

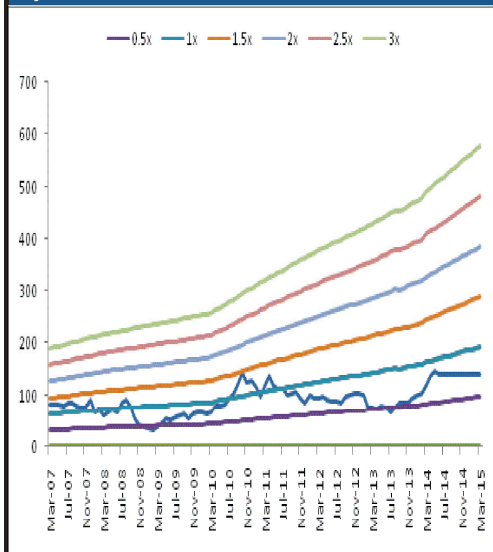
Result Update	Buy
CMP	140
Target Price	175
Previous Target Price	175
Upside	25%
Change from Previous	0%

Market Data	
BSE Code	531548
NSE Symbol	MMFL
52wk Range H/L	60/151
Mkt Capital (Rs Crores)	169
Average Daily Volume	3,109
Nifty	7,123

Stock Performance-%	1M	1yr	YTD
Absolute	12.9	99.4	17.5
Rel. to Nifty	7.8	82.5	11.3

Share Holding Pattern-%	4QFY14	3QFY14	2QFY14
Promoters	59.5	59.5	59.5
FII	0.0	0.0	0.0
DII	8.3	10.4	11.4
Others	32.2	30.1	29.1

1 yr Forward P/B



In FY14 MMFL achieved a top line of Rs. 411.4 crores and a bottom line of Rs. 29.3 crores demonstrating an impressive growth of 13.9 % and 19.9% respectively over previous year. The growth drivers continued to be enhanced brand equity, a diverse geographic presence moving towards further value addition, better quality and a deeper distribution network. Strong capacity building-up & volume growth will ensure ROE of ~ 14.9 & ~ 15.4 in FY15E-FY16E. Even on valuation parameters it is trading at near six times its FY15E earnings and even less than 5 times of its FY16E earnings which in our belief make the stock highly undervalued. So taking all this into consideration share looks reasonable at Rs 140 and one can expect growth of about maybe 25% in next six-eight months time. We reiterate "Buy" with a price target of Rs. 175.

Revenue to grow on the back of global CV industry recovery:

The company has witnessed a CAGR growth of 30.0% over FY2009-13 while the global CV industry's sales contracted by 38.8% during the same period. The current capacity of the company is of 40,000MT and it is continuously focusing on increasing capacity utilization level to take advantage of the production capacities created by it. On the back of recovery trends visible in the CV industry across the globe and the company's strong relationship with its customers, we expect the company to successfully ramp up capacity utilization and witness strong top-line growth. We expect the revenue for the company to grow at a CAGR of 13.9% over FY2013-16E to Rs 523cr. On the back of different energy conservation methods undertaken by the company, its power and fuel costs are expected to reduce over FY2013-16E from 12.8% to 11.0% of net sales. In addition, continuous efforts are being made on conservation of raw material by improving design and layout of dies leading to reduction in raw material consumption. Also, the company is able to pass on the changes in steel prices to the customers. We believe that with improving operational efficiencies and increasing capacity utilization, the operating margin will improve by 210bp over FY2013-16E at 18.1%. We expect the debt of the company to be offloaded marginally leading to a lower interest cost going forward. Consequently, we expect the profit to grow at a CAGR of 17.4% over FY2013-16E to Rs 40cr.

