MOTILAL OSWAL

Sun Pharmaceutical Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 14,091	SUNP IN
	REUTERS CODE
S&P CNX: 4,083	SUN.BO

Equity Shares (m)	185.7
52-Week Range	1,082/640
1,6,12 Rel. Perf. (%)	3/-3/6
M.Cap. (Rs b)	190.9
M.Cap. (US$ b)	4.3

31 January 2007

Buy

Previous Recommendation: Buy

Rs1,028

YEAR END	NET SALES (RS M)	PAT (RS M)	EPS (RS)	EPS GROWTH (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/06A	15,957	5,733	27.7	29.7	37.1	12.0	42.1	19.1	12.0	38.8
03/07E	20,664	7,286	35.2	27.1	29.2	8.7	38.6	21.8	8.9	26.5
03/08E	25,060	8,707	42.0	19.5	24.4	7.2	36.1	23.5	7.2	21.5

Sun Pharma's 3QFY07 results were above our estimates. Key highlights include:

- Net sales grew by 24% (v/s estimate of 21%) while PAT grew by 36% (v/s estimate of 18%). EBITDA margins were better than estimates at 32.9%, down 190bp YoY. Sales growth was led mainly by a 36% jump in exports to Rs2.5b while domestic revenues grew by 19% to Rs3.16b. Bottom-line was partly boosted by higher other income, up 243% at Rs636m and a tax write-back of Rs29m.
- **US pipeline gaining strength:** Currently the company (along with Caraco) has 61 ANDAs awaiting approval with the US FDA. It expects to file about 30 ANDAs in FY07E between itself and Caraco taking the total pending pipeline to 65-70 products.
- **Caraco results above estimates:** Caraco reported strong 3QFY07 top-line growth of 51% to US$31.3m and EBITDA margins of 31%. It reported PAT of US$10.1m v/s a net loss of US$4.8m for 3QFY06. PAT (pre R&D cost-affiliate) grew by 56% to US$10.1m.

We have revised our revenue estimates upwards by about 5% for both FY07E and FY08E and EPS estimates by 11% and 6.4% respectively, to take into account the better than expected performance, as well as the lower tax outgo. While valuations at 29.2x FY07E and 24.4x FY08E fully diluted EPS appear rich, they do not fully factor in the expected ramp-up in the US business, value unlocking due to R&D demerger and the value that SPIL could add by using its strong cash chest of US$500m through the inorganic route.

QUARTERLY PERFORMANCE (CONSOLIDATED) (Rs Million)

Y/E MARCH	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
Net Revenues	**3,784**	**4,112**	**4,236**	**3,966**	**4,987**	**5,229**	**5,263**	**5,184**	**15,932**	**20,664**
YoY Change (%)	*35.7*	*43.2*	*35.0*	*36.2*	*31.8*	*27.2*	*24.2*	*30.7*	*36.5*	*29.7*
EBITDA	**1,281**	**1,415**	**1,476**	**969**	**1,811**	**1,708**	**1,733**	**1,642**	**4,975**	**6,957**
Margins (%)	*33.9*	*34.4*	*34.8*	*24.4*	*36.3*	*32.7*	*32.9*	*31.7*	*31.2*	*33.7*
Depreciation	119	130	177	189	202	204	212	250	615	867
Net Other Income	284	193	268	697	274	402	636	347	1,608	1,658
PBT	**1,446**	**1,478**	**1,567**	**1,477**	**1,883**	**1,906**	**2,157**	**1,739**	**5,969**	**7,748**
Tax	33	23	70	113	2	-22	-29	-28	239	-77
Rate (%)	*2.3*	*1.5*	*4.5*	*7.7*	*0.1*	*-1.1*	*-1.3*	*-1.6*	*4.0*	*-1.0*
Profit after Tax	**1,413**	**1,455**	**1,497**	**1,364**	**1,882**	**1,928**	**2,186**	**1,768**	**5,729**	**7,825**
Share of Minority Partner	52	-23	33	-65	115	64	198	163	-3	539
Adj Net Profit	**1,361**	**1,478**	**1,464**	**1,429**	**1,767**	**1,864**	**1,989**	**1,604**	**5,732**	**7,286**
YoY Change (%)	*53.9*	*48.0*	*36.8*	*20.8*	*29.9*	*26.1*	*35.8*	*12.3*	*44.7*	*27.1*
Margins (%)	*36.0*	*36.0*	*34.6*	*36.0*	*35.4*	*35.6*	*37.8*	*30.9*	*36.0*	*35.3*

