

Coal India (Rs 375)

Maintain BUY

Large Cap

Market cap (US\$ mn): 49,606

Institutional ownership

3QFY11	4QFY11	1QFY12	Weight	In BSE	1.72	Bloomberg Code	COAL IN
7.16	7.79	7.92		In BSE 100	1.19	Reuters Code	COAL.NS
YTD Stock Return (x)		1.53	Target Price :	Rs 437	Shares O/S (mn)		6,316
YTD CAGR (%)		53	Upside :	16%	Free float (%)		10.0

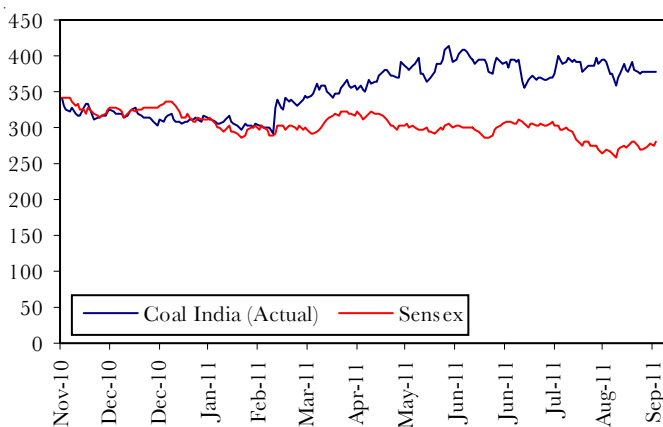
Shareholding pattern over years

	FY08	FY09	FY10	FY11
Promoter	100	100	100	90
Institutional	-	-	-	7.79

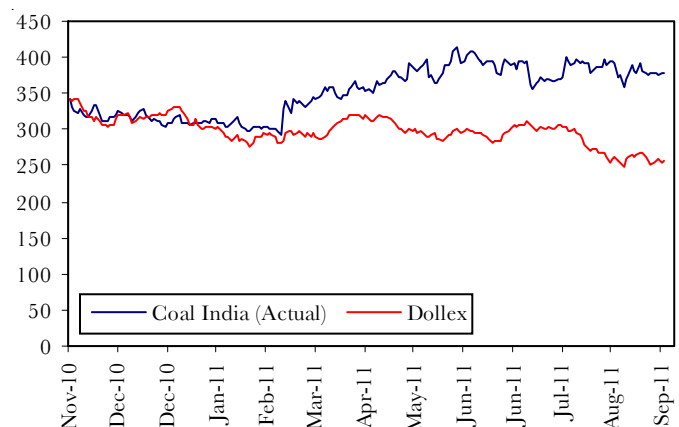
Key variables

(Rs mn)	FY06	FY07	FY08	FY09	FY10	FY11	CAGR (%) (FY06-11)	FY12E	FY13E	CAGR (%) (FY11-13E)
Net sales	307,559	315,427	346,083	411,455	466,843	526,162	11.3	658,670	750,790	19.5
EBITDA	74,230	68,149	60,450	28,025	105,360	134,791	12.7	182,669	217,926	27.2
PAT	58,287	56,705	46,046	20,510	96,761	109,275	13.4	141,249	163,685	22.4
Cash profit	71,760	70,283	61,653	37,419	110,056	126,004	11.9	159,214	183,825	20.8
EPS (Rs)	9.3	9.0	7.5	3.3	15.2	17.2	13.2	22.4	25.9	22.7
RoCE (%)	57.0	47.2	41.8	27.6	54.3	50.3	-	52.7	49.7	-
RoNW (%)	47.8	37.2	27.6	11.2	43.0	36.9	-	37.6	35.1	-
Net debt/Equity (x)	(0.8)	(0.9)	(1.1)	(1.4)	(1.4)	(1.3)	-	(1.0)	(0.9)	-
Book value (Rs)	22.6	25.7	27.2	30.3	41.0	52.8	24.3	62.5	73.0	24.3

YTD price chart (Relative to Sensex performance)



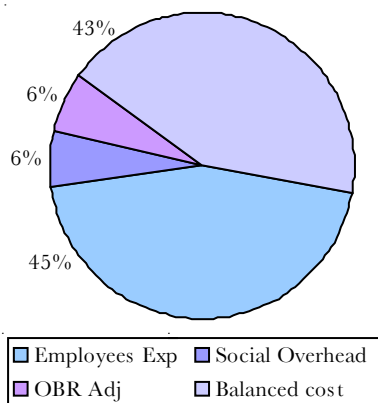
YTD price chart (Relative to Dollex performance)



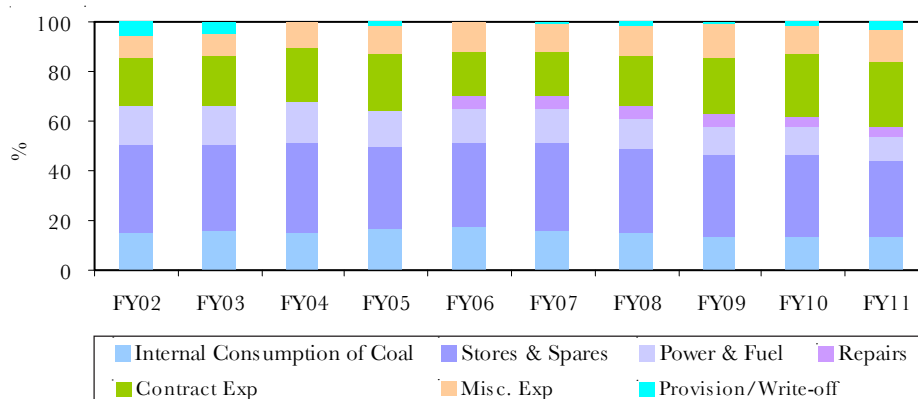
Interesting facts

Adjusted cost of mining grew at a CAGR of 2.6% in the last 10 years

Overall cost break-up



Cost break-up

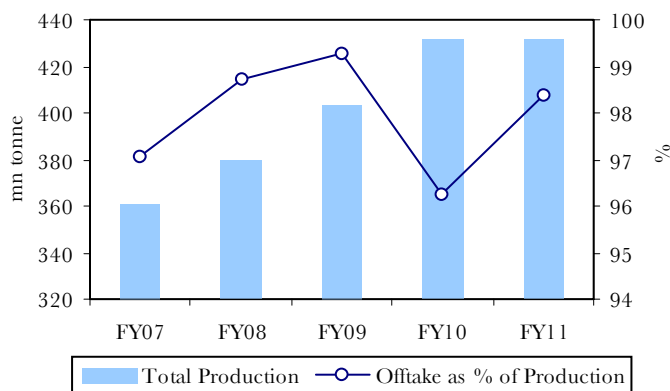


Source: Company, B&K Research

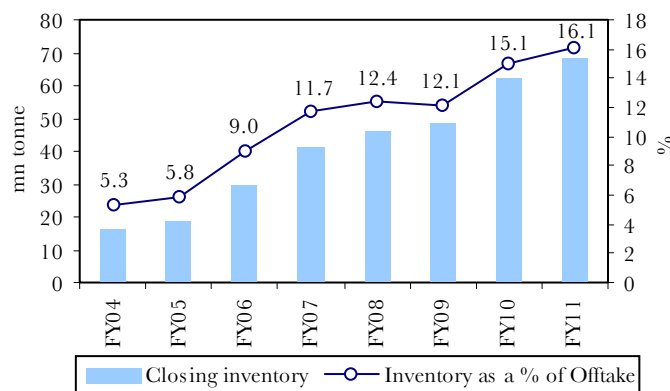
The cost of mining ex-employee costs, ex-OBR adjusted and ex-CSR (Rs/tonne) and growth has increased at just 2.6% CAGR over the past 10 years (FY02-11) mainly due to increase in outsourcing leading to an increase in productivity. Employee cost per employee has gone up significantly for CIL due to wage revisions (although the number of employees has declined) resulting in growth in overall operating cost at a CAGR of 9%.

