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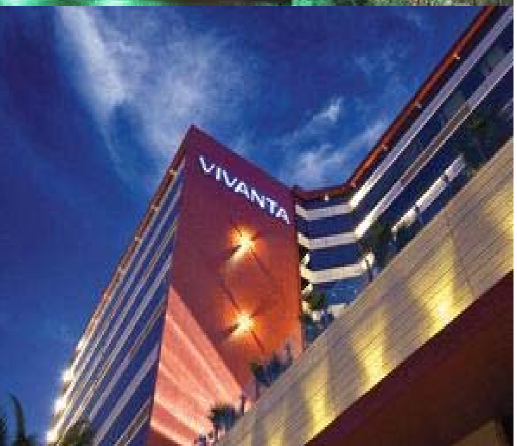

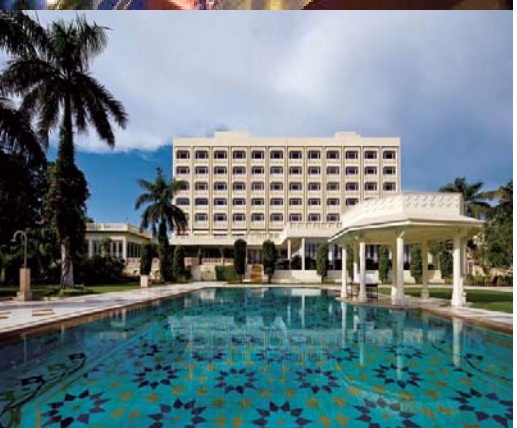

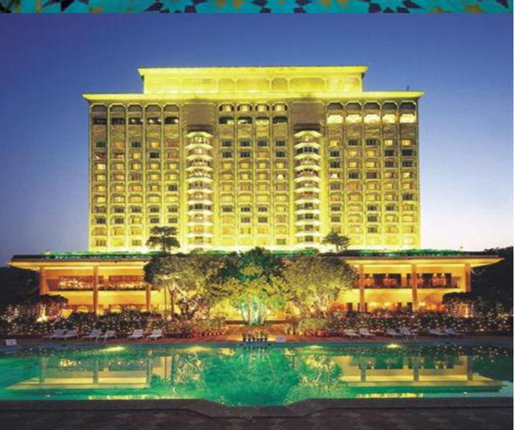

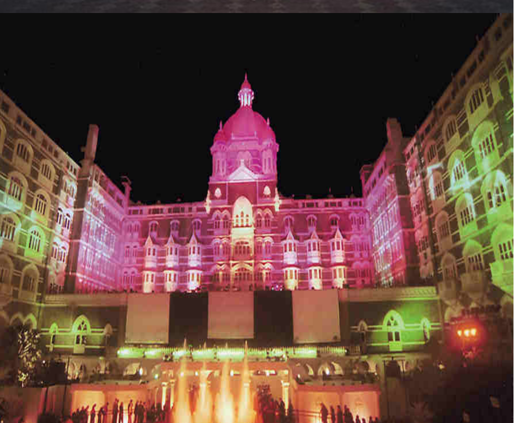

Indian Hotels Company

Recommendation: STRONG BUY

Current Price: ₹59.65

Target price: ₹81

Analyst: Neha Majithia

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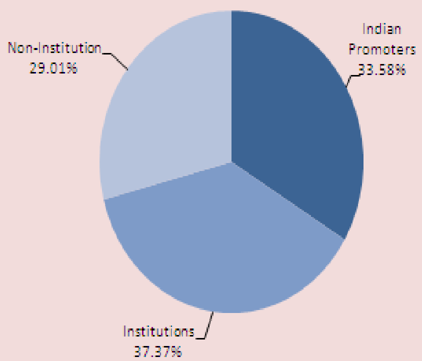
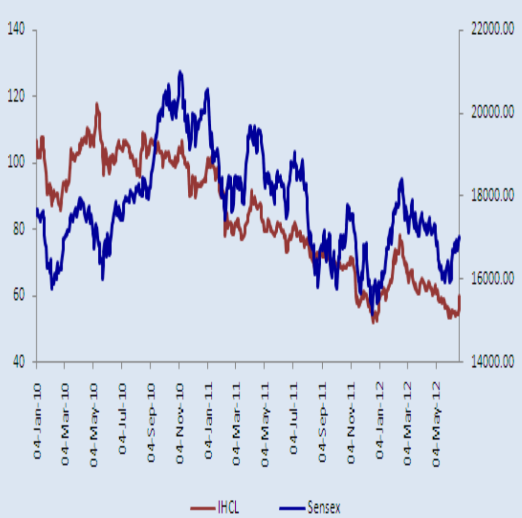
Indian Hotels Company Limited

STRONG BUY

Market Data	
Current Market Price (CMP)	59.65
Target Price	81
Upside Potential	35.15%
52 Week High Low	82.35/50.60
Market Cap (INR in Cr)	4541.65



Stock Scan	
Scrip ID	Indian Hotels Company Ltd
Scrip Code (NSE)	INDHOTEL
Scrip Code (BSE)	500850
Bloomberg Ticker	IH IN
Reuters Ticker	IHTL.BO
Industry	Hotels
Face Value (INR)	INR1.00 per Share
Equity Share Capital (INR in Cr)	75.61
Avg 5 years P/E	341.32
Avg daily volume (Last 1 Year)	443,786
Beta Vs Sensex	0.86
Dividend Yield	1.37%



Sector-Hotels

We rate "Indian Hotels Company Ltd" a "STRONG BUY". Indian Hotels Company Limited (IHCL) and its subsidiaries collectively known as Taj Hotels Resorts and Palaces is one of Asia's largest and finest hotel company, with an inventory of 13629 rooms and 115 hotels across India and internationally. It has presence across different chain segments like Luxury, Upper Upscale, upper scale and Budget segment with various brands named Taj, Vivanta, Gateway and Ginger Hotels. With its active capacity addition in rooms and hotels, solid entry barriers in Luxury segment, improved occupancy rates, amplifying hotel tariffs and focus on boosting up the cash flows, we see Indian Hotels Company to grow at a CAGR of 10.28% in terms of revenue and margins improving substantially by ~160bps for the next five years.

Investment Rationale

High capacity of expansion in hotel and Rooms: IHCL came up with total 27 hotels and 3042 rooms in last five years, both in its domestic and international portfolio. It came up with 7 hotels and 971 rooms in FY12. There are 18 hotels and 2040 rooms in pipeline in FY13 and 20 hotels and 2573 rooms in FY14. The company is planning to double its hotels under its brand named -'Vivanta' by Taj' to 50 from the current 23 hotels in the next 4 years. It is also going to add another 22 hotels under the brand named-"Gateway" and new 55 hotels under "Ginger" in next four years.

Company's focus on Cash Flows: The company is on verge of improving its Cash flows by focusing on interest expenses, employee costs, total debt and cash balances. It has strong average cash earnings per share of INR3.49 per share for last five years and is poised to achieve the historical level by giving a next 5-year average of ~INR5.46 per share.

Rise in occupancy rates, room tariffs and ARR s to drive top line growth: The gradual rise in occupancy rates, hotel tariffs and average room rates (ARRs) is likely to drive the topline growth and also increase the margins. The company expects the occupancy rates to reach ~78% with improved domestic tourism and weak rupee. The marginal hikes in hotel tariff would benefit the ARRs and turnover of IHCL in coming years. There was a marginal rise in hotel tariffs of 2% in FY12 in India and 4% globally.

Strong entry barrier in Luxury segment: The company is expected to outperform in the Luxury segment space on account of strong entry barrier in its Luxury segment. The reason is escalating land prices, high establishing costs in the current scenario as a core factor for the upcoming hotels.

Valuation

Particulars (INR IN Cr)	FY2009A	FY2010A	FY2011A	FY2012E	FY2013E	FY2014E
Net Sales	2600.59	2456.67	2862.47	3432.71	3683.23	4162.05
Growth (%)	*-5.53%*	*16.52%*	*19.92%*	*7.30%*	*13.00%*	*15.00%*
EBITDA	558.28	398.15	452.38	545.70	600.90	737.55
EBITDA Margin (%)	*20.78%*	*15.79%*	*15.80%*	*15.90%*	*16.18%*	*17.59%*
Net Profit	12.46	-136.92	-116.54	3.06	36.30	138.90
Net Profit Margin (%)	*0.46%*	*-5.43%*	*-4.07%*	*0.09%*	*0.98%*	*3.31%*
Net Profit Growth(%)	*-96.49%*	*NA*	*185.12%*	*97.37%*	*1086.24%*	*282.65%*
EPS	0.15	-1.99	-1.59	0.04	0.46	1.78
P/E(x)	262.48	-51.54	-52.97	1529.90	128.37	33.55
P/BV(x)	0.86	2.91	2.20	1.57	1.35	1.32
ROE(%)	0.38%	-5.38%	-4.00%	0.10%	1.02%	3.83%

Source: Microsec Research, Company Data

Company profile

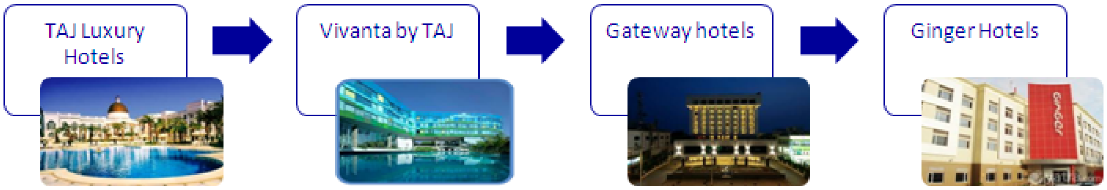
- Indian hotels company (IHCL) jointly with its subsidiaries is known as Taj Hotels Resorts and Palaces, which is one of Asia's largest and finest hotel company. It got incorporated in 1902, by the founder of the Tata group, Mr. Jamshedji N Tata, and it opened its first hotel "The Taj Mahal Palace & Tower" in Mumbai.
- Taj Hotels Resorts and Palaces comprises 93 hotels in 55 locations across India with an additional 16 international hotels in the Maldives, Malaysia, Australia, UK, USA, Bhutan, Sri Lanka, Africa and the Middle East.
- IHCL operates its portfolio of hotels under 4 clear and well defined brands, namely Taj Luxury Hotels, Vivanta by Taj, the Gateway hotel and Ginger hotels, each addressing opportunities at varying price points and providing to guests well defined and consistent products, services and experiences.

