

# ANALYSIS BEYOND CONSENSUS

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## Earnings barometer

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With Q4FY09 earnings broadly beating Street's expectations, an analysis of the quality of reported numbers becomes increasingly important. We have analysed quarterly results of BSE 200<sup>1</sup> companies (excluding BFSI) for the quality and nature of reported earnings and discussed in this report companies that have one or more issues mentioned below:

- 1) Amendment in AS 11 used to defer MTM losses on fluctuation in foreign currency monetary items.
- 2) Early adoption of AS 30 w.r.t. derivatives contracts.
- 3) Deviation from accounting standards / guidance notes / GAAP.
- 4) Change in accounting policy.
- 5) Auditor's qualification/comments.
- 6) One timers, other income and exceptional items significantly impacting PAT.

### Companies with one or more issues mentioned above:

Company / Issues	1	2	3	4	5	6
Aban Offshore					✓	
Ashok Leyland	✓	✓				
Bajaj Hindusthan	✓					
Bharat Forge	✓					
Biocon	✓					✓
Century Textiles	✓					
Chambal Fertilizer	✓					
Educomp Solutions	✓					
Essar Shipping	✓					✓
GE Shipping	✓	✓				✓
GMR Infrastructure	✓					
Great Offshore		✓				
Hindustan Construction	✓					✓
I O C L	✓			✓		
Idea Cellular	✓		✓			
Jaiprakash Hydro	✓					
Jindal Saw			✓			
Jindal Steel	✓					✓
JSW Steel						✓
Jubilant Organosys	✓					✓
Lanco Infratech	✓					
Mahindra & Mahindra	✓					
Mercator Lines	✓					
Moser Baer	✓					✓
Mundra Port & SEZ	✓					
Piramal Healthcare	✓					
Ranbaxy Laboratories						✓
Reliance Communications			✓			✓

Note 1: Excluding companies that are yet to declare their quarterly results for March 2009 (Refer annexure A for details)

Analysis beyond Consensus (ABC) is our initiative to provide a differentiated perspective to our clients on various non-routine and intricate issues. This unit of research works independent of the sector/stock research team and views expressed in this report may vary with that of respective sector/stock analyst.

**Companies with one or more issues mentioned above: (Contd.)**

Company / Issues	1	2	3	4	5	6
Reliance Power	✓					
Rolta India	✓					
Sterlite Industries	✓					✓
Tata Chemicals	✓					✓
Tata Communications						✓
Tata Motors	✓	✓				✓
Tata Power						✓
Tata Teleservices	✓			✓		
Welspun Gujarat	✓					

**Significant observations****Amendment in AS 11 to facilitate deferment of MTM losses**

In FY09, AS 11 was amended, providing companies an irrevocable option to either continue charging foreign exchange difference on long-term foreign currency monetary items through the P&L account as provided in erstwhile AS 11 or retrospectively (for all accounting period commencing on or after December 7, 2006) follow the amended treatment that provides for the following:

- 1) Exchange difference on long-term foreign currency monetary borrowing incurred for acquisition of depreciable capital asset can be adjusted to the carrying cost of the respective asset and depreciated over the balance life of the asset.
- 2) Exchange difference on other long-term foreign currency monetary items (not related to acquisition of a depreciable asset) can be accumulated in 'Foreign Currency Monetary Item Translation Difference Account' and amortised over the balance life of the long-term asset/liability or till FY11, whichever is earlier.

*Note: Asset or liability will be designated long term if its term is 12 months or more at the time of origination.*

**Findings**

Many companies, including Bajaj Hindusthan, Educomp Solutions, GE Shipping, GMR Infra, Hindustan Constructions, IOCL, Jindal Steel, Jubilant Organosys, Sterlite Industries, Tata Motors, Welspun Gujarat, amongst others, have opted to account for foreign exchange fluctuations as per the amended AS 11. The recent amendment allows foreign exchange losses on long-term monetary assets to be charged to the balance sheet and deferred instead of being charged in the year in which they originate.

