



Portfolio Track Information Data	BSE Code	Grade	FV (Rs.)	CMP	52Weeks H/L
<b>Force Motors Ltd.</b>	<b>500033</b>	<b>D</b>	<b>10</b>	<b>Rs. 822</b>	<b>Rs. 1045/254</b>

### STOCK DATA

Target Price	Rs.1080	
Reuters Code	FORC.BO	
Bloomberg Code	FML IN	
NSE Symbol	BAJAJTEMPO	
Mkt.Cap.	Rs. 10834 mn	
Shares Outstanding(*)	13.18 mn	
Avg. Daily Volume (6m)	21668 Shares	
Price Performance (%)		
1M	3M	6M
(16)	78	139
<b>200 Days EMA Rs.560</b>		

\* On fully diluted equity Shares

### SHARE HOLDING (%)

Promoters	51.8
FII	1.6
FI / MF	0.4
Body Corporates	27.8
Public & Others	18.4

- Force Motors Ltd. (FML) is a vertically integrated automobile company which has developed pioneering products for the light CV transport segment in India, with iconic brands like Tempo, Metador, Trax, Traveller, etc. FML also has a 50:50 JV “MAN FORCE TRUCKS Pvt. Ltd” with MAN Nutzfahrzeuge AG for manufacturing & sale of HCVs.
- FML’s performance during the past few years was affected due to the inter-union rivalry at its Pune plant which also delayed the commercialization of its production in the JV company & generally impacted its ability to benefit from the CV market boom during FY2005 to FY2008. Also, the large investments done in the JV company starved investments into its core business leading to a deterioration in its financial performance till FY08.
- During FY09 & FY10, its cash flow improved substantially following the sale of a 20% stake in the JV company to its partner as well as the divestment of FML’s holding in ZF Steering Gear (India) Ltd. thereby substantially improving its cash availability & balance sheet position. The year FY10 was the turnaround year for FML. While its labour problems have yet not been fully resolved, FML shifted the production of some of the critical components to its Pithampur plant thereby ensuring smoother manufacturing & increased output at its Pune plant.
- FML sold a part of its stake (20%) in the JV to MAN for about Rs.310 crs in FY09, translating into a valuation of Rs.1550 crs for the JV company (thereby valuing FML’s remaining 50% stake in the JV at around 750 to 800crs).
- Its newly introduced model “TRUMP” in the Small CV segment has received a good response from the market & is expected to do well in the coming years. In its tractors segment, although FML has small market presence currently, it is planning to grow substantially given its strong product-line & large unutilized mfg capacities.
- FML has developed a new platform for the SUV segment. While it will have a Mercedes engine, the body, interiors and features offered are in the category of a high quality SUV. FML plans to launch it by Q1FY12.
- During H1FY11, its sales increased by 56% YoY to Rs.6477 mn. Its EBIDTA increased by 129% to Rs.646 mn, while the margins increased by 300 bps to 9.4%. Its APAT stood at Rs.241 mn as against Rs.19.4 mn in H1FY10.
- Looking ahead, FY11 & FY12 promises to be good years for FML as domestic market has taking off. Its volumes in the last 2 quarters have grown at 55%+ and have outgrown the industry. Such high growth rates have been achieved despite of component supply issues, hence It is expected to maintain high growth in the coming quarters as the component supply improves. At Rs.822, the stock is attractively priced at 9.1x its FY12E earnings.

Y/E Mar.	REVENUE (Rs.mn)	APAT (Rs.mn)	AEPS (Rs.)	AEPS (% Chg.)	P/E (x)	ROCE (%)	ROE (%)	P/BV (x)
FY10	10286.3	387.7	29.4	(121.4)	27.9	16.1	15.2	3.8
FY11E	16171.8	633.2	48.0	63.3	17.1	15.4	20.3	3.2
FY12E	21700.4	1186.2	90.0	87.3	9.1	20.8	30.2	2.4

**BUSINESS DIVISIONS:-**

FML is a fully vertically integrated Automobile Manufacturer, engaged in the full value chain from Product Design, Production Engineering and Comprehensive Manufacturing to Sales - of a wide range of Automotive Products, comprising of Light Commercial Vehicles (LCVs), Multi Utility Vehicles (MUVs), Agricultural Tractors and Three Wheeler Vehicles. The product portfolio covers three aspects Passenger Transport, Goods Transport and Working Agricultural Productivity Vehicles.

