

Ashapura Minechem

BSE SENSEX: 11149
BLOOMBERG: ASMN IN
S&P CNX: 3260
REUTERS CODE: ASHM.BO

10 August 2006

Buy

Rs212

Equity Shares (m) 64.5
 52-Week H/L (Rs) 320/104
 1,6,12 Rel. Perf. (%) -23/-16/-9
 M.Cap. (Rs b) 6.4
 Avg. Daily Vol. ('000) 11.7

YEAR END	NET SALES (Rs b)	PAT (Rs m)	EPS (Rs)	EPS GROWTH (%)	P/E (x)	P/BV (x)	ROE (%)	ROCE (%)	EV/SALES (x)	EV/EBITDA (x)
03/06A	8.6	784	24.3	186	8.7	4.8	73.5	42.5	0.8	5.9
03/07E	12.6	1,108	29.7	22	7.1	2.3	45.6	49.5	0.7	4.5
03/08E	14.8	1,289	34.6	16	6.1	1.7	32.0	39.0	0.7	4.2

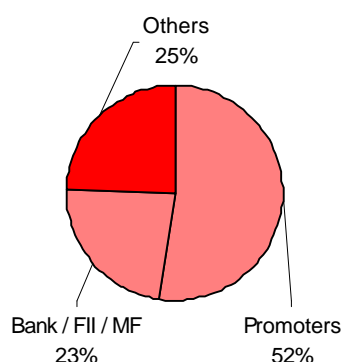
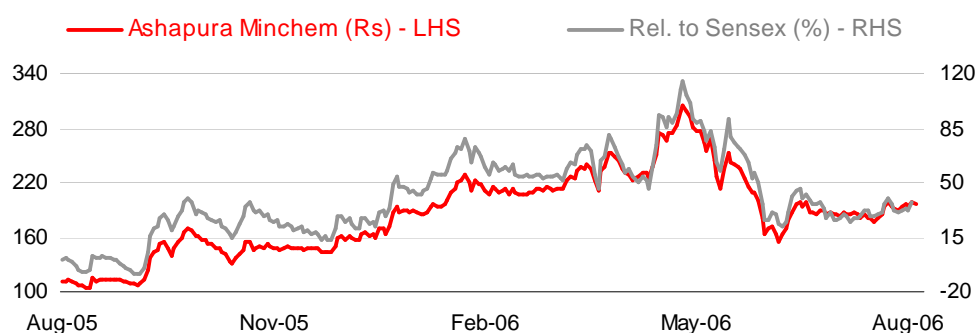


While on the one hand, Ashapura Minechem is witnessing demand-led sales growth, on the other it is climbing up the value chain. We expect the company's revenues to grow at 31% CAGR and net profit at 28% CAGR over FY06-08. Given the strong earnings visibility and attractive valuations, we recommend **Buy**.

Rising bauxite exports to drive revenue growth: Ashapura Minechem currently accounts for around 9% of the total bauxite traded globally. To meet growing domestic demand, Australia and Brazil are likely to cut their exports by 50% and 40%, respectively over the next 2-3 years. China too has witnessed unprecedented alumina capacity addition during the last two years, which would further fuel global demand for bauxite. We expect the company's share in global bauxite trading to rise considerably, going forward.

Forward integration, higher value addition to help buoy profitability: Over the years, Ashapura has been climbing up the value chain. Its strategic alliance with US-based AMCOL has enabled Ashapura to venture into the production of high value added derivatives of bentonite, pushing up its realizations significantly.

Valuations attractive; potential upside of 51%: We expect the company to post earnings CAGR of 19% over FY06-08 and estimate EPS at Rs29.7 for FY07 and Rs34.6 for FY08. The stock trades at 7.1x FY07E and 6.1x FY08E EPS, and at an EV of 4.5x FY07E EBITDA and 4.2x FY08E EBITDA. We recommend **Buy** with a target price of Rs320 (P/E of 9.3x FY08E; EV/EBITDA of 6x FY08E).

SHAREHOLDING PATTERN

STOCK PERFORMANCE (1 YEAR)


Sachin Abhyankar (Sachinabhyankar@MotilalOswal.com) + 91 22 39825422

Investment arguments

Rising bauxite exports to drive revenue growth

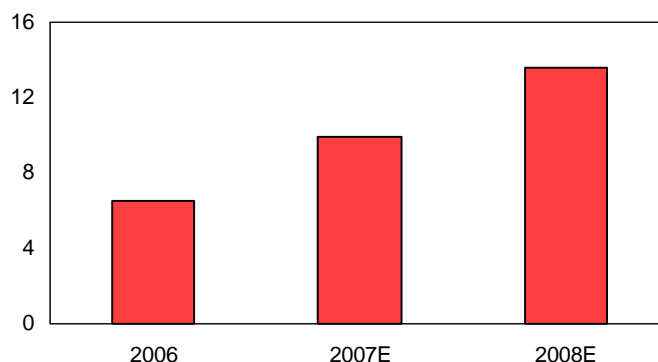
Ashapura Minechem currently accounts for around 9% of the total bauxite traded globally. To meet growing domestic demand, Australia and Brazil are likely to cut their exports by 50% and 40%, respectively over the next 2-3 years. China too has witnessed unprecedented alumina capacity addition during the last two years, which would further fuel global demand for bauxite. Ashapura has bauxite reserves of 100m ton and has applied for lease rights to an additional 100,000 acres of land for bauxite mining. We expect the company's share in global bauxite trading to rise considerably, going forward.

