

# Capital Goods Conference

## Post-conference note

### Participating Companies

- CMI FPE
- GEI Industrial Systems
- Jaihind Projects
- Sanghvi Movers
- Technofab Engineering
- Transformers & Rectifiers
- TRF



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13 September, 2010

### NOT RATED

Price **Rs 1,453** Target **NR**

Sensex **18,800**

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	(1)	19	20	192
Rel. to Sensex	(5)	5	8	149

Source: Bloomberg

#### Stock Details

Sector	Engineering & Capital Goods
Reuters	CMIF.BO
Bloomberg	FPE@IN
Equity Capital (Rs mn)	49
Face Value (Rs)	10
No of shares o/s (mn)	5
52 Week H/L (Rs)	1985/445
Market Cap (Rs bn/USD mn)	7/156
Daily Avg Vol (No of shares)	974
Daily Avg Turnover (US\$ mn)	0.0

#### Shareholding Pattern (%)

	Jun-10	Mar-10	Dec-09
Promoters	75.0	75.0	75.0
FII/NRI	0.8	0.8	0.8
Institutions	0.0	0.0	0.0
Private Corp	1.8	2.0	3.3
Public	22.4	22.2	20.9

Source: Capitaline

We were joined by Mr. Raman Madhok, Managing Director, Mr. Jean Gourp, Deputy Managing Director and Mr. Prasad Jahagirdar, CFO, CMI FPE, who shared their outlook on the industry and the company.

#### Key highlights

- CMI FPE has a 3-pronged growth strategy (1) gain from parent's product portfolio, technology and R&D expertise and emerge as a one-stop solution-provider for the cold rolling mill complexes (2) being only manufacturing set-up under CMI-fold, India will emerge as back-end and manufacturing hub (3) gain from global presence - CMI presence in Europe and America and CMI FPE in Asia, Africa and Middle East.
- Company has guided for a robust demand outlook, going forward. It expects strong demand for flat products in India as the economy progresses. Infact, 50% of expansion (or 30 Mnt) in India is expected in flat products.
- Belgian-based CMI expects 20% of incremental expansion in global steel industry in Africa alone - CMI FPE with its presence in Asia & Africa would emerge as key beneficiary.
- Going forward, CMI FPE plans to provide plant maintenance services and develop as business vertical. It has already bagged an order from Tata Steel.
- CMI FPE has an order backlog of Rs10.0 bn. The order book is dominated by domestic orders at 70% while export is 30%. The average execution cycle is 18-24 months. CMI FPE has live enquiries of Rs6.0 bn from local and international markets. It is confident to bag further orders worth Rs2-3 bn by Mar'11.
- Company expects to grow at 30% CAGR over the next 3 years and double its turnover during the period. Management has guided for operating margins of 8-12%.
- In FY10, CMI FPE has reported bad-debt provision of Rs150 mn and net profit of Rs270 mn- thus reported earnings are not reflective of true earnings. The bad debts provisions would reduce progressively in ensuing years and help improve performance.
- Company has guided for capex of Rs120-150 mn in FY11E and FY12E, largely for capacity augmentation. This will reduce the contribution of bought-out components in total raw materials and enhance gross and operating margins. Presently, CMI FPE outsources about 50% of its total requirements.
- CMI FPE has no-plans for de-listing, despite being only listed company in CMI-Group. Hence, CMI-FPE will remain listed with parent holding 75% of equity.

#### Valuations

CMI FPE is best placed to gain from uptick in steel capex in developed and developing markets. With robust order backlog of Rs10.0 bn and visible signs of improvement in demand environment, CMI FPE is expected to report robust earnings performance in ensuing years. Though, valuations at 26.3X FY10 earnings look expensive - since it is not fully factoring robust earnings growth, good cash generation and healthy return ratios. Infact, FY10 reported earnings are not reflective of true earnings and depressed by 50% owing to bad-debts provisions in the year.

#### Financial Snapshot

YE- Mar	Rs mn									
	Net Sales	EBITDA (Core)	(%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
FY07	5,111	345	6.8	153	30.9	600.9	21.0	47.0	22.1	9.2
FY08	3,278	280	8.5	83	16.8	-45.7	10.2	86.5	28.7	8.5
FY09	4,540	204	4.5	27	5.4	-67.7	3.1	267.8	36.1	8.3
FY10	3,872	370	9.6	273	55.2	918.3	28.1	26.3	18.2	6.7

## Financial tables

## Income Statement (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10
<b>Net Sales</b>	<b>5,111</b>	<b>3,278</b>	<b>4,540</b>	<b>3,872</b>
Growth (%)	78.7	-35.9	38.5	-14.7
<b>Expenditure</b>	<b>4,766</b>	<b>2,998</b>	<b>4,336</b>	<b>3,502</b>
Materials Consumed	3,904	2,068	3,162	2,462
Employee Cost	160	199	254	251
Manufacturing Exp	247	294	286	255
Other Exp	455	438	634	534
<b>EBITDA</b>	<b>345</b>	<b>280</b>	<b>204</b>	<b>370</b>
Growth (%)	162.3	-19.0	-27.1	81.5
<b>EBITDA margin (%)</b>	<b>6.8</b>	<b>8.5</b>	<b>4.5</b>	<b>9.6</b>
Depreciation	40	54	56	53
<b>EBIT</b>	<b>306</b>	<b>226</b>	<b>148</b>	<b>317</b>
<b>EBIT margin (%)</b>	<b>6.0</b>	<b>6.9</b>	<b>3.3</b>	<b>8.2</b>
Other Income	7	11	108	153
Interest expenses	76	92	79	39
<b>PBT</b>	<b>237</b>	<b>145</b>	<b>177</b>	<b>432</b>
Tax	84	62	150	159
Effective tax rate (%)	35.5	42.6	84.9	36.8
<b>Adjusted PAT</b>	<b>153</b>	<b>83</b>	<b>27</b>	<b>273</b>
Growth (%)	600.9	-45.7	-67.7	918.3
<b>Net Margin (%)</b>	<b>3.0</b>	<b>2.5</b>	<b>0.6</b>	<b>7.0</b>
E/O items	(8)	(0)	(1)	(2)
<b>Reported PAT</b>	<b>160</b>	<b>83</b>	<b>28</b>	<b>275</b>
Growth (%)	632.4	-48.1	-66.8	896.0

## Balance Sheet (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10
Equity share capital	49	49	49	49
Reserves & surplus	727	798	813	1,029
<b>Net worth</b>	<b>776</b>	<b>848</b>	<b>863</b>	<b>1,078</b>
Secured Loans	643	607	307	0
Unsecured Loans	11	450	250	0
<b>Loan Funds</b>	<b>654</b>	<b>1,057</b>	<b>557</b>	<b>0</b>
Net deferred tax liability	7	6	-93	-110
<b>Total Liabilities</b>	<b>1,437</b>	<b>1,911</b>	<b>1,327</b>	<b>968</b>
Gross Block	692	763	697	739
Less: Depreciation	374	424	407	457
<b>Net block</b>	<b>318</b>	<b>339</b>	<b>290</b>	<b>282</b>
Capital work in progress	24	0	0	1
<b>Investment</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>0</b>
<b>Current Assets</b>	<b>2,635</b>	<b>2,681</b>	<b>3,312</b>	<b>3,357</b>
Inventories	513	819	172	199
Sundry debtors	1,376	1,050	2,095	2,145
Cash & bank balance	190	197	367	450
Loans & advances	555	616	678	563
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>1,547</b>	<b>1,115</b>	<b>2,277</b>	<b>2,672</b>
Current liabilities	1,347	1,062	1,956	2,423
Provisions	200	53	321	249
<b>Net current assets</b>	<b>1,088</b>	<b>1,566</b>	<b>1,036</b>	<b>685</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>1,437</b>	<b>1,911</b>	<b>1,327</b>	<b>968</b>

## Cash Flow (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10
<b>PBT</b>	<b>153</b>	<b>145</b>	<b>177</b>	<b>432</b>
Depreciation	40	54	56	53
Interest Provided	47	60	46	4
Other Non-Cash items	12	39	233	96
Chg in working cap	31	-431	384	406
Tax paid	31	105	155	269
<b>Operating Cashflow</b>	<b>250</b>	<b>-237</b>	<b>742</b>	<b>721</b>
Capital expenditure	-54	-48	-25	-42
<b>Free Cash Flow</b>	<b>197</b>	<b>-285</b>	<b>717</b>	<b>679</b>
Other income	0	0	0	0
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	-64	401	-500	-557
Interest Paid	0	-60	-45	-14
Dividend paid (incl tax)	-11	-52	-12	-12
Income from investments	0	0	0	0
Others	0	0	0	0
<b>Financing Cashflow</b>	<b>-75</b>	<b>289</b>	<b>-557</b>	<b>-583</b>
<b>Net chg in cash</b>	<b>122</b>	<b>4</b>	<b>160</b>	<b>96</b>
Opening cash position	69	190	195	354
<b>Closing cash position</b>	<b>190</b>	<b>194</b>	<b>354</b>	<b>450</b>

