HDFC securities

Institutional Research

Focus of the Day

December 29, 2009

Indices	Last Close	% Chg 1-d	% Chg mtd
Sensex	17,361	0.8	2.6
Nifty	5,178	0.7	2.9
CNX 500	4,300	0.6	3.7
BSE Bank	9,968	0.5	(0.7)
BSE IT	5,175	0.3	8.8
BSE Oil & Gas	10,418	0.9	1.3
Dow Jones	10,547	0.3	2.0
Nasdaq	2,291	0.2	6.8
FTSE	5,402	0.6	4.1
DAX	6,003	0.8	6.7

Mkt Breadth	Advance	Decline	Unchanged
Nifty	39	11	0
Sensex	25	4	1

Turnover	INR Bn	% Chg
BSE Cash	49	-1.5
NSE Cash	136	-6.2
NSE F&O	847	-28.0
Total	1,031	

Fund Flows	US $ mn	MTD	YTD
FII Equity	289	1,713	17,344
DIIs	3	118	5,435

Forex/Bond	Last Close	Chg 1-d	Chg mtd
INR/USD	46.60	(0.29)	0.05
USD/EUR	1.438	0.00	(0.06)
YEN/USD	91.6	0.01	5.23
10 yr G-Sec	7.56	0.01	0.04

Commodities	Last Close	% Chg 1-d	% Chg MTD
Brent ($/bbl)	77.3	1.3	(2.5)
Gold ($/oz)	1,107	0.2	(6.5)
Copper ($/mt)	7,070	1.0	2.0
Aluminium ($/mt)	2,255	(0.0)	9.6

Most Traded

Scrip	Last Close	% chg	Value*
Tata Steel	616	1.9	8.0
Reliance	1,076	0.9	5.0
Tata Motors	780	4.5	5.0
Suzlon Energy	88	(0.1)	4.4
DLF LTD	371	1.3	4.2

* INR Bn.

ADR GDR

Scrip	Last Close*	% chg	% Prem.
Dr Reddy's	25.4	(0.4)	(0.2)
HDFC Bank	130.2	0.7	18.2
ICICI Bank	37.0	0.8	(0.3)
ITC	5.5	0.4	(0.2)
Infosys	56.0	(0.2)	0.7
Satyam	4.8	(1.5)	12.8
Ranbaxy	11.1	(2.6)	(0.5)
Reliance	45.9	1.4	(0.8)
Wipro	22.7	(0.3)	52.0
SBI	94.2	(0.1)	(1.1)
Tata Motors	17.2	(2.5)	2.7

* US$

Contents

From the Blogosphere

Bloomberg: China Raises GDP Growth Estimates, Narrowing Gap With Japan (Source)

China raised its 2008 growth estimate to 9.6 percent from 9 percent and said this year's quarterly figures will increase, narrowing the gap with Japan, the world's second-biggest economy. Gross domestic product was 31.405 trillion yuan ($4.6 trillion) last year, the statistics bureau said at a briefing in Beijing today. That compares with a previous 30.067 trillion yuan and the World Bank's estimate of $4.9 trillion for Japan. China's expansion will be more than 8 percent in 2009, according to government officials, and the nation is poised to overtake Japan next year, International Monetary Fund projections show. This year, the Chinese economy grew 8.9 percent in the third quarter from a year earlier, 7.9 percent in the second and 6.1 percent in the first. The government has pledged to maintain a "moderately loose" monetary policy in 2010 to sustain a rebound driven by a stimulus package and record lending. China also revised energy consumption per unit of economic output in 2008, officials led by chief statistician Ma Jiantang said at today's briefing. The measure showed a drop of 5.2 percent compared with an earlier estimate of a 4.59 percent decline. The statisticians revised up energy consumption for the year by 2.12 percent to the equivalent of 2.91 billion tonnes of standard coal.

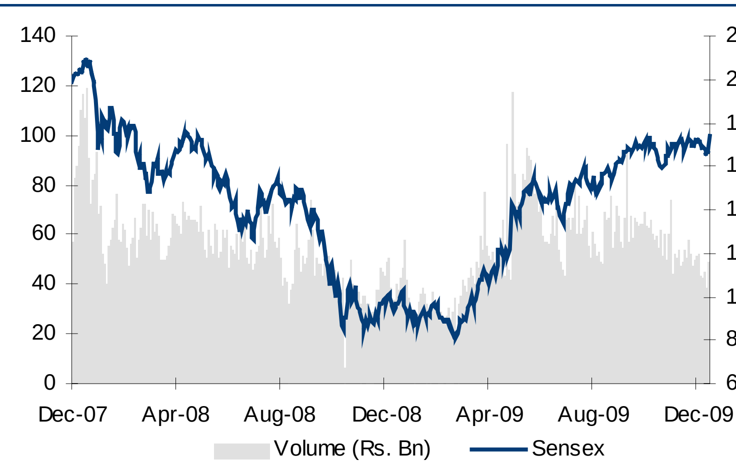
Mineweb: Chinese rush to purchase gold as long holiday season gets under way (Source)

According to a report in the China Daily, Chinese citizens have been rushing to buy gold after major department stores cut the price of gold jewellery by around 3% in year end promotions for the Chinese holiday season. Gold jewellery sales increased by around 30% or more over the weekend. The report says that China's biggest gold store has sold 30% more gold this year than last over the weekend after marking down prices to this level, which is a rise of 28% compared with prices a year ago. Again, according to the China Daily, the gold jewellery and gold bars are being purchased in part because of worries about inflation ahead, as well as for traditional reasons as the new year of the Tiger approaches. The boost in Chinese citizens' gold purchases over the final week of this year is likely to confirm the country's position in 2009 as the world's largest consumer of gold, as well as being now the largest producer. Obviously the reports which hit the gold market in the West that the Chinese Central Bank was worried about a bubble developing in the gold price has been little heeded by the Chinese general public. They seem to be more worried about the economic bubble of future high inflation and buying gold as the traditional preserver of wealth.

