Mahindra & Mahindra

BSE SENSEX	S&P CNX
35,490	10,769

CMP: INR898 TP: INR1,053 (+17%) Buy

Stock Info

Bloomberg	MM IN
Equity Shares (m)	1,243
52-Week Range (INR)	932 / 613
1, 6, 12 Rel. Per (%)	3/16/17
M.Cap. (INR b)	905.9
M.Cap. (USD b)	14.0
Avg Val, INRm	1886.0
Free float (%)	79.6

Financials Snapshot (INR b)

Y/E March	2018	2019E	2020E
Sales	486.9	553.5	614.0
EBITDA	62.2	73.3	81.9
NP *	43.2	50.3	56.5
Cons. EPS (INR)	40.2	49.3	54.0
EPS Gr. (%)	46.9	22.6	9.5
BV/Sh. (INR)	254.6	284.4	319.0
RoE (%)	14.2	14.8	14.8
Cons. P/E (x)	22.3	18.2	16.6
P/BV (x)	3.5	3.2	2.8
EV/EBITDA (x)	16.5	14.0	11.0
Div. Yield (%)	1.1	1.1	1.1

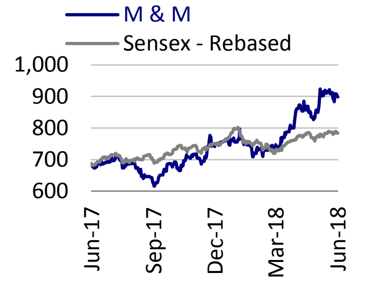
* incl. MVML

Shareholding pattern (%)

As On	Mar-18	Dec-17	Mar-17
Promoter	20.5	20.5	25.3
DII	20.3	19.2	20.1
FII	42.1	41.7	39.8
Others	17.2	18.6	14.8

FII Includes depository receipts

Stock Performance (1-year)



Aspiring for 50% market share in domestic tractors

Preparing for larger global play in the farm equipment industry

We attended M&M's Farm Equipment Segment's (FES) investor day in Nagpur (Click here for the presentation), where entire senior management of FES division presented their strategy on a) fortifying core India business, b) expanding scope of business through geographic (global markets) and product expansion (non-tractor mechanization, precise farming etc) and c) maximizing RoCE at consol. FES business. It sees substantial head room for Indian tractor industry and expected it to grow at at-least 8-10% over 5 years and MM to gain market share. MM FES business is transforming from being an India tractor player to global farm equipment supplier. Key highlights:

- Core domestic tractor business is nowhere near saturation. As per MM's estimates, peak requirement of tractors is ~16.2m as against current tractor population of ~6.5m.
- The way farming is done in India will change fundamentally due to a) labour shortage, b) accessibility of digitization, and c) democratization of technology.
- Globally, 98% of farm holding is under 50 ha - M&M is focused on this segment.
- MM FES is <2% of global farm equipment market of USD160b, hence sees immense opportunity to scale up in global markets.
- MM's strategy is based on above trends and is formulated to:
  - Target farmers with <50 ha land holdings in global markets.
  - **Fortify the "Core"** - Target 50% market share in domestic tractors (v/s 43% currently), driven by strengthening position in relatively weaker market by offering market/crop specific solution and targeting price conscious market through Trakstar brand. In the base case, India FES segment revenues can double in 6 years (~12% CAGR).
  - **Expand the market footprint** - Geographic expansion in target global markets to contribute ~50% (v/s <40% currently).
  - **Business vertical expansion** - Aspiring farm mechanization to be USD1b consol FES revenues (v/s USD340m currently). At USD1b, MM's global market share would be just 1%. In India, non-tractor farm mechanization revenues are just ~INR3b as against industry size of INR70b (v/s tractor market size of ~INR390b). Global farm equipment market is USD160b, of which tractors is just USD60b.
- **Valuation & view:** MM is in a sweet spot with strong recovery/growth across all businesses. It is the best bet on the rural recovery in the auto industry. Success in its upcoming new launches and strength of the momentum in tractors and pick-ups will be the key drivers of the stock performance, in our view. The core business (adjusted for subsidiaries' value) trades at 16.1x/14.3x FY19/20E EPS. Maintain **Buy** with an SOTP-based (March 2020E) TP of INR1,053.

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Transforming business model targeting global farm equipment market

- Contrary to general perception, MM has been in process of transforming its business model by expanding its horizon from being an Indian tractor company to global farm equipment supplier.
- Global farm machinery Industry is USD160b market, with over USD100b in non-tractor farm equipment space.
- This compares with India farm equipment industry size of ~USD7b (non-tractor being just over USD1b). MM's global market share is under 2%.
- Its strategy is based on changing two key levers viz a) Geography - aspiring 50% revenues from global markets (v/s <40% currently) and b) non-tractor (farm mechanization, precision farming etc).

