Motilal Oswal

16 November 2011

2QFY12 Results Update | Sector: Capital Goods

BHEL

BSE SENSEX	S&P CNX
16,883	5,069
Bloomberg	BHEL IN
Equity Shares (m)	2,447.6
52-Week Range (INR)	482/308
1,6,12 Rel. Perf. (%)	-6/-16/-18
M.Cap. (INR b)	761.2
M.Cap. (USD b)	15.0

CMP: INR311 TP: INR301 Neutral

YEAR END	NET SALES (INR M)	PAT (INR M)	EPS (INR)	EPS GR (%)	P/E (X)	P/BV (X)	ROE (%)	ROCE (%)	EV/ SALES	EV/ EBITDA
03/10A	333,549	46,839	19.1	31.3	–	–	32.5	36.5	–	–
03/11A	404,443	56,599	23.1	20.8	13.4	3.8	31.4	34.9	1.7	8.2
03/12E	492,590	64,250	26.3	13.5	11.8	3.1	28.8	30.2	1.3	6.7
03/13E	577,831	73,598	30.1	14.6	10.3	2.6	27.3	27.3	1.1	5.7

- **Operational performance in line with expectations:** BHEL's revenue for 2QFY12 grew 24% YoY to INR103b, higher than our estimate of INR99b, driven by strong execution. Reported PAT of INR14.1b was positively impacted by INR1,660m (pre-tax) due to change in accounting policy related to provision of leave encashment. Adjusted for this, PAT was in line with our estimate at INR12.9b (up 12% YoY).
- **Moderate growth in order intake:** BHEL booked new orders worth INR143b in 2QFY12, up 6% YoY, driven by strong order inflow in Industry segment (up 134% YoY to INR51b). Power segment orders declined 18% YoY to INR135b due to industry-wide slowdown.
- **EBITDA margin impacted by higher provisions:** Adjusted EBITDA margin declined 260bp YoY, led by Power segment (EBIT margin down 200bp YoY). EBITDA margin was impacted by sharp rise in other expenditure (up 78% YoY at 10.6% of sales), which in turn was driven by much higher provisions mainly relating to contractual obligations and liquidated damages. Change in accounting policy boosted EBITDA by INR1.66b, a part of which is recurring.
- **Cutting earnings estimates on lower order intake assumptions:** The Indian power equipment market is going through a tough phase, with slowing demand and rising costs. Lack of coal linkage, volatile spot prices and several other hurdles like land availability have adversely impacted new project awards in the past one year. We have lowered our order intake growth assumption for BHEL to -3% in FY12 from 9% earlier and to 3% in FY13 from 9% earlier. We cut our earnings estimates by 6% for FY12 and by 9% for FY13.
- **Downgrading stock to Neutral with revised target price of INR301:** Despite YTD underperformance of 16%, we believe BHEL's valuations will remain under pressure due to the following: (1) possible downside to our order intake assumptions for FY12/13 due to worsening external environment in the power sector, (2) downside risk to FY13 earnings estimates due to execution constraints and deteriorating working capital, and (3) uncertainty around its proposed follow-on public offer (FPO). We downgrade the stock to **Neutral**.

Quarterly Performance (INR Million)

Y/E March	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Sales (Net)	64,797	83,284	88,493	179,214	71,257	102,986	104,108	205,871	415,788	484,222
Change (%)	15.8	25.7	24.6	32.2	10.0	23.7	17.6	14.9	26.5	16.5
EBITDA	9,670	16,324	20,717	42,916	11,133	19,592	22,064	41,009	89,627	93,797
Change (%)	63.4	32.5	32.7	49.4	15.1	20.0	6.5	-4.4	43.2	4.7
As a % Sales	14.6	19.2	23.0	23.4	15.3	18.6	20.8	19.7	21.1	19.0
Adjusted EBITDA	10,276	17,047	21,474	35,507	11,133	17,932	22,064	41,009	84,304	93,797
Change (%)	73.6	38.4	37.5	1.2	8.3	5.2	2.7	15.5	22.3	11.3
As a % Sales	15.2	19.6	23.2	22.2	15.3	17.0	20.8	19.7	20.7	19.0
Interest	38	59	145	305	88	96	160	259	547	603
Depreciation	1,269	1,341	1,447	1,384	1,709	1,888	1,700	1,762	5,441	7,060
Other Income	1,635	1,620	1,529	1,634	2,487	2,199	2,524	2,553	6,418	9,761
PBT	9,998	16,544	20,655	42,881	11,822	19,806	22,728	41,539	90,057	95,895
Tax	3,301	5,121	6,623	14,901	3,667	5,686	7,727	14,566	29,945	31,645
Effective Tax Rate (%)	33.0	31.0	32.1	34.7	31.0	28.7	34.0	35.1	33.3	33.0
Reported PAT	6,697	11,423	14,032	27,980	8,155	14,120	15,000	26,974	60,112	64,250
Change (%)	42.3	33.2	30.8	46.5	21.8	23.6	6.9	-3.6	39.5	6.9
Adj. PAT	7,104	11,569	14,346	23,580	8,155	12,937	15,000	26,974	56,599	64,250
Change (%)	56.7	34.9	29.3	4.2	14.8	11.8	4.6	14.4	20.8	13.5

