

## Escorts Ltd.

SENSEX: 15857.1

CMP: INR 66.7

Target: INR 144



## Automobiles (Tractors)

Escorts is the third largest tractor company in India with c. 12% market share. Tractor business accounts for the majority of the company's revenues and profits. It is also present in construction and material handling equipment, such as cranes, compactors and forklifts with c. 54% market share in pick & carry (PNC) cranes segment. It is also engaged in railway equipment and auto components businesses with minimal contribution.

## Investment Rationale

## Tractor business to regain momentum

Escorts has c.20% market share in the northern region which accounted for c. 57% of its volumes in FY11. Escorts is currently focussing to increase its share in high-growing southern region where it has only 5% market share. It is already in advanced stage to launch new tractor models especially designed for harder soils of AP & Karnataka. We expect tractor division topline (~72% revenue contribution) to register a CAGR of 14% over the next 2 years.

## Construction equipment division building muscles

Escorts through its 100% subsidiary Escorts Construction Equipment Ltd. (ECEL) is the market leader in the PNC segment and enjoys number 2 position in slew cranes & number 3 position in Compactors in India. In order to cater to the growing market demand, Escorts is in the process of doubling its capacity by FY13E with a capex of INR 405 mn. We expect ECEL topline (~20% revenue contribution) to register a CAGR of 25% over the next 2 years.

## Auto suspension division to break-even by FY13E

Escorts derives c.3% of its revenues from Auto suspension division (ASD). ASD derives ~60% of its revenues from exports and ~20% from replacement & OEMs respectively. At present it is catering to the likes of two-wheeler manufacturers viz. TVS Motors, M&M & Suzuki in domestic market & Yamaha, Suzuki, Aprilia & Malaguti in exports market. Escorts is planning to add new products and also start catering to 4-wheelers manufacturers. We expect ASD to break-even by FY13E and register a CAGR of 44% in revenues over the next 2 years.

## Railway equipment division (RED) to register muted growth

Escorts derives c.4-5% of its revenues from this division. The current order book stands at INR 400 mn to be executed in the next 3 to 4 months. Escorts has got approval for its new products viz. Bogie mounted & Panel mounted brake systems and zero-discharge toilet from RDSO. It is now awaiting approval from Indian railways. It has recently done technical collaboration with Dako & Ingeteam for technological enhancements. We expect RED division to register a CAGR of 3% in revenues over the next 2 years.

## Capex Plans

Escorts has planned a total capex of INR 1400-1600 mn (ex-ECEL) to be spent over the next 2 years. A major portion of this expansion is related for investments in R&D, adding more machines, de-bottlenecking of existing capacity and making the existing capacity more flexible. It has already incurred INR 500 mn up till now.

## Outlook &amp; Valuation

We expect Escorts to regain its lost market share in tractors to ~13% from 11.7% in FY11, with its recent initiatives of launching new products specific to the needs of Southern India soil, increasing the dealer network and also with the revival in demand in northern markets where it has got strong foothold. We expect tractors to remain the dominant business for Escorts, with 68.8% revenue contribution in FY13E. We expect volumes in domestic tractor industry to register a CAGR of 13-15% over FY11-15E. We expect Escort's topline & bottomline to register a CAGR of 17% & 20% respectively over FY11-FY13E on the back of consistent growth in tractor division, volume-driven growth in ECEL, turning around of auto business and stable revenues from railways segment. **We recommend a "BUY" with a target Price of INR 144 in 24 months, at 6x FY13E EV/EBITDA.**

Shareholding (%)	Sep-11
Promoters	27.57
FII's	20.62
DIIS	17.49
Others	34.32

## Relative Price Performance



Key Data		(INR mn)				
		FY10	FY11	FY12E	FY13E	
BSE Code	500495	Net Sales	33783	41234	48473	56500
NSE Code	ESCORTS	Growth (%)	27.44%	22.06%	17.56%	16.56%
Bloomberg Code	ESC IN	EBIDTAM (%)	7.25%	4.70%	4.81%	6.28%
Reuters Code	ESCO.BO	Adj. PAT	1262	1362	1063	1946
Shares Outstanding (mn)	92.14	Growth (%)	193.42%	7.98%	-21.97%	83.02%
Face Value	10	Adj. EPS (INR)	13.69	14.79	11.54	21.12
Mcap (INR bn)	6.14	P/E (x)	18.06	4.51	5.78	3.16
52 Week H/L	186.8/63.6	EV/EBIDTA	10.09	4.05	3.32	1.93
2W Avg. Vol, NSE ('000)	885.55	Net Debt/Equity	0.11	0.10	0.08	0.03
Free Float (INR bn)	4.45	RoACE (%)	9.78%	6.64%	7.79%	12.39%
Beta	1.39	RoAE (%)	8.11%	7.85%	5.81%	9.92%

## Investment Rationale

### Agri-Machinery Group (AMG) [~72% revenue contribution]

Escorts has been one of the pioneers of farm mechanization in India and has successfully maintained its number three position despite major consolidation seen in the tractor industry (M&M-PTL, TAFE-Eicher) in last few years. Its market share in tractors division stood at 11.7% in FY11 vis-à-vis 13.5% in FY10 (September year ending). Escorts lost some share in FY11 due to sluggish sales in northern region where it has major presence.