Demand for bauxite is rising globally...

The global bauxite market is about 165m ton, of which 135m ton is captively consumed. Thus, only about 30m ton is available for trade. Large bauxite exporters like Australia and Brazil are likely to cut their exports by 50% and 40%, respectively over the next 2-3 years, as 15m ton of new capacity of alumina is expected by CY08. China too has seen unprecedented expansion in alumina capacity during the last two years.

There are 11 alumina projects, with combined capacity of 12.2m ton per year at various stages of completion in China. Five more projects are on the drawing board. China's locally mined bauxite is unsuitable for low cost extraction using the low temperature bayer process. Hence, China's reliance on imported bauxite is likely to rise significantly.

CHINA'S IMPORTED BAUXITE REQUIREMENT (MILLION MT)



Source : Company / Motilal Oswal Securities

Indonesia is by far the largest and most significant supplier of gibbsitic bauxite to China. However, given the structure of the mining industry in Indonesia and depletion levels, there is a question mark on its ability to meet China's increasing requirement. We believe that China would look at increasing imports from India and Australia.

...and Ashapura is likely to be a key beneficiary

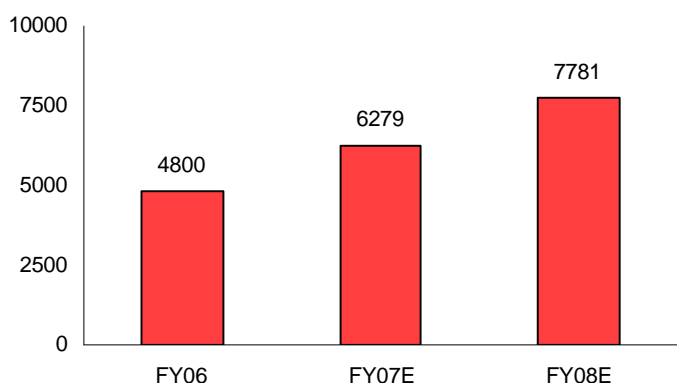
With 2.8m ton exported in FY06, Ashapura Minechem commands over 9% share of the global traded bauxite market. It has 100m ton of bauxite reserve and has applied for lease of additional 100,000 acre of land for bauxite mining. This lease is granted on "first come first serve" basis and Ashapura is the first to apply. The company is focusing on the following four port-based Chinese players for the supply of bauxite.

We expect Ashapura to supply 10-15% of these Chinese players' import requirement for bauxite over the next 2-3 years.

Company	Current Capacity	Capacity Addition (2007)	Total Capacity (2007)	Imported Bauxite requirement (2007)	Imported Bauxite requirement (2008)
Chiping Xinfa refinery	1.8m MT	1.2m MT	3m MT	7 million tons	7.5 million tons
Weiqiao Pioneering	500,000 tpa	1m MT	1.5m MT	2 million tons	3.5 million tons
Chalco Shandong Branch	400,000 tpa	NA	400,000 tpa	600,000 tons	600,000 tons
Nanshan Light Alloy	NA	800,000 tpa	800,000 tpa	1 million tons	2 million tons

Source : Company / Motilal Oswal Securities

BAUXITE REVENUE GROWTH (Rs M)



Source : Company / Motilal Oswal Securities

Forward integration, higher value addition to help buoy profitability

Over the years, Ashapura has been climbing up the value chain. It started off as a bentonite trader, ventured into mining of bentonite and bauxite, and is now looking at forward integrating into alumina production. Also, its strategic alliance with US-based AMCOL has enabled Ashapura to venture into the production of high value added derivatives of bentonite, pushing up its realizations significantly. While margins are likely to be under pressure during the next 2-3 years due to higher depreciation and interest expenses, and write-off of ESOP charges, we believe that forward integration and higher value addition would help buoy the company's profitability for the longer term.

Setting up a 1m ton alumina refinery

Ashapura intends to set up a 1m ton alumina refinery in Kutch (Gujarat) as a 50:50 joint-venture with a Sichuan Aostar Aluminum (SAAL) of China. The JV partner would take half the production at the prevailing LME price and Ashapura would be free to sell the other half in the open market. The proposed refinery would be built in two phases of 500,000 ton each, with a capex of Rs13b in the first phase and Rs10b in the second phase. The capex would be funded through equity of Rs4.5b and debt of Rs8.5b.

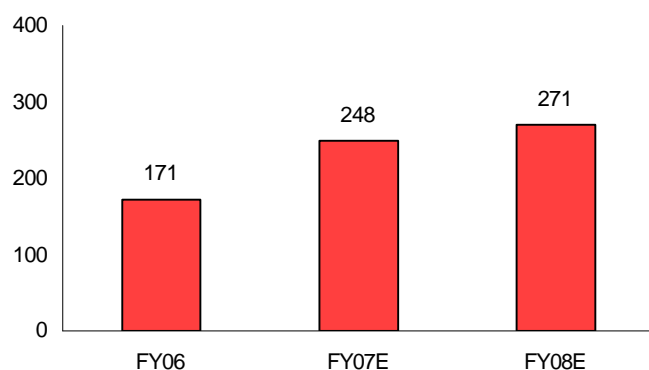
We expect the first phase to be completed by FY09. AluChem, a US-based specialty chemicals producer, which had also bid for the refinery project with Man Industries, had filled a case against the Gujarat

government for awarding the project to Ashapura. It has lost the case in the High Court.

