3QFY11 Results Update

SECTOR: ENGINEERING

Larsen & Toubro

BSE SENSEX	S&P CNX
18,882	5,655
Bloomberg	LT IN
Equity Shares (m)	602.2
52-Week Range (Rs)	2,212/1,371
1,6,12 Rel. Perf. (%)	-10/-15/-6
M.Cap. (Rs b)	1,012.4
M.Cap. (US$ b)	22.2

Rs1,681 Buy

YEAR END	NET SALES (RS M)	PAT* (RS M)	EPS* (RS)	EPS GR. (%)*	P/E* (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
3/10A	370,348	37,110	61.6	20.1	27.3	5.5	19.8	23.1	2.8	22.2
3/11E	451,920	44,852	74.5	20.9	22.6	4.8	19.0	21.9	2.4	19.0
3/12E	560,139	54,134	89.9	20.7	18.7	4.2	19.4	21.0	2.0	16.2
3/13E	679,341	64,502	107.1	19.2	15.7	3.6	20.4	21.8	1.6	13.3

** Consolidated; EPS is fully diluted*

- **Strong execution boosts profit growth above estimates but weak inflows prompt earnings downgrade:** In 3QFY11, L&T reported revenue of Rs113b (up 40% YoY), significantly above our estimate of Rs96b (up 20% YoY). Net profit (adjusted for capital gains and provision reversals) was Rs8b (up 32% YoY), above our estimate of Rs7.9b (up 30% YoY). We downgrade our FY12 and FY13 revenue estimates by 1% and 14% respectively and PAT estimates by 4% and 10% respectively due to lower order intake in FY11 and FY12. Our intake assumptions are Rs748b (Rs891b earlier) (up 7.5% YoY) for FY11 and Rs921b (up 24% YoY) for FY12. We expect consolidated EPS of Rs90 (up 21% YoY) in FY12 and Rs107 (up 19% YoY) in FY13.
- **FY11 order intake guidance at 25% looks stretched; power accounts for 43% of intake in 9mFY11:** Order intake was Rs133b (down 25% YoY), and the 3QFY11 order book was Rs1,148b (up 26% YoY) with book-to-bill ratio of 2.7x TTM revenues. The management's initial guidance of FY11 order intake growth of 25% hinges on 4QFY11 intake growth of 57% on a large base of Rs238b achieved in 4QFY10. This guidance was based on large projects like the Hyderabad Metro (Rs120b) and road projects worth Rs20b to be ordered by the end of FY11, which seems unlikely. Price-driven competition in the hydrocarbon segment and slow rate of ordering in the power and infrastructure segments led to a fall in intake growth in 3QFY11.
- **E&C EBITDA margins down 154bp YoY due to a rise in commodity prices (fixed price contracts are ~40% of the order book):** In 3QFY11 E&C EBITDA margin decreased 155bp YoY to 11.5% mainly due to a rise in commodity prices, particularly of steel. The management stated that fixed contracts account for ~40% of the order book, resulting in lower margins due to lack of pass through benefits.
- **Valuation and view:** We expect L&T to report revenue and PAT CAGR of 23% and 20% respectively over FY11-13. Our consolidated EPS is Rs90 (up 21% YoY) for FY12 and Rs107 (up 19% YoY) for FY13. We expect EBITDA margins of 12.3% in FY12 (down 50bp YoY) and 12.5% in FY13 (up 20bp YoY). We value L&T on an SOTP basis with a price target of Rs1,919 and have a **Buy** rating on the stock. We ascribe a P/E multiple of 22x FY12E for L&T standalone (Rs1,553/share) and Rs387/share for L&T's other subsidiaries.

