Capital Goods

Neutral
TARGET RS 538

INITIATING COVERAGE

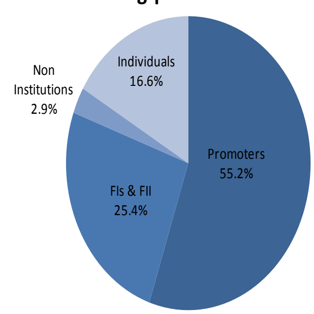
Siemens India LTD

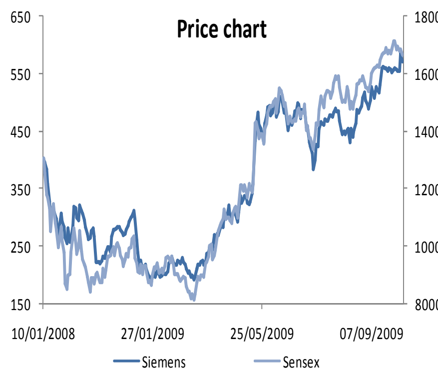
Poised to grow but fully priced

As on Oct 09, 2009.	
Market Price (09/10/09)	567
Market Cap. (Rs. cr.)	19,259
Book Value per Share	68
Beta	0.98
52 Week High/Low	605/186
Face Value	2.00

Codes	
BSE Code	500550
ISIN No	INE003A01024
NSE Symbol	SIEMENS
Bloomberg Code	SIEM IN
Reuters Code	SIEM.BO
Target Price	538

Share holding pattern as on June 09





We initiate coverage on Siemens India with a 'Neutral' recommendation and a target price of Rs 538 per share implying a downside of 5% from the current levels. We believe that the improving economic scenario has resulted in revival of industrial capex activity giving much needed boost to the industry business division of Siemens whereas the continued investment inflow in power generation and robust spending planned in improving power transmission network will continue to create huge demand for power equipments business.

Improving industry scenario bodes well for industry division

The slowdown in industrial segment owing to postponement / cancellation of corporate capex during the economic downturn in 2008 severely affected the industry division of Siemens (47% revenue). However the industry segment is now seeing clear signs of economic revival led by series of fiscal and monetary stimulus measures. Availability of funds on account of low interest rate has increased investment demand while also boosting consumer demand resulting in increased capital expenditure activity and economic recovery.

Power sector mega orders to ensure visibility

Unlike the industry sector, the power sector did not face any slowdown during last year's financial crisis. India being a power deficit country with a very high peak power deficit of 13% and a continuous growing demand for power (8 to 10 % annually) necessitated huge investment into the sector by government in order to meet the shortfall. Higher plan outlay in the 11th plan has been made in increasing the installed capacity of power generation as well as in expanding the T&D network across the country. Siemens being a dominant player stands to benefit due to both the scenarios.

Uncertainties regarding Areva takeover bid

Siemens AG, the global parent of Siemens India, is one of the serious contenders to bid for the global T&D business of Areva T&D. An addition of Areva T&D India's portfolio to Siemens India will result in creation of a behemoth player having the largest installed capacity and highest market share. However, the most critical element for the deal will be the price paid by Siemens India. Over leveraging the balance sheet in case of an aggressive bidding will be a negative in short term as the company is just starting to recover from the economic slump.

Outlook & Valuation

We feel that capital goods sector is now out of the woods considering the clear signs of economic revival resulting in recovery of industrial capital expenditure activity. At the peak of economic boom during FY07 – 08 when the order inflow for both power and industry sectors were strongest, Siemens traded at a P/E of more than 50 times one year forward. However, in the current macro scenario where the power equipment demand is equally strong but the industrial demand is in its initial stages of revival we feel that a conservative P/E of the average of last five years earnings CAGR of 23x is a prudent way to value the sector. On our estimated EPS of Rs 23.4 for FY10, we value Siemens at 23 times one year forward P/E multiple arriving at a target price of Rs 538.

Key financials

Year to September	FY07	FY08	FY09E	FY10E
Revenues (INR mn)	93,613	96,834	92,038	103,989
Rev. growth (%)	*55.8*	*3.4*	*(5.0)*	*13.0*
EBITDA (INR mn)	9,275	8,641	9,141	10,919
Net profit (INR mn)	6,064	4,705	5,619	7,897
EPS (INR)	20.5	17.8	22.9	23.4
EPS growth (%)	*99.9*	*(13.5)*	*28.5*	*2.2*
P/E (x)	27.3	31.5	24.5	24.0

CHIRAG MUCHHALA
RESEARCH ANALYST

cmuchhala@jaypeeindia.com
+91-22-4354 2007
+91-98196 46219

This page has been left blank intentionally

TABLE OF CONTENTS

Improving industry scenario bodes well for industry division

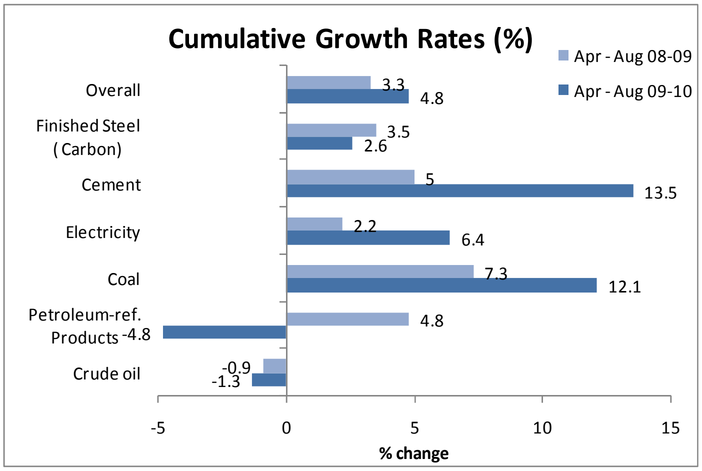
In the previous down cycle that lasted between 1997 and 2000, the capital goods industry recorded negative earnings growth on account of slowdown in both power and industry capex. However, this time around in the economic slowdown of FY08 affected by global financial crisis, the Indian power sector still managed a strong visibility due to government's increased thrust on infrastructure development. However, the industrial segment suffered as rising cost of borrowings and slowing demand of industrial goods led to heavy price pressures resulting in companies operating at below normal capacities and canceling their expansion plans. This slowdown in industrial segment severely affected the industry division of Siemens (47% revenue) as it directly caters to the demand of process automation and industrial solutions of various industries which in turn is entirely depended on their corporate capex. However the industry segment is now seeing the signs of economic revival which combined with the robust demand for power equipment sector bodes well for the long term prospects of Siemens.

