

Key data 29 July 2008

Sector	Steel Pipes
Market Cap	Rs3.8bn/US\$0.1bn
52 Wk H/L (Rs)	178/66
BSE Avg. daily vol. (6 m)	101,853

BSE Code	513269
NSE Code	MANINDS
Bloomberg	MAN IN
Reuters	MIND.BO

Sensex	13,792
Nifty	4,190

Shareholding pattern (%)

	31-Mar-08	30-Jun-08
FII's NRI, ADR/GDR	13.9	14.4
MFs and institutions	16.9	15.9
Promoters	40.6	43.9
Others	28.6	25.8

Absolute returns (%)

	1mth	3mth	12mth
Man Inds	(9.0)	(31.6)	(45.1)
Sensex	4.0	(15.7)	(5.8)
BSE Metals	(7.0)	(20.8)	7.5

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Man Industries

Hold
Current Price: Rs 71
Target price: Rs 90
Revenues below our estimates, but margins surprise us on the upside
Figure 1: Actual Vs Religare Estimates

(Rs mn)	Q1FY09	Q1FY09E	Difference (%)
Net sales	3,169	3,550	(10.7)
EBITDA	388	320	21.3
EBITDA margins (%)	12.2	9.0	323bps
Adj PAT	145	100	45.5
PAT margins (%)	4.6	2.8	177bps

Source: Religare Institutional Equity Research

Financial highlights

- **Net Sales** decreased by 1.3% YoY to Rs 3.2bn.
- **EBITDA** increased by 1.3% YoY to Rs 388mn as EBITDA margins improved by 31bps to 12.2% due to a decline in raw material costs.
- **Depreciation** increased by 41% YoY to Rs 73mn. **Effective tax rate** increased by 760 bps to 34.3%.
- **Adjusted PAT** decreased by 17.6% YoY to Rs 145 mn. Adj PAT margins decreased by 90 bps to 4.6% because of an increase in tax rate and depreciation.

Valuation

The stock currently trades at 7.0x FY09 diluted earnings. We believe that the sharp correction in the stock price reflects the worst as it is trading at the bottom end of its PE band and any positive trigger including an increase in the order book position will lead to a spurt in the stock price. We maintain our **Hold** rating on the stock

Figure 2: Quarterly Performance

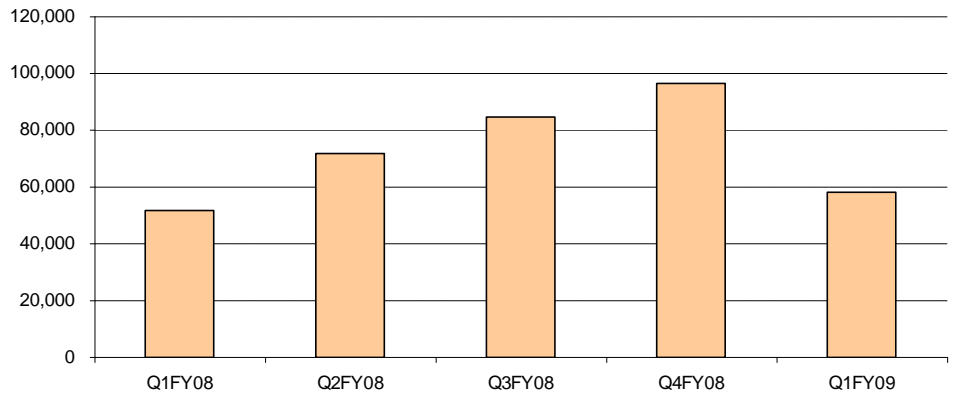
Y/E March (Rs mn)	FY08				FY09	FY08	FY09E
	1Q	2Q	3Q	4Q	1Q		
Net Sales	3,210	3,547	4,137	4,107	3,169	15,000	18,099
Change (%)	54.1	21.2	26.5	34.6	(1.3)	32.4	20.7
EBITDA	383	428	482	390	388	1,683	1,785
EBITDA margin (%)	11.9	12.1	11.7	9.5	12.2	11.2	9.9
Change (%)	60.4	29.7	48.0	(8.0)	1.3	27.7	6.1
Depreciation	52	53	80	98	73	282	368
Other income	3	0	0	0	0	3	20
Interest exp	93	62	88	71	94	314	415
PBT	240	313	315	221	221	1,089	1,023
PBT margin%	7.5	8.8	7.6	5.4	7.0	7.3	5.6
Change (%)	69.7	69.6	53.1	(28.2)	(8.0)	29.7	(6.1)
Ext ord exp/(inc)	0	0	0	0	0	0	0
Tax	64	124	108	79	76	375	331
Effective tax rate (%)	26.7	39.6	34.1	35.8	34.3	34.4	32.4
PAT (Reported)	176	189	207	142	145	714	691
Adjusted PAT	176	189	207	142	145	714	691
Adj PAT margin (%)	5.5	5.3	5.0	3.5	4.6	4.8	3.8
Change (%)	68.9	27.6	25.9	4.5	(17.6)	29.2	(2.9)
Equity Cap (Rs mn)	266	266	266	266	266	266	266
Adj EPS	3.3	3.6	3.9	2.7	2.7	13.4	13.0

