

Auto

April 9, 2007

Buy

Medium Risk

Price: Rs. 227

Target: Rs. 330

Share Holding (%)

Promoters	61.76
FII	16.88
FI / MF	8.23
Non-Promoter	1.02
Public & Others	12.11

Stock Data

Reuters / Bloomberg Code

EICH.BO / EIM@IN

BSE Code / NSE Symbol

505200 / EICHERMOT

Market Capitalisation

Rs. 6376.4 mn

USD 147.8 mn

Shares Outstanding

28.09 mn

52 Week Range

Rs.416 00 / 202.50

Avg. Daily Volume (6m)

17925 shares

Price Performance (%)

1m / 3m / 6m

-30 / -38 / -37

200 Days EMA: Rs. 315

Part of Sushil Bonanza



Sushil Finance Consultants Ltd Sushil Stockbroker Private Limited



Investment Research

Initiating Coverage

Eicher Motors Limited

Eicher Motors Limited (EML) is India's third largest CV manufacturer. The company has four business divisions i.e. Commercial Vehicles, Motorcycle, Gears and Engineering Solutions. CVB is the main business segment of the company which contributes to the major part of its revenues & profits. As a part of its restructuring exercise, EML divested its tractor business in June 2005 by selling it to TAFE.

Investment Argument

- Increase in infrastructure spending, increased industrial activity, replacement demand due to change in emission norms, overloading curbs put by supreme court will lead to 10% CAGR growth for the CV segment over the next 2-3 years. Given that EML's products have 10 to 15% better fuel efficiency in comparison to its competitor's products along with higher payload capacity, we expect EML to beat industry growth going forward. India's CV industry is graduating to a hub and spook model i.e. higher tonnage vehicles to be used for long distances and lighter vehicle being used for shorter distances. We expect fleet operators to switch to the higher-end 16.2 to 25 Tons as well as the intermediate segment of 7.5 to 12 Tons (stronghold of EML) from 12-16.2 ton segment. This would help in reducing the cost per ton for the fleet operator due to less fuel requirement and less toll charges.
- Over the past 1-2 years, the company has been introducing new models to its range of products & plans to come out with more models in the M/HCV category over the next few quarters. As the proportion on HCV segment increases there would be substantial improvement in the realizations and profitability of the company. We expect significant operating leverage to kick in going forward as more than one fourth of the CV.
- The components business, which primarily relates to gears business is a high margin business and is expected to show robust growth on account of increased exports as well as domestic OEMs.

Outlook and Valuation

EML, off late, has been focusing on the fleet operators segment rather than one-time users & has developed strong relationship with the fleet operators. Although it currently has less than 3% market share in HCV goods segment, given that the acceptance of EML's products is increasing at a rapid pace, we expect strong volume pick for the next 2-3 years. We also believe the company's gear division will show robust growth on account increased sales to domestic OEMs & overseas clients.

We expect EML to report net sales, PBT & APAT growth of 15.6%, 75.6% & 10.4% respectively in FY07. Further, for FY08 & FY09, we expect EML to report net sales growth of 18.1% & 23.9% to Rs. 22462.4 Mn & Rs. 27841.5 Mn & EBITDA to increase by 28.7% & 40.8% to Rs. 1469.9 Mn & Rs. 2069.9 Mn respectively. As its capacity utilization improves, we expect its margins to improve due to better operating leverage to 6.5% & 7.4% in FY08 & FY09 from 6% in expected in FY07. We expect EML's APAT to increase by 28.6% & 43.9% to Rs. 713.1 Mn & Rs.1026.3 Mn in FY08 & FY09 respectively. At the current market price of Rs.227, the stock is available at 6.2x FY09E earnings of Rs.36.5 & EV/EBITDA of 2.2x, which we believe is very attractive. We initiate our coverage on the stock with a BUY rating & a target price of Rs.330, at which the stock would quote at a 9x FY09E earnings & 3.6x EV/EBITDA.

