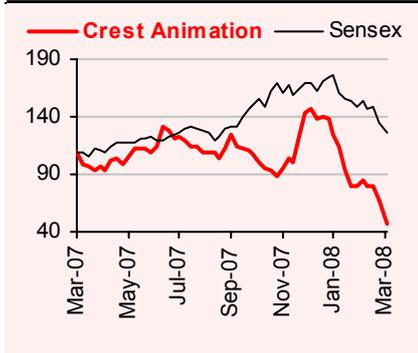


**Key data** 19 March 2008

Sector	Media
Market cap	Rs1bn/US\$25mn
52 Wk H/L (Rs)	162/45
Avg. daily vol. (6 month)	124,801
BSE Code	526785
NSE Code	CRESTANI
Bloomberg	CRSA IN
Reuters	CRCO.BO
Sensex	14,809
Nifty	4,503


**Shareholding pattern (%)**

	30-Sep-07	31-Dec-07
FII's NRI, ADR/GDR	30.5	31.0
MFs and institutions	5.2	4.1
Promoters	15.9	15.9
Others	48.4	49.0

**Absolute returns (%)**

	1mth	3mth	12mth
Crest Animation	(44.9)	(65.9)	(51.3)
Sensex	(17.8)	(22.3)	19.3

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# Crest Animation

**Not Rated**
**Current Price: Rs 47**
**Target price: N.A.**

We met the senior management of Crest Animation Studios Limited (CASL).

**The key takeaways from our meeting are mentioned below:**

**Animation industry will see a strong growth**

According to Nasscom, the global animation industry is expected to grow at a CAGR of 8.6 percent over the next four years. The entertainment segment dominates 75 percent of the global animation industry. A lot of this animation work is expected to be outsourced to India which will be one of the favored outsourcing destinations. The entertainment segment of the Indian animation industry will grow at a CAGR of 22 percent over the next five years to Rs 29 bn by CY11.

**CASL will be a key beneficiary from India**

CASL has delivered more than 200 half hours of television and home video titles in CGI animation, working for clients such as Mike Young Productions, Mark Brown, Marathon and Nickelodeon. Crest has produced animation for several international TV shows such as 'Jakers!' and 'Pet Alien'. It has won many awards like EMMY, BAFTA, FICCI Frames 2005 etc.

**DE Shaw's stake will help CASL in its financial and strategic needs**

DE Shaw picked a 14.99% stake (at a price of Rs 120 per share) in CASL and a 26% stake (at US\$ 15.75 mn) in its subsidiary Crest Animation & Production Services (CAPS) in September 2006. DE Shaw also provided a US\$ 15.75 mn interest free loan for part financing of three movies that Crest will produce along with Lions Gate. This will help Crest in its financial and strategic needs. The stake of DE Shaw gives Crest Animation access to strong management practices and contacts in the US.

**Tie-up with Lions Gate (LGI) – only the second such tie up in the world**

In August 2005, CASL tied up with LGI to co-produce three movies. This is the second such tie up in the world wherein a distributor and animation company have funded an animation film (first was the Disney-Pixar tie up). The tie-up with LGI involves the production of three movies, each costing US\$ 20 mn. Crest will share the cost equally with LGI. This gives CASL access to LGI's strong world-wide distribution. The tie-up with Lions Gate is not exclusive and CASL is looking out for more such deals.

**Figure 1: Financials**

Year to 31 March	FY02	FY03	FY04	FY05	FY06	FY07
Net Revenues (Rs mn)	92	180	146	286	214	248
EBITDA (Rs mn)	(82)	46	(135)	87	13	(24)
PAT adj (Rs mn.)	(93)	(6)	(86)	15	60	(37)
EPS adj (Rs.)	(9.0)	(0.6)	(4.8)	0.8	3.1	(1.6)
EPS diluted (Rs.)	(9.0)	(0.6)	(4.8)	0.8	3.1	(1.6)
P/E (x)	(5.2)	(76.8)	(9.7)	59.3	15.0	(28.8)
Div. yield (%)	-	-	-	-	-	-
RoE (%)	(12.3)	(0.8)	(11.0)	1.8	6.8	(3.2)
Price/BV (x)	0.6	0.7	1.0	1.0	1.0	0.8
EV/EBITDA (x)	(5.4)	10.4	(3.6)	6.0	41.9	(19.0)
EV/Sales (x)	4.7	2.7	3.4	1.8	2.5	1.8

Source: Company, Religare Institutional Equity Research

## Details

CASL was founded in 1990 by Shyam Ramanna as an advertising film production company. CASL ventured into post-production in 1995. It is widely acknowledged to have introduced animation and special effects to the Indian market and is one of the leading studios in India. It is one of the first players in the Asian region to service the mainstream entertainment industry in the UK and the US. CASL acquired Los Angeles based Rich Crest Holdings (RCH) in 2000.