E: MOSL Estimates

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2QFY12 operational performance in-line; cutting estimates, downgrading to Neutral due to worsening order-intake outlook

- **Operational performance in line with expectations:** BHEL's revenue for 2QFY12 grew 24% YoY to INR103b, higher than our estimate of INR99b, driven by strong execution. Adjusted EBITDA margin was 17%, down 260bp YoY (below our estimate of 19%). EBITDA margin declined mainly due to higher provisions on account of contractual obligations and liquidated damages. Reported PAT of INR14.1b was positively impacted by INR1,660m (pre-tax) change in accounting policy related to provision of leave encashment. Adjusted for this, PAT was in line with our estimate at INR12.9b (up 12% YoY).
- **Power division posts moderate growth; Industry segment shows robust performance:** Growth in Power segment revenue was muted during 2QFY12 - up 11% YoY to INR78b. The Industry segment posted strong growth - up 78% YoY to INR30b, as a number of projects are reaching advanced stages of revenue recognition. Power division contributed 72% to total revenue and Industry division contributed 28%.
- **Moderate growth in order intake:** BHEL booked new orders worth INR143b in 2QFY12, up 6% YoY, driven by strong order inflow in Industry segment (up 134% YoY to INR51b). Power segment orders declined 18% YoY to INR135b due to industry-wide slowdown.
- **EBITDA margin impacted by higher provisions:** Adjusted EBITDA margin declined 260bp YoY, led by Power segment (EBIT margin down 200bp YoY). EBITDA margin was impacted by sharp rise in other expenditure (up 78% YoY at 10.6% of sales), which in turn was driven by much higher provisions (net addition of INR4.97b in 2QFY12 v/s INR750m in 2QFY11). Change in accounting policy, which resulted in lower staff cost during the quarter, however, boosted EBITDA by INR1.66b, a part of which is recurring in nature.
- **Cutting estimates; downgrading stock to Neutral:** In light of growing concerns on the Power segment, we have lowered our order intake estimates by 11% for FY12 and by 15% for FY13. We expect order intake to decline by 3% in FY12 and to register a marginal growth of 3% in FY13. We have cut our earnings estimates by 6% for FY12 and by 9% for FY13. Our revised EPS estimates are INR26.3 for FY12 and INR30.1 for FY13. We downgrade the stock to Neutral, driven by possible downside to our order intake assumptions, growing execution constraints and uncertainty around the proposed follow-on public offer (FPO).

Change in estimates: 6-9% downgrade in EPS (change in estimates, INR m)

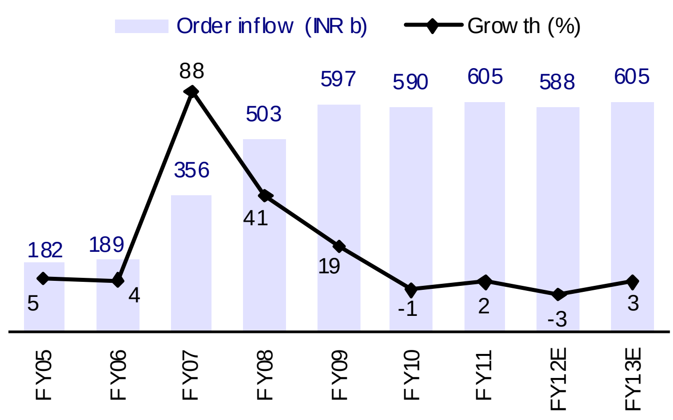
	Revised		Earlier		% Change	
	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Order Intake	**587,823**	**605,166**	**657,801**	**715,290**	**(10.6)**	**(15.4)**
Growth %	(2.9)	3.0	9.0	9.0		
Sales	**492,590**	**577,831**	**506,107**	**608,622**	**(2.7)**	**(5.1)**
Growth %	21.8	17.3	25.2	20.3		
EBITDA	**93,797**	**110,293**	**100,966**	**121,075**	**(7.1)**	**(8.9)**
Margin %	19.0	19.1	19.9	19.9	(90bp)	(80bp)
PAT	**64,250**	**73,598**	**68,022**	**80,715**	**(5.5)**	**(8.8)**
Growth %	13.5	14.6	20.2	18.7		
EPS (INR)	**26.3**	**30.1**	**27.8**	**33.0**	**(5.6)**	**(8.9)**

