

Kajaria Ceramics Ltd

CMP : Rs. 46.50

Target : Rs. 70

BUY

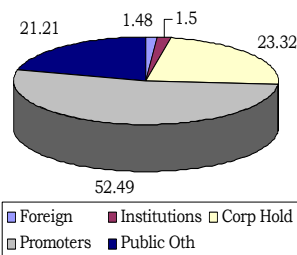
Key Data

BSE	500233
NSE	KAJARIACER
Reuters	KAJR.BO
Bloomberg	KJC.IN
Industry	Ceramics-Tiles
Mar Cap (Rs.mn)	3422
Equity (Rs.mn)	14.7
Face Value (Rs.)	2
52 Wk H/L (Rs)	47.4/21.0
Sensex	17101.5
Nifty	5108.9

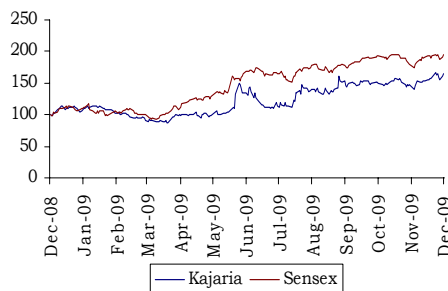
Share Holding Pattern for Last 3 Quarters

	Sep-09	Jun-09	Mar-09
Foreign	1.48	0.14	0.14
Institutions	1.5	1.5	1.5
Corp Hold	23.32	25.86	25.75
Promoters	52.49	51.6	51.6
Public Oth	21.21	20.9	21.01
Totals	100.0	100.0	100.0

Shareholding Pattern As on 30th Sept 09(%)



Chart



Analyst : Namita Pai
 Email: namita@ffsil.com
 Ph No : 022-22077931 Extn: 447

Kajaria Ceramics Ltd is a major player in the Indian tile industry with a turnover size of Rs 691 Cr as on FY09. It manufactures ceramic floor and wall tiles and trades in imported international brands of tiles and sanitary ware. Kajaria sells 70% in the retail segment and 30% in real estate projects. It is the only ceramic tile company being awarded "Superbrand" for fourth consecutive time.

Investment Rationale

Revival in the construction sector: With signs of revival of demand in real estate and housing sectors backed by sound fundamentals of economy and favorable government policies will continue to drive the demand for ceramic tile industry. The industry size is estimated at 403 mn sq mtr with market pegged at Rs 95 bn as on 31st March, 2009 and is expected to continue to return to its historical growth rate of 15-17% from 2009-10 onwards.

New value added vitrified tiles manufacturing unit to boost sales: The company is in the final stages of commencing its 2.4 MSM vitrified tiles unit in Sikandrabad (UP) which will add up to the volumes of the business. The company has invested around Rs 36 Cr and they expect to generate revenue of Rs 80-85 Cr on annual basis.

GAIL supply of natural gas to reduce cost thereby increase margins: The Gailpur unit of Kajaria will start receiving natural gas from GAIL in Jan'10 which will help reduce the cost of production substantially. The fuel cost is 27% of total expenses in Gailpur whereas, in the Sikandrabad unit which uses LNG the fuel costs accounts for 15% of the total expenses. The Gailpur unit currently is using propane as a fuel.

Domestic tile consumption set to witness growth: India's per capita ceramic tiles consumption is 0.36 sq mtrs lower compared to 2 sq mtrs in China, this provides tremendous scope for the industry to grow. Moreover, Indian Government's imposition of anti dumping duty of Rs 137 per sq. mtr on ceramic glazed wall floor tiles imported from China will create more room for growth.

Valuations: The CMP of Rs 46.50 discounts the company's FY10E and FY11E EPS of Rs. 4.17 and Rs 7.92 with a P/E multiple of 11.15x and 5.87x respectively. It is available at an EV/EBITDA of 5.8x and 3.9x its FY10E and FY11E earnings respectively. We expect the company to do well considering the new capacity addition of margin-accretive vitrified tiles and cost reduction on account of natural gas supply.

Year	Net Sales	PAT	EPS	EPS	P/E	ROE	ROCE
End	(Rs Mn)	(Rs Mn)	(Rs)	Growth (%)	(X)	(%)	(%)
FY09	6648.8	89.0	1.21	-40.7	38.30	5.49	14.57
FY10E	7275.5	306.7	4.17	244.6	11.15	16.20	16.51
FY11E	9048.3	582.7	7.92	90.0	5.87	23.87	22.92

Source: Fortune Research

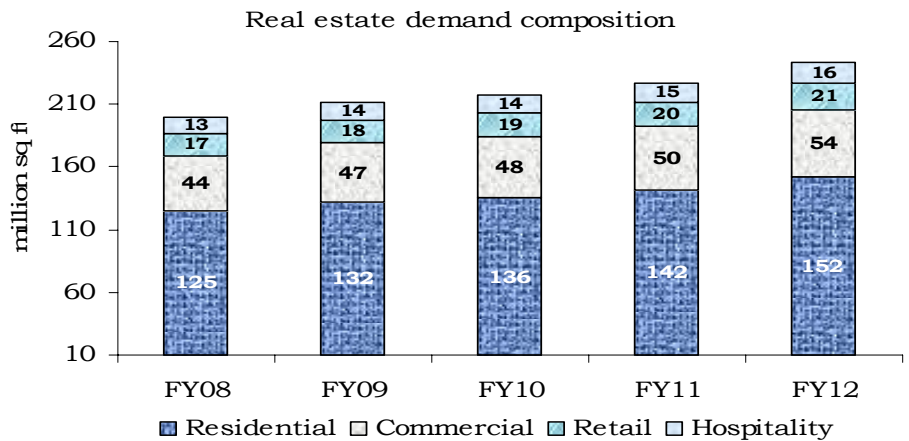
Investment Rationale

Revival in the construction sector

Growth of 15-17% in tiles industry to be fueled by revival and growth in the construction and realty space

