Initiating Coverage

JBF Industries (JBFIND)

Current price	Target price
Rs 158	Rs 200
Potential upside	Time Frame
27%	12 – 15 months

OUTPERFORMER

Analyst name

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Cashing on the opportunity …

JBF Industries, India's largest manufacturer of polyester chips, is well positioned to reap the benefits of capacity expansion and favourable industry scenario (demand-supply mismatch). Post commissioning of its facilities for manufacturing PET chips and polyester films at Ras-Al-Khaimah (RAK) in the UAE, we expect revenues to quadruple by FY10. We initiate the coverage on the company with OUTPERFORMER rating.

- **Favourable industry scenario**

The demand-supply mismatch in the polyester chips segment is expected to continue going forward. With cotton prices increasing and expected to remain firm, the demand for polyester is increasing. Further, the raw material prices are expected to decline due to additional capacity that would come on stream in the coming years.

- **Enhanced volumes post capex to drive growth**

Due to the commodity nature of JBF's products, we expect volumes to drive the growth of the company. It plans to increase its polyester chip capacity to 550,800 tpa by June 2008 from the current 334,800 tpa. The commissioning of PET chips and PET Films plant at RAK is expected to fuel its growth further. Going forward, we believe the enhanced capacity will boost the company's top line.

- **Margins expected to improve**

The company's power cost is expected to decline due to commissioning of its captive power plants at Sarigram in Gujarat, and RAK. It is also expected to reap benefits of setting up a manufacturing plant in the UAE where it can avail of gas at low rates, transportation benefits and zero taxes. As a result we expect the operating and net profit margin to improve to 13.6% and 6.8% in FY09E from 11.5% and 5.36% in FY07 respectively.

Valuations

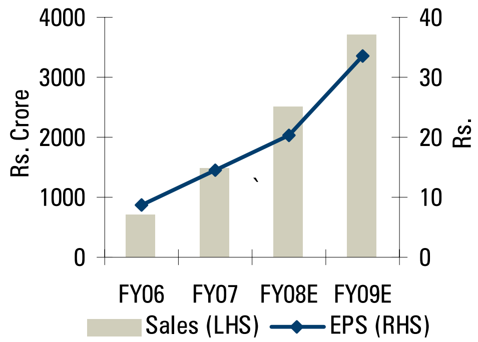
Due to capacity addition of polyester chips and commissioning of its UAE project, we expect the consolidated earnings of the company to increase to Rs. 33.5 per share in FY09E from Rs. 14.6 per share in FY07, growing at a CAGR of 51.4%. At the current market price of Rs. 158 per share, the stock trades at a P/E of 7.8x its FY08E earnings and 4.7x its FY09E earnings. We value the stock at 6x its FY09E earnings with a target price of Rs. 200, an upside of 27% over the next 12-15 months investment horizon.

Exhibit 1: Key Financials

Y/E March 31	FY06	FY07	FY08E	FY09E
Net Profit (Rs crore)	42.69	77.33	136.40	252.99
Shares in issue (in crore)	4.90	5.44	7.04	7.56
EPS (Rs)	8.71	14.59	20.40	33.47
% Growth	-	67.50	39.79	64.07
PER (x)	18.14	10.83	7.75	4.72
Price / Book (x)	2.60	2.25	1.64	1.24
EV/EBIDTA (x)	12.04	8.47	5.27	3.06
RoNW (%)	14.36	20.76	21.14	26.32
RoCE (%)	9.77	14.71	19.51	27.53

Source: ICICIdirect Research

Sales & EPS trend



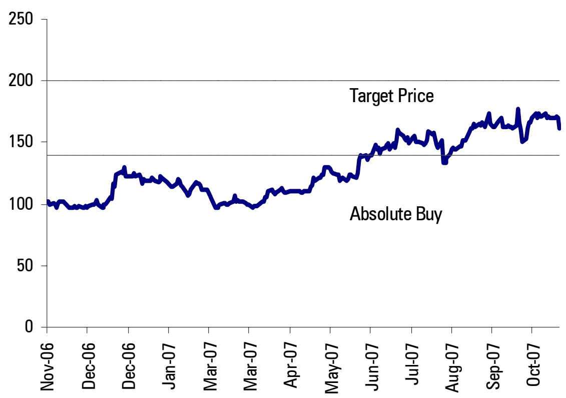
Stock Metrics

Promoters holding	35.47%
Market Cap	Rs 941 crore
52 Week H/L	190 / 89
Sensex	19003
Average volume	80,769

Comparative return metrics

Stock return	3 M	6M	12M
JBF Industries	8.54	23.27	60.23
Indo Rama	-3.55	6.10	-1.94
Garden Silk	24.11	33.39	30.11
Century Enka	36.64	17.72	10.85

Price trend



Company Background

JBF Industries, promoted by the Arya Group, was incorporated in 1982. The company manufactures polyester chips and partially oriented yarn (POY). JBF is the leader in the polyester chips segment with a 55% market share. It plans to expand polyester chips capacity by a further 216,000 tpa to 550,800 tpa. With this, its market share is expected to increase to 65%. Its manufacturing facilities are located at Silvassa (Daman and Diu) and Sarigram (Gujarat) for textile business.

The company entered into 60:40 joint venture with the Ras Al Khaimah Investment Authority (RAKIA) in the UAE to manufacture Polyethylene Terephthalate Resin Polymer Chips (PET chips) and PET Films that cater to the packaging industry. The project cost of US$ 88 mn is financed through debt of US$60 mn, and balance through equity contributed by the partners to the joint venture. The manufacturing facility is located at Ras Al Khaimah (RAK).

Share holding pattern

Share holder	% holding
Promoters	35.47
Institutional investors	10.35
Other investors	40.73
General public	13.45

