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ANTIQUE

Against The Tide

Antique Research
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INDEX

Keynote address by Dr. Subramanian Swamy

Introduction

Dr. Subramanian Swamy is a multifaceted personality who has the unusual distinction of being one of the few persons in the political arena who have managed to carve out a credible standing in furthering democracy as well as free market economy. Born in 1939, Dr. Swamy is the President of the JANTA PARTY, a party founded by *'Lok Nayak'* Jayaprakash Narayan in 1977. He has a doctorate in economics from the prestigious Harvard University and has worked with Nobel Laureate like Simon Kuznets, and jointly authored papers with another Nobel Laureate, Paul. A Samuelson. Dr. Swamy taught Economics for a number of years at Harvard and was professor of Economics at the Indian Institute of Technology, New Delhi. He was a member of the Planning Commission (1990 to 1991) and also held the position of *Chairman of the Commission on Labour Standards and International Trade* (equivalent to the rank of a cabinet minister) under the P. V. Narasimha Rao government.

Dr. Swamy commenced his political career as a member of the Jan Sangh in early 1970's. Post the merger of Jan Sangh with Janta Party and the ensuing splits, Dr. Swamy has been one of the few founding leaders who remained with the original party and is today its President. He first entered Parliament in 1974, when he was elected to the Rajya Sabha (Parliament) from the State of Uttar Pradesh, and has been a member of the parliament four more times since. He represented Mumbai North-East twice (1977 and 1980) and Madurai (1998).

Gist of Dr. Swamy's Speech

Dr. Swamy has emerged as one of the key persons who have spared no effort to unearth the now infamous '2G scam'. While addressing the audience at Antique's "Against the Tide" conference, Dr. Swamy dwelt upon the various factors of the scam, its impact on our economy and also the fallout of such acts of corruption on our society and its structure.

We have attempted to distill his speech and present the gist to our readers.

Dr. Swamy started by mentioning that in a country which has witnessed multiple scams like Satyam, Telgi, CWG, IPL, Fodder, etc. and whose populace can be said to have become indifferent to such incidents, the 2G scam has gripped the attention of many people. He dwelt on the multiple facets of the scam, elaborating on the same for the benefit of our patrons. He also mentioned that he is in the midst of writing a book on the same.

The major reasons which he attributed to the scam capturing the imagination of the Indian public were as follows:

1. The amount foregone in the 2G scam, which in economics is called the 'opportunity cost', is staggering and is estimated to be ~USD40bn (about INR1.8tn). Never in the history of India or any other country in the world has there been a single scam which resulted in such a big loss to the national exchequer.

2. The Scam has occurred in a sector which has been perceived as the pride of our country i.e., the telecom sector. This has brought bout a feeling that corruption has entered even in a sector which perceived to be one of the most consumer oriented and market driven sector where India has carved out a world standing.

3. Unlike other major scams like Satyam, Stock market, Telgi, IPL etc., this one (after the completion of investigations) has the potential to reach the ultimate logical end and implicate some of the highest in the land. It will have a staggering political fallout if we indeed go the whole hog. Another aspect which has not been a part of other scam is national security. The home ministry has identified two telecom companies, which by buying into the beneficiaries of these license became telecom operators in India. These companies are suspected of being the front for forces which are hostile to the sovereignity of India.

4. Our Supreme Count has cleared the path for the investigation and prosecution to be taken to its logical end, in a manner which is hitherto unprecedented with the present CJI literally monitoring these investigations, which is a new feature. This was made possible because of the PIL filed by Dr Swamy & another legal luminary, Mr. Prashant Bhushan.

Incidentally, Dr Swamy does not engage lawyers (despite his wife being one) and argues/presents his cases himself.

His interest in the telecom license issue was kindled when, during the application process (which had a cut off date of Oct 01, 2007), the then telecom minister Mr. A Raja, in January 2008 issued a press release conveying that on account of a ' large number of applications' only applications received before Sep 25, 2007 would be considered valid. One of the companies that had applied on Sep 27, 2007 (namely S-stel) and had ben rejected approached the Delhi high court for remedy. The HC was unhappy with the matter of the arbitrary advancement of cutoff date and passed strictures, against which the government appealed to SC. This kindled Dr Swamy's interest and he approached SC pleading that he wanted to be heard before the court adjudicated the matter. He also asked for a sanction to prosecute Mr. A. Raja from the relevant powers. The court cancelled all licenses and ruled that advancement of cutoff date was illegal. Post this, Dr Swamy filed an application to the PM, for which the sanction was not received. Dr Swamy filed another PIL and the same has now ensured that the whole episode is now on trial.

This leads to the core of the matter - what is this scam about and how has it been quantified?

The foundation of this has been the price paid for 2G spectrums/license i.e., an amount of INR16.51bn. The telecom minister set the price discovered on auction set in 2001, when the number of mobile phones in India was 40m (as opposed to 600m in Sep'07). Thus, the CBI has now charged the telecom minister of having deliberately fixing a low price.

How was the quantum of mispricing arrived at?

Extrapolating the price received by Essar for selling Hutch to Vodafone in 2007 and working backwards, the price of spectrum would be in the range of INR110-120bn i.e almost 7-8 times. This lead to a potential loss of INR1,760bn.

Dr Swamy's contention is that there was a cabinet resolution in 2003 saying that the price would not be decided solely by the telecom ministry, but in joint consultation with the FM. In 2006, there was another cabinet meeting, in which the PM agreed that not only Telecom and Finance ministers would decide, but it would also be referred to the cabinet. Incidently, the FM at that time was Mr. P. Chidambaram.

Another procedural illegality was that on Jan10, 2008. A press note issued on the ministry website at 2.45 p.m., conveyed that between entities submitting a Demand Draft of INR.16.59bn between 3.30-4.30pm on that day, would be eligible for allotment of licenses. This enabled Unitech (now known as Uninor) & Swan (now known as Etisalat DB) to secure licenses and overall 9 companies got license at the above stipulated rates.

Dr Swamy contends that this is in contravention of a Delhi HC judgment of 1994 which had termed it illegal to give away natural resources in a democratic society when they are in constraints.

Subsequently, Etisalat & Telenor bought the licenses from Swan & Unitech in July08 at ~8x the price paid to the Government. Additionally, in case of Swam Telecom, there have been a few home ministry reports which has raised some security issues on the antecedents of the company.

Dr Swamy is firmly of the opinion that corruption may not have a high impact on economy directly, but it damages the societal structure and basics of free-market economy drastically in the long term. While it is the sincere desire of a majority of the populace to have an free market economy, an economy which is not allowed to function in a competitive market environment, ultimately degenerates into an oligarchy.

A competitive market economy is results are obtained by employing the most optimal means and any other means utilised would produce suboptimal results. However, if due to other factors, the decision becomes suboptimal e.g. those who should not get licenses get the licenses or those who should not deserve anything obtain it by virtue of money, the result has a substandard outcome. This, in turn, filters down and impacts society and economics negatively. E.g: Corruption in building roads results in one monsoon wiping out the said road because the amount of graft money would force the contractor to use suboptimal material, thus adversely impacting multiple facets of the economy and its growth. In turn, it is the economy which gets sub-optimised, ultimately impacting society thereafter. This has the effect of shaving off economic growth, which in turn, forces one to ponder about the India's economic potential which, despite rampant corruption, is registering a 8-9% growth.

Another undesired fallout is that graft encourages people to hoard. Recent instances of inflation in food staples and consumables like vegetables, rice, oil etc are examples of the same. This is fomented by the rising amount of cash in circulation, which is both, a cause and effect of graft, thereby resulting in societal distortions. Big ticket sectors like real estate are examples of this.

Yet another fallout of graft is the ensuing splurge on items of conspicuous consumption like luxury goods etc which can't be seen or monitored. Over a period of time, the as the rates of return in such industries increase, such sectors become lucrative destinations for investment, thereby depriving priority based sectors that cater to the economically weaker strata of the society of necessary investments.

Anecdotal evidence shows that India is the cheapest global producer of agri commodities and by that virtue, should be an exporter of considerable size. E.g. the price of milk is 1/15th that in Europe, rice is 1/7th that of in Japan. Despite this, investments in agriculture have been declining because the return ratios in agriculture are much lower in comparison to industries like luxury goods. Dr Swamy conveyed that as per his judgment and analysis, over 2/3rd of investments in India directly or indirectly go to support industry which is called luxury goods industry.

Dr Swamy was also of the opinion that intelligent use of technology could go a long way in weeding out corruption. The prime example he gave was the ticketing system in Indian Railways, which used to be a cesspool of corruption till a decade ago. Today, thanks to technology, it has emerged as a shining example to other electronic booking platforms globally, with the added advantage of almost completely uprooting the corruption in the system.

He also elaborated that while the level of corruption in India was not too dissimilar from that in other countries, with the only difference being that in the latter, a person convicted of corruption would face swift punishment. The best analogy he stated was that Satyam and Bernard Madoff. While Ramalinga Raju and Bernard Madoff confessed their guilt almost simultaneously 36 months ago, the latter is currently serving 150 years of imprisonment with a USD1bn fine while in India, Satyam seems all but forgotten.

Dwelling on our tolerance to corruption and our societal structure, Dr Swamy had an interesting view point. He opined that only in India, could one see a leader like Mahatma Gandhi rising above all and uniting a diverse set of people for a common cause, which in turn, is very strong commentary on our value system. He narrated an interesting mythological anecdote about a debate between two Indian rishis (sages of yore) *Bhrigu* and *Bhardawaj* about how to construct an ideal society. Incidentally Indian society is the only existing ancient civilization, while all its peers viz Greek, Mesopatamian, Egyptian, Inca etc have disintegrated. As per legend, Bhrigu had stated that unless power was decentralized, a society could not last for long and to achieve the same, the following four dimensions of power would have to be separated.

1. Power of knowledge i.e education
2. Power of weapons
3. Power of wealth &
4. Power of land ownership.

Hence, he decreed that any and all of the above powers would be mutually exclusive wherein possession of any power would entail exclusion of all other powers. He postulated that those who have power of knowledge with them should not have weapons, wealth & land. Those who have weapons should not be engaged in making money because he'll engage himself in protecting society for which he would be comfortably looked after. But the decision making has to be made on the power of knowledge for which the person with weapons will have to agree with person with knowledge. So, we had kings seeking guidance of the knowledgeable people to declare war etc. Thus India was never an absolute monarchy wherein the regent was the ultimate power. Those who made wealth were encouraged to do so, but didn't enjoy premier positions in societal hierarchy. This is what Mahatma Gandhi espoused and at the pinnacle of his life, he remained a leader without any wealth. Sadly, the degeneration of our society commenced when the above principles were violated and the same morphed into the 'Varna' system.

He maintained that the Varna system has degenerated, and has to be scrapped. However, Dr Swamy also postulated that we have to draw one lesson one lesson from the earlier societal system i.e. while earning money is not a bad thing, one should be mindful of the fact that it cannot bestow any favourable social status. Its when society starts bestowing respect to one's purse size, that the entire societal system starts degenerating. He cited examples of how many politicians today can teach businessmen few lessons on building up wealth in a matter of few years (which the industrialists took many years to do). This has led us to a system where money that can be made by illegal means is much more than what can be acquired by legal and fair options.

Hence he stressed that there has to be a return to the traditional values. These are embedded and preached in every religion, even though Dr Swamy maintained that he is only familiar with the Hindu religion. He lamented the fact that our value system which venerated people who sacrificed, has started disintegrating and is ultimately veering towards materialism. His dire prophesy that this change would be a very unpleasant one.

Dr Swamy wrapped up his talk by conveying that in the long run the power of money to catapult one social status has to be done away with. It would take huge efforts to do it because Indian society seems to have lost that over the last 60 years, since materialism has taken strong root in our social and cultural fabric. Hence, he advocated striking a strong balance between materialism & spiritualism as being the only long term solution to all our woes

CMP : INR374

ABG Shipyard Limited

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Market data

Sector	:	Shipbuilding
Market Cap (INR bn)	:	19
Market Cap (USDm)	:	412
O/S shares (m)	:	51
Free Float (m)	:	20
52 -wk HI / LO (INR)	:	498/226
Avg 12m Vol ('000)	:	267
Bloomberg	:	ABGS IN
Reuters	:	ABCG.BO

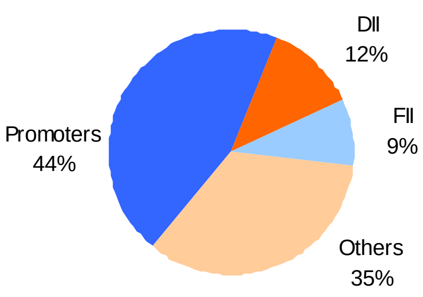
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(7.4)	7.8	(23.3)	49.8
Relative	(2.4)	2.8	(13.0)	36.1

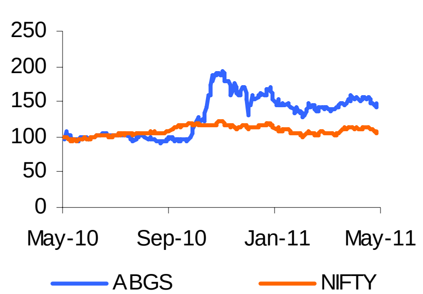
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Location and Infrastructure facilities

ABG Shipyard Limited (ABG) is one of the largest private shipyards in India with shipbuilding facilities in Gujarat and Goa. It has set up the shipyard and rig yard at Dahej on 165acres of land with 1,000mtr waterfront at a capital expenditure of INR15.5bn to provide complete offshore services.It has also started focusing on the defence sector and has recently got the license from Ministry of Commerce to produce defense vessels.

Strong order book to provide visibility

The company has an order book of INR145bn for manufacturing 96 vessels and 4 rigs. Out of the total order book, it has USD680m orders from group companies including USD440m for two jack-up rigs and USD240m for ships. The company is hopeful to start getting orders from domestic shipping companies. Shipping Corporation of India (SCI) has removed the experience clause of building at least three similar ships for bidding new building order. SCI has also graded ABG shipyard as Category "D" on scale of A to E with E being the highest.

Expanding through geograpy and product portfolio

It is forming a JV to set-up a large shipbuilding yard in Nigeria and is expected to own 40% stake in a JV. The local government of Cross River State will hold 10% stake in shipyard and will provide land and other procedural and infrastructure support to the shipbuilding yard. Nigeria has a huge exploration potential for oil and gas with limited shipbuilding and repair facility.

Subsidy amount of INR4.5bn outstanding

The company received INR600m subsidy in FY10 and expects to receive INR700-800m in FY11. It has INR4.5bn subsidy outstanding, out of which INR1.5bn is due in FY11.

No major capacity expansion paln

ABG is targeting to be a debt-free company in the next four years. It does not have any major capacity expansion plans and expect maintenance capex of INR700m to INR800m per year.

Valuation

At the CMP of INR374, the stock is trading at earnings multiples of 9.7x and 1.7x, discounting its FY10 earnings and book value, respectively.

Quarterly financials

INRm	Jun-10	Sep-10	Dec-10
Revenue	4,495	5,555	5,402
EBITDA	1,245	1,454	1,392
EBITDA mgn (%)	27.7	26.2	25.8
PAT	521.6	637.0	544.8
PAT growth (%)	8.94	38.87	(5.47)
EPS (INR)	10.2	12.5	10.7

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	7,046	9,668	14,122	18,077
PAT	1,069	1,581	1,728	1,967
RoE (%)	18.2	20.6	18.8	17.7
EPS (INR)	21.0	31.1	33.9	38.6
PE (x)	17.8	12.0	11.0	9.7
PB (x)	3.2	2.5	2.1	1.7

Source: Company

Key highlights

ABG Shipyard Limited (ABG) has 35acre shipbuilding facility with 250mtr water front at Magdala, Surat and has set up the shipyard and rig yard at Dahej on 165acre of land with 1,000mtr waterfront with a capital expenditure of INR15.5bn to provide complete offshore services.

The company has an order book of INR145bn for manufacturing 96 vessels and 4 rigs. Out of the total order book, it has USD680m orders from group companies including USD440m for two jack-up rigs and USD240m for ships. The company is expected to deliver ~8 vessels from Dahej and ~16 vessels from Surat facility in FY12e.

It has also started focusing on the defense sector and has recently got the license from Ministry of Commerce to produce defense vessels. Its subsidiary (holds 61%), Western India Shipyard, recently bagged INR720m order from defense ministry to repair naval vessel and ABG is L1 in defense order worth ~INR90bn for cadet training ship.

It is forming a joint venture to set-up a large shipbuilding yard in Nigeria and is expected to own 40% stake in a JV with a group of Nigerian investors including Nkrah Investment Ltd (a provider of marine operations and logistics services) and BGL Private Equity Ltd (a wholly-owned subsidiary of BGL Plc., a Nigerian investment bank).

The local government of Cross River State will own 10% stake for providing land and other procedural and infrastructure support to the shipbuilding yard. Nigeria has a huge exploration potential for oil and gas with limited shipbuilding and repair facility. The initiative will provide new growth opportunity for ABG Shipyard in a region which is now being tipped as the next big thing among emerging economies.

The company received INR600m subsidy in FY10 and expects to receive INR700-800m in FY11. It has INR4.5bn subsidy outstanding, out of which INR1.5bn is due in FY11.

The company is hopeful to start getting orders from domestic shipping companies. Shipping Corporation of India (SCI) has removed the experience clause of building at least three similar ships for bidding new building order. SCI has also graded ABG shipyard as Category "D" on scale of A to E with E being the highest.

There is no official announcement on subsidy. The management expects a significant decline in subsidy rate from earlier 30% (stopped in August 2007) to ~15-20%. However, on positive side, there is expectations of inclusion of all type of vessels (dredgers, platforms, etc.) built for domestic order also.

ABG is targeting to be a debt-free company in the next four years. It does not have any major capacity expansion plans and expects maintenance capex of INR700 to INR800m per year.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	**7,044**	**9,668**	**14,122**	**18,077**
Expenses	5,090	6,751	10,811	13,352
EBIDTA	**1,953**	**2,917**	**3,311**	**4,725**
Depreciation & amortisation	59	74	145	387
EBIT	**1,894**	**2,843**	**3,166**	**4,338**
Interest expense	267	457	740	1,506
Other income	53	74	73	149
Profit before tax	**1,680**	**2,460**	**2,499**	**2,981**
Taxes incl deferred taxation	611	879	772	1,014
Profit after tax	1,069	1,581	1,728	1,967
Reported PAT	**1,163**	**1,607**	**1,711**	**2,229**
Recurring EPS (INR)	**21.0**	**31.1**	**33.9**	**38.6**

Note: no does not include non recurring items.

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	509	509	509	509
Reserves & Surplus	5,369	7,154	8,676	10,603
Networth	**5,878**	**7,663**	**9,185**	**11,113**
Debt	4,096	5,222	17,709	28,974
Capital Employed	**9,974**	**12,885**	**26,894**	**40,087**
Gross Fixed Assets	1,786	2,576	6,053	7,377
Accumulated Depreciation	475	585	877	1,380
Net Assets	**1,311**	**1,991**	**5,176**	**5,998**
Capital work in progress	1,652	3,865	10,076	13,754
Goodwill on consolidation	-	-	-	-
Investments	9	58	235	6,093
Current Assets, Loans & Advances				
Inventory	5,320	12,428	12,236	10,661
Debtors	81	84	418	720
Cash & Bank balance	1,402	868	506	284
Loan & advances and others	6,625	11,030	13,474	16,207
Current Liabilities & Provisions				
Creditors	4,141	7,170	12,647	9,700
Other liabilities & provisions	1,195	8,594	359	772
Net Current Assets	**8,092**	**8,647**	**13,627**	**17,400**
Deffered tax assets/(liabilities)	(1,089)	(1,675)	(2,220)	(3,158)
Application of Funds	**9,974**	**12,885**	**26,894**	**40,087**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	51	51	51	51
BVPS (INR)	115.4	150.5	180.4	218.2
CEPS (INR)	22.2	32.5	36.8	46.2
DPS(INR)	1.5	2.0	2.0	4.0

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBIDTA	27.73	30.17	23.45	26.14
EBIT	26.9	29.4	22.4	24.0
PAT	15.2	16.4	12.2	10.9

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
EBT	**1,682**	**2,460**	**2,500**	**3,165**
Depreciation & amortisation	60	74	146	387
Interest expense	267	415	742	1,607
Interest / Dividend Recd	53	74	73	149
Other Adjustments	(35)	1,424	4,404	5,435
(Inc)/Dec in working capital	(5,845)	(1,227)	(5,289)	(78)
Tax paid	(120)	(125)	(235)	(329)
CF from operating activities	**(3,939)**	**3,095**	**2,342**	**10,336**
Capital expenditure	(1,482)	(2,993)	(9,239)	(5,206)
(Purchase) /Sale of Investments	3	(46)	(233)	(5,456)
CF from investing activities	**(1,480)**	**(3,039)**	**(9,471)**	**(10,662)**
Inc/(Dec) in share capital	-	319	-	-
Inc/(Dec) in debt	3,096	(423)	7,611	1,773
Dividends & Interest paid	(328)	(486)	(843)	(1,669)
CF from financing activities	**2,768**	**(590)**	**6,768**	**104**
Net cash flow	**(2,651)**	**(535)**	**(362)**	**(222)**
Opening balance	4,053	1,402	868	506
Closing balance	**1,402**	**868**	**506**	**284**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	30.0	37.3	46.1	28.0
EBIDTA	38.7	49.3	13.5	42.7
PAT	27.3	47.9	9.3	13.8
EPS	27.3	47.9	9.3	13.8

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
P/E	17.8	12.0	11.0	9.7
P/BV	3.2	2.5	2.1	1.7
EV/EBIDTA	11.1	8.0	10.9	10.1
EV/Sales	3.1	2.4	2.6	2.6

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	18.2	20.6	18.8	17.7
Roce (%)	19.0	22.1	11.8	10.8
Debt/Equity (x)	0.7	0.7	1.9	2.6
EBIT/ Interest (x)	7.1	6.2	4.3	2.9

Source: Company Antique

Alok Industries Limited

CMP : INR27

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Market data

Sector	:	Textiles
Market Cap (INRbn)	:	20
Market Cap (USDm)	:	455
O/S Shares	:	788
Free Float (m)	:	534
52-wk HI/LO (INR)	:	35/18
Avg Daily Vol ('000)	:	25,432
Bloomberg	:	ALOK IN
Reuters	:	ALOK.BO

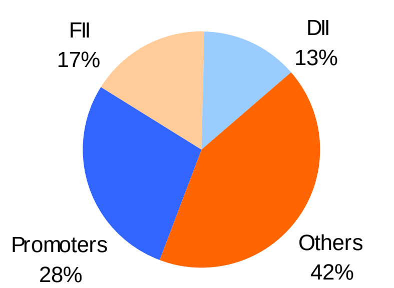
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(2)	2	(12)	27
Relative	4	(0)	0	16

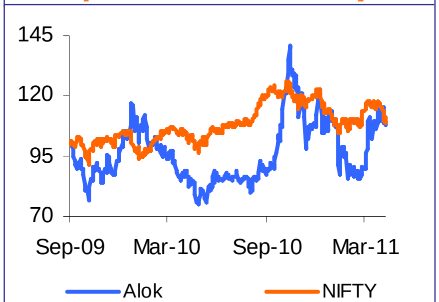
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Set to reap benefits of the huge capacity build up

Alok Industries Limited (Alok) has consistently built up capacities over the past years and has emerged as a sizeable player with huge scale in most of the segments of its textile operations. Currently company's polyester capacity is 250,000tonnes which will increase to 500,000tonnes by August and targeted to reach to ~1mt by 2015.

RoCE to improve and debt to reduce

Alok has altered its business strategy with an approach to generate better ROCEs. The company expects RoCE of 15% in FY12e and 20% by FY15e from the reported RoCE of 9.5% and 8.2% in FY10 and FY09, respectively. However, the same along with the associated debt has bogged down Alok's performance.

As the capex cycle is now drawing to an end, it is set to capitalise on the productivity as well as scale up in operations in the coming years. The consolidate debt stands at INR110bn and the company plans to repay INR15bn (INR3bn from Silvasa land sale, INR12bn from Lower Parel sale) in FY12e by means of divestment in Real Estate. Further, in FY14e, the company expects to generate another INR5bn by divesting in Silvasa property.

Alteration in revenue stream composition

Alok has been consciously increasing its presence in synthetic textiles. This is due to the fact that capital efficiency is markedly better in the same. While the business offers lower OPM (16-19% as compared to cotton business' 30-38%), the asset sweating is much higher (2-2.5x as compared to 0.4-0.5x in cotton textiles) and entails lower inventory requirements. Thus, overall returns and higher RoCE make this business an attractive one. The increase in share of synthetics from 25% in FY11 to ~75% by FY15e has the potential to alter the operational metrics of the company positively. The company expects FY12e sales of INR90bn, which is targeted to reach to INR160bn by FY15e.

Valuation

At the CMP of INR27, the stock trades at a PE and EV/EBIDTA of 15.4x and 8x discounting its FY10 numbers.

Quarterly financials (Standalone)

INRm	Sep-10	Dec-10	Mar-11
Revenue	14,515	16,126	22,029
EBITDA	4,158	4,654	5,578
EBITDA mgn (%)	28.6	28.9	25.3
PAT	798	905	1,601
PAT growth (%)	71.6	13.4	76.8
EPS (INR)	1	1.2	2.0

Source: Company

Key financials (Consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	18,247	22,820	30,908	44,243
PAT	1,647	1,897	740	1,377
RoE (%)	16.1	13.3	3.8	5.0
EPS (INR)	9.7	10.1	3.8	1.7
PE (x)	2.8	2.7	7.2	15.4
PB (x)	0.5	0.4	0.3	0.8

Source: Company

Deleveraging to kick in from the next fiscal

The bane of the company has been its high leverage and it currently has a debt of INR97bn on a stand-alone basis and INR110bn on a consolidated basis. While the cost of servicing debt is relatively low (i.e. 8%), the sizeable interest outgo along with similar sized depreciation has resulted in the company reporting high EBIDTA, but low net profits. Given the maturity of its capex and business model, the trickling in of benefits of scale put Alok at a critical juncture, wherein it could become FCF positive for the first time and also reduce debt. This deleveraging has the potential to improve the valuation metrics of the company in coming years.

Strong demand outlook

The company feels the demand outlook for the Textile and apparel industry will remain robust. The Indian textile and apparel industry is expected to grow the current USD70bn to USD220bn by 2020. The company feels that FY12 growth will be polyester driven, thereby helping it on account of capacity expansion.

Other highlights

- There has been no impact of rising cotton prices. Company was able to pass on up to INR60,000/candy. Now cotton prices are down at INR48,000/candy levels, which is further expected to decline to INR40,000/candy. Company's average cotton price for the last cotton season was INR37,000/candy. The company holds cotton inventory for two months and it buys 1,000 bales/day which will be increasing to 1,500 bales/day from August.

- Alok is planning a capex of INR6.5bn in FY12e and targets to spend INR20bn over the next four years including FY12 capex. The company has spent INR18bn in FY11, out of which the CWIP was INR10.5bn as on March 2011.

- The company plans to disinvest the retail and real estate business completely and concentrate only on textile business.

- Interest cost for FY12e will not increase over FY11 levels due to loan repayment.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**18,247**	**22,820**	**30,908**	**44,243**
Expenses	14,176	17,653	23,223	32,592
Operating Profit	**4,070**	**5,167**	**7,685**	**11,652**
Other income	901	1,878	1,233	865
EBIDT	**4,971**	**7,045**	**8,918**	**12,517**
Depreciation	1,230	1,662	2,402	3,669
Interest expense	1,418	2,518	4,184	5,988
Profit before tax	**2,323**	**2,865**	**2,333**	**2,860**
Taxes incl deferred taxation	676	994	967	1,282
Profit after tax before MI & EO Items	1,647	1,871	1,365	1,578
Extra ordinary Items	-	0	(681)	(207)
Minority Interest	-	(26)	(56)	(6)
Profit after tax	**1,647**	**1,897**	**740**	**1,377**
Diluted EPS (INR)	**9.7**	**10.1**	**3.8**	**1.7**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Equity Share Capital	1,704	1,872	1,970	7,878
Share warrants	-	1,102	3,393	2,276
Reserves & Surplus	8,527	11,332	13,944	17,171
Networth	**10,230**	**14,305**	**19,306**	**27,325**
Minority Interest	-	238	56	36
Debt	33,368	58,340	69,565	96,726
Deferred Tax Liability	1,418	2,102	3,064	4,030
Capital Employed	**45,016**	**74,985**	**91,991**	**128,117**
Gross Fixed Assets	23,457	36,960	47,543	76,328
Accumulated Depreciation	3,704	5,632	7,975	11,572
Net Assets	**19,753**	**31,329**	**39,569**	**64,756**
Capital work in progress	6,663	10,252	23,770	16,914
Investments	800	1,570	4,639	4,169
Current Assets, Loans & Advances				
Inventory	4,645	7,713	10,687	15,678
Debtors	5,445	6,382	9,138	11,265
Cash & Bank balance	7,854	17,051	4,274	14,107
Loans & advances and others	2,787	6,522	6,653	9,105
Current Liabilities & Provisions				
Creditors	2,555	5,459	6,533	7,299
Other liabilities & provisions	375	376	318	580
Net Current Assets	**17,800**	**31,834**	**23,901**	**42,276**
Misc.Expenses	-	-	112	2
Application of Funds	**45,016**	**74,985**	**91,991**	**128,117**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	170	187	197	788
BVPS (INR)	54.6	64.2	80.2	31.8
CEPS (INR)	15.4	17.2	19.1	6.7
DPS (INR)	1.4	1.2	0.8	0.3

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	22.3	22.6	24.9	26.3
EBIT	20.5	23.6	21.1	20.0
PAT	9.0	8.3	2.4	3.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
PBT	**2,323**	**2,865**	**2,333**	**2,860**
Depreciation & amortisation	1,230	1,662	2,402	3,669
Interest expense	890	1,327	3,410	5,789
Interest / Dividend Recd	(3)	(3)	(2)	(8)
Other Adjustments	5	(50)	16	493
(Inc)/Dec in working capital	(3,487)	(4,548)	(4,729)	(8,979)
Tax paid	(217)	(510)	(435)	(557)
CF from operating activities	**742**	**742**	**2,994**	**3,267**
Capital expenditure	(8,905)	(14,935)	(25,301)	(20,908)
Net Investments	(2,593)	(1,370)	(1,282)	(1,937)
Income from investments	530	1,194	775	207
CF from investing activities	**(10,967)**	**(15,111)**	**(25,808)**	**(22,638)**
Inc/(Dec) in share capital	126	2,333	3,291	7,728
Inc/(Dec) in debt	11,923	24,972	11,113	27,271
Dividends & Interest paid	(1,573)	(2,759)	(4,116)	(5,937)
CF from financing activities	**10,475**	**24,545**	**10,287**	**29,061**
Net cash flow	**250**	**10,177**	**(12,526)**	**9,690**
Opening balance	5,318	5,567	15,745	3,598
Closing balance	**5,567**	**15,745**	**3,598**	**12,950**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	28.4	25.1	35.4	43.1
EBITDA	37.4	26.9	48.7	51.6
PAT	50.6	15.2	(61.0)	86.0
EPS	63.8	4.8	(62.9)	(53.5)

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	2.8	2.7	7.2	15.4
P/BV	0.5	0.4	0.3	0.8
EV/EBITDA	7.1	7.4	7.6	8.0
EV/Sales	1.9	2.3	2.2	2.3
Dividend Yield (%)	5.2	4.4	3.0	1.1

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	16.1	16.0	9.5	7.7
RoCE (%)	8.6	9.2	8.1	8.3
Debt/Equity (x)	3.3	4.4	4.4	3.9
EBIT/Interest (x)	2.6	2.1	1.6	1.5

Source: Company Antique

Bharat Petroleum Corporation Ltd.

