



**NIRMAL BANG**  
a relationship beyond broking

# PENNAR INDUSTRIES LIMITED (PIL)



**Pennar Industries Limited**

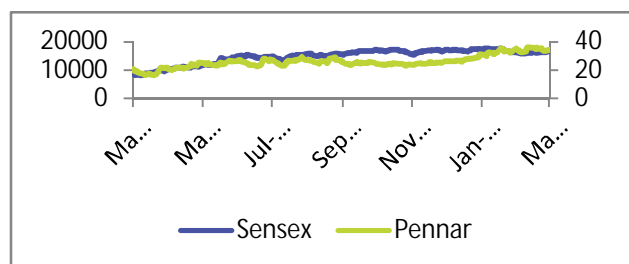
**Initiating Coverage**
**Pennar Industries Limited (PIL)**

Recommendation	BUY
CMP (25 <sup>th</sup> Mar. 2010)	Rs. 37
Sector	Steel Inter. Products

**Stock Details**

BSE Code	513228
NSE Code	PENARSTEEL
Bloomberg Code	PSL IN
Market Cap (Rs. cr)	Rs. 435.72 CR
Free Float (%)	37.5%
52- wk HI/Lo	38.65/15.50
Avg. volume BSE (1 Mth)	369160
Face Value	Rs. 5
Dividend (FY 09)	10%
Shares o/s (Nos. in crore)	422.53

Relative Performance	1 Mth	3 Mth	1 Yr
Pennar	1.3%	31.7%	66.8%
Sensex	3.8%	-2.3%	94.9%


**Shareholding Pattern as of 31<sup>st</sup> December 2009**

Promoters Holding	36.96%
Foreign Promoter Holding	25.54%
FII, Banks & Institutions	26.56%
Corporate Bodies	16.93%
Public & others	19.56%

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**Company Background**

Pennar Industries Ltd. (PIL) has transformed itself from a pure commodity player into value added & niche engineering products company thereby improving its overall profitability over last 5-6 years.

**Investment Rationale**

- Around 70% of FY09 revenues of the company came from Value added segment (VAS) as against just 20% in FY2003-04. We believe going forward; more than 85% of the revenues of the company will come from this segment hence enhancing profitability. The VAS attracts higher EBIDTA margin of around 15% than the cold rolled steel segment of 7-8% margin. We believe that the continuous focus by the company in the value added segment would further drive the EBIDTA margin for the company.
- The company has over the years increased its business presence in the railways segment, whereby there has been consistent order flow from companies like Texmaco, ICF & Titagarh Wagons. From a contribution of just Rs.176 crs (24% of revenues) in 2009, railways are set to contribute around Rs. 270 crs (32% of revenues) in FY10E & Rs.320 crores in FY11E, thereby increasing the earnings visibility of the company
- Pennar has forayed into a new opportunity named Pre-engineered Business Segment (PEBS), where it has technical collaboration with NCI Building Systems (USA), one of the world's largest pre-engineered building solution providers. The concept is gaining momentum in Indian market, which we feel will positively impact the Revenues of the company. Currently PEBS has order book worth of Rs. 60 crores for Q1FY11 & is expected to contribute around Rs. 150 crores to the top-line in FY11. With margins higher than its traditional businesses, which we believe will be instrumental in better margins going forward.

**Valuation Recommendation**

We have valued the Company on an EV/EBIDTA basis, wherein, we believe that the company will trade at 5.5Y11E EV/EBIDTA, arriving at a target of Rs. 55 per share, implying an upside of 49% to the current market price of Rs. 37 per share. At Rs. 37 per share the stock is currently available at a PE of 5.8x in FY11E & 5.1x in FY12E estimated earnings. The target price of Rs. 55 per share discounts FY11E earnings at a PE of 8.6x & FY12E earnings at 7.6x. We initiate coverage on Pennar Industries with a "BUY" rating.

Year	Net Sales Rs. in Cr	Growth %	EBITDA Rs. in Cr	EBIDTA Margin %	PAT Rs. in Cr	PAT Margin %	EPS (Rs.)	P/E (x)	P/BV
FY09	653.3	36%	80.9	12.4%	38.1	5.8%	3.0	12.3	2.4
FY10E	771.5	18%	107.9	14.0%	50.0	6.5%	4.1	9.1	2.0
FY11E	1020.2	32%	141.0	13.8%	78.5	7.7%	6.4	5.8	1.6
FY12E	1141.2	12%	157.6	13.8%	89.1	7.8%	7.2	5.1	1.3

### COMPANY BACKGROUND

Pennar Industries is a multi-location, multi-product company manufacturing cold rolled steel strips, tubes, electro static precipitators, pre-engineered building systems, cold rolled formed sections, sheet metal components, and road safety systems.

