28 August 2008

Conference Highlights

NexGen Conference

20-21 Aug 2008

The Oberoi, Mumbai

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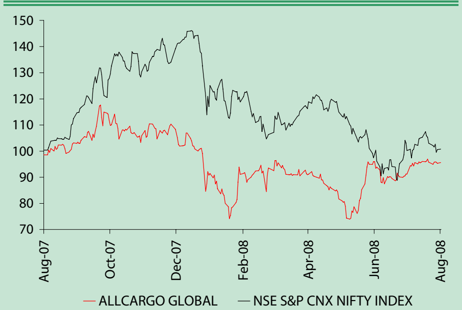
CMP Rs839
Not Rated

Key Data

Bloomberg Code	AGLL IN
Reuters Code	ALGL.BO
Current Shares O/S (mn)	22.4
Diluted Shares O/S(mn)	25.0
Mkt Cap (Rs bn/US$ mn)	18.8/425.9
52 Wk H / L (Rs)	1,064/592
Daily Vol. (3M NSE Avg.)	10,984
Face Value (Rs)	10
1 US$ = Rs44	

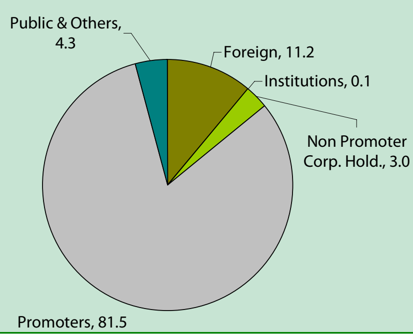
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Allcargo	5.2	4.6	2.9
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Allcargo is a leading logistics service provider into multimodal transport operations (MTO), non-vessel operating common carrier (NVOCC), container freight stations (CFS), handling of project cargo and infrastructure equipment-handling. Under MTO, it offers services like consolidation of less-than-container load (LCL) and full container load (FCL) cargoes for exporters and importers.

Key takeaways

- The management believes the global economic slowdown is unlikely to impact the NVOCC business. This is because the company mainly focuses on LCL cargo (around 75% of the total containers handled by ECU) and is geographically diversified across Europe, Latin America Middle East, and Africa. During a slowdown, there is often a transition of freight from full load to part load, as people buy in smaller quantities, which it believes would not impact its volumes.
- Allcargo expects to improve ECU Line's EBIDTA margin from 3% to >5% in next 3 years. It has taken steps like a tie-up with Econocaribe, the 3rd largest NVOCC in the US, outsourcing back-end & support functions to India and setting-up a global freight buying office in Singapore.
- The company plans to expand its network of CFS and inland container depot (ICDs) across India. It has already acquired land at Pithampur (near Indore), Bangalore, Nagpur and Hyderabad to develop into ICDs. While the ICD at Pithampur is ready and would be operational in Sep 2008, others will be operational by mid-CY10. Each ICD will have a capacity of 36,000 TEU pa. It also plans to set up an ICD at Ahmedabad, where it is yet to acquire land.
- It has entered into a JV with Concor to set up an ICD at Dadri, Greater Noida, with a capacity of 84,000 TEU pa, which is likely to be operational in Q1CY09. While it plans to expand capacity at Chennai to 84,000 TEUs during Q3CY08, it has already increased capacity at JNPT to 144,000 TEUs in July 2008.
- Allcargo expects its projects and equipment-handling division to benefit directly from the increased spending in infrastructure development in India. It plans to add 24 cranes to its fleet of 51. These second-hand cranes are being sourced from international markets, as the lead time for new cranes is 18-24 months. It expects to improve overall margins with higher margins from the crane division (~60%).
- It sees good opportunities in project cargo business, which involves handling over-weight/dimensional cargo. Infrastructure-led growth is expected to increase the demand for such specialised transport solutions. The company expects their equipment-handling division to benefit from this business, as it can add value by providing cranes for installation of the equipment at the plant sites.

Key Financials

Y/E Dec	9MCY06	CY07	CY08E	CY09E
Net Sales (Rsmn)	8,952	16,135	19,655	22,500
Growth (%)	*230.1*	*80.2*	*21.8*	*14.5*
EBIDTA (Rsmn)	799	1,424	2,005	2,416
EBIDTA Margin (%)	*8.9*	*8.8*	*10.2*	*10.7*
PAT after Minority Interest (Rsmn)	604	766	1,044	1,254
PAT Margin (%)	*6.7*	*4.7*	*5.3*	*5.6*
EPS Diluted (Rs)	22.8	28.9	39.4	47.4
P/E diluted (x)	36.8	29.0	21.3	17.7
EV/EBIDTA (x)	28.2	16.1	11.2	8.7
EV/Sales (x)	2.5	1.4	1.1	0.9
RoE (%)	*21.7*	*17.7*	*18.0*	*15.7*
RoCE (%)	*19.5*	*15.9*	*16.3*	*14.5*

Source: Company, Centrum Research Quick Estimates

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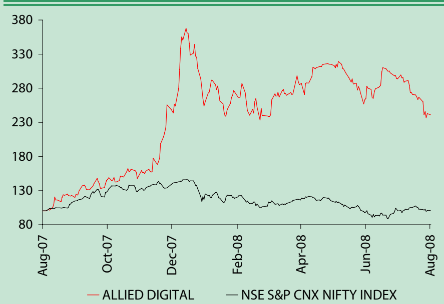
CMP Rs700
Not Rated

Key Data

Bloomberg Code	ALDS IN
Reuters Code	ADIS.BO
Current Shares O/S (mn)	17
Diluted Shares O/S(mn)	17
Mkt Cap (Rs bn/US$ mn)	12.2/277.3
52 Wk H / L (Rs)	1,129/281
Daily Vol. (3M NSE Avg.)	6,962
Face Value (Rs)	10
1 US$ = Rs44	

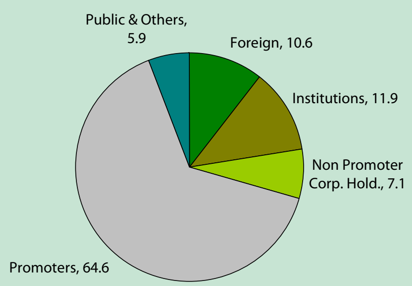
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Allied Digital	(18.4)	(10.1)	149.9
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Allied Digital Services (ADSL) is among the leading companies in the rapidly growing domestic Infrastructure Management Services (IMS) market and derives almost 94% of its revenues from India. The recent acquisition of En Pointe Technologies would be instrumental in expanding its geographic reach and address the humongous potential of IMS outsourcing from the US market. The company's business is broadly divided into two divisions – solutions and services. The solutions business accounts for 70% of the total revenues and 31% of operating profit, while the services division contributes 30% of total revenues and 69% of operating profit.

Key takeaways

- Crisil Research has forecast 40% CAGR in India's share in the global infrastructure management space from 0.95% in FY06 to 3.9% in FY11. This growth will be driven by two factors. First, the growing number of MNCs outsourcing their IT infrastructure management function on the back of improved telecom infrastructure, and secondly the ability of Indian players to bid for and win global IMS contracts. ADSL has witnessed a higher-than-industry growth (78% CAGR) over FY05-FY08 because of its niche focus in the IMS space.
- The strategic acquisition of En Pointe Technologies (ENPT) in the US for US$30mn has paved the way for ADSL to enter into a high-spending American market. This acquisition is revenue and earnings accretive and is expected to strengthen the opportunity pipeline for the company in the US market for its Remote Service offering. ENPT has contracted revenues of US$40mn and has an order-book of US$47mn to be executed over the next 12 months.
- The management intends to improve the proportion of its services revenues from 30% in FY08 to 45-50% in FY09, thereby improving its operating margins to around 24%. The services division has registered a 96% CAGR from Rs61mn in FY04 to Rs902mn in FY08. This segment currently operates at EBITDA margins in excess of 50% and intends to retain the segmental margins going forward, thereby improving the company-wide margins. Within the services division, the company is aptly poised to off-shore its IMS services to remote locations improving its efficiency, control and margins. A constant shift from the low margin, solutions business (10-12% OPM) to high-margin Services business over the last 4 years has boosted operating margins from 6% in FY05 to 24% in Q1FY09.