Domestic tractor industry nowhere near saturation, sees 8-10% CAGR over 5 years

- Based on its experience at ground level and estimates, it is seeing following trends in rural markets which augurs well for tractor industry:
- Faster growth in its proprietary prosperity index over FY18-23 driven by structural factors
- Increasing trend of investment on irrigation
- Increase in horticulture (short cycle crop) with 6-8% CAGR growth over next 5 years as against 2.5% CAGR for food grains.
- Based on its estimates, for net sown area of ~350m acres India's would require ~16.2m tractors to meet peak requirement (including haulage requirement but doesn't factor in for affordability and competition from power tillers). Current tractor population of 6.5m is just 40% of the peak requirement.
- Hence, growth rate for the industry could be higher than 8-10% historical growth.

Fortifying core – aspiring for 50% market share in domestic tractor industry

- MM's India tractor market strategy revolves around three brand:
- Mahindra – Positioned as pioneering technology with purpose of democratizing technology for small and medium farmers.
- Swaraj – Positioned as reliable (reflecting in high resale value), authentic (as over 70% of people working are farmers) and powerful with high resale value.
- Trakstar – Offer affordable mechanization targeting price sensitive segment with 5-10% lower pricing than cheapest national competitor.
- With Mahindra and Swaraj brand, it is targeting to improve its positioning in markets where its share is lower than national average of ~43% (in ~50% of the states). If it is able to bring its market share in these relatively weak markets to 43%, its pan-India market share will improve by 350pp.
- Lack of right product for specific market and reach resulted in lower market share in some markets. It is focusing on crop specific product application in such markets, which should help to improve its positioning, along with reach expansion.
- Mahindra tractor dealerships are moving towards Customer Value Proposition (CVP), which offers four unique offerings. Already over 200 dealers on CVP platform, which would be gradually rolled out to all Mahindra dealers. Four key offerings are a) farm solution advisory, b) tractor customization, c) 2x2 service -

regular service within 2hrs & major overhaul within 2 days, and d) technology demo.

- Trakstar brand is targeted towards price sensitive segment and would be sold through independent network without any reference to Mahindra/Swaraj brand. Currently, it is launched in 5-6 states.
- Based on these initiatives, it is targeting 50% market in the domestic tractor market (v/s 43% currently).

Global businesses – targeting 50% FES revenues from global markets

- MM is targeting bigger play in USD160b global farm equipment market, with play in both tractors (USD60b) and non-tractor equipment (USD100b). It wants to focus on small and mid-sized farms (<50 ha), which would constitute ~550m farmers (~60% of cultivable land).
- Its approach for globalization is through creation of brand, channel and product. It is not in hurry to get numbers and short term returns. Its focus markets are Americas, Japan, Turkey, Africa and South East Asia.
- In Americas, it is targeting North America (USD22b market), Mexico and Brazil (USD7b market), with local assembly unit in each of these markets and offers best in class warranty & mileage. Current revenues from these markets are ~USD600m, and it is targeting ~USD1b.
- While in US it has presence in entire range from sub-compact to 120hp, it is #3 player in <80hp segment. Also, it has complementary product 'Retriever' in off-road UV (USD7b market).
- Mexico and Brazil are India like market, and hence MM has strong product portfolio to offer. It is in process of building team, brand and channel.
- In Japan (USD3.5b market), it has presence through Mitsubishi (MAM). MAM is #4 player with 7% market share. It has strong presence in tractors and rice transplanters and harvesters. It is aiming at USD1b revenues (v/s USD450m currently).
- It recently entered Turkey (USD3.5b market incl exports) through acquisition of Hisarlar and Erkunt Traktor. Erkunt is #3 brand in Turkery within 7 years of inception and aspires to be #2. Hisarlar is #1 in soil tillage in Turkey. Under MM, between Erkunt and Hisarlar it has product range from tillage to post harvest machinery. Further, it would leverage on Turkey as it gives access to both West and East. Erkunt products are already homologated for EU. It aspires to have USD500m revenues (v/s USD250m in FY18).
- Lastly, for Africa and South East Asia it would be exporting from India. MM's share in tractor exports from India is ~20% (v/s 43% in domestic market).

Farm mechanization – Idea whose time has come?

- MM was less focused on non-tractor farm equipment segment in India, as they didn't see this opportunity to be as big as they see now. 4-5 years back dealers were not interested in selling implements, however now there increasing interest from dealers. Pull for implement is becoming stronger due to labour shortage and higher cost of labour.
- India farm implement business are working in tandem with MAM, Hisarlar and Sampo. Now (3 months back). It is working with its global teams to develop right priced India focused product, as against just trading private label brands.

