JISL increase productivity of Indian farmers through water management and high tech agri inputs such as MIS/SIS, tissue culture, greenhouses, bio-fertilizers etc.
  - ➔ **Adequate and Timely credit:** Spending and support towards agriculture has stepped up with the support of Government – both Central and State. Growth in agricultural credit and credit lending by banks at a glance:

**Growth in agricultural credit has gained pace in the past 4 yrs**



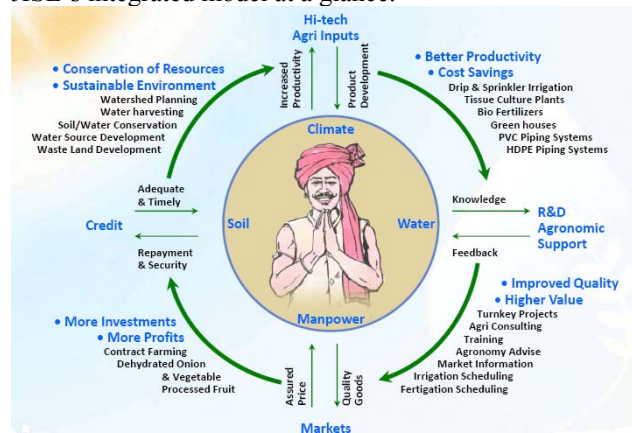
Source: Company

**Commercial banks have led the growth in agricultural credit**



*Farmers’ confidence and utmost faith is required to build such a model which places JISL on the drivers seat and make the entry of competition difficult in this segment.*

**JISL’s integrated model at a glance:**



Source: Company

**3. Government focus on water management – boosting micro irrigation:**

- Almost 50% of the arable land in the country is rain fed. The Government – both Central and State – provides 50-70% of capital subsidy for promoting the use of micro irrigation systems. Some of the state governments are even providing subsidies up to 75-90%.
- State governments have also started work on new concept of ‘on demand irrigation’, which is helping farmers to do more productive farming.
- Another initiative called ‘no lift without drip’ is also encouraging the use of MIS even in crops such as cereals and pulses.
- Recently, Andhra Pradesh government has announced that approximately 2.5 mn Ha of irrigation land will be brought under MIS by 2014.
- Haryana Government has increased its subsidy on MIS from 50% to 90%. Subsidies provided by other State Governments at a glance:

States	Government Subsidies		JISL Market Share
	Drip	Sprinkler	
Maharashtra	50%	50%	65%
Gujarat	50%	50%	30%
Andhra Pradesh	70%	70%	35%
Tamil Nadu	50%	50%	60%
Karnataka	75%	75%	60%
Madhya Pradesh	70%	70%	60%
Chhatisgarh	70%	70%	50%
Punjab	75%	75%	50%
Bihar	60%	60%	60%
Himachal Pradesh	50%	50%	50%
Rajasthan	75%	75%	50%
Kerala	50%	50%	50%
Uttar Pradesh	75%	75%	50%
Ultra Khand	50%	50%	50%

Source: Company

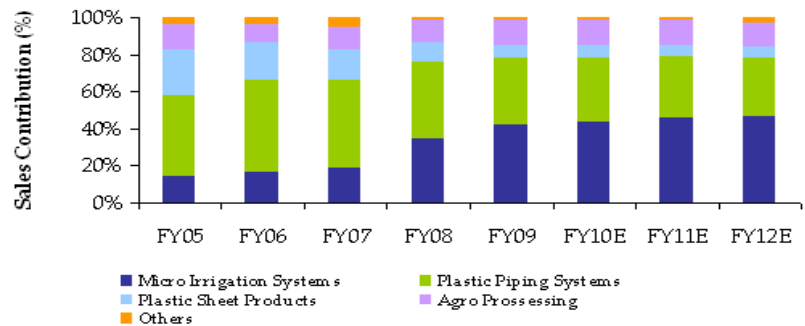
*Adoption of micro irrigation systems are getting more prevalent with the efforts of various State Governments, boosting the demand. Since, JISL is the only Indian player with robust real and soft infrastructure in place, going forward, it is well placed to maintain the growth momentum in this segment.*

**4. Improving Revenue Mix – Increasing Margins:**

- As mentioned earlier that current penetration level of MIS in India is meager 3 mn Ha out of total available land of 69 mn Ha for MIS.
- The penetration level of micro irrigated area should grow strongly with various Government efforts. We expect it to grow at the CAGR of 40% in the next couple of years.
- This will improve the revenue mix of JISL. In FY04 majority of revenues were coming from plastic piping segment (about 47%), whereas, MIS contributed only 18%.



