

**STOCK DATA**

Market Cap	Rs82bn.
Book Value per share	Rs30
Eq Shares O/S (F.V. Rs.10)	602.9mn.
Median Vol (12 mths)	1.2mn(BSE+NSE)
52 Week High/Low	Rs 178/101
Bloomberg Code	IH@IN
Reuters Code	IHTL.BO

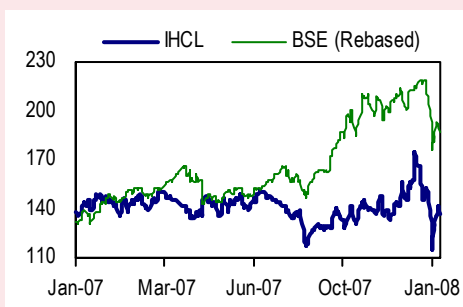
**SHAREHOLDING PATTERN (%)**

Qtr. Ended	Jun-07	Sep-07	Dec-07
Promoters	29.2	28.6	29.2
MFs/FIs	22.4	22.4	21.8
FIIIs	24.0	23.2	22.7
GDR	0.7	0.7	0.7
PCBs	4.1	4.3	5.4
Indian Public	19.6	20.8	20.2

**STOCK PERFORMANCE (%)**

	1M	3M	12M
Absolute	(13.4)	(4.2)	(6.8)
Relative	(4.7)	(2.1)	(30.9)

**STOCK PRICE PERFORMANCE**



**KEY HIGHLIGHTS**

**Indian Hotels Co. Ltd. (IHCL) reported a 16% YoY growth in revenues to ~Rs3.4bn for Q3FY08. Due to the onset of the peak season, revenue growth was driven by 15% YoY improvement in Average Room Realisations (ARR) and buoyancy in Food & Beverages (F&B) segment.**

**● ARRs rise while OR remains flat, F&B revenues jump**

While blended ARRs for IHCL stood at ~Rs12.2k (+15% YoY), occupancy rates (OR) across the group were flat YoY at 76%. Revenues were also boosted by higher income from F&B (+14% YoY to ~Rs1.2bn) and other operational streams viz. management contracts, shop rentals and value added services (+17% YoY to Rs432mn).

**● Higher interest outgo due to amalgamation & fresh debt**

The amalgamation of *Taj Land's End* with IHCL resulted in the latter assuming debt of ~Rs4bn. This along with borrowings of USD30mn for *Campton Place Hotel* (San Francisco) acquisition in Q4FY07 led to higher interest outgo and the same vaulted 64% YoY to Rs257mn.

**● Ambitious Capex Plans backed by fund raising of ~Rs20bn**

IHCL has announced plans to raise ~Rs20bn through 2 rights issues for financing its growth. Post this, the resultant equity would be Rs784mn. The proceeds are expected to be utilised for expansion, repayment of debt and investment in subsidiaries.

**VALUATION AND RECOMMENDATION**

*IHCL has ambitious expansion plans to further consolidate its leadership position in India and establish itself in international markets. For achieving this in a cost efficient manner in a shorter time-span, we expect that it would adopt an 'Asset-Light' model. This coupled with IHCL's brand positioning, management capability and execution skills, hold potential for improved asset sweating and capital efficiency despite the equity dilutions and extended gestation cycle. Hence, we reiterate our 'BUY' recommendation with a price target of Rs215 (cum-rights) with a 12 month investment horizon.*

**KEY FINANCIALS (STANDALONE)**

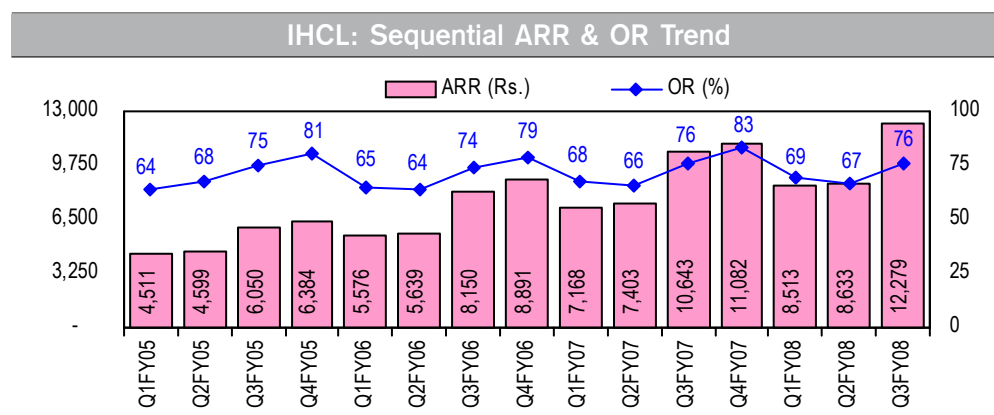
Rs mn	Quarter Ended			Yr Ended (March)				
	Jun-07	Sep-07	Dec-07	2005	2006	2007	2008E	2009E
Net Sales	3,465	3,414	5,206	8,476	11,162	15,446	18,790	20,915
YoY Gr (%)	19.8	15.7	14.6	27.4	31.7	38.4	21.6	11.3
Op Profits	1,096	989	2,447	1,817	3,115	5,615	7,609	9,056
Op. Marg (%)	31.6	29.0	47.0	21.4	27.9	36.4	40.5	43.3
Net Profits	548	532	1,346	1,058	1,838	3,224	4,326	5,225
Eq Capital	603	603	603	503	584	603	603	784