Escorts sold 63420 tractors in FY11 vis-à-vis sales of 60086 tractors sold in FY10, growing by 5.55% on a YoY basis while total tractor sales of the industry in FY11 (March year ending) were at 5.45 lakhs units, up by 24% on a YoY basis and up by 20% in YTFY12.

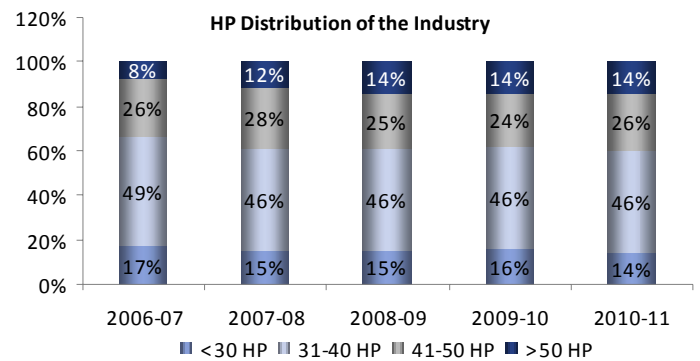
On a regional basis, tractor sales were much skewed with some states, such as Uttarakhand, Kerala and Orissa, reporting declines of 20% or more in H1FY12, while others, such as Maharashtra, Gujarat, Tamil Nadu and Rajasthan, reporting volume growth of more than 40%. In fact, Gujarat had 86% growth in H1FY12. Sales in states viz. Punjab, Haryana & Bihar where Escorts has major share also de-grew in H1FY12.

### Focus on South Indian Market

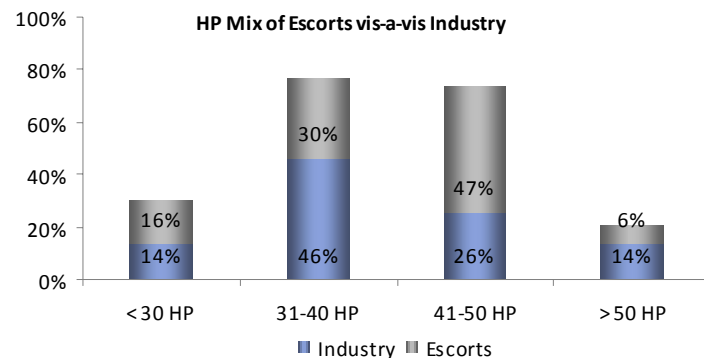
Escorts is currently focussing to increase its share in high-growing southern region where it has only 5% market share. It has c.20% market share in the northern region which accounted for c. 57% of its volumes in FY11. It has 850 dealers on a Pan-India basis, of which majority are based in North. Escorts is gradually setting up more touch points in South by divulging some of its best dealers from north to south. It is already in advanced stage to launch new tractor models especially designed for harder soils of AP & Karnataka.

### Rising share of higher HP tractors - Positive for Escorts

Share of over 40 horse power (HP) tractors in total industry sales has been increasing steadily since 2003-2004, it stood at 40% in 2010-11 (from 25% in 2002-03). This transition was due to rising use of higher HP tractors in northern states and increasing share in southern & western states, where higher HP tractors are preferred due to harder soil conditions. In addition, the growing share of exports (c.12%), where > 40 HP tractors dominate (c. 75%), has also contributed to the increasing offtake of higher HP tractors. Escorts derives ~53% of its volumes from higher HP tractors (> 40 HP) vis-à-vis 40% of the total industry, thereby benefiting the Company.



Source: Company, SPA Research



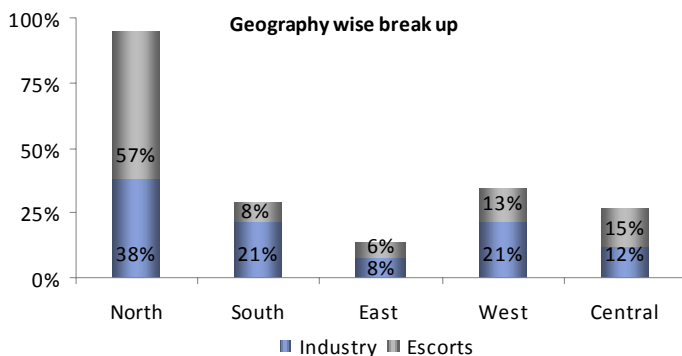
Source: Company, SPA Research

### Successful launch of Jai Kisan series

In FY11, Escorts launched new tractors nationwide under the Jai Kisan series viz. Agmaxx, Loadmaxx & Supermaxx. Escorts has been able to sell its supermaxx variants in some key states which has enabled it to capture ~30-40% of the overall state sales. Penetration in haulage segments have also improved owing to new features introduced in the Jai Kisan series (sale of Loadmaxx variant has increased to about 10-20% in haulage-dominated states).

