28th November, 2006

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Stock details

BSE Code	502157
Bloomberg Code	MGC@IN
Market Cap (Rs mn)	5875.38
Free Float (%)	56.09
52-wk Hi/Lo (Rs)	229/67
Avg Daily Vol (BSE)	148484
Avg Daily Vol (NSE)	299849
Shares o/s (mn) FV Rs 10	28.25

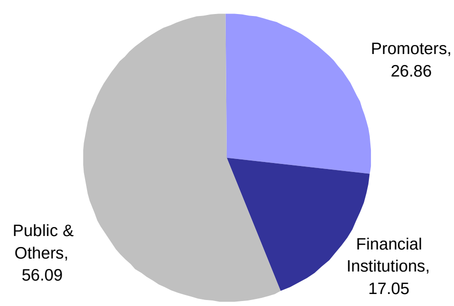
Source:Company Emkay Private Client Research

Summary table

Rs mn	FY06A	FY07E(6M)	FY08E
Sales	4289.3	2283.8	5715.4
Growth %	41.6		150.3
EBITDA	1028.9	585.1	1698.9
EBITDA margin %	24.0	25.6	29.7
Net Profit	690.2	407.3	1023.9
EPS (Rs)	24.4	14.4	36.2
CEPS (Rs)	28.7	16.8	42.7
ROE %	89.6	36.0	55.4
ROCE %	51.4	28.5	41.9
EV/Sales (x)	1.4	2.6	1.0
EV/EBITDA (x)	5.8	10.1	3.3
P/E (x)	8.5	14.4	5.7
P/CEPS (x)	7.2	12.4	4.9
P/BV (x)	5.5	4.0	2.3

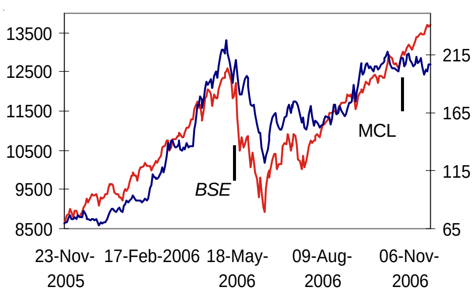
Source:Company Emkay Private Client Research
MCL has changed its financial year from September to March year end effective from FY07

Shareholding pattern (30 Sept, 2006)



Source:Company Emkay Private Client Research

One-year performance (vs. Sensex)



Source: Capitaline

Mangalam Cements Limited

RECOMMENDATION: BUY

Price: 208 **Target Price:306**

We initiate coverage on Mangalam Cements Limited (MCL) with a BUY. MCL is a Rajasthan based cement player with an aggregated capacity of 1.5 million tonnes. MCL has repaid its entire long-term debt as on Oct'06 and has undertaken cement capacity expansion by 0.50 million tonnes which is to be commissioned by September'07. It is also setting up 17.5 MW thermal based captive power plant (to be commissioned by Jun'07) which would result in savings in power cost to the tune of Rs 133 per tonne.

We expect cement prices to remain firm during FY07E & FY08E since we believe that major capacity additions to come by end FY08E and early FY09E. This would drive MCL to report a 21% CAGR topline growth between FY06- FY08 with EBITDA margins improving from 24% in FY06 to 29.7% in FY08E and PAT increasing at a CAGR of 30% during the period FY06-FY08E. With an expected CAGR of 30% in EPS over FY06-FY08E, we expect ROCE and ROE levels to remain healthy at 28.5% and 36.0% respectively as on FY07E and 41.9% & 55.4% ROCE & ROE respectively for FY08E.

Investment Positives

Well positioned in the northern markets where the cement prices are expected to firm up – MCL has 2 cement plants in the state of Rajasthan with capacities aggregating to 1.50 million tonnes (capacity utilisation levels of more than 100%) catering to the northern cement markets of Rajasthan, UP, Haryana & Delhi. We expect the cement demand in the North to grow by 12%+ YoY in FY07E & FY08E driven by strong housing demand and infrastructure development in the region. Fresh capacities are expected to come up only by end FY08E and early FY09E hence we expect the cement prices to remain firm during 2nd half of FY07 & FY08E respectively.

Expansion of cement capacity to 2.0 mn tpa – MCL has undertaken an expansion plan for increasing its cement capacity from 1.5 mn tonnes currently to 2.0 mn tonnes by September'07 at a capex of Rs 750 million, which is to be entirely financed from internal accruals. This would help the company to service the increasing demand in its existing markets resulting in increased EBITDA margins.

Power costs savings to accrue from FY08E onwards – The commissioning of a 17.5 MW power plant, would result in savings of power cost by about Rs 133 per tonne. MCL is setting up this 17.5 MW thermal based captive power plant, which would take care of 100% of its power requirement for the 2.0 million tonne cement capacity. The captive power plant, which will be commissioned in September'07, would save about Rs 2 per unit of power resulting into a savings in power cost by about Rs 160 million. Further, the captive plant would also ensure uninterrupted power resulting in increased operational efficiencies.

