21 June 2011

Update | Sector: Oil & Gas

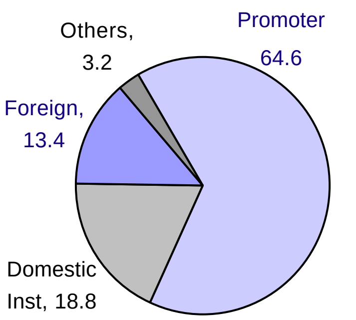
GAIL (India)

BSE SENSEX	S&P CNX
17,560	5,276

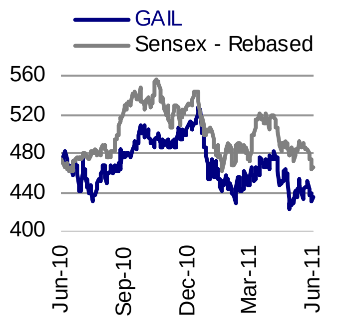
Bloomberg	GAIL IN
Equity Shares (m)	1,268.5
52-Week Range (INR)	536/411
1,6,12 Rel. Perf. (%)	6/-2/-7
M.Cap. (INR b)	550.5
M.Cap. (USD b)	12.2

Y/E March	2011	2012E	2013E
Sales (INR b)	324.6	377.5	410.0
EBITDA (INR b)	54.5	58.5	72.0
Net Profit (INR b)	36.4	36.2	40.4
EPS (INR)	28.7	28.5	31.8
EPS Gr. (%)	16.0	-0.6	11.5
BV/Sh. (INR)	151.7	170.2	190.9
P/E (x)	12.6	12.4	11.1
P/BV (x)	2.3	2.1	1.9
EV / EBITDA (x)	7.8	8.2	7.7
EV / Sales (x)	1.4	1.4	1.4
RoE (%)	18.5	16.8	16.7
RoCE (%)	23.0	19.2	16.7

Shareholding pattern % (Mar-11)



Stock performance (1 year)



CMP: INR434 | TP: INR450 | Neutral

In the midst of its longest and biggest capex cycle

Concerns remain on under-utilization of the new capex

- **GAIL's ongoing ambitious capex plan will double its gas transmission network in the next 3-4 years and help secure its long-term business.**
- **However, the new transmission capacity will suffer from lower utilization till FY13, owing to limited incremental gas supply. The new petchem capacity too will come on stream not before FY14.**
- **We maintain our Neutral rating due to: (1) low near-term visibility of transmission volume growth, (2) lower return ratios in near-term due to under-utilization of new capitalized pipelines, and (3) resurgence of ad-hoc subsidy sharing risk.**

Volume growth delayed; medium-term profitability to be under pressure

Declining KG-D6 volumes and lack of new meaningful supplies will lead to slower growth in GAIL's transmission volumes in the next two years (9% CAGR v/s 13% CAGR in the last three years). However, despite gas supply uncertainty, GAIL is adding new transmission capacity. Historically, GAIL's investment cycles have been accompanied by drop in RoCE and dampening of PAT growth. We see this playing out over the next two years.

Long-term prospects intact but contingent on multiple factors

GAIL's long-term growth prospects appear intact but we remain concerned in the medium-term, due to earnings impact of likely under-utilization of its transmission network. We expect the growth to resume post FY13, with new supplies from the LNG terminals at Kochi, Dahej and incremental gas in the KG basin from GSPC, RIL and ONGC. Key factors that could turn us positive on the stock are: (1) improved visibility in gas volume ramp-up, and (2) some rationalization in subsidy sharing. Also, any positive revision in the final HVJ-DVPL tariff would provide upside in the transmission business.

Upsides constrained in near-term, but limited downside provides some respite

Upsides are constrained by the gas availability. However, we believe there is little downside to our earnings estimates, as the annuity-like gas business contributes >60% of earnings. A 5-10% swing in petchem realization will not have a meaningful impact, as its contribution to earnings is low (23% in FY11). LPG and HC segment contributes ~6% (including subsidy impact) to the EBIT in our current estimates. Hence, a higher subsidy sharing would impact only a small part of total earnings.

Valuation and view

Of the two options: (1) wait for gas and then build network, or (2) build network, which will enable gas sourcing, GAIL is adopting the second. We like the management's strategy, as it secures long-term business prospects. However, we have concerns on the earnings growth over the next two years. We remain **Neutral** on the stock from the medium-term perspective. Adjusted for investments, the stock trades at 11.1x FY13E EPS of INR31.8. Our SOTP-based target price is INR450.

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Volume growth delayed; medium-term profitability to be under pressure

Gas supply environment challenging; no new meaningful supplies till FY13

- **Declining KG-D6 volumes and lack of new meaningful supplies will lead to slower growth in GAIL's transmission volumes in the next two years (9% CAGR v/s 13% CAGR in the last three years).**
- **Despite gas supply uncertainty, GAIL is adding new transmission capacity.**
- **Historically, GAIL's investment cycles have been accompanied by drop in RoCE and dampening of PAT growth. We see this playing out over the next two years.**

After 2-3 years of robust volume growth…

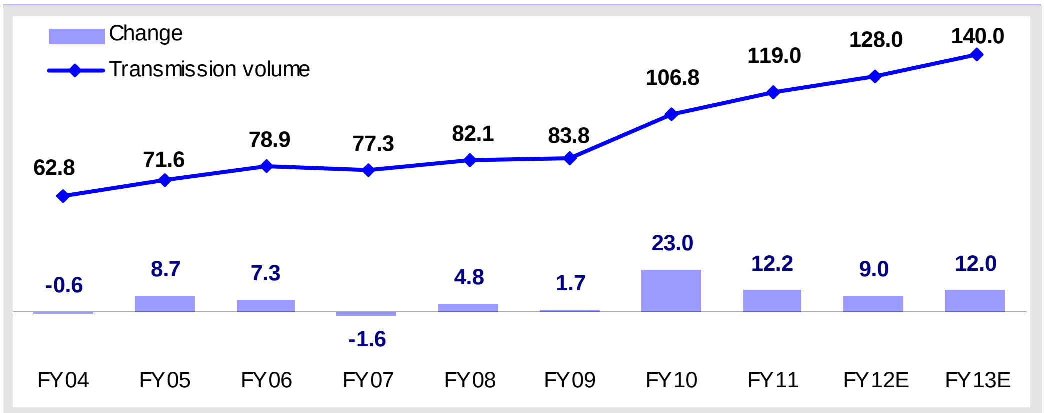
GAIL reported good volume growth over the last two years, primarily driven by production from RIL's KG-D6 block. In FY11, the KG-D6 block faced challenges, preventing further ramp-up in gas production. By the end of FY11, volumes from KG-D6 had reduced to ~50mmscmd from the peak level of ~60mmscmd. In FY11, GAIL's loss of volumes from KG-D6 was compensated by increased throughput at Petronet's Dahej RLNG terminal.

