BHEL



BUY

CMP Rs2,332 P Rs2,700

Structural risks won't play out in the medium term

We expect BHEL to have a 49% market share in the XII Five Year Plan orders (54% in XI Five Year Plan). With around 100 GW of capacities expected to be ordered for the XII Five Year Plan, we expect a 17% growth in order inflows for BHEL.

BHEL would be able to weather competition

- BHEL's competency in subcritical space is well established.
 Around 47% and 71% of state and central sector orders were won through ICB in FY09.
- JVs with State Gencos and Bulk Orders provide visibility with 9000 MW under super critical technology already in the pipeline. This would help faster absorption of super critical technology and make it cost competitive.
- Plans for setting up domestic manufacturing capacities by various players (except L&T) are still at a nascent stage.
- Protectionist policies, stringent bidding criteria (requirement of domestic manufacturing facilities) and uncertainty from IPR issues would limit competition from the Chinese players.

VALUATIONS

nitiating Coverage

The key drivers of BHEL's valuations are: 1) Execution Rate (Revenue growth) 2) Order flows 3) Return Ratios

BHEL's revenue growth is expected to remain strong given its capacity additions, and robust order inflows.

BHEL currently trades at 21x our FY11 EPS estimates, a premium of ~48% to the Sensex valuations (65% average over past 2 years). BHEL remains one of the few companies in the capital goods space with a good visibility for a strong topline and bottomline growth and robust return ratios. Hence, we believe that there is further scope for an expansion in BHEL's valuation premiums. We rate the stock a 'BUY' with a target price of Rs 2,700 (24x FY11 EPS).

KEY FINANCIA	_S				
(Rs mn)	FY08	FY09	FY10E	FY11E	FY12E
Net Sales	195,439	262,342	330,689	441,812	541,188
YoY Gr.(%)	11.9	34.2	26.1	33.6	22.5
Op. Profit	35,201	38,014	56,060	74,293	89,994
Op. Marg.(%)	18.0	14.5	17.0	16.8	16.6
Adj. Net Profit	28,593	31,381	42,374	54,104	64,155
YoY Gr.(%)	18.4	9.7	35.0	27.7	18.6
KEYRATIO					
Dil. EPS (Rs)	58.4	64.1	86.6	110.5	131.1
ROCE (%)	30.0	24.9	28.9	29.8	28.5
RoE (%)	26.5	22.7	23.6	23.2	21.7
PER (x)	39.9	36.3	26.9	21.1	17.8
EV/ Net Sales (x)	4.9	3.8	3.0	2.2	1.8
EV /EBDITA (x)	30.0	27.8	18.9	14.2	11.7

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STOCK DATA

OT OUT DATE	
Market cap	Rs1140bn
Book Value per share	282.4
Shares O/S (F.V. Rs10)	489.5
Free Float	32.3%
Avg Trade Value (6 months)	Rs2.7bn
52 week High/Low	2405/984
Bloomberg Code	BHEL@IN
Reuters Code	BHEL.BO

PERFORMANCE (%)

	1 M	3M	12M
Absolute	3.0	12.1	38.5
Relative	0.4	0.2	25.5

RELATIVE PERFORMANCE



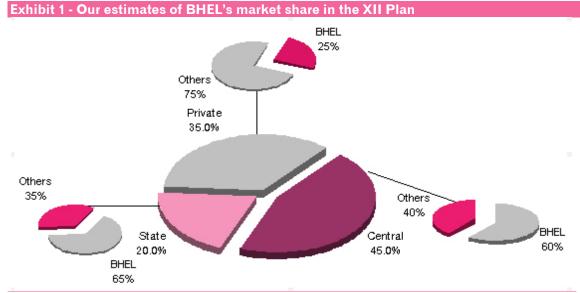


We expect BHEL to bag 48,750 MW of orders during the XII Five Year Plan, a 17% growth

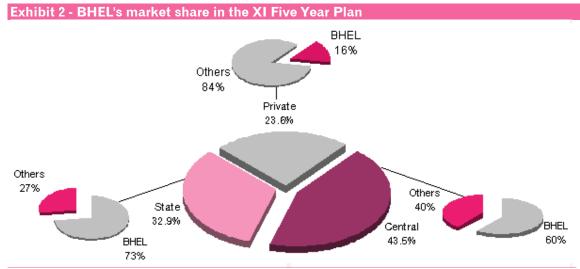
Order inflows to remain robust

We expect a 17% rise in order inflow from the XII Plan period on the back of a 49% market share

We expect BHEL's market share at \sim 49% for the XII Plan, in comparison to a 54% market share during the XI plan. Though the market share is expected to be marginally lower, around 1,00,000 MW of capacities are projected to be ordered (against 78,000 MW) in the XII Five Year Plan which would lead to growth in order flows for BHEL. Accordingly, we expect BHEL to bag 48,750 MW of orders during the XII Five Year Plan as compared to 41,700 MW during the XI Five Year Plan. This translates to a 17% increase in order inflows.