QUARTERLY PERFORMANCE (STANDALONE) (RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Sales	**73,627**	**78,662**	**80,714**	**133,749**	**78,351**	**92,608**	**113,217**	**164,554**	**366,752**	**448,730**
Change (%)	*6.7*	*2.3*	*-6.1*	*27.8*	*6.4*	*17.7*	*40.3*	*23.0*	*9.0*	*22.4*
EBITDA	**7,863**	**7,846**	**9,561**	**18,406**	**9,568**	**9,357**	**11,465**	**24,169**	**44,559**	**54,559**
Margin (%)	*10.7*	*10.0*	*11.8*	*13.8*	*12.2*	*10.1*	*10.1*	*14.7*	*12.1*	*12.2*
Adjusted EBIDTA	**7,863**	**7,846**	**9,561**	**18,406**	**9,568**	**9,957**	**11,465**	**24,169**	**44,559**	**55,159**
Adjusted Margin (%)	*10.7*	*10.0*	*11.8*	*13.8*	*12.2*	*10.8*	*10.1*	*14.7*	*12.1*	*12.3*
Depreciation	937	1,001	1,045	1,162	1,142	1,212	1,281	1,323	4,146	4,957
Interest	1,096	1,310	1,339	1,356	1,423	1,932	1,757	1,391	5,053	6,503
Other Income	2,683	2,702	2,844	5,401	2,770	4,522	3,386	828	12,699	11,506
Extraordinary Inc/(Exp)	10,199	120	626	961	0	708	353	0	10,748	708
Reported PBT	**18,712**	**8,357**	**10,646**	**22,249**	**9,773**	**11,444**	**12,166**	**22,284**	**58,807**	**55,314**
Tax	2,730	2,707	3,058	7,914	3,112	3,794	3,760	6,632	16,409	17,192
Effective Tax Rate (%)	*14.6*	*32.4*	*28.7*	*35.6*	*31.8*	*33.2*	*30.9*	*29.8*	*27.9*	*31.1*
Reported PAT	**15,982**	**5,650**	**7,589**	**14,335**	**6,662**	**7,650**	**8,405**	**15,652**	**42,398**	**38,122**
Adjusted PAT	**5,783**	**5,530**	**6,103**	**13,374**	**6,662**	**6,941**	**8,052**	**15,652**	**30,790**	**37,308**
Change (%)	*17.9*	*10.5*	*-4.7*	*25.6*	*15.2*	*25.5*	*31.9*	*17.0*	*14.2*	*21.2*

E: MOSL Estimates

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Profit growth above estimates on strong execution, weak inflows prompt earnings downgrade, maintain Buy

In 3QFY11, L&T reported revenue of Rs113b (up 40% YoY), significantly above our estimates of Rs96b (up 20% YoY).

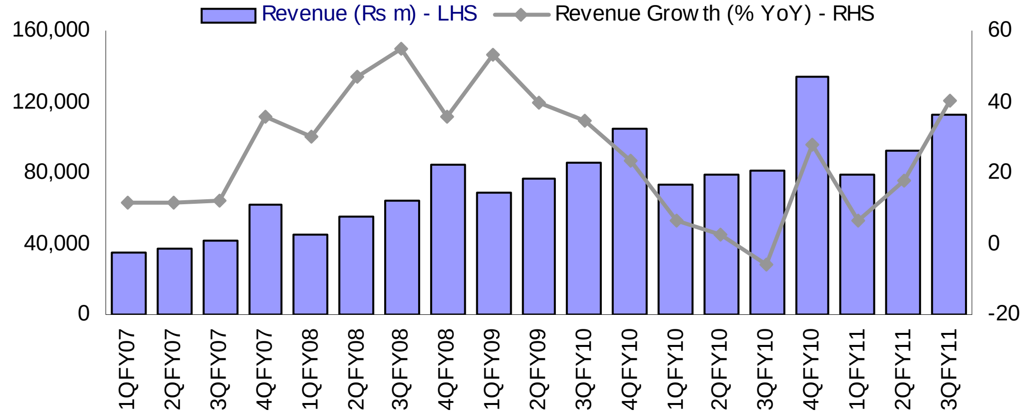
- 3QFY11 EBITDA margins were 11.5%, down 154bp YoY, as material costs climbed 636bp YoY.
- Net profit (adjusted for capital gains and provision reversals) were Rs8b (up 32% YoY), above our estimates of Rs7.9b (up 30% YoY).
- Order backlog was Rs1,148b (up 26% YoY) with a BTB ratio at 2.7x TTM. Order intake of Rs133b was down 25% YoY. In 9mFY11 intake was Rs495b, up 8% YoY against FY11 intake guidance of 25% YoY. This implies 4QFY11 intake growth of 57% to achieve the guidance of 25% growth in FY11, which remains highly challenging given the higher base of 4QFY10.
- We downgrade our FY12 and FY13 revenue estimates by 1% and 14% respectively and our PAT estimates by 4% and 10% respectively due to lower order intake in FY11 and FY12. Our FY11 intake assumptions are Rs748b (Rs891b earlier) (up 7.5%) and Rs921b (up 24%) for FY12. Our FY12 consolidated EPS expectation is Rs90 (up 21%) and Rs107 (up 19%) in FY13. Our EBITDA margins are 12.3% for FY12 (down 50bp) and 12.5% for FY13 (up 20bp). We have reduced our target price to Rs1,919 (Rs2,356 earlier) on an SOTP basis by reducing the target multiple for L&T standalone to 22x FY12E (25x FY12E earlier). We believe the lower P/E multiple factors in lower PAT CAGR of 19% over FY11-13 against 24% earlier as growth in intake declines and execution timelines increase going forward. Maintain **Buy**.