The company manufactures and provides steel-based products and associated services to customers across the globe. The manufacturing units are located at Pantanchuru and Isnapur in Andhra Pradesh, Tiruvellore in Tamil Nadu and Tarapur in Maharashtra. Pennar Industries transform hot- rolled and cold-rolled steel into specialized products for future use in railway coaches/wagons, automobiles, industrial structures, heavy vehicles, road safety systems, electrostatic precipitators, air-conditioners, refrigerators as well as fabricated and general engineering products.

Pennar Engineered Buildings Systems, the subsidiary company, has completed the construction of its new manufacturing facility at Sadasivapet near Hyderabad. The company manufactures pre-engineered building structures.

### PRODUCT & CUSTOMER PROFILE

Market Segments	Customers
Railway Products	Integral Coach Factory (ICF), BEML, Texmaco and Titagarh Wagons
Automobile products	Tata Motors, Ashok Leyland and Eicher Motors
Building products	L&T, Shapoorji Pallonji and Nagarjuna Construction
Pollution control	ABB, Thermax and Bharat Heavy Electricals (BHEL)
Pressed steel components	Emerson Electric, Tecumseh, TVS Motors and IFB
Road safety systems	National Highways Authority of India (NHAI) and other road construction companies
Fabricated products	Thermax, ABB and Prasad Seeds
Precision tubes	Bus body builders
Cold-rolled steel strips	Automobile, white goods, electrical and engineering companies

Source: Company & Nirmal Bang Research

**ASSETS of the Company**

Plant Location	Principal Products	Installed Capacity (MTPA)
Patancheru, Andhra Pradesh (45 acres)	Products for railways, automobiles, building sectors, ESP electrodes, road safety systems, pressed components and precision tubes	108000
Chennai, Tamil Nadu (36 acres)	Formed products, pressed components, and fabricated items for railways and automobile sectors	30000
Isnapur, Andhra Pradesh (27 acres)	Specialty cold-rolled products	50000
Tarapur, Maharashtra (5 acres)	Cold-rolled formed products, automotive bumpers and fenders	10000
Hosur, Tamil Nadu	Engineered components for auto sector	2000

Source: Company & Nirmal Bang Research

**BUSINESS MODEL**

Pennar's manufacturing is focused on the production of value added products such as formed profiles for automobiles, building construction and railway sectors. A precision tube line manufactures products for the auto, transportation and a fabrication shop is to fabricate structures for Electro Static Precipitators (ESP), boiler and seed processing plants.

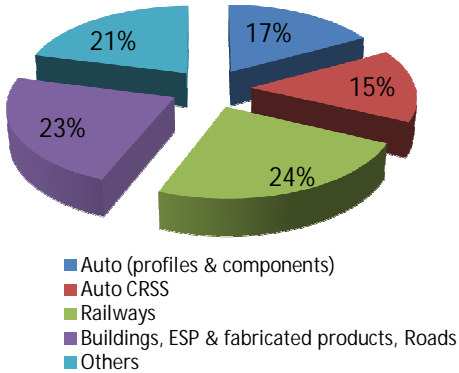
The company currently has a capacity of 1,04,000 TPA of cold rolled steel strips and 96,000 TPA of value-added products like cold-formed metal profiles and pressed components. Pennar has its Cold Rolled Formed Profiles manufacturing facilities at Patancheru (Hyderabad), Tarapur (Maharashtra) and Chennai (Tamil Nadu).

Pennar Industries has been making Electrostatic Precipitators (ESP) components for the past 16 years. The components include Collecting Electrodes & Discharge Electrodes. These components are manufactured by cold roll forming and then finished by carrying out various post forming operations.

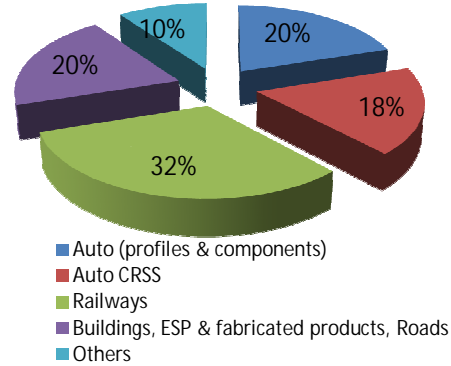
The Company has established itself among the lowest cost converters of steel into value-added engineered products. It is well positioned to make use of the strong growth in railways, highways, and automobile segment. The growth in railways segment and the demand for pre engineered building systems are the strong revenue growth drivers for the company.

