

# Bharti Airtel

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## Robust outlook

Bharti's Q4FY07 results were broadly in line. Revenues were a tad lighter than expectations primarily due to lower growth in non-mobile. Mobile revenues grew 76% YoY and 13% QoQ despite cut in roaming tariffs (est. revenue impact of Rs600mn or 1.6% QoQ). EBITDA growth was in-line, led by 73bps QoQ improvement in margin while earnings were higher mainly due to lower tax rate. We are raising our earnings estimates by ~2% for FY08E and ~5% for FY09E led by positive margin surprise in Q4 and sustained netadds momentum on step-up in investments. We are upgrading our Price Target to Rs925 (+17% vs. earlier) mainly to account for incremental upside from tower sharing. We value core business at Rs808/sh and incremental upside from tower sharing at Rs118/sh (both on DCF). Maintain Outperformer on ~12% upside. Key risk to our positive outlook would be higher-than-expected tariff declines in the mobile segment resulting from significant step-up in capex from all leading operators.

- Revenue at Rs 53.9bn, up 58% yoy and 10% qoq
- Consolidated EBITDA margin at 41.5%, up 408 bps yoy and 73bps qoq
- Net profit at Rs 13.5bn, up 98% yoy and 1% qoq

### ■ Margins do the trick

All segments except long-distance exhibited strong 150-500bps QoQ EBITDA margin improvement. Long-distance margins declined 716bps QoQ, due to lower tariffs (which also likely buoyed margins in access segments – mobile and B&T).

### ■ Capex muted for Q4 but FY08E guidance revised, to add 30,000 towers

Capex for the quarter was Rs15.8bn, lowest in last six quarters as the company focused more on reducing the work-in-process by better timing of deployment. Bharti plans to add 30,000 cell sites in FY08 (vs. ~18,000 in FY07) which would take the company's population coverage to ~70% vs. ~59% currently. Overall capex guidance for FY08E has been upped from US\$2.5bn to US\$3.3-3.5bn but now includes investments on IPTV, DTH, and GSM rollout in Sri Lanka.

### ■ Maintain Outperformer on robust outlook, tower upside

Our revised PT of Rs925 implies ~12% upside. The stock performance in the short-term could remain muted due to lack of positive surprise in Q4 results but strong FY08E capex guidance reflects sustained growth.

Maintain Outperformer/ Rs 826  
Target Rs 925 (+12%)

#### Sector (Relative to market)

OW	N	UW

#### Stock (Relative to market)

B	OP	N	UP	S
> 10%	5% to 10%	5% to -5%	-5% to -10%	< -10%

*This note should be read for*

- Quarterly earnings analysis
- Target price, rating, and estimate upgrade

Bloomberg code : BHARTI IN  
Reuters code : BRTI.BO  
www.bhartiairtel.com

BSE Sensex : 13909  
NSE Nifty : 4087

#### Company data

O/S shares :	1896mn
Market cap (Rs) :	1567bn
Market cap (USD) :	38bn
52 - wk Hi/Lo (Rs) :	899 / 310
Avg. daily vol. (3mth) :	1.5mn
Face Value (Rs) :	10

#### Share holding pattern, %

Promoters :	61.0
FII / NRI :	32.3
FI / MF :	3.8
Non Promoter Corp. Holdings :	1.7
Public & Others :	1.3

#### Price performance, %

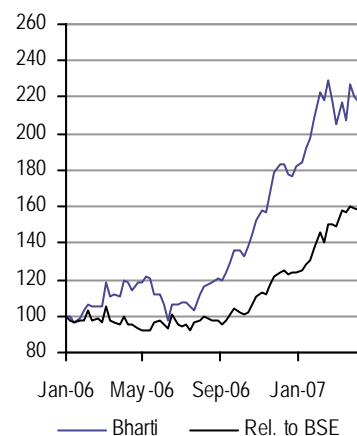
	1mth	3mth	1yr
Abs	7.2	14.6	106.0
Rel to BSE	1.2	17.2	88.5

## Valuation summary

Y/E Mar, Rs mn	FY05	FY06	FY07	FY08E	FY09E
Net Sales	80028	116633	185196	283846	372458
Growth, %	65.6	45.7	58.8	53.3	31.2
Core EBITDA	30128	43601	74508	117841	160731
EBIDTA margins, %	37.6	37.4	40.2	41.5	43.2
Net profit	14978	22585	42573	68560	95493
EPS, Rs	8.0	11.9	22.5	36.2	50.4
EPS Growth, %	188.5	50.1	88.0	61.0	39.3
PER, x	116.2	77.4	41.2	25.6	18.4
EV/EBIDTA, x	59.5	41.2	24.1	15.3	11.0
EV/Net Sales, x	22.4	15.4	9.7	6.4	4.8
Price/Book Value, x	28.2	18.8	12.8	8.5	6.2
ROIC, %	18.0	20.9	27.7	32.7	34.7
ROE, %	27.8	29.2	37.0	39.9	38.9
Dividend Yield, %	0.0	0.0	0.0	0.0	1.1

