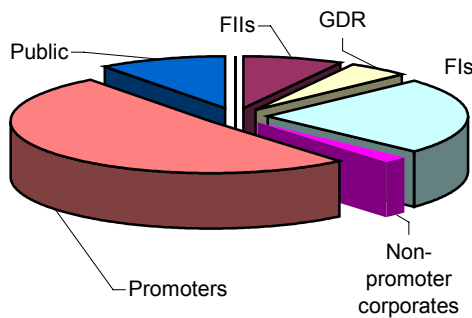


**Stock Statistics**

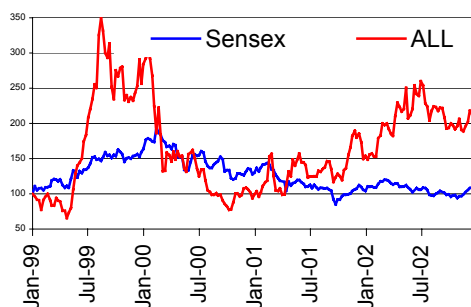
30 Dec 2002

Market cap (Rs Mn)	: 11667
52-week high/low (Rs)	: 130/78
Avg. daily volume (shares)	: 162356
Face value (Rs)	: 10
BSE Sensex	: 3375
BSE code	: 500477
Reuters code	: ASOK.BO
Bloomberg code	: AL IN
Industry	: Commercial Vehicle

**Shareholding Pattern**



**Ashok Leyland V/s Sensex**



**Motoring ahead**

- Ashok Leyland's stock price has under performed both its CV sector peers as well as the broad market in the last six months as investors fretted over the loss in market share to leader Tata Engineering. We believe that Telco's market share gains were more of a short-term aberration.
- The long-term trend remains etched towards the shift to heavier tonnage multi-axle vehicles, of which, ALL will be a key beneficiary.
- Outlook for the commercial vehicles sector remains attractive. We expect demand in the long-term to be driven by structural improvements in the road transport network, which would increasingly drive the shift from rail to road transport.
- In our opinion, a combination of robust sector growth as well as ongoing improvements in ALL's product portfolio will drive earnings while enhanced operational efficiencies and diversified business mix will help safeguard from the inherent volatility in the commercial vehicles sector.
- We expect ALL's OPM to expand to 14.9% in FY04 on the back of declining raw material costs and value engineering initiatives.
- At current levels, the stock trades at 9.6x FY03E EPS and 5x FY03E EV/EBITDA. Our target price of Rs128 is based on 5.5x FY04E EV/EBITDA and 9.5x FY04E EPS and offers an upside potential of 31%. We are upgrading the stock to a **BUY**.

Year	Rs Billion						
	Sales	PAT	P/E	EPS	RoE	RoCE	EV/EBITDA
			(x)	(Rs)	(%)	(%)	(x)
1999-00	23.31	0.78	14.9	6.6	7.2	7.1	6.8
2000-01	23.15	0.91	12.7	7.7	8.2	7.0	6.3
2001-02	23.27	0.92	12.6	7.8	8.6	7.7	6.1
2002-03E	26.01	1.21	9.6	10.2	12.1	8.6	5.1
2003-04E	28.90	1.59	7.3	13.4	15.3	10.1	4.2

*Note: Net worth has been adjusted for miscellaneous expenditure and*

Sales: Vikrant Oak  
 vikrant.oak@karvy.com

Analyst: Sumeet Pillai  
 sumeetpillai@karvy.com

## Investment case

### Positives

#### **Market share loss to Telco, a short-term aberration**

During FY03 (YTD), Ashok Leyland's (ALL) market share in M&HCVs declined to 25.3% from 28.6% during the same period last year. Tata Engineering (Telco) meanwhile improved its market share in the same period to 74.7% from 71.4%. We remain unfazed by this as bulk of the market share gains registered by Telco have come from the over 100% growth in the 12-16T segment. We don't see this kind of growth sustaining for a much longer period with the main demand driver (foodgrains transportation) subsiding. Further, ALL will be a key beneficiary of the shift towards higher tonnage trucks thanks to better operational economics.

#### **Road projects to keep volumes robust**

The National Highways Development Programme being implemented by the National Highways Authority of India (NHAI) at a total cost of Rs54000crore is the biggest ever of its kind being executed by the Government of India. With construction activity currently underway on the *Golden Quadrilateral* (GQ) and work on major stretches of the North-South and East-West corridor (NS & EW) yet to begin, demand for tippers and trucks to move materials and equipment will remain robust in the medium to long-term period.

