

Industry : Capital Goods

CMP : Rs.1162

Price Target : Rs.1250

Accumulate

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**Current**

Recommendation	ACCU
CMP (INR)	1162
Target Price (INR)	1250

**Key Data**

Bloomberg	LT@IN
Reuters Code	LART.BO
BSE Code	500510
NSE Code	LT
Face Value	2.00
Market Cap. (INR mn)	192534.10
52 Week High (INR)	6310.00
52 Week Low (INR)	741.00

**Scrip Scan**

Equity Rs.mn	337.20
FY07E EPS (Cons)	33.10
FY08E EPS (Cons)	49.50

**Shareholding (31.12.06) (%)**

Promoter	55.18
Institutions	25.91
Public	18.91
Total	100.00

**Highlights for the quarter**
**➤ Siemens net profit doubled in Q1 FY07**

Siemens revenue for the Q1FY07 remains above our expectations. During the quarter, net sales showed a rise of 91.1% to Rs.16269 million over the corresponding period of the previous year. During the quarter, EBIDTA showed a rise of 66.8% to Rs.1169.5 million and net profit 100.1% to Rs.980.7 million over the corresponding period of the previous year. Strong growth in revenues was mainly driven by power, industrial solution & services and building technologies which showed a rise of 108.4%, 34.7% and 48.2% respectively over the corresponding period of the previous year. On other hand, healthcare & other services showed a lackluster performance and reported a decline of 23.1% in revenues. The other business segment like information & communication, automation & drive, automotive and transport registered a marginal decline in their revenues.

**➤ Margins continue to remain under pressure**

During Q1FY07, overall EBITDA margins have dipped by 105 bps on the back of higher material cost. On other hand, staff cost and other expenses declined by 109 bps and 692 bps respectively. Industrial solutions & services, Automotive and Real estate segments reported improvement in the margins and other segment like Healthcare & other services, Building Technologies, Automation & Drive, Transport, Power, Information & Communication registered a decline in margins.

**➤ Order inflow remains firm**

During Q1FY07, order inflow showed a rise of 23% to Rs.51275 million. The major drive was the mega repeat order received by Power division from Qatar. Order backlog at the end of Q1FY07 stood at Rs.110404.mn, which is 56% higher than the corresponding period of the previous year. The value of backlog stood at 2.4x to 12 months trailing revenue.

**Valuation**

We expect the company's consolidated revenue to grow by a CAGR of 37.17% in the next two years. The consolidated net profit is expected to grow by 47.31% in FY07E and 49.45% in FY08E. The stock is trading at 23.49x FY08E consolidated earnings. **We recommend 'ACCUMULATE' with one year target price of Rs.1250.**

**Quarterly Performance**
**(Rs.mn)**

	Q1FY07	Q4FY06	Q1FY06
Net Sales	16269.0	14919.8	8511.2
% Change (Y-o-Y)	91.1	59.9	69.2
Total Expenditure	15099.5	13752.1	7810.2
EBIDTA	1169.5	1167.6	701.1
% Change (Y-o-Y)	66.8	39.3	304.4
EBIDTA margin (%)	7.2	7.8	8.2
Net Interest Income	126.2	116.1	54.5
Depreciation	102.8	122.1	149.5
Other Income	213.4	713.5	98.8
PBT	1406.4	1875.2	704.8
Tax	425.6	507.7	214.7
PAT	980.7	1367.5	490.2
Ex Ord Item	0.0	0.0	0.0
Adj Net Profit	980.7	1367.5	490.2
% Change (Y-o-Y)	100.1	30.9	56.2
Net profit margin (%)	6.0	9.2	5.8
Equity	337.2	337.2	331.4
EPS	5.8	8.1	3.0

**Income Statement (consolidated)**
**(Rs.mn)**

	2005 A	2006 A	2007 E	2008 E
Net Sales	36780.7	60586.5	80192.7	113850.9
% Change (Y-o-Y)	61.4	64.7	32.4	42.0
Total Expenditure	32062.8	54169.4	70970.5	100188.8
EBIDTA	4717.9	6417.1	9222.2	13662.1
% Change (Y-o-Y)	62.9	36.0	43.7	48.1
EBIDTA margin (%)	12.8	10.6	11.5	12.0
Interest	0.0	0.0	0.0	0.0
Depreciation	684.3	1259.8	1500.0	2000.0
Other Income	472.7	585.8	650.0	850.0
PBT	4506.3	5743.1	8372.2	12512.1
Tax	1427.6	1955.0	2792.1	4172.8
PAT	3078.6	3788.0	5580.0	8339.3
Ex Ord Item	0.0	0.0	0.0	0.0
Adj Net Profit	3078.6	3788.0	5580.0	8339.3
% Change (Y-o-Y)	83.4	23.0	47.3	49.4
Net profit margin (%)	8.4	6.3	7.0	7.3
Equity	337.2	337.2	337.2	337.2
EPS (Consolidated)	18.7	23.2	33.1	49.5

