MARICO LTD.

Initiating Coverage BUY

Sector FMCG I CMP Rs 59 I Target Rs 70

Marico Ltd. (Marico) is one of India's leading FMCG players with a focus on the beauty and wellness space. It's brands and their extensions occupy leadership positions with significant market shares in categories such as coconut oil, hair oils and premium refined edible oils.

Parachute, the company's flagship brand, is the largest branded coconut oil commanding a volume market share of 48% of the Indian organised coconut oils segment. Its other flagship brand *Saffola,* is a leader in the edible oils segment and has lately entered in the functional foods category with *Saffola cholesterol management* and *Saffola diabetes management atta mixes* to tap health consciousness. In addition to the consumer products business, Marico provides skin and hair care solutions through its chain of 72 clinics under the brand name *Kaya Skin Clinic*. Kaya has recently launched 3 centres of *Kaya Life* as a weight management solutions provider earmarking the entry of Marico in the fitness space.

Marico has undertaken geographic expansion by entering the South African ethnic hair care and health care market through the acquisition of the consumer division of Enaleni Pharmaceuticals Ltd in Q3FY08. As beauty and wellness space forms the core focus, it divested the *Sil* range of jams and other processed foods to Scandic Food India Pvt. Ltd.

At the CMP of Rs59, the stock is trading at a P/E of 17.2x and EV/EBIDTA of 10.9x its FY10 estimates. Marico commands leadership position in most of the categories where it has presence. It's ability to pass on the impact of rising raw material costs on account of its brand strength ensures margin stability. Hence, we initiate coverage on the stock with a 'BUY' rating and a 12-month price target of Rs70.

INVESTMENT RATIONALE

- ***Strong distribution network:*** The company's extensive distribution network ensures a pan-India presence of its products. Moreover, Marico has a well-built network in SAARC, Middle East and African countries.
- ***Strong brand equity***: Marico brands command either leadership or the second position in the all the categories where it has presence. This gives the company a pricing power over other players in the market.
- ***Growth driver within Kaya:*** The company's presence in the largely under penetrated Indian beauty services segment will provide it with sufficient expansion opportunities hence augmenting future revenues.

STOCK DATA

Market Cap	Rs36bn.
Book Value per share	Rs4.6
Eq Shares O/S (F.V. Rs.1)	609mn.
Median Vol (12 mths)	286,000 (BSE+NSE)
52 Week High/Low	Rs83 /47
BSE Scrip Code	531642
NSE Scrip Code	MARICO
Bloomberg Code	MRCO IN
Reuters Code	MRCO.BO

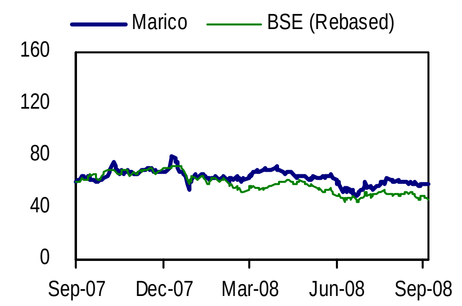
SHAREHOLDING PATTERN (%)

Qtr. Ended	Dec-07	Mar-08	Jun-08
Promoters	63.5	63.5	63.5
MFs/FIs	9.7	9.4	10.5
FIIs	17.4	17.2	16.4
PCBs	1.9	2.0	1.8
Indian Public	7.1	7.4	7.2

STOCK PERFORMANCE (%)

	1M	3M	12M
Absolute	(2.3)	0.6	(3.4)
Relative	10.9	10.7	24.7

STOCK PRICE PERFORMANCE



KEY FINANCIALS (CONSOLIDATED) (Rs Mn)

Yr Ended (March)	Net Sales	YoY Gr (%)	Op Profits	Op Marg (%)	Net Profits	Eq Capital
2006	11,439	13.6	1,443	12.6	869	580
2007	15,569	36.1	1,986	12.8	1,129	609
2008	19,067	22.5	2,462	12.9	1,691	609
2009E	22,850	19.8	2,872	12.6	1,749	609
2010E	26,318	15.2	3,332	12.7	2,110	609

KEY RATIOS

Yr Ended (March)	Dil EPS (Rs.)	ROCE (%)	RONW (%)	P/E (x)	EV/Sales (x)	EV/EBDIT (x)
2006	1.4	28.2	36.3	41.7	3.2	24.5
2007	1.6	39.6	49.7	36.6	2.5	18.3
2008	2.6	57.5	66.7	22.8	2.0	15.4
2009E	2.9	41.4	46.4	20.7	1.7	13.1
2010E	3.5	41.4	40.7	17.2	1.4	10.9

Analyst - Kanika Kapur I kanika.kapur@pinc.co.in I Tel: +91-22-6618 6735

Background

Incorporated in Oct.'88 as Marico Foods, Marico Industries acquired its present name in Oct.'89. It began commercial operations in 1990 when it took over the consumer products division of Bombay Oil Industries. During 2000-01, MIL acquired the *Parachute* and *Saffola* brands from the promoter company - Bombay Oil Industries. Marico now owns all its brands, viz. *Parachute, Saffola, Sweekar, Hair & Care, Nihar, Shanti, Mediker, Revive, Manjal, Kaya, Sundari, Fiancée, Camelia, Aromatic, Caivil, Black Chick, Hercules and HairCode.* and also their extensions.

