PINC RESEARCH

PHOENIX LAMPS LTD. (PLL)

Initiating Coverage BUY

Sector Lighting | CMP Rs 145 | Target Rs 250

STOCK DATA

Market Capitalisation	Rs4.1bn.
Book Value per share	Rs42
Equity Shares O/S (F.V. Rs 10)	28mn
Med. Vol. (12 mths)	19,350 (BSE+NSE)
52 Week H/L	Rs254 / 108
BSE Scrip Code	517296
NSE Scrip Code	PHOENIXLMP
Bloomberg Code	PL@IN
Reuters Code	PHLM.BO

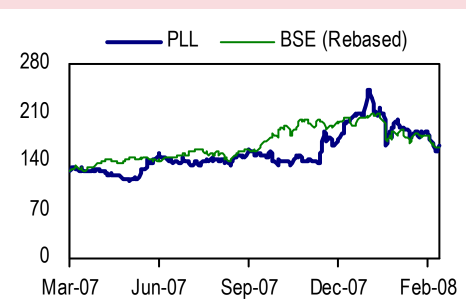
SHAREHOLDING PATTERN (%)

Qtr. Ended	Jun-07	Sep-07	Dec-07
Promoter	66.1	66.1	66.1
MF & UTI	2.7	2.0	1.6
Banks/FIs	2.2	3.2	3.6
PCB	10.2	10.2	10.2
Indian Public	18.7	18.6	18.6

STOCK PERFORMANCE (%)

	1M	3M	12M
Absolute	(19.9)	(29.4)	14.7
Relative	(2.1)	(7.2)	(2.6)

STOCK PRICE PERFORMANCE



Phoenix Lamps Ltd (Phoenix) is a major supplier of automotive lamps in India, and is fast emerging as a significant player in household CFL lamps.

Its capacity in automotive lamps is 80mn units p.a. with a market share of ~55% in 4-wheelers & ~80% in 2-wheelers. Already a leading OEM supplier to *Maruti, Tata Motors, Honda, Toyota, Hero Honda, Bajaj Auto & TVS Motors, Phoenix has* recently added *Hyundai* as its client and also received approval for supplying lamps to Tata's *Nano*. While it has developed a strong presence in the European after-markets for automotive lamps, it is aggressively exploring options to expand its footprint in US, Middle East & China.

Post its CFL capacity expansion to ~65-70mn units (from 25 mn units at present) in FY09, Phoenix would be amongst the top three CFL manufacturers in India. With plans to increase market penetration by using electrical stores as distribution channels, the company would not only enhance its reach, but also have a wider network to tap post its foray into luminaires & LED lamps.

To counter the margin pressure arising from increased market penetration and ad spend for CFL's, Phoenix has set up a 15mn units p.a. facility at Haridwar, which will grant significant fiscal benefits.

The current sales mix between automotive and CFL's is ~55:45. While automotive lamp sales are expected to post a CAGR of 18-20% over the next 3 years, the explosive scale up envisaged in the CFL segment is expected to alter the sales mix to 35:65 in favor of the latter by FY10.

While exports currently account for 33%of net sales, the sharp scale up in the CFL business, which is predominantly domestic, would ease its share in revenues to 25% by FY10.

INVESTMENT RATIONALE

- *We expect revenues to grow at 30% CAGR over FY07-10. Primarily led by CFLs with incremental revenues from luminaires, this should result in net sales of Rs6.6bn in FY10. Though pricing pressure in CFLs could be a drag on realisations, increase in own brand sales, strong replacement demand, backward integration and tax benefits from Haridwar facility should help stabilise margins at 17-18%. Thus, despite a capex of Rs550-600mn, which could spike up capital charges, Phoenix should be able to exhibit an earnings growth of 35% CAGR for FY07-10.*
- *The CMP of Rs145 discounts FY10E EPS of Rs28.7 by 5.1x and the stock trades at anEV/Sales & EV/EBIDTA of 0.7x & 4.1x FY10E. We initiate coverage on the company with a 'BUY' and a 12-month price target of Rs250.*

KEY FINANCIALS (STANDALONE) (Rs mn)

Yr Ended (March)	Net Sales	YoY Gr (%)	Op Profits	Op Marg (%)	Net Profits	Eq Capital
2006	2,327	20.7	416	17.9	238	238
2007	2,778	19.4	453	16.3	314	280
2008E	3,858	38.9	666	17.3	443	280
2009E	5,099	32.2	871	17.1	598	280
2010E	6,648	30.4	1,171	17.6	804	280

KEY RATIOS

Yr Ended (March)	EPS (Rs.)	ROCE (%)	RONW (%)	P/E (x)	EV/Sales (x)	EV/EBDIT (x)
2006	10.0	20.6	51.2	14.5	1.7	9.2
2007	11.2	22.5	36.3	12.9	1.6	9.4
2008E	15.8	26.6	33.3	9.2	1.2	6.9
2009E	21.3	28.1	35.0	6.8	0.9	5.4
2010E	28.7	30.2	35.8	5.1	0.7	4.1

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Background

PLL has 5 fully automated plants with a capacity of 95 mn units...

