January 2, 2007

ICICI Securities I-SEC

India Update

Market data as on Dec 29, 2006

INDICES

		% chg (DoD)
BSE Sensex	13787	(0.43)
S&P CNX Nifty	3966	(0.10)
BSE 100	6983	(0.11)
BSE 200	1656	(0.02)
Instanex Skindia DR	2385	5.05
Mindex	5488	4.56

OVERSEAS MARKETS

		% chg (DoD)
Dow Jones	12463	(0.31)
Nasdaq Comp.	2415	(0.42)
S&P 500	1418	(0.45)
Hang Seng	19965	(0.19)
Nikkei	17225	0.01

ADVANCES/DECLINES (BSE)

Group	**A**	**B1**	**B2**
Advances	120	331	426
Declines	83	322	424
Unchanged	0	13	27

FII TURNOVER (BSE+NSE)*
(Rs mn)

Bought	**Sold**	**Net**
21,881	32,378	(10,497)

NEW HIGHS AND LOWS (BSE)

Group	**A**	**B1**	**B2**
Highs	13	28	31
Low	-	5	5

CURRENCY

US$1 = Rs44.27

* FII turnover (BSE + NSE) as on December 28, 2006

Contents

Highlights

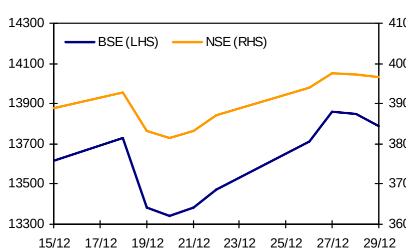
Sector/event	**Impact**
AVIATION: SpiceJet – Q2FY07 Results Review	SpiceJet's results were slightly below expectations due to higher-than-expected fuel costs and one-time charges. The company registered 102.4% YoY revenue growth to Rs1.65bn on the back of an expanded scale of operations. EBITDAR margin rose 830bps but remained in the negative region reflecting the seasonal weakness in demand and intensifying competition. Load factor was in line with expectations at ~75% as against 81.8% in Q1FY07. SpiceJet remains our top pick in the aviation sector. Reiterate BUY.
TECHNOLOGY: MphasiS – Conference Call and Earnings revision	We followed up with MphasiS' management to get more clarity on the progress of the company post the acquisition of majority stake by EDS. The key takeaways include: i) smooth integration between MphasiS and EDS with the latter's involvement being mainly at the Board level ii) MphasiS is now a separate region within EDS, unlike earlier when EDS India reported to EDS Australia iii) the five growth engines for MphasiS have started delivering iv) infraservices practice being added to MphasiS' bouquet of services v) aspirational targets such as US$1bn revenues over the next three years giving further indications of the strategic intent of EDS and vi) early indications of the pricing mechanism between EDS and MphasiS. Overall, we maintain that: i) revenue flow from EDS will be a reality ii) MphasiS will continue as a listed subsidiary and iii) it is in EDS' interest to nurture MphasiS. Reiterate BUY.

News Snippets

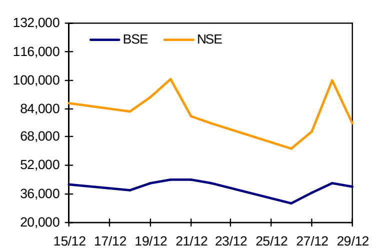
Corporate

- Bajaj Auto is set to re-enter the scooter segment with the launch of *Crystal*, the automatic scooter built on DTSi Platform, later this month. (Business Standard)
- Maruti registered a 23.7% YoY increase in car unit sales during December, with the compact car segment (comprising *Alto*, *Zen*, *Wagon-R* and *Swift*) being the prime driver, up 35.6%. (Business Standard)
- Tata Steel is in the closing stages of placing in a final tender, which is expected to be priced 7-10% higher than its previous offer of £5/share, for the Anglo-Dutch steelmaker Corus. (Business Standard)