Source: Company, Man Financial Research Estimates

## Price vs Sensex



Source: Bloomberg, Man Financial Research

### Muted revenue growth in non-mobile, strong margins

(Rs mn)	Q4FY07	Q4FY06	FY2007	FY2006
<b>Net sales</b>	<b>53932</b>	<b>34113</b>	<b>185196</b>	<b>116633</b>
<i>Growth Yoy, %</i>	<i>58.1</i>	<i>46.7</i>	<i>58.8</i>	<i>45.7</i>
Operating expenses	31524	21331	110688	73032
<b>EBITDA</b>	<b>22408</b>	<b>12782</b>	<b>74508</b>	<b>43601</b>
<i>Growth Yoy, %</i>	<i>75.3</i>	<i>41.2</i>	<i>70.9</i>	<i>44.7</i>
<i>Margin, %</i>	<i>41.5</i>	<i>37.5</i>	<i>40.2</i>	<i>37.4</i>
Depreciation	7239	4698	25208	15829
<b>EBIT</b>	<b>15545</b>	<b>8147</b>	<b>50299</b>	<b>28224</b>
<i>Growth Yoy, %</i>	<i>90.8</i>		<i>78.2</i>	<i>51.7</i>
<i>Margin, %</i>	<i>28.8</i>	<i>23.9</i>	<i>27.2</i>	<i>24.2</i>
Net Finance Cost	477	733	1438	2650
Pre-operating and Others	374	65	1001	453
<b>Pre-tax profit</b>	<b>15068</b>	<b>7413</b>	<b>48861</b>	<b>25575</b>
Tax provided	1353	549	5822	2736
<b>Profit after tax</b>	<b>13715</b>	<b>6864</b>	<b>43039</b>	<b>22839</b>
Minority Interest	184	41	468	254
<b>MAN Net profit</b>	<b>13531</b>	<b>6823</b>	<b>42571</b>	<b>22585</b>
<i>Growth Yoy, %</i>	<i>98.3</i>		<i>88.5</i>	<i>50.8</i>
Diluted EPS, Rs	7.14	3.61	22.46	12.00
Annualised EPS, Rs	28.5	14.4		
Basic shares (mn)	1895	1889	1893	1874
Diluted shares (mn)	1896	1889	1896	1890

Source: Company, Man Financial Research

### Revenue Drivers

	Q4FY06	Q3FY07	Q4FY07	YoY%	QoQ%
<b>Mobile</b>					
Mobile Subs (000s)	19579	31974	37141	90	16
Mobile ARPU (Rs/month)	442	427	406	-8	-5
Total Minutes of Use (bn)	23	41	49	112	19
Minutes of Use/Sub/Month	431	467	475	10	2
Effective Mobile Rev. per Min.(Rs)	1.03	0.91	0.85	-17	-7
<b>Broadband &amp; Telephony</b>	<b>1347</b>	<b>1738</b>	<b>1871</b>	<b>39</b>	<b>8</b>
Broadband & Telephony Subs (000s)	1063	1198	1112	5	-7
Broadband & Telephony ARPU (Rs/month)	19579	31974	37141	90	16

Source: Company, Man Financial Research

## Capex (Rs mn)

(Rs mn)	Q4FY06	Q3FY07	Q4FY07	YoY%	QoQ%
Mobile	17674	15597	10706	-39	-31
Capex/Sales, %	73.2	41.5	25.2		
Broadband & Telephony	4182	1644	1894	-55	15
Capex/Sales, %	102.0	27.5	31.3		
Long Distance	1085	1485	2317	114	56
Capex/Sales, %	14.5	16.0	22.8		
Enterprise	1264	1502	1983	57	32
Capex/Sales, %	63.0	62.0	79.0		
Other	2	-1150	-1113		
Consolidated Capex	24207	19078	15787	-35	-17
Consolidated Capex/Sales, %	71.0	38.8	29.3		

Source: Company, Man Financial Research

## Business Highlights

**Significant step-up in capex:** Bharti has upped its FY08E capex guidance to US\$3.3-3.5bn from US\$2.5bn but this includes investments in IPTV, DTH, and GSM rollout in Srilanka but does not include any outlay for 3G spectrum. The company will rollout 30,000 new cell sites in the mobile segment and lay ~20,000-25,000 Rkm of fiber optic in long-distance. This implies ~80% increase in cell-sites and ~50-60% increase in its fiber backbone. We believe, these investments would support robust ~53% revenue growth for Bharti in FY08E and lend visibility for continued revenue momentum in coming quarters.

