

## Results above estimates, maintain ACCUMULATE

 27<sup>th</sup> April 2010

### ACCUMULATE

Price	Target Price
<b>Rs843</b>	<b>Rs934</b>

Sensex – 17,745

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	3	3	2	112
Rel. to Sensex	2	(2)	(3)	35

Source: Bloomberg

#### Stock Details

Sector	Metals & Mining
Reuters	STRL.BO
Bloomberg	STLT@IN
Equity Capital (Rs mn)	1681
Face Value (Rs )	2
Number of shares o/s (mn)	840
52 Week H/L (Rs )	928/375
Market Cap (Rs bn/USDmn)	708/15,953
Daily Avg Vol (No of shares)	2076633
Daily Avg Turnover (US\$ mn)	37.4

#### Shareholding Pattern (%)

	31/3/10	31/12/09	30/9/09
Promoters	52.1	52.0	52.0
FII/NRI	29.6	30.6	31.0
Institutions	8.0	7.7	7.6
Private Corp.	5.0	4.4	4.0
Public	5.4	5.3	5.4

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Sterlite Industries Ltd. (SIL) reported consolidated 4QFY10 result, which were above estimates. Net sales stood at Rs72.3bn (yoy up 66.7%, qoq up 7.1%), EBITDA stood at Rs21.9bn (yoy up 184.1%, qoq up 23.3%) and adjusted PAT stood at Rs13.6bn (yoy up 225%, qoq up 48.9%). SIL reported EPS of Rs16.2. The performance was mainly driven by higher realizations and higher premiums across product categories. The company has approved bonus issue of 1:1 and stock split of 2:1 and has also recommended dividend of Rs3.75/share. Going forward, the stock is expected to be driven by any clarity on the minority buyout of BALCO and Hindustan Zinc and also the performance of zinc and aluminium at LME, which does not look grim.

The commissioning of Nyamgiri bauxite mines have been delayed as some approvals for the same are pending which the company expects to receive soon, which will make company's aluminium operations fully integrated. SIL expects to reduce cost of production of aluminium to USD800-900/t post fully ramping up of bauxite mines. In 4QFY10, average cost of production of aluminium at BALCO was USD1,677/t (qoq up 7.5%).

2,400MW independent power plant (IPP) (under Sterlite Energy (SEL)) has been delayed by 1 quarter and the phase-I of 600MW is expected to be operational by 1QFY11. The company will be reviving the 1,980MA captive power plant at Vedanta Aluminium, which will make the 2,400MW IPP free for merchant market. However, this will take another 2-3 years to become operational. The company is also increasing copper smelting capacity by 0.4mtpa and setting up associated captive power plant of 160MW, expected to be commissioned by mid CY11 at an estimated capex of USD500mn. As on 31<sup>st</sup> Mar '10, SIL has net cash of Rs120.5bn on consolidated basis. At the CMP of Rs843, the stock is trading at 12.7x FY11E EPS of Rs66.2 and at 7.3x FY12E EPS of Rs115.4. On EV/EBITDA basis the stock is trading at 9.4x FY11E attributable EV/EBITDA and at 5.4x FY12E attributable EV/EBITDA; while on P/B basis the stock is trading at 1.4x FY11E book value and at 1.1x FY12E book value. We maintain ACCUMULATE on the stock, with revised target price of Rs934 (Previous target – Rs886).

#### The key takeaways from the concall are as under:-

- The company is mulling to revive the deferred 1,980MW captive power plant under VAL, which will make the 2,400MW power plant under SEL free for selling in the market. However, this will take atleast 2-3 years to become operational, during which the majority of the power produced from IPP will be used captively at a tariff equivalent to the long term PPA rates, limiting any significant upside which could have been otherwise available from selling in the merchant market
- Out of the total 608 pots of 0.5mtpa aluminium smelter at Jharsuguda, 536 pots have commenced operations. However, they will take some time to ramp up. The work on 1.25mtpa aluminum smelter at Jharsuguda under Vedanta alumina and 0.325mtpa smelter at Korba under BALCO is progressing as per schedule.
- SIL is reviving the deferred 1,980MW Talwandi Saboo, Punjab power plant under SEL (estimated capex USD2bn). The plant is expected to be operational by 3QFY14

Rs bn	Net Sales	EBITDA	EBITDA %	PAT	ROCE %	EV/EBITDA (x)	P/BV (x)	EPS (Rs)	P/E (x)
FY09	211	69	32.4	37	13.6	18.3	1.8	52.1	16.4
FY10	233	79	33.8	37	10.7	13.5	1.5	46.0	18.3
FY11E	312	121	38.7	56	12.7	9.4	1.4	66.2	12.7
FY12E	396	174	43.9	97	16.6	5.4	1.1	115.4	7.3

- The work on 2,400MW IPP has been delayed by 1 quarter. SIL expects the phase-I of 600MW to be now operational by 1QFY11 with the progressive commissioning of every single unit of 600MW each in every subsequent quarter.
- The company has received coal linkage for all the 4 units of 2,400MW power plant which will reduce the cost of production
- **As on 31<sup>st</sup> Mar '10, SIL has a net cash of Rs120.5bn on a consolidated basis which is equivalent to Rs143/share. This does not include inter corporate loan to Vedanta Aluminium of Rs100bn.**
- In 4QFY10, HZL achieved highest silver production of 43t (yoy up 22.4%, qoq up 17.6%). The company has a target of producing 500-600t of silver in next 3-4 years.

