AUTO SECTOR: TRACTORS

Eying new highs

December, 2011

Tractors - Demand stable vs. Cars / M&HCVs. Demand drivers in place for sustainable double digit growth

Moderation, if any, to be short lived. Growth in NABARD disbursements rather than Agri credit is more relevant

Key beneficiary - M&M, valuations factoring in sharp drop in EBITDA / margins

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INDUSTRY REPORT

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Synopsis

There have been rising concerns on the sustainability of tractor demand owing to certain adverse developments and the strong performance of the tractor segment over the last few years (17% CAGR during FY08-11 and 20% YTDFY12).

Recent adverse developments like (1) declining Agri terms of trade (ATOT) (2) lack of buying support by FCI, resulting in produce being sold below MSPs and (3) slowdown in agri credit/rising NPAs (of PSU banks), have raised concerns over cash flows of the farmers

Some of these concerns are overdone, while others are still nascent. If these concerns materialize, then there can be pressure on tractor demand in the short term. However, this would be a temporary blip as structurally, demand continues to be on an upswing and it is nowhere near its peak. Our confidence stems from a number of indicators highlighted below

- **Indian tractor industry is more stable than Cars/M&HCVs. Since 1973, the tractor industry has registered a CAGR of 8.6%.**
- **While India's tractor penetration at 19 per 1000 hectares appears reasonable, we believe it is misleading. Penetration per 1000 agricultural people is a better indicator. At 5 per 1000, India's tractor penetration is among the lowest.**
- **Across the globe, there has been a sharp reduction in population relying on agriculture as a source of income. This is evident from the fact that current penetration levels (per 1000 hectares) are significantly below their peak levels. India is the only country, where there has been an increase in population relying on agriculture, thereby supporting tractor demand**
- **Increasing focus of government has resulted in higher penetration of finance amongst the target customers. Interestingly, there is no correlation between agri lending and tractor demand. We found a much higher correlation between NABARD disbursements and tractor demand**
- **Favorable cost dynamics and lack of restriction on use of tractors for other purposes have triggered additional demand for tractors. Non farm usage of tractors is on the rise and constitutes ~40% currently.**
- **Shortening replacement age of tractors further supports short term demand. The replacement age has reduced from ~12 years to ~8 years. In case of extensive use of tractors for non farm purposes, the replacement age stands further reduced to 5 years**
- **Rising multiplier effect, indicating higher demand for tractors vs. the earlier periods**
- **Shortage of labor is a serious problem, which has acted as a key catalyst for tractor demand**

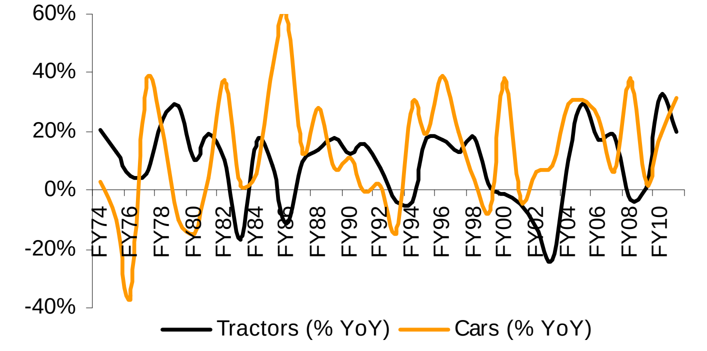
The above factors make us believe that the industry can register a strong growth of 12.5% CAGR over FY11-14E, with an upward bias (implying 12%/10% growth in FY13E/FY14E). Even if the above mentioned concerns play out, we believe that 8% growth is possible in FY13.

The key beneficiary of the structural demand in tractors will be M&M, given its balanced regional and product mix as well as the ability to understand and adapt to the market dynamics. We have a BUY on the stock with a TP of Rs 920 per share. We find valuations attractive as they are pricing in a sharp drop in EBIDTA/margins in FY13.

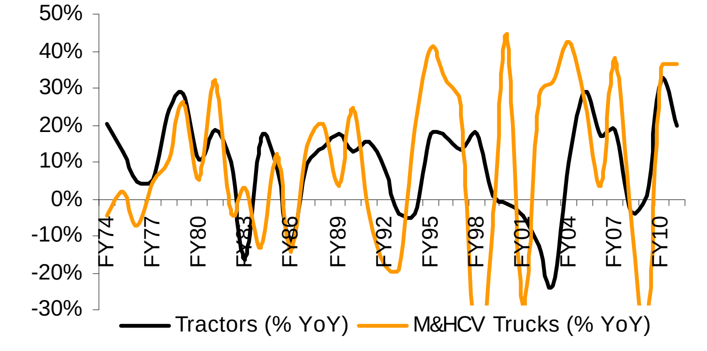
Tractor demand – more stable than Cars/M&HCVs

Historical data indicates that demand for tractors has been more stable compared to cars/trucks. As can be seen from the graphs below, tractor sales have been stable over a longer period of time, except for the period from FY00-03. This period was marked by monsoon failures/non availability of finance. From FY1973-2011, tractors have reported a CAGR of 8.6% compared to 6.9% for M&HCV trucks. While car sales have reported a CAGR of 12% during the period, a closer look indicates that growth has accelerated from 2002 onwards (CAGR of 9.8% till 2002).

Tractor and car sales since 1973 (Growth)



Tractor and M&HCV truck sales since1973 (Growth)

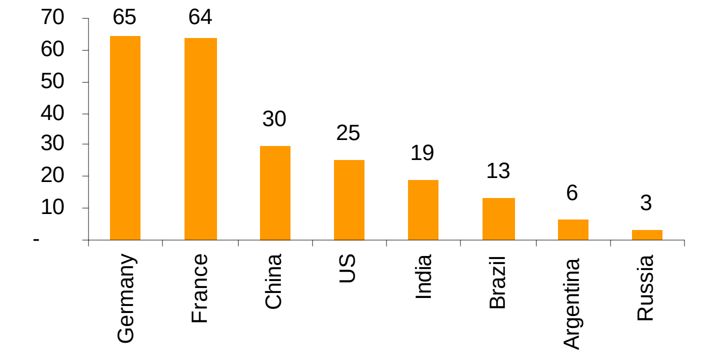


Source: Company, SIAM, Emkay Research

Tractor penetration levels – extremely low

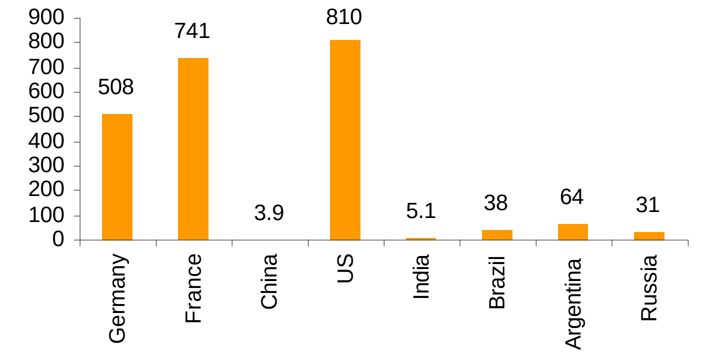
Despite the strong volume growth in the last few years (17% CAGR during FY08-FY11 and 20% YTDFY12), the Indian tractor industry is under penetrated when compared to other countries. The penetration level at 19 tractors per 1000 hectare appears reasonable as there are countries having much higher as well as lower penetration levels than India. However, looking at the data in this fashion can be erroneous. We believe that penetration level per 1000 agricultural people is a better indicator. Based on this parameter, India is highly under penetrated, with penetration of 5 per 1000.

