A. K. Stockmart Pvt. Ltd.

Gujarat State Petronet Ltd

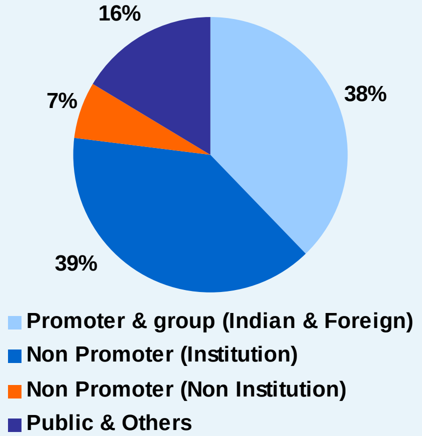
"Volumes to create value"

CMP	**110**
Target Price	**136**
Potential Upside	**24%**

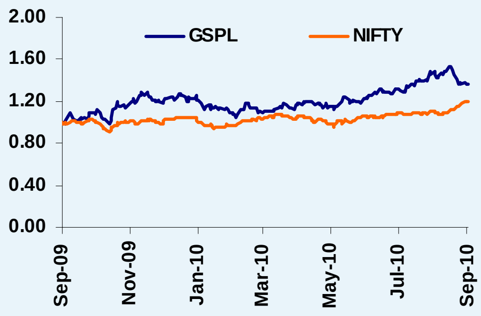
BUY

BSE	532702
NSE	GSPL
Reuters	GSPT.BO
Bloomberg	GUJS IN
Industry	Pipes (Transmission)
Market Cap (Rs. mn)	61,869
Equity (Rs. mn)	5,621
Face Value (Rs.)	10
52WkH/L	123.9/74.8
Sensex	19861
Nifty	5960

Shareholding Pattern



NIFTY v/s GSPL Ltd.



Investment Rationale:

Largest player in Gujarat

GSPL has been promoted as the nodal agency by the Government of Gujarat to set up gas grid in Gujarat operating on contract carriage basis. The company's network covers 15 out of the 25 districts in Gujarat, covering a distance of around 1,666 km with transmission capacity of around 50 mmscmd.

Gujarat: the energy capital of India

Gujarat accounts for 54% of India's onshore crude oil production; 32% of India's natural gas production; 37% of India's installed refining capacity and 60% of India's total crude oil import facility.

Demand is expected to exceed supply

The power, fertilizer and City Gas Distribution (CGD) sectors are the main demand drivers of natural gas in Gujarat, followed by refinery and petrochemical, steel etc.

GSPL increasing its state-wide network, bid for 3 non-state project

GSPL has already placed a bid for 3 trunk lines namely, the Mehsana-Bhatinda pipeline, Mallavaram-Bhilwara pipeline and Haldia-Paradip with the project award expected shortly (expected in near future).

City Gas Distribution (CGD): The next big thing

Natural gas is witnessing increasing acceptance amongst consumers as an alternative fuel. The major rationale behind this is the economic benefits of using natural gas. According to CRISIL Research, the share of CGD in the total demand mix is expected to increase from 7% at present to 14% in FY2014.

Outlook & Valuation

The demand and supply of gas is expected to remain robust as there will be continuous gas flows expected from various discoveries. Gujarat is and supposed to remain major gas hub in India as supply of gas is expected grow at CAGR of 5% (from domestic fields, imports not considered) from FY2010 to FY2015, leaving huge opportunity for transmission prospects. GSPL, being largest player in Gujarat and second largest trunk line operator in India, there are huge prospects for the company to cash-in the conversion of India from oil consumption to gas consumption.

We have valued GSPL based on the DCF methodology to arrive at a price target of **Rs136** (WACC — 10.67%, terminal growth rate — 2.0%). We recommend **BUY** rating on the stock, with potential upside of 24%.