Source: Company/MOSL

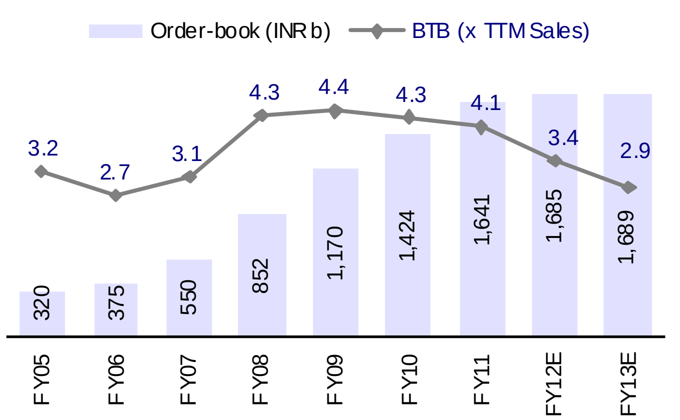
Downgrading stock to Neutral

- Despite YTD underperformance of 16%, we believe BHEL's valuations will remain under pressure due to the following:
  1. Possible downside to our order intake assumptions for FY12/13 due to worsening external environment in the power sector. We believe that despite 20-25GW of projects in the pipeline, ordering will be muted over the foreseeable future due to lack of action by various Ministries of the Government. With growing concerns on coal and funding, we do not see any significant activity by the private sector as well over the next 18 months.
  2. Lower order intake and growing execution constraints (due to shortage of coal, land, water) can impact FY13 revenue, and hence, earnings. Falling customer advances (due to lower order intake), coupled with rising retention money (due to accelerating execution), can also adversely impact working capital, and hence, cash generation.
  3. Uncertainty around its proposed follow-on public offer (FPO) will remain an overhang.
- Key investment arguments for our bullish view on BHEL in the past were a strong annual demand of 20-25GW for power equipment in India during next five years and BHEL's capability to maintain around 50% market share despite competition. While BHEL has maintained its dominance in the sector, the demand outlook for BTG has sharply deteriorated in the past six months due to various factors. We believe the external environment needs to significantly improve to drive growth in the industry and BHEL's performance.

