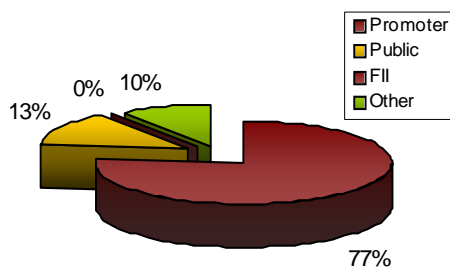


Company Report**Alfa Laval India Ltd.**19<sup>th</sup> August'08**BUY****CMP** Rs 821**Target Price** Rs 1093

BSE Code	505885
NSE Code	ALFALAVAL
Market Cap (Mn)	Rs 14909.75
52 Week High/Low	1222/742
Industry	Industrial Machinery
Face Value	Rs 10
Shares O/S	1,81,60,483
Avg Daily Vol (30 Days)	0.03

EPS	50.38
CEPS	54.50
Book Value	148.78
Beta	0.63
P/E	16.29
P/B	5.51

Shareholding Pattern

**Alfa Laval** traces its presence in India since 1937. A sales company of Alfa Laval Group, Alfa Laval India has its local registered office at Pune. Factories in India located in Maharashtra manufacture and supply key components and systems in Separation, Heat Transfer and Flow technology.

Quarterly Comparison @ glance

Particulars	Rs Mn				
	Q2CY07	Q3CY07	Q4CY07	Q1CY08	Q2CY08
Sales	1481.00	1869.02	2030.57	1660.12	1942.26
EBITDA	251.92	337.80	356.75	329.45	388.51
PAT	200.98	236.88	234.88	221.44	259.19
EBITDA Margin%	17.01	18.07	17.57	19.84	20.00
Net Profit Margin %	13.57	12.67	11.57	13.34	13.34
EPS	11.07	13.04	12.93	12.19	14.27
CEPS	12.0	14.1	14.1	13.4	15.6

- The company has posted excellent set of numbers for qtr ended June 2008. The topline of the company has witnessed rise of 17% from Rs 1660.12 million in qtr ended March'08 to Rs 1942.26 million in qtr ended June'08. The Equipment division of the company has observed the surge of 16% while Process Technology division of the company has registered the growth of 19% in revenue term for qtr ended June'08 as compare to previous qtr march'08.
- The EBIDTA of the company has shown whopping surge of 54% in Q2CY08 as compare to Q2CY07. On QoQ basis the company revealed the rise of 18% in Q2CY08 as compare to Q1CY08.
- Company has been able to perform consistently on margin front as EBIDTA margin of the company has witnessed rise almost 18% as compare to last qtr ended June '07. Looking at shareholder's value, the eps of the company has witnessed massive surge of 28% in current qtr as compare to qtr ended June'07. The Cash EPS of the company has also enhanced by 30% from Rs 12.0 in qtr ended June'07 to 15.60 from qtr ended June'08.

### *Business Details*

Alfa Laval (India) Ltd, formerly known as Vulcan Trading Company Limited (VTC), was incorporated as a wholly owned subsidiary of Swedish Match Company in 1937. In 1965 VTC was renamed as Vulcan Laval Limited. Finally in 1980 Alfa Laval AB of Sweden acquired the controlling stake of Vulcan Laval and then in 1987 re-christened it as Alfa Laval India. Alfa Laval's core strength lies on separation, heat transfer & flow technology, automation & project engineering, and fluid handling. The company has two divisions namely equipment and process technology division. Equipment division manufactures components and equipment, including separators and decanter, compressors, heat exchangers and power equipment. Process technology division executes turnkey projects, provides complete engineering solutions in vegetable oil processing, brewery, life science, distillery service, fuel ethanol and starch and starch derivatives. Alfa Laval supplies spray dryers and evaporators to chemical, pharmaceutical, dairy, process food and beverages industries. It specializes in fabrication of metals like stainless steel, titanium, nickel, cupro-nickel, monel, incoloy, hastelloy etc. It has completed projects in South Africa, China, Nigeria, Middle East, Turkey, Russia and Bangladesh. The registered office of Alfa Laval is at Pune in Maharashtra and its manufacturing units are at Dapodi, Sarole and Satara in Maharashtra. Dapodi plant specialises in manufacturing of separators, heat exchangers, evaporators, valves etc.

### *Key industries served by company*

- *Beverages*
- *Biofuels*
- *Biotech & Pharmaceuticals*
- *Chemicals*
- *Food*
- *HVAC*
- *Machinery*
- *Marine & diesel power*
- *Metals & Minerals, extraction*
- *Metal-working*
- *Oil & Gas*
- *Oil refinery*
- *Power*
- *Pulp & Paper*
- *Refrigeration & cooling*
- *Wastewater treatment*

## Investment Rationale

### Capacity Expansion

Company launched its new fittings factory unit at Sarole near Pune. The unit began in 1992 as a joint venture between Alfa Laval Group and Denmark-based Lavrids Krudsen Maskinfabrik (LKM), and was named as LKM (India) Limited. LKM (India) Limited merged with Alfa Laval Limited in the year 2001.

The new unit, spread over 7,450 square metres, provide the company with increased capacity, and will solve company's space constraints and help it in getting closer with customers.

### Growth through Innovation

The shipbuilding industry in India has seen rapid growth in the past few years and will continue to provide excellent business opportunities for the Company's separation and heat transfer equipment. Alfa Laval Group has innovated some breakthrough products in environment related requirements in Ship Building like Ballast Water Treatment etc. These innovative products will lead to increased demand by the local shipyards and thus fortify the financials of the company.