…expect a slowdown for the next two years

Transmission volume growth to slow down...

For FY12 and FY13, there is low visibility on additional sources of gas, which could have helped GAIL to continue its volume growth. The decline in KG-D6 volumes will be partly offset by incremental LNG imports at Dahej (~4mmscmd more) and Dabhol LNG terminal (expected to come on stream by 4QFY12). Effectively, this leads to concerns on gas volume growth over the next two years.

Volume growth to slow down over the next two years (mmscmd)



Source: Company/MOSL

Share of LNG set to increase in medium term (mmscmd)

	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Existing (ONGC + Ravva)	51	48	50	50	50	50	50
PMT	6	12	16	14	13	13	13
KG Basin	-	-	17	28	30	33	38
RLNG	25	24	24	27	35	44	52
Total	**82**	**84**	**107**	**119**	**128**	**140**	**153**

Source: Company/MOSL

Under-utilization of new pipeline network for next 2-3 years

... leading to under-utilization of new pipeline capacity

A key challenge for GAIL's expanded pipeline network will be availability of additional gas. GAIL expects the gas supply situation to improve over the long term due to the following:

- Increased production at KG basin (RIL, GSPC and ONGC blocks)
- R-LNG from Kochi, Dabhol and Hazira expansion and others
- TAPI pipeline

However, we believe that during the next 2-3 years, the utilization of GAIL's pipeline network is likely to be sub-optimal due to lack of gas availability.

Ongoing capex to translate into earnings with a lag

GAIL is executing multiple cross-country pipeline projects. The Haldia-Jagdishpur pipeline has been on hold due to low visibility of the progress on the envisaged feeder line, the Kakinada-Haldia pipeline.

The other pipeline projects have progressed significantly. GAIL also plans to restart work on its Jagdishpur-Haldia pipeline. It will also be completing (and capitalizing) its HVJ-DVPL expansion and new West Coast network.

GAIL's cross-country pipeline projects will help in the long term

Pipeline Network	Capacity (mmscmd)	Length (km)	Capex (INR b)	Remarks
HVJ-DVPL/GREP Pipeline Projects				
Dahej-Vijaipur, Phase-II	24 to 78	610	52	11mmscmd de-bottlenecked in 3QFY11, rest of the projects to be operational over next 6 months
Vijaipur-Dadri	20 to 80	505	57	
Dadri-Bawana-Nangal	31	646	23	
Chainsa-Jhajjar-Hissar	35	349	13	
3 Mega Cross-country Pipelines				
Jagdishpur- Haldia	32	2,050	76	Project likely to resume in Dec-11
Dabhol-Bangalore	16	1,389	50	Phase I -Mar-12 Phase II - Dec-12
Kochi-Koottanad-Bangalore-Mangalore	16	1,114	33	Phase I -Mar-12 Phase II - Dec-12
Total		**6,663**	**303**	

Source: Company/MOSL

In addition to the large pipeline projects, GAIL is also expanding its existing pipeline transmission network by adding spurs and extensions.

Smaller pipeline projects will help expand the reach of the existing network

Spur lines under construction	Capacity (mmscmd)	Length (km)	Capex (Rsb)
Karanpur- Moradabad-Kashipur-Rudrapur	2.5	185	3
Focus Energy consortium to RRUVNL	1.2	90	1
Agra and Ferozabad region	1.25 to 2.75	71	2
Vijaipur Kota upgradation/spurliness	2	290	5
Bawana Nangal (Uttaranchal & Punjab)	4	270	5
Total		**906**	**15**

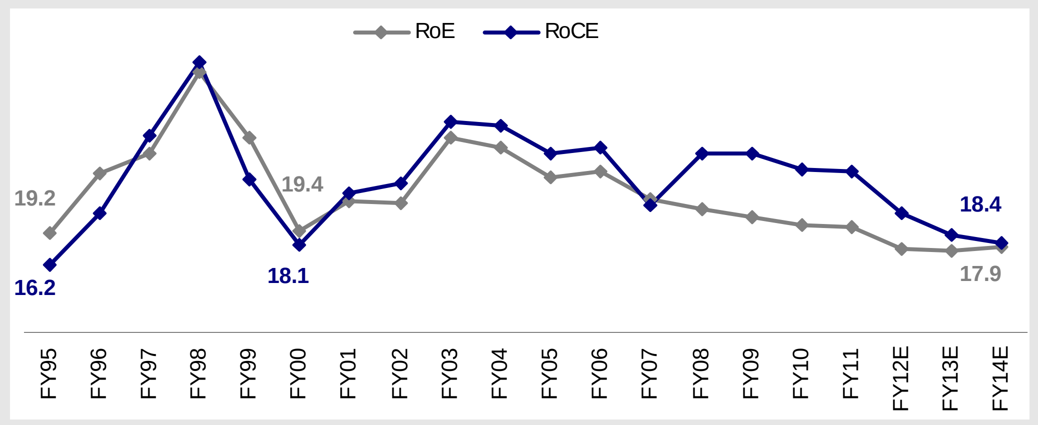
Source: Company/MOSL

Profitability ratios to be under pressure

Sub-optimal pipeline utilization will put pressure on GAIL's near-term profitability ratios. GAIL's gross block is set to increase by 70% in the next two years. However, earnings will be depressed due to non-commensurate increase in revenue as well as due to higher interest and depreciation charge. This will result in low return ratios over the next 2-3 years.

Low utilization of new capex would also dampen RoE/RoCE

Expect RoE and RoCE to approach their historical lows (%)