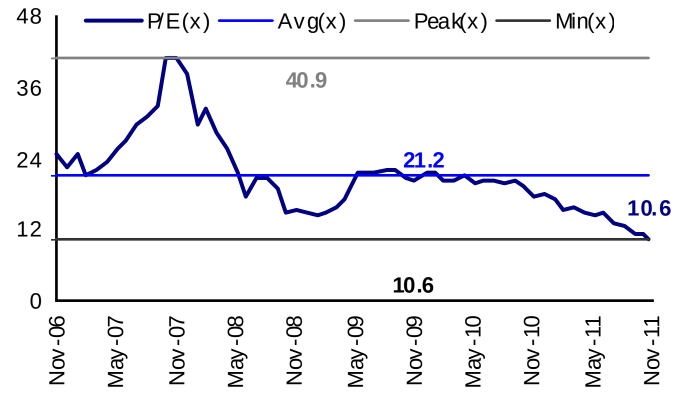
Stagnant order inflow since FY09



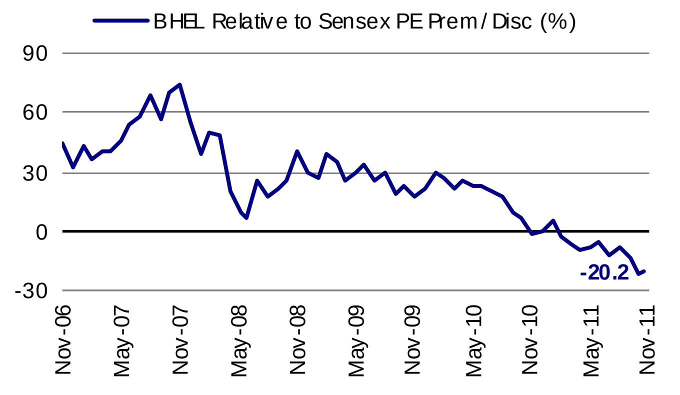
Declining trend in BTB



Trading at 50% discount to long-term average P/E



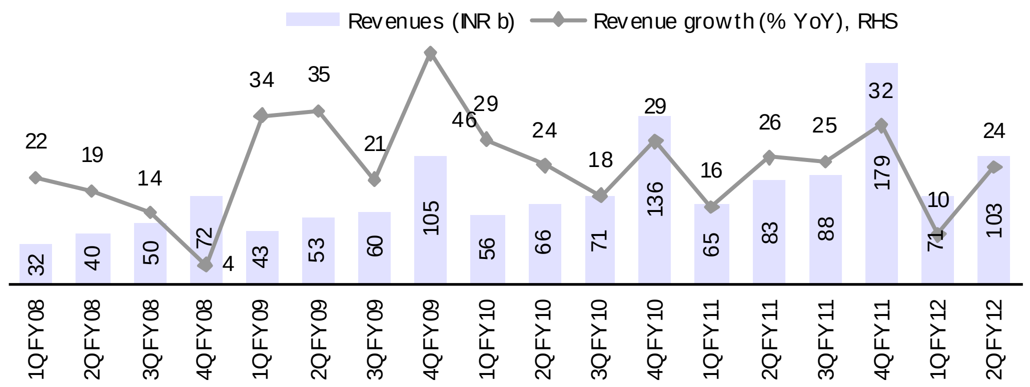
Trading at steepest discount to Sensex in five years



Strong revenue growth driven by healthy execution; capacity expansion on track

- BHEL's revenue for 2QFY12 grew 24% YoY to INR103b, higher than our estimate of INR99b, driven by strong growth in the Industry segment and healthy execution.
- Growth in Power segment revenue was muted during 2QFY12 - up 11% YoY to INR78b. The Industry segment posted strong growth - up 78% YoY to INR30b, as a number of projects are reaching advanced stages of revenue recognition.
- The company is well on track to expand capacity to 20GW per annum by the end of FY12. We believe that with expanded capacity, BHEL will be able to grow production at an accelerated pace in FY13-14.

Strong revenue growth, driven by Industry segment



Source: Company/MOSL

PAT in line, driven by higher sales and lower tax rate

- Adjusted PAT for 2QFY12 was INR12.9b (up 12% YoY), in line with our estimate. Reported PAT was INR14.1b, up 24% YoY, positively impacted by change in accounting policy related to provision for leave encashment. The cumulative positive impact of this was a decline of INR1660m in staff cost, part of which is recurring in nature.
- Tax rate declined during the quarter to 28.7% from 31% in 2QFY11 because of tax credit on account of R&D expenditure.

Power division posts moderate growth; Industry segment shows robust performance

- Growth in Power segment revenue was muted during 2QFY12 - up 11% YoY to INR78b. The Industry segment posted strong growth - up 78% YoY to INR30b, as a number of projects are reaching advanced stages of revenue recognition. Power division contributed 72% to total revenue and Industry division contributed 28%.
- The company maintained that execution on all power projects is on track, which will help boost Power segment growth in following quarters.
- EBIT margin for the Power division continues to be subdued (down 324bp YoY) at 16.9% due to unfavorable sales mix. For the Industry division, EBIT margin expanded 670bp YoY to 27%, as projects are reaching the margin recognition threshold.
- We believe that larger industrial projects with higher rated capacity will help sustain margins. Also, we believe that margin decline in the Power segment is temporary, and

expect margins to revert to previous levels once the sales mix reverses in coming quarters.

- In the Industry segment, BHEL has made new forays into Railways (propulsion systems for locomotives of 700HP range with Alstom), Defense (naval guns), etc. These will keep the long-term drivers for the Industry segment intact. The management foresees consistent revenue growth of 20-25% for this segment in the next 4-5 years.

Segmental performance (INR m)

	FY11				FY12	
	1Q	2Q	3Q	4Q	1Q	2Q
Revenues	67,869	87,155	94,250	188,535	74,332	107,575
Power	53,999	70,547	72,820	151,444	57,803	77,973
Growth (%)	18.2	30.0	27.6	35.8	7.0	10.5
Industry	13,870	16,608	21,429	37,091	16,529	29,602
Growth (%)	*4.1*	*4.1*	18.9	17.8	*19.2*	*78.2*
EBIT	**12,405**	**17,554**	**20,863**	**51,213**	**13,314**	**21,163**
Power	10,701	14,185	16,321	41,363	9,581	13,159
Growth (%)	29.2	71.3	45.5	216.1	(10.5)	(7.2)
Industry	1,704	3,368	4,542	9,851	3,733	8,004
Growth (%)	5.2	107.9	67.9	143.2	119.1	137.6
EBIT margin (%)	**18.3**	**20.1**	**22.1**	**27.2**	**17.9**	**19.7**
Power	19.8	20.1	22.4	27.3	16.6	16.9
Industry	12.3	20.3	21.2	26.6	22.6	27.0

