January 25, 2012 INITIATING COVERAGE

Indraprastha Gas Ltd.

Sensex: 16,996 CMP: INR 336 Target: INR 418

THE FINANCIAL ADVISORS

Oil & Gas

IGL is the sole supplier of Compressed Natural Gas (CNG) to the automotive sector and Piped Natural Gas (PNG) to the domestic and commercial sectors in the National Capital Territory of Delhi. IGL is well placed in the natural gas sector owing to its huge expansion plans, significant volume growth in CNG and PNG segment, its ability to pass on the increased cost of natural gas and price advantage of CNG vs other fuels.

Volumes to grow at 18% CAGR

IGL's sales volumes are likely to register a CAGR of 18% from 2.75 mmscmd in FY11 to 5.6 mmscmd in FY15E. Large part of the incremental growth is expected to come from PNG segment, driven by higher industrial volumes. We expect CNG Volume to increase at a CAGR of 13% and PNG volume to increase at a CAGR of 40% over a period of FY11-15E respectively.

Industrial and Commercial PNG - the next growth driver

PNG is gradually emerging as the key energy source for commercial & industrial users, thereby offering immense opportunities for growth. During FY11, the sales volume from domestic and industrial & commercial customers grew by 35% and 136% respectively over the previous year. We expect IGL to deliver volume CAGR of 20% in PNG domestic and 50% in industrial & commercial segment over a period of FY11-15E respectively.

Plans to expand outside NCR

IGL is currently operating in NCR i.e. Delhi, Noida, Greater Noida and Ghaziabad. The Company has also submitted bid for two cities Jalandhar and Ludhiana in the last round of bidding. IGL is also looking forward to bid for other cities such as Faridabad, Gurgaon, Hyderabad and Vadodra, if the company believes it to be economically viable.

Strong CNG Infrastructure to support volume growth

To keep pace with increasing CNG demand, IGL has increased its compression capacity by more than 40% from 36 lakh kg/day in FY10 to 51 lakh kg/day in FY11. The company has built 278 stations among which 50 stations are awaiting for regulatory approvals. In addition, the company is expected to add around 35-40 stations every year for the next 2-3 years.

Likely to maintain current spread per unit

IGL has significant allocation of ~74% subsidized domestic gas without considering KGD6 gas allocation. We expect gas requirement for the incremental volume to be met only by high cost RLNG. Hence, the blended cost of natural gas is expected to rise from INR 11/scm in FY11 to INR 17/scm by FY15E. Going forward, in order to maintain absolute EBIDTA of cINR 5/scm, we expect blended realisation to increase from INR 17/scm to INR 23/scm.

Outlook & Valuation

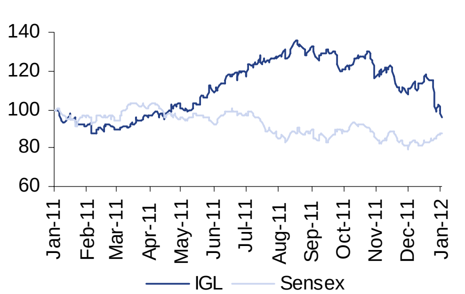
IGL is the leading player in the City Gas Distribution Sector given its monopoly in NCR region. We remain positive on IGL given its huge volume growth in CNG and PNG segment, strong pricing power, aggressive expansion plans for establishing the CNG and PNG infrastructure and plans for geographical expansion. IGL's revenue and net profit are expected to register a CAGR of 36% and 11% respectively over FY11-13E.

The stock has declined in last few days on news of the Govt. looking to control marketing margin. This, if done, would lead to a 16% reduction in our FY13E EPS resulting into fair value of INR 358 per share. It is not clear whether the current set of rules & regulations are applicable on CGD & LNG terminals. Hence, due to ambiguity, we have not incorporated the same in our valuation.

We recommend BUY on IGL with a price target of INR 418 per share based on FCFF valuation. At CMP the stock is trading at P/E of 14.3x FY13E EPS and P/BV of 2.9x its FY13E book value.

Shareholding (%)	Dec-11
Promoters	45.00
FIIs	19.85
DIIS	23.79
Others	11.36

Relative Price Performance



Key Data	
BSE Code	532514
NSE Code	IGL
Bloomberg Code	IGL IN
Reuters Code	IGAS.BO
Shares Outstanding (mn)	140
Face Value	10
Mcap (INR bn)	46.97
52 Week H/L	453.25/285.10
2W Avg. Qty, NSE	513182
Free Float (INR bn)	24.37
Beta	0.35

Y/E March (INR mn)	FY10	FY11	FY12E	FY13E
Net Sales	10838	17505	23889	32741
Growth (%)	26.41%	61.51%	36.47%	37.05%
EBIDTAM (%)	35.41%	28.49%	25.38%	22.30%
Adj. PAT	2155	2598	2683	3274
Growth (%)	25.00%	20.54%	3.30%	21.99%
Adj. EPS (INR)	15.39	18.55	19.17	23.38
P/E (x)	14.13	16.09	17.48	14.33
EV/EBIDTA (x)	7.62	8.95	8.69	7.11
Net Debt/Equity (x)	(0.15)	0.28	0.45	0.31
RoACE (%)	37.18%	27.19%	22.69%	23.30%
RoAE (%)	26.11%	25.88%	21.09%	20.47%

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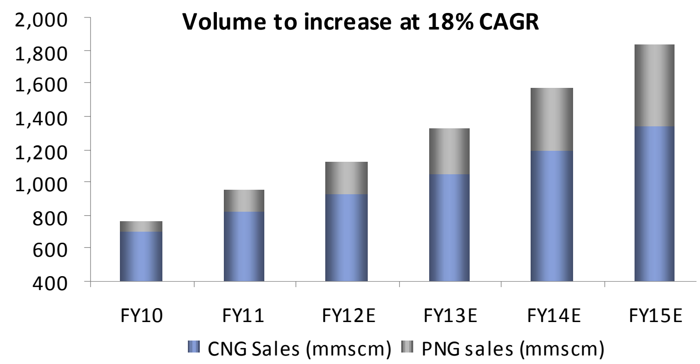
Investment Rationale