(INR million)	Net Revenue	y-o-y (%)	EBITDA	EBITDA (%)	Adj PAT	y-o-y (%)	EPS (FD)	ROE (%)	RoCE (%)	P/B (x)	Debt/Equity (x)
FY2009A	4,874.99	17.0%	4,245.19	87.1%	1,234.13	24.0%	2.20	8%	12%	5.00	0.95
FY2010A	9,919.52	103.5%	9,325.15	94.0%	4,138.20	235.3%	7.36	9%	26%	3.88	0.81
FY2011E	11,512.10	16.1%	10,730.35	93.2%	4,835.52	16.9%	8.60	23%	26%	3.07	0.73
FY2012E	13,432.00	16.7%	12,513.77	93.2%	5,764.52	19.2%	10.26	22%	26%	2.44	0.64

About the company:

Overview:

Gujarat State Petronet Limited (GSPL), a Gujarat State Petroleum Corporation Limited (GSPC)'s subsidiary, has taken a lead in developing energy transportation infrastructure in Gujarat and connecting major natural gas supply sources and demand markets. GSPL is first company in India to transport natural gas on open access basis and is a pure natural gas transmission company. The company was incorporated in December 1998.

GSPL commenced transporting natural gas following completion of the first segment of network in November of the year 2000. The Company commissioned the Hazira-Mora pipeline, which was 14 kms long, the total gas transmission network length was increased to 433 kms by the end of FY2005.

Currently, GSPL has a gas transmission pipeline network of 1,666 km connecting Hazira, Vadodara, Ahmedabad, Kalol, Himmatnagar, Mehsana, Rajkot, Morbi and Vapi. GSPL transported approximately 32 mmscmd of gas last year. Out of this, a majority of the gas supply was made by R-LNG. GSPL has also acquired strategic stakes in the Krishna Godavari Gas Network (KGGN), GSPC Gas Company and Sabarmati Gas. KGGN is planning to develop a gas transmission network in Andhra Pradesh while GSPC Gas Company and Sabarmati Gas will be developing a city gas distribution (CGD) network in Gujarat.

Investment Rationale:

Largest player in Gujarat

GSPL has been promoted as the nodal agency by the Government of Gujarat to set up gas grid in Gujarat operating on contract carriage basis. The company's network covers 15 out of the 25 districts in Gujarat, covering a distance of around 1,666 km with transmission capacity of around 50 mmscmd. GSPL has firm contracts to supply gas, primarily sourced from Reliance Industries (RIL: 11mmscmd) and Petronet (12mmscmd). GSPL provides connectivity from the Hazira and Dahej terminals to various industries and city gas distribution (CGD) networks in the state.

Source: Company, AKS Investment Research

Gujarat: the energy capital of India

Gujarat accounts for 54% of India's onshore crude oil production; 32% of India's natural gas production; 37% of India's installed refining capacity and 60% of India's total crude oil import facility. Being one of the largest producers of gas and also the second most industrialized state, Gujarat offers tremendous potential for players like GSPL. The current estimated demand of natural gas in Gujarat is around 70 mmscmd. Gujarat is the only state in India with state-wide gas grid and multi gas suppliers. According to Crisil, demand in Gujarat is likely to increase to around 100 mmscmd in FY2012. Increase in regassification capacity at Dahej, Hazira and commissioning of new R-LNG (imported LNG) offers opportunities for GSPL.

Natural Gas Supply status

Natural gas suppliers in Gujarat include GAIL, PMT JV, Gujarat State Petroleum Corp (GSPC) – Niko, Indian Oil Corp, Bharat Petroleum Corp, Cairn Energy, Petronet and Shell. The state has the largest natural gas pipeline network in India, comprising the networks of GAIL (north and south Gujarat, ex-Hazira), portions of the HBJ and DVPL pipeline, and the grids of Gujarat Gas Company and GSPL.

Present supply status of natural gas in Gujarat

Supplier	Source	Volume of supply (in MMSCMD)
ONGC	Onshore fields located near Ahmedabad region & Ankleshwar / Surat region and offshore (JV) fields in the Arabian Sea (Western Offshore – including PMT supplies)	20
GSPC/ Niko Resources	Hazira gas field	1.5
Cairn	CB-OS2 field in the Cambay basin	1.1
Petronet LNG Limited (PLL)	LNG from RasGas, Qatar	8
Shell, Hazira	LNG spot cargos	8
Total		**38.6**

