Nicholas Piramal

STOCK INFO.	BLOOMBERG
BSE Sensex: 10,353	NP IN
	REUTERS CODE
S&P CNX: 3,023	NICH.BO

Equity Shares (m)	209.0
52-Week Range	301/150
1,6,12 Rel. Perf. (%)	9/-26/-63
M.Cap. (Rs b)	43.2
M.Cap. (US$ b)	0.9

20 July 2006

Buy

Previous Recommendation: Buy

Rs207

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/06A	15,825	1,269	6.1	13.1	34.0	4.5	17.4	15.0	2.9	22.9
03/07E	22,311	2,113	10.1	66.5	20.4	4.1	21.1	19.4	2.1	13.2
03/08E	25,799	2,831	13.5	34.0	15.2	3.6	25.4	23.3	1.8	10.8

Nicholas Piramal results were above our estimates, but are not comparable as our estimates excluded its recent acquisition of Pfizer's Morpeth (UK) facility. Key highlights include:

- Net sales grew 31% YoY to Rs5.2b, driven by consolidation of recent acquisition as reflected in 213% YoY growth in global sales to Rs1.77b. Domestic sales grew only 1.2% to Rs3.5b, as it is on a high base of 1QFY06. Results are not strictly comparable as current quarter results are consolidated for acquisition of Avecia (3QFY06) and Pfizer's Morpeth (UK) facility in 1QFY07 (11 days impact), also for withdrawal of Valdecoxib and sale of Carex division.
- EBITDA margins declined by 210bp YoY to 16.8%, as savings in RM cost (of 740bp) were negated by higher staff cost (up by 99%), higher R&D cost (~5.8% of sales v/s 3.3% in 1QFY06) and forex loss of Rs30m (v/s Rs15m gain in 1QFY06). Higher depreciation (up by 51%) and no other income (v/s Rs18m in 1QFY06) resulted in PAT growth of only 9.4% YoY to Rs539m.
- The management has maintained its guidance for EPS of Rs9 for FY07E. This does not include the upside from the Morpeth acquisition. We have incorporated the financials of recently acquired Morpeth facility, resulting in 13.6% and 17.8% increase in our FY07E and FY08E EPS to Rs10.1 and Rs13.5 respectively.

Valuations at 20.4x FY07E and 15.2x FY08E consolidated earnings do not fully reflect the scaling up of the CRAMS business and the expected benefits of the company's inorganic initiatives. We maintain **Buy**.

QUARTERLY PERFORMANCE (Rs Million)

Y/E MARCH	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Net Sales	**3,983**	**3,629**	**4,026**	**4,220**	**5,226**	**5,656**	**5,562**	**5,867**	**15,944**	**22,311**
YoY Change (%)	*11.0*	*-3.4*	*17.3*	*83.2*	*31.2*	*55.9*	*38.2*	*39.0*	*21.9*	*39.9*
Total Expenditure	3,228	3,007	3,580	3,889	4,348	4,682	4,779	4,998	13,849	18,807
EBITDA	**755**	**622**	**446**	**332**	**877**	**974**	**784**	**869**	**2,095**	**3,503**
Margins (%)	*18.9*	*17.1*	*11.1*	*7.9*	*16.8*	*17.2*	*14.1*	*14.8*	*13.1*	*15.7*
Depreciation	151	154	170	214	228	285	288	292	688	1,093
Interest	48	58	23	43	46	79	83	84	173	291
Other Income	18	52	34	102	0	77	95	99	282	271
PBT before EO Expense	**574**	**462**	**287**	**177**	**604**	**687**	**508**	**592**	**1,516**	**2,391**
Extra-Ord Expense	5	-116	137	26	0	0	0	0	33	0
PBT after EO Expense	**569**	**578**	**150**	**151**	**604**	**687**	**508**	**592**	**1,484**	**2,391**
Tax	73	123	34	-106	13	53	39	78	**125**	**183**
Deferred Tax	-6	-2	19	103	51	27	20	-10	114	90
Rate (%)	*11.7*	*20.9*	*35.2*	*-1.9*	*10.7*	*11.7*	*11.7*	*11.6*	*16.0*	*11.4*
PAT	**503**	**457**	**97**	**154**	**539**	**607**	**448**	**523**	**1,246**	**2,118**
Less: Minority Interest	1	1	0	2	1	1	1	2	4	5
Reported PAT	**502**	**456**	**97**	**153**	**539**	**606**	**447**	**521**	**1,242**	**2,113**
Adj PAT	**481**	**386**	**241**	**147**	**539**	**606**	**447**	**521**	**1,269**	**2,113**
YoY Change (%)	*11.2*	*-30.9*	*-25.7*	*-*	*11.9*	*56.7*	*85.7*	*255.2*	*24.4*	*66.5*

