CRISIL RESEARCH

Larsen & Toubro Ltd (Standalone)

Overall score: 5.0 | **November 2008**

Executive summary

	E&C	E&E	MIP
Overall business risk		**5.0**	
% of Revenue	**75**	**10**	**10**
Business risk	**5.0**	**4.0**	**4.5**
Industry prospects	3.5	3.0	3.5
Competitive position	5.0	4.0	4.5
Financial risk		**5.0**	
Financial performance		5.0	
Financial flexibility		5.0	
Overall score		**5.0**	

Each of the above parameters is evaluated on a scale of five points, with 1 indicating high risk and 5 indicating low risk.

Key assumptions

	2009 P	2010 P
Turnover growth (per cent)	39.0	28.0
Additions to fixed assets (Rs million)	16,288.0	15,010.0
Per cent of operating income		
Material cost	45.5	46.9
Employee cost	5.4	4.8
Other manufacturing expenses	19.9	19.4

P: Projected

Source: CRISIL Research

Key financial indicators

		Mar-08	Mar-09P	Mar-10P
Operating income	Rs million	250,355.5	348,804.5	446,362.8
Operating margins	Per cent	12.0	11.4	11.2
Net profits	Rs million	21,587.8	25,491.3	32,089.7
Net margins	Per cent	8.6	7.3	7.2
RoCE	Per cent	32.0	30.6	33.3
Gearing	Times	0.4	0.2	0.2
Net cash accruals to debt	Times	0.5	0.9	1.0
Interest coverage	Times	20.4	13.7	18.9
Current ratio	Times	1.2	1.1	1.1

P: Projected

Source: CRISIL Research

Equity information

		Mar-06	Mar-07	Mar-08
Stock price	Rs	2,433	1,619	2,645
EPS	Rs	79	48	74
No. of shares outstanding	Million shares	137	283	293
Market PE	Times	36	40	34
Book value per share	Rs	336	188	343
Market capitalisation	Rs million	334,205	458,658	773,790
Dividend rate	Per cent	1,100	650	750
Dividend payout	Per cent	34	31	27

Source: Prowess

Highlights

- The largest construction company with a well-diversified order book standing at Rs 582 billion as on June 2008.
- The infrastructure spending by government and corporate expansion plans will continue to drive L&T's business.
- Strong order backlog to ensure a 30 per cent CAGR in revenues in the medium term.
- Operating margins are expected to remain steady inspite of the competition due to L&T's ability to execute complex projects and increased operational efficiency
- Strong performance by finance and IT subsidiaries of the company
- Investment in subsidiary and associate companies expected to continue going forward
- High degree of financial flexibility due to low gearing levels

Company profile

Larsen & Toubro (L&T), one of the largest E&C companies in India, was incorporated in February 1946. It was converted into a public limited company in 1950. L&T's business comprises engineering, procurement and construction (EPC), which includes construction, process set-up and machine manufacturing, electrical and electronics, earth moving and construction equipment and metal business.

Key monitorables

- Significant slowdown in infrastructure spending by the government and capital expenditure plans of the companies
- Sharp increase in the prices of key raw materials such as steel, cement and bitumen.
- Delay in realisation of payments could adversely affect the working capital position.

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Outlook on business risk Score: 5.0

About Larsen & Toubro

Larsen & Toubro (L&T) is India's largest engineering and construction company with a dominant position across engineering and construction segments. The company along with its group companies provides integrated design, engineering, procurement, construction and project management services to various sectors. The company has operations in multiple operating segments engineering and construction (E&C), electrical and electronics (EE), machinery and industrial products (MIP) and others. Through its subsidiaries like L&T Infrastructure Finance and L&T Infotech, it has diversified into related business segments.

L&T (Standalone) business segments

2007-08	E&C	E&E	MIP
	o Construction – Buildings, infrastructure etc o E&C Projects – Turnkey projects, turbines, boilers , refineries o Heavy industry – Heavy engineering and ship building	o Electrical and automation products, metering systems, medical equipments, petrol dispensing and pump systems	o Construction and mining equipments o Industrial products and machinery like valves, welding and cutting tools, etc
Revenue (Rs billion)	193.8	26.6	24.1
EBIT (Rs billion)	23.3	4.0	4.3
EBIT margins (%)	12.8	15.8	18.3
Capital employed* (Rs billion)	41.1	10.1	4.4
RoCE (%)	56.7	38.5	97.7

* excluding the unallocable corporate assets and liabilities

Source: CRISIL Research

E&C division of L&T undertakes engineering design and construction of buildings, factories, infrastructure and industrial projects. The work ranges from process designing, basic and detailed engineering and modular fabrication.

The electrical & electronic (E&E) segment is engaged in manufacturing of electrical standard products, systems and equipments. The company is a leading player in designing and manufacturing low voltage switch gears, circuit breakers, switch boards, metering systems, etc. The company is positioned as a market leader in low voltage switch gear market with rapidly expanding international presence with manufacturing facilities in China and Saudi Arabia. L&T has forayed into medium voltage switch gear with the acquisition of TAMCO of Malaysia. Its main competitors are ABB, Sneider, and Havells India in this segment.

