Company Report

Media

March 12, 2007

ICICIdirect Code: ENTNET

Company Profile
Registeres Office

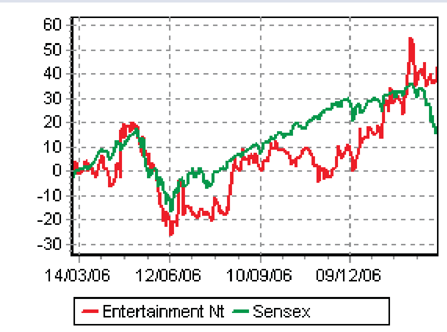
4th Floor, A Wing, Matulya, Centre, Senapati Marg, Lower Parel, Mumbai - 400 013.
Tel: +91-22-67536983
Website: www.enil.co.in

Managing Director: **A.P.Parigi**
Business Group: **Times Group**

Shareholding Pattern as on 31/12/2006	
Major Holer	%
Promoters	71.31
Institutional Investors	19.64
General Public	9.04

Stock Data	
Market Cap (Rs crore)	1498
Shares Outstanding (in crore)	4.75
52-week High (Rs)	355
52-week Low (Rs)	161
Daily Volume	56518
Stock Return 3 mth (%)	29.92%
Stock Return 12 mth (%)	42.94%
Sensex Return 3 mth (%)	-8.97%
Sensex Return 12 mth (%)	18.38%

Performance Chart



Ankit Kedia
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Entertainment Network

OUTPERFORMER

Price (8 Mar, 07) Rs 315	Target Price Rs 419
Potential upside 33%	Time Frame 15 - 18 mths

ENIL is well geared to capitalize on the upturn in the radio industry through pan India expansion and its complimenting city centric businesses. Considering its dominance in the industry along with fillip from the other businesses we expect the company to show significant upside in next 2-3 years.

KEY HIGHLIGHTS

- **Radio - Biggest growth opportunity**

  Radio advertisement in India is estimated to grow at a CAGR of 32% to Rs 1200 crore by 2010 with the revenue share policy being the key growth trigger. With more than 40 players entering this market we see radio as the biggest opportunity in the media space.

- **Radio Mirchi - A clear winner**

  The company has dominance in all the 10 cities of its operation by a big margin and having acquired the other 22 licenses in key markets we rate Radio Mirchi as a clear winner among the players.

- **From India's largest media conglomerate**

  ENIL is part of the Bennett Coleman Group (Times Group), the largest media player in India having a heritage over 150 years with presence across the value chain in the sector. Along with strong management and execution capabilities the company has an edge over the competitors with innovative themes and ideas to run the show and continue to be market leaders.

- **OOH and 360° on steady growth path**

  On back of long term rights for hoardings at airport, metro rail and bus shelters in Delhi, Mumbai and Kolkata for OOH business along with big ticket events in the live entertainment space we expect the subsidiary revenues to grow at a CAGR of 128.38% by FY09.

VALUATIONS

We believe there is no benchmark valuation for ENIL as there are no other players having the dominance and reach that ENIL commands in its business. However, globally we can compare it to Clear Channel, Citadel, Austereo and Cox Radio which are trading at 10x-13x EV/EBIDTA. The growth in these companies are slowing down and considering the growth which Indian market offers, we expect ENIL to command a fair premium over the peers. Hence we value ENIL at 13x EV/EBITDA and arrive to a fair value of Rs 419, an upside potential of 33%.

Exhibit 1: Key Financials

Year to March 31(Consolidated)	FY06	FY07E	FY08E	FY09E
Net Profit (Rs crore)	31.05	29.68	64.58	74.69
Shares in issue (in crore)	4.75	4.75	4.75	4.75
Adj EPS (Rs)	6.53	6.24	13.58	15.70
% Growth		-4.41%	117.63%	15.64%
PER (x)	48.26	50.48	23.20	20.06
Price / Book (x)	5.64	5.08	4.16	3.45
EV/EBIDTA (x)	42.50	26.81	12.53	9.53
RoE (%)	11.69%	10.05%	17.95%	17.19%
RoCE (%)	12.71%	11.15%	19.95%	23.11%

Source: Company, ICICIdirect Research

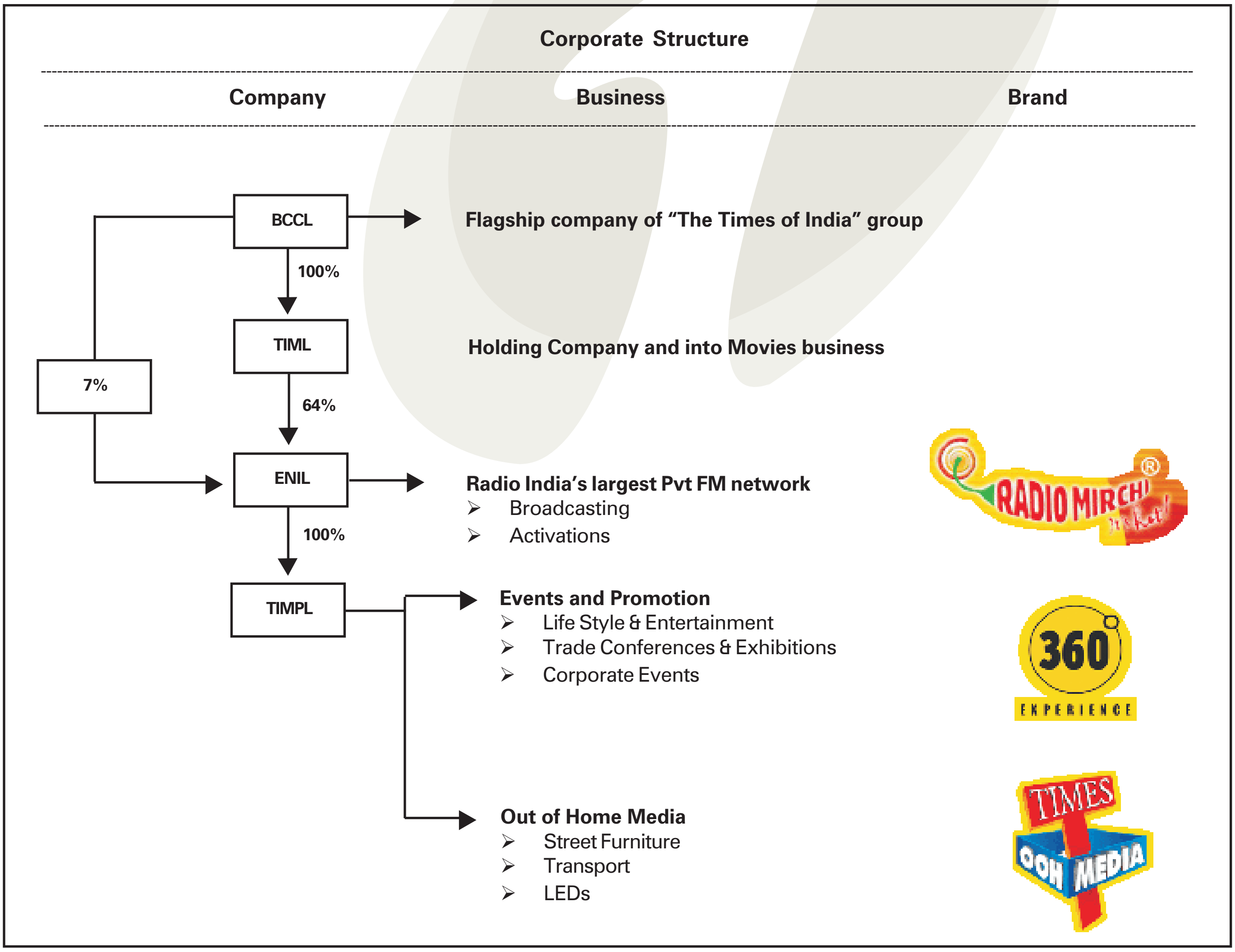
COMPANY BACKGROUND

ENIL is a 64.2% subsidiary of Times Infotainment Media Ltd. (TIML), the holding company promoted by Bennett Coleman & Company Limited (BCCL) - the flagship company of The Times of India Group (TOI), which has a heritage of over 150 years and is one of India's leading medias groups. The balance promoter holding of 7% is held directly by BCCL.

