

## Nagarjuna Construction

### Performance Highlights

| Y/E March (Rs cr) | 1QFY11  | 1QFY10  | % chg (yoy) | 4QFY10  | % chg (qoq) |
|-------------------|---------|---------|-------------|---------|-------------|
| Net Sales         | 1,086.5 | 1,001.0 | 8.5         | 1,522.7 | (28.6)      |
| Operating Profit  | 105.8   | 103.8   | 1.9         | 152.7   | (30.8)      |
| Net Profit        | 41.4    | 38.2    | 8.3         | 102.6   | (59.7)      |

Source: Company, Angel Research

NCC posted disappointing numbers for 1QFY2011 mainly on the top-line front, which increased by a mere 8.5% v/s our expectation of 27.4%. We have marginally pruned our estimates by 2-3%. However, management has maintained its guidance of Rs5,800cr for the year. Exposure to Andhra Pradesh remains at ~6-7% and bills have been paid up to March 2010. Current receivables stand at Rs35cr. **Given attractive valuations following the recent correction in the stock price owing to short-term concerns and robust order book, we believe it provides an opportunity to Buy the stock.**

**Results below expectations:** NCC posted disappointing numbers for 1QFY2011 mainly on the top-line front, which increased by a mere 8.5% as against our expectation of 27.4%. Operating margins for the quarter came in at 9.7% (10.4%) in line with our estimates. Interest costs witnessed a sequential decline in spite of debt going up on account of low short-term borrowings rate. However, management has cautioned against interest rates hardening in ensuing quarters.

**Outlook and Valuation:** We believe that NCC is well-placed to leverage the opportunity in the infrastructure space on account of having one of the most diversified order books along with exposure in most of the growth sectors. We believe that the BOT/BOOT project portfolio will also provide sustainable revenue stream for the company, as it would have five operational projects by FY2011E. NCC had mentioned earlier that it is looking for a strategic partner for its thermal power plant of 1,320MW (under financial closure). But, given the recent problems at the site we believe that this proposed stake sale will take longer than the earlier estimated time-frame. Nonetheless, we maintain our SOTP Target Price of Rs201 as we had considered only the equity invested for the project, which contributes a mere 1% to our valuations. We maintain a Buy on NCC.

### Key Financials (Standalone)

| Y/E March (Rs cr)           | FY2009  | FY2010  | FY2011E | FY2012E |
|-----------------------------|---------|---------|---------|---------|
| Net Sales (incl op. income) | 4,151.4 | 4,777.8 | 5,738.2 | 6,587.5 |
| % chg                       | 19.5    | 15.1    | 20.1    | 14.8    |
| Adj. Net Profit             | 153.9   | 200.3   | 221.7   | 252.4   |
| % chg                       | (5.0)   | 30.2    | 10.7    | 13.8    |
| FDEPS (Rs)                  | 6.0     | 7.8     | 8.6     | 9.8     |
| EBITDA Margin (%)           | 9.0     | 10.1    | 9.8     | 9.9     |
| P/E (x)                     | 27.7    | 21.2    | 19.2    | 16.9    |
| RoAE (%)                    | 9.4     | 10.2    | 9.6     | 10.0    |
| RoACE (%)                   | 11.8    | 12.8    | 12.2    | 12.3    |
| P/BV (x)                    | 2.5     | 1.9     | 1.8     | 1.6     |
| EV/Sales (x)                | 1.3     | 1.2     | 1.1     | 1.0     |
| EV/EBITDA (x)               | 14.4    | 11.6    | 10.8    | 9.8     |

Source: Company, Angel Research

## BUY

|              |       |
|--------------|-------|
| CMP          | Rs166 |
| Target Price | Rs201 |

|                   |           |
|-------------------|-----------|
| Investment Period | 12 Months |
|-------------------|-----------|

| Stock Info         |                |
|--------------------|----------------|
| Sector             | Infrastructure |
| Market Cap (Rs cr) | 4,254          |
| Beta               | 1.38           |
| 52 Week High / Low | 197/119.2      |
| Avg. Daily Volume  | 214,141        |
| Face Value (Rs)    | 2              |
| BSE Sensex         | 18,220         |
| Nifty              | 5,461          |
| Reuters Code       | NGCN.BO        |
| Bloomberg Code     | NJCC@IN        |

| Shareholding Pattern (%) |      |
|--------------------------|------|
| Promoters                | 20.2 |
| MF / Banks / Indian Fls  | 31.9 |
| FII / NRIs / OCBs        | 34.9 |
| Indian Public / Others   | 13.0 |

| Abs. (%) | 3m    | 1yr  | 3yr    |
|----------|-------|------|--------|
| Sensex   | 5.1   | 21.4 | 22.5   |
| NCC      | (5.8) | 30.7 | (15.5) |

