Asit C. Mehta
Investment Intermediates Ltd.

COMPANY REPORT

HOLD

05 March, 2009

Key Data	INR
CMP	32
Target Price	37

Key Data	
Bloomberg Code	GUJS IN
Reuters Code	GSPT.BO
BSE Code	532702
NSE Code	GSPL
Face Value (INR)	10
Market Cap. (INR mn.)	18634
52 Week High (INR)	74
52 Week Low (INR)	25
Avg. Daily Volume (6m)	2226799
Beta (Sensex)	0.74
F & O	
Market lot	12200
Turnover (INR in mn)	3.6

Shareholding	%
Promoters	37.8
Mutual Funds / Bank/ FI	21.4
Foreign Institutional Investors	12.4
Bodies Corporate/Individuals/Others	28.3
Total	100.00

Particulars	FY09E	FY10E	FY11E
Revenues (INR mn)	4777.3	5545.8	7417.8
Op. Profit (INR mn)	4157.0	4982.8	6664.8
OPM %	87.1	89.8	89.8
PAT (INR mn)	1192.6	1047.2	1462.3
EPS (INR)	2.1	1.9	2.6

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Gujarat State Petronet Limited

We initiate coverage on Gujarat State Petronet Ltd. (GSPL) with a **"Hold"** recommendation and a target price of INR37. An expansive pipeline network and existing contracts are strong positives. However, we believe that regulated returns at the industry level and additional spending on social responsibilities mandated by the Government of Gujarat (GoG) will depress return ratios in the near to medium term.

Investment Rationale

- **Throughput would increase:** GSPL has signed two long-term contracts for transporting 15.5mmscmd of natural gas: A 4.5mmscmd contract with Torrent Power for its power plant; and 11mmscmd contract with Reliance Industries Ltd. (RIL) to supply natural gas to its Jamnagar refinery. We believe that contracts would boost GSPL's volume significantly in FY11E and provide long-term revenue visibility.
- **Margin to increase for FY10E and FY11E:** We believe that the higher volumes engendered by the long-term contracts, accompanied by and lower transportation and connectivity charges from Q4 FY09 will help GSPL to improve its operating margins.
- **Pipeline expansion enables deeper connectivity:** Currently, GSPL has a total pipeline network of around 1180 kilometers (km). The company is planning to increase this network up to 2000 km by CY11 and is expected to invest approximately INR10 bn over the next two years.
- **Nevertheless, returns would remain subdued:** Due to the prevalence of regulated returns at the industry level and additional outgo toward social responsibilities, we expect return ratios to remain subdued in the foreseeable future.

Valuation

We expect GSPL's sales to grow at 21.1% CAGR and PAT to grow at 13.5% CAGR from FY08 to FY11E. Long-term contracts with RPL and Torrent Power are expected to lead GSPL's growth in FY10E and FY11E. However, we expect a decline in earnings in FY10E (FY10E EPS of INR.1.9 compared with FY09E INR2.1) owing to the company's expected contribution to GoG's socio-economic projects. At the CMP of INR32, GSPL is trading at 1.4x its FY10E P/BV and 1.3x its FY11E P/BV. We recommend a **Hold** for GSPL with a target price of INR37, translating to 1.5x FY11 BV.

Background

Gujarat State Petronet Ltd. (GSPL) is the first pure Indian natural gas transmission company. The company operates the second-largest natural gas transmission network in India. GSPL's gas transmission network serves Gujarat, connecting its major natural gas supply source and demand centers. The company operates 1180-kilometer (km) natural gas pipeline network and transports more than 18-19 mmscmd gas volumes.

Investment Thesis

Gujarat State Government directive will punctuate the growth story

GSPL has been enjoying the benefits of ownership of a unique and valuable asset in India's fast-growing gas market and a visible volume-led growth. Lending continuity to the growth story, GSPL has contracts in place with Torrent Power and RPL, which would boost volume significantly in FY11E and provide long-term revenue visibility. The company also has pipeline expansion plans that will fortify its position through deeper connectivity and penetration. GSPL's total pipeline network today stands at around 1180 km and the expansion plans would increase this to 2000 km by CY11.

Nevertheless, this growth story is likely to be punctuated by the directives of GoG. We believe that the stock price is factoring the negative implications of state government directive on profit distribution.

We are of the opinion that the contribution to charitable purposes comes around the time when most global economies are experiencing a pronounced slowdown, which is rubbing off on India as well. Lower oil prices have impacted spot LNG offtake and will likely impact volume growth until we can see a strong correction in LNG prices. GSPL is also exposed to regulatory risks in a scenario that is unfolding. Moreover, uncertainties continue to persist with regard to gas from the contentious KG basin.

Given this backdrop, we recommend a **Hold** for GSPL with a target price of INR37, translating to 1.5x FY11 BV, with a 12 months horizon.

Domestic Natural Gas Industry

Natural Gas

Natural Gas is a gaseous mixture of hydrocarbons, principally methane and non-hydrocarbons found in porous rock formation.

Usage of Natural Gas

Sector	Natural Gas is used
Generation of electricity by utilities	As fuel for base load power plants,In combined cycle/co-generation power plants.
Fertilizer Industry	As feedstock in the production of ammonia and urea.
Industrial	As an under boiler fuel for raising steam, As fuel in furnaces and heating applications.
Domestic and commercial	For heating of spaces and water, For cooking.
Automotive	As a non-polluting fuel.
Petrochemicals	As the raw material from which a variety of chemical products, e.g. methanol, are derived.
Source: Company	

Fuel cost comparison

Natural Gas meets most of the industries and is preferred because: **1) It is efficient; 2) It is non-polluting; and 3) It is relatively economical.** The periodic uncertainties and volatility in both the price and supply of oil have also helped Natural Gas emerge as a major fuel in the energy basket across countries. As a fuel Natural Gas is mainly compared with fuels such as naphtha, furnace oil (FO) and Low Sulphur Heavy Stock (LSHS) for the industrial segment, with petrol and diesel for the transport segment and LPG for the commercial and domestic segments. In India, naphtha has been widely used to produce urea owing to inadequate availability of natural gas. However, the share of naphtha in the feedstock mix is expected to decline, following the increased availability of natural gas through LNG imports.