Source: Company/MOSL

EBITDA margin impacted by higher provisions; Power segment profitability declines

- Adjusted EBITDA margin declined 260bp YoY, led by the Power sector (EBIT margin down 200bp YoY). With growth in sales and possible correction in commodity prices, we expect EBITDA margin to sustain at ~19% in FY12/13.
- EBITDA margin was impacted due to sharp rise in other expenditure (up 78% YoY at 10.6% of sales) on the back of much higher provisions (net addition of INR4.97b in 2QFY12 v/s INR750m in 2QFY11) primarily related to contractual obligations and liquidated damages. Change in accounting policy, which resulted in lower staff cost during the quarter, however, boosted EBITDA by INR1.66b, a part of which is recurring in nature.
- RM/sales was 58% (down 45bp YoY) while staff cost declined 209bp YoY to 12.8% of sales. Adjusted for change in accounting policy relating to leave encashment, staff cost remained flat YoY at 14.4% of sales.

Operating cost break-up: Material costs decline 45bp YoY

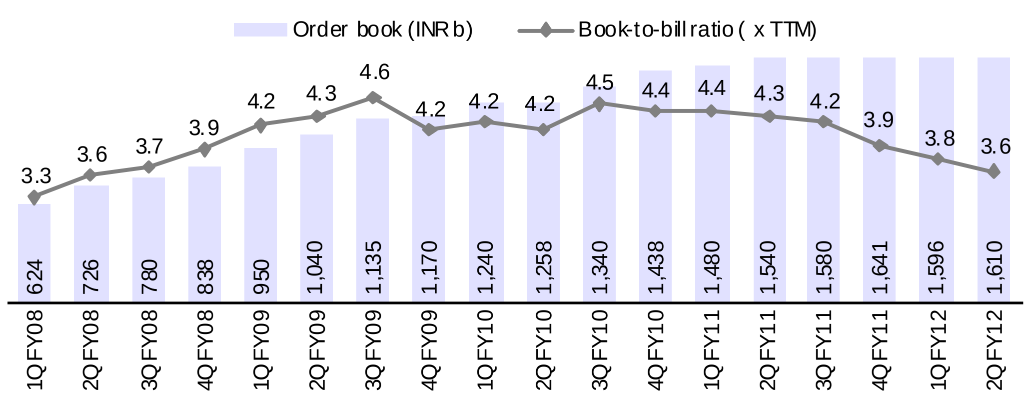
	2QFY11	3QFY10	4QFY10	1QFY11	2QFY11	3QFY11	4QFY11	1QFY12	2QFY12	YoY. Ch (bp)
RM Cost	56.4	54.5	57.6	57.7	58.5	53.3	48.7	57.1	58.0	(45)
Staff Cost	15.9	17.0	12.5	20.3	14.9	14.9	7.9	17.9	12.8	(209)
Other Costs	9.4	6.9	9.3	7.4	7.4	8.8	19.9	9.7	10.6	319

Source: Company/MOSL

Order intake shows moderate growth, impacted by slowdown in Power segment; strong inflow of Industry orders