Source: Capitaline

## Key ratios

Y/E, Mar	FY07	FY08	FY09	FY10
<b>Profitability (%)</b>				
EBITDA Margin	6.8	8.5	4.5	9.6
Net Margin	3.0	2.5	0.6	7.0
ROCE	21.5	13.5	9.1	27.6
ROE	21.0	10.2	3.1	28.1
RoIC	25.2	13.2	15.4	61.3
<b>Per Share Data (Rs)</b>				
EPS	30.9	16.8	5.4	55.2
CEPS	38.9	27.8	16.8	66.0
BVPS	157.1	171.6	174.7	218.2
DPS	10.0	2.0	2.0	10.0
<b>Valuations (x)</b>				
PER	47.0	86.5	267.8	26.3
P/CEPS	37.3	52.4	86.7	22.0
P/BV	9.2	8.5	8.3	6.7
EV / Sales	1.5	2.5	1.6	1.7
EV / EBITDA	22.1	28.7	36.1	18.2
Dividend Yield (%)	0.7	0.1	0.1	0.7
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.6	1.0	0.2	(0.4)
Net Debt/EBITDA	1.3	3.1	0.9	(1.2)
Working Cap Cycle (days)	76.9	147.8	104.6	81.1

13 September, 2010

### NOT RATED

Price **Rs 167** Target **NR**

Sensex **18,800**

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	9	39	58	154
Rel. to Sensex	4	23	42	116

Source: Bloomberg

#### Stock Details

Sector	Engineering & Capital Goods
Reuters	GEII.BO
Bloomberg	GEIN@IN
Equity Capital (Rs mn)	166
Face Value (Rs)	10
No of shares o/s (mn)	17
52 Week H/L (Rs)	172/62
Market Cap (Rs bn/USD mn)	3/61
Daily Avg Vol (No of shares)	92224
Daily Avg Turnover (US\$ mn)	0.3

#### Shareholding Pattern (%)

	Jun-10	Mar-10	Dec-09
Promoters	41.4	41.4	41.4
FII/NRI	21.3	20.7	18.9
Institutions	0.1	0.1	0.0
Private Corp	8.6	7.7	5.5
Public	28.6	30.1	34.1

Source: Capitaline

**We were joined by Mr. Rajesh Vohra, Vice President, GEI Industrial Systems (GIS) who shared his outlook on the industry and company**

#### Key highlights

- Management indicated increasing acceptance of air-cooled condensers in the domestic market. Currently, domestic installed capacity stands at 2,315 MW while 2,200 MW are under construction or planned for installation
- Management indicated strong demand from the private sector and captive power producers. They also expect sizeable replacement demand in existing power plants. However, government PSUs and SEBs were yet to warm up to the technology / product.
- An air cooled heat condenser costs Rs2.0 mn per MW of power generation while water cooled heat condensers cost Rs1.6 mn per MW. But, operation and maintenance expenditure for the air cooled heat condensers are significantly lower than that of water cooled. Average life-cycle of an air-cooled condenser is 25 years.
- Currently, GIS derives 75% of its revenues from the power sector (air-cooled heat condensers) and 25% from the oil & gas sector (air-cooled heat exchangers). Led by strong demand from power, revenue contribution from power to further go up to 95%.
- The management guided for revenues of Rs4 bn in FY11E and Rs6 bn in FY12E. They expect operating margins to improve from 14% in FY10 to 16% in FY11E. The management expects long term sustainable margins at 20% (Vs 14% in FY10).
- Current order backlog stands at Rs5.5 bn - split as Condensers- Rs3.5 bn, Exchangers- Rs1 bn and EPC contracts- Rs1 bn. Average order execution cycle is 9-15 months. GIS has a healthy order bid-pipeline at Rs20 bn. This includes orders for 4x660 MW and 3x330 MW power plants.
- GIS is expanding capacity from 1500MW currently to 3000 MW by Oct'10 and further to 4000 MW by Oct'11. Correspondingly, it is also increasing capacity of finned tubes. GIS will incur a total capex of Rs1.1 bn for the above expansion. GIS Power (100% subsidiary) will incur the capex for condensers so as to avail benefit of sales tax exemption while finned tubes capacity expansion will be done in standalone books. The above expansion will enable GIS to cater to super-critical power plants as well.
- GIS is targeting dehydrators, piping system, HP/LP heaters, etc. in the power BoP space. This is likely to increase its addressable market size from 4-5% of power capex to 7-8%.
- Currently, the working capital cycle is stretched at about 6 months. The management indicated substantial improvement in working capital cycle over the next few years.

#### Valuations

GIS will be a direct beneficiary of robust capex spends in power and oil & gas sectors, given its leadership and strong product portfolio. GIS expects strong earnings performance in FY10-12E period. GIS is discounting its FY10 earnings of Rs8.5/Share at 18.3X. It promises strong upsides.

#### Financial Snapshot

YE- Mar	Net Sales	EBITDA			EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA		P/BV
		(Core)	(%)	APAT							
FY07	1,121	171	15.3	53	3.3	38.2	15.0	51.3	11.3	6.6	
FY08	1,921	286	14.9	90	5.2	59.4	16.6	32.2	7.1	4.3	
FY09	2,203	329	14.9	104	6.0	15.6	14.5	27.8	6.7	3.8	
FY10P	2,434	285	11.7	147	8.5	42.0	18.3	19.6	7.8	3.4	



## Financial tables

## Income Statement (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
<b>Net Sales</b>	<b>1,121</b>	<b>1,921</b>	<b>2,203</b>	<b>2,434</b>
Growth (%)	55.6	71.4	14.7	10.5
<b>Expenditure</b>	<b>950</b>	<b>1,635</b>	<b>1,874</b>	<b>2,149</b>
Materials Consumed	644	1,130	1,333	1,603
Employee Cost	67	105	138	199
Manufacturing Exp	102	174	168	196
Other Exp	137	227	235	151
<b>EBITDA</b>	<b>171</b>	<b>286</b>	<b>329</b>	<b>285</b>
Growth (%)	42.9	66.7	15.1	-13.2
<b>EBITDA margin (%)</b>	<b>15.3</b>	<b>14.9</b>	<b>14.9</b>	<b>11.7</b>
Depreciation	15	16	18	20
<b>EBIT</b>	<b>157</b>	<b>270</b>	<b>311</b>	<b>265</b>
<b>EBIT margin (%)</b>	<b>14.0</b>	<b>14.0</b>	<b>14.1</b>	<b>10.9</b>
Other Income	4	4	11	68
Interest expenses	73	123	150	121
<b>PBT</b>	<b>88</b>	<b>151</b>	<b>171</b>	<b>212</b>
Tax	35	61	67	65
Effective tax rate (%)	40.0	40.4	39.4	30.6
<b>Adjusted PAT</b>	<b>53</b>	<b>90</b>	<b>104</b>	<b>147</b>
Growth (%)	49.7	69.2	15.6	42.0
<b>Net Margin (%)</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>6.1</b>
E/O items	(9)	(28)	(1)	(3)
<b>Reported PAT</b>	<b>62</b>	<b>118</b>	<b>104</b>	<b>150</b>
Growth (%)	75.7	89.2	-11.4	44.1

## Balance Sheet (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
Equity share capital	163	173	173	173
Reserves & surplus	252	497	584	684
<b>Net worth</b>	<b>414</b>	<b>670</b>	<b>757</b>	<b>857</b>
Secured Loans	353	422	642	768
Unsecured Loans	11	24	1	1
<b>Loan Funds</b>	<b>365</b>	<b>446</b>	<b>643</b>	<b>769</b>
Net deferred tax liability	22	32	33	68
<b>Total Liabilities</b>	<b>800</b>	<b>1,147</b>	<b>1,432</b>	<b>1,694</b>
Gross Block	355	535	570	620
Less: Depreciation	136	155	177	197
<b>Net block</b>	<b>219</b>	<b>380</b>	<b>393</b>	<b>423</b>
Capital work in progress	8	0	27	47
<b>Investment</b>	<b>1</b>	<b>13</b>	<b>20</b>	<b>0</b>
<b>Current Assets</b>	<b>1,154</b>	<b>1,299</b>	<b>1,777</b>	<b>2,045</b>
Inventories	438	507	864	964
Sundry debtors	560	608	631	691
Cash & bank balance	96	74	124	222
Loans & advances	60	110	158	168
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>586</b>	<b>547</b>	<b>791</b>	<b>823</b>
Current liabilities	544	492	729	750
Provisions	42	54	62	73
<b>Net current assets</b>	<b>568</b>	<b>752</b>	<b>986</b>	<b>1,223</b>
Misc. exp	5	2	5	1
<b>Total Assets</b>	<b>800</b>	<b>1,147</b>	<b>1,432</b>	<b>1,694</b>