Execution strong in 3QFY11, revenues surge 40% YoY

The pace of execution gathered momentum after the lows of 1QFY11 (up 6.5% YoY) with E&C revenues growing by 40% in 3QFY11and 22% YoY in 9mFY11. Strong growth in 3QFY11 was due to long gestation of key power projects beginning to contribute to revenue growth as they cross critical threshold limits (50% for large projects).

3QFY11 revenue growth of 40% boosted 9mFY11 revenue growth to 22% YoY. Long gestation projects in power and infrastructure segments are beginning to reach critical milestone levels to contribute to revenue

Revenue growth (% YoY): above estimated execution in 2QFY11



Source: Company/MOSL

E&C EBITDA margins down 154bp YoY due to a rise in commodity prices (fixed price contracts are ~40% of the order book)

- In 3QFY11 E&C EBITDA margins decreased 155bp YoY to 11.5% mainly due to a rise in commodity prices, particularly of steel. The management stated that fixed contracts now accounted for ~40% of the order book, resulting in lower margins due to the lack of pass through benefits. The sudden rise in commodity prices has put pressure on margins related to incremental order flow as stated by the management during the conference call.
- EBG and MIP EBITDA margins were down 126bp and 102bp YoY at 11.8% and 20.1% respectively due to lower realizations on exports due to price driven competition and a rise in prices of copper, silver and other commodities.
- Given L&T's policy, according to which margins are accounted for after 50% of a project completion (when execution is less than 24 months) and after 25% for other projects, we see significant contribution of power orders in the revenue booking process going forward. We expect FY12 EBITDA margins of 12.3% (down 50bp YoY) and of 12.5% for FY13 (up 20bp YoY).

MIP/EBG face margin pressure

- In 3QFY11, EBG and MIP revenues grew 11% and 15% YoY respectively. EBG's revenue growth was led by a pick up in industrial and agricultural valves and MIP's growth was led by engineering service income from overseas projects.
- EBITDA margins for EBG and MIP were down 126bp (11.8% YoY) and 102bp (20.1% YoY) respectively mainly due to sharp spike in input costs of silver and copper, a drop in exports and price-driven competition in EBG. In MIP it was due to lower realizations and lower fixed cost absorption.

In the E&C segment EBITDA margins fell 154bp YoY to 11.5%. A rise in commodity prices and ~40% of the order book being on a fixed-price basis led to the fall. Rise in input costs and price-driven competition in the export market were some of the reasons that led to the drop in margins for MIP and EBG divisions

Segmental details (Rs m)

	FY10				FY11				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	% YoY	FY10
Revenues									
Engineering & Construcion	65,729	68,578	70,250	121,094	66,438	80,150	100,041	42.4	323,158
Electrical & Electronics	5,759	7,182	7,182	9,883	7,451	6,724	7,950	10.7	29,865
Machinery & Industrial	4,370	5,910	5,910	6,819	5,482	6,981	6,807	15.2	22,915
Others	771	950	950	1,005	1,220	1,597	1,681	76.9	3,646
EBIT									
Engineering & Construcion	6,992	6,939	8,554	18,466	8,167	9,002	10,647	24.5	40,950
Electrical & Electronics	680	873	873	1,329	738	868	868	-0.6	3,942
Machinery & Industrial	954	1,206	1,206	1,431	1,130	1,156	1,286	6.6	4,519
Others	249	205	205	20	335	172	214	4.5	443
EBIT margin (%)								chg (bp)	
Engineering & Construcion	10.6	10.1	12.2	15.2	12.3	11.2	10.6	-153.4	12.7
Electrical & Electronics	11.8	12.2	12.2	13.4	9.9	12.9	10.9	75.3	13.2
Machinery & Industrial	21.8	20.4	20.4	21.0	20.6	16.6	18.9	-384.9	19.7
Others	32.2	21.6	21.6	2.0	27.4	10.8	12.7	-	12.2
EBITDA (Including other income)									
Engineering & Construcion	7,599	7,580	9,140	19,070	8,940	9,920	11,480	17.6	43,390
Electrical & Electronics	740	1,130	940	1,430	820	930	940	10.8	4,230
Machinery & Industrial	990	970	1,250	1,510	1,200	1,230	1,370	21.2	4,710
Others	60	190	220		350	0	240	483.3	52,330
EBITDA margin (%)								chg (bp)	
Engineering & Construcion	11.6	11.1	13.0	15.7	13.5	12.4	11.5	-153.5	13.4
Electrical & Electronics	12.9	15.7	13.1	14.5	11.0	13.8	11.8	-126.4	14.2
Machinery & Industrial	22.7	16.4	21.2	22.1	21.9	17.6	20.1	-102.3	20.6