### New product launches to aid growth

Escorts is planning to launch a new 50HP tractor to improve its position in the black cotton soil areas of Maharashtra, Karnataka and AP. It has successfully completed field testing of a 42 HP tractor specially designed and developed for deep puddling areas of AP and Karnataka. It is also in advanced stages of preparation to launch 60 and 65 HP new models with new technologies.



Source: Company, SPA Research

**Other structural programs**

- It has recently appointed new dealers in unrepresented (non-farm) industry which now accounts for 10% of the total industry (34 new dealers appointed in Q4 of last year).
- It is in advanced discussions with a major implement manufacturer from Europe for a strategic tie-up for India and other SAARC markets.

**Regaining lost market share**

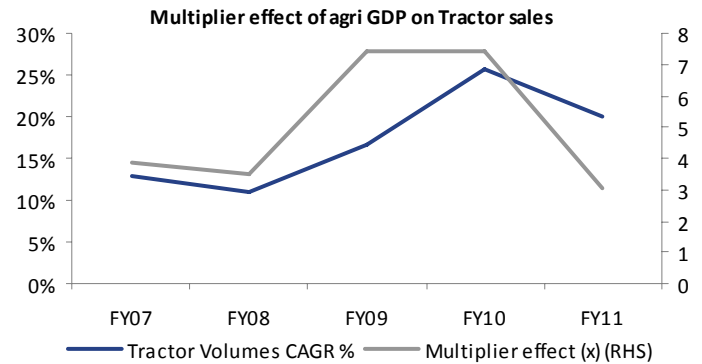
We expect Escorts to regain its lost market share to ~13% from 11.7% in FY11, with its recent initiatives of launching new products specific to the needs of Southern India soil, increasing the dealer network and also with the revival in demand in northern markets where it has got strong foothold. We expect tractor division topline to register a CAGR of 14% over the next 2 years. We expect tractors to remain the dominant business of Escorts, with 68.8% revenue contribution by FY13E. We expect EBIT margins of tractors division to improve to 6.7% by FY13E from 5.7% reported in FY11.

**Favorable Industry Dynamics**

Tractor industry in India has been growing steadily with its structural demand drivers in place. Tractor demand is closely linked to agricultural output, growth in farm mechanization & farmers remuneration. The currently low levels of tractor penetration in India, strong Government focus on availability of finance for agriculture mechanization tools and on rural development, high irrigation potential, rise in MSP (minimum support price) and increase in the use of tractors for non-agricultural applications, augurs well for the industry.

Tractor industry in India has registered a CAGR of 8.5% in FY1973-2011 and 15% CAGR in FY03-11. Domestic sales volumes are expected to register a CAGR of 13-15% in FY11-FY15E. The Indian tractor industry is expected to reach INR 320-330 bn by FY15E (from INR 200 bn in FY10), implying a CAGR of 10-11%.

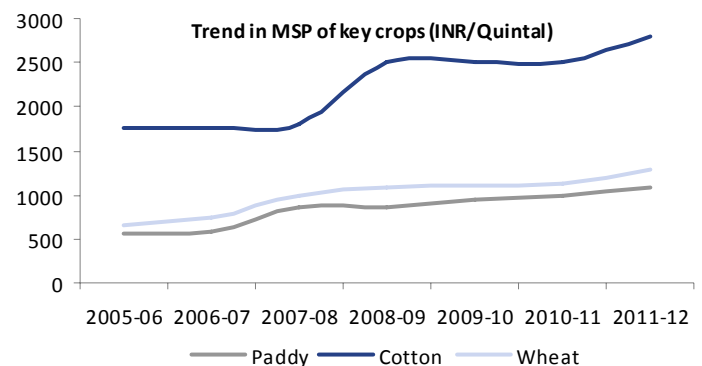
Growth in tractor sales can also be attributed to growth in agriculture GDP. We can see a clear multiplier effect visible for tractors vis-à-vis agriculture GDP growth (CAGR tractors/ CAGR Agri GDP). Although contribution of agriculture in GDP has reduced from 18.27% in FY06 to 14.39% in FY11, it has registered a CAGR of 3% in absolute terms in FY06-FY11. Domestic volumes of tractors have registered a CAGR of 13% in the same period. We expect long-term demand for tractors to remain intact, given the Government's thrust on agriculture growth and 48% dependence of India's population on agriculture.



