2 December 2010

India | Capital Goods | Initiating Coverage

Cummins India Ltd.

BUY

Target INR 939

For private circulation only

Company Description: Pune based engineering firm **Cummins India (CIL)** incorporated in 1962 is a 51% subsidiary of Cummins Inc. USA promoted by Kirloskar Oil Engines Ltd. and Cummins Inc. Being the largest diesel engine manufacturer in the non-automotive segment, Company designs, manufactures, distribute and service engines of all sizes and capacities to many leading heavy commercial vehicle manufacturers including Ashok Leyland, Tata Motors Volvo-Eicher Commercial Vehicles and more.

Company is having five plants in Kothrud, Nagar Road Pune, Loni, Daman and Pirangut and manufactures on an average nearly 20,000 engines and gensets per year.

CIL operates in two segments: **Engine business segment** (91% of FY10 sales) which is engaged in the manufacture of internal combustion engines, gensets and parts used for various applications, such as power generation, construction, compressor, mining, marine, locomotive and fire-fighting and **Other segment** (9%) consist of income from service solution business. Through these segments, Company caters to the power, industrial and automotive market along with growing market for gas and dual fuel engines.

Company supplies its auto components in US, Canada, Africa, China, Europe and Asia Pacific. The Company has 50% interest in joint ventures which includes Cummins Exhaust India Limited, Cummins Research and Technology India Limited and Valvoline Cummins Limited.

Products and Services:

- *Compression ignition internal combustion engines*
- *Component parts of compression ignition internal combustion engines*
- *Supply and maintenance of power generating equipment*
- *Job Contracts - Repairs/ Overhaul of diesel engines and its components.*

Initiating coverage with an FY11 earnings estimate of INR 29.10 - We are initiating coverage of Cummins India Ltd. (CIL) with earning estimates of INR 29.10 per share in FY11 and INR 39.04 per share in FY12. In 2QFY11, reported a surge in its net profit on robust growth in revenues. Its net revenue amounted to INR 1,067.52 crore, exceeding the INR 1,000 crore thresholds for the time ever. This represents a growth of 73% from the INR 616.40 crore in the corresponding quarter of the preceding year. Company recorded net profit growth of 91% to INR 167.89 crore or INR 8.48 per share, compared with INR 87.74 crore or INR.4.43 per share in the second-quarter of 2009. In FY10 profits after tax increased 2.36% to INR 443.9 crore as against INR 433.66 crore attributable to growth in domestic market, six sigma cost improvement actions, investment into new products & technologies and capacity expansion projects. We believe that improving market dynamics in addition with Cummins aggressive capacity expansion plans along with recovery in the exports market instills confidence in company's long term growth story.

At current market price the stock is trading at P/E of 25.71x of our estimated FY11E earnings. We believe the stock offers good investment opportunity for investors looking at medium to long-term investment given the long term growth potential.

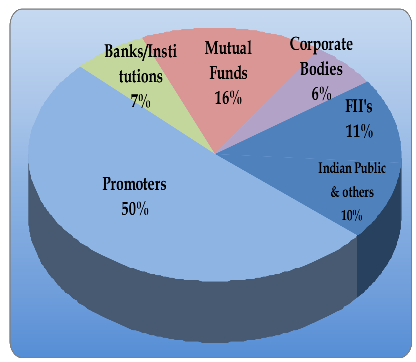
Stock Statistics

Bloomberg code	KKC :IN
BSE code	500480
NSE code	CUMMINSIND

CMP (INR)	789.2
Face Value (INR)	2.00
BSE Sensex	19992.7

Market Cap (Million)	156261
52 Wk Hi/Lo (INR)	810/391.05
Average Volume	17,592

RATIOS (TTM)	**2010**
Price Earnings (P/E)	25.46
Price to Book Value	9.37
Price/Cash EPS	23.96
EV/EBITDA	17.57



Historical Prices

	1M	3M	12M
Price INR	796.75	732.95	390.6
Gain/Loss	-0.95%	7.67%	102.08%

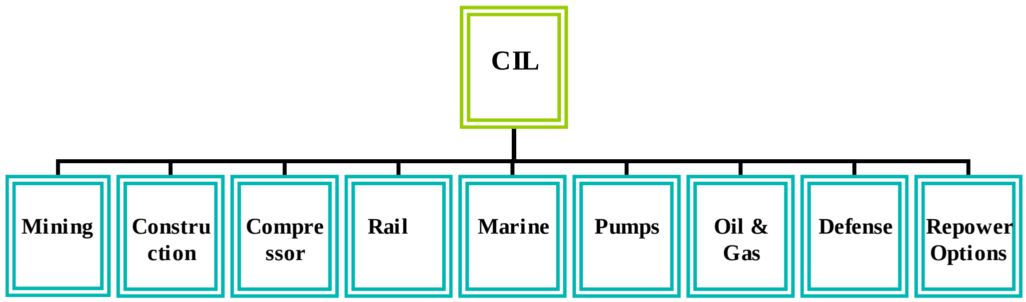
usiness Units

Businesses

Cummins India Limited is a group of nine companies that operates through four Joint Ventures and five subsidiaries across 200 locations in the country with employee strength of approximately 13,000 employees. It consist four business units; Power Generation, Industrial Engine business, Automotive Component Business and Distribution business.