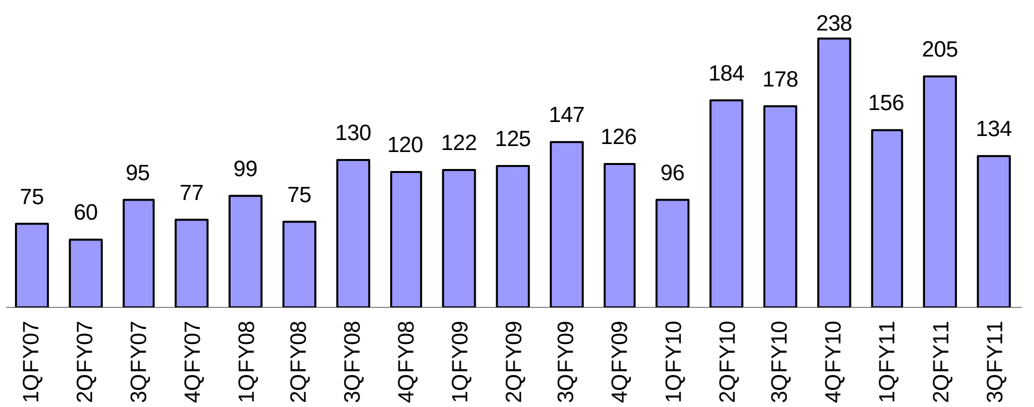
Source: Company/MOSL

FY11 order intake guidance of 25% looks stretched; power accounts for 43% of 9mFY11 intake

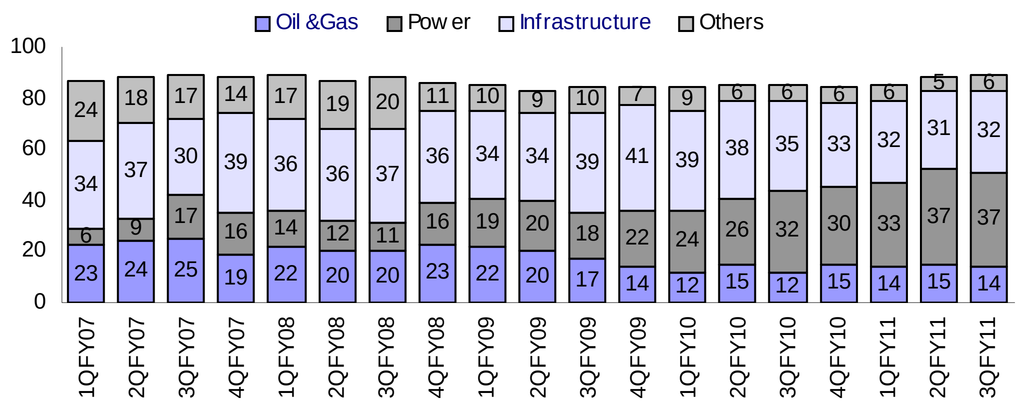
- The 3QFY11 order book was Rs1,148b (up 26% YoY) and book-to-bill ratio was 2.7x TTM revenue. The management's initial guidance of FY11 revenue growth of 25% hinges on 4QFY11 intake growth of 57% on a high base of Rs238b achieved in 4QFY10. The guidance was based on certain large projects like the Hyderabad Metro (Rs120b) and road projects worth Rs20b being ordered by the end of FY11, which seems unlikely.
- The share of power orders, which was 20% in 2QFY09 and 33% in 1QFY11, was 43% of the overall backlog of Rs1,148b in 3QFY11.
- In 3QFY11 order intake was Rs133b (down 25% YoY), including in-house projects, worth Rs18b. In house projects contribute 14% of the order book against 7% at the end of FY10. The decline in order intake in 3QFY11 was due to increased price-driven competition in the hydrocarbon segment (price differential of 20% between L1 and L2) leading to L&T losing out on many orders in the segment. Postponement of many orders in the power, urban infrastructure and roads segments due to an uncertain political environment (scams, stalled Parliament) and project-specific delays like lack of environment clearance certification and coal block linkages.
- Power BTG/BoP orders amounted to Rs300b, comprising 26% of the order backlog.
- Power orders accounted for 43% of the intake in 9mFY11 compared with to 37% in FY10. They also accounted for 37% of the order backlog against 30% in FY10.

