Initiating Coverage

Praj Industries Ltd.

October 17, 2022

RETAILRESEARCH

Praj Industries Ltd.

HDFC securities Click. Invest. Grow. 20 YEARS

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Engineering	Rs 435	Buy in Rs 430-440 band and add on dips in Rs 380-390 band	Rs 481	Rs 517	2-3 quarters

HDFC Scrip Code	PRAIND
BSE Code	522205
NSE Code	PRAJIND
Bloomberg	PRJ IN
CMP Oct 14, 2022	435.1
Equity Capital (Rs cr)	36.7
Face Value (Rs)	2
Equity Share O/S (cr)	18.4
Market Cap (Rs cr)	7992
Book Value (Rs)	49.9
Avg. 52 Wk Volumes	10,72,000
52 Week High (Rs)	461.6
52 Week Low (Rs)	289.1

Share holding Pattern % (Jun, 2022)	
Promoters	32.8
Institutions	25.9
Non Institutions	41.2
Total	100.0

* Refer at the end for explanation on Risk Ratings

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Our Take:

The Indian Government is taking efforts to reduce the country's carbon emission by promoting biofuels. Being a dominant player in the Indian bio-energy market Praj is well poised to take advantage of the emerging incremental opportunities and also from the transformation of 1G to upcoming 2G. The increasing sugar production in India and favourable Government policies is likely to drive demand for ethanol plants benefitting Praj. Diversification to HiPurity water and Engineering business has reduced the dependence and risk of the bio-energy business. Agreement with Gevo for jet biofuel could open a big opportunity for Praj in the future.

Praj being the market leader in the domestic bio-energy market is witnessing strong growth in order inflows and execution driven by Govt's resolve to reduce dependence on import of fossil fuels and sops provided for increasing ethanol production.

Valuation & Recommendation:

We expect Praj's Revenue/EBITDA/PAT to grow at 24/32/33% CAGR over FY22-FY24, led by increased order inflows and operating leverage. Company's focus on driving international revenues could lead to a sustained period of high revenue growth. Despatches under 2G ethanol and CBG are at a very initial stage and could grow well going forward. Fall in raw material prices and higher operating leverage could aid in restoring margins for Praj. We believe investors can buy the stock in Rs 430-440 band and add on dips to Rs 380-390 band (26.5x FY24E EPS) for a base case fair value of Rs 481 (33x FY24E EPS) and bull case fair value of Rs 517 (35.5x FY24E EPS) over the next 2-3 quarters.

Financial Summary (Consolidated)

Particulars (Rs cr)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY21	FY22	FY23E	FY24E
Operating Income	730	386	89.0	829	-12.0	1,305	2,333	2,934	3,606
EBITDA	56	31	82.2	86	-35.0	112	206	267	357
APAT	41	22	85.8	66	-37.1	81	150	203	268
Diluted EPS (Rs)	2.2	1.2	85.4	3.6	-37.1	4.4	8.2	11.1	14.6
RoE (%)						10.7	17.5	20.9	24.2
P/E (x)						98.4	53.2	39.3	29.9
EV/EBITDA (x)						67.3	36.1	27.6	20.3

(Source: Company, HDFC sec)

Q1FY23 Result Review

Praj's Q1FY23 revenues came in at Rs 730cr, up 89% YoY led by higher execution in the bio-energy business. Bio-energy sales increased by 105% YoY to Rs 562cr. Revenues in the HiPurity and Engineering segments grew (8)/90% YoY to Rs 41/126cr respectively. EBITDA increased by 82% YoY to Rs 56cr and EBITDA margins contracted by 20bps to 7.7% on account of raw material inflation. PAT increased 86% to Rs 41cr while PAT margin contracted from 5.8% to 5.7%.

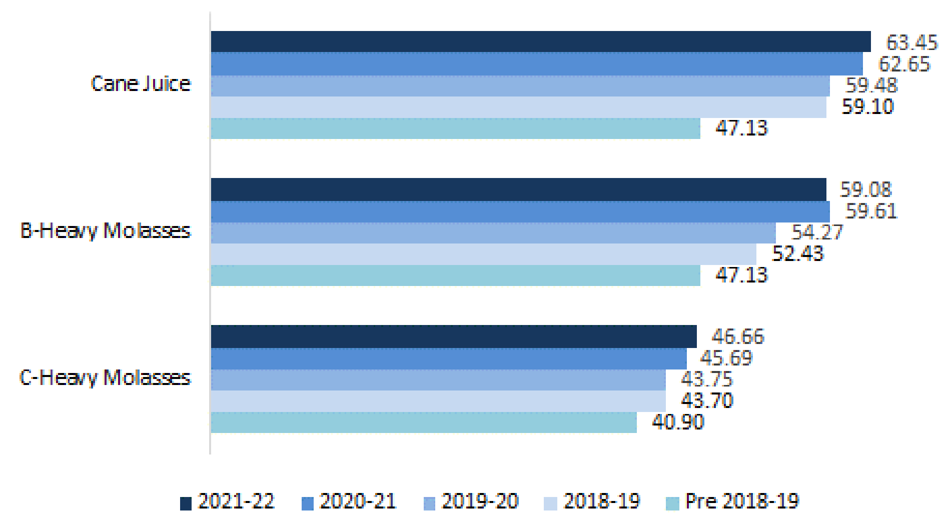
Order inflows surged by 66% YoY to Rs 1094cr on account of sharp growth in Bio Energy orders. Order backlog at the end of Q1FY23 improved by 60% to Rs 3242cr. Domestic order intake was 81% and order backlog stood at 85%.