Thus, most industries that use fuel oil (FO) or naphtha for heating purpose can easily substitute it with natural gas. The table below illustrates the price comparison of fuels with regard to power generation.

	Location	Unit	Price	CalorificValue	Cost	Heat rate	Cost of Generation	Fuel cost	Fixed cost of Generation	Tariff	Efficiency
			INR/unit	Kcal/unit	INR/mill kcal	kcal/kwh	INR/kwh	$ per mmbtu	INR/kwh	INR/kwh	(per cent)
Naphtha - imported	Coast	kg	19.40	10,500	1,847	1,800	3.33	9.5	1.00	4.33	47.8
	1,000 km		20.15		1,919		3.45	9.9	1.00	4.45	
Coal-Domestic	Well-head	kg	1.04	3,780	274	2,500	0.69	1.4	1.00	1.69	34.4
	1,000 km		1.79		473		1.18	2.4	1.00	2.18	
Coal-Imported	Well-head	kg	4.59	6,500	706	2,500	1.77	3.6	1.00	2.77	34.4
	1,000 km		5.34		822		2.05	4.2	1.00	3.05	
Natural gas-APM	Well-head	cubmeter	3.52	10,000	352	1,800	0.63	1.8	0.80	1.43	47.8
	1,000 km		4.85		485		0.87	2.5	0.80	1.67	
LNG-Spot	Coast	cubmeter	19.45	9,500	2,048	1,800	3.69	10.6	0.80	4.49	47.8
	1,000 km		20.72		2,181		3.93	11.3	0.80	4.73	
LNG-Pooled	Coast	cubmeter	8.61	9,500	906	1,800	1.63	4.7	0.80	2.43	47.8
	1,000 km		10.10		1,063		1.91	5.5	0.80	2.71	
Fuel oil - imported	Coast	kg	12.02	9,000	1,336	1,800	2.40	6.9	1.00	3.40	47.8
	1,000 km		12.77		1,419		2.55	7.3	1.00	3.55	

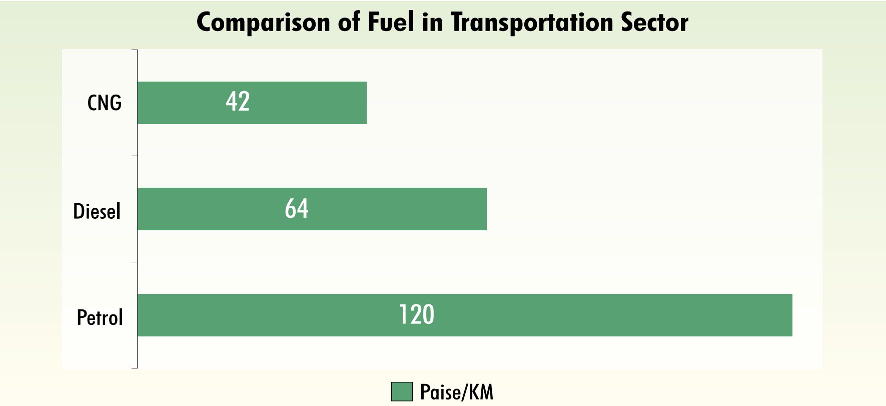
Source: CRISIL Research, Note: Prices across fuels are average price for Jan 2009

In this case, we compare fuels on the basis of the total expenditure incurred to create one million Kilocalories of energy. The above comparison of fuel prices, shows that natural gas has traditionally been more economical than naphtha and FO. Hence industries which currently operate plants using naphtha and FO are expected to switch to natural gas, going forward.

For the industrial and commercial customers, natural gas offers an 18% (compared with coal domestic) cost benefit. The cheapest source of power generation is APM natural gas (Rs.0.63/Kwh).

Fuel cost comparison in Transportation sector

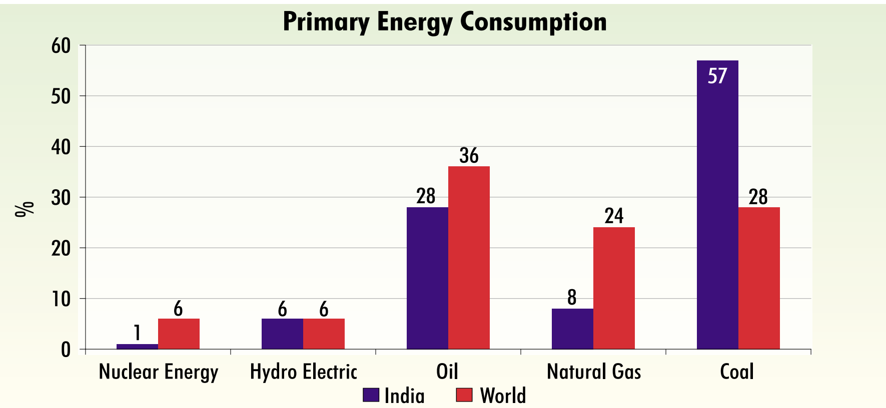
In general, fuels are compared on the basis of running cost of vehicle. The Chart below illustrates how CNG is nearly three times more economical than other fuels such as diesel and petrol.



Source: CRISIL Research

Indian gas Sector Overview

Natural gas comprises about 8% of the total energy basket of the country, compared with the world average of 24%. The structure of primary energy consumption in India shows that coal dominates the basket of energy source. However, the scenario is expected to change, largely because of the expected increase in the availability of natural gas in the country. Considering the global trend of shift in energy from oil to gas, the share of gas in consumption pattern is likely to increase gradually in India too.



