PINC RESEARCH

# MERCATOR LINES LTD.

Q2 FY 2009 update BUY

Sector Shipping & Logistics | CMP Rs 36 | Target Rs 56

## STOCK DATA

| | |
|---|---|
| Market Cap | Rs8.5bn |
| Book Value per share | Rs60.1 |
| Eq Shares O/S (F.V. Rs.1) | 236mn |
| Median Vol (12 mths '000) | 2,372(BSE+NSE) |
| 52 Week High/Low | Rs185/25 |
| Bloomberg Code | MRLN@IN |
| Reuters Code | MRCT.BO |

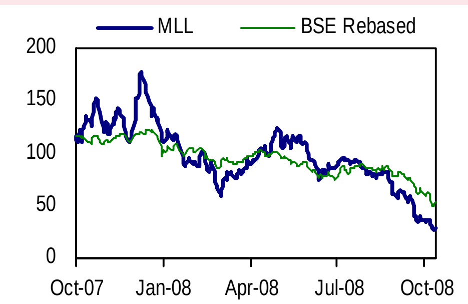
## SHAREHOLDING PATTERN (%)

| Qtr. Ended | Mar-08 | Jun-08 | Sep-08 |
|---|---|---|---|
| Promoters | 38.1 | 37.9 | 37.9 |
| MFs/ FIs/ Others | 13.7 | 13.6 | 13.8 |
| FIIs/NRIs/OCBs | 21.9 | 19.6 | 15.9 |
| PCBs | 6.7 | 7.4 | 8.3 |
| Indian Public | 19.7 | 21.4 | 24.1 |

## STOCK PERFORMANCE (%)

| | 1M | 3M | 12M |
|---|---|---|---|
| Absolute | (6.9) | (57.6) | (99.5) |
| Relative | (0.9) | (40.4) | (47.0) |

## STOCK PRICE PERFORMANCE




## KEY HIGHLIGHTS

**Mercator Lines Ltd's (MLL) Q2FY09 results were in line with our expectations as net sales rose by 76% to Rs6.5bn and net profits (excl exceptional items) grew by 103% to Rs1.7bn.**

- **Firm day rates boost revenues**

Higher day rates across segments, a weaker rupee and increased share of the non-shipping business (dredging & coal mining) boosted the revenues by 76% to Rs6.5bn.

- **OPM expands by 1,220 bps**

Higher TCY led to margin expansion which was also aided by lower maintenance costs. Accordingly, operating profits surged by 133% to Rs3.2bn. Lower other income and stable capital charges led to net profits (excl non cash MTM Forex loss of Rs666mn) doubling to Rs1.7bn.

- **Commences coal shipment**

MLL commenced shipment of coals from its Indonesian coal block. It completed 3 short term shipments totaling 129k tons at ~USD53/ton. The estimated capacity of the block is 15mn tons and the company expects to mine ~2mn tons p.a. by next 2-3 years.

- **Capex on track**

MLL acquired 3 vessels during Q1FY09 and in addition, has undertaken conversion of its existing VLCC to VLOC (Very Large Ore Carrier). It will also purchase its in-chartered panamax vessel *MV Ocean Senang* in Jan'09 and take delivery of a new built jack up rig by end FY09.

## VALUATIONS AND RECOMMENDATION

*MLL stands at an advantage vis-a-vis comparable peer group as ~75% of its fleet is tied up in lucrative time charters, insulating it from the present market collapse. We believe this along with its expanding presence in other segments like dredging, offshore & coal mining should lead to stability on earnings front despite the current industry turmoil. We have valued MLL on a conservative basis, applying a 50% discount to NAV as our target price. Thus, we maintain our 'BUY' recommendation with an 18-month revised price target of Rs56.*

## KEY FINANCIALS (CONSOLIDATED)

| Rs mn | Quarter Ended | | | Yr Ended (March) | | | | |
|---|---|---|---|---|---|---|---|---|
| | Mar-08 | Jun-08 | Sep-08 | 2006 | 2007 | 2008 | 2009E | 2010E |
| Net Sales | 4,664 | 4,929 | 6,494 | 8,262 | 11,228 | 14,549 | 18,480 | 20,484 |
| *YoY Gr. (%)* | *48.3* | *82.7* | *75.9* | *50.4* | *35.9* | *29.6* | *27.0* | *10.8* |
| Op. Profits | 2,044 | 2,062 | 3,209 | 3,443 | 3,030 | 5,874 | 9,048 | 10,462 |
| *Op Marg. (%)* | *43.8* | *41.8* | *49.4* | *41.7* | *27.0* | *40.4* | *49.0* | *51.1* |
| Net Profits* | 920 | 898 | 1,716 | 1,970 | 1,418 | 2,843 | 4,441 | 5,785 |
| Eq. Capital | 235 | 236 | 236 | 189 | 189 | 235 | 270 | 270 |