Headlines

- The Ministry of Finance has raised the export duty on iron lumps from the current 5% to 10%. The government has also imposed 5% export duty on iron ores fines. (BL)
- **Reliance Power** has announced that the first unit of Rosa Power Plant has started supplying electricity to UP Power Corporation. (FE)
- **Reliance Industries'** has reportedly increased the cash component to US$6bn from US$2bn earlier for its bid to acquire LyondellBasell. (FE)
- The Finance Ministry and the Reserve Bank of India (RBI) has objected to **Unitech's** request to exempt it from three-year lock-in clause for its proposed US$700m FCCB issue. (ET)
- **Power Grid Corp.** will invest Rs500bn to facilitate transfer of electricity to the northern and western regions of the country from the power projects in eastern and southern states. (BL)
- The promoters of **GMR Group** are looking to exit their sugar business. The sugar assets of the group are housed under **GMR Industries**, which also has one more vertical, the aviation business. (ET)
- **Oriental Bank of Commerce (OBC)** is reportedly looking to acquire a South-based bank. (ET)
- **Shriram Transport Finance Company (STFC)** has reportedly acquired Rs12bn worth of assets of **GE Capital India's** transportation finance portfolio. (ET)
- **Punjab National Bank (PNB)** expects to achieve 18% credit growth in the current financial year. (FE)
- **Fortis Hospitals** will invest Rs2.5bn to expand its facilities in three metro cities viz. Kolkata, Mumbai and Bangalore. (FE)
- **Escorts Ltd.** has reported an increase of 656% YoY in its standalone net profit for the financial year Oct'08-Sep'09. (BS)
- **Colgate Palmolive** has said that the workers at its Aurangabad factory have gone on strike since 26 Dec'09. (BS)

Sensex



HDFC securities

Institutional Research

Cement

India Cements

Initiating Coverage

December 29, 2009

CMP	**119**
Target	**107**
Stock Return	**-10%**

Nifty	5,178
Sensex	17,361

Key Stock Data	
Sector	Cement
Reuters Code	ICMN.BO
BLOOMBERG Code	ICEM IN
No. of Shares (mn)	282.6
Market Cap (Rs bn)	33.7
Market Cap ($ mn)	722.1
6 mth avg traded value (Rs. mn)	335

Stock Performance (%)

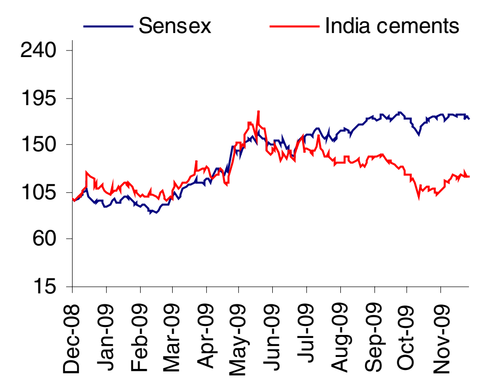
52 - Week high / low Rs180 / 90.6

	3M	6M	12M
Absolute (%)	-10.7	-12.9	17.2
Relative (%)	-14.2	-33.2	-64.2

Shareholding Pattern	**(%)**
Promoters	27.40
FIs & Local MFs	31.68
FIIs	30.69
Public & Others	10.23

Source: Company

Sensex and Stock Movement



Binod Modi

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India Cements Ltd (ICL) is one of the largest cement players in the south and sells close to 90% of its total output in the region. ICL is most vulnerable to the demand supply mismatch due to excess capacity in the region. Cement producers in the region have added ~15mnT YTD and we expect addition of further ~5mnT by end of FY2010 widening demand supply gap. Further, the recent price hike in imported coal from US$70 per tonne to US$85 may drag the margin down going ahead as it imports 70% of its total coal requirements. We initiate coverage on ICL with a SELL recommendation and one year price objective of Rs107 based on equal weighted EV/tonne and EV/EBITDA metric.

Prices in south yet to bottom out

Price correction in the south has been steeper than in other regions. It has already corrected by Rs40-45 per bag in last 6 months. We feel only in AP the price has bottomed out (currently around Rs150 per bag from Rs210-220 earlier). Other states including Chennai, Kerala, and Karnataka could still see some correction going ahead due to new capacities coming up there. ICL, which sells 90% of its total output in the southern region, will be affected considerably.

Benefit from correction in imported coal price not to last long

With improving industrial activities across the world especially in Asia and Europe, demand for imported coal is growing. Price of imported coal has already increased from US$70 per tonne to US$85 per tonne in the last 3 months. We feel this will hurt ICL's profitability the most when compared to other players, as it is dependent on imported coal for 70% of its needs. We have assumed US$85 per tonne for FY11E and FY12E in our projections.

