

Equity	% Chg			
	11-Oct	1-day	1-mth	3-mth
<b>India</b>				
Sensex	18,814	0.8	21.3	24.7
Nifty	5,525	1.5	22.9	24.3
<b>Global/Regional markets</b>				
Dow Jones	14,015	(0.5)	5.4	1.1
Nasdaq	2,772	(1.4)	6.9	2.6
FTSE	6,725	1.4	6.6	0.4
Nikkei	17,379	(0.5)	10.0	(3.4)
Hang Seng	28,845	(1.0)	18.7	26.5

Value traded (Rs bn)	BSE	NSE
Cash	106.0	158.7
Derivatives	12.1	722.6
Total	118.1	881.3

Net inflows (Rs bn)	Recent trends (days)			
	10-Oct	-7d	-15d	-30d
FII	17.5	165.4	277.2	321.9
MF	(3.5)	(21.4)	(26.2)	(16.6)

Forex / Crude	% Chg			
	11-Oct	1day	1mth	3mth
Rs/US\$	39.3	0.0	3.0	3.2
Euro/US\$	1.4	(0.1)	2.0	2.9
Crude(\$/bbl)	83.1	(0.0)	3.9	14.6

Mkt movers (Rs)	Close	Pr. Cl.	% Chg
<b>Top gainers</b>			
Akruti Nirman	951.1	806.2	18.0
MRF	4,278.4	3,688.9	16.0
Voltamp Trans	1,338.2	1,163.9	15.0
<b>Top losers</b>			
Satyam Computer	448.0	484.2	(7.5)
United Breweries	978.2	1,055.7	(7.3)
Infosys Tech	1,976.0	2,124.5	(7.0)

## In focus

### Infosys Technologies

Strong on fundamentals, but weak on sentiment **CMP: Rs 1,977 Target: Rs 2,071 HOLD**

### Bihar Tubes

Pre-galvanised sales aid margin expansion **CMP: Rs 142 Target: Rs 204 BUY**

### South Indian Bank

Marginal NII growth; Fee income shores up profits **CMP: Rs 165 Target: Rs 192 BUY**

### Today's top picks

Power Grid, RPL, NTPC, IVR Prime, GAIL, PFC, Idea

## News track

- ❖ The government has decided to issue oil bonds worth Rs 234.6bn to compensate for losses in FY08. The first tranche of ~Rs 120bn would be issued soon. (BL)
- ❖ Bharati Shipyard has bagged a Rs 3.5bn order from Shipping Corporation of India for design, construction and supply of four Anchor Handling Tugs cum Supply Vessels (AHTSVs) of 80 tonnes bollard pull capacity. (BL)
- ❖ DLF plans to raise up to US\$ 1.5bn from the overseas market for participating in the public offer of DLF Offices Trust, Singapore, and investing in lucrative projects and companies. (BL)
- ❖ Larsen & Toubro has entered into a share sale agreement with Malaysia-based Tamco Corporate Holdings for acquisition of Tamco's de-merged switchgear business, Tamco Switchgear Malaysia, for an undisclosed amount. (BL)
- ❖ International Finance Corporation (IFC), the private sector lending arm of the World Bank has decided to fund the 4,000MW ultra mega power project to be developed by Tata Power at Mundra in Gujarat. (BS)
- ❖ Fiat Group Automobiles and Tata Motors have signed a 50:50 joint venture to build passenger cars, engines and transmission with an overall investment of €650mn for the Indian and overseas markets. (ET)

Source: BL: Business Line, BS: Business Standard, ET: Economic Times, FE: Financial Express; HT: Hindustan Times

### Volume shockers

(No of shares)	11-Oct	2-mth avg	Chg (x)
Kansai Nerolac Paints	87,770	4,002	21.9
Dalmia Cement Bharat	316,742	14,558	21.8
MRF	46,954	2,211	21.2

### Delivery toppers

	Del (%)	Total vol	Cons days up
Lupin	88.9	439,218	3
Ultra Tech Cement	86.7	279,498	3
Supreme Industries	85.9	130,893	6

**CMP: Rs 1,977**
**Target: Rs 2,071** ↓

**HOLD** ↓

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BSE code:	500209
NSE code:	INFOSYSTCH

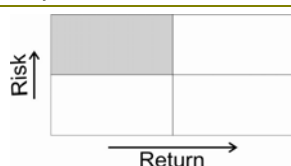
### Company data

Particulars	
Market cap (Rs bn / US\$ bn)	1,129 / 28.7
Outstanding equity shares (mn)	571.2
52-week high/low (Rs)	2,439 / 1,745
2-month average daily volume	286,397

### Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs bn)	138.9	169.2	204.5
Growth (%)	45.6	21.8	20.9
Adj net profit (Rs bn)	38.2	46.2	54.0
Growth (%)	55.2	20.9	17.1
FDEPS (Rs)	68.5	80.6	94.1
Growth (%)	52.3	17.7	16.8
P/E (x)	28.9	24.5	21.0
ROE (%)	32.1	29.7	27.2

### Risk-return profile



### Shareholding pattern

(%)	Sep-07	Jun-07
Promoters	20.5	20.5
FIIs	40.5	39.3
Banks & FIs	8.1	8.6
Public	30.9	31.6

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Infosys	1,977	8.4	2.4	(0.8)
Sensex	18,814	21.3	24.7	43.5
BSE IT	4,767	7.3	(2.1)	(0.9)

Company website	www.infosys.com
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## Strong on fundamentals, but weak on sentiment

Infosys' Q2FY08 results have been exactly in line with our expectations. Backed by 7.3% QoQ volume expansion, the company recorded a revenue growth of 10.1% and 8.8% in dollar and rupee terms respectively, exceeding its guidance for the quarter. Higher utilisation rates and costs efficiencies allowed Infosys to improve its EBITDA margin by 252bps over Q1FY08. As expected, the management raised the dollar and revenue growth guidance for FY08. However, the magnitude of revision has fallen short of consensus estimates, reinforcing the negative sentiments towards the sector.

We are maintaining our revenue and EPS estimates for FY08. However, we have downgraded our estimates for FY09 to factor in a strong rupee scenario. With the current exchange rate at Rs 39.3/US\$, we now anticipate an average realised rate of Rs 39/US\$ for FY09 as against our earlier estimate of Rs 40.5/US\$. We are therefore revising our revenue and EPS estimates for FY09 downwards by 3.7% and 7% respectively.

Considering the slower growth prospects due to rupee appreciation, concerns over the demand environment, and higher tax rates in a post-STPI scenario, we maintain our cautious view on the sector. We decrease our one-year target price for the stock from Rs 2,327 to Rs 2,071, based on 22x FY09E EPS of Rs 94.1. In comparison, our DCF-based valuation yields a one-target of Rs 1,932 which is 2.2% lower than the current price. In view of the unfavourable risk-return parameters, we downgrade our recommendation on Infosys from Buy to Hold.

We expect other IT services players to post strong Q2FY08 results as well. However, considering our revised exchange rate estimates and demand environment concerns, we will be modifying our FY09 estimates for all IT companies in our coverage.

### Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	41,074.2	40,685.7	1.0
EBIDTA	12,854.2	12,446.9	3.3
EBITDA margin (%)	31.3	30.6	-
PAT	10,912.9	10,678.3	2.2
EPS (Rs)	19.1	18.7	2.2

Source: Company, Religare Research

## Quarterly results

(Rs mn)	Q2FY08	Q1FY08	% Chg QoQ	Q2FY07	% Chg YoY
Revenue	41,074	37,755	8.8	34,413	19.4
Cost of revenue	22,310	21,690	2.9	18,330	22
Gross profit	18,764	16,065	16.8	16,083	17
S&M expenses	2,830	2,050	-	2,210	28
G&A expenses	3,080	3,150	-	2,880	7
EBITDA	12,854	10,865	18.3	10,993	17
<b>EBITDA margin (%)</b>	<b>31.3</b>	<b>28.8</b>	<b>+252 bps</b>	<b>31.9</b>	<b>-65 bps</b>
Depreciation	1,459	1,467	-	1,214	20
Amortization	80	81	-	46	74
EBIT	11,315	9,317	-	9,734	16
<b>EBIT margin (%)</b>	<b>27.5</b>	<b>24.7</b>	<b>+287 bps</b>	<b>28.3</b>	<b>-74 bps</b>
Other income	1,527	2,522	-	646	136
Profit before taxes	12,842	11,839	8.5	10,379	24
Provision for taxes	1,929	1,139	-	1,199	61
Reported net profit	10,913	10,700	2.0	9,180	19
<b>Net profit margin (%)</b>	<b>26.6</b>	<b>28.3</b>	<b>-177 bps</b>	<b>26.7</b>	<b>-11 bps</b>
Basic EPS (Rs)	19.10	18.89	1.1	16.52	15.67

Source: Company, Religare Research

## Result highlights

## Expansion in EBITDA margin

**EBITDA margin up 252bps QoQ due to the absence of visa costs and salary hikes**

The absence of visa costs and salary hikes during the quarter combined with relatively slower rupee appreciation resulted in a 252bps QoQ expansion in the EBITDA margin. However, the net profit margin contracted by 177bps QoQ due to a lower yield on investments, lower other income and the absence of a tax write-back (as recorded in Q1FY08).