Company Structure

Indian Hotels Company Ltd

- Subsidiaries
  - *Domestic:*
    - TIFCO Holdings Limited
    - KTC Hotels Limited
    - United Hotels Limited
    - Taj SATS Air Catering Limited
    - Roots Corporation Limited
    - Residency Foods and Beverages Limited
  - *International:*
    - International Hotel Management Services Inc.
    - Taj International Hotels (HK) Limited
    - St. James Court Hotel Limited
    - Chieftain Corporation NV
    - IHOCO BV
    - Taj International Hotels Limited
    - Samsara Properties Limited
    - IHMS (Australia) Pty Limited
    - Apex Hotel Management Services Pte Limited
- Associates
  - *Domestic:*
    - Taida Trading and Industries Limited
    - Oriental Hotels Limited
    - Taj Madurai Limited
    - Taj Air Limited
    - Lands End Properties Private Limited
    - Luthria & Lalchandani Hotel & Properties Pvt. Ltd.
    - Skydeck Properties and Developers Private Limited
    - Sheena Investments Private Limited
    - ELEL Hotels & Investments Limited
    - Business Jets (India) Pvt. Ltd.
    - Prestige Garden Resorts Private Limited
  - *International:*
    - TAL Lanka Hotels PLC
    - Lanka Island Resorts Limited
    - Bjets Pte Limited
    - BAHC 1 Pte Limited
    - BAHC 2 Pte Limited
    - Cullen Oakes Corp
    - Business Jets Pte Limited
    - Bjets Asset Holdings Pte Limited
    - Platinum Leasing Limited
    - OHL International (HK) Limited
    - TAL Maldives Resorts Pvt Limited
    - Goodhope Palace Hotels Pvt. Ltd.
- Joint Ventures
  - *Domestic:*
    - Taj Madras Flight Kitchen Pvt. Ltd.
    - Taj Karnataka Hotels & Resorts Ltd.
    - Taj Kerala Hotels & Resorts Ltd.
    - Taj GVK Hotels & Resorts Limited
    - Taj Safaris Ltd.
    - Kaveri Retreats & Resorts Limited
  - *International:*
    - TAL Hotels and Resorts Limited
    - IHMS Hotels (SA) (Proprietary) Limited

Company Brands



TAJ Luxury hotels:

TAJ Luxury hotels (Five star Hotel), which comes under the ***"Luxury Space segment",*** is the oldest brand of the company's brand, with its first hotel in Mumbai named " The TAJ Mahal". It is well spread geographically, both in India and on International front.

Vivanta by TAJ:

Vivanta by TAJ (Four star Hotel), which comes under the ***"Upper Upscale Segment"*** of TAJ Group of Hotels, was launched in September, 2010.It is one of the fastest growing segment within the company. ***The launch witnessed the introduction of 19 hotels within the portfolio. It has now 23 Vivanta hotels in the company's portfolio and is envisaged to double in next 4 years.***

Gateway Hotels:

Gateway Hotels (Three Star Hotel), which comes under the ***"Upscale Segment"*** of TAJ Group oh Hotels, was launched successfully in 2009/10. It has 21 hotels operating under this brand and is reckoned to be a 50 hotel brand by 2015. Out of the additional upcoming 24 hotels, 10 are green field hotels. ***The company with over 2,000 room capacity under the brand Gateway, aims to add close to 3,000 rooms by 2015. The Gateway model typically has 150 rooms which can go up to 200, so say another 3,000 rooms will get added under the brand by 2015.***

Ginger Hotels:

Ginger Hotels, which comes under the ***"Budget Space segment"*** of TAJ Group of Hotels, operates through its subsidiary named "Roots Corporation Ltd". It was launched in December, 2003. ***It has 24 hotels under this brand and is all set to come up with 19 hotels in next couple of years.***

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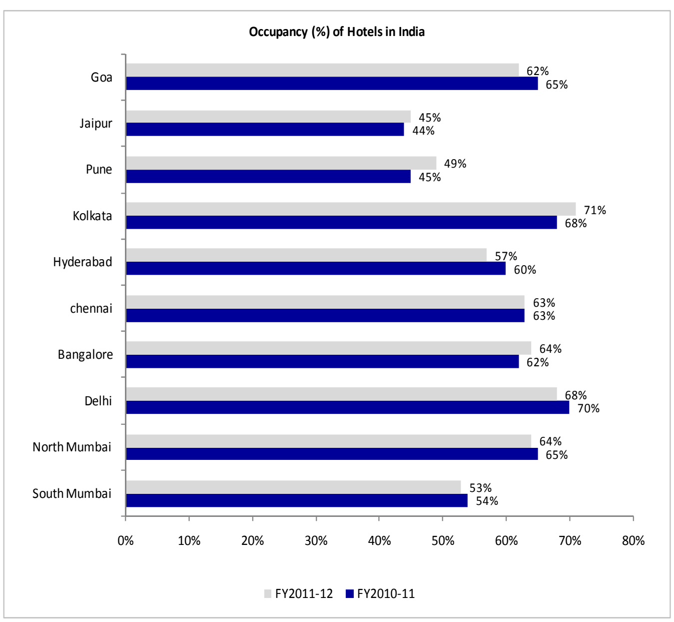
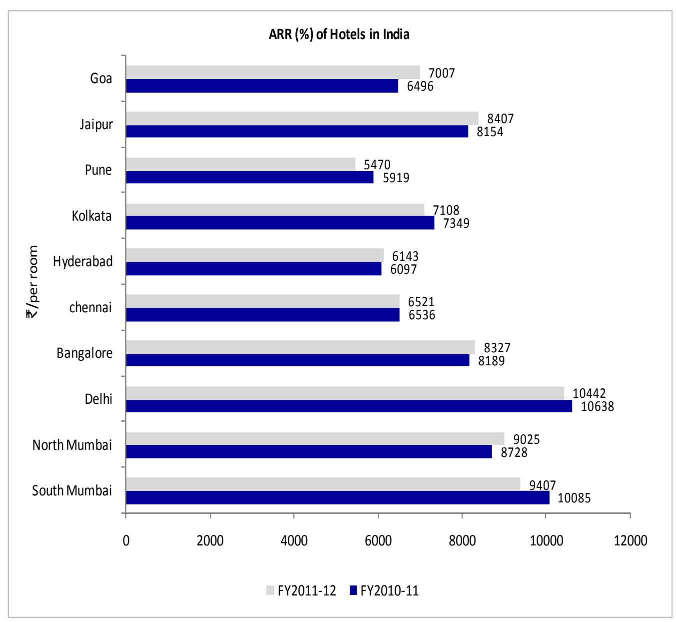
Indian Hotels Company Ltd			
TAJ Luxury Hotels	***Vivanta by TAJ***	***Gateway Hotels***	***Ginger Hotels***
India			
The Taj Mahal Palace, Mumbai	Vivanta by Taj - Connemara, Chennai	TGH - Residency Road, Bangalore	Bangalore
Taj Lands End, Mumbai	Taj Exotica, Goa	TGH - Beach Road, Calicut	Haridwar
The Taj Mahal Hotel, New Delhi	Vivanta by Taj - Fort Aguada , Goa	Hotel Chandela, Khajuraho	Bhubaneswar
Taj Palace Hotel, New Delhi	Vivanta by Taj - Holiday Village, Goa	Hotel Savoy, Ooty	Mysore
Taj Bengal, Kolkata	Usha Kiran Palace, Gwalior	TGH - Rawalkot, Jaisalmer	Trivandrum
The Taj West End, Bangalore	Vivanta by Taj - Hari Mahal, Jodhpur	Kuteeram, Bangalore	Pune - Pimpri
Taj Lake Palace Hotel, Udaipur	Jai Mahal Palace, Jaipur	TGH - Gir Forest, Sasan Gir	Nashik
Taj Wellington Mews, Mumbai	Vivanta by Taj - Whitefi eld ITPL, Bangalore	TGH - Beach Road, Vishakapatnam	Agartala
Taj Falaknuma Palace, Hyderabad	Taj Residency, Aurangabad	TGH - Pasumalai Hills, Madurai	Puducherry
Taj Coromandel, Chennai	Vivanta by Taj - President, Mumbai	TGH - Church Road, Coonoor	Vadodara
Taj Krishna, Hyderabad	Vivanta by Taj - M G Road, Bangalore	TGH - Port Road, Mangalore	Pant Nagar
Rambagh Palace, Jaipur	Vivanta by Taj - Ambassador , New Delhi	TGH - Fatehabad Road, Agra	Rail Yatri Niwas,Delhi
Umaid Bhawan Palace, Jodhpur	Taj Banjara, Hyderabad	TGH - Ambad, Nasik	Goa
Mahua Kothi, Bandhavgarh	Taj Deccan, Hyderabad	TGH - Ganges Varanasi	Ludhiana
Baghvan, Pench	Taj Chandigarh, Chandigarh	TGH - Ernakulam	Ahmedabad
Pasangarh, Panna	Vivanta by Taj - Gomti Nagar, Lucknow	TGH - Varkala, Janaradhanapuram	Mangalore
Banjar Tola, Kanha	Vivanta by Taj - Blue Diamond, Pune	TGH - K M Road, Chikmagalur	Guwahati
	Vivanta by Taj - Fisherman’s Cove, Chennai	TGH - Athwa Lines, Surat	Jamshedpur
	Vivanta by Taj - Malabar, Cochin	TGH - M. G. Road, Vijaywada	Pune – Wakad
	Vivanta by Taj - Kumarakom, Kerala	TGH - Ummed Ahmedabad	Surat
	Vivanta by Taj - Kovalam, Kerala	TGH - Akota Gardens, Vadodara	Manesar
	Vivanta by Taj - Sawai Madhopur, Ranthambore	SMS, Jaipur	Chennai – IIT
	Ramgarh Lodge, Jaipur	TGH – Jodhpur	Delhi – Vivek Vihar
	Vivanta by Taj - Trivandrum , Kerala	Nadesar Palace	Indore
	Taj Club House, Chennai		

	Vivanta by Taj - Panaji, Goa		
Overseas			Air Catering
The Pierre, New York	Taj Samudra, Colombo	Airport Garden Hotel, Colombo	Mumbai
Taj Boston, Boston	Vivanta by Taj - Exotica, Bentota		New Delhi
Campton Place, San Francisco	Vivanta by Taj - Coral Reef, Maldives		Kolkata
Taj Exotica Resort & Spa, Maldives	Rebak Island Resort, Langkawi, Malaysia		Chennai
Taj Palace Hotel Dubai	Taj Tashi, Thimphu, Bhutan		Goa
Crown Plaza / St. James Court, London	Taj Pamodzi, Lusaka		Amritsar
51 Buckingham Gate, London			Bangalore
Taj Cape Town, South Africa			Cochin
Blue, Sydney, Australia			

Hotel Industry Overview



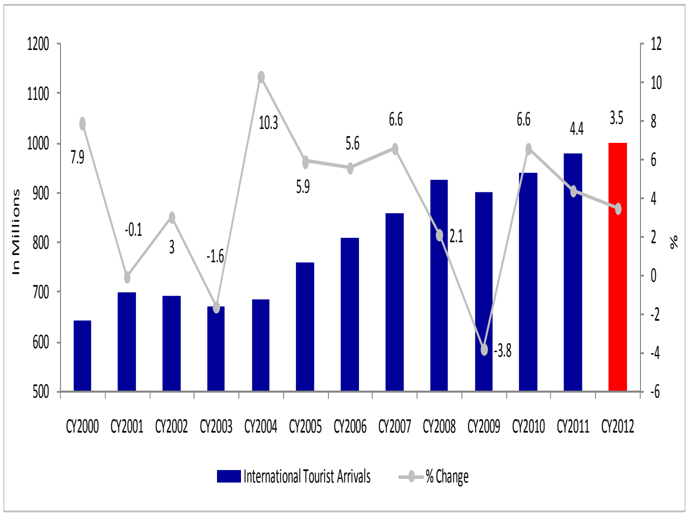
Source: Microsec Research, Company Data, STR Global



Source: Microsec Research, Company Data, STR Global

International Tourist Arrivals (ITAs)

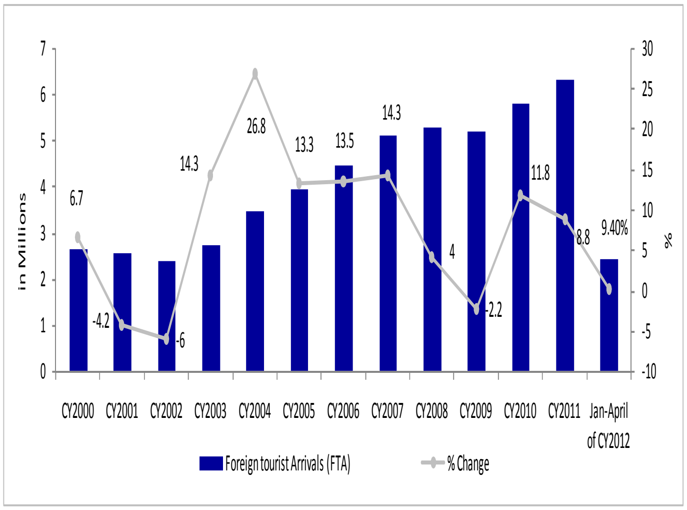
- International Tourists arrivals grew by over 4% in 2011 to INR980 million, attributed by slow global economic recovery, major political changes in the Middle East and North Africa and natural disasters in Japan.
- The growth of International Tourist arrivals is expected to continue in 2012, but at a slower pace of 3-4%. ITAs grew by 5.7% in the first two months of 2012.
- It is anticipated to hit almost one billion by the end of 2012, with emerging economies regaining the lead with stronger growth in Asia and the Pacific and Africa (4% to 6%), followed by the Americas and Europe (2% to 4%). The Middle East (0% to +5%) is forecasted to recover part of its losses from 2011.