Off-take low, production suffers but inventory at record levels

Offtake as a % of total production

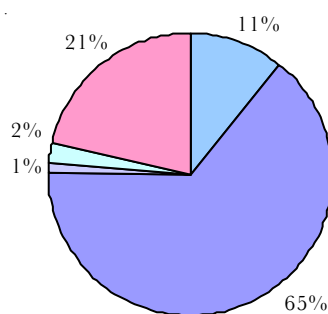
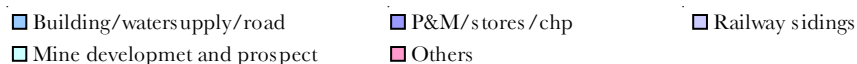
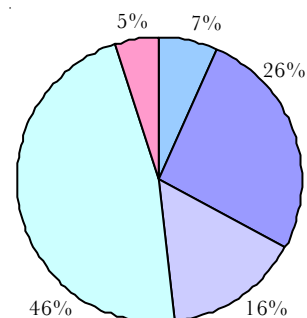


Inventory as a % of offtake



Source: Company, B&K Research

Coal production grew at 4.4% CAGR over FY08-11 slower than 5.6% clocked in the 10th plan. Coal production in FY11 suffered mainly due to lower off-take of coal (up only 2.3% YoY) led to a substantial build-up of inventory to 70 mn tonne (two months of sales). Although the demand of coal has grown at a higher rate the production was lower due to environmental issues and offtake was also on the lower side due to logistics issues.

Capex**Gross block break-up FY11****WIP break-up FY11**

Source: Company, B&K Research

CIL incurred net capex of Rs 17.8 bn (Rs 25.5 bn less Rs 7.8 bn due to sale/transfer). 74% of the capex was for plant and machinery (including stores, coal handling plant) at Rs 11.5 bn (Rs 18.8 bn – less Rs 7.3 bn) and 12% of the capex was for land acquisition and 6% on development works.

In FY11, CIL added only 7 shovels but retired 149 dumpers, 10 dozers and 4 drills.

Differential pricing w.e.f. 27 February 2011:

CIL would resort to price increase only post commencement/agreement of wage revision and pay revision for executives. CIL has selectively raised the prices of coal by 12% on a weighted average basis on 27 February 2011. The price increase was for three aspects:

1. CIL had increased the coal prices of Mahanadi Coalfields (MCL) to bring them at par with the coal prices of South Eastern Coalfields (SECL).
2. Also, the prices of Grade A and Grade B were revised and was based on a 15% discount to import parity prices to be reset annually.
3. The price of coal sold to non-regulated sector, ~20% of CIL's volume, was increased by 30%.

The rationale for price revision was led by:

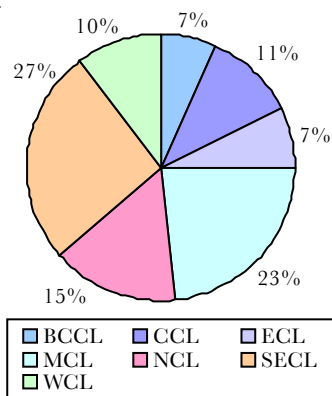
1. In anticipation of a provision/payment to be made in FY12 on account of wage revision due in July 2011.
2. A sharp increase in dearness allowance.
3. A sharp rise in international coal prices and 100% premiums in e-auction and hence substantial disparity between CIL's prices and market value of coal.
4. MCL's coal mines are adjacent to SECL's Korba coalfields and hence achieving parity in pricing

Previous price hikes were:

- 8.5% price rise in 2001 – to offset the levy of 15% increase due to wage revision.
- 16.2% price rise in 2004 – to offset the levy of 24% increase due to wage revision.
- 10.0% price rise in 2007 – to offset the levy of 15% increase due to wage revision.
- 11.0% price rise in 2009 – to offset the levy of 24% increase due to wage revision.

Previous 4 price hikes were led by wage hike

Production break-up



Source: Company, B&K Research

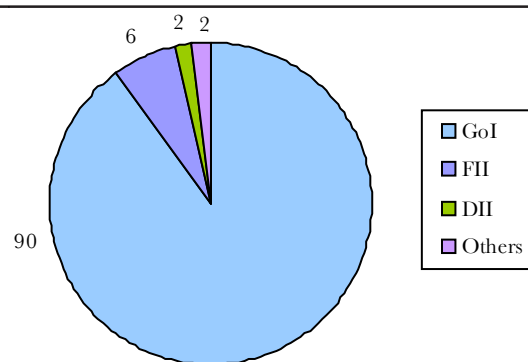
Subsidiary performances

FY11		BCCL	CCL	ECL	MCL	NCL	SECL	WCL	CIL
Coking	mn tonne	25	16	0	–	–	0	0	41
Non-coking	mn tonne	4	32	31	100	66	113	43	390
UG	mn tonne	4	1	7	2	–	17	9	40
OC	mn tonne	25	46	23	98	66	96	35	391
Total	mn tonne	29	48	31	100	66	113	44	431
Prop. of CIL Prod.	%	6.7	11.0	7.1	23.2	15.4	26.1	10.1	100.0
Net Realisation	Rs/tonne	2,095	1,303	1,978	728	1,192	978	1,408	1,239
Net Margin	%	17.8	30.8	1.8	54.4	51.7	35.4	17.8	31.3
PAT (FY11)	Rs mn	10,937	18,602	1,066	40,393	39,564	37,771	10,680	164,632
Growth	%	37.8	21.3	(68.0)	36.7	5.0	23.3	14.7	17.9
Capacity	%	116	95	95	83	72	105	93	89
Utilisation (FY11)									
Capacity	%	94	92	98	81	76	98	113	90
Utilisation (FY10)									

CIL IPO

CIL did an IPO of comprising divestment of 10% by GoI in October 2010. The issue was priced at Rs 245 per share and a discount of 5% was offered for the retail investors and employees.

Shareholding pattern



Source: Company, B&K Research

IPO details

Before divestment

Government of India	100%
Others	0%

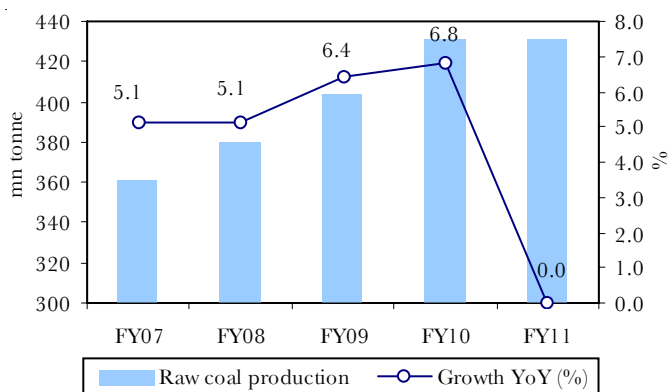
After divestment

Government of India	90%
Others	10%

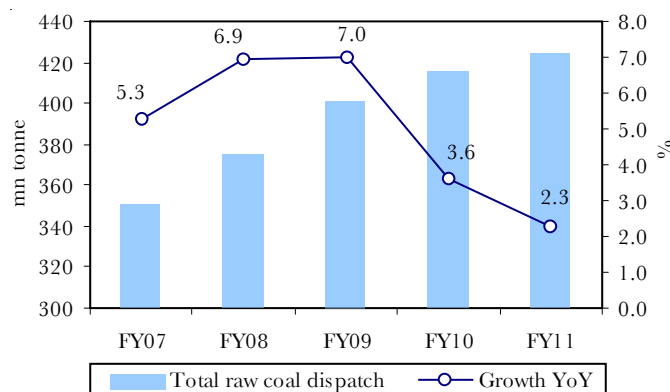
Issue price of Rs 245 (5% discount for the retail).

Operating performance

Coal production



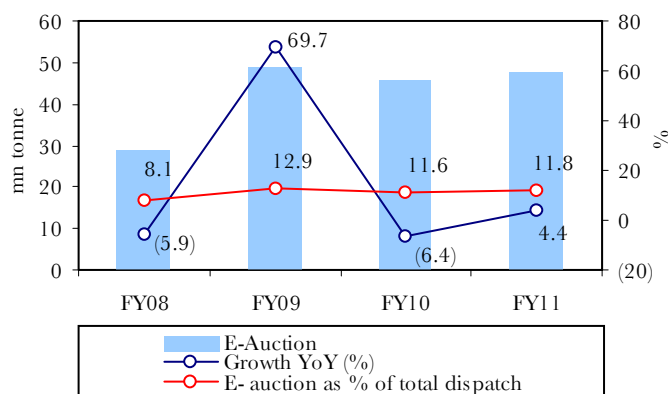
Coal dispatch



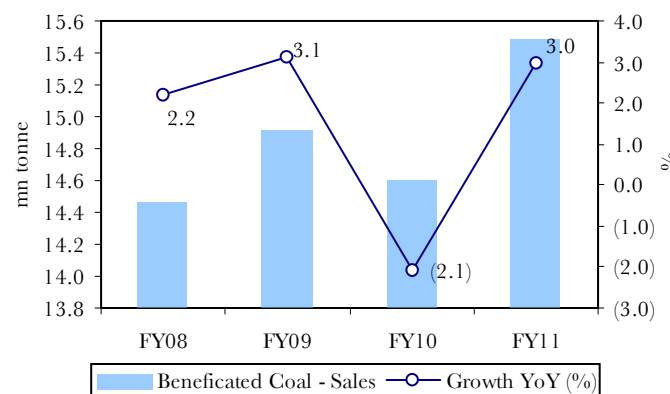
Source: Company, B&K Research

- Coal production grew at 4.4% CAGR over FY08-11 slower than 5.6% clocked in the 10th plan. Coal production in FY11 suffered mainly due to lower off-take of coal (up only 2.3% YoY) led to a substantial build-up of inventory to 70 mn tonnes (two months of sales).
- Several other constraints that impacted production and off-take were lower availability of wagons, law and order situations in Jharkhand and Orissa, rains and certain power plants and washeries not wanting the grade of coal supplied.

