Angel Broking™

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India Research

Elecon Engineering

Buy

CMP: Rs 316

Target Price: Rs 446 (12 Months)

Mid Cap - Capital Goods

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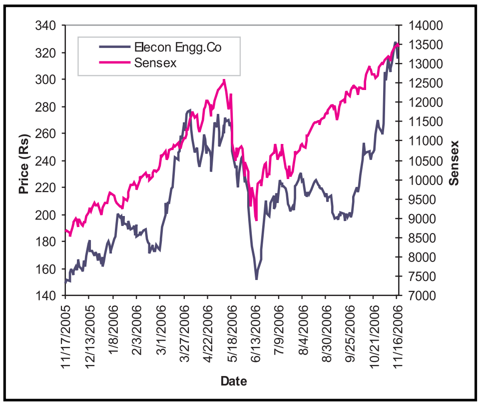
Stock Info

Market Cap (Rs cr)	968
Market Cap (US$ mn)	215
52 Week High / Low	334/ 139
Avg Daily Volume	28735
Face Value (Rs)	2
BSE Sensex	13,506
Nifty	3,877
BSE Code	505700
NSE Code	ELECON
Reuters Code	ELCN.BO
Bloomberg Code	ELCN@IN

Shareholding Pattern (%)

Promotors	42.49
MF / Banks / Indian FIs	18.11
FII / NRIs / OCBs	10.04
Indian Public / Others	29.36



Investment Argument

- **Leaders in MHE and Industrial Gears segment:** Elecon Engineering (EE) enjoys 26% market share in Industrial Gears and also has dominant presence in Material Handling Equipment (MHE).
- **Investment across the sectors to drive the growth:** EE with strong traction in MHE as well as Industrial Gears is one of the major beneficiaries of huge investment (Rs 97,300cr over FY2006-08) in core sectors like Power, Coal, Steel, Ports etc.
- **Shift in the revenue mix to improve profitability: :** We expect EE's revenue mix to tilt towards MHE segment (from 48% in FY2006 to 58% in FY2009) due to major capex happening in process industries. Improvement in the overall operating margin was witnessed mainly due to MHE segment which turned EBITDA positive in FY2005. EE enjoys better OPM compared to its peers because of the higher contribution from MHE segment.
- **Steady Growth in Industrial Gears:** Over the years EE has shifted its Gears revenue mix towards more of Customised Gears from Standard gears. Currently it is at 60:40 ratio compared to 40:60 earlier. Material handling equipments also involves application of Industrial gears. Hence, the growth in MHE segment will automatically augur well for Industrial Gears.
- **Tapping Windmill potential:** EE is setting up windmills to tap the huge potential offered by the growing sector. It is incurring a capex of Rs 40 to 50cr and on this capex it will be getting tax benefits also.
- **Initiating steps to tap the international market:** EE is expanding its horizon by organic as well as inorganic route. EE has JVs in Middle East, China etc. to tap the growing markts.

Valuation

At the CMP, the stock trades at 11.3x FY2008E and 8.6x FY2009E earnings of Rs 28.0 and Rs 36.9, respectively. **We recommend a Buy with a 12-month Target Price of Rs 446.**

Key Financials

Y/E March (Rs cr)	FY2006	FY2007E	FY2008E	FY2009E
Net Sales	**442.5**	**730.0**	**1,007.1**	**1,254.3**
% chg	*59.3*	*65.0*	*38.0*	*24.5*
Net Profit	**30.7**	**58.3**	**86.6**	**114.2**
% chg	*105.7*	*89.8*	*48.6*	*31.8*
FDEPS (Rs)	**9.0**	**18.1**	**28.0**	**36.9**
EBITDA Margin (%)	13.5	14.6	15.2	15.3
P/E (x)	35.1	17.5	11.3	8.6
P/CEPS (x)	24.4	13.6	9.2	7.1
ROE (%)	29.9	30.6	31.8	29.9
ROCE (%)	21.6	24.8	27.4	28.6
P/BV (x)	9.5	5.1	3.6	2.6
EV/Sales (x)	2.6	1.7	1.3	1.1
EV/EBITDA (x)	19.4	11.8	8.6	6.9

Source: Company, Angel Research

Background

Gujarat based Elecon Engineering was established in the year 1951. From a two product company (ELEvators and CONveyors, from which the company derives its name), Elecon has diversified its product portfolio to cater to diverse requirements. The company is currently into MHE and Transmission Equipments which includes Industrial Gears and Gearbox as major products. The company plans to enter the windmill and the ship fabrication segment.

Elecon is known for its pioneering acts in India. Elecon was one of the first to introduce the concept of Bulk Material Handling Equipment in India. It was also the first to introduce modular design concept, case hardened and ground gear technology in India. The company over the years has been in a position to dominate the market. The company has a world class facility in Gujarat, with state of the art quality control equipments. Over time the company has evolved into a one stop shop, from concept to commissioning, for bulk material handling equipments and power transmission products.

