



Nagarjuna Construction

| | |
|--------------------|--------------|
| STOCK INFO. | BLOOMBERG |
| BSE Sensex: 14,508 | NJCC IN |
| | REUTERS CODE |
| S&P CNX: 4,293 | NGCN.BO |

29 May 2007

Buy

Previous Recommendation: Buy

Rs170

| | | YEAR | NET SALES | PAT | EPS | EPS | P/E | P/BV | ROE | ROCE | EV/ | EV/ |
|-----------------------|-------------|-------|-----------|--------|------|------------|------|------|------|------|-------|--------|
| | | END | (RS M) | (RS M) | (RS) | GROWTH (%) | (X) | (X) | (%) | (%) | SALES | EBITDA |
| Equity Shares (m) | 206.6 | 3/07A | 28,711 | 1,358 | 6.6 | 29.5 | 25.8 | 1.7 | 13.8 | 15.7 | 1.5 | 16.3 |
| 52-Week Range | 236/98 | 3/08E | 40,717 | 1,895 | 9.2 | 39.5 | 18.5 | 1.5 | 17.2 | 15.4 | 1.2 | 12.4 |
| 1,6,12 Rel. Perf. (%) | -10/-27/-36 | 3/09E | 56,420 | 2,600 | 12.6 | 37.2 | 13.5 | 1.3 | 20.3 | 16.7 | 1.0 | 9.8 |
| M.Cap. (Rs b) | 35.0 | | | | | | | | | | | |
| M.Cap. (US\$ b) | 0.9 | | | | | | | | | | | |

4QFY07 Financial Performance below expectation: During 4QFY07, Nagarjuna reported revenues of Rs8.7b (up 35.5% YoY), EBIDTA of Rs727m up 36.9% YoY) and Net profit of Rs293m. Adjusted 4QFY07 net profit stood at Rs338m, due to 1) provision of Rs207m on account of withdrawal of Sec.80-IA benefits (Apr-Dec 2006) and 2) Profit on land sale of 18 acres to NCC Urban Infra - Rs230m. 4QFY07 numbers are lower than our estimates: Revenues Rs9.5b, EBIDTA Rs946m and adjusted Net Profit Rs451m.

Robust order backlog ensures revenue visibility, Increased Capex: Order backlog stood at Rs73b as at March 2007 which includes Rs6.5b from own BOT projects and Rs2.3b from NCC Urban Infra (real estate subsidiary). During FY07, the company incurred capex of Rs3.4b, of which Rs2.5b was in NCC and Rs850m was investments in NCC Mauritius, which is the holding company for undertaking cash contract business in overseas markets. For FY08, the management has guided for capex of Rs1.5b.

Key Takeaways from conference call: 1) Robust FY08 guidance: Revenue Rs40b (up 40% YoY), Order backlog of Rs91b (vs Rs73b in Mar 07), NPM of 5.5-5.75% (vs 5.3% in FY07) 2) NCC consortium has received LoI for development of integrated township on 400 acres at Hyderabad (land acquisition at Rs42.1m per acre) 3) Development agreement for Machilipatnam port project expected to be signed over next 2 months 4) Sorang Hydro power (100MW) expected to achieve financial closure by June 2007.

Valuation and view: We expect Nagarjuna Constructions to report net profit of Rs1.9b during FY08 (up 39.5% YoY) and Rs2.6b in FY09 (up 37.2% YoY). At the CMP of Rs170, the stock trades at reported PER of 18.5x FY08E and 13.5x FY09E. Adjusted for the value of BOT projects (Rs6.3/sh), Real Estate (Rs26/sh) and Investments (Rs7/sh), the stock trades at PER of 21.1x FY07E, 15.1x FY08E and 11x FY09E. Maintain **Buy**, with price target of Rs190 per share.

