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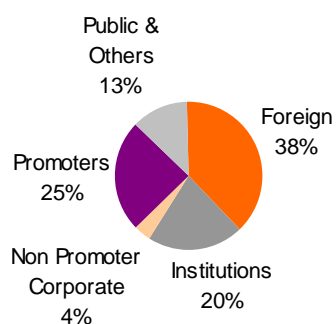
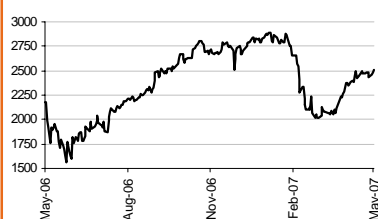
Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Deepak Fertiliser	17-Mar-05	51	87	126
♦ HCL Tech	30-Dec-03	103	337	395
♦ JP Associates	30-Dec-03	125	615	850
♦ Madras Cement	17-Nov-05	1,498	2,828	4,000
♦ NIIT Technologies	31-Mar-06	204	538	570

Grasim Industries

Apple Green
Stock Update
Price target revised to Rs2,975
Buy; CMP: Rs2,505
Company details

Price target:	Rs2,975
Market cap:	Rs22,946 cr
52 week high/low:	Rs2,908/1,462
NSE volume: (No of shares)	1.6 lakh
BSE code:	500300
NSE code:	GRASIM
Sharekhan code:	GRASIM
Free float: (No of shares)	6.9 cr

Shareholding pattern

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	8.4	-5.3	-7.2	19.3
Relative to Sensex	4.1	-2.6	-10.6	-0.3

Result highlights

- ◆ The stand-alone revenues of Grasim Industries (Grasim) grew by a robust 37.4% year on year (yoy) to Rs2,490 crore, driven by strong cement realisations and higher volume in viscose staple fibre (VSF) and sponge iron businesses.
- ◆ The operating profit grew by 66% yoy to Rs771 crore largely on account of a 77% year-on-year (y-o-y) rise in cement earnings before interest, tax, depreciation and amortisation (EBITDA) to Rs470 crore. Cement margins expanded by 800 basis points on the back of a strong realisation growth. The VSF business witnessed a lower growth of 29% yoy in profits to Rs201 crore as the pulp prices remained high during the quarter.
- ◆ The interest expenses were up by 55% yoy to Rs36 crore in the quarter on account of higher borrowings in the period. Depreciation increased by 15% yoy to Rs87.6 crore.
- ◆ Boosted by an other income component of Rs78 crore (on account of the deployment of surplus funds), Grasim's net profit rose by 69.1% yoy to Rs437 crore.
- ◆ As mentioned in our previous updates, Grasim is augmenting its cement capacity at Kotputli and Shambhupura units by 4 million metric tonne (MMT) each by putting up greenfield plants. The capital expenditure (capex) is progressing well and the new capacities are expected to get commissioned in the first quarter of FY2009.
- ◆ The company is expanding its VSF capacity at Kharach, Gujarat from 45,625 tonne to 63,725 tonne and is in the process of getting regulatory clearances for expanding the capacity by 31,000 tonne at Harihar. On completion of both these projects, the company's VSF capacity will expand to 350,000 tonne.
- ◆ Looking at the better than expected performance of the VSF and sponge iron businesses, we are upgrading our consolidated FY2008 earnings per share (EPS) estimate by 3.8% to Rs245 and introducing our FY2009 EPS estimate of Rs208.

Result table

Rs (cr)

Particulars	Q4FY07	Q4FY06	% yoy	FY07	FY06	% yoy
Net sales	2493.8	1815.1	37.4	8661.0	6618.0	30.9
Total expenditure	1799.6	1408.6	27.8	6255.3	5235.0	19.5
Operating profit	694.2	406.5	70.8	2405.7	1383.0	73.9
Other income	77.6	57.5	34.9	209.7	123.7	69.5
PBIDT	771.8	464.0	66.3	2615.3	1506.7	73.6
Interest	36.6	23.6	55.3	108.2	97.3	11.1
PBDT	735.2	440.5	66.9	2507.2	1409.4	77.9
Depreciation	87.6	75.9	15.4	317.9	291.6	9.0
PBT	647.6	364.5	77.7	2189.3	1117.8	95.9
Tax	210.2	105.9	98.5	690.6	329.7	109.4
Reported profit after tax	437.4	258.6	69.1	1498.8	788.1	90.2
Extraordinary items	37.1			37.1	49.4	
Adj PAT extraordinary item	474.5	258.6	83.5	1535.9	837.5	

- At the current market price of Rs2,505, the stock is trading at 10.1x FY2008E EPS and 11.9x FY2009E EPS. Looking at the stability imparted to the company by the higher cash flows from the VSF business, we maintain our Buy recommendation with a price target of Rs2,975 per share.

