



SAMVARDHANA MOTHERSON FINANCE LIMITED

Issue Details

Samvardhana Motherson Finance Limited (SMFL) proposes to come out with an Initial Public Offer (IPO) through issue of a yet to be determined number of shares with a face value of Rs 10.0 per share at a yet to be determined premium, subject to a fresh issue size of Rs 1344.0 Cr. The issue also comprises of offer for sale of stake of Rs 321.0 Cr by a promoter company. The offer would be made through the 100% book building route. Of the net offer, 50% is reserved for Qualified Institutional Buyers (QIBs) while 15% and 35% are allocated for non-institutional investors and retail investors, respectively. Post-IPO, the shares are proposed to be listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

Proposed Use of IPO Proceeds

The IPO proceeds are proposed to be used in the following manner:

Particulars	Rs. Crore
Funding pre-payment and repayment of debt facilities availed by SMFL and its subsidiaries	338.5
Funding Strategic investments in Samvardhana Motherson Polymers Ltd. (SMPL) and Samvardhana Motherson Holdings (M) Pvt. Ltd. (SMHPL)	627.5
Funding investments in rear view vision systems business	156.0
Sub-total	1122.0
Expenditure for general corporate purposes	[.]*
Total	1344.0

*To be finalized upon determination of issue price

Source: Company

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IPO Grading

ICRA has assigned an 'IPO Grade 4', indicating above-average fundamentals, to the proposed IPO of SMFL. ICRA assigns IPO gradings on a scale of IPO Grade 5 to IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include, *inter alia*, business and competitive position, financial position and prospects, management quality, corporate governance, and history of compliance and litigation.

Disclaimer: Notwithstanding anything to the contrary: An ICRA IPO grade is a statement of current opinion of ICRA and is not a statement of appropriateness of the graded security for any of the investors. Such grade is assigned with due care and caution on the basis of analysis of information and clarifications obtained from the issuer concerned and also other sources considered reliable by ICRA. However, ICRA makes no representation or warranty, express or implied as to the accuracy, authenticity, timeliness, or completeness of such information. An ICRA IPO grade is not (a) a comment on the present or future price of the security concerned (b) a certificate of statutory compliance and/or (c) a credit rating. Further, the ICRA IPO grade is not a recommendation of any kind including but not limited to recommendation to buy, sell, or deal in the securities of such issuer nor can it be considered as an authentication of any of the financial statements of the company, and ICRA shall not be liable for any losses incurred by users from any use of the grade in any manner. It is advisable that the professional assistance be taken by any prospective investor in the securities of the company including in the fields of investment banking, tax or law while making such investment. All services and information provided by ICRA are provided on an "as is" basis, without representations and warranties of any nature.



In the grading perspective, we have referred to SMFL and its investee companies together as SMFL Consolidated (SMFLC).

Strengths

- Diversified product portfolio of SMFLC across the automotive value chain which includes rear view mirrors, wiring harnesses, polymer components, elastomers, HVAC systems, automotive lighting among others. Operations supported by in-house tooling, IT and design capabilities
- Strong global market position of SMFLC in automotive rear view mirrors and strong market positions in wiring harness and rear view mirror business in the domestic market
- Diversified customer base and established relationship with major automotive Original Equipment Manufacturers (OEMs) both in the domestic as well as the overseas market
- Stability in standalone revenue base driven by consistent stream of dividend income from Motherson Sumi Systems Limited (MSSL) which is likely to continue in the future
- Controlling stake in the major investee companies viz., Samvardhana Motherson Reflectec (SMR) and Peguform through direct as well as indirect holding (through MSSL)

Concerns

- The standalone cash flows to remain contingent upon the performance of the investee companies by virtue of being a holding company
- Adverse impact on the consolidated profitability consequent to acquisition of Peguform with weak profitability and asset intensive business; though risk mitigated to an extent by demonstrated ability of the management to turnaround operations in the past as in the case of SMR
- Increased dependence on Europe and USA – both geographies having relatively weaker demand outlook, though risk mitigated by diversified customer base
- Various smaller businesses operating at losses or weak profitability on account of low scale of operations. Improvement to remain contingent upon the company's ability to tie-up new customers and carry out cost rationalization