## Profit margin movement

(%)	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08
Gross profit margin	46.7	47.0	46.5	42.6	45.7
EBITDA margin	31.9	32.8	31.9	28.8	31.3
EBIT margin	28.3	28.5	27.5	24.7	27.5
Net profit margin	26.7	26.6	30.0	28.3	26.6

Source: Company, Religare Research

## Key performance parameters

Parameters	Comments
<b>Volume growth</b>	Onsite and offshore volumes grew by 4.8% and 8.2% QoQ respectively, taking overall volume growth to 7.3% over Q1FY08. This is on par with our 7.1% QoQ growth estimate for the quarter.
<b>Pricing</b>	The blended billing rate has improved by 2.6% QoQ, higher than our estimated 1.2% increase. The higher rates were led by a 3.1% improvement in onsite billing and a 3.6% rise in offshore billing.
<b>Onsite-Offshore mix</b>	The onsite-offshore mix increased in favour of offshore locations. In terms of effort, offshore volumes contributed 74.3% of total effort as compared to 73.7% in Q1FY08 and 72.6% in Q2FY07. Offshore locations contributed 51.2% of overall revenues, a rise of 90bps over 50.3% in Q1FY08.
<b>Employee addition</b>	Employee addition during the quarter has been significantly lower than anticipated. We were expecting ~11,700 gross employee additions (~8,800 net). In contrast, the company has made gross additions of 8,543 personnel (4,530 net). The management has attributed this to a delay in setting up infrastructure at the Mysore training facility due to which recruitment has been deferred till Q3FY08. The management has further increased its gross employee addition target for FY08 from 26,500 to 28,500. Including employees of the recently-acquired Phillips BPO, the company expects to add 30,000 employees at the gross level.
<b>Attrition rate</b>	Attrition rates have inched up in the quarter due to seasonal reasons. The attrition rate stood at 14.2% in the quarter as against 13.7% in Q1FY08. The rise is particularly attributed to employees leaving the company for higher studies.
<b>Clients &amp; deals</b>	Infosys acquired Phillips' BPO business during the quarter. This would involve a transfer of 1,500 employees into the company. Revenues from the deal would come through from Q3FY08 with ~US\$ 14mn expected in H2FY08.
<b>Geographical mix</b>	Contribution from the US geography remained stable at 62.6% of revenues during the quarter. The contribution from Europe increased by 60bps during the quarter to 27.4% as against 26.8% in Q1FY08.
<b>Utilisation</b>	Utilisation levels excluding trainees improved by 390bps, from 73.9% in Q1FY08 to 77.8% in Q2FY08. The improvement in utilisation allowed the company to improve EBITDA margins during the quarter. Going forward, we expect net utilisation levels to remain in the range of 75-77%.
<b>Client growth</b>	Infosys added 48 new clients in the quarter taking the total client count to 520. Client transition to a higher revenue bracket was witnessed across the board. The top client contributed 7.9% of total revenues in comparison to 8.6% in Q1FY08. The top 5 and top 10 clients too witnessed a decrease in revenue concentration to 19.5% and 29.9% as against 21.4% and 32.3% in Q1FY08 respectively.
<b>Services metrics</b>	New services like package implementation, consulting and testing continued to grow faster than the overall company growth rate. The contribution of ADM projects to revenues decreased by 100bps to 48.1%.
<b>Vertical metrics</b>	The BFSI vertical was back on track with a growth of 11% QoQ. Manufacturing and retail continued to show increased traction.

Source: Company, Religare Research

**Revenue growth guidance for FY08 has been raised by ~4% in dollar terms and 150bps in rupee terms**

### FY08 guidance revised

As expected, the Infosys management has revised its dollar as well rupee revenue guidance upwards. The revenue growth guidance has been raised by ~4% in dollar terms and 150bps in rupee terms to ~35% and ~20% respectively in FY08. Similarly, the EPS for the year is expected to increase by ~30% and ~16% in dollar and rupee terms respectively. The rupee guidance is at Rs 39.5/US\$ as against Rs 40.6/US\$ in Q1FY08.

### Revised FY08 guidance

Guidance parameters	New		Old	
	Value	Growth (%)	Value	Growth (%)
<b>Dollar guidance</b>				
Revenue (US\$ bn)	4.16 – 4.17	34.5 – 35.0	4.0 – 4.1	29.0 – 31.0
Earnings per ADS (US\$)	1.98 – 1.99	29.4 – 30.1	1.92 – 1.94	25.5 – 26.8
<b>Rupee guidance</b>				
Guidance exchange rate	Rs 39.5/US\$	–	Rs 40.6/US\$	–
Revenue	165.9 – 166.5	19.4 – 19.8	162.4 – 164.3	16.9 – 18.3
EPS	79.5 – 79.9	15.0 – 15.6	78.2 – 79.0	13.0 – 14.1

Source: Company

### Demand concerns remain unanswered

Concerns over a recession in the US and the resultant impact on discretionary IT spending are yet to be addressed. As per consensus expectations, IT spending by US corporates would remain flat in CY08. In the event of an economic slowdown, discretionary IT spending would decrease, thus affecting the offshored volumes to India. Though the management maintains that it has not seen any visible signs of a volume pullback, the scenario would become clearer as we near the close of CY07.