Source: Company/MOSL

GAIL growth map

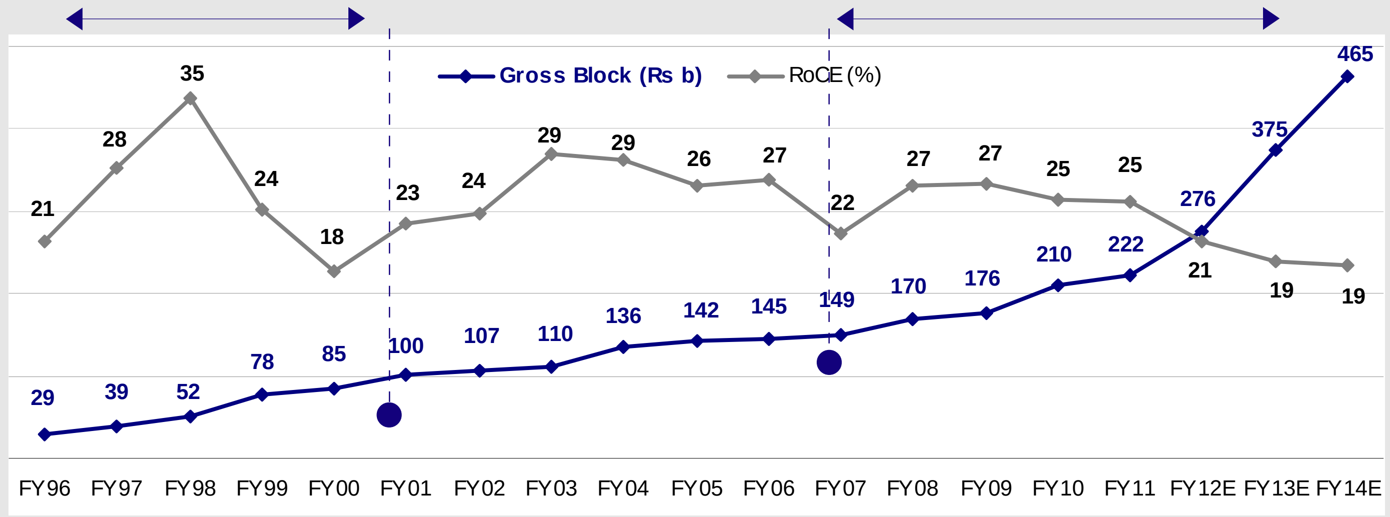
Investment cycles are accompanied by drop in RoCE and dampening of PAT growth

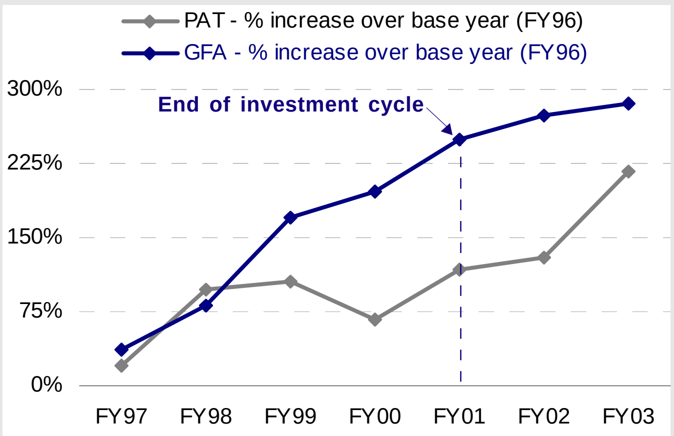
1st major investment cycle: Asset base multiplied 3.5 times between FY97-01

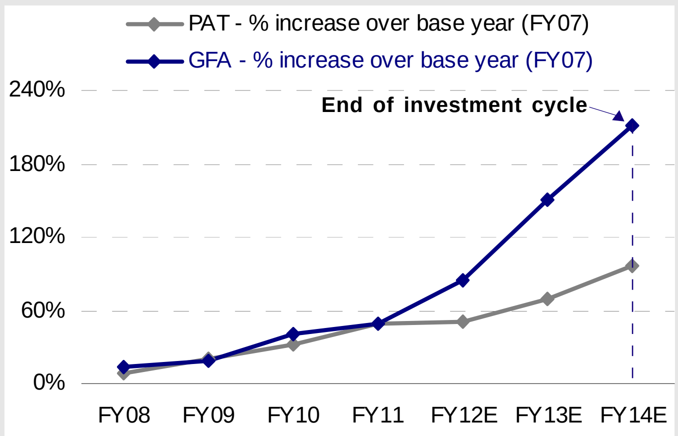
- LPG plants at Usar, Lakwa and Pata
- Pata petrochemicals plant
- Jamnagar-Loni LPG pipeline
- LPG plant at Gandhar

Current investment cycle: Asset base to multiply ~3.5 times between FY07-14

- 5 trunk natural gas pipelines and several spur lines;
- Petrochemicals capacity expansion







- In the first major investment cycle (FY97-01), the PAT growth dipped before catching up with asset growth
- The current investment cycle (FY07 onwards) is longer, and PAT growth is likely to lag, especially due to a slower expected volume ramp-up.

Long-term prospects are contingent on multiple factors

Await gas volume ramp-up, rationalization in subsidy sharing

- **GAIL's long-term growth prospects appear intact but we remain concerned in the medium-term, due to earnings impact of likely under-utilization of its transmission network.**
- **We expect the growth to resume post FY13, with new supplies from the LNG terminals at Kochi, Dahej and incremental gas in the KG basin from GSPC, RIL and ONGC.**
- **Key factors that could turn us positive on the stock are: (1) improved visibility in gas volume ramp-up, and (2) some rationalization in subsidy sharing.**
- **Also, any positive revision in the final HVJ-DVPL tariff would provide upside in the transmission business.**

Await greater visibility on volume growth

Long term prospects look good, though there are growth risks in the short term

Over the longer term, GAIL is likely to get gas from (1) KG basin blocks of RIL, ONGC and GSPC (FY13 onwards), (2) LNG terminals at Dabhol (from 4QFY12) and Kochi (4QFY13 onwards), and (3) TAPI pipeline (FY17 at the earliest). However, being long-term projects, their completion is contingent on several factors. They are all exposed to risks ranging from project execution risks to market, economic and political risks. Hence, we would prefer to wait for greater clarity on the source of volume growth.

Long-term sources of gas transmission volumes for GAIL

Long-term sources	Status and Remarks
Domestic sources	
RIL's KG-D6 block	Production declined from peak of 60mmscmd to ~50mmscmd now; Reservoir studies ongoing; further ramp-up unlikely before FY13 Can reach 80mmscmd as per original plan
ONGC's KG block	Company searching for technology partner to monetize this ultra deepwater block; Production likely in 2015/16
GSPC's KG block	Production likely by 2013
RIL's NEC-25 block	To file revised development plant, First gas unlikely before 2013
Shale Gas	Bidding rounds likely next year; commercial production could take 4-5 years
CBM	Nominal production underway
Imported R-LNG sources	
Kochi (Petronet LNG)	To complete by 3QFY12; has 5mmt (20mmscmd) capacity
Dahej (Petronet LNG)	Likely to be completed in 2013
Ennore (IOC)	No definitive timelines yet, IOC seeking strategic partners
Hazira (Shell)	To expand from 3 to 5mmt (no timelines)
Dabhol (GAIL)	Likely to commission in 4QFY12
Mundra LNG (GSPL JV)	Front End Engg. Completed
Pipavav (FSRU)	Planning stage
Dhamra Port	Planning stage (L&T and Tata Steel JV)
Gas imports through pipelines	
TAPI pipeline (Turkmenistan-Afganisthan-Pakistan-India)	Discussion underway; if milestones reached on time; gas flow could start by 2016-17
IPI pipeline (Iran-Pakistan-India)	India and Iran yet to arrive at consensus on the project