Promoter and Institutional holding trend

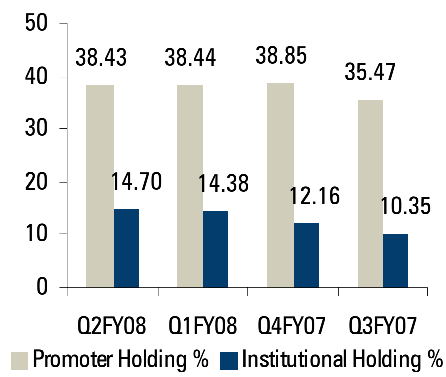


Exhibit 2: Value Chain

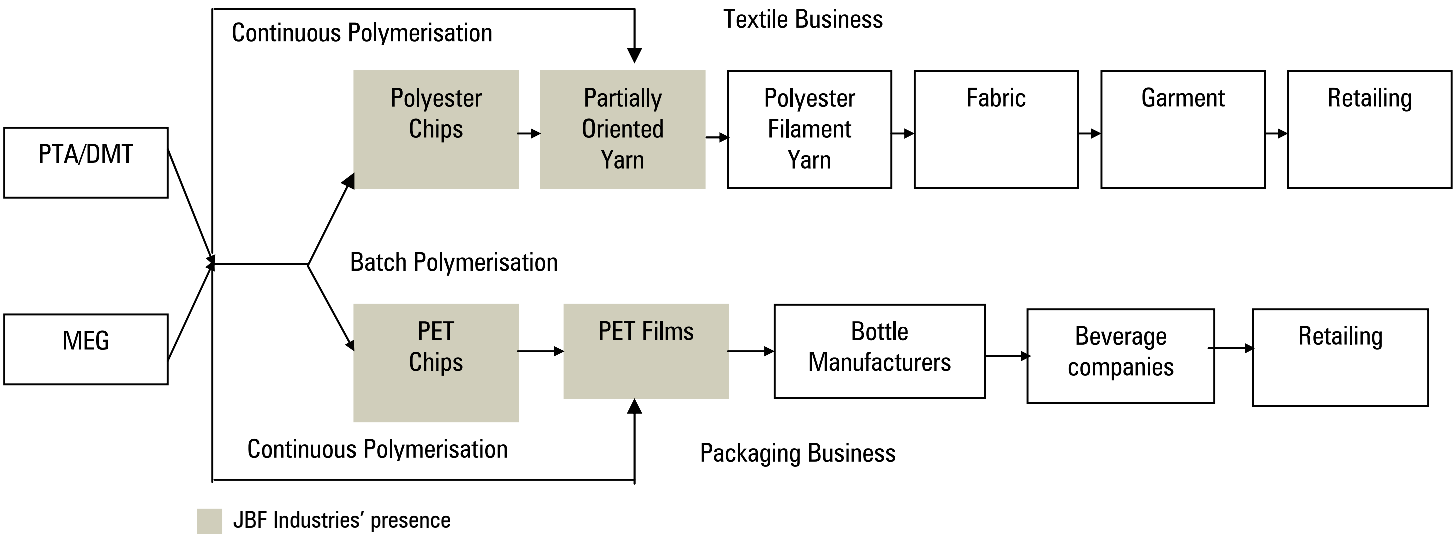
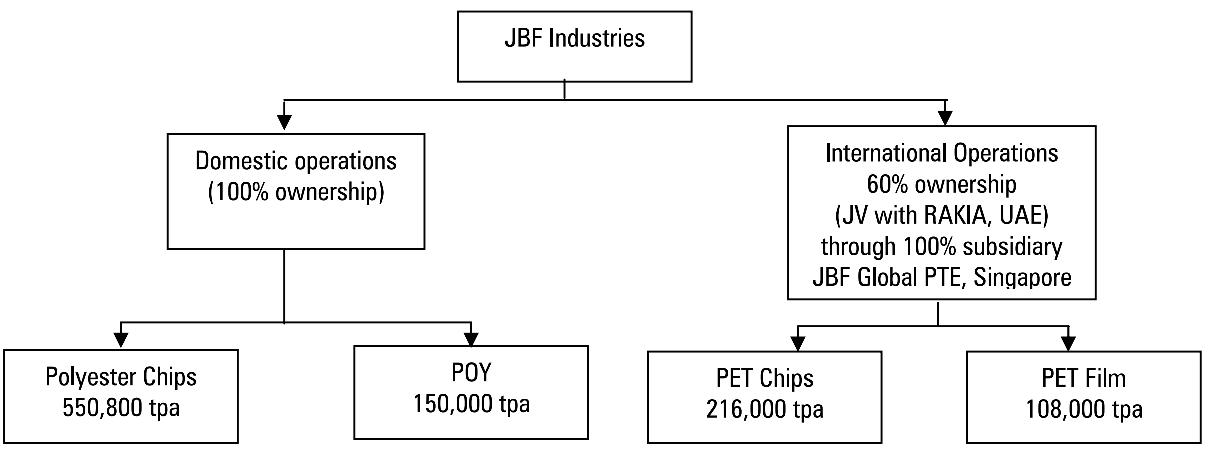


Exhibit 3: Business Model



Source: ICICIdirect Research

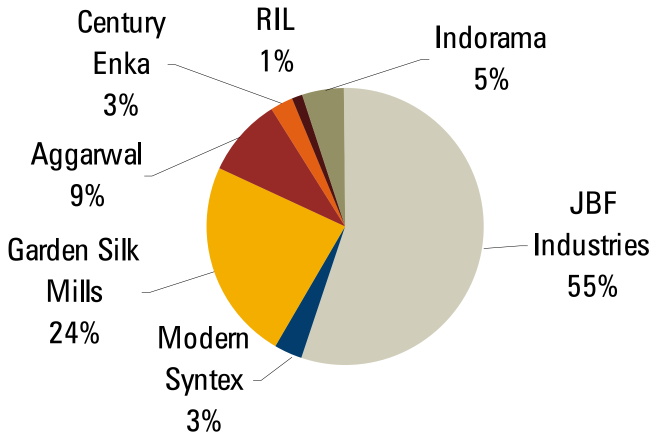
INVESTMENT RATIONALE

- **Strong player in the domestic synthetic textile industry**

JBF Industries, with standalone sales of Rs. 1611 crore in FY07, is a strong player in the domestic synthetic textile industry. It is expanding its polyester chips manufacturing capacity by 216,000 tpa which will take its total capacity to 550,800 tpa by June 2008. Post capex, we expect the company to further consolidate its leadership position and expand its market share to 65% from current 55%. The on going capex is expected to cost Rs 160 crore and is fully financed through external commercial borrowing of US$ 40 million.

Industry leader in the domestic polyester chips segment

Exhibit 4: Domestic polyester chips players market share in capacity (FY07: 1,927,800 tpa)

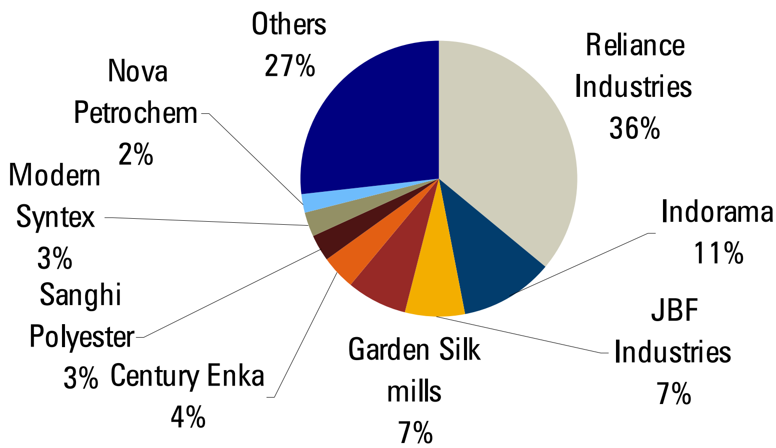


Source: Company, ICICIdirect Research

The company is also among the top five players in the domestic POY segment. It has already undertaken capacity expansion of its POY capacity to 150,000 tpa in FY07 from 90,000 tpa earlier. Of the total expansion of 60,000 tpa, approximately 50,000 tpa capacity addition is done in speciality POY segment including manufacturing of Fully Drawn Yarn and Micro Yarn. This will enable the company to improve its margin in this segment.