### FY08 estimates unchanged; factoring in stronger rupee for FY09

We are leaving our FY08 revenue and EPS estimates unchanged. However, we are revising our FY09 estimates downward to factor in a stronger rupee scenario. We have assumed an average realised exchange rate of Rs 39/US\$ for FY09 as against Rs 40.5/US\$ earlier. This has led to a marking down of our revenue and EPS estimates for FY09 by 3.7% and 7% respectively. The rupee has already appreciated by 1.4% since the beginning of Q2FY08 and is currently at Rs 39.3/US\$.

**Revenue and EPS estimates for FY09 cut 3.7% and 7% respectively on stronger rupee**

### Revised estimates

(Rs mn)	FY08			FY09		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	169,153.5	169,153.5	-	204,457.5	212,321.2	(3.7)
EBITDA	51,842.7	51,842.7	-	61,354.2	65,924.4	(6.9)
Net profit	46,171.7	46,171.7	-	54,049.0	58,096.2	(7.0)
EPS (Rs)	80.6	80.6	-	94.1	101.2	(7.0)

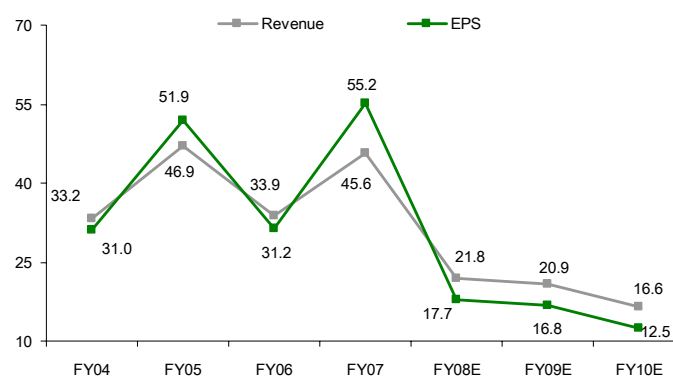
Source: Religare Research

### Growth to slowdown in FY09

We expect IT services companies to witness a growth slowdown amid the strong rupee scenario. Though margins may be maintained within a narrow range in the short term, a decline is inevitable in the long term. Supply side pressures fuelling salary hikes together with higher offshore effort would keep the margins under pressure. Also, with STPI benefits ending after FY09, the effective tax rates of IT companies are expected to increase by 500-600bps, putting a further squeeze on net profit margins. We expect Infosys to grow at a CAGR of 16% over FY07–FY10. This growth would be much lower than the 43.4% CAGR witnessed by the company over FY04–FY07.

**Margin pressures to persist; We expect Infosys' growth to slow to 16% CAGR over FY07–FY10**

## Revenue and EPS growth YoY (%)



Source: Religare Research

### Slower growth makes risk-reward unfavourable

With slower growth due to rupee appreciation, a deteriorating demand environment stemming from a US slowdown and supply side risks, the valuations in the sector have corrected from their historic highs. However, we do not expect valuations to decrease significantly from current levels. We believe Infosys will continue to demand a premium valuation over industry peers due to its higher profitability.

### We lower our target price and downgrade to Hold

With the reduction of our FY09 estimates we are revising our target price for Infosys downwards. Our one-year target price for the stock now stands at Rs 2,071 as against Rs 2,327 earlier. The target price is at 22x the expected FY09 EPS of Rs 94.1. Our DCF-based one-year target price for the stock is Rs 1,932 which is 2.2% lower than the current price. Considering the rising concerns of rupee appreciation and a slowing demand environment, we are downgrading our recommendation from Buy to Hold.

**We reduce our target price to Rs 2,071; downgrade to Hold**

### DCF valuation

Assumptions and valuations	
Terminal growth (%)	5.0
Risk free rate (%)	7.5
Market risk premium (%)	7.0
Beta	0.7
Cost of capital (%)	12.4
<b>Firm value (Rs mn)</b>	<b>913,000</b>
Cash & cash equivalents (Rs mn)	73,829
<b>Value of Equity (Rs mn)</b>	<b>986,829</b>
Number of shares (mn)	571.2
<b>Fair value per share (Rs)</b>	<b>1,719</b>
<b>Target price per share (Rs)</b>	<b>1,932</b>

Source: Religare Research

### Expect estimate revisions across the sector

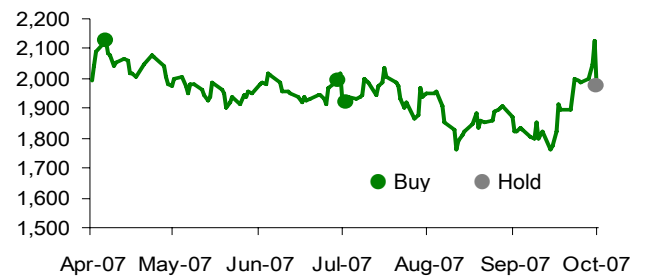
We expect other IT services players to post strong Q2FY08 results as well. However, considering our revised exchange rate estimates and demand environment concerns, we will be modifying our FY09 estimates for all IT companies in our coverage.