Source: *CRISIL, AKS Research*

Supply scenario in Gujarat to improve

MMSCMD	2009	2012	2015	2020
ONGC - Onshore	5	4	3	1
PMT / HBJ Volumes	9	6	4	2
PLL	13	18	18	18
Shell	6	8	8	8
RIL	15	30	30	30
GSPC - KG Basin	0	8	8	8
GSPC – LNG	0	0	13	13
Cairn	0	1	0	0
CBM	0	3	3	5
New Gas finds	0	0	6	16
Total	**47**	**78**	**96**	**101**

Source: Crisil Research, AKS Research

GSPL will be one of the major beneficiaries of increased gas availability in Gujarat. Further commencement of gas production from the Reliance KG-D6 field will be the key growth driver for the company over the next two years, as it is expected to supply to around 4-5 power plants in Gujarat. The new gas finds in the KG basin from GSPC and ONGC may offer further upsides to gas volumes. We expect the transmission volumes to increase from 32 mmscmd in FY2010 to 38 mmscmd and 46 mmscmd in FY2011E and FY2012E respectively.

Demand is expected to exceed supply

The power, fertilizer and City Gas Distribution (CGD) sectors are the main demand drivers of natural gas in Gujarat, followed by refinery and petrochemical, steel etc. At present the demand is quite higher than supplies and the situation is expected to prevail even in coming years, which leaves enough scope for prospects of natural gas market development. Since GSPL has the first mover advantage, and already planning to increase its grid from present around 1,666 km, we believe that GSPL (which has current market share of around 72%) will manage to elevate its market share in Gujarat.

(in MMSCMD)	CY2009	CY2012	CY2015	CY2020
Power	19	32	43	43
Fertilizers	10	12	12	12
Industry	35	49	53	73
Distribution	7	10	14	19
Total	**71**	**103**	**122**	**147**

Source: Crisil Research

GSPL increasing its state-wide network, bid for 3 non-state project

With expected increase in gas availability in Gujarat, GSPL is planning to increase its state-wide grid of 1,666 km (at present) to around 2,200 km by the end of FY2012.

The competition in Gujarat from other players is very limited, as around 1,200 Km of GAIL's pipeline passes from Gujarat which is reserved for onward supply to northern India. Moreover, it is inevitable for onward bulk supply to customers who are not on route of the HVJ (Hazira - Vijaipur – Jagadishpur) pipeline. As a reason, it cannot meet the intra-state demand in Gujarat. The major focus of setting up of GSPL was to have state pipeline grid, as due to high industrialization in Gujarat there was requirement of proper infrastructure to transport gas to consumers.

However, GSPL is now planning to expand its focus outside Gujarat. GSPL has already placed a bid for 2 trunk lines namely, the Mehsana-Bhatinda pipeline, Mallavaram-Bhilwara pipeline and Haldia-Paradip with the project award expected shortly (expected in near future). The company plans to lay a high pressured natural gas pipeline from Mehsana to Bhatinda, which will later be extended to Srinagar.

However, GSPL will face competition from GAIL and newer players like RGTIL outside Gujarat.

Pipeline Area	Expected Volume (in MMSCMD)	Source of supply
Mehsana-Bhatinda	15 to 20	GSPC LNG, Petronet LNG & Hazira LNG
Mallavaram-Bhilwara	15 to 20	KG Basin
Surat-Paradip	~30	PLL, Shell, Hazira, GSPC Mundra LNG

City Gas Distribution (CGD): The next big thing

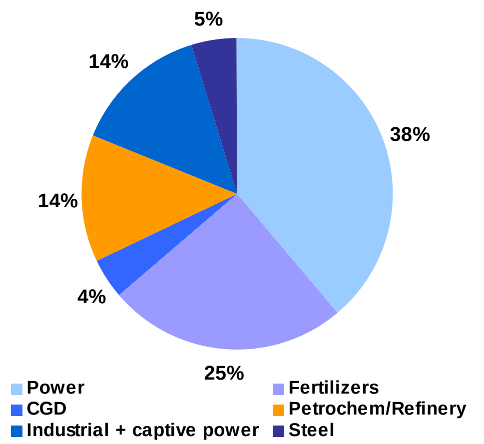
Natural gas is witnessing increasing acceptance amongst consumers as an alternative fuel. The major rationale behind this is the economic benefits of using natural gas. According to CRISIL Research, CGD is expected to boost the demand for natural gas. CGD is expected to register a CAGR of around 29% over the next 5 years on the back of several companies announcing plans for the development of CGD in various cities throughout the country - the number of cities receiving gas under CGD is likely to increase from 35 in FY2009 to 100 in FY2014. As a result, the share of CGD in the total demand mix is expected to increase from 7% at present to 14% in FY2014.

