

INDIA

Real Estate

Primed to outperform

Reason for report: Sector update

Real estate stocks have undergone significant correction in the past three months and are currently trading near their March '09 trough valuations. Few stocks in the I-Sec real estate universe are trading at a steep discount of ~50% from their FY11E NAV. At current valuations, the market is discounting a 20-25% fall in property prices and 25% delay in new project launches & subsequent sales. We believe such a scenario is highly unlikely given: i) strong sales momentum seen in the past 2-3 quarters, ii) better price realisations and iii) affordability still at comfortable levels of 4.8x. Considering significant improvement in balance sheet and fundamentals of real estate in the past few quarters, the aforementioned underperformance is unwarranted. With interest rates under check, sales momentum picking up and strong project pipeline to be launched in FY11, we believe the stocks are well placed to outperform the broader markets.

- ▶ **Worst factored in.** At current prices, real estate stocks are factoring-in 20-25% correction in property prices and 25% execution delay. We believe such a scenario is unlikely and expect prices to remain stable in the short term. We have already factored-in 10-15% discount to prevailing rates in our NAV assumptions; a further 20-25% price fall from such assumptions seems highly unlikely in the short term. Valuations are at historically low levels (March '09 lows) and, with improving sector fundamentals, such low multiples are unwarranted. Further, real estate stocks are trading at ~50% discount to their NAV, thereby offering significant upside potential.
- ▶ **Affordability not a concern.** Property prices have been on a sharp rise since the past three quarters and, in some locations, crossed their '08 peaks. However, with pick up in economic activities, remunerations across sectors have increased; this combined with reasonably-priced product offerings has led to affordability being most favourable since the past few years (4.8x at present). Further, home-loan disbursements have picked up sequentially, reflecting strength in the residential market. Also, interest rates are under check, with few public and private sector banks still offering teaser rates of <9% for a 2-3-year lock-in. With the RBI appearing slightly less hawkish on interest rates in the short term, we expect demand to remain strong.
- ▶ **Run-rate picking up.** Overall real estate has been witnessing an uptrend in sales, execution and price realisation run rates through FY10. DLF and Sobha sold 12.6mn sqft and ~2.2mn sqft in FY10 and 3.6mn sqft and ~0.64mn sqft in Q4FY10 respectively, with sequential jump in price realisations. Going forward, with strong pipeline of new project launches and wide spectrum of product offerings, we expect this momentum to sustain. Housing Development Infrastructure (HDIL), during its recent launch of Goregaon Meadows, managed to sell ~0.4mn sqft (350 apartments) in the first two days of launch itself, giving us comfort that buyers are willing to buy at current prices (10% discount to market rate).
- ▶ **Top picks.** We are positive on DLF, HDIL and Sobha owing to deep discount to NAV valuations and near-term project execution & sales visibility. DLF is trading at 38% discount to NAV, Sobha at 44% and HDIL at 53%. We believe the current correction presents an opportunity to buy, given strong likelihood of sector outperformance in the near-to-medium term. Our top sector picks are Sobha, HDIL and DLF.
- ▶ **Risks.** Continued weakness in global markets and economies may affect domestic economic recovery. A 'double-dip' scenario may lead to weakness in sales volume and price.

Real Estate

Top picks

- Sobha Developers
- HDIL
- DLF

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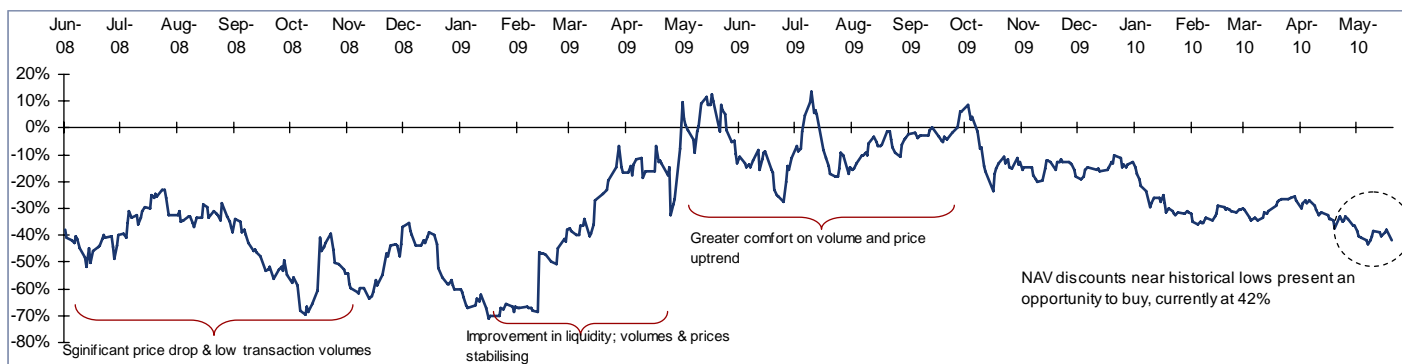
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Valuations at comfortable levels

At the current market price, real estate stocks are factoring in 20-25% correction in property prices and 25% execution delay. We believe that such a scenario is unlikely and expect prices to remain stable in the short term. We have factored in 10-15% discount to prevailing rates in our NAV assumptions; a further 20-25% price fall from these assumptions seems highly unlikely. Valuation multiples are at historically low levels (March '09 lows) and, with improving sector fundamentals, such low multiples are unwarranted. Further, stocks are trading at >50% discount to their NAV, offering significant upside potential.

Chart 1: NAV discount trend – At one-year low



Source: I-Sec Research, * Average discount calculated as market cap weighted average for HDIL, DLF and Sobha

Table 1: Relative valuations

	Market cap (Rs mn)	P/E (x)			P/BV (x)			D/E (x)			NAV (Rs)	CMP (Rs)	Discount to NAV (%)	Target Price (Rs)
		FY10	FY11E	FY12E	FY10	FY11E	FY12E	FY10	FY11E	FY12E				
DLF	437,881	24.1	18.4	12.8	1.8	1.6	1.5	0.7	0.6	0.5	438	258	41	373
Sobha	27,066	19.8	10.6	6.8	1.6	1.4	1.2	0.8	0.6	0.4	502	276	45	427
HDIL	79,946	14.0	10.0	5.1	1.1	1.0	0.8	0.6	0.4	0.3	487	215	56	414