#### **Quality road infrastructure will drive the shift from rail to road**

Creation of a world-class road infrastructure will lead to improved efficiencies in the road transport network, which will in turn help reduce operating costs for the road transporters. This will result in road transport taking away a greater share of traffic away from rail thereby ensuring demand for commercial vehicles. Currently, over 65% of freight traffic and 80% of passenger traffic is handled by road. With railway freight charges (which are burdened by cross-subsidisation of passenger fares) expected to remain at current levels, we expect road transport to make significant dents in traditional railway domains like cement.

#### **Proliferation of organized financing at lower rates**

The commercial vehicle financing market has traditionally been a forte of NBFCs with banks having limited presence in the segment. However, some new private players and MNC banks have entered this segment as a logical extension of their car financing operations. The impact, not only do larger number of lenders mean greater competition and therefore better deals for borrowers, but towns and villages that were hitherto not covered by lenders are now getting access to organised finance.

#### **New launches to spruce up ALL's product portfolio**

ALL till date has had limited presence in LCVs and MCVs. Its major thrust has been on the above 12T segments. But, with the *Ecomet* range of vehicles (in 7,9,11 and 25 tonnes capacity) slated for launch some time in December or January '03, ALL is looking at making its presence felt in a segment where competitors Telco, Eicher Motors and Swaraj Mazda have been ruling the roost. Further, in its bid to consolidate its engine platforms, ALL will be launching the new *H series* HCVs on the much proven *Hino* engine platform.

#### **Passenger segment demand: a matter of 'when' not 'if'**

The bus segment has stagnated in recent times due to the poor financial health of state transport undertakings (STUs). However, intervention by the Judiciary for a shift to alternative cleaner fuels and a move towards part privatisation of the government

bus routes, on the lines initiated by the Government of Tamil Nadu, could help rejuvenate volumes for ALL in this segment.

**Revenue model significantly de-risked**

In its efforts at de-risking its revenue model, in FY02, ALL derived nearly 24% of revenues from outside the commercial vehicles business (including trucks and buses) with engines, spares and defence sales contributing towards this. Differing demand cycles within the truck and bus businesses also serves as a hedge against harsh downturns in any particular segment.

**Operational efficiency improvements to continue**

Since FY98, ALL has been effecting improvements in its operational and financial parameters by pruning working capital and capex and implementing huge cost cutting initiatives. As a result, operating margins have spurted from 8.5% in FY98 to 12.6% in FY02. We expect the company's OPM to expand to 14.9% in FY04 on the back of declining raw material costs and value engineering initiatives.

**Risks**

**Weak northern market position**

ALL has limited presence in the northern markets, where Telco is the leader. The company has initiated steps to correct this. But, considering the prevailing scenario it only increases the earnings' risk.

**View and Valuation**

In the last one year, ALL has out performed the Sensex by 30%. Such out performance has come at a time when the commercial vehicles market has expanded by nearly 30% in FY03 YTD. We expect strong earnings growth over FY02-04 driven by volume growth and OPM expansion.

At current prices, ALL trades at 9.6x FY03E EPS and 7.3x FY04E EPS. In terms of EV/EBITDA, ALL trades at 5x FY03E EV/EBITDA and 4.2x FY04E EV/EBITDA. We expect net profit to grow by 31.5% over FY02-04 while cash profits to rise 20.4%. We expect EBITDA to grow by 21.1% over FY02-04 to Rs4298mn. Return on Capital Employed (RoCE) is expected to improve to 21.9% in FY04E from under 17% in FY02.