### Copper

- SIL has announced brownfield expansion of copper smelter at Tuticorin by 0.4mtpa, to increase capacities to 0.8mtpa, along with associated 160MW (2\*80) captive power plant and other associated facilities such as sulphuric acid and phosphoric acid plant. The estimated capex of the project is USD500mn to be funded through a mix of debt and equity. The project is expected to be operational by mid CY11.
- In 4QFY10, the average TC/RC was  $\text{₹}12.9/\text{lb}$  (qoq down 11.6%). The outlook for TC/RC continues to remain muted. The FY11 TC/RC contracts have been signed at USD46/t  $\text{₹}4.6/\text{lb}$  as against FY10 contracts of USD75/t  $\text{₹}7.5/\text{lb}$
- The cost of production in 4QFY10 was  $\text{₹}9.47/\text{lb}$  (yoy down 7.4%). The reduction in cost was primarily on account of higher by-product credits. The sulphuric acid realization for the quarter increased by around 398% on yoy basis to Rs1,518/t (USD33/t)

### Zinc

- During the quarter, Hindustan Zinc (HZL) sold 86,000DMT of zinc concentrate (qoq up 109.9%) and 10,000DMT of lead concentrate (qoq nil)
- In 4QFY10, average zinc realization was USD2,460/t (yoy up 105.5%, qoq up 2.7%) as against average LME of USD2,284/t (yoy up 93.1%, qoq up 3.3%).
- In 4QFY10, average lead realization was USD2,470/t (yoy up 85%, qoq up 1.1%) as against average LME of USD2,214/t (yoy up 90.2%, qoq down 2.9%).
- In 4QFY10, the average cost of production of zinc was USD730/t (excluding royalty) (yoy up 17.6%). This is excluding contribution from silver, which directly goes to EBITDA
- At the end of the quarter, HZL commenced 0.21mtpa hydro zinc smelter at Dariba and 1mtpa zinc concentrator at Rampura Agucha mine; increasing zinc and lead smelting capacities to 0.96mtpa and mining capacity to 6mtpa
- The work on 0.1mtpa lead smelter along with 160MW captive power plant is progressing as per schedule for commissioning in 2QFY11; which will make HZL the largest and the lowest cost zinc producer in the world having zinc and lead combined smelting capacity of 1.06mtpa
- The Sindesar Khurd mine is expected to be operational in 1QFY11
- The estimated capex of Rs33bn is funded through internal accruals.

## Aluminum

- SIL has shut down BALCO-I (capacity of 110,000tpa) in 1QFY10. The associated Korba alumina refinery was also ramped down in 2QFY10 in consequent to shut down of BALCO-I. This has enabled SIL to sell the surplus power in the market from the 270MW captive power plant. In 4QFY10, SIL sold 405mn units of power (qoq up 3.6%) in the merchant market at an average realization of Rs3.8/unit (qoq down 24%).
- In 4QFY10, SIL's average cost of production for aluminum was USD1,677/t (qoq up 7.5%); however, this cost includes non operating cost of shut down BALCO-I. As per the management, it will take few more quarters to stabilize this excess cost, which mainly pertains to wages cost. The company expects to reduce the cost to USD800-900/t post fully ramping up of bauxite mines.
- During the quarter, EBIT margins increased by around 682bps on sequential basis to 18.7%, mainly driven by higher premium over the LME.
- The work on captive coal block for BALCO is progressing well. All the forest clearances have been received and land acquisition process has started. The management expects the mine to be operational by CY10 end.
- The company has received Supreme Court approval for Nyamgiri bauxite mines; however, certain additional approvals are pending which management expects to receive soon. This has led to delay in commencement of mines. We believe, it will take some time for the company to start the mine as there are lots of pending litigations for the same
- The project to increase aluminium capacity to 2.6mtpa is progressing as per schedule. The estimated capex of USD6.5bn will be funded through a debt/equity ratio of 7:3.

### Production numbers ('000t)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
<b>Copper</b>							
Mined Metal content	8	7	5	4	7	-12.5%	75.0%
Copper - Cathode	88	78	91	85	80	-9.1%	-5.9%
<b>Aluminium</b>	<b>134</b>	<b>72</b>	<b>64</b>	<b>65</b>	<b>68</b>	<b>-49.3%</b>	<b>4.6%</b>
<b>Zinc</b>							
Mined Metal content	197	183	193	200	194	-1.5%	-3.0%
Refined Zinc	151	139	152	148	150	-0.7%	1.4%

Source: Company

### Production numbers ('000t)

	FY10	FY09	% yoy
<b>Copper</b>			
Mined Metal content	24	27	-11.1%
Copper - Cathode	334	313	6.7%
<b>Aluminium</b>	<b>268</b>	<b>380</b>	<b>-29.5%</b>
<b>Zinc</b>			
Mined Metal content	769	735	4.6%
Refined Zinc	578	552	4.7%

