

October 27, 2009

BUY

MEDIUM RISK

PRICE Rs.1164

TARGET Rs.1560

Engineering

SHARE HOLDING (%)

Promoters	90.4
FII	1.9
FI	4.4
Body Corporates	0.4
Public & Others	2.9

STOCK DATA

Reuters Code	ENGI.BO	
Bloomberg Code	ENGR IN	
BSE Code	532178	
NSE Symbol	ENGINERSIN	
Market Capitalization	Rs. 65.4 bn US\$ 1403.4 mn	
Shares Outstanding	56.16 mn	
52 Weeks (H/L)	Rs.1314/ 300	
Avg. Daily Volume (6m)	10,137 Shares	
Price Performance (%)		
1 M	2M	3M
(0)	14	99
200 Days EMA Rs. 867		

Part of  Bonanza

Engineers India Ltd. (EIL) is a leading engineering consultancy and turnkey contracting company, which executes projects on conventional and lump-sum turnkey (LSTK) basis in the fields of refineries, petrochemicals, pipelines, offshore, metallurgy, infrastructure, fertilizer etc. Government holds 90.4% stake, which allows the Company to become a preferred service provider for most of the Public Sector Units (PSUs) in oil and gas sectors.

KEY HIGHLIGHTS

- EIL is one of the leading engineering companies in Asia in project consultancy and turnkey contracting business across the sectors such as refineries, petrochemicals, pipelines, offshore, metallurgy, infrastructure, fertilizer, etc.
- It provides a range of services to meet the specific requirements of its clients, which includes feasibility studies, project management, planning and scheduling, process design and construction management.
- The Company has technical alliances with leading global players for the technologies used in various projects across the sectors it serves.
- EIL is having vast experience and long track record of executing several large projects in fields of petroleum refineries, petrochemicals, pipelines, offshore and onshore oil & gas, metallurgy, infrastructure etc. and is currently executing many large projects, which are expected to be commissioned in FY10, FY11 and FY12.
- Its strong order book position of Rs. 70 bn as on Mar'09, which provides very clear earnings visibility for next 3-4 years. The Company is also expected to win significant volume of orders primarily from the PSUs in oil & gas sector.
- EIL has successfully marketed its 'Open Book Estimate convertible to LSTK' business model, which helps in faster execution of the projects and reduction of cost.
- During FY09, EIL has delivered excellent performance with its consolidated revenues increasing by 106% YoY to Rs. 15,528.7 mn. Revenues from core consultancy business increased by 32.7% to Rs. 8,245.5 mn, while revenues from LSTK projects segment increased more than 5x to Rs. 7,079 mn. The substantial increase in LSTK segment was mainly contributed by LLDPE projects of Indian Oil (Panipat) and Euro-IV project of CPCL. Its EBITDA margins stood at 20.7% and its EBITDA increased by 81.5% YoY to Rs. 3,220.5 mn. Its net profit increased by 77.3% YoY Rs. 3,511.5 mn.

OUTLOOK & VALUATION

Huge investment planned by government in petrochemicals, refinery and oil & gas segment will require huge capital expenditure in next 8-10 years. EIL is a premier engineering consultancy and turnkey contracting company with vast experience and proven track record. With its unmatched technical capabilities, past experience, and focus on R&D activities, EIL is best placed to benefit from the capex of these segments. Moreover, the Company has excellent order book position of Rs. 70 bn, which provides strong earnings visibility for next 3-4 years. Going forward, we expect EIL's consolidated revenues to grow by 37.2% & 20.1% in FY10E & FY11E respectively and its APAT to grow by 36.5% & 22.1% in FY10E & FY11E respectively. At the CMP of Rs. 1,164, the stock is trading at an attractive valuation of 13.6x & 11.2x its FY10E & FY11E earnings of Rs. 85.3 & Rs. 104.2 respectively. Moreover, EIL has strong balance sheet with high net cash & is available at an attractive 8.2x FY11E EV/PAT. Given its strong engineering capabilities & immense experience of executing large projects, we recommend "BUY" rating on the stock, with a price target of Rs. 1,560, at which the stock would quote at PER of 15x based on FY11E Earnings (12x FY11E EV/PAT).

