

September 19<sup>th</sup>, 2011

“Re-defining” Growth...

**BUY****Key Take Away**

CMP	58
Target Price	71
Expected Upside	22%

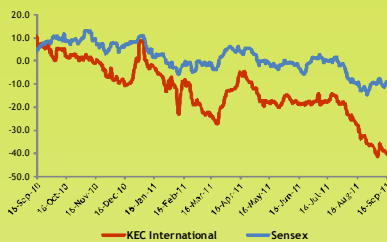
**Market Data**

Nifty Code	KEC
Sensex	16933
Nifty	5084
52 week High/Low	109/56
Market Cap (Rs.Mn)	15030
FV	2

**Shareholding Pattern (%)**

As on June 2011

Promoters	41.76
MFs, FIs & Banks	39.75
FIIIs	3.90
Other Bodies corporate	3.35
Public and others	11.26

**Comparative Price Movement**

Particulars (mlns)	2010-11	2011-12E	2012-13E	2013-14E
Net Sales	43232	51356	60551	69637
% Growth	11%	19%	18%	15%
PAT	2056	2576	3044	3577
EBIDTA %	10.8%	10.7%	10.3%	10.1%
PAT %	4.8%	5.0%	5.0%	5.1%
EPS	8.0	10.0	11.8	13.9
PE	10.3	5.9	5.0	4.2
ROCE %	19%	21%	21%	22%
ROE %	22%	22%	21%	20%

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**Theme**

KEC International Ltd. an RPG Group company, established in 1945, is a global EPC player in the T&D segment, with presence in business verticals of Power Transmission, Power Systems, Cables, Railways, Telecom and Water. Power Transmission is the largest vertical of the company with an order book of Rs.81.16bn in Q1FY12. More than 50% of its revenues are clocked from international markets spread across 45 different countries.

**Investment Rationale****Higher T&D investments in the 12<sup>th</sup> five year plan**

Investments opportunity in the T&D segment acc. to Crisil research is expected to be Rs.3.4tn from 2010-11 to 2014-15. The power transmission sector investments is expected to be around Rs.2tn during the same period, of which ~Rs.350bn will be for developing power transmission towers.

**A leading player in the T&D space**

KEC commands a market share of around 15% from Power Grid and around 20% market share from the SEBs in the T&D space competing closely with major players like Jyoti Structures and Kalpataru Power, who have an equivalent market share of close to 17-18%. Unorganized players command a share of more than 45% in the pie thereby posing a serious threat for the organized players in this industry.

**A diversified approach to de-risk its business portfolio**

KEC has become a diversified global Infrastructure EPC major with interest spanning across manufacturing of towers and cables, project management, construction of turnkey projects in areas of Power Transmission, Power Distribution, Telecom, Railways, and Water Infrastructure projects. Its order book position stands at cRs.81.16bn with ~72% of its business coming from transmission towers and the rest from its other segments.

**Acquisitions to add synergy and strengthen business prospects**

KEC strategically acquired 100% stake in US based subsidiary SAE Towers, in September 2010 to tap the growing markets of North and South America. In Q1FY12, SAE Towers ended the quarter with a strong order book of Rs.9.82bn comprising 12% of its total order book position. It has also acquired Jay Railway Signaling Pvt. Ltd. Company to make further inroads in the Railways business.

**Valuation**

At the CMP of Rs.58, the stock quotes a PE of 5x and 4.2x its FY13E and FY14E EPS of Rs.11.8 and Rs.13.9 per share respectively. We initiate a coverage with a **BUY** Rating on the stock, with a price target of Rs.71 per share based on its PE of 6x FY13E EPS of Rs.11.8 per share.

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### T&D Industry growth linked to the Power Generation sector growth

CRISIL Research expects 82GW of power capacities to be added over the next 5 years as compared to only 33GW added in the previous 5 years, translating to a supply increase of 9.1% CAGR between 2009-10 and 2014-15. In addition, during this period, GDP growth is likely to average 8.0-8.5%. This growth together with increased supply of power is expected to boost power demand at a compounded rate of 7.8% from 2009-10 to 2014-15 vis-à-vis the previous 5-year CAGR of 7.0%.

#### Investments in the Power sector

This sizeable capacity addition is expected to translate to an investment potential of Rs.9.3tn over the next 5 years, with generation (both utilities and captives) contributing a major chunk at Rs.5.8tn (63%). The remaining Rs.3.4tn would be invested in transmission and distribution (T&D).

Though investments in T&D are lower than investments in generation, it is significantly higher than the previous outlays. This is primarily due to the government's focus on reducing T&D losses. Investments in T&D is expected to grow by 16% CAGR over the next 5 years vis-à-vis a compounded growth of 15% in generation during the same period, leading to considerable opportunities in the T&D equipment space over the next few years.

Investments in the power sector						
Rs.Bn	2010-11 P	2011-12 P	2012-13 P	2013-14 P	2014-15 P	Total
Generation Utilities	767	885	994	1131	1291	5068
Generation Captives	112	125	145	169	197	749
Total T&D	500	579	673	782	909	3442
<b>Total Invsts</b>	<b>1379</b>	<b>1589</b>	<b>1812</b>	<b>2082</b>	<b>2397</b>	<b>9258</b>
T&D/Generation Utilities	67%	65%	66%	68%	69%	70%

Source: W2WResearch, Crisil Report

### Key Growth drivers for the T&D Industry

The Transmission line industry is expected to grow at a CAGR of about 5.5% from 2009-10 to 2014-15P. The catalyst for the growth in the transmission sector will be the formation of the high capacity transmission corridors. This also requires the introduction of higher transmission voltages for bulk power transmission, with the aim of limiting transmission losses. The total demand for transmission towers in the Twelfth Plan stands at 1.9mn MT as per CEA projections.

- Strong growth in the upstream generation segment has necessitated corresponding additions to capacities in transmission infrastructure including the tower segment.
- Investments amounting to Rs.580bn have been planned by PGCIL for setting-up nine high-capacity transmission corridors, which would take inter-regional transmission capacity from the present 20750MW to 37150MW by 2012 and further to 75000MW by 2017. This provides a growth path for companies involved in the transmission line tower business.
- Augmentation of existing T&D infrastructure under the aegis of the Accelerated Power Development Reform Programme (APDRP). Upgradation of existing transmission lines to higher voltage lines such as 400KV or 765KV and setting up of new lines to cater to the requirements of higher transmission capacity will also add to the demand for transmission towers.
- Transmission tower companies are increasingly focusing on exports. Export growth is driven by demand for transmission line towers particularly in the Middle East, Africa, and Eastern Europe. Capacity building is also underway in northern African countries such as Egypt, Libya, and Algeria while eastern European countries are rapidly emerging as export destinations.

