



Bajaj Hindusthan BJH IN

INDIA / FOOD BEVERAGE & TOBACCO
PREPARED BY BNP PARIBAS SECURITIES ASIA

TARGET INR120.00
PRIOR TP INR270.00
CLOSE INR136.20
UP/DOWNSIDE -11.9%

REDUCE

FROM BUY

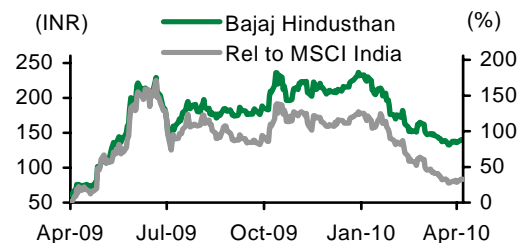
HOW WE DIFFER FROM THE STREET

	BNP	Consensus	% Diff
Target Price (INR)	120.00	191.00	(37.1)
EPS 2010 (INR)	10.63	23.00	(53.8)
EPS 2011 (INR)	10.46	13.90	(24.7)

	Positive	Neutral	Negative
Market Recs.	8	5	7

KEY STOCK DATA

YE Sep (INR m)	2010E	2011E	2012E
Revenue	51,966	38,099	37,667
Rec. net profit	1,955	1,997	2,695
Recurring EPS (INR)	10.63	10.46	14.11
Prior rec. EPS (INR)	22.88	21.11	24.28
Chg. in EPS est. (%)	(53.5)	(50.5)	(41.9)
EPS growth (%)	(231.8)	(1.7)	34.9
Recurring P/E (x)	13.1	13.3	9.9
Dividend yield (%)	0.6	0.6	0.6
EV/EBITDA (x)	7.8	7.1	6.3
Price/book (x)	1.2	1.1	1.0
Net debt/equity	128.4	92.2	68.1
ROE (%)	8.9	8.4	10.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(15.2)	(40.9)	124.4
Relative to country (%)	(18.3)	(41.7)	30.8

Next results	April 2010
Mkt cap (USD m)	600
3m avg daily turnover (USD m)	12.6
Free float (%)	63
Major shareholder	Shishir Bajaj (26%)
12m high/low (INR)	236.80/69.70
3m historic vol. (%)	40.0

Sources: Bloomberg consensus; BNP Paribas estimates

RECENT COMPANY & SECTOR RESEARCH

Sweet times ahead 11 Jan 2010
Sweetness will last..... 24 Nov 2009

INDUSTRY OUTLOOK

CHANGE IN RECOMMENDATION

Still some downside

- Fresh rally in sugar price unlikely; sugar futures curve flattens.
- High sensitivity to sugar price, due to operating + financial leverage.
- Power foray and FCCB repayment to pressure balance sheet.
- D/g to REDUCE; TP of INR120.00 based on 7x FY11E EV/EBITDA.

Fresh sugar rally unlikely
Sugar price has collapsed from the 28-year high as increasing Indian production estimates and dry weather (as the new harvest begins) in central South Brazil have outweighed the continuing drought in China. Countries like Egypt and Pakistan, which were expected to import sugar, have postponed purchases and may have seen some demand destruction. Spot prices have collapsed and the forward curve has flattened as near-term supply concerns have eased. India has no major buying plans, so we believe any significant rally in sugar price is unlikely unless there is a negative production surprise from Brazil.



Kunal Vora, CFA
+91 22 6628 2453
kunal.d.vora@asia.bnpparibas.com

Imports remain attractive; should cap domestic price rise
Domestic sugar price are at INR3-4/kg premium to import parity price. We believe this, along with significant inventories with sugar mills, will cap near-term upside in sugar realisation. Indian sugar mills' cost of production has increased to INR28-30/kg versus Brazilian mills' USD0.15 (INR15/kg). In FY11, we believe imports will be attractive and will pressure the domestic sugar price, unless the import duty is reinstated.

Power foray and FCCB payment to strain balance sheet
BJH has given contracts to set up 400MW power plant at the cost of INR16b. It had taken a board approval to raise funds for the same but has not raised any equity for the same. The company also has FCCB's outstanding amounting to INR5b, which are due in Feb 2011. The combined outflow might strain the balance sheet of the company.

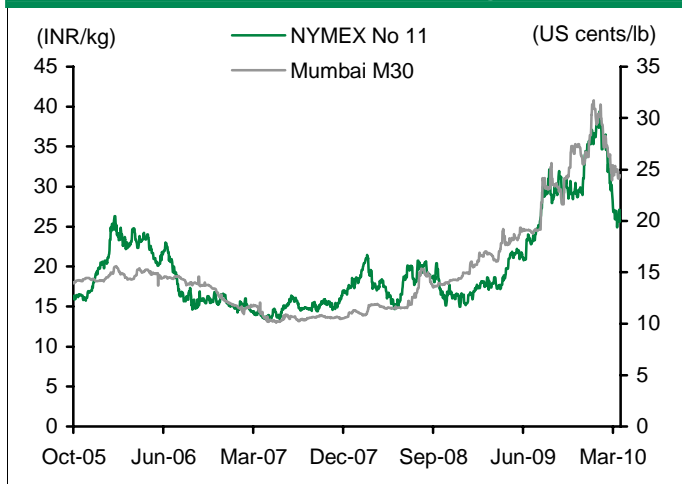
Downgrade to REDUCE; TP cut to INR120.00
We lower our FY10E EBITDA by 21%, due to our higher cane price assumption of INR230/quintal (from INR200). We maintain our sugar blended realisation at INR31.6/kg. We cut our FY11E EBITDA by 18%, due to increase in cane price to INR185/quintal (from INR180) and reduction in sugar realisation to INR27.6/kg (from INR28.2/kg). We cut our TP of BJH to INR120.00 (from INR270.00). BJH has high operating leverage and we estimate every INR1 change in sugar would impact EBITDA by 12%. Impact on TP is accentuated by high financial leverage as the company has a net debt to market cap of 1.4x. Our TP reduction results from an 18% reduction in FY11E EBITDA, increase in net debt level and reduction in our FY11E target EV/EBITDA from 8x to 7x, in line with global peers based on Bloomberg consensus forecasts (Exhibit 17). Our TP suggests 12% downside from current levels – downgrade to REDUCE (from Buy).

