MORNING INSIGHT

kotak Kotak Securities

PRIVATE CLIENT RESEARCH

NOVEMBER 4, 2008

## Economy News

- The country's three low-cost airlines - SpiceJet, IndiGo and GoAir - are likely to slash fares between 10% and 15% from November 15. This follows the oil companies' decision to cut aviation turbine fuel (ATF) prices, coupled with the government's move to withdraw the 5% Customs duty on jet fuel. (ET)
- India's export growth slowed significantly to an 18-month low and increased by 10.4% in dollar terms to $13.74 billion in September 2008, against $12.45 billion in the same month last year. Imports during the same month expanded by 43.3% to $24.38 billion from $17 billion in the same month last year mainly due to high oil imports, according to data released by the commerce ministry today. (BS)
- State-run oil firms on Monday cut jet fuel prices further by Rs.2,100 per kilolitre on top of the 17% reduction announced last week after government exempted the fuel from payment of customs duty. (ET)
- The Finance Minister will ask state-run banks to lower lending rates to help revive sagging industrial growth, industry officials said on Monday. Heads of three leading industry bodies -- CII, FICCI and ASSOCHAM -- met the Finance Minister to highlight the problems they were facing in the wake of slack domestic demand and a global credit crisis. (ET)

## Corporate News

- Sales of Tata Motors dipped by 6%, while that of **Mahindra & Mahindra** (M&M) slid by 17% in October as liquidity concerns and stringent lending norms marred growth in the festive season (BS)
- The differential voting shares issued by **Tata Motors** may face price discovery problems in the secondary market. The Rs.19.6bn issue devolved due to tough market conditions and was subscribed mainly by the promoters, IFCI and JM Financial at Rs.305 a share (BS)
- The popular Hindi TV serial Kyunki Saas Bhi Kahi Bahu Thi will most likely not be aired from Thursday after the Bombay High Court today declined to stay the termination notice served by Star TV to the producers. The court order was given after the serial's producer **Balaji Telefilms** moved the vacation bench of the Bombay HC last week seeking stay of the termination notice.
- **Union Bank of India** has cut its prime lending rate by 50 basis points to 13.5% with effect from Monday, according to a senior official of the bank. (ET)
- **Nagarjuna Construction Co Ltd** has recieved two orders worth Rs.5.27bn. The first order, of Rs.4.01bn, is from the Hyderabad Metropolitan Water Supply and Sewage Board and is to be competed over 24 months. The second order, from the Assam State Electricity Board, is to be completed over 18 months. (ET)
- **Bharti Enterprises** said it is eyeing a turnover of Rs.10bn from its retail operations by the end of the current fiscal and added that the current economic slowdown will not impact it. (ET)

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

### Equity

| | | % Chg | | |
|---|---|---|---|---|
| | 3 Nov 08 | 1 Day | 1 Mth | 3 Mths |
| **Indian Indices** | | | | |
| SENSEX Index | 10,338 | 5.6 | (17.5) | (29.1) |
| NIFTY Index | 3,044 | 5.5 | (20.3) | (30.7) |
| BANKEX Index | 5,387 | 7.5 | (16.2) | (20.4) |
| BSET Index | 2,874 | 0.4 | (7.6) | (24.7) |
| BSETCG INDEX | 7,592 | 8.2 | (25.9) | (36.9) |
| BSEOIL INDEX | 6,547 | 5.7 | (22.3) | (34.7) |
| CNXMcap Index | 3,667 | 4.6 | (23.5) | (36.4) |
| BSESMCAP INDEX | 3,927 | 4.3 | (28.1) | (44.7) |
| **World Indices** | | | | |
| Dow Jones | 9,320 | (0.1) | (9.7) | (17.4) |
| Nasdaq | 1,726 | 0.3 | (11.4) | (24.5) |
| FTSE | 4,443 | 1.5 | (10.8) | (16.5) |
| Nikkei | 8,577 | (5.0) | (18.7) | (32.0) |
| Hangseng | 14,344 | 2.7 | (21.0) | (38.0) |

### Value traded (Rs cr)

| | 3 Nov 08 | % Chg - Day |
|---|---|---|
| Cash BSE | 3,621 | (0.4) |
| Cash NSE | 10,106 | (17.4) |
| Derivatives | 34,114 | (7.7) |

### Net inflows (Rs cr)

| | 31 Oct 08 | % Chg | MTD | YTD |
|---|---|---|---|---|
| FII | 1,183 | 210 | (14,249) | (51,754) |
| Mutual Fund | (43) | (107) | 1,669 | 14,153 |

### FII open interest (Rs cr)

| | 31 Oct 08 | % Chg |
|---|---|---|
| FII Index Futures | 7,851 | 5.5 |
| FII Index Options | 12,382 | 12.4 |
| FII Stock Futures | 10,167 | 6.5 |
| FII Stock Options | 108 | 86.9 |

### Advances / Declines (BSE)

| 3 Nov 08 | A | B | S | Total | % total |
|---|---|---|---|---|---|
| Advances | 179 | 1,296 | 338 | 1,813 | 77 |
| Declines | 26 | 378 | 96 | 500 | 21 |
| Unchanged | - | 24 | 7 | 31 | 1 |

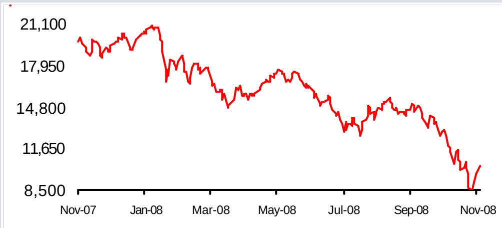
### Commodity

| | | % Chg | | |
|---|---|---|---|---|
| | 3 Nov 08 | 1 Day | 1 Mth | 3 Mths |
| Crude (NYMEX) (US$/BBL) | 63.3 | (1.0) | (32.6) | (47.9) |
| Gold (US$/OZ) | 723.5 | (0.2) | (12.9) | (18.7) |
| Silver (US$/OZ) | 9.8 | (0.1) | (11.7) | (41.9) |

### Debt / forex market

| | 3 Nov 08 | 1 Day | 1 Mth | 3 Mths |
|---|---|---|---|---|
| 10 yr G-Sec yield % | 7.63 | 7.59 | 8.50 | 9.36 |
| Re/US$ | 48.65 | 49.46 | 47.06 | 42.49 |

### Sensex



RESULT UPDATE

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# R SYSTEMS INTERNATIONAL LTD (RS)

**PRICE: RS.48** **RECOMMENDATION: ACCUMULATE**
**TARGET PRICE: RS.92** **CY08 P/E: 2.7X**

**3QFY08 operational results below estimates. Company hit by project cancellation by one client and project closures in another account. Sento revenues also lower QoQ. Macro headwinds to impact growth rates going forward. Net cash of about Rs.35 per share may act as cushion. Buy back expected to start by end of month. Downgrade to ACCUMULATE. To become more positive post improvement in macro-scenario. Continue to prefer large caps**

- Results for 3QCY08 lower than expected.
- Revenue growth flat QoQ - impacted by scale down in one account in UK and also lower revenues in the recently acquired Sento
- Margins down on a QoQ basis due to salary hikes to balance employees and also hedging losses accounted as part of Opex.
- Company has witnessed cautiousness from its banking clients due to the overall macro scenario, leading to longer sales cycle. Near term growth rate expected to be challenged.
- Large customers like GE, Phillips, Nokia Siemens, Motorola, Open Solutions, TMA Resources, Barclays, Society General, etc expected to lend some stability. However, we remain concerned because of the client profile of RS, which includes early stage companies also.
- Make changes to our estimates for CY08. Consolidated revenues expected to grow to Rs.3.55bn, with PAT expected to rise to Rs.242mn (Rs.256mn earlier).
- Rupee assumed to end CY08 at Rs.45 per USD (Rs.40 earlier). Made changes to cost of capital assumptions. DCF - based price target at Rs.92 (Rs.132 earlier) will discount our CY08E earnings by about 5x. Downgrade to ACCUMULATE purely because of the net cash of about Rs.35 per share. Continue to prefer large caps.
- A prolonged recession in major user economies and a sharper-than-expected appreciation in rupee v/s major currencies are the primary risks to our call.

**Summary table**

| (Rs mn) | CY06 | CY07 | CY08E* |
|---|---|---|---|
| Revenues | 2039.5 | 2470.6 | 3551.2 |
| Growth (%) | 29.6 | 21.1 | 43.7 |
| EBITDA | 224.1 | 233.2 | 397.6 |
| EBITDA margin (%) | 11.0 | 9.4 | 11.2 |
| Net profit | 142.4 | 174.4 | 242.9 |
| Net cash (debt) | 485.1 | 495.2 | 441.1 |
| EPS (Rs) | 10.5 | 12.9 | 18.0 |
| Growth (%)* | 117.1 | 22.5 | 39.3 |
| CEPS | 14.9 | 18.1 | 26.6 |
| DPS (Rs) | 1.2 | 1.8 | 2.0 |
| ROE (%) | 15.0 | 12.9 | 15.9 |
| ROCE (%) | 20.3 | 15.9 | 17.7 |
| EV/Sales (x) | 0.3 | 0.2 | 0.2 |
| EV/EBITDA (x) | 2.7 | 2.5 | 1.6 |
| P/E (x) | 4.0 | 3.3 | 2.3 |
| P/Cash Earnings | 2.8 | 2.3 | 1.6 |
| P/BV (x) | 0.4 | 0.4 | 0.3 |

*Source: Company, Kotak Securities - Private Client Research*
**Sento's financials consolidated WEF February 08*

**3QCY08 results**

| (Rs mn) | 3QCY08 | 2QCY08 | QoQ (%) | 3QCY07 | YoY (%) |
|---|---|---|---|---|---|
| **Income** | **921.1** | **905.6** | **1.7** | **641.0** | **43.7** |
| Expenditure | 832.2 | 795.1 | | 564.4 | |
| **EBDITA** | **88.9** | **110.6** | **-19.6** | **76.6** | **16.0** |
| Depreciation | 30.3 | 28.1 | | 18.5 | |
| **EBIT** | **58.7** | **82.5** | | **58.2** | |
| Interest | 1.4 | 1.4 | | 1.2 | |
| Other income | 16.2 | -31.7 | - | 13.9 | 16.5 |
| **PBT** | **73.6** | **49.4** | **48.9** | **70.9** | **3.8** |
| Tax | 8.0 | 3.0 | | 10.8 | |
| **PAT** | **65.5** | **46.5** | **41.1** | **60.1** | **9.1** |
| Shares (mns) | 13.5 | 13.5 | | 13.5 | |
| **EPS (Rs)** | **4.9** | **3.4** | | **4.4** | |
| **Margins (%)** | | | | | |
| EBDITA | 9.7 | 12.2 | | 12.0 | |
| EBIT | 6.4 | 9.1 | | 9.1 | |
| PAT | 7.1 | 5.1 | | 9.4 | |

*Source : Company*

## Revenues

- Revenues grew by 1.7% QoQ in INR terms. In USD terms, revenues de-grew over the previous period.
- Revenues growth was impacted by the scale down in one of the larger accounts in UK.
- The client, an ISV, was expecting some orders from a bank (Wachovia) which did not materialize and in turn, scaled down the project with RS Systems.
- Sento, which the company recently acquired, also reported lower revenues on a sequential basis (largely due to seasonality, according to the management) and this also led to the overall revenue shortfall. Revenues from Sento were at $3.6mn.