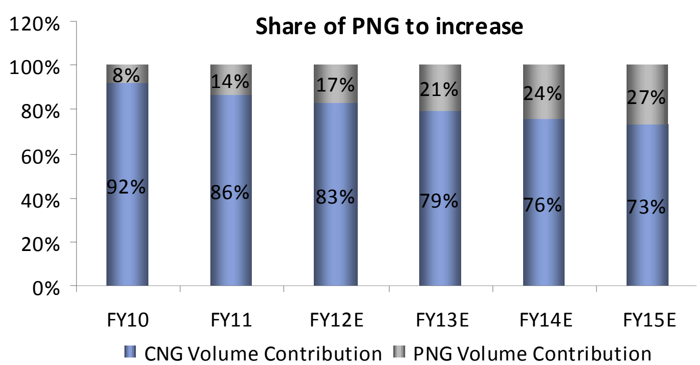
Volumes to grow at 18% CAGR

IGL's sales volumes are likely to register a CAGR of 18% from 2.75 mmscmd in FY11 to 5.6 mmscmd in FY15E. Large part of the incremental growth is expected to come from PNG segment, driven by higher industrial volumes. We expect CNG Volume to increase at a CAGR of 13% and PNG volume to increase at a CAGR of 40% over FY11-15E respectively.



Source: Company, SPA Research

CNG contributes ~82% of total sales volume, while domestic and industrial PNG contributes 4% and 14% to total sales volume respectively. Going forward, we expect PNG's share in total volume to increase from 14% in FY11 to 27% by FY15E.



Source: Company, SPA Research

CNG Growth Drivers

Mandatory conversion to CNG

Over the last one decade, IGL's sales volume registered a CAGR of 44%. The demand for CNG is likely to remain strong as the Supreme Court has made it mandatory for all public-transport vehicles to use CNG in cities which are equally or more polluted than Delhi like Ahmedabad, Agra, Bangalore, Chennai, Hyderabad, Kanpur, Kolkata, Lucknow, Mumbai, Pune, Surat and Sholapur. We expect CNG sales volume to increase at a CAGR of 13% over FY11E -15E.

Higher price of Petrol and diesel to increase CNG conversion

Recently on 31st Dec 2011, IGL hiked CNG prices by INR 1.75/kg to INR 33.75/kg in order to pass on the increased cost of RLNG due to rupee depreciation. This was the 5th hike in CNG segment in CY11. However, CNG is still 60% cheaper than petrol, around 32% cheaper than diesel and ~49% cheaper than Auto LPG, thus providing significant growth opportunities in this segment. We expect the price differential to reduce going forward as the company is expected to hike CNG prices regularly in order to pass on the increased cost of gas to maintain its blended margins.

Price advantage of CNG vs Other Fuels

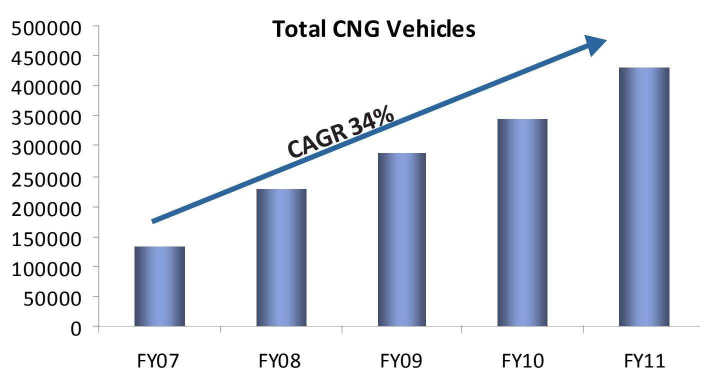
Details	Units	Petrol	Diesel	Auto LPG	CNG
Retail Price	INR/litre	65.64	40.91	39.38	
	INR/kg	87.52	49.17	66.95	33.75
Conversion (1 kg = *litre)	Kg/litre	1.33	1.20	1.70	
Calorific Value	Kcal/kg	11,200	10,860	11,020	10,923
Equivalent Price at 10,000 kcal/kg	10000	78.14	45.28	60.75	30.90
Price Advantage % of CNG over other fuels		60%	32%	49%	

Source: IOCL, Company, SPA Research

Private Vehicle conversion to CNG

Private car segment has become the main driver of CNG volume growth in the last three years on the back of increasing cost advantage of CNG as a fuel. At present 2.8 lakh cars are already running on CNG. Private car conversions have increased from 2500 cars/ month in FY11 to 5000-6000 cars /month currently. We expect private car conversion rate to increase further as petrol prices have already been deregulated and Govt. is also looking forward to decontrol diesel prices. Even at the current prices, CNG is more economical than any other alternative fuel.

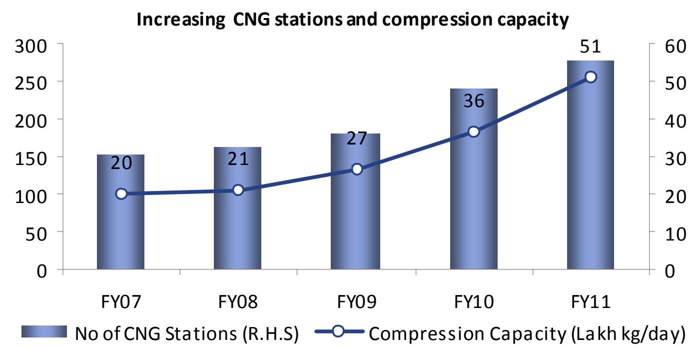
The Original Equipment Manufacturers (OEMs) such as Maruti, Hundai etc have launched CNG variants of many small cars. Some of the CNG variant models are Alto, WagonR, i10, SX4, Santro, Accent etc. In CNG segment, the new concept of Private Bus Cluster introduced by Government of Delhi is expected to increase CNG buses from 16000 to 19000 in two years which will further add to CNG sales volume growth.