### **Subsidiary in the US - CAPS**

Crest Animation has a US subsidiary located in Burbank, Los Angeles called Crest Animation Productions & Services (CAPS). CAPS has been producing animated content for film and television since its establishment by Richard Rich in 1986. Mr Rich spent several years at Walt Disney Studios Feature Animation Division before starting the company, and has become a producer of animation with over 6 features and 60 home videos produced to date. Under the guidance of Noah Fogelson and backed by production financing from D.E. Shaw, Crest is expanding its business to become a full-service animation studio. The fund infusion puts Crest in a position to provide the financing to develop and produce intellectual properties for worldwide distribution.

### **Tie-up with Lions Gate**

CASL has entered into a three movie deal with Lions Gate Inc (LGI) through its Los Angeles-based subsidiary CAPS. LGI is a leading entertainment studio in Hollywood with reported revenues of US\$ 977 mn and a net income of US\$ 27.5 in FY2007. Each of the three films has a budget of US\$ 20 mn and will be delivered each year starting from FY10. The three films are being financed equally by CAPS and LGI. The IPRs of the films will be co-owned equally by CAPS and LGI. The pre-production and post-production work will be executed by CAPS at its Los Angeles Studio, while production work will be done by CASL out of its Mumbai studio. The tie-up with Lions Gate will help Crest make a footprint in the US market as it will help it in production cost sharing and distribution of movies. Crest is planning to launch its movies in 2,500 cinema halls across the US and Canada through Lions Gate's distribution network.

## **Overview of Animation Industry**

The Indian entertainment industry has three segments – web designing, entertainment and e-education. The entertainment segment accounts for 67 percent of the animation development market in India. Of the total revenues generated by the Indian studios, approximately 70 percent comes from the outsourced work. India is a hot destination for animation outsourcing mainly because of the cost advantage and talent offered.

The animation outsourcing market is set for a healthy growth over the next few years with several major film production houses such as Walt Disney, I Max, Sony Pictures, Warner Bros, Paramount and 20<sup>th</sup> Century Fox moving towards outsourcing of animated content. The majority of outsourced work comes from off-shore, mainly from the US and Europe.

Since a large amount of work done in India is for global clients, the Indian animation industry is greatly influenced by the global scenario. The global animation industry is expected to grow at a CAGR of 8.6 percent over the next 4 years (Source: Nasscom). 75 percent of the global animation industry is dominated by the entertainment segment.

## Advantages of Animation movies

There are many advantages of animation movies.

### Longer shelf life

Animation movies have a longer shelf life as they are not affected by the ageing of its characters, change of customer tastes, and other such factors.

### Can be dubbed in various languages

Animation movies can be easily dubbed in other languages, and do not have lip sync problems as seen in other movies. Hence, there are no barriers in terms of geography, age and language and there is a demand for these movies in all the languages. For example, Disney shows are dubbed in south Indian languages.

### Ancillary revenues

Animation movies are able to generate various possible ancillary revenues from toys, books, games, apparel and other co-branding opportunities. Thus, it provides an alternative source for generating revenues. According to management estimates, this can go up to 1-1.25x gross collections from ticket sales. However, this is possible only if the movie is a hit.

### Matured into a mainstream of entertainment

Animation movies have now moved from the kids segment to mainstream cinema. Thus these movies are now projected as complete family entertainers.

The table given below compares the average net profit of a sample of movies across various segments.

**Figure 2: Average net profits earned by movies across various segments**

Film Genre	Sample Size	Avg. Net Profit (US\$ mn)
Animated	44	166.3
Sci-Fi/ Fantasy	31	143.5
Family	29	134.4
Action	127	72.1
Drama	103	42.6
Comedy	217	40.7
Thriller	53	37.8
Horror	36	33.6
Romance	33	29.4

Source: Company, Religare Institutional Equity Research

Animation movies have been top Hollywood grossers. The following table gives details of animation movies released worldwide until now.

