AN ANALYSIS ON FUTURE RETURNS

A PROJECT REPORT

Submitted

by

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BONAFIDE CERTIFICATE

Certified that this project titled **"AN ANALYSIS ON FUTURE RETURNS"** is the bonafide work of **Mr. G.NARENDRAN** who carried out this project under my supervision. Certified further, that to the best of my knowledge the work reported herein does not from part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

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For **Irevna**

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DECLARATION

DECLARATION

I hereby declare that the dissertation entitled **"AN ANALYSIS ON FUTURE RETURNS"** submitted for the MASTER OF BUSINESS ADMINISTRATION degree is my original work and the dissertation has not formed the basis for the reward of any Degree, Associateship, Fellowship or any other similar titles.

30-10-08

Signature of the student

With date

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

In the past decade there is a tremendous amount of growth witnessed in terms of the volume of international trade all over the world. After the globalization and liberalization the amount of export and import has rose up substantially. The capital required for the expansion of business has increased and the growing need for the capital is met through various financial instruments and private instruments. The securities market of India has gained the attention of the entire world for investment opportunities. Thanks to the security market regulators and the robust economic growth in the past few years. This has turned the attention of many individuals (domestic and foreign investors) to invest in the shares.

The retail investors mostly fail to choose the stock that would provide the returns expected by them. The return analysis would enable the investors with the information required to judge the future returns from the security. The investors must be well aware of the possible returns as well as the risk involved in the securities market before they invest into these markets.

The main objective of this project is to estimate the returns of the securities for the next five years. The securities are selected based on the maximum volume of trade that occurred in the period of 16th June 08 to 11th July 08. The first five companies which are ranked based on the maximum number of shares traded in the NSE are selected.

With the recent fall in the securities market the investors must proceed with some basic analysis such as fundamental analysis and technical analysis before entering in to a long term investment with the securities market

The calculation of the future income statement is made in the analysis which enables the investors to make the investment decisions. With the recent fall in the securities market the investors must proceed with some basic analysis such as fundamental analysis and technical analysis before entering in to a long term investment with the securities market. An analysis on the future return plays a very important role in the investment decisions. The analysis could also help the investors for planning a perfect security analysis and bringing in an efficient and profit yielding portfolio construction. The analysis could also save the investors from a heavy loss before their investment in to the market.

INTRODUCTION

CHAPTER 1

1.1 INTRODUCTION

In the wake of the introduction of new economic policy in the middle of the year 1991, the Indian Capital Market has witnessed a tremendous growth. There was an explosion of investor interest during the nineties and an equity cult emerged in the country. To experience sustained growth statutory legislations have helped the capital market. Foreign Exchange regulation act is one such legislation in this direction.

An important recent development has been the entry of Foreign Institutional Investors as participants in the primary and secondary markets for industrial securities. In the past several years, investments in developing countries have increased remarkably. Among the developing countries India has received considerable capital inflows in recent years. The liberalization policy of the Government of India has now started yielding results and the country is poised for a big leap in the industrial and economic growth. The Economy of the country is mainly based on the development of the corporate sectors. Funds may be raised through securities market for financing corporate growth.

. The securities are selected based on the maximum volume of trade, that occurred in the period of 16th June 08 to 11th July 08. The first five companies which are ranked based on the maximum number of shares traded in the NSE are selected.

1.2 NATIONAL STOCK EXCHANGE

NSE is incorporated in the year 1992, and was given recognition as a stock exchange in April 1993.NSE was setup with the following objectives:

- Establishing a national wide trading facility for all types of securities
- Ensuring equal access to all over the country through an appropriate communication network
- Providing a fair, efficient and transparent securities market using electronic trading system

- Enabling shorter settlement cycles and the book entry settlements and
- Meeting the international benchmarks and standards.

Within a short span of life, above objectives have been realized and the exchange has played a leading role as a change agent in transforming the Indian Capital Markets to its present form.

it was sponsored by the Industrial Development Bank of India (IDBI) and co-sponsored by other term leading institutions like Industrial Finance Corporation of India(IFCI) all insurance companies, selected commercial banks and Financial Institutions. NSE trading is split into two broad categories Wholesale dept market segment (WDMS) Capital Market Segment (CMS). NSE allows trading members to trade from their offices through a communication network called NSEAT (National Stock Exchange Automated Trading). It also enables Wire Free trading through Wireless Application Protocol (WAP) platform.

1.3 S&P CNX Nifty:

The S&P CNX Nifty index based upon solid economic research. It was designed not only as a barometer of market movement but also to be a foundation of the new world of financial products based on the index like Index Future, Index options and Index funds. A trillion calculations were expanded to evolve the rules inside this index. The results of this work are remarkably simple:

- The correct size to use is fifty,
- The stock considered for the S&P CNX Nifty must be liquid by the 'Impact Cost' criterion,
- The largest fifty stocks that meet the criterion go into the index.

The S&P CNX Nifty index is a contrast to the Adhoc method that have gone into index construction in the preceding years , where indexes were made out of intuitions and lack of scientific basis. The research that led up to S&P CNX Nifty is well respected internationally as a pioneering effort in better understanding how to make a stock market index.

1.4 Return

The gain or loss of a security in a particular period is known as return. The return consists of the income and the capital gains relative on an investment. It is usually quoted as a percentage. Most of the investors expect maximum return at a minimum risk. In this project an attempt is made to forecast the return of securities for a period of five years. The risk-free interest rate is the interest rate that it is assumed can be obtained by investing in financial instruments with no default risk. However, the financial instrument can carry other types of risk, e.g. market risk (the risk of changes in market interest rates), liquidity risk (the risk of being unable to sell the instrument for cash at short notice without significant costs) etc.

1.5 Objectives of Study

Primary Objective

- To analyze the future return of selected individual securities which are listed in S&P Nifty

Secondary Objectives

- To analyze the yearly returns of selected securities
- To provide information to the investor about the minimum return he can expect

1.6 Need for the study

Investment in equity has gained momentum among the investors as the returns are high when compared to other investment avenues. It is necessary for investors to know the minimum return they can expect from the investment and the future growth prospects of the companies they are investing in. In order to do so an analysis on the future returns is very much essential.

1.7 Limitations

- Revenues are forecasted based on the trend analysis of the previous 4 year data.
- Inflationary effect is not taken into account
- Equity shares are assumed to be constant from 2008

1.8 Company Profile

1.8.1 Market Leaders in Offshore Investment Research

Irevna offers investment research services to the world's leading investment banks and financial institutions. Founded in 2001, Irevna pioneered the 'outsourced research' concept, where the firm helps large financial institutions to carry out investment research, at a time when accepted wisdom did not consider this possible.

They continue to be the market leaders in the industry, being the largest pure-play provider of equity, credit and derivatives research services. Being the most experienced player in this industry, Irevna's activities span the entire value chain of investment research. They obviously are experts in building financial models and drafting investment reports-but several of our clients see a lot of value in using Irevna as an 'intellectual partner'- helping them to generate investment ideas and converting ideas to structured investment products.

In May 2005, Irevna became a part of CRISIL, India's leading Ratings, Research, Risk and Policy advisory company. CRISIL's majority shareholder is Standard & Poor's, the world's foremost provider of Independent credit ratings, Indices, Risk evaluation, Investment research, Data and Valuations.

1.8.2 Management

G V Mani, Senior Director, Off shoring Operations

Mani is the business head for CRISIL-Irevna group's off-shoring business. In this role he provides strategic leadership to the business, especially its growth into new verticals and geographies.

Chris Graham, Director, Global Business Development

Chris Graham heads Irevna's business development and relationship responsibilities. Chris has been with the group for over 4 years, and spearheaded development of the North American client base, global credit research client base, and the Western Hemisphere Research Delivery Center in Buenos Aires, Argentina.

Ravishankar G, Director of Global Delivery

Ravishankar G leads delivery operations of Irevna, which are spread across three locations, namely Buenos Aires, Chennai and Mumbai. Ravi has over 13 years experience in investment research across different asset classes and has been instrumental in managing the growth of outsourced investment research operations at Irevna, over the last couple of years.

1.8.3 Services

Equity Research

Irevna works closely with firms in sell-side research (investment banks and independent research houses), as well as buy-side research (hedge funds and large institutional investors). Irevna's professionals (usually finance MBAs, CPAs and CFAs) perform financial modeling and valuation, write initiation reports and earnings review/preview notes, and undertake thematic research. Leveraging its considerable experience in this domain, Irevna provides sector expertise and thought leadership in this area.

Quantitative Research

Irevna provides quantitative research services in the areas of portfolio selection and asset allocation strategies, and pricing and analyzing derivatives and structured products. These teams, including people with advanced degrees in econometrics, mathematics and computational finance, work across areas such as advanced statistical analysis, portfolio optimization, and simulation.

Credit Research

Irevna has a strong pedigree in outsourced credit research. Its parent company, CRISIL, is the market leader in domestic credit ratings and has more than a decade's experience in providing credit research services for international financial markets. The CRISIL-Irevna group is the market leader in outsourced credit research services in India. Its activities range from financial analysis and modeling to authoring credit reports.

1.8.3 Social Responsibility

As a socially responsible organization, they actively participate in several voluntary programmes. They encourage their employees to contribute towards enriching the quality of lives of the communities they live and work in. Some of their activities include spending time at orphanages and old age homes. They have also been organizing blood donation camp once every six months in association with the Jeevan Blood Bank.

They also extended their support during the Tsunami relief program. Their employees collected cash, food, clothing, and other basic life support material and distributed them directly to the victims. Across Irevna, several of their employees also contributed to the Prime Minister's National Relief Fund. Apart from these contributions, a number of their employees' participated in rescue operations at Nagapattinam (a devastated coastal town in Tamil Nadu)

1.9 Review of Literature

Li Jun and Xu Jiuping(2007) [1] The future returns of each securities cannot be correctly reflected by the securities data in the past, therefore the statistical techniques and the experts' judgement and experience are combined together to estimate the security returns in the future. The returns of each security is assumed to be fuzzy random variables, then following the ideas of mean variance model a new portfolio selection model in a hybrid uncertain environment is proposed. Moreover, the -mean variance efficient frontiers and -mean variance efficient portfolios are defined, and the properties of -mean variance efficient portfolios located on different -mean variance efficient frontiers are discussed. On the basis of the results, they have concluded that the proposed model can provide the more flexible results.

[1] *Li Jun and Xu Jiuping,* A novel portfolio selection model in a hybrid uncertain environment, Omega; Apr2009, Vol. 37 Issue 2, p439-449, 11p.

Lehavy Reuven and Sloan Richard (2008) [2] has said that investment fundamentals, such as earnings and cash flows, can explain only a small proportion of the variation in stock returns. We find that investor recognition of a firm's stock can explain relatively more of the variation in stock returns. Consistent with Merton's theoretical analysis, we show that (i) contemporaneous stock returns are positively related to changes in investor recognition, (ii) future stock returns are negatively related to changes in investor recognition, (iii) the above relations are stronger for stocks with greater idiosyncratic risk and (iv) corporate investment and financing activities are both positively related to changes in investor recognition. They have suggested that investors and managers who are concerned with firm valuation should consider investor recognition in addition to accounting information and related investment fundamentals

Albuquerque Rui , De Francisco Eva, Marques Luis B.(2008)[3] have presented a model of equity trading with informed and uninformed investors where informed investors trade on firm-specific and marketwide private information. The model is used to identify the component of order flow due to marketwide private information. Estimated trades driven by marketwide private information display little or no correlation with the first principal component in order flow. Indeed, we find that co-movement in order flow captures variation mostly in liquidity trades. Marketwide private information obtained from equity market data forecasts industry stock returns, and also currency returns.