Key Triggers

Favorable policy for increasing ethanol manufacturing

The government has been increasing the price of ethanol for blending with petrol to divert the record sugar inventory. In Nov'21 The Cabinet Committee on Economic Affairs (CCEA), raised the price of ethanol extracted from sugarcane juice to Rs 63.45 per litre from the current Rs 62.65 per litre for the supply year beginning Dec'21. The rate for ethanol from C-heavy molasses has been increased to Rs 46.66 per litre from Rs 45.69 per litre, and that of ethanol from B-heavy to Rs 59.08 per litre from Rs 57.61 per litre.

Government has increased prices for ethanol based on feedstock



(Source: ISMA)

The price support aims at increasing the participation of the sugar mills in the Ethanol Blended Petrol Programme (EBP) by providing remunerative and stable prices to suppliers and reducing the dependence on crude oil imports. The government had earlier set the target of achieving 20% ethanol blending by 2030 which has been brought forward to 2025-26. This is expected to create opportunity of additional 10 billion litres per annum ethanol capacity. As of Jun'22, over 10% blending has been achieved against ~5% in 2018-19.

Government may hike price of ethanol sold by sugar producers to state-owned oil marketing companies by Rs 2-3 per liter for the forthcoming sugar season 2022-23. The proposed hike could be implemented from December 1 and will be eligible till November 30. The government is also considering increasing the quantum of ethanol blending in fuel to 12% from 10% currently, which is seen as a measure to achieve the government's target of 20% ethanol blending in fuel. In its effort to reduce dependence on oil imports and improve foreign exchange savings government has set a target of increasing ethanol blending in fuel to 20% by 2025-26. OMCs are expected to buy as much as 550 crore liters of ethanol derived from sugarcane for blending purpose in 2022-23.

Government support to increase capacity

The government has provided financial support to the sugar industry from time to time in order to tide over the payment crisis to sugarcane farmers and expand distillery capacity for producing ethanol. In Jun-18, the Cabinet decided to provide Rs 4,440cr as soft loan to the sugar sector for building ethanol production capacity to absorb the cane and a buffer stock of 3mn tonnes. This was enhanced by Rs 3,355cr in Mar-19. The Cabinet Committee on Economic Affairs (CCEA) also approved an additional Rs 565cr towards the interest subsidy on loans amounting to Rs 2,600cr. The Union Cabinet on 28-Feb-19 cleared a proposal from the Food Ministry to provide soft loans to the tune of Rs 7,900-10,540cr to the sugar industry, with the government bearing interest subvention of 7-10%. Interest subvention would be available to only those distilleries which will supply at least 75% of ethanol produced from the added distillation capacity to OMCs for blending with petrol.

In Apr'22 the GoI opened a six- month window till Oct'22 for sugar mills to submit fresh proposals to avail loans at a subsidised interest rate for setting up new distilleries or expanding the existing facilities for augmenting first-generation ethanol capacity in the country. Under this scheme, the government is extending financial assistance in the form of interest subvention at 6 per cent annum or 50 per cent of the rate of interest charged by banks, whichever is lower, on the loans to be extended by banks for five years including one-year moratorium. Additionally in Jun'22, the UP Govt. provided a soft loan of Rs 500 crore to state's cooperative mills to enable them to clear cane dues for 2021-22 crushing season.

Praj, being the major player in setting up of ethanol plants would benefit from the expected capex.

Blending targets to require additional capacity

India imports ~85% of its annual crude petroleum requirement (~185mn tons in FY21). The Government has set a target of achieving 20% ethanol blending in petrol by the year 2025-26. As per the revised estimates of gasoline consumption obtained from MoP&NG, about 1016cr litres of ethanol would be required to achieve 20% blending by 2025-26 and total requirement of alcohol including other sectors would be 1350cr litres. Assuming a capacity utilisation of 90%, there is a need for additional capacity to the tune of ~600cr litres. The Government envisages investment of ~Rs 30,000cr to achieve ethanol blending target of 20%.