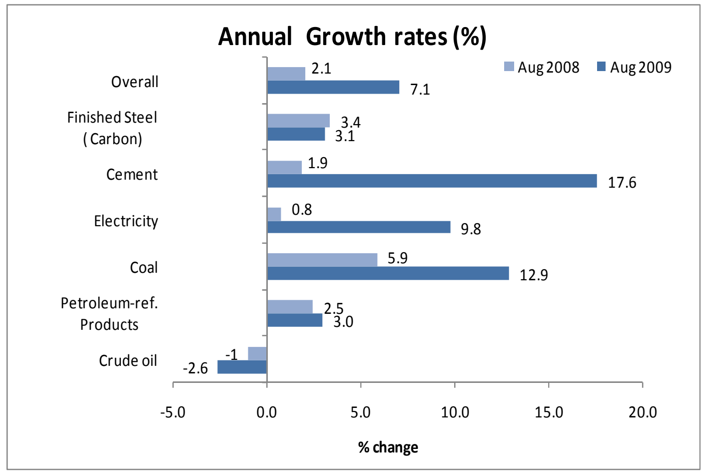
There are clear signs that the series of fiscal and monetary stimulus measures have been showing some impact in enhancing domestic demand and improving growth prospects for 2009-10. Domestic and external financing conditions are at present more favorable than they were in the last two quarters of 2008-09. The business confidence has turned positive indicating a revival of industrial activity. RBI has placed the GDP growth rate for the current fiscal year at 6.0% with an upward bias.

Six Core Industries

The revival seen in the index of six core infrastructure industries during the month of August (latest data) is a strong signal of growth impetus picking up further in the coming months. Core industries output increased 7.1% in August 09 as compared to a growth of 2.1% in August last year & 2.5% in the previous month. During April-Aug 2009-10, the cumulative growth was 4.8% as against 3.3% during the corresponding period of the previous year.

The better than expected growth has been partly due to base effect and partly due to the joint efforts by both the government and the industry together focusing on infrastructure growth. Sustained growth among the core sectors would be positive for the overall industrial growth; as the six core industries has 26.7% weight in total IIP.





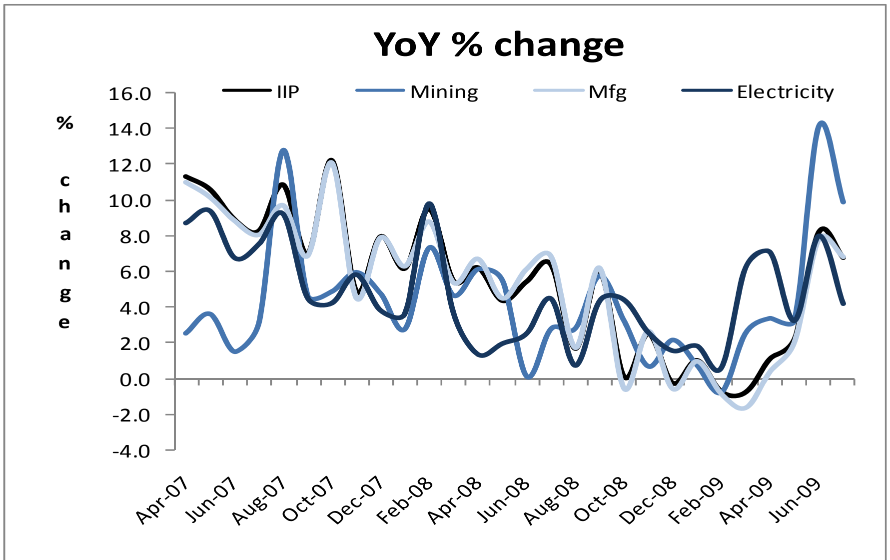
Source: Min. of Commerce & Industry, Jaypee Research

Index for Industrial Production (IIP)

The Index for Industrial Production (IIP) is a definite sign of the economy turning around. It is expected that improving external environment, the higher IIP numbers combined with a growth in the services sector will help make up for the impact of a fall in agricultural production.

IIP has been on a growth path since March 09 and has picked up pace in the months of June & July 2009 (latest data). The general index has grown at a commendable 8.2% in June 09 (revised upwards from 7.8%) over a growth of 5.4% seen if the same period previous year. It has been the highest growth in the past 16 months after February 2007 (9.5%). This high growth is further sustained in July 09 which reported a growth of 6.8% Y-o-Y.

Manufacturing sector with a weight of around 64% in the IIP basket has registered 7.8% growth in June 09 and 6.8% in July 09. In terms of industries, 15 out of 17 have recorded a positive growth in July 09 compared to a year ago. Mining sector has recorded a robust growth of 14.2% in June 09 as against a meager 0.1% in June 08. In July mining production rose by 9.2% Y-o-Y. The cumulative growth for mining also increased to 7.5% during April-July 2009 compared to 4.0% in corresponding period previous year. The growth in the electricity generation has accelerated to 8.0% in June 09 as against 2.6% in June 08. It further registered a growth of 4.2% Y-o-Y in July 09. The cumulative growth also has been at 5.6% during April-July 2009 thrice as compared to a lower growth of 2.0% in the corresponding period last year.



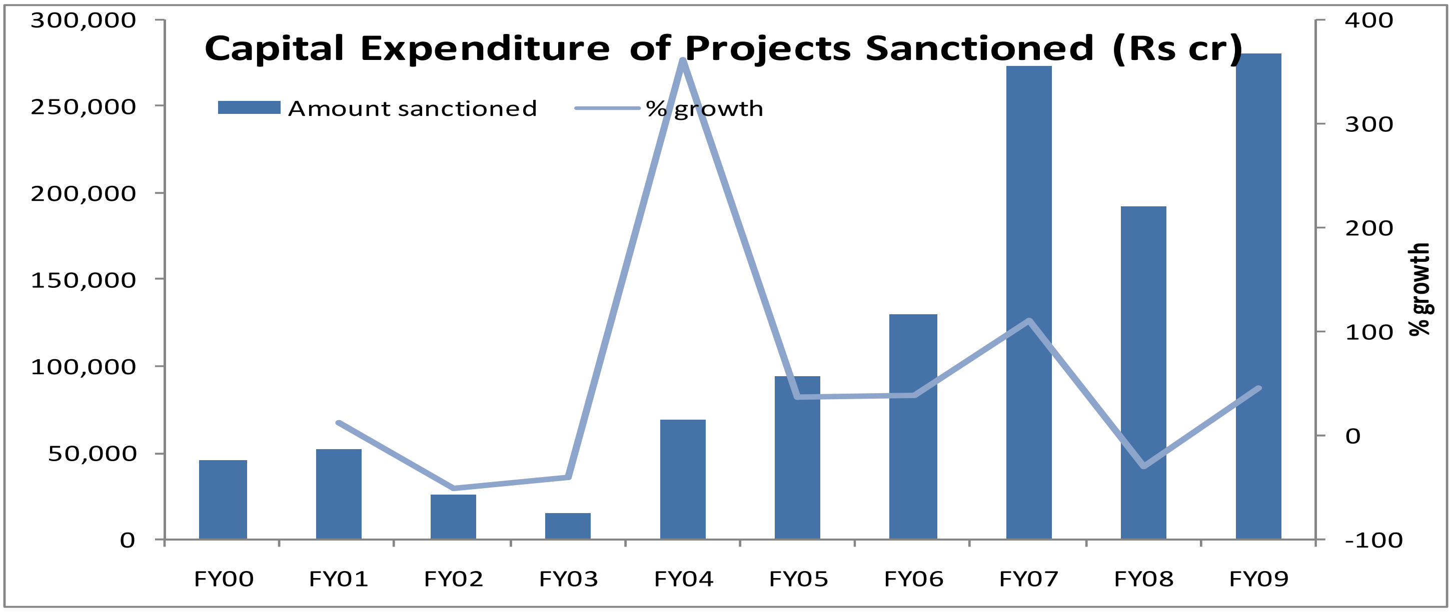
Source: OEA, MCI, PIB, Jaypee Research

Corporate Capex on the Up-move

The Capital expenditure of projects sanctioned data, released by RBI on an annual basis, is a strong indicator of the ground reality of the advancement of private sector projects in various sectors. The data captures the total amount sanctioned by commercial banks and financial institutions towards funding of capex requirements of various industries in a particular year. This funding is utilized to secure the financial closure for the project.