Key Financials

Y/E March	FY06	FY07	FY08	FY09E	FY10E
Net Sales	886	1,563	3,008	5,306	10,017
% Growth	*71.3*	*76.4*	*92.5*	*76.4*	*88.8*
EBITDA (Rsmn)	169	330	660	1,621	2,997
Margin (%)	*19.1*	*21.1*	*21.9*	*30.5*	*29.9*
PAT(Adjusted) (Rsmn)	121	229	427	897	2,128
Growth (%)	*740.0*	*89.7*	*86.0*	*110.4*	*137.1*
Net Debt (Rsmn)	59	23	(72)	(273)	(1,247)
ROE (%)	*78.8*	*54.6*	*33.6*	*38.2*	*52.9*
EPS(diluted) (Rs)	12.0	18.9	26.9	50.8	119.8
P/E(diluted) (x)	64.7	41.0	28.9	15.3	6.5
EV/EBITDA (x)	80.4	41.1	20.6	8.4	4.5
EV/Sales (x)	15.3	8.7	4.5	2.6	1.4
P/BV (x)	39.3	16.9	7.2	4.5	2.7

Source: Company, Bloomberg consensus estimates

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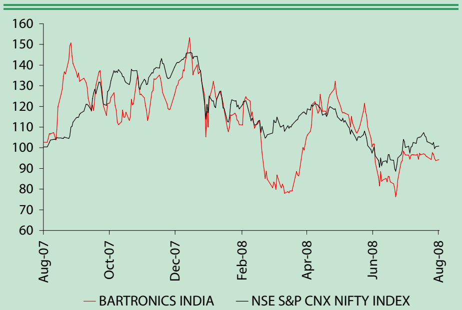
CMP Rs173
Not Rated

Key Data

Bloomberg Code	BAIL IN
Reuters Code	BARI.BO
Current Shares O/S (mn)	28
Diluted Shares O/S(mn)	36
Mkt Cap (Rs bn/US$ mn)	4.8/109.4
52 Wk H / L (Rs)	295/125
Daily Vol. (3M NSE Avg.)	157,660
Face Value (Rs)	10
1 US$ = Rs44	

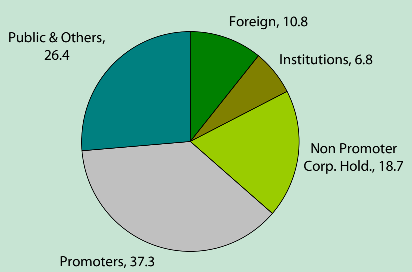
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Bartronics	(3.2)	(22.8)	(2.2)
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Bartronics is mainly engaged in automatic information and data capture (AIDC) business. Incorporated in 1990, it was primarily involved in selling products and solutions for data capture in the areas of logistics and inventory management, time and attendance management and asset tracking operations. It has implemented a number of projects for various companies at their manufacturing set-ups. Currently, it offers diverse range of AIDC technologies – barcode, biometrics, radio frequency identification (RFID), radio frequency data communications (RFDC) and electronic article surveillance (EAS). The company has recently set up an 80mn smart card facility in Hyderabad to cater to the growing demand from the telecom sector, banking and government entities.

Key takeaways

- Bartronics currently has a Rs9bn order-book of which more than Rs3bn is from the AIDC segment, while the rest if from the smart card solutions. The order-book includes a recently bagged Rs4bn order from Employees State Insurance Corporation encompassing 639,000 villages across 609 districts in India. The company has also received an Rs1.5bn order from the Rajasthan government and Rs50mn from the Bihar government. We believe revenues from these government orders would start accruing significantly from FY10 as the capacities for the smart card facility are currently being utilised for telecom SIM card contracts.
- The company is expanding globally to tap export opportunities. It mainly exports to South East Asian countries such as Singapore and Malaysia. It has recently started operations in the US after acquiring two companies there for a cumulative sum of $50mn. These companies provide solutions for secure RFID cashless payments, access control, verification solutions etc. The management expects the US subsidiaries to contribute $40mn to revenues in FY09. The company is also planning to enter the European market through the acquisition route.
- In order to finance its ambitious growth plans, the company has significantly diluted equity over last two years with issue of warrants (3.25mn shares), QIP issue (4.63mn shares), two rounds of FCCB issues ($25mn and $50mn each convertible at Rs140 and Rs290 respectively). The company is currently fully-funded for executing the current order-book and would consider further raising funds only after FY10 if it wants to increase its smart card manufacturing capacity.
- The management has guided to a top-line of Rs5bn and Rs10bn in FY09E and FY10E, respectively on back of a strong order-book across geographies and verticals. It estimates PAT margins in the range of 18-20% for next two years.

Key Financials

Y/E March	FY06*	FY07*	FY08	FY09E	FY10E
Revenues (Rsmn)	290	635	2,697	5,089	7,774
Growth (%)	*60.0*	*119.2*	*324.8*	*88.7*	*52.8*
EBIDTA (Rsmn)	74	169	650	1,262	1,955
EBIDTA margin (%)	*25.5*	*26.6*	*24.1*	*24.8*	*25.1*
PAT (Rsmn)	53	135	484	828	1,416
Growth (%)	*123.0*	*152.2*	*259.2*	*71.0*	*71.2*
NPM (%)	*18.4*	*21.2*	*17.9*	*16.3*	*18.2*
Diluted EPS (Rs)	1.5	3.7	13.4	23.0	39.3
P/E (x)	116.9	46.4	12.9	7.5	4.4
EV/EBIDTA (x)	30.4	18.8	9.0	4.1	2.6
ROCE (%)	*9.0*	*12.1*	*11.3*	*16.1*	*22.3*

**Standalone, FY09 and FY10 are quick estimates*
Source: Company, Centrum Research

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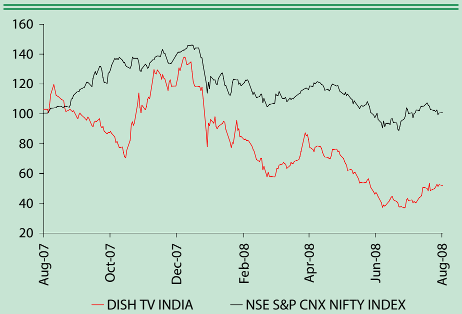
CMP Rs39
Hold

Key Data

Bloomberg Code	DITV IN
Reuters Code	DSTV.BO
Current Shares O/S (mn)	428
Diluted Shares O/S(mn)	428
Mkt Cap (Rs bn/US$ mn)	16.6/377.2
52 Wk H / L (Rs)	106/26
Daily Vol. (3M NSE Avg.)	2,840,485
Face Value (Rs)	1
1 US$ = Rs44	

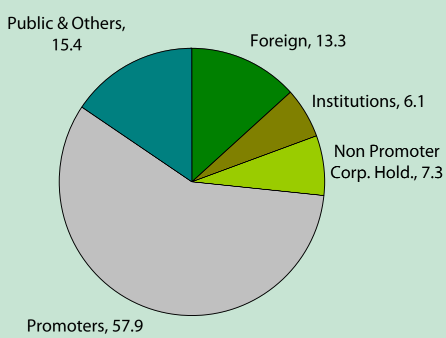
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Dish TV	24.4	(37.3)	(46.6)
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

DishTV, which pioneered DTH services in India in Oct 2003, is the market leader in this segment (~56% market share) with 2.9mn net subscribers as of Q1FY09. The company is likely to enhance its channel capacity to about 445 channels, a significant advantage unlikely to be matched by competitors in the medium-term. The management has guided EBITDA break-even with 5-5.25mn subs by mid-FY10. We maintain our Hold rating on the stock. Upside triggers could emerge from (a) completion of fund raising and (b) reduction in license fees from 10% of revenue to 6% as recommended by TRAI.