| Y/E MARCH | QUARTERLY PERFORMANCE | | | | | | | | | | (Rs Million) | |
|------------------------|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|--|
| | FY 06 | | | | FY 07 | | | | FY 06 | FY 07 | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | |
| Sales | 3,594 | 3,682 | 4,724 | 6,404 | 6,517 | 6,517 | 6,998 | 8,679 | 18,404 | 28,711 | | |
| Change (%) | 54.6 | 52.3 | 78.8 | 42.3 | 81.4 | 77.0 | 48.1 | 35.5 | 54.9 | 56.0 | | |
| EBITDA | 278 | 379 | 457 | 531 | 550 | 618 | 802 | 727 | 1,640 | 2,697 | | |
| Change (%) | 61.3 | 95.3 | 108.9 | 65.2 | 97.8 | 63.0 | 75.5 | 36.9 | 80.8 | 64.4 | | |
| As of % Sales | 7.7 | 10.3 | 9.7 | 8.3 | 8.4 | 9.5 | 11.5 | 8.4 | 8.9 | 9.4 | | |
| Depreciation | 34 | 41 | 53 | 54 | 58 | 69 | 76 | 96 | 182 | 299 | | |
| Interest | 43 | 89 | 97 | 44 | 57 | 96 | 185 | 166 | 217 | 504 | | |
| Other Income | 13 | 15 | 17 | 5 | 8 | 10 | 5 | 270 | 20 | 292 | | |
| PBT | 214 | 264 | 324 | 439 | 443 | 462 | 546 | 735 | 1,262 | 2,186 | | |
| Tax | 22 | 55 | 56 | 90 | 59 | 69 | 97 | 443 | 223 | 667 | | |
| Effective Tax Rate (%) | 10.4 | 20.9 | 17.3 | 20.5 | 13.3 | 14.9 | 17.8 | 60.2 | 17.7 | 30.5 | | |
| Reported PAT | 192 | 209 | 268 | 349 | 384 | 393 | 449 | 293 | 1,039 | 1,519 | | |
| Adj PAT | 192 | 209 | 268 | 349 | 326 | 334 | 359 | 339 | 1,039 | 1,358 | | |
| Change (%) | 88.9 | 83.3 | 121.6 | 47.9 | 70.3 | 59.9 | 33.9 | -3.1 | 74.6 | 30.7 | | |

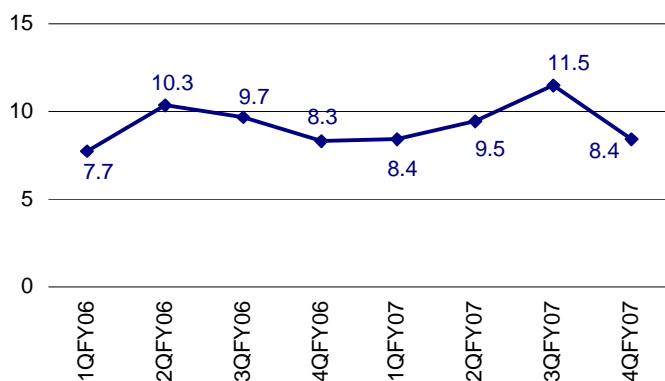
4QFY07 Performance below estimates

During 4QFY07, Nagarjuna reported revenues of Rs8.7b (up 35.5% YoY), EBIDTA of Rs727m up 36.9% YoY) and Net profit of Rs293m Adjusted net profit during 4QFY07 stood at Rs338m due to 1) provision of Rs207m pertaining to April - Dec 06 on account of withdrawal of Sec.80-IA benefits and 2 Profit on land sale of 18 acres to NCC Urban Infra - Rs230m. 4QFY07 numbers are lower than our estimates: Revenues Rs9.5b, EBIDTA Rs946m and adjusted Net Profit Rs451m.

EBIDTA margins take a breather

During 4QFY07, EBIDTA margins for the company stood at 8.4% vs. 8.3% during 4QFY06 and 11.3% during 3QFY07. The key reason for stagnant EBIDTA margin is increased share of revenues from Buildings segment during 4QFY07 in the range of 9-9.5%. The reported EBIDTA margins for the full year 2007 grew by 50bps YoY to 9.4% (vs. 8.9% in FY06).