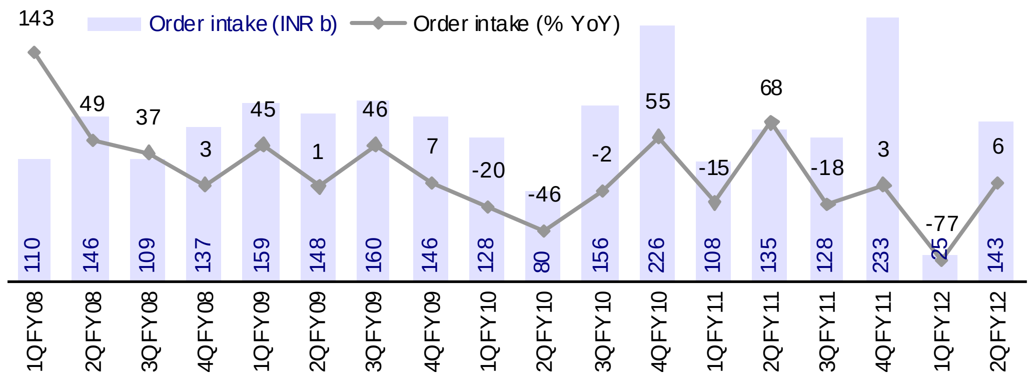
- BHEL booked new orders worth INR143b, up 6% YoY, driven by strong order inflow in the Industry segment (up 134% YoY to INR51b). Order book currently stands at INR1,610b, 3.6x TTM sales.
- Power segment orders are down 18% YoY at INR90b, impacted by industry-wide issues relating to coal shortage, land acquisition, high interest rate, etc. BHEL bagged two major orders - 2x660MW from DB Power worth INR37.6b, and 2x660MW from Singareni Colliery worth INR40.72b.
- The company has 15-20GW pipeline of Power segment orders at advanced stages of booking (including NTPC bulk order) and another 1,500-2,000MW orders with letter of intent. We believe BHEL stands to gain market share in FY12/13, given that majority of orders will be in government sector.
- NTPC opened price bids for boiler package of 9x800MW bulk tender worth INR120b on 14 September 2011 followed by turbine package worth INR72b. As per the tender document, the boiler package of the projects (4 projects with 9 boiler units of 800MW each) will be awarded to two players (L1 and L2), with assured order of 5 units (if L1) or 4 units (if L2) to BHEL (provided it matches L1 price). TG package will be split among three players, with assured order of 5 units (if L1) or 2 units (if L2/L3 or lower) to BHEL (provided it matches L1 price). BHEL will win 4 boilers and 2 TG sets worth ~INR68b if it matches L1 price.
- The boiler order awards, part of the bulk tendering by NTPC and DVC for 11 sets of 660MW are under arbitration due to the stay order brought in by one of the bidders, Gammon-Ansaldo. The Supreme Court is expected to hear the case, following which NTPC will open the price bids. Once this process is completed, we expect final award of 11x660MW boiler and turbine package.
- The company has formed several joint ventures with SEBs for development of projects. Its JV with Karnataka SEB is already developing 16GW, while its JV with Tamil Nadu SEB is expected to award the contract by the end of FY12. BHEL's JVs with MP SEB and Maharashtra SEB will most likely be pushed to next year.

Robust order book, BTB ratio to drive execution



Source: Company/MOSL

Order intake during 2QFY12 was INR143b, up 6% YoY



Source: Company/MOSL

Balance sheet healthy; moderate increase in working capital

- BHEL's balance sheet as of September 2011 remains healthy. Working capital is up from 35 days at the end of 2QFY11 to 64 days at the end of 2QFY12, driven by higher debtors (up from 227 to 252 days) and lower current liabilities (down from 304 to 271 days). Rise in debtors is led by sharp rise in deferred payments (which includes retention money) to INR150b (INR90b as at the end of FY11).

Balance Sheet (INR m)

	Sep-10	Mar-11	Sep-11
Share Capital	4,895	4,895	4,895
Reserves & surplus	172,377	196,643	218,919
Net Worth	**177,272**	**201,538**	**223,814**
Loan Funds	4,170	1,634	14,801
Capital Employed	**181,442**	**203,172**	**238,615**
Net Fixed Assets	**41,159**	**51,631**	**53,793**
Investments	4,284	4,392	4,617
DTA	15,175	21,636	23,656
Inventories	107,081	109,630	131,586
Sundry Debtors	221,039	273,546	305,693
Cash & Bank	86,770	96,302	79,491
Other Current Assets	2,587	3,096	3,087
Loans and Advances	38,882	32,373	34,102
Total Current Assets	**456,359**	**514,947**	**553,959**
Current Liabilities	295,584	313,466	328,381
Provisions	39,950	75,968	69,029
Net Current Assets	**120,825**	**125,514**	**156,549**
Total Assets	**181,443**	**203,171**	**238,615**

Source: Company/MOSL

- Current liabilities decreased mainly due to lower customer advances, driven by slower order inflow.
- Loan funds increased to INR14.8b from INR4.2b on account of increase in packing credit.

Valuation and view

- We downgrade the stock to **Neutral**, with a revised target price of INR301 (10x FY13E EPS). Despite YTD underperformance of 16%, we believe BHEL's valuations will remain under pressure due to the following: (1) possible downside to our order intake assumptions for FY12/13 due to worsening external environment in the power sector, (2) downside risk to FY13 earnings estimates due to execution constraints and deteriorating working capital, and (3) uncertainty around its proposed follow-on public offer (FPO).

BHEL: an investment profile

Company description

BHEL is India's dominant producer of power and industrial machinery and a leading EPC company, established in the late 1950s as the government's wholly-owned subsidiary. Post divestment, the government currently has an equity stake of 67.7%. BHEL has 14 manufacturing divisions, 8 service centers, 4 power sector regional centers, besides project sites spread across India and abroad. It has an annual installed capacity of 6,000MW. It has formed a tie-up with Alstom and an alliance with Siemens for the manufacture of super-critical 800MW boilers and turbines, respectively.