Source: Religare Institutional Research

Other business highlights

- The current order book at Rs10bn is 0.67x FY08 sales and will be executed by Dec'08. The company has also participated in various tenders valued at US\$1bn and expects to win a decent share of it.
- During the quarter an export duty of 10% was levied for a period of 34 days due to which the company postponed its sales.
- Sales volume registered an increased of 13.4% YoY to 58,389 mn tonnes.

Figure 3: Sales Volume (MT)

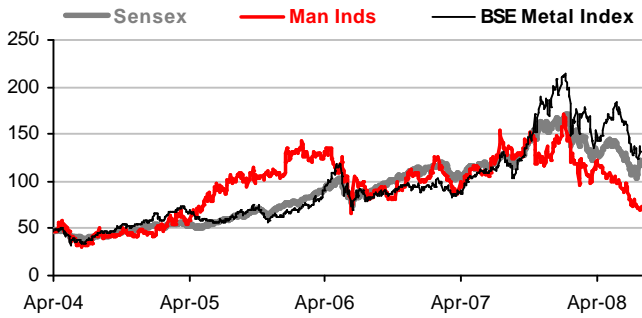


Source: Religare Institutional Research

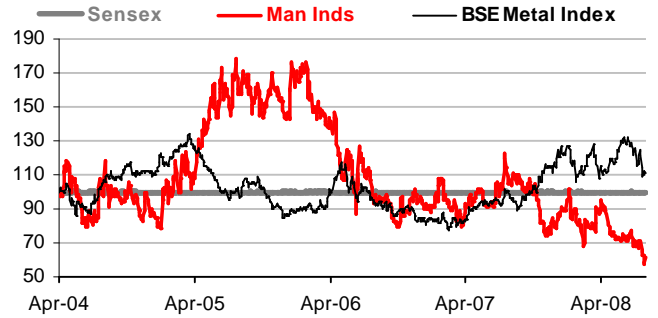
Stock performance

Man Industries

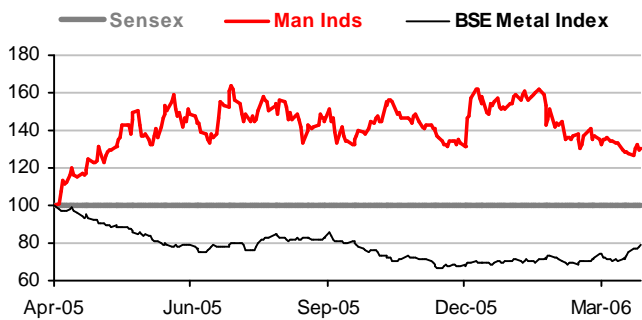
Absolute Perf. From Apr 04



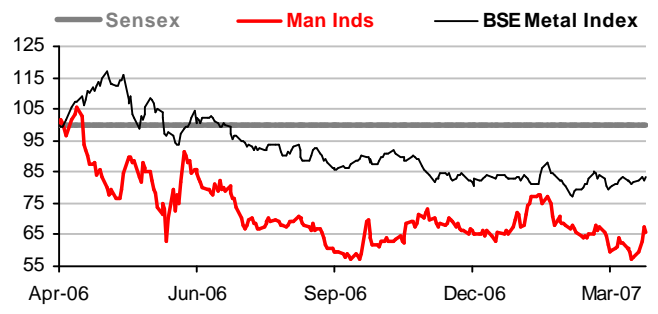
Relative Perf. From Apr 04



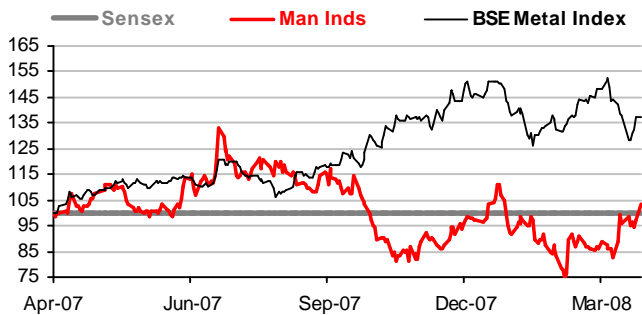
Relative Perf. From Apr 05 to Mar 06



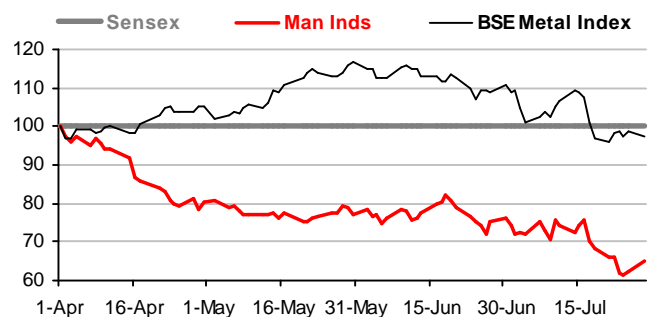
Relative Perf. From Apr 06 to Mar 07



Relative Perf. From Apr 07 to Mar 08