Based in Mumbai, the company has a distribution network of over 2.5 mn outlets in India and overseas, with a reach spanning 24 countries.

It has plants in Goa, Pondicherry, Kanjikode, Jalgaon, Daman and Dehradun. The coconut oil manufacturing unit at Pondicherry and the personal care products manufacturing unit at Daman commenced its operations in Mar'02. Marico's wholly owned subsidiaries, Marico Bangladesh Ltd., Egyptian American Investment and Industrial Development Corporation, Pyramid for Modern Industries, and Marico South Africa Pty Ltd. have their manufacturing facilities at Mouchak, near Gazipur in Bangladesh, 6th October City, Egypt, Salheya City, Egypt, and Mobeni in Durban, South Africa respectively. A new plant in Egypt is expected to commence production by Jan'09 making it the company's third plant in that country.

INDUSTRY SCENARIO

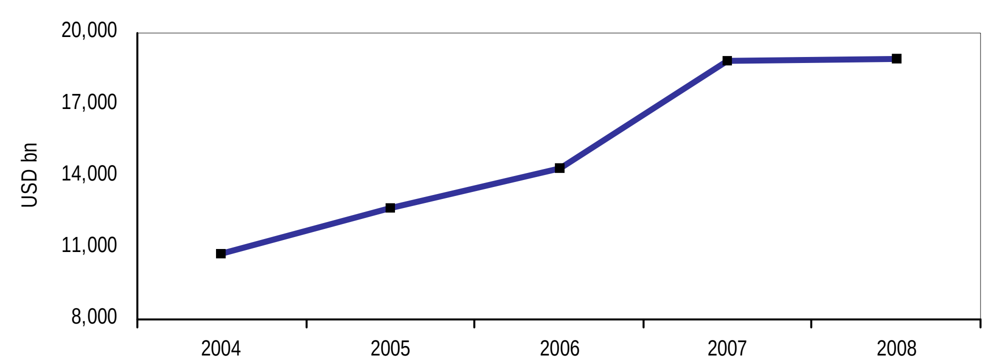
The Indian FMCG sector has a total market size in excess of USD16bn. As per India brand equity foundation, the market size of the sector is set to double to USD33.4bn by 2015. Burgeoning Indian population, particularly the middle class and prospering rural economy, presents an opportunity to makers of branded products to upgrade consumers to branded products.

Rising Disposable income levels

Average real household disposable income is growing by 5.3% annually...

According to a Mckinsey report, average real household disposable income is expected to grow at a CAGR of 5.3% till 2025. This expected rise in disposable income would boost consumer's spending power, giving them an opportunity to splurge on branded consumer products.

Rising Annual Disposable income levels



Source: World Economic Factbook

Demographic dividend

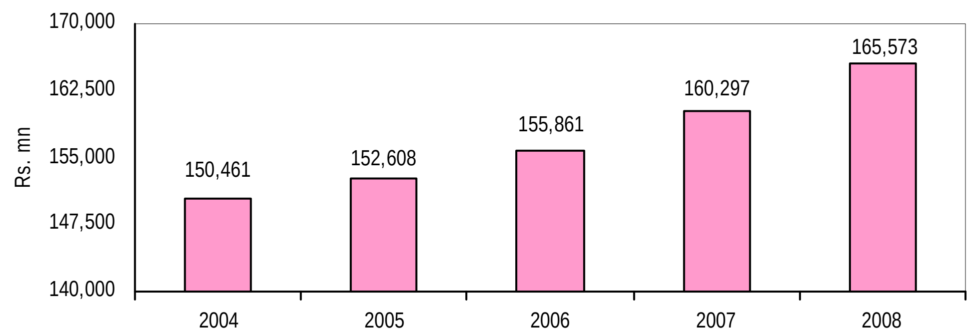
Average age of Indians is 24.8 years...

The demographic advantage or dividend is based on the fact that India is (and will remain for some time) a very young country. Currently, the average age of Indians is 24.8 years. It is expected that, in 2020, the average age of an Indian will be 29 years, compared to 37 for China and 48 for Japan. The urban population between the ages of 15 to 34 years is expected to increase from 107 mn in 2001 to 138 mn in 2011. This 30% increase coupled with a rising disposable income is expected to create a new set of buyers with a discerning consumer mindset and higher spending power. This consumer segment would in all probability adopt the beauty and wellness trend faster than the previous generation.