- ***Power Generation:*** Power generation business (19% of total sales of FY10) provides complete energy & power solution products, generator set rentals, alternate fuel solutions and power quality improvements services. It comprises seven lines of business; High Horse Power, Low Horse Power, Rental Power, Energy Solutions Business, Power Consulting, Power Electronics and Exports Business.

- ***Industrial:*** Cummins Industrial business (49% of total sales of FY10) provides diesel and gas engines in the range of 65 to 2,700 Horse Power (HP). Industrial business unit has a unique advantage of in house facility to design value package system for different applications and deliver quality products to its customers. It consists of following lines of businesses:



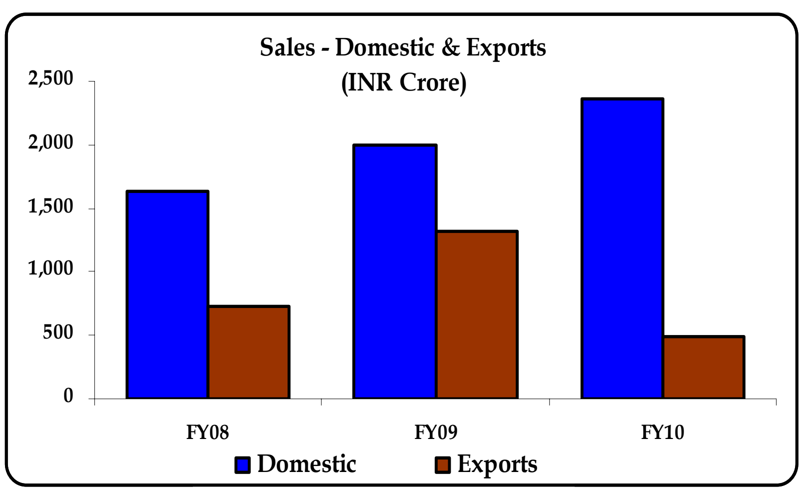
- ***Automotive Components:*** Automotive Business (18% of total sales of FY10) of Cummins supplies B series Euro III, ISBe Electronic, Stoichometric as well as lean burn Natural Gas, C and L series engines for On-highway applications. This business unit has taken a lead role in supporting the development of CNG and electronic engines for automotive OEMs in India.

- ***Cummins Sales and Service*** (CSS)***:*** CSS (14% of FY10) offers products, packages, services and solutions for uptime of Cummins equipments. CIL engaged in the business of sale of engines, and providing after-sales services to engines and generators manufactured by Cummins. CSS provides complete business solutions including after-market support to customers in India, Nepal and Bhutan.

Investment Thesis

Domestic sales continue to grow

Growing demand in domestic market. 2QFY11 domestic sales were up 47% YoY at INR 8.2b (up 40% YoY in 1HFY11) due to growing power shortage, diesel engine demand for power-generation application. In FY10, CIL's domestic business accounted for 82.83% as against 60.27% of total sales in FY09. Growth in domestic sales year over year is primarily due to increase in demand for diesel & gas engines across all business segments. The company's concentration on domestic market and continued



(Source: Company filling)

investment on customer relationships, new products launches, technologies advancement and capacity expansion projects helped company to register this impressive growth in domestic business. We believe that the growth momentum in the domestic market will continue on the back of strong performance of power generation & industrial segment along with increasing spending on infrastructure projects.

Export opportunities

The Company exports mainly heavy duty products and low and high power products which are mainly used in power generation applications to parent company in US as well as other customers in Europe and Asia. But due to dismissal economic environment in US and Europe (the main market of exports) total export revenue declined sharply to INR 4.8 billion in FY10 after reaching at a high of INR 13 billion in FY09. But as the economy bouncing back, we expect a recovery in exports especially from Latin America & Asia and expected to reach to previous levels. In 2QFY11 export earnings were INR 2.76 billion, accounting for 25% of sales, and grew nearly four times from 2QFY10 (INR 720 million).

In addition company is investing in power generation facility in SEZ area that will supply 200 KVA DG sets that will be catering to global exports in markets like UK, Europe and USA and it is expected to be operational by FY11. We expect exports growth momentum to continue and earnings expected to be at the normalized by FY12E on account of lower FY10 base and recovery in the global markets.

With the rising competition, the parent company “Cummins Inc.” is likely to source from its subsidiaries in low cost countries like India & China, which is expected to create a large, long term opportunity for taking a substantial share of the global Cummins sourcing activity due to its technical capabilities and cost competitiveness.

