

Infosys Technologies

STOCK INFO.	BLOOMBERG
BSE SENSEX: 11,237	INFO IN
	REUTERS CODE
S&P CNX: 3,346	INFY.BO

14 April 2006

Buy

Previous Recommendation: Buy

Rs3,021

Equity Shares (m)	275.6
52-Week Range	3,400/1,876
1,6,12 Rel. Perf. (%)	-1/-19/-30
M.Cap. (Rs b)	832.4
M.Cap. (US\$ b)	18.5

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/06A	95,216	24,601	89.3	29.4	33.8	11.9	40.3	45.5	8.2	25.2
3/07E	127,775	33,356	119.6	34.0	25.3	8.7	39.9	45.6	6.1	18.8
3/08E	162,409	40,888	148.4	24.1	20.4	6.5	36.7	42.2	4.6	14.4

Revenue at Rs26.2b was up 3.6% QoQ, but lower than our estimate of Rs26.9b, primarily due to rupee appreciation, which reduced 2.4% from realization, though volume grew 6.6%. Gross margins declined 178bp due to lower utilization rates, rupee appreciation, increased lateral hiring and lower offshore revenue. S&M expenses were down 45bp, G&A increased 92bp; consequently, EBITDA margins were down by 226bp QoQ to 31.7%.

Tax rate declined to 10.6% from 11.2% in Q3FY06. Depreciation rose as a result of higher capex, to Rs2.75b, which dragged down the profit growth. Other income during the quarter also increased to Rs720m from a negative Rs50m last quarter. Taking above factors into consideration, PAT increased by 3.7% QoQ to Rs6.73b.

The company added 5,170 employees (net 3,293), of which lateral addition was 1,620. Laterals were 49% of net addition, the highest in past 4 quarters.

The company announced a 1:1 bonus issue (stock dividend) for all shareholders including ADR holders. It has also announced a Silver Jubilee special dividend of Rs30 per share (600% on par value of Rs5 per share) and a final dividend of Rs8.50 per share (170% on par value of Rs5 per share) for FY06 besides interim dividend of Rs6.50 per share.

We expect Infosys to report CAGR of 31% and 29% in revenues and profit respectively from FY06 to FY08E. Stock is trading at a P/E of 20.4x FY08E. We maintain **Buy** with price target of Rs3,710, an upside of 23%.

QUARTERLY PERFORMANCE

(Rs Million)

Y/E MARCH	FY05				FY06				FY05	FY06
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Revenues	15,174	17,493	18,756	19,873	20,716	22,940	25,320	26,240	71,296	95,216
Q-o-Q Change (%)	15.9	15.3	7.2	6.0	4.2	10.7	10.4	3.6	49.8	33.5
Direct Expenses	8,052	9,267	9,915	10,413	11,044	12,120	13,270	14,220	37,647	50,654
Sales, General & Admin. Expenses	2,229	2,616	2,662	2,793	3,033	3,480	3,440	3,690	10,300	13,643
Operating Profit	4,893	5,610	6,180	6,667	6,638	7,340	8,610	8,330	23,350	30,918
Margins (%)	32.2	32.1	32.9	33.5	32.0	32.0	34.0	31.7	32.8	32.5
Other Income	157	296	463	323	286	440	-50	720	1,239	1,396
Depreciation	525	606	739	998	801	960	1,170	1,440	2,869	4,371
PBT bef. Extra-ordinary	4,524	5,300	5,904	5,992	6,123	6,820	7,390	7,610	21,720	27,943
Provision for Tax	641	826	934	855	802	690	830	810	3,256	3,132
Rate (%)	14.2	15.6	15.8	14.3	13.1	10.1	11.2	10.6	15.0	11.2
PAT bef. Minority	3,883	4,474	4,970	5,137	5,331	6,130	6,560	6,800	18,464	24,793
Minority Interest	0	0	0	0	-2	-60	-70	-70	0	-210
PAT aft. Minority	3,883	4,474	4,970	5,137	5,330	6,070	6,490	6,730	18,464	24,583
Q-o-Q Change (%)	14.9	15.2	11.1	3.4	3.8	13.9	6.9	3.7	47.4	33.1