Rising Aspiration levels

Rising disposable income levels, increasing literacy and rapid urbanization are laying the foundation for aspiration levels to explode in India. The growing aspiration levels have led to a transformation in consumer lifestyles resulting in a changed spending pattern. Currently, an average Indian spends only 8% of his income on personal care products. However, this figure ought to receive a considerable boost as a consequence of changing trends of consumer behaviour.

Market size of cosmetics and toiletries in India



Source: World Economic Factbook

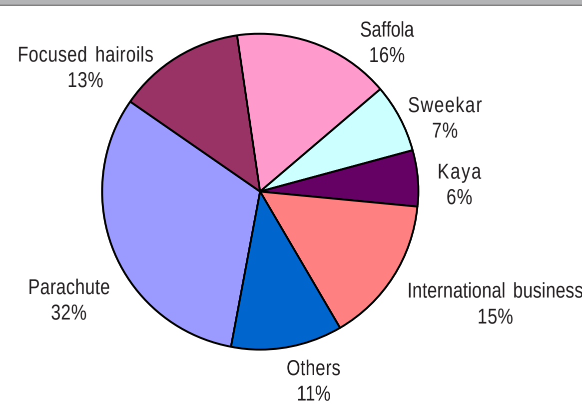
Organized Retail: The new growth area

Modern retail is expected to capture 25% of the retail space by 2025...

The emergence of organized retail has lead to availability of greater variety with an added ease of browsing and an opportunity to compare different products in a category. All these factors are playing an important role in boosting the consumption of FMCG products. Currently, modern trade is capturing 5% of the total retail space, which is expected to scale up to 10% and 25% in 2010 and 2025 respectively.

BUSINESS SEGMENTS

Revenue break-up of Marico



Source: Company Data

<u>Domestic Consumer products business</u>

Coconut Oils

Marico dominates the Indian coconut hair oil market with 56% share...

Marico currently commands a dominant 56% share of the organised coconut oil market in India with its three brands *Parachute*, *Nihar* and *Oil of Malabar*. The Indian organised coconut oil market is estimated at Rs14bn with a market penetration of 90%. It is expected to sustain an annual growth rate of 6-8%. The unorganized coconut oil market in India is estimated at Rs7bn although it is equivalent to the organized market in volume terms. The company has successfully rained in competition in this market by continuously gaining market share which stood at 48% in 1992.

Business Segments

Parachute is the market leader positioning itself on the platform of purity. It is sold in rigid packs comprising plastic bottles and jars and non-rigid packs which cover 20-25% of *Parachute* sales. The brand recorded a volume growth of 11% and price growth of 3% in FY08. This growth will be mainly contributed by garnering market share from the unorganised segment. Marico has been consistently reducing its dependence on *Parachute* as its largest revenue provider by reducing its share from 70% - 75% in early 90's to a present 40%.

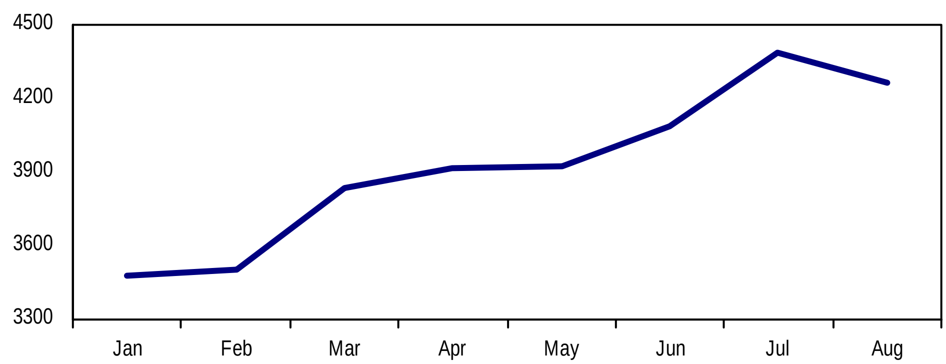
Marico acquired *Oil of Malabar* from West Coast India in Nov'99 which has a strong presence in Karnataka, Assam, Madhya Pradesh, Gujarat and Punjab markets. It is considered a price warrior brand in the coconut oils category as it is priced below its competitors products.

The company acquired *Nihar* from HUL in Q4FY06, following which the growth of the brand was depressed resulting in a modest growth rate of 4% in '08. *Nihar* is promoted in the East where it is especially strong in Bihar and Jharkhand.

Copra prices surged by 30% on a YoY basis in 2008...

Prices of key raw material of coconut oils, copra, surged by 30% on a YoY basis in 2008 as a result of unseasonal rains in Kerala and Tamil Nadu coupled with a strike by gunny bag workers in Kozhikode, one of the largest copra-producing centers in south India. Marico will pass on this escalation in prices , albiet with a lag, to customers in order to maintain margins in coconut oils.

Copra prices in 2008 (Rs / quintal)



Source: NIC

Edible Oils

Saffola is positioned on the "preventive" platform...