Valuation not attractive at current level: SELL

We feel prices in the southern market except in AP will correct in the coming quarters due to new capacities coming up there, affecting ICL's profitability. We expect a topline CAGR of 3.4% (driven by 11.1% CAGR volume growth) over FY09-12E but earnings are set to decline by 12.5% in the same period. Currently, it is trading at 6.9xFY10E and 9.5xFY11E earnings. On EV per tonne basis it is trading at US$ 84.7 for FY10E and US$ 84.9 for FY11E. We initiate coverage on ICL with a SELL and a one-year price objective is Rs107 based on equal weighted EV/tonne and EV/EBITDA metric.

	FY07	FY08	FY09	FY10E	FY11E	FY12E
Revenues (Rs m)	22,654	30,983	34,749	37,868	38,399	38,425
EBIDTA (Rs m)	7,444	11,306	10,431	11,650	9,866	9,044
EBIDTA margin	32.9%	36.5%	30.0%	30.8%	25.7%	23.5%
Net Profit (Rs m)	4,788	5,894	4,322	4,842	3,550	2,897
EPS (Rs)	18.4	20.9	15.3	17.1	12.6	10.3
EPS growth	776%	14%	(27%)	12%	(27%)	(18%)
P/E (x)	6.5	5.7	7.8	6.9	9.5	11.6
EV/EBITDA (x)	6.6	4.2	5.0	4.8	5.7	5.9
Price/Book (x)	1.4	1.0	0.9	0.8	0.8	0.7
ROE	22.7%	21.3%	12.4%	12.6%	8.4%	6.4%
ROCE	16.1%	19.7%	13.5%	14.1%	10.1%	8.4%

Source : HDFC Securities Institutional Research

Company in brief

An overview

ICL is one of the largest cement players in south with a capacity of 14.1 mnT

ICL is one of the largest cement players in the south with an installed capacity of 14.1 mnT and commands a market share of 15.4% in the region. It was established in 1946 with its first plant at Shankarnagar, Tamil Nadu. With the acquisition of Coromandel Cement's plant, the company became the largest cement player with 2.6 mnT capacity in the south in 1990. It forayed into the western market by setting a cement plant with a capacity of 1.1 mnT in Pali, Maharashtra in 2008-09. It is also moving into the north by installing 1.5 mnT capacity in Rajasthan and 2.5 mnT in HP, taking its total capacity to 18.1 MT. Work is underway on the Rajasthan plant, while HP capacity expansion plan is on hold. It has well known brands Sankar Super Power, Coromandel Super Power and Raasi Super Power.

Market presence and network

Southern region has continuously dominated other regions in consumption and production. ICL caters to key markets of Andhra Pradesh, Tamil Nadu, Kerala, Karnataka and Maharashtra. The company has eight plants in Tamil Nadu and Andhra Pradesh. It is reducing the risk of its geographical concentration by diversifying to Northern markets.

ICL commands 20% market share in Tamil Nadu

Market share and Sales break up in different Locations

Locations	Market Share	Sales break up
Andhra Pradesh	12.0%	24.0%
Tamil Nadu	20.1%	35.0%
Karnataka	11.0%	14.0%
Kerela	19.8%	17.0%
Maharashtra	2.5%	7.0%
Others		3.0%

Source: Company

Location of plants

About 92% of ICL's capacities are located in the south

ICL commissioned its first cement plant in 1946 at Sankarnagar, Tamil Nadu. It now owns 9 plants with a total capacity of 14.1 mnT. Its 8 plants are located in South region (4 each in AP and TN). It has only plant outside the south in Pali, Maharashtra with a capacity of 1.1 mnT.

	mnT	State
Malkapur	2.4	Andhra Pradesh
Vishnupuram	2.5	Andhra Pradesh
Chilamakur	1.4	Andhra Pradesh
Yerraguntla	0.7	Andhra Pradesh
Sankaridurg	1.0	Tamil Nadu
Dalavoi	1.9	Tamil Nadu
Sankarnagar	2.0	Tamil Nadu
Chennai (G)	1.1	Tamil Nadu
Parli (G) - Maharashtra	1.1	Maharashtra
Total	**14.1**	

Source: HDFC Securities Institutional Research

Progress and Status of new upcoming cement capacities

Type	Location	Capacity (mnT)	Commissioning
Greenfield	Rajasthan	1.5	June, 2010
Greenfield	Himachal Pradesh	2.5	Kept in Hold

Source: Company

Capacity addition has not been smooth

After initial delays, ICL has commenced commercial production from 1 mnT grinding plant in Parli, Maharashtra. This new capacity along with augmented capacity in Line II, Malkapur (1.2 mnT) has led to a total capacity of 14.2 mnT. It has already commissioned a 1 mnT Chennai grinding unit in Q2FY09. The company has also started work on a 1.5 mnT Greenfield expansion project in the northern region (Rajasthan) and is expected to commission it by Mar'10, taking the total capacity to 15.6 mnT. It had planned to set up a 2.5 mnT cement unit in Himachal Pradesh, which has been deferred for the time being.

Captive Power

70% of coal requirements are met through imports

ICL is among high power and fuel cost producers due to almost 70% of its coal requirements being met by high cost imported coal and 90% of the power requirement coming from grid power. The company gets power at a subsidized rate but has no thermal captive power plants. However, it has a 17.5 MW wind farm and 8.5 MW waste heat recovery plants. ICL is also in the process of setting up 50 MW power plant each in AP and TN.

