

Millat Tractor: Hinging on another bonus call...

FY'10 PE 6.7x

Being historic case, MTL is expected to capitalize profits in a big way. We expect MTL to report NOPAT of 2.15bn-Rs2.18bn with EPS in the range of Rs76-Rs77. We also envisage MTL to pay final dividend of Rs35 per share (Rs30 per share paid in 2Q'10). This all yields FY'10 P/E multiple of 6.7x. We recommend 'BUY'.

Some Recent Positives...

MTL is expected to report record sales of 40,000 units in the wake of increase in agri-credit. Moreover, we do not see any hitch pertaining to recent newspaper reports regarding sales tax refunds. MTL is geared for unhindered production.

Upsurge in Agri-Credit posing well for MTL...

During the period of Jul-May'10, Millat Tractors (MTL) set a new record of highest ever sales by any company in the history of Pakistan by selling over 36,993 tractors and is all set to deliver a record 40,000 tractors by the year ending June '10, improving upon its previous year's sales record of 30,677 by 30%. Upsurge in the agriculture credit is correlated with the tractors sales and with Rs248bn disbursed by the banking system during July-June'10, statistics showing MTL as the major beneficiary.

Being agricultural based country; Pakistan has a lot of potential and opportunity is there to capture the market. Market players are cashing the opportunity as tractors booking climbed to 38,134 units with an upsurge of 133% in 9 months of current fiscal year as compared to 16,355 units last year.

Bonus expectations getting credence...

The outlook of the company looking positive as company is all set to post the highest ever sales in a single year of 40,000units in FY'10. Based on the annualized EPS of Rs73.28, the stock is trading at a multiple of 6.67(x). By analyzing the historic trend of bonus issuance, we are again expecting MTL to give hefty bonus during the current fiscal year which would likely to be capitalized by the company. We also expect the company to announce 350% dividend in the last quarter, which will make total dividend of Rs65 per share for FY'10 over Rs45 per share given in FY'09.

Millat Tractors	Rs in Million			
Snapshot	9mths'10	9mths'09	Change (Rs.)	Change %
Sales	15,843	10,274	5,569	54%
Cost of Sales	12,915	8,949	3,966	44%
Gross Profit	2,928	1,324	1,603	121%
Operating Profit	2,238	962	1,276	133%
	2,537	1,111	1,426	128%
Other Operating expenses	175	73	101	138%
PAT	1,609	626	983	157%
EPS (Rs.)	54.96	21.38	34	157%

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Tractors I No Coverage

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MTL Price Data

Closing Price (Rs.)	489.16
12m price range (Rs.)	286.51-522.49
Market Cap (Rs bn)	14.324
Market Cap (USD bn)	0.16
Outstanding Shares (mn)	29.284
52-weeks high	529.25
52-weeks low	286.50
Avg. Daily volume (mn)	0.448
Face Value (Rs.)	10

Based on 26th, July, 2010 closing