Source: Company

### Sales volume (t)

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
Refined Zinc	152,796	138,015	140,879	147,497	151,294	-1.0%	2.6%
Refined Lead	15,651	15,073	11,381	19,486	18,450	17.9%	-5.3%
<b>Concentrate Sales (Metal in content)</b>							
Refined Zinc	0	36,191	10,898	21,011	43,495		107.0%
Refined Lead	15,121	0	11,786	0	5,578	-63.1%	

Source: Company

**Sales volume (t)**

	FY10	FY10	% yoy
Refined Zinc	577,685	552,330	4.6%
Refined Lead	64,391	60,564	6.3%
<b>Concentrate Sales (Metal in content)</b>			
Refined Zinc	111,594	39,092	185.5%
Refined Lead	17,365	31,741	-45.3%

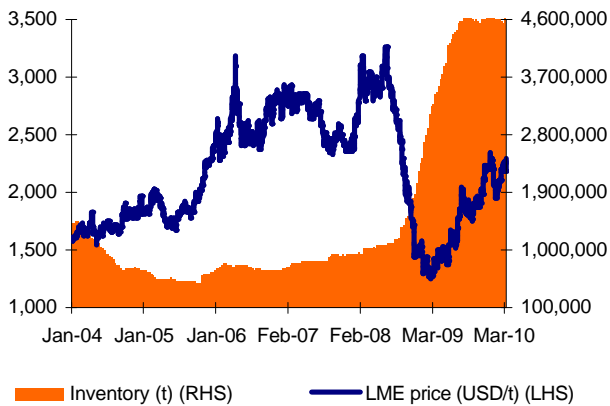
Source: Company

**Valuation**

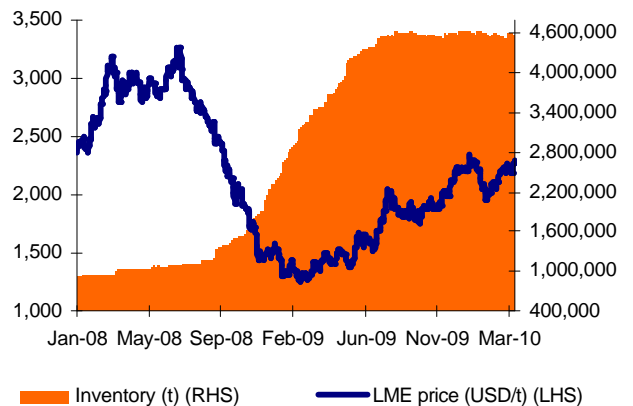
At the CMP of Rs843, the stock is trading at 12.7x FY11E EPS of Rs66.2 and at 7.3x FY12E EPS of Rs115.4. On EV/EBITDA basis the stock is trading at 9.4x FY11E attributable EV/EBITDA and at 5.4x FY12E attributable EV/EBITDA; while on P/B basis the stock is trading at 1.4x FY11E book value and at 1.1x FY12E book value.

Base metal prices have shown major strength in the recent past with copper prices surging by around 168% from the lows of USD2,800/t to USD7,500/t, zinc surging by 129% from the lows of USD1,050/t to around USD2,400/t and aluminium surging by around 100% from the lows of USD1,250/t to USD2,500/t (despite LME inventories at all time high of 4.6mt, which have now started declining). This has been backed by strong demand from China. However, barring China the demand for base metals has remained subdued. We believe, with the uptick in the rest of the world economy, the demand for base metals from rest of the world will increase which will provide further strength to the prices over the long term. Hindustan Zinc is currently trading at quite attractive valuations of 5.7x FY11E EV/EBITDA and at 4.7x FY12E EV/EBITDA and the stock may continue to show some major strength, which could provide some upside to the Sterlite's stock price. We believe that going forward Sterlite industries stock performance will be largely driven by any clarity on the minority buyout of BALCO and HZL; upcoming IPO of Sterlite Energy, clearance of Nyamgiri bauxite mines and the performance of zinc and aluminium prices at LME, which does not look grim. We maintain ACCUMULATE on Sterlite with revised target price of Rs934, which is based SoTP valuation comprising of a) Rs244/share of copper business valued at 4.5x FY12E EV/EBITDA, b) Rs561/share of attributable value of Hindustan Zinc valued at 6x FY12E EV/EBITDA, c) Rs51/share of attributable value of BALCO valued at 5x FY12E EV/EBITDA, d) Rs71/share of Sterlite Energy valued on DCF basis and e) Rs7/share of Sterlite's 29.5% stake in VAL valued on 1x P/B

