

## Mining and Material Handling Equipments

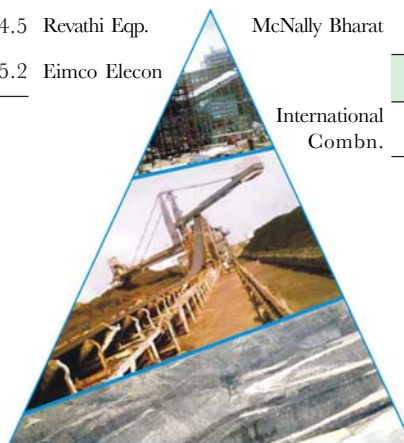
### Mining equipment manufacturers

CMP (Rs)	M. Cap (US\$ mn)	Reco	CAGR (%)		PER (x)	
			Rev.	PAT		
			(FY07-09E)	FY09E		
1,198	1,225	MP	18.5	21.4	16.6	BEML
948	525	Buy	28.7	32.6	16.9	Atlas Copco*
816	61	Buy	24.9	17.3	14.5	Revathi Eqp.
342	50	MP	17.2	22.2	15.2	Eimco Elecon

\* CAGR is CY06-08E, PE is for CY08E

### Material handling equipment suppliers

CMP (Rs)	M. Cap (US\$ mn)	Reco	CAGR (%)		PER (x)	
			Rev.	PAT		
			(FY07-09E)	FY09E		
600	455	Buy	35.8	43.5	16.5	Elecon Engg.
988	133	Buy	36.0	41.4	13.5	TRF
187	126	MP	32.4	49.7	14.4	McNally Bharat
			(FY05-07)	FY07		
408	23	-	32.0	94.0	11.8	International Combn.



### Crane manufacturers & suppliers

	CMP (Rs)	M. Cap (US\$ mn)	Reco	CAGR (%)		PER (x)
				Rev.	PAT	
			(FY07-09E)	FY09E		
TIL	300	72	Buy	23.2	30.0	9.4
Action Cons. Eqp.	329	145	NR	34.5	28.4	18.0
			(FY05-07)	FY07		
Sanghvi Movers	999	175	NR	54.0	116.0	16.6
ABG Heavy*	184	60	NR	8.0	(3.0)	6.4

\* PE is calculated on Cash EPS basis

NR - Not Rated

### Top Picks

Elecon Engineering, TRF, TIL, Atlas Copco

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## Valuations matrix

Company	Basic information			Financials				Valuation										
	Price (Rs)	Market cap (US\$m)	Year end	Net sales (Rs m)		Reported N/P (Rs m)		Adj EPS (Rs)	PER (x)	EV/Sales (x)		EV/EBITDA (x)						
				FY07	FY08E	FY09E	FY07			FY08E	FY09E		FY08E	FY09E				
Elecon Engineering	600	18,542	455	7,231	10,165	13,337	547	813	1,126	18.4	26.3	36.4	22.8	16.5	2.0	1.5	13.2	9.8
TRF Ltd	988	5,437	133	3,472	4,939	6,425	201.71	307	404	36.9	55.7	73.4	17.7	13.5	1.1	0.8	10.6	8.2
McNally Bharat	187	5,138	126	5,140	7,350	9,016	174.8	294	392	6.8	9.7	13.0	19.2	14.4	0.8	0.7	11.2	8.4
Atlas Copco (India)	948	21,381	525	7,417	9,697	12,277	720.42	994	1,266	33.2	44.1	56.1	21.5	16.9	2.2	1.8	12.1	9.5
Bharat Earth Movers	1,198	49,903	1,225	24,239	29,050	34,013	2049.7	2,538	3,020	55.5	60.7	72.3	19.7	16.6	1.7	1.4	13.6	11.1
Eimco Elecon India	342	1,972	48	957	1,165	1,315	87.419	109	130	15.2	18.9	22.5	18.1	15.2	1.8	1.6	8.8	7.7
Revathi Equipment	816	2,503	61	877	1,198	1,369	125.27	143	172	39.1	46.7	56.4	17.5	14.5	2.5	2.1	11.7	9.8
TTL	300	2,922	72	5,496	6,927	8,343	183.7	243	311	18.7	25.0	32.0	12.0	9.4	0.5	0.5	6.5	5.3
Action Cons. Equip.	329	5,915	145	2,453	3,312	4,436	199.3	239	328	11.1	13.3	18.3	24.7	18.0	1.5	1.1	14.5	10.4
<b>Not Rated</b>				<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY06</b>	<b>FY07</b>	<b>FY06</b>	<b>FY07</b>	<b>FY06</b>	<b>FY07</b>
Sanghvi Movers	999	7,105	175	754	1,491	1,786	137	322	474	19.1	44.8	60.0	22.3	16.7	6.2	7.2	10.9	8.5
ABG Heavy	184	2,436	60	708	689	827	145	172	94	12.8	15.2	8.5	12.1	21.7	4.3	3.2	5.0	4.3
International Combn.	408	934	23	459	668	798	22	58	83	10.2	25.3	34.6	16.1	11.8	1.5	1.2	8.5	5.9

## Investment arguments

The last two quarters have witnessed tremendous activity in this space with significant demand for material handling equipments and cranes on account of the strong industrial capex occurring all around. Mining equipments companies on the other hand witnessed low growth mainly on account of lower off-take from Coal India.

### Material Handling Equipment companies – increasing visibility

In the material handling equipment (MHE) space, a lot of activity was seen in the companies i.e. Elecon Engineering, TRF and McNally on receipt of various orders from core sectors, especially power. Typically re-rating was witnessed in the entire sector on account of the rise in the size of orders seen across the board, strong performances delivered in 4QFY07 and 1QFY08 and expectations of further big bang orders for some of the players in the MHE industry.

#### Recent order wins

(Rs mn)	Date	Amount
<b>Elecon Engineering</b>		
Damodar Valley Corporation for Mejia Thermal Power Station Ph-II	30 Jul 07	3,785
BHEL – for GIPCL Thermal Power Station, Gujarat	03 Jul 07	577
NTPC – for National Capital Thermal Power Project, Dadri Ph-II	11 Apr 07	2,291
<b>TRF</b>		
NMDC - Iron ore handling plant equipment	6 Aug 07	1,151
Shaheed Iron and Steel, Oman – export order for US\$ 16.5 mn	18 Jun 07	676
Navyug Engineering – Yard equipment for Krishnapattan port	29 Mar 07	1,250
Tata Power – Mundra – UMPP – order expectations as L1	-Awaited-	14,000
<b>McNally Bharat</b>		
NALCO – Smelter Ph II expansion project	22 Mar 07	209
RINL – Construction of new sinter plant at Vishakhapatnam	26 Feb 07	5,557
Utkal Alumina – 2 evaporation units for Alumina refinery	02 Jan 07	923

*Strengthening order book  
lending visibility to  
revenues*

The increasing size and regularity of orders has added significant impetus to the visibility in the business potential of these companies, what with order book sizes for Elecon Engineering at Rs 12.5 bn (1.2x FY08E revenues), TRF at Rs 6 bn (1.2x FY08E revenues) and McNally Bharat at Rs 10.7 bn (1.3x FY08E revenues).

## Mining equipment companies – growing opportunity for players

Mining equipment providers witnessed lower growth in their turnover in 4QFY07 as well as in 1QFY08. This was symbolized by a mere 15-20% growth in revenues for manufacture and supply of mining equipments. Lower off-take in equipments from Coal India Ltd. (CIL) during the last 9 months has been one of the key reasons for the slow performance of companies like BEML, Atlas Copco, Revathi and Eimco Elecon.

### *Lower offtake from Coal India led to lower growth*

In the mining equipment industry, the first and second quarters are lighter and see revenue contribution of only 35-40% from the first half of the year. The second half contributes to 65-70% of revenues, with the fourth quarter being the best amongst all quarters. One of the key reasons for this is the budgeting, bidding and equipment ordering strategy of Coal India which pushes a lot of equipment supply into the second half of the year.

Another factor which contributed to the lower sales in 4QFY07 was the lowering of sales tax to 3% from 4% which led to the sale of large equipments being deferred to April 2007, as was witnessed in companies like Eimco Elecon.

Going forward, allocation of private blocks and increasing contract mining is expected to create tremendous opportunity for mining equipment suppliers. However, this in turn is also bringing in competition in the form of Hitachi, Komatsu, Terex and increasing product offering from existing players like Caterpillar.

## Margins witness improvement

### *Margin improvement witnessed for MHE players*

During the last two quarters, there was a significant margin improvement witnessed in various companies under coverage largely on account of the following factors:

- 1. Low margin orders phased out:** Companies like TRF had fixed price orders which led to margins in the event of key raw material prices such as steel rising since FY04. Inability to pass on the price hikes led to margins getting hit for TRF. However, completion of these contracts by 2QFY07 has led to margins witnessing sudden jump on a YoY basis.
- 2. Steel exclusive contract cover against raw material price fluctuation:** TRF has also devised strategies like 'steel exclusive' contracts whereby the steel is supplied by the customers, while TRF does value addition. This covers the company against any uncertainty regarding steel prices. However, this practice is not dominant.
- 3. Avoiding low margin orders:** With increasing demand for MHE on account of various projects being executed simultaneously, MHE manufacturers and suppliers are flush with orders leading to better bargaining capabilities on the margins front. Manufacturers are avoiding orders where margins are minuscule.
- 4. Increasing operating leverage:** Manufacturers like Elecon Engineering possess significant capabilities in terms of production capacities. However the same was not utilized in the past due to lack of orders. With increasing orders, the companies are

able to derive significant operating leverage since they are able to do higher turnover with the same number of employees and available capacities.

**The table below signifies the margin improvement witnessed across key MHE players:**

### EBITDA margin

(%)	4QFY06	4QFY07	bps	1QFY07	1QFY08	bps	FY06	FY07
Elecon Engineering	13.3	13.7	+40	14.9	16.2	+130	13.1	15.5
TRF	9.8	11.0	+120	8.1	11.4	+230	8.0	9.3
TIL	9.5	7.1	-240	8.5	9.2	+70	8.7	8.0
McNally Bharat	4.7	3.4	-130	5.8	8.2	+240	5.0	5.5

Source: B&K Research, Company

### Expanding to new areas and improving product offerings

Even as companies continue to witness significant growth in demand for equipments from various core sectors, they are continuously looking at extending and improving the range of their service and products offerings. Visible developments in these areas can be summarised below:

#### 1. Elecon Engineering

#### *Elecon extending scope of activities*

1. *Windmill Gear Box - 1-2 MW*
2. *Windmills - 400/600 kW*
3. *Ship building - under discussion*

#### **Windmill gear box – 1-2 MW**

Until recently the company had the technology to manufacture windmill gear boxes in the range of up to 600 kW. However, witnessing the surge in demand (and shortage of supply) for windmill gear boxes in the 1-2 MW range, the company has entered into a technological tie-up with an international player to manufacture and sell windmill gear boxes in the 1-2 MW range for domestic as well as export markets.

For this, the company is carrying out a capex of Rs 800 mn and is expected to start commercial production by 4QFY08. In the first year of operations i.e. FY09, we expect this business to contribute ~Rs 500 mn to the turnover.

#### **Windmills – 400/ 600 kW**

The company is enhancing its capability by moving up from 250 kW windmills to 400/ 600 kW windmills. Elecon has entered into a technology tie up with Turbowinds, Belgium to enhance their capability in this area of business. The company received all certifications and approvals in 3QFY07 and would started commercial production from FY08 onwards. However, considering the significant orders being received by the company in their MHE business, tower making activities for the windmills may be outsourced since it is low value addition work for the company.

Margins in the windmill business would be ~10-12%. The company is not looking at becoming a major player in this business and would only be selling around 30-50 windmills in the first year of operation.

## Ship building/fabrications

The company has been for long looking at this area of business to execute heavy steel fabrication and engineering. While the company has dropped prior plans to do only fabrication for ship builders, it is instead now looking at picking up a stake or acquiring a ship builder to ensure its business flow in the area of ship fabrication.

