

## ELECON ENGINEERING LTD

7th May 2010

**CMP: 77**
**BUY**
**TARGET Rs. 130**

### Sector : Engineering

Analyst : Anand Vyas  
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### Company Data

CMP	77
Price Target	130
Potential Upside	69%
52 week Range	Rs 41 - Rs110
No. Shares (INR mn)	185.7
Market Cap (Rs. Cr)	719
Avg Daily Volume	33521
Sensex Level	16987

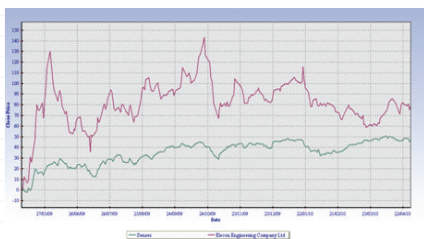
Source: Capitaline, Anagram Research

### Shareholding Pattern (%)

Promoters	45.71
FII	3.07
Corporate	7.36
Institutions	12.80
Govt	0.00
Public	31.07

Source: Capitaline, Anagram Research

### Price Performance Compared to Sensex



Source: Capitaline, Anagram Research

### Financial Overview

	2010(E)	2011 (E)	2012(E)
Net Sales (INR mn)	10978	13203.58	17238.6
Growth (%)	15	20	31
EPS (Rs)	6.86	8.56	107
EBIDTA Margin (%)	15	16	14
NPM (%)	6	6	6
Debt/Equity	1.5	1.27	.89
EV/EBIDTA	7.3	6.2	5.3
ROE (%)	5	5	7
PE	11.30	9.05	7.22

Source: Anagram Research

We initiate coverage on Elecon Engineering Limited (EEL) with a BUY rating on the back of a positive capex cycle turnaround seen offlate which would lead to enhanced fresh order inflows, especially in key business segments for the company namely power and industrial capex projects.

EEL also has a healthy order book of close to Rs 13.62 bn and more importantly has already built in enhanced product capacities in place to capitalise on the incremental demand. Also we expect EEL to reduce its total debt progressively over the next two years which should lead to reduced interest costs and bring down the leverage from the present 2.1:1 in FY09 to 0.90:1 by FY12E.

We estimate EEL's revenues to grow at a CAGR of 16-18% between FY09-FY12E with EBITDA margins expected to remain stable at around 15-16% over the next two years. EEL has also diversified in to Wind Energy which we believe would be the new earnings driver in addition to its existing product portfolio.

At the current price, the EEL stock trades at 9x FY11E and 7x FY12E EPS. On an absolute basis we expect EEL to record a EPS of Rs 8.52 in FY11E and Rs 10.64 in FY12E respectively. Traditionally the EEL stock has traded in a P/E band of 12-14x and hence we believe that current valuations look attractive considering the strong revenue visibility expected ahead on the back of a healthy order backlog (Rs 13.62 bn), coupled with a potential of strong new order inflows, which makes us initiate a BUY on the stock with a Target Price of Rs 130 based on 12x FY12E. At our TP the stock would trade at a P/E of 14x FY11E and 12x FY12E.

### EEL enjoys sustainable competitive advantage for each of its business verticals -

EEL is one of the pioneer and amongst the few leading cost competitive players in the domestic market which manufactures power transmission and material handling equipment having applications in varied sectors like power, mining, cement, and sugar . We believe that EEL will be a major beneficiary with a rising capex cycle

Some of EEL's key customers include coal india, reliance energy, ntpc, nmcd, sail, indian railways, kandla port, etc. Which ensures immense possibility of repeat business, assuring regular order flows.

### Capex cycle turnaround to enhance order inflows –

Players in the power, steel and cement industry are some of the major clients for EEL With a sharp turnaround seen in the domestic economy revival during FY10, we have seen robust IIP growth numbers which are likely to be sustained over the medium term on the back of improved corporate profitability and significant increase expected in fresh capex spending from core infrastructure sectors which bodes well for EEL's medium term growth prospects.

Contd...

With huge investments, expected mainly in power & Steel sectors, we expect the total market opportunity of around Rs. 5695 bn till FY20 for the material handling equipment segment. Hence fresh order inflows are likely to remain buoyant on the back of strong macro numbers and increased corporate capex spending during the coming two years.

### **Wind Energy to Emerge as the New Growth Driver**

EEL has recently ventured into manufacture of wind turbine generators (WTG) wherein there is a tremendous potential for future growth in the coming years. Installed wind power capacity in india stands at 10,500MW, of the country's total of 15.59GW generation capacities. The total potential of the wind power in india is estimated to be around 45GW. While we do not expect any significant contribution from the wind business during FY10, we are positive on its prospects during the next two years and expect revenues to start getting reflected from FY11E onwards.

*We are positive on its prospects during the next two years and expect revenues to start getting reflected from FY11E onwards.*

### **Restructuring plans would also aid stronger growth for EEL**

EEL has initiated a corporate restructuring exercise with a view to consolidate all its businesses held in other privately held companies under EEL which will remain the flagship concern going ahead. We believe the rationale behind this is to enhance shareholder value, synergise productive inputs and reduce wastages and have a far bigger capital structure which would enable the company to fund its growth by a optimum mix of equity and debt.