## Top clients de-grew

- The company added 9 new accounts during the current quarter across businesses.
- However, revenues from the Top accounts de-grew on a sequential basis, which is of concern.
- The top client, GE, saw revenues fall by about 9% QoQ. In USD terms, the fall was larger. Some projects in Switzerland and France came to an end and there was a delay in starting of new accounts.
- The management has indicated that, the near term macro headwinds would impact growth rates in the near term.
- We expect the impact to continue over the next few quarters and have accordingly reduced growth rates for CY09 in our DCF model.

## Products business initiated new projects

- In the products business, Indus and EcNet saw good client additions and started implementations in new accounts.
- EcNet and Indus had revenues of $1.3mn and $3.6mn, respectively. While Indus had profit margins of about 10% (EBIT), EcNet incurred a minor loss at EBIT levels.
- However, the overall turmoil in the BFSI segment and across other sectors also, will likely impact growth in these product lines, in our opinion. We note that Indus is witnessing some slowdown in the retail lending business.
- We note that, the revenues from the multi-year Global License and Services agreement with AIG Consumer Finance Group had started flowing in recently. It has already made installations at 11 units globally and earned Rs.20mn from this account in 3QCY08.
- AIG has undergone corporate re-structuring. While RS has not witnessed any slowdown till date, we believe there is a risk of potential impact on the future revenue stream when AIG's next year's budgets are finalized.

## Margins suffered....

- EBIDTA margins fell by about 260bps partly despite the rupee depreciation during the quarter.

## ...largely due to salary increases

- The margins were impacted due to the average salary increases of about 11% - 12%, which the company gave to the balance employees during the quarter.
- In 2QCY08, the company had given unscheduled salary increases to few employees. In our opinion, the company had to increase salaries to be nearer to the industry average.
- The company also provided for Rs.15mn of forex losses as part of the operational expenditure, further impacting the profitability.
- Reduction in license revenues impacted margins by about 52bps.

## One-time income

- RS wrote back past provisions and also received an IT refund which form part of the other income component.
- These totaled to about Rs.9.7mn and are non-repetitive in nature.
- The DSOs increased to 71 days of revenues (64 days) as one Fortune 1000 client deferred payment due to delays in decision making.
- We have made changes to our earnings estimates post the 3QFCY08 results.
- We expect revenues for CY08 to grow to Rs.3.55bn with net profit expected to grow to Rs.243mn.
- EBIDTA margins are expected to be higher v/s CY07 mainly because of the rupee depreciation and better resource utilization.
- This leads us to an EPS of Rs.18 for CY08. We have arrived at a price target of Rs.92 based on the DCF analysis, at which levels our CY08 earnings will be discounted by about 5x.
- We have assumed a more challenging demand scenario in the medium term, which has led to a reduction in the price target.

## Cash per share and buy - back

**We recommend ACCUMULATE on R Systems International with a price target of Rs.92**

- R Systems had a net cash balance of about Rs.470mn as at September 2008. This works out to about Rs.35 per share.
- The Board has approved a program to buy back a maximum of 1.3mn shares at a price not exceeding Rs.150 per share. This is expected to start by the end of the month.
- We see the cash in the balance sheet as a cushion against any significant fall in the price from the current levels.

## Concerns

- Rupee appreciation beyond our assumed levels in CY08 could provide a downward bias to our earnings estimates.
- A prolonged recession in major global economies could impact revenue growth of Indian vendors, including R Systems.

**RESULT UPDATE**

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# ORACLE FINANCIAL SERVICES SOFTWARE LTD

**PRICE: RS.600** **RECOMMENDATION: ACCUMULATE**
**TARGET PRICE: RS.845** **FY09E P/E: 8.5X**

## Maintain ACCUMULATE only for gains from potential open offer by Oracle

- OFSL's results for 2QFY09 were above our estimates.
- Revenues were driven by a 22% QoQ rise in product revenues (13% fall in 1QFY09). Services revenues, on the other hand, fell unexpectedly by 2% QoQ even as KPO revenues fell by 12% QoQ doubled to Rs.208mn.
- EBIDTA margins, though higher QoQ, came in below estimates. IT services margins fell to 5% v/s 14% in the previous quarter, which was surprising
- Company had indicated caution on near term prospects in Financial services sector in the previous quarter, which is reflected in reduction in employees in services business for the second successive quarter, in our opinion
- We believe that, the products business may also face headwinds due to the turmoil being witnessed in the global banking industry.
- We have made changes to our earnings estimates for FY09 and expect the EPS to be Rs.60 for that fiscal.
- We change the target price to Rs.845 (Rs.1362 earlier), in line with the reduced valuations on peers. We have accorded lower valuations to account for the macro headwinds.
- We have had concerns on the high valuations of the stock but had recommended an ACCUMULATE solely based on the possibility of an open offer by Oracle.
- We continue to maintain our stance and our **ACCUMULATE** recommendation.
- A prolonged recession in user economies and a sharper-than-expected rupee appreciation are key risks to our earnings estimates.

**Summary table**

| (Rs mn) | FY07 | FY08 | FY09E |
|---|---|---|---|
| Sales | 20382 | 23990 | 28423 |
| Growth (%) | 37.4 | 17.7 | 18.5 |
| EBITDA | 3586 | 4704 | 4584 |
| EBITDA margin (%) | 17.6 | 19.6 | 16.1 |
| Net profit | 2770 | 4210 | 5054 |
| Net cash (debt) | 7172 | 8977 | 11515 |
| EPS (Rs) | 33.3 | 50.3 | 60.3 |
| Growth (%) | 15.8 | 51.2 | 20.0 |
| CEPS | 43.1 | 59.6 | 68.0 |
| DPS (Rs) | 4.5 | 5.0 | 6.0 |
| ROE (%) | 12.9 | 16.7 | 17.0 |
| ROCE (%) | 14.5 | 18.4 | 19.1 |
| M Cap/Sales (x) | 2.5 | 2.1 | 1.8 |
| EV/EBITDA (x) | 13.9 | 10.7 | 11.0 |
| P/E (x) | 18.0 | 11.9 | 9.9 |
| P/Cash Earnings | 13.9 | 10.1 | 8.8 |
| P/BV (x) | 2.2 | 1.8 | 1.6 |

*Source: Company, Kotak Securities - Private Client Research*

**2QFY09 results**

| (Rs mn) | 1QFY09 | 2QFY09 | % QoQ | 2QFY08 | % YoY |
|---|---|---|---|---|---|
| **Revenues** | **6,318** | **7,074** | **12.0** | **5,758** | **22.8** |
| Expenditure | 5,629 | 5,878 | | 4,808 | |
| **EBIDTA** | **689** | **1,196** | **73.5** | **950** | **25.9** |
| Depreciation | 138 | 138 | | 195 | |
| **EBIT** | **551** | **1,058** | **91.9** | **754** | **40.3** |
| Other inc | 639 | 440 | | 207 | |
| **PBT** | **1,190** | **1,498** | **25.9** | **961** | **55.9** |
| Tax | 128 | 91 | | 94 | |
| **PAT** | **1,062** | **1,407** | **32.5** | **868** | **62.2** |
| Share of Pft / (loss) | -6 | -5 | | 7 | |
| **Adjusted PAT** | **1,056** | **1,402** | **32.8** | **875** | **60.3** |
| E.O items | 0 | -469 | | 0 | |
| **EPS (Rs)** | **12.6** | **16.7** | | **10.5** | |
| OPM (%) | 10.9 | 16.9 | | 16.5 | |
| GPM(%) | 8.7 | 15.0 | | 13.1 | |
| NPM(%) | 16.7 | 19.8 | | 15.2 | |

*Source : Company*

- Product revenues grew QoQ by 22% on the back of a 34% rise in license revenues. We believe this was because of milestones being reached during the quarter.
- The company continued to win large accounts during the quarter and added 16 new customers during the quarter.
- The new license signings were $27mn for the quarter. We opine that, I-flex has been able to leverage on its significant brand value and also on the Oracle relationships.
- Reveleus and Mantas also continued to win large accounts.
- The services business de-grew by 2% on a sequential basis. This was despite the fact that the rupee depreciated significantly on a QoQ basis.
- We opine that, this was because of continued delays in a few accounts in addition to the company's increased focus on higher margin business.
- The management has indicated cautiousness as far as US markets are concerned and we believe that, the medium term may reflect a tepid growth in services business.
- This is also reflected partly in the reduction in number of employees in this business during the quarter.
- The KPO revenues also fell on a sequential basis by 2%. We note that this is an insignificant part of the overall revenues. .
- The margins in this business improved QoQ at about 15% for the quarter.

