

October 30, 2009

FINANCIAL OVERVIEW

(Rs in Millions)

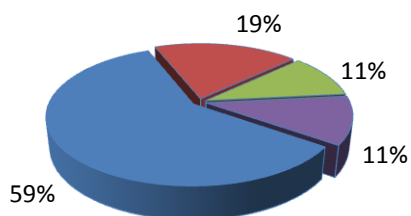
Particulars	FY2007 A	FY2008 A	FY2009 A	FY2010 E	FY2011 E
Total Income	21,229.20	24,359.00	31,242.43	40,324.43	49,546.69
Y-o-Y (%)	33%	15%	28%	29%	23%
EBITDA	3,515.00	4,353.80	5,890.63	7,698.52	9,081.72
EBITDA Margin (%)	16%	17%	19%	20%	19%
Adjusted PAT	1,035.17	1,452.80	2,938.19	4,690.54	5,102.50
Y-o-Y (%)	36%	40%	102%	60%	9%
EPS	30.27	35.33	15.43	72.59	78.97
RoE (%)	23%	21%	8%	28%	20%
P/E (x)	17.9	18.90	12.10	10.37	9.54
EV/EBITDA (x)	18.29	14.77	10.92	8.35	7.08

STOCK DETAILS

Face Value	Rs. 5.00
Mcap (Million)	Rs 48,656
52 week H-L	Rs 888 / Rs 102
Avg daily vol.	64,181
BSE/NSE code	524804/AUROPHARMA
'10 P/E Ratio	10.37
'11 P/E Ratio	9.54

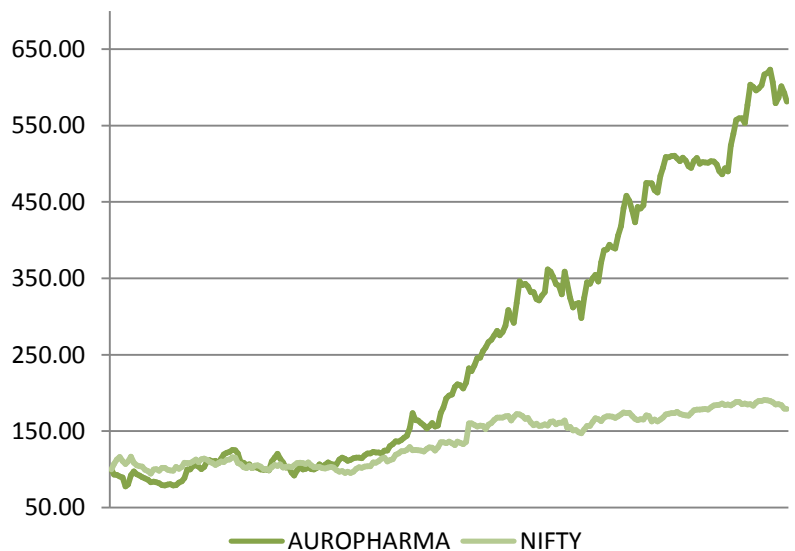
SHAREHOLDING INFO

Share holding Info



■ Foreign ■ FI & MF ■ Public ■ Others

ONE YEAR RELATIVE PERFORMANCE



AUROBINDO PHARMA – FORMULATING A TRANSITION

Huge potential to ramp-up formulations: Aurobindo is well placed to ramp-up its formulations business at a fast pace on the back of strong pipeline of regulatory filings and approvals, dossier licensing, newer supply contracts with MNCs and huge unutilized capacity. Contribution of formulations to total revenue (excl dossier licensing) is estimated to increase from 46% in FY09 to 58% in FY11E.

Steady growth in APIs to continue: The APIs business is estimated to register steady 12% CAGR over FY09-11E post strong presence in key APIs like Cephalosporins, Penicillins and ARVs. However, more APIs would be manufactured for captive use in formulations which would provide cost efficiency.

FCCBs – not a major concern: FCCBs worth US\$192.8mn does not seem a major concern and the company is expected to redeem part of the FCCBs through additional debt and internal accruals. Post this, the company's debt/equity would fall to 0.7x in FY11E. Raising debt to redeem FCCBs should not be a concern, given an estimate of 1.8x debt/EBITDA for FY11, which is very much comfortable.

Strong growth momentum: Aurobindo is on a strong growth trajectory, thanks to the high margin formulations business. We expect consolidated revenue CAGR of 26% and adjusted PAT CAGR of 32% over FY09-11E. EBITDA margin is estimated to remain higher at 19% in FY11 on the back of higher formulations growth, vertical integration and increasing capacity utilization.

Valuations: In spite of the growth visibility and improving financial strength the stock is fully priced at present levels. A sell call is initiated on Aurobindo with a target price of Rs 790 based on 10x its FY10E earnings. Since assumed the conversion of August 2010 FCCBs and redemption of both tranches of May 2011 FCCBs, the interest component of FCCB's due in May 2011 have been charged proportionately in the income statement for FY10E, FY11E & FY12E respectively.