## **Valuation**

At the current price, the EEL stock trades at 9x FY11E and 7xFY12E EPS. On a absolute basis we expect EEL to record a EPS of Rs 8.52 in FY11E and Rs 10.64 in FY12E respectively. Traditionally the EEL stock has traded in a P/E band of 12-14x and hence we believe that current valuations look attractive considering the strong revenue visibility expected ahead on the back of a healthy order backlog (Rs 13.62 bn), coupled with a potential of strong new order inflows, which makes us initiate a **BUY** on the stock with a Target Price of Rs 130 based on 12xFY12E. At our TP the stock would trade at a P/E of 14x FY11E and 12x FY12E.

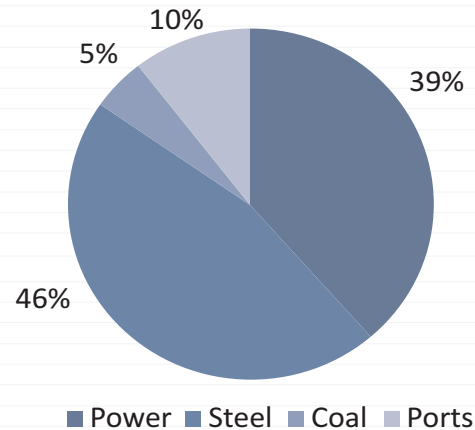
## Investment Highlights

*We expect majority of revenue to be contributed by Power & Steel Sector*

### Huge opportunity in MHE Industry

EEL has strong all around capabilities, experience & diversified skills in material handling equipment (MHE) for most industry verticals like power, steel, minerals & ports. With huge opportunity starting to go under way in the key industry like steel, power & ports etc. the MHE industry stands to gain immensely from capacity addition. We expect total market opportunity available with MHE industry to be more than INR 56.95 bn by 2015-20.

### Investment in Core Sector



*Target Segment for MHE Industry are on rampage with INR 56.95 bn opportunity by 2015-20 mainly driven by Power & Steel capex*

(Source:- Industry, Anagram research)

*40,000 MW of Capacity is expected to add in FY10-FY12E.*

Armed with engineering prowess and strong skills coupled with diversified knowledge, EEL is all set to tap the INR 56.95 bn opportunity. We believe that, EEL with its all round capabilities, diversified skills and ability to develop products and solution across all industry verticals, is likely to be amongst the key beneficiary of the buoyancy in the MHE Industry.

Industries (Rs. In Crore)	Investment	Time Frame	MHE %	MHE Share	Annual Avg	* Anticipated Elecon's Share
Power	220,000	till FY15	5-10%	26400	3000	450
Steel	262,000	till FY20	5-7%	18340	900	135
Coal	27,500	till FY15	NA	2000	200	30
Ports	60,000	till FY15	11-12%	7200	200	30
<b>Total</b>	<b>569,500</b>			<b>53,940</b>	<b>4,300</b>	<b>645</b>

*\*Assuming 15% share of Elecon in MHE division (Source:- Industry, Anagram research)*

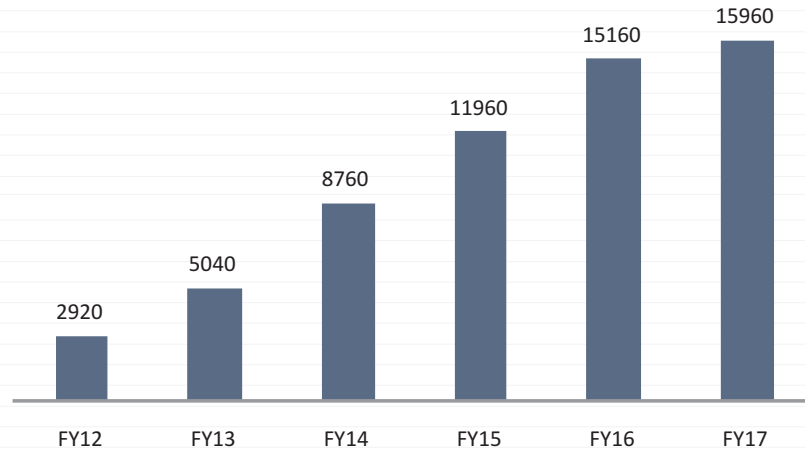
*UMPP gives a huge opportunity as MHE package constitute around 6-10% of total project*

### UMPP:-Might be a trump card.

With Planned investment of 15960 Mw by FY17, already announced by GOI under UMPP, we expect an investment of Rs. 80000 crore for next 7 years. MHE division to attract (industry sources) min of 6-10% of the foresee capex which translate into opportunity of Rs. 5000-8000 Crore. We believe that MHE package would constitute around 6-10% of total project cost.

### UMPPs : Capacity Addition (MW)

*We expect 5-7 UMPP to be awarded in next 1-2 years.*



(Source:- Industry, Anagram research)

Although, the company has not won a single project from UMPP, but going forward, management expects some bidding in UMPP.