Among top five players in the domestic POY segment

Exhibit 5: Domestic POY players market share in capacity (FY07: 379,200 tpa)



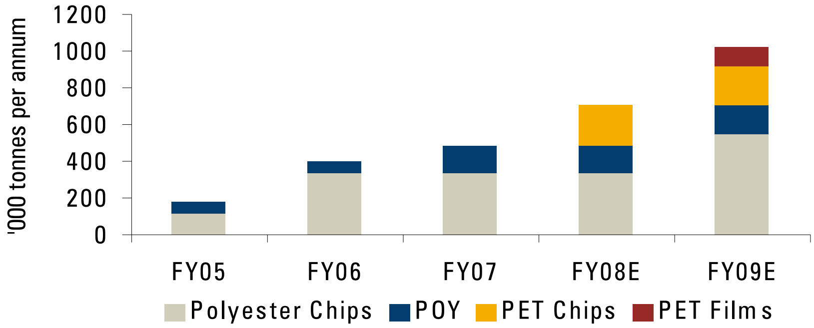
Source: Company, ICICIdirect Research

▪ Foray into global markets

Capitalising on its expertise of manufacturing polyester chips, the company is expanding its product basket by foraying into manufacturing of PET chips and PET films for the packaging industry with a capacity of 216,000 tpa and 108,000 tpa respectively.

The commercial production of PET chips commenced in June 2007, and that of PET films is expected to commence in Q1FY09. The facilities are located at Ras-Al-Khaimah (RAK) in the UAE, and will primarily cater to US and EU markets.

Exhibit 6: Capacities being enhanced



Capacity to increase by 55% by FY09 from FY05

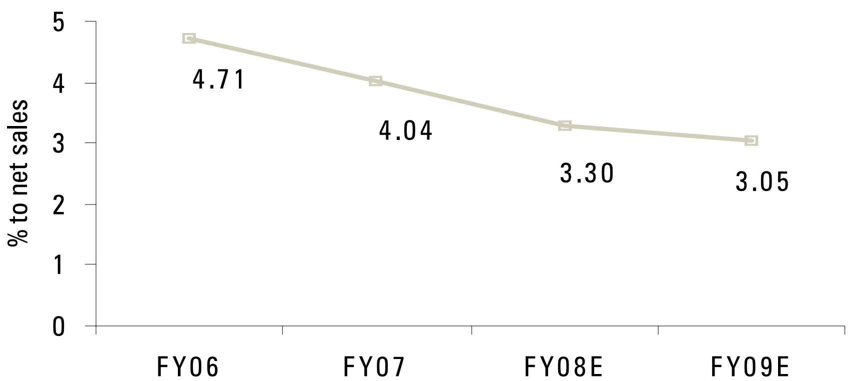
Source: Company, ICICIdirect Research

Post its capacity additions, the company's consolidated product mix would include polyester chips, POY, PET chips and PET films. The manufacturing of these products is capital intensive in nature and it would be difficult to replicate by other smaller players. We expect the company's growth initiatives on domestic expansion and foray into global markets to enrich its product offering and drive sales volumes over the next 2-3 years.

▪ Captive power plants expected to improve margin

The power cost constitutes 4% of the company's net sales. It has installed a 7 MW natural gas-based power plant at Sarigram in Gujarat. With this, the cost of power is expected to reduce to Rs. 3 per unit against Rs. 5 per unit from the state grid. This power plant will suffice for the total capacity of polyester chips plant post expansion. The company will also benefit from a 20 MW gas based captive power plant installed in the UAE, as natural gas is available at US$ 2.5 per mmbtu. As a result of these initiatives, we expect the company's power cost to reduce to 3% of net sales by FY09.

Exhibit 7: Power cost to reduce



Source: Company, ICICIdirect Research

- **Deriving benefits from location advantages**

The company enjoys benefits as its manufacturing facilities are located at Silvassa (a Union Territory) and the UAE. The power cost at Silvassa is Rs. 2.65 per unit as compared to Rs. 5 per unit from state electricity board. Moreover, most of its clients are located in and around Silvassa, thereby saving transportation and packaging cost. In the UAE, the manufacturing facility is located at RAK, where the company would benefit from excellent infrastructure facilities, proximity to user countries (US and EU), availability of raw materials and natural gas in particular at low rates (US$ 2.5 per mmbtu), and zero taxes. These benefits are expected to improve its operating and net profit margin.

- **Recent Initiatives**

  - JBF has entered into MOU with CVCIGP II Client Rosehill Ltd, Mauritius, and their affiliates (which are within the structure of Citigroup Venture Capital International Growth Funds, managed by Citigroup) whereby they would invest a sum of US$ 118 mn into JBF Global Pte Ltd., Singapore, a subsidiary of JBF by way of fully convertible securities. These funds are meant to be used for international operations of the Company.

  - JBF has taken over the assets of Microsynth Fabrics (India) Ltd (MFIL). MFIL is a producer of POY located at Silvassa. The facilities of MFIL are designed to produce specialized yarns such as micro deniers and coloured yarns, with technology from NOY – Vallesina, Italy.

    MFIL has a strong presence in specialty POY production. With this takeover, JBF will enhance its share in the specialty POY market in India and abroad, and at the same time create avenue for major captive consumption for specialty polyester chips being produced at JBF. The complimentary nature of products is expected to create synergies for both the companies.

As both the developments are at nascent stage, there is little clarity regarding their financial impact. As a result we have not considered these developments in our financial projections.

INDUSTRY OVERVIEW

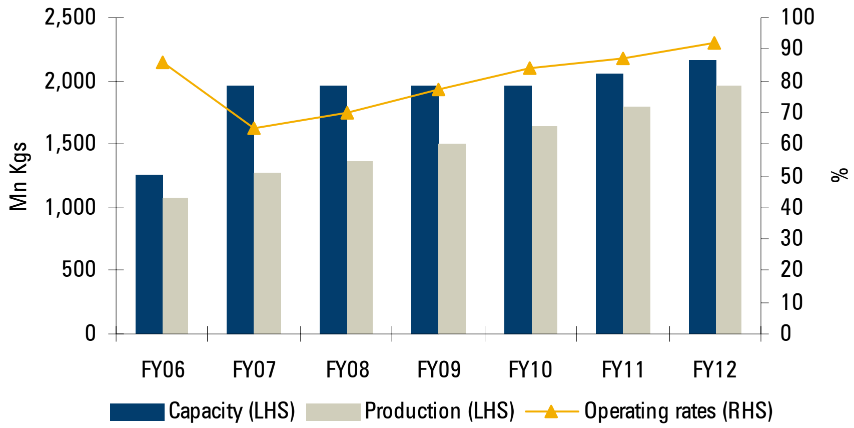
- **9% CAGR in domestic demand for POY**

The domestic demand for POY is expected to increase at a CAGR of around 9% for the next 5 years. POY is mainly used for manufacturing man made fibre (MMF) based apparel which includes shirting, suiting, ladies' dress material and knitwear. This segment is expect to be a major growth driver and is slated to witness a 7.1% CAGR over the next the same period.