Stein Michael, Branke Jürgen, Schmeck Hartmut(2008)[4] have dealt with the efficient implementation of parametric quadratic programming that is specialized for large-scale mean-variance portfolio selection with a dense covariance matrix. Their aim is to calculate the whole Pareto front of solutions that represent the trade-off between maximizing expected return and minimizing variance of return. They have described

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[2]Lehavy Reuven and Sloan Richard, Review of Accounting Studies, Investor recognition and stock returns., Sep2008, Vol. 13 Issue 2/3, p327-361, 35p.

[3] *ALBUQUERQUE RUI , DE FRANCISCO EVA, MARQUES LUIS B.* Marketwide Private Information in Stocks: Forecasting Currency *Returns*. Journal of Finance; Oct2008, Vol. 63 Issue 5, p2297-2343, 47p

[4] *Stein Michael, Branke Jürgen, Schmeck Hartmut,* Efficient implementation of an active set algorithm for large-scale portfolio selection, Computers & Operations Research; Dec2008, Vol. 35 Issue 12, p3945-3961, 17p.

and compared in a uniform framework several techniques to speed up the necessary matrix operations, namely the initial matrix decomposition, the solution process in each iteration, and the matrix updates. Techniques considered include appropriate ordering of the matrix rows and columns, reducing the size of the system of linear equations, and dividing the system into two parts. Regarding implementation, they have suggested to simultaneously use two different matrix representations that are specifically adapted to certain parts of the algorithm and propose a technique that prevents algorithm stalling due to numerical errors. Finally, they have analyzed and compared the runtime of these algorithm variants on a set of benchmark problems. They have demonstrated, the most sophisticated variant is several orders of magnitude faster than the standard implementation on all tested problem instances.

Pisedtasalasai Anirut, Gunasekarage Abeyratna (2008)[5] have examined the causal and dynamic relationships among stock returns, return volatility and trading volume for five emerging markets in South-East Asia—Indonesia, Malaysia, Philippines, Singapore and Thailand. They have found strong evidence of asymmetry in the relationship between the stock returns and trading volume; returns are important in predicting their future dynamics as well as those of the trading volume, but trading volume has a very limited impact on the future dynamics of stock returns. However, the trading volume of some markets seems to contain information that is useful in predicting future dynamics of return volatility.

Kolari James W, Moorman Ted C, Sorescu Sorin M(2008)[6] they have examined the relation between the cross-section of US stock returns and foreign exchange rates during the period from 1973 to 2002. They have found that stocks that are most sensitive to foreign exchange risk (in absolute value) have lower returns than others. This implies a non-linear, negative premium for foreign exchange risk. Sensitivity to foreign exchange generates a cross-sectional spread in stock returns unexplained

[5] *Pisedtasalasai Anirut, Gunasekarage Abeyratna (2008)*[5], Causal and Dynamic Relationships among Stock Returns, Return Volatility and Trading Volume: Evidence from Emerging markets in South-East Asia, Asia-Pacific Financial Markets; Dec2008, Vol. 14 Issue 4, p277-297, 21p.
[6] *Kolari James W, Moorman Ted C, Sorescu Sorin M(2008)*[6], Foreign exchange risk and the cross-section of stock returns, Journal of International Money & Finance; Nov2008, Vol. 27 Issue 7, p1074-1097, 24p

by existing asset-pricing models. Consequently, we form a zero-investment factor related to foreign exchange-sensitivity and show that it can reduce mean pricing errors for exchange-sensitive portfolios. One possible explanation for their findings includes Johnson's option-theoretic model in which expected returns are decreasing in idiosyncratic cash flow volatility.

Durbach Ian N, Stewart Theodor J(2008)[7] conducted a simulation study examining the impact of a simplification strategy that replaces distributional attribute evaluations with their expected values and uses those expectations in an additive value model. Several alternate simplified forms and approximation approaches are investigated, with results showing that in general the simplified models are able to provide acceptable performance that is fairly robust to a variety of internal and external environmental changes, including changes to the distributional forms of the attribute evaluations, errors in the assessment of the expected values, and problem size. Certain of the simplified models are shown to be highly sensitive to the form of the underlying preference functions, and in particular to extreme non-linearity in these preferences.

Edirisinghe N. C. P., X. Zhang (2008)[8] Fundamental analysis is an approach for evaluating a firm for its investment-worthiness whereby the firm's financial statements are subject to detailed investigation to predict future stock price performance. They have proposed an approach to combine financial statement data using Data Envelopment Analysis to determine a relative financial strength (RFS) indicator. Such an indicator captures a firm's fundamental strength or competitiveness in comparison to all other firms in the industry/market segment. By analysing the correlation of the RFS indicator with the historical stock price returns within the industry, a well-informed assessment can be made about considering the firm in an equity portfolio. They have tested the proposed indicator with firms from the technology sector, using various US industries and report correlation analyses. Their preliminary computations using RFS

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[7] *Durbach Ian N, Stewart Theodor J(2008)*[7], Using expected values to simplify decision making under uncertainty, Omega; Apr2009, Vol. 37 Issue 2, p312-330, 19p

[8] *Edirisinghe N. C. P., X. Zhang (2008)*[8], Portfolio selection under DEA-based relative financial strength indicators: case of US industries, Journal of the Operational Research Society; Jun2008, Vol. 59 Issue 6, p842-856, 15p

indicator-based stock selection within mean-variance portfolio optimization demonstrate the validity of the proposed approach.

Anandarajan Asoka Becchetti Leonardo Hasan Iftekhar(2008)[9] The stock market is driven by analyst's forecasts. Investors rely on such forecasts to determine where they should invest. However, research in the academic literature shows us that analysts' forecasts are biased. It is important to understand why such forecasts are biased and the sources of such bias. They have examined analyst's earnings forecast bias and the determination of such bias. In particular they examined the influence of stock market movement on earnings forecast bias with particular reference to the "high growth" era in the period 1995 to 2000. Their results using a large sample of S&P stocks show that forecast bias was accentuated during this period and overstated earnings. While they would expect stock prices to decline if actual reported earnings were less than forecast, this not the case. They discuss the reasons in the paper. The net effect was that analysts' forecast bias and increases in stock prices tended to "feed off" each other. Analysts continued to provide higher valuations and stock prices continued to rise. They have found that this was particularly accentuated in the tech companies. They have also found evidence of analysts' "herd behavior" with respect to overvaluation.

[9] *Anandarajan Asoka Becchetti Leonardo Hasan Iftekhar(2008)*[9], The dynamics of the analysts' earnings forecast bias and the stock market boom, Journal of Theoretical Accounting Research; Fall2008, Vol. 4 Issue 1, p1-37, 37p

RESEARCH METHODOLOGY

CHAPTER 2

RESEARCH METHODOLOGY

2.1 RESEARCH DESIGN

The research is of descriptive in nature as the study was done to find out the future return that is expected from the selected individual securities that are listed in the S&P Nifty.

2.2 DATA COLLECTION METHOD

Secondary data collection method was used to collect various data pertaining to the analysis. The secondary data was obtained from the company websites and the NSE website.

2.3 SOURCES OF DATA COLLECTION

Historical data for the market index & company index are collected from the internet

2.4 SAMPLE SIZE

The securities are selected based on the maximum volume of trade that occurred in the period of 16^{th} June 08 to 11^{th} July 08 from the sample size of 169 which constitutes the A Group in NSE. Five companies are selected for the study. The companies selected for the study are as follows.

ONGC
UNITECH
BHEL
TCS
MARUTI SUZUKI

MICRO AND MACRO ANALYSIS

CHAPTER 3

MICRO AND MACRO ANALYSIS

MICRO ANALYSIS

The Indian financial sector is on a roll. Driven by a strong investor interest and an expanding market, the industry is also becoming more vibrant, with new types of products and services being offered to meet the needs of the booming economy.

The buoyancy in the economy is estimated to lead to a four-fold increase in India's investable wealth from US$ 250 billion in 2007 to US$ 1 trillion by 2012. Simultaneously, according to a report by Celent, an international consultancy firm, India's wealth management segment will rise to an estimated 42 million households by 2012 from about 13 million households in 2007.

Clearly, there is huge potential in this segment. Significantly, wealth management revenues are expected to account for 32-37 per cent of the total full-service financial institutions by 2012. The market is also expected to undergo a structural transformation with organised players increasing their market share.

The attractiveness of India in the global financial market is also reflected in the Indian cities - Mumbai, New Delhi and Bangalore - finding a place of pride in the list of the world's top 75 commercial centres, as per the 2008 'Mastercard Worldwide Centres of Commerce Index'.

STOCK MARKETS

The year 2007 saw Indian stock markets scaling new peaks, with the popular sensex crossing 21,000 and Nifty crossing the 6,000 mark for the first time. It was the third best performing market in the world with a dollar return of 71.23 per cent. The popular Bombay Stock Exchange (BSE) benchmark index, Sensex, posted its highest ever absolute gain of 6500 points in over two decades.

This performance of Indian stock markets has led to the total investor wealth of Bombay Stock Exchange (BSE) surging to a record high of over US$ 1.7 trillion, with an average increase of over US$ 10.18 million in every minute of trading during 2007. At the end of 2006, the total market capitalisation stood at US$ 812 billion.

Simultaneously, the National Stock Exchange (NSE) has climbed to the top spot in stock futures contracts and number-two slot in the index futures segment in the world.

According to Ernst & Young, India was also the fifth largest market in terms of number of IPOs and seventh largest in terms of the proceeds for the year. Indian companies raised a whopping US$ 11.48 billion through public issues in 2007, which is 83 per cent higher than US$ 6.28 billion mobilised in 2006.

The robust performance of the Indian stock markets can also be seen in the huge increase in the funds mobilised by the corporate India. During 2007-08, India Inc mobilised a whopping US$ 8.13 billion through issue of shares on rights issue, which is almost an eight-fold increase over US$ 926.32 million raised in 2006-07. In fact, the mobilisation of the funds in 2007-08 was more than the combined mobilisation of the preceding 12 years.

The flurry of fund raising activity by the companies on the Indian stock exchange has continued in 2008. Fund raising by India Inc through IPOs rose by a whopping 62 per cent since the beginning of 2008 to 29 May, 2008 to US$ 4.2 billion, against US$ 2.6 billion during the same period in 2006, according to global deal data provider Dealogic. Significantly, fund mobilization during the first quarter of 2008 is the second highest for a quarter in the Indian capital's history.

MACRO ANALYSIS

INTERNATIONAL FINANCIAL SERVICES SECTOR

The term 'international financial services' is an umbrella term which is typically used to describe the three areas of banking and capital markets, investment management and insurance. The following are a summary of the principal components of each of these areas and some of the key industry enablers.

BANKING & CAPITAL MARKETS

- Structured finance
- Corporate finance
- Investment banking
- Securitisation
- Treasury
- Leasing

INVESTMENT MANAGEMENT

- Discretionary Fund Management
- Non - Discretionary Fund Management
- Fund Servicing
- Trustee& Custodian Servicing
- Transfer Agency Services
- Asset Management

INSURANCE

- Life
- Captive
- Non life
- Reinsurance

INDUSTRY ENABLERS

- Regulator
- Stock Exchanges
- IT vendors

PROFESSIONAL SERVICES

- Accountancy
- Legal & tax
- Business / consultancy

SECTOR OVERVIEW – INVESTMENT BANKING AND CAPITAL MARKETS

Investment banking and capital market activities is the term used to describe trading debt, equities, fixed income, funds, foreign exchange, commodity and derivative instruments and the origination of equity finance.

1. Total value of global assets managed on behalf of investors increased to reach $88.3 trillion in 2007;
2. The value of professionally managed assets across the top 28 national markets grew by 15 percent to $49.1 trillion in 2007
3. The stock of shares and public and private debt securities held in America grew from 2.4 times GDP in 1995 to 3.3 times GDP in 2006. These figures do not include derivatives, notional amounts traded privately or over-the-counter (OTC) securities which have grown from $258 trillion in 2004 to $370 trillion in 2007.