Order intake in 3QFY11 was down 25% YoY as key segments like hydrocarbons are facing steep price-driven competition, which are as high as 20% between L1 and L2 bidders and slow order awards in the power and infrastructure sectors

Power orders accounted for 43% of intake in 9mFY11 (Rs b)



The power sector comprised 37% of the order backlog in 9mFY11 (%)



Source: Company/MOSL

Yield on cash balances 7.8%, NWC 10.5% of trailing revenue

Other income in 3QFY11 was Rs2.5b (up 6% YoY), comprising largely interest income Rs940b (up 291% YoY), dividends from subsidiaries/associates Rs450m and miscellaneous income Rs640m. In 3QFY11 L&T booked Rs353m as extraordinary income due to the sale of stake in its subsidiaries and associates.

- The overall yields on cash balance were 7.8% in 3QFY11 against 4.3% in 3QFY10 and 12% in 2QFY11. The average cost of debt was 7.8%. This trend resulted in negative carry of 130bp in 3QFY11. Only 2QFY11 experienced a positive carry of 200bp as the quarter contained a higher amount booked from sale of investments.
- 3QFY11 working capital was up by 6% YoY and investments rose 13% YoY. Overall FY11 capex stands at Rs11b as most of L&T's forays into areas such as shipbuilding and forging are progressing on track.
- Investments in subsidiaries and associates stands at Rs100b.

L&T Infotech profit improves, finance subsidiaries perform well

- In 3QFY11, L&T Infotech reported a 3% QoQ improvement in revenues and PAT improved by 33% QoQ.
- In 3QFY11 L&T Finance reported 54% growth in revenue and PAT doubled YoY. L&T Infra Finance posted a 43% jump in revenue and a 72% growth in PAT.

Subsidiary performance (Rs m)

	Revenues			PAT		
	2QFY11	3QFY11	% QoQ	2QFY11	3QFY11	% QoQ
L&T Infotech	5,880	6,040	2.7	570	760	33.3

	Revenues			PAT		
	2QFY10	2QFY11	% YoY	2QFY10	2QFY11	% YoY
L&T Finance	2,290	3,520	53.7	330	650	97.0
L&T Infra Finance	1,130	1,610	42.5	280	480	71.4

Source: Company/MOSL

Conference call takeaways

- The management sounded cautious about achieving inflows worth Rs350b in 4QFY11 to meet FY11 inflows of Rs850b as many projects in the power, infrastructure and hydrocarbons sectors are facing delays due to non-receipt of clearances and will spill into FY12.
- Segments like hydrocarbons are facing competitive pricing to the extent that the pricing differential between L1 and L2 is 20% and hence led to L&T losing out on orders.
- The Hyderabad Metro order valued at about Rs120b, which will be awarded to L&T on a BOT basis, faces the task of achieving financial closure by March FY11. The company suspects its EPC order to be pushed to the next year.
- Many bulk ordering packages in various segments are being broken down into multiple packages with smaller order values and limited scope of work, which is leading to delays in order awards.
- The management is confident of achieving 25% YoY revenue growth in FY11. We model revenue growth of 22% in FY11 implying 18% growth in 4QFY11 revenue.

- EBITDA margins for future orders are under pressure as 40% of orders are on a fixed-price basis and face the pressure of high raw material costs.
- The total project cost of the BOT projects is Rs600b and EPC orders in segments like urban infrastructure, hydroelectric power and the metro rail are pending to be awarded to L&T E&C.
- L&T commissioned a BTG plant in 3QFY11. It has capacity of 4GW and forays into shipping and forging are on track.