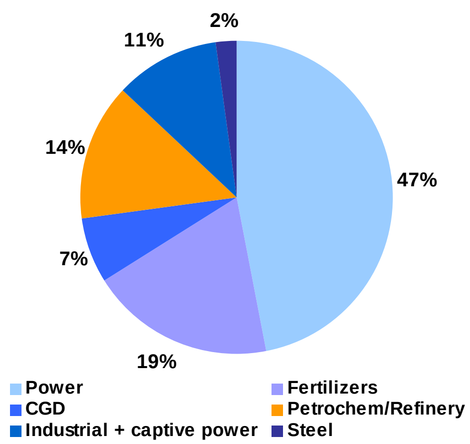
GSPC, the GSPL's parent, has a presence in the CGD business in Gujarat, operating 52 CNG stations in seven districts. GSPL also has an indirect presence in this business through strategic stakes in three CGD projects – Krishna Godavari Gas Networks (Andhra Pradesh), GSPC Gas Company and Sabarmati Gas (Gujarat).

Industry Status

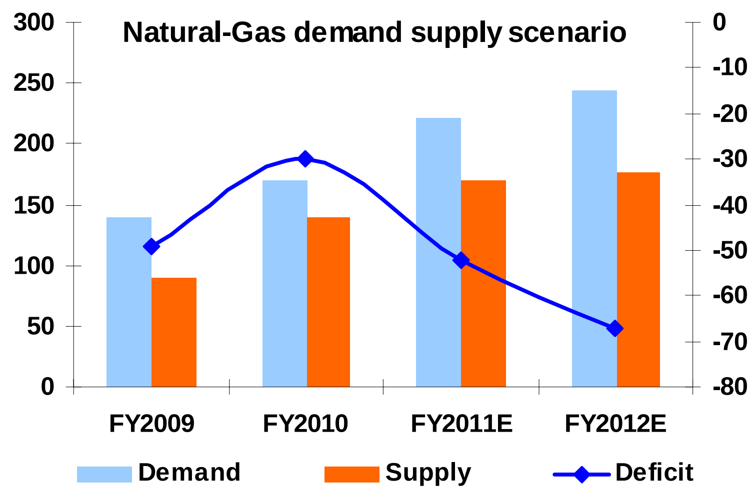
Demand to register a CAGR of 20% to reach 244 mmscmd in FY2012

Demand for natural gas has continuously outpaced supply. Going forward, according to AT Kearney, demand will continue to register a healthy growth rate of 20%. Despite the significantly high potential across several sectors, it is important to note that the Indian gas market is not mature, as there is huge variance in price from the point of production to place of consumption due to lack of pipeline infrastructure in the country. Hence, realisable demand for natural gas will be a function of gas supplies in the market, the price competitiveness of gas vis-à-vis alternative fuels, timely commissioning of the proposed transmission pipeline infrastructure, and some regulatory initiatives in power sector. If the last two factors (of the above mentioned) materialised, then the gas demand is expected to rise to around 390 MMSCMD within a decade (i.e., by FY2020) from the actual consumption of around 170 MMSCMD in FY2010.