E: MOST Estimates

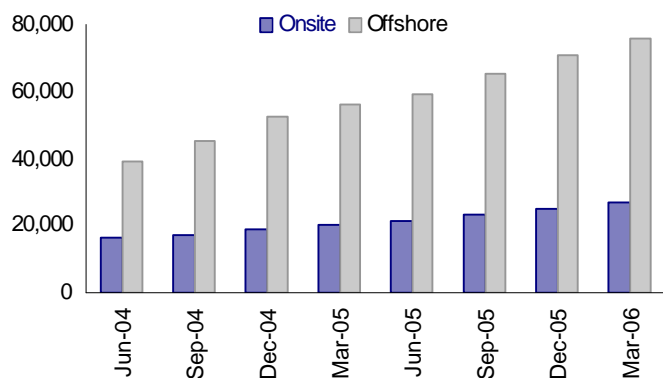
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Rupee appreciation dampens sales growth

Revenue at Rs26.2b for 4QFY06, up 3.6% QoQ, was lower than our estimate of Rs26.9b. This was primarily due to rupee appreciation, which reduced revenue realization by 2.4% even though volume growth was higher at 6.6%.

ONSITE/OFFSHORE VOLUMES (MAN MONTHS)



Source: Company/ Motilal Oswal Securities

Among the various verticals, Telecom and Manufacturing grew at 6.9% and 6.6% respectively, while BFS grew slower at 4.3% after three quarters of double-digit growth. Transportation and Logistics fell 17.1% QoQ due to revenue slowdown from a large client.

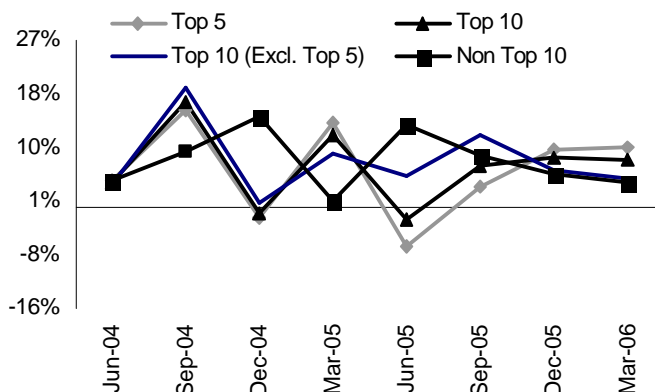
REVENUE BY VERTICAL (% QOQ GROWTH)

	MAR-05	JUN-05	SEP-05	DEC-05	MAR-06
BFS	3.1	16.3	10.3	15.1	4.3
Insurance	-1.9	-0.5	4.1	-2.2	0.7
Manufacturing	3.7	-1.0	12.4	15.3	6.6
Telecom	13.6	-7.6	7.5	4.4	6.9
Retail	2.6	10.0	21.1	8.3	2.6
Utilities	-8.4	20.5	28.7	36.0	3.6
Transportation & Logistics	22.6	-9.9	-11.4	-11.3	-17.1
Others	6.8	-70.6	20.2	22.0	11.0

Source: Company/ Motilal Oswal Securities

The company's top client grew strongly at 8.2% QoQ, while top 2-5 clients grew 10% QoQ. Top 6-10 clients grew slower at 4.5% while non-top clients grew the slowest at 3.9% QoQ.

REVENUE GROWTH FROM CLIENTS (%)



Source: Company/ Motilal Oswal Securities

The company has continued to transition a greater number of clients to higher revenue brackets – the number of US\$1m clients has touched 221 with nine clients contributing over US\$50 in revenue. Last quarter, we had mentioned that the company was able to speed up transition rates of clients into higher revenue buckets. The company has already initiated several moves in this direction including ramping up the sales team and re-training its sales force to effectively cross-sell its new service lines to existing top clients. Consequently, transition to higher brackets has improved during the quarter. Client addition in the quarter also remained robust, with the company adding 38 clients.