The non-apparel (upholstery, industrial fabrics, soft luggage, technical textiles etc.) comprising 20-25% of the market is expected to grow at a much higher rate of 20-25% going forward. The rate of growth of POY is higher in non-apparel segment due to its high tenacity and strength. In addition, POY is fast gaining acceptance in other segments such as tyre cords and protective airbags in automobiles.

India presently accounts for 4% of the world's technical textile market and its share is expected to grow to 9% by 2010. The demand from the technical textiles segment is still in its nascent stage. The demand for POY is expected to come from newer segments such as roads, bridges and airports under construction (Geo-textiles), which have been attracting huge investments.

Exhibit 8: Domestic POY capacity to increase



Source: Crisil, ICICIdirect Research

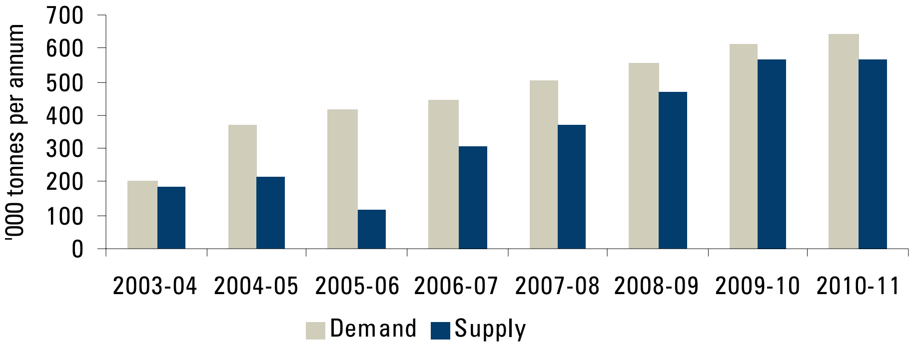
Improving operating rates to enable better capacity utilisation

- **Domestic demand supply gap to remain in polyester chips**

Polyester chips are manufactured from purified terephthalic acid (PTA) and mono-ethylene glycol (MEG). They are used for manufacturing POY, which in turn is used in both the apparel and non-apparel industry. Generally, players producing polyester chips use it for captive consumption for manufacturing POY. Therefore, there are not many players who sell polyester chips to independent POY producers. JBF is the industry leader supplying to independent POY producers.

The demand for polyester chips is derived from POY. Currently, there is a gap in the demand and supply of polyester chips. In FY08, the demand for polyester chips is estimated at 504,810 tpa of which only 370,440 tpa is available in the domestic market. The remaining 134,370 tpa is imported. The demand for polyester chips is expected to increase at a CAGR of 8.4% over FY07-FY11E. Despite new capacities coming up, the demand supply gap is expected to remain. Therefore, there exists huge opportunity for players like JBF in this segment to tap the domestic market.

Exhibit 9: Polyester Chips Demand Supply Scenario



Source: Company, ICICIdirect Research

JBF being among industry leaders is expected to benefit the most

- **Global BOPET film industry expected to grow at 5.8%**

Biaxially-oriented polyethylene terephthalate (BOPET) polyester film is used for its high tensile strength, chemical and dimensional stability, transparency, gas and aroma barrier properties and electrical insulation. It is used in packaging and food applications, covering over paper, insulating material, solar and marine applications, and others.

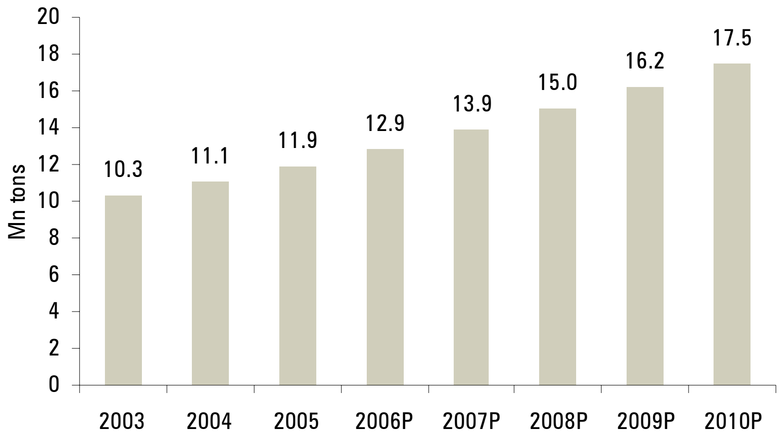
According to PCI Films Consulting (a UK based consulting company), Polyester Films and Flexible Packaging industries to global clientele), the global BOPET film industry has grown by an average of 4.5% p.a. to reach an estimated 1.87 mn tonnes in 2006. The global demand for BOPET films will continue to grow by an average of 5.8% p.a. to reach 2.49 mn tons by 2011. Asia is expected to continue as powerhouse while mature markets are expected to suffer a slowdown due to declining demand from magnetic tapes and imaging films segment. Capacity additions announced and expected, will expand the industry by another 14% over the next 5 years with thick film lines accounting for many of the new additions, in response to demand for specialist films for flat panel screens.

- **Global PET chips Industry expected to grow at 8%**

PET is used in a wide variety of packaging products including those for carbonated soft drinks, water, juice, personal care items, household cleaners, beer and food containers. PET is used in beverage and food packaging and other applications such as custom-care and cosmetics packaging, health care and pharmaceutical uses, household products, and industrial packaging applications.

The demand for PET chips has grown steadily over the past several years, driven by its popularity for recyclable, single-serve containers and as a substitute for glass and aluminium. PET chips have already made significant inroads in soft drink and water bottles, and producers are currently targeting markets such as hot-fill soups and sauces and containers for beer. The market for global PET Chips is expected to increase to 17.5 mn tonnes in 2010 from 11.9 mn tonnes in 2005, a 8%CAGR.

Exhibit 10: Pet Chips Industry Demand



Source: Mitsubishi, ICICIdirect Research

- **Raw material prices expected to decline**

PTA and MEG are the raw materials for manufacturing polyester. Earlier due to scarce capacities, the prices of these materials moved in tandem with crude oil prices. However, global PTA and MEG capacities are expected to increase by 29.6% and 42.9% respectively by 2010. With new capacity additions, the linkage between crude oil and these materials has weakened. We expect PTA prices to decline by 4% over FY07-FY09E. However, MEG prices have increased this year due to a plant failure in Saudi Arab, which accounts for 2% of world's MEG production. This plant is expected to resume operations by the end of FY08 which may cool down prices to previous levels. However, we have taken a 3.75% CAGR in MEG prices over the next 2 years on a conservation note.