**Holding in DTH venture to be 40% vs. 100% envisaged earlier:** Bharti Airtel's equity holding in the DTH venture would be 40% vs. 100% planned earlier due to cap on FDI holding. FDI limit (including direct and indirect holding) in DTH is currently capped at 20%. A Bharti group company would hold Balance 60% in the DTH venture. Bharti Airtel will have call option on this stake at actual investment plus some carrying cost.

**Full-blown launch of IPTV/DTH/Srilanka only in FY09E:** While the company will invest in new projects in FY08E, full launch of these initiatives is likely only in FY09E. Bharti has not provided with the exact quantum of investments planned for these projects.

## Mobile

**Steady revenue growth, despite roaming cut:** Bharti's mobile revenues were up 76% yoy and 13% qoq at Rs 42.4bn lead by QoQ av. subscriber growth of 17%. Mobile ARPU declined 5% qoq to Rs 406. This included a half-quarter impact of the regulatory cut in roaming tariffs that was implemented in mid-February. Excluding this impact, ARPU declined ~3.5% QoQ.

**EBITDA margin improves:** Mobile EBITDA margin improved 289bps yoy and 153bpsqoq. EBITDA/min at Rs0.34 (down 11%yoy, 1%qoq). Mobile margins were likely buoyed by lower long-distance rates.

**Mobile capex down 31% QoQ, to rebound:** Bharti's mobile capex for Q4FY07 stood at Rs 10.7bn (down 39% yoy and 31% qoq). The company's network is now present in 4,676 census towns (+95 qoq) and around 207,327 non-census towns and villages, leading to 59% population coverage (versus 54% in Q3FY07). We estimate FY08E mobile capex at ~US\$2.3bn (+37% YoY).

## Broadband & telephony

**Top-line muted on re-classification:** Bharti's B&T revenue grew 47% yoy but was flat QoQ at Rs 6bn. B&T ARPU decline 7% QoQ due to certain reclassifications.

**EBITDA margin improves:** B&T EBITDA margin improves 160bps QoQ to 28.6%.

## Long distance (Enterprise-carriers)

**Robust volume growth continues:** Long-distance revenue grew 36% yoy and 9% qoq to Rs 10.2bn. NLD and ILD volume growth was ~13% QoQ. Realizations remained under pressure.

**EBITDA margins decline on lower rates:** Long-distance EBITDA margin declined 130bps yoy and 710bps qoq to 35.8% on lower tariffs.

## Valuations quoting at higher-than-historic range on strong growth outlook

Bharti is quoting at ~25-30% premium vs. its average range of 15-20x earnings and 9-12x EBITDA. We believe that re-rating has been driven by higher-than-expected growth in FY07 along with margin and ROIC expansion. While company's guidance points towards robust volume growth in FY08E, significant step-up in capex (see table below) by all leading operators could put tariffs and EBITDA/min at a risk, especially during the second half of FY08E.

### Wireless Capex By Leading Operators

Rs mn	FY07E/A	FY08E	YoY%
Bharti	71801	98122	37%
RCOM	51334	89006	73%
Idea	28931	40000	38%
Hutch	36750	44100	20%
BSNL	29433	90000	206%
Total	242021	361228	66%
US\$bn	5.1	8.4	

Source: Man Financial Research Estimates

## Maintain Outperformer on higher estimates, SOTP-based price target Rs925

We are upgrading our estimates on strong net adds momentum and higher-than-expected margin expansion. We are upgrading our FY08E revenue, EBITDA and earnings estimates by 2-3%, and FY09E estimates by ~5-7%. Our revised target price of Rs925 implies an EV/EBITDA of 11x FY09E, which is at a significant discount to current multiple (15x EBITDA) and allows for valuation pullback in anticipation of slower growth in FY09E.

### SOTP Valuation

Core Business	DCF	808
Tower Company	DCF	118
Total Value		925
CMP		826
% Upside		12%

## Summary of estimates change

	FY08E	FY09E
<b>Revenue</b>		
Old	275047	349363
New/Actual	283846	372458
% Chng	3%	7%
<b>EBITDA</b>		
Old	115420	151694
New/Actual	117841	160731
% Chng	2%	6%
<b>Net Profit</b>		
Old	66966	91063
New/Actual	68559	95492
% Chng	2%	5%

