



Index

- ♦ Stock Update >> [Tata Motors](#)
- ♦ Stock Update >> [Ranbaxy Laboratories](#)
- ♦ Sector Update>> [Cement](#)

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Balaji Tele	9-July-07	231	271	303
♦ BL Kashyap	27-Sep-07	2,189	2,445	2,850
♦ ICICI Bank	23-Dec-03	284	1,088	1,173
♦ Jindal Saw	20-Sep-03	635	620	830
♦ Ranbaxy	24-Dec-03	533	439	500

Tata Motors

Apple Green

Stock Update

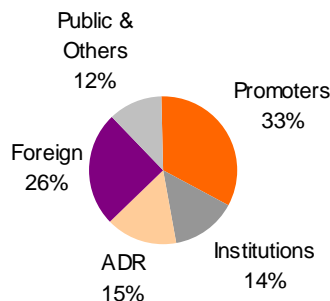
Downgraded to hold

Hold; CMP: Rs790

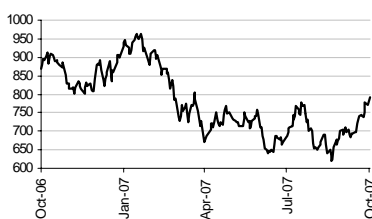
Company details

Price target:	Rs792
Market cap:	Rs32,019 cr
52 week high/low:	Rs975/616
NSE volume: (No of shares)	16.1 lakh
BSE code:	500570
NSE code:	TATAMOTORS
Sharekhan code:	TELCO
Free float: (No of shares)	19.9 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	10.1	15.4	8.4	-8.5
Relative to Sensex	-2.7	-2.7	-18.9	-35.0

Key points

- ◆ Tata Motors' total sales for September 2007 stood at 48,347 vehicles. The total sales declined by 1.3% on year-on-year basis and grew by 7% on month-on-month (m-o-m) basis.
- ◆ The commercial vehicle (CV) sales for the month grew by 2% to 30,051 vehicles. The sales growth in the CV segment continues to be driven by the sales of light commercial vehicles (LCVs). The LCV sales grew by 9.2% year on year (yoy) on the back of new launches--Magic and Winger. The medium and heavy commercial vehicle (M&HCV) sales declined by 4% to 15,299 vehicles as low demand continued in the segment.
- ◆ Lower cargo availability during the monsoon led the freight rates to fall by about 1.2% yoy. With the advent of the festive season, the truck rentals in October 2007 have recovered by 5%-7.5%. However any recovery in the CV sales is dependent upon a double digit growth in the manufacturing sector and some restraint on overloading of trucks.
- ◆ The passenger vehicle sales in September 2007 continued to remain weak and declined by 6.3% to 18,296 vehicles. *Indica* sales grew by 6.4%, while *Indigo* sales declined by 34.8% to 2,328 vehicles. *Sumo* and *Safari* sales dropped by 24% yoy during the month. Lack of new product offerings has been the prime reason for the decline in the passenger vehicle sales.
- ◆ Export sales for the month registered a growth of 15.5% yoy, but on m-o-m basis the sales declined by 15.5% to 4,305 vehicles. Export sales as a percentage of the total sales volume was down to 8.9% the lowest in the year as compared with 12.4% in June the highest in the year.

Earnings table

Particulars	FY2005	FY2006	FY2007	FY2008E	FY2009E
Stand-alone					
Net profit (Rs cr)	1228.7	1355.8	1864.4	1653.0	1964.3
% y-o-y change	44.0	10.3	37.5	-11.3	18.8
EPS (Rs)	34.0	35.4	46.0	40.8	48.5
PER (x)	23.3	22.3	17.2	19.4	16.3
EV/EBIDTA (x)	12.5	12.2	10.5	10.0	8.4
RoCE (%)	32.5	28.8	29.9	22.7	23.6
RoNW (%)	29.9	24.5	27.1	21.1	21.6
Consolidated					
Net profit (Rs cr)	1334.8	1728.1	2170.0	2076.3	2614.9
% y-o-y change	45.3	29.5	25.6	-4.3	25.9
EPS (Rs)	36.9	45.1	56.3	54.3	64.9
PER (x)	21.4	17.5	14.0	14.6	12.2
EV/EBIDTA (x)	11.7	10.2	7.4	7.3	6.1
RoCE (%)	33.2	30.8	33.4	28.4	30.6
RoNW (%)	30.9	27.9	28.4	22.5	23.1