MCL has paid back all its long-term debt – MCL has been able to repay its entire debt of Rs 960 million as on Oct'06. The only loans on the company's books are on account of deffered sales tax loan totaling Rs 93.5 million (interest free) and security deposits from dealers – Rs 70 mn (interest

@ 8% p.a). Further, it has tied up for a Rs 525 million loan for funding its capex (Rs 700 million) of 17.5 MW captive power plant. With this the D: E for MCL has become healthy at 0.2 as on FY06 and post expansion we expect the D: E to move up to 0.3 by FY08E.

Cash Generation to remain healthy – We estimate MCL to report healthy operational cash flows in the next two years that is up to FY08E. We believe that MCL would report cumulative operational cash flows to the tune of Rs 1348.4 mn between FY07-FY08E. These robust cash flows would ensure that the company finances a major portion of its capex and debt servicing initiatives in the next 12-18 months from internal accruals without any equity dilution.

Concerns

Any slowdown in infrastructure spending and sharp drop in cement prices can affect the profitability of the company.

Valuation –

At the current price of Rs 208, MCL trades at an EV/EBIDTA of 10.1 x FY07 (6 months period) and 3.3 x FY08 estimated EBITDA of Rs 585.1 million & Rs 1698.9 million respectively. EV/Tonne for FY08 at an increased capacity of 2.0 million tonnes stands at US$ 63.5 (including 17.5 MW power plant).

The EV/ Tonne of similar smaller cement companies like JK Laxmi (capacity: 3.4 million tonnes) and Mysore Cement (2.1 million tonnes) for FY08 stands at US$ 76 & US$ 103 respectively. With a debt free status, increased capacity by Q2 FY08 and expected improvement in operational efficiencies post installation of captive power plant we believe that MCL is a good long term investment.

We recommend a BUY on the stock with a target price of Rs 306 based on DCF valuation. At our target price the stock will be valued at EV/EBITDA of 5.0 x FY08 and PE of 8.4 x FY08 EPS of Rs 36.2. At the target price the company is valued at an EV/Tonne of US$ 94.5

Background

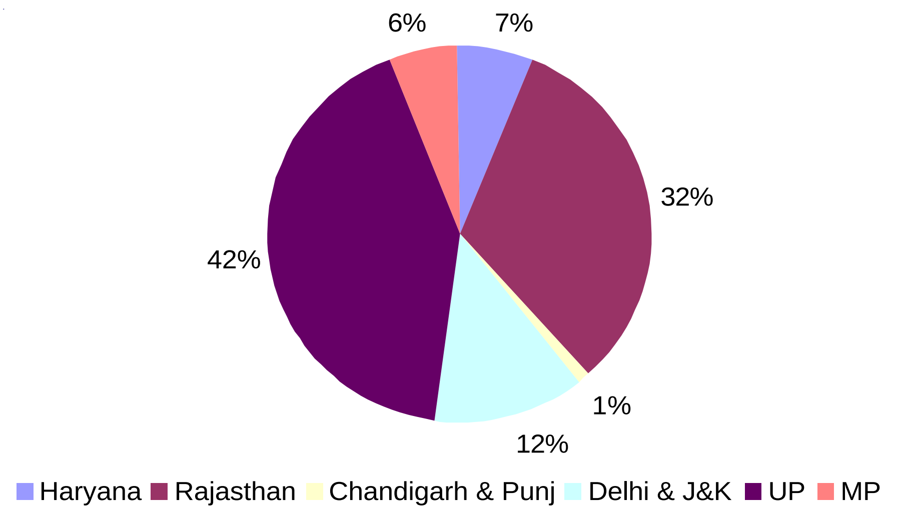
The company caters to the cement markets in the north. Its major markets are Rajasthan, Delhi and UP

Mangalam Cements Ltd. (MCL), a BK Birla Group company is a Rajasthan based cement company. It has two cement plants having an aggregated capacity of 1.5 million tonnes. PPC cement constitutes about 50% of the total volumes of the company and it sells its products under the brand "Birla Uttam." The company caters to the cement markets in the north. Its major markets are Rajasthan, Delhi and UP constituting 32%, 12% & 42% of its total despatches.

In September 2000; accumulated losses of the company completely eroded its net worth. MCL was declared sick in May 2002. Thereafter rehabilitation scheme was initiated and the company has been able to wipe out all its accumulated losses by FY06.

The company is currently expanding its cement manufacturing capacity by 0.5 million tonnes and is also putting up a 17.5 MW captive power plant for meeting its 100% power requirement.