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**Exhibit 1: 1QFY2011 Performance (Standalone)**

| Y/E March (Rs cr)          | 1QFY11        | 1QFY10        | 4QFY10        | % chg (yoy)  | % chg (qoq)   | FY10          | FY09          | % chg       |
|----------------------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|-------------|
| <b>Net Sales</b>           | <b>1086.5</b> | <b>1001.0</b> | <b>1522.7</b> | <b>8.5</b>   | <b>(28.6)</b> | <b>4777.8</b> | <b>4151.4</b> | <b>15.1</b> |
| Total Expenditure          | 980.7         | 897.2         | 1370.0        | 9.3          | (28.4)        | 4294.4        | 3777.7        | 13.7        |
| <b>Operating Profit</b>    | <b>105.8</b>  | <b>103.8</b>  | <b>152.7</b>  | <b>1.9</b>   | <b>(30.8)</b> | <b>483.4</b>  | <b>373.7</b>  | <b>29.4</b> |
| OPM (%)                    | 9.7           | 10.4          | 10.0          | -            | -             | 10.1          | 9.0           | -           |
| Interest                   | 29.3          | 34.6          | 34.8          | (15.3)       | (15.7)        | 196.0         | 162.3         | 20.8        |
| Depreciation               | 15.6          | 12.7          | 13.7          | 23.0         | 14.5          | 52.5          | 53.3          | (1.4)       |
| Non Operating Income       | 1.3           | 1.4           | 0.0           | -            | -             | 68.6          | 70.1          | (2.1)       |
| Nonrecurring items         | 0.0           | 0.0           | 50.8          | -            | -             | 33.6          | 0.0           | -           |
| <b>Profit Before tax</b>   | <b>62.1</b>   | <b>57.8</b>   | <b>155.1</b>  | <b>7.3</b>   | <b>(60.0)</b> | <b>337.1</b>  | <b>228.2</b>  | <b>47.7</b> |
| Tax                        | 20.7          | 19.6          | 52.5          | 5.3          | (60.6)        | 116.4         | 74.3          | 56.6        |
| <b>Reported Net Profit</b> | <b>41.4</b>   | <b>38.2</b>   | <b>102.6</b>  | <b>8.3</b>   | <b>(59.7)</b> | <b>220.8</b>  | <b>153.9</b>  | <b>43.5</b> |
| PAT (%)                    | 3.8           | 3.8           | 6.7           | -            | -             | 4.6           | 3.7           | -           |
| <b>FDEPS</b>               | <b>1.6</b>    | <b>1.7</b>    | <b>4.0</b>    | <b>(3.4)</b> | <b>(59.7)</b> | <b>8.6</b>    | <b>6.0</b>    | <b>43.5</b> |

Source: Company, Angel Research;

**Exhibit 2: 1QFY2011 Actual v/s Estimates**

| Parameter (Rs cr) | Estimates | Actual | Variation (%) |
|-------------------|-----------|--------|---------------|
| Net Sales         | 1,275     | 1,086  | (14.8)        |
| OPM (%)           | 9.4       | 9.7    | 33bp          |
| PAT               | 48.8      | 41.4   | (15.2)        |

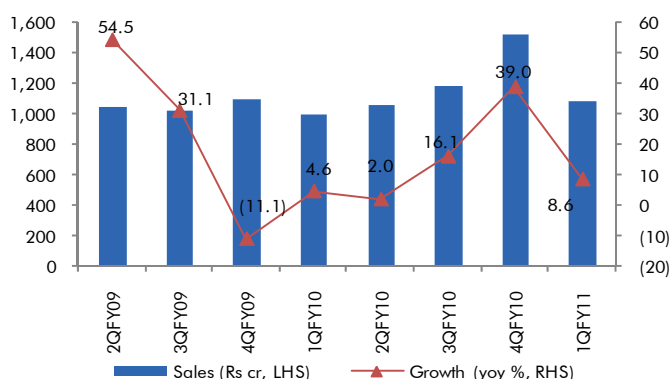
Source: Company, Angel Research

**Numbers below par:** NCC posted disappointing numbers for 1QFY2011 mainly on the top-line front, which grew by a mere 8.5% as against our expectation of 27.4%. However, management has maintained its guidance of Rs5,800cr for the year. On the order booking front, company bagged orders worth Rs2,023cr across >10 segments taking the outstanding order book to Rs16,051cr (3.4x FY2010 revenues; diversified) lending revenue visibility.

On a consolidated basis, for 1QFY2011 the company posted 16% yoy growth in top-line to Rs1,363cr. It's Dubai and Muscat construction companies posted top-line of Rs179.6cr and Rs113.0cr, respectively. The Bangalore elevated road project has started collecting toll from April 7, 2010 at the run rate of Rs15lakh/day, with the potential to go up to Rs25lakh/day. The other three road BOT projects are expected to be operational in FY2011 (**OB Infra – August 2010; Western UP – Sep 2010; Pondicherry Tindivanam – Dec 2010**) and which would require investments of only Rs45-50cr. Management has guided that once all these projects are fully operational potential yearly revenue generation would be to the tune of Rs300-325cr out of which NCC's share would be in the range of Rs150-160cr.

The company has started work on its Dubai project, and to prove its commitment to the project it plans to construct six floors only on completion of which it would take the next installment from the investors. Thereafter, work would further continue depending on the prevailing circumstances at that point in time. However, management has admitted that the real estate market in Dubai is still far away from recovery and would ideally not continue with the project till it recovers.