CMP : INR666

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Market data

Sector	:	Oil & Gas
Market Cap (INRbn)	:	241
Market Cap (USDbn)	:	5
O/S Shares	:	362
Free Float (m)	:	108
52-wk HI/LO (INR)	:	840/515
Avg Daily Vol ('000)	:	849
Bloomberg	:	BPCL IN
Reuters	:	BPCL.BO

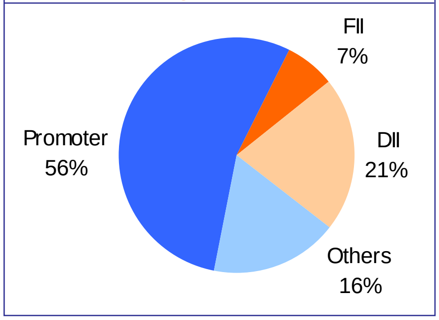
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	10	13	(13)	24
Relative	17	10	(1)	13

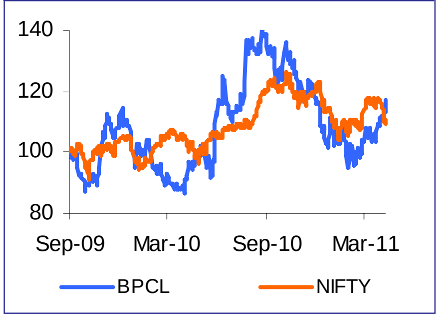
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Bina refinery to be commissioned this month

BPCL has completed work on all processing units and other related infrastructure for its Bina refinery which is expected to be commissioned by 3rd week of May. Total project cost is INR122.1bn. BPCL guides that it can earn refinery GRMs of USD12-13/bbl from its Bina refinery at current prices. Company plans to further expand capacity to 8mmt by debottlenecking and expansion to 15mmt through an additional capex spend of INR60-70bn.

Bina IPO at an appropriate time

BPCL currently holds 49% in Bina refinery, 26% being held by Oman Oil company and the rest held by BPCL in the form of subordinated debt and convertible warrants of INR22.4bn. Company plans to go for an IPO for the refinery at an appropriate time but will continue to hold 49% in the refinery post IPO.

Aggressive future capex plans

BPCL aims to expand aggressively in refining and E&P over the next five-year plan with further investments in: i) Bina refinery expansion to 15mmt; ii) Kochi refinery expansion to 15mmt; iii) Petrochemical plant and iv) E&P expenditure.

E&P - the next big trigger

BPCL is currently undergoing appraisal studies for its discoveries in Brazil and Mozambique and soon expect to come out with resource estimates for these blocks in the next two years. It has spent INR25bn on its E&P assets and plans an additional INR100bn by FY15e.

Under-recovery

BPCL guided that current under-recovery on diesel stands at INR17, INR328 on LPG and INR28 on Kerosene. BPCL is under discussion with government on subsidy sharing mechanism for FY11 and hopeful that it will get sufficient compensation for under-recoveries. BPCL guided debt of INR190-200bn and bonds of INR80bn at the end of FY11 implying effective debt (net of bonds) at INR110-120bn.

Valuation

BPCL is currently trading at 13.0x FY12e consensus EPS estimate of INR51/share.

Quarterly financials

INRm	Jun-10	Sep-10	Dec-10
Revenue	342,119	354,162	366,655
EBITDA	(14,265)	24,679	7,284
EBITDA mgn (%)	(4)	7	2
PAT	(17,181)	21,422	1,874
PAT growth (%)	(5)	7	1
EPS (INR)	(47.5)	59.3	5.2

Source: Company

Key financials

	FY07	FY08	FY09	FY10
Net revenue (INRbn)	968	1,098	1,325	1,260
PAT (INRbn)	18	15	10	26.7
RoE (%)	18	13	8	20
EPS-Consolidated (INR/share)	65.4	54.0	19.3	85.9
PE (x)	11.2	13.5	20.9	7.7
PB (x)	2.0	1.8	1.7	1.6

Source: Company

Bina refinery to be commissioned in May

- BPCL has completed work on all processing units and other related infrastructure like the SPM, crude oil terminal and 935 km cross country crude pipeline for its Bina refinery which is expected to be commissioned by 3rd week of May. The project got delayed due to delay in setting up the 100 MW power plant for the refinery. Total project cost is INR122.1bn, up 18% from its initial estimate.
- BPCL enjoys a 15 year sales tax deferral benefit on its Bina refinery whereby it will receive INR2.8bn of sales tax benefit from the government each year, which is to be repaid later.
- Complexity of the refinery is 9.1. At current prices, BPCL guides that it can earn refinery GRMs of USD12-13/bbl from its Bina refinery.
- BPCL also plans to expand Bina refinery capacity to 8mmt (through de-bottlenecking) and further to 15mmt by spending an additional INR60-70bn. Current pipeline infrastructure is sufficient to support 15mmt refinery.
- BPCL currently holds 49% in Bina refinery, 26% being held by Oman Oil company and the rest held by BPCL in the form of subordinated debt and convertible warrants. Company plans to go for an IPO for the refinery at an appropriate time but will continue to hold 49% in the refinery post IPO.

Other projects

- BPCL has completed work on its Kochi refinery increasing capacity from 7.5mmt to 9mmt at a total project cost of INR46bn. This will help in production of fuels conforming to Euro III and IV grade. BPCL plans to further increase the refinery capacity to 15mmt and may also undertake some de-bottlenecking efforts in its Mumbai refinery
- BPCL aims to spend INR500bn in the next 5 years for i) Bina refinery expansion; ii) Kochi refinery expansion; iii) Petrochemical plant and iv) E&P expenditure

E&P

- BPCL, through its E&P arm BPRL, has an E&P portfolio of 27 blocks of which 10 blocks lie in Brazil. BPCL has so far spent INR25bn on its E&P assets and aims to invest another ~INR100bn by FY15. It plans to drill 20 wells by end 2011.
- BPCL is currently undergoing appraisal studies for its discoveries in Brazil and Mozambique and soon expect to come out with resource estimates for these blocks.

Marketing initiatives

- BPCL`s total product sales in FY11 stood at 29.3mmt, up 5.7% YoY. Sales of MS achieved a growth of 18.1% as against the industry average of 1.8%. HSD sales grew by 5.6% as compared to industry growth rate of 2%.
- SKO sales achieved the highest growth rate of 20.9% as against industry growth of 2% and CNG business witnessed a growth rate of 13.9% as compared to industry growth of 11.6%.
- BPCL currently has 8968 retail outlets (ROs) and 2,509mt of LPG Bottling plant capacity. Company plans to add another 700 outlets in FY12 (135 in urban, 165 in Highway and 400 in rural areas). BPCL also plans to upgrade another 890 ROs this year.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**967,623**	**1,098,156**	**1,324,976**	**1,260,484**
Expenses	(933,110)	(1,069,694)	(1,297,917)	(1,236,693)
EBITDA	**34,513**	**28,463**	**27,059**	**23,791**
Depreciation & amortisation	(9,041)	(10,982)	(10,755)	(12,423)
EBIT	**25,472**	**17,481**	**16,303**	**11,367**
Interest expense	(5,327)	(6,725)	(21,664)	(10,110)
Other income	7,525	14,953	15,388	22,402
Profit before tax	**27,670**	**25,709**	**10,027**	**23,660**
Tax	(9,615)	(10,158)	(2,668)	(8,284)
Profit after tax	18,055	15,551	7,359	15,376
Adjusted profit after tax	**18,339**	**15,261**	**9,853**	**26,737**
Recurring EPS (INR)	**55.9**	**46.6**	**30.1**	**81.6**
Consolidated EPS (INR)	**65.4**	**54.0**	**19.3**	**85.9**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	3,615	3,615	3,615	3,615
Reserves & Surplus	99,120	113,153	117,666	127,252
Networth	**102,735**	**116,768**	**121,281**	**130,867**
Debt	108,292	150,224	211,714	221,952
Capital Employed	**211,028**	**266,992**	**332,995**	**352,819**
Gross Fixed Assets	194,576	215,009	225,223	254,125
Accumulated Depreciation	(84,765)	(95,323)	(105,565)	(117,432)
Net Assets	**109,811**	**119,687**	**119,658**	**136,694**
Capital work in progress	8,523	7,667	20,375	25,178
Investments	82,949	103,182	180,784	135,013
Current Assets Loans & Advances				
Inventory	86,613	106,038	68,239	120,289
Debtors	15,187	16,086	14,257	26,627
Cash & Bank	8,640	9,616	4,416	3,424
Loans & advances and others	25,869	65,332	65,973	85,500
Current Liabilities & Provisions				
Creditors	102,006	135,941	111,189	145,506
Other liabilities & provisions	10,732	9,862	17,124	25,806
Net Current Assets	**23,571**	**51,270**	**24,571**	**64,528**
Deferred tax assets/(liabilities)	(13,826)	(14,814)	(12,392)	(8,593)
Minority interest				
Application of Funds	**211,028**	**266,992**	**332,995**	**352,819**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (Mn)	328	328	328	328
BVPS (INR)	313	356	370	399
CEPS (INR)	84	80	63	119
DPS (INR)	18	4	6	9

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	4	3	2	2
EBIT	3	2	1	1
PAT	2	1	1	1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
PBT	**26,042**	**18,650**	**13,235**	**20,195**
Depreciation	9,041	10,982	10,755	12,423
Interest	5,327	6,725	21,664	10,110
Changes in working capital	11,451	(25,161)	20,585	(48,542)
Tax paid	(5,395)	(7,025)	(4,115)	(9,338)
CF from operating activities	**46,467**	**4,171**	**62,123**	**(15,152)**
Capex	(17,873)	(20,289)	(23,287)	(33,580)
Investments	(17,192)	11,655	(78,316)	37,944
Income from investments	(4,446)	7,417	2,515	11,021
CF from investing activities	**(39,511)**	**(1,218)**	**(99,088)**	**15,384**
Changes in Debt	5,157	8,500	57,444	11,494
Dividends & Interest paid	(8,393)	(10,477)	(25,680)	(12,719)
CF from financing activities	**(3,236)**	**(1,977)**	**31,764**	**(1,225)**
Net cash flow	**3,719**	**976**	**(5,201)**	**(992)**
Add: Opening balance	4,921	8,640	9,616	4,416
Closing balance	**8,640**	**9,616**	**4,415**	**3,424**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	27	13	21	(5)
EBITDA	271	(18)	(5)	(12)
PAT	519	(17)	(35)	171
EPS	533	(17)	(35)	171

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE (x)	11.2	13.5	20.9	7.7
P/BV (x)	2.0	1.8	1.7	1.6
EV/EBITDA (x)	6.4	8.5	8.6	12.1
EV/Sales (x)	0.2	0.2	0.2	0.2
Dividend Yield (%)	3	1	1	1

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE	18	13	8	20
RoCE	12	7	5	3
Debt/Equity (x)	1.1	1.3	1.7	1.7
EBIT/Interest (x)	4.8	2.6	0.8	1.1

Source: Company Antique

CESC Limited

CMP : INR307

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Market data

Sector	:	Utilities
Market Cap (INRbn)	:	38
Market Cap (USDm)	:	865
O/S Shares	:	125
Free Float (m)	:	109
52-wk HI/LO (INR)	:	433/263
Avg Daily Vol ('000)	:	119
Bloomberg	:	CESC IN
Reuters	:	CESC.BO

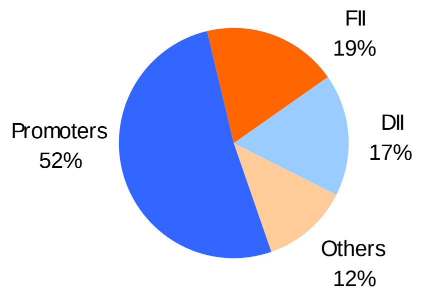
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(7)	6	(26)	(25)
Relative	(2)	1	(16)	(32)

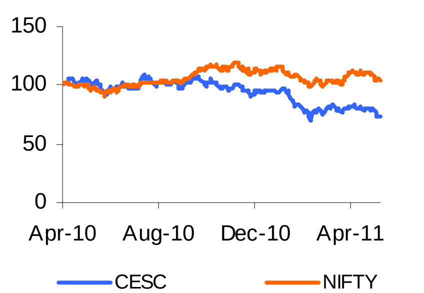
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Kolkata License Area:

The average tariff in Kolkata License Area (KLA) is INR4.73/Kwh. Company has filed a petition with WBERC and expects a tariff hike of 30-35 paise/Kwh in line with the increased cost of coal by Coal India Limited in February 2011. T&D losses for the year stood at 13.3% and13% for FY10 and FY11 respectively. Henceforth, as per management, there is only marginal scope of decreasing T&D losses from these levels.

Retail Business

The company is looking to rope in strategic/private equity players in the retail business and are in talk with several of them. They are looking to dilute significant stake upto 24-30% in the business and they are open to all kind of structured deals.

Property Business

A commercial mall of ~0.4m square feet (near Park Street, Kolkata) is expected to commence operations by Sep'12. The mall is being built up at a project cost of INR2bn funded by INR1.2bn of debt and INR800m of internal accruals. The company expects to lease the space in the property at an average rate of INR100/sq ft/month which should fetch a turnover of INR500m and PBIT of INR350m.

Upcoming Thermal Power Projects

The orders for BTG and BoP for Haldia thermal power station of 600MW will be placed by the end of month. Orders for BTG and BoP are likely to be placed on Shanghai Electric and Punj Lloyd respectively. Both the players are also involved in setting up Chandrapur thermal power station of the company. Management reiterated that Dhenkanal thermal power Station is among one of the frontrunners among thermal power plants to be awarded coal linkage under XIIth Five Year Plan and expects the same to be awarded within 3-4 months.

Dilution of stake in Power SPV:

CESC is in active discussion with private equity players to dilute stake of upto 20% in Haldia Energy Limited, the power SPV. A deal could happen in three to four months post the award of coal linkage to Dhenkanal thermal power station.

Valuation

At CMP of INR288, CESC is trading at a P/E and P/B of 17.8x and 0.8x discounting its FY10 numbers.

Quarterly financials

INRm	Sep-10	Dec-10	Mar-11
Revenue	11,220	9,610	8,950
EBITDA	3,180	2,530	2,460
EBITDA mgn (%)	28.3	26.3	27.5
PAT	1,550	1,100	1,120
PAT growth (%)	23.0	7.8	12.0
EPS(INR)	12.3	8.7	8.9

Source: Company

Key financials

INRm	FY07	FY08	FY09	FY10
Revenue	24,843	35,428	40,510	42,040
PAT	3,007	2,674	1,538	2,004
RoE (%)	7.9	5.6	3.4	4.4
EPS(INR)	35.4	21.3	12.2	16.0
PE (x)	8.7	14.4	25.1	19.2
PB (x)	0.7	0.8	0.9	0.8

Source: Company

Other Takeaways:

Retail business

Spencer is present in big formats with floor sizes of 20,000 to 40,000 sq.ft. The retail chain is focussed on food, staple items and FMCG, with a target audience of SEC A class consumers.

Due to continuing losses, net worth of retail business has become negative and accumulated losses in the business are to the extent of ~INR7-8bn.

The company currently operates retail space of ~0.9m sq.ft. and intends to increase this space to ~2m sq.ft. over the next 24-30 months. The expenditure envisaged for the same is ~INR400m in FY12.

It is simultaneously studying the market and looking to improve supply chain logistics to achieve operational efficiency and improve the cashflow from existing operations. Furthermore, the management highlighted that Spencer remains one of the key properties in modern retail business and expects to benefit whenever Government liberalises FDI policy in retail business.

Upcoming Thermal Power Projects

The upcoming thermal power stations of Chandrapur thermal power station of 600MW and Haldia thermal power station of 600MW will be commissioned by by Mar'13 and May'14 respectively. Company expects to sell 75% of generation from Haldia thermal power station to Kolkata License area at regulated tariff and balance 25% at merchant rates.While 50% is being proposed to sold at regulated tariff, the remaining 50% is to be sold at merchant rates from Chandrapur thermal power station.

While Dumka thermal power station of 600MW has run into land acquisition hurdles, the managemnet is confident of resolving the same within a year.

Solar Power Initiative

Company is setting up a 9MW Solar power plant in Bhuj, Gujarat at a cost of INR130m/MW. It has entered into power purchase agreement with GUVNL and would be selling power at a tariff of INR15/Kwh. Orders for the primary equipment have already been placed and the plant is to be commissioned by Dec'11. The management expects to have an RoE of 16% from this venture.

Dilution of stake in Power SPV

CESC is looking to dilute 20% stake and raise upto INR100bn to fund its equity commitments in upcoming power projects. The deal could be announced in next 3-4 months. The management is waiting for the first meeting of standing linkage committee for award of coal linkage for XIIth plan as they expect the Dhenkanal thermal power station to be awarded coal linkage.

Management expects to list its power SPV on exchanges in 2 -3 years when construction reaches adavanced stages in all the upcoming thermal power projects. They plan to achieve a capacity of ~6-7 GW of power plant capacity by FY17.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**24,843**	**35,428**	**40,510**	**42,040**
Expenses	19,105	31,451	37,991	37,489
EBITDA	**5,739**	**3,977**	**2,519**	**4,551**
Depreciation & amortisation	1,579	1,962	2,160	2,510
EBIT	**4,159**	**2,015**	**359**	**2,041**
Interest expense	1,679	1,480	1,570	2,040
Other income	927	1,962	2,180	2,170
Profit before tax	**3,407**	**2,496**	**969**	**2,171**
Taxes incl deferred taxation	400	(130)	(557)	176
Profit after tax	3,007	2,627	1,526	1,995
Adjusted profit after tax	**3,007**	**2,674**	**1,538**	**2,004**
Recurring EPS (INR)	**35.4**	**21.3**	**12.2**	**16.0**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	850	1,256	1,256	1,256
Reserves & Surplus	37,302	46,780	43,749	44,227
Networth	**38,152**	**48,036**	**45,005**	**45,483**
Debt	17,983	20,683	27,745	35,189
Service line deposit	7,526	9,405	11,580	13,435
Capital Employed	**63,660**	**78,125**	**84,330**	**94,107**
Gross Fixed Assets	84,696	91,032	98,422	120,857
Accumulated Depreciation	(31,795)	(35,779)	(39,053)	(42,407)
Net Assets	**52,901**	**55,252**	**59,369**	**78,450**
Capital work in progress	2,657	7,119	13,515	4,422
Investments	2,414	5,299	4,343	4,374
Current Assets, Loans & Advances				
Inventory	1,673	3,520	3,776	3,739
Debtors	4,151	3,403	4,119	5,176
Cash & Bank balance	7,314	10,170	12,837	11,680
Loans & advances and others	2,378	4,074	3,309	2,971
Current Liabilities & Provisions				
Creditors	8,967	12,876	17,525	18,081
Other liabilities & provisions	862	1,219	1,249	1,249
Net Current Assets	**5,689**	**7,074**	**5,267**	**4,237**
Deferred tax assets/(liabilities)	-	3,381	1,836	2,624
Application of Funds	**63,660**	**78,125**	**84,330**	**94,107**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	85	126	126	126
BVPS (INR)	449	382	358	362
CEPS (INR)	54.0	36.9	29.4	35.9
DPS (INR)	3.5	4.0	4.0	4.0

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	23.1	11.2	6.2	10.8
EBIT	16.7	5.7	0.9	4.9
PAT	12.1	7.5	3.8	4.8

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
EBIT	**4,159**	**2,015**	**359**	**2,041**
Depreciation & amortisation	1,579	1,962	2,160	2,510
Interest expense	(1,679)	(1,480)	(1,570)	(2,040)
(Inc)/Dec in working capital	12,451	3,845	5,331	829
Tax paid	(1,245)	130	557	(176)
CF from operating activities	**15,266**	**6,472**	**6,837**	**3,164**
Capital expenditure	(71,606)	(10,798)	(13,786)	(13,342)
Inc/(Dec) in investments	2,504	(2,885)	956	(31)
Income from investments	14,581	1,962	2,180	2,170
CF from investing activities	**(54,521)**	**(11,721)**	**(10,650)**	**(11,203)**
Inc/(Dec) in share capital	2,028	5,697	-	20
Inc/(Dec) in debt	31,720	2,701	7,062	7,444
Dividends paid	(3,768)	(293)	(582)	(582)
CF from financing activities	**29,980**	**8,105**	**6,480**	**6,882**
Net cash flow	**(9,275)**	**2,856**	**2,666**	**(1,157)**
Opening balance	5,891	7,314	10,171	12,837
Closing balance	**(3,385)**	**10,171**	**12,837**	**11,680**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	14	43	14	4
EBITDA	19	(31)	(37)	81
PAT	22	(11)	(42)	30
EPS	16	-40	(42)	30

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	8.7	14.4	25.1	19.2
P/BV	0.7	0.8	0.9	0.8
EV/EBITDA	10	14.9	23.5	13.0
EV/Sales	2.4	1.7	1.5	1.4
Dividend Yield (%)	1.1	1.3	1.3	1.3

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	7.9	5.6	3.4	4.4
RoCE (%)	7	3	0	2
Debt/Equity (x)	0.5	0.4	0.6	0.8
EBIT/Interest (x)	2.5	1.4	0.2	1.0

Source: Company Antique

Claris Lifesciences Limited

CMP : INR180

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Market data

Sector	:	Pharmaceuticals
Market Cap (INRbn)	:	11
Market Cap (USDmn)	:	256
O/S Shares	:	64
52-wk HI/LO (INR)	:	232/152
Avg Daily Vol ('000)	:	9
Bloomberg	:	CLAR IN
Reuters	:	CLAI.BO

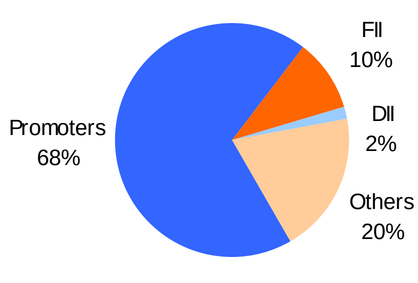
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(8)	15	NA	NA
Relative	(3)	9	NA	NA

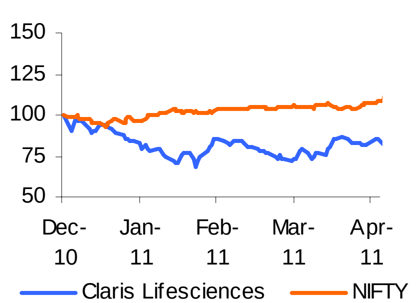
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Presence in highly profitable injectible market

Complex manufacturing, technology driven and higher quality standards set by the regulatory authorities across the world makes injectibles a low volume high margin business for pharmacos. Claris, armed with strong product profile and limited competition from global and domestic players, has been able to earn significant market share across therapy lines over the last few years. The company ideally looks to be the 3rd or the 4th player with ~15-20% market share on every product across geographies thereby resulting in higher contribution to revenues and better margins (especially from the regulated markets).

Integrated business model

Strong presence in manufacturing, sales and advertising, supply chain management helps the company to reduce the dependance on third party manufacturers resulting in an integrated business model with capabilities across business verticals in the generic injectibles.

New product introductions in emerging markets to drive growth

Claris is present in 78 countries with over 400 product registrations pending approvals with various regulatory authorities, with over 280 of them being in the regulated markets. It has received approvals for 145 products including 36 applications in the US. With the import ban in the US currently in effect, the company plans to focus on the emerging markets and Europe to achieve higher growth rates.

Update on the FDA import alert

Claris has submitted a remediation action plan to the USFDA in Jan'11, post which the latter has suggested additional measures to improve quality compliance. The company has completed first leg of rectifying the manufacturing line (issue that caused bags to puncture and adulterate contents) and will implement the quality recommendations by Jun'11, post which it plans to run validation batches for audit by the FDA. The company expects FDA clearance to be awarded to the facility by the end of CY11.

Valuation

At the CMP of INR180, the stock trades at a PER and EV/EBIDTA of 8.1x and 5.2x for its CY10 earnings of INR22

Key financials (consolidated)

INRm	CY09	CY10
Revenue	7,435	7,523
PAT	1,304	1,414
RoE (%)	22.3	17.9
EPS (INR)	38.2	22.2
PE (x)	4.7	8.1
PB (x)	1.2	1.3

Source: Company

Other takeaways

Claris has a differentiated business model as compared to other injectible players on account of complex product portfolio. The company has established a portfolio of injectible products across various therapeutic segments, technologies and delivery systems. Claris has developed 98 products formulated from ~57 molecules. Amongst the complex products include propofol and Iron Sucrose. Its products span all technology platforms, from aqueous solutions as well as complex colloidal solutions, liposomal products and emulsions. The products are available across delivery systems, such as ampoules, vials, bottles, multi-chamber PVC and non-PVC bags. Interestingly, despite complexity of product portfolio, it has a 10 product overlap with Strides Arcolabs in India, however internationally it competes with the likes of B. Braun, Hospira and Fresenius in similar therapies, but in different dosage forms.

The company plans to increase its presence in the emerging markets such as Brazil, Mexico, South Korea and Saudi Arabia, as well as venture into new markets such as China, Russia, Turkey, Egypt and Argentina. Owing to the nature of product profile offered by the company and changing needs in the healthcare standards, insurance penetration and government pressures to reduce healthcare cost across the world, presence in emerging markets is expected to drive the next-leg of growth for the company. The company has already begun to increase its foothold in the emerging market geographies of LatAM and Eastern Europe to tap the potential of growth.

For the regulated markets, Claris plans to go through joint-venture/tie-up route to capture market share in those markets. Claris has presence in the regulated markets of US, Western Europe, Australia, New Zealand, Canada and South Africa and is currently working on establishing a foothold in Japan. In order to capitalise on its presence in the regulated markets, the company has entered into business arrangements with big pharmacos such as Pfizer in the US. The company plans to follow the same model in other geographies in an effort to increase sales and gain market share in those markets.

Claris has three different distribution models for the supply of its products across international markets. In certain emerging markets such as Brazil, they have a local distributor model where they have to import products, test them in local labs and then align with them to bid for tenders in the local markets; in certain other countries, the company registers, imports and store products as well as market them through the entities owned and controlled by them and finally in the US they have a tie-up with Pfizer where they co-market Claris products in the local market. The company has changed the distribution model from setting-up subsidiaries to the distributor model resulting in lower working capital cycle for the company. The working capital cycle has reduced from 6 months to 4 months on account of the change. The company plans to improve this going forward to 3.5 months as it continues to implement these changes in other geographies.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2009	2010
Revenues	**7,435**	**7,523**
Expenses	5,299	5,244
Operating Profit	2,136	2,280
Other income	159	154
EBIDTA	**2,295**	**2,434**
Depreciation	448	467
Interest expense	410	362
Profit before tax	**1,437**	**1,605**
Taxes incl deferred taxation	133	190
Profit after tax	**1,304**	**1,414**
Recurring EPS (INR)	**38.2**	**22.2**

Balance sheet (INRm)

Year ended 31st Mar	2009	2010
Share capital	341	638
Reserves & surplus	4,761	8,508
Networth	**5,102**	**9,146**
Debt	3,140	3,606
Deferred tax liability	517	521
Capital employed	**8,760**	**13,273**
Gross fixed assets	6,308	7,150
Accumulated depreciation	1,387	1,844
Net assets	**4,920**	**5,306**
Capital work in progress	1,232	2,336
Current assets, loans & advances		
Inventory	1,352	1,528
Debtors	2,648	2,464
Cash & bank balances	2,369	3,956
Loans & advances and others	1,035	1,352
Other current assets	1	3
Current liabilities & provisions		
Creditors	4,517	3,310
Other liabilities & provisions	282	362
Net current assets	**2,607**	**5,631**
Application of funds	**8,760**	**13,273**

Per share data

Year ended 31st Mar	2009	2010
No. of shares (m)	34	64
BVPS (INR)	149.5	143.3
CEPS (INR)	105.5	60.3
DPS (INR)	3.5	2.3

Margins (%)

Year ended 31st Mar	2009	2010
EBIDTA	28.7	30.3
EBIT	22.7	24.1
PAT	17.5	18.8

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2009	2010
PBT	**1,437**	**1,605**
Depreciation & amortisation	448	467
Interest expense	416	377
Interest / Dividend Recd	(15)	-
Other adjustments	125	4
(Inc)/Dec in working capital	1,813	(1,516)
Tax paid	(424)	(225)
CF from operating activities	**5,991**	**18,510**
Capital expenditure	(1,961)	(1,000)
(Purchase)/Sale of Investments	30	-
Income from investments	13	200
CF from investing activities	**(5,050)**	**(12,462)**
Inc/(Dec) in share capital	2,790	-
Inc/(Dec) in debt	-	-
Dividends & Interest paid	(461)	(671)
CF from financing activities	**(570)**	**2,809**
Net cash flow	**2,200**	**1,587**
Opening balance	169	2,369
Closing balance	**2,369**	**3,956**

Growth indicators (%)

Year ended 31st Mar	2009	2010
Revenue	(1.1)	1.2
EBITDA	7.7	6.7
PAT	23.6	8.5
EPS	225.0	(42.0)

Valuation (x)

Year ended 31st Mar	2009	2010
PE	4.7	8.1
P/BV	1.2	1.3
EV/EBITDA	5.6	5.2
EV/Sales	1.6	1.6

Financial ratios

Year ended 31st Mar	2009	2010
RoE (%)	22.3	17.9
RoNW (%)	28.7	19.9
Debt/Equity (x)	0.6	0.4
EBIT/Interest (x)	4.1	5.0

Source: Company Antique

Den Networks Limited

CMP : INR99

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Market data

Sector	:	Media
Market Cap (INRbn)	:	13
Market Cap (USDm)	:	289
O/S Shares	:	130
Free Float (m)	:	42
52-wk HI/LO (INR)	:	256/77
Avg Daily Vol ('000)	:	115
Bloomberg	:	DEN IN
Reuters	:	DENN.BO

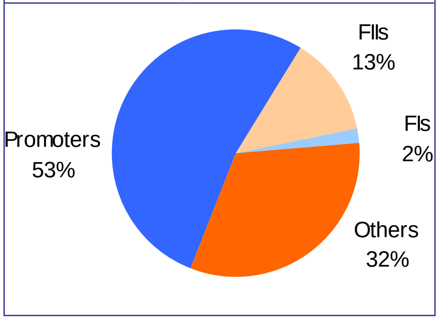
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	5	(17)	(57)	(50)
Relative	11	(20)	(51)	(54)

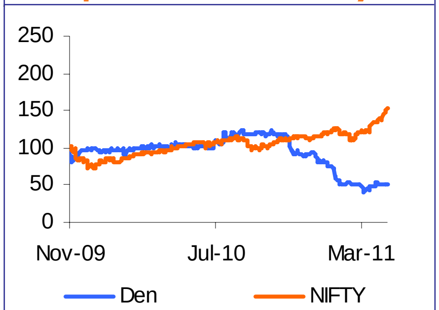
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Digitisation - the game reversal policy

The management expects the cabinet approval for digitisation by quarter end. The necessary changes in the Cable Act will also follow, which will transfer the onus of billing, collection, tax, etc., to MSOs from LCOs currently. Den expects the revenue to increase 4-5x over the next 4-5 years once digitisation is completed.

Carriage and placement revenue to continue

Carriage fees which is the function of strength of subscriber's base and the TRP market coverage will continue post digitisation. Carriage fees constitute 50% of total cable revenues for Den which might come down as subscription fees will increase fourfold post digitisation and carriage fees will continue to grow at 8-10% annually.

Capex payback to reduce to half

The STB cost is approximately INR1,200 and there is an upfront collection of INR250-300 which is reflected in revenue as installation and activation charges. The management expects payback period to reduce by more than half with increasing revenue from digitisation. The company has sufficient funds to implement digitisation and has no plans to raise funds in coming years.