TREND IN EBIDTA MARGIN (%)



Source: Company/Motilal Oswal Securities

TREND IN SEGMENT-WISE REVENUE COMPOSITION (RS M)

| | FY06 | 1QFY07 | 2QFY07 | 3QFY07 | 4QFY07 | FY07 |
|------------------|---------------|--------------|--------------|--------------|--------------|---------------|
| Roads* | 4,011 | 1,594 | 1,402 | 2,564 | 900 | 6,460 |
| Buildings | 5,256 | 862 | 1,556 | 1,782 | 3,250 | 7,450 |
| Water | 5,746 | 3,010 | 2,475 | 1,625 | 2,080 | 9,190 |
| Irrigation / HEP | 1,383 | 410 | 240 | 330 | 700 | 1,680 |
| Electricals | 1,472 | 608 | 684 | 558 | 680 | 2,530 |
| Power | | | | | 200 | 200 |
| Oil & Gas | | | | | 20 | 20 |
| International* | | | | | 1,030 | 1030 |
| Total | 17,868 | 6,486 | 6,384 | 6,820 | 8,870 | 28,560 |

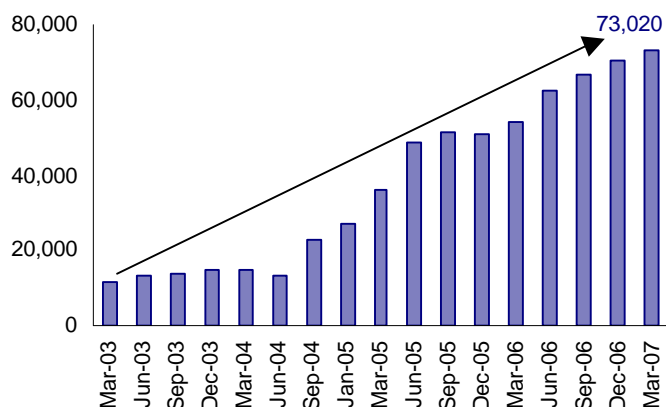
* The company has re-classified international road and water pipeline projects as international segment, wef 4QFY07 onwards

Source: Company/ Motilal Oswal Securities

Robust order backlog ensures revenue visibility

Order backlog stood at Rs73b as at March 2007 which includes Rs6.5b from own BOT projects and Rs2.3b from NCC Urban Infra (real estate subsidiary). Order book composition stands as: Roads 24%, Buildings 21.8%, Water 22.5%, Irrigation/HEP 8.2%, Electricals 6.4%, Oil / Gas 4.8%, International 10.1%. In addition, the company has emerged as the lowest cost bidder for projects worth Rs2-2.5b, resulting in an effective order book of Rs75b+. The execution period of the current order book stands at 2.5 years.

TREND IN ORDER BACKLOG (RS M)



Source: Company/Motilal Oswal Securities

During 4QFY07, the order intake for company stood at Rs11.5b and the order intake for the full year stood at Rs46.8b.

Fund raising plans of upto US\$180m

Nagarjuna has announced fund raising of Rs8.1b (US\$180m) through a QIP offering. The funds raised would be utilized for enhancing its net worth to qualify for bidding of large projects and fund investments in proposed BOT projects. The promoters stake in the company is expected to come down to ~22-23%, vs current levels of 28% post the QIP offering.

Key takeaways from conference call:

Robust FY08 Management Guidance

- ✍ Revenues Rs40b in FY08, up 40% YoY
- ✍ Net profit margin of 5.5-5.75%.

- ✍ Order Intake of Rs59b in FY08, vs Rs47b in FY07 (up 24.2% YoY)
- ✍ Order backlog of Rs91b in Mar 08, vs Rs73b in Mar 07

Nagarjuna consortium receives LoI for Machilipatnam Sea port project

The consortium comprising of Nagarjuna Construction (25%), Maytas Infrastructure (26%), Port Operator company (11%) and SREI Finance (38%) has received the Letter of Intent (LoI) from the Government for the Machilipatnam port project in Andhra Pradesh. The total project development cost is estimated at ~Rs15b. The project is likely to be funded through a Debt-Equity ratio of 3:1.

The development agreement is expected to be signed over the next 2 months, post which the project would require 6 months to achieve financial closure. Thus, construction is expected to commence towards end FY08. The project location is proposed to be changed by ~30kms as the local government wants the port in the vicinity of city of Machilipatnam, which entails an additional construction cost of Rs2.4b (part of this could be reimbursed by the state govt). Also, the project entails 8,000 acres of land to be provided to the consortium by the government on 99 year lease for development of SEZ.

NCC Urban Infrastructure: Update on project progress

1. LoI received for HUDA project: The consortium comprising NCC Urban Infrastructure (26% stake), Tishman (37%) and ICICI Ventures (37%) has received Letter of Intent from Hyderabad Urban Development Authority for development of an integrated township over 400 acres. The development agreement is expected to be signed towards end June 2007. The land is being transferred at Rs42.1m per acre, of which 25% would have to be paid immediately, and 50% would have to be paid within six months. The remaining 25% can be paid post development of Phase 1, which could take ~3-4 years. Nagarjuna has first right of refusal for the construction contract.

