



Report Date	July 23, 2008
Company Name	Elantas Beck India Limited (EBIL)
Recommendation	BUY

CMP – Rs. 241.30	Target Price – Rs. 310/-	Mkt. Cap. Rs. 191.3 crore
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Investment Rationale

- EBIL, 88.55% subsidiary of Elantas GmbH (electrical insulation division of 1.4 billion Euro Altana group), has reported decent performance for Q2 CY 2008. Net Sales increased by 15.1% to Rs. 49.38 crore led by 18.3% increase in sales of Electrical insulation business of Rs. 41.86 crore (Rs. 35.4 crore). Engineering & Electronic Resins and Material turnover remained stagnant at Rs. 7.9 crore. OPM% improved to 16.3%. Consequently, PBT rose by 24% to Rs. 8.67 crore and PAT by 29.1% to Rs. 5.85 crore.
- H1 CY 2008 performance was affected by slowdown witnessed by the company in Q1 CY 2008. Net Sales grew @ 7.8% to Rs. 93.81 crore. OPM% enhanced to 16.5%. As a result, PBT increased by 8.4% to Rs. 16.25 crore and PAT to Rs. 10.82 crore, growth of 6.5%.
- EBIL manufacture wide range of electrical insulation material and epoxy & polyurethane resins based construction chemicals.
- Increasing requirement of power by India's growing economy is far in excess of supply. Augmentation of India's power generation capacity with significant private sector participation and reforms of the power sector is a key focus of the government, which augur well for electrical equipment industry, ensuring sustained growth in demand for EBIL's electrical insulation business.
- In view of optimistic outlook for electrical insulation business, company continues to plan for increasing volume of sales. Key projects have been initiated to enhance capacities and modernize production processes. Besides, acquisition of electrical insulation business of Sanmar Specialty Chemicals has improved company's market position in secondary insulation systems.
- In order to better serve electrical industry, company has commissioned new laboratory for testing of electrical equipment and components, for certification on behalf of Underwriters Laboratory of USA standards. This laboratory is autonomous of company, but will provide intangible benefits to the company.
- Application of chemicals in civil construction and repair of civil structure is relatively new in India, particularly in Industrial building and infrastructure construction such as dams & bridges. Construction chemical is therefore rapidly growing sector. EBIL is firmly entrenched as a key player in niche areas of high and industrial floorings for auto, pharma and electronics / electrical sectors. During CY 2007, company introduced water-based acrylic / polyurethane wall coating products for both exterior and interior applications.
- Thus, EBIL, with its R&D capabilities, access to global technologies and innovation skills in technical & application areas, is all set to explore emerging opportunities in growing markets.

Valuation

- At CMP, the share (Rs. 10/- paid up) is trading at 8 times CY 2008 expected EPS of Rs. 30/- and 6.4 times CY 2009 expected EPS of Rs. 37.50. In view of bright future prospects, we recommend to "BUY" the share at CMP.

Financial Summary

Rs. Crore

	CY 2008	CY 2007	%	CY 2008	CY 2007	%	CY 2007
Rs. Crore	Q2			H1			12 mths
			change			change	
Net Sales	49.38	42.89	15.1%	93.81	87.00	7.8%	170.46
Total Expenses	41.31	36.22	14.0%	78.34	72.96	7.4%	142.14
EBITDA	8.07	6.67	20.9%	15.47	14.03	10.2%	28.32
EBITDA (%)	16.3%	15.6%		16.5%	16.1%		16.6%
Interest Expenses / (Income)	0.00	0.00	-94.4%	0.02	0.04	-58.6%	0.04
Depreciation	0.79	0.68	15.4%	1.57	1.22	28.8%	2.58
Other Income	1.40	1.01	38.1%	2.36	2.20	7.0%	4.18
P.B.T. before Extra Ordinary Items	8.67	7.00	24.0%	16.25	14.98	8.4%	29.88
Net Profit	5.85	4.53	29.1%	10.82	10.16	6.5%	20.23
Equity Capital (Rs 10/-)	7.93	7.93		7.93	7.93		7.93
EPS for the period (Rs)	7.38	5.72	29.1%	13.65	12.82	6.5%	25.52

Disclosures

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