We believe that company will continue to look for new opportunities in the exports market which will bring recovery in exports earning. Based on above, we are expecting to witness extensive growth in the coming years from international market.

CIL on massive expansion mode

Massive Capacity expansion plans. To meet the growing demand for its products, company is expanding its manufacturing base. CIL plans to invest USD 300 million in the next five years for setting up four facilities at Phaltan near Maharashtra in India. The company already possesses a land bank of 300 acres at Phaltan for the construction of manufacturing plant. These four units includes an engine manufacturing unit, a re-conditioning unit, parts supply distribution centre and the fourth unit for setting up generators for power generation. Engine manufacturing entity will cater high horse power vehicle with 9-15 liter engine capacity and expected to commence with an initial capacity of 60,000 units by the end of this financial year,enabling CIL to produce a range of products including automotive and high horsepower engines that too at low cost.

In addition, company intends to invest approx INR 1.5 billion on new manufacturing facility in SEZ area to manufacture generators with capacity of 200 KVA (Kilovolt-ampere) and below. This facility will target individual customer, restaurants and retail outlets in global market. The plant will have a production capacity of 40,000 units per annum and expected to complete by 2013. The investment will be done in three phases, the first of which will be completed b y April 2011 and will enable company to increase its market share in global market.

We believe that this sizeable investment plan signals investor’s confidence in the company and allow company to operate in highly competitive environment and serve customers better. Capacity expansion plans will not only produce low cost solutions but also support future growth & improve margins.

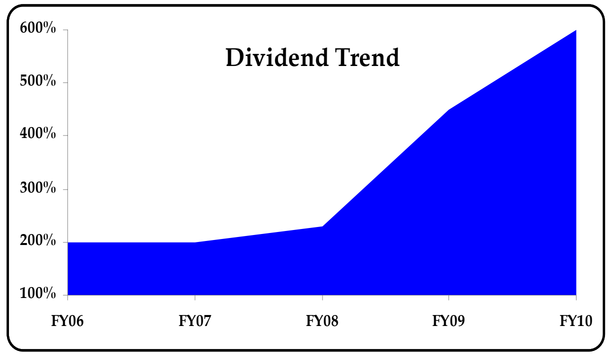
Strong customer base

Renowned client base. Company has an eminent list of clients including DLF Group, Idea Cellular Limited, L&T, Reliance Infocomm, Reliance Petroleum, HDFC Bank, Taj Group of Hotels, Honda Siel Cars India Ltd., Infosys Technologies Ltd., Delhi Metro Rail Corporation, Goldman Sachs and Accenture to name a few. CIL’s is furthering its efforts to expand its customer base by expanding its manufacturing capacities, new product launches, and improved lead time through customer focused six sigma projects. Smaller OEMs in the automotive segment also represents a significant opportunity.

As a low cost country, India provides a suitable platform for companies to outsource their manufacturing, providing an excellent opportunity for CIL to expand its customer base.

Sound dividend history

Consistent dividend payer. A good dividend payout not only highlights the management's confidence in the company's prospects but also keeps the shareholders' morale high along with an edge over its competitors in terms of accessibility to the capital market for raising funds. CIL is having an uninterrupted track record of dividend payment for the past 12-13 years. Last year company paid a dividend of INR 6 per shares on equity shares of INR 2/- each. CIL is a healthy and growing company with a long dividend-paying history.



(Source: Company filling)

Strong performance of Automotive sector

Automotive segment continue to exhibit strong sales. Automotive segment sales increased by 144% in FY10 as compared to FY09. We believe that this segment will continue to outperform on the back of huge requirement of CNG low floor buses by the Delhi Transport Corporation. In addition, since April 2010, BS-IV norms have been implemented in 13 major cities and from October 2010, rest of the country is required to upgrade its engines according to BS-III. As company offers engineered products compliant with emission norms in India, it creates ample opportunity for the Company. We anticipate that with the increase in infrastructure activities, increase in demand for CNG low floor buses along with recovery of the heavy truck & tipper segment, this segment is expected to continue its growth momentum.

Power shortage to drive genset sales

Huge growth potential exists in power generation business. CIL provides generator sets to fulfill captive power requirement of various industries as well as back up operation in hospitals and communication industry for emergency requirements. The power generation accounts highest of total domestic revenue and we expect it to remain a major growth driver for the company.

Immense demand exists for power due to demand & supply gap of about 17% in power generation. This has thrown open huge market opportunities for the power backup providing companies. CIL offers power generation solutions to industry, services and real-estate segments. With mounting power deficit, the demand for diesel engines as back-up supply will continue to be strong. In addition, demand for natural gas and a renewable fuel in the captive power plants are increasing as its pricing is more advantageous than diesel and is more environmental friendly. So, CIL is also delivering gas gensets to cater to the growing fuel efficient gensets.