The average cost of setting up a mid-size distillery is in the range of 100-200cr (i.e depending upon the automation, discharge process incorporated, geography etc). The Indian ethanol market opportunity presents an addressable opportunity of Rs 12,000-14,000cr over the next few years. Praj, currently has ~60-70% market share of the domestic 1G Bio Ethanol market. Assuming 65% market share, this translates to ~Rs 7,500-8,500cr top-line opportunity for the company over the next 3-5 years.

Ethanol Capacity augmentation (20% blending by 2025-26)

(cr ltrs)	Fuel ethanol	Other uses	Total
From sugar sector	550	134	**684**
From grain/ maize etc.	466	200	**666**
Total Supply	**1016**	**334**	**1350**

Capacity Augmentation

(cr ltrs)	Molasses based	Grain based	Total
Existing ethanol/alcohol capacity	426 (231 distilleries)	258 (113 distilleries)	684
Capacity addition from sanctioned projects	93 (will be added by March,2022)	0	93
New capacity to be added	241	482	723
Total Capacity required by Nov 2026 (to reach 1350cr litres supply)	**760**	**740**	**1500**

While about 50% of capacity required to reach 2025-26 targets have already been placed, the balance needs to be ordered soon.

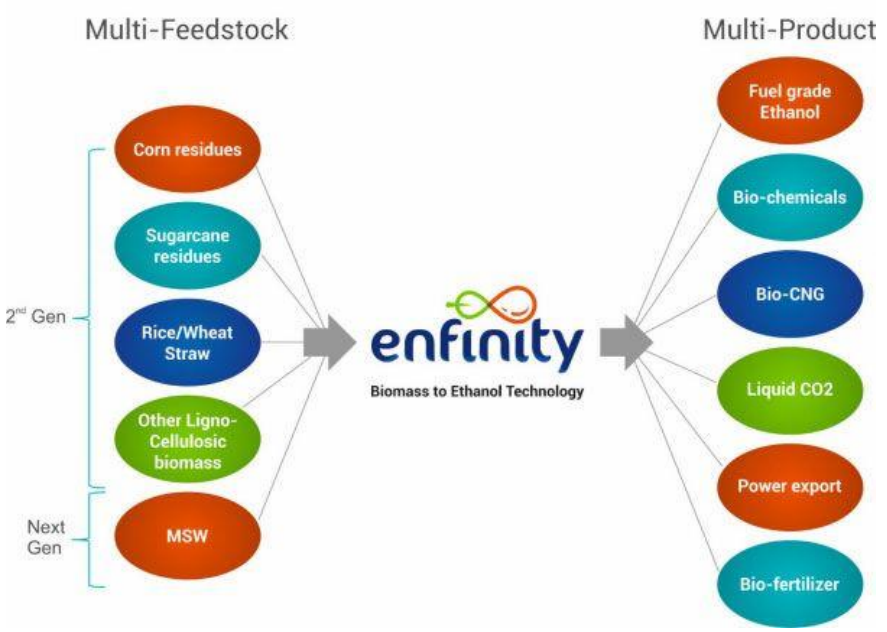
Pick up in 2G ethanol plants likely

To meet India's aspirations of higher composition of ethanol in the transport energy sector and strike a balance between growth and environment, there is a need to explore alternate feedstock. Currently most of the ethanol produced in India uses sugarcane as the feedstock.

As there is a shortfall in production of ethanol from traditional feedstock like sugarcane and grains, Government has allowed ethanol production/procurement from sugarcane-based raw materials viz. C & B heavy molasses, sugarcane juice / sugar / sugar syrup, surplus rice with Food Corporation of India (FCI).

Classification	Organic Molecule to be converted to Ethanol	Raw Material
1st Generation	Sugary (Glucose, Fructose, Sucrose)	C and B Heavy molasses
		SJ and MCJ
		Sweet Sorghum (stalks) juice
	Starch	Grains (Corn, Sorghum, Rice, Wheat, Millet)
		Cassava
2nd Generation	Cellulose and Hemicellulose	Lignocelluosic biomass (bagasse, Sugar cane trash, Corn cobs, Rice straw, etc.)
	Complex mixed organics	Pet coke and Municipal solid waste

Praj's 2nd Gen Smart-Bio refinery



Praj has now developed and demonstrated 2nd generation (2G) biorefinery that has the capacity to produce 1 mn litre per annum of fuel ethanol from a variety of agri residue viz; rice and wheat straw, cotton stalk, bagasse, cane trash, corn cobs and stover etc. The techno-socio-economic model of 2G ethanol addresses many pressing issues that India is facing today. Praj is also developing 3 bio-refineries for OMCs based on 2G technology. Each project is worth ~Rs 150cr for Praj.