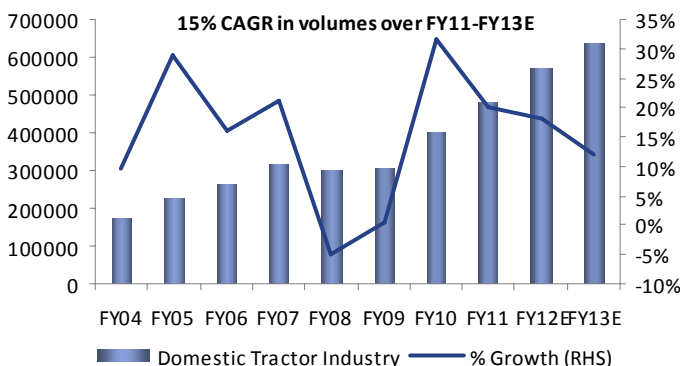
Source: RBI, SPA Research

**Rise in MSP to aid growth**

The government has increased MSPs of all major agri commodities during the Kharif season by around 17% in FY12, which should support farm income. We also note that MSPs guaranteed for the FY12 crops (to be sold in FY13) such as wheat & masur (lentil) are 10-15% higher than current market prices, thus providing visibility on income growth. The rise in MSP has boosted the earnings of the farmers and has eventually led to higher demand for tractors in India.



Source: Ministry of Agriculture, SPA Research



Source: Company, SPA Research

### Increasing trend of Non-farm usage of tractors

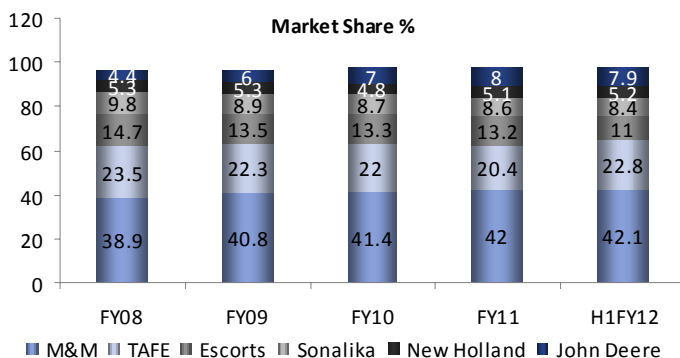
In the last few years, there has been a sharp increase in non-farm usage of tractors. Although, the proportion of tractors bought primarily for non-farm purpose is ~10-15%, we estimate that approximately 40% of tractor usage will be for non-farm purposes. We attribute a sharp jump in non-farm use due to easy availability of finance at subsidized rates, cost benefit over construction equipments & lack of restriction in usage has spurred additional demand for non-farm use.

### NREGA Scheme - leading towards mechanization

The National Rural Employment Guarantee Act (NREGA) has enabled rural labourers to get a job with a minimum wage of INR 100 per day. Other government initiatives such as PMGSY (Pradhan Mantri Gram Sadak Yojna) and Bharat Nirman have also generated significant employment for landless labourers who were earlier employed by land-owning farmers for unskilled farm work. This has led to shortage of farm labourers which has also resulted in increase in cost of labour. This has resulted in gradual increase in usage of tractors.

### Domestic Players - Market Share

The tractor industry in India is dominated by 3 players viz. M&M, TAFE and Escorts having more than 70% of the overall tractor industry. M&M is the market leader with ~42% market share.



Source: Company, SPA Research

### Construction equipment division building muscles [~20% revenue contribution]

Escorts through its 100% subsidiary Escorts Construction Equipment Ltd. (ECEL) is the market leader in the Pick & Carry cranes (PNC) segment and enjoys number 2 position in slew cranes & number 3 position in Compactors in India. We expect PNC cranes to continue to dominate the total sales mix of ECEL, with 58.1% revenue contribution by FY13E. In order to cater to the growing market demand, Escorts is in the process of doubling its capacity scheduled by FY13E with a capex of INR 405 mn.

The company is the only construction equipment manufacturer in India with technology backed by its own in-house R&D. It has a strong pipeline of new products that are to be launched over the next two years. It is focussing to strengthen its dominating market presence in high end solutions in PNC cranes segments through launch of new models in the higher tonnage segment (16-21 tons).

It has recently ventured into more profitable backhoe loaders production. We expect contribution from this product to increase from 14.5% in FY11 to 18.4% in FY13E.

Escorts has now started targeting African market and have also started market development activities in Uganda, Tanzania and Kenya. These countries offer a good potential for the existing products from Escorts. Also, Escorts is developing two new products which are specific to these markets.

We expect revenue contribution from ECEL to increase to 22.4% of consolidated revenues by FY13E from 19.7% reported in FY11. We expect ECEL topline to register a CAGR of 25% over the next 2 years. We expect EBIT margins of construction equipment division to remain more or less stable at ~3% by FY13E from 2.9% reported in FY11.

