

11 November 2011

MF Global Quarterly Results

Pantaloon Retail

| Dip in like to like growth adds to debt burden

 RETAIL
 PRIL IN: **NEUTRAL**
 RS 172

Pantaloon's Q1FY12 revenue growth of 13% was below estimates & has been the lowest reported amongst peers, same store sales (SSS) growth is also lowest amongst peers. Notably Lifestyle SSS dropped to single digits first time in last 9 quarters. We revise our estimates downwards to factor in lower SSS growth. This not only reduces the operating leverage but also increases reliance of on external sources of funding. Debt for core retail during the quarter increased by Rs 4bn to Rs53.25bn.

Key highlights of the results (YoY):

- Low SSS growth in an inflationary environment leads us to believe that the SSS volume growth across food and fashion segments would have been negative.
- Even though the retail space increased by 17% (2.3 msf) YoY, the overall growth of only 13% was due to poor SSS.
- Inventory psf continues to remain high as it increased this quarter (3%) from Rs 2,323 psf in Q4FY11 to Rs 2,388 psf.
- The improvement of gross margin by 50 bps is a silver lining in these results. However, we
- During our interaction post results, the company indicated that it may be close to de-leveraging by up to Rs10 bn on sale of non-core assets.

Outlook: The rise in debt along with slow down in growth along with high levels of inventory continues to be a cause of concern. High leverage (1.75x) for a retailing company poses high risk in a scenario where benefits of operating leverage are eroding due to drop in SSS growth. We revise FY12E Revenue and PAT to factor in lower like-to-like growth across the formats which will lead to lower operating cashflows, hence lower space addition and also increase the interest cost following the increase in debt. The stock trades at 27x FY12E and 19x FY13E earnings and 0.7x FY12E EV/Sales. Sale of non-core investments in the near future will make us revisit our rating.

VALUATION SUMMARY

| Y/E JUN, RS MN | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|----------------------|--------|--------|---------|---------|---------|
| NET SALES | 63,478 | 89,261 | 110,123 | 127,547 | 145,066 |
| GROWTH, % | 25.6 | 40.6 | 23.4 | 15.8 | 13.7 |
| EBIDTA | 6,745 | 8,191 | 9,601 | 11,224 | 12,911 |
| EBIDTA MARGINS, % | 10.6 | 9.2 | 8.7 | 8.8 | 8.9 |
| NET PROFIT | 1,406 | 1,574 | 1,689 | 1,420 | 2,024 |
| NET PROFIT MARGIN, % | 2.2 | 1.8 | 1.5 | 1.1 | 1.4 |
| EPS, RS | 7.8 | 7.6 | 7.6 | 6.4 | 9.1 |
| EPS GROWTH, % | (0.9) | (2.6) | (1.0) | (15.9) | 42.5 |
| PER, X | 21.9 | 22.5 | 22.8 | 27.1 | 19.0 |
| EV/EBIDTA, X | 8.5 | 7.1 | 8.2 | 7.5 | 6.7 |
| EV/NET SALES, X | 0.9 | 0.7 | 0.7 | 0.7 | 0.6 |
| PRICE/BOOK VALUE, X | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 |
| ROIC, % | 11.5 | 13.4 | 10.8 | 10.5 | 11.3 |
| ROE, % | 6.8 | 6.2 | 5.8 | 4.6 | 6.2 |

Source: Company, MF Global India Research Estimates

TARGET RS 160 (-7%)

SECTOR RATING

| OW | N | UW |
|----|---|----|
| | | |

STOCK RATING

| BUY | NEUTRAL | SELL |
|-------|--------------|--------|
| > 15% | -15% TO +15% | < -15% |

COMPANY DATA

| | |
|--------------------------|-----------|
| O/S SHARES : | 207MN |
| MARKET CAP (RS) : | 35.7BN |
| MARKET CAP (USD) : | 0.71BN |
| 52 - WK HI/LO (RS) : | 477 / 170 |
| AVG. DAILY VOL. (3MTH) : | 3.2MN |
| FACE VALUE (RS) : | 2 |

