4 April 2006

Tulip IT Services

CMP: Rs 330 | **Target: Rs 437** | **BUY**

BSE Code	532691
NSE Code	TULIP

Key Data

Sensex	11,564
52-week range (Rs)	338.4/0.3
Outstanding shares (mn)	29.0
Avg. daily volume (No of shares)*	1,183,489
Market Cap (Rs bn)	9.6
Free float (%)	31.0

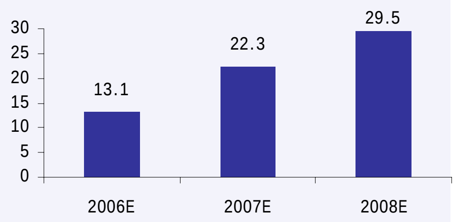
*Source: Capitaline, * 2 week average*

Shareholding Pattern (%)

Promoters	69.0
Institutions	18.2
Public & Others	12.9

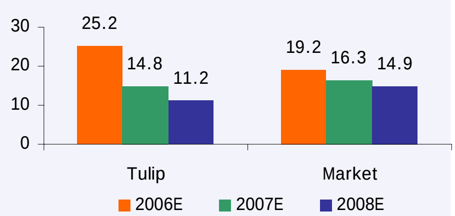
Source: Capitaline

Annual EPS Trend (Rs)



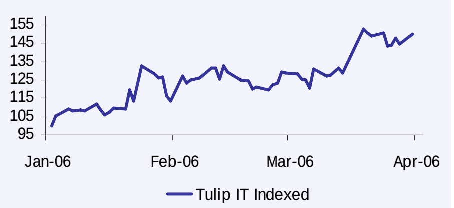
Source: Brics-PCG Research

Current P/E Multiples (x)



Source: Brics-PCG Research

Price Chart (Relative to Sensex)



Source: Capitaline

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Tulip IT Services (Tulip) is in the business of providing network integration and IP/VPN wireless connectivity solutions, with reputed names like Bank of Punjab, Punjab National Bank, HDFC Bank and Bharti Tele-Ventures among its clients. The company started out as a reseller of software and hardware products, and subsequently migrated to network integration where it designs and develops client networks. In 2005 Tulip ventured into IP/VPN wireless-based data connectivity solutions. The company sees huge potential for this business in the low bandwidth markets comprising dealers, C&F agents, stock brokers and ATMs.

Investment Rationale

- **Last-mile connectivity:** Tulip has the ability to provide last-mile connectivity for data through its pan-India wireless network, a service currently provided only by players like BSNL and MTNL.
- **Wider reach than competitors:** By virtue of being a wireless service provider, Tulip can connect regions which suffer from technical feasibility constraints for copper wire connectivity. A good example of this is the Akshaya project executed by the company in the Malappuram district of Kerala.
- **High-margin business:** The IP/VPN wireless business has a quick payback period with high profit margins as the capital outlay is lower than that for copper wire networks.
- **Focused approach:** Tulip is concentrating on providing data connectivity to customers who have low bandwidth requirements of between 2KBPS to 32KBPS, and for whom leased lines and VSATs are expensive options.
- **Fourth-largest network integrator:** Tulip is the fourth-largest network integrator in India in terms of revenues. Now, its ability to bundle connectivity solutions will allow the company to further grow its network integration business.

Key Concerns

- **Threat of prospective competitors:** Since the wireless business is highly profitable and has low entry barriers, there is no doubt that competition will emerge. This may compel Tulip to adopt an aggressive pricing strategy.
- **Changing government guidelines:** Government policies regarding the IP/VPN licensing norms have changed twice in the past one year. Further uncertainty over guidelines can have an adverse effect on profitability.

Valuation

We have valued the company on a P/E basis. According to our estimates, the Indian equity markets are currently trading at 16.3x expected FY07 earnings. Considering the huge growth potential in the wireless IP/VPN market and the capital expenditure incurred by Tulip for the same, we believe the company should get higher-than-market valuations. Our target price of Rs 437 is 19.5x the FY07 EPS of Rs 22.3, which is 20% more than the market P/E. We recommend that investors **BUY** the stock.