Moving up the value chain

From a bauxite miner, Ashapura has already stepped up in the aluminum value chain to calcined bauxite, which is produced by heating bauxite at high temperature (850o C to 1600o C). This removes moisture and increases the alumina content. Ashapura's current calcined bauxite capacity is around 90,000 ton. Margins are higher (44% to 66%) than in bauxite (25% to 30%).

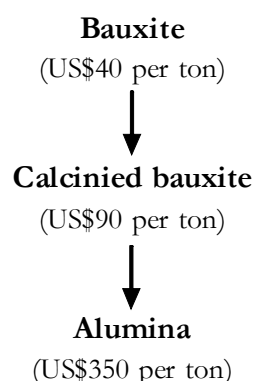
CALCINIED BAUXITE REVENUE GROWTH (Rs M)



Source : Company / Motilal Oswal Securities

Once its alumina refinery is operational, it would move up a step further. Realizations on alumina are about US\$350/ton as compared to just US\$40/ton on bauxite.

How realizations increase with each step up the value chain

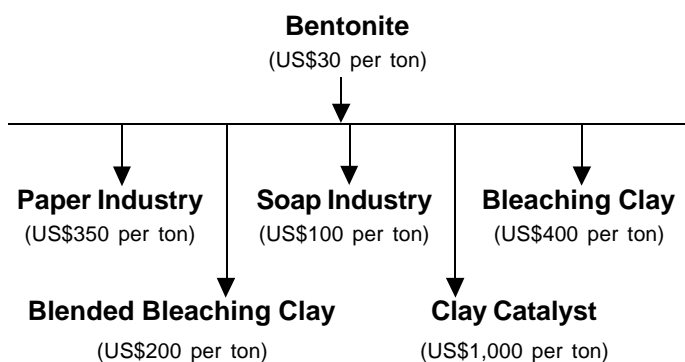


We expect Ashapura's cost of alumina production at US\$115-125/ton, 10-15% lower than the global average of US\$145-150/ton but about 10% higher than Nalco's cost of production. (Nalco is India's lowest cost alumina producer). We expect alumina prices to correct from the current level of around US\$500/ton. In our estimates, we have assumed alumina price at US\$225/ton. The payback period for the project works out to 7 years.

We have factored the first phase capex in our estimates but have not projected revenues, as the refinery is likely to commence production only in FY10. We have assumed a GDR issue to raise Rs966m (14.9% equity dilution).

Focusing on higher value added bentonite derivatives

Its strategic alliance with US-based AMCOL has enabled Ashapura to venture into the production of high value added derivatives of bentonite, pushing up its realizations significantly.



Bleaching earth (bleaching clay)

Bleaching earth is a value added product of bentonite. Bentonite is activated (treated) with sulphuric acid, which removes the various salts and increases absorption capacity. This absorption property of bleaching earth is used to process edible oil. It absorbs color from oil, making it transparent and palatable. The worldwide market for bleaching earth is around 800,000 ton. The Indian market is 70-80,000 ton and growing at 12% due to shift from bulk oil to packaged oil.

Bleaching earth is manufactured by Ashapura Volclay Limited (AVL) (50:50 joint venture between Ashapura and AMCOL International Corporation of USA) in

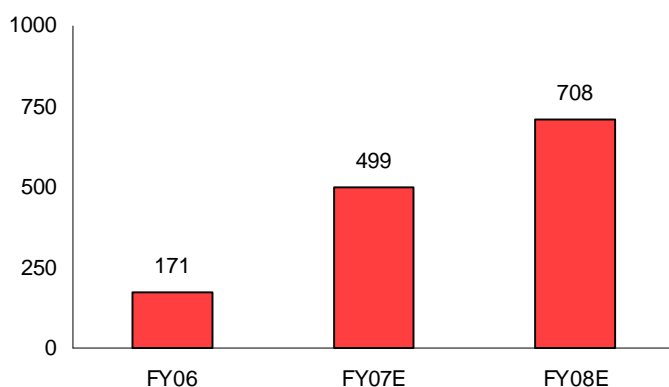
technical collaboration with Mizusawa Industrial Chemicals Ltd (the largest producer of bleaching earth in Japan). Ashapura has paid one-time royalty and obtained the license from Mizusawa Industrial Chemicals to use the famous "Galleon" brand. AVL is working towards capturing 25% of India's bleaching clay market in the next five years.

Also, Ashapura Minechem is putting up a new plant in Hyderabad with a capacity of 25,000 ton of blended bleaching clay. It expects to sell 15,000 ton per year to a Malaysian company in which it has acquired 25% stake.

Clay catalyst

Clay catalyst has the same cost of production as bleaching clay, but is sold at much higher prices. It is used in petroleum refineries to isolate benzene, zylene and tolyne. Ashapura is third company in the world to come out with such a product. The market for clay catalyst is around 20,000 ton per annum and is growing at 15%. While the imported cost of this product is around US\$1,400/ton, Ashapura sells it at around US\$1,000/ton. Indian Oil and Reliance are the major consumers of this product. AVL has installed capacity of around 10,000 ton per annum.