Source: Man Financial Research Estimates

## DCF – Core business

Rs mn	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E
Revenue	283846	372458	449087	507961	553887	596126	631120	662441	692405	725253	761273	799496	839195
Revenue Growth, %	53	31	21	13	9	8	6	5	5	5	5	5	5
EBITDA	117841	160731	197186	225048	247454	266014	281638	300604	313419	329039	344481	363033	381157
EBITDA Growth, %	58	36	23	14	10	8	6	7	4	5	5	5	5
EBITDA, %	42	43	44	44	45	45	45	45	45	45	45	45	45
Capex	129402	106462	94657	82520	85808	86168	93411	100270	100771	106877	110589	119320	121514
Capex/Sales, %	46	29	21	16	15	14	15	15	15	15	15	15	14
Change in Working Capital	-13153	-5844	6202	6494	-2124	-452	-4288	-4050	-459	-3635	-2304	-5145	-1470
Tax Outflow	9616	13393	16865	19299	40714	43684	45829	48824	51051	77508	81724	86934	91997
Tax Rate, %	12%	12%	12%	12%	23%	23%	23%	23%	23%	33%	33%	33%	33%
FCF	-8023	46720	79462	116736	123054	136613	146686	155559	162056	148288	154472	161925	169116
FCF Growth, %		NA	70	47	5	11	7	6	4	-8	4	5	4

<b>Terminal Value</b>													2861761
WACC	11.2%												
<b>Mar' 08E</b>													
PV Of FCF		42013	64255	84885	80464	80329	77561	73965	69290	57015	53408	50344	47282
Net Debt	50,329												
PV-Explicit Period	780810												
PV-Terminal Value	800095												
Equity Value	1530576												
Equity Value per Share	808												

### Terminal Value Assumptions

EBITDA Margin%	45%
Capex/Sales%	15%
Cash Tax Rate %	33%
FCF Margin%	20%
FCF Growth	5.0%
FCF Multiple	16
EBITDA Multiple	7.2

Source: Company, Man Financial Research Estimates

**Incremental DCF – Tower Company**

(Rs mn)	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E
Total Owned Towers	63,000	77,240	89,080	96,897	103,784	110,296	116,167	121,219	125,430	129,126	132,917	136,807	140,798
Additional Towers	27,000	14,240	11,840	7,817	6,887	6,512	5,872	5,052	4,211	3,696	3,792	3,890	3,990
Tenants/tower	0.4	0.6	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Total Tenants	25,200	46,344	71,264	77,518	83,027	88,236	92,934	96,975	100,344	103,301	106,334	109,446	112,638
Annual Rental/tower (Rsmn)	0.30	0.31	0.32	0.33	0.34	0.35	0.36	0.37	0.38	0.39	0.40	0.42	0.43
Incr. Revenue (Rsmn)	7,560	14,320	22,681	25,412	28,034	30,687	33,290	35,780	38,134	40,435	42,871	45,450	48,179
Incr. EBITDA Margin, %	70%	75%	80%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Incr. EBITDA (Rsmn)	5,292	10,740	18,145	21,600	23,829	26,084	28,297	30,413	32,414	34,370	36,441	38,632	40,952
Incr. FCF	3,940	7,996	13,509	16,081	17,741	19,420	21,067	22,643	24,132	25,588	27,130	28,762	30,489
Incr. FCF/tower (Rsmn)	0.06	0.10	0.15	0.17	0.17	0.18	0.18	0.19	0.19	0.20	0.20	0.21	0.22
FCF Margin, %	52%	56%	60%	63%	63%	63%	63%	63%	63%	63%	63%	63%	63%
Net Debt (3x EBITDA)	15,876	32,221	54,435	64,800	71,488	78,252	84,891	91,240	97,241	103,110	109,322	115,897	122,855
Interest (@9%)	1,429	2,900	4,899	5,832	6,434	7,043	7,640	8,212	8,752	9,280	9,839	10,431	11,057

<b>Terminal Value (Rsmn)</b>													<b>403,900</b>
PV Of FCF (Rsmn)	3,557	6,516	9,938	10,680	10,636	10,510	10,292	9,986	9,608	9,197	8,802	8,424	8,061
Current Net Debt (Rsmn)	0												
PV-Explicit Period (Rsmn)	116,205												
PV-Terminal Value (Rsmn)	106,790												
Equity Value (Rsmn)	222,995												
Equity Value (US\$bn)	5.1												
Equity Value per Share (Rs)	118												

**Terminal Value Assumptions**

EBITDA Margin, %	85%
Cash Tax Rate, %	35%
FCF Margin, %	63%
FCF Growth, %	3%
FCF Multiple, x	13
EBITDA Multiple, x	10

