



Economy News

- ▶ The government is likely to revive an order allowing foreign investors to own majority stakes in Indian supermarkets and department stores after the election of a new President later this month, ending uncertainty over a reform initiative that has become a talisman for policy paralysis. The move is being spearheaded by Anand Sharma, the minister in charge of commerce and industry, who has been sounding out state governments and other stakeholders like traders and farmers to reach a consensus. (ET)
- ▶ After the CEC approved eight mining leases in Karnataka, the director of the state's department of mines and geology, H R Srinivasa, said R&R (reclamation and rehabilitation) plans had been prepared for six mining leases in Category A and three in Category B, having lease-hold area in excess of 50 hectares. (BS)
- ▶ A hurried proposal to raise foreign institutional investors' holding limit in government bonds by \$5 billion to save the currency slide may be serving a limited purpose with a weak macro economy worrying investors. The auction of permits for foreign institutional investors to buy government bonds worth Rs 285bn received bids for Rs 205bn, or 72% of the total offer, said two people familiar with the process. (ET)
- ▶ Mauritius has offered to rework its tax treaty with India to include a clause to ensure investors from the island nation enjoy tax benefits available under the treaty only if they fulfill certain conditions, marking a significant breakthrough for New Delhi that has been attempting to amend the treaty for years. The 'limitation of benefit' clause will ensure that so called post box operations set up in Mauritius to gain treaty benefits are denied tax concessions. (ET)
- ▶ The Centre approved a proposal for reimbursing freight for the distribution of de-controlled phosphatic and potassic (P&K) fertilisers under the Nutrient-Based Subsidy (NBS) policy for the period from 1.1.2011 to 31.03.2012 with effect from 1.4.2012. This will also ensure equitable prices of P&K fertilisers across all the regions. P&K fertilisers were brought under the NBS policy as of April 1, 2010. (ET)

Corporate News

- ▶ Four companies, including the Delhi-based **Triveni Engineering, Elecon Engineering, Bharat Forge** and a Belgian gear-box producer, have been shortlisted to buy controlling stake in the Coimbatore-based **Shanthi Gears**, India's second-largest industrial gear-box manufacturer. (ET)
- ▶ **Mahindra & Mahindra**, India's biggest tractor and utility vehicle maker, may be considering a bid for Hawker Beechcraft; the bankrupt aircraft maker. Hawker Beechcraft, part owned by Goldman Sachs Group, is on the selling block. (ET)
- ▶ Norway's Telenor has sent feelers to **Tata Teleservices** for a possible strategic alliance, sources close to the development said. The two companies have had initial rounds of discussions and will take a final call after the rules for the upcoming auctions are clear, the sources added. (BL)
- ▶ The delay in the southwest monsoon has resulted in **NHPC's** output declining 10 per cent over the past 10 days. The majority of NHPC's power generation capacity is accounted for by plants set up on river banks. A delay in the monsoon takes a toll on the discharge of river water for the plants. (BS)
- ▶ French auto major Renault forayed into the fast-growing utility vehicles segment in India with a mid-sized sports utility vehicle (SUV), 'Duster'. The SUV has been designed to take on the likes of **Mahindra & Mahindra** Scorpio and the Tata Safari. (BS)

Equity

	4 Jul 12	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	17,463	0.2	9.0	(0.1)
NIFTY Index	5,303	0.3	9.0	(0.4)
BANKEX Index	12,121	0.5	11.3	1.6
BSET Index	5,699	(0.4)	2.6	(6.7)
BSETCG INDEX	10,168	0.6	14.2	(1.8)
BSEOIL INDEX	8,101	(0.6)	7.1	(0.5)
CNXMcap Index	7,504	0.5	10.3	(3.9)
BSSEMCAP INDEX	6,727	0.9	8.6	(1.7)
World Indices				
Dow Jones	12,944	0.6	7.0	(1.0)
Nasdaq	2,976	0.8	7.8	(3.0)
FTSE	5,684	(0.1)	8.1	(0.7)
NIKKEI	9,104	0.4	8.5	(6.9)
HANGSENG	19,710	(0.1)	7.5	(4.7)