Key Financials

Y/E Dec.	SALES (Rs mn)	APAT (Rs mn)	AEPS (Rs)	PER (x)	ROCE (%)	ROE (%)	EV/EBITDA (x)
FY2006	16449	502	17.9	12.70	15.1	14.6	8.0
FY2007E	19014	554	19.7	11.50	10.3	12.8	4.9
FY2008E	22462	713	25.4	8.94	12.6	15.9	3.6
FY2009E	27841	1026	36.5	6.21	15.9	19.7	2.2

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Company Profile

Eicher Motors Limited (EML) is India's third largest CV manufacturer. It was incorporated in 1982 and was established in technical & financial collaboration with Mitsubishi Corporation, Japan for manufacturing of Light Commercial Vehicles. After the expiry of its technical collaboration in 1994, the company had set up its R& D centre with strong in-house product development capabilities of its own. The company has four business divisions i.e. Commercial Vehicles, Motorcycle, Gears and Engineering Solutions. As a part of its restructuring exercise, EML divested its tractor business in June 2005 by selling it to TAFE.

Commercial Vehicle Business (CVB)

CVB is the main business segment of the company which contributes to the major part of its revenues & profits. During first 9 months of FY07, CV business contributed to 83.2% of its revenues & 102% to its EBIT. EML has an installed capacity of 38,000 vehicles at its Indore plant. The company sells trucks and passenger buses with capacities ranging from 5 ton to 40 ton. EML which had been predominantly a LCV player had entered the HCV segment in 2002. The company offers more than 85 models of ready-to-use custom-built vehicles for various specialized applications. Over the past 1-2 years, the company has been introducing new models to its range of products & plans to come out with more models in the M/HCV category over the next few quarters.

2-Wheeler Business

ML's 2-wheeler business comprises of "Enfield" series of Motorcycles. Eicher acquired this business in 1994 to form Royal Enfield Motors Limited. This company, which was first incorporated as Enfield India Limited, is India's first 4-stroke motorcycle manufacturer. EML is known for its exquisite range of motorcycles which combines distinctive styles with power, riding comfort and ruggedness to deliver a unique motorcycling experience. The company's products have good brand equity in the above 250 cc segment. The company has an installed capacity of 39,000 vehicles. The company sold 30,777 & 23,623 vehicles in FY2006 & first 9 months of FY07 respectively. During the first 9 months of FY07, two wheeler business contributed to 10.5% of its revenues while at EBIT level, it was just about breaking-even. However, the company is looking to induct a strategic investor in this business post which the business could see renewed growth impetus.

Engineering Component Business

The components business, which primarily relates to gears business, caters to the domestic OEM market as well as to overseas clients. During first 9 months of FY07, EML's gear business contributed to 6% of its revenues & 4.6% to its EBIT. EML's Gurgaon plant is being used for exports to its global clients. The company has recently acquired BMC's Dewas unit which has a gear manufacturing facility of around 5,00,000 pcs a year. The company had sold its Parwanoo unit (manufacturing gear for its tractor business) along with sale of its Tractor unit to TAFE. EML is expected to generate revenue of Rs 1027.5 Mn and Rs. 1335.7 Mn in FY07 & FY08 from this business segment.

Engineering Solution Business

The company in the business of providing computer aided engineering design and analysis services in the areas of product design, sheet metal/surface modeling, solid modeling/ detailing, tool design, product lifecycle management, CAE services, etc. During FY2006, EML acquired a Design Intent Engineering - a U.S. based engineering design company, in its bid to expand its engineering solutions business. A key initiative taken up by EML during FY06 was to build a robust & scalable off-shoring model which is expected to be one of the key building blocks of this business. EML expects the major growth of this business to come from the inorganic route as well as through building strategic alliances.

Sale of Tractor Business

Eicher Motors sold its tractor business at Mandieep along with engines and gears division situated at Alwar and Parwanoo for a total consideration of Rs. 3100 Mn to Tractor and Farm Equipment India (TAFE) and made a profit of Rs. 1734 Mn from the transaction. The company has invested Rs 2580 Mn in long term capital gains bonds under section 54EC. The lock-in for the said amount is till June 2008. The company received Rs 2100 Mn on the closure of transaction in June 2005 with the balance expected in three annual installments of Rs. 400 Mn, Rs. 400 Mn and Rs. 200 Mn, w.e.f. June 1, 2005.