ENIL was incorporated in June, 1999 and operates FM radio broadcasting station in ten cities under the brand Radio Mirchi. The company has its headquarters in Mumbai, India and is the only commercial FM broadcaster exclusively present in 10 cities including 4 metropolitan cities of Mumbai, Delhi, Chennai and Kolkata while the cities are Ahmedabad, Indore, Pune, Jaipur, Bangalore and Hyderabad. The company has won licenses to operate an additional 22 stations taking the total count to 32 stations.

ENIL has a 100% owned subsidiary, Times Innovative Media Pvt Ltd (TIMPL) through which it operates its out-of-home media business (brand Times OOH Media) and experiential marketing business (brand 360 Experience).

Exhibit 2: Corporate Structure



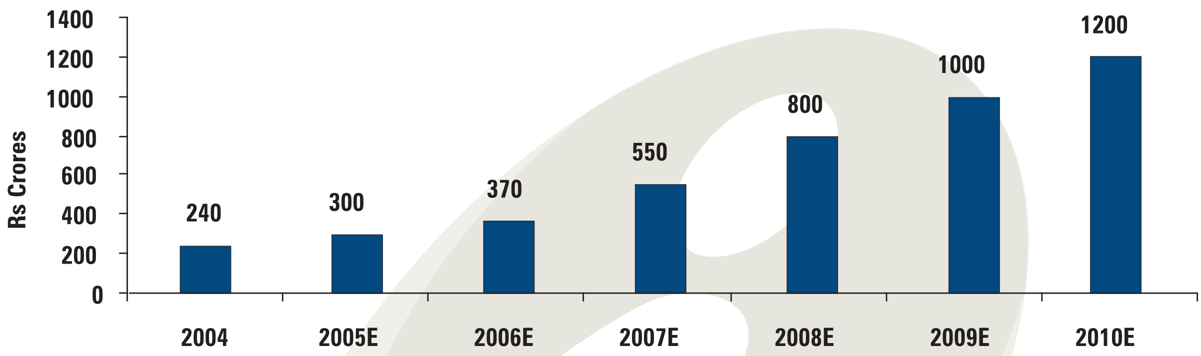
Source: Company, ICICIDirect Research

INVESTMENT RATIONAL

I) Radio: Biggest growth opportunity

Entertainment and media industry has outperformed the growing Indian economy and is one of the fastest growing sectors in India. Advertisement spends as a multiple of GDP are expected to grow with the biggest beneficiary of this growth being the radio – the cheapest and oldest means to entertainment in the country. Radio advertisement in India is estimated to grow at a CAGR of 32% to Rs 1200 crore by 2010 with the revenue share policy being the key growth trigger. With more than 40 players entering this market we see radio as the biggest opportunity in the media space.

Exhibit 3 : Radio Industry Growth

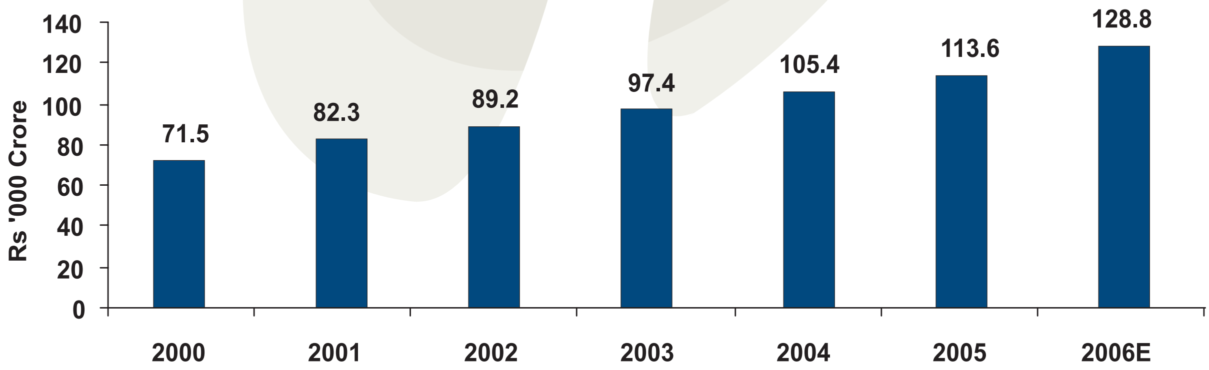


Source: PwC Analysis

i) Advertising revenues on an uptrend

Media & Entertainment industry is expected to grow at a faster pace than the economy on back of growth in advertisement revenues which has almost doubled from 7.1% in CY03 to 13.8% in CY05 where as GDP has only increase to 8.5% during the same period.

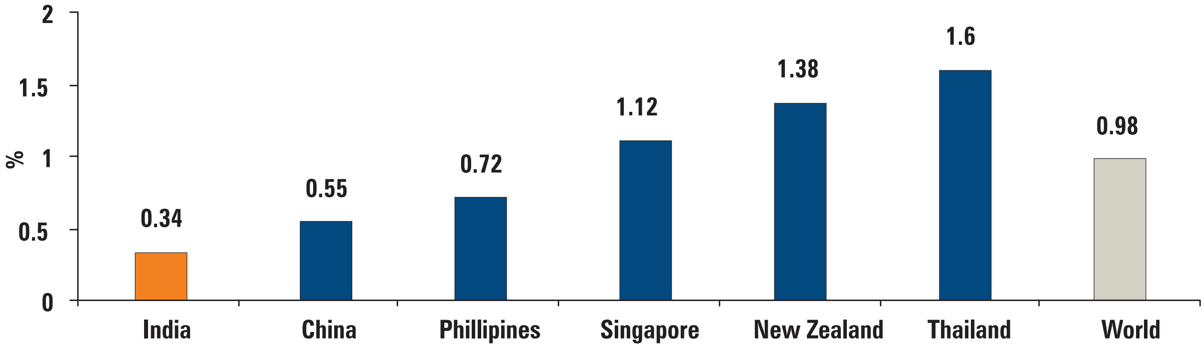
Exhibit 4 : Gross Ad Spend



Source: Central Statistical Organisation, Advertisement Expenditure Forecasts, October 2004 by ZenithOptimedia

However India's advertisement spends as a percentage to GDP is only 0.34% compared to global average of 0.98%. Even other emerging economies like Thailand and Philippines have higher advertising to GDP ratio. Hence the Indian market has tremendous potential for growth and even if we come near to the global average the advertisement industry will become more than double.

Exhibit 5 : Ad Spend % of GDP



Source: Advertisement Expenditure Forecasts, October 2004 by ZenithOptimedia

ii) Radio industry share is still low

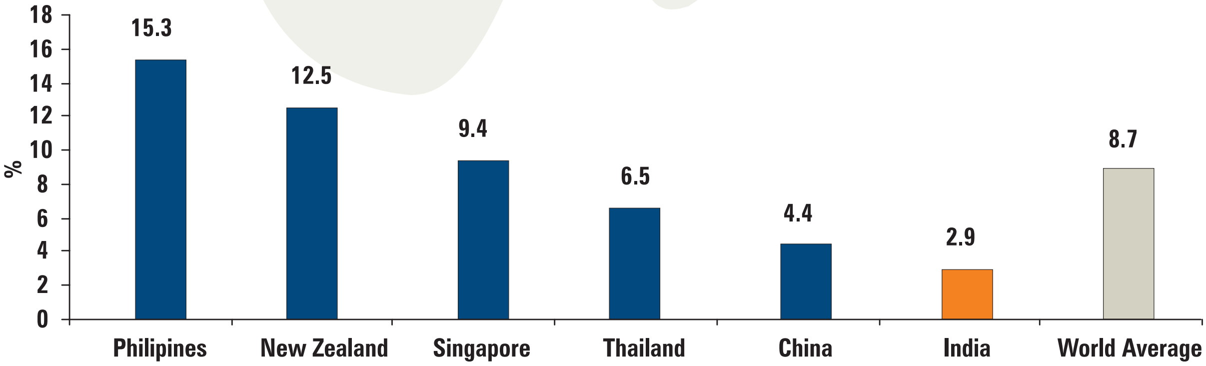
Though radio is the cheapest and the oldest form of entertainment, only 27% of the Indian population listens to radio compared to more than 80% worldwide even though All India Radio (AIR) reached out to 99% of the population. Since listeners is directly correlated to advertisement spend, India's radio share as a % to advertisement spend is least compared to global peers. This ratio is around 5% in countries where the medium is still in a growth phase and around 10-12% when this medium reaches a mature phase.