Valuations :

At the current CMP of Rs.140, the stock is trading at a PE of 5.0x and 4.2x of FY15E and FY16E. The company can post RoE of 14.9% and 15.4% & EPS of Rs. 27.8 and Rs. 33.3 FY15E and FY16E. We expect MMFL to register a revenue CAGR of 13.9% over FY2013-16E to Rs 523cr with an operating margin of 18.1% in FY2016E. The profit is expected to grow at a CAGR of 17.4% over the same period to Rs 40cr in FY2016E. **We believe that the current level is also good to enter. So taking all this into consideration share looks reasonable at Rs 140 and one can expect growth of about maybe 25% in next six-eight months time. We reiterate "Buy" with a price target of Rs. 175.**

Financials	Rs, Crore				
	4QFY14	3QFY14	(QoQ)-%	4QFY13	(YoY)-%
Revenue	107.5	102.1	5.2%	94.0	14.3%
EBITDA	22.2	19.3	15.0%	14.2	57.0%
PAT	7.8	7.1	10.9%	6.8	14.5%
EBITDA Margin	20.7%	18.9%	220 bps	15.1%	560 bps
PAT Margin	7.2%	6.9%	30 bps	7.2%	0 bps

(Standalone)

(Source: Company/Eastwind Research)

M.M.FORGINGS LTD.

MMFL Corporate Structure

Locations	Mahindra Forgings			
	Asia	Europe		
	India	UK	Germany	Germany
Companies (Subsidiaries)	Mahindra Forgings India	Stokes Forgings	Mahindra Forgings Europe AG	Schoeneweiss & Co. GmbH
Mfg Units	1 Plant	2 Plants	4 Plants	2 Plants
Key Highlights	Leading supplier of crankshafts & stub-axles for cars/MUVs	Expertise in producing 'flashless' parts	Provides fully machined & partly assembled components for the chassis of CV	Among leading axle beam manufacturers globally
% of Revenue FY13	20%	6%	51%	23%

(Source: Company/Eastwind Research)

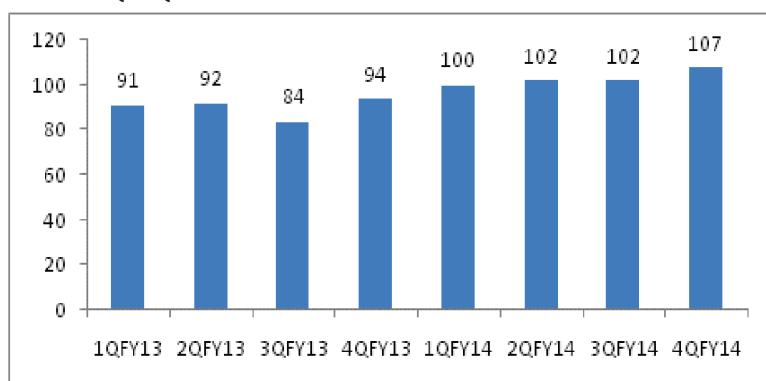
Investment arguments ; Sufficient capacity to cater to improving demand across the globe

The company has a capacity of 40,000MT (last reported in FY2011). It is now focusing on optimum capacity utilisation to take advantage of the production capacities created by it. The company mainly caters to the global market with a focus on the CV industry. The CV industry contributed 76.0% to the company's sales in FY2013. We expect the demand to improve going forward as the economy recovers. The company majorly exports to America and Europe. The American economy is now seeing an upturn, and thus we are witnessing a growth in CV sales as well. In FY2013, the CV sales grew by 9.0%. However, the scenario in Europe is still gloomy. The CV sales in Europe are still sluggish; however, UK, one of the major markets has shown some respite in the month of January and grew by 5.4% yoy. According to Automotive Component Manufacturers Association (ACMA), the production in domestic CV industry grew at a CAGR of 22% over FY2008-12 and is expected to grow at a CAGR of 11% over FY2012-21E to 23.5lakh units. We believe these factors provide MMFL a strong growth opportunity.