The MIP division of L&T is focused on manufacturing industrial valves, construction and hydraulic equipment, machinery for mining, paper and rubber processing industry. MIP division enjoys the market leader position in most of its products lines in domestic market. This segment has grown close to 27 per cent over the last 2 years, driven by construction and hydraulic equipment and industrial valves. The major competitors of L&T in MIP division are JVC, Caterpillar, John Deere, Jaypee Engineering & Hydraulic Equipment Ltd and Hebenkraft.

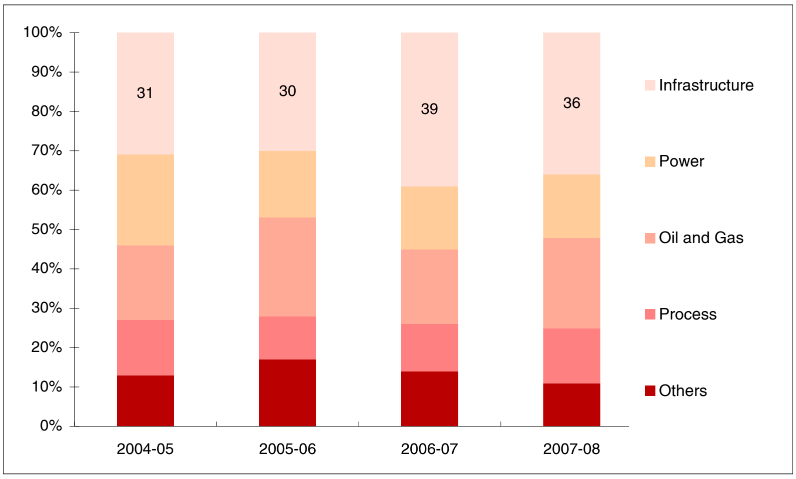
Largest company in engineering and construction space with proven technological expertise

L&T has established itself as a dominant player in the E&C space and has benefited from the infrastructure development activities in the country. The company's proven track record of nearly six decades in executing complex and diverse projects has helped to establish a very strong brand image. The company will continue to leverage its competencies to successfully complete complex projects in a timely and efficient manner. This will ensure a sustainable growth in the order book and stable margins. The strong order book also provides a high degree of revenue visibility. Some of the major ongoing projects include India's first indigenous hydrocracker reactor, India's biggest Offshore Oil Platform for ONGC, world's largest Tubular Reactor for Kuwait National Petroleum Co and Mumbai International Airport Ltd.

Well diversified order book de-risks the company from slowdown in any segment

The company's order book is well diversified with projects ranging from complex turnkey engineering, procurement and commissioning (EPC) to simple construction activities. The orders are also diversified across industries like power, infrastructure (ports, roads, rail, urban infrastructure), process industries like refineries and chemical complexes and oil and gas. A well diversified order book ensures that slowdown in one sector does not affect company's performance. The orders from oil and gas segment have grown the fastest due to a sharp rise in exploration, refining and marketing activities by oil companies to meet the increasing demand. The infrastructure segment has also contributed substantially owing to increase in spending on infrastructure by the Government of India through PPP routes.

Trends in the order book mix of E&C segment (%)



Source: CRISIL Research

Geographically too L&T is steadily extending its footprints in the international engineering and construction market (mainly in the Middle East) in the E&C segment through various subsidiaries and joint ventures. Exports revenue contributed 16.5 per cent in 2007-08, compared to 17.5 in 2006-07. The sharp depreciation of dollar against rupee is the major cause for decline in the percentage of exports. However, by 2009-10, L&T expects to earn 25 per cent of its revenues through overseas market.

Strong business prospects due to robust infrastructure spending plans

Investments in the construction sector is expected to double over the next 5 years, from Rs 4,717 billion (2002-03 to 2006-07) to Rs 9,217 billion (2007-08 to 2011-12). The major drivers contributing to this growth are roads, irrigation and urban infrastructure, power and oil and gas. L&T is expected to gain more out of burgeoning infrastructure spending as it possesses diverse competencies and has a proven track record of completion of complex and large sized projects in related sectors.

Hence, the order book of the company is expected to be driven by increased capital expenditure in the infrastructure, power and hydrocarbons space in India and the Middle East. However, growth in future order inflows could slowdown on account of higher base effect and global economic slowdown.