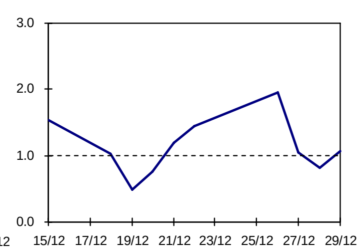
Market movement over last fortnight



Volumes in Rs mn (BSE and NSE)



Advances & Declines ratio (BSE)



ICICI Securities Limited, ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai – 400 020, India.
Phone: +91 22 2288 2460/70 **Fax**: +91 22 2288 2448
ICICI Securities Inc, 500 Fifth Avenue, 28th Floor, New York, NY 10110.
Phone: +1 212 921 4228 **Fax**: +1 212 921 4390

SpiceJet (Buy) AVIATION

Q2FY07 RESULTS REVIEW

Foggy skies, bright forecast **Rs55**

Amar Kedia amar_kedia@isecltd.com
R. Amarnath r_amarnath@isecltd.com

SpiceJet's Q2FY07 results were slightly below expectations due to higher-than-expected fuel costs and one-time charges. The company registered 102.4% YoY revenue growth to Rs1.65bn on the back of an expanded scale of operations. EBITDAR margin rose 830bps but remained in the negative region reflecting the seasonal weakness in demand and intensifying competition. Load factor was in line with expectations at ~75% as against 81.8% in Q1FY07, while average realisation marginally improved to ~Rs2,375 from Rs2,345 in Q1FY07. The company booked Rs255.8mn profit on sale and lease-back of two aircraft during Q2FY07 in addition to Rs59.6mn cash incentive on lease transactions. While the results were lacklustre, the airline maintained its leadership in load factor in the domestic industry despite record aircraft addition during Q2FY07. SpiceJet remains our top pick in the aviation sector. Reiterate BUY.

Table 1: Valuation summary

		Y/E March	EPS (Rs)	P/E (x)	EV/E (x)		
Price (29/12/06) (Rs)	55.3					BSE Sensex	13787
52 wk Range (Rs)	84/36	2006*	(4.2)	(13.1)	134.7	Mkt cap. (Rs bn)	10
Dividend FY07E (Rs/sh.)	0.0	2007E	(3.1)	(18.1)	30.0	Mkt cap. (US$ mn)	230
Dividend yield (%)	0.0	2008E	(1.9)	(29.8)	12.8	Shares out. (mn)	184.3
Face value (Rs)	10	2009E	6.8	8.1	6.7	Free float (%)	83.1

Source: Company data, i-SEC Research; * Till FY06 year ends on May 31, FY07E for 10 months

- **Revenue growth of 102.4% was led by capacity expansion** (an average of four aircraft added YoY). Record industry-wide capacity expansion during the quarter, however, pushed down SpiceJet's load factor to ~75% from 81.8% in Q1FY07. Average realisation marginally improved, though we expect both load factor and realisation to pick up in the current quarter which is the most favourable due to the seasonality factor.
- **EBITDAR margin rose 830bps YoY** due to: i) scale-up of operations ii) apportionment of fixed costs over an expanded base and iii) ~12% improvement in average realisation from Rs2,120 to ~Rs2,375. However, the growth in EBITDAR margin was lower than our expectations due to slightly higher-than-expected fuel cost. For the current quarter, we expect the company to record positive EBITDAR margin backed by improvement in both load factor and realisation as well as lower fuel costs.
- **Profitability affected by industry factors and one-time items.** SpiceJet's profitability was slightly hampered by one-time items such as reversal of CENVAT credit and record capacity addition during the quarter. However, the airline maintained one of the highest load factor during the quarter even as average realisation remained stable QoQ. The company also booked Rs255.8mn profit on sale and lease-back of two aircraft during the quarter in addition to Rs59.6mn cash incentive on lease transactions.
- **Well positioned to leverage the seasonal pick-up in demand.** With two more aircraft addition scheduled in the past quarter (fiscal year end being changed to March; accordingly current quarter spans from December '06 to March '07), SpiceJet is favourably positioned to benefit from the seasonal pick-up in demand. Continued low fuel price shall further boost the profitability of the airline.