Technical tie-ups

The company has always endeavored to achieve excellence for which it has entered into several collaborations across multiple products. Following are the technical tie-ups which enabled the company to achieve expertise in Design and Engineering.

Exhibit 1: Technical tie-ups

Weserhutte:-	Stockyard equipment and also specialized open Cast Mining equipments and Shiftable Conveyor.
Gustav- Schade	Scrapper Reclaimers for Cement & Fertilizer Projects.
Aubuma:-	Crushers
Strachan & Hansaw	Wagon Tipplers and associated marshalling equipments.

Source: Company, Angel Research

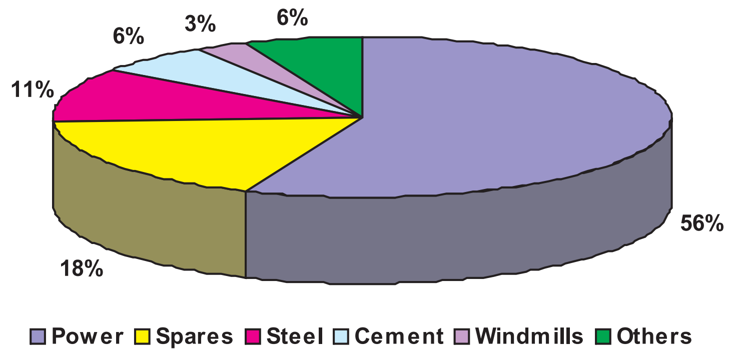
Business Divisions:

The company currently has two business divisions namely, MHE which contributes 48% of sales and Industrial Gears, accounting for the remaining 52%.

Material Handling Equipments

Over the years company has successfully improved the performance of this segment. The revenue in this segment has increased form Rs 58cr to Rs 210cr over FY2002-06 which significantly improved the topline as well as the bottomline of the company as a whole.

Exhibit 2: Sectoral Contribution - MHE



Source: Company, Angel Research

This division offers its customers a diverse and composite range of Bulk Material Handling Equipment and Products. This division caters to companies across core industries including Cement, Steel, Construction and Power. It undertakes turnkey projects of coal handling plants for thermal power projects, overburden removal and coal/ lignite handling system for open cast mines. For the Cement sector it supplies crushing and blending systems.

The company has an extensive products range which includes Crawler Mounted Tippers, Twin Boom Stackers, Ship Loaders, Rail Pusher Car, Stacker Reclaimers and Conveyors. For Neyveli Lignite, they have developed a Conveying systems, manufactured and erected to work at the rate of 20,000 tons per hour and it is the second largest conveying system in the world.

The company derives a 56% of this segment's revenue from the power sector. The government has envisaged capacity addition in the power generation to the tune of 100,000 MW under the scheme of 'Power for All' by 2012. Since the company has a proven track record, the surge in investments in the power sector will be beneficial for the company in securing more orders.

Exhibit 3: Key Customers - MHE

Power	NTPC, REL, MSEB, Tamilnadu Electricity Board
Steel	Sail, Indian Iron & Steel
Railways	Indian Railways
Ports	Chennai Port Trust, Marmagoa Port, Kandla Port
Mining & Coal	Neyveli Lignite, NMDC
Cement	Guj Ambuja, ACC, JK Cement

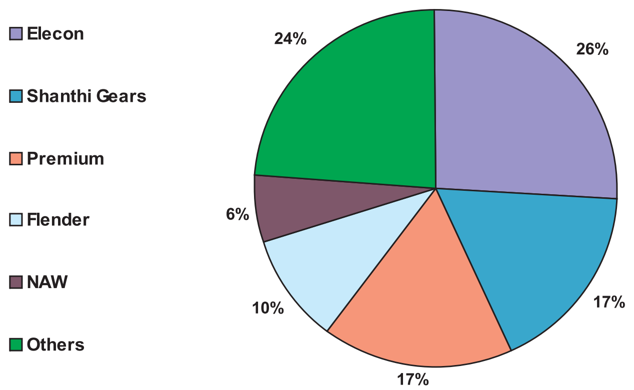
Source: Company, Angel Research

Industrial Gears

Leading the Industrial Gears market with 26% market share

The company enjoys a predominant position, being a leader in this segment with a 26% market share.Over the years company has exhibited steady growth in Industrial Gears segment by recording average CAGR of 31% over last 4 years.