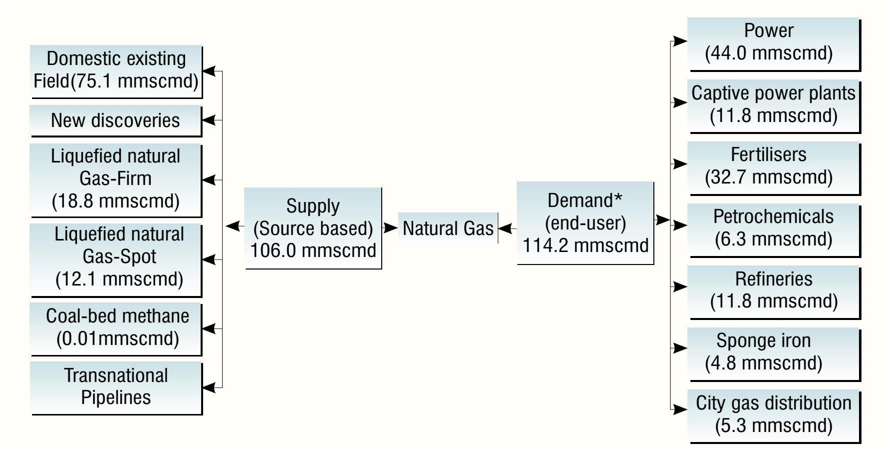
Source: BP Statistic report 2007

Domestic Reserves

India's total proven reserves of natural gas as of end-2007 were around 1055 billion cubic meter (bcm). The total gas production in the country has increased at a 3% CAGR from 18 bcm in 1990-91 to 32.3 bcm in 07-08. India's reserves are likely to last for 32-35 years at the same production level, compared with oil reserves of 18-21 years.

Reliance, ONGC and GSPC have made huge offshore discoveries in the KG basin area of Andhra Pradesh. Onshore reserves are located in Gujarat, Andhra Pradesh, Tamil Nadu, Rajasthan, Assam, Nagaland, Arunachal Pradesh, and Tripura.

Natural Gas Demand, Supply and consumption pattern (2007-08)



Note: - *refers to demand estimated based on historical operating rates
Source: CRISIL Research

The contribution of natural gas to India's primary energy consumption has increased from just over 1% in 1980 to 9% in 2007-08. Going forward, natural gas demand is expected to grow at 12% CAGR from 114.2 mmscmd in FY08 to 201 mmscmd in FY13P. Demand is likely to increase due to the expected commissioning of certain power plants, reopening of some closed fertiliser units, and continued investments in City Gas Distribution (CGD). The new discovery of RIL's D6 block of KG basin will play an important role in meeting India's energy requirement.

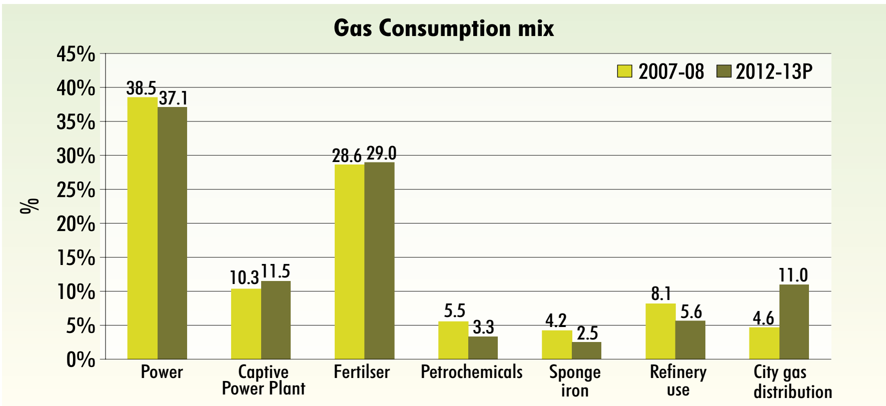
Natural gas demand-supply Outlook (mmscmd)

Demand break up	2007-08	2008-09 P	2009-10 P	2010-11 P	2011-12 P	2012-13 P	CAGR (%)
Power	44.0	56.6	60.8	60.8	66.8	74.6	11.2
Captive power plant	11.8	12.4	18.3	19.7	21.6	23.1	14.3
Fertiliser	32.7	33.3	37.8	48.7	56.9	58.2	12.3
Petrochemicals	6.3	6.4	6.7	6.7	6.7	6.7	1.2
Sponge iron	4.8	4.9	4.9	4.9	5.0	5.0	1.0
Refinery use	9.3	9.8	10.4	10.6	10.9	11.3	3.8
City gas distribution	5.3	7.4	10.3	13.7	17.6	22.1	32.8
Total	**114.2**	**130.9**	**149.1**	**165.1**	**185.6**	**201.0**	**12.0**

Source: CRISIL Research, P: Projected

"Incremental growth from CGD"

Consumption mix of Natural Gas



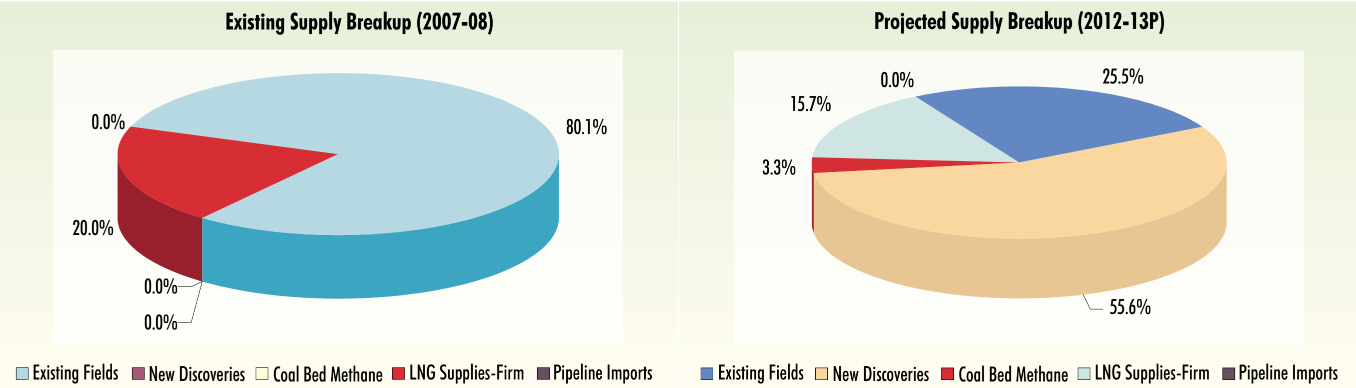
Source: Crisil Research, P: Projected

As seen in the above figure, demand for natural gas is expected to improve over next 3 to 4 years. City gas distribution is expected to play an important role in supporting this demand and is expected to record 32.5% CAGR, from 5.3 mmscmd in 2007-08 to 22.1 mmscmd in 2012-13P, followed by the power and fertiliser sectors.