Table 2: Q2FY07 results review

(Rs mn, year ending March 31)

	Q2FY07	Q2FY06	% chg. YoY	Q1FY07	% chg. QoQ	H1FY07	H1FY06	% chg. YoY
Net Sales	1,650	815	102.4	1,595	3.5	3,245	1,388	102.5
Total Operating Cost	2,105	1,066	97.4	1,947	8.1	4,052	1,820	97.5
Contribution	(455)	(251)	NA	(352)	NA	(807)	(432)	NA
Interest	7	8	(16.2)	7	(0.3)	13	14	(12.5)
Depreciation	25	21	19.5	23	12.4	48	31	19.0
Other Income	94	6	1,380.6	19	384.4	114	96	1,466.7
Recurring PBT	(392)	(274)	NA	(362)	NA	(754)	(380)	NA
Tax	4	3	15.2	5	(33.1)	9	5	33.3
Recurring PAT	(396)	(277)	NA	(367)	NA	(763)	(385)	NA
Extraordinary Items	215	64	238.7	189	13.7	404	64	235.9
Reported PAT	(181)	(213)	NA	(178)	NA	(359)	(322)	NA
Contribution Margin %	(27.5)	(30.8)	-	(22.1)	-	(24.9)	(30.8)	-
Recurring PAT Margin %	(24.0)	(34.0)	-	(23.0)	-	(23.5)	(34.0)	-
EBITDAR	(30)	(83)	NA	(61)	NA	(91)	(132)	NA
EBITDAR Margin %	(1.8)	(10.1)	-	(3.8)	-	(2.8)	(10.2)	-

Source: Company data, i-SEC Research

MphasiS (Buy) TECHNOLOGY

CONFERENCE CALL AND EARNINGS REVISION

Maintaining course Rs304

Shekhar Singh shekhar_singh@isecltd.com

We followed up with MphasiS' management to get more clarity on the progress of the company post the acquisition of majority stake by EDS. Though MphasiS' stock price has appreciated 93% since we made it our top mid-cap pick among IT stocks (refer '*Core Strength*' dated August 1, '06 at Rs157), we believe that over the next two years, the stock has the potential to outperform other IT stocks. The key takeaways include: i) smooth integration between MphasiS and EDS with the latter's involvement being mainly at the Board level ii) MphasiS is now a separate region within EDS, unlike earlier when EDS India reported to EDS Australia iii) the five growth engines for MphasiS (as discussed in our note '*Symbiotic relationship*' dated September 25, '06) have started delivering with concrete progress on multiple fronts iv) infraservices practice being added to MphasiS' bouquet of services v) aspirational targets such as US$1bn revenues (FY07 revenues of US$350-360mn) over the next three years giving further indications of the strategic intent of EDS and vi) early indications of the pricing mechanism between EDS and MphasiS. Overall, we maintain that: i) revenue flow from EDS will be a reality ii) MphasiS will continue as a listed subsidiary and iii) it is in EDS' interest to nurture MphasiS (especially during the transition phase when EDS' revenues and profits will fall and only profit margins calculated in percentage terms will rise). We continue to maintain MphasiS as our top mid-cap pick in the sector.