With signs of revival of demand in real estate and housing sectors backed by spurred price corrections, new launches, lowering of interest rates, increase in sales inquiries and affordable housing the demand for investment in infrastructure, housing, retail, IT, ITES and telecom sector will continue to drive the demand for ceramic tile industry.

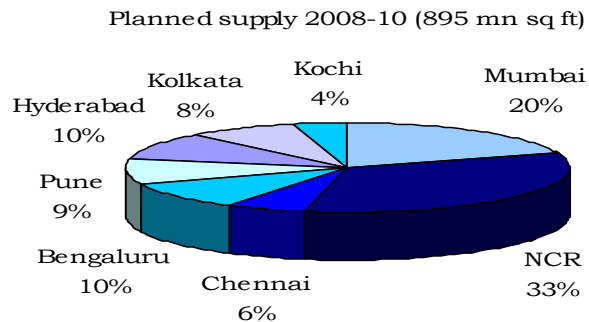
The Indian ceramic tiles industry is expected to grow at 15-17% historical rates from 2010 onwards. The long term scenario for the sector remains strong due to high growth expected in key segments including housing, commercial, retail, hotels etc.



Source : Crisil, Fortune Research

Residential sector is expected to grow 18-19% up to 2010, according to India Brand Equity Foundation (IBEF) report, driven by rapid urbanization coupled with increased per capita income and increased penetration of mortgage finance. Currently there is a shortage of more than 25mn housing units in middle and low income groups, according to Eleventh five year plan (2007-12).

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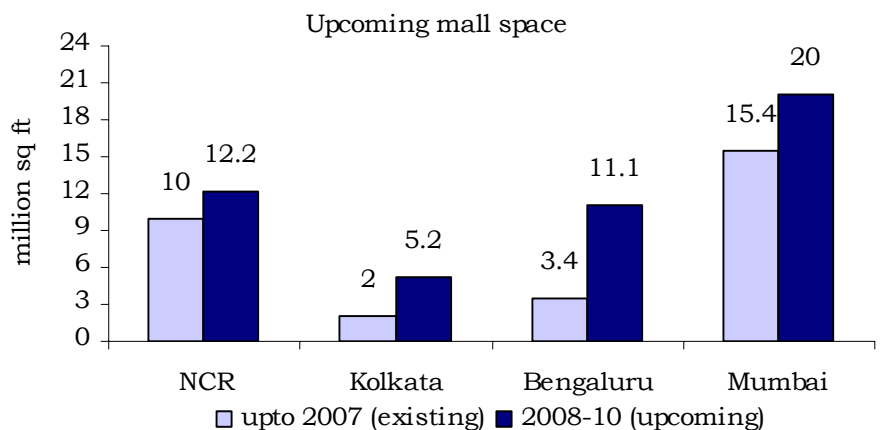
Source : Crisil, Fortune Research

IT/ITeS sector alone expected to require in excess of 250 mn sq ft of commercial office space by 2012-13

Commercial sector is expected to grow at a CAGR of 20-22% over the next five years with IT/ITeS sector alone expected to require in excess of 250 mn sq ft of commercial office space by 2012-13. Lot of other spaces in this segment like Airports, convention centres, higher educational institutions, R&D labs, SEZ's, sports centres, etc are in pipeline. Investment in Airport is estimated to go up US\$9 bn by 2013.

The organized **Retail sector** share is expected to grow at 10.4% of the overall retail market by 2012 against present 5% as per a KPMG report. By 2012, 323 ms sq ft of new retail space will be required. Number of malls in India is also expected to increase from 105 in 2006 to 412 in 2010.

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Source : Crisil, Fortune Research

Hospitality sector to receive US\$ 11.5 bn investment over the next two years

Hospitality sector would also grow on the back of growth expectations of the Indian tourism industry by 8% per annum over the next 10 years. This sector is expected to receive US\$ 11.5 bn investment over the next two years as more than 40 international brands establish their presence in India by 2011. This will grow demand for value-added tiles.

Health Infrastructure: Changing demographics, disease profiles and rising treatment cost will drive healthcare spend to over Rs 200,000 crore by 2012. Revenue from this sector account for 5.2% of the GDP and are expected to reach 6.5-7.2% of GDP.