What caused the collapse

Sugar price has declined 38% from the peak and 18% since we initiated coverage on the sector in November 2009. The reason for the steep decline in sugar prices has been a combination of domestic and international factors.

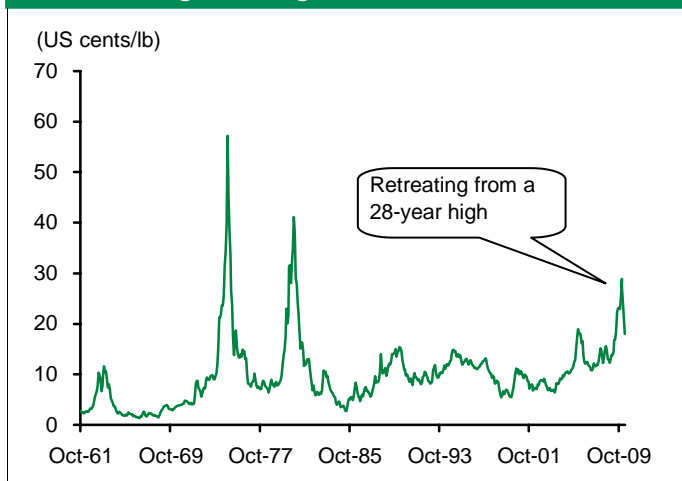
- On the international side, Brazil – the largest producer and exporter of sugar – is likely to see a significant increase in production due to dry weather in its top sugar-producing areas. On the other hand, some of the countries facing sugar deficits like Egypt and Pakistan have postponed their sugar import contracts and might have seen demand destruction.
- On the domestic side, upward revisions to sugar production estimates and government measures like changing the weekly release mechanism have led to a decline in sugar prices.
- Increased production in Brazil and India is attributed to the reversal of El Nino, which leads to lower rainfall in Brazil and higher rainfall in Asia both of which are positive for global sugar production and thus negative for sugar prices.

Exhibit 1: Domestic And International Sugar Price Moves



Sources: Bloomberg; BNP Paribas

Exhibit 2: Long Term Sugar Price Trend



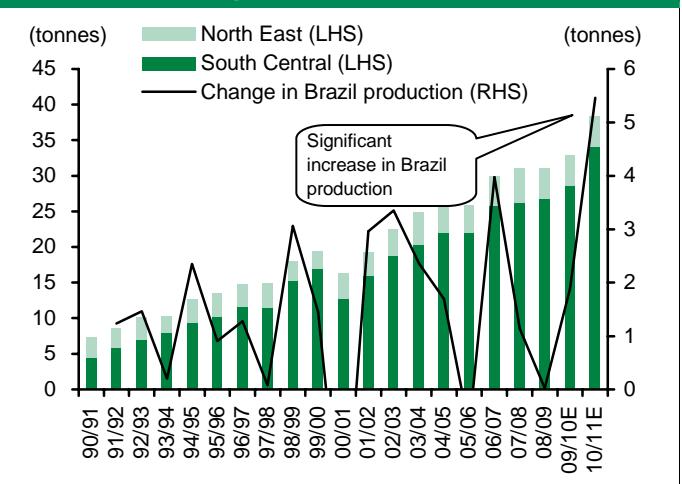
Sources: USDA; BNP Paribas

Brazil: Dry weather improves production outlook

Brazil is the largest producer and exporter of sugar. The production in 2009 was affected by almost double the average rainfall, which affected sugar harvesting and crushing. In 2010, UNICA expects central south Brazil sugar production to increase by 5.5m tonnes, from 28.6m tonnes to 34.1m tonnes. Assuming the north-east production remains flat, at 4.3m tonnes, Brazil could produce 38m tonnes.

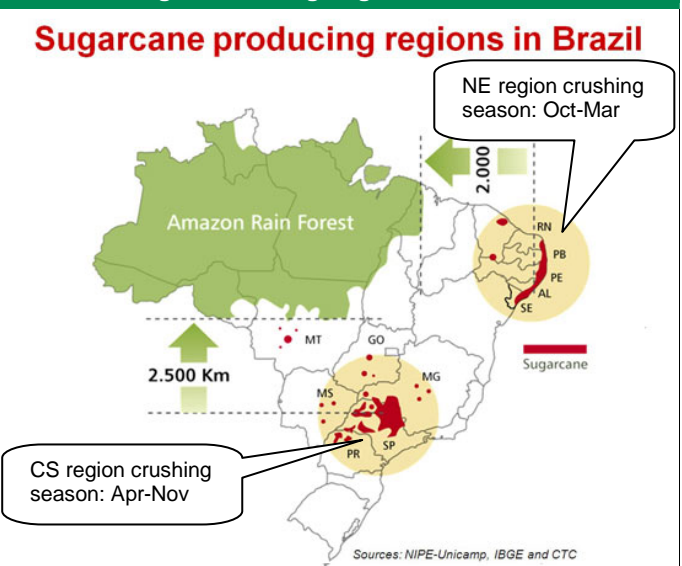
Central-south Brazil crushing season lasts from April to November and production from this region typically largely determines the sugar price trend.