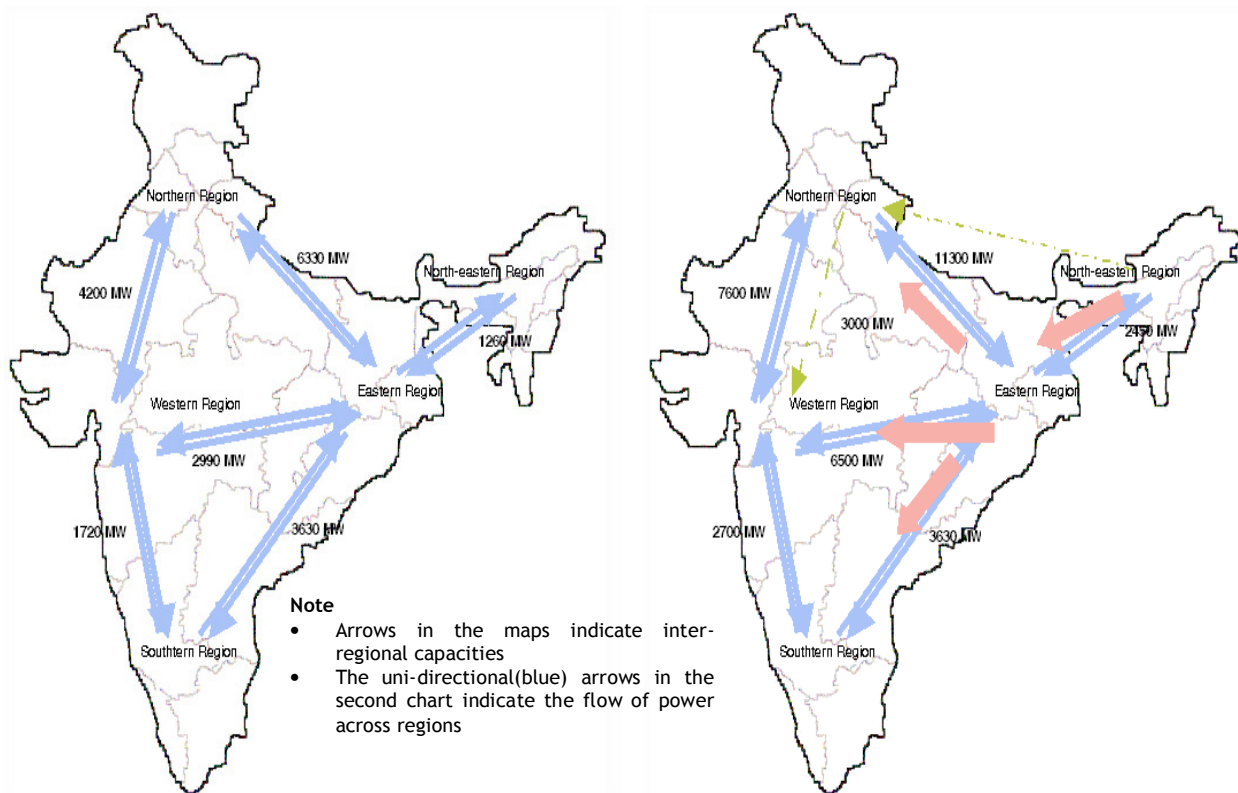
### Key issues affecting the transmission segment are

- Right-of-way (RoW),
- Generation capacities failing to meet deadlines,
- Privatisation etc.

Post the opening up of power sector, the transmission segment has proven to be a laggard on account of a host of issues ranging from inter-state transmission and transmission pricing to open access. Private foray into the transmission division has been restricted to joint ventures (JVs). The transmission segment offers lower returns and scope to earn incentives is limited, as the underlying risk for this segment is minimal vis-à-vis the generation and distribution segments. Public sector players like PGCIL and SEBs dominate the transmission segment.

### Current Transmission Capacity

Inter-regional transmission capacity stands at 20750MW, as against the target of 37150MW to be achieved by 2011-12. The current capacity is an increase from 17000MW in December 2007. This capacity is not sufficient for the transmission of electricity, resulting in limited volumes being traded on power exchanges.

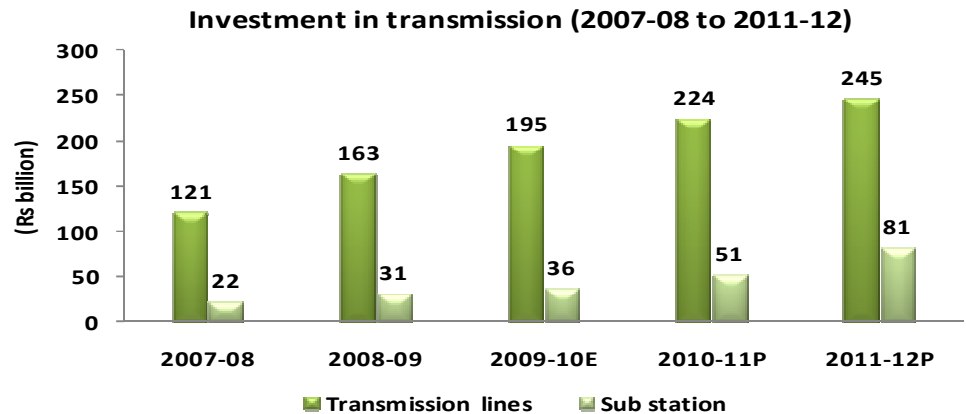


Inter-regional capacity as of March 2009 (20750 MW)

Inter-regional capacity by 2011-12 (37150 MW)

Source: W2WResearch, Crisil Report

### Investment in Transmission Lines



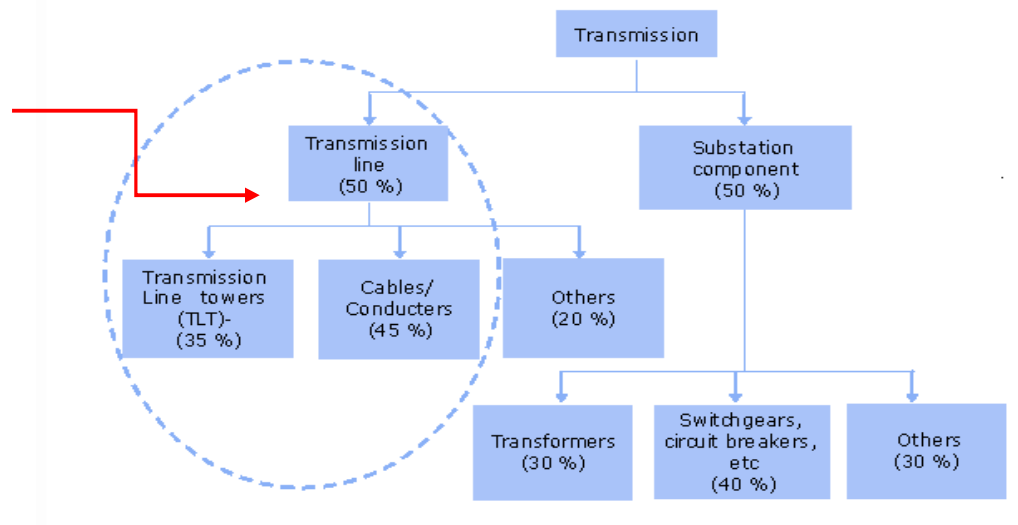
Source: W2WResearch, Crisil Report

Capacity additions will result in an investment potential of Rs.1.2tn during the Eleventh Plan. This would be a direct result of the capacity additions in generation and system strengthening schemes.