**Exhibit1: PE Bands & One-yr forward PER V/s Median PER**

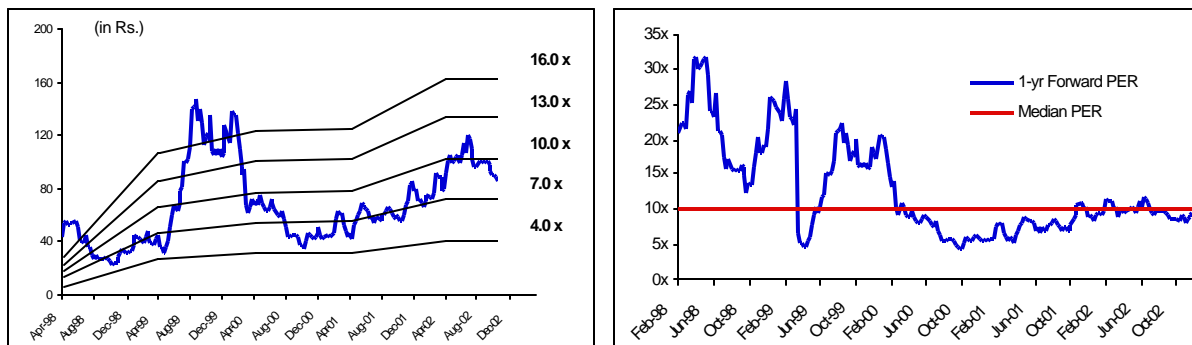
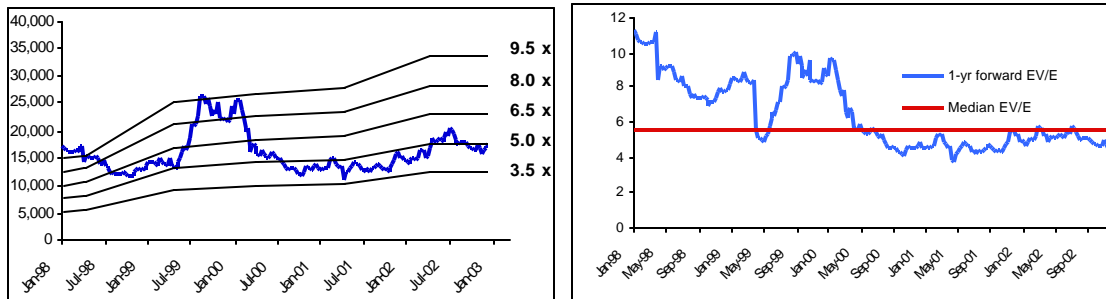


Exhibit2: EV/EBITDA Bands & One-year forward EV/EBITDA V/s Median EV/EBITDA



**Target price of Rs128 implies fair value upside of 31%**

In the last five years, ALL has traded at a median PE of 10x. ALL's median EV/EBITDA in the last five years has been 5.5x. Going forward, we expect the stock to trade near its median EV/EBITDA. Using FY04E EBITDA and our median of 5.5x, we arrive at our target price of Rs128. Our target price corresponds to a PE of 9.5x FY04E EPS, i.e. a 5% discount to the five-year median.

## Ashok Leyland- Growth story intact

### Market share loss – a short-term aberration

#### **Stock languishes on market share concerns**

ALL's stock price has lagged its CV sector peers in the recent past on concerns of loss in market share to leader Telco. ALL's market share in M&HCVs has dipped by 330 basis points to 25.3% in the period between April-November '02 as compared to the corresponding period last year. Meanwhile, Telco's market share moved up to 74.7% during the same period.

We are unfazed by this as bulk of the market share gains for Telco has resulted from the spectacular demand seen in 16T haulage segment in the North. In the 12-16T segment Telco's market share increased by over 700 basis points to 83.6% for the period April-November 2002, compared to the corresponding period last year.

#### **Further loss only marginal**

Earlier this year, on account of the drought situation, demand for 16T haulage trucks was high for moving foodgrains from Food Corporation of India (FCI) warehouses. Further, with most FCI warehouses located in the north, CV demand remained concentrated there. Bulk of this demand was taken care of by Telco as it is a dominant player in the northern markets. As for ALL, it has been an uphill task to break into Telco's stronghold given the high level of brand loyalty with the smaller operators. Going forward, we see this demand tapering off as foodgrain movement subsides. We believe that further erosion in market share for ALL in this segment should at best be marginal.

### Exhibit 3: ALL's market share gains improve in 16-35T rigid axles

Gross vehicle weight	Size (nos)	Market share (%)		Gain/(Loss) Basis points
		FY02*	FY03*	
<b>12 -16T haulage</b>	<b>35000</b>			
Ashok Leyland		23.7	16.4	-733
Telco		76.3	83.6	733
<b>16T – 35T – Rigid axle</b>	<b>31000</b>			
Ashok Leyland		28.7	34.8	613
Telco		70.8	64.7	-611
Tatra Udyog		0.5	0.4	-2
<b>16T- 35T - Tractor trailer</b>	<b>2600</b>			
Ashok Leyland		55.8	53.7	-215
Telco		44.2	46.3	215

Source: SIAM, Karvy Estimates; Note: \*for period between April-November

#### **MAVs to drive shift towards higher tonnage segments**

A closer look at Exhibit 3 reveals that ALL continues to perform well in higher tonnage segments driven by the impressive growth in multi-axle vehicles (MAVs). Multi axles currently account for over 42% of ALL's truck sales. In the 16T-35T rigid axle segment, which forms bulk of the company's HCV sales, it has actually wrested market share away from Telco. And, as an increasing number of operators shift away from sub-16T trucks to heavier MAVs due to operational economics (refer Sector

