

Gujarat State Petronet - BUY

CMP Rs103, Target Rs117

Sector: Oil & Gas

Sensex:	17,170
CMP (Rs):	103
Target price (Rs):	117
Upside (%):	13.3
52 Week h/l (Rs):	103 / 25
Market cap (Rscr) :	5,764
6m Avg vol ('000Nos):	5,984
No of o/s shares (mn):	562
FV (Rs):	10
Bloomberg code:	GUJS IB
Reuters code:	GSPT.BO
BSE code:	532702
NSE code:	GSPL

Prices as on 02 Dec, 2009

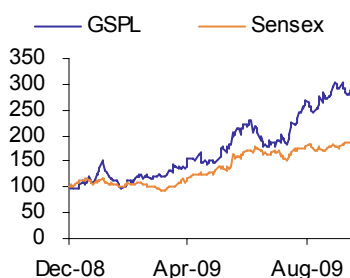
Shareholding pattern

September '09	(%)
Promoters	37.8
Institutions	38.3
Non promoter corp hold	6.0
Public & others	18.0

Performance rel. to sensx

(%)	1m	3m	1yr
GSPL	19.0	20.3	183.0
GAIL	13.5	11.4	20.8
IGL	4.7	(1.8)	(18.5)
Guj Gas	9.4	17.5	39.7

Share price trend



Higher gas consumption to drive transmission volume growth

With rapid industrialization in the state of Gujarat and increase in gas-based power capacities, demand for gas in the state is expected to witness a CAGR of 6.9% over the next decade. Supply will catch up pace with a 7.2% CAGR during the same period as new E&P finds (KG-D6) are monetized and LNG capacities are raised. This would translate into strong growth in demand for transmission services, leading to direct benefits for Gujarat State Petronet Ltd (GSPL).

Expanding presence outside and within Gujarat

GSPL currently has a gas pipeline network of 1,420kms, entirely in the state of Gujarat. The company is expanding capacities in Gujarat by setting up spur lines. GSPL, with its experience, is expanding its presence outside Gujarat and has signed Expression of Interest (EoI) for four pipelines. Bids for three of these will open in December 2009. We feel GSPL has high probability of winning Mehsana-Bhatinda pipeline contract as it will be operating the feeder pipeline for the same.

Jump in volumes to offset fall in tariffs

As per the new regulations of Petroleum and Natural Gas Regulatory Board (PNGRB), gas pipeline tariffs need to be computed on the basis of 12% post-tax and 18% pre-tax RoCE. We believe that GSPL's tariffs would be revised downwards post the complete implementation of the regulations. As per the management, tariffs would not fall below Rs750/scm. However, sharp jump in volumes from 15mmscmd in FY09 to about 45mmscmd in FY11, will more than offset the decline tariffs.

Recommend BUY with a target price of Rs117

We value GSPL using DCF methodology and arrive at a fair value of Rs104 for its extant business. Terminal growth is assumed at 3%. Cost of equity works out to 12.4% assuming 7% risk-free rate, beta of 0.9x (0.8x for past three years v/s Sensex) and risk premium of 6%. We also value GSPL's probability to get Mehsana-Bhatinda pipeline at 50% of its DCF value of Rs25. The total value for GSPL works out to Rs117. (Extant business Rs104, Mehsana-Bhatinda Rs13). We assign a BUY rating on the stock.

Valuation summary

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Revenues	4,875	10,512	11,680	12,319
yoy growth (%)	16.7	115.6	11.1	5.5
Operating profit	4,245	9,671	10,769	11,370
OPM (%)	87.1	92.0	92.2	92.3
Reported PAT	1,234	4,729	5,227	5,505
yoy growth (%)	23.5	283.2	10.5	5.3
EPS (Rs)	2.2	8.4	9.3	9.8
P/E (x)	46.9	12.2	11.1	10.5
Price/Book (x)	4.8	3.5	2.7	2.2
EV/EBITDA (x)	16.1	6.7	6.0	5.4
Debt/Equity (x)	0.9	0.8	0.6	0.5
RoE (%)	10.5	33.1	27.8	23.2
RoCE (%)	11.9	29.1	26.7	24.2

Source: Company, India Infoline Research

Over next decade Gujarat is expected to witness a demand CAGR of 6.9% v/s supply CAGR of 7.2% for natural gas

