



## Economy News

- RBI said that companies (with net worth more than Rs 1Bn) can continue to use zero-cost options for hedging their foreign exchange exposures. RBI had in November 2009 banned this product but allowed importers and exporters to write and sell 'put' options in both foreign currency rupee and cross-currencies and earn premium on them. (Mint)

## Corporate News

- Eyeing properties overseas to meet the growing domestic demand for manganese ore, which is pegged to touch 4.5 million tonnes by 2012, **MOIL** has invited bids from global firms to form JVs for such acquisitions. "... MOIL invites proposals on ... investment opportunities primarily for Manganese Ore and other minerals both within India and globally," the company said. (ET)
- The finance ministry plans to fast-track stake sale in **Power Finance Corporation** and **Rashtriya Ispat Nigam** as it is worried that a delay in approval of the follow-on public offers of two oil companies (ONGC and IndianOil) could derail the center's divestment programme. (ET)
- Tuhin Mukherjee, the man widely credited for **JSW Steel's** recent mine acquisitions overseas, has quit the company to join the Birlas' unlisted mining arm, EsselMining. (ET)
- US-based Worthington Industries picked up 60% stake in Nitin Cylinders, a wholly-owned subsidiary of **Nitin Fire Protection Industries**, for around \$21 million. After the deal, the subsidiary will turn into a joint venture between Nitin Fire and Worthington which is in the business of manufacturing pressure cylinders. (BS)
- Dish TV** said that it will increase its total transmission bandwidth to 648 megaHertz from the current 432 Mhz. The company said that it has signed a long-term contract for transponders, to facilitate this. This extra transponder capacity will enable Dish TV to increase its standard definition channel capacity as well as high definition (HD) capacity. The company expects that this hike in capacity, which gives its substantial advantage over competition, could be a game changer in the DTH industry. (BS)
- NTPC** will takeover 3,000-odd acres of vacant land from Patratu Thermal Power Station (PTPS) in Jharkhand to set up 1320 mw of thermal power generation capacity at an investment of Rs.66 bn. A memorandum of understanding between NTPC and Jharkhand State Electricity Board (JSEB), the holding company for PTPS, will be signed by December 31, a top NTPC official said. (ET)
- Mahindra & Mahindra Ltd** said that it will launch a new premium-end pick-up truck in the first half of next year. With margins under pressure on the back of rising costs of raw materials such as steel and rubber, the company is planning to increase prices in January. (HBL)
- Bannon Automotive Llc of New York is suing Mahindra Reva Electric Vehicle Pvt. Ltd for \$25 million (Rs.1.13 bn) for alleged failure in adhering to an agreement inked between it and the erstwhile Reva Electric Car Co. in October 2009 to make and sell Reva models in the US and the Caribbean islands. (Mint)
- Power Grid Corp. of India Ltd (PGCIL)** plans to seek a \$1 billion (Rs.4,510 crore) loan each from the Asian Development Bank (ADB) and the World Bank. "We are seeking these loans as we have a huge capital expenditure programme for the 12th Plan period (2012-17). We have been advised by the government to seek non-sovereign loans on the strength of our balance sheet...we are in talks with ADB for availing some part of the loan without sovereign guarantee," said PGCIL chairman and managing director S.K. Chaturvedi. (Mint)

### Equity

	28 Dec 10	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
SENSEX Index	20,025	(0.0)	3.2	0.3
NIFTY Index	5,996	(0.0)	2.8	0.1
BANKEX Index	12,978	(0.2)	(3.6)	(6.8)
BSET Index	6,731	0.3	10.7	13.5
BSETCG INDEX	15,143	(0.3)	1.0	(5.3)
BSEOIL INDEX	10,530	(0.7)	4.1	(0.4)
CNXMcap Index	8,647	(0.2)	(1.5)	(6.1)
BSSEMCAP INDEX	9,405	0.3	(1.6)	(8.1)
<b>World Indices</b>				
Dow Jones	11,576	0.2	4.7	6.8
Nasdaq	2,663	(0.2)	5.5	12.0
FTSE	6,009	0.2	6.0	7.8
Nikkei	10,293	(0.6)	1.8	7.9
Hangseng	22,622	(0.9)	(1.8)	1.6

