

# UBS Investment Research

## Grasim Industries

### Q4 FY07 result in line; improved performances in all divisions

#### ■ Q4 operating earnings and PAT in line

Grasim's standalone Q4 pre-X PAT (Rs4.5bn) was in line with our estimate (Rs4.6bn), as were revenue and EBITDA. In FY07 consolidated earnings grew 89%, faster than standalone earnings growth of 78%, driven by 249% earnings growth at subsidiary, Ultratech.

#### ■ Firm realisations and margins for VSF

VSF volume increased 13% YoY and realisations increased 15%. Though realisation declined slightly QoQ, we are not concerned because it was due to year-end provisions for quantity discounts. We expect VSF profitability to remain in tact because of firm realisations and a possible moderation in pulp prices after Grasim's Canadian pulp plant (Nakawic) begins rayon-grade pulp production.

#### ■ Cement: firm despite concern about prices

Cement EBITDA grew 78% because of 38% YoY realisation growth. Even though cement prices may remain fixed at present levels for 12 months, we think Grasim could still record 4.5-5% realisation growth in FY08E. Increasing captive power capacity and increased blending could lead to higher cost efficiencies, in our opinion.

#### ■ Valuation: price target cut from Rs3,300 to Rs3,190

We value Grasim using a sum-of-the-parts methodology. For the cement division, we factor in an EV/EBITDA multiple of 8.5x one-year forward (vs. 10x earlier). Uncertainty about cement prices because of government measures led to a lower valuation multiple.

Highlights (Rs m)	03/05	03/06	03/07E	03/08E	03/09E
Revenues	95,102	101,856	129,291	144,223	160,490
EBIT (UBS)	13,131	15,150	32,763	39,096	42,761
Net income (UBS)	8,803	10,294	19,164	23,120	25,308
EPS (UBS, Rs)	96.00	112.27	209.01	252.16	276.02
Net DPS (UBS, Rs)	18.92	23.13	25.45	27.48	29.68

Profitability & Valuation	5-yr hist. av.	03/06	03/07E	03/08E	03/09E
EBIT margin %	14.8	14.9	25.3	27.1	26.6
ROIC (EBIT) %	19.1	17.4	34.7	35.0	35.3
EV/EBITDA x	5.5	7.9	6.8	5.8	5.1
PE (UBS) x	8.0	11.9	11.7	9.7	8.8
Net dividend yield %	2.7	1.7	1.0	1.1	1.2

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs2,441.70 on 25 Apr 2007 23:39 HKT

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## Global Equity Research

India

Industrial, Diversified

Rating **Buy 2**  
*Unchanged*

Price target **Rs3,190.00/US\$78.59**  
*Prior:Rs3,300.00/US\$81.30*

Price **Rs2,441.70/US\$60.16 (ADR)**

RIC: GRAS.BO BBG: GRASIM IN

26 April 2007

#### Trading data (local/US\$)

52-wk. range	Rs2,895.00-1,563.40/US\$65.60-34.11
Market cap.	Rs224bn/US\$5.52bn
Shares o/s	91.7m (ORD)/91.7m (ADR)
ADR ratio	1 ADR :1 ORD
Free float	75%
Avg. daily volume ('000)	61/OTC
Avg. daily value (Rsm)	135.7

#### Balance sheet data 03/07E

Shareholders' equity	Rs65.3bn
P/BV (UBS)	3.4x
Net cash (debt)	(Rs17.5bn)

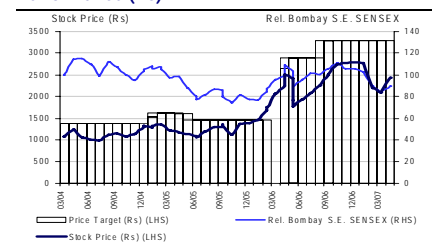
#### Forecast returns

Forecast price appreciation	+30.6%
Forecast dividend yield	1.2%
Forecast stock return	+31.8%
Market return assumption	12.8%
Forecast excess return	+19.0%

#### EPS (UBS, Rs)

	03/07E			03/06
	From	To	Cons.	Actual
Q1E	-	35.73	-	30.71
Q2E	-	23.82	-	20.48
Q3E	-	22.09	-	18.98
Q4E	-	48.89	-	42.03
03/07E	-	209.01	172.48	
03/08E	-	252.16	252.16	

