

January 11, 2007

FOR PRIVATE CIRCULATION
Equity

| | 10 Jan 07 | % Chg | | |
|-----------------------|-----------|-------|-------|--------|
| | | 1 Day | 1 Mth | 3 Mths |
| Indian Indices | | | | |
| Sensex | 13,362 | (1.5) | (0.3) | 8.2 |
| Nifty | 3,850 | (1.6) | 0.0 | 8.2 |
| Banking | 6,845 | (2.5) | 2.0 | 14.3 |
| IT | 3,519 | (1.2) | 1.1 | 14.8 |
| Healthcare | 3,738 | (1.4) | 3.1 | 3.5 |
| FMCG | 1,849 | (0.1) | (5.7) | (8.2) |
| PSU | 5,929 | (2.4) | (0.0) | 2.3 |
| CNX Midcap | 5,066 | (0.9) | 2.5 | 7.0 |
| World indices | | | | |
| Nasdaq | 2,459.3 | 0.6 | 0.7 | 6.5 |
| Nikkei | 16,942 | (1.7) | 2.8 | 3.6 |
| Hangseng | 19,568 | (1.7) | 3.6 | 9.8 |

Value traded (Rs cr)

| | 10 Jan 07 | % Chg - 1 Day |
|-------------|-----------|---------------|
| Cash BSE | 3,850 | (19.9) |
| Cash NSE | 8,572 | (2.7) |
| Derivatives | 28,373 | 0.8 |

Net inflows (Rs cr)

| | 9 Jan 07 | % Chg | MTD | YTD |
|-------------|----------|-----------|-----|-----|
| FII | (3,076) | (341,844) | 224 | 224 |
| Mutual Fund | (148) | (1,058) | 32 | 32 |

FII open interest (Rs cr)

| | 9 Jan 07 | % chg |
|-------------------|----------|-------|
| FII Index Futures | 12,928.6 | (1.1) |
| FII Index Options | 5,176.0 | 12.6 |
| FII Stock Futures | 14,804.5 | 1.7 |
| FII Stock Options | 117.1 | 3.6 |

Advances/Declines (BSE)

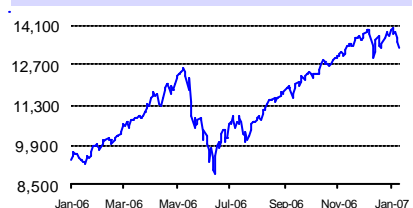
| 10 Jan 07 | A | B1 | B2 | Total | % Total |
|-----------|-----|-----|-----|-------|---------|
| Advances | 40 | 180 | 328 | 548 | 32 |
| Declines | 172 | 470 | 509 | 1151 | 67 |
| Unchanged | 0 | 12 | 14 | 26 | 2 |

Commodity

| | 10 Jan 07 | % Chg | | |
|--------------------------|-----------|-------|--------|--------|
| | | 1 Day | 1 Mth | 3 Mths |
| Crude (NYMEX) (US\$/BBL) | 54.0 | (2.9) | (12.9) | (7.7) |
| Gold (US\$/OZ) | 611.3 | (0.4) | (3.3) | 6.4 |
| Silver (US\$/OZ) | 12.4 | (1.1) | (10.6) | 10.2 |

Debt/forex market

| | 10 Jan 07 | 1 Day | 1 Mth | 3 Mths |
|-------------------|-----------|-------|-------|--------|
| 10 yr G-Sec yield | 7.53 | 7.50 | 7.51 | 7.63 |
| Re/US\$ | 44.60 | 44.39 | 44.84 | 45.81 |

