Engineering – Heavy / Large

Praj Industries Ltd

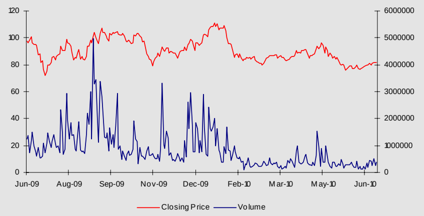
Sell

CMP	Rs 82
Target Price	Rs 73

Key Data

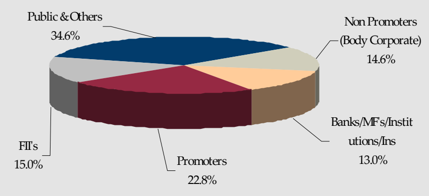
Face Value	2.00
Market Cap (Rs in mn)	15080.8
Total O/s Shares in (in mn)	184.8
Free Float	77.2%
52 Week High / Low	113/70
Avg. Monthly Volume (BSE)	269907
Avg. Monthly Volume (NSE)	847721
BSE Code	522205
NSE Code	PRAJIND
Bloomberg Code	PRJ IN
Beta	1.49
Date of Incorporation	Nov 1985
Last Dividend Declared	72%
Six month return	-20.73%
Indices	BSE A
FCCB's outstanding	N.A.
Warrants outstanding	N.A.

One Year Price Chart



Source: Capitaline

Share Holding Pattern 31-3-2010



Source: Company, KJMC Research

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Praj Industries Ltd is a global player in the entire value chain for processing of alcohol /ethanol as well as beer production right from the stage of feed stock handling to fermentation, distillation and waste water treatment. Net revenues have grown at a CAGR of 40.90% during 2005-09 and PAT for the same period have grown at a CAGR of 54.37%. Current order book of Rs 700 crs implies a de - growth of 12.5% on y-o-y basis. Declining order book & slower execution are the major concerns for the company's growth and revenue visibility in future.

At the CMP of Rs 82 the stock is trading at a PE of 17.3x & 13.5x its FY11E & FY12E earnings of Rs 4.7 and Rs 6.1 respectively. We initiate coverage on the stock with a target price of 73 which is 12x its FY12E earnings and translates into a potential downside of 11% and hence we recommend a "sell "on the stock.

Key Highlights

Stagnant & Declining order book for last few quarters fails to provide strong revenue visibility

Order book as on date stood at Rs 700 crs. Of the total order book 60% pertains to the domestic markets and balance 40% is from International markets. 55% of the order book is based on sugarcane and the balance is starch based. Of the total order book Almost 10% of the order book comes from the European markets. The order book of Rs 700 crs is after cancellation of orders worth Rs 170 crs.

Declining EBITDA margins does not give strong earnings visibility

Net revenues for FY10 declined by 18% at Rs 7801.10 mn whereas the EBITDA too declined by 14% at Rs 1405.9 mn. Standalone EBITDA margins declined by 600 bps on account of increase of 740 bps in the raw material to sales ratio. Also there were more domestic orders getting executed during the year where in the margins are slightly on the lower side as compared to the international orders.

Outlook for the major ethanol producing states US & Europe to remain bleak in near future

Inspite of favorable feed stock prices in US which have come down to 100 euros a tonne from the peak of 220 euros a tonne , US & Europe are still struggling with the after effects of recession and are likely to recover last and hence the investment scenario is likely to remain week in the near term . The contribution of Europe & US together to the unexecuted order book has declined from 40% to 10% with no orders from US.

Consolidated Financial Snapshot

Rs in mn

Particulars	FY08	FY09	FY10P	FY11E	FY12E
Net Sales	7380.06	9542.17	7801.10	6864.97	7894.71
growth%	17.11%	29.30%	-18.25%	-12.00%	15.00%
EBITDA	1416.07	1640.82	1405.90	765.44	967.10
EBITDA % margins	19.2%	17.2%	18.0%	11.2%	12.3%
PAT	1529.2	1211.9	1195.9	876.5	1125.4
PAT% margins	20.72%	12.70%	15.33%	13.03%	14.5%
EPS	8.3	6.6	6.5	4.7	6.1
P/E(x)	9.8	12.4	12.7	17.3	13.5
ROE %	61.6%	30.9%	27.6%	16.6%	19.1%

Source: Company, KJMC Research

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General data sources

Company, Capitaline, Public domain, Bloomberg.

Contents

Sell Rationale

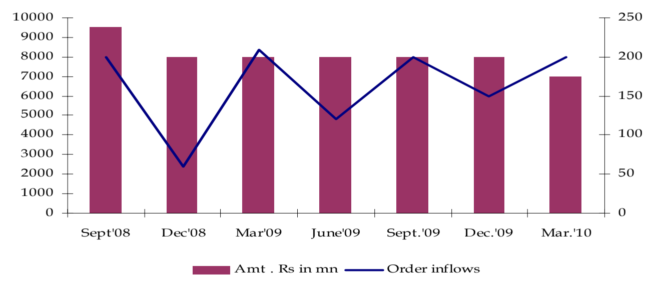
Stagnant & Declining order book for last few quarters fails to provide strong revenue visibility

The order book has remained stagnant at Rs 800 crs since Q3FY09. Stagnant and weakening order book raises our concern about the company's revenue visibility for future. The order book as on Sept'08 of Rs 950 crs have witnessed a declining trend and remained stable for 5 consecutive quarters at Rs 800 crs. For Q4FY10 the order book further declined by 12.5% at Rs 700 crs.