KEY FINANCIALS

Y/E	Revenue (Rs mn)	APAT (Rs mn)	AEPS (Rs)	EPS (%Ch.)	PER (x)	ROCE (%)	ROE (%)	EV/EBIDTA (x)
Mar.								
FY09	15528.7	3511.5	62.5	77.3	18.6	37.8	24.9	16.5
FY10E	21306.0	4791.4	85.3	36.5	13.6	42.1	27.8	10.3
FY11E	25580.4	5849.5	104.2	22.1	11.2	42.1	27.8	7.8

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INVESTMENT RATIONALE

IMMENSE EXPERIENCE WITH STRONG TECHNICAL CAPABILITIES

EIL is one of Asia's leading engineering companies, providing engineering consultancy and turnkey project contracting services across oil and gas sectors. It provides a range of services such as feasibility studies, project management, planning and scheduling, process design and construction management. The Company has technical alliances with leading global players for the technologies used in various projects. EIL is also having immense experience and long track record of executing several large projects in fields of petroleum refineries, petrochemicals, pipelines, offshore and onshore oil and gas, metallurgy, infrastructure etc. Hence, with its strong technical capabilities and vast experience of executing large projects in past, the Company is one of the preferred service providers for most of the Public Sector Units (PSUs) in oil and gas sectors.

HUGE INVESTMENTS ARE UNDERWAY IN OIL & GAS SEGMENT

With increased emphasis on infrastructure development, the Government of India has planned major investments in oil and gas segment for the next 8-10 years, which will drive growth in petrochemicals, refinery and oil and gas segments. Hence, there will be huge capital expenditure requirement from oil and gas companies. EIL, being a premier engineering consultancy and turnkey contracting company with vast experience and long track record, is best placed to benefit from the capex of these segments. Moreover, the Company has been successful in implementing its new business model i.e. 'Open Book Estimate convertible to LSTK' and has converted some large projects to LSTK mode. This concept helps in faster execution and reduction of the cost of the project. Hence, going forward, investments in oil and gas segment will drive growth for EIL.

STRONG ORDER BOOK TO DRIVE GROWTH

During FY09, EIL had obtained orders worth Rs. 39.3 bn, as against Rs. 32 bn in the previous financial year, which includes two major LSTK projects worth Rs. 26.3 bn secured from MRPL for execution of two major units i.e. PFCC & SRU Block of their ongoing refinery project under Phase-III. Out of the total orders of Rs. 39.3 bn received, domestic consultancy, domestic LSTK, and overseas consultancy business contributed Rs. 11.7 bn, Rs. 26.3 bn, and Rs. 1.3 bn respectively. Its current outstanding order book position has increased to Rs. 70 bn (more than 4.5x its FY09 revenue). Moreover, the Management expects to win significant orders (primarily from the PSUs) in oil and gas sector. Going forward, with its strong order book position, the visibility of top-line growth for the next three to four years is very clear.

STRATEGIC JOINT VENTURES TO FACILITATE FURTHER GROWTH

In order to enhance market presence and undertake LSTK business in India and abroad, EIL has established two joint ventures (JVs), one with Tata Projects for the domestic market and the other with Tecnimont Spa, Italy for overseas market. TEIL Projects, the Tata JV, has already set up office in Noida and has started exploring for business, while JV with Tecnimont is in final stages of setting up office and commencing business. These JVs are strategic to EIL and it will facilitate the Company to expand its domestic LSTK business and also foray into overseas LSTK business.