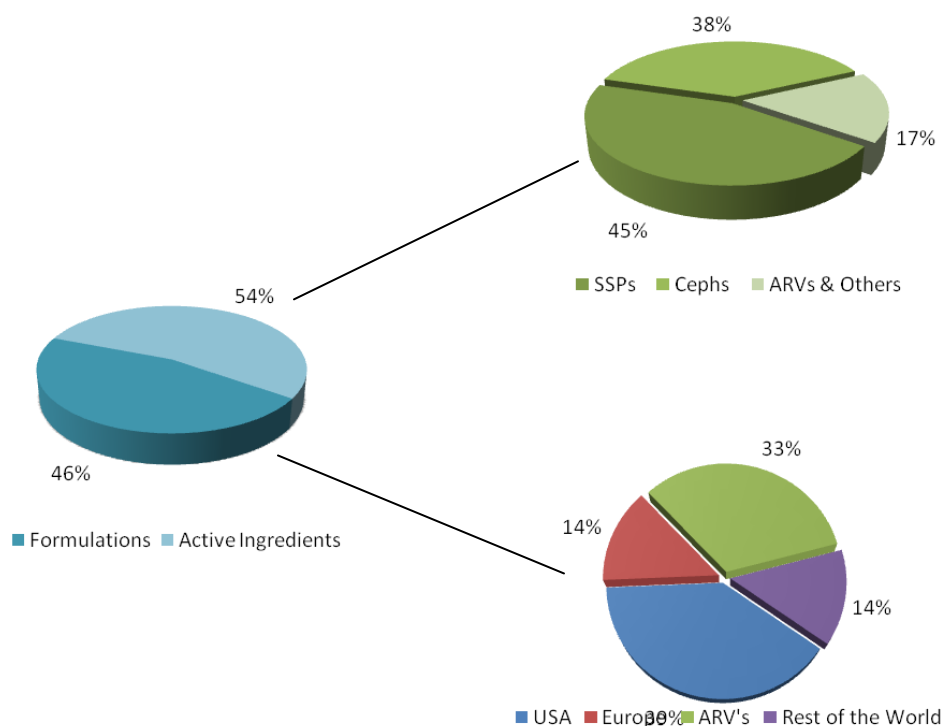
Key Risks: Upside – Buy back of FCCBs at discount would be key positive. **Downside** – Currency fluctuation, as about 60% of revenue is from exports and delays in launch of new products.

COMPANY BACKGROUND

Aurobindo Pharma forayed into the pharmaceutical sector as an API supplier focusing on antibiotics like Semi Synthetic Penicillins (SSPs) and Cephalosporins, emerging a market leader in these segments. Over the years, the company diversified into the cardiovascular (CVS), central nervous system (CNS), gastrointestinal (GI), anti-infective segments, etc. After a strong presence in its core business of bulk actives, the company is now focusing on generic formulations. It has 14 state-of-the-art manufacturing facilities spread across India, China, USA and Brazil. The company's operations are vertically integrated and its formulations are supported by in-house APIs. Aurobindo has a presence across US, Europe, India and other emerging countries like Brazil, China, South Africa, etc. A higher proportion of the company's revenue is from APIs and formulations are likely to replace this, going forward.

Huge Potential to ramp-up formulations

REVENUE BREAK-UP (FY09)



SOURCE: COMPANY

KEY MANAGEMENT PERSONNEL

Mr. P.V. Ramaprasad Reddy ,Chairman

A postgraduate in Commerce and has held management positions in various pharmaceutical companies prior to incorporating Aurobindo Pharma in 1986. He is actively involved in the strategic planning of the company and pilots the successful implementation of joint ventures.

Mr. K. Nityananda Reddy, Managing Director

Mr. Nityananda has Master's degree in Science (Organic Chemistry) and is versatile with the company's manufacturing technology. He supervises the overall affairs of the company.

Mr. M. Madan Mohan Reddy, Whole-time director

Mr. Madan Mohan has a Master's Degree in Science (Organic Chemistry) and has held top managerial positions in leading pharma companies. He has experience in regulatory affairs of the industry. Before joining Aurobindo Pharma, he was working as the Managing Director of M/s Srichakra Remedies.

INVESTMENT RATIONALE

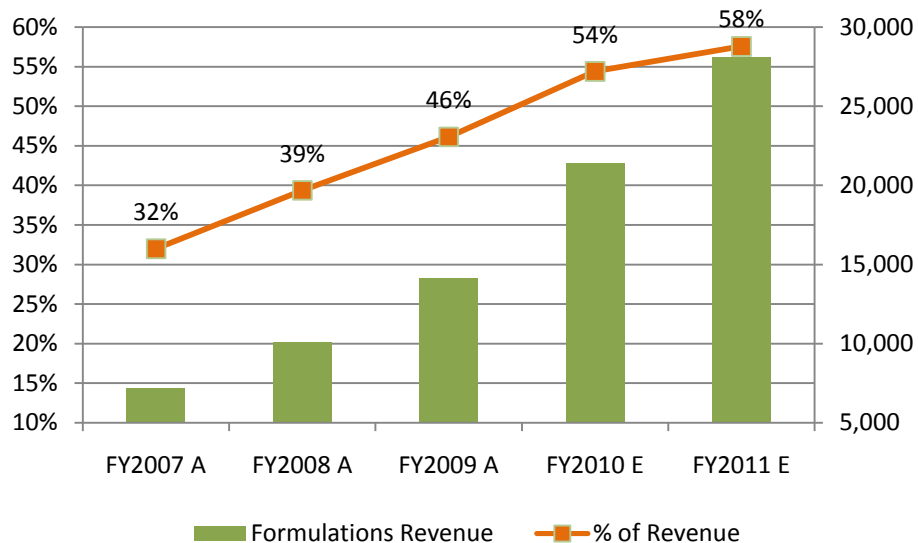
- Higher formulations revenue and higher capacity utilization to improve profitability.
- Leverage ratios to turn comfortable with part of the debt being met through internal accruals.
- Higher profitability and easing leverage to help valuation re-rating.
- However the stock has rallied enormously in the past few months. (See the chart above) The stock is fully priced at present levels.

INVESTMENT ARGUMENT

HUGE POTENTIAL TO RAMP UP FORMULATIONS

Aurobindo's formulations business is expected to grow at a fast pace on the back of huge capacity, strong pipeline of regulatory filings and approvals, newer supply contracts with MNCs and continuous launch of new products. Revenues from formulations is expected to grow at 41% CAGR over FY09-11 to Rs 28 bn. Cumulative 155 ANDA filings with 99 (including 29 tentative approvals) already approved would drive significant revenue growth for Aurobindo. The company is currently operating at about 40% capacity utilization in the formulations segment, providing huge scope to ramp up the business. Further, dossier licensing and supply contracts would also assist in maintaining the growth momentum, as is evident from its recent contract with Pfizer. We estimate the proportion of formulations to total revenue (excluding dossier licensing) to increase from 32% in FY07 to 58% in FY11.