**Excluding MTM Forex gain/loss*

## KEY RATIOS

| | Yr Ended (March) | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009E | 2010E |
| Dil. EPS* (Rs) | 7.2 | 5.1 | 10.4 | 16.5 | 21.5 |
| ROACE (%) | 20.0 | 10.7 | 17.6 | 17.7 | 14.8 |
| ROANW (%) | 43.9 | 24.3 | 31.7 | 25.8 | 24.4 |
| P/E (x) | 5.0 | 7.0 | 3.5 | 2.2 | 1.7 |
| EV/Sales (x) | 2.6 | 2.2 | 1.5 | 2.1 | 1.4 |
| EV/EBDIT (x) | 6.0 | 7.3 | 3.3 | 4.0 | 2.6 |

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## PERFORMANCE OVERVIEW

Revenues grew by 76% to Rs6.5bn on back of higher TCY from dry bulk as well as tanker segments along with a weaker rupee. 90% of the revenues were accounted from shipping business, 7% from the dredgers & 3% from the coal mining operations.

MLL has 4 dredgers in its fleet, all of which contributed fully during the quarter. The in-chartered VLCC, *MT Titan Aries* earned high day-rates in spot market before being returned to the owners in Aug'08. Similarly, its owned VLCC *MT Premputli*, helped supplement earnings by capturing high day rates in the spot market before being docked for conversion in mid Aug'08.

*Higher dayrates & strong dollar boost revenues…*

OPM expanded by 1,220bps on account of higher TCY across the segments and reduced dry docking costs. The dry carrier and tanker TCY rose by 74% & 38% to ~USD45k/day & ~USD33k/day respectively. The dredgers' TCY stood at USD20k/day. The entire drydocking for FY09 was completed in Q1FY09 leading to almost no dry docking charges expensed during the quarter. Accordingly, operating profits grew by 133% to Rs3.2bn. Lower other income and stable capital charges led to net profits (excl non cash MTM Forex loss) surging by 103% to Rs1.7bn.

### Fleet details

MLL along with its subsidiaries currently operates 19 owned vessels (9 tankers, 10 bulk carriers), 4 in-chartered vessels (2 geared bulk carriers & 2 chemical tankers) and 4 owned dredgers. In addition, one VLCC *MT Premputli* is undergoing conversion into a VLOC at a Chinese shipyard.

*~75% of the bulk carriers are time chartered ensuring healthy earnings in the current turbulent scenario…*

The 12 bulk carriers are operated by its Singapore listed subsidiary *Mercator Lines Singapore Ltd (MLS)* while the tankers and dredgers business is handled by the parent company in India. The bulk carriers mostly operate under time charter and COA (contract of affreightment) with various steel and power companies in India and abroad and ply between ports in India, China, Indonesia & Australia. Out of 12 vessels, 3 bulk carriers operate on a spot basis while the rest are covered under contracts of 2-5 years.

The 11 tankers are covered to the extent of 65% under time charter contracts of 1-1.5 years duration. Out of 4 dredgers, 3 are contracted to DCI, India and the fourth one to a Taiwanese firm.

*De-risking business model by expaning its presence in non shipping businesses…*

### Coal Mining

The company has ~50% operating interests in 2 coal mines in Indonesia which have potential reserves of 15mn tons. MLL expects to sell ~0.8mn ton coal in FY09 and ~1.5mn tons in FY10. It expects to enter into long term contracts with Indian power companies when the production stabilizes over the next few quarters. Till date it has shipped 3 consignments of coal amounting to 120k tons at ~USD53/ton.

### Logistics Solutions

In addition to its usual shipping business, MLL provides fully integrated and customised logistics solutions to its clients right from the origination port to the point of delivery thereby serving the entire value chain in dry bulk transportation. This helps it to gain competitive advantage as its competitors just provide sea transportation. This factor enables MLL to garner business from blue chip clients like Tata Power, MSEB & Torrent.