Financial Summary

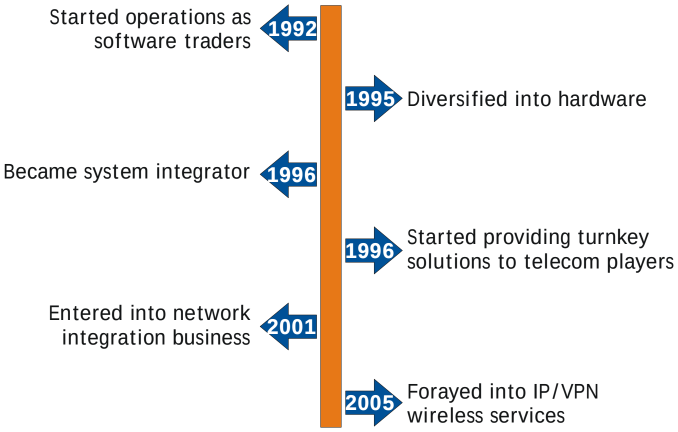
Year end Mar (Rs mn)	FY05	FY06E	FY07E	FY08E
Revenues	3,428.4	4,754.8	6,212.9	7,186.8
Growth (%)	24.7	38.7	30.7	15.7
Net Profit	133.9	380.2	647.5	856.6
Growth (%)	98.0	184.0	70.3	32.3
EPS(Rs)	6.7	13.1	22.3	29.5
Growth (%)	18.8	95.9	70.3	32.3
PER (x)	49.3	25.2	14.8	11.2
ROE (%)	28.7	19.7	25.2	25.0
EV/EBITDA (x)	50.4	17.4	8.9	7.5

Source: Brics-PCG Research

Business Overview

Tulip commenced operations in 1992 as a reseller of software. Since then the company has transformed itself from a trading company to an integrated data connectivity solutions provider. The diagram below illustrates the significant milestones in the company's history:

Company History



Source: Company

Today Tulip's business is divided primarily into two segments:

a) Network Integration

b) Corporate Data Services

Network Integration

Solution overview

As technology grows increasingly complex, enterprises have begun to focus on their core businesses, while outsourcing essential but non-core tasks like network management. Service providers such as network integrators offer clients the dual benefits of cost savings and better service quality. Their services include network design and development, supply of hardware, and project management, integration and implementation. Also, once the network is in place, management and maintenance services are provided.

Tulip presently derives a majority of its revenues from network integration services. It has a presence in 26 cities and acts as a single-point service provider. The company has also started providing remote management services through its network operation centres, thereby providing significant cost and space savings to clients. It has a proven track record having successfully implemented major wireless networks for organisations like Bank of Punjab, ABN Amro Bank, HDFC Bank, Bank of India and Indian Overseas Bank.

Tulip has been ranked as the fourth-largest network integrator in the country by Voice & Data in its research for the year 2005. The company follows Wipro Infotech, Datacraft and HCL Comnet.

Top 10 Network Integrators - 2005

Rank	Company	FY05 (Rs mn)	FY04 (Rs mn)	Chng (%)	Market Share(%)
1	Wipro	4,860	3,230	50.5	11.7
2	Datacraft	4,660	3,500	33.1	11.2
3	HCL Comnet	3,760	2,540	48.0	9.0
4	Tulip IT	3,040	2,760	10.1	7.3
5	HCL Info	2,780	1,680	65.5	6.7
6	CMC	2,500	2,500	—	6.0
7	GTL	2,240	2,340	(4.3)	5.4
8	Network Solutions	2,010	1,790	12.3	4.8
9	HECL	2,000	1,850	8.1	4.8
10	3DNetwork	1,850	1,450	27.6	4.4

Source: Voice & Data 2005

Industry overview

The network integration market in India is overcrowded and highly fragmented in nature, with no single player having an absolute majority. The top five players control around 46% of the market and the top ten command around 71% (Voice & Data 2005). For the year 2004-05 the network integration market grew by 24% to Rs 41.6bn from Rs 33.7bn in 2003-04, led by the banking, financial services and insurance (BFSI) sectors. Companies within this vertical are multiplying their branch locations and opting for wider implementation of core banking solutions and ERP systems. This in turn has resulted in significant expansion and upgrades of their network facilities, along with a noticeable preference for integrators who provide an end-to-end managed service offering.

Over the years the network integration business has become a very low-margin game due to the intense competition and low differentiation of product and service offerings. Network integration companies are focusing on getting larger deals by operating on lower margins and offering freebies. Due to low profitability the players have now started bundling connectivity services to get better profit margins from the deal.