### Value traded (Rs cr)

	28 Dec 10	% Chg - Day
Cash BSE	2,375	(5.7)
Cash NSE	8,704	(6.7)
Derivatives	95,021	(10.9)

### Net inflows (Rs cr)

	27 Dec 10	% Chg	MTD	YTD
FII	266	648.0	(2,248)	129,326
Mutual Fund	(125)	61.6	1,772	(26,885)

### FII open interest (Rs cr)

	27 Dec 10	% Chg
FII Index Futures	20,601	2.5
FII Index Options	58,733	1.9
FII Stock Futures	36,411	0.7
FII Stock Options	764	(2.5)

### Advances / Declines (BSE)

	28 Dec 10	A	B	S	Total	% total
Advances	97	886	217	1,200	47	
Declines	104	901	190	1,195	47	
Unchanged	2	124	26	152	6	

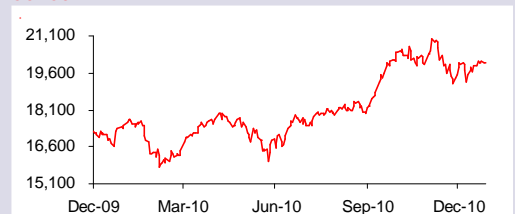
### Commodity

	28 Dec 10	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	91.4	(0.1)	6.6	17.4
Gold (US\$/OZ)	1,405.0	1.8	2.7	7.2
Silver (US\$/OZ)	30.3	4.0	11.5	37.9

### Debt / forex market

	28 Dec 10	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.90	7.91	7.97	7.85
Re/US\$	45.10	45.24	45.94	45.16

### Sensex



## COMPANY UPDATE

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## TRACTORS INDIA LTD (TIL)

PRICE: Rs.694  
TARGET PRICE: Rs.900

RECOMMENDATION: BUY  
FY12E P/E: 8.8x

- ❑ TIL has been observing robust demand across all the business verticals. MHS division is likely to record meaningful growth in the current year.
- ❑ Company's capex has been on track. Company has committed a capex of Rs 1.5 bn for a Greenfield project at Khadagpur to increase capacity in the MHS division.
- ❑ From seasonal perspective, we highlight that company posts major part of its earnings in the second half of the financial year. We expect company would deliver 20% YoY growth in revenue at Rs.12726 mn with PAT at Rs 677 mn for FY11E
- ❑ We maintain 'BUY' rating on the company's stock with a one year price target of Rs.900 in lieu of significant upside on account of attractive valuations.

## Summary table

(Rs mn)	FY10	FY11E	FY12E
Sales	10,632	12,726	15,237
Growth (%)	1.3	19.7	19.7
EBITDA	1,238	1,427	1,684
EBITDA margin (%)	11.6	11.2	11.0
PBT	912	1010	1,180
Net Profit	594	677	790
EPS (Rs)	59	67	79
Growth (%)	33.1	14.0	16.8
CEPS	78.5	93.6	112.1
BV (Rs/share)	275.2	334.8	404.3
Dividend/share (Rs)	6.0	6.7	7.9
ROE (%)	23	22	21
ROCE (%)	18	18	17
Net cash (debt)	(663)	(720)	(809)
NW Capital (Days)	77.0	67.1	63.4
EV/Sales (x)	0.7	0.6	0.5
EV/EBITDA (x)	6.2	5.4	4.6
P/E (x)	11.7	10.3	8.8
P/Cash Earnings	8.8	7.4	6.2
P/BV (x)	2.5	2.1	1.7