WIDENING PORTFOLIO BY ENTERING NUCLEAR & SOLAR SEGMENTS

In line with its long-term growth strategy, the Company has decided to enter into the nuclear and solar energy sectors along with water in the infrastructure sector. The work on developing entry-level strategies and acquisition of requisite skill sets in these potential areas has already been initiated. These developments will diversify EIL's business portfolio and reduce the sector specific risk for the Company.

ONGOING PROJECTS

PETROLEUM REFINING

- ▶ 6 MMTPA grass roots Bina Refinery of Bharat Oman Refinery: The refinery is expected to be commissioned during first quarter of CY10 and will be able to produce **MS** and Diesel meeting Euro IV standards.
- ▶ Capacity-expansion-cum-Modernization Project Phase-II of Kochi Refinery of BPCL: Capacity expansion is expected to be completed in third quarter of CY09 and the new processing units are expected to be completed by first quarter of 2010.
- ▶ Diesel Hydro-treater Project of Bongaigaon Refinery of Indian Oil: The project is expected to be completed during first quarter of CY10.
- ▶ 9 MMTPA grass roots Guru Gobind Singh Refinery Project of HPCL Mittal Energy: The project is making steady progress and is ahead of schedule. It is likely to be completed in 39 months against the schedule of 42 months. This is the biggest project being handled by EIL in petroleum refining sector, till now, both in terms of EIL fee as well as in terms of plant and machinery cost.
- ▶ Capacity-expansion-cum-Value Addition of Mangalore Refinery of MRPL: This is yet another major job for EIL in terms of fee. The project involves capacity expansion from 9.6 MMTPA to 15 MMTPA, product quality improvement to Euro IV specifications as well as production of high value products. The project is being implemented through a hybrid mode with some units on conventional, some on LSTK and some on Open Book Estimate (OBE) mode. It is noteworthy that apart from overall responsibility of Project Management, EIL has also been entrusted with the responsibility of implementing two units with approximately plant and machinery cost of Rs. 20 bn on OBE mode. The project is making steady and satisfactory progress and the outlook is promising for its timely completion.
- ▶ Diesel Quality Upgradation of Numaligarh Refinery: This project is expected to be completed during second quarter of CY10.

PETROCHEMICALS

- ▶ Panipat Naphtha Cracker Project, which is a grass-root petrochemical project being executed by Indian Oil using EIL services for project management. The project is making steady progress and is expected to be completed during last quarter of CY09.
- ▶ Dahej Petrochemical Complex is another grass-root petrochemical project being set up by ONGC Petro Additions. The Plant is scheduled to go on stream by end of CY12.
- ▶ Assam Cracker Project of Brahmaputra Cracker & Polymer: This is yet another grass-root petrochemical project being executed by EIL on conventional mode. The project being set up at Lepetkata near Dibrugarh continued to make steady progress. The plant is expected to go on stream during first quarter of CY12.

PIPELINES

Presently, EIL is working on the following Pipeline projects:

- ▶ 24" x 935 km Vadinar-Bina Pipeline for crude oil transportation
- ▶ 48" x 498 km Vijapur-Dadri Gas Pipeline Project of GAIL
- ▶ 18" x 260 km of Bina-Kota Pipeline for petroleum product transportation
- ▶ 30"/28" x 1012 km Mundra-Bathinda Crude Oil Pipeline of HPCL-Mittal Pipelines for crude oil transportation.
- ▶ 30"/24" x 300 km NGL Pipeline of GASCO-Abu Dhabi

All the projects are making steady progress and are expected to be completed on or ahead of schedule. During the year, Pipeline Division of EIL secured a project for setting up two new compressor stations at Chainsa and Kailaras for Vijaipur-Dadri Gas Pipeline of GAIL.

OFFSHORE OIL & GAS

This is another segment of the hydrocarbon industry, where EIL has been providing design and project management services for more than two decades. The major client in this field has been ONGC. In the recent past, EIL has added GSPC as another Indian client. During the year, EIL continued to provide services to both these clients for some of their offshore fields located on West and East coast of India.