### Transmission Line System Components

**Key Players**

- KEC International
- Jyoti Structures
- Kalpataru Power



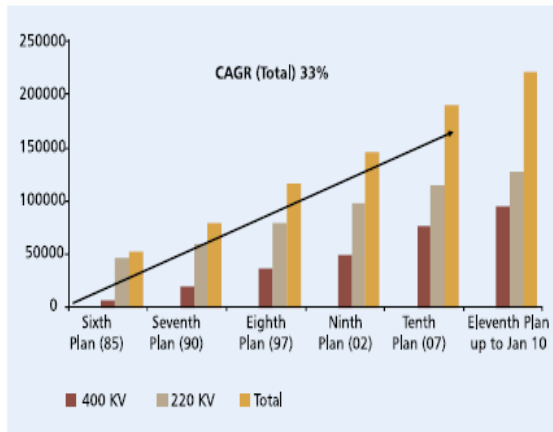
Source: W2WResearch, Crisil Report

To cater to the increase in generation capacity there is a robust need for power transmission lines which will enable seamless flow of power. Hence, the sector foresees a significant addition of transmission lines and substations during the XIth and XIIth Five Year Plans. A target of 95283 circuit kilometers (ckm) of transmission lines is planned for the XIth Plan and 155000 to 180000 circuit



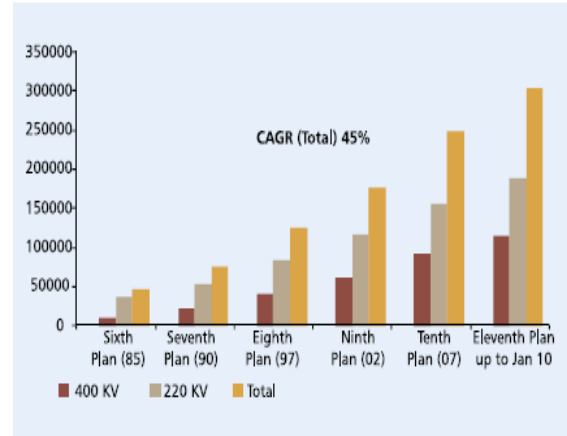
kilometers (ckm) during the XIIth Plan. With capacity additions in the transmission sector, approximate investments worth Rs.3400bn are expected over the next 5 years as compared to Rs.1640bn made during 2005-10.

Transmission Line Growth (ckm)



Source: CEA, D&B Industry Research Service

Transmission Substation Growth (MVA)



Source: CEA, D&B Industry Research Service

**Existing Transmission Lines and expansion during 12<sup>th</sup> Plan (in ckm)**

Transmission lines	Existing (ckm) by 10th plan	Additions 11th plan	Total by March 2012	Estimated additions in 12th plan
765 kV	2184	5428	7612	25000-30000
HVDC 500 kV	5872	1606	7478	
HVDC 800/60	0	3600	3600	5000
400 kV	75722	49278	125000	50000
220 kV	114629	35371	150000	40000
<b>Total ckm</b>	<b>198569</b>	<b>95283</b>	<b>293852</b>	<b>155000-180000</b>

Source: W2WResearch, CEA

**Existing Substation Lines and expansion during 12<sup>th</sup> Plan (in MVA/MW)**

Substation	Existing MVA/MW by 10thplan	Additions 11th plan	Total by March 2012	Estimated additions in 12th plan
HVDC BTB	3000	500	3500	0
HVDC Bipole+Monopole	5200	5500	10700	16000-22000
Total HVDC terminal capacity	8200	6000	14200	16000-22000
765 kV	0	53000	53000	110000
400 kV	92942	52058	145000	80000
230/220 kV	156497	73503	230000	95000
<b>Total</b>	<b>249439</b>	<b>178561</b>	<b>428000</b>	<b>295000</b>

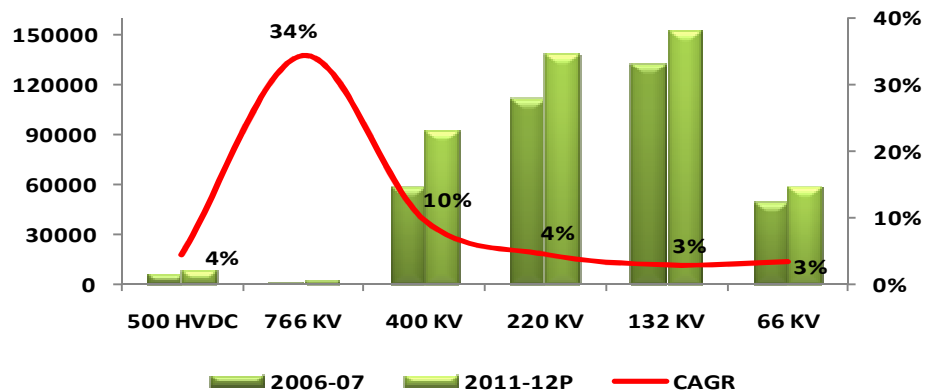
Source: W2WResearch, CEA

### Shift towards use of High voltage Lines

Acc. to Crisil Research, 765KV lines are expected to register a CAGR of 34% from 2006-07 to 2011-12P, followed by 400KV and HVDC lines showing the push towards high voltage lines over long distances to reduce losses. The capacity additions are expected to translate to investments of Rs.1.2tn during the Eleventh Plan.