- ◆ We are revising our Q2FY2008 estimates released earlier to account for the actual sales numbers. Consequently, the sales estimate for the quarter now stand at Rs6,653 crore from the earlier estimate of Rs6,557.8 crore. The profit after tax (PAT) is estimated at Rs356 crore as against the earlier estimate of Rs349.2 crore.

Quarterly estimates

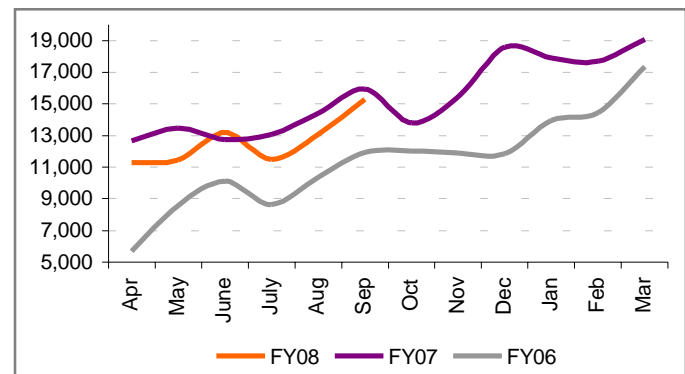
(Rs crore)	Net sales			Profit after tax		
	Q2 FY08E	Q2F FY07	% chg	Q2 FY08E	Q2 FY07	% chg
Tata Motors	6,653.4	6,571.8	1.2	356.0	486.9	-26.9

- ◆ The company's management has said that it is planning to offer discounts on its vehicles to jump start the sales that have been hit by rising interest rates. Rising raw material prices, appreciating rupee and expanding capacity is not expected to substantially improve the company's profitability.
- ◆ In view of the recent run up in the stock price very close to our price target of Rs792, we downgrade the stock to a Hold. At the current market price of Rs790, the stock discounts its FY2009E consolidated earnings by 12.2x and is available at an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) by 6.1x. We would review our recommendation on the stock after the announcement of Q2FY2008 results.

Sales for September

	Sep-07	Sep-06	% yoy	YTD 2008	YTD 2007	% yoy
M&HCV	14,129	15,193	-7.0	68,776	77,394	-11.1
LCV	12,907	11,434	12.9	64,095	56,978	12.5
UV	3,302	4,347	-24.0	19,697	19,923	-1.1
Cars	13,704	14,262	-3.9	82,780	84,371	-1.9
Domestic sales	44,042	45,236	-2.6	235,348	238,666	-1.4
Exports	4,305	3,727	15.5	27,602	26,832	2.9
Total sales	48,347	48,963	-1.3	262,950	265,498	-1.0

Tata Motors M&HCV sales trend

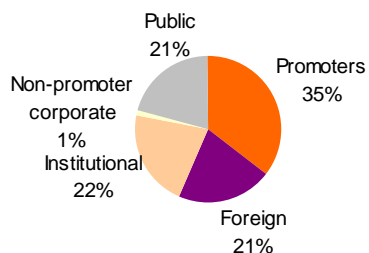
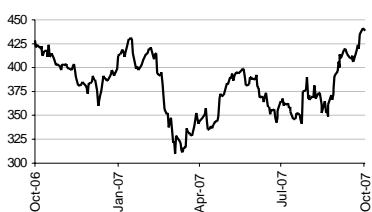


The author doesn't hold any investment in any of the companies mentioned in the article.