Value traded (Rs cr)

	4 Jul 12	% Chg - Day
Cash BSE	2,026	0.8
Cash NSE	10,706	3.3
Derivatives	71,568	(15.4)

Net inflows (Rs cr)

	3 Jul 12	% Chg	MTD	YTD
FII	560	(85.6)	4,455	46,535
Mutual Fund	(222)	18.0	(222)	(6,281)

FII open interest (Rs cr)

	3 Jul 12	% Chg
FII Index Futures	13,666	5.1
FII Index Options	36,414	2.5
FII Stock Futures	24,350	1.7
FII Stock Options	842	7.3

Advances / Declines (BSE)

	4 Jul 12	A	B	T	Total	% total
Advances	126	1,383	255	1,764	59	
Declines	75	827	207	1,109	37	
Unchanged	0	88	35	123	4	

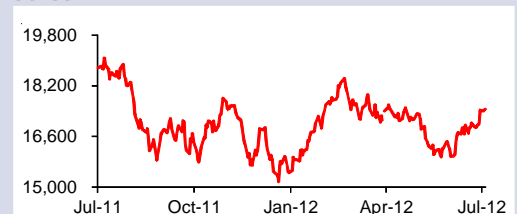
Commodity

	4 Jul 12	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	86.9	(0.8)	3.1	(15.8)
Gold (US\$/OZ)	1,615.4	(0.4)	(0.0)	(0.6)
Silver (US\$/OZ)	28.1	(0.7)	(0.7)	(11.1)

Debt / forex market

	4 Jul 12	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.3	8.4	8.3	8.8
Re/US\$	54.5	54.4	55.7	51.1

Sensex



COMPANY UPDATE

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ASHOK LEYLAND (ALL)

PRICE: Rs.25
 TARGET PRICE: Rs.31

RECOMMENDATION: BUY
 FY13E P/E: 8.2x

- ❑ We attended the conference call with the management team of ALL where the company discussed the industry outlook and appraised on its capital expenditure and investment plans.
- ❑ Company stated that in 1QFY13, the southern India market largely outperformed other markets and that helped the company gain market share in 1QFY13.
- ❑ On the capex and investments side, the company has planned to invest Rs40bn in Tamil Nadu upto January 2017. These investments are largely related to MHCV plant and greenfield LCV plant in JV with Nissan Motors. Investments in Tamil Nadu will help the company enjoy VAT related incentives.
- ❑ On the industry, the company expects situation to get better in 2HFY13 in the domestic markets. Company remains positive on the export markets.
- ❑ For FY13, the company stuck with its volume growth guidance of 14% in the M&HCV segment and 32,000 units of Dost LCV. On the EBITDA margin front too, the company maintained its 10% margin guidance.
- ❑ Current scenario is not very positive for the M&HCV segment. We expect the M&HCV demand to pick up gradually over FY13. Expected improvement in domestic economy and reduction in interest rates will kick start recovery in this segment. We retain our BUY rating on the stock with the price target of Rs31.

Summary table

(Rs mn)	FY11	FY12	FY13E
Sales	111,177	128,420	171,257
Growth (%)	53.5	15.5	33.4
EBITDA	12,176	12,561	16,163
EBITDA margin (%)	11.0	9.8	9.4
PBT	8,018	6,900	9,946
Net profit	6,313	5,660	8,156
EPS (Rs)	2.4	2.1	3.1
Growth (%)	49.0	(10.3)	44.1
CEPS (Rs)	3.4	3.5	4.5
BV (Rs/share)	14.9	15.8	18.0
Dividend / share (Rs)	1.0	1.0	0.8
ROE (%)	16.6	13.8	18.1
ROCE (%)	14.7	13.1	16.1
Net cash (debt)	(23,887)	(23,626)	(36,529)
NW Capital (Days)	17	16	12
P/E (x)	10.6	11.9	8.2
P/BV (x)	1.7	1.6	1.4
EV/Sales (x)	0.8	0.7	0.6
EV/EBITDA (x)	7.5	7.2	6.4