Exhibit 3: Brazil Sugar Production Trend



Source: UNICA

Exhibit 4: Sugar Producing Regions In Brazil



Source: UNICA

Exhibit 5: Central South Brazil Production Estimates

	2009-10E	2010-11E
Cane production		
Total ('000 tonnes)	541,500	595,891
Products		
Total ethanol (m litres)	28,631	34,090
Sugar ('000 tonnes)	23,700	27,390
Sugarcane quality		
ATR ('000 tonnes)	70,593	82,637
ATR/tonne of sugarcane	130.36	138.59
Sugar/Ethanol mix		
Sugar % of processed cane (%)	42.57	43.29
Ethanol % of processed cane (%)	57.43	56.71
Sugar volume		
Exportable surplus ('000 tonnes)	7,631	9,790
Available for internal market ('000 tonnes)	21,000	24,300
Exportable surplus (thousand of tonnes)		
Available for internal market (m litres)	20,950	25,590
Exportable surplus (m litres)	2,750	1,800
Total sugar production (tonnes)	28,631	34,090

Source: UNICA estimates

4% of China's arable land acreage. These five provinces account for more than 70% of China's sugar production. China is the third-largest consumer of sugar with a potential consumption of 14.5m tonnes.

India sugar production up 25% over 2009

The Indian sugar production estimate has been raised consistently over its crushing season. The government has raised production estimate from 15m-16m tonnes to more than 18m tonnes for FY10. Low production was previously expected because of factors like low cane acreage and poor monsoons, leading to low yield per acre, lower recovery and higher diversion. However, production estimates have now been raised due to factors like higher yield in Maharashtra due to late rains, better care taken by farmers in view of higher realisations and lower diversion toward other usage due to the high price paid by sugar mills.

Pakistan and Egypt order cancellations

Sugar prices reached an all-time high as most large sugar-consuming nations in Asia like Pakistan, Indonesia and China had a weak sugar production outlook and they were expected to import sugar. However, Pakistan and Egypt have cancelled their import contracts and delayed their purchases. This, combined with Indian sugar crushing season, have caused a steep decline in spot sugar prices. According to press reports, after the significant price correction, Pakistan and Russia are currently looking at importing about 1m tonne each.

China: Production affected by severe drought

China has seen a severe drought in its South-West region and the government expects the country's sugar production to decline from 12.4m tonnes to 11m tonnes. However, the excess production from Brazil and India has outweighed the decline in Chinese production.

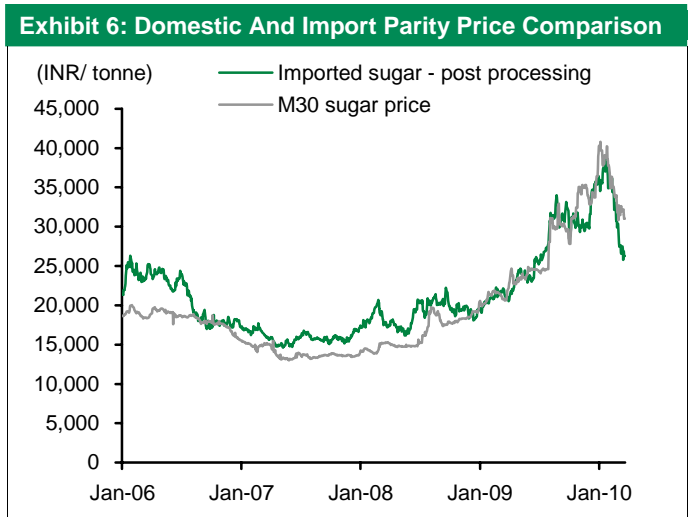
China has seen a severe drought in its South-West region (Sichuan, Chongqing, Yunan, Guangxi, Guizhou). It has affected 5m hectare of arable land, which accounts for roughly

Why a negative price outlook at current levels
 We believe sugar prices in India are unlikely to touch the highs or move up significantly from current levels as:

- India might not be a significant buyer in 2010. Sugar future curve, which was in backwardation, has flattened, suggesting that the near-term demand supply mismatch has been resolved.
- Domestic sugar prices are at a premium to international prices. Bulk consumers, which account for 60% of consumption, have been allowed to import sugar duty free; this will ensure import parity holds, even if mills don't import.
- Alternative crops like wheat and paddy have seen good production and might not see sharp increase in MSP. This will probably maintain the attractiveness of the sugar crop for farmers, and the government expects sugar production to increase to 23m tonnes in FY11.

India might not be a significant buyer in 2010: With a higher India production of 18.0m-18.5m tonnes and already contracted imports of 4m-5m tonnes, and an opening stock of 4m tonnes, India might not be a significant buyer in the global market. According to Vivek Saraogi, president ISMA, India is self-sufficient in terms of sugar and might not need to import any more sugar. The Sugar Industry is requesting reinstatement of import duties to ensure that domestic sugar prices hold up.

Domestic sugar prices are at a premium to international price: At current price levels, domestic sugar price is at a premium to international price. Currently, sugar imports into India are free of import duty and the government has allowed bulk users of sugar to import duty free raw sugar. Bulk users account for 60% of sugar and their ability to import sugar will likely ensure import parity pricing in India.



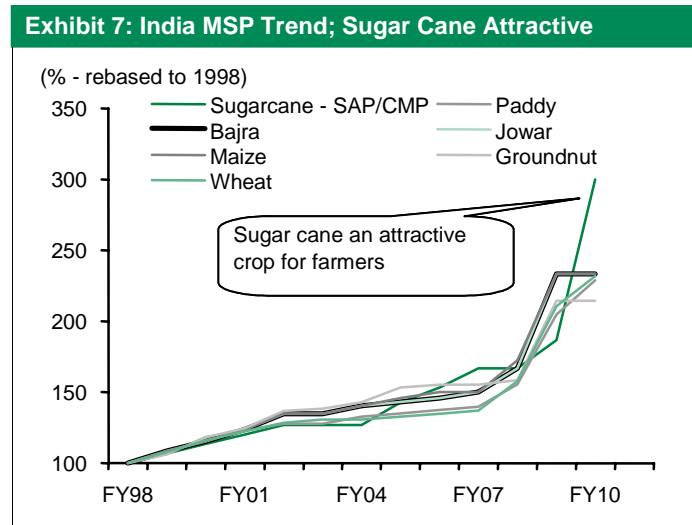
Sources: Bloomberg; BNP Paribas

Food crop reserves increasing; sugarcane an attractive crop for farmers: Wheat crop in the current rabi (spring) season has been good and the government is having storage issues for food crops. Due to this, we believe a significant increase in food crop prices is unlikely, and this should maintain the relative attractiveness of sugar cane crop.