Marico's second flagship brand, *Saffola* is positioned on the "preventive" platform. The *Saffola* refined edible oil franchise grew by 22% in volume term in '08, led by *Saffola Gold*. In order to maintain its per unit margins, price hikes to the tune of 5% were undertaken consequent to a ~25% escalation in oil seed prices in FY08. The refined edible oils segment is projected to sustain a growth rate of 15%.

Sweekar is a sunflower oil brand contributing 7% to Marico revenues. The brand has been witnessing low single digit growth in the past few quarters giving rise to the reports of a possible divestment from the company portfolio.

Value- added hair oil segment

The value-added hair oils market in India is estimated at Rs18bn with an annual growth rate of 14-15%. Marico is present in this market with its range consisting of *Hair & Care, Parachute Jasmine, Parachute Advansed, Shanti Badam Amla* and *Nihar*. This range recorded a volume growth of 16% in FY'08 led by *Shanti Badam Amla*.

Business Segments

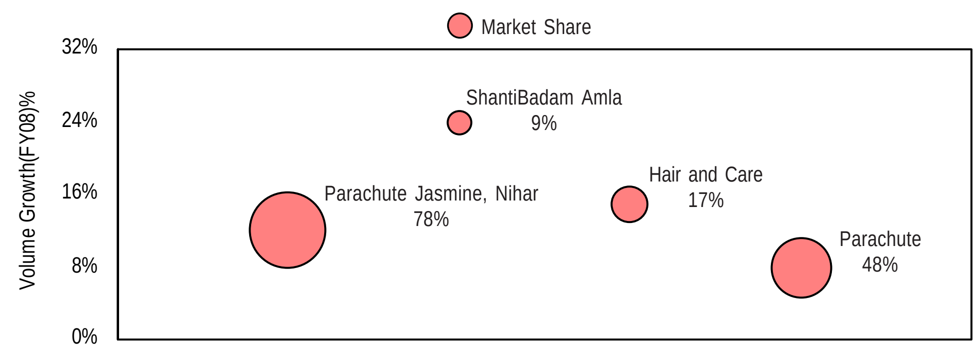
Segment	Products	Volume Gr. (FY08)	Market share
Perfumed coconut oil	Parachute Jasmine,Nihar	12%	78%
Amla Oil	Shanti Badam Amla	24%	9%
Non-sticky hair oils	Hair and Care	15%	17%

Source: Company Data

Marico entered the cooling hair oil market in Q4FY08 by adding Maha Thanda to its value – added hair oils segment...

Marico entered the cooling hair oil market in Q4FY08 by adding *Maha Thanda* to its value – added hair oils segment. The brand was prototyped in Bihar with the national roll-out not expected before Mar'09 as its performance so far has been unsatisfactory. The cooling hair market in India is estimated to be Rs4bn with an annual growth rate of 20%. The company will have to face stiff competition from Emami's *Himani Navratna tail* which currently dominates the cooling oil market with a 55% market share.

Market share-Volume growth analysis of hair oil brands



Source: Company data

Post – wash conditioners

Parachute Aftershower Hair Cream conquered 28% market share within 2 months of its launch in Mumbai...

In India, the youth below the age of 25 years, accounts for 54% of the entire population and a majority of them find the usage of hair oils to be messy & outdated. To cater to this new mindset of the young Indian consumer, Marico's product portfolio includes *Silk-n-Shine*, a post wash conditioner, a *Parachute after shower hair cream* and a *Gel*. *Silk-n-Shine* commands a market share of 32% in the niche post-wash conditioner market estimated at Rs500mn. *Parachute Aftershower Hair Cream* garnered an impressive 28% market share within 2 months of its launch in Mumbai on Mar'05 furthermore capturing a current 42% share of the hair-creams market in India. Marico's share in the male grooming segment including gels is 21%.

Others brands

Saffola functional foods: According to a World Bank report, with its strong tradition of eating healthy foods, India ranks among the top ten nations in buying functional foods and the market size is expected to nearly double in the next five years. Marico is trying to capitalise on the hidden opportunities in the functional foods space in India by launching several functional foods products such as the Saffola cholesterol management and Saffola diabetes management atta mixes. It would be further exploring the health foods domain for new launches.

Mediker is the market leader in anti-lice treatment commanding a market share of ~90%...

Mediker: In Jun'99, Marico acquired *Mediker* from Procter & Gamble. The brand is currently the market leader in anti-lice treatment commanding a market share of ~90%.

Revive: The brand created a niche market for itself by providing the convenience of cold water starching at home. It is now the market leader in fabric starch with a market share of ~80%.

Parachute Advansed Starz: Marico seeks to fill in the gap in the Indian child hair care market with *Advansed Starz*. The brand has a range of shampoos, hair oils and nourishing gels under its umbrella.

International consumer products business

The major markets for Marico in the global domain are Middle East, Bangladesh, Egypt and South Africa. In '08, the international consumer goods business grew by an overall 59% with organic growth accounting for 21%.