### Revenue contribution from diversified product mix

Products	FY11	FY12E	FY13E
Pick N Carry	61.0%	57.2%	58.1%
Compactors	6.9%	6.2%	6.0%
Wheel Loaders	0.3%	0.3%	0.3%
Slew	2.9%	2.6%	2.5%
Forklifts Mfrd.	0.1%	0.1%	0.1%
Backhoe Loaders	14.5%	18.2%	18.4%
Sub Total	85.8%	84.6%	85.5%
Traded Goods	14.2%	15.4%	14.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: SPA Research

### Strongly related with the infra story

The present Construction equipment industry in India is approximately \$6-6.5bn and is likely to grow at 12-13% p.a. till FY2014-2015E. The construction equipment industry includes earthmoving equipment, road construction, material handling and concrete equipment. Of this, earthmoving equipment is the biggest in size with almost 57% of the total industry.

Construction equipment business has a direct correlation with the infrastructure spending in the economy. The sharp surge in infrastructure spending over the 11th and 12th 5-year plan is expected to keep the construction equipment demand strong. Total infrastructure spends for India is forecast to go up from ~5% (~\$218bn) of GDP in the 10th 5-year plan to around ~10.7% (~\$1tn) of GDP in the 12th 5-year plan.

**Rising Infra Spend**

Sectors	Tenth Plan (Anticipated Investment)			Eleventh Plan (Projected Investment)		
	INR bn	US \$ bn @INR 40/\$	Shares %	INR bn	US \$ bn @INR 40/\$	Shares %
Electricity (incl. NCE)	2919	72.96	33.49%	6665.25	166.63	32.42%
Roads & Bridges	1449	36.22	16.63%	3141.52	78.54	15.28%
Telecommunications	1034	25.84	11.86%	2584.39	64.61	12.57%
Railways (incl. MRTS)	1197	29.91	13.73%	2618.08	65.45	12.73%
Irrigation (incl. watershed)	1115	27.88	12.80%	2533.01	63.32	12.32%
Water Supply & Sanitation	648	16.2	7.44%	1437.3	35.93	6.99%
Ports	141	3.52	1.62%	879.95	22	4.28%
Airports	68	1.69	0.78%	309.68	7.74	1.51%
Storage	48	1.2	0.55%	223.78	5.59	1.09%
Gas	97	2.43	1.12%	168.55	4.21	0.82%
Total (INR bn)	8714	218	100.00%	20562	514	100.00%

Source: Planning Commission, SPA Research

Infrastructure in India continues to face a significant deficit despite doubling of infrastructure spending in the 11th Plan to \$514bn from \$218bn in the 10th Plan. This is reflected in continued higher deficits in the power sector, mere 20% of national highways being 4-laned, capacity bottlenecks in ports/airports/railways, etc.

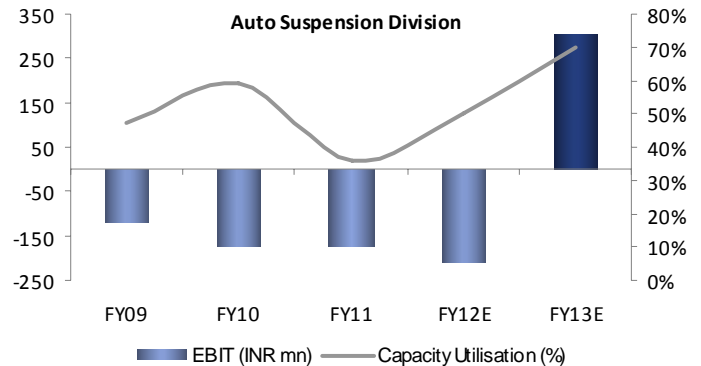
The GoI's focus on infrastructure development has significantly boosted the construction equipment industry and its construction expenditure is expected to be nearly \$ 253.9 bn (INR 12189 bn) between 2008–09 and 2012–13.

**Auto suspension division to break-even by FY13E [~3% revenue contribution]**

Escorts derives c.3% of its revenues from Auto suspension division (ASD). It is one of the major manufacturers of auto suspension products including shock absorbers and automotive products including die casting components, brake shoes and clutch plates to 2-wheeler manufacturers.

ASD derives ~60% of its revenues from exports and ~20% from replacement & OEMs respectively. It caters to the likes of TVS Motors, M&M & Suzuki in domestic market & Yamaha, Suzuki, Aprilia & Malaguti in exports market. Currently it is utilizing only 36% of its capacities leading to loss at operating levels.

Escorts is planning to add new products and also start supplying to 4-wheelers manufacturers. It is looking for a total capex of INR 300-350 mn in this division over the next 2 years, to increase its product mix and work on the R&D. As per our calculations, we expect ASD to break-even by FY13E and contribute c. 8-9% at EBIT levels by FY13E and register a CAGR of 44% in revenues over the next 2 years.

**Improvement in capacity utilization to break-even ASD by FY13E**


Source: Company, SPA Research

**Railway equipment division (RED) to register muted growth [~5% revenue contribution]**

Escorts derives c.4-5% of its revenues from this division. The current order book stands at INR 400 mn to be executed in the next 3 to 4 months. Escorts has got approval for its new products viz. Bogie mounted & Panel mounted brake systems and zero-discharge toilet from RDSO. It is now awaiting approval from Indian railways. It has also recently entered technical collaboration with Dako & Ingeteam for technological enhancements.