Source: UNWTO, Microsec Research

Foreign Tourists arrivals (FTAs) in India

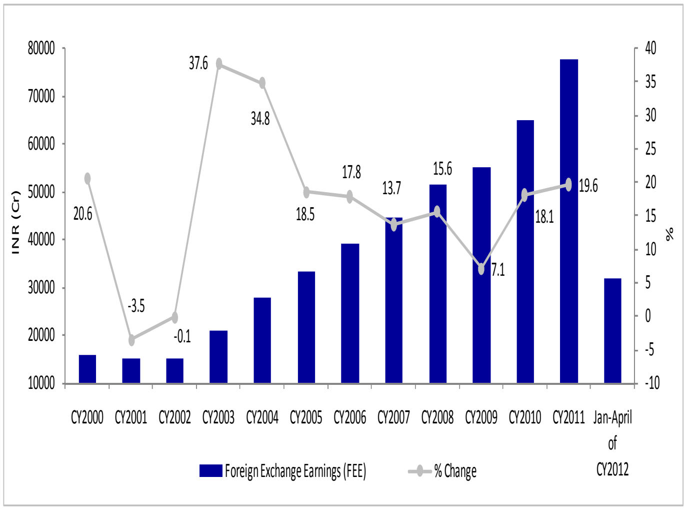
- The Foreign Tourist Arrivals (FTAs) continued to grow at an inactive count, with a growth of just 9.4% in the period, January-April of 2012, as against 12.10% over corresponding period of 2011.
- FTAs in India grew by close to 9% to 6.98 million in 2011 as compared to 5.78 million in 2010. It has exhibited a growth of ~90% over last 6 years from approximately 392 million travelers in 2005.
- The conventional source markets of US, UK and Western Europe continued to be the major contributors to arrivals in India. Growth in arrivals to Africa and the Middle East was weak while arrivals to Europe, Asia, the Pacific and Americas led the international traveler growth during CY2011.



Source: Ministry of Tourism, Government of India, Microsec Research

Foreign exchange Earnings (FEE) in India

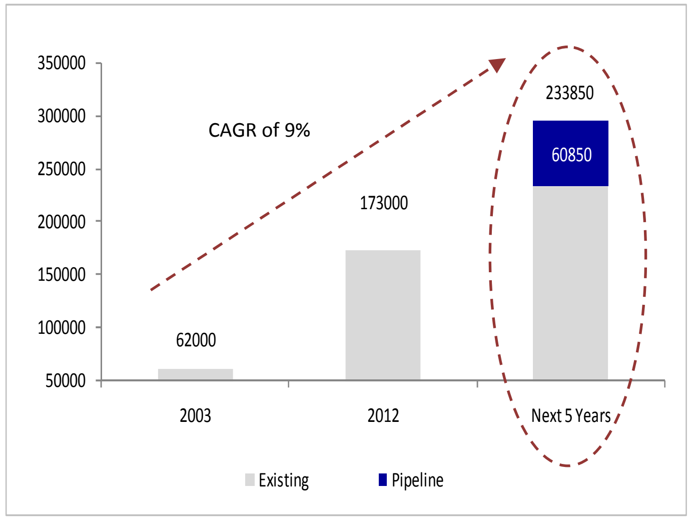
- The Foreign Exchange Earnings (FEE) from tourism during the period of January-April of 2012, addressed a handsome growth of 28.5%, as compared to the corresponding period of previous year.
- Still, India is lacking behind and losing in foreign exchange because of huge mismatch between footfalls and growth rates in inbound and outbound tourism. For example, Issues like multiple taxes and entertainment licenses are slowing growth in inbound tourism.



Source: Ministry of Tourism, Government of India, Microsec

India's room supply pipeline continues to be strong

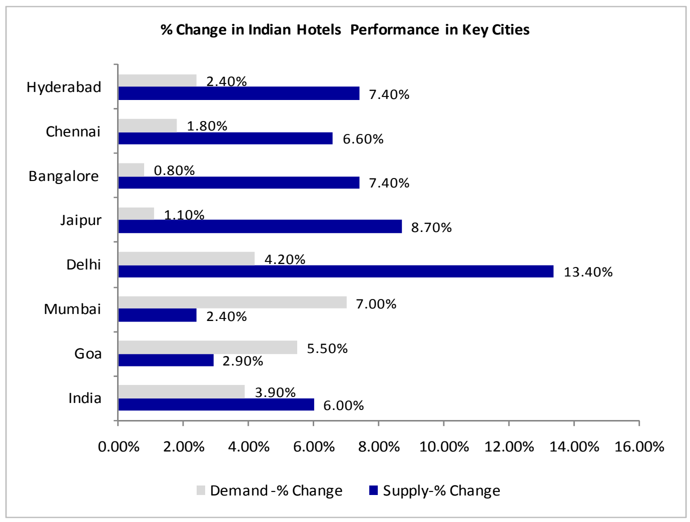
- India's room supply pipeline represents 17% of the Asia-Pacific pipeline. It was moving at a CAGR of 10.81% for last 10 years and is now poised to grow at a CAGR of 6% in next 5 years.
- The intense supply pipeline would be backed by addition of room capacity by all the hotels both in India and Internationally.
- The supply pipeline would beef up also on account of improved foreign tourist arrivals, corporate travels, etc.
- International hotels like Carlson, Strawood, Marriot, etc are the ones which have chalked out plans to acquire the sufficient market share, thus, giving a thrust to the Indian supply pipeline.



Source: Microsec Research, Company Data,

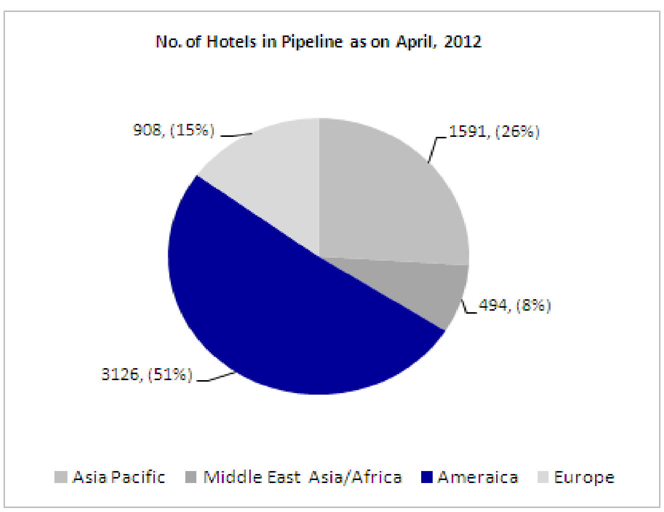
India's Hotel Performance in Key Cities in FY12

- Indian hotels performance showed an overall 6% increase on the supply front. New supply was witnessed mainly in new and emerging CBDs across metros. Though, demand grew at a moderate pace.
- Due to the low economic sentiment, especially in the last quarter of FY12, there is an additional pressure on rates.
- Cities like Hyderabad, Chennai, Delhi saw major positive changes on the supply performance side and others like Mumbai, Goa saw a surge on the demand side.

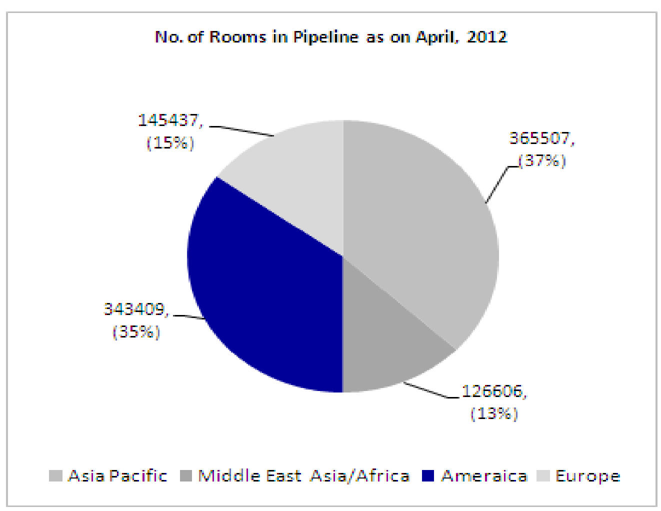


Source: Microsec Research, Company Data,

Global Scenario



Source: Microsec Research, Company Data,



Source: Microsec Research, Company Data,

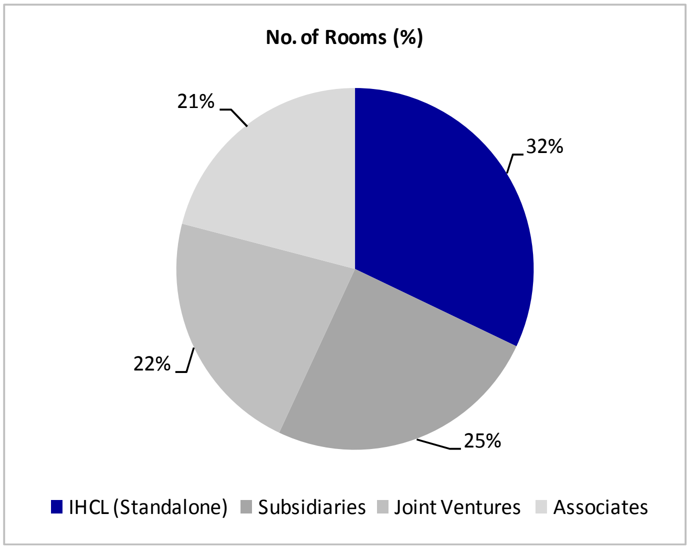
Developments in FY2011-12

New Hotels in FY2011/12			
Hotels	Indicative timeline	Company	Rooms
IHCL – Direct/ Management Contract			
Vivanta by Taj, Yeshwantpur	Launched	IHCL	327
Vivanta by Taj, Srinagar	Launched	Management Contract	88
Vivanta by Taj, Bekal, Kerala	Soft Opening	Management Contract	72
The Gateway Hotel, Sasan Gir	Launched	Management Contract	28
Sub Total			515
Subsidiaries/ JVs/ Associates			
Vivanta by Taj, Begumpet, Hyderabad	Launched	Taj GVK	181
Vivanta by Taj, Coimbatore	Launched	OHL	180
Ginger Hotels – Tirupur	2011/12	Roots Corporation	95
Sub Total			456
New Developments in 2011/12 include 7 hotels and 971 rooms.			