- India agri-implement business is very nascent with just ~INR70b market, largely comprised of basic implements. For eg, rice transplanters market in India is ~2,000 pa (v/s 110k in China).
- Interestingly, current penetration of rice transplanters (~0.2%) and harvesters (~0.5%) is similar to tractor’s penetration in India during 1960/1971.
- Apart from India, it is eyeing global opportunity in this space by leveraging on MAM, Hisarlar and Sampo, with focus on Rice value chain, harvesters and farm implements. Its current revenues from this segment is USD340m and is targeting revenues of USD1b.

New business models – Precision farming

- MM is working on developing precision farming solutions with objective of improving yields at lower cost through precise use of inputs (right time, location and quantity), based on hyper local data.
- M&M currently has ‘MyAgriGuru’, an app based advisory solution (over 440k downloads).
- To offer deeper solutions based on extremely hyper local data, including advanced advisory and deployment, it is launching new brand "Maati". It has two key elements: Maps & intelligent machines (IoT & geo-localised).
- This space offers tremendous opportunity as benefits are tangible to the farmers. Revenue stream is not just advisory but also equipment sales (like precision sprayer etc).
- It has partnered with ecosystem like Resson (world leader in AI in agri), Carnot (world leader in low cost high tech IoT) and Virginia Tech.

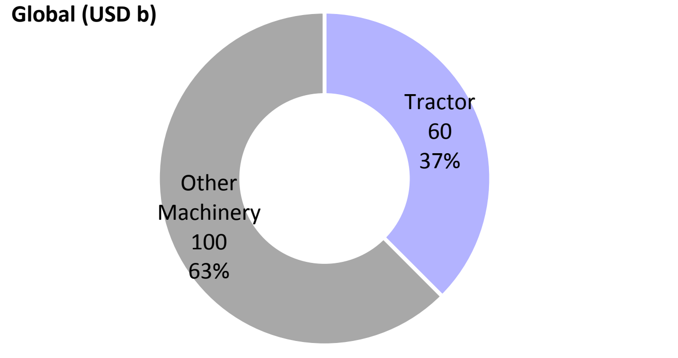
Focus on maximizing RoCE and improve subsidiaries performance

- FES business has 3 focus area viz a) maximizing RoCE, b) maximizing margins through cost cutting 'Project Kuber', and c) improve financial performance of global subs.
- It is targeting to maintain probability through cost cutting (project Kuber) and operating leverage. It would look to balance pricing power, market share and margins.
- For its global subsidiaries, it is targeting global subs to improve PBIT margins to ~5% (from -1.3% currently), with each subsidiary having concrete path to profitability. Global subs PBIT margin improvement driven by a) localization, b) sourcing efficiencies, c) productivity improvement, and d) synergies at revenue level and operating leverage. At 5% PBIT margins, global subs would enjoy 25% RoCE.
- It doesn’t need significant investments beyond budgeted level (~INR150b over 3 years), as it has sufficient capacities for next 2-3 years growth in all key the businesses.

Valuation and view

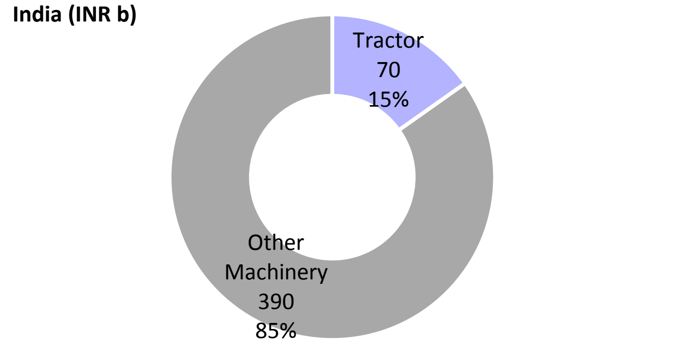
- **Best bet on rural markets, with ~70% of consolidated profits attributable to rural markets:** MM would be one of the biggest beneficiaries of rural market recovery, as both of its core businesses are heavily dependent on rural markets. Our estimate suggests ~70% of MM's profit can be attributed to rural markets. With rural market recovery underway and pro-rural policies in run-up to the elections, we believe MM is the best play on the rural markets.
- **Strong growth in tractor volumes on the back of a normal monsoon:** Second consecutive year of normal monsoons and higher MSPs, and resumption of infrastructure investments (~10% tractor demand) would boost demand over the long term. We estimate ~9% CAGR in tractor volumes over FY1-20. Further, we expect continued ramp-up in non-tractor mechanization (implements, harvesters, etc), which should result in stronger revenue growth over FY17-20.
- **UVs – sharp recovery to continue in pick-ups; passenger UVs to benefit from rural recovery and new launches**: Pick-ups (~46% of FY18 volumes) are back on growth path, though still below the previous peak of FY14. With 48% market share in LCVs <3.5ton, MM's pick-up volumes are estimated to grow at ~14% CAGR over FY18-20, driven by economic recovery. Passenger UV volumes declined at a compounded annual rate of 6% over FY13-17, impacted by emergence of compact SUVs (MM was absent in this segment) and rural weakness (~50% of volumes). Further, its launches in the compact SUV segment failed. With expected recovery in rural markets and one new product launch each in FY18/19, we expect ~8% CAGR in passenger UVs. Successful upcoming launch would drive volumes higher.
- **Compact SUVs key driver of UV industry, but competition to remain high:** The UV segment is expected to outgrow the PV industry over the next 3-5 years. However, growth in UVs would be driven by increasing acceptance of compact SUVs by car buyers, while traditional UVs (MM's forte) could show cyclical recovery in volumes. MM is responding to changing industry dynamics – it is this time challenged by market leaders like Maruti and Hyundai in the compact SUV segment, where MM is a weak player. We estimate profitability of MM's UV business to be under pressure in the medium term, as it will have to shorten product refresh cycle and adopt very aggressive pricing.
- **Maintain Buy:** The stock trades at 18.2x FY19E and 16.6x FY20E consolidated EPS. The core business (adjusted for subsidiaries' value) trades at 16.1x/14.3x FY19/20E EPS. Maintain **Buy** with an SOTP-based (March 2020E) TP of INR1,053.