Company is capitalizing on power generation business opportunities based on the following:

- Emission norms inducing demand for Tier II emission compliant power generators.
- Increasing cost of power increasing viability for alternative source of power.
- Mounting power deficit raising demand for diesel engines
- Industrial growth continue to create demand for power from various sectors like Telecom, Commercial construction, IT, ITES, Retail etc
- Demand for low horse power has picked up.
- Increasing investment in infrastructure projects.

We strongly believe that CIL's power business carries enormous growth potential especially in generator sets from the domestic market.

Govt. policies

Favorable government policies. As economy is returning to double digit growth in the coming years along with huge investments plans of government in the pipeline for the next 3-5 years in various sectors like power, railways, construction, oil exploration and ports. We believe that as the government spending increases, the potential is high for the engineering majors, so Cummins India will get benefit from this and will result in increase in company's revenue base. We also anticipate that government spending will continue to increase due to sustained economic growth which will in turn benefit players in engineering sector.

Strong fundamentals

Strong balance sheet position. CIL enjoys fundamentally strong balance sheet with debt free capital structure and adequate liquidity position with current ratio of 1.62 CIL sound liquidity position will provide an opportunity for organic growth. The company's sufficient profitability growth during weak economic environment and sound balance sheet position deepen shareholders belief in the company.

New products in product portfolio

New product launches with new applications. CIL not only introduced new products but also improved the existing products which meet emission norms & improve fuel efficiency. To name a few during the year are: KTA-50-L CNG Dual-fuel DEMU for locomotive application, development of emissionized G-855-P and GTA-855-P engines for Gas Compression application, development of B Gas Plus CNG engine calibration for integration with Hybrid transmission system and commissioning of Euro-IV level state-of-the-art emissions measurement facility at the Technical Centre. This process of introduction of new products with added features will provide a competitive edge and provides ability to deliver efficient products to its customer base.

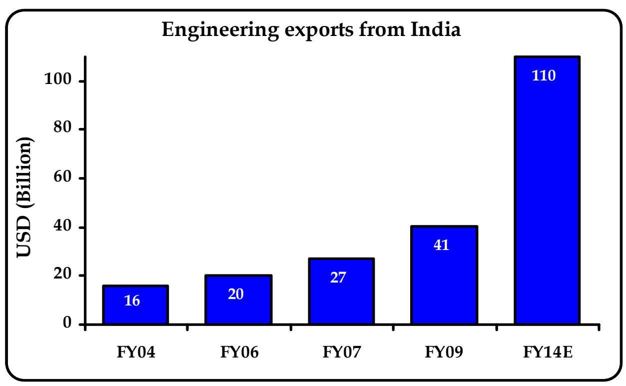
Industry Outlook

Indian Engineering sector is the backbone of the economy and it's continuously growing with an increase in investment in key sectors such as infrastructure, oil & gas, power mining, automobiles, auto components, steel, refinery and consumer durables. Among all industrial segments, engineering sector accounts for 12% of India's GDP, 20% of India's total exports and it is the most employment intensive sector in the country.

According to EEPC (Engineering Exports Promotion Council) India's exports of engineering goods and services valued at INR 2,18,766.90 crores during 2008-09 which represents a 32% growth over the exports for 2005-06 (INR 1,35,806.8 crores). However, it recorded a negative growth of 16.42% in April-September 2009-10 over 2008-09 due to rising rupee a concern for exporters and global meltdown. But since November 2009, exports have again started to show signs of revival and have been growing steadily.

Increasing expenditure in core sectors

Increased investment flows in core sectors and GDP growth bouncing back. Strong investment and consumption demand has led to a significant rise in engineering sector growth. Growth of this sector is linked to the GDP (Gross Domestic Product) growth which continued to stay at more than 9% for three consecutive years but shifted to lower growth trajectory in FY09 due to global meltdown and it is picking up stream and is forecasted to rebound to 9% levels by FY12E. IIP (Index of Industrial Production) is also showing growth on the back of economic recovery and low base effect. We believe that the governments focus on infrastructure spending; coupled with an increase in investment demand by corporate India along with improved consumption would provide the pickup stream in GDP as well as IIP growth during coming years.



(Source: EEPC)

Power sector is the largest contributor to the engineering companies' revenues. Equipment manufacturers such as BHEL, Siemens and Cummins derive more than half of its revenues from supplying of equipments to power sector.

Infrastructure is another key area for engineering sector growth and is poised to enter into the exciting phase of aggressive growth. Infrastructure industries, accelerated by 5.1 per cent year-on-year in April 2010, compared with 3.7 per cent in April 2009, according to the data released by the Union Ministry of Commerce and Industry. Further, investment in the infrastructure sector is expected to be around US$ 425.2 billion during the Eleventh Five Year Plan (2007-12), as against US$ 191.3 billion during the Tenth Plan.