Exhibit 6 : Media penetration in socio-economic classes

SEC	Reach in %				
Urban India	Print Media	TV	Satellite TV	Radio	Films
A1	95.2	96.1	84	36.5	30.6
A2	90.5	94.5	77.5	29.8	25.1
B1,B2	81.1	90.6	67.4	24.7	19.1
C	69.5	85.8	59.4	23.1	18.1
D	52.6	77.5	48.9	20.5	17.1
E1, E2	30.1	65	37.8	15.8	15.7

Source: IRS 2005

Exhibit 7 : Radio spend as a % of total Ad spend



Source: Advertisement Expenditure Forecasts, October 2004 by ZenithOptimedia

...due to licensing policy

We believe that radio as a medium has not grown to its true potential in India due to the previous licensing regime in India. Even though privatization of FM began in early 2000, all players bleeded due to fixed licensing regime along with 15% escalation clause every year which forced players to pay as high as 50% of their annual revenues as license fees.

Due to this only 37 stations were set up out of more than 100 being offered and hardly 20 survived till the new policy.

iii) But new policy has changed the industry dynamics

Radio sector got transformed in 2005 when the government announced three key initiatives:

a) Migration to revenue share regime
Long drawn issue of the radio industry was addressed after five years when the government allowed revenue sharing and did away with fixed fee license regime. For the existing players the provision was made to automatically migrate to the revenue share regime and all pending litigations were ordered to be taken back by the respective parties.

b) Second phase of FM licensing
They announced opening up of 338 licenses to private players by way of bidding process in 91 big and small towns. Besides paying for One Time Entry Fee (OTEF), operators have to pay an annual license fee of 4% of the gross revenues or 10% of the reserve OTEF, whichever is higher. Also penalty clause in the system and 50% of the bid amount paid upfront forced only serious players to participate in the bidding unlike Phase I.

c) Allowing FDI upto 20%
Radio was opened to FDI upto 20% in the same policy with a condition that the majority shareholder is bound in the business for five years.

...making radio a profitable venture

The above changes in the Radio industry ensured that the radio became a profitable venture with license fee being cut to 5.3% of the net revenues (4% of gross revenues) against earlier 40-50%. This let many corporate such as the SUN Group, Adlabs, HT Media and many more enter this space as the margins increased to 30-35% EBIDTA level.

Exhibit 8 : EBIDTA turning positive post Phase II

	Phase I	Phase II
Employee Cost	20%	20%
License Fees	50%	5%
Production Expenses	9%	9%
Admin Cost	30%	30%
EBIDTA	**-9%**	**36%**

Source: ICICIdirect Research

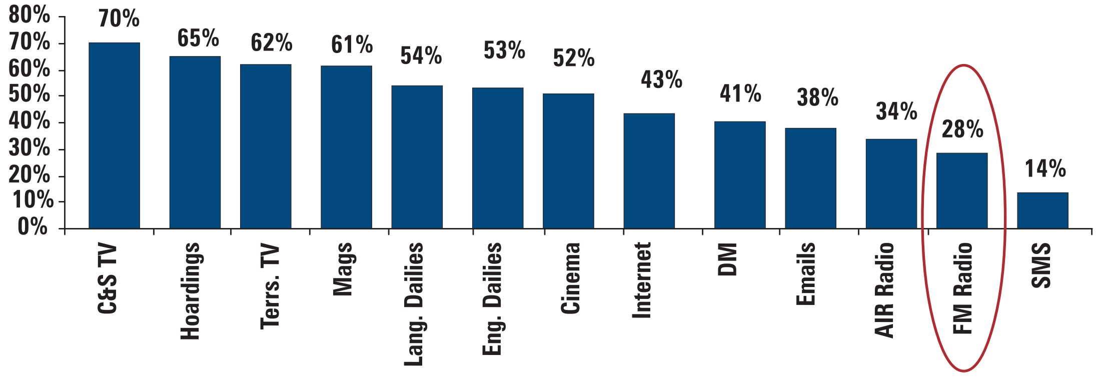
Exhibit 9 : Allotted FM stations under Phase II

Allotted FM stations under Phase II				
Class	**Population**	**Cities**	**No. of Stations**	**OTEF (Rs cr)**
A+	Metros	4	32	456.4
A	>2mn	9	39	329.1
B	>1mn	17	55	189.8
C	>0.3mn	47	119	173.3
D	>0.1mn	10	21	11.4
Total		**87**	**266**	**1160**

Source: Industry, ICICIdirect Research

With low Ad avoidance levels compared to other means we believe this is the best medium for advertisers. Also being a city centric model it is best suited for local advertisers who prefer selected audience. As per CII-KPMG report, local advertising contributes about 70% of radio revenues in the USA while in India it is only about 8% of radio revenues. These factors together will help radio register a 32% growth over next 5 years.

Exhibit 10 : Ad avoidance across media



Source: BBC Ad Avoidance Study

iv) Key triggers and opportunity to come in the form of

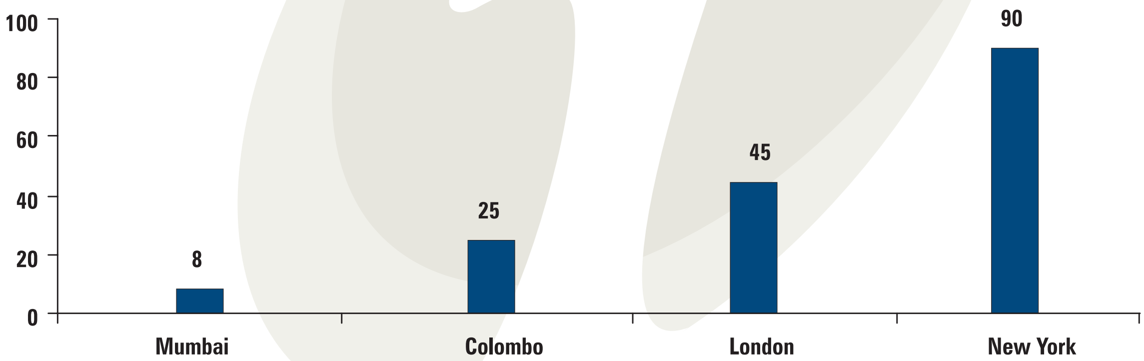
a) Availability of listenership data

Currently syndicated audience reach/measurement system exists only in markets of Mumbai, Delhi and Kolkatta. With expansion of private FM in newer markets, the availability of organized research in all markets to provide data on audience listenership is likely to increase advertisers' interest in radio as a medium.

b) Allocate spectrum to accommodate more channels per city

Internationally it is seen that in metros the number of channels per million populations is more than 5. However, in Mumbai it is only 0.5. We believe this to increase in Phase III and allow multiple frequencies to same player.