Source: PINC Research, Company



Source: PINC Research, Company



• Central Sector order share: BHEL had a 60% market share in Central Sector orders during the XI Five Year Plan. A large portion of the orders for the central sector units (NTPC and DVC) is planned to be tendered as bulk orders, where BHEL would have an option to undertake 50% of these bulk orders. Besides, in the XI plan, some of the orders (3960 MW) were placed with Russian vendors, which are currently under dispute. Hence, these vendors might not find place in the XII Five Year Plan orders. Hence, we expect BHEL to maintain its 60% market share for the central sector orders in the XIIth Five Year Plan.

Almost 41% of the orders were won through ICBs in FY09

- State Sector order share: BHEL had a 73% market share in State Sector orders during the XI Five Year Plan. Most of the State Gencos (Generating Companies) are expected to place orders on the basis of international competitive bidding (ICB). BHEL has already proved its competence in the XI Five Year Plan, by winning 47% of the orders through ICBs in FY09. Besides, BHEL is also forming JVs with state governments to protect its turf. It has already formed three JVs with State Governments for setting up 4,900 MW of generating capacities in the XII plan, the equipment orders for which would be placed with BHEL. Hence, we expect BHEL's share from the State Sector orders to remain high at around 65%
- Private Sector order share: BHEL's share of orders from private sector fell sharply to 16% during the XI plan, as many private sector orders were placed with Chinese and Korean players. We expect that the overseas players and domestic private sector equipment manufacturers would continue to garner major share of the order flows from private sector utilities in the XII Five Year Plan. However, as BHEL's capacities become operational, faster execution cycle would draw more order from the private sector, which would lead to a marginal increase in BHEL's market share to 25% in the XII Five Year Plan projects.

Faster execution cycle might draw more private sector utilities to issue orders to BHFI

BHEL's market share can be higher at 54% if it is able to draw more order from the private sector utilities

Long execution cycle on account of capacity constraints has been one of the key reasons which have deterred private sector utilities from issuing orders to BHEL. BHEL is increasing its capacities from 10,000 to 20,000 MW over the next two years. Besides, it is also expanding its vendor base and taking steps to reduce cycle time, rejection and rework rate which would lead to faster execution. This might draw more private sector utilities to issue orders to BHEL. Even if BHEL is able to increase its order share from private sector utilities to 35%, it would be able to maintain its overall market share in the power generation space at 54%. In Q1FY10, BHEL has already received huge orders to the extent of around Rs 120 bn from the private sector.

Going by the past trend, equipment ordering for the XII Five Year Plan projects should commence by H2FY10

Around 60% of the equipment orders were placed three years prior to commencement of the XI Five Year Plan The order flows from the central and state sector had slowed down considerably in the last two quarters on account of elections in the country. We expect the ordering for the XII Five Year Plan projects to pick up pace from H2FY10 onwards. The bulk equipment orders for Central Sector utilities (NTPC and DVC) of around 7260 MW(11x660MW) is expected to be placed by the end of FY10. The Power Ministry has been pushing State Gencos to place equipment orders well in advance of the commencement of the Five Year Plan. As can be observed from chart below, around 60% of the equipment orders were placed three years prior to commencement of the XI Five Year Plan. Similarly, we expect the state and central sector orders to commence in H2FY10 and pick up pace in FY11.



19000 -14000 -9000 -4000 -Prior to 2003 2003 2004 2005 2006 2007 2008

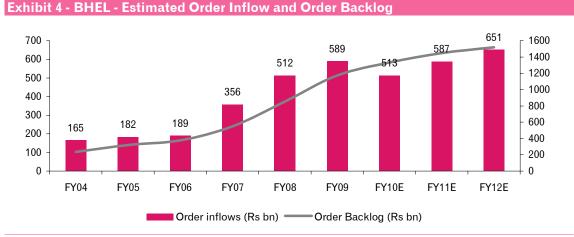
Exhibit 3 - When were equipment orders placed for the XI plan?

Source: PINC Research, CEA

Order flows would continue to remain robust, though order book growth would peak out

With BHEL's market share in XII Five Year Plan projects expected to remain strong, the order flows would continue to remain robust. However, with execution expected to pick up over the next two years, the order book is likely to remain flat in absolute terms.