ONGC projects, which are nearing completion, are: Vasai East Development Project, Revamping of 26 Well Platforms and NQ Reconstruction.

ONSHORE OIL & GAS

EIL continued to provide project management services to ONGC for their Revamp Projects of GGS-I and GGS-II at Rudrasagar, Assam. These are expected to be completed during CY09. During the year, GSPC entrusted EIL with the responsibility of providing project management services for their onshore gas processing facilities for Deen Dayal Field Development Project. The work on the project is progressing smoothly.

STRATEGIC STORAGES

As an energy security measure, the Government of India has approved setting up of underground strategic crude oil storages in the country at three locations namely Visakhapatnam, Mangalore and Padur. EIL has been engaged as PMC for execution of these projects by Indian Strategic Petroleum Reserves (ISPRL), an SPV created by the Government for designing, building, operating & maintaining the storage facilities. The work at Visakhapatnam is in progress and is expected to be completed by mid-CY11. Work at Mangalore is expected to start shortly and is likely to be completed by CY12.

METALLURGY

EIL had diversified into metallurgy sector more than two decades back and has a lead position in this domain. Amongst various metallurgical sectors, refining of Bauxite to produce Alumina and further processing of Alumina to produce Aluminum in a smelter plant has formed core business for this division. During 2008-09, EIL secured the following two major engineering consultancy jobs:

- ▶ 0.36 MMTPA Smelter at Sambalpur (Orissa) of HINDALCO
- ▶ 0.36 MMTPA Smelter at Singrauli, (MP) of HINDALCO

These projects are expected to be completed within 33 months from receipt of first installment of basic engineering package from the process licensor. Detailed engineering work is going on at full pace for both the projects. New technologies are being implemented for the first time in India for both these projects.

INFRASTRUCTURE

Currently, EIL is working on following major projects:

- ▶ Delhi and Mumbai Airport Upgradation Projects as independent consultants for validation/implementation of OMDA agreement.
- ▶ PMC services for Interceptor Sewer Project for abatement of Yamuna River pollution.
- ▶ PMC services for development of Rugby stadium and multipurpose hall for Common Wealth Games in North Campus of Delhi University.
- ▶ PMC services for redevelopment of Connaught Place.

- ▶ PMC Services on Deposit Concept for Development of Institutional Buildings at North & South Campus of Delhi University.
- ▶ PMC Services for setting up of Rajiv Gandhi Institute of Petroleum Technology (RGIPT) at Rai Bareilly in UP.
- ▶ General technology consultant to MCD for solid waste management.

ENGINEERING

Engineering Division continued to provide engineering services to various projects being executed by EIL within and outside India.

Some of the major activities initiated during the year include:

- ▶ Design and engineering for strategic storage of crude oil in underground rock caverns at Mangalore & Padur.
- ▶ Procurement engineering for 42-MW (ISO rating) rich gas turbine driven compressor for Brahmaputra Cracker Project at Assam, the largest of its kind ever engineered by EIL.
- ▶ Procurement engineering for world's largest polypropylene extruder for GGSR project of HMEL having 17-MW, variable frequency driven synchronous motor.
- ▶ Implementation of state-of-the-art field bus based systems in all current projects.
- ▶ Implementation of onshore control centers for Mumbai offshore platforms, in record time for ONGC enabling safe shutdown of a platform from three onshore locations.
- ▶ Implementation of web-based electronic Document Management System for GGSR project for document archiving, transfer and structured Knowledge Management.
- ▶ Design of thick expansion joints in fixed tube sheet heat exchangers using finite element analysis based on new TEMA guidelines for Numaligarh Refinery and GGSR project.
- ▶ Optimization of design of skirt of the coke drums using 3-dimensional finite element analysis for Guwahati Refinery.