SHARE HOLDING PATTERN, %

| | |
|-------------------------------|------|
| PROMOTERS : | 44.9 |
| FII / NRI : | 24.4 |
| FI / MF : | 17.2 |
| NON-PROMOTER CORP. HOLDINGS : | 6.9 |
| PUBLIC & OTHERS : | 6.6 |

PRICE PERFORMANCE, %

| | 1MTH | 3MTH | 1YR |
|------------|------|-------|-------|
| ABS | 0.7 | -39.5 | -60.6 |
| REL TO BSE | -6.3 | -42.5 | -43.5 |

PRICE VS. SENSEX



Source: Bloomberg, MF Global India Research

QUARTERLY PERFORMANCE

| (RS MN) | CORE RETAIL | | | | STANDALONE RESULTS | | | | CONSOLIDATED | | | |
|---------------|-------------|---------|---------|------------|--------------------|---------|---------|------------|--------------|---------|---------|------------|
| | Q1 FY11 | Q4 FY11 | Q1 FY12 | YOY GROWTH | Q1 FY11 | Q4 FY11 | Q1 FY12 | YOY GROWTH | Q1 FY11 | Q4 FY11 | Q1 FY12 | YOY GROWTH |
| SALES | 25,814 | 28,604 | 29,106 | 13% | 9,915 | 10,497 | 10,784 | 9% | 27,508 | 33,771 | 31,803 | 23% |
| EBITDA | 2,127 | 2,612 | 2,523 | 19% | 958 | 1,189 | 1,198 | 25% | 2,352 | 2,984 | 3,458 | 27% |
| DEPRECIATION | 630 | 735 | 828 | 31% | 346 | 407 | 453 | 31% | 725 | 842 | 932 | 16% |
| OTHER INCOME | 81 | 41 | 79 | -3% | 76 | 30 | 73 | -4% | 136 | 1,136 | 78 | 737% |
| INTEREST | 933 | 1,182 | 1,305 | 40% | 420 | 526 | 657 | 57% | 1,234 | 1,800 | 2,100 | 46% |
| TAX | 218 | 244 | 138 | -36% | 92 | 95 | 36 | -61% | 289 | 490 | 272 | 70% |
| PAT | 428 | 491 | 330 | -23% | 176 | 191 | 124 | -29% | 240 | 988 | 150 | 312% |
| EBITDA MARGIN | 8.2% | 9.1% | 8.7% | | 9.7% | 11.3% | 11.1% | | 8.5% | 8.8% | 10.9% | |
| PAT MARGIN | 1.7% | 1.7% | 1.1% | | 1.8% | 1.8% | 1.2% | | 0.9% | 2.9% | 0.5% | |

Source: Company, MF Global India Research

Core retail: This captures the performance of all retailing verticals, including fashion, home and value. Revenues grew by 13% largely led by growth in FVRL (15%). EBITDA margins expanded by 40 bps largely led by gross margin expansion (50bps). The company in its presentation has stated that this was a result of continuing business focus on improving gross margins. Interest cost for core retail for the quarter was Rs1.3bn increasing by 40% YoY. We conclude that SSS growth, muted, has been largely price led and volumes in the food and apparel segment would have de-grown.

Management has stated following reasons has led to lower SSS growth:-

- Hyderabad being the 4th largest market accounting for 11% Company's revenue and largest is central was affected due to political issues.
- This year festivals like Dussehra and diwali in late october. The festive sales too have been below expectations
- Consumer's sentiments: - witnessed worst September month in last few years.
- Price hikes due to excise levy and high input cost resulting in higher apparel prices and has impacted volumes.

Standalone: This Company captures the performance of Pantaloon's, Central and Brand factory. Revenue have grown by 9%, witnessed slower SSS growth of 6.53% and 1.26% in lifestyle and home biz. According to the company it was due to muted consumer sentiments, political and social unrest in Andhra Pradesh which resulted in close of stores for 12 different days during the quarter. We witnessed Gross and EBITDA margin expansion in this quarter despite the general slowdown in apparel sales and levy of excise duty (impact of which is felt most by pvt label retailers).

Future Value Retail (FVRL): Future Value Retail Ltd (FVRL) registered 15% growth in topline with contribution from new stores (1.42 msf opened in last 6 quarters) driving growth as SSS were at 3.64%. The EBITDA margins compressed by 20 bps due to rise in other expenditure.