**Figure 3 : Box office data on animation movies released till date**

S. No.	Film	Release Date	Distributor	Production (US\$ mn)	Gross BO (US\$ mn)	Multiple BO to Budget
1	Toy Story	Nov-95	Disney	45	362	8.0
2	Antz	Oct-98	PDI Dreams Works	60	172	2.9
3	Bug's Life	Nov-98	Disney	45	363	8.1
4	Toy Story 2	Nov-99	Disney	90	485	5.4
5	Shrek	May-01	PDI Dreams Works	60	484	8.1
6	Monsters Inc	Nov-01	Disney	115	525	4.6
7	Jimmy Neutron	Dec-01	Paramount	25	103	4.1
8	Ice Age	Mar-02	Fox	60	383	6.4
9	Finding Nemo	May-03	Disney	90	865	9.6
10	Shrek 2	May-04	PDI Dreams Works	70	921	13.2
11	Shark Tale	Oct-04	PDI Dreams Works	75	363	4.8
12	Incredibles	Nov-04	Disney	92	631	6.9
13	Polar Express	Nov-04	Sony	165	298	1.8
14	Robots	Mar-05	Fox	75	261	3.5
15	Madagascar	May-05	PDI Dreams Works	75	529	7.1
16	Chicken Little	Nov-05	Disney	150	314	2.1
17	Hoodwinked	Dec-05	Weinstein Company	NA	109	-
18	Doogal	Feb-06	Weinstein Company	NA	26	-
19	Ice Age: The Meltdown	Mar-06	Fox	80	651	8.1
20	The Wild	Apr-06	Disney	80	102	1.3
21	Over the Hedge	May-06	Paramount	NA	335	-
22	Cars	Jun-06	Disney	120	461	3.8
23	Monster House	Jul-06	Sony/ Columbia	75	140	1.9
24	The Ant Bully	Jul-06	Warner Bros	50	55	1.1
25	Barnyard: The Original Party Animal	Aug-06	Paramount	51	115	2.3
26	Everyone's Hero	Sep-06	Fox	NA	16	-
27	Renaissance	Sep-06	Miramax	18	1	0.1
28	Happy Feet	Nov-06	Warner Bros	100	384	3.8
29	Open Season	Sep-06	Sony/ Columbia	85	188	2.2
30	Flushed Away	Nov-06	Paramount (Dreamworks)	149	176	1.2
31	Happily Never After	Jan-07	Lions Gate	NA	29	-
32	Meet the Robinsons	Mar-07	Disney	NA	159	-
33	Shrek the third	May-07	Paramount (Dreamworks)	160	794	5.0
34	Surf's Up	Jun-07	Sony/ Columbia	NA	141	-
35	Ratatouille	Jun-07	Disney	150	608	4.1
36	The Simpsons Movie	Jul-07	Fox	75	525	7.0
37	Bee Movie	Nov-07	Paramount (Dreamworks)	150	130	0.9

Source: Company, Religare Institutional Equity Research

## **Key strengths of Crest Animation**

### **Leading player in the Indian animation industry**

Crest is widely acknowledged to have introduced animation and special effects to the Indian market and is one of the leading 3D studios in India. It is one of the first players in the Asian region to service the mainstream entertainment industry in the UK and the US – demonstrating high quality, timely deliveries and competitive costs.

### **State of the art infrastructure and good manpower**

CASL has state of the art technical infrastructure in the industry enabling it to handle multiple projects at the same time. CASL uses several core proprietary technologies and production processes, besides using standard software like Maya, XSI etc. It has two production units, one in Mumbai and the other in Los Angeles. The details of the same are given below.

- Mumbai Production Studio - 45,000 sf.
- Burbank, US Production Studio - 7,500 sf.
- CGI Workforce - 500
- Workstations – 385
- Rendering Processors - 1,200

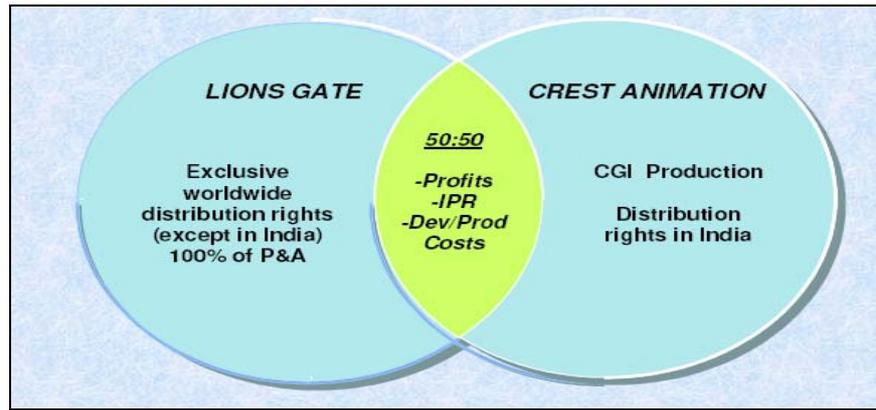
In order to enhance its position in the Indian animation space, CASL has established a strategic alliance with global technological companies like Altair Engineering and HP. The relationship between CASL an US based product development and consulting firm Altair Engineering extends to developing a Render Management Portal, which is one of the most critical processes in the CGI production pipeline. The partnership with HP has provided the company with a unified high performance and highly reliable infrastructure and also enabled the company to increase its production capabilities substantially to meet the growing demands of the CGI market.