**KEY RATIOS**

	Yr Ended (March)				
	2005	2006	2007	2008E	2009E
Dil. EPS (Rs)	2.1	3.1	5.3	7.2	6.7
ROCE (%)	6.9	12.5	21.3	25.7	23.1
RONW (%)	10.5	12.9	18.3	22.1	16.7
P/E (x)	64.6	43.3	25.5	19.0	20.4
EV/Sales (x)	9.0	7.4	5.7	4.6	3.7
EV/EBIDT (x)	36.8	23.5	13.8	10.7	7.7

## PERFORMANCE OVERVIEW

IHCL's revenues in Q3FY08 rose to Rs5.2bn (+14.6% YoY) on the back of 15% YoY jump in ARR to Rs12,279, despite OR being flat (YoY) at 76%.



Source: Company

*Buoyant ARR (+15% YoY) boost room revenues...*

Steady OR of 76% (flat YoY) and a higher blended ARR of Rs12.2k resulted in room revenues rising 15% YoY to Rs2.9bn. The rise in ARR could be attributed to the steady flow of business travellers at key destinations like Mumbai (South & North), Delhi, Bangalore and Chennai. Additionally, the onset of the tourist season resulted in higher demand for rooms from foreign leisure travellers at destinations like Goa, Kerala and the Golden Triangle (Agra, Jaipur and Delhi).

*Festive season provides fillip to F&B income...*

The company's F&B income rose 12% YoY to Rs1.7bn in Q3FY08 on account of the onset of the festive season, which usually results in an uptrend in discretionary spending. Other operational income, consisting of revenues from the managed properties, shop rentals etc. also registered an improvement of 19% YoY to Rs576mn.

Benefits of operating leverage came to fore as revenue growth outstripped expense growth and the latter (as a % of revenues) declined 510bps YoY to 53.1%. The biggest drop was seen in payroll costs, which declined 240bps YoY (as a % of sales) to 14.7%, on account of a writeback in provisioning for staff welfare expenses. Thus, OPM expanded by 510bps YoY to 47%, leading to a 29% YoY improvement in operating profits to Rs2.4bn.

Other income exhibited a 71% jump to Rs65mn due to dividend on investments. On the capital charges front, net interest outflow rose 53% YoY to Rs239mn, on account of borrowings for the Hotel Campton Place (San Francisco) acquisition, assumption of Rs4.4bn debt due to Taj Land's End amalgamation and deployment of its cash hoard (USD90mn) for its Boston acquisition. Thus net profits for Q4FY08 stood at Rs1.3bn (+31% YoY).

### Recent Developments

1) *Orient Express Hotels*: IHCL acquired a 11% stake in *Orient Express Hotels Ltd* (OEHL), a NYSE listed company, for ~USD233mn in Sep'07. This was followed by an additional purchase of ~0.6% stake for ~USD14mn. OEHL owns/operates 49 properties across 25 countries and also operates 6 luxury train services and 2 river canal cruises (in France & Myanmar). It also has interests in real estate development, wherein it develops and sells luxury properties in close proximity to its hotel properties and earns a management fee for maintenance, upkeep and servicing of the same. IHCL has announced its intentions to forge a strategic alliance with OEHL for future operations, which the latter has declined. Due to lack of clarity on this front and accordingly have not factored in any impact and contribution from the same in FY08E & FY09E.

*Orient Express Hotels operates hotels, cruises & luxury train services ...*

Metrics for Orient Express Hotels Ltd. (USD mn)						
(USD mn)	2003	2004	2005	2006	2007	2008
Revenues	316	357	433	493	603	684
EBITDA	56	67	91	114	157	183
PAT	24	28	42	40	48	65
EPS (USD)	0.6	0.8	1.1	1.1	1.2	1.6

Source: Orient Express Hotels Ltd. Annual Reports, Bloomberg Consensus Estimates

2) *Rights Issue*: IHCL has secured approvals to raise capital through 2 simultaneous rights issues. The first entails issue of 1 equity share for every 5 shares held at Rs70/share. IHCL would garner Rs8.4bn through this, diluting its equity to Rs723mn.

