

Sector: Pharmaceuticals

Sensex:	20,932
CMP (Rs):	59
Target price (Rs):	98
Upside (%):	66
52 Week h/l (Rs):	79 / 47
Market cap (Rscr) :	364
6m Avg vol ('000Nos):	540
No of o/s shares (mn):	62
FV (Rs):	10
Bloomberg code:	PDL IN
Reuters code:	PARB.BO
BSE code:	533211
NSE code:	PARABDRUGS

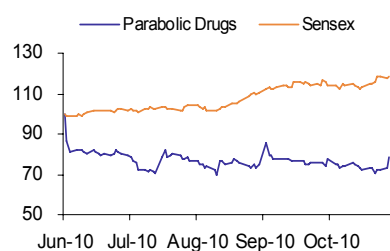
Prices as on 09 November, 2010.

Shareholding pattern

September' 10	(%)
Promoters	38.0
Institutions	31.2
Non promoter corp hold	9.6
Public & others	21.1

Performance rel. to sensex

(%)	1m	3m	1yr
Parabolic	(0.3)	(14.8)	-
Aurobindo	16.1	25.7	34.7
Nectar	(2.9)	(20.1)	(16.3)
Orchid	9.3	51.8	76.6

Share price trend


Parabolic Drugs, a research based Active Pharmaceutical Ingredient (API) manufacturer, is expected to witness earnings CAGR of 37% over FY10-13E supported by a 3-year capex plan of Rs213cr, with a large portion of expanded capacities already tied-up with customers. The key growth drivers are a better product mix and diversification, CRAMS foray, penetrating in regulated markets and forward integration into Dosage. It recently received EU-GMP certification for its Cephalosporin API facility and the management expects US FDA inspection to be triggered shortly for this site. Funding is in place post successful IPO issue. The stock is trading at compelling valuations of 4.8x FY12E. Recommend Buy.

Major capex plans; large customer bookings in place

Parabolic has embarked on a major capex plan for adding manufacturing capacities for high value Cephalosporin, Non-antibiotic products and CRAMS (Contract Research and Manufacturing) business. An investment of Rs213cr is planned over the next three years; long term supply contracts for two molecules of Non-beta lactum and three strategic agreements for Cephalosporin are in place. Globally, Penicillin and Cephalosporin segments (Anti-infective) are worth US\$79bn. Anti-infective global market is expected to witness a CAGR of 5.2% to touch US\$94bn by 2012. Assuming moderate utilization levels post commissioning of capacity, the company will comfortably post 30% revenue growth in FY12E.

Targeting regulated markets; moving to diversified product mix

Company is increasing thrust on high value products for better product mix, aiming for high global penetration, diversification in major therapeutic segments and forward integration into finished dosages. It spends on an average 5% of its turnover on R&D per annum. EU-GMP certification is in place and expects US FDA inspection to be triggered shortly. Six DMFs have been filed in FY10 making a cumulative total of 20 till date.

Strong past performance; compelling valuations

Parabolic witnessed a revenue and PAT CAGR of 59% and 60% respectively during FY05 to FY10. H1 FY11 has also delivered a high 88.7% yoy PAT growth. Stock is trading at P/E of 4.8x FY12E. Valuations are compelling compared to peers with earnings CAGR of 37% during FY10-13E. We recommend a 'BUY' with a one-year horizon.

Valuation summary

Y/e 31 Mar (Rs m)	FY10	FY11E	FY12E	FY13E
Revenues	5,140	5,978	7,795	8,795
yoy growth (%)	30.2	16.3	30.4	12.8
OPM (%)	18.0	19.3	19.6	19.6
Pre-exceptional PAT	436	581	759	873
Reported PAT	342	581	759	873
yoy growth (%)	62.2	69.8	30.7	15.0
EPS (Rs)	11.7	9.4	12.3	14.1
P/E (x)	5.0	6.3	4.8	4.2
EV/EBITDA (x)	6.7	6.0	4.6	3.9
Debt/Equity (x)	2.7	0.9	0.8	0.6
RoE (%)	30.5	20.7	17.3	16.8
RoCE (%)	18.6	15.4	16.1	16.5

Source: Company, India Infoline Research

Research Analyst
Akash Jain
research@indiainfoline.com

Investment thesis

Capex of Rs2.13bn planned over the next 3 years

In high capex mode; major portion of upcoming capacity tied-up
 Parabolic's capex plan of Rs2.13bn is a major investment compared to its current size. During the next three years, the company will add capacities in Cephalosporin, Non-antibiotics and CRAMS, which will put it in a position to cater to Rs8-10bn worth of incremental orders in a full working year, higher than its current run rate.