Valuation and view

We downgrade our FY12 and FY13 revenue estimates by 1% and 14% respectively and PAT estimates by 4% and 10% respectively due to lower order intake in FY11 and FY12. Our intake assumptions are Rs748b (Rs891b earlier) (up 7.5% YoY) for FY11 and Rs921b (up 24% YoY) for FY12. Our consolidated EPS is Rs90 (up 21% YoY) for FY12 and Rs107 (up 19% YoY) for FY13. We expect EBITDA margins of 12.3% for FY12 (down 50bp YoY) and 12.5% for FY13 (up 20bp YoY). We have reduced our target price to Rs1,919 (Rs2,356 earlier) on an SOTP basis by reducing the target multiple for L&T standalone to 22x FY12E (25x FY12 earlier). We believe the lower P/E multiple factors in lower PAT CAGR of 19% over FY11-13 against 24% earlier as growth in intake declines and execution timelines increase going forward. Maintain **Buy**.

L&T: Sum of Parts Value

	Business Segment	Method	Valuation (x)	Value (Rs m)	Value (Rs/sh)	Rationale
L&T Standalone	Engineering, Construction, & Electricals	FY12E PER (x)	22	923,115	1,533	Premium to industry average Net of dividend received
L&T Infotech (100% stake)	Infotech	FY12E PER (x)	15	47,253	78	At par to niche second tier IT companies
L&T Infrastructure Dev.Projects Ltd.	Infrastructure			49,400	82	Road portfolio Rs15b (P/BV 1.56x), Ports Rs3.4b (P/BV 1.3x), Urban Infra Rs6b (P/BV 1.2x), Cash Rs7b
L&T Finance	Hire Purchase, Leasing, Bill Discounting	Book Value	1.5	21,756	36	BV of investments till Mar 10; L&T has advantage of catering to in house requirement of L&T's dealers/vendors/ customers, etc
L&T Infrastructure Finance	Infrastructure Finance	Book Value	1.5	13,550	23	BV of investments till Mar 10
International Ventures (L&T FZE)		FY12E PER (x)	12	32,749	54	Discount to L&T's valuations
Manufacturing Ventures						
- Power Equipments	Thermal BTG	FY14E PER (x)	12	49,426	82	At par with industry average; FY14 to be the year of meaningful revenue and margin ramp up
- L&T Komatsu	Excavators and Hydraulic System	FY12E PER (x)	12	19,625	16	In line with industry average
- Audco India	Industrial Valves	FY12E PER (x)	12	13,206	11	Revenue growth and margins have shown strong consistency
- EWAC Alloys	Welding	FY12E PER (x)	12	4,125	3	In line with industry average
Total					**1,919**	

Source: MOSL

Larsen & Toubro: an investment profile

Company description

L&T is India's largest engineering and construction company. It undertakes projects on engineering, procurement and commissioning basis. Its business is categorized in three segments, viz. Engineering and construction (E&C), Electrical and Electronics (E&E) and other diversified businesses. It has many subsidiaries and associate companies which will gradually start adding robustly to its bottom-line.

Key investment arguments

- L&T is best placed with across-the-board presence in infrastructure segments.
- L&T has tied up with GE Hitachi, AECL (Canada) and Westinghouse for ABWR and PHWR reactor technology. Nuclear Power in India is likely to attract investments of Rs1,600b over 8-10 years and ordering for projects is expected to begin from FY11.
- L&T has a presence in financial services (L&T Finance/ Infra Finance) and IT/ITES (L&T Infotech). In the past 2-3 years, these businesses have attained critical scale. With L&T's plan to grow the IT/ITES and its infrastructure finance businesses to 40% of group revenue by FY14,we see organic and inorganic scaling up of the two verticals in 2-3 years. L&T is exploring opportunities to grow inorganically in the IT services segment.

Key investment concerns

- Order intake is driven by long gestation projects and is unlikely to favorably impact FY11 or FY12 revenues and margins.
- An unfavorable political climate, logjams relating to clearances for projects stifle fresh order intake growth, hampering earnings growth.

Recent developments

- L&T has been awarded the construction of an airport terminal building in Oman worth Rs22b.
- L&T was awarded a complete BoP package for the 2x 600MW TPS by the Dainik Bhaskar group in Chhattisgarh, worth Rs15b.