Table 1: Valuation summary

		Y/E March	EPS (Rs)	P/E (x)	EV/E (x)		
Price (29/12/06) (Rs)	304	2005	8.0	38.1	34.5	BSE Sensex	13787
52 wk Range (Rs)	304/121	2006	9.5	32.1	24.7	Mkt cap. (Rs bn)	49.3
Dividend FY07E (Rs/sh.)	1.5	2007E	6.8	44.5	25.1	Mkt cap. (US$ mn)	1,096
Dividend yield (%)	0.5	2008E	9.5	31.9	17.4	Shares out. (mn)	162.0
Face value (Rs)	10.0	2009E	15.0	20.4	10.8	Free float (%)	48.8

Source: Company data, i-SEC Research

Follow up with MphasiS' management – Takeaways

Integration of MphasiS with EDS continues to be smooth

- MphasiS is being integrated with the EDS family in a smooth manner without losing its distinct identity. EDS' involvement in MphasiS is mainly at the Board level and its day-to-day functioning is independent. Further, MphasiS' name has been retained though BFL has been dropped (the company has been renamed MphasiS than the earlier MphasiS BFL).
- As indicated earlier in our report '*Symbiotic Relationship*' dated September 25, '06, a smooth integration figures in the top priority list of EDS' CFO, Mr. Ron Vargo.
- In terms of the reporting structure, unlike earlier when EDS India reported to EDS Australia, MphasiS is now considered as a separate region within EDS.
- EDS India's (100% subsidiary of EDS) integration with MphasiS is progressing in a smooth manner, though legal integration is yet to materialise. We believe there will be some compensation rationalisation for EDS India employees in April '07, mainly because their 'take home' package is lower as against MphasiS despite a much higher 'cost to the company' package.

Growth engines have started delivering

We had earlier highlighted (refer '*Symbiotic relationship*' dated September 25, '06) the five growth engines expected to drive MphasiS' growth. Here we take a re-look at those growth engines and focus on the progress achieved so far:

1. Continuing growth from MphasiS' existing clients

Scope: MphasiS will continue to generate business from its existing customers.

Progress so far: There were two key apprehensions both of which have now been addressed – A concern that some clients might withdraw business post the acquisition has largely remained unfounded as surprisingly just one client (from the telecom vertical) pulled back some business while others have continued to deal with MphasiS. Also, with the uncertainty related to the open offer behind the company, the revenue flow has picked up significantly. The second apprehension was that some overlapping clients (between MphasiS and EDS) might rethink their outsourcing plans to MphasiS. Fortunately, the overlap is minimum. This is possibly because EDS is more active on the manufacturing vertical, while MphasiS focusses on the BFSI domain.

2. Targetting projects up to US$50mn from select EDS clients

Scope: EDS has identified six accounts for which MphasiS will start bidding (for projects up to US$50mn). The aim is that MphasiS should bag offshore projects from these clients.

Progress so far: MphasiS is working very closely with EDS' Applications Group; further, application development and maintenance (ADM) projects on a pilot basis have already started flowing in. MphasiS' management believes that execution of these pilot projects is being closely observed and success in these will drive more business to MphasiS. Additionally, EDS' Applications Group is currently having a huge unfulfilled employee requirement (couple of thousands). MphasiS believes that this in itself is a big opportunity.

3. Targetting mega deals

Scope: MphasiS will work closely with EDS to target mega deals.

Progress so far: EDS has won a multi-year, multi-million dollar deal from a telecom company and MphasiS will be working as its offshore arm. The ramp-up in this mega deal will start June-July '07 onwards, mainly because the initial phase of this deal is being executed by IBM (co-winner along with EDS). The initial phase will last close to six months. Additionally, MphasiS along with EDS is jointly pursuing more than half a dozen mega deals. However, because of longer sales cycle these deals might take some time to fructify.

4. Internal work of EDS

Scope: This includes shifting the general and administrative work to India.

Progress so far: Two key areas which have been identified include internal finance & accounts work and HR-related work which would be handled by MphasiS later on. Assuming one support staff for every ten employees, we believe this opportunity in itself would be close to 10,000 employees. Additionally, MphasiS is also trying to get some portion of the shared service work, which EDS carries out for its clients.

5. Integrating MphasiS for EDS' best-shore initiative

Scope: EDS has a healthy presence in Eastern Europe and China and has now expanded in India as well through MphasiS.

Progress so far: In CY07, EDS is expected to ramp-up mostly in India as compared with other low-cost locations. This is mainly because India continues to maintain its low cost edge over other competing geographies.