Key takeaways

- Industry growth momentum remains upbeat with recent net addition of about 350,000 subscribers per month, likely to expand with the entry of new players. New players will expand the industry size since increased marketing spend is likely to enhance consumer education and acceptability of the DTH platform.
- The management believes new entrants are unlikely to enter into price war as the industry is witnessing high subscriber acquisition cost, which is not sustainable. In addition, new entrants are on MPEG4 platform and need to bear a higher subsidy of US$10-20 per STB. The recent launch of Reliance BigTV's DTH service supports the view that new entrants may refrain from price differentiation strategy.
- Management believes the DTH industry is operating at very low ARPU level that is not sustainable and provides room for upside. The company doesn't view southward pressure on ARPU with emerging competition.
- The company expects that with the advent of new channel offerings, carriage revenue is likely to become a meaningful revenue stream (Rs1.0bn) by FY10E.
- Management guided EBITDA break-even with 5-5.25mn subs by mid-FY10 and cash break-even with about 7mn subs by mid-FY11.
- The company indicated its plan to increase transponder capacity equivalent to 14 transponders of 36MHz through Protostar satellite. This is likely to increase its channel capacity by ~210 channels to ~445 by FY09 that will act as a significant competitive advantage over competitors due to dearth of transponder capacity.
- Funding requirement is Rs1.6bn. The company is likely to fund it partially by equity and has filed for rights issue of Rs1.14bn.
- Management believes TRAI's proposal for reduction in license fees from 10% to 6% of revenue would be accepted.
- Key risk remains funding requirement to meet its subscriber acquisition cost and emerging competition in DTH segment

Key Financials

Y/E Mar	FY07	FY08	FY09E	FY10E
Net Sales (Rsmn)	1,916	4,122	7,119	10,862
Growth (%)	*-*	*115.1*	*72.7*	*52.6*
EBITDA (Rsmn)	(1,700)	(2,134)	(1,713)	(558)
OPM (%)	*(88.7)*	*(51.8)*	*(24.1)*	*(5.1)*
PAT (adj) (Rsmn)	(2,396)	(4,141)	(5,040)	(5,049)
EPS (diluted) (Rs)	(5.6)	(9.6)	(11.8)	(11.8)
P/E (diluted) (x)	NM	NM	NM	NM
EV/EBITDA(x)	NM	NM	NM	NM
EV/Sales(x)	9.7	6.1	4.1	3.1
Price/BV(x)	NM	NM	NM	NM
Subscriber (mn)	1.9	2.5	3.6	4.7
ARPU (Rs)	114	156	196	219
EV/sub (USD)	245	252	208	177

Source: Company, Centrum Research

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Glenmark Pharma

CMP Rs653
Accumulate

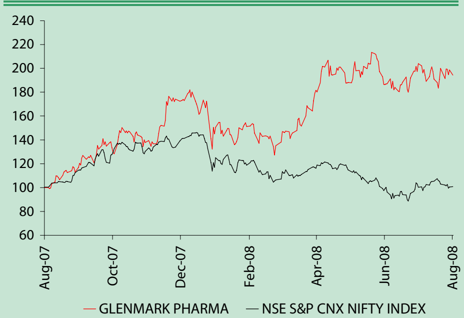
Key Data

Bloomberg Code	GNP IN
Reuters Code	GLEN.BO
Current Shares O/S (mn)	250
Diluted Shares O/S(mn)	253
Mkt Cap (Rs bn/US$ bn)	163.3/3.7
52 Wk H / L (Rs)	736/304
Daily Vol. (3M NSE Avg.)	358,297
Face Value (Rs)	1

1 US$ = Rs44

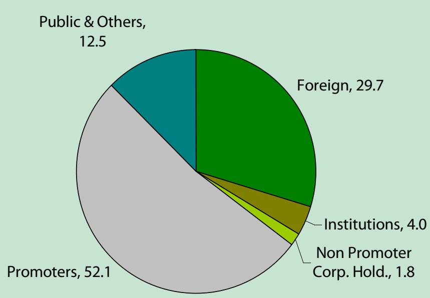
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Glenmark	(3.8)	28.5	100.9
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Glenmark Pharma is a research-driven, fully-integrated pharma company and has among the best discovery research pipelines within the Indian pharma space with 8 NCEs and 5 NBEs at various stages of development. The management has indicated strong growth outlook and plans to position the company in niche segments to boost profitability. The management has guided revenue of US$669mn and PAT of US$210mn for FY09E. We maintain our Accumulate rating.

Key takeaways

- Eight NCE/NBE molecules would be in clinical trials by end FY09. GBR500, an anti-inflammatory compound used for acute multiple sclerosis and inflammation disorders, is expected to enter clinical trails in Sep 2008. Phase I trial is expected to be completed by the end of FY09. GBR500 is a multi-billion dollar molecule.
- The management has guided to conclude two out-licensing deals in FY09 for any of the molecules and expects NCE income of US$69mn. The strategy is to have 4 molecules out-licensed at any point of time. After out-licensing 4 molecules, the company would develop others on its own. If any of the out-licensed molecules fails, the company would look for out-licensing other molecules.
- The company's Latin American business has declined during the past two consecutive quarters because of the absence of hospital tenders. However, the focus is on prescription sales which grew 80% YoY in Q1FY09 as per IMS. Hospital tenders could come in other quarters.
- Glenmark would continue to look for small acquisitions in various geographies to gain a fast entry into those markets. The strategy is to have presence in most of the global markets before any of the innovative drugs is commercialised.
- The company is also looking for a front-end acquisition in US, particularly in specialty business, and the size of the acquisition may be over US$500mn.
- The company has deferred plans of listing its wholly-owned subsidiary, Glenmark Generics Ltd, and would consider about it only after six months.
- The key risk the company faces is the failure of any innovative R&D molecule. However, this risk is mitigated as the company has 13 molecules in the pipeline.

Key Financials

Y/E Mar	FY06	FY07	FY08E	FY09E	FY10E
Revenues (Rsmn)	6,761	11,892	19,783	26,223	33,943
YoY growth (%)	*25.1*	*75.9*	*66.4*	*32.6*	*29.4*
EBITDA (Rsmn)	1372	4263	8,031	10,186	12,826
EBITDA Margin (%)	*20.3*	*35.8*	*40.6*	*38.8*	*37.8*
Adjusted Profit (Rsmn)	880	3121	6,313	7,885	10,312
YoY growth (%)	*(17.9)*	*254.8*	*102.3*	*24.9*	*30.8*
NPM (%)	*13.0*	*26.2*	*31.9*	*30.1*	*30.4*
Diluted EPS (Rs)	3.5	12.3	24.9	31.1	40.7
ROE (%)	*24.4*	*57.8*	*54.6*	*38.6*	*34.7*
ROCE (%)	*10.4*	*24.2*	*34.2*	*31.2*	*31.0*
P/E (x)			26.5	21.0	16.0
EV/EBITDA (x)			20.8	16.2	12.5

Source: Company, Centrum Research

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IDBI Bank

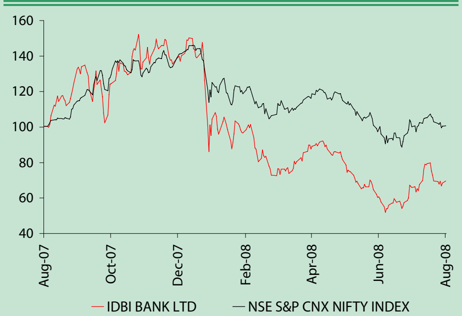
CMP Rs82
Not Rated

Key Data

Bloomberg Code	IDBI IN
Reuters Code	IDBI.BO
Current Shares O/S (mn)	725
Diluted Shares O/S(mn)	725
Mkt Cap (Rs bn/US$ mn)	59.5/1.4
52 Wk H / L (Rs)	181/57
Daily Vol. (3M NSE Avg.)	2,516,039
Face Value (Rs)	10
1 US$ = Rs44	

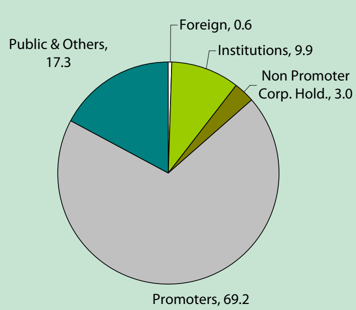
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	**1M**	**6M**	**1Yr**
IDBI	6.7	(29.5)	(26.3)
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

IDBI Bank (IDBI), earlier a development financial institution providing project finance, was converted to a bank in October 2004. At the time of conversion, a large part of its NPLs were transferred to an SPV and around the same time, the government of India restructured a portion of its high cost liabilities. In April 2005, It IDBI amalgamated IDBI Bank with itself and erstwhile United Western Bank in October, 2006. Currently, the bank has assets worth Rs1300bn operating under separate verticals like Personal Banking, mid-corporate, Large corporate, Infrastructure, SME and Agri business. It has also created a separate recovery vertical to handle stressed assets. IDBI has life insurance joint venture with Fortis and Federal Bank, which commenced operations in March 2008.