Consolidated: Revenue grew by 23%, whereas EBITDA margins expanded by 230bps mainly due to increase in gross margins by 270 bps which offset with increase in employee cost. Consolidated PAT (YoY) de-grew by 37%, mainly due to 70% rise in interest costs. Consolidate interest costs for the quarter stood at Rs2.1 bn.

Analysis of Q1FY12 Operating parameters

SAME-STORE SALES GROWTH: SSS GROWTH OFF THE PERCH

| SSS | Q2FY10 | Q3FY10 | Q4FY10 | Q1FY11 | Q2FY11 | Q3FY11 | Q4FY11 | Q1FY12 |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| VALUE RETAILING | 6.90% | 13.90% | 11.50% | 12.50% | 11.50% | 10.30% | 7.5% | 3.64% |
| LIFE STYLE RETAILING | 11.00% | 13.20% | 19.40% | 22.10% | 20.90% | 10.20% | 11.40% | 6.53% |
| HOME RETAILING | 1.00% | 18.60% | 57.00% | 15.10% | 18.30% | 9.10% | -4.50% | 1.26% |

Source: Company, MF Global India Research

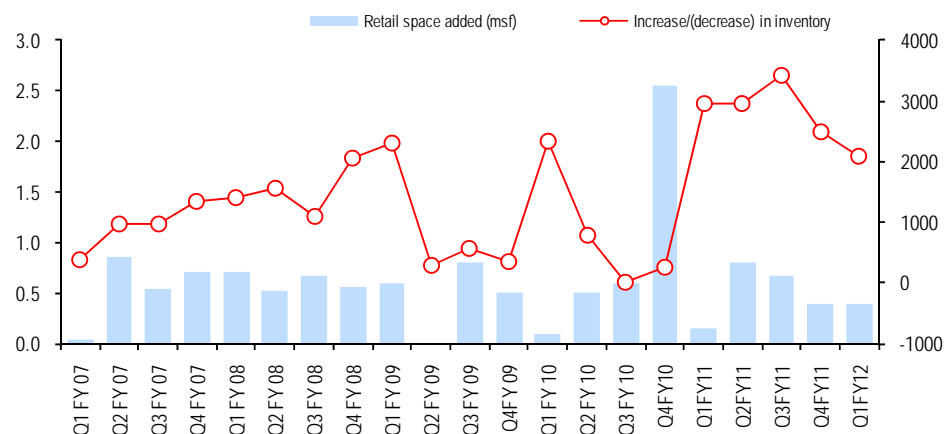
We are inclined to deduce that with price hikes in the lifestyle/apparel segment (due to rise in input costs & excise duty) the SSS growth would be largely value driven and hence the company is likely to have witnessed negligible/negative volume growth.

Inventory movement: Inventory psf has increased (3%) from Rs 2,323 psf in Q4FY11 to Rs 2,388 psf. Inventory psf has gone by 18% YoY, which is a matter of concern. While a part of the increase can be attributed to a hike in apparel prices, the capital employed in inventory remains elevated and has resulted in increase in core retail's debt position.

| INVENTORY | | | | | | |
|--------------------|--------|--------|--------|--------|--------|--------|
| (RS MN) | FY10 | Q1FY11 | Q2FY11 | Q3FY11 | FY11 | Q1FY12 |
| STANDALONE | 12,707 | 13,555 | 14,771 | 16,550 | 17,622 | 18,343 |
| CORE RETAIL | 24,032 | 26,993 | 29,951 | 33,390 | 35,500 | 37,583 |
| CONSOLIDATED | 24,912 | 27,792 | 30,840 | 34,436 | 36,791 | 38,947 |
| FVRL | 11,326 | 13,438 | 15,180 | 16,839 | 17,878 | 19,240 |
| RETAIL SPACE (MSF) | | | | | | |
| STANDALONE | 5.57 | 5.44 | 5.83 | 6.12 | 6.43 | 6.8 |
| QOQ CHANGE | | -2% | 7% | 5% | 5% | 6% |
| FVRL | 7.65 | 7.93 | 8.34 | 8.71 | 8.8 | 8.88 |
| QOQ CHANGE | | 4% | 5% | 4% | 1% | 1% |
| CORE RETAIL | 13.22 | 13.34 | 14.24 | 14.87 | 15.28 | 15.74 |
| QOQ CHANGE | | 1% | 7% | 4% | 3% | 3% |
| INVENTORY RS PSF | | | | | | |
| STANDALONE | 2,281 | 2,492 | 2,534 | 2,704 | 2,741 | 2,698 |
| QOQ CHANGE | | 9% | 2% | 7% | 1% | -2% |
| FVRL | 1,480 | 1,695 | 1,820 | 1,933 | 2,032 | 2,167 |
| QOQ CHANGE | | 14% | 7% | 6% | 5% | 7% |
| CORE RETAIL | 1,818 | 2,022 | 2,103 | 2,244 | 2,323 | 2,388 |
| QOQ CHANGE | | 11% | 4% | 7% | 4% | 3% |