2. Current Projects: NCC Urban Infrastructure has a land bank of 530 acre, of which 127 acres is contributed by NCC and 140 acres is from Ranchi and Vizag project (allotted by the government). In Phase 1, the company has drawn plans to develop 267acres, which entail a development area of 13.4m sq ft to be developed over a 4 year period, and possible revenues of Rs22b. On the remaining 263 acres, the company plans to start development over the next 12 months. The management has guided for revenues of: FY08 Rs3b (development of 1.2m sq ft), FY09 Rs8b (2.5m sq ft) and FY10 Rs10b (4.0m sq ft).

NCC URBAN INFRASTRUCTURE (PROJECTS UNDER DEVELOPMENT)

| | LAND (ACRES) | DEVEL. AREA (M SQ FT) | FLATS /VILLA (NOS) | REALI- ZATION (RS M) |
|-------------------------|-----------------|-----------------------------|--------------------------|----------------------------|
| SPVs | | | | |
| Ranchi Project | 55.0 | 2.5 | 1,800 | 3,300 |
| NCC Vizag | 85.0 | 3.0 | 0 | 4,000 |
| Total (A) | 140 | 5.5 | | 7,300 |
| NCC Urban Infra | | | | |
| Tulip Tower | 8.0 | 0.9 | 512 | 1,460 |
| Symphony Chennai | 9.3 | 0.7 | 400 | 1,320 |
| Gachibowli, Hyderabad | 9.0 | 1.0 | 192 | 3,080 |
| Bachupalli, Hyderabad | 25.0 | 0.7 | 225 | 4,000 |
| Puppala Guda, Hyderabad | 14.0 | 1.6 | 560 | 3,500 |
| Others (Bang. / Cochin) | 23.8 | 1.6 | 703 | 2,320 |
| Group, Hyderabad | 38.0 | 1.5 | 250 | 4,430 |
| Total (B) | 127 | 7.9 | | 20,110 |
| Total (A + B) | 267 | 13.4 | 4,642 | 27,410 |

Source: Company/ Motilal Oswal Securities

Progress on BOT projects:

NCC currently has a portfolio of 5 BOT road projects and 2 hydro power projects. The total outstanding equity commitment for all road BOT projects for the company is Rs2.2b.

Status of BOT projects:

- ✍ **Bangalore-Maddur Annuity Project** (Rs2.5b, NCC's share - 33.3%) has been completed and commenced commercial operation in June 2006. The expected ROE in the project is ~25% vs 18% at the time of bidding due to bonus for earlier completion (four months).

- ✍ **Meerut-Muzzafarpur Toll Project** (project value Rs5b, NCC's share 50%) is under construction and has achieved financial closure in June 2006.
- ✍ **Bangalore Elevated Corridor project** (project value Rs7.65b, NCC's share 30%) is currently under construction and financial closure was achieved in July 2006.
- ✍ **Oral - Bhognipur** (35kms) and **Bhognipur - Barah** (17.8kms) road projects on annuity basis (project value Rs5.2b, NCC's share 64%) achieved financial closure in August 2006.
- ✍ **Sorang HEP** (100MW) in Himachal Pradesh (project cost of Rs6b, NCC's share 30%). The company has completed the detailed feasibility of the project and is expected to achieve financial closure by mid FY08. The company plans to setup the project on merchant basis, and 12% free power is to be provided to the Government of Himachal Pradesh. It expects an equity IRR of 20% on the project.
- ✍ **Himalayan Green project (Sikkim, 280 MW):** The Company has 50% stake in the project and the Detailed Project Report (DPR) is currently under preparation. It expects to complete DPR towards end FY08 and

would have a window of six more months for achieving the financial closure.

Capex

The management indicated that total capex during FY07 stood at Rs2.5b. Target capex during FY08 stands at Rs1.7b. This is largely towards procurement of plant and machinery. Capex during FY07 excludes Rs850m of equity infusion in NCC Mauritius for purchase of equipments. The company carried out cash contract business in overseas market like Muscat, Oman, etc.