**New technical collaboration**

**Dako, CZ:** Escorts has tied up with DAKO to develop disc brake systems. The prototype sets are expected to be fitted on two LHB high speed coaches this year. Indian Railways currently builds 600 LHB coaches, which they plan to ramp up to 4000 coaches per year by 2016E.

**Ingeteam, Spain:** Escorts has tied up with Ingeteam of Spain to develop traction System for DEMU trains. The development time for this equipment is 12-18 months after award of development order. Indian Railways builds about 400 DEMU coaches annually.

**Indian Railways - Vision 2020**

According to the Vision 2020 by the railways; the passenger volume and the freight volume is expected to show a CAGR growth of 8% over the period FY10-20 which would require a 7x increase in capex. The total capex planned in the next ten years is expected to be in the range of ~\$300bn. This is expected to be led by the modernization of the rail infrastructure which will help increase both capacity and speed. We expect Escorts is well positioned to encash this opportunity through recent technical collaborations and strong R&D.

We expect RED division to register a CAGR of 3% in revenues over the next 2 years. Although railway equipment division contributes c.5% of total consolidated revenues, it is one of the most profitable businesses in terms of margin. We expect EBIT margins to remain at ~12.7% by FY13E from 12.6% in FY11.

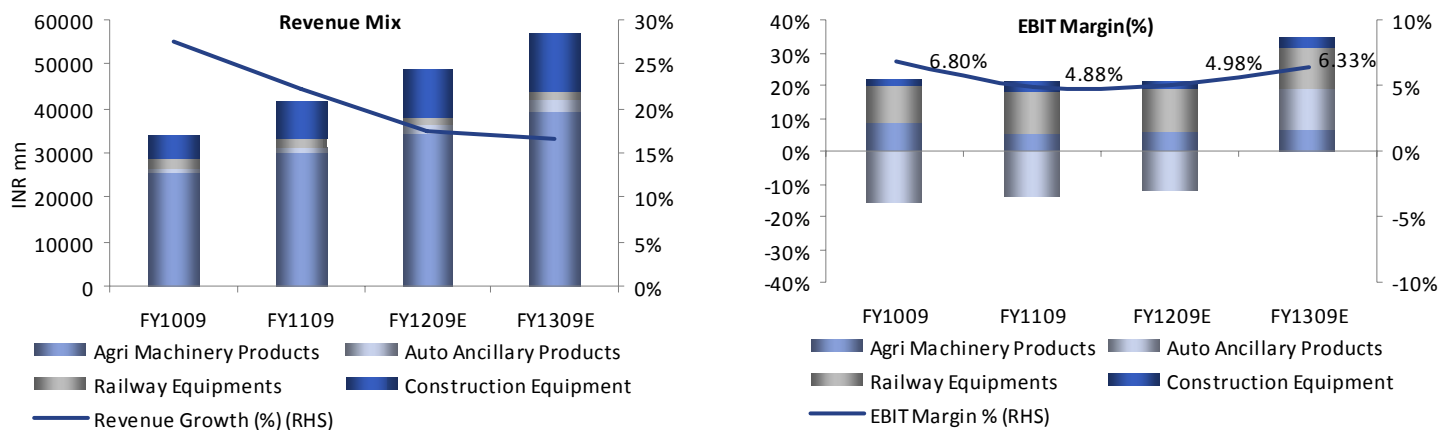
## Financial Overview

Escorts net sales for FY11 stood at INR 41234 mn, up by 22% YoY. EBITDA for FY11 stood at INR 1937 mn, down by 21% YoY. EBITDA margin stood at 4.78%, contracting by 259 bps YoY on account of higher raw material prices. APAT at INR 1362 mn, was up by 6.6% YoY.

### Segmental Performance

Escorts net sales and PAT has registered a CAGR of 25% & 78% over the last 2 years. We expect revenues & profits to register a CAGR of 17% & 20% respectively over the next 2 years. We expect Escorts EBIT margin to improve by 145 bps to 6.33% over FY11-FY13E.

We expect tractor division topline to register a CAGR of 14% over the next 2 years and report EBIT margins of 6.7% in FY13E as against 5.7% reported in FY11. We expect ECEL topline to register a CAGR of 25% over the next 2 years and report EBIT margins of ~3% in FY13E vis-à-vis 2.9% reported in FY11. We expect ASD to break-even by FY13E and contribute c. 8-9% at EBIT levels in FY13E and register a CAGR of 44% in revenues over the next 2 years. We expect RED division to register a CAGR of 3% in revenues over the next 2 years and report EBIT margins of ~12.7% in FY13E vis-à-vis 12.6% in FY11.