Revenues grow by a robust 37% yoy

The stand-alone revenues grew by a robust 37.4% yoy to Rs2,490 crore driven by strong cement realisations and higher volumes in the VSF and sponge iron businesses. The cement revenues grew by 36% yoy to Rs2,871 crore on the back of a 35% y-o-y growth in the realisations. The volumes remained flat at 1% yoy as the company added minimal capacity during the year. A healthy 13% growth in volumes and a 15% growth in the realisations helped the revenues of the VSF business to grow by 31% yoy to Rs651.6 crore. The sponge iron business showed a marked improvement in its performance on account of a 54% jump in the production and a 24% y-o-y growth in the realisations, driven by the hardening of scrap prices and sea freight in recent months.

Segmental break-up

Particulars	Volumes	%	Realisation	%	Revenues	%
	yoy	yoy	yoy	yoy	yoy	yoy
Grey cement in MMT	3.92	1	2979	35	1258.5	35
White cement	102200	7	6518	7	112.3	31
VSF	68588	13	88687	15	651.6	31
Sponge iron	171942	79	13518	24	238.8	118

Source: Company

Operating profit grows by 66% yoy; margins expand by 600 basis points

The operating profit grew by 66% yoy to Rs771 crore largely on account of a 77% y-o-y rise in the cement EBITDA to Rs470 crore. The cement margin expanded by 800 basis points on the back of a strong realisation growth. The VSF business witnessed a lower growth of 29% yoy in profits to Rs201 crore as the pulp prices remained high during the quarter. Consequently, the margins were down marginally to 30.85% as against 31.2% in the same quarter last year. The sponge iron business registered a profit of Rs37 crore as against a loss of Rs3.8 crore mainly on account of higher volumes and realisation.

Interest expenses up 55%; other income boosts PAT by 69% yoy

The interest expenses were up by 55% yoy to Rs36 crore in the quarter on account of higher borrowings in the quarter. Depreciation increased by 15% yoy to Rs87.6 crore. Boosted by an other income component of Rs78 crore (on account of the deployment of surplus funds), Grasim's net profit rose by 69.1% yoy to Rs437 crore. With an extraordinary

income of Rs37 crore from the write-back of the provision for diminution of the loans, the adjusted profit after tax (PAT) stood at Rs474 crore.

Grasim's capex plans on track

As mentioned in our previous updates, Grasim is augmenting its cement capacity at Kotputli and Shambhupura locations by 4MMT each by putting up greenfield plants. The capex is progressing well and is expected to come up on time. In view of the rising demand for cellulosic fibres, the company is expanding its VSF capacity at Kharach, Gujarat from 45,625 tonne to 63,725 tonne. The company is also in the process of getting regulatory clearances for expanding the capacity by 31,000 tonne at Harihar. On completion of both these projects, the company's VSF capacity will expand to 350,000 tonne.

Capex	Location	Capacity	Timeline
Cement	Kotputli	4MMT	Q4FY08
	Shambhupura	4MMT	Q1FY09
VSF	Kharach	18,250 tonne	Q4FY08
	Harihar	31,000 tonne	Q1FY09

Source : Company

Valuation and outlook

Looking at the better than expected performance of the VSF and sponge iron businesses, we are upgrading our consolidated FY2008 EPS estimate by 3.8% to Rs245 and introducing our FY2009 EPS estimate at Rs208. The company's outlook for the future is extremely positive on account of increased capacity in cement, positive contribution from UltraTech Cement's business, increased demand in its VSF business and a pick-up in the sponge iron business. Also the prudent cost control measures adopted by the company will help in mitigating the impact of the cost push on the operating profit margin. At the current market price of Rs2,505, the stock is trading at 10.1x FY2008E EPS and 11.9x FY2009E EPS. Looking at the positive triggers for the company, we maintain our Buy recommendation with a price target of Rs2,975 per share.

