

Ganesh Housing Corp

 BSE code: 526367
 NSE code: GANESHHOUC

CMP: Rs 730
Target: Rs 1,201
BUY
Suman Memani

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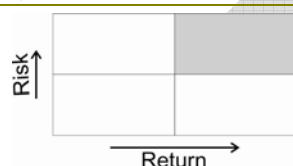
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Company data

Particulars	
Market cap (Rs bn / US\$ mn)	23,798
Outstanding equity shares (mn)	32.6
52-week high/low (Rs)	750/281
2-month average daily volume	37,103

Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	536.0	2,419.5	4,735.9
Growth (%)	49.3	351.4	95.7
Adj net profit (Rs mn)	141.5	1,314.9	1,734.4
Growth (%)	(2.2)	829.3	31.9
FDEPS (Rs)	9.9	40.3	53.2
Growth (%)	122.2	309.0	31.9
P/E (x)	74.0	18.1	13.7
ROE (%)	17.5	28.0	24.8

Risk-return profile

Shareholding pattern

(%)	Sep-07	Jun-07
Promoters	39.0	39.0
FIs	35.5	36.4
Banks & FIs	12.7	11.9
Public	12.8	12.7

**does not include recent issue to promoters*
Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Ganesh Housing	730	19.5	63.0	94.0
Sensex	20,301	4.8	17.2	38.4

Company website www.ganeshhousing.com

Housing gains

Largest realty developer in commercial hub of Ahmedabad with robust growth plans

Investment rationale

- ❖ Prominent Ahmedabad-based realty player with strong brand equity in residential property development. Recent entry into commercial and retail projects, integrated townships and SEZs has diversified the business model and enhanced earning visibility.
- ❖ Large developable land bank of 55.8mn sq ft in Ahmedabad (including land to be transferred from promoter group companies). Located in north Gujarat, Ahmedabad is an important financial hub with a rising population that is characterised by increasing disposable incomes. This translates to high land absorption rates.
- ❖ Entire land bank scheduled for execution by 2014, pointing to a substantial ramp up in execution capability. We expect the company's project execution to rise from 1.1mn sq ft in 2007 to 5.5mn sq ft in 2009.
- ❖ Foray into new segments, low land acquisition cost and a virtual zero-debt balance sheet will aid robust EBITDA margin expansion to 49% in FY09 as against 43% in FY07.
- ❖ Revenue and PAT expected to grow at 241% and 312% CAGR respectively over FY07-FY10 driven by the strong land bank and faster project execution.

Key concerns

- ❖ Delay in execution of projects may hamper the company's financials.
- ❖ Concentration of land bank in Ahmedabad leaves the company exposed to any downtrend in realty offtake or prices in the city.

Valuation

- ❖ NAV approach yields a target price of Rs 1,201 for the stock based on a multiple of 1.1x on one-year forward NAV of Rs 1,091.
- ❖ Our NAV estimate includes Rs 714/share for the existing land bank (31.6mn sq ft) and Rs 377/share for additional land (24.2mn sq ft) proposed to be acquired from promoters and developed over 2009-14.
- ❖ At Rs 1,201, the stock would trade at 29.8x and 22.5x on FY09E and FY10E EPS respectively. We initiate coverage with Buy with a potential upside of 65% from current levels.

Company profile

One of the top 5 real estate companies in Gujarat with a large land bank in Ahmedabad

Incorporated in 1961 for realty development in the state of Gujarat, Ganesh Housing Corp (GHCL) went public in 1993. Since its inception, the company has developed 16mn sq ft of residential space and has established itself as one of the top five real estate companies in Gujarat. GHCL has traditionally focussed on the development of residential projects and more recently diversified into the commercial and retail space, integrated townships, SEZs and the hospitality business. The company has built up a large land bank in strategic locations of Ahmedabad and has an in-house research and development team to ensure deployment of the latest technology in construction.

Aims to develop 56mn sq ft by 2014

GHCL owns ~615 acres of land which translates to a developable area of 31.6mn sq ft. This includes 150 acres added to its land bank following the recent merger with five of its group companies – Ramasagar Infrastructure, Nachiket Properties, Manjari (Thaltej) Complex, Shaharsh Infrastructure and Ganesh Infrastructure.