Orders worth Rs 170 crs dropped from the order book

Of the total order book at Rs 700 crs, orders worth Rs 170 crs were cancelled due to lack of clarity from the clients end. Of the total orders cancelled, orders worth Rs 100 crs pertained to domestic markets and Rs 70 crs were from International markets. Praj cancelled the orders as customers were unable to raise the required finance and the projects were uncertain on the timing aspect of commissioning the same. The execution period for the current order book is around 12 months

Order book and order Inflow

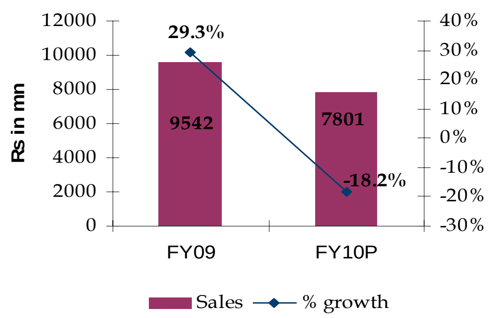


Source: KJMC research, Company

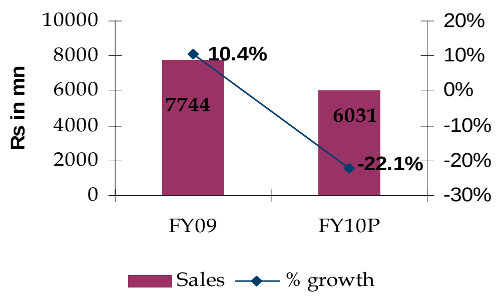
Of the total order book 60% pertains to the domestic markets and balance 40% is from International markets. 50% to 60% of the order book is based on sugarcane and the balance is starch based of the total order book.

Almost 10% of the order book comes from the European markets. The order book from US has declined from 20% in Q2FY08 to nil.

Consolidated Revenues



Standalone Revenues



Source: Company, KJMC research

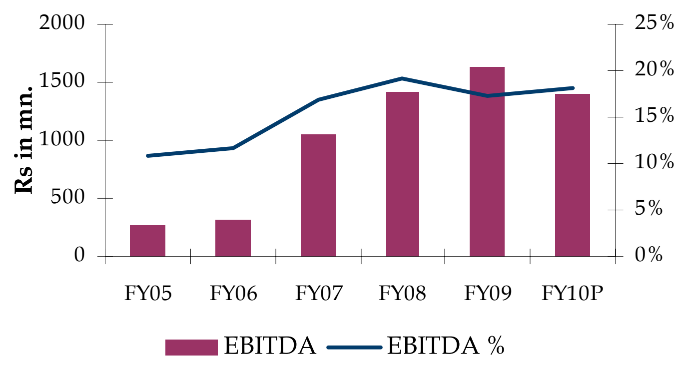
For FY10 the standalone net revenues declined by 22% at Rs 6022.8 mn whereas the EBITDA declined by 41.9% at Rs 1057.3 mn. Of the total sales around 57% is for the ethanol while the balance is for the beverage alcohol. The decline in net revenues is attributable to economic slowdown and company's conservative policy to control the receivables. Pricing pressure was also another factor for declining revenues.

We expect the revenue to remain subdued for next two years. For FY11E we expect the revenue to decline by 12% at Rs 6,865 mn. However we expect the revenues at Rs 7,894 mn implying a 15% y-o-y growth for FY12E.

Declining EBITDA margins does not give strong earnings visibility

Standalone EBITDA margins during FY10 declined by 600 bps on account of increase of 740 bps in the raw material to sales ratio .Also there were more domestic orders getting executed during the year where in the margins are slightly on the lower side as compared to the international orders. During FY09 the consolidated margins has declined by 200 bps at 17. 2%. During FY10 Praj divested its stake in the wholly owned subsidiary in US which have resulted in the improvement of EBITDA margins by 80 bps at 18%.

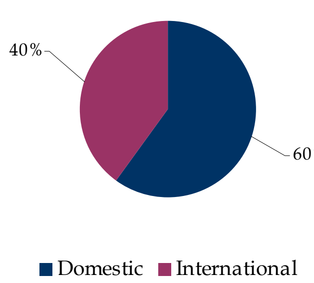
Declining EBITDA margins



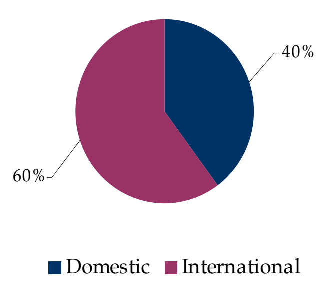
Source: Company, KJMC research

Though the management was confident of bagging increased orders from the International markets at the beginning of FY10, the order book at the end of FY10 have remained in favour of the domestic markets. The ongoing financial crisis in the European markets have resulted in the declining orders from those regions. The current order book of Rs 700 crs comprises 60% of the domestic orders with the balance 40% contributed by the International markets. Europe contributed around 10% to the total order book.