Total Despatches



For the period Apr-Oct'06Source: CMA

Operational Highlights

Key Financials

Sept Year end (Rs Mn)	Q4FY06	Q4FY05	YoY (%)	FY06	FY05	YoY (%)
Net Sales	1195.0	758.9	57.5	4289.3	3029.2	41.6
Other Income	15.7	16.1	(2.4)	42.9	38.9	10.3
Total Income	1210.7	775.0	56.2	4332.2	3068.1	41.2
Total Expenditure	859.8	680.5	26.4	3260.4	2685.3	21.4
EBIDTA	335.2	78.4	327.4	1028.9	343.9	199.2
EBIDTA (%)	28.0	10.3		24.0	11.4	
Interest	10.9	25.8	(58.0)	86.0	107.3	(19.8)
Depreciation	29.8	29.3	1.6	118.0	116.8	1.1
PBT before EO	310.2	39.3	688.9	867.6	158.7	446.6
EO	0.0	0.0		0.0	10.1	
PBT	310.2	39.3	688.9	867.6	168.8	414.0
Provision for Tax	107.1	0.6		177.4	1.1	
PAT	203.1	38.7	424.8	690.2	167.7	311.5
Equity Capital	282.5	282.5		282.5	282.5	
Reported EPS (Rs)	7.2	1.4	424.8	24.4	5.9	311.5

Source:Emkay Private Client Research. MCL had a September Year-ending. The company has changed its financial year from September year end to March Year end effective from FY07.

For the quarter ended September'06,EBIDTA margins increased by 2.7 times to 28% despite 35.3% increase in per tonne freight cost to Rs 706 and 13.5% increase in per tonne staff cost to Rs 115

For the quarter ended September'06, net sales of the company increased by 57.5% to Rs 1195.0 million driven by 58.4% increase in realisations to Rs 3253 per tonne while despatches for the quarter remained flat at 3.67 lakh tonnes. EBIDTA increased by 327.4% to Rs 335.2 million while EBIDTA margins increased by 2.7 times to 28% despite 35.3% increase in per tonne freight cost to Rs 706 and 13.5% increase in per tonne staff cost to Rs 115. Interest cost was down by 58% to Rs 10.9 million while depreciation for the quarter increased by 1.6% to Rs 29.8 million. Tax incidence as a percentage of PBT increased to 35% as compared 2% in the corresponding previous quarter. However, PAT for the quarter increased 424.8% YoY to Rs 203.1 million.

The company has repaid its entire long term debt of 960 million as on Oct'06

For FY06, net sales increased by 41.6% to Rs 4289.3 million on account of 21.7% increase in net realisations to Rs 2713 per tonne and 16.4% increase in cement despatches to 1.58 million tonnes. Power & fuel cost on a per tonne basis declined by 8.1% to Rs 846. EBIDTA margins increased by 1260 bps to 24%. Interest cost for FY06 declined by 19.8% to Rs 86.0 million. The company has repaid its entire long term debt of 960 million as on Oct'06. Depreciation for the year increased by 1.1%to Rs 118.0 million. Tax incidence as a percentage of PBT for the year was 20% compared to 1% last year on account of presence of Rs 175.0 million as deffered tax liability. PAT for the year was up by 311.5% to Rs 690.2 million.

Investment Positives

Well positioned in the northern markets where the cement prices are expected to firm up

Mangalam Cements has 2 cement plants in the state of Rajasthan with their capacities aggregating to 1.50 million tonnes. The company's plants have been running at above 100% utilisation levels. It caters to the cement markets in the North and Central regions and its major markets are Rajasthan, UP, Haryana & Delhi. The average market distance for the companyis 500 Kms.

Cement capacities in the North constitute about 20% of the total cement capacities in India, which have been traditionally running at above industry levels utilisation levels

Cement capacities in the North constitute about 20% of the total cement capacities in India, which have been traditionally running at above industry levels utilisation levels. For the period Apr- Oct'06, the capacity utilisation of the northern region was 98% as compared to all India levels of 91%. As against this, the cement demand for the period in the region has increased by 12% YoY to 14.30 million tonnes

We expect the cement demand in the North to grow by 12%+ YoY in the 2nd half FY07 & FY08 driven by strong housing demand and infrastructure development in the region

Further, we expect the cement demand in the North to grow by 12%+ YoY in the 2nd half FY07 & FY08 driven by strong housing demand and infrastructure development in the region. Fresh capacities are expected to come up only by end FY08 and early FY09 and would take some time to stabilise. Hence we expect the cement prices to remain firm during FY07 & FY08 and any downward correction in cement prices on account of increased supplies is expected to come in FY09.