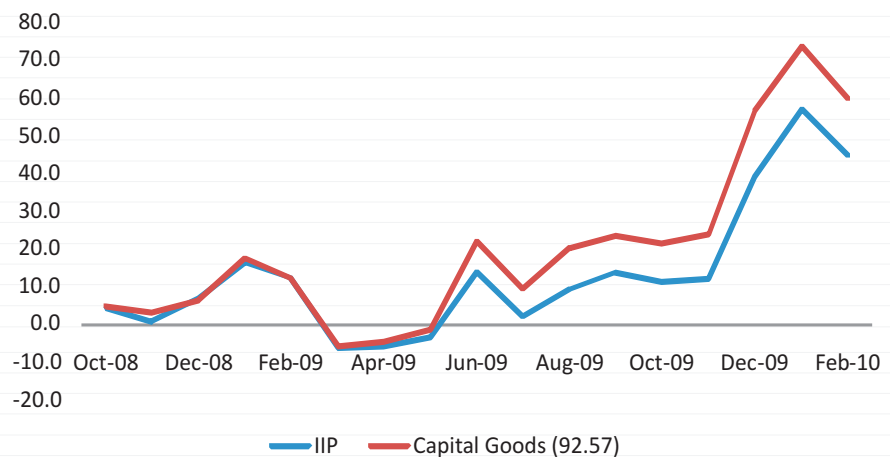
### Bourgeoning IIP

*We expect IIP remain robust going forward on account of huge growth in Core Sector*

IIP Index is testimony to the positive trends in the Indian economy. After a decline to negative territory for most part of FY09-10, IIP has started upwards journey from Oct-09 with significant contribution from the Manufacturing segments. We have achieved sustainable double digit growth since Oct-09 registering 10.3%, 11.7%, 17.6%, 16.7% & 15.1% growth in Oct-09, Nov-09, Dec-09, Jan-10, Feb-10 respectively. Where IIP has lodged double digit growth, capital goods has outperformed by registering a growth of 11%, 11.8%, 38.8%, 56.6% & 44.4% in Oct-09, Nov-09, Dec-09, Jan-10, Feb-10. We expect all-around buoyancy in the economy with IIP expected to remain strong during FY11 & FY12.

### IIP & Capital Goods

*IIP registering sustained double digit growth since Oct-09*



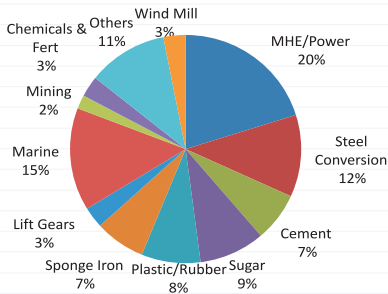
(Source:- Industry, Anagram research)

We expect Order to grow by 20% and 30 % for FY11E & FY12E espically from Power, steel, Wind & Defense..

**Order book likely to pick up this fiscal**

EEL is sitting on a strong order book of INR 13620 mn It has witness a growth of more than 35% CAGR in last 8-9 years. Its order book has grown from INR 1412 mn in FY02 to INR 13620 mn in 9MFY10..

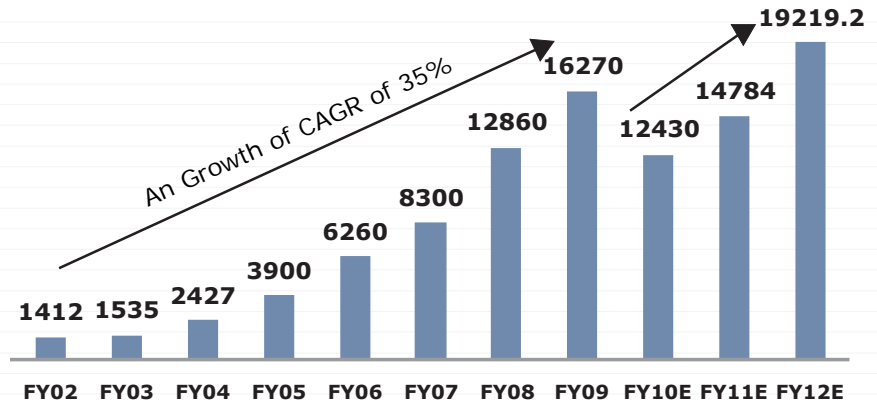
**Industrial Gears Order Break up**



(Sources: -Company, Anagram research)

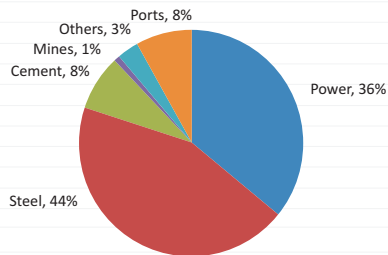
Management expect orders worth INR 8000-10000mn in FY11..

**Order backlog ( INR mn)**



(Source: -Company, Anagram research)

**MHE - order book break up**



(Sources: -Company, Anagram research)

Elecon’s Order backlog is at a 2 year low. Order inflow’s have taken a huge hit in last 12 months due to economic slowdown. However with picking up in industrial demand, management expect minimum of Rs. 8000-10000mn order inflow in FY11 with live enquires of Rs. 50000 mn. Company has already bagged order worth of Rs. 1500 mn in April10. Going forwards, apart from power sector, management expects orders mainly from Cement, steel & port sectors.

