IT

Zensar Technologies

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Shareholding (%)

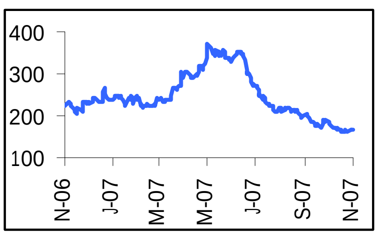
Promoters	*50.4*
FII's	*8.1*
MFs	*2.5*
Foreign Venture Capital	*21.5*
Others	*17.5*

Share price performance

52-week high/low (Rs)			375/155
	-1m	-3m	-12m
Abs (%)	-6.8	-20.3	-25.9
Rel* (%)	-2.3	-46.5	-68.4

*to Nifty

Stock chart



A Byteful Future!

Zensar Technologies Limited (ZTL) a Tier II IT services company is expected to record CAGR of 25% and 25.5% in sales and net income during FY07-10E. ZTL is trading at PER of 5.8x and 4x on FY08E and FY09E earnings respectively. We initiate coverage on ZTL with a 'BUY' rating and a price target of Rs 297 (77% upside).

Key Investment Highlights

- **EAS to witness strong growth:** ZTL's strong order pipeline in Oracle and SAP-based implementations is expected to drive growth in Enterprise Application Services (EAS).
- **Margins in ITS and BPO to revive:** During Q2FY08, ZTL recorded EBIT margins of 7.25% and 6% in ITS and BPO respectively. ITS, which was earlier in investment stage has started yielding positive returns, while BPO margins are expected to move up due to integrated IT-BPO offerings and high end work.
- **Higher pricing to sustain margins:** ZTL is expected to witness 7%-8% increase in blended pricing during FY08E-10E. This would also contribute to expand ZTL's EBIDTA margins from 11.7% in FY08E to 13% in FY10E.
- **Strong order book position:** As on September 30, 2007, ZTL had a total order book of $140mn to be executed in the next 12 months; of this, orders of $60mn were sourced from its large client, Cisco. This gives strong revenue visibility in the near future.
- **Valuations:** Currently at Rs 168, the stock is trading at PER of 5.8x on FY08E EPS of Rs 29.2 and at PER of 4x on FY09E EPS of Rs 42.4, which is at a substantial discount to peers. Hence we initiate coverage on ZTL with **a 'BUY' rating and a price target of Rs297.**

Buy

Rs168

November 29, 2007

Market cap
Rs bn 4
US$ mn 102

Avg 3m daily volume
37,545

Avg 3m daily value
Rs mn 7

Shares outstanding (mn)
24

Reuters/Bloomberg
FICM.BO/ICIM.IN

NSE/BSE
ZENSARTECH

Sensex
19,003

Nifty
5,635

Year-end	Sales	YoY	EBITDA	YoY	NP	YoY	EPS	YoY	PE	EV/EBITDA	PSR	PBR	RoE	RoCE	DPS	Div Yield
March	(Rs m)	(%)	(Rs m)	(%)	(Rs m)	(%)	(Rs)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(Rs)	(%)
FY2007	6,058.6	41.3%	918.2	56.3%	572.0	68.6%	23.8	64.3%	10.9	7.3	4.3	2.6	27.3	29.6	4.0	1.6
FY2008E	8,018.2	32.3%	1,168.6	27.3%	702.5	22.8%	29.2	22.8%	5.8	3.7	2.1	1.4	26.2	28.5	4.1	2.4
FY2009E	10,017.5	24.9%	1,537.5	31.6%	1,019.5	45.1%	42.4	45.1%	4.0	2.5	1.7	1.0	29.6	34.5	4.1	2.4
FY20010E	11,818.6	18.0%	1,838.6	19.6%	1,130.6	10.9%	47.0	10.9%	3.6	1.7	1.4	0.8	25.6	34.7	4.1	2.4

Note: FY08 estimates are based on Re/$ rate of 40, whereas estimates of FY09 and FY10 are based on Re/$ rate of 39