Exhibit 11 : Channels per city

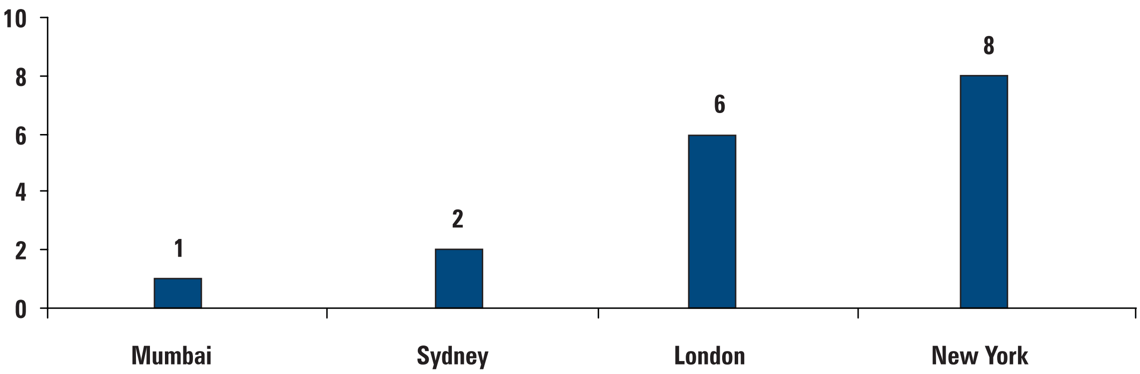


Source: Company, ICICIdirect Research

c) Allow multiple frequencies in same city

Internationally it has been seen that radio stations operate multiple frequencies in the same city dedicated to niche platforms such as news, sports, current affairs, kids, women and different genres of music. With this we believe listnership loyalty increases and attracts new advertisers to radio.

Exhibit 12 : Frequency per player



Source: Company, ICICIdirect Research

d) Increase in FDI in Radio

FDI in radio is lowest in the entertainment and media space. We expect FDI in Radio to be inline with other media going forward.

Exhibit 13 : FDI across media

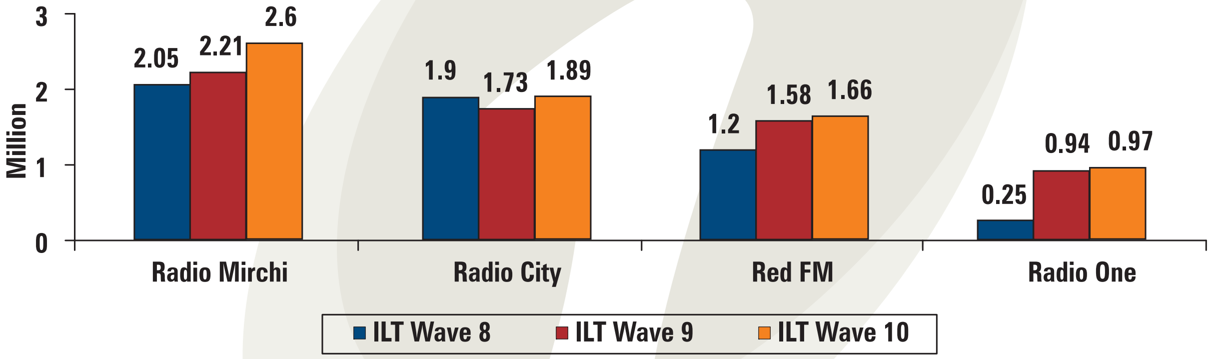
Medium	FDI
Radio	20%
News TV	26%
Print	26%
Entertainment TV	100%

Source: ICICIdirect Research

II) Radio Mirchi : A clear Winner

ENIL was one of the first entrants in the radio FM market under the Phase I policy when more than 108 licenses were offered. ENIL started operations in seven cities including all four metros. Post phase II the company has launched three new stations at Jaipur, Hyderabad and Bangalore taking the total tally to 10 stations across India. Within eights month of the launch the company has been able to build a brand name, giving stiff competition to other players. This clearly comes across in the change in absolute channel share as indicated by the MRUC Survey.

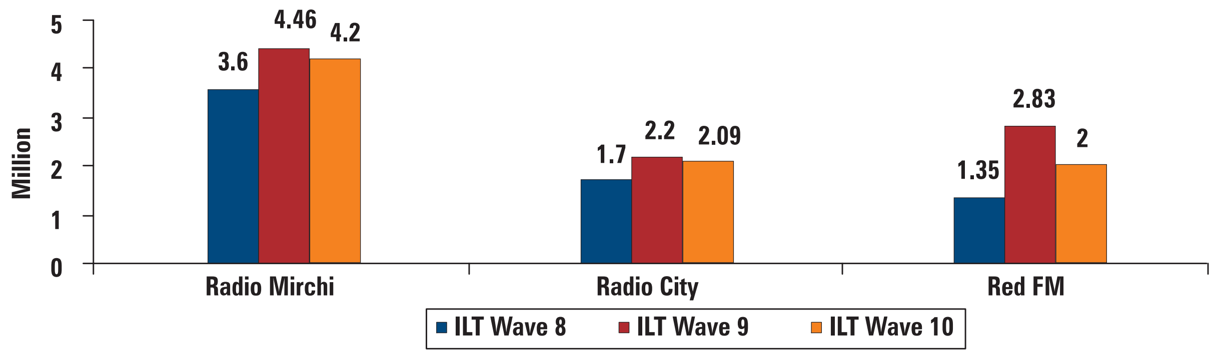
Exhibit 14 : Listenership in Mumbai



Source: MRUC Survey, AC Neilson (ORG-Marg-Wave10, fieldwork September, 06 to November, 06. ORG-Marg-Wave 9, fieldwork July 06 to September 9, 06. ORG-Marg-Wave 8, fieldwork Jan 06 to Mar 06, All Sec 12+)

According to data based on Indian Listenership Track (ILT – Wave 10 conducted by MRUC) for the period September- November 2006, Radio Mirchi retained the number one position in Mumbai and Delhi while establishing itself as the dominant number one station in Kolkata too. Radio Mirchi has increased its lead over #2 player in Mumbai from 30% to 40% while maintaining its 2:1 lead in Delhi.

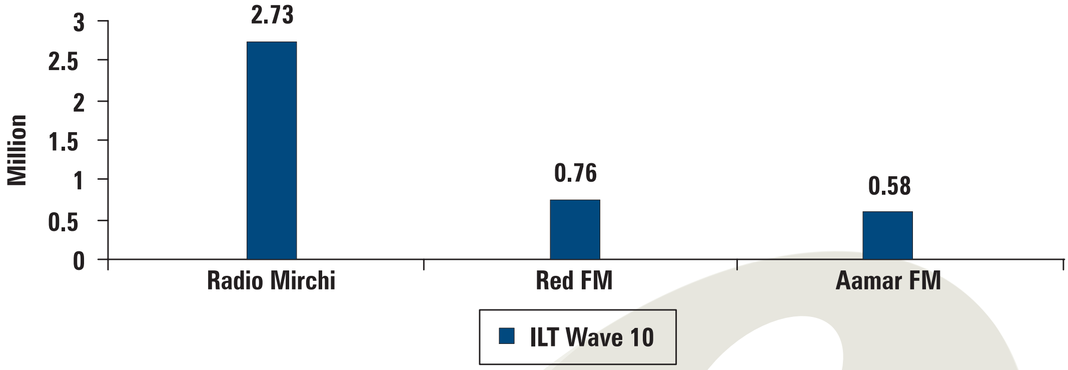
Exhibit 15 : Listenership in Delhi



Source: MRUC Survey, AC Neilson (ORG-Marg-Wave10, fieldwork September, 06 to November, 06. ORG-Marg-Wave 9, fieldwork July 06 to September 9, 06. ORG-Marg-Wave 8, fieldwork Jan 06 to Mar 06, All Sec 12+)

In Mumbai, Radio Mirchi dominated listenership with 2.63 million out of a total of 5.30 million daily listeners, in Delhi it has 4.2 million out of 6.1 million daily listeners and in Kolkata 2.7 million out of total 4.0 million listeners. In Kolkata, Radio Mirchi has more listeners than all other radio stations combined and is the second largest media vehicle in the city after the leading Bengali daily.

