

Gujarat NRE Coke Ltd.

Buy

06 October 2008

CMP: INR 50

Target: INR 69

Initiating Coverage

Investment rationale:

Gujarat NRE Coke Ltd. (GNCL) is the largest non-captive independent coke manufacturer in India with an installed capacity of 1 million MT. The company would soon emerge as an integrated coke manufacturer with coking coal mines in Australia having an estimated coking coal reserve of over 550 million MT. The company has planned to expand the current coke manufacturing capacity to 1.25 million MT by Dec.2008 and further ramp up to 2.5 million MT by FY2009E.

GNCL has already started the mining at Australian mines and it is expected to produce around 1 million MT of coking coal for FY09E and slowly scale up to over 7 million MT by 2013E. The company has planned to set up 60 MW waste heat recovery power plants at its existing coke units to ensure cheap power supply. Coke being a key material for steel making, has a very bright future outlook given the rapid expansion in steel capacities across the globe especially in China and India where steel demand is expected to grow at over 8 percent CAGR for the next decade.

The Company currently imports nearly 30-40 percent of its coking coal requirement. The margins of the company would stabilize, once the company starts sourcing 80-90 percent of its coking coal requirement from its Australian subsidiary. The current mining cost for its Australian subsidiary is \$75 per MT and it is sold at \$155 per MT at port level. This coking coal does not include the cost of washery and freight. The landed cost of coking coal for the company in India is \$300 per MT.

Going forward, we expect there would be a shift in the business model for Gujarat NRE Coke from a coke manufacturer to the coal mines. The company would be using nearly 80-90 percent of its coal requirement from mines for coke business and the remaining would be sold in the open market. We believe coal trading would be the key revenue driver in the future due to high margins at upto 50 percent.

At current market price of Rs50 the stock is trading at 7.4x and 6.4x of its FY09E and FY10E earnings respectively. We recommend a buy on the stock with a price target of Rs69 which provides an upside potential of 38 percent from the current market price.

Our target price of Rs69 is based on sum of the parts valuation using discounted cash flow (DCF) analysis for its mining business and relative approach to its coke & steel businesses.

FINANCIAL SUMMARY

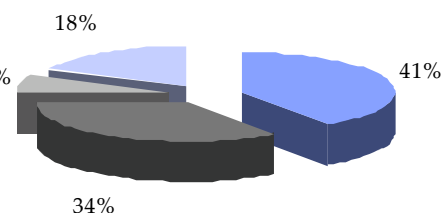
Year	Net Sales (INR Cr)	EBITDA (INR Cr)	PBT (INR Cr)	Adj.PAT (Cr)	EPS (INR)	CEPS (INR)	DPS (INR)	BV (INR)
2007 A	513.3	98.7	74.8	55.7	2.3	3.1	1.5	22.7
2008 A	872.2	236.3	226.7	172.9	5.1	5.8	2.5	34.0
2009 E	1,542.0	370.0	325.0	234.0	6.8	7.8	2.5	40.1
2010 E	1,814.9	448.5	386.1	278.0	7.8	9.0	2.5	45.8

STOCK DATA

BSE Code	512579
NSE Code	GUJNRECOKE
Bloomberg Code	GNC IN
52 Week High / Low (Rs.)	181 / 67
Face Value (Rs.)	10
Diluted Number of Shares (Crore.)	33.7
Market Cap. (Rs Crore.)	1685
Avg Yearly Volume	1654318

SHAREHOLDING PATTERN (%)

■ Promoters
 ■ FII
 ■ Public & Others
 ■ Banks / MF/ Insurance

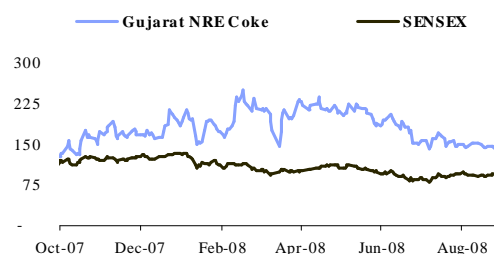


FINANCIAL RATIOS

Particulars	2007	2008	2009E	2010E
PE (x)	21.9	9.7	7.4	6.4
P/BV (x)	2.2	1.5	1.2	1.1
EV/EBITDA (x)	19.4	8.9	6.4	5.3
EV/Sales (x)	3.7	2.4	1.5	1.3
Mcap/Sales (x)	2.4	1.9	1.1	1.0
ROE (%)	10.1	15.1	16.9	17.1
ROCE (%)	7.0	13.8	17.2	18.0

Valuations are base on current market price

RELATIVE TO SENSEX:



Investment Rationale

Largest non-captive independent coke manufacturer:

Gujarat NRE Coke Ltd. (GNCL) is the largest non-captive independent coke manufacturer in India with an installed capacity of 1 million MT.

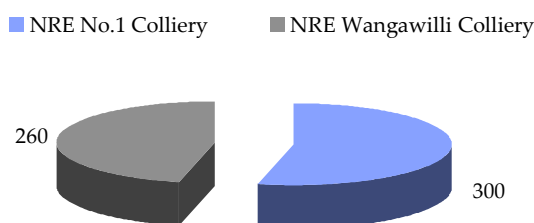
The new capacity of 250000 MT at Dharwad, Karnataka is expected to be commissioned by Dec.2008. The company has further planned to set up a Greenfield coke oven plant of 1 million MT at Nallore, Andhra Pradesh This will scale up the combined capacity of all 5 plans to 2.2 million MT by FY09E.

