

Mahindra and Mahindra

Hold
CMP: Rs 645
**Target Price: Rs 720
(12 Months)**
Vaishali Jajoo

Tel : 022 - 4000 3600 Ext: 118

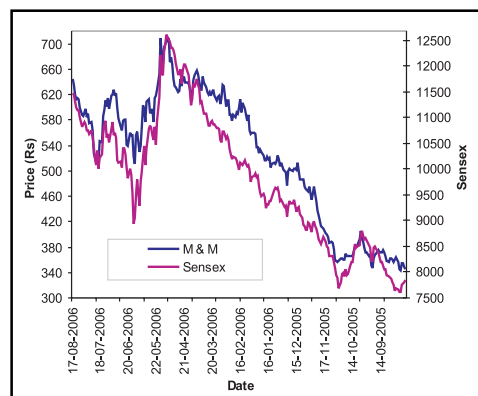
E-mail: vaishali.jajoo@angeltrade.com

Stock Info

Market Cap (Rs cr)	15,827
Market Cap (US\$ bn)	3.4
52 Week High / Low	719/337
Avg Daily Volume	259854
Face Value (Rs)	5
BSE Sensex	11,448
Nifty	3,556
BSE Code	500520
NSE Code	M & M
Reuters Code	MAHM.BO
Bloomberg Code	MM@IN

Shareholding Pattern (%)

Promoters	22.8
MF / Banks / Indian FIs	21.5
FII / NRIs / OCBs	41.9
Indian Public / Others	13.8


Investment Argument

- Improved performance by Tractor Division:** Tractor sales are expected to grow by 15% in FY2007. Continued growth in tractors in Q1FY2007 points at a strong demand for tractors in the rural areas. M&M has enhanced realization of its Tractors Division riding high on an improved product mix, better export sales and greater rural penetration.
- Auto Division to grow at a CAGR of 9% over the next 2 years:** Better infrastructure and higher growth clocked by 3-wheelers, we expect M&M's Auto Division to grow at a CAGR of 9% in the next 2 years.
- Exports' contribution to increase further:** M&M posted a robust 34% and 11% export growth in the Auto and Tractor segments respectively, in the first 4 months of FY2007. We expect export volumes to improve with new outfits being set up in Australia and China in F2006, which will improve the export to sales ratio.
- JVs and acquisitions strategic for economies of scale:** M&M has entered into a joint venture (JV) with Renault and International Trucks & Engines Corporation to introduce a new range of UVs and M&HCVs in the Indian market. M&M has also made strategic acquisition of plants in China, UK and two assembly plants in USA. These moves augur well for the company and hold potential of a further re-rating of the stock.

Valuation

At the CMP, M&M is quoting at 18.7x FY2007E and 16.4x FY2008E Earnings. High growth potential of its subsidiaries is expected to unlock actual valuation of the stock. Our SOTP Target Price is Rs 720 wherein its core business fetches Rs 532 and the value in subsidiaries Rs 188. **We recommend a Hold on the stock.**

Key Financials

Y/E March (Rs cr)	FY2005	FY2006	FY2007E	FY2008E
Net Sales	6,531	7,989	9,242	10,523
% chg	34.0	22.3	15.7	13.9
Net Profit	513	857	848	965
% chg	56.7	67.1	(1.1)	13.9
OPM (%)	9.8	9.2	10.5	11.0
EPS (Rs)	45.9	36.7	34.5	39.3
P/E (x)	14.0	17.6	18.7	16.4
P/CEPS (x)	10.3	14.2	14.9	13.2
ROE (%)	25.8	29.5	24.1	22.8
ROCE (%)	14.1	13.5	16.6	17.6
P/BV (x)	3.6	5.2	4.5	3.7
EV/Sales (x)	2.5	2.0	1.6	1.4
EV/EBITDA (x)	25.8	21.6	15.7	12.4

Source: Company, Angel Research; Note: FY2006 Net Profit includes extra ordinary item of Rs 210cr.

Large Cap - Automobile

Background

Mahindra & Mahindra Limited (M&M) is the flagship company of the \$ 2.59bn Mahindra Group, which has a significant presence in the Indian utility vehicle (UV) and Tractor industry. M&M, set up in 1945 to manufacture general-purpose utility vehicles for the Indian market, soon branched out into the manufacture of agricultural tractors and light commercial vehicles (LCVs). The company later expanded its operations from automobiles and tractors to secure a significant presence in many more important sectors. Recently, M&M has also forayed into a separate sector with the formation of Mahindra Systems & Automotive Technologies (MSAT). This entity is focusing on developing components and offers engineering services too.

M&M has around 11,600 employees working at its eight manufacturing facilities spread over 500,000 square meters. The company has 49 sales offices, which are supported by a network of over 780 dealers across the country. In FY2007, M&M will be incurring a capex of Rs 650cr. It may be noted that the company has sufficient cash (\$ 200mn from FCCBs and Rs 700cr surplus) and will not require to undertake any further fund raising activity. The capex will be deployed for new product development and R&D activities. M&M is working on a new multi-purpose vehicle (MPV) platform also called *Ingenio*, which is scheduled for launch in 2008.

Product Mix

M&M has two main operating divisions viz., **Automotive Division and Tractor Division**. The **Automotive Division** manufactures UVs, LCVs and three-wheelers. Recently, M&M entered into JVs with Renault of France for the manufacture the mid-sized sedan *Logan*, and with International Truck & Engine Corporation, USA, for the manufacture of trucks and buses in India.

Exhibit 1: Auto Division: Product Portfolio

Volume	Model	FY2006	FY2005	% chg	Q1FY2007	Q1FY2006	% chg
UV Sales (Domestic)		84,004	79,402	5.8	18,992	17,867	6.3
	Bolero	34,745	24,834	39.9	7,763	6,975	11.3
	Commander	6,319	12,459	(49.3)	1,014	1,689	(40.0)
	Jeep Category	11,274	15,272	(26.2)	2,122	2,296	(7.6)
	Scorpio	31,666	26,837	18.0	8,093	6,907	17.2
LCV Sales (Incl Exports)		40,092	40,919	(2.0)	8,879	9,080	(2.2)
Three Wheelers		18,112	22,943	(21.1)	3,695	3,755	(1.6)

Source: CRIS INFAC, Company and Angel Research

Tractor (Farm Equipment) Division manufactures agricultural tractors and equipment that are used in conjunction with tractors. M&M has also ventured into the manufacture of industrial engines.