Key takeaways

- The company's 2009 loan growth is expected to be in line with industry growth rate of 20%, contributed primarily by large corporates and SMEs. The bank has targeted 20% growth in retail and 80% in the SME segment.
- It aims to improve its FY09 NIM to 0.8%-1% vis-à-vis 0.68% in FY08, through CASA improvement. For the purpose, it expects to add 100 branches to its existing network of 500 branches. It expects to improve yields on advances, likely to be reset during the year.
- IDBI Bank has non-strategic investments of Rs20bn, of which Rs15bn are listed and Rs5bn unlisted. It hopes to book gains from disposal of such assets at about Rs1.5bn every quarter over next couple of years.
- The bank is confident of meeting its deadline of 30 Sep, 2009 to maintain 25% SLR. In Q1FY09, its SLR stood at 17-18% and the bank has targeted 20% SLR by end FY09. Currently, all of its SLR investments are in the HTM category.
- The implementation of Basel II will provide the bank benefit of 0.5% in its capital adequacy Ratio.
- IDBI held Rs90bn worth of assets under Stressed Assets Stabilisation Fund (SASF), of which Rs66bn is currently outstanding. The bank has currently settled assets worth Rs57bn book value at Rs55bn, for which it has made cash recovery of Rs24bn and will recover the remaining as per the settlement agreements.

Key Financials

Y/E March	**FY06**	**FY07**	**FY08**
Net Interest Income (Rsmn)	3,799	6,580	6,560
Other Income (Rsmn)	12,805	10,270	16,350
Pre-Provision Profit (Rsmn)	8,009	9,070	13,330
PAT (Rsmn)	5,610	6,300	7,290
EPS (Rs)	7.7	8.7	10.1
RoE (%)	*9.1*	*9.7*	*11.2*
RoA (%)	*0.68*	*0.67*	*0.67*
P/E (x)	10.52	9.36	8.06
Adj BV / share (Rs)	80	79	82
P/ Adj BV (x)	1.01	1.03	0.99

Source: Company

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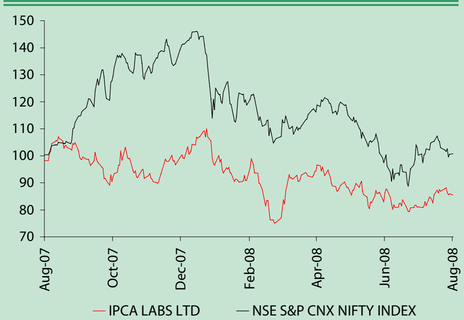
CMP Rs565
BUY

Key Data

Bloomberg Code	IPCA IN
Reuters Code	IPCA.BO
Current Shares O/S (mn)	25
Diluted Shares O/S(mn)	25
Mkt Cap (Rs bn/US$ mn)	14.2/321.7
52 Wk H / L (Rs)	760/446
Daily Vol. (3M NSE Avg.)	15,946
Face Value (Rs)	10
1 US$ = Rs44	

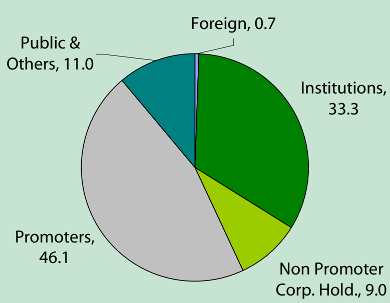
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
IPCA	5.1	(13.9)	(12.2)
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Ipca Labs (Ipca) is a fully-integrated pharmaceutical company engaged in manufacturing and marketing of branded & generic formulations, APIs and intermediates. The company has been assigned 26 all-India rank by ORG-IMS (MAT, March 2008). The management has forecast strong business and growth and expects 18% revenue growth and 21-22% EBITDA margin during the next 3-4 years. We maintain our Buy rating on the stock.

Key takeaways

- Ipca has received approval from the USFDA for its Piparia (Silvassa) formulation facility. This would enable the company to start supplying formulation products to US, where it has two tie-ups for marketing and selling products. Peak sales from this facility are estimated at around US$50mn. The management has indicated the first shipment would start in September 2008.
- Another formulation facility at the Indore SEZ is expected to get completed by Q1FY10E. The capacity of this facility would be about 5bn tablets.
- The full impact of all new capacities would start accruing from FY11E. The management expects total revenues of about Rs20bn and EBITDA margin of about 22% in FY11E.
- The company has 8 approved ANDAs and 30 DMFs in US. Three more ANDAs are expected to be approved during the current financial year.
- The company has built a strong position in pain management over 5 years; this segment will be major contributor to the domestic formulation business ahead. The management expects 18-20% CAGR in domestic branded formulation over next couple of years to be driven by pain, cardiac and CNS segments.
- Sales from the anti-malarial segment declined in Q1FY09 on fewer tenders on account of lower incidence of malarial diseases. The contribution of this segment to overall domestic formulation sales has declined from 40% in FY03 to 17% in FY08 due to the lower growth in malarial business as compared to other therapies. The company expects marginal growth of 5% in this business.
- Ipca has been recently recommended by Bill Clinton's NGO for anti-aids and anti-malarial drugs. This may assist the company in participating global annual anti-malarial tenders worth US$600mn from various countries. Ipca manufactures all kind of APIs and most of the products included in the above tenders.
- The company hedges 40-60% of exports. Export constitutes ~ 50% of total sales.
- The key risks the company faces are shortage of skilled staff, exchange rate fluctuations and DPCO regulations.

Key Financials

Y/E March	FY06	FY07	FY08	FY09E	FY10E
Revenues (Rsmn)	7,553	9,362	10,860	12,626	14,677
YoY growth (%)	*11.0*	*24.0*	*16.0*	*16.3*	*16.2*
EBITDA (Rsmn)	1,150	1,980	2,090	2,553	3,104
EBITDA Margin (%)	*15.2*	*21.1*	*19.2*	*20.2*	*21.1*
Adjusted Profit (Rsmn)	615	1,242	1,357	1,431	2,014
YoY growth (%)	*(13.9)*	*101.8*	*9.3*	*5.5*	*40.7*
NPM (%)	*8.1*	*13.3*	*12.5*	*11.3*	*13.7*
Diluted EPS (Rs)	24.5	49.5	54.1	57.1	80.3
ROE (%)	*17.7*	*29.4*	*25.5*	*21.9*	*24.8*
ROCE (%)	*12.3*	*20.9*	*17.6*	*15.8*	*19.1*
P/E (x)			10.5	9.9	7.0
EV/EBITDA (x)			8.5	6.6	5.1

Source: Company, Centrum Research

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Mastek

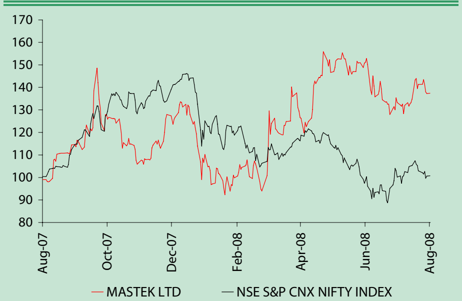
CENTRUM

CMP Rs369
BUY

Key Data	
Bloomberg Code	MAST IN
Reuters Code	MAST.BO
Current Shares O/S (mn)	27
Diluted Shares O/S(mn)	27
Mkt Cap (Rs bn/US$ mn)	9.9/226.2
52 Wk H / L (Rs)	419/220
Daily Vol. (3M NSE Avg.)	28,910
Face Value (Rs)	5
1 US$ = Rs44	