Relative Perf. From Apr 08

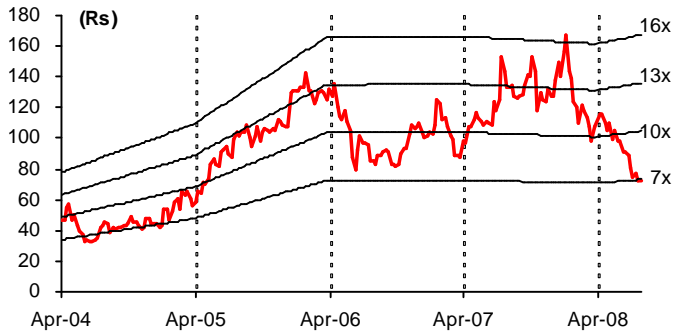


Source: Bloomberg, Religare Institutional Equity Research

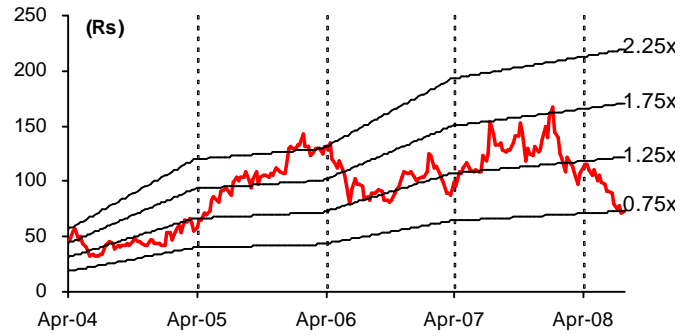
12 month forward rolling band charts

Man Industries

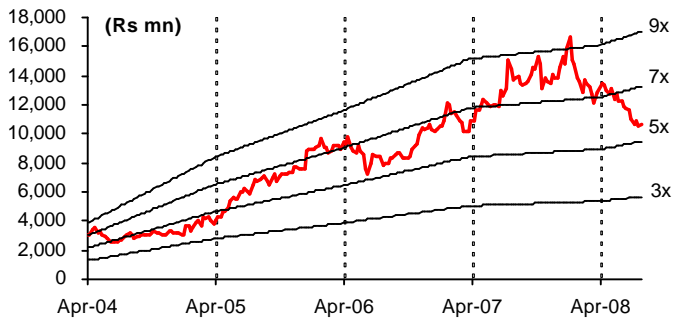
P/E Band



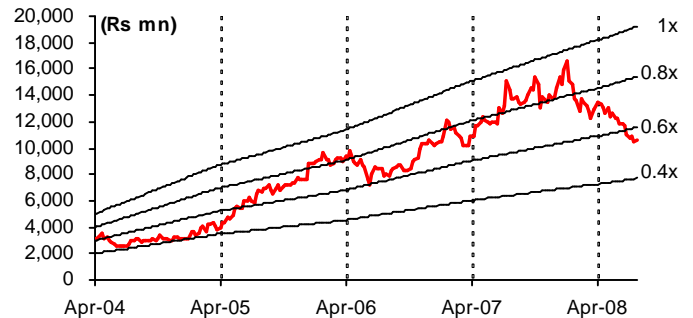
P/BV Band



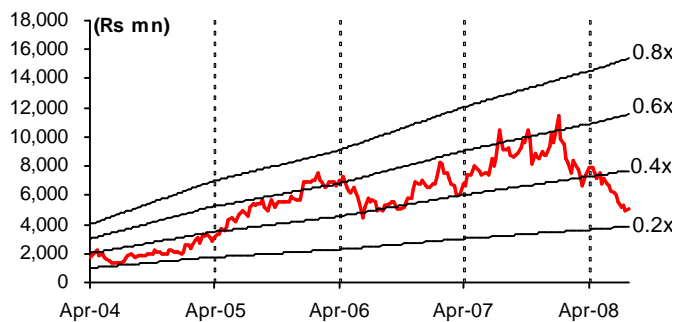
EV/EBITDA Band



EV/Sales Band



Mkt cap/Sales Band



Source: Bloomberg, Religare Institutional Equity Research

Financials

Income statement

(Rs mn)

Y/E, 31st March	FY06	FY07	FY08	FY09E	FY10E
Net Sales	8,687	11,296	15,001	18,099	21,574
EBITDA	925	1,283	1,683	1,785	2,117
EBITDA margin (%)	10.7	11.4	11.2	9.9	9.8
Depreciation	156	169	282	368	443
EBIT	770	1,114	1,401	1,418	1,674
Other income	12	35	3	20	20
Interest exp/ (inc)	268	309	317	415	535
PBT (operating)	513	840	1,087	1,023	1,159
PBT margin (%)	5.9	7.4	7.2	5.6	5.4
Extra ord exp/ (inc)	0.0	0.0	0.0	0.0	0.0
Taxes	163	287	375	331	392
Minority interest	0	0	0	0	0