## Restructuring of the Elecon Group

*Management expect consolidated revenue of INR 15000 mn for FY10E*

Elecon has initiated a Corporate restructuring exercisewith a view to consolidate the business with in the group companies. This will result in enhancing the shareholder's value, synergy & will provide financial stability going forward.

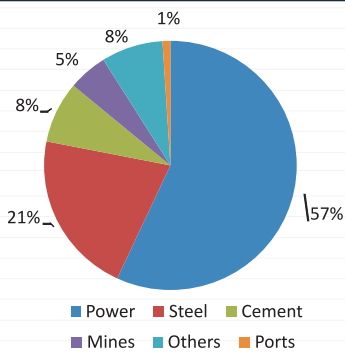
Group Companies	Holding	Nature of Business	Reveue ( FY 09 INR mn)	PBT (INR mn)	PBT margin(%)	Remarks
Eimco Elecon	16%	Manufacturer of rock excavation and breaking equipments for surface and underground mines	1437	234	16%	Expanding portfolio, Almost Debt Free
Ringspann Elecon (I)	25%	Manufacturer of tranmission products like back stops free wheels, cone clamping elements, etc	160	20	13%	Caters to small Engginerring products
Power Build	NA	Manufacturer of Geared Motors & Gear Boxes	1149	78	7%	-
Emtici Engineering	NA	Sole Selling Agent for the Group	502	205	41%	Marketing company for group
Prayas Engineering	NA	Manufacturer of Idler roller, pulley, gear components, non ferrous casting	1858	154	8%	
Elecon Information Tech	NA	IT	70	10	14%	

(Source: -Company, Anagram research)

Apart from Elecon Engineering, Elecon group has six companies under its portfolio.

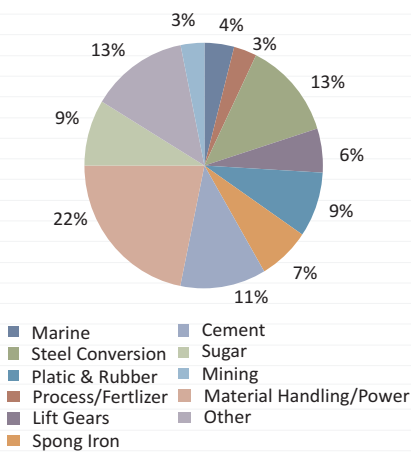
We believe restructuring of group will help Elecon to raise finance efficiently which will help in funding their increasing capex going forward.

**MHE-9MFY10 Sales break up**



(Source:-Company, Anagram research)

**Industrial Gear-9MFY10 Sales break up**



(Source:-Company, Anagram research)

*Elecon is market leader in Industrial gears with 26% market share*

*Elecon is Banking on Alternative energy, lift gears, Defence & vertical Rollers Mills for cement & Coal mining Industry*

**Business & Background**

Established in 1951 & promoted by Elecon group, EEL has grown steadily to become one of the prominent player in MHE Industry & Industrial gear boxes. In 2007, EEL diversified its portfolio into windmills & wind gear boxes to tap the opportunity in Wind Power business. EEL has mainly two divisions:-

**MHE** caters to the needs with wide range of products like: Stacker reclaimers, Wagon tippler, Crusher & Impactors, Tripper, Screens pulley, conveying system. Etc caters to the needs of core sector like Power, Steel, Ports & cements. Company derives majority of its revenue from MHE division (power sector contributed 57% 9MFY10).

Products	Industry
Stacker	Power, Cement, Steel, Ports
Wagons Tiplers	Power, Cement, Steel, Ports & Mining
Crushers & Impactors	Power, Cement, Steel, Ports
Trippers	Open Cast Mines
Apron, Vibrating& Paddle Feeders	Power, Cement, Steel, Ports & Mining
Screens, pulley, Conveying system	Power, Cement, Steel, Ports & Mining
Wagons marshalling system	Power, Cement, Steel, Ports & Mining

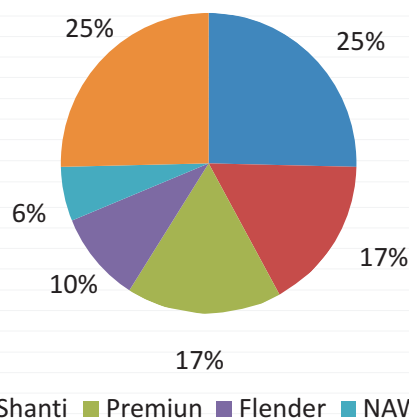
(Source:-Company, Anagram research)

**Industrial Gears:-** It produces different types of gear boxes likes of helical gears, worm gears, special gears, plantery gearboxes, coupling & geared boxes. It caters to the needs of industries like ,sugar, defence, Wind, MHE, fertilizers etc.