Aluminium prices at LME for last 5 years

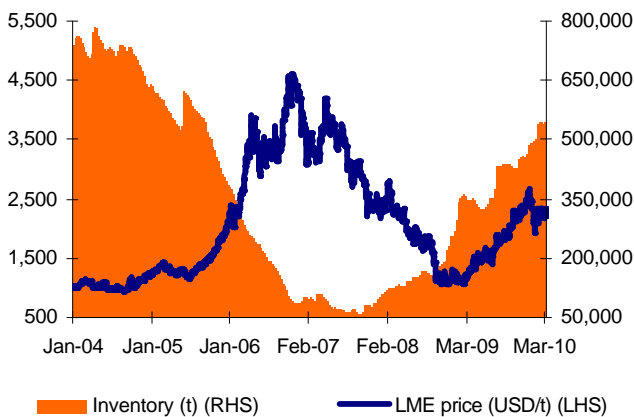


Aluminium prices at LME for last 1 year

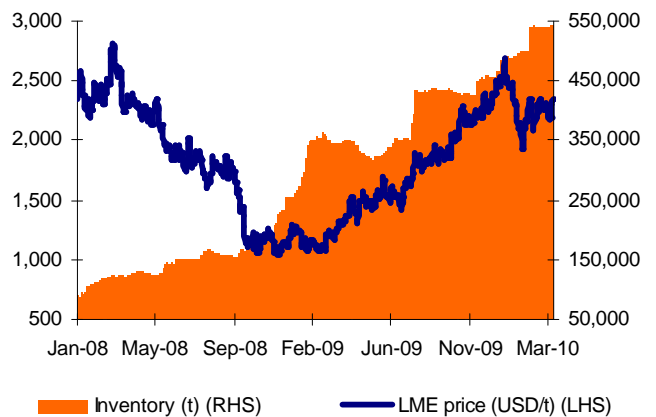


Source: Bloomberg

Zinc prices at LME for last 5 years

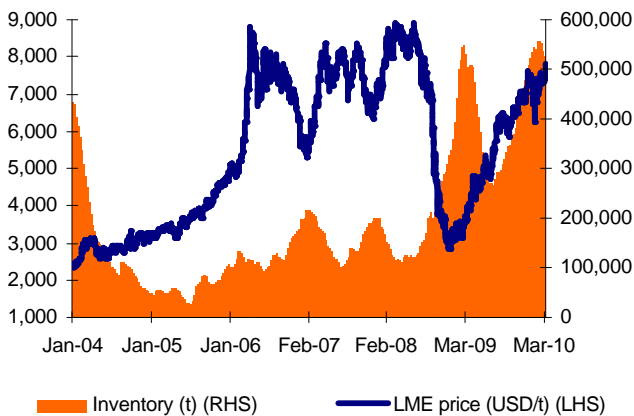


Zinc prices at LME for last 1 year

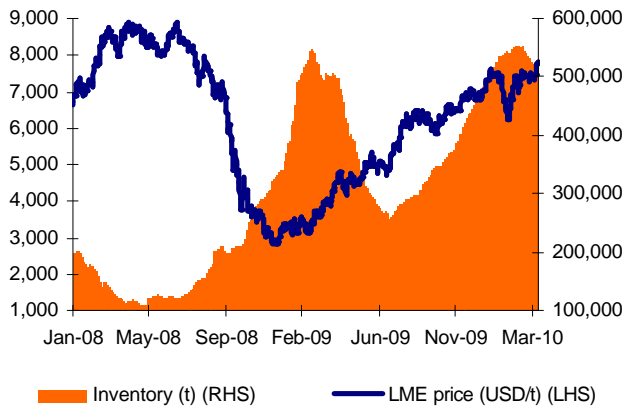


Source: Bloomberg

Copper prices at LME for last 5 years



Copper prices at LME for last 1 year



Source: Bloomberg

## Consolidated results summary

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
<b>Net Sales</b>	<b>43,361</b>	<b>45,789</b>	<b>61,291</b>	<b>67,467</b>	<b>72,278</b>	<b>66.7%</b>	<b>7.1%</b>
Expenditure							
Raw material	22,702	24,507	34,297	34,225	30,639	35.0%	-10.5%
Change in stock	-513	-3,351	-1,681	-1,042	4,093	-898.7%	-492.8%
Total cost of goods sold	22,189	21,155	32,616	33,183	34,732	56.5%	4.7%
<b>Gross profit</b>	<b>21,172</b>	<b>24,633</b>	<b>28,675</b>	<b>34,284</b>	<b>37,546</b>	<b>77.3%</b>	<b>9.5%</b>
<b>Gross margin</b>	<b>48.8%</b>	<b>53.8%</b>	<b>46.8%</b>	<b>50.8%</b>	<b>51.9%</b>	<b>312bps</b>	<b>113bps</b>
Personnel exp	1,791	1,731	2,058	2,398	2,353	31.4%	-1.8%
Other exp	11,688	12,694	12,964	14,165	13,338	14.1%	-5.8%
Total operating exp	13,480	14,424	15,021	16,563	15,691	16.4%	-5.3%
<b>EBITDA</b>	<b>7,693</b>	<b>10,209</b>	<b>13,654</b>	<b>17,722</b>	<b>21,855</b>	<b>184.1%</b>	<b>23.3%</b>
<b>Ebitda margin</b>	<b>17.7%</b>	<b>22.3%</b>	<b>22.3%</b>	<b>26.3%</b>	<b>30.2%</b>	<b>1250bps</b>	<b>397bps</b>
Depreciation & amortization	2032	1736	1734	1782	2246	10.5%	26.0%
<b>EBIT</b>	<b>5,661</b>	<b>8,472</b>	<b>11,920</b>	<b>15,940</b>	<b>19,609</b>	<b>246.4%</b>	<b>23.0%</b>
<b>EBIT margin</b>	<b>13.1%</b>	<b>18.5%</b>	<b>19.4%</b>	<b>23.6%</b>	<b>27.1%</b>	<b>1408bps</b>	<b>350bps</b>
Interest	1,312	712	576	929	1,206	-8.1%	29.8%
Other income	4,639	3,783	3,887	3,715	5,486	18.3%	47.7%
Extraordinary items	799	0	-234	-2735	0		
Share in profit/(loss) of associates	-1082	707	863	-971	-11	-99.0%	-98.9%
PBT	8,704	12,251	15,859	15,020	23,878	174.3%	59.0%
Provision for tax	1,941	2,305	2,593	2,903	4,528	133.3%	56.0%
ETR %	22.3%	18.8%	16.4%	19.3%	19.0%	-334bps	-36bps
Minority interest	2,057	3,219	3,677	4,803	5,541	169.4%	15.4%
<b>Attributable PAT</b>	<b>4,706</b>	<b>6,727</b>	<b>9,589</b>	<b>7,314</b>	<b>13,809</b>	<b>193.5%</b>	<b>88.8%</b>
<b>Net margin</b>	<b>10.9%</b>	<b>14.7%</b>	<b>15.6%</b>	<b>10.8%</b>	<b>19.1%</b>	<b>825bps</b>	<b>827bps</b>
less: Extraordinary Items adjusted for Tax	-527	0	155	1,806	-228	-56.7%	-112.6%
<b>Adjusted PAT</b>	<b>4,178</b>	<b>6,727</b>	<b>9,743</b>	<b>9,119</b>	<b>13,581</b>	<b>225.0%</b>	<b>48.9%</b>
<b>Adjusted PAT margin</b>	<b>9.6%</b>	<b>14.7%</b>	<b>15.9%</b>	<b>13.5%</b>	<b>18.8%</b>	<b>915bps</b>	<b>527bps</b>
Equity capital	1,417	1,681	1,681	1,681	1,681	18.6%	0.0%
Reported EPS							
Basic	6.64	8.00	11.41	8.70	16.43	147.4%	88.8%
Fully Diluted	6.64	8.00	11.41	8.70	16.43	147.4%	88.8%
Adj EPS							
Basic	5.90	8.00	11.59	10.85	16.16	174.0%	48.9%
<b>Fully Diluted</b>	<b>5.90</b>	<b>8.00</b>	<b>11.59</b>	<b>10.85</b>	<b>16.16</b>	<b>174.0%</b>	<b>48.9%</b>