Exhibit 1: Globally, non-tractor farm machinery is 63% of the farm equipment industry…



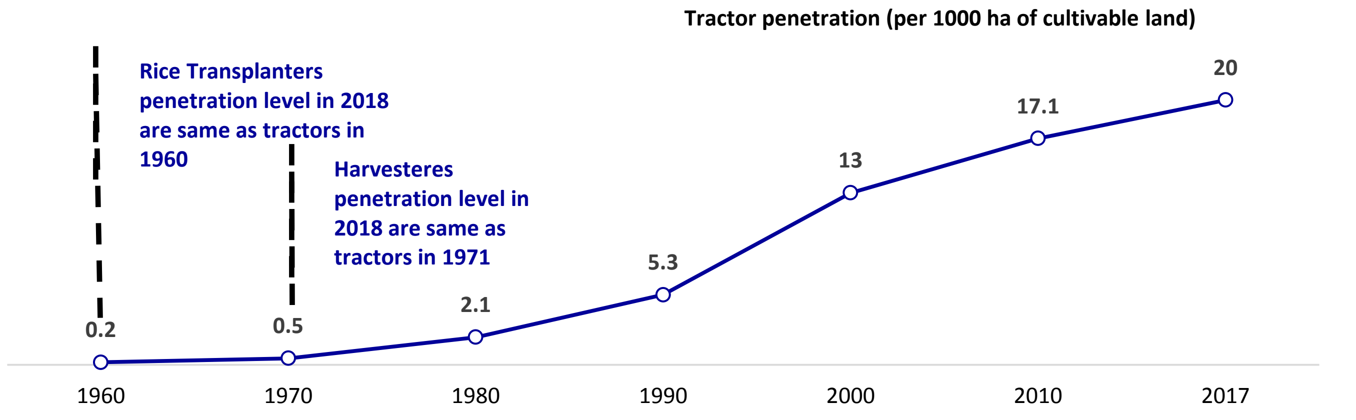
Source: Company, MOSL

Exhibit 2: …however, in India it is just ~15%



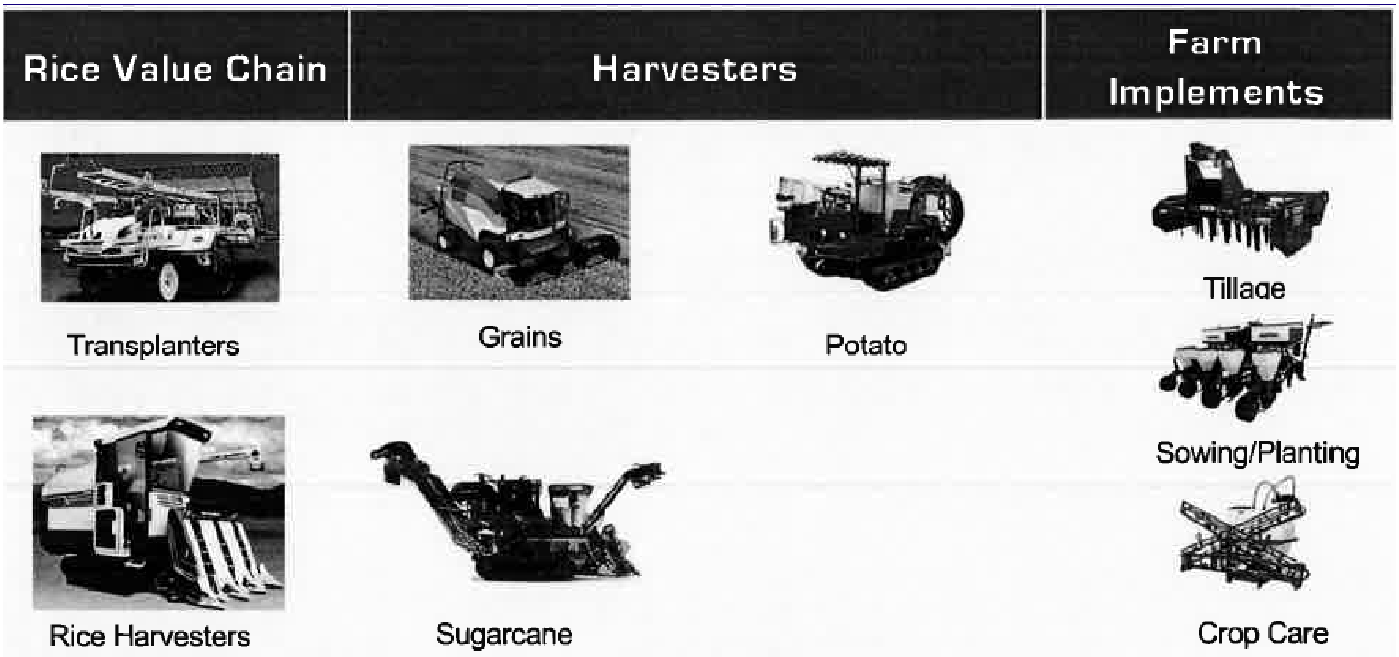
Source: Company, MOSL

Exhibit 3: Non-tractor farm mechanization – an idea whose time has come?



Source: Company, MOSL

Exhibit 4: MM's focus areas in agriculture machinery space

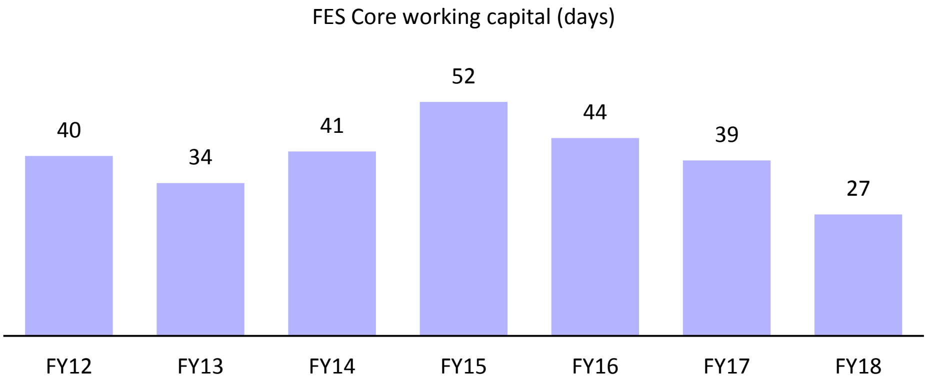


Source: Company, MOSL

Exhibit 5: Tractors – Trakstar to be independent brand of tractors in 30-50hp range

Source: Company, Company, MOSL