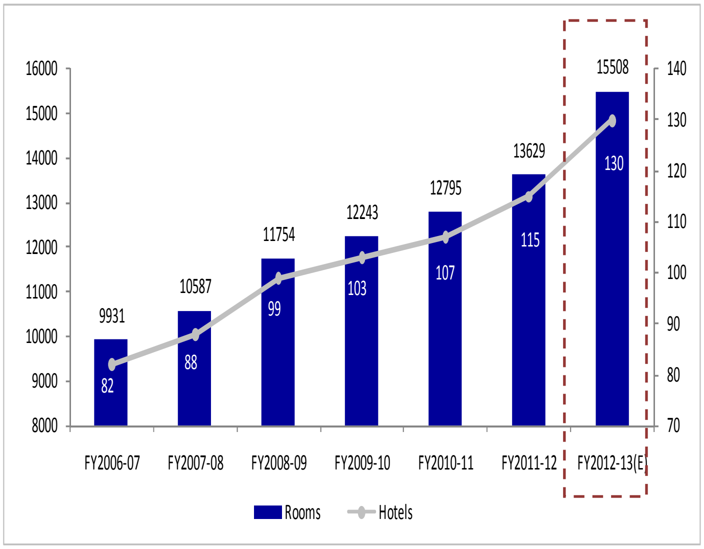
Upcoming Developments

Hotels in Pipeline-2012/13		
Hotels	Company	Rooms
Taj		
Taj Palace Marrakech, Morocco	Management Contract	161
Imperial Club by Taj, Tardeo, Mumbai	Management Contract	9
Vivanta by Taj		
Vivanta by Taj, Dwarka	IHCL	250
Vivanta by Taj, Coorg	Kaveri Resorts	62
Vivanta by Taj, Gurgaon	Management Contract	200
Gateway		
Gateway, Kolkata	Management Contract	200
Gateway, Raipur	Management Contract	119
Gateway, Gondia	BHL	34
Gateway, Hubli	Management Contract	92
Gateway OMR, Chennai	Management Contract	193
Ginger Hotels (Eight in Number)	Roots Corporation Ltd	720
New Developments in Pipeline 2012/13 include 18 Hotels and 2040 rooms		

Hotels in Pipeline - 2013/14		
Hotel	**Company**	**Rooms**
Taj		
Taj Airport Hotel, CSIA, T1C, Mumbai	Taj GVK Ltd	275
Taj Palace, Temple of Heaven	Management Contract	105
Vivanta by Taj		
Vivanta by Taj, Nagpur	Management Contract	255
Vivanta by Taj, Lake End, Udaipur	Piem Hotels Ltd	80
Gateway		
Gateway, Faridabad	Management Contract	160
Gateway, Banerghatta	OHL	209
Gateway, Chiplun	Management Contract	60
Gateway, Shirdi	Management Contract	119
Gateway, Hinjewadi	Management Contract	150
Gateway Nashik (Expansion)	Piem Hotels Ltd	67
Ginger Hotels (Ten in Number)	Roots Corporation Ltd	1093
New Developments in Pipeline 2013/14 include 20 Hotels and 2573 rooms		



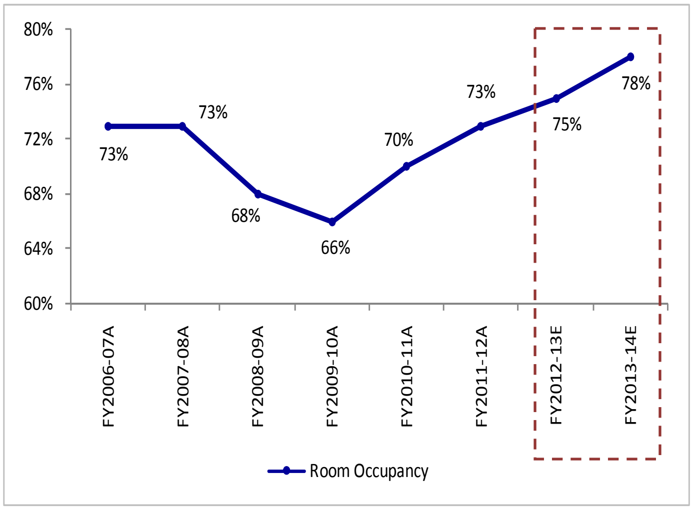
Source: Microsec Research, Company Data



Source: Microsec Research, Company Data

Surplus Inventory & supplementary room rates hurts room occupancy

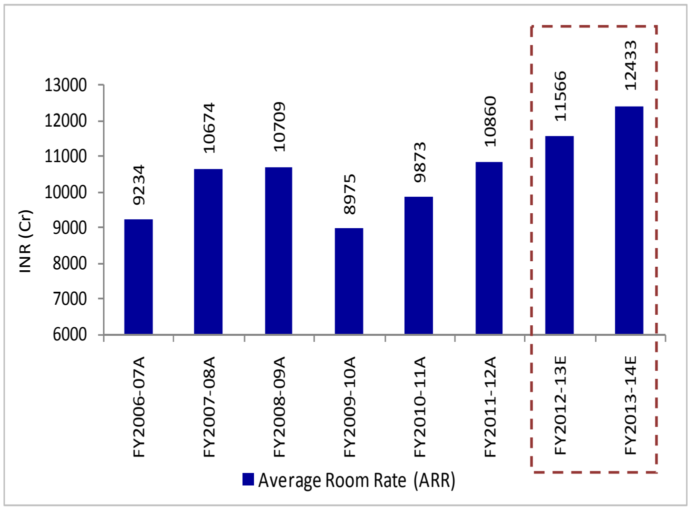
- The slowdown in recovery of occupancy rates in last few years was primarily due to oversupply of rooms particularly in Delhi, Chennai, Hyderabad, Bangalore and Pune. Mumbai was the only metro, which showed an improvement in occupancy even with flat room rates.
- The Average room occupancy rate for Indian hotels is ~70% for last 5 years and is presumed to reach 75% in next 4-5 years, with the support of orderly supply of rooms, revamped foreign tourist arrivals in India, expansion of different chain segment hotels in India and abroad.
- The major reinforcement in its budget space segment all over India is a big positive in terms of occupancy. Nevertheless, hike in room rates in popular destinations is a jumbo count for the company.



Source: Microsec Research, Company Data

Average Room Rates to gain ground on prolonged hotel tariffs

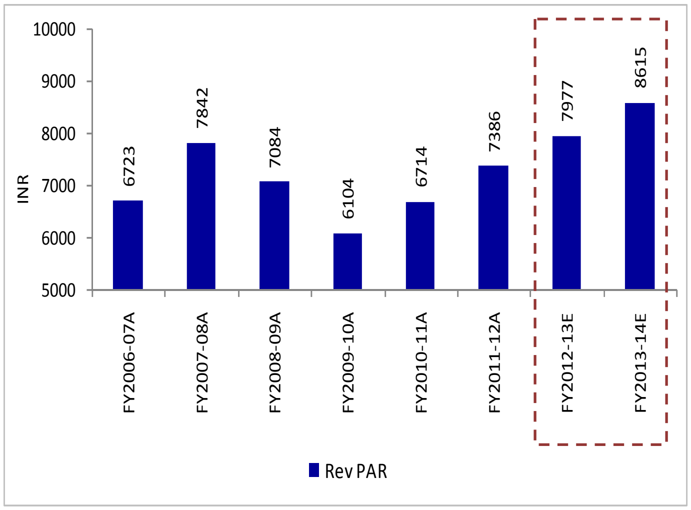
- The average room rates (ARRs) remained steady for FY12, with a growth of ~10%, owing to improved domestic tourism and corporate travel.
- The growth in ARR/Occupancy was relatively muted in FY12. The ARRs marginal improvement on the domestic front was due to marginal rise in hotel tariffs of 2%, which attracted both the domestic and international travelers. Globally, there was a jump of 4% in the hotel tariffs, which of late gave a boost to the ARRs.
- The ARRs are likely to shape up in future on back of increase in hotel tariffs, rise in domestic and international tourism.



Source: Microsec Research, Company Data

Revenue per available room to get a boost

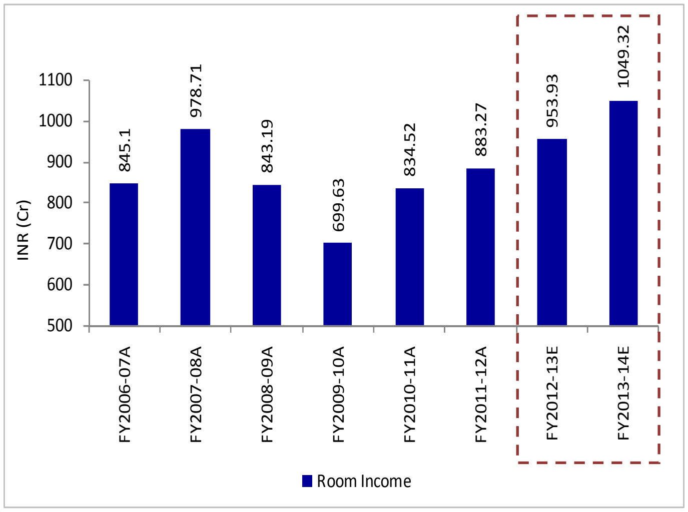
- The Revenue per available room (RevPar) increased significantly in FY12 by 10%, as a result of supplementary room rates during the year.
- It is expected to forge ahead on account of higher occupancies and hotel tariffs.



Source: Microsec Research, Company Data

Room Income elevates on back of towering increase in room capacity

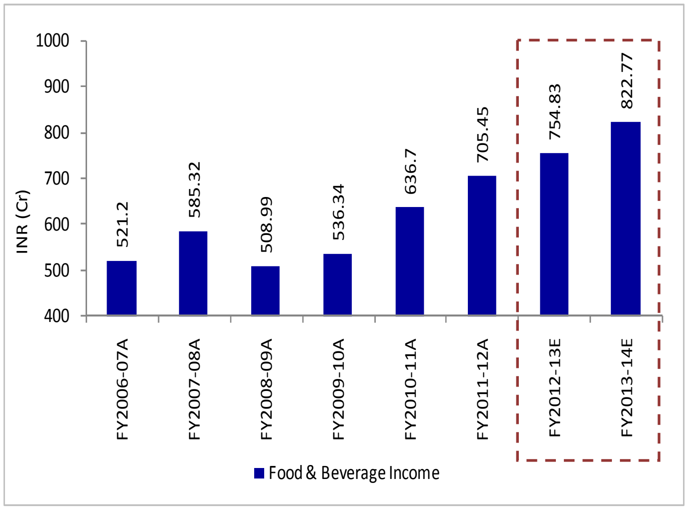
- The Room Income (~50% of the total revenue), has moved up drastically in FY11, with a jump of 19% over FY10, by virtue of higher room rates and occupancies. Besides, the surge can also be attributed to reopening of TAJ Mahal Palace, Mumbai and launch of TAJ Falaknama, Hyderabad.
- In FY12, the growth contracted to 6% over FY11. Despite the slowdown in business, the above mentioned rise was on back of 8% surmount in average daily rooms sold including capacity increase.
- Room Income is anticipated to climb up ~18% by FY14, on ground of favorable Average room rates (ARRs) and incidental room capacity in different chain segments, especially in Vivanta by TAJ and Ginger hotels.