Star-Den JV to increase bouquet strength

DEN plans to increase the number of channels in the bouquet from 30 to 60 in coming year. Star Den JV currently contributes 3-4% to the operating profits, which will continue going forward.

Revenue and profitability guidance

The management has guided a revenue growth of 20-25% for the next two years while EBITDA will continue to grow at 35-40% without digitisation. This will increase further once all the phases of digitisation are implemented.

Valuation

At the CMP of INR99, DEN is trading at 15.5x EV/EBITDA and 38.2x PE on FY10 basis.

Quarterly financials (consolidated)

INRm	Jun-10	Sep-10	Dec-10
Revenue	2,460	2,536	2,644
EBITDA	306	318	265
EBITDA mgn (%)	12	13	10
PAT	100	105	89
PAT growth (%)	209	8.8	14.6
EPS (INR)	0.8	0.8	0.7

Source: Company

Key financials (consolidated)

INRm	FY08	FY09	FY10
Revenue	851	7,119	9,099
PAT	(216)	(154)	277
RoE (%)	(9.9)	(6.0)	3.7
EPS (INR)	(21.6)	(1.7)	2.6
PE (x)	na	na	38.2
PB (x)	0.8	0.7	1.7

Source: Company

Digitisation - the game reversal policy

The management expects the cabinet approval for digitisation along with required changes in Cable Act by quarter end, which will transfer the onus of billing, collection, tax, etc., to MSOs from LCOs currently. This is positive for MSOs as they will have a control on subscription collected and will not be dependent on LCOs who will just receive the percentage share from MSOs.

Den expects the revenue to increase 4-5x over the next 4-5 years once digitisation is completed. On subscription numbers, the company expects to digitise 2.5-3m every year to complete digitisation as per the current dates proposed by TRAI. During the first phase which covers four Metros, the company expects to digitise 2.5-3m in Mumbai and Delhi.

Carriage and placement revenue to continue

Carriage fee constitute 50% of total cable revenues for Den. The management believes that the carriage fees will continue to grow at an average rate of 8-10%. However, its proportionate contribution to cable revenue might decrease once digitisation takes place as subscription revenue will grow at a much higher percentage.

Carriage fee is a function of strength of subscriber's base and the TRP market coverage. Digital Cable currently captures 2% of the total TRP market but post digitisation it will take a large share of analog market (which currently constitutes 85% market share), and hence, carriage fees de-growth is unlikely.

Capex payback to reduce to half

The STB cost is approximately INR1,200 and there is an upfront collection of INR250-300 which is reflected in revenue as installation and activation charges. The management expects payback period to reduce by more than half with increasing revenue from digitisation. The company has sufficient funds to implement digitisation and has no plans to raise funds in coming years.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2008	2009	2010
Revenues	**851**	**7,119**	**9,099**
Expenses	1,061	7,085	8,294
EBITDA	**(209)**	**34**	**804**
Depreciation & amortisation	12	160	329
EBIT	**(221)**	**(126)**	**475**
Interest expense	6	100	194
Other income	18	72	134
Profit before tax	**(210)**	**(155)**	**415**
Taxes incl deferred taxation	6	20	74
Minority Interest	1	(21)	63
PAT	**(216)**	**(154)**	**277**
EPS(INR/share)	**(21.6)**	**(1.7)**	**2.6**

Balance sheet (INRm)

Year ended 31st Mar	2008	2009	2010
Share Capital	213	221	1,305
Reserves & Surplus	1,963	2,347	6,130
Networth	**2,176**	**2,568**	**7,435**
Debt	203	1,191	1,750
Minority Interest	19	144	212
Capital Employed	**2,397**	**3,903**	**9,397**
Gross Fixed Assets	174	1,709	2,708
Accumulated Depreciation	12	172	497
Net Assets	**163**	**1,538**	**2,211**
Capital work in progress	368	277	203
Investments	982	0	917
Goodwill on consolidation	477	1,154	2,502
Debtors	481	1,876	2,535
Unbilled revenue	5	33	121
Cash & Bank balance	338	511	2,432
Loans & advances and others	484	1,116	1,802
Current Assets, Loans & Advances	**1,307**	**3,536**	**6,891**
Creditors	1,122	3,024	3,440
Other liabilities & provisions	11	22	36
Current Liabilities & Provisions	**1,133**	**3,046**	**3,476**
Net Current Assets	**175**	**490**	**3,415**
Deferred tax assets/(liabilities)	17	77	83
Profit and Loss Account	**216**	**367**	**66**
Application of Funds	**2,397**	**3,903**	**9,397**

Per share data

Year ended 31st Mar	2008	2009	2010
No. of shares (m)	18	18	130
BVPS (INR)	120.1	141.7	57.0
CEPS (INR)	(11.3)	0.4	4.6

Margins (%)

Year ended 31st Mar	2008	2009	2010
EBITDA	(24.6)	0.5	8.8
EBIT	(26.0)	(1.8)	5.2
PAT	(25.4)	(2.2)	3.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010
PBT	**(210)**	**(152)**	**438**
Depreciation & amortisation	12	160	329
Interest expense	6	100	194
(Inc)/Dec in working capital	259	43	34
Tax paid	(44)	(175)	(348)
Others	44	102	18
CF from operating activities	**68**	**78**	**666**
Capital expenditure	(444)	(1,320)	(921)
Inc/(Dec) in investments	(1,644)	114	(2,323)
Income from investments	3	20	18
CF from investing activities	**(2,086)**	**(1,186)**	**(3,226)**
Inc/(Dec) in share capital	2,151	400	4,395
Inc/(Dec) in debt	197	988	559
Interest expense	(6)	(99)	(198)
CF from financing activities	**2,342**	**1,289**	**4,756**
Net cash flow	**324**	**181**	**2,195**
Opening balance	14	338	511
Closing balance	**338**	**519**	**2,706**

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010
Revenue	na	736	28
EBITDA	na	na	2,262
PAT	na	na	na
EPS	na	na	na

Valuation (x)

Year ended 31st Mar	2008	2009	2010
PE	(4.6)	na	38.2
P/BV	0.8	0.7	1.7
EV/EBITDA	(61.1)	403.5	15.5
EV/Sales	15.0	1.9	1.4

Financial ratios

Year ended 31st Mar	2008	2009	2010
RoE (%)	(10)	(6)	4
RoCE (%)	(9)	(3)	5
Debt/Equity (x)	0.1	0.5	0.2
EBIT/Interest (x)	36.6	1.3	-2.4

Source: Company Antique

Financial Technologies (India) Ltd.

CMP : INR862

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Market data

Sector	:	Diversified
Market Cap (INRbn)	:	37
Market Cap (USDmn)	:	831
O/S Shares	:	46
Free Float (m)	:	19
52-wk HI/LO (INR)	:	1510/655
Avg Daily Vol ('000)	:	49
Bloomberg	:	FTECH IN
Reuters	:	FITE.BO

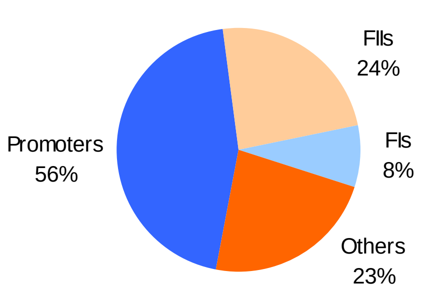
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(9)	11	(25)	(41)
Relative	(4)	6	(15)	(46)

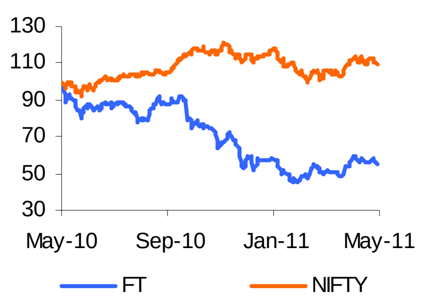
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Volume growth to drive exchange business revenue

Trading volumes across FT's exchange network will boost exchange business revenue which currently constitutes two-third of standalone revenue for the company. The company expects stable revenue for FY11e and FY12e in its exchange business but will see the liquidity in the present exchanges to drive growth in coming years. Having more than 80% market share in domestic exchanges in commodities derivatives, commodity spot and electricity spot market it is the only corporate house to be present in five international exchanges covering Africa, Middle East, India and Southeast Asia.

MCX transaction value jumped by 53% in FY11

The average transaction value per day jumped from INR210bn to INR 320bn in FY11 and has seen an average of INR480-500bn in April 2011. The company currently owns 31.2% in MCX which will come down to 26% in order to comply with the regulation.

Largest trading license holder

The cumulative ODIN license as on 31st Dec 2010 is 627000 which is largest in the industry. Financial Technologies is a global leader in offering technology IP (intellectual property) and domain expertise to create next-generation financial markets that are transparent, efficient and liquid. The company has a revenue model where they charge an upfront license fee and annual maintenance fees giving high earnings predictability.

NBHC profit to jump significantly

NBHC has 2500-3000 warehouses under management and has already 34 banks as its member. The business is set to grow multifold with strong operational performance of the company.

NSEL volume grew multifold with new e-series product

The exchange has launched a unique investment product in the form of e- series for gold, silver, zinc and copper on its platform. The products are provided in demat format on delivery only basis. With this, the average daily turnover for 4Q FY11 has reached INR8,460m from 9mFY11 average daily turnover of INR664m.

Valuation

At the CMP of INR862, FTIL is trading at 11.5x PE of FY10 and 12.5x EV/EBITDA of FY10 on standalone basis.

Quarterly financials

INRm	Jun-10	Sep-10	Dec-10
Revenue	681	1,038	713
EBITDA	288	581	310
EBITDA mgn (%)	56.0	56.0	43.5
PAT	452	788	847
PAT growth (%)	3.2	74.3	7.5
EPS (INR)	9.8	18.4	17.1

Source: Company

Key financials

INRm	FY07	FY08	FY09	FY10
Revenue	988	1,376	3,343	3,070
PAT	1,006	9,613	3,686	3,444
RoE (%)	57.5	115.3	22.9	18.2
EPS (INR)	23	209	80	75
PE (x)	80.1	7.7	7.7	11.5
PB (x)	40.6	5	1.6	3.5

Source: Company

Experiencing volume surge across asset classes

Unique business model with deep domain expertise

FT Group offers a unique business model integrating its domain knowledge of end-to-end IT-enabled transaction and exchange technology with creating and operating exchanges.

Strong connecting network

Under the exchange vertical the Group has 10 greenfield exchanges connecting the fastest-growing economies of Africa, Middle East, India and Southeast Asia.

Enabling ecosystem

The Group's business model of setting up and operating efficient markets (exchanges) is well supported by the ecosystem vertical to bring about long-term sustainability and robustness in creating value for all its stakeholders, be it market participants, intermediaries or end-users.

Creating and managing transactions

Under the exchange vertical the Group provides transaction opportunities that are transparent and well-regulated, providing mark-to-market valuation, clearing house guarantee, fungibility of deliveries and higher liquidity without associated counterparty risks. It also provides the opportunity for cross-listing, margin credits, carry-forward positions across exchanges, enables hedging and creates easy liquidity across connected markets around the world.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**988**	**1,376**	**3,343**	**3,070**
Expenses	555	927	2,340	1,951
Operating Profit	**434**	**449**	**1,003**	**1,119**
Other income	753	12,099	3,719	3,412
EBIDTA	**1,187**	**12,548**	**4,722**	**4,531**
Depreciation	15	24	72	59
Profit before tax	**1,168**	**12,415**	**4,648**	**4,472**
Taxes incl deferred taxation	179	2,803	962	1,028
Extra ordinary Items	16	-	-	-
Profit after tax	**1,006**	**9,613**	**3,686**	**3,444**
Recurring EPS (INR)	**23**	**209**	**80**	**75**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share capital	88	92	92	92
Reserves & surplus	1,898	14,602	17,405	20,324
Networth	**1,987**	**14,694**	**17,497**	**20,417**
Capital employed	6,331	18,688	22,108	24,554
Gross fixed assets	232	458	678	1,042
Accumulated depreciation	59	78	146	168
Net assets	**173**	**381**	**532**	**874**
Capital work in progress	517	1,692	2,309	1,865
Investments	4,144	13,743	14,445	20,019
Current assets, loans & advances				
Inventory	-	0.39	-	-
Debtors	264	190	840	604
Cash & bank balances	1,815	3,502	4,408	2,091
Loans & advances and others	154	436	1,544	1,661
Current liabilities & provisions				
Creditors	492	601	734	960
Other liabilities & provisions	254	667	1,068	1,513
Net current assets	**1,487**	**2,861**	**4,989**	**1,883**
Application of funds	**6,331**	**18,688**	**22,108**	**24,554**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	46.1	45.9	45.9	44.1
BVPS (INR)	45.1	320.2	381.3	443.1
CEPS (INR)	23.2	210	81.9	76
DPS (INR)	8	20	10	8

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBIDTA	44	33	30	36
EBIT	116	875	137	144
PAT	102	699	110	112

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
PBT	**1,536**	**11,549**	**2,954**	**1,533**
Depreciation & amortisation	89	98	119	164
Interest / Dividend Recd	8	123	49	4
Other adjustments	(491)	(11,466)	(3,032)	(2,670)
(Inc)/Dec in working capital	601	(106)	(1,132)	1,860
Tax paid	(486)	(560)	(285)	(181)
CF from operating activities	**1,259**	**(362)**	**(1,327)**	**708**
Capital expenditure	(1,601)	(1,526)	(1,011)	(333)
(Purchase)/Sale of Investments	1,008	(11,592)	2,716	3,800
Income from investments	361	8,212	(896)	(219)
CF from investing activities	**(232)**	**(4,906)**	**809**	**3,248**
Inc/(Dec) in share capital	123	4,637	50	290
Inc/(Dec) in debt	4,474	91	1,118	(1,488)
Dividends & Interest paid	(854)	(1,260)	(692)	(433)
CF from financing activities	**3,585**	**3,465**	**383**	**(1,675)**
Net cash flow	**4,612**	**(1,802)**	**(135)**	**2,281**
Opening balance	734	5,346	3,544	3,409
Closing balance	**5,346**	**3,544**	**3,409**	**5,690**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	10	39	143	(8)
EBITDA	(25)	4	123	12
PAT	116	855	(62)	(7)
EPS	116	818	(62)	(7)

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	80.1	7.7	7.7	11.5
P/BV	40.6	5	1.6	3.5
EV/EBITDA	70.1	5.9	6.1	12.5
EV/Sales	84.1	53.8	8.6	24.2
Dividend Yield (%)	0.4	1.2	1.6	0.5

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	57.5	115.3	22.9	18.2
RoCE (%)	30.3	100.1	22.8	19.2
Debt/Equity (x)	1.4	0.3	0.4	0.2
EBIT/Interest (x)	426.8	114.6	0	0

Source: Company Antique

CMP : INR263

Gitanjali Gems Limited

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Market data

Sector	:	Retail
Market Cap (INRbn)	:	22
Market Cap (USDm)	:	505
O/S Shares	:	85
Free Float (m)	:	26
52-wk HI/LO (INR)	:	395/93
Avg Daily Vol ('000)	:	1,594
Bloomberg	:	GITG IN
Reuters	:	GTGM.BO

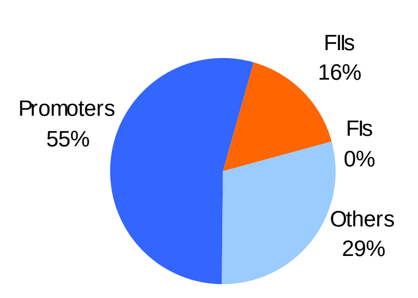
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	6	32	(17)	128
Relative	11	31	(9)	113

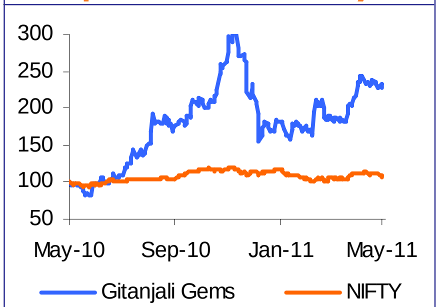
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Diamond and Jewellery forms 44% and 56% of sales

Gitanjali Gems Limited (Gitanjali Gems) derives about 44% (INR28.9bn) of its sales from diamond business and 56% (INR36.4bn) from jewellery business. The diamond business is a pure polishing and trading business while the jewellery business is primarily focused on branded sales. The diamond business involves EBITDA margins of about 3-5% while the jewellery business enjoys the same at 10-11%.

Diamond dominated by exports while jewellery led by domestic market

The diamond trading business is largely dominated by exports forming about 74% (INR21.5bn) of the business while 26% is contributed by the domestic operations (INR7.4bn). In the jewellery business, the domestic operations is the biggest contributor accounting for 51% (INR18.6bn) of jewellery sales, followed by USA at 26% (INR9.6bn), other exports at 15% (INR5.4bn) and Middle East at 8% (INR2.9bn).

Studded and Gold jewellery form 55% and 45% respectively of jewellery sales

The jewellery business derives 55% of its sales from diamond jewellery and the rest 45% from gold jewellery. This business enjoys a gross margin of about 18-20% and an EBITDA margin of 10-11%. The Indian operations attract gross margins of about 18% and EBITDA margin of about 11% while the Middle East enjoys superior profitability with gross margins of 24% and EBITDA margin of about 20%. The USA operations has the highest gross margins of about 45%, however, is making losses at the EBITDA level of -7%.

Branded jewellery forms a major portion of international jewellery

In the Middle-East, out of the total sales of INR2.9bn, Gitanjali Gems recorded about INR2.5bn worth of branded sales and about INR400m of generic sales. The branded sales in the Middle East is through other retailers and distributors. In the USA, Gitanjali Gems is present through its retail chain of Samuel and Rogers and also sells to other retailers. The retail chain of Samuels and Rogers contributed about INR6.5bn during FY10 while sales through other retailers amounted to INR3.0bn. The sales in USA is largely in the form of diamond jewellery to the tune of 90%.

Valuation

At the CMP of INR263, the stock is trading at an EV/EBITDA and PE of 6.6x and 11.2x, respectively on FY10 numbers.

Quarterly financials

INRm	Jun-10	Sep-10	Dec-10
Revenue	18,659	25,097	26,542
EBITDA	1,537	1,590	1,750
EBITDA mgn (%)	8.2	6.3	6.6
PAT	797	10	1,016
PAT growth (%)	74.50	45.60	155.50
EPS (INR)	9.3	9.5	11.9

Source: Company

Key financials

INRm	FY07	FY08	FY09	FY10
Revenue	34,674	48,317	50,889	65,276
PAT	918	1,607	1,506	2,002
RoE (%)	11	9	7	9
EPS (INR)	15.6	18.9	17.7	23.8
PE (x)	17.2	14.1	15.1	11.2
PB (x)	1.8	1.2	1.1	1.0

Source: Company

Other key takeaways

USA operations witnessing revival during the last two quarters

USA operation is witnessing revival in profitability and has turned EBITDA positive during the last two quarters. Gitanjali Gems expects the USA operations to be EBITDA positive for the full year FY12e. The improvement in profitability of the USA operations could be attributed to the rationalisation of the store network and shifting of manufacturing operations to India. Samuels & Rogers was acquired at USD45m as a loss making company with a network of about 160 stores which have been reduced to 111 stores now. Further, Gitanjali Gems has shifted about 95% of the manufacturing operations for USA to India which has led to significant savings in cost. This in turn has aided the profitability of the business. According to the management, even the leading global jewellery players are finding it difficult to sustain profitability due to high cost of manufacturing and are hence required to shift their manufacturing hubs to cheaper destinations like India.

Domestic jewellery growing at 40% CAGR

The domestic jewellery business has grown at a stronger pace of 40% CAGR during the last three years with about 25% contributed by the volume growth and 15% contributed by realisation growth. In India, about 40% of Gitanjali Gems' branded sales is from the North followed by 30% from West and 20% from East. South being predominantly a gold jewellery and not a studded jewellery market contributes the lowest share of 10% to Gitanjali Gems' domestic branded jewellery sales.

Franchisee channel to be the key growth driver

The franchisee channel, forming about 12% (INR2.2bn) of domestic jewellery sales during FY10, has been the highest contributor by growing at a robust pace of 100% CAGR during the last three years. Shop in shop (SIS) (FY10 sales - INR1.8bn) at 10% of domestic jewellery sales has grown at 60% CAGR during the last three years. The distributor channel, accounting for 68% (INR12.7bn) of domestic jewellery sales and own stores accounting for 10% (INR1.9bn) of domestic jewellery sales have grown at 35% CAGR each. In terms of brands, Asmi was the key driver growing at 100% CAGR while Nakshatra and D'damas grew at 40% and 15% CAGR, respectively. Going ahead, the company expects the Franchisee channel to continue to grow by 100% CAGR while distributors, own stores and SIS channels are expected to grow by 25%, 30% and 50%, respectively. Gitanjali Gems is confident of doubling revenues in the next three years.

Gitanjali doesn't take price risk in gold jewellery

In case of gold jewellery, Gitanjali Gems, does not take any risk on the prices of gold. It primarily earns on the making charges of the jewellery. The gold involved is taken on loan from the bullion bank and the price remains open for a period of six months. The price of the gold is fixed for the same quantity as soon as the gold jewellery is sold and invoiced. Therefore, Gitanjali Gems does not gain or lose on the price volatility in jewellery. However in case of the diamond jewellery, where gold accounts for about 30-35% of the jewellery product, the gold quantity is purchased upfront from the market at prevailing prices. For fixing MRP of the jewellery, mark up is applied on the prevailing rate of gold. Due to studded jewellery being a slow moving product at the retail level, on the date of the sell, the prevailing price of both the diamond and gold could be different from the MRP of the studded jewellery. To mitigate this risk, the MRP of the studded jewellery is revised on a quarterly basis or periodically depending on the extent of volatility in the gold and diamond prices.

Inventory requirement lower in gold jewellery

In the gold jewellery business, working capital requirements are lower as the inventory turnover is high at 4-5x and the inventory days are lower at about 2-2.5 months. However, in the case of diamond jewellery, the inventory turnover is low at about 1.5 months which leads to an inventory days of about 8-9months.

Labour paid in the form of gold in gold jewellery

In case of gold jewellery, labour is paid in the form of gold, for example if they supply 100units of gold, 1 unit is given as labour charge and 99units are converted to jewellery. In case of diamond jewellery, labour is paid at 5% of cost of goods sold.

Gitanjali to focus more on RoCE over margins

Gitanjali's business model currently is margin focused which in due course will become an RoCE-focused model. The company plans to achieve this by increasing the number of franchisees, which according to them is a high RoCE generating channel. Additionally, the sales push that the franchisees are able to achieve is far better than their own staff. The franchisee model is high RoCE on account of low inventory needs. Therefore, going ahead, the primary target of the company will be to ramp up the franchisee channel. Break even period for franchises is at about 18 months. During FY11, the company has added about 100 franchisees to touch a total franchisee strength of about 215. By FY12e, the company plans to have about 400 franchisees, adding 185 during the year. Shop in shops (SIS) during FY11, are at about 470, which is planned to be increased to 550-600 during FY12e. Distributors and own stores stand at about 360 and 180 during FY11.

The business is working capital intensive, which is naturally a key challenge in terms of the prospects of the business going ahead. In FY08, working capital was 65% of sales which has come down to around 45% in FY11. Gitanjali Gems wants to reduce it further to below 40% by focusing more on the franchisee channel. The management believes that the business will be cash flow positive if they are able to keep the working capital below 40% of sales.

GGL attracting PE interest in its brands

Gitanjali Gems, recently has witnessed private equity interest in its branded jewellery business. The management still has to decide if private equity is a good option or would be better to unlock value in the jewellery business by coming out with an IPO at the end of FY12e. The management has indicated towards a PE valuation of about 20x for the brands.

Financials

Profit and loss account (INRm)

Year ended 30th Jun	2007	2008	2009	2010
Revenues	**34,674**	**48,317**	**50,889**	**65,276**
Expenses	32,966	45,621	47,619	60,816
EBITDA	**1,708**	**2,696**	**3,270**	**4,460**
Depreciation & amortisation	70	201	336	445
EBIT	**1,638**	**2,495**	**2,934**	**4,015**
Interest expense	635	621	1,375	2,176
Other income	149	76	25	408
Profit before tax	**1,153**	**1,950**	**1,585**	**2,247**
Taxes incl deferred taxation	143	213	32	232
Profit after tax	1,009	1,737	1,553	2,015
Adjusted profit after tax	**918**	**1,607**	**1,506**	**2,002**
Recurring EPS (INR)	**15.6**	**18.9**	**17.7**	**23.8**

Balance sheet (INRm)

Year ended 30th Jun	2007	2008	2009	2010
Share Capital	590	851	851	843
Share warrant	451	312	312	0
Reserves & Surplus	7,686	17,683	19,612	21,122
Networth	**8,727**	**18,846**	**20,775**	**21,965**
Debt	14,589	16,338	20,466	25,953
Minority Interest	941	936	98	483
Capital Employed	**24,257**	**36,120**	**41,340**	**48,401**
Gross Fixed Assets	1,565	3,100	3,882	4,180
Accumulated Depreciation	(232)	(432)	(816)	(1,092)
Net Assets	**1,333**	**2,669**	**3,066**	**3,087**
Capital work in progress	422	543	533	626
Pre-operative expenses pending	14	54	0	0
Investments	229	142	331	359
Current Assets, Loans & Advances				
Inventory	7,797	12,366	19,758	20,794
Debtors	15,185	22,825	27,596	32,309
Cash & Bank balance	6,175	11,230	2,972	2,386
Other Current Assets	149	253	235	308
Loans & advances and others	2,538	3,519	4,440	4,267
Current Liabilities & Provisions				
Creditors	9,313	16,725	16,719	14,656
Other liabilities & provisions	519	758	826	1,099
Net Current Assets	**22,013**	**32,710**	**37,457**	**44,310**
Deferred tax assets/(liabilities)	(0)	3	(48)	19
Misc.Expenses	245	0	0	0
Application of Funds	**24,257**	**36,120**	**41,340**	**48,401**

Per share data

Year ended 30th Jun	2007	2008	2009	2010
No. of shares (m)	59	85	85	84
BVPS (INR)	147.9	221.6	244.2	260.7
CEPS (INR)	14.4	16.5	13.8	18.5
DPS (INR)	1.9	1.3	2.1	2.1

Margins (%)

Year ended 30th Jun	2007	2008	2009	2010
EBITDA	4.9	5.6	6.4	6.8
EBIT	4.7	5.2	5.8	6.2
PAT	2.6	3.3	3.0	3.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 30th Jun	2007	2008	2009	2010
EBIT	**1,638**	**2,495**	**2,934**	**4,015**
Depreciation & amortisation	70	201	336	445
Interest expense	(635)	(621)	(1,375)	(2,176)
(Inc)/Dec in working capital	(2,694)	(1,340)	(8,810)	(2,466)
Tax paid	(143)	(213)	(32)	(232)
CF from operating activities	**(1,764)**	**522**	**(6,947)**	**(413)**
Capital expenditure	(777)	(518)	(365)	(150)
Inc/(Dec) in investments	(548)	(1,101)	-	-
Income from investments	149	76	25	408
CF from investing activities	**(1,176)**	**(1,543)**	**(340)**	**259**
Inc/(Dec) in share capital	243	6,964	-	(85)
Inc/(Dec) in debt	4,863	(428)	539	151
Dividends paid	(110)	(112)	(179)	(179)
Others	(4,440)	(348)	(1,331)	(318)
CF from financing activities	**556**	**6,075**	**(971)**	**(431)**
Net cash flow	**(2,384)**	**5,055**	**(8,258)**	**(586)**
Opening balance	8558	6175	11230	2972
Closing balance	**6,175**	**11,230**	**2,972**	**2,386**

Growth indicators (%)

Year ended 30th Jun	2007	2008	2009	2010
Revenue	44	39	5	28
EBITDA	46	58	21	36
PAT	78	75	(6)	33
EPS	78	21	(6)	34

Valuation (x)

Year ended 30th Jun	2007	2008	2009	2010
PE	17.2	14.1	15.1	11.2
P/BV	1.8	1.2	1.1	1.0
EV/EBITDA	17.4	11.0	9.1	6.6
EV/Sales	0.9	0.6	0.6	0.5
Dividend Yield (%)	0.7	0.5	0.8	0.8

Financial ratios

Year ended 30th Jun	2007	2008	2009	2010
RoE (%)	11	9	7	9
RoCE (%)	7	7	7	8
Debt/Equity (x)	1.7	0.9	1.0	1.2
EBIT/Interest (x)	(2.6)	(4.0)	(2.1)	(1.8)

Source: Company Antique

GMR Infrastructure Limited

CMP : INR38

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Market data

Sector	:	Utilities
Market Cap (INRbn)	:	148
Market Cap (USDbn)	:	3
O/S Shares	:	3,892
Free Float (m)	:	973
52-wk HI/LO (INR)	:	67/29
Avg Daily Vol ('000)	:	6,552
Bloomberg	:	GMRI IN
Reuters	:	GMRI.BO

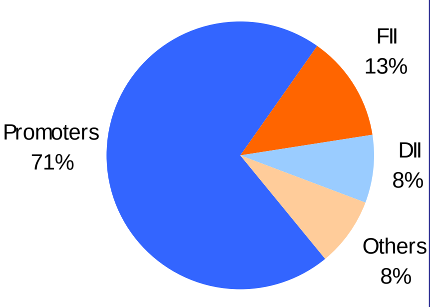
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(12)	16	(31)	(40)
Relative	(7)	11	(22)	(46)

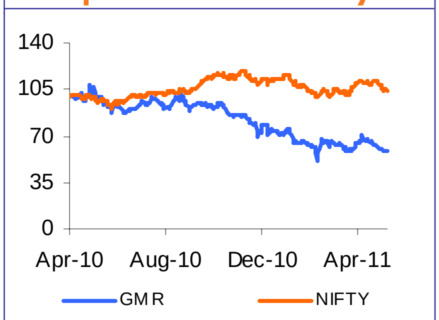
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Airport Business:

Recently, there was news regarding cancellation of ADF for Delhi and Mumbai Airport. Managment clarified that GMR has temporary approval from AERA for collection of ADF at Delhi airport while GVK doesn't have approval from AERA for Mumbai Airport. The management has collected ~INR14bn till date and expects to collect entire INR18bn from passengers to fund the capital expenditure.

The management has highlighted the fact that ADF/UDF being charged at Indian airports at USD 20-25/passenger is one of the lowest in the world. However, Kualalumpur and Bangkok charge lower fees compared to India airports to promote tourism.

Hyderabad airport is expected to turn profitable this year and management expects a profit of INR0.5-0.6bn in FY12.

The management's focus is on the execution of the remaining portion of airport projects, monetization of assets and improvement in profitability. In this endeavour, it would aggresivley focus on leasing out retail space in its terminals for apparel, shopping, chocolate and liquor shops and look to monetise real estate assets of 250acres and 1,000 acres available at the Delhi and Hyderabad airports respectively.

Power Business:

GMR has completed the stake sale of its Intergen business to Huaneng and has surplus of USD195m from the sale (Money is lying in the central pool). Furthermore, it has INR24bn cash on its books and it doesn't expect to tap the markets for raising funds for another couple of years.

The PLF from its Vemagiri plant has been below 70% in current quarter owing to reduction in gas supply from the KG-D6 basin. However, the management expects PLF to improve on account of gas swapping arrangement between GAIL and Andhra Pradesh gas based power stations.

GMR has sold stake in GMR Energy to Temasek and IDFC private equity in FY11. The stake would be diluted to the extent of 15-20% depending on valuation at the time of exit through IPO.