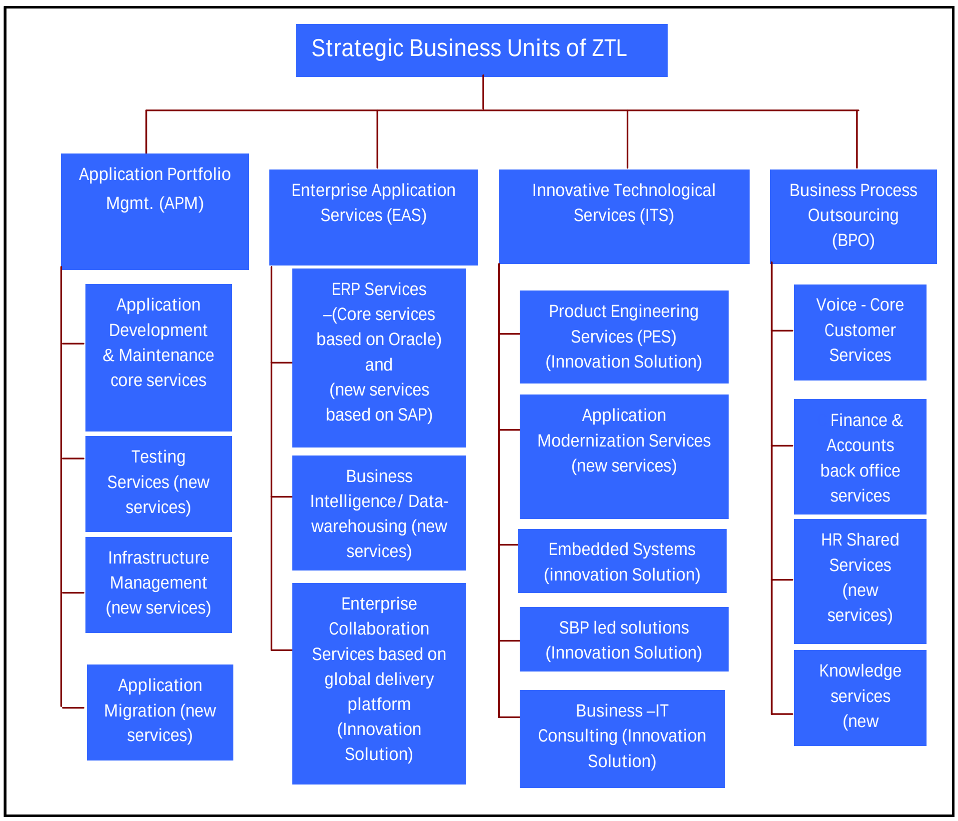
Zensar Technologies

Company Background

ZTL offers end-to-end solutions across diverse technology platforms and industry domains through a Global Delivery Model. Some of the company's key clients include Cisco, National Grid, Fujitsu, and Marks and Spencer among others.

ZTL was earlier a joint–Venture between RPG Group (29%) and Fujitsu (29%). Subsequent to Fujitsu's stake sell in ZTL, RPG group now holds 50.4% stake in ZTL. ZTL offers end-to-end solutions across diverse technology platforms and industry domains through a Global Delivery Model (GDM). Some of its marquee client's include Cisco, National Grid, Fujitsu, Marks and Spencer, Danaher Corporation, Electronic Arts, and Logitech, among others. The company has also forged strategic partnerships with large global companies like IBM, Microsoft, Sun Microsystems, and Oracle.

Chart 1. Strategic Business Units of ZTL



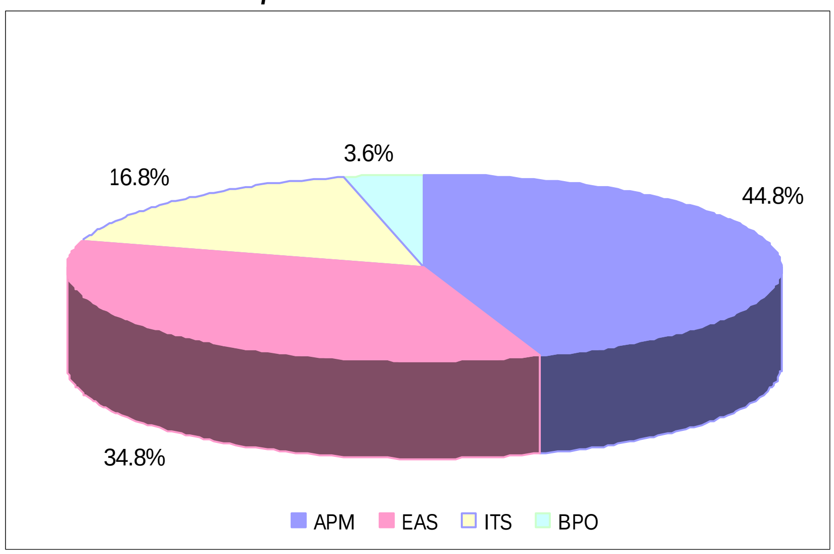
Source: IISL research, company

Service Offerings

- APM: Includes core application development services and also comprise of Testing and Infrastructure management services (~10% of ZTL's revenues), which are expected to grow at a rate of 60-70% y-o-y globally.
- EAS: Comprises of software offerings for Enterprise Resource Planning (ERP), which requires SAP and Oracle frameworks. ZTL has made two acquisitions viz. Thought digital in Q4 FY07 and OBT in Q3FY06 in EAS.

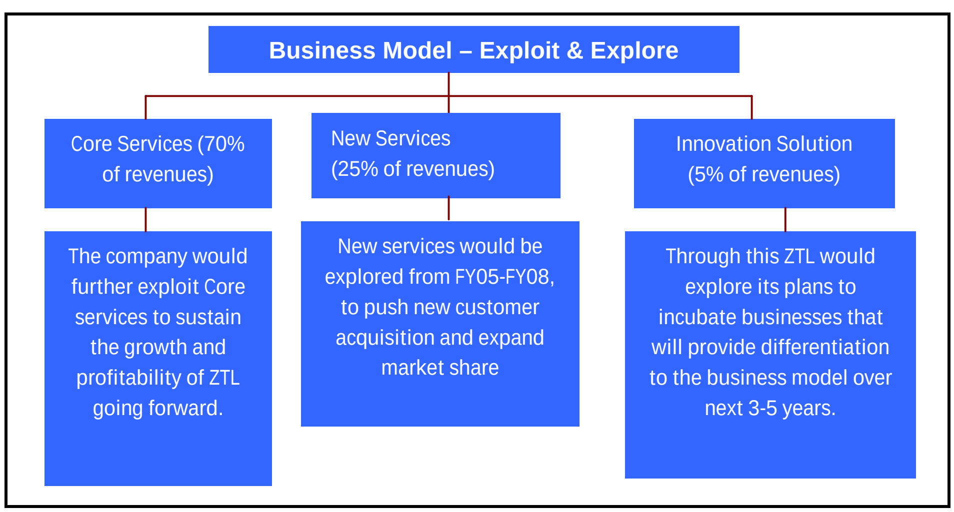
- ITS: Comprises of Product Engineering service offerings for marquee clients like Silica, Aqueduct, AskMe etc., Extended Embedded Services and software offerings for BFSI. It also includes SBP led Legacy Application Migration Solutions, a high end area which ZTL earlier used for in-house purpose. However, with the recent commercialization of the SBP solutions ZTL has started witnessing improved margins in ITS.
- BPO: ZTL's BPO operations had witnessed strong growth of 146% in FY07 to Rs 242.7 mn attributed to over 50% of BPO revenue contribution from Retail space. Also new processes in existing accounts viz. US Retail Giant, Mark & Spencer and Danaher are scaling up BPO operations.