Ranbaxy Laboratories

Apple Green
Stock Update
Increases stake in Zenotech
Buy; CMP: Rs439
Company details

Price target:	Rs500
Market cap:	Rs16,354 cr
52 week high/low:	Rs452/304
NSE volume: (No of shares)	20.5 lakh
BSE code:	500359
NSE code:	RANBAXY
Sharekhan code:	RANBAXY
Free float: (No of shares)	24.3 cr

Shareholding pattern

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	12.7	24.2	27.2	2.6
Relative to Sensex	-0.4	4.7	-4.7	-27.1

Key points

- ◆ Ranbaxy Laboratories (Ranbaxy) is increasing its stake in Zenotech Laboratories (Zenotech) from 7% currently to 45% at a price of Rs160 per share, resulting into a total investment of Rs214 crore. The above increase in stake in Zenotech to 45% will trigger a mandatory open offer by Ranbaxy to other shareholders of Zenotech, at a price of Rs160 per share or as determined by the Securities and Exchange Board of India (SEBI) regulation.
- ◆ Zenotech is a Hyderabad-based research driven pharmaceutical company that develops new biological entities in the areas of cancer and neurology. The company currently has a portfolio of ten oncology injectables and five anesthesiology injectables developed and marketed in India. Zenotech also has an existing agreement with Ranbaxy for developing and marketing 14 injectables (Abbreviated New Drug Applications [ANDAs]) including seven in oncology in the US and Canada.
- ◆ By increasing its stake in Zenotech, Ranbaxy is preparing to capitalise the huge opportunity that awaits pharmaceutical companies in the field of biologics and oncology. The opening up of biosimilars or biogenerics in the regulated markets of the USA and Europe further enhances the attractiveness of this segment. Ranbaxy aims to enter the European Union biologics market through this acquisition by end of 2010-11. With the Zenotech acquisition, Ranbaxy plans to file seven ANDAs in the oncology segment for the US market in the coming months.
- ◆ As per media reports, Ranbaxy is in advanced stages of negotiation with numerous private equity players to hive off its new chemical entity (NCE) research division into a separate entity by 2008. Ranbaxy's current pipeline consists of two molecules in the clinics and another six-seven molecules in the pre-clinical stages. The demerger of the NCE division will unlock value for investors, generate new funding options for discovery research and de-risk the company's main generic business.
- ◆ We maintain our positive outlook on Ranbaxy and feel that it is among the best placed companies to leverage the global generic opportunity with its extremely

Valuation table (consolidated)

Particulars	CY2004	CY2005	CY2006	CY2007E	CY2008E
Net sales (Rs crore)	5247.5	5103.6	6018.3	6535.2	7456.2
PAT (Rs crore)	698.6	261.7	510.3	740.9	706.0
Fully diluted Shares (cr)	37.2	37.2	37.3	40.0	40.0
EPS (Rs)	18.8	7.0	13.7	18.5	17.7
PER (x)	23.3	62.4	32.0	23.7	24.8
EV/Ebidta (x)	16.5	56.9	21.6	21.1	17.5
EV/EBITDR (x)	15.0	28.9	17.4	17.1	14.3
Book value (Rs/share)	67.5	65.7	69.4	73.9	82.5
P/BV (x)	6.5	6.7	6.3	5.9	5.3
Mcap/sales	3.1	3.2	2.7	2.7	2.4
RoCE (%)	26.9	4.8	11.2	14.2	12.7
RoNW (%)	27.8	10.7	19.7	25.1	21.4

diversified business model and a large product portfolio. At the current market price of Rs439, Ranbaxy is trading at 23.7x its estimated CY2007 and 24.8x its estimated CY2008 earnings. We maintain our Buy recommendation on the stock with a revised price target of Rs500.

