

Suzlon Energy | SUEL IN

RPOs to make India a 4-5GW market

- **RPOs to drive Indian market demand by 2x:** We estimate wind power demand of c.5GW/pa based on final (14 states) and draft (12 states) RPO (RE Purchase Obligation) regulations (Exhibit 3). RE demand is expected to accelerate by 50% to c.62BU, resulting in incremental c.10GW wind RE capacity requirement by FY13 (Exhibit 2). While on-paper, capacity requirement is >5GW, lack of ready-sites, logistical and evacuation constraints may restrict market-size to 3.5-4GW in FY12 and 4-4.5GW in FY13E.
- **Visible improvement in quarterly volumes; see improved profitability:** Quarterly volumes have picked up with 14% YoY growth in 3Q11 to 461MW and 27% YoY growth in 9M11 to 1,029MW. Strong operating leverage kicks-in over c.1,800MW break-even volumes (for FY) as SUEL has consistently garnered ₹20mn/MW gross margins despite volatile commodity prices.
- **Increased competition, but SUEL ahead and opportunity pie growing:** Although global players like GE, Siemens and Gamesa have committed capex to develop manufacturing facilities in India, competition for Suzlon may remain benign a) opportunity pie is increasing 2x to 5GW/pa; and b) SUEL benefits from land possession and infra-development as IPPs – NTPC, Caparo, SJVN – also desire end-to-end solutions.
- **Upgrade to BUY; maintain TP at ₹60:** We reduce FY12E EPS to ₹0.8 (₹1) on higher interest costs and introduce FY13 at ₹3.4 EPS/2.7GW volume. We revert to PE-based SOP valuation from 1.5x P/BV as we expect SUEL to turn profitable in FY12. Maintain Mar'12 TP at ₹60, valuing REpower at ₹31 (16x FY13E, pegging at market cap), Hansen at ₹2 (30% discount to market cap), SE Forge at ₹1 (8x FY13E PAT) and Suzlon WTG at ₹26 (10x FY13E PAT). Upgrade to BUY a) regulatory changes in India to drive profitable growth; b) recent demonstrated success with IPPs, c) better acceptability of S95/S97 models with 5% better GP, low-wind suitability, and d) promoters' commitment to acquire balance stake in REpower (reinforced from 2.25% stake sale by promoter group to infuse ₹1.8bn in company as unsecured debt).
- **Risks:** 1) \$211mn CB conversion at ₹97.3, else repayment liability of c.₹33bn in FY13; 2) 16-17% PAT sensitivity to 100MW volume or 2% realisation change.

Abhishek Puri
abhishek.puri@jmfinancial.in
Tel: (91 22) 66303073

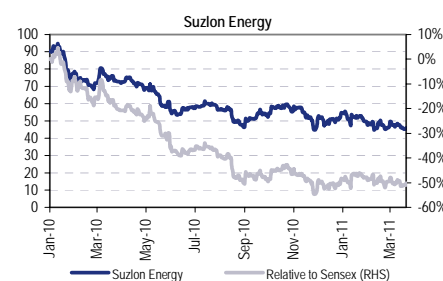
Sandeep Tulsian
sandeep.tulsian@jmfinancial.in
Tel: (91 22) 66303085

Abhishek Anand
abhishek.anand@jmfinancial.in
Tel: (91 22) 66303067

Key Data

Market cap (bn)	₹ 81.7 / US\$ 1.8
Shares in issue (mn)	1,777.4
Diluted share (mn)	2,014.5
3-mon avg daily val (mn)	₹ 1226.7/US\$ 27.2
52-week range	₹ 76.2/42.8
Sensex/Nifty	17,839/5,365
₹/US\$	45.0

Daily Performance



%	1M	3M	12M
Absolute	-3.1	-9.3	-39.5
Relative	0.2	1.8	-40.9

* To the BSE Sensex

Shareholding Pattern (%)

	3Q FY11	3Q FY10
Promoters	57.1	53.1
FII	10.1	15.5
DII	3.4	6.9
Public / others	29.4	24.5