Corporate Data Services

Solution overview

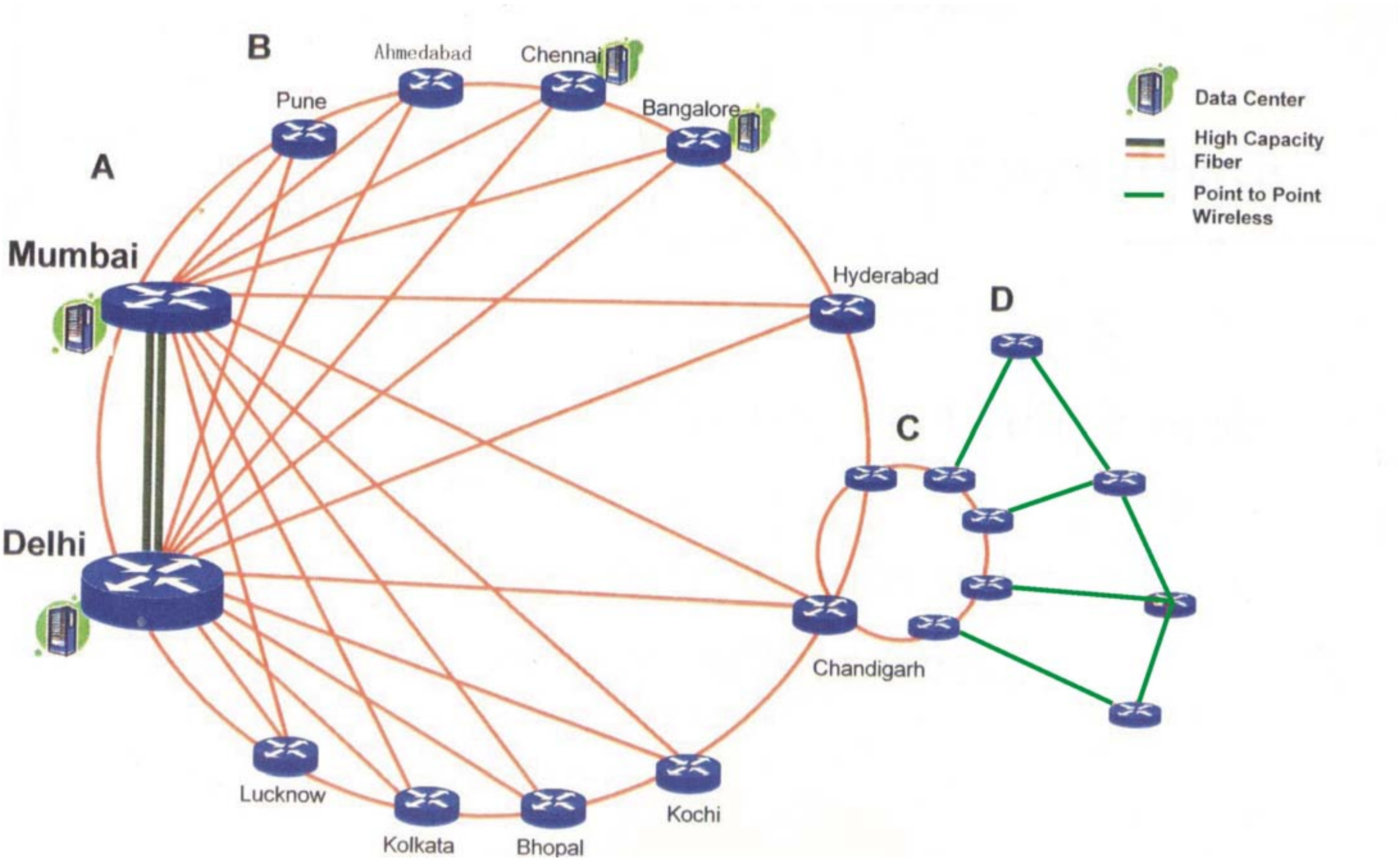
Tulip launched its wireless-based IP/VPN connectivity business in the year 2004-05. In its first year of operation the segment recorded revenues of Rs 157.8mn and the company's net profits more than doubled from Rs 66.1mn in FY04 to Rs 139.1mn in FY05. This is primarily because IP/VPN connectivity is a high operating margin business as compared to network integration.