Presently, the company is in the process of brownfield expansion of its Cephalosporin plant in Derabassi, Punjab. A new facility with five production streams - two intermediate blocks and three finished API section would be commissioned from November '10 (addition of 300 tons worth of capacity to the existing capacity). It is also setting up a new facility in Chachrauli, Lalru (Punjab) to manufacture Non-antibiotic APIs (Cardiovascular, Anti-hypertensive, Oncology). The facility is expected to be operational by December '10.

Summary of Capital Expenditure (Rs mn)

Segment	Location	FY11E	FY12E	FY13E
Cephalosporin	Derabassi	507	259	100
SSP	Panchkula	30	5	14
Investment in Subsidiary	Panchkula	84	382	-
Non Beta Lactam	Chachrauli	234	160	250
Custom Synthesis	Barwala	50	20	35
Total Capex		905	826	399

Source: Company, India Infoline Research

70% of upcoming capacity tied up

Out of the total capex planned, 70% is for expansion in Cephalosporin and Non-Beta Lactum. As per management figures, one Indian MNC and two global MNC from EU have tied up all of its additional capacities in Cephalosporin. Even for Non-beta lactam, 60-70% of the upcoming capacity is tied-up already for CRAMS agreements with innovator companies of US.

To cater the CRAMS space, the company has acquired land in Panchkula IT Park, Haryana, where it plans to establish a new custom synthesis and R&D site of ~125,000sq.ft. The new facility is expected to be commissioned by FY12E catering to innovator companies. This however, is a future investment and will not materially add to revenues in next two years.

The company recently raised Rs1.85bn by way of IPO to fund projects. By 2013, Parabolic will emerge as a one stop shop for antibiotic and non-antibiotic API/API intermediate development - API/intermediate manufacturing and finished formulations.

Facility visit: In expansion mode



Source: Company, India Infoline Research

API markets

India is the world’s third largest API player growing at 6.5% after China and Italy. India has ~3,000 API factories. Out of a pool of 48 countries, India received the highest (21.5%) of Certificate of Suitability of European Pharmacopoeia (CEP) monographs from the European Directorate followed by Italy (11%) and US (10%). Indian API market has the potential to grow up to US\$12bn by 2015.

About Cephalosporin

It is a kind of semi-synthetic penicillin antibiotic containing cephem, which belongs to B lactum antibiotics and is the derivative of 7 – amino cephalosporanic acid, a B- lactam antibiotic.

Cephalosporin antibiotics are a class of antibiotics with high efficiency, low toxicity and wide clinical application with a broad spectrum, strong anti bacterial effect, penicillin – resistant rare allergy reaction compared with penicillin etc. It can not only destroy the cell wall of bacteria, but also kill the bacteria during its breeding period without any toxicity to the body. Cephalosporins are grouped into multiple generations, with higher generation Cephalosporins (third to fifth) being more effective.

Market size of Cephalosporin

Globally, the Cephalosporin API market is estimated to be worth US\$7.5bn. Domestically, First and Second generation Cephalosporin (API derived from Pen G) is valued at ~US\$200mn. High value added third and fourth generation Cephalosporin derived from 7 ACA and GCLE which are valued ~US\$250mn. Usage of third generation Cephalosporin is mainly for the treatment of bacterial infections that don’t respond to first or second generation Cephalosporin based of Pen G. High value added cephalosporin are not price sensitive as compared to first and second generation Cephalosporin APIs.

Non Antibiotics

Parabolic Drugs is foraying in the non antibiotic/non beta lactum segment for products catering the therapeutic divisions like NSAID, CNS, Oncology, Anti–Hypertensive, Anti–Diabetic, and Cardiovascular. According to IMS Health, market for non beta lactum products is valued ~US\$50 bn.