Segmental Revenue

Segment Revenue FY09



Segment Revenue FY10E



Source: Company & Nirmal Bang Research

**Pennar Engineered Building Systems Limited (PEBS)**

The Company has set up a subsidiary named Pennar Engineered Building Systems Limited (PEBS) to manufacture pre engineered building structures to capitalize on the growing opportunities in the construction sector. PEBS has technical collaboration for manufacturing weather resistant roofing systems with NCI Building Systems (USA), one of the world's largest pre-engineered building solution providers. PEBS is a subsidiary of Pennar Industry, where the company enjoys 90% stake in the JV.

Currently, the total Indian market for pre-engineered building system is 750000 tons (Rs. 4000 crores) and is expected to grow at 13-14% per annum. PEBS is targeting a modest market share of around 5%. PEBS comprises modular steel constructions of open-span built up sections, purlins, grits, roofing and wall panels. PEBS enjoys the advantages of erection speed and expansion flexibility over conventional concrete construction. This division is engaged in the design, manufacture, supply and installation of pre-engineered steel buildings and building components for industries, warehouses, commercial centers, multi-storied buildings, aircraft hangars and stadiums, among others. PEBS also has technical collaboration for manufacturing weather resistant roofing systems with NCI Building Systems (USA). The key competitors for PEBS are Tata Bluescope, Kirby International and few Saudi Arabian countries.



PEBS currently has the capacity of 30,000 tons per annum and is planning to increase it to 60,000 tons per annum plant at their Sadishivpet in Medak district, Andhra Pradesh, at a cost of around Rs. 10 crores. The first phase of manufacturing facility has started production from October 2009, and the other facility which is under construction, is expected to be commissioned by July 2010. The company has total order book position for FY10E at Rs. 40 crores out of which Rs. 15 crores has been executed by December 2009 and the balance Rs. 25 crores will be executed by March 2010. We expect PEBS to generate a turnover of Rs. 150 crores in FY11E and Rs. 200 crores in FY12E. The order book of the company stands at Rs. 60 crores for Q1FY11.

The key growth driver for Pre-engineered building system is expected to be the huge demand and increase in warehousing capacities. The warehousing market is expected to grow at 40% from Rs. 10000 crores in 2008 to Rs. 27500 crores in 2012, leading to huge expansion in warehousing capacity. The warehousing market is expected to witness an investment of Rs. 2500 crores in new warehousing space, which is a good opportunity for pre-engineered building system.

#### Opportunities for PEBS

- ✍ Logistics – Warehousing, Agriculture storage
- ✍ Industrial – Factories, Wagon loading
- ✍ Infrastructure – Aircraft hangers, Railway platforms
- ✍ Commercial – Shopping Centers, Car parks
- ✍ Miscellaneous – Sport stadiums, Schools, Marriage halls, Community centers

#### Advantages of Pre-Engineered Building Systems

- ✍ Faster Occupancy
- ✍ Lower Cost
- ✍ Flexibility in expansion
- ✍ Large clear spans
- ✍ Quality control
- ✍ Low maintenance
- ✍ Energy efficient roof and wall systems
- ✍ Architectural Versatility
- ✍ Single source responsibility
- ✍ Corrosion Resistant
- ✍ Protection against non uniform weathering

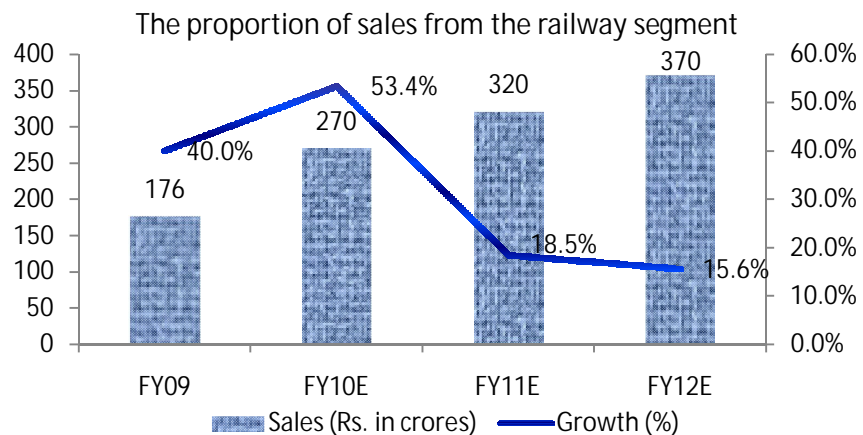
### Growth Opportunities in the Railway Sector