#### Performance (Rs)



Source: UBS

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#### ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5

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**Table 1: Grasim Q4 result summary**

(Rs m)	Q4 FY06	Q3 FY07	Q4 FY07	YoY	QoQ
Total revenue	17522	22794	24214	38%	6%
Total EBITDA	4065	6660	6942	71%	4%
Interest	235	240	366	56%	53%
Depreciation	759	806	876	15%	9%
Other Income	575	444	776	35%	75%
PBT	3646	6058	6476	78%	7%
Extraordinary	41		371		
Total tax	1060	1942	2102	98%	8%
PAT	2627	4116	4745	81%	15%
Pre-ex PAT	2586	4116	4493	74%	9%
EBITDA margin	23.2%	29.2%	28.7%		
Tax rate	29.1%	32.1%	32.5%		

Source: Company data

Grasim's standalone pre-exceptional PAT of Rs4.5bn was in line with our estimate of Rs4.6bn, the only differences being slightly higher interest and tax. While the cement and VSF divisions continued to perform well, sponge iron also improved, driven by better realisations.

### VSF: the stable cash cow

With 13% YoY sales volume growth and close to 100% capacity utilisation in Q4, the VSF division continued its strong performance of the previous three quarters. We are not concerned about a QoQ drop in realisations, which were brought about by year-end provisions for quantity discounts to dealers and a higher proportion of exports (43% of sales in Q4, including direct and indirect exports, vs. 37% in Q3). Export realisations are 8-10% lower than realisations on domestic sales.

**Table 2: VSF division's performance**

(Rs m)	Q4 FY06	Q3 FY07	Q4 FY07	YoY	QoQ
Sales volume (MT)	0.061	0.067	0.069	13%	2%
Revenue	5007	6537	6516	30%	0%
Realisation (Rs/kg)	77.1	90.4	88.7	15%	-2%
EBITDA margin (%)	31.1%	34.5%	30.8%		
VSF cost per Kg	56.9	63.8	65.7	16%	3%
VSF EBITDA	1557	2255	2007	29%	-11%

Source: Company data

During Q4, pulp prices increased from c\$790/t in Q3 to c\$830/t. We expect pressure on pulp prices to continue because of increased demand from China. However, Grasim's pulp costs may come down in FY09, as the A.V. Nakawic plant in Canada (in which Birla group holds a 75% stake) will start producing rayon-grade pulp from May/June 2008.

## Cement: strong growth to continue

While cement volumes remained flat, 38% YoY realisation growth led to 78% EBITDA growth. A rise in operating costs was primarily due to a rise in freight rates and imported coal prices (driven by higher shipping rates).

**Table 3: Cement division performance**

(Rs m)	Q4 FY06	Q3 FY07	Q4 FY07	YoY	QoQ
Cement volume (MT)	3.87	3.72	3.92	1%	5%
Cement revenue	8989	11755	12585	40%	7%
Cement realisation (Rs/T)	2323	3160	3210	38%	2%
EBITDA margin (%)	27%	33%	34%		
Cement - cost per ton (Rs)	1815	2240	2239	23%	0%
White cement volume	0.10	0.09	0.10	7%	9%
White cement revenue	858	993	1123	31%	13%
White cement realization	8975	10612	10988	22%	4%
Cement (grey and white) EBITDA	2649	4207	4702	78%	12%

Source: Company data

We expect Grasim's cost efficiency in cement to increase because of a higher proportion of energy sourcing from captive sources and an increase in the proportion of blended cement (currently 60-65%). We believe volume growth in FY08E will be 6-7%, driven by some capacity expansion from de-bottlenecking and capacity utilisation improvements at subsidiary, Ultratech.

## Sponge iron: recent improvement may last longer

Sponge iron production grew 54% YoY and sales were up 79% YoY. Grasim's sponge iron capacity utilisation has improved from 40-50% to 70-76% over the past three quarters, despite the continuation of natural gas supply shortages, as Grasim has increased its use of alternative fuels. Realisations improved with a rise in scrap prices and sea freight.