**Balance Sheet (consolidated)**

	(Rs.mn)				
	2004 A	2005 A	2006 A	2007 E	2008 E
<b>SOURCES OF FUNDS</b>					
Equity share capital	331.4	331.4	337.2	337.2	337.2
Reserves & Surplus	6671.1	8847.1	12055.9	15589.0	20707.2
Networth	7002.5	9178.5	12393.0	15926.1	21044.4
Minority Interest	0.0	72.1	40.2	0.0	0.0
Secured Loans	0.0	35.0	20.0	20.0	20.0
Un Secured Loans	28.9	925.7	20.0	20.0	20.0
Total Loan funds	28.9	960.7	40.1	40.1	40.1
Capital Employed	7031.4	10211.2	12473.3	15966.2	21084.4
<b>APPLICATION OF FUNDS</b>					
Gross Block	6.8	7.3	11.2	11.3	12.7
Less: Depreciation and impairment	4397.6	5248.3	6341.6	7841.6	9841.6
Net Block	2578.6	4130.5	4934.3	5434.3	5934.3
Capital work in progress	81.5	612.7	1742.9	1500.0	1500.0
Investments	407.9	847.1	2137.7	2137.7	2137.7
Interest accrued on investment	0.0	1.8	3.6	0.0	0.0
Inventories	1698.2	3699.8	5429.2	7217.3	10246.6
Sundry Debtors	4259.2	10700.0	15097.8	20048.2	28462.7
Cash & Bank Bal	6411.0	6746.1	11617.7	19919.1	28235.8
Loans & Advances	2093.8	2893.9	4628.8	4736.4	8538.8
Curr Assets, Loans & Adv	14462.2	24039.8	36773.5	51921.0	75484.0
Curr Liabilities	8809.2	16361.6	29412.5	39294.4	55786.9
Provision	1958.5	3487.2	4335.4	6382.4	8834.6
Curr Liab & Prov	10767.7	19848.8	33747.9	45676.8	64621.5
Net Current Assets	3694.5	4191.0	3025.7	6244.2	10862.4
Net Deffered tax Assets	268.9	428.2	629.1	650.0	650.0
Total Assets	7031.4	10211.2	12473.3	15966.2	21084.4

**Ratios (consolidated)**

	2004 A	2005 A	2006 A	2007 E	2008 E
<b>Valuation</b>					
EPS (Rs.)	10.2	18.7	23.2	33.1	49.5
CEPS (Rs.)	13.0	22.7	29.9	42.0	61.3
BVPS (Rs)	42.3	55.4	73.5	94.5	124.8
PER (x)	113.7	62.1	50.0	35.1	23.5
PEG (x)	48.9	0.7	2.1	0.8	0.5
P/CEPS (x)	89.3	51.2	38.8	27.7	18.9
P/BV (x)	27.5	21.0	15.8	12.3	9.3
EV/EBITDA (x)	66.5	41.0	30.5	21.2	14.3
EV/Net Sales (x)	8.4	5.3	3.2	2.4	1.7
<b>Growth (%)</b>					
Net Sales(%)	27.2	61.4	64.7	32.4	42.0
Adjusted Net Profit(%)	-5.6	83.4	23.0	47.3	49.4
EBITDA(%)	22.7	62.9	36.0	43.7	48.1
EPS	2.3	83.2	24.1	42.5	49.4
CEPS	1.2	74.6	31.8	40.3	46.0
Gross Fixed Assets	2.3	34.4	20.2	17.7	18.8
Capital Employed	22.4	45.2	22.2	28.0	32.1
<b>Profitability</b>					
ROCE (%)	41.2	46.2	51.4	57.8	64.8
ROE (%)	24.0	33.5	30.6	35.0	39.6
EBIDTA Margin (%)	12.7	12.8	10.6	11.5	12.0
EBDTA Margin (%)	12.7	12.8	10.6	11.5	12.0
Net Profit Margin (%)	7.4	8.4	6.3	7.0	7.3
Tax/PBT (%)	35.8	31.7	34.0	33.4	33.4
<b>Turnover</b>					
Avg. Collection Period (Days)	68	106	91	91	91
Avg. Payment Period (Days)	172	197	203	208	207
Net Fixed Assets (x)	8.8	8.9	12.3	14.8	19.2
Total Assets (x)	3.2	3.6	4.9	5.0	5.4
<b>Basic Data</b>					
Sh. Price	1162.0	1162.0	1162.0	1162.0	1162.0
Market Capitalisation (Rs.mn)	192534.1	192534.1	195890.1	195890.1	195890.1
Enterprise Value (Rs.mn)	192563.0	193494.8	195930.1	195930.1	195930.1

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