Increasing gas consumption in Gujarat to propel demand for transmission services

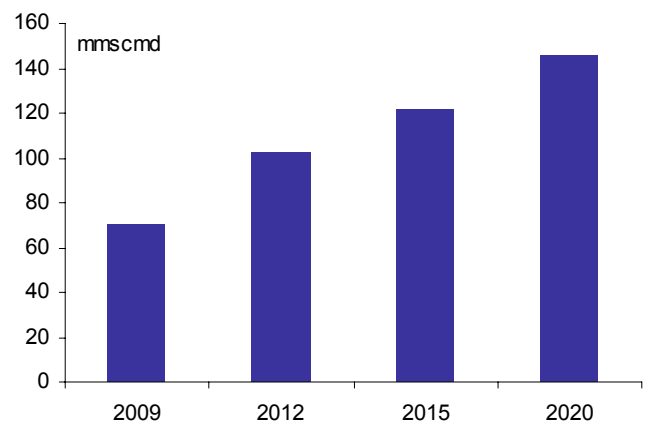
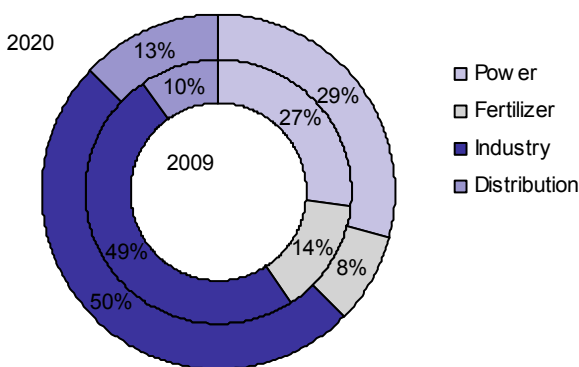
With rapid industrialization and increasing gas based power capacities, it is estimated that demand for natural gas in the Gujarat will increase from about 70mmscmd currently to about 146mmscmd in 2020, a CAGR of 6.9%. Supply is also catching up during the period with expansion of LNG terminals and monetization of new E&P finds. Total supplies for the state of Gujarat are expected to increase from 47mmscmd currently to about 101mmscmd in 2020, a CAGR of 7.2%. GSPL with its wide-spread network in the state of 1,420kms and planned expansion projects is well poised to leverage on the increasing consumption of natural gas in the state.

Power and industrial sector driving demand growth

More than 35% of the natural gas demand in the country arises from the state of Gujarat. Rapid industrial expansion has been a key reason for the upsurge in demand. Going ahead the demand is expected to double from 70mmscmd currently to about 146mmscmd by 2020. The growth will be driven by continued increase in demand from industrial sector along with sharp jump in gas-based power generation capacities. City gas projects are providing further fillip to demand. Currently about 3,411MW capacity in Gujarat is purely based on Natural Gas, while another 810MW is dual fuel (one of which is gas). Going ahead over the next couple of years about 1,770MW of gas based capacities are expected to arise in the state.

Power, industrial and city gas sectors would be the key drivers for demand growth

Sectoral break-up of gas demand in Gujarat Trend in gas demand in Gujarat



Source: Crisil

Current gas based power plants in Gujarat

Sr No	Plant	Capacity (MW)
1	Dhuvaran TPS	219
2	Utran STG-I	135
3	Utran STG-II	375
4	A.E.CO./Torrent	500
5	GIPCL - Vadodara	310
6	Sugen	1,148
7	Essar Power	300
8	GPEC - Paguthan	655
9	GSEGL - Hazira	156
10	NTPC Kawas	187
11	NTPC Zapor	237
Total		4,221
Total - only natural gas		3,411

Source: Energy & Petrochemicals Department of Gujarat

Upcoming gas based power plants in Gujarat

Sr No	Plant	Capacity (MW)
1	Dhuvaran CCPP, GSECL	360
2	Utran CCPP	360
3	Pipavav CCPP (#1)	350
4	Pipavav CCPP (#2)	350
5	Hazira CCPP expansion	350
Total		1,770

New E&P finds and increase in LNG capacities to result in strong supply growth

New sources of gas bridging the gap between demand and supply

Post the commencement of natural gas production from Reliance Industries' KG-D6 field, India's domestic production has witnessed a quantum leap. At peak production levels of 80mmscmd, KG-D6 would be contributing more than 50% to India's domestic production then. About 17mmscmd from 45mmscmd of current production is being supplied in Gujarat. Additionally, completions of expansion of Petronet LNG's Dahej Terminal to 10mmtpa and Shell's Hazira Terminal to 3.7mmtpa have further propelled supplies in Gujarat. Going ahead, as GSPC's discovery in KG Basin and its LNG terminal commence operations, supply would increase further.