Orders placed during the year (MW)



Source: PINC Research, Company



Only L&T-MHI venture has made considerable progress on setting up domestic manufacturing facilities

BHEL is fully equipped for the intensifying competition

Competition from domestic players would be limited in the medium term

Given the huge opportunity in the domestic power generation equipment space, numbers of players are planning to commission manufacturing capacities. However, only L&T-MHI venture has made considerable progress on the same. The plans of the other players remain at a very nascent stage. Hence, we expect the other capacities to be operational only by FY12 and beyond and hence do not pose a threat to BHEL over the medium term.

L&T plans to commission its manufacturing facility by FY11. However, the scale up of the capacity to a target annual production of 4000 MW would take place only by the end of FY12.

Exhibit 5 - BTG manufacturing capacities announced				
	Capability	MWs		
L&T Mitubishi	500-1000 MW Boilers and Turbines	4000		
JSW-Toshiba	500-1000 MW Turbines	3000		
Alstom-Bharat Forge	600-800 MW supercritical Turbines	5000		
R Infra - Shanghai Electric		10000		
NTPC - Bhel		5000		
GB Engg - Ansaldo Caldie	Boilers	2000		
Skoda Power		na		

Source: PINC Research

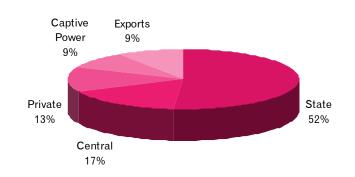
Would BHEL be impacted by equipment procurement by International Competitive Bidding (ICB)?

The Central Sector Gencos have already been placing orders on the basis of international competitive bidding since the XI Five Year Plan. Most of the State Gencos are also expected to place equipment orders through ICBs in the XII Five Year Plan (as the power offtake would also be based on ICB).

In FY09, around 71% of the central sector and 47% of the state sector

Subcritical segment: BHEL has already proved its competency in the subcritical space. In FY09, around 71% of the central sector and 47% of the state sector orders were won against ICBs. In order to further increase its cost competitiveness as against the Chinese and Korean players, BHEL has introduced new units with configuration of 270 MW, 525 MW and 600 MW. This leads to lower cost per MW for the utilities, given the increased capacity and lower incremental manufacturing cost, which enables BHEL to retain its margins.

Sector-wise order inflows for BHEL in FY09



Source: PINC Research, Company

orders were won

against ICBs

BHEL has won substantial orders through ICBs in FY09

Orders won through

	Negotiated Orders (%)	ICBs (%)
State Sector	53%	47%
Central Sector	29%	71%
Private Sector	98%	2%
Captive Power	67%	33%
Exports	83%	17%

Source: PINC Research, Company



Super Critical segment: Though super critical equipment is a new segment for BHEL, we believe that BHEL would be able to grab significant market share in this segment on account of the following reasons:

• Pipeline of 9000 MW of supercritical orders through JVs and Bulk orders: A large portion of the orders for super critical equipments for central sector players is planned to be tendered as bulk orders, where BHEL would have an option to execute 50% of the same. Besides, BHEL has entered into JVs with State Gencos for putting up capacities based on supercritical technology, where the equipments would be supplied by BHEL. Considering these order flows, BHEL already has a pipeline of around 9000 MW in the super critical equipment space. Further, BHEL is also negotiating with other State Genco for creating JVs.

Exhibit 6 - BHEL - JVs with State Gencos		
JV with	Capacity planned	BHEL's stake
Maharashtra State Generating Co. Ltd.	1320	26%
Karnataka Power Corp.	1980	n.a.
Tamil Nadu Electricity Board	1600	26%
Total	4900	

Source: PINC Research, Company

 Protectionist policies, stringent bidding requirements might keep Chinese players at bay: Stringent qualification criteria have been proposed to bid for the bulk orders from the central sector utilities. These include requirement of a manufacturing facility or a roadmap for the same. This might deter some of the Chinese and Korean players from bidding for these contracts. We believe there is a possibility of such condition being built into other State and Central sector tenders as well.

The uncertainty regarding IPR issues may deter many private sector utilities from placing orders with Chinese players

• IPR issues might limit order flow for Chinese players: The Chinese equipment manufacturers have acquired technology for super critical equipments through various U.S., European and Japanese players. The technology transfer agreements with these players restrict the players to bid for projects in other countries. Though Chinese players have been bidding for super critical equipment based projects in India, the uncertainty regarding these IPR issues may deter many private sector utilities from placing orders with these players.

Though we remain confident that BHEL would be able to scale up market share in the super critical segment, the margins from these orders might be lower initially on account of higher import content and royalty payments.