CRAMS (Contract Research and Manufacturing Services)

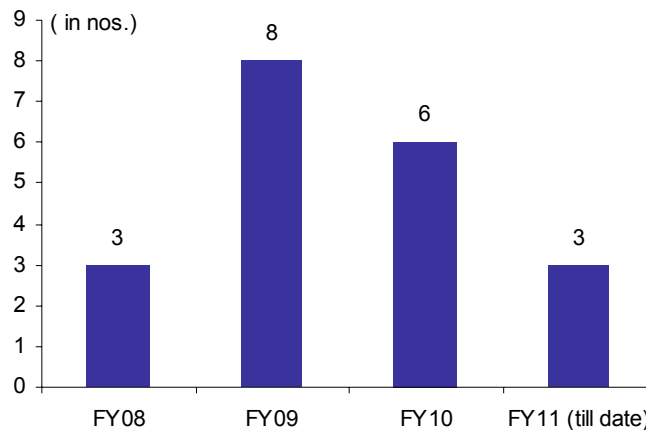
Clinical trials in India cost 1/10th of that in the US. R&D costs in India are 1/8th of that in US. API/Intermediate outsourcing is more prevalent in India than formulation outsourcing. API and intermediates contribute almost 67% of the total outsourcing market. (Source: Research and Markets).

Well defined growth strategy

Over the last two years, Parabolic has enhanced its reach from 20 countries to 45 countries including South Korea (with US\$9.3bn market size), Turkey, Syria and Iran. The company has received EU-GMP (European Union Good Manufacturing Practices) certification for its Derabassi Cephalosporin plant in July 2010, providing immediate access to key markets like Germany, Italy, Spain and Netherlands. Parabolic’s 6APA is USFDA approved and it expects USFDA inspection process to be triggered for Cephalosporin plant soon. It is constantly on the lookout for strategic business relationships and has filed six DMFs in FY10 with the US FDA / EDQM. A total of 20 DMFs have been filed, till date.

20 DMFs filed till date

DMFs filed

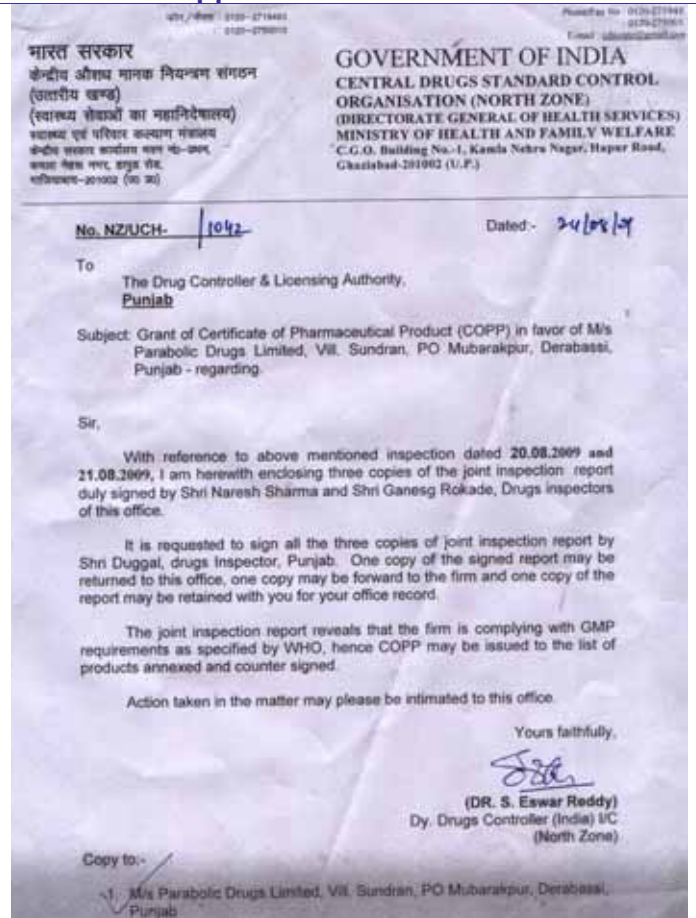


Source: Company, India Infoline Research

ISO 14001:2004 Certificate



WHO-GMP Approval Certificate



Source: Company, India Infoline Research

Strategy for key overseas markets

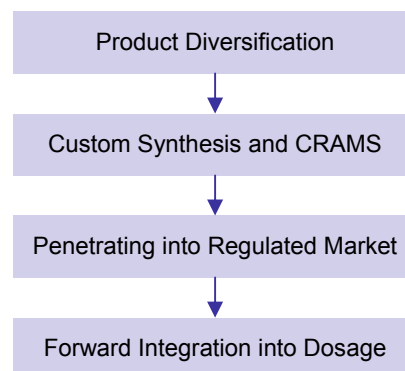
- ✦ Grow into South Korea, a large antibiotic market
- ✦ Strengthen market share in Turkey, the world's seventh largest pharmaceutical market with growing demand for antibiotics and offering realisations close to regulated markets
- ✦ Establish meaningful presence in China, a strong market for APIs
- ✦ Grow presence in Japan, the most stringent market in quality terms and regulatory clearances
- ✦ Strengthen API position by growing product basket from 44 to 65 numbers
- ✦ Integrate forward into finished dosage manufacturing for global MNCs