**On an aggregate basis, forex loss of INR 153.1 bn for FY09 has not been charged to the P&L and deferred to be charged in future years.**

**With a reversal of the trend and now the INR appreciating against USD, companies that had deferred MTM losses by adopting amended AS 11 will book forex gains with a lag.**

**Early adoption of AS 30 with respect to derivatives**

AS 30 allows companies to classify hedges as fair value hedge and non-fair value hedge. The new standard allows the loss/ gain on effective non-fair value hedge (cash flow hedge / hedge of a net investment in a foreign operation) to be accumulated in reserves instead of charging it to the P&L, to be ultimately adjusted in the P&L account for the period in which the transaction is closed or net investment in foreign investment hedged is disposed.

**Findings**

Many companies including Ashok Leyland, GE Shipping, Great Offshore, Tata Motors amongst others, have adopted AS 30 w.r.t. derivatives accounting.

**On an aggregated basis, MTM loss of INR 9.8 bn for FY09 is charged to the balance sheet instead of being charged in the P&L.**

**Deviation from accounting standards / guidance notes / GAAP****Findings**

- Reliance Communications has continued its policy of charging forex fluctuation on borrowings related to acquisition of fixed assets to the carrying cost of fixed assets. It has, however, not opted for the amended AS 11.
- Jindal Saw has not provided for the MTM losses on outstanding derivatives contracts.

**Change in accounting policy****Findings**

- IOCL has changed the accounting policy of charging know how/ license fee related to production process as a revenue expense to capitalising the same as an intangible asset.
- Tata Teleservices has changed the accounting policy for term of amortising the subsidy.

## Aban Offshore

### Brief snapshot (Consolidated entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	7,741	8,371	6,618	31,835
Operating profit	1,572	3,441	1,878	11,554
Other income	16	1,624	19	3,459
PBT	(671)	3,021	434	7,094
PAT	(930)	2,563	339	5,548

### Auditor's comment

The company has not provided for MTM losses on outstanding derivatives in entirety, though a lump sum provision of INR 300 mn has been recognised. The outstanding derivatives contract as at FY08 end stood at INR 18.7 bn, comprising currency forward contracts and options of INR 15.2 bn and interest rate swaps of INR 3.5 bn.

### Other significant highlights

The company has provided for an impairment loss of INR 1.5 bn in the carrying value of capital expenditure incurred on account of proposed early termination of an agreement with owners of one of the rigs.

### Operating profit margin

Operating profit margins have dipped significantly in Q4FY09 and stood at 20.3% as against 41.1% and 28.4% in Q3FY09 and Q4FY08, respectively.

## Ashok Leyland

### Brief snapshot (Standalone entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	12,181	10,008	25,620	59,811
Operating profit	668	474	2,471	2,910
Other income	131	106	116	496
Exceptional expense	35	-	-	135
PBT	324	185	2,496	2,084
PAT	533	189	1,806	1,900

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to profits for Q4FY09 and FY09 to be higher by INR 505 mn (94.7% of PAT) and INR 2219 mn (116.8% of PAT), respectively. Also, INR 176 mn relating to the previous year has been adjusted by debiting the opening balance of general reserve.

**Early adoption of AS 30 w.r.t. derivatives contracts** has led to profits in Q4FY09 and FY09 being higher by INR 10 mn and INR 346 mn, respectively.

## Bajaj Hindusthan

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q2FY09	Q1FY09	Q2FY08	6mFY09
Sales	5,159	3,622	4,903	8,782
Operating profit	1,814	(394)	514	1,419
Other income	-	-	98	-
PBT	1,188	(881)	509	307
PAT	814	(559)	430	255

### Accounting policy analysis

#### Adoption of deferment option for accounting forex differences as per amended AS 11

- During year ended September 2008, the company incurred forex fluctuation loss of INR 1,421 mn, out of which INR 836 mn was adjusted against the provision for foreign exchange fluctuation made during year ended September 2007 and INR 585 mn was charged to the P&L.
- On adoption of amended AS 11, the company has adjusted INR 1,421 mn in the carrying cost of fixed assets by crediting the general reserve while the provision for foreign exchange fluctuation of INR 836 mn has been written back in the P&L for the quarter ended March 2009.
- The company has also charged the forex loss of INR 494 mn for Q2FY09 and reversed INR 298 mn (earlier charged to P&L) for Q1FY09 in the carrying cost of fixed assets.
- Consequently, PBT for Q2FY09 is higher by ~ INR 1,628 mn (137.2% of PBT).