Exhibit 2: Tractor Division: Product Portfolio

Volume	Model	FY2006	FY2005	% chg	Q1FY2007
Tractors		85,029	65,390	30.0	27,358
	Up to 30 hp	19,428	16,647	16.7	2,496
	31-40 hp	41,124	34,646	18.7	17,116
	41-50 hp	19,759	16,073	22.9	6,155
	51 hp and above	4,717	3,681	28	1,591

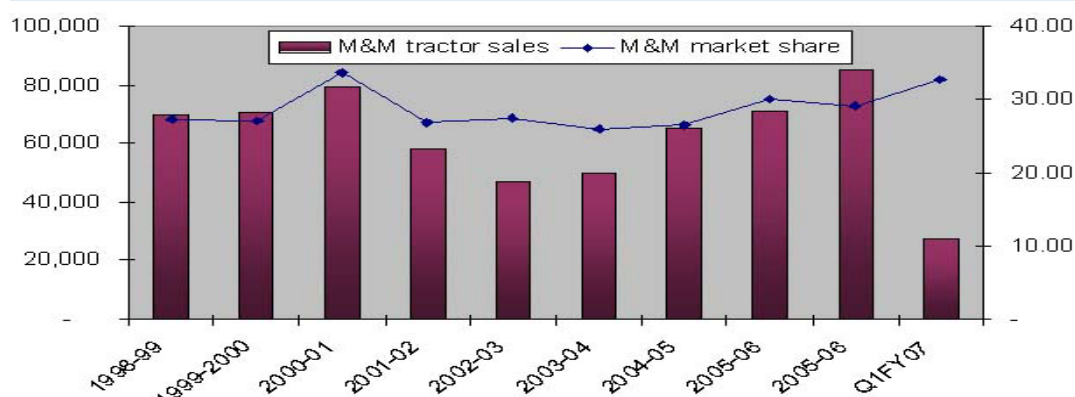
Source: CRIS INFAC; Company; Angel Research

Investment Highlights

Tractor Industry poised for strong growth

Continued growth in tractors in Q1FY2007 points at a strong demand for tractors in the rural areas. Overall, Tractor sales are expected to grow by 15% in FY2007. Good monsoons also indicate improving farm income levels, which could result in farmers investing in mechanized agricultural aids. In the past three years, M&M has managed to increase its marketshare in Tractors on the back of a strong brand image, extensive distribution network and captive financial arm. In FY2006, M&M grew at a faster clip at 30.02% compared to industry, which grew at 18.20%. The company also improved its marketshare by above 300bps due to good monsoons, reduced inventories over the past two years and rural credit support. It may be noted here that in the last four years, M&M has been persistently working towards improving its marketshare.

Exhibit 3: Tractor Sales and Marketshare



Source: CRISINFAC; Angel Research

We believe that M&M will continue to outperform industry on the back of new model launches, strong dealer network and increasing penetration into the northern markets. In south India, M&M has a strong dominance and is expected to maintain this momentum.

On the back of improving road infrastructure and higher growth witnessed in three wheelers, we expect M&M's Auto Division to clock a CAGR growth of 9% in the next two years. M&M's UV sales have been sluggish clocking modest sales of 7% in the first four months of FY2007. However, the company expects its UV sales to bounce back riding high on the new *Scorpio* variant. Further decline in UV sales and marketshare thereof could adversely impact volume growth of M&M's Auto Division. Production of M&M's new multi-purpose vehicle platform code named *Ingenio* is expected to commence production by 2008. This is expected to help the company consolidate its UV portfolio.

In three wheelers, *Champion Alfa*, launched late last year, has recorded excellent growth of 93% in the first four months of FY2007 and is fast gaining ground. We expect M&M's three-wheeler segment to grow at a CAGR of 15% in the next two years.

Exhibit 4: Volume Estimates

Category	FY2005	FY2006	FY2007E	FY2008E	FY2009E	FY2010E
Auto	1,22,071	1,24,997	1,36,247	1,48,509	1,60,390	1,73,221
Tractors	62,727	81,556	99,498	1,14,423	1,25,865	1,34,676
Three Wheelers	22,953	22,419	26,903	30,938	34,032	36,755

Source: Company; Angel Research

M&M's Tractor sales to grow by 22% in FY2007

M&M's Auto Division to grow at a CAGR of 9% in the next two years

Exports' contribution to perk up further

M&M has recorded a strong growth in exports over the last four years. The company posted a robust 34% and 11% export growth in the auto and tractor segments respectively, in the first four months of FY2007. Going ahead, we expect M&M's export volumes to improve with new outfits being set up in Australia and China in FY2006, which will improve the company's exports to sales ratio. Exports contributed 5% to M&M's volumes in FY2006.

During FY2006, M&M exported 200 tractors in the 28 HP to 80 HP segment manufactured at its Chinese and Indian facilities. The company is looking at capturing 10% of the Australian tractor market by 2009. Australia has a market volume of 10,000 tractors and is growing at 10% annually. M&M also exports tractors to countries like USA, Europe and Egypt. The company's tractor exports in FY2006 YoY jumped 29.6% to 6,981 units while domestic sales surged 30% to 85,029 units.

Joint ventures and acquisitions strategic to achieve economies of scale

The company has signed JVs with Renault and International Truck & Engine Corporation for the manufacture of passenger cars and commercial vehicles. These JVs are expected to start contributing post 2008.