BLEACHING CLAY + CLAY CATALYST REVENUE GROWTH (Rs M)



Source : Company / Motilal Oswal Securities

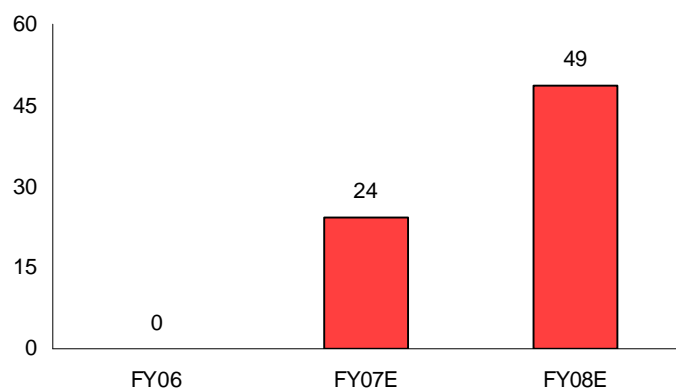
Geosynthetic clay (GCL)

GCL is like a carpet made with a bentonite layer sandwiched between fluid resistant geo-textile for waste

management. GCL finds use in landfill liners, landfill caps, tank-farm liners, retention ponds, channel liners, etc and is used for treating hazardous wastes and municipal solid wastes (MSW). The Indian Government has sanctioned about Rs50b for 400 municipal bodies all over India to manage municipal landfills. In Maharashtra alone about 300 municipal landfill sites are coming up.

AVL's plant is the only one of its kind manufacturing GCL in India. The unit has the capacity to manufacture 5m sq meters of GCL. Commercial production has already commenced at the plant. Margins in this business are at 30%. Against the landed cost of imports of US\$5-7 per sq meter, AVL sells it at US\$3-3.5 per sq meter. AVL has been allowed by AMCOL to export GCL to UAE, Africa and Sri Lanka.

GEOSYNTHETIC CLAY REVENUE GROWTH (Rs M)



Source : Company / Motilal Oswal Securities

Investment in nanocomposite

Ashapura has invested Rs6.3m by way of equity and around Rs8m by way of plant and machinery in Crystal Nanoclay Private Limited. The company will produce nanocomposite, a highly purified form of bentonite, which when injected to plastic significantly changes its properties. We have not factored in any revenues from nanocomposite in our estimates for FY07 and FY08.

Entering new businesses, geographies to diversify risk

Ashapura is diversifying into new business and entering new geographies to mitigate risk. It intends to acquire kaolin mine reserves and set up a processing plant in

Kerala to produce hydrous calcined, hydrous non-calcined, dry calcined and spray dried kaolin. It has invested in a jetty to facilitate trade. The company is also in the process of setting up overseas ventures.

Entering new businesses...

Ashapura has been trading in Kaolin for some time and has now decided to acquire mine reserves in Kerala and/or enter into agreements with existing mine owners. It also intends to set up a processing plant in Kerala, which would produce hydrous calcined, hydrous non-calcined, dry calcined and spray dried kaolin. Ashapura plans to invest Rs500m (Rs200m internal accruals and Rs300m debt).

Kaolin is a widely used mineral for several industries - white cement, ceramics, paints, paper and fiberglass. India has about 1b ton of reserves, of which Kerala accounts for 126m ton. Kerala's reserves are also believed to be of a superior quality.

...and geographies

To extend the reach and markets for its products, Ashapura has planned to enter into joint ventures abroad.

Barites mining and processing in Nigeria: Nigeria has several barite mines and a booming oil industry. Barites find application in drilling muds, which complement Ashapura's bentonite offerings. Nigeria is open to foreign mining companies developing their mineral industry. Ashapura has decided to undertake a project in Nigeria for mining and processing barites along with a prominent Nigerian oil supply company. It would be investing about US\$2m in the project, which should be operational by FY08-09.

Mineral processing complex in Antwerp: Europe is one of the major consuming markets for industrial minerals and there is a good opportunity for Indian companies to service these markets. To overcome the disadvantage of long distance and high freights, Ashapura has decided to set up a bulk importing, grinding and packaging facility in Antwerp for processing bentonite, kaolin lumps, bleaching clay and shipping them to various European destinations. This would be a 50:50 JV between Ashapura and AMCOL but AMCOL would provide Ashapura's equity share as well.

Investment in jetty to facilitate trade

To facilitate trade, Ashapura has invested in a jetty at Bedi port in Jamnagar. Given that more than 3.5m ton of bauxite will be exported from Jamnagar, the jetty would substantially reduce storage and loading cost for Ashapura, besides ensuring timely delivery of its products.

Valuations attractive; potential upside of 51%

Ashapura Minechem reported revenues of Rs8.6b (against Rs6.1b for FY05), EBITDA of Rs1.2b (against Rs408m for FY05) and adjusted PAT of Rs784m (against Rs272m for FY05) in FY06. Margins expanded by 790bp at the operating level and by 470bp at the net level, mainly on the back of higher demand for bauxite and other value-added products and due to efficient utilization of resources. Over FY02-06, the company's revenues have grown from Rs1.4b to Rs8.6b, a CAGR of 57%. EBITDA has increased from Rs54.5m to Rs1.2b, a CAGR of 118%.