The second issue of Rs6bn, entails the issuance of 3 year 6% Non-Convertible Debentures (NCD) of F.V. Rs100 in the ratio of 1 NCD for every 10 equity shares held. Additionally, each NCD would have a detachable warrant, exercisable in a price band of Rs130-150, within 12 months of issuance. Depending on the exercise price of the warrants, IHCL would mop up between Rs7.8-9bn.

2 rights issues totalling ~Rs23bn for capex & retirement of debt...

IHCL: Details of of Rights Issues (Rs mn)					
	Eq. Sh. Cap	Reserves	Debt	Total Raised	% Dilution
Current	603				
(+) Rights 1	121	8,320	-	8,441	20
(+) Rights 2	60	8,380	6,029	14,470	10
<b>Total Eq. Sh. Cap</b>	<b>784</b>	<b>16,700</b>	<b>6,029</b>	<b>22,910</b>	<b>30</b>

Source: IHCL Draft Red Herring Prospectus

At the end of both these rights issue, the total equity share capital of the company would stand at Rs784mn (30% dilution). The company has fixed 28th Feb'08 as the record date for the rights issues.

The objects of the rights issues are as follows:

IHCL: Objects of Rights Issues (Rs mn)		
Activity	Details	Cost
Greenfield Expansions	Ginger Hotels	1,200
	Taj Surya, Coimbatore (200 rooms)	770
	Taj Residency, Yeshwantpur, Blore (350 rooms)	1,600
Brownfield Expansions	Taj Land's End	763
Renovations	The Pierre	2,200
Debt Repayment	Various IHCL co.s	4,000
Replacement/ Renovation	IHCL Properties	1,700
<b>Total</b>		<b>12,233</b>

Source: IHCL Draft Red Herring Prospectus

## Sector Outlook

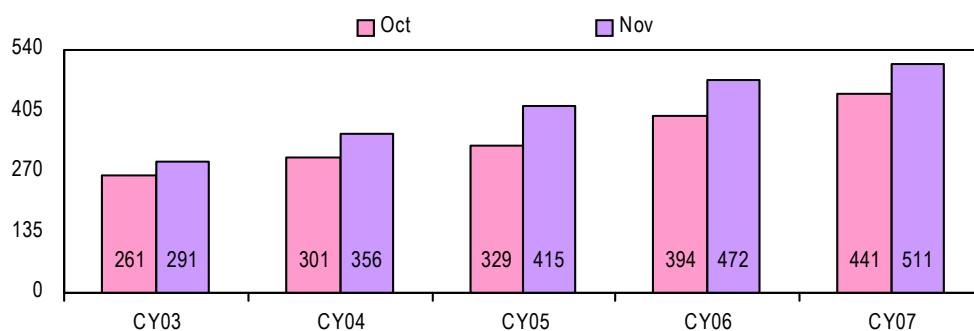
India received 951k foreign tourists in Oct-Nov'07, a YoY improvement of 10%. The country has played host to ~3mn foreign tourist till Nov'07, a YoY improvement of ~11%. While the above figures convey the robustness of the Indian hospitality sector, it is the sustained upsurge in domestic travellers (business and leisure) which is providing a fillip to the demand for hotel rooms and associated services like air travel, travel advisorial services and banqueting arrangements.

The peak season in the Indian hospitality calendar begins in Oct and peaks at the end of the calendar year (CY). Leisure travel, by both, domestic and international travellers, picks up during this period on account of seasonal holidays. Coming on top of the steady traffic of regular business travellers, there is a spike in demand for rooms in the sector. While the peak season demand from foreign tourists is concentrated on popular tourists circuits like the *Golden Triangle*, *Kerala* and *Goa*; demand from domestic tourists is usually spread across multiple destinations.

Peak season demand boosts collections and margins...

To capitalise on this seasonal surge, hospitality operators hike room rates during the period Oct-Apr. During this period, prices of rooms at leisure destinations witness an escalation of upto 150% over lean season rates. However, this practice is observed only at leisure destinations and not at business destinations (Mumbai, Delhi, Pune & Chennai) where room shortage and buoyant business travel has been resulting in steadily rising ARRs on a QoQ and YoY basis. In addition to room offtake, banqueting services also witness strong demand during the peak season on account of the MICE (Meetings-Incentives-Conventions-Exhibitions) and VFR (Visiting Friends & Relatives) segments as well as the traditional marriage season.

### YoY Comparison of International Tourist Arrivals in India ('000)



Source: Dept. of Tourism, GOI

As a result, collections during this period are higher than the lean season, with OPM surging on account of the pricing leverage exercised by companies.