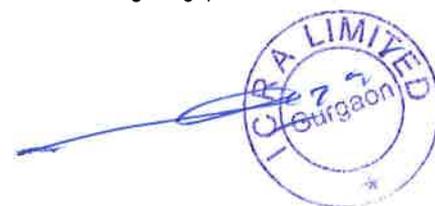
Grading Rationale

The assigned grading favorably factors in the group's diversified product portfolio which includes rear view mirrors, wiring harnesses, polymer components, HVAC systems, lighting systems etc. for automotive industry, which are further supported by backward integration into support functions such as tooling and IT. The grading also reflects the strong global market position in rear view mirrors and dominant domestic position in wiring harnessing of SMFL's key investee companies. The grading also takes into account the established relationship with major global as well as domestic OEMs and further strengthening of ties with the global OEMs post acquisition of Peguform, thus enabling cross-selling opportunities for the group's diversified products. SMFL enjoys a majority stake in SMR and Peguform on account of indirect holding through MSSL. ICRA also draws comfort from the growth prospects of MSSL and its favorable dividend payout policy which has lent stability to SMFL's standalone revenues in the past. However, the standalone cash flows to SMFL are expected to remain dependent upon the performance and the dividend payout policies of its investee companies.

The assigned grading is constrained by currently weak profitability and asset intensive nature of Peguform's business. The managements' ability to improve Peguform's profitability by harnessing synergy benefits and cost rationalization would be beneficial for the consolidated profitability. Also, with two big overseas acquisitions in the past three years, SMFLC's dependence on Europe and the US has increased significantly. The relatively weaker demand outlook of these geographies remains a concern, though the risk is partially mitigated by the healthy volume growth reported by its some of its customers such as Volkswagen and Renault-Nissan. Further, a number of SMFLC's other businesses which are carried out in association with international partners are operating at losses or having weak profitability on account of their relatively small scale of operations or adverse cost structure. These businesses which include automotive lighting, cabins for off road vehicles, gear cutting tools, refrigeration etc. have high growth potential and are supported by the technical expertise of the JV partner, however, the improvement in financial profile will remain contingent upon the company's ability to tie-up new customers and carry out cost rationalization.

Company Profile

SMFL is the holding company of the Samvardhana Motherson Group (SMG) and was incorporated on 9th December 2004. The group which was founded by Mr. V.C. Sehgal in 1975 has diversified businesses including rear view vision systems, wiring harnesses, polymer processing, automotive lighting products,



heating, ventilation and air-conditioning systems, elastomer processing, metal tooling, cabins for off road vehicles, refrigeration systems, design engineering among others.

The company has invested in most of the new joint venture/acquisition of the group, either directly or through its subsidiaries/associate companies. SMFL has equity investments in over 30 companies with its major investee companies in terms of revenue contribution being:

- (i) **Motherson Sumi Systems Limited (MSSL)** – It is the flagship company of the group, which was promoted in 1986, in technical and financial collaboration with Sumitomo Wiring Systems (SWS) and Sojitz Corporation. MSSL has a strong domestic market position in the wiring harness industry for passenger vehicles with consolidated revenues of Rs 8,175.6 Cr in FY11. Investments in MSSL comprised of 83.9% of the book value of SMFL's total investments as on 31st March 2011.
- (ii) **Samvardhana Motherson Reflectec (SMR; erstwhile Visiocorp)**- Europe based manufacturer of rear view mirror systems for automobiles; this business was acquired by 49:51 JV of SMFL and MSSL in March 2009.
- (iii) **Peguform** – Europe based manufacturer of plastic injection moulded components, with turnover of Euro 1.4 billion in calendar 2010. SMFL in 49:51 joint-venture with MSSL, completed acquisition of 80% stake in Peguform in November 2011.

Promoters and Management

SMFL is promoted by Mr. V. C. Sehgal, who is the current Chairman of the company. Mr. Sehgal and his family along with other promoter group companies held 90.35% as of April 12, 2012. In addition, equity stake of 6.46 % is held by Sojitz Corporation, a Japan based trading corporation, with diversified interests in construction, petroleum, textiles, chemicals, mining etc. The pricing of the issue is yet to be finalised and, therefore, the extent of the promoter's dilution in SMFL is yet to be established. Nevertheless, the promoter group is expected to maintain a majority stake in the company.