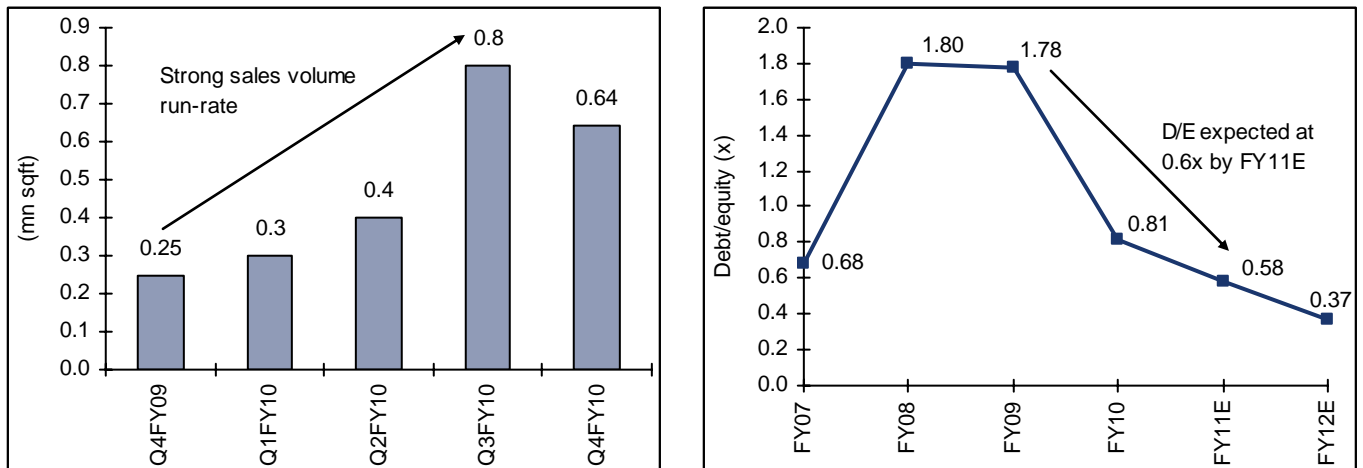
Source: I-Sec Research

Sobha Developers (Buy)

The stock is factoring in a 10% fall in sales price (20% lower sales price factored in our estimates) from the current levels. Sobha is trading at FY11E P/E and P/BV of 10.6x and 1.4x respectively and at 44% discount to FY11E NAV. With sales and new launch picking pace and prices at reasonable levels, we expect Sobha to outperform the broader markets in the short term. We estimate Sobha's NAV at Rs49bn (Rs502/share) with target price of Rs427 (15% discount to NAV).

Chart 2: Sobha Developers – Quarterly sales and D/E trend

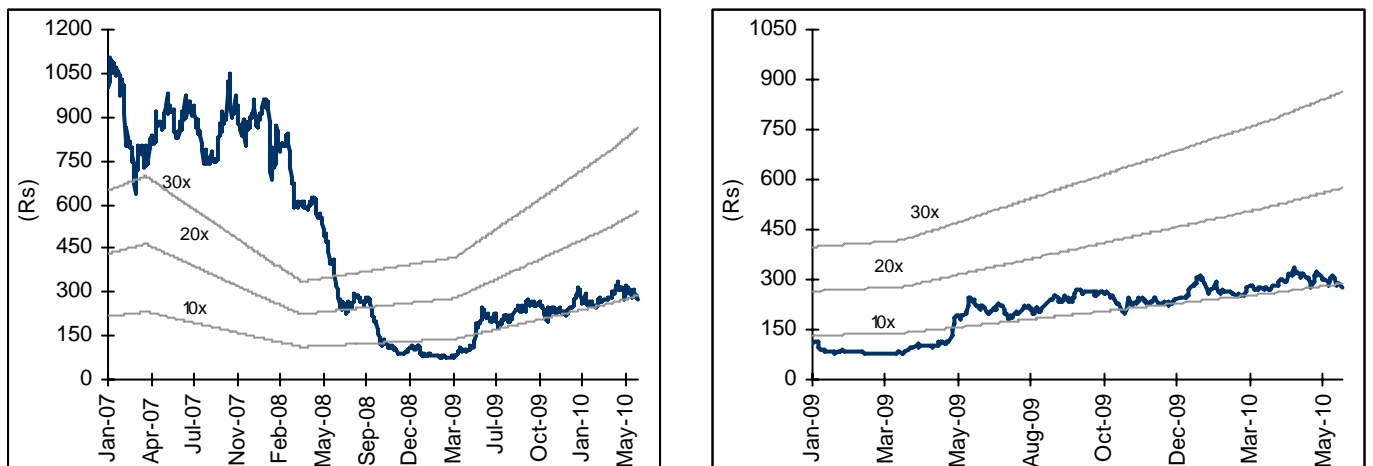
Sharp pick-up in sales run-rate and significant decline in D/E ratio



Source: Company data, I-Sec Research

Chart 3: Sobha Developers – P/E trend

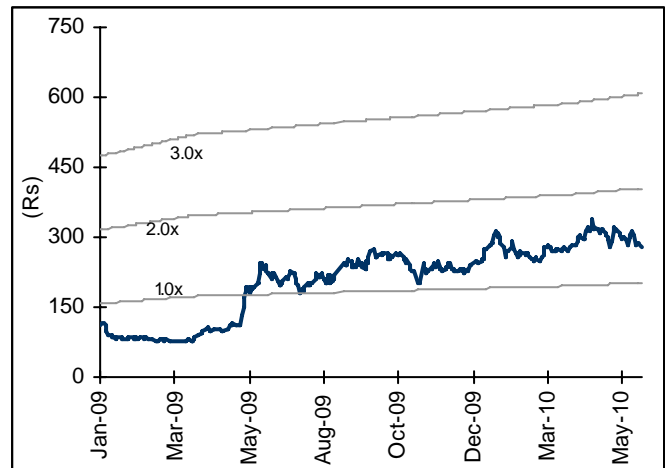
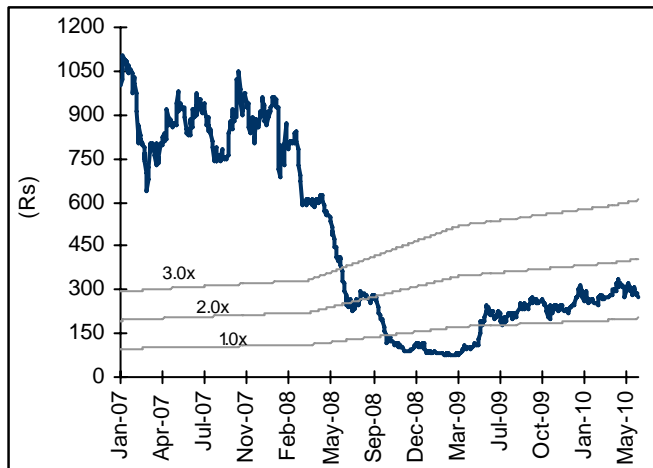
Maintaining FY11P/E of 10x