New value added vitrified tiles manufacturing unit to boost sales

Vitrified tiles market expected to grow at a CAGR of 20% of over 5 years

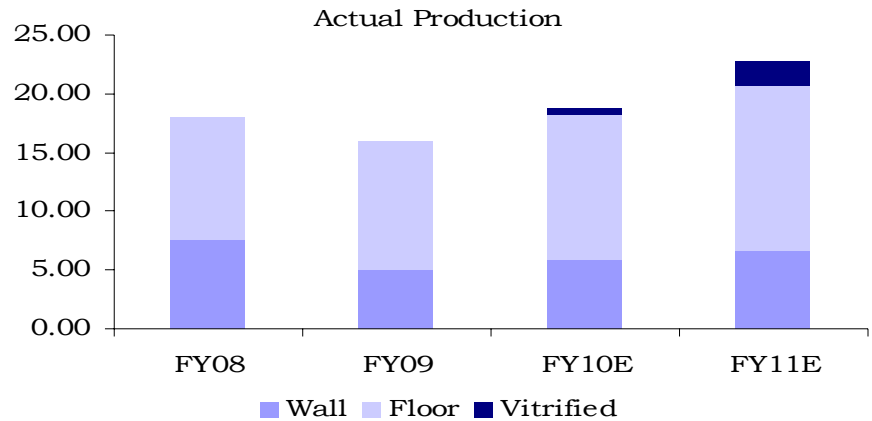
So far to cater to the vitrified tiles market, the company used to trade in this segment by importing the no.1 and no.2 producers in China and selling under the brand "Kerrogres" through its dealer network and projects. In 2008-09 Kajaria sold 4.38 MSM of vitrified tiles by way of import reflecting a growth of 45% over earlier year.

The demand for vitrified tiles along with ceramics is likely to grow in leaps and bounds with the growing demand for housing. Vitrified tiles have a market of 100 mn sq mtr in India and expected to grow at a CAGR of 20% over five years.

To commission 2.4 MSM margin-accretive vitrified tile facility by Jan'10

With the burgeoning demand in the vitrified market Kajaria is on the verge of starting up its own production for the same and also continue trading in the same. The company is in advance stage of commissioning 2.4 mn sq mtr vitrified tile facility at Sikandrabad (Uttar Pradesh), adding a margin-accretive product vertical to the business model. This project is expected to commence operations from Jan'2010. With addition of this project the company's total annual capacity will expand to 23.4 MSM from earlier 21 MSM.

We expect a capacity utilization of 90% in the vitrified tile segment in FY11E



Source : Company, Fortune Research

Company has spent Rs 36 cr and expects revenue of Rs 85 cr annually

The company has invested around Rs 36 Cr and they expect to generate revenue of Rs 80-85 Cr on annual basis. The selling price of the vitrified tiles ranges from Rs 400 to Rs 1000 per sq mtr which is very high compared to ceramic tiles range of Rs 200-500 per sq mtr. In 2008-09 Kajaria sold 4.38 MSM of vitrified tiles by way of import reflecting a growth of 45% over last year.

We expect any further capex to be diverted to expansion or setting up of projects in vitrified tile segment. Also introduction of new products, in large format wall tile of 30 x 60 cm and 30 x 45 cm and joint free floor tiles of 45 x 45 cm, in 2008-09 will strengthen sales.

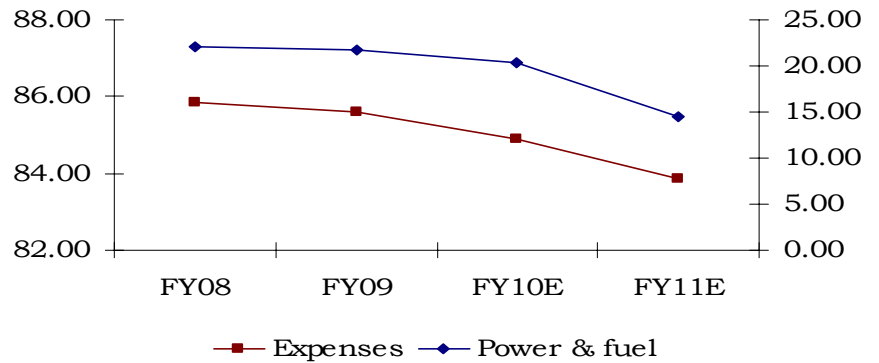
GAIL Supply of natural gas to increase the profit margins...

Gailpur plant currently uses high cost propane and Sikandrabad unit uses LNG as a fuel

Kajaria is currently using high-cost propane as a fuel at its Gailpur plant. As propane is costlier and to improve its cost efficiency Kajaria has entered into an agreement with GAIL for supply of natural gas to its Gailpur plant which is expected to commence in January 2010. With the commencement of this gas supply the company will save substantially on the cost front.