Geographical breakup of Order Book FY10



Geographical breakup of Order Book FY09



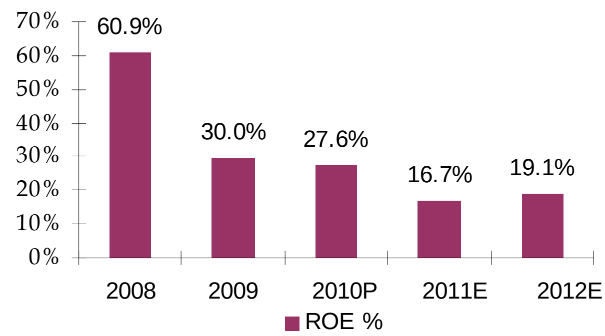
Source: Company, KJMC research

With more domestic orders in the unexecuted order book, we expect the EBITDA margins to remain under pressure in the near term as the international orders have better margins which are higher by 500 bps as compared to the margins in the domestic order book. The increasing raw material prices will put further pressure on the EBITDA margins and we expect the same to remain at 11 - 12%.

Declining earnings weighs heavily on the ROE

The earnings have declined at a CAGR of 13.9% during FY07-FY10P and are expected to decline at a CAGR of 3.0% during FY10P-FY12E. Declining earnings have resulted in substantial erosion of ROE from 62% during FY08 to 28% during FY10P. It is expected that the ROE will go down further and will remain at 19% during FY12E.

Declining ROE (%)



Source: Company, KJMC research

Outlook for US & Europe to remain bleak with growth to be lead by India, South America & South East Asia

Inspite of favorable feed stock prices in US which have come down to 100 euros a tonne from the peak of 220 euros a tonne , US & Europe are still struggling with the after effects of recession and are likely to take some more time to recover Hence the investment scenario is likely to remain week in the near term .

The Renewable Energy Directive passed by the EU parliament which mandates 10% energy contained bio-fuels blending in all transport fuels by the year 2020, starting in the year 2011. This entails additional capacity of 14 billion litres for bio-ethanol. However the ongoing financial crisis in Europe will restrain the additional capital expenditure as the investment sentiment still remains poor. Current order book of Rs 700 crs included around 10% of the orders from Europe with absolutely no new orders from US. The contributions of US and Europe together to the order book has come down from 40% during Sept'07 to 10% to the current order book.

However the prospects seems to be good & encouraging in Middle East, South & Central America & Asia on account of increase in the blending mandate in Thailand from 10% to 20% or increased investments happening in Vietnam inspite of no mandate. In Philippines the demand which was met through imports is to be met from domestic production and hence there are huge projects coming up in the region. As regards the South & Central America E-20 programme is implemented in Columbia. Currently most of the orders are from these regions. Praj has an upward market share of above 50% in all these regions.

Contributions by ethanol producing countries to the World Ethanol Production

Country	% contribution - 2007	% contribution - 2008	% contribution - 2009
USA	49.6%	51.9%	52.1%
Brazil	38.3%	37.3%	33.7%
European Union	4.4%	4.2%	5.3%
China	3.7%	2.9%	2.8%
Canada	1.6%	1.4%	1.5%
Thailand	0.6%	0.5%	2.2%
Colombia	0.6%	0.5%	0.4%
India	0.4%	0.4%	0.5%
Australia	0.2%	0.2%	0.3%

Source: International Trade Commission, Renewable Fuels Association

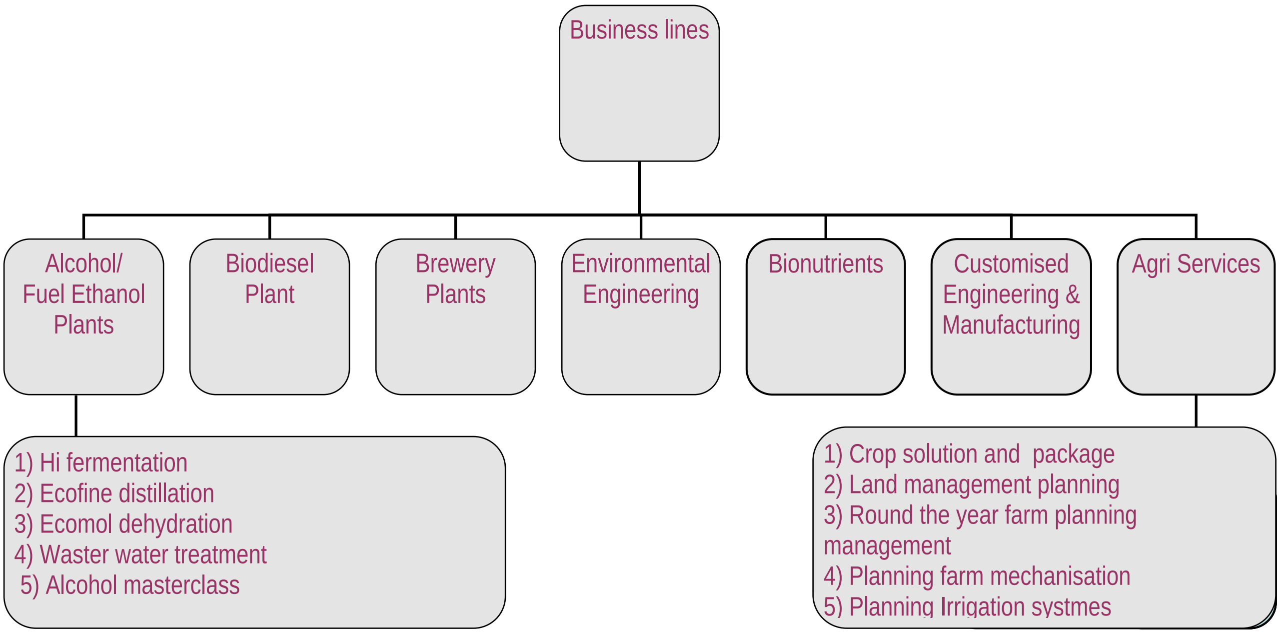
Key Risk & Concerns

- Biofuels are driven more by mandates resulting from government policies for climate change mitigation
- Subject to the foreign exchange currency risk as 40% of the order book is from the International markets.
- Highly vulnerable to change in the prices and output feed stock like corn, sugarcane etc.