**Exhibit 3: Quarterly revenue trend**



Source: Company, Angel Research

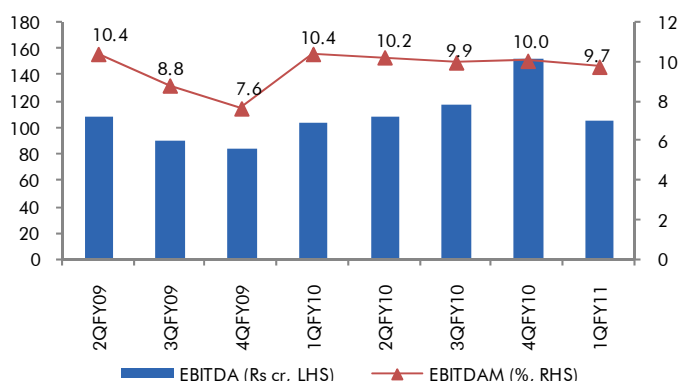
**Exhibit 4: Quarterly order booking trend**



Source: Company, Angel Research

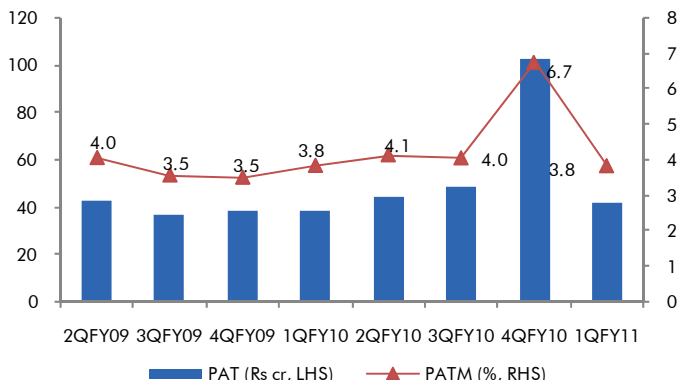
Operating margins for the quarter, on a standalone basis, came in at 9.7% (10.4%) in line with our estimates. Interest costs witnessed a sequential decline in spite of debt going up due to low short-term borrowings rate. However, management has cautioned against interest rates hardening in ensuing quarters.

**Exhibit 5: Quarterly EBITDA trend**



Source: Company, Angel Research

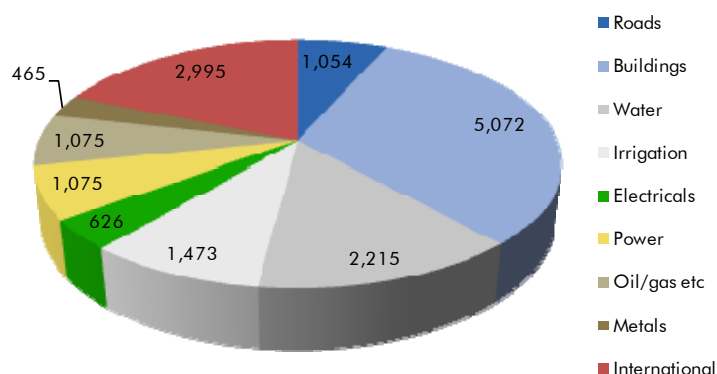
**Exhibit 6: Quarterly bottom-line trend**



Source: Company, Angel Research

### Order Book Analysis

NCC's order book, which is spread across >10 verticals and major contributors include buildings, water and roads, stood at Rs16,051cr (3.4x FY2010 revenues) as on 1QFY2011, a yoy jump of 15.5%. **The company has maintained its guidance of order inflow of Rs10,000cr (excluding the captive order from the power segment worth Rs5,000cr) for the year.** Given its strong presence in diversified verticals and ventures in new domains of growth, we believe that management's guidance is achievable. NCC has stayed away from BOT projects in recent times (has not bagged a single BOT project in the last 3-4years) however, it has a strong bidding pipeline and is confident of bagging orders this year.

**Exhibit 7: 1QFY2011 order backlog – Sector-wise**


Source: Company, Angel Research

### Outlook and Valuation

NCC is well-placed to leverage the opportunity in the infrastructure space on account of having one of the most diversified order books, and exposure in most of the growth sectors - transportation, water and power. We believe that the BOT/BOOT project portfolio would also provide sustainable revenue stream as it will have five operational projects by FY2011E. NCC had mentioned earlier that it is looking for a strategic partner for its thermal power plant of 1,320MW (under financial closure). But, given the recent news of land acquisition problems at the site, we believe that this stake sale would take longer than the earlier estimated time-frame (2HFY2011) by management. Nonetheless, we maintain our SOTP Target Price of Rs201 as we had considered only the equity invested for the project, which contributes a mere 1% to our valuations. **We maintain a Buy on NCC.**