We expect Ashapura to report revenues of Rs12.6b in FY07 and Rs14.8b in FY08. We expect the company to post earnings CAGR of 19% over FY06-08 and estimate EPS at Rs29.7 for FY07 and Rs34.6 for FY08. The stock trades at 7.1x FY07E and 6.1x FY08E EPS, and at an EV of 4.5x FY07E EBITDA and 4.2x FY08E EBITDA. We expect the stock to trade at a premium to Hindalco, given higher share of value-added products in its sales mix and better quality of returns.

We recommend **Buy** with an 18-month price target of Rs320 (EV/EBITDA of 6x FY08E, corresponding PE of 9.3x).

Particulars	Ashapura	Hindalco
FY07E		
P/E (x)	7.1	8.5
EV/EBIDTA (x)	4.5	4.7
ROE (%)	45.6	18.2
ROCE (%)	49.4	24.9
FY08E		
P/E (x)	6.1	8.0
EV/EBIDTA (x)	4.2	5.1
ROE (%)	32.0	19.4
ROCE (%)	38.9	20.4

Source : Motilal Oswal Securities

Concerns

Slow down in alumina capacity addition: Bauxite being the major revenue driver for Ashapura (56% of sales), sharp slowdown in capacity addition of alumina or slowdown in the demand for aluminum would adversely impact its revenues.

Increase in freight rates: Freight being significant cost for Ashapura (35-40% of sales), a sharp swing in the freight rates could hurt profitability. Freight costs move within a range of 35% to 40% of sales. This range has held ground for several freight cycles, so there is no reason to believe that there would be substantial deviation in the future.

Environmental concerns: New mining activities or substantial expansion of existing mining activities requires prior clearance of the Ministry of Environment and Forest (MOEF). Ashapura has applied for clearance from MOEF and is expected to receive the same in the near future. Any significant changes in government policy could have a significant impact on the company's future plans.

Rupee appreciation would hurt margins badly: Ashapura's turnover comprises mainly of exports; Rupee appreciation would hurt the company's margins.

Alumina project may not go through: Ashapura is planning a GDR issue for the alumina project. We have factored in 14.9% equity dilution. Any delay in the project would make our projections go wrong, as we have factored in the GDR money coming in and the capex for the project in our projections.

ANNEXURE 1:**Bauxite**

Bauxite is the main ore of aluminum, which is the source of over 99% of metallic aluminum. Bauxite is a naturally occurring, heterogeneous material composed primarily of one or more aluminum hydroxide minerals, and various mixtures of silica, iron oxide, titanium dioxide, aluminum silicates, and other impurities in minor or trace amounts.

About 85% of bauxite mined worldwide is used to produce alumina that is refined to produce aluminum metal. About 10% of the bauxite that is mined produces alumina that is used in chemical, abrasive, and refractory products. The remainder is used to make abrasives, refractory materials, and aluminum compounds.

Bauxite occurs in three main forms depending on: the number of molecules of water of hydration and the crystalline structure. The three structural forms of bauxite are gibbsite, bohmite, and diaspore. Gibbsite is a true aluminium hydroxide whereas bohmite and diaspore are aluminum-oxide-hydroxides. Gibbsite is preferred to bohmite and diaspore due to its lower digestion temperature of 150°C.

Globally, bauxite reserves are estimated to be at 55b to 75b tonnes, located in: South America (33%), Africa (27%), Asia (17%), Oceania (13%), and others (10%).

Globally, of the total bauxite (165m tonnes) consumed, 80% came from captive mines and the rest was through trading. Australia and Brazil are two largest producers and exporters of bauxite; companies in these countries are currently in the capex mode aimed at forward integration and are expected to start production of alumina by 2007. This will reduce Australia's and Brazil's exports by 50% and 40%, respectively. Moreover, China is expected to add 5m tonnes of

alumina capacity by 2008, and will consume most of the available traded bauxite. Hence, this would drastically decrease the supply of bauxite available in the traded market.

The Indian Bureau of Mines estimated that as on 1 March 2000, the recoverable reserves for bauxite in India were at 2.5bn tonnes; of this, around 90% is metallurgical grade.

Bentonite

Bentonite is an absorbent, aluminum, phyllosilicate clay that is generally impure. Two types exist: swelling bentonite called sodium bentonite and non-swelling bentonite or calcium bentonite. Bentonite is created from the weathering of volcanic ash, most often in the presence of water.

Bentonite has strong colloidal properties and its volume increases several times in contact with water; this creates a gelatinous and viscous fluid. The special properties of bentonite (hydration, swelling, water absorption, viscosity, and thixotropy) enable it to be used for a wide range of applications. Some of these include:

- Absorbents
- Foundry sand
- Iron ore palletising
- Oil- and gas-well drilling mud
- Waterproofing and sealing.

Of India's total bentonite deposits (381m tonnes), Rajasthan possesses an estimated 267m tonnes. However, Gujarat tops in bentonite production in India due to location advantages. There are bentonite reserves in Bihar and Jammu and Kashmir; however, the bentonite is not of good quality, and hence is used in foundries.

Alumina

Alumina is basic feedstock required in aluminum production. Bauxite is refined into alumina hydrate, which in turn is dehydrated in a calciner to obtain calcined alumina. India's abundant reserves of bauxite have made it a net exporter of this commodity.

