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Oct 28, 2004

FUNDAMENTAL PICK

HOLDING PERIOD – SIX MONTHS to ONE YEAR
LOW RISK / SUPER RETURN

GREAVES COTTON
Present Price – Rs.88
Projected Price – Rs.150

- **The highly diversified company's business is mainly divided into two categories namely Engines and Infrastructural Equipments.**

1. Engines : It manufactures India's most fuel-efficient 500 KVA genset. And also has the leverage of innovative technology to manufacture 125-300 KVA gas engines / gensets using natural gas, biogas and producer gas. It was the largest supplier of gensets to the Indian defence forces. The company manufactures diesel and internal combustion engines, which is witnessing huge order inflows due to macro buoyancy and boom in the three-wheeler segment. The internal combustion engines are mainly supplied for three wheelers while diesel engines have applications in agri-equipment and power generation market.

2. Infrastructure Equipments : The introduction of the concrete ready mix plant concept in various Indian cities, along with hydel projects, has helped Greaves to give a boost to the the products of this division. The company entered into a tie-up with SOILMEC (Italy) for piling machines and EXTEC (UK) for crushers, impactors and screens. These collaborations will enable the company to absorb some of the world's best technologies in the construction industry and offer customers a basket of state-of-the-art construction equipment. Its soil compactors and heavy tandem rollers/light tandem rollers are leading brands and continue to receive an overwhelming response.

- **Having completed the business and financial restructuring Greaves is now focusing on growth. It has outlined engines and construction equipment as the key focus areas going forward. Greaves has outlined a clear-cut strategic road map to achieve the growth targeted through focus on above-mentioned areas. It intends to graduate from manual systems to automation across its product range through high emphasis on research and development. Focus on exports and addition of new range of engines have also been emphasized.**
- **The company has become as lean organization post divestment with a high gross block to turnover of 3.7.. The company has achieved a major success in shrinking the working capital cycle. The company now has a very lean operating cost structure.**
- **It has cash of Rs44 crore on its books and holds 24 lac shares of Crompton Greaves (Current Market Price of Rs.236).**

- **It has hived off its polymer and industrial products (gears) businesses for a consideration of Rs72 crores. The polymer business was a drag on profitability while the gears business was a marginal growth business. It also reduced headcount through a VRS exercise of Rs27 crores. This along with the hive off has reduced headcount by approximately 45% to 1800.**

THE RESULTS OF ALL THIS RESTRUCTURING EFFORTS WILL CLEARLY REFLECT IN THE NUMBERS OF FY05.

- **It has an Equity Capital of Rs. 44.64 cr and a Book Value of Rs.24. We expect the company to report an EPS of around Rs.12 in FY05 against an EPS of Rs.5.80 in FY04.**

BUY ONLY FOR LONG TERM INVESTMENT.