Captive coal mines to ensure raw material supply:

The Company currently imports nearly 30-40 percent of its coking coal requirements from Australia. The margins of the company would soon stabilize, once the company starts sourcing 80-90 percent of its coking coal requirement from its Australian subsidiary.

The current mining cost for its Australian subsidiary is \$75 per MT and it is sold at \$155 per MT at port level. This coking coal does not include the cost of washery and freight. The landed cost of coking coal for the company in India is \$300 per MT. We expect the margins to stabilize at 24-25 percent post FY 2009E.

COAL RESERVE (Mn. MT)

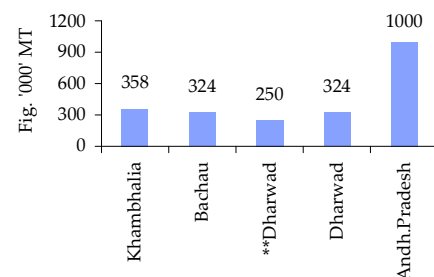


Source: Company

Waste heat recovery plant to reduce power cost

The Company is setting up three waste heat recovery power plants with a combined capacity of 60 MW. These power plants are expected to be operational within 12-14 months. The power cost per unit is expected to be Rs0.5 per unit which would result in substantial savings in operating costs.

PLANTWISE CAPACITIES



Source: Company

~ The margins for Australian subsidiary would range 45-50 percent (mining cost \$75/MT and selling price \$155/MT)

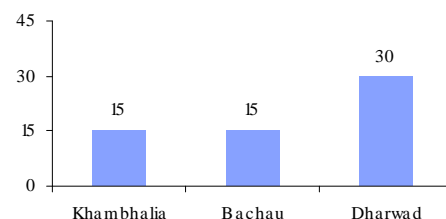
~ The landed cost of coking coal for GNCL would be around \$300 per MT which would be \$50 lower than other importers.

PRODUCTION TARGET (Million MT)

Year	NRE No.1 Colliery	NRE Wangawilli Colliery
FY2009E	0.8	0.3
FY2010E	0.9	1.64
FY2011E	1.3	1.77
FY2012E	2.6	1.51
FY2013E	3.8	2.25

Source: Company

WASTE HEAT RECOVERY POWER PLANTS (MW)



Source: Company

Shift in business model from coke producer to mining

The Company is the largest coke manufacturer in India. However, we expect a shift in its business from coke business to mining once its mining capacity is ramped up to 7-8 million MT. GNCL would use nearly 25 percent of 7-8 million MT of coking coal for coke manufacturing and the remaining would be sold in the open market.

The current combined washery capacity at Khambalia and Bachhau is 1.5 million MT which would be further expanded substantially to sustain its coking coal business.

Robust coke demand to keep prices firm in the near future

According to International Iron and Steel Institutes, the world steel demand is expected to grow at 4.5 percent CAGR for next 10 years whereas the demand for India and China is set to grow at 8.3 and 8.0 percent respectively. The company expects the coking coal prices to remain firm in the near future owing to robust demand from India and China. The current contract price for coal is \$300/MT whereas the spot price is \$380-400/MT. The FY10 prices are expected to be at \$340-360/MT.

The major drivers for coke industry would continue to be the steel industry. The demand for steel in India is likely to remain robust due to sustained growth of major steel consuming sectors like infrastructure etc. Also the domestic per capita consumption of steel is a mere 39 kg. which, is far lower than the global average 150 kg.

Industrial Overview:

Coke, a derivative of coking coal, plays a very significant role in metallurgical processes. Coke is the main source of heat and is the reducing agent required to facilitate the conversion of metallurgical ores into metal in the smelting process.

Major Coke production has traditionally been captive, as coke is being produced in the coke oven batteries of integrated steel plants as well as pig iron plants. In India LAM coke consumption has grown at a CAGR of around 6% since 1999-2000 with the growth in steel and pig iron production. Merchant coke production in India is a small part of the total coke produced in India, as majority of LAM coke production has been set up by integrated steel plants for captive purposes.

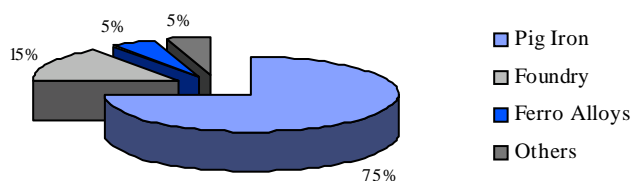
Most Indian coke oven batteries are located in the eastern region of the country; as a result, the various coke consumers in the western region and southern region of the country use imported coke. The Indian coal sector was nationalized in 1973 with the passing of Coal Mines Act. Indian coal industry was dominated by Coal India Ltd before the economy was opened up in 1991 to bridge the gap between demand and supply.

According to energy information administration database, the global recoverable coal reserve is estimated to be at 1001 billion MT during 2006 which could last for approximately 180 years at current consumption level. USA, Russia, China and India account for nearly 63 percent of total coal reserve.

Coal being primary source of energy has wide applications. Power accounts for nearly 77 percent of domestic coal consumption followed by steel at 13 percent.

Within the steel industry, pig iron is the largest consumer of metallurgical coke followed by foundry at 13 percent.