Product Portfolio:

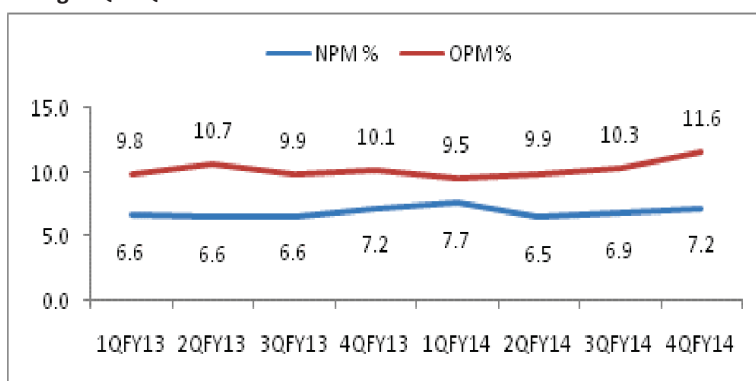


Revenue Q-o-Q



(Source: Company/Eastwind Research)

Margin Q-o-Q



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Key financials :

PARTICULAR	2009A	2010A	2011A	2012A	2013A	2014E	2014A	2015E	2016E
Performance									
Revenue	207	158	272	350	361	410	411	475	523
Other Income	8	7	0	0	1	3	2	3	3
Total Income	214	166	272	350	362	413	413	478	526
EBITDA	32	22	54	60	58	77	79	88	97
EBIT	15	11	34	37	37	42	43	48	57
DEPRICIATION	16	12	20	23	21	35	36	40	40
INTREST COST	9	6	6	6	7	8	8	7	7
PBT	14	12	38	39	30	37	37	45	53
TAX	4	1	8	12	6	8	9	11	13
Reported PAT	10	10	30	27	24	29	28	34	40
Dividend	2	2	4	4	4	4	2	4	4
EPS	8.5	8.6	24.6	22.2	20.3	24.1	23.0	27.8	33.3
DPS	1.8	1.8	3.5	3.5	3.5	3.5	1.9	3.5	3.5
Yeild %									
EBITDA %	15.4%	14.2%	19.7%	17.3%	16.0%	18.7%	19.2%	18.5%	18.5%
PBT %	6.6%	7.1%	14.0%	11.0%	8.3%	8.9%	8.9%	9.3%	10.2%
NPM %	4.8%	6.3%	10.9%	7.6%	6.8%	7.0%	6.7%	7.0%	7.6%
Earning Yeild %	20.9%	13.0%	21.7%	24.0%	27.6%	22.3%	19.3%	19.9%	23.8%
Dividend Yeild %	4.3%	2.6%	3.1%	3.8%	4.8%	3.2%	1.6%	2.5%	2.5%
ROE %	10.7%	10.0%	23.0%	17.6%	14.2%	14.8%	14.2%	14.9%	15.4%
ROCE%	9.2%	7.6%	13.7%	10.8%	9.9%	11.5%			11.7%
Position									
Net Worth	96	104	129	152	172	197	196	225	261
Total Debt	111	114	129	154	146	125	137	137	137
Capital Employed	207	218	259	306	318	322	333	362	398
No of Share	1	1	1	1	1	1	1	1	1
CMP	41	66	113	92	73	108	119	140	140
Valuation									
Book Value	79.2	86.0	107.1	125.8	142.6	163.1	162.2	186.5	216.3
P/B	0.5	0.8	1.1	0.7	0.5	0.7	0.7	0.8	0.6
Int/Coverage	3.6	3.6	9.5	9.8	8.1	9.5	10.3	13.5	14.9
P/E	4.8	7.7	4.6	4.2	3.6	4.5	5.2	5.0	4.2
Net Sales/CE	2.2	2.2	2.8	3.2	3.6	4.0	1.2	1.3	4.2
Net Sales/Equity	6.9	6.6	6.9	7.0	6.9	6.7	2.1	2.1	6.4

(Source: Company/Eastwind Research)

(Figures In crore)