Exhibit 5: Acquisitions / Joint Ventures

Acquisitions / JVs	M&M's Holding (%)	Details
Chinese tractor acquisition	80% through a 100% subsidiary, Mahindra Overseas Investment Co. (Mauritius) Ltd.	<ol style="list-style-type: none"> 1) JiangLing renamed Mahindra China Tractor Co. Ltd. 2) Capacity of 12,000 tractors in the range of 18-33 HP. 3) M&M to restructure the company to improve quality and productivity. 4) The company provided M&M a cheap entry into the Chinese market.
JV with Renault	51% in JV Mahindra Renault	<ol style="list-style-type: none"> 1) JV exclusively set up for one product <i>Logan</i> 2) <i>Logan</i> likely to be positioned in the upper B/ lower segment and will come with both petrol and diesel engines. 3) Manufacture process to be at M&M's facility. 4) The initial capacity of <i>Logan</i> will be 50,000 units p.a. 5) The product will be 60-70% indigenized. 6) M&M's investment in this company will be limited to \$35mn of total project cost of \$150mn.
JV with International Truck & Engine Corp.	51% in JV Mahindra International	<ol style="list-style-type: none"> 1) JV will span a cross-section of products from M&HCVs to LCVs. 2) The Management expects to sell between 50,000-70,000 vehicles by 2008. 3) 60-70% indigenized. 4) M&M's Equity contribution to the company will be around \$25mn of total project cost of \$ 80mn.

Source: Company; Angel Research

MSAT (Mahindra System & Automotive Technologies) can be a value proposition

M&M's sixth division viz., Mahindra Systems and Automotive Technology (MSAT), set up in September 2004, has been firming up its strategy for the auto-ancillary sector. In line with this, the company has acquired the forgings unit of Amforge in Chakan last year and merged it into Mahindra Automotive Steels. It also acquired a controlling 51% stake in the Rajkot-based Sar Transmissions in November 2004. More recently, in January 2006, M&M acquired a 98.6% in the unlisted Stokes Group, which is the largest automotive forgings company in the UK with customers like Koyo Bearings, Land Rover, ZF, Bosch, Visteon, Ford and Jaguar. M&M also acquired 88.4% in Plexion Technologies (India), which is engaged in the business of computer-aided engineering services. These are small but sure steps by M&M towards achieving its target of having a \$ 1bn (Rs 4,500cr) auto-ancillary business by 2010.

Financial Performance

M&M posted a 23.4% jump in Topline to Rs 2,236cr (Rs 1,812cr) backed by a strong volume growth of 15% in Q1FY2007. Volumes spurted aided by strong sales volume recorded by M&M's Farm Equipment Division. M&M registered a Net Profit growth of 40.6% to Rs 240cr (Rs 145cr) on account of stable Depreciation and higher Interest Income. However, reported Profit includes Income of Rs 19cr by way of an Octroi grant from the government. Adjusting Profits for this gain, M&M's Bottom-line rose by 27.5% to Rs 185cr. It may be noted here that the company has indicated that such adjustment should not be made as this Octroi gain is recurring and is part of its operations.

Exhibit 6: Trailing Twelve Months Quarterly Financials

Y/E Mar (Rs cr)	Q2FY06	Q2FY05	% chg	Q3FY06	Q3FY05	% chg	Q4FY06	Q4FY05	% chg	Q1FY07	Q1FY06	% chg
Net Sales	1,914.8	1,554.4	23.2	2,207.2	1,772.3	24.5	2,288.8	1,910.7	19.8	2,236.2	1,811.9	23.4
Other Income	29.4	37.3	(21.2)	40.3	22.2	81.2	13.8	40.6	(66.1)	45.4	20.4	123.2
Total Exp	1,696.6	1,367.2	24.1	1,923.1	1,560.6	23.2	2,016.8	1,699.8	18.6	1,966.0	1,619.0	21.4
Operating Profit	218.2	187.2	16.5	284.1	211.6	34.2	272.1	210.8	29.0	270.2	192.9	40.1
Interest	(4.8)	1.7		(2.1)	(8.9)		(6.1)	(0.1)		(14.7)	(5.4)	
Depreciation	46.6	44.0	5.8	55.8	45.5	22.7	50.9	51.8	(1.7)	46.3	46.6	(0.7)
Taxation	47.2	54.5	(13.5)	84.1	62.6	34.3	85.9	43.2	98.8	78.4	25.3	210.3
Exceptional Items	(1.5)	(1.4)		46.9	(1.5)		166.1	(3.9)		(1.5)	(1.5)	
Net Profit	157.2	122.9	27.9	233.5	133.2	75.3	321.2	152.7	110.4	204.2	145.3	40.6
OPM (%)	11.4	12.0		12.9	11.9		11.9	11.0		12.1	10.6	
GPM (%)	13.2	14.3		14.8	13.7		12.8	13.2		14.8	12.1	
NPM (%)	8.2	7.9		10.6	7.5		14.0	8.0		9.1	8.0	