All of the above indicators point to an industry which is experiencing strong rates of growth. International financial services have become a key driver of growth for several advanced economies, contributing significantly to GDP and overall employment. In the US for example, the financial services sector is the third largest contributor to GDP at 8 percent and has averaged an annual growth rate of 5 percent over the past

decade9. In the UK, the financial services sector contributes 6 percent to GDP and employs 4 percent of the
national workforce..

SECTOR OVERVIEW – INVESTMENT MANAGEMENT

The total assets managed by the world's 500 largest asset managers increased by 10 percent in 2005 to reach $53.6 trillion14. The largest European based managers have continued to increase their share of assets under management accounting for half of the top 20 fund managers and 57 percent of the assets, an increase of 5 percent on 2004.

The European investment fund market has continued to show strong growth rates with total net assets in Q1 2007 in excess of €7,574 billion17. Ireland and Luxembourg have experienced exceptional rates of growth as many of the larger investment management companies have selected either of these locations as part of a migration to a single-hub strategy. While European funds have grown at a rate of 11 percent over the past five years, Ireland has experienced a Compound Annual Growth Rate (CAGR) of 32 percent. Ireland and Luxembourg accounted for €285 billion of net flows in 2006, equating to 89 percent of total. European subscriptions19. Luxembourg still dominates overall funds flows but Ireland has established a lead in the money market sector.

SECTOR OVERVIEW – INSURANCE

Worldwide insurance premiums reached $3,726 billion in 2006 with year-on-year growth in total premium volume of 5 percent (adjusted for inflation)22. The main driver of growth was the life sector which showed an annual increase of 7.7 percent, whereas the non-life sector grew by a more modest 1.5 percent23. Growth in premiums was driven mainly by emerging markets which increased by 16 percent, whereas the more mature industrialised countries experienced a growth rate of 4 percent.

European insurance markets grew by 4.8 percent in 2006 with premium income exceeding the €1 trillion mark to reach €1.065 trillion24. Life premiums continue to account for the majority of income at €659 billion, representing an annual growth rate of 4.4 percent. Product innovations in the areas of occupational pensions and unit-linked products with capital guarantees have proven to be key drivers of this growth. The European non-life sector experienced growth of 5.3 percent in 2006, however, a significant proportion of this growth was attributable to the privatisation of the health system.

ANALYSIS AND INTERPRETATION

CHAPTER 4

ANALYSIS AND INTERPRETATION

4.1 Assumptions

Income Statement

1. Revenues are forecasted based on the previous four year data
2. Expenses are forecasted as a percentage of revenues
3. Depreciation is forecasted as a percentage of fixed assets
4. Interest Expenses is forecasted as a percentage of long term debt
5. Other income is forecasted based on the previous four year data
6. Income tax expense is forecasted based on an assumed tax rate of 33%
7. Weighted average shares has been assumed to be constant from 2008

Balance Sheet

8. Cash flows from the cash flow statement
9. Current Asset is forecasted as a percentage of revenues
10. Fixed Asset is forecasted as a percentage of revenues
11. Accumulated depreciation is forecasted based on the previous four year data
12. Investments is forecasted based on the previous four year data
13. Current Liabilities is forecasted as a percentage of revenues
14. Equity has been assumed to be constant from 2008
15. Debt is forecasted as a percentage of equity

Cash Flow Statement

16. Net Cash used in Investing Activity is assumed based on the previous four year data

4.2 Formulae Used

Income Statement

EBITDA = Revenues – Expenses

EBIT = EBITDA – Depreciation

EBT = EBIT – Interest + Other Income

EAT = EBT – Tax + Miscellaneous

Balance Sheet

Total Assets = Cash + Other Current Assets +Fixed Assets – Revaluation Reserve – Accumulated Depreciation + Capital Work in Progress + Investments

Total Liabilities = Current Liabilities + Equity + Reserves & Surplus + Debt – Miscellaneous

Cash Flow

Net Cash Flow Operating Activity = Diff in Current Assets + Diff in Current liabilities +Depreciation + EAT

Net Cash used in Financing Activity = Equity * Dividend Payout Ratio + Diff in debt

Net increase (decrease) in cash = Net Cash Flow Operating Activity + Net Cash used in Investing Activity + Net Cash used in Financing Activity

4.3 Analysis of future return of ONGC

Table No 4.3.1

Table Showing the Income Statement of ONGC **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Revenues	46,712	48,200	56,903	60,137	63,144	66,301	69,616	73,097	76,752
Expenses	22,537	20,855	28,431	30,057	31,572	33,151	34,808	36,548	38,376
EBITDA	24,175	27,345	28,472	30,080	31,572	33,151	34,808	36,548	38,376
Depreciation	6,201	8,457	9,499	9,797	10,928	11,573	12,083	12,485	12,803
EBIT	17,974	18,888	18,973	20,283	20,644	21,577	22,725	24,063	25,572
Interest	37	47	21	59	60	75	93	112	132
Other Income	1,729	2,355	4,243	5,010	5,916	6,985	8,248	9,739	11,499
Total Other Income	1,692	2,308	4,222	4,951	5,855	6,910	8,155	9,627	11,367
EBT	19,666	21,196	23,195	25,234	26,499	28,487	30,880	33,690	36,939
Tax	6,685	7,314	8,027	8,920	8,745	9,401	10,190	11,118	12,190
Misc	0	640	475	0	0	0	0	0	0
EAT	12,981	14,522	15,643	16,314	17,754	19,086	20,690	22,572	24,749
Tax Rate					33.00%	33.00%	33.00%	33.00%	33.00%
Operating and Profitability Indicators									
EBITDA Margin	51.8%	56.7%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Operating Margin	38.5%	39.2%	33.3%	33.7%	32.7%	32.5%	32.6%	32.9%	33.3%
Net Margin	27.8%	30.1%	27.5%	27.1%	28.1%	28.8%	29.7%	30.9%	32.2%
ROA		18%	15%	13%	12%	11%	11%	10%	10%
% of Revenues									
Expenses	48.2%	43.3%	50.0%	50.0%	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**
EBITDA	51.8%	56.7%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Depreciation	-13.3%	-17.5%	-16.7%	-16.3%	-17.3%	-17.5%	-17.4%	-17.1%	-16.7%

Particulars	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
EBIT	38.5%	39.2%	33.3%	33.7%	32.7%	32.5%	32.6%	32.9%	33.3%
Interest	-0.1%	-0.1%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.2%	-0.2%
EBT	42.1%	44.0%	40.8%	42.0%	42.0%	43.0%	44.4%	46.1%	48.1%
EAT	27.8%	30.1%	27.5%	27.1%	28.1%	28.8%	29.7%	30.9%	32.2%
% Growth									
Revenues		3.2%	18.1%	5.7%	**5%**	**5%**	**5%**	**5%**	**5%**
Expenses		-7.5%	36.3%	5.7%	5.0%	5.0%	5.0%	5.0%	5.0%
EAT		11.9%	7.7%	4.3%	8.8%	7.5%	8.4%	9.1%	9.6%
Other Income		36.2%	80.2%	18.1%	**18%**	**18%**	**18%**	**18%**	**18%**
Total Other Income		36.4%	82.9%	17.3%	18.3%	18.0%	18.0%	18.1%	18.1%
EPS(Rs)	**91.03**	**101.85**	**73.14**	**76.28**	**83.04**	**89.27**	**96.77**	**105.58**	**115.76**
Equity Capital	1425	1425	1425	2138	2138	2138	2138	2138	2138
Dividend	50%	50%	50%	50%	**50%**	**50%**	**50%**	**50%**	**50%**
Retained Earnings	12,269	13,810	14,931	15,245	16,685	18,017	19,621	21,503	23,680
Price(Rs)	880	1314	826	1008					
P/E	9.67	12.90	11.29	13.21					

Interpretation

- ✓ The revenues in the last four years have grown about 50% year on year.
- ✓ The operating profit is around 30% which is the best in the industry.
- ✓ Around 50% of the EPS is paid to the investors and the remaining is used for the future investment requirements
- ✓ The return on asset is quite good, that enables for further investments.

Table No 4.3.2

Table showing the Balance Sheet of ONGC **Rs in Crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Assets									
Cash	8,742	9,468	8,815	19,284	37,452	59,282	83,616	110,694	140,798
Other Current Assets	21,910	45,872	59,034	64,500	63,144	66,301	69,616	73,097	76,752
Fixed Assets	41,007	42,983	47,882	52,038	55,110	57,537	59,454	60,969	62,165
Revaluation Reserve	0	0	0	0	0	0	0	0	0
Accumulated Depreciation	35,339	37,147	40,040	43,198	46,222	49,457	52,919	56,624	60,587
Capital Work in Progress	25,184	28,838	33,373	37,794	37,825	37,938	38,131	38,397	38,727
Investments	4,421	4,036	4,888	5,702	6,557	7,541	8,672	9,973	11,469
Total Assets	65,925	94,050	113,952	136,120	153,866	179,142	206,570	236,506	269,323
Liabilities									
Current Liabilities	14,517	37,821	47,638	59,601	56,829	59,671	62,654	65,787	69,077
Equity	1,425	1,425	1,425	2,138	2,138	2,138	2,138	2,138	2,138
Reserves & Surplus	39,117	45,419	52,533	59,785	76,531	94,624	114,337	135,952	159,765
Total Equity	40,542	46,844	53,958	61,923	78,669	96,762	116,475	138,090	161,903
Debt	11,407	9,916	12,722	15,109	18,881	23,223	27,954	33,142	38,857
Miscellaneous	541	531	366	513	513	513	513	513	513
Total Liabilities	65,925	94,050	113,952	136,120	153,866	179,142	206,571	236,506	269,323
Difference	0	0	0	0	0	0	0	0	0
% Growth									
Current Assets		109.4%	28.7%	9.3%	-2.1%	5.0%	5.0%	5.0%	5.0%
Total Assets		**42.7%**	**21.2%**	**19.5%**	**13.0%**	**16.4%**	**15.3%**	**14.5%**	**13.9%**
Current Liabilities		160.5%	26.0%	25.1%	-4.7%	5.0%	5.0%	5.0%	5.0%
Total Liabilities		42.7%	21.2%	19.5%	13.0%	16.4%	15.3%	14.5%	13.9%
Accumulated Depreciation		5.1%	7.8%	7.9%	**7.0%**	**7.0%**	**7.0%**	**7.0%**	**7.0%**
Investments		-8.7%	21.1%	16.7%	**15%**	**15%**	**15%**	**15%**	**15%**

Table No 4.3.3

Table showing the Cash Flow Statement of ONGC **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
PBT	13,638	19,647	21,392	23,980	26,499	28,487	30,880	33,690	36,939
Net Cash Flow Operating Activity	11,991	15,611	20,624	22,910	27,327	30,419	32,534	34,821	37,320
Net Cash Used in Investing Activity	(7,563)	(8,450)	(12,200)	(5,046)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Net Cash Used in Financial Activity	(1,795)	(6,435)	(9,077)	(7,395)	4,841	5,411	5,800	6,257	6,784
Net Increase in cash & equivalent	2,633	726	(653)	10,469	18,168	21,830	24,334	27,078	30,104
Cash & Equivalent Beginning of the year	6,109	8,742	9,468	8,815	19,284	37,452	59,282	83,616	110,694
Cash & Equivalent End Of the year	8,742	9,468	8,815	19,284	37,452	59,282	83,616	110,694	140,798