Diversified customer base

- ✦ Customer base doubled to 514 numbers in FY10 from 244 in FY07 across 45 countries, including regulated markets
- ✦ Supplies APIs to Daiichi-Ranbaxy Laboratories, Alkem Laboratories, Lupin Ltd, Cadila Pharmaceuticals in India

Entered into long term contract manufacturing agreement for manufacturing two products exclusively for an Indian MNC in 2010

Growth drivers



Source: Company, India Infoline Research

Entry into CRAMS space for the future

Parabolic commissioned its Barwala facility for custom synthesis in January 2010. It also proposes to set up another CRAMS service facility including formulation R&D at Panchkula IT Park within the next 24 months. It executed eight custom synthesis projects for innovator global pharmaceutical companies, to develop long term molecules and tied up with two Innovator Global MNCs for long term contract manufacturing of molecules developed for them. The company expects revenues worth Rs250mn by FY13E from Custom synthesis in the CRAMS space by catering to innovator companies. Although not a major contributor presently, the company is investing in this space for the future.

Building chemistry capabilities - aiding launch of new products

The company's R&D facility comprises chemical and analytical research laboratories at Sundran, Derabassi and the Non-Beta API Research centre at Barwala, Haryana with a team of 85 scientists. In the past, R&D has helped Parabolic launch additional sterile products such as Ceftazidime, Cefotiam, Ceftizoxime and Cephalothin to further widen its product range. It has also made ten Process patent applications in India and one for an international process patent for manufacturing of Cefuroxime Axetil, pursuant to an application filed under the PCT, Switzerland.

Team of 85 scientists

Ten process patent applications made in India

R&D facility photo



Source: Company, India Infoline Research

Dr. Pandurang B. Deshpande, Chief Scientific Officer heads the R&D team at Parabolic. He holds a PhD, master's degree in science and has a diploma in business management and has over 26 years of experience in API industry. He has worked in several functional areas like R&D, manufacturing, business development and IPR in companies like Orchid Pharmaceuticals, Alembic, Unichem Laboratories, Kopran and Emcure. His expertise lies in developing and commercializing molecules in various therapeutic areas, right from conception to commercialization stage for regulated and non regulated markets. In the past, he has led over 100 R&D professionals and filed over 1,000 patents in Indian, PCT and USA patent offices. He has been responsible in setting up the CRAMS business for Alembic by developing many intermediates, potential drug candidates and interacted with big pharma companies.

Earnings CAGR of 60% witnessed over FY05-10

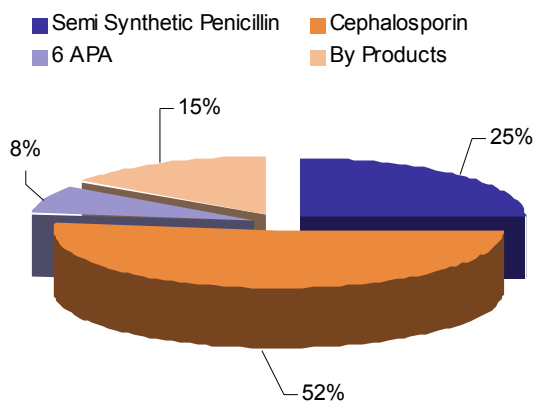
Strong PAT performance in last 5 years and H1 FY11, trend to continue

Parabolic witnessed a revenue and PAT CAGR of 59% and 60% respectively between FY05 and FY10. The company diversified its revenue base with sales to top five customers, in value terms, reduced from 57.6% in FY07 to 42.6% in FY10. H1 FY11 revenue growth was healthy at 17.9% on yoy basis, OPMs improved by 200bps on yoy basis, while PAT witnessed a yoy growth of 88.7%. Out of the total sales, 28% came from regulated markets compared to 6-7% during the same period last year. We expect revenues to witness a CAGR of 20% and PAT CAGR of 37% respectively over FY10–13E.