India emerging as a

India developing as global manufacturing hub. India is preferred as a manufacturing hub by the global players' due to low labour cost and high skill levels. This lead to shifting of manufacturing base to developing countries like India and this trend is expected to continue thereby boost the exports of

manufacturing hub

engineering goods from India to overseas market over the next 5 years.

Engineering exports from India have grown considerably in the last few years with a growth rate which has been much higher than the world average. In June, India's engineering exports jumped by about 90% on year-on-year basis to $5.1 billion despite concerns of financial problems in some European economies. However, global meltdown in European countries and US (Major markets of engineering products) adversely affected the exports in 2009-10 which dropped by nearly 19% according to EEPC (Engineering Export Promotion Council). But due to revival in global economic conditions, EEPC is expecting a 20% increase in engineering goods exports at over USD 40 billion in FY 11 as compared to the $32.7 billion last fiscal. EEPC has set an export target of USD 110 billion by 2014 for engineering exports. Not only low value goods are exported from India but more sophisticated goods are also exported now.

In order to boost exports, EEPC is underway to setup warehouses & showroom in European countries as well as exploring new destinations like south east Asia, Middle east and Latin America to increase the exports.

New capacity expansion

Capacity additions. New capacity expansion is coming in equipment side from domestic as well international markets which are driving growth of engineering industry. Two main companies BHEL and L&T, the health indicators of this sector have posted good numbers for the latest quarter together with good order book. In addition, most of the company's order book standing at an average of around 2 to 2.5 times the revenue. Projects which were cancelled due to supply constraints or postponed are back on track now. Impetus given for growth of infrastructure and core industry in the last two budgets of central government expected to increase capacity utilization and increase in demand of engineering equipments.

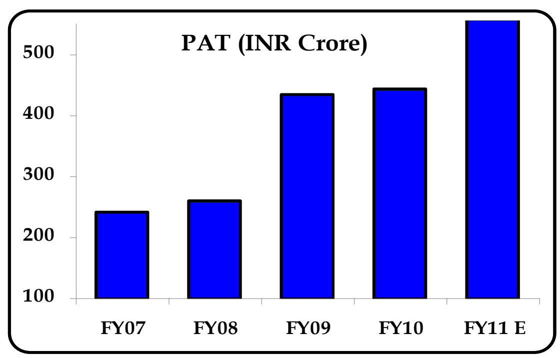
Conclusion.

Future of engineering goods industry is quiet promising after a sharp recovery in the global economy, easing of liquidity position and government's faith on this sector. Fresh investments in the power equipment, metals, oil & gas, and petrochemicals industries coupled with robust industrial activity are expected to boost the sector's growth further. We are seeing a significant development in the associated sectors like automotive and technical human resource pool which will make a significant contribution in the all segments of engineering.

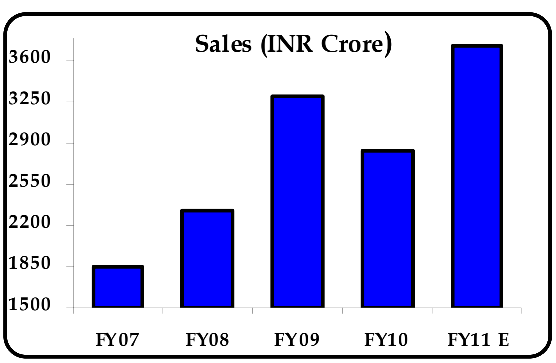
Financial Highlights

Profits growing faster than sales

Amid tight market conditions, Cummins **profitability** continued to expand and registered a net income growth of 2.42% to INR 443.9 crore in FY10 as against the INR 433.7 crore for FY09. The surge in bottom line is primarily attributable to growth in domestic market which registered 24% YoY growth in industrial segment and 144% YoY in Automotive segment (on the back of DTC tender for low floor buses). In addition, six sigma driven cost improvement actions, investment into new products & technologies and capacity expansion projects helped maintaining profitability levels.



(Source: Company filling, ASP Research)

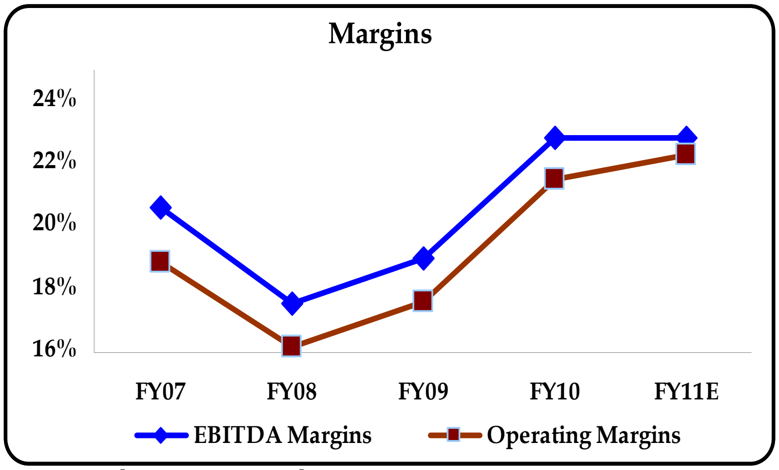


In 2QFY11, Company registered net profit growth of 91% to INR 167.89 crore or INR 8.48 per share, as aginst INR 87.74 crore or INR.4.43 per share in the second-quarter of 2009. We expect the company's operational efficiency and cost reduction activity to drive profitability going ahead.