Source: SPA Research

## Outlook & Valuation

We expect Escorts to regain its lost market share in tractors to ~13% from 11.7% in FY11, with its recent initiatives of launching new products specific to the needs of Southern India soil, increasing the dealer network and also with the revival in demand in northern markets where it has got strong foothold. We expect tractors to remain the dominant business for Escorts, with 68.8% revenue contribution in FY13E. We expect volumes in domestic tractor industry to register a CAGR of 13-15% over FY11-15E. We expect Escort's topline & bottomline to register a CAGR of 17% & 20% respectively over FY11-FY13E on the back of consistent growth in tractor division, volume-driven growth in ECEL, turning around of auto business and stable revenues from railways segment. **We recommend a "BUY" with a target Price of INR 144 in 24 months, at 6x FY13E EV/EBITDA.**

### Peer Comparison

Company	CMP**	Market Cap (INR mn)	Revenue (INR mn)			EBITDA margin (INR mn)			EPS (INR mn)			P/E (x)			EV/EBITDA (x)		
			FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E	FY11	FY12E	FY13E
Escorts*	66.65	6141	41234	48473	56500	4.70	4.81	6.28	14.79	11.54	21.12	4.51	5.78	3.16	4.05	3.32	1.93
M&M	639.05	399179	361175	450539	514718	16.90	13.34	13.72	53.46	51.73	61.21	11.95	12.35	10.44	9.71	9.85	8.38
VST Tillers	419.83	3627	4253	5230	6474	16.52	15.09	15.37	53.46	61.80	78.65	7.85	6.79	5.34	4.98	4.44	3.52

Source: Bloomberg, SPA Research

\*Escorts (September year ending)

\*\*Price as of 05/01/2012

## Company Profile

Escorts is the third largest tractor company in India with c. 12% market share. It is also present in construction & material handling equipment, railway equipment and auto components businesses. Historically, Escorts has dominated the market for high-end tractors (41-50HP). It has the highest market share in this category, at 16-20%. It manufactures and markets a range of construction and material handling equipment, such as cranes, compactors and forklifts with c. 54% market share in pick & carry (PNC) cranes segment. It provides services to original equipment manufacturers (OEMs) for ancillaries, including auto suspension and shock absorbers.

Escorts has a wide product range in tractors and its key brands are: Farmtrac - Premium brand, 45-75 hp range; Powertrac - Value for money brand, 35-55 hp range; Escorts Josh - Economy brand, 25-35 hp range. New Jai Kisan series is also available under the Farmtrac brand.

### Escorts Tractors Brand break-up

Brand	% of Volume	HP Range	Price range (INR Lakhs)	Comments
Powertrac	48	35-55 HP	3.5-4	Utility & value for money tractors
Farmtrac	50	45-75 HP	4-6.5	Premium tractors
Escorts Josh	2	25-35 HP	2.5-3	Economy tractors

Source: Company, SPA Research

## Investment Risks

### High dependence on Monsoon & Government policies

Tractors sales are highly correlated with monsoons. Weak monsoons can adversely affect tractor demand, thereby affecting the future prospects of Escorts. Weakness in MSPs and agri-credit also determine tractor demand. Recent slowdown in agri-credit due to rising NPAs has raised concerns over cash flows to the farmers.

### Higher dependence on finance

More than 75% of the tractor sales are on finance. However, as financing to tractor industry is done on priority basis, it is usually done at subsidized rates of 8-12% by banks while NBFCs finance it at ~17-18%.

### Lack of Pan India presence

Escorts has major presence in the northern region which contributes ~57% of its total volumes. Lack of presence in other geographies has badly affected Escorts performance in last year. However, Escorts has become very aggressive and is looking to gain traction in the very fast growing Southern region.

### Increase in raw material prices

Major raw material of Escorts is steel and tyres. Higher than expected increase in the raw material prices, can have a negative impact on Company's margins. However, to pass on the increase in raw material price Escorts has taken a price increase of ~8.16% in tractors on a YoY basis in FY11. It has undertaken two more price increases: one in early September, and another one in early October of ~INR 8000 (or 2%) per tractor. These increases are effective from 1st Nov, 2011 and will be reflected in Q1FY12 results.

## Financials - Consolidated

### Income Statement

Year End March (INR mn)	FY10	FY11	FY12E	FY13E
Net Sales	33783	41234	48473	56500
Growth in Sales (%)	27.44%	22.06%	17.56%	16.56%
Cost of goods sold	23225	29841	34909	39831
Employees Cost	3296	3737	4449	5157
Other Expenses	4812	5720	6785	7966
Total Expenditure	31333	39298	46144	52954
EBIDTA (without OI)	2450	1937	2330	3546
% Growth	34.44%	-20.95%	20.30%	52.23%
EBITDA Margin %	7.25%	4.70%	4.81%	6.28%
Depreciation/Amortization	532	487	534	552
EBIT	1,918	1,450	1,795	2,995
EBIT Margin %	5.68%	3.52%	3.70%	5.30%
Interest Expense	181	372	361	339
Other Income	76	19	21	22
Exceptionals	58	(99)	-	-
EBT	1,813	1,097	1,455	2,678
Tax Expenses	490	(153)	395	729
PAT	1,323	1,251	1,060	1,949
Minority Interest	3	(13)	(3)	3
APAT	1,262	1,362	1,063	1,946
% Growth	193.42%	7.98%	-21.97%	83.02%
APAT Margin %	3.73%	3.30%	2.19%	3.44%