### Operating profit margins

Operating profit margins for Q2FY09 stood at 35.1% vis-a-vis 10.5% in Q2FY08, primarily on account of reversal of provision for forex fluctuation.

## Bharat Forge

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	2,916	4,531	5,797	20,576
Operating profit	118	467	1,081	2,955
Other income	153	112	(32)	488
Exceptional expense	(988)	282	(303)	863
PBT	963	19	1,103	1,577
PAT	611	44	828	1,033

### Accounting policy analysis

Adoption of deferment option for accounting forex differences as per amended AS 11 has led to profits for FY09 to be higher by INR 1,687 mn (163.3% of PAT). Also, a translation adjustment of INR 403.7 mn has been made by debiting the opening balance of general reserve.

## Biocon

<b>Brief snapshot (Consolidated entity)</b>				<b>(INR mn)</b>
<b>Particulars</b>	<b>Q4FY09</b>	<b>Q3FY09</b>	<b>Q4FY08</b>	<b>FY09</b>
Sales	4,681	4,381	2,666	16,165
Operating profit	609	700	583	2,210
Other income	185	143	126	567
Exceptional expense	414	-	-	1,472
PBT	733	807	681	2,600
PAT	249	282	653	931

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PAT for FY09 being higher by INR 35 mn.

### Other income constitutes substantial portion of PBT

Other income constitutes 25.2% and 21.8% of the PBT for Q4FY09 and FY09, respectively.

### Exceptional items form substantial portion of PBT

Exceptional expense comprises 56.5% and 56.6% of the PBT for Q4FY09 and FY09, respectively, and includes:

- Mark-to-market loss w.r.t. foreign exchange forward contracts of INR 434 mn and INR 1,472 mn for Q4FY09 and FY09, respectively.
- Write back of unutilised provision for contingencies relating to transfer of its enzymes business of INR 20 mn, created in the prior year.

## Century Textiles

<b>Brief snapshot (Standalone entity)</b>				<b>(INR mn)</b>
<b>Particulars</b>	<b>Q4FY09</b>	<b>Q3FY09</b>	<b>Q4FY08</b>	<b>FY09</b>
Sales	11,600	8,914	9,927	38,716
Operating profit	1,924	483	240	4,403
Other income	(97)	31	206	132
Exceptional expense	-	208	-	364
PBT	1,513	176	200	3,199
PAT	1,224	231	271	2,365

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to reported PBT for FY09 being higher by INR 343 mn (~ 10.7% of PBT).

## Chambal Fertilizer

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	8,537	12,459	6,053	46,432
Operating profit	442	1,276	277	3,592
Other income	170	94	35	718
Exceptional expense	(527)	(53)	(229)	(96)
PBT	897	1,056	199	3,181
PAT	839	753	194	2,306

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PAT for FY09 being higher by INR 2,843 mn (~ 123.3% of PAT)

## Educomp Solutions

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	1,839	1,453	1,181	4,967
Operating profit	929	474	442	1,998
Other income	5	17	14	104
PBT	874	467	439	1,986
PAT	545	315	315	1,282

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to profits for FY09 being higher by INR 440 mn (~ 34.3% of PBT).

### Operating profit margins

Because of the above, operating profit margins have improved significantly in Q4FY09 and stood at 50.5% against 32.6% and 37.3% in Q3FY09 and Q4FY08, respectively.

## Essar Shipping

### Brief snapshot (Consolidated entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	7,208	5,503	5,987	26,029
Operating profit	1,898	1,204	1,723	4,853
Other income	135	136	1,158	429
Exceptional expense	(262)	85	71	(308)
PBT	825	242	1,836	1,243
PAT	712	130	1,821	772

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to profits for FY09 being higher by INR 4,893 mn (~34.3% of PBT).