Phoenix Lamps Ltd. (Phoenix) was incorporated in 1991 by Mr B.K. Gupta in technical collaboration with *Phoenix Electric Co. (Japan) & Soei Tsusho Co. (Japan),* with investment help from *Pradeshiya Industrial Investment Corporation of UP* (PICUP). It commenced operations by manufacturing automotive lamps & CFLs at Noida Export Processing Zone (NEPZ). The current equity base of the company stands at Rs280mn (28 mn shares with face value of Rs 10 each).

Over the years it has scaled up capacity and currently has 5 fully automated facilities at Noida (3), Dehradun & Haridwar with a capacity to manufacture 95mn lamps p.a. Four of these have tax concessions, which would last atleast for the next 5 years.

PLL's Plant Details

Plant Locations	Location	Product	Market	Segment
Plant I	Noida SEZ	Auto Lamps	Export	After-market
Plant 2	Noida SEZ	Auto Lamps	Export/Domestic	Aftermarket/OEMs
Plant 3	Dehradun	CFL& Auto Lamps	Export/Domestic	After-market.
Plant 4	Noida	Auto Lamps & CFL	Domestic	OEM /After-market
Plant 5	Haridwar	CFL	Domestic	After-market

Source : Company, PINC Research

CONTROLLING STAKE BY ACTIS

Actis has acquired 66% stake in PLL gaining management control...

Actis, a global pvt equity fund, acquired a 66% stake in Phoenix and gained management control in end-FY07. Post this, there has been a restructuring in management and the company is now run by professionals, backed by Actis.

The share acquisition details of Actis are as under:

- 8.7mn shares from promoters (@Rs190)
- 5.6mn shares through open offer (@Rs190)
- 4.2mn shares from conversion of warrants (@Rs102)

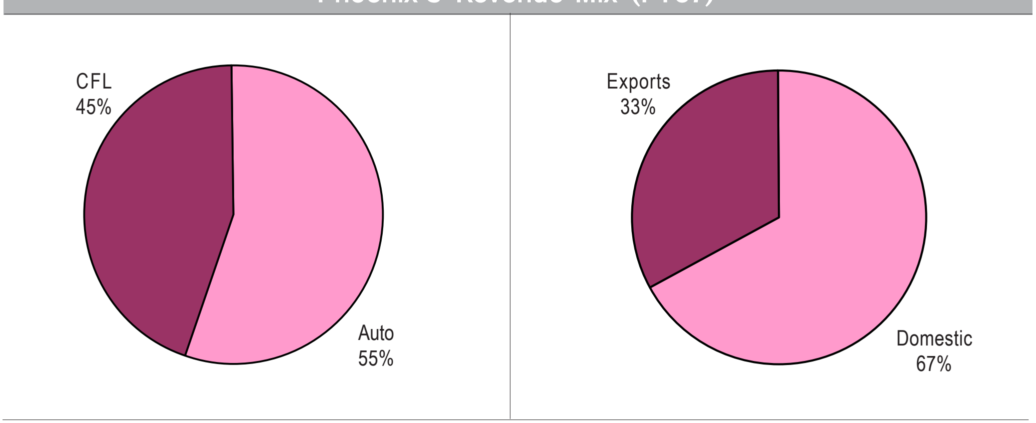
DIVERSE PRODUCT PORTFOLIO & GEOGRAPHIES

Diverse portfolio & Leading exporter

Phoenix's product portfolio spans over 500 types of lamps, across both automotive and CFL segments. It is the leader in the automotive lamps segment with a market share of ~70% in domestic OEMs market. It sells products under the brand name *Halonix*, and clientele includes OEMs like Maruti, Tata Motors, Renault in 4-wheelers & Hero Honda, Bajaj Auto & TVS Motors in 2-wheelers besides Tier-I suppliers like Bosch, Hella & Osram.

Phoenix is also the largest exporter of automotive lighting from India with revenues of ~Rs900mn in FY07. Bulk of the exports currently is to European after-markets and the company is looking at tapping the US, Chinese & Middle-East markets.

Phoenix's Revenue-Mix (FY07)



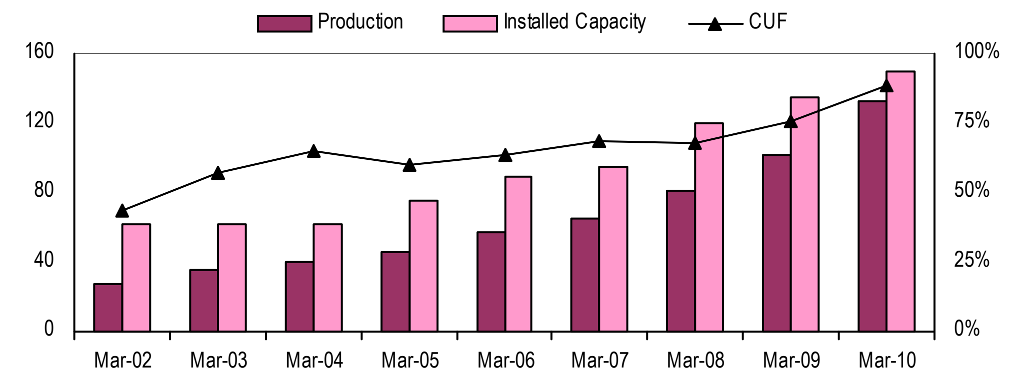
Source : Company, PINC Research

PLL is a leading CFL, anufacturer in India with a capacity of 25 mn units...