### Key Ratios

Year End March	FY10	FY11	FY12E	FY13E
<b>Per Share Data (INR)</b>				
Reported EPS	13.70	14.79	11.54	21.12
Adj. EPS	13.69	14.79	11.54	21.12
Growth (%)	193.42%	7.98%	-21.97%	83.02%
CEPS	22.28	20.07	17.34	27.11
DPS	1.75	1.50	1.50	2.00
BVPS	183.04	193.59	203.38	222.17
<b>Return Ratios (%)</b>				
RoACE	9.78%	6.64%	7.79%	12.39%
RoANW	8.11%	7.85%	5.81%	9.92%
RoIC	8.48%	7.57%	6.02%	9.32%
<b>Liquidity Ratios</b>				
Net Debt/Equity	0.11	0.10	0.08	0.03
Interest Coverage Ratio	10.60	3.90	4.97	8.83
Current Ratio	1.34	1.40	1.37	1.42
Quick Ratio	0.92	0.99	0.94	0.98
<b>Efficiency Ratios</b>				
Asset Turnover Ratio	1.70	1.88	2.10	2.33
Inventory Days	41	41	42	44
Debtor Days	47	44	45	45
Creditor Days	85	82	85	86
<b>Valuation Ratios</b>				
P/E (x)	18.06	4.51	5.78	3.16
P/BV (x)	1.35	0.34	0.33	0.30
P/CEPS (x)	11.10	3.32	3.84	2.46
Dividend Yield (%)	0.71%	2.25%	2.25%	3.00%
EV/Net Sales (x)	0.73	0.19	0.16	0.12
EV/EBIDTA (x)	10.09	4.05	3.32	1.93

### Balance Sheet

Year End March (INR mn)	FY10	FY11	FY12E	FY13E
<b>Sources of funds</b>				
Share capital	921	921	921	921
Reserves & Surplus	15939	16916	17818	19549
Total Networkth	16860	17838	18740	20471
Minority Interest	84	91	88	91
Secured Loan	3669	4371	4218	4131
Unsecured Loan	384	423	394	397
Total Debt	4053	4893	4612	4528
<b>Total Liabilities</b>	<b>20997</b>	<b>22822</b>	<b>23439</b>	<b>25089</b>

### Application of funds

Net Block	16082	16138	16367	16603
Capital Work-in-Progress	203	625	375	112
Investments	1075	1086	1113	1124
Current Assets	14032	16953	19809	23580
Current Liabilities	10457	12133	14433	16605
Net Current Assets	3575	4820	5376	6975
Misc. Exp not written off	21	21	0	0
Net Deferred Tax Asset	40	132	209	275
<b>Total Assets</b>	<b>20997</b>	<b>22822</b>	<b>23439</b>	<b>25089</b>

### Cash Flow

Year End March (INR mn)	FY10	FY11	FY12E	FY13E
EBT	1813	1097	1455	2678
Less: Other Income/Exceptionals	-76	-19	-21	-22
Add: Depreciation	532	487	534	552
Add: Interest paid	181	372	361	339
Direct taxes paid	-242	153	-331	-663
Change in Working Capital	-1884	-171	-728	-780
<b>Cash Flow from operations (a)</b>	<b>324</b>	<b>1919</b>	<b>1271</b>	<b>2104</b>
Change in Fixed Assets	-989	-543	-763	-788
Change in CWIP	-81	-422	250	262
Change in Investments	-9	-10	-27	-11
<b>Cash Flow from Investing (b)</b>	<b>-1078</b>	<b>-974</b>	<b>-540</b>	<b>-537</b>
Change in Equity	1872	0	0	0
Debt Raised/(Repaid)	23	840	-281	-84
Dividend paid	-162	-138	-138	-184
Interest paid	-181	-372	-361	-339
Others	-645	-201	-122	-141
<b>Cash Flow from Financing (c)</b>	<b>907</b>	<b>130</b>	<b>-902</b>	<b>-748</b>
<b>Net Change in Cash (a+b+c)</b>	<b>153</b>	<b>1074</b>	<b>-172</b>	<b>819</b>
Opening Cash	1964	2117	3191	3019
<b>Closing Cash</b>	<b>2117</b>	<b>3191</b>	<b>3019</b>	<b>3838</b>

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1. Analyst ownership of the stock - No
2. Group/Directors ownership of the stock - No
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