Exhibit 7 - Recent Milestones				
10-Jul-06	First order secured for boiler designed to suit firing of imported coal			
12-Oct-06	First order for Petcoke-fired CFBC boilers			
19-Jul-07	Only supplier in the world of porcelain Disc Insulators for +800 kV UHDVC application			
29-Aug-08	Order for the new rating units of 270 MW			
23-Oct-08	First order for 660 MW Steam Turbine Generators with supercritical parameters			

Source: PINC Research, Company



Faster execution would drive growth, though margins would remain under pressure

Capacity additions, expansion of vendor base would result in faster execution

BHEL is currently implementing an expansion plan to increase its annual capacity from 10,000 MW to 15,000 MW by Dec 2009 and further to 20,000 MW by Dec 2010.

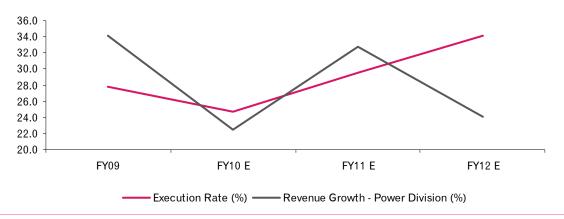
This envisages, creation of manufacturing facility for supercritical equipments apart from increase in shop floor area, material handling, storage and shipping facilities. BHEL would also raise its capability to build higher rating boilers of 800 MW and 1000 MW. As part of the expansion, BHEL commissioned a new stamping unit in Jagdishpur, U.P. and is further putting up a forging facility at the same location. This would enhance BHELs production capacity for manufacturing Thermal Boilers to 4,81,000 MT from the current capacity of 1,08,000 MT.

BHEL is also expanding its vendor base across the country. It has tied up with UK based Sheffield Forgemasters for high quality forgings.

These steps would enable BHEL to reduce cycle time, rejection and rework rate, and lead to faster execution.

BHEL is taking steps to reduce cycle time, rejection and rework rate, which would lead to faster execution

Exhibit 8 - BHEL - Revenue growth and Execution Rate (%)



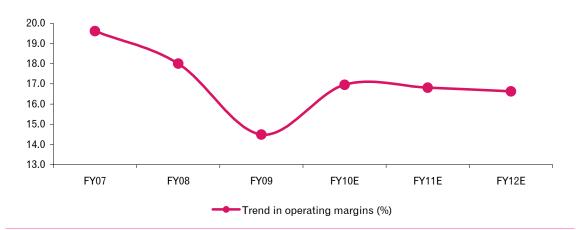
Source: PINC Research, Company

Lower margins on supercritical projects would not affect margins significantly in the medium term

Lower margins in super critical orders to affect overall margins in the medium term as execution and revenue bookings would take place only beyond FY12 We expect BHEL's margins on the initial set of supercritical equipments to be lower on account of higher import content and royalty payments. However, we do not expect these projects to affect BHEL's overall margins as the execution and the revenue bookings from these projects would take place only beyond FY11-FY12. Nonetheless, we think that the operating margins in the medium term would be under pressure given the intensifying competition especially for the private sector orders. Hence, we do not expect operating margins to expand back to the 18-20% band witnessed prior to FY08.

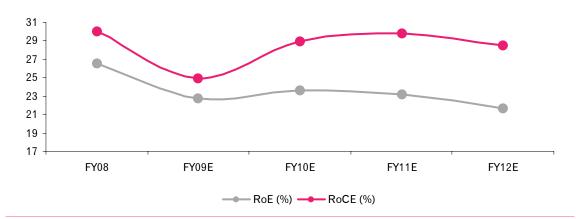






Source: PINC Research, Company





Source: PINC Research, Company



VALUATIONS

The key drivers of BHEL's valuations are:

- 1. Execution Rate (Revenue growth)
- 2. Order flows
- 3. Return Ratios

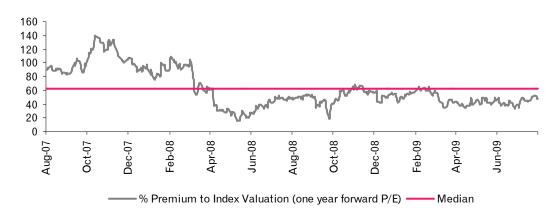
BHEL remains one of the few companies in the capital goods space with a good visibility for a strong topline and bottomline growth and robust return ratios.

We expect revenue growth to remain robust at a CAGR of 27% over next three years given the higher execution rate driven by new capacities. BHEL has proved its competency by winning large orders on ICBs. Besides, it has taken the right steps in the form of capacity additions, enlarging vendor base and entering into JVs with State Gencos, which will help retain a large part of the market share. With BHEL expected to have a strong 49% share in XII Five Year Plan capacities, the order flow momentum would continue through FY12.

In the last two years, BHEL valuations (one year forward P/E) have been at a premium of 65% on an average as compared to the Sensex. At the peak, the premium was 140% of the Index valuations.