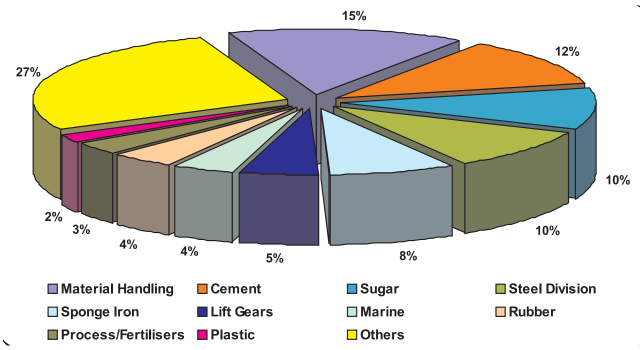
Exhibit 4: Industry Players



Source: Company, Angel Research

The company has strived to reach new frontiers of Technical excellence by providing wide range of Worm, Helical, Spiral Bevel Helical gears Flexible, Geared and Fluid Couplings.

Exhibit 5: Sectoral Contribution - Industrial Gears



Source: Company, Angel Research

The Gears sector is benefiting from the robust growth in manufacturing. With gears finding application in all the industries including Sugar, Steel, Cement and Aluminum, the outlook is extremely favourable and more so for Elecon, which is the market leader. The Company also makes a special type of speed-increasing gearbox for windmills.

Exhibit 6: Key Customers - Industrial Gears

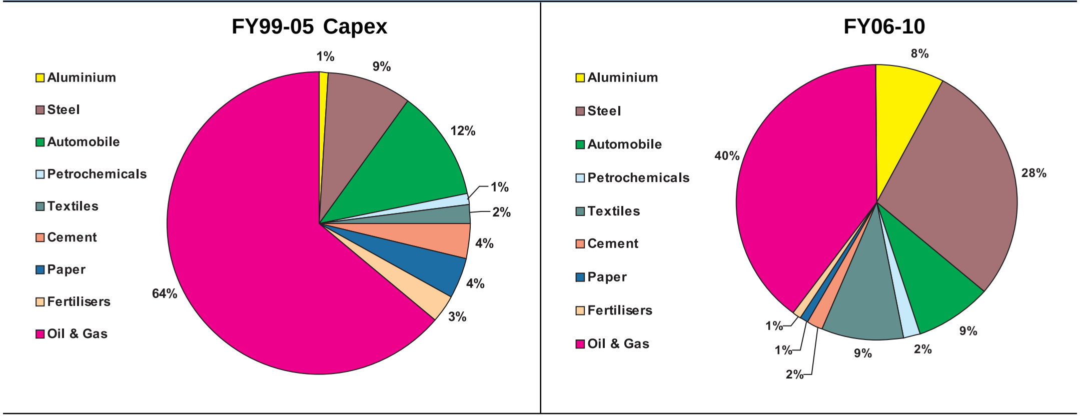
Power	NTPC, MSEB
Windmill	NEPC, Pioneer Wincon
Mining	Neyveli Lignite, NMDC
Sugar	Bajaj Hindustan, Harinagar Sugars
Defence	Indian Navy, Coast Guard
Palm Oil	Felda (Malaysia)
Steel	Sail, Tisco
Chemicals	RCF, Alembic
Sponge Iron	Jindal Steel & Power, Nova Iron & Steel
Cement	Guj Ambuja Cement, ACC

Source: Company, Angel Research

Industry Overview

In India, construction is the second largest sector after agriculture. India is at an inflection point of a capital expenditure boom. Infrastructure development and construction has led to massive investments in the Tenth Plan (2002-2007), which is expected to continue in the Eleventh Plan.Industrial capex is expected to grow at 22% CAGR through FY06-10.

Exhibit 7: Capex - FY99-05 and FY06-10



Source: Cris Infac

.... growing at 12%-15%

Industrial Gears

Gears being an important part of a machine have immense usage within various industries- Automotive industries, Coal plants, Steel plants, Paper industry, Mining and many more. In these industries they behold a wide area of application. They are used as conveyors, elevators, kilns, separators, cranes and lubrication systems. Gears are used for two basic purposes increase or decrease of rotation speed and increase or decrease of power or torque.

Gear Industry in India is estimated about Rs 1000cr which has been growing at a rate of 12%-15% annually for the last few years. Indian gear manufacturers accounts for approximately 70% of domestic sales. The products of the industrial gears division have special usage in the cement industry.

MHE growth driven by robust investment across the industries

MHE Segment

The upswing in the Indian economy has enhanced the demand for material handling and construction equipments. The addressable market size for MHE is Rs 2100cr and expanding at rapid space due to infrastructural development taking place in India. Key players in this segment are Elecon Engineering, Mcnally Bharat, TRF, Godrej & Boyce etc.

Over a long term the Indian economy is set to grow around 8%, which in turn should help the equipment manufacturing players. The demand of MHE is correlated with the growth of other segments like Infrastructure, Construction, Power projects and other activities. The industrial construction is led by investments in key manufacturing areas like Cement, Metals, Oil and Gas. Investments in this area are led by buoyant domestic and external demand.