Exhibit 16 : Listenership in Kolkata



Source: MRUC Survey, AC Neilson (ORG-Marg-Wave10, fieldwork, September, 06 to November, 06. All Sec 12+)

The performance of ENIL across different geographical regions indicates that the company has not only maintained its lead but also by a big margin. We believe in the radio market only top three to four players make money and the No#1 player gets more than 40% advertising share. ENIL being the number 1 player in all its cities operational is clearly the winner and we expect this trend to continue going forward.

...On the back of creative content and innovation

We believe content and innovation to be the key differentiating factor between the radio stations and Radio Mirchi has the track record of developing creative and innovative content and programming formats which has helped them expand their base of listeners and advertisers. Having strong relations with the film fraternity, ENIL is instrumental in acquiring exclusive music rights for two weeks before the release of blockbusters such as *Rang De Basanti*, *Kabhi Alvida Na Kehna, Don, Lage Raho Munnabhai, Vivaah, Babul, Kabul Express, Dhoom2* and *Guru*. They have also signed a 9 year agreement with T-Series, the largest music company in India for music rights.

We also believe the company has superior understanding of audience preferences enabling them to provide content that is customized to the taste, language and culture of the local audience and will help them leverage this expertise to attract listeners as they expand to newer geographies.

ENIL has also entered into an agreement with HP, India to launch Visual Radio services in Delhi band Mumbai market. With this the images and texts are synchronized with radio broadcasting to bring information and interactivity to mobile phones. This gives the company additional advertising revenues with the first mover advantage. The company has also launched *Mirchi Activation* events which are promoted through the radio channels and enable them to attract new advertisers and enhance revenue from airtime sales.

III) Focus on money generating markets

ENIL is entering only lucrative markets where the money is present. It is the only company having presence in all 13 A/A+ cities having population more than 2 million. This market accounts to more than 75% of the industry revenues and the top player gets more than 40% of the share. We believe this is an excellent strategy adopted by the management and will reap fruits in long run as already from the listnership data Radio Mirchi is far ahead of its competitors in the metros. ENIL has licenses in 32 cities out of 87 open to bid as the company believes small cities are not bottomline positives unlike players like Adlabs and Sun TV having won licenses in most of the small cities. This makes ENIL our best pick in the radio business.

Exhibit 17 : Only player in top 13 cities

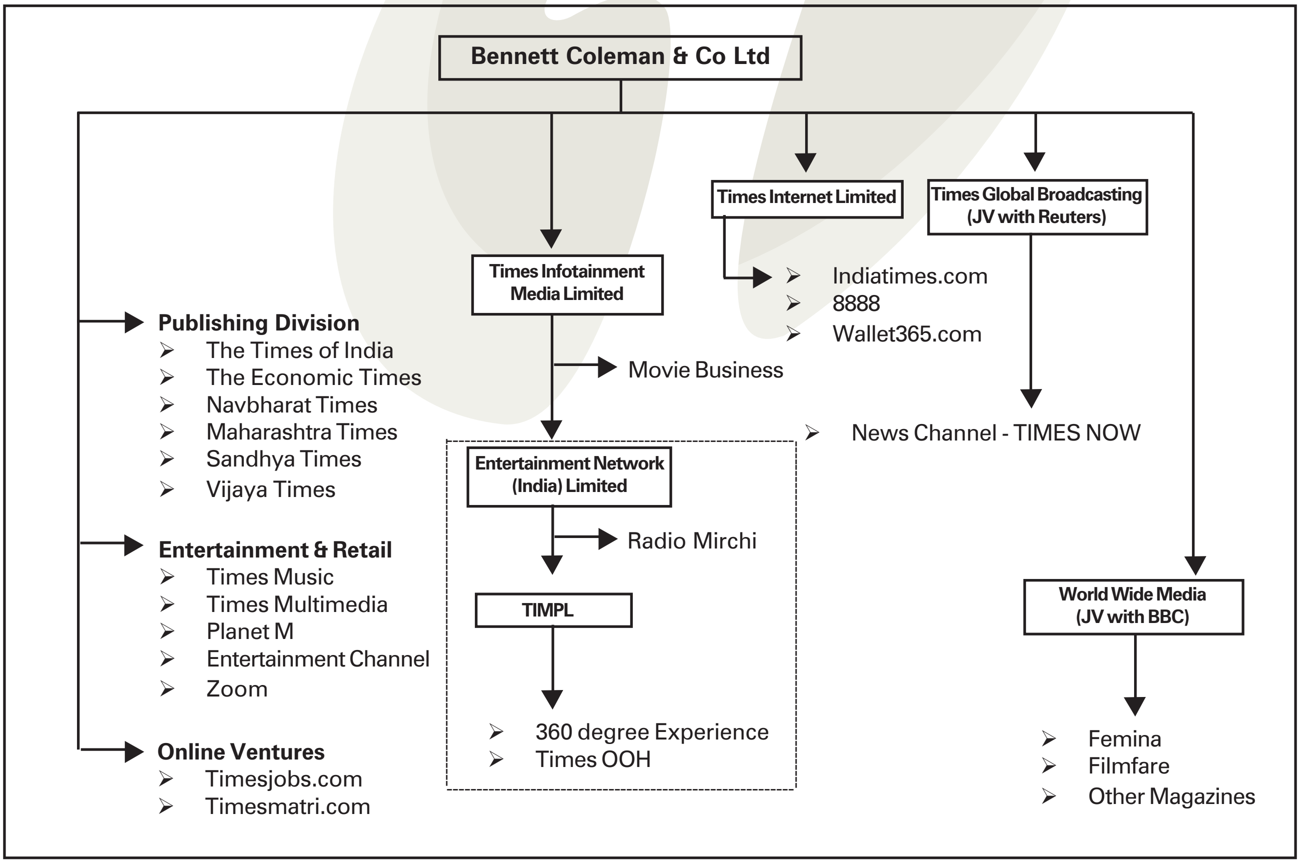
Player	DELHI	MUMBAI	KOLKATA	CHENNAI	BANGALORE	HYDERABAD	AHMEDABAD	NAGPUR	SURAT	PUNE	JAIPUR	LUCKNOW	KANPUR	Out of top 13	Total
ENIL	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13	32
Radio City	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		11	20
South Asia FM and Kaal Radio				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10	44
Adlabs	✓	✓	✓	✓	✓	✓							✓	7	45
Mid-Day	✓	✓	✓	✓	✓		✓			✓				7	7
Synergy Media (Bhaskar Group)						✓	✓	✓		✓				4	17
HT Media	✓	✓	✓		✓									4	4
Radio Today	✓	✓	✓											3	7
Red FM	✓	✓	✓											3	3

Source: Industry, ICICIdirect Research

IV) From India's largest media conglomerate

ENIL is part of the Bennett Coleman Group (Times Group), the largest media player in India having a heritage over 150 years with presence across the value chain in the sector from broadcasting, newspaper, magazines, event management, internet, radio, retail and outdoor. This gives ENIL an edge over its competitors having strong relations within the group with various advertisers across the industry having pan India presence. This also helps the channel to attract celebrities to the studio which further increases number of listeners along with creating unique content and having exclusive rights to various events, music and movies.

Exhibit 18 : Value Chain



Source : Company, ICICIdirect Research

...With a strong & experienced management team

ENIL has a strong and experienced management team having sound execution capabilities. Mr Parigi has over 34 years of experience in the fields of management, media, marketing and regulatory framework. He is also an active member of CII and FICCI. We believe that the management team backed by the Times Group has an edge over the competitors with innovative themes and ideas to run the show and continue to be market leaders.