Source: Company data, I-Sec Research

Chart 4: Sobha Developers – P/BV trend

Trading at FY11E P/BV of 1.4x



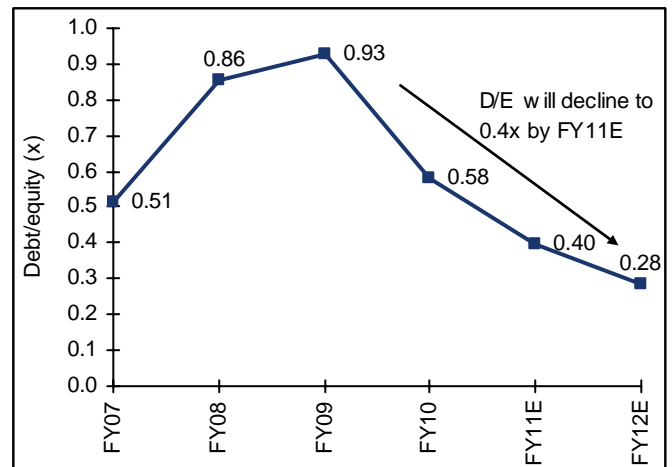
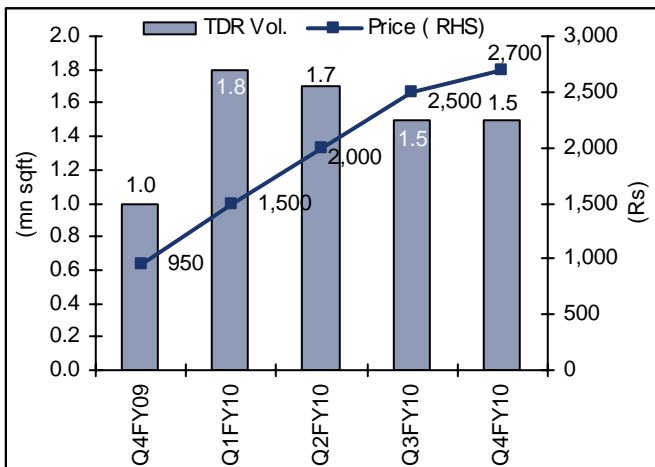
Source: Company data, I-Sec Research

HDIL (Buy)

HDIL's stock price currently factors in a 20% fall in sales price, lease rentals and TDR prices (which are already 20% lower; factored in our estimates). The company is trading at FY11E P/E and P/BV of 10x and 1x respectively and at 53% discount to FY11E NAV. HDIL, in its recent launch, Goregaon-Meadows, has managed to sell ~0.4mn sqft (350 apartments) in the first two days, giving us comfort that buyers are willing to buy at current prices (10% discount to market rate). We believe completion of phase I of the Airport project, likely by Q2FY11, is a near-term positive trigger for the stock and needs to be closely monitored. High Court's recent judgement of scrapping 1.33 FSI to 1 also augurs well for the company as it will lead to better price realisation for TDR sales. We estimate HDIL's NAV at Rs177bn (Rs487/share) with target price of Rs414 (15% discount to NAV).

Chart 5: HDIL – Quarterly sales and D/E trend

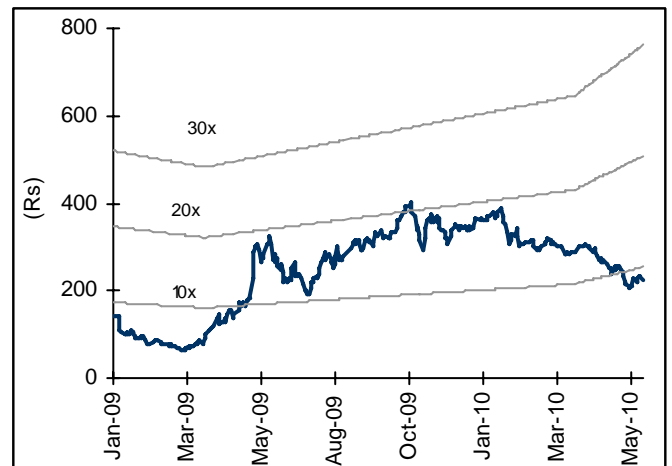
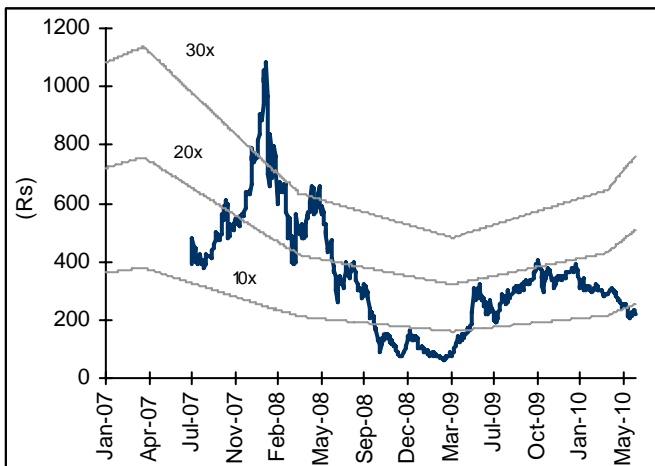
Strong pick up in TDR sales volume and price realisation; D/E at lowest level in three years



Source: Company data, I-Sec Research

Chart 6: HDIL – P/E trend

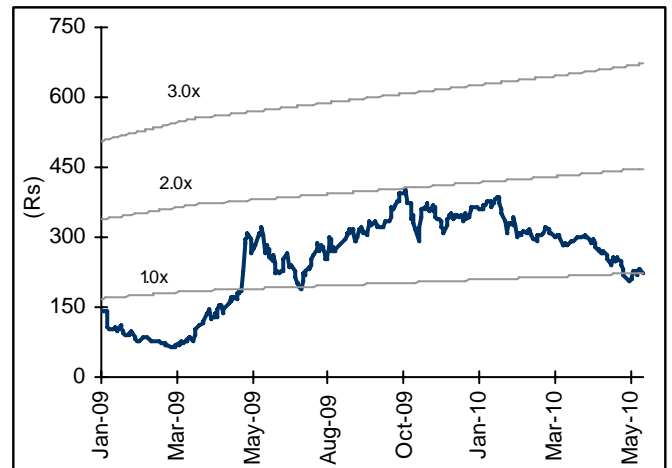
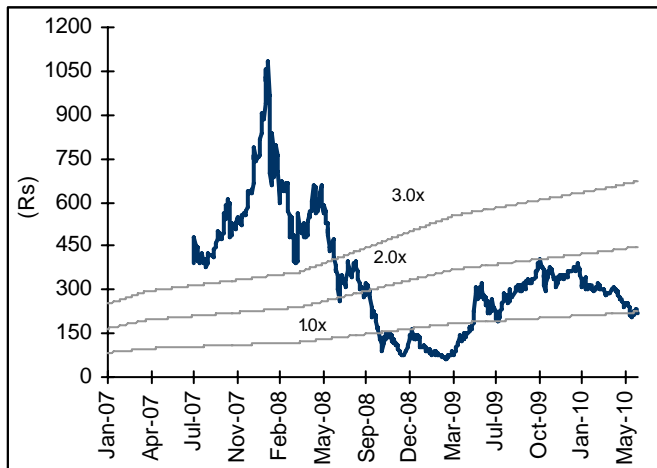
Trading below FY11E P/E of 10x