Investment Arguments

MHE division set to tap the opportunities

Well placed to tap the opportunities in MHE segment:

Elecon Engineering with strong traction in heavy material handling equipment as well as Industrial Gears is one of the major beneficiaries of huge investment in core sectors of Power, Coal, Steel and Ports. National Maritime Development Programme of Government of India is designed to expand and develop the port sector. The proposed expansion includes increasing the total material handling capacity from 390mn tones per annum up to 920mn tones per annum at ports. The Coal India Ltd. has also planned to increase its production capacity up to 66.87mn tones per annum, which will result in substantial business for the material handling equipment manufacturing companies.

MHE provides equipment for unloading and bulk movement of commodities such as coal, lignite and iron ore. Thus its major application is in the thermal plant, steel plant and so on. Capex cycle over two different periods from FY99-05 and FY2006-10 shows that share of Steel sector in total capex has increased from 9% to 28% which substantiate our argument favouring Elecon's MHE segment growth as over a period as Steel sector accounts for approximately 11% of revenue in MHE segment.

Exhibit 8: MHE opportunity for Elecon

Industries	Investment total (Rs Bn)	Investment related to MHE package (Rs Bn)	Impleme-ntation Period	Annual Average Investment (Rs Bn)	Anticipated Annual share by Elecon (Rs Bn)
Power	2200	300	2006-15	30	3 to 4.5
Steel	2620	125	2006-20	9	1 to 1.5
Coal	275	20	2006-15	2	0.2 to 0.25
Ports	600	30	2006-15	3	0.3 to 0.45
Total	5695	475			4.5 to 6.7

Source: Company, Angel Research

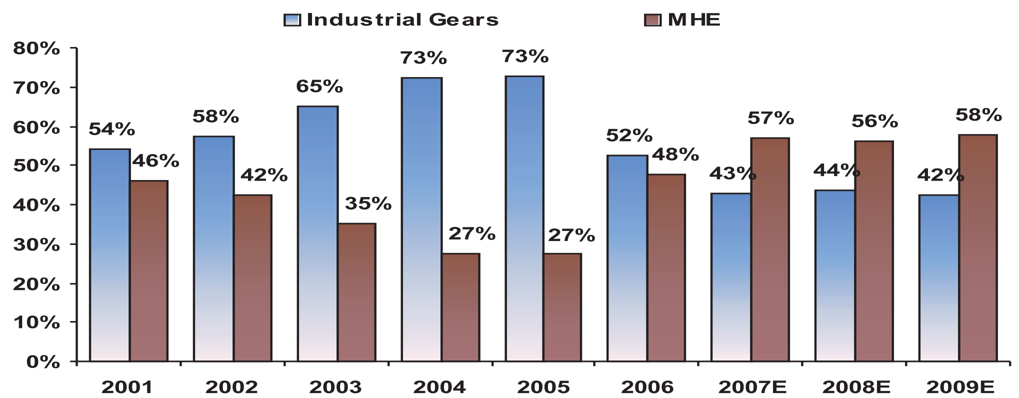
Given the strong traction company has in MHE segment it is expected to corner the major slice of the emerging opportunities in the above segments. Company is fully capable of capitalizing the opportunities in the core sector and we expect that it will exhibit revenue CAGR of 32% over FY2007-09 in MHE segment.

MHE segment helping to improve the over all margins

Shift in the revenue mix to improve profitability:

In the past Industrial Gears was a major revenue driver for the company accounting for more than 50% of the topline. However, company has made its presence felt in MHE by increasing MHE segmental share approximately equal to Industrial Gears. Going forward company's revenue mix will tilt towards MHE segment on back of major developments taking place in the MHE space.

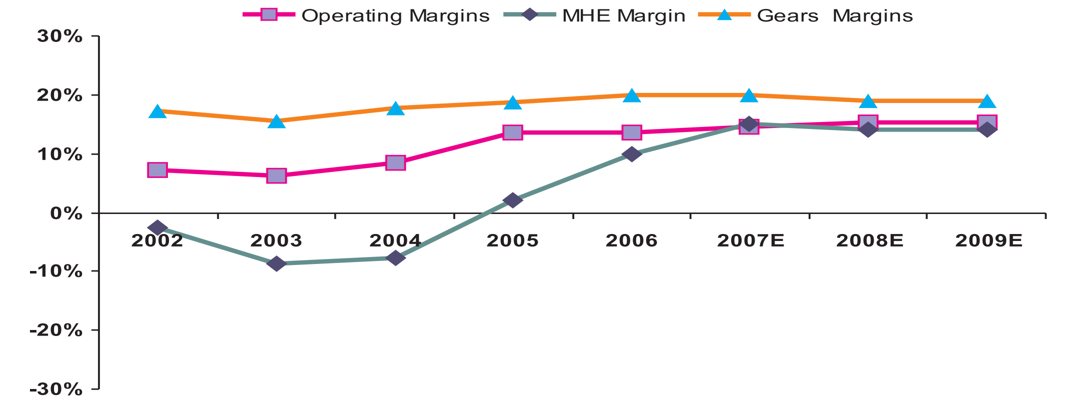
Exhibit 9: Revenue mix



Source: Company, Angel Research

Operating margins improved on back of strong measures taken to reduce cost and improve efficiencies. Margin growth was witnessed mainly due to MHE segment which turned EBITDA positive in FY2005. EE enjoys better OPM compared to its peers because of the higher contribution from MHE segment. Historically operating margins were hovering around 7 to 8%, however sudden spurt in operating margin was seen due to high turnover in MHE segment.

