

Sector: Metals & Mining

| | |
|------------------------|-----------|
| Sensex: | 18,437 |
| CMP (Rs): | 274 |
| Target price (Rs): | 236 |
| Downside (%): | 14.0 |
| 52 Week h/l (Rs): | 305 / 227 |
| Market cap (Rscr) : | 108,792 |
| 6m Avg vol ('000Nos): | 329 |
| No of o/s shares (mn): | 3,965 |
| FV (Re): | 1 |
| Bloomberg code: | NMDC IB |
| Reuters code: | NMDC.BO |
| BSE code: | 526371 |
| NSE code: | NMDC |

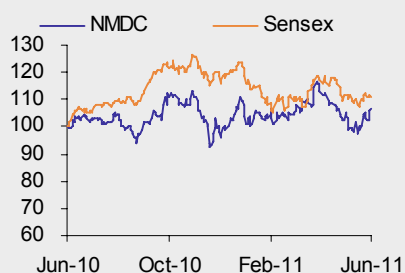
Prices as on 08 Jun, 2011

Shareholding pattern

| | |
|------------------------|------------|
| March '11 | (%) |
| Promoters | 90.0 |
| Institutions | 9.2 |
| Non promoter corp hold | 0.3 |
| Public & others | 0.6 |

Performance rel. to sensx

| | | | |
|------------|-----------|-----------|------------|
| (%) | 1m | 3m | 1yr |
| NMDC | 4.7 | 1.5 | (4.7) |
| Sesa Goa | (0.5) | 3.8 | (27.2) |

Share price trend

Research Analyst

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Volume growth to remain capped

NMDC has been hit badly by the Red Movement. The Bailadila complex (contributing 76% of volume) lies in the state of Chattisgarh, which has been impacted the most by Naxal activities. Production volumes have fallen in FY10 and FY11 as transportation has been impacted after the Essar pipeline was blown up by Naxalites in June '09 and rebels damaged rail tracks. Further, movement of iron ore has been curtailed as Railways now operate only during the day. In addition, volumes would be further impacted on account of the lower permits issued by the Karnataka government. In FY12, we expect iron ore volume to be 29mn tons (lower than mgmt guidance of 30mn tons) and 33mn tons in FY13 with higher contribution from Karnataka mines.

Hike in export duty and freight rates to increase domestic focus

NMDC exports ~14% of total output and sells the rest in the domestic market. NMDC's contracts with the domestic players are on 'free on rail' or 'free on truck' basis with transportation arranged by the customer at their own cost. On the other hand, for exports, NMDC has to incur both the transportation cost to the port as well as the royalty levied. The government has levied a 10% royalty and 20% export duty 20% on ad valorem basis on iron ore. Railways have also increased the freight on iron ore meant for exports by 3x and is currently charging Rs1,800-2,000/ton. Further, they have announced the levy of 'busy season charge' of 7% freight rates on iron ore. On account of these factors, we believe NMDC would reduce its exports going ahead. We expect share of exports would decline to 8% of total sales in FY13E.

Premium essential; Quantum not justified

We expect the tight market condition in iron ore to ease off in H1 '11 on the back of higher supplies from Australia and cooling off of steel production growth in China. However, its impact on NMDC would be lower as most of the sales are done in the domestic market, wherein it is already selling at a discount to global peers. Volume growth remains curtailed over the next two years as it is impacted by Maoist activities in the Chhattisgarh region. NMDC is trading at 8.2x FY12 EV/EBIDTA, which is at a huge premium to its peers (5.1x FY12). While we believe that NMDC should trade at a premium to its peers considering the high quality reserves and the low cost operations, the current high premium is not justified. We maintain our SELL rating on the stock with a 9-month price target of Rs236.

Financial summary

| Y/e 31 Mar (Rs m) | FY10 | FY11E | FY12E | FY13E |
|---------------------|--------|---------|---------|---------|
| Revenues | 62,391 | 113,689 | 137,268 | 142,546 |
| yoy growth (%) | (17.5) | 82.2 | 20.7 | 3.8 |
| Operating profit | 44,261 | 86,465 | 105,598 | 109,227 |
| OPM (%) | 70.9 | 76.1 | 76.9 | 76.6 |
| Pre-exceptional PAT | 34,545 | 64,993 | 79,707 | 83,550 |
| Reported PAT | 34,545 | 64,993 | 79,707 | 83,550 |
| yoy growth (%) | (21.0) | 88.1 | 22.6 | 4.8 |
| EPS (Rs) | 8.7 | 16.4 | 20.1 | 21.1 |
| P/E (x) | 31.4 | 16.7 | 13.6 | 13.0 |
| P/BV (x) | 7.6 | 5.7 | 4.3 | 3.4 |
| EV/EBITDA (x) | 21.6 | 10.6 | 8.2 | 7.4 |
| Cash per share (Rs) | 32.4 | 43.5 | 56.4 | 70.7 |
| ROE (%) | 26.7 | 38.8 | 35.7 | 29.2 |
| ROCE (%) | 40.0 | 57.8 | 53.2 | 43.5 |

Source: Company, India Infoline Research

Abundant high quality reserves

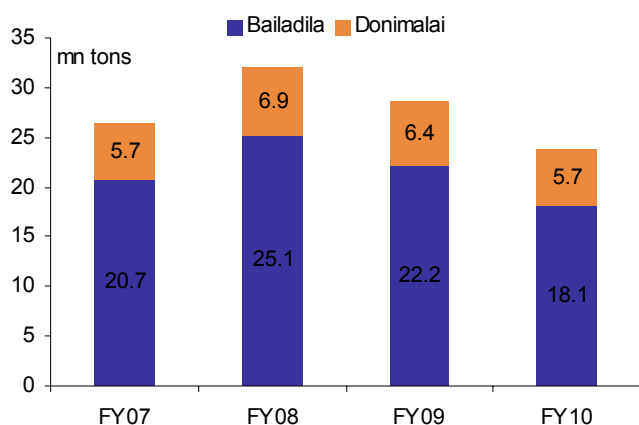
NMDC is the largest iron ore producer in India, producing ~13% of country's iron ore output. The company as on January 2010, had an iron ore reserve base of 1.36bn tons and has superior quality iron ore reserves (64-66% iron content). NMDC has a high proportion of reserves that are proven (71% of resources). The company's mines are located primarily in the states of Chattisgarh and Karnataka. In Chattisgarh, NMDC operates two mining complexes, one at Kirandul and the other at Bachel in the Bailadila complex. In Karnataka, it operates a mine each in Donimalai and Kumaraswamy. The company's producing mines are open cast and primarily fully mechanized. The ratio of lump to fines is ~40:60. The Bailadila complex accounted for around 76% (18.1mn tons) of NMDC's total iron ore production in FY10 (23.8mn tons). Production declined sharply in FY10 by 4.1mn tons largely due to less offtake by Essar Steel. Essar's slurry pipeline was damaged by a terrorist attack. Supply to Essar remained affected in FY11 too.