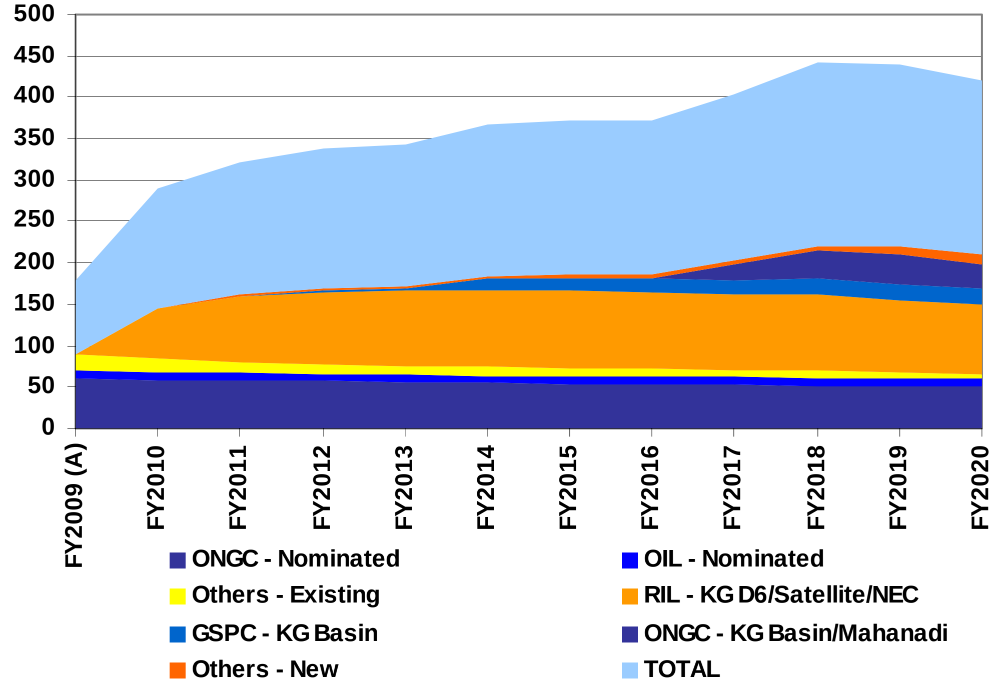
Source: ICRA, AKS Research



Source: *ICRA, AT Kearney, AKS Research*

Supply of natural gas is expected to increase

The Indian natural gas supplies saw an extraordinary growth of 63% in FY2010 with RIL commencing production from its KG basin D6 block, which led to increase in supplies from domestic fields to around 145 MMSCMD, from 89 MMSCMD in FY2009. With KG D6 going on stream, RIL has piped the position of ONGC to become the largest producer of natural gas in the country, a position held till now by ONGC for over five decades. Going forward, we expect domestic natural gas supplies to increase to around 220 MMSCMD by FY2020, from around 145 MMSCMD in FY2010. Besides RIL's KG D6 field, the other sources which will contribute towards supply increase include: KG basin satellite fields (owned by RIL consortium); NEC field (RIL consortium); Deen Dayal block in KG basin (GSPC consortium); KG-DWN-98/2 (ONGC); and MN-DWN-98/3 (ONGC). Further, ONGC is expected to begin gas production from several small and marginal fields that have been given to it on nomination by Govt. Since, there is around 7-8% decline in the output from the existing fields of ONGC, any significant net additions to production is not expected.



Source: *ICRA, AKS Research*

Huge prospects for LNG in India due to demand-supply mismatch in natural gas

Looking at the expected demand-supply mismatch in natural gas, there would be heavy reliance on LNG to meet the part of incremental demand. LNG is imported by India for over six years now, India has been using R-LNG, with the country currently having two operational terminals at Dahej (owned by Petronet LNG Limited, or PLL) and Hazira, Gujarat (owned by Shell Hazira LNG). Going forward, additional LNG will be available following expansion of the existing terminals at Dahej and Hazira, completion of the partially built terminal at Dabhol (Maharashtra), and establishment of greenfield terminals. As for greenfield ventures, the Kochi (Kerala) terminal project by PLL is under way, while the Mundra Gujarat terminal (by GSPC-Adani JV) is a possibility in the next three to four years. Besides, terminals are proposed in Mangalore, Karnataka (by ONGC) and Ennore, Tamil Nadu (by IOC), although they are still in the planning stage.

One of the most important concerns for all these new terminals is their ability to tie up LNG supplies through long-term contracts. In the case of PLL, LNG has been tied up for 7.50 MMTPA on long-term contract for the Dahej terminal, against the terminal's nameplate capacity of 10 MMTPA; the company will use the balance capacity to regassify spot LNG. For the Kochi terminal, PLL has tied up to the extent of around 1.44 MMTPA on long-term contract, against the terminal's capacity of 2.50 MMTPA. As for Shell, it has been using its Hazira terminal exclusively for regassifying spot LNG as part of its global business strategy. For the other terminals (Dabhol and Mundra), LNG is yet to be tied up on a long-term contract basis. Overall, the total LNG contracted on long-term basis is only 31.30 MMSCMD as on date, as against the projected cumulative capacity of 100.45 MMSCMD of these terminals.

