Gujarat State Petronet Ltd

MAY 31st, 2008

CMP: Rs 64 ***"RIGHT PLACE RIGHT TIME"*** **"BUY"**

BSE Code	532702
NSE Code	GSPL

Key Data

Sensex	16416
52 week H/L (Rs)	114/50
May Month H/L (Rs)	74/64
Market Cap (Rs Cr)	3597
Avg. daily vol. (6m)	2501601
Face Value (Rs)	10

Source: Capitaline

Shareholding Pattern (%)

Promoters	37.8
Institution	14.0
Foreign holding	15.8
Non-Promoter Corp. Holding	6.9
Public & Others	25.5

Source: Capitaline

One-Year Performance:
(Rel. to Sensex)

Source: Capitaline

Background and Business

Gujarat State Petronet Ltd. (GSPL), a GSPC subsidiary, has taken a lead in developing energy transportation infrastructure in Gujarat and connecting major natural gas supply sources and demand markets. The company owns and operates the second largest Natural gas transmission network in India. The company is the first and only pure natural gas transmission company in India for transmission of natural gas on an "open access" basis, which means that the company makes gas transmission capacity available to any shipper on a nondiscriminatory basis. The unique business model of "Pure Transmission Services and Open Access" adopted by the company is in line with the spirit of the new regulatory regime.

Currently, GSPL has a network of 1,130 km of gas pipeline in operation from Hazira-Vadodara-Ahmedabad-Kalol-Himmatnagar-Mehsana-Rajkot-Morbi-Vapi. Currently, total gas transmission stands at 16 mmscmd after network expansion, and with Reliance gas flowing from D6–KG Basin we expect volumes to reach to 43 mmscmd in FY11.

GSPL Pipeline Network

FY07	Kms	Specification
• Mora-Vapi Pipeline Project	128km	30"
• Anand-Rajkot- Morbi Pipeline Project	224km	24"
• Rajkot - Morbi	67km	18"
• Kalol-Himmatnagar Pipeline Project	60km	12"
• Kalol-Mehsana Pipeline Project	40km	18"
• Morbi-Dhuva Pipeline Project	22km	12"
• Spurlines in Kadi, Karjan, Than,		
Sarigram GIDC and Himmatnagar.	79km	
Addition	620km	
Total Pipeline - Operational Network	1130km	

Source: Company

Once the expansion gets commissioned, GSPL will have a network of around 2,000 km by FY10 covering major parts of Gujarat. According to our estimates in FY10, total gas transmission will reach 36 mmscmd in FY10 from 17 mmscmd currently.

INDUSTRY SCENARIO
NATURAL GAS - DEMAND – SUPPLY SCENARIO

India currently produces around 87 mmscmd of gas, out of which 15% is used for internal consumption, flaring and shrinkage on account of the extraction of LPG. Remaining 77 mmscmd is available to various customers out of which 63 mmscmd is supplied by ONGC through GAIL, 3 mmscmd by Oil India and about 8.5 mmscmd by joint ventures and private companies to various consumers at market prices. However, still demand is double then the supply. India currently imports around 20 mmscmd to meet excess demand and part of it is also met by importing Liquefied Natural Gas (LNG).

However, going forward, the complete Demand-Supply scenario is going to change once Reliance starts commercial production from its D6 Block in KG Basin. In 2002, RIL discovered world's largest gas reserves in the KG Basin on the east coast of India. Commercial supply of gas is expected to begin by H2CY08, where initially it will have a production of 40 mmscmd, which can be increased to 80 mmscmd at peak levels. According to some estimates peak production can also reach to 120 mmscmd during FY12-FY17.

Natural Gas, over the years, has found more acceptance due to lower fuel operating costs and better combustion characteristics. It has distinct economic advantages over other sources of energy. In addition, natural gas has substantial environmental advantages over other energy sources, due to lower emissions.