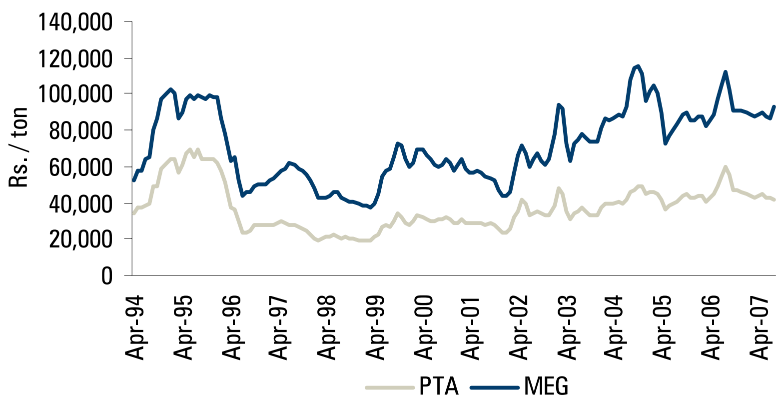
Linkage between crude and raw materials weakening

Exhibit 11: Weakening correlation between raw material and crude oil

Period	Correlation
Jan 02 to Feb 07	0.81
Apr 05 to Feb 07	0.67
Apr 06 to Feb 07	0.47

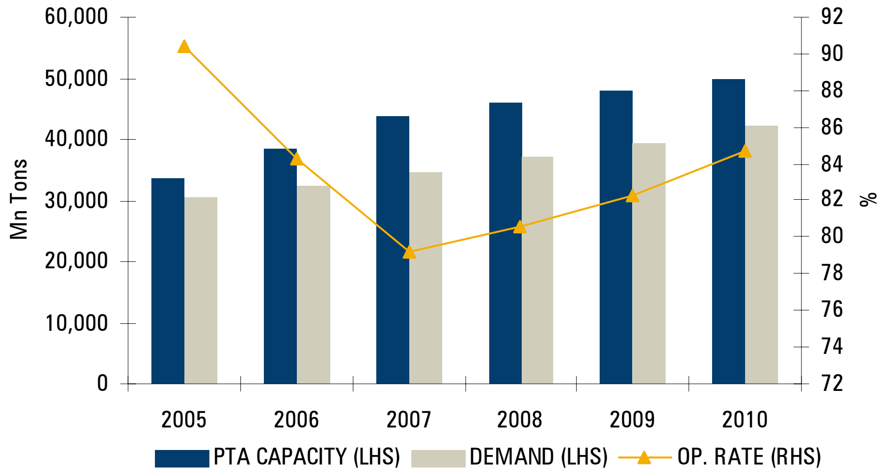
Source: ICIS-LOR, ICICIdirect Research

Exhibit 12: Volatile Raw Material Prices



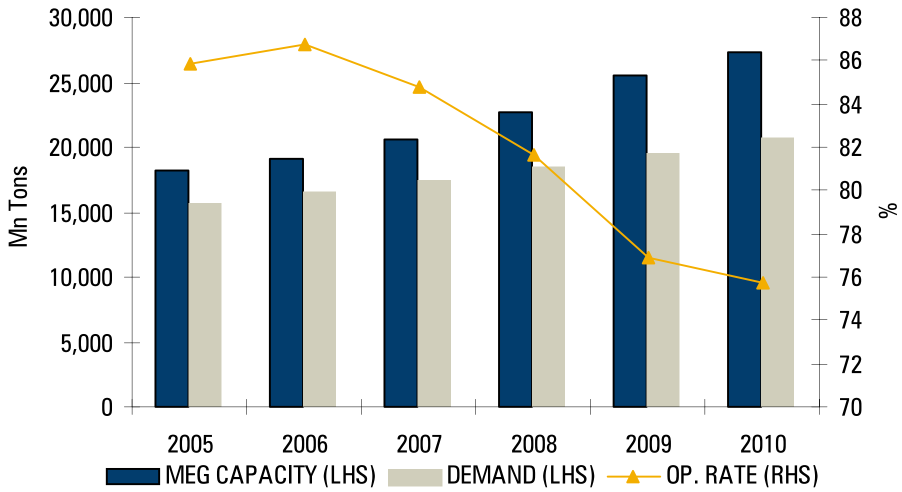
Source: CRISIL, ICICIdirect Research

Exhibit 13: Increasing Operating Rates



Source: Mitsubishi, ICICIdirect Research

Exhibit 14: Increasing capacity of MEG



Source: Mitsubishi, ICICIdirect Research

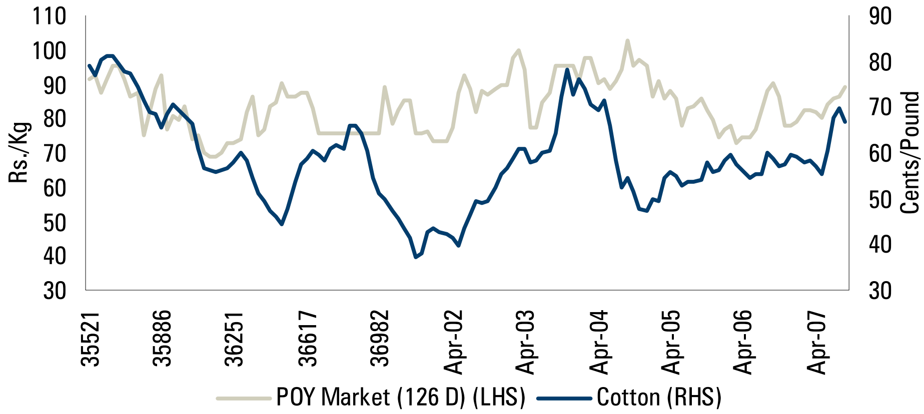
RISKS & CONCERNS

- **Cotton remains a strong substitute**

Polyester is a substitute for cotton. As cotton prices decrease, the demand for polyester decreases. As a result, pricing power of polyester comes down. In the present scenario, the cotton prices are increasing, which has lead to an increase in the demand for polyester products. Going forward, we expect cotton prices to remain firm due to demand – supply gap. However, the possibility of a bumper crop cannot be ruled out, which could decrease prices.

Positive relationship between cotton and POY prices

Exhibit 15: POY and Cotton Prices



Source: Crisil, ICICIdirect Research

- **Possibility of equity dilution**

We expect volumes to be the growth driver for JBF. However, the company will have to expand capacity on a regular basis to grow. The company has favourable debt to equity ratio for further expansions. But company's historical preference towards equity may lead to further equity dilution for its future growth.