The total expenses as a percentage to sales was 85.6% in FY09 which we believe would lower to 83.9% in FY11E

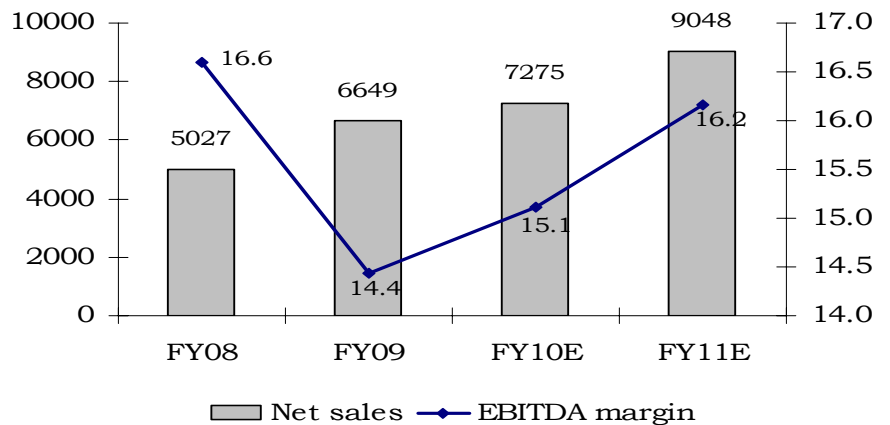
Expenses as a percentage to Sales



Source: Company, Fortune Research

The above chart depicts the overall cost saving on account of power and fuel in FY11E. In FY09, power and fuel expenses accounted for 21.8% of the net sales (excluding trading income) which will come down to 14.5% in FY11E, due to use of natural gas in its Gailpur unit. The company will save around Rs 15/sq mt in FY11E in the Gailpur unit.

We can see a V shape recovery in the operating margins of the company mainly due to benefit of fuel cost reduction.



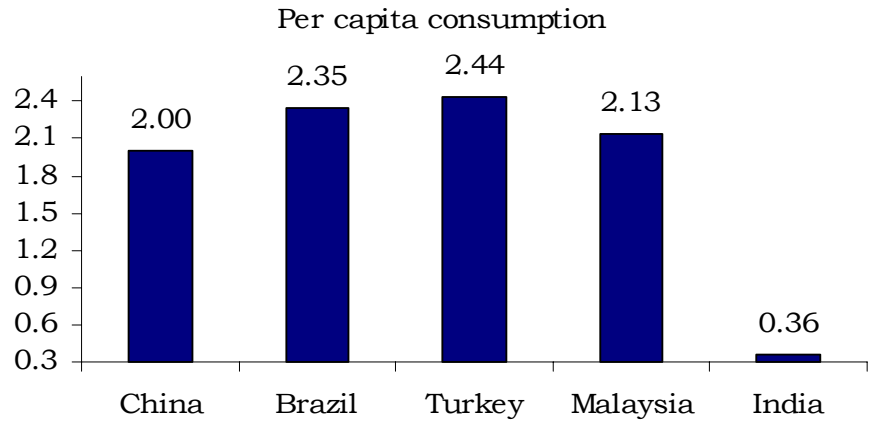
Source: Company, Fortune Research, Net Sales amt in mn

The company's fuel cost is 27% of total expenses in Gailpur whereas, in the Sikandrabad units where they are using LNG the fuel costs accounts for 15% of the total expenses.

Domestic tile consumption set to witness growth



India's per capita ceramic tiles consumption is 0.36 sq mtrs lower compared to 2.00 sq mtrs in China, this provides tremendous scope for the industry to grow.



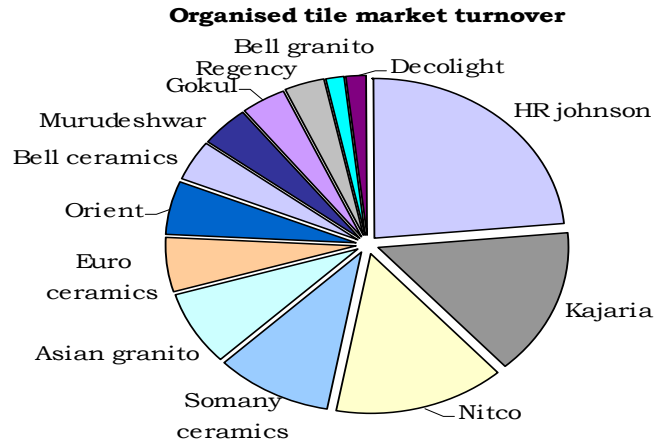
Source: ICCTAS, Fortune Research

Per capita consumption is expected to grow to 0.63 sq mt p.a. by 2012-13

By 2012-13, per capita consumption is expected to grow to 0.63 sq mt p.a. and total consumption is likely to increase to 700 MSM.

Of the Rs 95 bn total tiles market the organized market comprises of 50% and the other 50% is represented by regional players in Gujarat catering to lower segment of the industry.

Kajaria ceramics is the second largest company turn-over wise with 15% share in the organized market.



Source: Company, Fortune Research

As per the Indian council of ceramic Tiles and Sanitaryware (ICCTAS), the size of Indian tiles industry is growing at a healthy rate of 15-17% p.a. In FY09 it grew at a minimal pace due to overall economy slowdown and global meltdown.

Industry classified into three segments wall tiles, floor tiles and vitrified & porcelain tiles

The industry is classified into three key segments, viz, wall tiles, floor tiles and vitrified & porcelain tiles. Vitrified and porcelain tiles are recent entrants into the ceramic tile industry and have increased the size of the market considerably. This segment is expected to capture the bulk of market gradually, replacing the conventional floor and wall tiles segment on account of durability, utility, maintenance and better appearance with premium pricing and higher realizations. In the international markets these tiles are already major sellers.