**Exhibit 8: SOTP target price**

| Business Segment                 | Methodology | Remarks                | Rs cr        | Rs/share     | % to TP    |
|----------------------------------|-------------|------------------------|--------------|--------------|------------|
| Core Construction - Parent       | P/E         | 14x FY2012E Earnings   | 3,534        | 137.7        | 68.6       |
| NCC International (Construction) | P/E         | 10x FY2012E Earnings   | 626          | 24.4         | 12.2       |
| Real Estate                      | P/BV        | 1.5 of equity invested | 180          | 7.0          | 3.5        |
| Road and Power venture           | P/BV        | 1.5 of equity invested | 809          | 31.5         | 15.7       |
| <b>Total</b>                     |             |                        | <b>5,149</b> | <b>200.7</b> | <b>100</b> |
| <b>CMP (Rs)</b>                  |             |                        |              | <b>165.8</b> |            |
| <b>Upside (%)</b>                |             |                        |              | <b>21.0</b>  |            |

Source: Company, Angel Research

**Exhibit 9: Key assumptions**

|                               | FY2007 | FY2008 | FY2009 | FY2010 | FY2011E | FY2012E |
|-------------------------------|--------|--------|--------|--------|---------|---------|
| Order Inflow                  | 4,745  | 7,551  | 4,968  | 8,081  | 10,000  | 11,500  |
| Revenues                      | 2,871  | 3,473  | 4,151  | 4,778  | 5,738   | 6,587   |
| Order Backlog (Y/E)           | 7,302  | 11,380 | 12,197 | 15,500 | 17,262  | 20,674  |
| Order Book to Sales ratio (x) | 2.5    | 3.3    | 2.9    | 3.2    | 3.0     | 3.1     |

Source: Company, Angel Research

**Exhibit 10: Change in estimates**

|                | FY2011E           |                   |           | FY2012E           |                   |               |
|----------------|-------------------|-------------------|-----------|-------------------|-------------------|---------------|
|                | Earlier Estimates | Revised Estimates | Variation | Earlier Estimates | Revised Estimates | Variation (%) |
| Revenues       | 5,912.9           | 5,738.2           | (3.0)     | 6,758.4           | 6,587.5           | (2.5)         |
| EBITDA Margins | 9.8               | 9.8               | 0.8       | 9.9               | 9.9               | 0.7           |
| PAT            | 229.3             | 221.7             | (3.3)     | 259.1             | 252.4             | (2.6)         |

Source: Company, Angel Research

**Exhibit 11: Angel EPS forecast v/s consensus**

|         | Angel Forecast | Bloomberg Consensus | Variation (%) |
|---------|----------------|---------------------|---------------|
| FY2011E | 8.6            | 9.4                 | 8.5           |
| FY2012E | 9.8            | 11.5                | 22.3          |

Source: Company, Angel Research

## Investment Arguments

**Strong and diversified infrastructure play:** NCC, with its diversified presence, is well placed for benefit from the current construction boom in the country, especially in the transportation segment. We believe that diversification was one of the prime reasons for NCC's performance on the earnings front (29% earnings growth) vis-à-vis its peers during FY2010. This has also led to strong order booking – clocked ~40% growth in FY2010.

**Time for reaping benefits:** Over the last few years, NCC has invested in BOT assets and we believe the time has come for reaping the benefits of the same. NCC has a portfolio of 5 BOT road projects with one BOT project already operational with the remaining expected to be operational in FY2011. NCC has not won any BOT projects in recent times and stayed away from fierce competition. Therefore, we believe that NCC is better placed than its peers to win projects from NHAI, as it benefits more from financial closure regulations than its peers do.