END USE OF COKE

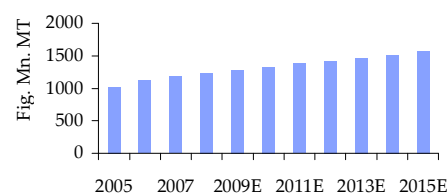


Source: Industry

~ Nearly 75 percent of coking coal from Australian mines would be sold in the open market.

~The company is also expanding its coal washery capacity to sustain its coking coal business in future.

GLOBAL STEEL DEMAND



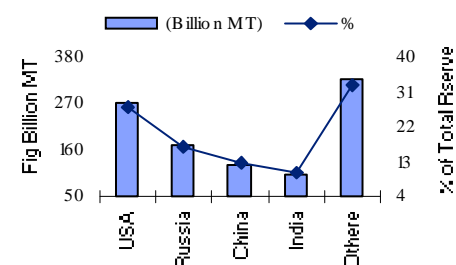
Source: International Iron & Steel Institutes

MAJOR COKE MANUFACTURERS IN INDIA

Company	in '000' MT
Captive facilities	22,000
Gujarat NRE Coke	1,000
Bharat Coke	324
Austral Coke	175
Sesa Goa	280
Others	337

Source: Industry

GLOBAL COAL RESERVE



Source: Company

~ Pig Iron amongst the steel industry is the largest consumer of coke

PARTICULARS (Fig. Mn. MT)	2005	2007	2012E	2020E
Coke consumption	21	25	60	120
Coking coal required	28	35	84	170
Indian Coal	8	8	9	12
Net Import Demand	21	27	75	158

Source: Company

China dominates the global coke market as it is not only the largest steel manufacturer and consumer but is also by far the largest producer, consumer and exporter of coke. Last year, it imposed an export tax thereby restricting its global supplies to meet higher domestic consumption by local steel industry. This had a spiraling effect on coke prices. With a surge in global demand for coke due to a higher demand from a rapid increase in capacities by global steel players, the prices of coke are expected to remain firm in the near future.

Metallurgical Coke in India is mostly manufactured by Steel Plants primarily for captive consumption. Foundries, Ferro Alloys and Chemical industries add to the demand of the product which is hardly matched by domestic supplies resulting in imports. With rapid industrialization, and a manifold increase in domestic steel capacities, the demand is expected to go up by leaps and bounds. Production of coke is totally dependent on availability of good quality coking coal and any increase in production is consequently dependent on imported coal as domestic coal is found to be high in ash contents. A significant trend that is bound to gather steam in the near future will also be based out of India's desperate efforts to contain coal criticality. This will be overseas acquisition of coal blocks. The need to secure supplies will only become more and more critical in the years to come and the industry is bound to look beyond the shores of India for accessing the vital raw material to feed on its gnawing hunger.

About Australian Coal Market

Australia is endowed with very substantial coal resources; with its proved recoverable reserves ranking 4th in the world. The major deposits of black coal (bituminous and sub-bituminous) are located in New South Wales and Queensland, especially in the Sydney and Bowen basins; smaller but locally important resources occur in Western Australia, South Australia and Tasmania. The main deposits of brown coal are in Victoria, the only State producing this rank. Other brown coal resources are present in Western Australia, South Australia and Tasmania.

The proven amount of coal in place (reflecting 'Economic Demonstrated Reserves (EDR)') comprises 55.8 billion tonnes of black coal, (including an estimated 3.3 billion tonnes of sub-bituminous) and 41.5 billion tonnes of brown coal/lignite. Within these, the proportion deemed to be recoverable ranges from 39.2 billion tonnes (70%) of the bituminous coal to 90%, 37.4 billion tonnes of the lignite.

Steel Industry :

Riding high on the resurgent economy and rising demand, the Indian steel industry has entered into a new development stage from 2005-06, with an average growth rate of 12 per cent per annum in steel output, for the last two years. According to the Minister for Steel and Chemicals & Fertilizers, the likely capacity achievable by 2019-20 will be over 300 million tonnes. The total investment in the sector is expected to be Rs. 2,76,880 crore by 2012. While the demand for steel will continue to grow in traditional sectors such as infrastructure, construction, housing automotive, steel tubes and pipes, consumer durables, packaging, and ground transportation, specialized steel will be increasingly used in hi-tech engineering industries such as power generation, petrochemicals, fertilizers, etc.

~The expected coke demand for steel industry to cross 120 million MT by FY2020.

~China is the largest coke consumer and exporter in the world.

~Australia has 4th largest proved recoverable coal reserve in the world.

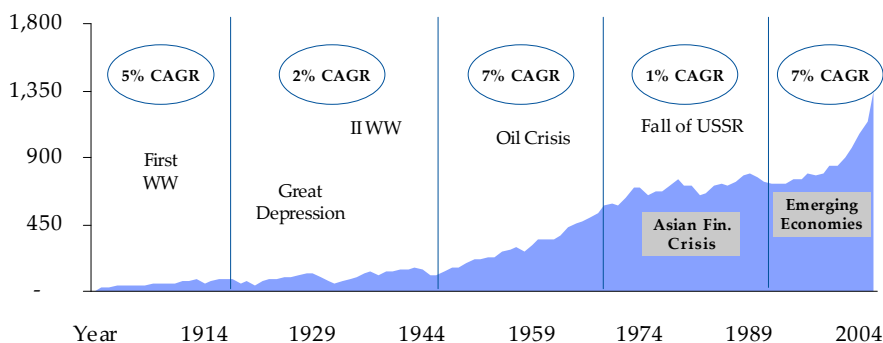
~The major deposits of black coal (bituminous and sub-bituminous) are located in New South Wales and Queensland.