Source: Company/MOSL

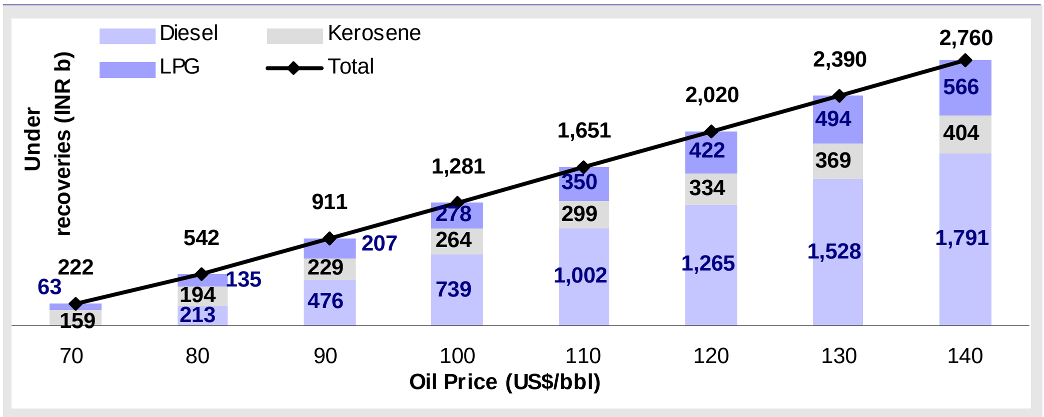
Subsidy concerns are back

Over the last six months, oil prices have once again shot up, breaching the USD120/bbl mark. Given the controlled pricing for diesel, kerosene and LPG in India, under-recoveries have once again started to increase at an alarming rate. At an oil price of USD120/bbl, we estimate total under-recoveries in FY12 at INR2t.

Short-term risks include higher subsidy sharing

GAIL shares under-recoveries as a part of upstream companies. Though the government has not spelled out any clear formula for subsidy sharing, GAIL's subsidy has been trending lower. However, we believe that at such high under-recoveries, the government has limited options, raising the risk of increased subsidy sharing by upstream players. We currently model upstream sharing at 38.7% in FY12 and at 33% in FY13.

FY12E subsidies soar beyond Brent price of USD90/bbl



Source: Company/MOSL

We model upstream sharing at 39% / 33% for FY12/ FY13 (Rs b)

	FY08	FY09	FY10	FY11	FY12E	FY13E
Brent (US$/bbl)	82.3	84.8	69.6	86.3	100.0	90.0
Gross Under recoveries (INR b)						
Auto Fuels	426	575	144	375	739	307
Domestic Fuels	347	458	316	405	542	432
Total	**773**	**1,033**	**461**	**780**	**1,281**	**739**
Sharing (INR b)						
Oil Bonds/Cash	353	713	260	410	706	437
Upstream	257	329	145	303	496	246
OMC's sharing	163	(9)	56	67	79	55
Total	**773**	**1,033**	**461**	**780**	**1,281**	**739**
Sharing (%)						
Oil Bonds	46	69	56	53	55	59
Upstream	33	32	31	39	39	33
OMC's sharing	21	(1)	12	9	6	8
Total	**100**	**100**	**100**	**100**	**100**	**100**
Upstream Sharing (INR b)						
ONGC	220	281	115	247	407	202
OIL	23	30	16	32	55	27
GAIL	14	18	13	24	35	17
Total	**257**	**329**	**145**	**303**	**496**	**246**
Upstream Break-up (%)						
ONGC	86	86	80	82	82	82
OIL	9	9	11	10	11	11
GAIL	5	5	9	8	7	7
Total	**100**	**100**	**100**	**100**	**100**	**100**

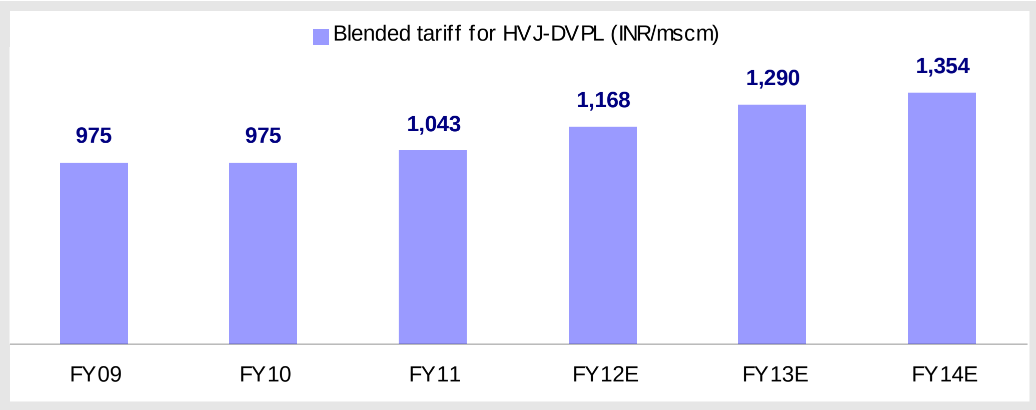
Source: Company/MOSL

We model GAIL's contribution at 7% of upstream subsidy share

Final HVJ-DVPL tariff could provide upside in near term

In January 2011, PNGRB fixed the provisional tariff for GAIL's HVJ-DVPL pipeline network. GAIL had earlier applied for tariff determination of the HVJ-DVPL pipeline network to PNGRB. PNGRB has segregated the tariff into two parts: (1) tariff for the existing network, and (2) tariff for a new expanded DVPL network. The provisional tariffs worked out to INR975/mscm (INR25.46/mmbtu) for the old pipeline and INR2,014/mscm for the new pipeline resulting in average tariff of INR1,043 for FY11. As the incremental volumes are expected to flow through the new pipeline, the average tariffs are expected to increase going forward.

HVJ-DVPL: Volume ramp up on the new pipeline, will increase effective overall tariff



Source: Company/MOSL

Any upside from final HVJ-DVPL tariffs could provide some respite in the short term

The current tariffs are provisional in nature and will be firmed up based on the actual data received from the operator. In its tariff application, GAIL had sought to merge the capex of the existing HVJ-DVPL-GREP pipeline system and the capex for upgradation of the DVPL-GREP system. It had thus proposed a unified tariff of Rs35.39/mmbtu.