Valuation and view

We expect Nagarjuna Constructions to report net profit of Rs1.9b during FY08 (up 39.5% YoY) and Rs2.6b in FY09 (up 37.2% YoY). At the CMP of Rs170, the stock trades at reported PER of 25.8x FY07, 18.5x FY08E and 13.5x FY09E. Adjusted for the value of BOT projects (Rs6.3/sh), Real Estate (Rs26/sh) and Investments (Rs7/sh), the stock trades at PER of 21.1x FY07E, 15.1x FY08E and 11x FY09E. Maintain **Buy**, with price target of Rs190 per share.

Nagarjuna Construction: an investment profile

Company description

Nagarjuna Construction Company is a Hyderabad-based construction company, and has its origins from the partnership business Nagarjuna Construction Corporation established in 1978. It is promoted by Mr. A.V.S. Raju. The company has a fairly diversified business mix with a presence across roads, buildings, water, irrigation, hydro power etc.

Key investment arguments

- ✍ Effective current order book (including L1 projects and cash EPC contracts from own BOT portfolio) stands at Rs75b
- ✍ Recent Fund raising would further enhance net worth enabling it to bid for bigger ticket sized projects and also build a BOT portfolio
- ✍ NCC is focusing on several new verticals like gas pipelines, real estate development etc.

Key investment risks

- ✍ BOT projects depress initial RoE.
- ✍ Retention of experienced personnel is a challenge
- ✍ Infrastructure capex is highly cyclical and dependent on government policies

Recent developments

- ✍ NCC announced fund raising of upto US\$180m (Rs8.1b).
- ✍ NCC, Dishman and ICICI Ventures consortium has received LoI from Hyderabad Urban Development authority for development of an integrated township.

Valuations and view

- ✍ Based on SOTP methodology, we arrive at our PT to Rs190/sh.
- ✍ At the CMP of Rs170, the stock trades at reported PER of 25.8x FY07, 18.5x FY08E and 13.5x FY09E.

Sector view

- ✍ Increased government commitment towards infrastructure projects has led to several large projects taking off the ground
- ✍ We notice a trend of margin expansion, driven by changing composition of order book and higher margins at bidding stage
- ✍ BOT ventures could unlock sizable value

COMPARATIVE VALUATIONS

| | | NCC | IVRCL | HCC |
|---------------|-------|------|-------|------|
| P/E (x) | FY08E | 18.5 | 15.5 | 23.7 |
| | FY09E | 13.5 | 10.6 | 16.0 |
| P/BV (x) | FY08E | 1.5 | 1.7 | 1.9 |
| | FY09E | 1.3 | 1.5 | 1.7 |
| EV/Sales (x) | FY08E | 1.2 | 0.9 | 1.0 |
| | FY09E | 1.0 | 0.7 | 0.9 |
| EV/EBITDA (x) | FY08E | 12.4 | 8.8 | 10.6 |
| | FY09E | 9.8 | 6.7 | 8.4 |

SHAREHOLDING PATTERN (%)

| | MAR.07 | DEC.06 | MAR.06 |
|---------------|--------|--------|--------|
| Promoter | 24.6 | 25.0 | 25.7 |
| Domestic Inst | 14.9 | 13.6 | 8.6 |
| Foreign | 33.4 | 32.2 | 30.2 |
| Others | 27.1 | 29.2 | 35.6 |

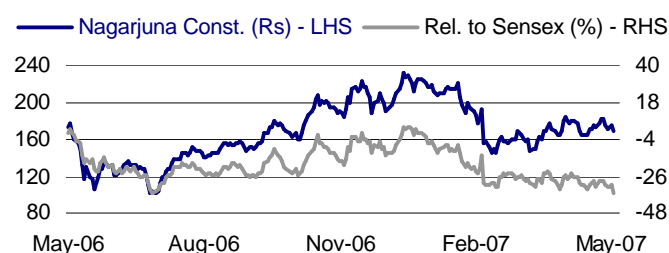
EPS: MOST FORECAST VS CONSENSUS (RS)

| | MOST FORECAST | CONSENSUS FORECAST | VARIATION (%) |
|------|---------------|--------------------|---------------|
| FY08 | 9.2 | 11.5 | -20.2 |
| FY09 | 12.6 | 14.3 | -12.0 |

TARGET PRICE AND RECOMMENDATION

| CURRENT PRICE (RS) | TARGET PRICE (RS) | UPSIDE (%) | RECO. |
|--------------------|-------------------|------------|-------|
| 170 | 190 | 12.0 | Buy |