All fig. in Rs mn except percentage and per share data

## Common size ratios

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
Net Sales	100%	100%	100%	100%	100%	-	-
Raw material cost	52%	54%	56%	51%	42%	-996bps	-834bps
Change in stock	-1%	-7%	-3%	-2%	6%	684bps	721bps
Cost of goods sold	51%	46%	53%	49%	48%	-312bps	-113bps
Personal expenses	4%	4%	3%	4%	3%	-88bps	-30bps
Other expenses	27%	28%	21%	21%	18%	-850bps	-254bps
EBITDA	18%	22%	22%	26%	30%	1250bps	397bps
Depreciation	5%	4%	3%	3%	3%	-158bps	47bps
Interest expense	3%	2%	1%	1%	2%	-136bps	29bps
Other income	11%	8%	6%	6%	8%	-311bps	208bps
PAT	11%	15%	16%	11%	19%	825bps	827bps

## Consolidated segment results

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
<b>Segment Revenue</b>							
Copper	21,031	21,760	34,314	33,879	35,406	68.4%	4.5%
Aluminium	8,128	6,146	6,290	6,933	8,096	-0.4%	16.8%
Zinc & Lead	12,471	14,892	17,679	22,025	24,838	99.2%	12.8%
Power		1,795	1,617	2,575	2,057		-20.1%
Others	1,767	1,368	1,629	1,668	1,463	-17.2%	-12.3%
<b>Gross Sales</b>	<b>43,396</b>	<b>45,961</b>	<b>61,529</b>	<b>67,080</b>	<b>71,859</b>	<b>65.6%</b>	<b>7.1%</b>
Less: Inter segment revenue	-35	-590	-674	-311	-751	2051.3%	141.6%
External Sales	43,361	45,371	60,855	66,770	71,108	64.0%	6.5%
Less: Excise Duty	0	0	0	0	0		
<b>Net sales/ income from op</b>	<b>43,361</b>	<b>45,371</b>	<b>60,855</b>	<b>66,770</b>	<b>71,108</b>	<b>64.0%</b>	<b>6.5%</b>
<b>Segment EBIT</b>							
Copper	4,349	940	1,719	1,444	2,265	-47.9%	56.9%
Aluminium	-495	750	691	825	1,516	-406.4%	83.7%
Zinc & Lead	5,083	7,010	9,922	13,059	14,473	184.7%	10.8%
Power		912	603	1,090	816		-33.9%
Others	333	-90	-45	97	141	-57.6%	44.8%
Others unallocable	1,030	2,734	2,918	3,139	5,885	471.5%	87.5%
Less: Interest and Finance Charges	-1,312	-712	-576	-929	-1,206	-8.1%	29.8%
Less: Extraordinary item	799	0	-234	-2,735	0	-100.0%	-100.0%
<b>Profit before tax</b>	<b>9,786</b>	<b>11,544</b>	<b>14,997</b>	<b>15,991</b>	<b>23,890</b>	<b>144.1%</b>	<b>49.4%</b>
<b>Segment Capital Employed</b>							
Copper	39,626	35,895	36,759	32,642	38,722	-2.3%	18.6%
Aluminium	47,309	55,983	57,763	57,345	59,237	25.2%	3.3%
Zinc & Lead	52,086	56,600	62,714	68,694	71,794	37.8%	4.5%
Power		47,833	57,799	60,438	64,669		7.0%
Others	137,853	3,453	2,762	3,262	3,642	-97.4%	11.6%
<b>Total</b>	<b>276,874</b>	<b>199,763</b>	<b>217,797</b>	<b>222,382</b>	<b>238,064</b>	<b>-14.0%</b>	<b>7.1%</b>