Marico is present in Bangladesh through wholly owned subsidiary Marico Bangladesh Limited which manufactures and sells branded coconut oil under the brand name *Parachute*. In addition, Marico Bangladesh has gained presence in the soaps segment through acquisition of *Camelia* and *Aromatic* in 2005.

In South Africa, Marico acquired Enaleni Pharmaceuticals Consumer division Pty. Ltd in Nov'07. EPCD had three brands in its portfolio namely, *Caivil* in the premium hair care segment, *Black Chic* in the VFM hair care segment and *Hercules* in the OTC healthcare segment. These brands face competition from local brands such as *Amka* and Western MNC brands of Unilever and L'Oreal.

The company plans to establish Egypt as a manufacturing hub to service North African markets...

Marico acquired the brands *Fiancee* and *Haircode* in Egypt within three months of each other in Q2FY07 and Q3FY07 respectively. While *Fiancee* is the market leader, *Haircode* is in second position in the category of gels, creams and cream gels. Currently, 10% of Fiancée revenues are contributed by exports. However, this number is expected to rise as the company plans to establish Egypt as a manufacturing hub to service North African markets such as Sudan, Morocco and Libya and the Middle East region.

In the after shower hair cream market within the Middle East, Marico commands leadership position in UAE and has established itself as the second largest participant in KSA (Kingdom of Saudi Arabia).

International Brands

Brand	Segment	Region	Market Share (%)
Caivil and Black Chic	Hair Relaxers, After Care-Hair food and Hair Conditioners	South Africa	5-6
Hercules	OTC Healthcare	South Africa	9-10
Fiancee and Haircode	Hair Care	Egypt	62
Parachute hair cream	After shower hair cream	UAE	27
Parachute hair cream	After shower hair cream	KSA	19
Parachute hair cream	After shower hair cream	Oman	13
Parachute oil	Branded Coconut Oils	Bangladesh	71
Aromatic and Camelia	Soaps	Bangladesh	< 5

Source: Company Data

Kaya

Kaya skin clinic:

Kaya has 72 clinics with 62 in India and 10 in the Middle East...

The hair care and skin care business of Marico is carried out through a chain of clinics under the brand name of *Kaya Skin Clinic*. At present, there are a total of 72 clinics with 62 in India and 10 in the Middle East. Among the 72 clinics, 7 were added recently in FY09 and a further 8 more new clinics are expected by the end of the year bringing the total number of new clinics in FY09 to 15. Marico targets to open 15 new clinics every year in cities it has already established presence and move on to new cities after saturating the demand in existing cities. A newly launched Kaya skin clinic is generally expected to break even in the 12th month of operations. In the Middle East, Kaya services are carried out through Kaya Middle East which is a subsidiary of Marico Middle East.

In addition to skin care service, Kaya also includes contribution from product sales, which accounts for ~13% of its revenues. Product sales are expected to surge to ~25% of Kaya revenues over the next few years. The company is also attempting to increase the capacity utilization of clinics from 50% to 65%. In FY08, Kaya's revenues surged by 34% to Rs1bn.

Kaya Life:

The Kaya brand has been extended to provide weight management solutions under the name *Kaya Life*. Currently, it has 3 clinics in Mumbai. The model is being tested and fine-tuned prior to its complete roll-out. It's main competitor in this segment, VLCC is targeting a turnover of Rs10bn by 2010.

Competitive scenario		
Marico brands	***Segment***	***Competition***
Parachute,Nihar,Oil of malabar	Coconut oils	Shalimar,VVD
Parachute Jasmine,Shanti Badam Amla, Hair and care, Almond Gold	Value added hair oils	Keo Karpin, Dabur Amla, Vatika hair oil, Bajaj Almond drops
Silk-n-Shine	Post wash conditioners	Livon,Mrs.Marino,Sunsilk Naturals 9 to 9
Parachute After shower gel	Hair Gels	Brylcreem, Garnier Fructis and Set Wet
Kaya Skin Clinic	Skin and Hair care services	VLCC, Manipal Cure and Care

OUTLOOK

Marico has emerged as the leading Indian FMCG company with the ability to explore untapped opportunities through inorganic growth. The company's ability to establish itself in a differentiated space in several consumer categories has set it apart from the other FMCG companies. In addition, it has succeeded in innovating brand extensions and new product launches. These characteristics have enabled the company to build massive brands thus acquiring pricing power. Brand supremacy provides the company with a certain degree of margin stability as it can afford to pass on the rising input costs to the consumers in the form of price hikes.

We expect revenues to increase by 19.8% and 15.2% to Rs22.9bn and Rs26.3bn in FY09 and FY10 respectively on account of robust volume growth, improving prices and expansion of International business operations. OPM is expected to decline by 30 bps to 12.6% as a result of delay in passing on the impact of hardening input costs. However, the same should stabilise as it should be able to fully negate the impact of higher raw material costs. Accordingly, operating profits should rise 16.7% and 16% to Rs2.9bn and Rs3.3bn in FY09 and FY10 respectively.