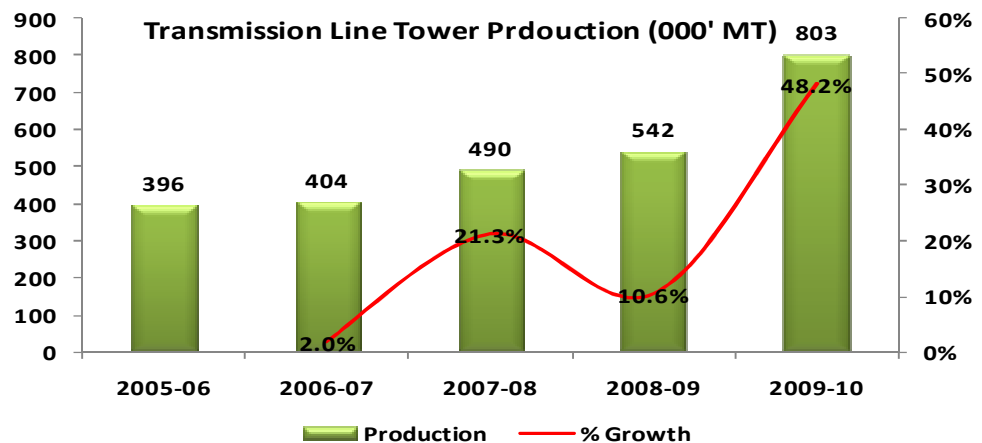
These high voltage lines are expected to form 23% of the total transmission lines by 2011-12. The volume push is expected to come from 220KV and 132KV lines. At an aggregate level, the CAGR growth for transmission line capacity additions is expected to be 4.7%. The capacity additions would translate into an investment of Rs.1.2tn in the Eleventh Plan.

**CAGR growth for transmission lines (Eleventh Plan)**

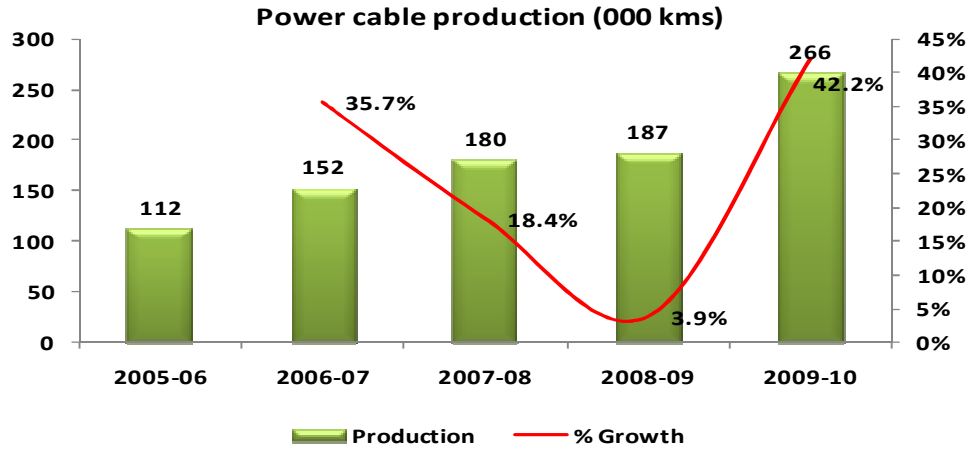


Source: W2WResearch, Crisil Report

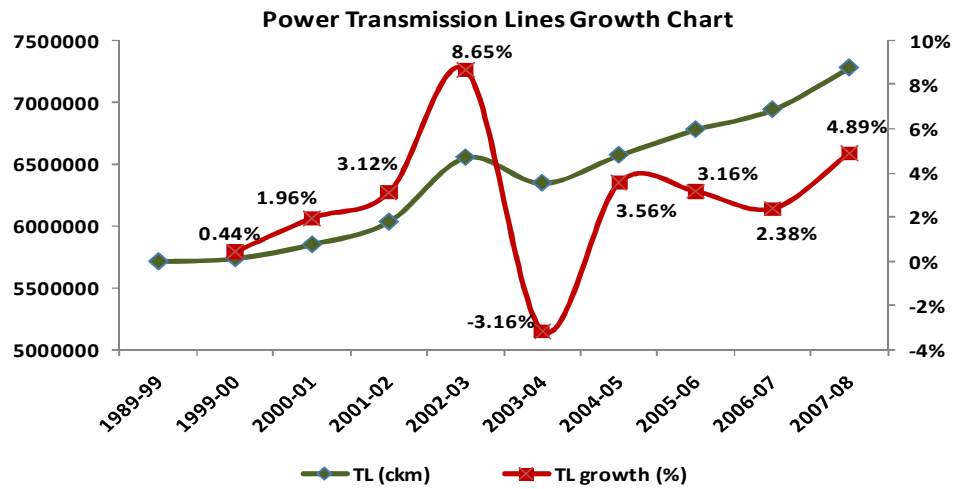
### Transmission Line Tower Production



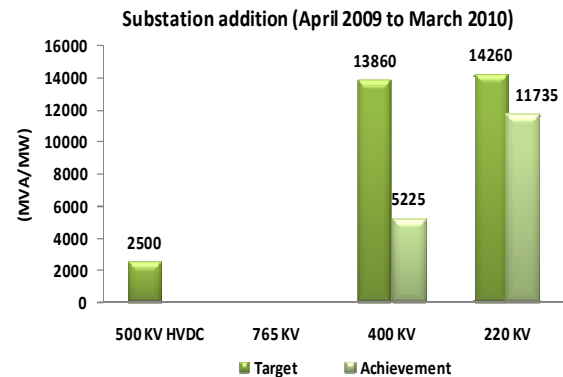
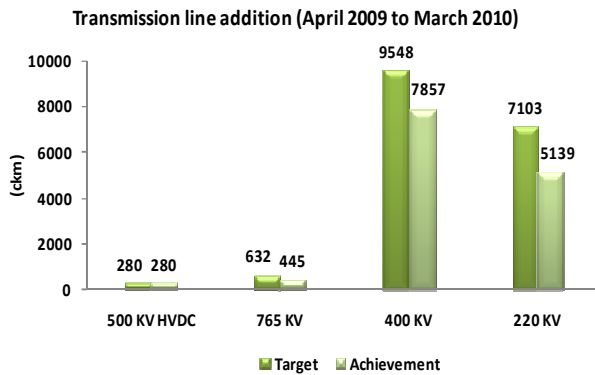
Source: W2WResearch, IEEMA



Source: W2WResearch, IEEMA



Source: W2WResearch, IEEMA



Source: W2WResearch, CEA



**Strong growth in upstream generation is expected to drive transmission tower sector growth over the next 5 years**

Strong growth in the upstream generation segment seen since FY10 will continue to drive growth in the transmission infrastructure including the towers segment, which is necessary to ensure evacuation of power. CRISIL Research expects the generation capacity to increase by 82GW over the five year period from FY11 to FY15 at an estimated investment of Rs.9.3tn.