The company is a leading CFL manufacturer in India with a capacity of 25 mn units p.a. (FY07), exceeded only by Havells, Ajanta and Indo Asian Fusegears. However, only 25% of its production is sold under its brand *Halonix* as the balance is outsourced manufacturing for lighting industry majors who sell it under their respective brands.

Ranked by own brand sales, PLL is the 4th largest in India with a market share of ~11-12% of the organized segment. To increase realisation and capitalise on its branding, Phoenix plans to step up marketing under its own brand in the coming years. Towards this, it has tied-up with Eveready, which has a network of ~9 mn outlets, and the same should enable it to enhance its reach in a cost effective manner.

PLL's Capacity (mn units) & Capacity Utilisation



Source : Company, PINC Research

AUTOMOTIVE LAMPS

Market growing at 15% CAGR

Automotive lighting segment in India is estimated to be ~Rs1.8bn...

The automotive lighting segment in India is estimated to be ~Rs1.8bn in size with an annual demand of 100 mn units. Of this ~65% would be accounted for by OEMs, with the rest from the replacement market. On a per vehicle basis, this can be broken down as ~13 lamps per Car, 8 lamps per 2-Wheeler & 10 lamps per CV. However, the addressable market for Phoenix is lower as it manufactures only headlamps, which generally accounts for 2 per car & CV and 1 per 2-Wheeler.

With an annual demand of ~21-22 mn units, the automotive headlamps segment is estimated to be ~Rs1bn in size constituting ~20-22% of the market in volume terms, but ~56% in value terms. While OEMs account for 14 mn units, 7-8 mn units p.a. are sold in the after-market. *Phoenix, Philips, Hella, Osram & Bosch* are the key players accounting for over 90% of the organized market.

PLL a leader in the segment

With a capacity of 70 mn units, Phoenix is the leader in automotive lamps segment with market share in excess of 55% in 4-wheelers & 80% in 2-wheelers. Its key clientele includes OEMs like Maruti, Tata Motors, Renault in 4W & Hero Honda, Bajaj Auto & TVS Motors in 2W besides the after markets.

Exports account for ~60% of Phoenix's auto lamps revenues. It has a strong presence in European after-markets, which it services from its SEZ at Noida for Tier-I suppliers like Bosch, Hella & Osram. Phoenix is the 4th largest automotive headlamps manufacturer in the world & holds a 7% global market share with *Philips, Osram & GE* being the only players ahead of it.

The company has recently acquired two lines of automotive lamps from Surya Roshni Ltd. These lines have a capacity of 10 mn units and were inoperational and post their acquisition, Phoenix's total capacity would be 80 mn units.

PLL's automotive lamps segment has grown at a CAGR of 15-17%...

While the automotive lamps segment has grown at 15-17% CAGR over the past 3-4 years for PLL, the revenue contribution has come down from 65% in FY04 to 55% in FY07 & to further 45% in FY08YTD due to a 45-50% growth in CFLs.

India's emergence as small car hub to propel addressable markets

India is fast emerging as a hub for small cars with strong capacity additions backed by a surge in new product launches. We expect 15% CAGR growth in domestic passenger vehicles over FY08-10 to 2 mn units led by reduction of entry-level prices, rising disposable incomes, low penetration levels, shortening replacement cycles & slew of new product launches. While the recent firming up of interest rates have escalated ownership costs, an expansion in the addressable market with new launches across segments & creation of new segments at various price points would definitely buoy growth.

Phoenix with almost 70% market share is set to capitalise on the opportunity unfolding...

Phoenix, with almost 70% market share of automotive OEMs is set to capitalise on the opportunity unfolding in the domestic markets. Earlier, Hyundai was not a part of its client portfolio and the same resulted in it losing out on a significant pie of the OEM market as it commanded a market share of 18% in the passenger car market (FY07). Till recently, Hyundai was sourcing components from its supplier in Korea. However, in a bid to localize components, Hyundai has now decided to source its lamps from Phoenix.

Phoenix has also secured approval for supplies to Tata's *Nano*. While the realizations would be low, the volumes are expected to be high as an entirely new segment in passenger cars is being created. This will also help PLL in other low cost / small car projects being undertaken by various OEMs. Further, strong growth in the automotive industry over the past 3-4 years would trickle down to steady replacement demand going forward.