After a period of heightened corporate capex activity during FY03 to FY07 which saw the sanctioned loans increasing from Rs 148 bn in 03 to Rs 2727 bn in 07, CAGR of 107%, the year of FY08 saw the de-growth in loan disbursal (down 30% to Rs 1918 bn). As a result of overall economic slowdown resulting in liquidity crunch, the access to capital became constraint resulting in high cost of borrowing leading to postponement / cancellation of projects across the industries.

However, in FY09 the loan sanctioned to private sector for achieving financial closures has grown by 46% y-o-y from Rs 1918 bn during FY08 to Rs 2807 bn (highest yearly disbursal ever). This reflects the revival of positive business sentiments in the country and is a leading indicator of likely capital expenditure activity and economic recovery.



Source – RBI, Jaypee Research

The availability of funds on account of low interest rate has increased investment demand on the one hand while boosting consumer demand on the other. This along with tax cuts and increased government spending have helped industry to reach a positive growth trajectory.

Power sector to ensure continued visibility

Unlike the industry sector, the power sector did not face any slowdown during last year's financial crisis. India being a power deficit country with a very high peak power deficit of 13% and a continuous growing demand for power (8 to 10 % annually) necessitated huge investment into the sector by government in order to meet the shortfall. Higher plan outlay in the 11^{th} plan has been made in increasing the installed capacity of power generation as well as in expanding the T&D network across the country. Siemens stands to benefit due to both the scenarios.

Leading in attracting investment

The increased government investment in power generation bodes well for the long term prospects of power equipment sector. This is evident from the data released by Department of Industrial Policy and Promotion of the proposed investment for various industries. Electrical equipment industry has seen the highest amount of IEMs filed for the proposed investment during the six months ended June 2009.

Lead Position of Industrial segments in terms of proposed investments through IEMs filed

Top industries during the Month (June 2009)

Name of the Industry	No	Investment (Rs.Cr)
Electrical Equipments	28	25,754
Metallurgical Industries	59	14,497
Cement &Gypsum	14	7,793
Fuels	4	2,745
Chemicals other than Fert	31	2,287

Source – DIPP, Jaypee Research

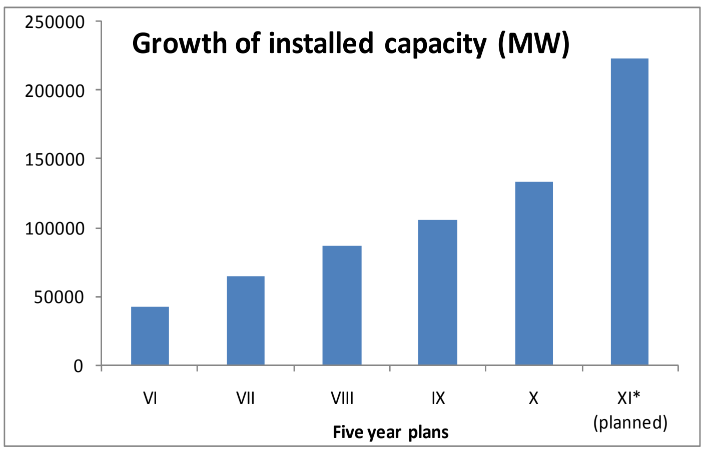
Top industries during the year (January -June 2009)

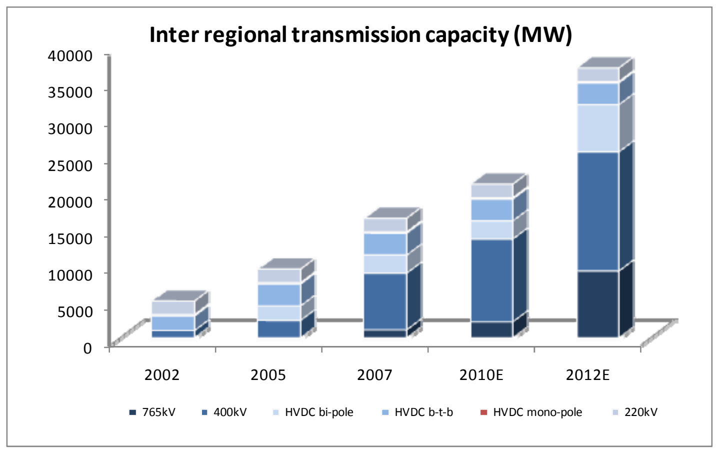
Name of the Industry	No	Investment (Rs.Cr)
Electrical Equipments	185	199,467
Metallurgical Industries	319	147,441
Fuels	17	25,155
Cement & Gypsum Products	63	26,706
Chemical other than Fert.	124	15,040

Source – DIPP, Jaypee Research

Strong growth aided by power generation

Such high investment in electrical equipment industry is primarily to cater to the aggressive plans of Ministry of Power to generate power of 78 GW in 11th plan and 100 GW in the 12th plan. Increase in the generation capacity necessitates stronger power T&D infrastructure to transfer larger quantum of power across longer distance. For this purpose an investment of INR 1400 bn is undertaken to scale up India's inter regional power transmission capacity from 17,000 MW to 37,000 MW by 2012. This will result in an unprecedented demand for transformers and sub-stations.