The Railways earmarked an outlay of Rs 250,000 crores in the 11th Five-Year-Plan, which is thrice the outlay of 10th Five-Year-Plan. Indian Railways plans to substitute older wagons with stainless steel wagons having higher axle load design which gives ample opportunity to Pennar Industries (PIL), as the company manufactures railway components for its esteemed clients like Texmaco, ICF, Titagarh Wagons, etc.

Pennar Industry has aggressively moved into the railway coach manufacturing segment developing complete body for railway coaches as against supplying just body parts for the coach. It has developed profiles for manufacturing rail coaches in stainless steel and cortex steel qualities. We believe that with the rise in demand for railway wagons, Pennar Industry could serve railway industry better with the new facility at Chennai and scale up their railway business due to close vicinity with ICF (Integral Coach Factory) at Chennai. We are positive about PIL's focus towards railway segment.

The current product profile contains high strength - light weight Chasis members, coach floors, wagon segments and stainless steel profiles. The company has also chalked out plans to launch more wagon and coach components and to move up the value chain. To meet the increase demand from the railway sector, the company is expanding its Chennai facility, which caters to the railway components.

The company earned around Rs. 176 crores (24% of total revenue) in revenues from the rail segment in FY09. We expect Railways to contribute a turnover of Rs. 270 crores in FY10E, Rs. 320 crores in FY11E and Rs. 370 crores in FY12E. We feel that the demand for new coaches, the replacement demand and setting up of freight corridors will act as the growth catalyst. This coupled with increased value addition by Pennar in the Wagons segment will augment further growth to this segment.



Source: Company & Nirmal Bang Research

### Share of Auto Segment to Improve Going Forward

Auto Sector which saw a revival in its fortunes during the second half of 2009-10 is expected to continue its upward journey. PIL which supplies important components to the auto segment like pressed steel sheets & engineered products amongst others is expected to take advantage of the growth in the auto segment. We believe going ahead auto segment consisting of CRSS & profiles & components together will be one of the major contributors to the revenues of the company.

### FUTURE PLANS

- ✍ To cater to the expanding market for railway coaches, the company is putting up additional Buildings and manufacturing facilities at its Chennai Plant.
- ✍ The company has commissioned an Automated Rotary Compressor Shell manufacturing facility at its Isnapur Plant.
- ✍ The company has launched its new facility in Medak district near Hyderabad for manufacturing world class green pre-engineered buildings. The facility has been set up by its subsidiary PEBS Pennar. The capacity of Pennar Engineered building System will be increased from 30000 tons per annum to 60000 tons per annum by July 2010 and will be scaled up to 120000 tons per annum by mid 2011.
- ✍ The company is scouting for acquisitions in the precision engineering segment to cater to customers in defense and nuclear energy.

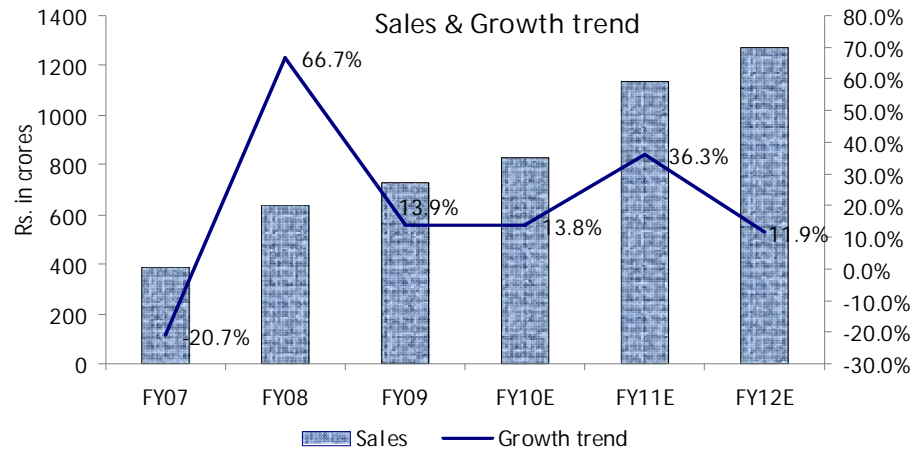
### BUYBACK of shares by Pennar Industries

Pennar Industries Ltd. has recently conducted buyback offer and bought back 31 lakhs shares from the existing shareholders through the stock exchange route at a price of Rs. 27 per share (face value of Rs. 5 per share), for an amount of Rs. 8.37 crores. This increases the investor confidence in the company.