Iron ore reserves

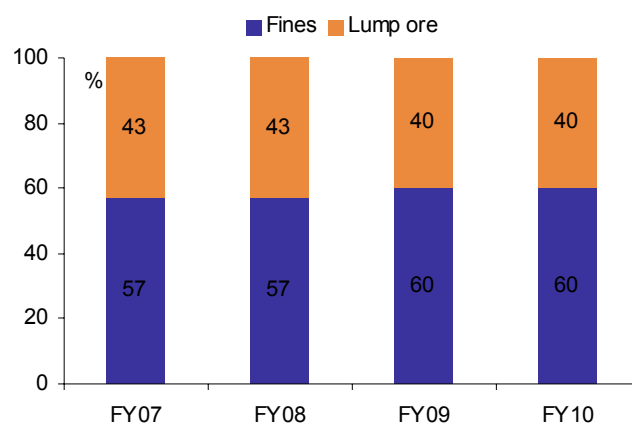
| Deposit name (mn tons) | Fe % for proved reserves | Proved reserves | Probable reserves | Mineral resources | Total |
|----------------------------|--------------------------|-----------------|-------------------|-------------------|----------------|
| Kirandul Complex | | | | | |
| Deposit 14 | 64.7% | 130.1 | | 19.5 | 149.7 |
| Deposit 14 NMZ | 65.9% | 60.6 | | 3.0 | 63.6 |
| Deposit 11C | 64.7% | 0.7 | | 9.4 | 10.1 |
| Bachel complex | | | | | |
| Deposit 5 | 65.3% | 38.7 | 182.2 | | 220.8 |
| Deposit 10 | 66.0% | 140.1 | | 56.5 | 196.6 |
| Deposit 11A | 65.4% | 25.4 | | 1.4 | 26.8 |
| Donimalai | | | | | |
| | 66.8% | 17.6 | | | 17.6 |
| Non-operating mines | | | | | |
| Deposit 4 | | | | 105.0 | 105.0 |
| Deposit 11B | 66.4% | 114.3 | | 6.2 | 120.6 |
| Kumaraswamy | 64.0% | 130.4 | | | 130.4 |
| Deposit 13 | 67.2% | 319.6 | | | 319.6 |
| Total | | 977.5 | 182.2 | 201 | 1,360.6 |

Source: Company RHP, India Infoline Research

Bailadila complex production accounted for 76% of total production in FY10



Ratio of lumps to fines is 40:60 over the last two years



Source: Company, India Infoline Research

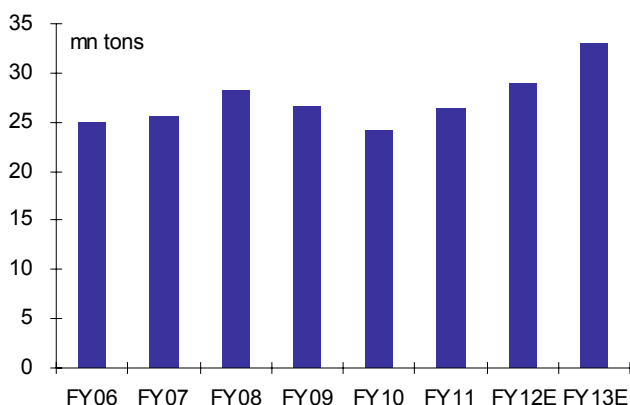
Naxal activities to cap volume growth

NMDC’s production volumes have been lower in FY10 and 9M FY11 as its operations were impacted by the various Naxal activities. NMDC’s Bailadila complex (contributing 76% of volume) lies in the state of Chattisgarh, which has been impacted the most. The 267km Essar pipeline, which carried iron ore slurry from a beneficiation plant at Bailadila to its pellet plant at Visakhapatnam (Andhra Pradesh) was blown up by Naxalites in June 2009 near Chitragonda (Orissa), close to the Chhattisgarh border. Iron ore supplies were also stopped after rebels damaged rail tracks. The disruption halted 56,000 tons of iron ore the company shipped each day on the sector. Railway movement has been hindered post the event. The Railways are now operating only during the day and have stopped any movement in the night. This has curtailed the transportation of iron ore from the area.

In addition majority of the volume growth towards achieving the company’s target of 50mn tons by FY15 is expected to come from Chattisgarh. Over the next two years, NMDC expects production to jump with the commissioning of the Bailadila 11B deposit. Bailadila 11B deposit has total reserves of 120.6mn tons, 114mn tons of which are proven with a Fe content of 66.4%. This deposit is intended to share the infrastructure facilities of deposits 14 and 11C at the Kirandul complex. NMDC is developing a mechanized mine at Kumaraswamy in Karnataka and is integrating it with the currently operational Donimalai complex. We expect the loss of volume from the mines in Chattisgarh would be offset by the volume growth from the Karnataka mines. Volumes from Karnataka too have been impacted on account of the export ban implemented by the State Government in FY11. Even though the ban has been removed, movement of ore has been restricted on account of the procedural delays in obtaining permits and the delay in survey on the mines.

NMDC has a large pipeline of projects with most of the projects in early stages of development. Currently, we include upside only from production of iron-ore deposits 11B in Chattisgarh and the Kumaraswamy deposit. We believe most of the other projects are in initial stages of development and it will take NMDC at least 3-5 years to commission any of these projects. In FY12, we expect volumes to rise to 29mn tons on our assumption that the slurry line would resume operations and further increase to 33mn tons in FY13 with higher contribution from new Karnataka mines. We estimate the company would miss its target of 40mn tons in FY13 by a wide margin.