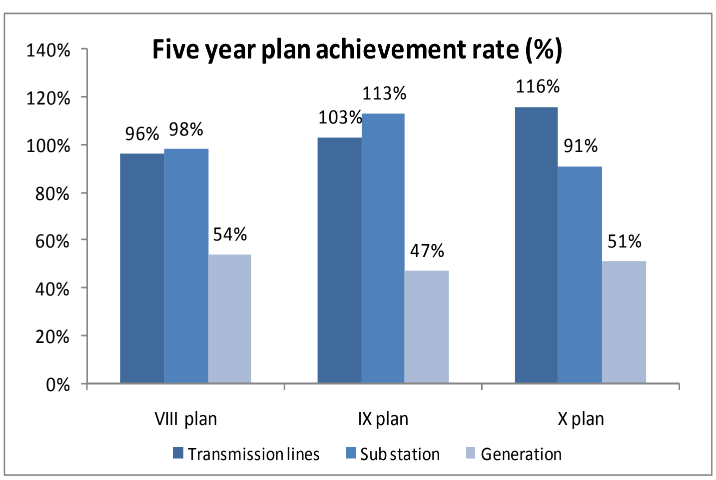


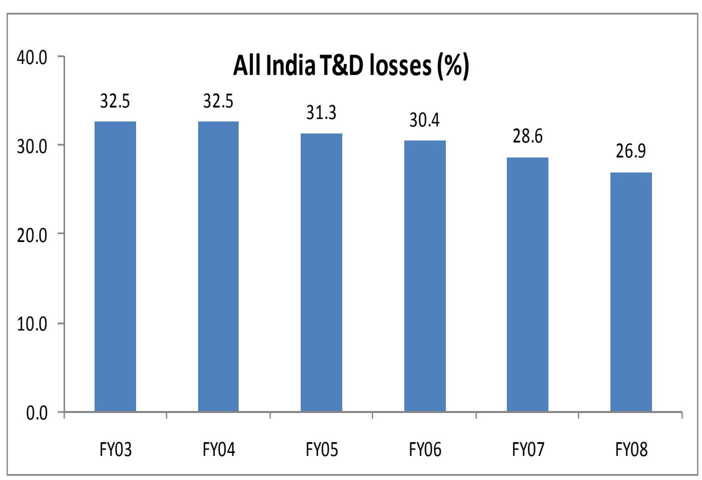


Source – CEA, Jaypee Research

Boost for Power T&D

A positive fact for the companies operating in the power T&D equipments is that unlike power generation, the planned capacity of transmission has been met in last three five year plans. This is primarily due to power T&D sector being relatively immune to delays due to coal linkages, balance of plant and environmental clearance issues.



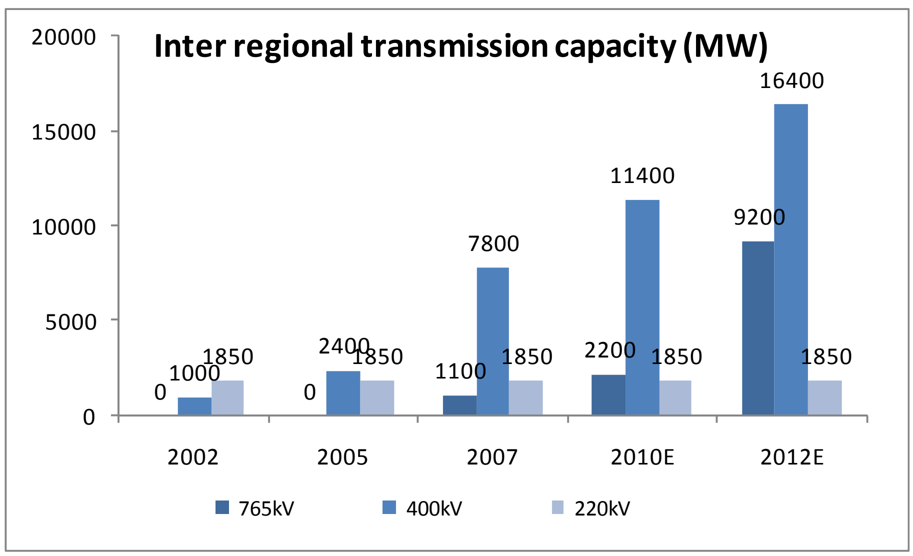


Source – CEA, Jaypee Research

Another comforting fact is that India's T&D losses have been gradually coming down over the years. A strong emphasis is now given to bring them down to the global average of 15%. This will be done by strengthening the grid and replacing the old T&D equipments with new ones creating a huge replacement demand for products like transformers in the future. This will be a major growth driver for companies operating in this space.

Bulk of investment in high voltage equipments

As India moves from sub critical technology to super critical technology in power generation, the inter regional transmission capacity needs higher load carrying capacity to transfer power of larger magnitude. As a result, going forward the incremental investment in power T&D space will come largely in high voltage products of 765kv compared to low and medium voltage 220kv and 400kv. The technology for high end power T&D equipments for 765kv and above is available with very few players and as a result this space is less crowded compared to low end technology of 220kv and 400kv which has fierce competition. In India only ABB, Siemens, Areva T&D and Crompton Greaves are present in high end space which gives them much needed pricing power.



Source – CEA, Jaypee Research

Bulk tendering in super critical equipments

The Cabinet Committee on Infrastructure has approved the bulk tendering of 11 units of 660 MW (totaling 7260 MW) of super critical boilers and super critical turbines. The bulk tendering will be done in next 2 months by NTPC for an estimated expenditure of Rs 40,000 crores. All these super critical projects would come up during the 12th plan. The current fiscal year will also see awarding of three new UMPPs which would result in another 12,000 MW power generation capacity plants getting a go ahead. This would result in increased ordering of power T&D equipment for higher voltage transformers, sub stations and switch gears.

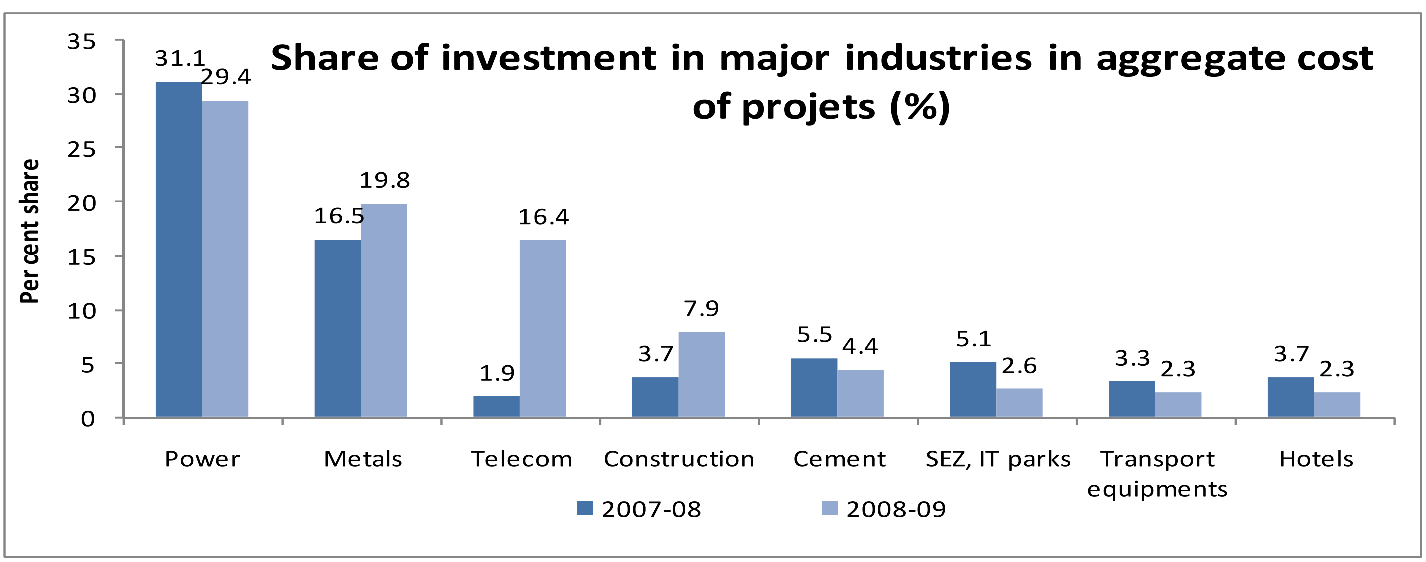
Projects lined up for Bulk Tendering

Location	Sponsoring Agency	No. of 660 MW Units
Nabinagar STPP	NTPC and Bihar State Electricity Board JV (50% equity by NTPC)	3
Meja	NTPC and U.P. Rajya Vidyut Utpadan Nigam JV (50% equity by NTPC)	2
Mouda Extension	NTPC	2
Solapur	NTPC	2
Koderma Phase-II	Damodar Valley Corportion (DVC)	2

Source – Cabinet committee on Infrastructure, Jaypee Research

Power sector largest contributor in financial closure

As per the latest RBI data regarding the loan sanctioned for various industries in private sector, the power sector has contributed the largest share. It accounts for almost 1/3rd of the total amount sanctioned in FY09 (Rs 1,241 bn out of 4,223 bn sanctioned). This has resulted from the strong capacity addition plans of various private sector power developers.