Tulip raised Rs 1.1bn in December 2005 through an IPO to finance the planned expansion of its IP/VPN connectivity to 130 cities. It then launched its service under the 'Tulip Connect' brand and far outstripped its plans by rapidly covering 350 cities in India. Now, it has set a further target of reaching 500 cities by the end of CY06.

Under IP/VPN, Tulip provides inter-city and intra-city data connectivity specifically to corporate clients. For this purpose it uses a hybrid strategy wherein it relies on multiple service providers for inter-city bandwidth and its own wireless network for providing intra-city and last-mile connectivity.

The company has the capability to provide bandwidth from 2 KBPS to multi-GBPS with high levels of uptime irrespective of the distance to be connected. The diagram below depicts the design of the IP/VPN network:

IP/VPN Network Design



Source: Company

For inter-city connectivity the company uses the optic fibre capacity which is amply available with players like Railnet and Power Grid Corporation. As of now, approximately only 2% of their capacity is being utilised.

Government policies

In August 2005 the DoT came out with guidelines amending ISP licensing to include VPN services. According to the guidelines, IP/VPN service providers belonging to category A (like Tulip), B and C will have to pay a non-refundable entry fee of Rs 100mn, Rs 20mn and Rs 10mn respectively, and 8% of annual gross revenue (AGR) as the yearly license fee. However, in November 2005 these guidelines were modified once again and IP/VPN service providers were allowed to migrate to an NLD/ILD license. Under the NLD license norms, the entry fee is Rs 25mn and only 6% of AGR is charged as the annual license fee. **This would entitle Tulip to a refund of Rs 75mn and would substantially lower the annual license fee being paid by the company.**

Also, Tulip prices its IP/VPN services for the various bandwidths based on the ceiling rates defined in tariff orders issued by the TRAI. The company provides its services at cost-at-par with the ceiling rates for bandwidths greater or equivalent to 64KBPS. However, the key strength of the company lies in providing bandwidths lower than 64KBPS at extremely cost-effective rates.

Industry overview

TRAI defines a VPN as a private data network that makes use of public telecommunication infrastructure, maintaining privacy through the use of tunneling protocol and security procedures. VPN allows users at remote locations to access a secured private network virtually from any location without installing expensive leased or private lines. However, whereas the VPN discussed above depends on some mode of communication like leased lines or fixed phone lines, Tulip's IP/VPN operates over a wireless network. This offers certain advantages compared to other contemporary technologies. The table below provides a comparative view of the wireless IP/VPN services to other technologies:

Wireless IP/VPN vs Other technologies

	Leased Lines	VSATs	IP VPN	Wireless IP VPN
Comparison	Point-to-point connections with high uptime. Very expensive as dedicated infrastructure is made available.	Can reach where leased lines are inaccessible. Cost per KBPS is very high.	Cost advantage as it uses Internet infrastructure but relies on copper for last-mile connectivity.	Least expensive option; Brings down infrastructure costs
	Highest level of security	Useful for multi-broadcasting purposes	Provides private network equivalent to leased lines in terms of security	Can be used as private network as well as for broadcasting. Secured through protocols.
	Not economical below 64KBPS	Appropriate for low bandwidth purposes	Not economical below 64KBPS	Ability to provide bandwidth from 2KBPS to multi GBPS
Shortcomings	Expensive compared to other options	High latency period as communication takes place through satellites	Dependent on basic telephony service to provid last-mile connectivity	Cannot be used over long distances
	Cost of keeping redundant leased lines is very high	Not suitable for interactive communication requirements	Cannot reach locations that do not have proper last-mile infrastructure	Clear line of sight important for effective communication

Source: BRICS PCG Research

According to an analysis of IP/VPN services by IDC, the Indian market was around Rs 2.3bn in 2003 and is expected to reach Rs 5bn by 2005 and Rs 11bn by 2008. This is a CAGR of approximately 37%. A study by Frost & Sullivan also reveals a similar trend.

Industry Forecasts

	IDC		Frost & Sullivan	
Year	Revenues (Rs mn)	Growth (%)	Revenues (Rs mn)	Growth (%)
2003	2,303	—	2,268	—
2004	3,624	57.4	2,817	24.2
2005	5,364	48.0	3,879	37.7
2006	6,951	29.6	5,085	31.1
2007	8,905	28.1	6,723	32.2
2008	11,412	28.2	8,946	33.1

Source: IDC, Frost & Sullivan

There are existing players in the market who provide IP/VPN services through lease lines and are bigger than Tulip in terms of revenues. However, there is no player who has a wireless network as extensive and versatile as Tulip.