TURNKEY PROJECTS

EIL is executing turnkey projects either on LSTK mode or on the recently introduced new concept of "Open Book Estimate". Following jobs continued to make satisfactory progress during the year:

- ▶ LLDPE-HDPE (Swing Unit), which is a part of Panipat Naphtha Cracker Project of Indian Oil on LSTK basis. The project was awarded during FY06-07 and efforts are being made to achieve completion during FY09-10.
- ▶ Euro-IV Project of CPCL being executed on OBE basis is progressing as per schedule and is likely to be completed within contractual commitments. The project was awarded in FY07-08 and expected to be completed by Q1FY11.
- ▶ During 2008-09, MRPL awarded PFCCU and SRU Block of Phase-III project on OBE basis to EIL. The scope includes supply of licensed process packages for SRU block. The front-end activities and procurement related activities of the project are progressing well and substantial progress has been achieved within a period of first four months. The project was awarded in FY08-09 and expected to be completed in next 36 months.

FY09 PERFORMANCE OVERVIEW:

FY09 was an excellent year for the Company in terms of new business addition as well as growth in revenues. During the year, EIL secured an all time high business totaling Rs. 39.29 bn, as against Rs. 32.02 bn in the previous financial year, registering a growth of 23%. Out of the total orders of Rs. 39.29 bn received, domestic consultancy, domestic LSTK, and overseas consultancy business contributed Rs. 11.69 bn, Rs. 26.3 bn, and Rs. 1.3 bn respectively. Two major LSTK projects worth Rs. 26.3 bn were secured from MRPL for execution of two major units i.e. PFCC & SRU Block of their ongoing refinery project under Phase-III, on Open Book Estimate (OBE) convertible to LSTK basis. The PFCC project is the largest value LSTK contract bagged by EIL so far.

A major refinery project secured during the year was EPCM services contract for implementation of Diesel Quality Upgradation Project (DQUP) at Numaligarh refinery of NRL. Additionally, during the year, EIL also received fresh business from sectors such as petrochemicals, pipelines, strategic storages, non-ferrous metallurgy, onshore oil & gas sectors as well as infrastructure sector.

During FY09, EIL has delivered excellent financial performance with its consolidated revenues increasing by 106% YoY to Rs. 15,528.7 mn. Revenues from core consultancy business increased by 32.7% to Rs. 8,245.5 mn, while revenues from LSTK projects segment increased more than 5x to Rs. 7,079 mn. Its EBITDA margins stood at 20.7% and its EBITDA increased by 81.5% YoY to Rs. 3,220.5 mn. Its net profit increased by 77.3% YoY Rs.3,511.5 mn.

Segmental Performance	H1FY09	H1FY10	FY08	FY09
Revenues (Rs mn)				
Consultancy & Engg Projects	3,450.5	4,809.7	6214.4	8245.5
Growth (%) y-o-y		39.4		32.7
% of Net Sales	57.9	56.0	84.2	53.8
Lumpsum Turnkey Projects	2,513.9	3,786.6	1163.1	7079.0
Growth (%) y-o-y		50.6		508.6
% of Net Sales	42.1	44.0	15.8	46.6
Net Sales (Rs. Mn)	5,964.4	8,596.4	7377.5	15324.6
Growth (%) y-o-y		44.1		107.7
PBIT (Rs mn)				
Consultancy & Engg Projects	1,057.8	1,735.2	2079.4	2999.4
Growth (%) y-o-y		64.0		44.2
% Margin	30.7	36.1	33.5	36.4
Lumpsum Turnkey Projects	128.7	341.4	144.4	310.0
Growth (%) y-o-y		165.2		114.7
% Margin	5.1	9.0	12.4	4.4
Total PBIT (Rs. Mn)	1,186.5	2,076.6	2223.8	3309.4
Growth (%) y-o-y		75.0		48.8
% Margin	19.9	24.2	30.1	21.6

EXCELLENT H1FY10 PERFORMANCE:

During H1FY10, the Company has delivered excellent results.