PAT (Reported)	350	553	712	691	767
Less: Extra ordinary income / Others	0	0	0	0	0
Adj PAT	350	553	712	691	767
Adj PAT margin (%)	4.0	4.9	4.7	3.8	3.6

Quarterly – Financials

(Rs mn)

(Rs mn)	Q1FY08	Q2FY08	Q3FY08	Q4FY08	Q1FY09
Net Sales	3,210	3,547	4,137	4,107	3,169
Change (%)	54.1	21.2	26.5	34.6	(1.3)
EBITDA	383	428	482	390	388
Change (%)	60.4	29.7	48.0	(8.0)	1.3
Margin (%)	11.9	12.1	11.7	9.5	12.2
PAT	176	189	207	142	145
PAT adj	176	189	207	142	145
Change (%)	68.9	27.6	25.9	4.5	(17.6)
Margin (%)	5.5	5.3	5.0	3.5	4.6
EPS adj (Rs)	3.3	3.6	3.9	2.7	2.7
EPS dil (Rs)	3.3	3.6	3.9	2.7	2.7

Ratios

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
Growth					
Net sales (%)	75.7	30.0	32.8	20.7	19.2
EBITDA (%)	119.9	38.6	31.2	6.1	18.6
PAT adj (%)	91.3	57.8	28.8	(2.9)	10.9
EPS adj (%)	40.9	52.5	0.3	(2.9)	10.9
EPS diluted (%)	40.9	52.5	0.3	(2.9)	10.9

Valuations

P/E (x)	10.4	6.8	6.8	7.0	6.3
Price/BV (x)	1.3	1.2	0.8	0.8	0.7
EV/EBITDA (x)	5.0	4.8	4.7	5.2	4.5
EV/Sales (x)	0.5	0.5	0.5	0.5	0.4