Source: Company, SPA Research

Strong CNG Infrastructure to support volume growth

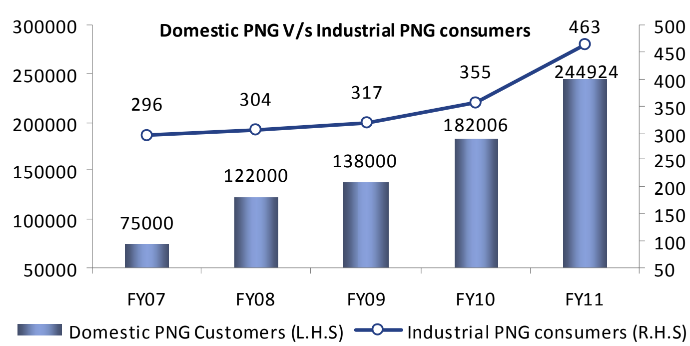
To keep pace with increasing CNG demand, IGL continues to augment its infrastructure. The company is in the process of enhancing its compression capacity at its existing stations and also by setting up new stations. IGL has increased its compression capacity by more than 40% from 36 lakh kg/day in FY10 to 51 lakh kg/day in FY11. The company has built 278 stations among which 50 stations are awaiting for regulatory approvals due to common issues on the safety front. Recently the company has got approval to commission one CNG station and management expects that the rest of CNG stations would also get approval to commission by March 2012. In addition, the company is expected to add around 35-40 stations every year for the next 2-3 years.



Source: Company, SPA Research

Industrial and Commercial PNG - the next growth driver

Piped Natural Gas (PNG) is gradually emerging as the key energy source for commercial & industrial users, thereby offering immense opportunities for growth. The Company has plans to exploit significant demand potential for gas from commercial & industrial consumers in Delhi and NCR i.e. Gautambudh Nagar Noida, Greater Noida and Ghaziabad which currently contributes 14% to the overall sales volume. During FY11, the sales volume from domestic and industrial & commercial customers grew by 35% and 136% respectively over the previous year. We expect domestic sales volume to increase by 20% CAGR and industrial & commercial volume to increase by 50% CAGR over FY11-15E.



Source: Company, SPA Research

PNG will always be a preferred fuel than LPG

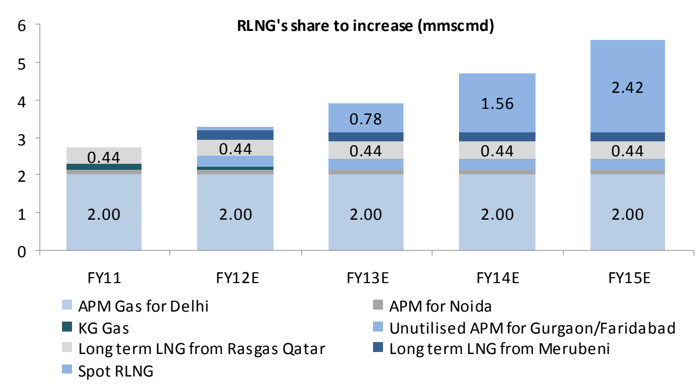
PNG is rapidly becoming a preferred fuel for domestic kitchens to replace LPG cylinders. Considering the total number of LPG users in Delhi and NCR, there is a huge PNG demand potential. Besides this, usage of Gas water heaters by existing and new PNG households would further add to the PNG demand. For PNG domestic connections, Delhi has been divided into 70 areas. The pipeline network has already been extended to 55 areas and work is in progress to extend the network to the remaining areas. Domestic PNG connection contributes ~4% to total sales volume. PNG is sold at INR 22/scm to domestic consumers, which is 21% higher than the price of LPG. Even though PNG's price is higher than LPG, we believe PNG, being a preferred fuel for its safety and convenience, would always be in demand irrespective of LPG price.

Although expensive, PNG is more preferable (INR)	
Cost of 14.2 kg Domestic LPG Cylinder	399.26
Cost per kg of LPG	28.12
Calorific value of LPG	10,700.00
Price for LPG at 10,000 kcal/kg	26.28
IGL's PNG Selling price per kg	27.03
Calorific Value of PNG sold	8,500.00
Price for PNG for 10,000 kcal/kg	31.80
Price advantage over LPG	(5.52)
Advantage %	-21%

Source: IOCL, Company, SPA Research

Additional demand to meet by RLNG

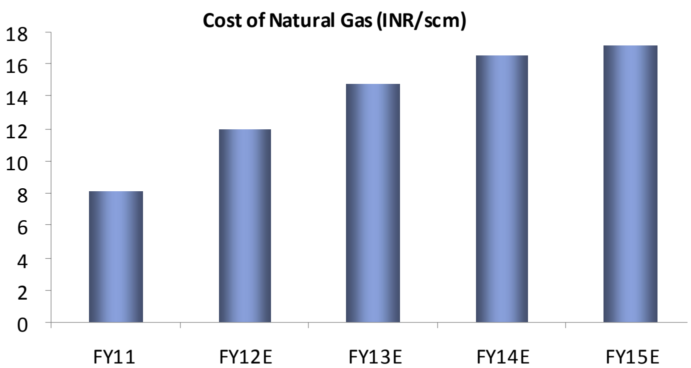
IGL has a significant allocation of subsidized domestic gas due to strong backing of GAIL and BPCL. IGL was earlier getting (cheap) domestic gas (priced at US$4.2/mmbtu) to the extent of ~2.3 mmscmd (2.15 mmscmd APM gas and 0.15mmscmd KGD6 gas) out of total current sales volumes of ~3.0 mmscmd. The Govt. has recently granted an approval to IGL for using its unutilized APM allocations (0.3 mmscmd) for Gurgaon/Faridabad for its own operations. However, due to fall in KGD6 gas production, RIL's KGD6 gas supply has stopped. In line with the management guidance, we expect gas requirement for the incremental volume to meet only by high cost RLNG, which will not affect the volume growth.