- ▶ Its revenues during H1FY10 increased by a strong 44.1% YoY to Rs. 8,596.4 mn. The consultancy & engineering Projects division Revenues grew by 39.4% YoY to Rs. 4,809.7 mn, while LSTK projects division Revenues grew by 50.6% YoY to Rs. 3,786.6 mn.
- ▶ Its EBITDA margins expanded substantially by 500 bps on YoY basis to 22.9%, mainly on account of reduction in other expenditure & staff cost as percentage of sales due to several cost reduction measures taken by management. It's EBITDA increased by 84.0% YoY to Rs. 1,969.2 mn.
- ▶ It's PBT including other income of Rs. 1039.7 mn increased by 69.2% to Rs. 2,949.3 mn, and the net profit for the period increased by 70.9% YoY to Rs. 1995.9 mn.

OUTLOOK & VALUATION

Huge investment planned by government in petrochemicals, refinery and oil & gas segment will require huge capital expenditure in next 8-10 years. EIL is a premier engineering consultancy and turnkey contracting company with vast experience and proven track record. With its unmatched technical capabilities, past experience, and focus on R&D activities, EIL is best placed to benefit from the capex of these segments. Moreover, the Company has excellent order book position of Rs. 70 bn, which provides strong earnings visibility for next 3-4 years. Going forward, we expect EIL's consolidated revenues to grow by 37.2% & 20.1% in FY10E & FY11E respectively and its APAT to grow by 36.5% & 22.1% in FY10E & FY11E respectively. At the CMP of Rs. 1,164, the stock is trading at an attractive valuation of 13.6x & 11.2x its FY10E & FY11E earnings of Rs. 85.3 & Rs. 104.2 respectively. Moreover, EIL has strong balance sheet with high net cash & is available at an attractive 8.2x FY11E EV/PAT. Given its strong engineering capabilities & immense experience of executing large projects, we recommend "BUY" rating on the stock, with a price target of Rs. 1,560, at which the stock would quote at PER of 15x based on FY11E Earnings (12x FY11E EV/PAT).

KEY RISKS:

- ▶ As EIL is into specialized engineering services business, retaining the man-power is the key to its success. Given the growth in the private sector oil & refining segment, the Company may face high risk of attrition of quality talent to its high profile private sector peers.
- ▶ Delay in implementation of order book is a key risk.

QUARTERLY RESULTS STATEMENT (Rs.mn)

Y/E March	Q1FY10	Q2FY09	Q2FY10
Revenue	3914.4	3440.0	4682.0
% Ch. YoY			36.1
RM Consump.	838.2	1028.5	1188.5
% Ch. YoY			15.6
% STO	21.4	29.9	25.4
Sub cont. Exp.	678.5	490.2	794.4
% Ch. YoY			62.0
% STO	17.3	14.3	17.0
Staff costs	1002.3	913.5	1313.0
% Ch. YoY			43.7
% STO	25.6	26.6	28.0
Other Exp.	385.7	370.0	426.5
% Ch. YoY			15.3
% STO	9.9	10.8	9.1
Total Exp.	2904.7	2802.2	3722.4
% Ch. YoY			32.8
% STO	74.2	81.5	79.5
PBIDT	1009.7	637.9	959.6
% Ch. YoY			50.4
% Margin	25.8	18.5	20.5
Interest	0.0	0.0	1.7
PBDT	1009.7	637.9	957.9
% Ch. YoY			50.2
% Margin	25.8	18.5	20.5
Depreciation	26.1	24.7	31.5
% Ch. YoY			27.6
% of STO	0.7	0.7	0.7
PBT excl. OI	983.5	613.2	926.4
% Ch. YoY	138.8	41.9	51.1
% Margin	25.1	17.8	19.8
Other Income	445.3	374.7	594.1
% Ch. YoY			58.5
% Margin	11.4	10.9	12.7
PBT incl OI	1428.8	987.9	1520.4
% Ch. YoY			53.9
% Margin	36.5	28.7	32.5
Tax	486.6	326.1	466.8
% Ch. YoY			43.1
% of PBT	34.1	33.0	30.7
APAT	942.2	661.8	1053.7
% Ch. YoY			59.2
% Margin	24.1	19.2	22.5
Non-Recurr. Items/(Income)	0.0	0.0	0.0
RPAT	942.2	661.8	1053.7