*E: MOSt Estimates; * Quaterly results have been recasted and hence do not tally with full year results*

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Formulations drive revenue growth

Consolidated sales grew by 24% to Rs5.3b, primarily driven by formulation exports (up 48% YoY to Rs1.9b) and steady growth in the domestic formulations portfolio (up 18.5% YoY to Rs2.9b). Formulation exports were boosted by 51% YoY growth in Caraco sales as well as by exports to un-regulated markets.

SPIL's domestic formulation sales recorded 18.5% growth YoY to Rs2.9b, led by its strong brand equity in the core therapy areas (CNS, CVS, gastroenterology and diabetology) and prolific rate of new launches (28 new launches in 9 months-FY07 and 6 new products launched during the quarter). It enjoys the No.1 rank with psychiatrists, neurologists, cardiologists, ophthalmologists and diabetologists.

SUN PHARMA - BUSINESS BREAK UP (RS M)

	3QFY07	3QFY06	YOY (%)	2QFY07	QOQ (%)
Domestic					
Formulation	2,935	2,476	18.5	2,834	3.6
Bulk	226.7	186.7	21.4	278.3	-18.5
Others	6.4	0		1.4	357.1
Total Domestic	3,168	2,662	19.0	3,114	1.7
Contribution (%)	*56.0*	*59.3*		*55.2*	
Exports					
Formulation	1,927	1,302	48.0	1,796	7.3
Bulk	555.8	525	5.9	726.2	-23.5
Others	6.9	0.3	N.A.	6.1	13.1
Total Exports	2,490	1,827	36.3	2,528	-1.5
Contribution (%)	*44.0*	*40.7*		*44.8*	
Total Sales	**5,658**	**4,490**	**26.0**	**5642**	**0.3**

Source: Company/ Motilal Oswal Securities

Higher R&D costs and consolidation of acquisitions impact EBITDA margins

While EBITDA margins were better than estimates at 32.9%, they were down 190bp YoY. Higher R&D costs (at 13% of sales v/s 11% for 3QFY06) and fixed costs related to acquired companies have impacted EBITDA margins. SPIL will continue to incur these fixed expenses (about US$16m for FY07E) without any commensurate revenue contribution as it is in the process of filing products from the acquired facilities. These acquisitions are expected to generate revenues from FY09E onwards as product approvals start coming through gradually.

Revising estimates

We have revised our revenue estimates upwards by about 5% for both FY07E and FY08E and EPS estimates by 11% and 6.4% respectively, to take into account the better than expected performance, as well as the lower tax outgo.

REVISED FORECAST (RS M)

	FY07E			FY08E		
	REV	OLD	CHG (%)	REV	OLD	CHG (%)
Net Sales	20,664	19631	5.3	25,060	23,912	4.8
Net Profit	7,286	6571	10.9	8,707	8,182	6.4
EPS (Rs)	35.2	31.73	10.9	42.0	39.5	6.4

Source: Company/ Motilal Oswal Securities

De-merger of NCE & NDDS research activities to de-risk existing business

SPIL has proposed a de-merger of its NCE/NDDS research into a separate company in order to de-risk the existing business. Key highlights of the de-merger include:

- NCE & NDDS research activities to be de-merged into a separate company. These activities are likely to involve R&D expenditure of Rs700-800m in FY07E, which will now be incurred in the new R&D company. SPIL will transfer cash of Rs2b and other assets of Rs550m to the new R&D company. The cash will enable the company to sustain its operations for the next two years. SPIL's book value will reduce accordingly. About 120-140 employees (including 100 scientists) will also be transferred to the new R&D company.
- All IPRs related to the NCE/NDDS projects will also be transferred to the new R&D company. SPIL will not have any first-right of refusal on the IPRs or geographical licenses related to these products. Since NDDS products have also been transferred to the new R&D company, SPIL is unlikely to launch branded products in regulated markets on its own.
- New R&D company may not have any revenues for the next two years till the NCE/NDDS are out-licensed or commercialized. However, it is likely to earn interest income on the unutilized portion of Rs2b cash transferred by SPIL.
- We see this as a de-risking step as NCE/NDDS research involves uncertain returns. Since SPIL's NCE

and NDDS projects are entering clinical trials, the R&D expenditure for these activities is expected to increase exponentially in the coming years.

- Existing shareholders of SPIL to get shares of the new company in 1:1 ratio. SPIL's shares have a face value of Rs5/share while the new R&D company will have a face value of Re1/share. FCCB holders to have similar rights as existing equity shareholders. SPIL has raised about US$350m through a FCCB. Conversion price for FCCBs remains at Rs729/share but can change if FCCB holders do not exercise their conversion rights in the new R&D company.
- De-merger to be effective from 1 April 2006. The new R&D company will be listed separately on the stock exchanges by March 2007.

Impact of de-merger of NCE & NDDS research

We believe that the de-merger will de-risk SPIL's current operations from the uncertainties related to innovative R&D activities. It will also help SPIL to de-risk it existing business from the high R&D expenses, which the company is likely to incur for conducting clinical trials. We believe that the de-merger will result in:

- Savings in R&D costs related to NCE/NDDS research (approximately Rs700-800m per year).
- Reduction in Other income due to transfer of Rs2.0b cash to the new R&D company.
- Reduction in SPIL's book value to reflect transfer of assets worth Rs2.55b (including cash) to the new R&D company.

Generic pipeline being strengthened

SPIL (along with Caraco) has about 61 ANDAs pending US FDA approval. In FY07 it expects to file about 30 ANDAs including Caraco's filings with the US FDA (25 already filed for YTD December 2006). Management has in the past, indicated that the filings will be a mix of Para-III and Para-IVs, but will not be skewed in favor of patent challenges. We expect SPIL's generic pipeline to acquire significant strength in the US market by end FY07E with about 65-70 ANDAs pending US FDA approval.

Acquisitions to be leveraged from FY09E onwards

Product filings are also likely to pick up out of the acquired Valeant facility (situated at Ohio, USA). This facility gives SPIL the capability to manufacture liquids and semi-solids. It is pertinent to note that Caraco does not have such capabilities and that it would have been economically uncompetitive for SPIL to transport such products from India to USA. The acquisition of Valeant's Hungary facility is expected to help SPIL in filings for the European markets.

SPIL had also acquired the assets of US-based Able Laboratories Ltd. for US$23.15m. Able Labs had filed for bankruptcy as per US regulations and had invited bids for its assets. SPIL has acquired the manufacturing facilities of Able Labs through this acquisition. The purchase also includes a lease for Able's premises in New Jersey, some contracts and purchase of another property in New Jersey. Able Labs had faced problems with US FDA compliance in the past and had to recall all of its 30 products from the US market. In August 2005, the US FDA denied Able's proposal that it be permitted to revalidate its data and re-launch its product line without full US FDA review.

Able was in the process of transferring its manufacturing lines to a new 225,000 sq ft facility from its old 50,000 sq ft plant. We believe that this new facility will be utilized by SPIL to launch its own products in the US generics market. SPIL will also have the option of re-launching Able's products after rectifying the deficiencies identified by the US FDA. Able Labs had generated sales of about US$100m from its generic portfolio in 2004 (value of this portfolio would have reduced significantly due to competitive forces). We, however, do not have details on Able's product portfolio and hence are not aware about any possible overlaps with SPIL's existing portfolio.