India's alumina industry is globally cost competitive due to:

- Mining costs of bauxite in India are about \$5 a tonne compared to the global average of \$20-25. This is primarily due to the low labour cost in India
- Conversion costs in India are globally cost competitive, due to the quality of bauxite available, in terms of alumina content and the presence of impurities such as reactive silica
- Operating costs for alumina production in India are about \$100 per tonne compared with the world average of \$150 per tonne, as per industry sources
- Alumina refineries are close to bauxite mines and ports

- Alumina production does not require large quantities of power and almost the entire power requirement can be met through co-generation.

Alumina: world scenario

000 tonnes	2005	2006	2007E
Production (Metallurgical grade)	59882	63097	66791
Demand	61876	64227	66475
Surplus/(deficit)	-1994	-1130	315

Source: CRIS INFAC

Globally, alumina prices are set to fall from 2007 as new capacities are likely to come on-stream by then, primarily in Latin America, Oceania, and China. However, the supply situation in the alumina sector is more disciplined and could be evened out quickly when suppliers cut output; this could provide some support to alumina prices.

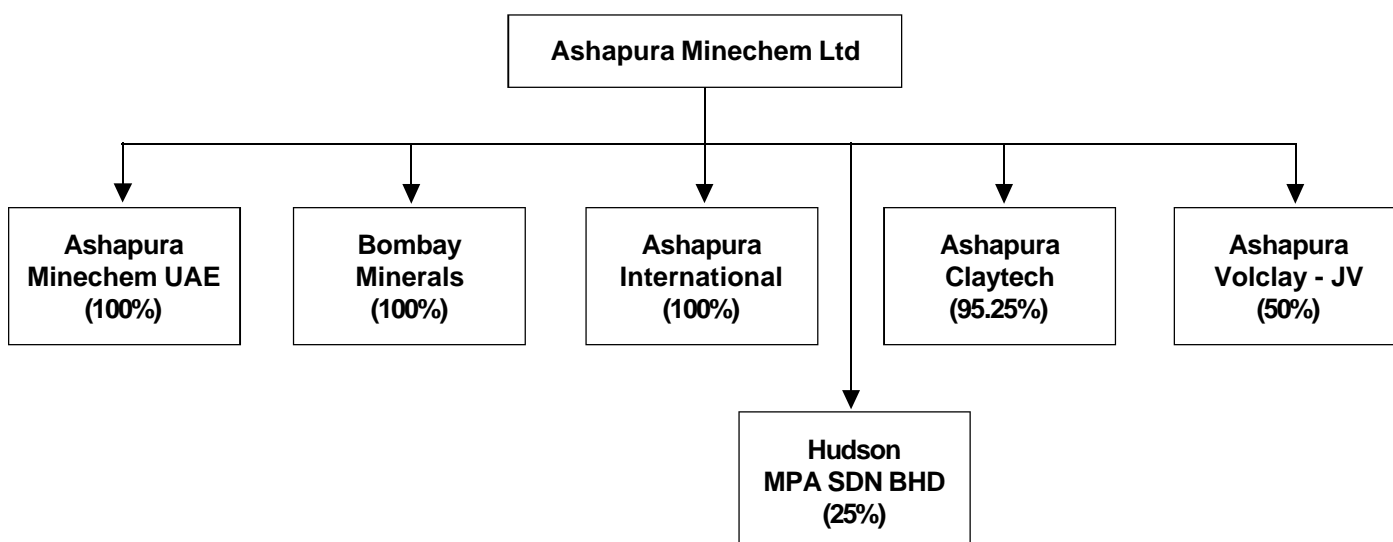
ANNEXURE 2:

Company Background**Ashapura Minechem Limited**

The Ashapura Group is one of the pioneers in the development of industrial minerals in India. The group's flagship, Ashapura Minechem Limited was promoted by Mr. Navintal Shah in the 1960s and was incorporated in 1981. It began bentonite mining in the 1980s and successfully ventured into bauxite mining in 1998. In 1999, AMCOL acquired a 20% holding in Ashapura.

Today, Ashapura Minechem Limited is the world's sixth-

largest producer of bentonite and the largest exporter of bentonite and metallurgical-grade bauxite from India. The company has nearly 3500 acres of bentonite mines and 5500 acres of bauxite mines under its control. Around 66% of its revenues come from bentonite and bauxite mining. The company also trades and manufactures value-added products through its various subsidiaries.

**Ashapura Minechem Limited**

This is the Ashapura Group's flagship company. It exports processed bentonite and bauxite. It has activation, milling, and processing plants at six different locations in India. The company reported revenues of Rs6.82b and PAT of Rs552m for FY06.

Ashapura Minechem UAE

This is a wholly-owned foreign subsidiary of Ashapura Minechem Limited at the Hamriya Free Trade Zone, Dubai. It was established to develop business in the Gulf region for industrial minerals and to seize opportunities in international trading of alumina. The company reported revenues of Rs1.1b and PAT of Rs157.8m for FY06.

Bombay Mineral

This is a wholly-owned subsidiary of Ashapura Minechem Limited that mines bauxite and produces value-added bauxite products including calcined bauxite. The company reported revenues of Rs346.6m and PAT of Rs43.4m for FY06.

Ashapura International

This is India's largest supplier of foundry-grade bentonite and supplies to all the major Indian foundries. The company reported revenues of Rs446m and PAT of Rs4.43m for FY06.