Source: Company, SPA Research

Increase in spot RLNG to increase gas cost

IGL has tied up with GAIL and BPCL for the supply of 0.44mscmd and 0.25 mmscmd of R-LNG for 25 years, current landed price of such gas is US$8-9/mmbtu and US$ 14-15/mmbtu respectively and sourcing is from Qatar and Merubeni. In addition to this, the company has signed a contract with GAIL that allows it to purchase up to 0.5mscmd R-LNG at crude linked market prices. Since the company has to purchase high cost RLNG for the additional volume, blended cost of natural gas is expected to rise from INR 11/scm in FY11 to INR 17/scm by FY15E.



Source: Company, SPA Research

Plans to expand outside NCR

IGL is currently operating in NCR i.e. Delhi, Noida, Greater Noida and Ghaziabad. The Company has also submitted bid for two cities Jalandhar and Ludhiana in the last round of bidding. IGL is also looking forward to bid for other cities such as Faridabad, Gurgaon, Hyderabad and Vadodra, if the company believes it to be economically viable.

Sustainable growth even though monopoly status expires

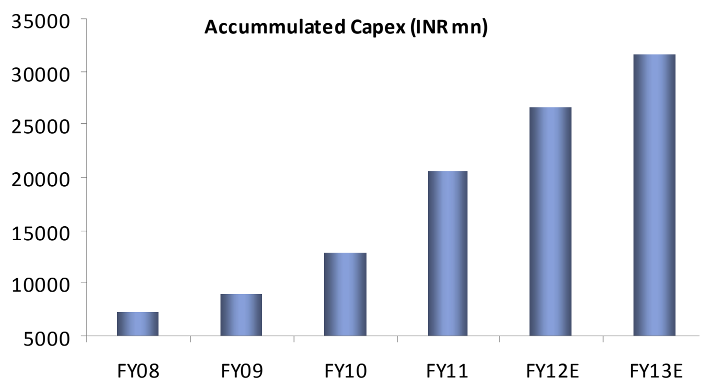
CNG monopoly status has been given to IGL until Jan 2012. IGL has demanded that the three-year exclusivity period to be counted from the date when Section 16 of the PNGRB Act was notified, on July 15, 2010, and not from the date when the company got authorisation, in January 2009.In the CNG segment, 65% of total sales volume comes from IGL's own outlets and 25% from its client Delhi Transport Corporation (DTC) where IGL has already entered into a long-term 10-year contract. For the remaining 10- 12% sales volume, which comes from Oil Marketing Companies (OMC) outlets, the company is in the final stages of signing 5 year contract. So practically the entire CNG segment has been secured, which constitutes more than 80% of overall sales volume. In the domestic PNG also, we expect, there would be hardly any competition given the very thin margins in this segment. IGL has a first-mover advantage for CGD business in Delhi as there are high barriers for new entrants in this business due to long construction period involved, the extensive approvals required, state support needed in terms of land allocation, making long term contract for gas availability at competitive price and longer time taken to develop CGD infrastructure.

Enjoys market exclusivity for 25 years

IGL is entitled to a network exclusivity for 25 years. Hence any other players using IGL's existing network to sell gas, would have to pay network tariff to the company. The company is allowed to charge network tariff based on 14% post tax ROCE for which IGL has applied to the regulator for the whole NCR region. The matter is with the regulator and is awaiting approval.

Plans to regain Debt free status in the long term

IGL has drawn out plans to invest INR 5 bn every year for the next 2-3 years. The company has taken debt to the tune of INR 6 bn till date which includes INR 3 bn borrowed in FY12. IGL is expected to start repaying its debt from FY13 onwards to again become debt free by FY15-16. The planned capex pertains to the existing operations and any new circle/city would require additional capex.

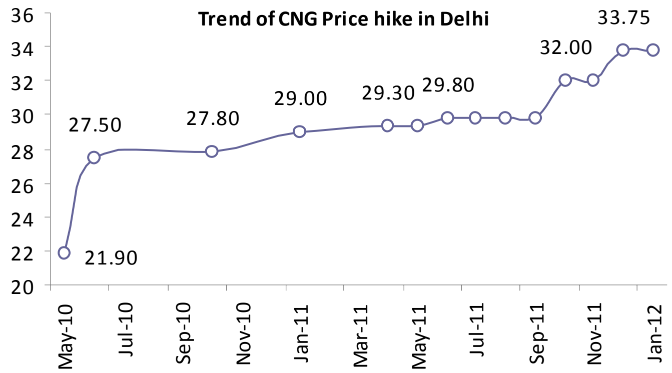


Source: Company, SPA Research

Financial Analysis

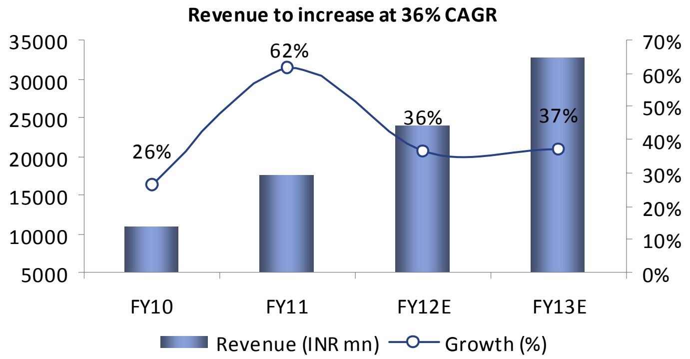
Robust increase in topline

In terms of realizations, we have seen that IGL has been successful in passing on the increased cost of fuel by hiking the selling prices of both CNG and PNG. The gross realization of IGL has shown a CAGR of 10% in the last three years. Going forward, we expect, in order to maintain its absolute EBIDTA per scm, IGL would increase its blended realisation from INR 17/scm to INR 23/scm.