## Cash Flow (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
<b>PBT</b>	<b>53</b>	<b>90</b>	<b>104</b>	<b>62</b>
Depreciation	15	16	18	20
Interest Provided	44	65	106	121
Other Non-Cash items	7	2	1	32
Chg in working cap	-94	-199	-185	-150
Tax paid	2	4	3	65
<b>Operating Cashflow</b>	<b>22</b>	<b>-30</b>	<b>41</b>	<b>20</b>
Capital expenditure	-18	-39	-62	
<b>Free Cash Flow</b>	<b>4</b>	<b>-69</b>	<b>-21</b>	<b>20</b>
Other income	0	0	0	0
Investments	0	-12	-8	0
<b>Investing Cashflow</b>	<b>0</b>	<b>-12</b>	<b>-8</b>	<b>0</b>
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	71	60	78	78
Interest Paid	0	0	0	0
Dividend paid (incl tax)	0	0	0	0
Income from investments	0	0	0	0
Others	0	0	0	0
<b>Financing Cashflow</b>	<b>71</b>	<b>60</b>	<b>78</b>	<b>78</b>
<b>Net chg in cash</b>	<b>75</b>	<b>-21</b>	<b>49</b>	<b>98</b>
Opening cash position	20	96	74	124
<b>Closing cash position</b>	<b>95</b>	<b>74</b>	<b>124</b>	<b>222</b>

Source: Capitaline

## Key ratios

Y/E, Mar	FY07	FY08	FY09	FY10P
<b>Profitability (%)</b>				
EBITDA Margin	15.3	14.9	14.9	11.7
Net Margin	4.7	4.7	4.7	6.1
ROCE	21.8	27.7	24.1	17.0
ROE	15.0	16.6	14.5	18.3
RoIC	22.5	25.4	24.6	18.6
<b>Per Share Data (Rs)</b>				
EPS	3.3	5.2	6.0	8.5
CEPS	4.2	6.1	7.1	9.7
BVPS	25.5	38.8	43.8	49.6
DPS	0.0	0.0	0.0	0.0
<b>Valuations (x)</b>				
PER	51.3	32.2	27.8	19.6
P/CEPS	40.1	27.3	23.7	17.2
P/BV	6.6	4.3	3.8	3.4
EV / Sales	1.7	1.1	1.0	0.9
EV / EBITDA	11.3	7.1	6.7	7.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.6	0.6	0.7	0.6
Net Debt/EBITDA	1.6	1.3	1.6	1.9
Working Cap Cycle (days)	157.8	125.4	144.0	165.6

13 September, 2010

### NOT RATED

Price **Rs 274** Target **NR**

Sensex **18,800**

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	(7)	18	76	152
Rel. to Sensex	(12)	4	58	114

Source: Bloomberg

#### Stock Details

Sector	Engineering & Capital Goods
Reuters	JHNP.BO
Bloomberg	JHP@IN
Equity Capital (Rs mn)	73
Face Value (Rs)	10
No of shares o/s (mn)	7
52 Week H/L (Rs)	315/100
Market Cap (Rs bn/USD mn)	2/43
Daily Avg Vol (No of shares)	51512
Daily Avg Turnover (US\$ mn)	0.3

#### Shareholding Pattern (%)

	Jun-10	Mar-10	Dec-09
Promoters	47.7	46.4	47.8
FII/NRI	2.2	1.3	1.2
Institutions	0.0	0.0	0.0
Private Corp	18.4	16.1	16.6
Public	31.7	36.2	34.5

Source: Capitaline

We were joined by Mr. Harish Chandwani, Director- Contracts and Business development and Mr. Sunil Rawtani, VP-Finance, Jaihind Projects (JPL), who shared their outlook on the industry and company

#### Key highlights

- JPL to benefit from strong domestic demand from upcoming city and national gas distribution projects (1) +15,000 km of pipeline infrastructure development planned by GAIL (6,000 km), GSPL (6,700 km), Reliance (2,200 km) (2) City Gas Distribution - GAIL has submitted EOI for 7 cities while Reliance has submitted EOI for 58 cities.
- Company has ventured into neighboring markets of Middle East and Africa through alliances with Tehran Jonoob & APPCO. JPL & APPCO alliance is executing an order worth Rs11 bn - JPL will execute 26% of the project with expected margins of 25%.
- JPL has formed 2 subsidiaries - (1) Jaihind Infra Tech Projects Pvt. Ltd. - for civil infrastructure projects such as dams, roads, canals railway tracks, etc. and (2) Newtonne Machinery Pvt. Ltd. - doing pipe bending for captive purpose. JPL holds majority stake at 60% and balance 40% is held by the promoter's and family.
- JPL has unexecuted order book of Rs8 bn with average execution period of 18 months. JPL is L1 in projects worth Rs2 bn and has a bid pipeline of Rs16 bn. JPL targets closing order book of Rs12 bn - which will lend healthy revenue visibility for FY12E.
- JPL is fairly confident to earn operating margins of 18-20% on current order backlog and new orders. Since, current order book is largely E&C with materials being free issue supply, JPL will do execution job or labor job where margins are higher.
- Company has guided for revenues of Rs5.7 bn in FY11E and Rs9.5 bn in FY12E (translating into revenue CAGR of +30%). JPL has guided for operating margins of 18-19% and net margins of 6.5-7.5% for FY11E and FY12E.
- The company plans capex of Rs250 mn for FY11E and Rs200 mn for FY12E.
- Current DER of 2.0X with debt of Rs2 bn, of which, working capital loan of Rs1.5 bn and term loan stood at Rs0.5 bn. Average cost of debt is 12.0-13.0%.
- Considering large orders under execution and bidding stage and relatively high working capital requirements, equity dilution would become necessity for growth.

#### Valuations

JPL has posted strong performance in FY07-10 period (1) revenue CAGR of 69% from Rs 0.8 bn to Rs 4.1 bn in FY10 (2) net profit CAGR of 100% from Rs 31 mn to Rs 247 mn and (3) EBITDA margin expansion of 650 bps to 19% in FY10. Prima facie, strong earnings growth momentum is likely to continue in FY11E & FY12E, albeit at lower pace. Considering favorable business dynamics and ensuing opportunity, JPL is trading at attractive valuations of 8.1X FY10 earnings.

#### Financial Snapshot

YE-Mar	Net Sales	EBITDA			EPS (Rs)	EPS % chg	RoE (%)	Rs mn		
		(Core)	(%)	APAT				P/E	EV/EBITDA	P/BV
FY07	847	80	9.4	31	6.0	185.2	19.9	45.5	1.6	8.2
FY08	1,433	182	12.7	64	9.0	48.9	21.9	30.5	3.1	4.7
FY09	3,231	405	12.5	106	14.9	65.5	22.0	18.4	2.1	3.5
FY10	4,093	778	19.0	247	34.0	129.1	35.3	8.1	2.4	2.3

## Financial tables

## Income Statement (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
<b>Net Sales</b>	<b>847</b>	<b>1,433</b>	<b>3,231</b>	<b>4,093</b>
Growth (%)	36.5	69.2	125.5	26.7
<b>Expenditure</b>	<b>767</b>	<b>1,251</b>	<b>2,826</b>	<b>3,315</b>
Materials Consumed	174	296	1,382	1,544
Employee Cost	346	500	121	177
Manufacturing Exp	0	0	0	0
Selling, Admin & Other Exp	247	455	1,323	1,594
<b>EBITDA</b>	<b>80</b>	<b>182</b>	<b>405</b>	<b>778</b>
Growth (%)	129.9	127.5	122.5	92.1
<b>EBITDA margin (%)</b>	<b>9.4</b>	<b>12.7</b>	<b>12.5</b>	<b>19.0</b>
Depreciation	14	22	36	49
<b>EBIT</b>	<b>66</b>	<b>160</b>	<b>369</b>	<b>729</b>
<b>EBIT margin (%)</b>	<b>7.8</b>	<b>11.2</b>	<b>11.4</b>	<b>17.8</b>
Other Income	5	14	40	40
Interest expenses	23	74	207	381
<b>PBT</b>	<b>49</b>	<b>101</b>	<b>202</b>	<b>388</b>
Tax	18	37	96	141
Effective tax rate (%)	36.9	36.7	47.6	36.3
<b>Adjusted PAT</b>	<b>31</b>	<b>64</b>	<b>106</b>	<b>247</b>
Growth (%)	185.2	107.1	65.5	133.9
<b>Net Margin (%)</b>	<b>3.6</b>	<b>4.5%</b>	<b>3.3</b>	<b>6.0</b>
E/O items	0	1	0	0
<b>Reported PAT</b>	<b>31</b>	<b>63</b>	<b>106</b>	<b>247</b>
Growth (%)	185.2	103.9	68.2	133.9