In addition, GHCL has other group or associate companies with land holdings and is likely to merge them with itself in FY09. This would further expand its land bank by an estimated 24.2mn sq ft. The transfer will be at cost of acquisition on cash basis as the company has a large cash position in its books. Thus, post the proposed mergers, the company is likely to have 56mn sq ft of developable land located in and around Ahmedabad, which it plans to execute by 2014.

Expected land bank post-merger with group companies

Segments	Developable area (mn sq ft)	No. of projects	Remarks
Residential	3.5	7	Revenue booking yet to be done for 2.8mn sq ft out of 3.5mn sq ft
Commercial	0.2	2	Land bank is in the promoter's book which will be transferred to the company in FY09
SEZ	8.9	1	Comprises 155 acres of which the company has already sold 35 acres.
Retail	3.4	5	Includes promoter holding of 3.1mn sq ft which will be transferred to GHCL in FY09
Township	39.6	3	Includes promoter holding of 730 acres, of which 280 acres are yet to be transferred
Hospitality	0.2	1	First project in the Hotels sector
Total	55.8	19	

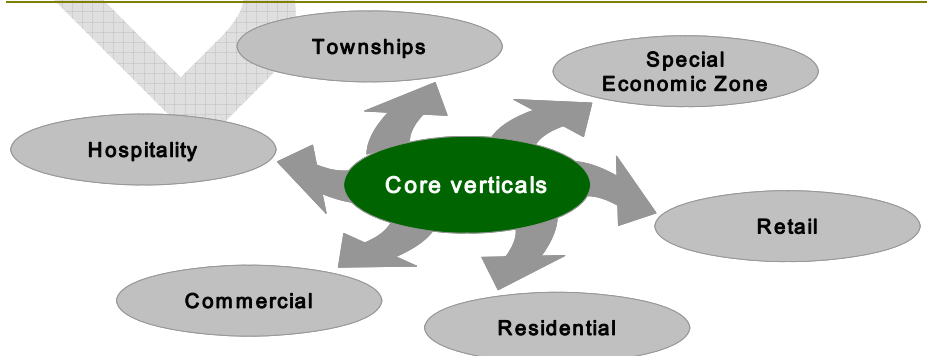
Source: Company, Religare Research

Business segments

GHCL's core focus is on the residential segment, though it is now displaying an increasing thrust on commercial, retail, hospitality and SEZ projects.

Business spectrum

Diversifying into new avenues apart from its core residential business focus



Source: Religare Research

Residential business

GHCL's residential projects consist of multi-storied apartment complexes and integrated townships which have a blend of residential and commercial space. The company currently has 2.8mn sq ft of pure residential projects underway in Ahmedabad which are to be developed by 2012. Prime locations, quality construction and strong brand equity allow the company to pre-sell 30–35% of its residential units.

Residential projects

Name	Location	Type	Area (sq ft)	Scheduled completion
ShangriLa-II	Thaltej (S.G. Road)	Bungalows (Res)	81,675	March 2008
Mahalaya-II	Sola, Science (City Road)	Bungalows (Res)	138,600	March 2008
Suyojan	Near Sola Bhagwat Vidyapith	Apartment	207,360	March 2009
Shangrila-III	Thaltej (S.G. Road)	Apartment	88,560	March 2009
Shangrila La Shilaj	Shilaj (S.G. Road)	Apartment	870,720	March 2009
Mahalaya Greens	Opp. Nirma University (S.G. Road)	Apartment	1,816,425	April 2012
Shangrila	Thaltej (S.G. Road)	Bungalows (Res)	279,990	March 2008
Total			3,483,330	

Source: Company, Religare Research

Integrated township projects cover an area of 39.6mn sq ft to be completed by 2014

GHCL's integrated township projects cover an area of 39.6mn sq ft (including land in the promoter's name to be transferred into the company's books) and are likely to be completed by 2014. This includes the development of a 450-acre integrated township (Smartcity) located at Godhavi which is around 20km from the international airport. The project is expected to start in April 2008 and be completed in March 2014 at an estimated project cost of Rs 1.5bn.