Products	Industry
Helical reclaimers), marine plant, Wind mills,	Sugar Industry, MHE ( Stacker application, cooling towers in power tube mills (steel)
Worms systems)	Rolling Mills ( Steel), MHE( Conveyor
Lift Gears	Elevators ( Capacity up to 16 people)
Coupling	MHE( Conveyor systems)

(Source:-Company, Anagram research)

**Industrial Gears Market Share**



(Source:-Company, Anagram research)

Company also makes special type of gearboxes of windmill application for captive purpose as well as for other Wind mill manufacture. Company has recently set up windmill gear box plant to manufacture wind mill gearbox up to 1-2 MW

## Risk Concerns

- **Slowdown in the Economy:-** Slowdown in the Economy could affect the Elecon's clients, there by affecting its performance.
- **Delay in awarding Projects:-** We expect major chunk of future revenues will come from power sector ( UMPP). Any delay in awarding the project will hamper the growth.
- **Rise in Cost:-** Raw material accounts for around 55-60% of direct cost. Any increase in commodity prices may decline the margin going forward.
- **Delay in execution of projects.-** Delay in execution of the projects on account any resource constraints or otherwise might impact the revenue of the company



## Industry Over view

Bulk material handling ( BMH) is an engineering field , centred around the design of equipment used for transportation of material such as ores in loose bulk form. BMH system are typically composed of moveable items of machinery such as stackers, reclaimers, unloaders, conveyer belts, hoopers, & diverters, combined with storage facilities such as stockpiles, stockyards etc.

The purpose of a BMH facility is to transport material from one of several location to an ultimate user. BMH is mainly use at processing facilities (likes of iron & steel, thermal power plant), port sites (loading & or unloading of ores & minerals). On an average , MHE constitute 5-10% of total project cost.

We estimate MHE to be an INR 5695 Crore opportunity by 2020, which are likely to be driven by :

### Power

*INR 300bn opportunity in power projects by 2015...*

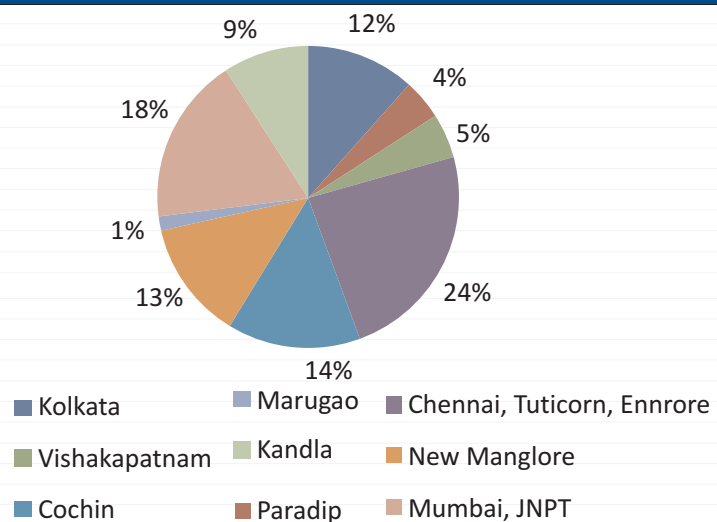
India's Power capacity has increased 7x from 18878 MW in 1956 to 132000 MW by end of 11<sup>th</sup> plan. Approximately 40000 MW of power generation is likely to add by FY12E. We expect around 70% of total power generation will come from coal & lignite at an investment of Rs. 12600 Crore based on our assumption of Rs. 4.5 Cr/MW of capex which gives an opportunity of INR 1260 crore by 2012 & 30000 Crore by 2015 ( based on assumption 10% of total cost goes to MHE).

### Port

*Addressable market share of INR 66-72 bn for port equipment division...*

Indian port capacity is likely to be doubles by FY14 to INR 1500 mn tonnes with estimated capex of Rs. 60000 Crore. According to Industry sources, MHE constitutes 11-12% of total port capex which includes cranes, BMH plants etc. which translates into addressable market share of Rs. 6600 -7200 Crore for port equipment division.

### Estimated investment in Ports till FY14

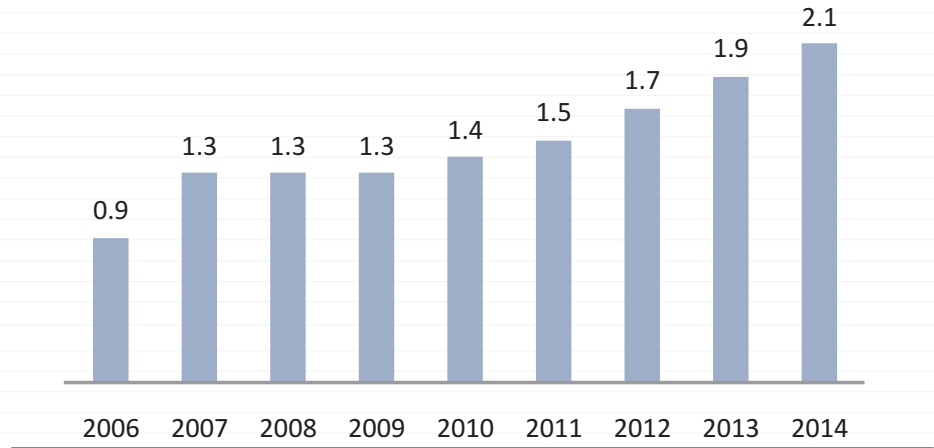


(Source:-IPA, Anagram research)

### Steel

We expect Rs. 262000 Crore investment in steel to be added over next ten year. As a thumb rule , 5-7% of total capex is addressable market share of MHE players which translates into opportunity of Rs. 12500-18000 Crore, which includes various opportunity such as coal handling, ash handling coke oven battery, sintering etc.