We believe that SPIL is cautiously acquiring generic assets (with specific focus on distress assets). This is evident from SPIL's recent acquisitions of Valeant Pharma's facilities in Hungary and USA (both costing about US$10m each). The acquisition of Able Labs assets is also a step in this direction. With this acquisition, SPIL has, till date, spent about US$40-50m of the US$350m raised through the FCCB some time

back. Unlike its other generic peers, SPIL is looking at acquiring assets with reasonable valuations and hence has targeted distress sellers in the past. In fact, SPIL's acquisitions in India have also been on similar lines.

While we do not expect any immediate financial benefits to SPIL from the acquisition of Able Lab's facilities (since it will have to rectify the deficiencies identified by the US FDA), we believe that it will be long-term positive for the company going by SPIL's past track record of acquisitions. SPIL is currently in the process of re-filing some of the products of Able Labs with the US FDA and we expect these products to start contributing to SPIL's revenues from FY09E onwards.

Caraco continues with good performance, guides 30% sales growth for FY07E

Caraco reported strong 3QFY07 results with top-line growth of 51% to US$31.3m, primarily driven by no additional competition in Ultracet. Gross margins declined by 160bp YoY to 48.4%, translating into EBITDA margins (before R&D cost - affiliate) of 31.3% (v/s –3.7% in 3QFY06).

While gross margins were impacted by increased competition in the US generics market as well as adverse product-mix and a one-time US$0.4m write-off (related to short-dated products), EBITDA margins have improved as Caraco did not book any expenses related to issue to preference stock to Sun Pharma (linked to product transfer) which were US$7.1m for 3QFY06. Lower SG&A expenses at 8.3% of sales (compared to 10.3% for 3QFY06), also helped in boosting EBITDA margins. Caraco reported PAT of US$10.1m v/s a net loss of US$4.8m for 3QFY06. PAT (pre R&D cost-affiliate) grew by 56% to US$10.1m.

During the quarter Caraco filed 2 ANDAs with the US FDA taking the total pipeline to 19 ANDAs pending approval. Caraco has recently entered into a three-year marketing agreement with Sun Pharma, through which it will purchase selected products offered from Sun Pharma and will market and distribute the same as part of its own product offerings. The net sales for distributed products (under this new agreement) were US$1m while GPM on these sales was at 24%.

Caraco management has retained its past guidance of 30% top-line growth for FY07. We believe that this guidance is conservative given that Caraco's top-line has grown by about 45% YTD FY07.

Competition for Ultracet yet to build up

Caraco had received favorable ruling in a summary motion from the US lower court for its patent challenge on Ultracet (Acetaminophen and Tramadol HCl) tablets. J&J is the innovator for this product with patent expiry in August 2011. At innovator prices, Ultracet commanded revenues of about US$330m-US$350m.

The US Appeals Court has recently upheld Caraco's non-infringement/invalidation claims regarding certain patents on Ortho Mcneil's Ultracet. Caraco has already launched generic Ultracet (in December 2005) and the US Appeals Court verdict vindicates its launch-at-risk stance on the product. The only patent now remaining in contention is the re-issued patent listed by the innovator in 2006 on which, all generic companies will have to prove non-infringement.

US-based Par Pharma was eligible for 180-day exclusivity on the product and had launched the generic version in April 2005. Its exclusivity expired in October 2005. Ivax has launched an authorized generic for the product along with Par Pharma. Hence, the market currently has two generic players. Teva has also filed a patent challenge on this drug and is awaiting a court ruling. However, Teva may or may not go ahead with the litigation since it already has a presence in the market through Ivax (now taken over by Teva). Teva is expected to garner a major share of the market, given its dominant presence and distribution clout.

Caraco launched generic Ultracet (it was a launch-at-risk at that time) in December 2005. Despite receiving US FDA approval Barr Labs is yet to launch its version of Ultracet. Although, Barr has not officially commented on its strategy for generic Ultracet, we believe that it has not launched its generic version, as it may be facing some supply issues

and is yet to get a favourable summary motion ruling from the US courts. We expect Caraco to generate about $12m in sales from generic Ultracet for FY07E.

FCCB funds to depress return ratios till effectively deployed

SPIL has, in the past, raised US$350m from the international markets through an equity-linked FCCB instrument to fund its acquisitions in regulated markets. Although the company has not disclosed any further details, we believe the company may be looking at expanding its presence in the US generics market through an acquisition to be funded by the FCCB.