Gujarat supply source for natural gas

mmscmd	2009	2012	2015	2020
ONGC - Onshore	5	4	3	1
PMT / HBJ Volumes	9	6	4	2
PLL	13	18	18	18
Shell	6	8	8	8
RIL	15	30	30	30
GSPC - KG Basin	-	8	8	8
GSPC - LNG	-	-	13	13
Cairn	-	1	-	-
CBM	-	3	3	5
New Gas finds	-	-	6	16
Total	47	78	96	101

Source: Crisil

GSPL is setting up four new pipelines in Gujarat

GSPL expanding its presence in Gujarat

Through its network of 1,420kms of pipeline (trunk and spur lines), GSPL currently supplies gas to places such as Surat, Bharuch, Baroda, Anand, Ahmedabad, Gandhinagar, Himmatnagar, Mehsana, Morbi, Vapi and Jamnagar. The company is currently in the process of building four major pipelines in Gujarat, which include Morbi-Anjar (130kms), Gana-Hadala (82kms), Darod-Jafrabad and Mehsana-Palanpur. While the first two pipelines are expected to commence in the near term, Darod-Jafrabad pipeline is likely to commence operations in Q1 FY11.

GSPL has signed EoIs for four inter-state pipelines. Bids for three to open in December 2009

Expansion beyond Gujarat on the cards

GSPL has historically been operating only in Gujarat. With its experience the company has now embarked upon an expansion program, whereby it is expanding into inter-state pipeline networks. It has filed Expression of Interest (EoI) for four pipelines. The bids for three of these pipelines are expected to open in December 2009, while the bid opening date has not been announced for the fourth pipeline.

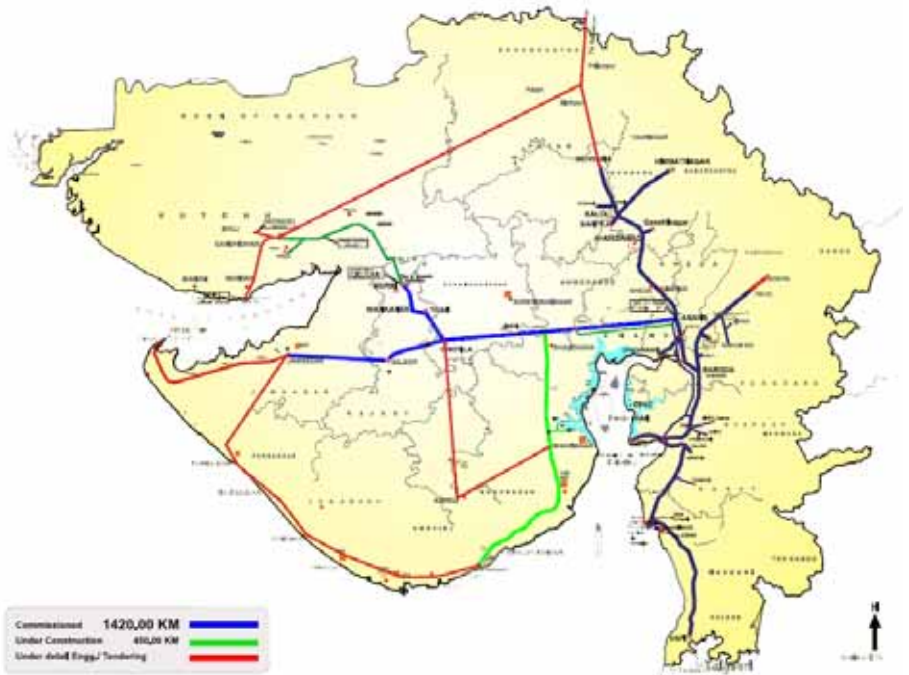
GSPL bids for inter-state pipelines

Pipeline	Distance (kms)
Mehsana-Bhatinda	900
Bhatinda-Jammu & Srinagar	300
Mallavaram-Bhilwara-Vijaipur	1,585
Surat-Paradip	1,600

