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Initiating Coverage
HCL TECHNOLOGIES LTD

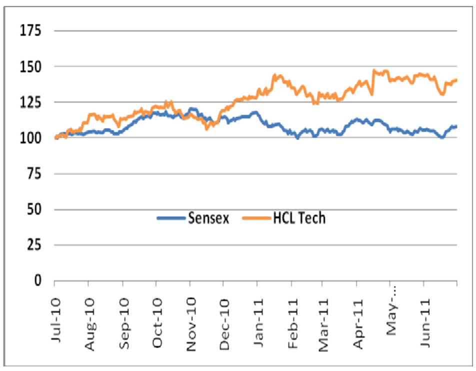
HCL Technologies Ltd—The Challenger

CMP:	**Rs.395**
Target Price:	**Rs.517**
Recommendation:	**BUY**

Stock Info	
BSE Group	A
BSE Code	532281
NSE Symbol	HCL TECH
Bloomberg	HCLT IN
Reuters	HCLT.BO
BSE Sensex	16862
NSE Nifty	5064

Market Info	
Market Capital	Rs.28170 cr
Equity Capital	Rs.137.6 cr
Avg. Trading Vol. (NSE Qtly)	92431
52 Wk High/ Low	528/360
Face Value	2

Shareholding Pattern (%)	(31st Jun. 2011)
Promoters	64.7
Domestic Institutions	5.9
Foreign Institutions	23.1
Non Promoters Corp.	2.9
Public & Others	3.4
Govt. Holdings	-



7th September, 2011

Key Investment Positives

- **Leadership in IMS vertical:** IMS has been the driving force of HCL Tech in the recent times. Expected to be the next big thing in the IT domain, HCL's expertise in IMS will go a long way in helping it to go to the next level. The recent large deals that are coming HCL's way are a testimony to the fact that among Indian vendors HCL dons the mantle of leadership in IMS.
- **Benefits from Axon acquisition kicking in:** The Axon acquisition has helped HCL to create the largest SAP global partner in the world. It has given HCL Tech the capability to provide high-end services especially in the consulting domain and move up the value chain.
- **High client mining and matured growth by all service lines:** HCL Tech has shown strong all round growth in all service lines in the recent quarters. HCL Tech has been aggressively adding clients in the last 12 months. It's positioning in the market as a leader in IMS and a credible position in ADM has made it possible for it to bid for larger projects. Only BPO remains a worry in the near term.
- **Headroom for margin expansion still exists:** We can safely expect HCL Tech to better its margins going ahead as a number of levers are still available. Moreover, BPO related losses which has been seeing a downtrend will also help in supporting margins.
- **Valuations:**

  The recent outperformance that HCL Tech has been able to put up has given us the conviction that it is only a matter of time before HCL Tech is also considered a Tier-1 player at par with the top 3. Considering its expertise in the fast upcoming IMS services which we expect to be the next best thing in the IT sector, we believe the company will become a serious case for re-rating in the coming times if it continues with its out performance.

  We believe that the company will be able to post a topline growth of 18.7% and 13.4%, and a bottomline growth of 29.9% and 14.6% in FY12E and FY13E respectively. We have valued HCL at a PE multiple of 16x which is at a discount of 30% to the 23x multiple that we allot for Infosys and TCS and 20% to Wipro (which we value at 20x). We therefore arrive at a target price of Rs.517.

  We thereby initiate coverage on HCL Technologies with an **'BUY'** rating.

Financials:

Y/E March, (` in Cr)	FY10	FY11	FY12E	FY13E
Net Revenue	**12630.3**	**16034.2**	**19030.8**	**21572.2**
Growth %	*17.1*	*27.0*	*18.7*	*13.4*
Net Profit	**1309.4**	**1709.4**	**2220.3**	**2545.2**
Growth %	*(4.6)*	*30.6*	*29.9*	*14.6*
EPS	**19.1**	**24.9**	**32.3**	**37.0**
P/E(x)	**25.6**	**19.6**	**15.2**	**13.2**
P/BV(x)	**5.4**	**4.4**	**3.6**	**2.9**
EV/EBITDA(x)	**13.5**	**12.3**	**9.4**	**7.9**