**Exhibit 12: Recommendation Summary**

| Company    | CMP<br>(Rs) | TP<br>(Rs) | Rating     | Top-line     |              |              |             | EPS        |            |             |             | Adj. P/E    |             |             | OB/<br>Sale |
|------------|-------------|------------|------------|--------------|--------------|--------------|-------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
|            |             |            |            | FY10         | FY11E        | FY12E        | CAGR (%)    | FY10       | FY11E      | FY12E       | CAGR (%)    | FY10        | FY11E       | FY12E       |             |
| CCCL       | 90          | -          | Neutral    | 1,976        | 2,461        | 2,891        | 21.0        | 5.0        | 5.9        | 7.5         | 22.5        | 16.9        | 14.4        | 11.3        | 2.3         |
| Gammon     | 211         | -          | Neutral    | 4,489        | 5,575        | 6,607        | 21.3        | 8.4        | 10.0       | 12.1        | 20.0        | 12.9        | 10.9        | 9.0         |             |
| HCC        | 71          | -          | Neutral    | 3,629        | 4,146        | 4,900        | 16.2        | 2.7        | 3.2        | 3.7         | 17.4        | 24.8        | 21.1        | 18.0        | 4.7         |
| IRB Infra  | 292         | -          | Neutral    | 1,705        | 2,778        | 3,580        | 44.9        | 11.6       | 12.3       | 14.5        | 11.8        | 24.6        | 23.2        | 19.7        | -           |
| IVRCL      | 170         | 216        | Buy        | 5,492        | 6,493        | 8,071        | 21.2        | 7.8        | 9.2        | 11.6        | 21.6        | 14.9        | 12.6        | 10.1        | 4.3         |
| JP Assoc.  | 122         | 174        | Buy        | 10,316       | 13,281       | 17,843       | 31.5        | 4.7        | 5.2        | 7.7         | 28.5        | 25.4        | 22.6        | 15.4        | -           |
| Punj       | 119         | 156        | Buy        | 10,448       | 9,756        | 12,402       | 9.0         | (11.1)     | 5.6        | 11.2        | -           | -           | 21.6        | 10.8        | 2.8         |
| <b>NCC</b> | <b>161</b>  | <b>201</b> | <b>Buy</b> | <b>4,778</b> | <b>5,913</b> | <b>6,758</b> | <b>18.9</b> | <b>7.8</b> | <b>8.9</b> | <b>10.1</b> | <b>13.7</b> | <b>14.7</b> | <b>12.9</b> | <b>11.4</b> | <b>3.6</b>  |
| Sadbhav    | 1,450       | -          | Reduce     | 1,257        | 1,621        | 1,986        | 25.7        | 43.0       | 77.4       | 89.8        | 44.4        | 21.3        | 11.8        | 10.2        | 5.4         |
| SI.        | 480         | 570        | Buy        | 4,555        | 5,535        | 6,428        | 18.8        | 25.7       | 31.9       | 40.7        | 25.9        | 18.9        | 15.2        | 11.9        | 2.5         |
| PEL        | 416         | 563        | Buy        | 3,081        | 3,685        | 4,297        | 18.1        | 23.4       | 31.2       | 32.9        | 18.6        | (2.6)       | (1.9)       | (1.8)       | 3.5         |
| MPL        | 164         | 174        | Buy        | 1,308        | 1,701        | 2,120        | 27.3        | 5.8        | 7.7        | 9.8         | 29.8        | 13.7        | 10.4        | 8.1         | 3.1         |
| L&T        | 1,827       | -          | Neutral    | 37,035       | 44,047       | 55,519       | 22.4        | 47.5       | 55.1       | 68.9        | 20.4        | 29.7        | 25.6        | 20.5        | 2.7         |

Source: Company, Angel Research

**Exhibit 13: Recommendation Summary - SOTP break up**

| Company      | Core Const. |           | Real Estate |          | Road BOT  |           | Invst. In Subsidiaries |          | Others    |           | Total<br>Rs |
|--------------|-------------|-----------|-------------|----------|-----------|-----------|------------------------|----------|-----------|-----------|-------------|
|              | Rs          | % to TP   | Rs          | % to TP  | Rs        | % to TP   | Rs                     | % to TP  | Rs        | % to TP   |             |
| CCCL         | 89          | 100       | -           | -        | -         | -         | -                      | -        | -         | -         | 89          |
| Gammon India | 121         | 54        | -           | -        | -         | -         | -                      | -        | 104       | 46        | 225         |
| HCC          | 51          | 41        | 59          | 46       | 16        | 13        | -                      | -        | -         | -         | 126         |
| IRB Infra    | 113         | 41        | 3           | 1        | 154       | 56        | 5                      | 2        | -         | -         | 275         |
| IVRCL        | 162         | 75        | -           | -        | -         | -         | 54                     | 25       | -         | -         | 216         |
| JP Assoc.    | 65          | 38        | 41          | 23       | -         | -         | -                      | -        | 68        | 39        | 174         |
| Punj Lloyd   | 156         | 100       | -           | -        | -         | -         | -                      | -        | -         | -         | 156         |
| <b>NCC</b>   | <b>141</b>  | <b>70</b> | <b>19</b>   | <b>9</b> | <b>19</b> | <b>10</b> | <b>-</b>               | <b>-</b> | <b>21</b> | <b>11</b> | <b>201</b>  |
| Sadbhav      | 862         | 66        | -           | -        | 451       | 34        | -                      | -        | -         | -         | 1,313       |
| Simplex In.  | 570         | 100       | -           | -        | -         | -         | -                      | -        | -         | -         | 570         |
| Patel Engg.  | 457         | 81        | 60          | 11       | 16        | 3         | -                      | -        | 32        | 5         | 565         |