Chart 2. Revenue break-up



Source: IISL research, company

Chart 3. Business model



Source: IISL research, company

Core services contribute 70% to ZTL's total revenues. These services are likely to be exploited further for sustaining growth and profitability, going forward.

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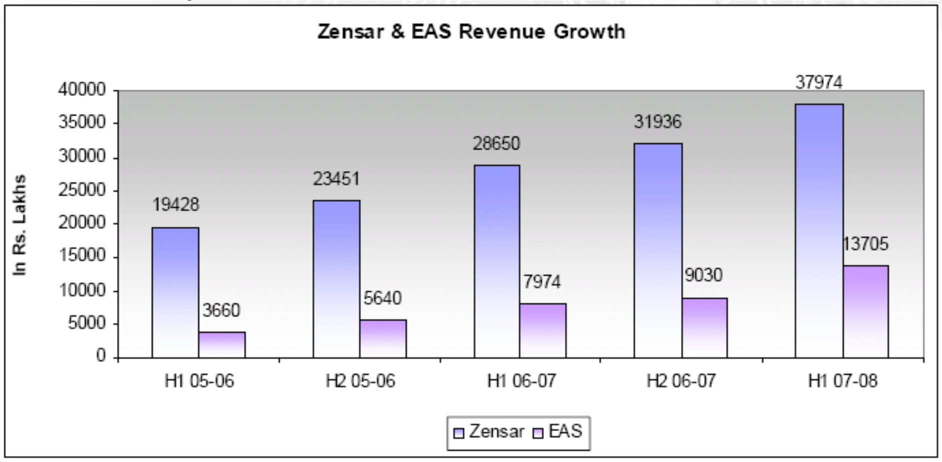
Enterprise Application Services (EAS) – Strong impetus for ZTL's future growth

Chart 4. Half-Yearly revenue contribution of ZTL's EAS business to total revenues



Source: IISL research, company

- **Moving towards package applications in EAS:** For increasing profitability in the EAS segment, ZTL is moving from customer-based applications to package applications in this business.
- **Strong wins in Oracle implementations:** ZTL is securing significant new wins in implementation of Oracle applications and offshore support; the company has already secured contracts of over $ 11 mn in this space.
- **Thought Digital (TD) witnessing faster traction:** TD has already begun showing substantial traction in the new Oracle version through R12 implementations, which will also help in leveraging ZTL's offshore capabilities. TD is creating a robust East-Coast presence for the company. ZTL is the world's first company to implement the latest R12 version of Oracle; the company completed one live implementation in Q2FY08 and has two more lined up, going forward. ZTL is a certified partner of TD for Oracle implementation in the Middle-East, the U.S, and the U.K. ZTL plans to take these partnerships across geographies globally, and carry out cross-selling of services through such partnerships.

ZTL, a certified partner of TD for Oracle implementation in the Middle-East, U.S, and the U.K, is likely to take these partnerships at the global level, going forward.

- **Strong contribution of OBT in ERP space:** In December 2005, ZTL had acquired OBT in the SAP space. During H1FY08, OBT contributed 7% to ZTL's total revenues of Rs 3800 mn and 16.35% to the total PAT of Rs 275.2 mn. We expect ZTL to witness strong expansion in ERP space, going forward, supported by stronger initiatives and deal flows through OBT and TD, along with other oracle and SAP based implementation programmes.

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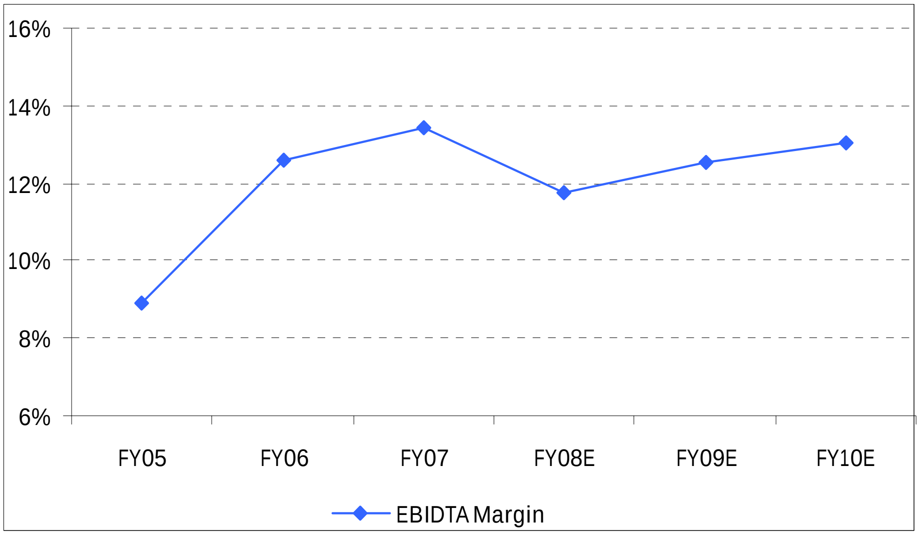
EBIDTA margins to improve from 11.7% to 13% during FY08E-FY10E