Indian production costs have increased significantly

There has been a significant increase in the production cost for Indian sugar mills. Sugar cane costs have increased 60% y-y for the Indian sugar mills. Sugar manufacturing cost increase for the Indian mills is significantly higher than for the Brazilian mills. This should weigh on the profit margins of Indian sugar mills, especially as long as free imports are allowed. In the current year, we estimate the cost/kg of sugar for Indian mills is INR28-30, while the cost of production for a Brazilian sugar mills is about 15 cents/pound, which translates into INR15/kg.

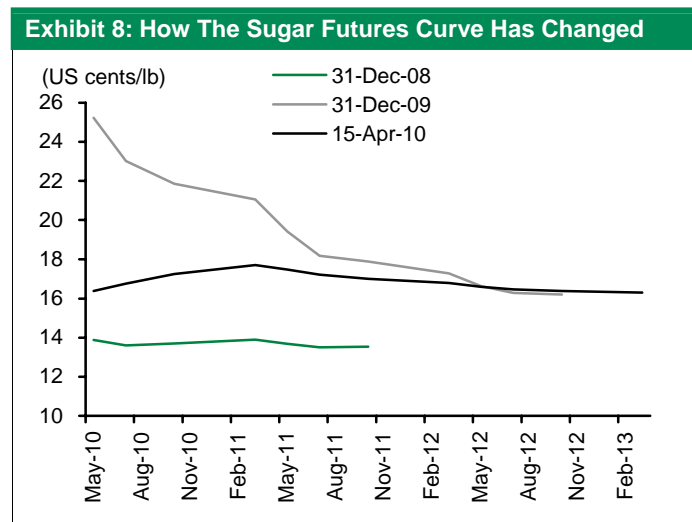
In addition to higher production cost, Indian sugar mills lose money on the levy sugar sale. Mills have to supply 20% of their production to the government at INR13.5/kg, which is significantly below their cost of production.



Sources: Government of India; BNP Paribas

Changes to sugar futures; situation no longer tight

Before the decline, the sugar futures curve was in steep backwardation, indicating a tight near-term supply situation. However, the curve has now flattened with most futures contracts now trading at USD0.16-0.17. This suggests that the near-term supply situation has been resolved.



Sources: Bloomberg; BNP Paribas estimates

Exhibit 9: India Sugar Demand Supply Estimates

India sugar production	SY01	SY02	SY03	SY04	SY05	SY06	SY07	SY08	SY09	SY10E	SY11E
Cane area ('000 hectares)	4,316	4,412	4,520	3,938	3,661	4,202	5,151	5,043	4,395	4,250	4,850
Yield per hectare (tonnes)	69	67	64	59	65	67	69	68	62	69	69
Cane production (m tonnes)	296	297	287	234	237	281	356	341	271	293	335
Drawal (%)	60	61	68	57	53	67	78	73	53	65	70
Cane crushed (m tonnes)	177	180	194	133	125	189	279	250	145	191	234
Recovery of sugar %	10.5	10.3	10.4	10.6	10.2	10.2	10.2	10.5	10.0	9.5	10.0
Sugar production (m tonnes)	18.5	18.5	20.1	14.0	12.7	19.3	28.3	26.3	14.6	18.1	23.4
India demand supply of sugar (m tonnes)											
Opening stock	9.3	10.7	11.3	11.6	8.5	4.0	3.6	9.2	8.1	4.4	4.1
Production	18.5	18.5	20.1	14.0	12.7	19.3	28.3	26.3	14.6	18.1	23.4
Imports	0.0	0.0	0.0	0.4	2.1	0.0	0.0	0.0	4.2	4.6	0.0
Total sugar availability	27.9	29.2	31.5	26.0	23.3	23.3	32.0	35.5	26.9	27.1	27.5
Internal consumption	16.2	16.8	18.4	17.3	18.5	18.5	21.0	22.5	22.5	23.0	23.5
Exports	1.0	1.1	1.5	0.2	0.0	1.1	1.7	5.0	0.0	0.0	0.0
Closing stock	10.7	11.3	11.6	8.5	4.8	3.6	9.2	8.1	4.4	4.1	4.0

Sources: ISMA; BNP Paribas estimates

Outlook for BJH; BS concerns return

Cutting EBITDA estimate on higher payment and lower realisation

We cut our EBITDA estimate for BJH by 21% in FY10, due to the 15% increase in our production assumption to INR230/quintal. But, we maintain our sugar price forecast, at INR31.6 for FY10, in view of the high price realization in 1HFY10. In FY11, we believe that though the sugar cane procurement price will fall from current levels, it will be higher than the FY10 Uttar Pradesh SAP of INR165. We assume a sugar cane price of INR185 per quintal, which will translate into cost/kg of sugar will be INR23-25. This means the Indian cost of production will be higher than the cost of imported raw sugar price, which works out to INR20-21 based on sugar futures.

Power capex will weigh on balance sheet

BJH has earmarked a capex of INR16b for its power foray. BJH's board has approved fund raising to part finance the power foray. However, in view of the significant decline in stock price, we believe an equity issuance is unlikely in the near term. In the absence of equity issuance, the company may have to finance the power business through internal accruals. This might strain the balance sheet as BJH already has a high debt to equity ratio of 1.8x as of FY09. The company estimates power capex of INR5b in FY10 and the balance INR11b in FY11.

FCCB repayment due next year

BJH has FCCB's worth INR5b due for repayment in February 2011. In view of our reduced EBITDA estimates and the planned power capex, the company might have to borrow additional funds to repay the FCCB.