Other projects include townships at Adalaj and Ognajm, both of which will be in close proximity to S.G. Road, the business hub of the city. In our view, the foray into the integrated township segment will yield rich rewards for the company in the long run.

Integrated township projects

Name	Location	Area (sq ft)	Scheduled completion
Smartcity Godhavi	Ahmedabad	15,347,200	March 2014
Township Adalaj	Adalaj-Ahmedabad	6,054,750	March 2014
Township Ognaj	SP Ring Road-Ahmedabad	18,227,214	March 2014
Total		39,629,164	

Source: Company, Religare Research

Retail space

Plans to launch a slew of malls and hyper malls in Ahmedabad

Gujarat is an aggressive participant in the country's retail boom. Almost all the major malls and mall development companies have a presence in the city, including Pantaloon Retail, Pyramid Retail and Reliance Retail. Considering the huge scope for organised retail and the rise in disposable incomes, GHCL has forayed into the retail market in Ahmedabad with a series of malls and hyper malls lined up for launch in the city.

Shopping malls

Name	Location	Area (sq ft)	Scheduled completion
Megapolis I	Paldi-Ahmedabad	231,048	May 2011
Megapolis II	Ambavadi	143,667	March 2013
Megapolis III	Thaltej III (SAL Road)	992,979	March 2012
Megapolis IV	Thaltej III (SAL Road)	363,285	March 2014
Megapolis V	Sola	1,622,673	March 2014
Total		3,353,652	

Source: Company, Religare Research

Proposes to develop two corporate structures across 0.2mn sq ft by 2011

Commercial projects

In order to tap into Ahmedabad's status as the commercial hub of Gujarat, the company has recently defined plans to enter into the commercial real estate development space. It proposes to develop two state-of-the-art corporate structures across 0.2mn sq ft, starting in April 2009 and with a two-year time horizon for development.

Special Economic Zones (SEZ)

Apart from its residential, retail and commercial projects, GHCL has also taken possession of close to 155 acres of land in Ahmedabad for SEZ development. Of this, it has already sold 35 acres with plans to sell off a further 20 acres. On the balance 100 acres, the company plans to develop 9mn sq ft catering to the IT sector. In terms of approvals for its SEZ land, notifications have been received for 84 acres so far.

SEZ project

Name	Location	Area (sq ft)	Scheduled completion
B/H Nirma University	S.G Road	8,934,120	September 2011

Source: Company, Religare Research

Investment rationale

Large land reserve concentrated in business hub of Ahmedabad

Land bank of 55.8mn sq ft to be fully executed by 2014...

At 55.8mn sq ft, GHCL has the largest land bank among Ahmedabad-based real estate developers with a current market value of close to Rs 30bn. This reserve includes the promoter's land holding which will be transferred to the company's books shortly and is likely to yield profit streams until 2014. The company currently has a portfolio of 19 projects, with 1.1mn sq ft under construction and 55.8mn sq ft planned for execution by 2014.

In order to meet its development targets, GHCL plans to scale up its execution capacity from 0.6mn sq ft in FY06 and 1.1mn sq ft in FY07 to 2.7mn sq ft in FY08 and further to 7mn sq ft in FY09. To this end, it is scouting for an international architect and contractor for its SEZ and township projects. Considering that GHCL intends to complete 55.8mn sq ft over the next six years, it will have to develop 9.3mn sq ft per year on an average. This is a tremendous ramp up from the company's total completed project area of 16mn sq ft (residential space) since 1961.

...including 24.2mn sq ft which is being transferred from the promoters in FY09

Land assets enhanced by merger with group companies

GHCL has recently merged five group companies with itself, issuing 11.3mn equity shares under the scheme of merger while adding 150 acres of land in and around Ahmedabad to its reserve. The merged companies belong to the promoter group and the merger process has been approved by the Ahmedabad high court. Post-merger the company's land bank has increased to 615 acres which will be developed over the next six years. This is likely to add significantly to the company's topline and bottomline.