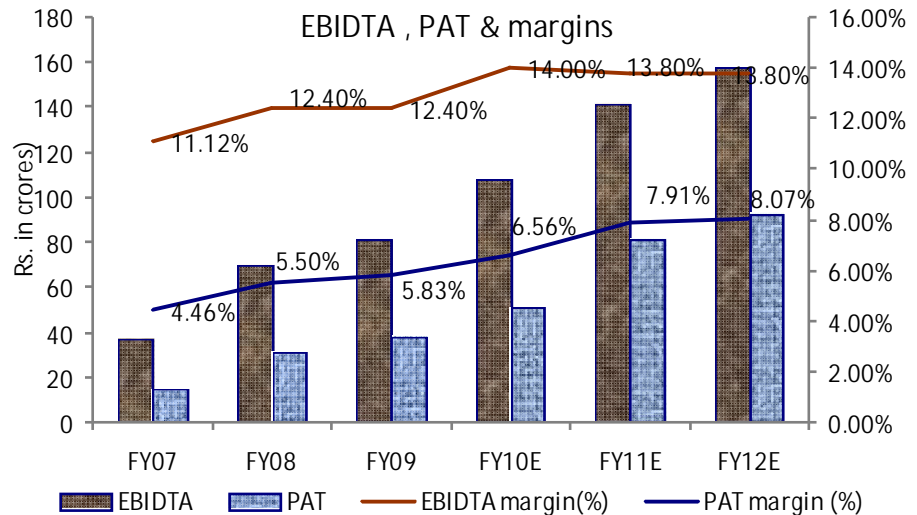
### EARNINGS OUTLOOK

The company has shifted its focus from being a pure steel player to a supplier of value added steel products. The company has grown at a CAGR of 38% over a period of 2007-2009 on the revenue front & 47.6% CAGR on the EBIDTA front. We believe going forward the company will grow at a CAGR of 23.5% on revenue front & 20.8% on the EBIDTA front over the period 2010-2012 on the back of increase in demand from the value added segment like auto sectors, infrastructure, railway sector, etc. The government in its Union Budget & Railway Budget FY11 has given significant importance to infrastructure, construction, auto, railway, etc. which we feel will act as a fillip in the revenue growth for the company. We believe that being into value added products; the company is muted towards the fluctuation of steel prices as the company is able to pass on the prices (increase / decrease) to the customers which help the company in maintaining its EBITDA margin going forward.



Source: Company & Nirmal Bang Research

The EBIDTA margin has increased from 11.12% in 2007 to 12.4% in 2009. The company was able to maintain its EBITDA margins even in global financial turmoil in world steel market. Going forward, we expect EBITDA margins to be in the range of 13.5-14% in 2010E & 2011E respectively.



Source: Company & Nirmal Bang Research

### FY10 so far (9 months)

- ✍ Net sales were up by 11.7% to Rs. 557.66 crores in 9m FY10 as against Rs. 499.05 crores in 9m FY09. Net sales increased by 29.5% from Rs. 195.49 crores in Q3 FY10 as against Rs. 150.91 crores in Q3 FY09. Growth was driven by the higher volume in railways, auto and engineering segments.
- ✍ The EBITDA was up by 39.3% to Rs. 77.21 crores in 9mFY10 as against Rs. 55.42 crores in 9mFY09. The PBDIT was up by 44% to Rs. 27.58 crores in Q3 FY10 from Rs. 19.15 crores in Q3 FY09.
- ✍ The company reported an EBITDA margin of 13.8% in 9mFY10 as compared to 11.1% in 9mFY09 and 14.1% in Q3 FY10 as compared to 12.7% in Q3 FY09 due to the improvement in product mix. The company has also commissioned the functioning of its subsidiary, Pennar Engineered Building System, which enjoys higher operating margin, hence increasing overall margins of the company.
- ✍ The Net Profit increased by 24.6% to Rs. 36.39 crores in 9m FY10 as against Rs. 29.21 crores in 9m FY09 and was up by 42.9% from Rs. 13.6 crores in Q3 FY10 from Rs. 9.52 crores.
- ✍ The Company reported an EPS of Rs. 2.95 in 9m F10 as against Rs. 2.31 in 9m FY09.