China accounts for 40% of the world market, where as India is just 4.6%

	World ceramic tiles production (mn sq mt)			
	CY' 05	CY' 06	CY' 07	CY' 08
China	2500	3000	3200	3400
Brazil	568	594	637	713
Italy	570	569	559	513
Spain	609	608	585	495
India	298	340	385	390
Iran	190	210	250	320
Indonesia	175	170	235	278
Vietnam	176	199	254	270
Total world	7050	7725	8210	8495

Source: Company, Fortune Research

China accounted for 34% of the world consumption whereas India accounted for 5%

	World tile consumption mn sq mtr			
	CY' 05	CY' 06	CY' 07	CY' 08
China	2050	2450	2700	2830
Brazil	443	486	535	605
India	303	350	397	403
Iran	153	182	236	265
Indonesia	155	148	178	262
Spain	303	319	314	240
Vietnam	120	145	210	220
USA	304	308	248	197
Total world	6740	7420	8825	8263

Source: Company, Fortune Research

The industry can also reap benefit of low cost of production which is 25-30% lower compared to the US and Europe, primarily owing to cheap labour.

Indian Government's imposition of anti dumping duty of Rs 137 per sq. mtr on ceramic glazed wall floor tiles imported from China will create more room for growth. This imposition will keep a check on the cheap import from China.

Imposition of anti dumping duty of Rs 137/sq mt on ceramic tile imports from China

Debt repayment and working capital management

The company optimized resource procurement and consumption which is reflected in a declining inventory cycle by about 36 days and reduced the credit period for its customers by about 13 days, thereby reducing the reliance on external funds for its daily operations. The resultant decline in interest cost will be visible in FY10. The management has also indicated decline in the long term debt as they plan to repay part of its debt.

Interest cost to come down with debt reduction of around Rs 8 crs in FY10E and Rs 45 crs in FY11E

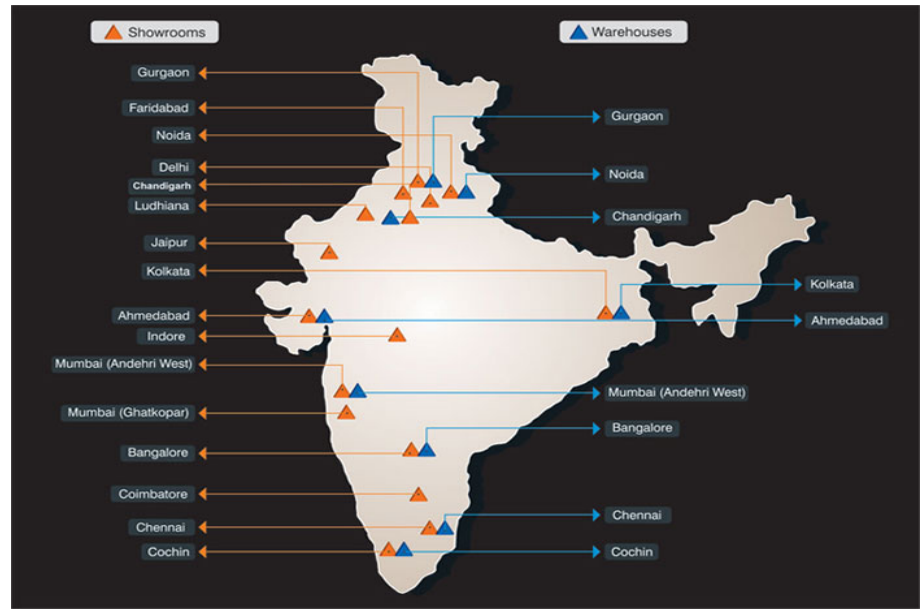
The outstanding debt on the books of Kajaria is Rs 325 crs as on FY09. The management wishes to reduce its debt by around Rs 7-8 crs in FY10 and Rs 45 crs in FY11 on account of increased cash flow. The interest cost will be lower in FY10 as in FY09 there was an extra-ordinary exchange difference item of about Rs 12 crs.

Strong Brand recall and distribution network

The company manufactures ceramic wall and floor tiles at Gailpur and Sikandrabad facilities respectively with an annual capacity of 21 MSM.

Distribution network of 6000 dealers and sub-dealers with 16 display showrooms across the country

The company has a distribution network of 6000 dealers and sub-dealers. It has around 16 display showrooms of which 11 are owned and 5 franchisees. The company is largest exporter of ceramic tiles in India with a 20-nation footprint. It also caters to large institutional clients like DLF, Unitech, Rahejas and EMMAR-MGF, providing significant volume growth.



Only company to have conferred on the "Superbrand" status for four consecutive years

Kajaria collaborated with major Spanish and Italian brands viz Aparici, Grespania, Saloni, Ergon, Egaseramik to provide Indian customers with best class European products ranging from around Rs 700-3,000 per sq. mtr. It also caters to the vitrified tiles market by importing from China with a price band of Rs 400 to Rs 1,000 per sq mtr. These are marketed under the 'Kerrogres' brand. The company launched Solitaire series based on glass-frit technology as a cost-effective marble substitute.

Kajaria has also entered import of international quality sanitary ware marketed under the brand 'Kerovit' providing complete bathroom solutions.