### **Strong brand equity of CASL**

CASL has delivered more than 200 half hours of television and home video titles in CGI animation, working for such clients as Mike Young Productions, Mark Brown, Classic Media, Nelvana, American Greetings, Marathon and Nickelodeon. Crest has produced animation for several international TV shows such as 'Jakers!' and 'Pet Alien' that have won many awards including Daytime EMMY, BAFTA, FICCI Frames 2005, Humanitas Prize for Children's Animation, and a nomination for the Annie Award. Crest has also delivered 12 DVDs (including Arthur, Care Bear, Get Along Gang).

### **Tie-up with Lions Gate for production and distribution**

The tie-up with Lions Gate will help Crest make a footprint in the US market as it will help it in sharing production cost and distribution of movies. Crest is planning to launch its movies in 2,500 cinema halls across the US and Canada through Lions Gate's distribution network. LGI will be bearing 100% of the promotion and advertising expenses.



**Strategic and financial tie-up with DE Shaw**

DE Shaw has picked a 14.99% stake in Crest Animation Studios and a 26% stake in its subsidiary Crest Animation & Production Services (CAPS). DE Shaw picked 3.38 mn shares in Crest representing 14.99% of the expanded equity capital at a price of Rs 120 per share. It has also invested US\$ 15.75 mn for an acquisition of 26% stake in CAPS, and provided another US\$ 15.75 mn interest free loan for the part financing the 3 movies that Crest will produce along with Lions Gate. This will help Crest in its financial and strategic needs. The stake of DE Shaw gives Crest Animation access to strong management practices and contacts in US.

**Figure 4: Funding by DE Shaw**

Nature of Transaction	Amount (US\$ mn)
In lieu of 14.99% stake in Crest India	9
In lieu of 26% equity capital in CAPS.	15.75
The intended financing for Crest's share of the co-production	15.75
0% coupon finance for 3 feature films (in lieu of profit share)	15.75
<b>Total</b>	<b>40.5</b>

Source: Company, Religare Institutional Equity Research

**Huge cost advantages of Indian players compared to global players**

The animation industry is similar to the IT industry with high employee costs (>50%) to sales ratio. Hence, Crest has a cost advantage in terms of cheaper labor force than that in the developed animation markets.

**Figure 5: Comparison between Overseas and Indian movie production costs**

(USD mn)	Average Studio Cost	Crest Cost
Creative development	5	2
Pre-production	15	8
CGI production	65	20
Post-production	10	5
<b>Total</b>	<b>95</b>	<b>35</b>

Source: Company, Religare Institutional Equity Research

### **Strong management team in place**

Crest Animation has got a strong and experienced **management and board of directors**.

#### **Management Team**

A.K. Madhavan, Chief Executive Officer

He has led the company's foray into the international markets in CGI space. He has extensive contacts in Hollywood & Europe. Prior to his 8 year stint at Crest, he has over a decade of marketing & entrepreneurial experience in IT and in the advertising sector.

Noah Fogelson, Chief Executive Officer, U.S. (CAPS)

He graduated from Stanford University and U.C. Berkeley School of Law. Noah practiced Corporate & Entertainment law for public and privately held companies at Greenberg, Glusker Fields till 2002. While at Dic Entertainment for the next four years, Noah took the company public on the London Aim Exchange in October 2005. He also led the acquisition of Copyright Promotions (pan European Licensing Agent) in 2006.

Mr. Richard Rich, Animation Director (CAPS)

Mr. Rich worked for Walt Disney for 14 years and is a prominent figure in the global animation industry. He has directed many animated feature films and home videos that were distributed by majors and has won numerous international awards.

#### **Board Of Directors**

Mr. Shyam Benegal, Film maker

Mr. Benegal is a well-known filmmaker.

Mr. Vallabh Bhanshali, Chartered Accountant

He has been serving on various committees of the SEBI and BSE. He is a one of the founder member of Enam group- a reputed financial service group.

Mr. Gurcharan Das, Consultant

Mr. Das is a graduate from Harvard Business School. He is a renowned consultant in the field of global corporate strategy. He has led P & G (Healthcare) International as its Managing Director, besides having been the Chairman and Managing Director of P & G, India. He is also a celebrated author and columnist.

Mr. Shyam Ramanna, Chairman

Mr. Ramanna pioneered the computer graphics industry in India. He has won numerous awards for advertising commercials in the fields of directorial and technical excellence.