*Sector OPM driven by rising room revenues...*

In the backdrop of improving ARR and tight room supply due to increasing demand, domestic and international players are readying plans to tap the hospitality market with a wide range of offerings.

While previous capex cycles in the industry witnessed a concentrated buildup at the premium end of the segment, this time capacities are being added across segments like budget hotels, service apartments, boutique hotels etc.

However, in the backdrop of escalating real-estate prices and high interest rate regime, gestation periods for projects are increasing. While rising costs might delay many projects, we are of the opinion that procedural problems and dearth of adequate manpower and technical expertise in the industry have the potential to derail a substantial portion of the capacity build up schedule.

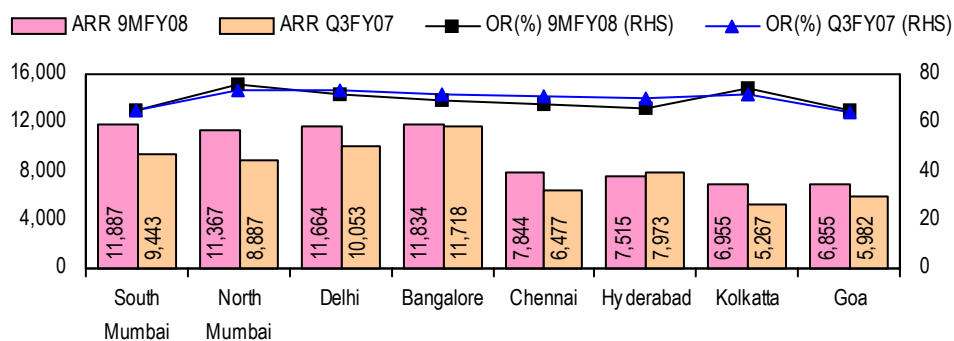
### Estimated Capacity Additions in India till FY11 (As of Sep'07)

	(5* / 5* +)	(5* / 4*+)	(4*)	(3*/4*)	Total
Delhi / NCR	2,449	2,659	4,264	1,484	<b>10,856</b>
Mumbai	2,866	2,697	2,485	1,270	<b>9,318</b>
Kolkatta	808	725	1,225	240	<b>2,998</b>
Chennai	2,273	1,675	1,017	480	<b>5,445</b>
Bangalore	2,503	1,300	2,883	1,108	<b>7,794</b>
Hyderabad	1,885	2,549	1,579	1,395	<b>7,408</b>
Pune	1,210	1,767	1,454	927	<b>5,358</b>
Goa	335	1,147	675	485	<b>2,642</b>
Kochi	0	400	335	330	<b>1,065</b>
Jaipur	324	1,005	720	721	<b>2,770</b>
<b>Total</b>	<b>14,653</b>	<b>15,924</b>	<b>16,637</b>	<b>8,440</b>	<b>55,654</b>

Note: 5\*/5\*+ = 5Star/5Star Deluxe; 5\*/4\*+ = 5Star/4Star Deluxe, 4\* = 4Star, 3\*/4\*+ = 3Star/4 Star

Source: HVS International, CRIS-Infac, News paper articles

### YoY Comparison of ARR & ORs in Indian cities



Source: Company

High real estate prices and rising interest rates delay hotel projects...

Expansions to be effected through mix of owned & managed properties...

Room count to increase by ~9k by FY11...

## COMPANY OUTLOOK

To capitalise on this looming shortage of rooms in the domestic markets, IHCL has chalked out ambitious expansion plans. It is also readying up strategy to scale up its presence significantly in international gateway cities.

Along with its associates and subsidiaries, IHCL has targeted the commissioning of 8.8k rooms by the end of FY11, through various options. This would take the total number of rooms under its management to ~19k from the current 10.1k rooms.

IHCL has outlined a capex of Rs20bn for this over the next 4 years. The 2 rights issues should add ~Rs17bn to IHCL's networth and suffice the capex requirement. Additionally, its annual cash flows of ~Rs5bn p.a. over the next 3 years and comfortable gearing of 0.5x & 1x on the stand-alone and consolidated basis resp, offer huge scope for it aggressively pursuing big ticket acquisitions.

The outlay of Rs15bn appears low for adding a ~9k rooms room inventory as ~2.9k rooms (32% of the incremental inventory coming on stream till FY11) would be through management contracts. This thrust on expansion through the management contract route would be a significant driver of revenues and profitability for IHCL. Currently, IHCL manages ~1.5k rooms and this increase to 4.4k rooms by end FY11. This 'Asset-Light' strategy would help significantly improve returns on capital employed in the long run.