Table No 4.3.4

Table showing the Workings of ONGC

Rs in crores

Workings	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Depreciation									
Fixed Assets	41,007	42,983	47,882	52,038	55,110	57,537	59,454	60,969	62,165
As a % of revenues	87.79%	89.18%	84.15%	86.53%	87.28%	86.78%	85.40%	83.41%	81.00%
Depreciation	6,201	8,457	9,499	9,797	10,928	11,573	12,083	12,485	12,803
as a % of fixed assets		20.62%	22.10%	20.46%	**21%**	**21%**	**21%**	**21%**	**21%**
Net Purchases		10,433	14,398	13,953	**14,000**	**14,000**	**14,000**	**14,000**	**14,000**
Interest									
Debt	11,407	9,916	12,722	15,109	18,881	23,223	27,954	33,142	38,857
as a % of equity	28.14%	21.17%	23.58%	24.40%	**24%**	**24%**	**24%**	**24%**	**24%**
Interest	37	47	21	59	60	76	93	112	133
as a % of previous years debt		0.41%	0.21%	0.46%	**0.4%**	**0.4%**	**0.4%**	**0.4%**	**0.4%**
Current Assets	21,910	45,872	59,034	64,500	63,144	66,301	69,616	73,097	76,752
as a % of revenues	46.90%	95.17%	103.74%	107.26%	**100%**	**100%**	**100%**	**100%**	**100%**
Current Liabilities	14,517	37,821	47,638	59,601	56,829	59,671	62,654	65,787	69,077
as a % of revenues	31.08%	78.47%	83.72%	99.11%	**90%**	**90%**	**90%**	**90%**	**90%**
Tax									
Provision for income tax	6,685	7,314	8,027	8,920					
Tax Shield on Interest Expense	12	16	7	19					
Net Tax on EBIT	6,697	7,330	8,034	8,939					

Chart No 4.3.1

Chart showing the Revenues of ONGC

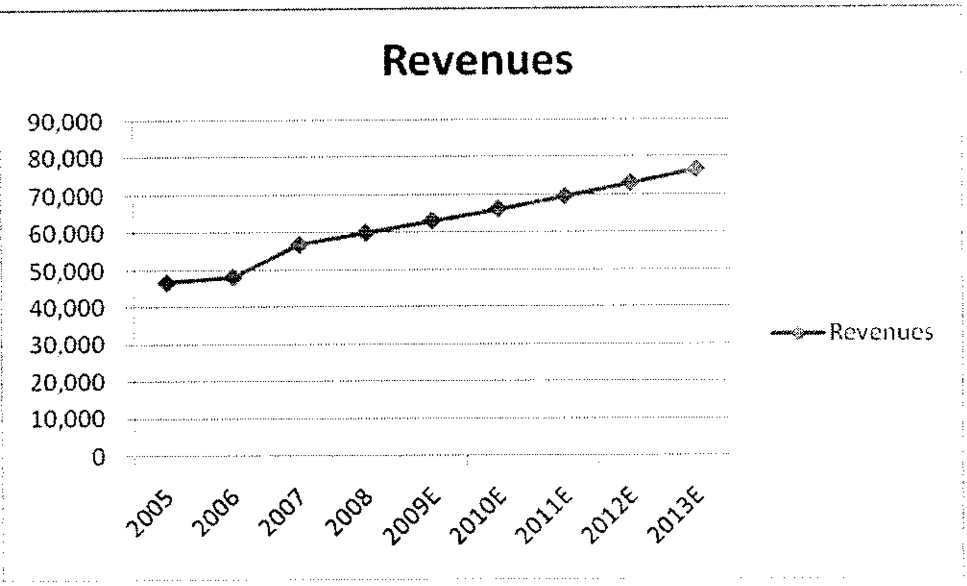
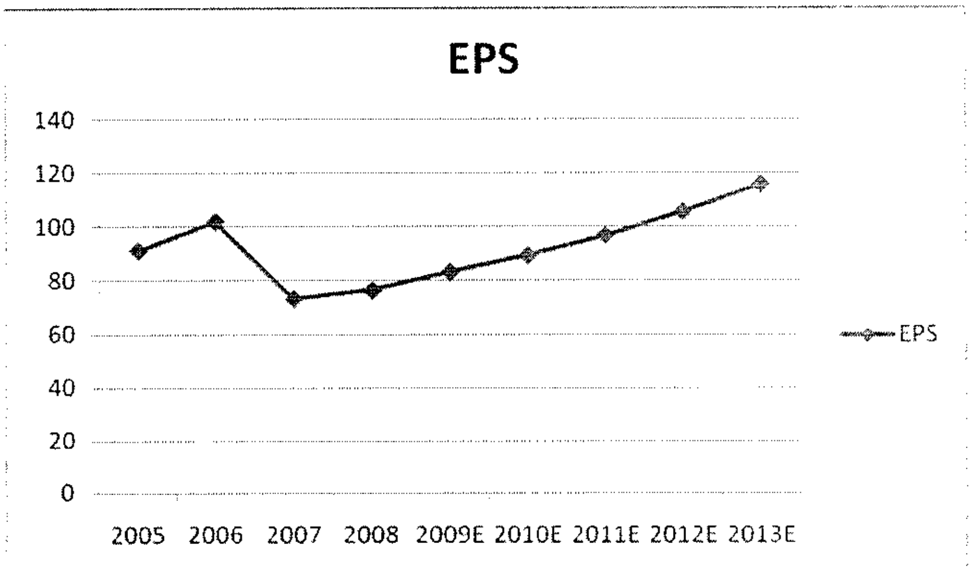


Chart No 4.3.2

Chart showing the EPS of ONGC



4.4 Analysis of future return of Unitech

Table No 4.4.1

Table showing the Income Statement of Unitech **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Revenues	509	653	2,503	2,802	3,082	3,390	3,729	4,102	4,513
Expenses	463	531	1,091	1,237	1,233	1,356	1,492	1,641	1,805
EBITDA	46	122	1,412	1,565	1,849	2,034	2,238	2,461	2,708
Depreciation	2	3	4	8	11	13	15	17	19
EBIT	44	119	1,408	1,557	1,839	2,021	2,223	2,444	2,689
Interest	18	35	158	358	730	828	1,132	1,487	1,939
Other Income	17	21	95	167	292	511	895	1,566	2,741
Total Other Income	(1)	(14)	(63)	(191)	(438)	(316)	(237)	80	802
EBT	43	105	1,345	1,366	1,401	1,705	1,986	2,524	3,491
Tax	13	38	361	334	462	563	655	833	1,152
Misc	0	0	0	0	0	0	0	0	0
EAT	30	67	984	1,032	938	1,142	1,330	1,691	2,339
Tax Rate					33.00%	33.00%	33.00%	33.00%	33.00%
Operating and Profitability Indicators									
EBITDA Margin	9.0%	18.7%	56.4%	55.9%	60.0%	60.0%	60.0%	60.0%	60.0%
Operating Margin	8.6%	18.2%	56.3%	55.6%	59.7%	59.6%	59.6%	59.6%	59.6%
Net Margin	5.9%	10.3%	39.3%	36.8%	30.4%	33.7%	35.7%	41.2%	51.8%
ROA		3%	16%	8%	5%	6%	5%	5%	6%
% of Revenues									
Expenses	91.0%	81.3%	43.6%	44.1%	**40.00%**	**40.00%**	**40.00%**	**40.00%**	**40.00%**
EBITDA	9.0%	18.7%	56.4%	55.9%	60.0%	60.0%	60.0%	60.0%	60.0%
Depreciation	-0.4%	-0.5%	-0.2%	-0.3%	-0.3%	-0.4%	-0.4%	-0.4%	-0.4%
EBIT	8.6%	18.2%	56.3%	55.6%	59.7%	59.6%	59.6%	59.6%	59.6%
Interest	-3.5%	-5.4%	-6.3%	-12.8%	-23.7%	-24.4%	-30.3%	-36.2%	-43.0%

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
EBT	8.4%	16.1%	53.7%	48.8%	45.4%	50.3%	53.2%	61.5%	77.4%
EAT	5.9%	10.3%	39.3%	36.8%	30.4%	33.7%	35.7%	41.2%	51.8%
% Growth									
Revenues		28.3%	283.3%	11.9%	**10%**	**10%**	**10%**	**10%**	**10%**
Expenses		14.7%	105.5%	13.4%	-0.3%	10.0%	10.0%	10.0%	10.0%
EAT		123.3%	1368.7%	4.9%	-9.1%	21.7%	16.5%	27.1%	38.3%
Other Income		23.5%	352.4%	75.8%	**75%**	**75%**	**75%**	**75%**	**75%**
Total Other Income		1300.0%	350.0%	203.2%	129.4%	-27.8%	-25.1%	-133.6%	908.1%
EPS(Rs)	**4.79**	**11.15**	**12.12**	**6.35**	**5.77**	**7.03**	**8.19**	**10.41**	**14.39**
Equity Capital	13	13	163	325	325	325	325	325	325
Dividend	20%	25%	5%	5%	**5%**	**5%**	**5%**	**5%**	**5%**
Retained Earnings	27	64	976	1,016	922	1,126	1,314	1,675	2,323
Price(Rs)	329	2930	368	275					
P/E	68.68	262.78	30.36	43.31					

Interpretation

- ✓ The revenues has grown up around 3 times in the year 06-07 on year on year basis
- ✓ The earnings per share have increased substantially in the year 06-07.
- ✓ The operating profit has been around 30 to 40 percent in the last two years.

Table No 4.4.2

Table showing the Balance Sheet of Unitech **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Assets									
Cash	194	160	796	372	5,072	12,999	23,200	36,703	55,211
Other Current Assets	398	976	3,221	8,377	6,164	6,781	7,459	8,205	9,025
Fixed Assets	51	83	100	132	161	189	213	236	257
Revaluation Reserve	0	0	0	0	0	0	0	0	0
Accumulated Depreciation	25	28	30	36	40	44	48	53	58
Capital Work in Progress	1,106	1,824	4,408	7,083	6,495	5,684	4,561	3,000	826
Investments	166	282	518	1,397	1,956	2,738	3,833	5,367	7,513
Total Assets	1,890	3,297	9,013	17,325	19,809	28,347	39,219	53,458	72,775
Liabilities									
Current Liabilities	1,392	2,387	4,248	7,065	4,623	5,086	5,594	6,154	6,769
Equity	13	13	163	325	325	325	325	325	325
Reserves & Surplus	161	212	998	1,819	3,472	5,491	8,081	11,501	16,176
Total Equity	174	225	1,161	2,144	3,797	5,816	8,406	11,826	16,501
Debt	324	685	3,604	8,116	11,390	17,447	25,219	35,478	49,504
Miscellaneous	0	0	0	0	0	0	0	0	0
Total Liabilities	1,890	3,297	9,013	17,325	19,810	28,348	39,219	53,458	72,775
Difference	0	0	0	0	0	0	0	0	0
% Growth									
Current Assets		145.2%	230.0%	160.1%	26.4%	10.0%	10.0%	10.0%	10.0%
Total Assets		**74.4%**	**173.4%**	**92.2%**	**14.3%**	**43.1%**	**38.4%**	**36.3%**	**36.1%**
Current Liabilities		71.5%	78.0%	66.3%	34.6%	10.0%	10.0%	10.0%	10.0%
Total Liabilities		74.4%	173.4%	92.2%	14.3%	43.1%	38.4%	36.3%	36.1%
Accumulated Depreciation		12.0%	7.1%	20.0%	**10.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**
Investments		69.9%	83.7%	169.7%	**40%**	**40%**	**40%**	**40%**	**40%**

Table No 4.4.3

Table showing the Cash Flow Statement of Unitech **Rs in crores**

Particulars	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
PBT	43	108	1,344	1,365	1,401	1,508	1,547	1,741	2,237
Net Cash Flow Operating Activity	87	(260)	(1,755)	(3,686)	1,450	1,894	2,453	3,267	4,505
Net Cash Used in Investing Activity	(93)	(121)	(117)	(771)	(40)	(40)	(40)	(40)	(40)
Net Cash Used in Financial Activity	116	347	2,508	4,033	3,290	6,073	7,788	10,276	14,042
Net Increase in cash & equivalent	110	(34)	636	(424)	4,700	7,927	10,201	13,503	18,508
Cash & Equivalent Beginning of the year	84	194	160	796	372	5,072	12,999	23,200	36,703
Cash & Equivalent End Of the year	194	160	796	372	5,072	12,999	23,200	36,703	55,211