This may depress the return ratios in the short term (as the benefits of acquisition will accrue over a period of time) depending on the quantum of equity dilution. Delay in deploying funds raised through this offering may also have an adverse impact on these ratios in the short term. However, we believe that expanding its presence in the regulated markets is imperative for SPIL in order to gain critical mass in the regulated markets. We also draw comfort from the company's past successes in acquiring other players.

Sun Pharma is likely to follow a conservative policy for acquisitions in regulated markets. It has recently acquired Able Pharma and the facilities of Valeant Pharma in the US and Hungary. It has till date spent about US$40m-US$50m to acquire these assets. These acquisitions reflect the characteristic SPIL policy of acquiring loss-making units and effecting a turnaround.

Acquisitions to adversely impact FY07 consolidated earnings

All the acquisitions made by Sun Pharma in the past 12 months have been for distress assets. While these acquisitions will have positive implications for the company in the long term, we believe they are likely to drag down consolidated earnings in FY07. Sun Pharma has indicated a timeline of at least 18 months for effecting a turnaround at these units. Our estimates have been accordingly adjusted to take into account the impact of these acquisitions.

Maintaining Guidance

Sun Pharma has guided sales growth of 18-20% for FY07E, Generic R&D expenses at 10-11% of sales and capex of Rs1b. It expects to maintain EBITDA margins at 31-32% for FY07E. It targets to file 30 ANDAs with the US FDA in FY07E to strengthen its generic pipeline (which will also result in higher R&D costs).

Valuation and outlook

An expanding generic portfolio coupled with change in product mix in favor of high-margin exports is likely to bring in long-term benefits for SPIL. As investors start focusing on SPIL's generics business, the concerns about a slowdown in the company's domestic formulations business (due to the patent regime) are already being discounted.

SPIL's ability to sustain high growth rates at superior margins even on a high base is a clear positive. With the domestic business progressing well and increasing traction on the US front (both in Caraco and from India), the possibility of a rapid scale-up over the next couple of years is high.

We have revised our revenue estimates upwards by about 5% for both FY07E and FY08E and EPS estimates by 11% and 6.4% respectively, to take into account the better than expected performance, as well as the lower tax outgo. While valuations at 29.2x FY07E and 24.4x FY08E fully diluted EPS appear rich, they do not fully factor in the expected ramp-up in its US business, value unlocking due to R&D demerger and the value that SPIL could add by using its strong cash chest of US$500m through the inorganic route. Maintain **Buy** with revised price target of Rs1,050.

Sun Pharmaceuticals: an investment profile

Company description

Sun Pharma is among the largest players in the domestic formulations market and the most profitable one. It makes and markets specialty medicines and APIs for chronic therapy areas such as cardiology, psychiatry, neurology, etc. Sun has forayed into regulated markets by acquiring majority stake in Caraco Pharma and intends to look at inorganic means to get a foothold in Europe, as well.

Key investment arguments

- Ability to identify niches in long term therapy areas with high entry barriers and build strong franchise to ensure sustainable growth and high margins.
- Well-diversified portfolio de-risks its portfolio against any slowdown in a particular category.
- Among the few Indian companies to have a direct presence in the US market (through Caraco).

Key investment risks

- Highly dependent on new product launches for growth in domestic market.
- Has not demonstrated the ability to build any big brand so far – a key driver for growth going forward.
- Capability to scale up exports, particularly to unregulated markets, is yet to be fully demonstrated.

Recent developments

- Has acquired Able Pharma in US and two facilities from Valeant Pharma in US and in Hungary.
- Has recently received regulatory approvals for de-merger of NCE & NDDS research.

Valuation and view

- Revenue and earnings CAGR of 25% and 23% expected over FY06-FY08E.
- Multiples of 29.2x FY07E and 24.4x FY08E earnings do not reflect the potential leverage arising out of overseas acquisitions, ramp up in US business and value unlocking due to R&D demerger.
- Re-iterate **Buy** with revised price target of Rs1,050 (~25x FY08E earnings).