Tractors - Penetration per 1000 hectares



Source: World Bank, Emkay Research

Tractors – penetration per 1000 agri population

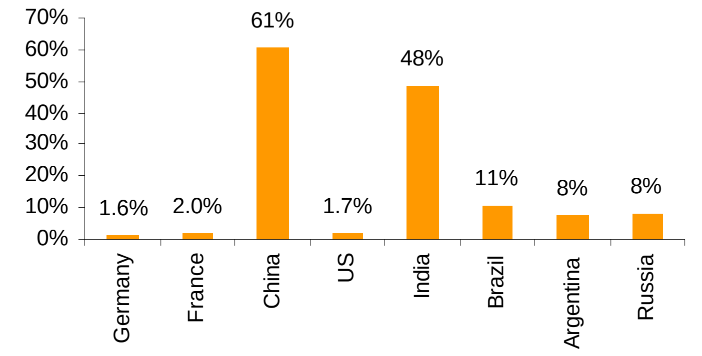


Source: FAO, Emkay Research

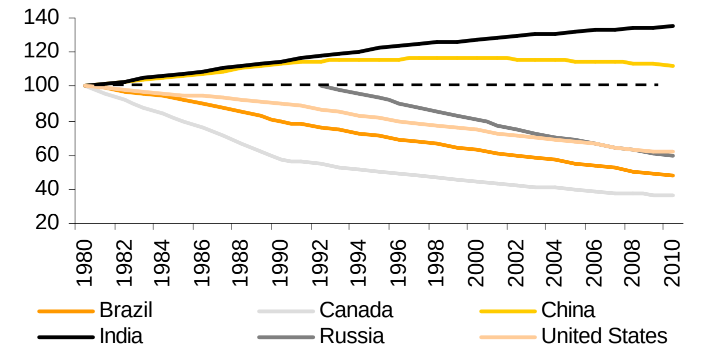
Higher reliance on agriculture in India is the key reason for low penetration

There is a significantly high reliance of population on agriculture in India when compared to other countries. As can be seen from the graph below, 48% of population in India is dependent on agriculture, second only to China. Also, India is the only country, where there has been a steady increase in population relying on agriculture. One of the reasons for the same is a much faster pace of urbanization in other countries. The process of urbanization is extremely slow in India. Across the globe there has been a sharp reduction in population relying on agriculture. This is clearly evident from the fact that their current penetration levels (per hectares) are significantly below their peak levels.

Dependence of population on agriculture



Rising share of agri population in India (indexed to 100)



Source: FAO, Emkay Research

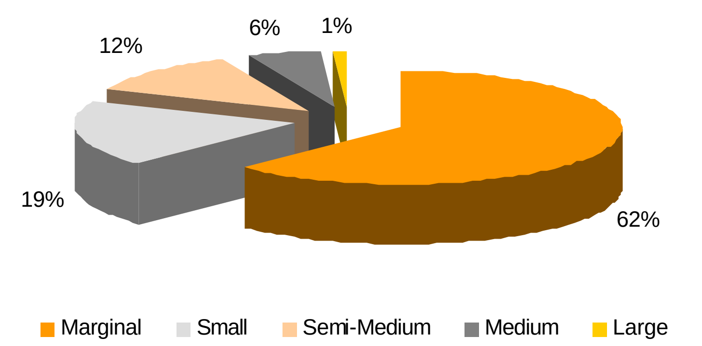
	Penetration per 1000 hectare			Penetration per 1000 agri pop	
	Year	Peak	Current	Corres. Period	Current
Argentina	1988	10	6	66	64
Brazil	1994	15	13	24	38
Russia	1992	10	3	67	31
USA	1967	31	25	na	810
France	1981	85	64	344	741
Germany	1986	138	65	410	508

Source: FAO, Emkay Research

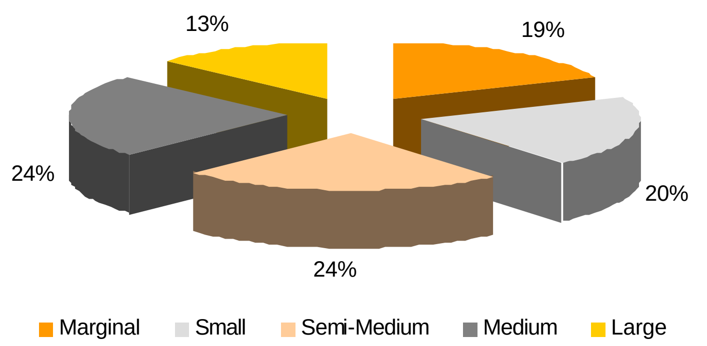
Fragmented land holding – an important reason for higher dependence

The farmer landholding is very fragmented in India. As can be seen from the graph below, 62% of farmers account for 19% of land holding in India. Also, average land holding at ~2.6 acre is significantly low as compared to 444 acre in US, 675 acre in Canada and 45 acre in EU. Given the shortage of labor and easy finance availability, we understand that there has been sharing of tractors by small farmers. But for concerns to arise with respect to demand, the consolidation has to be far more significant.

