



## Economy News

- ▶ The country's sugar export subsidies, questioned at the World Trade Organization (WTO) by Australia and Thailand, could come under further scrutiny with the government deciding to extend the subsidy beyond April 2008. (ET)
- ▶ RBI may hike overseas direct investment limit for Indian firms & individuals to 250% of their net worth. (ET)
- ▶ SEBI has said in a circular that Institutional investors will now have to pay margin on their share transactions in the cash segment from April 21, in the same way as applicable to other investors. (BL)
- ▶ The Commerce Ministry is negotiating with the Finance Ministry for the extension of the Duty Entitlement Passbook Scheme (DEPB) and the subvention in the rate of interest of credit by 2% and an additional subvention of 2% to a few sectors beyond March 31, 2008. (BL)
- ▶ New mining policy introduced in parliament to lure foreign and domestic investment, but the document made no mention of changes to royalty payments demanded by mineral-rich states. (FE)
- ▶ The country's foreign exchange reserves went up by \$3.028 billion to \$306.5 bn for the week-ended March 14. (BL)

## Corporate News

- ▶ PRIVATE equity players Lehman Brothers and Deutsche Bank are set to make a combined investment of \$500 million in an SPV floated by **Unitech**. (ET)
- ▶ TELEKOM Malaysia's stake in Indian telco Spice, will be transferred to a new company, which will soon be listed on the Kuala Lumpur stock exchange. (ET)
- ▶ **Maruti Suzuki India Limited (MSIL)**, will invest Rs 90 bn more in India, most of it in research and development (R&D), warehousing, marketing, logistics and design. (BS)
- ▶ Government-owned NMDC, is in talks with Canada's New Millennium Capital Corp (NML) for a \$3.5 billion (Rs 14,000 crore) project to develop one of the world's largest undeveloped low-grade (magnetite) iron-ore deposits. (BS)
- ▶ With an eye on emerging opportunities in infrastructure globally, **GMR Infrastructure** has established International Business Division (IBD) with headquarters in London. (BL)
- ▶ The Government has decided to de-link the issue of cess on crude oil from the other approvals required by **Cairn India** for laying a pipeline to transport the produce from Rajasthan to the delivery point in Gujarat. (BL)

### Equity

	19 Mar 08	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
BSE Sensex	14,995	1.1	(14.9)	(21.7)
Nifty	4,574	0.9	(11.3)	(20.7)
BSE Banking	7,495	0.0	(29.4)	(30.2)
BSE IT	3,370	2.1	(12.7)	(22.0)
BSE Capital Goods	13,096	1.3	(17.8)	(30.1)
BSE Oil & Gas	9,718	0.1	(10.7)	(20.6)
NSE Midcap	5,848	(0.2)	(18.2)	(31.2)
BSE Small-cap	7,222	(1.9)	(25.0)	(38.9)
<b>World Indices</b>				
Dow Jones	12,361	2.2	0.6	(8.1)
Nasdaq	2,258	2.2	(1.8)	(16.1)
FTSE	5,495	(0.9)	(7.4)	(14.6)
Nikkei	12,483	1.8	(7.2)	(17.9)
Hangseng	21,867	2.3	(10.6)	(23.6)

### Value traded (Rs cr)

	19 Mar 08	% Chg - Day
Cash BSE	5,616.0	(17.3)
Cash NSE	13,948.4	(8.1)
Derivatives	46,365.0	(2.5)

### Net inflows (Rs cr)

	18 Mar 08	% Chg	MTD	YTD
FII	(688)	9	(2,967)	(15,311)
Mutual Fund	65	(165)	(1,513)	6,527

### FII open interest (Rs cr)

	18 Mar 08	% Chg
FII Index Futures	22,407	(5.2)
FII Index Options	9,596	5.2
FII Stock Futures	21,087	(1.5)
FII Stock Options	195	0.8