## 2. TRF

### 51% stake in York Transportation Equipment (Asia) Pte Ltd., Singapore

*TRF pick up 51% stake in leading international axle player*

TRF has entered into a 51% stake purchase in York, which is a wholly owned subsidiary of Baker Technology Ltd., Singapore. York in into the business of manufacturing trailer axles, mechanical and air suspensions, landing gears, fifth wheel couplers, axle and suspension components, trailer and brake accessories and trailer anti braking systems. The products find application in various HCV (heavy commercial vehicles) such as vehicle carriers, trailers required for container, port and other activities, Cargo and Fridge Van.

The company is acquiring the 51% stake for cash consideration of US\$ 16.6 mn (Rs 500 mn). The company also has a call option to purchase the balance 49% from Baker Tech, amount being subjected to certain terms as laid out in the agreement. On purchase of the balance 49%, if done, BTL would also sign a non-compete agreement to enter into similar business anywhere in the world.

The company has manufacturing and marketing subsidiaries in various countries such as:

### Subsidiary operations of York

Name of subsidiary	Country	Holding	Scope
York Transport Equipment Pty Ltd.	Australia	100%	Manufacturing and Sales
York Sales (Thailand) Co. Ltd.	Thailand	100%	Sales and Servicing
York Transport Equipment (SA) Pty Ltd.	South Africa	100%	Manufacturing and Sales
York Transport Equipment (Malaysia) Sdn. Bhd.	Malaysia	100%	Sales and Servicing
Rednet Pte Ltd.	Singapore	100%	Manufacturing and sales
PT York Engineering	Indonesia	100%	Sales and Servicing
Eadda Pte Ltd.	Singapore	100%	Sales and Servicing
YTE Special Products Pte Ltd.	Singapore	100%	Manufacturing and Sales
Qingado YTE Special Products Co. Ltd. (subsidiary of YTE Special Products Pte Ltd.)	China	100%	Manufacturing and Sales

Source: B&K Research, Company

**Our view:** While TRF is talking about the potential in trailer axles on account of increasing container traffic in India and subsequent demand for trailers and related components, we believe that this acquisition will offer TRF an established marketing set up for increasing their exports of MHE, an area that the company is keenly looking at.

Rather than going around and setting up branches/subsidiaries in these countries and taking two-three years to understand the market and develop a reputation, TRF has gone the acquisition route to obtain an established marketing set up through this acquisition. This will in return enhance the scope to grow in exports, and one can expect greater number of orders on the exports front in the next 12 months.

The new area of business is a complete diversification from the present core business of MHE. However, going by the diversity in the overall business of the Tata group, TRF would find a ready base for the products of York.

### **Capacity expansion**

While we talk about the surge in demand for MHE products with the company being L1 along with Tata Power for the Mundra UMPP and potential to scale up in exports, one issue which the company will have to shortly address is the available capacity. To timely execute various orders, and to obtain the potential to execute greater orders, TRF will have to either increase the capacity at the current facility. The company is already doing a capex of Rs 120-150 mn which will augment production capacity by Rs 500 mn. This will in turn help achieve incremental revenues of Rs 2 bn for the company.

### **Fund requirement for various activities**

While the company has raised significant cash during the year through stronger recovery of debt from state electricity boards, it also has the option to take debts (term loans) which lie low at the moment. However, we believe the company may use the equity route to raise money (probably a rights issue) for its various expansion and acquisition activities.

### **3. Atlas Copco (India)**

While the benefits of various acquisitions may boil down to the Indian arm, the parent continues to do various acquisitions in the international markets. Key acquisitions done by the parent are:

- a. Dynapac, Switzerland** – this company is in the business of construction equipments mainly – compactors, pavers, rollers, planers, etc. used for road construction activities.
- b. Greenfield, Switzerland and Intermech, New Zealand** – these companies are in the area of CNG gas compressors for downstream and distribution activities.

### **4. Bharat Earth Movers Ltd. (BEML)**

BEML finally got the Follow-on public offer cleared and done with raising 4.9 mn shares @ Rs 1,075 per share aggregating ~ Rs 5.3 bn to help assist its total expansion plan of Rs 9-10 bn. The company has also initiated various steps as under:

#### **a. Joint Venture with CCC, Brazil**

The company has entered into a 60: 40JV with Companhia Comercia E Constructoes (CCC) of Brazil to manufacture and sell earth moving equipments and wagons.

*Atlas Copco growing through organic and inorganic route*



For this, BEML has invested a sum of Rs 600 mn and will be looking at tapping the demand for earth moving equipments and wagons in the Brazil market.

**BEML - new areas of growth:**

**1 Brazil JV**

**2 Contract Mining**

**3 Tie up with Terex, USA**

**4 OTR Tyres**

**b. Contract mining JV – BEML Midwest Ltd.**

The company is investing Rs 450 mn (45% holding) in this JV which will take up contract mining orders from companies who have been allocated coal blocks for captive use but do not have experience in setting up and operating mines. The opportunity for BEML in this would be ~Rs 2-3 bn per open cast mining contract for a 10 mtpa open cast mine.

**c. Tie-up with Terex, USA**

BEML has entered into a technological tie-up with Terex, USA for obtaining the technology to manufacture higher capacity equipment such as dumpers, excavators, bull dozers, etc. The company is looking to enhance the products portfolio through this tie up which will help increase the output of coal through various production activities. Obtaining this technology also becomes important with major international players like Hitachi, Komatsu and Caterpillar making their presence felt through various JV/distributorships in India – a market that many feel will double in the next three years for construction and mining equipments.

**d. Manufacturing OTR tyres with Apollo and MRF**

BEML is setting up a facility (along with Coal India) in tie-up with Apollo Tyres and MRF to manufacture OTR tyres, required in heavy mining equipments. The company is taking this initiative to help it tide over the shortage of OTR tyres which has led to various delays in the previous year, and hence higher amount of LD charges during the year.

**5. Revathi Equipments**

During the year, Revathi picked up substantial stakes in two unlisted companies:

**a. 26% stake in Monarch Catalyst for Rs 62.4 mn**

Monarch Catalyst is engaged in the manufacture of process technology catalyst, for a consideration of Rs 62.40 mn. Monarch makes nickel catalysts for hydrogenating oils and noble metal catalysts. The company also has a waste management and metal recovery unit where they recover metals from spent catalysts.

**b. 40% in Potential Service Consultants for Rs 300 mn (scalable to 51% by March 2009)**

Potential Service Consultants, offers designing of civil structures, electrical, HVAC, bldg automation and consultancy for IT Networking and Security systems. The company has completed works for prestigious organisations like Accenture, ITC, Godrej Properties, Cisco, IBM, Oracle, etc. In FY07 the company's revenues were Rs 285 mn while its Profit before Interest and taxes stood at Rs 119 mn.

**Revathi looking to go —  
Berkshire Hatheway**

## Share Data

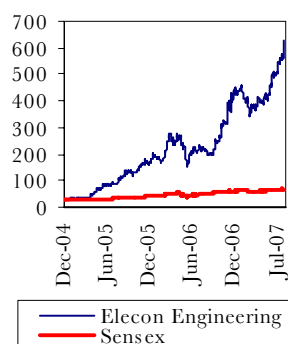
Reuters Code	ELCN.BO
Bloomberg code	ELCN IN
Market Cap (US\$ mn)	455
6 m. avg. daily turnover (Rs. mn)	1.4
Issued shares (mn)	31

Performance (%)	1m	3m	12m
Absolute	11	51	180
Relative	13	39	109

## Shareholding Pattern (%)

Promoters	42
FII's	6
MF's	20
Public & Others	32

## Relative Performance



## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY07	FY08E	YoY %	FY09E	YoY %
Net Revenues	946	1,296	37.1	7,231	10,165	40.6	13,337	31.2
Margin (%)	14.9	16.2	-	15.5	15.3	-	15.7	-
Other Income	10	26	167.9	66	70	6.8	80	14.3
Depreciation	27	34	27.8	122	147	20.0	166	13.2
Interest	37	45	23.3	194	260	34.3	330	26.9
Profit before Tax & EoI	87	155	79.0	867	1,217	40.4	1,682	38.2
EoI	6	0	(96.2)	(23)	0	-	0	-
Tax	27	51	88.9	295	404	36.8	556	37.8
Reported PAT	54	104	92.7	549	813	48.1	1,126	38.4
Adjusted PAT	60	104	74.5	572	813	42.2	1,126	38.4

# Elecon Engineering (Rs 600) **Maintain BUY**

## 1QFY08 Results – Gear division witnesses sharp growth

**Results are in line with our expectations. Growth in revenues is led by strong performance of transmission equipment (TE) division which grew 73% YoY. The material handling equipment (MHE) division turnover stood light on account of major executions in the fourth quarter and greater base effect.**

**Elecon Engineering has identified windmills and windmill gears as a growth area and will be doing a capex of Rs 900 mn to augment its capacity.**

## Outlook

The company will continue to ride the capex boom and register revenue and earnings CAGR of 35% and 40%, respectively, over FY07-09E. The company has well-built capabilities in the TE and MHE divisions which will help achieve the desired growth levels. Incremental growth can be expected from the new areas of businesses i.e. windmills (400-600 kW) and Windmill gear boxes (1-2 MW).

While power sector contributes to 80% of the current turnover, other core sectors like steel and cement would start contributing positively to the turnover of the company. We continue to maintain a positive outlook on the overall business of the company.

## Valuations

The stock trades at 23x FY08E and 16.5x FY09E expected EPS of Rs 26.3 and Rs 36.4, respectively. We maintain Buy.

## Elecon Engineering

Income Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Net sales	4,425	7,231	10,165	13,337
Growth (%)	62.2	63.4	40.6	31.2
Operating expenses	(3,828)	(6,113)	(8,612)	(11,239)
Operating profit	597	1,118	1,554	2,098
<b>EBITDA</b>	<b>597</b>	<b>1,118</b>	<b>1,554</b>	<b>2,098</b>
Growth (%)	87.4	87.4	39.0	35.0
Depreciation	(94)	(121)	(147)	(166)
Other income	83	66	70	80
<b>EBIT</b>	<b>585</b>	<b>1,062</b>	<b>1,477</b>	<b>2,012</b>
Interest paid	(140)	(194)	(260)	(330)
Pre-tax profit	445	868	1,217	1,682
(before non-recurring items)				
Non-recurring items	(36)	(23)	0	0
Pre-tax profit	409	845	1,217	1,682
(after non-recurring items)				
Tax (current + deferred)	(131)	(298)	(404)	(556)
<b>Net profit</b>	<b>278</b>	<b>547</b>	<b>813</b>	<b>1,126</b>
Adjusted net profit	314	570	813	1,126
Growth (%)	213.2	81.4	42.6	38.4
<b>Net income</b>	<b>278</b>	<b>547</b>	<b>813</b>	<b>1,126</b>

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY06	FY07E	FY08E	FY09E
Current assets	4,334	5,997	7,780	9,879
Investments	63	93	93	93
Net fixed assets	952	1,491	2,165	2,822
Other non-current assets	3	10	3	3
<b>Total assets</b>	<b>5,352</b>	<b>7,591</b>	<b>10,041</b>	<b>12,797</b>
Current liabilities	2,167	3,417	3,987	4,749
Total Debt	2,057	2,134	2,897	3,459
Other non-current liab.	124	150	130	130
<b>Total liabilities</b>	<b>4,348</b>	<b>5,701</b>	<b>7,014</b>	<b>8,338</b>
Share capital	57	62	62	62
Reserves & surplus	969	1,845	2,974	4,406
Less: Misc. expenditure	(23)	(18)	(8)	(8)
Shareholders' funds	1,003	1,889	3,027	4,460
<b>Total equity &amp; liabilities</b>	<b>5,351</b>	<b>7,590</b>	<b>10,041</b>	<b>12,798</b>
<b>Capital employed</b>	<b>3,184</b>	<b>4,173</b>	<b>6,054</b>	<b>8,049</b>