Volume growth to remain capped over the next 2 years



Source: Company, India Infoline Research

Forward integration to impact earnings beyond FY13E

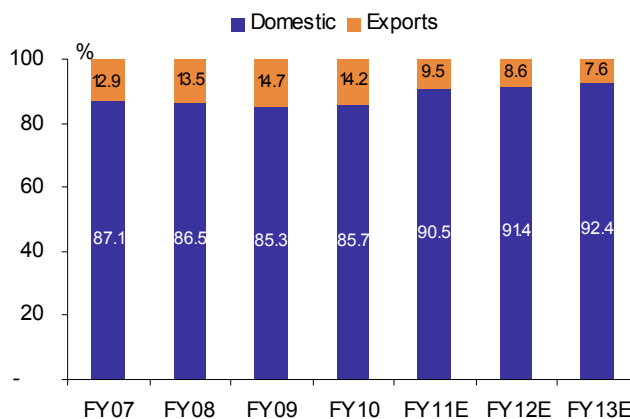
For value addition, NMDC is in the process of developing a 3mtpa steel plant at Jagdalpur and 2 pellet plants at Donimalai (1.2mtpa) and at Bachelu (2mtpa). At Jagdalpur, Chhattisgarh, the company is planning to set up a 3mtpa steel making plant with an investment of Rs168bn. Environmental clearance for the project is already obtained and the company has managed to receive 995 acres so far. The management expects the project to be operational over the next four years. Additionally, NMDC has also formed a JV with the Karnataka government for setting up a 2mtpa plant at Bellary/Hospet area. The company is also setting up two pellet plants at Donimalai (1.2mtpa) and Bailadila (2mtpa) with investment of Rs5.7bn and Rs8.1bn respectively. The environmental clearance has been obtained for both the projects. We expect all the above projects to be operational not before FY13 and hence would impact earnings only beyond that.

Hike in export duty, freight costs to increase domestic focus

Over the last few years NMDC exports ~14% of total output and sells the rest in the domestic market. The company prices its exports based on contract prices negotiated by the Australian miners with the steel manufacturers; whereas it provides discount to the domestic players. In addition, NMDC’s realisations in the domestic market has been always at a discount to global peers as sales to domestic customers are priced ‘free on rail’ or ‘free on truck’. As a result, the customer has to pay for the transportation cost and also the royalties levied by the government. For exports, NMDC has to incur the transportation cost to the port, export duty and the royalty levied. The government has levied a 10% royalty and 20% export duty on ad valorem basis on iron ore.

To benefit from the strong iron ore prices, Railways have increased the freight on iron ore meant for exports. Over the last one year, railways have increased its fare by 3x and is currently charging Rs1,800-2,000/ton. Indian Railways have further announced the levy of ‘busy season charge’ of 7% on iron ore freight rates from 1st April to 30th June and from 1st October to 31st March. On account of the above factors, we believe NMDC would reduce its exports going ahead. Share of exports of total sales declined from 14% in FY10 to 9% in FY11. We expect this trend to continue and estimate share of exports of total sales to dip to 8% FY13.

Share of exports to decline to 8% in FY12E



Source: Company, India Infoline Research

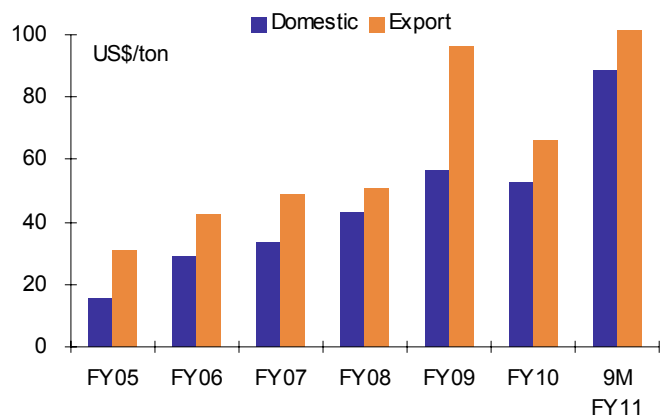
Discount to domestic customers to continue

NMDC has always remained focused on selling iron ore in the Indian market, in-line with the Indian government’s focus on increasing domestic steel production and making iron ore available at reasonable prices to Indian steel producers. NMDC follows a policy of entering into long-term agreements with its customers. The contracts are generally signed for a term of five years and the contract includes volume commitments. The pricing for the iron ore is done on a quarterly basis in line with the global iron-ore pricing system.

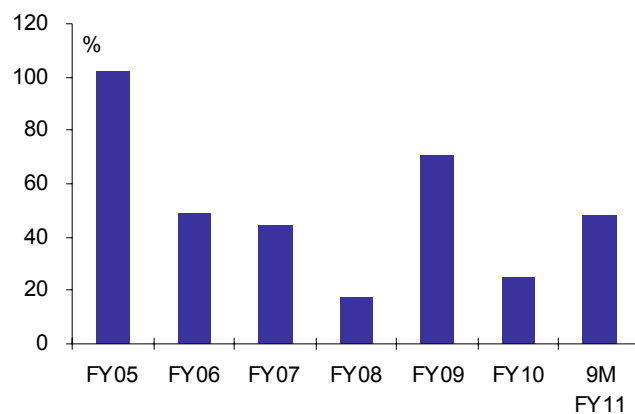
The company has evolved a new pricing mechanism from April '10 for the sales in the domestic market in FY11. According to the new policy, NMDC would give some discounts to the domestic players and the rates would be linked to global iron ore pricing. If global quarterly benchmark prices are above Q1 FY11 levels, NMDC would pass on only two-thirds of this difference (vs 1QFY11 prices) to domestic customers. If prices are below Q1 FY11 levels, domestic customers will get full benefit as NMDC would pass on the entire difference. The company is currently offering ~5-10% discount on the benchmark prices to its customers. We believe that with the mandate to support the Indian steel industry, the company will continue to provide at least a 5-8% discount over the benchmark prices to its customers.