Supply break up (mmscmd)	2007-08	2008-09 P	2009-10 P	2010-11 P	2011-12 P	2012-13 P	CAGR (%)
Existing fields	75.1	70.6	66.3	59.2	51.7	46.0	-9.3
New discoveries	0.0	8.0	53.0	67.0	96.0	100.4	-
Coal bed methane	0.0	1.5	2.5	4.0	5.0	6.0	-
LNG supplies - Firm	18.8	18.8	24.2	28.3	28.3	28.3	8.6
Pipeline imports	0.0	0.0	0.0	0.0	0.0	0.0	-
Total	**93.8**	**98.8**	**145.9**	**158.5**	**180.9**	**180.7**	**14.0**
Surplus/Deficit	**-20.4**	**-32.1**	**-3.2**	**-6.6**	**-4.6**	**-20.3**	

P: Projected, Note: Without assuming the supply from Spot LNG in supply projections

Source: CRISIL Research



Source: CRISIL Research

> **"Incremental Supply from RIL's D6 KG basin"**

Total natural gas supply in 2007-08 was around 106 mmscmd, of which domestic gas constituted around 71%. Going forward, it is expected to grow at 14% CAGR from 93.8 mmscmd in FY08 to 180.7 mmscmd in FY13P. The existing fields, which currently dominate the supply scenario have matured and production from these fields has started declining. Going forward, incremental supply is expected to come from the new discoveries made by RIL, ONGC and GSPC which can be classified as medium to large. Thus, the supply mix is expected to change drastically over the next 4-5 years and new discoveries are likely to dominate the supply scenario.

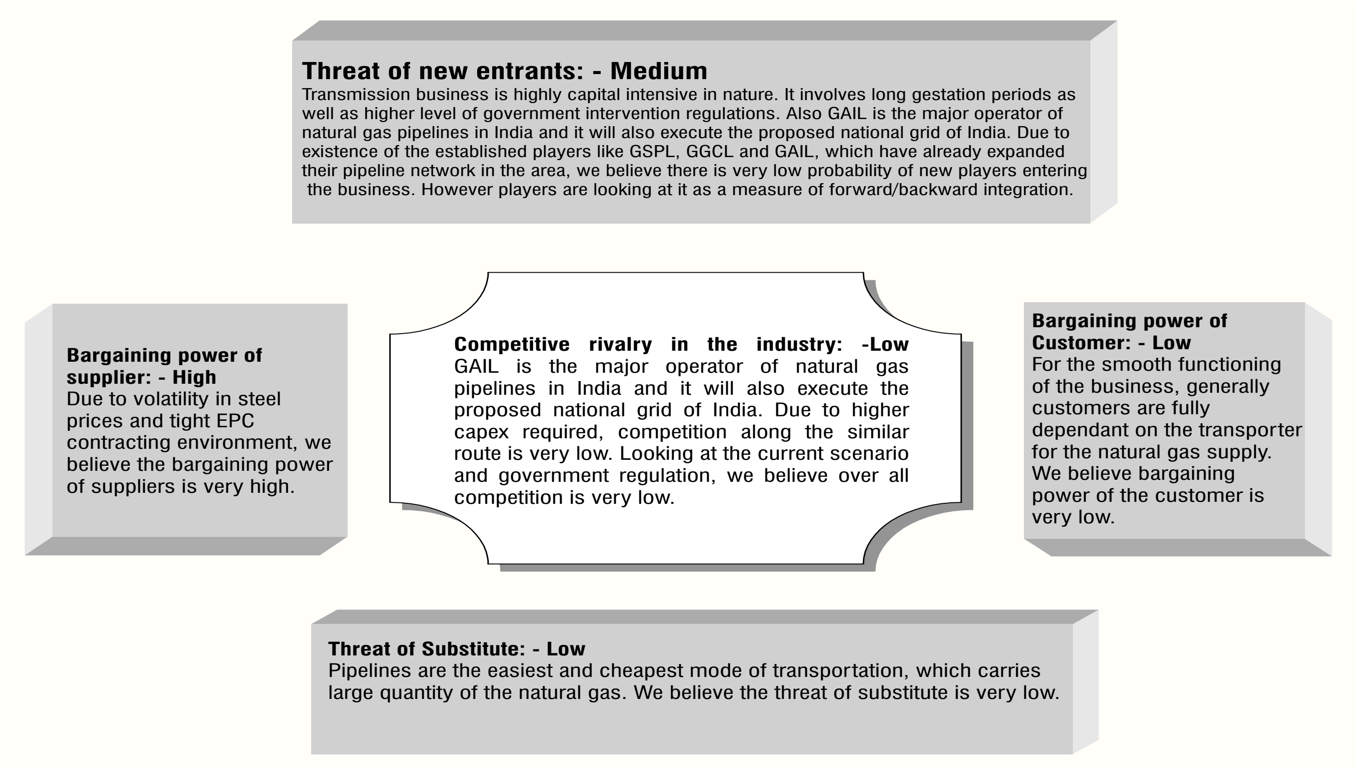
Present Pipeline infrastructure in India

Company-wise Pipeline Ownership	Km
GAIL	6800.0
ONGC	2680.0
OIL	213.0
GSPL	1180.0
GGCL	2200.0
Assam Gas	1000.0
BPCL	26.0
Total	**14099.0**

Source: CRISIL Research

India has a total pipeline infrastructure of around 14,099 kms, with carrying capacity of around 204 mmscmd of gas. Gas Authority of India Limited (GAIL) is the country's largest gas transmission and marketing company. GAIL currently owns and operates around 48% of the total pipeline network, with over 6800 km of pipeline spread across the country. Its existing gas infrastructure can support the production and transportation of 154 mmscmd of gas. GSPL owns and operates 1180 km of pipeline with the transmission capacity of 40 mmscmd, occupying a second place. Currently, these two companies play a vital role in transmission of natural gas in India.