All fig. in Rs mn except percentage

## Standalone results summary

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
<b>Net Sales</b>	<b>22,798</b>	<b>23,667</b>	<b>36,177</b>	<b>36,123</b>	<b>35,278</b>	<b>54.7%</b>	<b>-2.3%</b>
Expenditure							
Consumption of raw material	21,504	24,194	33,520	33,153	30,005	39.5%	-9.5%
Change in stock	-1,506	-3,261	-832	-780	1,475	-197.9%	-289.2%
Total cost of goods sold	19,998	20,932	32,688	32,373	31,480	57.4%	-2.8%
<b>Gross profit</b>	<b>2,801</b>	<b>2,735</b>	<b>3,489</b>	<b>3,750</b>	<b>3,798</b>	<b>35.6%</b>	<b>1.3%</b>
<b>Gross margin</b>	<b>12.3%</b>	<b>11.6%</b>	<b>9.6%</b>	<b>10.4%</b>	<b>10.8%</b>	<b>-152bps</b>	<b>39bps</b>
Personnel exp	180	189	221	194	169	-6.3%	-13.1%
Other exp	2,417	2,027	2,247	2,191	1,341	-44.5%	-38.8%
Total operating exp	2,598	2,216	2,468	2,385	1,510	-41.9%	-36.7%
<b>EBITDA</b>	<b>203</b>	<b>519</b>	<b>1,021</b>	<b>1,365</b>	<b>2,288</b>	<b>1027.8%</b>	<b>67.7%</b>
<b>Ebitda margin</b>	<b>0.9%</b>	<b>2.2%</b>	<b>2.8%</b>	<b>3.8%</b>	<b>6.5%</b>	<b>560bps</b>	<b>271bps</b>
Dep & amortization	577	372	377	378	380	-34.2%	0.3%
<b>EBIT</b>	<b>-374</b>	<b>147</b>	<b>645</b>	<b>987</b>	<b>1,909</b>	<b>-610.2%</b>	<b>93.5%</b>
<b>EBIT margin</b>	<b>-1.6%</b>	<b>0.6%</b>	<b>1.8%</b>	<b>2.7%</b>	<b>5.4%</b>	<b>705bps</b>	<b>268bps</b>
Interest	502	534	431	749	851	69.3%	13.6%
Other income	2,350	1,840	2,210	2,708	4,332	84.4%	60.0%
Extraordinary items	799	0	0	-2735	0	-100.0%	-100.0%
PBT	2,272	1,454	2,424	210	5,391	137.3%	2465.8%
Provision for tax	406	327	329	-256	764	88.2%	-398.6%
ETR %	17.9%	22.5%	13.6%	-121.8%	14.2%	-369bps	13592bps
<b>Attributable PAT</b>	<b>1,866</b>	<b>1,127</b>	<b>2,095</b>	<b>466</b>	<b>4,627</b>	<b>148.0%</b>	<b>893.1%</b>
<b>Net margin</b>	<b>8.2%</b>	<b>4.8%</b>	<b>5.8%</b>	<b>1.3%</b>	<b>13.1%</b>	<b>493bps</b>	<b>1183bps</b>
less: E/o Items adj for Tax	-527	0	0	1,806	-228	-56.7%	-112.6%
<b>Adjusted PAT</b>	<b>1,339</b>	<b>1,127</b>	<b>2,095</b>	<b>2,271</b>	<b>4,399</b>	<b>228.6%</b>	<b>93.7%</b>
<b>Adjusted PAT margin</b>	<b>5.9%</b>	<b>4.8%</b>	<b>5.8%</b>	<b>6.3%</b>	<b>12.5%</b>	<b>660bps</b>	<b>618bps</b>
Equity capital	1,417	1,681	1,681	1,681	1,681	18.6%	0.0%
Reported EPS							
Basic	2.63	1.34	2.49	0.55	5.51	109.1%	893.1%
Fully Diluted	2.63	1.34	2.49	0.55	5.51	109.1%	893.1%
Adj EPS							
Basic	1.89	1.34	2.49	2.70	5.23	177.0%	93.7%
<b>Fully Diluted</b>	<b>1.89</b>	<b>1.34</b>	<b>2.49</b>	<b>2.70</b>	<b>5.23</b>	<b>177.0%</b>	<b>93.7%</b>