#### Stainless steel capacity addition per annum

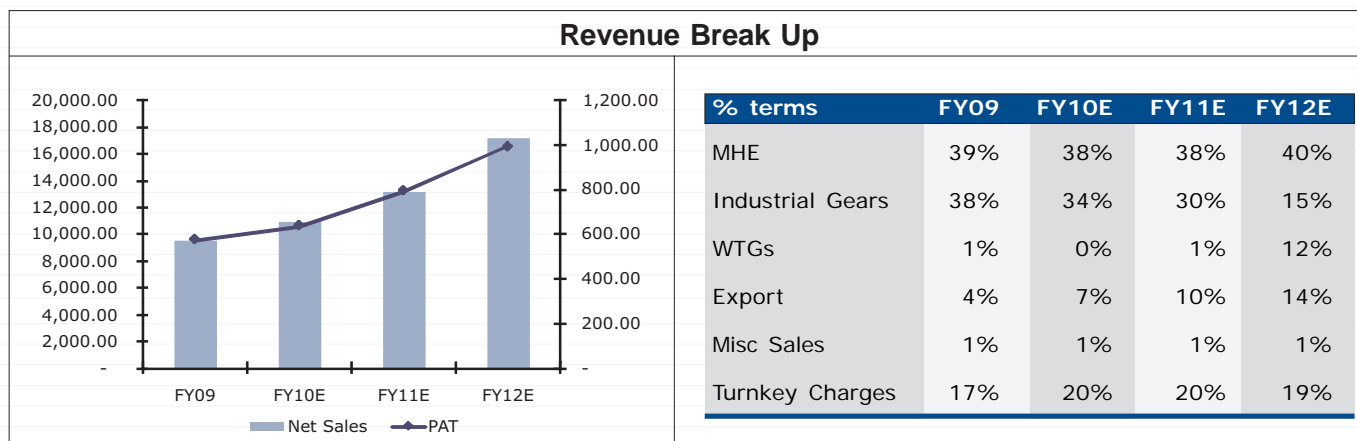


(Source: -JSL Presentation, Anagram research)

## Financials

### Revenue to surge

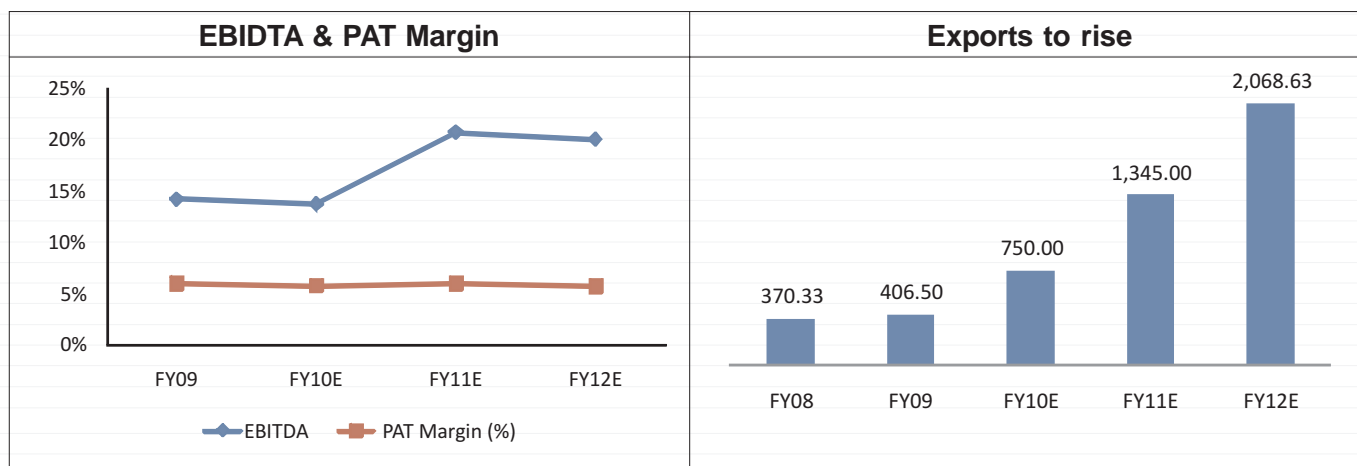
We expect Elecon to earn revenue at a CAGR of 20% from FY10E-FY12E. We believe that the healthy business environment for MHE industry will result in strong order inflow and order booking in future. Elecon has Strong Order book of INR 13620 mn, ensure revenue visibility –equivalent to 1.3x FY09 earnings. We are positive on the engineering skills and execution capabilities of the company and its ability to maintain grip of order booking.



(Source:-Company, Anagram research)

### Margins to remain stable & export to rise

EEL is likely to report CAGR of profit for FY10E-12E. EBIDTA margin (which is highest in the industry) are likely to remain stable, while net profit is likely to remain in the range of 6-7%. )



Source:- Company data, Anagram research

Export constitutes 4% of sales in FY09, and it is expected to touch 7% by FY10E & 12% by FY12E. Management is giving thrust on export as they account for higher margin ( around 18-20%).