### Exceptional items form substantial portion of PBT

Exceptional items comprise 31.7% and 24.8% of PBT for Q4FY09 and FY09, respectively, and include:

- (i) Reversal of liability on termination of bare boat cum demise agreement of dry bulk carrier of INR 175 mn.
- (ii) Exchange gain (net) on foreign exchange translation of INR 133 mn.

## GE Shipping

### Brief snapshot (Standalone entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	5,343	7,288	7,380	30,835
Operating profit	601	2,492	3,065	13,069
Other income	882	481	454	2,813
Exceptional expense	(1,386)	149	-	149
PBT	2,519	2,380	3,067	14,197
PAT	2,501	2,410	2,994	13,848

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to reported PAT and net worth for FY09 being higher by INR 5,177 mn (~37.4% of PAT). The foreign exchange gains of INR 1,226 mn (net of depreciation of INR 101 mn) for FY08 have been reversed from the general reserve and adjusted against the carrying cost of assets.

**Early adoption of AS 30 w.r.t. derivatives contracts** has led to MTM losses of INR 3,651 mn on effective cash flow hedges being charged to the hedging reserve instead of the earlier practice of being charged to the P&L.

### Operating profit margins

Despite the above, operating margins have dipped from 34.2% in Q3FY09 to 11.2% in Q4FY09.

### Other significant observations

The company recognized an impairment loss of INR 700 mn on one of the dry bulk carriers owing to a sharp fall in its recoverable value.



## GMR Infrastructure

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	13,278	9,592	8,853	40,192
Operating profit	1,757	1,732	943	6,772
Other income	(7)	80	199	212
Exceptional expense	-	252	-	-
PBT	598	427	464	3,301
PAT	532	408	500	2,795

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PBT for FY09 (excluding the impact of additional depreciation) being higher by INR 1,874 mn (~56.8% of PBT).

## Great Offshore

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	2,697	2,758	2,030	11,393
Operating profit	1,071	919	655	4,264
Other income	3	(62)	20	22
PBT	830	627	512	3,221
PAT	714	577	424	2,751

### Accounting policy analysis

**Early adoption of AS 30 w.r.t. derivatives contracts** has led to MTM losses of INR 62 mn incurred during Q4FY09 on effective cash flow hedges to be charged in the hedging reserve. As at FY09 end, the hedging reserve account had a debit balance of INR 1,750 mn.

## Hindustan Construction

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	9,797	8,194	10,550	33,138
Operating profit	1,202	761	1,029	3,162
Other income	242	(46)	(93)	588
PBT	794	142	484	1,646
PAT	514	232	264	1,254

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PBT for FY09 being higher by INR 1,190 mn (~72.3% of PBT).

### Other income forms significant part of PBT

During Q4FY09, the company posted other income of INR 242 mn (~30.4% of PBT).

## Indian Oil Corporation

### Brief snapshot (Standalone entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	599,377	705,341	643,636	3,055,271
Operating profit	81,541	26,556	(76,064)	47,202
Other income	6,621	18,177	74,292	35,605
PBT	79,765	29,679	(6,695)	43,286
PAT	66,230	29,586	(4,143)	29,496

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to profit for FY09 being higher by INR 7,822 mn (~26.5% of PAT).

**Change in accounting policy:** As per the opinion of the expert advisory committee of ICAI, the company has changed its earlier policy of charging know how/ license fee relating to production process as a revenue expense to capitalising the same as an intangible asset. This has led to profit for FY09 being higher by INR 5,351 mn.

### Operating profit margins

Operating profit margins increased significantly to 13.6% for Q4FY09 against (11.8%) and 3.76% for Q4FY08 and Q3FY09, respectively.