Source: Company, SPA Research

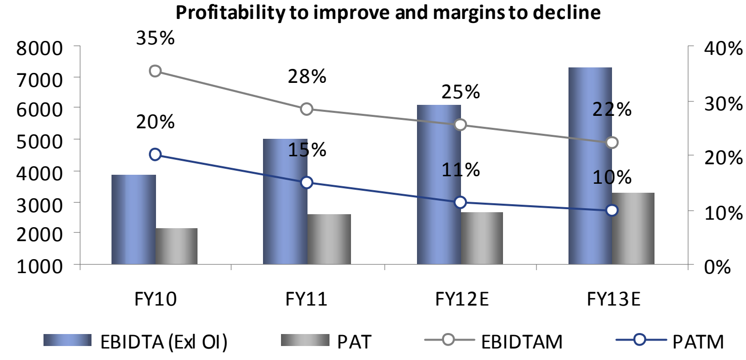
Considering IGL's strong volume growth in CNG and PNG segment and its ability to pass on the increased cost, we expect IGL's revenue to grow at a CAGR of 36% over FY11-13E driven by 19% CAGR in overall volume and 14% CAGR in blended net realisation (from INR 17/scm to INR 23/scm).



Source: Company, SPA Research

Profitability to improve and Margins to decline

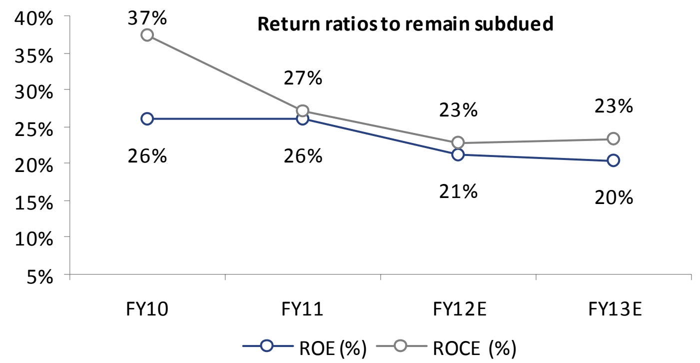
With the improving realisation and volume growth we expect IGL's EBIDTA and PAT to register a CAGR of 20% and 11% respectively over FY11-13E. Despite of rising cost, we expect the company to maintain its absolute EBIDTA margins per scm of gas which is currently hovering at ~INR 4.8-5/scm by passing on the higher cost. Hence, with the increase in realisation/scm by 14% and maintaining its absolute EBIDTA at around INR 5/scm, we estimate EBIDTA margin to contract from 28% in FY10 to 22% in FY13E.



Source: Company, SPA Research

Return Ratios to remain healthy

IGL enjoys return ratio of more than 20%. With the near term capex plans, we believe return ratios to remain subdued in FY12E, while the same will improve going forward in tandem with the debt repayment.



Source: Company, SPA Research

Outlook & Valuation

IGL is the leading player in the City Gas Distribution Sector given its monopoly in NCR region. We remain positive on IGL given its huge volume growth in CNG and PNG segment, strong pricing power, aggressive expansion plans for establishing the CNG and PNG infrastructure and plans for geographical expansion. IGL's revenue and net profit are expected to register a CAGR of 36% and 11% respectively over FY11-13E. We recommend BUY on IGL with a target price of INR 418 per share. We have valued IGL on FCFF basis assuming 10% WACC and 4% terminal growth rate. The near term cash flows are affected by aggressive capex plans. We have arrived at a WACC of 10% by assuming rf-8%, beta of 0.37 and D/E of 0.46. At CMP the stock is trading at P/E of 14.3x FY13E EPS and P/BV of 2.9x its FY13E book value.

Details of FCFF Valuation

INR mn	FY12E	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E	FY20E
EBIT (1-t)	3,116	3,698	4,495	5,435	6,052	6,810	7,799	8,539	9,239
Depreciation	1,459	1,841	2,160	2,479	2,797	2,829	2,861	2,893	2,925
Capital Expenditure	6,000	5,000	5,000	5,000	500	500	500	500	500
Change in WC	(366)	(512)	(398)	(398)	(398)	(398)	(398)	(398)	(398)
FCFF	(1,059)	1,051	2,053	3,312	8,747	9,537	10,558	11,330	12,061
Discounting factor	0.98	0.82	0.75	0.68	0.62	0.56	0.51	0.46	0.42
PV at the end of year	(1,034)	867	1,536	2,250	5,394	5,340	5,366	5,228	5,053

WACC	10%
Terminal Growth rate	4%
NPV of explicit cash-flows	29,999
Terminal Value	85,434
NPV Of Terminal value	35,789
Total Free Cash Flow	65,788
Less Net Debt	7,284
Equity Value of the Firm	58,504
Value per share	418

Sensitivity Analysis

WACC	8%	9%	10%	11%	12%
Terminal Growth					
2%	559	444	351	301	254
3%	636	491	380	321	268
4%	753	558	**418**	347	286
5%	947	657	471	382	308
6%	1,335	823	548	431	338