Sector view

- Regulated markets would remain the key sales and profit drivers in the medium term. Europe is expected to emerge as the next growth driver, particularly for companies with a direct marketing presence.
- We are overweight on companies that are towards the end of the investment phase, with benefits expected to start coming in from the next fiscal.

COMPARATIVE VALUATIONS

		SUN PHARMA	CIPLA	NPIL
P/E (x)	FY07E	29.2	26.4	23.7
	FY08E	24.4	22.2	17.1
P/BV (x)	FY07E	8.7	5.7	5.0
	FY08E	7.2	4.8	4.3
EV/Sales (x)	FY07E	8.9	5.0	2.4
	FY08E	7.2	4.1	2.1
EV/EBITDA (x)	FY07E	26.5	19.9	14.8
	FY08E	21.5	16.3	12.2

SHAREHOLDING PATTERN (%)

	DEC.06	SEP.06	DEC.05
Promoter	69.6	70.9	71.4
Domestic Inst	3.7	3.0	2.8
Foreign	17.0	16.1	15.7
Others	9.8	10.0	10.1

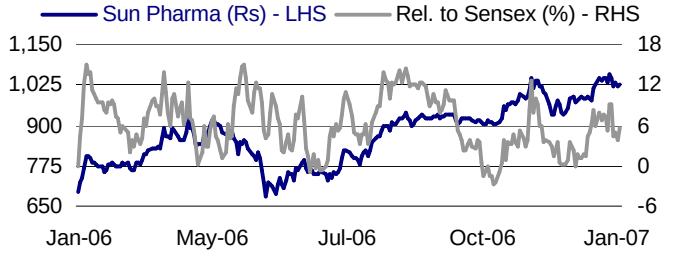
EPS: MOST FORECAST VS CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY07	35.2	34.5	2.0
FY08	42.0	42.6	-1.4

TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
1027	1,050	2.6	Buy

STOCK PERFORMANCE (1 YEAR)



CONSOLIDATED INCOME STATEMENT (Rs Million)

Y/E MARCH	2005	2006	2007E	2008E	2009E
Net Sales	**11,448**	**15,957**	**20,664**	**25,060**	**30,661**
Change (%)	*21.0*	*39.4*	*29.5*	*21.3*	*22.4*
Total Expenditure	7,266	11,040	13,707	16,655	20,631
EBITDA	**4,182**	**4,917**	**6,957**	**8,404**	**10,030**
Margin (%)	*36.5*	*30.8*	*33.7*	*33.5*	*32.7*
Depreciation	406	610	867	950	1,000
EBIT	**3,776**	**4,307**	**6,090**	**7,455**	**9,029**
Int. and Finance Charges	129	156	160	200	240
Other Income - Rec.	563	1,818	1,818	1,983	2,467
PBT	4,209	5,969	7,748	9,238	11,256
Tax	207	239	-77	-92	-113
Tax Rate (%)	*4.9*	*4.0*	*-1.0*	*-1.0*	*-1.0*
Profit after Tax	**4,002**	**5,730**	**7,825**	**9,330**	**11,369**
Change (%)	*16.2*	*43.2*	*36.6*	*19.2*	*21.9*
Margin (%)	*35*	*36*	*38*	*37*	*37*
Less: Minority Interest	42	-3	539	623	704
Net Profit	**3,960**	**5,733**	**7,286**	**8,707**	**10,665**

CONSOLIDATED BALANCE SHEET (Rs Million)