CV Business to be the key growth driver for EML

Steady Industry growth to continue

According to National Highways Authority of India, National Highways constitute 2% of road network and carry 40% of total road traffic. About 65% of freight and 80% passenger traffic is carried by roads. Indian road network is the second largest road network in the world. New surface transport projects across the country will continue to spur growth for the CV industry. National Highway development phase 1 is almost complete & the phase 2 is about to start. Around 140 projects for phase 2 have already been awarded by the government.

There are 3 million CVs on Indian roads, 40% of which are more than 10 years old (and hence, not compliant with the Euro-I or Euro-II emission norms). This will continue to lead to more replacement demand. The current booming CAPEX cycle across sectors will continue to lead to new vehicle demand for CV. Indian economy is expected to grow at a CAGR of at least 7% in the next 2-3 years, which would lead to robust freight demand. Overloading restriction by Supreme Court coupled with introduction of a recent bill cleared by the cabinet, holding the consignor, cargo booking companies and agents responsible for over-loading will continue to create demand for CVs. Overall, we expect the CV industry to grow by a CAGR of 10% over the next 2-3 years.

Performance in First 11 Months of FY07

CV industry

As per SIAM, Domestic CV industry in first 11 months of FY07 has grown by 36% YoY to 418,637 vehicles. Exports have grown by 24% YoY to 43,791 Vehicles. We expect the growth momentum to stabilize in FY08 & believe CV industry may grow at around 10-12%. Domestic M&HCV industry volume have grown by 37% to 2, 46,788 vehicles with exports growing by 35% to 16,684 vehicles in first 11 months of FY07. Domestic LCV industry has grown by 35% to 171,849 vehicles (largely on account on growth shown by ACE) with exports growing by 18% to 27107 vehicles.

Eicher Domestic Goods Carriers

In the 5 ton to 7.5 ton category, Eicher Motors sold 4944 vehicles (8% YoY growth), with its market share increasing by 300 bps to 8%. In this category, the company's Model Eicher 10.50 has a pay load capacity of 3 ton while Eicher 10.59 can carry pay load of 3.5 ton. These products have the highest power to gross vehicle weight ratio in its category. However, Eicher's growth in the category was marred largely due to the excellent growth shown by Tata Ace.

In the 7.5 ton to 12 ton category, Eicher Motors sold 11961 vehicles, an increase of 16% YoY with its market share increasing by 100 bps to 37%. All the company's offerings in the segment, which include Eicher 10.75 ton, Eicher 10.9 and Eicher 11.10, have one of the highest pay load capacity in its respective category. In fact, Eicher 11.10, while on one hand, retains the advantages of a LCV like speed and pick up, on the other hand, it has the ability to haul even for long distances.