Source: Company, Man Financial Research Estimates

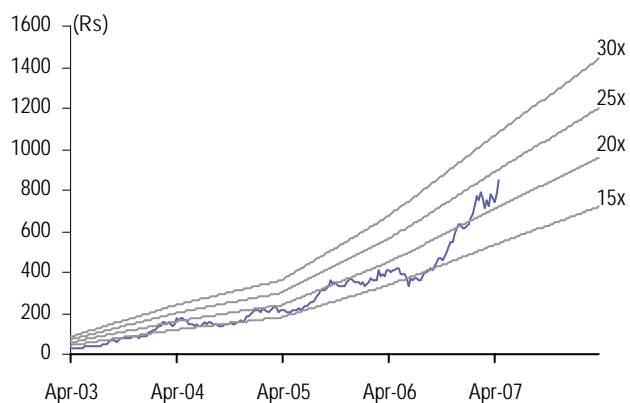
## Segment wise performance

Rs mn	Q4FY06	Q3FY07	Q4FY07	YoY%	QoQ%
<b>Revenue</b>					
Mobile Revenue	24134	37579	42431	76	13
Broadband & Telephony	4102	5984	6044	47	1
Long Distance	7463	9306	10156	36	9
Enterprise	2005	2422	2511	25	4
Total Revenue	37704	55291	61142	62	11
Eliminations	-3591	-6162	-7210	101	17
Consolidated Revenue	34113	49129	53932	58	10
<b>EBITDA</b>					
Mobile	8746	14129	16604	90	18
<i>EBITDA, %</i>	36.2	37.6	39.1	289bps	153bps
Broadband & Telephony	934	1613	1727	85	7
<i>EBITDA, %</i>	22.8	27.0	28.6	580bps	161bps
Long Distance	2771	4002	3640	31	-9
<i>EBITDA, %</i>	37.1	43.0	35.8	-129bps	-716bps
Enterprise	714	1092	1257	76	15
<i>EBITDA, %</i>	35.6	45.1	50.1	1445bps	497bps
Total EBITDA	13166	20837	23229	76	11
Corporate Expenses	-384	-782	-821	114	5
Consolidated EBITDA	12782	20055	22408	75	12
<i>Consolidated EBITDA, %</i>	37.5	40.8	41.5	408bps	73bps
<b>EBIT</b>					
Mobile	5673	9184	11424	101	24
<i>EBIT, %</i>	23.5	24.4	26.9	342bps	248bps
Broadband & Telephony	215	328	833	287	154
<i>EBIT, %</i>	5.2	5.5	13.8	854bps	830bps
Long Distance	2249	3388	2966	32	-12
<i>EBIT, %</i>	30.1	36.4	29.2	-93bps	-720bps
Enterprise	555	855	1067	92	25
<i>EBIT, %</i>	27.7	35.3	42.5	1481bps	719bps
Others	-544	-661	-745	37	13
Consolidated EBIT	8147	13094	15545	91	19
<i>Consolidated EBIT, %</i>	23.9	26.7	28.8	494bps	217bps
Interest Income	-447	607	211	-147	-65
Interest Expense	-286	711	-688	141	-197
Net Interest	-733	1318	-477	-35	-136
Earnings Before Taxes	7413	14412	15068	103	5
Total Tax	549	2139	1353	146	-37
<i>Effective Tax Rate %</i>	7.4	14.8	9.0	157bps	-586bps
Earnings After Tax	6864	12273	13715	100	12
Minority Interest	-41	-122	-184	349	51
Net Profit	6823	12151	13531	98	11
EPS (Basic)	3.62	6.42	7.14	97	11
EPS (Diluted)	3.61	6.41	7.14	98	11