Compressed Biogas could drive strong growth

India is taking concerted efforts to improve the share of gas in its energy mix to 15% by 2030, from 6% currently. CBG is a high octane renewable gaseous fuel produced by processing bio based feedstock such as press mud, agricultural residue etc. This not only helps in energy self-sufficiency but also helps in reduction of carbon intensity, especially in the transportation and industrial sectors.

In Oct'18 Govt. of India released "Sustainable Alternative Towards Affordable Transportation" (SATAT) policy which envisages implementation of 5,000 Compressed Bio-Gas plants for extracting biogas from agricultural residue, cattle dung and municipal solid waste in the next 5 years. This would require an investment of ~Rs 2 lakh crore and has the potential to generate 75,000 jobs. State-owned fuel marketing companies will purchase all the bio-gas from these plants at Rs 46 per kg in a bid to cut reliance on imports for meeting oil needs.

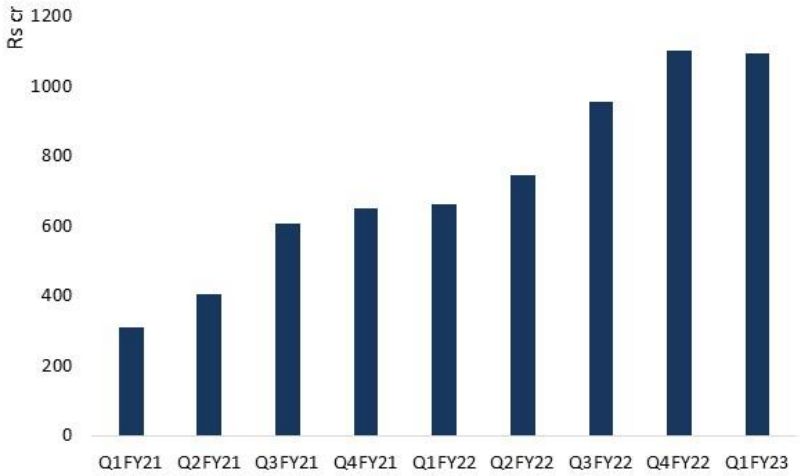
Praj has demonstrated its readiness by way of required infrastructure to execute multiple CBG plants with advanced technology and design. It has commissioned a demo plant based on agriculture waste and other organic wastes in Nov'20. The plant deploys Praj's RenGas technology that utilizes a proprietary microbial consortium for converting feedstock such as agri residues and press mud to CBG. It has entered in a non-binding MoU with Ministry of Petroleum & Natural Gas for providing technology support to CBG projects under SATAT Scheme.

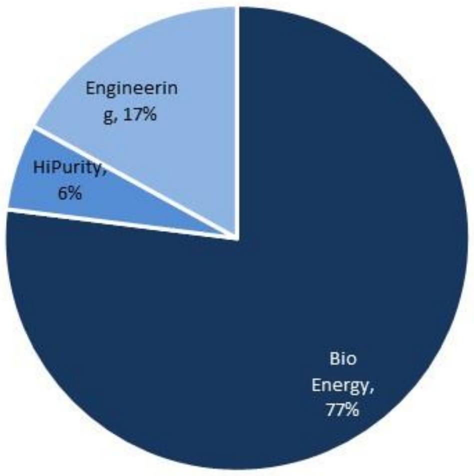
The company is in process of commissioning India's first integrated bioenergy complex in northern part of country. In addition to 65 KLPD ethanol production capacities using sugary feedstock, this plant also comprises of CBG plant that will process 200 TPD of Press Mud. It has also contracted to build a rice straw to CBG project in Uttar Pradesh. This project has a potential to save up to 15000 MT of CO_2 emissions per year.

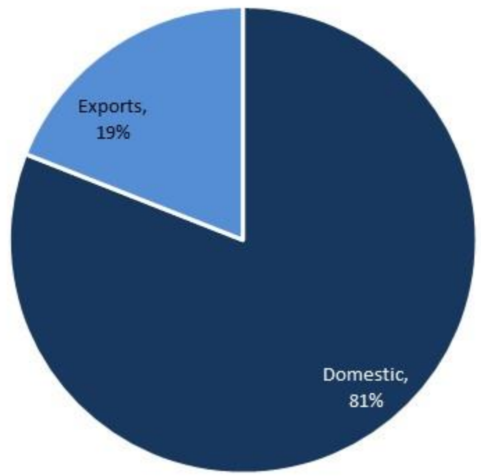
Robust order inflows

With the incentives being provided by the Government there has been an increase in the number of enquiries for building 1G as well as 2G ethanol plants. FY22 witnessed a 76% increase in order intake to Rs 3,464cr driven by ~121% growth in order inflows for ethanol plants to ~Rs 2,700cr. In Q1FY23, total order inflows increased by 66% to Rs 1,094cr. Consequently, the outstanding order book swelled by 60% to Rs 3,242cr. Domestic orders comprised of 81% of the order inflows in FY22 and 86% of the order book.