E: MOSt Estimates; Quarterly numbers don't add up to full year numbers due to restatement

Nimish Desai (Nimishdesai@MotilalOswal.com); Tel: +91 22 39825406/Jinesh K Gandhi (Jinesh@MotilalOswal.com); Tel +91 22 39825416

Consolidation of acquisitions drive revenue growth

The results are not strictly comparable as current quarter results are consolidated for acquisition of Avecia (3QFY06) and Pfizer's Morpeth (UK) facility in 1QFY07 (11 days impact). Net sales grew by 31% YoY to Rs.5.2bn primarily driven by consolidation of recent acquisition as reflected in 213% YoY growth in global sales to Rs1.77b. AMO, Allergan and pharma development services contracts contributed Rs203.8m to sales for the quarter against management guidance of Rs600m sales for entire FY07E. We believe that Avecia would have registered some growth against its normal quarterly run rate of Rs750-800m, driven primarily by CCS projects. The management feels that there could be lumpiness in these sales and hence the growth in Avecia sales may not be sustained on a QoQ basis.

TREND IN PRODUCT MIX (RS M)

	1QFY07	1QFY06	% CH.
Domestic Sales	**3,460**	**3,418**	**1.2**
Branded Formulations	2,943	2,916	0.9
CMO	168	211	-20.5
Pathlabs	140	105	33.4
Others	209	186	12.2
Export Sales	**1,766**	**564**	**213.0**
CMG Sales	**1,700**	**528**	**222.0**
Process Dev. Services	308	0	-
Pharma Mfg. Services	889	2	-
Marketable Molecules	502	526	4.5
Others	**66**	**36**	**82.3**
Total	**5,226**	**3,983**	**31.2**

Source: Company

Domestic business grew by only 1.2% to Rs3.5b, as it is on a high base of 1QFY06 which witnessed some recovery of sales after impact of VAT issue in 4QFY05. Also, domestic business was impacted by withdrawal of Vioxx (Valdecoxib) and sale of Carex division. However, Phensedyl sales have recovered with the company recording 14% growth in its respiratory portfolio.

Higher staff and R&D cost impacts EBITDA margin

EBITDA margins declined by 210bp YoY to 16.8%, as savings in RM cost (down 740bp) were partly negated by higher staff cost (up by 99%), higher R&D cost (~5.8% of sales v/s 3.3% in 1QFY06) and forex loss of Rs30m (v/s Rs15m gain in 1QFY06). Staff costs and R&D expenses have increased due to consolidation of Avecia. Higher depreciation (up by 51% due to consolidation of Avecia) and zero other income (v/s Rs18m in 1QFY06) resulted in PAT growth of only 9.4% YoY to Rs539m.