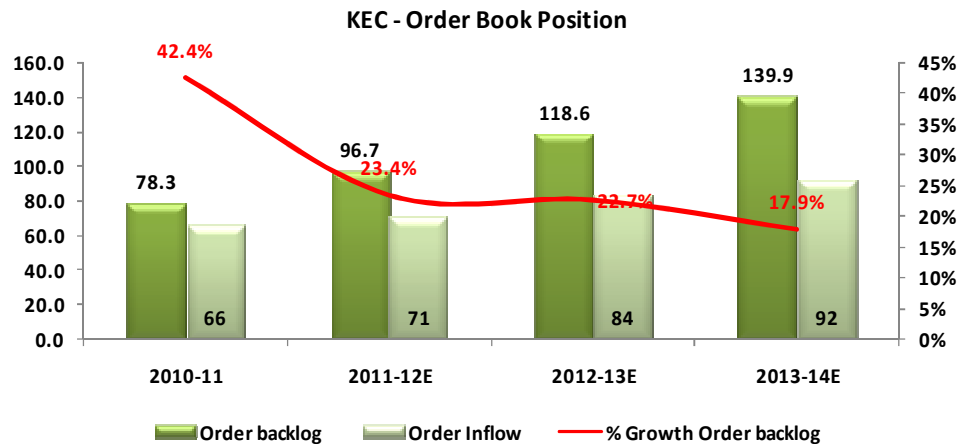
The concomitant capacity building in T&D is expected at an investment of Rs.3.4tn. Out of this, investments in the power transmission sector are expected to be around Rs.2tn during the period, of which, approximately Rs.350bn will be used for developing power transmission towers over the five year period from FY11 to FY15. A total of 1.4mn ckm of transmission and distribution lines are expected to be added from FY11 to FY15. Of this, 95600 ckm are expected to be added in the high voltage segment with the segment growing at a CAGR of 8% till FY15.

Going ahead, key growth drivers for the industry will be the increase in generation capacity in the Twelfth plan, augmentation of existing T&D infrastructure under the aegis of the Accelerated Power Development Reform Programme (APDRP), upgradation of existing transmission lines to higher voltage lines such as 400KV or 765KV and setting up of new lines to cater to the requirements of higher transmission capacity and export demand. Exports resulting from T&D capacity building in the African, eastern European, and middle-eastern markets- a USD400bn opportunity is expected to promote capacity additions in the long term.

Margins for the industry are expected to remain stable despite increase in raw material prices and interest rates as a majority of the contracts are covered under price variation clause.

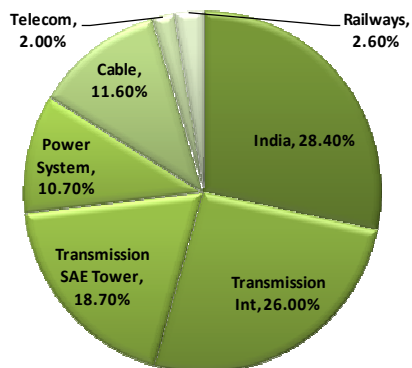
### KEC International - A Diversified Approach

KEC's Order book stands at cRs.81bn in Q1FY12 which is very well diversified across business verticals of Power Transmission, Power systems, Cables, Railways, Telecom and Water. Its order book as on FY11 stood at Rs.78bn which had risen sharply by 42% led by its acquisition of SAE towers. Going forward in FY12, we expect a growth of 23% in its order book on account of its higher base in FY11 and the subdued sentiment prevalent in the power sector, which we expect to turn positive only from H2FY12. We expect positive order inflows towards FY12, from higher capex spend from Powergrid, SEBs, its acquisition of SAE Towers and from the international markets where it is present across 45 different nations and from its other business verticals.



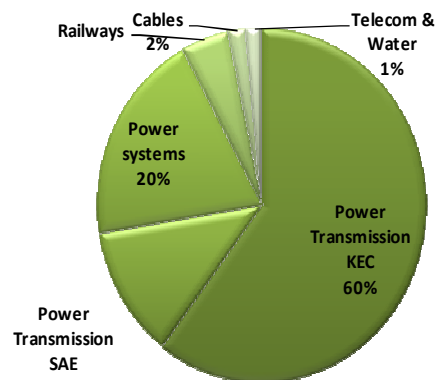
Source: W2WResearch

### Q1FY12 Order Book BreakUp



Q1FY12 Revenue Breakup

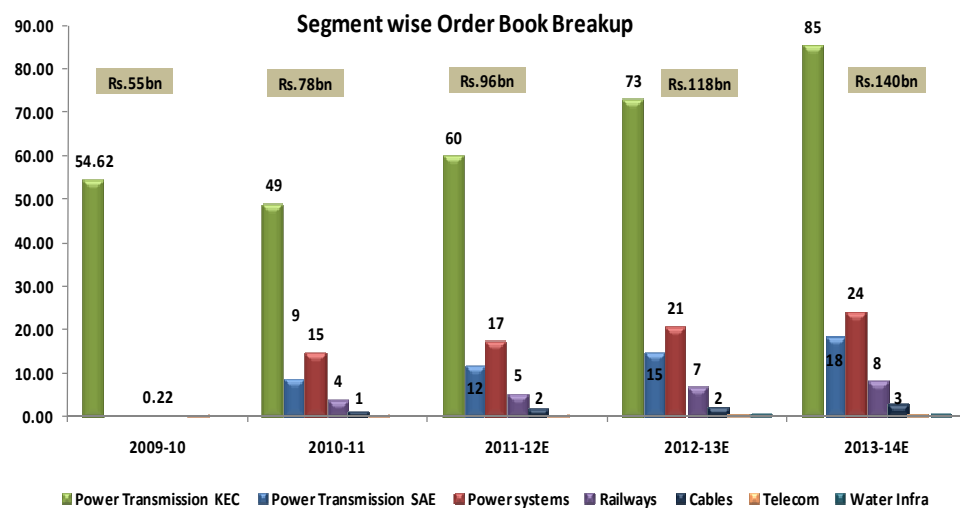
### Q1FY12 Revenue BreakUp



Q1FY12 Order Backlog Rs.81bn

Source: W2WResearch

## Order Book BreakUp



Source: W2WResearch

## Key growth drivers across sectors

### Power Transmission: A leading dominant player

- This segment contributed close to 62% of its total order book in FY11 which may get diluted due to increasing contribution from other divisions but the Power transmission segment will remain the highest contributor for KEC. Revenue wise for Q1FY12, the Indian operations contributed ~28% to its total revenues of Rs.104bn.
- KEC has a leading market share of close to 15% in PGCIL orders and close to 20% in SEB orders. Going forward we expect KEC to benefit significantly from the increasing capex spend by Power Grid, SEBs and other Private players.