(in MMTPA)	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
PLL Dahej	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
PLL Kochi	-	-	2.50	2.50	2.50	5.00	5.00	5.00	5.00	5.00
Shell Hazira	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Dabhol	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Mundra	-	-	-	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Total Capacity	**18.70**	**18.70**	**21.20**	**26.20**	**26.20**	**28.70**	**28.70**	**28.70**	**28.70**	**28.70**
Possible supplies at 100% capacity (in MMSCMD)	65.45	65.45	74.20	91.70	91.70	100.45	100.45	100.45	100.45	100.45

Note: *1 MMTPA = 3.50 MMSCMD of LNG*

Source: *ICRA, AKS Research*

ICRA's analysis indicates that there could still be fair demand for spot LNG, given that domestic supplies and the volume of LNG on long-term contracts may not be sufficient to meet domestic demand. It expects that, in practice, there could be a temporary glut in a few pockets, as has been observed in the current fiscal, because of pipeline capacity constraints and the lack of a balanced developed market for natural gas in India. It is believed that the trunk pipeline capacity constraints will get addressed in the near to medium term, given that GAIL, RGTIL and GSPL are either expanding their capacities or setting up pipelines in the regions not served so far. Thus, the demand for LNG should be favourable, with LNG sourced either under long-term contract or spot, in the coming decade.

Pipeline Regulation

Petroleum and Natural Gas Regulatory Board (PNGRB), incorporated in 2006, regulates the market to ensure fair trade and competition. It specifies transportation rates for pipelines and regulates the access to city gas distribution network. PNRGB also lays down regulations and technical specifications, including safety standards, in activities relating to petroleum, petroleum products and natural gas, including the construction and operation of pipeline and infrastructure projects related to downstream petroleum and natural gas sector. The policy environment, though focused on aggressive growth of pipeline infrastructure, is in an evolving stage.

Pipeline tariff would be calculated as per the PNGRB regulation based on discounted cash flow methodology considering a rate of return of 12% on capital employed plus a normative level of operating expenses for every pipeline separately. Further, a zonal model, wherein tariff would be the same for all customers within a zone, would be used for charging the tariff. This could lead to changes in tariff currently charged by transmission companies because present tariffs are on a case to case basis and to a large extent, determined by the negotiations between the two parties.

Outlook and Valuation

The demand and supply of gas is expected to remain robust as there will be continuous gas flows expected from various discoveries. Gujarat is and supposed to remain major gas hub in India as supply of gas is expected to grow at CAGR of 5% (from domestic fields, imports not considered) from FY2010 to FY2015, leaving huge opportunity for transmission prospects. We believe the company can be one of the biggest beneficiaries of the commencement and up-lifting of KG-D6 gas production and increasing volumes of Petronet's Dahej terminal capacity due to its existing connectivity with Reliance Gas Transmission Infrastructure (RGTIL) east-west pipeline and Shell's Hazira terminal. GSPL, being largest player in Gujarat and second largest trunk line operator in India, there are huge prospects for the company to cash-in the conversion of India from oil consumption to gas consumption.

We have valued GSPL based on the DCF methodology to arrive at a **price target of Rs136** (WACC — 10.42%, terminal growth rate — 2.0%). We initiate coverage with a **BUY** rating on the stock, with potential upside of 24%.

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
EBIT	6,960.49	8,245.01	9,792.17	10,455.23	11,509.40	12,676.41
Tax rate	*34%*	*35%*	*35%*	*35%*	*35%*	*35%*
EBIT(1-T)	4,594.44	5,359.26	6,364.91	6,795.90	7,481.11	8,239.67
Depriciation Expenses	2,364.88	2,485.34	2,721.59	3,036.59	3,360.34	3,710.34
Changes in working capital	1,420.11	(2,634.58)	(350.64)	175.77	53.78	(375.07)
Less: Fixed Capital Investment	(9,043.08)	(4,500.00)	(4,500.00)	(4,500.00)	(5,000.00)	(5,000.00)
Less:Non Operating Income	(247.45)	(307.24)	(334.03)	(378.89)	(441.55)	(553.80)
Free Cash Flow From Operations	**(911.10)**	**402.78**	**3,901.83**	**5,129.37**	**5,453.69**	**6,021.15**