Phensedyl sales recovery on track

Sales of *Phensedyl*, NPIL's top-selling product, were adversely impacted due to investigations initiated by Narcotics Control Bureau (NCB) as Phensedyl contains codeine which is derived from narcotics. Due to the court case, prescription growth for *Phensedyl*, which was in the range of 20% for last one year, stagnated and retail sales crashed. As a result, NPIL's *Phensedyl* sales during FY06 declined by 14.5% YoY to Rs1.2b. However, NPIL's initiatives of confidence building among the trade channel and brand-rebuilding measures, has helped it in recovering *Phensedyl sales which is reflected in 14% YoY growth in its respiratory portfolio.*

Maintaining guidance

The management has maintained its EPS guidance of Rs9. However, the guidance is excluding acquisition of Pfizer's UK facility. The management indicated there could be lumpiness in quarterly sales and such improvement in CRAMS sales might not continue sequentially. Also, the management indicated that the Fortune 500 company contract would start contributing to revenues from 4QFY07 onwards. The table below indicates NPIL's guidance for FY07E:

PARAMETER	GUIDANCE
Sales Growth (%)	25
R&D (as % of Sales)	7
EBITDA Margins (%)	15.5
Capex (Rs m)	800
EPS (Rs/share)	9

Source: Company; Excludes acquisition of Pfizer's UK facility

Revising estimates upwards

We have incorporated the financials of recently acquired Pfizer's UK facility, resulting in 13.6% and 17.8% increase in our FY07E and FY08E earnings to Rs10.1 and Rs13.5 respectively.

REVISED FORECAST (RS M)

	FY07E			FY08E		
	REV	OLD	CHG (%)	REV	OLD	CHG (%)
Net Sales	22,311	19,628	13.7	25,799	22,223	16.1
Net Profit	2,113	1,868	13.6	2,831	2,403	17.8
EPS (Rs)	10.1	8.9	13.6	13.5	11.5	17.8

Source: Motilal Oswal Secutrities

CRAMS business gaining traction but gestation period is high

We are witnessing increased traction in NPIL's CRAMS business. **The company has already announced six contracts till date and has guided announcement of two more contracts in near future.** We believe that it has one of the strongest CRAMS pipelines, which will bring in long-term benefits. We expect long-term annuity based revenues from NPIL's CRAMS business in the coming years since these contracts will be valid for at least five years. We estimate 25-30% EBITDA margins and net margins of 20+% for the company from such contracts. **NPIL is targeting revenues of US$1b by FY10 with the CRAMS business expected to contribute about US$400-500m.**

CRAMS business has long gestation period

The CRAMS business has a long gestation period since the Indian CRAMS industry is still evolving. Hence, potential customers take a long time to award contracts. Secondly, as a test case, the initial off-take by the customer may not be very high. It should also be noted that post the announcement of the contract it takes at least 18-24 months for the supplies to begin. This is due to the time-consuming registration process with various countries before which supplies cannot commence. **Hence although, NPIL has indicated signing of two additional contracts in the near term, the supplies for these contracts are likely to begin only in FY08/09.**

Planning significantly large acquisitions

NPIL has indicated a capital raising program to fund potential acquisitions. It has indicated plans to raise about US$1.5b (in phases) for this. We believe that the acquisitions will be mainly directed towards the CRAMS space with a focus on:

- Customer acquisition
- Strengthening the front-end presence
- Enhance capabilities in the contract research and drug discovery segments
- Access to critical technologies and skill sets

We believe that the company's plan to raise such a large capital US$1.5b (NPIL's current market cap is about US$1b) could significantly alter the face of the company. NPIL has a reasonably good track record of acquisitions and we believe that the company is unlikely to make acquisitions which have a pay-back period of more than 5 years.

Could potentially add about US$1b to the top-line

Unlike, the generics space, assets in the CRAMS segment are not very expensive. In fact, the past few years have witnessed some of the larger players (like Rhodia) exiting the CRAMS space. Typically, acquisitions have been made at 0.5-1.5x sales. Assuming a multiple of 1.5x, we believe that NPIL could potentially add about US$1b to its top-line through potential acquisitions. **This has to be viewed in context of the company's current revenues of about US$350m (for FY06).**

Avecia – short-term drag on bottom-line; will bring-in long-term benefits

NPIL acquired Avecia Pharmaceuticals (UK) for a consideration of GBP 9.5m w.e.f December 2005. We believe that this is significant acquisition for NPIL, which in one stroke strengthens its CRAMS pipeline, adds new clients and gives it access to critical technologies. The consideration is inclusive of funding the business' UK pension fund deficit of between GBP 8m-9m. NPIL will not be taking over any other liabilities for this acquisition.