Table No 4.4.4

Table showing the Workings of Unitech **Rs in crores**

Workings	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Depreciation									
Fixed Assets	51	83	100	132	161	189	213	236	257
As a % of revenues	10.02%	12.71%	4.00%	4.71%	5.24%	5.56%	5.72%	5.76%	5.71%
Depreciation	2	3	4	8	11	13	15	17	19
as a % of fixed assets		5.88%	4.82%	8.00%	**8%**	**8%**	**8%**	**8%**	**8%**
Net Purchases		35	21	40	**40**	**40**	**40**	**40**	**40**
Interest									
Debt	324	685	3,604	8,116	11,390	17,447	25,219	35,478	49,504
as a % of equity	186%	304%	310%	379%	**300%**	**300%**	**300%**	**300%**	**300%**
Interest	18	35	158	358	730	1,025	1,570	2,270	3,193
as a % of previous years debt		10.80%	23.07%	9.93%	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**
Current Assets	398	976	3,221	8,377	6,164	6,781	7,459	8,205	9,025
as a % of revenues	78%	149%	129%	299%	**200%**	**200%**	**200%**	**200%**	**200%**
Current Liabilities	1,392	2,387	4,248	7,065	4,623	5,086	5,594	6,154	6,769
as a % of revenues	273%	366%	170%	252%	**150%**	**150%**	**150%**	**150%**	**150%**
Tax									
Provision for income tax	13	38	361	334					
Tax Shield on Interest Expense	6	12	52	118					
Net Tax on EBIT	19	50	413	452					

Chart No 4.4.1

Chart showing the Revenues of Unitech

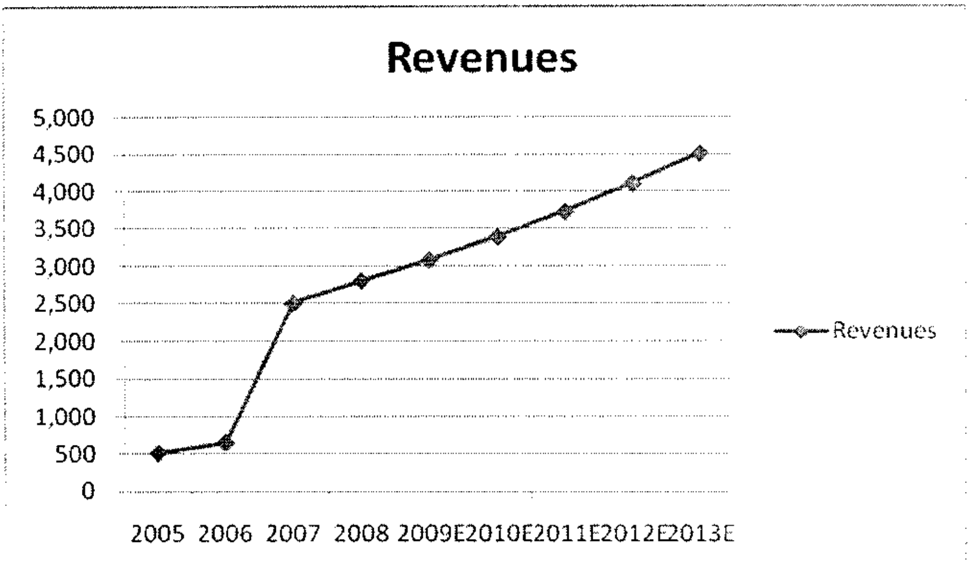
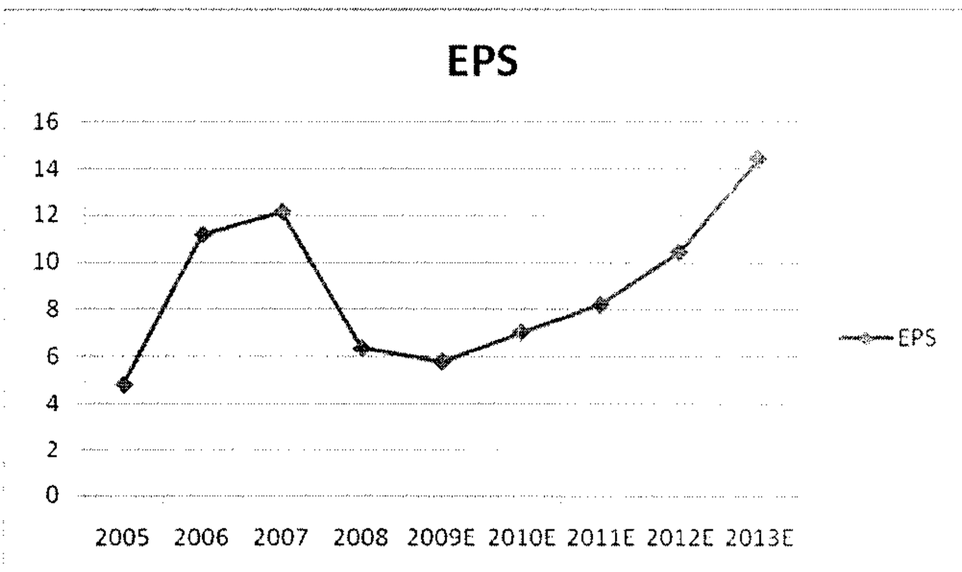


Chart No 4.4.2

Chart showing the EPS of Unitech



4.5 Analysis of future return of BHEL

Table No 4.5.1

Table showing the Income Statement of BHEL **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Revenues	10,686	14,587	18,838	21,497	23,647	26,011	28,613	31,474	34,621
Expenses	9,217	12,249	15,548	18,131	20,100	22,110	24,321	26,753	29,428
EBITDA	1,469	2,338	3,290	3,366	3,547	3,902	4,292	4,721	5,193
Depreciation	217	245	272	297	311	331	350	368	384
EBIT	1,252	2,093	3,018	3,069	3,236	3,570	3,942	4,354	4,809
Interest	77	58	43	35	10	15	626	770	946
Other Income	434	530	761	1,396	1,885	2,544	3,435	4,637	6,260
Total Other Income	357	472	718	1,361	1,875	2,529	2,808	3,867	5,314
EBT	1,609	2,565	3,736	4,430	5,111	6,100	6,750	8,220	10,123
Tax	604	885	1,321	1,559	1,687	2,013	2,228	2,713	3,341
Misc	0	0	0	0	0	0	0	0	0
EAT	1,005	1,680	2,415	2,871	3,424	4,087	4,523	5,508	6,782
Tax Rate					33.00%	33.00%	33.00%	33.00%	33.00%
Operating and Profitability Indicators									
EBITDA Margin	13.7%	16.0%	17.5%	15.7%	15.0%	15.0%	15.0%	15.0%	15.0%
Operating Margin	11.7%	14.3%	16.0%	14.3%	13.7%	13.7%	13.8%	13.8%	13.9%
Net Margin	9.4%	11.5%	12.8%	13.4%	14.5%	15.7%	15.8%	17.5%	19.6%
ROA		9%	10%	9%	9%	8%	8%	8%	8%
% of Revenues									
Expenses	86.3%	84.0%	82.5%	84.3%	**85.00%**	**85.00%**	**85.00%**	**85.00%**	**85.00%**
EBITDA	13.7%	16.0%	17.5%	15.7%	15.0%	15.0%	15.0%	15.0%	15.0%
Depreciation	-2.0%	-1.7%	-1.4%	-1.4%	-1.3%	-1.3%	-1.2%	-1.2%	-1.1%
EBIT	11.7%	14.3%	16.0%	14.3%	13.7%	13.7%	13.8%	13.8%	13.9%
Interest	-0.7%	-0.4%	-0.2%	-0.2%	0.0%	-0.1%	-2.2%	-2.4%	-2.7%

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
EBT	15.1%	17.6%	19.8%	20.6%	21.6%	23.4%	23.6%	26.1%	29.2%
EAT	9.4%	11.5%	12.8%	13.4%	14.5%	15.7%	15.8%	17.5%	19.6%
% Growth									
Revenues		36.5%	29.1%	14.1%	**10%**	**10%**	**10%**	**10%**	**10%**
Expenses		32.9%	26.9%	16.6%	10.9%	10.0%	10.0%	10.0%	10.0%
EAT		67.2%	43.8%	18.9%	19.3%	19.3%	10.7%	21.8%	23.1%
Other Income		22.1%	43.6%	83.4%	**35%**	**35%**	**35%**	**35%**	**35%**
Total Other Income		32.2%	52.1%	89.6%	37.8%	34.9%	11.0%	37.7%	37.4%
EPS(Rs)	**41.19**	**68.85**	**98.98**	**58.71**	**70.03**	**83.57**	**92.49**	**112.63**	**138.70**
Equity Capital	244	244	244	489	489	489	489	489	489
Dividend	23%	24%	28%	30%	**30%**	**30%**	**30%**	**30%**	**30%**
Retained Earnings	949	1,621	2,347	2,724	3,278	3,940	4,376	5,361	6,636
Price(Rs)	801	2297	2154	1892					
P/E	19.45	33.36	21.76	32.23					

Interpretation

- ✓ The revenue growth in the year 06-07 was very strong an the order book of bhel is also very good.
- ✓ The earnings per share has grown up about 40% in the year 06-07.
- ✓ The profit margin is almost constant for all the four years, which shows a strong demand and efficient management.

Table No 4.5.2

Table showing the Balance Sheet of BHEL **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Assets									
Cash	3,178	4,134	5,810	8,387	11,503	21,366	26,989	33,914	42,523
Other Current Assets	11,258	16,167	20,499	26,147	28,849	31,734	34,907	38,398	42,238
Fixed Assets	3,628	3,821	4,134	4,443	4,732	5,001	5,251	5,483	5,699
Revaluation Reserve	0	0	0	0	0	0	0	0	0
Accumulated Depreciation	2,584	2,839	3,146	3,462	3,808	4,189	4,608	5,069	5,576
Capital Work in Progress	98	191	306	658	711	798	923	1,091	1,304
Investments	9	8	8	8	8	8	8	8	8
Total Assets	15,587	21,482	27,611	36,181	41,995	54,718	63,470	73,826	86,197
Liabilities									
Current Liabilities	8,574	12,554	17,665	24,241	26,721	29,393	32,332	35,565	39,122
Equity	244	244	244	489	489	489	489	489	489
Reserves & Surplus	5,782	7,056	8,543	10,284	13,562	17,502	21,878	27,239	33,874
Preference Share	451	1,070	1,070	1,072	1,072	1,072	1,072	1,072	1,072
Total Equity	6,477	8,370	9,857	11,845	15,123	19,063	23,439	28,800	35,435
Debt	536	558	89	95	151	6,262	7,699	9,461	11,640
Total Liabilities	15,587	21,482	27,611	36,181	41,995	54,718	63,470	73,826	86,198
Difference	0	0	0	0	0	0	0	0	0
% Growth									
Current Assets		43.6%	26.8%	27.6%	10.3%	10.0%	10.0%	10.0%	10.0%
Total Assets		**37.8%**	**28.5%**	**31.0%**	**16.1%**	**30.3%**	**16.0%**	**16.3%**	**16.8%**
Current Liabilities		46.4%	40.7%	37.2%	10.2%	10.0%	10.0%	10.0%	10.0%
Total Liabilities		37.8%	28.5%	31.0%	16.1%	30.3%	16.0%	16.3%	16.8%
Accumulated Depreciation		9.9%	10.8%	10.0%	**10.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**
Investments		-11.1%	0.0%	0.0%	**1%**	**1%**	**1%**	**1%**	**1%**