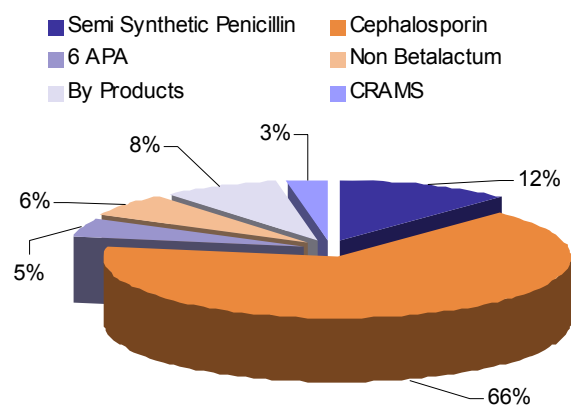
Improved product mix to help margin improvement

A shift towards high value Cephalosporin APIs resulted in 245bps improvement in FY10 OPMs to 18%. Now it is expanding into fast growing non-antibiotic lifestyle therapeutic segments (Cardiovascular, Anti-hypertension, Gastro-intestinal, Psychiatric, Pain management, respiratory, Retro viral, Dermatological, Anti-diabetic and Oncology). It has pipeline of over 20 Non-antibiotic products under development. Five new products are expected to be launched by Q4FY11. The company’s OPM is expected to rise by 165bps over next three years, due to an improved product mix.

Revenue Mix (FY10)



Revenue Mix (FY13E)



Source: Company, India Infoline Research

Compelling valuations, discount to peers

The stock is currently trading at a P/E of 4.8x FY12E. We believe these valuations are attractive as compared to its peers, given the expected strength in the company’s growth trajectory and improved product mix. Earnings are expected to witness a CAGR of 37% during FY10-13E. We recommend a ‘BUY’ with a price target of Rs98 with 12-month horizon implying, an upside of 66%.

Peer comparison

Company	CMP (Rs)	FY11E EPS (Rs)	P/E (x)
Parabolic Drugs	59	9.4	6.3
Aurobindo Pharma	1,329	93	14.3
Nectar Life Science	32	2.8#	11.4
Orchid Pharma	318	13	24.5

Source: Bloomberg Consensus estimates, #Q1FY11 Annualised

Risks and Concerns

Poor working capital cycle big risk to cash flows

Parabolic has a below average working capital cycle of 215 days. Debtor days stand at 120+ and have worsened last year. Inventory days too are on the higher side at 150+. The company will have to work hard on reducing this cycle or it risks severe strain on cash flow, especially with its planned capacity programme. We have assumed a marginal improvement in cycle going forward.

US FDA is the key for entry into regulated US market

The company's growth plans revolve around overseas market, especially regulated ones. It is creating facilities, compliant to international standards and hopes to trigger a US FDA inspection soon, through its customers. Lack of such a development may affect its growth plans and force it to rethink its strategy. However, given the company's wide customer base and exports to more than 45 countries, this may not be a big concern.

Company background

Chandigarh based, Parabolic Drugs Ltd was incorporated in 1996. It has evolved from a small contract manufacturing company to become a research based API manufacturer with the skill set to deliver customized products to its customers. It is engaged in the manufacturing of APIs and API intermediates. It produces Semi Synthetic Penicillin (SSP) and Cephalosporin range of antibiotics in oral and sterile form along with their intermediates.

Its product portfolio presently comprises 44 APIs and 7 API intermediates. It presently supplies 6 – APA from its Panchkula facility for the US markets conforming to the regulations prescribed by the USFDA.

Manufacturing facilities

Particulars	Products	Commercial Operation	Approvals/Certification
Derabassi, Punjab	Cephalosporin API & Intermediates (Oral & Sterile)	FY98	EU-GMP, ISO 14001 – 2004, WHO - GMP
Panchkula, Haryana	SSP APIs and Intermediates	FY05	6-APA supplied for US markets as per US FDA Standards
Chachrauli, Punjab	Non – Anti biotic API and Intermediates	FY11	Proposed facilities being setup in accordance with USFDA standards
Barwala, Haryana	Custom synthesis, pilot manufacturing and R&D centre	FY 10	DSIR recognized R&D centre, setup in compliance with USFDA standards