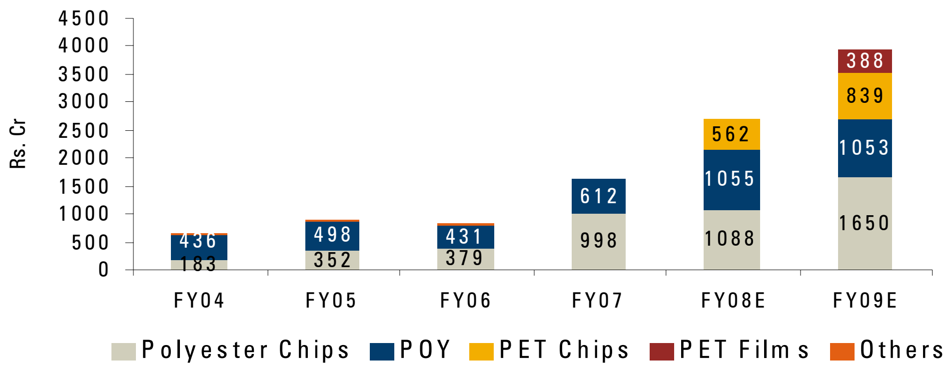
FINANCIALS

- **58% CAGR in sales over FY07-09E**

We expect JBF to more than double its revenues during FY07-09E period on the back of a 170% CAGR in volumes due to timely expansion of its domestic capacities and foray into global markets. We expect sales volumes to increase nearly three fold to 6.37 lakh tonnes during the same period. The net sales is expected to register a CAGR of 58.32% to Rs 3709.07 crores as we have taken marginal dip in realisation across products on a conservative basis though we believe that it may remain stable at current levels.

Capacity expansion to drive revenue growth

Exhibit 16: Robust growth in revenues



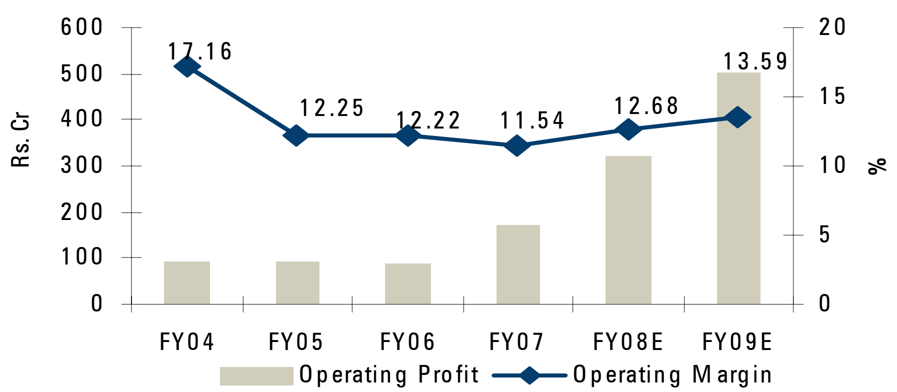
Source: ICICIdirect Research

- **Operating margin to improve to 13.59%**

The company's overall raw material cost is expected to decline due to anticipated dip in PTA prices. The power cost is also expected to reduce due to commissioning of captive power plants at Sarigram and UAE which would use gas as a feedstock at cheaper rates. The location advantages at UAE will further enable the company to reduce costs. We expect the operating margin to increase to 13.59% in FY09E from 11.54% in FY07. We expect the operating profit to increase to Rs. 504.02 crore in FY09E from Rs. 170.73 crore in FY07, a CAGR of 71.82%.

Operating margin expected to improve by 205 bps

Exhibit 17: Increasing Operating Margin

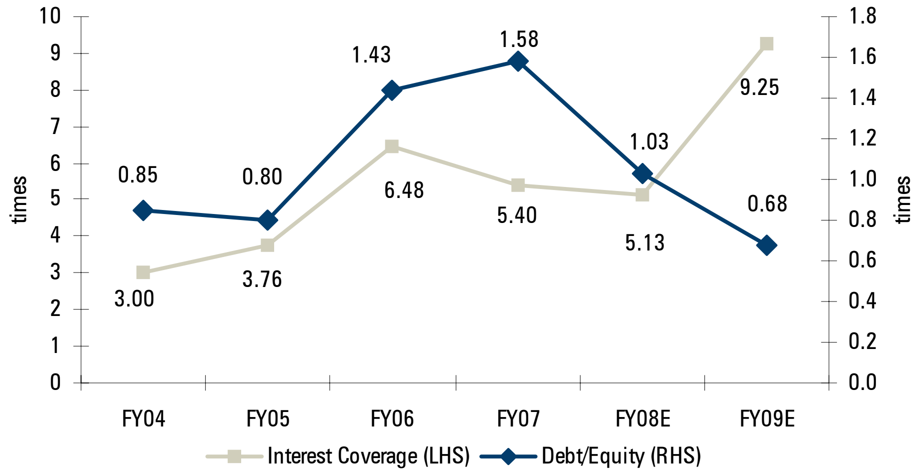


Source: ICICIdirect Research

- **Solvency position better than the industry**

We expect operating profit to increase at a CAGR of 71.82% during FY07 – 09E. However, interest outgo would witness a muted CAGR of 33.57% during the same period, as expansions have been financed partly through equity. This has enabled the company to maintain a very favourable solvency position, with interest coverage and debt to equity position among the best in the industry.

Exhibit 18: Solvency position to improve further



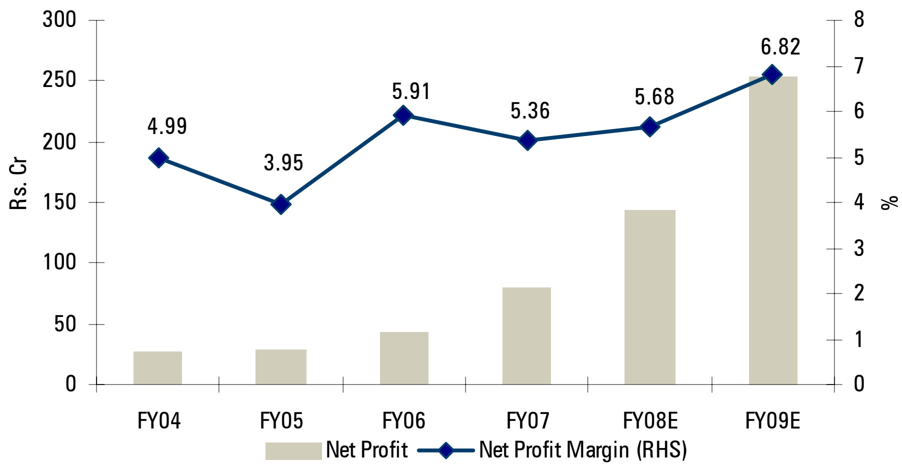
Interest Coverage and debt-equity among the best in the industry

Source: ICICIdirect Research

- **Net profit margin to improve**

The location advantages of UAE such as availability of natural gas at low rate, availability of raw materials, transportation benefits and zero taxes are expected to support net profit margin expansion. We expect a 78.57% CAGR in net profit, increasing to Rs. 252.99 cr in FY09E from Rs. 79.35 cr in FY07. We expect the net profit margin to increase to 6.82% from 5.36% during the same period, an improvement of 146 bps.