**Table 4: Sponge iron division's performance**

(Rs m)	Q4 FY06	Q3 FY07	Q4 FY07	YoY	QoQ
Sponge iron volume (MT)	0.10	0.15	0.17	79%	17%
Sponge iron revenue	1098	1952	2388	117%	22%
Sponge iron realisation (Rs/T)	11444	13248	13888	21%	5%
EBITDA margin (%)	-4.6%	13%	16%		
Sponge iron cost per ton (Rs)	11970	11553	11736	-2%	2%
Sponge iron EBITDA	-51	250	370	-	48%

Source: Company data

Going forward we expect sponge iron realisations and margins to remain firm. Grasim is reducing consumption of high cost iron ore pellets, and natural gas supply may be more regularised (although at higher prices) from FY08-end.

## Consolidated result

Even though Grasim's standalone earnings grew 78% YoY in FY07, consolidated earnings grew faster at 89%, driven by 249% earnings growth at 51% subsidiary, Ultratech. Ultratech reported PAT of Rs7.85bn in FY07, compared to Grasim's standalone PAT of Rs15.36bn.

**Table 5: Grasim's consolidated earnings in Q4 and FY07**

	Q4 FY07	Q4 FY06	% YoY	FY07	FY06	% YoY
Net turnover	41071	29262	40%	141673	102749	38%
EBITDA	11615	6584	76%	40445	21195	91%
Interest	658	498	32%	2286	2183	5%
Depreciation	1652	1481	12%	6100	5631	8%
Other income	782	673	16%	2456	2171	13%
Non-recurring income		41			41	
PBT	10087	5319	90%	34515	15593	121%
Total tax	3352	1182	184%	10921	4027	171%
(-) Minority share	1150	649	77%	3919	1160	238%
<b>PAT</b>	<b>5585</b>	<b>3488</b>	<b>60%</b>	<b>19675</b>	<b>10406</b>	<b>89%</b>
EBITDA margin	28.3%	22.5%		28.5%	20.6%	
Tax rate	33.2%	22.2%		31.6%	25.8%	
EPS	60.9	38.0		214.6	113.5	

Source: Company data

We expect Grasim's consolidated profit to grow faster than standalone profit, as we estimate Ultratech's earnings growth in FY08 at 27% (because of its higher sensitivity to cement prices) compared with 16% for Grasim standalone.

## Price target of Rs3,190

We cut our 12-month price target marginally, as we now factor in an EV/EBITDA multiple of 8.5x (compared with 10x earlier). For VSF and the sponge iron businesses, we have a target EV/EBITDA multiple of 4-5x, in keeping with valuations of its peer group.

**Table 6: Grasim – price target calculation**

VSF EBITDA - FY09E	8333
VSF EV/EBITDA	5
VSF EV	41664
Sponge iron EBITDA - FY09E	938
Sponge iron EV/EBITDA	4
Sponge iron EV	3750
Cement EBITDA (allocated pro-rata) - FY09E	30376
Target EV/EBITDA	8.5
Target cement EV	258192
Implied cement EV/T	176
Chemicals + textiles - EBITDA - FY09E	152
(Chemicals + textiles) EV/EBITDA	4
(Chemicals +Textiles) - EV	608
Net debt (FY08E)	11707
Target Market cap	292507
Target share price	3191

Source: UBS estimates

## ■ Grasim Industries

The AV Birla group holds 22% of Grasim. Grasim is India's largest manufacturer of viscose staple fibre (VSF) and is the largest manufacturer of cement (31.5Mt consolidated) following the takeover of L&T's cement division. It also has interests in sponge iron and textiles. Grasim has demonstrated the ability to cushion the downturn in earnings from cement with earnings from other divisions, which makes its earnings relatively low risk in nature.

## ■ Statement of Risk

The main risk to our earnings estimates arises from fluctuations in product prices in its various commodity businesses. The government's recent pressure on cement companies to reduce cement prices adds to the risk and we use a predictability rating of 2.

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### UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage <sup>1</sup>	IB services <sup>2</sup>
<b>Buy 1</b>	FSR is > 6% above the MRA, higher degree of predictability	<b>Buy 2</b>	FSR is > 6% above the MRA, lower degree of predictability	<b>Buy</b>	47%	37%
<b>Neutral 1</b>	FSR is between -6% and 6% of the MRA, higher degree of predictability	<b>Neutral 2</b>	FSR is between -6% and 6% of the MRA, lower degree of predictability	<b>Hold/Neutral</b>	42%	36%
<b>Reduce 1</b>	FSR is > 6% below the MRA, higher degree of predictability	<b>Reduce 2</b>	FSR is > 6% below the MRA, lower degree of predictability	<b>Sell</b>	12%	28%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Ratings allocations are as of 31 March 2007.

#### KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Predictability Level** The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

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**US Closed-End Fund ratings and definitions are:** Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.

**Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

#### Companies mentioned

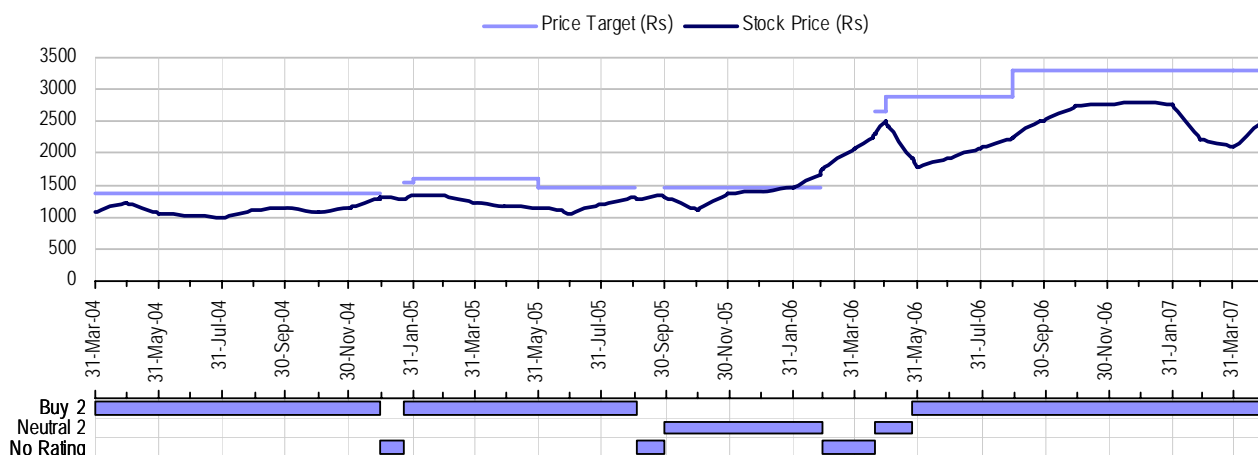
Company Name	Reuters	Rating	Price	Price date/time
Grasim Industries <sup>16</sup>	GRAS.BO	Buy 2	Rs2,441.70	25 Apr 2007 23:39 HKT

Source: UBS. HKT: Hong Kong time.

16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

**Grasim Industries (Rs)**



Source: UBS; as of 25 April 2007.

Note: On September 9, 2006, UBS adopted new percentage band criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details). Between October 13, 2003 and September 9, 2006 the percentage band criteria used in the rating system was 10%. Prior to October 13, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential >15%, smaller range around price target; Buy 2: Excess return potential >15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Excess return is defined as the difference between the FSR and the one-year local market interest rate.