➤ **SMALL COMMERCIAL VEHICLES (SCV)** :- FML introduced new models of SCV with the brand name “TRUMP”. The new offerings- TRUMP 15 & TRUMP 40 received a good response from the market & is expected to do well in the coming years.

Trump is a brand new and excellently engineered SCV - economical, reliable and environment friendly - extremely efficient goods transport. FML sold around 2,800 number of vehicles in its introductory phase (FY10). The Trump now attracts demand in the order of 2,000 units per month but are unable to meet it entirely because of component supply constraints. The company expects the supply problems to be resolved over the coming months. Trump competes against products such as Tata Motors Ace and Mahindra Maxximo.



➤ **MULTI UTILITY VEHICLES (MUV)** :- FML manufactures a wide range of MUV’s including the Trax GAMA, Trax Cruiser, Trax Kargo King, range of single cabin and double cabin pickups. The TRAX Vehicle, specifically designed for the rough roads of rural India was developed by the Company's Research & Development department, to cater to the growing mechanisation of passenger transport in rural India.

FML sold 7,176 of MUV’s in FY10. Trax range has also picked up in the market & the company expects to do well in coming quarters.



- **LIGHT COMMERCIAL VEHICLES (LCV) :-** FML took up the production of the TRAVELLER, under licence from Daimler-Benz. A new Plant was set up in 1987, on a greenfield site in Central India at Pithampur in Madhya Pradesh. This modern facility was developed in close co-operation with Daimler-Benz. Traveller is powered by rugged, reliable and fuel efficient engines derived from the legendary Mercedes OM 616 engines. About two years ago, demand for the product was just 350 units per month. Now, Traveller has huge demand in the market and needs approximately 1,500 units per month, due to certain component shortages, FML are able to supply only 1,000 units. The company expects the supply problems to be resolved in the next few quarters. FML sold around 10,009 numbers of LCV's in FY10.



- **TRACTORS :-** Balwan and Orchard are modern tractors designed for demanding farmers of developing countries. FML sold 612 Tractors in FY10. In its tractors segment, although FML has small market presence currently, it is planning to grow substantially given its strong product-line & large unutilized mfg capacities.



- **Engines & Axles business :-** Force Motors and Daimler have a long and fruitful association which extends way back into the early eighties. Fully aware of FML's strength in terms of engineering infrastructure and capabilities they had asked FML to set up a dedicated facility for assembling and testing engines for Mercedes passenger cars to be made in India. Till date, they have supplied over 21,000 engines. The warranty on engine assembly and testing is with FORCE. This business has now grown to a substantial size as FML has over the last two years also added axles (both front and rear) of the C and E class passenger cars.

- **SPORTS UTILITY VEHICLE (SUV)** :- SUV is a shift, the company is taking; it's going to target the urban areas. The SUV market is around Rs. 60000 cr. growing substantially @ 18-20%. FML has indigenously developed the SUV that will be positioned in the range of Rs 10-15 lakh and will be launched by Q1FY11.

Force Motors has even sourced a Daimler engine (the company that owns the Mercedes brand of vehicles) to be fitted in the new SUV. This new vehicle, which has been built on an entirely new platform developed by the company, will come with the option of seating five to seven people.

FML will build the SUV at the company's factory located in Pithampur investing around Rs. 150 crore for an installed annual production capacity of 24,000 units. To ensure proper sales and distribution of the Force SUV, FML has set up a new vertical for R&D, manufacturing, marketing & sales.

In the coming months, Tata Motors is gearing up to launch a refurbished Safari. Mahindra is planning to launch its world SUV (code named W201). Ford is planning to launch a small SUV in this category. And even Skoda will launch the Yeti, the 5 seater SUV. The upcoming Force SUV has to face this stiff competition.