Natural gas demand-supply

(mmscmd)	2005-06	2006-07	2007-08P	2008-09P	2009-10P	2010-11P	2011-12P	CAGR (%)
Demand break-up								
Power	36.9	37.0	47.4	61.2	66.7	73.0	75.9	12.8
Captive power plants	10.0	10.8	11.4	12.3	17.1	20.4	24.9	16.5
Fertilisers	25.9	26.8	32.8	33.0	39.7	44.8	51.3	12.0
Petrochemicals	5.9	6.3	6.5	6.5	6.5	6.5	6.5	1.5
Sponge iron	3.8	4.6	4.8	4.8	4.8	4.8	4.8	4.3
Refinery use	9.1	9.1	9.3	9.3	9.3	9.3	9.3	0.3
Others	5.7	5.9	6.3	8.2	13.7	17.3	26.9	29.3
Total	**97.3**	**100.5**	**118.5**	**135.4**	**157.8**	**176.1**	**199.6**	**12.7**
Supply break-up								
Existing fields	73.6	71.8	68.4	65.1	60.9	55.5	49.6	-6.4
New discoveries	**0.0**	**0.0**	**0.0**	**28.0**	**53.0**	**72.2**	**95.7**	
LNG supplies	19.3	28.0	31.2	31.2	34.0	46.3	50.2	17.3
Coal-bed methane	0.0	0.0	1.0	2.5	3.5	5.0	5.0	
Total	**92.9**	**99.8**	**100.6**	**126.7**	**151.4**	**179.0**	**200.5**	**13.7**
Surplus	**-4.5**	**-0.7**	**-17.9**	**-8.6**	**-6.4**	**2.9**	**0.9**	

Source: CRISIL

PIPELINE NETWORK

Worldwide, pipelines are the most preferred medium to transport petroleum products over long distances. In fact, gas can be transported only through pipelines. In the case of imports, however, gas can be transported as liquefied natural gas (LNG) aboard special tankers.

Demand for gas is constrained by its availability as well as the pipeline infrastructure. An underdeveloped supply infrastructure can prevent the development of regional markets. Therefore, pipeline infrastructure becomes a precondition for supplying gas.

Existing supply infrastructure

India has a total pipeline infrastructure of around 11,061 km, supplying about 87 mmscmd of gas (excluding the internal consumption). GAIL is the country's largest gas transmission and marketing company. It currently owns and operates around 53% of the onshore pipeline network, with over 5,826 km of pipeline concentrated mainly in north-western India, but spread over all regions of the country. Its existing gas infrastructure can support the production and transportation of 133 mmscmd of gas.

Gujarat State Petroleum Corporation (GSPC), a Gujarat government-owned company, has also been in the gas transportation business through its subsidiary, Gujarat State Petronet Ltd (GSPL). GSPL is setting up a 850 km pipeline network for transporting gas. Among the other regional pipelines, Assam Gas Company has a prominent pipeline network in the north-east. Reliance Industries Limited also has firm plans to make a foray into gas pipelines for carrying its gas finds in the KG Basin to the western and southern markets. This includes laying the 1,200 km Kakinada-Uran trunk line and the 2,500 km Jamnagar-Kochi pipeline.

Company-wise Pipeline Ownership

(km)	Onshore	Offshore	Total
GAIL	5,826	-	5,826
ONGC	1,079	671	1,750
OIL	213	-	213
GSPL	1,069	-	1,069
GGCL	1,600	-	1,600
Assam Gas	600	-	600
Others	2	-	2
Total	**10,390**	**671**	**11,061**

Source: Ministry of Petroleum and Natural Gas, CRISIL

GSPL and GGCL have a pipeline network in Gujarat. GGCL's pipelines are spread over more than 2,000 km in three major industrial cities of Gujarat covering Hazira–Ankleshwar. Other major player present in the state – GAIL - has a vast network in the state. But if the experience in Gujarat is anything to go by, GSPL will give it's larger competitor a run for its money. Gujarat has been an early adapter of gas. In the year 2000-2001, when GSPL wasn't around, GAIL carried the entire 20 mmscmd of gas. Today it carries just 13 of the 40 mmscmd gas, while GSPL carries 20 mmscmd. GSPL, over a period of time, has built a business model by proactively going to the customer and not waiting for them to come and pricing it cheaper than the Goliath. As a result, it has the largest pipeline in Gujarat and a service-satiated but gas-hungry clientele.

Pakistan – Way Ahead of India

According to an ASSOCHAM paper, Pakistan has a pipeline network of 56,400 km, more than five times ours. We have piped gas in just 25 cities. They have it in more than 1,000 centres. As the supply increases, the pipeline network will also rise in India. Looking at this figure, we can conclude that India is still at a nascent stage in terms of Pipeline network and in future we will see huge investment in this industry as Natural Gas supply constraints will ease.