~Minister for Steel and Chemicals & Fertilizers estimates over 300 million tonnes by 2019-20.

Presently, the government plans to increase production from the present 53 MT to 124 MT by 2011 and 300 MT by 2020, so as to narrow the gap between supply and demand. However, access to Coking coal will be the key to the success of this strategy.

~Presently, the government plans to increase production from the present 53 MT to 124 MT by 2011

STEEL PRODUCTION OVER LAST CENTURY (MN. MT)



~ World steel production is estimated to grow at 4.5 per cent CAGR for next 10 years.

Source: Industry

Investment Risk:

- The fortunes of the company are linked to the international pricing of coke. Hence, in the eventuality of a sustained dumping of coke by China, the company may be adversely affected. On the other hand, sustained good realization / profit margins may entice sharp increase of capacities leading to competition.
- The coking coal is the key raw material used in the coke manufacturing process, in the event of non-availability of coking coal due its inability to mine successfully in Australia may hamper the overall business.

Industry Attractiveness:

Buyers Power-Low to moderate

The power of buyers would be low to moderate for those steel manufacturers who do not have captive linkage of coke, whereas the integrated steel manufacturers have more options. Hence, they are more flexible in price determination. In India since, GNCL is the largest player and there is no other supplier for coke, it would continue to have upper hand.

Suppliers' Powers-High

The supplier's power is high for non-integrated coke manufacturers. The coking coal is the key raw material used in coke making process. In India, the coking coal has more ash contents which results into low coke yield. As a result many steel units depend upon import. The company has captive coal mines in Australia with rich quality coking coal. Hence, the backward integration into coking coal would reduce the supplier's power for the company.

Rivalry determinates-Low to moderate

Coke is one of the most lucrative commodities used in the steel making process. At present in India, GNCL is the only non-captive independent coke manufacturer. There are more players who are entering in this business segment with coal linkages but that would take some time.