Company Background

Praj Industries Ltd , an only listed Indian player with a global presence offers customized, end –to –end value added services for bio-ethanol , bio diesel ,brewery plants and related waste water treatment systems .The company has a widespread expertise and experience in bio process and engineering and provides know- how licence,engineering design ,plant & equipment ,project management ,commissioning ,customer care & turnkey projects.

The Company is considered as a one – stop – shop for bio fuel plants and has found place for the second consecutive time in the Forbes list of High performance companies.



Key achievements

- Globally ranked amongst the top 5 technology & plant suppliers
- Only company in ethanol technology cutting across
  - Different feedstocks
  - Five continents
  - End-to- end solutions
- Developed alternate energy crops
- Bio-technology expertise for application in domain space
- Improved energy ratio
- Only Global player present across all geographies
- More then 70% market share in India
- More then 50% market share in S.East Asia
- Praj Industries has been honored with the 'Gold Trophy' for exceptional performance in exports by EEPC –Engineering Export Promotion Council and EEPC Silver Shield Award, CNBC TV -18 International Trade Awards and Bio – Excellence Award, 2009.

Industry

For FY09 the total World Ethanol production has remained at 19,535 millions of gallons of which 86% of the production has come from US & Brazil.

Global Ethanol Production - 2009

Country	Millions of Gallons
USA	10171.29
Brazil	6577.89
European Union	1039.52
China	541.55
Canada	290.59
Thailand	435.2
Colombia	83.21
India	91.67
Australia	56.8

Source: F.O. Licht, RFA Outlook 2010

US

Ethanol can be made from various feedstocks viz:

1. Sugarcane
2. Corn
3. Wheat
4. Sugarbeet
5. Barley

In US, Corn ethanol has been manufactured for more than 30 years and has blossomed into a thriving industry. American farms and refineries generate nearly half of all ethanol produced around the globe. Inspite of corn being largely used in US , Sugarcane based ethanol has been designated as Advance Renewable Fuel by U.S. Environmental Protection Agency. EPA has designated sugarcane based ethanol as an important category of biofuels that along with cellulosic biofuels is likely to make up 21 billion gallons of America's fuel supply by 2022.

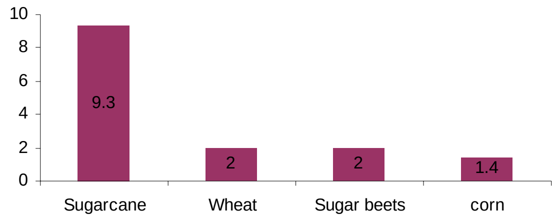
Benefits of cane based Ethanol

Renewable – Sugarcane ethanol, unlike coal or oil, is produced from sugarcane plants that grow back year after year.

Sustainable – Since sugarcane only needs to be replanted every five to seven years – as a semi-perennial crop it can be harvested without uprooting the plant, its cultivation has less impact on the soil and surrounding environment.

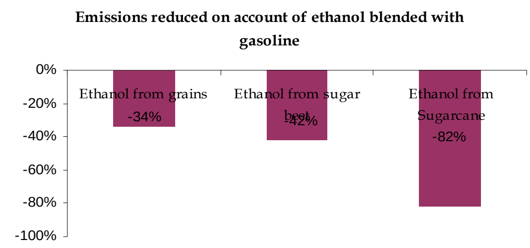
Energy-Intensive – Sugarcane is highly efficient in converting sunlight, water and CO2 into stored energy. Sugarcane produces seven times more energy compared to corn when used in ethanol production.

Energy content in Ethanol for different feedstocks



Source: IEA - International energy agency 2004

Lower Carbon Emissions – Compared to gasoline, sugarcane ethanol cuts greenhouse gases by more than 60%. That's better than any other liquid biofuel produced today in large quantities.



Source: World watch Institute (2006)and Macedo et al (2008)

Sugarcane ethanol will also help US to reduce its dependence on oil from the Middle East, while saving drivers money at the pump and helping to protect the environment.

RFA 2010 Ethanol Industry Outlook

As per the RFA 2010 Ethanol Industry Outlook, In 2009, the production of an estimated 10.2 billion gallons of ethanol helped support nearly 400,000 jobs in all sectors of the economy. America's ethanol producers also provided benefits to the nation's Gross Domestic Product (GDP), adding $53.3 billion dollars. This economic impact and job creation helped to raise individual household incomes by $16 billion dollars.

The combination of increased GDP and higher household income generated an estimated $8.4 billion in tax revenue for the Federal government and nearly $7.5 billion of additional tax revenue for State and Local governments.

The production and use of 10.6 billion gallons of ethanol in 2009 reduced demand for imported oil by 364 million barrels, at a savings of $21.3 billion.