### Order Backlog

The economic climate favouring investments enabled the Company to go past the 7 billion rupee mark in order intake during the year ended 31st December, 2007. The new order inflow at Rs. 7730 M recorded an impressive growth of about 18% over the previous year. While the Equipment Division recorded a 30% growth in order booking, the order inflow from the Principals grew by about 42%. The Process Technology Division ensures a healthy order backlog at the end of the year. The Order backlog of Rs. 4031 M at the year end was 28% higher on year on year basis. Sales turnover at Rs. 6945 M registered an increase of about 17% as compared to Rs. 5934 M in the previous year. Export turnover grew by about 46% on the back of a strong off take of products by the Principals. While the order intake of Parts & Service grew by about 30%, sales revenue thereof grew by about 22% over the previous year.

## Financial Matrix

Rs Million

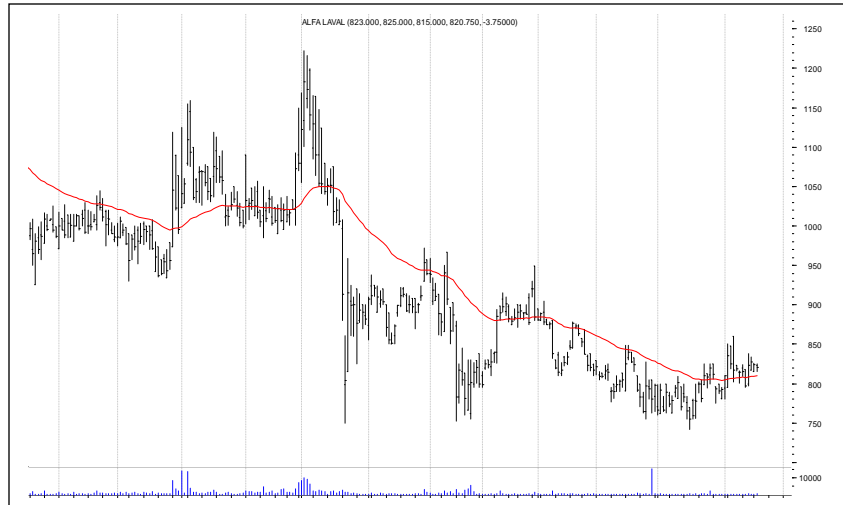
Particulars	CY04	CY05	CY06	CY07
Net sales	5056.95	5775.73	5934.85	6945.88
Growth%	---	14.21	2.75	17.04
Expenditure	4026.47	4812.92	4909.92	5688.83
EBITDA	<b>1030.48</b>	<b>962.81</b>	<b>1024.93</b>	<b>1257.05</b>
Growth%	---	-6.57	6.45	22.65
EBITDA margin	20.38	16.67	17.27	18.10
Growth%	---	-18.19	3.60	4.80
Other income	222.68	102.64	126.97	187.05
Depreciation	68.57	67.59	70.61	75.15
EBIT	1184.59	997.86	1081.29	1368.95
Interest	5.37	6.72	6.97	5.28
PBT	1179.22	991.14	1074.32	1363.67
Tax	394.09	342.57	377.92	448.74
Adjusted PAT	<b>785.13</b>	<b>648.57</b>	<b>696.40</b>	<b>914.93</b>
Growth %	----	-17.39	7.37	31.38
Net Profit margins	15.53	11.23	11.73	13.17
Growth%	-	-27.67	4.50	12.26
Extra ordinary items	0.00	0.00	0.00	0.00
Reported PAT	785.13	648.57	696.40	914.93
Equity Capital	181.60	181.60	181.60	181.60
EPS	<b>43.23</b>	<b>35.71</b>	<b>38.35</b>	<b>50.38</b>
CEPS	<b>47.00</b>	<b>39.40</b>	<b>42.20</b>	<b>54.50</b>

## Ratio Analysis

Particulars	CY04	CY05	CY06	CY07
ROE	38.64	29.99	30.04	33.86
ROA	20.28	14.63	14.85	16.84
ROCE	56.5	44.8	45.4	47.4
Leverage Ratio	1.91	2.05	2.02	2.01
Debt To Equity Ratio*	0.36	0.36	0.34	1.03
Interest Coverage ratio	220.59	148.49	155.13	259.27

^ Equity refers to Equity Share capital

### Past Price movement of the stock



### Valuation

The company has recorded enormous progress in its financials from the last few years. With the advancement of Indian economy at massive pace during last couple of years, the company has also been able to successfully take advantage of the same. Though the current business environment remains somewhat uncertain, the Company's broad product portfolio and process solutions together with a robust order backlog is expected to provide a cushion in case the overall rate of growth to slow down in the short term. The Company's Process Technology Division is looking ahead for some good business opportunities in power, petrochemicals, steel, fertilizer, fruit processing, brewery, pharmaceuticals, paper and pulp etc. At the same time, the Equipment Division expects to sustain its growth on the back of continued growth in comfort cooling and refrigeration, ship building, food processing and railways.

The company is presently trading at 16.29 times to its FY08 earnings of Rs 50.38 while it is trading at 5.51 times to its FY08 book value of Rs 148.78.

Looking at strong financial performance of the company we initiate "BUY" signal on the stock with the price target of Rs 1093 for medium to long term investment horizon.

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