In 2QFY11, net revenue amounted to INR 1,067.52 crore, exceeding the INR 1,000 crore for the time ever. This represents a growth of 73% from the INR 616.40 crore in the corresponding quarter of the preceding year. For the first time in last five years company witnessed a decline of 14% in its sales to INR 2,845 crore in FY10 from INR 3,304 crore in FY09 due to sharp decline in demand for diesel engines in the US and European markets. But we expect sales to increase in the next 2 years given the auto demand and exports that has rebounded for this company with big export orders from their parent company.

Cost maintenance will drive its margins

Despite drop in the sales, Company registered increase in EBITDA margins & operating margins by 381 bps & 392 bps YOY in FY2010 respectively. Margin expansion is primarily supported by softening in key raw material prices and efficient & proactive cost reduction efforts continuing since 2005, some new product launches, ability of company to leverage fixed with ongoing initiatives of six sigma journey. Company is aiming to bring down the indirect material spends and services cost by 30% in three years.

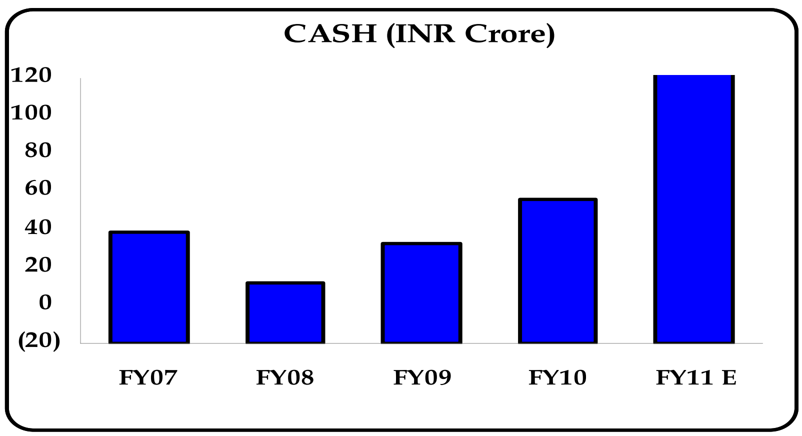


(Source: Company filling, ASP Research)

Based on cost cutting initiatives and new emission norms expected to come in April 2011, We expect company's margins to trend little upward from the current levels on the back of superior product-mix, favorable pricing and cost cutting programs.

Strong operational cash position

Strong cash generation will fund future growth plans. Strong cash position provides financial flexibility for growth strategies of the company. Improved margins, working capital cycle contraction and improved collections enabled the company to more than double its cash from operating activities. CIL generated INR 575.9 crore of cash from operating activities (CFOA) during FY10 as compared to INR 221.2 crore during FY09. Till now most of its expansion plans have been catered through internal accruals, without diluting equity. Company is having a capex plan of INR 100 crore for this year and USD 300 million over the next five years.



(Source: Company filling, ASP Research)

CIL is having **cash rich balance sheet** with no debt stress. At the end of FY10, CIL's balance sheet reported total cash of INR 55.93 crore compared to INR 32.32 crore at the end of FY09. Huge cash pile and no debt burden in its balance sheet will enable the company to sail smoothly its business plans without its earnings or dividend coming under pressure.

Outlook

Financial Projections. We are optimist about the company given the significant surge in capital goods sector, superior product mix, cost-cutting measures and aggressive capacity expansion initiatives. Based on company's heavy investment, expansion plan of its manufacturing base and strong fundaments, we expect company to deliver sound results going forward.

As per management guidance, in FY11 company expects sales growth of 30% and has capex plan of INR 100 crore for this year and USD 300 million over next 5 years.

In line with the management's guidance, we project revenue of INR 3,862.56 crore and INR 4,904.43 crore in FY11E and FY12E respectively. We estimate PBT at INR 808.65 crore and operating margin of nearly 22.30% for FY11E. Going forward, growing market, increasing competition along with rising commodity prices may put some pressure on the company's margins but higher volume growth for the company on back of capacity expansion plans, cost cutting measure and six sigma implementation will compensate the higher raw material cost and allow company to expand its margins.