### Capex

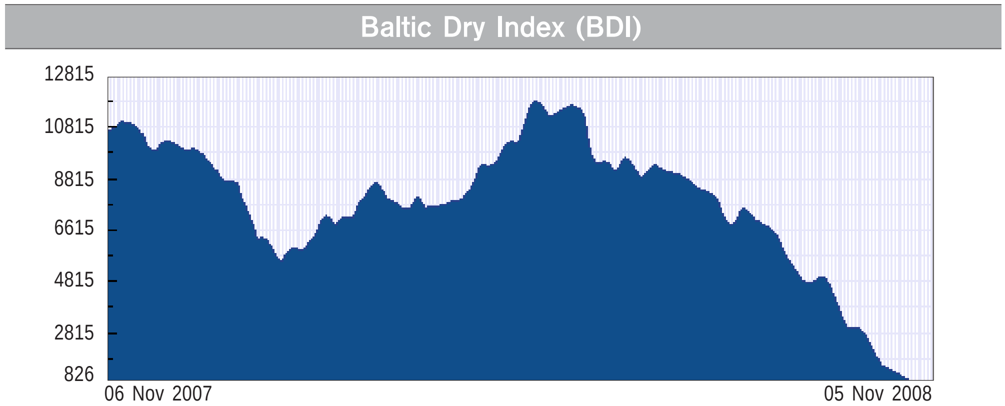
MLL took delivery of a new VLCC, *Kamakshi Prem* & its fourth dredger, *Omkara Prem* in Q1FY09. Its Singapore subsidiary, MLS exercised the purchase options for 2 of its in-chartered panamaxes during the same period. MLS will be acquiring its in-chartered Panamax *Ocean Senang* in Jan'09 and a jack up rig by end FY09. This rig would be delivered to Greatship (India) Ltd in Apr'09 on a bareboat charter basis for 3 years. It has already sent its older VLCC *MT Premputli* for conversion to VLOC, which should be completed by end FY09. Towards the aforesaid, MLL will incur a capex of USD441mn in FY09 through a DER of 70:30. In addition, MLS would be in-chartering 3 post-panamax vessels in FY10-11.

*MLL would incur a capex of USD441mn in FY09 through a D/E of 70:30…*

### Shipping market scenario

Due to the recent economic slowdown and consequent fall in global trade levels, the freight rates have experienced one of the sharpest falls ever. The dry bulk indices have corrected by >90% from their historic high recently while the tanker indices have declined by 60%. Sharp reduction in steel prices, reduced consumption demand and huge pile ups of iron ore at Chinese ports have resulted in slower transportation growth. The situation is further aggravated by a large available dry bulk capacity due to non-scrapping of the older assets.

*Dry bulk outlook remains weak in short term due to contraction in trade finance and over supply of assets…*




*Source: Capital Link, Inc.*

However, it is expected that this situation should normalise as the credit crunch subsides and stockpiles are gradually but steadily drawn down. On a long term demand perspective, infrastructure building in developing economies of China and others is irreversible and will continue. On supply side, the current financial constraints will lead to cancellation of a significant portion of the orderbook while giving rise to increased scrapping. These developments should lead to a tighter supply-demand balance and a healthier freight market.

IEA has revised its global oil demand growth for FY09 to 0.8% from its earlier projections of 1%. Reduced demand growth led to fall in crude prices forcing OPEC countries to cut production by 1.5mb/day from Dec'08 onwards. This would have a negative impact on the tanker market. However, mandatory scrapping of single hull tankers (~25% of existing tanker fleet) should help absorb the excess capacity.

**Dredger market scenario**

*Increased dredging activity provides a firm market in India...*

Dredgers are used for capital (creating draft) and maintenance (maintaing draft) dredging operations. In India, they are generally used for maintenance purpose. Recently, opportunities have sprung up in the capital dredging segment on account of greenfield port facilities on the eastern & western coasts. To keep pace with the growing potential of cargo traffic in India, Govt of India has outlined a capex of ~Rs600bn (till FY14) under the National Maritime Development Program (NMDP). The move would raise total capacity of all ports by >2x to 1.5bn tons by 2011-12. This would immensely benefit the dredging market and shore up earnings for dredgers.