Pre-issue shareholding pattern

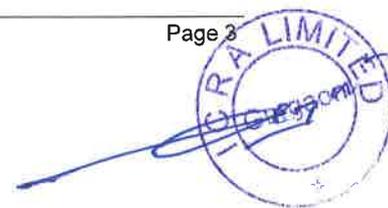
Promoter and Promoter Group	Shareholding
Vivek Chaand Sehgal	24.73%
Renu Sehgal	23.19%
Laksh Sehgal	22.17%
Radha Rani Holdings Pte. Ltd.	14.1%
Advance Technologies and Automotive Resources Pte Ltd	4.84%
Others	1.32%
Total Promoter Shareholding	90.35%
Public Shareholding	
Samvardhana Employee Welfare Trust / Employees	3.19%
Sojitz Corporation	6.46
Total	100.00%

Source: Company

Corporate Governance

SMFL's board of directors currently has six directors of which three directors are independent, thereby satisfying the requirements under clause 49 of the listing agreement. Out of the three non-independent directors; two are from the Sehgal Family, with one of them (Mr. V. C. Sehgal) occupying the position of Executive Chairman. The third non-independent director (Mr. Hiroto Murai) is working with Sojitz Corporation. The company has also constituted following committees for compliance with corporate governance requirements:

Committee	Audit Committee	Remuneration Committee	Share Transfer & Investor Grievance Committee	IPO Committee
Chairman	S. C. Tripathi	S. C. Tripathi	V. C. Sehgal	
	L.V. Sehgal	Hiroto Murai	L.V. Sehgal	L.V. Sehgal
	Hiroshi Morimoto	Hiroshi Morimoto	S. C. Tripathi	S. C. Tripathi
	S.P. Talwar	S.P. Talwar		V. C. Sehgal



*The names in bold refer to the independent directors on the committee; Source: DRHP

The company has also applied for classification as a systemically important core investment company (CIC-ND-SI) and is required to be registered with the Reserve Bank of India (RBI). While the application was made on May 6, 2011, as on date, the matter of registration as CIC is still under consideration by the RBI.

Business and competitive position

Diversified business presence across automotive sectors enables the company to improve content per vehicle

SMFLC is present across the automotive value chain with operations in rear view mirrors, wiring harnesses, polymer components, elastomer components, HVAC systems and automotive lightings among others, thus allowing the company to provide end to end solutions resulting in increased content per vehicle. In addition, the group also has presence in the domain of IT & Design and metal tooling, which not only helps it to diversify its customer base, but also provide in-house support to its core operations.

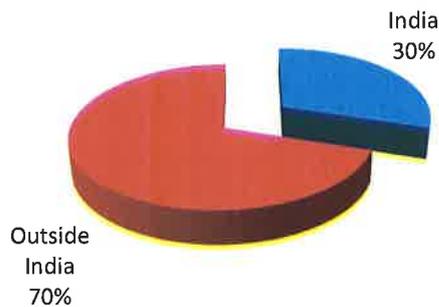
Wiring harness business used to be the largest business of the group until FY09 as the rear view mirror business was limited to India and was carried out through a joint venture of MSSSL with Visiocorp. With the acquisition of Visiocorp (later renamed SMR) in March 2009, the automotive mirrors segment became the largest business segment of the group and contributed more than 50% of the revenues until FY11.

With SMFL and MSSSL acquiring 80% stake in Peguform, the business mix is expected to get skewed towards polymer products. Prior to this acquisition, the group carried manufactured polymer products through Motherson Automotive Technologies & Engineering (MATE), the polymer division of MSSSL and Sumi Motherson Innovative Engineering Limited (SMIEL), a joint venture between SMFL and SWS¹. In comparison, Peguform is a global manufacturer of plastic injection moulded components and assemblies and operates at a much larger scale with an annual turnover of Euro 1.4 billion in CY10.