Details of investments in IPL

- ICL had won the team franchise rights for Chennai from BCCI's IPL team in 2008 at a cost of US$ 91 m, payable over 10 years, which translates to a cash outflow of US$ 9.1 m per year.
- ICL will have to invest around US$ 6 m on players per season. The contract with players is initially for a period of 3 years after which it can be revised. It will have to invest US$ 0.5 m on other staff. We have assumed hike in players' contracts by 20% after 3 years.
- Players can't go for re-bidding during the contract term of 3 years but they can be exchanged between the teams.
- Apart from this, it will have to incur expenses on marketing and administration, stadium hiring and travel & accommodation of the players. We expect this to cost Rs150 m per year.
- Telecasting rights of IPL have been sold to Sony at about US$1 bn, which is to be distributed equally between various teams after meeting with marketing expenses (10%) and offering 20% share to BCCI for a period of 2 years. Share of BCCI will go up to 30% in the next 3 years and then to 40% for the next 5 years.
- Franchisees will also get a share of sponsorship revenue, which has been bagged by DLF with a bid of about US$50 m for a period of 5 yrs. We expect revenues from sponsors to be close to US$1 m. This revenue will be distributed equally among different teams after deducting BCCI's share of 35%. We expect sponsorship revenue to be US$12 m per year once the contract is revised after 5 years.
- Franchisees will retain the gate & seat revenues generated from home games. There will be seven games in its hometown. Chennai stadium has a seating capacity of 50000 of which 20% will be reserved for BCCI. With 80% seating capacity and average realizations of Rs.300 per seat for the first five years and Rs.400 per seat for next five, the average gate revenues will be Rs.80 m and Rs.106 m in the first five years and the subsequent five years.
- Other sources of revenue will be Uniform revenues (sale of Logos) and revenue from stadium advertising. We expect the company to earn Rs 200 m from Uniform revenue and stadium advertising which will increase 10% YoY.

- The overall prize money will be US$5 m of which US$2 m will be given to the winners.

Projected Cash Flow from IPL

	Inflows				Outflows			PAT
	Telecast Right	Uniform & Stadium adv.	Ticket Sales	Sponsorship right	Team Rights	Mkt. and Admin Cost	Players and Staffs cost	
FY09	394	200	80	4	410	150	98	20
FY10E	394	220	80	4	410	150	98	40
FY11E	338	242	80	4	410	150	98	6
FY12E	338	266	80	4	410	150	117	11
FY13E	338	293	80	4	410	150	117	37
FY14E	281	322	106	7	410	150	117	41
FY15E	281	354	106	7	410	150	140	49
FY16E	281	390	106	7	410	150	140	85
FY17E	281	429	106	7	410	150	140	124
FY19E	281	472	106	7	410	150	140	167

Source : HDFC Securities Institutional Research

Price Target Derivation

We value ICL by giving equal weightage to EV per tonne and EV / EBIDTA

We have valued ICL based on equal weightage of EV/ tonne and EV/EBIDTA methodology, We have considered US$ 80 one-year target EV/tonne for ICL (16% discount to the replacement cost) considering the contraction in profitability due to increased cost of production and South presence. We have also valued its IPL venture and arrived per share value at Rs1 through NPV. ICL is currently trading at 6.9xFY10E and 9.5xFY11E earnings, while on EV per tonne basis it trades at US$ 84.7 in FY10E and US$ 84.9 in FY11E.

		FY11E
EV/Tonne($) (Target)		80
EV (Rs m)		53,345
Less : Debt (Rs m)		19,880
Add : Cash (Rs m)		852
Net (Rs m)		34,317
No. of Shares		282
Target price	**A**	**122**
EV/EBITDA (Target)		4.7
EBIDTA (Rs m)		9,606
EV (Rs.m)		45,003
Less : Debt (Rs m)		19,880
Add : Cash (Rs m)		852
Net (Rs m)		25,975
No. of shares		282
Target price	**B**	**92**
Target price on equal weights to A & B		**107**

Source : HDFC Securities Institutional Research

Risk to our target objective

Further reduction in Imported coal prices: ICL imports around 70% of its total coal needs. Imported coal prices have already declined from US$145 per tonne (1 year back) to US$80 per tonne currently. Any further decline from US$75 will adversely impact our projections.

Early commissioning of new capacities: Early commissioning of new capacities in Rajasthan and Himachal Pradesh may result in better lop and bottom-lines than our projection.

Decrease in Raw Material Prices: Any decrease in key raw material prices can adversely affect our projections.

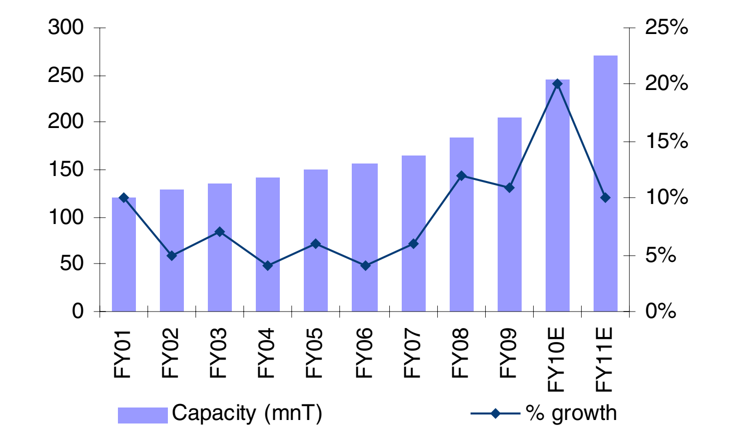
Change in Government's policy: Any policy change in favour of cement producer, reduction in excise duty, additional duty in imported cement etc can affect our estimates.