Ms. Seemha Ramanna, Managing Director

Ms. Ramanna is a graduate in Economics and co-founder of the company. She has wealth of experience and a rich network of relationships in the Media and entertainment industry worldwide.

Mr. T.N.V.Ayyar, Chartered Accountant

Mr. Ayyar is a financial consultant & advisor to domestic and international corporates. He handled the Zee buyout of Mr Rupert Murdoch's share.

## Revenue drivers of CASL

### CASL will have the following revenue drivers:

#### Revenues from three films

CASL will be responsible for producing the movies; therefore the production budget of US\$ 60 mn will be booked as its revenue. 50% of the revenues will be booked by CAPS for pre and post production of movies and the balance 50% in CASL for production of movies. The management expects an EBIDTA of 30% from this. Thus the EBIDTA from production of one movie is expected to be US\$ 6 mn.

Apart from the revenues from the production of the movie, Crest will also have a 25% share in the profit/loss from each of the movies that are released. The table below gives the profits likely to be made by Crest based on the scenario wherein the movie has box office collections of US\$ 100 mn (gross) in US and Canada.

As per the industry estimates, International markets outside of US & Canada are likely to contribute equal as amount equivalent to that in the US & Canada. DVD sales will contribute 1 to 1.25 times the box office collection in US and Canada. Thus if the movie has a box office collection of US\$ 100 mn in US and Canada, the total gross sales from all the 3 sources is likely to be in the range of US\$ 300 mn. Crest can make a net profit of US\$ 27.5 mn in this scenario (refer table given below).

**Figure 6: Revenue share from movie collections and DVD sales** (USD mn)

Cost of 1 movie - US\$ 20 mn		US & Canada	International markets	DVD sales	Total
Gross Collections		100	100	100	300
Less exhibitors share	53%	53	53	0	106
Less Lions Gate distribution fees	7%	7	7	0	14
Net proceeds		40	40	100	180
Less Lions Gate P&A		10	10	0	20
Gross adjusted receipts		30	30	100	160
Less cost of movie/ DVD production		20	0	30	50
Net adjusted receipts		10	30	70	110
Lions Gate share	50%	5	15	35	55
DE Shaw share	25%	2.5	7.5	17.5	27.5
<b>Crest share</b>	<b>25%</b>	<b>2.5</b>	<b>7.5</b>	<b>17.5</b>	<b>27.5</b>

Source: Company, Religare Institutional Equity Research

#### Ancillary revenues

As explained in the above table, ancillary revenues are likely to flow into the company in case the movie is a hit. These ancillary revenues could be in the form of merchandise, toys, books, games, apparels and co-branding opportunities.

#### Extension of contract with Lions Gate

The tie-up with Lions Gate involves production of 3 movies at the cost of US\$ 20 mn each (total cost of US\$ 60 mn). Going forward based on Lions Gate experience with Crest and the success of the movies, Crest can enter into contracts for more movies. Crest plans to produce 1 or 2 movies every year going forward from FY10 and will actively try to increase the number of contracts with Lions Gate.

#### More such deals are in pipe line

Crest Animation is in talks with other players apart from Lions Gate for similar deals. The contract with Lions Gate is not exclusive and the management would like to look at other opportunities in the space.

## **Risks**

### **CASL faces the following risks:**

#### **Profitability can be lower than expected**

Profitability could be lower than expected on account of delays in the production of the movies, failure of movies etc.

#### **Employee attrition and lack of trained manpower**

There is a shortage of skilled manpower for animation. This is due to a lack of domestic training institutes. Since Crest is the number one player in India, its employees can be poached by the competitors.

#### **Competition from Korea, China and East Europe**

There is competition from Korea and China. They have been organized in attracting overseas animation projects. Support from their governments in terms of finance and infrastructure has aided the growth of the industry.

#### **Lions Gate contract may not get renewed after the 3 films**

The contract signed with Lions Gate is for the production of 3 movies. Lions Gate may not renew the contract if there are any production delays or failure of the movies. This can be a future concern since Lions Gate will help Crest distribute movies, and a termination of the contract will mean searching for a new distributor. However the Crest management is in talks with other players for a similar deal.

#### **Lack of high entry barriers in the industry**

The main requirement of the industry is skilled labor which is not a big entry barrier. However, the tie-up with Lions Gate and strong brand name of CASL are key strengths. This will give it an edge over other animation companies.