Valuation

At CMP of INR37, GMR is trading at 86x discounting its FY10 earnings.

Quarterly financials (consolidated)

INRm	Jun-10	Sep-10	Dec-10
Revenue	12,313	12,217	13,588
EBITDA	3,775	3,561	3,813
EBITDA margin (%)	30.7	29.1	28.1
PAT	284	711	(223)
PAT growth (%)	26.1	32.6	NA
EPS(INR)	0.2	0.4	(0.1)

Source: Company

Key financials (consolidated)

INRm	FY08	FY09	FY10
Revenue	22,948	40,191	45,665
PAT	2,101	2,795	1,584
RoE (%)	3.4	4.3	2.4
EPS(INR)	1.2	1.5	0.4
PE (x)	32.9	24.8	88.0
PB(x)	1.1	1.1	2.1

Source: Company

Airport Business:

GMR already has interim approval from AERA for collection of ADF at Delhi airport Management expects to collect INR18bn from passengers to fund capital cost of the airport as envisaged. The money collected has been ~INR13.5bn till date. Furthermore, the company has monetised 45 acres out of 250 acres available at Delhi Airport.

The management highlighted the fact that ADF/UDF being charged at Indian airports at USD 20-25/pax is one of the lowest in the world. However, Kualalumpur and Bangkok charge lower fees compared to India airports to promote tourism.

Hyderabad airport is expected to turn profitable this year and the management expects a profit of INR0.5-0.6bn in FY12.

The management focus is now on execution of remaining portion of airport projects, monetization of assets and improvement in profitability. However, company is awaiting clarity from AERA on treatment of monetisation proceeds for UDF calculation.

Company expects to monetize space in its terminal by providing space for apparel, shopping, chocolate and liquor shops.

AERA has issued a notification earlier stating that single till method will be applicable for Hyderbad airport. However, management expects tariff to be calculated under dual till as dual till method has been specifically mentioned in the concession agreements.

Power Business:

GMR has sold its Intergen business and has received USD195m from the sale and amount is lying with the company for equity infusion in its projects. Furthermore, it has INR24bn cash on its books and has raised INR10bn from private equity investors. Management doesn't expect to tap the markets for fund raising for atleast two years.

GMR Kamalanga has been allotted captive mines in consortium and the company has taken lead and started mining at Rampia Coal Block. In the interim, GMR Kamalnga has tapering coal linkage from MCL.

The company expects to mine coal from its Indonesian mines by end of this calendar year. Production at the mines will be increased gradually from 2mtpa to 6mtpa in next three years. The landed cost of coal from Indonesian mines to India is expected to be in region of ~USD45-50/mt. Management expects South African Coal mines to start production and expects to mine 4mtpa in CY12.

According to the management, the company will raise money in GMR Energy by way of IPO in the next two years. GMR Infrastructure’s stake in GMR Energy can be diluted to the extent of 15-20% depending on the valuation at the time of of IPO. The listing will also provide an avenue of exit for private equity investors.

Overall, company expects to have a D:E of 4:1 over next two years.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2008	2009	2010
Revenues	**22,948**	**40,191**	**45,665**
Expenses	16,963	29,484	32,021
EBITDA	**5,985**	**10,707**	**13,644**
Depreciation & amortisation	1,785	3,806	6,123
EBIT	**4,200**	**6,901**	**7,521**
Interest expense	1,687	3,683	7,223
Other income	698	174	1,634
Profit before tax	**3,210**	**3,392**	**1,932**
Taxes incl deferred taxation	584	530	(322)
Profit after tax	**2,627**	**2,862**	**2,254**
Profit after minority	**2,101**	**2,795**	**1,584**
Recurring EPS (INR)	**1.2**	**1.5**	**0.4**

Balance sheet (INRm)

Year ended 31st Mar	2008	2009	2010
Share Capital	3,641	3,641	3,667
Reserves & Surplus	57,531	61,070	63,003
Networth	**61,172**	**64,711**	**66,670**
Minority	11,126	18,061	19,902
Debt	79,769	120,308	206,993
Capital Employed	**152,067**	**203,080**	**293,565**
Net Fixed Assets	66,917	114,326	148,896
Accumulated Depreciation	(14,218)	(17,810)	(23,416)
Net Assets	**52,699**	**96,516**	**125,480**
Capital work in progress	45,227	67,909	103,797
Investments	48,996	13,109	46,411
Current Assets, Loans & Advances			
Inventory	380	1,320	1,386
Debtors	4,306	6,609	6,940
Cash & Bank balance	8,945	24,665	16,339
Loans & advances and others	6,048	12,790	13,420
Current Liabilities & Provisions			
Creditors	13,228	18,865	19,808
Other liabilities & provisions	882	782	782
Net Current Assets	**5,570**	**25,737**	**17,065**
Deferred tax assets/(liabilities)	(425)	(192)	810
Application of Funds	**152,067**	**203,080**	**293,563**

Per share data

Year ended 31st Mar	2008	2009	2010
No. of shares (m)	1,820.7	1,820.7	3,667.0
BVPS (INR)	33.6	35.5	18.2
CEPS (INR)	2.1	3.6	2.1

Margins (%)

Year ended 31st Mar	2008	2009	2010
EBITDA	26.1	26.6	29.9
EBIT	18.3	17.2	16.5
PAT	9.2	7.0	3.5

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010
EBIT	**4,200**	**6,901**	**7,521**
Depreciation & amortisation	1,785	3,806	6,123
Interest expense	(1,687)	(3,683)	(7,223)
(Inc)/Dec in working capital	(591)	(4,444)	(31,364)
Tax paid	(584)	(530)	322
CF from operating activities	**3,123**	**2,050**	**(24,621)**
Capital expenditure	(47,954)	(65,842)	(70,458)
Inc/(Dec) in investments	(46,289)	33,868	-
CF from investing activities	**(94,244)**	**(31,973)**	**(70,458)**
Inc/(Dec) in share capital	44,361	6,981	-
Inc/(Dec) in debt	42,704	38,663	86,753
CF from financing activities	**87,065**	**45,644**	**86,753**
Net cash flow	**(4,056)**	**15,721**	**(8,326)**
Opening balance	13,000	8,945	24,665
Closing balance	**8,945**	**24,665**	**16,339**

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010
Revenue	27	75	14
EBITDA	40	79	27
PAT	44	33	(43)
EPS	44	33	(72)

Valuation (x)

Year ended 31st Mar	2008	2009	2010
PE	32.9	24.8	88.0
P/BV	1.1	1.1	2.1
EV/EBITDA	28	15.4	12.1
EV/Sales	7.2	4.1	3.6
Dividend Yield (%)	0.0	0.0	0.0

Financial ratios

Year ended 31st Mar	2008	2009	2010
RoE (%)	3.4	4.3	2.4
RoCE (%)	2.8	3.4	2.6
Debt/Equity (x)	1.3	1.9	3.1
EBIT/Interest (x)	2.5	1.9	1.0

Source: Company Antique

Godrej Industries Limited

CMP : INR188

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Market data

Sector	:	Diversified
Market Cap (INRbn)	:	60
Market Cap (USDbn)	:	1
O/S Shares	:	318
Free Float (m)	:	61
52-wk HI/LO (INR)	:	248/143
Avg Daily Vol ('000)	:	355
Bloomberg	:	GDSP IN
Reuters	:	GODI.BO

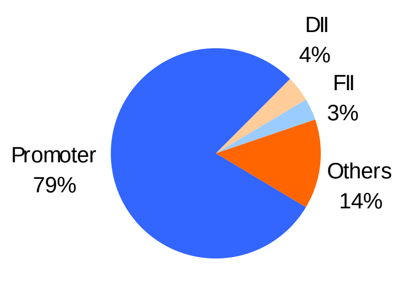
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	2	22	(18)	27
Relative	6	15	(7)	15

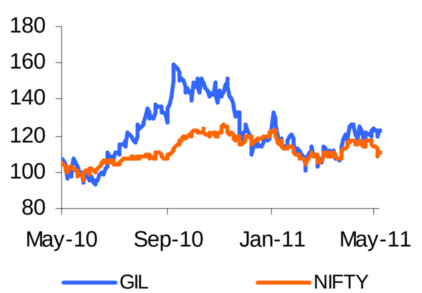
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Strategy to revolve around the chemical business

Godrej Industries Limited's (GIL) chemicals business contribute 25% to consolidated revenues and gradual shift towards specialty chemicals will stabilise margin volatility.

Specialty chemicals currently contribute 30% to the overall chemical business which will further increase to 50% by FY13e. Although management is guiding towards stable volumes growth, they believe that strategic shift towards specialty chemicals will optimise profitability for the segment.

Real estate to be the next driver

The company has positioned itself in the mid income housing segment, which according to them will be the next big driver in the real estate market.

Management believes that sky rocketing real estate prices are more of a bubble and they see real transactions and demand in INR2,000-4,000 per square feet segment of the market.

The company has presence in 11 cities with projects kicking off in Mumbai, Ahemdabad and banglore.

The construction cost for the company is 1,200-1,600 per square feet and it has partnered with L&T for project execution. The company has developed 1.5m square feet in 9MFY11 and plans to scale it up to 3m and 6m by FY12e and FY13e, respectively.

The management is confident in their execution capabilities and believe that real estate will be the next growth driver.

Valuation

At the CMP of INR188, the stock trades at a PE and EV/EBIDTA of 29.7x and 23.9x discounting its FY10 numbers.

Quarterly financials (consolidated)

INRm	Jun-10	Sep-10	Dec-10
Revenue	9,624	9,896	10,191
EBITDA	307	299	418
EBITDA mgn (%)	3.2	3.0	4.1
PAT	487	750	608
PAT growth (%)	197.9	9.2	38.7
EPS (INR)	1.5	2.4	1.9

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	23,790	29,477	33,617	34,142
PAT	589	1,678	1,123	2,032
RoE (%)	13.3	15.3	(0.9)	3.9
EPS (INR)	1.9	5.3	3.5	6.4
PE (x)	1,02.4	35.9	53.7	29.7
PB (x)	12.7	4.4	4.3	3.4

Source: Company

Chemical business shifting towards speciality chemicals

Specialty chemicals currently contribute 30% to the overall chemical business which will further increase to 50% by FY13e. Although management is guiding towards stable volumes growth, they believe that strategic shift towards specialty chemicals will optimise profitability for the segment.

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The construction cost for the company is 1,200-1,600 per square feet and it has partnered with L&T for project execution. The company has developed 1.5m square feet in 9MFY11 and plans to scale it up to 3m and 6m by FY12e and FY13e, respectively. The management is confident in their execution capabilities and believe that real estate will be the next growth driver.

Wild cards in the hat

GIL has a wildcard in the form of JV with Hershey's USA, and plan to manufacture chocolates which is a INR40bn market in India dominated by Cadbury with over 70% share .Currently GIL has a fraction of this 40bn market ~10%, which management believes can significantly increase on the back of new product launches and Hershey's product portfolio strength.

On the long term horizon management believes that "Natures Basket" which is thier retail chain for branded FMCG products can also be a business driver. Currently there are 10 such outlets in the country which they want to scale upto 100 in the next 10 years.

Focus on ROCE

Management believes that ROCE is the ideal metric to judge the business and are focusing on the same, as of now GIL has a ROCE of 13-14% and management believes that it will improve to 15-20% in due course of time.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**23,790**	**29,477**	**33,617**	**34,142**
Expenses	22,819	27,501	32,884	33,731
Operating Profit	**971**	**1,976**	**733**	**411**
Other income	959	1,638	1,638	2,662
EBIDT	**1,930**	**3,614**	**2,371**	**3,073**
Depreciation	428	514	470	502
Interest expense	742	1,000	1,487	1,498
Profit before tax	**760**	**2,100**	**414**	**1,073**
Taxes incl deferred taxation	133	693	534	448
PAT befor Minor.Int. & Except. Income	**627**	**1,407**	**(120)**	**626**
Exceptional Income	-	382	1,109	1,056
(-) Minority Interest	(38)	(111)	134	350
PAT After Minor.Int. & Except. Income	**589**	**1,678**	**1,123**	**2,032**
Diluted EPS (INR)	**1.9**	**5.3**	**3.5**	**6.4**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	292	320	320	318
Reserves & Surplus	4,435	13,344	13,759	17,338
Networth	**4,727**	**13,664**	**14,079**	**17,656**
Debt	9,136	10,497	15,735	14,812
Deferred Tax Liability	512	520	502	508
Minority Interest	314	994	1,183	3,155
Capital Employed	**14,689**	**25,675**	**31,498**	**36,130**
Gross Fixed Assets	11,536	14,522	13,925	14,060
Accumulated Depreciation	3,902	4,154	4,181	4,484
Net Assets	**7,634**	**10,368**	**9,744**	**9,576**
Capital work in progress	260	184	245	386
Investments	1,937	2,177	6,527	9,275
Current Assets, Loans & Advances				
Inventory	4,636	6,436	7,434	10,358
Debtors	4,564	6,710	8,752	4,231
Cash & Bank balance	888	3,649	1,252	1,479
Loans & advances and others	2,732	6,614	7,774	8,452
Current Liabilities & Provisions				
Creditors	7,485	9,741	9,453	6,795
Other liabilities & provisions	644	835	829	831
Net Current Assets	**4,691**	**12,833**	**14,930**	**16,894**
Mis. Expenses not written off	166	113	52	-
Application of Funds	**14,689**	**25,675**	**31,498**	**36,130**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	292	320	320	318
BVPS (INR)	16.2	42.7	44.0	55.6
CEPS (INR)	3.6	6.0	1.1	3.5
DPS (INR)	1.0	1.3	1.3	1.5

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	4.1	6.7	2.2	1.2
EBIT	6.3	10.5	5.7	7.5
PAT	2.6	4.8	(0.4)	1.8

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	20008	2009	2010
PBT	**760**	**2,100**	**1,311**	**2,130**
Depreciation & amortisation	419	514	470	502
Interest expense	667	925	1,411	1,429
Interest / Dividend Recd	(243)	(556)	(856)	(1,020)
Other Adjustments	(508)	(934)	(1,357)	(2,452)
Misc Exp w/o	(11)	232	150	161
(Inc)/Dec in working capital	(2,100)	(5,157)	(4,011)	(1,355)
Tax paid	(213)	(669)	(856)	(548)
CF from operating activities	**(1,229)**	**(3,545)**	**(3,738)**	**(1,154)**
Capital expenditure	(672)	(944)	(705)	(928)
(Purchase) / Sale of Investments	(914)	1,274	(3,135)	479
Income from investments	(24)	(56)	1,550	977
CF from investing activities	**(1,610)**	**274**	**(2,290)**	**528**
Inc/(Dec) in share capital	12	5,822	18	3,883
Inc/(Dec) in debt	3,798	1,410	5,437	(963)
Dividends & Interest paid	(1,013)	(1,191)	(1,802)	(1,964)
CF from financing activities	**2,797**	**6,042**	**3,653**	**957**
Net cash flow	**(42)**	**2,771**	**(2,374)**	**331**
Cash & Cash Take over / Merger	**19**	**(10)**	**(23)**	**(104)**
Opening balance	911	888	3,649	**1,252**
Closing balance	**888**	**3,649**	**1,252**	**1,479**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	16.4	23.9	14.0	1.6
EBITDA	1.3	103.5	(62.9)	(43.9)
PAT	19.8	185.0	(33.1)	81.0
EPS	19.8	160.2	(33.1)	82.2

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	102.4	35.9	53.7	29.7
P/BV	12.7	4.4	4.3	3.4
EV/EBITDA	33.0	18.7	31.7	23.9
EV/Sales	2.7	2.3	2.2	2.2
Dividend Yield (%)	0.5	0.7	0.7	0.8

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	13.3	15.3	(0.9)	3.9
RoCE (%)	10.2	15.4	6.6	7.6
Debt/Equity (x)	1.9	0.8	1.1	0.8
EBIT/Interest (x)	2.0	3.1	1.3	1.7

Source: Company Antique

CMP : INR34

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Market data

Sector	:	Infrastructure
Market Cap (INRbn)	:	20
Market Cap (USDm)	:	457
O/S Shares	:	607
Free Float (m)	:	342
52-wk HI/LO (INR)	:	73/31
Avg Daily Vol ('000)	:	3,181
Bloomberg	:	HCC IN
Reuters	:	HCNS.BO

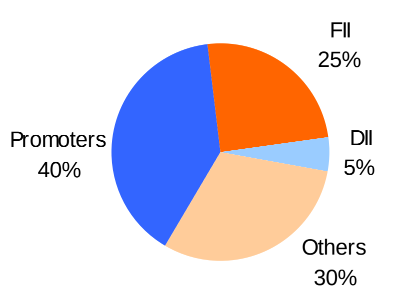
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(15)	4	(46)	(43)
Relative	(11)	(1)	(40)	(49)

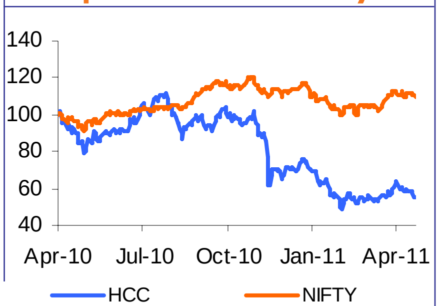
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Hindustan Construction Company

Key takeaways

Lavasa a wounded cash cow

There is no construction activity going on at Lavasa from the end of Nov'10 on the back of Non approval from HC (High Court). There are various PILs (Public Interest Litigations) & MoEF (Ministry of Environment & Forest) issues yet to be resolved.

The company is looking forward to getting things in place as soon as possible. The MoEF has approved the 1st Phase of 700 acres at Dasve & showed a green signal for reinitiating the work of 257 buildings but HC's stand is to get whole clearance including PIL's & then only resume the work.

Lavasa Corporation has already spent INR33bn & needs ~INR37bn more to finish the entire Lavasa project. Majority of the expenditure is done on development of infrastructure than on the buildings & facilities. Lavasa Corp. is having a balance sheet of ~INR30bn with the equity of ~INR6bn & debt of ~INR24bn.

Lavasa has ~200bn sq ft of area to be constructed; out of which 2/3rd is residential & 1/3rd is non residential. It has already booked 14m sq ft of which 10m sq ft is commercial cum residential and balance 4m sq. ft. is residential.

Construction ; being constructive for the comapny

The construction business has an order book of INR181bn and is showing a growth of ~15%. The acquisition of building construction business in Switzerland's Karl Steiner AG has doubled the company's order book during the year.

High debt is a reason to worry

The company has a debt of INR74bn on a consolidated basis & still needs funds to complete the various projects. It is confident of availing debt but is concerned about the cost of debt.

Valuation

At the CMP of INR34, HCC is trading at a P/E of 184.7x and EV/EBIDTA of 16.4x discounting its FY10 earnings.

Quarterly financials

INRm	Sep-10	Dec-10	Mar-11
Revenue	8,846	10,086	12,021
EBITDA	1,133	1,259	1,662
EBITDA mgn (%)	12.8	12.5	13.8
PAT	121.4	79	226
PAT growth (%)	(57)	(35)	185
EPS (INR)	0.2	0.1	0.4

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	17,491	25,431	35,603	39,752
PAT	329	889	592	58
RoE (%)	3.6	9.7	11.2	0.1
EPS (INR)	1.3	3.5	2.3	0.2
PE (x)	27.5	10.2	15.3	184.7
PB (x)	2.1	2.0	2.1	1.6

Source: Company

Lavasa Corporation

There is no construction activity going on from the end of Nov '10 on the back of Non approval from HC (High Court). There are various PILs (Public Interest Litigations) & MoEF (Ministry of Environment & Forest) issues which are yet to be resolved.

The company is looking forward to get things in place as soon as possible; The MoEF has approved the 1st Phase of 700 acres at Dasve & showed a green signal for reinitiating the work of 257 buildings but HC's stand is to get whole clearance including PILs & then only resume the work.

This doesn't seem to be possible in this quarter or even in the next quarter as the court is on a summer vacation & post that, even though Lavasa gets the approval, construction work would not be possible due to the monsoons. The rainfall in the area is ~500 cms, almost 2.5x that of Mumbai. Moreover, mobilizing ~10,000-12,000 workers will also take time.

Lavasa Corporation has already spent ~INR33bn & needs ~INR37bn more to finish the Entire lavasa Project. Majority of expenditure is done on development of infrastructure than on the buildings & facilities. Lavasa Corp. is having a balance sheet of ~INR30bn with the equity of ~INR6bn & debt of ~INR24bn.

Though the construction activities have stopped, other activities & establishments like Hotels, Shops, Educational Institute, Tourism are operational as on date.

Lavasa has ~200bn sq ft of area to be constructed; out of which 2/3rd is residential & 1/3rd is non residential. 14m sq ft has already been booked out of which 10m sq ft is commercial cum residential & 4mn sq. ft. is residential.

Shareholding pattern of Lavasa is as follows: HCC ~65%, Avantha (Group company of Ballarpur) 16%, Venkatesha Group 14%, Vinay Maniyar (Local Builder, Pune) 5%.

Road Portfolio

The company has 6 ongoing projects: 1) Dhule Road (Maharashtra- MP Border) 96.5 kms 6 lane highway (INR14bn). 2) Delhi Agra Section Elevated highway of 4.4kms. 3) 3 road projects in Bengal; approx 250 kms in total; costing INR28bn; running behind schedule.

Construction Business

The construction business has an order book of INR181bn and is showing a growth of ~15%. The acquisition of building construction business in Switzerland's Karl Steiner AG has doubled the company's order book during the year.

Debt

The company is having a debt of INR74bn on a consolidated basis & still needs funds to complete the various projects. Company is confident of availing debt but is concerned about the cost of debt. According to the management, all these factors are already reflecting in the company's stock price.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**17,491**	**25,431**	**35,603**	**39,752**
Expenses	15,006	21,527	30,489	34,373
Operating Profit	**2,486**	**3,904**	**5,115**	**5,379**
Other income	565	637	220	198
EBIDT	**3,051**	**4,540**	**5,334**	**5,576**
Depreciation	804	974	1,259	1,405
Interest expense	1,209	2,222	2,585	2,935
Profit before tax	**1,038**	**1,344**	**1,491**	**1,236**
Taxes incl deferred taxation	728	477	495	1,222
Profit after tax before MI & EO Items	310	867	995	15
Extra ordinary Items				(3)
Minority Interest	(19)	(23)	403	(46)
Profit after tax	**329**	**889**	**592**	**58**
Diluted EPS (INR)	**1.3**	**3.5**	**2.3**	**0.2**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Equity Share Capital	256	408	489	384
Preference Share Capital	-	-	477	477
Reserves & Surplus	8,505	8,937	8,306	12,768
Networth	**8,762**	**9,346**	**9,272**	**13,629**
Minority Interest	609	582	1,277	1,417
Debt	19,502	27,029	40,059	53,307
Deferred Tax Liability	852	1,128	1,222	2,220
Capital Employed	**29,724**	**38,084**	**51,829**	**70,574**
Gross Fixed Assets	12,397	15,799	23,638	35,714
Accumulated Depreciation	3,694	4,683	5,829	7,316
Net Assets	**8,703**	**11,115**	**17,810**	**28,398**
Capital work in progress	1,529	2,537	10,943	10,201
Investments	172	441	953	3,056
Current Assets, Loans & Advances				
Inventory	22,673	28,813	33,051	42,221
Debtors	25	51	1,040	2,489
Cash & Bank balance	2,652	3,390	2,191	3,106
Loans & advances and others	4,342	4,523	6,826	10,547
Current Liabilities & Provisions				
Creditors	8,954	11,624	17,137	23,970
Other liabilities & provisions	1,418	1,162	3,848	5,474
Net Current Assets	**19,320**	**23,991**	**22,123**	**28,919**
Misc.Expenses			1	
Application of Funds	**29,724**	**38,084**	**51,829**	**70,574**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	256	256	256	303
BVPS (INR)	17.1	17.9	16.7	21.6
CEPS (INR)	2.2	3.6	4.4	2.3
DPS (INR)	0.8	0.8	0.8	0.8

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	14.2	15.3	14.4	13.5
EBIT	12.8	14.0	11.4	10.5
PAT	1.9	3.5	1.7	0.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
PBT	**1,038**	**1,344**	**1,491**	**1,236**
Depreciation & amortisation	804	974	1,259	1,405
Interest expense	840	1,584	2,472	2,807
Interest / Dividend Recd	(242)	(91)	(113)	(3)
Other Adjustments	(147)	(278)	195	184
(Inc)/Dec in working capital	(12,771)	(3,874)	831	(5,432)
Tax paid	(289)	(337)	(436)	(951)
CF from operating activities	**(10,767)**	**(679)**	**5,698**	**(753)**
Capital expenditure	(4,752)	(4,022)	(15,379)	(12,522)
Net Investments	1,408	(725)	(1,232)	(765)
Income from investments	131	181	95	(7)
CF from investing activities	**(3,212)**	**(4,566)**	**(16,516)**	**(13,294)**
Inc/(Dec) in share capital	-	152	81	4,441
Inc/(Dec) in debt	7,358	7,835	13,451	13,179
Dividends & Interest paid	(838)	(2,004)	(3,913)	(2,658)
CF from financing activities	**6,520**	**5,983**	**9,619**	**14,962**
Net cash flow	**(7,460)**	**738**	**(1,199)**	**914**
Opening balance	10,112	2,652	3,390	2,191
Closing balance	**2,652**	**3,390**	**2,191**	**3,106**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	12.6	45.4	40.0	11.7
EBITDA	54.4	57.1	31.0	5.2
PAT	(59.8)	170.2	(33.4)	(90.2)
EPS	(57.4)	170.2	(33.4)	(91.7)

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	27.5	10.2	15.3	184.7
P/BV	2.1	2.0	2.1	1.6
EV/EBITDA	13.0	12.7	9.1	16.4
EV/Sales	2.3	2.3	1.4	2.3
Dividend Yield (%)	0.8	0.6	2.0	0.6

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	3.6	9.7	11.2	0.1
RoCE (%)	8.9	10.8	9.3	7.0
Debt/Equity (x)	2.2	2.9	4.3	3.9
EBIT/Interest (x)	1.9	1.6	1.6	1.4

Source: Company Antique

IL&FS Transportation Networks

CMP : INR211

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Market data

Sector	:	Infrastructure
Market Cap (INRm)	:	38,854
Market Cap (USDm)	:	870
O/S Shares	:	194
Free Float (m)	:	25
52-wk HI/LO (INR)	:	368/172
Avg Daily Vol ('000)	:	148
Bloomberg	:	ILFT IN
Reuters	:	ILFT.BO

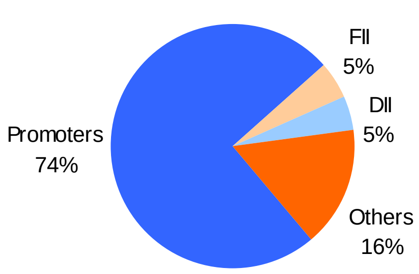
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(18)	(13)	(38)	(29)
Relative	(14)	(17)	(29)	(35)

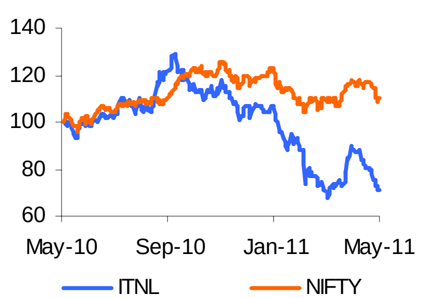
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Order book and construction income

The company has ~INR100bn of order book which will be executed over the next 2.5 years.

While most of the company's revenues are currently coming from construction income for under construction projects, after three years, the same will be accounted from operational projects.

Non-road projects

Gurgaon metro project will be completed in the next 1.5 years. Currently, ~14-15% of the project has been completed.

The Madhya Pradesh border entry project is scheduled to be completed in the next 24 months. Debt-equity ratio for the project is expected to be 70:30.

Accounting

Nearly 3% of the project cost is booked as fee once financial closure for a project is achieved. Going forward, this is expected to stabilise at 1-2%.

Standalone EBITDA margins are expected to stabilise at 15-20%.

The SPV awards the EPC contract to the standalone company. All design, engineering and liasoning for approvals is done by the parent company, while the subcontractor looks after civil construction of the project i.e. equipment, labour and raw materials.

Debt

Consolidated debt-equity is 2.3x while standalone debt-equity is at 1.0x and can go up to 2.0x. However, ideally the company will not like to breach 1.5x debt-equity on a standalone basis.

The company can take on INR50bn worth of new projects for the next three years without the need to dilute equity.

Valuation

At the CMP of INR200, IL&FS Transportation is trading at a P/E of 11.9x and EV/EBIDTA of 8.7x discounting its FY10 earnings

Quarterly financials

INRm	Sep-10	Dec-10	Mar-11
Revenue	8,833	7,337	16,558
EBITDA	2,615	2,207	4,112
EBITDA mgn (%)	29.6	30.1	24.8
PAT	1,075	616	1,592
PAT growth (%)	NA	NA	NA
EPS (INR)	5.5	3.2	8.2

Source: Company

Key financials

INRm	FY07	FY08	FY09	FY10
Revenue	1,887	3,616	12,254	24,029
PAT	514	933	263	3,444
RoE (%)	7	10	3	20
EPS (INR)	5.4	5.6	1.5	17.7
PE (x)	39.4	37.6	137.7	11.9
PB (x)	2.6	3.6	3.9	2.4

Source: Company

Order book and construction income

The company has ~INR100bn of order book which will be executed over the next 2.5 years.

While most of the company's revenues are currently coming from construction income for under construction projects, after three years, the same will be accounted from operational projects.

Road projects which are expected to become operational in FY12e are: East Hyderabad Expressway, Trivandrum City Roads (Phase II and III) and Jharkhand Accelerated Road Development Programme.

Non-road projects

Gurgaon metro project will be completed in the next 1.5 years. Currently, ~14-15% of the project has been completed.

The Madhya Pradesh border entry project is scheduled to be completed in the next 24 months. Debt-equity ratio for the project is expected to be 70:30. Entry fee will be collected from LCVs, trucks and multi-axle vehicles, whereas no entry fee will be levied on passenger cars. A minimum of 4 toll plazas out of 24 need to be operational for the company to start collecting entry fee.

Accounting

Nearly 3% of the project cost is booked as fee once financial closure for a project is achieved. Going forward, this is expected to stabilise at 1-2%.

Standalone EBITDA margins are expected to stabilise at 15-20%.

The SPV awards the EPC contract to the standalone company. All design, engineering and liasoning for approvals is done by the parent company, while the subcontractor looks after civil construction of the project i.e. equipment, labour and raw materials.

The company follows a rising depreciation policy for its projects whereby the depreciation charges increases with the increasing traffic on the road.

Debt

Consolidated debt-equity is 2.3x while standalone debt-equity is at 1.0x and can go up to 2.0x. However, ideally the company will not like to breach 1.5x debt-equity on a standalone basis.