Source: Company

GSPL's current and on-going pipeline projects in Gujarat

450kms of pipeline under construction in Gujarat



Source: Company

Inter-state pipeline projects for which GSPL has filed EoIs

Winning of any of four inter-state pipeline projects could propel growth for GSPL



Source: Company

High probability of GSPL winning bid for Mehsana-Bhatinda pipeline

We believe GSPL has a significant probability of winning the bid for Mehsana-Bhatinda pipeline as

- 1) strong presence in the state of Gujarat, where the pipeline originates
- 2) GSPL would be maintaining and operating the feeder pipelines to Mehsana-Bhatinda trunk line

Tariffs to decline post implementation of PNGRB regulations

As per the PNGRB regulations, natural gas pipeline tariffs will be calculated by considering a reasonable rate of return on normative level of capital employed plus a normative level of operating expenses in the natural gas pipeline. PNGRB has fixed regulated post-tax RoCE at 12% and pre-tax RoCE at 18% (based on current tax structure). GSPL has submitted the authorization requirements and is awaiting an approval from PNGRB. In the recent past GSPL has earned tariffs as high as Rs0.9/scm. As per the management, post the implementation of PNGRB regulations tariffs can, at most, decline to Rs0.75/scm. For our estimates, we have factored tariffs of Rs0.8/scm for FY11 and Rs0.75/scm for FY12.

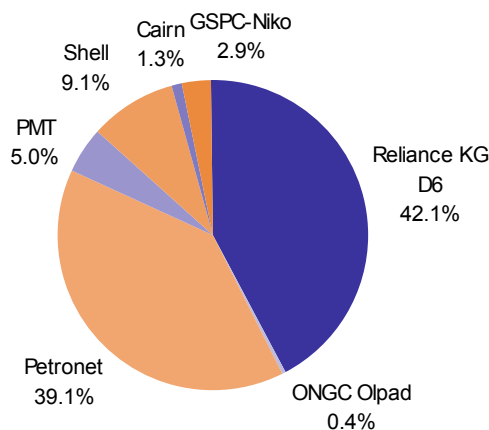
Post implementation of PNGRB regulations, management expects tariffs to decline not below Rs0.75/scm

Higher volumes to offset decline in tariffs

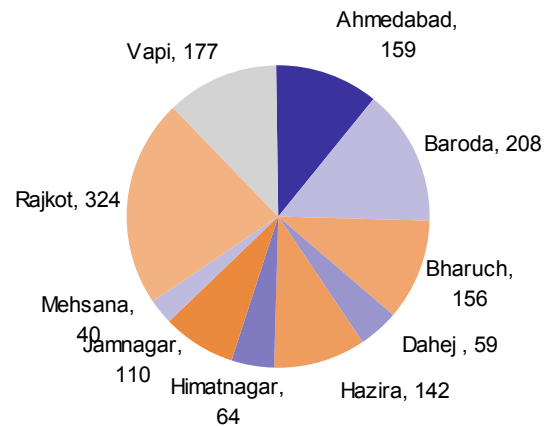
As mentioned above, we estimate tariff for GSPL to decline from the current levels in the next couple of years and stabilize at Rs0.75/scm over the longer term. However, with sharp increase in volumes will more than offset the decline in tariffs. GSPL currently is transmitting about 36-38mmscmd of gas from various sources. We expect GSPL to transmit about 32mmscmd, 40mmscmd and 45mmscmd in FY10, FY11 and FY12 respectively.

Robust volume growth would more than offset decline in tariffs

Current break-up of supply source



Current break-up of pipeline network



Source: Company

Higher utilization of existing assets will lead to higher margins

Significant proportion of gas transmission costs are fixed in nature. Hence, there is a high degree of operating leverage. With volumes increasing substantially for GSPL, we expect company's OPM to increase from 87.1% in FY09 to 92.3% in FY12.

Take-or-pay nature of agreements secures cash flows

GSPL's agreements with RIL and Torrent Power have built-in take-or-pay clauses. This means that if the second party to the contract fails to meet its commitment to transmit gas as per the agreement, GSPL can claim capacity charge from it. On an average, capacity charge forms nearly 90% of the tariffs.