Domestic supply break-up of New finds

(mmscmd)	2008-09P	2009-10P	2010-11P	2011-12P	CAGR (%)
ONGC-KG basin	0.0	0.0	4.0	5.3	
RIL-KG basin	28.0	53.0	62.0	80.0	41.9
RIL-NEC 25	0.0	0.0	3.5	6.6	
GSPC-KG Basin	0.0	0.0	2.7	3.8	
Total	**28.0**	**53.0**	**72.2**	**95.7**	**50.6**

Source: CRISIL

Gujarat – Major Natural Gas Demand Centre

The state of Gujarat is presently the primary origination or entry point for both domestic natural gas and imported LNG for Western and Northern India. This is because of Gujarat's strategic location and oceanic access to LNG producing countries in the Middle East and Asia. Gujarat has emerged as a vibrant hub for gas industry with its large industrial base, growing energy needs and proactive government approach. The demand in the state is expected to increase from 54.1 mmscmd in 2005 to 94.5 mmscmd by 2010 (50% of total demand). This is mainly because many companies are switching over to gas for their fuel and feedstock requirements, development of CGD network in Gujarat, expansion of existing projects and setting up of new industries. GSPL will be one of the beneficiaries by transmission of additional volumes available on account of increase in supply of natural gas in the state.

INVESTMENT RATIONALE

First Mover's Advantage in Gujarat

GSPL was the first company to build pipeline network in Gujarat and was able to offer natural gas to number of users. Being a first mover, there is no competing pipeline over various networks – including the Baroda-Ahmedabad-Kalol pipeline, where it is the only player to offer services. First mover's advantage has helped GSPL over time to build strong relationship with the customers and also higher bargaining power. It is also well connected to major supply centers in Gujarat including designated collection points near Natural Gas fields of Cairn Energy, GSPC, GSPC-Niko and Panna Mukta Tapti landfall point, which are located in Hazira, and re-gasified LNG from Hazira and Dahej.

Expanding to New Geographies

GSPL has plans to expand outside Gujarat to neighbouring states of Rajasthan, MP, and Maharashtra. However, the expansion would now depend on GSPL's ability to win the projects when bids are out by Petroleum and Natural Gas Regulatory Board (PNGRB). For that matter, GSPL can now bid for any project in view of the bidding opportunities that would be thrown open by PNGRB. However it is expected that parties having access to gas would have an advantage while bidding for new project, and hence GSPL's success and interest would be in the areas where its parent company has E&P assets including regions of Andhra Pradesh, Tamil Nadu, Rajasthan, Maharasthra, etc. or the nearby states.

City Gas Distribution

GSPL is into business of gas transmission and it doesn't trade / market gas. Thus, GSPL is not into the business of City Gas Distribution (CGD). However, to ensure the last mile connectivity in tandem with the development of transmission network and leverage distribution opportunity created by its network, GSPL has taken equity in the city gas distribution company promoted by GSPC in the name of GSPC Gas as well as in Joint Venture company between GSPC / GSPL and BPCL namely Sabarmati Gas limited (SGL). It has invested approximately Rs 30 Cr each in both the companies and currently holds around 25% equity in both the companies, though the equity structure of both these companies is yet to get finalized. GSPC Gas, selling more than 1 mmscmd, is currently operating in Vapi, Valsad, Navsari, Nadiad, Khambhat, Gandhinagar, Rajkot, Morbi, and Surendranagar, while SGL is selling around 0.5 mmscmd in Himatnagar, Mehsana, and Gandhinagar. Both the companies are expected to double their volumes in next two years.

Higher Operating Margin Business

EBIDTA margin of more than 85% is a norm for gas transportation companies globally. In case of GAIL, it is more than 90%. As the gas transportation volumes increase (increase in the capacity utilization), the EBIDTA margins would improve, since the operating cost in the transmission business is not variable and is largely fixed. In case of GSPL, it doesn't have compression station, which could be significant part of operating cost for a transmission company. GSPL has new assets, which means lower maintenance and leaner organization, and GSPL's EBIDTA margins shall improve beyond 90%.

LNG Terminal expansion plan – Hazira & Dahej – Shell

Petronet LNG Ltd. has set up a LNG re-gasification terminal at Dahej for 5 mmtpa capacity, expandable to 10 mmtpa, with an initial investment of Rs 2,010 Cr. Current gas supply to the consumers from this terminal is 17.5 mmscmd. Petronet is planning to expand Dahej terminal to 7.5 mmtpa by December 2008. In Hazira too, Shell LNG terminal volumes are expected to increase from 8 mmscmd to 9.5 mmscmd.