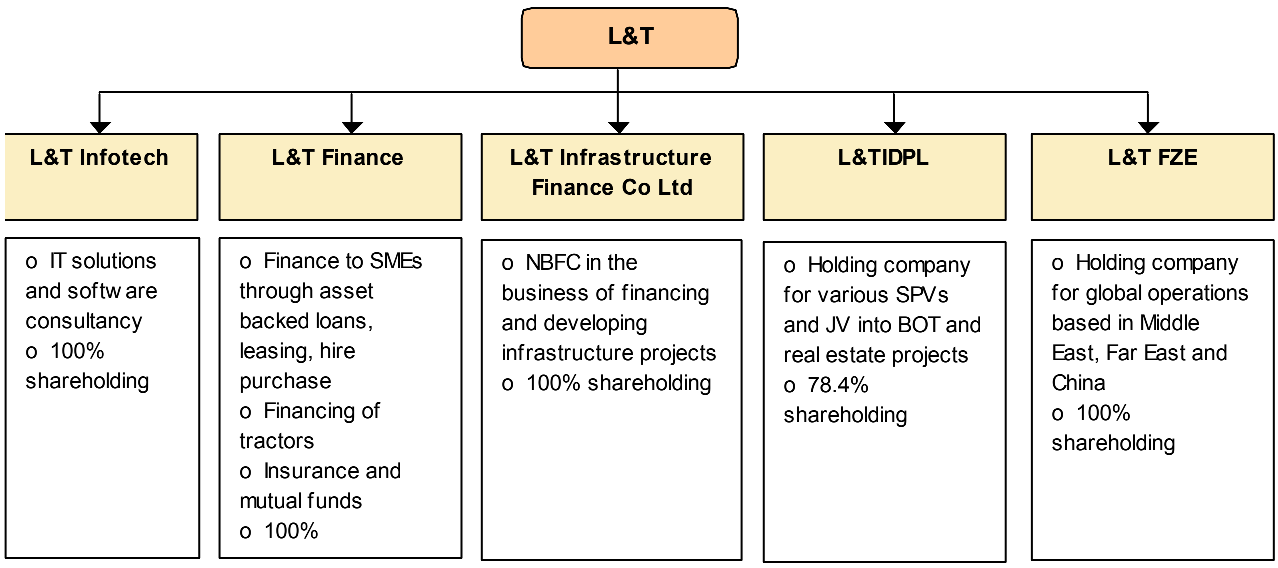
Technological edge over competitors due to various associations and joint ventures

The company has formed a joint venture with Mitsubishi Heavy Industries Ltd (MHI), Japan in order to attain competencies benefit from the opportunities in the Indian power sector including the ultra mega power projects (UMPP). The joint ventures and associations for technology access with leading global players like Mitsubishi Heavy Industries, Komatsu, Demag Plastics, Bechtel, Halliburton, Shell and Samsung Engineering and Construction, enables L&T to develop the best global practices and benefit from superior technology to gain edge over other competitors.

Strong performance of finance and IT subsidiaries

The following chart represents the key subsidiaries of L&T based on the revenue and total assets.

L&T's major subsidiaries



2007-08 (Rs Million)	L&T Infotech		L&T Finance		L&T Infrastructure Finance Co Ltd		L&T IDPL	
	2007-08	YoY %	2007-08	YoY %	2007-08	YoY %	2007-08	YoY %
Revenue	15,817	24	6,061	120	1,103	7383	388	-80
Total Assets	9,792	41	51,441	66	19,219	6781	12033	8
PBT	2,429	45	1,614	109	686	n.a.	219	-88
PAT	2,111	43	1,150	83	452	n.a.	199	-88
Revenue % of Consolidated	5.4		2.1		0.4		0.1	

Source: Company Reports, CRISIL Research

The subsidiaries have exhibited strong growth in the year 2007-08 led by L&T Finance Ltd, which registered 84 per cent increase in profit in 2007-08 over 2006-07. L&T Finance Ltd had a total income of Rs 6 billion (growth of 120 per cent), assets grew to Rs 51.4 billion (a growth of 64 per cent) and net profits grew to Rs 1.2 billion (growth of 84 per cent) in 2007-08 over the previous period. However, margins may be impacted in future due rising interest rates and investment in network expansion.

L&T's information technology subsidiary L&T Infotech Ltd's net profit grew by 28 per cent in 2007-08 over 2006-07 along with robust 24 per cent growth in revenues. The recent depreciation in rupee will help to improve the margins in the current year but the global economic spending could reduce the IT spending.

The company's other finance subsidiary L&T Infrastructure Finance Ltd in its first full year of operations registered a gross income of Rs 1.1 billion with a net profit of Rs 0.5 billion. For both the finance subsidiaries, net interest margins could be adversely impacted but growth in assets and gross income will be strong.

The company's subsidiary L&T Infrastructure Development Projects Ltd (L&TIDPL) undertakes build-operate-transfer (BOT) projects in the infrastructure space. L&TIDPL has a subsidiary which undertakes real estate development projects. L&TIDPL and its subsidiaries have a well diversified portfolio comprising 39 projects in sectors like roads and bridges, ports, airports and urban infrastructure.

L&T has outperformed its peers

Within heavy engineering, L&T's main competitors are engineering companies such as Samsung, Bechtel Corporation, Hyundai Engineering, National Petroleum Construction Company (NPCC) and Engineers India. Within the construction space, the company's main competitors are Punj Lloyd, Gammon India, Hindustan Construction (HCC) and Nagarjuna Construction Company (NCC).