Key investment arguments

- Order backlog at the end of 2FY12 stands at INR1610, with a book to bill ratio of 3.6 TTM revenue, providing the best revenue visibility in our Engineering universe. We expect earnings and revenue to grow at a CAGR of 14% and 20%, respectively over FY11-13.
- Post capacity expansion to 20GW by the end of FY12, BHEL's capacity will be at par with its Chinese and Korean counterparts, giving BHEL sizeable muscle to compete, execute and deliver on time.

Key investment risks

- The key challenge is to meet execution deadlines and improve cost efficiencies.
- Intensified competition from Chinese, Korean and private Indian player (L&T).

Recent developments

- The boiler order awards, part of the bulk tendering by NTPC and DVC for 11 sets of 660MW are under arbitration due to the stay order brought in by one of the bidders, Gammon-Ansaldo. The matter is sub-judice in Supreme Court.
- BHEL is expected to win orders worth INR68b in NTPC bulk tender-2 (9x800MW) if it matches L1 price.

Valuation and view

- We expect BHEL's earnings and revenue to grow at a CAGR of 14% and 20%, respectively over FY11-13. Our EPS estimates are INR26 for FY12 and INR30 for FY13.
- We are downgrading the stock to **Neutral** due to concerns on order inflow in the Power segment and growing execution risk. Our price target stands at INR301 (10x FY13E EPS).

Sector view

- We have a neutral view on the sector.

Comparative valuations

		BHEL	L&T	Crompton
P/E (x)	FY12E	11.8	15.6	15.7
	FY13E	10.3	13.7	11.2
P/BV (x)	FY12E	3.1	3.0	2.1
	FY13E	2.6	2.7	1.8
EV/Sales (x)	FY12E	1.3	1.5	0.8
	FY13E	1.1	1.3	0.7
EV/EBITDA (x)	FY12E	6.7	13.1	8.9
	FY13E	5.7	11.6	6.8

Shareholding Pattern (%)

	Sep-11	Jun-11	Sep-10
Promoter	67.7	67.7	67.7
Domestic Inst	13.4	12.7	11.2
Foreign	13.0	13.2	14.8
Others	5.9	6.3	6.3

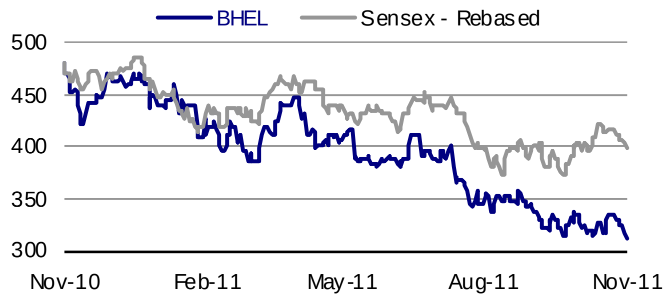
EPS: MOSL forecast v/s consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	26.3	26.9	-2.4
FY13	30.1	30.0	0.3

Target price and recommendation

Current Price (Rs)	Target Price (Rs)	Upside (%)	Reco.
311	301	-3.2	Neutral

Stock performance (1 year)



Financials and Valuation

Income Statement					(INR Million)
Y/E March	2009	2010	2011	2012E	2013E
Total Income	**267,879**	**333,549**	**404,443**	**492,590**	**577,831**
Change (%)	35.8	25.4	21.0	21.8	17.3
Staff Cost	41,127	52,432	54,769	60,304	68,097
Mfg. Expenses	164,685	198,857	230,817	310,341	359,043
Selling Expenses	19,877	23,059	38,323	28,148	40,398
EBITDA	**42,189**	**59,200**	**80,534**	**93,797**	**110,293**
Change (%)	12.8	40.3	36.0	16.5	17.6
% of Net Sales	15.7	17.7	19.9	19.0	19.1
Depreciation	3,343	4,580	5,441	7,060	8,711
Interest	307	335	547	603	661
Other Income	9,829	11,549	10,206	9,761	10,592
Extra-ord. Items (net)	119	73	-4,527	0	0
PBT	**48,488**	**65,907**	**90,075**	**95,895**	**111,513**
Tax	17,106	22,800	30,759	31,645	37,914
Rate (%)	35.3	34.6	34.1	33.0	34.0
Reported PAT	**31,382**	**43,107**	**60,112**	**64,250**	**73,598**
Adjusted PAT	**35,670**	**46,839**	**56,599**	**64,250**	**73,598**
Change (%)	42.1	31.3	20.8	13.5	14.6