Source: Arihant Research

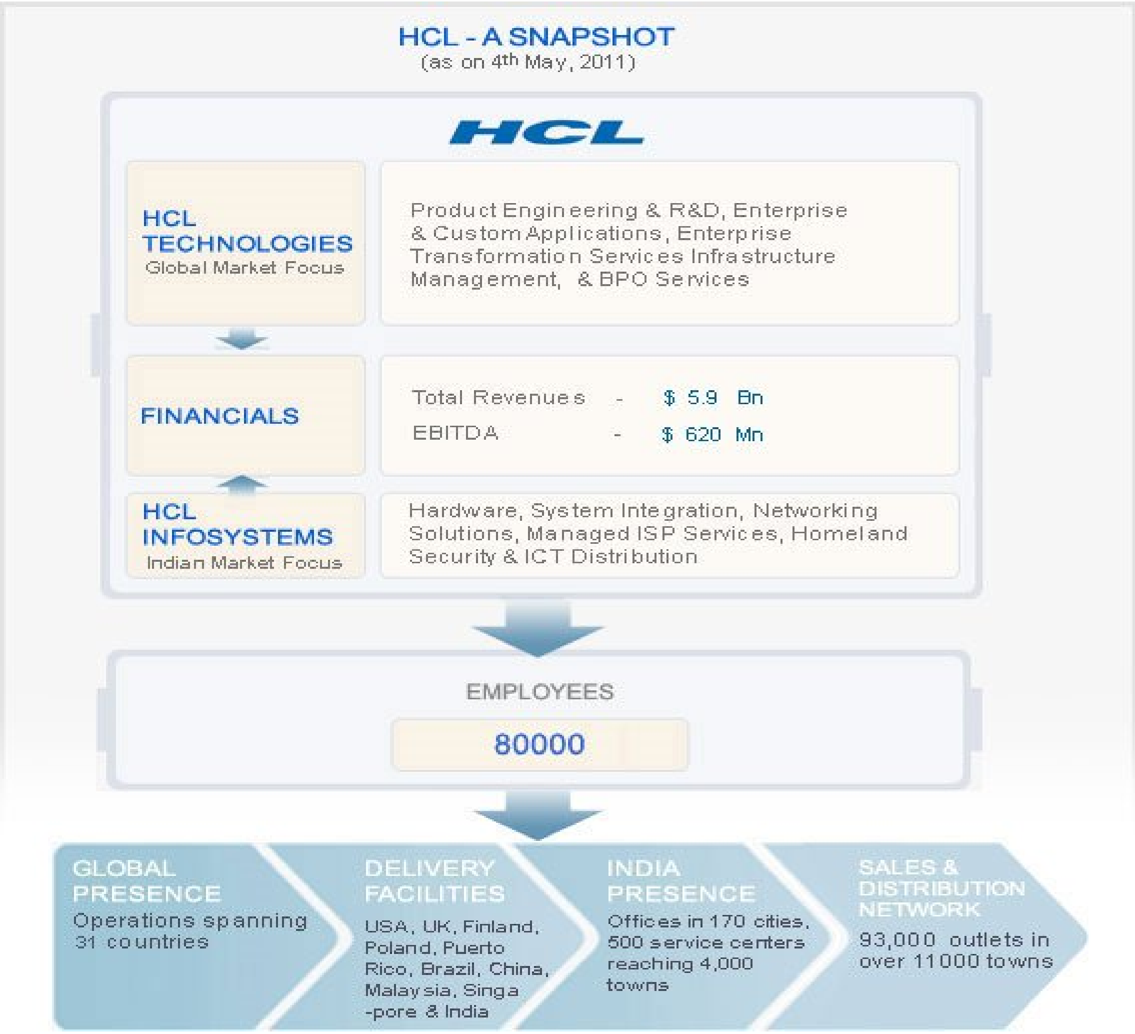
Company Profile

HCL is a pioneer of modern computing.

Founded in 1976, HCL is one of India's original IT garage start-ups. A pioneer of modern computing, HCL is a global transformational enterprise today. Its range of offerings includes product engineering, custom & package applications, BPO, IT infrastructure services, IT hardware, systems integration, and distribution of information and communications technology (ICT) products across a wide range of focused industry verticals. The HCL team consists of over 79,000 professionals of diverse nationalities, who operate from 31 countries including over 500 points of presence in India. HCL has partnerships with several leading Global 1000 firms, including leading IT and technology firms.

HCL has employee strength of over 79000 professionals

HCL Technologies is a leading global IT services company, working with clients in the areas that impact and redefine the core of their businesses. Since its inception into the global landscape after its IPO in 1999, HCL focuses on 'transformational outsourcing', underlined by innovation and value creation, and offers integrated portfolio of services including software-led IT solutions, remote infrastructure management, engineering and R&D services and BPO.



Source: Company website

HCL Tech's service offerings are highly diversified

HCL leverages its extensive global offshore infrastructure and network of offices in 26 countries to provide holistic, multi-service delivery in key industry verticals including Financial Services, Manufacturing, Consumer Services, Public Services and Healthcare. HCL takes pride in its philosophy of 'Employees First, Customer Second' which empowers their workforce to create a real value for the customers. HCL Technologies, along with its subsidiaries, had consolidated revenues of US$ 3.3 billion (Rs. 15,160 crores), as on 31 March 2011 (on LTM basis).

HCL Technology (HCL Tech) has one of the most diversified offering amongst Indian IT companies. Like other IT companies it derives a major portion of their revenue from the Americas followed by Europe. Now with the emerging markets also throwing up large deals and HCL being a strong contender, we can expect rest of world's revenue to pick up in the coming times.

However, unlike most IT companies HCL Tech's vertical revenue distribution is evenly distributed i.e.~27% each between BFSI and manufacturing verticals. In the recent times the healthcare segment has seen an uptick and going forward we believe it will contribute more to the company's revenue.

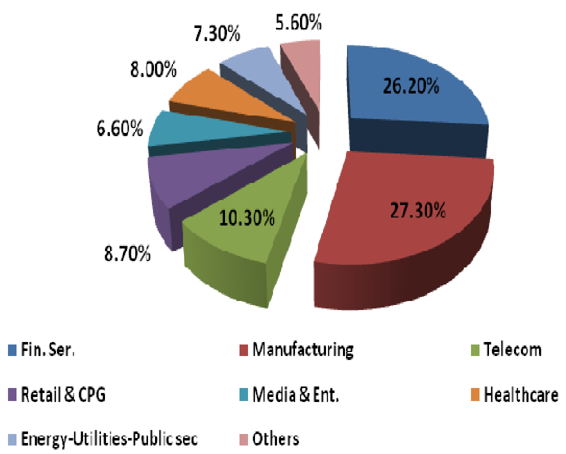


Fig: Vertical revenue distribution

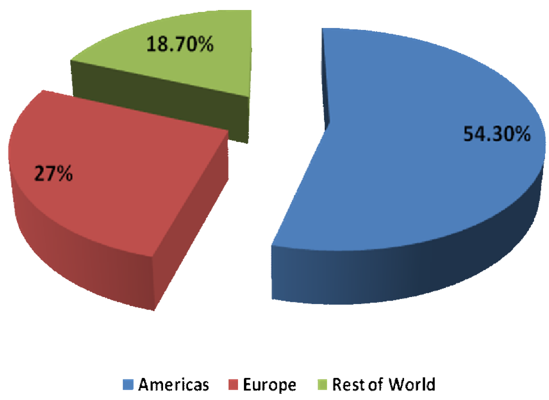


Fig: Geographical revenue distribution

Source: Company, Arihant Research

Management team:

The management team is led by **Mr. Vineet Nayar** who is the CEO of the company. He has been quite successful in transforming the company into a successful organisation with strong growth that is comparable with the best. His mantra of 'Employee First' and a strong belief in value-based leadership has been recognised globally. Under his leadership, HCL Tech has been named *Best Employer* in India by Hewitt Associates, and *BusinessWeek* listed HCLT as one of the five most influential up-and-coming companies in the world. *Fortune* magazine has characterized HCL as having *"the world's most modern management,"* and IDC recognized it as having *"the most cohesive and articulate vision"* in the IT services sector.Vineet has won many global citations for developing the EFCS model including the first ever 'Leader in Digital Age Award' by CeBIT, the world's largest trade fair showcasing ICT and *'HRD Excellence - Pathfinder CEO Award 2010'* by the National HRD Network.

The company's CFO **Mr.Anil Chanana** is a finance professional with over 25 years of experience. Anil is a qualified Chartered Accountant and has attended various programs including the Leadership Program conducted by Hewlett-Packard and an Executive Program in Finance from Stanford University.

The leadership team is made complete by **Mr.Anant Gupta** (President, Infrastructure division) and **Mr.Rahul Singh** (President, BPO business). Over the years Anant has played a transformational role as a member of HCL's core think-tank, and shaping their IMS strategy. While Rahul has 24 years of experience and is playing an active part in transforming their BPO division.

Investment Arguments:

Leadership in IMS vertical

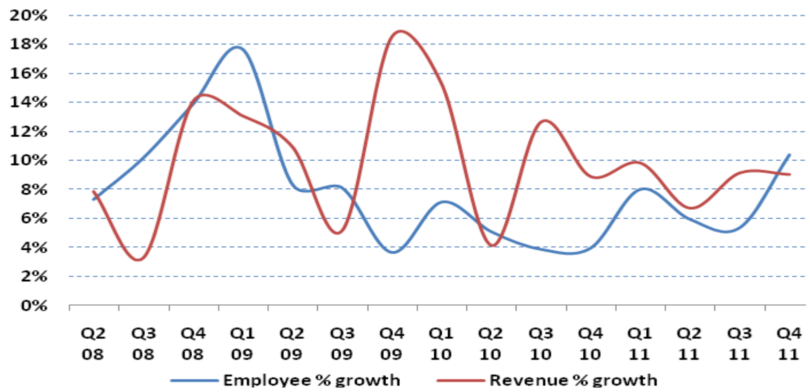
A major contributor to HCL Tech's growth over the recent few years has been its Infrastructure Management Service (IMS) segment. IMS is widely expected to become the next big thing in outsourcing. It is a niche segment and is fast coming up globally. It is estimated that IMS is a $100billion market, which is almost as big as the traditional market that the Indian IT industry has been addressing over the last two decades. Taking into account the fact that margins are falling in the traditional ADM (Application Development & Maintenance) space owing to high competition, higher employee salaries as well as the various impediments being put by the US governments, Indian companies' foray into the IMS space will determine to a large extent their success in their non-linear initiatives (besides their product related initiatives).

IMS play expected to reap rich dividend for HCL Tech.

With comparatively lesser Indian companies playing in the IMS market, the potential for growth is huge. The recent trend is also positive with a number of North American and European firms looking at Indian offshore in order to cut cost and improve productivity on the infrastructure side. HCL Tech which has been successfully providing IMS services to prominent clients over the years looks well set to take advantage of the next growth wave in the IT sector, as other IT vendors including the tier-1s are still building capacity for IMS. Within IMS, HCL also delivers Remote Infrastructure Management Services (RIMS).

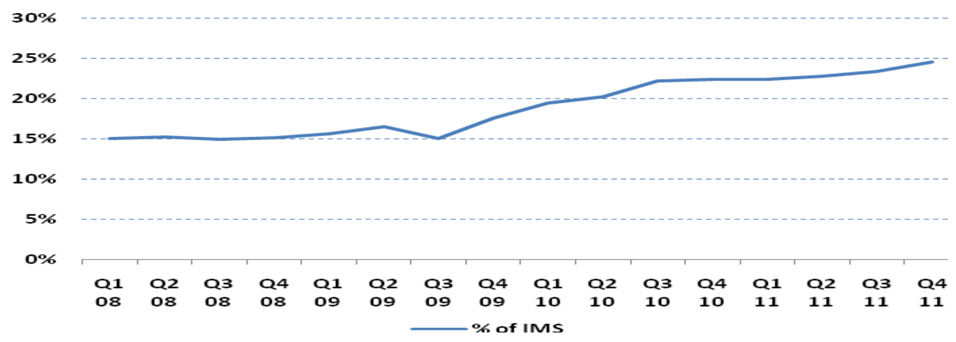
According to NASSCOM, RIM is driving non-linear growth in the Indian IT industry, with a 5 times growth in export and 4 times growth in employees. The growth and potential of the sector is also showcased by the larger and the more complex deals that are coming to the Indian IT vendors.

Over the last few years, the proportion of revenue from HCL Tech's IMS service line has seen a steady increase. However, as is evident from the graph below, it has not resulted in a proportional increase in employee's number as non-linearity has started to kick in. We believe that as the proportion of RIMS In HCL Tech's revenue increases with newer and bigger deals, non-linearity will become even more prominent.