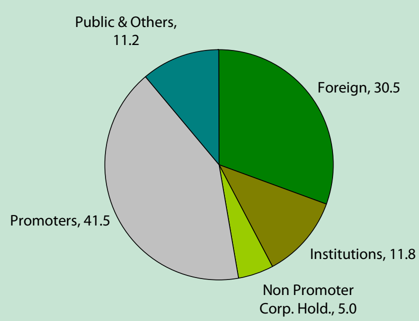
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	**1M**	**6M**	**1Yr**
Mastek	5.6	37.6	43.4
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Mastek is driven by capabilities and IPRs with a high exposure to the European market and an expanding market space in the insurance vertical. During the past few years, the company has consolidated its position as an IP-led solutions provider. It has developed an insurance-based product, Elixir, designed for life and pensions industry and has been a potent growth driver for the company. A new, more flexible version of Elixir based on System Oriented Architecture (SOA) is being introduced in the market and the company has crystallized its focus on two verticals – Insurance and Government. The management is targeting a top-line of US$300mn by the end of FY09, while improving EBITDA margins in excess of 18.5%. We maintain our Buy rating.

Key takeaways

- The management guided an order-book of Rs4,530mn as of June 2008 to be executed over next 12 months. The order-book is 43% more than the Rs3,150mn in Q3FY08. We perceive the surging order-book, especially in Elixir, along with the company's non-linear model, to be the primary driver of Mastek's anticipated growth and improving margins. The higher number of clientele in FY08 (21 clients against 12 in FY07) also gives confidence of sustained growth.
- The management has affirmed that its top client, British Telecom Global Services' (BTGS), ramp-down will be slower- than-expected. This props-up revenue visibility for the company. The National Health Services project by BTGS is a US$45mn account, out of which US$33mn was the development portion of the work and US$15mn was attributed to maintenance. This was earlier expected to culminate by Q2FY09 that will be now postponed to culminate by Q4FY10 due to continuum of the development project
- The company has not witnessed any project cancellation or delays in any of its clients, barring a small wealth management customer (negligible effect of ramp-down from this client). It continues to see increased traction in its SOA-based Elixir with two clients signing for the beta version in Q4FY08. We expect business from Elixir to contribute 21% of the total revenues in FY10E as against the current 12%, primarily driven by a new SOA system and higher license revenues. The addressable opportunity for Mastek in the enterprise application projects in the Insurance vertical in the US and UK is approximately $3.5bn.
- A product and fixed-based model translates into higher revenue and profit per employee for Mastek. We estimate revenue per employee to surge to Rs2.6mn from existing Rs2.2mn and profit per employee to Rs0.38 from Rs0.31mn in FY10 against the industry average profit per employee of Rs0.15mn – Rs0.25mn.

Key Financials

Y/E June	FY06	FY07	FY08E	FY09E	FY10E
Net Sales (Rsmn)	6,884	7,944	8,981	11,275	14,364
YoY Growth (%)	*21.4*	*15.4*	*13.1*	*25.5*	*27.4*
EBITDA (Rsmn)	1,184	1,319	1,587	2,080	2,876
YoY Growth (%)	*34.0*	*11.4*	*20.4*	*31.0*	*38.3*
EBITDA Margin (%)	*17.2*	*16.6*	*17.7*	*18.4*	*20*
PAT (adjusted) (Rsmn)	712	947	1,241	1,482	2,097
Growth (%)	*33.2*	*33.0*	*31.0*	*18.8*	*41.8*
PAT Margin (%)	*10.3*	*11.9*	*13.8*	*13.1*	*14.6*
EPS (diluted) (Rs)	24.7	32.6	42.7	53.6	76
P/E (x)	15.5	11.8	8.8	6.8	5.1
RoE (%)	*33.1*	*30.1*	*31.6*	*32.8*	*37.9*

Source: Company, Centrum Research

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MIC Electronics

CMP Rs137
Not Rated

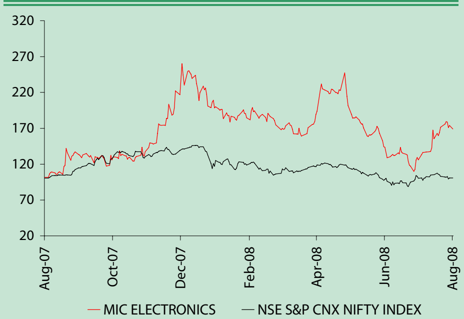
MIC Electronics (MIC) designs, develops and manufactures light-emitting diodes (LED) video display systems and telecom products for wire-line and wireless applications with focus on telecom software. The company has also forayed into LED lighting and embedded energy management solutions for the power sector. MIC's flagship products are LED Video Displays (indoor / outdoor / mobile), that have become an integral part of sports stadiums, transportation hubs, digital theatres and theme parks, advertisements and public information displays. The company has offices in Australia, Dubai, South Korea, South Africa and the US, and is setting up operations in other international markets.

Key Data

Bloomberg Code	MICE IN
Reuters Code	MELC.BO
Current Shares O/S (mn)	101
Diluted Shares O/S(mn)	120
Mkt Cap (Rs bn/US$ mn)	13.8/313.5
52 Wk H / L (Rs)	218/77
Daily Vol. (3M NSE Avg.)	228,403
Face Value (Rs)	2
1 US$ = Rs44	

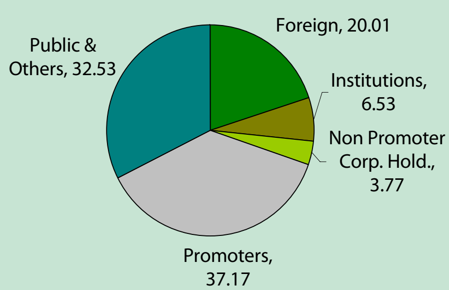
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
MIC Electronics	35.3	(12.4)	79.6
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Key takeaways

- MIC has a strong order-book of Rs4bn (85% for LED) executable over next 15-18 months, of which Rs2.2bn is from SLM (Sports and LED Media, a joint venture between MIC US and Latin America Football Corporation) to supply LED perimeter screens for 50 football stadiums, Rs200mn from the Delhi Metro, Rs 500mn from OOH companies in India, Rs80mn for variable message signs, Rs400mn for lighting and Rs200mn from railways. The company expects orders worth Rs1-1.2bn per year from Lamar USA to convert 100 existing vinyl screens to LED screens per year, and Rs2bn from the railways to install display boards at 100 stations. The company is also expecting orders from Indian railways to convert existing coach lighting to LED-based lighting and for emergency lighting.
- MIC derived more than 59% of its revenues from the media vertical in FY08 compared to 34% in FY07. This shift helped the company boost operating margins to 25% from 16% in FY07, since gross margins in the media business are over 42% compared to 10-15% for the ICT business. The margins are expected to further expand as the share of the media vertical increases to 75% in FY09 and about 90% by FY10. Net margins also increased to 19.6% in FY08 from 12.5% in FY07 and are expected to rise further with the new manufacturing facilities availing tax benefits.
- To capture the growth in LED display and lighting business, the company is planning to invest $35mn over the next 18 months to increase its capacity to 3,600 modules/ month from current 1,200 modules/month, increase screens to 40 for rental business and invest in SLM. This expansion is fully funded with the issue of 17.4mn warrants converted at Rs122 per share.