Source: Company, MF Global India Research

QUARTERLY CHANGE IN INVENTORY



Source: Company, MF Global India Research

Store and area additions/changes: A total of 0.4 msf was added with 0.59msf of space added in the Lifestyle and 0.12msf of space was reduced in Value segments. This is lower than guided 1 msf for the quarter.

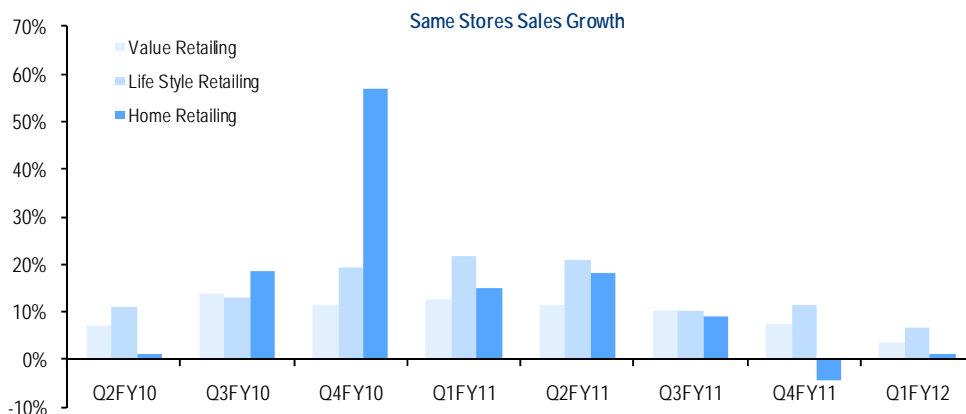
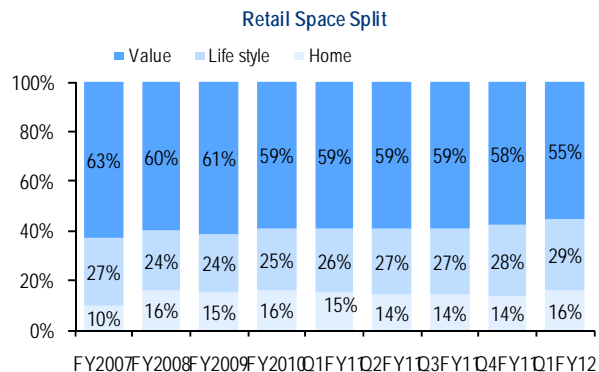
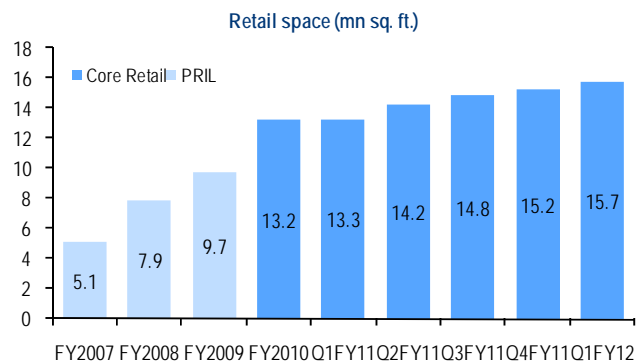
Stores and Area Addition