Stake in CGD projects through group companies

GSPL has picked up strategic stakes in group companies—GSPC Gas, Sabarmati Gas and Krishna Godavari Gas Network Ltd—which are setting up city gas businesses in Gujarat and Andhra Pradesh. City gas distribution, which includes supply of compressed natural gas for automobiles, will be a natural diversification for GSPL from its transportation business.

GSPC Gas Company Ltd – This company marked the foray of GSPC into CGD business. It has a mandate to set up CGD projects in 19 cities across Gujarat, with an investment of Rs15bn. It aims to set up 50 CNG stations by end-2008 and 100 CNG stations by end-2010.

Sabarmati Gas Ltd, a JV between BPCL and GSPC, was incorporated in June 2006 to set up CGD projects in Gandhinagar, Mehsana and Sabarkantha districts of Gujarat. It has chalked out a business development plan involving a capex of Rs4.1bn.

Krishna Godavari Gas Network Ltd – The company has been set up by INCAP, GSPC and IDFC Private Equity to develop an intra-state transportation grid in Andhra Pradesh.

As in the cases of Indraprastha Gas Ltd and Gujarat Gas Ltd, the CGD projects are likely to contribute significantly to profit growth for GSPL. We have not factored any upsides in profits or valuations in our model.

Concerns**Higher than expected decline in tariffs**

We have assumed tariffs of Rs0.8/scm and Rs0.75/scm for FY11 and FY12 respectively. If the regulated tariffs are lower than our estimate, earnings could be impacted to that extent.

CSR contribution could be detrimental to earnings growth

Government of Gujarat had laid down a regulation that Gujarat government companies would contribute 30% of their PBT towards Corporate Social responsibility, whereby socio-economic development projects would be implemented. However, GSPL has not made any contribution so far. In case provisions are made every year, earnings and valuations could be severely impacted.

Recommend BUY with a target price of Rs117

We value GSPL using DCF methodology and arrive at a fair value of Rs104 for its extant business. Terminal growth is also assumed at 3%. Cost of equity works out to 12.4% assuming 7% risk-free rate, beta of 0.9x (0.8x for past three years v/s Sensex) and risk premium of 6%. Cost of debt is assumed at 7%. We also value GSPL's probability to get Mehsana-Bhatinda pipeline at 50% of its DCF value of Rs25. The total value for GSPL works out to Rs117. (Extant business Rs104, Mehsana-Bhatinda Rs13). We assign a BUY rating on the stock.

DCF valuation for GSPL's extant business

(Rs mn)	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E
Volumes (mmsmcd)	32	40	45	48	50	52	54	55	55	55	55
Tariff (Rs/scm)	0.90	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Revenues	10,512	11,680	12,319	13,140	13,688	14,235	14,783	15,056	15,056	15,056	15,056
Operating exp	(841)	(911)	(949)	(1,012)	(1,047)	(1,082)	(1,123)	(1,144)	(1,144)	(1,144)	(1,144)
Operating profit	9,671	10,769	11,370	12,128	12,640	13,153	13,659	13,912	13,912	13,912	13,912
OPM	92.0	92.2	92.3	92.3	92.4	92.4	92.4	92.4	92.4	92.4	92.4
Depreciation	(1,975)	(2,255)	(2,535)	(2,605)	(2,675)	(2,745)	(2,196)	(1,757)	(1,405)	(1,124)	(899)
Interest	(938)	(1,013)	(919)	(788)	(638)	(451)	(316)	(176)	(36)	(0)	(0)
PBT	6,758	7,501	7,916	8,735	9,327	9,958	11,148	11,980	12,471	12,788	13,013
Tax	(2,329)	(2,574)	(2,711)	(2,982)	(3,177)	(3,385)	(3,679)	(3,953)	(4,115)	(4,220)	(4,294)
PAT	4,429	4,927	5,205	5,754	6,150	6,573	7,469	8,026	8,356	8,568	8,718
Capex	4,000	4,000	4,000	1,000	1,000	1,000	500	500	500	500	500
Debt raised/(repaid)	1,000	1,000	(1,250)	(1,750)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(509)	-
Cumulative debt	12,509	13,509	12,259	10,509	8,509	6,509	4,509	2,509	509	-	-
(Inc)/Dec in wrkg cap	108	(65)	(35)	(46)	(30)	(30)	30	15	-	-	-
Interest cost	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Tax rate	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
FCFE	3,296	4,246	2,525	5,654	5,856	6,348	7,135	7,268	7,261	8,683	9,118
Discounting factor	0.9	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3
PV	2,933	3,361	1,778	3,542	3,264	3,148	3,148	2,853	2,536	2,698	2,520
Total	31,780										
Terminal value (TV)	96,998										
Disc factor for TV	0.3										
PV of TV	26,812										
Per share	104										