Exhibit 19: Increasing margin



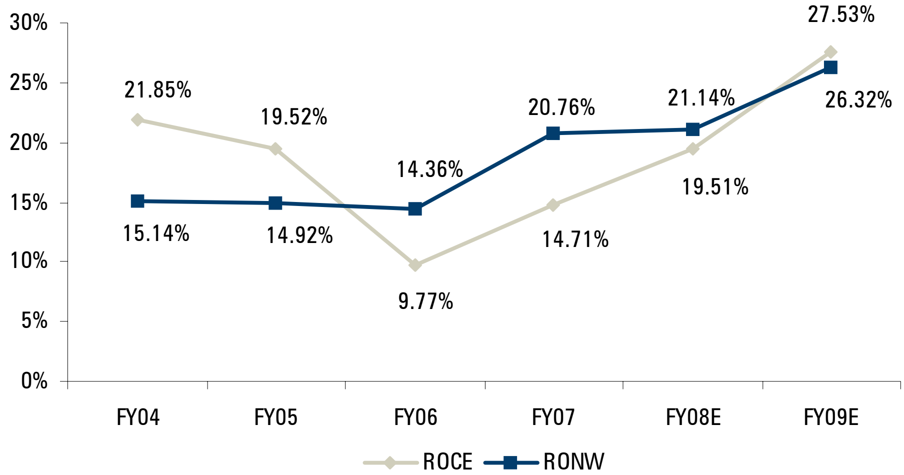
Net profit margin to improve by 146 bps over FY07 – 09E

Source: ICICIdirect Research

- **Return ratios to improve**

Reaping the benefits of capacity expansion and location advantage, we expect the return ratios to improve significantly going forward. We expect ROCE and RONW to improve to 27.53% and 26.32% in FY09E from 14.71% and 20.76% in FY07 respectively.

Exhibit 20: Improving return ratios

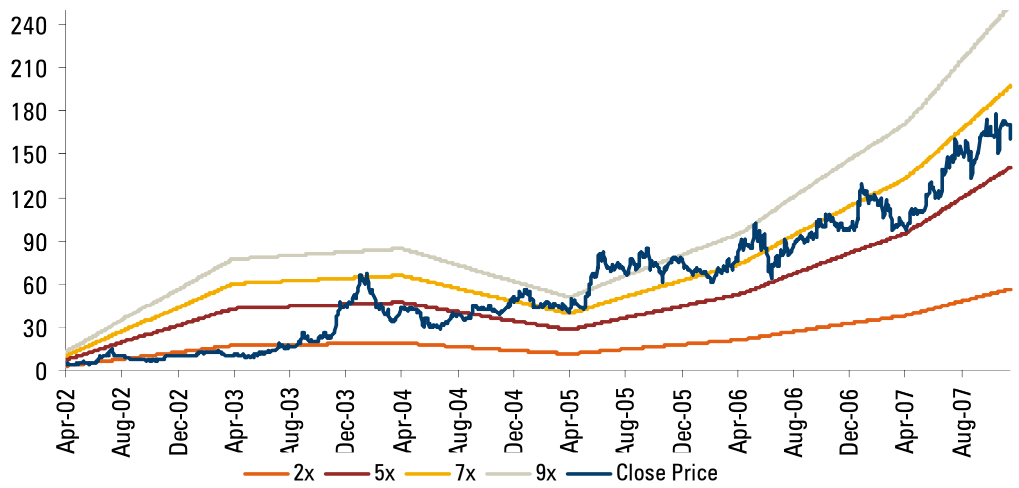


Source: ICICIdirect Research

VALUATIONS

JBF is the industry leader in polyester chips segment and among the top 5 players in POY segment. The company is expected to reap the benefits of favourable demand-supply mismatch in the polyester chips and other segments. Easing concerns on raw material and locational advantage for its new facilities at the UAE would boost margins. Strong growth in volumes coupled along with enriched product mix would enable to it sustain its realisations over the next two years. We expect earnings to increase to Rs. 33.5 per share in FY09E from Rs. 14.6 per share in FY07, a CAGR of 51.4%. At the current market price of Rs. 158 per share, the stock trades at P/E of 7.8x its FY08E earnings and 4.7x its FY09E earnings. We feel the valuations are much lower for a stock with higher return ratios. We rate the stock as an outperformer & value it at 6x its FY09E earnings with a target price of Rs. 200, an upside of 27% over a 12-15 months investment horizon.

Exhibit 21: P/E chart



Source: ICICIdirect Research

Exhibit 22: Peer Valuation

Particulars	JBF Industries (FY07)	Indorama Synthetics (FY07)	Garden Silk Mills (FY07)	Century Enka (FY07)
Net Sales (Rs. Cr)	1479.58	1999.77	1395.04	979.25
OPM (%)	11.54	3.69	10.93	7.87
NPM (%)	5.36	0.68	1.54	1.13
RONW (%)	14.36	2.72	6.63	2.75
ROCE (%)	9.77	4.88	10.54	4.31
EPS (Rs)	14.59	1.40	5.20	7.32
Cash EPS (Rs)	21.38	9.50	20.85	34.35
Book Value (Rs)	70.31	41.30	93.80	224.80
CMP (Rs.)	158.00	53.05	76.70	162.40
P/E (x)	10.83	37.89	14.75	22.19
Cash P/E (x)	7.39	5.58	3.68	4.73
P/BV (x)	2.25	1.28	0.82	0.72
MCap/Sales (x)	0.58	0.37	0.21	0.33
EV/EBDITA (x)	8.47	8.81	5.41	6.60

Source: ICICIdirect Research

Better than peers in operational parameters

Revenue Model

Domestic Operations	FY06	FY07	FY08E	FY09E
Capacity (MTPA)				
Polyester Chips	334800	334800	334800	550800
POY	60000	150000	150000	150000
Capacity Utilisation (%)				
Polyester Chips	35.12%	72.62%	90.00%	73.57%
POY	95.88%	55.23%	89.40%	94.00%
Production (MTPA)				
Polyester Chips	117589	243129	301320	405216
POY	57528	82847	134100	141000
Sales (MTPA)				
Polyester Chips	57866	154700	162203	258932
POY	57171	81679	134024	140930
Avg. Realisations (Rs./ton)				
Polyester Chips	65451	64494	67074	63720
POY	75320	74934	78680	74746
International Operations	**FY06**	**FY07**	**FY08E**	**FY09E**
Capacity (MTPA)				
PET Chips	0	0	216000	216000
PET Films	0	0	0	108000
Capacity Utilisation (%)				
PET Chips	0%	0%	47.50%	80.00%
PET Films	0%	0%	0%	60.00%
Production (MTPA)				
PET Chips	0	0	102600	172800
PET Films	0	0	0	64800
Sales (MTPA)				
PET Chips	0	0	102600	172800
PET Films	0	0	0	64800
Avg. Realisations ($/ton)				
PET Chips	0	0	1404	1312
PET Films	0	0	0	1620
Rs./$	NA	NA	39	37