STOCK PERFORMANCE (1 YEAR)



| INCOME STATEMENT | | (Rs Million) | | | | |
|---------------------------|---------------|---------------|---------------|---------------|---------------|--|
| Y/E MARCH | 2005 | 2006 | 2007 | 2008E | 2009E | |
| Net Sales | 11,885 | 18,404 | 28,711 | 40,717 | 56,420 | |
| Change (%) | 56.8 | 54.9 | 56.0 | 41.8 | 38.6 | |
| Construction Expenses | 10,407 | 15,803 | 24,572 | 34,530 | 48,045 | |
| Staff Cost | 309 | 473 | 844 | 1,561 | 1,951 | |
| Office and Site Est. Exps | 262 | 487 | 597 | 662 | 802 | |
| EBITDA | 907 | 1,641 | 2,698 | 3,964 | 5,622 | |
| % of Net Sales | 7.6 | 8.9 | 9.4 | 9.7 | 10.0 | |
| Depreciation | 109 | 182 | 299 | 398 | 514 | |
| Interest | 147 | 217 | 504 | 921 | 1,360 | |
| Other Income | 49 | 20 | 292 | 62 | 77 | |
| PBT | 700 | 1,262 | 2,186 | 2,707 | 3,824 | |
| Tax | 127 | 223 | 667 | 812 | 1,224 | |
| Rate (%) | 18.2 | 17.7 | 30.5 | 30.0 | 32.0 | |
| Reported PAT | 573 | 1,039 | 1,519 | 1,895 | 2,600 | |
| EO Expenses | 22 | 10 | -161 | 0 | 0 | |
| Adjusted PAT | 595 | 1,049 | 1,358 | 1,895 | 2,600 | |
| Change (%) | 88.0 | 76.3 | 29.5 | 39.5 | 37.2 | |

| BALANCE SHEET | | (Rs Million) | | | | |
|-------------------------|--------------|---------------|---------------|---------------|---------------|--|
| Y/E MARCH | 2005 | 2006 | 2007 | 2008E | 2009E | |
| Share Capital | 159 | 207 | 207 | 207 | 207 | |
| Reserves | 3,087 | 9,212 | 10,086 | 11,557 | 13,639 | |
| Net Worth | 3,255 | 9,450 | 10,293 | 11,764 | 13,846 | |
| Loans | 2,648 | 4,629 | 9,700 | 15,300 | 21,000 | |
| Deffered Tax Liability | 66 | 66 | 66 | 66 | 66 | |
| Capital Employed | 5,969 | 14,145 | 20,059 | 27,130 | 34,912 | |

| | | | | | |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|
| Gross Fixed Assets | 1,665 | 2,569 | 5,166 | 6,866 | 8,866 |
| Less: Depreciation | 576 | 720 | 1,019 | 1,417 | 1,931 |
| Net Fixed Assets | 1,089 | 1,849 | 4,147 | 5,449 | 6,935 |
| Capital WIP | 9 | 67 | 0 | 0 | 0 |
| Investments | 462 | 877 | 3,807 | 5,222 | 5,222 |
| Curr. Assets | 7,462 | 15,699 | 17,271 | 23,689 | 32,537 |
| Inventory | 1,523 | 3,893 | 4,720 | 6,693 | 9,275 |
| Debtors | 1,916 | 3,017 | 4,711 | 6,685 | 9,266 |
| Cash & Bank Balance | 1,372 | 2,809 | 874 | 1,303 | 1,149 |
| Loans & Advances | 2,629 | 5,942 | 6,928 | 8,970 | 12,809 |
| Other Current Assets | 21 | 39 | 39 | 39 | 39 |
| Current Liab. & Prov. | 3,087 | 4,368 | 5,166 | 7,230 | 9,782 |
| Creditors | 2,160 | 3,107 | 3,366 | 4,730 | 6,582 |
| Other Liabilities | 621 | 803 | 1,100 | 1,500 | 1,800 |
| Provisions | 305 | 457 | 700 | 1,000 | 1,400 |
| Net Current Assets | 4,375 | 11,331 | 12,105 | 16,459 | 22,756 |
| Misc. Expenses | 34 | 22 | 0 | 0 | 0 |
| Application of Funds | 5,969 | 14,146 | 20,059 | 27,130 | 34,912 |