BHEL currently trades at 21x our FY11 EPS estimates, a premium of ~45% to the Sensex valuations. BHEL remains one of the few companies in the capital goods space with an improved visibility for a strong topline and bottomline growth and robust return ratios. Hence, we believe that there is a further scope for an expansion in BHEL's valuation premiums. We rate the stock a 'BUY' with a target price of Rs 2,700 (24x FY11 EPS).

Exhibit 11 - BHEL valuation discount/premium to Sensex



Source: PINC Research, Company

3.8



Total Assets

Compact Comp	NCOME STATEMENT	2008	2009	2010E	2011E	2012E	CASH FLOW STATEMENT	2008	2009E	2010E	2011E	2012E
Operating Profit 12,055 14,124 13,418 14,008 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993 14,793 14,993	Revenues	195,439	262,342	330,689	441,812	541,188	Net Profits	28,593	31,381	42,374	54,104	64,155
Chebr Income 12,055 14,124 13,418 14,088 14,793 14	Growth (%)	11.9	34.2	26.1	33.6	22.5	Depreciation	2,589	3,343	3,831	4,580	5,453
EBIDTA	Operating Profit	35,201	38,014	56,060	74,293	89,994	Inc from inv & int. (profit)	(12,046)	(14,124)	(13,418)	(14,088)	(14,793)
Growth (%) 47.1 10.3 33.3 27.2 18.6 (Inc)/Dec in working cap 5.078 (18.808) (8,151) (21,740) 26.53 Depr. & Amortization 2.589 3.343 3.831 4.580 5.453 Other operating activities (4.028) (862) (1,162) (1,484) (1.77 EBIT 44,667 48,795 66,647 83,801 99,334 Cash from operations 28,242 2,664 25,798 24,339 30,22 Interest Charges (Net) 354 308 289 289 277 Net capital expenditure (6,639) (4,602) (20,000) (16,800) (16,808) (8,181) 24,339 30,22 PBT (Before E/o items) 44,313 48,488 65,557 83,512 99,057 Net Investments 0 03,320 (24,000) (16,876) (26,037) Actic Income / (Loss) (9) 0 0 0 0 Cash from inv. activities 5,407 (8,3816) 02,2591 (20,476) 25,518 <tr< td=""><td>Other Income</td><td>12,055</td><td>14,124</td><td>13,418</td><td>14,088</td><td>14,793</td><td></td><td>-</td><td>-</td><td>=</td><td>-</td><td>-</td></tr<>	Other Income	12,055	14,124	13,418	14,088	14,793		-	-	=	-	-
Depr. & Amortization 2,589 3,343 3,831 4,580 5,453 Other operating activities (4,028 (862) (1,162) (1,484) (1,77 EBIT 44,667 48,795 65,647 83,801 99,334 Cash from operations 28,242 2,654 25,798 24,339 30,2 (1,620) (15,800) (14,04 1,77 1,74 1,7	EBIDTA	47,256	52,138	69,478	88,381	104,787		-	-	=	-	-
EBIT 44,667 48,795 65,647 83,801 99,334 Cash from operations 28,242 2,654 25,798 24,339 30,04 Interest Charges (Net) 354 308 289 289 277 Net capital expenditure (6,639) (4,620) (12,000) (15,800) (14,000 PBT (Before E/o items) 44,313 48,488 65,357 83,512 99,057 Net Investments 0 (93,320) (24,009) (18,766) (26,33 Tax provision 15,711 17,106 22,983 29,408 34,902 Interest & dividend read 12,046 14,124 13,418 14,088 14,78 E/o Income / (Loss) (9) 0 0 0 0 0 0 0 Abt Profits 28,593 31,381 42,374 54,104 64,155 Equity raised/(repaid) (7,861) 0 0 0 0 Adjusted Net Profits 28,593 31,381 42,374 54,104 64,155 Growth (%) 18,4 9,7 35,0 27,7 18,6 Dividend (incl. tax) (873) (873) (873) (873) (873) Basic EPS (Rs) 58,4 64,1 86,6 110,5 131,1 Growth (%) 18,4 9,7 35,0 27,7 18,6 Dividend (incl. tax) (8,675) (875) (873) (873) (873) (873) Growth (%) 18,4 9,7 35,0 27,7 18,6 Dividend (incl. tax) (8,675) (875) (873) (873) (873) (873) (873) Growth (%) 18,4 9,7 35,0 27,7 18,6 Dividend (incl. tax) (8,675) (875) (873) (873) (873) (873) (873) Growth (%) 18,4 9,7 35,0 27,7 18,6 Dividend (incl. tax) (8,675) (875) (873) (Growth (%)	47.1	10.3	33.3	27.2	18.6	(Inc)/Dec in working cap	5,078	(18,808)	(8,151)	(21,740)	(26,351)