- With the increasing demand of MIS, contribution of revenues skewed towards MIS with 42% in FY09, which is further expected to increase to 47% in FY12. Revenue mix of the company at a glance:



Source: Company & SKP Research

- Since, MIS is the highest contributory to the margins of the company with excess of 30% at EBIDTA levels, we expect the overall EBIDTA margins of the company to improve from 15.5% in FY09 to 19.4% in FY12.
- **Other Factors contributing to increase in margins:**
  - ➔ **Backward integration:** JISL has also acquired Switzerland based THE Machines S.A. in FY08 which has more than fifteen years of experience in manufacturing plastic extrusion equipments. The Company's ability to get quality equipment in timely manner at competitive cost has become stronger with this acquisition.
  - ➔ **Lowering interest cost:** JISL has started borrowing debts from money market at the lower interest rate than prevailing in the market. During the current year the company borrowed Rs 4.5 bn from the money market at the interest rate of less than 7%. Company's cost of debt in FY09 was 11%.

#### 5. Diverse Revenue Streams – Insulates steady topline:

- Apart from agri-products, JISL also derives its revenues from non-agricultural sources and diversified industries such as
  - ➔ piping systems to commercial, industrial and government entities,
  - ➔ fruit pulp and dehydrated onion to large global food companies such as Coca Cola etc.
  - ➔ PVC sheets to construction industry etc.
- This diversification helps insulate the overall topline from adverse conditions affecting any one or more of the business segments.

#### 6. Plans to take agricultural projects on turnkey basis – focusing on agri supply chain:

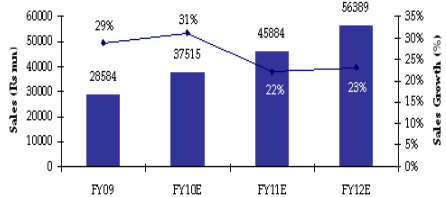
- The Company is planning to work with its agri customers by taking their agricultural projects on turnkey basis providing services such as engineering, soil and water analysis, water recourse estimation, crop planning, irrigation and ferigation scheduling, marketing and other agronomic support.
- The Company also intends to achieve further vertical integration of the activities in agri-supply chain such as expansion of upstream contract farming arrangements to support its downstream agro processed products business.

## Key Concerns

- Highly working capital intensive business:** MIS segment of JISL is highly working capital intensive which makes continuous fund infusion necessary.
- Seasonality in agriculture:** JISL's performance is highly dependent on the seasonality of agriculture sector.
- Competition from unorganized sector:** JISL faces competition from unorganized sector, which may put pressure on the performance of the company.
- Change in Government Policy:** Government policies are in favour of JISL at the current juncture. Any change in policies by the government such as cancellation or reduction in subsidies may adversely affect the business of the company.
- Highly dependent on monsoon:** JISL's agri-input business which contributes 50% (approx.) to the topline of the company is highly dependent on monsoon. Any drought like situation in one or more seasons may adversely affect the demand of agri products.

## Financial Outlook

### Top-line to grow at a CAGR of 25%



Source: Company & SKP Research

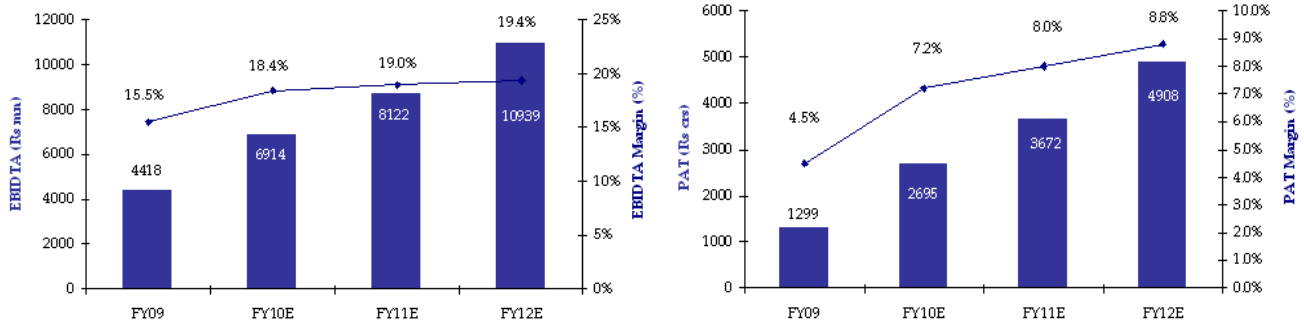
- For the FY09, consolidated net sales have gone up to Rs 28,584 mn by registering a growth of 29% y-o-y basis. MIS, plastic piping, PVC sheets agro processing and other segments have contributed 42%, 36%, 7%, 13% and 2% respectively.
- Revenues from MIS increased by 54% due to aggressive retail sales in Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh, and Uttar Pradesh. **Keeping in view the huge opportunities in the sector and positive government focus on agriculture we further expect this segment to grow with the CAGR of 30% for next three years.**
- Agro processing segment has grown by 33% to Rs 3,221 mn last year on account of higher export of mango puree and dehydrated onions. **We further expect this segment to grow with the CAGR of 28% for the next three years.**
- Exports of the company grew by 8% to Rs 4,886 mn in FY09 in spite of major slowdown in the world economy. **We expect it to grow at a CAGR of 20% in next two to three years.**
- We expect the overall consolidated sales to grow at a CAGR of 25% over FY09-12**, with aggressive investment in production capacity and network building with farmers and its dealers.