The promoter group has an additional land bank of 24.2mn sq ft in and around Ahmedabad which is likely to be transferred into the company's books in FY09. The deal is expected to be on cash basis as the company has strong cash reserves in its books and a very low debt-equity ratio of 0.06.

Merger with group companies

Merged company	Projects merged
Ramasagar Infrastructure	Shangrila III
Nachiket Properties	Ganesh Plaza II
Manjari Complex	Shanrila-Shilaj
Shaharsh Infrastructure	Million Minds SEZ
Ganesh Infrastructure	Ganesh Plaza I and Corporate Office

Source: Company, Religare Research

Core operating margin expected to expand by 200–300bps over FY07-FY10

Diversification to de-risk business model and expand margins

GHCL has traditionally focused on the residential space, completing ~16mn sq ft of residential construction to date. The company is now gradually increasing its presence in the commercial, retail, hospitality, township and SEZ segments. This together with its move to expand geographically into other cities of Gujarat such as Surat and Bhavnagar will serve to diversify and de-risk its business model.

Business diversification along with low land acquisition costs would also translate to better gross margins for the company. We have estimated a 200–300bps rise in GHCL's core operating margin over FY07-FY10 on account of its de-risked business model.

Ahmedabad – an evolving opportunity for realty players

The company's land bank is concentrated in and around the city of Ahmedabad. Located in the northern part of Gujarat, Ahmedabad is the commercial hub of the state and one of the major industrial locations of the country. It is the seventh largest city in India in terms of population and is well connected by road, rail, sea and air.

Ahmedabad has witnessed robust growth and ranks fifth among the top nine most competitive cities in the country, according to a Nasscom survey. With the Narendra Modi-led government returning to power in Gujarat, we expect economic development to further pick up pace, especially considering the 16 SEZs planned for the city of Ahmedabad alone.

Commercial hub of Ahmedabad presents significant opportunities for realty players

Prominent areas

Categories	Prominent locations
Central Business District (CBD)	S.G.Road, Satelite ,Navranpura, Ashram Road
Suburb Business District (SBD/PBD)	North of Ahmedabad towards Gandhinagar West of Ahmedabad towards Anand
Prime residential area	Thaltej Shilaj, Sola, Satelite Ambli
Prime commercial area	C.G.Road, S.G Road
New growth centres	Godhavi, Chharodi, Tragad, Ognaj etc

Source: Company, Religare Research

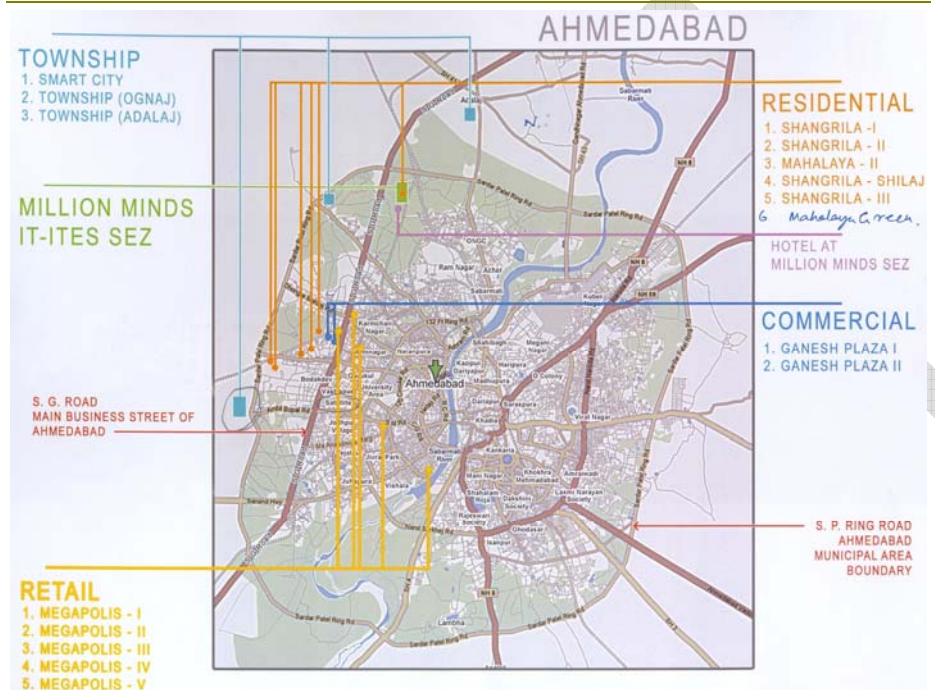
In view of the strong economic growth, we believe the following areas represent large opportunities for real estate developers:

- ❖ **Development of SEZs** considering the emergence of IT/ITES hubs, pharmaceuticals, chemicals, apparel and other new industries. The Gujarat government has already initiated measures to attract investment towards SEZs and IT Parks including floating the Gujarat IT Policy for 2006-11.
- ❖ **Residential development to cater to the rising population.** Ahmedabad's population is currently estimated at 6.2mn–6.5mn which signifies a CAGR of 4% over the 2001 census figure of 4.5mn. Other cities are estimated to grow at an average of 2.5%.

- ❖ Demand for office space from banks, financial institutions, insurance companies, brokerage firms, telecom players and local BPO players are riding high, apart from the needs of traditional sectors and industry. This increase in demand is because of all-round development in the city.
- ❖ With the Dholera port currently being developed around 50-55km from the city, Ahmedabad may soon turn into a port-led city. The **strong port connectivity will enlarge business** opportunities and also push the value of the asset base.

Strategic project locations enhance earnings visibility

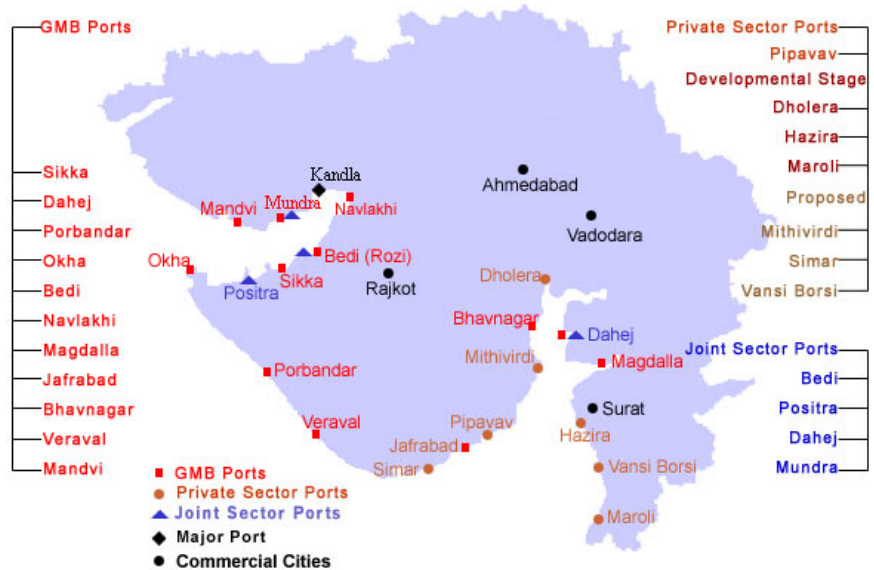
GHCL: Project locations



Source: Company

Ahmedabad – well connected by ports

Strong port connectivity will enlarge business opportunities in Ahmedabad



Source: Gujarat Marine Board (GMB)

SWOT analysis

Strengths

- ❖ Large land bank with constructed area of 55.8mn sq ft; to be executed in the next six years.
- ❖ Newly diversified business model with a presence in the residential, commercial, retail, hospitality and SEZ segments.
- ❖ Low debt-equity ratio would allow for fund raising from banks for further promoter group mergers.
- ❖ Strong financial performance; SEZ foray to add significant value.

Weaknesses

- ❖ Concentration of land bank in Ahmedabad.

Ganesh Housing

Opportunities

- ❖ Geographical expansion beyond Ahmedabad.
- ❖ SEZ development.
- ❖ Urbanisation, rising purchasing power and lifestyle changes will create more demand

Threats

- ❖ Delay in project execution.
- ❖ Changes in regulatory policies.
- ❖ Rising interest rates and construction costs.