The industry's capacity addition will be 40 mnT in FY10 and 25 mnT in FY11

Industry Overview

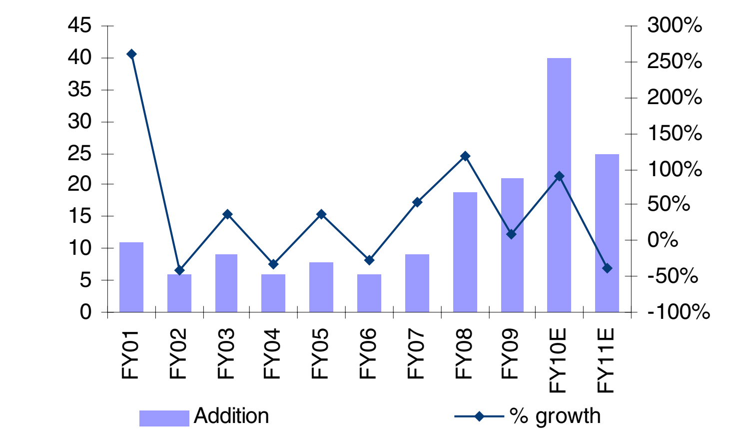
Indian cement industry has grown rapidly in the last 8-10 months on the back of pre-election spending followed by improvement in the real estate segment especially in the affordable housing c. We feel cement industry is likely to feel the pinch of excess supply from H2FY10 onwards as most of the capacities are to be commissioned in this period. Indian cement industry is likely to see an addition of 40 mnT in FY10 and 25 mnT in FY11. Against this, it has already added 25 mnT in the first six months of FY10 and more new capacities are underway.

Chart 1: Year wise capacity growth



Source : HDFC Securities Institutional Research

Chart 2: Year wise capacity addition



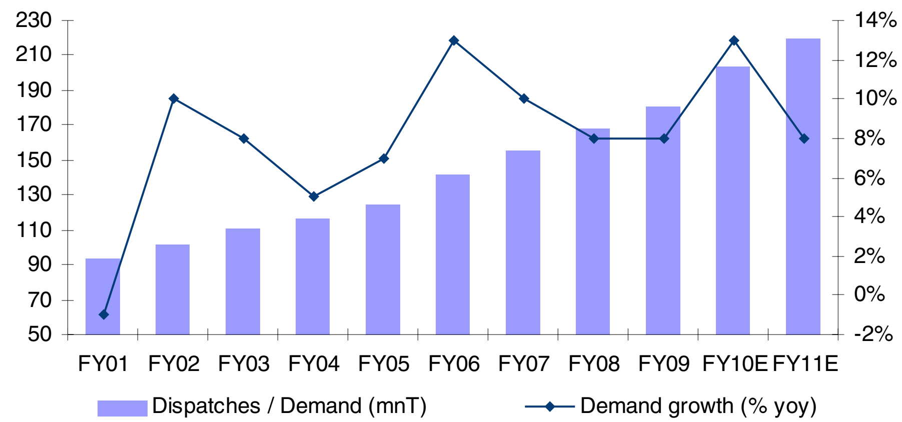
Source : HDFC Securities Institutional Research

Demand-Supply gap created by additional capacity is clearly visible

Demand to remain robust, but not enough to absorb entire capacity

We expect demand to remain firm on account of infrastructure spending and improvement in the real estate market led by liquidity improvement and softening of interest rates. Demand has grown phenomenally in H1FY10 rising by ~12% on a yoy basis. However, poor monsoon this year, will certainly put pressure on the demand especially in rural and semi rural areas.

Chart 3: Demand and Supply scenario



Source: HDFC Securities Institutional Research

Infrastructure consumption to grow from 30% to 36% till FY11

Infrastructure consumption to grow

Real estate (housing and commercial) consumption occupies a big chunk of the pie. In FY09 it accounted for ~70% of total cement consumption and ~30% was from Infrastructure including industrials. Now with the government's increasing thrust on infrastructure development we expect consumption to grow in this segment from 30% in FY09 to ~36% in FY11.

Consumption (mnT)	Real estate	Infrastructure	Total
FY09	125	56	181
% Consumption	70%	30%	100%
FY10E	133	71	204
% Consumption	66%	34%	100%
FY11E	140	80	220
% Consumption	64%	36%	100%