Exhibit 10: Operating Margin and Segmental EBITDA Margin



Source: Company, Angel Research

Going forward we expect MHE to be the major revenue driver, hence operating margins are expected to improve. Industrial Gear division enjoys margins of 18% to 20% which will be maintained in future. We expect MHE's segmental margin to improve with further spread of fixed cost over larger volume.

Shift in Industrial Gears revenue mix

Steady Growth in Industrial Gears:

Elecon designs & manufactures a wide range of worm, parallel shaft and right angle shaft helical and spiral bevel helical gears with horizontal and vertical output shafts in various sizes, from single to quadruple stage reduction. Various industries use gear boxes to reduce the motor speed of rotating equipments, hence capex lined up by all the process industries will augur well for Elecon Engineering.

Industrial Gears are further classified into Standard and Customised. Realisations in Customised Gears commands premium. Over the years EE has shifted its Gears revenue mix towards more of Customized Gears from Standard gears. Currently it is at 60:40 ratio compared to 40:60 earlier. Going forward company's thrust will be to maintain and improve this ratio. We expect average CAGR of 15-20% in Industrial Gears over the next three years. It has the capability to manufacture large size planetary Gear Boxes for sugar mills. EE has executed the same product contract for Bajaj Hindustan and Harinagar Sugar Mills transmitting 1400 and 1500 HP respectively. Material handling equipments also involves application of Industrial gears. Hence, the growth in MHE segment will automatically augur well for Industrial Gears.

Growth visibility through strong order book

Strong order book:

Over the years Elecon Engineering is growing its order book. Currently it has order enquiries of around Rs 900cr. However, company has adopted selective approach in accepting order on the basis of minimum benchmark operating margins set by company. As on 31st October 2006 company had an order book of Rs 705cr. Out of which Industrial gears accounted for Rs 164cr and MHE segment accounted for Rs 541cr.

Average execution cycle in Industrial Gears is 3 to 6 months and for MHE segment it is 10 to 24 months. Hence, majority of the orders will be converted into revenue in the current year itself. Incase of Industrial Gears any rise in raw material prices can be passed on to customers but in MHE segment certain orders are without price escalation clause hence any rise in cost cannot be fully passed on. Given the strong traction company has in MHE and Industrial Gears it will sustain the growth momentum in future as well.

Growing through organic and inorganic route

Steps initiated to tap the international market:

Exports accounts for minute share in total sales. It accounted for approximately 9% of the sales of the company. Company expects to increase its exports share in future to 20 to 25%. Company exports to China, Bangladesh, Sri Lanka, Australia, Dubai, Muscat, Jordan, Indonesia, Oman, Thailand, Malaysia, Philippines, Singapore, Germany, Brazil, USA, Chile, Uganda. The company has initiated steps to incorporate a equity participating company in China in order to cater the Chinese market, where is a huge potential for the company's products. There is a tremendous potential to expand the company's sales in the oil rich countries of the Middle East which are witnessing a big construction boom on the strength of petro-dollars. In order to meet this booming demand company has equity participating company at Dubai Airport Free Zone. This company is already very active and started receiving orders from Middle East countries.

EE is also looking for inorganic growth through acquisition. Most probably, if acquisition takes place it will be in Industrial Gears segment as company's strategy is to become a highly specialized gear maker, catering to niche sectors such as the cement and sugar industry.

Windmill initiative ......

at nascent stage

Tapping Windmill potential:

The company is planning to tap the huge potential offered by the wind mill sector and is making a capex of Rs 40-50 cr for the same. It will be supplying gearboxes to OEM's as well as manufacturing and selling windmills. It would supply gearboxes for windmills of 1MW to 2 MW and it will manufacture and market sub 1 MW windmills. Import component in windmill will be in the range of 50-55%.

There is also the huge export market, currently catered by a few major players. World over there exist a shortage of wind-mill manufacturing facilities. Elecon has entered into a technical collaboration with M/s Turbowinds N.V., Belgium, for import of technology, to manufacture wind electric generators. Setting up windmill also provides tax advantage.