Exhibit 1. Financial Summary

Y/E March	FY09A	FY10A	FY11E	FY12E	FY13E
Net sales	262,588	206,197	180,402	217,094	262,401
Sales growth (%)	91.5	-21.5	-12.5	20.3	20.9
EBITDA	28,159	10,465	7,446	19,171	25,510
EBITDA (%)	10.7	5.1	4.1	8.8	9.7
Adjusted net profit	11,328	-11,945	-10,906	1,576	6,822
EPS (₹)	5.6	-5.9	-5.4	0.8	3.4
EPS growth (%)	-13.9	-205.4	-8.7	-114.4	333.0
ROCE (%)	9.2	4.8	1.8	4.4	9.0
ROE (%)	13.1	NA	NA	2.2	8.3
PE (x)	8.2	NA	NA	58.8	13.6
Price/Book value (x)	0.8	1.1	1.2	1.1	1.0
EV/EBITDA (x)	6.6	15.1	20.3	7.9	5.6

Source: Company data, JM Financial. Note: Valuations as of 22/03/2011

JM Financial Research is also available on:
Bloomberg - JMFR <GO>, Thomson Publisher & Reuters.

Please see important disclosure at the end of the report

Healthy orders overshadow growth concerns: 3Q order intake increased sharply to 1,488MW (Exhibit 9), highest in last 13 quarters from an average order intake of 300-400MW in the past, on large orders wins from Caparo Energy (1,000MW), Martifier (218MW) and Hindustan Zinc (150MW). Suzlon has demonstrated good traction with IPPs which provides order visibility post-DTC (FY12), when accelerated depreciation benefit expires. Current OB at 2,578MW (US\$3bn), up 74% YoY, is now touching pre-crisis level of 2008.

RE demand increasing...

We expect renewable capacity addition to gather pace post implementation of RPO regulations in all states. Our analysis of regulations for 26 states indicates renewable capacity additions (assuming 25% PLF conservatively) at 4-5GW per annum. If we assume lower PLFs, RE demand in MW terms may increase further.

Exhibit 2. RE demand calculations

	Units	FY11	FY12	FY13
RE Demand	BU	41	51	62
RE Supply	BU	38	38	38
RE Shortfall	BU	3	12	23
MW shortfall	MW	1,190	5,623	10,652

Source: SERC, JM Financial

Exhibit 3. RPO regulations

			FY11	FY12	FY13
Andhra Pradesh	31-Mar-09	Final	5.00%	5.00%	5.00%
Assam	21-Jun-10	Draft	1.40%	2.80%	4.20%
Bihar	16-Nov-10	Final	1.50%	2.50%	4.00%
Chhattisgarh	9-Nov-10	Draft	5.00%	5.25%	5.50%
Delhi	-	Draft	1.00%	2.00%	3.00%
Gujarat	-	Final	5.00%	6.00%	7.00%
Haryana	-	Draft	1.50%	1.50%	2.00%
Himachal Pradesh	26-May-10	Final	10.10%	11.10%	12.10%
J&K	14-May-10	Draft	1.00%	3.00%	5.00%
JERC for Goa & UT	-	Draft	0.75%	1.00%	2.00%
Manipur	5-May-10	Final	2.00%	3.00%	5.00%
Mizoram	5-May-10	Final	5.00%	6.00%	7.00%
Jharkhand	31-Jul-10	Final	2.00%	3.00%	4.00%
Karnataka	-	Draft	8.50%	9.50%	10.5%
Kerala	23-Nov-10	Final	3.00%	3.30%	3.63%
Madhya Pradesh	19-Nov-10	Draft	0.80%	2.50%	4.00%
Maharashtra	-	Final	6.00%	7.00%	8.00%
Meghalaya	-	Draft	0.50%	0.75%	1.00%
Orissa	30-Sep-10	Final	4.50%	5.00%	5.50%
Punjab	13-Dec-07	Final	3.00%	4.00%	5.00%
Rajasthan	-	Draft	8.50%	9.50%	10.50%
Tamil Nadu	7-Dec-10	Final	13.00%	14.00%	15.00%
Tripura	9-Nov-09	Draft	1.00%	1.00%	2.00%
Uttarakhand	3-Nov-10	Final	4.00%	4.53%	5.05%
Uttar Pradesh	17-Aug-10	Final	4.00%	5.00%	6.00%
West Bengal	10-Aug-10	Draft	2.00%	3.00%	4.00%