## Idea Cellular

### Brief snapshot (Consolidated entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	29,365	27,305	19,724	101,484
Operating profit	3,787	3,032	4,009	14,314
Other income	-	6	129	-
PBT	2,740	2,164	2,932	9,371
PAT	2,743	2,195	2,767	9,009

### Accounting policy analysis

- **Adoption of deferment option for accounting forex differences as per amended AS 11** has led to profit for Q4FY09 and FY09 being higher by INR 319 mn ( 11.6% of PAT for Q4FY09).
- The company, as part of acquisition of 40.8% equity in Spice Telecom, had paid non-compete fee for three years of INR 5440 mn to MCPL. It has filed a scheme of arrangement with the High Court of Gujarat, at Ahmedabad, proposing to adjust the non-compete fee paid against the balance in securities premium account. The High Court, in April 2009, has issued directions to convene shareholders' and creditors' meetings for the same. Pending the same, no amortisation of the non-compete fee, amounting to INR 450 mn for Q4FY09 and INR 1,369 mn for FY09, has been recognised.

## Jaiprakash Hydro

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	608	619	649	3,179
Operating profit	422	445	461	2,475
PBT	241	267	249	1,656
PAT	(255)	440	289	1,429

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PBT (excluding the impact of additional depreciation) for FY09 increasing by INR 261 mn (~15.7% PBT).

## Jindal Saw

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q1CY09	Q4CY08	Q1CY08	
Sales	14,654	15,481	9,521	
Operating profit	1,658	1,721	1,313	
Other income	5	20	29	
PBT	1,291	1,277	1,139	
PAT	956	843	854	

### Accounting policy analysis

**The company has not provided MTM losses on outstanding derivatives contracts** as per the guidance note issued by ICAI, which has led to PBT for Q1CY09 being higher by ~INR 5,248 mn (~406.4% of PBT).

## Jindal Steel

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	17,607	17,811	15,230	76,532
Operating profit	3,220	5,011	4,758	20,596
Other income	1,135	104	248	1,462
PBT	4,095	4,371	4,402	20,019
PAT	3,590	3,252	3,903	15,365

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to an increase in the PBT (excluding the impact of additional depreciation) for FY09 by INR 2,050 mn (~10.2% of PBT).

### Other income forms substantial proportion of PBT

Other income for Q4FY09 was at INR 1,135 mn (27.7% of PBT), which includes dividend of INR 867 mn from Jindal Power, a subsidiary company.

## JSW Steel

### Brief snapshot (Consolidated entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	36,221	33,191	49,128	161,047
Operating profit	(363)	2,458	7,945	21,639
Other income	973	9	364	1,018
Exceptional expense	(204)	1,818	(1,390)	7,948
PBT	(2,304)	(2,653)	6,940	3,153
PAT	(399)	(1,878)	4,476	2,749

### Other income forms significant proportion of PBT

During Q4FY09, the company registered other income of INR 973 mn on account of buyback and cancellation of FCCBs, with a face value of USD 48 mn, at a discount.

## Jubilant Organosys

### Brief snapshot (Consolidated entity)

(INR mn)

Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	8,437	9,209	6,890	35,423
Operating profit	503	1,089	885	4,334
Other income	103	41	(182)	182
Exceptional expense	369	1,424	93	479
PBT	(152)	(618)	589	2,966
PAT	124	(876)	582	2,832

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PBT (excluding the impact of depreciation / amortization) for FY09 being higher by INR 3,882 mn (130.9% of PBT).

### Exceptional items form substantial portion of PBT

Exceptional expense for Q4FY09 and FY09 was at INR 369 mn and INR 479 mn, respectively, and for FY09 includes the following:

- (i) Gain of INR 591 mn on buyback of FCCB of USD 60.9 mn.
- (ii) Provision of INR 1,013 mn on MTM loss of unutilised forward covers outstanding as on Q4FY09.

### Other significant observations

The company reported net profit after tax despite a loss before tax on account of deferred tax credit and applicable MAT credit entitlements.

## Lanco Infratech

Brief snapshot (Consolidated entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	20,561	18,202	12,249	60,720
Operating profit	2,712	1,793	2,571	7,800
Other income	151	194	428	562
Exceptional expense	495	194	-	1,060
PBT	1,840	1,614	2,812	5,530
PAT	899	799	1,595	2,804

### Accounting policy analysis

Adoption of deferment option for accounting forex differences as per amended AS 11 has led to profit for FY09 being higher by INR 925 mn (~33% of PAT).