Geographically diverse revenue base; However dependence on Europe to increase

The revenues of SMFLC are highly diverse with 30% contributed from India driven by the domestic wiring harness business, while the remaining being contributed primarily from Europe and Asia Pacific primarily on account of the rear view mirror sales in these continents.

Geography-wise revenues in FY11



Source: DRHP

Market share of passenger vehicle manufacturers in the European Union

OEM Group	2011	2010	Increase in car sales (%)
VW Group	23.2%	21.2%	7.5%
PSA Group	12.5%	13.5%	-9.0%
Renault Group	9.7%	10.4%	-8.4%
GM Group	8.7%	8.7%	-2.0%
FORD	8.0%	8.1%	-3.2%
FIAT Group	7.1%	7.9%	-12.1%
BMW Group	6.0%	5.4%	7.6%
Daimler	5.0%	4.9%	0.2%
Toyota	4.0%	4.2%	-6.4%
Others	15.8%	15.7%	0.6%

Source: ACEA

SMFLC's dependence of revenues on Europe is expected to increase post the acquisition of Peguform given the large proportion of the latter's sales from the European countries². Though the demand outlook for passenger vehicles remains relatively weaker in Europe as compared to the emerging economies, the group is expected to derive comfort from the improved relationship with the Volkswagen Group which is the largest customer of Peguform¹. The Volkswagen group is the second largest producer of cars globally and recorded a sales volume growth of 7.5% in the European Union territory in 2011 to consolidate its position as the market leader in the region.

¹ SMIEL is merged with MSSSL w.e.f April 1, 2011, following approval from the High Court and necessary forms has been filed Registrar of Companies on March 30, 2012.

² Source: www.motherson.com



Rear View Mirrors Business***Established relationships with most global passenger vehicle OEMs and diversified customer portfolio and geographic presence***

The group carries out the business of developing, producing and distributing rear vision systems for the international automotive industry through SMR. Globally, SMR operates 19 production sites and 10 engineering centres in 13 countries across America, Europe, Asia and Australia and its product portfolio consists of outer rear view mirror systems (ORVM) and interior rear view mirror systems (IRVM).

SMR's customer portfolio includes most of the major global passenger vehicle OEMs located across five continents to whom it supplies rear view mirrors as a tier-1 supplier. SMR's key customers include major OEMs such as Volkswagen, Renault-Nissan among others. Globally, the European region is the largest contributor to SMR's revenues followed by the Asia Pacific region and America.

Strong market position in automotive mirrors being the second largest player globally and the largest in Europe in ORVMs

SMR is the second largest manufacturer of ORVMs with a share of 22.0% in 2010, while it enjoys the leadership position in ORVMs in European region with a market share of 34.0% on account of its strong share of business with Volkswagen and relationships with all the other major OEMs. In India, the group's operations are carried through SMR Automotive Systems India Limited, which is the market leader in the ORVM segment with a share of 57.0% in 2010. The major competitor of the group is Magna Donnelly which is the global market leader with share of 24.0%, and Ficos, Murakami, Ichikoh, Gentex among others.

Polymer Components Business

SMFLC carries out manufacture of polymer components for supply to automotive and consumer durable industries through MATE and SMIEL. These entities manufacture small plastic injection moulded components such as door handles, console boxes and fender liners for passenger vehicles and panels for non-automotive applications to bigger plastic components such as door trims, bumpers and instrument panels.

On 23rd November 2011, the group completed the acquisition of 80% of the shareholding of Peguform Group, Germany from Cross Industries AG, who would continue to hold 20% shareholding. Peguform is a Euro 1.4 billion company engaged in the business of automotive plastic moulded components and is a market leader in Europe in some of its product segments like painted bumpers and car bodies and is one of the largest suppliers of door trims and instrument panels in Germany. The acquisition was made through Samvardhana Motherson Polymers Limited (SMPL) and Samvardhana Motherson Global Holdings limited (SMGHL), which are both held by SMFL and MSSL in the same ratio of 49:51.

Potential Synergies between Peguform and Samvardhana Motherson Group

The group has been in the field of plastic moulding for more than a decade through MATE and proposed acquisition of Peguform is in line with the group's existing business in India and has the potential to add significant value by integrating and consolidating the business in India and globally.