## EBIDTA margins were higher QoQ but lower than expectations

- On an overall basis, margins were higher QoQ at 16.9%, but in below our expectations.
- Margins in all products business improved on the abck of higher license revenues (22% v/s 20% in 1QFY09).
- However, the services business saw an unexpected drop in margins to about 5% from about 14% in the previous quarter. Thus, the unpredictable nature of the services margins continued during the quarter.
- In our opinion, this reflects the projects-based nature of the services revenues.

## Higher forex gains set off by one time provision for dispute

- The company reported a significantly higher other income component. However, this was more than set off by a one time provision of Rs.469mn towards one time settlement of a dispute with a client.

## Financials and Recommendation

- We have revisited our earnings estimates after the 2QFY09 results and have made relevant changes to our future earnings estimates.
- We expect the company to report revenues of Rs.28.4bn in FY09 with EBIDTA margins at 16%.
- We expect a PAT of Rs.5.05bn in FY09 (without considering the one-time provision), resulting into an EPS of Rs.60.

## Recommendation

- We see the Oracle relationship as a key differentiator for OFSL and believe this could open up significant business opportunities for the company in addition to having endowed it with an MNC parentage.
- However, with total dependence on the banking and financial services industry, we believe that, the company will face headwinds in the medium term, in the backdrop of the crisis in the financial services market globally.
- We have thus reduced the valuations for the stock and consequently, the price target, which now stands at Rs.845. We expect the stock performance to remain soft in the medium term because of the potential headwinds.

**We recommend ACCUMULATE on Oracle Financial Services Software with a price target of Rs.845**

- Over the past few quarters, the stock has been accommodating expectations of a revised open offer by Oracle, with a view to increase its stake further and de-list the stock from the bourses.
- We see this as a potential trigger for further upside and hence, continue to recommend an **ACCUMULATE** on the stock.

## Concerns

- A prolonged recession in major user economies may impact our projections.
- A sharp acceleration in the rupee beyond our estimates may impact our earnings estimates for the company.

RESULT UPDATE

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# ERA INFRA ENGINEERING

**PRICE: RS.75** **RECOMMENDATION: SELL**
**TARGET PRICE: RS.74** **FY10E P/E: 7.5X**

## Standalone Result Highlights

- Company posted good revenue growth 63% for Q2FY09 on YoY basis, inline with our expectations.
- Operating margins for Q2FY09 stood at 21.4%, slightly better than our estimates. Company is adequately hedged in terms of raw material price hikes due to diverse project mix as well as raw material supply from clients in certain projects.
- Net profits registered a growth of 44% for Q2FY09. However it was impacted by higher interest outgo as compared to Q2FY08. In Q2FY09 also, company has not made any mark to market provisioning for translation losses on its outstanding FCCB loans.
- Due to increase in the working capital as well as capex requirements, borrowings for the company has witnessed a steep increase resulting in higher interest outgo. We modify our estimates to factor in higher borrowings. With an order book of close to Rs 57 bn, we expect company to grow its revenues at a CAGR of 32% and with diverse mix of projects, net profits are expected to grow at a CAGR of 15% between FY08-FY10.
- At current price of Rs 75, stock is trading at 10.7x and 8.1x FY09 and FY10 estimated earnings. We modify our estimates for higher borrowings and due to the de rating witnessed by the entire sector, we also reduce our target valuations for the company inline with the current macro economic scenario. We now value the stock at 7.5x FY10 estimated earnings and revise our price target to Rs 74 as against Rs127 earlier.
- We believe that in the near term stock is expected to be impacted by higher borrowings. Along with this, we are also not very comfortable with the accounting treatment for exchange rate fluctuations on the outstanding FCCB's where company has not made any provisioning for a loss of Rs 343mn since last two quarters. At current market price of Rs.75, stock seems to be fairly valued. We thus recommend **SELL** and close the call.

### Summary table

| Year end Mar | FY08 | FY09E | FY10E |
|---|---|---|---|
| Revenues | 14,645 | 19,844 | 25,202 |
| % change YoY | | 35.5 | 27.0 |
| EBITDA | 2,931 | 3,572 | 4,536 |
| % change YoY | | 21.9 | 27.0 |
| Other Income | 348 | 150 | 100 |
| Depreciation | 201 | 398 | 573 |
| EBIT | 3,078 | 3,324 | 4,063 |
| % change YoY | | 8.0 | 22.2 |
| Net interest | 981 | 1,562 | 1,757 |
| Profit before tax | 2,097 | 1,761 | 2,306 |
| % change YoY | | (16.0) | 30.9 |
| Tax | 884 | 528 | 692 |
| as % of PBT | 42.1 | 30.0 | 30.0 |
| Net income | 1,214 | 1,233 | 1,614 |
| % change YoY | | 1.6 | 30.9 |
| Shares (m) | 23.1 | 164.3 | 164.3 |
| EPS (reported) (Rs) | 52.6 | 7.5 | 9.8 |
| P/E(x) | 7.6 | 10.0 | 7.5 |
| EV/EBITDA(x) | 6.8 | 5.7 | 5.2 |

*Source: Company, Kotak Securities - Private Client Research*

### Standalone Financials

| (Rs mn) | Q2FY09 | Q2FY08 | YoY (%) |
|---|---|---|---|
| **Net Sales** | **4,190** | **2,564** | **63** |
| Expenditure | 3,294 | 2,077 | |
| **EBITDA** | **896** | **487** | **84** |
| EBITDA margin | 21.4 | 19.0 | |
| Depreciation | 93 | 47 | |
| **EBIT** | **803** | **440** | **82** |
| Interest | 409 | 169 | |
| EBT(exc other income) | 394 | 271 | 45 |
| Other Income | 71 | 89 | |
| **EBT** | **465** | **360** | **29** |
| Tax | 109 | 113 | |
| Tax (%) | 23.3 | 31.3 | |
| **Net profit** | **357** | **247** | **44** |
| NPM (%) | 8.5 | 9.6 | |
| Equity Capital | 231 | 231 | |
| **EPS (Rs)** | **15.4** | **10.7** | **44** |

*Source: Company*

### Revenues inline with estimates

Revenue growth of the company in the current quarter is inline with our expectations. Revenue growth is also led by incremental sales from equipment hiring and ready mix concrete division. Order inflow in the current quarter was also strong to the tune of Rs 9bn and with the current order book of Rs 57bn, we expect revenues to grow at a CAGR of 32% between FY08-FY10.

### Operating margins better than estimates

Operating margins in Q2FY09 stood at 21.4%, slightly better than our estimates. This was due to diversification of order book towards higher margin projects as well as direct supply of raw materials from clients. On a full year basis, we expect company's operating margins to be in the range of 18% going forward.

### Net profit growth impacted by higher interest rates

Net profits registered a growth of 44% for Q2FY09. However it was impacted by higher interest outgo as compared to Q2FY08. Borrowings for the company have witnessed a steep increase due to increased capex as well as working capital requirements. Lower tax provisioning done by the company as against Q2FY08 also boosted net profit growth in the current quarter. In Q2FY09 also, company has not made any mark to market provisioning for translation losses on its outstanding FCCB loans. We modify our estimates for higher borrowings going forward and expect net profits to grow at a CAGR of 15% between FY08-FY10.

### Valuation and recommendation

- At current price of Rs.75, stock is trading at 10x and 7.5x FY09 and FY10 estimated earnings.
- Due to the de rating witnessed by the entire sector, we also reduce our target valuations for the company inline with the current macro economic scenario. We now value the stock at 7.5x FY10 estimated earnings and revise our price target to Rs 74 as against Rs127 earlier.

**We recommend SELL on Era Infra Engineering with a price target of Rs.74**

- We believe that in the near term stock is expected to be impacted by higher borrowings. Along with this, we are also not very comfortable with the accounting treatment for exchange rate fluctuations on the outstanding FCCB's where company has not made any provisioning to the tune of Rs 343mn since last two quarters.
- At current market price of Rs.75, stock seems to be fairly valued. We thus recommend **SELL** and close the call.

**RESULT UPDATE**

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# DECCAN CHRONICLE HOLDINGS LTD

**PRICE: RS.44** **RECOMMENDATION: ACCUMULATE**
**TARGET PRICE: RS.75** **FY09E EV/EBITDA: 3x; P/E: 5x**

**DCHL's Q2FY09; Results come in below estimates on the EBITDA line, while around estimates on the revenue line. Impact of elevated NP costs and investments towards new businesses are visible on cost structures, leading to a sharp paring of reported profit margins.**

**We continue to expect advertising growth rates to temper over the succeeding quarters given our expectation of a slowing economy impacting corporate spend trends, over the medium term.**

**Margins will remain under pressure for remainder of FY09 for print companies, given the still-elevated NP prices and the sharp INR depreciation. With visible signs of economic growth momentum tempering, things likely to get only tougher, in our opinion.**

**We maintain our cautious outlook on print stocks (zero BUYs in coverage universe) and will continue to focus on NP prices and advertising revenue trends, which we opine will remain earnings and share price catalysts over the medium term.**

**Our revised PT of Rs.75 reflects our caution on advertising growth trends in the medium term, elevated NP prices, reduced earnings and a higher WACC. Retain negative bias for DCHL and prefer peers like JPL over a longer term; only inexpensive valuations compel an ACCUMULATE rating.**

**Summary table - Standalone**

| (Rs mn) | FY08 | FY09E | FY10E |
|---|---|---|---|
| Sales | 7823.6 | 9340.7 | 10760.7 |
| Growth (%) | 33.1 | 19.4 | 15.2 |
| EBITDA | 4859.5 | 3659.2 | 4058.5 |
| EBITDA margin (%) | 62.1 | 39.2 | 37.7 |
| Net profit | 2718.2 | 2128.8 | 2392.8 |
| Net debt | -713.0 | -417.5 | -588.2 |
| EPS (Rs.) | 11.0 | 8.7 | 9.7 |
| Growth (%) | 59.9 | -21.7 | 12.4 |
| CEPS | 12.2 | 9.9 | 11.1 |
| DPS (Rs.) | 3.0 | 3.0 | 3.0 |
| ROE (%) | 27.8 | 17.8 | 18.3 |
| ROCE (%) | 27.6 | 19.6 | 22.4 |
| EV/Sales (x) | 1.3 | 1.1 | 0.9 |
| EV/EBITDA (x) | 2.0 | 2.7 | 2.4 |
| P/E (x) | 3.8 | 4.9 | 4.3 |
| P/Cash Earnings | 3.4 | 4.2 | 3.8 |
| P/BV (x) | 0.9 | 0.8 | 0.8 |