Cash Flow Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07E	FY08E	FY09E
Pre-tax profit	409	845	1,217	1,682
Depreciation	70	85	142	159
Chg in working capital	(914)	(834)	(1,308)	(1,454)
Total tax paid	(152)	6	(310)	(403)
<b>Cash flow from oper. (a)</b>	<b>(587)</b>	<b>102</b>	<b>(259)</b>	<b>(16)</b>
Capital expenditure	(401)	(623)	(817)	(816)
Chg in investments	(6)	(30)	0	0
<b>Cash flow from inv. (b)</b>	<b>(408)</b>	<b>(654)</b>	<b>(817)</b>	<b>(816)</b>
<b>Free cash flow (a+b)</b>	<b>(995)</b>	<b>(552)</b>	<b>(1,076)</b>	<b>(831)</b>
Equity raised/(repaid)	69	400	400	391
Debt raised/(repaid)	1,096	77	763	562
Dividend (incl. tax)	(16)	(35)	(64)	(77)
Other financing activities	5	3	2	0
<b>Cash flow from fin. (c)</b>	<b>1,154</b>	<b>445</b>	<b>1,101</b>	<b>876</b>
<b>Net chg in cash (a+b+c)</b>	<b>159</b>	<b>(107)</b>	<b>25</b>	<b>45</b>

Key Ratios				
Yr end 31 Mar (%)	FY06	FY07E	FY08E	FY09E
EPS (Rs)	11.1	18.4	26.3	36.4
EPS growth	213.2	65.5	42.6	38.4
EBITDA margin	13.5	15.5	15.3	15.7
EBIT margin	13.2	14.7	14.5	15.1
ROCE	23.6	28.9	28.9	28.5
Net debt/Equity	180.4	105.6	90.3	72.9

Valuations				
Yr end 31 Mar (x)	FY06	FY07E	FY08E	FY09E
PER	53.9	32.5	22.8	16.5
PCE	41.5	26.8	19.3	14.4
Price/Book	16.9	9.8	6.1	4.2
Yield (%)	0.2	0.3	0.4	0.4
EV/Net sales	4.6	2.8	2.0	1.5
EV/EBITDA	34.4	18.4	13.2	9.8

Du Pont Analysis – ROE				
Yr end 31 Mar (x)	FY06	FY07E	FY08E	FY09E
Net margin (%)	7.1	7.9	8.0	8.4
Asset turnover	1.0	1.1	1.2	1.2
Leverage factor	5.2	4.5	3.6	3.1
Return on equity (%)	37.2	39.4	33.1	30.1

## Share Data

Reuters Code	TTRO.BO
Bloomberg code	TRFIN
Market Cap (US\$ mn)	133
6 m. avg. daily turnover (Rs. mn)	0.1
Issued shares (mn)	6

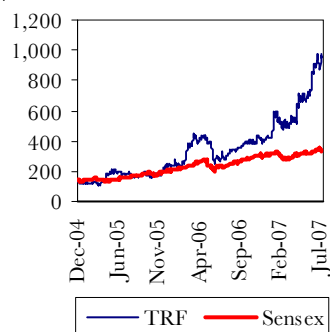
## Performance (%) 1m 3m 12m

Absolute	13	42	190
Relative	15	30	121

## Shareholding Pattern (%)

Promoters	42
FII's	5
MF's	11
Public & Others	41

## Relative Performance



## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY07	FY08E	YoY %	FY09E	YoY %
Net Revenues	427	664	55.5	3,472	4,939	42.2	6,425	30.1
EBITDA Margin (%)	8.1	11.4	—	9.3	10.2	—	10.2	—
Other Income	0	4	—	22	15	(30.6)	15	0.0
Depreciation	3	4	19.6	13	20	55.1	26	29.4
Interest	9	1	(94.3)	25	40	63.0	40	0.0
Profit before Tax & EoI	23	76	229.5	306	457	49.7	603	31.7
Tax	8	29	241.6	104	151	45.2	199	31.7
PAT	14	47	222.5	203	307	51.2	404	31.7

## TRF (Rs 988)

**Maintain BUY**

### 1QFY08 Results – The MHE party continues

**TRF results were above our expectations. The significant jump is attributed to the execution of major orders in the project segment during the quarter which led to a 125% jump in the project segment revenues. Margins during the quarter were above expectations at 11.4% the highest in the last 21 quarters since the business has witnessed a turnaround on account of capex in the core industries such as power, mining, steel, etc. TRF has recently acquired a 51% stake in York Transport Equipment for about Rs 450 mn. York is primarily into manufacturing and marketing of trailer axles.**

### Outlook

TRF's recent performance has been an indicator of the rising demand for material handling equipments derived on account of the increasing capex in power, steel, cement, etc. Order receipt from the Mundra UMPP would lead to a strong jump in the order book and visibility of revenues up to FY11-12.

The company is actively considering greenfield expansion or an acquisition to prepare them for executing larger projects. The company is already doing a regular capex of Rs 120-150 mn to keep improving capacity utilisations.

We continue to maintain a positive outlook on the company's business prospects.

### Valuations

Presently the stock trades at 17.7x FY08E and 13.5x FY09E earnings. We maintain Buy on the stock.

## TRF

Income Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Net sales	2,166	3,472	4,939	6,425
Growth (%)	9.1	60.3	42.2	30.1
Operating expenses	(1,993)	(3,149)	(4,436)	(5,771)
Operating profit	173	323	503	654
<b>EBITDA</b>	<b>173</b>	<b>323</b>	<b>503</b>	<b>654</b>
Growth (%)	59.3	86.8	55.8	30.0
Depreciation	(13)	(13)	(20)	(26)
Other income	2	22	15	15
<b>EBIT</b>	<b>162</b>	<b>331</b>	<b>497</b>	<b>643</b>
Interest paid	(43)	(25)	(40)	(40)
Pre-tax profit	119	307	457	603
(before non-recurring items)				
Non-recurring items	(3)	(1)	0	0
Pre-tax profit	116	306	457	603
(after non-recurring items)				
Tax (current + deferred)	(45)	(104)	(151)	(199)
Net profit	71	202	307	404
Adjusted net profit	74	203	307	404
Growth (%)	71.4	174.9	51.2	31.7
<b>Net income</b>	<b>71</b>	<b>202</b>	<b>307</b>	<b>404</b>

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Current assets	1,895	2,719	3,384	4,224
Investments	4	38	38	38
Net fixed assets	93	105	188	293
Other non-current assets	4	38	0	0
<b>Total assets</b>	<b>1,995</b>	<b>2,899</b>	<b>3,610</b>	<b>4,555</b>
Current liabilities	1,143	2,199	2,501	3,091
Total Debt	413	104	300	310
Other non-current liabilities	16	15	0	0
<b>Total liabilities</b>	<b>1,572</b>	<b>2,318</b>	<b>2,801</b>	<b>3,401</b>
Share capital	55	55	55	55
Reserves & surplus	372	501	758	1,102
Less: Misc. expenditure	(4)	(3)	(3)	(3)
Shareholders' funds	423	553	810	1,154
<b>Total equity &amp; liabilities</b>	<b>1,995</b>	<b>2,871</b>	<b>3,610</b>	<b>4,555</b>
<b>Capital employed</b>	<b>852</b>	<b>673</b>	<b>1,110</b>	<b>1,464</b>

Cash Flow Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Pre-tax profit	116	306	457	603
Depreciation	(4)	8	20	26
Chg in working capital	133	387	(130)	(70)
Total tax paid	(41)	(138)	(11)	(151)
<b>Cash flow from oper. (a)</b>	<b>204</b>	<b>563</b>	<b>337</b>	<b>408</b>
Capital expenditure	0	(20)	(104)	(131)
Chg in investments	0	(34)	0	0
<b>Cash flow from inv. (b)</b>	<b>1</b>	<b>(54)</b>	<b>(104)</b>	<b>(131)</b>
<b>Free cash flow (a+b)</b>	<b>204</b>	<b>509</b>	<b>233</b>	<b>277</b>
Equity raised/(repaid)	3	1	0	0
Debt raised/(repaid)	(228)	(308)	196	10
Dividend (incl. tax)	(19)	(25)	(39)	(50)
<b>Cash flow from fin. (c)</b>	<b>(244)</b>	<b>(333)</b>	<b>157</b>	<b>(40)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(40)</b>	<b>176</b>	<b>390</b>	<b>237</b>

Key Ratios				
Yr end 31 Mar (%)	FY06	FY07	FY08E	FY09E
EPS (Rs)	13.4	36.9	55.7	73.4
EPS growth	71.4	174.9	51.2	31.7
EBITDA margin	8.0	9.3	10.2	10.2
EBIT margin	7.5	9.5	10.1	10.0
ROCE	17.2	43.4	55.8	49.9
Net debt/Equity	90.9	(16.9)	(32.1)	(42.2)

Valuations				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
PER	73.7	26.8	17.7	13.5
PCE	62.7	25.2	16.6	12.6
Price/Book	12.8	9.8	6.7	4.7
Yield (%)	0.4	0.6	0.8	1.0
EV/Net sales	2.5	1.5	1.1	0.8
EV/EBITDA	30.9	16.6	10.6	8.2

Du Pont Analysis – ROE				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
Net margin (%)	3.4	5.8	6.2	6.3
Asset turnover	1.1	1.4	1.5	1.6
Leverage factor	4.9	5.0	4.8	4.2
Return on equity (%)	18.5	41.5	45.0	41.1

## Share Data

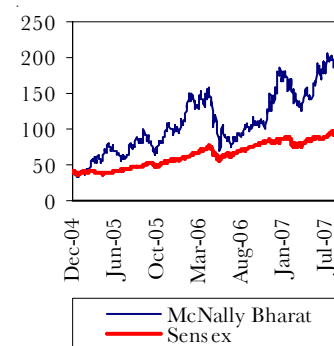
Reuters Code	MCNL.BO
Bloomberg code	MCNA IN
Market Cap (US\$ mn)	126
6 m. avg. daily turnover (Rs. mn)	0.4
Issued shares (mn)	27

<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Absolute	(3)	35	111
Relative	(1)	24	57

## Shareholding Pattern (%)

Promoters	34
FII's	10
MF's	12
BFSI's	6
Public & Others	39

## Relative Performance



# McNally Bharat (Rs 187) Maintain Market Performer

## 1QFY08 Results – Back to full tax regime

**Results were in line with our expectations. Margins were better than 4QFY07 and will help achieve our targeted operating margins for the whole year. Higher value added sales (mainly equipment sale) during the quarter helped achieve the expansion in margins. However, the company's major business is projects which will ultimately lead to EBITDA margins falling in line with our expectations (7.5%) on a full year basis. The company is also back to full tax regime.**

## Outlook

McNally Bharat is a key player in the mineral processing and material handling industry (MHE). However, it is a more focused player on the projects business (EPC) rather than products supply. Due to this, margins continue to remain subdued vis-à-vis other players in the MHE industry.

The company has dropped plans with respect to their coal washery BOO project with Coal India, the sponge iron SPV with SAIL and the gearbox manufacturing facility at Bangalore citing various reasons. The company is now looking at setting up a new facility in Asansol, West Bengal to utilise the US\$ 10 mn raised through FCCB and Rs 208 mn through promoter warrants. The expectations of Rs 17.5 bn order from IISCO hang in the balance even as L&T and Elecon, the other bidders, have objected their disqualification on flimsy grounds. In an event of a re-bid, the project cost would increase to >Rs 20 bn and will be delayed by three-six months and eventuality of McNally losing this order.

## Valuations

Presently the stock trades at 19.2x FY08E and 14.4x FY09E EPS of Rs 9.7 and Rs 13, respectively. We maintain our Market Performer rating on the stock.

## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY07	FY08E	YoY %	FY09E	YoY %
Net Revenues	1,092	1,112	1.8	5,140	7,350	43.0	9,016	22.7
Margin (%)	5.8	8.2	–	5.5	7.5	–	8.2	–
Other Income	1	3	275.0	56	23	(58.7)	30	29.3
Depreciation	5	5	(3.8)	17	58	239.0	78	34.5
Interest	18	26	39.3	90	110	22.0	128	16.4
Profit before Tax & EoI	40	64	58.6	232	409	76.1	560	37.0
Tax	5	20	280.8	26	114	340.4	168	46.7
Adjusted PAT	35	44	25.5	206	294	42.8	392	33.2

## McNally Bharat

<b>Income Statement</b>				
<b>Yr end 31 Mar (Rs mn)</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
Net sales	3,302	5,140	7,350	9,016
Growth (%)	15.2	55.6	43.0	22.7
Operating expenses	(3,159)	(4,856)	(6,796)	(8,280)
Operating profit	144	283	554	736
<b>EBITDA</b>	<b>144</b>	<b>283</b>	<b>554</b>	<b>736</b>
Growth (%)	43.3	97.1	95.5	32.9
Depreciation	(27)	(17)	(58)	(78)
Other income	33	56	23	30
<b>EBIT</b>	<b>149</b>	<b>322</b>	<b>519</b>	<b>688</b>
Interest paid	(82)	(90)	(110)	(128)
Pre-tax profit	67	232	409	560
(before non-recurring items)				
Non-recurring items	0	(31)	0	0
Pre-tax profit	67	201	409	560
(after non-recurring items)				
Tax (current + deferred)	(13)	(26)	(114)	(168)
<b>Net profit</b>	<b>54</b>	<b>175</b>	<b>294</b>	<b>392</b>
Adjusted net profit	54	206	294	392
Growth (%)	104.3	284.5	42.8	33.2
<b>Net income</b>	<b>54</b>	<b>175</b>	<b>294</b>	<b>392</b>

<b>Balance Sheet</b>				
<b>Yr end 31 Mar (Rs mn)</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Current assets	2,743	3,802	4,940	6,072
Investments	32	12	12	12
Net fixed assets	529	537	861	896
Other non-current assets	6	2	2	0
<b>Total assets</b>	<b>3,311</b>	<b>4,354</b>	<b>5,815</b>	<b>6,980</b>
Current liabilities	1,708	2,156	3,093	3,691
Total Debt	795	1,214	1,009	1,259
Other non-current liab.	17	15	15	0
<b>Total liabilities</b>	<b>2,521</b>	<b>3,385</b>	<b>4,116</b>	<b>4,949</b>
Share capital	265	268	307	307
Reserves & surplus	525	700	1,392	1,754
Shareholders' funds	790	968	1,699	2,061
<b>Total equity &amp; liabilities</b>	<b>3,310</b>	<b>4,353</b>	<b>5,815</b>	<b>7,011</b>
<b>Capital employed</b>	<b>1,602</b>	<b>2,197</b>	<b>2,723</b>	<b>3,320</b>

<b>Cash Flow Statement</b>				
<b>Yr end 31 Mar (Rs mn)</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Pre-tax profit	67	201	409	560
Depreciation	46	52	58	78
Chg in working capital	(527)	(638)	(302)	(595)
Total tax paid	(14)	2	(26)	(127)
<b>Cash flow from oper. (a)</b>	<b>(428)</b>	<b>(383)</b>	<b>139</b>	<b>(84)</b>
Capital expenditure	(142)	(60)	(382)	(114)
Chg in investments	(20)	20	0	0
<b>Cash flow from inv. (b)</b>	<b>(162)</b>	<b>(40)</b>	<b>(382)</b>	<b>(114)</b>
<b>Free cash flow (a+b)</b>	<b>(590)</b>	<b>(423)</b>	<b>(243)</b>	<b>(197)</b>
Equity raised/(repaid)	299	197	466	(0)
Debt raised/(repaid)	181	418	(205)	250
Dividend (incl. tax)	(6)	(15)	(31)	(30)
Other financing activities	91	(162)	(1)	0
<b>Cash flow from fin. (c)</b>	<b>566</b>	<b>438</b>	<b>229</b>	<b>220</b>
<b>Net chg in cash (a+b+c)</b>	<b>(24)</b>	<b>15</b>	<b>(14)</b>	<b>23</b>

<b>Key Ratios</b>				
<b>Yr end 31 Mar (%)</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
EPS (Rs)(diluted)	2.0	6.8	9.7	13.0
EPS growth	52.7	236.7	42.8	33.2
EBITDA margin	4.4	5.5	7.5	8.2
EBIT margin	4.5	6.3	7.1	7.6
ROCE	11.5	17.0	21.1	22.8
Net debt/Equity	81.1	107.8	50.2	53.8

<b>Valuations</b>				
<b>Yr end 31 Mar (x)</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
PER	92.5	27.5	19.2	14.4
PCE	61.3	25.3	16.1	12.0
Price/Book	7.2	6.5	3.5	2.9
Yield (%)	0.3	0.5	0.5	0.5
EV/Net sales	1.9	1.2	0.8	0.7
EV/EBITDA	43.0	21.8	11.2	8.4

<b>Du Pont Analysis – ROE</b>				
<b>Yr end 31 Mar (x)</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Net margin (%)	1.6	4.0	4.0	4.3
Asset turnover	1.1	1.3	1.4	1.4
Leverage factor	5.0	4.4	3.8	3.4
Return on equity (%)	9.3	23.5	22.1	20.9

## Share Data

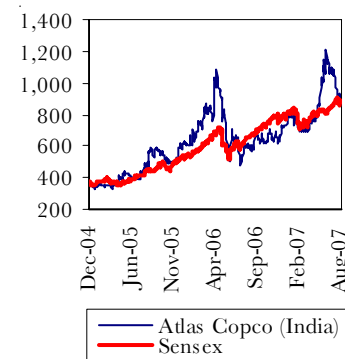
Reuters Code	ATLA.BO
Bloomberg code	ATCP IN
Market Cap (US\$ mn)	525
6 m. avg. daily turnover (Rs. mn)	0.2
Issued shares (mn)	23

<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Absolute	(12)	19	57
Relative	(10)	19	17

## Shareholding Pattern (%)

Promoters	84
MFs	2
BFSI's	1
Public & Others	14

## Relative Performance



# Atlas Copco (Rs 948)

**Maintain BUY**

## 2QCY07 Results – Compressors show strong growth

**Results are in line with expectations. Revenues continue to witness 30% growth and we expect the company to maintain this growth rate for the year. The recent acquisition of Mafi-Trench Corporation, USA, by the parent will provide the company a complimentary line of business to their increasing focus on the oil & gas industry. Mafi-trench is in the business of manufacturing turbo expanders and allied machinery.**

## Outlook

Atlas Copco, a leader in the compressors and industrial tools will continue to benefit from the surge in infrastructure expenditure in the country. The compressor business continues to witness significant growth on account of the increasing demand for oil free and centrifugal compressors. The company is also gradually enhancing their presence in the CNG gas based technology business through acquisitions of Intermech and Greenfield. The latest acquisition of Mafi Trench, USA will compliment the company's increasing foray into the oil and gas space. The company also offers a wide range of construction and mining equipments which are expected to show significant growth on the back of demand for mining capex, especially in Coal.

## Valuations

Presently the stock is trading at 21.5x CY07E and 16.9x CY08E EPS of Rs 44.1 and Rs 56.1, respectively. We maintain Buy.

## Financial highlights

(Rs mn)	2QCY06	2QCY07	YoY %	1HCY06	1HCY07	YoY%	CY06	CY07E	YoY %	CY08E	YoY %
Net Revenues	1,708	2,226	30.3	3395	4437	30.7	7,417	9,697	30.7	12,277	26.6
Margin (%)	21.1	15.5	–	20.3	15.4	–	18.3	18.6	–	18.6	–
Other Income	8	20	157.9	10	30	210.4	54	31	(42.5)	47	51.1
Depreciation	50	55	10.0	98	104	5.9	204	240	17.5	280	16.7
Interest	8	16	98.8	17	27	57.3	35	44	27.1	47	6.8
PBT before EoI	309	294	(4.9)	585	584	(0.2)	1,170	1,553	32.8	2,009	29.3
Extra ordinary expense	–	100	–	0	100	–	(28)	–	–	–	–
Tax	117	132	13.2	216	242	12.2	422	559	32.6	743	32.9
Reported PAT	192	262	36.2	369	442	19.7	748	994	32.8	1,266	27.3
Adjusted PAT	192	162	(15.9)	369	342	(7.4)	720	994	38.0	1,266	27.3



## Atlas Copco

Income Statement				
Yr end 31 Dec (Rs mn)	CY05	CY06	CY07E	CY08E
Net sales	5,740	7,417	9,697	12,277
Growth (%)	42.1	29.2	30.7	26.6
Operating expenses	(4,682)	(6,062)	(7,891)	(9,988)
Operating profit	1,058	1,355	1,806	2,289
<b>EBITDA</b>	<b>1,058</b>	<b>1,355</b>	<b>1,806</b>	<b>2,289</b>
Growth (%)	33	28	33	27
Depreciation	(196)	(204)	(240)	(280)
Other income	24	54	31	47
<b>EBIT</b>	<b>886</b>	<b>1,205</b>	<b>1,597</b>	<b>2,056</b>
Interest paid	(50)	(35)	(44)	(47)
Pre-tax profit	836	1,170	1,553	2,009
(before non-recurring items)				
Non-recurring items	-	(28)	-	-
Pre-tax profit	836	1,142	1,553	2,009
(after non-recurring items)				
Tax (current + deferred)	(323)	(422)	(559)	(743)
<b>Net profit</b>	<b>513</b>	<b>720</b>	<b>994</b>	<b>1,266</b>
Adjusted net profit	513	748	994	1,266
Growth (%)	(1.7)	45.9	32.8	27.3
<b>Net income</b>	<b>513</b>	<b>720</b>	<b>994</b>	<b>1,266</b>

Balance Sheet				
Yr end 31 Dec (Rs mn)	CY05	CY06	CY07E	CY08E
Current assets	2,697	3,815	5,073	6,810
Investments	0	0	100	100
Net fixed assets	1,348	1,425	1,526	1,741
Other non-current assets	13	38	5	15
<b>Total assets</b>	<b>4,058</b>	<b>5,278</b>	<b>6,705</b>	<b>8,667</b>
Current liabilities	1,257	2,039	2,693	3,570
Total Debt	736	562	471	461
Other non-current liab.	3	1	0	0
<b>Total liabilities</b>	<b>1,997</b>	<b>2,602</b>	<b>3,164</b>	<b>4,031</b>
Share capital	113	226	226	226
Reserves & surplus	1,949	2,451	3,315	4,410
Shareholders' funds	2,061	2,676	3,541	4,635
<b>Total equity &amp; liabilities</b>	<b>4,058</b>	<b>5,278</b>	<b>6,704</b>	<b>8,666</b>
<b>Capital Employed</b>	<b>2,801</b>	<b>3,239</b>	<b>4,011</b>	<b>5,096</b>

Cash Flow Statement				
Yr end 31 Dec (Rs mn)	CY05	CY06	CY07E	CY08E
Pre-tax profit	836	1,142	1,553	2,009
Depreciation	167	129	240	280
Chg in working capital	(351)	(282)	(461)	(688)
Total tax paid	(305)	(446)	(526)	(753)
<b>Cash flow from oper. (a)</b>	<b>346</b>	<b>543</b>	<b>806</b>	<b>848</b>
Capital expenditure	(91)	(207)	(341)	(495)
Chg in investments	0	-	(100)	-
<b>Cash flow from inv. (b)</b>	<b>(91)</b>	<b>(207)</b>	<b>(441)</b>	<b>(495)</b>
<b>Free cash flow (a+b)</b>	<b>255</b>	<b>337</b>	<b>365</b>	<b>353</b>
Equity raised/(repaid)	(0)	69	-	-
Debt raised/(repaid)	(248)	(174)	(91)	(10)
Dividend (incl. tax)	(64)	(77)	(106)	(130)
Other financing activities	(7)	(69)	-	-
<b>Cash flow from fin. (c)</b>	<b>(319)</b>	<b>(252)</b>	<b>(197)</b>	<b>(140)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(63)</b>	<b>85</b>	<b>168</b>	<b>213</b>