### EBITDA margin to be maintained around 19.4%

JISL has witnessed a consolidated EBITDA margin of 15.5% in FY09. We expect the company to stabilize its margin at 19.4% on account of better revenue mix and low raw material cost.

### PAT margin to stabilize at 8.8%

PAT margin has declined to 4.5% in FY09 due to increase in interest cost and depreciation, however, **we expect PAT margin to stabilize around 8.8% by FY12**. EPS of the company is expected to grow from Rs 17.94 in FY09 to Rs 64.77 in FY12.



Source: Company & SKP Research

### Valuation

At the current market price of Rs 841, the stock is trading at a P/E of 24x, 17x and 13x of FY10E, FY11E and FY12E earnings of Rs 35.6, Rs 48.5 and Rs 64.8 respectively.

We recommend BUY rating on the stock with a target price of Rs 1,228/- (46% upside) in 18 months using the SOTP method of valuation details of which are as follows:

Segment	Revenue (FY12)	EBIDTA (%)	EBIDTA (Rs mn)	EV/EBIDTA (x)	Enterprise Value (Rs mn)
MIS	22,471.6	30%	6,741.5	14.0	94,380.8
Plastic Piping	15,093.9	12%	1,811.3	6.0	10,867.6
Agro Processing	6,546.8	21%	1,374.8	7.0	9,623.7
Others	3,495.1	9%	314.6	1.0	314.6
Subsidiaries	8,780.7	8%	702.5	5.0	3,512.3
<b>Total EV of JISL</b>					<b>118698.9</b>
Less Longterm Debt less Cash (FY12)					24751.3
Less Preference Shares (FY12)					0.0
Less Minority Interest (FY12)					844.6
<b>Implied market Value</b>					<b>93103.0</b>
O/S Equity Shares in FY12					75.8
<b>Price Per Share</b>					<b>1228.3</b>

Source: SKP Research

**Consolidated Financials**
**(Rs mn)**
**Income Statement**

Particulars	FY09	FY10E	FY11E	FY12E
Net sales	28583.84	37514.75	45884.45	56389.05
<i>Growth (%)</i>	<i>29.0%</i>	<i>31.2%</i>	<i>22.3%</i>	<i>22.9%</i>
EBIDTA	4418.33	6913.97	8718.05	10939.48
<i>EBIDTA Margin (%)</i>	<i>15.5%</i>	<i>18.4%</i>	<i>19.0%</i>	<i>19.4%</i>
<i>Growth (%)</i>	<i>27.2%</i>	<i>45.4%</i>	<i>26.4%</i>	<i>27.85</i>
Depreciation	684.03	842.36	915.47	977.29
EBIT	3680.83	6034.10	7756.69	9905.80
<i>EBIT Margin (%)</i>	<i>12.9%</i>	<i>16.1%</i>	<i>16.9%</i>	<i>17.6%</i>
<i>Growth (%)</i>	<i>27.0%</i>	<i>63.9%</i>	<i>28.5%</i>	<i>27.7%</i>
Interest	1809.38	2064.57	2339.99	2659.38
<i>Interest Coverage (x)</i>	<i>2.03</i>	<i>2.92</i>	<i>3.31</i>	<i>3.72</i>
Other Income	123.24	112.54	137.65	169.17
EBT	1994.69	4082.07	5554.36	7415.59
Tax	659.40	1349.53	1836.27	2451.59
Minority Interest	36.67	37.51	45.88	56.39
PAT	1298.62	2695.02	3672.20	4907.60
<i>PAT Margin (%)</i>	<i>4.5%</i>	<i>7.2%</i>	<i>8.0%</i>	<i>8.7%</i>
<i>Growth (%)</i>	<i>-0.2%</i>	<i>107.5%</i>	<i>36.3%</i>	<i>33.6%</i>
O/S Shares (mn)	72.38	75.77	75.77	75.77
EPS (Rs.)	17.94	35.57	48.47	64.77
<i>PER (x)</i>	<i>46.9</i>	<i>23.6</i>	<i>17.4</i>	<i>13.0</i>
Dividend Per Sh. (Rs.)	2.50	2.50	2.50	2.50