Source: Company data, I-Sec Research

Chart 7: HDIL – P/BV trend

FY11E P/BV of 1x

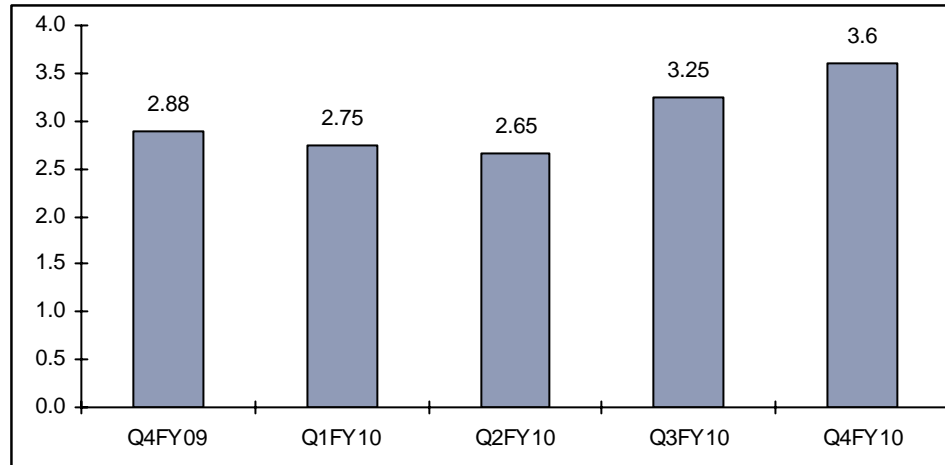


Source: Company data, I-Sec Research

DLF (Buy)

DLF's stock price factors in a 20% fall in sales price and lease rental from current levels as well as a 25% execution delay. The company is trading at FY11E P/E and P/BV of 18.4x and 1.7x respectively and at 38% discount to FY11E NAV. With the commercial market showing signs of revival and rentals looking up, we believe there is significant upside potential in the near-to-medium term. We estimate DLF's NAV at Rs744bn (Rs438/share) with target price of Rs373 (15% discount to NAV).

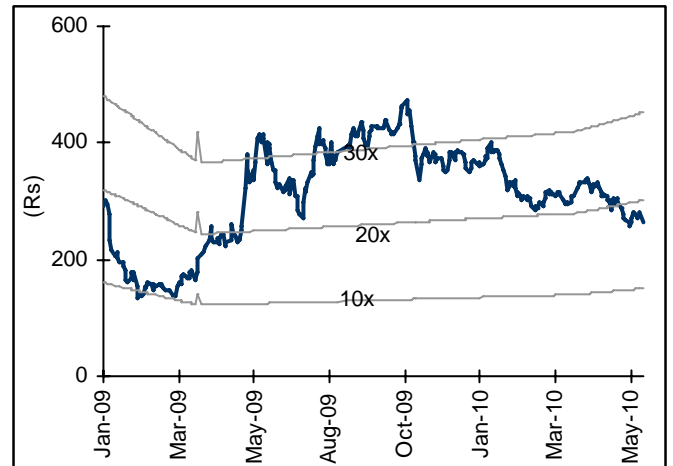
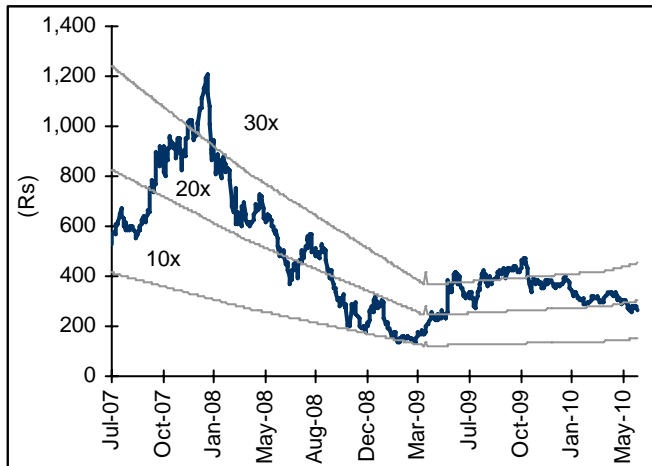
Chart 8: DLF – Sales trend



Source: Company data, I-Sec Research

Chart 9: DLF – P/E trend

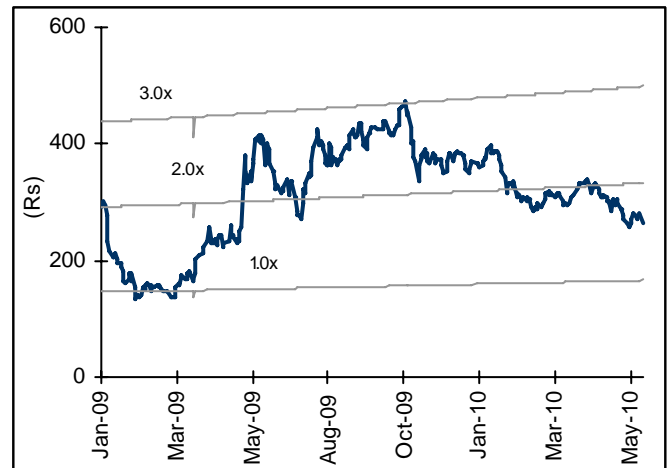
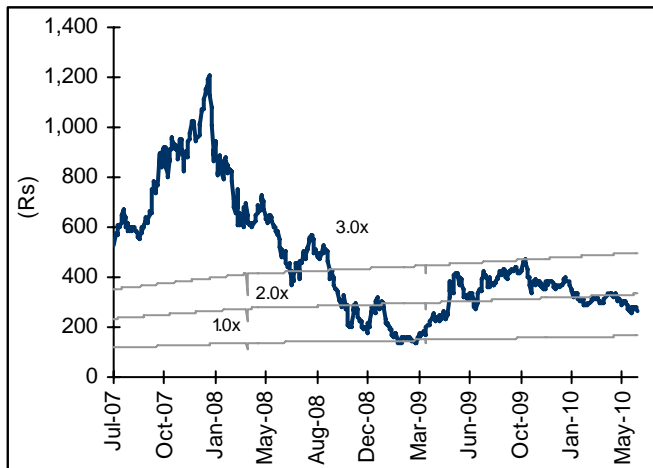
Currently FY11E P/E of ~19x



Source: Company data, I-Sec Research

Chart 10: DLF – P/BV trend

Near FY11E P/BV of 1.5x

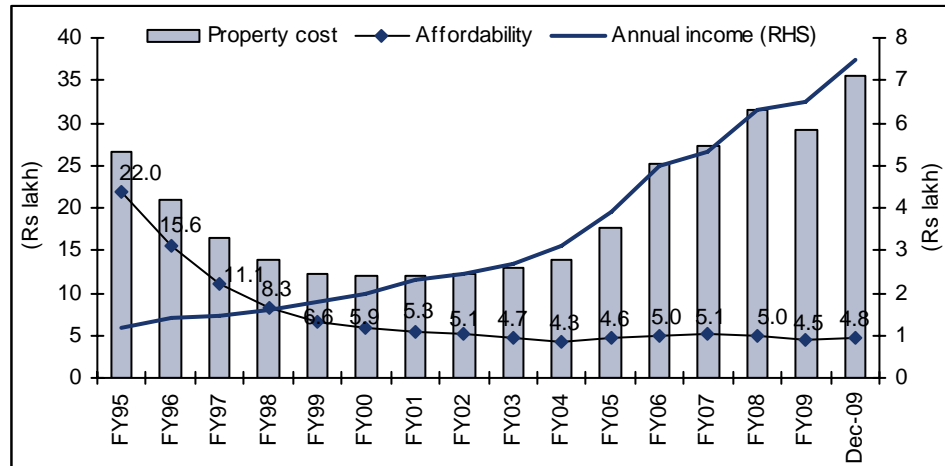


Source: Company data, I-Sec Research

Affordability – Best placed in years

We believe that at present, affordability stands at its most comfortable levels since the past few years, even with prices reaching their earlier highs owing to increase in remunerations across sectors and reasonably priced product offering.