**Recommendation history**

Date	Event	Reco price	Tgt price	Reco
16-Apr-07	Results Update	2,088	2,583	Buy
9-Jul-07	Sector Update	1,971	2,466	Buy
12-Jul-07	Results Update	1,930	2,466	Buy
5-Oct-07	Quarterly Preview	1,995	2,327	Buy
12-Oct-07	Results Update	1,977	2,071	Hold

Source: Religare Research

**Stock performance**



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs bn)	FY06	FY07	FY08E	FY09E
Revenues	95.4	138.9	169.2	204.5
Growth (%)	33.9	45.6	21.8	20.9
EBITDA	31.1	43.9	51.8	61.4
Growth (%)	33.3	41.2	18.1	18.3
Depreciation	4.5	5.6	7.0	8.4
EBIT	26.6	38.3	45.0	53.0
Growth (%)	30.1	44.2	17.5	17.7
Interest	-	-	-	-
Other income	1.4	3.8	7.8	9.7
EBT	27.9	42.1	52.8	62.7
Growth (%)	27.1	50.7	25.5	18.7
Tax	3.1	3.8	6.6	8.6
Effective tax rate	11.1	9.0	12.5	13.7
Adj net income	24.6	38.2	46.2	54.0
Growth (%)	31.2	55.2	20.9	17.1
Shares outstanding (mn)	547.1	557.5	574.2	574.2
FDEPS (Rs)	45.0	68.5	80.6	94.1
DPS (Rs)	12.1	12.3	13.7	16.0
CEPS (Rs)	53.2	78.5	92.7	108.7

Source: Company, Religare Research

### Cash flow statement

(Rs bn)	FY06	FY07	FY08E	FY09E
Net income	24.6	38.2	46.2	54.0
Depreciation	4.5	5.6	7.0	8.4
Other adjustments	0.0	(0.0)	(0.5)	-
Changes in WC	(7.8)	(5.0)	(3.9)	(3.2)
Operating cash flow	21.4	38.8	48.8	59.3
Capital expenditure	(8.5)	(16.3)	(14.3)	(10.8)
Investments	4.6	-	0.2	-
Other investing inc/(exp)	(0.3)	-	0.1	-
Investing cash flow	(4.2)	(16.3)	(14.0)	(10.8)
Free cash flow	17.2	22.5	34.8	48.5
Issue of equity	6.5	-	0.0	-
Issue/repay debt	-	-	-	-
Dividends paid	(7.5)	(7.7)	(8.9)	(10.3)
Others	-	-	-	-
Financing cash flow	(1.0)	(7.7)	(8.9)	(10.3)
Beg. cash & cash eq	30.5	46.7	61.4	86.5
Chg in cash & cash eq	16.2	14.8	25.8	38.2
Closing cash & cash eq	46.7	61.4	86.5	124.6

Source: Company, Religare Research

### Balance sheet

(Rs bn)	FY06	FY07	FY08E	FY09E
Cash and cash eq	39.4	61.4	86.5	124.6
Accounts receivable	16.0	24.7	30.8	35.8
Inventories	-	-	-	-
Others current assets	11.5	5.8	7.8	9.0
Current assets	66.9	91.9	125.1	169.4
LT investments	-	-	-	-
Net fixed assets	21.8	32.3	39.9	41.7
CWIP	2.9	10.3	9.4	9.4
Total assets	91.6	134.5	174.4	220.6
Payables	7.3	12.3	14.7	17.0
Others	2.0	3.3	4.1	4.8
Current liabilities	9.3	15.6	18.8	21.8
LT debt	-	-	-	-
Other liabilities	0.9	0.0	-	-
Equity capital	1.4	2.9	2.9	2.9
Reserves	80.0	116.0	152.7	195.9
Net worth	81.4	118.9	155.6	198.8
Total liabilities	91.6	134.5	174.4	220.6
BVPS (Rs)	148.8	213.2	270.9	346.1