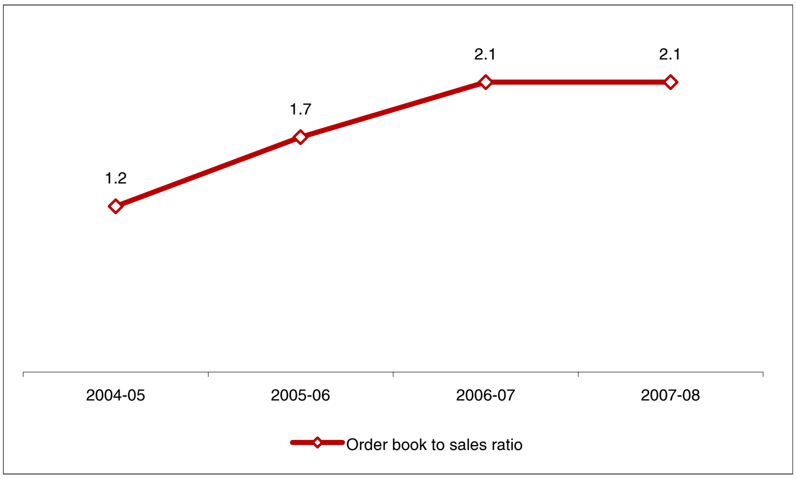
FY08	L&T	Punj Lloyd	NCC	HCC
Order book (Rs billion)	526.8	196.0	113.8	101.6
Order book growth (%)	43	64	53	30
Sales (Rs Billion)	249.4	44.6	34.7	23.6
Revenue growth (%)	10	103	21	19
Order book/sales ratio (Times)	2.1	4.4	3.3	4.3
Op margins (%)	12	11.6	10.8	9.6
RoCE (%)	32	14	13.6	6.4
Sales/assets (times)	6.1	4.5	5.3	2.2

Source: CRISIL Research

The ability to execute the complex projects on time has helped the company to earn highest operating margins even in the highly competitive market. L&T's order book growth has also been quite impressive registering a 43 per cent growth in the last year. The RoCE of L&T is substantially higher than its peers due to its higher operating efficiencies, large scale of operations and larger contribution of high margin complex orders. Efficiency, as seen by asset turnover is better than all other peers. However, order book to sales ratio is lowest for L&T compared to other competitors, giving lower revenue visibility, largely due to very high base of sales as compared to its competitors.

Trend in order book to sales ratio

Trends in the order book to sales (times)



Source: CRISIL Research

Outlook on financial risk Score: 5.0

Future financial performance *Score: 5.0*

Key financial indicators – L&T (standalone)

		31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09P	31-Mar-10P
Operating income	Rs mn	148,799.5	178,244.9	250,355.5	348,804.5	446,362.8
Operating margins	Per cent	8.3	10.9	12.0	11.4	11.2
Net profits	Rs mn	10,836.9	13,647.9	21,587.8	25,491.3	32,089.7
Net margins	Per cent	7.3	7.7	8.6	7.3	7.2
RoCE (return on average capital employed)	Per cent	29.0	30.4	32.0	30.6	33.3
Gearing	Times	0.3	0.4	0.4	0.2	0.2
Net cash accruals to debt	Times	0.6	0.5	0.5	0.9	1.0
Interest coverage	Times	9.8	16.3	20.4	13.7	18.9
Current ratio	Times	1.4	1.2	1.2	1.1	1.1

P: Projected

Source: CRISIL Research

Key financial indicators – L&T consolidated

		31-Mar-06	31-Mar-07	30-Mar-08
Operating income	Rs mn	166,736.8	205,960.9	293,943.8
Operating margins	Per cent	11.0	13.3	13.6
Net profits	Rs mn	14,497.3	22,979.7	23,926.9
Net margins	Per cent	8.7	11.2	8.1
RoCE (return on average capital employed)	Per cent	28.5	30.3	23.5
Gearing	Times	0.7	0.9	1.3
Net cash accruals to debt	Times	0.4	0.3	0.2
Interest coverage	Times	7.5	10.5	7.5
Current ratio	Times	1.4	1.3	1.3

Source: CRISIL Research

Healthy revenues driven by strong order book

L&T has recorded strong growth in its order book in the last few years with order inflows of Rs 420 billion in 2007-08, a growth of 43 per cent over last year. By 2007-08, L&T's order backlog position stood at Rs 527 billion, close to 2.1 times the net sales of the company in 2007-08. The order book of the company is expected to grow at 28 and 25 per cent in 2008-09 and 2009-10, respectively. Therefore, we expect L&T's revenue to grow at a compound annual growth rate (CAGR) of around 33 per cent over the next 2 years.

Margins are likely to be stable despite rising costs due to strategic initiatives and bargaining power of the company

L&T's operating margins have improved consistently from 7.5 per cent in 2004-05 to 11.3 per cent in 2007-08 due to the execution of contracts with higher margins and also benefiting from the large scale of operations. Judicious selection of projects and strategic initiatives taken to improve the cost and operational efficiency are expected to support operating margins as well. However, volatility in prices of commodities like cement, steel and iron are expected to put pressure on margins and cause them to fall slightly from 12.0 in 2007-08 to 11.4 in 2008-09 and 11.2 in 2009-10. The interest costs for the company are expected to rise sharply due to rising interest rates and higher working capital requirements. Net profits are expected to grow by 25-30 per cent in 2008-09 and 2009-10, in line with the existing order book position of the company while net margins are expected to be in the range of 7.0-7.5 per cent.

Support to subsidiaries to continue

L&T invested almost Rs 13 billion in 2007-08 as capital expenditure, most of which was utilised for plant and machinery and buildings. L&T invested heavily in its subsidiaries in 2007-08, indicating a ramp up of operations through subsidiaries. The growth in subsidiaries and associates has also been impressive, led by L&T-Komatsu and other financial subsidiaries. CRISIL Research expects L&T to invest Rs 14 billion and Rs 12 billion in 2008-09 and 2009-10, respectively in subsidiaries to support their growth plans.