Addition in the current capability mix of MphasiS-EDS

The key development in this area is the setting up of infraservices business within MphasiS. Infraservices is the key revenue generator for EDS and setting up of this division is a clear indication of the seriousness shown by EDS as regards shifting business to India

- **ADM.** MphasiS has 3,000 employees, while EDS India has another 3,000 in applications.
- **BPO.** At present, MphasiS has 7,000 employees in the BPO stream, while EDS India has 900.
- **Infraservices.** Neither MphasiS nor EDS India has any significant capabilities in this area. However, EDS has appointed a senior executive to set up this capability within MphasiS.

Aspirational targets give further indication of the strategic intent

Revenues to grow three-fold over the next three years

MphasiS has already gone public with its aspirational goal of achieving US$1bn revenues by FY10 (year ending March) from the current revenues (FY07) of ~US$350-360mn. This implies a three-year CAGR of 40%.

We believe anything less than this would actually be a waste of EDS' efforts in India as the company's current revenues are close to US$19bn. Going by the rapid ramp-up in India by EDS' competitors such as Accenture and IBM, at least 10% of this would be off-shored over the next three years. Even after factoring in the deflationary impact of off-shoring, we believe US$1bn is definitely achievable.

MphasiS is targetting net margins in higher teens by FY10E

MphasiS believes that its net margins will be closer to 17-18% by FY10E.

Considering Q2FY07 net margins of 8%, this target looks stretched. Importantly, considering the sharp ramp-up in employees at a time when salaries are rising significantly, achieving this target without a significant increase in billing rates looks difficult. MphasiS' management believes that this is achievable through a combination of billing rate increases, higher utilisation, offshore shift etc.

Employee addition at 10,000 in FY08E

MphasiS is targetting to recruit 10,000 employees in FY08E. This is close to 54% jump in employee strength in a year's time considering that MphasiS and EDS India together would have employee strength of 18,500 by end-FY07E.

The break-up of 10,000 employees is 5,000 in IT services, 4,000 in BPO and close to 1,000 employees in Infraservices.

Pricing mechanisms being finalised

While the pricing mechanism for the business is not yet finalised, we believe two kinds of pricing mechanisms could be used:

- **For clients.** MphasiS will be directly billing the clients so that transfer pricing mechanism is not involved. However, EDS will possibly be paid royalty, which would be treated as a sales and marketing spend. Additionally, MphasiS might witness higher billing rates as a subsidiary of EDS as compared with what it was getting earlier.
- **For EDS' internal work.** As mentioned earlier, MphasiS is also targetting EDS' internal finance & accounts and HR-related work. We believe this business will be transacted on a cost plus basis.

Overall, we believe average price would depend on the proportion of business from third-party clients vis-à-vis internal work

EDS' relationship with other Indian vendors

EDS works with three vendors for its outsourcing requirements in India – Wipro, Cognizant and WNS. EDS will continue to work with these vendors even after its merger with MphasiS.

We believe EDS will be reluctant to spoil its existing relationships with its outsourcing partners until MphasiS has established its worth. Once that happens, incremental business flow to MphasiS will increase.

Marginally raising earnings estimates for FY07 & FY08

We are raising our earnings estimates by 8.6% & 12% for FY07E & FY08E respectively. Additionally, we are also introducing FY09 estimates. We estimate that FY09 will be a year of strong growth. We are estimating Rs15 EPS for FY09E, a 59% growth over FY08E EPS of Rs9.5 (Table 6 in Financial Summary).