Exhibit 11: Windmill potential statewise

State	Gross Potential (MW)
Andhra Pradesh	8275
Gujarat	9675
Karnataka	6620
Kerala	875
Madhy Pradesh	5500
Maharashtra	3650
Orissa	1700
Rajasthan	5400
Tamil Nadu	3050
West Bengal	450
Total	**45195**

Source: Company, Angel Research

Since Gujarat is the state with highest wind power generation company is set to capture the share in this segment which will help in derisking and diversifying the business model.

Ship Fabrication:

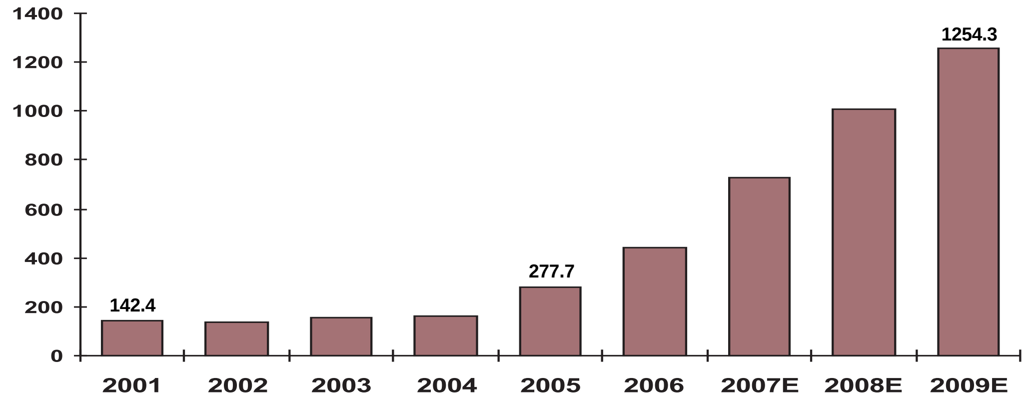
Elecon has entered into an agreement with Pipavav Shipyards Ltd (PSL), where PSL would be concentrate on design & execution of the overall ship and Elecon would be doing the fabrication of ship blocks. Another advantage of this foray is that it is a relatively low-risk business with a low capex, since the work would be done at the site itself. The company has planned to invest Rs 10-15cr in the fabrication of ship building. It expects this division to generate revenues from FY2008.

Financial Performance

Topline is expected to register 31% CAGR over FY2007-09

Elecon witnessed a CAGR of 41% over a period of 2001-2006 in topline, exhibited on account of robust volume growth in sales. Investment capex happening across the industries will keep the growth momentum going in future as well. Hence we expect that company will be able to deliver CAGR of 31% 2007-09 in topline.

Exhibit 12: Net Sales (Rs cr)



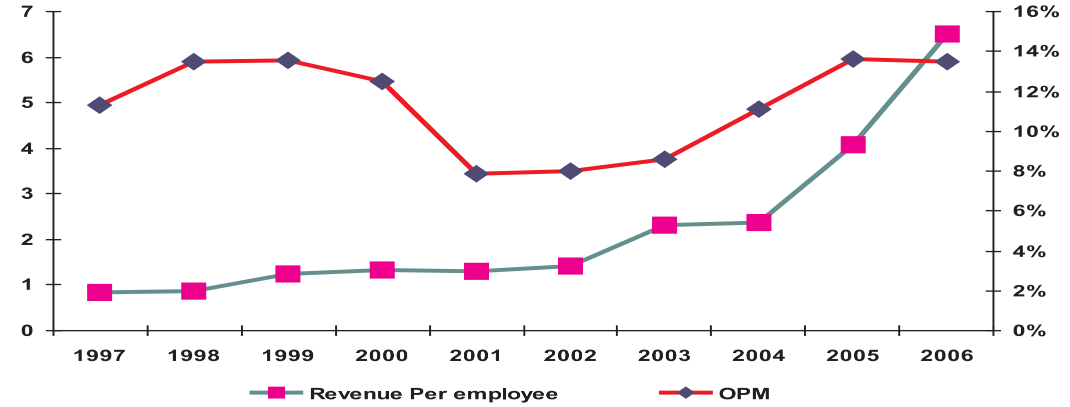
Source: Company, Angel Research

Change in revenue mix and increased employee productivity will improve operating margins

Operating margin has shown significant improvement mainly due to increased share of MHE segment in total revenue. Elecon has witnessed increase in revenue of MHE segment by more than two times from FY2005 to FY2006. MHE segment is low capex intensive, as only 30% of manufacturing is done in-house and rest is either outsourced or done onsite. Hence, company enjoys the benefits of operating leverage over a period of time. On the current capacity in MHE segment it can increase its MHE segmental revenue multifold without major capex. In the Industrial Gears segment it enjoys steady margins of 18% to 20% which it will maintain going forward.

Another reason for increased operating margin is improved employee productivity. Over the years company has reduced staff strength from 2002 in FY1996-1997 to 680 in FY2006 through various initiatives like VRS.