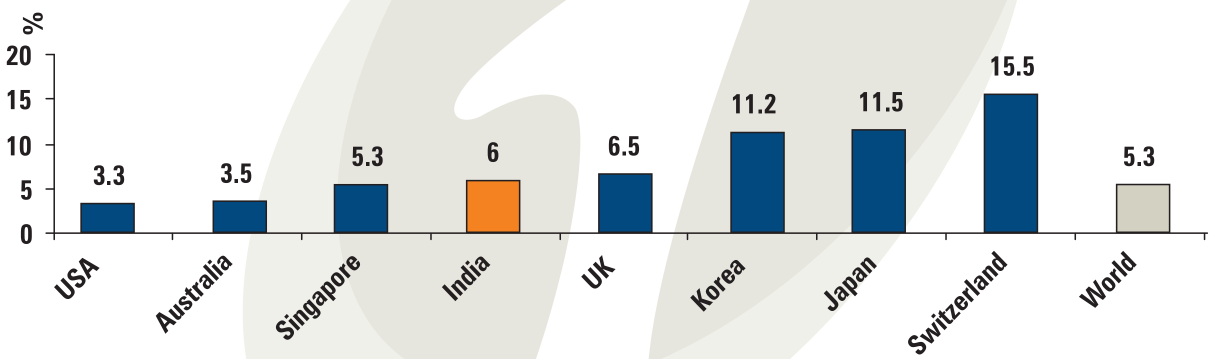
V) Out of home business : Laying a strong foundation

Out of Home business being city centric, compliments well with the radio business and offer a strong media solution for advertisers targeting these cities. ENIL is in this business through its brand Times-OOH which is held by its subsidiary TIMPL.

i) Fragmented Industry

We believe Indian Out-of-Home (OOH) advertising industry is largely fragmented and the sites are predominately owned or operated by small players and are directly marketed by them to advertisers. Tremendous technological innovation takes place which these small players can't utilize due to lack of knowledge and funds. Hence, even though the OOH advertising ad spend is higher than global average, it is no where near its potential.

Exhibit 19 : Outdoor as % of ad spend

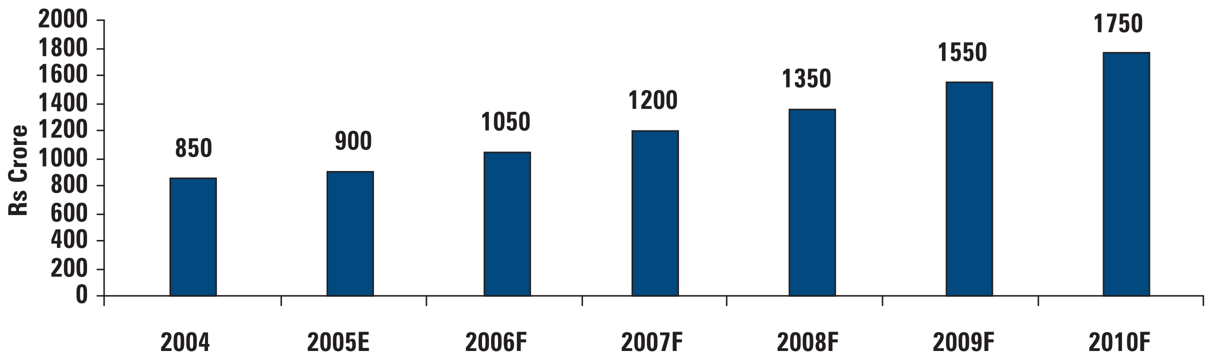


Source: Company, ICICIdirect Research

ii) Set to change

However we are seeing many global corporate eyeing this industry such as ENIL, Clear Channel, Selvel, Vantage, Pioneer, Portland and Lakshya and bringing in money, technology and innovation. These players with their reach are set to change the industry dynamics and we expect OOH to grow steadily at a CAGR of 14% for next five years to Rs 1750 crore industry by 2010.

Exhibit 20 : Outdoor advertising Industry

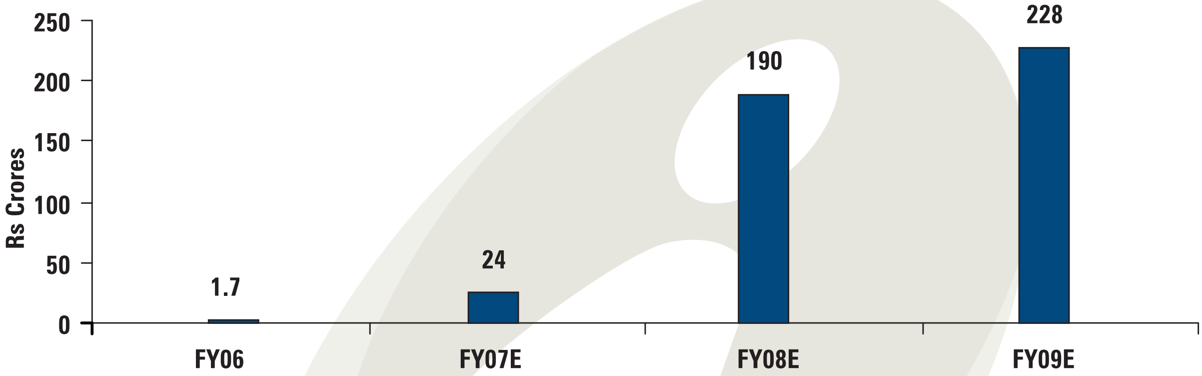


Source: PwC Analysis

iii) Times OOH - to grow exponentially

We expect OOH business to grow exponentially going forward on back of strong orders. The company has acquired rights for advertising space for 1400 bus shelters in 2 of the 3 zones in Mumbai till December 2008, The company has also won rights for 80 hoardings on Kolkata Metro Rail for five years along with 13 Delhi Metro Rail stations. The company has recently acquired advertising rights on 66 hoardings on Delhi Noida Flyover and 150 display sites at the Indira Gandhi International Airport, New Delhi which is estimated to have revenues around Rs 175 crore for next three years. The company also has 8 sites at Pune along with the three year agreement for Mumbai Airport having 7000 display opportunities, ranging from hoardings around terminals, approach roads to the terminals, the terminal buildings and aerobridges. Mumbai and the Delhi Airport are the biggest airports in the country with more than 35 million passenger traffic. On back of these rights we expect OOH business to contribute Rs 228 crore by FY09 at a CAGR of 403.58%.

Exhibit 21 : Times OOH Revenues

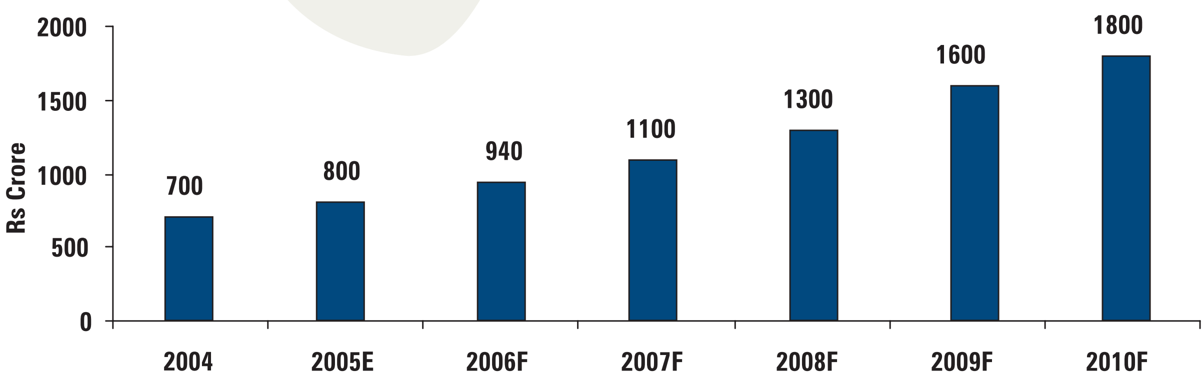


Source: ICICIdirect Research

VI) 360° Experience : On a steady growth path

ENIL's event management business branded as 360° Experience provides event management and brand promotion solution to several corporate clients. The size of the event management industry business is Rs 800 crore in 2005 and estimated to grow at a CAGR of 18% for next 5 years to Rs 1800 crore. The growth is on account of increased marketing budgets, strong focus on live entertainment as part of promotional spends of corporates.