**Offshore Market**

The offshore market should remain firm with global E&P expenditure remaining intact. Despite drop in oil prices to ~USD65/bbl, oil majors have not slowed down capex as hurdle cost for shallow water exploration is ~USD35/bbl & ~USD45/bbl for deep water exploration. Also, national oil companies (NOCs) are investing in this segment to improve energy security and reduce import dependence for domestic consumption.

**OUTLOOK**

In FY09, we expect revenues to rise by 27% to Rs18.5bn on back of a profitable H1FY09 and increased operations in the dredger & coal mining segments. Higher TCY in H1FY09, better margins from dredger operations & reduced maintenance costs should lead to OPM expanding by 860bps to 49.0%. Subsequently, net profits (excl. MTM Forex gain/ loss) should increase by 56% to Rs4.4bn.

*The non shipping business should contribute 12% & 24% to revenues in FY09 &FY10 respectively …*

For FY10, revenues should grow by a marginal 10% to Rs20.5bn considering reduction in TCY from the shipping business. However, this should be offset to some extent by enhanced operations of the non shipping businesses which should contribute ~24% to the revenues. This should also buoy OPM by 210bps to 51.1% offsetting the pressure from reduced margins from the shipping business. Consequently net profits should improve by 30% to Rs5.8bn.

## VALUATIONS & RECOMMENDATION

At the CMP of Rs36, MLL trades at a P/E 1.7x & EV/EBIDT of 2.6x its FY10E earnings while global players are trading at higher P/E of 4-5x. It is also trading at 74% discount to its present NAV due to the recent down cycle in the shipping industry. As most of its assets operate on long term contracts with blue chip clients such Tata Power & Arcelor Mittal, MLL's earnings is shielded from sharp correction in day rates. This, along with higher proportion of non-shipping earnings should further help reduce the gap between its NAV & market price.

**Peer Comparision (FY10E/CY09E)**

| | Sales (USD Mn) | PAT (USD Mn) | P/E (x) |
|---|---|---|---|
| Ship Finance Int'l | 538 | 285 | 4.4 |
| Teekay Tankers | 2,623 | 242 | 5.2 |
| Frontline Ltd | 1,209 | 278 | 4.0 |
| G E Shipping | 828 | 309 | 2.2 |
| **Mercator Lines** | **455** | **129** | **1.7** |

*Source: Bloomberg & PINC Research*

**NAV-based Valuations for FY10E**

| | | |
|---|---|---|
| NAV (Q2FY09) | Rs bn | 38 |
| Dil. shares o/s | Nos mn | 270 |
| Present NAV | Rs/share | 140 |
| Current discount to NAV | % | 74 |
| Discounting NAV by 20% to account for current drop in asset prices | | |
| Adjusted NAV | Rs/share | 112 |
| Assuming MLL to trade at 50% disc to its Adj NAV | | |
| **Target Price** | **Rs/share** | **56** |
| CMP | Rs/share | 36 |
| Upside potential | % | 55 |

*Source: PINC Research*

*Maintain our 'BUY' recommendation with a revised price target of Rs56...*

*To reflect the recent slump in valuations across the industry, we have assumed 20% discount to its current NAV to arrive at a realistic NAV of Rs112/share in FY10. In the current down cycle, we believe in the worst case scenario, MLL should trade at ~50% to its adj. NAV & 3x its FY10E earnings. We have assigned target price of Rs56, lower of the two (56 & 65), an upside of 55%. Hence, we remain bullish on the company's prospects and maintain our 'BUY' recommendation with a revised price target of Rs56 on an 18 month investment perspective.*