Source: Company, Arihant Research

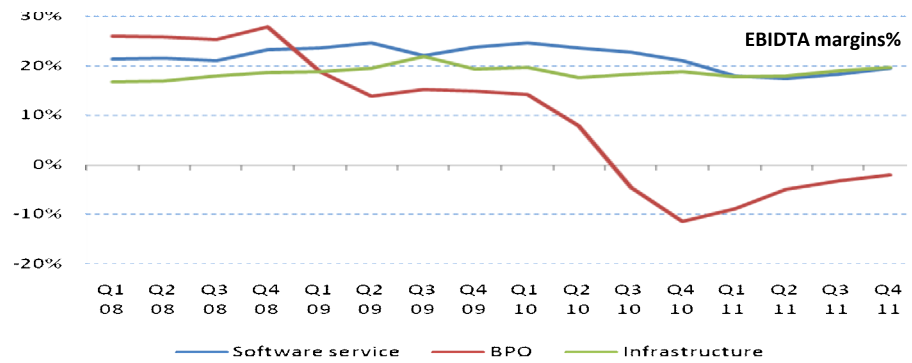
The proportion of revenue that HCL Tech derives from the IMS vertical has also seen a steady increase as can be seen from the graph below.



Source: Company, Arihant Research

IMS to help to improve margins

The increase in IMS revenue has gone a long way in helping HCL Tech to sustain as well as improve its margins. This has also helped HCL Tech to weather through the margin headwinds in the form of salary increases and rupee appreciation. As can be seen from the graph below, though application development related services' margins have started to trend down, IMS's margins have been relatively stable and has been trending upwards in the recent quarters albeit at a slow pace.



Source: Company, Arihant Research

Going ahead, owing to the high competition in the application development space, high linearity and increasing cost, we expect this segment's margin to remain under pressure. IMS on the under hand can provide the much needed relief on the margins front as the level of automation as well as expertise increases.

Benefit from Axon acquisition kicking in

HCL Tech acquired UK-headquartered Axon Global in December, 2008 for a sum of GBP 441mn (~Rs.3302.4cr) at a Price/Sales of 2.2x—which looked like a costly acquisition at the time it was acquired. HCL acquired around 2700 skilled however expensive and mostly onshore manpower through the deal. The acquisition was mainly done in order to boost the company's capabilities in delivering services in the package implementation space. Axon had strong credentials in the SAP services market, particularly the UK, with some really strong logos among its customers. It basically helped HCL Tech to add consulting and solutioning capabilities to their EAS (Enterprise Application Service) offering. Over the years, HCL has done well to combine this with its infrastructure expertise to create good synergies and more complete offering to take to the market.

HCL and Axon had complementary capabilities. The verticals that Axon was addressing were Public sector, Utilities, CPG, Aerospace & Defense, Oil and Gas. HCL catered to Hi-tech, Retail, BFSI, Energy and Utilities, Media, Publishing and Entertainment. A merger meant reinforcing strengths and entering new verticals, such as manufacturing and government, as well as grabbing a larger market share in other verticals, such as retail and utilities. Axon's skills are in SAP consulting, which complements HCL's capabilities in the areas of application development and management and infrastructure management.

HCL Axon is the largest SAP global partner in the world

Axon designs, implements and supports solutions that address complex business issues faced by large organizations who have selected SAP as their strategic enterprise platform. Axon specializes in implementation of SAP's enterprise software, and their clients span industry verticals from aerospace to pharmaceuticals. Axon has offices in UK, North America, Malaysia, and Australia. The Malaysian office helped HCL in enhancing its global delivery capabilities. Taking into account all these synergies, the HCL Tech management decided to reverse merge its its SAP practice with Axon and created HCL Axon—the largest dedicated SAP global partner in the world.

Axon got about 55 per cent of its revenue from the UK, with North America accounting for 34 per cent of revenues, while the new HCL Axon entity had a nicely balanced split of revenues between Europe and North America.

Axon with proven track record in business transformational consulting space, and HCL with deep technological skills and global delivery centers, is in a position to offer unique value to customers interested in SAP services. With this acquisition, HCL has acquired the ability to offer transformational business consulting capabilities which presently is dominated by consulting giants, such as IBM, Accenture, and Capgemini.

Axon to help HCL to move up the value chain

The Axon acquisition though was initially criticized due to the high price paid for it, it has however materialised over the years as a fruitful deal. It helped HCL to take more discretionary projects that came up after the US recession ended and a sudden spurt in discretionary spends was seen. The merged Axon entity has also given the capability to HCL to provide high end services in the consulting domain—a capability many of the tier 1 IT companies are struggling to build. We believe this strategic acquisition will go a long way in helping HCL Tech move up the value chain.

High client mining & matured growth by all service lines

Aggressive client addition by HCL Tech in the recent quarters

HCL Tech has been aggressively adding clients in the last 12 months. It's positioning in the market as a leader in IMS and a credible position in Application maintenance have made it possible for it to bid for larger projects which in the recent times include bundling of IMS and ADM services. On an LTM basis, among the 4 top tier companies, HCL has added the highest number of clients as can be seen from the table below.

New client addition	Sept.'10	Dec.'10	Mar.'11	Jun'11	Total
Infosys	27	40	34	26	**127**
TCS	30	35	39	24	**128**
Wipro	29	36	68	49	**182**
HCL Tech	48	46	58	70	**222**

Source: Company, Arihant Research

Strong client mining by HCL being witnessed

Over the last year, HCL has very successfully implemented its aggressive 'go to market' strategy. This is evident from the number of clients they have added over the past one year. The table below also brings out high client mining that the company has been able to achieve which has resulted in a number of clients moving up to a higher revenue bucket. This transition is more pronounced in the $5mn-30mn category. Considering the range of services that the company can provide, we believe this is the range where we will see further action in the coming quarters as HCL will definitely step up efforts to cross-sell its other services.

YoY client growth	Jun'10	Jun'11	YoY addition
1mn +	283	332	**49**
5mn+	107	126	**19**
10mn+	58	73	**15**
20mn+	24	35	**11**
30mn+	12	22	**10**
40mn+	7	10	**3**
50mn+	5	9	**4**

Source: Company, Arihant Research

HCL Tech is concentrating more on $1mn+ clients as compared to smaller clients as can be seen from the table below. We believe this is as per the company's policy of going more after larger deals and getting quality clients onboard.