Porter's five-force analysis for Gas Transmission

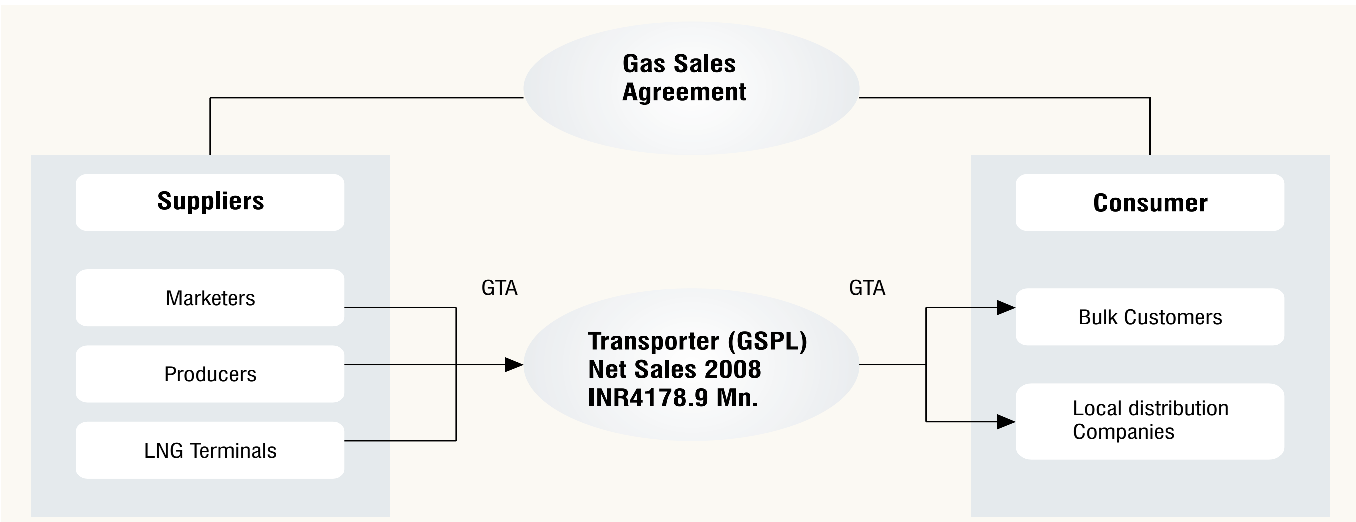


Source: ACMIIL Research

Company Background

Gujarat State Petronet Ltd. (GSPL) is the first pure Indian natural gas transmission company. The company operates the second-largest natural gas transmission network in India. GSPL's gas transmission network serves Gujarat, connecting its major natural gas supply source and demand centers. The company operates 1180-kilometer (km) natural gas pipeline network and transports more than 18-19 mmscmd gas volumes.