EU

The EU Parliament has passed the package which outlines the mandates and obligations of member states for adoption of the Renewable Energy Directive. The Renewable Energy Directive mandates 10% energy contained bio-fuels blending in all transport fuels by the year 2020, starting in the year 2011. This entails additional capacity of 14 billion litres for bio-ethanol.

Brazil

Brazil first began using ethanol in vehicles as early as the 1920s, and the trend gained urgency during the oil shock of the 1970s. However, sugarcane ethanol's popularity took off in 2003 with the introduction of flex fuel vehicles that run on either gasoline (which in Brazil also includes 20%-25% ethanol) or pure ethanol.

More than 90% of new cars sold today in Brazil are flex fuel, and these vehicles now make up about half of the country's entire light vehicle fleet – a remarkable accomplishment in less than a decade.

Brazil has achieved greater energy security thanks to its focused commitment to developing a competitive sugarcane industry and making ethanol a key part of its energy mix. Brazil has replaced more than half of its gasoline needs with sugarcane ethanol – making gasoline the alternative fuel. By replacing gasoline with ethanol, Brazil has set an example for other nation who are seeking to expand use of renewable fuels.

Since 2008, total ethanol sales surpassed that of gasoline in Brazil, making gasoline the alternative fuel in the country and providing Brazilians with a more secure energy future.

To meet this rising demand for food and energy, the Brazilian sugarcane industry harvests approximately 600 billion tons of sugarcane each year using only about 2.5% of the country's arable land. Maximizing that raw material, the industry produces 33 million metric tons of refined "table" sugar annually; seven billion gallons of ethanol; and enough electricity to power about 5% of Brazil's needs.

All in all sugarcane is the number one renewable energy source in Brazil, supplying one-sixth of the country's total energy requirements. Besides its diverse and secure energy matrix, the benefits of Brazil's sugarcane program include:

Reduced Emissions – Environmental officials estimate the use of sugarcane ethanol in Brazil has reduced that country's greenhouse gas emissions by some 600 million metric tons of carbon dioxide since 1975.

Greater Economic Growth – Economists estimate that Brazil's total economic output is 35% higher today than it would have been without the country's focus on diversified energy production – from offshore oil to sugarcane ethanol production.

Beer Industry

India is predominantly a hard liquor market and beer has a minority preference amongst those who consume alcohol. The per capita consumption of beer constitute a meagre 3% of global average. Typically the size of beer volumes in most countries is 7 to 10 times larger than spirits, whereas in India, spirits is larger.

The alcoholic beverage industry in India operates under a very complex regulatory environment which is the biggest challenge. In addition to restrictions on advertising, distribution infrastructure and retailing, varied tax structures, controlled pricing and licensing make operations more complex, consequently leading to higher costs, though providing entry barriers for new entrants as well.

The Indian beer market is dominated by strong beer which accounts for 74% of the total beer sale.

Globally, over 133 billion litres of beer is sold each year. In comparison, the Indian beer Industry is in a very nascent stage and contributes a meagre 1.28% of the global sales. However the industry has been witnessing on an average, a steady growth of about 10% per year over the last ten years with volumes crossing 172 million cases in 2008-2009 from 70 million cases in 2002.

Consumption of beer in India is also constrained by lack of adequate market infrastructure. In China for instance, there is one outlet for every 300 persons. In contrast, India has one outlet for every 21,000 persons hampering free availability of beer. Total consumption of beer in China grew by 33.56% between the years 2000 and 2006 to reach a total market volume of 30.47 billion litres. With a per capita consumption of 22 litres, China is one of the largest beer consuming nations in the world. With a relatively younger population and income levels on the rise, India is seeing an increase in the popularity of beer.

Bio diesel Industry

Biodiesel is an alternative fuel, produced from domestic, renewable resources. Biodiesel contains no petroleum, but it can be blended at any level with petroleum diesel to create a biodiesel blend. It can be used in diesel engines with little or no modifications.

Biodiesel is better for the environment because it is made from renewable resources and has lower emissions compared to petroleum diesel. It is less toxic than table salt and biodegrades as fast as sugar. Since it is made in INDIA from renewable resources such as Jatropha, its use decreases our dependence on foreign oil and contributes to our own economy.

India's commercial production of bio-diesel is very small, mostly for sale in the unorganized sector or for experimental projects. Due to high edible oil prices in the domestic market, it is not economically feasible to produce bio-diesel from vegetable oils. The small quantities of Jatropha and other non-edible oilseeds procured by traders are mostly crushed for oil, which is used for lighting lamps and other non-edible uses.

In April 2003, the GOI launched a National Mission on Biodiesel that identified Jatropha curcas as the most suitable tree-borne oilseed for the production of bio-diesel, and focused on promoting plantations of Jatropha on "wastelands".The GOI's Planning Commission set an ambitious target of 11.2-13.4 million hectares to be planted with Jatropha by 2012, in order to produce sufficient bio-diesel to blend at 20 percent with petro-diesel.

Many Indian corporations are venturing into bio-diesel production by initiating a memorandum of understanding with state governments to establish Jatropha plantations on government wasteland or contract farming with small and medium farmers. Several state governments have announced policies to encourage Jatropha cultivation, setting up biodiesel plants and supply chains in their respective states.