Population of farmers



Area under operations

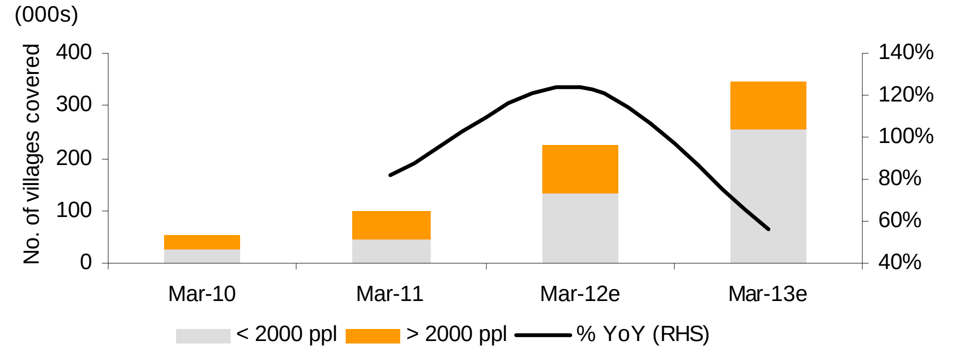


Source: Ministry of Agriculture, GOI, Emkay Research

Rising penetration of finance

The clear focus of the government to increase the penetration of finance in rural areas is evident from rising rural credit and more importantly, increase in bank's rural network. Another interesting point to note is that the increase in coverage is driven by reduction in branches and increase in mobile units. This indicates focus on low cost/profitable business model. This makes us believe in the sustenance and increase in rural penetration of banks

Number of villages to be covered by finance

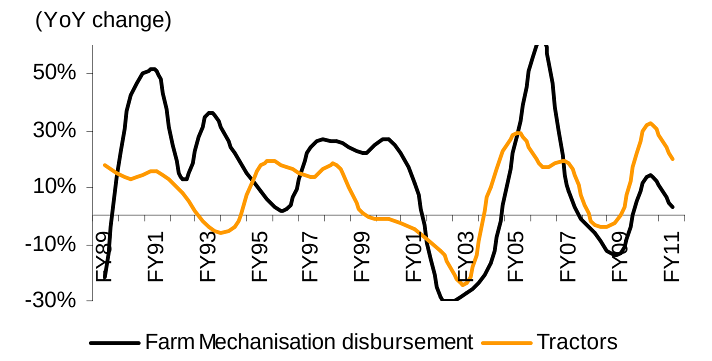


Source: RBI, Emkay Research

Slowdown in Agri credit – not a major concern

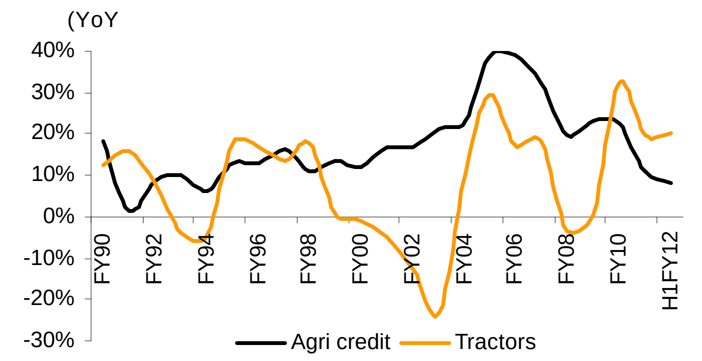
There have been rising concerns over availability of finance given slowdown in agri credit by banks and rising NPAs in the agri portfolio of PSU banks. However, our analysis indicates 1) PSU banks account for only ~15% of tractor sales 2) There is no co-relation between agri credit growth and tractor demand. Infact, we observed a strong co-relation between NABARD's farm mechanization disbursement and tractor growth.

Tractor and NABARD credit– strong correlation



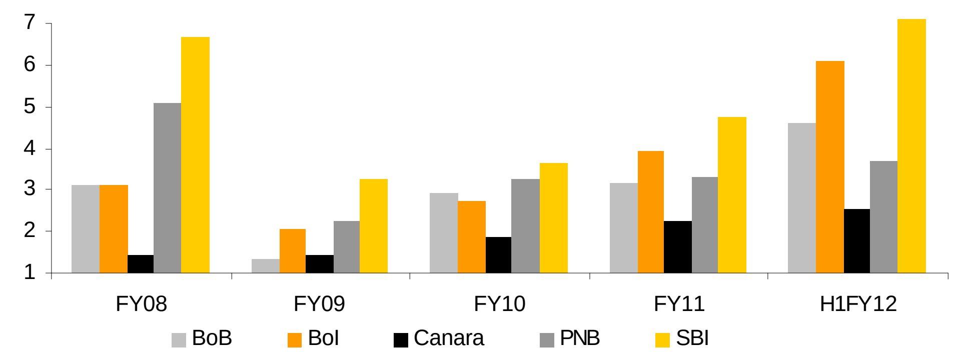
Source: NABARD, CRISIL, Emkay Research

Tractor and Agri credit – no correlation



Source: RBI, Emkay Research

PSU banks – Rising agri NPAs (% agri loans)

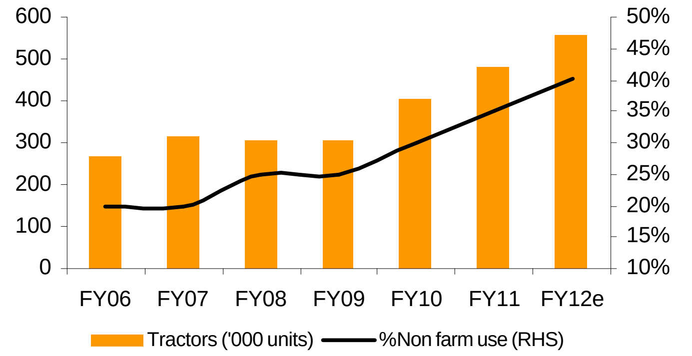


Source: Company, Emkay Research

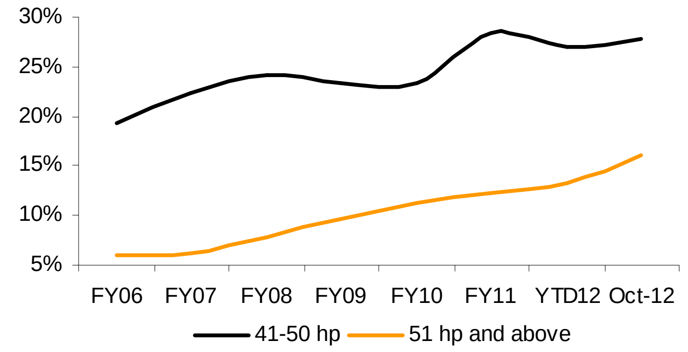
Non – farm usage of tractors – on the rise

In the last few years, there has been a sharp increase in non farm use of tractors. Also, there are rising instances of non-farm use of tractors being a primary objective of purchase. Currently, we estimate that approximately 40% of tractor usage will be for non farm purposes. We attribute a sharp jump in the non-farm use to favorable cost economics over construction equipments and lack of regulation restricting the non-farm use of tractors. A sharp jump in the share of higher HP tractors corroborates our view point. However, we would like to highlight that, the proportion of tractors brought for primarily non farm purpose is not very significant (~ 10% to 15%)

Rising non-farm use of tractors



Rising share of higher HP tractors



Source: CRISIL, Emkay Research

Replacement demand – a key support in the near term

Our analysis of replacement demand indicates that industry can register a FY11-FY14 CAGR of ~12.5% (implying a growth of 12%/10% in FY13E/FY14E) largely supported by replacement demand. We understand that the replacement cycle for agricultural tractors has shortened from ~12 years to ~8 years. In case of tractors used extensively for non - farm purpose, the replacement age is ~5 years. As can be seen from the table below, strong replacement demand (assuming ~5% scrappage) will result in a reasonable single digit growth in new tractor demand.