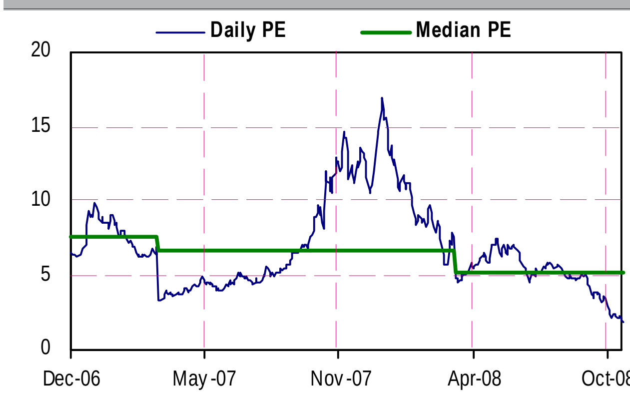
### Company description

Mercator Lines Ltd (MLL) was incorporated on 24th Nov'83 as a private limited company. It was converted into a public limited company on 3rd Apr'84. It is an established player in maritime transportation industry with an operational capacity of 0.9mn dwt & 1.1mn dwt in dry bulk & tanker segment respectively. To de-risk its business from the cyclicity in shipping industry, it has forayed into dredger operations with 4 dredgers, in offshore sector with a new building Jack-up rig to join fleet at start of FY10 & in coal mining operation in Indonesia.

| Financial Results for the quarter & half year ended 30 September 2008 (Consolidated) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Particulars (Rs mn) | Quarter Ended | | | Half Year Ended | | | Year Ended |
| | 30/09/08 | 30/09/07 | Gr % | 30/09/08 | 30/09/07 | Gr % | 31/03/08 |
| **Net Sales** | **6,494** | **3,691** | **75.9** | **11,423** | **6,389** | **78.8** | **14,549** |
| **Expenditure** | **3,285** | **2,315** | **41.9** | **6,152** | **4,057** | **51.6** | **8,675** |
| Operating expenses | 3,089 | 2,136 | 44.7 | 5,573 | 3,747 | 48.7 | 7,766 |
| Dry-docking expenses | 36 | 85 | (57.9) | 320 | 115 | 178.0 | 421 |
| Staff Cost | 78 | 60 | 30.3 | 125 | 131 | (4.6) | 299 |
| Other expenditure | 82 | 35 | 135.4 | 135 | 65 | 107.8 | 188 |
| **Operating profit** | **3,209** | **1,375** | **133** | **5,271** | **2,331** | **126.1** | **5,874** |
| Misc Income | (147) | 266 | (155.1) | (218) | 364 | (159.9) | 580 |
| Profit on Sale of Assets/Investments | (0) | 12 | | 4 | 12 | | 328 |
| **PBDIT** | **3,062** | **1,654** | **85.2** | **5,056** | **2,708** | **86.7** | **6,782** |
| Interest | 642 | 362 | 77.3 | 942 | 668 | 41.0 | 1,446 |
| Depreciation | 379 | 441 | (14.0) | 872 | 695 | 25.5 | 1,675 |
| **PBT & E/O Items** | **2,041** | **851** | **139.9** | **3,242** | **1,345** | **141.1** | **3,660** |
| Provision for current tax | 28 | 25 | 10.4 | 53 | 35 | 50.8 | 88 |
| Provision for fringe benefit tax | 1 | - | 130.8 | 1 | 1 | 103.7 | 2 |
| Less: Minority Interest | 297 | - | | 574 | - | | 299 |
| Add: Prior Period Adjustments | - | 18 | | - | 18 | | (428) |
| MTM Forex gain/(loss) | (666) | 98 | (777.6) | (805) | 317 | (354.1) | 433 |
| **Net Profits*** | **1,716** | **843** | **103.4** | **2,614** | **1,327** | **96.9** | **2,843** |
| Equity Capital(F.V of Rs.1) | 236 | 197 | | 197 | 189 | | 235 |
| Reserves (excl revaluation reserves) | - | - | | - | - | | 16,107 |
| **Basic EPS* for the period (Rs)** | **7** | **4** | | **13** | **7** | | **12** |
| Dil Book Value per share (Rs) | - | - | | - | - | | 60 |
| **OPM (%)** | **49** | **37** | | **46** | **36** | | **40** |
| **NPM (%)** | **27** | **21** | | **23** | **20** | | **18** |
| **Expenditure (% of Net Sales)** | | | | | | | |
| Operating expenses | 47.6 | 57.9 | | 48.8 | 58.6 | | 53.4 |
| Dry Docking Expenses | 0.6 | 2.3 | | 2.8 | 1.8 | | 2.9 |
| Staff costs | 1.2 | 1.6 | | 1.1 | 2.0 | | 2.1 |
| Other expenses | 1.3 | 0.9 | | 1.2 | 1.0 | | 1.3 |