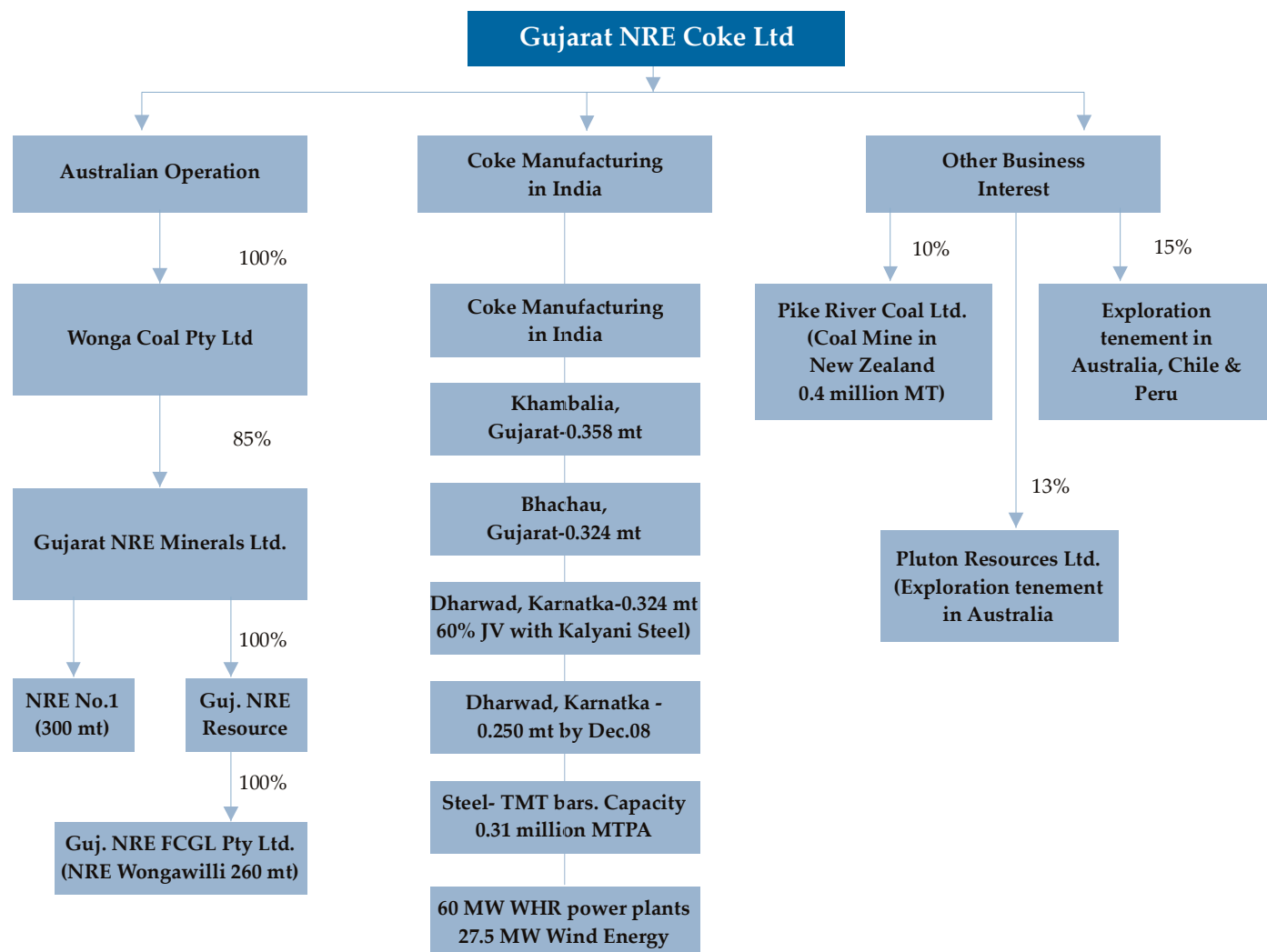
Threat of Substitutes-Low

Coke is a critical raw material used in the steel industry. Although we have pet coke available as a substitute for the products but higher crude oil prices and coke based technology used in the steel making would continue to sustain coke demand.

Entry Barriers-High

The availability of a quality coking coal block is the key for a coke manufacturing unit. Those players who have mines will be able to sustain themselves. In India, since coking coal has a high ash content, steel manufacturers import coal. The availability of mines is the biggest entry barriers.

Company background and Business Structure



Gujarat NRE Coke is the largest independent non-captive producer of Met Coke in India and is the only Indian company with coking coal mines in Australia having more than 550 million tons of Metallurgical Coal with excellent coking properties. The company is set to emerge as one of the largest coking coal producers in Australia over the next few years. The coal mines are owned through its subsidiaries - Gujarat NRE Minerals Limited (ASX:GNM). Besides ownership of these coal mines, the company has done cornerstone investments in resource prospecting companies that are scouting for coal, gold, iron-ore and various other base metals. We expect, a shift in the business model post achievement of 7.5 million MT mining capacity at Australian coal mines towards coal trading, which would be the major revenue drivers going forward. Currently, the company holds nearly 85 percent in the Australian subsidiary, but it has planned to dilute a further 10 percent stake to ramp up capacity.

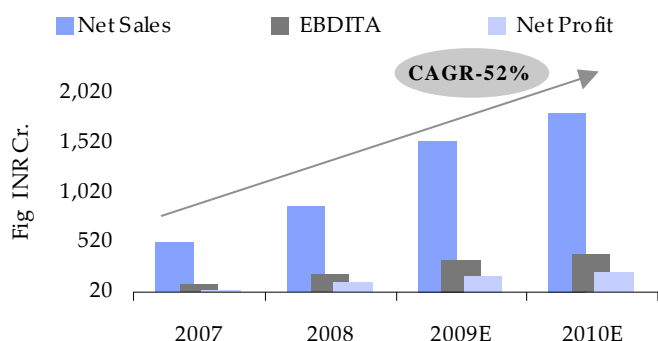
The company, apart from coke business, is also into TMT bar division with an installed capacity of 311000 MT per annum. However, the topline contribution from TMT bar segment is only 20 percent due to low capacity utilization. GNCL has further planned to set up 60 MW waste heat recovery power plants for cheap availability of power for its TMT bar division. The company has 27.5 MW wind power energy and has also set up a mini steel mill in Gujarat to recycle steel scraps using green wind energy to manufacture TMT Bars.

Earning configuration & business blend:

We expect the topline of the company to grow at a CAGR of 52 percent to Rs1542 and Rs1815 crore in FY09E and FY10E respectively. The margins of the company at operating level should stabilize at 23-24 percent whereas at net level it is expected to settle at 15-16 percent. The coke division would contribute the bulk of the revenues at over 80 percent followed by TMT bar divisions.

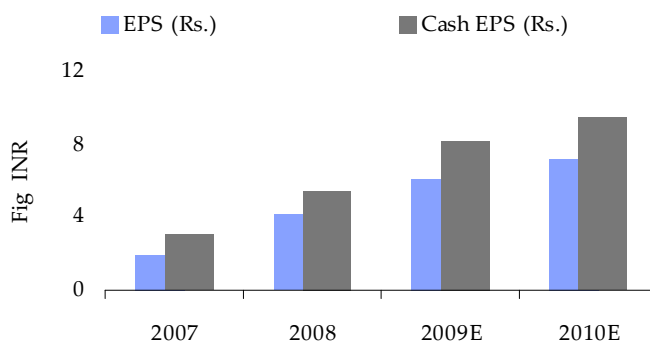
Going forward, we believe there would be a shift in its overall business model once the mining capacity reaches its optimum level. The company would be more into coal trading than coke manufacturing. The company has entered into a long term chartering agreement for six new bulk carriers which are now under construction in various Japanese & Chinese yards. These vessels will be progressively put on use from the year 2010 to lift the coal from mines.