CONTRIBUTION FROM FORMULATIONS TO TOTAL SALES TO RISE CONTINUOUSLY



STRONG REGULATORY PIPELINE FOR FORMULATIONS

Aurobindo has a strong regulatory pipeline of filings and the momentum of filings is expected to continue. The company made 155 ANDA (Abbreviated new drug application) filings in the US, of which it has already received approvals for 99, including 29 tentative approvals. Out of 70 final approvals, it launched 50 products in the US. The company will regularly receive approvals on the back of consistent filings and will continue to launch new products, which would drive revenue growth, going forward.

The company has also registered 901 formulation dossiers for Europe and other semi-regulated markets. This includes multiple registrations in Europe for same product. Product approvals for the European market should increase at a rapid pace, given that more than 670 filings have been made, of which more than 120 were in FY09 and more than 50 in Q1FY10. The approval and launch of products is expected to follow the rapid pace at which regulatory filings have been made and thereby drive revenue growth.

ANDA pipeline

(Nos)	Total filings	Products approved
US	155	99
Europe	670	200
WHO	25	11
South Africa	206	47
Total	1,056	357

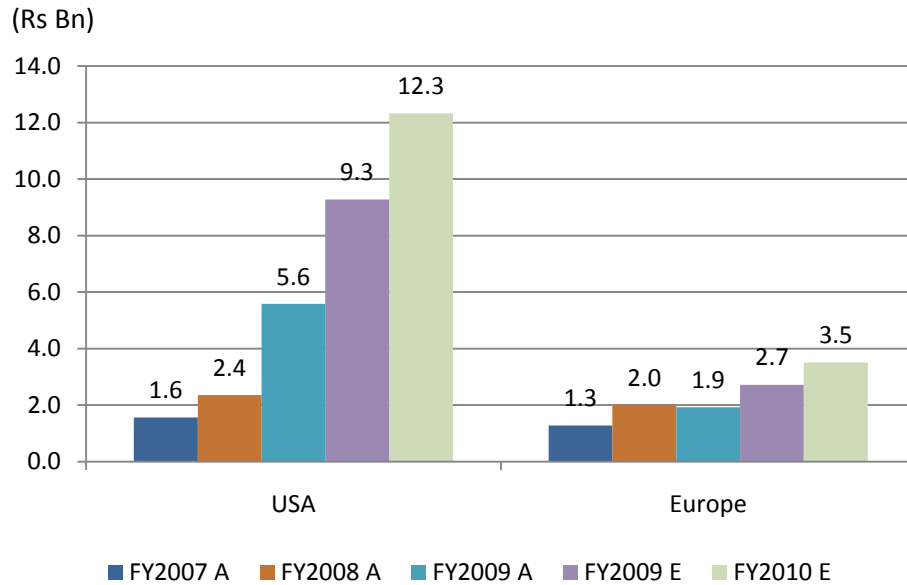
Source: Company

US AND EUROPE TO DRIVE MAJOR GROWTH

Aurobindo would see majority of its growth from the US and European markets on the back of strong product pipeline, huge generics opportunity in these markets, increasing customer base, dossier licensing and supply contracts coupled with huge unutilized capacity. Formulations revenue from the US and Europe is expected to register 49% CAGR to Rs 12.3 billion and 35% CAGR to Rs 3.5 billion over FY09-11E, respectively.

The company has built a strong regulatory pipeline for these regulated markets and has the capability to launch products in these markets immediately post approvals, thanks to its huge capacity and in-house availability of APIs. The company recently ventured into dossier licensing and supply contracts of finished dosage products for the US and European markets, which would enhance its growth prospects in future. It is expected that the company will be able to garner more such licensing and supply contracts, going forward.

GROWING REVENUES FROM US AND EU FORMULATIONS



FORMULATIONS - OPERATING AT MERE 40% CAPACITY

Aurobindo's strategy of building strong API franchise and incurring capex to develop huge formulation capacity (over last four to five years) gives optimism and this along with regulatory product pipeline is expected to increase business in future. The company currently operates at mere 40% capacity in formulations, which leaves huge scope for it to increase its formulations business at a rapid pace, especially given its large capacity and API strength.

Further, Aurobindo is also setting up a formulations facility at an SEZ near Hyderabad which would be ready to operate by Q4FY10E along with regulatory inspection. This facility would be based on area of 55,000 sq mts with a capacity of about 10bn tablets and 1bn capsules. This facility would primarily cater to European supply contracts and other export businesses. Aurobindo is expected to regularly register more product filings and utilize these capacities to cater to incremental business. The facility in SEZ would also drive tax and excise benefits, thereby increasing profitability.

DOSSIER LICENSING AND SUPPLY CONTRACTS – NEW GROWTH DRIVERS

The company has one more stream of business, which includes sale of dossiers to another company (MNCs) and enter into long-term supply contracts for respective products with that company. This provides the other company with ready dossier to start business and rewards Aurobindo in terms of milestone income for the dossier and regular supply contract for the products. Recently, Aurobindo entered into an agreement with Pfizer in March 2009 for dossier licensing and long-term supply contracts. The agreement involves 44 finished dosage products and 12 injectables. Aurobindo would receive milestone payment from Pfizer on the basis of commercialization of products and has also received supply contracts for these products. Aurobindo would manufacture and supply these products to Pfizer after