Source: HDFC Securities Institutional Research

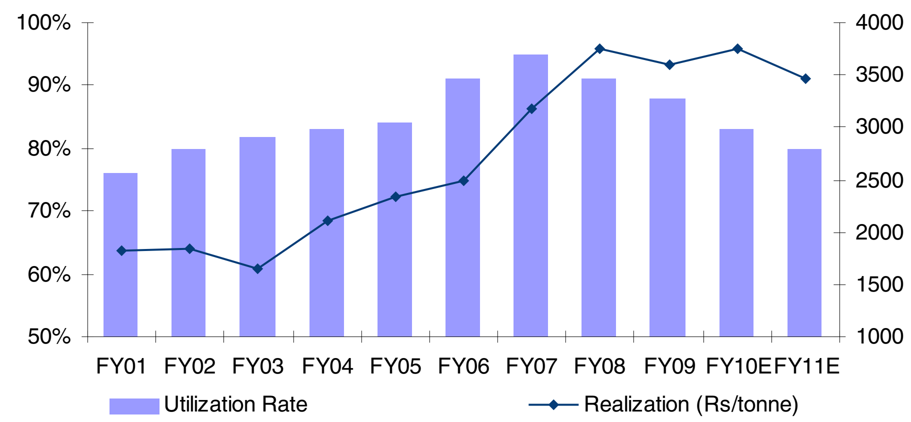
Utilisation rate to decline from 88% in FY09 to 80% in FY11

Excess capacity to bring down utilization rate

We feel that despite delaying new capacities, industry is likely to face excess capacity from this year, as big players do not want to lower their market share. Industry capacity is estimated to grow at a CAGR of ~15% and demand by ~9-10% over FY09-FY10E period. This clearly shows that there will be surplus capacity, which will compel all the companies to reduce their utilization levels. We expect absolute utilization rate to come down from 88% in FY09 to ~80% in FY11E.

We feel the excess capacity will intensify the competition between manufactures, because no company will want to loose market share and consequently there will be a price war. Therefore, realization will come down. We expect realization rate to decline by 3% in FY10E and 6% in FY11E. Historically too whenever utilization rate declined realizations got narrower.

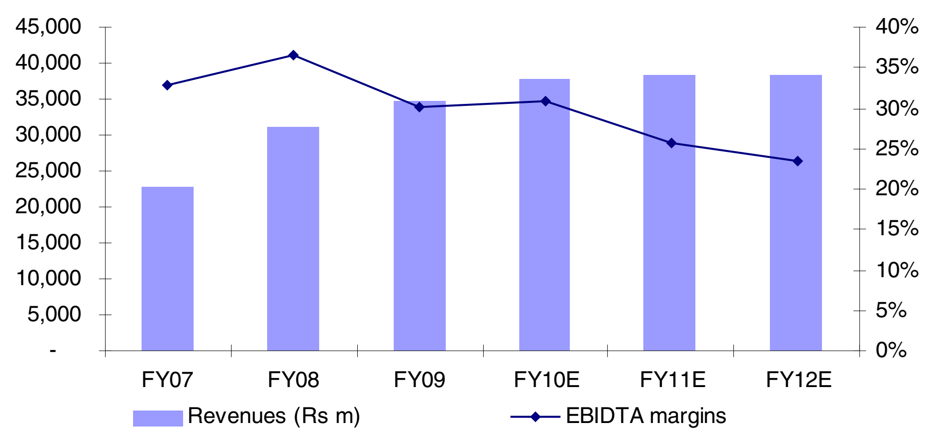
Chart 4: Realization and Utilization trend



Source : HDFC Securities Institutional Research

Chart 5: Revenue and EBIDTA margin outlook

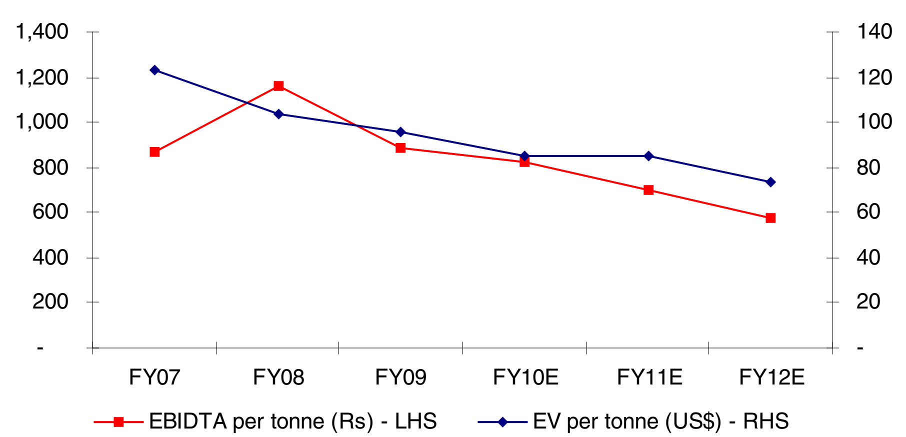
Topline to grow at a CAGR of 3.4% over FY09-12E



Source: Company, HDFC Securities Institutional Research

Chart 6: EBIDTA/tonne and EV/tonne movement

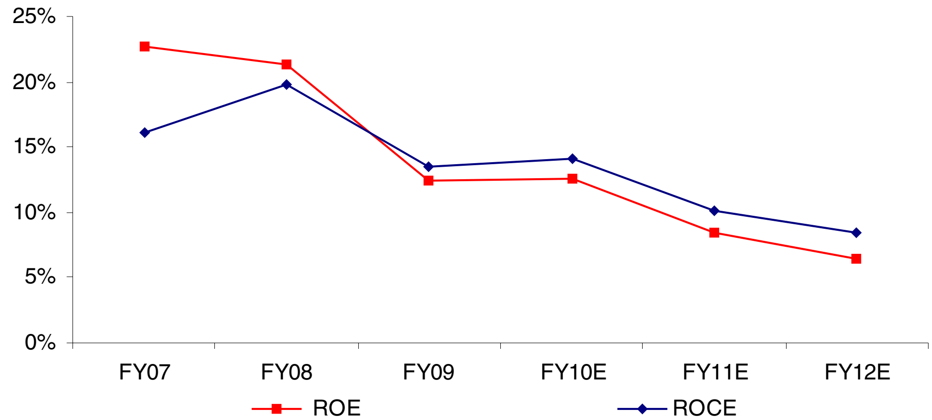
Trend to decline owing to realization cut and capacity expansion