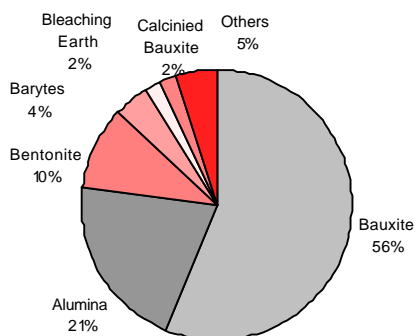
Ashapura Claytech Limited

This company supplies bentonite and attapulgite granules, which serve as efficient and economic pesticides, cat litter, and floor absorbents. The company reported revenues of Rs57m and PAT of Rs3.9m for FY06.

Ashapura Volclay

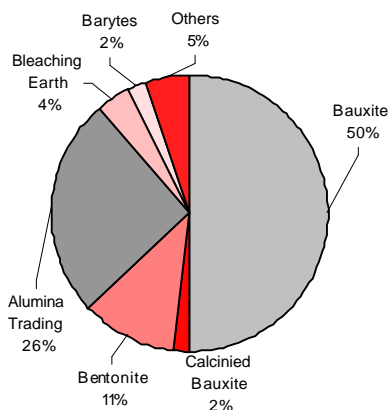
This is a joint-venture company that has been established by Ashapura Minechem Limited with AMCOL for manufacturing acid-activated bleaching earth in India. It is the only company to have been authorised by Mizusawa Industrial Chemicals Limited, to produce activated bleaching earth under the brand name Galleon outside Japan. The company reported revenues of Rs331.9m and PAT of Rs60m for FY06.

PRODUCT-WISE REVENUE BREAKUP (FY06)



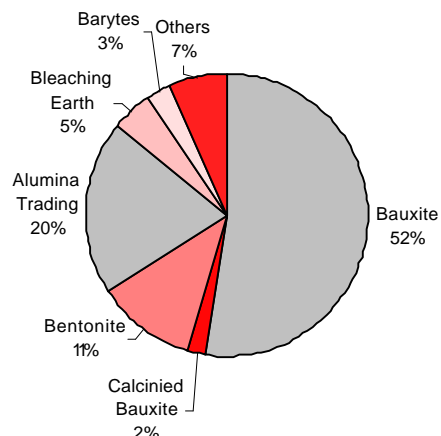
Source : Company / Motilal Oswal Securities

REVENUE BREAKUP (FY07E)



Source : Company / Motilal Oswal Securities

REVENUE BREAKUP (FY08E)



Source : Company / Motilal Oswal Securities

Breakup of Clientele (% of sales)

Customers	Country	% of Sales
Bauxite		
Fondal Metal	Azerbaijan	20%
Kauno Tiekimas	Croatia	17%
Alcoa	USA	16%
Ormet	USA	14%
Alu.silicaon	Ukraine	7%
Alcan	Greece	7%
Others		19%
Alumina		
Acura Metal Trade S.A.	Panama	50%
Samsung America Inc	Australia	50%
Bleaching Clay		
Ruchi Group	India	25%
Adani Group	India	8%
Shikar Chemicals	India	6%
Cargill India	India	6%
Jayant Agro/ Ihsedu	India	5%
Others	India	50%
Calcined Bauxite		
SKG	India	20%
Madhu Refractories	India	12%
Noble Refractories	India	10%
Ace Refractories	India	9%
Continental Refractories	India	5%
Others	India	44%
Barites		
Global Drilling	Mexico	61%
Esnaad	UAE	25%
Arabian Mineral	Saudi Arabia	7%
National Factory	Saudi Arabia	7%

Source: Company

Financials and Projections

INCOME STATEMENT		(Rs M)				
Y/E MARCH	2004	2005	2006	2007E	2008E	
Net sales	2,905	6,134	8,571	12,567	14,794	
Change (%)	30.7	111.1	39.7	46.6	17.7	
Raw Material Consumed	304	2,068	2,238	3,861	4,568	
Manufacturing exp	442	632	607	950	985	
Increase/Decrease in Stocks	-100	-138	17	-302	-183	
Employees' Remuneration	82	98	123	174	210	
Administrative, Selling & Other Expenses	1,954	2,918	4,124	5,636	6,530	
Miscellaneous Exp	88	148	223	269	312	
EBITDA	136	408	1,239	1,979	2,373	
Change (%)	-29.8	199.3	204.0	59.7	19.9	
% of Net Sales	4.7	6.6	14.5	15.7	16.0	
Depreciation	35	41	54	121	173	
EBIT	101	366	1,185	1,858	2,200	
Interest	77	109	124	189	257	
Other income	103	80	25	10	10	
PBT & EO items	127	337	1,085	1,680	1,953	
Extra-ordinary items (net)	1	0	0	0	0	
PBT	128	337	1,085	1,680	1,953	
Tax	33	65	302	571	663	
Rate (%)	25.3	19.4	27.8	34.0	34.0	
REPORTED PAT	96	271	783	1,108	1,289	
Adjusted PAT	94	272	784	1,108	1,289	
Pref. Dividend	0	0	0	0	0	
PAT after Pref. Div	94	272	784	1,108	1,289	
Change (%)	86.4	187.3	188.7	41.4	16.3	
EBITDA margin (%)	4.7	6.6	14.5	15.7	16.0	
PAT margin (%)	3.3	4.4	9.1	8.8	8.7	

Rs12m write-off for ESOP in FY07 & FY08

E: MOSSt Estimates

Financials and Projections (contd...)