	Investment in 2007-08 (million Rs)
L&T Finance Ltd	2,500.0
L&T International FZE	3,364.0
L&T Infrastructure Finance Company Ltd	2,570.0
L&T Reality Pvt Ltd	472.0
L&T Infotech Ltd	203.0
Total investments in subsidiaries and affiliated companies	**10,310.5**

Source: Company reports

Apart from investments in subsidiaries and associate companies, L&T also has contingent liabilities for guarantees given on behalf of subsidiaries and associate companies given in the following table:

Guarantees on behalf of (million Rs)	2007-08	2006-07
Subsidiaries	691.8	605.3
Associates	100.0	100.0

Source: CRISIL Research

The loans and advances to subsidiaries and affiliates amounted to Rs 1.2 billion in 2007-08, compared to Rs 1.5 billion last year. We expect this loan to remain at the same level in the future as well.

Commodity and currency risks

The company is also exposed to financial risks due to change in exchange rates, interest rates and commodity prices. L&T enters into various types of derivatives contracts to hedge this risk. To hedge the foreign currency risk, L&T has entered into contracts worth Rs 1.1 billion. The unhedged foreign currency exposure was estimated at Rs 1.8 billion by the end of 2007-08.

Financial flexibility — *Score: 5.0*

Modest capital expenditure plans; investments in subsidiaries to continue

L&T has capital expenditure plans of Rs 16 billion in 2008-09 and Rs 15 billion in 2009-10, which is largely focused towards the procurement of construction machinery in order to support the company's growth plans. Further, the company is expected to invest close Rs 26 billion in subsidiary and associate companies to support their growth plans in 2008-09 and 2009-10 in the form of investments and loans and advances. L&T is expected to fund the investment in fixed assets and subsidiaries through internal cash accruals and existing cash and marketable securities.

Financial flexibility is expected to remain high

Low gearing levels in the range of 0.3-0.4, strong cash accruals and modest capital expenditure plans to translate into high degree of financial flexibility for L&T. L&T has strong cash and cash equivalents of about Rs 52.2 billion (including mutual fund and bond investments) at the end of 2007-08, versus about 22.5 billion at end of 2006-07.

The cash accruals are expected to increase by 30 per cent and 35 per cent in the years 2008-09 and 2009-10, thus providing L&T adequate cash to fund its internal requirements. The interest coverage ratio is expected to remain comfortable in the range of 12-15 times in the coming years. The gearing of L&T is also very low compared to its competitors, thus providing an additional option for funding. Despite the huge funding requirements, the gearing is expected to be maintained at 0.32.

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Sources and uses of funds

Rs million	31-Mar-07	31-Mar-08	31-Mar-09P	31-Mar-10P
Key sources of funds				
Cash accruals	11,132.0	17,967.0	21,610.0	27,733.0
Increase in equity	292.0	18.0	-	-
Direct additions to reserves	1,168.0	21,951.0	-	-
Increase in short-term borrowings	9,787.0	19,802.0	-	4,605.0
Decrease in cash and marketable securities	-	-	31,176.0	4,568.0
Net increase in deferred tax liability/asset	-	212.0	238.0	300.0
Net Increase in other non-current liabilities	6,863.0	9902.0	9,980.0	9,555.0
Total	**29,241.0**	**69,852.0**	**63,009.0**	**46,761.0**
Key uses of funds				
Increase in fixed assets	7,389.0	16,198.0	18,954.0	17,562.0
Increase in investments	7,102.0	7,194.0	14,000.0	12,100.0
Decrease in long-term borrowings	3,545.0	4,739.0	-	-
Increase in net working capital	894.0	8,661.0	11,950.0	11,528.0
Increase in cash and marketable securities	8,798.0	30,338.0	-	-
Net increase in other non-current assets	1,142.0	2,723.0	5,686.0	5,571.0
Net increase in deferred tax liability/asset	371.0	-	-	-
Total	**29,241.0**	**69,852.0**	**63,009.0**	**46,761.0**

P: Projected

Source: CRISIL Research

Annexure

Equity holding information
Larsen & Toubro Ltd (No. of shares)

	Jun-08	% of total shares
Non-promoters	28,03,08,521	**95.9**
Institutions	15,44,59,108	52.8
Mutual funds/UTI	4,65,87,304	15.9
Banks, FIs, insurance cos	6,64,33,000	22.7
Financial institutions & banks	4,98,42,514	17.1
Insurance companies	1,65,90,326	5.7
Central & state government	160	
FIIs	4,14,35,810	14.2
Others	2,994	
Non-institutions	12,58,49,413	**43.0**
Corporate bodies	1,31,92,595	4.5
Individuals	6,96,36,691	23.8
Nominal invest upto Rs 1 lakh	6,76,67,269	23.1
Nominal invest over Rs 1 lakh	19,69,422	0.7
Others	4,30,20,127	14.7
Shares held by custodians	1,20,97,241	**4.1**
Total Equity holding	**29,24,05,762**	**100.0**