Source: Company, Kotak Securities - Private Client Research

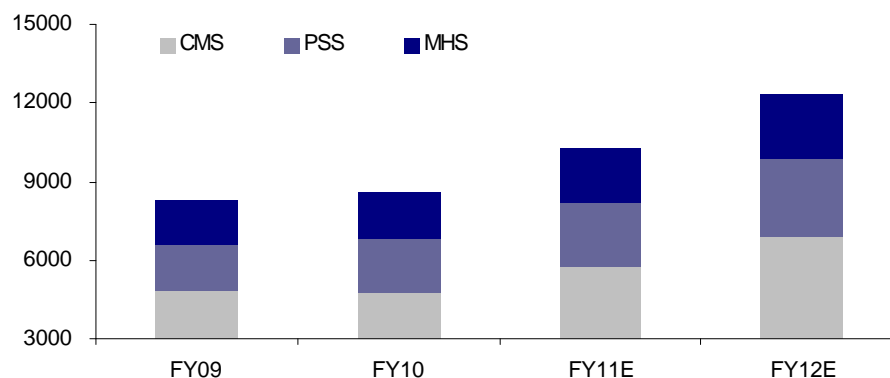
## Management conference call Highlights

We recently interacted with the company to get perspective on the overall business environment unfolding mainly in the domestic markets. Below are the key highlights of our interaction.

- Company is observing meaningful demand across all divisions. However MHS division is likely to record significant demand driven by up tick in demand in ports and power space.
- Demand from mining and road sector has been sluggish. Management expects that demand from these areas should start improving by Q4FY11.
- Managements expect to maintain its leadership position with over 50% market share in the higher tonnage cranes (beyond 30 tonnes). However in other segments, company is anticipating stiff competition.
- TIL plans to manufacture Rubber Tyred Gantry Cranes in the crane division along with screens and crushers of 170 TPH. Company is likely to maintain market share in reach stacker.
- Management expects to maintain margins in the MHS division at current levels of 20-22%. However with the introduction of new products, margins would appear to be lower for a short term.
- Management is anticipating stiff competition in the new product categories as well. However, strong dealer and customer franchise is likely to provide the competitive edge to the company.
- Company has been witnessing meaningful demand from overseas geographies like Myanmar and Nepal. However on sequential basis, international business growth is likely to appear muted on account of some larger orders recorder from Myanmar for engines in 1HYFY11.
- Company has recorded significant increase in working capital in the first half of the current fiscal. This is mainly due to the fact that Caterpillar dispatches goods on managed distribution basis. Therefore company has to get enough inventories in place to suffice the sales plan for next few months.
- Company expects that these inventories would get liquidated in the second half of the current fiscal.

- Company has committed for the Capex of Rs 1.7-1.8 bn. A part of it has already been made on land and other assets. This also includes the royalty on imported machinery that can be paid within six months of purchase. The cash outflow is likely to be at Rs 700-800 mn in the current fiscal.
- Management has stated that the sales mix of the company is likely to get altered from currently 80% of Caterpillar business and 20% of MHS business to 50% of Caterpillar and 50% of MHS business in next 4-5 years.

### Segment revenue breakup (Rs mn)



Source: Company, Kotak Securities - Private Client Research

### Business Outlook

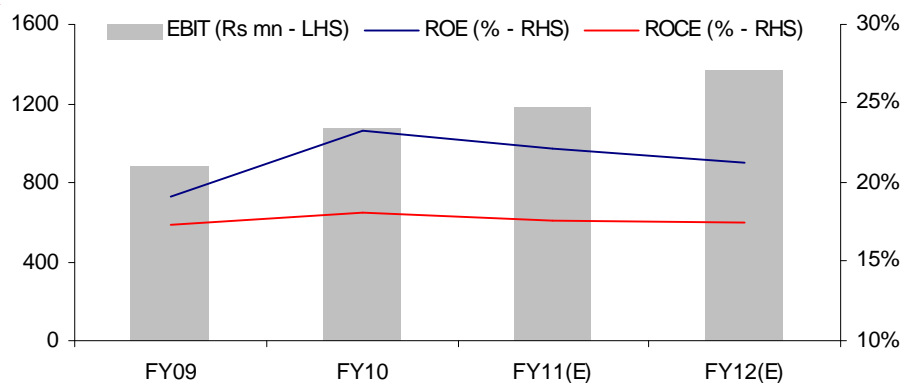
Domestic market is expected to remain buoyant between FY11-12E; driven by pick up in demand for infrastructure equipment