Source: Microsec Research, Company Data

Hefty food & beverage Income on back of stable banqueting income

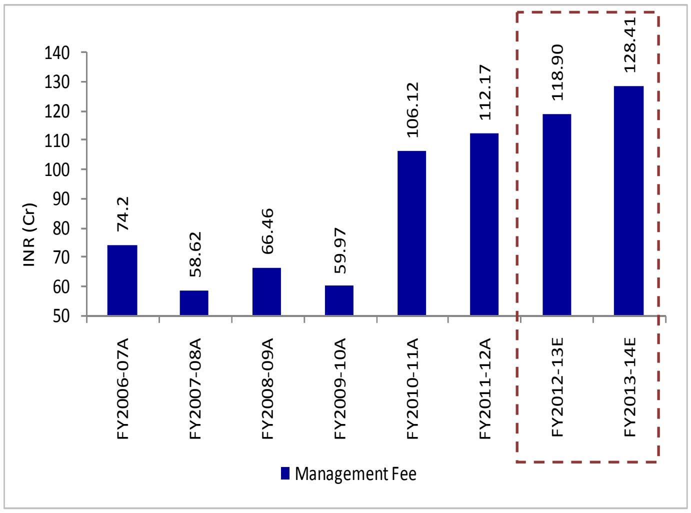
- The Food and Beverage Income honored by 19% in FY11 as compared to FY10, owning to sturdy growth of banqueting income of 22%.
- The Food & Beverage income was up in FY12 against FY11, but at a passive rate of 11%, because of superior growth in restaurant sales and bulky banqueting income.
- The Food and beverage income is expected to improve in coming years with the launch of forthcoming hotels and restaurants across the company's portfolio.



Source: Microsec Research, Company Data

Management fee yet to augment growth

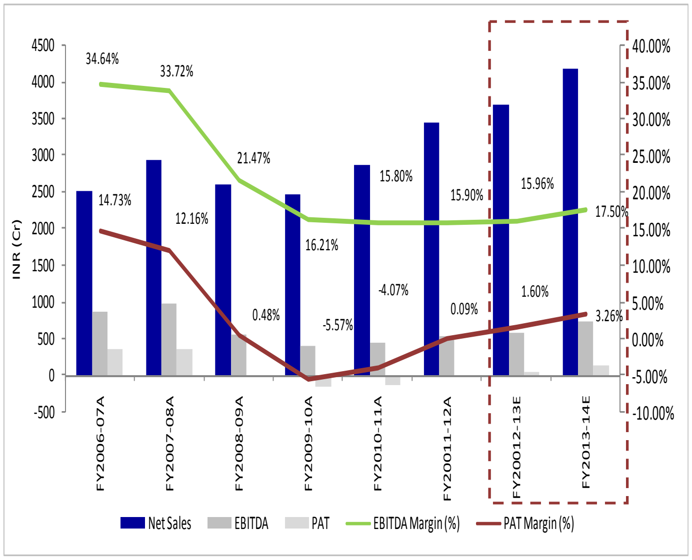
- The Management fee for FY12 was up by 6% owing to higher turnover of both IHCL and Non-IHCL Hotels.
- The other judgment for the higher management fee was the profitability in Non-IHCL hotels.
- Though, in FY11, the management fee was higher than FY10 figures by 17%. The major income in terms of management fee would straighten up more in near future, considering the turnover in the hotels under the company's international portfolio.



Source: Microsec Research, Company Data

Financial Analysis (Consolidated)-*Radiant outlook with mounted margins*

- **In terms of revenue, the company is growing at a CAGR of just 5.36% for last 6 years. Prior to last six years, the company grew at a CAGR of 18.36%.** The company witnessed a major slowdown in FY09, FY10 & FY11 on the grounds of 1) slowdown in US economy which blemished the performance of the hotels internationally 2) terrorist attack in “TAJ Mahal Palace”in FY10, which impacted foreign tourist arrivals in India in return hammering the occupancy rates and finacial operations of the company.
- IHCL posted Consolidated net sales of INR3432.71 crores in FY12, registering a surge of 19.92% against FY11. This was mainly because of 1) room revenue growth driven by 8% increase in average daily rooms sold including capacity addition 2) higher food and beverage sales due to surge in restaurant sales and banqueting business and management fee.
- The EBITDA for FY12 arrived at INR545.70 crores, which was up by 13.31% against FY11. The 6% hike in management fee due to towering turnover and profitability in Non- IHCL hotels contributed to these earnings. The EBITDA Margins for the year was 15.90%, which was merely down by 93bps. We expect the margins to improve, though not identical to its historic levels, but, at a swift pace because of enduring growth in revenue, other operating income and decrease in expenditure with respect to total income.
- The expenditure for the FY12 was INR2887.01, which was 84.10% of total income. It increased by 76bps against FY11, because of 1) increase in raw material cost in line with 11% hike in food and beverages revenue and rising commodity input cost 2) annual increments, launch of new hotels in Bangalore and Hyderabad 3) rise in employee costs 4) surmount variable costs linked to business commensurate costs of new properties and higher advertising costs on account of ongoing expansion of Vivanta by TAJ.



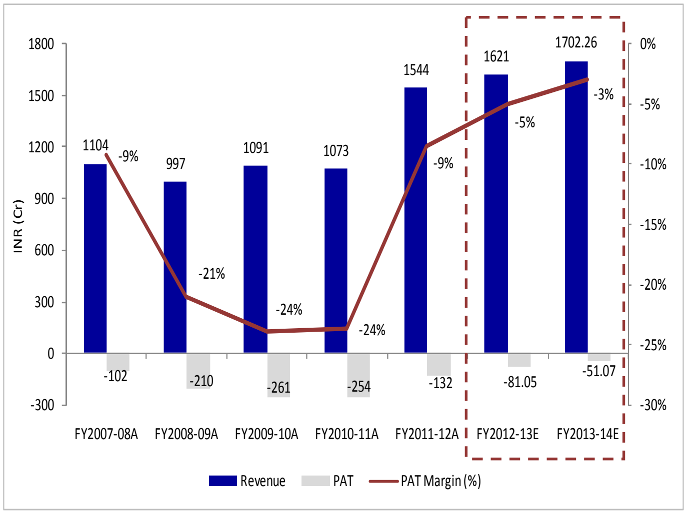
Source: Microsec Research, Company Data

Source: Microsec Research, Company Data

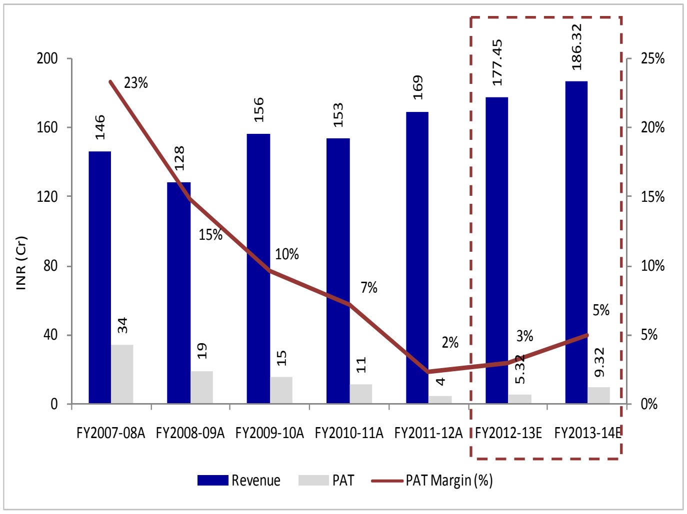
- The company barged in with consolidated net profit of INR3.06 crores, after posting losses for last 2 consecutive years. The net profit showed a growth of 96.49% against a loss of INR87.26 crores in FY11. The PAT margin for the year was 0.09% which was up by 314bps.
- ***We expect the company to grow at a CAGR of 10.28% in terms of revenue for the next 5 years on back of 1) matured growth rates in foreign tourist arrivals and corporate travel which would substancially impact the ARRs and occupancies, not just across the company’s portfolio, but also the hotels in its Joint ventures, subsidiaries and associates 2) expansion of hotels in various hotel chain segments, like luxury, upper upscale, upscale and budget segment, thus, catering to the needs of all class of people 3) Weak rupee which would bring coercion among the cost-concious indians to travel within the country and result in rising room rates not only in popular destinations, but, also in the metro cities 4)*** **favourable ARRs**

which would boost the demand of the all grades of people 5) boost up in turnover and profits mainly from by Piem, Taj Sats, Benares Hotels Ltd ,etc in the domestic portfolio 6) turnover growth in Roots Corporation Limited 7) growth in turnover and profitability by St James, TIHL, IHMS (A) and TAL Hotels & Resorts Ltd in international portfolio 8) fully retirement of debt of Samsara properties Ltd twhich would boost up profit margins, though not signoficantly 9) growth, but at a gradual rate, in the US hotels.

Subsidiaries/ Associates/ Joint Ventures - *On the trail of concrete turnover*

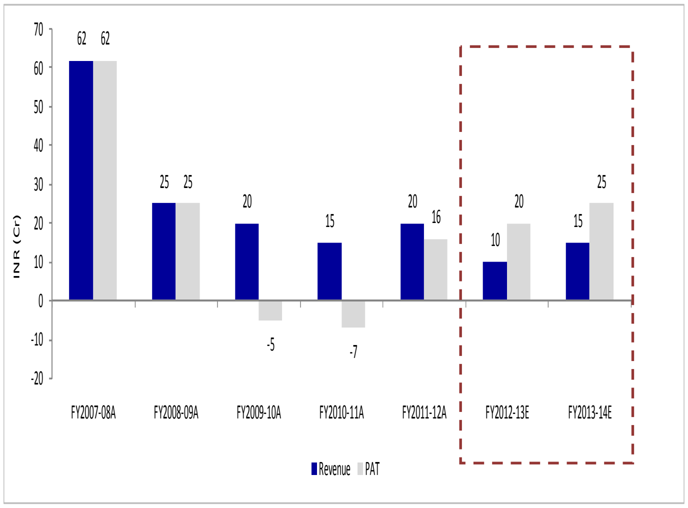


Source: Microsec Research, Company Data



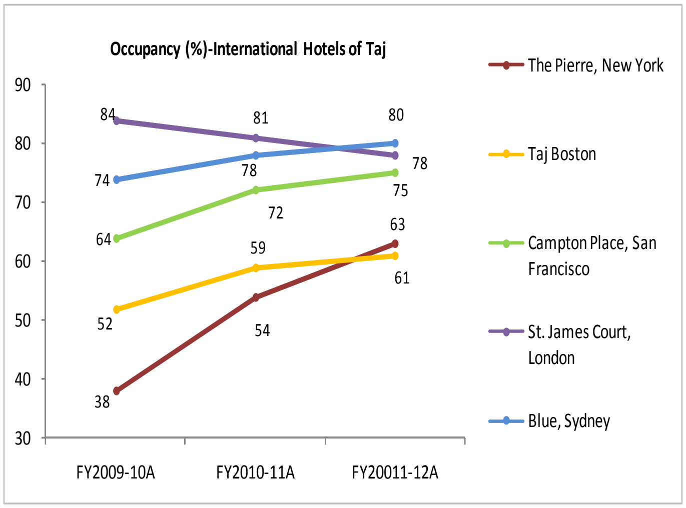
Source: Microsec Research, Company Data

- The company's subsidiaries, joint ventures and associates jointly contribute ~41% revenue to the standalone IHCL. We expect ~45% growth in coming years on back of 1) growth in UK, US subsidiary in international portfolio and also in domestic portfolio 2) substantial contribution from the reopening of "The Pierre" after renovation 3) expansion in Ginger hotels through its subsidiary "The Roots Corporation Ltd" 4) major geographical expansion both in India and abroad 5) large scale expansion in its Upper Upscale segment-Vivanta by Taj through management contracts and subsidiaries 6) improvement in performance of hotels under joint ventures and associates 7) better occupancy rates and ARRs.