The PNGRB however approved separate tariff for the existing pipeline system (Rs 25.46/mmbtu) and for the upgraded pipeline system (Rs 53.65/mmbtu). This was on a provisional basis and was around 10.6% lower than the tariff being charged by GAIL on the existing pipeline system. The PNGRB is likely to finalize the tariff in the next few months and could result in an upside for GAIL's transmission business.

Limited downside to our earnings estimates

Earnings protected due to high share of annuity-like business

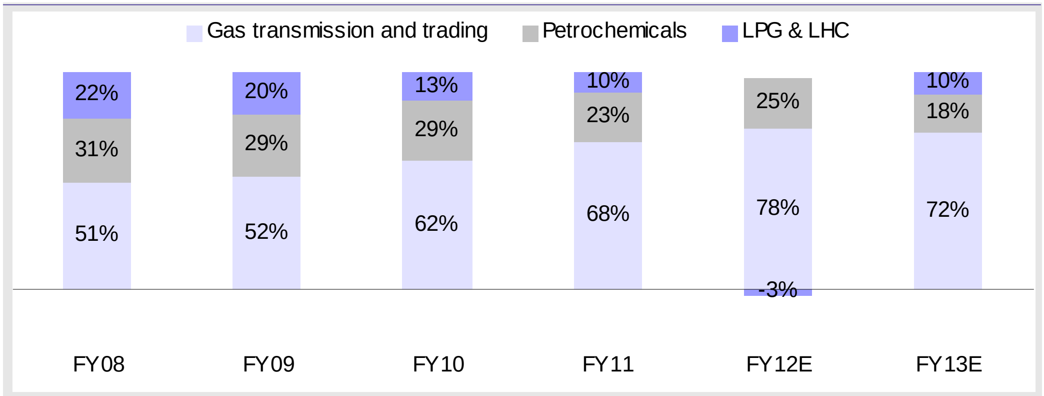
- **Upsides are constrained by the gas availability. However, we believe there is little downside to our earnings estimates, as the annuity-like gas business contributes >60% of earnings.**
- **A 5-10% swing in petchem realization will not have a meaningful impact, as its contribution to earnings is low (23% in FY11).**
- **LPG and HC segment contributes ~6% (including subsidy impact) to the EBIT in our current estimates. Hence, a higher subsidy sharing would impact only a small part of total earnings.**

Gas transmission is an annuity business

Earnings growth, though stunted over 2-3 years, has little downside risk due to high share in earnings of a 'regulated monopoly' business, with annuity-like earnings

Given that GAIL derives >65% of its earnings from transmission volumes, slower ramp-up will dampen its earnings.

Annuity-like gas business contributes ~65% of EBITDA



Source: Company/MOSL

Doubling of petchem capacity to begin contributing to earnings from FY14

GAIL has recently increased its petchem capacity from 410kt to 500kt. Petchem is expected to contribute INR11b-12b to its earnings over the next two years, driven by higher volumes as well as sustained pricing. GAIL is a gas-based petchem producer and its gas cost is fixed (unlike fluctuating costs for naphtha-based producers). Hence, its profitability is primarily dependent on realizations.

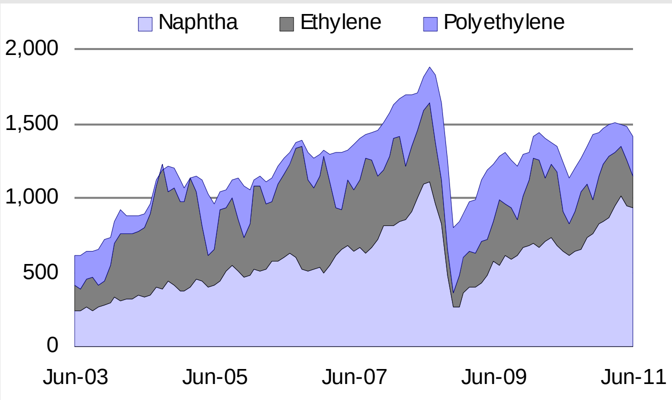
Given the current high oil prices and near-peak petchem prices, we do not expect significant improvement in prices hereon. As the new gas-based Middle East producers (that produce PE similar to GAIL) ramp-up their utilization levels, PE prices are likely to come under pressure, limiting the improvement in GAIL's profitability. Further, GAIL is also planning to double its petchem capacity; however, this capacity will come on stream by end-FY14.

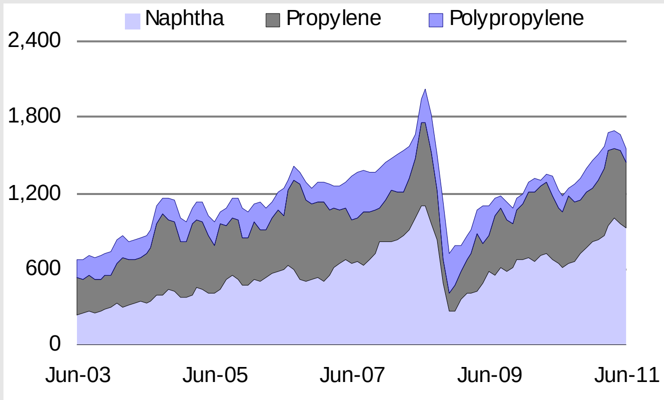
Segmental EBIT break-up (INR m)

	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Natural Gas Transmission	15.5	16.1	22.4	25.6	26.8	31.0	36.1
LPG Transmission	2.3	2.2	2.8	3.1	3.2	3.2	3.2
Natural Gas Trading	2.0	3.5	3.7	7.9	7.8	7.9	7.8
Gas transmission & trading	**19.9**	**21.8**	**28.9**	**36.6**	**37.8**	**42.1**	**47.2**
As a % of total	51	52	65	70	87	73	72
Petrochemicals	12.5	13.0	13.3	11.9	12.8	10.9	9.8
LPG & Liquid HC (pre-subsidy)	21.9	26.5	19.4	26.0	26.7	21.8	20.9
Other	(2.1)	(1.7)	(3.6)	(1.1)	0.0	0.0	0.0
Total	52.2	59.6	58.0	73.4	77.4	74.9	77.9
Less: Subsidy	(12.9)	(17.8)	(13.3)	(21.1)	(34.1)	(17.3)	(12.5)
Total EBIT	**39.4**	**41.8**	**44.7**	**52.3**	**43.3**	**57.6**	**65.4**