Tariffs

GSPL's tariffs consist of two components - Capacity Charge (fixed around 90%) and Commodity Charge (charged on the basis of actual volumes transported, which is around 10%). The Commodity Charge is escalated to inflation (typically WPI) to take care of increase in the operating cost. While deciding tariffs, distance is also taken into consideration – nearby and far distance. Currently, more than 60% of the gas transported is to nearby region, where realization is lower than the average.

The most important assumption that goes into tariff determination is projected volumes over the project's economic life of 20 years (pipelines have life of more than 30 years). The external factors that affect tariffs are

a) Competition, if any. GSPL pipeline from Vapi to Vadodara has GAIL's pipeline running parallel to it and GAIL tariff in these markets is potentially a ceiling. However, GSPL's tariffs in these markets are significantly lower than that of GAIL's HBJ charges. In some of the regions, Gujarat Gas Co. Ltd. (GGCL) also has pipelines, however they are now used as captive pipelines and GGCL is primarily in distribution.

b) Delivered price of gas has to be affordable to the consumers and competitive vis-à-vis the alternate fuel, and hence the transmission charges cannot be exorbitantly higher.

Annexure:

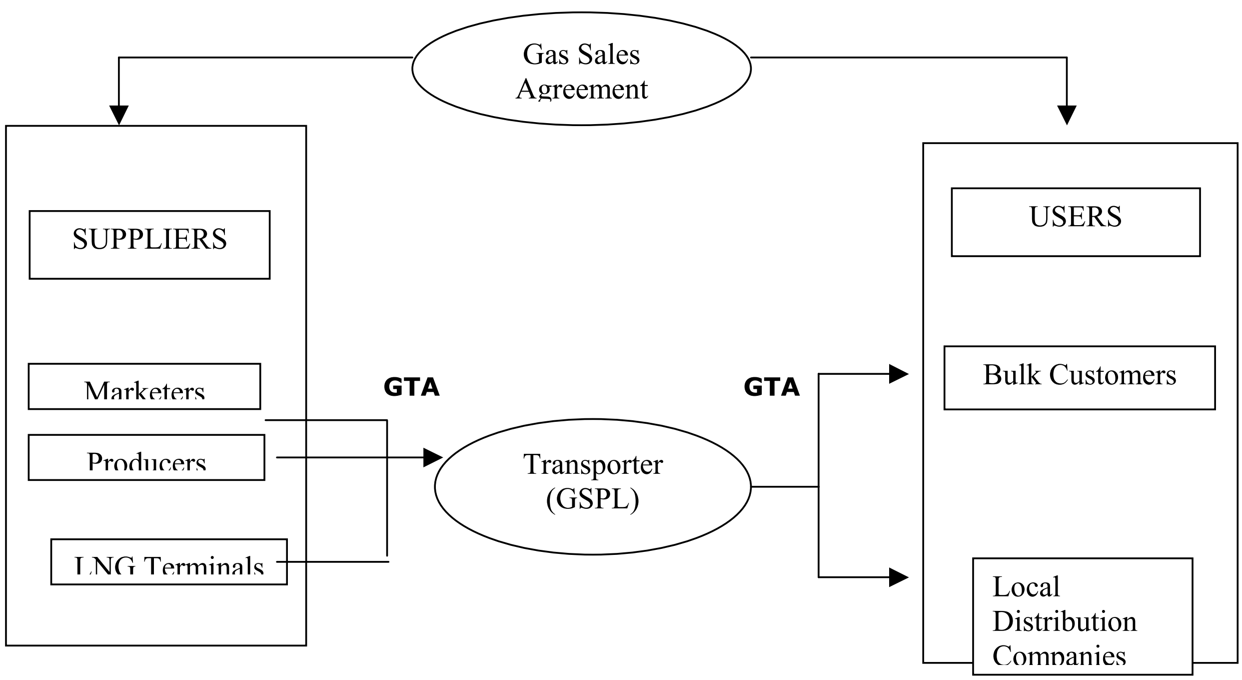
Business Model

GSPL is the first and only pure natural gas transmission company in India for transmission of natural gas on an "open access" basis, which means that the company makes gas transmission capacity available to any shipper on a non-discriminatory basis.

GSPL has this unique business model where it can transmit gas in two-way direction i.e. flow of gas from the same pipeline can be transmitted from South of Gujarat–Hazira to North and from Rajasthan to the South, where Cairn is expected to start its commercial production of Gas. This bi-directional flow helps it to operate on higher utilization with no major cap-ex.