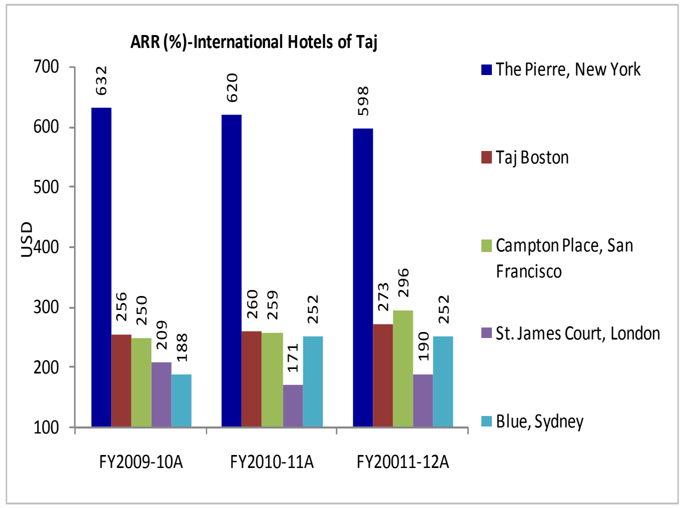


Source: Microsec Research, Company Data

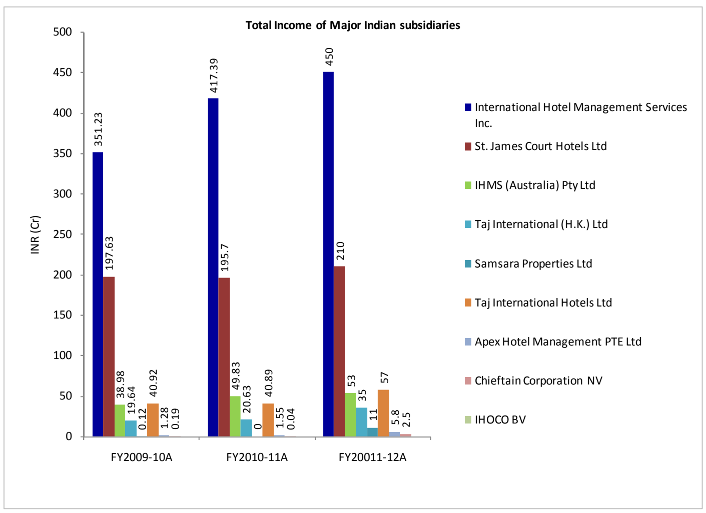
Domestic and International Subsidiaries



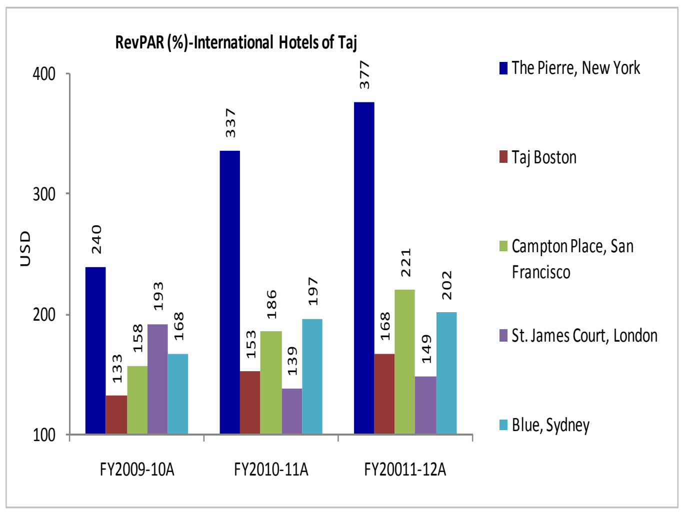
Source: Microsec Research, Company Data



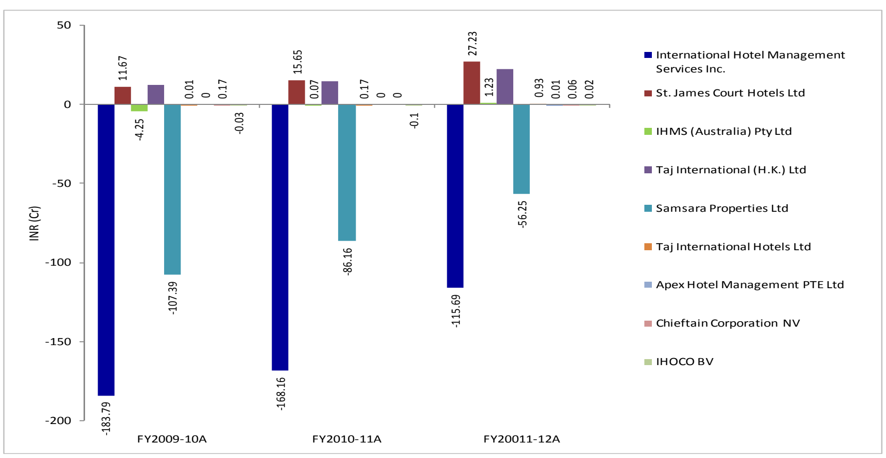
Source: Microsec Research, Company Data



Source: Microsec Research, Company Data



Source: Microsec Research, Company Data



Source: Microsec Research, Company Data

Subsidiary Companies		
Name of Company	Country of Operation	Holding (%)
Domestic		
TIFCO Holdings Ltd.	India	100%
KTC Hotels Ltd.	India	100%
United Hotels Ltd.	India	55%
Roots Corporation Ltd.	India	100%
Taj SATS Air Catering Ltd.	India	51%
Residency Foods & Beverages Ltd.	India	98.68%
International		
Taj International Hotels (H.K.) Ltd. (TIHK)	Hong Kong	100%
Chieftain Corporation NV	Netherlands Antilles	100%
IHOCO BV	Netherlands	100%
St. James Court Hotels Ltd.	United Kingdom	54.01%
Taj International Hotels Ltd.	United Kingdom	100%
International Hotel Management Services Inc.	USA	100%
Samsara Properties Ltd.	British Virgin Islands	100%
IHMS (Australia) Pty Ltd.	Australia	100%
Apex Hotel Management Services (Pte) Ltd.	Singapore	100%

Associates		
Name of Company	Country of Operation	Holding (%)
Domestic		
Ideal Ice & Cold Storage Co. Ltd.	India	34.99%
Benares Hotels Ltd.	India	49.53%
Piem Hotels Ltd.	India	46.20%
Taj Trade and Transport Co. Ltd.	India	46.62%
Taj Enterprises Ltd.	India	44.60%
Taida Trading and Industries Ltd.	India	41.50%
Inditravel Pvt. Ltd.	India	47.08%
Oriental Hotels Ltd.	India	33.80%
Taj Madurai Ltd.	India	26.00%
Kaveri Retreats & Resorts Limited	India	22.73%
International		
Lanka Island Resorts Ltd.	Sri Lanka	24.16%
TAL Lanka Hotels PLC	Sri Lanka	24.62%

Jointly Controlled Entities		
Name of Company	Country of Operation	Holding (%)
Domestic		
Taj Madras Flight Kitchen Pvt. Ltd.	India	50.00%
Taj Karnataka Hotels & Resorts Ltd.	India	38.81%
Taj Kerala Hotels & Resorts Ltd.	India	28.30%
Taj GVK Hotels & Resorts Ltd.	India	25.52%
Taj Safaris Ltd	India	22.98%
International		
TAL Hotels & Resorts Ltd.	Hong Kong	27%
IHMS Hotels (SA) (Proprietary) Ltd.	South Africa	50%

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Quarterly Analysis: *Margins dip on back of unexpected sluggishness in Occupancies and ARRs*

Particulars (INR in Crores)	Q4FY12A	Q3FY12A	Q4FY11A	YoY (%)	QoQ (%)	FY12A	FY11A	YoY Change (%)
Net Sales	**560.15**	**521.48**	**530.87**	**5.52%**	**7.42%**	**3432.71**	**2862.47**	**19.92%**
Share of Profits in Associates	0	0	0			0	29.24	
Other Operating Income	0	0	0			0	0	
Total Income	**560.15**	**521.48**	**530.87**	**5.52%**	**7.42%**	**3432.71**	**2891.71**	**18.71%**
Total Expenditure	**400.96**	**380.78**	**345.25**	**16.14%**	**5.30%**	**2887.01**	**2410.09**	**19.79%**
as % of sales	*71.58%*	*73.02%*	*65.03%*			*84.10%*	*84.20%*	
EBITDA	***159.19***	***140.70***	***185.62***	***-14.24%***	***13.14%***	***545.7***	***481.62***	***13.31%***
EBITDA Margin (%)	***28.42%***	***26.98%***	***34.97%***	***(655)bps***	***144bps***	***15.90%***	***16.83%***	***(93)bps***
Depreciation	31.89	26.51	27.98	13.97%	20.29%	255.07	227.89	11.93%
EBIT	**127.30**	**114.19**	**157.64**	**-19.25%**	**11.48%**	**290.63**	**253.73**	**14.54%**
EBIT Margin (%)	***22.73%***	***21.90%***	***29.69%***	***(396)bps***	***83bps***	***8.47%***	***8.86%***	***(39)bps***
Interest	29.53	30.35	26.53	11.31%	-2.70%	193.38	251.17	-23.01%
Other Income	9.9	8.59	15.43	-35.84%	15.25%	50.78	35.73	42.12%
PBT before exceptional items	107.67	92.43	146.54	-26.53%	16.49%	148.03	38.29	286.60%
exceptional items	-1.11	-14.81	-1.94	-42.78%	-92.51%	-0.46	15.74	-102.92%
PBT after exceptional items	106.56	77.62	144.60	-26.31%	37.28%	147.57	54.03	173.13%
PBT Margin (%)	***19.02%***	***14.88%***	***27.24%***	***(822)bps***	***414bps***	***4.30%***	***1.89%***	***241bps***
Tax	41.35	27.14	50.67	-18.39%	52.36%	121.75	93.66	29.99%
Tax (%)	38.80%	34.97%	35.04%			82.50%	173.35%	
PAT before extraordinary items	65.21	50.48	93.93	-30.58%	29.18%	25.82	-39.63	-165.15%
Extraordinary item	0	0	0			0	0	
PAT after extraordinary items	65.21	50.48	93.93	-30.58%	29.18%	25.82	-39.63	-165.15%
Minority Interest	0	0	0			-38.4	-11.66	229.33%
Shares of Profit & Loss in Associates	0	0	0			15.64	-35.97	-143.48%
PAT after minority interest	65.21	50.48	93.93	-30.58%	29.18%	3.06	-87.26	-103.51%
PAT Margin (%)	***11.64%***	***9.68%***	***17.69%***	***(605)bps***	***196bps***	***0.09%***	***-3.05%***	***314bps***
Paid -up Equity Share Capital	75.95	75.95	75.95			75.95	75.95	
Basic EPS	**0.86**	**0.66**	**1.24**	**-30.58%**	**29.18%**	**0.04**	**-1.15**	**-103.51%**
Adjusted EPS	**0.86**	**0.66**	**1.24**	**-30.58%**	**29.18%**	**0.04**	**-1.15**	**-103.51%**

Source: Microsec Research, Company Data

- The Q4FY12 arrived with net sales of INR560.15 crore, which was reasonably up by 7.42% sequentially and 5.52% on YoY basis. This was mainly through the medium of the topline growth driven by new capacity and Food & beverage sales.