The after-market potential is ~8-9 mn units p.a. With strong penetration in OEMs and servicing of after-market through service stations of various OEMs, Phoenix is well placed to capitalise on the growth prospects in the replacement market.

PLL derived almost 60% of automotive lamps revenues from exports...

Phoenix derived 60% of its automotive lamps revenues from exports in FY07 primarily to European after-markets. It is aggressively exploring opportunities to tap newer markets of US, Middle East & China in a big way. We expect PLL's exports business to grow at a CAGR of 15% & domestic automotive lamps revenues to surge at a 18-20% CAGR over FY07-10, which will bring the share of exports down from 33% currently to 25% by FY10.

Automotive Lamps Demand (mn units)

4-wheelers (mn units)	**FY07**	**FY08**	**FY09**	**FY10**
Annual Vehicle Demand	2.1	2.3	2.7	3.1
Vehicle Population	14.0	16.0	18.4	21.0
OEM Demand	4.2	4.7	5.4	6.2
Replacement Demand	2.8	3.2	3.7	4.2
Total Demand	**7.0**	**7.9**	**9.1**	**10.4**
2-wheelers (mn units)	**FY07**	**FY08**	**FY09**	**FY10**
Annual Vehicle Demand	8.5	7.8	8.5	9.3
Vehicle Population	50.0	57.0	64.6	72.9
OEM Demand	8.5	7.8	8.5	9.3
Replacement Demand	5.0	5.7	6.5	7.3
Total Demand	**13.5**	**13.5**	**14.9**	**16.6**
Total Head Lamp Demand	***20.5***	***21.3***	***24.0***	***27.0***

Source : Company, PINC Research

Lighting Industry in India			
(Rs cr)	**CY2005**	**CY2006**	**CY2007**
GLS Lamps	600	690	725
FTL	1100	1210	1270
CFL	700	830	1162
Special Lamps	400	440	560
Other Lamps (incl Mini/Auto, solar, etc)	200	220	230
Luminaires	900	1000	1120
Control Gears	200	210	248
Accessories & Components	400	425	496
Total	**4500**	**5025**	**5811**

Source: PINC Research

Lighting Industry in India (mn units)			
Category (CY2006)	**Organised**	**SS**	**Total**
GLS Lamps	550	280	830
FTL	128	48	176
CFL	52	48	100
Special Lamps	10	4	14
Total	**740**	**380**	**1120**

Source : ELCOMA India

Lighting Industry

Huge Domestic Potential

The lighitng industry in India is estimated to be ~1.2bn units...

The lighting industry in India is estimated to be ~1.2bn units of which, one-third is accounted by the unorganised market. In value terms, the lighting industry at ~Rs58bn (CY07) has grown at a CAGR of 20% over the past 3-4 years. The industry continues to be dominated by GLS Lamps (incandescent), which account for more than 74% of the market in volume terms. However, in value terms it accounts for only 12%. The primary impediment for growth in the industry has been a relatively lower level of electrification in India especially in the rural areas, which stands at ~36%. However, with continued focus by the government on achieving 100% rural electrification, the industry is poised to grow at a faster pace in volume as well as value terms.

Compact Fluorescent Lamps

CFL market accounts for 12% of lighting market in volume terms & 20% in value terms...

The domestic CFL market is estimated to be ~140 mn units in CY07 accounts for 12% of the market in volume terms and Rs11.6bn in value terms (20% of the industry). Of the total volumes, the organized sector accounts for a little over 50%. Philips, Osram, Bajaj Electricals, Havells, Wipro, Indo Asean & Phoenix are the key players accounting for over 80% of the organized market. The domestic market for CFL's has been growing at 35-40% over the past few years on account of its inherent advantages over incandescents.

Cost Comparison			
Light bulbs	**Incandescent**	**CFL**	**LED**
Life Span (in hours)	1,000	8,000	40,000
Power consumption (Watts)	60	14	6
Cost (Rs/unit)	12	90	600
KWh of electricty used over 40k hours	2,400	560	240
Electricity Cost (@ 3 per KWh)	7,200	1,680	720
Bulbs needed for 40k hours of usage	40	5	1
Equivalent 40k hour bulb expense (capex)	480	450	600
Total Lighting Spend for 40,000 Hour	**7,680**	**2,130**	**1,320**

Source : Pinc Research

Advantages of CFL's over Incandescent Bulbs

- 80% lower energy consumption
- 7-8x longer life
- Lower CO2 emissions
- Higher efficacy (lumen/watt)

Phoenix Lamps is a leading CFL manufacturer in India with a capacity to manufacture 25 mn units p.a. (FY07). However, only 25% is sold under its own brand i.e *Halonix.* The remaining 75% is outsourcing by lighting majors who sell it under the respective brands . Hence, by sales under its own brand, PLL is the 4th largest in India with a market share of ~11-12% of the organized segment. While industry volumes have grown at a CAGR of 35-40% over the past few years, PLL's volumes have grown at almost 50% CAGR due to robust outsourcing.