In Q1 FY12, NMDC provisionally hiked iron ore lump prices by 10% qoq. However, on account of the export duty implemented by the government and the hike in transportations costs for iron ore meant for exports, NMDC cut iron ore fines prices by 15% qoq to Rs2,870/ton from Rs3,366/ton in Q4 FY11.

Export prices have been at a premium to domestic prices



Premium has widened yoy in 9M FY11 due to higher royalty and transportation costs



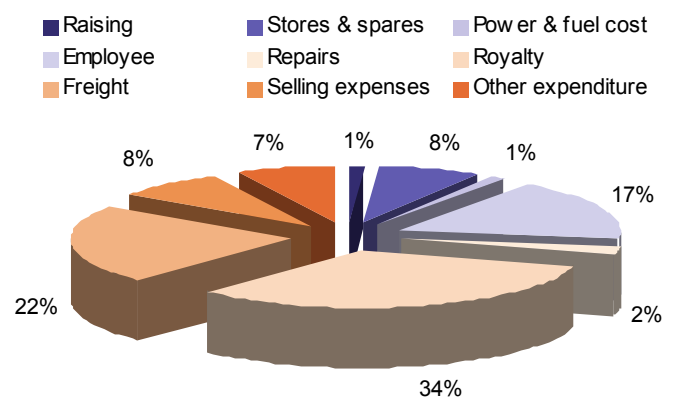
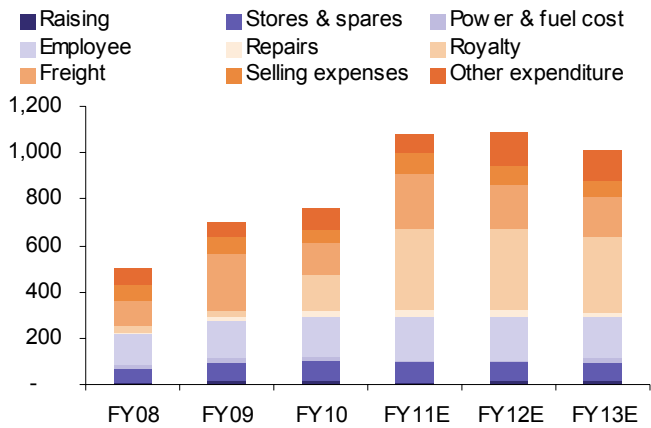
Source: Company, India Infoline Research

One of the lowest cost producers of iron ore globally

NMDC has always been a low cost miner by global standards on account of availability of cheap labor and highly mechanized mines, which means lower wastage. NMDC’s average production cost on a FOB basis for FY10 stood at US\$16/ton. Also NMDC’s contracts with the domestic players (85% of total sales) are typically on ‘free on rail’ or ‘free on truck’ basis with transportation arranged by the customer at their own cost. Royalties levied by the government are also payable by the domestic customers. Iron ore is transported by conveyors from the company’s screening plant to its loading plant stock pile for loading into railway wagons. There is very little wastage and the cost of transportation remains quite low. As a result of these, EBIDTA/ton of iron ore is directly proportional to the change in realizations and would not be impacted by the rise in operating costs.

FoB costs to increase with levy of higher royalty and export tax

Royalty and freight accounted for 55% of total costs in FY11



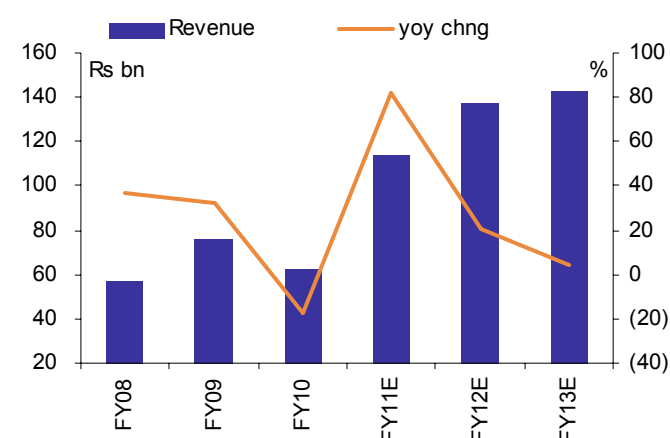
Source: Company, India Infoline Research

FOB costs increased sharply in FY11 to Rs1,077/ton from Rs785/ton in FY10. The jump was largely on account of an increase in royalty and jump in transportation costs. We expect FOB costs to increase going ahead due to the increase in export duty on lumps and fines. Also higher iron ore prices would lead to higher royalty payments. We expect FOB costs to increase by 1.4% in FY12 as the impact higher royalty and export tax would be negated by an increase in overall volumes and decline in exports. In FY13, we expect royalty to be lower on our assumption of a decline in iron ore prices leading to a 7.5% decline in FOB costs.

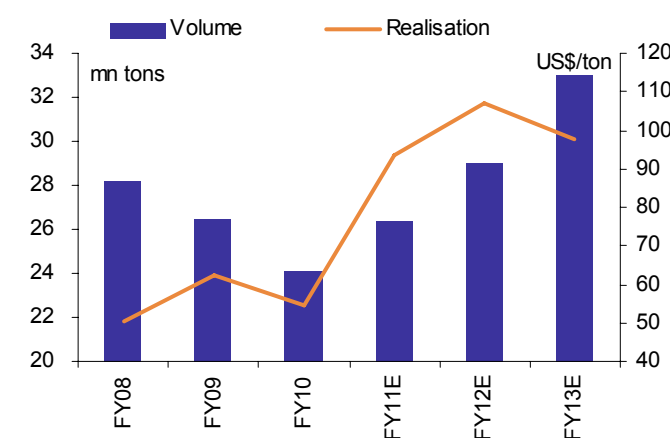
Operating profit to jump 26% over FY11-13E

NMDC's volume growth which was flat in FY11 would start to increase FY12 onwards. We expect volumes to rise to 29mn tons in FY12 on our assumption that the slurry line would resume operations and to further increase to 33mn tons in FY13 with higher contribution from Karnataka mines. Blended realisations are expected to improve from Rs2,583/ton in FY10 to Rs4,302/ton in FY11 and Rs4,719/ton in FY12, led by improved industry realisations. The increase in realisation would be capped in FY12E on our expectations that the share of exports would decline going ahead. We expect average iron ore prices to increase 15% yoy in FY12 for exports and 10% for the domestic customers. As a result, topline is estimated to jump 21% yoy to Rs136.5bn in FY12. In FY13, we expect revenue to increase by 4% yoy to Rs143bn as the impact of lower realisations would be negated by a surge in volume.