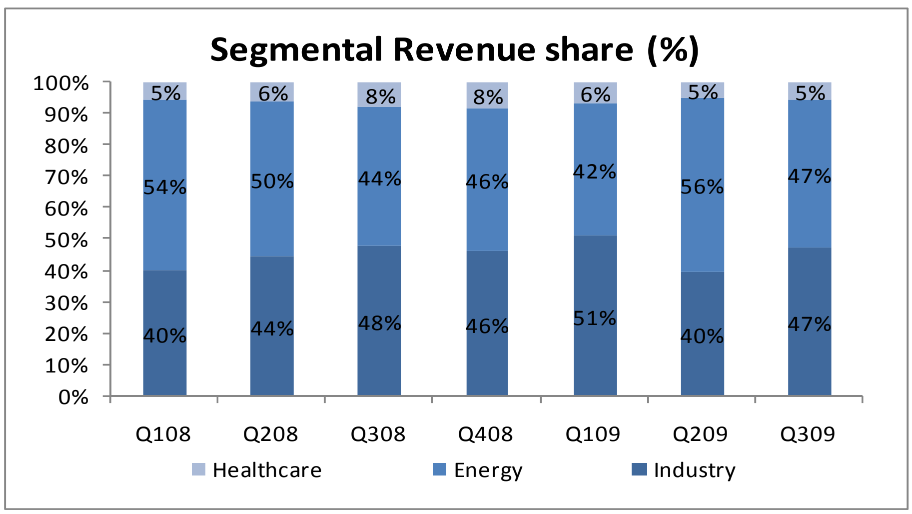
Source – RBI, Jaypee Research

Business segments outlook

Company description

Siemens limited is a 55% subsidiary of Siemens AG, Germany. The company is a leading provider of industry and infrastructure solutions. It operates in the core business areas of Industry, Energy and Healthcare. It has nation-wide sales and service network, 19 manufacturing plants, a network of around 500 channel partners and employs about 17,200 people.

In infrastructure, the company is a strong player providing equipment, technologies and solutions in power generation, transmission and distribution, and safety and security solutions for various infrastructure projects like airports, ports, SEZs etc. Siemens also offers products and solutions in railway signaling and safety systems, traffic control and automation, electrification, traction equipment for locomotives and multiple unit system and mass transit vehicles. On the industry side, it is a key player in process automation products and solutions catering to a wide range of industries. It is also a leading player in healthcare equipment business.



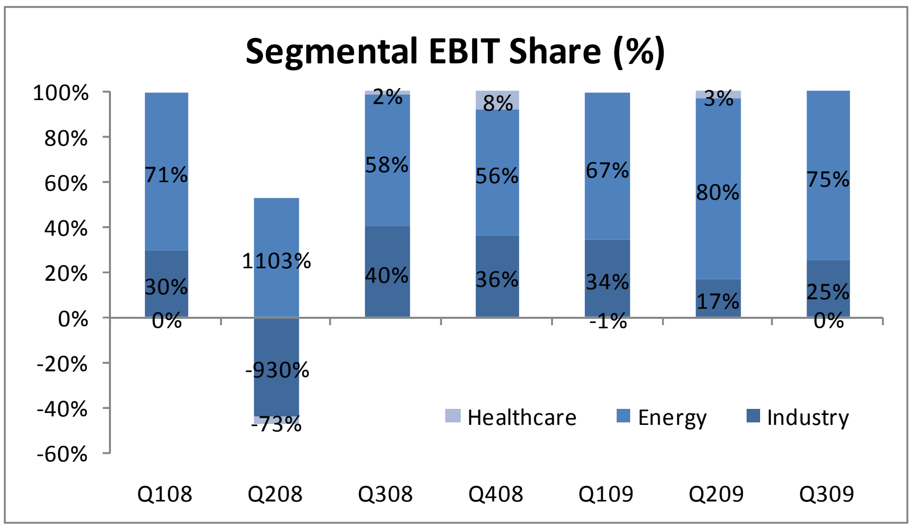
Source – Company, Jaypee Research

Industry Sector – Current Scenario

The Industry segment witnessed a change in its growth momentum during 2007-08, as it grew by 8.5%, a marked decline from the previous year. The cumulative growth for the period, April-September of FY 2008-09 stood at 4.9%, while the corresponding period last year saw a growth of 9.5%. Nevertheless, the investments continued for the capacity additions and modernizations in infrastructure, buildings, automotive and food & beverages. In particular, the transportation sector showed good growth with the freight and passenger segments growing rapidly. The project related industrial activities also remained buoyant.

Future Outlook

Industry division has many products and solutions which are a mix of long and short cycle businesses. The near term outlook for automation and drives market continues to be moderate. However the energy efficient products that are offered through this division give an added business potential of carbon credits which they might tap into in the future. For the Industrial Solutions segment the market will continue its upward trend through solutions offered to metals, mining and water technologies business. The transportation system segment has the highest potential as Indian Railways is expected to launch new project initiatives through dedicated rail corridors, automatic signaling works and rolling stock procurement.



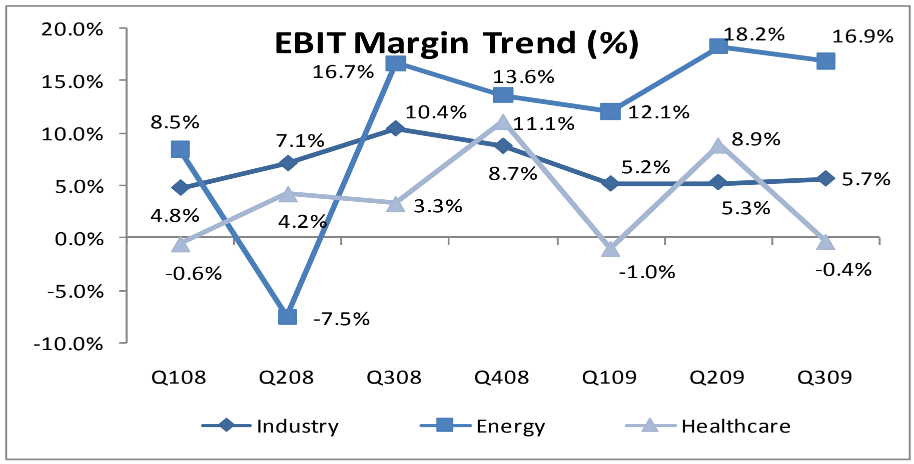
Source – Company, Jaypee Research

Energy Sector – Current Scenario

The energy sector comprising power generation and power transmission and distribution is the core business area of Siemens in which they continue to have a dominating share in the Indian markets through their high end technologically advanced product line. Coal based projects continue to dominate the power generation plants. There has been a marked improvement in the number of captive power plants set up by industries such as cement, metals as well as sugar. The growth of power industry resulted in Power T&D industry growing by 10% p.a.