Sensex


Source: Bloomberg

ECONOMY NEWS

- RBI has drawn the attention of the Finance Ministry to the whopping growth in the real estate sector, which has seen a 400% rise in FDI. RBI has warned that such massive flows could lead to speculation and over-heating of the real estate sector. (ET)
- The Cabinet Committee on Prices will soon consider a formal proposal to end the export ban on sugar. The move is based on estimates that bumper crop this season would lead to a 3.3 MT surplus in the market, creating a glut that could suppress domestic prices. (ET)
- The group of ministers (GoM) on empowerment of PSUs headed by the Minister of External Affairs has said raising equity capital from the market is 'an ownership issue' and PSU boards cannot be empowered to take such decisions. (ET)
- Under the banner of CII, domestic drug majors have approached Cabinet Secretary BK Chaturvedi for being allowed to present their views on the new pharmaceutical policy. (BS)
- To capture traffic anticipated from the retail boom, the Railways plans to invite firms to invest in setting up infrastructure on its land for creating a supply chain to move agricultural products from their points of produce to demand destinations. (BL)

CORPORATE NEWS

- The NYSE Group, General Atlantic, Goldman Sachs and Softbank Asian Infrastructure Fund have taken a 5% stake each in **NSE** for around \$460-490 mn, valuing the less than 15-year-old exchange at around \$2 bn. (ET)
- **ONGC** has relinquished a total of four blocks (two offshore and two onshore) awarded in NELP-I and NELP II for various reasons. (BL)
- The shadow of the European Commission's anti-trust proceedings is hanging over CSN's bid for Corus. Both companies have a significant presence in the manufacture of tinsplate in Europe. **Tata Steel** has an advantage in that it has got the go-ahead from the EC. (BS)
- **Maruti Udyog Ltd** will launch the new diesel Swift in a fortnight at an aggressive ex-showroom (Delhi) price of Rs.450,000. Swift D will be powered by a 1.3 liter Fiat multi-jet engine, manufactured at the company's factory at Manesar in Haryana. (BS)
- **iGATE Global Solutions**, a mid-tier IT services company, has reported a net profit of Rs.159 mn for the third quarter of FY07, recording a 1126% YoY growth, as compared with Rs.13 mn in the third quarter of FY06. (ET)
- Exhibition theatre chain **Cinemax India** will enter the capital markets with an initial public offering of 8.92 mn shares to raise up to Rs.1.38 bn. (ET)
- Steelmaker **Ispat Industries** has signed an MoU with Chhattisgarh government for setting up a 600-MW power project.
- Arun Sarin, CEO of Vodafone and Shashi Ruia, chairman, **Essar** today separately met the Finance Minister, presumably to discuss the developments related to the acquisition of Hutch Essar. (BS)
- The Wadia group-promoted low-cost airline **GoAir** is planning to sell a 20-26% stake to a group of strategic and financial investors. (ET)
- **IDEA Cellular** Rs.25bn IPO may open in February, as the cellular service provider is expected to receive approval from Sebi in the next 10 days. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

SECTOR UPDATE

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QUARTERLY RESULTS PREVIEW - CEMENT

The cement sector has seen robust demand growth in the first two months of the current quarter. Cumulative cement production in the first two months of the current quarter has grown 10.5% and consumption has grown 10.2% in the same period, as compared to last year. With no major capacities coming up in the current fiscal, we believe that with the increase in infrastructure activity, this demand growth will be sustained in future.

Pricing trend

Post the monsoons season, with a pick-up in construction activity, the northern region has seen a price rise of Rs.5 per bag. We expect prices to rise further, resulting in earnings upgrades. Prices were firm in the southern region despite the monsoon season and are expected to go up post mid-January. The average cement price is currently hovering in the range of Rs.205, higher by 25-30% as compared to last year.

Volume expansion

We expect the companies to show volume expansion on account of improving capacity utilizations (UltraTech Cement and India Cements) and rise in capacities (Shree Cements). This is likely to result in a robust growth in revenues coupled with a rise in cement prices.

Future Outlook

Demand for cement has been rising at a very good rate of more than 10% as compared to last year. We expect demand growth to be maintained at current levels for the next three years and owing to limited capacity additions, to cater to the higher demand. We believe capacity utilizations would rise in the next two years till new capacities come up by mid-FY09. Hence, we expect cement prices to remain firm for the next one and a half years, which will be positive for cement companies.

