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Q4 FY07  
Result Update

# EMCO

Outperformer

Rs 793

May 15, 2007

## Marginally lower than estimates due to higher interest cost

Company Details		Result Snapshot	
Market Cap:	Rs 8,327m	<p>EMCO reported its profit marginally below our estimates due to a high interest cost led by rising cost of financing working capital. For Q4FY07, EMCO reported 48.2% yoy growth in topline to Rs 2.5bn. EBIDTA margin for the quarter stood at 12.7%, up 370bps. Net Profit for the quarter was up 226.3% yoy to Rs 145m.</p> <p>Order book as on 1st April stood at Rs 9.5bn, an increase of 62% yoy. This constitutes 70% from the transformer business, 25% from projects and the rest from the meters business.</p> <p>At the CMP of Rs 793, EMCO trades at 14.2x FY08E and 9.9x FY09E earnings of Rs 55.2 and Rs 80.2 respectively. It trades at 8.5x and 6.3x EV/EBIDTA for FY08 and FY09 respectively. Maintain Outperformer.</p>	
52 Week High/Low:	Rs 903 / 320		
Bloomberg Code:	EMCO@IN		
Reuters Code:	EMCO.BO / NS		
Shares O/s:	11m		
Average Volume (3 months):	15,266 shares		
Price Performance			
(%)	1m	3m	12m
Absolute	(0.8)	(9.4)	15.8
Relative to Sensex	(2.5)	(6.4)	(1.5)

### Q4 FY07 Result Overview

(Rs m)

Y/e March	Q4FY07	Q4FY06	yoy gr. (%)	Q3FY07	FY06	FY07	yoy gr. (%)
Net Sales	2,517	1,698	48.2	1,632	4,054	6,559	61.8
<b>Expenditure</b>							
Raw Material	1,956	1,328	47.3	1,249	3,068	5,019	63.6
<i>% of Net Sales</i>	77.7	78.2		76.5	75.7	76.5	
Personnel Cost	80	55	45.3	44	136	202	48.4
<i>% of Net Sales</i>	3.2	3.2		2.7	3.4	3.1	
Others	162	163	(0.7)	118	330	472	43.1
<i>% of Net Sales</i>	6.4	9.6		7.2	8.1	7.2	
Total Expenditure	2,198	1,546	42.2	1,410	3,534	5,693	61.1
<b>EBITDA</b>	<b>319</b>	<b>152</b>	<b>109.5</b>	<b>222</b>	<b>520</b>	<b>866</b>	<b>66.4</b>
<i>Margin (%)</i>	12.7	9.0		13.6	12.8	13.2	
Other income	1	0		-	0.1	1	
Depreciation	15	15	(0.3)	15	57	60	5.8
<b>EBIT</b>	<b>305</b>	<b>137</b>	<b>122.6</b>	<b>206</b>	<b>464</b>	<b>807</b>	<b>74.1</b>
Interest	88	32	174.7	44	118	198	68.6
<b>PBT</b>	<b>217</b>	<b>105</b>	<b>106.8</b>	<b>162</b>	<b>346</b>	<b>609</b>	<b>75.9</b>
Total Taxes	72	60	18.8	63	93	203	117.9
<i>ETR (%)</i>	33.1	57.6		38.9	26.9	33.4	
<b>PAT</b>	<b>145</b>	<b>44</b>	<b>226.3</b>	<b>99</b>	<b>253</b>	<b>406</b>	<b>60.5</b>

(Stock price as on May 15, 2007)



## Result Highlights

Net Sales increased by 48.2% yoy to Rs 2.5bn driven by strong order backlog of 9.5bn.

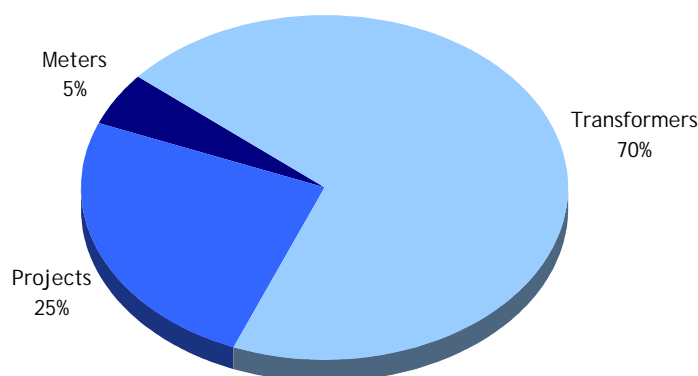
EBIDTA margin for the quarter stood at 12.7%, up 370bps. Net Profit for the quarter was up 226.3% yoy to Rs 145m.

### Urja acquisition to be positive

EMCO in a consortium with its promoters had acquired 100% stake in Urja Engineers (UEL) through a SPV IEIPL at a cost of Rs 1.2bn (EMCO invested Rs 280m). Now, EMCO has decided to have direct control of UEL and merge IEIPL and UEL with itself. As a result of the merger, EMCO will issue 1.22m fresh equity shares to the shareholders of UEL (16 shares for every 21 held by shareholders of IEIPL).

UEL has a transmission and telecom tower manufacturing capacity and is qualified to bid for PGCIL orders up to 400kV. UEL had a turnover Rs 800m and a PAT of Rs 100m for FY07. EMCO expects UEL to report at least Rs 1bn of revenues for FY08. The acquisition at 12x FY07 is very attractive and we believe this to be earnings accretive for the company.

### Order Book Break up



Source: Company Data, PL Research

### Key Figures

Y/e March	FY06	FY07E	FY08E	FY09E
Revenues (Rs m)	4,054	6,559	9,805	13,417
EBITDA (Rs m)	520	866	1,313	1,830
<i>Margins (%)</i>	<i>12.8</i>	<i>13.2</i>	<i>13.4</i>	<i>13.6</i>
PAT (Rs m)	253	406	655	939
EPS (Rs)	21.6	34.6	55.9	80.2
PER (x)	36.7	22.9	14.2	9.9
EV / E (x)	17.9	11.4	8.5	6.3
EV / Sales (x)	2.3	1.5	1.1	0.9
<i>RoCE (%)</i>	<i>15.2</i>	<i>15.7</i>	<i>16.9</i>	<i>17.1</i>
<i>RoE (%)</i>	<i>18.5</i>	<i>21.6</i>	<i>25.1</i>	<i>31.3</i>



## Notes

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