Key Financials

Y/E June	FY06	FY07	FY08E	FY09E	FY10E
Revenues (Rsmn)	1,057	2,709	3,620	4,891	6,996
Growth (%)		*156.3*	*33.6*	*35.1*	*43.0*
EBIDTA (Rsmn)	201	434	908	1,240	1,775
EBIDTA margin (%)	*19.1*	*16.0*	*25.1*	*25.4*	*25.4*
PAT (Rsmn)	150	338	712	968	1,447
Growth (%)		*125.4*	*110.6*	*35.9*	*49.5*
NPM (%)	*14.2*	*12.5*	*19.7*	*19.8*	*20.7*
Diluted EPS (Rs)	3.0	3.4	5.9	8.1	12.2
P/E (x)	45.7	40.3	23.2	16.9	11.3
EV/EBIDTA (x)		21.2	16.6	10.9	7.6
RoE (%)		*25.5*	*28.6*	*27.0*	*28.8*

Source: Company, Bloomberg consensus estimates

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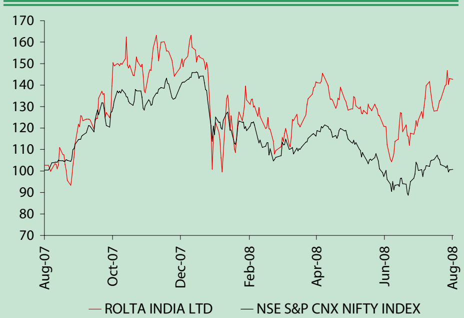
CMP Rs330
Buy

Key Data	
Bloomberg Code	RLTA IN
Reuters Code	ROLT.BO
Current Shares O/S (mn)	161
Diluted Shares O/S(mn)	161
Mkt Cap (Rs bn/US$ mn)	53.1/1.2
52 Wk H / L (Rs)	396/200
Daily Vol. (3M NSE Avg.)	632,662
Face Value (Rs)	10
1 US$ = Rs44	

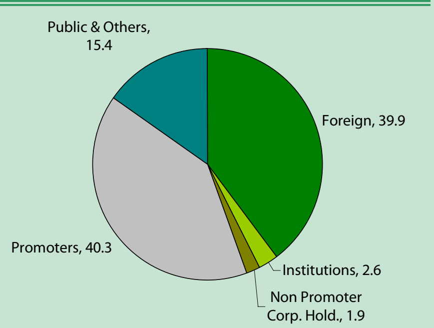
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Rolta	14.3	6.0	51.8
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Incorporated in 1989, Rolta India derives its revenues from three segments – GIS (Geospatial Information Systems), EDA (Engineering Design & Automation) and ECIT (Enterprise Communication & Information Technology). The company has a dominant position in the GIS market in India with the defence establishment among its biggest customers. The company claims to have a 95% wallet share of the defence spends in GIS in India. The company has formed a 51:49 JV with Thales to cater to the growing requirements of India's defence establishment. In the EDA segment, the company has a dominant share and has enhanced its expertise to increase its offerings. It has formed a 50:50 joint venture company with Stone & Webster to capture emerging opportunities in the power and refining sectors in the country. The company's ECIT business, which began as a services provider for CA's (Computer Associates) e-security solutions is evolving as a third layer that weaves database management and business intelligence with the company's GIS and EDA businesses thereby creating a value proposition quite unmatched by competitors.

Key takeaways

- The management expressed confidence in maintaining growth rates over an extended period as the company expands its scope of offerings. Rolta's presence in niche segments would help it weather the slowdown with a 40% revenue growth in FY09 (order-book: Rs15bn).
- Apart from GIS and EDA services, the company has now extended its offerings to integrate both these services with ERP to bag a larger wallet share of the clients' wallet, thereby translating into higher billing rates and client engagement to a higher level (CXO).
- The management reiterated that the Rolta-Thales JV (51:49) setup to offer ISTAR (Intelligence, Surveillance, Target acquisition and Reconnaissance) solutions to the defence establishment is in a sweet spot with Rolta already having a 95% share of the defence spend on GIS. GIS forms the base for any ISTAR solution giving the company a head start over competition (General Dynamics, Lockheed, BAE) and could translate into an annual revenue run rate of $100mn after two years for the JV.
- The Stone & Webster JV (50:50) would benefit post the signing of the Indo-US nuclear deal. However any meaningful revenues would take another two years to fructify. The JV is expected to post revenues of Rs1bn in FY09 (Rs700 million in FY08) as it derives revenues from Stone & Webster's global requirements for engineering design services.

Key Financials

Y/E June	FY06	FY07	FY08E	FY09E	FY10E
Net Sales (Rsmn)	5,349	7,114	10,722	14,947	19,724
YoY growth (%)	*29.0*	*33.0*	*50.7*	*39.4*	*32.0*
EBIDTA (Rsmn)	2,229	2,866	3,898	5,089	6,804
EBIDTA Margin (%)	*41.7*	*40.3*	*36.4*	*34.1*	*34.5*
PAT (Rsmn)	1,273	1,726	2,306	3,251	4,405
Growth (%)	*41.1*	*35.6*	*33.6*	*41.0*	*35.5*
PAT Margin (%)	*23.8*	*24.3*	*21.5*	*21.8*	*22.3*
EPS (diluted) (Rs)	7.8	10.6	12.8	18.1	24.5
P/E (x)	43	31.7	26.2	18.5	13.7
ROE (%)	*18.2*	*17.4*	*20.7*	*24.9*	*27.6*
ROCE (%)	*17.2*	*13.0*	*12.7*	*15.9*	*18.9*

Source: Centrum Research

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Sarda Energy and Minerals

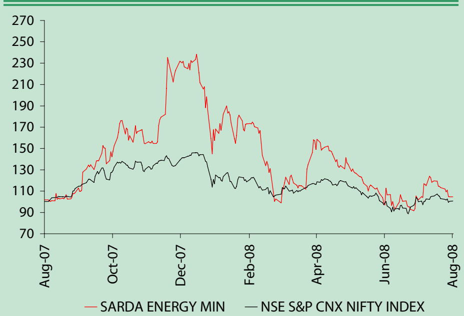
CENTRUM

CMP Rs281
Buy

Key Data	
Bloomberg Code	SEML IN
Reuters Code	SAEM.BO
Current Shares O/S (mn)	34
Diluted Shares O/S(mn)	34
Mkt Cap (Rs bn/US$ mn)	9.6/217.3
52 Wk H / L (Rs)	695/242
Daily Vol. (3M BSE Avg.)	12,026
Face Value (Rs)	10
1 US$ = Rs44	

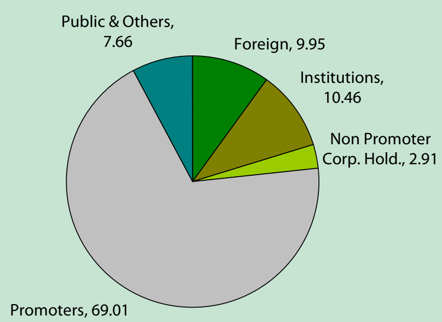
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	**1M**	**6M**	**1Yr**
Sarda Energy	2.8	(39.5)	6.3
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Sarda Energy and Minerals (SEML) is among India's leading and integrated steel manufacturers. The company manufactures sponge iron, rolled products, steel-ingots, billets and high-grade ferro alloy products. It is one of the leading exporters of ferro alloys in India. We maintain our Buy rating on the stock.

Key takeaways

- SEML commenced Rs4bn capex in 2007 to increase its sponge iron and steel-making capacities, set-up a 0.6mtpa pellet plant, 1mtpa coal washery and install a 30MW power plant. The pellet plant is expected to be commissioned by Mar 2009 and the coal washery by Oct 2009. The power plant is already commissioned.
- The company is setting up a 200,000tpa wire rod at its existing site at Raipur, Chhattisgarh, at a cost of about Rs600mn, which will be financed through internal accruals. The wire rod mill is expected to start operations by June 2009.
- In Q1FY09, it expanded its steel manufacturing capacity by 100,000tpa to 240,000tpa. It also increased its sponge iron capacity by 150,000tpa to 360,000tpa.
- SEML started using an idle furnace and increased its ferro alloys capacity from 66,000tpa to 82,500tpa. In Q1FY09, it exported 7,200 tonnes of ferro alloys.
- SEML is taking significant steps to backward integrate into critical raw materials such as iron ore, coal and manganese ore. It has an iron ore mine at Rajnandgaon, Chhattisgarh, with reserves of ~20mt, which currently feeds 30% of its requirement and will be increased to 100% by FY10. It was allotted coal mine at Raigarh with 67mt reserves. The mine is likely to be operational by Oct 2008.
- It has also been allotted an additional coal mine in JV with Hindustan Zinc and few other companies in Madanpur (South), which has estimated reserves of 108mt. SEML's share is 36mt. The mine is likely to get operational by 2011.
- SEML has also received 5 prospecting licenses for iron ore mines with total reserves of about 200mt. It also purchased a manganese ores mine in Goa with estimated reserves of 6mt. It is in advanced stages for acquiring concessions for a manganese ore mine in Madhya Pradesh, which has an estimated reserve of 30mt.
- SEML has expanded its captive power capacity from 48MW to 78MW and has also signed an MOU with the Chhattisgarh government for a 1,100 MW power plant to be implemented in two phases.
- The company has about Rs1bn in cash and will have peak debt of Rs3bn at very low interest rate of Libor + 190bp (about 5% only).