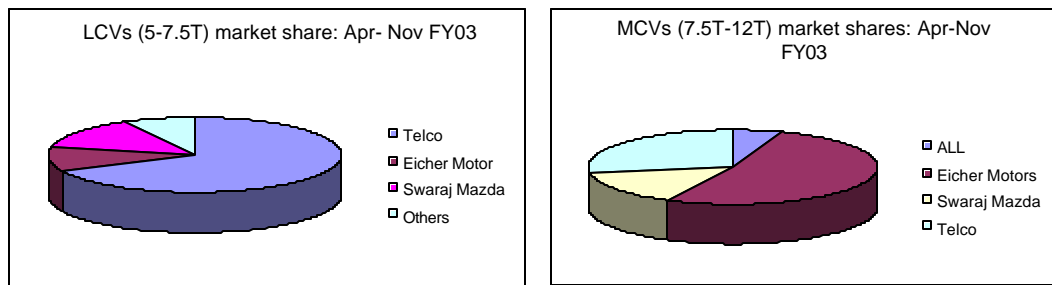
*Outlook*), the segment will continue to grow at a fair clip going forward. For FY03 YTD, the 16T-35T segment (including both rigid axle and tractor trailers) has grown by almost 30% YoY. While we don't expect these high growth rates to sustain, the segment should grow at a CAGR of 11-13% through FY04, benefiting ALL in the process as it continues to gain market share from the competition.

### New launches to spruce up product portfolio

#### **Ecomet to bridge gap in under 12 tonne segment**

In the 'under 12 tonne' segment -- a market that has been dominated by competitors Telco and Eicher Motors -- ALL till date has had limited presence. With the LCV and MCV segments registering growth rates upwards of 30% YTD, both Telco and Eicher Motors have hugely benefited from this growth. ALL is present in this segment through its *Cargo* range of vehicles- *Cargo 759*, *Cargo 909* and *Cargo 100.12*. However, the company has failed to make any significant impact here, which is evident from the low market share that ALL commands in the segment.

**Exhibit 4: Insignificant presence in 5T-12T LCV/MCV segments**



Source: SIAM

In an attempt to reverse this and improve its positioning in the segment, ALL will be launching the new range of vehicles *Ecomet*. This new offering from the ALL stable is slated for a January 2003 launch and will be available in 7, 9, 11 and 25 tonnes categories. These vehicles will boast of the highly efficient *Hino* engines together with the comforts of an aesthetic modern cabin. The new 7 and 9T *Ecomet* vehicles will be in direct competition with Eicher's successful 10.75 and 10.9 models and Telco's recently launched *LPT 709 EX* series. While we think that it could be some time before ALL begins to generate major volumes from the *Ecomet* range of vehicles, the launch fills a major gap in ALL's product portfolio.

#### **New launches on Hino platform**

In the heavier tonnage segments, ALL has launched the 'H series' on its new preferred *Hino* engine platform. These vehicles will be available in capacities of 16,25 and 35T GVW. The new launches are aimed at consolidating ALL's engine platforms (comprising the *Leyland*, *Iveco* and *Hino*) towards the *Hino* as well as countering competition from Telco's latest launch, the *EX Series*. ALL has also expanded its *Hino* engine capacity to 60,000 units a year, which should take care of earlier capacity constraints and allow it to launch an increasing number of vehicles on his platform.

### Bus segment demand: A question of 'when' rather than 'if'

#### **STUs play spoilt sport**

The bus segment has stagnated in recent times due to lack of demand from STUs thanks to their poor financial state. To make matters worse, private operator demand has also failed to materialize in a major way.

**Demand for CNG buses, cleaner environment needs augur well**

The key to demand in the segment would be intervention by the Judiciary to move towards cleaner alternative fuels on the lines of what happened in Delhi. Given the deteriorating environmental conditions, especially in the metros, we believe that the government will have to shift to alternative fuels, which would boost demand for CNG buses. ALL's dominant position in the passenger segment makes it a favoured player and stands to benefit greatly.