RETAIL STORES COUNT AND SELLING SPACE AS OF SEPTEMBER 30, 2011

| FORMAT | NO OF STORES | | | | | | AREA (MSF) | | | | | |
|---------------------------|--------------|------------|------------|------------|------------|--------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY10 | Q12011 | Q2FY11 | Q3FY11 | Q4FY11 | Q1FY12 | FY10 | Q1FY11 | Q2FY11 | Q3FY11 | Q4FY11 | Q1FY12 |
| PRIL | | | | | | | | | | | | |
| PANTALOONS | 48 | 48 | 53 | 54 | 59 | 59 | 1.24 | 1.25 | 1.45 | 1.5 | 1.74 | 1.78 |
| CENTRAL AND BRAND FACTORY | 25 | 27 | 29 | 30 | 32 | 35 | 2.18 | 2.2 | 2.36 | 2.52 | 2.59 | 2.77 |
| E-ZONE | 36 | 42 | 43 | 44 | 37 | 36 | 0.48 | 0.53 | 0.53 | 0.54 | 0.5 | 0.43 |
| HOME TOWN | 10 | 11 | 11 | 12 | 11 | 14 | 0.96 | 1.11 | 1.11 | 1.17 | 1.15 | 1.24 |
| OTHERS | 144 | 116 | 116 | 119 | 160 | | 0.71 | 0.35 | 0.38 | 0.39 | 0.45 | 0.8 |
| TOTAL | 263 | 244 | 252 | 259 | 299 | | 5.57 | 5.44 | 5.83 | 6.12 | 6.43 | 7.02 |
| FVRL | | | | | | | | | | | | |
| BIG BAZAAR | 132 | 136 | 143 | 148 | 149 | 149 | 6.88 | 7.02 | 7.38 | 7.62 | 7.64 | 7.61 |
| FOOD BAZAAR | 53 | 55 | 54 | 56 | 56 | 49 | 0.47 | 0.48 | 0.48 | 0.52 | 0.55 | 0.51 |
| KB'S FAIR PRICE | 123 | 134 | 170 | 198 | 214 | 221 | 0.12 | 0.13 | 0.15 | 0.17 | 0.19 | 0.2 |
| OTHERS | 20 | 34 | 34 | 60 | 50 | | 0.18 | 0.3 | 0.33 | 0.4 | 0.42 | 0.36 |
| TOTAL | 328 | 359 | 401 | 462 | 469 | | 7.65 | 7.93 | 8.34 | 8.71 | 8.8 | 8.68 |
| GRAND TOTAL | | | | | | | 13.22 | 13.37 | 14.17 | 14.83 | 15.23 | 15.70 |

Source: Company, MF Global India Research

OPERATING METRIC



Source: Company, MF Global India Research

De-leveraging can improve earnings by 25%

The company in our post result interaction has indicated that it is close to raising up to Rs10 bn by sale of stakes in Future Capital Holding and Future Generali Life Insurance. If the company can do so the FY12E earnings stand to increase by 25%.

| DEBT RS MN | FY12E PAT (RS MN) |
|---------------|-------------------|
| 44,253 | 1,778 |
| 49,253 | 1,599 |
| 54,253 | 1,420 |
| 59,253 | 1,241 |
| 64,253 | 1,063 |
| 69,253 | 884 |

Decrease in debt by Rs10 bn can increase PAT by 25%

CHANGE IN ESTIMATES (FY12E)

We revise our estimates for FY12E downwards for the revenue (9%) to factor in lower like-to-like growth across the formats which will led to lower generation of operating cash flows and will be resulting in lower space additions.

| RS MN | EARLIER | REVISED | COMMENTS |
|-------|---------|---------|--|
| SALES | 139,959 | 127,547 | TO FACTOR IN LOWER LIKE-LIKE GROWTH ACROSS THE FORMATS |
| PAT | 2376 | 1420 | TO FACTOR IN HIGHER INTEREST COST |