Chart 11: Affordability at comfortable levels

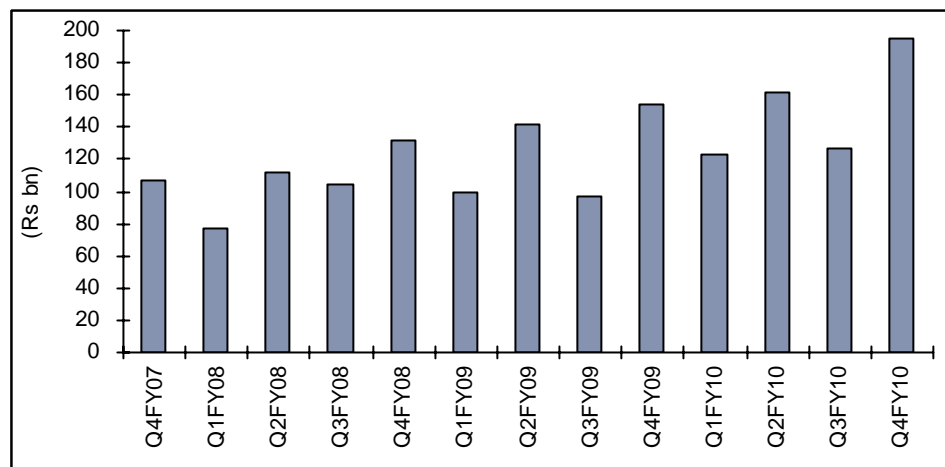


Note: Rs10lakhs = Rs1mn (Affordability is calculated as 'Price of unit/gross income')
Source: HDFC, I-Sec Research

Bank housing loan approvals on the rise

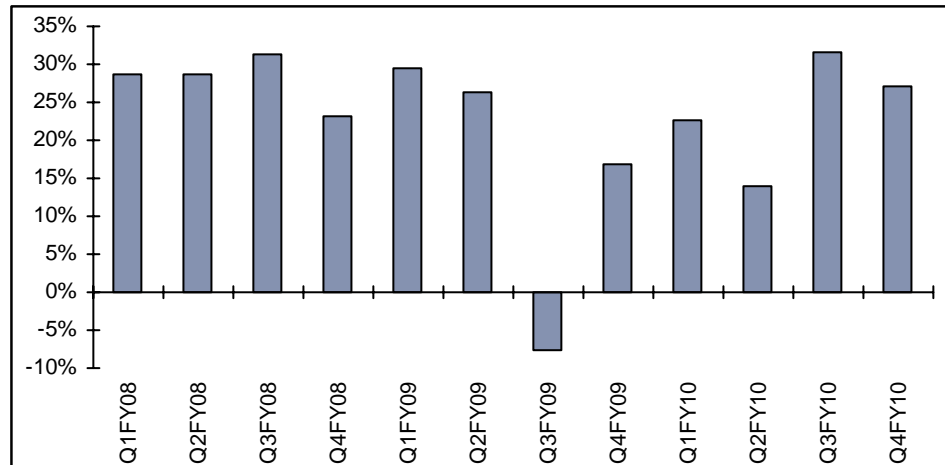
Housing demand has been robust since the past 2-3 quarters, as is evident from the steady uptrend in loan approvals (impressive YoY rise in loan approvals) and disbursements from housing finance companies (HFCs). We believe with moderate interest rate scenario, demand for housing loan will continue, resulting in growth in transaction volumes and stable pricing.

Chart 12: HDFC's housing loan approvals – On an uptrend



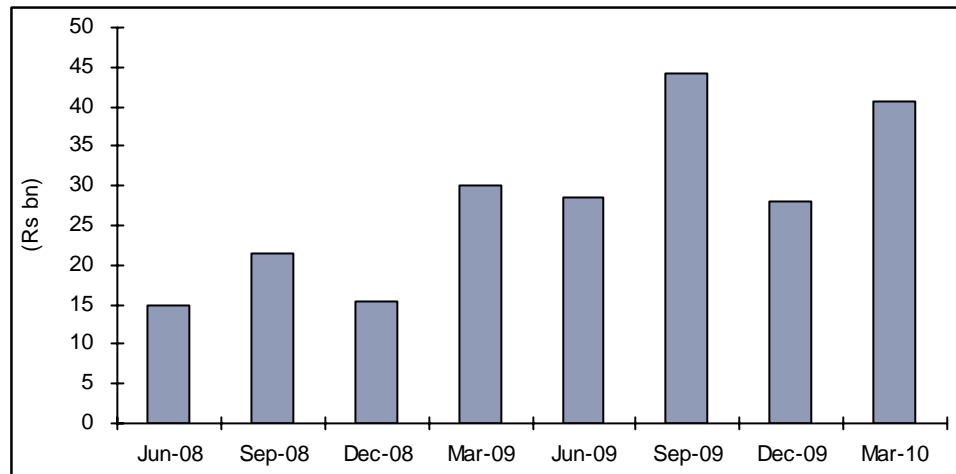
Source: HDFC

Chart 13: HDFC – YoY growth in loan approvals



Source: HDFC

Chart 14: LIC Housing Finance – Housing loan approvals on an uptrend

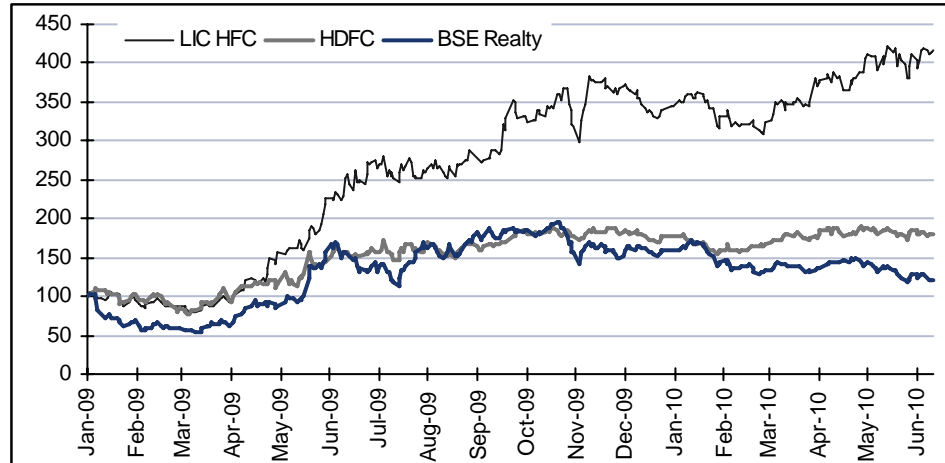


Source: LIC Housing Finance

HFCs, on the back of improved fundamentals in residential real estate market, have significantly outperformed the broader markets in FY10. The underlying assumption of this outperformance is recovery in the residential real estate market, leading to increase in new loan approvals and disbursements. We believe that though the markets are giving credence to HFCs, they are not evaluating the real estate companies in the same light. We believe, strong growth momentum in loan disbursements and new loan approvals factored in HFCs' stock prices, is reflective of strong real estate fundamentals.

