

### Stock Review of Techno Funda Research Product - Early Signals Buy

October 8, 2009

Early Signals Call Information Data	Scrip Code	Grade	Face Value	Reco. Dt.	Reco. Price	CMP	Target	Stop Loss
Ingersoll Rand (India) Ltd.	500210	C	Rs.10	20 Aug., 09	Rs. 283	Rs.360	Rs. 440	Rs.240

#### SHARE HOLDING (%)

Promoters	74.0
FII	0.1
FI / MF	6.0
Body Corporates	2.8
Public & Others	17.1

#### STOCK DATA

Reuters Code	INGR.BO	
Bloomberg Code	INGR@IN	
BSE Code	500210	
NSE Symbol	INGERRAND	
Market Cap	Rs.11.3 bn	
Shares Outstanding(*)	31.6 mn	
52 Weeks (H/L)	Rs.360/200	
Avg. Daily Volume (6m)	16,658 Shares	
Price Performance (%)		
1M	3M	6M
9	26	32
200 Days EMA Rs.275.9		
* fully diluted equity		

- Ingersoll-Rand (India) Ltd. (IRL), the Indian subsidiary of Ingersoll-Rand Company, US has presence in the Air solution business manufacturing entire compressed air systems.
- Air solution business revenues comprises of 53% completes, 22% spares and 25% exports.
- IRL has divested majority of its business segments leading to a high cash position in the balance sheet.
- Zero debt and high cash of Rs. 5.2 bn on its balance sheet would support the operations of the company in times of hardening interest rates and expected slowdown and has shifted focus only to air solutions business.
- IRL has approved buy-back of shares to an extent of 25% of the net worth, subject to appropriate exemption for IR-USA from making open offer (from takeover panel), amendment of article of association of the company and approval from shareholders.
- Although the outlook of the future is not very promising IRL's large installed base of Compressors is enabling sales of spare parts and other service opportunities to continue its revenue generation.
- At CMP of Rs.360, IRL is available at a PE of 17.8x on a FY11E AEPS of Rs.20.2 and a P/BV of 1.4x. Its M Cap/Net Cash & equivalent ratio also stands at an attractive 2.2x.

Y/E Mar	Revenue (Rs.mn)	APAT (Rs.mn)	AEPS (Rs.)	AEPS (% chg)	P/E (x)	ROCE (%)	ROE (%)	P/BVPS (x)
FY09	3880.4	632.2	20.0	(7.8)	18.0	9.4	9.3	1.5
FY10E	3413.0	524.0	16.6	(17.1)	21.7	6.6	6.5	1.5
FY11E	3925.0	637.6	20.2	21.7	17.8	8.1	8.0	1.4

## Business Highlights

- ▶ The promoter has a high shareholding of 74% in the company.
- ▶ Initial offer to delist the company in Aug 2005 through purchase of outstanding shares of Ingersoll-Rand (India) at Rs. 325 per share was not successful. Any possible re-occurrence of delisting proposal could lead to a possible upside in the stock price considering its strong cash position and future estimate of earnings.
- ▶ Recently IRL has approved a buy-back of its shares up to extent of 25% of its net worth. However, in case of reasonable level of participation or tender by public shareholders of the Company, the voting rights of the IRL-USA would exceed 75% of the total voting rights of the Company. This would require IRL-USA to make an open offer as per provisions of SEBI Regulations 1997. However, IRL -USA does not intend to participate in the buy-back and, thus, has applied for special exemption from Takeover panel for making an open offer.
- ▶ The company has sold several business segments over the years which has led to strong cash position in its balance sheet and has shifted focus only to air solutions business. Divestment of various business segments already done viz.
  - ▶ Sale of Gas compressor business to Dresser-Rand India Pvt Ltd in Apr. 2000.
  - ▶ Sale of Drilling solutions to Atlas Copco (India) Ltd. w.e.f. 31<sup>st</sup> Aug. 2004.
  - ▶ Sale of climate control business to Thermo King India Pvt. Ltd. during FY 05-06.
  - ▶ Sale of road development business to Volvo India during H1FY08.
  - ▶ Sale of utility attachments and bob cats division to Doosan Infracore India, a subsidiary of Doosan Korea in Q2 of FY08.

## Key Concerns

- ▶ Market for all its products continue to be extremely competitive.
- ▶ Any escalation in material cost and other inputs can have an impact on its profitability.
- ▶ Any slowdown in economy could impact the profits as most of the businesses are sold and now reliance on air solution business for further growth is high.

## BALANCE SHEET STATEMENT

(Rs.mn)

As on 31 <sup>st</sup> March	FY08	FY09	FY10E	FY11E
Share Capital	315.7	315.7	315.7	315.7
Reserves	6707.8	7158.2	7460.6	7876.6
<b>Shareholders Funds</b>	<b>7023.5</b>	<b>7473.9</b>	<b>7776.3</b>	<b>8192.3</b>
<b>Total Debt</b>	-	-	-	-
Net Deferred Tax	(57.0)	(47.4)	(42.4)	(36.4)
<b>Capital Employed</b>	<b>6966.5</b>	<b>7426.5</b>	<b>7733.8</b>	<b>8155.9</b>
<b>Net Block</b>	<b>225.6</b>	<b>222.4</b>	<b>191.3</b>	<b>158.4</b>
CWIP	1.1	1.1	1.1	1.1
<b>Investments</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Current Assets</b>	<b>8005.7</b>	<b>8378</b>	<b>8703.5</b>	<b>9398.8</b>
<b>Current Liabilities</b>	<b>1266</b>	<b>1175.1</b>	<b>1162.2</b>	<b>1402.5</b>
<b>Net Current Assets</b>	<b>6739.7</b>	<b>7202.9</b>	<b>7541.3</b>	<b>7996.3</b>
<b>Total Assets</b>	<b>6966.5</b>	<b>7426.5</b>	<b>7733.8</b>	<b>8155.9</b>

Source: Company, Sushil Finance Research Estimates

## PROFIT & LOSS STATEMENT

(Rs.mn)

Y/E March	FY08	FY09	FY10E	FY11E
<b>Revenue</b>	<b>4996.9</b>	<b>3880.4</b>	<b>3413.0</b>	<b>3925.0</b>
Total Expenditure	4438.2	3414.3	3037.0	3419.8
<b>EBITDA</b>	<b>558.7</b>	<b>466.1</b>	<b>376.0</b>	<b>505.1</b>
Interest	8.8	1.7	2.0	3.0
<b>EBDT</b>	<b>550.0</b>	<b>464.3</b>	<b>374.0</b>	<b>502.1</b>
Depreciation	42.5	41.6	43.0	45.2
<b>PBT excl. OI</b>	<b>507.5</b>	<b>422.7</b>	<b>331.0</b>	<b>457.0</b>
Other Income	442.0	546.4	464.4	510.9
<b>PBT incl OI</b>	<b>949.5</b>	<b>969.1</b>	<b>795.4</b>	<b>967.9</b>
Tax	263.5	336.9	271.5	330.2
<b>APAT</b>	<b>686.0</b>	<b>632.2</b>	<b>524.0</b>	<b>637.6</b>
Extraordinary items	(2119.3)	(39.8)	26.8	0.0
<b>RPAT</b>	<b>2805.3</b>	<b>672.1</b>	<b>497.2</b>	<b>637.6</b>

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