P&L STATEMENT (Consolidated) (Rs.mn)

Y/E March	FY08	FY09	FY10E	FY11E
Revenue	7536.0	15528.7	21306.0	25580.4
% Ch. YoY	29.3	106.1	37.2	20.1
RM Consump.	368.2	4954.7	6892.5	8271.5
% Ch. YoY	12.9	1245.6	39.1	20.0
% STO	4.9	31.9	32.4	32.3
Sub cont. Exp.	562.1	1911.8	2762.5	3317.7
% Ch. YoY	36.8	240.1	44.5	20.1
% STO	7.5	12.3	13.0	13.0
Staff costs	3349.5	3902.9	4760.9	5642.2
% Ch. YoY	34.3	16.5	22.0	18.5
% STO	44.4	25.1	22.3	22.1
Other Exp.	1482.3	1538.7	1996.9	2337.6
% Ch. YoY	0.3	3.8	29.8	17.1
% STO	19.7	9.9	9.4	9.1
Total Exp.	5762.0	12308.1	16412.8	19569.0
% Ch. YoY	22.4	113.6	33.3	19.2
% STO	76.5	79.3	77.0	76.5
PBIDT	1774.0	3220.5	4893.2	6011.4
% Ch. YoY	58.4	81.5	51.9	22.9
% Margin	23.5	20.7	23.0	23.5
Interest	0.0	0.0	0.0	0.0
PBDT	1774.0	3220.5	4893.2	6011.4
% Ch. YoY	58.4	81.5	51.9	22.9
% Margin	23.5	20.7	23.0	23.5
Depreciation	105.3	110.3	121.5	133.6
% Ch. YoY	25.8	4.7	10.2	10.0
% of STO	1.4	0.7	0.6	0.5
PBT excl. OI	1668.7	3110.3	4771.7	5877.8
% Ch. YoY	61.1	86.4	53.4	23.2
% Margin	22.1	20.0	22.4	23.0
Other Income	1341.2	2215.3	2481.1	2977.3
% Ch. YoY	26.6	65.2	12.0	20.0
% Margin	17.8	14.3	11.6	11.6
PBT incl OI	3009.9	5325.6	7252.8	8855.1
% Ch. YoY	43.6	76.9	36.2	22.1
% Margin	39.9	34.3	34.0	34.6
Tax	1029.7	1814.1	2461.4	3005.6
% Ch. YoY	59.8	76.2	35.7	22.1
% of PBT	34.2	34.1	33.9	33.9
APAT	1980.2	3511.5	4791.4	5849.5
% Ch. YoY	36.4	77.3	36.5	22.1
% Margin	26.3	22.6	22.5	22.9
Extraordinary Exp./ (Income)	0.0	0.0	0.0	0.0
RPAT	1980.2	3511.5	4791.4	5849.5

Source : Company, Sushil Finance Research Estimates

BALANCE SHEET (Consolidated)

(Rs.mn)