Source: Company; Angel Research

Exhibit 7: Q1FY2007 Segmental Performance

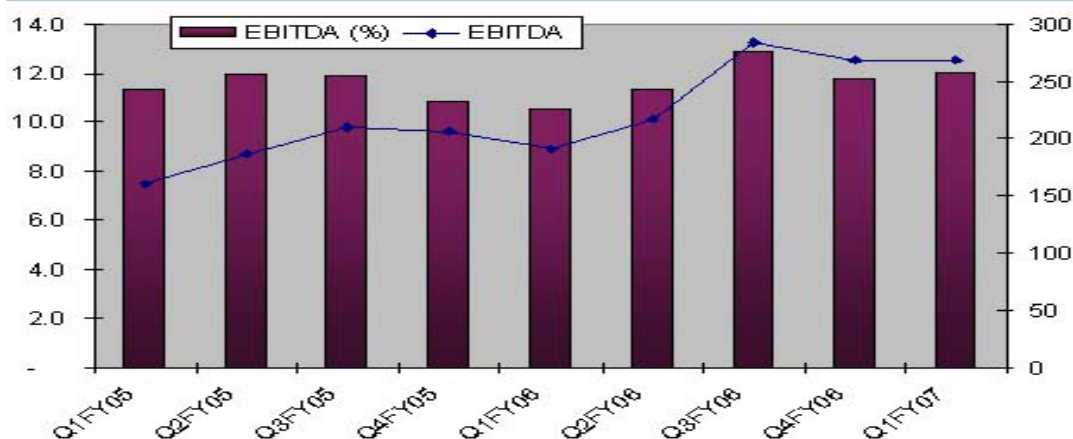
Y/E Mar (Rs cr)	Q1FY2007	Q1FY2006	% chg	FY2006	FY2005	% chg
Total Net Sales	2,236	1,812	23.4	8,223	6,661	23.5
Auto Segment	1,243.8	1,099.1	13.2	5,240.3	4,568.2	14.7
Farm Segment	946	682	38.7	2,854	2,030	40.6
Other Segments	92.6	63.4	46.0	307.1	199.3	54.1
Total PBIT	282.5	170.5	65.7	1,099.5	714.2	54.0
Auto Segment	123.0	96.3	27.8	581.2	466.3	24.6
Farm Segment	127.4	66.3	92.2	315.8	188.2	67.8
Other Segments	3.5	2.9	20.0	12.5	8.2	51.7
PBIT/Sales (%)	12.6	9.4		13.4	10.7	
Auto Segment	9.9	8.8		11.1	10.2	
Farm Segment	13.5	9.7		11.1	9.3	
Other Segments	3.8	4.6		4.1	4.1	

Source: Company; Angel Research

Margins maintained on the back of improved realization and better cost efficiencies

The company has managed to maintain margins despite a hike in the raw material prices. Average realizations of the Tractor and Automotive segments improved by around 3.5% and 12.2% respectively, in FY2006. In Q1FY2007 too, M&M managed to improve its realization by 3.7% and 1.1% in both the segments, respectively. Better realizations also enabled EBITDA Margins to withstand the raw material price pressure and post positive growth for FY2006 and Q1FY2007. The rising costs of steel, aluminum and rubber along with the volatile oil prices continue to exert pressure on EBITDA margins. Nevertheless, the company's management hopes to maintain margins following cost reduction programs and by improving efficiency levels.

Exhibit 8: EBITDA and Margin trend



Source: Company; Angel Research

Consolidated Performance better than Standalone

Total Income of the Mahindra Group (Consolidated) for Q1FY2007 grew by 43% to Rs 4,180cr (Rs 2,915cr). Profit after Tax during the quarter stood at Rs 351cr (Rs 208cr), a YoY growth of 69%. This was on the back of an excellent performance clocked by both the parent and group companies. We believe that the consolidated entity provides considerable value with most of the subsidiaries performing well.

Exhibit 9: Financial Performance (Consolidated)

Y/E Mar (Rs cr)	FY2006	FY2005	% chg	FY2004	FY2003	% chg
Net Sales	12,335	9,394	31.3	6,961	5,316	31.0
Operating Profit	1,729	1,183	46.1	831	684	21.6
Net Profit	1,400	692	102.4	412	222	85.1
EPS (Rs)	56.4	30.6		38.9	18.6	
OPM (%)	14.0	12.6		11.9	12.9	
NPM (%)	11.3	7.4		5.9	4.2	

Source: Company; Angel Research

Outlook and Valuation

Taking into account the prospects of strong free cashflow generation in the ensuing years, we have discounted the same to arrive at the intrinsic value of the stock.

Exhibit 10: Discounted Cash Flow Model

Projected Cash Flows (Rs cr)	FY10E	FY09E	FY08E	FY07E	FY06	FY05	FY04
PAT	1,134.89	1,073.54	965.35	847.62	857.10	512.67	289.59
Depreciation	291.63	270.51	233.53	216.62	200.01	184.05	165.20
Interest(1-T)	491.94	608.41	547.18	600.71	483.03	154.62	(1079.79)
Capex	310.66	482.52	310.00	270.81	254.27	251.17	70.14
Inc in Non-Cash Working Capital	10.34	(32.10)	(17.83)	41.99	51.24	(46.51)	(315.45)
Free Cash Flow	1,597.45	1,502.03	1,453.89	1,352.15	1,234.64	646.69	(379.69)
	174.90	156.40	139.85	125.06	111.83	100.00	
Discount Rate	0.57	0.64	0.72	0.80	0.89		
PV of Free Cash Flow	913.35	960.39	1039.58	1081.21	1104.03		
Cumulative Cash Flow	5098.55	4185.20	3224.81	2185.23	1104.03		
Assumed Terminal Year (n)	2010						
Cash Flow at N+1	1597.45						
Growth Rate (Post 2010)	2.5%						
WACC	11.83%						
Terminal Value	17121.70						
Discounted Terminal Value	9789.38						
PV of Firm till Terminal Year	4185.20						
Total Discounted Value of Firm	13974.58						
Less: Current Debt of the Firm	879.39						
Present Value of Equity	13095.19						
No. of Equity Shares (cr)	24.60						
Fair Value of Equity Shares	532.32						

Source: Company; Angel Research

Our DCF-based Fair Value is Rs 532 per share which is 21% lower than the current market price of Rs 645. On a conservative basis, our DCF model captures most of the concerns present in the market. We have used a weighted average cost of capital (WACC) of 11.83% and terminal growth rate of 2.5%. Going ahead, as the new ventures unfold, the company is expected to do good business.

SOTP Valuation

M&M has substantial investments on its Books including some of its key subsidiaries performing better than the parent. The company has invested in the other Mahindra group companies too. We believe that its non-automotive subsidiaries like Tech Mahindra, Mahindra Financial Services (MMFSL) and Mahindra Gesco will not only add significantly to its consolidated financials but will enhance valuations too.