Avecia Pharmaceuticals is a custom manufacturing player focused on providing custom chemical synthesis (CCS) and manufacturing services for the innovator pharmaceutical and biotechnology companies. It had consolidated Sales of GBP 36.1m (Rs2.9b) in 2004. The business includes early/late-stage and launched products for clients based in UK and North America. The reconfigured asset base will include access to leading early phase assets, including nearly 100 early-phase and launched products.

Avecia Pharmaceuticals comprises of the following business entities:

1. Avecia Pharmaceuticals Limited, UK with revenues of GBP 27.1m
2. Torcan Chemical Limited, Toronto, Canada with revenues of GBP 9m
3. 25% ownership of Reaxa Limited, Manchester, UK - a spin off from Avecia

We believe that this acquisition will add about Rs2.9b in revenues to NPIL's CRAMS turnover. It will now ensure that NPIL has presence in the entire product development and manufacturing chain of the CRAMS business - starting from CCS to APIs and on to formulations. It gives NPIL access to:

1. Existing clients of Avecia (including pharmaceutical and biotech companies)
2. The CCS and manufacturing contracts of Avecia (worth about Rs2.9b in sales). It should be noted that NPIL currently does not have a strong CCS pipeline.
3. Critical technologies like fermentation, biotransformation, chiral synthesis and high potency substances (NPIL currently does not have expertise in these areas).
4. It also gets access to the process R&D team of Avecia which includes 53 PhDs.

NPIL has indicated achieving EBITDA break-even for Avecia by end FY07E through restructuring of operations and cost-cutting. Hence, in the short-term Avecia is likely to pull down the consolidated bottom-line for NPIL (already factored in our estimates). We expect Avecia to contribute positively to NPIL's bottom-line from FY08E onwards.

Acquisition of Pfizer's UK facility makes NPIL the largest supplier to Pfizer

Nicholas Piramal recently announced the acquisition of Pfizer's UK (Morpeth) facility. This facility has capabilities to manufacture both APIs and formulations. The transaction includes a supply agreement with Pfizer up till November 2011 totaling potential revenues above US$350m covering about 12 products. A major portion of this revenue stream is front-ended (i.e. spread over the next 3 years).

NPIL has not disclosed the acquisition cost but has indicated that the acquisition will be funded out of the internal accruals for FY07. Hence, we do not expect the acquisition cost to be very significant. We believe that the acquisition cost would be less than US$50m.

The company has indicated that the acquisition will be EPS accretive from FY07 onwards. It has also guided that this acquisition, coupled with Avecia's operations will also be EPS accretive in FY07E. We have estimated Avecia's losses at Rs214m for FY07E. The combined entity (Avecia plus the acquired facility) will enjoy tax breaks due to Avecia's accumulated losses.

The UK facility has a team of about 450 people and the facilities are approved by USFDA and UKMHRA. This facility is a supply hub for certain Pfizer products supplied to USA, Europe and Japan. It has significant spare capacity which could be leveraged by NPIL to service new contracts.

With this acquisition, NPIL gains entry to Pfizer's global sourcing network. It has already announced a contract (in November 2005) for supply of animal healthcare products to Pfizer. **NPIL will become the biggest supplier (in term of spend) within Pfizer's contract manufacturing network.** We believe that this is a long-term positive since it will enhance NPIL's credentials as a contract manufacturer.

We estimate incremental sales of US$60m and US$80m and incremental EPS of Rs1.23/share and Rs1.97/share for FY07E (9 months) and FY08E respectively from this acquisition. Our estimates do not include the potential upsides from a possible increase in capacity utilization at the U.K. facility (current capacity utilization is about 50-60%).