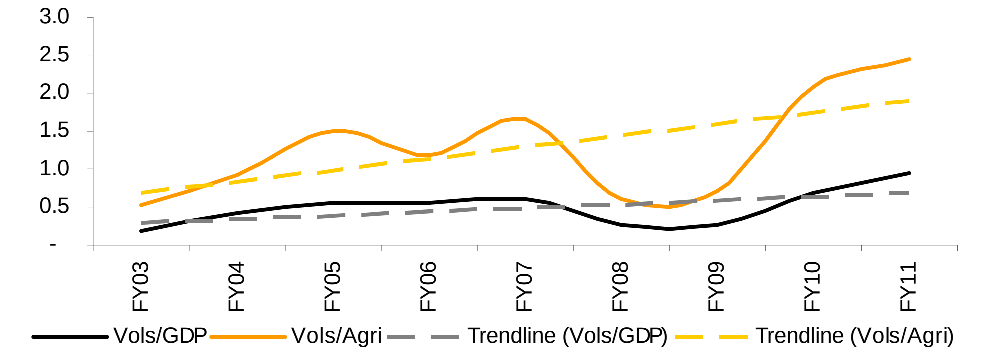
Tractors	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
Domestic tractor sales	313,941	302,948	304,622	402,586	482,262	559,424	626,555	689,210
% YoY	*18.5%*	*-3.5%*	*0.6%*	*32.2%*	*19.8%*	*16.0%*	*12.0%*	*10.0%*
Non agri usage (%)	20%	25%	25%	30%	35%	40%	40%	40%
Replacement Age (7 and 5 years)								
New Sales	63,342	80,013	112,101	223,822	282,313	328,017	353,287	378,267
% YoY	*31.8%*	*26.3%*	*40.1%*	*99.7%*	*26.1%*	*16.2%*	*7.7%*	*7.1%*
Replacement Sales	250,599	222,935	192,521	178,764	199,949	231,407	273,267	310,943
% YoY	*15.6%*	*-11.0%*	*-13.6%*	*-7.1%*	*11.9%*	*15.7%*	*18.1%*	*13.8%*
Replacement Age (8 and 5 years)								
New Sales	65,138	57,887	86,310	182,217	296,108	350,155	382,846	415,545
% YoY	*-16.5%*	*-11.1%*	*49.1%*	*111.1%*	*62.5%*	*18.3%*	*9.3%*	*8.5%*
Replacement Sales	248,803	245,061	218,312	220,369	186,154	209,269	243,709	273,665
% YoY	*33.2%*	*-1.5%*	*-10.9%*	*0.9%*	*-15.5%*	*12.4%*	*16.5%*	*12.3%*
Replacement Age (9 and 5 years)								
New Sales	86,374	55,215	64,183	156,426	254,503	363,951	404,985	445,104
% YoY	*-14.8%*	*-36.1%*	*16.2%*	*143.7%*	*62.7%*	*43.0%*	*11.3%*	*9.9%*
Replacement Sales	227,567	247,733	240,439	246,160	227,759	195,473	221,570	244,106
% YoY	*39.2%*	*8.9%*	*-2.9%*	*2.4%*	*-7.5%*	*-14.2%*	*13.4%*	*10.2%*

Source: CRISIL, Emkay Research

Rising multiplier effect

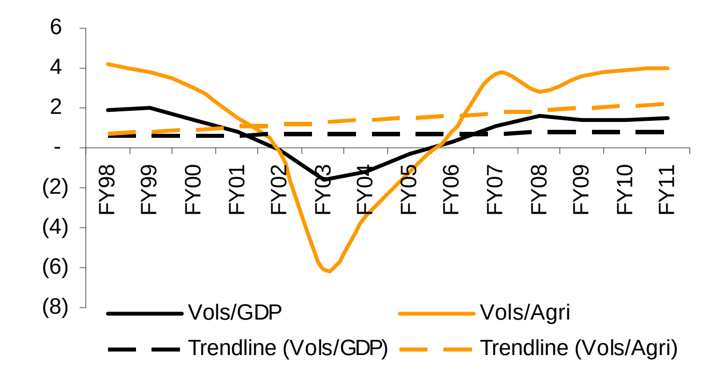
As can be seen from the graphs below, there is a clear multiplier impact visible for tractors vis-à-vis agriculture (CAGR tractors/CAGR Agri GDP). This can be attributed to a number of factors like higher farm income, improving awareness amongst farmers, rising wealth, labor shortages, etc. However, when compared to GDP, the multiplier impact is not really visible. This can be attributed to declining share of agriculture in the overall economy. However, over the last six years, the scenario is changing with the growth rate exceeding historical growth. Also, increasing use of tractors for non agri purpose will have some impact on the multiplier impact when co-related to GDP. We believe that this is sustainable and tractor demand can explode, going forward.