Source: SPA Research

Govt. to control marketing margin

The government has formally asked the petroleum regulator to determine marketing margins for natural gas on the basis of costs. According to management, determining the quantum of marketing margin to be charged by IGL is out of the purview of the PNGRB. However, According to PNGRB (Clause 11 (f)) - 'the regulator shall monitor prices and take corrective measures to prevent restrictive trade practices by the entity'. The Govt. is considering transparent mechanism to determine marketing margin rather than to abolish the market margin as wrongly anticipated by the investors. With this news IGL's share prices have fallen by more than 13% till date. IGL's marketing margin is included in overall realisation. In PNG segment the company does not charge any marketing margin in order to be competing with LPG. If IGL's overall CNG margin gets reduced by INR 1/scm (USD0.28/mmbtu), it will negatively impact IGL's FY13E EPS by 16% (INR 4.5) resulting into fair value of IGL at INR 358 per share which would still give an upside of 13% from CMP. The CMP is discounting more than the worst case scenario of reduction in IGL's marketing margin by INR 1.5/scm.

Marketing Margin Sensitivity

Reduction in Marketing Margin (INR/scm)	FY13E EPS	DCF Target (INR/Share)
0.0	23.38	418
0.5	21.14	388
1.0	18.89	358
1.5	16.64	328

Source: SPA Research

Key Risk & Concerns

- Lower than expected conversion of vehicles to CNG or penetration of PNG would result in lower than expected volume growth
- Inability to hike CNG and PNG price despite rise in blended cost of natural gas
- Regulatory risk which would lead to reduce margins
- Higher than anticipated increase in cost of LNG would increase the blended cost of natural gas
- The company is dependent on high cost LNG in dollar terms. Hence rupee depreciation would increase the blended cost of natural gas.
- IGL is exposed to project execution risks, given the long execution period involved and the multitude of approvals required, resulting into time and cost overrun.

Peer Comparison

IGL, being a pure city gas distribution player, is comparable only to Gujarat Gas Corporation Ltd. (GGCL), which is operating in Gujarat State. GAIL is the largest player in City Gas business engaged in entire natural gas value chain viz- exploration, production, transmission, distribution and marketing of natural gas. IGL has registered a CAGR of 35% in the revenues in the last three years. The corresponding growth for Gujarat Gas is 16%. Gujarat Gas sources 95% of its gas at market based prices in the form of RLNG while IGL sources only 24% at market price. Hence we expect, Gujarat Gas would have more negative impact of increase in LNG prices and depreciating rupee. Besides, IGL has been delivering good return on its capital employed that justify its expansion and financial leverage. The average five year RoCE of IGL stands at 43% versus 33% for Gujarat Gas. However, in the last year IGL has offered less ROCE due to aggressive capex plans, which would be reflected in future earnings.

Peer Comparison

Companies	Net Sales INR Mn	PAT INR Mn	Adj. EPS INR	OPM %	PATM %	ROCE %	ROE %	TTM P/BV (x)	TTM P/E (x)	EV/TTM EBIDTA (x)
IGL	1759	260	17.74	28.49	14.84	27.19	25.88	4.04	15.86	7.70
Gujarat Gas*	18493	302	18.15	23.33	14.01	39.09	33.02	4.57	14.73	9.10
GAIL	351067	39809	30.16	19.62	11.34	23.70	20.00	2.19	11.78	7.06

**Year End December 2011* *Source: SPA Research*

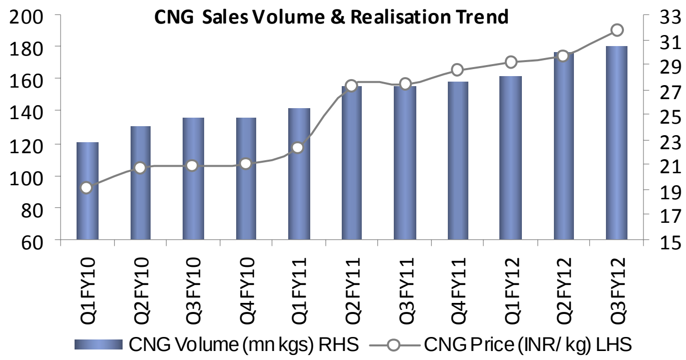
Quarterly Snapshot

Quarterly Income Statement

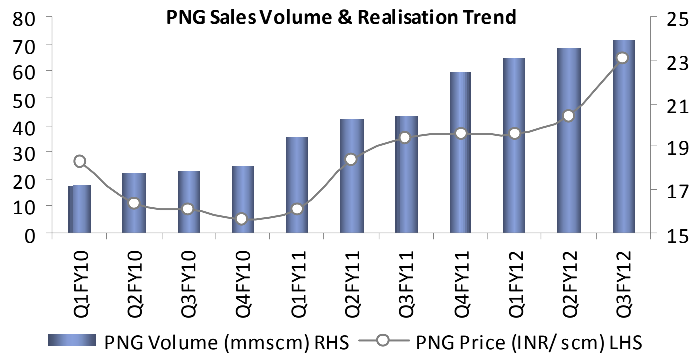
INR mn	Q2FY12	Q3FY12	QoQ Chg	Q3FY11	YoY Chg	9MFY12	9MFY11	Chg
Gross Sales	6632	7336	10.62%	5088	44.20%	19925	13851	43.85%
Excise Duty	663	721	8.70%	541	33.33%	1977	1503	31.51%
Net Sales	5969	6615	10.83%	4547	45.49%	17948	12348	45.36%
Other Operating Income	6	16	169.83%	24	-33.31%	32	49	-34.42%
Total Operating Income	5975	6631	10.99%	4571	45.08%	17980	12397	45.04%
Total Expenditure	4396	5127	16.64%	3278	56.39%	13313	8782	51.60%
EBIDTA (Exc OI)	1579	1504	-4.75%	1293	16.37%	4667	3615	29.12%
EBIDTAM	26%	23%	(372 bps)	28%	(569 bps)	26%	29%	(327bps)
Other Income	15	15	-1.53%	7	120.78%	43	23	88.21%
Depreciation	344	368	6.85%	262	40.69%	1034	731	41.45%
EBIT	1250	1151	-7.91%	1038	10.92%	3676	2906	26.48%
Interest	118	135	15.12%	41	228.64%	343	61	458.78%
PBT	1133	1016	-10.29%	997	1.93%	3333	2845	17.16%
Tax	360	324	-9.96%	325	-0.12%	1069	939	13.83%
Net Profit	772	692	-10.45%	672	2.92%	2264	1906	18.80%
PATM	13%	10%	(248 bps)	15%	(432 bps)	13%	15%	(282 bps)
EPS	5.52	4.94	-10.45%	4.80	2.92%	16.17	13.62	18.80%