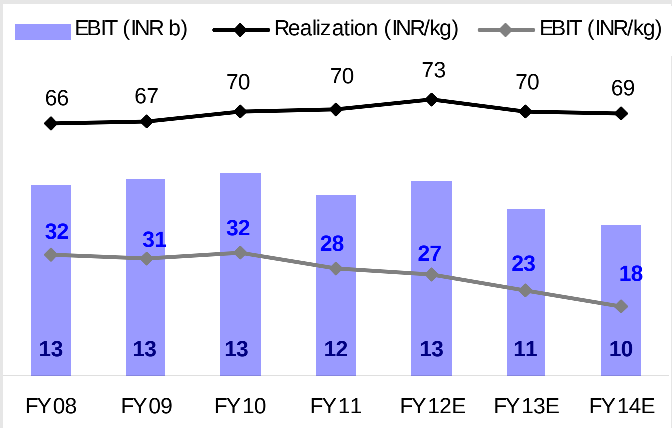
Source: Company/MOSL

Petchem prices are above historical averages and near the peak level (US$/MT)

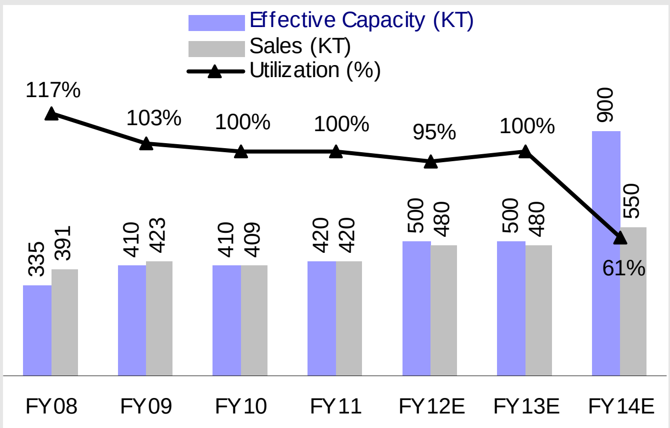




Petchem EBIT unlikely to improve further



New capacity to begin contributing only from FY14



GAIL produces only Polyethylene

Source: Company/MOSL

Valuation and view

Maintain Neutral with a revised price target of INR450

- **Of the two options: (1) wait for gas and then build network, or (2) build network, which will enable gas sourcing, GAIL is adopting the second.**
- **We like the management's strategy, as it secures long term business prospects. However, we have concerns on the earnings growth over the next two years.**
- **We remain Neutral on the stock from the medium-term perspective but believe that long-term investors could accumulate.**
- **Adjusted for investments, the stock trades at 11.1x FY13E EPS of INR31.8. Our SOTP-based target price is INR450.**

SOTP value at INR450/share

Business	INR/sh	Remarks
Core Business	369	12x FY13 EPS (EPS adj. for dividend income)
E&P	20	4 key blocks valued on in-place/contingent resources
Listed Investments	53	20% discount to CMP/target price
Unlisted investments	8	At Book Value
Target price	**450**	
Upside Potential		
CGD (additional 25mmscmd)	27	Not factored in our target price
Value with upside potential	**478**	

Source: Company/MOSL

Key assumptions

	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Exchange Rate (INR/USD)	**40.2**	**46.1**	**47.5**	**46.0**	**45.0**	**44.0**	**43.0**
Subsidy (INR b)	**12.9**	**17.8**	**13.3**	**21.1**	**34.1**	**17.3**	**12.5**
Natural Gas Transmission							
Volume (mmsmd)	82	83	107	118	128	140	153
Average Tariff (INR/mscm)	763	827	817	865	925	1,013	1,085
LPG Transmission							
Volume ('000 MT)	2,754	2,744	3,160	3,337	3,437	3,437	3,437
Average Tariff (INR/MT)	1,416	1,391	1,416	1,423	1,440	1,440	1,440
Petrochemicals							
Petchem Sales ('000 MT)	391	423	409	420	480	480	550
Realization (INR/kg)	66	67	70	70	73	70	71
EBITDA (INR/kg)	36	33	36	32	32	28	28
EBIT (INR/kg)	32	31	32	28	27	23	18
LPG & Liq HC							
Sales ('000 MT)	1,348	1,405	1,444	1,363	1,390	1,390	1,390
Realization (USD/MT)	732	748	608	777	870	755	755
EPS (INR)	20.5	22.7	24.8	28.7	28.5	31.8	36.2

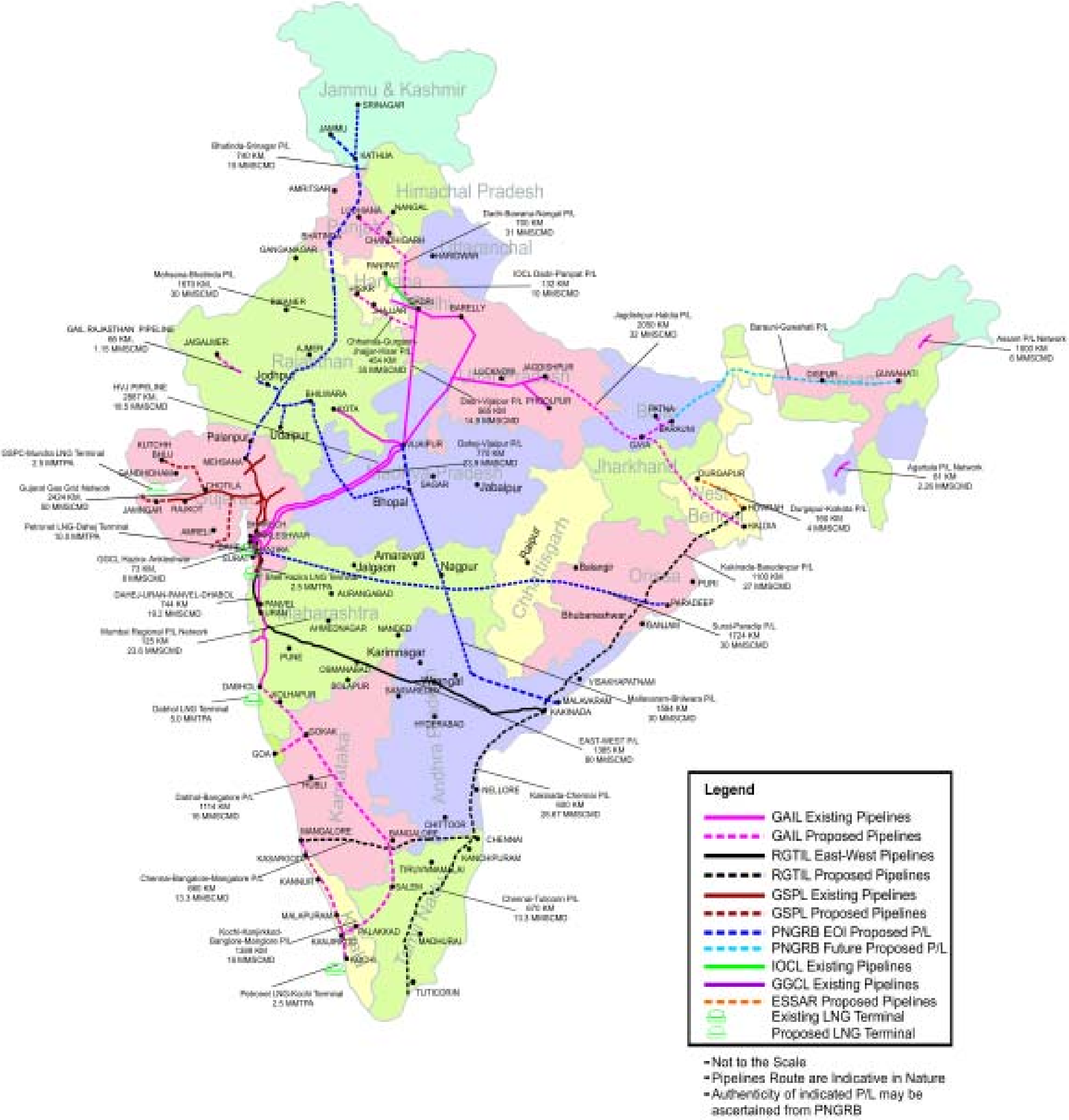
Sensitivity to key assumptions for our FY13 EPS