Chart 5. Movement in EBITDA margins from FY05-FY10E



Source: IISL research, company

In line with the increased offshore work undertaken by the company, its offshore contribution is likely to improve significantly.

ZTL's margins are likely to be supported by stronger ramp-ups by its marquee clients. Moreover, ZTL is also likely to benefit from 3%-6% higher pricing from existing clients.

- Marquee accounts to witness strong ramp-ups: ZTL's marquee clients like Cisco, Danaher, Marks & Spencers, and Electronic Arts are witnessing stronger ramp-ups through ODC's (offshore development centres) and these are also fetching higher pricing. This, we believe, would help ZTL in improving its EBIDTA margins.

- Offshore contribution to go up: ZTL would continue to focus on its multi-shore strategy through its global delivery collaborative model; this model constitutes hubs at Pune, Hyderabad, China, Poland, and North America and comprises 20 ODCs. We also expect the offshore contribution, currently standing at 33% of revenues, to increase to 37% by FY10E in line with increased offshore work undertaken by the company in the coming quarters. This would also support the margin growth, going forward.

- ZTL to benefit from a favourable pricing environment: ZTL is able to secure 3%-6% higher pricing from some of its existing Fortune 500 clients. Moreover, some of its long-term clients are also yielding 6%-8% higher pricing on annual basis. We expect ZTL to witness 7%-8% increase in blended pricing across its clientele during FY08E-10E, after considering the increase in offshore contribution. Thus, higher pricing would boost the company's EBITDA margins in the coming quarters.

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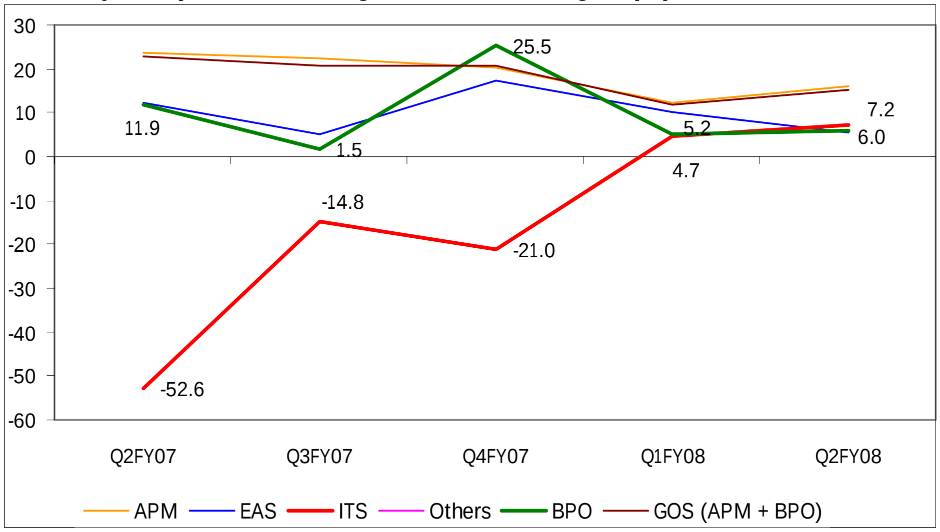
Chart 6. Quarterly movement in segment-wise EBIT margins (%)



Source: IISL research, company

EBIT margins in ZTL's BPO and ITS segments are expected to move up with high-end initiatives supported by evolving models.

- BPO and ITS margins to improve: To improve the profitability in the BPO segment, ZTL is scaling down the out-bound voice business; instead, the company is enhancing its focus on transaction processing and in-bound voice to support large clients. Currently, in the BPO segment, ZTL carries out back-end client servicing from India and China, and front-end servicing from its five hub model. To augment profitability in the BPO space, the company has initiated its focus on integrated IT-BPO offerings under the Global Outsourcing Services (GOS) Business Platform. This has enabled ZTL to improve the EBIT margins of its BPO business from 5% in Q1FY08 to 6% in Q2FY08. We expect the margins in the BPO business to bounce back supported by the above initiatives.

  ZTL is also witnessing improved margins in ITS segment. The segment is currently based on the Virtual Global Delivery Model and Solution Blue-Print Model (VGDM-SBP) for rapid, high quality, and cost effective software development programming. ZTL's EBIT margins in the ITS business improved from a negative of (-52.6%) in Q2FY07 to 4.7% in Q1FY08 and to 7.3% in Q2FY08 (see chart 6). Going forward, Service Oriented Architecture (SOA) and Software As A Service (SAAS) models are likely to support the growth in these margins.

ZTL plans to move towards SAAS and SOA models for non-linear growth, going forward.