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# Grasim Industries

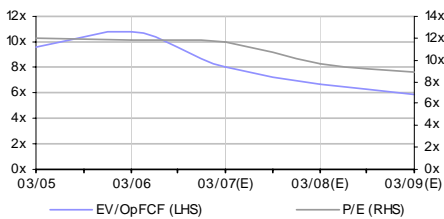
Income statement (Rs m)	03/02	03/03	03/04	03/05	03/06	03/07E	% ch	03/08E	% ch	03/09E	% ch
Revenue	42,765	45,924	51,889	95,102	101,856	129,291	26.9	144,223	11.5	160,490	11.3
Operating expenses (ex depn)	(34,691)	(35,838)	(39,140)	(74,785)	(81,075)	(90,829)	12.0	(99,277)	9.3	(111,678)	12.5
EBITDA (UBS)	8,074	10,087	12,749	20,317	20,781	38,463	85.1	44,946	16.9	48,811	8.6
Depreciation	(2,517)	(2,541)	(2,731)	(7,186)	(5,631)	(5,700)	1.2	(5,850)	2.6	(6,050)	3.4
Operating income (EBIT, UBS)	5,557	7,545	10,019	13,131	15,150	32,763	116.3	39,096	19.3	42,761	9.4
Other income and associates	741	933	1,451	1,976	2,225	2,425	9.0	2,630	8.5	2,650	0.8
Net interest	(1,350)	(1,287)	(986)	(2,073)	(1,828)	(1,623)	-11.2	(1,261)	-22.3	(579)	-54.1
Abnormal items (pre-tax)	(839)	(1,745)	289	0	41	0		0		0	
Profit before tax	4,110	5,446	10,773	13,034	15,588	33,565	115.3	40,466	20.6	44,833	10.8
Tax	(1,080)	(1,770)	(2,980)	(4,421)	(4,027)	(10,315)	156.1	(12,140)	17.7	(13,450)	10.8
Profit after tax	3,030	3,676	7,793	8,613	11,561	23,250	101.1	28,326	21.8	31,383	10.8
Abnormal items (post-tax)	0	0	0	0	0	0		0		0	
Minorities / pref dividends	0	0	0	190	(1,226)	(4,086)	233.2	(5,206)	27.4	(6,075)	16.7
Net income (local GAAP)	3,030	3,676	7,793	8,803	10,335	19,164	85.4	23,120	20.6	25,308	9.5
Net income (UBS)	3,868	5,421	7,504	8,803	10,294	19,164	86.2	23,120	20.6	25,308	9.5
Tax rate (%)	26	33	28	34	26	31	19.0	30	-2.4	30	0.0
Pre-abnormal tax rate (%)	22	25	28	34	26	31	18.6	30	-2.4	30	0.0
Per share (Rs)	03/02	03/03	03/04	03/05	03/06	03/07E	% ch	03/08E	% ch	03/09E	% ch
EPS (local GAAP)	33.04	40.09	84.99	96.00	112.72	209.01	85.4	252.16	20.6	276.02	9.5
EPS (UBS)	42.19	59.12	81.84	96.00	112.27	209.01	86.2	252.16	20.6	276.02	9.5
Net DPS	9.00	11.28	15.79	18.92	23.13	25.45	10.0	27.48	8.0	29.68	8.0
Cash EPS	69.64	86.84	111.62	174.37	173.68	271.18	56.1	315.96	16.5	342.00	8.2
BVPS	296.02	324.71	393.81	445.58	527.60	711.95	34.9	936.63	31.6	1,182.98	26.3
Balance sheet (Rs m)	03/02	03/03	03/04	03/05	03/06	03/07E	% ch	03/08E	% ch	03/09E	% ch
Net tangible fixed assets	32,705	32,701	32,183	62,999	64,156	81,683	27.3	100,227	22.7	102,803	2.6
Net intangible fixed assets	0	0	0	19,577	17,728	16,103	-9.2	14,479	-10.1	12,854	-11.2
Net working capital	5,846	5,026	3,222	5,098	4,149	5,172	24.6	5,769	11.5	6,420	11.3
Other liabilities	0	0	0	0	0	0		0		0	