The company has maintained its "Superbrand" status for the fourth consecutive year. It has a highest brand recall in the mind of discerning customers for quality, designs and as a provider of new concepts and ideas.

Kajaria is serving the 403 million tile industry by offering the below product categories-



Kajaria World	Imported Tiles 10 mn sq mtrs	By ways of impoting and selling leading international brands
Kerrogres	Porcelain/ Vitrified tiles 100 mn sq mt	Importing from top producers in China and selling through dealer network
Kajaria	Ceramic Tiles Upper end market 223 mn sq mt	Manufacturing and catering for last 20 years
Kajaria	Ceramic Tiles Lower end market 70 mn sq mt	Manufacturing and catering

Source : Company, Fortune Research

Peer comparison

Company names	CMP	Market cap (Rs crs)	EPS (Rs)	P/E	Equity (Rs crs)	EV/sales	Net Sales (Rs crs)	OPM (%)	NPM (%)	ROCE (%)	RONW (%)
Kajaria Ceramics	46.50	342	1.21	38.4	14.72	0.96	664.88	14.41	1.34	14.57	5.49
Nitco Tiles Ltd	51.00	164	7.6	6.7	32.12	0.66	667.43	11.16	3.7	8.49	4.92
Murudesh Ceramics	38.15	67	0.1	381.5	17.51	1.40	180.09	27.35	0.09	6.01	0.07
Orient Ceramics	49.45	52	5.79	8.5	10.53	0.54	225.14	12.9	2.67	15.08	12.68

Note: All the above numbers are related to FY09

In comparison to its peers Kajaria with strong sales volume is understood to benefit most from the mushrooming demand in the tile industry. Despite the slowdown in industry last year Kajaria managed to give good results on the back of its brand name and its ability to cater to all customers according to their changing preference. It has given a better ROCE and RONW of 14.5% and 5.62% respectively compared to Nitco tiles (its competitor in-comparison to sales) ROCE of 8.49%.

Company name	Net sales			OPM (%)			PATM (%)			EPS		
	Q2 FY10	1HF Y10	FY09	Q2 FY10	1H FY10	FY09	Q2 FY10	1H FY10	FY09	Q2 FY10	1H FY10	FY09
Kajaria Ceramics	185.37	341.37	664.88	16.4	16.3	14.4	4.7	4.3	1.3	1.19	2.01	1.21
Nitco	81.09	222.71	667.43	1.1	8.8	11.16	-10.2	-1.02	3.7	NA	NA	7.6
Murudesh Ceramic	32.96	65.55	180.09	20.02	20.23	27.35	-15.35	-15.88	0.09	NA	NA	0.1
Orient Ceramics	61.28	115.43	225.14	12.76	12.84	12.9	3.59	3.22	2.67	2.09	3.53	5.79

Q2FY10 financial performance

In Q2FY10, Kajaria gave an EPS of Rs 1.19, 50% higher than previous year same period

Kajaria Ceramics recorded a 51 per cent rise in its net profit at Rs 8.77 crore for the second quarter ended September 30, 2009, compared with Rs 5.81 crore in the same period last year due to lower input costs and a change in product mix. The gross sales for the second quarter also increased 11 per cent at Rs 192.24 crore from Rs 172.55 crore in the same quarter last year. The expenses as a percentage of sales declined to 83.6% from corresponding period 85.1%.

The strong performance is because of improved margins on the back of moving product mix towards value added products and savings in fuel costs, which is a substantial component of the overall cost of manufacturing.

Particulars (INR crs)	Quarter Ended		Variance	Half Year Ended		Variance
	30.09.09	30.09.08	%	30.09.09	30.09.08	%
Net sales	185.4	164.4	12.8	341.4	322.9	5.7
Total income	185.5	164.5	12.7	341.5	323.1	5.7
Expenditure	155.0	140.0	10.8	285.7	279.0	2.4
EBITDA	30.4	24.5	24.1	55.8	44.1	26.5
<i>margin%</i>	16.4	14.9	150bps	16.3	13.7	268bps
Interest	11.8	11.1	6.1	22.7	21.3	6.4
Depreciation	6.5	6.3	2.9	12.8	12.4	3.4
PBT	12.2	7.2	70.4	20.3	10.4	95.0
Tax	3.5	1.4	153.7	5.5	2.3	142.0
PAT	8.8	5.8	50.9	14.8	8.1	81.9
<i>margin%</i>	4.7	3.5	120bps	4.3	2.5	182bps
Equity capital (FV Rs. 2)	14.7	14.7		14.7	14.7	
EPS (Rs)	1.19	0.79	50.9	2.01	1.11	81.9

First Half year analysis

The net profit for the first half of FY10 grew by 82% to Rs 14.8 crores

Revenue increased by 5.7% to Rs 341crs by increasing the proportion of value-added products and increased vitrified and high-end tiles trading. The raw material cost increased 16% to Rs 74.6crs due to change in company's product mix towards high-end. The operating margin saw a healthy increase by 268 bps to 16.3% compared to corresponding period last year margin of 13.7%.

The net profit for the first half of FY10 grew by 82% to Rs 14.8 crores as the interest and depreciation cost increased 6.4% and 3.4% respectively.