10 yr multiplier effect on tractor demand

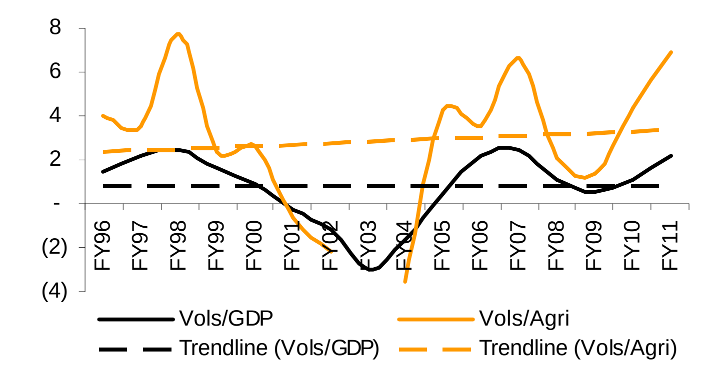


Source: CRISIL, CMIE, Emkay Research

5 yr multiplier effect on tractor demand



3 yr multiplier effect on tractor demand

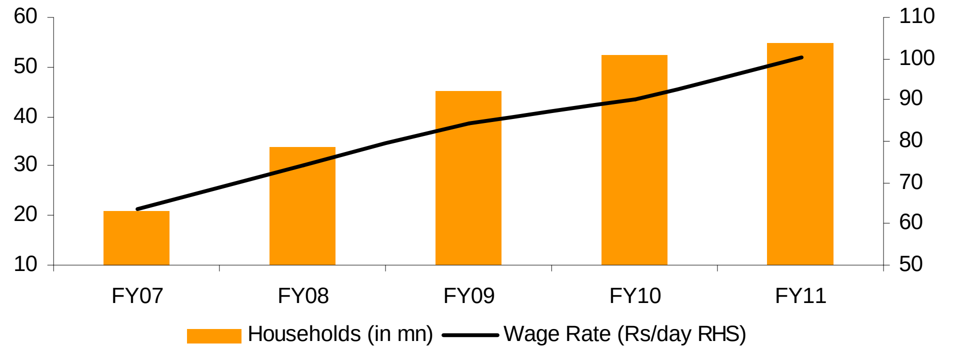


Source: CRISIL, CMIE, Emkay Research

Labor shortage - a serious problem due to increase in alternative options

Labor shortage is the most important structural change that will drive farm mechanization. We understand that shortage of labor is a serious issue faced by the farmers. The shortages are arising from two sources – (1) various government schemes like MGNREGA (2) choice of alternative profession for the young population. Both of these have resulted in diversion of labor to various other industries.

MGNREGA – rising employment and wages

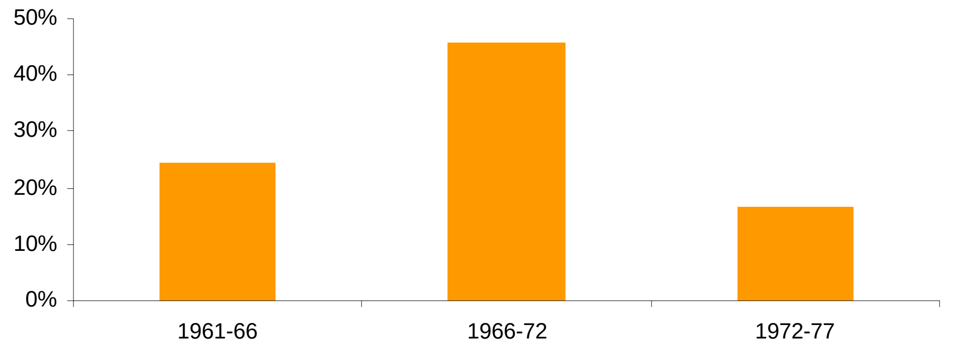


Source: NREGA, Emkay Research

Summary

We believe that the demand for tractors in India is nowhere near its peak. Given the increasing (1) awareness amongst farmers (2) higher income in the hands of farmer and (3) labor shortage, demand will continue to remain strong. It should be noted that during the green revolution in Punjab, tractor demand grew at a scorching pace of >20% for more than a decade. We believe that the tractor industry is well positioned to achieve above average growth rates in the near future led by rising participation and awareness in other key states. We believe that the tractor industry can report a strong double digit growth in FY13. We are modeling a growth of 12%/10% in FY13/FY14 in our estimates, with an upward bias.

Punjab – Volume CAGR for tractors during green revolution



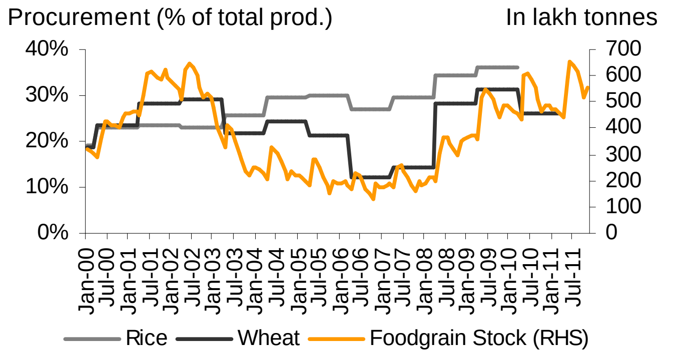
Source: Emkay Research

Key concerns

Key concerns arise from certain near term developments, which, if persists, can have a negative impact on demand in the short term. The most important focus areas are – (1) Declining Agri terms of trade (ATOT) (2) Lack of buying support from Food Corporation of India, given the historic high food grain stocks. This can have a serious implication on farm income as farmers would be forced to sell their produce below MSPs. This can create strain on their cash flows. (3) Availability of finance.

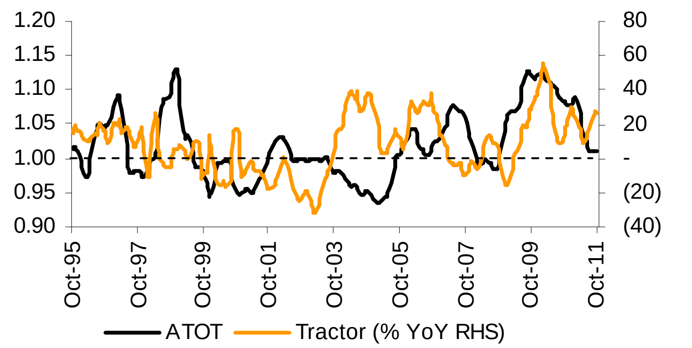
We have not come across any major correlation with declining ATOT and tractor demand. However, we do give importance to the same as it indicates purchasing power of farmers. We do not see, slowdown in agri credit by banks as a major concern as PSU banks account for only ~15% of tractor lending However, if the risk of slower credit/NPA spreads to NBFCs, who are a bigger players in tractor financing, it can have an adverse impact on tractor demand.