Topline to jump 21% in FY12E



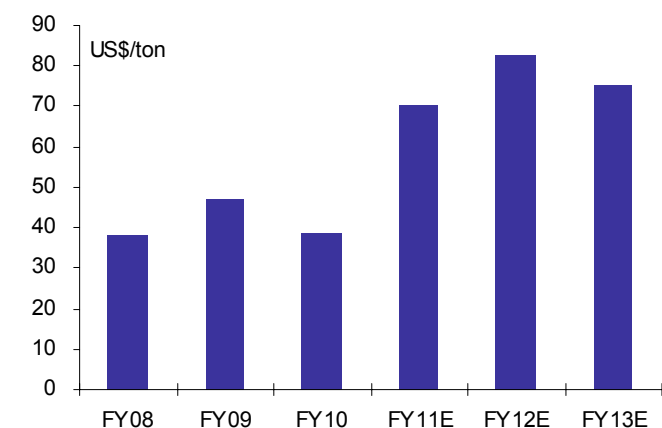
.. led by higher volumes and realisation



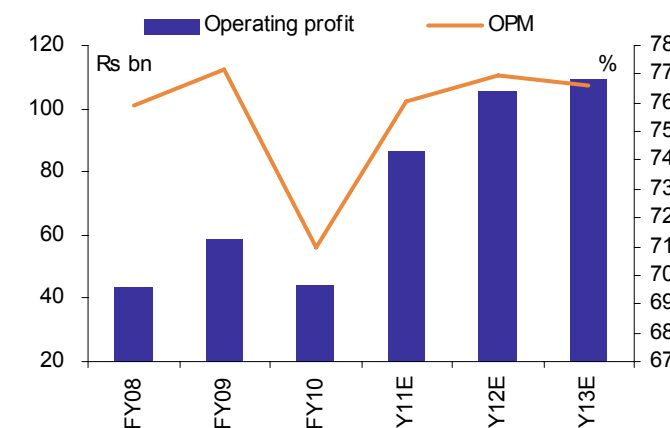
Source: Company, India Infoline Research

With operating costs per ton relatively steady (except for the increase in royalty and export tax), we expect higher realisations to flow through to the company's bottomline. We expect operating profit to increase 22% yoy to Rs106bn in FY12 led by higher volumes and realisation and in FY13 we expect a slower growth rate of 3.4% yoy to Rs109bn. We expect EBIDTA/ton on iron ore sales to improve from Rs1,831/ton to Rs3,241/ton in FY11 and Rs3,641/ton in FY12.

EBIDTA/ton to increase to US\$83 in FY12E



Operating profit to jump 2.5x over FY10-13E



Source: Company, India Infoline Research

Strong cash balance to aid the company grow inorganically

Over the last three year, NMDC has managed to increase its cash reserves by 1.4x to Rs172bn by the end of FY11. As a result, NMDC has been on the look out for resources globally as domestic capacity expansion has been slower than expected and new mining licenses in the country are hard to come by. In addition to this the NMDC has most of its mines allotted to it are in Chhattisgarh, which is impacted by the Maoist rebels and Karnataka, which is impacted by the state government regulations. Over the last one month there have been many media reports regarding the acquisition of 50% stake in various mines ranging from iron ore to coal to rock phosphate. We believe that any acquisition by the company would be positive for the stock as the company is sitting on huge cash reserve. We believe that over the long term returns from resources would significantly outperform the returns on cash investments.

The management earlier indicated that NMDC has signed an initial pact with Australia's Legacy Iron Ore Ltd. to buy up to a 50% stake in the company. Legacy Iron Ore has licenses for two iron ore projects in Australia, which are unexplored and have an estimated reserves are 130mn tons. Besides iron ore, the Australian exploration company has licenses for gold and manganese and is also venturing into coal. Media reports suggest the deal value to be US\$29.8mn. NMDC expects to complete the financial due diligence for the deal within 90 days, while Legacy Iron Ore will seek its shareholders' approval within 28 days.

NMDC also inked its second overseas acquisition deal by agreeing to buy 50% stake in Wonarah rock phosphate mine of Australian mining firm Minemakers for an undisclosed amount. Minemakers has signed a non-binding memorandum of understanding with NMDC for the development of the Wonarah Phosphate deposit in Northern Territory. NMDC management staff will join the Minemakers team to undertake a joint feasibility study into the agreed aspects of the full development of Wonarah. One of the top global accounting firms has been hired to conduct the due diligence exercise, which is expected to be completed in the next 90 days or so. The proposed Wonarah development will include a mine and downstream processing facilities to produce beneficiated rock phosphate for export, phosphoric acid (an intermediate product) and finished fertiliser products such as DAP (Diammonium Phosphate) and MAP (Monoammonium Phosphate).

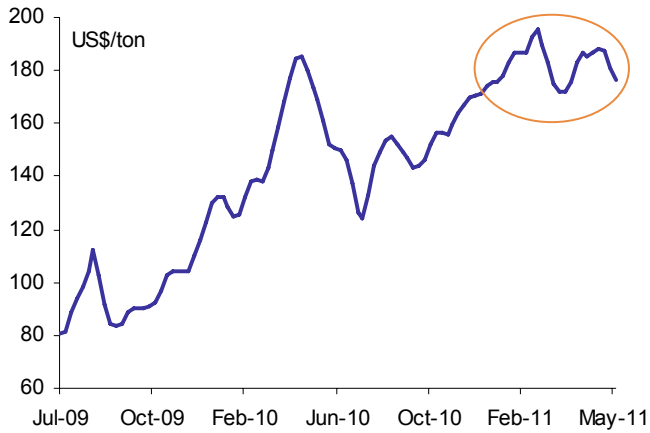
NMDC is in the process for acquiring a stake in a coal mine in Alabama in the US and buying a gold mine in Tanzania. The mine is running and has reserves of ~70mn tons of coal. In addition, there is about 161mn tons of coal within the natural zone of access of the project. NMDC has already started due diligence for buying stake in the coal asset and the process is expected to be completed by June 15. The company is also in talks to buy coking coal mines from privately held US based Tacona Minerals LLC and is also working with India's Sunflag Iron & Steel to jointly buy coking coal reserves in Mozambique.