Source: Company, Religare Research

### Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin (%)	32.6	31.6	30.6	30.0
EBIT margin (%)	27.8	27.6	26.6	25.9
Net profit margin (%)	25.8	27.5	27.3	26.4
FDEPS growth (%)	29.0	52.3	17.7	16.8
Receivables (days)	61.2	65.0	66.5	63.9
Inventory (days)	-	-	-	-
Payables (days)	28.0	32.3	31.7	30.4
Current ratio (x)	7.2	5.9	6.7	7.8
Interest coverage (x)	-	-	-	-
Debt/equity ratio (x)	-	-	-	-
ROE (%)	30.2	32.1	29.7	27.2
ROCE (%)	32.3	32.2	28.9	26.7
ROAE (%)	26.9	28.4	26.5	24.5
EV/Sales (x)	11.2	7.7	6.3	5.2
EV/EBITDA (x)	34.2	24.2	20.5	17.3
P/E (x)	43.9	28.9	24.5	21.0
P/BV (x)	13.3	9.3	7.3	5.7
P/CEPS (x)	37.1	25.2	21.3	18.2

Source: Company, Religare Research



**CMP: Rs 142**
**Target: Rs 204** 
**BUY**
**Suman Memani**

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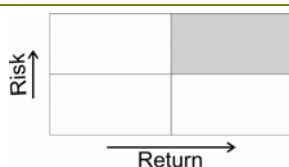
BSE code 590059

**Company data**
**Particulars**

Market cap (Rs mn / US\$ mn)	915.2/22.8
Outstanding equity shares (mn)	6.4
52-week high/low (Rs)	162/23
2-month average daily volume	70,314

**Financial snapshot**

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	2,065.1	2,786.4	6,413.6
Growth (%)	41.1	34.9	130.2
Adj net profit (Rs mn)	70.1	160.4	371.7
Growth (%)	401.4	128.9	131.7
FDEPS (Rs)	5.5	12.5	29.0
Growth (%)	-	128.9	131.7
P/E (x)	25.9	11.3	4.9
RoE (%)	44.9	52.5	33.8

**Risk-return profile**

**Shareholding pattern**

(%)	Mar-07	Dec-06
Promoters	58.4	58.4
Banks & FIs	21.3	2.3
Public	20.3	39.3

**Stock performance**

Returns (%)	CMP	1-mth	3-mth	6-mth
Bihar Tubes	142	(1.0)	2.1	125
Sensex	18,814	21.3	24.7	43.5

**Company website** [www.bihartubes.com](http://www.bihartubes.com)
**Pre-galvanised sales aid margin expansion**

Bihar Tubes (BTL) has clocked 21% YoY revenue growth in Q2FY08 at Rs 628.3mn with a six-fold increase in PAT at Rs 41.6mn. Rising realisations and a shift towards the high-margin pre-galvanised pipe segment has resulted in a significant improvement in the EBITDA margin to 11.7% in Q2FY08 as against 3.9% in Q2FY07.

We expect BTL to post a strong set of numbers in the second half of the year as well considering initiatives towards backward and forward integration, entry into high-diameter pipes, and a greater thrust on sales to the fast-growing infrastructure and agricultural sectors. We also see plenty of room for further margin improvement as pre-galvanised sales pick up and zinc (a key raw material for BTL) maintains its downward pricing trend.

In view of the strong order pipeline (with a project from BHEL expected shortly), notable margin expansion (350bps higher than estimated) and declining zinc prices, we are upgrading our target price for BTL from Rs 172 to Rs 204. At this price, the stock discounts its FY09E EPS of Rs 29 by 7x. We maintain our Buy recommendation on the scrip.

**Actual vs estimated performance**

(Rs mn)	Actual	Estimated	% Variance
Net sales	628.3	615.5	2.0
EBIDTA	73.5	83.0	(11.4)
PAT	41.6	42.5	(1.5)
EPS (Rs)	6.5	6.6	(1.5)

Source: Company, Religare Research

**Quarterly results**

(Rs mn)	Q2FY08	Q2FY07	% chg YoY	Q1FY08	% chg QoQ
Sales	628.3	519.2	21.0	554.4	13.3
Other income	-	-	-	-	-
PBIDT	73.5	20.1	265.8	73.7	(0.2)
EBITDA margin (%)	11.7	3.9	-	13.3	-
Interest	13.0	9.5	37.7	12.8	1.7
PBDT	60.5	10.6	468.4	60.9	(0.6)
Depreciation	3.5	1.9	83.1	2.2	60.2
PBT	57.0	8.7	553.5	58.7	(2.9)
Tax	15.4	2.0	668.1	18.0	(14.7)
PAT	41.6	6.7	519.4	40.7	2.3