Order Inflow trend and breakup

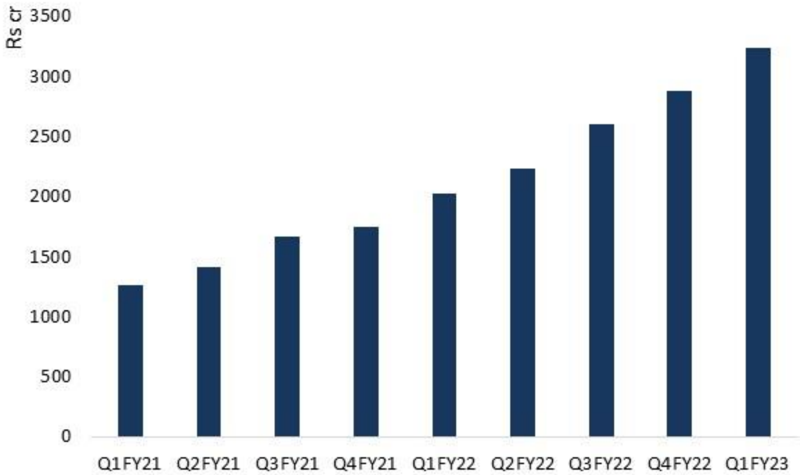


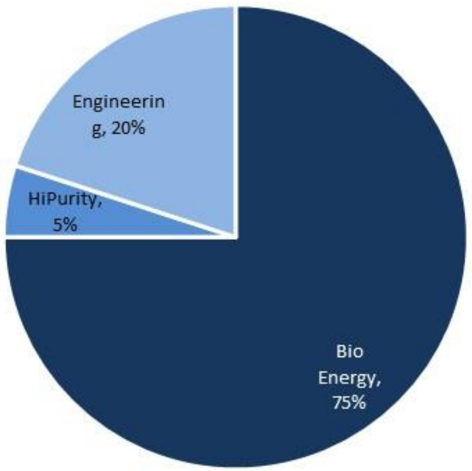


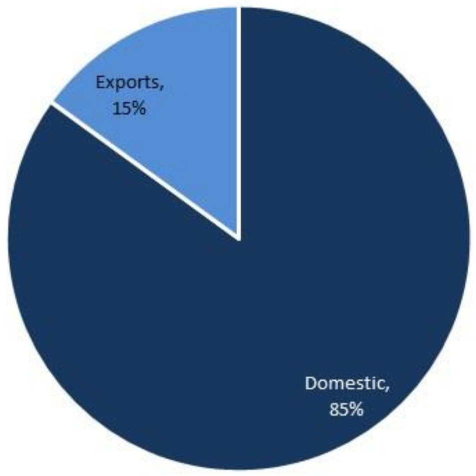


(Source: Company, HDFC sec)

Order Book trend and breakup







(Source: Company, HDFC sec)

Agreement to produce jet biofuel

The aviation industry has committed to achieve net-zero emissions by 2050 and sustainable aviation fuel (SAF) will play a major role in making this happen. Countries including India are already implementing national biofuel policies to support the scale-up of infrastructure and technology to produce more sustainable fuels. In India, SAF produced via the alcohol-to-jet (ATJ) pathway holds great potential due to the surplus availability of feedstock, such as agricultural residues. The Indian Aviation sector is at the cusp of exponential growth. At the same time, it is also identified as one of the significant sources of Green House Gas (GHG) emissions.

Praj has signed a Constructive License Agreement with Gevo Inc, USA to commercialise technology for the production of Isobutanol, a high energy feedstock for jet biofuels. Additionally, it has inked an MoU Indian Oil to explore opportunities such as the production of Alcohol to Jet (ATJ) fuels, 1G & 2G Ethanol, Compressed Bio-Gas (CBG) and related opportunities in the Biofuels industry. Alcohol-to-Jet Fuel presents a great opportunity that must be leveraged to comply with the CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) guidelines to substantially reduce carbon emissions in the aviation sector. Although commercial production on a large scale will take some time, it could open a big opportunity for Praj in the future.