E: MOST Estimates

| RATIOS | | | | | | |
|---------------------------------|------------|------------|------------|------------|-------------|--|
| Y/E MARCH | 2005 | 2006 | 2007 | 2008E | 2009E | |
| Basic (Rs) | | | | | | |
| Adjusted EPS | 3.7 | 5.1 | 6.6 | 9.2 | 12.6 | |
| Growth (%) | -32.3 | 35.7 | 29.5 | 39.5 | 37.2 | |
| Cash EPS | 4.4 | 6.0 | 8.0 | 11.1 | 15.1 | |
| Book Value | 40.5 | 91.3 | 99.6 | 113.9 | 134.0 | |
| DPS | 0.6 | 0.8 | 12 | 18 | 2.2 | |
| Payout (incl. Div. Tax.) | 18.8 | 18.1 | 18.6 | 22.4 | 19.9 | |
| Valuation | | | | | | |
| P/E (standalone) | | 33.4 | 25.8 | 18.5 | 13.5 | |
| Cash P/E | | 28.5 | 21.1 | 15.3 | 11.3 | |
| EV/EBITDA | | 22.5 | 16.3 | 12.4 | 9.8 | |
| EV/Sales | | 2.0 | 1.5 | 1.2 | 1.0 | |
| Price/Book Value | | 19 | 1.7 | 1.5 | 1.3 | |
| Dividend Yield (%) | | 0.5 | 0.7 | 1.1 | 1.3 | |
| Profitability Ratios (%) | | | | | | |
| RoE | 24.5 | 16.6 | 13.8 | 17.2 | 20.3 | |
| RoCE | 18.5 | 14.7 | 15.7 | 15.4 | 16.7 | |
| Turnover Ratios | | | | | | |
| Debtors (Days) | 59 | 60 | 60 | 60 | 60 | |
| Inventory (Days) | 47 | 77 | 60 | 60 | 60 | |
| Creditors. (Days) | 76 | 72 | 50 | 50 | 50 | |
| Asset Turnover (x) | 2.6 | 18 | 1.7 | 1.7 | 1.8 | |
| Leverage Ratio | | | | | | |
| Debt/Equity (x) | 0.8 | 0.5 | 0.9 | 1.3 | 1.5 | |

| CASH FLOW STATEMENT | | (Rs Million) | | | | |
|------------------------------|--------------|---------------|---------------|---------------|---------------|--|
| Y/E MARCH | 2005 | 2006 | 2007 | 2008E | 2009E | |
| PBT before Extraordinary Itc | 700 | 1,262 | 2,186 | 2,707 | 3,824 | |
| Add : Depreciation | 109 | 182 | 299 | 398 | 514 | |
| Interest | 147 | 217 | 504 | 921 | 1,360 | |
| Less : Direct Taxes Paid | 127 | 223 | 667 | 812 | 1,224 | |
| (Inc)/Dec in WC | -1,376 | -5,519 | -2,709 | -3,925 | -6,451 | |
| CF from Operations | -547 | -4,082 | -387 | -711 | -1,976 | |
| (Inc)/Dec in FA | -287 | -999 | -2,530 | -1,700 | -2,000 | |
| (Pur)/Sale of Investments | -458 | -415 | -2,930 | -1,415 | 0 | |
| CF from Investments | -745 | -1,414 | -5,460 | -3,115 | -2,000 | |
| (Inc)/Dec in Networth | 1,154 | 5,357 | -373 | 0 | 0 | |
| (Inc)/Dec in Debt | 1,108 | 1,981 | 5,071 | 5,600 | 5,700 | |
| Less : Interest Paid | 147 | 217 | 504 | 921 | 1,360 | |
| Dividend Paid | 108 | 188 | 283 | 424 | 518 | |
| CF from Fin. Activity | 2,007 | 6,933 | 3,911 | 4,255 | 3,821 | |
| Inc/Dec of Cash | 715 | 1,437 | -1,935 | 429 | -155 | |
| Add: Beginning Balance | 657 | 1,372 | 2,809 | 874 | 1,303 | |
| Closing Balance | 1,372 | 2,809 | 874 | 1,303 | 1,149 | |

N O T E S



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| Disclosure of Interest Statement | Nagarjuna Construction |
|---|-------------------------------|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

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