GSPL pipelines are underground where it has implemented SCADA system to continuously monitor the system on real time basis. All the unmanned stations are supervised through CCTV which are connected to the master control rooms through OFC laid along the pipeline. Manual surveillance is there to ensure no construction or intervening activities around the pipeline.

At the cost front, most of the operating costs are fixed including insurance, maintenance, salary and administrative expense as these costs don't vary with volumes. In case of GSPL, it doesn't have any compressors installed on its pipeline and hence there is no variable cost associated with fuel as well. Currently installed capacity stands at 40 mmscmd, which can increase to 55 mmscmd by installing more compressors.



FUTURE PLANS

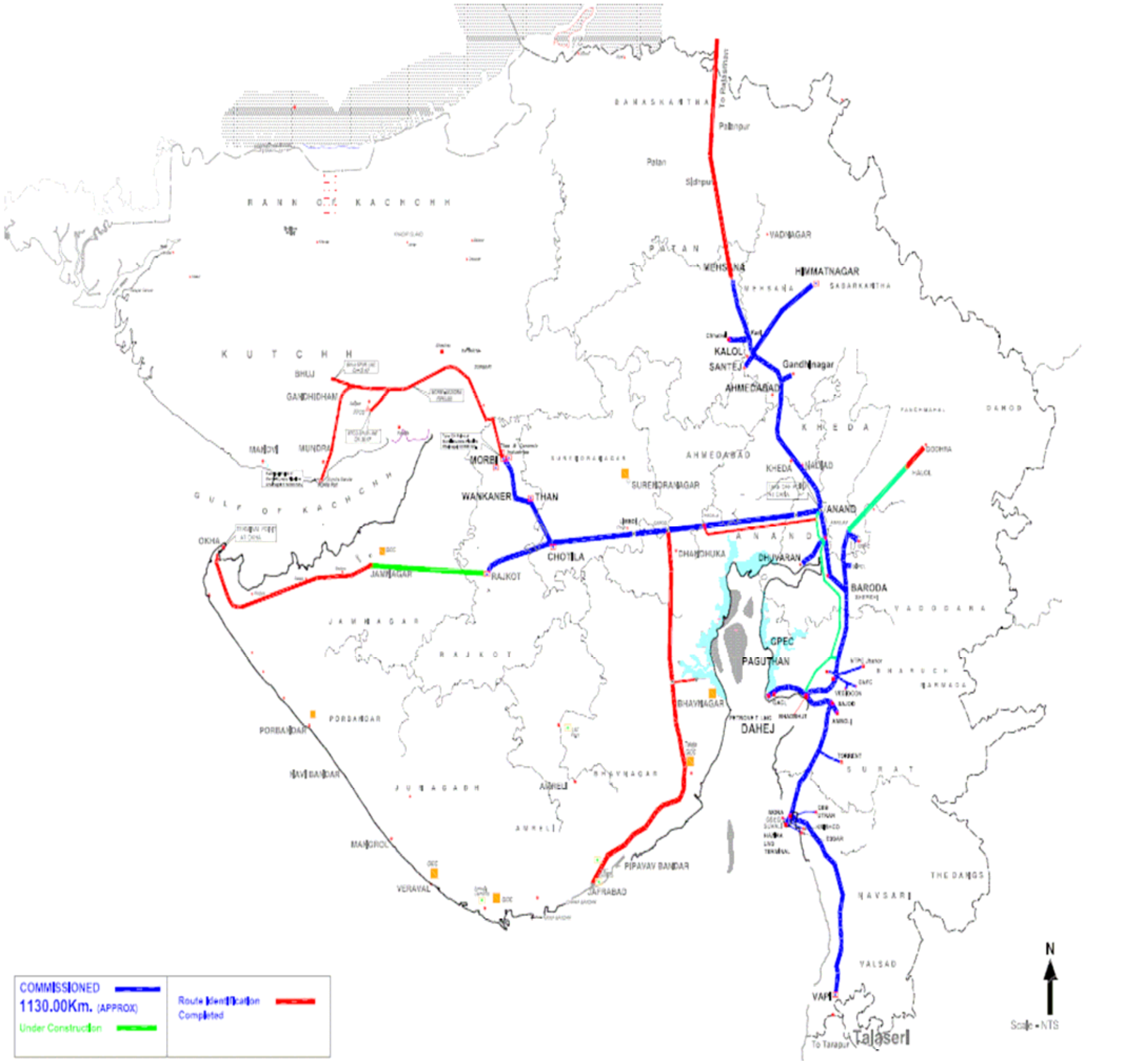
FY 09	Kms	Specification
Bharbhut – Gana	109 Kms	30”
Rajkot – Jamnagar	110 Kms	30”
Padamala – Halol	37 Kms	12”
Spur Lines	60 Kms	
Capex involving	Rs 800 cr	
Addition -	316 kms	
Total Pipeline – Operational (Kms)	1446	