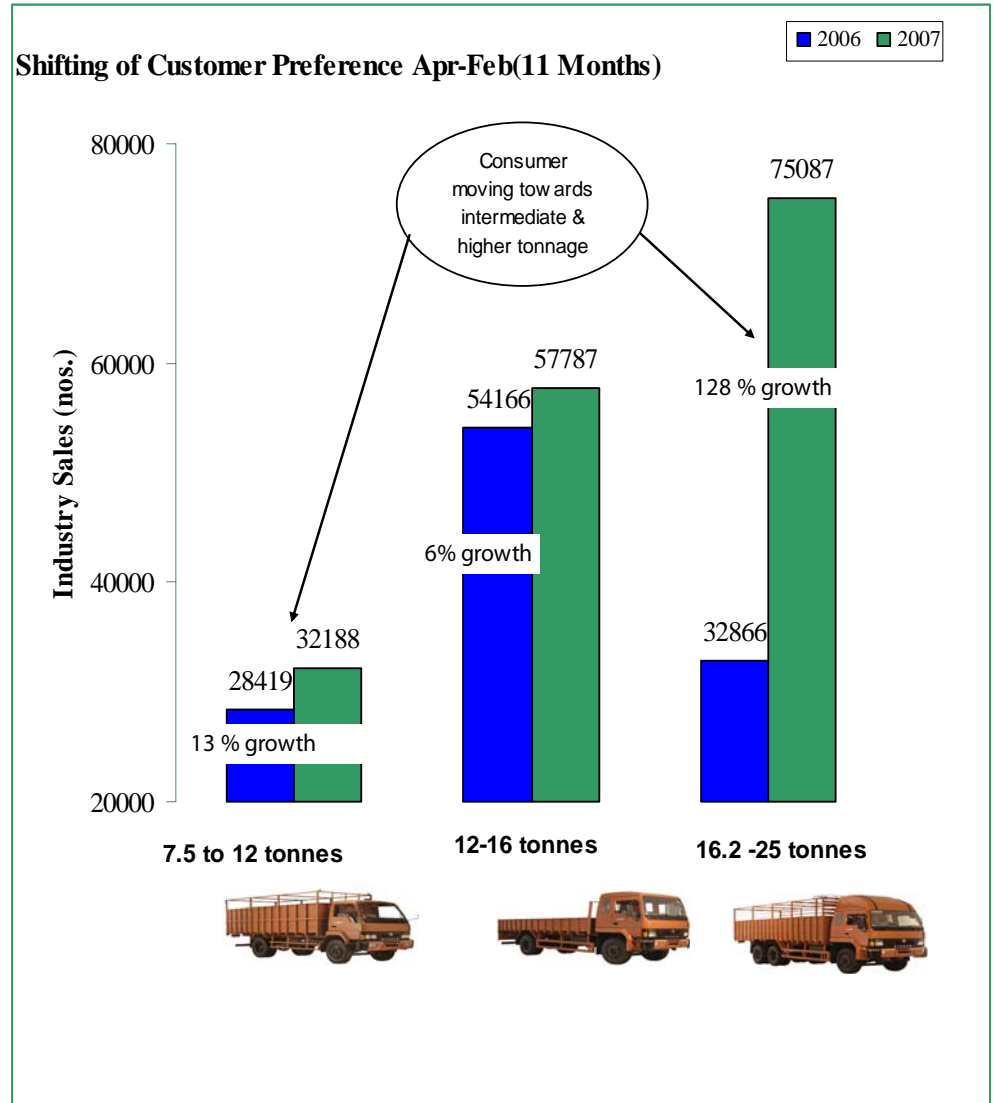
In the 12 ton to 16.2 ton category, Eicher Motors sold 1828 vehicles, an increase of 15%, with its market share remaining un-changed at 3%. The company's offering in the segment is the Eicher Jumbo 20.16. Eicher Jumbo 20.16, having a payload carrying ability of 10.4 ton, provides extra tonnage of payload in comparison to other vehicles. This vehicle is propelled by a 147 HP engine and has higher fuel efficiency.

In the 16.5 ton to 25 ton category Eicher Motors sold 1289 vehicles, an increase of 47% with its market share reducing by 100 bps to 2%. The company's offering in the segment is Eicher Galaxy 30.25 which company's new vehicle for the multi-axle segment having a pay load capacity of 17 ton and is available with a ready to use factory built cabin & body having a 59% overhand ability. The company has recently launched Terra 16 tipper for heavy duty application which has a six cylinder motor and is as efficient in terms of fuel efficiency and performance as other Eicher vehicles.

Eicher Domestic Passenger Carriers

The main models of EML in Passenger Vehicle (PV) segment include Skyline, Cruiser and School Bus. In the 5 ton to 7.5 ton category, Eicher Motors sold 1445 vehicles, an increase of 27%, with its market share increasing by 100 bps to 10%. In the 7.5 ton to 12 ton category, Eicher Motors sold 870 vehicles, an increase of 43%, with its market share increasing by 800 bps to 24%. In the 12 ton to 16.2 ton category, Eicher Motors sold 870 vehicles, an increase of 216%, with its market share increasing by 100 bps to 1%. The company has recently received an order of 400 Bharat stage III buses from the Bangalore Municipal Transport Corporation.