Source: SERC, JM Financial

Exhibit 4. Suzlon SOP valuations**(₹ mn)**

	Basis	FY13E PAT	PE x	Suzlon's stake	Suzlon's value	
					₹ bn	Per share (₹)
Suzlon WTG	PE	5,150	10x	100.0%	51,502	26
SE Forge	PE	156	8x	100.0%	1,248	1
Hansen	M Cap	1,406	30%	26.1%	4,208	2
Repower	PE	4,361	16x	90.7%	63,298	31
Total					119,008	60

Source: JM Financial

Exhibit 5. Volume and realisation sensitivity to FY13 net profit**(₹ bn)**

FY13 PAT variation		India MW variation - 1,750MW FY13					%
		-200.0	-100.0	0.0	100.0	200.0	
Realization variation	-5%	1.4	2.2	3.0	3.7	4.5	-42.6%
	-2%	2.6	3.4	4.3	5.1	5.9	-17.3%
	0%	3.5	4.3	5.2	6.0	6.8	0.0%
	2%	4.3	5.2	6.1	6.9	7.8	17.7%
	5%	5.6	6.5	7.5	8.4	9.3	44.8%
% variation		-32.7%	-16.4%	0.0%	16.4%	32.7%	

Source: JM Financial

- **FCCB conversion must by FY13:** We believe FCCB conversion by Jun'12 and Oct'12 for US\$389mn is a must; else SUEL faces large repayment liability of ₹36bn which may be difficult to service from current cash flow projections. Other repayment liabilities are small and can be managed given improving global wind market and ordering scenario.

Exhibit 6. Debt repayment schedule**(₹ bn)**

Particulars	Amount	Amount including yield	Comments	2HFY12	FY13	FY14	FY15	FY16	FY17	FY18
FCCB	\$389mn	26	c45% YTM		26					
	\$90mn	6	c50% YTM				6			
Acquisition Debt	\$465mn	21	-	4	7	7	4			
Term Loan	38	38	-	1	3	4	6	8	8	10
WC Term Loan	36	36	Revolving							
Total	-	127		5	36	11	15	8	8	10

Source: Company, JM Financial

- **If FCCBs don't convert:** Conversion of bonds seems difficult currently as the conversion price of FCCBs stands at ₹97.3 (\$333mn), ₹76.7 (\$56mn) and ₹90.4 (\$90mn). If stock price remains below ₹76, we believe Suzlon may have to tap other funding sources like a) Hansen stake sale - \$150mn (₹6.9bn), b) payment due from Edison - \$200mn (₹9.2bn) in 2H12; and c) access to REpower cash balance - EUR276mn (₹17.4bn). SUEL will have cash net profit of c.₹7.4bn in FY12 that could be sufficient for acquisition of balance stake in REpower and hence, its balance sheet (₹17.4bn cash) may be used for debt repayment.

Exhibit 7. FCCB issue and maturity profile

USD mn	Coupon rate (%)	Frequency	Maturity	Redemption premium	Conversion price (₹)	USD/INR (₹)	FY08	FY09	FY10	FY11
Series I	0%	-	5-Jun-12	145.23%	97.3	44.6	300	211	211	211
Series II	0%	-	4-Oct-12	144.88%	97.3	44.6	200	121	121	121
Series III	7.5%	Semi-annual	5-Jun-12	150.24%	76.7	49.8		36	36	36
Series IV	7.5%	Semi-annual	4-Oct-12	157.72%	76.7	49.8		21	21	21
Series V	0%	-	18-Jul-14	134.20%	90.4	48.2			90	90
Total							500	389	479	479

Source: JM Financial

Exhibit 8. Quarterly Order inflow (MW)