Source: Prowess

Profit and loss account

Rs million	2005-06 Actuals	% of op. income	2006-07 Actuals	% of op. income	2007-08 Actuals	% of op. income	2008-09 Projected	% of op. income	2009-10 Projected	% of op. income
Gross sales	148,017.2		177,536.5		249,356.8		347,820.0		445,209.6	
Traded goods sales	0.0		0.0		0.0		0.0		0.0	
Total excise and other indirect taxes	-2,563.7	-1.7	-3,480.2	-2.0	-3,343.8	-1.3	-4,664.2	-1.3	-5,970.1	-1.3
Net sales	145,453.5	97.8	174,056.3	97.7	246,013.0	98.3	343,155.8	98.4	439,239.5	98.4
Other related income	3,346.0	2.2	4,188.6	2.3	4,342.5	1.7	5,648.7	1.6	7,123.4	1.6
Operating income	**148,799.5**	**100.0**	**178,244.9**	**100.0**	**250,355.5**	**100.0**	**348,804.5**	**100.0**	**446,362.8**	**100.0**
Material costs	60,426.0	40.6	72,453.7	40.6	109,134.2	43.6	158,605.9	45.5	209,248.5	46.9
Traded goods purchased	11,458.0	7.7	11,810.0	6.6	15,819.0	6.3	22,065.4	6.3	28,243.7	6.3
|Accretion| : decretion to stocks	618.1	0.4	-564.5	-0.3	-744.5	-0.3	-1,290.8	-0.4	-1,277.5	-0.3
Consumable stores	3,675.7	2.5	4,692.6	2.6	6,995.4	2.8	9,805.0	2.8	12,585.7	2.8
Power and fuel	2,347.5	1.6	3,081.3	1.7	3,652.5	1.5	5,094.8	1.5	6,521.3	1.5
Employee costs	8,979.8	6.0	12,911.8	7.2	15,363.4	6.1	18,782.3	5.4	21,370.1	4.8
Other manufacturing expenses	39,500.5	26.5	42,260.4	23.7	50,990.9	20.4	69,449.0	19.9	86,700.0	19.4
Other expenses	6,769.7	4.5	8,789.5	4.9	14,910.6	6.0	20,798.3	6.0	26,621.9	6.0
Selling expenses	2,641.0	1.8	3,470.7	1.9	4,421.1	1.8	5,648.8	1.6	6,567.5	1.5
Miscellaneous expenses w/off	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less exp capitalised	-18.9	0.0	-33.0	0.0	-114.2	0.0	0.0	0.0	0.0	0.0
Cost of sales	**136,397.4**	**91.7**	**158,872.5**	**89.1**	**220,428.4**	**88.0**	**308,958.7**	**88.6**	**396,581.1**	**88.8**
OPBDIT	**12,402.1**	**8.3**	**19,372.4**	**10.9**	**29,927.1**	**12.0**	**39,845.8**	**11.4**	**49,781.7**	**11.2**
Interest and finance charges	1,800.8	1.2	1,416.7	0.8	1,789.5	0.7	3,215.6	0.9	2,874.6	0.6
Less interest capitalised	-9.8	0.0	-16.1	0.0	-53.3	0.0	0.0	0.0	0.0	0.0
OPBDT	**10,611.1**	**7.1**	**17,971.8**	**10.1**	**28,190.9**	**11.3**	**36,630.2**	**10.5**	**46,907.1**	**10.5**
Depreciation	1,144.9	0.8	1,700.1	1.0	2,094.8	0.8	2,865.5	0.8	3,739.2	0.8
OPBT	9,466.2	6.4	16,271.7	9.1	26,096.1	10.4	33,764.7	9.7	43,167.9	9.7
Non-operating income	3,661.3	2.5	2,919.8	1.6	4,607.4	1.8	4,073.3	1.2	4,464.3	1.0
APBT	**13,127.5**	**8.8**	**19,191.5**	**10.8**	**30,703.5**	**12.3**	**37,838.0**	**10.8**	**47,632.2**	**10.7**
Cash adjustments	858.5	0.6	1,030.8	0.6	737.7	0.3	0.0	0.0	0.0	0.0
Non-cash adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary income	937.5	0.6	5.1	0.0	872.3	0.3	0.0	0.0	0.0	0.0
Extraordinary expenses	-322.6	-0.2	-560.5	-0.3	-659.8	-0.3	0.0	0.0	0.0	0.0
PBT	**14,600.9**	**9.8**	**19,666.9**	**11.0**	**31,653.7**	**12.6**	**37,838.0**	**10.8**	**47,632.2**	**10.7**
Tax	3,917.5	2.6	6,275.3	3.5	9,866.4	3.9	12,108.2	3.5	15,242.3	3.4
Provision for deferred tax	-153.5	-0.1	-256.3	-0.1	199.5	0.1	238.5	0.1	300.2	0.1
Profit after tax |PAT|	**10,836.9**	**7.3**	**13,647.9**	**7.7**	**21,587.8**	**8.6**	**25,491.3**	**7.3**	**32,089.7**	**7.2**
Dividend	3,446.4		4,215.9		5,715.8		6,746.7		8,096.0	
Accretion to reserves	7,390.5		9,432.0		15,872.0		18,744.7		23,993.7	
Net cash accruals |NCA|	**8,535.4**		**11,132.1**		**17,966.8**		**21,610.2**		**27,732.9**	
EPS	78.9		48.2		73.8		87.2		109.8	
No of equity shares (million)	137.4		283.3		292.3		292.3		292.3	