Source: ICICIdirect Research

Financial Summary

Profit & Loss

Particulars (Rs Crore)	FY06	FY07	FY08E	FY09E
Net Sales	722.35	1479.58	2528.38	3709.07
% Growth		104.83%	70.88%	46.70%
Raw Materials	563.29	1176.52	1980.73	2860.27
Power and Fuel	34.00	59.75	83.47	113.22
Employee Expenses	8.36	13.65	21.21	34.02
Selling and Admin. Expenses	17.86	39.22	83.60	138.24
Other Operational Expenses	10.56	19.71	45.95	59.29
Total Exp.	634.07	1308.85	2207.77	3205.04
% Growth		106.42%	68.68%	45.17%
Operating Profit	88.28	170.73	320.61	504.02
Depreciation	22.77	36.90	55.39	64.57
Interest Expense	10.95	26.88	52.49	47.96
Other Income	5.41	11.36	4.00	4.00
PBT	59.97	118.31	216.72	395.50
Tax	17.05	39.79	60.52	88.93
Profit after Tax	42.92	78.52	156.20	306.57
Add: Less Exceptional items	-0.23	-0.18	0.00	0.00
Add/Less: Minority Interest	0.00	1.01	-12.62	-53.58
Net Profit	42.69	77.33	143.59	252.99
Growth %		81.1%	85.7%	76.2%
Equity	49.00	54.38	70.39	75.59
Dividend %	20.00%	22.49%	22.50%	22.50%
EPS (Rs.)	8.71	14.59	20.40	33.47

Sales CAGR of 58% over FY07-09E

Net profit to grow at a CAGR of 78% over FY07-09E

Balance Sheet

Particulars (Rs Crore)	FY06	FY07	FY08E	FY09E
Equity Share Capital	49.00	54.38	70.39	75.59
Equity Warrants	1.79	0.00	19.11	0.00
Reserves and Surplus	248.35	327.94	589.62	885.47
Secured Loans	249.13	427.89	535.43	484.45
Unsecured Loans	177.55	176.53	165.00	165.00
Minority Interest	27.10	62.13	74.75	128.33
Deferred tax	65.53	92.92	142.69	179.57
Total liabilities	**818.45**	**1141.79**	**1596.98**	**1918.40**
Net Block	544.54	916.25	1067.34	1022.26
Investments	44.47	27.71	27.71	27.71
Inventories	44.67	77.24	129.78	203.73
Sundry Debtors	72.98	137.70	233.17	331.23
Cash & Bank	137.76	17.12	122.39	303.76
Loans & Adv.	46.91	112.15	181.49	262.41
Current Assets	302.32	344.21	666.83	1101.13
CL & Prov.	72.88	146.38	164.91	232.70
Net Current Assets	229.44	197.83	501.92	868.43
Total Assets	**818.45**	**1141.79**	**1596.98**	**1918.40**

Equity dilution on account of FCCB and Warrant conversion

Increase in gross block on account of capacity additions in India and UAE

Cash Flow Statement

Particulars (Rs Crore)	FY06	FY07	FY08E	FY09E
Net profit before tax	59.97	118.31	216.72	395.50
Depreciation	22.77	36.90	55.39	64.57
Interest	10.20	25.80	52.49	47.96
Others	-4.76	-11.24	-4.00	-4.00
Operating Profit before WC Changes	88.18	169.77	320.61	504.02
WC Changes	-47.11	-113.00	-165.04	-181.95
Cash Generated from Operations	41.07	56.77	155.56	322.08
Direct Taxes Paid	-5.41	-13.82	-29.55	-53.88
Prior Period Adjustments	-0.22	-0.11	0.00	0.00
Cash from Operating activities (A)	35.44	**42.84**	**126.02**	**268.20**
Purchases of fixed assets and Cap WIP	-219.60	-380.71	-205.80	-19.49
Interest Received	2.84	2.57	4.00	4.00
Others	-41.25	9.77	0.00	0.00
Cash from Investing Activities (B)	-258.01	-368.37	-201.80	-15.49
Proceeds from Issue of Equity Shares and Share Warrants	110.16	52.84	19.11	44.59
Net loans	300.17	196.02	230.27	-50.97
Interest Paid	-17.49	-32.51	-52.49	-47.96
Dividend & Dividend tax paid	-7.09	-11.46	-15.84	-17.01
Cash from Financing Activities (C)	385.75	204.89	181.05	-71.35
Net Increase in Cash and Cash Equivalents (A+B+C)	163.18	-120.64	105.27	181.36
Cash at Beginning	10.01	137.76	17.12	122.39
Cash at End	173.19	17.12	122.39	303.76

Cash Flow from operations to increase 6x in the next two years

Ratios

Particulars (Rs Crore)	FY06	FY07	FY08E	FY09E
EPS (Rs.)	8.71	**14.59**	**20.40**	**33.47**
Cash EPS (Rs.)	13.36	21.38	28.27	42.01
Book Value (Rs.)	60.68	70.31	96.48	127.14
Operating Margin (%)	12.22	11.54	12.68	13.59
Net Profit Margin (%)	5.91	**5.36**	**5.68**	**6.82**
RONW (%)	14.36	20.76	21.14	26.32
ROCE (%)	9.77	**14.71**	**19.51**	**27.53**
Debt/Equity	1.43	1.58	1.03	0.68
Interest Coverage (x)	6.48	5.40	5.13	9.25
FA Turnover Ratio (x)	1.33	1.61	2.37	3.63
Inventory Turnover Ratio	16.17	19.16	19.48	18.21
Enterprise Value (Rs. Cr)	1063.12	1446.43	1690.16	1539.98
EV/EBIDTA	12.04	8.47	5.27	3.06
Sales to Equity	14.74	27.21	35.92	49.07
Market Cap to Sales	1.07	0.58	0.44	0.32
Price to Book Value	2.60	2.25	1.64	1.24

EPS to grow at 51.4% CAGR over FY07-09E

Net Profit Margin to increase due to location advantages from UAE

RATING RATIONALE

ICICIDirect endeavors to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Outperformer: 20% or more;
Performer: Between 10% and 20%;
Hold: $\pm$10% return;
Underperformer: -10% or more.

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