Ranbaxy to increase stake in Zenotech

Ranbaxy is increasing its stake in Zenotech from the current 7% to 45% at a price of Rs160 per share, resulting into a total investment of Rs214 crore. This involves:

- (a) *Preferential offer to Ranbaxy by Zenotech:* Zenotech will issue 54,89,536 shares of Rs10 each on a preferential basis to Ranbaxy at a price of Rs160 per share (including premium).
- (b) *Purchase of shares from the existing promoters:* An increase in stake to 45% will trigger a mandatory open offer by Ranbaxy to other shareholders of Zenotech at a price of Rs160 per share or as determined by SEBI regulation. Post the offer, the existing promoter group of Zenotech will have a 25% stake in its expanded equity capital. Ranbaxy plans to fund the acquisition through internal accruals and debt.

About Zenotech

Zenotech is a Hyderabad-based research driven pharmaceutical company that develops new biological entities in the areas of cancer and neurology. The company currently has a portfolio of ten oncology injectables and five anesthesiology injectables developed and marketed in India. Zenotech has also received three Indian approvals for oncology biopharmaceuticals--GCSF (Granulocyte Colony Stimulating Factor), GM-CSF (Granulocyte Macrophage Colony Stimulating Factor), and IL-2 (interleukin-2). For the latter two biopharmaceuticals, Zenotech is the first to receive approvals in India. The company also has a pipeline of seven biopharmaceutical products in different stages, all developed in-house. Zenotech also has an existing agreement with Ranbaxy for developing and marketing 14 injectables (ANDAs) including seven in oncology in the US and Canada.

Zenotech has state-of-the-art manufacturing facilities in Hyderabad, India, while its research and development (R&D) facilities are in Hyderabad and New Jersey, USA. Currently, Ranbaxy holds a 7% stake in the company.

Ranbaxy's strategy for the stake increase; plans to file seven ANDAs

Presently, the global biopharmaceutical market is valued at \$65 billion at innovator prices and Zenotech's pipeline

addresses a third of this market. The global oncology market is worth over \$35 billion and is considered among the fastest growing therapeutic segments. Specialty injectables is a high value addition segment compared with orals.

By increasing its stake in Zenotech, Ranbaxy is preparing to capitalise the huge opportunity that awaits pharmaceutical companies in the field of biologics and oncology. The acquisition also gives Ranbaxy control over research and production of drugs based on generic biotechnology, or living cell-based products, that are harder to make than chemical medicines, thereby providing it with skills into a business which has higher entry barriers allowing for greater profitability.

The opening up of biosimilars or biogenerics in the regulated markets of the USA and Europe further enhances the attractiveness of this segment. Ranbaxy aims to enter the European Union biologics market through this acquisition by end of 2010-11. There are also plans to enter the US market for biogenerics, but the company will have to wait until the regulatory guidelines in the USA are framed and finalised.

With the Zenotech acquisition, Ranbaxy plans to file seven ANDAs in the oncology segment for the US market in the coming months. The combined branded sale of these products is \$3.7 billion.

Plans to hive off NCE research division

As per media reports, Ranbaxy is in advanced stages of negotiation with numerous private equity players to hive off its NCE research division into a separate entity by 2008. Ranbaxy's current pipeline consists of two molecules in the clinics and another six-seven molecules in the pre-clinical stages. Ranbaxy's discovery program focuses on the therapeutic areas of infectious diseases, metabolic diseases and inflammatory diseases. Its lead molecule is an anti-malarial candidate and is currently in Phase IIb studies in Africa, Thailand and India.

Ranbaxy has been investing around 5% of its sales on R&D every year. The demerger of the NCE division will unlock value for investors, generate new funding options for discovery research as well as de-risk the company's main generic business from the uncertainties and risks associated with innovative research.

Valuation and view

We maintain our positive outlook on Ranbaxy and feel that it is among the best placed companies to leverage the global

generic opportunity with its extremely diversified business model and a large product portfolio. After prolonged disappointment, Ranbaxy has now started to deliver. The company's strong all-round growth performance over the last two quarters combined with the improving growth outlook across geographies clearly indicates that Ranbaxy's revenue growth initiatives have started to bear results. The positive development on the Lipitor case, the settlement with GlaxoSmithKline on Valtrex and the striking of an authorised generic deal for Isoptin SR further vindicate the strength and aggressiveness of Ranbaxy's patent challenge model, which is focused on gaining from one-time opportunities.