Operating invested capital	38,551	37,727	35,404	87,674	86,033	102,958	19.7	120,475	17.0	122,077	1.3
Investments / other assets	10,196	12,078	13,826	0	0	0		0		0	
Total capital employed	48,746	49,805	49,231	87,674	86,033	102,958	19.7	120,475	17.0	122,077	1.3
Shareholders' equity	27,142	29,773	36,108	40,855	48,376	65,279	34.9	85,879	31.6	108,468	26.3
Minority interests	0	0	0	5,002	5,136	8,607	67.6	12,806	48.8	17,706	38.3
Total equity	27,142	29,773	36,108	45,857	53,511	73,886	38.1	98,685	33.6	126,174	27.9
Net debt/(cash)	15,199	13,777	6,797	30,023	20,938	17,489	-16.5	10,207	-41.6	(15,680)	
Debt deemed provisions	6,405	6,255	6,325	11,794	11,583	11,583	0.0	11,583	0.0	11,583	0.0
Total capital employed	48,746	49,805	49,231	87,674	86,033	102,958	19.7	120,475	17.0	122,077	1.3
Cash flow (Rs m)	03/02	03/03	03/04	03/05	03/06	03/07E	% ch	03/08E	% ch	03/09E	% ch
Operating income (EBIT, UBS)	5,557	7,545	10,019	13,131	15,150	32,763	116.3	39,096	19.3	42,761	9.4
Depreciation	2,517	2,541	2,731	7,186	5,631	5,700	1.2	5,850	2.6	6,050	3.4
Net change in working capital	2,479	819	1,805	(1,876)	949	(1,023)		(597)	-41.6	(651)	8.9
Other (operating)	0	0	0	0	0	0		0		0	
Operating cash flow	10,554	10,906	14,554	18,441	21,730	37,440	72.3	44,349	18.5	48,161	8.6
Net interest received / (paid)	(1,350)	(1,287)	(986)	(2,073)	(1,828)	(1,623)	-11.2	(1,261)	-22.3	(579)	-54.1
Dividends paid	(825)	(1,034)	(1,448)	(1,735)	(2,121)	(2,333)	10.0	(2,520)	8.0	(2,722)	8.0
Tax paid	(1,080)	(1,770)	(2,980)	(4,421)	(4,027)	(10,315)	156.1	(12,140)	17.7	(13,450)	10.8
Capital expenditure	(1,753)	(2,551)	(2,237)	(4,590)	(6,798)	(23,155)	240.6	(24,395)	5.4	(8,625)	-64.6
Net acquisitions / disposals	(7,937)	(1,883)	(1,748)	(19,674)	0	0		0		0	
Other	601	(1,918)	(5,698)	3,891	(5,831)	0		0		0	
Share issues	(5,694)	(10)	(10)	(2,322)	(760)	0		(0)		0	
Cash flow (inc)/dec in net debt	(7,483)	453	(553)	(12,483)	365	15	-96.0	4,034	27386	22,786	464.8
FX / non cash items	5,139	969	7,533	(10,743)	8,719	3,435	-60.6	3,248	-5.4	3,101	-4.5
Balance sheet (inc)/dec in net debt	(2,345)	1,422	6,980	(23,225)	9,084	3,449	-62.0	7,282	111.1	25,887	255.5
Core EBITDA	8,074	10,087	12,749	20,317	20,781	38,463	85.1	44,946	16.9	48,811	8.6
Maintenance capital expenditure	(2,517)	(2,541)	(2,731)	(5,561)	(5,631)	(5,700)	1.2	(5,850)	2.6	(6,050)	3.4
Maintenance net working capital	0	0	0	0	0	0	0.0	0	0.0	0	0.0
Operating free cash flow, pre-tax	5,557	7,545	10,019	14,755	15,150	32,763	116.3	39,096	19.3	42,762	9.4