Effective tax rate should increase to ~22% from the current 18.5% as a result of Uttaranchal facility moving out from 100% tax exemption and Bangladesh profits taxable at 40%. In spite of a higher tax incidence, net profits (before extra-ordinary)are expected to grow at 10.3% and 20.6% to Rs1.8bn and Rs2.1bn in FY09 and FY10 respectively.

VALUATIONS AND RECOMMENDATION

At the CMP of Rs59, the stock trades at a P/E of 17.2x, discounting its FY10E EPS of Rs3.5. It also trades at an EV/Sales and EV/EBIDTA of 1.4x and 10.9x its FY10E.

Strong brand equity with supporting macro fundamentals ought to help Marico emerge as a successful business amid expectations of providing volume growth accompanied by stable margins in inflationary times. We initiate coverage with a 'BUY' rating and an 12-month price target of Rs70.

KEY CONCERNS

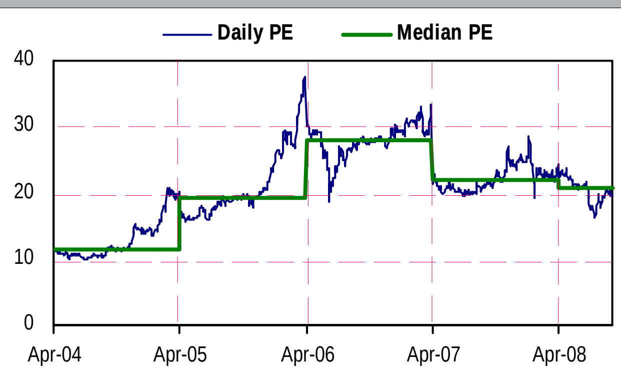
1) Any additional rise in input costs (copra and oil seed) can impact Marico's profitability as the corresponding prices hikes will be with a lag, thereby impacting margins.

2) Besides any further spike in packaging costs, which currently accounts for ~8% of revenues, might have an adverse impact on the company's bottomline.

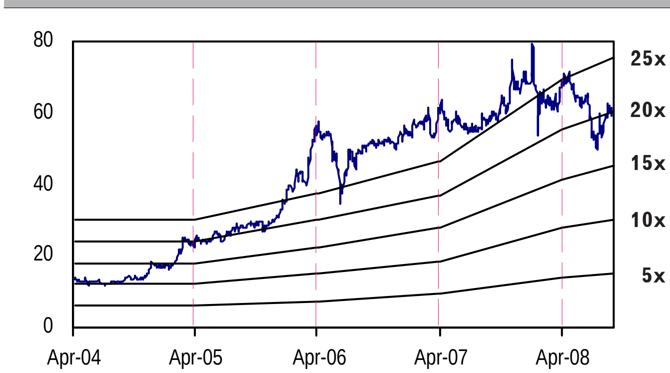
Financial Results for the quarter ended June 30, 2008 (Consolidated)

Particulars (Rs Mn)	Quarter Ended			Year Ended		
	30/06/08	30/06/07	Gr %	31/03/08	31/03/07	Gr %
Net Sales	**6,009**	**4,691**	**28.1**	**19,067**	**15,569**	**22.5**
Total Expenditure	**5,253**	**4,032**	**30.3**	**16,605**	**13,584**	**22.2**
(Inc)/Dec in Stock in trade and WIP	257	58		(259)	(460)	
Consumption of raw materials	2446	1989	32.1	8,326	6,509	33.3
Advertisement & Sales Promotion Expenses	713	512	39.3	2,455	2,124	15.6
Packing Material Consumption	459	373	23.2	1,552	1,354	14.6
Purchase For Resale	67	26	161.1	191	635	(70.0)
Employees Cost	431	342	26.2	1,268	911	39.3
Amortisation of Miscellaneous Expenditure	-	0.3	-	1	1	
Other Expenditure	879	733	19.9	3,072	2,510	22.4
Operating Profit	**757**	**660**	**14.7**	**2,462**	**1,986**	**24.0**
Other Income	10	7		67	102	
PBIDT	**767**	**667**	**15.0**	**2,529**	**2,087**	**21.2**
Interest	80	70.8	12.9	277	206	34.2
Depreciation, Amortisation & Impairment	75	57.4	29.8	308	521	(40.9)
PBT & extra-ordinary items	**612**	**539**	**13.7**	**1,945**	**1,361**	**43.0**
Current Tax	89	63.9		242	188	
Deferred Tax	57	90.9		202	158	
Fringe Benefit Tax	11	10.6		40	33	
MAT Credit Availiable for Set Off	(9)	(29)		(125)	(69)	
Short income tax provision of earlier years	-	-		-	62	
PAT before exceptional items & minority int	**463**	**402**	**15.2**	**1,586**	**989**	**60.4**
Minority Interest	-	-		-	-	
Exceptional Item	-	-		(106)	(140)	
Net Profit	**463**	**402**	**15.2**	**1,691**	**1,129**	**49.8**
Equity Capital (F.V. Re 1)	609	609		609	609	
Reserves (excl. rev. res.)	-	-		2,537	1,315	
EPS for the period (Rs)	**0.76**	**0.66**		**2.78**	**1.85**	
Book Value (Rs)	-	-		5	3	
OPM (%)	**12.6**	**14.1**		**12.9**	**12.8**	
NPM (%)	7.7	8.6		8.9	7.3	
Expenditure (% of net sales)						
Consumption of raw materials(incl. stock adj)	45.0	43.6		42.3	38.9	
Other Expenditure	14.6	15.6		16.1	16.1	
Advertisement & Sales Promotion Expenses	11.9	10.9		12.9	13.6	
Packing Material Consumption	7.6	7.9		8.1	8.7	
Purchase For Resale	1.1	0.5		1.0	4.1	
Employees Cost	7.2	7.3		6.6	5.8	