Sharing of technical expertise and engineering capabilities

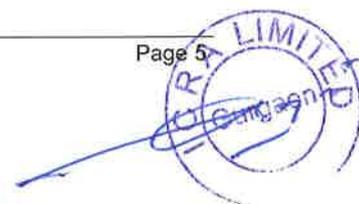
The acquisition is expected to bring in Peguform's product design and manufacturing capabilities in the plastic moulding business, while Peguform is expected to benefit from the group's engineering capabilities, resource sharing opportunities and the group's knowledge of sourcing that could help Peguform in reducing its capex on tooling. Additionally, since Peguform focuses on manufacturing relatively large and sophisticated parts, the company may source various smaller components from SMFL group companies in India as well as in other low cost countries.

Cross-selling opportunities

Peguform's products are supplied to some of the largest auto OEMs, almost all of which are existing customers of SMFLC too (mainly through SMR). Majority of the sales of Peguform are contributed by the Volkswagen group (VW, Audi, SEAT and Porsche) and thus the acquisition not only enhances the group's relationship with Volkswagen but also facilitates the group to cross sell its products to these OEMs resulting in increased content per vehicle.

Adverse impact on consolidated profitability and return on capital though turnaround expected in medium term

The acquisition of Peguform had an immediate adverse impact on the consolidated profitability and the return on capital of the group given its weak profitability and large size. However, Peguform's profitability is expected to improve in the medium term on the back of the turnaround measures which have been outlined by the group.



Wiring Harness Business

MSSL maintains a strong market position in the wiring harness business in the domestic market

The group undertakes the manufacture of wiring harnesses through MSSL, which manufactures wiring harnesses for all the segments in the automotive industry ranging including passenger vehicles, commercial vehicles, motorcycles, three-wheelers and off-highway vehicles. MSSL with its subsidiaries and JVs, have their manufacturing and engineering base spread across India, Sharjah, Ireland, Sri Lanka, Italy, Japan and the UK. MSSL, together with its JV, Kyungshin Industrial Motherson Limited (KIML), is a leading supplier of wiring harnesses to most of the OEMs in India and enjoys a strong market share in the domestic passenger vehicle industry as well as the domestic commercial vehicle industry.

Competitive cost structure through backward integration and technical assistance from SWS enable MSSL to maintain its leadership position

MSSL derives benefits from technical assistance and international relationships of SWS, the second largest wiring harness player globally. However, MSSL's JV agreement with SWS restricts its exports to the non-automotive segment only or otherwise be channeled only through SWS. The other factor that has resulted in MSSL maintaining its strong position in domestic wiring harness industry is its competitive cost structure benefitting from backward integration for critical inputs like wires, connectors, grommets, protectors, fuse and fuse boxes.

Other Key Businesses

Diversification strategy through formation of partnerships with specialized global players

Over the years, the company has ventured into other automotive components and other related industries through formation of subsidiaries or joint ventures with global players which possess technical expertise and product know-how and have an established customer base in their operating geographies. The incoming partners in turn derive benefit from the group's operational support and its established relationships with domestic OEMs. Some of the key ventures of the company are depicted below.

Key Subsidiaries and Joint Ventures

Company Name	Domain	Year of Incorp.	SMFL's Holding	Other key shareholder
Magneti Marelli Motherson Auto System Ltd (MMM)	Automotive Lighting	2008	50.0%	Magneti Marelli Holding SpA, Italy
Motherson Sumi Infotech & Designs Ltd (MIND)	IT	1985	53.6%	SWS
Motherson Techno Tools Ltd (MTTL)	Metal Tooling	2005	14.3%	SWS
Motherson Zanotti Refrigeration System Ltd (MOZAR)	Refrigeration	2007	50%+ 1 share	Zanotti S.p.A, Italy
Spheros Motherson Thermal System Ltd (SMTL)	HVAC	2006	49.0%	Spheros GmbH, Germany
Motherson Advanced Tooling Solutions Ltd (MATS)	Metal Tooling	2007	100.0%	-
CTM India Ltd (CTM)	Polymers	2009	41.0%	ATAR Mauritius
Fritzmeier Motherson Cabin Engineering Ltd (FMCEL)	Cabins for off road vehicles	2006	50.0%	F Holdings GmbH, Austria
Anest Iwata Motherson Ltd. (AIM)	Support	2000	49.0%	Anest Iwata Corp, Japan
Nachi Motherson Tool Technology Ltd (NMTTL)	Metal Tooling	2004	74.0%	Nachi Fujikoshi Corp., Japan
Motherson Auto Solutions Limited	Industrial Park	2004	66.0%	Sojitz Corp., Japan