Earning Estimates for Q3FY07

| (Rs mn) Company | Revenue | | | OPM (%) | | PAT | | |
|--------------------|---------|--------|---------|---------|--------|---------|--------|---------|
| | Q3FY07E | Q3FY06 | YoY (%) | Q3FY07E | Q3FY06 | Q3FY07E | Q3FY06 | YoY (%) |
| UltraTech cement | 12,062 | 7,829 | 54.1 | 33.30 | 14.1 | 2,056 | 238.6 | 761.7 |
| Shree Cements | 3,738 | 1,442 | 159.2 | 46.50 | 30.0 | 949 | 279 | 240.1 |
| India Cements* | 4,504 | 3,466 | 29.9 | 32.80 | 13.5 | 861 | 6 | 14250.0 |

Source - Companies, Kotak Securities - Private Client Research Estimates

*Effective tax rate for India cements is expected to be 15%

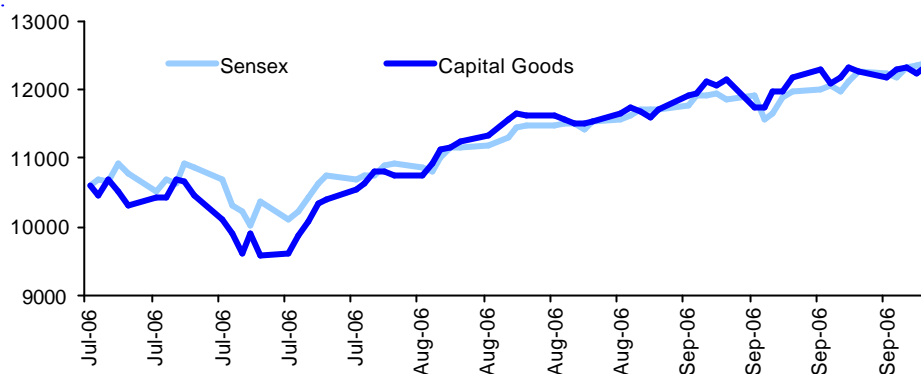
SECTOR UPDATE

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QUARTERLY RESULTS PREVIEW - CAPITAL GOODS

On the back of a healthy order backlog, electrical equipment makers should continue to report strong earnings numbers in the December ending quarter. The macro indicators continue to be favorable.

The capital goods index has performed in line with the Sensex



Source: Bloomberg

Cummins: We expect a 23% revenue growth for Cummins's aided by robust demand for DG sets from the domestic market as well as steady exports. Cummins has been able to sustain margins at over 15% in the last four quarters. We expect it to report 16% OPM in Q3FY07. Net profit is forecast to grow 23% YoY to Rs.598 mn in Q3FY07. Cummins is planning to raise its manufacturing capacity in the 300 HP plus range for auto applications and is also setting up a greenfield plant of 300 HP and below. We have a **HOLD** on the stock with a price target of Rs.300.

Mather and Platt Pumps: M&P Pumps is expected to post a revenue growth of 37% YoY to Rs.323 mn. The company is likely to report a net profit of Rs.27.5 mn, an increase of 162% YoY. The company is targeting revenues of Rs.1.5-1.6 bn in CY07. The stock is trading at 11.5x CY07 earnings and we maintain our **BUY** on the stock with a price target of Rs.240.

Voltas is expected to post healthy revenue growth. However, net profit growth could grow at a reduced paced due to lower margins in the electromechanical projects division. Additionally, higher tax charges should further constrain profit growth. We maintain a **HOLD** on the stock in view of the rich valuation at 21.7x FY08 earnings.