**MAN FORCE TRUCKS Pvt. Ltd.**

FML also has a 50:50 JV “MAN FORCE TRUCKS Pvt. Ltd” with MAN Nutzfahrzeuge AG for manufacturing and sale of Heavy Commercial Vehicles (HCVs).

- MAN FORCE TRUCKS Pvt. Ltd. is a 50:50 Joint Venture between MAN Nutzfahrzeuge AG of Germany and FORCE Motors Ltd. India. With an installed capacity of 24,000 trucks p.a. at its ‘state of the art’ plant at Pithampur, near Indore (MP).
- Combining MAN’s proven leading edge technology with FORCE Motors 50 years experience in the Indian Commercial Vehicle Industry; these Trucks are made for the Indian conditions and market, using the Top Technology from MAN.
- **PRODUCTS:-** Considering the wide range of requirements in the goods transportation sector, MAN FORCE TRUCKS manufactures Mining & Construction Tippers, Haulage Tractors and Multi Axle Trucks, etc.
- FML sold a part of its stake (20%) in the JV to MAN for about Rs.310 crs in FY09, translating into a valuation of Rs.1550 crs for the JV company (thereby valuing FML’s remaining 50% stake in the JV at Rs.775 crs, i.e. about Rs. 588 per share of FML).
- In FY10, MAN FORCE had sold around 1800 vehicles with net sales of around Rs. 1954 mn as compared to Rs. 1620 mn in FY09, registering a growth of 21%. Its loss reduced from Rs. 1264 mn in FY09 to Rs. 152 mn in FY10. Considering the various new products to be launched in this segment, the JV is planning to sell 5000+ vehicles in FY11 and we believe that the company can reach a break even level by end of FY11.

**BULKER**



**TIP TRAILER**



**MOBILE BATCHING PLANT**



**FIRE TENDER**



**TRANSIT CONCRETE MIXER**



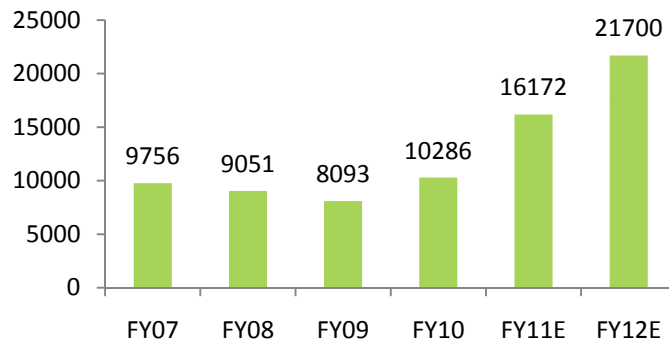
**TIPPERS**



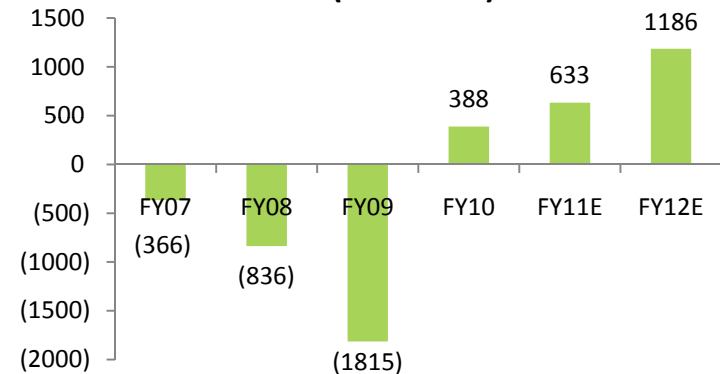
## Financial Performance

FML's performance in the past years till FY09 was not good. The year FY10 was the turnaround year for FML. The company introduced new models of Small Commercial Vehicles with the brand name "TRUMP". The new offerings- TRUMP 15 & TRUMP 40 received a good response from the market & is expected to do well in the coming years. FML is even launching SUV by end of FY11 and even plans to increase its presence in the tractors division in a big way which will bring in good growth in years to come. FML is also planning a CAPEX of Rs. 1000 cr in the coming years to invest in new technology and making it a Rs.5000 cr group company by FY2012-13.