**Another positive in Bus routes privatisation**

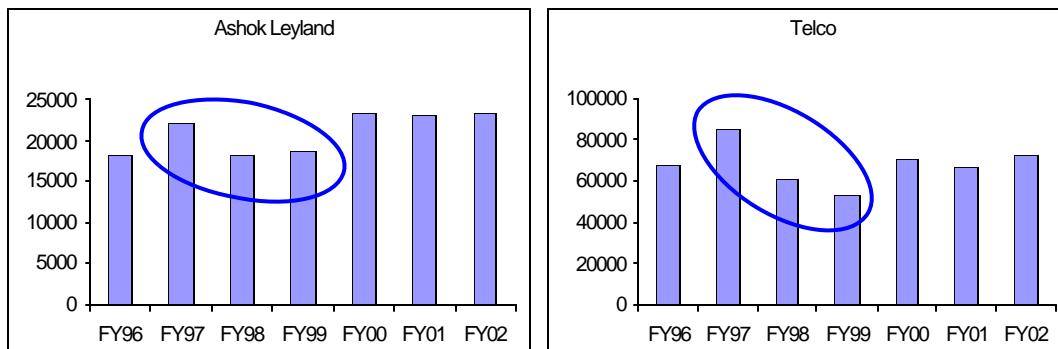
Another emerging trend that could have a positive long-term impact on demand is the part privatisation of bus routes held by state governments. The state of Tamil Nadu has already initiated such a move. After State Electricity Boards (SEBs), state-run transport corporations are the biggest drain on the exchequers of most state governments. Bus route privatisation could be an effective way to raise money for these cash strapped state governments.

**De-risked revenue model**

**Defence, buses lend stability**

Over the years, ALL has significantly de-risked its revenue model. Over 24% of revenues are obtained from sales of engines, castings, spares and CKD/CBU units to Defence. To add to this, over 30% of commercial vehicle volumes come from the bus segment. All these businesses are a lot less volatile than the cyclical truck business. We believe that the diversified revenue mix should enable the company to tide over temporary downturns in its core truck business and in the process lend stability to its future earnings and revenue stream.

**Exhibit 5: Revenue stream in '98 downturn less volatile than Telco's**



Source: Company Data

Outside the core civil commercial vehicles business, sales to Defence is the largest contributor to ALL's topline. ALL supplies vehicles to the Military in both CKD and CBU forms. In FY02, ALL's CKD sales grossed Rs3.4bn approximately, accounting for nearly 14% of total sales. With limited competition from Telco in the Defence segment, we expect ALL to maintain market share in this segment.

**Operational efficiency improvements to continue**

ALL has successfully improved operational efficiency over the last few years through a combination of stringent cost cutting measures including working capital downsizing, value engineering and strategic sourcing.

**Vendor rationalisation program**

ALL embarked on an extensive vendor rationalisation program, which helped it reduce vendors from 1500 three years back to under 900 currently. The company is looking at further reducing the number to 500 in the next few years.

**Supply chain connectivity**

The company is also investing close to Rs500mn in an enterprise wide IT infrastructure to connect dealers, suppliers and customers. Once completed, this system will enable ALL to improve efficiencies in its supply chain as also rationalise inventory-carrying costs.

**Operating profit grows at 17% CAGR over FY98-02**

As a result of these various initiatives, ALL's operating profit grew at a CAGR of 17% over FY98-02 to Rs2932mn in FY02. Going forward, we expect ALL's return ratios to improve significantly on the back of improvements in operating margins and asset turnover. Continuous raw material cost cutting and vendor rationalisation should help improve operating margins from 12.6% in FY02 to 14.9% in FY04. Furthermore, better asset utilisation and asset de-risking measures will help improve asset turnover from 1.12 in FY02 to 1.29 in FY04. As a result, RoCE will also spurt to 10.1 in FY04 from 7.7% in FY02; we expect RoNW to surge to 15.3% from 8.6% in FY02.

## Sector Outlook

### Road projects will keep volumes robust

The National Highways Development Programme being implemented by the NHAI is India's largest highway project ever conceived by the Government of India. At an estimated aggregate cost of Rs54000crore, the project envisages construction of over 13,500 kms of four and six lane highways.

#### Large roadway projects completion re-scheduled

The project is being implemented in phases and has three main components – the GQ, NS & EW corridor and Port connectivity. The GQ will connect the four metros– Delhi, Mumbai, Kolkata and Chennai. Most of the contracts on the GQ have already been awarded and the completion schedule has been brought forward from end 2004 to end 2003. The project, the NS & EW corridors will involve a highway network connecting the four corners of the country. This second phase is scheduled for completion by December 2007. The Ports connectivity project involves linking major ports of the country to these highways.