Premium essential; Quantum not justified

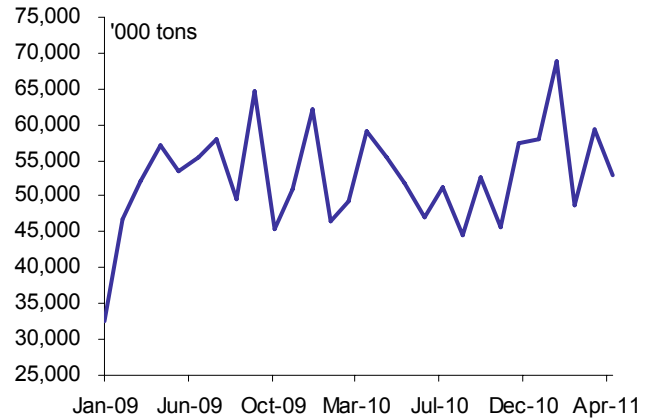
We expect the tight market condition in iron ore to ease off in H1 '11 on the back of higher supplies from Australia and cooling off of steel production growth in China. However, its impact on NMDC would be lower as most of the sales are done in the domestic market, wherein it is already selling at a discount to global peers. Volume growth remains curtailed over the next two years as it is impacted by Maoist activities in the region. NMDC is trading at 8.2x FY12 EV/EBIDTA, which is at a huge premium to its peers (5.1x FY12). While we believe that NMDC should trade at a premium to its peers considering the high quality reserves and the low cost operations, the current high premium is not justified. We maintain our SELL rating on the stock with a 9-month price target of Rs236.

Iron ore market key indicators

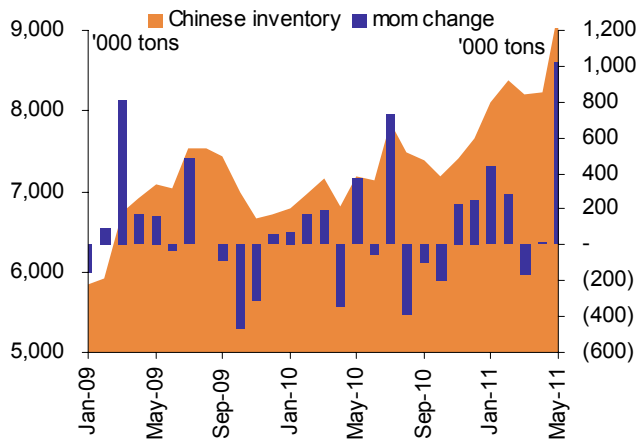
Chinese iron ore prices (cfr) have corrected over the last one month



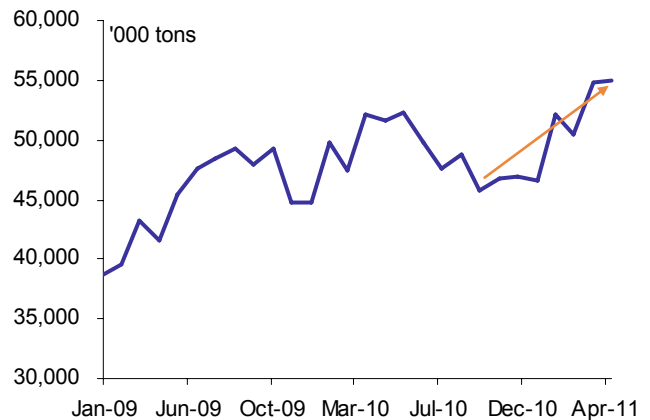
Chinese imports are slowing down due to inventory pile up



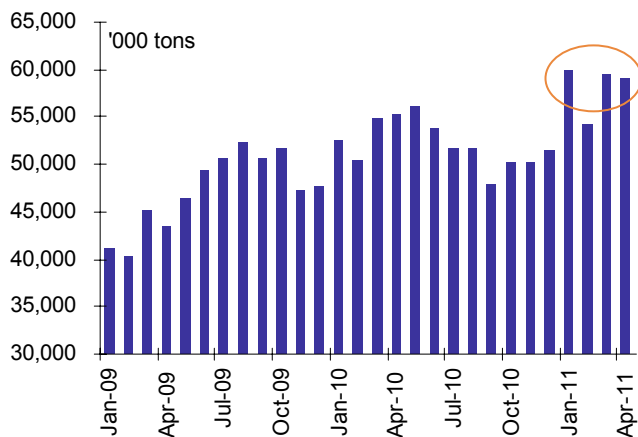
Inventory levels in China have jumped sharply in 2011



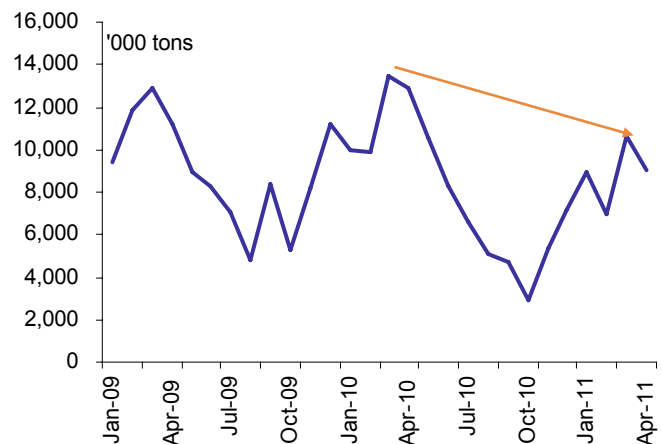
Domestic production too has remained strong over the last six months



Chinese steel production is at its all time high despite the power cuts and removal of incentives