CLIENT TRANSITIONS (%)

	MAR-05	JUN-05	SEP-05	DEC-05	MAR-06
> US\$1mn	8.3	7.9	8.4	9.0	8.7
> US\$5mn	12.7	12.0	10.3	9.5	8.4
> US\$10mn	20.2	16.8	18.3	18.3	17.3
> US\$20mn	14.0	12.8	10.3	9.8	8.7
> US\$30mn	7.9	14.4	11.0	8.4	9.3
> US\$40mn	10.5	9.6	14.7	19.7	12.4
> US\$50mn	8.8	4.0	7.3	7.0	27.9
> US\$70mn	0.0	11.2	5.1	0.0	17.3
> US\$90mn	0.0	0.0	0.0	0.0	0.0

Source: Company/ Motilal Oswal Securities

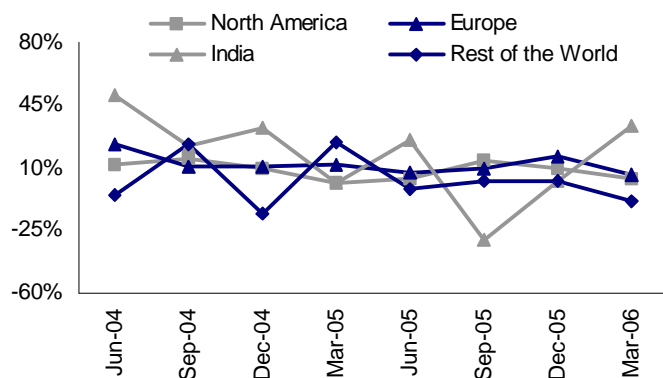
CLIENT ADDITIONS (NOS)



Source: Company/ Motilal Oswal Securities

Europe saw good client traction, growing at 6.1% QoQ; North America at 3.6% QoQ; while India grew 33.2% QoQ. RoW declined by 8.3% QoQ due to slow traction in the Asia Pacific region.

REVENUE GROWTH IN REGIONS (% QOQ GROWTH)



Source: Company/ Motilal Oswal Securities

New services growth outpaces core IT services

Core IT services, which saw a strong revival in 2QFY06 and 3QFY06 grew slower during 4QFY06 at 2.9% QoQ. New service lines continued their steady pace of growth at 7.2% QoQ. ADM services grew 4.2% QoQ to touch 50.9% of total revenue, up marginally from 50.6% in 3QFY06, due to continuing increase in discretionary expenditure in the existing clients, which has led to greater commissioning of application development services. Among the new service lines, package implementation continued to grow

strongly at 8.7%, while BPO grew slower at 3.6% QoQ. Consulting-led revenue grew 7% QoQ, while products declined by 12.7% during the quarter.

GROWTH IN SERVICE LINES (RS M)

	MAR-05	JUN-05	SEP-05	DEC-05	MAR-06
Core IT	11,904	11,746	12,984	14,559	14,983
% Chg QoQ	4.9	(1.3)	10.5	12.1	2.9
New service lines	5,704	6,153	6,813	7,317	7,846
% Chg QoQ	8.2	7.9	10.7	7.4	7.2

Source: Company/ Motilal Oswal Securities

*Excluding product and other services

The faster growth in package implementation and consulting resulted in slight improvement, by 0.5%, in onsite billing rates. However, offshore rates declined by 1.6%. We believe that the decline in offshore rates is on account of lower growth in the BPO business as offshore rates for pure IT services (standalone) have increased by 0.3%. Average consolidated billing rates have declined by 0.4% during the quarter. Decline in blended rate is also on account of decline in the offshore revenue mix to 50.7% from 51.4% in the last quarter. Management has indicated that new deals are signed at 3%-5% higher rates.