Source: Company, Religare Research

## Result highlights

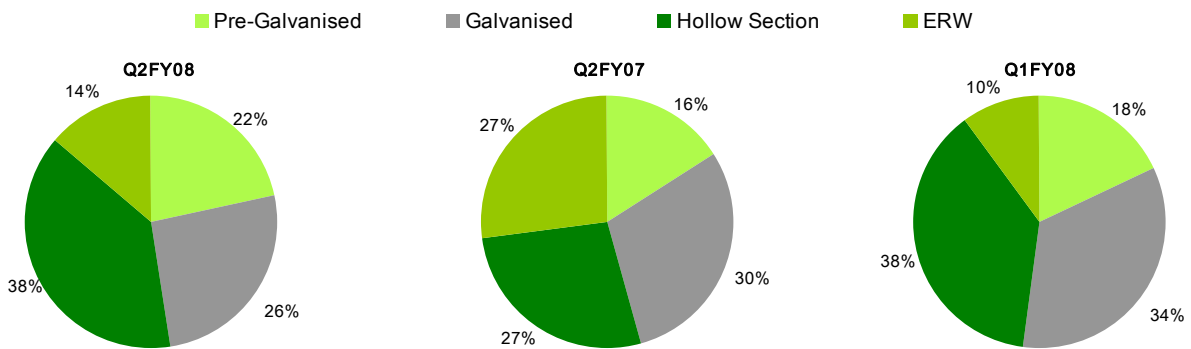
**Pre-galvanised pipes contributed 22% of revenues, up from 16% in Q2FY07**

### Pre-galvanised pipe sales drive revenue growth

Sales increased by 21% YoY to Rs 628.3mn in Q2FY08 against Rs 519.2mn in Q2FY07 as volumes rose 14.5% YoY to 15,192MT. The company is placing an increasing focus on pre-galvanised pipes which offer better margins. Consequently, this segment contributed 22% of revenues in Q2FY08 vis-à-vis 16% in Q2FY07.

The revenue share of other segments, namely galvanised, hollow section and electric resistance welded (ERW) pipes stood at 26%, 38% and 14% respectively during the quarter. BTL is witnessing huge demand for pipes catering to the infrastructure and agriculture sectors. We expect this to drive a 76% revenue CAGR over FY07-FY09.

### Segmental contribution to volume sales



Source: Company, Religare Research

### Spike in sale realisations across segments

The company's realisations have increased significantly across its pipe divisions, with galvanised pipes posting the highest price increase of 22.4% over the FY07 average. While realisations of pre-galvanised pipes have decreased sequentially by 10%, zinc prices have dropped by as much as 17–20% from Q1FY08, which has led to an increase in overall margins.

### Rising realisations

Pipes (Rs/MT)	Q2FY08	Q2FY07	Increase (%)	FY07 Avg	Increase (%)
Galvanised	40,000	37,000	8.1	32,689	22.4
Hollow section	32,500	31,200	4.2	29,737	9.3
Pre-galvanised	41,000	38,000	7.9	38,381	6.8
ERW	31,000	30,500	1.6	28,683	8.1

Source: Company

**Order book of Rs 375mn as on September 30 with an order from BHEL expected soon**

### Strong order book

BTL has an order book of Rs 375mn (as on September 30) and is completely booked for the next 1-½ month, with orders flowing from its dealer network as well as from government and export contracts. The company is already notified with BHEL and expects an order from the infrastructure major very soon. BTL further expects to win an order from Irrigation Public Service (Himachal Pradesh). The company has sold a total of 33,000 tonnes of tubes and pipes during the first five months of this fiscal. We expect an even stronger performance in the second half of FY08.

**Order book**

Category	Qty (tonnes)	Amount (Rs mn)*
Dealer network	8,000	300
Exports	1,000	40
Projects	500	15
Government	500	20
<b>Total</b>	<b>10,000</b>	<b>375</b>

Source: Company, Religare Research \*Net of excise

**Stronger realisations and higher pre-galvanised sales have aided a 780bps YoY margin growth**

**Sharp improvement in EBITDA margin**

The company's EBITDA margin has expanded 780bps to 11.7% in Q2FY08 against 3.9% in Q2FY07 on the strength of better realisations, higher pre-galvanised sales, and a product mix favouring value-added pipes. Further, greater operating efficiency through inventory control, freight cost savings, and cost-effective raw material procurement from its subsidiary, Apollo Metalx, has also strengthened the margin.

**PAT witnesses six-fold increase**

BTL has recorded a six-fold increase in PAT during the quarter to Rs 41.6mn. We expect profitability to remain strong going ahead. In H2FY09 the company is likely to start repaying debts which will reduce the interest burden and further enhance profits.

**Other highlights****Branches opened in several states to deepen reach**

The company is taking steps to deepen its marketing reach in various states. In addition to two branches in Ludhiana and Ghaziabad, it recently opened two more branches in Jaipur and Gurgaon. BTL has plans to set up six branches over the next six months in Bangalore, Hyderabad, Chennai, Ahmedabad, Pune and Indore. The objective is to have two distributors per state under whom the retailers and sub-retailers would be placed. This is expected to strengthen BTL's product visibility and create a strong brand, which will ultimately shore up margins in the long run.