Exhibit 13: Employee productivity



Source: Company, Angel Research

As the above graph shows operating margins have improved due to increased employee productivity. Company will enjoy this benefit going forward due to increased sales with not major change in employees.

Hence, operating profit will show a steady growth in future due to increased share of MHE segment in the total revenue mix and better operating efficiency. We expect company will report operating profit CAGR of 34% over a period of 2007-09.

Bottomline is expected to register 40% CAGR over FY2007-09

Company has exhibited bottomline CAGR of 160% over period of 2001-06 due to robust topline growth as well as company's ability to manage operating cost. Considering Elecon's traction across the segments it operates in, we remain bullish on company's future prospects and expect that it will be able to deliver net profit CAGR of 40% over a period of 2007-09.

Exhibit 14: Net Profit (Rs cr)

Source: Company, Angel Research

Capex

Company keeps augmenting its manufacturing capacity to meet rising demand. It made FCCB issue of $9mn in December 2005. Out of which till date $8mn have already been converted in equity shares and remaining will get converted by the current financial year end. Company has the option of further issue of $9mn FCCB for which company has not made any decision till now. It will be the last option the company will exercise to raise additional funds. Hence, we have not factored in our valuation any further dilution apart from first tranche of $9mn. This capex was incurred to set up the windmill as well augument the existing manufacturing facility.

Investment Concerns

Slowdown in economy

Growth in MHE as well as Industrial Gears segment is dependent on investments happening in core industries like power, sugar, cement, steel etc. Hence, any delay in that front will have negative impact on MHE and Industrial Gears segment and automatically on company's bottomline. However, diversified business model will enable the company to mitigate this risk.

Rising raw material prices

Iron and steel, pipes and tubes nickel and chrome are the main raw material required for company's products. Hence, any price increase will have downward impact on operating margin and simultaneously on net profit. However, price escalation clause in the agreement as well as forward agreement with raw material suppliers will hedge the risk of volatility in raw material prices.

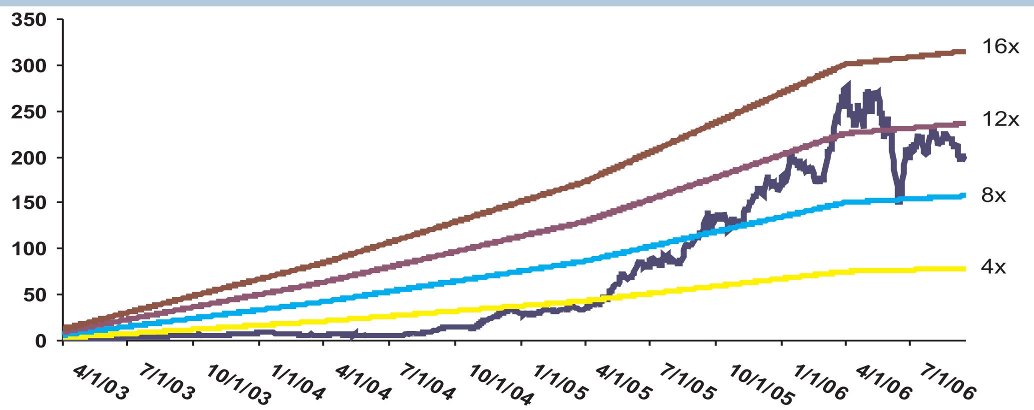
Further Equity Dilution

Company has around Rs 15 to Rs 16cr of cash on balance sheet as of October, which will be utilised in the rest of the period for capacity augmentation. Hence, for any further new capacity to set up as well as any acquisition taking place in future there is a probability of further equity dilution as company has the option of exercising second tranche of $9mn.

Outlook and Valuation

Elecon Engineering has strong competencies in MHE as well as Industrial Gears. It is entering into windmill manufacturing to diversify its business model. The robust investment capex lined up by Indian corporates across the industries will necessitate huge demand for company's products. Elecon Engineering, given its expertise and scale is likely to see brisk order flow augmenting revenue. Fixed cost per unit to sales is likely to come down with rising volumes, thereby boosting the overall margins. Initiatives of the company in tapping growing wind gear box market and wind mill will also result in further revenue flow. At CMP of Rs 316 stock is trading at 11.3x FY2008E EPS and 8.6x its FY2009E EPS. Over the last few years, the stock has got significantly re-rated on back of the robust growth momentum. Going forward we expect the company to continue to post robust growth and aid out-performance of the stock on the bourses . **We initiate coverage with a Buy recommendation on the stock with a 12 month price target of Rs 446.**