#### Exhibit 6: GQ, NS &EW and Port Connectivity project details

	GQ	NS-EW	Port connectivity
Total length (kms)	5846	7300	363
Completed (kms)	1159	817	56
Under implementation (kms)	4535	671	113
Contracts yet to be awarded (kms)	136	5812	194
Scheduled completion schedule	Dec-03	Dec-07	Dec-04

Source: NHAI

#### Incentives push project completion, efficiency levels

To date, work on just 2,000 of the planned 13,500 kms has been completed. While sheer scale of such a project would bring in an element of uncertainty over the ability of NHAI to successfully execute the project, fast paced execution of the GQ project this far gives us some confidence. One of the primary reasons for this fast execution has been the excellent leadership of Major General B C Khanduri, the Minister for Road Transport and Highways. Among other things, General Khanduri has used an effective system of bonuses and penalties to motivate contractors to complete the construction work on time. According to the system, contractors completing projects a month ahead of schedule get a 1% bonus, while for every month of delay the contractor faces a 1.5% penalty.

#### Healthy outlook for medium term

With work on these road projects expected to carry on till 2007 at least, we believe that demand for trucks to move construction equipment and materials (cement, bitumen, etc.) will remain healthy in the medium term. Furthermore, this will result in the creation of demand for application specific vehicles like tippers.

#### PM's dream project

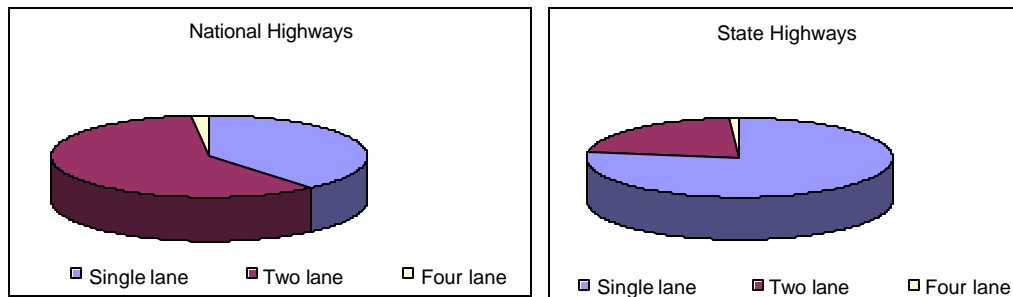
However, it would be prudent to mention here that part of the reason for the fast pace of project execution is that the project has been the Prime Minister's dream project. As a result, unnecessary delays were avoided. However, with the general elections coming up in October '04, there exists a risk that the project work may slacken in the event of change in leadership at the Centre.

Quality road infrastructure to drive shift from rail to road

**Road transport, expensive proposition**

India currently boasts of an extensive roads network of 3.2 million kms comprising national and state highways, district, urban and rural roads and other special purpose roads for the military and ports. Thus, India's highway density (highways per square km) at 0.66 km compares favorably with countries like China (0.16 km) and Brazil (0.20 km). But, India loses out to these countries in terms of lane capacity and surface quality. For instance, most national highways in India are either two lanes or single lane; in case of state highways, over 75% are single lane. This, put together with poor surface quality of both national and state highways makes the Indian road transport system highly inefficient and a costly proposition.

**Exhibit 7: Capacity composition of National and State Highways**



Source: World Bank transport statistics

With increasing number of highways becoming four lanes and six lanes and with the surface quality improving significantly too, operating costs for the road transporters are expected to decline. Road transport is expected to become a much more viable option compared to rail transport.

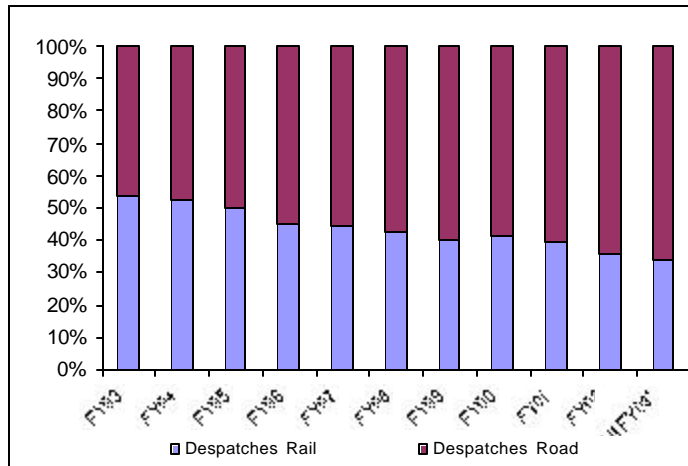
**Rail giving way to improving, expanding road transport**

Currently, over 65% of freight traffic is handled by the road system, with railways being used mostly for bulk items like coal, cement and steel. Railway freight charges are however, higher than normal due to the burden of cross-subsidisation of passenger fares. Since removal of these subsidies will be anti-populist in nature, we foresee a lack of political will power on the part of the government and expect these subsidies to stay in the near future. As a result, railway freight charges would continue to remain at current levels. With imminent improvements in the roads network (and therefore an improvement in efficiency and reduction in operating costs), we expect road transport to make greater inroads into traditional railway domains.