## Mahindra & Mahindra

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	36,545	25,193	31,482	130,937
Operating profit	4,681	(266)	14	8,011
Other income	614	436	273	2,703
Exceptional expense	-	-	139	(103)
PBT	5,086	29	3,048	10,365
PAT	4,181	12	2,211	8,675

### Accounting policy analysis

Adoption of deferment option for accounting forex differences as per amended AS 11 has led to increase in PBT for Q4FY09 and FY09 by INR 2,516 mn (49.5% of PBT for Q4FY09)

## Mercator Lines

Brief snapshot (Consolidated entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	5,757	5,308	4,664	22,488
Operating profit	2,631	1,060	1,570	7,161
Other income	(356)	(35)	536	(745)
PBT	1,847	469	1,768	4,752
PAT	1,844	444	1,324	4,670

### Accounting policy analysis

Adoption of deferment option for accounting forex differences as per amended AS 11 has led to increase PAT for FY09 by INR 2040 mn (43.7% of PAT)

## Moser Baer

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	5,099	6,552	4,711	22,885
Operating profit	(376)	284	(369)	(564)
Other income	100	91	47	356
Exceptional expense	(978)	-	(42)	(900)
PBT	430	(268)	(728)	(1,361)
PAT	429	(257)	(717)	(1,285)

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PAT for Q4FY09 being higher and loss after tax for FY09 being lower by INR 1,456 mn. Forex fluctuation of INR 1,019 mn (net of amortisation and depreciation) recognized in P&L for FY08 has been reversed by adjusting INR 221 mn in carrying cost of fixed assets and INR 798 mn in special reserve account with a corresponding adjustment in opening balance of revenue reserve.

**Discontinuance of implementation of AS 30** w.e.f. Q1FY09 (earlier adopted during the same year) has reduced PAT for Q4FY09 by INR 1,263 mn and increased loss after tax for FY09 by INR 1,263 mn.

### Exceptional items form substantial portion of PBT

Exceptional income stood at 227.7% of PBT for Q4FY09 and includes INR 1,455 mn towards gains on buyback of FCCB and loss of INR 477 mn towards provision for diminution in value of certain strategic investments.

## Mundra Port & SEZ

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	2,845	3,009	3,286	11,351
Operating profit	1,265	1,541	2,057	6,027
Other income	169	24	209	443
PBT	1,547	1,070	1,947	5,140
PAT	1,512	1,008	911	4,611

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to increase PBT for FY09 by INR 864 mn (16.8% of PBT)

## Piramal Healthcare

Brief snapshot (Consolidated entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	8,509	8,326	7,679	32,811
Operating profit	1,610	952	1,751	4,618
Other income	72	-	-	74
Exceptional expense	310	-	253	446
PBT	1,086	691	1,498	3,408
PAT	1,149	599	1,328	3,163

### Accounting policy analysis

**Change in accounting policy:** The company has changed the accounting policy of amortising the cost of brands acquired (after March, 31 2008) over the estimated economic life not exceeding 15 years, against 10 years as per the earlier policy. Consequently, for FY09, the depreciation charge is lower by INR 55 mn and PAT higher by INR 53 mn.

**Adoption of deferment option for accounting forex differences as per amended AS 11** has increased PAT for FY09 by INR 239 mn (7.6% of PAT) .

### Operating profit margin analysis

The company's operating profit margin has improved from 11.4% in Q3FY09 to 18.9% in Q4FY09.

## Ranbaxy Laboratories

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q1CY09	Q4CY08	Q1CY08	
Sales	8,221	10,127	10,692	
Operating profit	(2,943)	(3,134)	623	
Other income	414	618	58	
Exceptional expense	9,188	7,843	(895)	
PBT	(11,850)	(12,425)	1,314	
PAT	(7,778)	(8,066)	1,034	

### Exceptional items form substantial portion of PBT

During Q1CY09, the company reported exceptional loss of INR 9,118 mn on account of fair valuation of foreign currency options classified as an ineffective cashflow hedges as per AS 30.