Key Ratios				
Yr end 31 Dec (%)	CY05	CY06	CY07E	CY08E
EPS(Rs)	22.7	33.2	44.1	56.1
EPS growth	(1.7)	45.9	32.8	27.3
EBITDA margin	18.4	18.3	18.6	18.6
EBIT margin	15.4	16.2	16.5	16.7
ROCE	32.7	39.9	44.1	45.2
Net debt/Equity	31.5	14.6	3.7	-2.0

Valuations				
Yr end 31 Dec (x)	CY05	CY06	CY07E	CY08E
PER	41.7	28.6	21.5	16.9
PCE	30.1	22.4	17.3	13.8
Price/Book	10.4	8.0	6.0	4.6
Yield (%)	0.3	0.4	0.5	0.7
EV/Net sales	3.8	2.9	2.2	1.8
EV/EBITDA	20.6	16.1	12.1	9.5

Du Pont Analysis – ROE				
Yr end 31 Dec (x)	CY05	CY06	CY07E	CY08E
Net margin (%)	8.9	10.1	10.3	10.3
Asset turnover	1.5	1.6	1.6	1.6
Leverage factor	2.1	2.0	1.9	1.9
Return on equity (%)	27.8	31.6	32.0	31.0

## Share Data

Reuters Code	BEML.BO
Bloomberg code	BEMLIN
Market Cap (US\$ mn)	1,225
6 m. avg. daily turnover (Rs. mn)	5.5
Issued shares (mn)	42

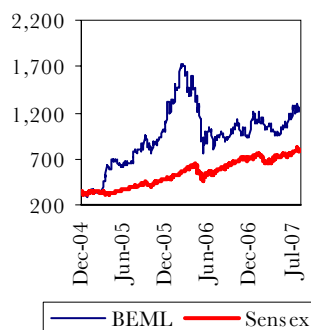
## Performance (%) 1m 3m 12m

Absolute	(4)	25	28
Relative	(2)	17	(5)

## Shareholding Pattern (%)

Promoters	61
FII's	10
MF's	12
BFSI's	7
Public & Others	10

## Relative Performance



## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY07	FY08E	YoY %	FY09E	YoY %
Net Revenues	3,348	3,932	17.5	24,239	29,050	19.9	34,013	17.1
Margin (%)	5.7	6.7	-	11.5	12.2	-	12.7	-
Other Income	90	137	52.4	554	620	11.9	633	2.1
Depreciation	33	32	-3.9	135	180	33.1	233	29.8
Interest	15	5	(70.8)	56	65	16.1	75	15.4
PBT	233	364	56.0	3,161	3,905	23.5	4,646	19.0
Tax	83	128	53.9	1,111	1,367	23.0	1,626	19.0
Adjusted PAT	150	236	57.2	2,050	2,538	23.8	3,020	19.0

## BEML (Rs 1,198)

## Maintain Market Performer

### 1QFY08 Results – Perils of Competition

Revenues are in line with our expectations. PAT saw higher increase largely on account of other income and lower interest outgo mainly on account of proceeds of FPO (Follow-on Public Offer) and working capital debt having being made a part of the objects of FPO which will ultimately reduce the debt funding requirement from external sources. BEML has lost the prestigious Delhi Metro Rail Corp. Phase II order of supplying 340 coaches worth Euro 427 mn (Rs 25 bn) to Bombardier, hence justifying our earnings downgrade for FY08. However, BEML is L1 for the supply of 156 coaches at an estimated Rs 12 bn for Phase III.

### Outlook

Earth moving and defence divisions continue to be the drivers for the company. But BEML will face stiff competition from Caterpillar, L&T Komatsu, Tata Hitachi and the likes who are also targeting the booming construction and mining equipment opportunity in India. In the railways division, BEML plans to increase the metro coach manufacturing capacity, to indigenise the manufacturing content and help improve margins.

'Contract mining' JV is a good opportunity to enter into core related areas of manufacturing and supply of earth moving equipments. While the equipment suppliers should yield good returns, profitability of the JV is still ambiguous and hence also the sustainability of the JV in the long run.

BEML has forged a JV with Companhia Comercia E Construcoes (CCC) of Brazil to market and manufacture rail wagons and bogies, construction and mining equipment and spares in the Brazilian market. This market has some of the biggest mining opportunities but is also highly contested with all the major equipment makers of the world vying for market share.

### Valuation

Presently the stock trades at 19.7x FY08E and 16.6x FY09E EPS (adjusted for FPO) of Rs 60.7 and Rs 72.3, respectively. We maintain Market Performer.

## BEML

Income Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Net sales	20,595	24,239	29,050	34,013
Growth (%)	18.9	17.7	19.9	17.1
Operating expenses	(18,267)	(21,441)	(25,521)	(29,691)
Operating profit	2,328	2,798	3,530	4,321
<b>EBITDA</b>	<b>2,328</b>	<b>2,798</b>	<b>3,530</b>	<b>4,321</b>
Growth (%)	(2.1)	20.2	26.2	22.4
Depreciation	(141)	(135)	(180)	(233)
Other income	712	554	620	633
<b>EBIT</b>	<b>2,899</b>	<b>3,217</b>	<b>3,970</b>	<b>4,721</b>
Interest paid	(46)	(56)	(65)	(75)
Pre-tax profit (before non-recurring items)	2,853	3,161	3,905	4,646
Pre-tax profit (after non-recurring items)	2,853	3,161	3,905	4,646
Tax (current + deferred)	(985)	(1,111)	(1,367)	(1,626)
<b>Net profit</b>	<b>1,868</b>	<b>2,050</b>	<b>2,538</b>	<b>3,020</b>
Adjusted net profit	1,868	2,050	2,538	3,020
Growth (%)	7.1	9.7	23.8	19.0
Prior period adjustments	(1)	0	0	0
<b>Net income</b>	<b>1,867</b>	<b>2,050</b>	<b>2,538</b>	<b>3,020</b>

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY06	FY07E	FY08E	FY09E
Current assets	19,535	23,479	29,440	30,097
Investments	25	25	25	25
Net fixed assets	1,428	1,826	4,633	7,763
<b>Total assets</b>	<b>20,988</b>	<b>25,330</b>	<b>34,098</b>	<b>37,886</b>
Current liabilities	12,189	14,272	15,617	16,994
Total Debt	249	1,000	1,300	1,600
Other non-current liab.	11	20	30	30
<b>Total liabilities</b>	<b>12,449</b>	<b>15,292</b>	<b>16,947</b>	<b>18,624</b>
Share capital	369	369	418	418
Reserves & surplus	8,428	9,978	17,041	19,152
Less: Misc. expenditure	(258)	(308)	(308)	(308)
Shareholders' funds	8,539	10,038	17,151	19,261
<b>Total equity &amp; liabilities</b>	<b>20,988</b>	<b>25,330</b>	<b>34,098</b>	<b>37,886</b>
<b>Capital employed</b>	<b>8,799</b>	<b>11,058</b>	<b>18,481</b>	<b>20,891</b>

Cash Flow Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07E	FY08E	FY09E
Pre-tax profit	2,853	3,161	3,905	4,646
Depreciation	125	161	180	233
Chg in working capital	467	(4,147)	(3,012)	(2,818)
Total tax paid	(2,447)	(22)	(1,101)	(1,367)
Other operating activities	2	0	(200)	(200)
<b>Cash flow from oper. (a)</b>	<b>1,000</b>	<b>(848)</b>	<b>(229)</b>	<b>495</b>
Capital expenditure	(325)	(559)	(2,986)	(3,364)
<b>Cash flow from inv. (b)</b>	<b>(325)</b>	<b>(559)</b>	<b>(2,986)</b>	<b>(3,364)</b>
<b>Free cash flow (a+b)</b>	<b>675</b>	<b>(1,407)</b>	<b>(3,215)</b>	<b>(2,869)</b>
Equity raised/(repaid)	145	(50)	5,341	0
Debt raised/(repaid)	(500)	751	300	300
Dividend (incl. tax)	(356)	(293)	(500)	(567)
Other financing activities	(126)	0	0	0
<b>Cash flow from fin. (c)</b>	<b>(837)</b>	<b>408</b>	<b>5,141</b>	<b>(267)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(162)</b>	<b>(999)</b>	<b>1,926</b>	<b>(3,136)</b>

Key Ratios				
Yr end 31 Mar (%)	FY06	FY07E	FY08E	FY09E
EPS (Rs)*	50.6	55.5	60.7	72.3
EPS growth	7.1	9.7	9.3	19.0
EBITDA margin	11.3	11.5	12.2	12.7
EBIT margin	14.1	13.3	13.7	13.9
ROCE	35.1	32.4	26.9	24.0
Net debt/Equity	(41.6)	(17.9)	(20.0)	0.0

Valuations				
Yr end 31 Mar (x)	FY06	FY07E	FY08E	FY09E
PER	23.7	21.6	19.7	16.6
PCE	22.0	20.2	18.4	15.4
Price/Book	5.2	4.4	2.9	2.6
Yield (%)	0.6	1.0	1.0	1.3
EV/Net sales	2.3	2.0	1.7	1.4
EV/EBITDA	20.7	17.2	13.6	11.1

Du Pont Analysis – ROE				
Yr end 31 Mar (x)	FY06	FY07E	FY08E	FY09E
Net margin (%)	9.1	8.5	8.7	8.9
Asset turnover	1.0	1.0	1.0	0.9
Leverage factor	2.7	2.5	2.2	2.0
Return on equity (%)	24.1	22.1	18.7	16.6

\* - EPS for FY08 and 09 is diluted to the extent of 4.9 mn shares raised through FPO

## Share Data

Reuters Code	EIMC.BO
Bloomberg code	EEI IN
Market Cap (US\$ mn)	48
6 m. avg. daily turnover (Rs. mn)	0.01
Issued shares (mn)	6

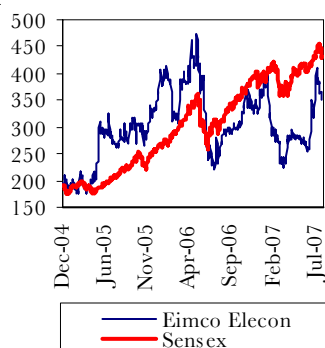
## Performance (%) 1m 3m 12m

Absolute	(8.4)	24	22
Relative	(7)	14	(9)

## Shareholding Pattern (%)

Promoters	73
MFs	6
Public & Others	21

## Relative Performance



# Eimco Elecon (Rs 342) Maintain Market Performer

## 1QFY08 Results – Looking to grow in open cast mining

**Results are in line with our expectations. The jump in revenues was largely on account of the cut and carry machine, worth Rs 100 mn being sold during the quarter. The sale of this machine had been deferred from 4QFY07 on account of reduction of sales tax by 1%. The company is taking steps to increase their product profile in the area of open cast mining through mining drills which has presently not contributed in a big way to revenues.**

## Outlook

Eimco Elecon being the leader in underground mining loaders will be the major beneficiary of the capex planned by Coal India and also other players who are eyeing the contract mining opportunity. ‘Cut and Carry’ technology being introduced will compliment the loaders and will enable Eimco to offer a range of equipments for underground mining. The company will also benefit by targeting the opportunity presented in open cast mining by introducing blast hole drills which is a growing segment. While the company is looking at increasing the sale of their drills, we believe the company’s plans could be hampered on account of the increasing intentions of their technical partner ‘Saandvik’ to enhance their footprints in India through their own Indian subsidiary. This could lead to further delays in the sale of drills depending on the extent to which the company will be able to indigenise the manufacture of the drilling machines.

## Valuations

Presently the stock trades at 18.1x FY08E and 15.2x FY09E EPS of Rs 18.9 and Rs 22.5, respectively. Maintain Market Performer.

## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY07	FY08E	YoY %	FY09E	YoY %
Net Revenues	209	331	158.2	957	1,165	22	1,315	13
EBITDA	54	74	135.8	202	240	19	275	14
Margin (%)	26.0	22.3	–	21.2	20.6	–	20.9	–
Other Income	5	7	151.4	30	35	15	38	9
Depreciation	19	19	100.1	76	80	5	85	6
Interest	8	3	45.3	27	25	(9)	25	0
Profit before Tax & EoI	33	59	179.5	130	171	32	203	19
Tax	4	18	438.5	42	61	45	73	19
PAT	29	41	142.8	87	109	25	130	19

## Eimco Elecon

Income Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Net sales	912	957	1,165	1,315
Growth (%)	(6.1)	4.9	21.8	12.9
Operating expenses	(713)	(754)	(925)	(1,040)
Operating profit	199	202	240	275
<b>EBITDA</b>	<b>199</b>	<b>202</b>	<b>240</b>	<b>275</b>
Growth (%)	6.1	1.7	18.7	14.3
Depreciation	(66)	(76)	(80)	(85)
Other income	19	30	35	38
EBIT	152	157	196	228
Interest paid	(27)	(27)	(25)	(25)
Pre-tax profit (before non-recurring items)	125	130	171	203
Pre-tax profit (after non-recurring items)	125	130	171	203
Tax (current + deferred)	(37)	(42)	(61)	(73)
<b>Net profit</b>	<b>89</b>	<b>87</b>	<b>109</b>	<b>130</b>
Adjusted net profit	89	87	109	130
Growth (%)	1.1	(1.2)	24.9	19.0
<b>Net income</b>	<b>89</b>	<b>87</b>	<b>109</b>	<b>130</b>

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Current assets	1,062	940	1,111	1,275
Investments	21	24	25	25
Net fixed assets	522	449	394	371
Other non-current assets	1	2	1	1
<b>Total assets</b>	<b>1,606</b>	<b>1,415</b>	<b>1,531</b>	<b>1,672</b>
Current liabilities	253	163	187	205
Total Debt	392	235	255	281
Other non-current liab.	63	54	50	50
<b>Total liabilities</b>	<b>707</b>	<b>453</b>	<b>492</b>	<b>536</b>
Share capital	58	58	58	58
Reserves & surplus	841	904	981	1,078
Shareholders' funds	898	962	1,038	1,136
<b>Total equity &amp; liabilities</b>	<b>1,606</b>	<b>1,415</b>	<b>1,531</b>	<b>1,672</b>
<b>Capital employed</b>	<b>1,353</b>	<b>1,251</b>	<b>1,343</b>	<b>1,467</b>

Cash Flow Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Pre-tax profit	124	130	171	203
Depreciation	54	70	79	85
Chg in working capital	(63)	60	(48)	(79)
Total tax paid	(31)	(55)	(65)	(73)
<b>Cash flow from oper. (a)</b>	<b>85</b>	<b>204</b>	<b>136</b>	<b>135</b>
Capital expenditure	(121)	3	(24)	(62)
Chg in investments	(1)	(3)	(1)	0
<b>Cash flow from inv. (b)</b>	<b>(122)</b>	<b>(0)</b>	<b>(25)</b>	<b>(62)</b>
<b>Free cash flow (a+b)</b>	<b>(38)</b>	<b>204</b>	<b>111</b>	<b>74</b>
Equity raised/(repaid)	(0)	(0)	(0)	(0)
Debt raised/(repaid)	(57)	(157)	20	26
Dividend (incl. tax)	(23)	(23)	(24)	(33)
<b>Cash flow from fin. (c)</b>	<b>(80)</b>	<b>(180)</b>	<b>(3)</b>	<b>(7)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(117)</b>	<b>24</b>	<b>108</b>	<b>67</b>

Key Ratios				
Yr end 31 Mar (%)	FY06	FY07	FY08E	FY09E
EPS (Rs)	15.3	15.2	18.9	22.5
EPS growth	1.1	(1.2)	24.9	19.0
EBITDA margin	21.8	21.2	20.6	20.9
EBIT margin	16.6	16.4	16.8	17.3
ROCE	11.2	12.1	15.1	16.2
Net debt/Equity	35.8	14.6	5.1	1.1

Valuations				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
PER	23.9	22.6	18.1	15.2
PCE	13.2	12.1	10.4	9.2
Price/Book	2.2	2.0	1.9	1.7
Yield (%)	1.0	1.2	1.5	1.5
EV/Net sales	2.3	2.2	1.8	1.6
EV/EBITDA	10.6	10.4	8.8	7.7

Du Pont Analysis – ROE				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
Net margin (%)	9.7	9.1	9.4	9.9
Asset turnover	0.6	0.6	0.8	0.8
Leverage factor	1.9	1.6	1.5	1.5
Return on equity (%)	9.5	9.4	10.9	12.0

## Share Data

Reuters Code	REVA.BO
Bloomberg code	RCP IN
Market Cap (US\$ mn)	61
6 m. avg. daily turnover (Rs. mn)	0.1
Issued shares (mn)	3

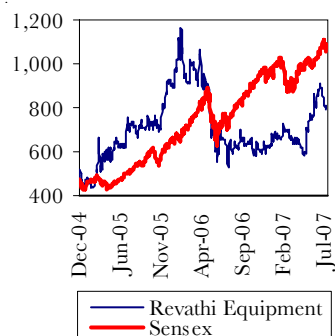
## Performance (%) 1m 3m 12m

Absolute	(11)	37	27
Relative	(10)	26	(5)

## Shareholding Pattern (%)

Promoters	62
MFs	3
Public & Others	35

## Relative Performance



## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY07	FY08E	YoY %	FY09E	YoY %
Net sales	209.9	168.1	(19.9)	877	1,198	36.7	1,369	14.3
EBITDA margin (%)	28.0	22.5	–	24.7	21.0	(14.9)	21.9	4.1
Other income	13.2	58.5	343.2	53	55	3.6	57	3.6
Depreciation	16.3	15.6	(4.3)	(67)	(65)	(2.6)	(71)	8.7
Interest	5.2	12.9	148.1	(34)	(35)	2.4	(36)	2.9
PBT	50.5	67.9	34.5	169	207	22.5	250	20.8
Tax	16.2	36.4	124.7	(43)	(64)	47.8	(77)	20.8
Net profit	34.3	31.5	(8.1)	125	143	13.8	172	20.8

# Revathi Equipment (Rs 816) Maintain BUY

## 1QFY08 Results – Lacklustre performance – Bright future

**Results were below our expectations. Revenues are down 20% YoY, as the core business of drills is witnessing lower offtake from Coal India. However, the same is expected to be streamlined by 3QFY08. The construction equipment business has not taken off as expected. We await any major development in this area. The company has sold off their windmills in Rajasthan thereby leading to higher other income.**

## Outlook

Revathi's performance continues to disappoint on all fronts mainly due to lower offtake in mining drills from Coal India. The construction equipment business too has not progressed significantly and will take some time (up to 9 months) to start contributing profitably to the operations. Until then this continues to be a drag on the earnings. Investments in associates like Monarch Catalysts (26% holding) and especially Potential Service Consultants (40% holding) offer tremendous growth potential to the revenues and earnings as and when Revathi consolidates the same. This will in due course create tremendous value for shareholders.

## Valuations

At the current market price, the stock trades at 17.5x FY08E and 14.5x FY09E EPS of Rs 46.7 and Rs 56.4, respectively. We maintain Buy.

## Revathi Equipment

Income Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Net sales	914	877	1,198	1,369
Growth (%)	39.3	(4.1)	36.7	14.3
Operating expenses	(646)	(660)	(946)	(1,070)
Operating profit	268	216	252	299
<b>EBITDA</b>	<b>268</b>	<b>216</b>	<b>252</b>	<b>299</b>
Growth (%)	29.1	(19.2)	16.2	19.0
Depreciation	(63)	(67)	(65)	(71)
Other income	48	53	55	57
<b>EBIT</b>	<b>252</b>	<b>203</b>	<b>242</b>	<b>286</b>
Interest paid	(34)	(34)	(35)	(36)
Pre-tax profit	219	169	207	250
(before non-recurring items)				
Pre-tax profit	219	169	207	250
(after non-recurring items)				
Tax (current + deferred)	(51)	(43)	(64)	(77)
<b>Net profit</b>	<b>167</b>	<b>125</b>	<b>143</b>	<b>172</b>
Adjusted net profit	167	125	143	172
Growth (%)	47.2	(25.1)	13.8	20.8
<b>Net income</b>	<b>167</b>	<b>125</b>	<b>143</b>	<b>172</b>

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Current assets	764	799	936	1,007
Investments	370	697	751	851
Net fixed assets	492	440	421	395
Other non-current assets	0	1	0	0
<b>Total assets</b>	<b>1,626</b>	<b>1,938</b>	<b>2,109</b>	<b>2,253</b>
Current liabilities	213	249	350	423
Total Debt	308	549	580	590
Other non-current liabilities	100	91	60	40
<b>Total liabilities</b>	<b>620</b>	<b>889</b>	<b>990</b>	<b>1,053</b>
Share capital	32	31	32	32
Reserves & surplus	974	1,018	1,088	1,169
Shareholders' funds	1,006	1,050	1,120	1,201
<b>Total equity &amp; liabilities</b>	<b>1,626</b>	<b>1,939</b>	<b>2,110</b>	<b>2,254</b>
<b>Capital employed</b>	<b>1,413</b>	<b>1,690</b>	<b>1,760</b>	<b>1,831</b>

Cash Flow Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Pre-tax profit	219	169	207	250
Depreciation	62	66	64	70
Chg in working capital	(53)	(46)	(115)	(42)
Total tax paid	(19)	(70)	(30)	(84)
<b>Cash flow from oper. (a)</b>	<b>209</b>	<b>118</b>	<b>125</b>	<b>194</b>
Capital expenditure	(36)	(14)	(45)	(44)
Chg in investments	59	(327)	(54)	(100)
Other investing activities	0	(44)	0	0
<b>Cash flow from inv. (b)</b>	<b>23</b>	<b>(385)</b>	<b>(99)</b>	<b>(144)</b>
<b>Free cash flow (a+b)</b>	<b>233</b>	<b>(267)</b>	<b>26</b>	<b>50</b>
Equity raised/(repaid)	0	(1)	1	0
Debt raised/(repaid)	(136)	241	31	10
Dividend (incl. tax)	(27)	(37)	(37)	(73)
Other financing activities	0	(1)	0	0
<b>Cash flow from fin. (c)</b>	<b>(164)</b>	<b>203</b>	<b>(5)</b>	<b>(63)</b>
<b>Net chg in cash (a+b+c)</b>	<b>69</b>	<b>(64)</b>	<b>21</b>	<b>(13)</b>

Key Ratios				
Yr end 31 Mar (%)	FY06	FY07	FY08E	FY09E
EPS (Rs)	52.3	39.1	46.7	56.4
EPS growth	47.2	(25.1)	19.2	20.8
EBITDA margin	29.3	24.7	21.0	21.9
EBIT margin	27.6	23.1	20.2	20.9
ROCE	18.0	13.1	14.0	15.9
Net debt/Equity	12.7	41.2	39.6	38.8

Valuations				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
PER	15.6	20.8	17.5	14.5
PCE	11.3	13.6	12.0	10.3
Price/Book	2.6	2.5	2.2	2.1
Yield (%)	1.2	1.2	2.6	3.2
EV/Net sales	3.2	3.3	2.5	2.1
EV/EBITDA	11.0	13.6	11.7	9.8

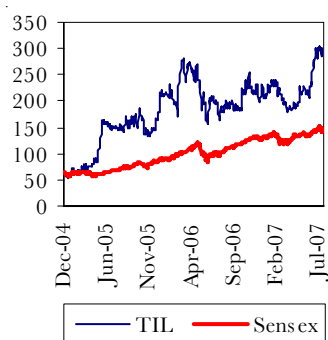
Du Pont Analysis – ROE				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
Net margin (%)	18.3	14.3	11.9	12.6
Asset turnover	0.6	0.5	0.6	0.6
Leverage factor	1.7	1.7	1.9	1.9
Return on equity (%)	17.8	12.2	13.1	14.8