Source: India Infoline Research

Assumptions for GSPL's Cost of Equity

Parameters	%
Risk-free Rate	7.0
Beta (x)	0.9
Risk premium	6.0
CoE	12.4

Source: India Infoline Research

Sensitivity analysis for value of GSPL's extant pipelines

		Cost of Equity (%)				
		10.0	11.0	12.4	13.0	14.0
Terminal growth (%)	1.0	127	112	96	90	82
	2.0	135	118	100	93	84
	3.0	146	125	104	97	87
	4.0	159	134	110	102	90
	5.0	178	147	117	108	95

Source: India Infoline Research

Key Clientele

Essar Steel
 Essar Power
 Guj State Energy Generation
 GSEC
 Arvind Mills
 Gujarat Gas
 Guj Alkalies & Chem
 Guj Narmada Valley Fertilizers
 Guj State Fertilizer Co
 Torrent Power
 Adani Energy
 GSPC Gas
 Guj Fluoro
 Sabarmati Gas
 Reliance Ind
 Suzlon
 Hindalco
 NTPC
 HPCL
 JBF Ind
 Raymond
 Alok Ind

Source: Company

Board of directors

D Rajagopalan, Chairman
 S Jagadeesan
 P K Pujari
 Hasmukh Adhia
 Tapan Ray
 U Sundarajan
 Suresh Mathur
 D J Pandian, MD

Source: Company

Company background

GSPL, a GSPC Group company, has been a pioneer in developing energy transportation infrastructure and connecting natural gas supply basins and LNG terminals to growing markets. GSPL is constantly expanding its pipeline network in Gujarat to reach demand centres by laying a gas pipeline network. The company has developed the requisite expertise and confidence with proven project management competencies.

GSPL is the first pipeline company in India operating on open-access basis and is a pure transmission network. The company's transmission network envisages development of systematic and seamless pipeline network across Gujarat connecting various suppliers and users. The suppliers of natural gas include traders, producers and LNG terminals. The users comprise industries such as power, fertilizer, steel, chemical plants and local distribution companies.

Key operational milestones for GSPL

Year	Event
FY01	GSPL first Pipeline section Hazira - Mora was commissioned. The section was 36" x 14 kms long.
FY02	Commissioning of 24" x 45 kms Amboli - Dahej pipeline. The total length increased to 59 kms.
FY03	Commissioning of 66 kms of gas pipeline, which included 12" X 25 Kms Mora - Utran, 24" x 6.0 Kms Cairn - Mora and 24" x 26 Kms Bhadhut - Paguthan pipelines, and 12" x 5.0 Kms GNFC, 12" x 1.0 Km Videocon and 12" x 3.0 Kms Mora - Kribhco spur lines. The total length increased to 125 kms.
FY04	Commissioning of 24" x 64 Kms Paguthan - Baroda pipeline. The total length increased to 209 kms.
FY05	Commissioning of Baroda – Ahmedabad - Kalol pipeline, GACL - Petronet pipeline, Mora - Sajod pipeline and the Kalol - Santej pipeline. The total grid length increased to 433 kms. Completion of construction of the Gandhinagar spur line, which was 15 kms in length. The total grid length increased to 448 kms.
FY06	Commissioned Anklav Dhuvaran, GFL spurline, NTPC kawas Pipeline projects. The EPC and engineering contracts for Mora - Vapi, Anand - Rajkot, Kalol-Himmatnagar, Kalol - Mehsana and Aanklav - Dhuvaran pipelines are awarded and under execution.
FY07	Commissioning of Mora Vapi, Anand Rajkot Pipeline, Kalol Mehsana Pipeline, Kalol Himmatnagar Pipeline Project.
FY08	Commissioned Torrent connectivity at Surat, Padamla-Halol Pipeline, Petronet LNG connectivity.
FY09	Rajkot - Jamnagar Pipeline on 25.03.2009.