MCL is expanding its capacity to 2.0 mn tpa

The capex for the expansion is expected to be Rs 750 million, which is to be entirely financed through internal accruals

Mangalam Cement has undertaken an expansion plan for increasing its cement capacity from 1.5 mn tonnes currently to 2.0 mn tonnes by September'07. The capex for the expansion is expected to be Rs 750 million, which is to be entirely financed through internal accruals. This would help the company to service the increasing demand in its existing markets. Further, the company also plans to increase its PPC contribution to total volumes from 50% currently to 70% by FY07. It has tied up for a regular supply of fly ash from Kota Thermal power plant.

Increased capacity along with improved blending would help the company would help company increase its EBITDA margins.

Power cost savings to accrue from FY08E onwards

The 17.5 MW captive power plant would result in a savings in power cost by about Rs 133 per tonne of cement

Mangalam Cement is setting up a 17.5 MW thermal based captive power plant, which would take care of 100% of its power requirement for the 2.0 million tonne cement capacity. Currently, the company purchases power from the state electricity board at a rate of Rs 4.08 per unit. The captive power plant, which is to be commissioned in June'07, would save about Rs 2 per unit of power resulting into a savings in power cost by about Rs 133 per tonne of cement.

Captive plant would also result in uninterrupted power resulting in increased operational efficiencies in the manufacture of cement.

MCL has paid back all its long-term debt

The only loans on the company's books are on account of deffered sales tax loan — Rs 93.5 million and security deposits from dealers – Rs 70 million

Driven by increased realisations the company has been able to repay its entire debt of Rs 960 million (as on Oct'06). This has reduced the interest obligation of the company by about Rs 100 million. The only loans on the company's books are on account of deffered sales tax loan — Rs 93.5 million and security deposits from dealers – Rs 70 million. While loan on account of deffered sales tax is interest free, security deposits from dealers carries an interest rate of 8% p.a.

Further, the company has tied up for a Rs 525 million for funding its capex (Rs 700 million) of 17.5 MW captive power plant. This loan would carry an interest of 9% over which a subsidy of 5% would be given by the state government.

MCL to report cumulative operational cash flows to the tune of Rs 1348.4 mn between FY07-FY08E

Cash Generation to remain healthy – We estimate MCL to report healthy operational cash flows in the next two years that is up to FY08E. We believe that MCL would report cumulative operational cash flows to the tune of Rs 1348.4 mn between FY07-FY08E. These robust cash flows would ensure that the company finances a major portion of its capex and debt servicing initiatives in the next 12-18 months from internal accruals without any equity dilution.

Industry Scenario

Tight demand-supply situation

Indian cement industry comprises of 54 producers having 130 large plants with an installed capacity of 165.10 million tonnes as on Oct'06. For the period Apr-Oct'06, the industry produced & sold 86.98 million tonnes and 86.27 million tonnes, which is an increase of 10.4% & 10% respectively over the corresponding period.

Cement demand has been driven by robust housing and infrastructure development in the domestic market (which has grown by 12% for FY06 to 135.56 million tonnes) and increased exports demand from the Middle East. For the period Apr-Oct'06, domestic demand rose by 9% to 82.47 million tonnes while exports for the same period were up by 28% to 3.75 million tonnes.

Robust growth in the cement sector has resulted in (a) huge capacity expansions being taken up by industry players and (b) consolidation of smaller players. Huge expected demand has also attracted large foreign players like Holcim, Lafarge & Itallia Cements who want to enter and expand their presence in India.

Prices to remain firm in near term

We expect cement prices to remain firm for the next two years and correction in prices is expected from FY09.

The industry is currently facing a very tight demand-supply position. Fuelled by the boom in the construction and housing segments demand for cement is expected to grow at the rate of around 10% for the next 3 years. Most companies have announced their intention to expand their capacities. We expect an addition in cement capacities of about 30-35 million tonnes by late FY08E and early FY09E. Hence we expect cement prices to remain firm for the next two years and correction in prices is expected from FY09E.

Outlook in North India

In order to meet the demand, additional capacities would have to be set up and the utilisation levels would have to be as high as 98-100% in the next two years

The supply of cement in North India where Mangalam Cement operates is quite tight and prices are expected to remain firm. Cement capacities are running at a utilisation levels of 98% which is above the industry standards. Demand in the region is projected to grow at the rate of about 12% driven by robust housing demand, infrastructural development and commonwealth games to be held in Delhi in 2010. To meet the demand, additional capacities would have to be set up and the utilisation levels would have to be as high as 98-100% in the next two years. There has been a delay in new capacities. Since fresh capacities are expected to come up only by FY08-09E, the supply would be constrained and this coupled with the high demand would drive up prices in North India.