All fig. in Rs mn except percentage and per share data

## Common size ratios

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
Net Sales	100%	100%	100%	100%	100%	-	-
Raw material cost	94%	102%	93%	92%	85%	-927bps	-672bps
Change in stock	-7%	-14%	-2%	-2%	4%	1079bps	634bps
Cost of goods sold	88%	88%	90%	90%	89%	152bps	-39bps
Personal expenses	1%	1%	1%	1%	0%	-31bps	-6bps
Other expenses	11%	9%	6%	6%	4%	-680bps	-226bps
EBITDA	1%	2%	3%	4%	6%	560bps	271bps
Depreciation	3%	2%	1%	1%	1%	-145bps	3bps
Interest expense	2%	2%	1%	2%	2%	21bps	34bps
Other income	10%	8%	6%	7%	12%	197bps	478bps
PAT	8%	5%	6%	1%	13%	493bps	1183bps



## Hindustan Zinc Financials

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
<b>Net Sales</b>	<b>12,627</b>	<b>15,266</b>	<b>18,183</b>	<b>22,491</b>	<b>25,449</b>	<b>101.5%</b>	<b>13.1%</b>
Expenditure							
Manufacturing & Mining Exp	4,427	4,431	4,554	4,741	5,133	15.9%	8.3%
Change in stock	236	569	-163	-184	530	124.4%	-388.9%
Net Manufacturing & Mining Exp	4,663	5,001	4,391	4,557	5,663	21.4%	24.3%
Mining Royalty	836	920	1,385	1,917	1,906	128.0%	-0.6%
<b>Gross profit</b>	<b>7,128</b>	<b>9,346</b>	<b>12,407</b>	<b>16,017</b>	<b>17,880</b>	<b>150.9%</b>	<b>11.6%</b>
<b>Gross margin</b>	<b>56.5%</b>	<b>61.2%</b>	<b>68.2%</b>	<b>71.2%</b>	<b>70.3%</b>	<b>1381bps</b>	<b>-95bps</b>
Employee Cost	872	806	1,037	1,379	1,352	55.1%	-2.0%
Other selling & administrative Exp	706	717	615	777	1047	48.3%	34.7%
Total operating exp	1,577	1,523	1,652	2,156	2,399	52.1%	11.3%
<b>EBITDA</b>	<b>5,551</b>	<b>7,823</b>	<b>10,755</b>	<b>13,861</b>	<b>15,482</b>	<b>178.9%</b>	<b>11.7%</b>
<b>Ebitda margin</b>	<b>44.0%</b>	<b>51.2%</b>	<b>59.1%</b>	<b>61.6%</b>	<b>60.8%</b>	<b>1688bps</b>	<b>-79bps</b>
Depreciation & amortization	750	748	771	817	1006	34.1%	23.2%
<b>EBIT</b>	<b>4,800</b>	<b>7,075</b>	<b>9,984</b>	<b>13,044</b>	<b>14,475</b>	<b>201.6%</b>	<b>11.0%</b>
<b>EBIT margin</b>	<b>38.0%</b>	<b>46.3%</b>	<b>54.9%</b>	<b>58.0%</b>	<b>56.9%</b>	<b>1886bps</b>	<b>-111bps</b>
Interest	49	32	54	77	277	469.5%	261.4%
Other income	2,205	1,802	1,537	1,319	1,345	-39.0%	2.0%
PBT	6,956	8,845	11,467	14,286	15,543	123.4%	8.8%
Provision for tax	1,442	1,657	2,118	2,799	3,153	118.7%	12.6%
ETR (%)	21%	19%	18%	20%	20%	-44bps	69bps
<b>PAT</b>	<b>5,515</b>	<b>7,188</b>	<b>9,350</b>	<b>11,487</b>	<b>12,390</b>	<b>124.7%</b>	<b>7.9%</b>
<b>Net margin</b>	<b>43.7%</b>	<b>47.1%</b>	<b>51.4%</b>	<b>51.1%</b>	<b>48.7%</b>	<b>501bps</b>	<b>-239bps</b>
less: E/o Items adj for Tax	-	-	-	-	-		
<b>Adjusted PAT</b>	<b>5,515</b>	<b>7,188</b>	<b>9,350</b>	<b>11,487</b>	<b>12,390</b>	<b>124.7%</b>	<b>7.9%</b>
<b>Adjusted net margin</b>	<b>43.67%</b>	<b>47.09%</b>	<b>51.42%</b>	<b>51.07%</b>	<b>48.69%</b>	<b>501bps</b>	<b>-239bps</b>
Equity capital	4,225	4,225	4,225	4,225	4,225	0.0%	0.0%
Reported EPS	13.05	17.01	22.13	27.19	29.32	124.7%	7.9%
<b>Adjusted EPS</b>	<b>13.05</b>	<b>17.01</b>	<b>22.13</b>	<b>27.19</b>	<b>29.32</b>	<b>124.7%</b>	<b>7.9%</b>

Note: All figures in Rs m except per share and percentage

## Common size ratios

	4QFY09	1QFY10	2QFY10	3QFY10	4QFY10	% yoy	% qoq
Net Sales	100%	100%	100%	100%	100%	-	-
Manufacturing & Mining Exp	35%	29%	25%	21%	20%	-1489bps	-91bps
Change in stock	2%	4%	-1%	-1%	2%	21bps	290bps
Net Manufacturing & Mining Exp	37%	33%	24%	20%	22%	-1468bps	199bps
Employee Cost	7%	5%	6%	6%	5%	-159bps	-82bps
Mining Royalty	7%	6%	8%	9%	7%	87bps	-104bps
Other expenses	6%	5%	3%	3%	4%	-148bps	66bps
EBITDA	44%	51%	59%	62%	61%	1688bps	-79bps
Depreciation	6%	5%	4%	4%	4%	-199bps	32bps
Interest expense	0%	0%	0%	0%	1%	70bps	75bps
Other income	17%	12%	8%	6%	5%	-1218bps	-58bps
PAT	44%	47%	51%	51%	49%	501bps	-239bps