E -Auction growth and dispatch



Beneficiated coal and growth



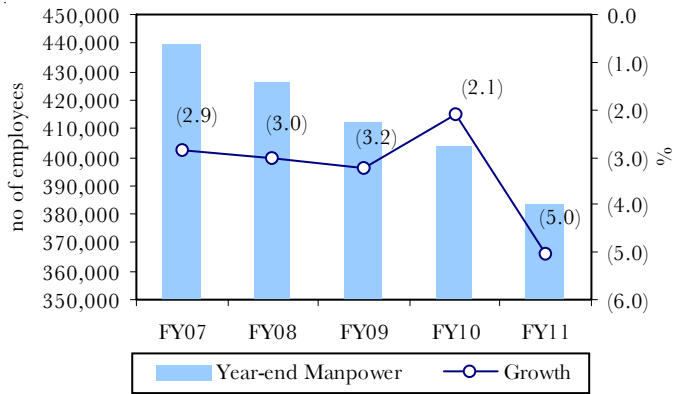
Source: Company, B&K Research

E-auction volumes stood at 11.8% of total sales of CIL and contributed 17.5% to total revenue of CIL. The premium of e-auction realisations at Rs 843/tonne increased 84% over the FSA prices in FY11 due to higher demand from IPP's and industry and due to a sharp increase in international coal prices leading to costly imports.

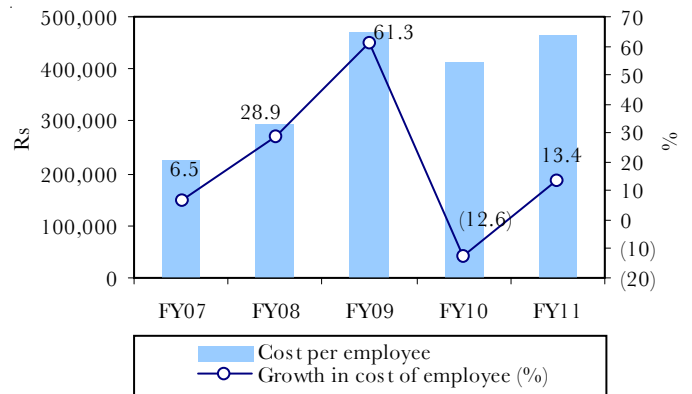
The yield of beneficiated coal increased to 78% in FY11 while realisations jumped 19% to Rs 2,535 per tonne.

The coal realisations for CIL grew at 4.5% CAGR over FY03-07 and 11% over FY08-11 led by 4 price hikes between FY03-11, differential pricing implemented in February 2011 and an increase in premium of e-auction coal. Currently, the FSA price of Rs 1,188 in 1QFY12 is at a 66% discount to the RB Index adjusted for calorific value.

Man power and growth



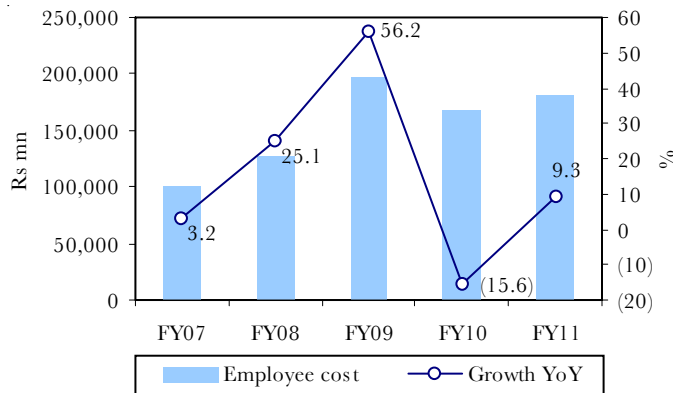
Cost per employee and growth



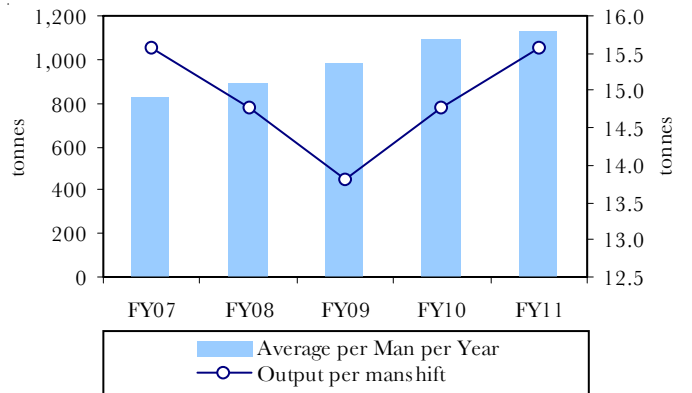
Source: Company, B&K Research

CIL has managed to reduce its manpower by 23.5% at 3.4% CAGR over FY03-11 mainly led by natural attrition and VRS.

Total employee cost and growth

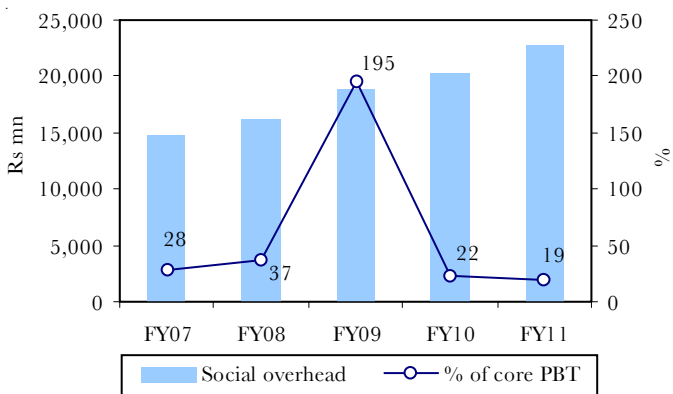


Labour productivity

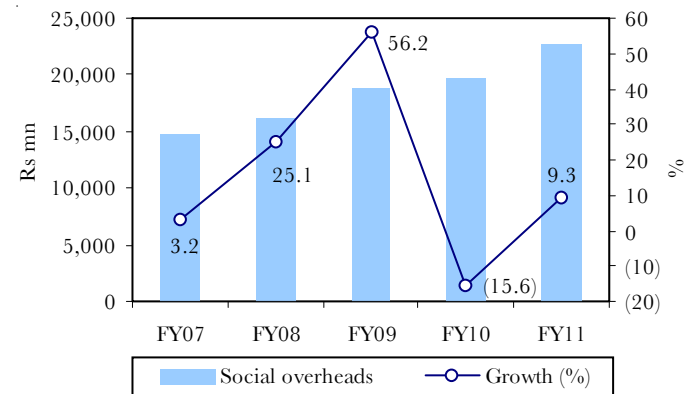


Source: Company, B&K Research

Social overhead as % of core PBT



Social overhead and Growth

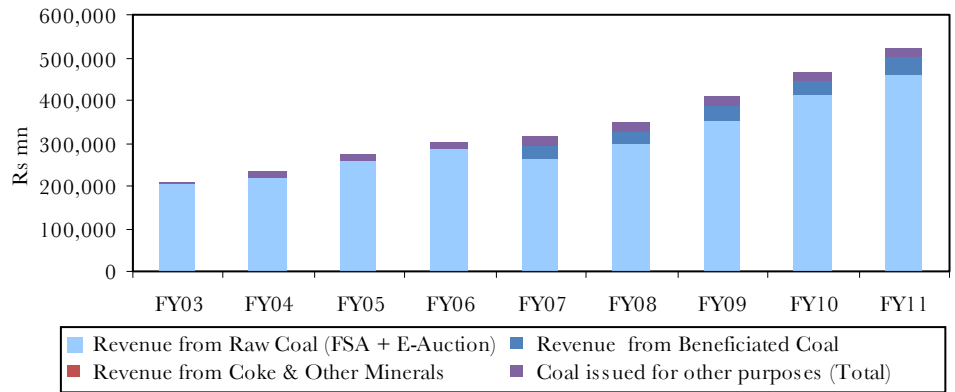


Source: Company, B&K Research

Funds for CSR are to be provided at 5% of retained earnings of the previous year of the coal mining subsidiary of CIL subject to a minimum of Rs 5/tonne of coal. A reserve for meeting the CSR expenses has been created.