Table 2 Earnings revision

(Rs mn)

	FY07E			FY08E		
	New	Old	%	New	Old	%
Revenues	12,038	11,543	4.3	17,796	15,315	16.2
EBIDTA	1,914	1,666	14.8	2,857	2,202	29.8
EPS (Rs)	6.8	6.3	8.6	9.5	8.5	12.0

Source: i-SEC Research

Reiterate BUY on MphasiS – Key reasons

While the run-up in MphasiS' stock price has been significant (93% from when we made it our top mid-cap pick in the sector), we continue to believe that the company has excellent long-term potential. The reasons are (refer '*Symbiotic relationship*' dated September 25, '06):

Revenue flow from EDS to MphasiS

We are certain that flow of business from EDS to MphasiS will happen based on the following factors:

- EDS has set an internal target of reducing its cost of revenues by US$1bn (in CY05, cost of revenues was at US$17.4bn) every year for the next three years. This means shifting delivery to lower-cost locations (also referred to as 'best-shore initiative' by EDS).
- Competition from peers such as Accenture and IBM Global Services as well as small but fast-growing Indian companies such as Infosys and TCS will ensure EDS shifting business to offshore or standing to lose its clients to competitors.
- As per TPI, over the next two and half years, contracts worth US$100bn are coming up for re-negotiations. We will be surprised if off-shoring of certain portions of these contracts is not the key factor during re-negotiation of these multi year contracts. This means incumbents such as EDS, Accenture, IBM and CSC would have to take proactive steps to be 'offshore ready' or else run the risk of losing parts of these contracts.
- Post the merger of EDS India, MphasiS is the only EDS entity of significance in India.
- Lastly, for the sake of completing the argument, India continues to score above other low-cost locations on parameters such as employee cost and the talent pool for the offshore business.

EDS and MphasiS – Nurturing growth

We believe EDS will nurture MphasiS by leaving reasonable profit margins for the company based on the following:

- Software exports in India are tax free, while are taxed at full rates in the US. Additionally, all facilities of MphasiS will continue to enjoy STPI benefits till '09. This along with 'double-tax avoidance treaty' between India and the US means that EDS would be more interested in higher profitability of MphasiS, i.e. the Indian subsidiary.
- The market cap game is linked to our logic on why it would be in EDS' interest to maintain MphasiS as a listed subsidiary. This is discussed in detail below:

We believe it is in the interest of EDS to continue with MphasiS as a listed subsidiary

- The inherent advantages of the offshore model leads to much higher market capitalisation for Indian companies as compared with US-based IT services companies. Infosys with estimated revenues of close to US$3bn in FY07 has a market cap in excess of US$28bn, while EDS with US$19bn revenues in CY05 has a market cap of just US$14bn.

- However, if EDS starts shifting business offshore to take advantage of lower costs and resultant gain in market cap, during the transition phase, it can actually see a drop in market capitalisation. This is because an offshore shift leads to fall in both revenues and profits and only profit margins calculated in percentage terms goes up.
- However, if MphasiS continues as a listed subsidiary of EDS, MphasiS' market cap gain will be dependent on its estimated growth and profitability and will be easily visible to all. This should act as a good support for EDS' market cap in the US, especially during the transition phase.
- One may argue that gains from the offshore shift in EDS' revenues will be visible even if MphasiS was de-listed. Our counter argument is that considering the huge difference in the scale of operations of EDS and MphasiS (EDS' revenues at US$19bn, while FY07E revenues of MphasiS merged with EDS India stands at just US$350-360mn), these gains will not be noticeable.
- Additionally, responsible listed companies also benefit from the discipline enforced upon them by the market. This is of particular importance for EDS considering that EDS India, as an unlisted entity, failed to deliver.
- Lastly, for those who seek faith in precedence, EDS already has listed subsidiaries.