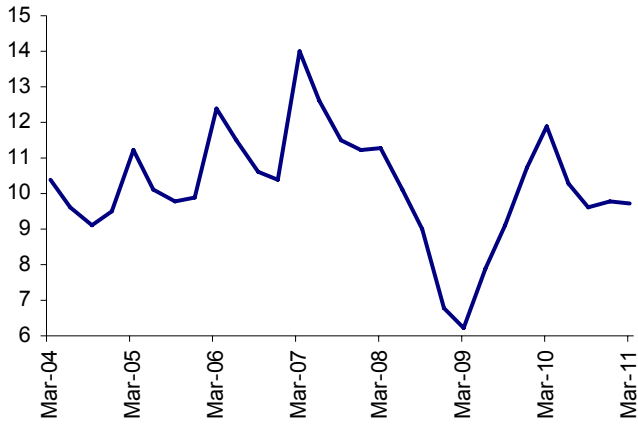
The strong current in iron ore prices has been due to lower supply from India



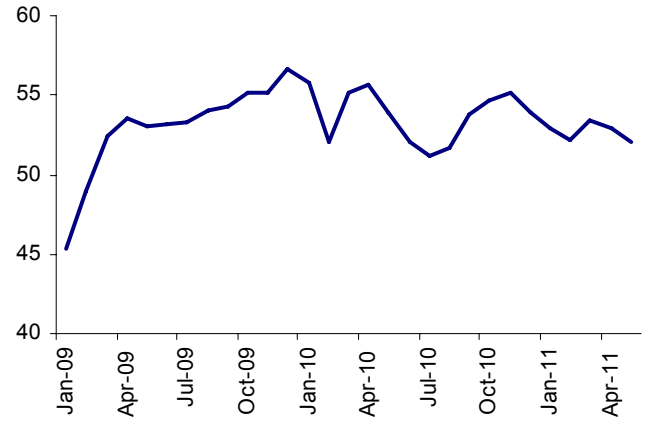
Source: Bloomberg, World Steel Organisation

Iron ore market key indicators....

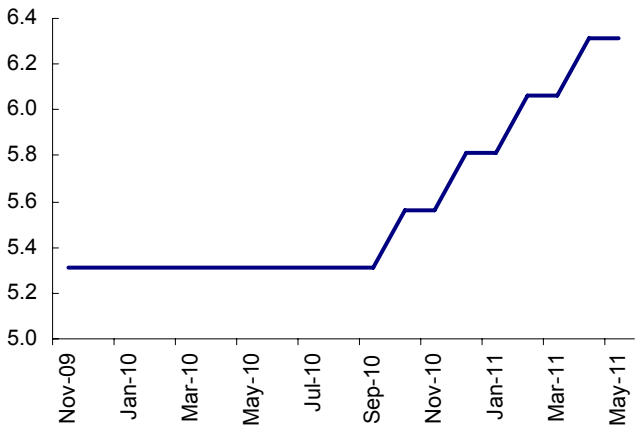
China's growth rate is slowing down and is expected to slow down further



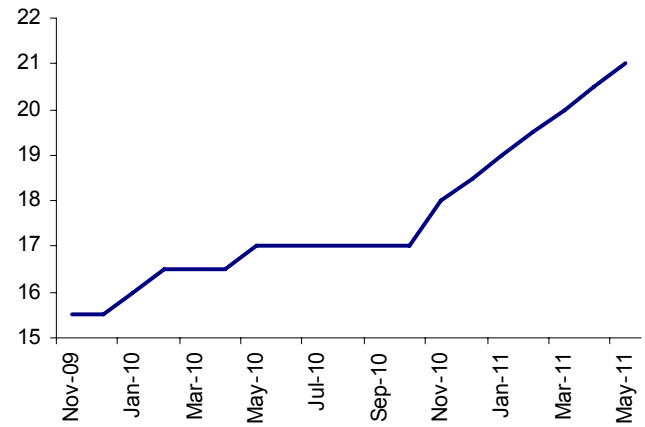
PMI has been trending downwards due to various tightening measures taken



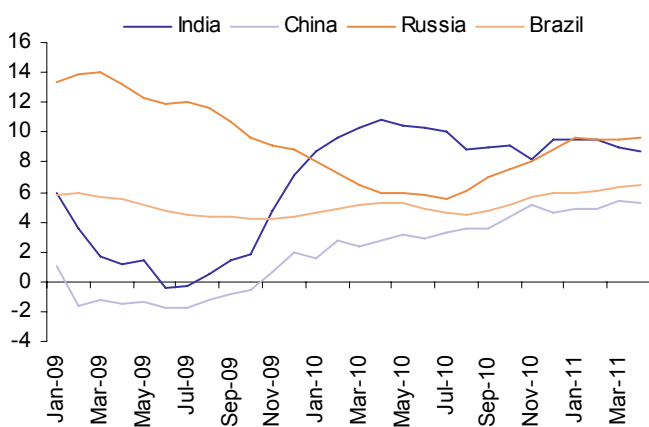
Benchmark lending rates have been increased 4 times over the last one year



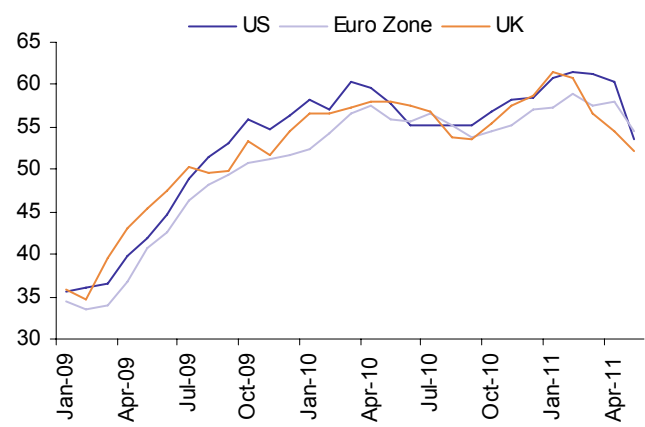
... and reserve requirements by 10 times since January '10