PLL has setup a greenfield facility at Haridwar (Uttaranchal) for CFLs...

The company has setup a greenfield plant at Haridwar (Uttaranchal) expanding its CFL capacity by ~40-45 mn units to ~65-70 mn units by FY09. It has already commenced production with a capacity of 15 mn units in Dec'07 while another 20 mn is expected to come on stream by Mar'08. PLL is targeting to improve its share of owned brands from 25% currently to 50% over the next 2-3 years and is looking at local electrical stores as an alternative distribution channel. While the current production capacity in India is ~200 mn CFLs, it is getting ramped up to ~400 mn units over the next 2-3 years.

Our View

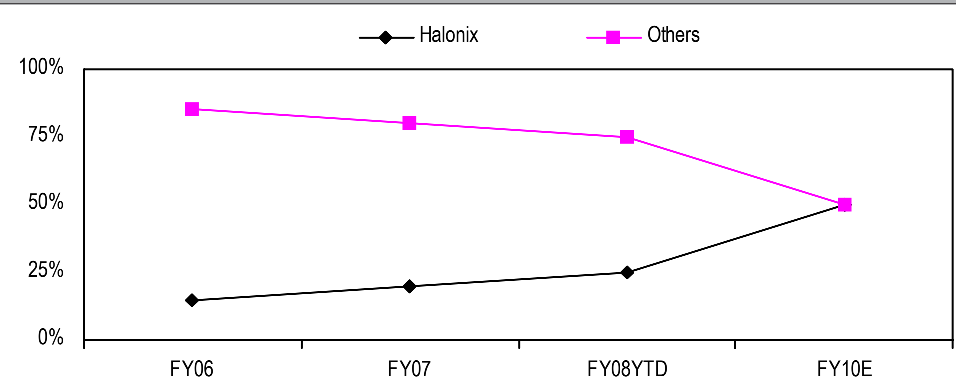
The greater electricity consumption by incandescent bulbs vis-a-vis CFLs requires higher power generation resulting in increasing CO2 emissions. The growing concerns about emissions has prompted a number of countries to phase out incandescent bulbs starting with Cuba & Venezuela in 2005. Australia & Canada have also passed laws to phase out incandescents by 2010 & 2012 respectively. Other countries including US & European Union are also considering banning incandescents. Apart from the savings in energy, CFLs are also favoured due to a longer life, higher efficacy & consequently lower operating costs.

Although, there is no official ban on incandescents in India, *Greenpeace* has launched a 'ban the bulb' campaign to protect the environment & conserve energy. The government is also promoting use of CFLs & providing them at subsidized rates to certain sections of the society. Banning incandescents in various countries supported by capacity expansions in India will not only restrict imports into the country but also create opportunities in the overseas markets. While CFL prices have eased by 25-30% over the past 2-3 years in the domestic markets, we expect prices to fall by 8-10% from the current levels due to an improving demand-supply scenario. Also, Delhi govt. has lowered VAT on CFLs from 12.5% to 4%. This will reduce prices of CFLs & assist in market expansion.

The company's CFL business has grown at a CAGR of almost 50% over FY04-07...

While the domestic CFL industry has grown at ~35-40% CAGR over FY04-07, PLL's CFL business has grown at a CAGR of ~50%. Only 25% of the overall volumes is under its own brand *Halonix*. The company is looking to enhance own brand sales to 50% by FY10. For this purpose, it is looking at tapping electrical stores as an alternative distribution channel. We expect 35-40% CAGR growth in CFL industry over FY07-10 with PLL's growth in line with the industry.

Revenue - Mix (Own Brands vs Others)



Source : Company, PINC Research

Our View

Entry into Luminaires & LEDs

Organised market for luminaires is estimated to be Rs10bn...

Organised market for luminaires in India is estimated to be Rs10bn in 2006 (*Source : ELCOMA India)* and has grown at a CAGR of 15% over the past few years. However, it is estimated that organized sector comprises only 20-25% of the total market while the rest is accounted for by unorganised players. Philips, Wipro, Havells, Bajaj Electricals & Osram are the large players in the organized market. PLL is looking to foray into this segment and has entered into JVs with 2 Italian companies for the higher end of the market and a JV with a Chinese manufacturer for supply to the mass market. Philips is the largest player in the organized market with revenues of Rs4.5bn followed by Bajaj Electricals & Wipro. Phoenix expects to make in-roads into this segment and is targeting a turnover of Rs1.5bn over the next 24 months.

Phoenix has also entered into a JV with a US-based company for LED technology. LEDs are environmentally friendly, longer lasting and consume less energy. They are emerging as a popular alternative for lighting from traffic signals to billboards in US and Europe and are showing signs of pick-up in Asian markets. Although at a very nascent stage, it is expected to grow at a very rapid pace over the next 5 years.

Phoenix is also targeting revenues of Rs1.5bn from luminaires over the next 24-30 months. Tie-ups with Italian & Chinese manufacturers will give them access to products. The company is looking to leverage its existing distribution network alongwith the alternative channel of electrical stores. Although, it will take some time before the distribution network is fully established, revenues could get a boost as brand penetration of CFLs also rises.