Average Cement Prices (Rs/ 50 Kg bag)

	Oct'06	Oct'05	Sept'06	Jul-Sep'06	Jul-Sep'05	Apr-Jun'06
North	211	166	207	206	162	202
East	199	164	194	193	164	193
West	206	163	203	203	157	197
South	206	159	208	209	156	200
Central	200	148	193	190	150	188
All India	204	160	201	200	158	196

Source: CMA

Cement Capacity Addition Announced in Northern & Central Regions(MnTpa)

Company	State	FY07 (E)		FY08 (E)			
		Q3	Q4	Q1	Q2	Q3	Q4
Guj Ambuja (G)	UP		1.2				
Grasim (G)	UP	1.0					
Century	MP	0.5					
Grasim	MP	0.5					
Jaiprakash	HP			3.0			
Binani Zinc	Rajasthan			2.0			
Shree Cement	Rajasthan			1.5			
Mangalam	Rajasthan				0.5		
Grasim	Punjab				0.3		
Grasim	Rajasthan						8.0
Shree Cement (G)	Rajasthan					2.0	
Shree Cement	Rajasthan						1.2

Source: Company Announcements & Industry Reports

SWOT profile for MCL

Strengths

- Positioned in the lucrative market of north India
- Installation of captive power plant to save power cost by about Rs 133/tonne of cement.s
- Debt free status of the company

Weakness

- Comparatively a small capacity of 2.0 million tonnes

Opportunity

- Cement demand in the north India growing at 12% p.a.
- Cement prices expected to remain firm

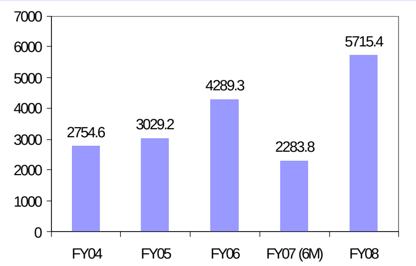
Threats

- Competitors with larger and increasing capacities may bite into market share of the company

Source:Emkay Private Client Research

Financial Outlook

***Net Sales** (Rs Mn)*



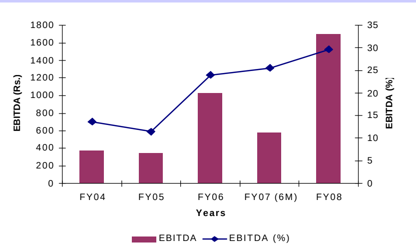
Source:Emkay Private Client Research

Topline to grow by 21% CAGR during FY06-08

We expect the topline between FY06-FY08 to grow at a CAGR of 21% to Rs 5715.4 million driven by increased capacity by 0.50 million tonnes and firm cement prices. For FY07, which would be a 6- month period financial year (Oct'06- Mar'07) we expect a plant utilisation level of 105% and cement despatches of 0.79 million tonnes. We expect cement realisation of Rs 2900 per tonne i.e. 6.9% increase from FY06 levels. This would result in net sales of Rs 2283.8 million for FY07.

Incremental capacity of 0.50 million tonnes is expected to be commissioned in Sept'07. We expect despatches of 1.97 million tonnes in FY08. 17.5 MW captive power plant which is to go on stream in June'07 would bring in operational efficiencies thereby increasing the capacity utilisation levels. For our assumptions, we have kept the realisation levels at FY07 levels of Rs 2900 per tonne. This gives a net revenue for FY08 of Rs 5715.4 million.

EBITDA

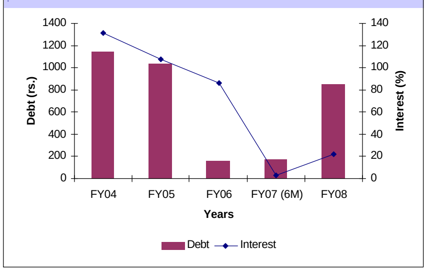


Source:Emkay Private Client Research

EBIDTA margins to improve from 24% in FY06 to 29.7% in FY08

We expect EBIDTA to grow from Rs 1028.9 million in FY06 to Rs 1698.9 million in FY08. EBIDTA margins would increase from 24% in FY06 to 25.6% in FY07E and 29.7% in FY08E. Increased realisations would drive the EBITDA margins in FY07E. For FY08E – increased despatches on account of 0.5 million tonnes incremental capacity, and reduced power cost (reduction of Rs 133 per tonne) on commissioning of 17.5 MW captive power plant coupled with firm cement prices & improved blending would result in rise in EBITDA margins to 29.7%. This would result in increase in EBITDA per tonne from Rs 651 in FY06 to Rs 743 in FY07E and Rs 862 in FY08E.

Debt & Interest



Source:Emkay Private Client Research

Debt free status

As on Oct'06 the company has repaid its entire long-term debt of Rs 960 million. This has reduced the interest obligation of the company by about Rs 100 million. The only loans on the company's books as on September'06 are on account of deffered sales tax loan — Rs 93.5 million and security deposits from dealers – Rs 70 million. While loan on account of deffered sales tax is interest free, security deposits from dealers carries an interest rate of 8% p.a.