	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
India	253	49	186	331	277	489	403	1,255
USA	42	-	-	20	16	51	-	-
China	100	98	-	-	-	-	50	-
ANZ	246	-	-	48	-	-	-	8
Europe	-	13	84	-	-	-	-	-
S.America	-	-	-	-	-	-	-	225
Total MW	641	160	270	399	293	540	453	1,488

Source: Company, JM Financial

Exhibit 9. Execution schedule for large orders (MW)

Date	Client	Value (₹ mn)	Capacity	FY11	FY12	FY13
Sep-2010	Techno Electric	11,490	202	-	202	-
Jan-2011	Hindustan Zinc	8,650	150	50	100	-
Jan-2011	Martifer Renováveis	-	218	-	218	-
Jan-2011	Caparo Energy	58,240	1,000	-	500	500

Source: Company, JM Financial

Exhibit 10. IPPs intend to invest in wind

Date	Customer	Location	Capacity (MW)	Amount (₹ mn)	₹ mn/MW
16-Mar-11	MTNL	Maharashtra	-	1,000	-
9-Feb-11	Suzlon	Damanjodi, Orissa	99	6,000	61
25-Nov-10	NTPC	-	500	-	-
21-Sep-10	Orient Green Power	Gujarat	50	-	-
23-Aug-10	ONGC	Rajasthan	102	6,500	64
7-Jul-10	Railways	Rajasthan, TN	21	1,400	67
10-Jun-10	Tata Power	-	100	-	-
Total			872		

Source: Media reports, JM Financial

Revising estimates

- We revise FY11/12 volume estimates by 2%/16% on better than expected order inflow in the current year. We expect India volumes at 1,500MW (1,000MW) in FY12 as large projects for Caparo Energy (500MW), Techno Electric (202MW) and Vedanta Group (150MW) get executed in the year. However, we lower FY11/12 adjusted EPS estimate by -25% each on higher than expected interest and depreciation costs.

Exhibit 11. Change in estimates								(₹ mn)
	Actual	Revised Estimates		New	Old Estimates		% Chg	
	FY10	FY11E	FY12E	FY13E	FY11E	FY12E	FY11E	FY12E
Sales (MW)	1,460	1,730	2,200	2,680	1,690	1,900	40MW	300MW
Net Sales	206,197	180,402	217,094	262,401	178,733	216,585	0.9	0.2
Suzlon WTG	96,780	100,608	127,690	160,535	104,633	126,585	-3.8	0.9
REpower	80,646	79,794	89,404	101,866	74,100	90,000	7.7	-0.7
EBITDA	10,465	7,446	19,171	25,510	3,988	16,566	86.7	15.7
Suzlon WTG	-150	1,207	11,658	16,738	-732	9,241	-264.8	26.2
REpower	7,141	6,239	7,512	8,771	4,721	7,325	32.2	2.6
EBITDA Margin (%)	5.1	4.1	8.8	9.7	2.2	7.6	190bps	118bps
PAT	-9,826	-8,558	1,576	6,822	-11,367	1,905	-24.7	-17.3
Adjusted Profit	-11,945	-10,906	1,576	6,822	-13,203	1,905	-17.4	-17.3
EPS (₹)	-4.9	-4.2	0.8	3.4	-6.2	1.0	-31.6	-24.8
Adjusted EPS (₹)	-5.9	-5.4	0.8	3.4	-7.2	1.0	-24.9	-24.8

Source: Company, JM Financial

Exhibit 12. Volume and realisation estimates								(₹ mn)
MW	Actual	Revised Estimates		New	Old Estimates		% Chg	
Region	FY10	FY11E	FY12E	FY13E	FY11E	FY12E	FY11E	FY12E
India								
MW Sales	688	1,100	1,500	1,750	1,000	1,000	10.0	50.0
Realizations (₹ mn/MW)	59.5	57.7	58.3	60.0	57.7	62.3	0.0	-6.5
Exports								
MW Sales	180	160	300	450	220	400	-27.3	-25.0
Realizations (₹ mn/MW)	124.7	65.0	66.3	67.6	65.0	66.3	0.0	0.0
USA								
MW Sales	410	250	150	180	250	250	0.0	-40.0
Realizations (₹ mn/MW)	60.6	58.7	60.5	62.3	57.5	58.7	2.1	3.1
China								
MW Sales	182	220	250	300	220	250	0.0	0.0
Realizations (₹ mn/MW)	44.7	44.2	45.1	46.0	44.2	44.2	0.0	2.0
Total								
MW Sales	1,460	1,730	2,200	2,680	1,690	1,900	2.4	15.8
% YoY	-47.7	18.5	27.2	21.8	15.8	12.4	-	-
Realizations (₹ mn/MW)	66.0	58.2	58.0	59.9	56.9	60.3	2.2	-3.7