Business Model

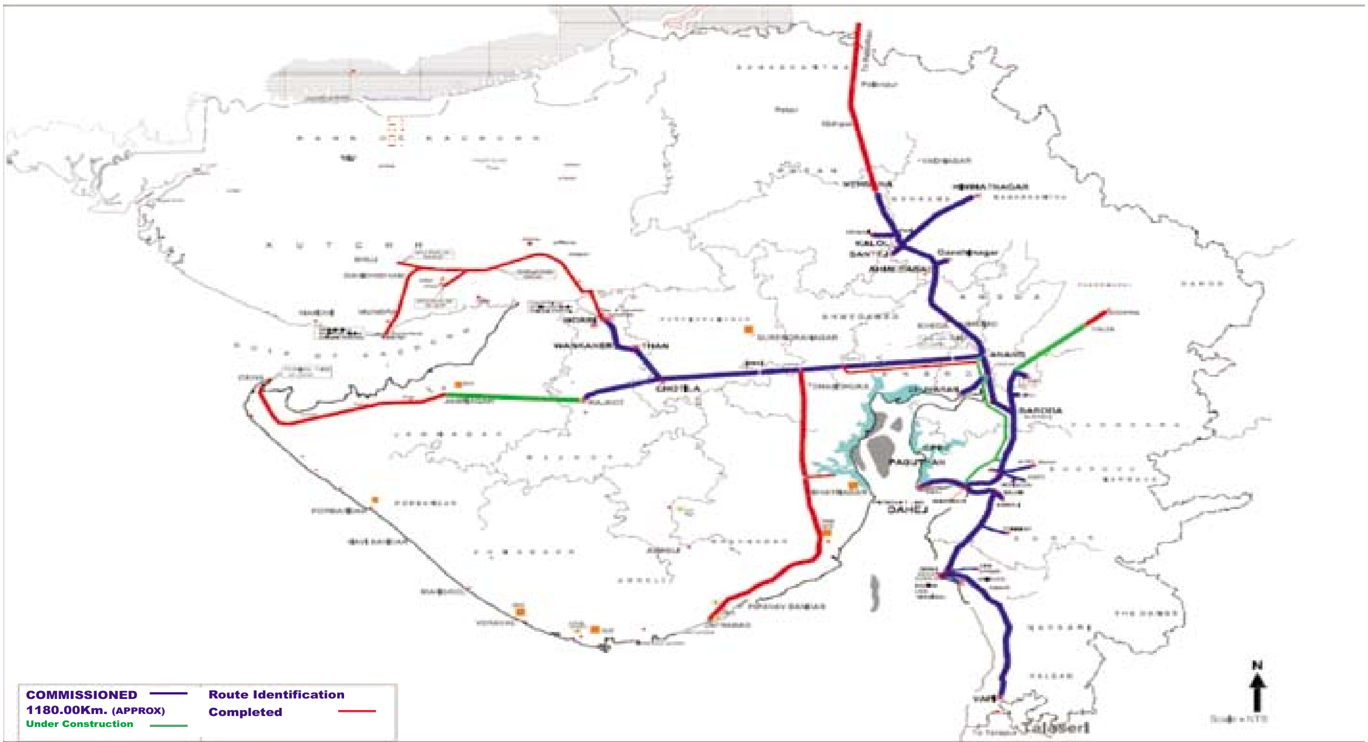


Source: Company

Natural gas suppliers include marketers, producers (exploration companies) and LNG terminals. Marketers include firms such as Bharat Petroleum Corporation Limited (BPCL), GAIL and Indian Oil Corporation (IOC). These firms first purchase natural gas from producers and LNG terminals and then sellers and purchasers of natural gas enter into gas sales agreements (GSA) that specify the price, quantity and other commercial terms. Either the user or the supplier must enter into a gas transmission agreement (GTA) with GSPL to transport the natural gas from the supply source to the user's delivery point. The GTA's indicate the entry and the exit points for the natural gas as it travels through the network. It also specifies the tariff, tenure, capacity reserved, payment terms, security terms and events of default, operating code, which stipulates the minimum natural gas quality requirements at gas entry and exit points.

Natural Gas Transmission Network

GSPL's existing gas transmission network consists of medium to high-pressure pipelines connecting natural gas supply points at Hazira and Dahej to consumption points. Currently, it covers the districts of Ahmedabad, Anand, Baroda, Bharuch, Gandhinagar and Surat. This area is commonly known as the "Golden Corridor" in which large numbers of industries in Gujarat are concentrated.



Source: Company

About 1180 Kms of pipeline is already laid and is under operation from Hazira–Baroda–Ahmedabad–Kalol-Himmatnagar-Mehsana-Rajkot-Morbi-Vapi.

The network includes the sections of

Name	Km.
Hazira–Mora	13.8
Amboli–dahej	44.8
Mora–Utran	25
Bhadbhut–Paguthan	25.74
Cairn–Mora	6.4
GNFC, Videocon, Mora–Kribhco	8
Paguthan–Baroda	83.5
Petronet–GACL	8.5
Baroda–Ahmedabad–Kalol	143
Mora–Sajod	58
Kalol–Santej	15
Anklav Dhuvaran	30
Ambapur Gandhinagar	15.5
Kalol Himmatnagar	63
Kalol Mehsana	40
Anand Rajkot	290
Mora Vapi	129
Others	181
Total	**1180**
Source: Company	

Apart from this, approximately 425 km of pipeline is under construction. Out of this, 75 km is under execution station and 350 km is at the awarding stage.

Current Break up of supply

Source of supply	%
Petro net LNG	40-50
Cairn	10-15
GSPC	10-15
PMT	10-15
Shell	10-15
Source: Company	

With one LNG terminal at Dahej, Gujarat, Petronet LNG is the major supplier of firm as well as spot LNG to the company. The rest all players were supplying in the range of 10-15% as of the last quarter. But in future, RIL's KG basin and GSPC will play the major role in supplying Natural gas from the East-coast of India.

Revenue contribution

Revenue Breakup by Industry	%
Power	45
CGD	25-30
Steel	13
Fertilizer	5
Others	10
Source: Company	

As seen in the above table, Power and City Gas Distribution (CGD) contribute almost 70% of current revenue, followed by the steel and other industries to 13% and 10% respectively. Going ahead, the CGD and refinery sector (mainly RPL) will contribute more toward the revenue in FY10E and FY11E.

Key advantage to the company

- **Long-term contract with RIL and Torrent power:** GSPL has signed two long-term contracts for transporting 15.5mmscmd of natural gas: A 4.5mmscmd contract with Torrent Power for its power plant; and 11mmscmd contract with Reliance Petroleum Ltd. (RPL) to supply natural gas to its Jamnagar refinery. The company has already started supplying gas to Torrent power from November 18, 2008 and expects around 6-8 months to reach peak volumes of 4 mmscmd. Supplies to RIL are expected to take another 12-14 months to reach its peak level of 11mmscmd. We believe these could contribute a major portion of the revenue in FY10E and FY11E.
- **Production from RIL's D6 KG basin gas starts from the April 09:** RIL is engaged in a legal battle with the Anil Ambani-promoted Reliance Natural Resources (RNRL) over gas supplies, based on a demerger pact between the Ambani brothers. The final hearing of the court is expected in March-09. Within 10-12 months, RIL plans to raise the production up to the 80mmscmd. This would impart stability to natural gas supply in the country.
- **Capacity expansion of the Petronet LNG:** Petronet LNG Ltd has set up the country's s first LNG receiving and regasification terminal at Dahej, Gujarat, and is in the process of building another terminal at Kochi, Kerala. While the Dahej terminal has a nominal capacity of 5 million metric tones per annum (MMTPA) (equivalent to 20 MMSCMD of natural gas, the Kochi terminal will have a capacity of 2.5 MMTPA (equivalent to 10 MMSCMD of natural gas). Looking at the current demand /supply gap of natural gas and assured supply of Spot LNG from the Ras Laffan Liquefied Natural Gas Ltd, the company has expanded its Dahej capacity from 5 MMTPA to 6.5 MMTPA (approximately 24.3 mmscmd) to satisfy the balance demand. These could lead to a higher availability of spot LNG for the GSPL and other players.
- **Continuous increase in demand of natural gas:** Historically, demand for natural gas at the domestic level has always been higher compared with supply. This is mainly due to demand from the power, fertilizer, and refinery sectors. New gas availability from the KG basin will improve supply for these industries. Given that the gas supply situation likely to change from 2009-10, these industries are expected to switch to gas from traditional fuels. Going forward, CGD is also expected to boost the demand for natural gas.

Capex and Expansion plans

- GSPL is planning to expand pipeline infrastructure in the state of the Gujarat. The company has planned to spend around Rs.10000mn over the next two years. Looking at the current debt to equity ratio of 0.9, company is in a position to raise further debt to fund its expansion plans.
- The company is planning expansion in other routes such as Morbi—Mundra and the Limbdi-Pipavav for which it has completed the route identification.