### Peers Comparison

*Currently trading at lowest among the peers.*

	EPS			P/E		
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Elecon	6.86	8.52	10.64	11.30	9.09	7.28
TRF	63.4	99.4	152.4	16.56	10.56	6.89
Mcnally*	16.6	21.6	28.1	21.63	16.62	12.78

*Company enjoys highest EBIDTA margin in the industry*

	EBIDTA Margin			EV/EBIDTA		
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Elecon	15%	16%	14%	7.36	6.28	5.29
TRF	12%	11.50%	11.75%	11.63	8.16	5.38
Mcnally *	9.1	9.2	9.4	8.7	7.2	6.1

*Trading at lowest on EV/EBIDTA*

*Sales of the Company is likely to increase by CAGR of 19.23% from FY10E-FY12E*

	Sales Growth			PAT Growth		
	FY10E	FY11E	FY12E	FY10E	FY11E	FY12E
Elecon	15%	20%	31%	11%	24%	25%
TRF	38%	49%	55%	72%	57%	53%
Mcnally *	56.3	30.3	22.8	177.3	30.1	30.1

*EEL to register one of the highest PAT growths in FY12E.*

\* Other brokerage expectation  
(Source:-Anagram research)

## Valuation

*Huge investment in core sector coupled with diversification in wind business will likely to benefit EEL's growth going forward....*

EEL, with its strong presence in bulk handling material, is one of the major beneficiaries of strong investment in the core sector of power, steel, port etc. Pertinently, the power sector alone is expected to fetch an investment of Rs. 220,000 by FY15, which is expected to churn out orders of Rs. 30,000 Crore for MHE. Further, as Indian Corporates continue to invest in capacity expansion, we believe demand for the Elecon's product especially Industrial gears continue to remain high. Elecon continues to enjoy highest EBIDTA Margin in Industry (15%-16%) & Management is confident of stable margin going forward despite increasing commodity prices. The diversification into Wind mill business is expected to contribute INR 1500 mn in next two years.

*Current valuations look attractive considering the strong revenue visibility expected ahead on the back of a healthy order backlog*

At the current price, the EEL stock trades at 9x FY11E and 7x FY12E EPS. On an absolute basis we expect EEL to record an EPS of Rs 8.52 in FY11E and Rs 10.64 in FY12E respectively. Traditionally the EEL stock has traded in a P/E band of 12-14x and hence we believe that current valuations look attractive considering the strong revenue visibility expected ahead on the back of a healthy order backlog (Rs 13.62 bn), coupled with a potential of strong new order inflows, which makes us initiate a **BUY** on the stock with a Target Price of Rs 130 based on 12x FY12E. At our TP the stock would trade at a P/E of 14x FY11E and 12x FY12E.

## Profit and Loss Statement

INR mn	FY09	FY10E	FY11E	FY12E
<b>Net Revenues</b>	<b>9,550.6</b>	<b>10,978.0</b>	<b>13,203.6</b>	<b>17,238.6</b>
% Growth	16%	15%	20%	31%
Total Expenditure	8,060.3	9,283.0	11,157.0	14,782.1
<i>Raw material Changes</i>	<i>7,374.77</i>	<i>7,416.77</i>	<i>9,044.45</i>	<i>12,023.92</i>
<i>Power &amp; Fuel</i>	<i>70.59</i>	<i>109.78</i>	<i>132.04</i>	<i>172.39</i>
<i>Employee Cost</i>	<i>438.32</i>	<i>548.90</i>	<i>660.18</i>	<i>861.93</i>
<i>Administrative cost</i>	<i>1,231.55</i>	<i>1,207.58</i>	<i>1,320.36</i>	<i>1,723.86</i>
<i>(inc)/dec in cost</i>	<i>(1,054.96)</i>	-	-	-
<b>Core EBIDTA</b>	<b>1,490.4</b>	<b>1,695.0</b>	<b>2,046.6</b>	<b>2,456.5</b>
<b>Growth (%)</b>	<b>14%</b>	<b>14%</b>	<b>21%</b>	<b>20%</b>
Other income	95.8	225.8	95.8	95.8
Depreciation	221.5	387.4	417.8	456.9
EBIT	1,364.7	1,533.4	1,724.5	2,095.4
Growth (%)	8%	12%	12%	22%
Interest Exp	483.7	552.2	505.1	572.7
EBT	881.0	981.1	1,219.5	1,522.7
Tax	306.5	343.4	426.8	532.9
<b>PAT</b>	<b>574.5</b>	<b>637.7</b>	<b>792.7</b>	<b>989.7</b>
<b>Growth (%)</b>	<b>-14%</b>	<b>11%</b>	<b>24%</b>	<b>25%</b>