Source: Company, JM Financial

Suzlon Wind – 3Q11 results

Exhibit 13. Suzlon Wind - 3Q11 and 9M11 results										(₹ mn)
Y/E March	1Q11	2Q11	3Q 10	3Q11	% YoY	3Q11E	% YoY E	9M10	9M11	% YoY
Sales (MW)	207	361	404	461	14.1	445	10.1	810	1,029	27.0
Net Sales	14,410	21,880	24,580	25,090	2.1	27,145	10.4	54,980	61,380	11.6
Total Expenditure	17,330	21,530	25,320	23,740	-6.2	27,184	7.4	60,330	62,600	3.8
EBITDA	-2,920	350	-740	1,350	-282.4	-39	-94.7	-5,350	-1,220	-77.2
EBITDA Margins (%)	-20.3	1.6	-3.0	5.4	839 bps	-0.1	287 bps	-9.7	-2.0	774 bps
Interest	2,210	1,980	2,160	2,120	-1.9	2,162	0.1	6,260	6,310	0.8
Depreciation	800	850	760	880	15.8	860	13.2	2,060	2,530	22.8
Other Non-operating Income	150	130	160	150	-6.3	160	0.0	390	430	10.3
PBT	-5,780	-2,350	-3,500	-1,500	-57.1	-2,901	-17.1	-13,280	-9,630	-27.5
Exceptional Items (Gain)	1,900	0	-2,438	0	-100.0	0	-100.0	-3,465	1,900	-154.8
Taxes	-200	670	20	-140	-800.0	800	3,900.0	-490	330	-167.3
Tax Rate (%)	3.5	-28.5	-0.6	9.3		-27.6		3.7	-3.4	
Minority Interest	-10	-10	-10	-10		-5		-30	-30	
Reported PAT	-7,470	-3,010	-1,072	-1,350	NM	-3,696	NM	-9,295	-11,830	NM
Adjusted PAT	-5,570	-3,010	-3,510	-1,350	NM	-3,696	NM	-12,760	-9,930	NM
EPS	-4.1	-1.6	-0.6	-0.7	NM	-2.0	NM	-6.1	-6.5	NM

Source: Company, JM Financial

Exhibit 14. Suzlon Wind – Cost break up										(₹ mn)
	1Q11	2Q11	3Q 10	3Q11	% YoY	3Q11E	% YoY E	9M10	9M11	% YoY
Raw Material	10,590	14,440	16,470	16,050	-2.6	18,051	9.6	38,440	41,080	6.9
	73.5	66.0	67.0	64.0	-304bps	66.5	-51bps	69.9	66.9	-299bps
Staff Cost	2,270	2,380	2,330	2,190	-6.0	2,450	5.2	6,720	6,840	1.8
	15.8	10.9	9.5	8.7	-75bps	9.0	-45bps	12.2	11.1	-108bps
Other expenditure	4,470	4,710	6,520	5,500	-15.6	6,683	2.5	15,170	14,680	-3.2
	31.0	21.5	26.5	21.9	-460bps	24.6	-191bps	27.6	23.9	-368bps

Source: Company, JM Financial

Suzlon Consolidated – 3Q11 results

Exhibit 15. Consolidated – 3Q11 and 9M11 results

(₹ mn)