Domestic Goods Segments Commercial Vehicle Trend



Source: SFCL Research/SIAM

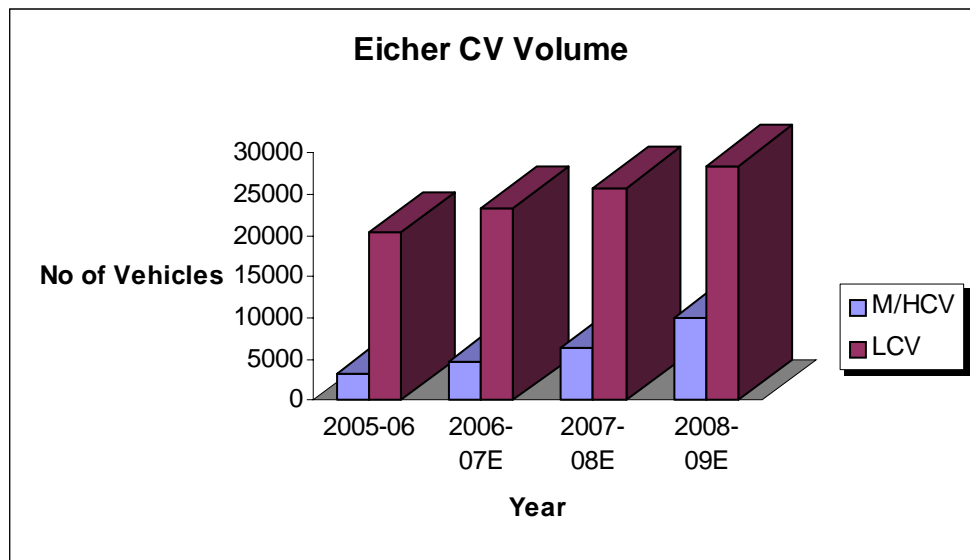
India's CV industry is graduating to a hub and spook model i.e. higher tonnage vehicles to be used for long distances and lighter vehicle being used for shorter distances. We expect fleet operators to switch to the higher-end 16.2 to 25 Tons as well as the intermediate segment of 7.5 to 12 Tons (stronghold of EML) from 12-16.2 ton segment. This would help in reducing the cost per ton for the fleet operator due to less fuel requirement and less toll charges.

Eicher to beat Industry Growth

Given the superior product quality of Eicher Motors across its product lines, EML has been able to improve markets share in most of its segments. Its products have 10 to 15% better fuel efficiency in comparison to its competitor's products along with higher pay load ability. The company's products traditionally have had higher re-sale value and lower operating cost.

In the LCV segment, we expect EML to post 10% volume CAGR and reach 25,536 vehicles in FY08 & 28,089 vehicles in FY09. India's CV industry is graduating to a hub and spook model i.e. higher tonnage vehicles to be used for long distances and lighter vehicle being used for shorter distances. We expect fleet operators to switch to intermediate segment of 7.5 to 12 Tons (stronghold of EML) from 16 ton segment. This would help in reducing the cost per ton for the fleet operator due to less fuel requirement and less toll charges.

Eicher currently has less than 3% market share in HCV goods segment. The Company has recently launched a slew of products in this segment including a 16 ton tipper, 25 ton tipper and 40 ton tractor trailer. Off late, EML has been focusing on the fleet operators segment rather than one-time users & has developed strong relationship with the fleet operators. Given that the acceptance of EML's products is increasing at a rapid pace, we expect strong volume pick for the next 2-3 years. Moreover, since EML has a low volume base in the HCV segment, we expect EML to report volume growth of 40 % & 54% to 6,500 & 10,000 vehicles respectively during FY08 & FY09.



Source: SFCL estimates/SIAM

Interim Results: 9 Months Performance

For first 9 months ending December 2006, EML has reported 17.9 % YoY growth to Rs. 13,334.2 Mn in net sales. Its Raw Material cost as a percentage to sales has reduced by 288 bps despite increase in input cost, mainly due to better cost management techniques undertaken by the company. Staff cost and other expenses as a percentage of sales also reduced by 53 bps and 23 bps respectively leading to margin expansion of 317 bps. The restructuring of business by selling of tractor business contributed to the improvement in margins as well. As a result of above, EML's EBITDA increased by a whopping 160.3% to Rs. 772.6 Mn and its APAT increased 80.7% YoY to Rs. 403.9 Mn for first 9 months ending December 2006. Recently, EML board has declared an interim dividend of Rs 29 per share (stock is now quoting on an ex-dividend basis), including a one-time special dividend of Rs 25.