Terminal Growth Rate

WACC	1.0%	1.5%	2.0%	2.5%	3.0%
9.4	134.8	141.0	148.0	156.0	165.3
9.9	129.7	135.2	141.4	148.5	156.6
10.4	125.2	130.1	**135.7**	141.9	149.0
10.9	121.1	125.6	130.5	136.1	142.4
11.4	117.4	121.5	126.0	131.0	136.6

Sensitivity Analysis

Since Tariffs & Volumes are the most important criteria for the company's earning & profitability, we have done a sensitivity analysis on tariffs & volumes vs. EPS. We have taken into account effect of change in tariffs, when volumes remain same and vice-versa and its effect on EPS and we found out that:

(FY2011)Tariff

Volume (in MMSCMD)

	0.75	0.79	0.83	0.87	0.92
34	6.18	6.74	7.30	7.85	8.55
36	6.77	7.36	7.95	8.54	9.28
38	7.36	7.98	**8.60**	9.22	10.00
40	7.95	8.60	9.26	9.91	10.73
42	8.53	9.22	9.91	10.60	11.46

FY2012 Tariff

Volume (in MMSCMD)

	0.72	0.76	0.80	0.84	0.88
42	7.62	8.31	9.00	9.68	10.37
44	8.19	8.91	9.63	10.35	11.07
46	8.75	9.5	**10.26**	11.01	11.76
48	9.31	10.1	10.88	11.67	12.45
51	10.16	10.99	11.83	12.66	13.5

Key Concerns

Low gas supply

Natural Gas supply is the key component in the company's profitability. Any change in present as well as future expected supplies will negatively affect the company's earnings and profitability. Moreover, any competitiveness of alternative fuels vis-à-vis natural gas would impact the volumes of GSPL.

Delay in project expansion

Any delay in execution of projects may result in substantial cost overruns and a higher interest burden. In addition to this, our volume estimates are also based on timely increase in capacity, any delay in the capacity increase might negatively affect company's earnings and profitability.

Financials

(INR Million)

Income Statement	2009A	2010A	2011E	2012E
Net Sales	**4,875**	**9,920**	**11,512**	**13,432**
Other Income	243	247	307	334
Total Income	5,118	10,167	1,819	13,766
Total Expenditure	630	594	782	918
Operating profit - Other Income	4,245	9,325	10,730	12,514
EBITDA	**4,488**	**9,573**	**11,038**	**12,848**
Interest	870	938	1,113	1,258
Depreciation & Amortization	1,705	2,365	2,485	2,722
Earnings Before Taxes	**1,914**	**6,269**	**7,439**	**8,868**
Operating profit - other income & Dep	2,540	6,960	8,245	9,792
Total Taxes	-679	-2131	-2604	-3104
Net Income After Taxes	**1,234**	**4,138**	**4,836**	**5,765**
Extraordinary Items	-	0.22	-	-
Reported Net Income	**1,234**	**4,138**	**4,836**	**5,765**
Reported EPS (INR)	2.20	7.36	8.60	10.26
Adjusted EPS (INR)	2.20	7.36	8.60	10.26
O/S Shares	562.1	562.4	562.1	562.1

Balance Sheet	2009A	2010A	2011E	2012E
Cash	975	1,742	3,049	7,409
Receivables	544	753	1,041	1,178
Inventories	926	1,327	1,523	1,752
Loans and Advances	3,018	3,600	3,862	4,138
Other Current Assets	153	129	1,451	1,656
Total Current Assets	**5,615**	**7,549**	**10,927**	**16,133**
Gross Fixed Assets	24,212	33,255	37,755	42,255
Less:Depriciation	6,526	8,887	11,372	14,094
Net Fixed Assets	17,686	24,368	26,383	28,161
CWIP	6,446	5,387	5,387	5,387
Investments	356	666	666	666
Misc. Expenses	33	3	3	3
Total Assets	**30,137**	**37,973**	**43,365**	**50,350**
Current Liabilities	3,742	4,848	4,284	4,780
Provisions	1,590	3,486	3,486	3,486
Current Liab & Provns	**5,331**	**8,334**	**7,769**	**8,266**
Total Debt	**11,509**	**12,595**	**14,395**	**15,832**
Equity Capital	5,621	5,624	5,624	5,624
Reserves	6,531	10,014	14,171	19,222
Deferred tax liability	1,144	1,405	1,405	1,405
Minority Interest	-	-	-	-
Total Liabilities and Equity	**30,137**	**37,973**	**43,365**	**50,350**
Capital Employed	24,805	29,639	35,596	42,084