* *(excl MTM forex gain & loss)*

## Median PE v/s Daily PE




## PE Band

Year Ended March (Figures in Rs mn)

| Income Statement | 2005 | 2006 | 2007 | 2008 | 2009E | 2010E |
|---|---|---|---|---|---|---|
| **Revenues** | **5,495** | **8,262** | **11,228** | **14,549** | **18,480** | **20,484** |
| *Growth (%)* | *126.8* | *50.4* | *35.9* | *29.6* | *27.0* | *10.8* |
| **Total Expenditure** | **3,382** | **4,819** | **8,198** | **8,675** | **9,431** | **10,022** |
| **Op Profits** | **2,113** | **3,443** | **3,030** | **5,874** | **9,048** | **10,462** |
| Other income incl div | 143 | 171 | 273 | 908 | 673 | 250 |
| **EBIDT** | **2,255** | **3,614** | **3,303** | **6,782** | **9,721** | **10,712** |
| (-) Interest | 194 | 708 | 808 | 1,446 | 2,325 | 1,637 |
| (-) Depreciation | 327 | 937 | 1,038 | 1,675 | 2,332 | 2,816 |
| **PBT & extraordinary items** | **1,735** | **1,970** | **1,457** | **3,660** | **5,065** | **6,260** |
| (-) Tax provision | (36) | 27 | 34 | 90 | 110 | 150 |
| **PAT (before Min Int & others)#** | **1,771** | **1,942** | **1,423** | **3,570** | **4,955** | **6,109** |
| (-) Minority Interest | - | - | 1 | 299 | 514 | 325 |
| Prior Period Items | (0) | 28 | (4) | (428) | - | - |
| MTM Forex Gain/(Loss) | (27) | 38 | (73) | 433 | - | - |
| **Net Profits*** | **1,771** | **1,970** | **1,418** | **2,843** | **4,441** | **5,785** |
| *Growth (%)* | - | *11.3* | *(28.1)* | *100.6* | *56.2* | *30.3* |
| Fully diluted Eq. sh. O/s (mn no) | 269.6 | 269.6 | 269.6 | 269.6 | 269.6 | 269.6 |
| Dil Book Value per share (Rs) | 47.2 | 28.6 | 33.2 | 91.2 | 122.4 | 157.3 |
| Basic EPS (Rs) | 24.3 | 10.2 | 7.3 | 12.0 | 16.5 | 21.5 |
| Diluted EPS (Rs) | 6.6 | 7.2 | 5.1 | 10.4 | 16.5 | 21.5 |

*# Others- Prior period items & MTM Forex gain/los* ** Excluding MTM Forex Gain/Loss*

| Balance Sheet | 2005 | 2006 | 2007 | 2008 | 2009E | 2010E |
|---|---|---|---|---|---|---|
| *Equity Share Capital* | 73 | 189 | 189 | 235 | 270 | 270 |
| *Preference Share Capital* | 400 | 400 | 400 | - | - | - |
| *Warrants* | 17 | 49 | 49 | 167 | - | - |
| *Reserves & Surplus* | 2,944 | 4,772 | 5,646 | 15,805 | 21,974 | 27,462 |
| **Net worth** | **3,434** | **5,410** | **6,284** | **16,207** | **22,243** | **27,732** |
| Total Debt | 5,265 | 13,103 | 18,347 | 21,111 | 34,550 | 25,000 |
| Minority Interest | - | (0) | - | 1,548 | 2,063 | 2,387 |
| Deferred Tax Liability | 18 | - | - | - | - | - |
| **Capital Employed** | **8,717** | **18,513** | **24,631** | **38,866** | **58,856** | **55,119** |
| Fixed Assets | 8,210 | 13,454 | 17,848 | 32,401 | 50,454 | 45,288 |
| Net current assets | 482 | 4,061 | 5,912 | 6,423 | 8,360 | 9,788 |
| Investments | 25 | 998 | 871 | 43 | 43 | 43 |
| **Total Assets** | **8,717** | **18,513** | **24,631** | **38,866** | **58,856** | **55,119** |