Source: Company, HDFC Securities Institutional Research

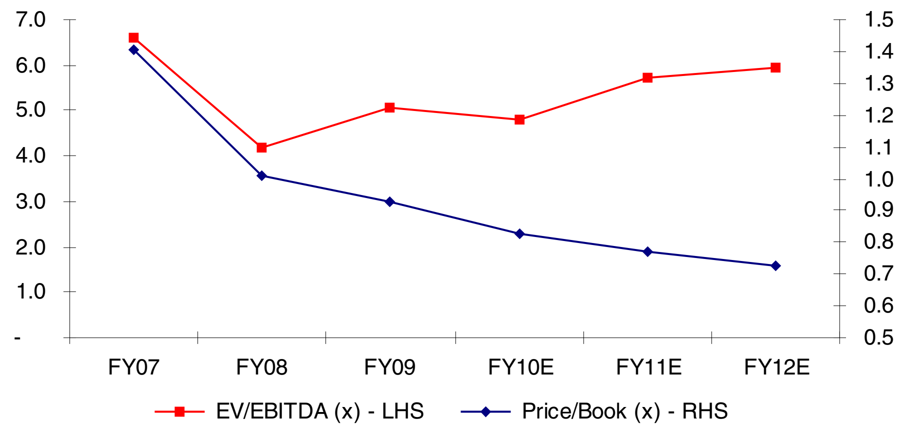
Declining margins lead to decline in profitability ratio

Chart 7: Profitability (ROCE and ROE)



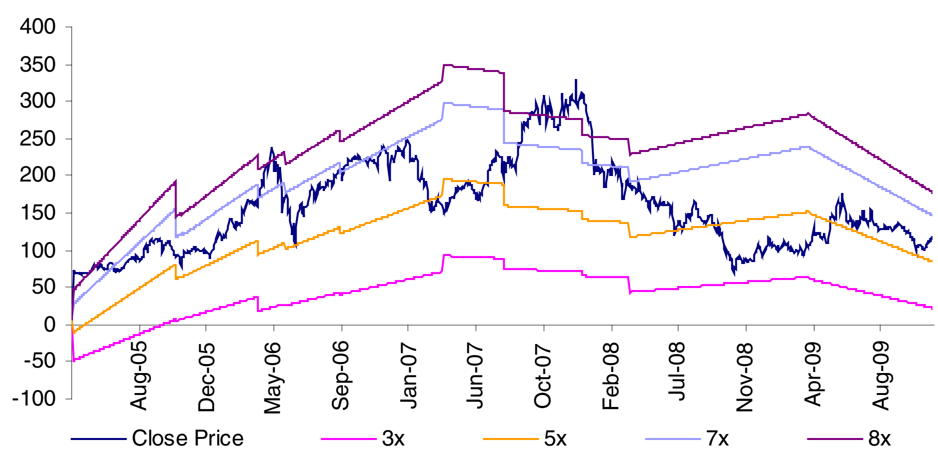
Source : HDFC Securities Institutional Research

Chart 8: EV/EBIDTA and Price/Book trend



Source: HDFC Securities Institutional Research

Chart 9 : EV/EBIDTA band (1 year forward)



Source : HDFC Securities Institutional Research

Income Statement

(Rs m)	FY07	FY08	FY09	FY10E	FY11E	FY12E
Net sales	**22,654**	**30,983**	**34,749**	**37,868**	**38,399**	**38,425**
% yoy growth	*23.3%*	*36.8%*	*12.2%*	*9.0%*	*1.4%*	*0.1%*
Total Cost	15,210	19,677	24,318	26,218	28,533	29,382
EBITDA	**7,444**	**11,306**	**10,431**	**11,650**	**9,866**	**9,044**
EBITDA Margin (%)	*32.9%*	*36.5%*	*30.0%*	*30.8%*	*25.7%*	*23.5%*
Depreciation	1,026	1,279	2,033	2,508	2,808	2,883
Interest	1,498	1,099	1,121	1,685	1,735	1,816
Exceptional Items	-	481	794	197	-	-
PBT	**4,920**	**8,446**	**6,483**	**7,259**	**5,323**	**4,344**
Tax	131	2,071	2,161	2,417	1,772	1,447
Effective tax rate (%)	*3%*	*25%*	*33%*	*33%*	*33%*	*33%*
Net Profit (pre exceptional items)	**4,788**	**6,375**	**4,322**	**4,842**	**3,550**	**2,897**
YoY Growth (%)	*957%*	*33%*	*-32%*	*12%*	*-27%*	*-18%*
Exceptional item	-	481	-	-	-	-
Net Profit After tax & exceptional items	**4,788**	**5,894**	**4,322**	**4,842**	**3,550**	**2,897**
PAT %	21.1%	19.0%	12.4%	12.8%	9.2%	7.5%