Financial Analysis for the Nine Months

Rs. in crores

Particulars	9m FY10E	9m FY09	YoY(%)	Q3 FY10	Q3 FY09	YoY(%)
Net Sales	557.66	499.05	11.7%	195.49	150.91	29.5%
Raw Material Consumed	391.24	361.42	8.3%	137.31	99.19	38.4%
Stock Adjustment	-6.91	2.91	-337.5%	-2.76	7.79	-135.4%
Employee Expenses	17.98	15.28	17.7%	6.09	5.19	17.3%
Other Expenses	78.14	64.02	22.1%	27.27	19.59	39.2%
TOTAL EXPENDITURE	480.45	443.63	8.3%	167.91	131.76	27.4%
EBITDA	77.21	55.42	39.3%	27.58	19.15	44.0%
Interest	8.92	10.58	-15.7%	2.79	3.81	-26.8%
Other Income	0.24	0.18	33.3%	0.06	0.06	0.0%
EBIT	68.53	45.02	52.2%	24.85	15.4	61.4%
Depreciation	7.67	7.05	8.8%	2.53	2.4	5.4%
Tax	16.39	3.05	437.4%	6.04	1.25	383.2%
Fringe Benefit Tax	0.04	0.12	-66.7%	0	0.04	-100.0%
Deferred Tax	8.04	5.59	43.8%	2.68	2.19	22.4%
Reported Profit After Tax	36.39	29.21	24.6%	13.6	9.52	42.9%
Extra-ordinary Items	0	0		0	0	
Adjusted Profit After Extra-ordinary iter	36.39	29.21	24.6%	13.6	9.52	42.9%
EPS (Unit Curr.)	2.95	2.31		1.10	0.75	
Equity	61.78	63.24		61.78	63.24	
EBITDA(%)	13.8%	11.1%		14.1%	12.7%	
EBIT(%)	12.3%	9.0%		12.7%	10.2%	
PATM(%)	6.5%	5.9%		7.0%	6.3%	

### RISKS & CONCERNS

- ✍ Any delay in the commencement of its project on time would pose a negative effect on the operating margin.
- ✍ Lower than expected volume growth will hamper revenues of the company and our projections.
- ✍ Lower than expected price realization is also a major concern for the company's performance.

### VALUATION & RECOMMENDATION

The company has grown at a CAGR of 38% over a period of 2007-2009 on the revenue front & 47.6% CAGR on the EBIDTA front. We believe going forward the company will grow at a CAGR of 23.5% on revenue front & 20.8% on the EBIDTA front over the period 2010-2012E.

We have valued the Company on an EV/EBIDTA basis, wherein, we believe that the company will trade at 5.5x FY11E EV/EBIDTA, arriving at a target of Rs. 55 per share, implying an upside of 49% to the current market price of Rs. 37 per share over a long term period.

At Rs. 37 per share the stock is currently available at a PE of 5.8x FY11E & 5.1x FY12E, which we feel is quite undervalued looking at the huge earnings potential of the company, new initiative into the pre-engineered business segment, and capacity expansion to meet the ever increasing order flow from railways segment. The target price of Rs. 55 per share discounts FY11E earnings at a PE of 8.6x & FY12E earnings at 7.6x.

Valuations	FY11E
EBIDTA (Rs.Crs.)	141.0
EV/EBIDTA (x)	5.5
EV (Rs.Crs.)	775.4
Debt (Rs.Crs.)	136.9
Cash (Rs.Crs.)	40.7
M.Cap (Rs.Crs.)	679.2
No.Of shares (units).	12.3
Price Target (Rs. per share)	55