Balance Sheet					(INR Million)
Y/E March	2009	2010	2011	2012E	2013E
Share Capital	4,895	4,895	4,895	4,895	4,895
Reserves	124,492	154,278	196,643	239,845	289,332
Net Worth	**129,387**	**159,174**	**201,538**	**244,740**	**294,227**
Loans	1,494	1,278	1,634	1,634	1,634
Differed Tax Liability	-18,403	-15,272	-21,636	0	0
Capital Employed	**112,478**	**145,179**	**181,536**	**246,373**	**295,861**
Gross Fixed Assets	52,249	65,801	80,497	103,037	124,827
Less: Depreciation	37,545	41,647	46,488	54,046	62,757
Net Fixed Assets	**14,704**	**24,154**	**34,009**	**48,991**	**62,070**
Capital WIP	11,570	15,296	17,622	10,000	5,000
Investments	523	798	4,392	4,392	4,392
Curr. Assets	**369,011**	**429,348**	**514,947**	**609,785**	**682,754**
Inventory	78,370	92,355	109,630	132,663	155,672
Debtors	159,755	206,888	273,546	305,126	342,479
Cash & Bank Balanc	103,147	97,901	96,302	128,790	134,154
Loans & Advances	24,237	28,137	32,373	39,799	46,702
Other Current Asse	3,502	4,069	3,096	3,406	3,747
Curr. Liab. & Prov	**283,329**	**324,417**	**389,434**	**407,789**	**455,487**
Creditors	58,529	75,798	96,019	123,286	147,552
Other Liabilities	175,045	204,439	217,447	218,063	238,094
Provisions	49,756	44,180	75,968	66,440	69,842
Net Current Asse	**85,682**	**104,931**	**125,514**	**201,996**	**227,267**
Appli. of Funds	**112,479**	**145,179**	**181,536**	**265,378**	**298,728**

E: MOSL Estimates

Ratios					
Y/E March	2009	2010	2011	2012E	2013E
Basic (INR)					
EPS	**14.6**	**19.1**	**23.1**	**26.3**	**30.1**
Change (%)	-28.9	31.3	20.8	13.5	14.6
Cash EPS	79.7	105.0	126.7	145.7	168.1
Book Value	52.9	65.0	82.3	100.0	120.2
DPS	3.4	4.7	6.2	7.4	8.4
Payout (incl. Div. Tax.)	26.5	26.5	25.4	28.0	28.0
Valuation (x)					
P/E			13.4	11.8	10.3
Cash P/E			12.3	10.7	9.2
EV/EBITDA			8.2	6.7	5.7
EV/Sales			1.7	1.3	1.1
Price/Book Value			3.8	3.1	2.6
Dividend Yield (%)			2.0	2.4	2.7
Return Ratio					
RoE	30.1	32.5	31.4	28.8	27.3
RoCE	34.5	36.5	34.9	30.2	27.3
Turnover Ratios					
Debtors (Days)	208	221	240	230	220
Inventory (Days)	109	103	101	100	100
Creditors. (Days)	81	84	88	93	95
Asset Turnover (x)	17.8	13.6	11.7	9.9	9.2
Leverage Ratio					
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement					(INR Million)
Y/E March	2009	2010	2011	2012E	2013E
PBT bef. EO Items	**48,369**	**65,834**	**84,752**	**95,895**	**111,513**
Add : Depreciation	3,343	4,580	5,441	7,060	8,711
Interest	307	335	547	603	661
Less : Direct taxes paid	17,106	22,800	30,759	31,645	37,914
(Inc)/Dec in WC	12,443	-24,495	-22,182	-24,988	-36,045
CF from Operation	**47,355**	**23,454**	**37,799**	**46,924**	**46,926**
EO Income	119	73	4,527	0	0
CF from Op. Incl. E	**47,474**	**23,527**	**42,326**	**46,924**	**46,926**
(Inc)/dec in FA	-13,223	-17,756	-17,622	-14,420	-16,790
(Pur)/Sale of Investme	-441	-275	-3,593	0	0
CF from Investmen	**-13,663**	**-18,031**	**-21,216**	**-14,420**	**-16,790**
(Inc)/Dec in Networth	-5,024	3,131	-6,270	21,636	0
(Inc)/Dec in Debt	542	-216	356	0	0
Less : Interest Paid	307	335	547	603	661
Dividend Paid	9,736	13,321	17,841	21,048	24,111
CF from Fin. Activ	**-14,525**	**-10,741**	**-24,302**	**-16**	**-24,772**
Inc/Dec of Cash	**19,286**	**-5,245**	**-3,192**	**32,488**	**5,364**
Add: Beginning Balance	83,860	103,147	97,901	96,302	128,790
Closing Balance	**103,146**	**97,902**	**96,338**	**128,790**	**134,154**

N O T E S

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