Blending mandated in major Ethanol Producing Countries

Country	Blending%
US	10%
Brazil	25%
Thailand	20%
Mexico	10%
EU	5.75%
India	5%

Source: KJMC research, Company

Estimated Ethanol Production by major economies

(units : millions gallons)

Country	2009	2012	2015	2018
US	10699	13648	15293	16763
EU	803	1171	1450	1737
Brazil	6915	8785	10442	12805
India	298	476	542	614

Source: FAPRI Outlook 2010

Business Outlook

Cellulosic ethanol plant and customized engineering business as well as water management business likely to drive growth after 2012

Collaboration with Novozymes for the cellulosic ethanol plant

The collaboration with Novozymes, a leading enzyme provider in the bio fuels industry is likely to reduce the cost of putting up ethanol plant and increase the yields which will be based on the feed stock like corncobs, woodchips, cornchips etc. Praj is currently working on the pilot plant for the cellulosic ethanol and it is going to start the first phase of the demonstration plant in one of the sugar mills in India during calendar year 2011. The second phase of the demonstration plant is likely to start in US and the trial period could go upto one year.

Hence the commercial operation for the cellulosic ethanol plant is likely to start after 2012 ie in 2013 -14. The company is targeting the US markets for the cellulosic ethanol plant as around 16 bn gallons of cellulosic ethanol is likely to come in US over next 10-12 yrs.

Though the collaboration with Novozymes for the celluslosic ethanol plant is likely to improve the growth prospects of the company it will take another 3 – years to start contributing to the revenues.

Customised engineering and water treatment business

Praj has extended its geographical reach and enhanced the scope of work through venturing in the areas of customized engineering business for various process industries and water management business through water treatment & recycling water. It eyes a very good opportunity in India as well as abroad.

Globally the industry size of water and waste water treatment is USD 150 bn which is growing at around 10% -12%. The addressable market in India is USD 1.5 bn and Praj is looking at achieving substantial market share in this segment. However it will take another 3 years time for Praj to garner a considerable market share from this segment. Since the current order book does not include any substantial amount of orders from the segment we have not included the same as well in our projections.

Interim price of Rs 27/- for ethanol fixed by the government is yet to be cleared by the Cabinet.

Recenlty the government has agreed to increase the price of ethanol from Rs 21/- per litre to Rs 27/- per litre at which the sugar companies will sell ethanol to the oil companies. Though this is a very favourable move for the sugar companies to increase the ethanol production ,this decision is yet to be cleared by the Cabinet as oil companies are opposing to the increased price as it is more then cost of making petrol which is Rs 23 per litre.

The ethanol blending programme at 5% was first mandated by the Government of India way back in 2006 which was then raised to 10% in October '2007 and made compulsory from October'2008. On account of disagreement over price of ethanol though the mandatory blending was increased to 10% almost two year back the ethanol blending at 5% is still not implemented in its totality. Once the interim price for ethanol is officially notified it is after that only one can expect some decision on the long – term price of ethanol.

Beverage Alcohol market to drive growth

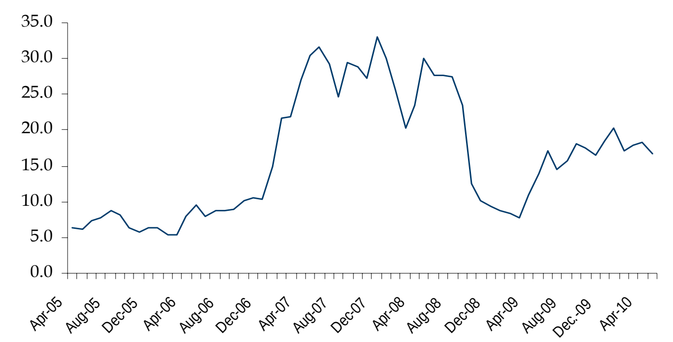
The Beverage alcohol market is growing at a healthy rate of 12%-15%. There has been a strong demand in the domestic markets for the beverage alcohol & rectified spirit with increased capacity additions taking place. Praj was able to garner a healthy market share in this segment.

Valuation

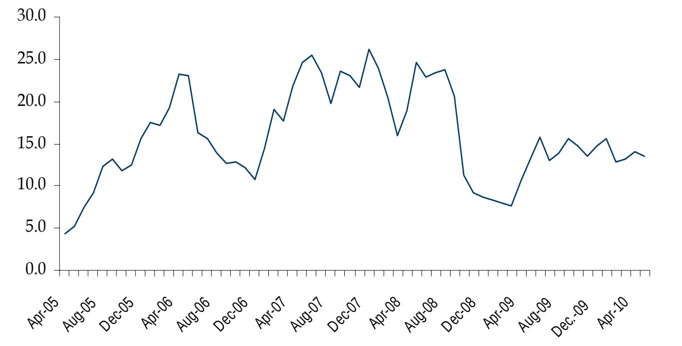
Factors such as declining order book, reduced margins, declining proportion of the international orders with higher margins are major concerns for the company's growth prospects in the near future and hence we do not see any major upside in the earnings of the company for another two years.

At the CMP of Rs 82 the stock is trading at a PE of 17.3x & 13.5x its FY11E & FY12E earnings of Rs 4.7 and Rs 6.1 respectively. We initiate coverage on the stock with a target price of 73 which is 12x its FY12E earnings and translates into a potential downside of 11% and hence we recommend a "sell "on the stock.