**Share Data**

Reuters Code	TILL.BO		
Bloomberg code	TIL IN		
Market Cap (US\$ mn)	72		
6 m. avg. daily turnover (Rs. mn)	0.1		
Issued shares (mn)	10		
<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Absolute	1	51	57
Relative	3	38	17

**Shareholding Pattern (%)**

Promoters	44
FII's	4
MF's	12
BFSI's	23
Public & Others	17

**Relative Performance****Financial highlights**

(Rs mn)	1QFY07	1QFY08	YoY (%)	FY07	FY08E	YoY (%)	FY09E	YoY (%)
Net Sales	1,083	1,307	20.7	5,496	6,927	26.0	8,343	20.4
EBITDA Margin (%)	8.5	9.2	–	8.3	8.1	–	8.2	–
Other Income	6	13	127.3	94	96	2.6	98	2.1
Interest	37	41	13.4	152	165	8.8	175	6.1
Depreciation	29	26	(11.0)	114	127	11.6	141	10.8
PBT	32	65	102.2	285	380	33.4	486	28.0
Extraordinary income	0	0	–	2	0	–	0	–
Tax	11	26	141.1	103	137	33.2	175	28.0
Reported PAT	22	40	82.9	184	243	32.3	311	28.0
Adj. PAT	22	40	82.9	182	243	33.4	311	28.0

**TIL (Rs 300)****Maintain BUY****1QFY08 Results – Cranes lifting the performance**

**Results are in line with expectations on all fronts. The Material Handling Group (MHG), where the company manufactures cranes, has witnessed over 50% growth during the quarter, fuelled by demand from core industries. Strong performance of power systems group (PSG) and cranes has led to an overall growth in revenues and margins during the quarter.**

**The company has also set out a capex plan of Rs 1,750 mn to augment its capacity. We believe that a capex of this size will surely demand equity dilution along with debt since internal accruals are not significant in the business.**

**Outlook**

We expect TIL to be a major beneficiary of capex in the infrastructure sector. TIL will be boosting capacity in the material handling group and the construction and mining equipment group to be able to cater the strong demand led by demand from core industries. The capex plan for Rs 1,750 mn is in line with the company's desire to meet the growing demand in cranes and construction and mining equipment. However, this capex plan would demand a definite equity dilution, details of which have not been laid out by the company.

Going forward, we expect the company to maintain its overall growth rate, which will be further propelled by the additional capacity that the company will setup from the planned capex.

**Valuations**

Presently the stock is trading at 12x FY08E and 9.4x FY09E EPS of Rs 25 and Rs 32, respectively. We maintain Buy.



## TIL

Income Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Net sales	4,361	5,496	6,927	8,343
Growth (%)	41.4	26.0	26.0	20.4
Operating expenses	(4,187)	(5,230)	(6,551)	(7,842)
Operating profit	174	266	376	501
Other operating income	223	190	200	203
<b>EBITDA</b>	<b>397</b>	<b>457</b>	<b>576</b>	<b>704</b>
Growth (%)	24.8	15.0	26.1	22.3
Depreciation	(120)	(114)	(127)	(141)
Other income	47	94	96	98
<b>EBIT</b>	<b>325</b>	<b>436</b>	<b>545</b>	<b>661</b>
Interest paid	(136)	(152)	(165)	(175)
Pre-tax profit	188	285	380	486
(before non-recurring items)				
Non-recurring items	0	2	0	0
Pre-tax profit	188	286	380	486
(after non-recurring items)				
Tax (current + deferred)	(70)	(103)	(137)	(175)
<b>Net profit</b>	<b>119</b>	<b>184</b>	<b>243</b>	<b>311</b>
Adjusted net profit	119	182	243	311
Growth (%)	74.9	53.7	33.4	28.0
<b>Net income</b>	<b>119</b>	<b>184</b>	<b>243</b>	<b>311</b>

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Current assets	2,505	2,687	3,020	3,636
Investments	45	75	45	45
Net fixed assets	785	737	726	715
<b>Total assets</b>	<b>3,335</b>	<b>3,499</b>	<b>3,791</b>	<b>4,395</b>
Current liabilities	1,307	1,784	1,790	2,109
Total Debt	1,241	846	916	936
Other non-current liabilities	35	17	28	26
<b>Total liabilities</b>	<b>2,583</b>	<b>2,647</b>	<b>2,734</b>	<b>3,071</b>
Share capital	122	97	97	97
Reserves & surplus	630	755	960	1,227
Shareholders' funds	752	852	1,057	1,324
<b>Total equity &amp; liabilities</b>	<b>3,335</b>	<b>3,499</b>	<b>3,791</b>	<b>4,395</b>
<b>Capital employed</b>	<b>2,028</b>	<b>1,715</b>	<b>2,001</b>	<b>2,286</b>

Cash Flow Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Pre-tax profit	188	286	380	486
Depreciation	77	43	115	126
Chg in working capital	(224)	181	(231)	(341)
Total tax paid	(0)	(21)	(219)	(139)
<b>Cash flow from oper. (a)</b>	<b>41</b>	<b>490</b>	<b>46</b>	<b>133</b>
Capital expenditure	(94)	5	(105)	(115)
Chg in investments	9	(30)	30	0
Other investing activities	(12)	0	0	0
<b>Cash flow from inv. (b)</b>	<b>(97)</b>	<b>(25)</b>	<b>(75)</b>	<b>(115)</b>
<b>Free cash flow (a+b)</b>	<b>(56)</b>	<b>465</b>	<b>(29)</b>	<b>18</b>
Equity raised/(repaid)	(15)	(25)	0	0
Debt raised/(repaid)	76	(395)	70	20
Dividend (incl. tax)	(17)	(25)	(34)	(38)
Other financing activities	0	(24)	0	0
<b>Cash flow from fin. (c)</b>	<b>44</b>	<b>(469)</b>	<b>36</b>	<b>(18)</b>
<b>Net chg in cash (a+b+c)</b>	<b>(13)</b>	<b>(4)</b>	<b>7</b>	<b>0</b>

Key Ratios				
Yr end 31 Mar (%)	FY06	FY07	FY08E	FY09E
EPS (Rs)	12.2	18.7	25.0	32.0
EPS growth	74.9	53.7	33.4	28.0
EBITDA margin	8.7	8.0	8.1	8.2
EBIT margin	7.1	7.7	7.6	7.7
ROCE	16.6	23.3	29.3	30.8
Net debt/Equity	163.9	98.7	85.5	69.8

Valuations				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
PER	24.7	16.0	12.0	9.4
PCE	12.3	9.9	7.9	6.5
Price/Book	4.3	3.8	3.0	2.3
Yield (%)	0.7	1.0	1.2	1.3
EV/Net sales	0.9	0.7	0.5	0.5
EV/EBITDA	9.5	8.2	6.5	5.3

Du Pont Analysis – ROE				
Yr end 31 Mar (x)	FY06	FY07	FY08E	FY09E
Net margin (%)	2.7	3.3	3.5	3.7
Asset turnover	1.4	1.6	1.9	2.0
Leverage factor	4.2	4.3	3.8	3.4
Return on equity (%)	16.5	22.7	25.5	26.1

## Share Data

Reuters Code	ACEL.BO
Bloomberg code	ACCE IN
Market Cap (US\$ mn)	145
6 m. avg. daily turnover (Rs. mn)	0.9
Issued shares (mn)	18

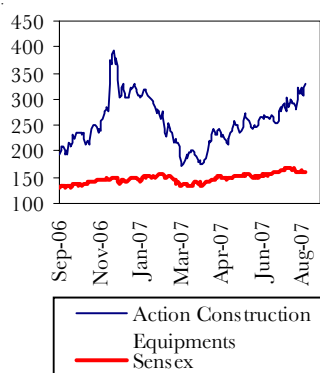
## Performance (%) 1m 3m 12m

Absolute	13	37	-
Relative	14	25	-

## Shareholding Pattern (%)

Promoters	65
FII's	3
MF's	6
Public & Others	26

## Relative Performance



# Action Construction (Rs 329)

Not Rated

## 1QFY08 Results – Consistent performance

**Results for the quarter were in line with our estimates at topline and above expectations at profitability levels. Impressive sales growth was the outcome of product diversification. ACE is focusing on the opportunities available in the Material Handling Equipment (MHE) business consisting Backhoe Loaders (BHL) and Forklifts. However, due to high competition from global players, market penetration would depend on competition countering strategies – Lower pricing.**

**The new plant at Bazpur has started contributing to the topline with Rs 240 mn, operating at 70% capacity while the Dudhola plant contributed Rs 61 mn, operating at 50% capacity.**

## Outlook

ACE's focus is to establish itself as a diversified player with presence in both cranes and MHE segments. However, cranes continue to contribute ~93% to the topline and are expected to be the revenue growth driver for the next two-three years. Contribution of MHE segment in revenue mix would remain low at 7-8%. The company has an order book of worth Rs 400 mn comprising of 400, 50 and 15 cranes, forklifts and backhoe loaders, respectively.

During FY07-09E, we expect the company to register 34.5 % and 37.3 % in topline and earnings, respectively. We expect the margins to remain under pressure due to rising raw material cost, selling expenses and stiffening competition.

## Valuations

Presently the stock is trading at 24.7x FY08E and 18.0x FY09E EPS of Rs 13.3 and Rs 18.3, respectively. We are not rating the stock at present due to lack of visibility on business scalability and operating efficiencies vis-a-vis management guidance.

## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY%	FY07	FY08E	YoY%	FY09E	YoY %
Net Sales	491	822	67.3	2,453	3,312	35.0	4,436	33.9
EBITDA Mgn. (%)	12.5	10.7	-	10.6	10.6	-	11.0	-
Other Income	2	14	635.6	38	17	(54.9)	18	4.6
Interest	0.7	1.0	34.7	4	8	71.4	11	40.0
Depreciation	3	6	134.3	13	24	87.4	34	42.0
PBT	60	95	59.4	281	337	20.0	463	37.3
Tax	20	20	(2.8)	82	98	20.0	135	37.3
PAT	40	76	91.4	199	239	20.0	328	37.3

## Action Construction

Income Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07	FY08E	FY09E
Net Sales	1,657	2,453	3,312	4,436
Growth (%)	88.7	48.0	35.0	33.9
Operating expenses	(1,453)	(2,193)	(2,960)	(3,946)
Operating profit	204	260	352	490
<b>EBITDA</b>	<b>204</b>	<b>260</b>	<b>352</b>	<b>490</b>
Growth (%)	178.9	27.5	35.3	39.3
Depreciation	(7)	(13)	(24)	(34)
Other income	3	38	17	18
<b>EBIT</b>	<b>200</b>	<b>286</b>	<b>345</b>	<b>474</b>
Interest Paid	(1)	(4)	(8)	(11)
Pre-tax profit	198	281	337	463
(before non-recurring items)				
Pre-tax profit	198	281	337	463
(after non-recurring items)				
Tax (current + deferred)	(72)	(82)	(98)	(135)
<b>Net Profit</b>	<b>127</b>	<b>199</b>	<b>239</b>	<b>328</b>
<b>Net income</b>	<b>127</b>	<b>199</b>	<b>239</b>	<b>328</b>
Adjusted net profit	127	199	239	328
Growth (%)	191.2	57.3	20.0	37.3