Source: MF Global India Research Estimates

FINANCIALS

INCOME STATEMENT

| Y/E JUN, RS MN | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|-------------------------------------|---------|---------|----------|----------|----------|
| NET SALES | 63,478 | 89,261 | 110,123 | 127,547 | 145,066 |
| GROWTH, % | 26 | 41 | 23 | 16 | 14 |
| OTHER INCOME | 0 | 0 | 0 | 0 | 0 |
| TOTAL INCOME | 63,478 | 89,261 | 110,123 | 127,547 | 145,066 |
| OPERATING EXPENSES | -56,733 | -81,070 | -100,522 | -116,323 | -132,155 |
| EBITDA (CORE) | 6,745 | 8,191 | 9,601 | 11,224 | 12,911 |
| GROWTH, % | 45.3 | 21.4 | 17.2 | 16.9 | 15.0 |
| MARGIN, % | 10.6 | 9.2 | 8.7 | 8.8 | 8.9 |
| DEPRECIATION | -1,401 | -2,123 | -2,675 | -3,374 | -3,758 |
| EBIT | 5,345 | 6,068 | 6,925 | 7,850 | 9,153 |
| GROWTH, % | 45.3 | 21.4 | 17.2 | 16.9 | 15.0 |
| MARGIN, % | 10.6 | 9.2 | 8.7 | 8.8 | 8.9 |
| INTEREST PAID | -3,182 | -3,913 | -4,288 | -5,665 | -6,039 |
| OTHER NON-OPERATING INCOME | 0 | 0 | 0 | 0 | 0 |
| NON-RECURRING ITEMS | 0 | 0 | 0 | 0 | 0 |
| PRE-TAX PROFIT | 2,162 | 2,155 | 2,637 | 2,185 | 3,113 |
| TAX PROVIDED | -757 | -581 | -948 | -765 | -1,090 |
| PROFIT AFTER TAX | 1,406 | 1,574 | 1,689 | 1,420 | 2,024 |
| NET PROFIT | 1,406 | 1,574 | 1,689 | 1,420 | 2,024 |
| MF NET PROFIT | 1,406 | 1,574 | 1,689 | 1,420 | 2,024 |
| GROWTH, % | 11.6 | 12.0 | 7.3 | (15.9) | 42.5 |
| NET PROFIT (ADJUSTED) | 1,406 | 1,574 | 1,689 | 1,420 | 2,024 |
| EXTRAORDINARY ITEMS: GAINS/(LOSSES) | 0 | 0 | 0 | 0 | 0 |
| UNADJ. SHARES (M) | 174 | 180 | 180 | 180 | 180 |
| WTD AVG SHARES (M) | 179 | 206 | 223 | 223 | 223 |

CASH FLOW

| Y/E JUN, RS MN | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|-------------------------------------|--------|--------|---------|---------|---------|
| PRE-TAX PROFIT | 2,162 | 2,155 | 2,637 | 2,185 | 3,113 |
| DEPRECIATION | 1,401 | 2,123 | 2,675 | 3,374 | 3,758 |
| CHG IN WORKING CAPITAL | -3,917 | 2,131 | -12,201 | -2,552 | -2,655 |
| TOTAL TAX PAID | -274 | -455 | -585 | -765 | -1,090 |
| OTHER OPERATING ACTIVITIES | 0 | 0 | 0 | 0 | 0 |
| CASH FLOW FROM OPERATING ACTIVITIES | -628 | 5,954 | -7,473 | 2,242 | 3,127 |
| CAPITAL EXPENDITURE | -5,252 | -9,113 | -10,538 | -5,760 | -4,800 |
| CHG IN INVESTMENTS | -3,675 | -706 | -2,623 | -2,177 | 0 |
| CHG IN MARKETABLE SECURITIES | 0 | 0 | 0 | 0 | 0 |
| OTHER INVESTING ACTIVITIES | 0 | 949 | 0 | 0 | 0 |
| CASH FLOW FROM INVESTING ACTIVITIES | -8,927 | -8,869 | -13,161 | -7,937 | -4,800 |
| FREE CASH FLOW | -9,556 | -2,915 | -20,634 | -5,695 | -1,673 |
| EQUITY RAISED/(REPAID) | 2,355 | 5,337 | 2,349 | 1,271 | 1,875 |
| DEBT RAISED/(REPAID) | 6,586 | 648 | 19,601 | 5,500 | 1,300 |
| DIVIDEND (INCL. TAX) | -135 | -149 | -149 | -149 | -149 |
| OTHER FINANCING ACTIVITIES | 633 | -2,374 | -1,540 | -1,270 | -1,875 |
| CASH FLOW FROM FINANCING ACTIVITIES | 9,438 | 3,462 | 20,261 | 5,352 | 1,150 |
| NET CHG IN CASH | -118 | 547 | -373 | -344 | -522 |