## Consolidated Income Statement (Rs. in crores)

	2008	2009	2010E	2011E	2012E
<b>Sales</b>	641.2	730.5	831.4	1133.5	1268.0
Excise	81.0	77.2	59.9	113.4	126.8
Net Sales	560.2	653.3	771.5	1020.2	1141.2
Other Income	0.6	0.3	0.6	1.0	1.0
Total Income	560.8	653.6	772.1	1021.2	1142.2
Cost Of Raw Material	405.9	472.9	527.9	714.1	798.8
Stock Adjustment	-9.5	-3.5	7.0	0.0	0.0
Employee Expenses	14.7	21.0	27.0	34.0	38.0
Power, Oil & Fuel	6.8	5.6	7.1	9.6	10.8
Selling & Administrative Expenses	41.6	44.8	51.1	68.0	76.1
Other Operating expenses	27.8	29.7	41.6	51.0	57.1
Misc. Expenses	3.9	2.3	2.5	3.4	3.8
Total Expenditure	491.3	572.7	664.2	880.2	984.6
<b>EBITDA</b>	69.5	80.9	107.9	141.0	157.6
Interest	21.5	19.6	12.6	13.0	12.3
Depreciation & Amortization	8.1	8.5	11.6	12.7	13.8
Profit Before Tax	40.0	52.8	83.7	115.3	131.6
Total Taxes	9.2	14.6	33.1	34.6	39.5
Net Income After Taxes	30.8	38.3	50.6	80.7	92.1
Minority Interest in Income	0.0	0.0	0.6	2.2	3.0
Extraordinary Items	0.0	0.0	0.0	0.0	0.0
<b>Adjusted Net Profit</b>	30.8	38.1	50.0	78.5	89.1
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
Net Income Available to EqSh holder:	30.8	38.1	50.0	78.5	89.1
<b>Earnings Per Share (Rs)</b>	2.4	3.0	4.1	6.4	7.2
Total Common Dividends	0.0	12.7	15.0	19.6	20.5
Shares Outstanding (Diluted)	12.6	12.6	12.3	12.3	12.3
Retained Earnings	30.8	25.4	35.0	58.9	68.6



Initiating Coverage

Pennar Industries Limited (PIL)

Balance Sheet (Rs. in crores)	2008	2009	2010E	2011E	2012E
<b>Sources of Funds</b>					
Equity Share Capital	63.2	63.2	61.7	61.7	61.7
Preference Share Capital	8.8	8.8	8.8	8.8	8.8
Reserves	116.2	126.2	154.3	213.2	281.8
<b>Share Holders Funds</b>	<b>188.2</b>	<b>198.2</b>	<b>224.8</b>	<b>283.7</b>	<b>352.3</b>
Minority Interest			0.6	2.8	5.8
Secured Loans	101.5	106.8	130.3	113.9	111.5
Unsecured Loans	18.0	20.4	21.7	23.0	24.0
<b>Total Debt</b>	<b>119.5</b>	<b>127.2</b>	<b>152.0</b>	<b>136.9</b>	<b>135.5</b>
Net Deferred Tax	-28.0	-8.7	-8.7	-8.7	-8.7
<b>Total Liabilities and Equity</b>	<b>279.7</b>	<b>316.7</b>	<b>368.7</b>	<b>414.7</b>	<b>484.9</b>
<b>Application Of Funds</b>					
Gross Fixed Assets	244.0	261.6	286.6	311.6	336.6
Less: Depreciation	116.0	127.0	138.7	151.4	165.2
<b>Net Fixed Assets</b>	<b>128.0</b>	<b>134.5</b>	<b>147.9</b>	<b>160.2</b>	<b>171.4</b>
Investments	0.1	0.0	0.0	0.0	0.0
Misc Exps Not W/off	1.2	0.8	0.0	0.0	0.0
WIP	0.0	0.0	0.8	0.8	0.8
<b>Current Assets, Loans &amp; Adv</b>					
Cash	11.2	7.4	39.1	40.7	60.5
Receivables	80.7	95.9	116.2	139.7	156.3
Inventories	72.9	72.7	91.1	102.5	121.6
Loans and Advances	26.8	46.5	22.8	27.9	38.2
<b>Total Current Assets</b>	<b>191.7</b>	<b>222.4</b>	<b>269.1</b>	<b>310.9</b>	<b>376.6</b>
<b>Current Liabilities &amp; Prov</b>					
Current Liabilities	38.0	17.0	21.6	24.5	27.4
Provisions	3.2	24.0	27.5	32.7	36.5
<b>Total Curr.Liabs &amp; Prov.</b>	<b>41.2</b>	<b>41.0</b>	<b>49.1</b>	<b>57.2</b>	<b>63.9</b>
<b>Net Current Assets</b>	<b>150.4</b>	<b>181.4</b>	<b>220.0</b>	<b>253.7</b>	<b>312.7</b>
<b>Total Assets</b>	<b>279.7</b>	<b>316.7</b>	<b>368.7</b>	<b>414.7</b>	<b>484.9</b>

Cash Flow Statement (Rs. in crores)