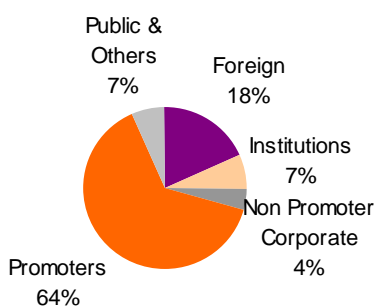
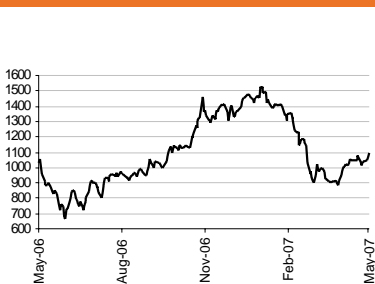
Earnings table

Particulars	FY05	FY06	FY07	FY08E	FY09E
Net profit (Rs cr)	959.0	1039.0	1967.5	2228.0	1917.8
% yoy growth	0.1	0.9	0.1	-0.2	
Shares in issue (cr)	9.2	9.2	9.2	9.2	9.2
EPS (Rs)	104.6	101.3	214.6	244.3	208.5
% yoy growth	0.1	0.9	0.1	-0.2	
PER (x)	23.8	24.6	11.6	10.3	12.9
Book value (Rs)	524.6	609.2	724.8	869.3	1037.9
P/BV (Rs)	4.7	4.1	3.4	2.9	2.4
EV/EBIDTA (x)	11.8	11.2	6.1	4.8	6.0
Dividend yield (%)					
RoCE (%)	18.7	17.8	33.3	35.7	20.3
RoNW (%)	19.9	16.6	27.5	27.2	11.7

Shree Cement

Cannonball
Stock Update
Q4FY2007 results: First-cut analysis
Buy; CMP: Rs1,091
Company details

Price target:	Under review
Market cap:	Rs3,797 cr
52 week high/low:	Rs1,592/650
NSE volume: (No of shares)	24,534
BSE code:	500387
NSE code:	SHREECEM
Sharekhan code:	SHREECEM
Free float: (No of shares)	1.3 cr

Shareholding pattern

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	15.6	-20.9	-21.8	7.3
Relative to Sensex	11.0	-18.7	-24.7	-10.4

Result highlights

- Shree Cement's Q4FY2007 net revenues grew by 68% year on year to Rs378 crore on the back of a 36% year-on-year growth in its volumes and a 24% year-on-year growth in its realisations.
- The expenditure (adjusting for the depreciation) grew by 67% year on year to Rs226.9 crore on account of a higher power fuel cost, which witnessed a 51% year-on-year increase (due to the rising pet coke prices) and increased freight cost, which jumped by 35% year on year.
- The operating profit grew by 69% year on year to Rs151 crore whereas the operating profit margin stood at 40%, adjusting for the pre-operative expenses of Rs20 crore pertaining to the earlier years (the company reversed the same in the current quarter).
- The interest cost remained flat on a year-on-year basis but declined sequentially. For the quarter the company provided a depreciation of Rs154 crore, which included Rs114 crore on Unit IV commissioned in March 2007 and Rs20 crore of amortisation of the pre-operative expenditure.
- The tax provision for the quarter was marginal at Rs0.3 crore. On account of the higher depreciation provision, the net profit was lower at Rs23.8 crore.
- The net sales for FY2007 grew by 104% year on year to Rs1,367 crore whereas the net profit grew by 862% year on year to Rs177 crore. Adjusting for the additional depreciation provision of Rs199 crore pertaining to Unit II, the net profit stood at Rs376 crore.
- We are in the process of revising our earnings estimates for the company. We shall update you with the revised earnings and price target as soon as we meet with the management.

Result table

Rs (cr)

Particulars	Q4FY07	Q4FY06	% yoy	FY07	FY06	% yoy
Net sales	378.3	225.5	67.7	1368.0	694.8	96.9
Total expenditure	227.0	136.2	66.6	756.2	469.1	61.2
Operating profit	151.3	89.3	69.5	611.8	225.8	171.0
Other income	9.1	1.7	427.6	21.2	7.2	195.5
EBIDTA	160.4	91.0	76.3	632.9	232.9	171.7
Interest	1.6	2.3	-28.2	10.4	14.1	-26.6
PBDT	158.8	88.7	79.0	622.6	218.8	184.5
Depreciation	134.7	20.7	552.3	234.0	57.5	307.0
PBT	24.1	68.1	-64.6	388.6	161.3	140.9
Tax	0.3	-0.3	-194.5	12.4	8.7	42.5
Profit after tax	23.8	68.4	-65.2	376.2	152.6	146.5
Extra ordinary expenses				199.0	134.2	48.3
Reported profit after tax	23.8	68.4	-65.2	177.2	18.4	862.8
Margins						
OPMs	40.0	39.6		44.7	32.5	
EBIDTA	41.4	39.3		45.6	33.2	
EBDT	41.0	39.0		44.8	31.2	
EBT	6.2	30.0		28.0	23.0	

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Canara Bank
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