The company can take on INR50bn worth of new projects for the next three year.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	20110
Revenues	**1,887**	**3,616**	**12,254**	**24,029**
Expenses	919	1,786	10,320	16,087
EBITDA	**968**	**1,830**	**1,933**	**7,942**
Depreciation & amortisation	136	176	453	604
EBIT	**833**	**1,654**	**1,480**	**7,338**
Interest expense	215	1,070	1,743	2,941
Other income	94	759	1,066	844
Profit before tax	**712**	**1,343**	**804**	**5,241**
Taxes incl deferred taxation	255	471	483	1,858
Profit after tax	458	873	321	3,383
Adjusted profit after tax	**514**	**933**	**263**	**3,444**
Recurring EPS (INR)	**5.4**	**5.6**	**1.5**	**17.7**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	1,625	1,714	1,714	1,943
Reserves & Surplus	6,206	7,942	7,602	15,194
Networth	**7,831**	**9,656**	**9,316**	**17,136**
Minority Interest	942	1,112	1,124	1,468
Debt	10,396	16,137	18,542	33,215
Capital Employed	**19,169**	**26,905**	**28,982**	**51,820**
Gross Fixed Assets	6,566	10,394	11,164	19,134
Accumulated Depreciation	229	2,222	2,631	2,955
Net Assets	**6,337**	**8,172**	**8,533**	**16,180**
Capital work in progress	498	836	81	57
Investments	1,409	2,020	2,010	4,544
Recv under concession agr/Toll receivables	8,137	8,368	9,216	13,948
Current Assets, Loans & Advances				
Inventory	438	200	245	292
Debtors	707	8,177	7,873	6,478
Cash & Bank balance	514	1,824	1,601	5,502
Loans & advances and others	1,394	3,610	4,463	10,757
Current Liabilities & Provisions				
Creditors	379	6,624	4,707	4,955
Other liabilities & provisions	690	1,827	2,544	2,913
Net Current Assets	**1,983**	**5,360**	**6,933**	**15,161**
Deferred tax assets/(liabilities)	(408)	(517)	(647)	(779)
Goodwill	1,213	2,667	2,855	2,710
Application of Funds	**19,169**	**26,905**	**28,982**	**51,820**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	95	163	171	194
BVPS (INR)	82.6	59.4	54.3	88.2
CEPS (INR)	6.9	6.8	4.2	20.8
DPS (INR)	2.0	2.0	1.3	3.0

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	51	51	16	33
EBIT	44	46	12	31
PAT	27	26	2	14

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Adjusted PAT	**514**	**933**	**263**	**3,444**
Depreciation & amortisation	136	176	453	604
Minority Interest	(1)	13	32	26
(Inc)/Dec in working capital	718	622	(1,321)	(3,008)
Other Items	(1,036)	321	749	2,123
CF from operating activities	**331**	**2,065**	**175**	**3,189**
Capital expenditure	(555)	(627)	338	(6,187)
Inc/(Dec) in & income from investments	(3,341)	(1,936)	(522)	(8,399)
CF from investing activities	**(3,895)**	**(2,563)**	**(184)**	**(14,586)**
Inc/(Dec) in share capital	4,436	1,236	(45)	5,754
Inc/(Dec) in debt	(682)	584	153	9,675
Dividends paid	-	(222)	(381)	(251)
Others	1	128	(26)	47
CF from financing activities	**3,755**	**1,726**	**(300)**	**15,226**
Net cash flow	**191**	**1,228**	**(308)**	**3,829**
Opening balance	45	514	1,824	1,601
Closing balance	**514**	**1,824**	**1,601**	**5,502**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	0	92	239	96
EBITDA	NA	89	6	311
PAT	0	81	(72)	1211
EPS	0	5	(73)	1057

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
P E	39.4	37.6	137.7	11.9
P/BV	2.6	3.6	3.9	2.4
EV/EBITDA	70.9	37.5	35.5	8.7
EV/Sales	36.4	19.0	5.6	2.9
Dividend Yield (%)	0.9	0.9	0.6	1.4

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	7	10	3	20
RoCE (%)	4	6	5	14
Debt/Equity (x)	1.3	1.7	2.0	1.9
EBIT/Interest (x)	3.9	1.5	0.8	2.5

Source: Company Antique

Please refer to the disclaimer attached separately

CMP : INR92

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Market data

Sector	:	Pharmaceuticals
Market Cap (INRbn)	:	3
Market Cap (USDmn)	:	618
O/S Shares	:	30
Free Float (m)	:	10
52-wk HI/LO (INR)	:	158/58
Avg Daily Vol ('000)	:	73
Bloomberg	:	ISL IN
Reuters	:	ISLB.BO

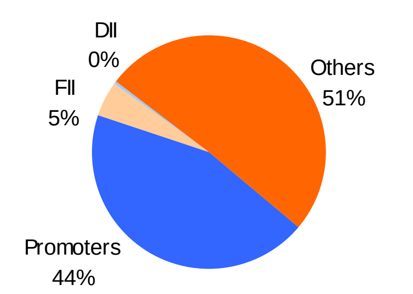
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	8	17	(23)	(36)
Relative	6	11	(21)	(43)

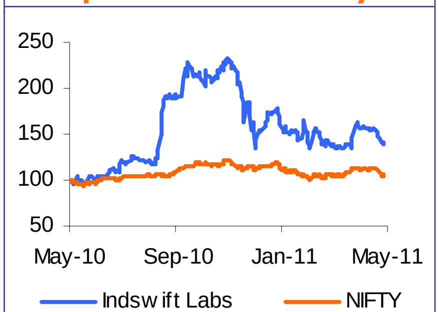
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Ind-Swift Laboratories Ltd.

Key takeaways

Leading manufacturer of generic APIs

Ind-Swift Laboratories is amongst the large active API manufacturers in India. Approximately USD110bn worth of products are going to witness a patent-cliff in the next two years which will result in increase in the off-take of API for players such as Ind-Swift Labs. The company is in talks with a large number of innovator companies to supply APIs to help them maintain steady-state revenues despite product going off-patent.

Strong presence in the semi-regulated markets

At present, the company derives large part of its turnover from domestic and semi-regulated markets, however in an attempt to strengthen its business and focus on regulated markets, the company has been in an investment phase over the past 2-3 years, devoting large investments to developing and filing DMFs across markets.

Supply arrangements with big pharma for steady growth

The company has historically aimed at entering into supply arrangements with local domestic and international pharma companies to supply API. It had entered into supply arrangements with Ranbaxy to supply Atorvastatin API in order to help the latter to introduce the generic Lipitor into the markets as early as June 2011.

Targetting "patent-cliff" products

The company is currently catering to innovator pharma companies such as Apotex (constitutes 4% of total sales) to enter into long-term supply contracts in order to maintain steady state revenue and margin growth over the next few years. With large products such as Lipitor and Nexium going off-patent, company plans to tap potential big pharma to improve utilisation levels and margins from current levels.

Steady outlook for API business

Going forward, outlook for the API business is steady as the company looks to garner increase number of tie-ups with the big pharma and target high-margin segments to cater to its growth.

Valuation

At the CMP of INR92, the stock trades at a PER and EV/EBIDTA of 4.6x and 5x Fy10 earnings of INR20.2

Quarterly financials

INRm	Jun-10	Sep-10	Dec-10
Revenue	2,000.5	2,128.3	3,101.2
EBIDTA	402.4	423.6	536.3
EBIDTA Mgn (%)	20.1	19.9	17.3
PAT	148.6	217.4	246.2
PAT Mgn (%)	7.4	10.2	7.9
EPS (INR)	5.2	7.4	8.3

Source: Company

Key financials

INRm	FY08	FY09	FY10
Revenue	4,579.3	5,953.2	7,937.4
PAT	314.2	403.9	563.9
RoE (%)	13.7	16.9	13.2
EPS (INR)	13.1	16.0	20.2
PE (x)	7.0	5.8	4.6
PB (x)	0.5	0.2	0.5

Source: Company

Other takeaways

Ind-Swfit Labs has already established its presence with leading generic players and is positioned as one of the leading suppliers of its key molecules – clarithromycin, atorvastatin and clopidogrel.

It aims to drive future growth by supplying APIs for molecules that are expected to go off-patent over the next 2-3 years and supplying APIs to its group company for forward integration into formulations.

To enhance the product life-cycle for its largest contributing molecule – Clarithromycin, the company has also developed Clarithromycin granules and a sustained release version, which it aims to launch in the Europeans markets through tie-ups with marketing companies after launching it initially in India and other semi-regulated markets.

The company's recent approvals in a relatively stringent Japanese market also open up opportunities for scaling-up business with generic players in Japan. The company has been in the investment phase over the past 2-3 years with focus on developing APIs for products that are expected to go off-patent in regulated markets and filings DMFs.

In addition to supplying bulk drugs to generic companies, as part of its strategy for European markets, the Ind-Swift group also aims to enter into the formulations segment through its formulations company - Ind-Swift Limited. Ind-Swift Labs will supply API to its parent company which in-turn will file dossiers and enter into marketing alliances and manufacture formulations for the regulated markets.

Although regulated markets do offer sizable growth potential for API players such as Ind-Swift Labs, increasing pressure on generic players to contain cost is likely to put pressure on API players as well. While the direct pressure of this is faced by generic players, API players could face further challenges to reduce cost through continuous effeciency improvement.

Since the future business for most API players is dependent on generic players receiving approvals for their products, any delay in receiving approvals by the FDA will result in delay in scaling up their operations and thereby resulting in lower sales off-take and pressurising profitability.

As the company outlines its long-term growth strategy, we believe that Ind-Swift Labs over a period of time could be looking to enter into the contract manufacturing space and competing with the likes of Divi's Laboratories, Dishman Pharma and Jubilant Lifesciences.

Considering the moderately leveraged capital structure at present and sizeable investment plans, the company will have to raise funds through the equity route, in addition to an equity infusion of INR800mQuarterly financials

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2008	2009	2010
Net Sales	**4,577.8**	**5,902.0**	**7,852.9**
Expenses	3,741.6	4,639.6	6,493.2
Operating Profit	**836.2**	**1,262.4**	**1,359.6**
Other Income	1.5	51.2	84.6
EBIDTA	**837.6**	**1,313.6**	**1,444.2**
Interest	292.7	516.0	524.2
PBDT	544.9	797.7	920.0
Depreciation	151.7	294.1	419.0
PBDT	**393.2**	**503.6**	**501.0**
Exceptional Income / Expenses		**(8.1)**	**30.0**
Profit Before Tax	**393.2**	**495.5**	**531.0**
Taxes	79.0	91.5	(32.9)
Profit After Tax	**314.2**	**403.9**	**563.9**
Earnings Per Share	**13.1**	**16.0**	**20.2**

Balance sheet (INRm)

Year ended 31st Mar	2008	2009	2010
Share Capital	240	253	279
ESOPs	45	31	47
Total Reserves	3,049	3,347	4,157
Networth	**3,334**	**3,631**	**4,483**
Total Debts	**3,131**	**3,794**	**5,883**
Deferred tax liability	329	475	438
Capital Employed	**6,794**	**7,900**	**10,804**
Gross Block	4,712	5,719	5,976
Less: Accumulated Depreciation	487	782	1,164
Net Block	**4,225**	**4,937**	**4,812**
Capital Work in Progress	451	487	1,725
Investments	179	179	630
Current Assets, Loans & Advances			
Inventories	1,131	2,053	2,374
Sundry Debtors	1,054	1,134	1,799
Cash and Bank	122	230	541
Other Current Assets	10	5	5
Loans and Advances	871	572	858
Current Liabilities and Provisions			
Current Liabilities	1,191	1,615	1,799
Provisions	72	86	140
Net Current Assets	**1,925**	**2,293**	**3,637**
Miscellaneous Expenses not written off	14	4	0
Total Assets	**6,794**	**7,900**	**10,804**

Per share data

Year ended 31st Mar	2008	2009	2010
No. of shares (m)	24	25.3	27.9
BVPS (INR)	95.6	105.1	126.8
CEPS (INR)	19.4	27.6	35.3
DPS (INR)	1.0	1.0	1.0

Margins (%)

Year ended 31st Mar	2008	2009	2010
EBIDTA	18.0	21.9	18.2
EBIT	14.7	16.8	13.3
PAT	6.7	6.7	7.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010
Profit Before Tax	**393.2**	**495.3**	**500.9**
Adjustment	379.0	542.1	558.9
Depreciation	199.1	294.1	419.0
Interest Expeses	162.6	233.6	210.6
Other adjustments	17.3	14.4	(70.7)
Inc/Dec in working capital	(119.6)	(9.0)	(569.1)
Tax Paid	(84.9)	(27.3)	(48.9)
Cash From Operating Activities	**567.8**	**1,001.1**	**441.8**
Net Capex	(358.5)	(468.1)	(905.3)
Purchase of Investment	(2.2)		(450.9)
Income from Investments	(296.7)	(556.0)	(566.8)
Cash Flow from Investing Activities	**(657.5)**	**(1,024.2)**	**(1,923.0)**
Proceeds from Issue of Equity Share Capital	98.1	77.8	198.4
Inc/(Dec) in debt	180.3	370.1	1,475.1
Equity Dividend Paid	(22.8)	(24.0)	(26.0)
Interest Paid	(173.1)	(319.3)	(260.0)
Income tax on dividend paid	(3.9)	(4.1)	(4.4)
Other Financial Activities	17.5	25.0	409.9
CF from financing activities	**96.1**	**125.4**	**1,793.0**
Net cash flow	**6.4**	**102.4**	**311.8**
Opening balance	115.8	122.2	229.8
Closing cash balance	122.2	229.8	540.7

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010
Revenue	31.7	28.9	33.1
EBITDA	34.0	56.8	9.9
PAT	72.3	28.5	39.6
EPS	63.7	22.2	26.7

Valuation (x)

Year ended 31st Mar	2008	2009	2010
PE	7.0	5.8	4.6
P/BV	0.5	0.2	0.5
EV/EBITDA	4.9	3.2	5.0
EV/Sales	0.9	0.7	0.9
Dividend Yield (%)	2.2	4.3	1.5

Financial ratios

Year ended 31st Mar	2008	2009	2010
RoE (%)	16.1	16.3	18.2
RoCE (%)	13.7	16.9	13.2
Debt/Equity (x)	13.0	15.0	21.1

Source: Company Antique

JSW Steel Limited

CMP : INR248

Rajesh Zawar
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Market data

Sector	:	Metals
Market Cap (INRbn)	:	200
Market Cap (USDbn)	:	4
O/S Shares	:	223
Free Float (m)	:	143
52-wk HI/LO (INR)	:	1400/751
Avg Daily Vol ('000)	:	1,093
Bloomberg	:	JSTL IN
Reuters	:	JSTL.BO

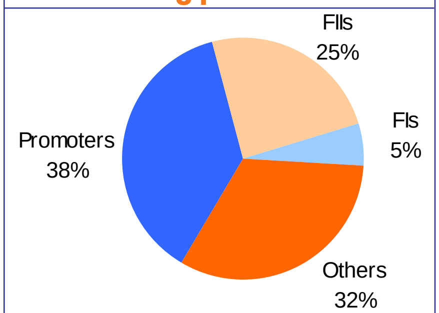
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(8)	8	(33)	(26)
Relative	(4)	1	(24)	(31)

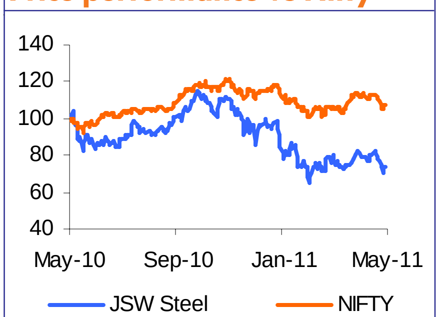
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

JSW Steel Ltd. (JSW), flagship company of the JSW Group, is the largest private sector steel manufacturer in terms of installed capacity.

Scaling up of the capacity to meet the demand

For FY11, JSW's steel production stood at ~6.5mtpa and is expected to reach ~9mtpa in FY12e. On the demand growth front, the management expects the Indian steel demand to maintain its growth momentum of 10% in FY12e as well.

Capping of input cost holds the key

After touching a high of ~INR38,000/tn, prices of HRC have corrected to the present levels of ~INR35,000/tn. JSW expects the prices to remain at the current levels during May 2011 on back of higher raw material costs like iron ore and coke.

Coking coal has been on a strong up-trend with the contract prices increasing from USD209/tn in 3QFY11 to ~USD225/mt in 4QFY11e and further to ~USD330/tn in 1QFY12e. With one and half month's inventory, coking coal prices are expected to average at ~USD270-280/mt in 1QFY12e.

To mitigate the impact of higher iron ore costs, JSW has started sourcing low grade iron ore and beneficiating it in-house. It has also started increasing the proportion of fines as it has commissioned the sinter unit at Vijayanagar. The benefit of sinter production will accrue from 1QFY12 and further additional 10mtpa sinter capacity will come by mid FY12e. The Rohne coking coal block, with reserves of 250mt (JSW Steel has a 49% stake), is expected to be commissioned in FY13e and will reach 4mtpa output in FY14e.

Overseas investments to bring some fruits

JSW has commenced iron ore mining operations at Chile with the first shipment taking place in April 2011. It targets a total mining output of 1mt in FY12e and plans to further ramp it up to 2mt in FY13e. JSW has a 70% economic interest in these mines. The cash cost of iron ore is expected to be ~USD60/mt.

It has also acquired coking coal mines in USA (total investment of USD200m of which it has already invested USD100m), which it plans to utilize for meeting the requirement of domestic operations. It expects the cash cost of coking coal to be ~USD100/mt on FOB basis.

Quarterly financials

INRm		Sep-10	Dec-10
Revenue	46,802	57,759	58,076
EBITDA	10,345	9,922	10,002
EBITDA mgn (%)	22	17	17
PAT	3,503	4,454	3,823
PAT growth (%)	(51)	27	(14)
EPS (INR)	18	23	17

Source: Company

Key financials

INRm	FY08	FY09	FY10	FY11
Revenues	85,544	124,567	159,348	189,572
PAT	13,039	16,400	2,749	15,976
RoE (%)	23	21	4	17
EPS (INR)	79.6	89.3	12.9	83.3
P/E	11.8	10.5	72.7	11.2
P/BV	2.7	2.2	2.2	1.9

Source: Company

JSW Steel has acquired 45.53% stake in Ispat Industries by subscribing to preferential allotment of 1.09bn equity shares @ INR19.85/ share for a consideration of INR21.6bn. Post the open offer, the total stake in Ispat has increased to ~49.3%. The amount infused was partly utilised to repay the debt (~INR95bn at the time of acquisition).

JSW plans to turnaround Ispat's operations by increasing the capacity utilization, sourcing iron ore from economical sources, supplying pellets from Vijayanagar plant (surplus capacity of 2mtpa) and meeting ~35% of the coke requirement from Jindal Stainless's coke oven unit which has been taken on an O&M basis. There is also a potential savings of INR750-1,000/tn on the freight cost front as it would align the distribution strategy with higher sales in the Maharashtra region. Thus, there is a potential for increase in the EBIDTA/tn to ~USD100 over the next few quarters.

Post acquisition by JSW, Ispat produced ~0.7mt steel thereby operating at the rated capacity.

On the capex front, JSW expects to spend ~INR65bn and INR80bn in FY12e and FY13e, mainly on 4.5mtpa integrated steel plant at West Bengal and 2.3mtpa CRM project at Vijayanagar.

Financials

Profit and loss account (INRm)

Year ended 30th Jun	2007	2008	2009	2010
Revenues	**85,544**	**124,567**	**159,348**	**189,572**
Expenses	57,769	89,786	129,530	148,865
EBITDA	**27,774**	**34,780**	**29,818**	**40,707**
Depreciation & amortisation	4,983	7,419	9,878	12,987
EBIT	**22,792**	**27,361**	**19,941**	**27,720**
Interest expense	3,996	5,730	11,556	11,080
Other income	1,452	1,537	2,717	5,360
PBT	**20,248**	**24,243**	**3,153**	**22,000**
Taxes	6,233	7,658	726	6,467
PAT	**13,039**	**16,400**	**2,749**	**15,976**
Recurring EPS (INR)	**79.6**	**89.3**	**12.9**	**83.3**

Balance sheet (INRm)

Year ended 30th Jun	2007	2008	2009	2010
Share Capital	5,258	5,370	5,370	5,271
Reserves & Surplus	51,330	73,518	72,669	87,300
Networth	**56,588**	**78,888**	**78,040**	**92,572**
Debt	41,730	121,362	165,502	161,730
Minority Interest	-	1,919	2,732	2,187
Def Tax Liability	10,125	12,517	12,768	16,848
Capital Employed	**108,444**	**214,687**	**259,042**	**273,336**
Gross Fixed Assets	105,134	181,051	223,889	267,921
Accumulated Depreciation	23,239	30,743	40,798	53,393
Net Assets	**81,895**	**150,309**	**183,092**	**214,528**
Capital work in progress	20,125	57,708	95,852	69,562
Goodwill	39	7,831	7,831	8,992
Investments	2,450	4,696	3,966	6,282
Inventory	10,121	21,817	29,246	28,667
Debtors	2,460	5,391	3,991	6,964
Cash & Bank balance	3,395	4,715	5,093	3,030
Loans & advances and others	8,815	9,284	12,600	16,038
Current Assets, Loans & Advances	**24,790**	**41,207**	**50,929**	**54,700**
Current liabilities	22,120	42,679	81,799	78,078
Provisions	685	4,385	829	2,649
Current Liabilities & Provisions	**22,805**	**47,064**	**82,628**	**80,727**
Net Current Assets	**1,985**	**(5,857)**	**(31,699)**	**(26,027)**
Misc. Expenditure	1,950	-	-	-
Application of Funds	**108,444**	**214,687**	**259,042**	**273,336**

Per share data

Year ended 30th Jun	2007	2008	2009	2010
No. of shares (m)	164	187	187	187
BVPS (INR)	345	422	417	495
CEPS (INR)	110	127	68	155
DPS (INR)	13	14	1	10

Margins (%)

Year ended 30th Jun	2007	2008	2009	2010
EBITDA	32	28	19	21
EBIT	27	22	13	15
PAT	15	13	2	8

Source: Company, Antique

Cash flow statement (INRm)

Year ended 30th Jun	2007	2008	2009	2010
PBT	**19,151**	**24,243**	**3,153**	**22,000**
Depreciation & amortisation	4,983	7,419	9,878	12,987
Interest expense	2,883	4,735	8,550	8,513
(Inc)/Dec in working capital	3,145	1,570	26,781	(4,710)
Tax paid	(2,852)	(3,644)	(2,624)	(4,594)
Others	908	(1,666)	1,381	(583)
CF from operating activities	**28,218**	**32,658**	**47,118**	**33,613**
Capital expenditure	(23,561)	(99,045)	(59,435)	(27,418)
Inc/(Dec) in investments	(971)	(2,397)	848	(2,206)
Income from investments	2,098	3,547	178	300
CF from investing activities	**(22,433)**	**(97,895)**	**(58,409)**	**(29,323)**
Inc/(Dec) in share capital	2,122	1,991	-	(99)
Inc/(Dec) in debt	1,383	69,708	25,484	6,392
Dividends paid	(7,349)	(4,743)	(14,315)	(12,055)
CF from financing activities	**(3,844)**	**66,956**	**11,169**	**(5,762)**
Net cash flow	**1,941**	**1,719**	**(122)**	**(1,471)**
Opening balance	500	2,672	4,391	4,269
Closing balance	**2,441**	**4,391**	**4,269**	**2,797**

Growth indicators (%)

Year ended 30th Jun	2007	2008	2009	2010
Revenue	38	46	28	19
EBITDA	23	25	(14)	37
PAT	26	26	(83)	481
EPS	45	12	(86)	547

Valuation (x)

Year ended 30th Jun	2007	2008	2009	2010
PE	11.8	10.5	72.7	11.2
P/BV	2.7	2.2	2.2	1.9
EV/EBITDA	8.8	9.3	12.3	8.9
EV/Sales	2.9	2.6	2.3	1.9
Dividend Yield (%)	1.3	1.5	0.1	1.0

Financial ratios

Year ended 30th Jun	2007	2008	2009	2010
RoE(%)	23.0	20.8	3.5	17.3
RoCE(%)	21.0	12.7	7.7	10.1
Debt/Equity (x)	0.7	1.5	2.1	1.7
EBIT/Interest (x)	5.7	4.8	1.7	2.5

Source: Company Antique

Nava Bharat Ventures Limited

CMP : INR235

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Market data

Sector	:	Utilities
Market Cap (INRbn)	:	18
Market Cap (USDm)	:	409
O/S Shares	:	76
Free Float (m)	:	42
52-wk HI/LO (INR)	:	450/214
Avg Daily Vol ('000)	:	19
Bloomberg	:	NBVL IN
Reuters	:	NABV.BO

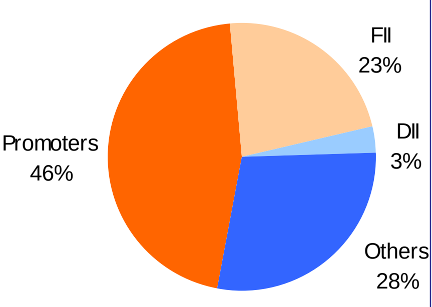
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(15)	(15)	(32)	(43)
Relative	(10)	(18)	(23)	(48)

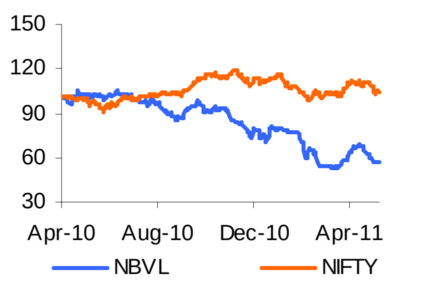
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Update on 64MW capacity:

The company is on verge of commissoning 64MW thermal power plant at Dhenkanal, Orissa. Though the plant has been ready for commissioning since January 2011, commissioning was dealyed as plant couldn't recieve environment clearance on account of moratorium imposed on any new project in Talcher Angul area. The moratorium was imposed on January 2010 on any new projects by MoEF in the said area.

On 31st March 2011, the moratorium has been lifted in Talcher - Angul area by MoEF notification and management is confident of getting the environment clearance in couple of months and expects to commission the said plant by July 2011.

Realisation of stake sale to Essar Power Limited

The company has sold its entire stake in 1,050MW power plant to Essar Power Limited in last fiscal year at a total consideration of INR1.7bn. Out of which, INR850m was realized in 2QFY11 and balance amount has been realized in April 2011.

Power Purchase Arrangement

The total capacity of thermal power plant by July 2011 will be ~292MW, 134 MW at Paloncha, Andhra Pradesh and 94MW at Dhenkanal, Orissa. It will sell entire 134MW capacity in Andhra Pradesh at merchant rates. While one unit of 30MW at Orissa will be designated as captive power plant, the other two units of 64MW will function as IPP. However, the company is looking to tie up its capacity on Case-I bidding after two years as they dont see high merchant rates to sustain beyond two years.

View on Merchant Rates

Nava Bharat has existing thermal power plant of capacity of ~228MW out of which it is selling ~180MW on merchant basis and the balance is being sold to Gridco, Orissa. The merchant prices in 4QFY11 for the company were at INR3.75-4.00/Kwh, better than INR3.40/Kwh in 3QFY11. Management expects slightly higher rates in the current quarter due to higher demand in summer season. As for the entire year, management expects to realize an average tariff of INR3.75-4.00/Kwh.

Valuation

At CMP of INR235, stock is trading at 3.7x FY10 earnings and 1.1x FY10 book value.

Quarterly financials

INRm	Jun-10	Sep-10	Dec-10
Revenue	2,924	2,922	2,499
EBITDA	1,145	928	557
EBITDA mgn (%)	39.2	31.8	22.3
PAT	1,055	847	493
PAT growth (%)	(2.9)	(38.0)	(58.8)
EPS(INR)	12.8	10.1	5.9

Source: Company

Key financials

INRm	FY08	FY09	FY10
Revenue	9,826	13,979	11,659
PAT	3,197	5,206	4,955
RoE (%)	40	44	31
EPS(INR)	41.0	68.3	64.9
PE (x)	5.9	3.5	3.7
PB (x)	2.3	1.5	1.1

Source: Company

Other takeaways

Cost of generation from its existing plants: NBVL is sourcing 70% of coal from Singareni Coal Collieries Limited and Mahanadi Collieries Limited. The balance is being met through e-auction and washery rejects. The current cost of generation for 114MW plant in Andhra Pradesh is INR2.10/Kwh and for 94MW at Orissa is INR2.30/ Kwh.

Power Purchase Arrangement:

The total capacity of thermal power plant will be ~292MW at the end of first quarter of FY12e. Out of which, 114MW will be at Paloncha, Andhra Pradesh, 158MW will be at Dhenkanal, Orissa and 20MW at Dharmavaram, Andhra Pradesh. Out of three units in Orissa, 30MW is designated as a captive power plant dedicated for ferro alloys production. Being a captive power plant, 51% of generation is being utilized for captive requirements and balance is being sold on merchant rates. The other two units of 64MW will function as independent power producer (IPP). However, any IPP will have to sell 12% of its generation to Gridco. In long term, company intends to participate in Case-I bidding and tie up most of the capacity from FY14e onwards.

Update on Zambian Mines:

The company had bought 65% stake in sick Zambian mining in FY10 for a consideration of USD26m. Balance 35% stake in the mines is held by ZCCM-Investments Holdings PLC. NBVL plans to outsource mining to a South African company and they have already zeroed on the potential suitors. Hence,it has already given VRS to 85% of existing employees of the sick mining company and have retained rest of employees on contract basis.

The mines hold extractable reserves of 130mt which consists of 65mt of high grade coal and 65mt of thermal coal. Production from mines will start from October 2011. Company intends to extract 300,000tons of high grade coal in FY12e which will increase to1m tons from FY13e onwards.

Company is in process of setting up thermal power plant of 300MW at the pithead at a cost of approximately USD650-700m. As per management, the cost is on the higher side as project cost includes cost of building transmission line of 200km. Management has further option of setting additional two units of 300MW as coal is sufficient to run 900MW capacity. The total capital expenditure on 300MW power plant and mines is expected to be USD750m which will be funded in debt:equity ratio of 3:1. The total equity contribution from Nava Bharat Ventures is expected to be ~USD130m.

Other highlights

It has a cash reserve of INR6bn at the end of FY11 which has been invested in debt mutual funds. The company has faced no problem in receivables for power sold to SEB's on merchant rates though there is a two three month delay in receiving payment from GRIDCO, Orissa.