Source: Company

Pipelines to be completed during FY10	Kms	Specification
Morbi – Mundra	130 Kms	18”
Dharod – Pipavav	215 Kms	24”
Gana – Hadala	110 Kms	30”
Spurlines	75 Kms	
Capex involving	Rs. 1100 Crore	
Addition -	530 kms	
Total Pipeline – Operational (Kms)	1976	

Source: Company

GSPL is expanding its pipeline network from current 1150 kms to 2000 kms in next two years with a total capex of Rs2000 cr. After the expansion, company will have a presence in entire Gujarat, servicing Industries ranging from textiles, Ceramics, Chemical and others. Increasing Network coupled with higher gas availability will result into exponential rise in volumes from 17mmscmd currently to 36mmscmd in FY10.


R A N N   O F   K A C H C H H
K U T C H H
BHUJ
GANDHIDHAM
MANDVI
MUNDRA
G U L F   O F   K A C H C H
OKHA
JAMNAGAR
RAJKOT
MORBI
WANKANER
THAN
CHOTILA
S U R E N D R A N A G A R
SURENDRANAGAR
J A M N A G A R
R A J K O T
PORBANDAR
P O R B A N D A R
NAVI BANDAR
J U N A G A D H
MANGROL
VERAVAL
AMRELI
A M R E L I
B H A V N A G A R
BHAVNAGAR
PIPAVAV BANDAR
JAFRABAD
B A N A S K A N T H A
Palanpur
To Palanpur
Patan
Sidhpur
P A T A N
VADNAGAR
MEHSANA
M E H S A N A
HIMMATNAGAR
S A B A R K A N T H A
KALOL
SANTEJ
Gandhinagar
AHMEDABAD
A H M E D A B A D
K H E D A
KHEDA
NADIAD
ANAND
A N A N D
DHANDHUKA
DHUVARAN
BARODA
V A D O D A R A
CPEC
PAGUTHAN
DAHEJ
B H A R U C H
N A R M A D A
S U R A T
P A N C H M A H A L
D A H O D
HALOL
THE DANGS
N A V S A R I
V A L S A D
VAPI
To Tarapur
Talaseri
N
Scale - NTS
COMMISSIONED
1130.00Km. (APPROX)
Under Construction
Route Identification Completed

There is no exact comparison of GSPL in India, as both GAIL & Gujarat Gas have other businesses and are not pure transmission play. So in our peer comparison, we have taken global players, which are pure gas transportation companies.

Peer comparison

		Mcap(US$)	ROE			EV/EBITDA			P/E		
Company	Price	**(Bn)**	FY08	FY09	FY10	FY08	FY09	FY10	FY08	FY09	FY10
	(L-Currency)										
Perusahaan Gas Negara	14750	7.09	41.84	46.91	44.20	11.31	8.04	6.74	20.09	13.83	11.10
Korea Gas Corporation	84000	6.25	2.75	2.99	3.02	11.53	10.93	10.55	17.91	16.44	14.67
Petronas Gas BHD	10	6.25	14.16	13.47	13.56	9.26	9.14	9.06	18.33	17.63	17.30
GSPL	64	0.90	8.10	13.00	17.60	12.00	8.80	7.00	45.50	26.00	17.00

Source: Bloomberg/Anagram Research

Concerns

- Delay in Expansion Plan
- More regulations by PGNRB
- Delay in commencement of Commercial production of Reliance from KG Basin