- SAAS & SOA – Third wave of technology evolution: Currently, ZTL is working on the SOA platform. The company has launched automotive component services in Maharashtra with an attempt to implement the SAAS model in the next few years. SOA and SAAS are evolving models to bring in non-linearity in revenues and hence, are considered as the third wave of technology revolution in the global IT scenario.

- **Focus on ERP business and tapping FTOs:** To increase its profitability, ZTL plans to focus on ERP and FTO (First Time Outsourcers) businesses. Recently ZTL signed a deal with a $2 bn size company as an FTO.

We believe the above cited factors would contribute to the improvement in EBITDTA margins from 11.7% to 13% during FY08E-FY10E, despite wage inflation and rupee appreciation.

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Risks

Like other IT companies, ZTL faces the risk of rupee appreciation and high attrition. Excessive exposure to few top clients could also impact the company's earnings.

- The appreciating rupee vis-à-vis the US dollar is one of the biggest challenges currently faced by Indian IT Sector. The U.S. geography contributes 48% to ZTL's revenues. Any sharp appreciation in the rupee might hurt ZTL's revenues and earnings, going forward.
- Excessive exposure to few top clients could impact the company's earnings.
- The services industry depends heavily on manpower. Higher than expected wage inflation of 12%-15% at offshore locations, might impact the company's profitability.

Above risks is not company specific but sector specific.

Hedging Policy - taking care of forex fluctuations

ZTL hedges its forex exposure through a combination of options and forward covers.

- ZTL hedges its forex exposure through a combination of Options and Forward covers. The company, at any point of time, has a cover of around 60% to 70% of its exposure, by this combination. At the end of September 2007, the company's weighted average rupee rate of hedging was 42.28 to the dollar for all forwards and contracts pertaining to USD – INR expiring up to September 2008.

Financials

ZTL's revenues are expected to record CAGR of 21.4% during FY08E-10E compared to CAGR of 33% during FY05-07.

- Appreciating rupee to slowdown revenues in FY08E-10E: We expect ZTL to post revenues of Rs 8018.2 mn in FY08E and Rs 11818.6 mn in FY10E, implying a two year (FY08E-10E) CAGR of 21.4%; this is lower than 33% CAGR recorded during FY05-07. This reduction in the growth rate is attributed to the expected appreciation of the rupee vis-à-vis the US dollar. We have assumed the Re/USD rate at Rs 40 in FY08E and Rs 39 for FY09 & FY10E.

Slowdown in hiring plans, increased intake of entry-level employees, and lower SG&A expenses would improve EBITDA margins from 11.7% in FY08E to 13% in FY10E.

- EBITDA margins to improve during FY08E-10E: ZTL's net manpower intake for FY08E is expected to be ~ 630 people, lower than 882 additions in FY07. We have assumed that, going forward, the company's hiring plans would slowdown slightly and more entry level employees would be recruited to manage the margin pressure arising from wage inflation and rupee appreciation. ZTL is also likely to keep its selling, general and administration (SG&A) expenses under check supported by its new sales and marketing team and its five hubs global delivery model. During Q2FY08, the company's manpower costs stood at 71.6% of revenues, and its SG&A expenses stood at 18% of revenues. Supported by ZTL's initiatives to maintain the EBIDTA margins, we expect these costs to drop marginally by FY10E, to 71.3% and 15.7% of revenues respectively. Consequently, despite wage inflation of 13%-15% and rupee appreciation of 2.5% during the same period, the company's margins are likely to expand from 11.7% in FY08E to 13% in FY10E.

Interest cost is expected to come down and depreciation to remain stable as percentage to gross block during FY09E-10E.

- Other Costs: Interest cost is expected to be higher at Rs 77.2 mn during FY08E on account of higher debt of Rs 660 mn raised for funding the TD acquisition. However, we expect the interest cost to come down during FY09E & FY10E due to higher cash profits of Rs 1230 mn that would be used to pay-off maximum amount of debt by FY09E. Depreciation cost would remain at current levels (as a percentage to gross block) due to stable capex plans during FY08E-10E. The tax rate is also likely to remain stable at 22% in FY08E and FY09E; nevertheless, it is expected to go up to 28% by FY10E in line with the expiry of STPI tax holiday after FY09.

- EPS to grow at CAGR of 25.3% during FY07-10E: We expect ZTL to report an EPS of Rs 29.2 and Rs 42.4 in FY08E and FY09E respectively. Further we expect the company to post an EPS of Rs 47.0 in FY10E, implying a three-year (FY07-10E) CAGR of 25.3%.

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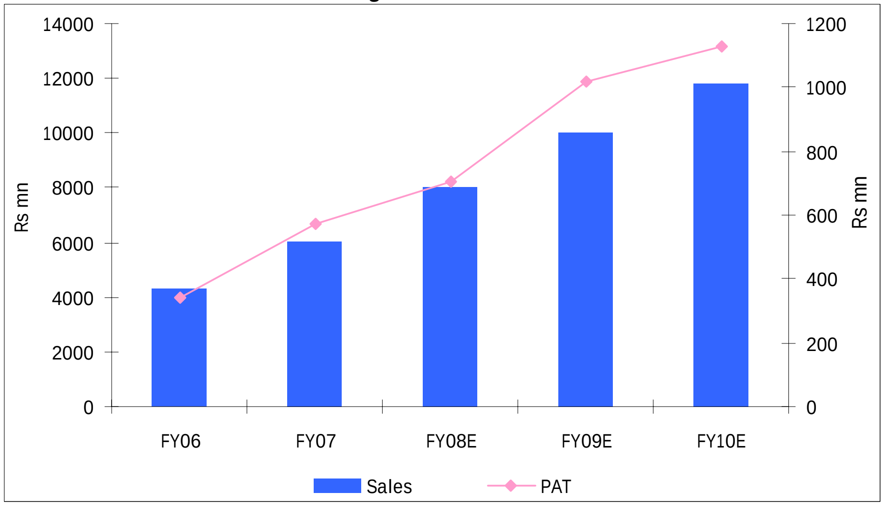
Chart 7. Revenues and Profits during FY06 to FY10E