Balance Sheet				
Yr end 31 Mar (Rs mn)	FY06	FY07E	FY08E	FY09E
Current assets	504	1,454	1,673	2,045
Net fixed assets	127	114	225	286
<b>Total assets</b>	<b>631</b>	<b>1,568</b>	<b>1,898</b>	<b>2,330</b>
Current liabilities	210	342	448	592
Total Debt	15	65	105	140
<b>Total liabilities</b>	<b>225</b>	<b>407</b>	<b>553</b>	<b>732</b>
Share capital	134	180	180	180
Reserves & surplus	275	981	1,166	1,419
Less: Misc. expenditure	(3)	–	–	–
Shareholders' funds	406	1,161	1,346	1,599
<b>Total equity &amp; liabilities</b>	<b>631</b>	<b>1,568</b>	<b>1,898</b>	<b>2,330</b>
<b>Capital employed</b>	<b>277</b>	<b>823</b>	<b>1,338</b>	<b>1,595</b>

Cash Flow Statement				
Yr end 31 Mar (Rs mn)	FY06	FY07E	FY08E	FY09E
Pre-tax profit	198	281	337	463
Depreciation	6	13	24	34
Chg in working capital	(151)	(52)	(179)	(176)
Total tax paid	(68)	(82)	(98)	(135)
<b>Cash flow from oper. (a)</b>	<b>(14)</b>	<b>160</b>	<b>84</b>	<b>187</b>
Capital expenditure	(90)	0	(135)	(95)
Other investing activities	(55)	0	0	0
<b>Cash flow from inv. (b)</b>	<b>(144)</b>	<b>0</b>	<b>(135)</b>	<b>(95)</b>
<b>Free cash flow (a+b)</b>	<b>(158)</b>	<b>160</b>	<b>(51)</b>	<b>92</b>
Equity raised/(repaid)	284	601	–	–
Debt raised/(repaid)	(11)	50	40	35
Dividend (incl. Tax)	(56)	–	(46)	(55)
<b>Cash flow from fin. (c)</b>	<b>217</b>	<b>651</b>	<b>(6)</b>	<b>(20)</b>
<b>Net chg in cash (a+b+c)</b>	<b>59</b>	<b>812</b>	<b>(56)</b>	<b>72</b>

Key Ratios				
Yr end 31 Mar (%)	FY06	FY07E	FY08E	FY09E
Adjusted EPS (Rs)	9.5	11.1	13.3	18.3
Growth	(63.6)	17.1	20.0	37.3
Book NAV/share (Rs)	30.3	64.6	74.8	88.9
Dividend payout ratio	44.6	22.9	22.9	22.9
EBITDA margin	12.3	10.6	10.6	11.0
EBIT margin	12.1	11.6	10.4	10.7
ROCE	72.1	34.7	25.8	29.7
Net debt/Equity	(12.7)	(70.0)	(53.3)	(47.1)

Valuations				
Yr end 31 Mar (x)	FY06	FY07E	FY08E	FY09E
PER	34.7	29.6	24.7	18.0
PCE	32.8	27.8	22.4	16.3
Price/Book	10.8	5.1	4.4	3.7
Yield (%)	1.1	0.7	0.8	1.1
EV/Net sales	3.1	2.1	1.5	1.1
EV/EBITDA	25.0	19.6	14.5	10.4

Du Pont Analysis – ROE				
Yr end 31 Mar (x)	FY06	FY07E	FY08E	FY09E
Net margin (%)	7.6	8.1	7.2	7.4
Asset turnover	3.7	2.2	1.9	2.1
Leverage factor	1.8	1.4	1.4	1.4
Return on equity (%)	49.4	25.4	19.1	22.3

## Share Data

Reuters Code	ABG.BO
Bloomberg code	ABG IN
Market Cap (US\$ mn)	60
6 m. avg. daily turnover (Rs mn)	0.1
Issued shares (mn)	12.8

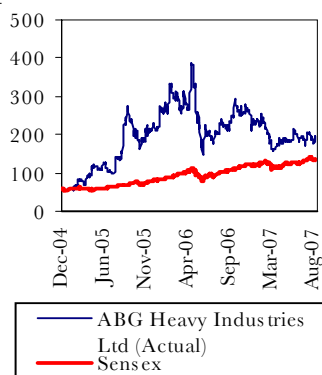
## Performance (%) 1m 3m 12m

Absolute	1	3	(15)
Relative	3	(5)	(36)

## Shareholding Pattern (%)

Promoters	60
FII's	14
MF's	11
Public & Others	15

## Relative Performance



# ABG Heavy Industries (Rs 184) Not Rated

## 1QFY08 Results – Heavy ports business – cranes come in too

**ABG Heavy Industries (ABG) Kandla operations had started contributing in a major way this quarter with the company booking a rise in income of 74.4% YoY in 1QFY08. The operating margins have jumped from 24.8% in 1QFY07 to 42.6% in 1QFY08 with contribution from higher margins business increasing this quarter. PAT has shown a relatively meagre growth of 11.2% YoY to Rs 398 mn because of the high depreciation and interest charge.**

## Outlook

The company's Kandla terminal project was operational from Mar 07, with preliminary tariff being fixed at Rs 2,275 by Tariff Authority of Major Ports (TAMP). This is a 30 year BOT project handled by ABG India Container Ltd. a 100% subsidiary of ABG Heavy. The company has to share 49% of its revenues at this terminal with Kandla Port.

At Kolkata terminal where the company is operating two container handling cranes the traffic had doubled from 100,000 TEU's in FY06 to 200,000 TEU's in FY07.

The company's cranes leasing business is involved in leasing high capacity cranes for Project construction businesses like setting up Windmill, conduction of Power projects and Fertiliser plants. ABG owns ~70 cranes of various classes which it plans to increase to 150 by FY09.

The company also has a tie-up with Doosan, Korea for the manufacture and supply of Port cranes like Rubber Tyred Gantry Cranes and Rail Mounted Gantry Cranes.

## Valuations

Presently the stock trades at 25.7x FY07 EPS of Rs 7.3 and 6.4x FY07 Cash EPS of Rs 29.3 (excluding the value of BOOT projects). We do not have a rating on the stock.

## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY06	FY07	YoY %
Net Revenues	2,00	3,49	74.4	689	827	20.0
Margin (%)	24.8	42.6	–	29.8	26.1	–
Other Income	5	4	(4.4)	99	29	(71.1)
Depreciation	58	94	63.1	178	282	58.2
Interest	22	56	158.7	61	103	69.5
Lease Equalisation	33	6	(80.8)	124	129	3.7
PBT	43	48	12.1	2,20	1,26	(42.8)
Tax	7	8	16.9	48	32	(33.5)
Adjusted PAT	36	40	11.2	172	94	(45.4)

## Share Data

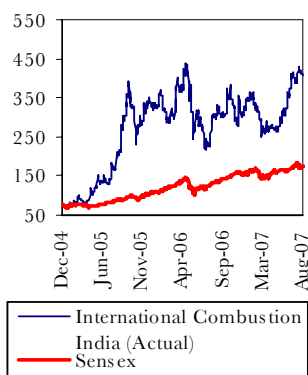
Reuters Code	INTC.BO
Bloomberg code	ICMB IN
Market Cap (US\$ mn)	23
6 m. avg. daily turnover (Rs. mn)	0.01
Issued shares (mn)	2.4

<b>Performance (%)</b>	<b>1m</b>	<b>3m</b>	<b>12m</b>
Absolute	2	54	54
Relative	4	42	15

## Shareholding Pattern (%)

Promoters	53
FII's	1
MF's	3
Public & Others	43

## Relative Performance



# International Combustion (Rs 408) Not Rated

## 1QFY08 Results – Increasing momentum from MHE

**The first quarter reported strong performance for the company especially led by the growth in their gear division (up 79% YoY). The new series of gear boxes introduced by the company have finally started to contribute to the overall growth of the company. The material handling segment (MHE) grew at ~20%, which however contributed higher margins (38%) on account of greater share of spares (21% of Rs 165 mn revenues) where margins are in the region of 25-50%.**

## Outlook

The company's gearing business is starting to turnaround this year with the growth expected from the new series of gear boxes finally contributing to overall revenues and profitability, unlike last year when the new series effectively cannibalised the existing gear sales of the company. The company has a technology tie-up with Danfoss Bauer for manufacturing the new series of gear boxes and geared motors. This could also lead to Danfoss outsourcing products from ICL to leverage the cost advantage. 80% of the turnover is now being contributed by the new series, even as the company phases out the old products.

The MHE business continues to grow, backed by momentum in the overall business and demand from core sectors. The company is expanding their facilities at Kolkata and Nagpur to manage the increasing demand and reduce the outsourcing of activities currently arising due to capacity limitations. Margins however would realistically be around 20% in the absence of spares being a major contributor to the revenues.

The company is also doing a capex of Rs 75 mn to augment capacities.

## Valuations

Presently the stock is presently trading at 12x FY07 EPS of Rs 34.6. We do not have a rating on the stock.

## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY (%)	FY06	FY07	YoY (%)
Net Sales	159	202	27.2	668	798	19.4
EBITDA Margin (%)	16.6	24.0	–	16.6	18.6	–
Other Income	1	2	76.9	6	11	80.0
Interest	1	1	0.0	7	3	(55.4)
Depreciation	6	7	25.5	19	26	37.0
PBT	21	43	102.3	91	129	42.9
Tax	8	15	98.7	33	47	40.9
Reported PAT	14	28	104.4	58	83	44.0

## Share Data

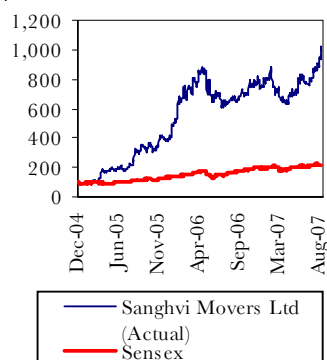
Reuters Code	SNGM.BO		
Bloomberg code	SGM IN		
Market Cap (US\$ mn)	175		
6 m. avg. daily turnover (Rs. mn)	0.1		
Issued shares (mn)	7.9		

Performance (%)	1m	3m	12m
Absolute	21	48	60
Relative	23	36	19

## Shareholding Pattern (%)

Promoters	42
FII's	40
MF's	27
Public & Others	16

## Relative Performance



# Sanghvi Movers (Rs 999)

Not Rated

## 1QFY08 Results – Cranes witness rising demand

**For the quarter, the company registered a growth of 32% YoY in revenues from Rs 402 mn to Rs 530 mn. Operating margins expanded by 600 bps from 70.6% in 1QFY07 to 76.6% in 1QFY08, on account of better realisation coupled with reduction in maintenance cost and service cost of new cranes. The company has planned a capex of Rs 1.5 bn for FY08, the company has already acquired 5 cranes (3 brand new and 2 second hand cranes) out of 18-20 cranes planned for the year aggregating to Rs 410 mn in the first quarter of FY08.**

## Outlook

Sanghvi Movers is one of the biggest players in the crane renting business. The company has a fleet of 254 cranes of medium to large size with a lifting capacity of 20 to 800 tonnes. SML has identified the demand in the user industry and are regularly expanding their asset base to meet the growing requirement of cranes. The company has planned a capex of Rs 1,500 mn which is being funded through a combination of debt, internal accruals and promoter contribution.

55-60% of the revenues of the company are contributed by windmill manufacturers, who use these cranes for the assembly of windmills at the windmill farms. 12% of the revenues are contributed by various application of power sector, 15% of the revenues are contributed by plant activities and the balance by various other sectors such as cement, steel, oil and gas refineries and metro-road. With an improvement in the industrial activities and the ongoing capex boom in the user industry, the company is poised to grow on the back of increasing rental incomes.

## Valuations

Presently the stock trades at 17x FY07 EPS of Rs 60. We do not have a rating on the stock.

## Financial highlights

(Rs mn)	1QFY07	1QFY08	YoY %	FY06	FY07	YoY %
Net Revenues	402	530	31.8	1,490	1,786	19.9
Margin (%)	70.6	76.6	–	66.2	72.9	–
Other Income	7	1	(91.1)	5	15	209.2
Depreciation	76	111	46.2	357	348	(2.6)
Interest	54	74	36.5	137	246	79.4
PBT	161	221.7	37.7	498	723	45.2
Tax	55	76.5	39.1	178	251	41.1
Adjusted PAT	106	145.2	37.0	320	472	47.4

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