Valuations

We expect supply side to ease once gas from KG Basin starts flowing, which is expected in H2CY08. GSPC has signed a 11 mmscmd contract with GSPL for 15 years. We expect average 7 mmscmd of volumes in FY09 and 11 mmscmd of gas to be transmitted from next year onwards through GSPL pipeline. Currently, tariffs are on the higher side at Rs 680/tcm, which is expected to decline over next two years as Reliance contract is at a lower price. We expect long-term tariffs at Rs 610/tcm in FY10. More availability of gas will in turn result into higher utilizations of assets. On the demand front, Gujarat is one of the largest hub for textiles, ceramics, pharmaceuticals and chemicals. Once expansion gets over, GSPL will have presence across entire Gujarat. Total volumes are expected to increase to 43 mmscmd in FY11 from current 17 mmscmd. EBIDTA margins are expected to improve by 400 bps to 90% in FY10 mainly as transmission business is not variable and is largely fixed. GSPL assets are new, which will need lower maintenance and have leaner organization, which will drive margins going forward. At CMP of Rs 64, the stock is trading at 17x its FY10E EPS of Rs 3.8 and 14x its FY11E EPS of Rs 4.5, and EV/EBIDTA of 7x in 2010 and 5x in 2011. According to the draft proposal, the regulator (PGNRB) proposed ROCE post tax is fixed at 12%. GSPL's current ROCE is way below 10%, which gives room for the company to increase the tariff in short- to medium-term to achieve allowed rate of return. The regulator has also proposed not to allow laying of another parallel pipeline. This protects the home turf of GSPL, where it has already created the infrastructure in the state, which has the largest consumption of gas. It can very advantageously move into neighbouring states of Rajasthan and Madhya Pradesh, leveraging it's existing pipeline in Gujarat as a feeder. Going forward City Gas Distribution (CGD) business can also be a big business for the company in the future. We have **"BUY"** rating on the stock.

Income Statement						
(Rs crores)	**2006**	**2007**	**2008 (E)**	**2009 (E)**	**2010 (E)**	**2011 (E)**
Revenue	**263.5**	**317.6**	**420.0**	**571.1**	**811.1**	**962.6**
Gross Profit	205.5	282.1	380.8	536.5	763.9	907.4
SG& A	8.2	11.3	15.5	17.7	21.3	23.6
Operating profit	**194.2**	**267.7**	**362.2**	**515.7**	**739.5**	**883.5**
Other income	4.5	17.5	23.0	21.0	20.0	20.5
EBITDA	198.7	285.1	385.2	536.7	759.5	904.0
Depreciation	79.1	102.6	188.5	239.7	327.1	382.6
EBIT	119.6	182.5	196.7	297.1	432.4	521.4
Interest	41.4	45.7	73.4	84.6	113.8	145.4
PBT	78.2	136.9	123.3	212.5	318.6	375.9
Tax	31.7	47.9	43.1	74.4	111.5	131.6
Net Income	46.5	89.0	80.1	138.1	207.1	244.4
Adjusted Net Income	**46.5**	**89.0**	**80.1**	**138.1**	**207.1**	**244.4**
OPM (%)	*73.7*	*84.3*	*86.2*	*90.3*	*91.2*	*91.8*
NPM (%)	*17.7*	*28.0*	*19.1*	*24.2*	*25.5*	*25.4*

Balance Sheet						
(Rs crores)	**2006**	**2007**	**2008 (E)**	**2009 (E)**	**2010 (E)**	**2011 (E)**
Equity capital	542.2	542.8	542.8	542.8	542.8	542.8
Reserves & surplus	365.1	422.5	475.4	566.6	703.2	864.5
Shareholders Fund	907.3	965.3	1,018.2	1,109.4	1,246.0	1,407.3
Loan funds	578.6	863.8	995.0	1,339.1	1,710.9	1,418.5
Deffered tax liabilty	78.4	91.9	120.7	175.7	259.7	358.6
Current Liabilities	155.4	135.3	177.2	238.9	336.9	398.7
Provisions	21.7	49.2	58.8	97.9	148.8	194.2
Total current liabilities	177.1	184.5	236.0	336.8	485.7	592.9
Total Liabilities	**1,741.4**	**2,105.5**	**2,369.9**	**2,960.9**	**3,702.4**	**3,777.3**
Gross PPE	979.6	1,886.0	2,302.9	3,022.8	4,246.2	4,256.8
Acc Depreciation	220.5	323.2	511.7	751.3	1,078.4	1,461.0
Net PPE	759.1	1,562.9	1,791.2	2,271.5	3,167.8	2,795.7
Intangible Assets	-	2.0	2.0	2.0	2.0	2.0
Capital WIP	605.1	136.8	190.0	-	-	-
Net Block	1,364.2	1,701.6	1,983.2	2,273.5	3,169.8	2,797.7
Investment	-	-	0.0	-	-	-
Debtors	13.7	34.9	46.0	62.6	88.9	105.5
Inventories	36.2	44.2	58.7	79.8	113.3	134.5
Cash/ Bank balance	237.2	181.1	141.3	407.4	195.7	605.1
Other current assets	14.9	19.7	19.7	19.7	19.7	19.7
Loans & Advances	34.7	113.8	113.8	113.8	113.8	113.8
Total Current Assets	336.7	393.7	379.5	683.3	531.5	978.6
Misc expenses	12.3	9.3	6.3	3.3	0.3	0.1
Deffered tax asset	27.6	0.2	0.2	0.2	0.2	0.2
Total assets	**1,740.7**	**2,104.8**	**2,369.2**	**2,960.3**	**3,701.7**	**3,776.6**