Source: Company

Trend in quarterly performance

(Rs mn)	Q1 FY08	Q2 FY08	Q3 FY08	Q4 FY08	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09	Q1 FY10	Q2 FY10
Net sales	958	954	1,106	1,161	1,195	1,186	1,174	1,320	2,108	2,548
Total expenditure	(124)	(144)	(135)	(131)	(119)	(162)	(158)	(191)	(128)	(104)
Operating profit	834	810	972	1,030	1,076	1,024	1,016	1,129	1,980	2,443
Other income	53	56	96	88	68	72	58	44	35	59
Interest	(198)	(207)	(208)	(203)	(218)	(231)	(222)	(199)	(245)	(250)
Depreciation	(398)	(407)	(414)	(413)	(415)	(423)	(429)	(438)	(550)	(587)
PBT	291	253	446	502	511	443	424	536	1,220	1,665
Tax	(113)	(90)	(194)	(96)	(185)	(159)	(148)	(188)	(415)	(564)
PAT	179	163	252	406	326	284	276	348	805	1,101
OPM(%)	87.1	84.9	87.8	88.7	90.0	86.4	86.5	85.5	93.9	95.9
NPM(%)	18.7	17.1	22.8	34.9	27.3	23.9	23.5	26.4	38.2	43.2
EPS (Rs)*	1.3	1.2	1.8	2.9	2.3	2.0	2.0	2.5	5.7	7.8
Tax rate (%)	38.7	35.5	43.5	19.2	36.1	35.9	34.9	35.0	34.0	33.9

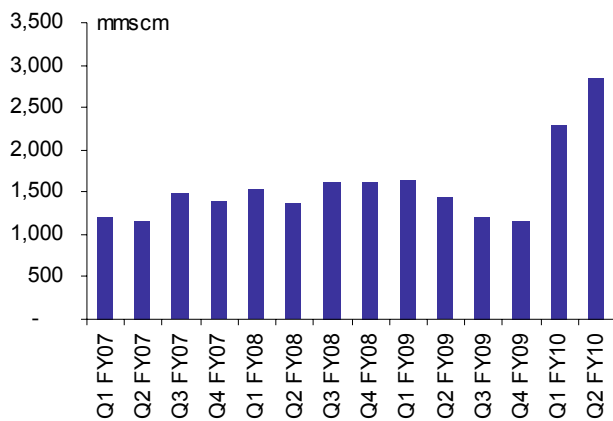
Source: India Infoline Research, EPS is annualized

Cost analysis

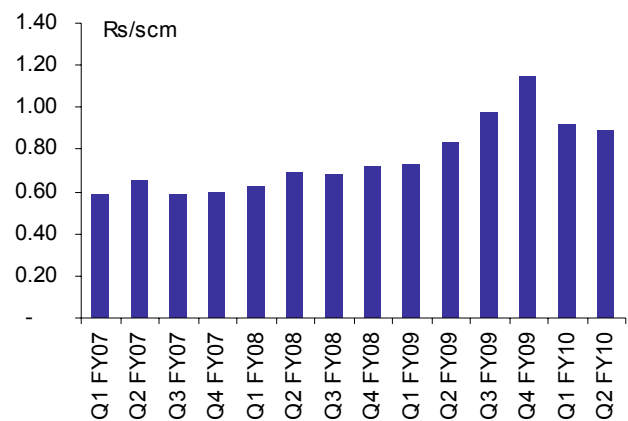
As a % of net sales	Q1 FY08	Q2 FY08	Q3 FY08	Q4 FY08	Q1 FY09	Q2 FY09	Q3 FY09	Q4 FY09	Q1 FY10	Q2 FY10
Transportation charges	0.8	0.7	-	-	-	1.6	-	1.3	0.2	-
Connectivity charge	3.3	3.0	2.5	2.0	2.7	2.6	2.4	(0.0)	-	-
Staff costs	1.4	1.6	1.3	2.9	1.6	1.7	2.0	3.6	1.3	(0.6)
Operations	3.6	5.5	3.3	3.1	2.7	4.5	5.2	5.9	2.9	2.8
Admin exp	3.8	4.4	5.0	3.3	3.0	3.3	3.8	3.7	1.7	1.9
Total expenditure	12.9	15.1	12.2	11.3	10.0	13.6	13.5	14.5	6.1	4.1