BALANCE SHEET

| AS AT 31ST JUN, RS MN | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|---------------------------------------|---------------|---------------|----------------|----------------|----------------|
| CASH & BANK | 1,094 | 1,641 | 1,267 | 923 | 401 |
| MARKETABLE SECURITIES AT COST | 0 | 0 | 0 | 0 | 0 |
| DEBTORS | 1,773 | 2,711 | 3,818 | 3,464 | 3,764 |
| INVENTORY | 17,878 | 24,032 | 35,852 | 39,836 | 43,286 |
| LOANS & ADVANCES | 12,026 | 10,278 | 14,362 | 13,148 | 14,148 |
| OTHER CURRENT ASSETS | 58 | 13 | 14 | 14 | 14 |
| TOTAL CURRENT ASSETS | 32,828 | 38,675 | 55,312 | 57,385 | 61,613 |
| INVESTMENTS | 9,540 | 10,246 | 12,869 | 15,046 | 15,046 |
| GROSS FIXED ASSETS | 18,765 | 26,745 | 36,416 | 42,176 | 46,976 |
| LESS: DEPRECIATION | -3,077 | -3,453 | -5,808 | -9,182 | -12,941 |
| ADD: CAPITAL WIP | 3,452 | 2,838 | 3,384 | 3,384 | 3,384 |
| NET FIXED ASSETS | 19,140 | 26,130 | 33,993 | 36,378 | 37,420 |
| NON-CURRENT ASSETS | 0 | 0 | 0 | 0 | 0 |
| TOTAL ASSETS | 61,508 | 75,050 | 102,174 | 108,809 | 114,079 |
| CURRENT LIABILITIES | 8,914 | 16,114 | 20,851 | 20,715 | 22,810 |
| PROVISIONS | 205 | 436 | 510 | 510 | 510 |
| TOTAL CURRENT LIABILITIES | 9,119 | 16,550 | 21,360 | 21,225 | 23,320 |
| NON-CURRENT LIABILITIES | 29,665 | 30,439 | 50,404 | 55,904 | 57,204 |
| TOTAL LIABILITIES | 38,783 | 46,989 | 71,764 | 77,129 | 80,524 |
| PAID-UP CAPITAL | 381 | 1,059 | 1,069 | 1,069 | 1,069 |
| RESERVES & SURPLUS | 22,344 | 27,002 | 29,341 | 30,612 | 32,486 |
| SHAREHOLDERS' EQUITY | 22,724 | 28,061 | 30,410 | 31,681 | 33,555 |
| TOTAL EQUITY & LIABILITIES | 61,508 | 75,050 | 102,174 | 108,809 | 114,079 |

PER-SHARE DATA

| | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|----------------------|--------|--------|--------|---------|---------|
| MF EPS (INR) | 7.8 | 7.6 | 7.6 | 6.4 | 9.1 |
| GROWTH, % | (0.9) | (2.6) | (1.0) | (15.9) | 42.5 |
| BOOK NAV/SHARE (INR) | 126.7 | 136.1 | 136.1 | 141.8 | 150.2 |
| FDEPS (INR) | 7.8 | 7.6 | 7.6 | 6.4 | 9.1 |
| CEPS (INR) | 15.6 | 17.9 | 19.5 | 21.5 | 25.9 |
| CFPS (INR) | (3.5) | 28.9 | (33.4) | 10.0 | 14.0 |

FINANCIAL STRUCTURE

| | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|-----------------------|--------|--------|--------|---------|---------|
| TOTAL DEBT/EQUITY (%) | 125.4 | 103.9 | 160.3 | 171.3 | 165.6 |
| NET DEBT/EQUITY (%) | 120.6 | 98.0 | 156.2 | 168.3 | 164.4 |