- We expect Indian Infrastructure Equipment Industry (IE) to grow at a 25% CAGR between FY10-12 on account of targeted investment of \$500 bn on various infrastructure projects under eleventh five year plan in India.
- Company is well poised to grow at a consolidated CAGR of 20% over FY10-12E in all the three business verticals viz. MHS, PSS and CMS. We believe that going ahead, company would immensely benefit from favourable macros, dominant brand perception of Caterpillar products.
- In FY10, company recorded 43% growth in rental income by surpassing fleet of over 200 units. Going forward, company aims to ramp up its equipment rental business, making it an integral part of operations given its nascent yet promising growth opportunity.
- Further, we believe that the company would increase focus on regional markets, industry segments and customers through the newly formed Territorial dealerships under Tractors India Private Limited (TIPL), increasing market coverage, supported by opening new branches across India.
- We also believe that increasing construction and oil exploration activity along with significant gas-based captive power capacity getting commenced in northern India offers visibility for the growth of PSS segment.
- Company's investment in MHS plant at Khadagpur is in progress and is expected to get completed by FY12. Management expects to generate revenues to the tune of Rs 2 bn in its first full year of completion.

### Valuation and Recommendation

- On Consolidated basis, operating margins for the 1HYFY11 stood at 8%. Typically second half is better than the first half for the company. Therefore we have build 11% EBITDA margins for FY11E in our forecasts.
- We expect that the company will maintain ROE% and ROCE% at current levels of 23% and 18% respectively in FY11E.

### RoE trend



Source: Company, Kotak Securities - Private Client Research

**We maintain BUY on TIL with a price target of Rs.900**

- At current price of Rs.694, company's stock is trading at 10.3x and 8.8x P/E and 5.4x and 4.6x EV/EBITDA for FY11E and FY12E respectively.
- We recommend **BUY** on company's stock with a one year DCF based price target of Rs.900.