While LEDs could be a trigger going forward, we believe it is at a very nascent stage to contribute significantly to the revenues. Hence, we have not incorporated LEDs in our projections upto FY10.

Increase in own Brand Sales

PLL is targeting to improve share of own brand CFLs from 25% currently to 50% over the next 2-3 years...

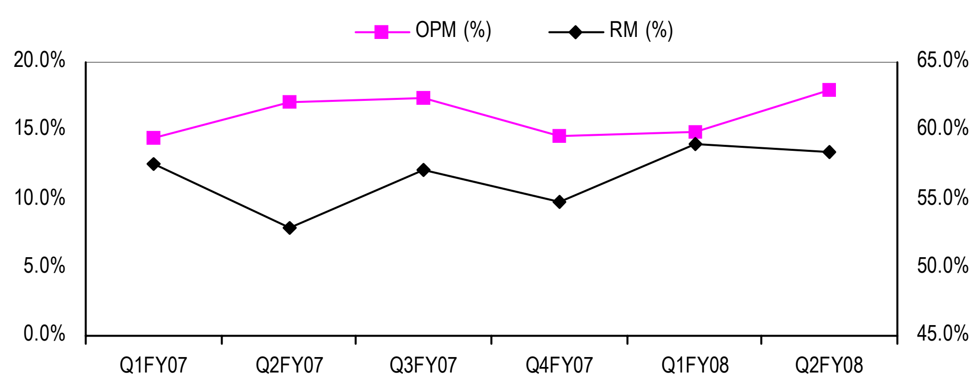
The company sells its products under the brand *Halonix.* While automotive lamp sales in domestic markets are under its own brand, exports are to various Tier-I suppliers like Bosch, Hella & Osram. Also, 25% of CFL sales are under the brand *Halonix*, while the rest is outsourced work for other manufacturers. In the overall revenues, own brand sales has improved from 15% in FY06 to 20% in FY07 and to further 25% in 9MFY08. The company expects to increase this to 50% by FY10E which will help improve realisations & profitability. However, this would also lead to a rise in brand building, marketing and warranty cost, but the saving afforded by backward integration and having facilities in tax exempt areas could ensure safety of margins.

Backward Integration

PLL is going in for backward integration wherein it will start manufacturing PCBs...

Glass, glass tubing, phosphor, printed circuit board (PCB), plastic & aluminum caps together account for over 90% of a CFL's input cost, within which , PCBs account for almost 35-40%. Phoenix is going in for backward integration wherein it will commence manufacturing PCBs on its own. It is setting up 2 lines over the next 6 months to cater to the requirements of almost 50% of its CFL capacity while the rest will continue to be sourced from outside. This could provide savings of 1-2% in the overall cost of production.

Raw Material Cost vs OPM



Source : Company, PINC Research

Distribution Network

Phoenix has tied up with Eveready for distribution of CFLs...

Phoenix has tied up with FMCG major Eveready for distribution of its CFLs. Eveready has a network of more than 9 mn outlets across India, which the company intends to leverage on. However, as the company is expanding its product portfolio from CFL's & halogens to luminaires & LEDs, it is looking at electrical stores as an alternative distribution channel. The company believes that these products are not necessarily FMCG products and require certain technical expertise for marketing and electrical stores is the favoured alternative.

Haridwar Facility

PLL has setup a greenfield facility at Haridwar (Uttaranchal) for CFLs. The plant commenced production in Dec'07 with a capacity of 15 mn units to be scaled upto ~45-50 mn units in FY09. It will involve an outlay of Rs600-650mn of which, Rs250mn has already been spent in FY08YTD. The capex will be funded through a mix of debt (Rs350-400mn) & internal accruals.

This plant is entitled to excise duty exemption for the next 10 years. This will help pare cost of production, though a part of the benefits will have to be passed on to the consumers. It will also get 100% income tax exemption for the first 5 years & 30% for the next 5 years. The company is looking to service the domestic markets through this facility.

Tax Incentives to continue

PLL has 4 plants located in tax exempt as a result of which, its excise duty is 5-6% and income tax is 6-7%. The Haridwar facility is entitled to 100% excise duty exemption for 10 years, 100% income tax exemption for the first 5 years & 30% exemption for the next 5 years. Income tax exemption at Dehradun was 100% till last year. As the facility has completed 5 years, the exemption will come down to 30% from FY08. We expect PLL's excise duty & income tax rates to be at 5% and 7% respectively.

Outlook

We expect revenue growth of 30% CAGR & earnings growth of 35% CAGR over FY07-10...

Considering the market growth dynamics and the scaling up plans of the company along with its positioning, we expect Phoenix to post a 20-22% CAGR in domestic auto revenues & 15% CAGR in export revenues over FY07-10. CFLs would to be the key growth driver going forward with a 40% CAGR in revenues.