## Reliance Communications

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	31,727	33,342	34,554	136,106
Operating profit	4,035	2,497	8,116	19,703
Other income	170	105	16	841
Exceptional expense	(1,570)	(6,567)	-	(3,966)
PBT	11,413	4,009	4,851	23,653
PAT	11,398	3,970	5,114	23,529

### Accounting policy analysis

The company continued its policy of charging forex fluctuation on borrowings related to acquisition of fixed assets to the carrying cost of fixed assets. It has, however, not opted for the amended AS 11. Had the company followed accounting treatment as per AS 11, PAT for Q4FY09 and FY09 would have been lower by INR 11,133 mn and INR 59,986 mn, respectively. This includes realised forex losses of INR 3,224 mn and INR 28,439 mn for Q4FY09 and FY09, respectively.

### Other significant observations

During Q4FY09, the company repurchased and cancelled FCCB of face value of USD 10 mn at a discount, which has translated into a gain of INR 159 mn, which is a part of other income.

## Reliance Power

Brief snapshot (Consolidated entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	FY09	
Operating profit	(473)	(191)	(1,034)	
Other income	916	1,313	3,604	
PBT	442	1,122	2,570	
PAT	404	1,057	2,445	

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PBT for Q4FY09 being higher by INR 276 mn (62.4% of PBT).

## Rolta India

Brief snapshot (Consolidated entity)				(INR mn)
Particulars	Q3FY09	Q2FY09	Q3FY08	9mFY09
Sales	3,320	3,619	2,884	10,401
Operating profit	567	848	655	2,221
Other income	81	95	105	326
Exceptional expense	(840)	227	-	-
PBT	1,431	705	760	2,478
PAT	1,331	606	657	2,176

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PAT for the quarter and nine months ending March 31, 2009 being higher by INR 721 mn.



## Sterlite Industries

Brief snapshot (Consolidated entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	44,060	45,362	67,659	214,484
Operating profit	6,360	3,999	22,015	43,076
Other income	3,940	5,852	5,918	18,501
Exceptional expense	(799)	145	528	(553)
PBT	9,786	8,486	26,497	58,158
PAT	5,983	5,137	13,184	35,400

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has led to PAT for Q4FY09 and FY09 being higher by INR 1,596 mn.

### Other significant observations

The company has recognised an impairment loss during the earlier years towards investment in one of its subsidiaries. During the quarter, the company has recalculated the recoverable amount of assets, and accordingly written back INR 790 mn.

## Tata Chemicals

Brief snapshot (Consolidated entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	18,946	35,100	14,604	122,577
Operating profit	93	3,014	320	14,365
Other income	380	7	4,977	834
Exceptional expense	(1,256)	249	(659)	2,073
PBT	1,084	1,784	5,641	9,173
PAT	1,722	912	5,277	6,481

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has increased PAT for FY09 by INR 2,450 mn (37.8% of PAT).

### Other significant observations

- Brunner Mond Group, the company's subsidiary, has recognised an impairment loss on assets of INR 1,511 mn.
- During the year, fertilizer bonds of INR 10,191 mn were received in settlement of the subsidy receivable. Out of the same, bonds of INR 5,163 mn were sold at a loss of INR 234 mn during the year. On balance bonds, MTM loss of INR 547 mn has been recognised.

## Tata Communications

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	8,869	9,902	8,502	37,494
Operating profit	474	1,222	616	4,182
Other income	397	325	352	1,729
Exceptional expense	(3,467)	-	11	(2,511)
PBT	3,895	1,202	852	7,135
PAT	3,024	810	589	5,160

### Exceptional items form substantial portion of PBT

During Q4FY09, the company reported exceptional gains of INR 3,467 mn (89.0% of PBT) on account of sale of 36.5 mn shares of Tata Teleservices.

## Tata Motors

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	68,949	47,586	87,495	256,608
Operating profit	2,467	(1,237)	4,762	8,267
Other income	816	995	2,344	9,260
Exceptional expense	(6,462)	2,265	-	653
PBT	7,298	4,192	6,981	10,138
PAT	5,914	(2,633)	5,363	10,013

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has increased PAT for FY09 by INR 4,175 mn (-41.7% of PAT).