The company added 5,170 employees (net 3,293) for the quarter, of which lateral addition was 1,620. Laterals were 49% of net addition, the highest in the past four quarters (28.7% in 3QFY06, 18.2% in 2QFY06, 36.9% in 1QFY06). This indicates that the company is maintaining a fair balance in recruitment of laterals as well as freshers.

Margins drop by 226bp due to lower utilization rate, higher wage costs, higher G&A expenses and rupee appreciation

Utilization rates (excluding trainee) for the quarter also dropped to 77% down from 78.7% in 3QFY06. The lateral hiring was higher during the quarter, which we believe has also put pressure on margins. Rupee appreciation has also affected margins adversely. Hence gross margins declined by 178bp during the quarter. S&M expenses were down by 45bp (to 5.8% of sales), while G&A increased by 92bp (to 8.3% of sales). Consequently, EBITDA margins were down by 226bp to 31.7% (from 34%). While margins would

dip in 1HFY06 due to the impact of wage hikes (14%-15% offshore and 3% onsite), we expect full year margins in FY07 to decline marginally from FY05 levels.

EBITDA MARGIN DECLINE (BP)

COST	IMPACT ON MARGIN
Direct costs	-178
S&M expenses	45
G&A expenses	-92
Total	-226

Source: Company/ Motilal Oswal Securities

Net profit up by 3.7% due to higher other income and tax writeback

Depreciation during the quarter went up to Rs2.75b as a result of higher capex, which dragged down profit growth. 3QFY06 incurred exchange loss of Rs580m, leading to negative other income of Rs50m. In 4QFY06 however, the exchange loss was much lower at Rs110m. Interest income during the quarter increased to Rs610m (Rs270m, previous quarter). Consequently, total other income was higher at Rs720m during the quarter. Additionally, the company had some tax writeback in its overseas operations, which led to lower tax outgo at an effective rate of 10.6% (11.12% in 3QFY06).

EPS guidance for 1QFY07 muted at 1.5%-3.3%; however FY07 guidance above street expectations

The company has given 1QFY07 guidance for revenue in the range of Rs2.78b-Rs2.82b, implying QoQ growth of 6.4%-7.3%. EPS for the same period is expected to be between Rs24.76-Rs25.20, implying QoQ growth of 1.5%-3.3%. The guidance for lower PAT growth is on account of salary hikes of between 14%-15% for offshore and around 3% for onsite staff.

For full year FY07, the company has given guidance for revenue in the range of Rs122.5b and Rs124.5b, implying YoY growth of 28.7%-30.7%. EPS for the same period is expected to be Rs113.85-Rs115.61, implying YoY growth

of 26.4%-28.4%. The guidance assumes Rs/\$ rate of Rs44.48 with flat billing rates and margins (management expects margins to remain flat from FY06 levels — OPM, 32.5%; PAT margin, 25.8%).

The company is looking to add 25K (gross) employees in FY07 against 22.9K in FY06 and 15K in FY05, indicating expectation of continued robust demand by management. Assuming attrition rate of 11%, gross addition of 25K employees should translate to volume growth of +30% in FY07. We expect volumes to grow 36.3% in FY07.

For FY07 the company expects: (1) strong growth to continue in the BPO business (Progeon) with revenue growth expectation at 45%-50% (FY06 revenues of Rs3.7b, up 97% and PAT of around Rs0.92b). It also expects to maintain margins in BPO going forward; (2) good traction both from the domestic China market as well as global market (expects employee size to double from current 500 to more than 1,000 by FY07) for its China subsidiary; (3) losses in China as well as for the consulting subsidiaries. This will be due to its continued business investments for growth; and consulting business breakeven is expected only by end-FY07. The China subsidiary recorded Rs0.26b revenues in FY06.