Exhibit 15: P/E Band



Source: Company, Angel Research

Profit & Loss Statement — Rs crore

Y/E March	FY2006	FY2007E	FY2008E	FY2009E
Net Sales	**442**	**730**	**1,007**	**1,254**
% chg	*59.3*	*65.0*	*38.0*	*24.5*
Total Expenditure	383	623	854	1,062
EBIDTA	**59.7**	**106.6**	**153.1**	**191.9**
(% of Net Sales)	*13.5*	*14.6*	*15.2*	*15.3*
Other Income	7.6	13.1	18.1	22.6
Depreciation& Amortisation	9.4	13.7	19.7	22.7
Interest	14.0	22.5	27.7	28.6
PBT	**43.8**	**83.5**	**123.8**	**163.2**
(% of Net Sales)	*9.9*	*11.4*	*12.3*	*13.0*
Extraordinary Expense/(Inc.)	2.8	2.3	-	-
Tax	13.1	25.2	37.1	48.9
(% of PBT)	*29.9*	*30.2*	*30.0*	*30.0*
PAT	**27.9**	**56.0**	**86.6**	**114.2**
% chg	*177.8*	*101.0*	*54.6*	*31.8*
(% of Net Sales)	*6.3*	*7.7*	*8.6*	*9.1*
ADJ. PAT	**30.7**	**58.3**	**86.6**	**114.2**
% chg	*105.7*	*89.8*	*48.6*	*31.8*
(% of Net Sales)	*6.9*	*8.0*	*8.6*	*9.1*

Balance Sheet — Rs crore

Y/E March	FY2006	FY2007E	FY2008E	FY2009E
SOURCES OF FUNDS				
Equity Share Capital	5.7	6.2	6.2	6.2
Reserves& Surplus	97.0	184.5	266.3	375.3
Shareholders Funds	**102.7**	**190.7**	**272.5**	**381.5**
Total Loans	205.7	281.5	346.7	357.4
Deffered Tax Liability	12.1	12.1	12.1	12.1
Total Liabilities	**321**	**484**	**631**	**751**
APPLICATION OF FUNDS				
Gross Block	202.7	283.4	338.5	377.9
Less: Acc. Depreciation	118.2	131.9	151.6	174.3
Net Block	**84.6**	**151.5**	**186.9**	**203.6**
Capital Work-in-Progress	10.7	15.1	9.3	6.1
Investments	**6.3**	**6.3**	**6.3**	**6.3**
Current Assets	433.4	626.4	835.7	1,021.9
Current liabilities	216.7	315.0	407.0	486.8
Net Current Assets	**216.7**	**311.4**	**428.7**	**535.0**
Mis. Exp. not written off	2.3	-	-	-
Total Assets	**321**	**484**	**631**	**751**

Cash Flow Statement — Rs crore

Y/E March	FY2006	FY2007E	FY2008E	FY2009E
Profit before tax	41.0	81.2	123.8	163.2
Depreciation	9.4	13.7	19.7	22.7
Change in Working Capital	91.0	116.8	117.9	105.2
Direct taxes paid	15.2	25.2	37.1	48.9
Cash Flow from Operations	**(55.8)**	**(47.0)**	**(11.6)**	**31.7**
Inc./ (Dec.) in Fixed Assets	42.4	82.9	49.3	36.1
Free Cash Flow	**(98.2)**	**(129.9)**	**(60.9)**	**(4.4)**
Inc./ (Dec.) in Investments	(0.5)	-	-	-
Issue of Equity	4.8	36.2	-	-
Inc./(Dec.) in loans	109.4	75.7	65.2	10.7
Dividend Paid (Incl. Tax)	1.6	4.2	4.9	5.2
Others	(1.5)	-	(0.1)	(0.1)
Cash Flow from Financing	**114.5**	**107.8**	**60.4**	**5.6**
Inc./(Dec.) in Cash	16.3	(22.2)	(0.5)	1.2
Opening Cash balances	**8.5**	**24.7**	**2.5**	**1.8**
Closing Cash balances	**24.8**	**2.6**	**1.9**	**3.0**

Key Ratios

Y/E March	FY2006	FY2007E	FY2008E	FY2009E
EPS (fully diluted)	**9.0**	**18.1**	**28.0**	**36.9**
Cash EPS	13.0	23.3	34.4	44.2
DPS	1.0	1.2	1.4	1.5
Book Value	33.2	61.6	88.0	123.2
Operating Ratio (%)				
Raw Material / Sales (%)	61.4	61.8	61.7	62.0
Inventory (days)	135.2	121.7	117.7	114.1
Debtors (days)	176.7	172.0	168.0	166.0
Debt / Equity (x)	2.0	1.5	1.3	0.9
Returns %				
ROE	29.9	30.6	31.8	29.9
ROCE	21.6	24.8	27.4	28.6
Dividend Payout	11.1	6.6	5.0	4.1
Valuation Ratio (x)				
P/E	35.1	17.5	11.3	8.6
P/E (Cash EPS)	24.4	13.6	9.2	7.1
P/BV	9.5	5.1	3.6	2.6
EV / Sales	2.6	1.7	1.3	1.1
EV / EBITDA	19.4	11.8	8.6	6.9

NOTES

NOTES

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