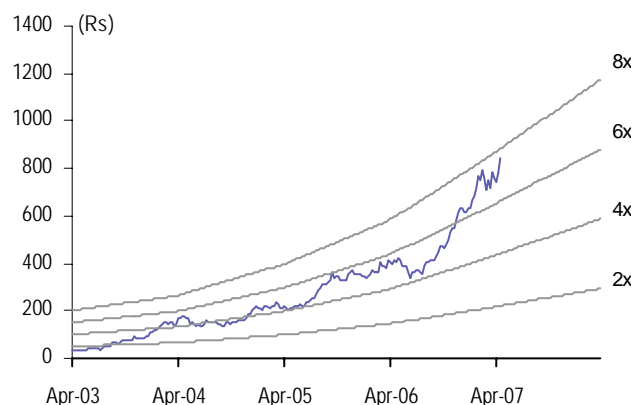
Source: Company, Man Financial Research

# ABSOLUTE ROLLING VALUATION BAND CHARTS

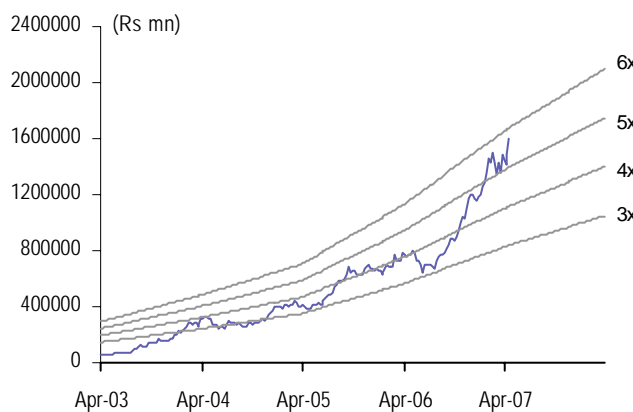
**PE band**



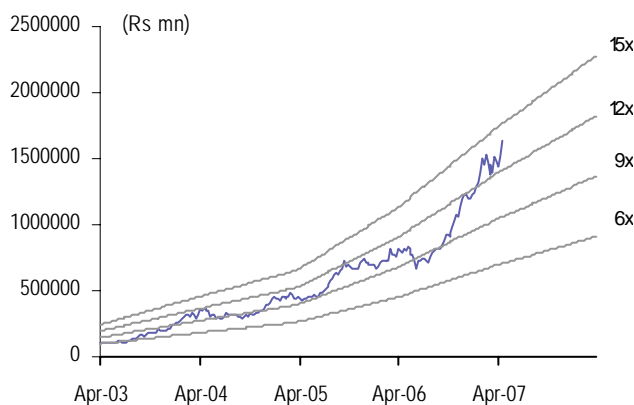
**PBV band**



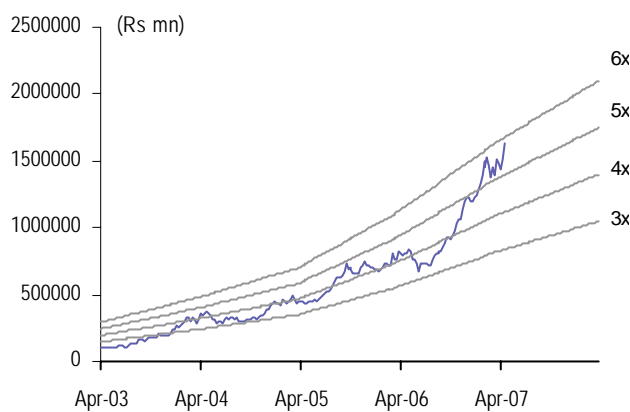
**MCap/Sales band**



**EV/EBIDTA band**



**EV/Sales band**

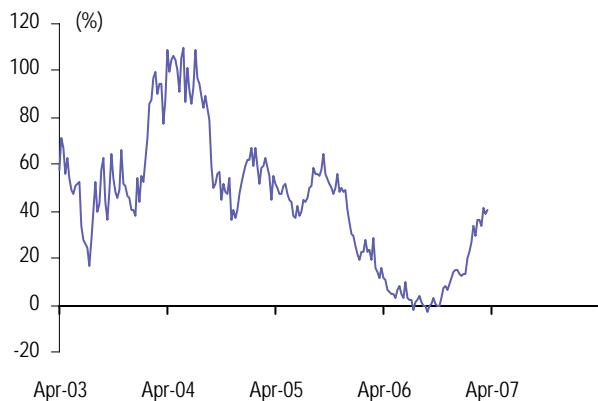


Source: Man Financial Research

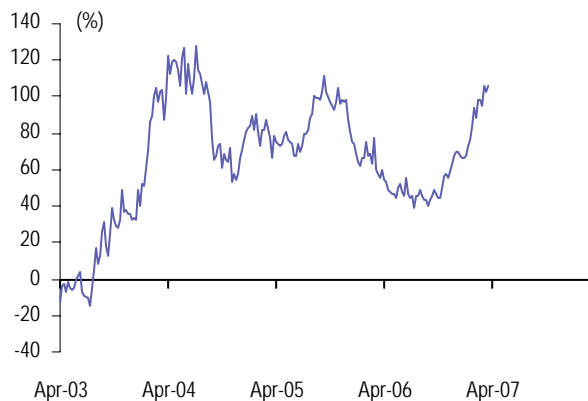


# PREMIUM / DISCOUNT TO SENSEX

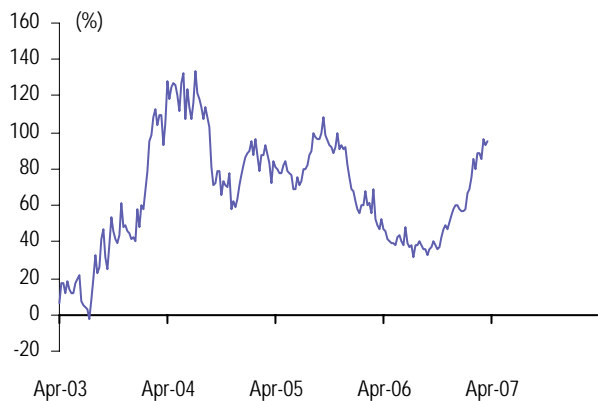
## PE



## PBV

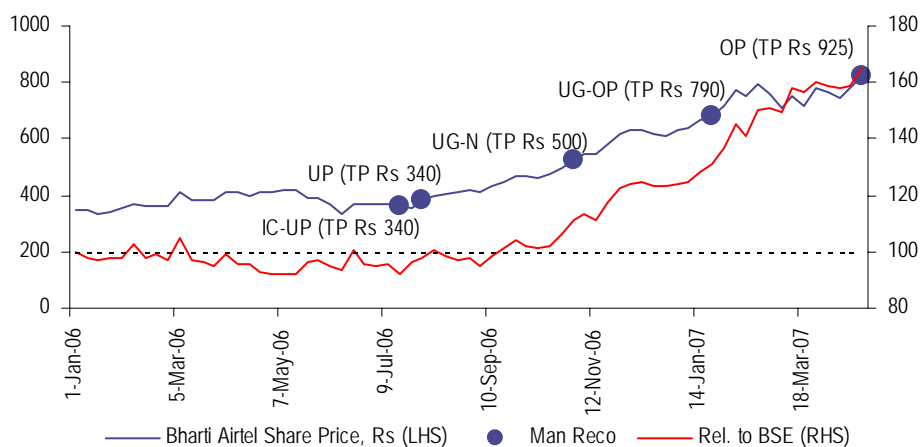


## MCap/Sales



Source: Man Financial Research

## Recommendation performance



IC = Initiating Coverage; DG = Downgrade; UG = Upgrade; TP = Target Price;  
 OP = Outperformer; UP = Underperformer; N = Neutral; S = Sell, B = Buy  
 Source: Bloomberg, Man Financial Research



## FINANCIALS

### Income Statement

Y/E Mar, Rs mn	FY05	FY06	FY07	FY08E	FY09E
Net sales	80,028	116,633	185,196	283,846	372,458
<i>Growth, %</i>	66	46	59	53	37
Operating expenses	-49,900	-73,032	-110,688	-166,005	-211,727
<b>EBITDA</b>	<b>30,128</b>	<b>43,601</b>	<b>74,508</b>	<b>117,841</b>	<b>160,731</b>
<i>Growth, %</i>	89	45	71	58	36
<i>Margin, %</i>	38	37	40	42	43
Depreciation	-11,341	-15,829	-25,208	-35,290	-47,084
<b>EBIT</b>	<b>18,787</b>	<b>27,772</b>	<b>49,300</b>	<b>82,551</b>	<b>113,647</b>
<i>Growth, %</i>	128	48	78	67	38
<i>Margin, %</i>	23	24	27	29	31
Net Interest and others	-2,183	-2,197	-437	-2,419	-2,037
<b>Pre-tax profit</b>	<b>16,604</b>	<b>25,575</b>	<b>48,863</b>	<b>80,132</b>	<b>111,610</b>