Source: India Infoline Research

Trend in transmission volumes



Trend in realized tariffs



Source: India Infoline Research

Financials

Income statement

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Revenue	4,875	10,512	11,680	12,319
Operating profit	4,245	9,671	10,769	11,370
Depreciation	(1,705)	(1,975)	(2,255)	(2,535)
Interest expense	(870)	(938)	(1,013)	(919)
Other income	243	300	300	300
Profit before tax	1,914	7,058	7,801	8,216
Taxes	(679)	(2,329)	(2,574)	(2,711)
Net profit	1,234	4,729	5,227	5,505

Balance sheet

Y/e 31 Mar (Rs m)	FY09	FY10E	FY11E	FY12E
Equity capital	5,621	5,621	5,621	5,621
Reserves	6,531	10,811	15,555	20,577
Net worth	12,152	16,432	21,176	26,198
Debt	11,509	12,509	13,509	12,259
Deferred tax liab	1,144	1,200	1,200	1,200
Total liabilities	24,805	30,141	35,885	39,657
Fixed assets	24,132	24,970	28,980	30,985
Investments	356	356	356	356
Net working cap	(691)	(583)	(648)	(683)
Inventories	926	1,008	1,120	1,181
Sundry debtors	544	1,152	1,280	1,350
Other curr assets	3,171	4,205	4,672	4,928
Sundry creditors	(3,700)	(4,320)	(4,800)	(5,063)
Other curr liabi	(1,631)	(2,628)	(2,920)	(3,080)
Cash	1,008	5,399	7,197	9,000
Total assets	24,805	30,141	35,885	39,657

Cash flow statement

Y/e 31 Mar (Rs m)	FY08	FY09E	FY10E	FY11E
Profit before tax	1,914	7,058	7,801	8,216
Depreciation	1,705	1,975	2,255	2,535
Tax paid	(679)	(2,329)	(2,574)	(2,711)
Working capital Δ	(1,488)	(108)	65	35
Op. cash flow	1,451	6,596	7,546	8,075
Capital exp.	(4,578)	(2,812)	(6,265)	(4,540)
Free cash flow	(3,127)	3,784	1,281	3,535
Debt raised/repaid	1,849	1,000	1,000	(1,250)
Dividends paid	(493)	(449)	(483)	(483)
Other items	145	56	-	-
Net Δ in cash	(1,625)	4,391	1,798	1,802

Key ratios

Y/e 31 Mar	FY09	FY10E	FY11E	FY12E
Growth matrix (%)				
Revenue growth	16.7	115.6	11.1	5.5
Op profit growth	16.5	127.8	11.4	5.6
EBIT growth	20.7	187.3	10.2	3.6
Net profit growth	23.5	283.2	10.5	5.3

Profitability ratios (%)

OPM	87.1	92.0	92.2	92.3
EBIT margin	57.1	76.1	75.5	74.2
Net profit margin	25.3	45.0	44.7	44.7
RoCE	11.9	29.1	26.7	24.2
RoNW	10.5	33.1	27.8	23.2
RoA	4.3	14.1	13.0	12.0

Per share ratios

EPS	2.2	8.4	9.3	9.8
Dividend per share	0.7	0.7	0.8	0.8
Cash EPS	5.2	11.9	13.3	14.3
Book value per share	21.6	29.2	37.7	46.6

Valuation ratios (x)

P/E	46.9	12.2	11.1	10.5
P/CEPS	19.7	8.6	7.7	7.2
P/B	4.8	3.5	2.7	2.2
EV/EBIDTA	16.1	6.7	6.0	5.4

Payout (%)

Dividend payout	40.0	9.5	9.2	8.8
Tax payout	35.5	33.0	33.0	33.0

Liquidity ratios

Debtor days	41	40	40	40
Inventory days	69	35	35	35
Creditor days	277	150	150	150

Leverage ratios

Net debt / equity	0.9	0.4	0.3	0.1
Net debt / op. profit	2.5	0.7	0.6	0.3

Du-Pont Analysis

Y/e 31 Mar	FY09	FY10E	FY11E	FY12E
Tax burden (x)	0.64	0.67	0.67	0.67
Interest burden (x)	0.69	0.88	0.89	0.90
PBIT margin (x)	0.57	0.76	0.75	0.74
Asset turnover (x)	0.17	0.31	0.29	0.27
Fin. leverage (x)	2.43	2.35	2.15	1.93
RoE (%)	10.5	33.1	27.8	23.2

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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