HCL's Client profile (%)	Sept'10	Dec'10	Mar'11	Jun'11
USD 1mn+ client	68.5	71.9	71.5	71.1
Sub 1mn client	31.5	28.1	28.5	28.9

Source: Company, Arihant Research

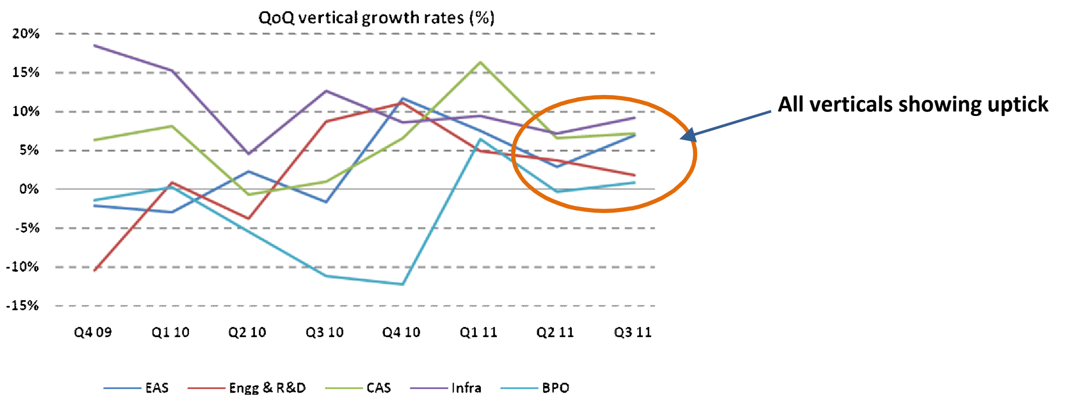
HCL Tech's revenue growth has been the strongest in the Indian IT industry

This policy has worked well for the company as it has been able to almost match the growth rate of the best among the top-tier IT companies, as can be seen from the table below.

QoQ revenue growth (%)	Sept.'10	Dec.'10	Mar.'11	Jun'11	CQGR
Infosys	12.5	1.9	2.0	3.2	**2.5**
TCS	13.0	4.1	5.1	6.3	**5.2**
Wipro	4.5	3.5	5.7	2.7	**3.0**
HCL Tech	10.0	4.9	6.4	3.9	**5.3**

Source: Company, Arihant Research

The good thing about the robust growth rates that the company has posted has been an all round one, as can be seen from the graph below,



Source: Company, Arihant Research

In the recent quarters, the growth has been led by the Infrastructure service line. However, owing to the pent up demand of recession and requirement of system upgrade that has come up, the Custom Application Service and Engineering Application Services (catering mainly to SAP requirements) has also seen a sharp pick up.

QoQ vertical growth (%)	Sept.'10	Dec.'10	Mar.'11	Jun.'11
EAS	7.5	2.9	6.9	1.7
Engg & R&D	4.9	3.7	1.8	5.2
CAS	16.3	6.5	7.1	2.5
IMS	9.5	7.2	9.2	9.2
BPO	6.4	(0.4)	0.8	(5.7)

Source: Company, Arihant Research

The two main worries that the company is facing currently is the slightly volatile growth rate in the Engineering and Research & Development (ERD) and the BPO service line. The ERD division took most of the brunt of projects that was halted/ postponed due to the Japan quake of March. In addition to it, the telecom vertical's under-performance relative to other verticals as well as the retail vertical's weak show in the March'11 quarter resulted in a weak growth of only 1.8% in that quarter.

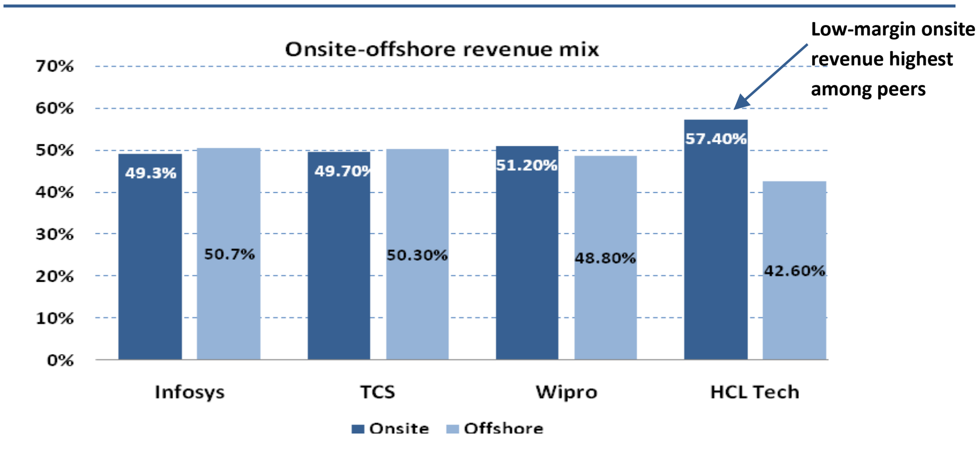
However, the management indicated that the retail vertical's poor performance is only a blip and taking into the account that hi-tech, semi-conductor sub-verticals are showing healthy uptick, and even telecom showing signs of improvement, we can safely expect the ERD growth rate to remain stable at 4-5% in a few quarters' time.