With this acquisition, NPIL's contract manufacturing pipeline (consisting of all announced contracts and all acquisitions) will have peak revenues of about US$170-200m at full ramp-up of contracts (expected by FY08/09E).

Valuation and outlook

We expect NPIL's performance to show a significant improvement in FY07E led mainly by:

1) Consolidation of acquired companies (i.e. Avecia & Morpeth)
2) Recovery of Phensedyl sales in the domestic market
3) Gradual ramp-up in supplies to AMO & Allergan
4) Commencement of supplies under the Fortune 500 contract (expected from 4QFY07) onwards
5) Excise and income tax benefits due to commissioning of NPIL's Baddi facility

We believe that investors need to take a long term view on NPIL due to the long gestation periods involved in CRAMS contracts. Although, the Avecia acquisition is likely to be earnings accretive only by FY08E, it brings in customer relationships and a strong CCS pipeline for NPIL, which will result in long-term benefits. The acquisition of the Morpeth unit has significantly strengthened NPIL's relationship with Pfizer (making it the largest supplier to Pfizer).

The company's plans to raise up to US$1.5b for acquisitions will be earnings dilutive in the short-term, but could potentially add about $1b to the company current turnover of US$350m. We believe that such acquisitions could significantly alter the face of the company.

We believe that the biggest risk to our positive stance on NPIL could be the implementation of the new pharmaceutical policy in the current form. The new policy proposes to significantly increase the span of control by bringing in additional 354 drugs under price control. This could severely impact the profitability of NPIL's domestic business. Industry has taken strong objection to the proposed policy and we believe that the policy is unlikely to be implemented in the current form.

Valuations at 20.4x FY07E and 15.2x FY08E consolidated earnings do not fully reflect the scaling up of the CRAMS business and the expected benefits of the company's inorganic initiatives. We maintain **Buy**.

Nicholas Piramal: an investment profile

Company description

Nicholas Piramal (NPIL) is one of the best plays on custom manufacturing and the domestic opportunity post 2005. The company's approach to the domestic and export markets is unique among Indian mid-tier companies. NPIL has leveraged its strength in manufacturing and relationships with global majors to position itself as a 'partner of choice' for innovator companies across the product life cycle and value chain.

Key investment arguments

- Differentiated business model focused on aggressive execution enables it to achieve healthy growth at much lower risk levels than its peers
- Pioneer in custom manufacturing; positioned as 'partner of choice' for multi-national innovator companies
- One of the best prepared amongst Indian pharma companies to leverage the pharmaceutical outsourcing opportunity

Key investment risks

- Execution risks in CRAMS business
- Slowdown in domestic market growth rates
- Regulatory issues in form of price control and MRP based excise

Recent developments

- Acquired Avecia and Pfizer's Morpeth unit in UK
- Commenced phase-1 clinical trials of its cancer drug molecule, P276-00

Valuation and view

- Has consistently been a step ahead of its peers through its aggressive execution within a differentiated framework - only custom manufacturing play among large cap pharma stocks
- Visible earnings power is higher than reported earnings due to time lag between bagging a contract and its execution – thus inflating P/E multiples
- Valuations of 20.4x FY07E and 15.2x FY08E EPS do not fully reflect the potential of the CRAMS opportunity and scale-up due to large acquisitions. Maintain **Buy** with target price of Rs270

Sector view

- Regulated markets would remain the key sales and profit drivers in the medium term
- We are overweight on companies that are towards the end of the investment phase

COMPARATIVE VALUATIONS

		NPIL	CIPLA	SUN PHARMA
P/E (x)	FY07E	20.4	23.3	23.9
	FY08E	15.2	19.4	19.8
P/BV (x)	FY07E	4.1	5.1	7.5
	FY08E	3.6	4.2	5.6
EV/Sales (x)	FY07E	2.1	4.3	7.2
	FY08E	1.8	3.6	5.7
EV/EBITDA (x)	FY07E	13.2	17.4	22.8
	FY08E	10.8	14.3	17.1