NET SALES, EBITDA & ADJ. NET PROFIT



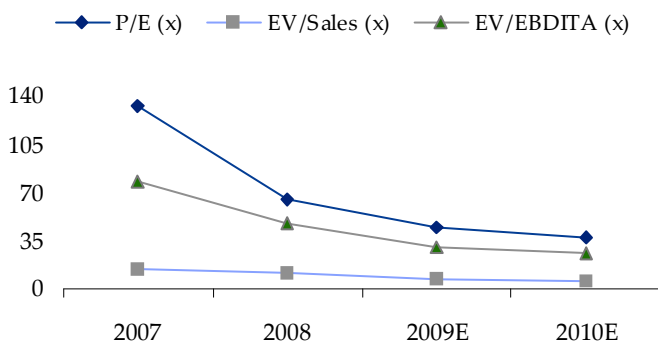
Source: SBICAP Securities Research

EPS & CASH EPS



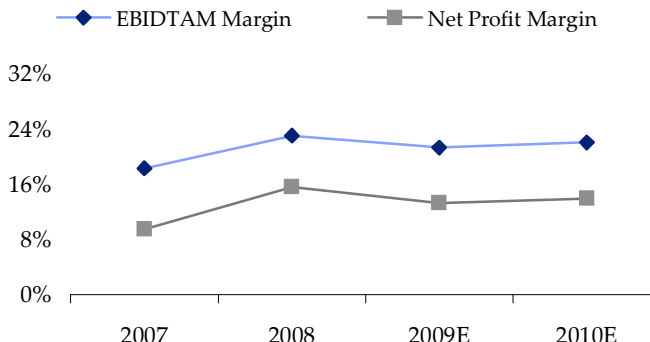
Source: SBICAP Securities Research

P/E, EV/SALES & EV/EBDITA



Source: SBICAP Securities Research

EBIDTAM MARGIN & NET PROFIT MARGIN



Source: SBICAP Securities Research

Discounted Cash Flow (Mining Business)

INR in Cr.

PARTICULARS	2009E	2010E	2011E	2012E	2013E	2014E
PAT	139.2	235.6	223.2	526.0	529.0	523.2
Depreciation	5.5	6.0	6.8	7.4	7.3	6.6
Interest (1-T)	5.9	6.2	6.5	6.4	6.1	6.0
Capex	(124.0)	(179.4)	(24.2)	(36.3)	(18.1)	(17.2)
Change in WC	(55.3)	(54.2)	(59.6)	(68.6)	(48.0)	(52.8)
Free Cash Flow	(28.7)	14.2	152.7	435.0	476.2	465.7
Discount Rate @ WACC	1.1	1.3	1.4	1.6	1.8	2.1
PV of Free Cash Flow	(25.4)	11.2	106.4	268.7	260.8	226.1
Cumulative Cash Flow	(25.4)	(14.2)	92.2	360.9	621.7	847.7

Growth Rate till Perpetuity (%)	1.5
PV of FCFE (Rs. Cr)	847.7
Terminal Value (Rs. Cr)	4,182.6
PV of Terminal Value (Rs. Cr)	2,030.4
Value of Firm (Rs. Cr)	2,878.1
Add: Cash (Rs. Cr)	7.0
Less: Debt (Rs. Cr)	162.9
Total Value of Equity (Rs. Cr)	2,722.2
No. of Equity Shares (Rs. Cr)	35.4
Value per Shares (Rs)	76.8
Value at 45% Discount	42.3

WACC Calculation	
Risk Free rate (rf)	8.5%
Market premium (rm-rf)	7.5%
Beta	0.75
Cost of Equity	14%
Interest (Rs. Cr)	8.6
Cost of Debt (%)	5.5%
Post Tax Cost of Debt	4.1%
Debt (Rs. Cr)	162.9
Networth (Rs. Cr)	1086.1
Total Capital (Rs. Cr)	1249.0
Debt as a % of total Capital	13%
Equity as a % of total Capital	87%
WACC	12.8%

Discounted Cash Flow- Sensitivity Analysis

		GROWTH RATE - PERPETUITY (%)				
		0.5%	1.0%	1.5%	2.0%	2.5%
Weighted avg. cost of cap. (%)	10.8%	48.9	51.0	53.4	56.0	59.0
	11.8%	43.7	45.4	47.2	49.3	51.5
	12.8%	39.4	40.8	42.3	43.9	45.7
	13.8%	35.9	37.0	38.2	38.9	40.9
	14.8%	32.9	33.9	34.8	35.9	37.1

Price outlook & valuations:

At current market price of Rs50 the stock is trading at 7.4x and 6.4x of its FY09E and FY10E earnings respectively. We recommend a buy on the stock with a price target of Rs69 which provides an upside potential of 38 percent from the current market price.

Our target price of Rs69 is based on sum of the parts valuation using discounted cash flow (DCF) analysis for its mining business and relative approach to its coke & steel business.

SUM OF THE PARTS VALUATIONS

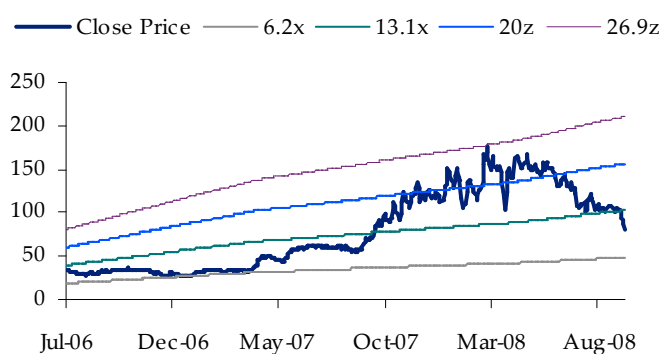
Coke & Alloy Steel Business

PAT-FY09E (Cr)	234.0
No. of Shares (Cr)	35.4
EPS (Rs)	6.6
PE multiple (x)	4.0
Value per share (Rs)- A	26.4