P&L analysis

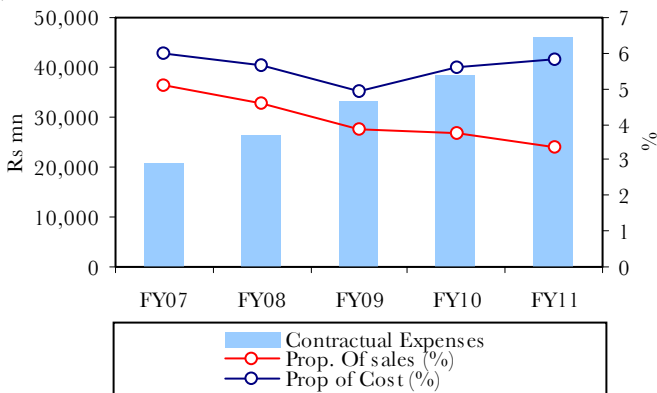
Revenue break-up



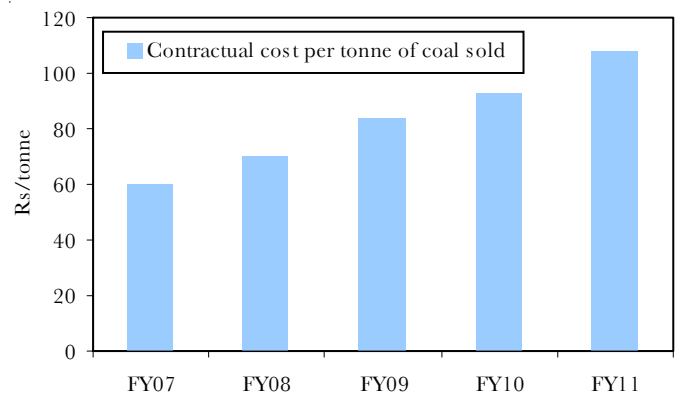
Source: Company, B&K Research

CIL clocked a 11.3% CAGR in revenue over FY03-11 led by a 5% CAGR in volume of coal sold and 4.5% CAGR in realisations. E-auction and beneficiation have led to this growth in realisation apart from the price hikes.

Contractual expenses as proportion of sale

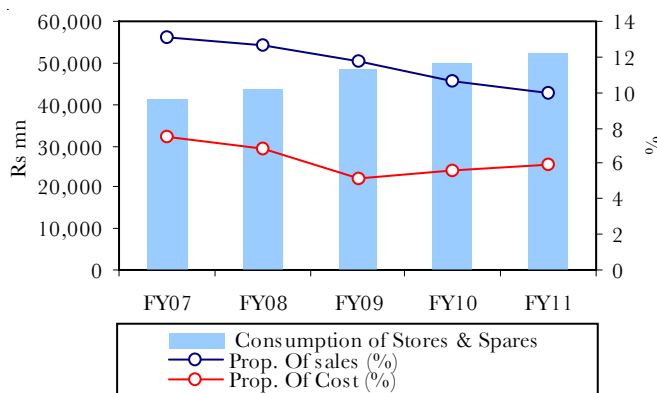


Contractual expenses per tonne

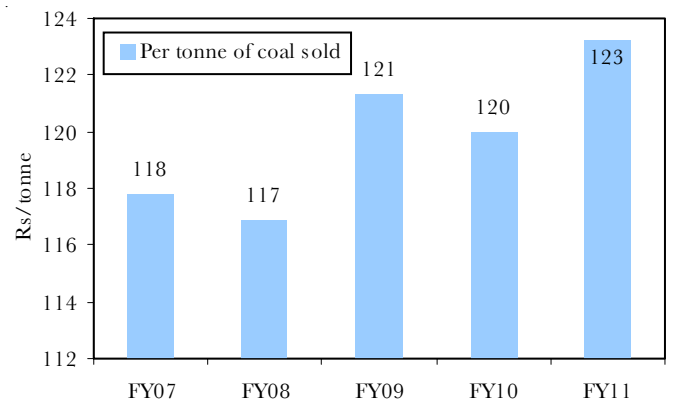


Source: Company, B&K Research

Stores and spares as % of sale



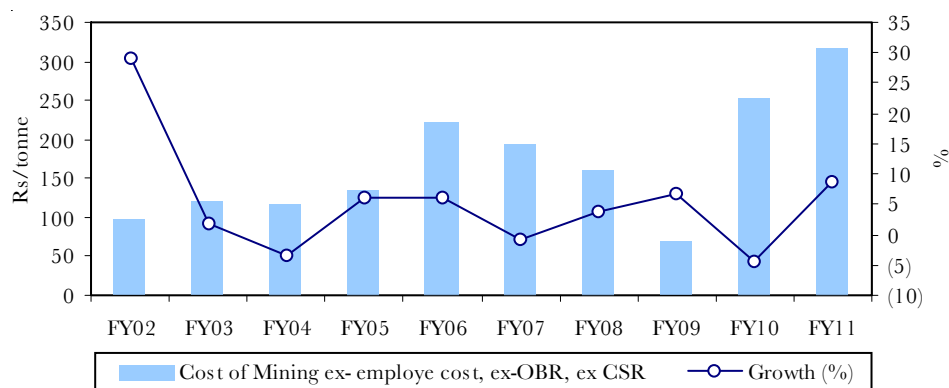
Cost of stores and spares per tonne



Source: Company, B&K Research

Over the past nine years, the amount of outsourcing has increased leading to an increase in expenditure paid on contracts for mining OB and coal, hiring equipment and transportation. The expenditures related to consumption of stores and spares, repairs, etc. have reduced.

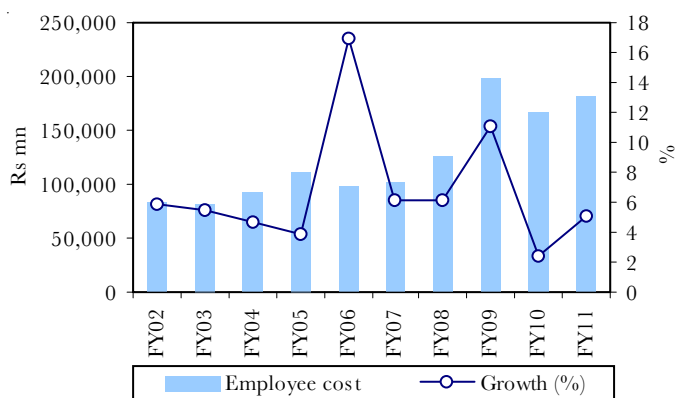
Adjusted cost of mining ex-employee costs, ex-OBR adjusted and ex-CSR and Growth



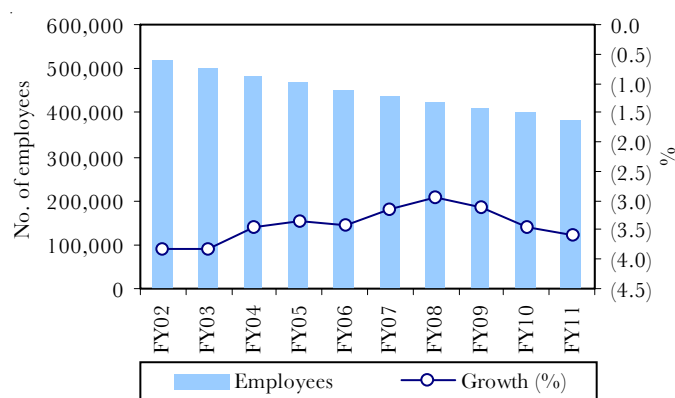
Source: Company, B&K Research

The cost of mining ex-employee costs, ex-OBR adjusted and ex-CSR (Rs/tonne) and growth has increased at just 2.6% CAGR over the past 10 years (FY02-11) mainly due to increase in outsourcing leading to an increase in productivity.