The table below lists the other players who have licenses to provide IP/VPN services:

Peers in IP/VPN

IP/VPN Service Providers	
HCL Infinet	Railnet Corporation of India
Sify	Hughes Escorts Communications
I2I Enterprise	Tata Power Broadband

Source: ISPAI

Porter's "Five Forces" Model

Threat of Substitutes: Low-Medium

a) Use of wireless technology increasing

b) VSAT are being replaced by low bandwidth wireless IP/VPN

c) Tulip is prepared for next generation technologies like WiMAX

Bargaining Power of Suppliers: Low-Medium

a) With only 2% under utilization, ample optic fibre capacity available for inter-city connectivity

Inter-Firm Rivalry: High

a) Competitors are bigger than Tulip in size

b) They already have an established customer base

Bargaining Power of Buyers: Medium-High

a) Ceiling tariffs as per TRAI guidelines for 64KBPS and more bandwidth

b) Tulip is more cost competitive in bandwidths lower than 64KBPS

Barriers to entry: Low-Medium

a) Low entry license fees in NLD

b) Lucrative due to high profit margins

c) Competition expected to increase

Source: Brics PCG Research

Competitive strengths

High uptime: Tulip has built in sufficient redundancy into its networks to tackle network failures. In its service level agreements (SLA) the company guarantees its customers an uptime of 99-99.5%.

Short network rollout time: If connectivity is required in an area that is already connected on the network then it takes only up to two days to start the service. In case of entirely new areas, connectivity can be provided within four weeks which is far shorter than the rollout time for leased-line based connectivity.

Bandwidth on demand: Tulip has the flexibility of offering low bandwidths ranging between 2KBPS to 32KBPS which can be scaled up to higher bandwidths instantaneously, if the customer so demands.

One-stop-shop for network services: With its ability to provide nationwide connectivity to clients, Tulip has evolved into a one-stop-shop for total networking integration and data services requirements.

Future Outlook

In FY06 Tulip incurred capital expenditure of Rs 1.4bn to increase the reach of its IP/VPN business to more than 350 cities. The company is planning to expand to another 150 cities in a year's time at a cost of approximately Rs 420mn. Once it establishes its presence in these 500 cities, Tulip will have one of the largest data connectivity networks in the country. Its plan is to continue focusing on customers who have low bandwidth requirements.

Growth drivers

Information systems like Core Banking Systems (CBS), Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) are increasingly being adopted across organisations. The effectiveness of these systems depends upon their presence throughout the value chain. Hence, organisations must ensure data connectivity not only with their branches in distant locations, but with their dealers and C&F agents as well. However, since the bandwidth requirements of dealers and C&F agents is lower compared to branches, lease lines and VSATs prove expensive.

Tulip's ability to provide low bandwidths ranging from 2KBPS to 32KBPS will allow it to tap this burgeoning market. And its pan-India presence will make it the first choice for any organisation looking to connect its entire value chain.

We expect Tulip's customer base to increase significantly over the next one year, as it adds new customers and also expands services to existing clients. Considering this fact, we forecast a 28.1% CAGR in Tulip's revenue and a 85.6% CAGR in net profits over the period FY05-08. This growth would primarily be fuelled by the wireless IP/VPN business. The network integration business is expected to witness a 16% CAGR for the period FY05-08.

Key Concerns

Threat of competition

As discussed earlier, the wireless IP/VPN business is highly lucrative. Also, the entry barriers to this market are comparatively low. Hence, we expect some players with wireless capabilities to venture into the business. Pressure from competition might force Tulip to adopt an aggressive pricing strategy.

However, in our opinion, Tulip has got a first mover's advantage over its potential competitors. The threat of players like BSNL, Sify or MTNL shifting to wireless IP/VPN is also relatively low as they have already incurred huge capital expenditure to set up their existing networks. It makes more sense for them to avail of Tulip's network to provide connectivity rather than incurring further expense to establish their own wireless networks.

Fluctuating government policies

In the past one year, the policies governing IP/VPN have been changed twice. Though the recent modification was favourable for Tulip, a steady government policy would benefit the sector. Also, the ceiling prices for connectivity services are fixed by TRAI. Any decrease in ceiling prices may lead to decreased realisations for the company.