Exhibit 22 : Live entertainment business

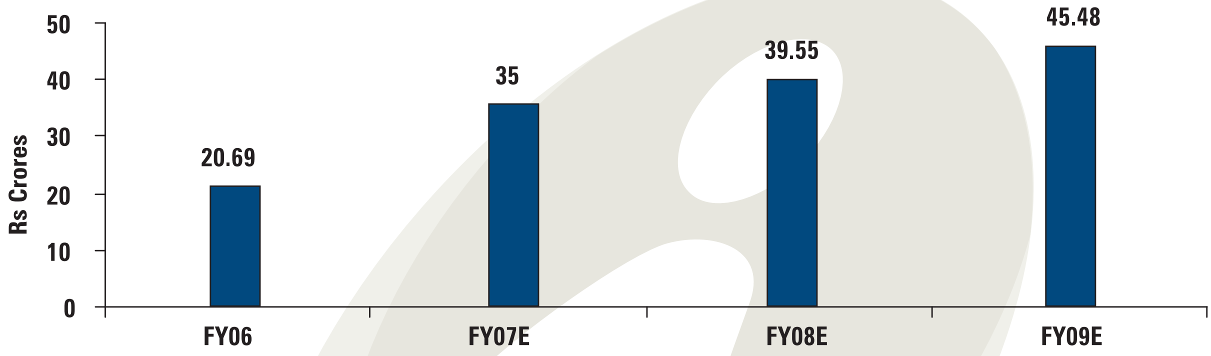


Source: PwC Analysis

We believe the Indian live entertainment business has about 10-15 large orgainsed players which comprise about 30% of the industry while the rest of the business coming from the unorganized segment. We expect the share of the organized players to grow as the size and scale of the event increase and with newer categories such as sporting events, reality shows on television, property melas, industry specific events and trade fairs grow.

ENIL has managed over 400 events in 2005 including some big ticket events such as Filmfare Awards, International Film Festival of India, Femina Miss India. The company also established its first IPR owned property named Smart Living Awards for recognizing excellence in the housing and related sector. Some of the key clients include Samsung, Set India, SBI, Mastercard, Deutsche Equities, Castrol India, Trent-Tata etc. We expect the company live entertainment business to grow to Rs 45.48 crore by FY09E at a CAGR of 29.68%.

Exhibit 23 : 360° Revenues



Source: ICICIdirect Research

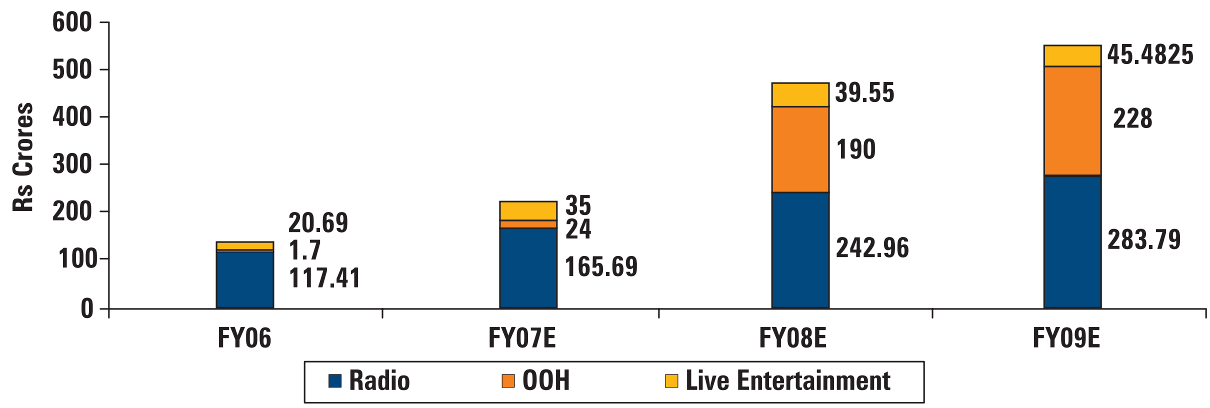
FINANCIALS

Moving towards profitable growth path

ENIL is likely to script a sustainable growth story over next two years on back of growing market share for Radio Mirchi and expected surge in ad revenues. We believe ENIL would register strong growth in revenues due to high operating leverage.

Revenues for the radio business is expected to grow from current Rs 117.41 crore in FY06 to Rs 283.79 crore in FY09 (CAGR of 33.8%). As primary revenue source for the radio channel remains advertisement revenues, the effective ad rates that the channel commands are directly linked to its listenership and with Radio Mirch being the market leader in this space, we expect the revenue growth for the stations on back of increase in utilization and increase in effective rates. In Q2FY07 the company increased its spot prices by 25% in its old 7 stations and by 10% in the new 3 stations even though the competition was strong in the cities. Revenues from OOH and live entertainment business are also expected to grow steadily as mentioned earlier.

Exhibit 24 : Revenue growth for ENIL

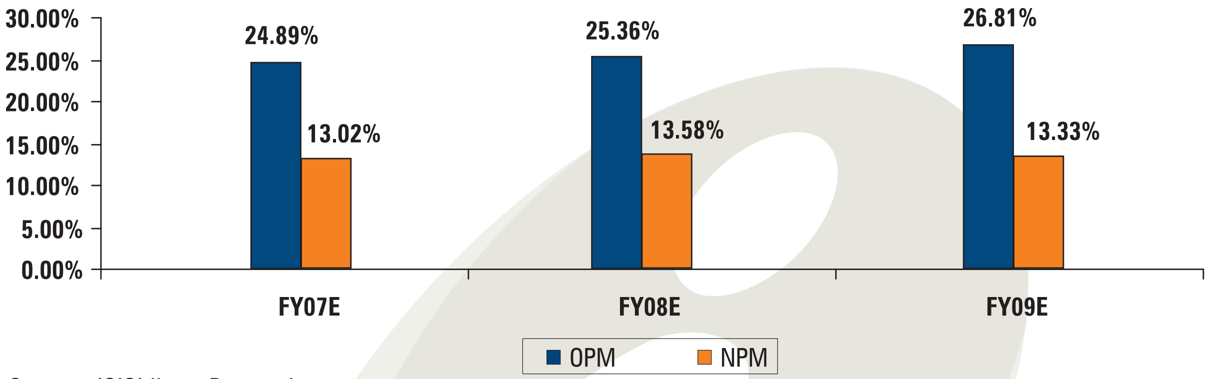


Source: ICICIdirect Research

Steady margin expansion

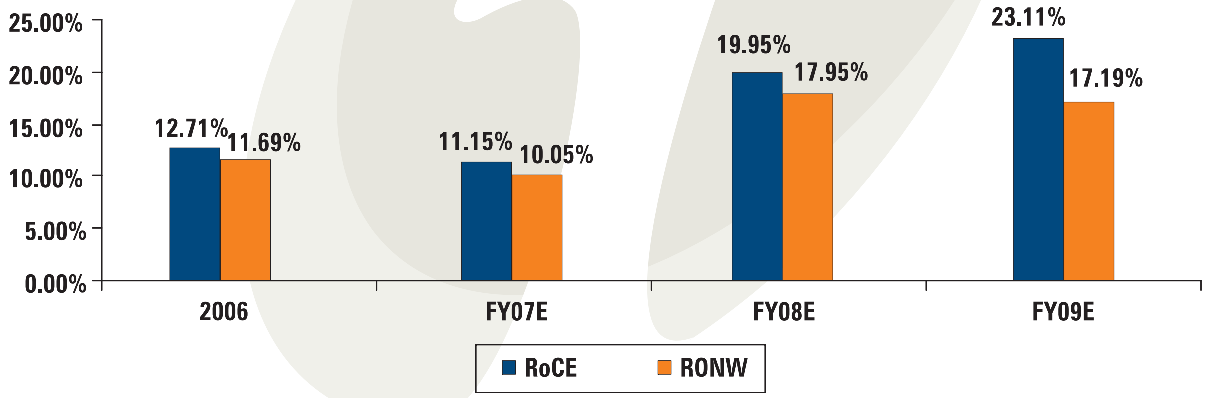
As a significant portion of the radio channel cost are largely fixed, any increase in inventory utilization and increase in ad rates contributes directly to EBITDA. Thus there is significant scope for margin expansion depending on the company's ability to grow its revenues. We expect operating margin for ENIL to expand steadily to 26.81% by FY09E and net profit margins to be at 13.33% by FY09E on consolidated basis. The margins are muted currently as OOH business and the live entertainment business are in investment stage. We expect the company to post net profit of Rs 74.69 crore by FY09E. The company would also have strong RoCE and RoNW of 23.11% and 17.19% respectively.