Valuations

Kajaria ceramics has a very strong brand recall and has diversified business model with presence in ceramic, vitrified tiles and sanitary ware. It caters to retail and institutional clients with 70:30 ratio and changes its product portfolio according to customer choice, preferences and changing market dynamics.

We expect the company to post a whopping PAT growth of 245% in FY10E and 90% in FY11E

With the kind of growth expected in Indian real estate, construction space we expect Kajaria to be the most benefited company due to its brand name and pan India presence. Adding to it company's foray into vitrified manufacturing and availing cost benefits with supply of natural gas we believe Kajaria to outperform. We expect the total sales volume of the company to grow by 10.5% in FY10E and 23.5% in FY11E, mainly due to burgeoning demand for vitrified tile market.

At the current market price of Rs 46.50, the company is trading at 11.15x and 5.87x its FY10E and FY11E EPS of Rs 4.17 and 7.92 respectively. It is available at EV/sales of 0.9x and 0.6x its FY10E and FY11E earnings. We recommend a BUY with a target price of Rs 70, implying an upside potential of 50%.

Investment risks

Kajaria had given a turnover growth of 32% in FY09 despite the industry slowdown in that year

The revival in construction sector has been the single largest factor for growth in demand. Any slowdown in the buying, projects or economy may impact the sales volume. The chances on this being true are minimal as Kajaria had given a turnover growth of 32% in FY09 despite the industry slowdown in that year.

The ceramic industry is governed by unorganized sector, which competes with organized sector on the pricing front. Low price realizations impose a major threat on ceramic and vitrified tile prices. This competitive pressure can result in the shrinkage of market share, thereby impacting revenue and earning growth.

Background



Kajaria ceramics, promoted by Mr Ashok Kajaria and Kajaria Exports Ltd in technical collaboration with Todagres, is the second largest tile manufacturer turnover wise and has a very strong Brand recall.

It has well known brands like "Kajaria world" which caters to the imported market, "Kerrogres" catering to the porcelain/ vitrified tiles market, "Kerovit" in the sanitary-ware segment and "Kajaria" ceramic tiles for upper end ceramic markets. Kajaria sells 70% in the retail segment and 30% in real estate projects.

Management background

Mr Ashok Kajaria – Chairman & Managing Director

Mr Ashok Kajaria, a technocrat, has done engineering from California University, USA, started his career by promoting Kajaria Exports Ltd, a 100% export oriented unit. Mr Kajaria has 34 years experience in export and manufacturing business related to construction industry. Kajaria Ceramics Ltd was also promoted by him.

Mr D D Rishi – Jt. Mg. Director

Mr D D Rishi is a chemical engineer with 34 years experience in chemical and ceramic tile industry. He joined Kajaria Ceramics in 1987 and is looking after operations of the plants. He was general manager in Ram Ganga Fertilizers before joining Kajaria.

Mr Chetan Kajaria – Wholetime Director

Mr Chetan Kajaria is a gold medalist in engineering from Pune University and MBA from Boston College, (USA). He is responsible for all India marketing of ceramic tiles.

Mr Rishi Kajaria – Wholetime Director

Mr Rishi Kajaia is Bachelor in Business Administration from Boston University (USA). He is responsible for marketing of vitrified and high end imported tiles.

Mr R P Goyal – Independent Director

Mr R P Goyal is the former chairman of State Bank of India and is a director in many other reputed companies.

Mr R R Bagri - Independent Director

Mr R R Bagri is B Sc (Engg), M S (Sans) & FIPHE (New York).

Mr Raj Kumar Bhargava - Independent Director

Mr Raj Kumar Bhargava is the ex-secretary & IAS officer, Ministry of Urban Development, Government of India.

Mr D P Bagchi - Independent Director

Mr D P Bagchi is IAS (Retd) officer and formally served as secretary to Govt of India & Chief Secretary to Government of Orissa.

Financials standalone

Income statement (Rs mn)	FY08	FY09	FY10E	FY11E
Net sales	5026.6	6648.8	7275.5	9048.3
<i>Change (%)</i>		32.3	9.4	24.4
Raw material cost	1169.6	1251.8	1600.6	2026.8
Purchases	1502.7	2282.6	2440.6	3079.8
Power & fuel	777.0	906.2	952.9	865.1
Employee cost	416.3	504.9	582.8	679.4
EBITDA	834.3	959.3	1099.2	1461.9
<i>Change (%)</i>		15.0	14.6	33.0
<i>% of Net Sales</i>	16.6	14.4	15.1	16.2
Depreciation	236.1	249.4	260.9	276.8
EBIT	598.2	709.9	838.3	1185.1
Interest	397.8	582.4	407.5	366.7
Other income	0.0	0.0	0.0	0.0
PBT	200.4	127.5	430.8	818.4
Tax	50.2	38.5	124.1	235.7
<i>Rate (%)</i>	25.0	30.2	28.8	28.8
PAT before EO	150.2	89.0	306.7	582.7
Less:Extraordinary items	0.0	0.0	0.0	0.0
PAT	150.2	89.0	306.7	582.7
<i>Change (%)</i>		-40.8	244.6	90.0
<i>EBITDA margin (%)</i>	16.6	14.4	15.1	16.2
<i>PAT margin (%)</i>	3.0	1.3	4.2	6.4

Operating profits in FY11E is expected to witness a growth of 33%

Interest in FY11E will go down by 10% p.a.