Financial Summary

Table 3 Profit and Loss Statement

(Rs mn, year ending March)

	FY06	FY07E	FY08E	FY09E
Operating Income (Sales)	**9,401**	**12,038**	**17,796**	**28,325**
Operating Expenses	**7,440**	**10,125**	**14,939**	**23,620**
EBITDA	**1,961**	**1,914**	**2,857**	**4,705**
% margins	20.9	15.9	16.1	16.6
Depreciation & Amortisation	519	650	1,040	1,686
Gross Interest	(17)	(49)	74	221
Other Income	77	(31)	38	-
Recurring PBT	**1,536**	**1,282**	**1,781**	**2,798**
Add: Extraordinaries	0	0	0	0
Less: Taxes	38	174	223	350
- Current tax				
- Deferred tax				
Less: Minority Interest	0	0	0	0
Net Income (Reported)	**1,499**	**1,108**	**1,559**	**2,448**
Recurring Net Income	**1,499**	**1,108**	**1,559**	**2,448**

Source: Company data, i-SEC Research

Table 4 Balance Sheet

(Rs mn, year ending March)

	FY06	FY07E	FY08E	FY09E
Assets				
Total Current Assets	3,752	4,393	5,427	8,009
of which cash & deposits	989	1,367	1,463	2,328
Total Current Liabilities & Provisions	1,407	1,434	1,913	2,734
Net Current Assets	**2,345**	**2,959**	**3,514**	**5,274**
Investments	**0**	**0**	**0**	**0**
Net Fixed Assets	**1,455**	**1,691**	**4,201**	**6,515**
intangibles	*236*	*194*	*273*	*328*
Capital Work-in-Progress	*114*	*0*	*0*	*0*
Goodwill	**2,676**	**2,676**	**2,676**	**2,676**
Total Assets	**6,476**	**7,326**	**10,391**	**14,465**
of which cash and eq.	***989***	***1,367***	***1,463***	***2,328***
Liabilities				
Borrowings	**37**	**37**	**1,810**	**3,712**
Deferred Tax Liability	**(167)**	**(167)**	**(167)**	**(167)**
Minority Interest	-	-	-	-
Equity Share Capital	1,610	1,626	1,636	1,636
Face Value per share (Rs)	*10*	*10*	*10*	*10*
Reserves & Surplus*	4,996	5,829	7,112	9,284
Net Worth	**6,606**	**7,455**	**8,748**	**10,920**
Total Liabilities	**6,476**	**7,326**	**10,391**	**14,465**

Source: Company data, i-SEC Research
*excluding revaluation reserves; # = not written off

Table 7 Quarterly trends

(Rs mn, year ending March)

	Dec-05	Mar-06	Jun-06	Sep-06
Net sales	2,425	2,505	2,607	2,919
% growth (YoY)	26.4	22.1	18.7	28.4
EBITDA	562	513	315	485
Margin (%)	23.2	20.5	12.1	16.6
Other income (incl. forex)	(16)	22	42	(56)
Add: Extraordinaries	0	0	0	0
Net profit (Recurring)	409	352	152	234

Source: Company data, i-SEC Research

Table 5 Cash Flow Statement

(Rs mn, year ending March)

	FY06	FY07E	FY08E	FY09E
Operating Cash flow before Working Capital changes	1,941	1,789	2,561	4,134
Working Capital Inflow / (Outflow)	(211)	49	(473)	(900)
Capex	**(586)**	**(1,000)**	**(3,550)**	**(4,000)**
Consideration paid for acquisition	**(745)**	**-**	**-**	**-**
Operating Free Cash flows	1,143	838	(1,463)	(765)
Cash flow from Investing Activities	77	(31)	38	0
Issue of Share Capital	(475)	16	10	-
Fresh Borrowings / (Repayment of Borrowings)	(9)	0	1773	1,902
Dividend and Interest paid	**(269)**	**(551)**	**(274)**	**(276)**
Cash flow from Extraordinary Items	**0**	**0**	**0**	**0**
Increase/(Decrease) in Cash and Cash equivalents	34	378	96	865

Source: Company data, i-SEC Research

Table 6 Key Ratios

(Rs mn, year ending March)