Further, the company has tied up for a Rs 525 million for funding its capex (Rs 700 million) of 17.5 MW captive power plant which carries a net interest obligation of 5% (9% - 4% state government subsidy). This debt obligation would capitalise and come on balance sheet in September'07 when the captive power plant goes on stream.

Sales tax benefit

Post the ratification of VAT in Rajasthan, MCL in respect of the remaining period of eligibility (upto April'08), for its new unit has opted for 75% interest free sales tax deferment scheme with effect from 1st April'06. The sales tax amount so retained will be repaid after 7 years of the respective quarters as against earlier scheme of 75% exemption. The amount so availed by the company will be shown as ' deffered sales tax loan' under unsecured loans which would be interest free. As on 30th Sept'06 this amount stands at Rs 93.5 million, which would increase, to Rs 102.58 million for FY07 and Rs 320 million for FY08.

VALUATION

DCF	FY08	FY09	FY10	FY11	FY12	FY13	FY14
PAT	1,023.94	1,171.19	1,225.12	1,348.33	1,134.42	1,164.81	1,231.68
Depreciation	182.97	220.00	250.00	270.00	300.00	350.00	350.00
Interest (1-taxrate)	(14.30)	(18.62)	(19.96)	(22.36)	(25.04)	(28.04)	(31.41)
Change in NWC	(283.45)	(143.35)	(184.77)	(161.67)	(80.84)	(88.92)	(146.72)
Capex	(670.00)	(250.00)	(250.00)	(250.00)	(300.00)	(300.00)	(350.00)
FCFF	239.16	979.21	1,020.39	1,184.30	1,028.54	1,097.85	1,053.56
Discounted Value	195.74	701.26	639.39	649.33	493.43	460.83	4,298.65

** Terminal value Source: Company, Emkay Private Client Research*

Key Assumptions

Terminal Growth	4.00%
Adjusted Beta	**1.15**
Risk Free Rate	6.50%
Market Risk Premium	7.00%
Cost of Equity	14.55%
Cost of Debt	8.00%
Debt	172.50
Equity	5875.31
WACC	**14.29%**

Source:Emkay Private Client Research

NPV	7633
Net Debt	59
Value	7574
Value/share	268
One Year forward	306

Source:Emkay Private Client Research

With a debt free status, increased capacity by Q2 FY08 and expected improvement in operational efficiencies post installation of captive power plant we believe that MCL is a good long term investment

The following grid gives a sensivity analysis based on diffrent scenarios

	WACC		
Terminal Growth	**14%**	**15%**	**16%**
3%	296	297	263
4%	**306**	292	275
5%	332	309	288

Source:Emkay Private Client Research

Driven by strong demand, increased capacity, improved efficiencies and cost control we expect Net Sales & PAT for the period FY06-08 to grow at a CAGR of 21% & 30% respectively. EBITDA margins are expected to grow from 24% in FY06 to 29.7% mainly on account of savings in power cost.

With an EPS CAGR growth of 30% and ROE & ROCE levels of 28.5 x & 36x FY07 & 41.9x & 55.4x FY08 and an EV/EBITDA levels of 10.1 x FY07 (6 months) & 3.3 x FY08 makes us believe Mangalam Cement to be a good long-term investment.

Available at comparatively cheaper valuations to its peers

At the current price of Rs 208, MCL trades at an EV/EBIDTA of 10.1 x FY07 (6 months period) and 3.3 x FY08 estimated EBITDA of Rs 585.1 million & Rs 1698.9 million respectively. EV/Tonne for FY08 at an increased capacity of 2.0 million tonnes stands at US$ 63.5 (including 17.5 MW power plant). The EV/ Tonne of similar smaller cement companies like JK Laxmi (capacity: 3.4 million tonnes) and Mysore Cement (2.1 million tonnes) for FY08 stands at US$ 76 & US$ 103 respectively. With a debt free status, increased capacity by Q2 FY08 and expected improvement in operational efficiencies post installation of captive power plant we believe that MCL is a good long term investment. We recommend a BUY on the stock with a target price of Rs 306 based on DCF valuation.