*Source: Company, Kotak Securities - Private Client Research*

## Result highlights: Revenues up 17% while PAT de-grows 45% YoY

- DCHL's 2QFY09 revenues at Rs.2.26bn were around estimates; EBITDA margins slipped sharply to 34.2%, on account of investments like the Bangalore edition and more sharply due to the higher NP costs (up 2x YoY).
- While the drop in margins was on expected lines given the elevated NP prices (up 45% CYTD) and investments towards its new initiatives (DC Bangalore and 'Financial Chronicle'), the paring of margins has been ahead of our estimates.
- Ad revenue growth at c23% YoY during the quarter was on account of contribution from Bangalore in addition to benefit of recent rate hikes. With visible signs of saw moderation in economic activity especially in sectors that have been under pressure for the previous quarters- autos and real estate; we believe tough times lie ahead for ad spend trends in the medium term. We have consistently pointed out the high co-relation between economic growth rates and ad spends.
- Reported PAT for the quarter stood at Rs.453mn, lower than estimates on account of the EBITDA shortfall. Tax rate stood at 31% of PBT in the Q2 of FY09.
- For Q2FY09, print revenues grew by 17% YoY to Rs.2.26bn and EBITDA degrew 34% YoY. DCHL reported a standalone EPS of Rs.1.8 for the quarter and Rs.4.3 for H1FY09. Company reports consolidated numbers only on an annual basis.
- Over the last three quarters DCHL has made a number of ambitious moves- an IPL franchise, launch of a business daily (Hyderabad, Chennai, Mumbai and Bangalore), finally launching its DC edition from Bangalore and attempting to ramp up its new media businesses through Sieger, its subsidiary.

- The stock on the other hand has underperformed peers and broader markets over the last 9M, resulting in a sharp multiple de-rating for the stock. Apart from rising NP prices, a headwind for all print companies, the DCHL stock's underperformance is also attributable to valid investor concerns regarding quality of receivables, utilisation of gross block and balance sheet quality- issues that have been detailed in earlier notes.
- We retain our negative bias for DCHL on account of the above and continue to value DCHL at a significant 50% discount to other listed peer- JPL. We remain cautious on print stocks and have zero BUYs in our coverage universe across the segment.

### Projected Financials- we expect revenue growth rates to feel the strain of a slowing economy; profitability dragged down by elevated NP prices and new investments

- We have built in greater caution in our ad revenue estimates (lower by 2-3% for legacy editions) in view of the current macro backdrop that likely point to a slowing economic trajectory over the coming quarters. We have accounted also for elevated NP prices in the longer term also.
- We note that while advertiser segments like real estate and autos have been muted for the last 12m, a general slowdown in services segment of the economy will crunch revenue growth rates and margins in a more pronounced manner over the succeeding quarters.
- We now expect DCHL's print business to report revenues of Rs.9.3bn and profits of Rs.2.13bn in FY09E -a growth of 19% and de growth of 22% respectively YoY. We now estimate an EPS of Rs.8.7 (Rs.11) for FY09E. For FY10E we expect weak EPS growth of 12% given headwinds of a slowing ad revenue momentum and new investments dragging profitability.

### Segment stance & recommendation- Elevated NP prices and advertising revenue trends will remain the key determinants of stock performance. ACCUMULATE rating compelled purely by inexpensive valuations; prefer peers given well documented concerns

- We have valued DCHL using the DCF methodology. Our revised price target stands at Rs.75 (Rs.143 earlier), reflecting reduced earning expectations, higher WACC and our concerns on ad revenue trends over the medium term.
- Only inexpensive valuations and high amount of reported cash on balance sheet (cRs.35) compel an **ACCUMULATE** rating.

## Revenues- Q2FY09- Revenues grow at 17% YoY, we expect growth rates to temper on a YoY basis going forward given our expectations of a slowing economy impacting ad spends

**Quarterly performance**

| (Rs mn) | Q2FY09 | Q2FY08 | % chg | Q1FY09 | % chg |
|---|---|---|---|---|---|
| **Revenues** | **2264.3** | **1877.7** | **20.6** | **1935.3** | **17.0** |
| Expenditure | 1490.9 | 699.9 | | 992.4 | |
| **EBDITA** | **773.4** | **1177.7** | **-34.3** | **942.9** | **-18.0** |
| Depreciation | 75.1 | 66.3 | | 72.5 | |
| **EBIT** | **698.3** | **1111.4** | **-37.2** | **870.4** | **-19.8** |
| Net Interest | 198.2 | 173.6 | | 197.9 | |
| Other Income | 154.6 | 90.8 | | 59.3 | |
| **PBT** | **654.7** | **1028.6** | **-36.4** | **731.8** | **-10.5** |
| Tax | 202.0 | 202.7 | | 122.0 | |
| as % of PBT | 30.9 | 19.7 | | 16.7 | |
| PAT after EO items | 452.7 | 825.9 | -45.2 | 609.8 | -25.8 |
| **EPS (Rs)*** | **1.9** | **3.4** | | **2.5** | |
| OPM (%) | 34.2 | 62.7 | 28.57 | 48.7 | |
| GPM (%) | 30.8 | 59.2 | | 45.0 | |
| NPM (%) | 20.0 | 44.0 | | 31.5 | |

*Source: Company*

- Revenue growth for DCHL in Q2 FY09 was on account of the 22% growth in advertising revenues. Ad revenues for the quarter stood at Rs.2.1bn. Circulation revenues on the other hand have grown at lower rates given the low cover prices DC charges and also its business skew towards advertising revenues.
- Given the expected slowing down in the Indian economic growth trajectory, we expect ad revenue growth rates to also come off the peaks registered over the last two years. We are thus estimating a lower ad revenue growth for FY09E on account of this. We also opine that this slowing could possibly spillover to the 1H of FY10E also.
- We have consequently cut our full year FY09 ad revenue growth estimate to 18% for DC's current editions. We opine a slowing economic trajectory will inevitably impact ad spends, with the impact being felt over a period of time. The same will also in our opinion be an overhang for print media stocks given the high dependence on advertising revenues (ad revenues are c90% of overall revenues for DCHL).
- For FY10E we estimate a 15% growth in ad revenues helped by contribution from Bangalore. DC's legacy editions are expected to grow ad revenues at a visibly slower 12% in FY10E.

## EBITDA margins: Fall sharply QoQ and YoY- impact of elevated NP prices and new business investments visible. Expect margins to be under pressure in FY09E.

- For the quarter DCHL reported EBITDA margins of 34.2% (down 1450bps QoQ). Margins have trended down on expected lines- margins fell sharply on account of higher S&M expenditure (launch of new editions), impact of new launches (Bangalore and business daily) and also higher newsprint costs.
- NP costs (c52% of revenues) were up 2x YoY at Rs.1.17bn. Employee costs (c6% of revenues) were also up 34% QoQ and more than 2x YoY.

- For FY09E we expect margins to come off sizeably on account of elevated NP prices (up 45% in last five months), investments in new editions- DC Bangalore and editions of the business daily.
- All this in a high NP cost environment will lead to a paring of margins, in our opinion. We have assumed NP prices to remain elevated till 1H FY10E in our projections.

## Key Concerns

- **Higher than estimated newsprint costs:** Any uptrend in newsprint prices ahead of our estimates, could impact estimated earnings negatively.
- Any slowdown in economic activity in India leading to a slowdown of GDP growth would lead to an overall decline in advertising industry revenues, thus impacting DCHL's revenues and profitability negatively.

**We recommend ACCUMULATE on DCHL with a price target of Rs.75**

- High competition in the existing print markets, more so from ambitious new entrants, could lead to price wars, slashing of ad rates and a general tepid out-look for growth and profitability for the players.
- Increase in working capital requirements ahead of our estimates for the forecast years. An increase in working capital ahead of estimates will impact cash flow generation and ability of the company to repay debts on the books.

RESULT UPDATE

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# IPCA LABORATORIES LTD (IPCA)

**PRICE: RS.395** **RECOMMENDATION: ACCUMULATE**
**TARGET PRICE: RS.585** **FY09E P/E: 8.1X**

## Strong operating performance in Q2FY09; Company plans buy-back

- IPCA Laboratories has announced it results for Q2FY09. Total income for the quarter grew 21.4% to Rs.3.48bn as compared to Rs.2.86bn in Q2FY08, led by better performance in domestic as well as international formulation business;
- During the quarter, revenue from international markets grew 19.6% to Rs.1.65bn as compared to Rs.1.38bn, contributing 46% of total sales. Domestic sales grew 18.7% to Rs.1.92bn as compared to Rs.1.62bn;
- EBIDTA for the quarter grew 46.6% to Rs.832mn as compared to Rs.568mn. The strong growth in EBIDTA was mainly due to improvement in operating margin;
- EBIDTA margin expanded by 410bps to 23.9% led by change in sales mix (higher formulation sales) and better realization due to rupee depreciation;
- Net profit after tax has declined 19.6% to Rs.365mn as compared to Rs.454mn. The decline in net profit was due to provision of Rs.236mn for MTM loss on foreign currency debts;
- During the quarter, IPCA has provided Rs.236mn (verses Rs.158mn forex gain in Q2FY08) for foreign exchange marked-to-market translation loss on outstanding foreign currency liabilities. Hence, on a like-to-like basis PBT grew 53% to Rs.673mn;
- During the quarter the company has commenced exports to US generic markets. So far, it has filed 11 ANDAs with the USFDA, of which 8 are approved;
- For H1FY09, revenue grew 20% to Rs.6.43bn while net profit declined 25% to Rs.601mn. However, PBT after adjusting for forex gains/losses grew strongly 54.2% to Rs.1.14bn;
- We have fine-tuned our revenue and earnings estimate for FY09 to incorporate the foreign exchange loss on translation. We expect 16.4% and 14% net sales and earning CAGR over FY08-10E. We expect EPS of Rs.48.8 in FY09E and Rs.72.1 in FY10E;
- The company is considering a share buy-back to boost investor sentiment in the stock that has lost about 40% of its value so far this year;
- At the current market price of Rs.395, the stock is trading at 8.1x FY09 and 5.5x FY10 earning estimates;
- We believe there has been significant contraction in the valuations due to increased risk perception, sharp correction in capital market and macro economic slowdown;
- We reduce our target price to Rs.585 (earlier Rs.800) attaching 12x price-to-earning multiple to its FY09 expected earnings. We recommend **ACCUMULATE.**