	-20%	-10%	Base	+10%	+20%
Transmission Volumes	**27.7**	**29.8**	**31.8**	**33.9**	**35.9**
Change in EPS (%)	-12.9	-6.4		6.5	13.0
HVJ-DVPL Tariff	**28.7**	**30.3**	**31.8**	**33.4**	**34.9**
Change in EPS (%)	-9.8	-4.9		4.9	9.8
Average Tariff	**27.7**	**29.8**	**31.8**	**33.9**	**35.9**
Change in EPS (%)	-12.9	-6.4		6.5	13.0
Petchem Price	**28.1**	**30.0**	**31.8**	**33.6**	**35.5**
Change in EPS (%)	-11.5	-5.7		5.8	11.6

Source: Company/MOSL

Annexure

Current and proposed pipeline network in India



Source: Company/MOSL

Financials and Valuation

Income Statement (INR Million)

Y/E March	2008	2009	2010	2011	2012E	2013E
Net Sales	**179,908**	**237,543**	**249,337**	**324,586**	**377,522**	**410,015**
Change (%)	12.1	32.0	5.0	30.2	16.3	8.6
Purchases	102,007	150,804	154,300	220,059	239,726	252,159
Raw Materials	17,148	21,283	21,993	21,788	28,692	27,522
Change in Stocks	-299	-50	-206	-1,325	0	0
Employee Costs	4,700	5,767	6,212	7,527	8,279	9,107
Power & fuel & other exp.	16,863	18,409	20,346	21,994	42,367	49,216
EBITDA	**39,488**	**41,330**	**46,691**	**54,544**	**58,457**	**72,010**
% of Net Sales	21.9	17.4	18.7	16.8	15.5	17.6
Depreciation	5,710	5,599	5,618	6,503	8,087	11,348
Interest	796	870	700	829	1,309	4,141
Other Income	5,564	7,966	5,411	5,186	4,041	2,749
PBT	**38,546**	**42,827**	**45,784**	**52,398**	**53,103**	**59,270**
Tax	12,535	14,003	14,386	16,788	16,916	18,914
Rate (%)	32.5	32.7	31.4	32.0	31.9	31.9
Reported PAT	**26,011**	**28,823**	**31,398**	**35,610**	**36,187**	**40,356**
Adjusted PAT	**26,011**	**28,823**	**31,398**	**36,408**	**36,187**	**40,356**
Change (%)	9.0	10.8	8.9	13.4	1.6	11.5

Balance Sheet (INR Million)

Y/E March	2008	2009	2010	2011	2012E	2013E
Share Capital	12,685	12,685	12,685	12,685	12,685	12,685
Reserves	117,364	135,012	155,305	179,785	203,209	229,466
Net Worth	**130,049**	**147,696**	**167,990**	**192,470**	**215,894**	**242,151**
Loans	12,659	12,001	14,804	23,059	49,659	117,659
Deferred Tax	13,197	13,259	13,896	16,332	18,457	20,827
Capital Employed	**155,904**	**172,957**	**196,689**	**231,861**	**284,009**	**380,637**
Gross Fixed Assets	169,579	176,040	210,377	222,297	275,778	375,148
Less: Depreciation	80,246	85,537	91,066	97,569	105,655	117,003
Net Fixed Assets	**89,333**	**90,503**	**119,311**	**124,728**	**170,123**	**258,145**
Capital WIP	8,167	24,263	23,305	68,126	92,127	92,283
Investments	14,909	17,373	20,730	20,730	20,730	20,730
Current Assets						
Inventory	5,698	6,014	6,317	8,009	8,462	8,778
Debtors	10,735	15,033	12,950	19,394	22,644	24,060
Cash & Bank Balance	44,730	34,562	41,715	20,930	2,435	11,725
Loans/Adv. & Other Assets	42,937	66,756	76,144	62,460	64,286	66,217
Current Liab. & Prov.						
Liabilities	33,610	41,779	54,483	52,679	54,886	56,302
Provisions	26,994	39,769	49,301	39,838	41,911	44,999
Net Current Assets	**43,496**	**40,818**	**33,343**	**18,277**	**1,029**	**9,479**
Application of Funds	**155,904**	**172,957**	**196,689**	**231,861**	**284,009**	**380,637**