Corporate Social Responsibilities

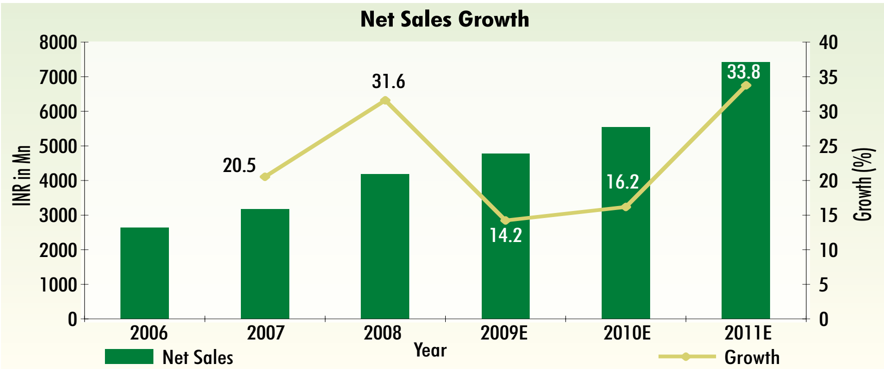
As per the Gujarat government six PSU companies are being looked at for contribution towards the Socio-economic projects. For that companies have to pay 30% pre tax profit to the Government of Gujarat. As of now there is no specific project for GSPL to contribute for FY09 but we have considered contribution in FY10E and FY11E.

Risk and concerns

- **Competitive prices of substitute products:** Change in prices of hydrocarbon products such as LPG, Naphtha or fuel oil would change the preference from the natural gas to that product.
- **Delay in supply of new gas:** Higher-than-expected delay in supply of new gas from KG basin will impact GSPL's revenues. This would also affect the overall throughput of natural gas and expansion plans of key pipelines.
- **Regulatory risk:** Changes in regulation pertaining to gas pipeline tariffs by Petroleum and Natural Gas Regulatory Board would adversely affect the company's revenue.
- **Contribution towards GSEDS would erode profitability:** Government of Gujarat (GoG) expects six PSU companies to pay 30% pre tax profit as a contribution towards "Gujarat Socio Economic Development Society". As of now there is no specific project for GSPL to contribute for FY09 but we have considered the contribution in FY10E and FY11E. Considering these contributions FY10E and FY11E, EPS estimates decline from INR2.7 and INR3.7 to INR1.9 and INR2.6 respectively. Moreover, due to lack of clarity, there exists the risk related to increase in contribution in future and applicability of the same for a prolonged period.
- **Slow down in demand would affect spot volumes of GSPL:** Due to downturn in demand, alternative prices of fuels such as naphtha and FO have declined considerably, affecting the volumes related to spot natural gas and LPG over short to medium term. Moreover, RIL is expected to take at least 12-14 months to reach at its peak production level of 80 mmscmd and considerable contribution from the same is expected to start only from FY11.

Financials

Net sales have grown at a CAGR of 25.9% from INR2634.7 mn in FY06 to INR 4178.9 mn in 2008. Increase in sales is mainly because of addition of clients, in tandem with expansion plan of the company.

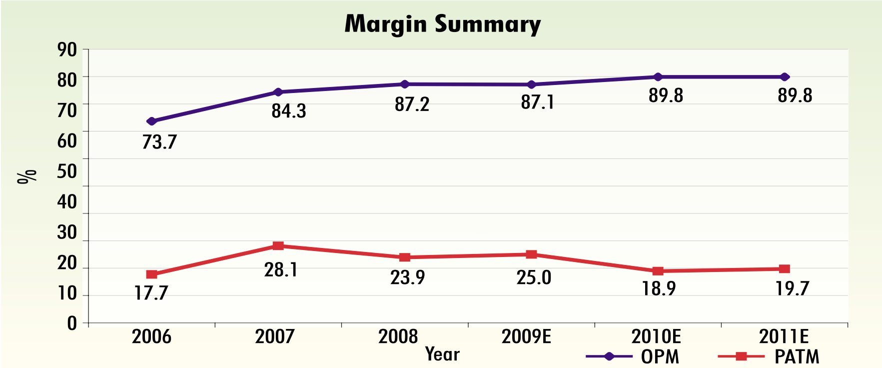


Source: Company, ACMIIL

We expect the company's sales to grow at a CAGR of 21.1% from INR4178.9 mn in FY08 to INR7414.8 mn in FY11E. Torrent power and RPL are expected to drive volume growth in FY10E and FY11E.

Margin Summary

Operating profit has increased at 37% CAGR from INR1941.4 mn in FY06 to INR3644.8 mn in FY08. During FY08, the company registered operating profit margin of 87.2%, which is expected to increase to 89.8% in FY10E and FY11E. Additional volumes owing to the Torrent and RPL contracts are likely to drive the margin expansion.



Source: Company, ACMIIL

Net profit has increased at 46.3% CAGR from INR466.7 mn in FY06 to INR 999.2 mn in FY08. During FY08, the company registered PATM of 23.9%, which is expected to decline to 18.9% and 19.7% in FY10E and FY11E respectively. The drop in margins would be mainly due to contribution towards socio-economic project.

Valuation

We expect GSPL's sales to grow at a CAGR of 21.1% and PAT to grow at a CAGR of 13.5% from FY08 to FY11E. However earnings are expected to decline in FY10E (FY10E EPS of INR.1.9 compared with FY09E INR2.1) as a result of contributions towards the Socio-economic projects. Long term Contract from RIL and Torrent power is expected to lead GSPL's growth in FY10E and FY11E. At the CMP of INR32, GSPL is trading at 1.4x its FY10E P/BV and 1.3x its FY11E P/BV. We recommend a **Hold** for GSPL with a target price of INR37, which is equivalent to 1.5x FY11 BV.