Source: IISL research, company

Q2 FY08 Result Analysis

ZTL recorded a sequential growth of 2% in revenues during Q2FY08. Further growth in the topline, however, was restricted due to 1% rupee appreciation and lower contribution from TD.

- Volume-driven organic growth: During Q2FY08, ZTL registered a sequential revenue growth of 2%, supported by a 4% growth in volumes to Rs 1918 mn. The company recorded a 6% QoQ organic growth in Q2FY08. However, further growth in the topline was restricted due to rupee appreciation of 1% (based on the average rupee/dollar exchange rate during Q1FY08-Q2FY08). TD also pulled down the topline growth in Q2FY08 due to a temporary blip in revenues, from Rs 190 mn in Q1FY08 to Rs 130 mn in Q2FY08, as many of its contracts failed to materialise. We expect an uptake in TD revenues, going forward.

The contribution of ITS services to the company's total revenues was the highest during Q2FY08. The segment grew by 22% QoQ and 212% YoY during the quarter.

- ITS segment witnessed growth of 22% QoQ: The APM business for the quarter grew by 2% QoQ and 6% YoY. The EAS business, however, was down QoQ due to lower revenues from TD; nevertheless, the division's revenues grew by 61% YoY. ITS services emerged as the outstanding performer during the quarter, growing by 22% QoQ and 212% YoY, and registering a margin expansion of 256 bps QoQ at 7.25% (see table 2). ZTL's BPO business recorded subdued growth of 2% QoQ and 14% YoY during the quarter.

Table 1. Segment-wise revenues – ITS takes the lead

Rs mn	Q2FY08	Q1FY08	Q2FY07	FY07	FY06
Application Portfolio Mgmt (APM)	859.4	845.0	809.2	3261.4	2517.2
Enterprise Application Services (EAS)	667.6	702.9	415.4	1700.4	930.0
Innovative Technology Services (ITS)	321.4	262.5	103.0	401.9	578.6
Others	0.0	0.0	98.3	452.2	163.6
IT Services	1848.4	1810.4	1425.9	5815.9	4189.4
BPO	70.0	68.6	61.3	242.7	98.5
Total Revenues	1918.4	1879.0	1487.2	6058.6	4287.9
Global Outsourcing (GOS) (APM+BPO)	929.4	913.6	870.5	3504.1	2615.7

Source: IISL research, company

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ZTL's dependence on top 10 accounts is reducing gradually. ZTL added 18 new clients during Q2FY08, taking the total active clients to 278 as on September 30, 2007.

- Smaller client accounts ramping up faster: ZTL added 18 clients during Q2FY08 with 60 % additions in its new service segments. The company's total active clients touched 278 as on the quarter ended September 30, 2007. ZTL's dependence on its top 10 accounts is declining gradually, whereas its smaller accounts, in range of $0.5mn-$5mn, are recording faster ramp ups QoQ (see table 3). This is likely to de-risk ZTL's operations, enabling the company to target accounts that offer room for further scalability.

Table 2. Dependence on Top client accounts to fall gradually, de-risking operations

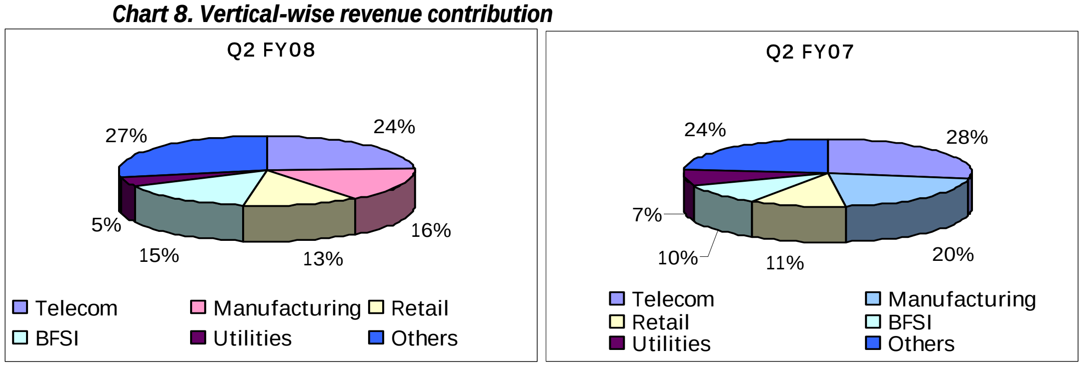
% Contribution to revenue	Q2FY08	Q1FY08	Q2FY07
Top Client (Cisco)	22.0%	20.0%	27.0%
Top 5 Clients	47.0%	47.0%	57.0%
Top 10 Clients	56.0%	56.0%	70.0%

Source: IISL research, company

ZTL secured a $7 mn deal with a large South African company during Q2FY08. The company is also set to source business of $3 mn from the U.S. in the insurance space.