Peer Comparision

	Capacity (mn tpa)	EV/Tonne (US$)	EV/EBITDA
Mysore Cement	2.1	103	3.6
JK Laxmi	3.4	76	7.0
Mangalam Cements	2.0	63.5	3.3

Source: Concensus & Emkay PCG Research Estimates

Profit & loss statement (Rs mn)

Year	FY05A	FY06A	FY07E (6M)	FY08E
Net Sales	3,029.2	4,289.3	2,283.8	5,715.4
% Growth	10.0	41.6	-	150.3
EBIDTA	343.9	1,028.9	585.1	1,698.9
% Growth	(8.3)	199.2	-	190.4
Other Income	38.9	42.9	21.4	33.6
Interest	107.3	86.0	2.8	21.4
Depreciation	116.8	118.0	67.8	183.0
PBT before EO	158.7	867.6	535.9	1,528.3
Extra Ordinary items	10.1	0.0	0.0	0.0
PBT	168.8	867.6	535.9	1528.3
% Growth	(88.7)	414.0	-	185.2
Tax	1.1	2.4	128.6	504.3
Deffered Tax	0.0	175.0	-	-
PAT	167.7	690.2	407.3	1,023.9
% Growth	(88.8)	311.5	-	151.4
EPS (Rs)	5.9	24.4	14.4	36.2
BVPS (Rs)	26.7	37.9	52.3	88.5

Balance sheet (Rs mn)

Year	FY05A	FY06A	FY07E (6M)	FY08E
Eqty Cap	282.5	282.5	282.5	282.5
Reserves	471.0	786.8	1,194.1	2,218.0
Networth	753.4	1,069.3	1,476.6	2,500.5
Secured loans	-	-	-	-
Unsecured loans	1,037.1	163.5	172.5	845.0
Total loans	1,037.1	163.5	172.5	845.0
Deffered Tax Liab	-	175.0	175.0	175.0
Total Liability	1,790.5	1,407.8	1,824.1	3,520.5
Net Block	1,070.2	1,302.2	1,664.3	2,151.4
Investments	11.0	11.0	11.0	11.0
Deffered Tax Assets	-	-	-	-
Inventory	294.6	369.9	195.9	635.1
Debtors	87.1	84.5	46.6	238.1
Cash balance	67.1	109.7	113.6	1,039.6
Other Current Assets	150.4	113.7	110.0	228.6
Total Current Assets	599.0	677.7	466.1	2,141.4
Current Liabilities	217.4	405.7	188.7	278.9
Provisions	46.8	177.4	128.6	504.3
Total Current Liabilities	264.2	583.1	317.4	783.3
NCA	334.8	94.6	148.7	1,358.1
Profit/ Loss Account	374.4	-	-	-
Total Assets	1,790.5	1,407.8	1,824.1	3,520.5

Ratio Analysis

Year	FY05A	FY06E	FY07E (6M)	FY08E
OPM %	11.4	24.0	25.6	29.7
NPM %	5.5	16.1	17.8	17.9
ROE %	27.4	89.6	36.0	55.4
ROCE %	14.9	51.4	28.5	41.9
D/E (x)	1.4	0.2	0.1	0.3
Asset Turnover (x)	1.6	2.8	1.6	2.3
Debtors Days	8.0	7.0	7.0	15.0
Inventory Days	31.0	31.0	31.0	40.0
Valuation ratios				
P/E (x)	35.0	8.5	14.4	5.7
P/CEPS (x)	20.6	7.2	12.4	4.9
EV/EBIDTA (x)	19.9	5.8	10.1	3.3
EV/Sales (x)	2.3	1.4	2.6	1.0
EV/Tonne (US$)	102.1	88.4	88.5	63.5
Mkt Cap/Sales(x)	1.9	1.4	2.6	1.0
CEPS (Rs)	10.1	28.7	16.8	42.7
P/ BV (x)	7.8	5.5	4.0	2.3

Cash Flow Statement (Rs mn)

Year to Mar	FY06E	FY07E (6M)	FY08E
PAT	865.2	407.3	1,023.9
Depreciation	118.0	67.8	183.0
Change in WC	282.9	(50.2)	(283.4)
Operating CF	1,266.2	424.9	923.5
Capex	(350.0)	(430.0)	(670.0)
Misc Exp	-	-	-
Investing CF	(350.0)	(430.0)	(670.0)
Dividends	-	-	-
Equity	-	-	-
Share Premium	-	-	-
Debt	(873.5)	9.0	672.5
Investments	-	-	-
Financing CF	(873.5)	9.0	672.5
Net Change	42.6	3.9	926.0
Opening Cash	67.0	109.7	113.6
Closing Cash	109.7	113.6	1,039.6