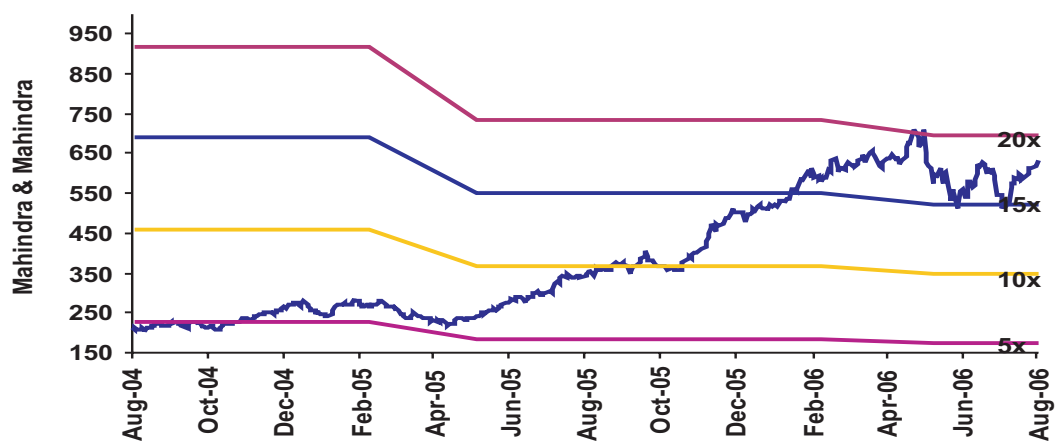
Exhibit 11: SOTP Valuation

Key Subsidiary	No. of Shares Held (cr)	CMP / BV (Rs)	Value (Rs cr)
Mahindra Financial Services	5.8	231.6	1,348.9
Mahindra GESCO	1.3	803.9	1,010.2
Tech Mahindra	5.8	365.0	2,102.4
Other major subsidiaries at BV (FY06)			590.3
Total Value			5,051.8
No of share o/s of M&M (cr)			24.1
Per share value of M&M (at 10% discount)			188.7
Intrinsic value of M&M			532.3
M&M' price with investments in subsidiaries			721.1

Source: Company; Angel Research

We expect the higher growth potential of its subsidiaries to unlock actual valuation of the M&M stock.

Exhibit 12: P/E Band



Source: Company; Angel Research

Key Concerns

Rising Input Costs and Interest Rate

M&M's sales both in the UV and Tractor segments are dependent on macro-economic variables such as GDP growth, Interest Rates and fuel prices. Any deterioration in these variables present a risk to M&M's operations and our estimates. Also, increase in the raw material costs could adversely impact the company's bottom-line due to the pressure on margins.

Erratic monsoons

Any adverse changes in the monsoon conditions could result in a slowdown in tractor demand. Given M&M's strong dependence on the rural economy, any weak trend in the prices of agricultural commodities could also impact demand and sales of the company's Farm and Tractor Divisions.

Intensifying competition in UV segment

Multiple new launches in the UV segment has seen M&M faced with tough competition in the segment. However, competition in the Indian auto industry is expected to intensify by 2009-2010. Considering the promising growth prospects, more and more foreign players are expected to enter the Indian market with new models, which could ultimately result in increased competition. This may also exert pressure on operating margins wherein attractive offers may be extended to increase volumes.

Multiple strategic moves

Acquisitions, JVs and the auto ancillary business continue to M&M's key strategy to tap the international market. Hence, the company is exposed to the geo-political and integration risks. This far, M&M has managed to simultaneously juggle multiple balls thrown in the air.

Profit & Loss Statement
Rs crore

Y/E March	FY2005	FY2006	FY2007E	FY2008E
Net Sales	6,530.7	7,988.8	9,241.8	10,522.6
% chg	33.7	22.3	15.7	13.9
Total Expenditure	5,890.0	7,255.4	8,271.4	9,365.2
EBIDTA	640.8	733.3	970.4	1,157.5
(% of Net Sales)	9.8	9.2	10.5	11.0
Other Income	238.3	337.8	350.0	350.0
Depreciation & Amortisation	184.1	200.0	216.6	233.5
Interest	(5.57)	(18.40)	(23.10)	(21.05)
PBT	700.6	889.5	1,126.9	1,295.0
(% of Net Sales)	10.7	11.1	12.2	12.3
Extraordinary Expense/(Inc.)	13.6	210.0	25.0	20.0
Tax	201.5	242.4	304.3	349.7
(% of PBT)	28.8	27.3	27.0	27.0
PAT	512.7	857.1	847.6	965.4
% chg	77.0	67.2	(1.1)	13.9

Balance Sheet
Rs crore

Y/E March	FY2005	FY2006	FY2007E	FY2008E
SOURCES OF FUNDS				
Equity Share Capital	111.7	233.4	245.4	245.4
Reserves & Surplus	1,874.9	2,675.5	3,277.7	3,997.7
Shareholders Funds	1,986.5	2,908.9	3,523.1	4,243.1
Total Loans	1052.6	883.4	880.8	848.6
Deffered Tax Liability (net)	189.8	146.8	150.0	155.0
Total Liabilities	3,228.9	3,939.0	4,553.9	5,246.7
APPLICATION OF FUNDS				
Gross Block	2,699.7	2,885.5	3,185.5	3,485.5
Less: Acc. Depreciation	1,335.6	1,510.3	1,726.9	1,889.5
Net Block	1,364.2	1,375.3	1,458.6	1,596.0
Capital Work-in-Progress	110.7	179.2	150.0	160.0
Investments	1,189.8	1,669.1	2,165.6	2,605.8
Current Assets	2,299.6	2,761.4	3,026.7	3,313.0
Current liabilities	1,759.7	2,064.0	2,267.1	2,448.1
Net Current Assets	539.9	697.4	759.6	864.9
Misc Expenditure	24.4	18.1	20.0	20.0
Total Assets	3,228.9	3,939.0	4,553.9	5,246.7