Y/E March	1Q11	2Q11	3Q10*	3Q11	% YoY	3Q11E	% YoY	9M10*	9M11	% YoY
Net Sales	24,044	38,193	49,070	44,944	-8.4	47,111	-4.0	119,500	107,181	-10.3
Total Expenditure	28,042	36,833	46,390	42,489	-8.4	45,188	-2.6	118,890	107,363	-9.7
EBITDA	-3,997	1,360	2,680	2,455	-8.4	1,922	-28.3	610	-182	-129.9
EBITDA Margins (%)	-16.6	3.6	5.5	5.5	0bps	4.1	-138bps	0.5	-0.2	-68bps
Interest	2,611	2,671	2,640	2,949	11.7	2,502	-5.2	7,960	8,231	3.4
Depreciation	1,265	1,373	1,260	1,425	13.1	1,280	1.6	3,380	4,062	20.2
Other Non-operating Income	235	197	130	339	160.6	175	34.5	400	771	92.8
PBT	-7,638	-2,486	-1,090	-1,580	45.0	-1,684	54.5	-10,330	-11,705	13.3
Exceptional Items/ (Gain)	1,836	-122	-1,700	635	NM	0	NM	-3,590	2,349	NM
Exchange Loss / (Gain) on FCCB	1,463	-122	-1,700	635	NM	0	NM	-3,970	1,976	NM
Taxes	-237	1,323	500	308	-38.4	-52	-110.4	610	1,394	128.6
<i>Tax Rate (%)</i>	<i>3.1</i>	<i>-53.2</i>	<i>-45.9</i>	<i>-19.5</i>		<i>3.1</i>		<i>-5.9</i>	<i>-11.9</i>	
Share of profit of minority	183	90	0	17	NM	120	NM	10	290	NM
Share in associate's PAT	-69	-94	-40	-29	NM	-40	NM	-650	-192	NM
Reported PAT	-9,122	-3,692	70	-2,535	NM	-1,552	NM	-7,990	-15,350	NM
Adjusted PAT	-7,287	-3,814	-1,630	-1,901	NM	-1,552	NM	-11,580	-13,001	NM
EPS (₹)	-5.9	-2.1	0.1	-1.4	NM	-0.9	NM	-5.1	-8.6	NM

Source: JM Financial; * without Hansen

Exhibit 16. Consolidated – Cost break up

(₹ mn)

	1Q11	2Q11	3Q10*	3Q11	% YoY	3Q11E	% YoY	9M10*	9M11	% YoY
Raw Material	17,769	25,370	32,910	30,306	-7.9	32,035	-2.7	83,150	73,444	-11.7
	73.9	66.4	67.1	67.4	36bps	68.0		69.6	68.5	-106bps
Staff Cost	3,976	4,080	4,110	4,146	0.9	4,202	2.2	12,070	12,202	1.1
	16.5	10.7	8.4	9.2	85bps	8.9		10.1	11.4	128bps
Other expenditure	6,297	7383	9370	8,037	-14.2	8951	-4.5	23670	21717	-8.2
	26.2	19.3	19.1	17.9	-121bps	19.0		19.8	20.3	45bps

Source: JM Financial; * without Hansen

- **REpower: Order book strides ahead but deliveries lag:** Sales declined 10% YoY on lower volumes (down 17% YoY at 229MW) as securing funds in developed markets got tough. EBIT margins fell a sharp 430bps to 3.5% on lower capacity utilisation and net profit declined 70% YoY to EUR4.4mn. Management has cut FY11 sales guidance to EUR1.25-1.35bn and operating margins to 5-7%. Order inflow displayed strong 72% YoY growth on pick up in offshore turbine (3.4M104 type), which has higher realisations. Order backlog stood at 2,458MW, up 77% YoY.