- The EBITDA for the quarter turned up at INR159.19 crore, which was up by 13.14% sequentially, but, cascaded by 14.24% on yearly basis. The EBITDA Margin came at 28.42%, which was again up by 144bps sequentially, but, down by 655bps on yearly basis.
- The fall in EBITDA Margins on yearly basis was due to a) abrupt sluggishness in occupancies and ARRs b) increase in staffing costs and operating expenditure to the newly launched Vivanta by taj at Bengaluru and c) non cash foreign exchange loss due to adverse currency movements.
- IHCL posted a Net profit of INR65.21 crores, which was descended sharply by 30.58% on yearly ground, but outperformed sequentially by marching up by 29.18%. Q4FY12 attained a net profit margin of 11.64%, which was up by 196bps sequentially, but down by 605bps on yearly basis.
- The EPS for the quarter was INR0.86 per share as compared to INR0.66 per share in Q3FY12 and INR1.24 per share in Q4FY11.

Peer Comparison

Particulars (INR in Crores)	CMP	Net Sales	Net sales FY13E	EBITDA	EBITDA FY13E	EBITDA Margin (%)	PAT	PAT FY13E	PAT Margin (%)	EPS	BVPS	P/E (x)	P/BV (x)	ROE (%)	D/E	Share Capital	Mcap	Mcap/Sales
Indian Hotels Company Ltd	59.65	3432.71	3683.23	545.70	600.90	15.90%	3.06	36.30	0.09%	0.04	40.79	1529.90	1.57	0.04%	1.05	75.61	4541.65	1.32
EIH	78.3	1392.3	1506.4	339.84	380.9	24.41%	124.08	143	8.91%	2.17	45.38	36.08	1.73	4.78%	0.15	114.31	4481.1	3.22
Hotel Leela Venture	31.65	571.09	868.5	-185.88	277.5	-32.55%	18.62	12.4	3.26%	0.48	41.01	65.92	0.77	1.17%	2.29	77.56	1223.59	2.14

Source: Company Data, Microsec Research, Bloomberg, INR in Crores

Key Risks & Concerns

- ***Heavy Credence on Indian operations:*** IHCL heavily depends on India's operations on foreign tourist arrivals, Foreign exchange earnings and visa on travels, etc, which makes it inclined to the domestic economic conditions. Moreover, the operations and earnings are essentially concentrated in key cities, mainly metro cities.
- ***Competition from International Chain***: The Indian subcontinent, South East Asia and Asia Pacific with high growth rates have become the focus area of major international chains. Several of these chains like Carlson, Starwood, Marriot International, Accor, Hilton and Intercontinental Hotels have announced their plans to establish hotels to take advantage of the demand supply imbalance. These entrants are expected to intensify the competitive environment in the coming years. The success of Taj Group will be dependent upon its ability to compete in areas such as room rates, quality of accommodation, brand recognition, service level, and convenience of location and to a lesser extent, the quality and scope of other amenities, including food and beverage facilities.
- ***Foreign exchange fluctuation risks:*** IHCL has a portfolio of foreign currency debt, in respect of which it faces exposure to fluctuations in currency as well as interest rate risks.
- ***Dependence on the high-end Luxury segment:*** Luxury hotels contribute a significant proportion of the total revenue and earnings of the Company. This segment is affected by the international events and travel behavior and suffers from high operating leverage. Adverse development affecting these hotels or the cities in which they operate could have a materially adverse effect on IHCL.

Valuation

We followed Discounted Cash Flow (DCF) approach to value Indian Hotels Company Limited (IHCL). A description of the valuation is as follows:

Discounted Cash Flow (DCF)

We utilized Weighted Average Cost of Capital (WACC) of 7.98% to discount the future earnings of Indian hotels Company Ltd (IHCL). In addition, we applied a terminal growth rate of 2.50% for the earnings beyond FY2016E. We arrived at the WACC with a Cost of Equity of 11.69%, post tax Cost of Debt of 4.45%, and Debt-to-Equity of 1.05x. By adopting Capital Asset Pricing Model (CAPM), we arrive at Cost to Equity based on Market Return of 12.28%, Risk Free Rate of 8.06% and Beta of 0.86x. Furthermore, the Cost of Debt represents expected interest cost after deducting the tax impact. With this, our DCF valuation reflects a target price of ₹80.62 for the stock with a period of 1 year, which reflects an upside of 35.15% from the CMP of ₹59.65.

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Income Statement

Income Statement as on March, 31st								
Particulars (INR in Crores)	**FY2006-07A**	**FY2007-08A**	**FY2008-09A**	**FY2009-10A**	**FY2010-11A**	**FY2011-12A**	**FY2012-13(E)**	**FY2013-14(E)**
Net Sales	2511.48	2920.03	2600.59	2456.67	2862.47	3432.71	3683.23	4162.05
YoY Growth (%)		*16.27%*	*-10.94%*	*-5.53%*	*16.52%*	*19.92%*	*7.30%*	*13.00%*
Other Operating Income	154.39	92.56	85.54	64.35	0	0	30	30
Total Income	2665.87	3012.59	2686.13	2521.02	2862.47	3432.71	3713.23	4192.05
YoY Growth (%)		*13.01%*	*-10.84%*	*-6.15%*	*13.54%*	*19.92%*	*8.17%*	*12.89%*
TOTAL EXPENDITURE	1795.78	2028.01	2127.85	2122.87	2410.09	2887.01	3112.33	3454.50
as % of sales	*67.36%*	*67.32%*	*79.22%*	*84.21%*	*84.20%*	*84.10%*	*84.50%*	*83.00%*
EBITDA	870.09	984.58	558.28	398.15	452.38	545.70	600.90	737.55
EBITDA Margin (%)	*32.64%*	*32.68%*	*20.78%*	*15.79%*	*15.80%*	*15.90%*	*16.18%*	*17.59%*
EBITDA Growth (%)		*13.16%*	*-43.30%*	*-28.68%*	*13.62%*	*20.63%*	*10.12%*	*22.74%*
Depreciation	161.28	167.58	188.46	218.54	227.95	255.07	254.97	271.36
EBIT	708.81	817	369.82	179.61	224.43	290.63	345.93	466.19
EBIT Margin (%)	*26.59%*	*27.12%*	*13.77%*	*7.12%*	*7.84%*	*8.47%*	*9.32%*	*11.12%*
Interest	122.25	202.32	230.46	306.14	251.15	193.38	193.60	191.60
Other Income	0	0	70.5	32.23	35.73	50.78	30	30
PBT before exceptional items	586.56	614.68	209.86	-94.3	9.01	148.03	182.33	304.60
exceptional items	0	0	-51.35	60.57	15.74	-0.46	0	0
PBT after exceptional items	586.56	614.68	158.51	-33.73	24.75	147.57	182.33	304.60
PBT Margin (%)	*22.00%*	*20.40%*	*5.90%*	*-1.34%*	*0.86%*	*4.30%*	*4.91%*	*7.27%*
PBT Growth (%)		*4.79%*	*-74.21%*	*-121.28%*	*26.62%*	*496.24%*	*23.56%*	*67.06%*
Tax	196.52	246.98	155.77	84.71	93.66	121.75	127.63	152.30
Tax (%)	*33.50%*	*40.18%*	*98.27%*	*-251.14%*	*378.42%*	*82.50%*	*70.00%*	*50.00%*
PAT before extraordinary items	390.04	367.7	2.74	-118.44	-68.91	25.82	54.70	152.30
Extraordinary item	0	-54.16	0	0	0	0	0	0
PAT after extraordinary items	390.04	313.54	2.74	-118.44	-68.91	25.82	54.70	152.30
Minority Interest	-20.11	22.74	-15.77	-13.91	-11.66	-38.4	-38.4	-38.4
Shares of Profit & Loss in Associates	0	64.18	25.49	-4.57	-35.97	15.64	20	25
PAT after minority interest	369.93	354.98	12.46	-136.92	-116.54	3.06	36.30	138.90
PAT Margin (%)	*13.88%*	*11.78%*	*0.46%*	*-5.43%*	*-4.07%*	*0.09%*	*0.98%*	*3.31%*
PAT Growth (%)		*-4.04%*	*-96.49%*	*NA*	*185.12%*	*97.37%*	*1086.24%*	*282.65%*
No. of ordinary shares	58.67	60.29	72.34	72.34	75.95	75.61	80.41	80.41
Weighted Average No. of Ordinary Shares	60.29	65.43	71.35	72.34	73.32	73.32	78.12	78.12
Basic EPS	6.31	5.89	0.15	-1.99	-1.53	0.04	1.36	1.73
Dilluted EPS	6.14	5.43	0.15	-1.99	-1.59	0.04	0.46	1.78

Source: Company Data, Microsec Research, Note: Tata Sons Limited dated June 22, 2012, has exercised the option to convert 4,80,00,000 Warrants where each Warrant entitled Tata Sons Limited to subscribe to one Ordinary Share of the Company of INR1/- each of the Company at INR103.64 per share

Balance Sheet

Balance Sheet as on 31st, March								
Particulars	FY2006-07A	FY2007-08A	FY2008-09A	FY2009-10A	FY2010-11A	FY2011-12A	FY2012-13E	FY2013-14E
SOURCES OF FUNDS:								
Share Capital	58.67	60.29	72.34	72.35	75.95	75.61	80.41	80.41
Share Warrants & Outstandings	1.62	19.97	0	0	124.37	124.37	0	0
Prefence shares issued by a subsidiary	0	0	120	120	140	140	140	140
Reserves & Surplus	2036.33	2188.83	3105.55	2352.8	2570.13	2884.51	3474.22	3546.09
Shareholder's Funds	**2096.62**	**2269.09**	**3297.89**	**2545.15**	**2910.45**	**3084.49**	**3554.63**	**3626.50**
Minority Interest	275.84	282.01	274.11	272.74	296.72	646.9	646.90	646.90
Secured Loans	1701.56	1631.57	2659.6	2566.41	2201.69	1623.81	1473.81	1323.81
Unsecured Loans	368.86	1858.89	2011.08	1916.19	2056.75	1623.81	1623.81	1623.81
Loan Funds	**2346.26**	**3772.47**	**4944.79**	**4755.34**	**4555.16**	**3247.62**	**3097.62**	**2947.62**
Finance Lease Liabilty	0	0	0	0	0	0	0	0
Total	**4442.88**	**6041.56**	**8242.68**	**7300.49**	**7465.61**	**6979.01**	**7299.15**	**7221.02**
APPLICATION OF FUNDS								
Fixed Assets								
Gross Block	4416.09	4646.45	5376.11	5814.15	6120.25	6673.14	7373.14	7673.14
(-) Accumulated Depreciation	1034.01	1132.08	1304.08	1440.66	1590.74	1605.36	1860.33	2131.69
Net block	**3382.08**	**3514.37**	**4072.03**	**4373.49**	**4529.51**	**5067.78**	**5512.81**	**5541.45**
Capital Work ion Progress	174.53	435.17	743.54	429.99	411.72	500.00	200.00	150.00
Investments	514.27	1541.94	2407.68	1905.42	2505.81	1903.90	2064.48	2148.48
Goodwill on Consolidation	314.12	297.03	361.15	330.38	325.72	489.51	489.51	489.51
Net Deferred Taxation	-146.6	-148.53	-160.15	14.36	-44.06	-127.69	-127.69	-127.69
Fixed Aseets & Investments	**4238.4**	**5639.98**	**7424.25**	**7053.64**	**7728.70**	**7833.50**	**8139.11**	**8201.75**
Inventories	44.91	53.33	64.1	59.65	58.53	86.35	88.95	93.40
Sundry Debtors	204.75	207.91	177.77	205.5	201.97	283.77	300.67	339.76
Other Current assets	0	0	11.63	0	0	64.74	0	0
Cash & Bank balance	177.15	257.6	252.84	548.76	195.56	172.60	431.63	368.89
Loans & Advances	417.58	531.91	1061.47	738.94	637.87	657.67	589.32	541.07
Total Current Assets,Loans & Advances	**844.39**	**1050.75**	**1567.81**	**1552.85**	**1093.93**	**1265.13**	**1410.56**	**1343.11**
Current Liabilities	458.95	572.2	555.55	583.18	617.4			
Provisions	193.7	86.12	201.47	745.41	749.58			
Less:Total Current Liabilities & Provisions	652.65	658.32	757.02	1328.59	1366.98	1425.26	1556.17	1629.48
Less: Other Liabilities	0	0	0	0	0	694.36	694.36	694.36
Net Current Assets	**191.74**	**392.43**	**810.79**	**224.26**	**-273.05**	**-854.49**	**-839.96**	**-980.73**
Miscellaneous Expenditure	12.74	9.15	7.64	22.59	9.96	0	0	0
TOTAL	**4442.88**	**6041.56**	**8242.68**	**7300.49**	**7465.61**	**6979.01**	**7299.15**	**7221.02**