Outlook and Valuation

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We expect EML to report net sales, PBT & APAT growth of 15.6%, 75.6% & 10.4% respectively in FY07. Further, for FY08 & FY09, we expect EML to report net sales growth of 18.1% & 23.9% to Rs. 22462.4 Mn & Rs. 27841.5 Mn & EBITDA to increase by 28.7% & 40.8% to Rs. 1469.9 Mn & Rs. 2069.9 Mn respectively. As its capacity utilization improves, we expect its margins to improve due to better operating leverage to 6.5% & 7.4% in FY08 & FY09 from 6% in expected in FY07. We expect EML's APAT to increase by 28.6% & 43.9% to Rs. 713.1 Mn & Rs.1026.3 Mn in FY08 & FY09 respectively. At the current market price of Rs.227, the stock is available at 6.2x FY09E earnings of Rs.36.5 & EV/EBITDA of 2.2x, which we believe is very attractive. We initiate our coverage on the stock with a BUY rating & a target price of Rs.330, at which the stock would quote at a 9x FY09E earnings & 3.6x EV/EBITDA.

Interim Results Statement
(Rs. Mn)

Year Ending March	9 mth FY 07	9 mth FY 06
Total Revenues	13,334.2	11,310.5
<i>% Ch. YoY</i>	17.9	
PBIDT	772.6	296.8
<i>% Ch. YoY</i>	160.3	
<i>% Margin</i>	5.8	2.6
Interest	97.4	119.7
<i>% Ch. YoY</i>	(18.6)	
<i>% of STO</i>	0.7	1.1
PBDT	675.2	177.1
<i>% Ch. YoY</i>	281.3	
<i>% Margin</i>	5.1	1.6
Depreciation	298.6	306.5
<i>% Ch. YoY</i>	(2.6)	
<i>% of STO</i>	2.2	2.7
PBT excl. OI	376.6	(129.4)
<i>% Ch. YoY</i>	(391.0)	
<i>% Margin</i>	2.8	(1.1)
Other Income	196.8	207.1
<i>% Ch. YoY</i>	(5.0)	
<i>% Margin</i>	1.5	1.8
PBT incl OI	573.4	77.7
<i>% Ch. YoY</i>	638.0	
<i>% Margin</i>	4.3	0.7
Tax	169.5	(146.6)
<i>% Ch. YoY</i>	(215.6)	
<i>% of PBT</i>	29.6	(188.7)
Current Tax	157.6	(162.9)
Deferred Tax	-	-
Fringe Benefit Tax	11.9	16.3
APAT	403.9	224.3
<i>% Ch. YoY</i>	80.1	
<i>% Margin</i>	3.0	2.0
Non-Recurring Items	-	(1,667.9)
<i>% STO</i>	-	(14.7)
RPAT	403.9	1,892.2
<i>% Ch. YoY</i>	(78.7)	
<i>% Margin</i>	3.0	16.7
Cash Profit	702.5	2,198.7

Source: Company, SFCL Research Estimates

Profit & Loss Statement

(Rs. Mn)