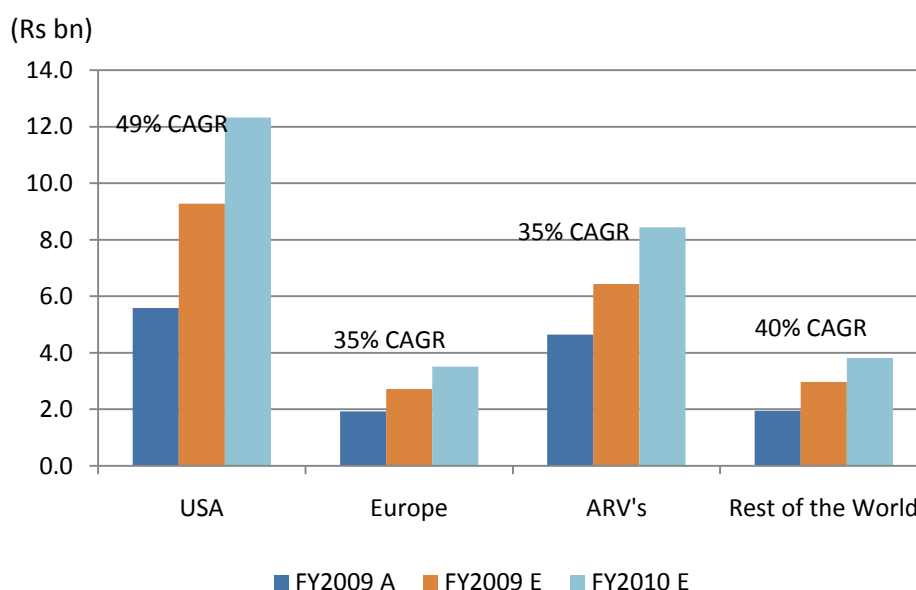
patent expiry. The agreement stands for 8 years and is renewable thereafter for 7 more years. Aurobindo is expected to leverage on more such contracts, which would significantly drive its top line.

In May 2009, Pfizer extended the deal by adding 60 (including 5 injectables) products across US, EU and emerging countries. The deal would benefit Aurobindo in terms of upfront milestone income and regular revenue through supply contracts.

FORMULATIONS TO REGISTER 41% CAGR

Aurobindo's formulations business is expected to witness 41% revenue CAGR to Rs28.08bn over FY09-11E. The growth would be driven by continuous regulatory filings and approvals coupled with launch of products, dossier licensing and supply agreements and availability of large unutilized capacity. We expect the US and European markets to contribute to majority of this growth while ARV and Rest of the world (ROW) segments to grow at a steady pace. The US and Europe should constitute around 56% of total formulations revenue in FY10E and FY11E cumulatively and register 49% and 35% CAGR, respectively, over FY09-11E with ARV and ROW segments estimated to witness 35% and 40% CAGR, respectively, over the same period.

FORMULATIONS REVENUE TREND

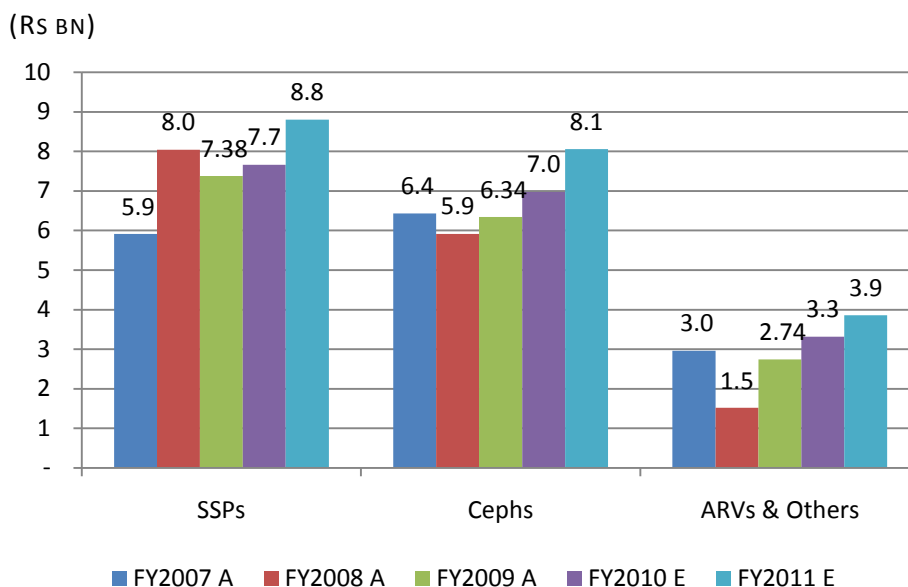


STEADY GROWTH IN APIs TO CONTINUE

The API segment is to witness steady 12% CAGR over FY09-11E to Rs 20.7bn backed by strong APIs, particularly in the semi synthetic penicillin (SSPs) and Cephalosporin (Ceph) segments. Lower growth in APIs is mainly on account of higher focus on increasing formulations business and more APIs being used for captive consumption. As in the case of formulations, the company has also built large capacities in API and currently operates at about 75% utilization. Apart from

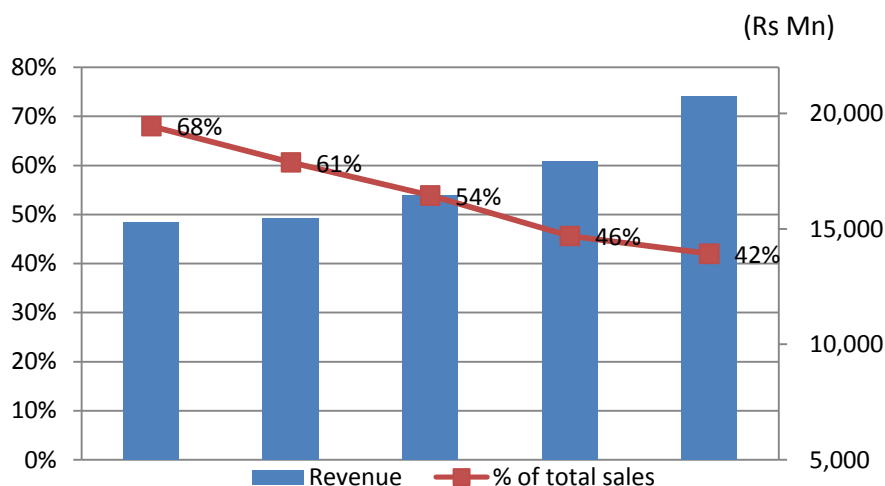
SSPs and Cephs, the company is also present in manufacturing of APIs for ARV products. Increased focus on formulations and captive use of APIs would result in lower API growth. However, steady growth in this segment should continue, given its leadership in some APIs and increasing demand of these products for exports.