Source: DRHP, Company

Apart from lending diversity to the product portfolio, ventures such as MIND provide the group with in-house expertise with respect to IT, ERP Solutions, Engineering and Design, which is required by most of the other businesses. In addition, some of other joint ventures of the group are in a very nascent phase and operate at a very small scale. These ventures include Motherson Bergstrom HVAC Solutions Private Limited (MBSL; HVAC Systems in Joint venture with Bergstrom), Motherson Molds and Diecasting Limited (MMDL; Moulding and Die-casting in joint venture with CTM India), Nachi Motherson Precision Limited (NMPL; Precision Tooling in joint venture with Nachi Fujikoshi).



While the improvement in profitability is contingent upon the ability of these companies to ramp up their volumes, there remains a high upside potential in these businesses on account of presence of demand drivers in their operating industries, technical expertise and the global customer relationships of the incoming partners and large cross-selling opportunities between the group's existing customers.

Financial position

Strong growth in top-line led by acquisition of SMR and organic growth in wiring harness business

Rs Crore	FY 08	FY 09	FY 10	FY 11	9M FY12
Operating Income	514.5	936.0	5,061.3	5,716.5	6024.5
<i>Growth</i>		81.9%	440.7%	12.9%	
OPBITDA	73.2	138.0	377.8	503.5	263.9
<i>Growth</i>		88.5%	173.8%	33.3%	
PAT	31.2	68.7	75.7	168.6	(127.8)
<i>Growth</i>		119.9%	10.2%	122.8%	
Net Cash Accruals	55.3	105.6	266.0	339.1	40.6
OPBITDA Margin (%)	14.2%	14.7%	7.5%	8.8%	4.4%
PAT/OI (%)	6.1%	7.3%	1.5%	3.0%	-2.1%
ROCE (%)	7.2%	8.1%	9.5%	14.4%	3.3%
RONW (%)	5.5%	8.0%	5.9%	11.0%	-9.5%
Basic EPS* (Rs)	1.1	1.5	2.1	2.9	(2.5)
Diluted EPS* (Rs)	1.1	1.5	1.9	2.9	(2.5)

Source: DRHP, Company

*Based upon restated financials

SMFL's consolidated operating income grew to Rs 5716.5 Cr in FY11 account of (i) acquisition of SMR which was completed in March 2009, (ii) capacity led growth of the wiring harness business through MSSL and (iii) new joint ventures in other businesses.

SMFL's top-line grew by more than three times in FY10 post the acquisition of SMR in joint venture with MSSL. The wiring harness business through MSSL too has witnessed a strong growth since FY08 which was driven by ramp up in supplies to existing customers, and increase in average realizations in the wiring harness division. Since 2007, the company has ventured into diversified businesses either independently or through joint ventures including MMM, MATS, CTM and MOZAR among others. These businesses though operate at a much smaller scale than the major businesses, have helped in expanding the product portfolio and boosting the top-line of SMFL.

Adverse impact on profitability after SMR's acquisition, however margins improved through turnaround efforts

Prior to the acquisition by the group, Visiocorp was facing financial distress with operating losses on account of low capacity utilisation and lack of funding support. As a result, the acquisition had an immediate impact on the overall profitability of the group. However, the group carried out production rationalisation, increased in-sourcing of components such as wiring harnesses and plastic parts and provided funding support to the company, which helped in turnaround of the operations and led to an improvement in profitability.