Chart 15: Relative underperformance of BSE-Realty index versus HFCs

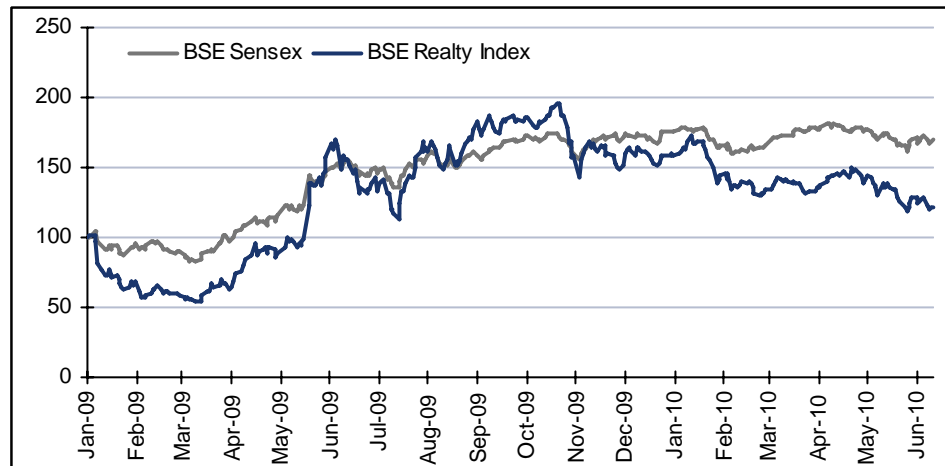
Though underlying assumptions of strong realty markets remains same for both sectors, HFCs have outperformed the Realty index



Source: Bloomberg, I-Sec Research

Chart 16: Relative performance – Sensex versus BSE-Realty

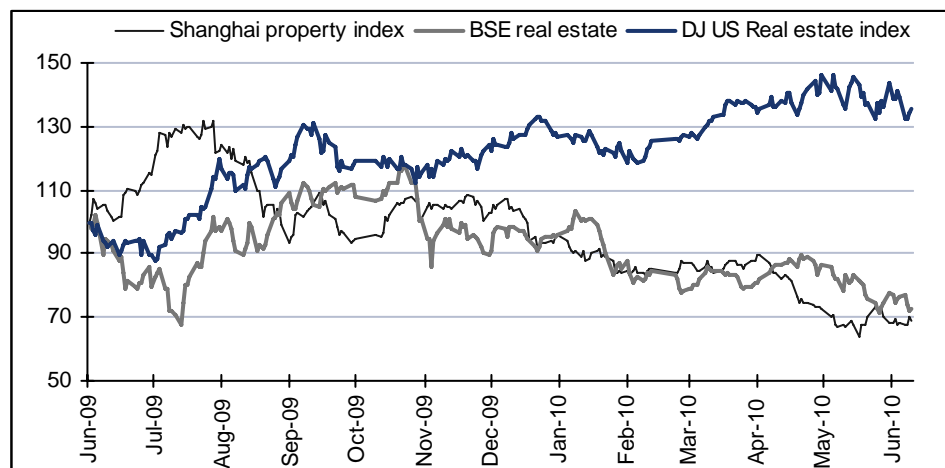
BSE-Realty tends to outperform in an uptrend and underperform during a downtrend or range-bound market



Source: Bloomberg, I-Sec Research

Chart 17: Relative performance – Global property indices

US real estate index has outperformed both Indian and Shanghai real estate index in the past year. Indian real estate index has followed the trajectory of Shanghai property index, even though fundamentals for Indian real estate markets have significantly improved during the period



Source: Bloomberg, I-Sec Research

Financial Summary – Sobha Developers

Table 2: Profit and Loss statement

(Rs mn, year ending March 31)

	FY09	FY10	FY11E	FY12E
Operating Income (Sales)	9,679	11,193	15,351	20,150
of which Domestic	9,679	11,193	15,351	20,150
Operating Expenses	7,050	8,596	10,968	13,755
EBITDA	2,629	2,597	4,383	6,394
% margins	27.2	23.2	28.5	31.7
Depreciation & Amortisation	360	323	381	438
Gross Interest	1,039	671	1,048	762
Other Income	225	0	236	198
Recurring PBT	1,455	1,603	3,190	5,392
Less: Taxes	358	236	638	1,402
- Current tax	0	236	638	1,402
Less: Minority Interest	0	0	0	0
Net Income (Reported)	1,097	1,367	2,552	3,990
Recurring Net Income	1,097	1,367	2,552	3,990

Source: Company data, I-Sec Research

Table 3: Balance sheet

(Rs mn, year ending March 31)

	FY09	FY10	FY11E	FY12E
Assets				
Total Current Assets	34,287	34,735	35,649	38,138
of which cash & cash eqv.	214	304	423	536
Total Current Liabilities & Provisions	6,117	5,975	7,540	9,378
Net Current Assets	28,170	28,761	28,110	28,761
Investments				
of which	27	27	27	27
Strategic/Group	27	27	27	27
Net Fixed Assets	2,248	2,269	2,428	2,608
Capital Work-in-Progress	516	567	624	686
Total Assets	30,444	31,057	30,565	31,396
Liabilities				
Borrowings	19,322	13,822	11,122	8,422
Minority Interest	249	249	249	249
Equity Share Capital	729	981	981	981
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	4,506	5,586	7,794	11,325
Less: Misc. Exp. n.w.o.	0	0	0	0
Net Worth	10,874	16,986	19,194	22,725
Total Liabilities	30,444	31,057	30,565	31,396

Source: Company data, I-Sec Research

Table 4: Quarterly trend

(Rs mn, year ending March 31)

	Jun-09	Sep-09	Dec-09	Mar-10
Net sales	1,771	2,236	3,093	4,008
% growth (YoY)	(48.9)	(23.8)	68.5	0.0
EBITDA	423	479	646	988
Margin (%)	23.9	21.4	20.9	24.7
Other income	19	27	9	0
Add: Extraordinaries	0	0	0	0
Net profit	127	275	408	557

Source: Company data

Table 5: Cashflow statement

(Rs mn, year ending March 31)

	FY09	FY10	FY11E	FY12E
Operating Cash flow	634	1,690	2,697	4,230
Working Capital Changes	(1,878)	(501)	770	(538)
Capital Commitments	(461)	(345)	(540)	(618)
Free Cash Flow	(1,705)	844	2,927	3,074
Cash flow from Investing Activities	226	0	236	198
Issue of Share Capital	0	252	0	0
Buyback of shares	0	0	0	0
Inc (Dec) in Borrowings	1,491	(5,500)	(2,700)	(2,700)
Dividend paid	(113)	(287)	(344)	(459)
Extraordinary Items	0	0	0	0
Chg. in Cash & Bank balance	(93)	90	119	113

Source: Company data, I-Sec Research

Table 6: Key ratios

(Year ending March 31)