Company has 65 acres of land at Nacharam,Hyderabad. There are no plans yet to develop the land and it intends to wait for improvement in real estate market in Hyderabad.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2008	2009	2010
Revenues	**9,826**	**13,979**	**11,659**
Expenses	5,735	7,854	6,191
EBITDA	**4,091**	**6,124**	**5,468**
Depreciation & amortisation	252	381	447
EBIT	**3,838**	**5,743**	**5,021**
Interest expense	269	332	296
Other income	191	227	354
Profit before tax	**3,760**	**5,638**	**5,079**
Taxes incl deferred taxation	563	433	124
Profit after tax	3,197	5,206	4,955
Adjusted profit after tax	**3,197**	**5,206**	**4,955**
Recurring EPS (INR)	**41.0**	**68.3**	**64.9**

Balance sheet (INRm)

Year ended 31st Mar	2008	2009	2010
Share Capital	156	152	153
Reserves & Surplus	7,926	11,682	15,854
Networth	**8,082**	**11,835**	**16,007**
Debt	3,993	4,304	3,938
Capital Employed	**12,075**	**16,139**	**19,944**
Gross Fixed Assets	5,865	9,080	9,773
Accumulated Depreciation	1,658	2,026	2,424
Net Assets	**4,207**	**7,054**	**7,349**
Capital work in progress	2,249	156	1,292
Investments	238	32	975
Current Assets, Loans & Advances			
Inventory	3,410	4,455	2,806
Debtors	673	947	913
Cash & Bank balance	2,667	4,446	6,978
Loans & advances and others	1,271	1,799	2,709
Current Liabilities & Provisions			
Creditors	1,748	1,795	1,982
Other liabilities & provisions	742	745	891
Net Current Assets	**5,532**	**9,107**	**10,533**
Deferred tax assets/(liabilities)	(150)	(211)	(202)
Application of Funds	**12,075**	**16,138**	**19,947**

Per share data

Year ended 31st Mar	2008	2009	2010
No. of shares (m)	77.9	76.2	76.3
BVPS (INR)	106.1	155.3	209.7
CEPS (INR)	45.3	73.3	70.8
DPS (INR)	5.7	7.1	7.1

Margins (%)

Year ended 31st Mar	2008	2009	2010
EBITDA	41.6	43.8	46.9
EBIT	39.1	41.1	43.1
PAT	32.5	37.2	42.5

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010
EBIT	**3,838**	**5,743**	**5,021**
Depreciation & amortisation	252	381	447
Interest expense	(269)	(332)	(296)
(Inc)/Dec in working capital	(921)	(4,591)	1,460
Tax paid	(563)	(433)	(124)
CF from operating activities	**2,337**	**769**	**6,508**
Capital expenditure	(1,847)	(2,433)	(1,829)
Inc/(Dec) in investments	(64)	38	-
CF from investing activities	**(1,911)**	**(2,394)**	**(1,829)**
Inc/(Dec) in share capital	1,233	(209)	349
Inc/(Dec) in debt	(972)	146	(366)
Dividends paid	(249)	(509)	(749)
CF from financing activities	**11**	**(572)**	**(767)**
Net cash flow	**438**	**(2,197)**	**3,913**
Opening balance	2,229	2,667	4,446
Closing balance	**2,667**	**470**	**8,359**

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010
Revenue	na	42	(17)
EBITDA	na	50	(11)
PAT	na	63	(5)
EPS	na	67	(5)

Valuation (x)

Year ended 31st Mar	2008	2009	2010
PE	5.9	3.5	3.7
P/BV	2.3	1.5	1.1
EV/EBITDA	4	3.0	3.3
EV/Sales	1.8	1.3	1.6
Dividend Yield (%)	2.4	3.0	3.0

Financial ratios

Year ended 31st Mar	2008	2009	2010
RoE (%)	40	44	31
RoCE (%)	32	36	25
Debt/Equity (x)	0.5	0.4	0.2
EBIT/Interest (x)	14.3	17.3	17.0

Source: Company Antique

Oil India Limited

CMP : INR1,380

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Market data

Sector	:	Oil & Gas
Market Cap (INRbn)	:	332
Market Cap (USDbn)	:	7
O/S Shares	:	240
Free Float (m)	:	30
52-wk HI/LO (INR)	:	1635/1050
Avg Daily Vol ('000)	:	101
Bloomberg	:	OINL IN
Reuters	:	OILIf.BO

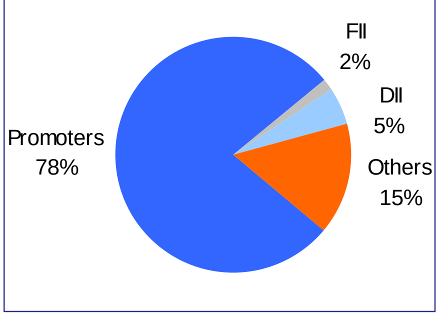
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	3	6	(5)	21
Relative	9	3	7	11

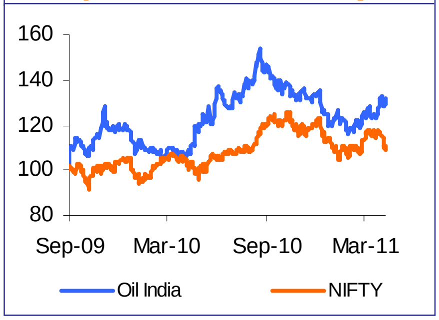
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Exciting production growth ahead

Oil India Limited's (OIL) management expects crude oil production for FY12e to be ~3.85mmt, a healthy growth of 7% YoY. Similarly, gas production is expected to increase by 15% YoY to 2.7bcm (7.5mmcmd).

O&G production for FY11 affected by NRL shutdown

OIL expects FY11 oil production at 3.6mmt, which was flat over FY10. The oil production is 3% lower than FY11 target due to NRL shut-down resulting into a total production loss of 0.13mmt. Natural gas production fell by 3% YoY to 2.3bcm mainly due to low upliftment by customers of NE and Rajasthan.

Exploration upsides - not valued yet

OIL and its consortium partners are at advance stages of appraisal in two NELP blocks: MN-OSN-2000/2 (OIL - 20%) and AAP-ON-94/1 (OIL - 40%). OIL's share of in-place resources is 141mmboe in these blocks. The company is expected to drill 12 wells in KG-ONN-2004/1, where seismic results are indicative of highly prospective.

Venezuela - production in sight

OIL highlighted that Venezuela's heavy oil project is expected to commence production by FY13e end. The plateau production of 450Mbbl/d is expected from FY14e onwards, and 14Mbbl/d (20% of current production) is company's share.

Upstream share likely to remain 1/3rd of under-recoveries

For FY11, total under-recoveries are estimated at INR780bn, and OIL believes that government is unlikely to pass on a higher subsidy burden to upstream companies. Moreover, a higher subsidy burden would imply net realisations below USD55/bbl for these companies which will severely impair their profitability and investors' confidence too.

Aggressive E&P capex for FY12e

OIL plans a total of INR318bn capex for FY12e, with E&P capex constituting ~79%. For FY12e, it plans to increase its 3D seismic surveys to 1,767 (672 in FY11), by drilling 34 exploratory wells (vs. 16 in FY11) and 34 development wells (vs. 25 in FY11). Currently, OIL has INR125bn (INR520/share) cash in hand.

Valuation

OIL is currently trading at 9.7x FY12e consensus EPS estimate of INR125/share.

Quarterly financials

INRm	Jun-10	Sep-10	Dec-10
Revenue	15,234	23,724	23,887
EBITDA	6,388	13,028	12,281
EBITDA mgn (%)	(4)	104	(6)
PAT	5,011	9,159	9,080
PAT growth (%)	16	83	(1)
EPS (INR)	20.8	38.1	37.8

Source: Company

Key financials

	FY07	FY08	FY09	FY10
Net revenue (INRbn)	55	63	74	81
PAT (INRbn)	16	18	22	26
RoE (%)	24	23	23	19
EPS (INR/share)	77	84	101	109
PE (x)	18.2	16.7	13.8	12.8
EV/EBITDA (x)	12.9	11.5	8.9	6.8

Source: Company

Update on domestic E&P

OIL and its consortium partners are at advance stages of appraisal in two NELP blocks: MN-OSN-2000/2 (OIL-20%) and AAP-ON-94/1 (OIL-40%). OIL's share of in place resources is 141mmboe in these blocks. OIL is expected to drill 12 wells in KG-ONN-2004/1, where seismic results are indicative of highly prospective resources.

Block MN-OSN-2000/2 (Operator - ONGC, OIL - 20% share): Discovery has been made and appraisal plan has been approved for this block. Four wells have been drilled, including the first appraisal well. The estimated in place reserves are of 56.9bcm (2tcf) and OIL has 20% participating interest in this block.

Block AAP-ON-94/1 (Operator - HOEC, OIL-40% share): Discovery has been made and appraisal plan has been approved for this block. Initial testing results indicate gas flow potential of around 186.6mmboe with 70% recovery factor. OIL has 16% participating interest (PI) in the block with an option to take an additional 30% PI at the time of development consent.

Block KG-ONN-2004/1: This block was awarded to a consortium of OIL (PI-90% - Operator) and GeoGlobal Resources Limited (PI-10%) under NELP-VI bidding round. This exploration block is located onshore in Krishna-Godavari Basin covering an area of over 549 sq-km.

Oil India has finished seismic studies in this block and is planning to drill 12 exploration wells to various depths stretching over two years starting FY11. As per initial studies, management feels that the block is promising.

Overseas update

Venezuela: Mixed Company Contract signed on May 12, 2010. Action initiated for approval of Budget and early production from Venezuelan Government. The block is expected to start production from FY13e end, with a peak production rate of 450Mbbl/d throughout the life of block staring FY14e.

OIL's share of production is 14Mbbl/d (20% of the expected inflow from this block is USD50-60m per year against a capex of USD450m for five years.

Gabon: 100 sq km of 3D acquisition completed and production to start in May 2014.

Libya: Abandoned and around USD100m incurred in this block.

Nigeria: OML awarded by Nigerian Government. 3D Surveys and two wells drilling programme.

Yemen: Action initiated to commence Seismic Survey.

Timor Leste: Drilling of well completed, no success.

Egypt: Signing of PSC awaited.

Iran (Farsi block): View of UN sanctions proposed to abandon despite discovery. The write-off of INR2.5bn is expected from Iran, Libya and Timor block.

Brahmaputra Gas Cracker (BCPL) updates

OIL has 10% stake in this project, which is planned to commission in 2H of CY13e. The project has overshot its initial cost of INR54bn to INR90bn. Initially, the government gave a cash subsidy of INR24bn, out of the total of USD54bn. It has been proposed to the government to cover the additional cost of INR36bn. BCPL will consume 1.35mmcmd of gas which will be produced from OIL's field. This will add 18% growth to Oil India gas production in FY14e.

FY12e capex plans

Aggressive E&P capex for FY12e: OIL plans a total of INR318bn capex for FY12e, with E&P capex constituting ~79%. For FY12e, it plans to increase its 3D seismic surveys to 1,767 (672 in FY11), by drilling 34 exploratory wells (vs. 16 in FY11) and 34 development wells (vs. 25 in FY11). Currently, OIL has INR125bn (INR520/share) cash in hand. OIL is perusing an aggressive capex plan with a capex of ~INR18bn in FY11 and ~INR31bn for FY12e.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**55,368**	**62,593**	**73,712**	**80,513**
Expenses	(31,145)	(36,936)	(42,651)	(43,467)
EBITDA	**24,223**	**25,657**	**31,061**	**37,046**
Depreciation & amortisation	(2,595)	(3,093)	(3,768)	(4,811)
EBIT	**21,628**	**22,563**	**27,292**	**32,235**
Interest expense	(140)	(344)	(87)	(37)
Other income	3,370	4,926	6,711	6,810
Profit before tax	**24,859**	**27,145**	**33,916**	**39,009**
Tax	(8,426)	(9,245)	(12,253)	(12,846)
Profit after tax	**16,432**	**17,901**	**21,663**	**26,163**
Recurring EPS (INR)	**77**	**84**	**101**	**109**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	2,140	2,140	2,140	2,405
Reserves & Surplus	66,351	77,190	91,170	135,233
Networth	**68,491**	**79,330**	**93,310**	**137,638**
Debt	8,140	1,749	565	375
Capital Employed	**76,631**	**81,079**	**93,875**	**138,013**
Gross Fixed Assets	46,033	50,387	60,558	67,532
Accumulated Depreciation	(15,521)	(16,199)	(18,383)	(21,358)
Net Assets	**30,511**	**34,188**	**42,175**	**46,173**
Capital work in progress	5,301	6,446	3,186	3,287
Investments	4,075	4,887	4,887	8,594
Current Assets Loans & Advances				
Inventory	4,080	4,509	5,010	4,534
Debtors	4,087	6,110	4,047	6,597
Cash & Bank	32,757	42,808	60,700	85,429
Loans & advances and others	14,183	8,338	13,796	26,136
Current Liabilities & Provisions				
Creditors	1,916	2,518	3,403	2,459
Other liabilities & provisions	8,404	15,022	27,510	30,234
Net Current Assets	**44,787**	**44,225**	**52,640**	**90,003**
Deferred tax assets/(liabilities)	(8,033)	(8,655)	(8,998)	(10,209)
Misc expenses	(11)	(11)	(15)	165
Application of Funds	**76,631**	**81,079**	**93,875**	**138,013**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (Mn)	214	214	214	240
BVPS (INR)	320	371	436	572
CEPS (INR)	89	98	119	129
DPS (INR)	8	28	31	34

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	44	41	42	46
EBIT	39	36	37	40
PAT	30	29	29	32

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
PBT	**24,804**	**27,134**	**33,870**	**38,951**
Depreciation	2,703	3,093	3,821	4,811
Interest	(3,057)	(4,085)	(6,180)	(6,103)
Changes in working capital	(9,158)	9,004	3,864	(9,113)
Others	1,914	1,272	1,500	(1,529)
Tax paid	(7,406)	(8,535)	(5,174)	(12,520)
CF from operating activities	**9,801**	**27,883**	**31,701**	**14,497**
Capex	(9,370)	(9,492)	(10,435)	(11,485)
Investments	2,944	(811)	5,027	2,397
Income from investments	174	497	443	671
CF from investing activities	**(6,252)**	**(9,806)**	**(4,965)**	**(8,418)**
Changes in share capital	0	0	0	27,772
Changes in Debt	4,799	(6,391)	(1,184)	(190)
Dividends & Interest paid	(6,606)	(1,634)	(7,660)	(8,933)
CF from financing activities	**(1,807)**	**(8,025)**	**(8,845)**	**18,650**
Net cash flow	**1,742**	**10,051**	**17,892**	**24,729**
Add: Opening balance	31,015	32,757	42,808	60,700
Closing balance	**32,757**	**42,808**	**60,700**	**85,429**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	(2)	13	18	9
EBITDA	(17)	6	21	19
PAT	(4)	9	21	21
EPS	(4)	9	21	7

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE (x)	18.2	16.7	13.8	12.8
P/BV (x)	4.4	3.8	3.2	2.4
EV/EBITDA (x)	12.9	11.5	8.9	6.8
EV/Sales (x)	5.6	4.7	3.7	3.1
Dividend Yield (%)	1	2	2	2

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE	24	23	23	19
RoCE	28	28	29	23
Debt/Equity (x)	0.1	0.0	0.0	0.0
EBIT/Interest (x)	155	66	312	883

Source: Company Antique

CMP : INR48

Orbit Corporation

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Market data

Sector	:	Real Estate
Market Cap (INRm)	:	5,397
Market Cap (USDm)	:	121
O/S Shares	:	112
Free Float (m)	:	50
52-wk HI/LO (INR)	:	159/43
Avg Daily Vol ('000)	:	1,097
Bloomberg	:	ORB IN
Reuters	:	ORCP.BO

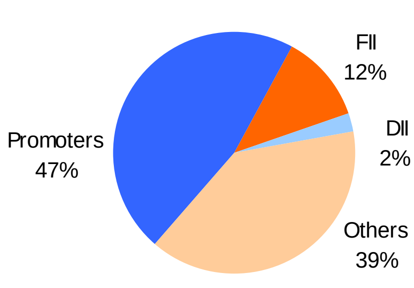
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(15)	(4)	(60)	(66)
Relative	(11)	(8)	(54)	(69)

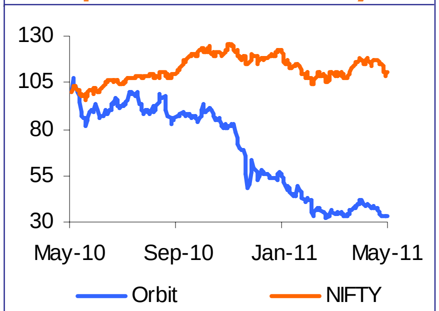
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Mandwa project

Currently, infrastructure work has started for the Mandwa project. However, construction of villas has not begun since some approvals are pending. The project will be formally launched once the approvals are in place.

The company raised INR1.65bn from IL&FS and INR2bn from Rodre Holdings for this project.

Project pipeline with visibility within 1 year

The company has undertaken a Slum Rehabilitation Authority project in Santacruz with Chouhan Developers through a 50:50 JV. Chouhan Developers will do the rehabilitation while Orbit will construct the free sale area. Phase I of the free sale area will comprise 0.2m sq ft (Orbit's share) and is scheduled for launch in 3QFY12.

The company is redeveloping Razak Mansion on Napeansea Road (60,000 sq ft) which was purchased for ~INR1.70bn.

Orbit Magnum is another redevelopment project on Napeansea Road that the company is undertaking. The project involves amalgamation of three buildings.

The company is also working on a block redevelopment project in Lalbaug. The overall area of the project is 0.9m sq ft.

Debt

The company currently has a debt of INR10bn including CCDs. The company has no plans to reduce debt in the next 6-12 months.

Valuation

At the CMP of INR48, Orbit Corp is trading at a P/E of 5.5x and EV/EBIDTA of 12.1x discounting its FY10 earnings.

Quarterly financials (consolidated)

INRm	Jun-10	Sep-10	Dec-10
Revenue	1,195	977	1,138
EBITDA	525	502	602
EBITDA mgn (%)	44.0	51.4	52.9
PAT	201	159.5	234
PAT growth (%)	11	(21)	47
EPS (INR)	1.8	1.4	2.1

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	1,915	7,055	2,835	4,871
PAT	572	2,358	355	955
RoE (%)	38	66	7	14
EPS (INR)	10.5	32.5	4.9	8.7
PE (x)	4.6	8.1	5.3	5.5
PB (x)	1.3	3.7	0.3	1.8

Source: Company

Mandwa project

The initial size of the project is 130acres and is expected to increase to 200acres eventually.

The project will comprise a gated community of high end villas with sizes ranging from 4,000-15,000 sq ft. It is being positioned as a second home for Orbit's South Mumbai clientele.

Currently, infrastructure work has started on the site. However, construction of villas has not begun since some approvals are pending. The project will be formally launched once the approvals are in place.

The company raised INR1.65bn from IL&FS for this project, of which INR1.45bn was through CCDs (Compulsorily Convertible Debentures) at 14.75% coupon rate and INR0.25bn was pure equity. The CCDs will be converted in 2015 and post conversion IL&FS will hold 20% stake in the project.

The project also has another INR2bn of CCDs from Rodre Holdings post conversion,of which Rodre will hold 15-16% stake.

Project pipeline with visibility within 1 year

The company has undertaken an SRA project in Santacruz with Chouhan Developers through a 50:50 JV. Chouhan Developers will do the rehabilitation while Orbit will construct the free sale area. Out of 26 rehab buildings, nearly 10 are under construction. Phase I of the free sale area will comprise 0.2m sq ft (Orbit's share) and is scheduled for launch in 3QFY12.

The company is redeveloping Razak Mansion on Napeansea Road (60,000 sq ft) which was purchased for ~INR1.70bn. The project is expected to be launched in 3Q/ 4QFY12.

Orbit Magnum is another project redevelopment project on Napeansea Road which involves amalgamation of three buildings. Orbit has already invested INR1bn in the project and needs to invest another INR1.5bn to acquire the project.

The company is also working on a block redevelopment project in Lalbaug. The overall area of the project is 0.9m sq ft, however, 0.075m sq ft will be launched in Phase I.

Debt

The company currently has a debt of INR10bn including CCDs. The company has no plans to reduce debt in the next 6-12 months.

Average interest cost is 12.5% but this is expected to increase by 50-100bps going forward.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**1,915**	**7,055**	**2,835**	**4,871**
Expenses	1,175	3,591	1,507	2,978
Operating Profit	**740**	**3,465**	**1,329**	**1,893**
Other income	18	52	43	65
EBIDT	**758**	**3,516**	**1,372**	**1,958**
Depreciation	8	17	35	46
Interest expense	101	566	793	908
Profit before tax	**649**	**2,933**	**543**	**1,004**
Taxes incl deferred taxation	77	575	188	53
Profit after tax before MI & EO Items	572	2,358	355	950
Minority Interest	-	-	-	(4)
Profit after tax	**572**	**2,358**	**355**	**955**
Diluted EPS (INR)	**10.5**	**32.5**	**4.9**	**8.7**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Equity Share Capital	1,273	364	364	646
Reserves & Surplus	1,761	4,795	5,091	7,842
Networth	**3,033**	**5,159**	**5,455**	**8,489**
Minority Interest	2	-	0	4
Debt	918	5,302	6,713	9,072
Deferred Tax Liability	-	-	506	512
Capital Employed	**3,953**	**10,461**	**12,674**	**18,076**
Gross Fixed Assets	54	150	292	386
Accumulated Depreciation	12	29	64	110
Net Assets	**42**	**121**	**229**	**276**
Capital work in progress	0	0	0	27
Investments	1	102	1	74
Current Assets, Loans & Advances				
Inventory	1,673	4,123	5,894	5,484
Debtors	1,085	2,986	2,622	4,630
Cash & Bank balance	1,832	1,841	9	485
Loans & advances and others	1,090	4,597	5,968	9,590
Current Liabilities & Provisions				
Creditors	110	393	497	301
Other liabilities & provisions	1,675	2,981	1,551	2,189
Net Current Assets	**3,895**	**10,174**	**12,445**	**17,699**
Misc.Expenses	14	63	-	-
Application of Funds	**3,953**	**10,461**	**12,674**	**18,076**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	27	36	36	55
BVPS (INR)	37.1	70.2	75.2	76.3
CEPS (INR)	10.7	32.7	5.4	9.1
DPS (INR)	-	5.5	-	2.5

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	38.6	49.1	46.9	38.9
EBIT	39.1	49.6	47.1	39.2
PAT	29.9	33.4	12.5	19.6

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
PBT	**649**	**2,933**	**543**	**1,004**
Depreciation & amortisation	8	17	35	46
Interest expense	101	566	793	908
Interest / Dividend Recd	(8)	(46)	(14)	(13)
Other Adjustments	4	17	5	-
(Inc)/Dec in working capital	(607)	(6,756)	(3,687)	(4,730)
Tax paid	(125)	(261)	(270)	(193)
CF from operating activities	**22**	**(3,529)**	**(2,594)**	**(2,978)**
Capital expenditure	(28)	(96)	(142)	(120)
Net Investments	-	(101)	101	(73)
Income from investments	8	46	14	13
CF from investing activities	**(20)**	**(151)**	**(28)**	**(181)**
Inc/(Dec) in share capital	1,453	-	0	2,231
Inc/(Dec) in debt	322	4,383	1,411	2,368
Dividends & Interest paid	(101)	(694)	(622)	(964)
CF from financing activities	**1,675**	**3,690**	**790**	**3,635**
Net cash flow	**1,677**	**9**	**(1,832)**	**476**
Opening balance	155	1,832	1,841	9
Closing balance	**1,831**	**1,841**	**9**	**485**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	NA	268.4	(59.8)	71.8
EBITDA	NA	368.2	(61.6)	42.4
PAT	NA	312.1	(84.9)	168.8
EPS	NA	209.5	(84.9)	77.6

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
P E	4.6	8.1	5.3	5.5
P/BV	1.3	3.7	0.3	1.8
EV/EBITDA	-	6.4	6.3	12.1
EV/Sales	-	3.2	3.0	4.9
Dividend Yield (%)	0.0	1.0	0.0	0.9

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	38.1	66.3	6.7	13.7
RoCE (%)	27.1	48.8	11.8	12.9
Debt/Equity (x)	0.3	1.0	1.2	1.1
EBIT/Interest (x)	7.4	6.2	1.7	2.1

Source: Company Antique

CMP : INR248

Pantaloon Retail (India) Limited

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abhijeet@antiquelimited.com

Market data

Sector	:	Retail
Market Cap (INRbn)	:	55
Market Cap (USDbn)	:	1.2
O/S Shares	:	201
Free Float (m)	:	83
52-wk HI/LO (INR)	:	528/218
Avg Daily Vol ('000)	:	475
Bloomberg	:	PF IN
Reuters	:	PART.BO

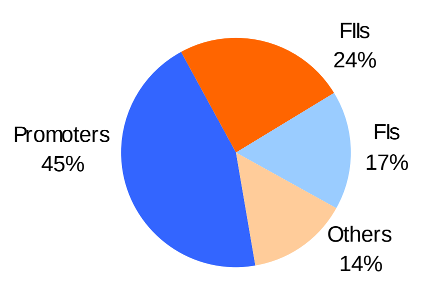
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(3)	(11)	(45)	(37)
Relative	1	(12)	(40)	(41)

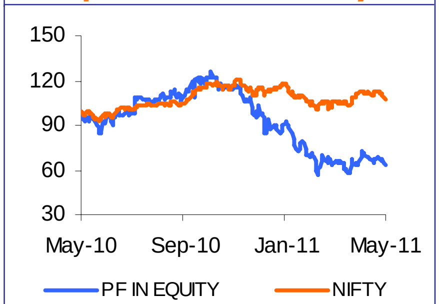
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Scaling up of operations envisaged in the next two-three years

Pantaloon Retail India Ltd (Pantaloon) targets to scale up its retail operations at a CAGR of 30-35% over the next 3 years. It till December 2010 has a retailing space of ~14.2m square feet and has added about 1.2m square feet during 9mFY11. It had envisaged an addition of ~2.5-3m square feet during the full year FY11. Going ahead during the next 2-3 years, its plans are to add about 2-2.5m square feet per annum of retailing space in the core retail operations. Capex per square feet for the expansion is estimated to be around INR1,800-2,000, implying a capex of INR4bn - 5bn pa for the company.

Focus on exploiting the potential of Tier I and Tier II cities

Pantaloon plans to focus on the burgeoning middle income group in India and aims to focus and grow its business in the tier I and tier II cities which are well connected by road network in the current scenario. It currently has no plans of expanding its retail network in the tier III cities.Pantaloon is focusing on reducing its inventory requirement by increasing its inventory turns.

Inventory management to be key operational factor

Efforts are on to reduce its inventory outstanding days by about 10% per annum over the next 2-3 years. This would lead to lower working capital requirement as inventory accounts for ~60% of the company's current assets. Focus would be on to increase contribution from food business and enhance inventory turnover and reduce inventory outstanding days of the fashion business. Pantaloon plans to increase the contribution of foods from 33-35% of total sales to 45-50% of sales in the next 3-4 years. The international standard for food's contribution to retail sales stands at 60%. Food has a high inventory turnover of about 8-10x which would in turn would lead to lower inventory outstanding days. The reduction in inventory foods would be through higher focus on fresh fruits and vegetables, which structurally have a higher inventory turnover. Further the company wants to improve the inventory turnover in fashion.

Valuation:

At the CMP of INR248, the stock is trading at EV/EBITDA of 7.3x FY10 and at a PE of 31x FY10.

Quarterly financials

INRm	Sep-10	Dec-10
Revenue	25,814	27,586
EBITDA	2,127	2,383
EBITDA mgn (%)	8.2	8.6
PAT	448	472
PAT growth (%)	73.5	5.5
EPS (INR)	2.1	2.2

Source: Company

Key financials

INRm	FY08	FY09	FY10
Revenue	50,495	63,421	89,261
PAT	1,265	1,417	1,648
RoE (%)	7.1	6.2	5.9
EPS (INR)	7.9	7.4	8.0
PE (x)	31.2	33.3	31.0
PB (x)	2.2	2.1	1.8

Source: Company

According to Pantaloon, retail space in the key tier I and tier II cities would remain a constraint even in the medium to longer term. This in turn provides an edge to PRIL as it has the largest organized retail network in the country, providing the opportunity to capitalise on the potential growth in organized segment going ahead. Pantaloon has long term lease contracts ranging from about 9-27 years in key destinations in India.

With the purpose of positioning PRIL as a pure retail entity, the company has identified certain investments which it has made and nurtured over the past few years in and around the retail ecosystem. However, these while having inherent value and synergies, are not being captured or assigned any worthwhile value by the markets as long as they are being housed under PRIL. The company believes that a few of these businesses have either reached a certain level of maturity or are in the process of creating value and can therefore explore other investment resources/options outside the PRIL ecosystem, thus freeing up capital for PRIL. The company has investments in niche businesses such as financial services, supply chain, insurance, office products & stationery, e-commerce and a couple of prime real estate development/commercial properties in Mumbai.

The company has set itself a time frame of about 18 months to divest these stakes, caveat being regulatory changes. PRIL believes that this exercise would result in lightening its balance sheet and enable it to attain its revenue growth guidance of >30% on a relatively lighter debt base.

GST is expected to have substantial benefits for PRIL's core retail operations as its implementation would lead to lower distribution cost. The management is of the opinion that post GST it would be able to reduce its warehouses from 64 to about 20-25, thereby reducing supply chain management costs sharply.

PRIL's lifestyle retailing business primarily comprises of Pantaloon and Central. Pantaloon has a total retailing space of 1.45m sqft and revenue per sqft (rev/sqft) of INR8500. The business enjoys gross margins of about 35-40% and EBITDA margins of about 14-15%. Central, which is a seamless mall format has a total retailing space of about 1.84m sqft and rev/sqft of INR8000. The format has gross margins of about 28-30% and EBITDA margins of about 13-14%.

PRIL's value retailing business comprises of Big Bazaar, Food Bazaar and KB fair price. Big bazaar has a total retailing space of about 7.38m sqft and rev/sqft of INR9000. It enjoys gross margins of 25%-27% and EBITDA margin of about 6%-8%. Food bazaar has a total retailing space of about 0.48m sqft and rev/sqft of INR14000 returning gross margins of 15%-16% and EBITDA margin of ~3%-4%. KB Fair price has a total retailing space of 0.15m sqft and rev/sqft of INR15000-16000. The format enjoys gross margins of about 10-12% and an EBITDA margin of about 3%.

The Home town format has a total retailing space of 1.11m square feet and rev/sqft of INR5000, posting gross margins of ~25-28% and EBITDA margin of ~ 6%. The eZone format on a retailing space of 0.53m sqft and rev/sqft of INR10000. The format attracts a 10-12% gross margin and is loss making at the EBITDA level. The management therefore says that the success of the eZone format depends on the scale of operations. PRIL has resorted to reducing the store size in eZone and will also focus on online selling in the format to reduce the losses in the format and make the format profitable in the future.