SEGMENTAL REVENUE TREND IN API



Aurobindo is a leading player in APIs and has a strong presence in SSPs, CCPs, and ARVs. Aurobindo ranks the highest in terms of DMF filings by any Indian company and is the second largest globally. The company has filed a total of 1,259 DMF filings globally of which 133 pertain to the US market and remaining to Europe and other emerging markets. In FY09 alone, Aurobindo filed 242 DMFs for APIs, which reflects its strength in API manufacture and its ability to cater to the global demand. However, we see the proportion of API to total revenue declining, going forward, primarily due to higher formulation growth and not because of lesser API revenue.

STEADY GROWTH IN APIS



Aurobindo has set up seven state-of-the-art manufacturing facilities and all have the necessary regulatory approvals. Six of these facilities are situated in India near Hyderabad and one is in China. The company currently operates at 75% capacity utilization. The company will use part of its capacity for captive use to manufacture formulations, which explains the view that this segment would witness steady growth going forward.

DETAILS OF MANUFACTURING FACILITIES

Units	Products	Regulatory approvals
Unit 1	CVS, CNS, Anti-allergic	USFDA, WHO, UKMHRA, TGA (Australia)
Unit 1A	Cephs (non-sterile)	USFDA, UKMHRA, TGA (Australia)
Unit VA	SSPs	USFDA, TGA (Australia)
Unit VI	Cephs (Sterile)	USFDA, WHO, Health Canada, EU-GMP
Unit VIII	Gastro Intestinals, ARVs	USFDA, WHO, UKMHRA, TGA (Australia)
Unit XIA	ARVs	USFDA, WHO, UKMHRA

Source: Company

FINANCIAL ANALYSIS

FCCBs – NOT A MAJOR CONCERN

The outstanding FCCBs worth US\$192.8mn should not be a major concern for the company. Only a part of the total FCCBs are likely to get redeemed. The FCCBs worth US\$53.6mn due for conversion in August 2010 is expected to be converted at Rs522/share and the balance (both tranches due in May 2011) should be redeemed by the company, considering the current price. Of its total outstanding FCCBs of US\$255.5mn at the beginning of FY09, the company has already bought back FCCBs worth US\$ 62.7mn at more than 15% discount to face value. It is scouting for opportunities to buy back more FCCBs, which if occurs, would be a huge positive and provide further upside to the model estimates.

Given its comfortable debt/EBITDA of 1.9x for FY11E, it is unlikely that the company would face troubles raising debt to redeem its FCCBs. The FCCBs may be redeemed through a combination of internal accruals and debt. Hence, only equity dilution of 8.3% is considered, assuming FCCBs due in August 2010 would get converted, with the remaining getting redeemed.

OUTSTANDING FCCB DETAILS

Maturity	Amount (\$mn)	Conversion Price (Rs)	Redemption Premium (%)	Redemption Amount (\$mn)
Aug 2010	53.6	522.0	40.0	75.0
May 2011	33.0	879.0	47.0	48.5
May 2011	106.2	1014.1	46.3	155.4
Total	192.8			278.9

Source: Company

There will be equity dilution to the tune of 20.2%, even if all FCCBs get converted. Full FCCB conversion would lead to issue of 10.9mn equity shares. In case FCCBs get converted on maturity date, then 4.5mn equity shares would be issued in FY11E and the balance 6.4mn would be issued in FY12E. However, the model estimates has factored in conversion of August 2010 FCCBs and redemption of May 2011 FCCBs at respective premium (yield) on maturity date and thus debt raising and interest there after.

DILUTION IN CASE OF CONVERSION OF FCCB'S

Maturity	Amount (\$mn)	Conversion Price (Rs)	Issue of Equity Shares on Conversion	Dilution (%)
August 2010	53.6	522.0	4.5	8.3
May 2011	33.0	879.0	1.7	3.2
May 2011	106.2	1014.1	4.7	8.8
Total	192.8		10.9	20.2

REVENUE CAGR OVER FY09-11E

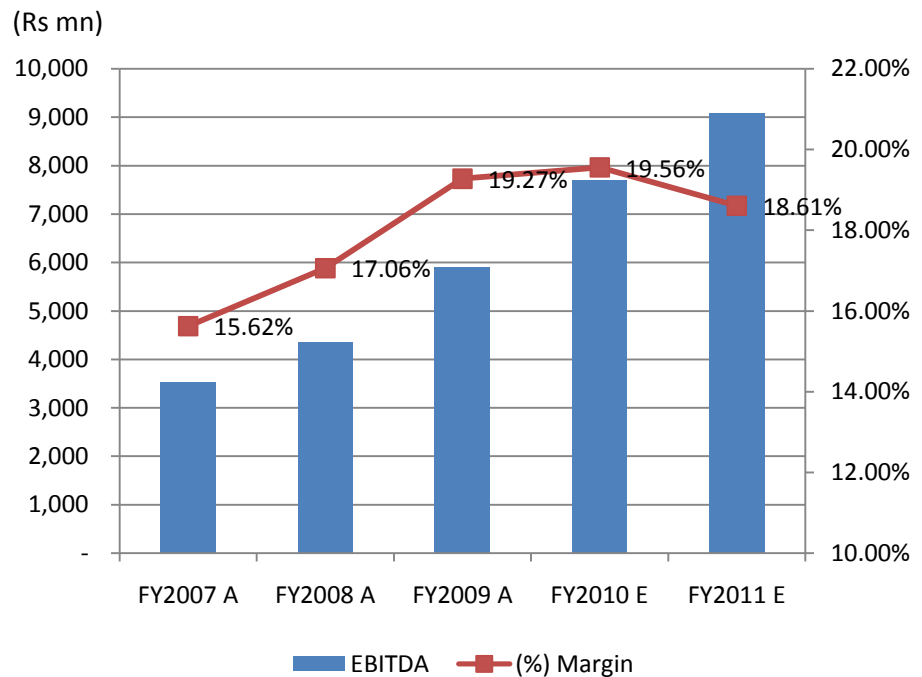
The model has estimated consolidated revenue at CAGR of 26% over FY09-11E to Rs 48.8 bn mainly on the back of higher growth in formulations and steady growth in APIs. The formulation segment is estimated to register robust 41% sales CAGR over FY09-11E on the back of strong growth momentum in the US and European markets. API, on the other hand, is estimated to post 12% revenue CAGR over the same period. The growth would be driven by strong product pipeline, dossier licensing and supply contracts and large unutilized capacity. The proportion of formulations would keep on rising while proportion of APIs would decline to total revenue on account of high growth in formulations and steady lower growth in APIs. The estimated income from dossier licensing is at US\$35mn in both FY10E and FY11E and most of it would come from Pfizer.