Increasing use of ethanol globally

Ethanol is considered to be one of most suitable alternative blending, transportation fuel due to its better fuel quality (ethanol has a higher octane number) and environmental benefits. In order to increase the availability of ethanol for transport use, many initiatives have been taken by various countries across the world. Praj's export order inflows have also been increasing. In FY22 its export order inflows increased by 32% YoY to Rs 674cr and the outstanding order book was up 54% to Rs 403cr. With many more countries likely to adopt blending programmes, it could open up significant opportunities for Praj.

Roadmap / Mandate for ethanol blending in various countries

Country	Roadmap / Mandate for ethanol blends	Program	Implementation by	Vehicle Type
Brazil	National policy of Brazil continues the mandate for blending of 18-27.5% of ethanol in gasoline which originally started from 2015. This is currently at 27%.	National biofuels policy (Dec 2017)	Ministry of mines and energy (MME)	Mainly flex. Motorbikes and other two wheeler engines use E27
United States	The clean air Act requires EPA to set the Renewable Fuel Standards (RFS) volume requirements annually. EPA updates volume requirements each year based on fuel availability.	Renewable fuel standard (RFS) program	Environmental protection agency (EPA)	Primarily normal; Flex for E30 or E85 only.

European Union	EU aims to have 10% of the transport fuel of every EU country come from renewable sources, such as bio-fuels by 2020	Renewable energy directive	European commission	Flex and normal
China	In September 2017, the Chinese government announced legislation proposing the use of ethanol in fuel for all of China with the target of 10% ethanol blending.	Fuel quality standards	National energy administration	Primarily normal
Thailand	Alternative Energy Development Plan (ADEP) targets the share of renewable and alternative energy from biofuel to increase from 7% of total fuel energy use in 2015 to 25% in 2036	ADEP	Ministry of Energy	Primarily normal

(Source: NITI Aayog)

Foray into newer technologies

Praj' strategy has been to expand its business horizons leveraging its innovative, technology solutions in "Clean energy-based Bioeconomy''. In FY21 it launched Bio-Prism portfolio to produce bio-based Renewable Chemicals and Materials (RCM). RCM produced from bio-based feedstocks, are sustainable alternatives to products made from fossil resources. Praj has developed three value added products from the lignin generated from our 2G ethanol process viz. Lignosulphonate, Bio Bitumen and Bio-oil as Marine fuel. These technologies have been developed at laboratory/pilot scale and are ready for demonstration. Its Bio Bitumen sample was approved by Competent Authority for application in asphalt blending.

Healthy financial position

The financials of Praj remain in good shape as it is debt-free company, generating strong cash flow from its operations every year. The company does not have any significant capex plans in the coming years. It has investments and cash of over ~Rs 500cr providing comfort.

Risks & Concerns

Government regulations

Majority of Praj's revenues comes from the bio-energy (ethanol) business which is highly susceptible to government policies. Any delay or change in the decision of the government could impact the business adversely.

Raw material inflation
Sharp increases in raw material price such as steel affects the cost structure and hamper the profitability of the company. Praj generally enters into fixed price contracts. To mitigate this, Praj is looking to reduce the cycle time of execution so that the exposure time gets reduced.

Slowdown in industrial capex
Any slowdown in industrial capex and consumption may impact revenue and hence the company's profit.

Sluggish growth in 2G and CBG business
2G and CBG plants could open up huge opportunity for Praj. However sluggish growth in their implementation and Praj's inability to compete with the global players might dampen the revenue growth expected therefrom.

Fall in crude oil prices
Falling crude oil prices could impact the demand for ethanol thereby impacting the refinery orders being received by Praj.

The mgmt. is dependent to a large extent on founder Dr. Pramod Chaudhari and succession plan is not yet formulated or available publicly.

Praj faces seasonality among quarters with Q4 being the best historically and Q1 the worst.

Company Background:

Incorporated in 1983, Praj Industries Ltd. (Praj) is a market leader in India and among the top ten global suppliers of ethanol plants through sugars and cellulose based feedstock. It started as a supplier to ethanol plants and later diversified into providing solutions for bioenergy, high purity water, critical process equipment, breweries and industrial wastewater treatment to industries like oil & gas, chemicals, pharma. Headquartered in Pune, India, Praj has spread its presence across the globe with more than 1000 references in more than 100 countries.

With a slew of new initiatives, Praj aspires to be a major player in the environment, energy and agri processing led applications providing innovative, integrated solutions including plant, equipment and products that will enhance the quality of life. Solutions offered by Praj are backed by its state-of-the-art R&D centre called Matrix.

Praj commands around 60-70% market share in Bio-Energy business in India and is the only dominant player while other players include ISGEC Ltd. Globally, it competes with other dominant player like Clariant, Chempolis and other Brazilian players.