Key Financials

Y/E March	**FY06**	**FY07**	**FY08E**	**FY09E**	**FY10E**
Sales (Rsmn)	3,214	3,642	6,248	11,874	15,963
Growth (%)		*13.3*	*71.6*	*90.0*	*34.4*
EBIDTA (Rsmn)	378	366	1,684	4,070	7,137
Margin (%)	*11.8*	*10.0*	*27.0*	*34.3*	*44.7*
PAT (Rsmn)	203	427	1,214	2,614	4,838
Growth (%)		*110.8*	*184.2*	*115.4*	*85.0*
EPS (Rs)	6.8	14.2	35.7	76.9	142.3
ROE (%)	*29.0*	*20.5*	*26.0*	*35.9*	*39.9*
ROCE (%)	*13.8*	*13.2*	*19.1*	*33.1*	*41.5*
EV/Sales (x)	2.9	2.8	1.8	1.1	0.7
EV/EBIDTA (x)	24.5	28.1	6.9	3.3	1.5
P/E (x)	41.0	19.7	7.9	3.7	2.0
P/BV (x)	11.9	4.0	2.0	1.3	0.8
Net Debt (Rsmn)	949	1,872	1,997	3,781	1,063

Source: Company, Centrum Research

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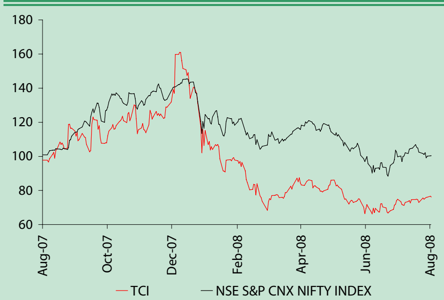
CMP Rs83
Not Rated

Key Data

Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO
Current Shares O/S (mn)	73
Diluted Shares O/S(mn)	73
Mkt Cap (Rs bn/US$ mn)	6.1/138.3
52 Wk H / L (Rs)	185/70
Daily Vol. (3M NSE Avg.)	8,868
Face Value (Rs)	2
1 US$ = Rs44	

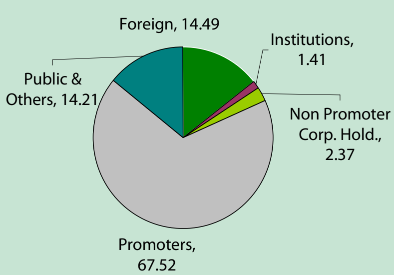
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
TCI	0.1	(21.7)	(21.2)
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Transport Corporation of India (TCI) is among the largest domestic companies in the organised logistics industry enjoying 15% market share. The company operates mainly under four divisions: transport, express (XPS), coastal shipping and supply chain solutions (SCS). It has a network of over 1,200 company-owned offices and one of the largest warehousing space of about 7.25mn sq ft.

Key takeaways

- TCI has transformed its business model over the years to focus on high-margin business like supply chain, express cargo and shipping. It expects more value from high-end solutions and therefore intends to lay thrust on the express & SCS business, which would be supported by warehousing capacity.
- The company is confident of maintaining its margins, despite rising fuel prices, as 70-75% of the customers are on a contractual basis with a fuel cost escalation clause, and the fuel price hike was passed on to them immediately.
- The company plans to create special purpose vehicle (SPV) to own and develop land to be used as warehouses by the SCS division on a long-term lease. This will make its book leaner and also attract strategic investors to develop the project. It has already acquired land in Pune, Chennai, Mumbai, Nagpur and Delhi
- It has formed a real estate division for the commercial development of old (and now redundant) warehouses and branches. The initial plans are to develop the land at Delhi, Chennai and Bangalore. The company is exploring options like residential and commercial complexes, service apartments, budget hotels, etc.
- TCI has acquired specialised trucks and axles to cash in on the fast-growing over-size/weight cargo business in India. It acquired 30 axles from China and 4 Volvo trucks for about Rs60mn in FY08. These axles are modular in nature and can handle up to 350 tonnes of cargo. It has further ordered 10 axles from China and 20 from Goldhofer, Germany, to be delivered within 10-11 months. As this business requires specialised solutions, it commands higher margins. The management expects this business to enhance margins in its transport division.
- TCI has had a fruitful experience in its shipping JV with Danish firm Scan Trans, the 7th largest coastal shipping company globally. It invested about Rs38mn as its equity stake in the JV and has already received a dividend of around Rs7mn in the first year with only 6-7 months of operation. The management expects to leverage this experience in pursing future opportunities in costal shipping business.

Key Financials

Y/E March	FY06	FY07	FY08	FY09E	FY10E
Net Sales (Rsmn)	9,048	10,853	12,428	14,391	16,672
% Growth	*23.2*	*20.0*	*14.5*	*15.8*	*15.8*
EBIDTA (Rsmn)	536	700	858	1,119	1,388
EBIDTA Margin (%)	*5.9*	*6.5*	*6.9*	*7.8*	*8.3*
PAT (Rsmn)	268	306	330	427	527
PAT Margin (%)	*3.0*	*2.8*	*2.7*	*3.0*	*3.2*
EPS Diluted (Rs)	3.7	4.2	4.5	5.9	7.3
P/E diluted (x)	*22.4*	*19.7*	*18.3*	*14.1*	*11.4*
EV/EBIDTA (x)	*13.2*	*9.5*	*9.6*	*7.8*	*6.6*
EV/Sales (x)	*0.8*	*0.7*	*0.7*	*0.6*	*0.5*
RoE (%)	*31.2*	*25.5*	*18.7*	*18.0*	*18.9*
RoCE (%)	*13.0*	*11.1*	*9.6*	*10.6*	*11.4*

Note: FY08 onwards numbers are consolidated; FY09 and FY10 are quick estimates;
Source: Company; Centrum Research

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Triveni Engineering & Industries

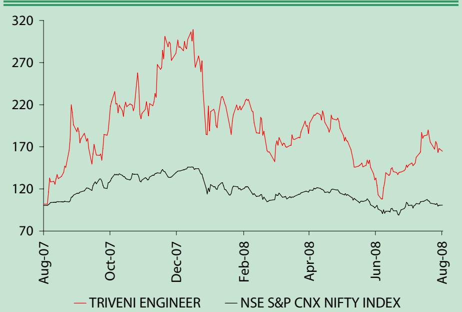
CMP Rs103
BUY

Key Data

Bloomberg Code	TRE IN
Reuters Code	TREI.BO
Current Shares O/S (mn)	258
Diluted Shares O/S(mn)	258
Mkt Cap (Rs bn/US$ mn)	26.5/601.8
52 Wk H / L (Rs)	214/60
Daily Vol. (3M NSE Avg.)	1,971,160
Face Value (Rs)	1
1 US$ = Rs44	

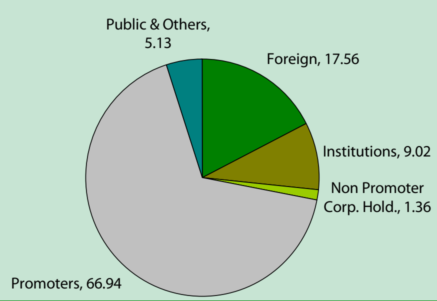
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Triveni Engg	12.0	(26.3)	73.9
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Triveni Engineering & Industries (TEIL) is a technology-focused, sugar and engineering company. It is India's 3rd largest sugar producer with integrated operations in power co-generation and distillery. Its engineering business can be classified into turbines, gears & gear boxes and water treatment plants. The management is positive on its sugar business and expects to derive significant growth from this segment, going forward. We reiterate Buy on the stock.