**Summary table**

| (Rs mn) | FY08 | FY09E | FY10E |
|---|---|---|---|
| Revenues | 10,914 | 12,339 | 14,251 |
| Growth (%) | 13.2 | 17.4 | 15.5 |
| EBITDA | 2,254 | 2,529 | 2,922 |
| Growth (%) | 10.6 | 12.2 | 15.5 |
| EBITDA margin (%) | 20.6 | 20.5 | 20.5 |
| Net profit | 1,395 | 1,226 | 1,812 |
| Growth (%) | 10.9 | (12.1) | 47.8 |
| Net Margin (%) | 12.5 | 9.9 | 12.7 |
| EPS (Rs) | 55.5 | 48.8 | 72.1 |
| Growth (%) | 10.5 | (12.1) | 47.8 |
| DPS (Rs) | 5.5 | 8.0 | 9.0 |
| RoE (%) | 26.2 | 19.2 | 23.7 |
| RoCE (%) | 22.2 | 16.9 | 21.1 |
| EV/Sales (x) | 1.7 | 1.1 | 0.9 |
| EV/EBITDA (x) | 8.2 | 5.2 | 4.3 |
| P/E (x) | 7.1 | 8.1 | 5.5 |
| P/BV (x) | 2.6 | 1.4 | 1.2 |

*Source: Company, Kotak Securities - Private Client Research*

**Financial Performance**

| (Rs mn) | Q2FY09 | Q2FY08 | YoY (%) | Q1FY09 | QoQ (%) | FY08 | FY07 | YoY (%) |
|---|---|---|---|---|---|---|---|---|
| **Total Income** | **3,476** | **2,862** | **21.4** | **2,951** | **17.8** | **10,564** | **9,211** | **14.7** |
| Expenditure | 2,643 | 2,294 | | 2,354 | | 8,727 | 7,232 | |
| **EBIDTA** | **832** | **568** | **46.6** | **597** | **39.5** | **1,836** | **1,980** | **(7.2)** |
| Depreciation | 94 | 80 | | 90 | | 322 | 292 | |
| **EBIT** | **739** | **488** | **51.5** | **507** | **45.7** | **1,514** | **1,688** | **(10.3)** |
| Interest | 71 | 52 | | 40 | | 201 | 221 | |
| Other Income | 5 | 3 | | 4 | | 28 | 37 | |
| **EBT** | **673** | **440** | **53.2** | **471** | **42.9** | **1,342** | **1,504** | **(10.8)** |
| Extra-Ordinary Items | (236) | 158 | | (177) | | 427 | 8 | |
| Tax | 72 | 144 | | 58 | | 358 | 290 | |
| **Net Profit** | **365** | **454** | **(19.6)** | **236** | **54.5** | **1,411** | **1,222** | **15.5** |
| Adj. Net Profit | 601 | 296 | 103.0 | 413 | 45.6 | 984 | 1,214 | (18.9) |
| Equity Shares (Mn) | 25 | 25 | | 25 | | 25 | 25 | |
| **EPS (Rs)** | **24.0** | **11.8** | **102.3** | **16.5** | **45.6** | **39.2** | **48.6** | **(19.2)** |
| EBIDTA Margin (%) | 23.9 | 19.8 | | 20.2 | | 17.4 | 21.5 | |
| PAT Margin (%) | 10.5 | 15.9 | | 8.0 | | 13.4 | 13.3 | |

*Source: Company*

**Sales Mix**

| | Q2FY09 | Q2FY08 | YoY (%) | FY08 | YoY (%) |
|---|---|---|---|---|---|
| Domestic | 1,922 | 1,619 | 18.7 | 5,491 | 25.8 |
| % Net Sales | 53.8 | 54.0 | | 50.6 | |
| Exports | 1,652 | 1,382 | 19.6 | 5,360 | 10.6 |
| % Net Sales | 46.2 | 46.0 | | 49.4 | |
| Net Sales | 3,574 | 3,001 | 19.1 | 10,851 | 17.8 |

*Source: Company Press Release*

## We expect net sales growth at 16.4% CAGR over FY08-10E

We expect net sales to grow at 17.4% to Rs12.3bn in FY09 and at 15.5% to Rs14.3bn in FY10. The higher expected sales growth in FY09 is due to new products launches in domestic and UK markets, supplies to new emerging economies and US markets. On a high base, we expect net profit growth of 14% over the next two years. We believe that company's focus on branded formulations business and emerging economies (mainly India, Africa. SE Asia, Latin America and CIS) should drive the growth.

## Domestic formulation business is performing exceedingly well

Domestic formulation business has grown by 22% (much ahead of industry growth rate) to Rs4.3bn for FY08 and we expect domestic formulation sales to grow by 18% in FY09, mainly driven by therapeutic expansion through new product/ molecule introduction, especially in fast growing life style segment and improved coverage. The company is planning to introduce 7 new products (new molecules) in various therapeutic areas in FY09.

While, the company is still a leader in anti-malarial, therapy mix has changed significantly and chronic categories are close to achieving half of segment sales. During the last three years, the company has expanded its sales force significantly to current 2000 medical representatives. Product flow has also improved, and therapy focused marketing divisions are resulting into brand building. The company has lunched new speciality division named ALTUS to address Surgery from April-07. The company has identified following key growth drivers for the domestic markets.

- Increased penetration and coverage through field force expansion.
- Clinical research as a tool to launch innovative combination formulations/NDDS. Currently 24 clinical trials are on going.
- 12 new products identified with Bio studies.
- Strong Brand building with focused promotion & CRM activities.
- In-licensing and out-licensing to build business in the promoted therapy.

## Diverse geographic portfolio; emerging economies likely to continue doing well

We expect about 20-25% growth in international formulation business over the next two years on the back of new products launches, increased sales from branded formulation business in Africa, SE Asia and CIS countries. Revenues from US generics are likely to late this year, on the back of own ANDAs (including APIs) and distribution agreement with Ranbaxy. The company is focusing on products with its own APIs. The product development team is also beginning to deliver new generics early. In FY08, the company couldn't supply material to CIS countries for large part of the year due to changes in registration norms and lost around Rs120mn sales. These problems have now been sorted out and we expect sales to pick up sharply in FY09. All this we believe should result in sustained growth in the medium term. Key growth drivers for the international branded formulation business are:

- Thrust on brand building in Pain, CVS, CNS, Anti-infective and Anti-malarial segments.
- Expansion in business lines, Institutions and Distributors.
- Targeting new geographies like South & Central America and West African countries.
- Geographical expansion in covered countries through additional field force.
- Introduction of new products. About 50 existing developed formulations are identified for registration and launch across all continents.
- Focus on Institutional business - WHO, UNICEF especially for Anti-malarial.

## Company commenced exports to US generic markets

The company has commenced exports to US generic markets from its Silivassa plant. So far, it has filed 11 ANDAs with the USFDA, of which 8 are approved. Tonira Pharma has USFDA approved API plant and IPCA intends to use this facility to back US market formulations. The benefit of this acquisition is likely to come in FY10.

The company has strategic tie up with Ranbaxy to market around 22 generic in US market. It has filed 11 ANDAs with USFDA of which 8 ANDAs are approved while 15 ANDAs are in various stage of development, to be filed over next 2-3 years. Most ANDAs to be backed by own APIs. The company has several other products in pipeline for potential tie ups and is also exploring contract development and manufacturing opportunities.

## APIs continue to be steady business; likely to grow at 10-12%

APIs business (25% of FY08 net sales) has declined by 4.8% in FY08 (verses 14% growth in FY07). During the year domestic APIs sales grew by 5% while international APIs sales declined by 8%. The de-growth in this segment is driven by strategic scale-down in 6MNA, an intermediate, as well as impact of rupee appreciation. The company is working on upgrading the dedicated facility for manufacturing 6MNA to an API facility. In this process, the sales of 6MNA have declined by about half to Rs130mn. The company is likely to bring it down to zero by FY10.

We expect growth of around 10-12% in APIs business over the next two years. The management has been indicating of traction in the APIs business, which could potentially help beat estimates. Visibility of shipments to generic companies is high for some old APIs. We highlight that Ipca is a very competitive manufacturer and has dominant shares in several products. Some of its APIs (off-patent) are even sold to innovator companies, and now shipment for the Japanese market too has been made. The list of APIs has doubled to around 60 in the last two years, and the target is to add about 10-12 products each year. Key growth drivers for APIs business are:

- Aggressively pursuing MNC tie ups for supply agreements.
- API source change / ANDA approvals of major US customers based on its own APIs - Atenolol, Furosemide, Propranolol, Hydroxychloroquine Sulphate, Balsalazide, Hydrochlorthiazide to add over US$15mn.
- API Losartan process patent approved by US PTO. Tie up with potential ANDA filers for US market to drive sales of this API after product patent expiry in 2009.
- Non-infringing process patent filed for APIs - Clopidogrel form 1, Metoprolol Succinate, Valsartan, Glimepride, Carvedilol and Tramadol.
- Management control (38% ownership) of Tonira Pharma, an export oriented API manufacturer with USFDA approved API plant.

## Expansion is on the way to meet growing demand

Ipca has set up a green field manufacturing facility at Indore SEZ area, to manufacture various APIs, intermediates and formulations at an investment of approximately Rs600-700mn, funded through internal accruals. The trial production has already been commenced and we expect commercial production to start by 2HFY09. This plant will be approved by USFDA and will meet all demand of regulated markets of US and European countries. Earlier, Ipca had started commercial production from it's newly set up formulation plant in Dehradun from May-06 to meet the growing demand.