Levy price non revision a risk

Sugar mills are required to sell 20% of their production to the government at the regulated levy price, which is currently fixed at INR13.5/kg. This is at a significant discount to the free market price. The price is due for revision but the revision has been delayed. The industry expects that the levy sugar price to be revised to INR17/kg. However, if the government does not revise the levy price, there could be a downward risk to our estimates.

Increasing production estimates

We are increasing our sugar production estimates for FY10 and FY11 in view of the improved national sugar production outlook. We are increasing our sugar production estimates by 24% for FY10 and 18% for FY11. An increase in sugar crushed will also increase the by product revenue.

Exhibit 10: Changes To Estimates

Year-end 30 Sep	2010E	2011E	2012E
Revenue (INR m)			
Old estimate	47,735	35,760	37,741
Revised estimate	51,966	38,099	37,667
Change (%)	9	7	0
EBITDA (INR m)			
Old	9,940	9,365	9,515
Revised	7,888	7,677	7,834
Change (%)	(21)	(18)	(18)
EBITDA margin (%)			
Old	20.8	26.2	25.2
Revised	15.2	20.1	20.8
Change bps	(564)	(604)	(441)
Sugar blended realisation (INR/kg)			
Old	32.6	28.2	26.6
Revised	32.6	27.6	26.4
Change (%)	0	(2)	(1)
Sugar cane cost (INR/quintal)			
Old	200	180	180
Revised	230	185	185
Change (%)	15	3	3
Sugar production (m tonnes)			
Old	731.4	1,039.6	1,212.6
Revised	903.4	1,224.0	1,212.6
Change (%)	24	18	0
Sugar sales (m tonnes)			
Old	1,344	1,050	1,157
Revised	1,480	1,189	1,215
Change (%)	10	13	5
Ethanol sales (KL)			
Old	82	119	137
Revised	107	159	165
Change (%)	30	34	20
Sellable power (m kWh)			
Old	219	222	222
Revised	249	236	246
Change (%)	14	6	11

Source: BNP Paribas estimates

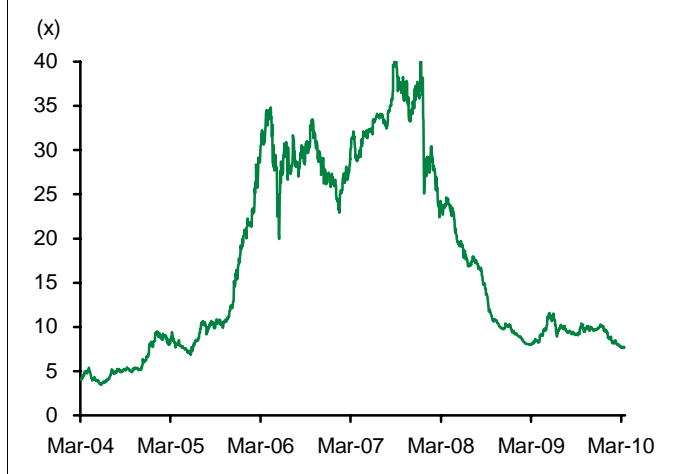
Valuation

We cut our TP of BJH from INR270.00 to INR120.00 and downgrade the stock from Buy to REDUCE. Our TP reduction results from: 1) an 18% reduction in FY11 EBITDA estimate, 2) an increase in net debt level, and 3) a reduction in our target FY11E EV/EBITDA from 8x to 7x, in line with global peers.

- We reduce our FY10E EBITDA by 21%, due to our higher cane price assumption of INR230/quintal (from INR200). We maintain our sugar blended price realisation at INR31.6/kg. We lower our FY11E EBITDA by 18% due to the increase in our cane price assumption to INR185/quintal (from INR180) and reduction in sugar realisation to INR27.6/kg (from INR28.2/kg). The company is highly sensitive to sugar price; we estimate every INR1 (3%) change in sugar price would reduce revenue, EBITDA and EPS by 2%, 12% and 33%, respectively.
- We cut our TP of BJH from INR270.00 to INR120.00 and downgrade it from BUY to REDUCE. BJH has high operating leverage and we estimate every INR1 change in sugar would hurt our EBITDA estimates by 12%. The impact on TP is accentuated by high financial leverage as the company has a net debt to market cap of 1.4x.

Upside risks to our TP are: 1) lower-than-expected production in Brazil, which could lead to a fresh rally in sugar prices; 2) lower-than-assumed sugar cane cost for BJH; and 3) introduction of import duty on sugar.

Exhibit 11: 1-Year Forward EV/EBITDA Trend



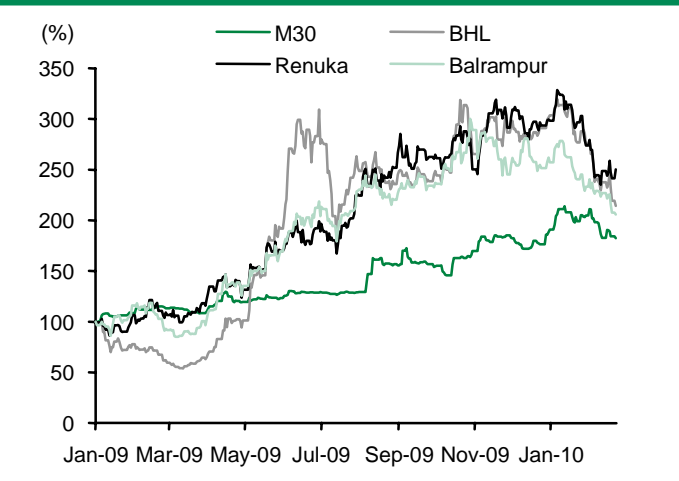
Source: Bloomberg; BNP Paribas estimates