Recent results

For the period ending December 31, 2011, SMFLC reported a net loss of Rs 127.8 Cr as the operating profit was adversely impacted mainly on account of start-up costs associated with SMR's new facilities in Brazil and Hungary and weak profitability of Peguform. Additionally, the net profits were also adversely impacted on account of transaction costs in relation to acquisition of equity shareholding in Peguform Group amounting to Rs 67.2 Cr and mark to market loss of Rs 70.9 Cr arising from exchange differences on restatement of loans denominated in a foreign currency.

The consolidated operating margins are expected to improve with scale up in operations in SMR's new facilities and turnaround measures which are planned to be carried out in Peguform.



Debt funded capex resulting in moderate capital structure

Rs Crore	FY 08	FY 09	FY 10	FY 11	9M FY12
Total Debt	167.7	693.3	867.7	1,095.4	3917.7
Tangible Networkth	573.8	1033.4	1293.5	1476.9	1433.2
Total Debt/(TNW + Minority Interest)	0.3	0.6	0.6	0.7	2.0
Cash & Cash Equivalents	88.3	255.3	254.7	275.8	596.2
OPBDITA / Int and FinCharges	12.8	6.5	6.1	8.1	2.0
Total Debt/OPBDITA	2.3	5.0	2.3	2.2	11.1

Source: DRHP, Company

The consolidated debt is primarily contributed by MSSSL and SMR, both of which have been expanding their capacities. With Peguform being acquired through a Leveraged buy-out means, the capital structure of the group is expected to stretch by the end of FY12. However, post the public issue, the company plans to prepay about Rs 966.0 Cr of debt on the books of SMFL, SMPL and other subsidiaries, following which the capital structure is expected to ease with sufficient headroom for future debt funded expansion.

The operating cash flows of the company have been improving in the past on the back of rising scale of operations and effective working capital management. The fund flow from operations have remained positive for the last four years, however, the free cash flows have been negative on account of capex activities, which have been funded through additional bank borrowings.

Compliance and Litigation History**Accounting Policies**

- The financial statements of the subsidiaries are combined on a line-by-line basis after fully eliminating intra-group balances and intra-group transactions, while In case of joint ventures, the Group's share in the assets, liabilities, income and expenses has been accounted for using the proportionate consolidation method
- Goodwill recognised on consolidation is carried at cost and is reviewed for impairment at the end of each accounting year.

Key litigations

Amount in Rs Cr	Against Company		Against Promoters & Directors		Against Group Cos.		Against Subsidiaries		Against JVs		Against other Consolidated Entities	
	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt	No.	Amt
Nature of dispute												
Criminal	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Civil	0	0.0	0	0.0	0	0.0	5	0.5	0	0.0	2	4.2
Labour	0	0.0	0	0.0	0	0.0	1	0.0	0	0.0	37	92.3
Income Tax	0	0.0	0	0.0	1	10.0	0	0.0	1	5.8	3	4.9
Sales Tax/VAT & Others	0	0.0	0	0.0	5	0.8	0	0.0	1	1.7	1	1.0
Excise	0	0.0	0	0.0	0	0.0	0	0.0	2	3.4	0	0.0
Total	0	0.0	0	0.0	2	10.8	3	0.5	4	10.9	41	102.4

Source: Company

Most of the litigations are against other consolidated entities, which include 37 labour suits against Peguform, Brasil filed between 2004 and 2011, mainly pertaining to damages for pain and suffering due to labour accidents and overtime dues. There is a criminal case involving Mr. S.P. Talwar, an independent director on corruption charges. The investigation by the Anti-Corruption Bureau has been completed, who have stated in their report that no case is made out against the company and the directors.



Contingent Liabilities

The company has not provided for the following contingent liabilities on a consolidated basis as on December 31st, 2011

<i>All figures in Rs Cr</i>	<i>As on 31st Dec 2011</i>
In respect of Excise	1.3
In respect of Customs	0.0
In respect of Entry Tax	0.0
In respect of Sales Tax	2.0
In respect of Service Tax	1.0
In respect of Stamp Duty	0.2
In respect of Income Tax	2.2
In respect of Labour Cases	0.6
In respect of Other Taxes/Duties	5.6
Bank Guarantees/Corporate Guarantees	11.7
Total	24.6

Source: Company

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