## Balance Sheet (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
Equity share capital	51	71	71	73
Reserves & surplus	119	341	478	778
<b>Net worth</b>	<b>170</b>	<b>412</b>	<b>549</b>	<b>851</b>
Secured Loans	102	572	887	1,516
Unsecured Loans	34	12	91	604
<b>Loan Funds</b>	<b>136</b>	<b>584</b>	<b>978</b>	<b>2,120</b>
Net deferred tax liability	21	32	39	65
<b>Total Liabilities</b>	<b>327</b>	<b>1,027</b>	<b>1,566</b>	<b>3,036</b>
Gross Block	320	510	842	1,038
Less: Depreciation	71	88	120	157
<b>Net block</b>	<b>249</b>	<b>422</b>	<b>723</b>	<b>881</b>
Capital work in progress	0	23	0	162
<b>Investment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Current Assets</b>	<b>434</b>	<b>1,123</b>	<b>2,306</b>	<b>2,905</b>
Inventories	2	12	145	168
Sundry debtors	186	686	1,143	1,537
Cash & bank balance	9	15	140	222
Loans & advances	235	411	878	978
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>356</b>	<b>541</b>	<b>1,462</b>	<b>913</b>
Current liabilities	137	474	1,334	779
Provisions	219	67	128	134
<b>Net current assets</b>	<b>77</b>	<b>582</b>	<b>844</b>	<b>1,992</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>327</b>	<b>1,028</b>	<b>1,567</b>	<b>3,036</b>

## Cash Flow (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
<b>PBT</b>	<b>49</b>	<b>101</b>	<b>203</b>	<b>388</b>
Depreciation	14	22	36	49
Interest Provided	-4	-10	136	300
Other Non-Cash items	0	-13	-18	-67
Chg in working cap	9	-453	-159	-1,137
Tax paid	14	27	41	141
<b>Operating Cashflow</b>	<b>54</b>	<b>-380</b>	<b>157</b>	<b>-608</b>
Capital expenditure	-134	-217	-330	250
<b>Free Cash Flow</b>	<b>-80</b>	<b>-597</b>	<b>-173</b>	<b>-358</b>
Other income	4	10	27	40
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>4</b>	<b>10</b>	<b>27</b>	<b>40</b>
Equity Capital Raised	0	0	0	0
Loans Taken / (Repaid)	69	401	394	400
Interest Paid	0	0	-162	0
Dividend paid (incl tax)	0	0	0	0
Income from investments	0	0	0	0
Others	0	191	39.2	0
<b>Financing Cashflow</b>	<b>69</b>	<b>592</b>	<b>271</b>	<b>400</b>
<b>Net chg in cash</b>	<b>-7</b>	<b>5</b>	<b>125</b>	<b>82</b>
Opening cash position	17	9	15	140
<b>Closing cash position</b>	<b>10</b>	<b>15</b>	<b>140</b>	<b>222</b>

Source: Capitaline

## Key ratios

Y/E, Mar	FY07	FY08	FY09	FY10P
<b>Profitability (%)</b>				
EBITDA Margin	9.4	12.7	12.5	19.0
Net Margin	3.6	4.5	3.3	6.0
ROCE	23.9	23.6	28.5	31.7
ROE	19.9	21.9	22.0	35.3
RoIC	20.8	16.2	25.9	27.5
<b>Per Share Data (Rs)</b>				
EPS	6.0	9.0	14.9	34.0
CEPS	8.8	12.1	19.9	40.8
BVPS	33.3	58.0	77.2	117.2
DPS	0.0	0.0	0.0	0.0
<b>Valuations (x)</b>				
PER	45.5	30.5	18.4	8.1
P/CEPS	31.3	22.7	13.8	6.7
P/BV	8.2	4.7	3.5	2.3
EV / Sales	0.1	0.4	0.3	0.5
EV / EBITDA	1.6	3.1	2.1	2.4
Dividend Yield (%)	0.0	0.0	0.0	0.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.7	1.4	1.5	2.2
Net Debt/EBIDTA	1.6	3.1	2.1	2.4
Working Cap Cycle (days)	37.0	84.0	80.6	126.4

**Note:** FY08 and FY09 are consolidated results



13 September, 2010

### NOT RATED

Price **Rs 190** Target **NR**

Sensex **18,800**

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	14	4	(12)	11
Rel. to Sensex	9	(8)	(21)	(5)

Source: Bloomberg

#### Stock Details

Sector	Engineering & Capital Goods
Reuters	SNGM.BO
Bloomberg	SGM@IN
Equity Capital (Rs mn)	87
Face Value (Rs)	2
No of shares o/s (mn)	43
52 Week H/L (Rs)	272/163
Market Cap (Rs bn/USD mn)	8/182
Daily Avg Vol (No of shares)	37601
Daily Avg Turnover (US\$ mn)	0.1

#### Shareholding Pattern (%)

	Jun-10	Mar-10	Dec-09
Promoters	44.5	44.5	44.5
FII/NRI	35.7	36.2	35.6
Institutions	4.9	4.7	5.2
Private Corp	3.0	2.8	2.8
Public	11.9	11.8	11.9

Source: Capitaline

**We were joined by Mr. Sham Kajale, Executive Director & CFO, Sanghvi Movers (SML) who shared his outlook on the industry and company**

#### Key highlights

- Management indicated improving demand outlook and business environment across customer segments. Power and refinery sectors will continue to remain in focus, pursuant to progress on ongoing investment in above sectors. The steel sector has witnessed some uptick - to reflect on the company's performance in next 2-3 quarters. Exposure to cement sector is likely to come down in the near future due to limited expansion expected therein.
- SML has guided for stiff competition citing fleet addition plans of competitors and entry of new players - (1) Allcargo plans to spend Rs1 bn on fleet expansion and (2) ABG Infra plans to spend Rs0.5-0.6 bn. But, Reliance will continue to remain a game changer. SML alongside other industry players are clueless on fleet withdrawal program of Reliance Industries from the rental market.
- Despite rising competition, SML will continue to remain a strong player in the market due to its large fleet size, diversified product portfolio, rich experience, country-wide reach and economies of scale.
- With improved outlook in key customer segments of thermal power, windmill, steel and refinery - operating yields would stabilize at 3.2% in FY11E and FY12E (versus 2.9% FY10) and utilization would improve to 85-87% in FY11E (versus 79% in FY10).
- Company expects revenues to grow at 15-20% CAGR over the next 2-3 years. But, pegged the net profit growth at 5-10% largely impacted by depreciation on expanded gross block and gradual improvement in utilization.
- However, the company will continue to generate healthy free cash flow of about Rs 2bn in FY11E and Rs2.3 bn in FY12E. Company has capex guidance of Rs4 bn spread over next 2 years - largely towards procurement of new cranes having higher capacity.
- Management remains confident on receivables from Suzlon and does not expect any large provisions or write-offs. Suzlon will continue to remain its single largest customer contributing 15-18% of revenues.
- SML is eyeing diversification to utilize the strong cashflows of the rental business. Only criteria for new business venture - would be asset-heavy business on the lines of existing rental business.

#### Valuations

SML expects operational performance to rebound in FY11E, led by improvement in yields and utilization levels. SML has guided for revenue growth of 20% in FY11E. SML is trading at attractive valuations of PER of 9.1X FY10 earnings and PBV of 1.8X FY10P book value. Operating cash flow yield is very attractive at 16%.

#### Financial Snapshot

YE- Mar	Net Sales	EBITDA		APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ P/BV	
		(Core)	(%)						EBITDA	P/BV
FY07	1,786	1,304	73.0	643	15.7	78.3	45.1	12.1	7.4	3.8
FY08	2,543	1,863	73.3	728	16.6	5.4	28.7	11.5	5.7	2.7
FY09	3,575	2,742	76.7	1,011	23.3	40.8	29.0	8.1	4.3	2.1
FY10P	3,288	2,527	76.9	904	20.9	-10.5	20.9	9.1	4.6	1.8

## Financial tables

## Income Statement (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
<b>Net Sales</b>	<b>1,786</b>	<b>2,543</b>	<b>3,575</b>	<b>3,288</b>
Growth (%)	19.8	42.4	40.6	-8.0
<b>Expenditure</b>	<b>483</b>	<b>680</b>	<b>833</b>	<b>761</b>
Materials Consumed	48	49	45	-28
Employee Cost	45	106	115	122
Manufacturing Exp	271	373	506	0
Other Exp	118	152	167	666
<b>EBITDA</b>	<b>1,304</b>	<b>1,863</b>	<b>2,742</b>	<b>2,527</b>
Growth (%)	32.1	42.9	47.2	-7.8
<b>EBITDA margin (%)</b>	<b>73.0</b>	<b>73.3</b>	<b>76.7</b>	<b>76.9</b>
Depreciation	348	475	680	787
EBIT	956	1,389	2,062	1,739
EBIT margin (%)	53.5	54.6	57.7	52.9
Other Income	274	26	40	112
Interest expenses	248	309	532	475
<b>PBT</b>	<b>981</b>	<b>1,106</b>	<b>1,570</b>	<b>1,377</b>
Tax	338	378	560	472
Effective tax rate (%)	34.5	34.2	35.6	34.3
<b>Adjusted PAT</b>	<b>643</b>	<b>728</b>	<b>1,011</b>	<b>904</b>
Growth (%)	99.8	13.1	38.9	-10.5
<b>Net Margin (%)</b>	<b>36.0</b>	<b>28.6</b>	<b>28.3</b>	<b>27.5</b>
E/O items	172	14	19	-
<b>Reported PAT</b>	<b>471</b>	<b>713</b>	<b>991</b>	<b>904</b>
Growth (%)	47.0	51.6	38.9	-8.8