Exhibit 25 : Steady margin expansion



Source: ICICIdirect Research

Exhibit 26 : Improving Ratios



Source: ICICIdirect Research

VALUATIONS

ENIL is well-geared to capitalize on the upturn in the radio industry through pan India expansion and complimenting its city centric business of OOH and live entertainment. Considering its dominance in the industry along with fillip from the other businesses we expect the company to show significant upside in next 2-3 years. At the current price of Rs 315, the stock is available at an EV/EBIDTA of 12.53x FY08E earnings and 9.53x FY09E earnings. The stock trades at a P/E of 23.20x FY08E EPS of Rs. 13.58 and 20.06x FY09E EPS of Rs 15.70.

We believe there is no benchmark valuation for ENIL as there are no other players having the dominance and reach that ENIL commands in India. However, globally we can compare it to Clear Channel, Citadel, Austereo and Cox Radio which are trading at 10x-13x EV/EBIDTA. The growth in these companies are slowing down and considering the growth which Indian market offers, we expect ENIL to command s fair premium over the peers. Hence we value ENIL at 13x EV/EBITDA and arrive to a fair value of Rs 419, an upside potential of 33%.

Exhibit 27: International Peer Valuations

Company Name	FY07E				FY08E			
	EV/EBIDTA(x)	PE(x)	ROE	NPM(%)	EV/EBIDTA(x)	PE(x)	ROE	NPM(%)
Clear Channel	10.99	24.5	8.65	9.69	10.47	21.49	10.27	10.44
Citadel Broadcasting	9.79	18.18	5.88	14.11	10.76	18.83	6.43	12.66
Austereo	12.94	18.43	6.33	17.42	12.27	17.24	6.66	17.98
Cox Radio	6.2	18.34	5.56	15.59	5.8	17.14	5.84	16.41
GCAP	17.29	48.57	2.01	3.54	17.38	35.79	2.26	4.37

Source: Reuters, ICICIdirect Reasearch

Exhibit 28: Valuation Matrix

Valuation (Rs Crore)	
EBIDTA for FY09	150.24
Target Multiple	13
Total EV	1953.18
Less Debt, Add cash	40.19
Target Market capitalisation	1993.37
No.of Shares	4.756
Target Price	419

Source: ICICIdirect Reasearch

FINANCIAL SUMMARY

Profit and Loss Account

Sales to grow at CAGR of 58.7% over FY06-FY09E

Net profit to grow at CAGR of 33.6% over FY06-FY09E

(Rs crore)

(Year-end March)	FY09E	FY08E	FY07E	FY06
Sales	557.27	472.51	224.69	137.39
% Growth	17.94%	110.29%	63.54%	NA
Op Profit	150.24	120.63	56.71	35.21
% Growth	24.56%	112.69%	61.07%	NA
Other Income	3.20	3.20	3.20	3.20
Depreciation	34.53	30.11	16.40	12.41
EBIT	118.91	93.72	43.51	26.00
% Growth	26.88%	115.38%	67.38%	NA
Interest	7.85	10.70	8.10	2.59
Profit before Tax	111.06	83.02	35.41	23.41
% Growth	33.78%	134.43%	51.30%	NA
Taxation	36.38	18.44	5.74	4.55
Net Profit	74.69	64.58	29.68	18.85
% Change YoY	15.64%	117.63%	57.41%	NA
Shares O/S	4.75	4.75	4.75	4.75
EPS (Rs)	15.70	13.58	6.24	6.53
CEPS (Rs)	22.96	19.91	9.69	9.14

Balance Sheet

(Rs crore)

(Year-end March)	FY09E	FY08E	FY07E	FY06
Cash	120.19	70.62	46.59	6.48
Trade Receivables	184.28	156.11	71.24	46.68
Preoperative expenditure	0.00	0.00	0.00	8.11
Loans & Advances	99.94	80.18	53.83	31.38
Investments	26.00	26.00	26.00	30.25
Gross Block	341.84	330.64	274.84	255.48
Net Block	232.78	256.11	230.42	227.42
Capital Work-in-progress	8.00	13.00	25.00	4.73
Current Liabilities & Provisions	157.33	132.85	63.49	54.79
Total Asset	514.46	469.78	390.20	300.52
Unsecured Loans	80.00	110.00	95.00	35.00
Equity Share Capital	47.56	47.56	47.56	47.56
Reserves & Surplus	386.90	312.22	247.64	217.96
Total Liabilities	514.46	469.78	390.20	300.52

Cash Flow Statement

(Rs crore)

(Year-end March)	FY09E	FY08E	FY07E	FY06
Profit after Tax	74.69	64.58	29.68	31.05
Misc exp w/o	0.00	0.00	0.00	0.00
Depn	34.53	30.11	16.40	12.41
Cash Flow before WC Changes	109.22	94.69	46.08	40.56
Net Increase in Current Liab.	24.49	69.36	8.70	22.05
Net Increase in Current Assets	47.94	111.22	47.00	46.69
Cash Flow after WC Changes	85.77	52.83	7.77	21.04
Purchase of Fixed Assets	6.20	43.80	39.67	218.59
(Increase) / Decrease in Inv.	0.00	0.00	-12.36	-84.83
Cash Flow from Inv. Activities	-6.20	-43.80	-27.31	-251.67
Increase / (Dec.) in Loan Funds	-30.00	15.00	60.00	200.25
Inrease / (Dec.) in Eq. Capital	0.00	0.00	0.00	0.00
Cash Flow from Fin. Activities	-30.00	15.00	60.00	232.64
Op bal Cash & Cash equ.	68.17	44.14	3.68	1.66
Closing Cash/ Cash Equ.	117.74	68.17	44.14	3.68

Ratios

Return ratios to improve substantially

(Year-end March)	FY09E	FY08E	FY07E	FY06
EPS (Rs)	15.70	13.58	6.24	6.53
Cash EPS (Rs)	22.96	19.91	9.69	9.14
Book Value	91.35	75.65	62.07	55.83
Operating Margin (%)	26.81%	25.36%	24.89%	25.04%
Net Profit Margin (%)	13.33%	13.58%	13.02%	22.08%
RONW (%)	17.19%	17.95%	10.05%	11.69%
ROCE (%)	23.11%	19.95%	11.15%	12.71%
Debt Equity	0.18	0.31	0.32	0.13
Enterprise Value	1431.95	1511.52	1520.55	1496.41
EV/EBIDTA	9.53	12.53	26.81	42.50
Sales to Equity	11.72	9.94	4.72	2.89
Market Cap to sales	2.69	3.17	6.67	10.90

RATING RATIONALE

ICICIdirect endeavours to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Outperformer: 20% or more;
Performer: Between 10% and 20%;
Hold: $\pm$10% return;
Underperformer: -10% or more.

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