Y/E MARCH	2005	2006	2007E	2008E	2009E
Equity Share Capital	928	929	929	929	929
Preference Share Capital	14	14	14	14	14
Total Reserves	10,366	14,959	20,897	25,443	34,135
Net Worth	**11,307**	**15,902**	**21,840**	**26,385**	**35,077**
Minority Interest	161	332	871	1,494	2,198
Deferred Liabilities	896	1053	874	662	403
Total Loans	18,230	18,745	16,000	16,000	16,000
Capital Employed	**30,595**	**36,031**	**39,585**	**44,542**	**53,678**
Gross Block	7,806	12,342	13,342	13,792	14,792
Less: Accum. Deprn.	2,087	3,779	4,646	5,595	6,596
Net Fixed Assets	**5,719**	**8,563**	**8,696**	**8,196**	**8,196**
Capital WIP	493	414	414	414	414
Goodwill	1,538	507	507	507	507
Investments	6,485	3,541	3,541	3,541	3,541
Curr. Assets	**18,946**	**26,520**	**29,565**	**35,740**	**45,924**
Inventory	3,173	5,117	3,201	4,016	5,242
Account Receivables	2,511	3,609	4,529	5,493	6,720
Cash and Bank Balance	11,809	15,323	18,721	22,592	29,510
Curr. Liability & Prov.	**2,587**	**3,515**	**3,138**	**3,857**	**4,904**
Account Payables	1,741	2,279	1,790	2,245	2,930
Provisions	845	1,236	1,349	1,612	1,974
Net Current Assets	**16,360**	**23,006**	**26,426**	**31,883**	**41,020**
Appl. of Funds	**30,595**	**36,031**	**39,585**	**44,542**	**53,678**

E: MOSt Estimates

RATIOS

Y/E MARCH	2005	2006	2007E	2008E	2009E
Basic (Rs)					
EPS	**21.3**	**30.9**	**39.2**	**46.9**	**57.4**
Fully Diluted EPS	**21.3**	**27.7**	**35.2**	**42.0**	**51.5**
Cash EPS	23.5	30.6	39.4	46.6	56.3
BV/Share	60.9	85.5	117.5	142.0	188.8
DPS	3.8	5.5	6.4	7.6	9.3
Payout (%)	18.2	20.4	17.2	17.3	17.4
Valuation (x)					
P/E		37.1	29.2	24.4	20.0
Cash P/E		33.6	26.1	22.0	18.2
P/BV		12.0	8.7	7.2	5.4
EV/Sales		12.0	8.9	7.2	5.7
EV/EBITDA		38.8	26.5	21.5	17.3
Dividend Yield (%)		0.5	0.6	0.7	0.9
Return Ratios (%)					
RoE	40.7	42.1	38.6	36.1	34.7
RoCE	20.7	19.1	21.8	23.5	24.6
Working Capital Ratios					
Asset Turnover (x)	0.4	0.4	0.5	0.6	0.6
Debtor (Days)	84	87	84	84	84
Inventory (Days)	107	123	60	62	66
Working Capital T/O (Days)	550	555	492	490	515
Leverage Ratio					
Debt/Equity (x)	1.6	1.2	0.8	0.6	0.5

CASH FLOW STATEMENT (Rs Million)

Y/E MARCH	2005	2006	2007E	2008E	2009E
Oper. Profit/(Loss) before Tax	4,271	4,168	6,957	8,404	10,030
Interest/Dividends Recd.	247	1,025	1,818	1,983	2,467
Direct Taxes Paid	-107	-165	-101	-120	-146
(Inc)/Dec in WC	-658	-3,177	-23	-1,585	-2,219
CF from Operations	**3,754**	**1,852**	**8,651**	**8,682**	**10,131**
(inc)/dec in FA	-1,623	-3,384	-1,000	-450	-1,000
(Pur)/Sale of Investments	-4,908	5,173	0	0	0
CF from investments	**-6,531**	**1,789**	**-1,000**	**-450**	**-1,000**
Issue of Shares	0	0	1	-2,549	1
(Inc)/Dec in Debt	14,349	801	-2,745	0	0
Interest Paid	-84	-156	-160	-200	-240
Dividend Paid	-625	-793	-1,349	-1,612	-1,974
CF from Fin. Activity	**13,640**	**-148**	**-4,253**	**-4,361**	**-2,213**
Inc/Dec of Cash	**10,864**	**3,493**	**3,398**	**3,871**	**6,918**
Add: Beginning Balance	945	11,809	15,323	18,721	22,592
Closing Balance	**11,809**	**15,302**	**18,721**	**22,592**	**29,510**

Note: Cashflows do not tally due to acquisition

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