Employee cost and growth



No. of employees and de-growth



Source: Company, B&K Research

Actuarial liability

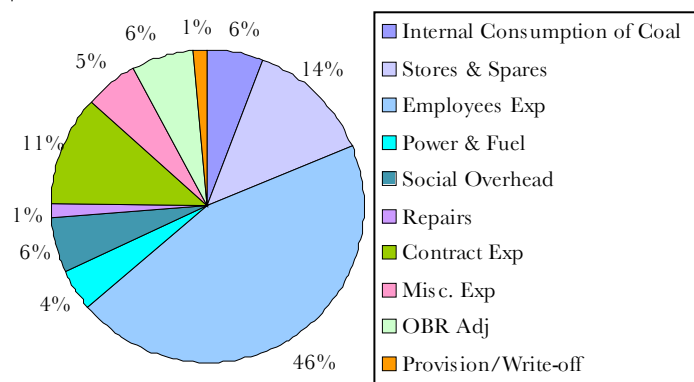
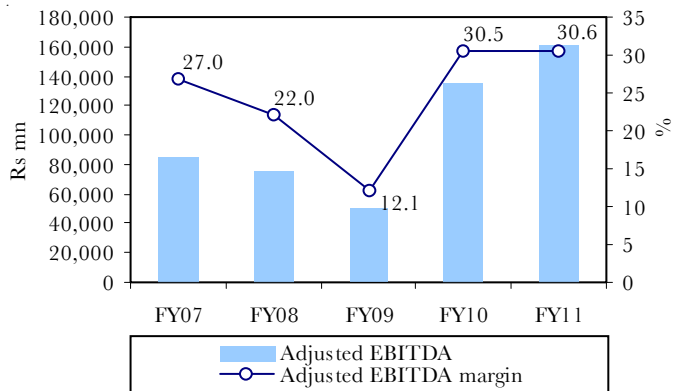
(Rs mn)	2010	2011
Total Actuarial Expenses reported in P&L	170	166
Total Service Cost	90	99
Adjusted EBITDA	135,980	161,042
Reported margin (OBR adjusted) (%)	29.1	30.6
Adjusted margin	29.1	30.6
Actuarial Interest Cost	107	123
Reported Interest Cost	886	791
Total Interest	993	913
Reported Interest Coverage Ratio (x)	159	210
Adjusted Interest Coverage Ratio (x)	142	182

Despite a 23.5% reduction in manpower over the past 9 years the employee costs have increased 9.2% over the same period and are the key driving factor for an increase in cost of mining.

Despite huge employee base, actuarial liability does not affect the company's financial significantly as company generate huge operating cash flow. Also large part of actuarial liability is gratuity related, which is sufficiently funded.

Adjusted EBITDA and margin

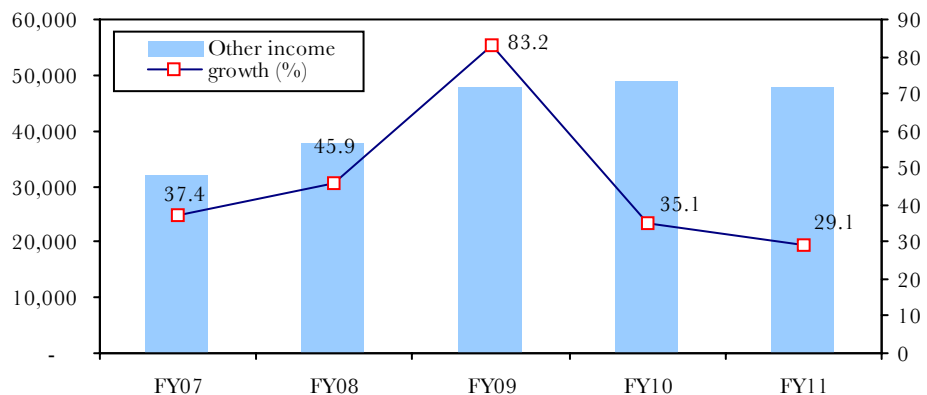
Cost break-up



Source: Company, B&K Research

Other income: Other income has risen mainly on higher yield realised as CIL being cash rich company. As of FY11 ~62% of the other income consists mainly of interest income and 25% being transportation cost recovered from customers. For FY06-11, other income has grown by 12% CAGR. In FY11, other income has declined as certain bond investments were redeemed

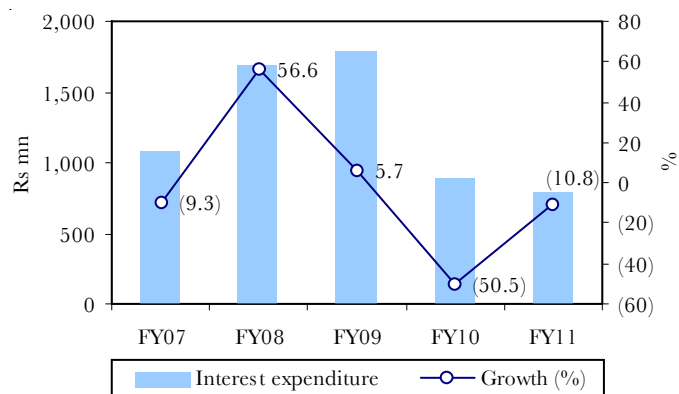
Other income and Growth



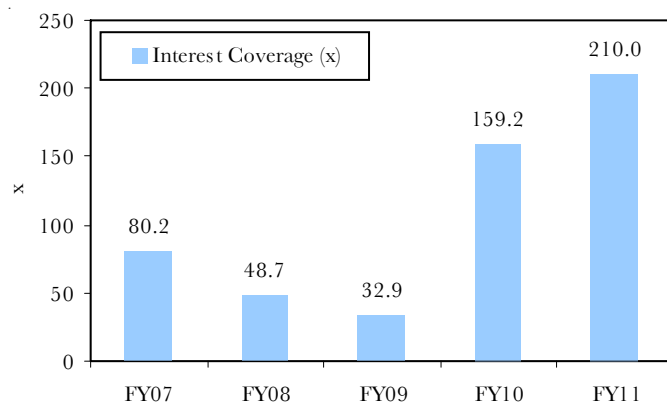
Source: Company, B&K Research

EBITDA adjusted for OBR has shown CAGR of 13.3% for FY06-11. EBITDA growth was due to higher realisation on account of price hike and operating leverage that company derived due to relatively lower rise in operating cost viz. social overhead, power and fuel, etc. Adjusted EBITDA margin has improved 300 bps YoY and ~800 over FY06. In 2009, EBITDA margin were mainly affected due to wage hike provision, however, price hike taken in 2010.

Interest expenditure



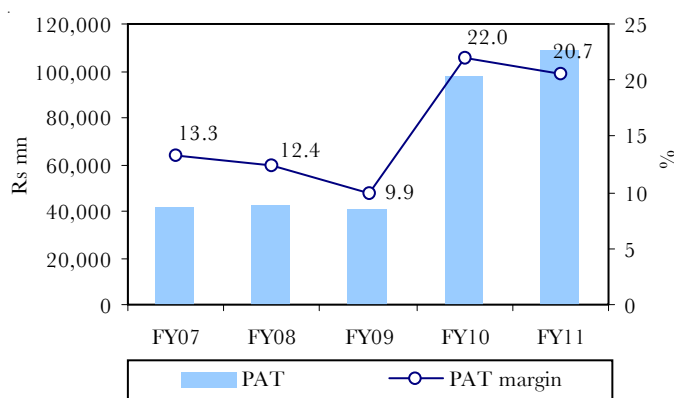
Interest coverage



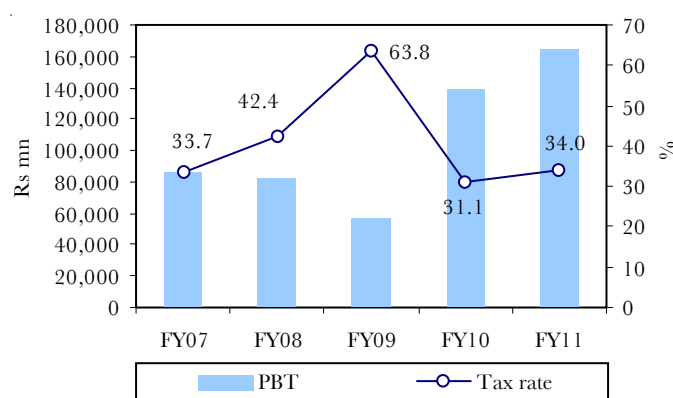
Source: Company, B&K Research

Interest cost has declined for CIL as the company has reduced its debt level and has depended on internal accrual to meet its capex. Overall debt level has reduced from Rs 23 bn to Rs 20 bn. Coal India being cash rich company meet its capex through internal accrual.