## Financials

Income Statement	Rs mn			
	FY09	FY10	FY11E	FY12E
Gross Sales	227,737	247,981	332,196	420,267
Less: Excise	16,295	15,142	20,231	23,805
Net Sales	211,442	232,839	311,966	396,462
Other Income	21,543	19,867	27,187	27,625
Total Income	232,985	252,706	339,153	424,086
Raw Material Cons	149,767	155,082	191,334	209,359
% of Sales	70.8%	66.6%	61.3%	52.8%
Staff Cost	7,561	8,504	11,232	13,159
Other Expenses	7,073	10,323	15,823	27,518
Total Exp	164,401	173,908	218,390	250,037
EBIDTA	68,584	78,798	120,763	174,050
EBIDTA margin	32.4%	33.8%	38.7%	43.9%
Depreciation	7,007	10,107	14,037	19,501
EBIT	61,577	68,691	106,726	154,548
Interest	3,973	3,979	8,187	10,195
Extra ordinary exp.	-553	0	0	0
PBT	58,158	64,712	98,539	144,353
Tax	8,550	12,894	19,140	24,458
ETR (%)	14.7%	19.9%	19.4%	16.9%
Minority Interest	12,671	14,792	23,501	22,460
Pref Div	0	0	0	0
Adj. PAT	36,936	37,026	55,898	97,435

Cash Flow Statement	Rs mn			
	FY09	FY10E	FY11E	FY12E
Pre-tax profit	58,158	64,712	98,539	144,353
Depreciation	7,007	10,107	14,037	19,501
Net Chg in WC	4,547	-22,942	-26,755	-35,676
Others	0	0	0	0
CFO	69,711	51,877	85,821	128,179
Capex	-54,744	-9,625	-85,660	-24,500
Net Inv made	0	-82,080	-9,120	0
Others Inv Activities	879	-149,673	-22,000	-53,000
CFI	-53,865	-241,377	-116,780	-77,500
Change in Sh cap	461	79,979	0	0
Change in Debts	18,617	65,691	42,205	-41,839
Div. & Div Tax	-3,213	-7,902	-7,902	-7,902
Others	0	0	0	0
CFF	15,865	137,768	34,303	-49,741
Net Change in Cash	31,712	-51,732	3,344	938
Cash Op Bal	24,536	55,048	3,316	6,660
Cash Cl Bal	56,247	3,316	6,660	7,598

Balance Sheet	Rs Mn			
	FY09	FY10E	FY11E	FY12E
Equity Capital	1,417	1,681	1,681	1,681
Res & Surplus (incl MI)	322,847	446,479	517,976	629,969
Networth	324,264	448,160	519,656	631,649
Total Debts	70,135	135,826	178,031	136,192
Net deferred lib	19,979	21,623	25,735	30,633
Capital Employed	414,378	605,608	723,422	798,474
Gross Block	153,867	189,778	310,438	314,438
Less Depreciation	-51,549	-61,655	-75,693	-95,194
CWIP	69,786	43,500	8,500	29,000
Net Fixed Assets	102,319	128,122	234,745	219,244
Inv & Associates	24,239	106,319	115,439	115,439
Inventory	24,591	27,227	34,624	41,015
Debtors	8,760	16,119	22,678	32,984
Cash	55,048	3,316	6,660	7,598
Mktable Sec.	137,823	287,495	309,495	362,495
Loans & Advances	27,961	19,652	24,435	29,742
Total Curr. Assets	254,182	353,809	397,893	473,834
Current Liabilities	31,655	21,649	28,661	34,550
Provisions	4,493	4,493	4,493	4,493
Total Curr. Liabi. & Prov.	36,148	26,142	33,155	39,044
Net Current Assets	218,035	327,667	364,738	434,791
Total Assets	414,378	605,608	723,422	798,474

Ratios				
	FY09	FY10E	FY11E	FY12E
EBIDTA margin %	32.4	33.8	38.7	43.9
EBIT margin %	29.1	29.5	34.2	39.0
NPM %	17.5	15.9	17.9	24.6
Adj ROCE (%)	13.6	10.7	12.7	16.6
Adj ROE (%)	12.1	9.6	11.6	16.9
ROIC (%)	33.5	26.3	30.3	34.7
Adj EPS	52.1	46.0	66.2	115.4
Cash EPS	61.2	58.6	82.8	138.5
Book Value	457.7	556.8	615.5	748.1
DPS	3.5	8.4	8.0	8.0
Payout Ratio (%)	6.7	18.2	12.1	6.9
Debt Equity (x)	-0.4	-0.3	-0.3	-0.4
PE (x)	16.4	18.3	12.7	7.3
P/BV (x)	1.8	1.5	1.4	1.1
EV/Sales (x)	2.6	2.3	1.8	1.2
EV/EBITDA (x)	18.3	13.5	9.4	5.4
Div Yield (%)	0.4	1.0	0.9	0.9

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