Profit & Loss A/C						(INR in Mn)
Particular	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**
Sales	2634.7	3175.6	4178.9	4773.3	5545.8	7417.8
Other income	44.7	174.5	293.8	270	300	300
Total	**2679.4**	**3350.1**	**4472.7**	**5043.3**	**5845.8**	**7717.8**
Total Expenditure	693.3	498.3	534.1	616.3	563.0	753.0
Operating Profit	1941.4	2677.3	3644.8	4157.0	4982.8	6664.8
EBIDTA	**1986.1**	**2851.8**	**3938.6**	**4427.0**	**5282.8**	**6964.8**
EBIDTAM	74.1%	85.1%	88.1%	87.8%	90.4%	90.2%
Depreciation	790.6	1026.1	1632.1	1698.5	1928.8	2509.0
EBIT	1195.5	1825.7	2306.5	2728.5	3354.1	4455.9
Interest	412.1	456.5	815.1	893.8	1052.6	1242.0
PBT	783.4	1369.2	1491.4	1834.8	2301.5	3213.9
Prior Period Adjustment	0.6	3.4	0.2	0	0	0
PBT	784.0	1372.6	1491.6	1834.8	2301.5	3213.9
Contribution towards CSR					**690**	**964**
PBT after CSR (30% on PBT)	0	0	0	0	1611	2250
Tax	317.3	478.8	492.4	642.2	563.9	787.4
PAT	**466.7**	**893.8**	**999.2**	**1192.6**	**1047.2**	**1462.3**
Sales Growth (%)	**-**	**20.5**	**31.6**	**14.2**	**16.2**	**33.8**
OPM (%)	**73.7**	**84.3**	**87.2**	**87.1**	**89.8**	**89.8**
PATM (%)	**17.7**	**28.1**	**23.9**	**25.0**	**18.9**	**19.2**

Source: Company, ACMIIL

Balance Sheet Statement						(INR in Mn)
Particular	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**
Sources of Funds						
Total Equity Capital	5422.4	5428.0	5620.0	5620.0	5620.0	5620.0
Reserves and Surplus	3652.5	4231.2	5789.5	6592.7	7313.8	8450.0
Total Share holders Fund	**9074.9**	**9659.2**	**11409.5**	**12212.7**	**12933.8**	**14070.0**
Total Loans	5786.2	8638.3	9660.4	12501	14035	13800
Deferred Tax Liability	784	918.6	1001.5	1001.5	1001.5	1001.5
Total	**15645.1**	**19216.1**	**22071.4**	**25715.2**	**27970.3**	**28871.5**
Application Of Funds						
Fixed Assets						
Gross Block	9805.1	18889.2	20190.4	22953	27953	33453
Less: Depreciation	2205.2	3228.3	4819.2	6517.7	8446.5	10955.5
Net block	**7599.9**	**15660.9**	**15371.2**	**16435.3**	**19506.5**	**22497.5**
Capital Wrk in Prog.	6050.6	1367.8	5887.9	7500	6500	5000
Total	**13650.5**	**17028.7**	**21259.1**	**23935.3**	**26006.5**	**27497.5**
Deferred Tax Assets	275.7	1.6	2.5	2.5	2.5	2.5
Investments	0	0	355.7	355.7	355.7	355.7
Net Current Assets	1595.8	2093.6	390.8	1420.6	1605.5	1015.7
Misc. Exp	123.1	92.2	63.3	0	0	0
Total	**15645.1**	**19216.1**	**22071.4**	**25715.2**	**27970.2**	**28871.4**

Source: Company, ACMIIL

Cash Flow statement						(INR in Mn)
Particulars	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**
PBT	784.0	1372.6	1491.6	1834.7	2301.5	3213.9
Operating profit before wrk Cap Chng.	2017.7	2885.1	3968.7	4427.0	5282.8	6964.8
Net Cash Flow From Operating Activities	**2486.3**	**1758.4**	**6018.3**	**2495.2**	**3451.2**	**5006.6**
Net Cash Flow From Investing Activities	**-6049.2**	**-4404.2**	**-6218.4**	**-4374.7**	**-4000**	**-4000**
Net Cash Flow From Financing Activities	**5508.9**	**2086.0**	**958.14**	**1630.7**	**155.3**	**-1803.1**
Net Inc/Dec in Cash and Cash Equivalents	1946.0	-559.9	758.1	-248.8	-393.5	-796.4
Cash and Cash Equivalents at the beg. Of the year	426.1	2372.1	1811.1	2569.2	2320.4	1926.9
Cash and Cash Equivalents at the End Of the year	**2372.1**	**1812.2**	**2569.2**	**2320.4**	**1926.9**	**1130.4**
Source: Company, ACMIIL						

Ratio						
	2006	**2007**	**2008E**	**2009E**	**2010E**	**2011E**
Profitability Ratios						
EBDITAM (%)	74.1%	85.1%	88.1%	88%	90%	90%
PATM (%)	17.7%	28.1%	23.9%	25%	19%	20%
ROCE (%)	8.0%	10.0%	10.9%	11.1%	12.5%	16.1%
RONW (%)	5.1%	9.3%	8.8%	9.8%	8.1%	10.6%
Capital Structure Ratios						
Debt-Equity Ratio	0.6	0.9	0.8	1.0	1.1	1.0
Turnover Ratios						
Fixed Assets	0.3	0.2	0.3	0.3	0.3	0.3
Inventory	7.3	7.2	10.5	10.5	10.5	10.5
Debtors	19.2	9.1	10.0	9.1	9.1	9.1
Solvency Ratios						
Current Ratio	1.9	2.2	1.1	1.4	1.5	1.2
Interest Coverage ratio	2.9	4.0	2.8	3.1	3.2	3.6
Valuation ratios						
EPS INR	0.9	1.6	1.8	2.1	1.9	2.6
CEPS INR	2.3	3.5	4.7	5.1	5.3	7.1
BV/share INR	16.7	17.8	20.3	21.6	23.0	25.0
P/BV (x)	-	-	-	1.5	1.4	1.3
P/E (x)	-	-	-	15.2	16.8	12.3
Source: Company, ACMIIL						

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1. Analyst ownership of the stock	NO
2. Broking Relationship with the company covered	NO
3. Investment Banking relationship with the company covered	NO
4. Discretionary Portfolio Management Services	NO

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