Source: Company, Kotak Securities - Private Client Research

Conference Call Highlights

- While the overall environment for the M&HCV segment remains challenging, ALL's key southern India market outperformed the all India performance.
- In the haulage space the volumes in the south market grew by 9% as against 10-11% dip at all India level. Similarly in the ICV segment, south India volumes grew by 8% as against flat growth at the national level.
- Overall the M&HCV segment registered a 13-14% YoY dip in sales. Volumes in South India market dropped by ~5%. This helped the company improve its market share to 26.2% in 1QFY13. ALL increased market share in the haulage, tipper and the MAV segment.
- Recently ALL has signed an MOU with the Tamil Nadu government to invest Rs40bn over the next few years. Of the 40bn investments, Rs20bn is earmarked for the M&HCV project to be undertaken by ALL and the other Rs20bn will be spent towards construction of a new greenfield project for LCV under the JV of ALL-Nissan Motors.
- In the M&HCV project the company has already invested Rs9.5bn as of FY12. Company plans to invest Rs3bn in this project in FY13 and the balance Rs7.5bn will be invested between FY14-FY17.
- On the LCV project, the company has already spent Rs2bn and the balance Rs18bn will be spent over the next few years. Funding will of Rs18bn is expected by way of debt (Rs8bn) and equity contribution by the JV partners (Rs5bn each).
- With these investments, the company will be able to claim benefits in the form of 14 year interest free loan for an amount equivalent to net VAT benefit derived on sales done in Tamil Nadu.

- For FY13, the company has plans to invest Rs6bn in capex and Rs5bn in subsidiaries/JV/associates. Of the 6bn planned investment, ~Rs3bn will be for the Tamil Nadu plant (as stated earlier) and the balance Rs3bn will be largely invested in the Pantnagar plant.
- On the investment plans of Rs5bn in subsidiaries/JV/associates, ~Rs3bn is will be in the Nissan JV (as stated earlier).
- In 1QFY13, the inventory levels have increased to ~10,000 vehicles leading to increase in working capital requirement during the quarter by Rs8-9bn.
- Moreover incentive levels too were higher by Rs12,000-15,000 YoY and weak demand scenario.

Outlook and valuation

We recommend BUY on Ashok Leyland with a price target of Rs.31

- Management expects the M&HCV industry to grow by 3-4% in FY13 and ALL to outperform the industry growth rate.
- We expect ALL to outperform the industry volumes in FY13 on account 1. Recovery in south India market 2.New launches and 3.Lower last year's base.
- ALL underperformed the industry in FY12 and lost significant market share. Weak demand in the southern region remained one of the prime reason for the company's underperformance in FY12.
- Situation in the key south India market has improved with political stability in Tamil Nadu (1QFY12 volumes were impacted due to elections) and gradual lifting of ban on iron ore mines in Karnataka. Further lifting of ban on iron ore mines will supplement demand recovery.
- In FY13, the company will be launching various new models across product, segment, platform and geography.
- Company is looking to sell ~107,000 units (domestic 93,000 units and exports 14,000 units) and that translates into a 14% YoY growth in M&HCV volumes for the company in FY13. We have assumed volumes of 105,000 units in FY13. Further the company expects to sell 32,000 units of Dost LCV in FY13.
- Current scenario is not very positive for the M&HCV segment. We expect the M&HCV demand to pick up gradually over FY13. Expected improvement in domestic economy and reduction in interest rates will kick start recovery in this segment. We retain our **BUY** rating on the stock with the price target of Rs31.