Source: Company, Angel Research

**Profit & Loss Statement (Standalone)**

| Y/E March (Rs cr)                       | FY07         | FY08         | FY09         | FY10         | FY11E        | FY12E        |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales                               | 2,871        | 3,473        | 4,151        | 4,778        | 5,738        | 6,587        |
| Other operating income                  | -            | -            | -            | -            | -            | -            |
| <b>Total operating income</b>           | <b>2,871</b> | <b>3,473</b> | <b>4,151</b> | <b>4,778</b> | <b>5,738</b> | <b>6,587</b> |
| % chg                                   | 56.0         | 21.0         | 19.5         | 15.1         | 20.1         | 14.8         |
| Total Expenditure                       | 2,601        | 3,113        | 3,778        | 4,294        | 5,173        | 5,932        |
| Net Raw Materials                       | 955          | 1,096        | 1,304        | 1,807        | 1,776        | 2,033        |
| Other Mfg costs                         | 1,500        | 1,704        | 2,084        | 2,066        | 2,888        | 3,322        |
| Personnel                               | 84           | 140          | 189          | 184          | 244          | 273          |
| Other                                   | 62           | 173          | 201          | 237          | 265          | 304          |
| <b>EBITDA</b>                           | <b>270</b>   | <b>360</b>   | <b>374</b>   | <b>483</b>   | <b>565</b>   | <b>655</b>   |
| % chg                                   | 62.3         | 33.4         | 3.9          | 29.4         | 16.9         | 15.9         |
| (% of Net Sales)                        | 9.4          | 10.4         | 9.0          | 10.1         | 9.8          | 9.9          |
| Depreciation & Amortisation             | 30           | 48           | 53           | 53           | 67           | 79           |
| <b>EBIT</b>                             | <b>240</b>   | <b>312</b>   | <b>320</b>   | <b>431</b>   | <b>498</b>   | <b>576</b>   |
| % chg                                   | 63.3         | 29.9         | 2.8          | 34.5         | 15.6         | 15.7         |
| (% of Net Sales)                        | 8.4          | 9.0          | 7.7          | 9.0          | 8.7          | 8.7          |
| Interest & other Charges                | 64           | 112          | 162          | 196          | 250          | 299          |
| Other Income                            | 43           | 45           | 70           | 69           | 82           | 99           |
| (% of PBT)                              | 19.6         | 18.4         | 30.7         | 22.6         | 24.9         | 26.4         |
| <b>Recurring PBT</b>                    | <b>219</b>   | <b>245</b>   | <b>228</b>   | <b>303</b>   | <b>331</b>   | <b>377</b>   |
| % chg                                   | 71.8         | 12.1         | (6.9)        | 33.0         | 9.1          | 13.8         |
| Extraordinary Expense/(Inc.)            | -            | -            | -            | (34)         | -            | -            |
| <b>PBT (reported)</b>                   | <b>219</b>   | <b>245</b>   | <b>228</b>   | <b>337</b>   | <b>331</b>   | <b>377</b>   |
| Tax                                     | 67           | 81           | 74           | 116          | 109          | 124          |
| (% of PBT)                              | 30.5         | 33.1         | 32.6         | 34.5         | 33.0         | 33.0         |
| <b>PAT (reported)</b>                   | <b>152</b>   | <b>164</b>   | <b>154</b>   | <b>221</b>   | <b>222</b>   | <b>252</b>   |
| Add: Share of associate                 | -            | -            | -            | -            | -            | -            |
| Less: Minority interest (MI)            | -            | -            | -            | -            | -            | -            |
| Prior period items                      | 36.3         | 2.2          | -            | 4.1          | -            | -            |
| <b>PAT after MI (reported)</b>          | <b>116</b>   | <b>162</b>   | <b>154</b>   | <b>217</b>   | <b>222</b>   | <b>252</b>   |
| <b>ADJ. PAT</b>                         | <b>116</b>   | <b>162</b>   | <b>154</b>   | <b>200</b>   | <b>222</b>   | <b>252</b>   |
| % chg                                   | 29.0         | 40.0         | (5.0)        | 30.2         | 10.7         | 13.8         |
| (% of Net Sales)                        | 4.0          | 4.7          | 3.7          | 4.2          | 3.9          | 3.8          |
| <b>Basic EPS (Rs) (Reported)</b>        | <b>5.4</b>   | <b>6.9</b>   | <b>6.5</b>   | <b>8.4</b>   | <b>8.6</b>   | <b>9.8</b>   |
| <b>Fully Diluted EPS (Rs) (Diluted)</b> | <b>4.5</b>   | <b>6.3</b>   | <b>6.0</b>   | <b>7.8</b>   | <b>8.6</b>   | <b>9.8</b>   |
| % chg                                   | 10.3         | 40.0         | (5.0)        | 30.2         | 10.7         | 13.8         |