Key concerns

Failure to ramp up execution skills would adversely affect our estimates

Risk of execution delays

The company has developed a total of 16mn sq ft in the last four decades. In comparison, it plans to execute 55.8mn sq ft by 2013–14 (implying 9.3mn sq ft of development per year) which would prove challenging. GHCL's ability to progressively expand execution skills and meet development targets would be crucial to future performance.

Asset/business cycle risk

Over the last few years, land prices have been rising across India, translating into immediate gains on the existing land banks of realty players. The high prices expose GHCL to an asset cycle risk since any fall in price would have a significant impact on profitability. A price downtrend could also result in customers adopting a wait and watch policy before booking new properties, especially in the residential segment, while existing customers may cancel bookings. This would impact cash flows and significantly affect the company's ability to complete projects or start new projects.

Township and SEZ projects may not pan out as expected

GHCL plans to foray into township and SEZ development where its success depends on its ability to attract industrial and service oriented companies. Further, uncertainty over the status of project applications, changing SEZ laws and the possibility of withdrawal of benefits introduced under the SEZ Act are threats to the company's foray in this segment.

Concentration of land reserve

The company's entire land bank is situated in Ahmedabad and any downturn in the region's realty market will affect its financials significantly.

Financial review and outlook

Quarterly results

(Rs mn)	Q2FY08	Q2FY07	% Chg YoY	Q1FY08	% Chg QoQ
Net sales	480.0	74.0	548.6	402.5	19.3
Other income	33.0	45.2	(27.0)	48.5	(32.0)
Total Income	513.0	119.2	330.4	451.0	13.7
EBITDA	457.4	83.9	445.2	428.6	6.7
Interest	3.8	0.7	442.9	6.2	(38.7)
Depreciation	0.8	0.2	300.0	0.6	33.3
PBT	452.8	83.0	445.5	421.8	7.3
Tax	(4.9)	22.2	(122.1)	20.6	(123.8)
PAT	457.7	60.8	652.8	401.2	14.1

Source: Company, Religare Research

Land sale to expands Q2FY08 revenues

Revenues logged 549% growth in Q2FY08 to Rs 480mn as against Rs 74mn in the same period last year. The increase in revenue is mainly because of the sale of 35 acres of SEZ land. PAT in Q2FY08 increased by 653% to Rs 457.7mn as against Rs 60.8mn in the same period last year.

We expect a 241% revenue CAGR over FY08-FY10 led by faster execution

We expect GHCL to record a 241% revenue CAGR over FY07-FY10 to Rs 6.2bn accompanied by a net profit CAGR of 312% to Rs 2.4bn. The company's performance will primarily be driven by its strong land bank and faster project execution.

Valuation

NAV approach yields fair value of Rs 1,201

Using the NAV approach, we have a target price of Rs 1,201 for the stock based on a multiple of 1.1x on one-year forward NAV of Rs 1,091. Our NAV estimate includes a value of Rs 714/share for the existing land bank (31.6mn sq ft) and Rs 377/share for additional land (24.2mn sq ft) proposed to be acquired from promoters.

We have considered April 2009 to April 2014 as the intermediate period for land acquisition from promoters with the execution and sale of this additional land by 2014. The promoter-held land is likely to be transferred to the company via a cash deal rather than through equity dilution.

The table below summarises our valuation approach.

NAV valuation

Particulars	Amount(Rs)	Execution period	Per share value
Existing land bank	20,156	Apr 2008–Apr 2014	714
Intermediate land bank	10,678	Apr 2008–Apr 2014	377
Total value	30,834		1,091
Multiple denoted			1.1
Target price			1,201

Source: Religare Research

We have assigned a multiple of 1.1 on one-year forward NAV of Rs 1,091 to arrive at our target

Key assumptions to our valuation

- ❖ Completion of current land bank development by FY14.
- ❖ Constant property price realisations for all the scheduled projects (despite the likelihood of a rise in prices).
- ❖ Build-and-sell business model.
- ❖ Construction hikes calculated on project to project basis.
- ❖ Cost of capital of 15% and tax rate of 22–27% as SEZ projects would be exempt from tax and a few projects of the company are still notified under 80IB.