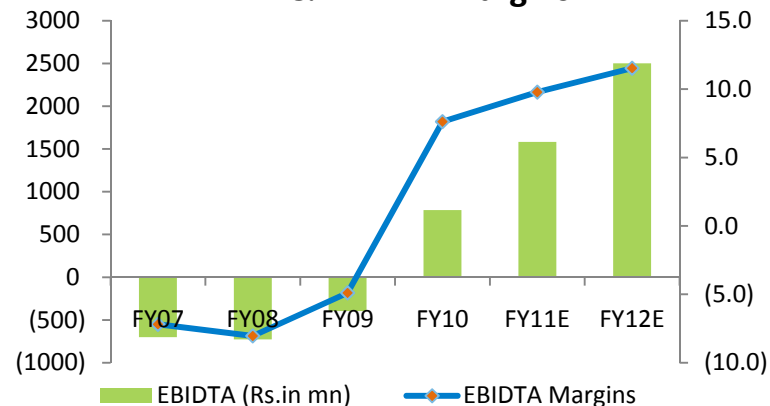
**Sales (Rs. in mn)**



**APAT (Rs. in mn)**



**EBIDTA & EBIDTA Margins**



## Quarterly Statement

(Rs.mn)

Y/E March	Q2FY10	Q2FY11	H1FY10	H1FY11
Net sales	2409.9	<b>3742.7</b>	4420.0	<b>6886.5</b>
Growth %	1.0	<b>55.3</b>	-	<b>55.8</b>
Total Expense	2203.3	<b>3440.7</b>	4137.8	<b>6240.5</b>
<b>EBITDA</b>	<b>206.6</b>	<b>302.0</b>	<b>282.2</b>	<b>646.0</b>
Growth %	(396.8)	<b>46.2</b>	-	<b>128.9</b>
Margin %	8.6	<b>8.1</b>	6.4	<b>9.4</b>
Interest	44.9	<b>42.8</b>	88.8	<b>80.6</b>
Depreciation	104.0	<b>109.9</b>	208.3	<b>213.5</b>
Other Income	11.6	<b>6.1</b>	12.5	<b>7.6</b>
<b>PBT</b>	<b>69.4</b>	<b>155.4</b>	<b>(2.4)</b>	<b>359.6</b>
Margin %	2.9	<b>4.2</b>	(0.1)	<b>5.2</b>
Tax	(10.1)	<b>23.8</b>	(21.7)	<b>118.5</b>
Rate %	(14.6)	<b>15.3</b>	920.5	<b>33.0</b>
<b>APAT</b>	<b>79.5</b>	<b>131.6</b>	<b>19.4</b>	<b>241.1</b>
Non-Recurring Items	0.0	<b>0.0</b>	0.0	<b>0.0</b>
<b>RPAT</b>	<b>79.5</b>	<b>131.6</b>	<b>19.4</b>	<b>241.1</b>
Margin %	3.3	<b>3.5</b>	0.4	<b>3.5</b>

## PROFIT & LOSS

(Rs.mn)

Y/E March	FY09	FY10	FY11E	FY12E
<b>Total Sales</b>	<b>8092.7</b>	<b>10286.3</b>	<b>16171.8</b>	<b>21700.4</b>
Raw Material Consumed	6462.4	7328.6	11676.0	15689.4
Power, Fuel & Water Charges	147.0	197.1	266.1	319.3
Staff Cost	1205.5	1260.2	1739.1	1999.9
Other Expenditure	745.8	783.8	979.7	1263.8
Less: Pre-operative exps cap.	72.2	67.7	71.1	74.6
<b>Total Expenditure</b>	<b>8488.5</b>	<b>9502.0</b>	<b>14589.9</b>	<b>19197.8</b>
<b>PBIDT</b>	<b>(395.9)</b>	<b>784.3</b>	<b>1581.9</b>	<b>2502.5</b>
Interest	352.1	167.8	184.6	221.5
Depreciation	418.3	420.0	462.0	517.4
Other Income	4.6	15.7	16.8	20.2
PBT incl OI	(1161.6)	212.3	952.2	1783.8
Tax	652.9	(175.4)	319.0	597.6
<b>APAT</b>	<b>(1814.5)</b>	<b>387.7</b>	<b>633.2</b>	<b>1186.2</b>
Extraordinary items	(3060.2)	(216.5)	0.0	0.0
<b>RPAT</b>	<b>1245.7</b>	<b>604.3</b>	<b>633.2</b>	<b>1186.2</b>