Financials

Profit and loss account (INRm)

Year ended 30th Jun	2008	2009	2010
Revenues	**50,495**	**63,421**	**89,261**
Expenses	45,883	56,733	81,070
EBITDA	**4,606**	**6,688**	**8,191**
Depreciation & amortisation	834	1,401	2,123
EBIT	**3,772**	**5,288**	**6,068**
Interest expense	1,853	3,182	3,913
Other income	37	65	760
Profit before tax	**1,956**	**2,170**	**2,915**
Taxes incl deferred taxation	697	754	613
Profit after tax	1,259	1,417	2,302
Adjusted profit after tax	**1,265**	**1,417**	**1,648**
Recurring EPS (INR)	**7.9**	**7.4**	**8.0**

Balance sheet (INRm)

Year ended 30th Jun	2007	2008	2009	2010
Share Capital	294	319	381	412
Reserves & Surplus	10,628	17,515	22,344	27,654
Networth	**10,922**	**17,834**	**22,724**	**28,067**
Debt	12,996	21,918	28,504	29,152
Capital Employed	**23,918**	**39,751**	**51,228**	**57,219**
Gross Fixed Assets	7,671	13,688	18,765	26,745
Accumulated Depreciation	(925)	(1,706)	(3,077)	(3,453)
Net Assets	**6,746**	**11,982**	**15,688**	**23,292**
Capital work in progress	1,311	3,306	3,452	2,838
Investments	2,520	5,865	9,540	10,244
Current Assets, Loans & Advances				
Inventory	8,860	14,298	17,878	24,032
Debtors	652	1,132	1,773	2,711
Cash & Bank balance	1,630	1,211	1,093	1,648
Loans & advances and others	6,354	9,645	12,083	10,291
Current Liabilities & Provisions				
Creditors	3,439	6,201	8,914	16,114
Other liabilities & provisions	157	176	205	436
Net Current Assets	**13,899**	**19,909**	**23,709**	**22,133**
Deferred tax assets/(liabilities)	(558)	(931)	(1,161)	(1,287)
Application of Funds	**23,918**	**40,131**	**51,228**	**57,219**

Per share data

Year ended 30th Jun	2007	2008	2009	2010
No. of shares (m)	146.8	159.3	190.3	206
BVPS (INR)	74.4	112.0	119.4	136.1
CEPS (INR)	-	13.2	14.8	18.3
DPS (INR)	0.6	0.8	0.7	1.0

Margins (%)

Year ended 30th Jun	2007	2008	2009	2010
EBITDA	na	9.1	10.5	9.2
EBIT	na	7	8.3	6.8
PAT	na	3	2.2	1.8

Source: Company, Antique

Cash flow statement (INRm)

Year ended 30th Jun	2007	2008	2009	2010
EBIT	**-**	**3,772**	**5,288**	**6,068**
Depreciation & amortisation	-	834	1,401	2,123
Interest expense	-	(1,853)	(3,182)	(3,913)
(Inc)/Dec in working capital	(6,497)	(6,448)	(3,946)	1,900
Tax paid		(697)	(754)	(613)
CF from operating activities	**(6,497)**	**(4,391)**	**(1,194)**	**5,565**
Capital expenditure	(4,461)	(8,012)	(5,223)	(7,366)
Inc/(Dec) in investments	(903)	(3,345)	(3,675)	(704)
Income from investments	-	37	65	760
CF from investing activities	**(5,365)**	**(11,320)**	**(8,833)**	**(7,309)**
Inc/(Dec) in share capital	4,540	5,772	3,609	3,241
Inc/(Dec) in debt	6,982	8,922	6,586	648
Dividends paid	(88)	(125)	(135)	(200)
Others	1,140	724	(151)	(1,390)
CF from financing activities	**12,574**	**15,293**	**9,909**	**2,299**
Net cash flow	**712**	**(419)**	**(118)**	**555**
Opening balance	218	1630	1211	1093
Closing balance	**929**	**1,211**	**1,093**	**1,648**

Growth indicators (%)

Year ended 30th Jun	2007	2008	2009	2010
Revenue	na	na	26	41
EBITDA	na	na	45	22
PAT	na	na	12	16
EPS	na	na	(6)	7

Valuation (x)

Year ended 30th Jun	2007	2008	2009	2010
PE	na	31.2	33.3	31.0
P/BV	3.3	2.2	2.1	1.8
EV/EBITDA	na	13.0	9.0	7.3
EV/Sales	na	1.2	0.9	0.7
Dividend Yield (%)	0.2	0.3	0.3	0.4

Financial ratios

Year ended 30th Jun	2007	2008	2009	2010
RoE	0	7	6	6
RoCE	0	9	10	11
Debt/Equity (x)	1.2	1.2	1.3	1.0
EBIT/Interest (x)	na	(2.0)	(1.7)	(1.6)

Source: Company Antique

CMP : INR211

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The Phoenix Mills Limited

Market data

Sector	:	Real Estate
Market Cap (INRm)	:	30,425
Market Cap (USDm)	:	681
O/S Shares	:	145
Free Float (m)	:	38
52-wk HI/LO (INR)	:	270/160
Avg Daily Vol ('000)	:	76
Bloomberg	:	PHNX IN
Reuters	:	PHOE.BO

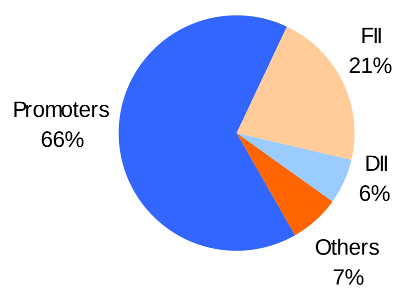
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	5	14	(12)	2
Relative	11	9	(0)	(7)

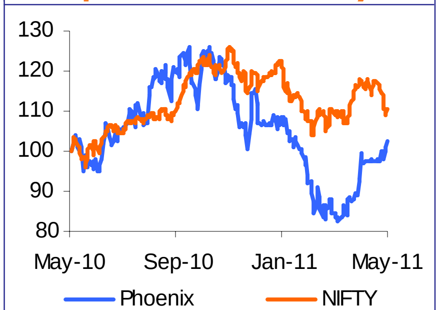
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Retail portfolio

Phoenix Mills currently has a retail portfolio of 0.9m sq ft which is expected to increase to 5.3m sq ft by end FY12 after all market city projects become operational.

Rentals from the company's retail portfolio are expected to increase to ~USD150m on stabilisation vs. USD40m currently.

Commercial and residential portfolio

The company has a portfolio of 4.3m sq ft for commercial and residential sales, of which 42% is in Bangalore, 38% in Mumbai, 12% in Pune and 9% in Chennai.

The commercial and residential portfolios are expected to generate sale proceeds of over USD600m which will be used to repay construction debt.

Debt levels

Current equity is INR16bn and consolidated debt is INR6.5bn. On a standalone basis, the company has zero debt. Borrowing cost is currently 13-13.5% and is expected to come down to 11-11.5% by replacing construction debt through lease rent discounting once the malls become operational.

High Street Phoenix and Shangri-La

High Street Phoenix generated rentals of INR1.76bn in FY11, of which ~8% is from revenue sharing. Going forward this share is likely to increase.

Current rentals at High Street Phoenix are ~INR160/sq ft/mth.

Shangri-La hotel is expected to have 410 rooms and 23 serviced apartments and is scheduled to be operational by Oct-Nov 2011. The asset is owned by Phoenix and would be managed by Shangri-la which would get about 3-4% of revenue as management fee.

Valuation

At the CMP of INR211, Phoenix Mills is trading at a P/E of 47.9x and EV/EBIDTA of 46x discounting its FY10 earnings.

Quarterly financials

INRm	Sep-10	Dec-10	Mar-11
Revenue	443	451	468
EBITDA	317	327	321
EBITDA mgn (%)	71.6	72.6	68.6
PAT	221	238	272
PAT growth (%)	26	133	73
EPS (INR)	1.5	1.6	1.9

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	989	821	996	1,230
PAT	402	428	768	620
RoE (%)	46	3	5	4
EPS (INR)	6.6	3.2	5.3	4.3
PE (x)	31.3	65.0	38.7	47.9
PB (x)	14.4	2.2	2.0	1.9

Source: Company

Retail portfolio

Phoenix Mills currently has a retail portfolio of 0.9m sq ft which is expected to increase to 5.3m sq ft by end FY12 after all market city projects become operational.

Rentals from the company's retail portfolio are expected to increase to ~USD150m on stabilisation vs. USD40m currently.

Mumbai will continue contributing major share of rental revenue (59%) while Chennai will contribute 16%, Pune 15% and Bangalore 11%.

In addition to the market city projects, Phoenix Mills is developing ~8m sq ft in Tier 2 cities through EWDPL (Entertainment World Developers Pvt Ltd) and BARE (Big Apple Real Estate).

Commercial and residential portfolio

The company has a portfolio of 4.3m sq ft for commercial and residential sales, of which 42% is in Bangalore, 38% in Mumbai, 12% in Pune and 9% in Chennai.

Of the 4.3m sq ft, 3.1m sq ft is residential in Bangalore and Chennai while 1.2m sq ft is commercial in Kurla and Pune.

In addition, EWDPL is developing ~15m sq ft in cities such as Indore, Raipur and Udaipur.

The commercial and residential portfolios are expected to generate sale proceeds of over USD600m which will be used to repay construction debt.

Debt levels

Current equity is INR16bn and consolidated debt is INR6.5bn. On a stand-alone basis, the company has zero debt. Borrowing cost is currently 13-13.5% and is expected to come down to 11-11.5% by replacing construction debt through lease rent discounting once the malls become operational.

The company is not facing any capital constraint and is comfortably placed in the current environment. In case funds are required, the company can raise ~INR8bn by securitising future earnings of High Street Phoenix.

High Street Phoenix and Shangri-La

The property generated rentals of INR1.76bn in FY11, of which ~8% is from revenue sharing. Going forward this share is likely to increase.

Current rentals at High Street Phoenix are ~INR160/sq ft/month.

Shangri-La hotel is expected to have 410 rooms and 23 serviced apartments and is scheduled to be operational by Oct-Nov 2011. The asset is owned by Phoenix and would be managed by Shangri-la which would get about 3-4% of revenue as management fee.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**989**	**821**	**996**	**1,230**
Expenses	273	320	394	455
EBITDA	**716**	**501**	**602**	**775**
Depreciation & amortisation	73	76	93	172
EBIT	**644**	**425**	**508**	**603**
Interest expense	38	45	55	86
Other income	16	240	503	243
Profit before tax	**622**	**620**	**957**	**759**
Taxes incl deferred taxation	220	192	190	147
Profit after tax	402	428	767	612
Adjusted profit after tax	**402**	**428**	**768**	**620**
Recurring EPS (INR)	**6.6**	**3.2**	**5.3**	**4.3**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	123	290	290	290
Reserves & Surplus	751	12,555	14,858	15,759
Networth	**874**	**12,844**	**15,147**	**16,048**
Minority Interest	0	813	2,119	2,190
Debt	3,541	3,048	5,452	6,608
Capital Employed	**4,415**	**16,705**	**22,718**	**24,847**
Gross Fixed Assets	2,649	3,689	4,881	7,955
Accumulated Depreciation	323	369	462	633
Net Assets	**2,326**	**3,320**	**4,419**	**7,321**
Capital work in progress	0	5,006	9,004	9,137
Investments	1,730	6,340	4,525	5,601
Current Assets, Loans & Advances				
Inventory	3	3	3	3
Debtors	44	216	351	431
Cash & Bank balance	107	22	1,910	671
Loans & advances and others	1,078	4,052	4,077	3,628
Current Liabilities & Provisions				
Creditors	73	206	439	461
Other liabilities & provisions	803	2,057	1,143	1,508
Net Current Assets	**356**	**2,029**	**4,759**	**2,764**
Deferred tax assets/(liabilities)	3	10	11	24
Application of Funds	**4,415**	**16,705**	**22,718**	**24,847**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	61	136	145	145
BVPS (INR)	14.3	94.7	104.6	110.8
CEPS (INR)	7.7	3.7	5.9	5.5
DPS (INR)	-	1.1	1.0	1.2

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	72	61	60	63
EBIT	65	52	51	49
PAT	41	52	77	50

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Adjusted PAT	**402**	**428**	**768**	**620**
Depreciation & amortisation	73	76	93	172
Minority Interest	-	-	(1)	(1)
(Inc)/Dec in working capital	(504)	(109)	71	544
Other Items	(90)	(194)	(321)	(156)
CF from operating activities	**(119)**	**200**	**611**	**1,179**
Capital expenditure	(779)	(5,922)	(4,437)	(2,694)
Inc/(Dec) in & income from investments	(1,625)	(7,924)	2,410	(458)
CF from investing activities	**(2,405)**	**(13,846)**	**(2,027)**	**(3,152)**
Inc/(Dec) in share capital	-	15,090	86	33
Inc/(Dec) in debt	2,583	(1,460)	3,386	868
Dividends paid	43	(94)	(167)	(167)
CF from financing activities	**2,626**	**13,536**	**3,304**	**734**
Net cash flow	**103**	**(109)**	**1,888**	**(1,239)**
Opening balance	4	131	22	1,910
Closing balance	**107**	**22**	**1,910**	**671**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	78	(17)	21	23
EBITDA	139	(30)	20	29
PAT	138	6	79	(19)
EPS	138	(52)	68	(19)

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	31.3	65.0	38.7	47.9
P/BV	14.4	2.2	2.0	1.9
EV/EBITDA	49.7	71.1	59.2	46.0
EV/Sales	36.0	43.4	35.8	29.0
Dividend Yield (%)	0.0	0.5	0.5	0.6

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	46	3	5	4
RoCE (%)	15	3	2	2
Debt/Equity (x)	4.1	0.2	0.4	0.4
EBIT/Interest (x)	16.9	9.5	9.3	7.0

Source: Company Antique

CMP : INR83

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Pipavav Shipyard Limited

Market data

Sector	:	Shipbuilding
Market Cap (INR bn)	:	55
Market Cap (USDbn)	:	1
O/S shares (m)	:	666
Free Float (m)	:	366
52 -wk HI / LO (INR)	:	120/53
Avg 12m Vol ('000)	:	5,194
Bloomberg	:	PIPV IN
Reuters	:	PIPA.BO

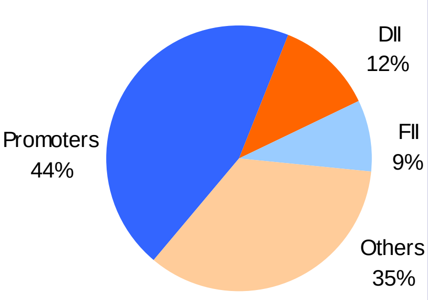
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	2.1	10.8	(6.9)	1.9
Relative	7.6	5.7	5.6	(7.4)

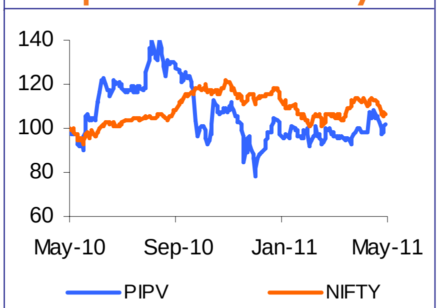
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Largest dry dock in the country

PSL has two units in Gujart spread over around 95hectares and 103.92hectares of land connected by a dedicated road of ~4.5kms in length. It has constructed the largest dry dock in the country admeasuring 662mtrs in length and 65mtrs in width capable of building/repairing vessels up to 400,000 Dead Weight Tonnage (DWT) in size, by adopting modular construction methodology.

Strategic location

PSL is situated on the west coast of India on the Dubai-Singapore sea route. It is approximately 150 nautical miles from Mumbai, one of the busiest international maritime ports in India that offers an immense opportunity for the ship repair business. It is also close to the offshore oil fields on the western coast of India as well as in the Middle East, thus suited to tap the offshore construction market.

Foothold in the niche defence segment

PSL is expected to benefit immensely from Government encouragement for the participation of private sector to fill the large mismatch between the defence requirements and the available capacities. It will remain in the forefront to participate in country's defence programmes, given the size, the scale and modern infrastructure it has created to cater to strategic defence requirements.

Strong order book

It has current order book of USD1.4bn, including commercial vessel order of USD800m, offshore segment order of USD110m and defense order book of USD550m. The company is targeting revenue mix 80:20 from defense and commercial orders for better utilisation of its facility towards high value ships.

Tie up with global leaders

PSL has teamed up with several world-leading technical associates to execute projects. SembCorp Marine has been advising PSL on yard layout and manufacturing processes. It has signed an MoU for technical collaboration and co-production with global leaders in areas like defence and ship building to leverage its facilities.

Valuation

At the CMP of INR83, the stock is trading at 3.5x BV of INR25, FY10.

Quarterly financials (standalone)

INRm	Jun-10	Sep-10	Dec-10
Revenue	1,760	1,757	2,541
EBITDA	124	167	211
EBITDA mgn (%)	7.0	9.5	8.3
PAT	(97.9)	(22.0)	26.0
PAT growth (%)	na	na	na
EPS (INR)	(0.1)	na	na

Source: Company

Key financials (standalone)

INRm	FY07	FY08	FY09	FY10
Revenue	-	-	-	6,294
PAT	-	48	47	(461)
RoE (%)	-	0.6	0.4	(3.2)
EPS (INR)	-	0.1	0.1	(0.7)
PE (x)	-	1,054	1,062	(125.0)
PB (x)	6.3	4.0	4.0	3.5

Source: Company

Key takeaways

Pipavav Shipyard Limited (PSL) is engaged in Defense, Offshore, Marine and Engineering sectors with modern infrastructure. It has two units, one SEZ unit and one EOU unit, spread over around 95hectares and 103.92hectares of land, respectively. The two units are connected by a dedicated road of approximately 4.50kms in length.

The company has constructed the largest dry dock in the country which is also one of the largest dry docks globally; admeasuring 662mtrs in length and 65mtrs in width capable of building/repairing vessels up to 400,000 Dead Weight Tonnage (DWT) in size, by adopting modular construction methodology.

The dry dock is serviced by two Goliath cranes having 148m span/75m height with a lifting capacity of 600tonnes each, and 1,200tonnes when used in tandem.

The company is expected to benefit immensely from Government encouragement for the participation of private sector to fill the large mismatch between the defense requirements and the available capacities. It will remain in the forefront to participate in country's defense programmes, given the size, the scale and modern infrastructure it has created to cater to strategic defense requirements.

The company has current order book of USD1.4bn, including commercial vessel order of USD800m, offshore segment order of USD110m and defense order book of USD550m. It is targeting to take defense order to USD4bn in the next one to two years. The company is targeting revenue mix 80:20 from defense and commercial orders for better utilisation of its facility towards high value ships.

PSL has teamed up with several world-leading technical associates to execute projects. SembCorp Marine, a leading global marine engineering and shipyard group, has been advising PSL on yard layout and manufacturing processes.

The company had signed an MoU with Northrop Grumman Overseas Service Corporation, Delaware, USA. Northrop is one of the largest defense companies in the segment with an expertise in defense systems, airspace management systems, navigation systems, precision weapons and marine systems.

Pipavav Shipyard has signed an MoU with SAAB Dynamics AB as part of a defense co-production initiative taken by Wallenberg Group in India. This will enable Pipavav to enter the army and air force segments. SAAB Dynamics AB is a part of the Wallenberg Group, a Swedish multinational company.

PSL is targeting to bid for construction of submarines, destroyers, frigates, LDP, coverettes and aircraft carriers.

Valuation

At the CMP of INR86, the stock is trading at 3.5x BV of INR25 FY10.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	**-**	**-**	**-**	**6,294**
Expenses	-	160	393	6,306
EBIDTA	**-**	**(160)**	**(393)**	**(13)**
Depreciation & amortisation	-	2	2	377
EBIT	**-**	**(161)**	**(394)**	**(390)**
Interest expense	-	1	130	730
Other income	-	277	618	675
Profit before tax	**-**	**115**	**94**	**(444)**
Taxes incl deferred taxation	-	68	47	16
Profit after tax	-	48	47	(461)
Reported PAT	**-**	**48**	**47**	**(461)**
Recurring EPS (INR)	**0.0**	**0.1**	**0.1**	**(0.7)**

Note: Numbers does not include non recurring items.

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	2,897	5,797	5,804	6,658
Reserves & Surplus	1,382	6,662	6,744	9,882
Networth	**4,279**	**12,459**	**12,547**	**16,540**
Debt	4,663	3,925	11,536	13,299
Capital Employed	**8,942**	**16,384**	**24,083**	**29,839**
Gross Fixed Assets	305	386	718	11,873
Accumulated Depreciation	43	51	82	459
Net Assets	**262**	**335**	**636**	**11,414**
Capital work in progress	7,560	12,480	22,737	14,416
Investments	333	1,759	485	78
Current Assets, Loans & Advances				
Inventory	-	571	3,183	1,330
Debtors	-	-	0	70
Cash & Bank balance	1,104	8,449	6,618	6,402
Loan & advances and others	41	1,144	1,605	5,387
Current Liabilities & Provisions				
Creditors	335	-	2,212	1,679
Other liabilities & provisions	23	8,355	8,968	7,565
Net Current Assets	**787**	**1,810**	**226**	**3,946**
Deffered tax assets/(liabilities)	-	-	-	(15)
Application of Funds	**8,942**	**16,384**	**24,083**	**29,839**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	294	580	580	666
BVPS (INR)	14.5	21.5	21.6	24.8
CEPS (INR)	0.0	0.1	0.1	-0.1
DPS(INR)	0.0	0.0	0.0	0.0

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBIDTA	na	na	na	(0.20)
EBIT	na	na	na	(6.2)
PAT	na	na	na	(7.3)

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
EBT	**-**	**116**	**94**	**(444)**
Depreciation & amortisation	-	2	2	377
Interest expense	-	1	130	730
Interest / Dividend Recd	-	277	618	675
Other Adjustments	-	(592)	4,197	(2,147)
(Inc)/Dec in working capital	-	6,200	219	(6,692)
Tax paid	-	(101)	(172)	(58)
CF from operating activities	**-**	**5,904**	**5,087**	**(7,558)**
Capital expenditure	(262)	(4,254)	(10,309)	(580)
(Purchase) /Sale of Investments	(333)	(1,426)	1,269	446
Income from investments	(7,244)	279	(5,412)	1,446
CF from investing activities	**(7,839)**	**(5,401)**	**(14,452)**	**1,312**
Inc/(Dec) in share capital	4,280	7,266	52	4,987
Inc/(Dec) in debt	4,663	(423)	7,611	1,773
Dividends & Interest paid	-	(1)	(130)	(730)
CF from financing activities	**8,943**	**6,843**	**7,534**	**6,030**
Net cash flow	**1,104**	**7,345**	**(1,831)**	**(217)**
Opening balance	-	1,104	8,449	6,618
Closing balance	**1,104**	**8,449**	**6,618**	**6,401**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	na	na	na	na
EBIDTA	na	na	na	na
PAT	na	na	na	na
EPS	na	na	na	na

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
P/E	na	na	na	(111.3)
P/BV	5.6	3.6	3.6	3.1
EV/EBIDTA	na	(292.9)	(143.1)	(4633.8)
EV/Sales	na	na	na	9.2

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	0.0	0.4	0.4	(2.8)
Roce (%)	0.0	(1.0)	(1.6)	(1.3)
Debt/Equity (x)	1.1	0.3	0.9	0.8
EBIT/ Interest (x)	na	(209.7)	(3.0)	(0.5)

Source: Company Antique

Reliance Infrastructure Limited

CMP : INR607

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Market data

Sector	:	Utilities
Market Cap (INRbn)	:	177
Market Cap (USDbn)	:	4
O/S Shares	:	267
Free Float (m)	:	114
52-wk HI/LO (INR)	:	1225/492
Avg Daily Vol ('000)	:	907
Bloomberg	:	RELI IN
Reuters	:	RLIN.BO

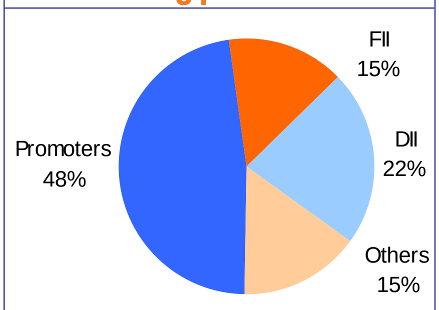
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(11)	13	(42)	(39)
Relative	(6)	8	(35)	(44)

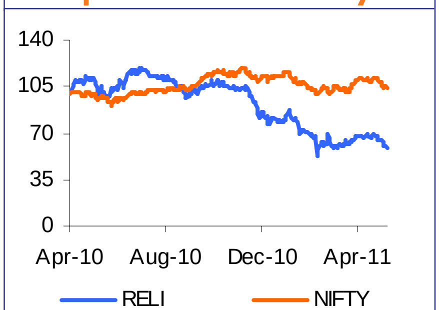
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

EPC Business

Order book of EPC business stands at INR307bn at the end of FY11 while the order book stood at INR240bn at the end of FY10. The order pipeline is healthy with lot of big ticket internal projects like Mumbai Metro 2 (project cost of INR110bn) and power plants of more than 15GW to be awarded in near future.

Reliance Infrastructure Ltd. earns an EBITDA margin of 8-10% from its EPC business which is lowest among the industry and management expects the same to be sustainable and expects similar margin going forward in the business.

Delhi Metro's Airport Express Line

The link has been operational since February 2011. The traffic on the line has been better than management expectation. Management expects traffic to touch 35,000 - 39,000 passenger by end of this year.

Company has 6000 sq m of plot at Dwarka and New Delhi stations which was envisaged to be developed with a FSI of 1x. As FSI for these area has been increased by local authorities to 2x, it has applied to local authorities for a FSI of 2x and company expects to get an approval of FSI of atleast 1.5x.

Company has leased out space to KFC and CCD at 5 stations at a rate of more than INR625 sq ft/month. The rate has been higher than comparable rates in vicinity as the stores will be opened 24X7 hours and due to their locational advantage.

Mumbai Metro Line 1 and 2 Project:

Company has been allotted 1000 sq m of real estate at 12 stations. The income from monetisation of these real estate parcels and advertisement is expected to be very lucrative due to their locational advantages. The line is expected to be operational by December 2011, much ahead of deadline of September 2012.

Company has been developing in house capabilities to execute EPC projects on its own. To achieve this objective, Company's engineers have been deployed at Metro 1 Project along with agencies executing the project. This should help company to execute the EPC work for Mumbai Metro 2 in-house.

Valuation

At CMP of INR607, stock is trading at 9.8x FY10 earnings and 3.6x FY10 book value.

Quarterly financials (consolidated)

INRm	Jun-10	Sep-10	Dec-10
Revenue	38,237	40,427	37,440
EBITDA	4,080	6,174	5,581
EBITDA mgn (%)	10.7	15.3	14.9
PAT	3,753	3,602	4,052
PAT growth (%)	5.5	10.8	10.1
EPS(INR)	10.1	7.0	6.8

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	57,100	83,429	126,320	146,286
PAT	8,015	11,403	12,591	11,978
RoE (%)	9.4	9.2	7.9	6.6
EPS(INR)	35.1	51.5	59.1	62.0
PE (x)	17.3	11.7	10.2	9.8
PB (x)	7.4	4.4	4.0	3.6

Source: Company

Key takeaways

Delhi Metro's Airport Express Line

Company has leased out spaces to KFC and CCD at a rate of more than INR625 sq ft/ month. Management expects achieve similar rates for area which is yet to be leased. The rate would always be higher than comparable rates in the vicinity as the stores will be opened 24x7 hours and due to their locational advantage.

There is a sixth station being added by GMR at their cost, which will be handed over to the company. The station will cater to the aerotroppolis being planned by GMR outside of Delhi airport.

Mumbai Metro Line 1 and 2 Project

Company has been allotted 1000 sq m of real estate for monetisation at 12 stations. The advertisement spend and retail space is expected to be very lucrative due to the locational advantages of these stations. The hurdles in the project has been more or less solved and management expects line to be operational by December 2011, much ahead of deadline of September 2012. Company expects traffic of 0.6m passenger per day in initial stage which is expected to reach 1.1m passenger per day in 3-4 years.

Company has achieved financial closure for Mumbai Metro 2 project and expects to start construction by the end of this year. The construction of the entire stretch is expected to take 4 years.

Airport Business

Company has entered into 95 years agreement with state government to develop, operate and maintain 5 brownfield airports in Maharashtra. There were zero flights when company took over the operations of these projects. Now there are 125 commercial flights per month from these airports. There are lot of charter flights apart from regular Kingfisher, Go and Jet Airlines flight to these airports.

Company has achieved turnaround in all of these 5 loss making airports and expects to achieve breakeven at EBITDA level in FY11e. These airports should start contributing to bottomline from FY12e. However, the contribution from these will be marginal to the overall profitability.

Other highlights

Company expects to enter into concession agreement with MMRDA at Haji Worli Sea Link by July 2011 and expect to start construction in few months. The construction of the said link is expected to take four years.

Overall, the three businesses of Reliance Infrastructure, EPC, Metro projects and Transmission projects are expected to contribute equally to turnover by FY13e.

Delhi discom business has been facing liquidity problems and banks are unwilling to fund the same as there has been no commensurate tariff hike for last couple of years. Management has filed the petition to DERC in March 2011 and expects a significant tariff hike of upto INR2/Kwh on immediate basis to resolve the problem.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**57,100**	**83,429**	**126,320**	**146,286**
Expenses	52,125	77,953	120,022	134,023
EBITDA	**4,975**	**5,476**	**6,299**	**12,263**
Depreciation & amortisation	2,401	3,074	3,304	4,724
EBIT	**2,575**	**2,402**	**2,995**	**7,539**
Interest expense	2,503	4,020	4,394	5,251
Other income	8,653	13,980	14,774	11,188
Profit before tax	**8,724**	**12,362**	**13,375**	**13,476**
Taxes incl deferred taxation	710	958	784	1,498
Profit after tax	8,015	11,403	12,591	11,978
Adjusted profit after tax	**8,015**	**11,403**	**12,591**	**11,978**
Recurring EPS (INR)	**35.1**	**51.5**	**59.1**	**62.0**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	2,286	2,356	2,261	2,449
Reserves & Surplus	91,107	161,231	166,715	204,591
Networth	**93,392**	**163,587**	**168,976**	**207,041**
Debt	58,583	59,036	101,054	85,839
Capital Employed	**151,976**	**222,624**	**270,030**	**292,879**
Gross Fixed Assets	58,984	81,445	101,074	117,482
Accumulated Depreciation	(30,825)	(39,001)	(46,380)	(51,683)
Net Assets	**28,159**	**42,444**	**54,694**	**65,799**
Capital work in progress	2,885	7,742	35,582	46,387
Investments	25,119	117,617	159,364	136,591
Current Assets, Loans & Advances				
Inventory	2,927	4,095	5,606	3,898
Debtors	10,564	16,504	19,278	22,496
Cash & Bank balance	21,759	1,154	4,583	4,494
Loans & advances and others	92,894	75,075	66,229	101,511
Current Liabilities & Provisions				
Creditors	22,466	30,962	59,129	70,421
Other liabilities & provisions	7,306	7,854	12,949	15,159
Net Current Assets	**98,373**	**58,011**	**23,618**	**46,819**
Deferred tax assets/(liabilities)	(2,559)	(3,191)	(3,229)	(2,716)
Application of Funds	**151,976**	**222,623**	**270,030**	**292,879**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	1,143	1,178	1,130	1,225
BVPS (INR)	82	139	149	169
CEPS (INR)	9.1	12.3	14.1	13.6
DPS (INR)	5.8	14.6	19.2	7.1

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	23.1	11.2	6.2	10.8
EBIT	16.7	5.7	0.9	4.9
PAT	12.1	7.5	3.8	4.8

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
EBIT	**2,575**	**2,402**	**2,995**	**7,539**
Depreciation & amortisation	2,401	3,074	3,304	4,724
Interest expense	(2,503)	(4,020)	(4,394)	(5,251)
(Inc)/Dec in working capital	11,044	2,703	9,340	(5,000)
Tax paid	(1,560)	(2,072)	(2,072)	(404)
CF from operating activities	**11,956**	**2,087**	**9,179**	**1,684**
Capital expenditure	(73,654)	(38,580)	(13,786)	(22,107)
Inc/(Dec) in investments	(4,308)	(2,885)	(17,600)	4,817
Income from investments	8,653	13,980	14,774	11,188
CF from investing activities	**(69,310)**	**(27,485)**	**(16,578)**	**(6,102)**
Inc/(Dec) in share capital	7,942	5,684	603	2,362
Inc/(Dec) in debt	19,460	7,001	11,783	3,959
Dividends paid	(5,430)	(1,410)	(1,701)	(2,005)
CF from financing activities	**21,972**	**11,275**	**10,685**	**4,316**
Net cash flow	**(35,383)**	**(14,123)**	**3,286**	**(103)**
Opening balance	57,142	15,275	1,154	4,583
Closing balance	**21,759**	**1,154**	**4,583**	**4,494**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	41.6	46.1	51.4	15.8
EBITDA	(33.4)	10.1	15.0	94.7
PAT	23.2	42.3	10.4	(4.9)
EPS	14.5	47.0	14.7	4.9

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
P E	17.3	11.7	10.2	9.8
P/BV	7.4	4.4	4.0	3.6
EV/EBITDA	15.2	13.8	12.0	6.1
EV/Sales	1.9	1.3	0.9	0.6
Dividend Yield (%)	1.0	2.4	3.2	1.2

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE	9.4	9.2	7.9	6.6
RoCE	5.8	6.0	5.0	4.2
Debt/Equity (x)	0.5	0.6	0.4	0.6
EBIT/Interest (x)	1.0	0.6	0.7	1.4

Source: Company Antique

S. Kumars Nationwide Limited

CMP : INR67

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Market data

Sector	:	Textiles
Market Cap (INRbn)	:	19
Market Cap (USDm)	:	432
O/S Shares	:	285
Free Float (m)	:	147
52-wk HI/LO (INR)	:	97 / 48
Avg Daily Vol ('000)	:	2,006
Bloomberg	:	SKNL IN
Reuters	:	SKMK.BO

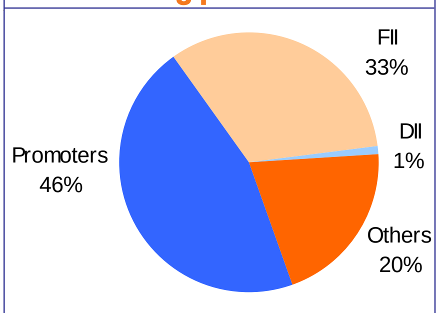
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	17.4	2.2	(15.1)	(5.3)
Relative	20.5	(0.3)	(8.2)	(13.0)

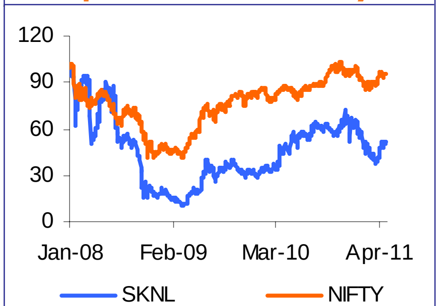
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takeaways

Strong brand portfolio

S. Kumar's Nationwide Ltd. (SKNL), alongwith its overseas operations, has one of the largest brand portfolio globally with a total of 45 brands (9 in India and 36 in overseas companies). These include 31 owned and 14 licensed brands. Included in the portfolio is the recently launched World Player which targets the economy segment in the apparel space.