HIGHER FORMULATIONS TO IMPROVE EBITDA MARGIN

EBITDA margin has expanded 230 bp Y-o-Y to 19.3% in FY09 from 17.0% in FY08 on the back of higher formulations sales and revenues from dossier licensing. We expect this trend to continue and estimate EBITDA margin of 20% and 19% in FY10E and FY11E, respectively. Higher EBITDA margin is on account of rising contribution of formulations to total revenue from 46% in FY09 to 58% in FY11E and estimated steady revenue of US\$35mn from dossier licensing both in FY10E and FY11E. EBITDA in absolute terms is slated to register 24% CAGR to Rs9.08bn over FY09-11E.

In addition, the company is currently operating at 40% and about 75% capacity utilization in formulations and APIs, respectively. We can expect higher capacity utilization going forward on the back of increasing generics business and supply contracts, which would drive economies of scale. Further, formulations in general, have higher margins compared to APIs and with Aurobindo now expanding into formulations; higher margins cannot be ruled out. Moreover, vertical integration, which aids in-house consumption of APIs to manufacture formulations, also provides cost benefit.

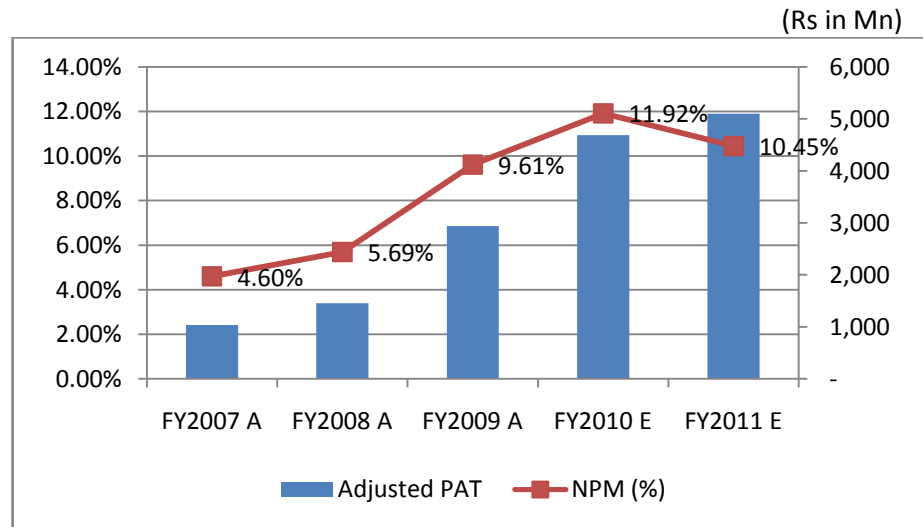
OPERATING MARGIN EXPANSION



ADJUSTED PAT TO REGISTER 32% CAGR

Adjusted PAT is expected to register 32% CAGR over FY09-11E to Rs 5.1bn on the back of higher revenue growth and EBITDA margin expansion. The growth would be supported by strong EBITDA margin expansion of 66 bp over FY09-11E and steady revenue from dossier licensing. As a result of robust growth in adjusted PAT, net profit margin is also expected to improve to 10.45% in FY11E from 9.61% in FY09.

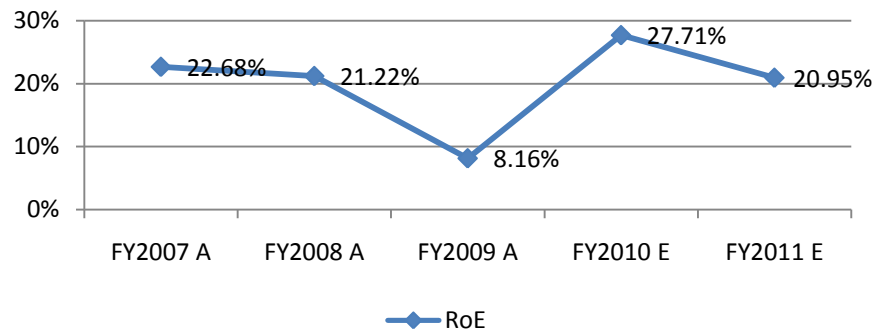
ADJUSTED PAT AND NPM TREND



STRONG RETURN RATIOS

One can expect strong return ratios going forward on the back of higher profitability and margin expansion. The model estimates ROE of 20.95% in FY11E compared with 21.22% in FY08. However, it would be lower than FY10E ROE of 27.71% because of our assumption of conversion of August 2010 FCCBs. However, we may not expect any negative trend in net profit margin and Asset turnover ratio.