Source:Emkay Private Client Research

Emkay's Network

AHMEDABAD
079-26448727/29
ALLAHABAD
0532-2452388
ALWAR
9414454123
AURANGABAD
09860498897
BANGALORE
Cunninghum Road
080-41220915
Malleswaram
080-23464173
Vijaynagar
9341327222
BHOPAL
09301189603
BARODA
Alkapuri
0265 6640551
Sayaji Gung
0265-3918069 - 74
Karelibaug
0265-3918021 - 24
Manjalpur
0265-3206663
BHAVNAGAR
9898001945
CHENNAI
Adyar
044-42300788
Anna Nagar
044-42127298
Ramarao Street
044- 42605604
T Nagar
044- 42605604
044-42024672
Gandhi Nagar
044-42607611
Thiruvanmiyur
044-42178646
Nanganallur
044-42056685
North Usman Road
044-45502496
Sowcarpet
044-30966268
CHANDIGARH
0172-5052424
Chandigarh - Sec47
0172-5072123
COCHIN
0484-3949749
COIMBATORE
100 Feet Rd
0422-2493536
R.S Puram
0422-4370489
DELHI
Nehru Place
011-32474709
SSK
011 42267259
Dehradun
9219698600
Dibrugarh
0373-2322607
DIMAPUR
03862-225832
DINDORI
07644-234261
ERODE
0424-22212823
Brough Road
09894719071
FARIDABAD
0129-4068303

GANGANAGAR
9351793000
GOA
9822176569
0832 - 6650770
GULBARGA
08472 321850
GUWAHATI
9954070377
GURGAON
Old Railway Rd.
0124-3250629
Sheetla Mata Rd.
0124-4081346
HOSHIARPUR
01882-326767
HYDERABAD
Ameerpet
09346939076
Banjara Hill
040 6553 4261
HARIDWAR
01334-329563
INDORE
0731-3918624
9893894415
JABALPUR
Agga Chowk
0761-4067239
Vikas Bazaar
0761-4031955
JAIPUR
Bhawani Singh Lane
0141-2361438
JAIPUR
0141-2378661
JAMNAGAR
0288-2561522
JAMMU
0191-2454764
JHARIA
0326-2361720
JHARKHAND DHANBAD
0326 2361720
JODHPUR
0291-5101900
Jalori Gate
0291-2627749
Paota
0291-3209090
Mandore Mandi
0291-5121134
Mandore Mandi
0291-5100995
MORADABAD
05912424090
JUNAGADH
0285-2629489
KARNAL
9255248404
KOTTAYAM
04812563033/44
KARAIKUDI
04565-224221
KAYAMKULAM
0479-3953222
KOLKATA
033-39511666
C.B. Street
033-22428734
Weston Street
033-22118369
Tagore Street
033 - 22597938
Tarachand Dutta Street,
033- 26501114
Grant Lane
09830667686

Mukherjee Road
033 24668300
KOTA
0744-2502877
LUCKNOW
9839552211
MADURAI
0452-3018691/92/93/94/
0452- 4379688
MYSORE
0821 4250696
MUMBAI
Borivali
022-28334629
Borivali
022-56610312
Borivali
9867697105
Borivali
9867129422
Dadar
022-32605528
Dhobi Talao
022-56023723
Fort
022-22653471/22875805
Fort
022-22704710
Ghatkopar
022-25122448
Goregaon
022-28770991
J B Nagar
9892343344
Khar
022-26049302
Lokhandwala
022-56778638/39
Malad (E)
022-28820352
Malad (W)
022-28891770
Malad (W)
022-28777679
Masjid Bunder
022-56357597
Masjid Bunder
9224575600
Mulund
022-25614154
Oshiwara
9821233777
Powai
022-28573098
Santacruz
9869102930
Santacruz (w)
26616085 / 7075
Ulhasnagar
95251-3952746
Versova
022-26360617-18
Vile Parle
022-26714805
NAGPUR
0712-2538191
NELLORE
0861-2330841
Sitabuldi
0712-2558455
NASHIK
0253-5607814/15
Gangapur Rd
9326173938
Raviwar Peth
0253- 3203888
60 ft. Rd
0253-2598310

PANIPAT
0180-6451645
PERUMBAVOOR
0484-2640046
PUNE
D.P. Road
9850818986
Karve Road
9325505031
Rasta Peth
020-26123351
Satara Rd.
9520-24220031
Sadashiv Peth
9520-30947224
Shaniwar peth
020- 255303387
RAJAHMUNDRY
9396456406
RAJKOT
Dr. Yagnik Rd
0281 - 2464535
Phulchab Chowk
0281-2452875
Rampur
9837605847
RATLAM
07412-329878
SRINAGAR
9419074424/ 9906679327
SALEM
0427-2336881
SAGAR
0758-2401647
SARDARSHAHAR
01564-512108
SONIPAT
9812059933
SIRSSA
09888333639
SURAT
0261-2369996
Ghod Dod Road
0261- 3993010
THENI
9362773579
TRICHY
0431- 4220713/14/15
Srirangam
0431-6454377/88/99
TIRUPUR
0421-4336995
THRISSUR
Kokalai
0487 2428793
Patturakkal
0487 6450233
UDAIPUR
0294-2415405
VISAKHAPATNAM
0891 2730730
VARANASI
0542-5521383
VIJAYAWADA
0866-2579266
WARANGAL
0870-6450793/94/95
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09422892827

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