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

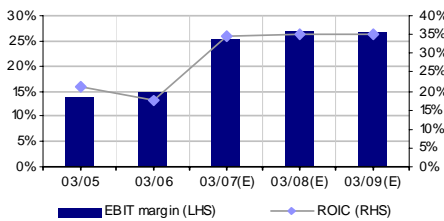
**Company profile**

The AV Birla group holds 22% of Grasim. Grasim is India's largest manufacturer of viscose staple fibre (VSF) and is the largest manufacturer of cement (31.5Mt consolidated) following the takeover of L&T's cement division. It also has interests in sponge iron and textiles. Grasim has demonstrated the ability to cushion the downturn in earnings from cement with earnings from other divisions, which makes its earnings relatively low risk in nature.

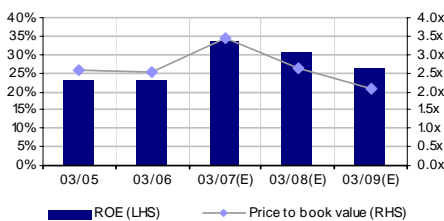
**Value (EV/OpFCF & P/E)**



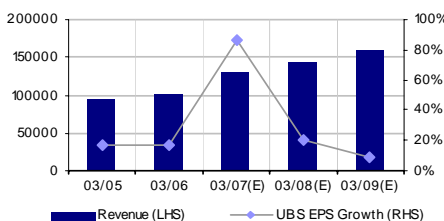
**Profitability**



**ROE v Price to book value**



**Growth (UBS EPS)**



Valuation (x)	5Yr Avg	03/05	03/06	03/07E	03/08E	03/09E
P/E (local GAAP)	8.8	12.0	11.8	11.7	9.7	8.8
P/E (UBS)	8.0	12.0	11.9	11.7	9.7	8.8
P/CEPS	5.0	6.6	7.7	9.0	7.7	7.1
Net dividend yield (%)	2.7	1.6	1.7	1.0	1.1	1.2
P/BV	1.4	2.6	2.5	3.4	2.6	2.1
EV/revenue (core)	1.1	1.5	1.6	2.0	1.8	1.6
EV/EBITDA (core)	5.5	7.0	7.9	6.8	5.8	5.1
EV/EBIT (core)	7.8	10.8	10.9	8.0	6.7	5.9
EV/OpFCF (core)	7.5	9.6	10.9	8.0	6.7	5.9
EV/op. invested capital	1.4	2.3	1.9	2.8	2.3	2.1

Enterprise value (Rs m)	03/05	03/06	03/07E	03/08E	03/09E
Average market cap	106,009	122,427	223,879	223,879	223,879
+ minority interests	5,002	5,136	8,607	12,806	17,706
+ average net debt (cash)	18,410	25,480	19,214	13,848	(2,737)
+ pension obligations and other	11,794	11,583	11,583	11,583	11,583
- non-core asset value	0	0	0	0	0
<b>Core enterprise value</b>	<b>141,216</b>	<b>164,626</b>	<b>263,283</b>	<b>262,116</b>	<b>250,432</b>

Growth (%)	5Yr Avg	03/05	03/06	03/07E	03/08E	03/09E
Revenue	18.1	83.3	7.1	26.9	11.5	11.3
EBITDA (UBS)	26.0	59.4	2.3	85.1	16.9	8.6
EBIT (UBS)	24.1	31.1	15.4	116.3	19.3	9.4
EPS (UBS)	23.9	17.3	16.9	86.2	20.6	9.5
Cash EPS	26.5	56.2	-0.4	56.1	16.5	8.2
DPS Net	21.0	19.8	22.3	10.0	8.0	8.0
BVPS	7.2	13.1	18.4	34.9	31.6	26.3

Margins (%)	5Yr Avg	03/05	03/06	03/07E	03/08E	03/09E
EBITDA / revenue	20.7	21.4	20.4	29.7	31.2	30.4
EBIT / revenue	14.8	13.8	14.9	25.3	27.1	26.6
Net profit (UBS) / revenue	10.4	9.3	10.1	14.8	16.0	15.8
Return on capital (%)						
EBIT ROIC (UBS)	19.1	21.3	17.4	34.7	35.0	35.3
ROIC post tax	-	14.1	12.9	24.0	24.5	24.7
Net ROE	18.1	22.9	23.1	33.7	30.6	26.0

Coverage ratios (x)	5Yr Avg	03/05	03/06	03/07E	03/08E	03/09E
EBIT / net interest	6.7	7.3	9.5	21.7	NM	NM
Dividend cover (UBS EPS)	5.0	5.1	4.9	8.2	9.2	9.3
Div. payout ratio (%), UBS EPS)	20.2	19.7	20.6	12.2	10.9	10.8
Net debt / EBITDA	1.3	1.5	1.0	0.5	0.2	NM

Efficiency ratios (x)	5Yr Avg	03/05	03/06	03/07E	03/08E	03/09E
Revenue / op. invested capital	21.3	1.5	1.2	1.4	1.3	1.3
Revenue / fixed assets	7.0	1.7	1.2	1.4	1.4	1.4
Revenue / net working capital	1.3	22.9	22.0	27.7	26.4	26.3

Investment ratios (x)	5Yr Avg	03/05	03/06	03/07E	03/08E	03/09E
OpFCF / EBIT	1.0	1.1	1.0	1.0	1.0	1.0
Capex / revenue (%)	NM	4.8	6.7	17.9	16.9	5.4
Capex / depreciation	0.7	0.6	1.2	4.1	4.2	1.4

Capital structure (%)	5Yr Avg	03/05	03/06	03/07E	03/08E	03/09E
Net debt / total equity	47.7	73.5	43.3	26.8	11.9	-14.5
Net debt / (net debt + equity)	32.3	42.4	30.2	21.1	10.6	-16.9
Net debt (core) / EV	22.4	13.0	15.5	7.3	5.3	-1.1

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs2,441.70 on 25 Apr 2007 23:39 HKT; Market cap (E) may include forecast share issues/buybacks.

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