Initiate coverage with a Buy

At the current price of Rs 730, GHCL trades at a P/E of 13.7x on FY09E EPS of Rs 53.2 and 8.7x on FY10E EPS of Rs 72.8. At our target price of Rs 1,201, the stock would trade at 29.8x and 22.5x on FY09E and FY10E EPS respectively. We initiate coverage with a Buy recommendation.

Potential 50% upside from current levels; Buy

Comparative valuation

Particulars	HDIL	Parsvnath Dev	GHCL
Land Bank Size & Cost			
In acres	NA	NA	1,250
In mn sq ft	123	191	56
Current market price	1,185	480	730
O/S equity shares	214.2	184.6	32.6
Market cap (Rs mn)	253,827	88,608	23,798
Sales			
FY06	4,222	6,438	359
FY07	12,034	15,103	536
FY08E	20,780	25,740	2,420
FY09E	37,160	43,244	4,736
EBITDA (%)			
FY06	33.2	24.0	39.1
FY07	55.0	29.2	37.5
FY08E	58.5	36.8	73.0
FY09E	57.9	38.1	48.7
PAT (Rs mn)			
FY06	1,139.3	1,062.0	144.7
FY07	5,418.1	2,923.0	321.5
FY08E	8,615.1	5,553.0	1,314.8
FY09E	15,572.7	9,703.0	1,734.3
P/E (x)			
FY08E	29.4	15.9	18.1
FY09E	16.3	9.1	13.7
NAV (Rs)			
	1,076	512	1,201
M/Cap/NAV (x)			
FY07	1.1	0.9	0.6

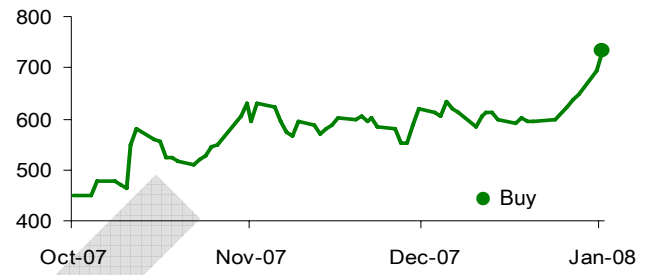
Source: Religare Research

Recommendation history

Date	Event	Reco price	Tgt price	Reco
2-Jan-08	Initiating Coverage	730	1,201	Buy

Source: Religare Research

Stock performance



Source: Religare Research

DRAFT

Consolidated financials

Profit and Loss statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Revenues	536.0	2,419.5	4,735.9	6,243.1
Growth (%)	49.3	351.4	95.7	31.8
EBITDA	201.3	1,766.5	2,305.8	3,169.9
Growth (%)	43.4	777.5	30.5	37.5
Depreciation	1.6	2.0	4.0	9.0
EBIT	199.7	1,764.5	2,301.8	3,160.9
Growth (%)	43.5	783.5	30.4	37.3
Interest	8.9	20.0	30.0	50.0
Other income	35.9	22.0	30.0	30.0
EBT	226.7	1,766.5	2,301.8	3,140.9
Income taxes	85.2	451.6	567.4	768.8
Effective tax rate (%)	37.6	25.6	24.7	24.5
Adjusted net income	141.5	1,314.9	1,734.4	2,372.1
Growth (%)	(2.2)	829.3	31.9	36.8
Extra-ordinary items	(180.0)	-	-	-
Min. int / inc. from associates	-	-	-	-
Reported net income	321.5	1,314.9	1,734.4	2,372.1
Growth (%)	122.2	309.0	31.9	36.8
Shares outstanding (mn)	214.7	326.0	326.0	326.0
Basic EPS (Rs) (adj)	15.0	40.3	53.2	72.8
FDEPS (Rs) (adj)	9.9	40.3	53.2	72.8
DPS (Rs)	2.6	2.0	2.0	3.0