## Valuation and Recommendation

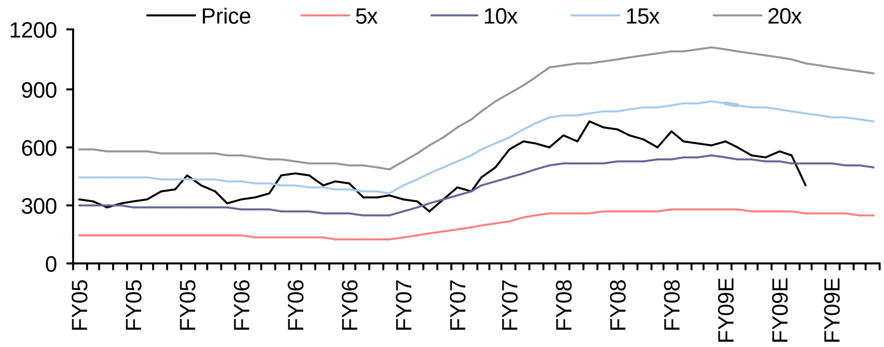
- Our outlook remains strong with good revenue growth and improving margins. The revenue growth will be driven by strong growth in domestic and exports formulation markets. The company has regained its position in UK market and has started shipment to US market during the quarter. Overall, growth momentum likely to be strong and company strive to move up with value chain with increasing contribution from formulation business;
- We believe that company is doing very well in branded generics and promotional markets and valuations are attractive after significant correction in stock price with high earnings visibility. We believe that company continues to offer a mix of both growth and value;
- We have fine-tuned our revenue and earnings estimate for FY09 to incorporate the foreign exchange loss on translation. We expect 14.3% and 14% revenue and earning CAGR over FY08-10E. We expect EPS of Rs.48.8 in FY09E and Rs.72.1 in FY10E;

- The company is considering a share buy-back to boost investor sentiment in the stock that has lost about 40% of its value so far this year;
- At the current market price of Rs.395, the stock is trading at 8.1x FY09 and 5.5x FY10 earning estimates;

**We recommend ACCUMULATE on IPCA Laboratories with a price target of Rs.585**

- We believe there has been significant contraction in the valuations due to increased risk perception, sharp correction in capital market and macro economic slowdown;
- We reduce our target price to Rs.585 (earlier Rs.800) attaching 12x price-to-earning multiple to its FY09 expected earnings. We recommend **ACCUMULATE.**

**PE Band**




*Source: Capitaline, Kotak Securities - Private Client Research*

RESULT UPDATE

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# RANBAXY LABORATORIES LTD (RLL)

**PRICE: RS.193** **RECOMMENDATION: ACCUMULATE**
**TARGET PRICE: RS.350** **CY09E P/E: 12.3X**

**We recommend ACCUMULATE on Ranbaxy Laboratories with a price target of Rs.350**

## Disappointing Q3 result; PAT affected by forex loss and inventory write down; Maintain ACCUMULATE

- Consolidated net sales during the quarter grew 14.6% to Rs.18.8bn (US$431mn) as compared to Rs.16.4bn in corresponding quarter of last year, led by strong growth in emerging markets;
- Emerging markets portfolio grew 20% to Rs.10.6bn (US$243mn) and contributed 56% to total sales. The emerging markets sales were led by strong performance in Romania, CIS and Latin America markets;
- Developed markets contributed 38% of global sales and clocked growth of 9% to Rs.7.1bn (US$162mn). Strong growth in Japan and Canada was partly offset by lower than expected performance in Europe and North America;
- CIS markets grew 39.1% to US$32mn while Latin America and North America grew 89% and 1.8% to US$34mn and US$111mn, respectively;
- Domestic formulation sales grew 8% to Rs.4.0bn as compared to Rs.3.7bn in Q3CY08. Contribution of chronic therapy portfolio has further improved to 25.1% (August 2008 YTD) to sales, growing at 22.6%. The APIs business grew 4.2% to Rs.1.2bn (US$26mn) and contributed 6% to global sales;
- EBITDA for the quarter declined 49.1% to Rs.1.4bn as compared to Rs.2.8bn led by decline in other operating income. Other operating income decline significantly to Rs.-288mn as compared to Rs.1.3bn mainly due to forex losses on forward covers and options Rs.800mn. EBIDTA margin also declined due to higher SG&A expenses due to one-time expense of US$9mn for reorganization of front office and asset write-down related to two manufacturing facilities;
- At the net profit level, RLL has reported a loss of Rs.3.9bn against the net profit of Rs.2.1bn in Q3CY08. During the quarter, RLL has provided for Rs.3.1bn as marked-to-market foreign currency translation loss on foreign currency debt and Rs.2.4bn inventory write down related to US import ban;
- In a recent significant development, the US Department of Justice has withdrawn the motion filed against the Ranbaxy, after Ranbaxy has provided the DOJ with a comprehensive set of audit documents, which is positive for RLL;
- Ranbaxy share price has declined significantly in recent time after USFDA issued warning letters, and an import alert for drugs from two Ranabxy plants in India on September 17, 2008
- FDA action affected over 30 different generic drugs citing serious manufacturing deficiencies for drugs produced at Ranbaxy's Dewas and Paonta Sahib plants in India; also FDA will not approve new products from these facilities
- We estimate these drugs constitute 25-30% of US revenues and are under risk. The management said that 59 drugs are being sold in the US markets from facilities located in US
- Ranbaxy maintains that it has responded to each of FDA's issues/queries and will continue to co-operate with the ongoing investigations. RLL has retained the services of former New York City Mayor Rudy Giuliani and Giuliani Partners to provide advice and review compliance issues related to the FDA letters and Import Advisory;
- We fear that healthcare authorities of other developed countries may also follow the USFDA move and start reviewing their approvals for Ranbaxy products from these two plants. In that case, the impact on financials is unquantifiable

**Summary table**

| (Rs mn) | CY07 | CY08E | CY09E |
|---|---|---|---|
| Sales | 69,822 | 71,561 | 75,546 |
| Growth (%) | 13.9 | 2.5 | 5.6 |
| EBITDA | 9,147 | 9,670 | 11,090 |
| Growth (%) | 5.1 | 5.7 | 14.7 |
| EBITDA margin (%) | 13.1 | 13.5 | 14.7 |
| Net profit | 7,866 | (371) | 7,639 |
| Growth (%) | 52.7 | (104.7) | (2,157.6) |
| Net Margin (%) | 11.1 | (0.5) | 10.1 |
| EPS (Rs) | 21.1 | (0.8) | 15.7 |
| Growth (%) | 52.5 | (103.6) | (2,157.6) |
| DPS (Rs) | 8.5 | 8.5 | 8.5 |
| RoE (%) | 29.2 | (0.6) | 7.9 |
| RoCE (%) | 16.5 | 0.4 | 9.2 |
| EV/Sales (x) | 2.6 | 0.9 | 0.8 |
| EV/EBITDA (x) | 20.1 | 6.5 | 5.4 |
| P/E (x) | 9.2 | (252.7) | 12.3 |
| P/BV (x) | 5.3 | 1.0 | 1.0 |

*Source: Company, Kotak Securities - Private Client Research*

- We have fine-tuned our revenue and earning estimate for CY08 and CY09, mainly to incorporate the forex losses due to forward cover and translation, inventory write down and new risk of declining sales in the US market after USFDA import alert/ban;
- We expect 5% and -1.5% compounded growth in revenues and earnings over the next two years. We now expect fully diluted EPS Rs.-0.8 in CY08 and Rs.15.7 in CY09;
- We reduce our price target to Rs.350 (from Rs.423 earlier) to reflect forex losses, lower growth assumptions for US market and lower margin expectations for the business;
- At the current market price Rs.193, the stock is trading at 12.3x CY09 price-to-earning and 5.4x CY09 EV/EBIDTA multiples;
- We maintain **ACCUMULATE** since stock offers good potential upside in medium to long term.

**Financial Performance (Consolidated)**

| (Rs mn) | Q3CY08 | Q3CY07 | YoY (%) | Q2CY08 | QoQ (%) | CY07 | CY06 | YoY (%) |
|---|---|---|---|---|---|---|---|---|
| Sales & Op. Income | 18,532 | 17,730 | 4.5 | 19,286 | (3.9) | 69,823 | 61,349 | 13.8 |
| Expenditure | 17,092 | 14,899 | | 16,025 | | 60,676 | 52,609 | |
| EBIDTA | 1,440 | 2,831 | (49.1) | 3,261 | (55.8) | 9,147 | 8,740 | 4.7 |
| Depreciation | 643 | 613 | | 672 | | 2,183 | 1,842 | |
| EBIT | 797 | 2,218 | (64.1) | 2,589 | (69.2) | 6,964 | 6,898 | 1.0 |
| Interest | 595 | 394 | | 465 | | 1,412 | 1,036 | |
| Foreign Exchange (Gain) / Loss | 3,117 | (487) | | 1,931 | | (3,071) | (85) | |
| Other Income | 48 | 56 | | 99 | | 1,362 | 564 | |
| PBT | (2,867) | 2,367 | (221.1) | 292 | (1,081.8) | 9,985 | 6,511 | 53.4 |
| Tax | (1,363) | 516 | | 63 | | 2,119 | 1,357 | |
| Extra-Ordinary Items | (2,441) | 223 | | - | | - | - | |
| Profit After Tax | (3,945) | 2,074 | (290.2) | 229 | (1,822.7) | 7,866 | 5,154 | 52.6 |
| Equity Shares (Mn) | 373 | 373 | | 373 | | 373 | 373 | |
| EPS (Rs) | (10.6) | 5.6 | (290.0) | 0.6 | (1,822.7) | 21.1 | 13.8 | 52.5 |
| EBIDTA Margin (%) | 7.8 | 16.0 | | 16.9 | | 13.1 | 14.2 | |
| PAT Margin (%) | (21.3) | 11.7 | | 1.2 | | 11.3 | 8.4 | |