Tax provided	-1,528	-2,736	-5,822	-10,818	-15,067
Profit after tax	15,076	22,839	43,041	69,314	96,543
Minority Interest	-98	-254	-468	-754	-1,050
<b>MAN Net profit</b>	<b>14,978</b>	<b>22,585</b>	<b>42,573</b>	<b>68,560</b>	<b>95,493</b>
<i>Growth, %</i>	195	51	89	67	39
Extraordinary items: Gains/(Losses)	0	0	0	0	1
Unadj. shares (m)	1,853	1,894	1,896	1,896	1,896
Wtd avg shares (m)	1,881	1,890	1,896	1,896	1,896

### Cash Flow

Y/E Mar, Rs mn	FY05	FY06	FY07	FY08E	FY09E
Pre-tax profit	16,604	25,575	48,863	80,132	111,610
Depreciation	11,341	15,829	25,208	35,290	47,084
Chg in working capital	18,671	18,019	20,547	15,575	7,882
Total tax paid	-1,003	-2,555	-5,881	-9,616	-13,393
Other operating activities	1	0	372	-3	-1
<b>Cash flow from operating activities</b>	<b>45,614</b>	<b>56,868</b>	<b>89,109</b>	<b>121,378</b>	<b>153,182</b>
Capital expenditure	-43,178	-64,619	-93,015	-129,402	-106,462
Chg in investments	-513	-21	10	0	0
Chg in marketable securities	-1,633	2,465	523	0	0
Other investing activities	0	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-45,324</b>	<b>-62,175</b>	<b>-92,482</b>	<b>-129,402</b>	<b>-106,462</b>
Free cash flow	290	-5,307	-3,373	-8,023	46,720
Equity raised/(repaid)	171	8,243	1,106	0	0
Debt raised/(repaid)	838	-3,301	7,034	8,024	-27,622
Dividend (incl. tax)	0	0	0	0	-19,098
Other financing activities	651	-52	-7	0	0
<b>Cash flow from financing activities</b>	<b>1,660</b>	<b>4,890</b>	<b>8,133</b>	<b>8,024</b>	<b>-46,720</b>
Net chg in cash	1,950	-417	4,760	0	0