Valuation and view

Whilst 4QFY06 numbers have been disappointing, FY07 guidance is robust and higher than market expectations. Considering the guidance for FY07 and Q1FY07, CQGR will be 6.7% for sales & 9.2% for PAT from Q2FY07 to achieve the higher end of FY07 guidance. We expect the market to react positively to the higher-than-expected guidance and expect the stock to open strongly.

We expect Infosys to report CAGR of 31% and 29% in revenues and profit respectively from FY06-FY08E. On an estimated EPS of Rs148.4 for FY08E, the stock trades at a P/E of 20.4x. Going by the healthy FY07E guidance and strong demand outlook in future, we maintain **Buy** with a price target of Rs3,710, an upside of 23%.

KEY METRICS

	4Q	3Q	% CHG	%CHG	4Q	4Q	3Q	% CHG	%CHG	4Q
	FY06	FY06	QOQ	YOY	FY05	FY06	FY06	QOQ	YOY	FY05
Consolidated Vol Data - Per Mths billed										
Onsite	26,693	24,918	7.1	33.5	19,996					
Offshore	75,461	70,876	6.5	33.9	56,349					
Total Billed	102,154	95,794	6.6	33.8	76,345					
Revenue - IT Services										
Onsite (%)	49.3	48.6			48.1					
Onsite (Rs Mn)	12,863	12,240	5.1	34.7	9,549					
Offshore (%)	50.7	51.4			51.9					
Offshore (Rs Mn)	11,488	11,105	3.4	27.5	9,012					
Utilisation										
Including Trainees	69.7	70.0			73.2					
Excluding Trainees	73.9	78.7			76.6					
Derived Billing Rates - IT Services										
Onsite	65.2	64.8	0.6	-0.1	65.3					
Offshore	25.0	24.9	0.3	0.4	24.9					
Employee Base										
Employees	52,715	49,422	3,293	14,193	36,750					
Net Employee addition	3,293	3,226	67	946	1,521					
Gross Employee addition	5,170	5,135	35	1,971	2,506					
Attrition Rate (%)	9.7	10.3			9.7					
Client Performance										
Active Clients	460	454			438					
Client addition	38	36			37					
Clients dropped	32	32			33					
Repeat Business	92.1	93.2			92.9					
Client Concentration										
Top Client (in %)	4.7	4.5			6.3					
Top Client (Rs Mn)	1,233	1,139	8.2	-1.5	1,252					
Top 5 Clients (in %)	18.6	17.6			21.2					
Top 2-5 Clients (Rs Mn)	3,647	3,317	10.0	23.2	2,961					
Top 10 Clients (in %)	31.0	29.9			33.8					
Top 6- 10 Clients (Rs Mn)	3,254	3,114	4.5	29.9	2,504					
Remaining Clients (in %)	69.0	70.1			66.2					
Remaining Clients (Rs Mn)	18,106	17,749	2.0	37.6	13,156					
Client Evaluation										
> US\$1mn	221	206			166					
> US\$5mn	81	78			71					
> US\$10mn	54	51			42					
> US\$20mn	26	25			19					
> US\$30mn	19	18			11					
> US\$40mn	14	14			8					