IHCL: New Property Launches			
Properties	Rooms	Comm.	Capex (Rs mn)
<b>Within IHCL</b>			
Taj ITPL, Bangalore	199	Mar-08	1,120
Land's End Expansion	142	Jul-08	760
Taj Residency, Yeshwantpur, Bangalore	350	Mar-09	1,600
Taj Lake End, Udaipur	80	Apr-09	250
Taj Falaknuma Palace, Hyderabad	60	Aug-09	850
Taj Surya, Coimbatore	200	Dec-09	770
Taj Santa Cruz, Mumbai	175	Apr-10	1,250
Taj Residency Noida	450	Apr-10	3,500
Moti mahal, Bharatpur	40	Apr-10	600
<b>Sub-total [a]</b>	<b>1,696</b>		<b>10,700</b>
<b>Group Expansions</b>			
Taj Mount Road, Chennai	215	Mar-08	1,250
Nadesar Palace, Varanasi	10	Jun-08	90
Fishermans Cove	64	Dec-08	350
Taj Exotica Resort & Spa, Phuket	79	Apr-09	3,500
Taj Palace, Cape Town	152	Dec-09	2,920
Gateway, Benarghatta rd. B'lore	225	Dec-09	600
Ginger	3,500	Ongoing	1,200
Taj Safaris	30	Ongoing	110
<b>Sub-total [b]</b>	<b>4,275</b>		<b>10,020</b>
<b>Management Contracts</b>			
Taj Residency, Trivandrum	134	Feb-08	
Gateway, Chennai	159	Apr-09	
Gateway, Gondia	35	Apr-09	
Taj Residency, Nagpur	300	Apr-09	
Taj Residency, Panjim	154	Apr-09	
Gateway, Jalandhar	100	Sep-09	
Gateway, Raipur	125	Sep-09	
Gateway Resort, Bekal (Kerala)	75	Dec-09	
Gateway, Kolkata	200	Dec-09	
Gateway, Pune	156	Dec-09	
Taj Exotica Palms, Jumeirah, Dubai	262	Jan-10	
Taj Exotica, Doha	150	Jan-10	
Taj Residency, Gurgaon	200	Sep-10	
Taj Resort, Pondichery	60	Sep-10	
Taj Exotica, Saraya Island, UAE	60	Apr-11	
Taj Serviced residences	700	Apr-09 onwards	
<b>Sub-total [c]</b>	<b>2,870</b>		
<b>Total Room Additions [a+b+c]</b>	<b>8,841</b>		<b>20,720</b>

Source: Company

*Sizeable chunk of rooms to come in under management contracts...*

### Segmentation of New Rooms under 'Taj' Brand by FY10

	FY08	FY09	FY10	FY11	Total	%
In Owned Properties	199	492	340	665	1,696	19
Through Group Co.s	215	74	3,986	-	4,275	48
Through Mgmt contracts	134	0	1,716	1,020	2,870	32
<b>Total</b>	<b>548</b>	<b>566</b>	<b>6,042</b>	<b>1,685</b>	<b>8,841</b>	<b>-</b>

Source: Company, PINC Research

The strategic decision of the company to migrate towards INR denominated tariff, post the 7-8% tariff erosion which was witnessed in Q1 & Q2 FY08, has begun paying dividends. This should impart strong predictability in revenues despite a significant chunk being accounted for, by foreigners.

IHCL's strategy of adopting a multi pronged approach offers the following levers to propel its growth and not only maintain its leadership in the domestic market, but also emerge as a formidable player on the global arena:

- 1) Exploiting brand equity to generate new revenue streams through multiple offerings and services like budget hotels, spas, serviced apartments etc.
- 2) Rationalisation current offerings into well defined segments and covering wide price range so as to broaden client base and mitigate cyclicalities of the sector.
- 3) Focus on international ventures that highlight the 'Taj' brand without compromising on profitability. This would entail purchasing and profitably operating key properties in international gateway cities and help build credibility for the company as a formidable hotel operator.
- 4) Monetize successful international ventures to build an 'Asset Light' model in the international and domestic markets, whereby the company would increasingly manage properties, instead of developing and operating properties on its books. This would keep its balance sheet light while improving ROCE and other performance metrics.

*Higher ARR's and steady OR in addition to higher F&B income to drive revenue growth...*

In view of the current demand-supply mismatch of hotel rooms in India, we expect a steady rise of 13-18% p.a. in ARR's over the next 18-24 months. This, along with stable OR, especially in those properties located in business destinations (with the exception of Bangalore & Hyderabad), should boost revenues significantly. An improved RevPAR, in addition to higher contribution from F&B services and management contracts would also aid revenue growth in FY08 & FY09.