We expect margins to be in the range of 17-18%. While increasing contribution of CFLs in the overall revenues would pressurise margins, tax benefits from newly commissioned Uttaranchal facility alongwith backward integration benefits would help cushion margins. Accordingly, we expect operating margins to be maintained in the range of 17-18%.

We expect net sales to grow at 30% CAGR over FY07-10. Primarily led by CFLs coupled with incremental revenues from luminaires, this should result in revenues of Rs6.6bn for FY10. Though pricing pressure in CFLs could be a drag on realisations, increase in own brand sales, strong replacement demand, backward integration and tax benefits from Haridwar facility should stabilise margins at 17-18%.

Thus despite a capex of Rs550-600mn, which could spike up its capital charges, Phoenix should able to exhibit an earnings growth of 35% CAGR for FY07-10. The company is also looking at inorganic growth opportunities & any significant developments on the same could provide singnificant scale to its business.

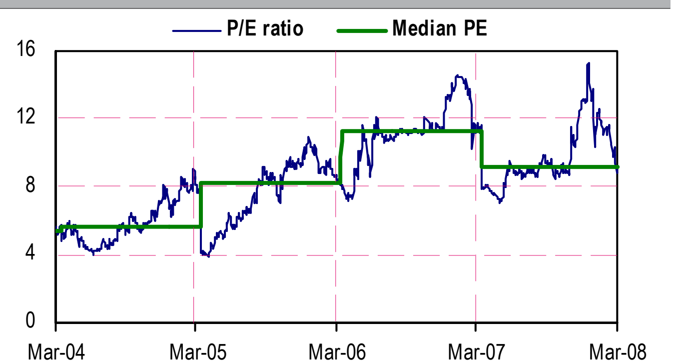
Valuations & Recommendation

At the CMP of Rs145, the stock is trading at a P/E of 6.8x & 5.1x its FY09E & FY10E numbers. It is trading at an EV/Sales & EV/EBIDTA of 0.7x & 4.1x its FY10E numbers. We initiate coverage on the company with a 'BUY' and a 12-month price target of Rs250.

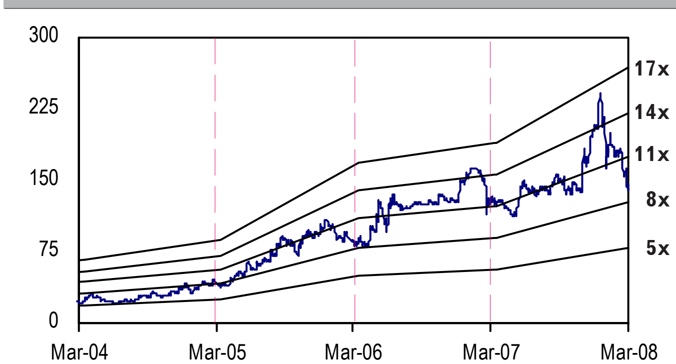
Financial Results for the quarter & nine months ended Dec'31, 2007

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
Net Sales	**958**	**724**	**32.2**	**2,578**	**2,068**	**24.6**	**2,778**
Total Expenditure	766	598	28.1	2,117	1,729	22.4	2,324
(Inc.) / Dec. in stock	(47)	(9)		(52)	(8)		6
Materials	582	414	40.6	1,533	1,153	33.0	1,543
Staff Cost	70	67	5.0	203	185	9.9	248
Other expenditure	161	126	27.9	433	399	8.5	527
Operating profit	**192**	**126**	**51.8**	**461**	**339**	**35.8**	**454**
Other Income	4	7		20	21		28
PBDIT	**196**	**133**	**46.7**	**481**	**360**	**33.6**	**482**
Interest	18	17	1.0	48	55	(13.2)	72
Depreciation	27	31	(11.3)	84	80	4.4	108
PBT	**151**	**85**	**77.2**	**349**	**225**	**55.5**	**302**
Provision for tax	11	9		25	26		0
Provision for FBT	2	1		4	4		5
Provision for deferred tax	(4)	(6)		(12)	(24)		(30)
PAT before Extra-ordinary	**142**	**80**	**76.6**	**332**	**218**	**52.4**	**326**
Extra-ordinary items	0	(1)		0	(1)		0
Net Profit	**142**	**80**	**77.7**	**332**	**217**	**52.8**	**326**
Equity Capital (FV Rs 2)	280	239		280	239		280
Reserves (excl. reval. res.)	-	-		-	-		894
EPS for the period (Rs)	**5.1**	**3.4**		**11.9**	**9.1**		**11.2**
Book Value (Rs)	-	-		-	-		42
OPM (%)	**20.0**	**17.4**	**2.6**	**17.9**	**16.4**	**1.5**	**16.3**
NPM (%)	**14.8**	**11.1**		**12.9**	**10.5**		**11.7**
Expend. (% of sales)							
Raw Material	55.9	56.0		57.4	55.4		55.7
Staff Costs	7.3	9.2		7.9	8.9		8.9
Other Exp	16.8	17.4		16.8	19.3		19.0