Cash Flow Statement

(Rs crores)	2007	2008 (E)	2009 (E)	2010 (E)	2011 (E)
EBIT	182.5	196.7	297.1	432.4	521.4
Depreciation/ Amortization	102.6	188.5	239.7	327.1	382.6
Other non-cash charges	3.0	3.0	3.0	3.0	0.2
Interest/Dividend income	(14.6)	(9.2)	(6.4)	(25.0)	(10.2)
	273.6	379.0	533.3	737.5	894.0
Account Receivables	(21.2)	(11.1)	(16.6)	(26.3)	(16.6)
Inventories	(8.0)	(14.5)	(21.1)	(33.5)	(21.2)
Loan & Advances	(79.1)	-	-	-	-
Other Current Assets	(4.8)	-	-	-	-
Current Liabilities	(20.1)	41.9	61.7	98.0	61.8
Provision	27.5	9.6	39.1	51.0	45.3
Change in Working Capital	(105.8)	25.9	63.1	89.1	69.4
Tax paid	(7.0)	(14.3)	(19.4)	(27.5)	(32.7)
Interest paid	(45.7)	(73.4)	(84.6)	(113.8)	(145.4)
Cash flow from operations	**115.2**	**317.2**	**492.5**	**685.3**	**785.3**
Capex	(440.1)	(470.1)	(530.0)	(1,223.3)	(10.6)
Cash flow from investments	**(425.5)**	**(460.9)**	**(523.6)**	**(1,198.3)**	**(0.4)**
Incr/ dec in equity capital	0.6	-	-	-	-
Incr/ dec in borrowings	285.2	131.2	344.1	371.8	(292.4)
Capital lease obligation					
Dividend	(31.8)	(27.2)	(47.0)	(70.4)	(83.1)
Cash flow from financing	**254.2**	**103.9**	**297.1**	**301.4**	**(375.5)**
Cash at beginning	237.2	181.1	141.3	407.4	195.7
Net inc/dec in cash	(56.1)	(39.8)	266.1	(211.7)	409.4
Cash at end	**181.1**	**141.3**	**407.4**	**195.7**	**605.1**

Financial Ratios (%)	2007	2008 (E)	2009 (E)	2010 (E)	2011 (E)
Operating Performance					
OPM	84.3	86.2	90.3	91.2	91.8
NPM	28	19.1	24.2	25.5	25.4
EBIT Margins (%)	57.5	46.8	52	53.3	54.2
ROCE	7.2	6.6	8.7	10.4	11.7
ROE	9.5	8.1	13	17.6	18.4
Valuation Ratios					
P/E	42.3	47	27.3	18.2	15.4
EV/EBIDTA	15.6	12	8.8	7	5.1
EV/Sales	14	11	8.2	6.5	4.8
Dividend Yield	0.8	0.7	1.2	1.9	2.2
Price/ Book Value	3.9	3.7	3.4	3	2.7
Risk Analysis					
Net debt/Equity	0.7	0.8	0.8	1.2	0.6
Interest cover	4	2.7	3.5	3.8	3.6
Liquidity Ratios					
Debtors No of days	40.1	40	40	40	40
Inventories No of days	50.8	51	51	51	51
Creditors No of days	148.9	149	149	149	149
Cash conversion cycle	-58	-58	-58	-58	-58
Enterprise value	4448.3	4619.2	4697.2	5280.7	4578.9
EPS	1.6	1.4	2.5	3.7	4.3
CEPS	4.2	5.3	7.8	11.1	12.9
Book value per share	17.2	18.1	19.7	22.2	25

RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period
Accumulate Expected to appreciate up to 20% over a 12-month period
Hold Expected to remain in a narrow range
Avoid Expected to depreciate up to 10% over a 12-month period
Exit Expected to depreciate more than 10% over a 12-month period