Profitability

EBITDA margin (%)	10.7	11.4	11.2	9.9	9.8
Adj PAT margin (%)	4.0	4.9	4.7	3.8	3.6
RoE (%)	19.0	19.0	15.9	11.2	11.3
RoCE (%)	20.0	21.3	20.1	15.1	15.3
RoIC (%)	18.0	17.1	14.8	11.2	11.4

B/S ratios

Inventory days	64.3	75.8	70.0	70.0	70.0
Creditor days	67.4	112.0	95.0	95.0	95.0
Debtors days	42.3	107.5	95.0	95.0	95.0
Working Capital days	25.0	55.2	68.3	69.5	69.3
Net debt/equity*	0.6	0.6	0.5	0.4	0.5

* ROIC is calculated on post tax basis.

Balance sheet

(Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
Liabilities					
Equity share capital	257	266	266	266	266
Total Res. & Surplus	2,486	2,802	3,421	4,019	4,692
Total Shareholders' funds	2,743	3,069	3,687	4,285	4,959
Convertible debt	0	0	2,175	2,175	2,175
Others	2,510	2,472	2,546	4,146	4,446
Total loans	2,510	2,472	4,721	6,321	6,621
Deferred tax lia. (net)	262	368	412	572	792
Total liabilities	5,515	5,910	8,821	11,179	12,372
Assets					
Net fixed assets	2,454	2,647	3,670	5,006	5,467
Capital WIP	11	240	800	500	50
Total non-cur. assets	2,465	2,887	4,470	5,506	5,517
Inv - non cur.	3	11	3	3	3
Current assets					
Inventories	1,154	1,797	2,109	2,725	3,248
Sundry debtors	1,006	3,326	3,904	4,711	5,615
Cash & cash equivalents	1,567	146	526	827	805
<i>Cash</i>	<i>1,567</i>	<i>146</i>	<i>526</i>	<i>827</i>	<i>805</i>
<i>Liquid investments</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Other current assets	1,230	1,814	2,100	2,534	3,020
Total current assets	4,957	7,083	8,640	10,797	12,689
Total current liabilities	1,211	2,659	2,865	3,701	4,411
Total provisions	691	1,412	1,426	1,426	1,426
Net current assets	3,056	3,011	4,349	5,670	6,852
Misc. expenditure	0	0	0	0	0
Total assets	5,524	5,909	8,821	11,179	12,372

Cash flow

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
Cash from op.					
PBT	513	840	1,087	1,023	1,159
Tax paid	(102)	(177)	(322)	(171)	(172)
Dep& amor. exp.	156	169	282	368	443
Net change in WC	(1,221)	(1,628)	(971)	(1,020)	(1,204)
Others	(298)	(625)	0	0	0
Net cash from op.	(952)	(1,421)	76	199	226
Cash from inv.					
Capital expenditure	(431)	(691)	(1,865)	(1,404)	(454)
Sale/pur. of inv	299	611	0	0	0
Net cash from inv.	(132)	(80)	(1,865)	(1,404)	(454)
Cash from fin.					
Issue of shares & sh. pre.	1,519	81	0	0	0
Dividends paid	(39)	(44)	(80)	(94)	(94)
Debt change	881	43	2,249	1,600	300
Others					
Net cash from fin.	2,361	80	2,169	1,506	206
Net change in cash	1,277	(1,421)	380	301	(22)

Per share data

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
EPS adjusted	6.8	10.4	13.4	13.0	14.4
EPS diluted - wtd	6.8	10.4	10.4	10.1	11.2
CEPS	9.8	13.6	18.7	19.9	22.7
Book value	53.3	57.6	85.7	94.4	104.2
Dividend	1.1	1.8	1.5	1.5	1.5
O/s shs.-actual (mn)	51.5	53.3	53.3	53.3	53.3
O/s shs.-diluted (mn)	51.5	53.3	68.4	68.4	68.4
O/s shs.wtd/diluted (mn)	44.7	52.4	60.9	68.4	68.4

Rating definition

Buy	: > 15% returns relative to Sensex	Accumulate	: +5 to +15% returns relative to Sensex
Sell	: > (-)15% returns relative to Sensex	Reduce	: (-) 5 to (-) 15% returns relative to Sensex
Hold	: Upto + / (-) 5% returns relative to Sensex		

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