**Balance Sheet**

Particulars	FY09	FY10E	FY11E	FY12E
Equity Capital	1172.28	780.79	757.66	757.66
Reserves	7503.35	11505.70	14951.45	19637.43
Share Warrants	358.49	0.00	0.00	0.00
Net worth	9034.11	12286.49	15709.11	20395.09
Acc Translation Res.	-63.45	-63.45	-63.45	-63.45
Minority Interest	704.84	742.35	788.24	844.63
Secured Loan	17546.37	19975.43	22647.95	25748.87
Unsecured Loan	623.19	70.38	70.38	70.38
Deferred Tax Liab.	411.60	411.60	411.60	411.60
<b>Total Liabilities</b>	<b>28256.66</b>	<b>33422.81</b>	<b>39563.83</b>	<b>47407.12</b>
Net Fixed Assets	13364.70	15605.31	16814.84	17837.56
Capital WIP	1207.96	625.00	500.00	500.00
Investments	200.77	200.77	200.77	200.77
Inventories	9858.60	13130.16	16059.56	20300.06
Accounts receivable	8663.24	11629.57	14224.18	17480.60
Cash & Bank	1174.12	898.23	1299.54	1067.96
Loan & Advances	3202.93	3526.39	4588.45	5638.90
<b>Current Assets</b>	<b>23119.47</b>	<b>29473.86</b>	<b>36525.82</b>	<b>44922.67</b>
Account payables	8787.13	11532.64	13306.49	14661.15
Provisions	849.11	949.49	1171.11	1392.72
<b>Curr. liab. &amp; prov.</b>	<b>9636.24</b>	<b>12482.13</b>	<b>14477.60</b>	<b>16053.87</b>
Net Current Assets	13483.23	16991.73	22048.21	28868.80
<b>Total Assets</b>	<b>28256.66</b>	<b>33422.81</b>	<b>39563.83</b>	<b>47407.12</b>

**Cash Flow Statement**

Particulars	FY09	FY10E	FY11E	FY12E
Profit before Tax	1994.69	4082.07	5554.36	7415.59
Add: Depreciation, Int. & Other Expenses	2544.03	2906.93	3255.45	3636.67
Net changes in WC, tax interest	-2267.59	-5234.30	-6713.06	-9725.38
<b>Cash flow from operating activities</b>	<b>2270.53</b>	<b>1754.70</b>	<b>2096.75</b>	<b>1326.88</b>
Capital expenditure	-4644.33	-2500	-2000	-2000
Investments, Sales of FA, Div. Recd & others	-53.80	0.00	0.00	0.00
<b>Cash flow from investing activities</b>	<b>-4698.13</b>	<b>-2500.00</b>	<b>-2000</b>	<b>-2000</b>
<b>Cash flow from financing activities</b>	<b>2849.35</b>	<b>590.66</b>	<b>304.56</b>	<b>441.54</b>
Changes in Consolidation Reserve	-37.80	0.00	0.00	0.00
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>383.95</b>	<b>-154.64</b>	<b>401.31</b>	<b>-231.59</b>
Opening Cash Balance	668.93	1052.88	898.23	1299.54
<b>Closing Cash Balance</b>	<b>1052.88</b>	<b>898.23</b>	<b>1299.54</b>	<b>1067.96</b>

**Key Ratios**

Particulars	FY09	FY10E	FY11E	FY12E
<b>Valuation Ratios</b>				
P/E	46.87	23.64	17.35	12.98
P/Cash EPS	30.70	18.01	13.89	10.83
P/BV	6.74	5.19	4.06	3.12
EV/EBIDTA	17.62	11.99	9.77	8.09
EV/Sales	2.72	2.21	1.86	1.57
<b>Earnings Ratios</b>				
OPM	12.88%	16.08%	16.90%	17.57%
NPM	4.67%	7.28%	8.10%	8.80%
ROCE	13.53%	18.66%	20.19%	21.43%
RONW	14.37%	21.93%	23.38%	24.06%
<b>Balance Sheet Ratios</b>				
Current Ratio	2.40	2.36	2.52	2.80
Debt/Equity	2.01	1.63	1.45	1.27
Debtor days	97.17	98.72	102.83	102.61
Inventory Days	135.62	137.10	143.33	146.00
FA/Turnover	1.90	1.97	2.12	2.38

**Notes:**

The above analysis and data are based on last available prices and not official closing rates. SKP Research is also available on Bloomberg, Thomson First Call & Investext Myiris, Moneycontrol and ISI Securities

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