*Source: Company*

**Global Sales Split**

| (US$ mn) | Q3CY08 | Q3CY07 | YoY (%) | Q2CY08 | CY07 | CY06 | YoY (%) |
|---|---|---|---|---|---|---|---|
| **Dosage Forms** | | | | | | | |
| India & Middle East | 87 | 97 | (10.3) | 98 | 360 | 293 | 23.0 |
| CIS (Russia & Ukraine Belt) | 32 | 23 | 39.1 | 25 | 90 | 73 | 23.2 |
| Rest of Asia Pacific | 24 | 20 | 20.0 | 24 | 88 | 71 | 24.0 |
| Europe (Including Romania) | 84 | 78 | 7.7 | 89 | 363 | 258 | 40.5 |
| Africa | 33 | 34 | (2.9) | 31 | 126 | 89 | 41.6 |
| Latin America | 34 | 18 | 88.9 | 20 | 65 | 48 | 34.2 |
| North America | 111 | 109 | 1.8 | 120 | 415 | 392 | 6.0 |
| **Dosage Forms Total** | **405** | **379** | **6.9** | **408** | **1,507** | **1,224** | **23.1** |
| APIs | 26 | 26 | - | 32 | 101 | 114 | (11.6) |
| **Net Sales** | **431** | **405** | **6.4** | **440** | **1,608** | **1,338** | **20.1** |

*Source: Company*

## We expect 4% and -1.5% revenues and earnings CAGR over CY08-09E

We expect 4% and -1.5% compounded growth in revenues and earnings over the next two years. For CY08, we expect revenue growth of 2.5% to Rs.71.6bn and net profit de-growth of -104.7% to Rs.-371mn. The expected de-growth in net profit in CY08 is mainly due to MTM translation loss on foreign currency liabilities, losses of forward covers and options and inventory write down. Emerging markets including India continue strong growth momentum and now constitute about 56% of global sales and the developed markets (primarily US, Canada, countries in Western Europe and Japan), comprise 38% of global sales. For CY09, we expect revenue growth of 5.6% to Rs.75.5bn and net profit to Rs.7.6bn. We expect fully diluted EPS Rs.-0.8 in CY08 and Rs.15.7 in CY09.

## Focus on monetization of Para-IV ANDAs with FTF status to continue

Ranbaxy's Para-IV pipeline comprises 18-20 first-to-file products representing a market size of ~ US$26bn valued at innovator prices. We believe the company will continue to monetize its Para-IV (first-to-file) abbreviate new drug applications (ANDAs) in the US market. The company plans to launch at least one exclusivity product in the US market each year for the next three to four years.

## Lipitor settlement has improved revenue visibility in 2012

We opined that settlement with Pfizer for Lipitor and Caduet has improved the revenue visibility in 2011 and 2012. It provides substantial certainty regarding the timing of the entry of a generic version of Lipitor in the US and other geographies. However, for Ranbaxy, the launch date is now get postponed by 20 months to November 2011 verses earlier expected launch in March 2010. Further, Ranbaxy will now be able to launch Lipitor in several other markets 2-4 months before the patent expiry at different time periods.

We have estimated that Ranbaxy will be able to make net profit over US$1.0bn during the 180-days exclusivity period. The present value of which comes to around Rs.60/share. In our estimate, we have assumed no growth in Lipitor, 30% market share and 30% price erosion.

## FDA Import Alert likely to affect 30% of US revenues

The USFDA on September 17 had issued two warning letters to Ranbaxy Laboratories, and an Import Alert for generic drugs produced at Ranbaxy's Dewas and Paonta Sahib plants in India. The FDA Import Alert covers more than 30 different generic drug products produced in multiple dosage forms and dosage amounts at these two locations, citing serious manufacturing deficiencies. The warning letters identify the agency's concerns about deviations from US cGMP requirements at Ranbaxy's manufacturing facilities in Dewas and Paonta Sahib (including the Batamandi unit).

Under the import alert, US officials may detain at the US border, any active pharmaceutical ingredients (API) and both sterile and non-sterile finished drug products manufactured at these Ranbaxy facilities and offered for import into the United States. Also FDA will not approve new products/ANDA from these facilities for the US market.

The problems at these two Ranbaxy plants relate to deficiencies in the company's drug manufacturing process and these actions are proactive measures that the FDA has taken in order to assure that all drugs that reach the American public are manufactured according to cGMP requirements. However, this action does not involve removing products from the market since FDA has no evidence that Ranbaxy has shipped defective products.

## Ranbaxy maintains that it will continue to co-operate with ongoing FDA investigations

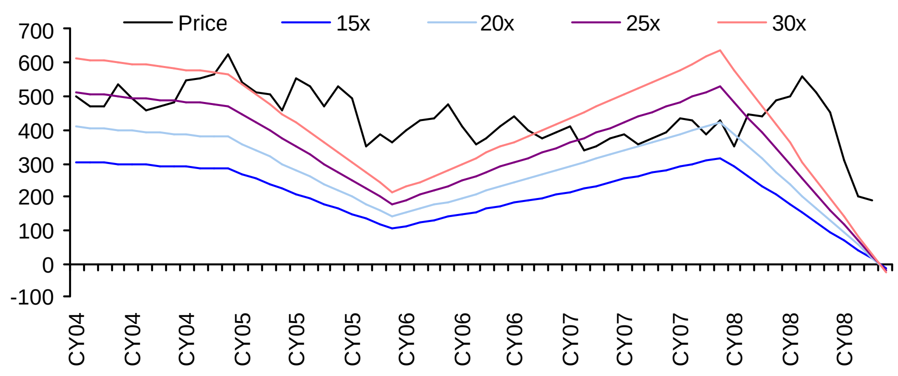
In response to the USFDA warning letter and Import Alert, Ranbaxy in its press release, has said that it is very disappointed with the FDA action. It further said that it has responded to each concern FDA has raised during the past two years and had thought that progress was being made. It is, however, pleased that FDA's testing and review led the agency to conclude that there is no reason to question the safety or effectiveness of Ranbaxy's drugs. The company looks forward to continuing to cooperate with FDA to resolve the remaining issues once it has had an opportunity to review the issues.

According to the FDA announcement, the warning letters and Import Alert do not apply to Ranbaxy's other facilities including its three manufacturing facilities in the U.S., Ohm's Laboratories facilities in New Brunswick, NJ, North Brunswick, NJ, and Gloversville, NY, from which Ranbaxy delivers some 59 drug products to the US healthcare system, including: Simvastatin, Acyclovir, Minocycline, Clindamycin, Lorazepam, Loratadine-D, Cetirizine, Acetaminophen Extended release tablets, Lisinopril and Zolpidem. Apart from Paonta Sahib and Dewas facilites, Ranbaxy has four other manufacturing plants in India which are not a part of investigation.

## Valuation and Recommendation

- We have fine-tuned our revenue and earning estimate for CY08 and CY09, mainly to incorporate the forex losses due to forward cover and translation, inventory write down and new risk of declining sales in the US market after USFDA import alert/ban;
- We estimate 10% de-growth in US business in CY08 and CY09. Going forward, we expect growth in US sales to be led by launch of Para-IV drugs under patent challenge settlements viz. Nexium, Imitrex, Valtrex and Lipitor. We believe approvals of these products will not be adversely affected by FDA investigation;
- We expect 5% and -1.5% compounded growth in revenues and earnings over the next two years. We now expect fully diluted EPS Rs.-0.8 in CY08 and Rs.15.7 in CY09. The EPS is significantly lower due to huge potential equity dilution as a result of conversion of FCCB at lower price, preferential allotment and issue of warrants to Daiichi;
- Ranbaxy and Daiichi-Sankyo are close to completing the deal. During the quarter, Daiichi-Sankyo acquired 52.5% of the equity share capital of Ranbaxy through acquisition of shares from existing promoters, under open offer and allotment of shares on preferential basis;
- Ranbaxy share price has declined significantly after USFDA issued warning letters and an import alert for drugs from two Ranabxy plants in India on September 17, 2008. At the current market price Rs.193, the stock is trading at 12.3x CY09 price-to-earning and 5.4x CY09 EV/EBIDTA multiples;
- We reduce our price target to Rs.350 (from Rs.423 earlier) to reflect forex losses, lower growth assumptions for US market and lower margin expectations for the business. Our price target includes Rs.60/share net present value from launch of Lipitor in November 2011.
- We maintain **ACCUMULATE** since stock offers good potential upside in medium to long term.

**PE Band**




*Source: Capitaline, Kotak Securities - Private Client Research*

RESULT UPDATE

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# HINDUSTAN DORR OLIVER

**PRICE: RS.52** **RECOMMENDATION: BUY**
**TARGET PRICE: RS.80** **FY09E P/E: 6.0X**

- **Results ahead of expectations**
- **Strong margin gains on back of higher execution. Raw material costs under check.**
- **Interest expenses up sharply.**
- **No major order win during the quarter. Order backlog declines to Rs 8.0 bn.**
- **We maintain earnings estimates and revised target price of Rs 80 (earlier Rs 161).**
- **Valuations are cheap at 6.0x and 4.6x FY09 and FY10 earnings respectively. We recommend "BUY" with a price target of Rs 80 (Rs 161 earlier)**

**Summary table -**

| (Rs mn) | FY08 | FY09E | FY10E |
|---|---|---|---|
| Sales | 3,050 | 4,926 | 5,983 |
| Growth (%) | 46.3 | 61.5 | 21.5 |
| EBITDA | 338 | 574 | 712 |
| EBITDA margin (%) | 11.1 | 11.7 | 11.9 |
| Net profit | 220 | 309 | 408 |
| Net cash (debt) | (35) | (809) | (1,183) |
| EPS (Rs) (cons) | 6.2 | 8.6 | 11.4 |
| Growth (%) | 43.7 | 40.2 | 32.2 |
| CEPS | 6.8 | 9.8 | 13.0 |
| DPS (Rs) | 0.5 | 0.6 | 0.6 |
| ROE (%) | 16.0 | 19.0 | 21.0 |
| ROCE (%) | 23.0 | 26.0 | 24.0 |
| EV/Sales (x) | 0.6 | 0.5 | 0.5 |
| EV/EBITDA (x) | 5.6 | 4.7 | 4.3 |
| P/E (x) | 8.5 | 6.0 | 4.6 |
| P/Cash Earnings | 7.6 | 5.3 | 4.0 |
| P/BV (x) | 1.3 | 1.1 | 0.9 |