Source: Company, Religare Research

Cash flow statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Net income	226.7	1,766.5	2,301.8	3,140.9
Depreciation	1.6	2.0	4.0	9.0
Other adjustments, net	188.9	20.0	30.0	50.0
Changes in working capital	(1,214.0)	(3,719.3)	(2,856.3)	(3,600.4)
Cash flow from operations	(796.8)	(1,930.8)	(520.5)	(400.5)
Capital expenditure	(4.5)	(4.0)	(4.6)	(5.5)
Change in investments	-	(1,361.1)	361.1	500.0
Other investing inc/(exp)	-	-	-	-
Cash flow from investing	(4.5)	(1,365.1)	356.5	494.5
Free cash flow	(801.3)	(3,295.9)	(164.0)	94.0
Issue of equity	2,476.8	1,724.7	-	-
Issue/repay debt	153.1	102.6	100.0	102.0
Dividends paid	(28.6)	(65.7)	(76.0)	(76.0)
Other financing cash flow	(8.9)	(20.0)	(30.0)	(50.0)
Cash flow from financing	2,592.4	1,741.6	(6.0)	(24.0)
Change in cash & cash eq	1,791.1	(1,554.3)	(170.0)	70.0
Opening cash & cash eq	163.2	1,954.3	400.0	230.0
Closing cash & cash eq	1,954.3	400.0	230.0	300.0

Source: Company, Religare Research

Balance sheet

(Rs mn)	FY07	FY08E	FY09E	FY10E
Cash and cash eq	1,954.3	400.0	230.0	300.0
Accounts receivable	785.8	2,200.0	3,400.0	3,900.0
Inventories	77.0	2,302.4	3,895.6	5,430.4
Others current assets	789.3	1,100.0	1,064.0	2,279.0
Current assets	3,606.5	6,002.4	8,589.6	11,909.4
Long-term investments	0.0	1,361.1	1,000.0	500.0
Net fixed assets	11.7	13.7	14.3	10.8
CWIP	-	-	-	-
Intangible assets	-	-	-	-
Deferred tax assets, net	2.2	-	-	-
Other assets	-	-	-	-
Total assets	3,620.4	7,377.2	9,603.9	12,420.2
Accounts payable	83.8	360.0	712.0	927.0
Others	7.6	11.5	13.5	16.5
Current liabilities	91.4	371.5	725.5	943.5
Debt funds	203.3	304.0	402.0	502.0
Other liabilities	117.6	530.1	646.4	886.6
Equity capital	214.7	326.0	326.0	326.0
Reserves	2,993.3	5,845.7	7,504.1	9,762.2
Shareholder's funds	3,208.0	6,171.7	7,830.1	10,088.2
Total liabilities	3,620.4	7,377.3	9,604.0	12,420.3
BVPS (Rs)	149.4	189.3	240.2	309.5

Source: Company, Religare Research

Financial ratios

	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	37.6	73.0	48.7	50.8
EBIT margin (%)	37.3	72.9	48.6	50.6
Net profit margin (%)	26.4	54.3	36.6	38.0
FDEPS growth (%)	122.2	309.0	31.9	36.8
Receivables (days)	357.3	225.2	215.8	213.4
Inventory (days)	70.4	665.0	465.5	553.8
Payables (days)	66.1	124.0	80.5	97.3
Current ratio (x)	39.5	16.2	11.8	12.6
Quick ratio (x)	38.6	10.0	6.5	6.9
Interest coverage ratio (x)	22.5	68.3	76.8	63.4
Debt / equity (x)	0.1	0.0	0.1	0.0
ROE (%)	17.5	28.0	24.8	26.5
ROA (%)	15.2	23.9	20.4	21.5
ROCE (%)	9.8	33.5	29.0	31.1
EV/Sales (x)	41.1	9.1	4.7	3.5
EV/EBITDA (x)	109.5	12.5	9.6	7.0
P/E (x)	74.0	18.1	13.7	10.0
P/BV (x)	4.9	3.9	3.0	2.4

Source: Company, Religare Research

RELIGARE RESEARCH

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Recommendation parameters

	Returns	Absolute
Large-caps*	> 10%	< - 5%
	BUY	SELL
Mid-caps**	> 25%	< 10%

*Market cap over US\$ 1bn **Market cap less than US\$ 1bn

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