FCI – Historic high foodgrain stock



Source: FCI, Emkay Research

ATOT: On a decline

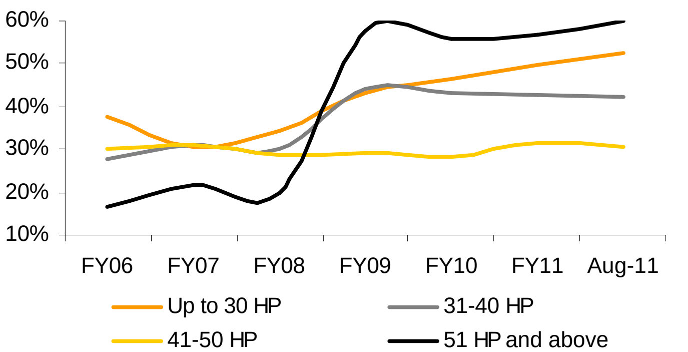


Source: CMIE, Emkay Research

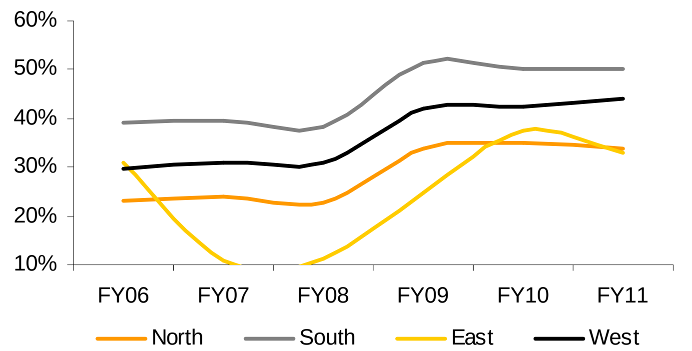
M&M – the key beneficiary

M&M derives ~40% of its revenues and ~50% of its EBIT from farm equipment business. More importantly, over the years, M&M has improved its business model and achieved undisputable leadership by way of clear focus on (1) regional mix (2) customer requirements (3) innovation/customization of products. From here on, there is a higher focus of the company on farm mechanization and not just tractors. We have a BUY rating on the stock, with a TP of Rs 920. We find valuations attractive as valuations are factoring in a sharp drop in EBIDTA/margins in FY13.

M&M: Market share – HP wise



M&M: Market share – Region wise



Source: CRISIL, Emkay Research

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Your success is our success

Mahindra & Mahindra Ltd.

Valuations factoring in the risks

Company Update

December 12, 2011

Reco	Previous Reco
Buy	Buy
CMP	**Target Price**
Rs 684	Rs 920

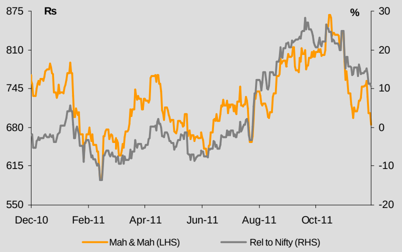
EPS change FY12E/13E (%)	NA
Target Price change (%)	(1)
Nifty	4,765
Sensex	15,870

Price Performance

(%)	1M	3M	6M	12M
Absolute	(18)	(14)	3	(12)
Rel. to Nifty	(11)	(8)	19	8

Source: Bloomberg

Relative Price Chart



Source: Bloomberg

Stock Details

Sector	Automobiles
Bloomberg	MM@IN
Equity Capital (Rs mn)	3070
Face Value(Rs)	5
No of shares o/s (mn)	614
52 Week H/L	875/584
Market Cap (Rs bn/USD mn)	420/7,981
Daily Avg Volume (No of sh)	2013874
Daily Avg Turnover (US$mn)	29.9

Shareholding Pattern (%)

	Sep-11	Jun-11	Mar-11
Promoters	25.2	24.9	24.9
FII/NRI	36.7	33.8	32.7
Institutions	20.6	22.6	23.6
Private Corp	9.4	10.3	10.2
Public	8.2	8.5	8.6

Source: Capitaline

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- **Valuations factoring in ~27% YoY drop in EBIDTA in FY13 (38% vs our est), implying margins at 7.3% vs 12.1% in FY12E. Believe concerns are overdone**
- **Balanced product mix and new product launches to provide cushion against negative surprise in a particular segment**
- **MVML to account for most of the increased volumes (16% of FY13 volumes), thereby putting pressure on standalone margins. Valued MVML at Rs 70 per share**
- **Retain BUY on the stock with a SOTP based TP of Rs 920 (M&M – Rs 713, MVML – Rs 70, listed subsidiaries – Rs 137)**

Valuations – factoring in ~38% drop in EBIDTA in FY13

Current valuations are factoring in ~38% drop in EBIDTA in FY13 vs our estimates (implying, 27% YoY decline). We believe that such a sharp drop in EBIDTA is unlikely, thereby providing cushion against further downside.

Product profile – strong brand equity and balanced mix

M&M continues to enjoy strong brand equity across product segments (Market share of ~53% in UVs and ~42% in tractors), which led to its above industry growth rates in H2FY12. We expect the current product portfolio to sustain volume momentum, driven by strong non-urban demand. M&M's tractor volumes will benefit from presence across India and across HP segments (Yuvraj in low HP to Arjun in high HP).

New launches – the key volume driver in FY13

Recent launches (Maximmo, Genio, XUV5OO etc) have filled the gap in their product portfolio (no presence or weak presence). More importantly, new launches have achieved reasonable success. We understand there is a waiting period for some of its products. This, coupled with potential new launches (mini Xylo, etc), should ensure M&M outperforming the industry growth in FY13. We forecast volume CAGR of ~12% for FY11-13E in the UV segment and ~23% CAGR in pick-up segments (including Gio and Maxximo) with an upward bias.

MVML and Ssangyong – future value creators

We see value in MVML, 100% manufacturing subsidiary, given the fact, most of the new product will be manufactured at the subsidiary (16% of FY13 volumes). This will result in pressure on margins in the standalone entity. Ssangyong which is in a turnaround phase can also bring in value as and when the operations stabilize.

Valuations

We value the company on a SOTP basis. We have assigned a value of Rs 713 to its standalone business and Rs 137 to listed subsidiaries and Tech Mahindra. We value MVML business at Rs 70 per share on FY13 estimates. We believe there exists a strong potential for higher value from MVML as and when product ramp up happens and earnings visibility improves.

Financial Snapshot (Standalone) **(Rs mn)**

YE-Mar	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
FY10	185,296	28,828	15.6	19,459	31.7	145.3	29.8	21.6	12.7	5.4
FY11	233,119	33,003	14.2	23,887	38.9	22.8	26.3	17.6	10.4	4.1
FY12E	308,821	37,358	12.1	27,684	45.1	15.9	24.5	15.2	8.8	3.4
FY13E	371,834	43,736	11.8	32,900	53.6	18.8	24.6	12.8	6.9	2.9

Valuation Summary

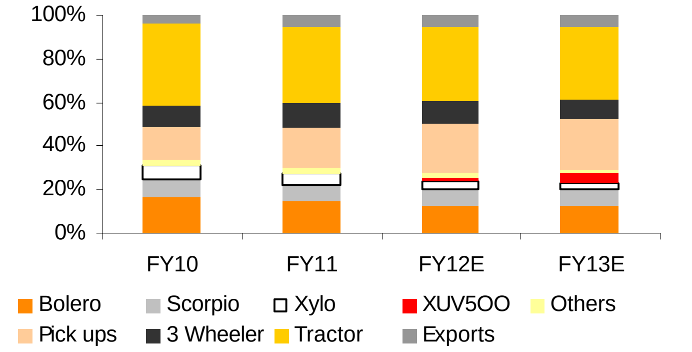
Particulars	Basis	Discount	Value per share (Rs)
			FY13E
M&M	EV/EBIDTA (8x)		713
MVML *	EV/EBITDA (7.5x)		70
Listed Subsidiaries			
Mahindra Finance	CMP	20	52
Mahindra Forgings	CMP	20	3
Mahindra Life	CMP	20	7
Mahindra Holidays	CMP	20	28
Mahindra Ugine	CMP	20	1
Tech Mahindra	CMP	20	45
Total			**920**