Notes:

2006-07:

1. Extraordinary income represents gain on extinguishments of debt Rs 5.1 million
2. Extraordinary expenses include provision for diminution in the value of investments Rs 119.5 million, provision for foreseeable losses on construction contracts Rs 82.7 million, share issue expenses Rs 3.8 million, liabilities on account of employee benefits Rs 354.5

2007-08:

3. Extraordinary income represents profit on sale of strategic investments, JV etc, Rs 872.3 million
4. Extraordinary expenses include provision for diminution in the value of investments Rs 242.2 million, impairment of assests Rs 21.2 million, provision for foreseeable losses on account of construction contracts Rs 24.8 million, share issue expenses Rs 146.4
5. We have not accounted for extraordinary loss/profit on account of sale of RMC business to Lafarge for Rs 16 billion due to limited available information

Source: CRISIL Research

CRISIL RESEARCH

Balance sheet

(Rs million)	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09P	31-Mar-10P
Equity share capital	275.0	567.0	585.0	585.0	585.0
Reserves and sur*plus*	45,334.0	55,934.0	93,756.0	112,501.0	136,495.0
Tangible net worth	**45,609.0**	**56,500.0**	**94,341.0**	**113,086.0**	**137,079.0**
Deferred tax liability: |Asset|	773.0	402.0	614.0	852.0	1,152.0
Long-term debt	9,650.0	6,105.0	1,366.0	1,370.0	1,370.0
Short-term debt	4,885.0	14,672.0	34,474.0	22,055.0	26,659.0
Total debt	**14,535.0**	**20,777.0**	**35,840.0**	**23,425.0**	**28,030.0**
Current liabilities	58,963.0	81,609.0	116,484.0	164,718.0	211,938.0
Total Provisions	10,154.0	11,765.0	20,354.0	23,492.0	27,460.0
Total liabilities	**130,034.0**	**171,052.0**	**267,633.0**	**325,573.0**	**405,659.0**
Gross block	22,018.0	27,482.0	40,507.0	56,795.0	71,806.0
Net fixed assets	15,403.0	21,092.0	35,195.0	51,283.0	65,107.0
Leased assets: assets given out on lease	69.0	69.0	80.0	80.0	80.0
Investments	20,278.0	31,066.0	69,886.0	54,355.0	61,887.0
Marketable securities	7,263.0	10,949.0	42,586.0	13,054.0	8,487.0
Current assets	94,283.0	118,825.0	162,472.0	219,855.0	278,586.0
Cash	5,832.0	10,944.0	9,645.0	8,000.0	8,000.0
Loans and advances to subsidiaries and group cos	1,767.0	1,523.0	1,244.0	1,344.0	1,464.0
Total assets	**130,034.0**	**171,052.0**	**267,633.0**	**325,573.0**	**405,659.0**

P: Projected

Source: CRISIL Research

Ratios

	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09P	31-Mar-10P
Profitability ratios					
OPBDIT *divided by* operating income	8.3	10.9	12.0	11.4	11.2
PAT *divided by* operating income	7.3	7.7	8.6	7.3	7.2
PAT *divided by* tangible net worth		26.7	28.6	24.6	25.7
Dividend *divided by* PAT	31.8	30.9	26.5	26.5	25.2
Tax *divided by* PBT	26.8	31.9	31.2	32.0	32.0
OPBIT *divided by* operating capital	29.7	46.4	60.0	59.5	56.7
PBIT *divided by* total debt *plus* tangible net worth	29.0	30.4	32.0	30.6	33.3
Operating income *divided by* gross block	7.1	7.2	7.4	7.2	6.9
Interest *plus* capitalised int *less* lease prinp *divided by* average debt	11.5	8.8	6.6	11.4	11.8
Capitalisation ratios					
Total outside liabilities *divided by* tangible net worth	1.9	2.0	1.8	1.9	2.0
Total debt *divided by* tangible net worth	0.3	0.4	0.4	0.2	0.2
Adjusted debt *divided by* tangible net worth	0.3	0.4	0.4	0.2	0.2
Adjusted debt *divided by* adjusted net worth	0.3	0.4	0.4	0.2	0.2
Total debt *divided by* PBDIT	0.8	0.9	1.0	0.5	0.5
Net |adjusted| debt *divided by* tangible net worth	0.0	0.0	-0.2	0.0	0.1
Short-term debt *divided by* total debt	0.3	0.7	1.0	0.9	1.0
Coverage ratios					
OPBDIT *divided by* interest and finance charges	6.9	13.8	17.2	12.4	17.3
PBDIT *divided by* interest and finance charges	9.8	16.3	20.4	13.7	18.9
APBDIT *divided by* interest and finance charges	9.0	15.9	19.9	13.7	18.9
APBDIT *divided by* interest *plus* capitalised	8.9	15.7	19.3	13.7	18.9
Net cash accruals *divided by* total debt	0.6	0.5	0.5	0.9	1.0
Liquidity ratios					
Current ratio	1.3	1.2	1.2	1.1	1.1
Debtors & bills disc: as days gross & traded sales	119	113	108	106	105
Days payables: as days consumption	150	168	152	152	151
Days inventory: as cost of sales	59	69	71	72	73
Days FG inventory: as cost of sales	5	6	5	5	5
Days RM & stores inv: as days RM & stores consumption		18	19	20	20
Gross curr assets |related to operations| as days op inc		227	240	235	229
Short-term liabilities *divided by* total liabilities	0.5	0.5	0.5	0.5	0.5