Praj's diverse portfolio comprises of Bio-energy solutions, Critical process equipment & skids, Breweries, Zero liquid discharge systems and High purity water systems. Praj derives its revenues from three business segments:

Bioenergy business

Praj is a name to reckon with in the global biofuel technology solutions. Starting with India in the early 80s, Praj's ethanol technology serves various applications in different parts of the world. Bio-energy business unit offers a complete suite of solutions for the global ethanol industry. This business involves process design, engineering, fabrication, and commissioning of ethanol plants and accounted for 71% of consolidated revenue in FY22.

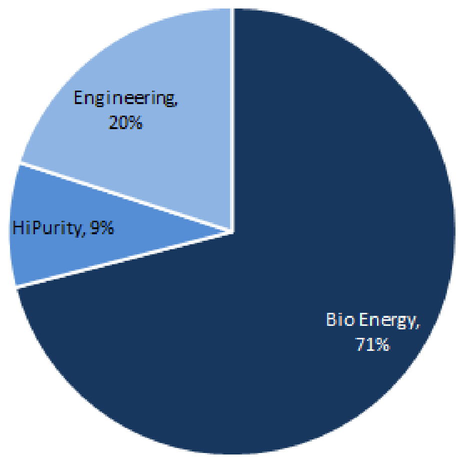
Hi Purity Systems

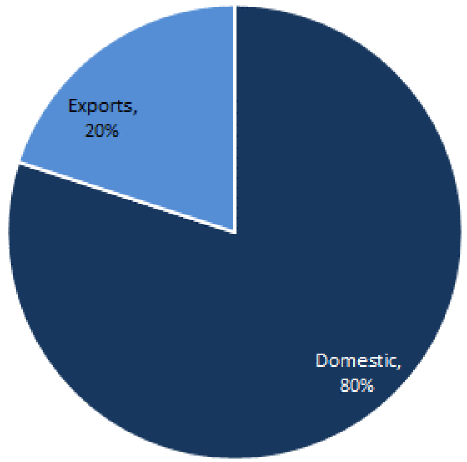
Praj HiPurity Systems is an end-to-end solutions provider to the Bio-pharmaceutical, Biotech, Cosmetics, Healthcare and F&B sector for Sterile Process Water Generation, Water for Injection, Storage and Distribution System, CIP/SIP, Systems for Core Processes, etc. These solutions find application in the production of wide ranging products right from liquid orals to parentrals to production of APIs, Ointments/Emulsions, Oncology Formulations etc. Each solution is backed by technical inputs from Praj Matrix- R & D Center, the biopharma hub. It accounted for 9% of FY22 consolidated revenue.

Engineering business

Engineering business accounted for 20% of FY22 consolidated revenue. This segment has three subdivisions i) water & waste water treatment (operates in the industrial waste water systems), ii) critical process equipments and skids (provides high-end equipment and systems finding applications in the oil & gas, petrochemical, fertiliser and chemicals industries), and iii) brewery plants and equipment.

Revenue split (FY22)





Praj Industries Ltd.

Financials

Income Statement

(Rs cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	**1102**	**1305**	**2333**	**2934**	**3606**
Growth (%)	***-3.4***	***18.4***	***78.8***	***25.8***	***22.9***
Operating Expenses	1024	1192	2127	2667	3249
EBITDA	**78**	**112**	**206**	**267**	**357**
Growth (%)	***-1.6***	***43.9***	***83.2***	***29.7***	***33.7***
EBITDA Margin (%)	***7.1***	***8.6***	***8.8***	***9.1***	***9.9***
Depreciation	22	22	23	24	25
Other Income	30	26	24	29	29
EBIT	**86**	**116**	**207**	**272**	**361**
Interest expenses	3	3	3	3	3
PBT	**83**	**113**	**205**	**269**	**358**
Tax	13	32	55	66	90
PAT	**70**	**81**	**150**	**203**	**268**
Share of Asso./Minority Int.	0	0	0	0	0
Adj. PAT	**70**	**81**	**150**	**203**	**268**
Growth (%)	***3.2***	***15.1***	***85.4***	***35.3***	***31.6***
EPS	3.8	4.4	8.2	11.1	14.6