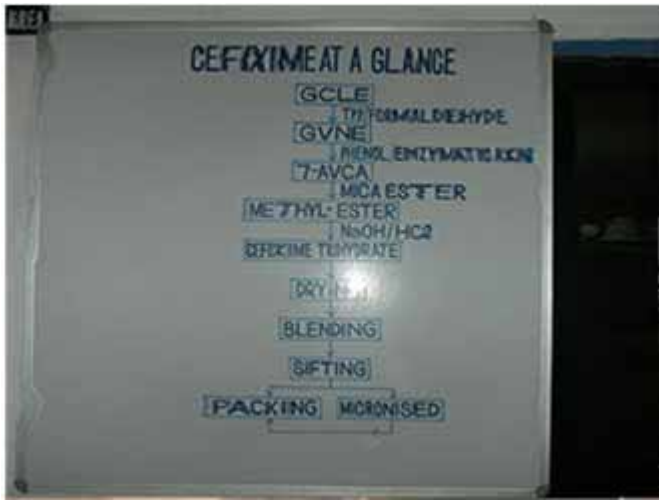
Source: Company, India Infoline Research

Facility pictures



Source: Company, India Infoline Research

Facility pictures...



Source: Company, India Infoline Research

Facility pictures...



Source: Company, India Infoline Research

Public issue

The company came out with its initial public offer of Rs2bn in June 2010 at Rs75 per share, comprising an offer for sale from the selling shareholders namely M/s. BTS India Pvt. Equity Fund Ltd. and Alden Global (Mauritius) Ltd and a fresh issue Rs1.85bn.

Management profile

Mr. Inder Bir Singh Passi, Chairman holds a Master's degree in mathematics from Punjab University, and completed his Ph.D from the University of Exeter, UK. In 2007, he was appointed as an Honorary Professor at Indian Institute of Science Education and Research, Mohali. Presently, Dr. Passi is a member of the editorial board of the Indian Journal of Pure and Applied Mathematics, a publication of the Indian National Science Academy. He is a fellow of the Indian National Science Academy, the National Academy of Sciences, India and the Indian Academy of Science.

Mr. Pranav Gupta, Managing Director has over 18 years of experience in the pharmaceutical industry. He is a graduate in technology (mechanical engineering) from Thapar Engineering College, Patiala and holds a masters' degree in business administration from the University of Kansas, USA. His prior work experience before starting his venture was as a 'Financial Analyst' with Ford Motor Company. Currently, serving as an executive member of The Indus Entrepreneurs Chapter, Chandigarh and the co-chairman of the PHD Chamber of Commerce, Haryana, he is also a member of the executive committee of the Indian Drugs Manufacturer's Association, Mumbai.

Mr. Vineet Gupta, Whole time Director is actively involved in developing the marketing network of the company in India as well as overseas markets. He is a graduate in technology (mechanical engineering) from India's premier institute – Indian Institute of Technology, New Delhi. He is also one of the promoters and a Director of Jamboree and a board member of the AIESEC Alumni Association.

Mr. Arun Kumar Mathur, Non Executive Director has spent more than 35 years in the Pharmaceutical Industry. A graduate in chemical engineering from Indian Institute of Technology, Kanpur, he has served in reputed pharmaceutical companies like Lupin, Bexmico Pharmaceuticals, Ranbaxy Laboratories Limited as Director – Operations and as a global manufacturing head for Matrix Laboratories.

Mr. Gurpreet Sandhu, Whole Time Director has been recently joined the board of the company. He has an experience of 22 years in chemicals business and has earlier served as a Director of API sales at Ranbaxy for eight years.

Dr. Ram Kumar, Independent Director is a professional in the field of medical science specializing in ophthalmology. In the past, he has served as a President for Chandigarh Ophthalmic Society. He also holds memberships in scientific societies including the Indian Medical Association and the North Zone Ophthalmological Society. He holds a bachelor's degree in medicine, masters' degree in surgery and is an eye specialist.

Mr. Pardeep Diwan, Independent Director was appointed as an Additional Director with effect from 30th September, 2005. He is a practicing Chartered Accountant and is a partner of P.K. Diwan & Company, holding a Bachelor's degree in Commerce and is a fellow of the Institute of Chartered Accountants of India.

Dr. Arvind Kumar Mishra, President (Corporate QC &QA) has worked with several pharmaceutical companies including Medreich, Lupin, Cadila, Strides Arcolab and JK Drugs and Pharmaceuticals. He completed his doctorate in philosophy in analytical chemistry from Banaras Hindu University. In Parabolic Drugs, his responsibilities include overseeing customer audits of manufacturing facilities for GMP compliance, GMP audits by international regulatory agencies, improving system compliance in quality assurance (QA) and quality control (QC).

