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## MRF - RESULT UPDATE

29<sup>TH</sup> JANUARY, 2010

### STOCK DETAILS

<b>BSE Code</b>	<b>500290</b>
<b>Current Market Price</b>	Rs. 5,825/-
<b>Market Capitalisation</b>	Rs. 24,968 mn
<b>Face Value (Rs.)</b>	Rs. 10/-
<b>Book Value (Rs.)</b>	Rs. 3,239/-
<b>52 Wk High (BSE)</b>	Rs. 6,899/- (21 <sup>st</sup> Dec 2009)
<b>52 Wk Low (BSE)</b>	Rs. 1,501/- (06 <sup>th</sup> Mar 2009)

### Standalone (Rs. in mn)

Particulars	Q 1 FY 10	Q1 FY 09	YoY % change	Q4 FY 09	QoQ % change	FY 09	FY 08	% change
<b>Net Sales</b>	<b>16,563</b>	<b>13,519</b>	<b>22.5%</b>	<b>14,768</b>	<b>12.15%</b>	<b>56,728</b>	<b>50,469</b>	<b>12.4%</b>
<b>EBITDA</b>	<b>2,489</b>	<b>171</b>	<b>1355%</b>	<b>2,488</b>	<b>0.04%</b>	<b>6,914</b>	<b>4,109</b>	<b>68.3%</b>
Margins (%)	15%	1.26%	1090%	16.8%	(10.7)%	12.19%	8.14%	49.7%
Depreciation	638	537	18.8%	800	(20.2)%	2,493	1,695	47%
Interest	117	228	(48.6)%	143		689	663	3.92%
Other Income	60	41	(46.3)%	81	(26)%	253	363	(30.3)%
<b>PBT</b>	<b>1,794</b>	<b>(553)</b>	<b>424%</b>	<b>1626</b>	<b>10.3%</b>	<b>3,985</b>	<b>2,114</b>	<b>89%</b>
Tax	(600)	170	-	(657.4)		(1,455)	(668)	
<b>PAT</b>	<b>1,194</b>	<b>(383)</b>	<b>412%</b>	<b>969</b>	<b>23.2%</b>	<b>2,530</b>	<b>1,446</b>	<b>74.9%</b>
Margins (%)	7.18%	-	-	6.53%	9.95%	4.44%	2.84%	56%
No. of Equity Shares (mn)	4.24	4.24	-	4.24	-	4.24	4.24	-
<b>EPS</b>	<b>282</b>	<b>(90.3)</b>	<b>412%</b>	<b>229</b>	<b>23.14%</b>	<b>596</b>	<b>341</b>	<b>74.7%</b>



Consolidated (Rs. in mn)

Particulars	FY 09	FY 08	% change
Net Sales	56,773	50,510	12.4%
EBITDA	6,905	4,106	68.1%
Margins (%)	12.1%	8.13%	4.88%
Depreciation	(2,504)	(1,702)	47.1%
Interest	(690)	(663)	4.07%
Other Income	251	361	(30.4)%
PBT	3,962	2,102	88.4%
Tax	(1,455)	(668)	117.8%
PAT	2,507	1,434	74.8%
Margins (%)	4.4%	2.82%	56%
No. of equity shares (mn)	4.24	4.24	-
EPS	591	338	74.8%

Q1 FY 10 Result Analysis

- 1) **Growth in Net Sales:** Net sales of the company improved by 22.5% YoY to Rs. 16,563 mn in Q1FY 10 on account of higher volumes. It was mainly on account of sharp rebound in sale of vehicles due to revival in fortunes of Auto Industry.
- 2) **EBITDA:** Huge upside was seen in EBITDA of Q1 FY 10 on YoY basis. The rise can be partially attributed to bleak Auto industry scenario in Q1 FY 09 as economy was facing recessionary trends which resulted into lower sales and rubber prices were at its peak leading to depressed EBITDA margins. The rise in YoY sales was mainly due to low base effect.  
On QoQ basis, EBITDA has increased by meagre 4 basis points to Rs. 2,489 mn in Q1 FY 10.
- 3) **Raw Material Expenditure:** Rubber prices have increased by 38% from Rs. 106.5 per kg (Sep 09) to Rs. 140/- per kg (Dec 09). This has been partially mitigated by fall in prices of petroleum based inputs like carbon black & polybutadiene. Due to revival in the auto industry, tyre manufacturers have been able to pass on the increased cost of raw material prices to its customers in the form of increased pricing of tyres. Any future rise in raw material prices is likely to be partially offset by volume growth and increase in tyre prices as evident in Q1 FY 10.



### Impact of Rubber Prices:

Particulars	Rubber (Rs. per kg)	Rice (% of sales)	Total Raw Material Expenditure	Net Profit Margin (%)
March - 09	Rs. 73.8	56.68%	4.87%	
June - 09	Rs. 80.8	53.48%	8.69%	
Sep - 09	Rs. 106.5	70.44%	6.53%	
Dec - 09	Rs. 140	64.47%	7.18%	

Source: Rubber Board of India, Company Results

**Note: Effect of Raw Materials acquired would be seen in the results of the next quarter.**

Raw materials acquired (rubber in Dec 09 at Rs. 140 per kg would be reflected in Results of Mar - 2010 and same would be the case with quarters from there onwards)

**Sequential rise in Net Profits:** Net profit of the company (QoQ) has increased from Rs. 969 mn to Rs. 1,194 mn in Q1 FY 10.

### OUTLOOK

With the worst behind us, demand from OEMs and replacement market would determine the topline in coming quarters.

Volume growth, raw material prices and ability of MRF to pass on the increased raw material costs to its customers will determine its future profitability.

With due consideration for all the above factors and Q1FY10 results in line with our expectations, we recommend **"Accumulate"** on dip for long term investors.



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