Exhibit 12: How Has The TP Changed

Details	Valuation	
	Revised	Old
EBITDA - FY11E (INR m)	7,677	9,365
EV/EBITDA (x)	7.0	8.0
EV (INR m)	53,890	75,046
Debt - FY10E (INR m)	30,357	22,453
Less: 25% minority stake in BHSIL (INR m)	620	1,003
Market cap (INR m)	22,914	51,590
Shares (m)	191	191
TP (INR)	120	270

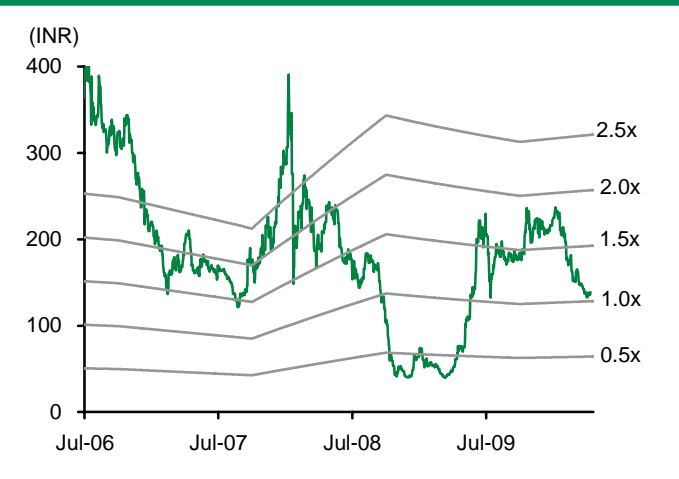
Source: BNP Paribas estimates

Exhibit 13: Sugar Price And Stock Indexed Performance



Sources: Bloomberg; BNP Paribas

Exhibit 14: Price To Book Trend



Sources: Bloomberg; BNP Paribas

Exhibit 15: Valuation Comparison, FY09

EV/TCD computation	BJH	BRCM	SHRS
Crushing capacity - TCD	136,000	76,500	35,000
Sugar production - 000' tonnes	613	453	378
Cane crushed - MT	6.7	5.0	3.4
Valuation comparison by operating metrics			
EV/TCD - USD	10,879	9,997	35,700
EV/sugar produced - MT - USD	2,415	1,689	3,308
EV/cane crushed - MT - USD	220	154	371

Sources: Company data; BNP Paribas

Exhibit 16: BJH TP Sensitivity To Sugar Price And Sugar Cane Price Assumptions

		Sugar cane price (INR/QTL)					
		160	170	180	190	200	210
Free sale sugar price (INR/kg)	28	135	102	68	34	0	(33)
	29	170	136	102	69	35	1
	30	204	171	137	103	69	36
	31	239	205	171	138	104	70
	32	273	240	206	172	138	105
	33	308	274	240	207	173	139

Source: BNP Paribas estimates

Exhibit 17: Global Comps Valuation

Company	Bloomberg Ticker	Share price (LC)	Market cap (USD m)	P/E			EV/EBITDA		
				2009 (x)	2010E (x)	2011E (x)	2009 (x)	2010E (x)	2011E (x)
India sugar companies									
Bajaj Hindusthan *	BJH IN	135.8	584.6	Neg	12.8	13.0	13.4	7.1	7.3
Shree Renuka	SHRS IN	70.3	1,058.8	18.1	3.9	6.6	9.6	2.7	4.4
Balrampur Chini	BRCM IN	95.4	554.9	11.7	7.7	7.6	5.9	4.7	4.8
Triveni Engineering	TRE IN	124.3	721.0	18.4	11.0	12.1	9.4	7.3	8.2
Mean				16.5	8.9	9.8	9.6	5.5	6.2
Median				18.1	9.4	9.9	9.5	5.9	6.0
Global sugar companies									
Cosan	CSAN3 BZ	23.1	5,380.4	Neg	11.5	10.8	29.2	7.9	6.0
Sao Martino	SMTO3 BZ	17.0	1,098.6	Neg	25.6	21.6	11.8	7.8	6.2
Acucar Guarani	ACGU3 BZ	4.7	763.8	Neg	12.2	10.8	8.7	5.2	4.2
Agrana Beteil	AGR AV	74.0	773.8	Neg	17.2	16.4	14.4	9.3	8.5
Tate & Lyle	TATE LN	4.5	1,337.5	31.7	12.2	10.9	10.4	7.4	7.0
Tongaat Hulett	TON SJ	104.3	1,479.0	3.8	14.8	12.6	7.6	7.3	6.8
Illovo Sugar	ILV SJ	30.3	1,907.9	14.7	16.1	13.0	9.6	8.4	6.9
Khon Kaen Sugar	KSL TB	11.1	534.0	19.1	17.7	15.3	17.9	12.3	10.5
Xiwang Sugar	2088 HK	2.6	319.1	21.3	12.3	9.7	19.3	10.7	7.6
Mean				23.0	16.2	14.8	14.4	8.5	7.0
Median				9.2	15.4	12.8	13.1	7.9	6.9

Prices as at close 16 April 2010

Sources: * BNP Paribas estimates, all others (Not rated) are Bloomberg consensus estimates

FINANCIAL STATEMENTS

Bajaj Hindusthan

Profit and Loss (INR m) Year Ending Sep	2008A	2009A	2010E	2011E	2012E
Revenue	20,701	20,259	51,966	38,099	37,667
Cost of sales ex depreciation	(13,693)	(12,209)	(39,365)	(25,107)	(24,322)
Gross profit ex depreciation	7,008	8,051	12,602	12,992	13,345
Other operating income	0	0	0	0	0
Operating costs	(5,571)	(3,838)	(4,714)	(5,316)	(5,512)
Operating EBITDA	1,437	4,213	7,888	7,677	7,834
Depreciation	(2,799)	(3,457)	(3,388)	(3,164)	(2,965)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	(1,361)	757	4,499	4,513	4,869
Net financing costs	(1,570)	(1,565)	(1,996)	(1,390)	(866)
Associates	0	0	0	0	0
Recurring non operating income	0	0	0	0	0
Non recurring items	204	1,859	0	0	0
Profit before tax	(2,727)	1,051	2,503	3,123	4,003
Tax	980	(456)	(501)	(781)	(1,001)
Profit after tax	(1,747)	595	2,003	2,342	3,002
Minority interests	173	22	(47)	(345)	(307)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	(1,574)	618	1,955	1,997	2,695
Non recurring items & goodwill (net)	(204)	(1,859)	0	0	0
Recurring net profit	(1,779)	(1,242)	1,955	1,997	2,695