** Source: Annual Report FY11*

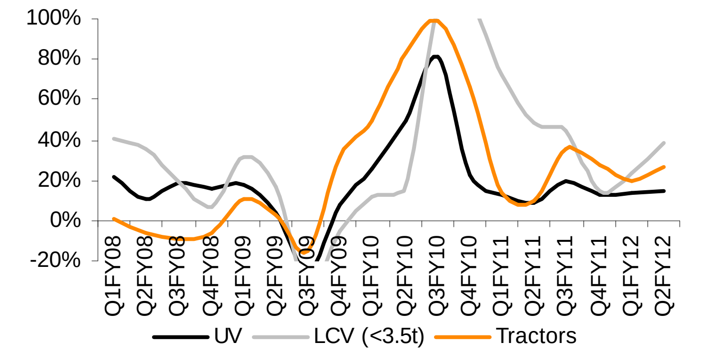
Valuations factoring in 38% drop in EBIDTA vs our est.

Rs mn	FY13E	FY13E
Market cap - Conso	419,962	419,962
Market cap - Listed subs.	83,930	83,930
Market cap - M&M+MVML	**336,032**	**336,032**
Net debt/(cash)	(74,637)	(74,637)
EV – M&M+MVML	**261,395**	**261,395**
EV - MVML (7.5x)	43,265	43,265
EV - M&M (bal)	218,130	218,130
M&M EBITDA		
EV/EBITDA Multiple	***7 x***	***8 x***
M&M EBITDA (implied)	31,161	27,266
Drop in M&M EBITDA (vs our est.)	**-29%**	**-38%**

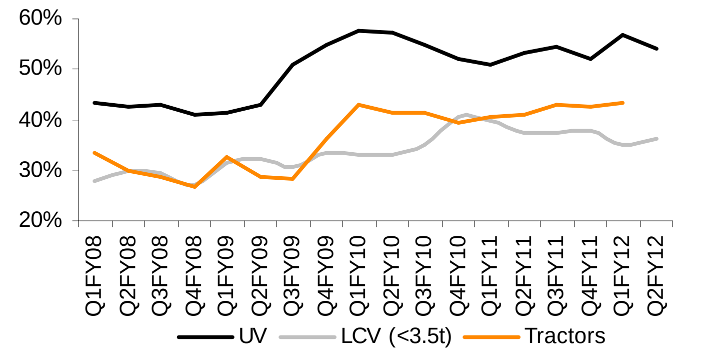
Diversified/balanced product mix



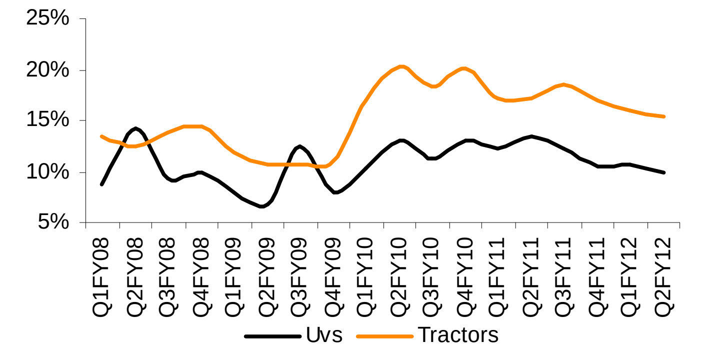
Volume growth in high double digits across segments…



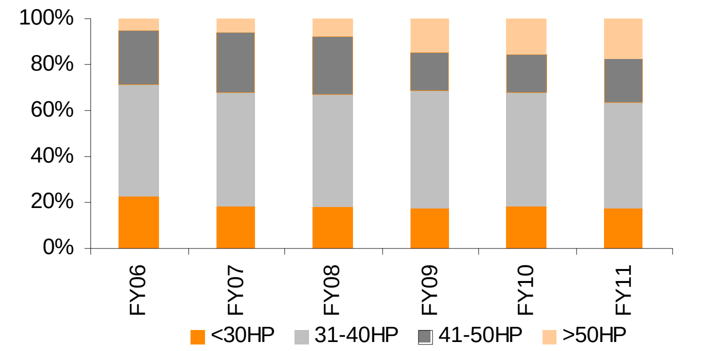
… followed by improving market share



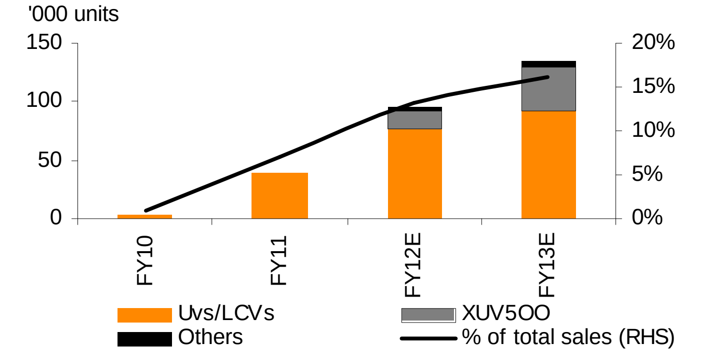
Structurally higher EBIT margins of tractors led by…..



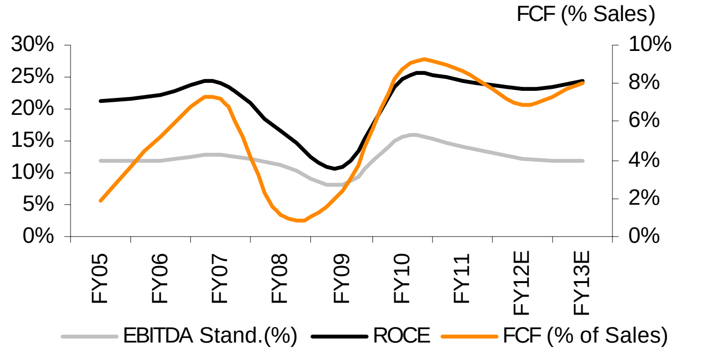
… shift towards higher HP segment



Rising MVML production to lower standalone margins



Healthy cash flow generation and return ratios



Source: Company, Emkay Research

Key Financials (Standalone)