## Balance Sheet (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
Equity share capital	82	88	87	87
Reserves & surplus	1,959	2,948	3,857	4,612
<b>Net worth</b>	<b>2,041</b>	<b>3,036</b>	<b>3,944</b>	<b>4,698</b>
Secured Loans	2,751	3,709	4,993	4,750
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>	<b>2,751</b>	<b>3,709</b>	<b>4,993</b>	<b>4,750</b>
Net deferred tax liability	315	390	530	530
<b>Total Liabilities</b>	<b>5,107</b>	<b>7,135</b>	<b>9,467</b>	<b>9,978</b>
Gross Block	5,934	7,336	10,483	11,860
Less: Depreciation	1,286	1,738	2,404	3,191
<b>Net block</b>	<b>4,647</b>	<b>5,598</b>	<b>8,079</b>	<b>8,669</b>
Capital work in progress	6	825	46	40
<b>Investment</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current Assets</b>	<b>923</b>	<b>1,076</b>	<b>1,793</b>	<b>1,685</b>
Inventories	0	0	0	0
Sundry debtors	503	646	1,206	1,109
Cash & bank balance	53	80	75	105
Loans & advances	367	351	512	471
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>469</b>	<b>364</b>	<b>452</b>	<b>415</b>
Current liabilities	170	164	299	275
Provisions	299	200	153	140
<b>Net current assets</b>	<b>454</b>	<b>713</b>	<b>1,342</b>	<b>1,270</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>5,107</b>	<b>7,135</b>	<b>9,467</b>	<b>9,978</b>

## Cash Flow (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10P
<b>PBT</b>	<b>723</b>	<b>1,106</b>	<b>1,570</b>	<b>1,377</b>
Depreciation	348	475	680	787
Interest Provided	241	305	527	475
Other Non-Cash items	145	99	178	160
Chg in working cap	-197	-208	-590	-72
Tax paid	163	299	416	472
<b>Operating Cashflow</b>	<b>1,097</b>	<b>1,477</b>	<b>1,949</b>	<b>2,254</b>
Capital expenditure	-1,762	-2,227	-2,318	-1,377
Free Cash Flow	-664	-749	-370	877
Other income	0	0	0	0
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Equity Capital Raised	770.3	357.6	0	0
Loans Taken / (Repaid)	391	993	1,179	-243
Interest Paid	-253	-315	-542	-475
Dividend paid (incl tax)	-71	-101	-130	-130
Income from investments	0	0	0	0
Others	-10.1	-17.1	-22.1	0
<b>Financing Cashflow</b>	<b>826</b>	<b>918</b>	<b>486</b>	<b>-847</b>
<b>Net chg in cash</b>	<b>162</b>	<b>168</b>	<b>116</b>	<b>30</b>
Opening cash position	-110	-89	-41	75
<b>Closing cash position</b>	<b>53</b>	<b>80</b>	<b>75</b>	<b>105</b>

Source: Capitaline

## Key ratios

Y/E, Mar	FY07	FY08	FY09	FY10P
<b>Profitability (%)</b>				
EBITDA Margin	73.0	73.3	76.7	76.9
Net Margin	36.0	28.6	28.3	27.5
ROCE	22.6	22.7	24.8	17.9
ROE	45.1	28.7	29.0	20.9
RoIC	18.9	22.3	22.1	17.7
<b>Per Share Data (Rs)</b>				
EPS	15.7	16.6	23.3	20.9
CEPS	24.2	27.4	39.0	39.1
BVPS	49.9	69.2	91.1	108.5
DPS	2.5	3.0	2.0	2.0
<b>Valuations (x)</b>				
PER	12.1	11.5	8.1	9.1
P/CEPS	7.8	6.9	4.9	4.9
P/BV	3.8	2.7	2.1	1.8
EV / Sales	5.4	4.2	3.3	3.5
EV / EBITDA	7.4	5.7	4.3	4.6
Dividend Yield (%)	1.3	1.6	1.1	1.1
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	1.3	1.2	1.2	1.0
Net Debt/EBITDA	2.1	1.9	1.8	1.8
Working Cap Cycle (days)	83.6	83.7	104.9	145.0

13 September, 2010

### NOT RATED

Price **Rs 255** Target **NR**

Sensex **18,800**

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	(4)			
Rel. to Sensex	(8)			

Source: Bloomberg

#### Stock Details

Sector	Engineering & Capital Goods
Reuters	TECN.BO
Bloomberg	TECE@IN
Equity Capital (Rs mn)	105
Face Value (Rs)	10
No of shares o/s (mn)	10
52 Week H/L (Rs)	311/243
Market Cap (Rs bn/USD mn)	3/58
Daily Avg Vol (No of shares)	N.A
Daily Avg Turnover (US\$ mn)	N.A

#### Shareholding Pattern (%)

	Jun-10	Mar-10	Dec-09
Promoters	36.5	-	-
FII/NRI	18.6	-	-
Institutions	6.7	-	-
Private Corp	14.1	-	-
Public	24.1	-	-

Source: Capitaline

We were joined by Mr. Arjun Gupta, Executive Director and Mr. Anil Kochar, VP-Finance, Technofab Engineering (TEL) who shared their outlook about the industry and company

#### Key highlights

- The company is not a pure-play construction company - it does turnkey electro-mechanical projects on EPC basis across sectors such as thermal power, nuclear power, oil & gas, water supply, waste water, industrial instrumentation, etc.
- TEL has participated as main contractor as against sub-contractor for projects executed during last 3 years. TEL has also entered into 4 alliances or consortiums in the past 12-18 months with Gammon, Simplex Infra, etc. to participate in large sized projects.
- Historically, TEL has witnessed no definite trend for revenue contribution from the various sectors - it has remained varied with no fix patterns. So, if exports and nuclear power were lead contributors in FY07-09, thermal power will be lead contributor in FY10-12E period.
- TEL will continue to leverage its skill sets in electro-mechanical segment and tap opportunities in multiple sectors. It expects strong growth from thermal power and hydrocarbon sectors.
- TEL intends to move up the value chain and enter BoP space in thermal power. This will increase the addressable market size from 5% to 20% of power capex. TEL is eyeing the consortium route to tap this opportunity.
- TEL has diversified in African continent, specifically in Ghana, Ethiopia, Kenya, etc. Company expects to achieve steadfast growth in Africa, considering plethora of opportunities and its strong presence.
- TEL currently has an order backlog of Rs7.3 bn . Further, it is L1 in orders worth Rs1.3 bn. TEL has a robust order bid pipeline at Rs16.5 bn.
- Recent order-wins includes (1) hydrocarbon project in Ghana value at Rs1.4 bn (2) water treatment project in Ghana valued at Rs0.3 bn (3) EPC contract in thermal power valued at Rs0.2 bn.
- Management has guided for revenue growth of +30% CAGR for FY10-12E period. Consequently, revenue forecasts are Rs3.5 bn and Rs4.5 bn in FY11E and FY12E respectively. Further, net profit margins are guided at 8% for FY11E and FY12E.

#### Valuations

TEL has posted strong operational performance in FY07-10 period (1) revenue CAGR of 48% from Rs 0.6 bn to Rs 2.0 bn in FY10 and (2) net profit CAGR at 167% from Rs 10 mn to Rs 190 mn. Aided by strong order backlog, TEL is expected to continue the growth momentum in FY10-12E period. TEL is discounting FY10 earnings at 10.0X - trading at attractive valuations.

#### Financial Snapshot

YE-Mar	Net Sales	EBITDA			EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/	
		(Core)	(%)	APAT					EBITDA	P/BV
FY07	614	29	4.7	8	1.1	64.6	5.8	225.9	4.5	12.7
FY08	810	91	11.2	53	7.1	527.3	30.0	36.0	(0.2)	8.9
FY09	1,493	216	14.5	117	15.6	120.2	43.6	16.4	(0.4)	5.9
FY10	2,004	337	16.8	191	25.5	63.3	46.5	10.0	0.2	3.8

## Financial tables

## Income Statement (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10
<b>Net Sales</b>	<b>614</b>	<b>810</b>	<b>1,493</b>	<b>2,004</b>
Growth (%)	13.8	32.0	84.4	34.2
<b>Expenditure</b>	<b>585</b>	<b>719</b>	<b>1,277</b>	<b>1,667</b>
Materials Consumed	0	1	1	0
Employee Cost	9	19	35	45
Manufacturing Exp	558	666	1,181	1,540
Other Exp	18	33	61	82
<b>EBITDA</b>	<b>29</b>	<b>91</b>	<b>216</b>	<b>337</b>
Growth (%)	8.7	216.3	137.0	55.9
<b>EBITDA margin (%)</b>	<b>4.7</b>	<b>11.2</b>	<b>14.5</b>	<b>16.8</b>
Depreciation	3	3	10	14
<b>EBIT</b>	<b>26</b>	<b>89</b>	<b>206</b>	<b>323</b>
<b>EBIT margin (%)</b>	<b>4.2</b>	<b>10.9</b>	<b>13.8</b>	<b>16.1</b>
Other Income	3	8	7	1
Interest expenses	16	16	32	32
<b>PBT</b>	<b>12</b>	<b>80</b>	<b>180</b>	<b>292</b>
Tax	4	27	63	102
Effective tax rate (%)	34.7	33.7	35.1	34.7
<b>Adjusted PAT</b>	<b>8</b>	<b>53</b>	<b>117</b>	<b>191</b>
Growth (%)	64.6	572.2	120.2	63.3
<b>Net Margin (%)</b>	<b>1.3</b>	<b>6.6</b>	<b>7.8</b>	<b>9.5</b>
E/O items	0	-2	0	0
<b>Reported PAT</b>	<b>8</b>	<b>55</b>	<b>117</b>	<b>191</b>
Growth (%)	64.6	597.5	112.3	63.2