Median PE v/s Daily PE



PE Band



Year Ended March (Figures in Rs mn)

Income Statement	2005	2006	2007	2008	2009E	2010E
Net Sales	**10,070**	**11,439**	**15,569**	**19,067**	**22,850**	**26,318**
Growth (%)	-	*13.6*	*36.1*	*22.5*	*19.8*	*15.2*
Total Expenditure	*9,187*	*9,996*	*13,584*	*16,605*	*19,978*	*22,986*
Operating Profit	**883**	**1,443**	**1,986**	**2,462**	**2,872**	**3,332**
Growth (%)	-	*63.4*	*37.6*	*24.0*	*16.7*	*16.0*
Dividend / Other Income	16	35	102	67	70	75
EBIDT	**899**	**1,479**	**2,087**	**2,529**	**2,942**	**3,407**
(-) Depreciation, amortisation and impairment	149	448	521	308	375	450
(-) Interest & Finance charges	20	51	206	276	337	252
PBT and goodwill on consolidation	**730**	**980**	**1,361**	**1,945**	**2,230**	**2,705**
Goodwill on consolidation	(5)	-	-	-	-	-
Profit Before Tax	**735**	**980**	**1,361**	**1,945**	**2,230**	**2,705**
(-) Tax	42	111	372	360	481	595
PAT(before exceptional items and minority interest)	**693**	**869**	**989**	**1,586**	**1,749**	**2,110**
Growth (%)	-	*25.3*	*13.8*	*60.4*	*10.3*	*20.6*
(-) Exceptional items	-	-	140	106	-	-
(-)Minority interest	(8)	-	-	1	-	-
Profit After Tax	**701**	**869**	**1,129**	**1,691**	**1,749**	**2,110**
Growth (%)	-	*23.9*	*29.9*	*49.8*	*3.5*	*20.6*
Fully diluted Eq. Sh O/S(Mn nos)	580.0	580.0	609.0	609.0	609.0	609.0
Book Value	**4**	**5**	**3**	**5**	**7**	**10**
Dil EPS (Rs)	1.1	1.4	1.6	2.6	2.9	3.5
EPS (Rs)	1.2	1.5	1.9	2.8	2.9	3.5

Balance Sheet	2005	2006	2007	2008	2009E	2010E
Equity Share Capital	580	580	609	609	609	609
Reserves & Surplus	1,589	2,035	1,315	2,537	3,788	5,363
Networth	**2,169**	**2,615**	**1,924**	**3,146**	**4,397**	**5,972**
Minority interest	-	-	-	1	-	-
Total Debt	657	2,397	2,510	3,579	3,175	2,250
Deferred Tax Liability	61	83	(1152)	(982)	(812)	(600)
Capital Employed	**2,887**	**5,094**	**3,282**	**5,745**	**6,760**	**7,622**
Fixed Assets	1,459	3,813	1,654	2,573	2,764	2,589
Goodwill on consolidation	17	17	450	842	842	842
Net Current Assets	1,283	1,077	1,177	2,330	3,153	4,191
Investments	124	185	-	-	-	-
Misc. Exp.	4	3	1	-	-	-
TOTAL ASSETS	**2,887**	**5,094**	**3,282**	**5,745**	**6,760**	**7,622**

Year Ended March (Figures in Rs mn)