STRONG RETURN RATIOS



KEY CONCERNS

UPSIDE RISKS

- Further buy back of FCCBs at discount would result in savings of yield premium on FCCBs and also provide positive sentiment through debt reduction, as current debt/equity is 1.5x. The company has already bought back US\$60.9mn worth FCCBs at a discount and the balance US\$194.6mn is outstanding.

DOWNSIDE RISK

- Currency fluctuation may impact top line growth and profitability margins as about 60% of revenue is from exports. The company also has FCCBs of US\$194.6mn in its books and currency fluctuation would impact the reported net profit.
- Delay in launch of approved products may impact model estimates negatively as the estimates are based on strong product pipeline.
- Delay in regulatory approvals of products may impact revenue growth estimates.
- Lesser income from dossier licensing would have a negative impact on both top line and profitability.

VALUATION ANALYSIS

At CMP, the stock trades at FY10E and FY11E earnings of 10.37x and 9.54x and EV/EBITDA of 8.35x and 7.08x, respectively. Based on FY11E earnings of Rs 78.97 and a P/E multiple of 10x we arrive at our target price of Rs 790, which is 4.9% upside from the current market price. Hence a “**Sell**” call is recommended for the stock. The forecast estimates have assumed the August 2010 due FCCBs would get converted and the company would have to redeem May 2011 FCCBs. The interest component of FCCB’s (US\$139.2 mn) due in May 2011 have been charged proportionately in the income statement for FY10E, FY11E & FY12E respectively, before arriving at the target value.

During FY09 the stock had traded at low valuations (see chart in page 1) mainly due to concerns on debt/equity and huge MTM losses reported on account of translation of FCCBs. The stock has rallied enormously since then, as the MTM forex losses are exceptional items, and are not operational in nature. The Pfizer’s deal during the course of FY10 also added to the sentiment. Even though we view the stock’s superior growth story and the company’s improving financial strength as positives, it is considered that the stock is overvalued at the present levels. This is also reflected at the price arrived through DCF approach of Rs 723, which gives a de-growth of 3.9% from the CMP. Hence the “**SELL**” rating for the stock.

FINANCIALS (CONSOLIDATED)

KEY FINANCIAL RATIOS

	FY2009 A	FY2010 E	FY2011 E
EPS diluted (reported)	15.43	72.59	78.97
Operating Margin (%)	14.76%	16.06%	15.48%
EBITDA/sales (%)	19.27%	19.56%	18.61%
EBIT/sales (%)	15.28%	16.48%	15.83%
Net income/sales (%)	3.27%	11.92%	10.45%
Interest Cover	7.26	4.14	4.26
ROE	8.16%	27.71%	20.95%
EV/Sales	1.8	1.63	1.32
EV/EBITDA	9.8	8.35	7.08
P/E	12.1	10.37	9.54
P/Sales	1.56	1.21	0.98
P/BV	2.90	2.87	2.00

INCOME STATEMENT

Y/E March (Rs mn)	FY2007 A	FY2008 A	FY2009 A	FY2010 E	FY2011 E
Sales	22,502	25,523	30,564	39,365	48,813
Growth (%)	34%	13%	20%	29%	24%
Materials Consumed	11,756	12,612	15,499	19,953	24,528
% of Sales	52%	49%	51%	51%	50%
Personnel Expenses	1,504	1,930	2,435	3,167	3,915
% of Sales	7%	8%	8%	8%	8%
Other Expenditure	4,487	5,504	6,793	8,768	10,848
% of Sales	20%	22%	22%	22%	22%
EBITDA	3,515	4,354	5,891	7,699	9,082
EBITDA Margin	16%	17%	19%	20%	19%
Depreciation	997	1,004	1,221	1,210	1,357
PBIT	2,518	3,350	4,669	6,489	7,725
Interest Expense	454	432	811	1,859	2,132
PBIT from Operations	2,025	2,408	4,510	6,322	7,559
Other Income	493	942	159	166	166
PBT	2,064	2,918	1,312	5,474	5,663
Provision for Tax	44	536	313	783	727
Effective Tax rate	2%	18%	24%	14%	13%
PAT	2,010	2,385	999	4,691	4,936
Adjusted PAT	1,035	1,453	2,938	4,691	4,936
Growth in PAT (%)	283%	40%	102%	60%	5%
PAT Margin	5%	6%	10%	12%	10%

BALANCE SHEET

Y/E MARCH (RS IN MILLIONS)

I. SOURCES OF FUNDS					
	FY2007 A	FY2008 A	FY2009 E	FY2010 E	FY2011 E
Share Capital	266.70	268.80	268.80	268.80	291.08
Reserves & Surplus	8,593.20	10,971.40	11,970.33	16,660.87	23,900.28
	8,860.10	11,240.20	12,239.13	16,929.67	24,191.35
Minority Interest	35.40	32.00	32.00	32.00	32.00
Loan Funds	20,781.40	18,470.20	18,470.20	17,534.93	16,972.93
Deferred Tax Liability (Net)	681.90	733.40	733.40	733.40	733.40
Total	30,358.80	30,475.80	31,474.73	35,230.00	41,929.68
II. APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	14,681.40	17,179.90	19,472.18	22,227.76	25,644.68
Less: Accumulated Depreciation/Amortization	3,155.30	4,176.90	5,398.10	6,607.91	7,964.63
Net Block	11,526.10	13,003.00	14,074.08	15,619.85	17,680.05
Capital Work-in-progress (including capital advances)	2,187.10	2,145.50	2,145.50	2,145.50	2,145.50
	13,713.20	15,148.50	16,219.58	17,765.35	19,825.55
Investments	2.70	604.30	604.30	604.30	604.30
Deferred Tax Asset	-	1.20	1.20	1.20	1.20
Current Assets, Loans and Advances					
Interest Accrued on Investments	0.50	0.60	0.60	0.60	0.60
Inventories	6,544.00	7,950.30	8,678.48	11,177.70	13,860.35
Sundry Debtors	6,261.10	6,650.10	7,963.51	10,256.84	12,718.48
Cash & Bank Balances	5,824.60	2,825.70	1,594.63	869.29	2,283.56
Loan and Advances	2,718.90	3,164.10	3,164.10	3,164.10	3,164.10
	21,349.10	20,590.80	21,401.32	25,468.54	32,027.09
Less: Current Liabilities and Provisions					
Liabilities	4,442.40	5,546.00	6,428.67	8,286.39	10,205.46
Provisions	263.80	323.00	323.00	323.00	323.00
	4,706.20	5,869.00	6,751.67	8,609.39	10,528.46
Net Current Assets (A-B)	16,642.90	14,721.80	14,649.65	16,859.14	21,498.63
Total	30,358.80	30,475.80	31,474.73	35,230.00	41,929.68