Year Ending March	Mar-09E	Mar-08E	Mar-07E	Mar-06
Total Sales	27840.5	22462.4	19013.6	16,448.9
<i>% Ch. YoY</i>	23.9	18.1	15.6	-17
PBIDT	2,069.8	1,469.9	1,142.2	650.5
<i>% Ch. YoY</i>	40.8	28.7	75.6	(48.3)
<i>% Margin</i>	7.4	6.5	6.0	4.0
Interest	190.2	158.5	132.1	165.1
<i>% Ch. YoY</i>	20.0	20.0	(20.0)	(26.1)
<i>% of STO</i>	0.7	0.7	0.7	1.0
PBDT	1,879.6	1,311.4	1,010.1	485.4
<i>% Ch. YoY</i>	43.3	29.8	108.1	(53.1)
<i>% Margin</i>	6.8	5.8	5.3	3.0
Depreciation	492.7	439.9	407.3	468.2
<i>% Ch. YoY</i>	12.0	8.0	(13.0)	(3.2)
<i>% of STO</i>	1.8	2.0	2.1	2.8
PBT excl. OI	1,386.9	871.5	602.8	17.2
<i>% Ch. YoY</i>	59.1	44.6	3,404.5	(96.9)
<i>% Margin</i>	5.0	3.9	3.2	0.1
Other Income	191.1	224.8	249.8	312.2
<i>% Ch. YoY</i>	(15.0)	(10.0)	(20.0)	70.5
<i>% Margin</i>	0.7	1.0	1.3	1.9
PBT incl OI	1,577.9	1,096.2	852.5	329.4
<i>% Ch. YoY</i>	43.9	28.6	158.8	(55.2)
<i>% Margin</i>	5.7	4.9	4.5	2.0
Tax	551.6	383.2	298.2	(172.8)
<i>% Ch. YoY</i>	44.0	28.5	(272.6)	(218.0)
<i>Tax % of PBT</i>	35.0	35.0	35.0	(52.5)
Current Tax	528.6	364.0	282.2	(193.7)
Fringe benefit Tax	23.0	19.2	16.0	20.9
APAT	1,026.3	713.1	554.3	502.2
<i>% Ch. YoY</i>	43.9	28.6	10.4	(14.7)
<i>% Margin</i>	3.7	3.2	2.9	3.1
Extraordinary Exp./ (Income)			-	(1,666.6)
RPAT	1,026.3	713.1	554.3	2,168.8
<i>% Ch. YoY</i>	43.9	28.6	(74.4)	268.5
<i>% Margin</i>	3.7	3.2	2.9	13.2
Cash Profit	1,519.0	1,153.0	961.7	2,637.0
<i>% Ch. YoY</i>	31.7	19.9	(63.5)	145.9
<i>% Margin</i>	5.5	5.1	5.1	16.0

Source: Company, SFCL Research Estimates

Balance Sheet Statement
Rs. Mn

Year Ending March	Mar-09E	Mar-08E	Mar-07E	Mar-06
SOURCES OF FUNDS				
Share Capital	280.9	280.9	280.9	280.9
Reserves & Surplus	5360.1	4493.9	3908.9	4169.2
Shareholders Equity	5641.0	4774.8	4189.8	4450.1
Net Worth	5641.0	4774.8	4189.8	4450.1
Secured Loans	1026.3	1026.3	1026.3	876.3
Unsecured Loans	1041.1	991.5	944.3	899.3
Total Loan funds	2067.4	2017.8	1970.6	1775.6
Capital Employed	7708.4	6792.6	6160.4	6225.7
APPLICATION OF FUNDS				
Gross Block	6503.9	6003.9	5503.9	5003.9
Less: Depreciation	3391.7	2899.0	2459.0	2051.7
Net Block	3112.2	3104.9	3044.9	2952.2
Cap. WIP	50.0	40.0	30.0	72.5
Fixed Assets	3162.2	3144.9	3074.9	3024.7
Investments	2689.0	2689.0	2689.0	2689.0
Sundry Debtors	1990.4	1605.9	1359.4	1176.0
Cash & Bank Bal	1165.1	479.7	41.5	261.0
Loans & Advances	3038.3	2451.4	2075.0	1795.1
Inventories	2728.9	2201.7	1863.7	1612.3
Curr Assets, Loans & Adv	8922.7	6738.7	5339.6	4844.4
Curr Liabilities	4912.3	3963.3	3354.8	2902.3
Provision	1716.4	1384.8	1172.2	1014.1
Curr Liab & Prov	6628.7	5348.2	4527.0	3916.4
Net Current Assets	2294.0	1390.6	812.5	928.0
Deferred Tax Assets (Net)	(436.9)	(436.9)	(436.9)	(436.9)
Miscellaneous Exp	0.0	5.0	20.9	20.9
Total Assets	7708.4	6792.6	6160.4	6225.7