Operational Parameter	Q2FY12	Q3FY12	QoQ Chg	Q3FY11	YoY Chg	9MFY12	9MFY11	Chg
CNG (mn kgs)	177	180	1.58%	155	16.15%	518	452	14.52%
PNG (mmscm)	68	71	4.25%	43	64.20%	204	121	68.96%
CNG (INR/ kg)	30	32	7.09%	28	15.27%	30	26	17.25%
PNG (INR/ scm)	20	23	13.24%	19	19.07%	21	18	17.07%

Source: Company, SPA Research



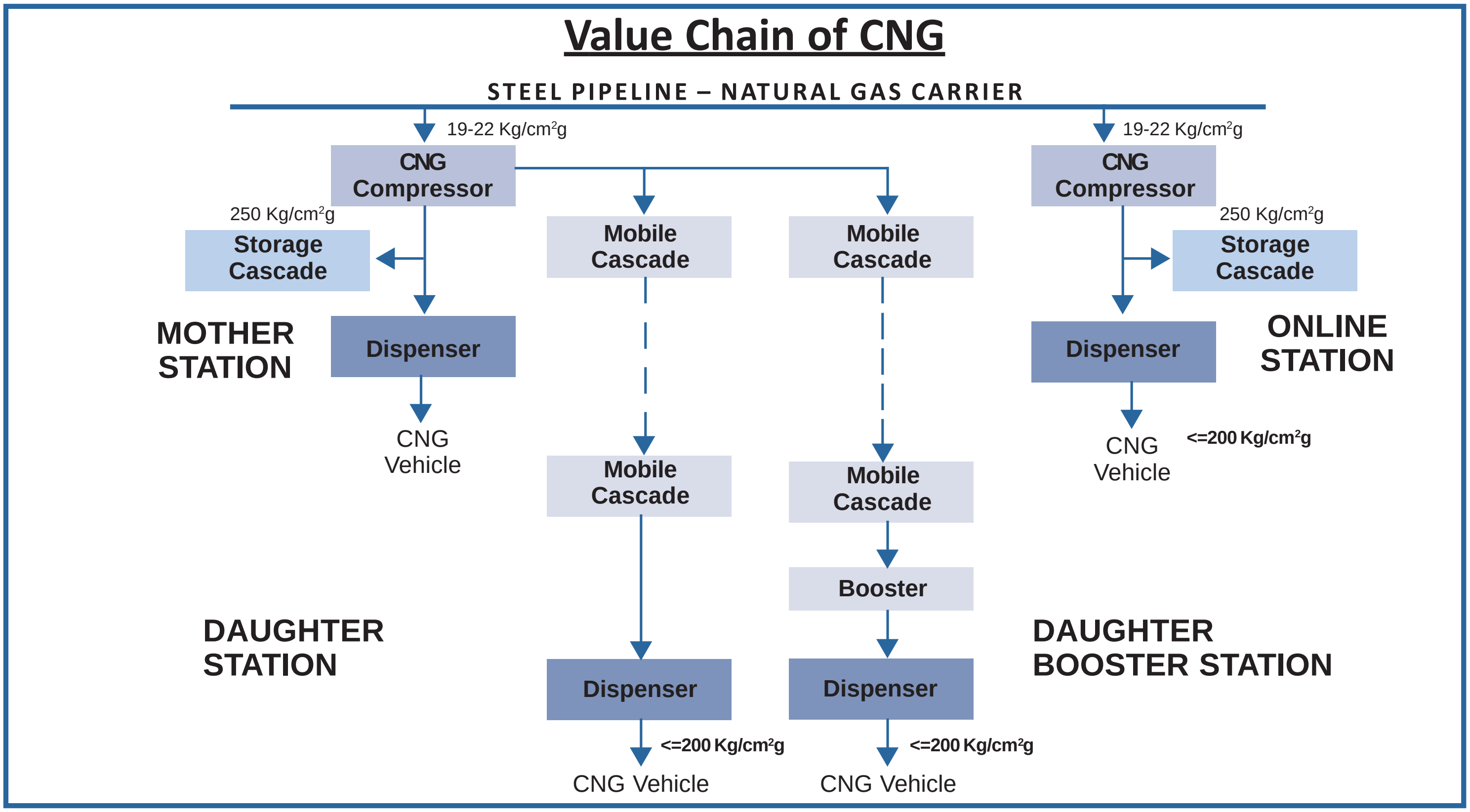
Source: Company, SPA Research



Source: Company, SPA Research

Company Background

Indraprastha Gas was established as a joint venture between Indian government-owned heavyweights - GAIL India Limited (GAIL) and Bharat Petroleum Corporation Limited (BPCL) in 1998 with each having 22.5% stakes. It is the sole supplier of Compressed Natural Gas (CNG) to the automotive sector and Piped Natural Gas (PNG) to the domestic and commercial sectors in the National Capital Territory of Delhi. Over 80% of the gas is sold as CNG to the auto sector with the balance as PNG to domestic and commercial users. With a compression capacity of 51 lakh kg/ day, it has a first-mover advantage in this business in Delhi, as there are high barriers for new entrants in this business with respect to sourcing of gas, investment in building out of distribution networks, and statutory approvals for roll-out of networks. IGL's skew towards CNG is due to the Supreme Court's ruling that makes it mandatory for all public-transport vehicles in the National Capital Territory to use CNG. Today IGL has its operations in NCT of Delhi, Noida, Greater Noida and Ghaziabad with 278 CNG stations, 245000 residential consumers and 520 industrial / commercial customers.