Keeping apace with new technologies

New technologies like WiMAX would revolutionise the point-to-point and point-to-multipoint wireless broadband connectivity. In 2006, the WiMAX standard is expected to be ratified which would improve last-mile delivery. Tulip will have to adopt new technologies to keep up with the requirements of the market.

The company's network can easily adopt WiMAX as the only requirement would be to replace the existing base stations with WiMAX stations. This could be done at an incremental cost of approximately one-third the cost of the original base station.

Financial Performance

For the nine months ended December 31, 2005, Tulip recorded revenues of Rs 3.3bn as against Rs 3.4bn for the whole of FY05. This was primarily because of robust growth in both network integration and corporate data services.

The EBITDA margin improved from 5.8% in FY05 to 12.1% for 9MFY06. This was primarily because of the growth in the IP/VPN segment which enjoys high profit margins. Consequently, EBITDA rose from Rs 199.5mn in FY05 to Rs 399.9mn in 9MFY06, an annualised growth of 167.3%.

FY06 – Till Date Performance

	9mFY06	FY05	Annualized Growth (%)
Net Sales	3,305.4	3,422.1	28.8
Other Income	3.5	6.3	—
Operating Expenditure	2,905.6	3,222.6	20.2
EBITDA	399.9	199.5	167.3
EBITDA Margin (%)	12.1	5.8	—
Interest	48.1	35.3	—
Depreciation	10.4	10.0	—
PBT	344.9	160.4	186.7
Taxation	59.1	26.5	—
PAT	285.9	133.9	184.7

Source: Company

Operating Margins

Though operating profit data is not available for individual segments, we have tried to calculate the same using the past performance as a benchmark. Network integration has traditionally been a very low-margin business. In fact, the highest ever operating margin recorded by the company in this segment was 4.3% in FY02. Thereafter, the next two consecutive years registered much lower levels. However, the margin improved to 5.8% in FY05, primarily because of the IP/VPN business.

In an attempt to judge the operating margins in the IP/VPN business, we have assumed that the company managed an operating margin of 4.3% in the network integration segment in 9MFY06. This gives us a margin of 64.8% for the IP/VPN segment, up from 37.5% registered in FY05 and an indicator of the high profitability of the business.

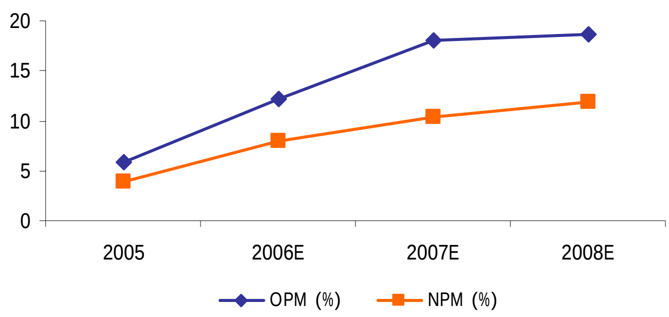
Operating Margins

	FY05	9mFY06
NI -Revenue (A)	3,264.3	2,879.8
IP/VPN - Revenue (B)	157.8	425.7
Revenue from operations (A+B) (C)	3,422.1	3,305.4
Total Operating Profit (D)	199.5	399.9
NI - OPM (%) (E)	**4.3**	**4.3**
NI - Operating Profit (A*E) (F)	140.4	123.8
IP/VPN - Operating Profit (D-F) (G)	59.1	276.0
IP/VPN - OPM (%) (G/B)	**37.5**	**64.8**
Overall OPM (%) (D/C)	**5.8**	**12.1**

Source: Company, Brics PCG Research

Assuming, however, that Tulip may decrease prices in a bid to promote volume growth, we have made a conservative estimate that the operating profit margins in IP/VPN will decrease to 55% by FY08. On the other hand, the overall profit margins will increase to 18.7% in the same year as the contribution from the IP/VPN business increases further.