## Valuation matrix

**Figure 7: Valuations**

Animation Sector	Price (Rs)	Rating	Mkt Cap (Rs bn)	EPS (Rs)		P/E	
				FY07	FY08E	FY07	FY08E
Crest Animation	47	NR	1.1	-1.6	NA	-28.8	NA

Source: Religare Institutional Equity Research

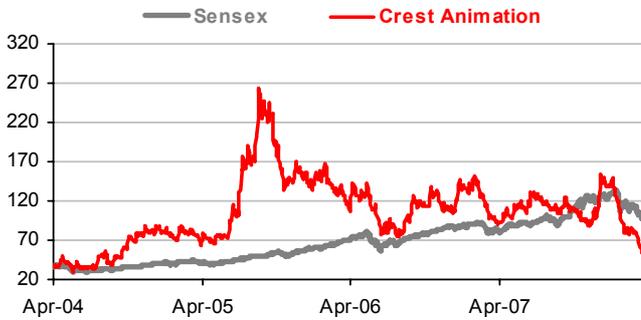
### Conclusion

Crest Animation is mainly engaged in the development and production of digital animated properties for theatrical, television, home entertainment and interactive distribution for the global entertainment industry. It is now moving towards movie production in association with Lions Gate. The upside from the success of these movies will be shared by CASL along with DE Shaw and Lions Gate. According to us, Crest is a medium-risk company and the management's ability to pull out successful deals in the future will be a key driver. The valuations of Crest based on FY07 numbers are not meaningful as it had a loss in FY07. Globally animation companies get good valuations.

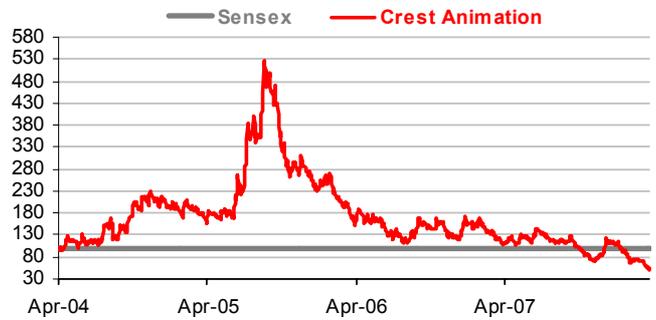
# Stock performance

## Crest Animation

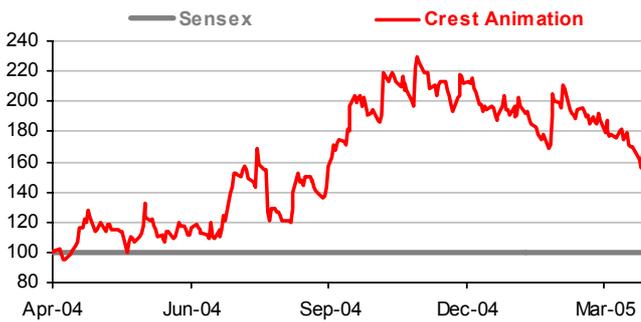
**Absolute Perf. From Apr 04**



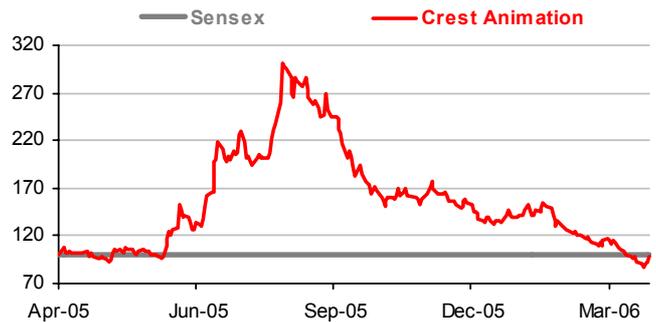
**Relative Perf. From Apr 04**



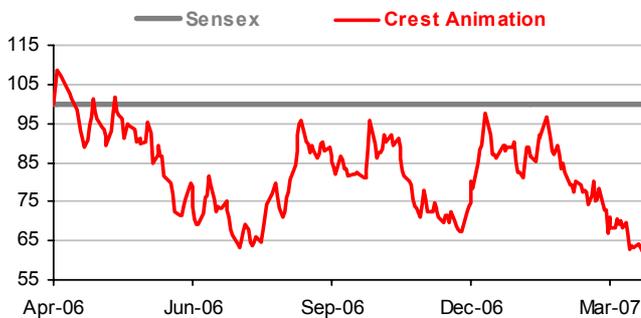
**Relative Perf. From Apr 04 to Mar 05**