Source: Company Data, Microsec Research, INR in Crores, Note: Tata Sons Limited dated June 22, 2012, has exercised the option to convert 4,80,00,000 Warrants where each Warrant entitled Tata Sons Limited to subscribe to one Ordinary Share of the Company of INR1/- each of the Company at INR103.64 per share

Cash Flow Analysis

Cash Flow For the Year Ended March, 31st						
Particulars (INR in Crores)	**FY2008-09A**	**FY2009-10A**	**FY2010-11A**	**FY2011-12A**	**FY2012-13E**	**FY2013-14E**
A. Cash Flow From Operating Activities						
Net Profit Before Tax	158.51	-33.73	24.75	147.57	182.33	304.60
Depreciation	188.46	218.54	227.95	255.07	254.97	271.36
Loss/(Profit) on assets sold or discarded	-2.71	-4.49	0.82			
Amortization of VRS expenditure	0.3	0	0			
profit on sale of investments	-0.04	-39.16	-4.08			
Unrealized exchange gain on financing activities	20.9	-2.39	-14.08			
Provision for Doubtful debts	4.5	8.22	4.15			
Impairment of Goodwill	0	0	3.26			
Expenses on discounted project written off	0	0	5.2			
Profit on sale of hotels	-2.03	-5.72	-4.29			
Interest Expenses	230.46	306.14	251.15	193.38	193.60	191.60
Interest Income	0	0	0.02			
Dividend Income	-48.74	-20.08	-17.89			
Contingent provision against standard assets	0	0	0.12			
Provision for contingent claims	0	0.64	5.32			
Provision for Loyalty program	1.61	2.2	-0.19			
Provision for contingencies	0.2	0	0			
Provision for Employee Benefits	11.09	0.66	-9.03			
Operating Profit before WC changes	562.51	430.83	473.06	596.02	630.90	767.55
(Increase)/Decrease in Inventories	-9.22	2.48	6.20	-27.82	-2.60	-4.45
(Increase)/Decrease in Sundry Debtors	-71.47	-9.56	59.53	-81.80	-16.90	-39.09
(Increase)/ Decrease in loans and advances	0.00	0.00	0.00	-19.80	68.35	48.25
Increase/ (Decrease) in Current & Liabilities	48.50	56.55	-12.49	58.28	130.91	73.32
(Increase)/Decrease in Other Current Assets	0	0	0	-64.74	64.74	0
Cash generated from operations	530.32	480.30	526.30	460.14	875.40	845.58
Direct taxes paid	191.42	53.19	13.61	121.75	127.63	152.30
Net Cash from Operating Activities	**338.9**	**427.11**	**512.69**	**338.39**	**747.77**	**693.28**
B. Cash Flow From Investing Activities						
Purchase of Fixed Assets	-793.64	-508.51	-412.65	-641.17	-400.00	-250.00
Sale of Fixed Assets	12.83	65.19	106.13			

Sale of Investments	12	7720.93	3089.05			
(Purchase) of Investments	-352.11	-7103.27	-3717.24	601.91	-160.58	-84.00
Interest Received	32.55	25.35	51.53			
Dividend Received	69.45	34.77	31.98			
Deposits Refunded by / (Placed with) Other Companies (Net)	-142.13	69.97	67.86			
Net Cash used in Investing Activities	**-1161.05**	**304.43**	**-783.34**	**-39.26**	**-560.58**	**-334.00**
C. Cash Flow From Financing Activities						
Debenture Issue/Loan arrangement costs	-12.87	-23.3	-0.52			
Repayment of long term loans & debentures	-192.63	-791.32	-364.34			
Proceeds of long term loans & debentures	1287.4	1957.4	49.51		-150	-150
Short Term Loans Raised/(Repaid) (Net)	-449.47	-1133.59	119.51		-18.4	-13.4
Long Term Trade Deposits Raised/(Repaid)	30.67	-1.89	-8.66			
Share application money	0.15	0	0			
Proceeds from issue of Equity shares	823.9	1.02	498.04		497.47	
Proceeds from issue of Preference shares by a subsidiary	120	0	0			
Interest Paid	-230.1	-324.43	-290.68	-193.38	-193.60	-191.60
Dividend Paid (including tax on dividend)	-145.49	-107.53	-88.68		-63.63	-67.02
Net Cash from/(Used) in financing activities	**1231.56**	**-423.64**	**-85.82**	**-193.38**	**71.84**	**-422.02**
Net (Increase)/Decrease in cash & cash equivalents	**409.41**	**307.9**	**-356.47**	**105.75**	**259.03**	**-62.73**
Cash & Cash Equivalents at beginning	260.21	252.84	548.72	195.38	172.60	431.63
Impact of Ex. Fluctuations on Cash and Cash Equivalents	8.88	-12.02	3.13			
Cash & Cash Equivalents at End	678.5	548.72	195.38	301.13	431.63	368.89

Source: Microsec Research, Company Data

Ratio Analysis

Ratios	FY2006-07A	FY2007-08A	FY2008-09A	FY2009-10A	FY2010-11A	FY2011-12A	FY2012-13E	FY2013-14E
Profitability Ratios(%)								
Return on Assets (ROA)	8.33%	5.88%	0.15%	-1.88%	-1.56%	0.04%	0.50%	1.92%
Return on Capital Employed (ROCE)	15.95%	13.52%	4.49%	2.46%	3.01%	4.16%	4.74%	6.46%
Return on Equity (ROE)	17.64%	15.64%	0.38%	-5.38%	-4.00%	0.10%	1.02%	3.83%
Per Share								
Earning Per Share(Dilluted)	6.14	5.43	0.15	-1.99	-1.59	0.04	0.46	1.78
Adj. Earnings Per Share	6.14	5.43	0.15	-1.99	-1.59	0.04	0.46	1.78
Dividend Per share	1	1	1.20	1.00	1.00	1.00	0.94	0.99
Cash Earning Per Share	9.05	8.67	2.78	1.13	1.47	3.41	3.62	5.10
BVPS	35.74	37.64	45.59	35.18	38.32	40.79	44.21	45.10
Valuation Parameters								
P/E (x)	21.83	20.62	262.48	-51.54	-52.97	1529.90	128.37	33.55
P/CEPS(x)	14.79	12.90	14.19	90.89	57.40	18.70	16.47	11.69
P/BVPS(x)	3.75	2.97	0.86	2.91	2.20	1.57	1.35	1.32
Market Cap/Sales(x)	3.40	2.31	1.10	3.02	2.23	1.32	1.23	1.09
EV/EBITDA(x)	12.07	9.95	11.88	24.28	19.36			
Liquidity Ratios								
Current Ratio	1.29	1.60	2.07	1.17	0.80	0.89	0.91	0.82
Acid Test Ratio	1.22	1.52	1.99	1.12	0.76	0.83	0.85	0.77
Debt-Equity Ratio	1.12	1.66	1.50	1.87	1.57	1.05	0.87	0.81
Efficiency Ratios(%)								
Asset turnover Ratio	0.62	0.56	0.36	0.32	0.39	0.48	0.52	0.57
Working Capital Turnover Ratio	13.10	7.44	3.21	10.95	-10.48	-21.44	-25.30	-14.53
Inventory Turnover Ratio	62.81	49.45	44.29	39.70	48.44	47.39	42.02	45.65
Margin Ratios(%)								
EBITDA Margin	32.64%	32.68%	20.78%	15.79%	15.80%	15.90%	16.18%	17.59%
EBIT Margin	26.59%	27.12%	13.77%	7.12%	7.84%	8.47%	9.32%	11.12%
PBT Margin	22.00%	20.40%	5.90%	-1.34%	0.86%	4.30%	4.91%	7.27%
Net Profit Margin	13.88%	11.78%	0.46%	-5.43%	-4.07%	0.09%	0.98%	3.31%

Source: Microsec Research, Company Data

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Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Underperform	between 0% and -10%
Sell	< -10%

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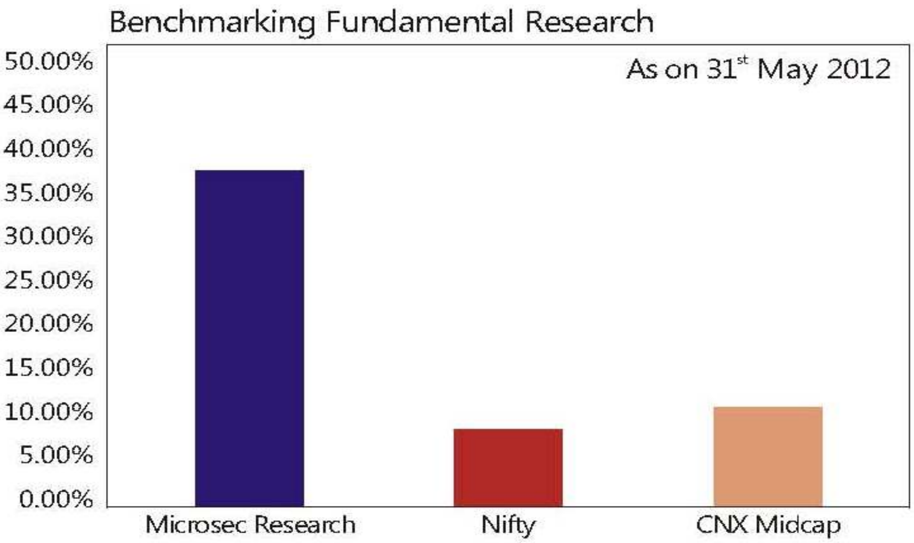

An amount of ₹ 1,00,000 invested individually in all 145 stocks ie, ₹ 1,45,00,000 investment as and when recommended has appreciated to ₹ 1,98,54,113 giving a return of 36.9 percent. On the same basis Nifty has given a return of 8.3 percent and CNXMID CAP has given a return of 11.3 percent.

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