	FY09	FY10	FY11E	FY12E
Per Share Data (Rs)				
EPS(Basic Recurring)	11.2	13.9	26.0	40.7
Diluted Recurring EPS	11.2	13.9	26.0	40.7
Recurring Cash EPS	14.9	17.2	29.9	45.2
Dividend per share (DPS)	1.0	2.5	3.0	4.0
Book Value per share (BV)	110.9	173.2	195.7	231.7
Growth Ratios (%)				
Operating Income	(32.0)	15.6	37.1	31.3
EBITDA	(25.7)	-1.2	68.8	45.9
Recurring Net Income	(51.9)	24.6	86.7	56.3
Diluted Recurring EPS	(51.9)	24.6	86.7	56.3
Diluted Recurring CEPS	(44.7)	16.0	73.6	51.0
Valuation Ratios (x)				
P/E	24.8	19.9	10.6	6.8
P/CEPS	18.6	16.1	9.3	6.1
P/BV	2.5	1.6	1.4	1.2
EV / EBITDA	17.6	15.7	8.6	5.5
EV / Operating Income	4.8	3.6	2.5	1.7
EV / Operating FCF	(27.1)	48.2	12.9	11.4
Operating Ratio				
Raw Material/Sales (%)	46.5	56.5	52.6	50.2
SG&A/Sales (%)	15.9	10.5	9.0	8.2
Other Income / PBT (%)	15.5	0.0	7.4	3.7
Effective Tax Rate (%)	24.6	14.7	20.0	26.0
NWC / Total Assets (%)	91.8	91.6	90.6	89.9
Inventory Turnover (days)	742.4	621.9	472.8	364.0
Receivables (days)	174.1	119.1	96.2	88.3
Payables (days)	82.2	66.0	69.9	70.5
D/E Ratio (x)	1.8	0.8	0.6	0.4
Return/Profitability Ratio (%)				
Recurring Net Income Margins	11.1	12.2	16.4	19.6
RoCE	6.4	6.3	11.0	14.7
RoNW	10.6	9.8	14.1	19.0
Dividend Payout Ratio	8.9	17.9	11.5	9.8
Dividend Yield	0.4	0.9	1.1	1.4
EBITDA Margins	27.2	23.2	28.5	31.7

Source: Company data, I-Sec Research

Financial Summary – HDIL

Table 7: Profit and Loss statement

(Rs mn, year ending March 31)

	FY09	FY10	FY11E	FY12E
Operating Income (Sales)	17,284	15,021	21,213	39,586
of which Domestic	17,284	15,021	21,213	39,586
Operating Expenses	9,487	7,129	10,847	18,775
EBITDA	7,797	7,893	10,366	20,811
% margins	45.1	52.5	48.9	52.6
Depreciation & Amortisation	41	724	137	162
Gross Interest	582	462	739	765
Other Income	540	345	259	312
Recurring PBT	7,715	7,052	9,749	20,197
Add: Extraordinaries	0	(56)	0	0
Less: Taxes	(151)	1,330	1,755	4,443
- Current tax	(151)	0	0	0
Net Income (Reported)	7,865	5,666	7,994	15,753
Recurring Net Income	7,865	5,722	7,994	15,753

Source: Company data, I-Sec Research

Table 8: Balance sheet

(Rs mn, year ending March 31)

	FY09	FY10P	FY11E	FY12E
Assets				
Total Current Assets	88,673	113,191	139,455	148,384
of which cash & cash eqv.	752	7,918	1,734	4,513
Total Current Liabilities & Provisions	6,296	8,761	33,029	33,103
Net Current Assets	82,377	104,430	106,426	115,281
Investments				
of which	3,029	2,429	3,665	4,032
Strategic/Group	3,029	2,429	3,665	4,032
Net Fixed Assets	728	2,047	2,425	2,663
Capital Work-in-Progress	147	414	606	521
Goodwill	0	2,591	0	0
Total Assets	86,134	111,497	112,517	121,976
Liabilities				
Borrowings	41,433	41,017	31,933	26,933
Deferred Tax Liability	24	51	24	24
Equity Share Capital	2,755	3,718	3,718	3,718
Face Value per share (Rs)	10	10	10	10
Reserves & Surplus*	41,922	66,710	76,841	91,300
Net Worth	44,676	70,429	80,559	95,019
Total Liabilities	86,134	111,497	112,517	121,976

*Excluding revaluation reserves; # = not written off

Source: Company data, I-Sec Research

Table 9: Quarterly trend

(Rs mn, year ending March 31)

	Jun-09	Sep-09	Dec-09	Mar-10
Net sales	2,954	3,537	4,089	4,341
% growth (YoY)	(48.2)	20.8	16.6	20.5
EBITDA	1,161	1,797	1,888	2,271
Margin (%)	39.3	50.8	46.2	52.3
Other income	233	274	266	304
Add: Extraordinaries	0	0	0	56
Net profit	1,075	1,486	1,628	1,778

Source: Company data, I-Sec Research

Table 10: Cashflow statement

(Rs mn, year ending March 31)

	FY09	FY10P	FY11E	FY12E
Operating Cash flow	5,818	5,610	7,784	15,655
Working Capital Changes	(18,794)	(15,032)	(8,114)	(6,129)
Capital Commitments	(1,075)	(3,399)	863	(767)
Free Cash Flow	(14,051)	(12,820)	532	8,760
Cash flow from Investing				
Activities	540	345	259	312
Issue of Share Capital	612	964	0	0
Buyback of shares	0	0	0	0
Inc (Dec) in Borrowings	10,306	(416)	(9,084)	(5,000)
Dividend paid	0	0	(863)	(1,294)
Extraordinary Items	0	(56)	0	0
Chg. in Cash & Bank balance	(2,742)	7,166	(6,183)	2,778

Source: Company data, I-Sec Research

Table 11: Key ratios

(Year ending March 31)

	FY09	FY10P	FY11E	FY12E
Per Share Data (Rs)				
EPS(Basic Recurring)	21.2	15.4	21.5	42.4
Diluted Recurring EPS	21.2	15.2	21.5	42.4
Recurring Cash EPS	21.3	17.3	21.9	42.8
Dividend per share (DPS)	0.0	0.0	2.0	3.0
Book Value per share (BV)	120.1	189.4	216.6	255.5
Growth Ratios (%)				
Operating Income	(27.4)	(13.1)	41.2	86.6
EBITDA	(53.8)	1.2	31.3	100.8
Recurring Net Income	(44.2)	(27.2)	39.7	97.1
Diluted Recurring EPS	(44.2)	(27.2)	39.7	97.1
Diluted Recurring CEPS	(44.0)	(18.5)	26.1	95.7
Valuation Ratios (x)				
P/E	10.4	14.3	10.2	5.2
P/CEPS	10.3	12.7	10.1	5.1
P/BV	1.8	1.2	1.0	0.9
EV / EBITDA	15.7	14.6	10.8	5.0
EV / Operating Income	7.1	7.6	5.3	2.6
EV / Operating FCF	(8.7)	(9.0)	210.4	11.9
Operating Ratio				
Raw Material/Sales (%)	50.5	41.2	36.5	38.8
SG&A/Sales (%)	3.1	4.4	13.3	7.8
Other Income / PBT (%)	7.0	4.9	2.7	1.5
Effective Tax Rate (%)	(2.0)	18.9	18.0	22.0
NWC / Total Assets (%)	94.8	86.6	93.0	90.8
Inventory Turnover (days)	2,400	4,014	4,274	2,300
Receivables (days)	23.4	44.8	59.1	52.0
Payables (days)	212.2	372.5	693.2	637.3
D/E Ratio (x)	0.9	0.6	0.4	0.3
Return/Profitability Ratio (%)				
Recurring Net Income Margins	44.1	37.2	37.2	39.5
RoCE	11.0	6.2	7.7	13.9
RoNW	19.4	9.9	10.6	17.9
Dividend Payout Ratio	0.0	0.0	9.3	7.1
Dividend Yield	0.0	0.0	0.9	1.4
EBITDA Margins	45.1	52.5	48.9	52.6