> US\$50mn	9	7			5					
> US\$60mn	0	5			3					
> US\$70mn	4	2			1					
> US\$80mn	0	2			1					
> US\$90mn	1	1			0					
Revenue by Project Type										
Fixed price (%)	27.0	28.4			29.4					
Fixed price (Rs Mn)	6,575	6,630	-0.8	20.5	5,457					
Time & Material (%)	73.0	71.6			70.6					
Time & Material (Rs Mn)	17,776	16,715	6.3	35.6	13,104					
Revenue by Domain										
Banking & FS (%)	29.2	29.0			25.0					
Banking & FS (Rs Mn)	7,662	7,343	4.3	54.2	4,968					
Insurance (%)	6.8	7.0			8.8					
Insurance (Rs Mn)	1,784	1,772	0.7	2.0	1,749					
Manufacturing (%)	14.5	14.1			14.0					
Manufacturing (Rs Mn)	3,805	3,570	6.6	36.8	2,782					
Telecom (%)	16.3	15.8			19.4					
Telecom (Rs Mn)	4,277	4,001	6.9	10.9	3,855					
Retailing (%)	10.2	10.3			9.1					
Retailing (Rs Mn)	2,676	2,608	2.6	48.0	1,808					
Utilities (%)	5.3	5.3			3.2					
Utilities (Rs Mn)	1,391	1,342	3.6	118.7	636					
Trans. & Log. (%)	3.6	4.5			8.1					
Trans. & Log. (Rs Mn)	945	1,139	-17.1	-41.3	1,610					
Others (%)	4.5	4.2			12.4					
Others (Rs Mn)	1,181	1,063	11.0	-52.1	2,464					
Revenue by Geography										
North America (%)	65.0	65.0			63.9					
North America (Rs Mn)	17,056	16,458	3.6	34.3	12,699					
Europe (%)	25.5	24.9			23.3					
Europe (Rs Mn)	6,691	6,305	6.1	44.5	4,630					
India (%)	1.8	1.4			2.0					
India (Rs Mn)	472	354	33.2	18.8	397					
RoW (%)	7.7	8.7			10.8					
RoW (Rs Mn)	2,020	2,203	-8.3	-5.9	2,146					
Revenue by service offering										
Development (%)	20.1	21.1			20.7					
Development (Rs Mn)	5,274	5,343	-1.3	28.2	4,114					
Main., incl. Y2K (%)	30.8	29.5			30.9					
Main., incl. Y2K (Rs Mn)	8,082	7,469	8.2	31.6	6,141					
Re-engineering (%)	4.3	5.0			6.5					
Re-engineering (Rs Mn)	1,128	1,266	-10.9	-12.7	1,292					
Package implem. (%)	17.1	16.3			15.3					
Package implem. (Rs Mn)	4,487	4,127	8.7	47.6	3,041					
Consulting (%)	3.2	3.1			4.1					
Consulting (Rs Mn)	840	785	7.0	3.1	815					
Testing (%)	5.6	5.5			6.1					
Testing (Rs Mn)	1,469	1,393	5.5	21.2	1,212					
Engineering Serv. (%)	1.9	1.9			1.8					
Engineering Serv. (Rs Mn)	499	481	3.6	39.4	358					
Other services (%)	9.8	9.8			8.0					
Other services (Rs Mn)	2,572	2,481	3.6	61.7	1,590					
BPO (%)	4.0	4.0			3.2					
BPO (Rs Mn)	1,050	1,013	3.6	65.0	636					
Products (%)	3.2	3.8			3.4					
Products (Rs Mn)	840	962	-12.7	24.3	676					
New service lines	7,846	7,317	7.2	37.6	5,704					
Rest	18,394	18,003	2.2	29.8	14,170					