Interest Charges (Net) 354 308 289 289 277 Net capital expenditure (6.639) (4.620) (12.000) (15.800) (14.00) (15.800) (15.800) (14.00) (15.800) (14.00) (15.800	Depr. & Amortization	2,589	3,343	3,831	4,580	5,453	Other operating activities	(4,028)	(862)	(1,162)	(1,484)	(1,760)
PBT (Before E/o Items) 44,313 48,488 65,357 83,512 99,057 Net Investments 0 09,320 (24,009) (18,766) (26,33) Tax provision 15,711 17,106 22,983 29,408 34,902 Interest & dividend recd 12,046 14,124 13,418 14,088 14,7 E/o Income / (Loss) (9) 0 0 0 Cash from inv. activities 5,407 (83,816) (22,591) (20,478) (25,51) Net Profits 28,593 31,381 42,374 54,104 64,155 Equity raised/(repaid) 59 (2) 0 0 0 Adjusted Net Profits 28,593 31,381 42,374 54,104 64,155 Debt raised/(repaid) 59 (2) 0<	EBIT	44,667	48,795	65,647	83,801	99,334	Cash from operations	28,242	2,654	25,798	24,339	30,225
Tax provision 15,711 17,106 22,983 29,408 34,902 Interest & dividend recd 12,046 14,124 13,418 14,088 14,75 E/o Income / (Loss) (9) 0 0 0 0 0 Cash from inv. activities 5,407 (83,816) (22,591) (20,478) (25,518 Net Profits 28,593 31,381 42,374 54,104 64,155 Equity raised/(repaid) (7,861) 0 0 0 0 0 Adjusted Net Profits 28,593 31,381 42,374 54,104 64,155 Growth (%) 18.4 9.7 35.0 27.7 18.6 Dividend (incl. tax) (873) (873) (873) (873) (873) (873) (873) (873) Basic EPS (Rs) 58.4 64.1 86.6 110.5 131.1 Cash from fin activities (8,675) (875) (875) (873) (873) (873) (11,13 Growth (%) 18.4 9.7 35.0 27.7 18.6 Dividend (incl. tax) (873) (87	Interest Charges (Net)	354	308	289	289	277	Net capital expenditure	(6,639)	(4,620)	(12,000)	(15,800)	(14,000)
E/o Income / (Loss)	PBT (Before E/o items)	44,313	48,488	65,357	83,512	99,057	Net Investments	0	(93,320)	(24,009)	(18,766)	(26,344)
Net Profits 28,593 31,381 42,374 54,104 64,155 Equity raised/(repaid) (7,861) 0 0 0 Adjusted Net Profits 28,593 31,381 42,374 54,104 64,155 Debt raised/(repaid) 59 (2) 0 0 0 (22) Growth (%) 18.4 9.7 35.0 27.7 18.6 Dividend (incl. tax) (873	Tax provision	15,711	17,106	22,983	29,408	34,902	Interest & dividend recd	12,046	14,124	13,418	14,088	14,793
Adjusted Net Profits 28,593 31,381 42,374 54,104 64,155 Debt raised/(repaid) 59 (2) 0 0 (2) Growth (%) 18.4 9.7 35.0 27.7 18.6 Dividend (incl. tax) (873)	E/o Income / (Loss)	(9)	0	0	0	0	Cash from inv. activities	5,407	(83,816)	(22,591)	(20,478)	(25,551)
Growth (%) 18.4 9.7 35.0 27.7 18.6 Dividend (incl. tax) (873) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (11,12) (Net Profits	28,593	31,381	42,374	54,104	64,155	Equity raised/(repaid)	(7,861)	0	0	0	0
Basic EPS (Rs) 58.4 64.1 86.6 110.5 131.1 Other financing activities 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	Adjusted Net Profits	28,593	31,381	42,374	54,104	64,155	Debt raised/(repaid)	59	(2)	0	0	(250)
Diluted EPS (Rs) 58.4 64.1 86.6 110.5 131.1 Cash from fin activities (8,675) (875) (873) (873) (1,15 Growth (%) 18.4 9.7 35.0 27.7 18.6 Inc/(Dec.) in cash 24,973 (82,037) 2,333 2,988 3,5 Inc/(Dec.) in cash 24,973 (82,037) 2,988 2,9	Growth (%)	18.4	9.7	35.0	27.7	18.6	Dividend (incl. tax)	(873)	(873)	(873)	(873)	(873)