Mr. S.R. Venkatesh, Senior Vice President (Operations/E.H.S & Training) – is a science graduate from Mumbai University and has worked with companies like Surya Pharmaceuticals, Alliance Laboratories, Phiox Pharmaceuticals, Wipro and Polychem Ltd. His key responsibilities include improving and implementing standard environment management systems, safety trainings, monitoring the functioning of its team and ensuring closing of all GMP audit gaps on all manufacturing locations.

Mr. Puneet Sud, Assistant Vice President (Operations) has worked with several leading pharmaceutical companies like Lupin, Ranbaxy, Orchid. Mr. Sud completed his chemical engineering from Institute of Technology, Banaras Hindu University. He is currently responsible for coordinating with the marketing team, finalizing the monthly production plan, getting material from outsourced locations, ensuring timely availability of stocks produced/outsourced material etc.

Mr. Ajeet Nigam, President (Global Marketing) has rich experience in working with companies like Ranbaxy, Oman Chemicals (Oman), Max India and Mohanwi Corporation. He completed his bachelor's degree in science from the University of Delhi, New Delhi and a post graduate diploma in business management from Rajendra Prasad Institute of Communication and Management, Mumbai. His key responsibilities include development of products, widening customer base and resource planning.

Product profile

Oral	Cephalosporins		Semi Synthetic Penicillins		
	Sterile	Intermediate	Oral	Sterile	Intermediate
Cefuroxime Axetil Amorphous	Ceftriaxone Sodium	Cefuroxime Acid	Ampicillin Anhydrous	Ampicillin Sodium	6-APA
Cefuroxime Axetil DC Grade	Cefuroxime Sodium	Cefuroxime Axetil Crystalline	Ampicillin Trihydrate	Amoxycillin Sodium	
Cefuroxime Axetil Taste Masked	Cephalotin Buffered	7 - ATCA	Amoxycillin Trihydrate	Cloxacillin Sodium	
Cefpodoxime Proxetil	Cefepime +L-Arginine	7 - AVNA	Cloxacillin Sodium	Dicloxacillin Sodium	
Cefpodoxime Proxetil DC Grade	Ceftazidime Buffered	7-APRA	Dicloxacillin Sodium	Flucloxacillin Sodium	
Cefixime Trihydrate	Ceftizoxime Sodium	7-ANCA	Flucloxacillin Sodium	Oxacillin Sodium	
Cefdinir	Ceftiofur HCL		Oxacillin Sodium	Sulbactam Sodium	
Cefprozil	Cefoperazone Sodium+Sulbactam Sodium		Pivampicillin Base	Ampicillin Sodium + Sulbactam Sodium(2:1)	
Cefditoren Pivoxil			Sultamicillin Base	Ampicillin Sodium + Cloxacillin Sodium (1:1)	
Ceftamet Pivoxil			Sultamicillin Tosylate	Amoxycillin Sodium + Sulbactam Sodium (2:1)	
Ceftibuten			Bacampicillin HCL	Amoxycillin Sodium + Flucloxacillin Sodium (1:1)	
Cefotiam HCl				Piperacillin Sodium + Tazobactam Sodium (8:1)	

Source: Company, India Infoline Research

Financials

Income statement

Y/e 31 Mar (Rs m)	FY10	FY11E	FY12E	FY13E
Revenue	5,140	5,978	7,795	8,795
Operating profit	925	1,152	1,529	1,728
Depreciation	(56)	(170)	(264)	(301)
Interest expense	(382)	(292)	(322)	(337)
Other Income	47	55	30	30
Profit before tax	534	745	973	1,120
Taxes	(98)	(164)	(214)	(246)
Adj. profit	436	581	759	873
Exceptional items	(94)	-	-	-
Net profit	342	581	759	873

Balance sheet

Y/e 31 Mar (Rs m)	FY10	FY11E	FY12E	FY13E
Equity capital	373	619	619	619
Reserves	1,214	3,396	4,155	5,028
Net worth	1,586	4,015	4,774	5,647
Minority Interest	1	1	1	1
Debt	4,207	3,500	3,650	3,450
Deferred tax liab (net)	76	76	76	76
Total liabilities	5,870	7,591	8,500	9,174
Fixed assets	1,729	2,464	3,026	3,124
Investments	-	450	-	-
Misc. Exp.	376	376	376	376
Net working capital	3,589	4,040	4,902	5,386
Inventories	2,401	2,849	3,555	3,957
Sundry debtors	1,931	2,127	2,655	2,941
Other current assets	290	290	290	290
Sundry creditors	(1,032)	(1,225)	(1,598)	(1,803)
Cash	177	262	197	288
Total assets	5,870	7,591	8,500	9,174

