



(Investment Idea

TIL Limited

TIL, strong player in the construction equipment and material handling business in eastern India, has reported superb performance for Q3 FY 2007.

Net Sales grew @ 29.3% to Rs. 149.06 crore (Rd. 115.25 crore) led by doubling of Material handling turnover to Rs. 51.25 crore (Rs. 24.78 crore). Construction equipment sales registered 16.6% increase in sales of Rs. 68.9 crore (Rs. 59.11 crore). OPM% enhanced to 9.2% (8.2%). Consequently, PBT (before extra ordinary items) shot up to Rs. 7.93 crore (Rs. 3.7 crore). Further aided by profit on sale of fixed assets of Rs. 1.12 crore and lower average tax rate of 36.4% lifted PAT up by 173% to Rs. 5.76 crore (Rs. 2.11 crore). TIL operates in 3 businesses viz. construction equipment, material handling and power systems segment, catering to wide industries like construction, ports, mining, steel, cement etc.

In material handling business, company enjoys dominant 80% market share and is increasingly focusing on value added high tonnage offerings such as Reach Stackers (container handling mobile equipment) and Level Luffing (for Bulk Cargo). Company is focusing on rubber tyre gantry cranes, which are currently imported. For this purpose, it has entered into technical tie-up with Pasico, USA (has 30% market share world-wide in this type of port equipment). This business is expected to sustain the growth momentum in view of GDP growth of ~ 8%, thrust on infrastructure spending as well as huge capex lined up by corporates.

In construction equipment business, TIL has exclusive marketing right for Caterpillar, USA, who has decided to focus on India. They also provide service backbone and spare sales to Caterpillar who does not have pan India presence. On back of substantial infrastructure spending, this business is expected grow ~ 20-25% for next few years, enabling TIL to cash on this growth.

At CMP of Rs. 229, share (Rs. 10/- paid up) is trading at 12.4 times FY 2007 expected EPS of Rs. 18.5 and 9.5 times FY 2008 expected EPS of Rs. 24/-. In view of excellent business prospects, we recommend to “BUY” the share at CMP.

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