PAT and margin



PBT and tax rate



Source: Company, B&K Research

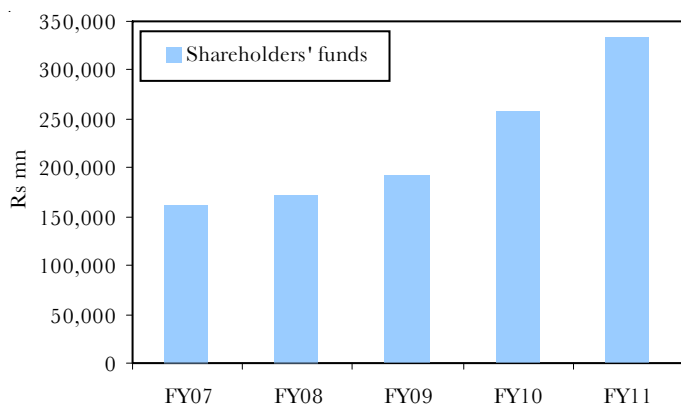
PAT grew by CAGR 13% over FY06-11, on account of price hike leading to higher realisation, lower interest cost and higher production. In FY09, margin dipped on account of higher wage provision but price hike in subsequent year lead to margin expansion.

Noticeable points in Auditors Report

- **Verification of fixed assets:** CIL does not verify the fixed assets except the fixed assets located at the North Eastern Coalfields which are verified regularly and no discrepancies were found.
- **Strengthening of internal audit system:** According to the auditors, CIL needs to strengthen its internal audit system.
- **Verification of inventory:** The physical verification of inventory is done on reasonable intervals except the inventory at regional sales offices.

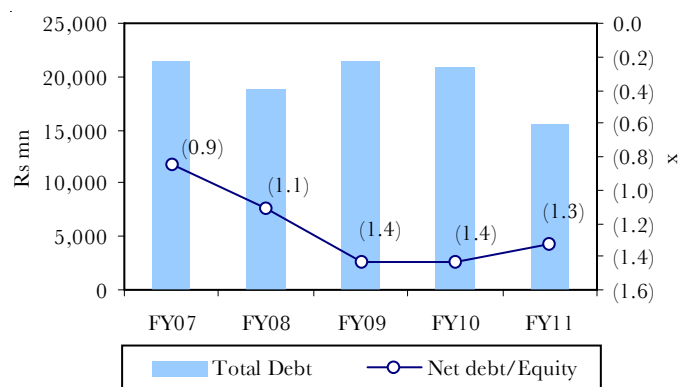
Balance Sheet analysis

Shareholders' funds

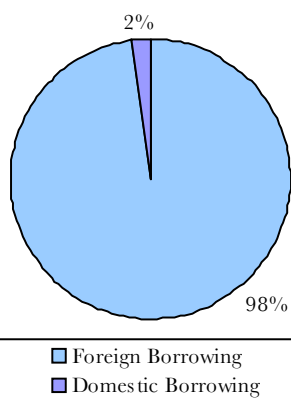


Source: Company, B&K Research

Net debt to equity ratio



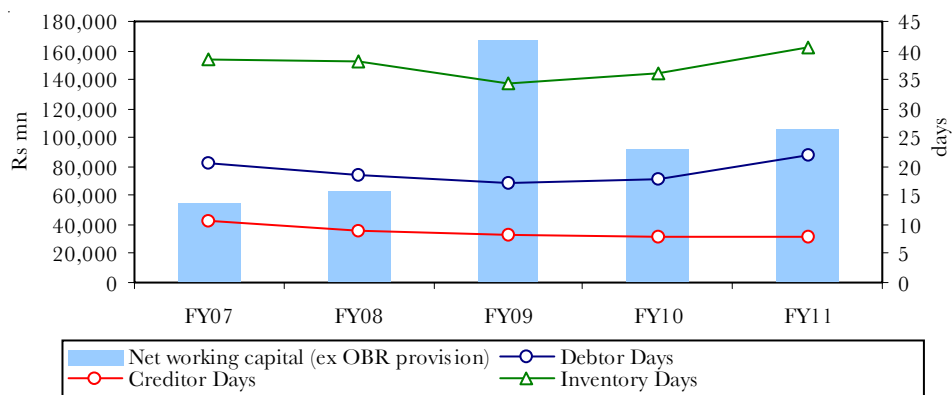
Domestic/foreign debt in FY11



Source: Company, B&K Research

CIL has deleveraged its balance sheet and also improved cash position significantly over FY07-11 leading to healthy debt position. Foreign debt mainly consist of disbursement from IBRD and JBIC on account of Coal Sector Rehabilitation Project. CIL hedged its foreign borrowing of Rs 15 bn from IBRD and JBIC and incurred a loss of Rs 1.75 bn on the hedging transactions. CIL has fully provided for this amount in its books.

Net working capital and Ratios

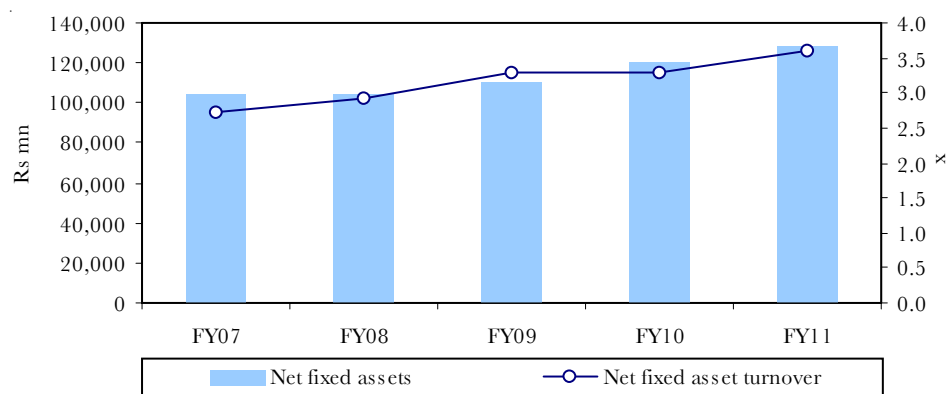


Source: Company, B&K Research

Due to an increase in inventory to 70 mn tonne in FY11 the inventory days increased to 41 days from 36 in FY10. The debtor days also increased from 18 to 22 days whereas creditor days stood constant at 8 days

- CIL includes Rs 1.64 bn collected by BCCL on sale of coal but due to legal issues this amount has not yet been deposited with an appropriate authority.
- CIL includes Rs 9.1 bn shown in Cess Equalisation Account. The amount is the payment of cess on the annual value of coal bearing land.
- In FY11, CIL incurred additional provision of Rs 3.5 bn on account of mine closure plan to reach its total obligation of Rs 8.4 bn.

Net Assets and asset turnover ratio



Source: Company, B&K Research

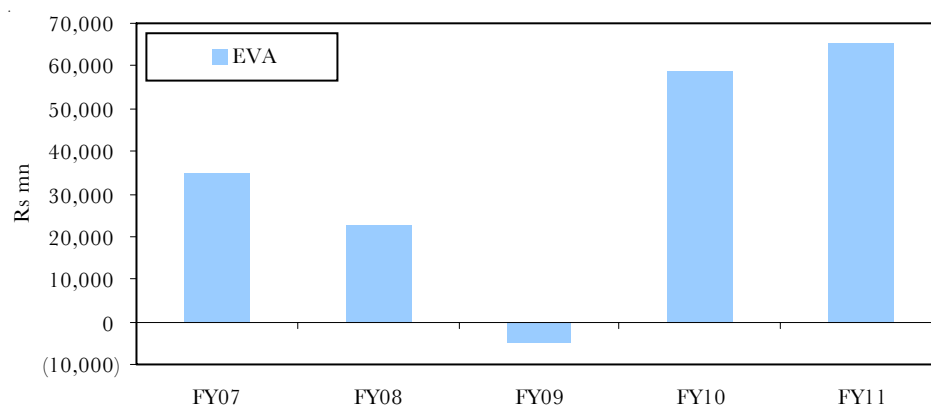
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In FY11, CIL added only 7 shovels but retired 149 dumpers, 10 dozers and 4 drills.