## Balance Sheet

As at 31st Mar, Rs mn	FY05	FY06	FY07	FY08E	FY09E
Cash & bank	3,255	2,838	7,598	7,598	7,598
Marketable securities at cost	4,992	2,527	2,004	2,004	2,004
Debtors	10,098	14,249	17,983	27,562	36,167
Inventory	545	381	912	1,398	1,834
Loans & advances	0	0	0	0	0
Other current assets	7,675	12,738	16,347	23,651	30,211
Total current assets	26,565	32,733	44,844	62,212	77,814
Investments	671	692	682	682	682
Gross fixed assets	162,966	227,584	320,599	450,000	556,462
Less: Depreciation	-31,158	-46,986	-72,194	-107,485	-154,568
Add: Capital WIP					
Net fixed assets	131,808	180,597	248,404	342,516	401,894
Other non-current assets	2,470	3,258	3,961	3,961	3,961
<b>Total assets</b>	<b>161,514</b>	<b>217,280</b>	<b>297,891</b>	<b>409,371</b>	<b>484,350</b>
Total current liabilities	51,375	78,532	106,650	136,966	158,089
Non-current liabilities	49,073	46,855	55,686	68,293	45,755
Total liabilities	100,448	125,387	162,336	205,259	203,844
Paid-up capital	18,534	18,939	18,959	18,959	18,959
Reserves & surplus	42,531	72,954	116,594	185,153	261,547
Shareholders' equity	61,065	91,893	135,553	204,112	280,506
Total equity & liabilities	161,514	217,280	297,889	409,371	484,350
<b>Cash &amp; bank</b>	<b>3,255</b>	<b>2,838</b>	<b>7,598</b>	<b>7,598</b>	<b>7,598</b>

## Per-share data

	FY05	FY06	FY07	FY08E	FY09E
MAN EPS (INR)	8.0	11.9	22.5	36.2	50.4
<i>Growth, %</i>	<i>188.5</i>	<i>50.1</i>	<i>88.0</i>	<i>61.0</i>	<i>39.3</i>
Book NAV/share (INR)	32.9	49.1	72.5	109.0	149.9
FDEPS (INR)	8.1	11.9	22.5	36.2	50.4
CEPS (INR)	14.0	20.3	35.8	54.8	75.2
CFPS (INR)	22.9	29.4	47.7	63.5	80.3
DPS (INR)	0.0	0.0	0.0	0.0	10.1

## Financial structure

	FY05	FY06	FY07	FY08E	FY09E
Total debt/Equity (%)	79.3	51.0	38.2	29.3	11.6
Net debt/Equity (%)	65.1	44.7	30.8	24.4	8.0

**Profitability, Productivity, Liquidity and Valuation Ratios**

	FY05	FY06	FY07	FY08E	FY09E
Return on assets (%)	11.7	13.0	17.1	20.2	22.0
Return on equity (%)	27.8	29.2	37.0	39.9	38.9
Return on Invested capital (%)	18.0	20.9	27.7	32.7	34.7
RoIC/Cost of capital (x)	1.7	1.7	2.2	2.6	2.7
RoIC - Cost of capital (%)	7.6	8.7	15.4	20.3	21.9
Return on capital employed (%)	16.4	19.7	26.6	30.8	32.9
Cost of capital (%)	10.4	12.2	12.3	12.4	12.7
RoCE - Cost of capital (%)	6.0	7.6	14.3	18.4	20.2
Asset turnover (x)	0.8	1.0	1.2	1.3	1.3
Sales/Total assets (x)	0.6	0.6	0.7	0.8	0.8
Sales/Net FA (x)	0.7	0.7	0.9	1.0	1.0
Working capital/Sales (x)	-0.4	-0.4	-0.4	-0.3	-0.2
Fixed capital/Sales (x)	1.6	1.5	1.3	1.2	1.1
Receivable days	46.1	44.6	35.4	35.4	35.4
Inventory days	2.5	1.2	1.8	1.8	1.8
Payable days	177.9	196.7	196.2	177.8	162.0
Current ratio (x)	0.5	0.4	0.4	0.5	0.5
Quick ratio (x)	0.5	0.4	0.4	0.4	0.5
Interest cover (x)	9.4	10.5	34.3	24.1	37.4
Dividend cover (x)					
PER (x)	103.8	69.1	36.8	22.8	16.4
PEG (x) - y-o-y growth	0.6	1.4	0.4	0.4	0.4
Price/Book (x)	25.1	16.8	11.4	7.6	5.5
Yield (%)	0.0	0.0	0.0	0.0	1.2
EV/Net sales (x)	20.1	13.8	8.7	5.7	4.3
EV/EBITDA (x)	53.3	36.9	21.6	13.7	9.9
EV/EBIT (x)	85.5	57.9	32.6	19.6	14.0
EV/NOPLAT (x)	94.1	64.8	37.0	22.6	16.2
EV/CE	14.6	11.6	8.4	5.9	4.9
EV/IC (x)	16.9	13.5	10.2	7.4	5.6

Source: Company, Man Financial Research Estimates

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