Mining Business

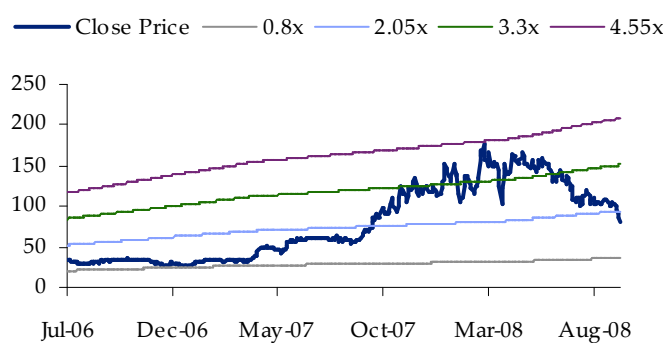
Value per share as per DCF- B	42.3
Total Value per shares (Rs)- (A+B)	68.7

ROLLING FORWARD PE (X) RANGE



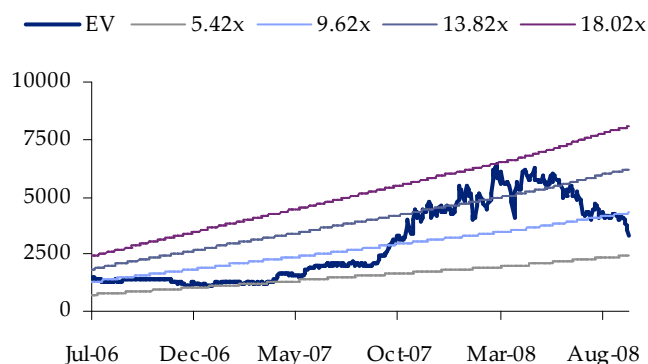
Source: SBICAP Securities Research

ROLLING FORWARD P/BV (X) RANGE



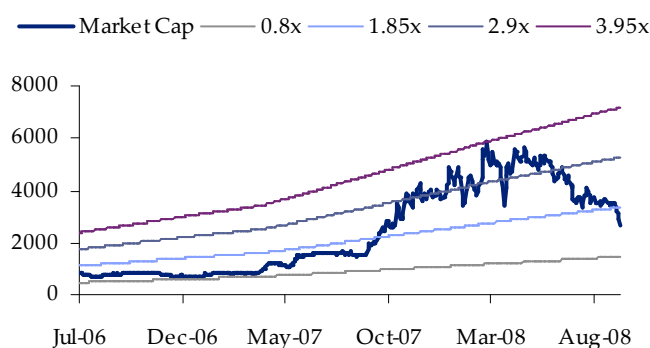
Source: SBICAP Securities Research

ROLLING FORWARD EV/EBITDA (X) RANGE



Source: SBICAP Securities Research

ROLLING FORWARD MCAP/SALES (X) RANGE



Source: SBICAP Securities Research

Financial Statements:

Income Statement:

Figures in Cr.

Particulars	2007A	2008A	2009E	2010E
Net Sales	513.3	872.2	1,542.0	1,814.9
Other Income	20.3	46.7	56.8	62.9
Total Income	533.6	918.9	1,598.8	1,877.8
Total Expenditure	414.6	635.9	1,172.0	1,366.4
Material Consumed	338.3	508.9	816.1	934.6
As % of Sales	65.9	58.4	52.9	51.5
Other Operating Cost	76.3	127.0	355.8	431.8
As % of Sales	14.9	14.6	23.1	23.8
EBDITA (Excl OI)	98.7	236.3	370.0	448.5
EBDITA (Incl. OI)	119.0	283.0	426.8	511.3
Interest	23.6	32.9	67.3	84.9
Gross Profit	95.4	250.1	359.5	426.5
Depreciation	20.7	23.4	34.5	40.4
PBT	74.8	226.7	325.0	386.1
Tax	19.0	53.9	91.0	108.1
Net Profit	55.7	172.9	234.0	278.0
Adjusted PAT	55.7	172.9	234.0	278.0
Equity	243.9	337.0	346.2	354.3
EPS	2.3	5.1	6.8	7.8
Cash EPS	3.1	5.8	7.8	9.0
FV	10.0	10.0	10.0	10.0

Balance Sheet:

Figures in Cr.

Particulars	2007A	2008A	2009E	2010E
Equity Capital	243.9	337.0	346.2	354.3
Deposit against Warrants	5.3	39.0	-	-
Reserve and Surplus	305.2	771.0	1,042.1	1,268.9
Net Worth	554.3	1,147.0	1,388.3	1,623.3
Secured Loans	257.6	531.2	718.7	862.4
FCCB	507.9	101.5	50.7	-
Loan Funds	765.5	632.7	769.4	862.4
Deferred Tax Liability	77.6	99.0	118.8	133.1
Total Capital Employed	1,397.4	1,878.7	2,276.6	2,618.7
Gross Block	455.0	597.6	780.5	836.8
Less: Accumulated Depreciation	43.6	66.9	101.4	141.8
Net Block	411.4	530.7	679.2	695.0
Capital Work In Progress	10.1	89.2	93.8	131.3
Investments	611.7	657.2	710.9	749.1
Inventories	172.5	227.7	384.2	455.5
Sundry Debtors	166.5	246.0	406.9	494.1
Cash and Bank Balance	66.3	217.3	149.5	242.0
Loans and Advances	204.8	334.3	586.0	762.3
Creditors	147.1	244.7	455.8	531.4
Provision	110.8	187.5	287.1	388.9
Net Current Assets	352.1	593.0	783.7	1,033.5
Micellaneous Exp.	12.2	8.6	9.0	9.9
Total Assets	1,397.4	1,878.7	2,276.6	2,618.7

Cash Flow Statement:

Figures in Cr.