Source: Motilal Oswal Securities

Infosys Technologies: an investment profile

Company description

Infosys is the second largest IT company in India with revenues of more than US\$2b and employing over 50,000 people. It provides IT as well as BPO services to more than 450 clients. It is the preferred vendor for a majority of the Fortune 500/Global 1,000 companies. Its top clients include DHL, Telstra, American Express, Goldman Sachs, Cisco, Fidelity and Bank of America.

Key investment arguments

- ✎ Excellent project execution skills make it the preferred vendor for most clients
- ✎ Differentiates itself by innovating offshore delivery of services in various forms
- ✎ Sustained competitive advantage to enable it to maintain its leadership position

Key investment risks

- ✎ Rapid hiring could hurt margins if demand declines
- ✎ Weak R&D services and infrastructure management services practice could result in it losing out on large outsourcing deals
- ✎ Higher mix of freshers in overall employee base could impact quality of services

COMPARATIVE VALUATIONS

		INFOSYS	TCS	WIPRO
P/E (x)	FY07E	25.3	24.0	26.8
	FY08E	20.4	19.9	22.0
P/B (x)	FY07E	8.7	10.1	6.2
	FY08E	6.5	7.4	4.8
EV/Sales (x)	FY07E	6.1	5.3	4.6
	FY08E	4.6	4.2	3.6
EV/EBITDA (x)	FY07E	18.8	18.5	18.6
	FY08E	14.4	15.2	14.2

SHAREHOLDING PATTERN (%)

	DEC.05	SEP.05	DEC.04
Promoters	19.6	19.7	21.9
Domestic Institutions	5.4	4.7	5.1
FII's/FDIs	57.8	58.5	50.5
Others	17.3	17.1	22.6

Recent developments

- ✎ Mohandas Pai steps down as CFO effective April 30,2006. Mr. Balakrishnan currently Senior VP- Finance and Corporate Secretary to take over w.e.f. 01st May 2006
- ✎ Management to decide on acquiring 100% ownership of Progeon by end of 1QFY06

Valuation and view

- ✎ CAGR of 31% and 29% in revenues and profit respectively over FY06-FY08E.
- ✎ Valuations at of 20.4x FY08E appear very attractive.
- ✎ We maintain **Buy** on our price target of Rs3,710, an upside of 23%.

Sector view

- ✎ Various CIO surveys indicate increasing share of offshore spending in IT budgets
- ✎ Indian offshore vendors gaining market share in competition with MNCs
- ✎ We prefer large companies, as bulk of volumes are going to them; niche players are benefiting due to lack of offshore competition

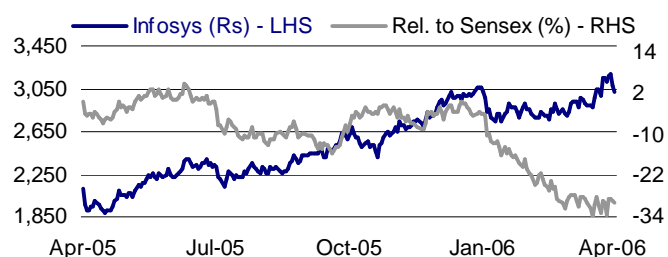
EPS: INQUIRE FORECAST VS CONSENSUS (RS)

	INQUIRE FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY07	119.6	119.5	0.1
FY08	148.4	146.6	1.2

TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
3,021	3,710	22.8	Buy

STOCK PERFORMANCE (1 YEAR)



INCOME STATEMENT					
(Rs Million)					
Y/E MARCH	2004	2005	2006	2007E	2008E
Sales	47,609	71,296	95,216	127,775	162,409
Change (%)	31.4	49.8	33.5	34.2	27.1
Software Develop. Exp.	24,953	37,647	50,654	68,557	88,022
Selling and Mktg. Exp.	3,351	4,610	6,005	7,950	10,069
Administration Exp.	3,469	5,690	7,639	9,947	12,538
EBITDA	15,837	23,350	30,918	41,321	51,780
% of Net Sales	33.3	32.8	32.5	32.3	31.9
Depreciation	2,309	2,869	4,371	5,750	7,308
Other Income	1,274	1,239	1,396	2,120	2,629
PBT	14,801	21,720	27,943	37,690	47,100
Tax	2,270	3,256	3,132	4,334	5,652
Rate (%)	15.3	15.0	11.2	11.5	12.0
PAT	12,531	18,464	24,793	33,356	41,448
Minority Interest			210	400	560
Net Income	12,531	18,464	24,583	32,956	40,888
Change (%)	30.8	47.3	33.1	34.1	24.1