BPO expected to break-even at EBIT levels by Mar.'12

The BPO division has still not come out of the woods yet and according to the management it will take another 2 quarters time for things to brighten up in BPO. The management expects to break-even by the March quarter of FY'12 at EBIT level. The BPO segment is going through a transformational phase wherein they are trying to make it more business aligned. They are trying to upgrade it to provide second generation BPO service through which they would be providing analytical base solutions, IT supported BPO solutions and business supported BPO services. HCL's BPO business has come a long way from the time they use to service a few big clients, catering primarily to the telecom vertical and dominated mainly by voice-based services. Their recent initiative of moving more towards non-voice based service has taken a toll on the profitability of the BPO segment. However, in the long run we believe the company will be able to reap rich dividends if they are able to do the voice to non-voice service transformation smoothly.

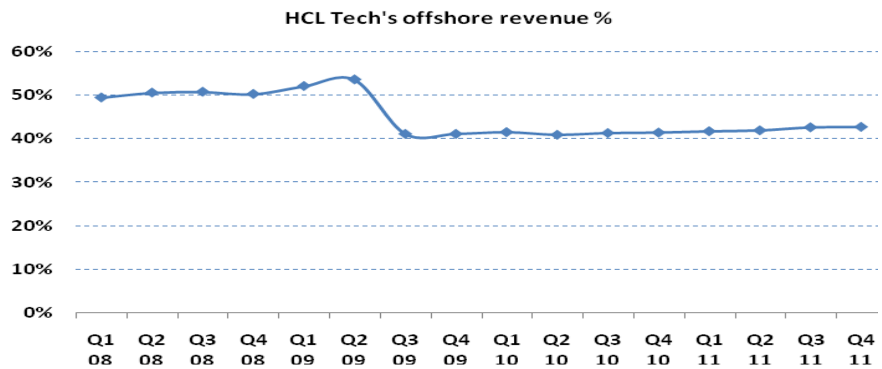
Headroom for margin expansion still exists

We believe that there is ample room for margin improvement for HCL Tech. Firstly, if we look at HCL's revenue mix we find that it is currently heavily skewed towards onsite services—as compared to its peers.



Source: Company, Arihant Research

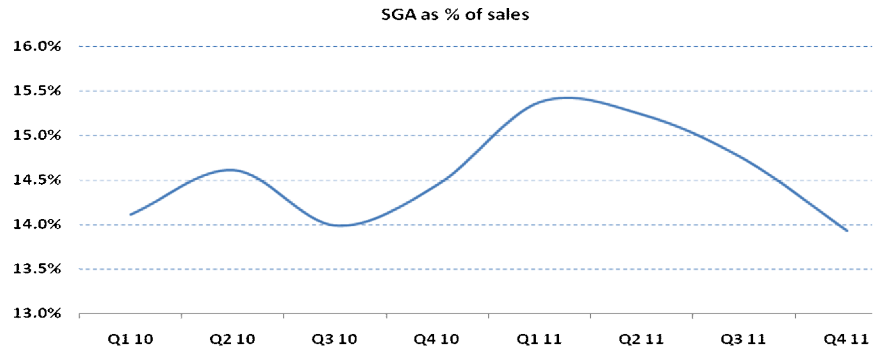
If we observe HCL Tech's offshore revenue proportion over the last 3 years, we can see that after Axon's acquisition in December 2008 (Q2FY09), its proportion of offshore revenue nose-dived from 50%+ levels to ~40% levels and has remained there ever since. It shows HCL tech has taken time to shift their SAP ERP related work offshore, which they were able to get through the acquisition. We believe that this is about to change though at a gradual pace.



Source: Company, Arihant Research

HCL Tech has successfully rationalised SGA spends

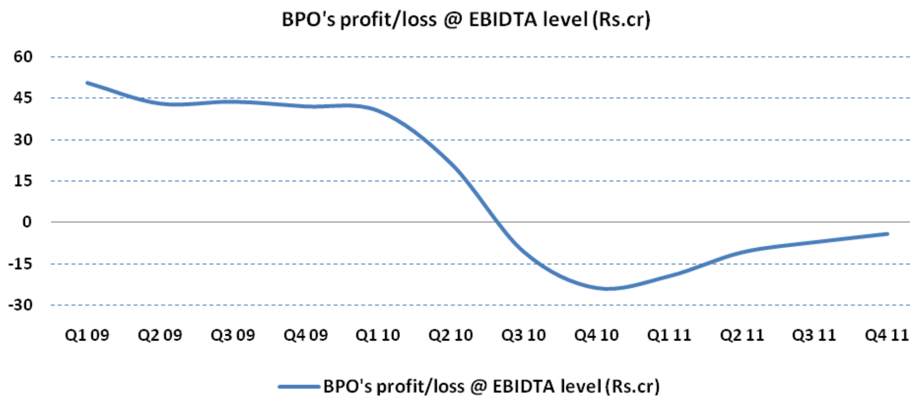
With cost pressure mounting on western companies they are bound to opt for more offshoring. This will help HCL Tech to increase their proportion of offshore revenue and better margins. HCL has also done well in keeping their SGA expenses under control in the last two quarters. We believe that we can expect improvement of another ~50bps improvement on the SGA front in the coming quarters.



Source: Company, Arihant Research

The minimization of BPO losses will boost margins going forward

Besides these, other parameters like improvement in pricing which is widely expected in the second half of FY12E as well as broadening of the employee base pyramid can be expected to help HCL Tech to improve its margins. Also, with the BPO transformation nearing its end, the losses arising out of it is seeing a downtrend. With break-even expected in 3QFY12, it might turn out to a very important factor that can help the company in playing catch-up to its bigger peers in terms of margin play.