Thermax's consolidated order backlog at the end of Q2 was up 142% YoY to Rs.29.7 bn. We are expecting an 86% growth in net profit in Q3 on the back of 45% growth in revenues. The stock is trading at 17x FY08 earnings of Rs.22 per share. We maintain a **HOLD** on the stock with a price target of Rs.380.

Kirloskar Oil Engine Ltd: We forecast a 98% YoY growth in net profits in the quarter driven by 47% rise in revenues. KOEL is trading at attractive valuations of 13.2x FY08 earnings of Rs.21 per share. We recommend a **BUY** with a target of Rs.350.

Outlook

Our earnings view on the capital goods sector remains positive. Our preferred picks are Kirloskar Oil and M&P Pumps.

Quarterly preview

| Electrical Equipments | Revenue | | Operating profit | | Net profit | |
|-----------------------|---------|---------|------------------|---------|------------|---------|
| | (Rs mn) | YoY (%) | (Rs mn) | YoY (%) | (Rs mn) | YoY (%) |
| Voltas | 5,710 | 31 | 290 | 13 | 22.7 | 7 |
| Thermax | 5,200 | 45 | 806 | 76 | 548 | 86 |
| M&P | 323 | 37 | 49 | 152 | 27.5 | 162 |
| Cummins | 4,794 | 23 | 767 | 31 | 598 | 23 |
| KOEL | 4,900 | 47 | 674 | 86 | 420 | 98 |

Source: Kotak Securities - Private Client Research

Bulk deals

| Trade details of bulk deals | | | | | |
|-----------------------------|--------------|-----------------------------|--------------|-----------------------|--------------------|
| Date | Scrip name | Name of client | Buy/ Sell | Quantity of shares | Avg. Price (Rs) |
| 10-Jan | Anil Sp Stel | Mool Chand Chandak | B | 20,000 | 20.33 |
| 10-Jan | Anil Sp Stel | Rajesh Sheetal Jain | B | 100,000 | 21.56 |
| 10-Jan | Anil Sp Stel | Paresh D Shah | B | 22,503 | 21.53 |
| 10-Jan | Anil Sp Stel | Shreenath Finstock Pvt Ltd | S | 26,000 | 20.51 |
| 10-Jan | Anil Sp Stel | Neil Information Technolo | S | 24,000 | 21.47 |
| 10-Jan | Ashco Indust | Priti Anil Gandhi | S | 20,000 | 51.00 |
| 10-Jan | BCC Fuba Ind | V S Bhagat | S | 57,113 | 19.28 |
| 10-Jan | Bihar Tubes | Raj Investment | B | 20,000 | 121.69 |
| 10-Jan | Bihar Tubes | NCJain | B | 18,592 | 121.32 |
| 10-Jan | Bihar Tubes | Sunita Rani Garg | S | 16,047 | 117.10 |
| 10-Jan | DMC Vaults | Suman Kohli | S | 10,000 | 40.85 |
| 10-Jan | H.S.India | Chetan Dogra | S | 133,500 | 21.82 |
| 10-Jan | K S Oils Ltd | DSP Merrill Lynch Capital | B | 100,000 | 278.00 |
| 10-Jan | Kovilp Lak R | Cape Flour Mills Pvt Ltd | B | 38,780 | 55.10 |
| 10-Jan | Krypton Indu | Chainroop Dugar | S | 22,655 | 50.92 |
| 10-Jan | Maharashtra | Arvind Mulraj Udeshi | B | 83,777 | 96.60 |
| 10-Jan | Maxwell Ind | Morgan Stanley snd Co Int | B | 405,260 | 44.07 |
| 10-Jan | Mefcom Agr I | Purshottam M Khandelwal | B | 37,504 | 216.27 |
| 10-Jan | Mefcom Agr I | Master Finlease Ltd | B | 100,000 | 216.67 |
| 10-Jan | Mefcom Agr I | I S F Securities Limited | B | 68,516 | 217.05 |
| 10-Jan | Mefcom Agr I | Shridhar Financial Serv | S | 31,200 | 217.05 |
| 10-Jan | Mohit Indust | Hemrajsinh S Veghela | B | 25,500 | 65.43 |
| 10-Jan | ORGInformat | Elara India Oppurtunities | B | 100,000 | 177.97 |
| 10-Jan | ORGInformat | Volga International Ltd | S | 98,158 | 178.00 |
| 10-Jan | Osian Lpg Bo | Decent Financial Services | B | 40,000 | 16.17 |
| 10-Jan | Pritishn Com | Mr. Vijay Kedia | B | 93,700 | 57.35 |
| 10-Jan | Rock Hard Pe | N.J. Associates | B | 100,000 | 15.61 |
| 10-Jan | Rock Hard Pe | Sunita Rani Garg | B | 70,000 | 15.55 |
| 10-Jan | Rock Hard Pe | Krupa Soni | B | 92,935 | 15.53 |
| 10-Jan | Rock Hard Pe | Amarkantak Gardens Pvt. | S | 100,000 | 15.59 |
| 10-Jan | Rock Hard Pe | Amarkantak Plantations Pvt | S | 80,000 | 15.57 |
| 10-Jan | Shree Ashta | Asit C Mehta Investment I | S | 78,315 | 232.01 |
| 10-Jan | Spectra Indu | Vismay Shah | B | 50,000 | 28.77 |
| 10-Jan | Sujana Univ | Innovision E Commerce Lim | S | 534,158 | 21.11 |
| 10-Jan | Var Polytex | UTI Bank Limited | S | 129,000 | 112.76 |
| 10-Jan | Vimal Oil Fo | Dharmendra J Madhavi | B | 30,100 | 42.75 |
| 10-Jan | Walchand Pf | Ruby Ladha | S | 3,183 | 647.20 |
| 10-Jan | Yashraj Secr | U Kiran | B | 9,000 | 150.75 |
| 10-Jan | Yashraj Secr | S Uttamchand | B | 9,000 | 150.68 |
| 10-Jan | Yashraj Secr | Arudhra Properties Limited | B | 9,000 | 150.55 |
| 10-Jan | Yashraj Secr | Shree Harivansha Securities | S | 19,000 | 150.75 |