1 yr Forward P/E Chart

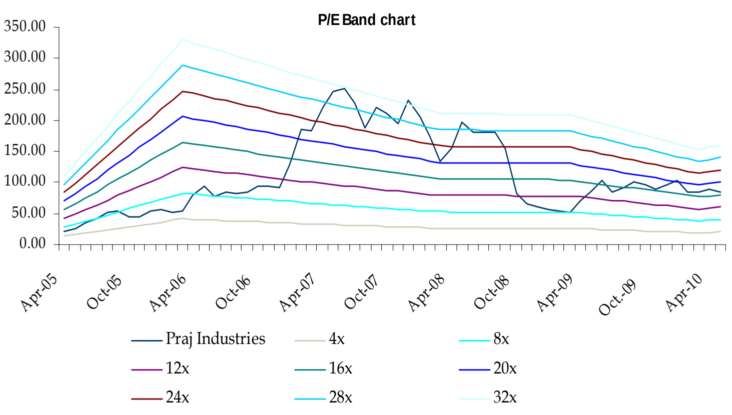


Historic P/E Chart



Source: KJMC Research

Forward P/E Band



Source: KJMC Research

Q4FY10 & FY10 Performance - Standalone

(in Rs mn)

Particulars	Q4FY2010	Q4FY2009	VAR [%]	FY10	FY09	VAR [%]
Net Sales	1277.7	2085.9	-38.7%	6022.8	7718.8	-22.0%
Other Operating Income	0.0	24.9	100.0%	8.4	24.9	-66.3%
Total Income	1277.7	2110.8	-39.5%	6031.2	7743.7	-22.1%
Consumption of raw material	793.5	773.7	2.6%	3433.7	3840.3	-10.6%
Employee cost	131.3	152.3	-13.8%	606.6	630.3	-3.8%
Other expenditure	307.2	681.7	-54.9%	933.6	1451.8	-35.7%
Total Expenditure	1232.0	1607.7	-23.4%	4973.9	5922.4	-16.0%
EBITDA	45.7	503.1	-90.9%	1057.3	1821.3	-41.9%
EBITDA margins(%)	3.6%	23.8%	- 2020 bps	17.5%	23.5%	- 600 bps
Exchange gain	15.5	-97	-116.0%	95.5	-231.3	-141.3%
Interest	0	3.1	0.0%	3.3	3.9	-15.4%
PBDT	61.20	403.00	-84.8%	1149.5	1586.1	-27.5%
Depreciation	31.5	23.2	35.8%	105.1	81.7	28.6%
Other Income	56.8	25.4	123.6%	320.6	215.6	48.7%
Exceptional items	0.00	0.00		74.7	109.5	-31.8%
Prior period	0.00	0.00		59.6	0	
Profit before tax	86.5	405.2	-78.7%	1230.7	1610.5	-23.6%
Tax	-111.7	130	-185.9%	91.8	310.5	-70.4%
PAT	198.20	275.20	-28.0%	1138.9	1300.00	-12.4%
PAT margins(%)	15.5%	13.2%	230 bps	18.9%	16.8%	210 bps
EPS (Unit Curr.)	1.07	1.50	-28.4%	6.16	7.09	-13.0%
Equity	368.9	366.9	0.5%	369.5	366.9	-0.2%
Face Value	2.0	2.0		2	2	

Source: Company

Financial Summary

Consolidated Profit & Loss Statement (Rs in mn)

Profit & Loss Statement	FY08	FY09	FY10P	FY11E	FY12E
Net Revenue	7380.1	9542.2	7801.1	6865.0	7894.7
Growth %	17.1%	29.3%	-18.2%	-12.0%	15.0%
Raw material cost	3822.7	3849.9	3195.2	3226.5	3473.7
Employee Cost	612.2	853.7	690.0	607.5	848.9
Other expenses	1529.0	3197.8	2510.0	2265.4	2605.3
Total Expenditures	5964.0	7901.4	6395.2	6099.5	6927.6
EBITDA	1416.1	1640.8	1405.9	765.4	967.1
EBITDA Margin(%)	19.2%	17.2%	18.0%	11.2%	12.3%
Dep.& Amortiz	58.2	88.7	105.1	109.6	114.6
EBIT	1357.9	1552.1	1300.8	655.8	852.5
EBIT Margin(%)	18.4%	16.3%	16.7%	9.6%	10.8%
Other income	169.5	252.1	460.0	440.0	550.0
Exceptional Items	-2.1	-111.7	-74.7	0.0	0.0
Prior period expenses	16.6	0.0	59.6	0.0	0.0
Interest Expenses	0.7	5.6	8.2	5.1	2.1
foreign exchange gain/loss	219.0	-234.0	-95.5	0.0	0.0
Tax	213.8	277.6	287.5	196.3	255.6
Adjusted PAT after minority interest & excep. Items	1529.2	1211.9	1195.9	876.5	1125.4

Consolidated Balance Sheet (Rs in mn)