*Source: Company, Kotak Securities - Private Client Research*

**Quarterly performance**

| (Rs mn) | Q2FY09 | Q2FY08 | YoY (%) | H1FY09 | H1FY08 | YoY (%) |
|---|---|---|---|---|---|---|
| **Net Sales** | **1164** | **695.2** | **67** | **2,010** | **1,241** | **62** |
| Raw material | 931.1 | 561.9 | 66 | 1,570 | 997 | 58 |
| Staff costs | 52.7 | 37.5 | 41 | 106 | 77 | 37 |
| Other expenditure | 45.7 | 26.2 | 74 | 97 | 52 | 87 |
| Total Expenditure | 1029.5 | 625.6 | 65 | 1,773 | 1,126 | 57 |
| **PBIDT** | **135** | **69.6** | **94** | **236** | **115** | **106** |
| Interest | 30.3 | 6.2 | 389 | 51 | 10 | 402 |
| Other Income | 20.0 | 16.6 | 20 | 37 | 31 | 20 |
| **PBDT** | **124.5** | **80.0** | **56** | **223** | **135** | **65** |
| Depreciation | 7.5 | 6.3 | 19 | 15 | 11 | 29 |
| **PBT** | **117.0** | **73.7** | **59** | **209** | **124** | **68** |
| Tax | 37.2 | 27.6 | 35 | 67 | 44 | 54 |
| Reported Profit After Tax | 79.8 | 46.1 | 73 | 141 | 80 | 76 |
| Raw material cost to sales (%) | 80.0 | 80.8 | | 78.1 | 80.3 | |
| Staff costs to sales (%) | 4.5 | 5.4 | | 5.3 | 6.2 | |
| Other expediture to sales (%) | 3.9 | 3.8 | | 4.8 | 4.2 | |
| PBDIT (%) | 11.6 | 10.0 | | 11.8 | 9.2 | |
| Tax rate (%) | 31.8 | 37.4 | | 32.3 | 35.3 | |
| **EPS (Rs)** | **2.2** | **1.3** | | **3.9** | **2.2** | |

*Source: Company*

## Strong revenue growth on the back robust order inflows in FY08

Revenue growth has been driven by the continued momentum in order execution by the company. In the previous fiscal, the company had won large orders which are getting translated into revenues in the current fiscal.

## Margin improvement on higher execution

Operating margins rose 160 bps on a yoy basis. Margin expansion has been on the back of lower material cost to sales ratio and higher execution. Part of HDO's orders have variation clause for steel price fluctuation and hence to that extent it is insulated from steel price movement. Other expenditure has increased 74% yoy. Possibly, there could be higher share of work done through subcontractors which has resulted in high other expenditure. Employee cost to sales ratio has declined indicating enhanced employee productivity.

Steel is the prime commodity for the company and the prices of steel has been softening in international markets. Since the company has price variation clause on steel, it may have to pass on the benefit to customer. However, the bias remains towards margin expansion if steel prices decline.

## Sharp increase in interest costs

HDO reported sharp increase of 389% yoy in interest cost during the quarter. Cost of borrowing has clearly moved up over the past twelve months. Part of the increase is also due to bank guarantees given by the company on the advances from customers. The company's borrowings as of Sep 2008 stood at Rs 480 mn indicating a comfortable debt-equity ratio of 0.3:1.

## Order inflows slowed down significantly during the quarter

HDO's order backlog at the end of Q2 FY09 has declined on a sequential basis from Rs 9.75 bn in Q1 FY09 to Rs 8.0 bn in Q2 FY09. During the quarter, the company did not have any major success with order wins. We believe this is a key concern as credit crunch, likelihood of economic slowdown and hardening of interest rates may result in corporates deferring capex plans.

## Target to reach Rs 5.0 bn in revenues by FY09

HDO's target is to reach Rs 5.0 bn in FY09 from Rs 3.06 bn in FY08. Given the revenue visibility and order pipeline, we believe the target is achievable.

## Aggressive investment plans of its prime client ie Vedanta Resource

HDO has been a preferred enviro-engg solutions company for Vedanta Resources. News reports indicate, Vedanta Group is planning to invest over $8.5 billion (about Rs 34,000 crore) to generate 10,000 mw of power through coal-based plants in Orissa and Chattisgarh. We expect significant opportunitites in enviro-engg for HDO from these investments.

## Earnings maintained

We have increased our margin estimates but also factored in higher interest expenses. As a result, our earnings remain largely the same.

## Concerns

Higher cost of borrowings and credit freeze in global markets may affect the capex plans of the private as well as PSUs, which may lead to slowdown in order inflows.

If the economic environment deteriorates further, then we may see elongated working capital and bad debts.

## Outlook and Valuation

**We recommend BUY on Hindustan Dorr Oliver with a price target of Rs.80**

HDO remains one of our favoured picks within the madcap engineering sector. The stock is trading at 6x and 4.6x FY09 and FY10 earnings, respectively. On an EV/ EBITDA basis, the stock is trading at 4.7x FY09 financials.

We maintain **BUY** with a DCF based target price of Rs 80 (Rs 161 earlier). In our DCF models we have made changes to build in the following possibilities

- Increase in working capital as adverse economic environment may lead to working capital elongation
- Likely increase in competitive intensity as a result market slowdown
- Moderation in revenue growth beyond FY10.
- Higher cost of capital

# Bulk Deals

## Trade details of bulk deals

| Date | Scrip name | Name of client | Buy/ Sell | Quantity of shares | Avg. price (Rs) |
|---|---|---|---|---|---|
| 3-Nov | Aurobindo Ph | Kotak Mahindra UK Ltd | B | 280,926 | 130.00 |
| 3-Nov | Aurobindo Ph | Morgan Stanley Mauritius Company | S | 354,863 | 129.99 |
| 3-Nov | Bhagwati Ban | Anand Yogesh Shares And Consultancy | S | 149,205 | 26.25 |
| 3-Nov | C G Impex | Daxaben Vasantkumar Shah | B | 45,922 | 4.46 |
| 3-Nov | Jaisal Secur | Jsubramanian | B | 22,400 | 41.74 |
| 3-Nov | JK Sugar Ltd | Hari Shankar Singhania | B | 120,000 | 14.30 |
| 3-Nov | JK Sugar Ltd | Sidhi Vinayak Investment Ltd. | S | 120,000 | 14.30 |
| 3-Nov | KEC Intern | Sophia Growth A Share Class Of Somerset India Fund | B | 280,000 | 116.00 |
| 3-Nov | KEC Intern | Fil Investment Management Hong Kong | S | 280,000 | 116.00 |
| 3-Nov | Liberty Phos | Arjun Ramesh | S | 51,514 | 10.50 |
| 3-Nov | Lotus Eye | Anand Yogesh Shares and Consultancy | B | 420,100 | 14.12 |
| 3-Nov | Lotus Eye | Harsha R. Jhaveri | S | 177,135 | 14.00 |
| 3-Nov | Lotus Eye | Vicky R. Jhaveri | S | 115,000 | 13.98 |
| 3-Nov | Mather Pumps | Pelican Portfolio | B | 120,681 | 153.14 |
| 3-Nov | Mather Pumps | Quest Portfolio | S | 73,348 | 150.00 |
| 3-Nov | Matra Realt | Kotak Mahindra Investments Ltd | S | 65,659 | 3.26 |
| 3-Nov | Monne Ispat | Copthall Mauritius Investment Ltd | B | 1,478,856 | 157.25 |
| 3-Nov | Monne Ispat | BSMA Limited | S | 1,478,856 | 157.25 |
| 3-Nov | Nachmo Knite | Amrakadamb Investments Pvt Ltd. | B | 134,514 | 0.90 |
| 3-Nov | Nachmo Knite | Niagra Distributors Pvt Ltd | S | 209,514 | 0.92 |
| 3-Nov | Natraj Fin | Shingar Dyes And Chemicals Ltd | B | 24,965 | 30.65 |
| 3-Nov | Natraj Fin | Bharti Narendra Bahuva | S | 24,767 | 30.65 |
| 3-Nov | Prajay Eng S | Copthall Mauritius Investment Ltd | B | 760,000 | 20.85 |
| 3-Nov | Prajay Eng S | BSMA Limited | S | 760,000 | 20.85 |
| 3-Nov | Prithvi Info | Credit Suisse Singapore Limited | S | 100,000 | 40.90 |
| 3-Nov | S. Kumars Nat | Copthall Mauritius Investment Ltd | B | 1,724,654 | 29.90 |
| 3-Nov | S. Kumars Nat | Bsma Limited | S | 1,724,654 | 29.90 |
| 3-Nov | Sahpetroleum | Globe Capital Market Limited | B | 338,000 | 33.70 |
| 3-Nov | Sti India Li | LRS Portfolio and Advisory Ser P Ltd | B | 217,000 | 17.00 |
| 3-Nov | Sti India Li | Globe Capital Market Limited | S | 300,000 | 17.00 |
| 3-Nov | Vimta Labs L | Raichand H.Dharamshi | B | 200,000 | 20.30 |

*Source: BSE*

## Gainers & Losers

**Nifty Gainers & Losers**

| | Price (Rs) | % change | Index points | Volume (mn) |
|---|---|---|---|---|
| **Gainers** | | | | |
| Reliance Ind | 1,442 | 4.8 | 16.9 | 7.1 |
| ONGC | 711 | 6.2 | 14.3 | 1.7 |
| SBI | 1,240 | 11.8 | 13.4 | 2.9 |
| **Losers** | | | | |
| National Aluminium | 148 | (7.3) | (1.2) | 1.0 |
| Infosys Tech | 1,379 | (0.8) | (1.0) | 2.3 |
| Satyam Comp | 300 | (1.7) | (0.6) | 3.6 |

*Source: Bloomberg*


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