Future Outlook

Siemens continues to benefit heavily from heavy investments made in power generation and T&D business. The outlook for the segment continues to be bright in light of the high peak power deficit of India. As the demand for power T&D equipments is likely to remain strong over next 10 years due to inter regional power grid being scaled up and increasing replacement demand of old transformers the business visibility continues to remain attractive.



Source – Company, Jaypee Research

Healthcare Sector – Current Scenario

During the last fiscal, the Healthcare equipment market grew by around 10-12%. The Government continued its focus on the overall development of the healthcare segment. During the year, the private sector also continued its investment to acquire, modernize and set up new healthcare facilities. However there was a marginal slowdown in investments, due to hardening of credit and spiraling of interest rates. With huge opportunities in the market, the healthcare industry witnessed intense competition between the major players. Leveraging the market growth, Siemens Healthcare Sector strengthened its market dominance and recorded healthy profitable growth

Future Outlook

The depreciation of the USD against the rupee might slowdown the investment from the private sector in the near term. But the government and the corporate healthcare groups continues their high investment plans. The high growth is likely to come from the Tier II and Tier III cities with Oncology and Cardiology segments driving the markets. Siemens sees healthcare segment in India and other emerging markets as a lucrative opportunity and continues to invest heavily in R&D but near term upside from this segment might be capped.

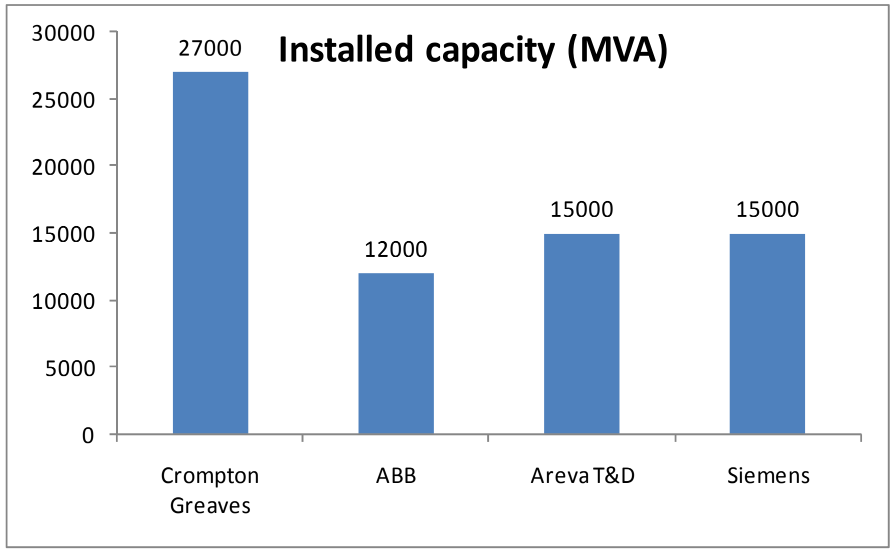
Areva takeover – Uncertainties

Areva, a French public sector undertaking, is a worldwide leader in nuclear power business from where it derives its majority revenue. They specialize in design and construction of nuclear power plants & research reactors. They are also present in entire product cycle of uranium processing including mining, conversion, enrichment, used fuel treatment and recycling. Along with the nuclear business they are also world's third largest player in power transmission and distribution space. Areva has now taken a strategic decision to exit from the T&D business and focus solely on their core nuclear power business.

In India, Areva has presence through its listed arm Areva T&D Ltd which focuses on high end technology products for the power transmission and distribution segment. It is a domestic market leader in terms of market share having reported revenues of Rs 26.5 bn and PAT of Rs 2.3 bn in CY08. In last three years, the company has grown by 45% CAGR in revenues and 84% CAGR in PAT. It has the highest EBITDA margin among the Indian T&D peers at 15.4%.With outstanding order book of Rs 42.3 bn it also has the highest book to bill ratio at 1.6 times CY08 revenues. It has a transformer manufacturing capacity of 15,000 MVA, making it the second largest player in terms of installed capacity among companies catering to high end (765kv) transformers after Crompton Greaves.

Impact of a potential Siemens India – Areva T&D India Merger

Siemens AG, the global parent of Siemens India, is one of the serious contenders to bid for the global T&D business of Areva T&D. Schneider and Alstom are the other two companies reported to be keen on bidding. In case if Siemens succeeds to acquire Areva than an addition of Areva T&D India's portfolio to Siemens India will result in creation of a behemoth player. Their combine installed capacity will go up to 30,000 MVA, largest in India. They will also have a dominant market share and huge order book as well as financial muscle to bid for bulk tendering. Potential cost savings due to synergies arising out of economies of scale will also be significant. However, the most critical element for the deal will be the price paid by Siemens India. Over leveraging the balance sheet in case of an aggressive bidding will be a negative in the short term as the company is just starting to recover from the economic slump.



Source – Company, Jaypee Research

Key Concerns

De-merger of key subsidiaries to parent

One of the key concerns with the business practices of Siemens India over the years has been its strategy of de-merging its subsidiaries and selling it to Siemens AG, the global parent. Also, historically, subsidiaries that have been sold to Siemens AG have witnessed significant EBITDA margin erosion, prior to the sale.

The latest casualty is Siemens Information Services Ltd (SISL), which is the largest contributing subsidiary of Siemens India. 100% stake of SISL will be divested to Siemens Corporate Finance Pvt. Ltd., a 100% subsidiary of Siemens AG. SISL was the only meaningful contributor to Siemens India's consolidated financials in FY08 after the stake sale in Siemens Public Communication Networks Ltd (SPCNL) in FY07. In FY08 (the last year preceding the sale), SISL reported revenues of Rs 9.9 bn (down 2.9% y-o-y) and net profit of Rs 339 mn (down 78% y-o-y). PBT margins for SISL have eroded from 22.7% in FY05 to 7.4% in FY08. The company claims that the decline in profits have been due to the business restructuring at Siemens AG, wherein SISL now bills captive business on cost-plus basis.

During the year, the company has also transferred its building technologies business from Siemens India to its 86% owned subsidiary Siemens Building Technologies Pvt Ltd (SBTPL). Siemens India has increased its stake in SBTPL in Q2FY09 from 79.3% to 86.2%.

The company is also in the process of increasing its stake in its associate company Flender Ltd to 100% from 50% currently and did not report its numbers separately.