Median PE v/s Daily PE



PE Band



Year Ended March (Figures in Rs mn)

Income Statement	2005	2006	2007	2008E	2009E	2010E
Revenues	1,929	2,327	2,778	3,858	5,099	6,648
Growth (%)	*30.3*	*20.7*	*19.4*	*38.9*	*32.2*	*30.4*
Total Expenditure	1,551	1,911	2,325	3,193	4,228	5,477
Operating Profit	378	416	453	666	871	1,171
Other Income	15	34	28	35	40	40
EBDIT	393	450	481	701	911	1,211
(-) Depreciation	148	143	108	168	191	264
(-) Interest	75	69	72	86	99	104
PBT & Minority Interest	**169**	**238**	**301**	**447**	**621**	**843**
(-) Tax Provision	42	11	(8)	3	23	39
(+) Prior Period Adj.	-	-	-	-	-	-
Net Profits	**122**	**238**	**314**	**443**	**598**	**804**
Fully Diluted Eq. Sh. O/S (mn nos.)	24	24	28	28	28	28
Book Value (Rs)	16	23	42	53	69	92
Basic E.P.S. (Rs)	**5.3**	**9.6**	**11.6**	**15.8**	**21.3**	**28.7**
Diluted E.P.S. (Rs)	5.1	10.0	11.2	15.8	21.3	28.7

Balance Sheet	2005	2006	2007	2008E	2009E	2010E
Equity Share Capital	238	238	280	280	280	280
Reserves & Surplus	137	316	894	1,209	1,647	2,292
Net Worth	**375**	**554**	**1,174**	**1,489**	**1,927**	**2,572**
Total Borrowings	609	808	510	785	900	900
Deferred Rax Liability (Net)	113	85	54	19	(11)	(41)
Capital Employed	**1,337**	**1,676**	**1,870**	**2,425**	**2,948**	**3,563**
Fixed Assets	882	823	760	955	946	902
Capital WIP	-	37	192	100	150	100
Net Current Assets	455	816	918	1,370	1,852	2,560
Investments	-	1	-	-	-	-
Total Assets	**1,337**	**1,676**	**1,870**	**2,425**	**2,948**	**3,563**

Year Ended March (Figures in Rs mn)

Cash Flow Statement	2005	2006	2007	2008E	2009E	2010E
PBT & Extraord. items	169	238	301	447	621	843
Depreciation	148	143	108	168	191	264
Interest & Div. Income	-	-	(1)	(35)	(40)	(40)
Interest Paid	65	55	62	86	99	104
Tax Paid	(84)	(43)	(34)	(31)	(43)	(59)
Deferred Revenue Expd.	(2)	(11)	(12)	-	-	-
Other Adjustments	(2)	0	1	-	-	-
(Inc.)/Dec. in WC	(116)	(186)	(225)	(440)	(530)	(691)
Cash from Operations	**179**	**197**	**200**	**194**	**298**	**421**
Net Capital exp.	(132)	(153)	(202)	(271)	(232)	(170)
Net Investment	-	(1)	1	-	-	-
Interest & Div Recd.	0	5	4	35	40	40
Cash from Investing Act.	**(131)**	**(148)**	**(197)**	**(236)**	**(192)**	**(130)**
Issue of Equity shares	-	-	42	-	-	-
Share Premium	-	-	373	-	-	-
Change in Loans (incl. FCCBs)	44	189	(389)	275	115	-
Interest paid	(65)	(60)	(66)	(86)	(99)	(104)
Equity Div. paid (incl. tax)	(34)	(49)	(66)	(128)	(160)	(160)
Cash from Financing Act.	**(56)**	**80**	**(107)**	**61**	**(144)**	**(263)**
Inc/(Dec) in Cash	**(8)**	**128**	**(104)**	**20**	**(38)**	**28**

Key Ratios	2005	2006	2007	2008E	2009E	2010E
EBIDT (%)	19.6	17.9	16.3	17.3	17.1	17.6
ROACE (%)	18.9	20.6	22.5	26.6	28.1	30.2
ROANW (%)	36.2	51.2	36.3	33.3	35.0	35.8
Sales/Total Assets (x)	1.5	1.4	1.6	1.7	1.8	1.9
Debt:Equity (x)	1.6	1.5	0.4	0.5	0.5	0.3
Current Ratio (x)	3.0	5.0	4.7	5.4	6.1	7.2
Debtors (Days)	43.9	64.1	72.8	75.4	75.3	75.1
Inventory (Days)	90.2	79.6	71.9	75.0	78.9	82.4
Working Capital (Days)	82.4	121.4	113.5	123.1	125.7	133.1
EV/Sales (x)	2.0	1.7	1.6	1.2	0.9	0.7
EV/EBIDT (x)	10.3	9.2	9.4	6.9	5.4	4.1
P/E (x)	28.3	14.5	12.9	9.2	6.8	5.1
P/BV (x)	9.2	6.2	3.5	2.7	2.1	1.6

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