Risks

Entry of new players

Intense competition. Company face intense competition as this industry holds great growth potential. Market will continue to be highly competitive with the increased competition, entry of new players and range extension by all players. If company fails to compete effectively, it has to experience pricing pressure, decrease in sales volume and difficulty in attracting customer which can erode its profitability and have a negative impact on market share.

Interest Risk

Interest rate risk. Increase in interest rates could adversely affect the company. Reserve Bank of India (RBI) in order to control inflation may raise the interest rates which in turn will make the funds costly that will dampen industrial activity and hinder new investment demand.

OEM collaboration

OEMs foreign collaboration. OEMs are collaborating with foreign companies to manufacture CNG technologies in India, which poses a threat to the market share of CIL.

Fluctuations in raw material prices

Commodity prices are cyclical and volatile. Spiraling prices of metals, pig iron, cement and other commodities remains a key challenge as these are used as a raw material. Further upsurge in the prices will increase the input costs for the company and thus will impact its margins and profitability. However, the Company will continue its focus on Six Sigma and Value Engineering programs to reduce cost of components and the production process.

Peer Comparison and Valuation

Cummins India ltd. one of the country's leading manufacturer for gas & diesel engines. Based on capacity expansion plans, growing demand for gensets & low range engine, increasing government investment and improving industry prospects, we expect company to pick up that growth momentum again starting from FY11 given the well recognized brand in the domestic market with its access to cutting edge technologies.

CIL is one among the best performing stock in engineering sector and ahead of its peers on the efficient allocation of assets and most of its expansion plans till now catered through internal accruals and puts CIL in better position then its peers.

Domestic Peers

COMPANY	CMP	Mkt. Cap (mln)	EBITDA Margin	EV/EBITDA	P/BV	P/E
Cummins India	789.20	156,261.00	21.43%	15.60	6.51	25.18
Kirloskar Inds.	366.40	3,557.00	768.45%	70.64	0.33	4.74
Greaves Cotton	98.05	23,943.00	11.04%	7.78	3.83	15.81
Swaraj Engines	488.75	6,070.00	19.44%	5.10	2.94	10.10

(Source: Capitaline.)

We are initiating coverage with a "BUY" rating on CIL with a target price of INR 939.04. We see the stock as a good opportunity for investors to accumulate at current levels even after considering the recent run up, but still foresee a lot of potential to move up to the next level in a period of 9 – 12 months. In addition, Cummins outperformed the sensex by 3% in last one month and 95% over the last one year.

Our target price of INR 939.04 is derived by using a discounted cash flow model, estimating the company's growth and the sectors growth for the long term. Assuming a growth rate of 2.33% till perpetuity and a discounting rate (cost of equity Ke) at 10.20%, our calculations show that the stock is trading at nearly 23.40% discount from its calculated fair market value or about INR 190.79 lower than its calculated fair market value of INR 761. The valuation looks attractive given the leadership position in engines and gensets with significant growth opportunities for the company.

Income Statement

All figures in INR Crore except FY ending -March	March FY 07	March FY 08	March FY 09	March FY 10	March FY 11E	March FY 12E
Net sales	**1,840.78**	**2,330.78**	**3,304.28**	**2,844.87**	**3,741.00**	**4,782.87**
Other Income	85.34	122.71	150.75	121.56	121.56	121.56
Total Income	**1,926.12**	**2,453.49**	**3,455.03**	**2,966.43**	**3,862.56**	**4,904.43**
Cost of goods sold	1,207.24	1,621.72	2,233.77	1,855.16	2,414.10	2,991.70
Gross Profit	*718.88*	*831.77*	*1,221.26*	*1,111.27*	*1,448.46*	*1,912.73*
Operating Expenses						
Operational and other expenses	338.87	422.03	593.28	462.22	592.95	765.26
Total operating expenses	**338.87**	**422.03**	**593.28**	**462.22**	**592.95**	**765.26**
Total cost	**1,546.11**	**2,043.75**	**2,827.05**	**2,317.38**	**3,007.05**	**3,756.96**
EBITDA	***380.01***	***409.74***	***627.98***	***649.05***	***855.51***	***1,147.47***
Interest expense, net	1.41	0.67	2.61	2.05	2.07	2.16
PBDT	**378.61**	**409.08**	**625.37**	**647.00**	**853.44**	**1,145.31**
Depreciation & amortization (net)	32.60	32.96	45.56	36.08	44.79	54.22
PBT and exceptional items	**346.01**	**376.11**	**579.81**	**610.92**	**808.65**	**1,091.09**
Exceptional Item	0.00	0.00	(19.20)	0.00	0.00	0.00
PBT	**346.01**	**376.11**	**599.02**	**610.92**	**808.65**	**1,091.09**
Foreign exchange fluctuations						
Provision for tax						
Current tax	111.43	117.02	170.40	160.97	232.49	318.05
Deferred tax charged	(8.92)	(3.48)	(7.80)	6.08	0.00	0.00
Fringe Benefit tax	1.44	1.77	2.77	0.00	0.00	0.00
Relating to earlier years	0.00	0.00	0.00	0.00	0.00	0.00
Total Tax	**103.96**	**115.31**	**165.36**	**167.05**	**232.49**	**318.05**
PAT	**242.05**	**260.80**	**433.66**	**443.87**	**576.16**	**773.04**
Weighted average no. of shares	**198,000,000**	**198,000,000**	**198,000,000**	**198,000,000**	**198,000,000**	**198,000,000**
EPS (Diluted)	**INR 12.22**	**INR 13.17**	**INR 21.90**	**INR 22.42**	**INR 29.10**	**INR 39.04**