Exhibit 6: MM has reduced its core working capital for FES business



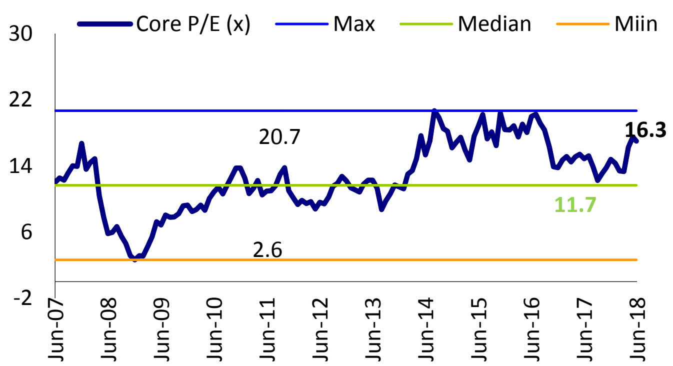
Source: Company, MOSL

Exhibit 7: M&M – SOTP based target price

	FY19E	FY20E
Core EPS (excl. subsidiary dividend)	36.9	41.7
PE attributable (x)	18	18
Value of core business	**665**	**750**
Value of subsidiaries @ Hold Co discount	20	20
1. Tech Mahindra	117	117
2. M&M Financial Services	96	96
3. Mahindra Lifespaces	6	6
4. Mahindra Holidays	13	13
5. Ssangyong	19	19
6. Mahindra CIE	11	11
7. CIE Automotive Spain	28	28
8. Mahindra Logistics	12	12
Target price (after 20% discount)	**968**	**1,053**
Upside (%)	*7.7*	*17.2*