CASH FLOW STATEMENT

Y/E March (Rs in Millions)	FY2007 A	FY2008 A	FY2009 E	FY2010 E	FY2011 E
A. Cash Flow from Operating Activities					
Net Profit before Tax, Minority Interest and prior period items	2,064.20	2,917.40	1,311.83	5,473.50	5,663.04
Depreciation and Amortization	997.20	1,003.80	1,221.20	1,209.81	1,356.72
Miscellaneous Expenditure written off	0.10	-	-	-	-
Provision for Doubtfull debts	82.50	4.30	-	-	-
Loss / Gain on sale of fixed assets	(41.20)	3.50	-	-	-
Export incentives accrued	(45.10)	(124.10)	-	-	-
Claims / bad debts written off	39.20	45.10	-	-	-
Balances no longer required written back	(52.90)	(64.40)	-	-	-
Provision for Retirement benefits	2.30	32.30	-	-	-
Investments written off / Diminution	0.10	0.10	-	-	-
Write off / other adjustments of Fixed Assets	1.00	-	-	-	-
Foreign Exchange loss (Net)	(327.00)	(878.90)	-	(843.69)	(69.60)
Interest Income	(410.90)	(261.80)	-	-	-
Sales tax deferment loan availed	(28.50)	19.10	-	-	-
Profit on sale of Investments in subsidiary	(58.50)	-	-	-	-
Exceptional Item	-	-	-	-	(166.61)
Interest expense	864.50	621.10	-	-	-
Operating Profit before working capital changes	3,087.00	3,317.50	2,533.03	5,839.62	6,783.56
Movement in working capital:					
Increase in Sundry Debtors	(796.40)	(297.20)	(1,313.41)	(2,293.33)	(2,461.64)
Increase in Inventories	(1,832.20)	(1,406.30)	(728.18)	(2,499.23)	(2,682.65)
Increase in Loans and Advances	(684.50)	(692.40)	-	-	-
Increase in Current Liabilities	645.70	1,124.20	882.67	1,857.72	1,919.06
Cash Generated from operations	419.60	2,045.80	1,374.11	2,904.78	3,558.33
Direct Taxes paid (Net of refund)	(233.10)	(458.60)	(312.90)	(782.97)	(727.15)
Net Cash (Used In) / From Operating Activities (A)	186.50	1,587.20	1,061.21	2,121.82	2,831.18
B. Cash Flow From Investing Activities					
Purchase of Fixed Assets and Intangibles	(3,318.70)	(2,462.90)	(2,292.28)	(2,755.58)	(3,416.92)
Proceeds from sale of Fixed Assets	155.30	19.40	-	-	-
Payment for Net Assets acquired of Subsidiary, Net of cash	(284.70)	-	-	-	-
Payment for Purchase of Sundry Debtors	-	-	-	-	-
On disposal of Joint Venture entity	-	-	-	-	-
Proceeds from sale of investment in Subsidiary, net of cash	(24.50)	168.20	-	-	-
Proceeds from sale/(purchase) of Investments (Net)	(2,026.60)	1,108.20	-	-	-
Loans to Joint Ventures	-	(36.00)	-	-	-
Interest Received	366.00	453.00	-	-	-
Net Cash Used in Investing Activities (B)	(5,133.20)	(750.10)	(2,292.28)	(2,755.58)	(3,416.92)
C. Cash Flow From Financing Activities					
Proceeds from Issuance of Share capital	28.40	15.30	-	-	-
Proceeds from Long-Term borrowings	382.80	29.80	-	-	2,000.00
Proceeds from FCCB's	9,102.00	-	-	-	-
Repayment of Long-Term Borrowings	(2,327.60)	(1,179.80)	-	(91.58)	-
Repayment of FCCB's (Redemption)	-	-	-	-	-
Proceeds from Short term borrowings (Net)	757.00	(258.80)	-	-	-
Interest Paid	(875.90)	(624.90)	-	-	-
FCCB Issue Expenses	(135.60)	-	-	-	-
Dividends and dividend tax paid	(92.30)	(157.10)	-	-	-
Net Cash Flow From Financing Activities (C)	6,838.80	(2,175.50)	-	(91.58)	2,000.00
D. Effect of Exchange rate changes on Cash & Cash equivalents (D)	7.60	(9.70)	-	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents (A+B+C+D)	1,899.70	(1,348.10)	(1,231.07)	(725.34)	1,414.26
Cash and Cash Equivalents at the beginning of the year	1,961.70	3,747.50	2,825.70	1,594.63	869.29
Add: On Amalgamation	0.10	-	-	-	-
Cash and Cash Equivalents at the end of the year	3,861.50	2,399.40	1,594.63	869.29	2,283.56

Analyst

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Guide to analyst recommendations

Add: Stock is likely to provide a return of 20%+ in a 12 month period.

Hold: Stock is likely to provide a return between 10% and 20% in a 12 month period.

Reduce: Stock is likely to provide a return of less than 10% in a 12 month period.