As on 31 st March	FY08	FY09	FY10E	FY11E
SOURCES OF FUNDS				
Share Capital	561.6	561.6	561.6	561.6
Res. & Surplus	11249.1	13543.0	16652.7	20449.2
Sh.Holders Eq.	11810.6	14104.5	17214.3	21010.7
Secured Loans	0.0	0.0	0.0	0.0
Unsec. Loans	0.0	0.0	0.0	0.0
Loan funds	0.0	0.0	0.0	0.0
Cap. Employed	11810.6	14104.5	17214.3	21010.7
APPLICATION OF FUNDS				
Gross Block	1617.6	1711.3	1796.8	1886.7
Less: Depre.	1115.7	1128.3	1249.8	1383.4
Net Block	501.9	583.0	547.1	503.3
Cap. WIP	34.7	60.2	40.0	35.0
Fixed Assets	536.5	643.2	587.1	538.3
Investments	1465.8	1514.9	1514.9	1514.9
Sundry Debtors	1864.2	3090.1	3862.7	4635.2
Cash & Bank	12702.9	19214.7	23759.8	28931.3
Loans & Adv.	3644.1	4288.1	5059.9	5818.9
Inventories	319.7	333.9	384.0	441.6
Curr Assets, Loans & Adv	18530.9	26926.7	33066.4	39827.0
Curr Liabilities	8009.4	12961.5	15553.8	18197.9
Provision	1677.9	3189.6	3827.5	4401.6
Curr Lia.& Prov	9687.3	16151.0	19381.2	22599.5
Net Curr. Assets	8843.6	10775.7	13685.2	17227.5
Deferred Tax Assets (Net)	960.7	1168.8	1417.1	1720.1
Misc. Exp	4.0	1.9	10.0	10.0
Total Assets	11810.6	14104.5	17214.3	21010.7

Source : Company, Sushil Finance Research Estimates

FINANCIAL RATIO (Consolidated)

Y/E March	FY08	FY09	FY10E	FY11E
GROWTH (%)				
Net Sales	29.3	106.1	37.2	20.1
Adjusted Net Profit	36.4	77.3	36.5	22.1
EBITDA	58.4	81.5	51.9	22.9
EPS	36.4	77.3	36.5	22.1
CEPS	55.7	74.1	36.6	21.8
Gross Fixed Assets	34.6	19.9	(8.7)	(8.3)
Capital Employed	11.7	19.4	22.0	22.1
VALUATION				
EPS (Rs.)	35.3	62.5	85.3	104.2
CEPS (Rs.)	34.9	60.8	83.1	101.1
BVPS (Rs)	210.3	251.2	306.5	374.1
PER (x)	33.0	18.6	13.6	11.2
PEG (x)	0.9	0.2	0.4	0.5
P/CEPS (x)	33.3	19.1	14.0	11.5
P/BVPS (x)	5.5	4.6	3.8	3.1
*EV/EBITDA (x)	31.0	16.5	10.3	7.8
*EV/Net Sales (x)	7.3	3.4	2.4	1.8
PROFITABILITY (%)				
ROCE	25.5	37.8	42.1	42.1
ROE	16.8	24.9	27.8	27.8
EBIDTA Margin	23.5	20.7	23.0	23.5
EBDTA Margin	23.5	20.7	23.0	23.5
APAT Margin	26.3	22.6	22.5	22.9
Tax/PBT	34.2	34.1	33.9	33.9
TURNOVER				
Avg. Debtor Days	91	73	66	66
Avg. Creditor Days	613	476	428	418
Inventory Days	20	10	8	8
Net Fixed Assets (x)	14.0	24.1	36.3	47.5
Total Assets (x)	0.6	1.1	1.2	1.2

* For EV, Net Cash was calculated based on Net working Capital since its current liabilities were higher than its Non-Cash Current Assets.

Rating Scale

This is a guide to the rating system used by our Equity Research Team. Our rating system comprises of six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of Earnings / Dividends; Price Volatility
Low Risk	High predictability / Low volatility
Medium Risk	Moderate predictability / volatility
High Risk	Low predictability / High volatility

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15 %	Over 20%	Over 25%
Accumulate	10 % to 15 %	15% to 20%	20% to 25%
Hold	0% to 10 %	0% to 15%	0% to 20%
Sell	Negative Returns	Negative Returns	Negative Returns
Neutral	Not Applicable	Not Applicable	Not Applicable
Not Rated	Not Applicable	Not Applicable	Not Applicable

Please Note

- Recommendations with “Neutral” Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- ** Indicates that the stock is illiquid. With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.

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