### Player wise Capex for the T&D Segment

Rs.Bn	10th Plan	11th Plan	12th Plan
PGCIL	189	550	1200
State	285	670	1200
Private		180	
<b>Total</b>	<b>474</b>	<b>1400</b>	<b>2400</b>

Source: W2WResearch, Crisil Report

### Additions made by PowerGrid till FY10-11

Parameter	Start of XI Plan	End FY10-11	Addition during first 4 yrs XI plan
Transmission network (ckm)	59461	82355	22894
Sub-stations (Nos)	104	135	31
Transformation Capacity (MVA)	59415	93050	33635

Source: W2WResearch, Crisil Report

### Investments by Power Grid and SEBs

- The Power Grid Corporation (PGCIL) and the state transmission utilities, with 85% investment share in both XIth and XIIth Five Year Plans, have envisaged massive capital expenditure plans towards transmission capacity. Power Grid plans to invest about Rs.1.85bn during 2011-12 out of the total estimated investment of Rs.5.50bn in XIth Plan and more than Rs.1000bn in XIIth Plan for providing matching transmission system for generation capacity addition under the central sector and other projects entrusted to it, including UMPPs.
- Additionally, State Electricity Boards (SEBs) also plan to invest Rs.670bn in the XIth Plan to expand intra-state transmission network.
- Apart from state and central government playing a dominant role in the sector, private players are also involved in setting up the additional capacity. In the XIth Plan, an investment of Rs.180bn has been envisioned from the private sector players, directed towards expanding inter-state transmission network.
- Several PPP projects have been awarded by SEBs, including Haryana, Rajasthan and Maharashtra, to name a few. These investments in the sector present a significant set of opportunities for the companies operating in the transmission and distribution segment.

### Acquisition of SAE Towers, KEC has become one of largest global tower Manufacturing player

In September, 2010 KEC International acquired 100% stake in SAE Towers, a US based Transmission Tower Company at a consideration of USD95mn. SAE Towers has a capacity of 100000MTs with manufacturing facilities in Mexico (35000MTs) and Brazil (65000MTs). This acquisition has positively impacted KEC's overall business growth which is evident in Q1FY12 itself.

SAE Towers had an order book of close to Rs.9.8bn in Q1FY11 which was Rs.5.5bn at the time of acquisition. The strong growth will be appended by strong outlook for T&D capex from the US, Canada and Latin America. For now, KEC's Management intends to continue its business of tower manufacturing and supplies for SAE Towers in Mexico and Brazil and may foray into international EPC jobs in future.

SAE Towers, command highest market share in both North and South America. With this acquisition, KEC has become one of the largest global transmission tower player. It has an EBIDTA margin in the range of 12-13% against KEC 9-10%. SAE Towers currently operates at capacity utilization of 60-65% and going forward the management expects capacity utilization to exceed 75% in FY12E.

### Railway Segment

#### Jay Railways to provide platform in signaling work

Last year in September, 2010, KEC acquired a railway signaling automation systems and technology company, Jay Railway Signaling Private Limited for an enterprise value of Rs.1.4bn. KEC undertook civil infrastructure, track works and railway electrification work, while it lack the expertise to provide signaling works. Jay Railway Signaling undertakes turnkey contracts for the Indian Railways having revenues of Rs.100mn. The acquisition has strengthened KEC's ability to offer services for the entire gamut of railway infrastructure projects.

In FY11, its Railways order book has grown to Rs.3.89bn from Rs.1.36bn in the previous year. It has also forayed into International market in this business by securing a Railway electrification order from Malaysia worth Rs.300mn.

### Key Opportunities

The Annual Railway Budget of Government of India has proposed an outlay of Rs.576.30bn for 2011-12 on Indian Railways. Key focus areas for investments includes electrification, capacity enhancements, addition of new lines, gauge conversion, doubling of lines on congested routes, construction of dedicated freight corridors, repair and rehabilitation of tracks and bridges, replacement of overhead-based communication systems with Optical Fiber Cable (OFC) and quad-cable-based communication systems to achieve real-time control.

The Delhi Metro Phase III and Mumbai Metro phase III are proposed to kick-off in FY 2012. Delhi Metro Phase III would add another 105km to the network at a cost of Rs.280bn built over next four years. The Government of India, Ministry of Railways has plans to complete the Dedicated Freight Corridor project (around 2700 km) by 2017 at an estimated cost of Rs.400bn.



## Cables division

### Merger with RPG cables add competitive advantage

In March 2010, RPG Cables was merged with KEC International to give in house capacity for cable and has become an integrated Infrastructure project management player. To further strengthen its business, it is also setting up a new cable unit with capacity of 3000 cables km/pa at Vadodara and the production is expected to start from FY13 onwards with a total capex of around Rs.1500mn, thereby adding to revenues to the tune of Rs.2000-3000mn per year.

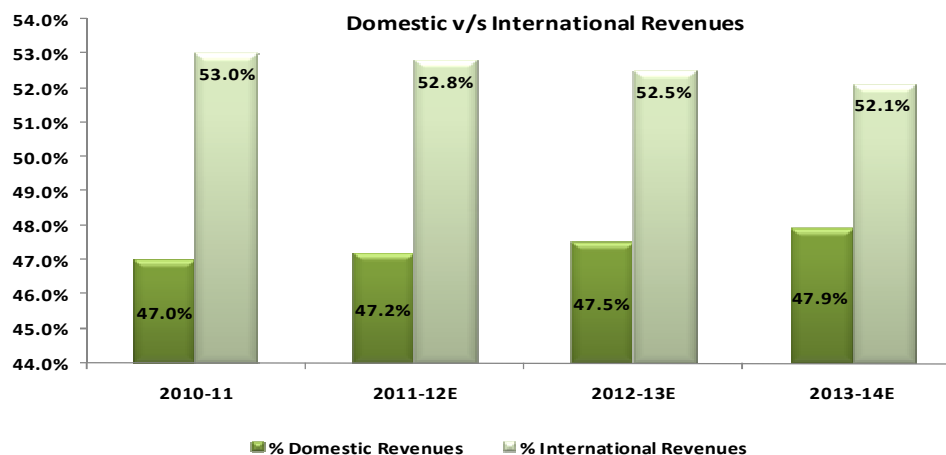
### Key Opportunities

80% of total requirement of cables is from power sector, followed by 10% requirement by telecom sector and balance from other industries. The current market size of Power Cables in India is estimated to be around Rs.120bn p.a. and is expected to grow to Rs.200bn p.a. during the 12<sup>th</sup> Plan period.

Demand for Extra High Voltage cables (66 KV and above) is high and the same is expected to grow significantly in the future due to overall urbanisation. The demand for optical fibre cables is increasing given the growth in the telecom sector, making India the fifth largest consumer globally.