Exhibit 17. REpower – 3Q11 results

	₹ mn			EUR mn		
	3Q10	3Q11	% YoY	3Q10	3Q11	% YoY
Net Sales	24,660	19,030	-22.8	319	289	-9.6
EBITDA	2,280	440	-80.7			
EBITDA Margins	9.2%	2.3%				
EBIT	1,930	70	-96.4	25	10.1	-59.6
EBIT Margins	7.8%	0.4%		7.8%	3.5%	
Reported PAT	980	-820	-183.7	14.6	4.4	-69.9

Source: Company, JM Financial

Financial Tables (Consolidated)

Profit & Loss Statement (₹ mn)					
Y/E March	FY09A	FY10A	FY11E	FY12E	FY13E
Net sales (Net of excise)	262,588	206,197	180,402	217,094	262,401
Growth (%)	91.5	-21.5	-12.5	20.3	20.9
Other operational income	0	0	0	0	0
Raw material (or COGS)	168,568	136,282	120,689	145,453	175,808
Personnel cost	21,658	21,454	16,593	17,921	19,713
Other expenses (or SG&A)	44,204	37,996	35,674	34,550	41,370
EBITDA	28,159	10,465	7,446	19,171	25,510
EBITDA (%)	10.7	5.1	4.1	8.8	9.7
Growth (%)	37.3	-62.8	-28.8	157.5	33.1
Other non-op. income	2,718	2,290	959	1,019	1,146
Depreciation and amort.	5,731	6,630	5,622	5,838	6,115
EBIT	25,145	6,125	2,784	14,351	20,540
Add: Net interest income	-9,012	-14,580	-11,307	-10,870	-10,616
Pre tax profit	16,133	-8,455	-8,523	3,481	9,924
Taxes	2,881	3,561	1,844	1,804	3,087
Add: Extraordinary items	-8,963	2,119	2,349	0	0
Less: Minority interest	1,924	-72	539	102	15
Reported net profit	2,365	-9,826	-8,558	1,576	6,822
Adjusted net profit	11,328	-11,945	-10,906	1,576	6,822
Margin (%)	4.3	-5.8	-6.0	0.7	2.6
Diluted share cap. (mn)	2,014	2,014	2,014	2,014	2,014
Diluted EPS (₹)	5.6	-5.9	-5.4	0.8	3.4
Growth (%)	-13.9	-205.4	-8.7	-114.4	333.0
Total Dividend + Tax	0	0	0	0	0

Source: Company, JM Financial

Balance Sheet (₹ mn)					
Y/E March	FY09A	FY10A	FY11E	FY12E	FY13E
Share capital	2,997	3,113	3,555	3,555	4,029
Other capital	1,079	182	182	182	182
Reserves and surplus	82,216	62,742	66,777	68,136	89,120
Networth	86,292	66,038	70,514	71,873	93,331
Total loans	148,696	126,679	104,072	109,072	85,721
Minority interest	23,135	3,285	23,499	23,282	22,913
Sources of funds	258,123	196,002	198,085	204,227	201,966
Intangible assets	0	0	0	0	0
Fixed assets	151,024	115,383	154,350	156,189	157,778
Less: Depn. and amort.	18,210	13,772	27,776	33,114	38,730
Net block	132,814	101,611	126,574	123,075	119,048
Capital WIP	19,840	4,130	1,500	1,250	1,250
Investments	51	10,923	13,235	13,235	13,235
Def tax assets/- liability	-1,868	1,572	-965	-965	-965
Current assets	218,829	171,982	144,142	165,504	184,943
Inventories	71,737	59,943	32,404	39,850	48,167
Sundry debtors	53,928	31,740	42,506	50,556	61,107
Cash & bank balances	30,698	29,043	21,014	25,382	21,875
Other current assets	33,457	30,178	30,178	30,178	30,178
Loans & advances	29,009	21,078	18,040	19,538	23,616
Current liabilities & prov.	115,523	94,216	86,401	97,872	115,546
Current liabilities	105,947	84,267	77,702	87,475	103,047
Provisions and others	9,576	9,949	8,699	10,396	12,499
Net current assets	103,306	77,766	57,741	67,632	69,397
Others (net)	3,980	0	0	0	0
Application of funds	258,123	196,002	198,085	204,227	201,966