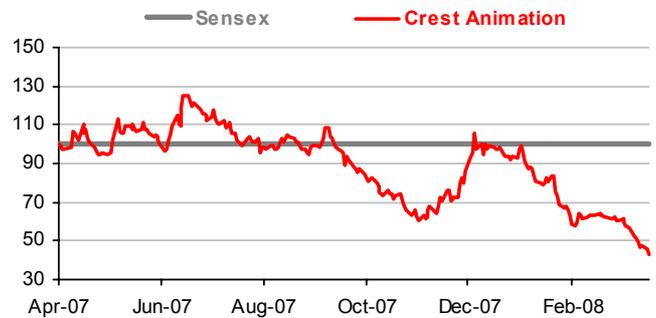
**Relative Perf. From Apr 05 to Mar 06**



**Relative Perf. From Apr 06 to Mar 07**



**Relative Perf. From Apr 07**



Source: Bloomberg, Religare Institutional Equity Research

## Financials

### Income statement

(Rs mn)

Y/E, 31st March	FY03	FY04	FY05	FY06	FY07
Net sales	180	146	286	214	248
EBITDA	46	(135)	87	13	(24)
EBITDA margin (%)	25.61	(92.73)	30.43	5.93	(9.71)
Depreciation	49	54	79	66	81
EBIT	(3)	(189)	8	(53)	(105)
Other income	15	22	(7)	85	140
Interest Exp/(Inc)	19	17	14	16	25
PBT (operating)	(7)	(185)	(13)	16	11
PBT margin (%)	-3.99	-126.46	-4.66	7.34	4.27
Extra ord (inc)/exp	-	-	-	-	-
Taxes	2	(7)	(9)	(44)	1
Minority interest	-	-	-	-	-
PAT (Reported)	(9)	(178)	(4)	60	10
Less: Extra ordinary income / Others	(3)	(92)	(19)	(1)	47
Adj PAT	(6)	(86)	15	60	(37)
Adj PAT margin (%)	-3.49	-58.81	5.08	28.08	-14.87

### Quarterly – Financials

(Rs mn)

Y/E, 31st March	Q3FY07	Q4FY07	Q1FY08	Q2FY08	Q3FY08
Net sales	107	108	79	74	64
Changes (%)	52.3	39.5	64.4	-	(40.0)
EBITDA	10	38	(9)	(13)	11
Changes (%)	(56.5)	177.2	(38.2)	16.5	17.5
Margin (%)	9.0	34.8	(11.3)	(18.1)	17.7
PAT	4	56	(36)	(14)	11
PAT adj	4	56	(36)	(14)	11
Changes (%)	(4.3)	5,530.0	11.0	(21.3)	140.9
Margin (%)	4.1	51.9	(46.3)	(19.4)	16.5
EPS adj (Rs)	0.2	2.5	(1.6)	(0.6)	0.4
EPS dil (Rs)	0.2	2.5	(1.6)	(0.6)	0.4

### Ratios

Y/E, 31st March	FY03	FY04	FY05	FY06	FY07
<b>Growth</b>					
Net sales (%)	95.2	(19.1)	95.8	(25.1)	15.9
EBITDA (%)	(156.5)	(392.9)	(164.2)	(85.4)	(289.8)
PAT adjusted (%)	(93.2)	1,261.9	(116.9)	314.5	(161.4)
EPS adjusted (%)	(93.2)	687.7	(116.4)	295.3	(152.2)
EPS diluted (%)	(93.2)	687.7	(116.4)	295.3	(152.2)
EPS Consl & diluted (%)	(93.2)	687.7	(116.4)	295.3	(152.2)

### Valuations

P/E (x)	(76.8)	(9.7)	59.3	15.0	(28.8)
P/BV (x)	0.7	1.0	1.0	1.0	0.8
EV/EBITDA (x)	10.4	(3.6)	6.0	41.9	(19.0)
EV/Sales (x)	2.7	3.4	1.8	2.5	1.8

### Profitability

EBITDA margin (%)	25.6	(92.7)	30.4	5.9	(9.7)
Adj PAT margin (%)	(3.5)	(58.8)	5.1	28.1	(14.9)
RoE (%)	-0.8	-11.0	1.8	6.8	-3.2
RoCE (%)	-0.3	-21.6	0.8	-5.4	-8.9
RoIC (%)	-0.2	-15.0	0.6	-3.6	-5.9

### B/S ratios

Inventory days	37	88	30	167	276
Creditor days	119	262	117	93	209
Debtor days	192	154	162	159	256
Working Capital days	926	160	148	449	569
Net debt/equity	0.19	0.07	0.08	0.08	0.01

### Balance sheet

(Rs mn)