Table No 4.5.3

Table showing the Cash Flow Statement of BHEL **Rs in crores**

Particulars	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
PBT	1,581	2,564	3,736	4,430	5,111	6,100	6,750	8,220	10,123
Net Cash Flow Operating Activity	818	1,623	2,821	3,477	3,513	4,205	4,639	5,618	6,883
Net Cash Used in Investing Activity	(35)	(156)	(212)	(12)	(600)	(600)	(600)	(600)	(600)
Net Cash Used in Financial Activity	(264)	(511)	(933)	(888)	203	6,257	1,584	1,908	2,326
Net Increase in cash & equivalent	519	956	1,676	2,577	3,116	9,863	5,623	6,925	8,609
Cash & Equivalent Beginning of the year	2,659	3,178	4,134	5,810	8,387	11,503	21,366	26,989	33,914
Cash & Equivalent End Of the year	3,178	4,134	5,810	8,387	11,503	21,366	26,989	33,914	42,523

Table No 4.5.4

Table showing the Workings of BHEL **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Depreciation									
Fixed Assets	3,628	3,821	4,134	4,443	4,732	5,001	5,251	5,483	5,699
As a % of revenues	34%	26%	22%	21%	20%	19%	18%	17%	16%
Depreciation	217	245	272	297	311	331	350	368	384
as a % of fixed assets		6.75%	7.12%	7.18%	**7%**	**7%**	**7%**	**7%**	**7%**
Net Purchases		438	585	606	**600**	**600**	**600**	**600**	**600**
Interest									
Debt	536	558	89	95	151	6,262	7,699	9,461	11,640
as a % of equity	8%	7%	1%	1%	1%	33%	33%	33%	33%
Interest	77	58	43	35	10	15	626	770	946
as a % of previous years debt		10.82%	7.71%	39.33%	**10.0%**	**10.0%**	**10.0%**	**10.0%**	**10.0%**
Current Assets	11,258	16,167	20,499	26,147	28,849	31,734	34,907	38,398	42,238
as a % of revenues	105%	111%	109%	122%	**122%**	**122%**	**122%**	**122%**	**122%**
Current Liabilities	8,574	12,554	17,665	24,241	26,721	29,393	32,332	35,565	39,122
as a % of revenues	80%	86%	94%	113%	**113%**	**113%**	**113%**	**113%**	**113%**
Tax									
Provision for income tax	604	885	1,321	1,559					
Tax Shield on Interest Expense	25	19	14	12					
Net Tax on EBIT	629	904	1,335	1,571					

Chart No 4.5.1

Chart showing the Revenues of BHEL

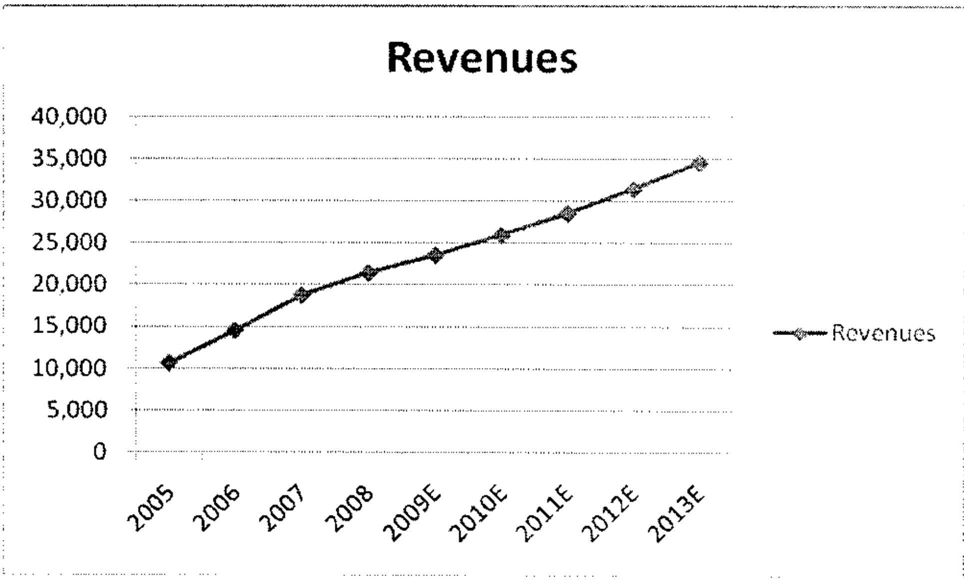
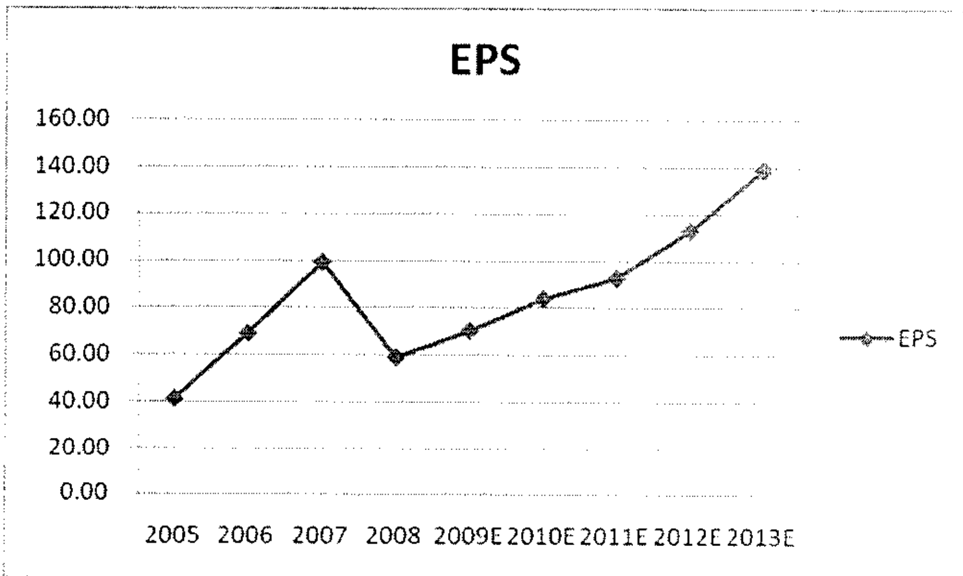


Chart No 4.5.2

Chart showing the EPS of BHEL



4.6 Analysis of future return of TCS

Table No 4.6.1

Table showing the Income Statement of TCS **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Revenues	8,027	11,230	15,471	18,533	22,054	26,245	31,231	37,165	44,226
Expenses	5,650	7,958	11,171	13,513	16,100	19,159	22,799	27,130	32,285
EBITDA	2,377	3,272	4,300	5,020	5,955	7,086	8,432	10,035	11,941
Depreciation	133	257	343	458	648	798	919	1,015	1,092
EBIT	2,244	3,015	3,957	4,562	5,307	6,288	7,514	9,020	10,849
Interest	10	4	3	3	1	1	2	2	3
Other Income	75	63	216	445	490	538	592	652	717
Total Other Income	65	59	213	442	488	537	590	649	714
EBT	2,309	3,074	4,170	5,004	5,795	6,825	8,104	9,669	11,563
Tax	280	357	413	495	1,912	2,252	2,674	3,191	3,816
Misc	(196)	0	0	0	0	0	0	0	0
EAT	1,833	2,717	3,757	4,509	3,883	4,573	5,430	6,478	7,747
Tax Rate					33.00%	33.00%	33.00%	33.00%	33.00%
Operating and Profitability Indicators									
EBITDA Margin	29.6%	29.1%	27.8%	27.1%	27.0%	27.0%	27.0%	27.0%	27.0%
Operating Margin	28.0%	26.8%	25.6%	24.6%	24.1%	24.0%	24.1%	24.3%	24.5%
Net Margin	22.8%	24.2%	24.3%	24.3%	17.6%	17.4%	17.4%	17.4%	17.5%
ROA		45%	41%	36%	23%	21%	20%	19%	18%
% of Revenues									
Expenses	70.4%	70.9%	72.2%	72.9%	**73.00%**	**73.00%**	**73.00%**	**73.00%**	**73.00%**
EBITDA	29.6%	29.1%	27.8%	27.1%	27.0%	27.0%	27.0%	27.0%	27.0%
Depreciation	-1.7%	-2.3%	-2.2%	-2.5%	-2.9%	-3.0%	-2.9%	-2.7%	-2.5%
EBIT	28.0%	26.8%	25.6%	24.6%	24.1%	24.0%	24.1%	24.3%	24.5%
Interest	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Income in Rs. Crores	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
EBT	28.8%	27.4%	27.0%	27.0%	26.3%	26.0%	25.9%	26.0%	26.1%
EAT	22.8%	24.2%	24.3%	24.3%	17.6%	17.4%	17.4%	17.4%	17.5%
% Growth									
Revenues		39.9%	37.8%	19.8%	**19%**	**19%**	**19%**	**19%**	**19%**
Expenses		40.8%	40.4%	21.0%	19.1%	19.0%	19.0%	19.0%	19.0%
EAT		48.2%	38.3%	20.0%	-13.9%	17.8%	18.7%	19.3%	19.6%
Other Income		-16.0%	242.9%	106.0%	**10%**	**10%**	**10%**	**10%**	**10%**
Total Other Income		-9.2%	261.0%	107.5%	10.5%	9.9%	9.9%	9.9%	9.9%
EPS(Rs)	**38.15**	**55.53**	**38.39**	**46.07**	**39.62**	**46.66**	**55.41**	**66.10**	**79.05**
Weighted Average Shares	48	48	98	98	98	98	98	98	98
Dividend	35%	35%	35%	35%	**35%**	**35%**	**35%**	**35%**	**35%**
Retained Earnings	1,816	2,700	3,723	4,475	3,848	4,538	5,395	6,444	7,713
Price	1450	1950	1189	832					
P/E	38.01	35.12	30.97	18.06					

Interpretation

- ✓ The revenue growth of tcs has been very strong on an average it is around 25% year on year.
- ✓ The net profit was around 25% for the last four years
- ✓ The earnings have improved about 10% in the year 07-08 year on year inspite of slow growth rate in the IT industry.

Table No 4.6.2

Table showing the Balance Sheet of TCS **Rs in crores**

Particulars	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Assets									
Cash	120	171	557	527	6,534	10,505	15,446	21,525	28,940
Other Current Assets	2,199	3,837	4,737	6,769	4,631	5,511	6,559	7,805	9,288
Fixed Assets	1,041	1,695	2,315	3,240	3,992	4,594	5,075	5,460	5,768
Revaluation Reserve	0	0	0	0	0	0	0	0	0
Accumulated Depreciation	132	525	854	1,300	1,950	2,925	4,388	6,581	9,872
Capital Work in Progress	120	280	757	889	569	393	488	1,055	2,407
Investments	1,404	1,963	3,252	4,509	5,411	6,493	7,792	9,350	11,220
Total Assets	4,752	7,421	10,764	14,634	19,187	24,571	30,972	38,613	47,750
Liabilities									
Current Liabilities	1,311	1,779	2,655	3,713	4,411	5,249	6,246	7,433	8,845
Equity	48	48	98	98	98	98	98	98	98
Reserves & Surplus	3,273	5,560	7,961	10,806	14,654	19,193	24,588	31,032	38,745
Total Equity	3,321	5,608	8,059	10,904	14,752	19,291	24,686	31,130	38,843
Debt	120	34	50	17	24	31	39	50	62
Miscellaneous	0	0	0	0	0	0	0	0	0
Total Liabilities	4,752	7,421	10,764	14,634	19,187	24,570	30,972	38,613	47,750
Difference	0	0	0	0	0	0	0	0	0
% Growth									
Current Assets		74.5%	23.5%	42.9%	-31.6%	19.0%	19.0%	19.0%	19.0%
Total Assets		56.2%	45.0%	36.0%	31.1%	28.1%	26.1%	24.7%	23.7%
Current Liabilities		35.7%	49.2%	39.8%	18.8%	19.0%	19.0%	19.0%	19.0%
Total Liabilities		56.2%	45.0%	36.0%	31.1%	28.1%	26.1%	24.7%	23.7%
Accumulated Depreciation		297.7%	62.7%	52.2%	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**
Investments		39.8%	65.7%	38.7%	**20%**	**20%**	**20%**	**20%**	**20%**