SHAREHOLDING PATTERN (%)

	MAR.06	DEC.05	MAR.05
Promoters	50.4	50.5	50.8
Domestic Institutions	7.1	6.7	6.2
FIIs/FDIs	27.3	27.4	26.3
Others	15.2	15.4	16.7

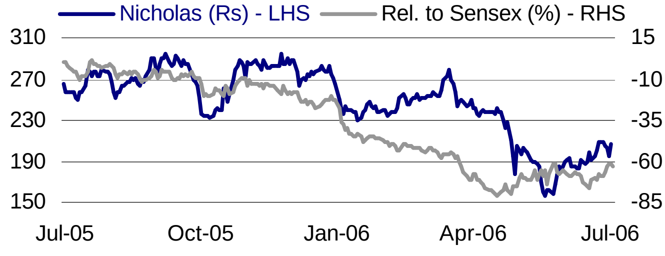
EPS: MOST FORECAST VS CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY07	10.1	9.7	3.7
FY08	13.5	14.3	-5.4

TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
207	270	30.4	Buy

STOCK PERFORMANCE (1 YEAR)



INCOME STATEMENT (Rs Million)

Y/E MARCH	2004	2005	2006	2007E	2008E
Net Sales	**13,915**	**13,082**	**15,825**	**22,311**	**25,799**
Change (%)	*18*	*-6.0*	*21.0*	*41.0*	*15.6*
Total Expenditure	11,107	11,388	13,849	18,807	21,462
EBITDA	**2,809**	**1,694**	**1,976**	**3,503**	**4,338**
Margin (%)	*20.2*	*12.9*	*12.5*	*15.7*	*16.8*
Depreciation	529	524	688	1,093	1,130
Int. and Finance Charges	238	192	173	291	359
Other Income - Rec.	257	335	401	271	298
PBT before EO Expense	**2,299**	**1,312**	**1,516**	**2,391**	**3,148**
EO (Inc)/Exp	-256	-796	33	0	0
PBT after EO Expense	**2,555**	**2,108**	**1,484**	**2,391**	**3,148**
Tax	41	465	238	273	307
Tax Rate (%)	*1.6*	*22.0*	*16.0*	*11.4*	*9.8*
Reported PAT	**2,515**	**1,643**	**1,246**	**2,118**	**2,841**
PAT Adj for EO Items	**2,263**	**1,023**	**1,273**	**2,118**	**2,841**
Change (%)	*32.9*	*-54.8*	*24.5*	*66.4*	*34.1*
Margin (%)	*16.3*	*7.8*	*8.0*	*9.5*	*11.0*
Less: Mionrity Interest & Othe	6	3	4	5	10
Adj Net Profit	**2,257**	**1,020**	**1,269**	**2,113**	**2,831**

BALANCE SHEET (Rs Million)

Y/E MARCH	2004	2005	2006	2007E	2008E
Equity Share Capital	380	380	418	418	418
Preference Share Capital	534	534	534	0	0
Reserves	3,668	4,620	9,192	10,033	11,434
Net Worth	**4,582**	**5,533**	**10,144**	**10,451**	**11,852**
Minority Interest	41	41	30	35	45
Deferred Liabilities	379	596	836	926	992
Total Loans	3,573	3,680	3,114	3,924	3,924
Capital Employed	**8,575**	**9,850**	**14,124**	**15,336**	**16,813**
Gross Block	6,637	8,026	12,601	13,301	14,301
Less: Accum. Deprn.	1,392	1,799	3,951	5,044	6,173
Net Fixed Assets	**5,245**	**6,227**	**8,650**	**8,257**	**8,127**
Capital WIP	432	1,052	1,768	158	356
Investments	52	37	287	287	287
Curr. Assets	**5,594**	**5,656**	**7,792**	**11,974**	**14,541**
Inventory	1,952	2,705	2,809	4,463	5,770
Account Receivables	1,819	1,460	2,429	4,799	6,148
Cash and Bank Balance	254	155	953	749	217
Others	1,569	1,336	1,601	1,963	2,406
Curr. Liability & Prov.	**2,748**	**3,121**	**4,373**	**5,341**	**6,499**
Account Payables	1,948	2,317	3,310	4,145	5,079
Provisions	800	804	1,064	1,196	1,420
Net Current Assets	**2,846**	**2,535**	**3,419**	**6,633**	**8,042**
Appl. of Funds	**8,575**	**9,850**	**14,124**	**15,336**	**16,813**