FY10E revenue increase led by higher sugar realisation and imported raw sugar

Per share (INR)

Recurring EPS *	(12.58)	(8.07)	10.63	10.46	14.11
Reported EPS	(11.13)	4.01	10.63	10.46	14.11
DPS	0.70	0.56	0.82	0.82	0.82

EPS highly sensitive to sugar price assumptions

Growth

Revenue (%)	16.3	(2.1)	156.5	(26.7)	(1.1)
Operating EBITDA (%)	(24.6)	193.1	87.2	(2.7)	2.0
Operating EBIT (%)	(559.3)	(155.6)	494.7	0.3	7.9
Recurring EPS (%)	(8,665.1)	(35.9)	(231.8)	(1.7)	34.9
Reported EPS (%)	(7,677.5)	(136.1)	164.8	(1.7)	34.9

Operating performance

Gross margin inc depreciation (%)	20.3	22.7	17.7	25.8	27.6
Operating EBITDA margin (%)	6.9	20.8	15.2	20.1	20.8
Operating EBIT margin (%)	(6.6)	3.7	8.7	11.8	12.9
Net margin (%)	(8.6)	(6.1)	3.8	5.2	7.2
Effective tax rate (%)	-	43.4	20.0	25.0	25.0
Dividend payout on recurring profit (%)	-	-	7.7	7.8	5.8
Interest cover (x)	(0.9)	0.5	2.3	3.2	5.6
Inventory days	163.4	261.4	74.1	92.2	92.7
Debtor days	14.8	9.4	6.2	10.6	9.1
Creditor days	212.9	266.2	85.0	149.8	157.5
Operating ROIC (%)	(1.7)	0.9	5.1	5.7	6.5
Operating ROIC – WACC (%)	(12.7)	(10.1)	(5.9)	(5.3)	(4.5)
ROIC (%)	(1.7)	0.9	5.1	5.7	6.5
ROIC – WACC (%)	(12.7)	(10.1)	(5.9)	(5.3)	(4.5)
ROE (%)	(13.6)	(7.5)	8.9	8.4	10.3
ROA (%)	(1.4)	(0.3)	4.4	4.3	4.9

* Pre exceptional, pre-goodwill and fully diluted

Revenue By Division (INR m)	2008A	2009A	2010E	2011E	2012E
Sugar	17,486	18,346	48,232	32,817	32,087
Molasses	410	358	351	451	478
Alcohol	3,549	1,274	2,726	3,500	3,675
Power	349	293	996	966	1,035
Others	383	881	1,550	2,229	2,340
Less: excise duty	(1,475)	(893)	(1,889)	(1,864)	(1,949)

We expect by-product revenue to increase because of higher quantity of cane crushed

Sources: Bajaj Hindusthan; BNP Paribas estimates

Bajaj Hindusthan

Cash Flow (INR m)					
Year Ending Sep	2008A	2009A	2010E	2011E	2012E
Recurring net profit	(1,779)	(1,242)	1,955	1,997	2,695
Depreciation	2,799	3,457	3,388	3,164	2,965
Associates & minorities	(173)	(22)	47	345	307
Other non-cash items	408	1,729	0	0	0
Recurring cash flow	1,255	3,922	5,391	5,506	5,967
Change in working capital	(4,742)	(5,172)	4,264	1,859	(805)
Capex - maintenance	0	0	0	0	0
Capex - new investment	(3,216)	(1,660)	(580)	(680)	(714)
Free cash flow to equity	(6,703)	(2,910)	9,075	6,684	4,448
Net acquisitions & disposals	135	56	0	0	0
Dividends paid	(98)	(98)	(156)	(156)	(156)
Non recurring cash flows	(515)	(461)	0	0	0
Net cash flow	(7,182)	(3,413)	8,919	6,528	4,291
Equity finance	50	7,222	14	0	0
Debt finance	6,198	(4,277)	(900)	(4,000)	(5,000)
Movement in cash	(934)	(468)	8,033	2,528	(709)

Our capex estimates do not include the planned spending on the power business

Per share (INR)					
Recurring cash flow per share	8.88	25.48	29.31	28.83	31.24
FCF to equity per share	(47.41)	(18.91)	49.34	35.00	23.29

Balance Sheet (INR m)					
Year Ending Sep	2008A	2009A	2010E	2011E	2012E
Working capital assets	24,181	28,658	25,278	24,814	24,610
Working capital liabilities	(11,693)	(10,997)	(11,882)	(13,277)	(12,267)
Net working capital	12,488	17,660	13,396	11,537	12,342
Tangible fixed assets	41,848	43,901	41,093	38,609	36,358
Operating invested capital	54,336	61,561	54,489	50,147	48,701
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Investments	1	1	1	1	1
Other assets	0	0	0	0	0
Invested capital	54,337	61,562	54,490	50,147	48,701
Cash & equivalents	(1,740)	(1,273)	(9,306)	(11,834)	(11,126)
Short term debt	36,637	28,658	28,658	28,658	23,658
Long term debt *	6,714	11,905	11,005	7,005	7,005
Net debt	41,610	39,290	30,357	23,829	19,537
Deferred tax	39	486	486	486	486
Other liabilities	0	0	0	0	0
Total equity	12,014	21,135	22,948	24,789	27,327
Minority interests	673	651	698	1,043	1,350
Invested capital	54,337	61,562	54,489	50,147	48,701