Valuation and view

- We estimate L&T to report revenue and PAT CAGR of 23% and 20% over FY11-13. Our consolidated EPS is Rs90 (up 21% YoY) for FY12 and Rs107 (up 19% YoY) for FY13. Our EBITDA margins are 12.3% for FY12 (down 50bp YoY) and 12.5% for FY13 (up 20bp YoY). We value L&T on an SOTP basis with a price target of Rs1,919 and have a **Buy** rating on the stock. We ascribe a P/E multiple of 22x FY12E for L&T standalone (Rs1,553/share) and Rs387/share for L&T's other subsidiaries.

Sector view

- We maintain our positive view on the sector.

Comparative valuations

		L&T	BHEL	Thermax
P/E (x)	FY11E	22.6	19.2	26.0
	FY12E	18.7	15.6	19.4
P/BV (x)	FY11E	4.8	5.6	6.9
	FY12E	4.2	4.5	5.4
EV/Sales (x)	FY11E	2.4	2.5	1.9
	FY12E	2.0	2.0	1.4
EV/EBITDA (x)	FY11E	19.0	11.4	15.9
	FY12E	16.2	9.1	11.9

Shareholding Pattern (%)

	Dec-10	Sep-10	Dec-09
Promoter	0.0	0.0	0.0
Domestic Inst	37.2	37.3	37.2
Foreign	21.3	21.0	20.1
Others	41.5	41.7	42.7

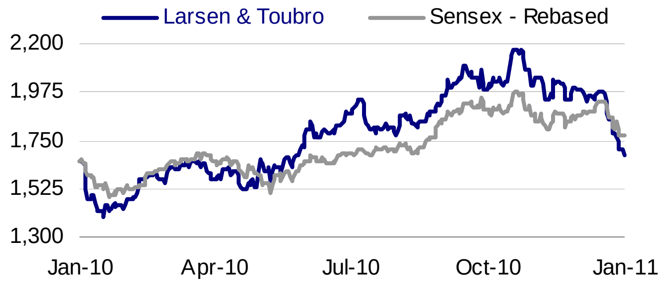
EPS: MOSL forecast v/s Consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY11	74.5	72.1	3.3
FY12	89.9	89.5	0.5

Target price and recommendation

Current Price (Rs)	Target Price (Rs)	Upside (%)	Reco.
1,681	1,919	14.2	Buy

STOCK PERFORMANCE (1 YEAR)



Financials and Valuation

INCOME STATEMENT				(Rs Million)
Y/E MARCH	2010	2011E	2012E	2013E
Total Revenues	**373,556**	**455,834**	**564,991**	**685,225**
Growth Rate (%)	*8.8*	*22.0*	*23.9*	*21.3*
Excise Duty	3,208	3,914	4,852	5,884
Net Revenues	**370,348**	**451,920**	**560,139**	**679,341**
Growth Rate (%)	*9.1*	*22.0*	*23.9*	*21.3*
Manufacturing Expenses	284,536	339,026	422,565	511,527
Staff Cost	23,791	28,550	34,260	41,112
S G &A Expenses	14,627	27,350	35,594	43,169
EBITDA	**47,393**	**56,994**	**67,720**	**83,533**
Change (%)	*21.6*	*20.3*	*18.8*	*23.4*
EBITDA Margin (%)	12.6	12.6	12.1	12.3
Depreciation	3,797	4,957	6,207	7,457
EBIT	**43,597**	**52,037**	**61,513**	**76,076**
Net Interest	5,053	6,503	7,494	8,894
Other Income	7,416	9,071	8,277	8,468
Profit before Tax	**58,806**	**54,618**	**62,309**	**75,663**
Tax	16,409	17,205	18,693	22,699
Effective Tax Rate (%)	*27.9*	*31.5*	*30.0*	*30.0*
Reported Profit	**54,902**	**38,122**	**43,616**	**52,964**
Extra-ordinary Adjustments	12,504	708	0	0
Adjusted Profit	**42,398**	**37,414**	**43,616**	**52,964**
Growth (%)	57.2	-11.8	16.6	21.4
Consolidated Profit (Adj)	**37,110**	**44,852**	**54,134**	**64,502**
Growth (%)	*23.5*	*20.9*	*20.7*	*19.2*

