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MRF LTD.

BSE Code: 500290 NSE Code: MRF Reuters Code: MRF.NS Bloomberg Code: MRF:IN

MRF Limited (MRF) is a leading tyre-maker in India, engaged in manufacturing, distribution and sale of tyres for various kinds of vehicles. The Company is primarily engaged in the manufacture of rubber products, such as tyres, tubes, flaps, tread rubber and conveyor belt. The Company has diverse business interests which also include pretreads, paint and coats and toys. The Company manufactures tyres for passenger cars, two wheelers, trucks and services, tubes and flaps. The Company's new products launches include MRF Wanderer-Sport and MRF S3P4.

Investor's Rationale

Topline witnessed a bit bumpy ride with 1.4% YoY growth on weak auto sector— MRF, registered a marginal growth in its topline by 1.4% YoY at ₹30.5bn in Q3FY'13 against ₹30.1bn on standalone basis primarily on the account of slower auto demand, leading the tyre companies to cut prices. However, lower international rubber price has helped the margin.

EBITDA margin expanded 506bps YoY on lower material cost— MRF's EBITDA during the quarter reported a robust growth of 49.0% YoY at ₹4.8bn against ₹3.2bn mainly due to decline in fuel cost (as a % of sale) by 130bps YoY at 4.37% on account of decline in raw material cost and other expenses (as a % of sale) by 776bps and 131bps respectively. Raw material cost declined mainly due to lower natural rubber prices. Thus, OPM expanded by 506bps YoY at 15.8% against 10.8%

Robust growth in net profit by 57.2% YoY on healthy growth in other income – MRF has recorded a robust growth in net profit by 57.2% YoY at ₹2.3bn against ₹1.4bn mainly due to healthy increase in other income by 137%. While, Interest cost leaped higher by 17.8% to ₹0.47bn crore and depreciation rose 20% to ₹0.93bn. Thus, NPM expanded by 263bps YoY at 7.4% against 4.8%.

Decline in raw material cost is expected to remain over next quarters – During the quarter, MRF's major raw material "Rubber" price has seen a declining trend, leading continuous growth in margin. International and domestic natural rubber markets have set a reverse trend in prices where international markets prices have dipped below those in the domestic market. For the past four months, local prices were lower by ₹7-12 a kg on average compared to the global markets. The surplus supply of natural rubber in international market would lead to lower the raw material cost over coming next few quarters.

Market Data

Rating	BUY
CMP (₹)	12,721.4
Target Price	13,993
Stop Loss	11,958
Duration	Short-term
52-week High-Low (₹)	15,450/9,571
Rise from 52WL (%)	32.9
Correction from 52WH (%)	17.7
Beta	0.98
1 year Average Volume (mn)	0.1
	3M- (0.7)
Stock Return (%)	6M- (5.5)
	1Y- 31.4
Market Cap (₹bn)	53.9
Book Value (₹)	6,738.3

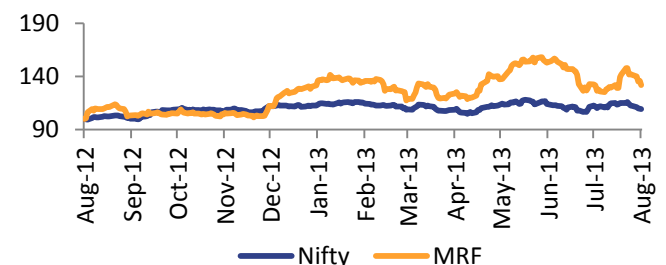
Shareholding Pattern

	Jun'13	Mar'13	Chg
Promoters (%)	27.27	27.21	0.06
FII (%)	4.6	4.33	0.27
DII (%)	10.85	10.74	0.11
Public & Others (%)	57.28	57.72	(0.44)

Quarterly Performance (Standalone)

(₹bn)	Q3 FY'13	Q3 FY'12	Q2 FY'13	YoY Change(%)	QoQ Change(%)
Sales	30.5	30.1	29.0	1.4	5.0
Op. exp	25.7	26.8	24.6	(4.3)	4.3
EBITDA	4.8	3.2	4.4	49.0	8.8
OPM (%)	15.8	10.8	15.3	506bps	56bps
Net profit	2.3	1.4	2.1	57.2	7.9
NPM (%)	7.4	4.8	7.2	263bps	19bps
EPS (₹)	535.9	340.9	496.6	57.2	7.9

One Year Price Chart





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