## Balance Sheet (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10
Equity share capital	70	75	75	75
Reserves & surplus	70	139	247	425
<b>Net worth</b>	<b>140</b>	<b>214</b>	<b>322</b>	<b>500</b>
Secured Loans	105	42	118	152
Unsecured Loans	41	0	44	42
<b>Loan Funds</b>	<b>146</b>	<b>42</b>	<b>162</b>	<b>194</b>
Net deferred tax liability	-2	-1	0	2
<b>Total Liabilities</b>	<b>284</b>	<b>255</b>	<b>484</b>	<b>696</b>
Gross Block	30	32	63	90
Less: Depreciation	20	13	22	35
<b>Net block</b>	<b>10</b>	<b>19</b>	<b>42</b>	<b>55</b>
Capital work in progress	0	2	0	0
<b>Investment</b>	<b>0</b>	<b>7</b>	<b>2</b>	<b>4</b>
<b>Current Assets</b>	<b>429</b>	<b>539</b>	<b>932</b>	<b>1,125</b>
Inventories	0	43	45	35
Sundry debtors	264	276	319	564
Cash & bank balance	15	63	241	110
Loans & advances	149	153	323	412
Other current assets	2	3	4	5
<b>Current lia &amp; Prov</b>	<b>153</b>	<b>308</b>	<b>487</b>	<b>483</b>
Current liabilities	144	273	412	367
Provisions	10	35	75	117
<b>Net current assets</b>	<b>276</b>	<b>230</b>	<b>445</b>	<b>642</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>286</b>	<b>258</b>	<b>488</b>	<b>701</b>

## Cash Flow (Rs. Mn)

Y/E, Mar (Rs. mn)	FY07	FY08	FY09	FY10
<b>PBT</b>	<b>13</b>	<b>80</b>	<b>180</b>	<b>293</b>
Depreciation	2	3	10	14
Interest Provided	16	15	28	32
Other Non-Cash items	1	2	0	2
Chg in working cap	68	90	-48	-347
Tax paid	5	24	51	86
<b>Operating Cashflow</b>	<b>95</b>	<b>166</b>	<b>120</b>	<b>-94</b>
Capital expenditure	-1	-21	-29	-29
<b>Free Cash Flow</b>	<b>94</b>	<b>145</b>	<b>91</b>	<b>-122</b>
Other income	0	0	0	0
Investments	0	0	0	0
<b>Investing Cashflow</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Equity Capital Raised	0	25	0	0
Loans Taken / (Repaid)	-83	-104	120	32
Interest Paid	-16	-15	-28	-32
Dividend paid (incl tax)	0	0	-4	-9
Income from investments	0	0	0	0
Others	0	0	0	0
<b>Financing Cashflow</b>	<b>-99</b>	<b>-94</b>	<b>88</b>	<b>-9</b>
<b>Net chg in cash</b>	<b>-6</b>	<b>51</b>	<b>179</b>	<b>-131</b>
Opening cash position	20	15	63	241
<b>Closing cash position</b>	<b>15</b>	<b>66</b>	<b>242</b>	<b>110</b>

Source: Capitaline

## Key ratios

Y/E, Mar	FY07	FY08	FY09	FY10
<b>Profitability (%)</b>				
EBITDA Margin	4.7	11.2	14.5	16.8
Net Margin	1.3	6.6	7.8	9.5
ROCE	7.9	32.8	55.6	54.8
ROE	5.8	30.0	43.6	46.5
RoC	9.5	48.4	85.2	55.5
<b>Per Share Data (Rs)</b>				
EPS	1.1	7.1	15.6	25.5
CEPS	1.6	7.4	16.9	27.3
BVPS	20.0	28.5	42.9	66.6
DPS	0.0	0.5	1.0	1.5
<b>Valuations (x)</b>				
PER	225.9	36.0	16.4	10.0
P/CEPS	159.4	34.3	15.0	9.4
P/BV	12.7	8.9	5.9	3.8
EV / Sales	0.2	0.0	-0.1	0.0
EV / EBITDA	4.5	-0.2	-0.4	0.2
Dividend Yield (%)	0.0	0.2	0.4	0.6
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.9	(0.1)	(0.2)	0.2
Net Debt/EBITDA	4.5	(0.2)	(0.4)	0.2
Working Cap Cycle (days)	186.0	114.0	82.5	99.0

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### ACCUMULATE

Price **Rs 405** Target **Rs 448**

Sensex **18,800**

#### Price Performance

(%)	1M	3M	6M	12M
Absolute	0	(6)	10	15
Rel. to Sensex	(3)	(17)	1	(1)

Source: Bloomberg

#### Stock Details

Sector	Transformer
Reuters	TRNF.BO
Bloomberg	TRIL@IN
Equity Capital (Rs mn)	129
Face Value (Rs)	10
No of shares o/s (mn)	13
52 Week H/L (Rs)	473/303
Market Cap (Rs bn/USD mn)	5/107
Daily Avg Vol (No of shares)	32422
Daily Avg Turnover (US\$ mn)	0.3

#### Shareholding Pattern (%)

	Jun-10	Mar-10	Dec-09
Promoters	76.8	76.8	76.8
FII/NRI	1.6	1.9	2.6
Institutions	3.7	4.5	4.6
Private Corp	3.0	2.4	2.2
Public	14.9	14.4	13.8

Source: Capitaline

We were joined by Mr. Satyen Mamtora, JMD, TRIL, and Mr. Sanjay Majmudar, TRIL who shared their outlook on the industry and company.

#### Key highlights

- Management expects the pricing scenario to improve post Q3FY11 due to the belief that most of the companies would have much better order books by then. The management highlighted that they have already started seeing slight improvement in prices in past few months.
- Power Grid's likely stipulation of a 30% domestic manufacturing clause in its tenders of 765kv is expected to create an opportunity for Indian manufacturers to enter into this range earlier than planned. As per management, TRIL is the only company in India (apart from Crompton Greaves and MNCs), which has manufacturing and testing facilities already in place for 765kv. Management indicated that few MNCs are in talks with the company for jointly bidding for 765kv orders likely to be opened up by PGCIL in Q4FY11 (100-150 transformers).
- If TRIL is able to tie-up with a MNC, it is likely to mark its foray into the 765kv range in FY11E itself instead of FY13E planned earlier. This is due to pre qualification of the JV partner. Also, in 400kv category, it has 5 transformer orders in hand - 1 from GEB and 4 from private players. The company expects 400kv production in full swing from FY12E, which will pre qualify it to bid for PGCIL tenders.
- The 1200kv transformer manufacturing is in process and company plans to test it sometime in Q4FY11E; it has already spent Rs60-70mn up till now and expensed it through P&L. An additional cost of Rs50mn is likely to be incurred on the same. Once the test is successful, the transformer would be installed in live trial for 2-3 years.
- TRIL's management has guided for volumes of 15000MVA, 19000MVA and 23000MVA in FY11E, FY12E and FY13E respectively. They remain very confident of maintaining 15% margins, going forward.
- No plans of any stake sale to another company. For 765kv tie up with a MNC, it is planning a SPV.
- We maintain earnings of Rs44.8 and Rs53.4 in FY11E and 12E respectively. We have factored volume growth of 20% & 15% and EBITDA margins of 14.6% and 14.4% in FY11E and FY12E respectively.

#### Valuations

At CMP of Rs410, TRIL is trading at 9.0x FY11E and 7.6x FY12E earnings, 1.5x FY11E and 1.3x FY12E Book Value and 4.9x FY11E and 3.9x FY12E EBITDA respectively. This is at 20% discount to its peers. We believe with (1) higher growth (FY10 earnings growth of 10% vs decline of 33% for our transformer universe), (2) strong balance sheet (net cash of Rs650mn) & (3) better than average ROEs (18% vs 16% industry average), this valuation discount is unwarranted. Thus, TRIL remains our preferred bet along with Bharat Bijlee in the transformers space.