BALANCE SHEET				(Rs Million)
Y/E MARCH	2010	2011E	2012E	2013E
Equity Capital	1,204	1,204	1,204	1,204
Reserves and Surplus	181,912	208,527	239,554	277,232
Net Worth	**183,116**	**209,731**	**240,759**	**278,436**
Debt	68,008	94,557	119,557	134,557
Deferred Tax Liability	774	774	774	774
Capital Employed	**251,899**	**305,063**	**361,090**	**413,767**
Gross Fixed Assets	72,901	99,143	124,143	149,143
Less : Depreciation	17,841	22,798	29,005	36,462
Add : Capital WIP	8,742	4,500	4,500	4,500
Net Fixed Assets	**63,802**	**80,845**	**99,638**	**117,181**
Investments	137,054	129,938	129,164	118,990
Inventory	14,154	37,466	61,917	93,866
Sundry Debtors	111,637	162,352	201,230	234,666
Cash & Bank	14,319	24,508	21,053	28,140
Loans & Advances	59,975	101,248	120,966	143,900
Other Current Assets	63,388	0	0	0
Current Assets	263,472	325,574	405,166	500,572
Current Liabilities	212,429	231,294	272,877	322,976
Net Current Assets	**51,044**	**94,280**	**132,289**	**177,597**
Capital Deployed	**251,899**	**305,063**	**361,090**	**413,767**

E: MOSL Estimates

RATIO				
Y/E MARCH	2010	2011E	2012E	2013E
Basic (Rs)				
Adjusted EPS	**50.5**	**62.1**	**72.4**	**88.0**
Growth (%)	*9.6*	*23.1*	*16.6*	*21.4*
Consolidated EPS	**61.6**	**74.5**	**89.9**	**107.1**
Growth (%)	*20.1*	*20.9*	*20.7*	*19.2*
Con. EPS (Fully Diluted)	**61.6**	**74.5**	**89.9**	**107.1**
Growth (%)	19.7	20.9	20.7	19.2
Cash Earning per Share	57.4	70.4	82.7	100.3
Book Value	304.1	348.3	399.8	462.4
Dividend Per Share	12.6	15.5	18.1	22.0
Div. Payout (Incl. Div Tax) %	20.7	28.9	28.9	28.9
Valuation (x)				
P/E (Standalone)	33.3	27.1	23.2	19.1
P/E (Consolidated)	27.3	22.6	18.7	15.7
P/E (Consolidated) (Fully Dilutec	27.3	22.6	18.7	15.7
Price / CEPS	29.3	23.9	20.3	16.8
EV/EBITDA	22.2	18.8	16.2	13.3
EV/ Sales	2.8	2.3	1.9	1.6
Price / Book Value	5.5	4.8	4.2	3.6
Dividend Yield	0.8	0.9	1.1	1.3
Return Ratio (%)				
RoE	19.8	19.0	19.4	20.4
RoCE	23.1	21.9	21.0	21.8
Turnover Ratios				
Debtors (Days)	109.1	130.0	130.0	125.0
Inventory (Days)	13.8	30.0	40.0	50.0
Asset Turnover (x)	1.5	1.5	1.6	1.7
Leverage Ratio				
Current Ratio (x)	1.2	1.4	1.5	1.5
D/E (x)	0.4	0.5	0.5	0.5

CASHFLOW STATEMENT				(Rs Million)
Y/E MARCH	2010	2011E	2012E	2013E
PBT before EO Items	**58,806**	**54,618**	**62,309**	**75,663**
Add : Depreciation	4,159	4,957	6,207	7,457
Interest	5,053	6,503	7,494	8,894
Less : Direct Taxes Paid	16,409	17,205	18,693	22,699
(Inc)/Dec in WC	11,579	-33,047	-41,464	-38,221
CF from Operations	**63,188**	**15,826**	**15,853**	**31,095**
(Inc)/Dec in FA	-16,015	-22,000	-25,000	-25,000
(Pur)/Sale of Investments	-54,416	7,116	774	10,173
CF from Investments	**-70,431**	**-14,884**	**-24,226**	**-14,827**
(Inc)/Dec in Networth	25,185	0	0	0
(Inc)/Dec in Debt	2,448	26,549	25,000	15,000
Less : Interest Paid	5,053	6,503	7,494	8,894
Dividend Paid	8,771	10,798	12,589	15,287
CF from Fin. Activity	**13,809**	**9,248**	**4,917**	**-9,181**
Inc/Dec of Cash	**6,566**	**10,189**	**-3,456**	**7,087**
Add: Beginning Balance	7,753	14,319	24,508	21,053
Closing Balance	**14,319**	**24,508**	**21,053**	**28,140**

N O T E S

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