Rate tightening in emerging markets to continue as inflation remains high



Developed nations' PMI too has declined over the last three months



Source: Bloomberg, World Steel Organisation

Financials

Income statement

| Y/e 31 Mar (Rs m) | FY10 | FY11 | FY12E | FY13E |
|--------------------------|---------------|---------------|----------------|----------------|
| Revenue | 62,391 | 113,689 | 137,268 | 142,546 |
| Operating profit | 44,261 | 86,465 | 105,598 | 109,227 |
| Depreciation | (732) | (1,250) | (1,375) | (1,512) |
| Other income | 8,617 | 12,057 | 15,071 | 17,332 |
| Profit before tax | 52,146 | 97,272 | 119,294 | 125,047 |
| Taxes | (17,601) | (32,280) | (39,587) | (41,497) |
| Adj. profit | 34,545 | 64,993 | 79,707 | 83,550 |

Balance sheet

| Y/e 31 Mar (Rs m) | FY10 | FY11E | FY12E | FY13E |
|--------------------------|----------------|----------------|----------------|----------------|
| Equity capital | 3,965 | 3,965 | 3,965 | 3,965 |
| Reserves | 138,760 | 188,036 | 250,060 | 315,076 |
| Net worth | 142,724 | 192,001 | 254,025 | 319,041 |
| Def tax liab (net) | 849 | 1,029 | 1,029 | 1,029 |
| Total liabilities | 143,573 | 193,030 | 255,054 | 320,069 |
| Fixed assets | 13,432 | 17,764 | 26,389 | 34,877 |
| Investments | 761 | 1,357 | 1,357 | 1,357 |
| Net wrkg capital | 830 | 1,628 | 3,556 | 3,612 |
| Inventories | 2,988 | 4,154 | 4,514 | 4,219 |
| Sundry debtors | 4,270 | 4,854 | 5,861 | 6,086 |
| Other curr assets | 7,049 | 10,427 | 12,589 | 13,073 |
| Sundry creditors | (7,525) | (7,719) | (9,320) | (9,678) |
| Other curr liabilities | (5,952) | (10,088) | (10,088) | (10,088) |
| Cash | 128,549 | 172,281 | 223,752 | 280,224 |
| Total assets | 143,573 | 193,030 | 255,054 | 320,069 |

Cash flow statement

| Y/e 31 Mar (Rs m) | FY10 | FY11E | FY12E | FY13E |
|-----------------------|---------------|---------------|---------------|---------------|
| Profit before tax | 52,146 | 97,272 | 119,294 | 125,047 |
| Depreciation | 732 | 1,250 | 1,375 | 1,512 |
| Tax paid | (17,601) | (32,280) | (39,587) | (41,497) |
| Working capital Δ | 8,058 | (798) | (1,928) | (56) |
| Operating cashflow | 43,335 | 65,445 | 79,153 | 85,007 |
| Capital expenditure | (4,215) | (5,581) | (10,000) | (10,000) |
| Free cash flow | 39,121 | 59,863 | 69,153 | 75,007 |
| Investments | (46) | (595) | - | - |
| Dividends paid | (8,117) | (14,418) | (17,682) | (18,535) |
| Other items | 268 | 180 | - | - |
| Net Δ in cash | 31,153 | 43,732 | 51,471 | 56,472 |

Key ratios

| Y/e 31 Mar | FY10 | FY11E | FY12E | FY13E |
|--------------------------|--------|-------|-------|-------|
| Growth matrix (%) | | | | |
| Revenue growth | (17.5) | 82.2 | 20.7 | 3.8 |
| Op profit growth | (24.2) | 95.4 | 22.1 | 3.4 |
| EBIT growth | (21.6) | 86.5 | 22.6 | 4.8 |
| Net profit growth | (21.0) | 88.1 | 22.6 | 4.8 |

Profitability ratios (%)

| | | | | |
|-------------------|------|------|------|------|
| OPM | 70.9 | 76.1 | 76.9 | 76.6 |
| EBIT margin | 83.6 | 85.6 | 86.9 | 87.7 |
| Net profit margin | 55.4 | 57.2 | 58.1 | 58.6 |
| RoCE | 40.0 | 57.8 | 53.2 | 43.5 |
| RoNW | 26.7 | 38.8 | 35.7 | 29.2 |
| RoA | 24.2 | 35.3 | 32.8 | 27.2 |

Per share ratios

| | | | | |
|----------------------|------|------|------|------|
| EPS | 8.7 | 16.4 | 20.1 | 21.1 |
| Dividend per share | 2.0 | 3.6 | 4.5 | 4.7 |
| Cash EPS | 8.9 | 16.7 | 20.5 | 21.5 |
| Book value per share | 36.0 | 48.4 | 64.1 | 80.5 |

Valuation ratios (x)

| | | | | |
|-----------|------|------|------|------|
| P/E | 31.4 | 16.7 | 13.6 | 13.0 |
| P/CEPS | 30.8 | 16.4 | 13.4 | 12.8 |
| P/B | 7.6 | 5.7 | 4.3 | 3.4 |
| EV/EBIDTA | 21.6 | 10.6 | 8.2 | 7.4 |

Payout (%)

| | | | | |
|-----------------|------|------|------|------|
| Dividend payout | 23.5 | 22.2 | 22.2 | 22.2 |
| Tax payout | 33.8 | 33.2 | 33.2 | 33.2 |

Liquidity ratios

| | | | | |
|----------------|----|----|----|----|
| Debtor days | 25 | 16 | 16 | 16 |
| Inventory days | 17 | 13 | 12 | 11 |
| Creditor days | 44 | 25 | 25 | 25 |

Du-Pont Analysis

| Y/e 31 Mar (Rs m) | FY10 | FY11E | FY12E | FY13E |
|------------------------|-------------|-------------|-------------|-------------|
| Tax burden (x) | 0.66 | 0.67 | 0.67 | 0.67 |
| Interest burden (x) | 1.00 | 1.00 | 1.00 | 1.00 |
| EBIT margin (x) | 0.84 | 0.86 | 0.87 | 0.88 |
| Asset turnover (x) | 0.44 | 0.62 | 0.57 | 0.46 |
| Financial leverage (x) | 1.10 | 1.10 | 1.09 | 1.07 |
| RoE (%) | 26.7 | 38.8 | 35.7 | 29.2 |

Recommendation parameters for fundamental reports:**Buy** – Absolute return of over +10%**Market Performer** – Absolute return between -10% to +10%**Sell** – Absolute return below -10%

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