PROFITABILITY, PRODUCTIVITY, LIQUIDITY AND VALUATION RATIOS

| | FY2009 | FY2010 | FY2011 | FY2012E | FY2013E |
|--------------------------------|--------|--------|--------|---------|---------|
| RETURN ON ASSETS (%) | 6.3 | 6.0 | 5.0 | 4.8 | 5.3 |
| RETURN ON EQUITY (%) | 6.8 | 6.2 | 5.8 | 4.6 | 6.2 |
| RETURN ON INVESTED CAPITAL (%) | 11.5 | 13.4 | 10.8 | 10.5 | 11.3 |
| ROIC/COST OF CAPITAL (X) | 1.2 | 1.5 | 1.1 | 1.1 | 1.2 |
| ROIC - COST OF CAPITAL (%) | 2.2 | 4.2 | 1.3 | 0.9 | 1.8 |
| RETURN ON CAPITAL EMPLOYED (%) | 7.3 | 7.3 | 6.3 | 6.0 | 6.6 |
| COST OF CAPITAL (%) | 9.4 | 9.2 | 9.5 | 9.5 | 9.5 |
| ROCE - COST OF CAPITAL (%) | (2.0) | (1.9) | (3.2) | (3.6) | (3.0) |
| ASSET TURNOVER (X) | 1.7 | 2.0 | 1.9 | 1.8 | 2.0 |
| SALES/TOTAL ASSETS (X) | 1.2 | 1.3 | 1.2 | 1.2 | 1.3 |
| SALES/NET FA (X) | 3.7 | 3.9 | 3.7 | 3.6 | 3.9 |
| WORKING CAPITAL/SALES (X) | 0.4 | 0.2 | 0.3 | 0.3 | 0.3 |
| FIXED CAPITAL/SALES (X) | 0.2 | 0.3 | 0.3 | 0.3 | 0.2 |
| RECEIVABLE DAYS | 10.2 | 11.1 | 12.7 | 9.9 | 9.5 |
| INVENTORY DAYS | 102.8 | 98.3 | 118.8 | 114.0 | 108.9 |
| PAYABLE DAYS | 57.3 | 72.5 | 75.7 | 65.0 | 63.0 |
| CURRENT RATIO (X) | 3.7 | 2.4 | 2.7 | 2.8 | 2.7 |
| QUICK RATIO (X) | 1.7 | 0.9 | 0.9 | 0.8 | 0.8 |
| INTEREST COVER (X) | 1.7 | 1.6 | 1.6 | 1.4 | 1.5 |
| DIVIDEND COVER (X) | 12.2 | 12.3 | 13.3 | 11.1 | 15.9 |
| PER (X) | 21.9 | 22.5 | 22.8 | 27.1 | 19.0 |
| PEG (X) - Y-O-Y GROWTH | (24.9) | (8.8) | (22.9) | (1.7) | 0.4 |
| PRICE/BOOK (X) | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 |
| YIELD (%) | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 |
| EV/NET SALES (X) | 0.9 | 0.7 | 0.7 | 0.7 | 0.6 |
| EV/EBITDA (X) | 8.5 | 7.1 | 8.2 | 7.5 | 6.7 |
| EV/EBIT (X) | 8.5 | 7.1 | 8.2 | 7.5 | 6.7 |
| EV/NOPLAT (X) | 9.6 | 7.7 | 9.1 | 8.1 | 7.3 |
| EV/CE | 1.1 | 1.0 | 1.0 | 1.0 | 0.9 |
| EV/IC (X) | 1.5 | 1.3 | 1.4 | 1.2 | 1.2 |

Source: Company, MF Global India Research Estimates

RECOMMENDATION HISTORY

| RECOMMENDATION | TARGET, RS | CMP, RS | DATE |
|----------------|------------|---------|-------------|
| NEUTRAL | 160 | 172 | 11 NOV 2011 |
| NEUTRAL | 244 | 272 | 26 AUG 2011 |
| NEUTRAL | 276 | 240 | 16 MAY2011 |
| BUY | 323 | 256 | 15 FEB 2011 |
| BUY | 518 | 438 | 15 NOV 2010 |
| BUY | 558 | 473 | 6 SEPT 2010 |
| BUY | 569 | 394 | 11 MAY 2010 |

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Rating Rationale

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