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Equity

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- **Tata Motors to expand Ace capacity** — Tata Motors (TAMO) is expanding capacity of its Ace pickup, to 275,000 units from 225,000 units, at its Pantnagar facility. Management said that last year the company invested Rs 100mn for capacity expansion. Tata Motors sold 160,000 Ace vehicles in FY10 and expects to sell 225,000 units this year. The range will include the base model, CNG-version, the Magic passenger option, Ace Ex, as well as new entrants such as the bigger Super Ace and smaller passenger carrier, Iris. TAMO is also planning to launch a 0.5 tonne truck in the 4QFY11. ***(Business Line)***

- **Mahindra arm eyes 10% in scooter market —** Mahindra2Wheelers plans to double its sales this fiscal. The company is targeting 10% market share in the scooter segment this fiscal, up from the current 6-8%. It offers three models of scooters – Flyte, Duro and Rodeo – which sold 70,000 units last year. It will soon be entering the motorcycles segment, and the first model in this segment could be a 100 cc bike, according to sources. M&M acquired an 80% stake in Kinetic Motor in July 2008 for Rs1.1bn. In September 2009, Mahindra2Wheelers, the new company, launched the Rodeo and Duro models and relaunched Flyte. ***(Financial Express)***

- **Maruti Suzuki to limit exports to last year's level** — Maruti Suzuki will limit exports to last year's level due to capacity constraints, as per management. It exported 147,000 units in FY10, the highest ever export figures. To address increasing demand for its products, Maruti Suzuki has commenced work to increase capacity at the Manesar plant, which will reach full capacity by 2012. In March 2010, the company had announced a Rs17bn investment for expanding production by 250,000 units at its Manesar plant. Production capacity after expansion will reach 1.25mn units by 2012. ***(Economic Times)***

- **Biyani makes bid for Vishal, may derail TPG pitch** — Kishore Biyani's Future Group has reportedly made an offer for distressed Vishal Retail Ltd that could derail a bid by TPG Capital Lp to acquire the troubled company. TPG had obtained the approval of lenders to purchase Vishal in March. The Indian retailer's board last month approved a non-binding, non-exclusive memorandum of understanding for talks with TPG. ***(Livemint)***

- **Parle pips Britannia as No. 1 biscuit company** — Last year, Parle Products had attained volume leadership in the Indian biscuits market. Now, with a total turnover of around Rs40bn coming from biscuits (c.80% of total turnover), Parle Products, has emerged as the clear market leader, with a difference of almost Rs10bn compared to Britannia Industries which reported a turnover of Rs34bn for the FY10, with biscuits contributing around Rs30bn. Parle Products' annual share in biscuits is expected to be ~45% against Britannia's 38%. ***(Economic Times)***

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Company News

Escorts' non-tractor businesses dent June quarter performance

Escorts Ltd's tractor division had a strong June quarter, but the much smaller auto ancillary and railway equipment divisions disappointed. The tractor division reported a 46% rise in revenue and a 70% jump in EBIT. This division accounted for around 91% of its total sales in the June quarter. Revenue of the railway equipment business, which accounted for 5% of total revenues, fell by 17% YoY. The auto ancillary has been running losses at the EBIT level, but the level of losses rose sharply last quarter – from Rs23mn in the year-ago period to Rs71mn this year. Even though EBIT of the mainstay tractor business grew by as much as 70%, at the company level EBIT grew by a much lower 34%. EBIT margins fell by 31bps, but this isn't reflective of the performance of the company's tractor business, where margins have risen by over 150bps. PBT rose by an impressive 67%, mainly due to a large reduction in interest costs. The firm reduced its working capital and paid back its term debt, which led to a sharp drop in financing costs. ***(Livemint)***

GM plans to hike local sourcing

General Motors India is strengthening its India plans as it intends to locally source more than 90% of its requirements for making commercial and passenger vehicles. The strategy, which would be executed within the next two years, would benefit a host of existing and potential Indian suppliers, auto component makers and other allied companies. GM India currently sources only 60% of auto parts and ancillary for its passenger cars from India. When the company launches commercial vehicles, localisation rate would be 90%, mgmt said. ***(Economic Times)***

Titan's Swiss-made Xylys gets new face

Titan Industries, which clocked its entry into the premium watches segment with Xylys in 2006, is giving the Swiss brand a sharper tick. When it launched Xylys, Titan Industries (which till then was a mid-premium player) was unsure of the brand. However, knowing that consumers were looking for the 'Swiss-made' quality assurance while making high-end buys, Titan gave Xylys the 'made-in-Switzerland' tag and introduced it in the Indian market as a brand appealing to the "individual" in everyone. Four years hence, Titan's experiment seems to have clicked with the brand's volumes doubling between 2006-07 and 2007-08 and growing at 33% since. At present, Xylys enjoys a 30% share in the premium Swiss watches market by volume. ***(Business Line)***

Wal-Mart in trouble over Best Price brand name

US-based Wal-Mart Stores Inc. has run into trouble with the trademark office over the branding of its wholesale stores in India. The world's largest retailer, which operates in the country through Bharti-Walmart Pvt. Ltd, a 50:50 joint venture with Bharti Enterprises Ltd, chose to avoid its global brands such as Walmart and Sam's Club, opting for Best Price Modern Wholesale instead. But in June, the registrar of trademarks wrote to Bharti-Walmart's law firm, Anand and Anand, saying it had found "similar" trademarks in its records. It asked the firm to respond in a month. In its letter, the registrar's office had cited an application from Aditya Birla Retail Ltd to trademark Best Price for retailing and allied businesses. ***(Livemint)***

Industry News

MNC food giants tickle Indian palate to tap wallet

Multinational foods giants in the country are increasingly launching products suited for Indian tastes. Many of them have introduced India-specific brands, and many more products are lined up for launch. Godrej Hershey, a joint venture between Pennsylvania-based The Hershey Company and the Godrej Group is planning to develop a new range of Hershey's bars to suit the Indian palate. Currently, Godrej Hershey is scouting for third-party manufacturers to launch its chocolate bars in India. Nestle India is sharpening focus on Indianised concepts to drive volumes. Nestle India is aggressively promoting its brand 'Nestea Masala', an instant masala tea premix, to gain market and mind share in competitive markets. Coca-Cola India recently introduced a lemon flavored drink, 'Minute Maid Nimbu Fresh'. Meanwhile, Coke's arch rival PepsiCo India's, Frito Lay India, has launched an aggressive campaign to promote Lay's Magic Masala. To connect with consumers, Frito Lay asked consumers to try out its four new flavours created by Indian consumers. ***(Financial Express)***

Appendix A-1

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