Increasing share of apparels to revenues

The company has been able to increase the share of apparels to total revenues from 11% in FY09 to 25% in FY10. It expects the share to further increase to 50% of total revenues over the next 6-8 quarters. A higher share of garment in the revenue composition will also help lower the working capital requirements as the debtors and inventory cycle of garments is more favourable than fabrics.

Improved performance from HVFC expected in FY12e

The HVFC facility at Gujarat has stabilized and is expected to operate at optimum utilization levels in FY12e. The margins of this SBU are also expected to improve significantly over FY11e (9MFY11 margins of 13%) on back of stabilsation of the processing unit coupled with volume growth.

Price hikes undertaken to offset increasing raw material costs

Cotton prices were on a firm trend and touched a peak of ~INR60,000/candy before correcting by ~15-17% over the last few weeks. However, SKNL was able to mitigate the impact of higher cotton as well as other raw material costs by successfully passing on the same to its customers.

Performance of overseas SBU's expected to improve

The management expects the performance of overseas operations at HMX, Leggiuno and SKNL UK to improve over FY11e on back of higher volumes and possible synergies with the domestic operations.

Valuation

At the CMP of INR67, the stock trades at a P/E and EV/EBIDTA of 8.8x and 5.6x respectively, discounting its FY10 numbers.

Quarterly financials (consolidated)

INRm	Jun-10	Sep-10	Dec-10
Revenue	11,912	12,114	13,526
EBIDTA	2,210	2,376	2,602
EBIDTA mgn (%)	18.6	19.6	19.2
PAT	627	639	797
PAT growth (%)	22.5	9.3	18.1
EPS (INR)	2.7	2.4	3.0

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Revenue	12,295	17,486	22,604	38,609
PAT	1,071	2,056	1,766	2,290
RoE (%)	23.1	26.0	14.9	15.2
EPS (INR)	3.6	6.9	5.9	7.7
PE (x)	18.9	9.8	11.4	8.8
PB (x)	4.6	2.5	1.3	1.0

Source: Company

For HMX, SKNL expects the performance in FY12e to improve over FY11e as it would benefit from the cost restructuring measures undertaken as well as increasing volumes.

SKNL expects to synergise the HMX operations with RTIL's Mysore facility in FY12e, thereby providing assured offtake to RTIL and competitive sourcing to HMX.

For Leggiuno, the improvement in operational performance would largely accrue from volume growth. Leggiuno operations would also provide synergies to the recently commissioned HVFC facility at Gujarat and can provide an annual offtake of ~3.5m mtrs.

SKNL has entered into a JV with Donna Karan International (DKI) to design, manufacture and sell the DKNY menswear range globally (ex-Japan) till 2015. Housed in the subsidiary SKNL UK, SKNL will hold 80% while the balance will be held by LVMH. Presently, SKNL is outsourcing the apparel manufacturing which it plans to shift to its own manufacturing units going forward.

Reid & Taylor (India) Ltd. (REIL), where SKNL holds 74.6% stake, plans to raise ~INR10bn of which ~INR5bn will be fresh issue while the balance will be an offer for sale from SKNL and Indivest Pte (an affiliate of GIC). SKNL plans to utilise the proceeds for debt repayment.

The company plans to subsidarise 'Belmonte division', into a wholly owned subsidiary Belmonte Retails. The fabric and apparel brand caters to the mid-premium segment. SKNL is also looking for a stake sale to a strategic investor in the subsidiarised company and utilise the proceeds for debt repayment.

As on December 2010, the company had a debt of INR31.75bn. It expects the debt levels to peak in FY12e as it will pare its debt levels from the proposed RTIL IPO as well as a planned stake sale in Belmonte Retails.

Domestic brand portfolio

	Fabric	Apparel
Economy	S.kumars	World Player
Mid Price	Belmonte	Belmonte
Premium	Reid & Taylor, Baruche	Reid & Taylor, Kruger
Super Premium	-	Stephens Brothers

Source: Company

International brand portfolio

	HMX	DKI	Leggiuno
Moderate	Jack Nicklaus Golf, Pierre Cardin, Palm Beach, Sansabelt		
Accessible Luxury	Hart Schaffner Marx, Bobby Jones, Jag Jeans, Exclusively Misook, Coppley, Monarchy	DKNY	
Luxury	Hickey Freeman		Leggiuno

Source: Company

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	12,295	17,486	22,604	38,609
Expenses	10,001	13,651	18,011	31,057
Operating Profit	**2,294**	**3,835**	**4,593**	**7,552**
Other income	99	105	159	-
EBIDT	**2,393**	**3,941**	**4,751**	**7,552**
Depreciation	439	426	442	813
Interest expense	609	893	1,388	2,492
Profit before tax	**1,345**	**2,621**	**2,921**	**4,247**
Taxes incl deferred taxation	113	561	1,534	1,474
Profit after tax before MI & EO Items	**1,232**	**2,061**	**1,387**	**2,772**
Extra ordinary Items	161	5	(564)	-
Minority Interest	-	-	186	483
Profit after tax	**1,071**	**2,056**	**1,766**	**2,290**
Diluted EPS (INR)	**3.6**	**6.9**	**5.9**	**7.7**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Share Capital	1,927	2,100	2,234	2,365
Preference Share Capital	1,690	1,698	869	764
Reserves & Surplus	2,437	5,956	13,253	17,111
Networth	**6,055**	**9,754**	**16,356**	**20,240**
Minority Interest	-	-	2,304	3,368
Debt	11,930	13,950	18,042	27,588
Deferred Tax Liability	-	41	110	1,503
Capital Employed	**17,984**	**23,746**	**36,813**	**52,699**
Gross Fixed Assets	6,388	5,617	8,517	22,583
Accumulated Depreciation	3,556	1,802	2,174	2,988
Net Assets	**2,832**	**3,815**	**6,343**	**19,596**
Capital work in progress	2,959	5,404	6,658	300
Goodwill	0	0	1,011	1,248
Investments	14	14	38	14
Current Assets, Loans & Advances				
Inventory	5,037	5,795	8,080	13,073
Debtors	6,087	8,014	12,045	17,169
Cash & Bank balance	145	112	1,090	1,321
Loans & advances and others	2,570	2,891	6,345	6,817
Current Liabilities & Provisions				
Creditors	1,436	1,520	2,303	2,829
Other liabilities & provisions	232	778	2,492	4,009
Net Current Assets	**12,170**	**14,513**	**22,764**	**31,541**
Misc.Expenses	9	-	-	-
Application of Funds	**17,984**	**23,746**	**36,813**	**52,699**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	193	210	223	237
BVPS (INR)	14.7	27.1	52.1	65.5
CEPS (INR)	7.8	11.8	9.9	13.1
DPS (INR)	-	-	-	-

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	18.7	21.9	20.3	19.6
EBIT	15.9	20.1	19.1	17.5
PAT	8.7	11.8	7.8	5.9

Source: Company

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
EBT	**1,345**	**2,621**	**3,493**	**4,247**
Depreciation & amortisation	439	426	442	813
Interest expense	609	893	1,388	2,492
Interest / Dividend Recd	(8)	(22)	(98)	-
Other Adjustments	(67)	119	156	-
Minority Interest	-	-	-	1,064
(Inc)/Dec in working capital	(2,415)	(2,724)	(7,429)	(8,736)
Tax paid	(7)	(297)	(1,109)	(81)
CF from operating activities	**(104)**	**1,016**	**(3,157)**	**(202)**
Capital expenditure	(2,432)	(3,851)	(3,667)	(7,709)
Net Investments	104	0	(1,024)	(23)
Interest / Dividend Recd	8	22	98	-
CF from investing activities	**(2,319)**	**(3,828)**	**(4,593)**	**(7,732)**
Inc/(Dec) in eq. share capital	2,706	1,645	7,890	1,217
Inc/(Dec) in pref. share capital	180	8	(828)	(106)
Inc/(Dec) in debt	154	2,021	2,981	9,546
Dividends & Interest paid	(609)	(893)	(1,388)	(2,492)
CF from financing activities	**2,431**	**2,780**	**8,655**	**8,165**
Net cash flow	**7**	**(33)**	**905**	**231**
Opening balance	177	145	112	1,090
Closing balance	**185**	**112**	**1,017**	**1,321**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	38.2	42.2	29.3	70.8
EBITDA	68.3	67.2	19.7	64.4
PAT	6.1	92.0	(14.1)	29.7
EPS	6.1	92.0	(14.1)	29.7

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	18.9	9.8	11.4	8.8
P/BV	4.6	2.5	1.3	1.0
EV/EBITDA	10.4	7.1	6.8	5.6
EV/Sales	2.0	1.6	1.4	1.1
Dividend Yield (%)	0.0	0.0	0.0	0.0

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	23.1	26.0	14.9	15.2
RoCE (%)	15.1	22.7	18.2	15.2
Debt/Equity (x)	2.0	1.4	1.1	1.4
EBIT/Interest (x)	3.2	3.9	3.1	2.7

Source: Company

Sterlite Technologies Limited

CMP : INR59

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Market data

Sector	:	Cables
Market Cap (INRm)	:	21,151
Market Cap (USDm)	:	472
O/S Shares	:	356
Free Float (m)	:	114
52-wk HI/LO (INR)	:	124/45
Avg Daily Vol ('000)	:	1,121
Bloomberg	:	SOTL IN
Reuters	:	STTE.BO

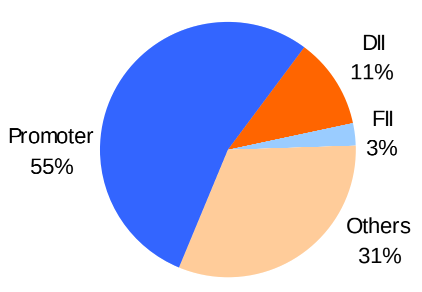
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(10)	10	(29)	(41)
Relative	(5)	7	(20)	(45)

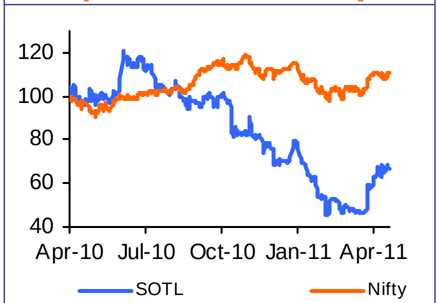
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Key takewaways

FY11 a disappointing year

Sterlite Technologies Limited's (STL) performance in FY11 was below par primarily due to macro weakness in both verticals. The power conductors (PC) business suffered due to absence of order flow from PGCIL, while the telecom solutions (TS) business consisting of Optical Fiber (OF), Fiber Optic Cable (OFC) and System Integration slowed down due to the stagnation of global demand.

Going forward, demand scenario looking good

A spillover from the 2HFY11 will continue in 1QFY12, with execution of low margin orders in the PC business. However, in the Telecom, Products & Solutions (TS) business, OF prices are on a temporary upmove, which could fetch realisations of ~USD8/km - this should sustain over the next couple of quarters on account of the downtime of Japanese OF manufacturers affected during the recent earthquake.

Going forward, outlook for both businesses is robust as PGVIL has started awarding tenders in the PC space, with FY11's order backlog being awarded in FY12e. In the TS business, Chinese demand has shown a mild uptick, while penetration in new geographies is enabling STL to improve despatches consistently.

Capex on track, order booking back on track

The company is currently undertaking capex of INR2bn in FY12e, to take its PC capacity to 200,000mt by the end of the year and install the equipment to take its OF capacity to 16m Fkm by FY12e and 20m Fkm by FY14e.

The current order book stands at INR22bn, with INR18bn for the PC vertical and INR4bn for the TS vertical. The tonnage for the PC orders is ~140,000mt, of which ~120,000mt will be despatched in FY12e. The company is also L1 in INR4bn worth of orders in the PC space, which should flow into its order book in 1HFY12e.

Valuation

At the CMP of INR59, STL is trading at a P/E of 15x and EV/EBIDTA of 9.2x discounting its FY11 earnings.

Quarterly financials

INRm	Sep-10	Dec-10	Mar-11
Revenue	5,094	5,791	6,822
EBITDA	906	431	490
EBITDA margin (%)	13.7	7.4	7.2
PAT	576	171	103
PAT growth (%)	5.3	(76.8)	(85.7)
EPS (INR)	1.6	0.5	0.3

Source: Company

Key financials

INRm	FY08	FY09	FY10	FY11
Revenues	16,858	22,892	24,316	22,626
Profit after tax	1,007	902	2,461	1,405
RoE (%)	21.1	15.5	32.0	14.4
EPS (INR)	2.7	2.4	6.6	3.8
PE (x)	9.5	10.6	8.6	15.0
PB (x)	1.8	1.5	2.3	2.0

Source: Company

PGCIL, the country's largest consumer of transmission conductors, failed to release any orders in 2HFY11 due to an operational revamp. Faced with the prospect of idling capacities, STL opted for higher utilisation levels at the cost of margins. The management clarified that none of the short cycle orders it accepted were loss making and that there was no cash burn.

As a result, EBIIDTA in this vertical stood between INR8-9/kg (vs. historical levels of INR12-13/kg). Despite a capacity increase from 150,000mt to 160,000mt in FY11, despatches were flat at 125,000mt in the fiscal.

In the TS business, the stagnation of demand in China coupled with the significant appreciation in the INR contributed to the decline in margins. Realisations in this business dropped from USD8.2/Fkm (FY10) to USD7.5/km due to intense competition in China, the global leader in OF/OFC consumption. While STL improved its volumes from ~8m Fkm (FY10) to 8.8m Fkm (FY11) and managed to retain its margin of ~USD2/Fkm, the appreciation of the INR played spoilsport.

Consequently, STL reported revenues of INR22.7bn (-7% YoY), EBIDTA of INR2.7bn (-12% YoY) and net profits of INR1.4bn (-43% YoY).

During FY11, STL has broad-based its client profile in both verticals. In the PC business, it has reduced its dependence on PGCIL from 100% in FY06 to ~45% in FY11. It has made significant inroads in tapping clientele in the private sector viz. companies setting up transmission networks to set up generation capacities.

In the TS business, it has made inroads into Europe (Denmark, UK, Sweden) and Latin America (Brazil, Mexico), markets in which the company was not present earlier.

The company has expanded its capacities in both verticals, incurring capex of INR2.5bn in FY11. Capacities currently stand at 160,000mt in PC and 12m Fkm in OF.

Net debt on the books stood at ~INR4.7bn (v/s ~INR1.8bn in FY10), with no project based/term loans. This is primarily on account of increase in commodity prices, which has increased the cost of the working capital cycle for the company. STL has confirmed that its EBIDTA margins in both verticals are reverting back to historical averages, but the recovery will be evident from 2QFY11.

Capacity utilisation in the PC business over FY12e and FY13e should be ~80% and 90%, respectively. There is strong visibility of order flow with robust margins and historical profitability will be restored from 2QFY11.

Capacity utilisation in the TS business over FY12e and FY13e should be ~75% and 90% respectively. While historical highs of USD8/km do not seem sustainable, the margin of USD2/km will be maintained. Despite the threat of stagnation of demand from China, the incremental despatches will be achieved on back of penetration of newer markets. Consolidation in Europe (Prysmian taking over Draka) has opened the doors for STL, as OFC consumers are scrambling to reduce vendor concentration.

For its transmission projects, it has outlined an investment of INR38bn over the next 4 years, with an equity contribution of INR9bn over the same period. STL has expressed confidence that its cash flows, after accounting for capex of INR2bn in FY12, will suffice and that there will be no dilution of equity for this purpose.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2008	2009	2010	2011
Revenues	**16,858**	**22,892**	**24,316**	**22,626**
Expenses	14,926	20,572	20,506	19,969
Operating Profit	**1,932**	**2,320**	**3,810**	**2,656**
Other income	41	37	229	160
EBIDT	1,973	2,357	4,039	2,816
Depreciation	372	425	483	560
Interest expense	360	880	381	474
Profit before tax	**1,241**	**1,052**	**3,175**	**1,782**
Taxes incl deferred taxation	297	172	714	377
Extra ordinary Items	(63)	(21)	-	-
Profit after tax	**1,007**	**902**	**2,461**	**1,405**
Recurring EPS (INR)	**2.7**	**2.4**	**6.6**	**3.8**

Balance sheet (INRm)

Year ended 31st Mar	2008	2009	2010	2011
Share Capital	322	323	711	711
Reserves & Surplus	5,073	5,887	8,449	9,648
Networth	**5,395**	**6,209**	**9,160**	**10,359**
Debt	6,632	4,966	3,582	6,198
Deferred Tax Liability	381	560	602	660
Capital Employed	**12,408**	**11,735**	**13,344**	**17,217**
Gross Fixed Assets	9,189	9,762	10,946	12,746
Accumulated Depreciation	3,950	4,309	4,682	5,242
Net Assets	**5,239**	**5,453**	**6,264**	**7,504**
Capital work in progress	362	1,114	570	1,165
Investments	60	920	1,061	1,089
Current Assets, Loans & Advances				
Inventory	2,194	1,004	1,709	1,914
Debtors	5,191	5,459	6,290	8,665
Cash & Bank balance	891	779	2,097	1,301
Loans & advances and others	1,689	2,012	1,567	3,503
Current Liabilities & Provisions				
Creditors	2,347	2,679	4,422	7,558
Other liabilities & provisions	871	2,326	1,792	366
Net Current Assets	**6,747**	**4,248**	**5,448**	**7,459**
Application of Funds	**12,408**	**11,735**	**13,344**	**17,217**

Per share data

Year ended 31st Mar	2008	2009	2010	2011
No. of shares (m)	64	65	142	142
BVPS (INR)	83.7	96.2	64.4	72.8
CEPS (INR)	21.4	20.6	20.7	13.8
DPS (INR)	0.4	0.5	0.5	0.5

Margins (%)

Year ended 31st Mar	2008	2009	2010	2011
EBITDA	11.5	10.1	15.7	11.7
EBIT	9.5	8.4	14.6	10.0
PAT	6.0	3.9	10.1	6.2

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2008	2009	2010	2011
PBT	**1,305**	**1,073**	**3,175**	**1,782**
Depreciation & amortisation	372	425	483	560
Interest expense	360	880	381	474
Interest / Dividend Recd	-	(5)	(117)	(160)
Other Adjustments	42	144	39	-
(Inc)/Dec in working capital	(1,418)	2,383	59	(2,807)
Tax paid	(80)	(144)	(550)	(317)
CF from operating activities	**580**	**4,755**	**3,469**	**(468)**
Capital expenditure	(1,101)	(1,372)	(647)	(2,395)
(Purchase) / Sale of Investments	28	(752)	(1,717)	(28)
Income from investments	(208)	71	114	160
CF from investing activities	**(1,281)**	**(2,053)**	**(2,250)**	**(2,263)**
Inc/(Dec) in share capital	252	0	691	-
Inc/(Dec) in debt	765	(1,702)	(1,385)	2,616
Dividends & Interest paid	(423)	(1,005)	(502)	(682)
CF from financing activities	**595**	**(2,707)**	**(1,195)**	**1,934**
Net cash flow	(106)	(4)	24	(797)
Opening balance	**131**	**24**	**20**	**44**
Closing balance	**24**	**20**	**44**	**(753)**

Growth indicators (%)

Year ended 31st Mar	2008	2009	2010	2011
Revenue	40.7	35.8	6.2	(7.0)
EBITDA	75.3	20.1	64.2	(30.3)
PAT	98.1	(10.5)	172.9	(42.9)
EPS	98.1	(10.5)	172.9	(42.9)

Valuation (x)

Year ended 31st Mar	2008	2009	2010	2011
P E	9.5	10.6	8.6	15.0
P/BV	1.8	1.5	2.3	2.0
EV/EBITDA	7.8	5.5	5.3	9.2
EV/Sales	0.9	0.6	0.9	1.1
Dividend Yield (%)	0.7	0.8	0.8	0.8

Financial ratios

Year ended 31st Mar	2008	2009	2010	2011
RoE (%)	21.1	15.5	32.0	14.4
RoCE (%)	14.8	17.0	30.4	15.7
Debt/Equity (x)	1.2	0.8	0.4	0.6
EBIT/Interest (x)	4.4	2.2	9.3	4.8

Source: Company Antique

CMP : INR90

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Market data

Sector	:	Engineering
Market Cap (INRm)	:	7,867
Market Cap (USDm)	:	176
O/S Shares	:	90
Free Float (m)	:	11
52-wk HI/LO (INR)	:	197/83
Avg Daily Vol ('000)	:	18
Bloomberg	:	VSCN IN
Reuters	:	VASC.BO

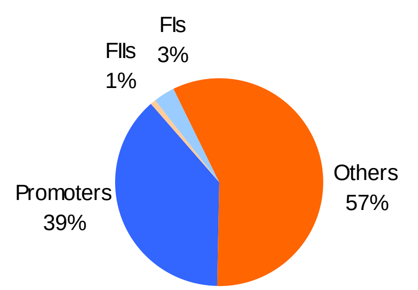
Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(17)	(9)	(46)	(43)
Relative	(14)	(15)	(40)	(47)

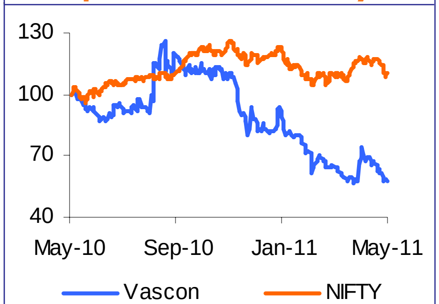
Source: Bloomberg

Shareholding pattern



Source: BSE

Price performance *vs* Nifty



Source: Bloomberg

Vascon Engineers Limited

Key takeaways

Niche operational skills

Vascon Engineers Limited. (Vascon) commenced operations as a civil contracting firm over 25 years ago and has scaled up to emerge as a niche EPC player. It has also built up sizeable presence in real estate & hospitality segment. It has not only built a strong presence in the state of Maharashtra, but has also expanded its footprint throughout India; both in the EPC & real estate segment.

Within the EPC segment, which is its mainstay business, Vascon has construction exposure across residential and commercial buildings as well as IT Parks. It has executed over 190 projects with construction area in excess of 25msf.

It currently has an order book of 41msf of ~INR41.1bn. With this expertise, Vascon has been successful in leveraging its strength in the real estate business; with project portfolio aggregating 740 acres with developable area of 66msf.

Has a good bouquet of real estate and hospitality business

The company has also built up a reasonably profitable presence in real estate. It has a developable area of 66msf within which residential segment accounts for almost three-fourth. It's business model is risk averse as compared to focussed real estate players as it has almost 35msf through JDA & another 27msf through various JVs.

It also has made forays into the hospitality and has four operational hotels totalling 483 keys (2 each in Pune and Goa), with another two totalling 294 keys in pipeline (one each in Pune and Coimbatore). Vascon has entered into agreements with renowned brands like Hyatt and Holiday Inn to operate some of these assets.

Order book

Its EPC order book stands at INR41.1bn with a backlog of INR27.3bn. Geographically, Maharashtra dominates the portfolio with a 63% share, with the split between residential & commercial being 38% & 34% share respectively.

Valuation

At the CMP of INR90, the stock trades at a P/E and EV/EBIDTA of 15.5x and 86.4x discounting its FY10 numbers.

Quarterly financials (consolidated)

INRm	Jun-10	Sep-10	Dec-10
Revenue	2,029	2,056	2,147
EBITDA	254.7	119.2	159.9
EBITDA mgn (%)	12.6	5.8	7.4
PAT	138.4	177.7	55.5
PAT growth (%)	0.5	28.4	-68.8
EPS (INR)	1.6	1.9	0.6

Source: Company

Key financials (consolidated)

INRm	FY07	FY08	FY09	FY10
Net revenue (INRmn)	3,963	6,315	5,555	7,990
PAT (INRmn)	465	596	192	522
RoE (%)	18.7	19.3	4.9	7.9
EPS (INR/share)	13.1	8.2	2.5	5.8
PE (x)	6.9	11.0	35.5	15.5
EV/EBITDA (x)	54.5	64.8	111.0	86.4

Source: Company

In the real estate business, Vascon has a total project portfolio of 740 acres and a developable area of 66msf. Of the above, economic interest attributable to Vascon is 38.3msf, of which land owned by the company is 2.9 msf, development through JDA is 22.6 msf, JV is 12.6 msf & JDA with JV is 3 msf. Estimated project schedule & revenue recognition in the books of accounts would be as follows, FY12e -0.51msf, FY13e - 2.9msf, FY14e - 4.1msf, FY15e - 9.5msf and FY16e - 21.5msf.

In order to tap the lucrative hospitality segment, company is aiming to own & operate portfolio of projects by tapping the demand in & around real estate development. At present, it is working on six projects across Pune, Coimbatore and Goa.

The hospitality portfolio includes Vista Do Rio and Galaxy resorts in Goa; Golden Suits, Hyatt and Holiday Inn in Pune and one project in Coimbatore. Holiday Inn & Coimbatore are expected to be operational by FY12e & FY13e respectively.

Hospitality portfolio details

	Location	Holdings (%)	Category	No of keys	Operator	Operational
Vista Do Rio	Goa	100.0	3 Star	41	Self	Jan-99
Galaxy Resorts	Goa	49.0	3 Star	65	Royal Orchids	Jan-05
Golden Suits	Pune	50.0	3 Star	71	Royal Orchids	Jun-07
Hyatt	Pune	26.0	5 Star	306	Hyatt	Nov-10
Holiday Inn	Pune	27.5	5 Star	187	Holiday Inn	FY12e
Coimbatore	Coimbatore	70.0	4 Star	107	To be tied up	FY13e

Source: Company

In order to fully benefit from the Indian infrastructure story, company has adopted the following growth strategies

a. Expanding the geographical presence throughout India

b. Expanding the business verticals by tapping high growth potential sectors such as education, pharma & health care

c. By acquiring more general contracts & participating in bidding of full service contracts.

d. To improve the bottom line, company would be focusing on increased mechanization which would adhere to project timelines & help in reducing cost

e. To broad base its portfolio within the infrastructure segment, company is exploring entry into building bridges, small airports etc.

Financials

Profit and loss account (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Revenues	**3,963**	**6,315**	**5,555**	**7,990**
Expenses	3,358	5,265	4,919	7,033
Operating Profit	606	1,050	636	957
Other income	140	213	53	135
EBIDT	**746**	**1,263**	**688**	**1,092**
Depreciation	28	67	82	78
Interest expense	39	184	290	250
Profit before tax	**679**	**1,012**	**316**	**764**
Taxes incl deferred taxation	213	417	124	242
Profit after tax before MI & EO Items	466	595	192	522
Extra ordinary Items	(1)	1		
Minority Interest			(0)	0
Profit after tax	**465**	**596**	**192**	**522**
Diluted EPS (INR)	**13**	**8**	**3**	**6**

Balance sheet (INRm)

Year ended 31st Mar	2007	2008	2009	2010
Equity Share Capital	355	726	759	900
Share warrants	-	4	8	12
Reserves & Surplus	2,128	2,361	3,141	5,698
Networth	**2,483**	**3,091**	**3,908**	**6,611**
Minority Interest	54	74	74	74
Debt	1,274	3,225	2,506	2,168
Deferred Tax Liability	6	(1)	(2)	(7)
Capital Employed	**3,817**	**6,389**	**6,486**	**8,846**
Gross Fixed Assets	446	899	1,199	1,776
Accumulated Depreciation	96	152	226	275
Net Assets	**349**	**747**	**973**	**1,501**
Capital work in progress	260	53	135	269
Investments	466	1,011	807	1,674
Current Assets, Loans & Advances				
Inventory	1,814	2,318	2,964	3,230
Debtors	1,362	1,902	1,867	1,776
Cash & Bank balance	189	572	263	490
Loans & advances and others	1,668	3,106	3,210	3,774
Current Liabilities & Provisions				
Creditors	1,917	2,470	3,481	3,585
Other liabilities & provisions	375	851	251	284
Net Current Assets	**2,741**	**4,577**	**4,572**	**5,402**
Application of Funds	**3,817**	**6,389**	**6,486**	**8,846**

Per share data

Year ended 31st Mar	2007	2008	2009	2010
No. of shares (m)	355	726	759	900
BVPS (INR)	0.3	0.5	0.4	0.2
CEPS (INR)	0.1	0.2	0.1	0.1

Margins (%)

Year ended 31st Mar	2007	2008	2009	2010
EBITDA	15.3	16.6	11.4	12.0
EBIT	18.1	18.9	10.9	12.7
PAT	11.7	9.4	3.5	6.5

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31st Mar	2007	2008	2009	2010
PBT	**679**	**1,012**	**316**	**764**
Depreciation & amortisation	28	67	82	78
Interest expense	39	184	285	234
Interest / Dividend Recd	(16)	(25)	(49)	(72)
Other Adjustments	(17)	44	18	22
(Inc)/Dec in working capital	(489)	(1,481)	(64)	(172)
Tax paid	(155)	(500)	(200)	(178)
CF from operating activities	**69**	**(700)**	**388**	**677**
Capital expenditure	(334)	(315)	(220)	(102)
Net Investments	(794)	(538)	36	(833)
Income from investments	16	87	3	(60)
CF from investing activities	**(1,113)**	**(767)**	**(181)**	**(994)**
Inc/(Dec) in share capital	1,385	17	502	1,792
Inc/(Dec) in debt	(215)	1,954	(778)	(344)
Dividends & Interest paid	(40)	(249)	(239)	(349)
CF from financing activities	**1,130**	**1,722**	**(514)**	**1,098**
Net cash flow	**87**	**255**	**(307)**	**228**
Opening balance	102	189	572	263
Closing balance	**189**	**572**	**263**	**490**

Growth indicators (%)

Year ended 31st Mar	2007	2008	2009	2010
Revenue	159.5	59.3	-12.0	43.8
EBITDA	177.6	73.3	-39.5	50.6
PAT	220.8	28.3	-67.7	171.2
EPS	170.7	-37.3	-69.2	129.2

Valuation (x)

Year ended 31st Mar	2007	2008	2009	2010
PE	6.9	11.0	35.5	15.5
P/BV	269.6	178.3	232.9	367.2
EV/EBITDA	54.5	64.8	111.0	86.4
EV/Sales	8.3	10.8	12.7	10.3
Dividend Yield (%)	0.0	0.0	0.0	0.0

Financial ratios

Year ended 31st Mar	2007	2008	2009	2010
RoE (%)	18.7	19.3	4.9	7.9
RoCE (%)	20.2	18.9	9.5	11.8
Debt/Equity (x)	0.5	1.0	0.6	0.3
EBIT/Interest (x)	18.3	6.5	2.1	4.1

Source: Company Antique

Important Disclaimer:

ANTIQUE

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