The subsidiary companies divested by Siemens India to its parent in last 3 years are tabulated below

Company	Area of operation	Year	Share in Revenues
Siemens Public Communication Networks Private Limited (SPCNL)	Information & communication	FY07	1.4%
Siemens Public Communication Networks Private Limited (SPCNL)	Telecom	FY07	4.8%
Siemens VDO Automotive Ltd	Automotive	FY08	1.0%
Siemens Information Systems Ltd (SISL)	Information Technology	FY09	10.0%

Source – Company, Jaypee Research

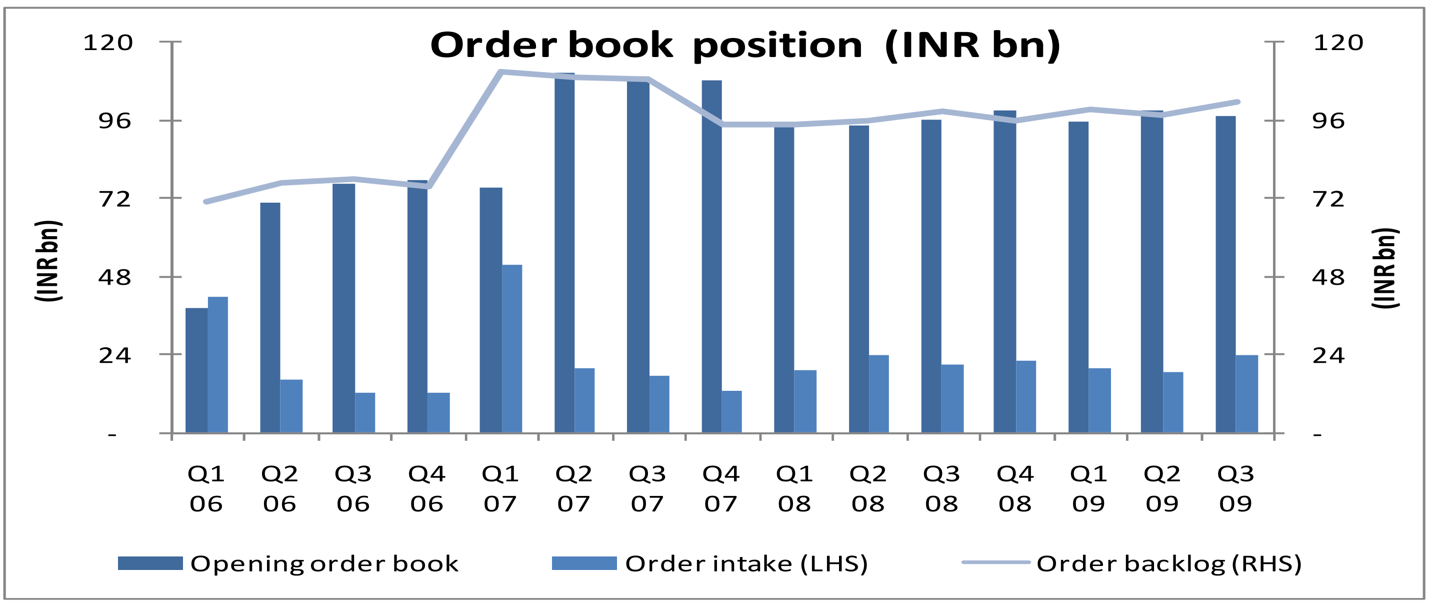
Routing attractive growth opportunity through parent

Another disadvantage for the domestic business has been sharing of orders with its parent for the contracts that Siemens India has won. The case in point is the recent order of 500kv HVDC transmission system of 2500 MW of Adani power worth Rs 13.8 bn. Siemens India's share will be only Rs 7.2 bn while the remaining Rs 6.6 bn will go to Siemens AG.

Order Book position

The most comforting fact regarding the future earnings visibility of the company is its strong order backlog which currently stands at Rs 10,145 crores. The company currently has a book to bill ratio of 1.2 which is much higher compared to its peers ABB, 0.9 and Crompton Greaves, 0.8. During the times of economic slowdown, although some of the orders were postponed by a few quarters resulting in softer execution but none of the major orders witnessed cancellation.

Considering the fact that Siemens will be a key beneficiary of the forthcoming orders from PGCIL of 400kv and 765 kv substation, new and replacement transformers and HVDC transmission system in next one year and expected pick up in industrial orders due to revival in corporate capex activities, the future outlook on order book front looks promising.

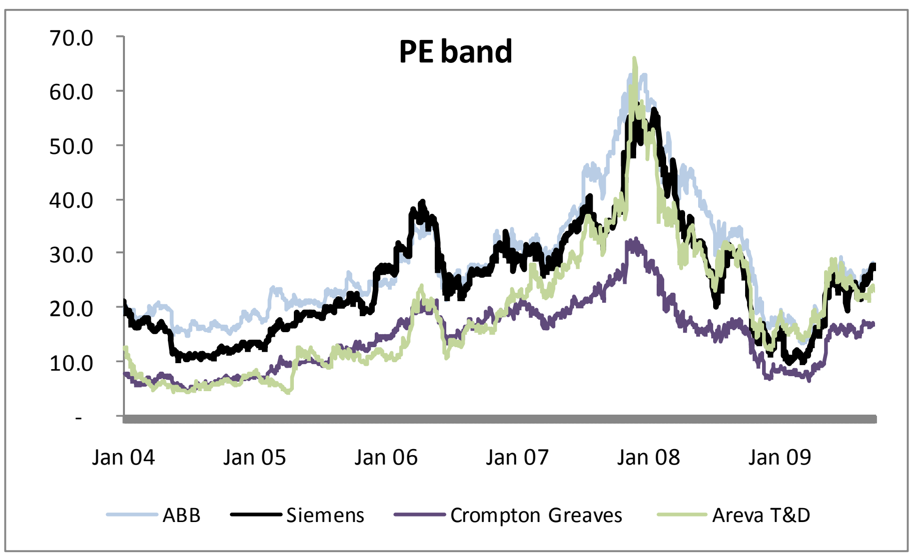


Source – Company, Jaypee Research

Outlook & Valuations

We feel that capital goods sector is now out of the woods considering the clear signs of economic revival resulting in recovery of industrial capital expenditure activity. This will boost the industry business division of Siemens which has been the major reason of it's under performance over the last year. On the other hand, the power sector continues to see huge investment inflows by the government due to its increasing thrust on infrastructure development and expanding the installed capacity of power generation and transmission network to meet the peak power deficit.

At the peak of economic boom during FY07 – 08 when the order inflow for both power and industry sectors were strongest, Siemens traded at a P/E of more than 50 times one year forward. However, in the current macro scenario where the power equipment demand is equally strong but the industrial demand is in its initial stages of revival we feel that a conservative P/E of the average of last five years earnings CAGR of 23x is a prudent way to value the sector. On our estimated EPS of Rs 23.4 for FY10, we value Siemens at 23 times one year forward P/E multiple arriving at a target price of Rs 538.