#### Financial Snapshot

YE-Mar	Rs mn									
	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/EBITDA	P/BV
FY09	4,251	647	15.2	452	35.0	32.8	20.3	11.6	7.5	2.1
FY10	5,128	728	14.2	489	37.9	8.3	19.6	10.1	6.3	1.8
FY11E	6,154	899	14.6	579	44.8	18.3	18.8	9.0	4.9	1.5
FY12E	7,360	1,061	14.4	690	53.4	19.3	19.1	7.6	3.9	1.3



## Financial tables

## Income Statement (Rs. Mn)

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	<b>4,251</b>	<b>5,128</b>	<b>6,154</b>	<b>7,360</b>
<i>Growth (%)</i>	<i>41.2</i>	<i>20.6</i>	<i>20.0</i>	<i>19.6</i>
<b>Expenditure</b>	<b>3,604</b>	<b>4,400</b>	<b>5,255</b>	<b>6,299</b>
Raw Materials	3,091	3,832	4,622	5,581
Construction Exp	321	281	324	373
Employee Cost	87	129	146	162
Other Exp	105	158	163	184
<b>EBITDA</b>	<b>647</b>	<b>728</b>	<b>899</b>	<b>1,061</b>
<i>Growth (%)</i>	<i>18.9</i>	<i>12.6</i>	<i>23.5</i>	<i>18.0</i>
<b>EBITDA margin (%)</b>	<b>15.2</b>	<b>14.2</b>	<b>14.6</b>	<b>14.4</b>
Depreciation	25	44	60	61
<b>EBIT</b>	<b>622</b>	<b>684</b>	<b>839</b>	<b>999</b>
<b>EBIT margin (%)</b>	<b>14.6</b>	<b>13.3</b>	<b>13.6</b>	<b>13.6</b>
Other Income	104	83	85	93
Interest expenses	69	47	65	65
<b>PBT</b>	<b>657</b>	<b>720</b>	<b>858</b>	<b>1,027</b>
Tax	225	251	304	361
<i>Effective tax rate (%)</i>	<i>32.9</i>	<i>32.5</i>	<i>34.0</i>	<i>34.0</i>
<b>Adjusted PAT</b>	<b>432</b>	<b>469</b>	<b>555</b>	<b>666</b>
(Profit)/loss from JV's/Ass/MI	20	20	24	24
Adjusted PAT after MI	452	489	579	690
<i>Growth (%)</i>	<i>32.8</i>	<i>8.3</i>	<i>18.3</i>	<i>19.3</i>
<b>Net Margin (%)</b>	<b>10.6</b>	<b>9.5</b>	<b>9.4</b>	<b>9.4</b>
E/O items	0	27	0	0
Reported PAT	452	516	579	690
<b>Growth (%)</b>	<b>32.8</b>	<b>14.1</b>	<b>12.2</b>	<b>19.3</b>

## Balance Sheet (Rs. Mn)

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	129	129	129	129
Reserves & surplus	2,317	2,758	3,254	3,844
<b>Net worth</b>	<b>2,446</b>	<b>2,888</b>	<b>3,383</b>	<b>3,973</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Secured Loans	550	650	650	650
Unsecured Loans	0	0	0	0
<b>Loan Funds</b>	<b>550</b>	<b>650</b>	<b>650</b>	<b>650</b>
Net deferred tax liability	6	6	1	-4
<b>Total Liabilities</b>	<b>3,002</b>	<b>3,543</b>	<b>4,034</b>	<b>4,619</b>
Gross Block	505	915	985	1,055
Less: Depreciation	100	144	204	265
<b>Net block</b>	<b>405</b>	<b>771</b>	<b>780</b>	<b>789</b>
Capital work in progress	385	25	25	25
<b>Investment</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>
<b>Current Assets</b>	<b>3,107</b>	<b>3,862</b>	<b>4,563</b>	<b>5,408</b>
Inventories	547	701	841	1,006
Sundry debtors	1,531	1,758	2,110	2,523
Cash & bank balance	916	1,285	1,471	1,710
Loans & advances	113	118	142	170
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>911</b>	<b>1,131</b>	<b>1,351</b>	<b>1,619</b>
Current liabilities	848	1,055	1,260	1,510
Provisions	63	76	91	109
<b>Net current assets</b>	<b>2,196</b>	<b>2,732</b>	<b>3,213</b>	<b>3,789</b>
Misc. exp & Def. Assets	-1	-1	-1	-1
<b>Total Assets</b>	<b>3,002</b>	<b>3,543</b>	<b>4,034</b>	<b>4,619</b>

## Cash Flow (Rs. Mn)

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>PBT (Ex-Other income)</b>	<b>580</b>	<b>691</b>	<b>809</b>	<b>969</b>
Depreciation	25	44	60	61
Interest Provided	69	47	65	65
Other Non-Cash items	0	0	0	0
Chg in working cap	-184	-179	-310	-356
Tax paid	-225	-238	-289	-343
<b>Operating Cashflow</b>	<b>265</b>	<b>365</b>	<b>335</b>	<b>397</b>
Capital expenditure	-441	-50	-70	-70
<b>Free Cash Flow</b>	<b>-176</b>	<b>315</b>	<b>265</b>	<b>327</b>
Other income	104	83	85	93
Investments	27	27	35	35
<b>Investing Cashflow</b>	<b>-310</b>	<b>60</b>	<b>50</b>	<b>58</b>
Equity Capital Raised	-7	-7	-11	-11
Loans Taken / (Repaid)	206	100	0	0
Interest Paid	-69	-47	-65	-65
Dividend paid (incl tax)	-52	-65	-72	-86
Income from investments	-39	-37	-50	-53
Others	0	0	0	0
<b>Financing Cashflow</b>	<b>39</b>	<b>-56</b>	<b>-199</b>	<b>-216</b>
<b>Net chg in cash</b>	<b>-6</b>	<b>369</b>	<b>186</b>	<b>239</b>
Opening cash position	922	916	1,285	1,471
<b>Closing cash position</b>	<b>915</b>	<b>1,285</b>	<b>1,472</b>	<b>1,710</b>

Source: Emkay Research

## Key ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
<b>Profi Profitability (%)</b>				
EBITDA Margin	15.2	14.2	14.6	14.4
Net Margin	10.6	9.5	9.4	9.4
ROCE	22.9	20.9	22.1	23.1
ROE	20.3	19.6	18.8	19.1
RoIC	41.5	35.1	35.4	37.1
<b>Per Share Data (Rs)</b>				
EPS	35.0	37.9	44.8	53.4
CEPS	36.9	41.3	49.5	58.1
BVPS	189.3	223.5	261.8	307.5
DPS	4.0	5.0	5.6	6.7
<b>Valuations (x)</b>				
PER	11.6	10.1	9.0	7.6
P/CEPS	11.0	9.8	8.2	7.0
P/BV	2.1	1.8	1.5	1.3
EV / Sales	1.1	0.9	0.7	0.6
EV / EBITDA	7.5	6.3	4.9	3.9
Dividend Yield (%)	1.0	1.2	1.4	1.7
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	-0.1	-0.2	-0.2	-0.3
Net Debt/EBIDTA	-0.6	-0.9	-0.9	-1.0
Working Cap Cycle (days)	110	103	103	103

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**BUY**

Price **Rs 854** Target **Rs 1,079**

Sensex **18,800**

**Price Performance**

(%)	1M	3M	6M	12M
Absolute	2	(2)	(6)	88
Rel. to Sensex	(2)	(13)	(14)	62

Source: Bloomberg

**Stock Details**

Sector	Material Handling
Reuters	TTRO.BO
Bloomberg	TRF@IN
Equity Capital (Rs mn)	110
Face Value (Rs)	10
No of shares o/s (mn)	11
52 Week H/L (Rs)	1,175/450
Market Cap (Rs bn/USD mn)	9/193
Daily Avg Vol (No of shares)	19183
Daily Avg Turnover (US\$ mn)	0.4

**Shareholding Pattern (%)**

	Jun-10	Mar-10	Dec-09
Promoters	39.6	41.8	41.8
FII/NRI	1.2	1.2	1.3
Institutions	13.7	12.3	13.8
Private Corp	7.2	7.7	7.7
Public	38.3	37.0	35.4

Source: Capitaline

We were joined by Mr. Sudhir Deoras, MD, Mr. Ashim Roy, CFO and Mr. S. Ghosh, Head of Finance & Synergy, TRF, who shared their outlook on the industry and company

**Key highlights**

- The management reiterated its 'Vision 2013' - to achieve a topline of Rs25 bn by FY13E. It guided for revenue contribution from the MHE segment at 65% and that for the auto component segment at 35%.
- TRF currently has an order backlog of Rs20.0 bn - up from Rs16.4 bn in FY10. Projects segment comprises 75% of the order backlog while Products segment constitutes the balance 25%.
- Led by huge impending capex in the power sector under the 11th and 12th plan, the management expects strong ongoing demand from power sector to result in continued momentum in order inflows for the company going forward.
- TRF is targeting an order inflow of Rs17-18 bn during FY11E. Of this, it has already achieved 1/3rd of its target, i.e. bagged projects worth Rs6 bn YTD.
- TRF bagged 3 EPC projects from NTPC in CY10 (1) 2x500 MW Mauda TPP- Rs3.0 bn, (2) 2x660 MW Barth-II TPP - Rs3.2 bn and (3) 2x500 MW Vindhyachal-IV STPP - Rs4 bn. The management indicated that engineering work had commenced on the Mauda and Barth projects and expects to book revenues from Q4FY11E.
- The company expects to foray into Balance of Plant (BoP) solutions through the consortium route. It expects to bag its maiden BoP order by FY11E end.
- The management deferred to give any definitive guidance on the automotive components business with respect to revenue growth and operating margins until Q2FY11E results. But, the management indicated strong domestic demand for its axles and trailers.
- The management reiterated its capacity expansion plan in the automotive components business - (1) Four-fold addition in the axle manufacturing capacity over the next three years from 24,000 axles to 100,000 axles by 2013 (2) Setting up a 6000 trailer capacity at Pune. The Pune plant will be operational from Q2FY11 end.
- The management indicated that the company's working capital cycle would continue to remain stretched.