On a stand-alone basis, we estimate IHCL's revenues in FY08 to be Rs18.8bn (+22%), as it would be able to capitalise on the buoyancy in the hospitality market.

We expect operating leverage to kick in on account of the higher revenues from rooms and F&B collections. OPM should improve 410bps from current levels of 36.4%, and settle at ~40.5% as growth in revenues outpaces rise in expenses like manpower and SG&A costs. Accordingly, we estimate operating profits at Rs7.6bn in FY08.

IHCL's interest burden should settle at ~Rs1bn due to the assumption of debt (mentioned earlier) and short term funding of various projects. As proceeds from its rights issue would be available only in FY09, there will be no let up in interest costs. Depreciation should pick up marginally on account of routine capex carried out at all properties.

Net profits should settle at Rs4.3bn. While we have not calculated revenues and profits for IHCL on a consolidated basis, due to lack of data, we estimate profits to be higher by ~14% on the consolidated level based on its stand-alone performance.

In FY09, we estimate IHCL's stand-alone revenues and profits to be Rs23bn & Rs5.2bn resp. We believe there exists an upside of ~12% to profits on the consolidated level, based on the improvement in operations at international locations like Boston & Sydney. The upside in profits could have been higher if not for the temporary shutting down of all the rooms at the Pierre, New York, for refurbishment and the interest burden from assumption of debt for the purchase of a stake in Orient Express Hotels.

*Headroom to gear balance sheet to effect any international acquisitions...*

Currently, with the full conversion of its FCCBs, IHCL's debt: equity ratio (stand-alone basis) is ~0.5x. While robust cash flows should mitigate the need for working capital borrowings and funding of expansion in India, we expect IHCL to aggressively pursue the acquisition of international properties in key gateway cities (Singapore, Hong Kong, Los Angeles). Since such acquisitions would be in the range of USD150mn each, we expect debt to move upwards. However, we do not view this as a significant concern, as the company's networth would be significantly bolstered post the Rights Issues. Another factor facilitating any assumption of debt in case of possible acquisitions is its current level of low gearing (0.5x on stand-alone basis & 1x on consolidated basis), which provides it plenty of room to increase leverage, to effect any planned/ unplanned expansions/ acquisitions.

### **VALUATIONS**

*At the CMP of Rs136, IHCL is trading at a P/E of 20.4 and EV/EBITDA of 10.1x, discounting its FY09E stand-alone numbers. As mentioned earlier, we believe that on a consolidated basis; the valuations of the company has the potential to improve, especially on back of an improved operating performance at international locations viz. Sydney, Boston & San Francisco.*

*We maintain our 'BUY' recommendation with a one year price target of Rs215...*

*Although it is trading a premium to its peers in the hospitality space, its diverse portfolio ( both geographical as well as category wise ), balance sheet strength, strategy to scale up through management contracts, backed by its track record in the recent past, inspire confidence. We are of the opinion that the current investment phase would enhance the scale of its operations and improve operational ratios post FY11. Hence maintain our 'BUY' recommendation on the stock with a 12 month price target of Rs215 (cum-rights).*

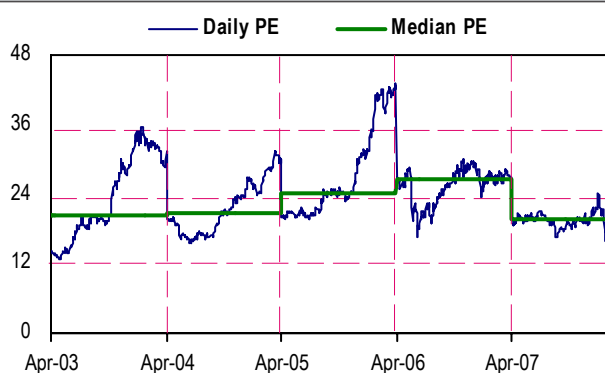
### **Company description**

Indian Hotels Co. Ltd. (IHCL) is the oldest listed hotel company in India and operates properties under the brand 'Taj Hotels Resorts & Palaces'. The company is aggressively expanding capacities, especially through the management contract route and is looking to establish a significant presence in key international destinations.