Contingent liabilities

(Rs mn)	FY11	FY10
Amount remaining to be executed on capital account not provided for	22,489	17,957
Claims against CIL not treated as debt	110,285	82,500
Outstanding letters of credit	1,660	2,674
Counter guarantee to GoI for JBIC loans	7,318	7,474
Counter guarantee to GoI for IBRD loans	6,387	7,169
Guarantee for loans obtained by subsidiaries	1,540	1,461

EVA



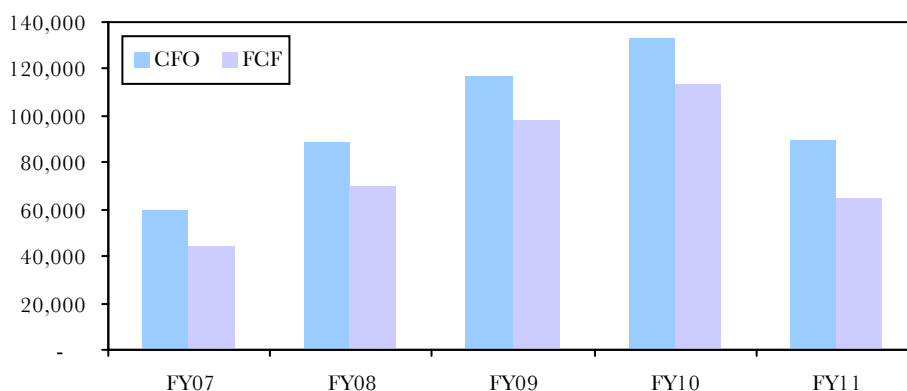
Source: Company, B&K Research

Increasing employee cost affected RoE and EVA was negative in FY09. However, price hike and better realisation led to margin expansion and subsequent improvement in EVA

Cash Flow analysis

Cash flow from operation

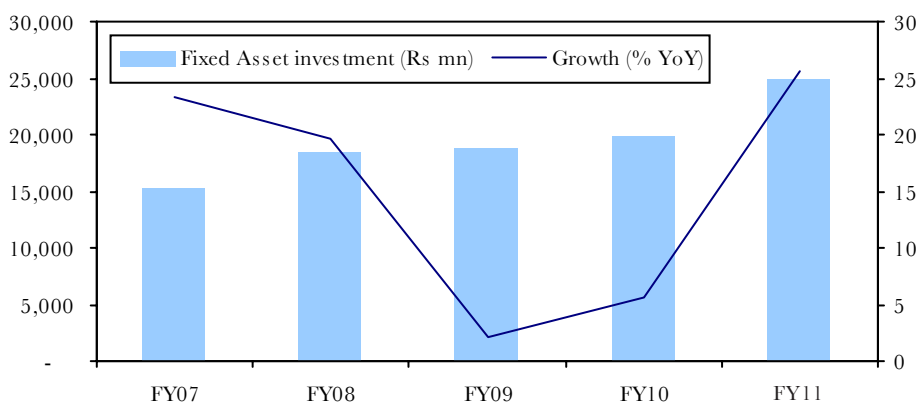
CIL's CFO (pre-tax) has grown at CAGR 5.2% as against PBT growth of 13.5% over FY07-11 due to robust topline growth. Due to lower working capital requirement, the company has consistently able to generate steady FCF



Source: Company, B&K Research

Cash flow from investment

During FY07-11, overall investment in fixed asset was Rs 109 bn with significant part being investment in machinery



Source: Company, B&K Research

Cash flow from financing activities

(Rs mn)	FY06	FY07	FY08	FY09	FY10	FY11
Increase/(Decrease) of loan (inclusive of exchange rate variation)	(4,191)	(1,611)	(2,600)	2,646	(616)	(4,096)
Redemption of Bond	(110)	(140)	-	-	-	-
Interest paid	(295)	(965)	(44)	(1,610)	(1,445)	(619)
Dividend paid (including tax on dividend)	(14,154)	(18,875)	(19,953)	(17,054)	(22,100)	(25,832)
Net cash used in financing activities	(16,828)	(19,570)	(20,018)	(13,239)	(21,625)	(29,108)

Cash flow from financing has been negative largely on account of dividend outflow and debt repayment

About company

Coal India (CIL) is the world's largest coal mining and resources company in the world with proven reserves of Rs 18 bn tonne. CIL also boasts of lowest cost of mining in open cast mines compared to its peers. All the coal mined is sold in India mainly to power utilities (80%) and steel plants and CIL sells thermal coal at significant discount to the international coal prices.

Key management personnel

Name	Profile	Details
Mr N.C. Jha	Chairman	He is a postgraduate in mining engineering from Indian school of mines. He is also holding the charge as Director technical and Director marketing. He was Chairman-cum-MD of SECL (largest coal producing subsidiary of CIL) before taking the role of Chairman of CIL.
Mr Mohan Das	Director Personnel and Industrial Relation	He holds a post graduate degree in social work from Madurai university. He has also participated in 'Advance management program' at Cambridge and 'Management development program' at Wharton. Previously, he was working with BHEL in various capacities.
Mr Ashok Kumar Sinha	Director Finance	He graduated with honours in physics from Belu Ramkrishna Vidyamandir than became a member of Indian institute of Chartered Accountants. He has also done law from Calcutta university. He has a 30 years of experience in mining and has been associated in various capacities with CIL and its subsidiaries.
Mr Alok Perti	Director (Nominee of GoI)	He has done his Masters in physics from university of Allahabad. He joined Indian administration service in 1977 and since then has work with GoI in various capacities. Currently, he is also on the board of Neyveli Lignite.
Ms Anjali Srivastava	Director (Nominee of GoI)	She is an Indian audit and account service officer of 1982 batch. She has also done LLB from Lucknow university. She is working with ministry of coal as a joint secretary and financial advisor. She is also a government nominee director on board of HCL, HZL and BALCO.
Mr S.K. Barua	Independent Director	He is a pass out from IIT Kanpur and has a Doctorate from IIM Ahmadabad. He has been on the faculty of IIM Ahmedabad from 30 years.
Dr A.K. Rath	Independent Director	He holds master degree in physics from DU and doctorate in business administration from KIIT university. He joined IMS in 1973 and has been associated with GoI in various capacities.

Major events

FY11	<ul style="list-style-type: none"> • Coal India Limited signed a Memorandum of Understanding with The Shipping Corporation of India Limited in December 2010 for promoting a Joint Venture Company (JVC) In order to create comprehensive end-to-end logistic solution from load port to consuming end. • 04 November was CIL share was listed at Rs 291/- and closed over Rs 342/- on the first day of trading • 21 October 2010, the day CIL's IPO closed, CIL's IPO the largest so far in Indian capital market was oversubscribed 15.3 times.
FY09	Award of 'Navratna' status to CIL by the Department of Public Enterprises, GoI, Overall production of coal by CIL and subsidiaries, crossed 400 million tonnes.
FY04	Overall production of coal by our company and our Subsidiaries crosses 300 million tonnes.
FY96	Approval of a financial restructuring package by the Government, whereby Rs 8,917 mn of interest liability was waived, Rs 9,041.8 mn of plan loan repayment arrears was converted to preference equity and Rs 4,326.4 mn of non plan payment arrears were allowed a moratorium for repayment and interest accrual for a period of three years, to be repaid in three equal instalments.
FY93	Formation of MCL as our Subsidiary to manage mines Talcher and IB valley in the state of Orissa.
FY92	Uptrend of profit started in 1991 and CIL earned a profit of Rs 1,670 mn in Fiscal 1992. Overall production of coal by CIL and Subsidiaries crossed 200 million tonnes.
FY88	'Blasting Gallery Method' introduced at East Katras mine under BCCL and Chora mine under ECL.
FY86	Formation of NCL and SECL as Subsidiaries of CIL, to manage certain mines managed by WCL and CCL.
FY82	Introduction of retention prices of coal by amending the Colliery Control Order, 1945 by notification dated 31 March 1982, in respect of CIL subsidiaries.
FY81	Construction of five new washeries: Moonidih washery, Ramgarh washery, Mohuda washery, Barora washery, Kedla washery. Overall production of coal by CIL and Subsidiaries crossed 100 million tonnes.
FY76	Change of name to 'Coal India Limited'. Incorporation of CMPDIL, ECL and WCL, and formation of BCCL, CCL, CMPDIL, ECL and WCL, as CIL Subsidiaries.
FY74	Nationalisation of coal mines, in order to provide for a higher growth in coal sector to meet the growing energy needs of the country. Incorporation of our Company as 'Coal Mines Authority Limited'.