	FY06	FY07E	FY08E	FY09E
Per Share Data (in Rs)				
EPS(Basic Recurring)	9.3	6.8	9.5	15.0
Diluted Recurring EPS	9.3	6.8	9.5	15.0
Recurring Cash EPS	12.5	10.8	15.9	25.3
Dividend per share (DPS)	3.0	1.5	1.5	1.5
Book Value per share (BV)	40.6	45.4	53.0	66.3
Growth Ratios (%)				
Operating Income	22.8	28.1	47.8	59.2
EBITDA	39.6	(2.4)	49.3	64.7
Recurring Net Income	21.0	(26.1)	40.7	57.1
Diluted Recurring EPS	17.1	(26.8)	39.8	57.1
Diluted Recurring CEPS	18.7	(13.7)	46.9	59.1
Valuation Ratios (x)				
P/E	32.1	44.5	31.9	20.4
P/CEPS	23.8	28.0	19.1	12.0
P/BV	7.3	6.6	5.7	4.6
EV / EBITDA	24.7	25.1	17.4	10.8
EV / Operating Income	5.1	4.0	2.8	1.8
EV / Operating FCF (Post-capex)	28.0	26.1	23.8	15.7
Operating Ratio				
SG&A/Sales (%)	14.6	16.3	15.8	15.7
Other Income / PBT (%)	(0.6)	1.1	2.1	-
Effective Tax Rate (%)	2.5	13.6	12.5	12.5
NWC / Total Assets (%)	37.8	41.7	34.9	37.2
Asset turnover	1.4	1.7	2.0	2.2
Receivables (days)	75.4	66.1	57.1	53.0
Payables (days)	10.7	9.2	9.0	8.5
D/E Ratio (x)	0.6	0.5	20.9	34.2
Return/Profitability Ratio (%)				
Recurring Net Income Margins	15.9	9.2	8.8	8.6
RoIC	25.2	18.5	20.9	24.7
RoNW	23.3	15.9	19.4	25.1
Dividend Payout Ratio	32.2	22.0	15.7	10.0
Dividend Yield	1.0	0.5	0.5	0.5
EBITDA Margins	20.9	15.9	16.1	16.6

Source: Company data, i-SEC Research

Recent reports/updates

Analyst	Company/Sector	Date
Poonam Nishal/R Amarnath	Telecom Quarterly results preview: Enchanting note	Dec 29
S Ramesh	Gujarat Gas: Thoroughbred	Dec 27
Shekhar Singh	Info Edge (India): Ushering in the e-age	Dec 22
S Ramesh	Gas Policy: No clear winners	Dec 22
Omprakash / Amarnath	Zee Telefilms: Unraveling the mystery – Act 1	Dec 18
S. Ramesh	Netback margin: OPEC back in action	Dec 14
Rajagopal Ramanathan	Union Bank of India: In consolidation mode	Dec 12
Amar Kedia / Amarnath	Aviation Sector: Set for a take-off	Dec 11
Amar Kedia / Amarnath	SpiceJet: Trailblaze	Dec 11
Amar Kedia / Amarnath	Jet Airways: Waiting for good times	Dec 11
Anand Shah	Asian Paints: Of a bright hue	Dec 11
Rajagopal Ramanathan	Andhra Bank: True blue	Dec 7
Poonam Nishal / R. Amarnath	Bharti Airtel: The best is passé	Dec 6
Rajesh Vora	Dr. Reddy’s Labs: Reaping riches	Nov 29
Vinay Patel	Economy: At crucial juncture	Nov 27
Poonam Nishal / R. Amarnath	VSNL: Real(i)ty bites	Nov 24
Rajagopal R. / Dipankar C.	Corporation Bank: Uneasy balance	Nov 22
Dipankar Choudhury	SBI: Trifling inconvenience	Nov 21
Poonam Nishal / R. Amarnath	MTNL: Keep it on hold	Nov 16
S. Ramesh	Netback margin: Resurgent retail	Nov 14
Dipankar Choudhury	Oriental Bank: Ambushed by counterpoise	Nov 13
Rajesh Vora	Aventis Pharma: Sluggish gait	Nov 13
Shekhar Singh	Technology: FAQs on sponsored ADS	Nov 8