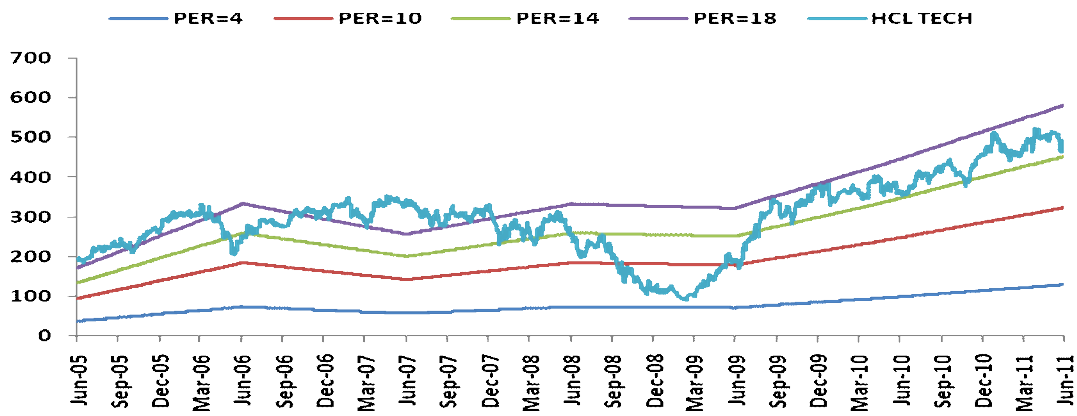


Source: Company, Arihant Research

Valuations:

HCL has shown its prowess by grabbing large transformational deals

HCL Tech has been continuously putting up better numbers over the last couple of years. On the back of such excellent performance, HCL has seen continuous re-rating over the past few years as can be seen from the PE graph given below. We believe that its leadership position in the fast upcoming IMS vertical will help it to match its larger peers in terms of revenue as well as margins going ahead. The recent success that the company has seen in getting large transformational deals is an indication of its growing prowess and its recognition in the IT domain.



We value HCL Technology using a forward PE multiple of 16x which is at a discount of 30% to Infosys and TCS—which we value at 23x. We therefore arrive at a target price of Rs.517 per share. We thereby initiate coverage on HCL Technologies with an **"BUY"** call.

Peer comparison	EBIDTA%	P/E	P/BV	P/SPS	EV/EBIDTA	ROE	ROCE
Infosys	32.6	19.3	5.1	4.8	12.9	26.3	34.3
TCS	31.6	22.3	8.2	5.3	16.5	37.0	46.9
Wipro	18.6	14.9	3.5	2.5	13.5	23.7	20.7
HCL Tech	17.1	15.8	3.6	1.7	9.9	22.4	22.1

Risk and Concerns

HCL's risk factors are common to the whole Indian IT sector

- **Sustained weakness in western economies:** If the western economies continue to remain in a prolonged phase of weak economic growth, the Indian IT sector may face difficulty in wining new deals.

- **Visa hurdles:** The ongoing impediments being put by the US for acquiring work visa for the US may not only increase cost for the Indian IT companies but may also result in clients' projects getting delayed resulting in dis-satisfaction.

- **Sharp rupee appreciation:** A sharp appreciation in the INR may dent the profit margins of IT companies severely. The recent sharp hike of 50bps in key interest rates by the RBI will strengthen the INR and it is only because of the high international oil prices, the INR's appreciation has been contained

- **High attrition:** The Indian IT sector in the last couple of years has seen attrition rates moving up. Though in the recent quarters, it has seen a downward trend, one need to keep an eye on it as a high attrition is detrimental on many fronts. It not only increases the recruiting cost of the company but also make clients unhappy. Too high attrition may also result in the company facing supply side constraint too resulting in it not being able to take up lucrative projects.

Latest Quarterly Result

Strong bottom-line growth

SGA as % of sales declined to 13.9 in Q4FY11 vis-à-vis 14.7% in Q3FY11

HCL Technology posted strong growth in the just concluded June quarter. While its topline grew by ~4% QoQ, its bottom line saw a stronger growth of 9% mainly on the back of operational efficiency. The quarter saw HCL Tech improving its margin by more than a 100 bps.

Rs. in cr (Y/E June)	Q4FY11	Q4FY10	YoY% chng.	Q3FY11	QoQ%chng.
Revenues	**4299.5**	**3425.4**	**25.5%**	**4138.2**	**3.9%**
Direct Costs	2906.1	2292.3	26.8%	2812.0	3.3%
Gross Profits	**1393.4**	**1133.1**	**23.0%**	**1326.2**	**5.1%**
SG & A	599.2	495	21.1%	609.7	-1.7%
EBITDA	**794.2**	**638.1**	**24.5%**	**716.5**	**10.8%**
Depreciation	112.5	101.1	11.3%	104.6	7.6%
Amortisation	16.7	12	39.2%	15.2	9.9%
EBIT	**665.0**	**525**	**26.7%**	**596.7**	**11.4%**
Foreign Exchange Gains / (loss)	8.3	-137	-106.1%	-11.2	-174.1%
Other Income, net	7.1	-20.8	-134.1%	12.7	-44.1%
PBT	**680.4**	**367.2**	**85.3%**	**598.2**	**13.7%**
Provision for Tax	169.9	25.4	568.9%	130.0	30.7%
Effective tax rate	*25.0%*	*6.9%*		*21.7%*	
Share of Minority Interest	0.0	0	0.0%	0.0	0.0%
Net Income	**510.5**	**341.8**	**49.4%**	**468.2**	**9.0%**
Earnings per share					
Basic	*7.4*	*5.0*	*49.4%*	*6.8*	*8.7%*
Diluted	*7.3*	*4.9*	*49.4%*	*6.7*	*9.0%*

Management expect Q1FY12 margin to be affected by 300 bps because of wage hike

The growth exhibited by the company was broad based with all verticals showing strength. The management however chose to remain cautious and spoke of an uncertain demand environment—though they were quick to point out that they are not seeing any budget cut and the customers are going ahead with their IT spends. The management however feels that it will be difficult for them to get any uptick in their billing rates though it is expected to remain stable.

The next quarter will see wage hikes of 12-14% offshore and 2-4% onsite taking a toll on the company's margins. But going ahead owing to the levers available to the company, it will be able to make up for most of it.