**Cement dispatches switching to roads from rail**

Take the case of the cement industry for instance, one of the largest revenue earners for the railways. According to industry sources, over short distances (dispatches under 400km), per tonne freight cost goes up by 15-20% when rail is used over road transport. Consequently, the share of road transport in cement industry dispatches has moved up from 46% in 1992-93 to 66% in H1 FY03.

Exhibit 8: Road usurping market share from rail in cement



Source: Cement Manufacturer’s Association of India

**Shifting preference to lower cost MAVs**

Another development that would have a positive long-term effect on CV demand, especially heavier ones, is the emergence of the hub and spoke model of distribution thanks to a well-developed highway network. This would involve heavier tonnage multi-axle vehicles and tractor-trailers running between hubs, MCVs and LCVs transporting from hubs to various regional cities and towns and, LCVs and three-wheelers providing last mile connectivity. As this distribution model is widely implemented, we expect transporters to shift to heavier multi-axle vehicles, as operating costs for these on a per tonne/km basis would be lower.

**Proliferation of organised financing at lower rates**

**New private, MNC banks making the difference**

Traditionally, the CV financing business has been dominated by NBFCs. Lately though, a few new private and multinational banks namely HDFC Bank, ICICI Bank and Citibank have entered the CV financing business as an extension of their car financing businesses. Apart from their ability to offer lower interest rates (thanks to their lower cost of funds), they are also in a position to offer a whole gamut of banking services to fleet operators. Another motivation for banks in this space is that by lending to operators with a fleet of less than six vehicles, they can fulfill their priority sector lending requirements. This means that even the smaller operators have easy access to finance following entry of these banks.

**Falling interest rates**

With increasing competition in the CV financing business and interest rates across the board continuing to drop, CV financing rates would remain soft. Financing rates have fallen from over 15% per annum a year back to 11-12% currently. Some larger operators are able to negotiate even lower rates.

**Regional NBFCs-Banks’ tie-ups to boost demand**

Apart from lower rates, another trend that will improve access to finance will be the proliferation of organised program-based lending in small towns and remote areas. Banks are making up for the lack of a network in these backward areas by tying up with regional NBFCs to service clients. This, we believe, will be a long-term positive for CVs as smaller towns and cities will add to CV demand.

---

## Risks

### Weak position in the North

ALL's major sales are to the Southern and Western regions while Telco continues to dominate the market in the North. This, we believe increases market risk. The effect of this was particularly evident in the current year, when economic activity in the North recovered at a faster pace than the South, leading to growth disparities in CVs between the two markets. ALL has been trying to address this concern by increasing focus on the Northern markets. In FY02, ALL increased its market share in M&HCVs in the North by 700 basis points to 26%.