Source: Company data, I-Sec Research

Financial Summary – DLF

Table 12: Profit and Loss statement

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E
Operating Income (Sales)	74,209	87,893	108,618	124,591
<i>of which Domestic</i>	74,209	87,893	108,618	124,591
Operating Expenses	39,197	42,701	50,361	49,493
EBITDA	35,012	45,192	58,257	75,097
<i>% margins</i>	47.2	51.4	53.6	60.3
Depreciation & Amortisation	3,246	5,771	6,640	7,497
Gross Interest	11,075	13,267	11,489	11,887
Other Income	4,333	4,852	4,748	4,688
Recurring PBT	25,024	31,006	44,876	60,401
Add: Extraordinaries	(870)	0	0	0
Less: Taxes	6,957	7,379	10,681	14,376
Less: Minority Interest	(103)	(114)	(125)	(138)
Net Income (Reported)	17,300	23,740	34,321	46,163
Recurring Net Income	18,170	23,740	34,321	46,163

Source: Company data, I-Sec Research

Table 13: Balance sheet

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E
Assets				
Total Current Assets	280,740	269,013	279,619	283,955
<i>of which cash & cash eqv.</i>	9,130	7,909	7,046	6,716
Total Current Liabilities & Provisions	92,510	101,180	116,025	119,396
Net Current Assets	188,230	167,833	163,594	164,559
Investments				
<i>of which</i>	55,200	24,626	19,930	15,264
<i>Strategic/Group</i>	2,760	3,036	3,340	3,674
<i>Other Marketable</i>	52,440	21,590	16,590	11,590
Net Fixed Assets	277,300	279,176	290,446	303,325
<i>of which</i>				
<i>Capital Work-in-Progress</i>	111,820	92,230	79,428	73,355
Goodwill	12,670	12,670	12,670	12,670
Total Assets	533,400	484,305	486,640	495,818
Liabilities				
Borrowings	216,770	176,770	146,770	111,770
Deferred Tax Liability	2,620	2,620	2,620	2,620
Minority Interest	6,290	6,290	6,290	6,290
Equity Share Capital	3,394	3,394	3,394	3,394
<i>Face Value per share (Rs)</i>	2	2	2	2
Reserves & Surplus*	148,124	169,879	202,214	246,392
Net Worth	307,720	298,625	330,960	375,138
Total Liabilities	533,400	484,305	486,640	495,818

Source: Company data, I-Sec Research

Table 14: Quarterly trend

(Rs mn, year ending March 31)

	Jun-09	Sep-09	Dec-09	Mar-10
Net sales	16,499	17,510	20,258	19,940
% growth (YoY)	(56)	0	23	14
EBITDA	7,441	9,140	8,433	10,000
Margin (%)	45.1	52.2	41.6	50.2
Other income	961	590	1,260	1,520
Add: Extraordinaries	0	0	(49)	(873)
Net profit	3,960	4,400	4,679	4,267

Source: Company data, I-Sec Research

Table 15: Cashflow statement

(Rs mn, year ending March 31)

	FY10	FY11E	FY12E	FY13E
Operating Cash flow	25,907	28,444	40,377	53,553
Working Capital Changes	48,889	15,392	(788)	(5,874)
Capital Commitments	(129,097)	(7,923)	(18,214)	(20,710)
Free Cash Flow	(54,300)	35,913	21,374	26,968
Cash flow from Investing				
Activities	(45,940)	35,702	9,748	9,688
Issue of Share Capital	0	0	0	0
Buyback of shares	0	0	0	0
Inc (Dec) in Borrowings	53,190	(40,000)	(30,000)	(35,000)
Dividend paid	(1,986)	(1,986)	(1,986)	(1,986)
Extraordinary Items	(870)	0	0	0
Chg. in Cash & Bank balance	(56)	(1,221)	(864)	(329)

Source: Company data, I-Sec Research

Table 16: Key ratios

(Year ending March 31)

	FY10	FY11E	FY12E	FY13E
Per Share Data (Rs.)				
EPS(Basic Recurring)	10.7	14.0	20.2	27.2
Diluted Recurring EPS	10.2	14.0	20.2	27.2
Recurring Cash EPS	12.6	17.4	24.1	31.6
Dividend per share (DPS)	1.0	1.0	1.0	1.0
Book Value per share (BV)	146.4	158.3	177.4	203.4
Growth Ratios (%)				
Operating Income	(26.1)	18.4	23.6	14.7
EBITDA	(37.5)	29.1	28.9	28.9
Recurring Net Income	(59.4)	30.7	44.6	34.5
Diluted Recurring EPS	(59.4)	30.7	44.6	34.5
Diluted Recurring CEPS	(54.5)	37.8	38.8	31.0
Valuation Ratios (x)				
P/E	24.6	18.8	13.0	9.7
P/CEPS	20.8	15.1	10.9	8.3
P/BV	1.8	1.7	1.5	1.3
EV / EBITDA	20.4	14.3	10.6	7.7
EV / Operating Income	9.6	7.3	5.7	4.7
EV / Operating FCF	(13.1)	18.0	28.8	21.6
Operating Ratio				
Raw Material/Sales (%)	28.0	26.4	26.9	22.1
SG&A/Sales (%)	0.0	0.0	0.0	0.0
Other Income / PBT (%)	17.3	15.6	10.6	7.8
Effective Tax Rate (%)	27.8	23.8	23.8	23.8
NWC / Total Assets (%)	33.6	33.0	32.2	31.8
Inventory Turnover (days)	1,490.0	1,235.9	937.3	937.5
Receivables (days)	278.5	83.8	93.9	101.2
Payables (days)	182.7	196.2	189.0	206.4
D/E Ratio (x)	0.7	0.6	0.5	0.3

Return/Profitability Ratio (%)

Recurring Net Income Margins	23.1	25.6	30.3	35.7
RoCE	5.5	6.7	8.9	11.2
RoNW	7.6	9.2	12.0	14.3
Dividend Payout Ratio	9.3	7.1	4.9	3.7
Dividend Yield	0.4	0.4	0.4	0.4
EBITDA Margins	47.2	51.4	53.6	60.3

Source: Company data, I-Sec Research

I-Sec investment ratings (all ratings relative to Sensex over next 12 months)

BUY: +10% outperformance; **HOLD:** -10% to +10% relative performance; **SELL:** +10% underperformance

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