- Strategic wins of ZTL during Q2 FY08: During the quarter, ZTL won a $7-mn deal with a large South African insurance company. This is expected to follow a $3 mn business from a U.S.-based Midwest provider of insurance products and a million-dollar initial contract for BPO services with a Latin American insurance client. Thus, ZTL is all set to grow significantly in its newly launched insurance vertical over the next three years. During Q2FY08, the company's order book in this vertical touched $ 10 mn. During Q2FY08, ZTL also secured an order for Oracle e-business suite and made some strategic wins in APM and financial services spaces.

Chart 8. Vertical-wise revenue contribution



Source: IISL research, company

Higher pricing and better utilisation enabled the company to improve its EBITDA margins by 78 bps QoQ.

- EBITDA margins expand by 78 bps QoQ: Salary hikes during Q2FY08 increased the cost base of ZTL by Rs 45 mn. Despite this, the company's EBIDTA margins improved by 78 bps QoQ to 10.5% due to higher pricing and better utilisation. Receivable days for the quarter were down to 60 from 72 in Q1FY08 and 69 in Q2FY07. The utilisation rate (including for trainees) improved from 80% in Q1 FY08 to 81% in Q2FY08.

- Q2FY08 witnessed lay-off of 130 employees from APM: For Q2FY08, ZTL's gross manpower addition stood at 200; of these, 130 employees were laid-off from APM business, with the remaining resigning voluntarily (attrition of ~14-15% on annualised basis). Thus, the net manpower addition was 59 employees in Q2FY08 vis-à-vis 267 employees in Q1FY08 and 96 employees in Q2FY07. As on date, ZTL's total manpower stands at 4,067.

Table 3. Quarterly financials

Rs mn	Q2FY08	Q1FY08	QoQ (%)	Q2FY07	YoY (%)
Revenues	1,918.4	1,879.0	2.1%	1,487.2	29.0%
Manpower Costs	1,373.0	1,352.5	1.5%	990.5	38.6%
Gross Profit	545.4	526.5	3.6%	496.7	9.8%
GPM	28.4%	28.0%	-	33.4%	-
Other Costs	344.9	344.8	0.0%	311.3	10.8%
EBITDA	200.5	181.7	10.3%	185.4	8.1%
EBITDA Margin	10.5%	9.7%	-	12.5%	-
Depreciation	45.5	42.6	6.8%	38.5	18.2%
Other Income	47.5	47.6	-0.2%	24.5	93.9%
Interest	22.2	15.0	48.0%	4.3	416.3%
PBT	180.3	171.7	5.0%	167.1	7.9%
Tax	40.4	37.9	6.6%	41.8	-3.3%
Tax Rate	22.4%	22.1%	-	25.0%	-
PAT before minority interest	139.9	133.8	4.6%	125.3	11.7%
Minority Interest	1.5	-		(4.4)	
PAT after Minority Interest	141.4	133.8	5.7%	120.9	17.0%
NPM	7.4%	7.1%	3.5%	8.1%	-9.3%

Source: IISL research, company

Valuations

Table 4. Relative Valuations

Company	Price (Rs)	Shares o/s	Sales (Rs mn)		EPS (Rs)		PE		Mkt Cap/Sales	
			FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E
Zensar	168	24.0	8,018	10,017	29.2	42.4	5.8	4.0	0.5	0.4
Infotech	295	51.9	7,280	9,551	19.1	25.8	15.5	11.4	2.1	1.6
Aztec	49	45.0	2,633	3,525	7.5	10.3	6.5	4.7	0.8	0.6
Geometric	71	62.0	5,162	6,856	11.0	9.4	6.5	7.5	0.9	0.6

Source: IISL research, company

ZTL is trading at a discount of 45.3% and 54.1% respectively to FY08E and FY09E average PER of 10.5x of mid-cap IT peers. Hence we initiate coverage on the stock with a BUY recommendation and a price target of Rs297.

Currently, ZTL is quoting at FY08E and FY09E PER of 5.8x and 4x respectively, a discount of 45.3% and 54.1% to the average PER of 10.5x of its mid-cap IT services peers. Given the company's new initiatives and proposed strategic business plans, we see a strong growth potential in ZTL. Moreover, compared to its peers, the company looks attractive at current valuations.

Historically, ZTL has traded in the range of 10x-12x. However, going forward, we expect ZTL to trade in the range of 7x-8x, considering the current sector-related concerns. We expect ZTL to report EPS of Rs 29.2 in FY08E and Rs 42.4 in FY09E. **We initiate coverage on the stock with a 'Buy' recommendation and a price target of Rs297** (an upside of 77% based on FY09E earnings).