BALANCE SHEET					
(Rs Million)					
Y/E MARCH	2004	2005	2006	2007E	2008E
Share Capital	333	1,353	1,380	1,380	1,380
Share Premium	4,609	8,999	15,430	15,430	15,430
Reserves	27,554	41,900	52,850	78,677	110,708
Net Worth	32,496	52,251	69,660	95,487	127,518
Preference Capital	936	935	0	0	0
Capital Employed	33,431	53,188	69,660	95,487	127,518
Gross Block	16,337	22,873	29,830	46,830	59,830
Less : Depreciation	8,098	10,308	13,280	19,030	26,338
Net Block	8,238	12,565	16,550	27,800	33,492
CWIP	2,081	3,177	5,710	5,000	3,000
Investments	9,455	12,108	7,550	8,000	8,500
Curr. Assets	31,340	39,664	63,990	77,181	115,226
Debtors	6,515	13,220	16,080	22,428	26,517
Cash & Bank Balance	17,215	15,756	34,290	35,707	66,332
Loans & Advances	7,211	10,244	12,970	18,207	21,421
Other Current Assets	400	444	650	838	956
Current Liab. & Prov	17,682	14,326	23,460	22,494	32,699
Creditors	4,499	5,354	7,320	9,483	11,875
Other liabilities	1,310	1,207	2,020	1,913	3,059
Provisions	11,872	7,766	14,120	11,097	17,765
Net Current Assets	13,658	25,338	40,530	54,687	82,527
Application of Funds	33,431	53,187	70,340	95,487	127,519

E: MOST Estimates

RATIOS					
Y/E MARCH	2004	2005	2006	2007E	2008E
Basic (Rs)					
EPS*	47.0	69.0	89.3	119.6	148.4
Cash EPS*	55.9	79.7	105.1	140.5	174.9
Book Value	121.9	195.2	252.8	346.5	462.8
DPS	32.4	12.9	44.9	22.7	28.2
Payout%(Incl.Div.Taxes)	77.3	21.1	57.4	21.7	21.7
Valuation (x)					
P/E	64.3	43.8	33.8	25.3	20.4
Cash P/E	54.0	37.9	28.7	21.5	17.3
EV/EBITDA	50.2	34.0	25.2	18.8	14.4
EV/Sales	16.7	11.1	8.2	6.1	4.6
Price/Book Value	24.8	15.5	11.9	8.7	6.5
Dividend Yield (%)	1.1	0.4	1.5	0.8	0.9
Profitability Ratios (%)					
RoE	41.0	43.6	40.3	39.9	36.7
RoCE	47.7	50.2	45.5	45.6	42.2
Turnover Ratios					
Debtors (Days)	50	68	62	64	60
Fixed Asset Turnover (x)	2.9	3.1	3.2	2.7	2.7
Leverage Ratio (x)					
Debt/Equity Ratio(x)	0.0	0.0	0.0	0.0	0.0

CASH FLOW STATEMENT					
(Rs Million)					
Y/E MARCH	2004	2005	2006	2007E	2008E
CF from Operations	14,840	21,333	29,182	39,106	48,756
Cash for Working Capital	-10,773	13,095	-3,549	12,551	-2,902
Net Operating CF	25614	8238	32731	26555	51658
Net Purchase of FA	-4,918	-7,633	-9,490	-16,290	-11,000
Net Purchase of Invest.	-7,113	-3,574	4,558	-450	-500
Net Cash from Invest.	-12031	-11207	-4932	-16740	-11500
Proceeds from Pvt. Place.	0	5,409	6,458	0	0
Proceeds from LTB/STB	0	0	0	0	0
Dividend Payments	-9,730	-3,900	-15,723	-8,397	-9,534
Cash Flow from Fin.	-9730	1509	-9265	-8397	-9534
Free Cash Flow	7,478	20,695	605	23,241	10,265
Net Cash Flow	3853	-1459	18534	1417	30624
Opening Cash Balance	13,362	17,215	15,756	34,290	35,707
Add: Net Cash	3,853	-1,459	18,534	1,417	30,624
Closing Cash Balance	17,215	15,756	34,290	35,707	66,331



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