Income Statement

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Net Sales	**185,296**	**233,119**	**308,821**	**371,834**
Growth (%)	*42.0*	*25.8*	*32.5*	*20.4*
Expenditure	**156,469**	**200,116**	**271,463**	**328,098**
Materials Consumed	123,462	162,633	225,514	274,440
Employee Cost	11,985	14,197	17,181	19,814
Other Exp	21,022	23,287	28,768	33,844
EBITDA	**28,828**	**33,003**	**37,358**	**43,736**
Growth (%)	*175.1*	*14.5*	*13.2*	*17.1*
EBITDA margin (%)	***15.6***	***14.2***	***12.1***	***11.8***
Depreciation	3,708	4,139	4,616	5,138
EBIT	**25,120**	**28,864**	**32,741**	**38,599**
EBIT margin (%)	***13.6***	***12.4***	***10.6***	***10.4***
Other Income	1,994	3,095	3,494	4,411
Interest expenses	278	(503)	(191)	(280)
PBT	**26,835**	**32,462**	**36,427**	**43,290**
Tax	**7,376**	**8,575**	**8,742**	**10,390**
Effective tax rate (%)	*27.5*	*26.4*	*24.0*	*24.0*
Adjusted PAT	**19,459**	**23,887**	**27,684**	**32,900**
Growth (%)	*145.3*	*22.8*	*15.9*	*18.8*
Net Margin (%)	***10.5***	***10.2***	***9.0***	***8.8***
(Profit)/loss from JV's/Ass/MI	-	-	-	-
Adj. PAT after MI	**19,459**	**23,887**	**27,684**	**32,900**
E/O items	1,418	2,734	-	-
Reported PAT	**20,878**	**26,621**	**27,684**	**32,900**
Growth (%)	*149.5*	*27.5*	*4.0*	*18.8*
			37,358	*43,736*

Balance Sheet

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
Equity share capital	2,910	3,276	3,276	3,276
Reserves & surplus	75,393	99,858	119,195	142,176
Net worth	**78,302**	**103,134**	**122,471**	**145,452**
Minority Interest	-	-	-	-
Secured Loans	6,025	4,072	4,072	4,072
Unsecured Loans	22,777	19,981	19,981	17,981
Loan Funds	**28,802**	**24,053**	**24,053**	**22,053**
Net deferred tax liability	2,403	3,544	3,544	3,544
Total Liabilities	**109,507**	**130,731**	**150,068**	**171,049**
Gross Block	52,763	62,277	73,277	80,277
Less: Depreciation	25,378	28,417	33,034	38,172
Net block	**27,385**	**33,860**	**40,243**	**42,106**
Capital work in progress	9,642	9,859	9,000	9,000
Investment	**63,980**	**93,253**	**109,253**	**127,253**
Current Assets	**60,424**	**61,435**	**80,480**	**100,003**
Inventories	11,888	16,942	22,920	27,602
Sundry debtors	12,581	13,547	19,253	23,186
Cash & bank balance	17,432	6,146	6,871	11,577
Loans & advances	18,014	23,732	30,369	36,571
Other current assets	509	1,067	1,067	1,067
Current lia & Prov	**51,965**	**67,676**	**88,909**	**107,313**
Current liabilities	34,000	47,617	55,780	67,417
Provisions	17,965	20,059	33,129	39,896
Net current assets	**8,458**	**(6,241)**	**(8,429)**	**(7,310)**
Misc. exp	41	-	-	-
Total Assets	**109,507**	**130,731**	**150,068**	**171,049**

Cash Flow

Y/E, Mar (Rs. mn)	FY10	FY11	FY12E	FY13E
PBT (Ex-Other income)	24,842	29,367	32,932	38,879
Depreciation	3,708	4,139	4,616	5,138
Interest Provided	278	(503)	(191)	(280)
Other Non-Cash items	6,032	1,956		-
Chg in working cap	(4,119)	3,413	2,913	3,587
Tax paid	(7,376)	(8,575)	(8,742)	(10,390)
Operating Cashflow	**23,365**	**29,798**	**31,528**	**36,934**
Capital expenditure	(6,999)	(9,731)	(10,141)	(7,000)
Free Cash Flow	**16,366**	**20,067**	**21,386**	**29,934**
Other income	1,994	5,829	3,494	4,411
Investments	(8,449)	(33,448)	(16,000)	(18,000)
Investing Cashflow	**(6,456)**	**(27,619)**	**(12,506)**	**(13,589)**
Equity Capital Raised	118	366	-	-
Loans Taken / (Repaid)	(11,726)	(4,749)	(0)	(2,000)
Interest Paid	(278)	503	191	280
Dividend paid (incl tax)	(6,238)	(8,026)	(8,347)	(9,920)
Income from investments	-	-	-	-
Others	10,103	8,173	**-**	**-**
Financing Cashflow	**(8,021)**	**(3,733)**	**(8,156)**	**(11,639)**
Net chg in cash	**1,890**	**(11,286)**	**725**	**4,705**
Opening cash position*	15,618	17,432	6,146	6,871
Closing cash position*	**17,432**	**6,147**	**6,871**	**11,577**

Key ratios

Y/E, Mar	FY10	FY11	FY12E	FY13E
Profitability (%)				
EBITDA Margin	15.6	14.2	12.1	11.8
Net Margin	10.5	10.2	9.0	8.8
ROCE	26.8	26.6	25.8	26.8
ROE	29.8	26.3	24.5	24.6
RoIC	162.1	144.7	141.1	160.3
Per Share Data (Rs)				
DEPS	31.7	38.9	45.1	53.6
CEPS	37.7	45.6	52.6	62.0
BVPS	127.5	168.0	199.5	236.9
DPS	9.4	10.8	11.2	13.3
Valuations (x)				
PER	21.6	17.6	15.2	12.8
P/CEPS	18.1	15.0	13.0	11.0
P/BV	5.4	4.1	3.4	2.9
EV / Sales	2.0	1.5	1.1	0.8
EV / EBITDA	12.7	10.4	8.8	6.9
Dividend Yield (%)	1.4	1.6	1.6	1.9
Gearing Ratio (x)				
Net Debt/ Equity	0.00	0.09	(0.00)	(0.10)
Net Debt/EBIDTA	0.00	0.29	(0.00)	(0.34)
Working Cap Cycle (days)	(18.78)	(26.82)	(16.08)	(16.32)

Emkay Rating Distribution

BUY	Expected total return (%) (stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) (stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
HOLD	Expected total return (%) (stock price appreciation and dividend yield) of upto 10% within the next 12-18 months.
REDUCE	Expected total return (%) (stock price depreciation) of upto (-)10% within the next 12-18 months.
SELL	The stock is believed to under perform the broad market indices or its related universe within the next 12-18 months.

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