## Balance Sheet

INR mn	FY09	FY10E	FY11E	FY12E
Share capital	186.0	186.0	186.0	186.0
Researve & Surplus	2,568.0	3,320.6	4,703.0	5529.7
Share holders fund	2,754.0	3,506.6	4,889.0	5715.7
Secured Loan	5,236.0	5,494.5	6,162.8	6237.0
Unsecured Loan	685.0	55.5	62.3	63.0
Total Loan	5,921.0	5,550.0	6,225.0	6300.0
<b>Total Liability</b>	<b>8,675.0</b>	<b>9,056.6</b>	<b>11,114.0</b>	<b>12,027.0</b>
Gross Block	4,277.0	5,027.0	5,527.0	6,027.0
Depreciation	1,448.0	1,835.4	2,253.2	2,710.1
Net Block	2,829.0	3,191.6	3,273.8	3,316.9
Investment	109.0	109.0	-	-
Capital Work in Prog	281.0	267.0	-	277.0
Current Assets	10,084.0	10,225.7	13,767.0	17,248.8
Inventories	4,007.0	4,177.4	5,020.7	6,651.9
Debtors	4,717.0	4,960.0	7,129.0	8,964.1
Cash & bank	611.0	265.0	560.0	495.0
Loans & Adv	749.0	823.4	1,056.3	1,137.7
Current Liab & Prov	4,317.7	4,720.6	5,941.6	7,412.6
Current Liab	4,086.7	4,484.5	5,644.5	7,042.0
Prov	231.0	236.0	297.1	370.6
Net Current assets	5,766.3	5,505.2	7,825.0	9,836.2
Misc Exp	17.0	17.0	17.0	415.0
Deferred tax	328.0	-	360.0	328.0
<b>Total Assets</b>	<b>8,675.0</b>	<b>9,056.6</b>	<b>11,114.0</b>	<b>12,027.0</b>

## Cash Flow Statement

INR mn	FY09	FY10E	FY11E	FY12E
EBIT	1364.0	1533.0	1724.0	2095.0
Dep	221.5	387.4	417.8	456.9
Less: -Other Adjust	80.8	80.8	80.8	80.8
Change in WC	(570.8)	(89.9)	(2,086.0)	2,3213.0)
Tax Paid	306.5	343.4	426.8	532.9
Cash flow from opt	657.0	1447.0	(413.0)	(347.0)
Capex	(1,401.8)	(700.0)	(500.0)	(500.0)
Sale of Asst & Invest	1.9	77.3	-	-
Interest	53.5	53.4	53.4	53.4
Dividend	7.2	7.2	7.2	7.2
Net Cash From Invest	(1,353.4)	(562.1)	(439.4)	(439.4)
Long term debt	1,630.0	258.5	668.3	74.3
Payment of Long term debt	(448.7)	(141.0)	-	-
Other borrowing	3973.0	787.0	492.0	-
Payment of other borrowing	(3326.3)	(800.0)	(675.0)	(75.0)
Interest Paid	(483.0)	(552.0)	(505.0)	(572.0)
Dividend Paid	(161.8)	(163.0)	(163.0)	(163.0)
Net Cash From Financing	1176.0	(1326.0)	1147.7	722.4
Net Inc/ ( Dec) in cash	480.0	(441.0)	295.0	(64.32)
Cash & Cash Equi at bgning	(227.0)	707.4	265.0	560.2
Cash & Cash Equi at END	707.0	265.04	560.2	496.0

## Ratio Analysis

	FY09	FY10E	FY11E	FY12E
<b>Growth</b>				
Net Sales	16%	15%	20%	31%
PAT	-14%	11%	24%	25%
EBITDA	14%	14%	21%	20%
EPS	-14%	11%	24%	25%
CEPS	0%	12%	16%	23%
Gross Fixed Assets	42%	18%	10%	9%
Capital Employed	34%	4%	23%	8%
<b>Valuation</b>				
EPS (Rs.)	6.2	6.9	8.5	10.6
CEPS (Rs.)	20.9	23.3	27.1	33.2
BVPS (Rs)	29.6	37.7	52.6	76.3
PER (x)	12.5	11.3	9.1	7.3
P/BV (x)	2.6	2.1	1.5	1.0
EV/EBITDA (x)	8.4	7.4	6.3	5.3
Mkt Cap/Sales (x)	0.8	0.7	0.5	0.4
Debt/Equity (x)	2.1	1.6	1.3	0.9
<b>Profitability</b>				
ROE (%)	6%	5%	5%	7%
EBIDTA Margin (%)	16%	15%	16%	14%
PBT Margin (%)	-11%	11%	24%	25%
Net Profit Margin (%)	6%	6%	6%	6%
<b>Turnover</b>				
Avg. Coll Period (Days)	177.8	162.7	194.0	198.8
Avg. Invent Period (Days)	195.6	202.8	199.8	199.2
Avg. Payment Period (Days)	192.8	183.1	191.7	180.5
Net working capital (Days)	194.3	171.8	208.9	195.1
Net Fixed Assets (x)	3.1	3.2	4.0	4.8
Total Assets (x)	2.1	2.1	2.4	2.7

Source: Anagram / Company

## For Further Details

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## RATING INTERPRETATION :

**BUY** Expected to appreciate more than 20% over a 12-month period

**Accumulate** Expected to appreciate up to 20% over a 12-month period

**Neutral** Expected to remain in a narrow range

**SELL** Expected to depreciate more than 10% over a 12-month period

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