Growth (%) 18.4 9.7 35.0 27.7 18.6 Inc/(Dec.) in cash 24,973 (82,037) 2,333 2,988 3,5 BALANCE SHEET 2008 2009E 2010E 2011E 2012E KEY RATIOS 2008 2009E 2010E 2011E 201 Equity Share Capital 4,895 4,895 4,895 4,895 4,895 0PM (%) 18.0 14.5 17.0 16.8 19 Reserves & Surplus 102,847 133,355 174,855 228,086 291,368 Net Margin (%) 14.6 12.0 12.8 12.2 1 Shareholders' Funds 107,742 138,250 179,750 232,981 296,263 Dividend Yield (%) 0.1	Basic EPS (Rs)	58.4	64.1	86.6	110.5	131.1	Other financing activities	0	0	0	0	0
BALANCE SHEET 2008 2009E 2010E 2011E 2012E KEY RATIOS 2008 2009E 2010E 2011E 201 Equity Share Capital 4,895 4,895 4,895 4,895 4,895 OPM (%) 18.0 14.5 17.0 16.8 19 Reserves & Surplus 102,847 133,355 174,855 228,086 291,368 Net Margin (%) 14.6 12.0 12.8 12.2 1 Shareholders' Funds 107,742 138,250 179,750 232,981 296,263 Dividend Yield (%) 0.1 0.1 0.1 0.1 0.1 Minorities Interest Net Debt/Equity (x) (0.8) (0.7) (0.6) (0.6) (0.7) Total Debt 952 950 950 950 700 Net working capital (days) (9.2) 18.9 23.9 35.6 44 Deferred Tax liability (13,379) (14,241) (15,403) (16,887) (18,647) ROACE (%) 30.0 24.9 28.9 29.8 29.8 Capital Employed 95,315 124,959 165,298 217,045 278,316 ROANW (%) 26.5 22.7 23.6 23.2 2 Existed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 39.9 36.3 26.9 21.1 11	Diluted EPS (Rs)	58.4	64.1	86.6	110.5	131.1	Cash from fin activities	(8,675)	(875)	(873)	(873)	(1,123)
Equity Share Capital 4,895 4,895 4,895 4,895 4,895 A,895 OPM (%) 18.0 14.5 17.0 16.8 19 Reserves & Surplus 102,847 133,355 174,855 228,086 291,368 Net Margin (%) 14.6 12.0 12.8 12.2 19 Shareholders' Funds 107,742 138,250 179,750 232,981 296,263 Dividend Yield (%) 0.1 0.1 0.1 0.1 0.1 0.1 Minorities Interest Net Debt/Equity (x) (0.8) (0.7) (0.6) (0.6) (0.7) Total Debt 952 950 950 950 950 700 Net working capital (days) (9.2) 18.9 23.9 35.6 40 Deferred Tax liability (13,379) (14,241) (15,403) (16,887) (18,647) ROACE (%) 30.0 24.9 28.9 29.8 250 Capital Employed 95,315 124,959 165,298 217,045 278,316 ROANW (%) 26.5 22.7 23.6 23.2 250 Fixed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 39.9 36.3 26.9 21.1 117	Growth (%)	18.4	9.7	35.0	27.7	18.6	Inc/(Dec.) in cash	24,973	(82,037)	2,333	2,988	3,551
Equity Share Capital 4,895 4,895 4,895 4,895 4,895 A,895 OPM (%) 18.0 14.5 17.0 16.8 19 Reserves & Surplus 102,847 133,355 174,855 228,086 291,368 Net Margin (%) 14.6 12.0 12.8 12.2 19 Shareholders' Funds 107,742 138,250 179,750 232,981 296,263 Dividend Yield (%) 0.1 0.1 0.1 0.1 0.1 0.1 Minorities Interest Net Debt/Equity (x) (0.8) (0.7) (0.6) (0.6) (0.7) Total Debt 952 950 950 950 950 700 Net working capital (days) (9.2) 18.9 23.9 35.6 40 Deferred Tax liability (13,379) (14,241) (15,403) (16,887) (18,647) ROACE (%) 30.0 24.9 28.9 29.8 250 Capital Employed 95,315 124,959 165,298 217,045 278,316 ROANW (%) 26.5 22.7 23.6 23.2 250 Fixed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 39.9 36.3 26.9 21.1 117						1						1