**Valuations**

We maintain our positive bias on core MHE business with low probability of negative surprises in view of (1) Quality order book at Rs20 bn - lending earning visibility for the next 2 years and (2) satisfactory progress in key orders. Automotive application business is progressing on expected lines - forecasted to make meaningful contribution in FY12E. We have SOTP target price of Rs1079/Share. Retain our BUY rating.

**Consolidated Financial Snapshot**

Rs mn

YE- Mar	Net Sales	EBITDA (Core)	(%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
FY09	7,238	800	11.1	405	36.8	36.3	24.5	23.2	13.1	5.7
FY10	8,659	879	10.1	481	41.9	13.6	24.8	20.4	12.1	4.5
FY11E	12,342	1,224	9.9	701	63.7	52.1	29.5	13.4	8.7	3.5
FY12E	15,470	1,654	10.7	976	88.7	39.3	31.1	9.6	6.2	2.6

## Financial tables - Consolidated

## Income Statement (Rs. Mn)

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	<b>7,238</b>	<b>8,659</b>	<b>12,342</b>	<b>15,470</b>
Growth (%)	62.2	19.6	42.5	25.4
<b>Expenditure</b>	<b>6,438</b>	<b>7,781</b>	<b>11,118</b>	<b>13,817</b>
Materials Consumed	4,922	5,978	8,699	11,063
Employee Cost	576	694	967	1,124
Manufacturing Exp	351	403	673	763
Other Exp	588	705	779	867
<b>EBITDA</b>	<b>800</b>	<b>879</b>	<b>1,224</b>	<b>1,654</b>
Growth (%)	21.9	9.8	39.3	35.2
<b>EBITDA margin (%)</b>	<b>11.1</b>	<b>10.1</b>	<b>9.9</b>	<b>10.7</b>
Depreciation	38	61	114	126
<b>EBIT</b>	<b>762</b>	<b>817</b>	<b>1,109</b>	<b>1,527</b>
<b>EBIT margin (%)</b>	<b>10.5</b>	<b>9.4</b>	<b>9.0</b>	<b>9.9</b>
Other Income	-30	41	59	59
Interest expenses	79	126	177	206
<b>PBT</b>	<b>652</b>	<b>732</b>	<b>992</b>	<b>1,381</b>
Tax	247	251	291	405
Effective tax rate (%)	37.8	34.3	29.4	29.3
<b>Adjusted PAT</b>	<b>405</b>	<b>481</b>	<b>701</b>	<b>976</b>
Growth (%)	125.6	118.7	145.6	139.3
<b>Net Margin (%)</b>	<b>5.6</b>	<b>5.6</b>	<b>5.7</b>	<b>6.3</b>
(Profit)/loss from JVs/Ass/MI	0	20	0	0
<b>Adj. PAT After JVs/Ass/MI</b>	<b>405</b>	<b>461</b>	<b>701</b>	<b>976</b>
E/O items	(1)	7	-	-
<b>Reported PAT</b>	<b>405</b>	<b>467</b>	<b>701</b>	<b>976</b>
Growth (%)	1.9	15.4	49.9	39.3

## Balance Sheet (Rs. Mn)

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
Equity share capital	55	110	110	110
Reserves & surplus	1,189	1,362	1,980	2,873
<b>Net worth</b>	<b>1,244</b>	<b>1,472</b>	<b>2,090</b>	<b>2,983</b>
<b>Minority Interest</b>	<b>408</b>	<b>597</b>	<b>597</b>	<b>597</b>
Secured Loans	934	1,996	1,996	1,996
Unsecured Loans	0	170	170	170
<b>Loan Funds</b>	<b>934</b>	<b>2,166</b>	<b>2,166</b>	<b>2,166</b>
Net deferred tax liability	(7)	(27)	(27)	(27)
<b>Total Liabilities</b>	<b>2,579</b>	<b>4,208</b>	<b>4,826</b>	<b>5,719</b>
Gross Block	1,056	1,705	2,075	2,195
Less: Depreciation	561	623	737	864
<b>Net block</b>	<b>495</b>	<b>1,082</b>	<b>1,338</b>	<b>1,332</b>
Capital work in progress	13	136	136	136
<b>Investment</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>Current Assets</b>	<b>5,784</b>	<b>7,634</b>	<b>9,879</b>	<b>12,366</b>
Inventories	1,134	1,554	2,272	2,848
Sundry debtors	2,976	4,198	5,750	7,208
Cash & bank balance	215	435	411	864
Loans & advances	1,459	1,446	1,446	1,446
Other current assets	0	0	0	0
<b>Current lia &amp; Prov</b>	<b>3,751</b>	<b>4,681</b>	<b>6,512</b>	<b>8,019</b>
Current liabilities	3,506	4,375	6,207	7,714
Provisions	245	305	305	305
<b>Net current assets</b>	<b>2,033</b>	<b>2,953</b>	<b>3,367</b>	<b>4,347</b>
Misc. exp	1.0	-	-	-
<b>Total Assets</b>	<b>2,579</b>	<b>4,208</b>	<b>4,878</b>	<b>5,851</b>

## Cash Flow (Rs. Mn)

Y/E, Mar (Rs. mn)	FY09	FY10	FY11E	FY12E
<b>PBT (Ex-Other income)</b>	<b>651</b>	<b>739</b>	<b>992</b>	<b>1,381</b>
Depreciation	38	61	114	126
Interest Provided	79	125	177	206
Other Non-Cash items	-4	-75	0	0
Chg in working cap	-583	-521	-438	-527
Tax paid	-221	-244	-291	-405
<b>Operating Cashflow</b>	<b>-39</b>	<b>85</b>	<b>554</b>	<b>781</b>
Capital expenditure	-124	-268	-370	-120
<b>Free Cash Flow</b>	<b>-163</b>	<b>-183</b>	<b>184</b>	<b>661</b>
Other income	0	0	0	0
Investments	0	-478	0	0
<b>Investing Cashflow</b>	<b>0</b>	<b>-478</b>	<b>0</b>	<b>0</b>
Equity Capital Raised	0	32,929	0	0
Loans Taken / (Repaid)	351	1,049	0	0
Interest Paid	-79	-125	-125	-125
Dividend paid (incl tax)	-64	-76	-83	-83
Income from investments	0	0.001	0	0
Others	0	0	0	0
<b>Financing Cashflow</b>	<b>207</b>	<b>881</b>	<b>-208</b>	<b>-208</b>
<b>Net chg in cash</b>	<b>44</b>	<b>220</b>	<b>-24</b>	<b>453</b>
Opening cash position	171	215	435	411
<b>Closing cash position</b>	<b>215</b>	<b>435</b>	<b>411</b>	<b>864</b>

Source: Emkay Research

## Key ratios

Y/E, Mar	FY09	FY10	FY11E	FY12E
<b>Profitability (%)</b>				
EBITDA Margin	11.1	10.1	9.9	10.7
Net Margin	5.6	5.6	5.7	6.3
ROCE	28.3	25.2	25.7	29.9
ROE	24.5	24.8	29.5	31.1
RoIC	32.9	22.7	26.1	32.6
<b>Per Share Data (Rs)</b>				
EPS	36.8	41.9	63.7	88.7
CEPS	41.6	50.0	71.0	96.8
BVPS	150.1	188.0	244.2	325.3
DPS	12.0	7.5	7.5	7.5
<b>Valuations (x)</b>				
PER	23.2	20.4	13.4	9.6
P/CEPS	20.5	17.1	12.0	8.8
P/BV	5.7	4.5	3.5	2.6
EV / Sales	1.4	1.3	0.9	0.7
EV / EBITDA	13.1	12.1	8.7	6.2
Dividend Yield (%)	1.4	0.9	0.9	0.9
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	0.4	0.8	0.7	0.4
Net Debt/EBIDTA	0.7	1.4	1.1	0.7
Working Cap Cycle (days)	102.5	105.1	93.5	91.0

## Emkay Rating Distribution

BUY	Expected total return (%) (stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (stock price depreciation) of upto (-)10% within the next 12-18 months.
SELL	The stock is believed to under perform the broad market indices or its related universe within the next 12-18 months.

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