Financial Summary

Income statement

Y/E March (INR mn)	FY10	FY11	FY12E	FY13E
Net Sales	10838	17505	23889	32741
% Growth	*26.41%*	*61.51%*	*36.47%*	*37.05%*
Cost of Goods Sold	5219	10172	14975	21955
Employee Cost	302	379	439	540
Other Optg. Exps.	1479	1967	2413	2945
Total Optg. Exps.	7001	12518	17826	25440
EBIDTA (excl OI)	3838	4987	6063	7301
% Growth	*26.94%*	*29.93%*	*21.59%*	*20.42%*
EBITDA Margin %	*35.41%*	*28.49%*	*25.38%*	*22.30%*
Dep./Amortization	775	1029	1459	1841
EBIT	3063	3958	4604	5460
EBIT Margin %	*28.26%*	*22.61%*	*19.27%*	*16.68%*
Interest Expense	30	132	452	406
Other Income	211	31	46	60
EBT	3244	3857	4199	5113
Tax Expenses	1089	1259	1516	1840
PAT	2155	2598	2683	3274
% Growth	*25.00%*	*20.54%*	*3.30%*	*21.99%*
APAT Margin %	*19.88%*	*14.84%*	*11.23%*	*10.00%*

Balance Sheet

Y/E March (INR mn)	FY10	FY11	FY12E	FY13E
Share Capital	1400	1400	1400	1400
Reserves and Surplus	6855	8639	11322	14596
Total Networth	8255	10039	12722	15996
Secured Loans	0	3022	6022	5419
Deposits from customers	552	1611	1751	2277
Total Debt	552	4633	7773	7696
Source of Funds	**8807**	**14672**	**20495**	**23692**
Net Block	8340	15018	19559	22718
CWIP	1826	3423	4923	6173
Investments	170	416	1600	1680
Current Assets	2588	2256	3205	4628
Current Liabilities	2054	2611	3331	4644
Net Current Assets	534	-355	-126	-16
Deferred Tax Assets	-238	-408	-538	-690
Application of Funds	**8807**	**14672**	**20495**	**23692**

Key Ratios

Y/E March	FY10	FY11	FY12E	FY13E
Per Share Data (INR)				
Reported EPS	15.39	18.55	19.17	23.38
Adj. EPS	15.39	18.55	19.17	23.38
Growth (%)	*25.00%*	*20.54%*	*3.30%*	*21.99%*
CEPS	20.92	25.90	29.59	36.53
DPS	4.50	5.00	4.79	5.85
Adj BVPS	58.96	71.70	90.87	114.25
Return Ratios (%)				
RoACE	37.18%	27.19%	22.69%	23.30%
RoANW	26.11%	25.88%	21.09%	20.47%
Liquidity Ratios (x)				
Net Debt/Equity	(0.15)	0.28	0.45	0.31
Interest Coverage Ratio	116.22	30.54	10.40	13.73
Current Ratio	1.26	0.86	0.96	1.00
Quick Ratio	1.12	0.72	0.81	0.86
Efficiency Ratios				
Asset Turnover Ratio	1.22	1.19	1.16	1.38
Inventory Days	10	8	8	7
Debtor Days	11	16	17	17
Creditor Days	65	50	52	53
Valuation Ratios				
P/E (x)	14.13	16.09	17.48	14.33
P/BV (x)	3.69	4.16	3.69	2.93
P/CEPS (x)	10.39	11.52	11.32	9.17
Dividend Yield (%)	2.07	1.68	1.43	1.74
EV/Net Sales (x)	2.71	2.56	2.21	1.59
EV/EBIDTA (x)	7.62	8.95	8.69	7.11

Cash Flow

Y/E March (INR mn)	FY10	FY11	FY12E	FY13E
EBT	3244	3857	4199	5113
Less: Other Income/Exceptionals	-211	-31	-46	-60
Add:Depreciation	775	1029	1459	1841
Add: Interest paid	30	132	452	406
Direct taxes paid	-1089	-1259	-1516	-1840
Change in Working Capital	379	-41	366	512
Cash Flow from operations (a)	**3127**	**3687**	**4914**	**5973**
Change in Fixed Assets	-2881	-6108	-4500	-3750
Change in CWIP	-1010	-1597	-1500	-1250
Change in Investments	872	-246	-1184	-80
Cash Flow from Investing (b)	**-3019**	**-7951**	**-7184**	**-5080**
Change in Equity	0	0	0	0
Debt Raised/(Repaid)	287	4081	3140	-77
Dividend paid	-630	-700	-671	-818
Interest paid	-30	-132	-452	-406
Others	16	-24	319	580
Cash Flow from Financing (c)	**-357**	**3225**	**2337**	**-722**
Net Change in Cash (a+b+c)	**-249**	**-1039**	**67**	**171**
Opening Cash	1462	1212	173	240
Closing Cash	1212	173	240	412

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Disclosure of Interest Statement

1. Analyst ownership of the stock - No
2. Group/Directors ownership of the stock - No
3. Broking relationship with company covered - No

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