Reserves & Surplus 102,847 133,355 174,855 228,086 291,368 Net Margin (%) 14.6 12.0 12.8 12.2 1 Shareholders' Funds 107,742 138,250 179,750 232,981 296,263 Dividend Yield (%) 0.1 0.1 0.1 0.1 0.1 Minorities Interest Net Debt/Equity (x) (0.8) (0.7) (0.6) (0.6) (0.7) Total Debt 952 950 950 950 700 Net working capital (days) (9.2) 18.9 23.9 35.6 4 Deferred Tax liability (13,379) (14,241) (15,403) (16,887) (18,647) ROACE (%) 30.0 24.9 28.9 29.8 22 Capital Employed 95,315 124,959 165,298 217,045 278,316 ROANW (%) 26.5 22.7 23.6 23.2 2 Fixed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 30.0 27.8 18.9 14.2 1 Net current assets 78,839 107,206 139,377 179,903 232,628 PER (x) 39.9 36.3 26.9 21.1 11												2012E
Shareholders' Funds 107,742 138,250 179,750 232,981 296,263 Dividend Yield (%) 0.1 0.2 0.2 <t< td=""><td></td><td></td><td></td><td></td><td>,</td><td></td><td></td><td></td><td></td><td></td><td></td><td>16.6</td></t<>					,							16.6
Minorities Interest -			,	,	,	,	9					11.9
Total Debt 952 950 950 950 700 Net working capital (days) (9.2) 18.9 23.9 35.6 40 Deferred Tax liability (13,379) (14,241) (15,403) (16,887) (18,647) ROACE (%) 30.0 24.9 28.9 29.8 20 Capital Employed 95,315 124,959 165,298 217,045 278,316 ROANW (%) 26.5 22.7 23.6 23.2 22 Fixed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 30.0 27.8 18.9 14.2 1 Net current assets 78,839 107,206 139,377 179,903 232,628 PER (x) 39.9 36.3 26.9 21.1 11		107,742	138,250	179,750	232,981	296,263						0.1
Deferred Tax liability (13,379) (14,241) (15,403) (18,647) ROACE (%) 30.0 24.9 28.9 29.8 29.8 Capital Employed 95,315 124,959 165,298 217,045 278,316 ROANW (%) 26.5 22.7 23.6 23.2 2 Fixed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 30.0 27.8 18.9 14.2 1 Net current assets 78,839 107,206 139,377 179,903 232,628 PER (x) 39.9 36.3 26.9 21.1 1		-	-	-	-	-	, , , ,	(8.0)	(0.7)	(0.6)	, ,	(0.5)
Capital Employed 95,315 124,959 165,298 217,045 278,316 ROANW (%) 26.5 22.7 23.6 23.2 2 Fixed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 30.0 27.8 18.9 14.2 1 Net current assets 78,839 107,206 139,377 179,903 232,628 PER (x) 39.9 36.3 26.9 21.1 1		952	950	950	950	700	Net working capital (days)	(9.2)	18.9	23.9	35.6	46.6
Fixed Assets 16,393 17,670 25,838 37,058 45,605 EV/Sales (x) 4.9 3.8 3.0 2.2 Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 30.0 27.8 18.9 14.2 1 Net current assets 78,839 107,206 139,377 179,903 232,628 PER (x) 39.9 36.3 26.9 21.1 17	Deferred Tax liability	(13,379)	(14,241)	(15,403)	(16,887)	(18,647)	ROACE (%)	30.0	24.9	28.9	29.8	28.5
Cash & cash eq. 83,860 93,420 117,439 136,225 162,598 EV/EBIDTA (x) 30.0 27.8 18.9 14.2 1 Net current assets 78,839 107,206 139,377 179,903 232,628 PER (x) 39.9 36.3 26.9 21.1 17	Capital Employed	95,315	124,959	165,298	217,045	278,316	ROANW (%)	26.5	22.7	23.6		21.7
Net current assets 78,839 107,206 139,377 179,903 232,628 PER (x) 39.9 36.3 26.9 21.1 1	Fixed Assets	16,393	17,670	25,838	37,058	45,605	EV/Sales (x)	4.9	3.8	3.0	2.2	1.8
	Cash & cash eq.	83,860	93,420	117,439	136,225	162,598	EV/EBIDTA (x)	30.0	27.8	18.9	14.2	11.7
Investments 83 83 83 83 83 PCE (x) 36.6 32.8 24.7 19.4 19.4	Net current assets	78,839	107,206	139,377	179,903	232,628	PER (x)	39.9	36.3	26.9	21.1	17.8
	Investments	83	83	83	83	83	PCE (x)	36.6	32.8	24.7	19.4	16.4

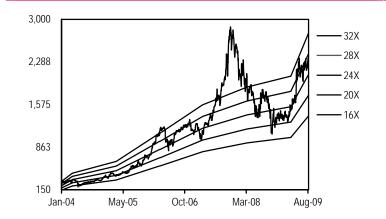
P/E Band EV/EBIDTA

165,298

217,045

278,316

Price/Book (x)



124,959

95,315



10.6

8.2

6.3

4.9



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