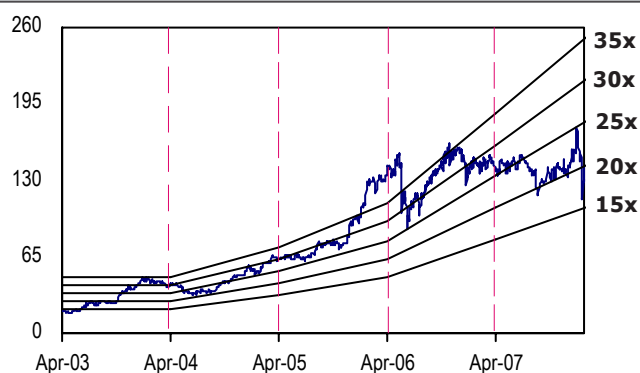
## Financial Results for the quarter & nine months ended 31 December 2007 (Standalone)

Particulars (Rs Mn)	Quarter Ended			Nine Months Ended			Year Ended
	31/12/07	31/12/06	Gr %	31/12/07	31/12/06	Gr %	31/03/07
<b>Net Sales</b>	<b>5,206</b>	<b>4,544</b>	<b>14.6</b>	<b>12,085</b>	<b>10,387</b>	<b>16.3</b>	<b>15,445</b>
<b>Total Expenditure</b>	<b>2,760</b>	<b>2,641</b>	<b>4.5</b>	<b>7,554</b>	<b>6,871</b>	<b>9.9</b>	<b>9,808</b>
Materials	358	345	3.8	909	852	6.6	1207
Staff Cost	764	776	(1.5)	2208	2,043	8.1	2782
Fuel and Power	218	197	10.5	695	619	12.2	803
License Fees	317	298	6.4	699	667	4.8	985
Other expenditure	1102	1,025	7.6	3043	2,689	13.2	4031
<b>Operating profit</b>	<b>2,447</b>	<b>1,904</b>	<b>28.5</b>	<b>4,532</b>	<b>3,517</b>	<b>28.9</b>	<b>5,637</b>
Other Income	65	38	70.8	496	405	22.5	742
<b>PBIDT</b>	<b>2,512</b>	<b>1,942</b>	<b>29.4</b>	<b>5,028</b>	<b>3,922</b>	<b>28.2</b>	<b>6,379</b>
Interest	239	156	53.1	723	490	47.4	719
Depreciation	211	230	(8.4)	631	668	(5.6)	914
<b>PBT</b>	<b>2,061</b>	<b>1,555</b>	<b>32.6</b>	<b>3,674</b>	<b>2,763</b>	<b>33.0</b>	<b>4,746</b>
Provision for Current Tax	705	517		1,218	852		646
Provision for Deferred Tax	11	13		31	33		840
Provision for FBT	-	-		-	-		37
<b>Net Profits</b>	<b>1,346</b>	<b>1,026</b>	<b>31.2</b>	<b>2,426</b>	<b>1,879</b>	<b>29.1</b>	<b>3224</b>
Equity Capital (F.V. Rs 1)	603	603		603	603		587
Reserves (excl. rev. res.)	-	-		-	-		17,384
<b>EPS for the period (Rs)</b>	<b>2.2</b>	<b>1.7</b>		<b>4.0</b>	<b>3.1</b>		<b>5.5</b>
Book Value (Rs)	-	-		-	-		29.8
<b>OPM (%)</b>	<b>47.0</b>	<b>41.9</b>		<b>37.5</b>	<b>33.9</b>		<b>36.5</b>
NPM (%)	25.8	22.6		20.1	18.1		20.9
<b>Exp. (% of Net Sl.)</b>							
Raw materials (adj.)	6.9	7.6		7.5	8.2		7.8
Staff costs	14.7	17.1		18.3	19.7		18.0
Power fuel and light	4.2	4.3		5.7	6.0		5.2
License Fees	6.1	6.6		5.8	6.4		6.4
Other expenses	21.2	22.6		25.2	25.9		26.1

### Median PE v/s Daily PE



### PE Band



<b>Income Statement</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>
<b>Revenues</b>	<b>8,476</b>	<b>11,162</b>	<b>15,446</b>	<b>18,790</b>	<b>20,915</b>
<i>Growth (%)</i>	27.4	31.7	38.4	21.6	11.3
<b>Total Expenditure</b>	<b>6,660</b>	<b>8,046</b>	<b>9,831</b>	<b>11,181</b>	<b>11,859</b>
<b>Operating Profit</b>	<b>1,817</b>	<b>3,115</b>	<b>5,615</b>	<b>7,609</b>	<b>9,056</b>
Interest & dividend income	256	387	742	556	1100
<b>EBIDT</b>	<b>2,073</b>	<b>3,502</b>	<b>6,357</b>	<b>8,165</b>	<b>10,156</b>
(-) Interest	318	204	719	967	894
(-) Depreciation	568	659	914	853	1,223
<b>PBT &amp; extraordinary items</b>	<b>1,187</b>	<b>2,639</b>	<b>4,724</b>	<b>6,345</b>	<b>8,039</b>
Extra-ordinary Items	230	81	23	-	-
<b>PBT &amp; extraordinary items</b>	<b>1,417</b>	<b>2,720</b>	<b>4,746</b>	<b>6,345</b>	<b>8,039</b>
(-) Tax provision	358	882	1,523	2,019	2,814
<b>Net Profits</b>	<b>1,058</b>	<b>1,838</b>	<b>3,201</b>	<b>4,326</b>	<b>5,225</b>
<i>Growth (%)</i>	74.5	73.7	75.4	34.2	20.8
Fully diluted Eq. sh. O/s (mn no)	502.5	584.1	602.9	602.9	783.8
Book Value (Rs)	22.5	29.4	29.8	35.1	53.0
Basic EPS (Rs)	2.1	3.1	5.3	7.2	6.7
<b>Diluted EPS (Rs)</b>	<b>1.4</b>	<b>2.3</b>	<b>4.1</b>	<b>5.5</b>	<b>6.7</b>