Y/E, 31st March	FY03	FY04	FY05	FY06	FY07
<b>Liabilities</b>					
Equity share capital	103	178	183	192	226
Total Res. & Surplus	639	635	653	752	1,112
<b>Total Shareholders' fund</b>	<b>742</b>	<b>813</b>	<b>836</b>	<b>944</b>	<b>1,338</b>
Convertible Debt	-	-	-	-	-
Others Debt	142	59	63	71	9
<b>Total Loans</b>	<b>142</b>	<b>59</b>	<b>63</b>	<b>71</b>	<b>9</b>
Deferred tax liability (net)	(2)	-	45	-	-
<b>Total liabilities</b>	<b>882</b>	<b>871</b>	<b>945</b>	<b>1,015</b>	<b>1,347</b>
<b>Assets</b>					
Net fixed assets & others	395	462	428	360	411
Capital WIP & others	0	-	0	15	-
<b>Total non-current assets</b>	<b>396</b>	<b>462</b>	<b>428</b>	<b>374</b>	<b>411</b>
<b>Total investments – non current</b>	<b>122</b>	<b>377</b>	<b>393</b>	<b>419</b>	<b>463</b>
<b>Current assets</b>	<b>362</b>	<b>32</b>	<b>123</b>	<b>222</b>	<b>473</b>
Inventories	19	35	23	98	187
Sundry debtors	95	62	127	93	174
Cash & cash equivalents	22	27	8	22	151
Cash	22	27	8	22	151
<i>Liquid investments</i>					
Other current assets	403	72	57	127	168
<b>Total current assets</b>	<b>538</b>	<b>196</b>	<b>216</b>	<b>341</b>	<b>680</b>
<b>Total current liabilities</b>	<b>59</b>	<b>105</b>	<b>92</b>	<b>55</b>	<b>142</b>
<b>Total provisions</b>	<b>118</b>	<b>59</b>	<b>1</b>	<b>64</b>	<b>64</b>
<b>Net current assets</b>	<b>362</b>	<b>32</b>	<b>123</b>	<b>222</b>	<b>473</b>
Misc. expenditure	3	0	0	0	0
<b>Total assets</b>	<b>882</b>	<b>871</b>	<b>944</b>	<b>1,015</b>	<b>1,347</b>

### Cash flow

(Rs mn)

Y/E, 31st March	FY03	FY04	FY05	FY06	FY07
<b>Cash from operations</b>					
PBT	(7)	(185)	(13)	16	11
Tax paid	(2)	7	9	44	(1)
Dep & amortization	49	54	79	66	81
Working capital changes	(36)	323	(62)	(112)	(228)
Others	0	0	0	0	0
<b>Net cash from operations</b>	<b>4</b>	<b>200</b>	<b>13</b>	<b>13</b>	<b>(137)</b>
<b>Cash from investments</b>					
Capital expenditure	(33)	(92)	(40)	(40)	11
Sale/purchase of inv & others	(2)	(255)	3	5	(43)
<b>Net cash from investments</b>	<b>(35)</b>	<b>(347)</b>	<b>(37)</b>	<b>(35)</b>	<b>(32)</b>
<b>Cash from financing</b>					
Issue of shares & share premium	0	263	28	43	406
Dividend paid	0	0	0	0	0
Debt change	16	(100)	(23)	(7)	(88)
Others	(4)	(10)	0	0	(21)
<b>Net cash from financing</b>	<b>12</b>	<b>153</b>	<b>5</b>	<b>36</b>	<b>297</b>
<b>Net change in cash</b>	<b>(19)</b>	<b>6</b>	<b>(19)</b>	<b>14</b>	<b>128</b>

### Per share data

(Rs)

Y/E, 31st March	FY03	FY04	FY05	FY06	FY07
EPS adjusted	(0.6)	(4.8)	0.8	3.1	(1.6)
EPS diluted - wtd	(0.6)	(4.8)	0.8	3.1	(1.6)
EPS Consl and diluted	(0.6)	(4.8)	0.8	3.1	(1.6)
CEPS	4.1	(1.8)	5.1	6.5	2.0
Book value	72.1	45.7	45.7	49.2	59.2
Dividend	-	-	-	-	-
O/s shs.-actual (mn)	10.3	17.8	18.3	19.2	22.6
O/s shs.-diluted (mn)	10.3	17.8	18.3	19.2	22.6
O/s shs wtd / diluted (mn)	10.3	17.8	18.3	19.2	22.6

**Rating definition**

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<b>Buy</b>	: > 15% returns relative to Sensex	<b>Accumulate</b>	: +5 to +15% returns relative to Sensex
<b>Sell</b>	: > (-)15% returns relative to Sensex	<b>Reduce</b>	: (-) 5 to (-) 15% returns relative to Sensex
<b>Hold</b>	: Upto + / (-) 5% returns relative to Sensex		

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