

BUY**Rs 540****Sensex: 11,939 Nifty: 3,556****Stock data**

Bloomberg	BJH IN
Reuters	BJHN.BO
Shares outstanding (mn)	120
Market cap (Rs bn)	65
Market cap (US\$ mn)	1465
Three-month daily avg vols	1,286,831

Share price performance

52-week high/low (Rs)	569/123		
	-1m	-3m	-12m
Abs (%)	14.5	47.3	266.5
Rel* (%)	7.6	28.1	182.8

*to Nifty

Financial Snapshot

	Rs mn		
Ye March	FY05	FY06E	FY07E
Net sales	8367.6	16439.9	29880.6
Change (%)	68	96	82
EBITDA	2007.1	3884.7	7318.6
Change (%)	113	94	88
Net income	1403.9	2221.0	4398.5
EPS (Rs)	12.1	15.7	28.8
Change (%)	73	20	98
P/E (x)	44.7	34.4	18.8

Bajaj Hindusthan

Bajaj Hindusthan Ltd. (BHL), the largest sugar manufacturer in India has registered a substantial growth in the sales and the revenue numbers for the quarter ending March 2006. The company registered a 464% YoY growth in net sales to Rs4035.1mn and a 200.7% YoY rise in net profit at Rs645.1mn for Q2FY06. In our estimates, we have assumed average realizations at Rs18.5/kg (inclusive of excise) indicating a rise of Rs1/kg YoY. With the exception of the Thanabhawan unit, all the units have completed crushing for the season 2005-06. We estimate that the company would have crushed 8.34 million tonnes of cane till date. The company's expansion projects are on schedule to reach 1,00,000 TCD capacity for the season 2006-07. We expect BHL to crush 8.5 million tonnes of cane in FY06E and 14.6 million tonnes in FY07E.

- ♦ The EBITDA margins are not truly comparable YoY as the increase in stock in Q2FY05 were four times the net sales where as in Q2FY06 the increase in stock was only one time.
- ♦ As most of the sugar companies have been paying above the state advised price to procure cane, the higher raw material prices have resulted in lower margins for companies across Uttar Pradesh.
- ♦ The money raised from the FCCBs helped BHL to reduce its interest costs by 99.5% to Rs0.4mn.

We estimate the company to post an EPS of Rs15.7 in FY06E and Rs28.8 in FY07E. The company is quoting at a PER of 34.4x FY06E earnings and 18.8x FY07E earnings – which is still cheaper compared with peers. Hence, we rate this company as a Buy.

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Quarterly result table					Rs mn
	Q2FY06	Q2FY05	YoY (%)	Q1FY06	QoQ (%)
Net Sales from operations	4,035.1	715.5	464.0	2,617.8	54.1
Total Expenses	3,009.9	261.7	1,050.1	2,165.3	39.0
%of net sales	74.6	36.6		82.7	
(Increase)/Decrease in stock	(4,029.2)	(2,882.0)	39.8	(1,336.9)	201.4
%of net sales	(99.9)	(402.8)		(51.1)	
Purchases	5,781.5	2,751.5	110.1	3,031.1	90.7
%of net sales	143.3	384.6		115.8	
Staff Cost	178.9	106.5	68.0	129.7	37.9
%of net sales	4.4	14.9		5.0	
Other Expenses	1,078.7	285.7	277.6	341.4	216.0
%of net sales	26.7	39.9		13.0	
EBITDA	1,025.2	453.8	125.9	452.5	126.6
%of net sales	25.4	63.4		17.3	
Depreciation	231.8	96.4	140.5	136.6	69.7
%of net sales	5.7	13.5		5.2	
EBIT	793.4	357.4	122.0	315.9	151.2
%of net sales	19.7	50.0		12.1	
Interest/(Interest income)	0.4	84.3	(99.5)	19.4	(97.9)
Other Income	182.2	64.8	181.2	72.1	152.7
PBT	975.2	337.9	188.6	368.6	164.6
%of net sales	24.2	47.2		14.1	
Provision for tax(including deferred tax)	(330.1)	(123.4)	167.5	(126.2)	161.6
PAT	645.1	214.5	200.7	242.4	166.1
Net Profit	645.1	214.5	200.7	242.4	166.1
Equity	140.6	87.3		87.3	
Cash EPS (Rs)	6.2	3.6	75.1	4.3	43.7
EPS (Rs)	4.6	2.5		2.8	
Key Ratios (%)					
EBITDA margin	25.4	63.4		17.3	
Interest / Sales	0.0	11.8		0.7	
Tax / PBT	33.8	36.5		34.2	
NPM	16.0	30.0		9.3	

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