<b>Balance Sheet</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>
<i>Equity Share Capital</i>	503	584	603	603	784
<i>Reserves &amp; Surplus</i>	10,818	16,578	17,384	20,531	40,790
<b>Net worth</b>	<b>11,321</b>	<b>17,162</b>	<b>17,987</b>	<b>21,134</b>	<b>41,573</b>
Total Debt	10,520	5,807	9,592	9,053	8,862
Deferred Tax liability	824	801	1,354	1,354	1,354
<b>Capital Employed</b>	<b>22,664</b>	<b>23,770</b>	<b>28,933</b>	<b>31,541</b>	<b>51,789</b>
Fixed Assets	8,822	8,920	14,716	16,863	18,690
Net current assets	5,583	4,402	536	54	16,476
Long Term Deposits	2,173	3,857	4,039	4,122	4,122
Investments	6,070	6,566	9,628	10,500	12,500
Misc exp.	17	26	14	2	2
<b>Total Assets</b>	<b>22,664</b>	<b>23,770</b>	<b>28,933</b>	<b>31,541</b>	<b>51,789</b>

<b>Cash Flow Statement</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>
<b>PBT &amp; Extraord. items</b>	<b>1,417</b>	<b>2,720</b>	<b>4,748</b>	<b>6,345</b>	<b>8,039</b>
Depreciation	568	659	914	853	1,223
Interest & dividend inc.	(230)	(200)	(328)	(556)	(1,100)
Interest paid	166	204	719	967	894
Misc Exp W/off & Other Adj	15	(20)	(244)	12	-
Tax paid	(50)	(933)	(1,126)	(2,019)	(2,814)
(Inc) / Dec in working capital	(4,411)	(43)	614	275	(8,528)
<b>Cash from operations</b>	<b>(2,526)</b>	<b>2,387</b>	<b>5,296</b>	<b>5,877</b>	<b>(2,286)</b>
Net capital expenditure	(1,334)	(843)	(1,902)	(3,000)	(3,050)
Net investments	116	(152)	(5,543)	(872)	(2,000)
Interest recd	323	439	598	556	1,100
Decr. In Preliminary Exp	-	461	3,298	-	-
<b>Cash from investing activities</b>	<b>(896)</b>	<b>(95)</b>	<b>(6,847)</b>	<b>(3,316)</b>	<b>(3,950)</b>
Issue of eq. shares	-	-	(7)	-	181
Share Premium	-	-	-	-	16,700
Change in debt	(1,162)	(561)	(740)	(539)	(191)
Dividend paid	(407)	(596)	(951)	(1,179)	(1,667)
Interest paid	(576)	(445)	(1,003)	(967)	(894)
<b>Cash from financing activities</b>	<b>(2,145)</b>	<b>(1,602)</b>	<b>(2,701)</b>	<b>(2,685)</b>	<b>14,129</b>
<b>Inc/Dec. in cash</b>	<b>(5,566)</b>	<b>689</b>	<b>(4,252)</b>	<b>(124)</b>	<b>7,893</b>

<b>Key Ratios</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008E</b>	<b>2009E</b>
EBIDT (%)	24.5	31.4	41.2	43.5	48.6
ROACE (%)	6.9	12.5	21.3	25.7	23.1
ROANW (%)	10.5	12.9	18.3	22.1	16.7
Sales/Total Assets (x)	0.4	0.5	0.5	0.6	0.4
Debt:Equity (x)	0.9	0.3	0.5	0.4	0.2
Current Ratio (x)	2.7	2.2	1.1	1.0	3.7
Debtors (days)	30	26	30	27	27
Inventory (days)	10	8	7	7	7
Net working capital (days)	214	113	(3)	(7)	140
EV/Sales (x)	9.0	7.4	5.7	4.6	3.7
EV/EBIDT (x)	36.8	23.5	13.8	10.7	7.7
P/E (x)	64.6	43.3	25.5	19.0	20.4
P/BV (x)	6.0	4.6	4.6	3.9	2.6

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