### Advances / Declines (BSE)

	19 Mar 08	A	B	S	Total % total
Advances	90	501	135	726	27
Declines	116	1373	346	1,835	68
Unchanged	1	50	90	141	5

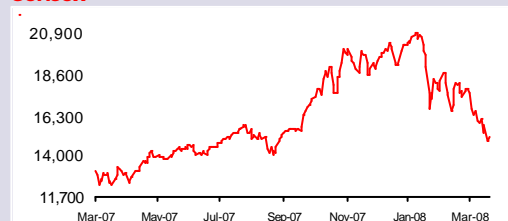
### Commodity

	19 Mar 08	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	100.3	(1.5)	1.5	6.6
Gold (US\$/OZ)	919.5	1.0	(3.9)	11.9
Silver (US\$/OZ)	17.1	2.0	(6.2)	16.2

### Debt / forex market

	19 Mar 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.60	7.60	7.61	7.84
Re/US\$	40.43	40.51	39.93	39.57

### Sensex



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**CUMMINS INDIA LTD.****PRICE: Rs.283****TARGET PRICE: Rs.340****RECOMMENDATION: BUY****FY09E P/E: 16x****Summary table**

(Rs mn)	FY07	FY08E	FY09E
Sales	21,228	25,947	30,850
Growth (%)	19.6	22.2	18.9
EBITDA	3,464	3,892	4,473
EBITDA margin (%)	16.3	15	14.5
Net profit	2,679	3,068	3,498
Net cash (debt)	1,738	1,413	1,913
EPS (Rs) (cons)	13.5	15.5	17.7
Growth (%)	45.9	14.5	14
CEPS	15.5	17.5	20
DPS (Rs)	4.7	4.7	4.7
ROE (%)	28.6	27.2	25.7
ROCE (%)	40.9	38.6	36.9
EV/Sales (x)	2.6	2.1	1.8
EV/EBITDA (x)	13.0	11.6	10.1
P/E (x)	21.0	18.4	16.1
P/Cash Earnings	18.3	16.2	14.2
P/BV (x)	5.5	4.5	3.8

Source: Company, Kotak Securities - Private Client Research

**Export mix (FY07)**

	(%)
V28	30
V38-50	30
other engine and comp	40

Source: Company

**Cummins Inaugurates new High HP engines facility at Kothrud.**

Cummins India has stepped up its investment programme in India and has recently inaugurated its High HP plant at Kothrud. Capacity expansion is being done across various HP segments. In addition to this, cost rationalization and efficiency improvement measures have continued to manage inflationary pressures and capacity constraints.

We expect new capacities at Pirangute and Kothrud to drive volume growth in FY09. Increase in steel prices in the recent week has been a concern. The recent depreciation in rupee may partially offset material price pressures.

For FY09, we have moderated our volumes growth assumptions. On the margins front, we build in some margin erosion to account for steel price increases. Thus revising our FY09 earnings downwards by 6%.

In view of the reduced earnings, our target price has been lowered to Rs 340 from Rs 380 earlier.

**Cummins inaugurates its high HP engines at Kothrud**

Cummins inaugurated its high HP engines facility at Kothrud to manufacture the K38 (750-1000 KVA) and K50 (1200-1500 KVA) series engines and other high HP engines. It will also manufacture engines ranging from 700 HP to 2250 HP to meet the demands from mining, construction and power generation. The capacity of this facility has been put at 16 engines per day in the first phase. Cummins plans to increase the capacity to 24 engines per day in the second phase which may be completed in the next few months. The total capex incurred on this facility has been to the tune of Rs 800 mn and the likely revenue potential would be in the range of Rs 2.4-3 bn per annum.

Cummins India has been one of the global sourcing centres for K38 and K50 engines (30% of exports) and the expanded capacity would enhance the company's ability to service global customer requirement.

**Low HP engines plant at Pirangute has eased supply constraints.**

Cummins has completed the transfer of operations of low HP engines plant from Daman to Pirangute, thus easing the supply constraint in low HP segment. The Daman plant will now focus only on the C-series engines, which go into auto applications. The new plant at Pirangute has doubled the capacity for engines below 160 KVA (low HP).