**Profit & Loss Account**

Rs Million

Year ending March 31	2000	2001	2002	2003E	2004E
<b>Net Revenues</b>	<b>23,310</b>	<b>23,150</b>	<b>23,274</b>	<b>26,015</b>	<b>28,908</b>
<i>YoY % growth</i>	24.3	-0.7	0.5	11.8	11.1
<b>Total expenditure:</b>					
Raw material	15,192	15,181	15,364	16,701	18,501
<i>% of revenues</i>	65.2	65.6	66.0	64.2	64.0
Wages & salaries	2,286	2,531	2,600	2,784	2,804
<i>% of revenues</i>	9.8	10.9	11.2	10.7	9.7
Selling & Admin expenses	744	795	900	885	983
<i>% of revenues</i>	3.2	3.4	3.9	3.4	3.4
Finished goods purchases	711	699	587	780	795
<i>% of revenues</i>	3.1	3	2.5	3.0	2.8
Other Expenses	1,743	1,100	891	1,312	1,526
<i>% of revenues</i>	7.5	4.8	3.8	5.0	5.3
Operating profit	2,634	2,843	2,932	3,553	4,298
<i>OPM</i>	11.3	12.3	12.6	13.7	14.9
Other income	537	424	490	470	446
<b>EBITDA</b>	<b>3,171</b>	<b>3,268</b>	<b>3,423</b>	<b>4,023</b>	<b>4,744</b>
Interest	1,427	1,349	1,153	1,081	1,097
Depreciation	824	884	954	1,033	1,127
<b>PBT (before non-recurring &amp; extraordinary)</b>	<b>920</b>	<b>1,035</b>	<b>1,317</b>	<b>1,909</b>	<b>2,520</b>
Non-recurring & extraordinary	12	-15	6	-160	-160
<b>PBT (after non-recurring &amp; extraordinary)</b>	<b>933</b>	<b>1,019</b>	<b>1,322</b>	<b>1,749</b>	<b>2,360</b>
Tax	148	103	400	540	764
<b>PAT</b>	<b>785</b>	<b>917</b>	<b>922</b>	<b>1,209</b>	<b>1,596</b>
<i>NPM</i>	3.4	4.0	4.0	4.6	5.5
Shares outstanding	119	119	119	119	119
EPS (Fully diluted in Rs)	6.6	7.7	7.8	10.2	13.4

**Key Ratios**

Year ending March 31	2000	2001	2002	2003E	2004E
Debt to Equity (x)	0.87	0.82	0.88	0.91	0.83
Inventory (Days)	81	93	107	98	99
ROCE (%)	7.1	7.0	7.7	8.6	10.1
RONW (%)	7.2	8.2	8.6	12.1	15.3
P/E (x)	14.9	12.7	12.6	9.6	7.3
P/BV (x)	1.1	1.0	1.2	1.2	1.1
EV/EBIDTA (x)	6.8	6.3	6.1	5.1	4.2

**Balance Sheet**

Rs Million

Year ending March 31	2000	2001	2002	2003E	2004E
<b>Liabilities</b>					
Equity share capital	1,189	1,189	1,189	1,189	1,189
Reserves & surplus	9,867	10,224	8,866	8,710	9,767
Net worth	11,057	11,414	10,055	9,899	10,956
Long term debt	4,371	6,208	5,801	5,953	6,178
Short term debt	5,286	3,122	3,083	3,009	2,963
Total debt	9,657	9,330	8,884	8,963	9,141
Deferred Tax Liability	-	-	1,892	2,048	2,270
<b>Total Capital Employed</b>	<b>20,714</b>	<b>20,744</b>	<b>20,831</b>	<b>20,910</b>	<b>22,367</b>
<b>ASSETS</b>					
Gross block	14,666	15,222	16,639	17,846	19,152
Less: accumulated depreciation	5,794	6,578	7,343	8,377	9,503
Net block	8,872	8,644	9,296	9,469	9,649
CWIP	308	698	537	336	351
Investments	1,204	1,180	1,173	1,732	2,597
Current Assets:					
Inventories	4,578	5,177	5,953	6,029	6,655
Debtors	7,562	6,680	4,928	5,398	5,826
Cash & Bank balances	373	1,649	2,749	2,241	1,999
Other current assets	2,130	2,129	1,921	1,776	1,782
Current Liabilities					
Creditors	3,013	3,850	4,277	4,621	4,990
Provisions	676	740	788	788	848
Other liabilities	624	821	662	663	654
<b>Net Current Assets</b>	<b>10,329</b>	<b>10,223</b>	<b>9,825</b>	<b>9,373</b>	<b>9,762</b>
<b>Total Capital Employed</b>	<b>20,714</b>	<b>20,744</b>	<b>20,831</b>	<b>20,910</b>	<b>22,367</b>

**Free Cash Flow**

Year ending March 31	2000	2001	2002	2003E	2004E
EBIT	2,347	2,384	2,469	2,990	3,617
Less adjusted tax	490	459	636	608	782
NOPLAT	1,857	1,925	1,833	2,382	2,835
Add:					
Depreciation	824	884	954	1,033	1,127
Gross Cash Flows	2,681	2,809	2,787	3,415	3,962
Less:					
W Capital additions	332	(1,120)	(1,401)	202	683
Capital Expenditure	857	549	1,411	1,200	1,300
<b>FCF from operations</b>	<b>1,492</b>	<b>3,380</b>	<b>2,777</b>	<b>2,013</b>	<b>1,979</b>

<b>Stock Ratings</b>	<b>Absolute Returns</b>
Buy	: > 25%
Out Performer	: 16 - 25%
Market Performer	: 0 - 15%
Under Performer	: < 0%

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