Profit Margins

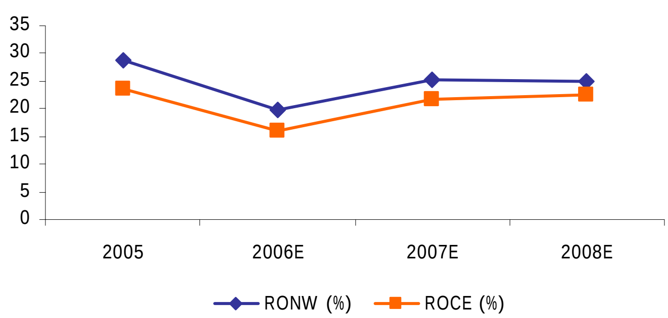


Source: Brics PCG Research

Return Ratios

Tulip has enjoyed good return ratios in the past. However, due to the huge capital expenditure in the current year we expect the return on equity to fall to 19.7% in FY06 from 28.7% in FY05, and ROCE to decrease to 16% from 23.7%. The return ratios will improve as investments made this year start yielding returns from FY07.

Return Ratios



Source: Brics PCG Research

Valuation

We expect Tulip to grow its EPS by a CAGR of 50.1% for the period FY06-FY08. In comparison, the EPS for the Indian equity markets is projected to grow at 29% CAGR. Accordingly, we believe the company merits higher-than-market valuations. At the current market price of Rs 330, the stock is trading at 25.2x its FY06 earnings of Rs 13.1 and 14.8x its FY07 earnings of Rs 22.3. The Indian equity markets are currently trading at 19.2x and 16.3x expected earnings for FY06 and FY07 respectively. Taking into consideration the huge growth potential for Tulip's IP/VPN business, we believe the company deserves a premium of at least 20% over the market valuation. **Our target price of Rs 437 is at a P/E of 19.5x FY07 earnings of Rs 22.3 (compared to 16.3x that of the market).**

Comparing Tulip's valuation multiples with peer companies like Sify, we find that investors are giving higher valuations to the corporate data services business (includes IP/VPN connectivity). In FY05, Sify recorded revenues of Rs 3.6bn with a net loss of Rs 261mn, according to Indian GAAP. The company's corporate data services accounted for nearly 55% (Rs 2bn) of its total revenues. All Sify's other businesses except corporate data services have been non-profitable till last year. This year, Sify is expected to stage a turnaround primarily due to the growth in the corporate data services segment. Though Tulip's business in this segment is much smaller than Sify's as of now, we believe the gap will get narrower in years to come. Tulip's corporate data services have already grown to Rs 425.7mn for 9MFY06 from Rs 157.8mn in FY05.

Also, one must understand that there are some differences between the IP/VPN services provided by Sify and Tulip. Services provided by Sify include both data and voice connectivity over internet. Tulip on the other hand provides only data connectivity through wireless network.

Sify vs. Tulip -Comparative Parameters

Rs mn	Revenues	Profit	Corp. Data Services	% of Total Revenue
Sify	3,569.0	(260.7)	1,980.0	55.5
Tulip	3,422.1	133.9	157.8	4.6

Source: Company, Brics PCG Research

Sify vs. Tulip - FY07 Valuation

(x)	P/E	EV/EBITDA	EV/Sales
Sify*	101.1	27.7	3.2
Tulip	14.8	8.9	1.6

*Source: *Bloomberg Consensus, Brics PCG Research*

Conclusion

Tulip's huge capital expenditure for building its wireless IP/VPN network has paid off by establishing the company as the leader in wireless data connectivity. Tulip is now set to expand its customer base exponentially over the next few years by virtue of: 1) its ability to provide services in locations that present technical constraints for other competitors, and 2) its low bandwidth services that allow the company to penetrate customer segments like dealers and C&F agents. And with profits from the IP/VPN business making a greater contribution to the business in coming years, we expect the company to command a better valuation in future.

We therefore recommend that investors **BUY** the stock with a one-year target price of Rs 437.

Financials

Profit & Loss Statement

Year end Mar (Rs m)	FY05	FY06E	FY07E	FY08E
Revenues	3,422.1	4,754.8	6,212.9	7,186.8
% change YoY	24.6	38.9	30.7	15.7
EBITDA	199.5	577.1	1,124.0	1,344.3
% change YoY	85.5	189.3	94.8	19.6
Depreciation	10.0	36.9	276.0	284.4
EBIT	189.5	540.2	848.0	1,059.9
% change YoY	88.8	185.1	57.0	25.0
Interest	35.3	68.5	76.2	67.5
Other Income	6.3	-	-	-
EBT	160.4	464.7	751.8	972.4
% change YoY	98.9	189.7	61.8	29.3
Tax	26.5	84.5	104.3	115.8
as % of EBT	16.5	18.2	13.9	11.9
Net Income (adj)	133.9	380.2	647.5	856.6
% change YoY	98.0	184.0	70.3	32.3
Shares outstanding (mn)	20.0	29.0	29.0	29.0
EPS (Rs)	6.7	13.1	22.3	29.5
DPS (Rs)	-	-	-	-
CEPS (Rs)	7.2	14.4	31.8	39.4