Table No 4.6.3

Table showing the Cash Flow Statements of TCS **Rs in crores**

Particulars	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
PBT	2,308	3,074	4,170	5,003	5,795	6,825	8,104	9,669	11,563
Net Cash Flow Operating Activity	1,978	2,344	3,551	3,798	7,366	5,329	6,299	7,434	8,768
Net Cash Used in Investing Activity	(2,813)	(1,464)	(2,076)	(2,404)	(1,400)	(1,400)	(1,400)	(1,400)	(1,400)
Net Cash Used in Financial Activity	953	(885)	(1,089)	(1,424)	41	42	43	45	47
Net Increase in cash & equivalent	118	(5)	386	(30)	6,007	3,971	4,942	6,078	7,415
Cash & Equivalent Beginning of the year	2	176	171	557	527	6,534	10,505	15,446	21,525
Cash & Equivalent End Of the year	120	171	557	527	6,534	10,505	15,446	21,525	28,940

Table No 4.6.4

Table showing the Workings of TCS

Particulars	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
Depreciation									
Fixed Assets	1,041	1,695	2,315	3,240	3,992	4,594	5,075	5,460	5,768
As a % of revenues	12.97%	15.09%	14.96%	17.48%	18.10%	17.50%	16.25%	14.69%	13.04%
Depreciation	133	257	343	458	648	798	919	1,015	1,092
as a % of fixed assets		24.69%	20.24%	19.78%	**20%**	**20%**	**20%**	**20%**	**20%**
Net Purchases		911	963	1,383	**1,400**	**1,400**	**1,400**	**1,400**	**1,400**
Interest									
Debt	120	34	50	17	24	31	39	50	62
as a % of equity	3.61%	0.61%	0.62%	0.16%	**0.16%**	**0.16%**	**0.16%**	**0.16%**	**0.16%**
Interest	10	4	3	3	1	1	2	2	3
as a % of previous years debt		3.33%	8.82%	6.00%	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**6.0%**
Current Assets	2,199	3,837	4,737	6,769	4,631	5,511	6,559	7,805	9,288
as a % of revenues	27.40%	34.17%	30.62%	36.52%	**21%**	**21%**	**21%**	**21%**	**21%**
Current Liabilities	1,311	1,779	2,655	3,713	4,411	5,249	6,246	7,433	8,845
as a % of revenues	16.33%	15.84%	17.16%	20.03%	**20%**	**20%**	**20%**	**20%**	**20%**
Tax									
Provision for income tax	280	357	413	495					
Tax Shield on Interest Expense	3	1	1	1					
Net Tax on EBIT	283	358	414	496					

Chart No 4.6.1

Chart showing the Revenues of TCS

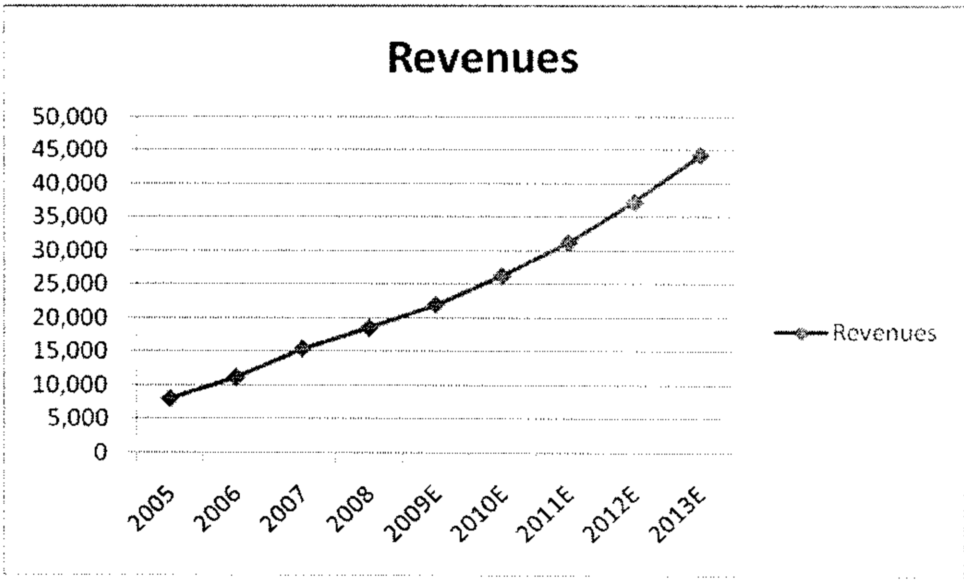
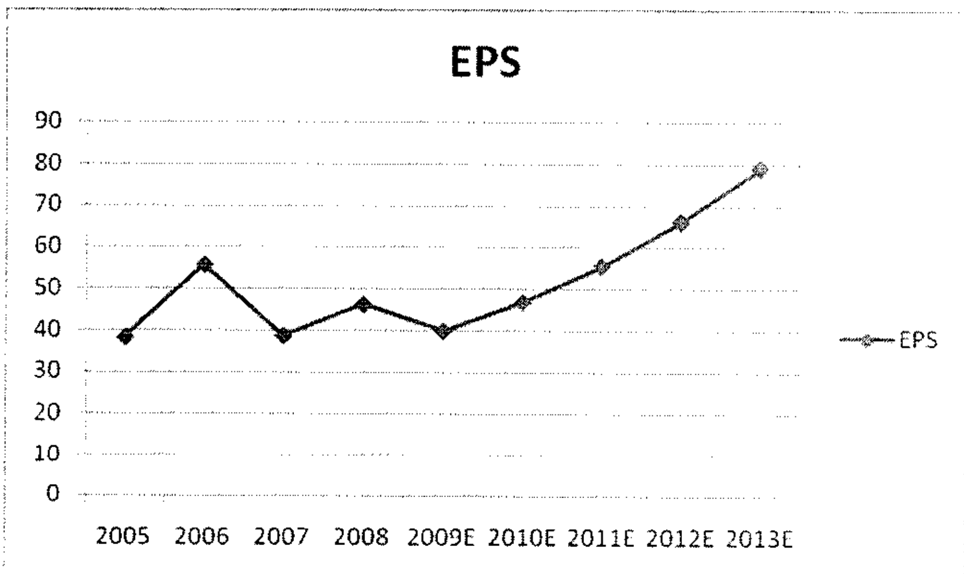


Chart No 4.6.2

Chart showing the EPS of TCS



4.7 Analysis of future return of Maruti Suzuki

Table No 4.7.1

Table showing the Income Statement of Maruti Suzuki **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Revenues	13,343	14,753	17,205	17,860	18,574	19,317	20,090	20,894	21,729
Expenses	11,937	13,127	15,215	15,693	16,345	16,999	17,679	18,386	19,122
EBITDA	1,406	1,626	1,990	2,167	2,229	2,318	2,411	2,507	2,608
Depreciation	456	285	271	568	656	750	835	913	984
EBIT	950	1,341	1,719	1,599	1,573	1,568	1,576	1,594	1,624
Interest	36	20	37	59	81	100	117	135	154
Other Income	391	429	598	963	1,059	1,165	1,282	1,410	1,551
Total Other Income	355	409	561	904	978	1,065	1,164	1,274	1,397
EBT	1,305	1,750	2,280	2,503	2,552	2,634	2,740	2,869	3,020
Tax	446	560	717	763	842	869	904	947	997
Misc	0	0	0	0	0	0	0	0	0
EAT	859	1,190	1,563	1,740	1,710	1,764	1,836	1,922	2,024
Tax Rate					33.00%	33.00%	33.00%	33.00%	33.00%
Operating and Profitability Indicators									
EBITDA Margin	10.5%	11.0%	11.6%	12.1%	12.0%	12.0%	12.0%	12.0%	12.0%
Operating Margin	7.1%	9.1%	10.0%	9.0%	8.5%	8.1%	7.8%	7.6%	7.5%
Net Margin	6.4%	8.1%	9.1%	9.7%	9.2%	9.1%	9.1%	9.2%	9.3%
ROA		17%	17%	15%	13%	11%	10%	10%	9%
% of Revenues									
Expenses	89.5%	89.0%	88.4%	87.9%	**88.00%**	**88.00%**	**88.00%**	**88.00%**	**88.00%**
EBITDA	10.5%	11.0%	11.6%	12.1%	12.0%	12.0%	12.0%	12.0%	12.0%
Depreciation	-3.4%	-1.9%	-1.6%	-3.2%	-3.5%	-3.9%	-4.2%	-4.4%	-4.5%
EBIT	7.1%	9.1%	10.0%	9.0%	8.5%	8.1%	7.8%	7.6%	7.5%
Interest	-0.3%	-0.1%	-0.2%	-0.3%	-0.4%	-0.5%	-0.6%	-0.6%	-0.7%

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
EBT	9.8%	11.9%	13.3%	14.0%	13.7%	13.6%	13.6%	13.7%	13.9%
EAT	6.4%	8.1%	9.1%	9.7%	9.2%	9.1%	9.1%	9.2%	9.3%
% Growth									
Revenues		10.6%	16.6%	3.8%	**4%**	**4%**	**4%**	**4%**	**4%**
Expenses		10.0%	15.9%	3.1%	4.2%	4.0%	4.0%	4.0%	4.0%
EAT		38.5%	31.3%	11.3%	-1.7%	3.2%	4.0%	4.7%	5.3%
Other Income		9.7%	39.4%	61.0%	**10%**	**10%**	**10%**	**10%**	**10%**
Total Other Income		15.2%	37.2%	61.1%	8.2%	8.9%	9.3%	9.5%	9.6%
EPS(Rs)	**29.83**	**41.32**	**54.27**	**60.42**	**59.36**	**61.27**	**63.74**	**66.74**	**70.26**
Equity Capital	144	144	144	144	144	144	144	144	144
Dividend	9%	9%	9%	9%	**9%**	**9%**	**9%**	**9%**	**9%**
Retained Earnings	846	1,177	1,550	1,727	1,697	1,752	1,823	1,909	2,011
Price	430	910	749	815					
P/E	14.42	22.02	13.80	13.49					

Interpretation

- ✓ The inventory turnover the company is very high as the company follows the just in time (JIT).
- ✓ The earnings per share have grown up around 15% on the year on year basis.
- ✓ The return on asset is quite good which enables for the future investment and the growth of the organization subsequently.