Cash Flow Statement	2005	2006	2007	2008	2009E	2010E
Profit before tax & minority interest	**730**	**980**	**1,501**	**2,051**	**2,230**	**2,705**
Depreciation,amortisation and impairment	149	448	522	309	375	450
Finance charges	33	64	239	305	337	252
Tax Paid	(110)	(108)	(235)	(305)	(311)	(383)
Interest and Dividend Income	(17)	(19)	(34)	(29)	(70)	(75)
(Inc) / Dec in WC	(374)	295	(68)	(896)	(695)	(642)
Miscelleneous items	-	(11)	(41)	(5)	-	-
Cash from Operation	**411**	**1,648**	**1,884**	**1,431**	**1,866**	**2,307**
Net Capital exp	(483)	(2,796)	(2,993)	(1,221)	(566)	(275)
Net Investment	(116)	(53)	193	-	-	-
Goodwill on consolidation	-	-	(7)	(393)	-	-
Int / Div. Recceived (incl other inc)	14	16	37	28	70	75
Cash from Investing activities	**(585)**	**(2,832)**	**(2,770)**	**(1,586)**	**(496)**	**(200)**
Issue of Eq. Shares	-	-	1,454	-	-	-
Change in Loans	547	1,739	113	1,070	(404)	(925)
Finance charges	(33)	(65)	(234)	(273)	(337)	(252)
Advance against equity in subsidiary	(2)	-	-	-	-	-
Dividend paid	(325)	(394)	(474)	(325)	(500)	(534)
Redeemed 8% preference share capital	(7)	-	-	-	-	-
Cash from financing activities	**181**	**1,280**	**859**	**472**	**(1,241)**	**(1,711)**
Effect of exchange difference on translation						
of foreign currency cash and cash equivalents	(9)	(20)	40	(2)	-	-
Inc/(Dec) in Cash & Cash Equivalents	**(2)**	**76**	**13**	**315**	**128**	**395**

Key Ratios	2005	2006	2007	2008	2009E	2010E
OPM (%)	8.8	12.6	12.8	12.9	12.6	12.7
ROACE(%)	59.6	28.2	39.6	57.5	41.4	41.4
ROANW(%)	64.7	36.3	49.7	66.7	46.4	40.7
Sales/Total Assets (x)	3.5	2.2	4.6	3.3	3.4	3.5
Debt:Equity (x)	0.3	0.9	1.3	1.1	0.7	0.4
Current Ratio (x)	2.1	1.6	1.4	1.8	2.0	2.1
Debtors (Days)	18	17	16	17	17	17
Inventory (Days)	47	48	59	56	53	53
Working Capital (Days)	25	19	19	16	20	20
EV/Sales (x)	3.4	3.2	2.5	2.0	1.7	1.4
EV/EBDIT (x)	38.6	24.5	18.3	15.4	13.1	10.9
P/E (x)	52.2	41.7	36.6	22.8	20.7	17.2
P/BV (x)	15.90	13.19	18.82	11.51	8.23	6.06

T E A M

EQUITY DESK

R. Baskar Babu	Head - Equity Broking	*baskarb@pinc.co.in*	*91-22-6618 6465*
Gealgeo V. Alankara	Head - Institutional Sales	*alankara@pinc.co.in*	*91-22-6618 6466*
Sachin Kasera	Co-Head - Domestic Equities	*sachink@pinc.co.in*	*91-22-6618 6464*
Sailav Kaji	Head Derivatives & Strategist	*sailavk@pinc.co.in*	*91-22-6618 6344*

SALES

Anil Chaurasia	*anil.chaurasia@pinc.co.in*	*91-22-6618 6483*
Alok Doshi	*adoshi@pinc.co.in*	*91-22-6618 6484*
Sapna Mehta	*sapna.mehta@pinc.co.in*	*91-22-6618 6485*
Sundeep Bhat	*sundeepb@pinc.co.in*	*91-22-6618 6486*

DEALING

Chandrakant Ware	*chandrakantw@pinc.co.in*	*91-22-6618 6327*
Ashok Savla	*ashok.savla@pinc.co.in*	*91-22-6618 6400*
Raju Bhavsar	*rajub@pinc.co.in*	*91-22-6618 6301*
Manoj Parmar	*manojp@pinc.co.in*	*91-22-6618 6326*
Shivkumar R	*shivkumarr@pinc.co.in*	*91-22-6618 6329*
Hasmukh D. Prajapati	*hasmukhp@pinc.co.in*	*91-22-6618 6325*
Pratiksha Shah	*pratikshas@pinc.co.in*	*91-22-6618 6329*

DIRECTORS

Gaurang Gandhi	*gaurangg@pinc.co.in*	*91-22-6618 6400*
Hemang Gandhi	*hemangg@pinc.co.in*	*91-22-6618 6400*
Ketan Gandhi	*ketang@pinc.co.in*	*91-22-6618 6400*

COMPLIANCE

Rakesh Bhatia	Head Compliance	*rakeshb@pinc.co.in*	*91-22-6618 6400*

PINC bright thinking

Infinity.com
Financial Securities Ltd
Small World, Infinite Opportunities

Member : Bombay Stock Exchange & National Stock Exchange of India Ltd. : Sebi Reg No: INB 010989331. Clearing No : 211
1216, Maker Chambers V, Nariman Point, Mumbai - 400 021; Tel.: 91-22-66186633/6400 Fax : 91-22-22049195