Outlook and valuation

We expect a significant improvement in CIL's offtake in FY12 and FY13 led by the liquidation of the inventory. CIL had an inventory of 70 mn tonne in FY11 and has already liquidated 17 mn tonne of inventory till August 2011. Hence, we expect a substantial 8% growth in offtake to 460 mn tonne in FY12E and at least a 4% growth in FY13 to 478 mn tonne. CIL took a 12% price increase on 27 February 2011. It had increased the prices of MCL to bring it at par with SECL, price for non regulated sector was increased by 30% and Grade A and B prices were linked to import parity prices. The complete impact of price hike would be visible in FY12E leading to a 16.3% growth in realisations. Coupled with 8% volume growth, we expect a 31% growth in revenue. CIL is expected to make provisioning for wage hikes in FY12E. We believe that it would be able to maintain its margins even after a substantial provisioning of Rs 50 bn led by an increase in prices in February 2011. And if wage hikes are substantially high CIL has the leeway to increase the coal prices as its prices are at a substantial discount to the international prices.

We maintain Buy with a target price of Rs 437 based on 9x FY13E adjusted EBITDA less net debt.

Income Statement

Yr end 31 Mar (Rs mn)	FY10	FY11	FY12E	FY13E
Net sales	466,843	526,162	658,670	750,790
<i>Growth (%)</i>	<i>13.5</i>	<i>12.7</i>	<i>25.2</i>	<i>14.0</i>
Operating expenses	(361,483)	(391,371)	(476,001)	(532,863)
Operating profit	105,360	134,791	182,669	217,926
EBITDA	105,360	134,791	182,669	217,926
<i>Growth (%)</i>	<i>276.0</i>	<i>27.9</i>	<i>35.5</i>	<i>19.3</i>
Depreciation	(13,295)	(16,729)	(17,966)	(20,140)
Other income	49,006	47,963	50,521	51,427
EBIT	141,072	166,025	215,224	249,214
Interest paid	(886)	(791)	(1,243)	(1,243)
Pre-tax profit	140,186	165,234	213,981	247,971
(before non-recurring)				
Pre-tax profit	140,186	165,234	213,981	247,971
(after non-recurring)				
Tax (current + deferred)	(43,425)	(55,959)	(72,733)	(84,286)
Net profit (before Minority Interest, Pref. Dividend, etc.)	96,761	109,275	141,249	163,685
Prior period adjustments	(537)	(602)	–	–
Reported PAT	96,224	108,674	141,249	163,685
Adjusted net profit	96,224	108,674	141,249	163,685
<i>Growth (%)</i>	<i>364.1</i>	<i>12.9</i>	<i>30.0</i>	<i>15.9</i>

Balance Sheet

Yr end 31 Mar (Rs mn)	FY10	FY11	FY12E	FY13E
Cash and marketable sec.	390,778	458,623	450,800	489,014
Other current assets	152,466	185,337	237,096	269,659
Investments	12,821	10,637	10,637	10,637
Net fixed assets	142,416	150,610	178,644	208,504
Other non-current assets	9,660	8,732	8,732	8,732
Total assets	708,141	813,939	885,908	986,547
Current liabilities	413,825	448,725	434,618	435,864
Total debt	20,869	15,536	15,536	15,536
Other non-current liabilities	14,774	16,214	18,214	20,214
Total liabilities	449,468	480,475	468,367	471,614
Share capital	63,164	63,164	63,164	63,164
Reserves & surplus	195,289	270,008	354,051	451,444
Less: Misc. expenditure	(15)	(34)	–	–
Shareholders' funds	258,437	333,138	417,215	514,608
Minorities interests	236	326	326	326
Total equity & liabilities	708,141	813,939	885,908	986,547
Capital employed	294,316	365,214	451,290	550,683

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY10	FY11	FY12E	FY13E
Pre-tax profit	140,186	165,234	213,981	247,971
Depreciation	13,295	16,729	17,966	20,140
Change in working capital	38,608	3,471	(63,866)	(29,317)
Total tax paid	(43,815)	(55,033)	(72,733)	(84,286)
Cash flow from oper. (a)	148,274	130,400	95,349	154,507
Capital expenditure	(19,804)	(17,832)	(46,000)	(50,000)
Change in investments	2,230	2,184	–	–
Others	(6,515)	(7,109)	34	–
Cash flow from inv. (b)	(24,088)	(22,756)	(45,966)	(50,000)
Free cash flow (a+b)	124,186	107,644	49,383	104,507
Debt raised/(repaid)	(616)	(5,333)	–	–
Dividend (incl. tax)	(29,871)	(31,085)	(57,206)	(66,292)
Others	129	(3,381)	(10,059)	–
Cash flow from fin. (c)	(30,358)	(39,799)	(67,264)	(66,292)
Net chg in cash (a+b+c)	93,828	67,845	(17,882)	38,215

Key Ratios

Yr end 31 Mar (%)	FY10	FY11	FY12E	FY13E
Adjusted EPS (Rs)	15.2	17.2	22.4	25.9
Growth	364.1	12.9	30.0	15.9
Book NAV/share (Rs)	41.0	52.8	66.1	81.5
Dividend/share (Rs)	3.5	3.5	6.7	7.8
Dividend payout ratio	31.0	28.6	40.5	40.5
Tax	31.0	33.9	34.0	34.0
EBITDA margin	22.6	25.6	27.7	29.0
EBIT margin	30.2	31.6	32.7	33.2
RoCE	54.3	50.3	52.7	49.7
Net debt/Equity	(143.0)	(132.9)	(104.2)	(91.9)

Valuations

Yr end 31 Mar (x)	FY10	FY11	FY12E	FY13E
PER	24.7	21.9	16.8	14.5
PCE	21.7	19.0	14.9	12.9
Price/Book	9.2	7.1	5.7	4.6
Yield (%)	0.9	0.9	1.8	2.1
EV/Net sales	4.4	3.7	2.9	2.6
EV/EBITDA	19.5	14.6	10.6	8.8

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY10	FY11	FY12E	FY13E
Net margin (%)	20.6	20.7	21.4	21.8
Asset turnover	0.7	0.7	0.8	0.8
Leverage factor	2.9	2.6	2.3	2.0
Return on equity (%)	42.7	36.7	37.6	35.1

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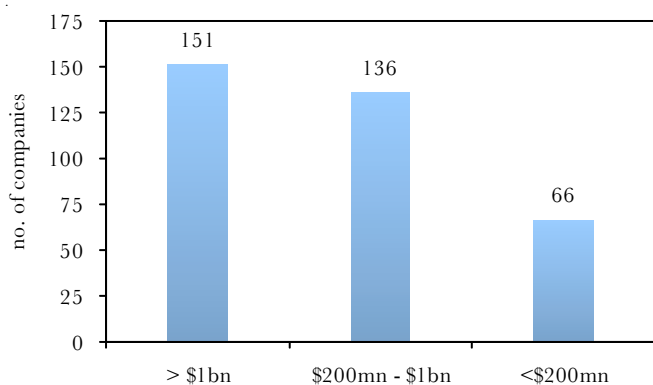
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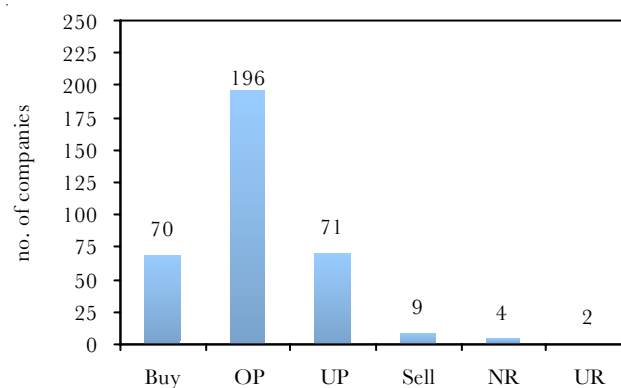
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



B&K Securities is the trading name of Batlivala & Karani Securities India Pvt. Ltd.

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2. **OUTPERFORMER:** 0 to +25%
3. **UNDERPERFORMER:** 0 to -25%
4. **SELL:** Potential downside of < -25% (absolute returns)

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