The current increase in stake in Zenotech is reflective of the company's ability to invest in future untapped

opportunities. Through this acquisition, Ranbaxy will be well placed and probably amongst the few Indian companies (other than Wockhardt and Biocon) to capitalise on the \$65 billion biopharmaceutical market and the \$35 billion oncology segment.

Any definitive announcement on the demerger of the NCE research division will be a further value unlocking trigger as the demerger will not only generate new funding options for discovery research but also insulate the company's base generic business from the uncertainties and risks of innovative research.

At the current market price of Rs439, Ranbaxy is trading at 23.7x its estimated CY2007 and 24.8x its estimated CY2008 earnings. We maintain our Buy recommendation on the stock with a revised price target of Rs500.

The author doesn't hold any investment in any of the companies mentioned in the article.

Cement

Sector Update

Cement prices rise in the North

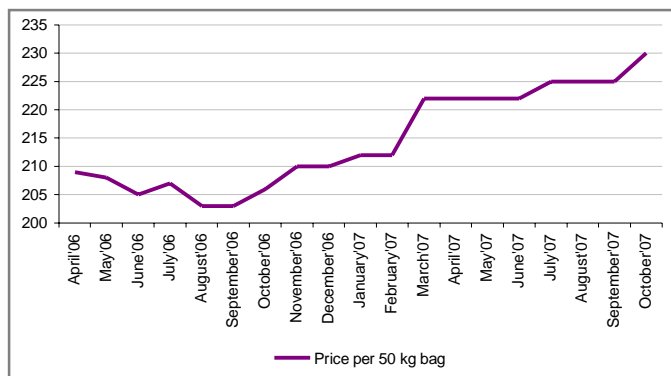
As per our expectations (refer note dated September 7, 2007), cement companies are believed to have hiked cement prices by Rs5 per bag in the North effective October 1, 2007.

Prices move up by Rs5 per bag in Rajasthan, Delhi and NCR

The companies have raised cement prices by Rs5 per bag in Rajasthan, Delhi, and National Capital Region (NCR). We have learned from the dealers that the companies would effect the price hike in phases. Post hike, the cement price in Rajasthan will stand at Rs203-205 per bag, whereas the price in Delhi and NCR will be at Rs230-231 per bag.

On speaking to our dealers, we have come to understand that demand for cement will remain tight in the coming months.

Prices stand at Rs230 per bag in Delhi

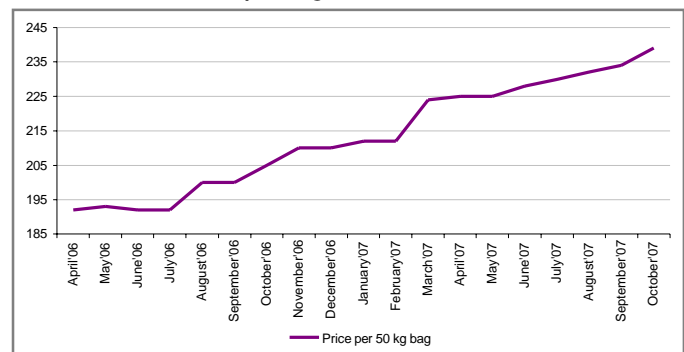


Source: Dealers, Sharekhan

Prices to go up by Rs5 per bag in Kolkata as well

In the last couple of months, cement prices in Kolkata have been hiked by Rs2 per bag in the first week of each month. The cement companies are expected to further hike the cement price by Rs5 per bag effective October 7, 2007. Consequently, the wholesale cement price in the region would stand at Rs239-240 per bag.