Year Ended March (Figures in Rs mn)

| Cash Flow Statement | 2005 | 2006 | 2007 | 2008 | 2009E | 2010E |
|---|---|---|---|---|---|---|
| **PBT & (Min Int , Others#)** | **1,735** | **1,970** | **1,457** | **3,660** | **5,065** | **6,260** |
| Adjust for Minority Interest | - | - | (1) | (299) | (514) | (325) |
| Adjust for Forex MTM gain/(loss) | (27) | 38 | (73) | 433 | - | - |
| Depreciation | 327 | 937 | 1,038 | 1,675 | 2,332 | 2,816 |
| Interest Paid | 194 | 708 | 808 | 1,446 | 2,325 | 1,637 |
| Other Inc incl Int & Div Inc | 7 | 12 | (62) | (41) | (250) | (250) |
| (Profit)/Loss on sale of Assets Scrapped/Sold | (26) | (4) | (31) | (295) | (423) | - |
| (Profit)/Loss on sale of investment | 2 | (1) | (9) | (33) | - | - |
| Foreign Currency Translation Adjustment | - | (2) | (212) | 184 | - | - |
| Employee stock purchase compensation | 25 | - | - | - | - | - |
| (Inc)/Dec in WC | (104) | (2,622) | 755 | 4,265 | (4,738) | (504) |
| Tax Paid | (36) | (27) | (34) | (103) | (110) | (150) |
| Prior period items & others | (0) | 10 | (4) | (415) | 1,187 | 575 |
| **Net Cash from Operating Activities** | **2,096** | **1,019** | **3,630** | **10,478** | **4,874** | **10,058** |
| Net Capital exp | (6,717) | (6,176) | (5,402) | (15,932) | (20,384) | 2,350 |
| Net Investment | (23) | (972) | 136 | 861 | - | - |
| Int/Div Received | (7) | (12) | 62 | 41 | - | - |
| **Net Cash from Investing activities** | **(6,747)** | **(7,161)** | **(5,203)** | **(15,031)** | **(20,384)** | **2,350** |
| Issue of Equity Share Capital/FCCB conv | 924 | 195 | - | 8,359 | 2,059 | - |
| Conversion of warrants | - | - | - | - | (167) | - |
| Change in Loans | 4,254 | 7,838 | 5,244 | 2,764 | 13,439 | (9,550) |
| Dividend paid(incl tax) | (144) | (226) | (258) | (348) | (297) | (297) |
| Interest Paid | (194) | (708) | (808) | (1,446) | (2,325) | (1,637) |
| Adjustment for minority interest | - | - | (0) | - | - | - |
| **Net Cash from financing activities** | **4,840** | **7,100** | **4,179** | **9,328** | **12,710** | **(11,483)** |
| **Net Inc/(Dec) in Cash** | **189** | **958** | **2,606** | **4,776** | **(2,801)** | **925** |

*# Others- Prior period items & MTM Forex gain/loss*

| Key Ratios | 2005 | 2006 | 2007 | 2008 | 2009E | 2010E |
|---|---|---|---|---|---|---|
| EBIDT (%) | 41.0 | 43.7 | 29.4 | 46.6 | 52.6 | 52.3 |
| ROACE (%) | - | 20.0 | 10.7 | 17.6 | 17.7 | 14.8 |
| ROANW (%) | - | 43.9 | 24.3 | 31.7 | 25.8 | 24.4 |
| Net Sales/Total Assets (x) | - | 0.4 | 0.5 | 0.4 | 0.3 | 0.4 |
| Debt:Equity (x) | 1.5 | 2.4 | 2.9 | 1.3 | 1.6 | 0.9 |
| Current Ratio (x) | 1.8 | 7.0 | 3.9 | 1.7 | 2.6 | 2.8 |
| Debtors (days) | 40.9 | 34.1 | 60.4 | 52.2 | 54.8 | 54.8 |
| Inventory (days) | 8.3 | 18.0 | 11.1 | 11.4 | 12.8 | 12.8 |
| Net working capital- Excl cash (days) | (3.0) | 11.2 | (2.4) | (286.2) | (115.0) | (115.0) |
| EV/Sales (x) | 2.7 | 2.6 | 2.2 | 1.5 | 2.1 | 1.4 |
| EV/EBIDT (x) | 6.5 | 6.0 | 7.3 | 3.3 | 4.0 | 2.6 |
| P/E (x) | 5.5 | 5.0 | 7.0 | 3.5 | 2.2 | 1.7 |
| P/BV (x) | 2.8 | 1.8 | 1.5 | 0.6 | 0.4 | 0.3 |

# TEAM

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