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
5-Jul	Aarey Drugs	Rahul Ashokkumar Shah	S	70,723	26.0
5-Jul	Autoline Inds	Aarken Advisors Pvt Ltd	B	128,500	154.4
5-Jul	Autoline Inds	Vishwas Marketing Services Pvt Ltd	S	130,000	154.3
5-Jul	Bampsl Sec	Sangeeta Bandil	B	1,700,000	1.1
5-Jul	Chambal Brew	Yogesh B Sharma	B	116,600	91.5
5-Jul	Chambal Brew	Dinesh P Bohra	B	54,500	91.6
5-Jul	Chambal Brew	Ravi Omprakash Agrawal	S	56,700	91.5
5-Jul	Dazzel Conf	Brijesh Ashokbhai Halari	B	844,783	2.7
5-Jul	Filatex Fash	Bimal Kumar Surana (HUF)	B	156,233	4.9
5-Jul	Fineotex Chem	Civic Marketing Pvt Ltd	B	94,000	36.7
5-Jul	Fineotex Chem	Economic Buildtech Pvt Ltd	B	153,254	37.6
5-Jul	Fineotex Chem	Aarken Advisors Pvt Ltd	S	251,234	37.0
5-Jul	Kanchan Intl	Gfl Financials (India) Ltd	B	24,500	61.3
5-Jul	Kanchan Intl	Bipin Babulal Shah	S	27,000	61.5
5-Jul	Mahesh Agri	Cosco Vanijya Pvt Ltd	B	4,000	19.0
5-Jul	Mahesh Agri	Rahul Anantrai Mehta	B	15,000	19.0
5-Jul	Mahesh Agri	Chetan Rasiklal Shah	S	7,855	19.0
5-Jul	Mahesh Agri	Bipin Shamji Lalan	S	4,900	19.0
5-Jul	Mahesh Agri	Viral Praful Jhaveri	S	7,500	19.0
5-Jul	Marvel Capital	Sanghini Exim Pvt Ltd	B	50,000	18.0
5-Jul	Marvel Capital	Satish Vasant Ghone	S	35,000	18.0
5-Jul	Mohit Inds-\$	Vinodkumar B Tibrewala	S	59,698	52.3
5-Jul	Northgate Tech	Vishal Sayam Gurnani	S	267,200	7.9
5-Jul	Ortin Lab-\$	Sumit Sunil Sadh	S	37,241	25.8
5-Jul	Parichay Invest	Sanjeev Burman Jhaveri	S	10,629	214.6
5-Jul	Shalibhadra Fin	Srinivas Karrothi	B	27,327	57.6
5-Jul	Shekhawati Poly	Satyaprabhu Infrastructure Pvt Ltd	S	125,000	38.0
5-Jul	Shreychem	Sevaram Anandram Tirthwani	B	51,000	58.3
5-Jul	Shreychem	Mamtaben Sevaram Tirathwani	S	42,149	62.1
5-Jul	Suryanagri Fin	Sk Khemka	B	30,000	25.3
5-Jul	Suryanagri Fin	Alok Finance Pvt. Ltd.	B	22,500	25.3
5-Jul	Suryanagri Fin	Niraj Realtors & Shares Pvt. Ltd.	B	22,500	25.3
5-Jul	Suryanagri Fin	Lahoti India Limited	S	40,000	25.4
5-Jul	Suryanagri Fin	Shashiben Bishambhardayal Gupta	S	55,000	25.3
5-Jul	SVC Res	Comfort Intech Limited	S	905,000	3.0
5-Jul	SVC Res	Sushma Ashok Gupta	S	1,000,000	3.0
5-Jul	SVC Res	Ashok Banwarilal Gupta	S	1,260,270	3.0
5-Jul	Swarnasarita	Alok Finance Pvt. Ltd.	B	135,596	24.1
5-Jul	Swarnasarita	Niraj Realtors & Shares Pvt. Ltd.	B	129,189	24.1
5-Jul	Vaishnavi	Sai Nithisha Parvathaneni	B	136,967	5.1
5-Jul	Vertex Sec	Manish Rameshbhai Vyas	S	231,746	7.5

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
Bharti Airtel	327	2.6	3.2	4.6
SBI	2,225	1.7	3.1	3.4
L&T	1,419	1.1	2.6	1.7
Losers				
ONGC	285	(2.0)	(3.3)	3.6
Infosys	2,479	(0.5)	(1.7)	0.8
Reliance Ind	734	(0.3)	(1.1)	2.1

Source: Bloomberg

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