Profit & Loss Statement (Consolidated)				
Y/E June (Rs Cr)	FY10	FY11	FY12E	FY13E
Revenue	**12630.3**	**16034.2**	**19030.8**	**21572.2**
Direct Costs	8238.9	10914.0	12875.0	14800.0
Gross profits	**4391.4**	**5120.2**	**6155.8**	**6772.2**
SGA	1805.7	2371.4	2750.0	2960.0
EBIDTA	**2585.7**	**2748.8**	**3405.8**	**3812.2**
Depreciation	391.4	429.8	448.5	455.0
Amortisation	111.9	68.1	42.0	42.0
EBIT	**2082.4**	**2250.9**	**2915.3**	**3315.2**
Forex ex. gains/loss	-477.3	-81.8	-20.0	0.0
Other income,net	-53.7	25.7	60.0	80.0
PBT	**1551.4**	**2194.8**	**2955.3**	**3395.2**
Provision for tax	242	485.4	735.0	850.0
Effective tax rate %	*15.6*	*22.1*	*24.9*	*25.0*
Min.int.	0.0	0.0	0.0	0.0
Net Income	**1309.4**	**1709.4**	**2220.3**	**2545.2**
EPS	*19.1*	*30.6*	*29.9*	*14.6*

Balance sheet (Consolidated)				
Y/E June (Rs Cr)	FY10	FY11E	FY12E	FY13E
Shareholder's fund:				
Share capital	135.8	135.8	135.8	135.8
Reserves & Surplus	6153.1	7492.9	9317.5	11453.0
Min.interest	3.7	3.7	3.7	3.7
Total Loans	2724.2	2577.4	2112.8	1500.1
Total Liabilities	**9016.8**	**10209.8**	**11569.8**	**13092.6**
Application of funds:				
Gross Block	7061.6	7758.1	8229.4	8921.6
Less Acc. Depreciation	2221.9	2651.8	3100.4	3555.3
Net Block	*4839.6*	*5106.3*	*5129.1*	*5366.3*
CWP	609.1	609.1	609.1	609.1
Investment	831.7	831.7	831.7	831.7
Deferred Tax asset	375.7	375.7	375.7	375.7
Inventories	65.2	82.7	98.2	111.3
Sundry debtors	2521.1	3075.1	3649.8	4137.1
Cash & bank balance	1580.4	2570.6	3741.7	5005.2
Other current assets	946.2	1200.0	1400.0	1525.0
Loans and advances	833.8	1020.0	1160.0	1260.0
Current Liabilities	2979.9	3941.4	4635.5	5268.9
Provisions	606.0	720.0	790.0	860.0
Net current assets	*2360.6*	*3286.9*	*4624.2*	*6128.9*
Total Asset	**9016.8**	**10209.8**	**11569.8**	**13092.6**

Cash Flow Statement (Consolidated)				
Y/E June (Rs Cr)	FY10	FY11E	FY12E	FY13E
Profit before tax & min. int.	1472.4	2194.8	2955.3	3395.2
Depreciation & Amortisation	418.1	503.3	497.9	490.5
Other items	65.1	76.2	39.0	-9.9
(Inc.)/Dec. in WC	170.6	63.9	-166.1	-22.1
Direct Tax	-335.1	-485.4	-735.0	-850.0
Net cash provided by operating activities	**1791.2**	**2352.8**	**2591.8**	**3003.6**
(Inc)/ Dec in FA	-646.8	-696.5	-471.2	-692.2
Other items	-367.3	-	-	-
Cash Inflow/ (outflow) from Investing activities	**-1014.1**	**-696.5**	**-471.2**	**-692.2**
Proceeds from secured loans	1243.5	-	-	-
Repayment of secured loans	-2488.9	-146.8	-464.6	-612.7
Dividends paid including tax	-315.2	-315.2	-315.2	-315.2
Other items	832.8	-206.2	-169.0	-120.0
Cash flow from financing activities	**-727.8**	**-668.2**	**-948.8**	**-1047.9**
Effect of exchange rates	29.8	-	-	-
Net inc. in cash & cash eqv.	**49.2**	**988.0**	**1171.1**	**1263.5**
Cash & cash eqv. at the beginning of the year	404.3	483.3	1471.4	2642.5
Cash at the end of year	483.3	1471.4	2642.5	3905.9
Closing Cash incl. fix deposits greater than 3 months	**1580.4**	**2570.6**	**3741.7**	**5005.2**

Key Ratios				
Y/E June (Rs Cr)	FY10	FY11E	FY12E	FY13E
Performance Ratios				
EBIDTA %	20.5	17.1	17.9	17.7
Net Profit %	10.4	10.7	11.7	11.8
Sales per share (SPS)	183.8	233.3	276.9	313.9
Price/SPS	2.2	1.7	1.4	1.3
Dividend %	200	200	200	200
Cash per share	23.0	37.4	54.5	72.8
Assets Turnover	1.4	1.6	1.6	1.7
Du Pont Analysis				
PAT / Net Sales	10.4	10.7	11.7	11.8
Net Sales / Assets	1.4	1.6	1.6	1.6
Assets / Equity	1.4	1.3	1.2	1.1
ROE %	20.8	22.4	23.5	21.9
Valuation Ratios				
Diluted EPS	18.7	24.5	31.7	36.3
Cash EPS	26.4	32.1	39.5	44.3
P/E	20.7	15.8	12.2	10.7
P/BV	4.3	3.6	2.9	2.3
EV/ EBIDTA	10.9	9.9	7.5	6.2
EV/ Sales	2.2	1.7	1.3	1.1
ROCE	23.1	22.0	25.2	25.3

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Stock Rating Scale

	Absolute Return
BUY	>20
ACCUMULATE	12-20
HOLD	5-12
REDUCE	<5