Cash flow statement

Y/e 31 Mar (Rs m)	FY10	FY11E	FY12E	FY13E
Profit before tax	534	745	973	1,120
Depreciation	56	170	264	301
Tax paid	(98)	(164)	(214)	(246)
Working capital Δ	(1,157)	(452)	(861)	(484)
Operating cashflow	(665)	299	161	690
Capital expenditure	(622)	(905)	(826)	(399)
Free cash flow	(1,287)	(606)	(665)	291
Equity raised	(24)	1,848	-	-
Investments	20	(450)	450	-
Debt financing/disposal	1,567	(707)	150	(200)
Other items	(234)	-	-	-
Net Δ in cash	42	85	(65)	91

Key ratios

Y/e 31 Mar	FY10	FY11E	FY12E	FY13E
Growth matrix (%)				
Revenue growth	30.2	16.3	30.4	12.8
Op profit growth	50.6	24.5	32.7	13.0
EBIT growth	53.2	13.2	24.9	12.5
Net profit growth	69.2	33.3	30.7	15.0

Profitability ratios (%)				
OPM	18.0	19.3	19.6	19.6
EBIT margin	17.8	17.3	16.6	16.6
Net profit margin	8.5	9.7	9.7	9.9
RoCE	18.6	15.4	16.1	16.5
RoNW	30.5	20.7	17.3	16.8
RoA	7.2	7.4	8.0	8.3

Per share ratios (Rs)				
EPS	11.7	9.4	12.3	14.1
Cash EPS	13.2	12.1	16.5	19.0
BVPS	42.6	64.9	77.1	91.2

Payout (%)				
Tax payout	18.4	22.0	22.0	22.0

Liquidity ratios				
Debtor days	126	117	112	110
Inventory days	157	155	150	148
Creditor days	67	67	67	67

Leverage ratios (x)				
Interest Coverage	2.4	3.5	4.0	4.3
Net debt/equity	2.5	0.8	0.7	0.6
Net debt/op. profit	4.4	2.8	2.3	1.8

Component ratios (%)				
Raw material	76.4	75.0	74.1	73.6
Staff cost	2.7	2.8	3.0	3.0
Other operating exp	2.9	2.9	3.3	3.8

Du-Pont analysis

Y/e 31 Mar	FY10	FY11E	FY12E	FY13E
Tax burden (x)	0.82	0.78	0.78	0.78
Interest burden (x)	0.58	0.72	0.75	0.77
EBIT margin (x)	0.18	0.17	0.17	0.17
Asset turnover (x)	0.85	0.76	0.82	0.83
Fin. leverage (x)	4.21	2.81	2.15	2.02
RoE (%)	30.5	20.7	17.3	16.8

Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

Published in 2010. © India Infoline Ltd 2010

This report is for the personal information of the authorised recipient and is not for public distribution and should not be reproduced or redistributed without prior permission.

The information provided in the document is from publicly available data and other sources, which we believe, are reliable. Efforts are made to try and ensure accuracy of data however, India Infoline and/or any of its affiliates and/or employees shall not be liable for loss or damage that may arise from use of this document. India Infoline and/or any of its affiliates and/or employees may or may not hold positions in any of the securities mentioned in the document.

The report also includes analysis and views expressed by our research team. The report is purely for information purposes and does not construe to be investment recommendation/advice or an offer or solicitation of an offer to buy/sell any securities. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time without notice.

Investors should not solely rely on the information contained in this document and must make investment decisions based on their own investment objectives, risk profile and financial position. The recipients of this material should take their own professional advice before acting on this information.

India Infoline and/or its affiliate companies may deal in the securities mentioned herein as a broker or for any other transaction as a Market Maker, Investment Advisor, etc. to the issuer company or its connected persons.

This report is published by IIFL 'India Private Clients' research desk. IIFL has other business units with independent research teams separated by 'Chinese walls' catering to different sets of customers having varying objectives, risk profiles, investment horizon, etc and therefore, may at times have, different and contrary views on stocks, sectors and markets.

IIFL, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (W), Mumbai 400 013.

For Research related queries, write to: Amar Ambani, Head of Research at amar@indiainfoline.com or research@indiainfoline.com
For Sales and Account related information, write to customer care: info@5pmail.com or call on 91-44 4007 1000