Source: Company; BRICS-PCG Research

Balance Sheet

Year end Mar (Rs m)	FY05	FY06E	FY07E	FY08E
Cash & cash equivalents	88.1	379.3	615.9	1,297.4
Accounts receivable	601.6	846.8	1,106.4	1,279.8
Inventories	205.6	325.7	425.5	492.2
Others	24.7	210.7	128.8	117.6
Current assets	920.1	1,762.4	2,276.7	3,187.1
LT investments	0.2	0.2	0.2	0.2
Net fixed assets	196.2	1,539.3	1,683.3	1,631.6
CWIP	-	-	-	-
Total assets	**1,116.4**	**3,301.9**	**3,960.2**	**4,818.8**
Payable	360.1	480.7	585.6	672.3
Others	42.6	22.2	24.4	26.9
Current Liabilities	402.7	502.9	610.0	699.2
LT debt	237.6	862.7	766.4	679.4
Other Liab (deferred tax)	9.9	9.9	9.9	9.9
Capital	200.0	290.0	290.0	290.0
Reserves	266.1	1,636.4	2,283.8	3,140.4
Net worth	466.1	1,926.3	2,573.8	3,430.4
Total Liabilities	**1,116.4**	**3,301.9**	**3,960.2**	**4,818.8**
BVPS (Rs)	23.3	66.4	88.8	118.3

Source: Company; BRICS-PCG Research

Cashflow Statement

Year end Mar (Rs m)	FY05	FY06E	FY07E	FY08E
PBT	160.4	464.7	751.8	972.4
Depreciation	10.0	36.9	276.0	284.4
Change in working capital	(133.9)	(244.6)	(254.7)	(153.4)
Operating cash flow	36.5	152.8	773.1	1,103.4
Tax	(26.5)	(84.5)	(104.3)	(115.8)
Cash flow fm operations	**10.0**	**68.4**	**668.8**	**987.6**
Capex	(144.5)	(1,380.0)	(420.0)	(232.7)
(Inc)/Dec in Loans &Advances	1.8	(93.9)	61.9	(8.8)
Cash flow fm investing	**(142.7)**	**(1,473.9)**	**(358.1)**	**(241.5)**
Dividend paid	-	-	-	-
Other income	-	-	-	-
Proceeds from equity issue	76.6	1,080.0	-	-
Incr/(dec) in debt	114.8	625.1	(96.3)	(87.1)
Deferred tax cr/others	(1.0)	-	-	-
Cash flow fm financing	**190.4**	**1,705.1**	**(96.3)**	**(87.1)**
Change in cash	**57.7**	**299.5**	**214.4**	**659.1**

Source: Company; BRICS-PCG Research

Ratio Analysis

Year end Mar (Rs m)	FY05	FY06E	FY07E	FY08E
EBITDA margin (%)	5.8	12.1	18.1	18.7
Net profit margin (%)	3.9	8.0	10.4	11.9
EPS growth (%)	18.8	95.9	70.3	32.3
Receivables (days)	64.2	65.0	65.0	65.0
Inventory (days)	24.3	28.5	30.5	30.8
Payables (days)	40.8	42.0	42.0	42.0
Current ratio (x)	2.3	3.5	3.7	4.6
Interest coverage (x)	0.2	0.1	0.1	0.1
Debt/Equity ratio (x)	0.5	0.4	0.3	0.2
Sales/Gross fixed assets (x)	15.1	3.0	3.1	3.2
ROE (%)	28.7	19.7	25.2	25.0
ROCE (%)	23.7	16.0	21.6	22.4
EV/Sales (x)	2.9	2.1	1.6	1.4
EV/EBITDA (x)	50.4	17.4	8.9	7.5
Price to earnings (x)	49.3	25.2	14.8	11.2
Price to book value (x)	14.2	5.0	3.7	2.8
Price to cash earnings (x)	45.9	22.9	10.4	8.4

Source: Company; BRICS-PCG Research

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Definition:

Large Cap = MCap > Rs20bn; Mid Cap = MCap Rs2bn < Rs20bn; Small Cap = MCap < Rs2bn

Disclaimer

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