Table No 4.7.2

Table showing the Balance Sheet of Maruti Suzuki **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Assets									
Cash	1,029	1,402	1,424	325	1,224	2,253	3,447	4,815	6,367
Other Current Assets	2,067	2,467	2,532	2,864	2,979	3,099	3,222	3,351	3,485
Fixed Assets	5,053	4,954	6,146	7,285	8,329	9,280	10,145	10,932	11,648
Revaluation Reserve	0	0	0	0	0	0	0	0	0
Accumulated Depreciation	3,179	3,259	3,487	3,988	4,546	5,183	5,908	6,736	7,679
Capital Work in Progress	42	92	238	736	750	791	864	976	1,135
Investments	1,516	2,051	3,409	5,180	5,698	6,268	6,895	7,584	8,342
Total Assets	6,528	7,707	10,262	12,402	14,434	16,507	18,664	20,922	23,299
Liabilities									
Current Liabilities	1,843	2,184	2,779	3,088	3,212	3,340	3,474	3,613	3,757
Equity	144	144	144	144	144	144	144	144	144
Reserves & Surplus	4,234	5,308	6,709	8,270	9,967	11,718	13,541	15,450	17,461
Preference Share	0	0	0	0	0	0	0	0	0
Total Equity	4,378	5,452	6,853	8,414	10,111	11,862	13,685	15,594	17,605
Debt	307	71	630	900	1,112	1,305	1,505	1,715	1,937
Total Liabilities	6,528	7,707	10,262	12,402	14,434	16,507	18,664	20,922	23,298
Difference	0	0	0	0	0	0	0	0	0
% Growth									
Current Assets		19.4%	2.6%	13.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Assets		**18.1%**	**33.2%**	**20.9%**	**16.4%**	**14.4%**	**13.1%**	**12.1%**	**11.4%**
Current Liabilities		18.5%	27.2%	11.1%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Liabilities		18.1%	33.2%	20.9%	16.4%	14.4%	13.1%	12.1%	11.4%
Accumulated Depreciation		2.5%	7.0%	14.4%	**14.0%**	**14.0%**	**14.0%**	**14.0%**	**14.0%**
Investments		35.3%	66.2%	52.0%	**10%**	**10%**	**10%**	**10%**	**10%**

Table No 4.7.3

Table showing the Cash Flow Statement of Maruti Suzuki **Rs in crores**

Particulars	2005	2006	2007	2008	2009E	2010E	2011E	2012E	2013E
PBT	1,304	1,750	2,279	2,503	2,552	2,634	2,740	2,869	3,020
Net Cash Flow Operating Activity	1,073	1,222	2,028	1,830	2,373	2,523	2,681	2,845	3,018
Net Cash Used in Investing Activity	(192)	(530)	(2,436)	(3,061)	(1,700)	(1,700)	(1,700)	(1,700)	(1,700)
Net Cash Used in Financial Activity	(92)	(319)	430	132	225	206	213	223	234
Net Increase in cash & equivalent	789	373	22	(1,099)	899	1,029	1,194	1,368	1,552
Cash & Equivalent Beginning of the year	240	1,029	1,402	1,424	325	1,224	2,253	3,447	4,815
Cash & Equivalent End Of the year	1,029	1,402	1,424	325	1,224	2,253	3,447	4,815	6,367

Table No 4.7.4

Table showing the Workings of Maruti Suzuki **Rs in crores**

Particulars	**2005**	**2006**	**2007**	**2008**	**2009E**	**2010E**	**2011E**	**2012E**	**2013E**
Depreciation									
Fixed Assets	5,053	4,954	6,146	7,285	8,329	9,280	10,145	10,932	11,648
As a % of revenues	38%	34%	36%	41%	45%	48%	50%	52%	54%
Depreciation	456	285	271	568	656	750	835	913	984
as a % of fixed assets		5.64%	5.47%	9.24%	**9%**	**9%**	**9%**	**9%**	**9%**
Net Purchases		186	1,463	1,707	**1,700**	**1,700**	**1,700**	**1,700**	**1,700**
Interest									
Debt	307	71	630	900	1,112	1,305	1,505	1,715	1,937
as a % of equity	7%	1%	9%	11%	11%	11%	11%	11%	11%
Interest	36	20	37	59	81	100	117	135	154
as a % of previous years debt		6.51%	52.11%	9.37%	**9.0%**	**9.0%**	**9.0%**	**9.0%**	**9.0%**
Current Assets	2,067	2,467	2,532	2,864	2,979	3,099	3,222	3,351	3,485
as a % of revenues	15.49%	16.72%	14.72%	16.04%	**16%**	**16%**	**16%**	**16%**	**16%**
Current Liabilities	1,843	2,184	2,779	3,088	3,212	3,340	3,474	3,613	3,757
as a % of revenues	13.81%	14.80%	16.15%	17.29%	**17%**	**17%**	**17%**	**17%**	**17%**
Tax									
Provision for income tax	446	560	717	763					
Tax Shield on Interest Expense	12	7	12	19					
Net Tax on EBIT	458	567	729	782					

Chart No 4.7.1

Chart showing the Revenues of Maruti Suzuki

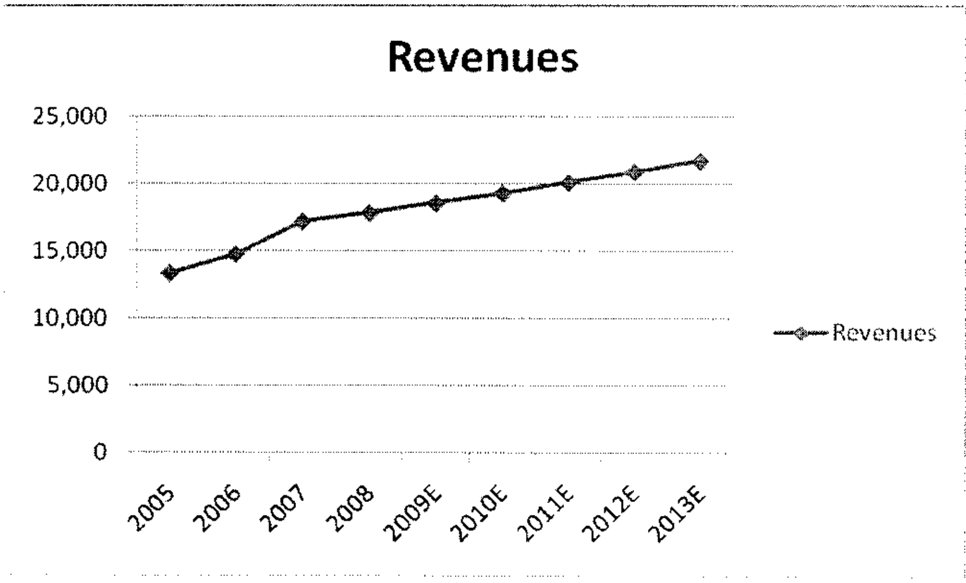
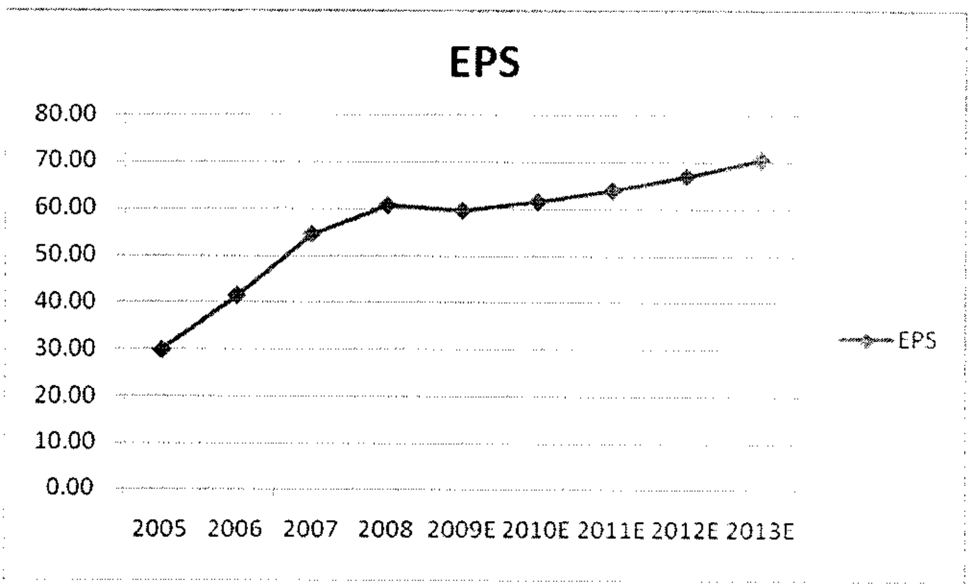


Chart No 4.7.2

Chart showing the EPS of Maruti Suzuki



FINDINGS & SUGGESTIONS

CHAPTER 5

FINDINGS AND SUGGESTIONS

FINDINGS

5.1 ONGC

The revenues in the last four years have grown about 50% year on year. The operating profit is around 30% which is the best in the industry. Around 50% of the EPS is paid to the investors and the remaining is used for the future investment requirements. The return on asset is quite good, that enables for further investments.

If the investor invests in this security, he can expect EPS growth of around 10 percent and the assets to grow at 13 to 15 percent on an average. The profit margin is expected to be high in the refinery business for ONGC. The P/E ratio is around 13 times in the present situation which is very attractive for the investments. The earnings from the EPS would be around 8 to 10 percent of his investments.

5.2 UNITECH

The revenues have grown up around 3 times in the year 06-07 on year on year basis. The earnings per share have increased substantially in the year 06-07. The operating profit has been around 30 to 40 percent in the last two years.

If the investor invests in this security, he can expect the assets to grow at 20 to 25 percent on an average. The profit margin is expected to be high at around 30 to 35 percent. The increasing infrastructure investment would enable Unitech to improve its order book.

5.3 BHEL

The revenue growth in the year 06-07 was very strong an the order book of BHEL is also very good. The earnings per share has grown up about 40% in the year 06-07. The profit margin is almost constant for all the four years, which shows a strong demand and efficient management.

If the investor invests in this security, he can expect EPS growth of around 20 percent and the assets to grow at 15 to 20 percent on an average. The order book of BHEL is very strong when compared with other capital goods manufacturers. The now signed nuclear deal would enable BHEL to build large capacity nuclear plants (where it is a monopoly in India).

5.4 TCS

The revenue growth of tcs has been very strong on an average it is around 25% year on year. The net profit was around 25% for the last four years. The earnings have improved about 10% in the year 07-08 year on year inspite of slow growth rate in the IT industry.

If the investor invests in this security, he can expect EPS growth of around 10 percent and the assets to grow at 25 to 30 percent on an average. The profit margin is expected to be high. The fluctuation in the stock price is mainly because of the currency market fluctuation. The other concern is the economic slowdown in U.S.

5.5 MARUTI SUZUKI

The inventory turnover the company is very high as the company follows the just in time (JIT). The earnings per share have grown up around 15% on the year on year basis. The return on asset is quite good which enables for the future investment and the growth of the organization subsequently.

If the investor invests in this security, he can expect the assets to grow at 10 to 15 percent on an average. The P/E ratio is around 13 times in the present situation which is very attractive for the investments. The earnings from the EPS would be around 8 to 10 percent of the investments made.

SUGGESTIONS

The future return of the various companies that are selected from the S&P Nifty index is forecasted in this project. Before investing in a security it is essential to forecast the earning potential of it.

From the results obtained from the analysis few suggestions are drawn as to which would give the investor about the return he can expect from the security

- ✓ If the company fails to meet the earnings as calculated, then the investor can sell the stock as the growth of the company was not as per minimum expectation.

- ✓ Based on the earnings calculated for the future the investor can decide whether it meets his return expectations or not.

- ✓ The investors must be well aware of the risk involved in the securities market.
- ✓ If you analyze the ONGC share it looks attractive to buy with a P/E ratio of about 13 times. But due to the negative news from the U.S. economy the stock price is fluctuating to year lows. The investor should select the stock and should be looking to purchase such value buying at every sharp dips.
- ✓ In the long run the stock value will get corrected as per the fundamental value.
- ✓ Investors should plan for the purchases they are going to make by going through the past performances and company results but should not rely on them.
- ✓ Unrealistic expectations which finally leads to overtrading of the scrips by the investors should be avoided which sometimes leads to losses.
- ✓ If the investor gets a return more than the expected return he should be looking to book profits.
- ✓ With the cash available he should be looking for value buying.
- ✓ He should be careful with the manipulation that might take place and make sure he does not get trapped in it.
- ✓ He should not get trapped by purchasing the stocks only for the reason the volume of trade in it is high.
- ✓ The investor must note the volume of trade carried out in the futures market. He should look whether many short build ups are happening. Short build ups are a sign that the stock prices would suggest the future price movements.

CONCLUSION

Future Return analysis is a very important aspect that is to be assessed before an investment planning. In the current analysis the expected minimum return that an investor can expect from the investment is calculated in the analysis. The investors are likely to invest in the companies which show a strong growth in the earnings and the growth of the assets.

The calculation of the future income statement made in the analysis would enable the investor to make an investment which is profitable. If the result of the companies does not lie in par with the statement given in the analysis then the investor can choose to sell or buy. The investor can choose the security to invest based on the return expected and the risk appetite of the investor. The price-earnings ratio would provide the investor an idea about the returns he would get from the investment. The analysis is an attempt to give the investor an idea of the capital growth and the EPS that is expected from the investment.

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