**Announced setting up of a Greenfield plant at Phaltan**

Cummins has announced that its project at Phaltan has received the 'Mega Project' status as per the Memorandum of Understanding (MOU) with Government of Maharashtra. The benefits/ incentives include electricity duty exemption, exemption from payment of stamp duty, Industrial Promotion Subsidy etc. as per the current Industrial Policy of the State of Maharashtra and Package Scheme of Incentives (PSI) etc. Cummins expects to make the C Series (160-250 KVA), N Series (250-380 KVA) and other mid HP engines. The facility planned would triple the current capacity of these engine variants.

## Earnings reduced to factor in material price pressures

We have finetuned our volume assumptions for FY09. Our revenue growth expectation of 19% for FY09 is slightly higher than the long-term guidance of 16-19% growth in next 2-3 years.

On the margins front, operating margins eroded by 190 bps during the year mainly due to rupee appreciation. The company has quantified this impact to the tune of Rs 250 mn in the first nine months (1.5% of sales). Since Cummins has not raised its product prices for export markets it had to entirely absorb the impact of rupee appreciation.

On the margins front, we now build in the impact of high steel prices. Average HR coil prices in Jan-mid Mar of 2008 have averaged at Rs 37200 and are up 12.6% yoy. Cummins has undertaken initiatives in value engineering, strategic sourcing and six sigma. These initiatives would partially offset the impact of material price inflation. Some price hikes for domestic sales could also be taken given the significant quantum of material price inflation. Also, the appreciation in rupee has been reversed in the recent weeks, which may provide some cushion to the company. Thus, on a net basis, we factor in a margin erosion of 50 bps in FY09. Consequently, our earnings for FY09 are now reduced by 6%.

## Risks

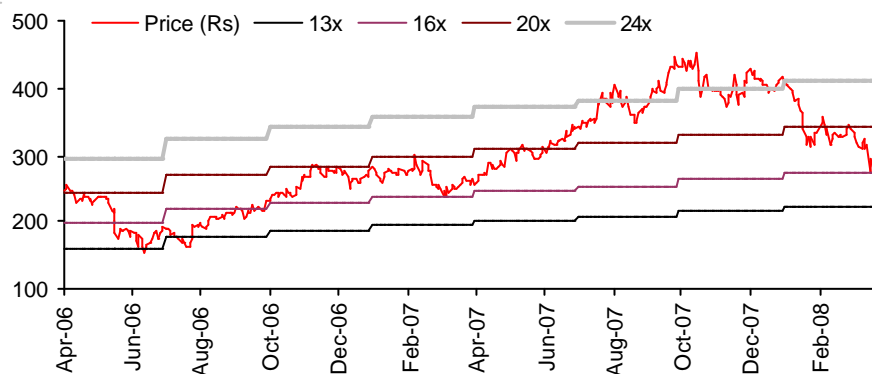
- **Appreciation in Rupee:** Cummins has close to 35% of its revenues going into Cummins worldwide units. Thus, appreciation in Rupee has a significant impact on the margins as the company is not in a position to pass the increase on account of risk of loss of competitiveness in the Cummins group.
- **Slowdown in the US:** A significant share of exports is to Cummins Inc in the US. A sustained slowdown in the US may risk growth in exports.
- **Slowdown in domestic Real Estate:** Slack in services sector (IT and ITES) may slowdown creation of office space, where DG sets are used for meeting their standby power requirement.

## Valuation

**We maintain our BUY recommendation on Cummins India with a revised price target of Rs.340**

The Cummins stock has traded in a PE band of 16x-24x one year forward earnings. At the current price, the stock is trading at 16x FY09 earnings. In view of the increase in steel prices, we have reduced our earnings estimates for the company. In line with this, our target price has been reduced to Rs.340 from Rs.380 earlier. At the current price the potential upside is 20% hence we maintain **BUY** on the stock.