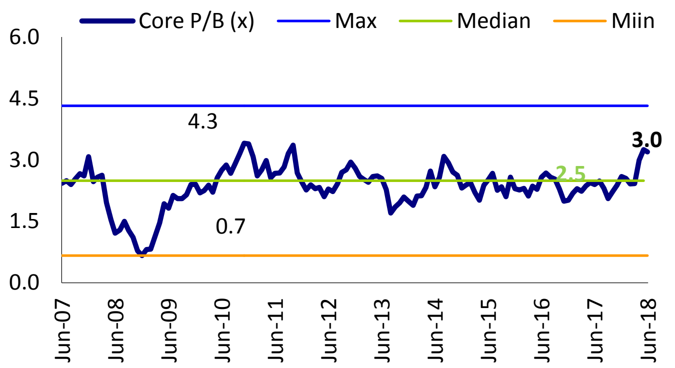
Source: MOSL

Exhibit 8: MM's Core PE valuations are at premium to LPA



Source: Bloomberg, MOSL

Exhibit 9: MM's Core PB valuations are at premium to LPA



Source: Bloomberg, MOSL

Exhibit 10: Valuation summary

	CMP	Rating	TP	P/E (x)		EV/EBITDA (x)		RoE (%)		Div Yld (%)		EPS CAGR
Auto OEM's	**(INR)***		**(INR)**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY19E**	**FY20E**	**FY18-20E**
Bajaj Auto	2,810	Buy	3,450	16.8	14.7	11.5	9.5	24.0	24.7	2.5	2.8	12.6
Hero MotoCorp	3,568	Neutral	4,077	17.6	15.5	10.6	9.4	32.3	32.5	2.9	3.2	11.6
TVS Motor	586	Neutral	607	31.1	21.4	18.3	13.2	27.9	32.2	0.7	0.9	40.3
M&M	**898**	**Buy**	**1,053**	**18.2**	**16.6**	**14.6**	**13.0**	**14.8**	**14.8**	**1.1**	**1.1**	**15.8**
Maruti Suzuki	8,950	Buy	10,516	25.5	20.0	15.7	12.6	21.5	23.2	1.1	1.4	29.4
Tata Motors	277	Buy	393	6.9	6.1	2.8	2.4	13.3	13.1	0.1	0.1	40.4
Ashok Leyland	133	Buy	183	18.0	14.3	8.9	6.5	27.6	28.7	1.7	1.9	31.2
Eicher Motors	29,090	Buy	35,572	27.7	21.6	23.2	18.8	35.0	33.8	0.6	0.7	29.8
Auto Ancillaries												
Bharat Forge	610	Buy	806	24.0	18.9	13.9	11.4	23.2	24.6	0.9	1.0	35.1
Exide Industries	252	Buy	301	24.8	19.8	14.0	11.4	14.4	16.0	1.0	1.3	24.7
Amara Raja Batteries	746	Buy	964	22.9	19.3	11.9	9.8	17.6	18.0	0.7	0.8	18.2
BOSCH	17,737	Neutral	19,373	30.5	24.7	19.1	15.4	16.9	18.7	1.1	1.4	23.6
Endurance Tech	1,244	Buy	1,530	32.5	24.4	15.4	12.1	22.6	25.2	0.6	1.0	32.5
Motherson Sumi	282	Buy	426	23.2	16.5	8.8	6.2	25.0	29.0	1.1	1.6	44.6
Mahindra CIE	253	Buy	300	18.1	15.2	9.5	7.6	13.3	13.8	0.0	0.0	31.7
Escorts	881	Neutral	982	16.8	13.5	14.1	11.0	19.3	20.3	0.6	0.6	28.7
CEAT	1,309	Buy	1,831	1.8	1.6	9.9	12.6	9.7	10.6	5.7	8.0	33.7