Particulars	2007A	2008A	2009E	2010E
Sources				
CF from Opreation				
PAT	55.7	172.9	234.0	278.0
Add: Depreciation	20.7	23.4	34.5	40.4
Less: Dividend	42.1	96.9	99.5	101.9
Retain Earnings	34.3	99.3	168.9	216.5
(Cash Flow from Operation)				
Add: Equity (Incl. Premium)	10.2	516.7	106.8	58.8
Add: Borrowings	254.8	(132.9)	136.8	93.0
Add: Others	13.0	25.0	19.4	13.4
Total	278.1	408.8	262.9	165.2
(Cash Flow From Financing)				
Application				
Capex	71.1	221.7	187.5	93.8
Increase in Investment	116.9	45.5	53.7	38.2
Increase in Working Capital	106.3	90.0	258.5	157.3
Total	294.4	357.1	499.7	289.2
(Cash Flow From Investment)				
Increase / Decrease in Cash	18.1	151.0	(67.8)	92.5
Add: Opening Balance	48.2	66.3	217.3	149.5
Closing Balance (BS)	66.3	217.3	149.5	242.0

Important Ratios:

Particulars	2007A	2008A	2009E	2010E
(A) Measures of Performance				
EBIDTAM. excl. O. Inc.	19.2	27.1	24.0	24.7
Gross Profit Margin	18.6	28.7	23.3	23.5
Total Tax/PBT (Total Tax Rate)	25.5	23.8	28.0	28.0
Net Profit Margin	10.9	19.8	15.2	15.3
(B) Measures of Financial Status				
Debt / Equity (x)	1.4	0.6	0.6	0.5
Debtors Period (days)	116.7	101.5	95.0	98.0
Creditors Period (days)	127.8	138.5	140.0	140.0
Inventory Period (days)	149.8	128.9	118.0	120.0
(C) Measures of Investment				
EPS (Rs)	2.3	5.1	6.8	7.8
Book Value (Rs)	22.7	34.0	40.1	45.8
Return on Net Worth (%)	10.1	15.1	16.9	17.1
Return on Cap. Employed (%)	7.0	13.8	17.2	18.0
(D) Measures of Valuation				
P/E (x)	21.9	9.7	7.4	6.4
M. Cap to Sales (x)	2.4	1.9	1.1	1.0
EV/Sales (x)	3.7	2.4	1.5	1.3
EV/EBDITA (x)	19.4	8.9	6.4	5.3

Source: SBICAP Securities Research

Name	Designation	E - Mail
R. Easwaran	Head (Retail)	ravi.easwaran@sbicapsec.com
Rajesh Gupta	Research Analyst	rajesh.gupta@sbicapsec.com

SBICAP Securities Limited, Corporate Office: 191, Maker Towers 'F', Cuffe Parade, Mumbai 400 005.
Tel.: (Board) +91 22 30273300/01 Fax: (022) 30273420.

Retail Research Reports - Recent '*Initiating Coverages*'

Date	Scripts	Recom. on INR	Buy/ Sell	Target Price INR	Time Frame
26-Sep-08	Temptation Foods Ltd.	255.00	Buy	289.00	12 Month
27-Aug-08	Hindustan Zinc Ltd.	555.00	Buy	664.00	12 Month
21-Aug-08	Orbit Corporation Ltd.	270.00	Buy	383.00	12 Month
28-Jul-08	Sujana Towers	70.00	Buy	104.00	12 Month
16-Jul-08	Dalmia Cement	206.00	Buy	317.00	12 Month
12-May-08	Laxmi Energy & Foods	210.00	Buy	290.00	12 Month
4-Jul-08	GE Shipping	330.00	Buy	493.00	12 Month
12-Jun-08	Navbharat Ventures	255.00	Buy	361.00	12 Month
3-Jun-08	Godawari Power & Ispat	186.00	Buy	280.00	12 Month

DISCLAIMER:

SBICAP Capital Markets Limited (SBICAP) is a full-service, integrated Investment Banking company and its wholly owned subsidiary SBICAP Securities Ltd is a Stock Broking Company having memberships on BSE and NSE. SBICAP is also an underwriter of securities. ("SBICAP and SBICAP Securities Ltd. are collectively referred to as SBICAP Group") SBICAP has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into our Investment Banking and other business selection processes. Recipients of this report should assume that SBICAP Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. SBICAP Group and its officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinion that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. SBICAP Group may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different from those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, might give rise to potential conflicts of interest. SBICAP Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within SBICAP Group into other areas, units, groups or affiliates of SBICAP Group.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of SBICAP Group. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. SBICAP Group will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all the investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. SBICAP Group does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. SBICAP Group and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by the SBICAP Group based upon information available to the public and sources, believed to be reliable. Though utmost care has been taken to ensure its accuracy, no representation or warranty, express or implied is made that it is accurate or complete. SBICAP Group has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. SBICAP Group endeavors to update on a reasonable basis the information discussed in this document/material, but regulatory, compliance or other reasons may prevent us from doing so. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell the clients when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. This report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of SBICAP Group. This report or any portion hereof may not be printed, sold or distributed without the written consent of SBICAP Group. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. Law may restrict the distribution of this document in other jurisdictions, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither SBICAP Group nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.