P: Projected

Source: CRISIL Research

Results

(Rs million)	2007-08 Q1	% of net sales	2008-09 Q1	% of net sales	2006-07 FY	% of net sales	2007-08 FY	% of net sales
Net sales	**45,052.1**	**100.0**	**69,014.3**	**100.0**	**175,788.4**	**100.0**	**248,547.0**	**100.0**
Total expenses	**40,821.6**	**90.6**	**62,440.7**	**113.5**	**158,323.0**	**248.1**	**220,400.7**	**260.3**
|Increase|: Decrease in stock-in-trade	-26.7	-0.1	-2,100.5	-3.8	-564.5	-0.9	-7,461.7	-8.8
Consumption of raw material	11,012.0	24.4	18,196.9	33.1	44,602.7	69.9	65,168.2	77.0
Administration & selling expenses	2,939.0	6.5	3,205.3	5.8	14,958.5	23.4	13,741.7	16.2
Site / subcontracting expenses	8,439.4	18.7	14,572.6	26.5	32,748.7	51.3	44,904.4	53.0
Employee costs	3,130.4	6.9	4,096.9	7.4	12,582.1	19.7	15,354.4	18.1
Purchase of traded goods	3,018.2	6.7	4,103.7	7.5	11,810.0	18.5	15,819.0	18.7
Other manufacturing & operating exp	2,786.3	6.2	4,971.2	9.0	5,785.9	9.1	16,771.5	19.8
Construction materials expenses	9,523.0	21.1	15,394.6	28.0	36,399.6	57.0	56,103.2	66.3
OPBDIT	**4,230.5**	**9.4**	**6,573.6**	**12.0**	**17,465.4**	**27.4**	**28,146.3**	**33.2**
Interest	157.2	0.3	382.4	0.7	339.3	0.5	1,226.6	1.4
OPBDT	**4,073.3**	**9.0**	**6,191.2**	**11.3**	**17,126.1**	**26.8**	**26,919.7**	**31.8**
Depreciation	424.1	0.9	658.7	1.2	1,700.1	2.7	2,116.0	2.5
OPBT	**3,649.2**	**8.1**	**5,532.5**	**10.1**	**15,426.0**	**24.2**	**24,803.7**	**29.3**
Other income	2,114.7	4.7	2,018.3	3.7	4,622.9	7.2	5,878.7	6.9
Extraordinary income : |expenses|	0.0	0.0	0.0	0.0	0.0	0.0	872.3	1.0
PBT	**5,763.9**	**12.8**	**7,550.8**	**13.7**	**20,048.9**	**31.4**	**31,554.7**	**37.3**
Current tax	1,956.2	4.3	2,312.7	4.2	6,123.2	9.6	8,927.9	10.5
Deferred tax	-18.6	0.0	109.7	0.2	-256.3	-0.4	199.5	0.2
Fringe benefit tax	57.8	0.1	104.0	0.2	151.8	0.2	693.1	0.8
PAT	**3,768.5**	**8.4**	**5,024.4**	**9.1**	**14,030.2**	**22.0**	**21,734.2**	**25.7**
Interest + depreciation (capital charges)	581.3	1.3	1,041.1	1.9	2,039.4	3.2	3,342.6	3.9

Source: BSE and CRISIL Research

Explanation of overall assessment grades

OVERALL SCORE incorporates the business & financial risks.

BUSINESS RISK is based on the Industry prospects and the performance of the company in its businesses.

Industry prospects

Industry prospects capture the influence of industry variables on the cash flows and debt repayment ability of companies in the industry over a 3–4 year horizon. Industry variables include demand supply outlook, cost structures, competition and financial performance.

Competitive position

Competitive position captures the relative strength of the company in comparison with its peers. It reflects the efficiency of its operations (measured using parameters such as input-output norms, power consumption and working capital management) as well as the company's position in the product-markets that it services (measured using parameters such as the reach of its distribution network, its ability to set prices, diverse product offering and market share).

FINANCIAL RISK is based on the financial performance of the company, its ability to fund its capital commitments and service its debt obligations on a two-year horizon.

Financial performance

The financial performance evaluates the financials of the company over the previous three-year period ending the latest financial year, and the future financial performance over a two-year horizon.

Financial flexibility

The financial flexibility evaluates the company's need for funds and the ability to raise the same through debt, equity, GDRs, internal accruals, liquidation of marketable securities, and support from group companies.

Accounting quality

Accounting Quality is commented upon by exception.

Credit profile scale

Score	Credit profile
5.0	Excellent
4.5	Very strong
4.0	Strong
3.5	Above average
3.0	Marginally above average
2.5	Average
2.0	Below average
1.5	Weak
1.0	Extremely weak

A score of 2.5 or above indicates investment grade

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