Source: Company, MOSL

Financials and Valuations

Income Statement								(INR Million)
Y/E March	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**
Net Op. Income	**404,412**	**405,085**	**384,448**	**408,751**	**440,535**	**486,856**	**553,461**	**613,974**
Change (%)	27.0	0.2	-5.1	6.3	7.8	10.5	13.7	10.9
Total Expenditure	357,319	357,873	342,714	362,551	395,388	424,615	480,122	532,034
EBITDA	**47,093**	**47,212**	**41,734**	**46,199**	**45,147**	**62,240**	**73,340**	**81,940**
Margins (%)	11.6	11.7	10.9	11.3	10.2	12.8	13.3	13.3
Margins (%, incl MVML)	**13.9**	**13.5**	**12.5**	**13.5**	**13.1**	**14.8**	**15.3**	**15.4**
Depreciation	7,108	8,633	9,749	10,681	15,264	14,794	17,019	19,915
EBIT	**39,985**	**38,579**	**31,985**	**35,518**	**29,883**	**47,446**	**56,321**	**62,025**
Deferred Revenue Exp.	0	0	0	0	0	0	0	0
Int. & Finance Charges	1,912	2,592	2,143	1,861	1,596	1,122	1,575	1,575
Other Income	5,177	7,180	9,883	8,499	13,455	10,364	11,973	13,841
Non-recurring Expense	0	0	0	0	0	0	0	0
Non-recurring Income	906	528	3,357	687	0	4,336	0	0
Profit before Tax	**44,156**	**43,694**	**43,082**	**42,845**	**41,742**	**61,024**	**66,718**	**74,290**
Tax	10,943	6,111	8,478	10,799	10,792	17,464	19,348	21,173
Eff. Tax Rate (%)	24.8	14.0	19.7	25.2	25.9	28.6	29.0	28.5
Profit after Tax	**33,214**	**37,584**	**34,604**	**32,046**	**30,949**	**43,560**	**47,370**	**53,118**
Change (%)	15.4	13.2	-7.9	-7.4	-3.4	40.7	8.7	12.1
% of Net Sales	8.2	9.3	9.0	7.8	7.0	8.9	8.6	8.7
Adj. Profit after Tax	**32,532**	**37,129**	**31,908**	**31,532**	**30,949**	**40,465**	**47,370**	**53,118**
Change (%)	16.5	14.1	(14.1)	(1.2)	(1.8)	30.7	17.1	12.1
Adj. PAT (incl MVML)	**35,438**	**38,605**	**31,595**	**33,394**	**35,133**	**43,202**	**50,337**	**56,456**

Balance Sheet								(INR Million)
Y/E March	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019E**	**2020E**
Share Capital	2,952	2,952	2,957	2,963	2,968	5,950	5,950	5,950
Reserves	143,638	164,961	189,594	221,269	264,888	296,991	332,462	373,680
Net Worth	**146,589**	**167,912**	**192,551**	**224,232**	**267,856**	**302,941**	**338,411**	**379,629**
Deferred tax	6,149	8,897	9,797	-54	2,548	2,772	2,772	2,772
Loans	42,792	48,787	46,615	18,436	27,729	28,644	28,644	28,644
Capital Employed	**195,530**	**225,596**	**248,963**	**242,614**	**298,134**	**334,357**	**369,827**	**411,046**
Application of Funds								
Gross Fixed Assets	89,500	107,961	117,385	139,386	156,401	172,079	228,366	263,366
Less: Depreciation	41,287	49,192	58,091	63,426	78,690	93,484	110,503	130,418
Net Fixed Assets	**48,213**	**58,770**	**59,295**	**75,960**	**77,710**	**78,594**	**117,862**	**132,947**
Capital WIP	10,000	12,284	21,788	15,622	20,404	31,287	10,000	10,000
Investments	118,335	113,799	131,382	135,474	179,084	205,830	206,455	221,455
Curr.Assets, L & Adv.	**97,988**	**128,034**	**116,985**	**123,286**	**125,034**	**158,457**	**187,720**	**211,288**
Inventory	24,198	28,036	24,376	26,879	27,580	27,017	30,327	33,642
Inventory Days	22	26	23	24	23	20	20	20
Sundry Debtors	22,084	25,098	25,580	25,116	29,388	31,730	36,392	40,371
Debtor Days	20	23	25	23	24	24	24	24
Cash & Bank Bal.	17,814	29,504	20,648	22,870	16,875	28,937	49,038	64,068
Loans & Advances	28,509	39,640	40,054	17,103	5,406	10,182	11,372	12,616
Others	5,384	5,756	6,328	31,317	45,784	60,591	60,591	60,591
Current Liab. & Prov.	**79,006**	**87,291**	**80,486**	**107,728**	**104,098**	**139,811**	**152,210**	**164,644**
Sundry Creditors	55,797	60,688	53,655	66,780	68,811	86,034	98,562	109,338
Creditor Days	51	55	52	60	57	65	65	65
Other Liabilities	4,154	5,863	6,143	30,300	21,388	38,485	38,485	38,485
Provisions	19,055	20,740	20,688	10,648	13,899	15,292	15,163	16,821
Net Current Assets	**18,982**	**40,743**	**36,499**	**15,558**	**20,935**	**18,646**	**35,510**	**46,644**
Application of Funds	**195,530**	**225,596**	**248,963**	**242,614**	**298,134**	**334,357**	**369,827**	**411,046**