Source: BSE

Gainers & Losers

| Nifty Gainers & Losers | | | | |
|------------------------|------------|----------|--------------|-------------|
| | Price (Rs) | % change | Index points | Volume (mn) |
| Gainers | | | | |
| Wipro | 590 | 1.8 | 2.9 | 1.4 |
| ITC | 163 | 0.7 | 0.8 | 5.3 |
| MTNL | 156 | 1.0 | 0.2 | 3.3 |
| Losers | | | | |
| ONGC | 891 | (2.8) | (11.1) | 1.3 |
| Reliance Com | 407 | (3.7) | (6.5) | 9.5 |
| BHEL | 2,145 | (4.7) | (5.2) | 0.6 |

Source: Bloomberg

Forthcoming events

| COMPANY/MARKET | |
|----------------|--|
| Date | Event |
| 11-Jan | Infosys Technologies, HDFC Bank, Mastek, Great Offshore, Hindustan Zinc, Jaiprakash Associates earnings expected; Global Broadcast News holds press conf for IPO |
| 12-Jan | KEC International, UTI Bank earnings expected |
| 13-Jan | CMC earnings expected |
| 15-Jan | HCL Technologies, Geometric Software, Container Corporation earnings expected |
| 16-Jan | Bajaj Auto earnings expected |
| 17-Jan | Lupin, Wipro, Infotech Enterprises earnings expected |
| 18-Jan | Ranbaxy Laboratories to announce earnings & dividend; Chambal Fertilizers, Exide Industries, Shasun Chemicals, Biocon earnings expected |
| 19-Jan | Dabur India, Wyeth, IDFC, Ballarpur Industries, Hindustan Construction, Satyam Computers earnings expected |

Source: Bloomberg

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