Prices stand at Rs239 per bag in Kolkata



Price hike as per our expectations

Cement prices have remained unchanged in the North in the last three months on account of monsoon. Post monsoon, with a pick up in the demand for cement, we had expected cement prices to move up Rs3-5 per bag across the country. This will augur well for the North based cement stocks under our coverage namely Shree Cement, JK Cement, Jaiprakash Associates, Grasim Industries et al. We have already factored a Rs5 per bag increase in cement prices for the second half of the current fiscal in our estimates. We would shortly update you on the cement dispatches of the industry majors for the month of September.

Company	PER		EV/EBITDA		EV/Tonne	
	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E
ACC	14.8	15.5	9.6	9.6	251.5	233.5
Ultratech	13.7	12.0	8.0	6.6	207.4	165.0
Shree Cement	12.3	11.3	7.5	6.3	172.6	129.6
JK Cement	5.7	6.7	4.1	5.0	88.6	66.7
Madras Cements	11.8	9.8	7.0	5.9	173.3	145.6
India Cement	9.6	10.2	6.7	5.9	185.3	141.3
Orient Paper	6.0	6.1	3.5	3.9	77.0	66.0

The author doesn't hold any investment in any of the companies mentioned in the article.

Evergreen

HDFC Bank
 Infosys Technologies
 Reliance Industries
 Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
 ACC
 Apollo Tyres
 Bajaj Auto
 Bank of Baroda
 Bank of India
 Bharat Bijlee
 Bharat Electronics
 Bharat Heavy Electricals
 Bharti Airtel
 Canara Bank
 Corporation Bank
 Crompton Greaves
 Elder Pharmaceuticals
 Grasim Industries
 HCL Technologies
 Hindustan Unilever
 ICICI Bank
 Indian Hotels Company
 ITC
 Mahindra & Mahindra
 Marico
 Maruti Suzuki India
 Lupin
 Nicholas Piramal India
 Ranbaxy Laboratories
 Satyam Computer Services
 SKF India
 State Bank of India
 Sundaram Clayton
 Tata Motors
 Tata Tea
 Unichem Laboratories
 Wipro

Cannonball

Allahabad Bank
 Andhra Bank
 Gateway Distriparks
 International Combustion (India)
 JK Cement
 Madras Cement
 Shree Cement
 Tourism Finance Corporation of India
 Transport Corporation of India

Emerging Star

3i Infotech
 Aban Offshore
 Alphageo India
 Axis Bank (UTI Bank)
 Balaji Telefilms
 BL Kashyap & Sons
 Cadila Healthcare
 Federal-Mogul Goetze (India)
 Jindal Saw
 KSB Pumps
 Navneet Publications (India)
 Network 18 Fincap
 Nucleus Software Exports
 Orchid Chemicals & Pharmaceuticals
 ORG Informatics
 Tata Elxsi
 Television Eighteen India
 Thermax

Ugly Duckling

Ahmednagar Forgings
 Ashok Leyland
 Aurobindo Pharma
 BASF India
 Ceat
 Deepak Fertilisers & Petrochemicals Corporation
 Genus Power Infrastructures
 Hexaware Technologies
 ICI India
 India Cements
 Indo Tech Transformers
 Jaiprakash Associates
 KEI Industries
 NIIT Technologies
 Punjab National Bank
 Ratnamani Metals and Tubes
 Sanghvi Movers
 Saregama India
 Selan Exploration Technology
 Seamec
 Subros
 Sun Pharmaceutical Industries
 Surya Pharmaceuticals
 UltraTech Cement
 Union Bank of India
 Universal Cables
 Wockhardt
 Zensar Technologies

Vulture's Pick

Esab India
 Orient Paper and Industries
 WS Industries India

To know more about our products and services [click here.](#)

Disclaimer

"This document has been prepared by Sharekhan Ltd.(SHAREKHAN) This Document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed to and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited. Kindly note that this document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report. The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

SHAREKHAN & affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell or may be materially interested in any of the securities mentioned or related securities. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of SHAREKHAN."