E: MOSt Estimates

RATIOS

Y/E MARCH	2004	2005	2006	2007E	2008E
Basic (Rs)					
EPS	**11.9**	**5.4**	**6.1**	**10.1**	**13.5**
Cash EPS	14.7	8.1	9.4	15.3	18.9
BV/Share	21.3	26.3	46.0	50.0	56.7
DPS	3.0	3.0	3.0	5.0	6.0
Payout (%)	26.3	41.5	60.0	57.8	50.3
Valuation (x)					
P/E		38.5	34.0	20.4	15.2
Cash P/E		25.4	22.1	13.5	10.9
P/BV		7.8	4.5	4.1	3.6
EV/Sales		3.6	2.9	2.1	1.8
EV/EBITDA		27.6	22.9	13.2	10.8
Dividend Yield (%)		1.5	1.5	2.4	2.9
Return Ratios (%)					
RoE	53.1	22.5	17.4	21.1	25.4
RoCE	26.1	17.3	15.0	19.4	23.3
Working Capital Ratios					
Asset Turnover (x)	1.6	1.3	1.1	1.5	1.5
Debtor (Days)	48	41	56	79	87
Inventory (Days)	51	75	65	73	82
Working Capital (Days)	75	71	79	109	114
Leverage Ratio (x)					
Current Ratio	2.0	1.8	1.8	2.2	2.2
Debt/Equity	0.9	0.7	0.3	0.4	0.3

CASH FLOW STATEMENT (Rs Million)

Y/E MARCH	2004	2005	2006	2007E	2008E
Oper. Profit/(Loss) before Ta:	3,047	1,694	1,976	3,503	4,338
Interest/Dividends Recd.	186	335	401	271	298
Direct Taxes Paid	-90	-248	2	-183	-241
(Inc)/Dec in WC	-196	213	-86	-3,418	-1,941
CF from Operations	**2,947**	**1,994**	**2,293**	**173**	**2,454**
EO Expense/(income)	256	-796	33	0	0
CF from Oper. incl EO E:	**2,691**	**2,790**	**2,260**	**173**	**2,454**
(Inc)/Dec in FA	-652	-2,126	-3,828	910	-1,197
(Pur)/Sale of Investments	-689	15	-250	0	0
CF from Investments	**-1,341**	**-2,112**	**-4,078**	**910**	**-1,197**
Issue of Shares	-100	-9	4,101	-582	0
Inc/(Dec) in Debt	-332	107	-566	810	0
Interest Paid	-469	-192	-173	-291	-359
Dividend Paid	-456	-682	-747	-1,224	-1,430
CF from Fin. Activity	**-1,357**	**-777**	**2,615**	**-1,287**	**-1,789**
Inc/Dec of Cash	**-5**	**-99**	**798**	**-204**	**-532**
Add: Beginning Balance	240	254	155	953	749
Closing Balance	**254**	**155**	**953**	**749**	**217**

For more copies or other information, contact
Institutional: Navin Agarwal. **Retail:** Manish Shah, Mihir Kothari
Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: inquire@motilaloswal.com

Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Motilal Oswal Securities Limited (*hereinafter referred as MOSt*) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

The report is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon such. MOSt or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

MOSt and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOSt has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement	Nicholas Piramal
1. Analyst ownership of the stock	No
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

This information is subject to change without any prior notice. MOSt reserves the right to make modifications and alternations to this statement as may be required from time to time. Nevertheless, MOSt is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.