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
Basic (INR)								
Fully diluted EPS	**27.6**	**31.4**	**27.0**	**26.6**	**26.1**	**34.0**	**39.8**	**44.6**
FD EPS (incl MVML)	**30.0**	**32.7**	**26.7**	**28.2**	**29.6**	**36.3**	**42.3**	**47.4**
Consolidated EPS	**30.9**	**36.8**	**24.2**	**26.3**	**27.4**	**40.2**	**49.3**	**54.0**
Cash EPS	33.6	38.8	35.2	35.6	38.9	46.4	54.1	61.4
Book Value per Share	124.2	142.2	162.8	189.2	225.6	254.6	284.4	319.0
DPS	6.5	7.0	6.0	6.0	6.5	10.0	10.0	10.0
Payout (Incl. Div. Tax) %	13.4	12.9	24.5	26.3	12.3	31.7	29.2	26.0
Valuation (x)								
P/E	29.9	27.5	33.6	31.9	30.4	24.7	21.2	18.9
Consolidated P/E	29.1	24.4	37.1	34.2	32.8	22.3	18.2	16.6
Cash P/E	26.8	23.2	25.5	25.2	23.1	19.3	16.6	14.6
EV/EBITDA	5.9	11.1	12.8	10.9	11.3	16.5	14.0	11.0
EV/Sales	0.7	1.3	1.4	1.2	1.2	2.1	1.8	1.5
Price to Book Value	7.2	6.3	5.5	4.7	4.0	3.5	3.2	2.8
Dividend Yield (%)	0.7	0.8	0.7	0.7	0.7	1.1	1.1	1.1
Profitability Ratios (%)								
RoE	24.3	23.6	17.7	15.1	12.6	14.2	14.8	14.8
RoCE	19.2	18.7	14.2	13.4	11.9	13.0	13.8	13.9
ROIC	72.5	55.6	35.4	37.0	29.5	45.1	46.3	40.3
Turnover Ratios								
Debtors (Days)	20	23	25	23	24	24	24	24
Inventory (Days)	22	26	23	24	23	20	20	20
Creditors (Days)	51	55	52	60	57	65	65	65
Working Capital (Days)	17	37	35	14	17	14	23	28
Asset Turnover (x)	2.0	1.8	1.5	1.7	1.5	1.5	1.5	1.5
Growth (%)								
Sales	27.0	0.2	-5.1	6.3	7.8	10.5	13.7	10.9
Operating Profit	11.6	11.7	10.9	11.3	10.2	12.8	13.3	13.3
Net Profit	16.5	14.1	-14.1	-1.2	-1.8	30.7	17.1	12.1
EPS	16.2	14.1	-14.2	-1.4	-2.0	30.4	17.1	12.1
Leverage Ratio								
Debt/Equity (x)	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1

Cash Flow Statement **(INR Million)**

Y/E March	2013	2014	2015	2016	2017	2018	2019E	2020E
OP/(Loss) before Tax	43,565	43,166	38,332	41,612	29,883	47,446	56,321	62,025
Int./Dividends Received	-2,043	-3,455	-3,723	-3,027	13,455	10,364	11,973	13,841
Depreciation & Amort.	7,108	8,633	-9,749	11,086	15,264	14,794	17,019	19,915
Direct Taxes Paid	-8,732	-8,942	-8,468	-9,279	-8,190	-17,240	-19,348	-21,173
(Inc)/Dec in Wkg. Capital	1,559	-2,126	15,802	14,393	-11,373	14,352	3,236	3,896
CF from Oper.Activity	**41,457**	**37,277**	**32,195**	**54,785**	**39,039**	**69,716**	**69,201**	**78,504**
Extra-ordinary Items	906	528	3,357	687	0	4,336	0	0
CF after EO Items	**42,363**	**37,805**	**35,552**	**55,473**	**39,039**	**74,052**	**69,201**	**78,504**
(Inc)/Dec in FA+CWIP	-13,893	-10,053	-20,226	-21,597	-21,797	-26,561	-35,000	-35,000
Free Cash Flow	**27,564**	**27,224**	**11,969**	**33,189**	**17,242**	**43,155**	**34,201**	**43,504**
(Pur)/Sale of Invest.	-9,416	-7,295	-4,005	-13,865	-43,610	-26,746	-625	-15,000
CF from Inv. Activity	**-23,309**	**-17,348**	**-24,231**	**-35,461**	**-65,407**	**-53,307**	**-35,625**	**-50,000**
Change in Net Worth	0	1,839	26	0	17,159	5,351	1,928	1,928
Inc/(Dec) in Debt	-1,534	1,465	-3,847	-9,500	9,293	915	0	0
Interest Paid	-2,015	-2,608	-2,419	-2,110	-1,596	-1,122	-1,575	-1,575
Dividends Paid	-8,670	-8,935	-9,609	-8,461	-4,027	-12,067	-12,067	-12,067
CF from Fin. Activity	**-12,219**	**-8,239**	**-15,848**	**-20,071**	**20,830**	**-6,923**	**-11,715**	**-11,715**
Inc/(Dec) in Cash	**5,930**	**11,689**	**-7,884**	**-747**	**-5,539**	**9,486**	**21,860**	**16,789**
Add: Beginning Balance	11,884	17,814	29,504	20,648	22,870	16,875	28,937	49,038
Closing Balance	**17,814**	**29,504**	**21,788**	**20,069**	**17,500**	**26,529**	**50,966**	**65,995**

NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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