Source: Company, SFCL Research Estimates

Financial Ratios Statement

Year Ending March	Mar-09E	Mar-08E	Mar-07E	Mar-06
Growth (%)				
Net Sales	23.9	18.1	15.6	(17.0)
Adjusted Net Profit	43.9	28.6	10.4	(14.7)
EBITDA	40.8	28.7	75.6	(48.3)
EPS	43.9	28.6	10.4	(14.7)
CEPS	31.7	19.9	(63.5)	145.9
Gross Fixed Assets	8.3	9.1	10.0	(20.9)
Capital Employed	13.5	10.3	(1.0)	64.2
Valuation				
EPS (Rs.)	36.5	25.4	19.7	17.9
CEPS (Rs.)	54.1	41.0	34.2	93.9
BVPS (Rs)	200.8	170.0	149.2	158.4
PER (x)	6.2	8.9	11.5	12.7
PEG (x)	0.1	0.3	1.1	(0.9)
P/CEPS (x)	4.2	5.5	6.6	2.4
P/BVPS (x)	1.1	1.3	1.5	1.4
EV/EBITDA (x)	2.2	3.6	4.9	8.0
EV/Net Sales (x)	0.2	0.2	0.3	0.3
EV/NOPAT	4.5	7.8	11.8	18.7
EV/Cash Profit	3.0	4.5	5.8	2.0
Profitability				
ROCE (%)	15.9	12.6	10.3	15.1
ROE (%)	19.7	15.9	12.8	14.6
EBIDTA Margin (%)	7.4	6.5	6.0	4.0
EBDTA Margin (%)	6.8	5.8	5.3	3.0
Net Profit Margin (%)	3.7	3.2	2.9	3.1
Tax/PBT (%)	35.0	35.0	35.0	(52.5)
Turnover				
Avg. Collection Period (Days)	26	26	26	26
Avg. Payment Period (Days)	64	64	64	64
Inventory turnover period (days)	49	49	49	48
Net Fixed Assets (x)	8.8	7.1	6.2	5.4
Total Assets (x)	3.6	3.3	3.1	2.6

Source: Company, SFCL Research Estimates

Rating Scale

This is a guide to the rating system used by our Equity Research Team. Our rating system comprises of seven rating categories, with a corresponding risk rating.

Rating Category	Risk Rating	
	Risk Description	Predictability of Earnings / Dividends; Price Volatility
1. Buy		
2. Accumulate	Low Risk	High predictability, low volatility
3. Hold	Medium Risk	Moderate predictability / volatility
4. Sell	High Risk	Low predictability, high volatility
5. Avoid		
6. Neutral		
7. Not Rated		

Total Expected Return Matrix

Rating	Low Risk	Medium Risk	High Risk
1. Buy	Over 15%	Over 20%	Over 25%
2. Accumulate	10% to 15%	15% to 20%	20% to 25%
3. Hold	0% to 10%	0% to 15%	0% to 20%
4. Sell	Negative Returns	Negative Returns	Negative Returns
5. Avoid #	Not Applicable	Not Applicable	Not Applicable
6. Neutral	Not Applicable	Not Applicable	Not Applicable
7. Not Rated	Not Applicable	Not Applicable	Not Applicable

Short-term view on stocks not rated earlier.

Please Note

- Recommendations with "Neutral" Rating imply reversal of our earlier opinion (i.e. Book Profits / Losses).
- **** Indicates that the stock is illiquid.** With a view to combat the higher acquisition cost for illiquid stocks, we have enhanced our return criteria for such stocks by five percentage points.

"Desk Research Call" is based on the publicly available information on the companies we find interesting and are quoting at attractive valuations. While we do not claim that we have compiled information based on our meeting with the management, we have taken enough care to ensure that the content of the report is reliable. Although we have christened the report as "Desk Research Calls" (DRC), we intend to release regular updates on the company as is done in our other rated calls.

"First Impression Report" is released on the companies we find interesting and plan to initiate our detailed research. However in the interim, we communicate our initial findings on the company through the "First Impression Report" (FIR). While we do not claim that we have compiled information based on our meeting with the management, we have taken enough care to ensure that the content of the report is reliable.

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