Source – Jaypee Research

Financial Statements of Siemens India Ltd (Consolidated)

Income statement (INR mn)

Year to September	FY07	FY08	FY09E	FY10E
Income from operations	93,613	96,834	92,038	103,989
Direct costs	66,214	69,885	65,224	73,313
Employee costs	9,140	9,203	9,204	10,399
Other expenses	8,984	9,105	8,469	9,359
Total operating expenses	84,338	88,193	82,897	93,070
EBITDA	9,275	8,641	9,141	10,919
Depreciation and amortisation	1,403	1,617	1,569	1,526
EBIT	7,872	7,024	7,572	9,393
Interest expenses	-	-	-	-
Other income	1,199	1,163	1,681	2,221
Profit before tax	9,071	8,187	9,254	11,614
Provision for tax	3,007	3,483	3,635	3,716
Core Profit	6,064	4,705	5,619	7,897
Extraordinary items	798.3	1,235.2	2,106	-
Profit after tax	6,862	5,940	7,725	7,897
Less: Minority interests	11	19	19	21
Add: Share in profits of associates	78	75	-	-
PAT after minority interest	6,929	5,995	7,706	7,876
Basic shares outstanding (mn)	337	337	337	337
EPS (INR) fully diluted	20.5	17.8	22.9	23.4
Dividend per share	4.8	3.0	3.0	4.0

Common size metrics (% of net revenues)

Year to September	FY07	FY08	FY09E	FY10E
Direct Cost	70.7	72.2	70.9	70.5
Employee expenses	9.8	9.5	10.0	10.0
S G &A expenses	9.6	9.4	9.2	9.0
Total operating expenses	90.1	91.1	90.1	89.5
Depreciation and Amortization	1.5	1.7	1.7	1.5
Interest expenditure	0.0	0.0	0.0	0.0
EBITDA margins	9.9	8.9	9.9	10.5
EBIT margins	8.4	7.3	8.2	9.0
Net profit margins	6.5	4.9	6.1	7.6

Growth metrics (% y-o-y)

Year to September	FY07	FY08	FY09E	FY10E
Revenues	55.8	3.4	(5.0)	13.0
EBITDA	67.1	(6.8)	5.8	19.4
PBT	68.5	(9.7)	13.0	25.5
Net profit	76.8	(22.4)	19.4	40.6
EPS	91.6	(13.5)	28.5	2.2

Balance sheet				(INR mn)
As on 30th September	**FY07**	**FY08**	**FY09E**	**FY10E**
Equity capital	337	674	674	674
Reserves & surplus	17,964	22,100	28,668	35,022
Shareholders funds	**18,301**	**22,774**	**29,342**	**35,697**
Minority interest	**80**	**147**	**147**	**147**
Secured loans	302	102	102	102
Unsecured loans	15	11	11	11
Total borrowings	**317**	**112**	**112**	**112**
Sources of funds	**18,698**	**23,034**	**29,602**	**35,957**
Gross block	14,106	15,551	16,301	18,051
Depreciation	6,558	7,604	9,172	10,699
Net block	7,548	7,948	7,129	7,353
Capital work in progress	1,103	1,068	1,000	1,200
Total fixed assets	**8,651**	**9,016**	**8,129**	**8,553**
Investments	**1,941**	**2,450**	**2,450**	**2,450**
Inventories	7,898	8,107	7,817	8,547
Sundry debtors	24,060	37,564	31,520	31,339
Cash and equivalents	8,570	13,222	20,407	24,018
Loans and advances	7,278	6,422	6,556	7,977
Total current assets	**47,807**	**65,315**	**66,300**	**71,882**
Sundry creditors and others	34,972	47,281	41,151	41,151
Provisions	5,504	7,929	7,929	7,929
Total CL & provisions	40,476	55,209	49,080	49,079
Net current assets	**7,331**	**10,105**	**17,220**	**22,802**
Net deferred tax	775	1,462	1,803	2,151
Uses of funds	**18,698**	**23,034**	**29,602**	**35,957**
Adjusted BV per share (INR)	54	68	87	106

Free Cash Flow

Year to September	FY07	FY08	FY09E	FY10E
Net Profit	6928.5	5995.5	7706.0	7876.4
Add : Non Cash Charge				
Depreciation	1403.4	1616.9	1568.8	1526.4
Deferred tax	(291.0)	(707.3)	(340.8)	(348.4)
Others	812.7	1253.9	2124.8	21.0
Gross Cash Flow	8853.7	8158.9	11058.7	9075.3
Less:Changes In WC	7352.7	(1877.5)	(70.6)	1971.2
Operating Cash flow	1501.0	10036.5	11129.3	7104.1
Less: Capex	2189.9	1411.2	681.5	1950.0
Free Cash Flow	-688.9	8625.3	10447.8	5154.1

Cash Flow Metrices

Year to September	FY07	FY08	FY09E	FY10E
Operating Cash flow	1501.0	10036.5	11129.3	7104.1
Financing Cash flow	(738.9)	(1786.1)	(1137.9)	(1521.7)
Investing Cash flow	(3180.3)	(2491.6)	(681.5)	(1950.0)
Net Cash Flow	(2418.2)	5758.8	9309.9	3632.4
Capex	(2189.9)	(1411.2)	(681.5)	(1950.0)
Dividends paid	(662.1)	(895.0)	(1015.9)	(1581.4)

Profitability & Liquidity Ratios

Year to September	FY07	FY08	FY09E	FY10E
RoE (%)	45.2	29.2	29.6	24.2
RoCE (%)	58.2	37.6	31.7	31.0
Inventory days	37	42	45	41
Debtors days	76	116	137	110
Payable days	177	215	247	205
Cash conversion cycle	(64)	(57)	(66)	(54)
Current ratio	1.2	1.2	1.4	1.5
Fixed assets t/o (x)	15.0	12.5	12.2	14.4
Debt/equity	0.0	0.0	0.0	0.0

Valuations parameters

Year to September	FY07	FY08	FY09E	FY10E
Diluted EPS (INR)	20.5	17.8	22.9	23.4
Y-o-Y growth (%)	*91.6*	*(13.5)*	*28.5*	*2.2*
CEPS	21.5	16.8	20.3	26.9
Diluted PE (x)	27.3	31.5	24.5	24.0
Price/BV (x)	10.3	8.3	6.4	5.3
EV/Sales (x)	1.9	1.8	1.8	1.6
EV/EBITDA (X)	19.3	20.1	18.2	14.9
Dividend Yield (%)	0.9	0.5	0.5	0.7

At Jaypee Capital Services, teams of skilled financial professionals constantly monitor a whole gamut of investment opportunities in companies so as to recommend buy/sell on the basis of their analysis and research. The Companies are selected on the basis of various quantitative and qualitative factors. Our expertise is in quick execution of the trades for our clients and providing them with quality personalized service to help them meet their financial goals.

Services Offered

- Trading Services
- Equity Research
- Advisory Services
- Depository Services
- Financial Planning
- Mutual Fund Distribution

Registered Office

1114, Naurang House, 21 K.G Marg, New Delhi: 110001, India. Tel: +91 11 66303030, Fax: +91 11 66303404.

Corporate Office

505, Arcadia, 195, Nariman Point, Mumbai: 400021, India. Tel: +91 22 22814246-51, Fax: +91 22 22813739

Jaypee Capital Services Limited

Member: NSE, BSE, NSDL, CDSL

(Registered with SEBI)

Jaypee International Inc.

Member: NASDAQ, NYMEX (COMEX Division), CME, ICE, NYSE LIFFE, ECX.

(Registered with SEC and CFTC)

Overseas Office

30, South Wacker Drive, CME Building, Suite 1700, Chicago, IL – 60606, USA.

Tel: +1 312 655 1049.

1 North End Avenue, Suite 1227, New York - 10282

Tel : +1 212 537 6271.

2 Shenton Way, # 10-02 SGX Centre 1, Singapore - 068804.

Tel : +65 8123 9100 /6100.

meet opportunity™

info@jaypeeindia.com

www.jaypeeindia.com