**Early adoption of AS 30 w.r.t. derivatives contracts** has led to a loss of INR 875 mn on effective cash flow hedges outstanding at the end of FY09 being charged to the hedging reserve instead of being charged to the P&L.

### Other significant observations

Sales for FY09 include: (i) INR 1,388 mn towards transfer of technology to its subsidiary companies; and (ii) INR 507 mn towards gain on buyback of foreign currency convertible notes and convertible alternative reference securities.

## Tata Power

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	14,744	17,769	16,345	72,362
Operating profit	1,948	1,752	744	7,901
Other income	3,107	460	2,143	6,324
PBT	4,151	1,260	2,568	11,167
PAT	4,139	1,011	1,664	9,675

### Other significant observations

The company has recognised an impairment loss of INR 2,804 mn as goodwill on consolidation relating to its investment in certain overseas joint ventures.

### Other income forms substantial proportion of PBT

Other income for the year ended March 31, 2009, included profit on sale of long-term investments (net) of INR 2,558 mn.

## Tata Teleservices

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	5,126	5,141	4,557	20,419
Operating profit	183	370	(30)	1,343
Other income	24	18	355	121
PBT	(321)	(448)	(203)	(1,584)
PAT	(325)	(451)	(206)	(1,596)

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has increased PBT for Q4FY09 by INR 486 mn.

**Change in accounting policy** to recognize the upfront Universal Service Obligation subsidy granted by DOT w.e.f. April 1, 2008, over the remaining validity period of the scheme/agreement from method of recognizing over a period of five years, has reduced loss before tax by INR 45 mn and INR 180 mn for Q4FY09 and FY09, respectively.

## Welspun Gujarat

Brief snapshot (Standalone entity)				(INR mn)
Particulars	Q4FY09	Q3FY09	Q4FY08	FY09
Sales	18,385	14,566	12,275	58,783
Operating profit	1,265	1,113	1,783	5,093
Other income	25	50	108	178
PBT	788	684	1,545	3,536
PAT	518	453	1,022	2,336

### Accounting policy analysis

**Adoption of deferment option for accounting forex differences as per amended AS 11** has increased PBT for FY09 by INR 971 mn (27.5% of PBT), excluding the impact of additional depreciation.

Note: Table source: BSE, NSE and Edelweiss research

**Annexure A: Following companies are yet to declare their quarterly results and hence not covered above**

<b>Name of the Company</b>
Adlabs Films
Apollo Hospitals
Bajaj Holdings
BEML
Bombay Dyeing
Deccan Chronicle
Dish TV
Divi's Lab
EIH
Financial Tech
G S P L
Glenmark Pharma
Gujarat NRE Coke
Hindalco Industries
India Cements
Indian Hotels
Ispat Industries
Jai Corp
MphasiS
Neyveli Lignite
NIIT
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Opto Circuits
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Shipping Corporation
Sun TV Network
Suzlon Energy
Tata Steel
Tata Tea
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#### Recent research

Date	Title
02-Jun-09	<b>Ranbaxy Laboratories</b> – Annual Report Analysis
25-May-09	<b>Currency Play</b> – Unhedged forex loans
04-May-09	<b>FCCB</b> – Buyback opportunity un-encashed
23-Apr-09	<b>Testing time for goodwill</b>
09-Apr-09	<b>AS 11: MTM provisioning now optional</b>
27-Mar-09	<b>Suspension of MTM Norm</b>
12-Feb-09	<b>Earnings barometer</b>
30-Jan-09	<b>HCL Technologies</b> – Annual Report Analysis
21-Jan-09	<b>Rolta India</b> – Annual Report Analysis
19-Jan-09	<b>Pension liabilities rise as interest rates falls</b>
05-Jan-09	<b>Nalco</b> – Annual Report Analysis
24-Dec-08	<b>Bharat Heavy Electricals</b> – Annual Report Analysis
19-Dec-08	<b>Welspun Gujarat</b> – Annual Report Analysis
16-Dec-08	<b>ONGC</b> – Annual Report Analysis
25-Nov-08	<b>FCCB: Beyond redemption</b>
20-Nov-08	<b>Television Eighteen</b> – Annual Report Analysis

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