Financials

Profit & Loss

Rs mn	FY06	FY07	FY08E	FY09E	FY10E
Net sales	4287.9	6058.6	8018.2	10017.5	11818.6
YoY (%)	24.3	41.3	32.3	24.9	18.0
Total expenses	3746.8	5245.2	7074.7	8760.0	10280.0
Manpower Costs	2899.2	3999.7	5675.0	7140.0	8430.0
Other Costs	847.6	1245.5	1399.7	1620.0	1850.0
EBIDTA	541.1	813.4	943.5	1257.5	1538.6
YoY (%)	76.2	50.3	16.0	33.3	22.4
EBIDTA (%)	12.6	13.4	11.8	12.6	13.0
Other income	46.3	104.8	225.1	280.0	300.0
PBIDT	587.4	918.2	1168.6	1537.5	1838.6
Interest	16.1	21.0	77.2	18.0	18.0
Gross profit	571.3	897.2	1091.4	1519.5	1820.6
Depreciation	154.7	152.6	191.1	210.0	250.0
PBT and extra ordinary	416.6	744.6	900.3	1309.5	1570.6
Extra ordinary items	-22.7	-11.1	1.5	0.0	0.0
PBT	393.9	733.5	901.8	1309.5	1570.6
(-) Tax	54.6	161.5	199.3	290.0	440.0
Tax / PBT	13.9	22.0	22.1	22.1	28.0
PAT	339.3	572.0	702.5	1019.5	1130.6
Adjusted net profit	339.3	572.0	702.5	1019.5	1130.6
YoY (%)	-13.2	68.6	22.8	45.1	10.9

Balance Sheet

Rs mn	FY06	FY07	FY08E	FY09E	FY10E
Equity capital	234.4	240.5	240.5	240.5	240.5
Reserves	1577.9	2137.7	2742.7	3664.6	4697.7
Net worth	1812.3	2378.2	2983.2	3905.1	4938.2
Total borrowings	151.0	884.7	660.0	150.0	150.0
Deferred tax	-14.6	-39.7	0.0	0.0	0.0
Minority Interest	-3.6	0.8	0.0	0.0	0.0
Total liabilities	1945.0	3223.9	3643.2	4055.1	5088.2
Gross block	1086.6	2246.5	2826.5	3226.5	3726.5
Less: Acc. depreciation	408.5	541.9	733.0	943.0	1193.0
Net block	678.1	1704.6	2093.5	2283.5	2533.5
CWIP	71.7	128.0	0.0	0.0	0.0
Investments	135.6	203.8	203.8	203.8	203.8
Current assets	1845.8	2343.4	2975.9	3637.8	4800.9
Inventories	0.0	0.0	0.0	0.0	0.0
Debtors	826.0	1303.9	1720.0	2140.0	2520.0
Cash	561.9	448.0	373.9	395.9	980.9
Loans and advances & Current Assets	457.9	591.5	882.0	1101.9	1300.0
Current liabilities	526.5	865.8	1220.0	1550.0	1840.0
Provisions	259.7	290.0	410.0	520.0	610.0
Net current assets	1059.6	1187.6	1345.9	1567.8	2350.9
Total assets	1945.0	3223.9	3643.2	4055.1	5088.2

Key Ratios

	FY06	FY07	FY08E	FY09E	FY10E
EPS (Rs)	14.5	23.8	29.2	42.4	47.0
Adjusted EPS (Rs)	14.5	23.8	29.2	42.4	47.0
CEPS (Rs)	21.1	30.1	37.2	51.1	57.4
Book value (Rs)	77.3	98.9	124.0	162.4	205.3
Dividend per share (Rs)	3.0	4.0	4.1	4.1	4.1
Debt-equity (x)	0.1	0.4	0.2	0.0	0.0
ROCE	24.0	29.6	28.5	34.5	34.7
ROE	20.3	27.3	26.2	29.6	25.6
Valuations					
PE (x)	15.0	10.9	5.8	4.0	3.6
Cash PE (x)	10.3	8.6	4.5	3.3	2.9
Price/book value (x)	2.8	2.6	1.4	1.0	0.8
Dividend yield	1.4	1.6	2.4	2.4	2.4
Market cap/sales	1.2	1.0	0.5	0.4	0.3
EV/sales (x)	1.1	1.1	0.5	0.4	0.3
EV/EBDITA (x)	8.0	7.3	3.7	2.5	1.7

Cash Flow

Rs mn	FY06	FY07	FY08E	FY09E	FY10E
Net profit	416.6	744.6	900.3	1309.5	1570.6
Depn and w/o	154.7	152.6	191.1	210.0	250.0
Tax paid	-54.6	-161.5	-199.3	-290.0	-440.0
Change in working cap	-76.3	-194.7	-48.0	-80.0	-90.1
Other income	-32.2	-16.0	106.4	4.0	3.0
Operating cash flow (A)	408.2	524.9	950.5	1153.5	1293.6
Other income	25.3	5.2	11.3	14.0	15.0
Capex	-346.5	-1235.4	-452.0	-400.0	-500.0
Investments	-135.6	-68.1	0.0	0.0	0.0
Investing cash flow (B)	-456.8	-1298.3	-440.8	-386.0	-485.0
Dividend	-69.4	-97.0	-97.5	-97.5	-97.5
Fresh equity	0.9	6.1	0.0	0.0	0.0
Debt	7.2	733.7	-224.7	-510.0	0.0
Financing cash flow (C)	-61.3	642.8	-322.2	-607.5	-97.5
Others (D)	-98.3	16.7	-261.6	-138.0	-126.1
Net change in cash (A+B+C+D)	-208.2	-113.9	-74.1	22.0	585.0
Opening cash	770.1	561.9	448.0	373.9	395.9
Closing cash	561.9	448.0	373.9	395.9	980.9

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