E: MOSL Estimates

Financials and Valuation

Ratios

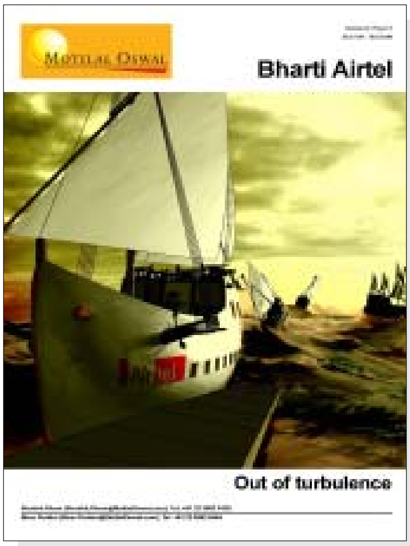
Y/E March	2008	2009	2010	2011	2012E	2013E
Basic (INR)						
EPS	**20.5**	**22.7**	**24.8**	**28.7**	**28.5**	**31.8**
Cash EPS	25.0	27.1	29.2	33.2	34.9	40.8
Book Value	102.5	116.4	132.4	151.7	170.2	190.9
DPS	10.0	7.0	7.5	8.0	9.0	10.0
Payout	48.8	30.8	30.3	27.9	31.5	31.4
Valuation (x)						
P/E			14.3	12.6	12.4	11.1
Cash P/E			12.1	10.6	10.1	8.7
EV / EBITDA			8.4	7.8	8.2	7.7
EV / Sales			1.7	1.4	1.4	1.4
Price / Book Value			2.7	2.3	2.1	1.9
Dividend Yield (%)			1.7	1.8	2.1	2.3
Turnover Ratios						
Debtors (No. of Days)	22	23	19	22	22	21
Fixed Asset Turnover (x)	1.2	1.4	1.3	1.4	1.3	1.1
Leverage Ratio						
Debt / Equity (x)	0.1	0.1	0.1	0.1	0.2	0.5

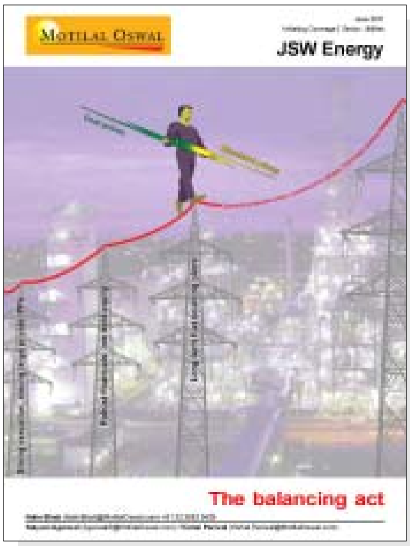
Cash Flow Statement (INR Million)

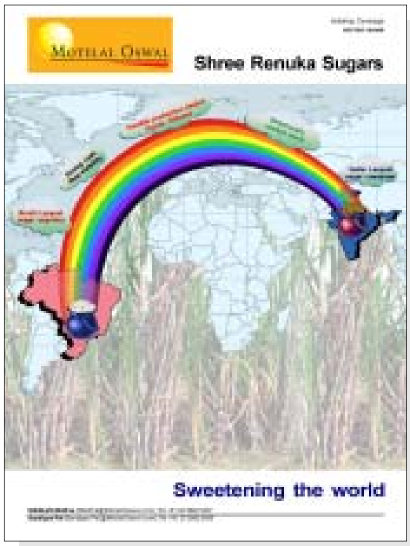
Y/E March	2008	2009	2010	2011	2012E	2013E
OP/(Loss) before Tax	38,550	42,040	45,784	52,398	53,103	59,270
Depreciation	5,739	5,599	5,619	6,503	8,087	11,348
Other op items	488	-1,279	-1,397	0	0	0
Direct Taxes Paid	-10,268	-15,009	-15,686	-14,351	-14,792	-16,544
(Inc)/Dec in Wkg. Capital	-388	-5,573	12,454	-5,718	-1,248	840
CF from Op. Activity	**34,122**	**25,779**	**46,774**	**38,832**	**45,150**	**54,915**
(Inc)/Dec in FA & CWIP	-12,295	-25,301	-35,510	-56,741	-77,483	-99,526
(Pur)/Sale of Investments	-270	-2,443	-3,358	0	0	0
Inc from Invst	4,042	5,223	4,705	0	0	0
CF from Inv. Activity	**-8,523**	**-22,522**	**-34,162**	**-56,741**	**-77,483**	**-99,526**
Inc / (Dec) in Debt	-1,537	-1,553	1,962	8,255	26,600	68,000
Dividends Paid	-5,936	-11,872	-7,420	-11,130	-12,763	-14,099
CF from Fin. Activity	**-7,473**	**-13,425**	**-5,459**	**-2,876**	**13,837**	**53,901**
Inc / (Dec) in Cash	**18,126**	**-10,168**	**7,154**	**-20,785**	**-18,496**	**9,290**
Add: Opening Balance	26,604	44,730	34,562	41,715	20,930	2,435
Closing Balance	**44,730**	**34,562**	**41,715**	**20,930**	**2,435**	**11,725**

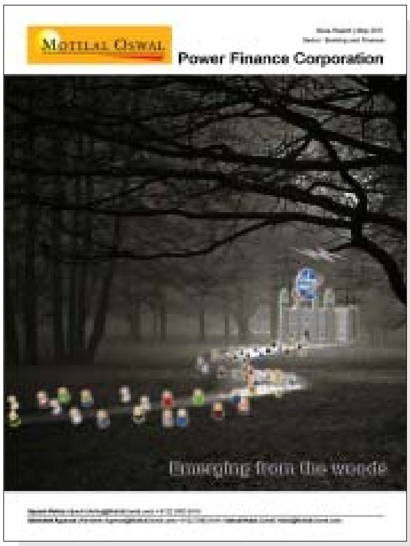
E: MOSL Estimates

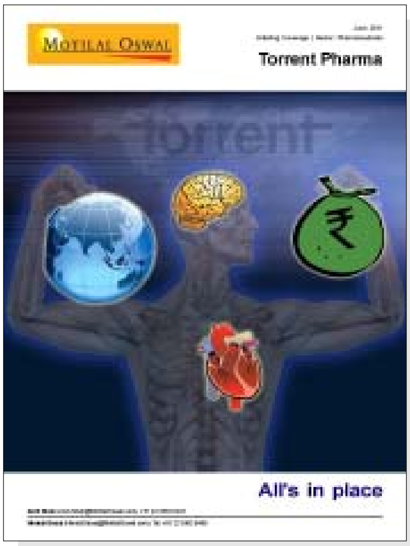
Motilal Oswal Company Gallery

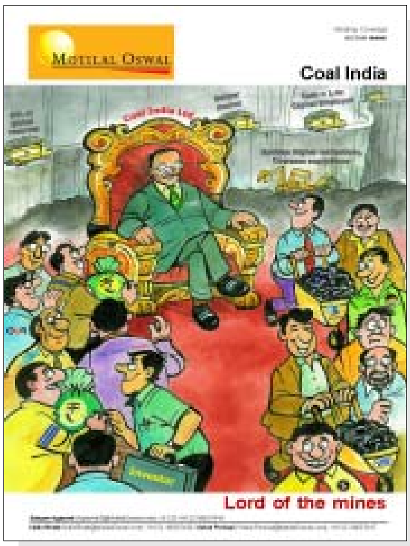












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