Source : HDFC Securities Institutional Research

Balance Sheet

(Rs m)	FY07	FY08	FY09	FY10E	FY11E	FY12E
Share Capital	2,604	2,819	2,824	2,824	2,824	2,824
Reserves & Surplus	19,482	30,392	33,490	37,862	40,944	43,372
Total Shareholder's funds	**22,085**	**33,211**	**36,314**	**40,687**	**43,768**	**46,197**
Secured Loans	11,660	9,710	10,363	12,363	12,863	13,363
Unsecured Loans	8,928	8,405	9,518	12,518	12,518	12,518
Total Debt	**20,588**	**18,115**	**19,880**	**24,880**	**25,380**	**25,880**
Deffered Tax liability	603	2,257	2,741	2,741	2,741	2,741
TOTAL LIABILITIES	**43,276**	**53,583**	**58,935**	**68,308**	**71,889**	**74,818**
Gross Block	38,560	47,087	53,136	62,136	68,136	69,636
Less: Accumulated Depreciation	10,602	12,442	15,053	18,160	21,567	25,049
Net Block	**27,958**	**34,645**	**38,083**	**43,976**	**46,569**	**44,587**
CWIP	1,428	5,749	9,040	11,040	11,040	11,040
Investments	551	1,293	1,589	1,589	1,589	1,589
Inventories	2,281	3,302	3,705	4,046	4,208	4,737
Real-estate	204	204	204	204	204	204
Sundry Debtors	2,602	3,111	3,540	3,839	3,893	4,737
Cash & Bank	2,302	4,256	852	2,335	2,719	5,827
Loans & Advances	9,786	10,621	13,134	13,134	13,134	13,134
Current Liablities	4,340	9,835	11,533	12,177	11,787	11,359
Net Current Assets	**12,835**	**11,659**	**9,902**	**11,382**	**12,370**	**17,281**
Deferred Tax assets	173	-	185	185	185	185
Deferred revenue expenditure	331	238	136	136	136	136
Total Assets	**43,276**	**53,583**	**58,934**	**68,308**	**71,889**	**74,818**

Source : HDFC Securities Institutional Research

Cash flow statement

(Rs m)	FY07	FY08	FY09	FY10E	FY11E	FY12E
PBT before Extraordinary Items	4,920	8,928	6,483	7,456	5,323	4,344
Depreciation	1,026	1,279	2,033	3,107	3,407	3,482
Interest Exp.	1,532	1,329	1,401	1,685	1,735	1,816
Others	(39)	(281)	180	0	0	0
Operation Profit before WC changes	**7,439**	**11,255**	**10,097**	**12,248**	**10,465**	**9,642**
Trade and Other Receivables	(538)	(40)	(3,450)	(299)	(54)	(845)
Inventories	(163)	(1,021)	(403)	(341)	(162)	(529)
Trade Payables	326	1,419	1,648	643	(389)	(428)
Cash generated from Operation	**7,064**	**11,613**	**7,892**	**12,252**	**9,860**	**7,840**
Direct Taxes	(127)	(963)	(830)	(2,417)	(1,772)	(1,447)
Extraordinary Items	(507)	(481)	0	(197)	0	0
Net cash from Operating Activities	**6,431**	**10,169**	**7,061**	**9,637**	**8,087**	**6,394**
Purchase of Fixed Assets	(1,487)	(9,199)	(9,543)	(11,000)	(6,000)	(1,500)
Others	(909)	(974)	124	0	0	0
Net cash from Investing activities	**(2,396)**	**(10,173)**	**(9,418)**	**(11,000)**	**(6,000)**	**(1,500)**
Proceed from issue of Share Capital	1,252	5,833	28	0	0	0
Proceed from Long Term Borrowings	5,162	1,199	2,646	5,000	500	500
Interest paid/dividend paid (net of remission)	(2,446)	(1,653)	(1,398)	(2,154)	(2,204)	(2,285)
Others	(6,192)	(3,420)	(2,324)	0	0	0
Net Cash from financing activities	**(2,224)**	**1,959**	**(1,048)**	**2,846**	**(1,704)**	**(1,785)**
Increase / (Decrease) in cash and cash equivalent	**1,811**	**1,955**	**(3,404)**	**1,483**	**383**	**3,108**

Source : HDFC Securities Institutional Research

Ratios

	FY07	FY08	FY09	FY10E	FY11E	FY12E
EBITDA Margin (%)	33%	36%	30%	31%	26%	24%
PAT Margin (%)	21%	19%	12%	13%	9%	8%
EPS (Rs)	18.4	20.9	15.3	17.1	12.6	10.3
CEPS (Rs)	22.3	25.4	22.5	26.0	22.5	20.5
Price/Earnings (x)	6.5	5.7	7.8	6.9	9.5	11.6
EV/EBITDA (x)	6.6	4.2	5.0	4.8	5.7	5.9
EV / Sales (x)	2.2	1.5	1.5	1.5	1.5	1.4
ROE (%)	23%	21%	12%	13%	8%	6%
ROCE (%)	16%	20%	14%	14%	10%	8%
Debt / Equity (x)	0.9	0.5	0.5	0.6	0.6	0.6
Book Value	84.8	117.8	128.6	144.1	155.0	163.6
Price / Book Value (x)	1.4	1.0	0.9	0.8	0.8	0.7
EV/Tonne(US$)	122.9	103.7	95.5	84.7	84.9	73.2
EBITDA/Tonne	883.7	1,224.3	1,144.9	1,059.3	823.2	724.7

Source : HDFC Securities Institutional Research