Key takeaways

- TEIL expects to commence sugar crushing operations 30-40 days in advance resulting in a total of 170 crushing days vis-à-vis the previous average of 126 days. The management expects to crush 6mn tonnes of sugar during SS2008-09.
- TEIL held 400,000 tonnes of sugar inventory valued at Rs1,420 per quintal as on 30 June 2008. Valuation of inventory is based on cane price of Rs110 per quintal
- It generated 43MW of exportable power for an average 250 days from 2 sugar units in SS2007-08. It also accumulated ~200,000 units of carbon credits.
- The distillery would be operational for a total of 270 days during SS2007-08.
- The current price of molasses is at Rs5,000 per tonne and extra neutral alcohol (ENA) is Rs33 per litre. The company has not entered into any contractual obligations with oil marketing companies (OMCs) to supply ethanol at Rs21.50 per litre. However, the management does not rule out entering into agreements provided the current tender price is revised to reflect increase in alcohol prices.
- It plans to foray into the higher range (more than 22 MW) turbine business. The management expects to off-set lower margins earned in higher range turbine businesses (due to competitive pricing mechanism) against improved margins in the range of 40-60% contributed by servicing and refurbishing business.
- The company faces tough competition from Siemens and Chinese imports in the turbine business. PBIT for the turbine business registered an 11% YoY growth during 9MFY08 and is expected to rise to 18% for FY08E.
- TEIL is bullish on the growth prospects of its water treatment business and expects this business to register a 70-75% revenue CAGR over the next five years
- Order book position for its engineering business as on 30 June was: turbines (Rs5.1bn), gears and gear boxes (Rs540mn) and water treatment plants (Rs1.5bn).
- Its total debt stands at Rs7.6bn which includes Rs950mn of excise loan (interest free), and Rs850mn of sugar development loan which attracts 4% interest cost.

Key Financials

	Mar-06	Sep-07$	Sep-08E	Sep-09E	Sep-10E
Net Sales (Rsmn)	11,921	19,075	16,889	22,048	25,786
Growth (%)#	*24.0*	*6.7*	*32.8*	*30.5*	*17.0*
EBITDA (Rsmn)	2,067	2,340	3,418	4,700	5,515
EBITDA Margin (%)	*17.3*	*12.3*	*20.2*	*21.3*	*21.4*
Adjusted Profit (Rsmn)	1,316	754	1,320	2,403	3,146
Profit Margin (%)	*11.0*	*4.0*	*7.8*	*10.9*	*12.2*
Growth (%)#	*32.1*	*(61.8)*	*162.6*	*82.0*	*30.9*
ROCE (%)	18.1	11.1	11.8	16.8	20.8
ROE (%)	38.3	12.7	18.2	27.6	29.0
Adj. EPS (Fully Diluted)	5.1	2.9	5.1	9.3	12.2
P/E	17.5	45.0	20.1	11.1	8.5
EV/EBITDA	14.7	15.5	10.7	7.0	5.3

$ Period of 18 months , Company changed its financial year from March end to September end .
 # Growth has been adjusted for 12 months period
Source: Company, Centrum Research

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Vishal Retail

CMP Rs388
Buy

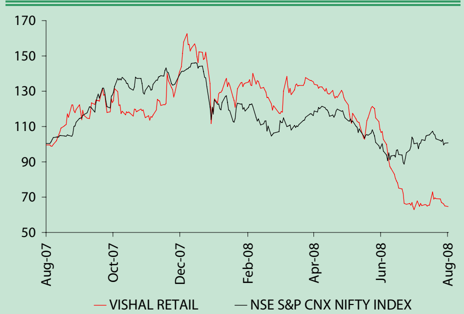
Key Data

Bloomberg Code	VISH IN
Reuters Code	VIRL.BO
Current Shares O/S (mn)	22
Diluted Shares O/S(mn)	22
Mkt Cap (Rs bn/US$ mn)	8.7/197.3
52 Wk H / L (Rs)	1,020/370
Daily Vol. (3M NSE Avg.)	11,756
Face Value (Rs)	10

1 US$ = Rs44

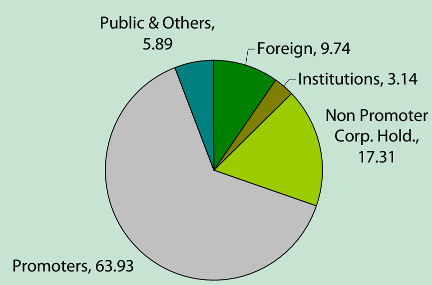
*Source: Bloomberg ; * As on 26 Aug 2008*

One year Indexed Stock Performance



Source: Bloomberg

Shareholding Pattern (%)



Source: BSE

Price Performance (%)	1M	6M	1Yr
Vishal Retail	2.6	(52.7)	(34.3)
NIFTY	0.6	(17.7)	3.5

Source: Bloomberg

Vishal Retail is value retailer operating 130 stores in 75 cities and 21 states. Its business model includes hypermarkets and convenience stores. The management is upbeat on the company's expansion plan and is confident of achieving 3.2-3.5mn sq feet of retail space by end FY09 and expects to maintain EBITDA and PAT margin at 13% and 3.5%, resp, for the year. We reiterate Buy.

Key takeaways

- Though the management has adopted a very cautious approach to the expansion plans, it is confident of achieving the planned space addition of 3.2-3.5mn sq ft by the end of FY09.
- The company is banking on its franchisee model to lower capital expenditure without compromising growth. It has already signed 20 franchisee agreements for its convenience stores and depending on the success, plans to extend this model for its hypermarket business.
- Under the franchisee agreement, the company would be responsible for providing a minimum guarantee apart from transferring the inventory to the franchisee. The capital expenditure would be shared between the franchisee and the company in a pre-determined ratio.
- The management has acknowledged concerns regarding inventory built-up, but is confident of lowering the same to a month by September 2008. The company plans to achieve this by partly outsourcing apparel manufacturing and parking some of the inventory with its vendors and franchisees.
- The high inventory levels built-up can be attributed to its presence in manufacturing and retailing of apparels, unlike peers who stock a fair mix of FMCG and general merchandise along with to apparels. In addition, the company is in an expansionary phase which warrants higher inventory stocking.
- The management expects to maintain 3.5-4% net margin this year.
- The company has finalised an agreement with South African Insurance Company, Hollard, under which the latter would sell insurance products in Vishal Retail's premises. This arrangement is likely to roll out in the next three months.
- The company would raise Rs2bn to partly fund its expansion plan
- Key risks are slowdown in consumer spending and delays in expansion due to funding constraints.

Key Financials

Y/E March	FY06	FY07	FY08	FY09E	FY10E
Net Sales (Rsmn)	2,749	5,722	9,622	17,884	30,490
Growth (%)	*97.4*	*108.1*	*68.2*	*85.9*	*70.5*
EBITDA(Rsmn)	267	694	1,291	1,792	2,866
OPM (%)	*9.7*	*12.1*	*13.4*	*10.0*	*9.4*
PAT (adjusted) (Rsmn)	125	266	407	413	649
Growth (%)	*315.2*	*112.0*	*53.0*	*1.6*	*56.9*
Net Debt (Rsmn)	468	2,281	5,169	7,559	14,167
ROE (%)	*25.8*	*27.4*	*20.5*	*14.2*	*18.8*
ROCE (%)	*15.7*	*14.2*	*11.1*	*9.3*	*9.7*
EPS (diluted) (Rs)	7.6	14.5	18.2	18.5	29.0
P/E (diluted) (x)	50.6	26.5	21.2	20.9	13.3
EV/EBITDA (x)	25.5	13.4	10.7	9.0	8.0
EV/Sales (x)	2.5	1.6	1.4	0.9	0.7
Price/BV (x)	9.5	5.6	3.2	2.8	2.3

Source: Company, Centrum Research

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