### PE band



Source: Capitaline, Kotak Securities - Private Client Research

## Bulk Deals

## Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
19-Mar	Almondz Glo	Ratnamani Marketing Private Ltd	B	75,000	47.20
19-Mar	Ang Auto	Pivotal Securites Pvt. Ltd.	B	330,000	85.00
19-Mar	Arow Coat Pr	Shailesh Babulal Shah	B	39,621	20.70
19-Mar	Arow Coat Pr	J.Shailesh Share Broking Pvt.Ltd	S	39,621	20.70
19-Mar	Axon Infotec	Anmol Finance Company	B	32,000	28.50
19-Mar	Axon Infotec	Chirag Securities	B	33,000	28.49
19-Mar	Bang	Pooja Mukund Jalan	B	86,951	108.23
19-Mar	Ganesh Hou C	Abn Amro Asia Ltd Ac ABN Amro			
		Asia Mauritius Ltd Class B	B	200,000	285.04
19-Mar	Ganesh Hou C	Citigroup Global Markets Mauritius	S	200,000	285.00
19-Mar	Geefcee Fina	Countrywide Credit Sec. Pvt. Ltd.	B	100,000	149.00
19-Mar	Geefcee Fina	SKM Travels Private Limited	B	100,000	149.00
19-Mar	Geefcee Fina	Shail Investments Private Limited	S	102,166	149.00
19-Mar	Geefcee Fina	Pushkar Banijya Ltd	S	100,000	149.00
19-Mar	Gruh Financ	HSBC Financial Services Middleeast	S	272,100	152.37
19-Mar	Hindus Dor O	Ansu Commercial Pvt Ltd	B	210,000	90.31
19-Mar	Hindus Dor O	Micro Management Ltd	S	210,000	90.30
19-Mar	Jindal Saw	Cresta Fund Ltd	B	535,000	627.20
19-Mar	Kailash Fico	Shree Bahubali International Ltd	B	200,000	53.46
19-Mar	Kailash Fico	Shivani Suryakant Shah	B	59,904	51.65
19-Mar	Kilburn Engg	Anushikha Investments Pvt Ltd	B	90,330	36.05
19-Mar	Movg Pictu-Pms	Mackertich Consultancy Services	B	203,508	22.85
19-Mar	Movg Pictu-Pms	Vatican Commercials Ltd	S	200,000	22.87
19-Mar	Mukand	Vinamra Universal Traders Pvt Ltd	B	505,301	86.00
19-Mar	NIIT Ltd	HSBC Financial Services Middle East	B	990,541	99.91
19-Mar	Noble Exploc	Kushma Jiwarajka	B	245,000	9.31
19-Mar	Noble Exploc	Lusaka Properties Pvt Ltd	S	250,000	9.31
19-Mar	Odyssey Corp	Atherstone Energyandnatural Res	B	81,300	29.60
19-Mar	Pasari Spin	Spjstock	S	67,156	12.60
19-Mar	Shri Bajrang	Diamant Investment and Finance	S	45,000	29.79
19-Mar	SQL Star Int	Ansu Commercial Pvt Ltd	B	1,000,000	29.32
19-Mar	SQL Star Int	Micro Management Ltd	S	1,000,000	29.32
19-Mar	Techtran Pol	Baljit Metals Pvt Ltd	B	205,000	13.19
19-Mar	Techtran Pol	Baljit Securities Pvt. Ltd.	S	205,000	13.19
19-Mar	Vaibhav Gem	Ansu Commercial Pvt Ltd	B	200,000	69.01
19-Mar	Vaibhav Gem	Micro Management Ltd	S	198,760	69.01
19-Mar	Vard Holding	Chandravadan Desai HUF	B	70,000	160.00
19-Mar	Vard Holding	CD Equifinance Pvt Ltd	S	70,000	160.00
19-Mar	Vas Infra	Manoj Babur HUF	B	50,000	47.72
19-Mar	Vas Infra	Truevalue Investments	S	50,000	47.72

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Bharti Airtel	778	2.5	6.1	3.5
SAIL	198	4.4	5.8	13.9
Wipro	378	5.3	4.6	1.2
<b>Losers</b>				
Unitech Ltd	267	(3.4)	(2.6)	8.0
DLF Ltd	627	(1.4)	(2.5)	4.5
Hindustan Unilever	226	(2.6)	(2.2)	5.7

Source: Bloomberg

## Forthcoming events

### Company/Market

Date	Event
24-Mar	Initial Public Offer of Titagarh Wagons opens
25-Mar	Initial Public Offer of Kiri Dyes & Chemicals opens
28-Mar	Bata India to announce earnings for 2007; Ranbaxy to announce 2007 earnings and dividend

Source: Bloomberg

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