**Balance Sheet (Standalone)**

| Y/E March (Rs cr)              | FY07           | FY08           | FY09           | FY10E          | FY11E          | FY12E          |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>SOURCES OF FUNDS</b>        |                |                |                |                |                |                |
| Equity Share Capital           | 42.2           | 46.0           | 45.8           | 51.3           | 51.3           | 51.3           |
| Preference Capital             | -              | -              | -              | -              | -              | -              |
| Reserves & Surplus             | 996.9          | 1,526.3        | 1,639.8        | 2,178.4        | 2,358.1        | 2,568.5        |
| <b>Shareholders Funds</b>      | <b>1,039.0</b> | <b>1,572.3</b> | <b>1,685.6</b> | <b>2,229.7</b> | <b>2,409.4</b> | <b>2,619.8</b> |
| Minority Interest              | -              | -              | -              | -              | -              | -              |
| Total Loans                    | 637.0          | 893.8          | 1,243.9        | 1,530.2        | 1,967.1        | 2,302.6        |
| Deferred Tax Liability         | 11.5           | 16.7           | 18.8           | 25.5           | 25.5           | 25.5           |
| <b>Total Liabilities</b>       | <b>1,687.5</b> | <b>2,482.9</b> | <b>2,948.2</b> | <b>3,785.4</b> | <b>4,402.0</b> | <b>4,948.0</b> |
| <b>APPLICATION OF FUNDS</b>    |                |                |                |                |                |                |
| Gross Block                    | 500.7          | 662.0          | 623.3          | 756.1          | 891.1          | 1,051.1        |
| Less: Acc. Depreciation        | 96.4           | 142.3          | 164.1          | 202.3          | 269.1          | 347.9          |
| <b>Net Block</b>               | <b>404.3</b>   | <b>519.7</b>   | <b>459.2</b>   | <b>553.8</b>   | <b>622.0</b>   | <b>703.2</b>   |
| Capital Work-in-Progress       | 18.6           | 14.3           | 28.1           | 43.4           | 31.1           | 35.2           |
| <b>Investments</b>             | <b>476.8</b>   | <b>564.8</b>   | <b>740.3</b>   | <b>941.2</b>   | <b>1,035.3</b> | <b>1,138.8</b> |
| <b>Current Assets</b>          | <b>2,096.3</b> | <b>3,028.6</b> | <b>3,361.5</b> | <b>4,092.3</b> | <b>4,875.0</b> | <b>5,653.8</b> |
| Inventories                    | 404.1          | 549.3          | 749.5          | 753.9          | 973.6          | 1,178.8        |
| Sundry Debtors                 | 581.7          | 867.7          | 1,026.0        | 1,299.5        | 1,560.7        | 1,791.6        |
| Cash                           | 243.4          | 233.0          | 134.5          | 183.7          | 118.4          | 166.3          |
| Loans & Advances               | 857.9          | 1,372.5        | 1,448.4        | 1,852.0        | 2,218.4        | 2,512.4        |
| Other                          | 9.3            | 6.1            | 3.0            | 3.2            | 3.8            | 4.6            |
| <b>Current liabilities</b>     | <b>1,309.5</b> | <b>1,644.4</b> | <b>1,640.8</b> | <b>1,845.3</b> | <b>2,161.4</b> | <b>2,582.9</b> |
| Creditors/Advances/Other Liab. | 670.5          | 1,073.1        | 1,087.5        | 1,269.8        | 1,412.7        | 1,681.0        |
| Mobilisation Advance & Others  | 514.5          | 483.3          | 466.6          | 479.8          | 633.9          | 764.1          |
| Provisions                     | 124.4          | 88.0           | 86.7           | 95.7           | 114.8          | 137.8          |
| <b>Net Current Assets</b>      | <b>786.9</b>   | <b>1,384.2</b> | <b>1,720.6</b> | <b>2,247.0</b> | <b>2,713.6</b> | <b>3,070.9</b> |
| Mis. Exp. not written off      | 1.0            | 0.0            | 0.0            | -              | -              | -              |
| <b>Total Assets</b>            | <b>1,687.5</b> | <b>2,482.9</b> | <b>2,948.2</b> | <b>3,785.4</b> | <b>4,402.0</b> | <b>4,948.0</b> |

**Cash Flow Statement (Standalone)**

| Y/E March (Rs cr)                | FY07         | FY08         | FY09         | FY10E        | FY11E        | FY12E        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Profit before tax (excluding MI) | 219          | 245          | 228          | 337          | 342          | 387          |
| Depreciation                     | 30           | 48           | 53           | 53           | 67           | 79           |
| Change in Working Capital        | (309)        | 608          | 435          | 477          | 546          | 308          |
| Less: Other income               | 43           | 45           | 70           | 69           | 82           | 99           |
| Direct taxes paid                | 72           | 112          | 132          | 116          | 113          | 128          |
| <b>Cash Flow from Operations</b> | <b>442</b>   | <b>(472)</b> | <b>(355)</b> | <b>(272)</b> | <b>(332)</b> | <b>(69)</b>  |
| (Inc.)/ Dec. in Fixed Assets     | (233)        | (159)        | (7)          | (148)        | (123)        | (164)        |
| (Inc.)/ Dec. in Investments      | (389)        | (88)         | (175)        | (201)        | (94)         | (104)        |
| Other income                     | 43           | 45           | 70           | 69           | 82           | 99           |
| <b>Cash Flow from Investing</b>  | <b>(580)</b> | <b>(202)</b> | <b>(113)</b> | <b>(280)</b> | <b>(135)</b> | <b>(169)</b> |
| Issue of Equity                  | 3            | 429          | -            | 361          | -            | -            |
| Inc./(Dec.) in loans             | 107          | 257          | 350          | 286          | 437          | 336          |
| Dividend Paid (Incl. Tax)        | 25           | 23           | 35           | 39           | 42           | 42           |
| Others                           | 14           | (1)          | 55           | (6)          | -            | -            |
| <b>Cash Flow from Financing</b>  | <b>100</b>   | <b>663</b>   | <b>370</b>   | <b>602</b>   | <b>395</b>   | <b>294</b>   |
| Inc./(Dec.) in Cash              | (38)         | (10)         | (98)         | 49           | (72)         | 56           |
| <b>Opening Cash balances</b>     | <b>281</b>   | <b>243</b>   | <b>233</b>   | <b>135</b>   | <b>184</b>   | <b>118</b>   |
| <b>Closing Cash balances</b>     | <b>243</b>   | <b>233</b>   | <b>135</b>   | <b>184</b>   | <b>118</b>   | <b>166</b>   |