## Bulk deals

## Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
28-Dec	Accurate Trans	Abhi Capital Services Ltd	B	15,204	105.5
28-Dec	Accurate Trans	Pradeep KR Aggarwal	S	56,659	106.4
28-Dec	Balaji Dist	Swiss Finance Corp (Mauritius) Ltd	B	880,000	52.4
28-Dec	Balaji Dist	Sam Global Securities Ltd	B	641,497	52.4
28-Dec	Balaji Dist	Vcm Ltd Mauritius	S	733,875	52.6
28-Dec	Bheema Cem	Raghu Ram Renduchintala	S	114,404	32.2
28-Dec	Bheema Cem	RRR Sikakollu Investments Pvt Ltd	S	316,529	33.3
28-Dec	Cerebra Integ	Niraj Rajnikant Shah	B	332,054	37.1
28-Dec	Incap Financial	Abhay Dattatray Javlekar	B	21,426	30.5
28-Dec	Incap Financial	Dharmesh Vasantlal Visariya	S	20,000	30.5
28-Dec	Jaihind Syn	Prashan D Doshi	B	34,998	37.0
28-Dec	JMD Telefilms	Ajay Suklal Kumbhare	B	300,000	15.1
28-Dec	Maharaja Shree	Sheetal Bangur	S	50,000	255.3
28-Dec	Marvel Capital	Fulchand K Raka HUF	S	22,520	27.5
28-Dec	Marvel Capital	Ankit Mahendra Jain HUF	S	25,000	27.5
28-Dec	Modern Steel	Ajay Goyal	B	32,071	51.9
28-Dec	NCL Research	Aparnaa Commodities Pvt Ltd	B	31,500	37.5
28-Dec	NCL Research	Swapnpuri Tradelink Pvt Ltd	B	20,000	38.0
28-Dec	NCL Research	Welldone Commodities Pvt Ltd	B	41,000	38.0
28-Dec	NCL Research	Uttam Commodities Pvt Ltd	B	20,000	38.0
28-Dec	NCL Research	Saikat Tradelink Pvt Ltd	B	46,000	37.5
28-Dec	NCL Research	Sprint Vanijya Pvt Ltd	B	25,000	37.5
28-Dec	NCL Research	Khushi Tradelink Pvt Ltd	B	25,000	38.0
28-Dec	NCL Research	Kohinoor Vincome Pvt Ltd	B	39,100	37.9
28-Dec	NCL Research	Ratan Lal Dugar	S	20,000	38.0
28-Dec	NCL Research	Nutan Dugar	S	21,000	38.0
28-Dec	NCL Research	Raima Equities Pvt Ltd	S	44,501	37.7
28-Dec	Polypro Fibrils	Ajay Ravindra Shah	S	34,482	28.3
28-Dec	Radha Madhav	Kapilaben Somabhai Patel	B	233,246	12.8
28-Dec	Radha Madhav	Patel Kapilaben Somabhai	S	314,500	12.8
28-Dec	Raj Packaging	Nirmala Pravin Gala	S	34,024	73.0
28-Dec	Real Strips	Shobha Imtiyaz Desai	B	25,000	123.3
28-Dec	Real Strips	Bhagwandas Phabiomal Ghanshani	S	30,000	123.3
28-Dec	Sanjivani Par	Prakash Misrimal Sanghvi	B	50,000	47.5
28-Dec	Sanjivani Par	Jayantilal Mistrilal Sanghvi	B	50,000	47.5
28-Dec	Sanjivani Par	Ratnamani Marketing Pvt Ltd	S	100,000	47.5
28-Dec	Setco Auto	Sneha Harish Sheth	B	200,000	125.5
28-Dec	Setco Auto	Udit Harish Sheth	S	200,000	125.5
28-Dec	Shree Nath Com	Ankit Commotrade Pvt Ltd	B	30,000	70.0
28-Dec	Shree Nath Com	Yashovardhan Mohta	B	30,000	73.5
28-Dec	Shree Nath Com	Prakash K Shah Shares & Securities	B	30,000	70.0
28-Dec	Shree Nath Com	Rais Ahmed R Siddiqui	B	30,000	70.0
28-Dec	Shree Nath Com	Bindu Khaitan	B	30,000	71.0
28-Dec	Shree Nath Com	Shreekant Phumbhra	S	60,000	72.3
28-Dec	Surana Corp	Shanthilal Surana	B	175,190	114.5
28-Dec	Surana Corp	The Indiaman Mauritius Ltd	S	173,990	114.5
28-Dec	Tgf Media Sy	Subramanian Lalitha	S	26,300	14.1
28-Dec	Vaishnavi Gold	Enaam Securities	B	30,100	28.2

Source: BSE

## Gainers &amp; Losers

## Nifty Gainers &amp; Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
<b>Gainers</b>				
HDFC Bank	2,256	1.9	5.1	0.5
ITC	171	0.9	2.6	2.9
HDFC	700	0.6	1.9	1.0
<b>Losers</b>				
ICICI Bank	1,112	(1.2)	(5.3)	1.5
Reliance Ind	1,048	(0.7)	(4.2)	2.0
Tata Motors	1,269	(2.5)	(3.6)	3.6

Source: Bloomberg

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