Balance sheet (Rs mn)	FY08	FY09	FY10E	FY11E
Equity share capital	147	147	147	147
Reserves	1402	1474	1746	2294
Networth	1549	1621	1893	2441
Loans	3373	3252	3184	2730
Capital employed	4921	4872	5077	5172
Gross fixed assets	4901	5015	5335	5375
Less : Depreciation	1519	1738	1999	2276
Net fixed assets	3382	3277	3336	3099
Capital WIP	26	0	0	0
Investments	34	34	34	34
Curr. assets	2795	2968	3481	4308
Inventory	1539	1385	1555	1884
Debtors	712	678	797	942
Cash & bank balance	83	79	281	486
Loans & advances	460	827	848	995
Current liab. & prov.	793	872	1016	1323
Current Liabilities	748	830	926	1174
Provisions	46	42	90	149
Net current assets	2001	2096	2465	2984
Deferred Tax Assets	-522	-535	-758	-945
Application of funds	4921	4872	5077	5172

Ratios	FY08	FY09	FY10E	FY11E
Basic (Rs)				
EPS	2.0	1.2	4.2	7.9
Growth (%)		-40.7	244.6	90.0
Cash EPS	5.3	4.6	7.7	11.7
Book value	21.0	22.0	25.7	33.2
DPS	0.2	0.2	0.4	0.4
Payout (incl. Div. Tax.) (%)	11.5	19.3	11.2	5.9
Valuation (x)				
P/E	22.8	38.4	11.2	5.9
Cash P/E	8.9	10.1	6.0	4.0
Price/Book value	2.2	2.1	1.8	1.4
EV/Sales	1.3	1.0	0.9	0.6
EV/EBITDA	8.0	6.9	5.8	3.9
Dividend yield (%)	0.4	0.4	0.9	0.9
Profitability ratios (%)				
RoE	9.7	5.5	16.2	23.9
RoCE	12.2	14.6	16.5	22.9
Turnover ratios				
Debtors (days)	51.7	37.2	40.0	38.0
Inventory (days)	111.8	76.0	78.0	76.0
Creditor (days)	43.9	40.1	41.0	42.0
Asset turnover (x)	1.0	1.4	1.4	1.7
Leverage ratio				
Debt/Equity (x)	2.2	2.0	1.7	1.1

Cash flow (Rs mn)	FY08	FY09	FY10E	FY11E
PBT before EO items	200.4	127.5	430.8	818.4
Add : Depreciation	236.1	249.4	260.9	276.8
Interest	397.8	582.4	407.5	366.7
Less : Direct taxes paid	50.2	38.5	124.1	235.7
(Inc)/Dec in WC	-385.7	-91.7	-224.1	-397.1
CF from operations	310.7	528.5	751.0	829.1
(Inc)/Dec in FA	-110.4	-134.2	-320.0	-40.0
(Pur)/Sale of investments	30.7	0.0	0.0	0.0
CF from investments	-35.5	-120.7	-320.0	-40.0
Inc/(Dec) in debt	48.9	-120.9	-68.07	-453.2
Less : Interest paid	-264.5	-273.6	-143.6	-113.6
Dividend paid	-16.8	-17.22	-17.22	-17.22
CF from fin. activity	-232.4	-411.7	-228.9	-584.0
Inc/Dec in cash	42.9	-3.9	202.2	205.1
Add: Beginning balance	39.9	82.8	78.9	281.1
Closing balance	82.8	78.9	281.1	486.2

Fortune Group : Research, Sales & Dealing Team

Research	Sector		
Alok B Agarwal	Head – Institutional Research & Advisory	alok.agarwal@ffsil.com	+9122-22077931 - 400
Monami Manna	Oil, Gas & Power	monami@ffsil.com	+9122-22077931 – 443
Deepti Singh	FMCG, Retail	deeptisingh@ffsil.com	+9122-22077931 – 425
Viral Shah	Construction & Power	viral@ffsil.com	+9122-22077931 – 431
Vrajesh Mehta	Cement, Real Estate	vmehtha@ffsil.com	+9122-22077931 – 435
Bhawana Verma	Pharmaceutical	bhawana@ffsil.com	+9122-22077931 – 454
Kishore Parashar	Associate	kishorep@ffsil.com	+9122-22077931 – 427
Namita S Pai	Shipping, Sugar, Midcaps	namita@ffsil.com	+9122-22077931 - 447
Shilpa Baikar	Production	shilpab@ffsil.com	+9122-22077931 - 422
Institutional Sales & Dealing			
Vijay Dugad	Head – Institutional Dealing & Sales	vijay.dugad@ffsil.com	+9122-22079065 – 479
Sanjay Makhija	Zonal Head. - Institutional Sales	smakhija@ffsil.com	+9122-22006732 – 414
Sanjay Acharya	Dealer	sacharya@ffsil.com	+9122-22079065 – 466
Dharmil Talati	Dealer	dharmilt@ffsil.com	+9122-66332742 – 448

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Address: - K.K. Chambers, 2nd Floor, Sir P.T. Marg, Fort, Mumbai: - 400001