Cash Flow	2008	2009	2010E	2011E	2012E
Profit Before Tax	40.0	52.8	83.7	115.3	131.6
Plus Depreciation	8.1	8.5	11.6	12.7	13.8
Deferred Tax	6.0	19.4	-	-	-
Interest Income	(0.6)	(0.3)	(0.6)	(1.0)	(1.0)
Misc. exp. Not written off	1.2	0.8	-	-	-
Interest Expenses	21.5	19.6	12.6	13.0	12.3
Dec/Inc in A/R	(1.4)	(15.2)	(20.3)	(23.6)	(16.6)
Dec/Inc in Inventories	(25.5)	0.3	(18.4)	(11.4)	(19.1)
Dec/Inc in Loans and advances	(12.5)	(19.7)	23.7	(5.2)	(10.3)
Dec/Inc in Total Liabs	18.6	(21.0)	4.6	2.9	2.9
Changes in provisions	3.1	20.8	3.5	5.2	3.9
Total Tax paid	(9.2)	(14.6)	(33.1)	(34.6)	(39.5)
Changes in working capital	(17.7)	(34.8)	(6.9)	(32.1)	(39.2)
<b>Cash Flow from Operations (a)</b>	<b>49.2</b>	<b>51.4</b>	<b>67.3</b>	<b>73.3</b>	<b>78.0</b>
Capital expenditure	(24.6)	(32.0)	(25.0)	(25.0)	(25.0)
Chg in investments	0.0	0.1	-	-	-
Misc Expenditure	1.2	0.8	-	-	-
Interest Received	0.6	0.3	0.6	1.0	1.0
<b>Cash Flow from investing (b)</b>	<b>(22.7)</b>	<b>(30.7)</b>	<b>(24.4)</b>	<b>(24.0)</b>	<b>(24.0)</b>
<b>Free Cash Flow</b>	<b>26.5</b>	<b>20.7</b>	<b>42.9</b>	<b>49.3</b>	<b>54.0</b>
Equity raised/(repaid)	17.1	-	(1.6)	-	-
Inc/Dec in Reserves	46.7	-	(6.8)	-	-
Debt raised/(repaid)	(62.1)	7.7	24.8	(15.1)	(1.4)
Dividend (incl. tax) paid	-	(12.7)	(15.0)	(19.6)	(20.5)
Interest Expenses	(21.5)	(19.6)	(12.6)	(13.0)	(12.3)
<b>Cash Flow from Financing</b>	<b>(19.9)</b>	<b>(24.5)</b>	<b>(11.2)</b>	<b>(47.7)</b>	<b>(34.2)</b>
<b>Net Cash Flow</b>	<b>6.6</b>	<b>(3.8)</b>	<b>31.7</b>	<b>1.6</b>	<b>19.8</b>
Beginning Cash Balance	4.6	11.2	7.4	39.1	40.7
<b>Ending Cash Balance</b>	<b>11.2</b>	<b>7.35</b>	<b>39.1</b>	<b>40.7</b>	<b>60.5</b>

Ratios

Profitability Ratio	FY 08	FY 09	FY 10E	FY 11E	FY 12 E
EBITDA	12.4%	12.4%	14.0%	13.8%	13.8%
PAT	5.5%	5.8%	6.5%	7.7%	7.8%
RoCE	20.5%	22.9%	27.4%	32.2%	31.7%
RoNW	20.7%	19.7%	23.6%	30.9%	28.0%

Growth Ratios	FY 08	FY 09	FY 10E	FY 11E	FY 12 E
Sales	66.7%	13.9%	13.8%	36.3%	11.9%
EBITDA	87.4%	16.3%	33.5%	30.7%	11.8%
PAT	107.2%	23.6%	31.2%	57.0%	13.5%

Valuation Ratios	FY 08	FY 09	FY 10E	FY 11E	FY 12 E
PE	14.4	11.6	8.6	5.5	4.8
P/BV	2.4	2.2	1.9	1.5	1.2
EV/EBIDTA	7.8	7.0	5.0	3.7	3.2
M.Cap/Sales	0.7	0.6	0.5	0.4	0.3

Per Share Data	FY 08	FY 09	FY 10E	FY 11E	FY 12 E
BV	14.9	15.7	18.2	23.0	28.6
EPS	2.4	3.0	4.1	6.4	7.2
Cash EPS	3.1	3.7	5.0	7.6	8.6
DPS	0.0	1.8	2.1	2.8	2.9

NOTE

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