BALANCE SHEET		(Rs M)				
Y/E MARCH	2004	2005	2006	2007E	2008E	
Equity share capital	64	64	65	75	75	Conversion of 0.17m - ESOP & 4.83m shares - GDR
Reserves	396	638	1,366	3,357	4,540	
Networth	460	702	1,431	3,431	4,614	
Loans	1,666	2,306	1,390	1,747	2,391	
Net deferred tax liability	23	23	36	36	36	
Capital employed	2,148	3,031	2,857	5,215	7,041	
Gross fixed assets	829	811	998	2,018	2,318	Increase in fixed assets is due to various projects undertaken by the company
Less: Depreciation	237	278	333	453	627	
Net fixed assets	592	533	665	1,565	1,692	
Capital WIP	33	36	120	50	50	
Goodwill	0	104	104	104	104	
Investments	1	1	45	302	2,302	Investment in JV (alumina refinery)
Curr. assets	2,024	2,888	3,302	5,153	5,163	
Interest accrued	0	0	0	0	0	
Inventory	648	800	795	1,139	1,341	
Debtors	944	1,296	1,481	2,238	2,635	
Cash & bank balance	59	380	528	960	300	GDR issue of Rs790m in FY07, utilised for Alumina project in FY08
Loans & advances	373	412	498	817	888	
Current liab. & prov.	529	550	1,390	1,965	2,270	
Creditors	334	323	1,030	1,665	1,932	
Other Liabilities	102	174	268	183	198	
Provisions	94	53	92	117	140	
Net current assets	1,495	2,338	1,912	3,188	2,893	
Profit & loss account	0	0	0	0	0	
Misc. exp. (not written off)	27	19	10	5	0	
Application of funds	2,148	3,031	2,857	5,215	7,041	

E: MOSSt Estimates

Financials and Projections (contd...)

RATIOS		(Rs M)				
Y/E MARCH	2004	2005	2006	2007E	2008E	
Basic (Rs)						
EPS	15.0	8.5	24.3	29.7	34.6	
Growth (%)	88.8	-43.5	185.8	22.5	16.3	
Cash EPS	20.3	9.8	26.0	33.0	39.3	
Book value	72.1	22.0	44.4	92.1	123.9	
DPS	3.0	0.8	1.5	2.0	2.5	
Payout (incl. Div. Tax.) (%)	20.2	9.4	7.0	7.7	8.2	
Valuation (x)						
P/E			8.7	7.1	6.1	
Cash P/E			8.2	6.4	5.4	
Price/Book value			4.8	2.3	1.7	
EV/Sales			0.8	0.7	0.7	
EV/EBITDA			5.9	4.5	4.2	
Dividend yield (%)			0.7	0.9	1.2	
Profitability ratios (%)						
RoE	22.3	46.7	73.5	45.6	32.0	
RoCE	6.8	15.9	42.5	49.5	39.0	
Turnover ratios						
Debtors (days)	119	77	63	65	65	
Inventory (days)	81	48	34	33	33	
Creditor (days)	44	21	51	57	57	
Fixed Asset turnover (x)	4.9	11.5	12.9	8.0	8.7	
Leverage ratio						
Debt/Equity (x)	3.6	3.3	1.0	0.5	0.5	

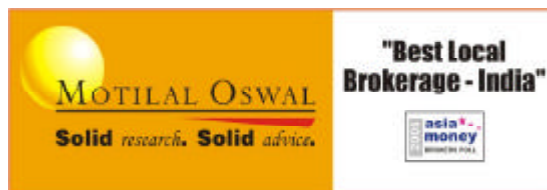
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Financials and Projections (contd...)

CASH FLOW STATEMENT		(Rs M)				
Y/E MARCH	2004	2005	2006	2007E	2008E	
PBT before EO items	127	337	1,085	1,680	1,953	
Add : Depreciation	35	41	54	121	173	
Interest	77	109	124	189	257	
Less : Direct taxes paid	33	65	302	571	663	
(Inc)/Dec in WC	-235	-522	574	-845	-365	
CF from operations	-29	-100	1,537	573	1,355	
EO, misc. & other items	1	0	0	0	0	
CF from oper. incl. EO items	-27	-100	1,536	573	1,355	
(Inc)/Dec in FA	-47	-90	-271	-950	-300	
(Pur)/Sale of investments	1	0	-45	-256	-2,000	
CF from investments	-46	-90	-316	-1,206	-2,300	
Inc/(Dec) in networth	10	4	24	982	5	
Inc/(Dec) in debt	153	641	-916	357	644	
Less : Interest paid	-77	-109	-124	-189	-257	
Dividend paid	-19	-26	-55	-85	-106	
CF from fin. activity	67	510	-1,072	1,065	285	
Inc/Dec in cash	-7	321	148	432	-660	
Add: Beginning balance	65	59	380	528	960	
Closing balance	59	379	528	960	300	

E: MOSSt Estimates

NOTES



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1. Analyst ownership of the stock	No
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3. Broking relationship with company covered	No
4. Investment Banking relationship with company covered	No

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