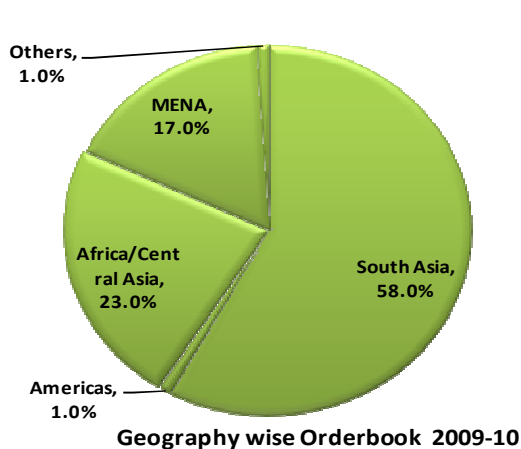
### International Revenues account for more than 50% of its business...

KEC has presence in more than 40 countries and more than 50% of its revenues come from the International markets namely North America, Latin America, Brazil, Middle East, Africa and Central Asia.

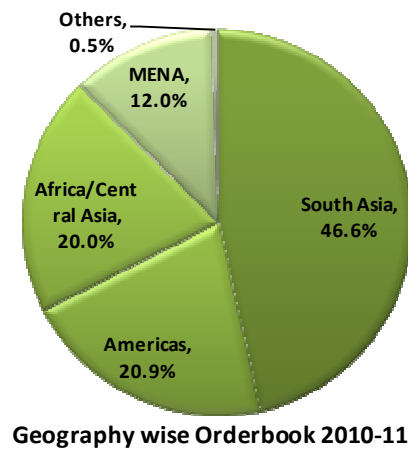


Source: W2WResearch

International order book stands at Rs.42bn for FY11, comprising more than 50% of its total order book position and showing a growth of 77% y-o-y. After its SAE Tower acquisition, America has started contributing to its overall order book positions.



Source: W2WResearch



Source: W2WResearch

Recently, KEC has signed an agreement for its largest ever tower supply order from Canada worth Rs.7.35bn. As a result of this, KEC's consolidated order book share by end of March 2011 from Americas is 20.9% as compared to Nil in previous year. During the year, it has also entered in the Georgia (CIS Region) by securing an order worth Rs.3.26bn and has re-entered the Philippines (Far East Asia region) after a decade by securing an order worth Rs.420mn. Further it has consolidated its presence in South African region (SADC) by securing 3 orders for 765KV transmission lines from South Africa and 1 order from Zambia totaling to Rs.2.61bn. It has also secured orders from Middle East (Abu Dhabi, Saudi) and Africa (Nigeria) worth Rs.2.81bn during the year.

### Global Opportunity

Driven by investments in inter-connection projects, and transmission projects for new generation capacities or replacement demand, the international markets are expected to show strong growth over the next five to seven years. The International Energy Association forecasts world energy consumption to grow to 28141Twh from 15665Twh at a CAGR of 2.5% over 2006-30. To support this massive energy consumption target, global generation capacity is expected to reach 2837GW by 2030, which would require investments valued at USD6.7tn in the T&D sector over 2006-30.

Key international markets which are expected to infuse large investments in the T&D infrastructure include South Asia, the Middle East, Africa and North America, which are at different thresholds of power capacity addition. Over 2010-15, total investments worth USD158bn are expected to be made in the Middle East, Africa and North America. Given this positive scenario, significant growth opportunities exist in Africa, North America, Australia and GCC and CIS countries.

### Manufacturing Facilities

Location wise Capacity		
Towers (MTs)	2010-11	2011-12E
Jaipur, Rajasthan	36000	36000
Nagpur, Maharashtra	55000	55000
Jabalpur, Madhya Pradesh	60000	60000
Monterrey, Mexico	35000	35000
Belo Horizonte, Brazil	65000	65000
<b>Total</b>	<b>251000</b>	<b>251000</b>
Cables (Kms)		
<b>Thane, Maharashtra</b>		
Power cables	1200	1200
<b>Mysore, Karnataka</b>		
Power cables	10000	10000
Telecom cables	965000	965000
<b>Silvassa, Dadra &amp; Nagar Haveli</b>		
Power cables	14580	14580
<b>Baroda (New Facility)</b>		
Power cables		3000
<b>Total</b>	<b>990780</b>	<b>993780</b>

Source: W2WResearch

## Peerset Comparison

Key Parameters	Kec International			Jyoti Structures			Kalpataru Power Transmission		
	FY09	FY10	FY11	FY09	FY10	FY11	FY09	FY10	FY11
Annual installed capacity (MT)	151000	151000	251000	110000	110000	116160	108000	108000	108000
Production (MT)	138905	141009	126847	85377	118555	150985	93484	121483	127055
Order Book (mn)	51000	55000	78000	36000	41000	43270	65700	76860	96500
Order book to sales	1.5	1.4	1.8	2.0	1.9	1.8	2.0	1.9	2.2
Domestic Revenue	38%	45%	47%	65%	81%	88%	84%	72%	78%
Export Revenue	62%	55%	53%	35%	19%	12%	16%	28%	22%

Source: W2WResearch, Bloomberg

Peer Analysis	Net Sales (Rs.Mn)			Op Profit			Op Profit %			NP			NP%			EPS			Pex		
	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Kec International	43232	51356	60551	4650	5483	6224	10.76%	10.68%	10.28%	2056	2576	3044	4.76%	5.02%	5.03%	8.00	10.02	11.84	7.71	6.15	5.21
Kalpataru Power	45296	52561	60881	3965	5128	6091	8.75%	9.76%	10.00%	2262	2472	2899	4.99%	4.70%	4.76%	14.88	16.12	18.93	7.79	7.19	6.12
Jyoti Structures	24348	27649	31671	2552	2889	3362	10.48%	10.45%	10.61%	1028	1191	1411	4.22%	4.31%	4.45%	11.19	13.12	14.98	5.70	4.87	4.26

Source: W2WResearch, Bloomberg Consensus

## Key Concerns

- Intense competition in the domestic T&D contracting business poses risk to order wins and earnings. Any delays in investment by private and government players may also lead to reduction in order book and hence revenues. The contracting business requires high working capital and any delays in receiving payments from clients may put pressure on the margins. Also company faces risks related to raw material and commodity costs and foreign exchange fluctuations.
- The company, which has made several key acquisitions and diversifications last year, has seen sharp increase in debt levels, but is expected to be funded on time out of internal accruals generated by SAE Towers.

## Valuations

Considering its balanced and geographically diversified order book and likely pickup in order inflows from PGCIL ordering as well as strong order book and healthy order execution across the segments, we expect strong growth in its revenues & profits.

At the CMP of Rs.58, the stock quotes a PE of 5x and 4.2x its FY13E and FY14E EPS of Rs.11.8 and Rs.13.9 per share respectively. We initiate a coverage with a **BUY** Rating on the stock, with a price target of Rs.71 per share based on its PE of 6x FY13E EPS of Rs.11.8 per share.