Cash Flow Statement
Rs crore

Y/E March	FY2005	FY2006	FY2007E	FY2008E
Profit before tax	714.2	1,099.5	1,151.9	1,315.0
Depreciation	184.1	200.0	216.6	233.5
Interest(1-T)	154.6	483.0	600.7	547.2
(Inc)/Dec in Working Capital	(46.5)	51.2	42.0	(17.8)
Direct taxes paid	201.5	242.4	304.3	349.7
Cash Flow from Operations	897.9	1,488.9	1,623.0	1,763.9
Inc./ (Dec.) in Fixed Assets	251.2	254.3	270.8	310.0
Free Cash Flow	646.7	1,234.6	1,352.2	1,453.9
(Inc)/Dec in Investments	78.6	479.3	496.5	440.2
Issue of Equity	(4.4)	121.8	12.0	-
Inc./ (Dec.) in loans	322.8	(169.2)	(2.6)	(32.2)
Dividend Paid (Incl. Tax)	145.1	233.4	245.4	245.4
Cash Flow from Financing	542.2	665.2	751.3	653.4
Inc./ (Dec.) in Cash	104.5	569.4	600.9	800.5
Opening Cash balances	233.3	337.8	907.2	1,508.1
Closing Cash balances	337.8	907.2	1,508.1	2,308.6

Key Ratios

Y/E March	FY2005	FY2006	FY2007E	FY2008E
Per Share Data (Rs)				
EPS	45.9	36.7	34.5	39.3
Cash EPS	62.4	45.3	43.4	48.9
DPS	13.0	10.0	10.0	10.0
Book Value	177.9	124.6	143.6	172.9
Operating Ratio (%)				
Inventory (days)	(13.9)	(6.7)	(6.0)	(5.0)
Debtors (days)	28.6	29.1	31.0	32.0
Creditors (days)	70.4	69.5	68.0	66.0
Returns (%)				
ROE	25.8	29.5	24.1	22.8
ROCE	14.1	13.5	16.6	17.6
Dividend Payout	28.3	27.2	28.9	25.4
Valuation Ratio (x)				
P/E	14.0	17.6	18.7	16.4
P/E (Cash EPS)	10.3	14.2	14.9	13.2
P/BV	3.6	5.2	4.5	3.7
EV / Sales	2.5	2.0	1.6	1.4
EV/EBITDA	25.8	21.6	15.7	12.4

Investment Advisory	(☎ 022 - 4000 3600 / 2835 9600)	
Rajen Shah	Chief Investment Officer	rajen@angeltrade.com
Research Team	(☎ 022 - 4000 3600 / 2835 9600)	
Sarabjit Kour Nangra	Pharmaceutical	sarabjit@angeltrade.com
P Phani Sekhar	IT, Telecom, Media	phani.sekhar@angeltrade.com
Vaishali Jajoo	Automobile, Transportation	vaishali.jajoo@angeltrade.com
Hitesh Agrawal	Cement, Metals	hitesh.agrawal@angeltrade.com
Sarika P. Lohra	Banking	sarika.purohit@angeltrade.com
Rohit Nagraj	Oil & Gas	rohit.nagraj@angeltrade.com
Twinkle Saraf	FMCG	twinkle.saraf@angeltrade.com
Fasiha Shaikh	Textiles, Power	fasiha.shaikh@angeltrade.com
Surbhi Chawla	Aviation, Shipping	surbhi.chawla@angeltrade.com
Sandeep Wagle	Chief Technical Analyst	sandeep@angeltrade.com
Ashesh Vakharia	Sr. Technical Analyst	ashesh.vakharia@angeltrade.com
Rahul Randeria	Jr. Technical Analyst	rahul.randeria@angeltrade.com
Vaishnavi Jagtap	Jr. Technical Analyst	vaishnavi.jagtap@angeltrade.com
Rahul Khandelwal	Jr. Technical Analyst	rahul.khandelwal@angeltrade.com
Ravi Singhal	Research Associate (Technical)	ravi.singhal@angeltrade.com
Siddarth Bhamre	Derivative Analyst	siddarth.bhamre@angeltrade.com
Anisha Gupta	Jr. Derivative Analyst	anisha.gupta@angeltrade.com
Akshat Vyas	Research Associate	akshat.vyas@angeltrade.com
Commodities Research Team		
Rajesh Sharma	Sr. Research Analyst (Wheat & Sugar)	rajesh.sharma@angeltrade.com
Niraj Shukla	Research Analyst (Pulses & Guar)	niraj.shukla@angeltrade.com
Indranil Mukherjee	Research Analyst (Spices & Cotton)	indranil.mukherjee@angeltrade.com
Samson P	Sr. Technical Analyst	samsonp@angeltrade.com
Bharathi Shetty	Editor	bharathi.shetty@angeltrade.com
Bharat Patil	Production	bharat.patil@angeltrade.com
Vaishali Desai	Visualizer	vaishali@angeltrade.com
Mutual Fund		
Subhash Bagaria	Research Associate	subhash.bagaria@angeltrade.com
Upasana Chopra	Research Advisory	upasana.chopra@angeltrade.com

Research & Investment Advisory: 610 Acme Plaza, M.V. Road, Opp Sangam Cinema, Andheri (E), Mumbai - 400 059

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

Opinion expressed is our current opinion as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true and are for general guidance only. While every effort is made to ensure the accuracy and completeness of information contained, the company takes no guarantee and assumes no liability for any errors or omissions of the information. No one can use the information as the basis for any claim, demand or cause of action.

Recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions - futures, options and other derivatives as well as non-investment grade securities - involve substantial risks and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Angel Broking, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Angel Broking and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

Angel Broking Limited and affiliates, including the analyst who has issued this report, may, on the date of this report, and from time to time, have long or short positions in, and buy or sell the securities of the companies mentioned herein or engage in any other transaction involving such securities and earn brokerage or compensation or act as advisor or have other potential conflict of interest with respect to company/ies mentioned herein or inconsistent with any recommendation and related information and opinions.