Balance Sheet

As at March (Rs cr)	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	37	37	37	37	37
Reserves	683	765	879	990	1148
Shareholders' Funds	**719**	**802**	**916**	**1027**	**1185**
Minority Interest	1	1	1	1	1
Total Debt	0	0	0	0	0
Net Deferred Taxes	-18	-10	-2	-2	-2
Other Non-curr. Liab.	15	11	15	19	23
Total Sources of Funds	**717**	**803**	**929**	**1044**	**1206**
APPLICATION OF FUNDS					
Net Block & Goodwill	280	270	272	264	260
CWIP	2	1	2	1	1
Investments	177	349	477	552	677
Other Non-Curr. Assets	28	24	17	21	26
Total Non Current Assets	**487**	**643**	**768**	**838**	**963**
Inventories	111	129	345	257	316
Debtors	330	453	512	724	840
Cash & Equivalents	49	132	155	141	162
Other Current Assets	166	226	431	402	474
Total Current Assets	**656**	**940**	**1443**	**1524**	**1792**
Creditors	187	342	425	601	741
Other Current Liab & Provisions	239	438	857	717	808
Total Current Liabilities	**427**	**780**	**1282**	**1318**	**1549**
Net Current Assets	230	160	161	206	243
Total Application of Funds	**717**	**803**	**929**	**1044**	**1206**

Cash Flow Statement

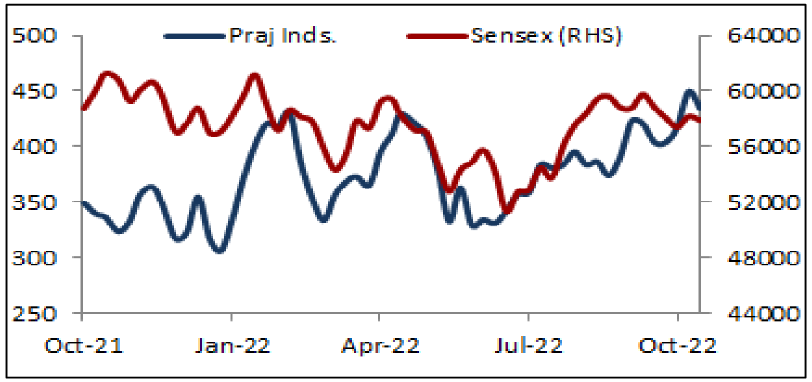
(Rs cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	83	113	205	269	358
Non-operating & EO items	12	-6	-10	-1	-1
Interest Expenses	-8	-5	-7	3	3
Depreciation	22	22	23	24	25
Working Capital Change	-76	116	9	-59	-16
Tax Paid	-18	-15	-45	-66	-90
OPERATING CASH FLOW (a)	**15**	**225**	**175**	**171**	**279**
Capex	-7	-9	-18	-15	-20
Free Cash Flow	8	217	156	156	259
Investments	59	-169	-127	-75	-125
Non-operating income	14	14	19	0	0
INVESTING CASH FLOW (b)	**66**	**-164**	**-127**	**-90**	**-145**
Debt Issuance / (Repaid)	0	0	0	0	0
Interest Expenses	-6	-6	-7	-3	-3
FCFE	75	55	41	78	131
Share Capital Issuance	3	0	3	0	0
Dividend	-95	0	-40	-92	-110
Others	0	0	0	0	0
FINANCING CASH FLOW (c)	**-98**	**-6**	**-44**	**-95**	**-113**
NET CASH FLOW (a+b+c)	**-18**	**55**	**4**	**-14**	**21**

Key Ratios

	FY20	FY21	FY22	FY23E	FY24E
Profitability Ratios (%)					
EBITDA Margin	7.1	8.6	8.8	9.1	9.9
EBIT Margin	7.8	8.9	8.9	9.3	10.0
APAT Margin	6.4	6.2	6.4	6.9	7.4
RoE	9.6	10.7	17.5	20.9	24.2
RoCE	11.8	15.2	24.1	28.0	32.6
Solvency Ratio (x)					
Net Debt/EBITDA	-0.6	-1.2	-0.8	-0.5	-0.5
Net D/E	-0.1	-0.2	-0.2	-0.1	-0.1
PER SHARE DATA (Rs)					
EPS	3.8	4.4	8.2	11.1	14.6
CEPS	5.0	5.6	9.4	12.4	15.9
BV	39.3	43.8	49.9	55.9	64.5
Dividend	2.7	2.2	4.2	5.0	6.0
Turnover Ratios (days)					
Debtor days	105	110	75	77	79
Inventory days	39	34	37	37	29
Creditors days	70	74	60	64	68
VALUATION (x)					
P/E	113.2	98.4	53.2	39.3	29.9
P/BV	11.1	9.9	8.7	7.8	6.7
EV/EBITDA	100.1	67.3	36.1	27.6	20.3
EV / Revenues	7.1	5.8	3.2	2.5	2.0
Dividend Yield (%)	0.6	0.5	1.0	1.1	1.4
Dividend Payout (%)	70.2	48.8	51.3	45.2	41.2

(Source: Company, HDFC sec)

Price chart



ATUL JAGDISH KARWA

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HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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