## BALANCE SHEET

(Rs.mn)

As on 31 <sup>st</sup> March.	FY09	FY10	FY11E	FY12E
Share Capital	131.8	131.8	131.8	131.8
Reserves & Surplus	2143.4	2701.4	3260.6	4328.4
<b>Net Worth</b>	<b>2275.2</b>	<b>2833.2</b>	<b>3392.4</b>	<b>4460.2</b>
Secured Loans	940.8	620.0	930.0	1302.1
Unsecured Loans	668.4	858.3	944.1	1274.6
<b>Total Loan funds</b>	<b>1609.2</b>	<b>1478.3</b>	<b>1874.2</b>	<b>2576.6</b>
Deferred Tax Liability	338.2	88.0	162.8	342.4
<b>Capital Employed</b>	<b>4222.6</b>	<b>4399.5</b>	<b>5429.3</b>	<b>7379.2</b>
Net Block	2892.6	2843.1	3504.5	5287.1
Cap. WIP	201.5	122.3	500.0	500.0
Investments	571.6	567.4	567.4	567.4
Investments	1960.3	1937.3	2436.6	2615.6
Inventories	1228.9	1502.3	2125.6	2567.1
Sundry debtors	166.3	257.1	266.8	306.1
Cash & Bank	709.9	647.5	1018.1	1366.1
Loans & Advances	0.5	0.3	0.5	0.6
<b>Curr Assets</b>	<b>4065.9</b>	<b>4344.5</b>	<b>5847.5</b>	<b>6855.6</b>
<b>Curr Liab &amp; Prov</b>	<b>3508.8</b>	<b>3477.8</b>	<b>4990.1</b>	<b>5830.9</b>
<b>Net Current Assets</b>	<b>557.0</b>	<b>866.6</b>	<b>857.4</b>	<b>1024.7</b>
Miscellaneous Exp	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>4222.6</b>	<b>4399.5</b>	<b>5429.3</b>	<b>7379.2</b>

## FINANCIAL RATIOS

Y/E March	FY09	FY10	FY11E	FY12E
<b>Growth (%)</b>				
Net Sales	(10.6)	27.1	57.2	34.2
APAT	117.0	(121.4)	63.3	87.3
EBITDA	(45.6)	(298.1)	101.7	58.2
<b>Profitability (%)</b>				
EBITDA Margin	(4.9)	7.6	9.8	11.5
Adj. PAT Margin	(22.4)	3.8	3.9	5.5
ROCE	(28.8)	16.1	15.4	20.8
ROE	(109.8)	15.2	20.3	30.2
<b>Per Share Data (Rs.)</b>				
Adj. EPS	(137.7)	29.4	48.0	90.0
Adj. CEPS	162.3	58.7	93.9	149.6
BVPS	172.6	215.0	257.4	338.4
<b>Valuations (X)</b>				
PER	(6.0)	27.9	17.1	9.1
PEG	(0.1)	(0.2)	0.3	0.1
P/BV	4.8	3.8	3.2	2.4
EV / EBITDA	(31.0)	15.4	7.9	5.2
EV / Net sales	1.5	1.2	0.8	0.6
Dividend Yield (%)	0.0	0.4	0.6	1.0
<b>Turnover Days</b>				
Debtors days	55	53	48	43
Creditors days	140	108	97	82
<b>Gearing Ratio</b>				
Total Debt to Equity	0.7	0.5	0.6	0.6

Source: Company, Sushil Finance Research Estimates



**Please Note:**

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