* includes convertibles and preferred stock which is being treated as debt

Per share (INR)					
Book value per share	84.97	119.50	120.15	129.78	143.07
Tangible book value per share	84.97	119.50	120.15	129.78	143.07

Debt to equity high, but coming down. Power business could increase leverage

Financial strength					
Net debt/equity (%)	328.0	180.3	128.4	92.2	68.1
Net debt/total assets (%)	61.4	53.2	40.1	31.7	27.1
Current ratio (x)	0.5	0.8	0.9	0.9	1.0
CF interest cover (x)	(1.2)	0.2	5.8	6.3	7.0

Valuation					
	2008A	2009A	2010E	2011E	2012E
Recurring P/E (x) *	neg	neg	13.1	13.3	9.9
Recurring P/E @ target price (x) *	neg	neg	11.6	11.8	8.7
Reported P/E (x)	neg	34.8	13.1	13.3	9.9
Dividend yield (%)	0.5	0.4	0.6	0.6	0.6
P/CF (x)	15.7	5.5	4.8	4.8	4.5
P/FCF (x)	(2.9)	(7.4)	2.8	4.0	6.0
Price/book (x)	1.6	1.2	1.2	1.1	1.0
Price/tangible book (x)	1.6	1.2	1.2	1.1	1.0
EV/EBITDA (x) **	40.1	15.0	7.8	7.1	6.3
EV/EBITDA @ target price (x) **	39.0	14.6	7.5	6.8	6.0
EV/invested capital (x)	1.1	1.0	1.1	1.0	1.0

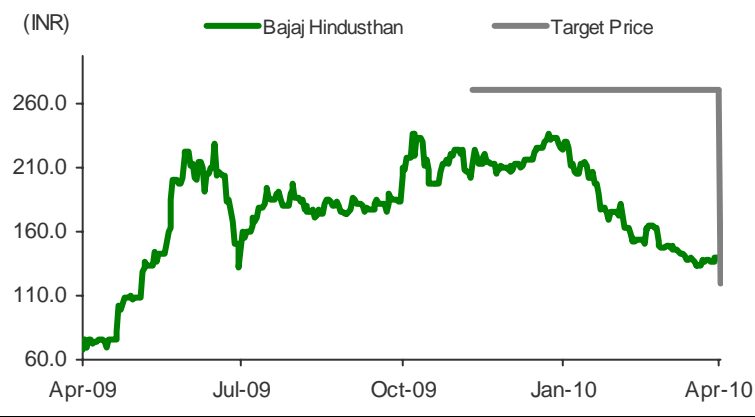
* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Bajaj Hindusthan; BNP Paribas estimates

HISTORY OF CHANGE IN INVESTMENT RATING AND/OR TARGET PRICE

Bajaj Hindusthan (BJH IN)



Date	Reco	TP
24-Nov-09	BUY	270.00
19-Apr-10	REDUCE	120.00

Kunal Vora started covering this stock from 24 November 2009
 Price and TP are in local currency
 Sources: Bloomberg, BNP Paribas

DISCLAIMERS & DISCLOSURES

ANALYST(S)

Kunal Vora, CFA, BNP Paribas Securities India Pvt Ltd, +91 22 6628 2453, kunal.d.vora@asia.bnpparibas.com.

This report was produced by a member company of the BNP Paribas Group ("Group")¹. This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set out herein.

The information contained in this report has been obtained from public sources believed to be reliable and the opinions contained herein are expressions of belief based on such information. No representation or warranty, express or implied, is made that such information or opinions is accurate, complete or verified and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification or taken in substitution for the exercise of judgement by the recipient. All opinions contained herein constitute the views of the analyst(s) named in this report, they are subject to change without notice and are not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Any reference to past performance should not be taken as an indication of future performance. No member company of the Group accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal views of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed herein.

This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities and providing automated trading services. This report is being distributed in the United Kingdom by BNP Paribas London Branch to persons who are not private customers as defined under U.K. securities regulations. BNP Paribas London Branch, a branch of BNP Paribas, is regulated by the Financial Services Authority for the conduct of its designated investment business in the U.K. This report may be distributed in the United States by BNP PARIBAS SECURITIES ASIA or by BNP Paribas Securities Corp.

Where this report has been distributed by BNP PARIBAS SECURITIES ASIA it is intended for distribution in the United States only to "major institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Where this report has been distributed by BNP Paribas Securities Corp, a U.S. broker dealer, it will have been reviewed by a FINRA S16 qualified registered supervisory analyst or a S24 qualified and authorized person, in accordance with FINRA requirements concerning third party affiliated research.

All U.S. institutional investors receiving this report should effect transactions in securities discussed in the report through BNP Paribas Securities Corp. BNP Paribas Securities Corp. is a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Reproduction, distribution or publication of this report in any other places or to persons to whom such distribution or publication is not permitted under the applicable laws or regulations of such places is strictly prohibited.

Information on Taiwan listed stocks is distributed in Taiwan by BNP Paribas Securities (Taiwan) Co., Ltd.

Distribution or publication of this report in any other places to persons which are not permitted under the applicable laws or regulations of such places is strictly prohibited.

¹ No portion of this report was prepared by BNP Paribas Securities Corp personnel.

Disclosure and Analyst Certification

BNP Paribas represents that:

BNPP or its affiliates had an investment banking relationship with Bajaj Hindusthan in the last 12 months.

Within the next three months, BNPP or its affiliates may receive or seek compensation in connection with an investment banking relationship with one or more of the companies referenced herein.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report; (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, relate to the specific recommendation or views expressed herein; and (iii) BNPP is not aware of any other actual or material conflicts of interest concerning any of the subject securities and companies referenced herein.

Recommendation structure

All share prices are as at market close on 16 April 2010 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as (target price* - current price) / current price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Should you require additional information please contact the relevant BNP Paribas research team or the author(s) of this report.

© 2010 BNP Paribas Group