(Source : Company filings, ASP Research)

Balance Sheet

All figures in INR Crore *FY ending -March*	March FY 07	March FY 08	March FY 09	March FY 10	March FY 11E	March FY 12E
Gross Block	543.63	647.75	741.38	777.62	**850.19**	**928.81**
Depreciation	*361.98*	392.89	*432.36*	*443.96*	488.75	542.97
Net Block	**181.65**	**254.85**	**309.02**	**333.66**	**361.44**	**385.83**
Investments	282.58	432.15	399.27	732.92	**732.92**	**732.92**
Deferred Tax Assets	26.46	30.96	44.61	49.94	**49.94**	**49.94**
Current assets:						
Inventories	281.44	321.46	467.97	409.67	496.05	614.73
Debtors	418.52	550.45	682.10	522.90	676.46	904.16
Cash & Bank	38.85	12.30	32.32	55.93	129.68	357.74
Other current assets	3.35	2.40	8.32	9.27	9.27	9.27
Loans & Advances	149.91	193.47	266.32	269.49	269.49	269.49
Total Current Assets	**892.07**	**1,080.08**	**1,457.04**	**1,267.26**	**1,580.94**	**2,155.40**
Total Assets	**1,382.76**	**1,798.04**	**2,209.94**	**2,383.78**	**2,725.24**	**3,324.09**
Shareholders' Funds						
Equity Share Capital	39.60	39.60	39.60	39.60	39.60	39.60
Reserves & Surplus	889.95	1,064.09	1,355.05	1,521.40	1,838.29	2,282.78
Total Shareholders Funds	**929.55**	**1,103.69**	**1,394.65**	**1,561.00**	**1,877.89**	**2,322.38**
Secured Loans	2.41	28.72	21.20	8.62	8.62	8.62
Unsecured Loans	0.12	0.09	0.04	0.01	0.01	0.01
Total Debt	**2.53**	**28.81**	**21.24**	**8.64**	**8.64**	**8.64**
Finance Lease Liability	**5.95**	**3.71**	**1.67**	**0.00**	**0.00**	**0.00**
Deferred Tax Liability	**16.57**	**17.59**	**21.55**	**32.95**	**32.95**	**32.95**
Current liabilities & Provisions:						
Current Liabilities	306.24	498.42	597.66	517.77	542.35	696.70
Provision	121.93	145.83	173.17	263.42	263.42	263.42
Total Current Liabilities	**428.17**	**644.25**	**770.83**	**781.19**	**805.77**	**960.12**
Total Liabilities and SE	**1,382.76**	**1,798.04**	**2,209.94**	**2,383.78**	**2,725.24**	**3,324.09**

(Source : Company filing, ASP Research)

Key Ratios

Particulars	March FY08	March FY09	March FY10	Particulars	March FY08	March FY09	March FY10
Key ratios				**Valuation Ratio**			
Debt-Equity Ratio	0.02	0.02	0.01	Price to Earning (P/E)	23.73	9.15	25.18
Long Term Debt Equity Ratio	0	0.00	0	Price to Book Value (P/BV)	5.7	2.64	6.51
Current Ratio	1.78	1.74	1.72	Price/Cash EPS (P/CEPS)	21.1	8.22	23.11
				EV/EBITDA	14.69	5.67	15.6
Turnover Ratios				Market Cap/Sales	2.39	1.01	3.36
Fixed Assets	4.67	5.59	4.26				
Inventory	8.73	9.21	6.9	**Dupont Model**			
Debtors	5.43	5.9	5.03	PBIDT/Sales(%)	16.33	17.8	21.43
Interest Coverage Ratio	592.04	231.4	299	Sales/Net Assets	2.32	2.56	1.93
ROCE (%)	38.25	47.12	41.04	PBDIT/Net Assets	0.38	0.46	0.41
RONW (%)	27.61	34.72	30.04	PAT/PBIDT(%)	65.33	67.01	68.39
				Net Assets/Net Worth	1.03	1.02	1.01
				ROE(%)	27.61	34.72	30.04

(Source : Capitalline)