## Financial Summary (Rs.Mns)

Profit & Loss a/c Statement					
Particulars (Rs. Mln)	2009-10	2010-11	2011-12E	2012-13E	2013-14E
Net Sales	39064	43232	51356	60551	69637
Other Income	10	26	26	31	40
Total Income	39074	43258	51382	60582	69677
% Growth	13.96%	14.55%	18.33%	17.73%	14.90%
<b>EXPENDITURE :</b>					
Raw Materials	20127	22552	25781	30154	34331
Manufacturing Expenses	14887	17565	21711	25991	30274
Total Expenditure	35014	40117	47492	56145	64605
% of Sales	89.63%	92.80%	92.47%	92.72%	92.77%
Operating Profit	4060	3141	3891	4437	5072
EBIDTA Margins %	10%	7%	8%	7%	7%
Depreciation	270	408	457	494	523
EBIT	3790	2733	3433	3944	4549
EBIT Margins %	9.70%	6.32%	6.69%	6.51%	6.53%
Interest	865	1075	1058	1042	1025
PBT & Extraord. Items	2925	1657	2375	2902	3524
EBT Margins %	7.49%	3.83%	4.63%	4.79%	5.06%
Exceptional Items	0	0	0	0	1
PBT but after Ext. Items	2934	3167	3967	4688	5510
Total Tax	1037	1111	1391	1644	1932
Profit After Tax	1897	2056	2576	3044	3577
PAT Margins %	4.86%	4.76%	5.02%	5.03%	5.14%
Adjusted PAT after exceptional item	1897	2056	2576	3044	3576
Adjusted PAT Margins %	4.86%	4.76%	5.02%	5.03%	5.14%

Cash Flow					
Particulars	2009-10	2010-11	2011-12E	2012-13E	2013-14E
<b>Cash Flow from Operating Act.</b>					
Op. Profit before Working Capital	3644	4670	5483	6224	7057
Changes in -					
Trade & other Receivables	-367	-6005	-5100	-5779	-5851
Inventories	415	735	-616	-591	-448
Trade Payables	-2567	2973	4106	4658	4584
Cash Generated from operations	1125	2373	3872	4511	5341
Voluntary Retirement	0	0	0	0	0
Direct Taxes Paid	-778	-678	-1391	-1644	-1932
Net Cash flow from Operating Act.	347	1694	2480	2867	3409
<b>Cash Flow from Investing Act.</b>					
Capex	0	0	-1246	-930	-754
Purch/Sale of Fixed Assets	-588	-780	-250	-285	-325
Acq of Subsidiary	0	-4391	-	-	-
Purch/Sale of Invsts	0	0	-	-	-
Interest/Div recd.	80	60	61	62	65
Net Cash used in Investing act	-509	-5111	-1435	-1153	-1014
<b>Cash Flow from Financing act.</b>					
Issue of Equity shares	0	0	0	0	0
Proceed/Repmt of Borrowings	551	5455	-225	-221	-218
Dividend Paid	-285	-354	-360	-360	-360
Interest paid	-944	-1140	-1058	-1042	-1025
Net Cash from Financing act	-678	3960	-1643	-1623	-1603
Total ( a+b+c)	-840	544	-597	91	793
Opening balance for cash & cash eq.	1410	699	1614	1016	1108
Other Cash bal	130	371	-	-	-
Closing balance for cash & cash eq.	699	1614	1016	1108	1900

Balance Sheet					
Particulars (Rs. Mln)	2009-10	2010-11	2011-12E	2012-13E	2013-14E
<b>SOURCES OF FUNDS :</b>					
Equity capital	493	493	514	514	514
Total Reserves	7357	8952	11168	13852	17071
Total Networth	7871	9466	11682	14366	17585
Debt Capital	7867	14322	14097	13875	13657
Minority Interest	0	0	0	0	0
Deferred Tax liability	461	497	497	497	497
Total Liabilities	16199	24285	26276	28739	31739
<b>APPLICATION OF FUNDS :</b>					
Gross Block	8357	10382	11628	12558	13312
Less : Accumulated Depreciation	1570	2366	2551	2551	2551
Net Block	6787	8016	9077	10007	10761
Capital Work in Progress	413	393	393	393	393
Goodwill on Consolidation	0	2812	2812	2812	2812
Investments	0	0	0	0	0
Deferred Tax Assets	0	0	0	0	0
Current Assets	26775	35873	40992	47453	54545
Inventories	2498	3359	3975	4566	5014
Sundry Debtors	19624	26177	30608	35483	40459
Cash and Bank	698	1614	1016	1108	1900
Loans and Advances	3956	4723	5392	6297	7173
Current Liabilities	17776	22809	26998	31927	36772
Sundry Creditors	9546	12082	14277	16773	19220
Other Creditors	7668	10167	12077	14239	16376
Provisions	562	561	644	915	1176
Net Current Assets	8999	13063	13994	15527	17774
Total Assets	16199	24285	26276	28739	31739

Ratios					
Particulars	2009-10	2010-11	2011-12E	2012-13E	2013-14E
<b>Valuation Ratios</b>					
Mkt. Price - Rs.	117.00	82.45	58.00		
EPS - Rs.	7.69	8.00	10.02	11.84	13.91
EBIDTA %	10.42%	10.76%	10.68%	10.28%	10.13%
PBT %	7.51%	7.33%	7.73%	7.74%	7.91%
PAT %	4.86%	4.76%	5.02%	5.03%	5.14%
EV - Rs. Mln.	36036	42788	43160	33965	26668
EV/EBIDTA	8.86	9.20	7.87	5.46	3.78
EV/Sales	0.92	0.99	0.84	0.56	0.38
Book Value in Rs.per share	31.90	36.82	45.44	55.88	68.40
P/E ratio	15.22	10.31	5.79	4.90	4.17
ROCE - %	22.66%	19.25%	20.85%	21.35%	21.71%
ROE - %	24.10%	21.72%	22.05%	21.19%	20.34%
Dividend Yield	1.07%	1.03%	1.03%	1.46%	2.07%
<b>Balance Sheet Ratios</b>					
Debt-Equity Ratio	1.00	1.52	1.21	0.97	0.78
Current Ratio	1.51	1.57	1.52	1.49	1.48
Debtor Days	181	218	215	211	209
Creditor Days	88	101	100	100	99
Depreciation / GFA	3.23%	3.93%	3.93%	3.93%	3.93%
Interest Cover Ratio	4.39	3.95	4.75	5.50	6.37
<b>Turnover Ratios</b>					
Fixed Assets	4.67	4.16	4.42	4.82	5.23
Inventory	15.64	12.87	12.92	13.26	13.89
Debtors	1.99	1.65	1.68	1.71	1.72



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