Source: Company, JM Financial

Cash flow statement (₹ mn)					
Y/E March	FY09A	FY10A	FY11E	FY12E	FY13E
Reported net profit	2,365	-9,826	-8,558	1,576	6,822
Depreciation and amort.	7,892	-4,438	14,004	5,338	5,615
-Inc/dec in working cap.	-1,168	12,301	10,208	-5,723	-3,296
Others	12,892	-19,850	20,214	-217	-369
Cash from operations (a)	11,462	-21,812	35,868	974	8,772
-Inc/dec in investments	31,367	-10,872	-2,312	0	0
Capex	-103,669	51,351	-36,337	-1,589	-1,589
Others	-27,972	11,583	1,788	199	-1,975
Cash flow from inv. (b)	-100,273	52,062	-36,861	-1,390	-3,564
Inc/-dec in capital	2,889	-10,429	13,034	-217	14,637
Dividend+Tax thereon	0	0	0	0	0
Inc/-dec in loans	49,350	-22,016	-22,607	5,000	-23,351
Others	-2,331	540	2,537	0	0
Financial cash flow (c)	49,908	-31,905	-7,036	4,783	-8,715
Inc/-dec in cash (a+b+c)	-38,904	-1,656	-8,029	4,368	-3,507
Opening cash balance	69,602	30,698	29,043	21,014	25,382
Closing cash balance	30,698	29,043	21,014	25,382	21,875

Source: Company, JM Financial

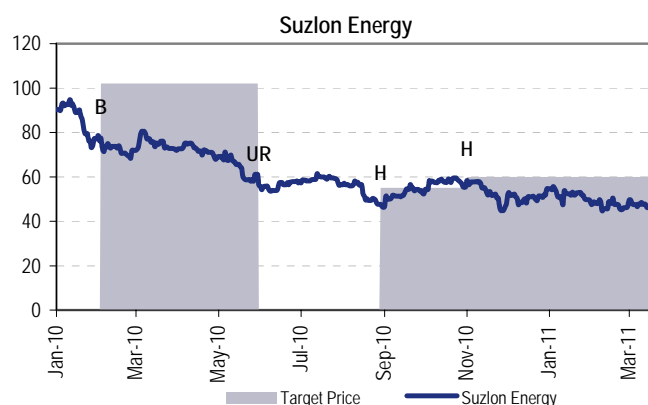
Key Ratios					
Y/E March	FY09A	FY10A	FY11E	FY12E	FY13E
BV/Share (₹)	57.6	42.4	39.7	40.4	46.3
ROCE (%)	9.2	4.8	1.8	4.4	9.0
ROE (%)	13.1	NA	NA	2.2	8.3
Net Debt/equity ratio (x)	1.4	1.3	1.0	1.0	0.5
Valuation ratios (x)					
PER	8.2	NA	NA	58.8	13.6
PBV	0.8	1.1	1.2	1.1	1.0
EV/EBITDA	6.6	15.1	20.3	7.9	5.6
EV/Sales	0.7	0.8	0.8	0.7	0.5
Turnover ratios (no.)					
Debtor days	75	56	86	85	85
Inventory days	100	106	66	67	67
Creditor days	229	226	235	220	214

Source: Company, JM Financial

History of earnings estimates and target price

Date	FY11E EPS (₹)	% Chg.	FY12E EPS (₹)	% Chg.	Target Price	Target Date	% Chg.
3-Feb-10	1.7		3.3		102	Mar-11	
29-Aug-10	-7.6		0.4		55	Mar-11	
1-Nov-10	-7.6	0.0	1.0	150.0	60	Mar-11	9.1

Recommendation history



JM Financial Institutional Securities Private Limited

MEMBER, BOMBAY STOCK EXCHANGE LIMITED AND NATIONAL STOCK EXCHANGE OF INDIA LIMITED

SEBI REGISTRATION NOS.: BSE - INB011296630 & INF011296630, NSE - INB231296634 & INF231296634

REGISTERED OFFICE: 141, MAKER CHAMBERS III, NARIMAN POINT, MUMBAI - 400 021, INDIA

CORPORATE OFFICE: 51, MAKER CHAMBERS III, NARIMAN POINT, MUMBAI - 400 021, INDIA

BOARD: +9122 6630 3030 | FAX: +91 22 6747 1825 | EMAIL: JMFINANCIAL.RESEARCH@JMFINANCIAL.IN | WWW.JMFINANCIAL.IN

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