Source: *Company data , AKS Research*

Cash Flow Statement	2009A	2010A	2011E	2012E
Profit Before Tax	1,914	6,242	7,439	8,868
Plus Depreciation	1,706	2,365	2,485	2,722
Others	670	795	(307)	(334)
Total Tax paid	(570)	(1,959)	(2,604)	(3,104)
Changes in working capital	(1,683)	1,420	(2,635)	(351)
Cash Flow from Operations	**2,038**	**8,862**	**4,379**	**7,801**
Capital expenditure	(4,579)	(7,777)	(4,500)	(4,500)
Proceeds from Asset Sales	0	3	-	-
Chg in investments	-	-	-	-
Others	297	157	307	334
Cash Flow from investing	**(4,283)**	**(7,617)**	**(4,193)**	**(4,166)**
FCF from Operations	**(2,245)**	**1,245**	**186**	**3,635**
Proceeds from issue of Equity/Warrants	2	5	-	-
Debt raised/(repaid)	1,849	1,086	1,800	1,437
Others	-	0	-	-
Dividend (incl. tax) paid	(329)	(493)	(679)	(713)
Interest Expenses	(871)	(1,075)	-	-
Cash Flow from Financing	**651**	**(478)**	**1,121**	**724**
Net Cash Flow	**(1,595)**	**767**	**1,308**	**4,359**
Beginning Cash Balance	2,569	975	1,742	3,049
Ending Cash Balance	**975**	**1,742**	**3,049**	**7,409**

Source: *Company data , AKS Research*

Ratio Analysis	2009A	2010A	2011E	2012E
Liquidity Ratios				
Current Ratio	**1.1**	**0.9**	**1.4**	**2.0**
Quick Ratio	**0.5**	**0.5**	**0.9**	**1.5**
Interest Coverage Ratio	**3.2**	**7.7**	**7.7**	**8.1**
Activity ratios				
Asset Turnover Ratio	**0.2**	**0.3**	**0.3**	**0.3**
Collection ratio	**9.0**	**13.2**	**11.1**	**11.4**
Inventory Turnover Ratio	**5.3**	**7.5**	**7.6**	**7.7**
Financing Ratio				
Debt/Equity	**0.9**	**0.8**	**0.7**	**0.6**
Debt/Asset	**0.4**	**0.3**	**0.3**	**0.3**
Performance Ratio				
Book Value per share	**21.6**	**27.8**	**35.2**	**44.2**
EBITDA Per share	**8.0**	**17.0**	**19.6**	**22.9**
EPS (Reported)	**2.2**	**7.4**	**8.6**	**10.3**
EPS (Adjusted)	**2.2**	**7.4**	**8.6**	**10.3**
EBITDA margin(%)	**87.1%**	**94.0%**	**93.2%**	**93.2%**
PAT margin(%)	**25.3%**	**41.7%**	**42.0%**	**42.9%**
P/E	**50.1**	**15.0**	**12.8**	**10.7**
Return on Networth	**8%**	**9%**	**23%**	**22%**
Return on Capital Employed	**12%**	**26%**	**26%**	**26%**
Return on Assets	**4%**	**11%**	**11%**	**11%**
P/BV	**5.1**	**4.0**	**3.1**	**2.5**
Free Cash Flow Per Share	**(4.0)**	**2.2**	**0.3**	**6.5**
Sales Per Share	**9**	**18**	**20**	**24**
Growth Ratio				
Net Sales	17%	103%	16%	17%
EPS	21%	235%	17%	19%

Source: *Company data , AKS Research*

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