Balance Sheet	FY08	FY09	FY10P	FY11E	FY12E
Sources of Funds					
Share Capital	366.3	366.8	369.4	369.4	369.4
Convertible warrants	0.0	0.0	0.0	0.0	0.0
Warrant Application money	0.3	0.0	0.0	0.0	0.0
Reserve & Surplus	3132.3	3982.0	4787.2	5274.8	6011.2
Minority interest	10.0	27.5	66.8	84.7	107.6
Total Debt	16.3	181.6	131.6	81.6	31.6
Deferred Tax Liability	88.5	106.7	106.7	106.7	106.7
TOTAL	3613.7	4664.7	5461.7	5917.2	6626.5
Application of Funds					
Net Block	1042.6	1402.1	1396.8	1687.2	1627.6
Capital work in progress	195.4	137.4	137.4	137.4	137.4
Investments	2400.0	1948.6	1948.6	1948.6	1948.6
Inventories	751.4	899.4	856.8	814.5	735.5
Contract in progress	307.5	871.9	871.9	871.9	871.9
Sundry Debtors	1712.4	1866.7	1603.0	1410.6	1622.2
Cash & cash Equivalents	357.3	1293.5	1448.6	1954.9	2660.4
Loans & Advances	664.9	984.5	674.2	593.3	682.3
Current Liabilities	3818.6	4738.8	3472.4	3498.1	3701.3
Net Current Assets	-25.1	1177.2	1982.0	2147.0	2871.0
TOTAL	3613.7	4664.7	5461.7	5917.2	6626.5

Consolidated Cash Flow Statement (Rs in mn)

Cash Flows	FY08	FY09	FY10P	FY11E	FY12E
NET Profit before tax & exceptional items	1727.0	1453.0	1522.8	1090.7	1400.4
Depreciation	58.2	88.7	105.1	109.6	114.6
Interest paid	(11.8)	(29.9)	8.2	5.1	2.0
Changes in Working capital	(483.5)	(658.2)	(649.8)	341.3	(18.5)
Others	(176.8)	256.8	0.0	0.0	0.0
Cash generated from operations	1113.1	1110.4	986.3	1546.7	1498.6
Taxes paid	178.7	233.1	(287.5)	(196.3)	(252.1)
Net Cash Flow from Operating Activities	934.4	877.3	698.8	1350.3	1246.5
Increase in Capital	790.1	0.0	2.5	0.0	0.0
Dividends received	71.8	122.8	0.0	0.0	0.0
Interest recevied & other investment income	14.1	13.2	0.0	0.0	0.0
Capex	(616.7)	(524.6)	(100.0)	(400.0)	(100.0)
Investments	(775.4)	635.3	0.0	0.0	0.0
Loans	15.7	165.3	(50.0)	(50.0)	(50.0)
Dividends paid	(424.1)	(386.3)	(388.9)	(388.9)	(388.9)
Interest paid & others	(0.8)	(5.5)	(8.2)	(5.1)	(2.0)
Others	(20.0)	(799.3)	0.0	0.0	0.0
Net change in cash	(11.3)	103.6	154.1	506.3	705.5
Opening cash	307.6	303.2	1294.5	1448.6	1954.9
Closing cash	303.2	1294.5	1448.6	1954.9	2660.4

Ratios

Key Ratios	FY08	FY09	FY10P	FY11E	FY12E
Profitability & Return Ratios					
EBITDA Margin (%)	19.2%	17.2%	18.0%	11.2%	12.3%
NP Margin (%)	20.7%	12.7%	15.3%	13.0 %	14.5%
EPS	8.3	6.6	6.5	4.7	6.1
CEPS	8.7	7.1	7.0	5.3	6.7
BVPS	19.1	23.7	27.9	30.6	34.5
ROE	61.6%	30.9%	27.6%	16.6%	19.1%
ROACE	58.3%	40.9%	34.8%	19.3%	22.4%
Operating efficiency and other ratios					
Debtors T/o	75.0	68.5	75.0	75.0	75.0
Inventory T/o	82.2	78.3	75.0	72.0	70.0
Interest Coverage (x)	1873.5	252.7	21.8	21.8	21.8
Asset/Turnover (x)	7.5	6.5	4.5	3.4	3.5
D/E (x)	0.01	0.05	0.03	0.01	0.00
Valuation Ratios					
P/E (x)	9.8	12.4	12.6	17.3	13.5
P/CEPS (x)	9.5	11.6	11.6	15.4	12.2
P/BV (x)	4.3	3.5	2.9	2.7	2.4
Mcap/Sales (x)	2.0	1.6	1.9	2.2	1.9
EV/Sales (x)	1.9	1.4	1.7	1.9	1.5
EV/EBITDA (x)	10.4	8.5	9.8	17.3	12.9

Source: Company, KJMC Research

Alcohol Plants 	Fuel Ethanol Plants 
Bio Diesel Plants 	Brewery Plants 

Mr. Girish Jain	Executive Director	jaingirish@kjmc.com	2288 5201 (B)
Mr. Suresh Parmar	A.V.P. - Institutional Equities	suresh.parmar@kjmc.com	4094 5551 (D)
Mr. Vipul Sharma	A.V.P. - Institutional Sales	vipul.sharma@kjmc.com	4094 5556 (D)

Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	-	appreciate more than 20% over a 12- month period
Accumulate	-	appreciate 10% to 20% over a 12- month period
Hold / Neutral	-	appreciate up to 10% over a 12- month period
Reduce	-	depreciate up to 10% over a 12- month period
Sell	-	depreciate more than 10% over a 12- month period

KJMC Capital Market Services Ltd.

Member

The National Stock Exchange (EQ, WDM)	:	SEBI Regn. No. INB 230719932
The National Stock Exchange (Derivatives)	:	SEBI Regn. No. INF 230719932
The Stock Exchange, Mumbai	:	SEBI Regn. No. INB 010719939
MCX-SX Currency	:	INE260719932
MCX-Commodity*	:	MCX/TM/CORP/1772
Mutual Fund's AMFI No.	:	ARN - 2386

* Under KJMC Commodities Market India Ltd

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