**Key Ratios**

| Y/E March                           | FY07  | FY08  | FY09  | FY10E | FY11E | FY12E |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| <b>Valuation Ratio (x)</b>          |       |       |       |       |       |       |
| P/E (on FDEPS)                      | 36.8  | 26.3  | 27.7  | 21.2  | 19.2  | 16.9  |
| P/CEPS                              | 29.2  | 20.2  | 20.5  | 16.8  | 14.7  | 12.8  |
| P/BV                                | 4.1   | 2.7   | 2.5   | 1.9   | 1.8   | 1.6   |
| Dividend yield (%)                  | 0.7   | 0.8   | 0.7   | 0.8   | 0.8   | 0.8   |
| EV/Sales                            | 1.6   | 1.4   | 1.3   | 1.2   | 1.1   | 1.0   |
| EV/EBITDA                           | 17.2  | 13.7  | 14.4  | 11.6  | 10.8  | 9.8   |
| EV / Total Assets                   | 2.8   | 2.0   | 1.8   | 1.5   | 1.4   | 1.3   |
| Order Book to Sales                 | 2.5   | 3.3   | 2.9   | 3.2   | 3.0   | 3.1   |
| <b>Per Share Data (Rs)</b>          |       |       |       |       |       |       |
| EPS (Basic)                         | 5.4   | 6.9   | 6.5   | 8.4   | 8.6   | 9.8   |
| EPS (fully diluted)                 | 4.5   | 6.3   | 6.0   | 7.8   | 8.6   | 9.8   |
| Cash EPS                            | 5.7   | 8.2   | 8.1   | 9.9   | 11.2  | 12.9  |
| DPS                                 | 1.2   | 1.3   | 1.1   | 1.3   | 1.4   | 1.4   |
| Book Value                          | 40.5  | 61.3  | 65.7  | 86.9  | 93.9  | 102.1 |
| <b>Dupont Analysis</b>              |       |       |       |       |       |       |
| EBIT margin                         | 8.4   | 9.0   | 7.7   | 9.0   | 8.7   | 8.7   |
| Tax retention ratio                 | 0.7   | 0.7   | 0.7   | 0.7   | 0.7   | 0.7   |
| Asset turnover (x)                  | 2.0   | 1.9   | 1.6   | 1.5   | 1.5   | 1.5   |
| ROIC (Post-tax)                     | 11.5  | 11.3  | 8.5   | 8.8   | 8.5   | 8.5   |
| Cost of Debt (Post Tax)             | 7.0   | 9.8   | 10.2  | 9.3   | 9.6   | 9.4   |
| Leverage (x)                        | 0.4   | 0.4   | 0.5   | 0.6   | 0.7   | 0.8   |
| Operating ROE                       | 13.3  | 11.9  | 7.6   | 8.5   | 7.7   | 7.8   |
| <b>Returns (%)</b>                  |       |       |       |       |       |       |
| ROACE (Pre-tax)                     | 14.2  | 14.9  | 11.8  | 12.8  | 12.2  | 12.3  |
| Angel ROIC (Pre-tax)                | 16.6  | 16.9  | 12.7  | 13.4  | 12.6  | 12.7  |
| ROAE                                | 11.1  | 12.4  | 9.4   | 10.2  | 9.6   | 10.0  |
| <b>Turnover ratios (x)</b>          |       |       |       |       |       |       |
| Asset Turnover (Gross Block)        | 5.7   | 6.0   | 6.5   | 6.9   | 7.0   | 6.8   |
| Inventory / Sales (days)            | 51    | 50    | 57    | 57    | 55    | 60    |
| Receivables (days)                  | 74    | 76    | 83    | 89    | 91    | 93    |
| Payables (days)                     | 100   | 144   | 137   | 126   | 121   | 124   |
| WC cycle (ex-cash/mob. adv) (days)  | 134.5 | 141.5 | 162.1 | 175.5 | 183.6 | 191.1 |
| <b>Solvency ratios (x)</b>          |       |       |       |       |       |       |
| Net debt to equity                  | 0.4   | 0.4   | 0.7   | 0.6   | 0.8   | 0.8   |
| Net debt to EBITDA                  | 1.5   | 1.8   | 3.0   | 2.8   | 3.3   | 3.3   |
| Interest Coverage (EBIT / Interest) | 3.7   | 2.8   | 2.0   | 2.2   | 2.0   | 1.9   |

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### Disclosure of Interest Statement

|  | NCC |
|--|-----|
| 1. Analyst ownership of the stock                                  | No  |
| 2. Angel and its Group companies ownership of the stock            | Yes |
| 3. Angel and its Group companies' Directors ownership of the stock | No  |
| 4. Broking relationship with company covered                       | No  |

Note: We have not considered any Exposure below Rs 1 lakh for Angel, its Group companies and Directors.

|                            |                                    |   |                    |
|----------------------------|------------------------------------|---|--------------------|
| <b>Ratings (Returns) :</b> | Buy (> 15%)<br>Reduce (-5% to 15%) | Accumulate (5% to 15%)<br>Sell (< -15%) | Neutral (-5 to 5%) |
|----------------------------|------------------------------------|---|--------------------|