Angel Broking Limited and affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Ratings (Returns)	Buy > 15%,	Hold 0-15%,	Sell < - 10%
--------------------------	----------------------	--------------------	------------------------

Corporate & Marketing Office	: 612, Acme Plaza, M.V. Road, Opp Sangam Cinema, Andheri (E), Mumbai - 400 059	Tel : 4000 3600 / 2835 9600
Wealth Management	: 610, Acme Plaza, M.V. Road, Opp Sangam Cinema, Andheri (E), Mumbai - 400 059	Tel : 4000 3600
Commodities	: A- wing 4th Floor, Acme Plaza, M.V.Road, Opp. Sangam Cinema, Andheri (E)	Tel : (022) 4000 3939
Customer Helpdesk	: e-mail : feedback@angeltrade.com	Tel : 2835 5000

Regional Offices:

Ahmedabad - Nikhil Daxini 101, Mahalay, Nr. Hotel President C.G Road, Ahmedabad - 380 009 Tel: (079) 66309071-74	Hyderabad - Shiva Shanker Osman Plaza, 6-3-352, 3rd Floor Rd No - 1, Banjara Hills, Hyderabad - 500 001 Tel: (040) 5573 3573 / 74	New Delhi - Gurpreet Sareen Ugf 4, Kanchanjunga Bldg 18, Barakhamba Road, New-Delhi-110 001 Tel: (011) 4151 2555 / 2666	South Mumbai - Pankaj V. Shah 32/34, Churchgate House, 1st Floor, Veer Nariman Rd, Fountain, Opp. Akbarally's Mumbai - 400 001. Tel: (022) 2202 2057-58
Bangalore - Kuntal Bhat NO.92, Basement, Kedia Arcade, Infantry Road, Bangalore - 560 001 Tel: (080) 4153 6700 - 03	Indore - Rohit Pateria UG No. 16 - 19, Commerce House 7 - Race Course Road, Indore - 452 003 Tel: (0731) 3013 360 - 65	Pune - Ishwar Magnani 2nd Floor, Dealing Chambers Above Portico Restaurant, J.M.Road Pune - 411 005 Tel: (020) 2553 0912	Surat - Pinky Kothari 202, Empire State Bldg Ring Road, Surat - 395 002 Tel: (0261) 5514 545 / 790 - 797
Chennai - S. Venkatraman Gr. Floor, 45 TTK Road, Alwarpet Chennai - 600 018 Tel: (044) 4226 9000 Fax: 2498 1742	Kolkata - Vijay Kothari Lords, 1st Floor, Suite No. 106 & 108 7/1, Lord Sinha Road, Kolkata - 700 071 Tel: (033) 4009 9899	Rajkot - Vijay Popat 101, Race Course Plaza Near Income Tax Office, Race Course Ring Rd Rajkot - 360 001 Tel: (0281) 6451929/1910	

Branch Offices:

Acme - Tasneem / Akash Gujarati 712-B, Acme Plaza, M. V. Road, Opp Sangam Cinema, Andheri (E), Mumbai - 400 059 Tel: (022) 4000 3600 / 2835 9600	Malad (E) - Satish Kanwarjani Shubhlaxmi Shopping Centre, Rani Sati Marg, Mumbai - 400 097 Tel: (022) 2880 4440	Baroda - Manthan/Rashmikant 2nd Flr, Haribhakti House, Opp. Kalaghoda Sayajiganj, Baroda -390 005 Tel: (0265) 5524 280 / 2226 103	New Delhi - Sumit Bhuttan 138 / 139, 5 Bhikaji Cama Place Som Dutt Chamber 1, New-Delhi -110 066 Tel: (011) 41659 711/12
Andheri (W) - Dinesh Nihalani 130, Laxmi Industrial Estate, Laxmi Plaza Bldg, New Link Rd, Mumbai - 400 053 Tel: (022) 2635 2345	Mulund (W) - Prakarsh Gagdani 4C, Shanti Bhuvan, Dr. R.P. Road, Mumbai - 400 080 Tel: (022) 2562 2282	Bhavnagar - Apurva Dhani Office No. 1, 2nd Floor, Shanti Aradhana Waghavadi Road, Bhavnagar - 364 001 Tel: (079) 2415 717 / 2411 718	New Delhi - Abhinav Nanda F-301, Aditya Arcade Plot No. 30, Preet Vihar Community Centre, New Delhi - 110 092 Tel: (011) 4242 1105 - 07
Bandra (W) - Sandeep Vaswani Harikesh, Gr. Flr, Plot No.185, Corner of Waterfield & 30th Rd, Mumbai - 400 050. Tel: (022) 2655 5560 / 70	Santacruz (W) - Rakesh Vadodaria Satellite Bldg, Ground Floor, Tagore Rd Opp Stree Mandal, Mumbai-400 054. Tel: (022) 26481001 / 7073	Gandhinagar - Vivek Thakker 101, Meghmalthar, Sector - 11 Gandhinagar - 382 011 Tel: (079) 3058 1111 / 3058 1112	New Delhi - M P Solanki C48/3 Lawrence Road, Industrial Area New Delhi - 100 035 Tel: (011) 3262 8699 / 8799
Bandra (W) - Faruq Wakani 2/3 Vinco Apartments, 85 Chapel Rd Near Lilavati Hospital, Mumbai - 400 050 Tel: (022) 6643 2694 - 99	Thane (W) - Diksha Khushalani 101, Ramanand Co-op Society, Gokhale Rd Nr. Bank of Baroda, Naupada Thane - 400 602 Tel: (022) 2539 0786 / 0789 / 0796	Gondal - Dhiren Ashar Office No 147 / 149, 1st Floor Kailash Complex, Opp. Raj Bank, S. T. Rd Gondal - 360 311. Tel: (02825) 240 693 / 4	New Delhi - Rajiv Khanna 807-808, Aggarwal Millenium Tower Netaji Subhash Place, Pitampura New Delhi - 380 004 Tel: (011) 4700 2380/84
Borivali (W) - Gyan P. Joshi 201, Soni Shopping Centre, L.T. Road Near Diamond Cinema, Mumbai - 400 092 Tel: (022) 2895 2600/1/2	Vile Parle (W) - Amit Thakkar Manoj Villa, 1st Floor, 27, D. Joshi Road, Mumbai - 400 056 Tel: (022) 2610 2894 / 95	Indore - Alok Rathi Rajani Chambers, 2nd Floor, 17, Jaora Compound, Opp. M. Y. Hospital, Indore - 452 001. Tel: (0731) 4042 242 / 4044 366	Rajkot - Sanjay Kotak 208, Orbit Plaza, Dr. Yagnik Road Rajkot - 360 001 Tel: (0281) 2463 291-94
Borivali (W) - Tarun Dhani 14, 1st Floor, Laxmi Nivas, Nr Chamunda Circle Pai Nagar, Mumbai - 400 062 Tel: (022) 3092 1969 / 2892 8890	Ahmedabad - Harshit Bhavsar 5/6, Chandan Complex, Swastik Cross Rd C.G. Road, Ahmedabad - 380 009 Tel: (079) 2644 4900	Jalgaon - Pankaj J. Khushalani Sai Plaza, 1st Floor, M. G. Road Jalgaon - 425 001 Tel: (0257) 3200 906	Rajkot - Manish Baradia 302, Star Chambers, Harihar Chowk, Rajkot - 360001. Tel: (0281) 2233 230 / 50
Chembur - Rajesh Mehta 205, Swastik Chamber, Sion Trombay Road Chembur, Mumbai - 400 071 Tel: (022) 5503 0210 / 11 / 12	Ahmedabad - Aasif Hirani 232, Sunrise-The Shopping Mall Nr Swaminarayan Temple, Bodakdev Ahmedabad - 380 052. Tel: (079) 4000 1000	Jaipur - Pardeep Bisla 2/3, 1st Floor, Multi-Story Complex, 1 st M.I Road, Opp. Amrapuara Temple, Jaipur - 302 001 Tel : 098290 45188	Rajkot - Nilesh Vora 519, Star Chambers, Harihar Chowk, Rajkot - 360001. Tel: (0281) 2225 401 / 02 / 03
Ghatkopar (E) - Ashwin Thakkar 124 Kailash Plaza, Opp. Odeon Cinema Ghatkopar (E), Mumbai - 400 077 Tel: (022) 5599 3188 / 2510 1525	Ahmedabad - Snehal Purohit 104, Meghansh Complex, Opp. Sterling Hospital Lane, Gurukul, Ahmedabad - 380 052 Tel: (079) 3099 5510 / 5522 5510	Junagadh - Vijay Batavia 103, Suvidha Complex, Near Talao Darwaja Junagadh - 362001. Tel: (0285) 2622483/2622484	Rajkot - Dhaval Dave Sunflower House 3rd Floor, Nr. Bhaktinagar Circle, 80- Feet Road, Rajkot- 360 002 Tel: (0280) 236 1935 / 329 6881 / 329 8100
Goregaon (W) - Sanjiv Dhani 132 Jawahar Nagar, Near Bank of Baroda Rd. No 1, Mumbai - 400 062 Tel: (022) 2878 9401 / 02	Ahmedabad - Milan Kanabar A / 35, Shakti Dhara Soc., Lakhani Chamber Opp. Sukhsagar Chamber, Bapunagar Tolnaka Ahmedabad - 382 052 Tel : (079) 2277 5582	Jodhpur - Amit Kumbhat Gulab Bhavan, Opp. Kankaria Building, Chopasni Road, Jodhpur - 342 003 Tel: (0291) 3208 354 / 3208 684	Surat - Pratik Sanghavi UG/22 to 24, Megh Mayur Plaza Parle Point, Surat - 395 001 Tel - 98257 04747
Kalbadevi - Viren Ved 375 Vidyut Bldg, C-block, Ground Floor J.S.S. Road, Mumbai - 400 002 Tel: (022) 2207 5599 / 2209 0611	Ahmedabad - Chirag Raghvani 2 - Suvas Avenue, Rajasthan Hospital Rd Nr. Ghasiram Bhuvan, Shahibaug Ahmedabad - 380 004 Tel: (079) 2286 1053/5/6	Mehsana - Bhavesh Patel 2nd Floor, Prabhu complex, Nr. Raj Kamal Petrol Pump, Above HDFC Bank Mehसा - 384 002 Tel: (02762) 241953	Valsad - Suchita Krishnani 201/202, K. B. Mall, Jalar Road Opp Iden Garden Hotel, Valsad Tel - (02632) 645 344 / 45
Lokhandwala - Muskaan Daultani Samartha Vaibhav, Office No. 109/111, Opp. Pizza Hut, Lokhandwala, Andheri (W), Mumbai - 53 Tel : (022) 2639 2626 / 3255 0987	Ankleshwar - Durgesh Singh Shop No. 31-32, Centre Point Complex B3 Plot No. 601, GIDC, Ankleshwar - 393 002 Tel: (02646) 572 681 - 85	Nashik - Sagar Jadhav / Madhav Mudhale 10 - A Wing, 2nd Floor, Parshuram Apts College Rd, Opp. Times of India Nashik - 422 005. Tel: (0253) 2578 835 / 36	Vapi - Dhiraj Pandey 7 / 8, 2nd Floor, Sahara Market, Besides Reliance Petrol Pump, Silvasa Rd Vapi - 396 195 Tel: (0260) 2400 210 / 214 / 236
Malad (W) - Tushar Shah 7, Viral Shopping Centre, Near Pawan Hotel, Mumbai - 400 097 Tel: (022) 2880 0960 / 68	Anand - Digant Patel 1 & 2, Thakkar Arcade, Sardargunj Road Near People's Co-operative Bank Anand - 388 001 Tel : (02692) 267041-45	Nadiad - Vipul Patel 101, Kant Complex, Above Adani Super Market, Petlad Road, Nadiad - 387 001 Tel: (0268) - 2527 230 / 31	Visakhapatnam - Vamshi Krishna Vidisha Towers, 47-14-10, Dwaraka Nagar Adjacent HDFC Bank, Visakhapatnam - 530016 Tel: (0891) 6620 572-75