**Expect margins to remain stable with upward bias**

BTL is currently the only organised player in the high-margin pre-galvanised segment, pointing to sustained demand. Going ahead, we expect margins spread to remain stable with a positive bias as pre-galvanised sales move up and the company forays into the high-end auto tube segment. More importantly, it plans to put up an HR skelp mill which will supply captive raw material. Cost reduction through production efficiency as well as regional divergence into western India will also enhance margins.

**Acquisition to boost market share in western India**

The company is in the final stages of securing an acquisition in western India which will provide a rapid boost to its production capacity. BTL has already placed orders for plant & machinery worth Rs 100mn with Gallium industries and estimates that it will take another three to four months to get the acquired plant on stream. We believe that this acquisition will aid an expansion in BTL's topline and boost its market share in western India, besides reducing freight costs.

## Valuation

### We raise our target from Rs 172 to Rs 204; Buy

#### We upgrade target to Rs 204

BTL currently trades at a P/E of 4.9x on FY09E fully diluted EPS. On an EV/EBITDA basis, the stock is trading at 4.4x on FY08E and 3x on FY09E. The company is available at a significant discount to Welspun Gujarat which is trading at 20x on FY09E EPS of Rs 15. We believe that BTL deserves a premium to pure steel players since it is catering to sectors like infrastructure, agriculture, and oil & gas which are showing extremely robust growth.

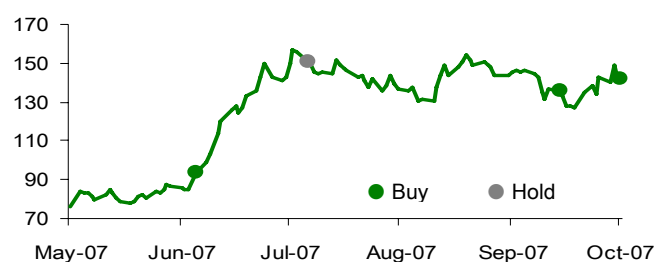
In view of the strong order pipeline, better-than-expected margins (350bps higher than estimates), new marketing strategy and declining zinc prices, we are upgrading our target price for BTL from Rs 172 to Rs 204. At this price, the stock discounts its FY09E EPS of Rs 29 by 7x. We maintain our Buy recommendation on the scrip.

#### Recommendation history

Date	Event	Reco price	Tgt price	Reco
18-Jun-07	Initiating Coverage	94	172	Buy
17-Jul-07	Results Update	151	172	Hold
26-Sep-07	Company Update	133	172	Buy
12-Oct-07	Results Update	142	204	Buy

Source: Religare Research

#### Stock performance



Source: Religare Research

## Financials

### Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	1,464.0	2,065.1	2,786.4	6,413.6
Growth (%)	30.3	41.1	34.9	130.2
EBITDA	52.0	148.3	311.4	741.7
Growth (%)	51.3	185.1	110.0	138.2
Depreciation	5.5	7.5	13.0	70.0
EBIT	46.5	140.8	298.4	671.7
Growth (%)	52.2	202.9	112.0	125.1
Interest	23.9	35.9	64.2	140.0
Other income	-	-	-	-
EBT	22.6	104.9	234.2	531.7
Growth (%)	35.3	364.1	123.3	127.0
Tax	8.3	34.8	73.8	160.0
Effective tax rate (%)	36.8	33.2	31.5	30.1
Net income (adjusted)	14.3	70.1	160.4	371.7
Growth (%)	13.1	401.4	128.9	131.7
Shares outstanding(mn)	3.1	3.1	6.2	12.5
FDEPS (Rs)	1.1	5.5	12.5	29.0
DPS (Rs)	-	1.0	1.5	2.0
CEPS(Rs)	6.3	24.9	27.8	35.4

Source: Company, Religare Research \*Excludes inter-segmental transfers

### Cash flow statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Net income	22.6	104.9	234.2	531.7
Depreciation	5.5	7.5	13.0	70.0
Other non-cash adjustments	23.3	27.2	40.3	51.6
Changes in working capital	(91.1)	(42.1)	(74.5)	(464.8)
Operating cash flow	(39.7)	97.5	213.0	188.5
Capital expenditure	(13.3)	(65.0)	(345.0)	(432.0)
Investments	-	-	-	-
Other investing cash flow	-	-	-	-
Investing cash flow	(13.3)	(65.0)	(345.0)	(432.0)
Free cash flow	(52.9)	32.5	(132.0)	(243.5)
Issue of equity / warrants	-	-	45.0	407.4
Issue/repay debt	62.9	37.0	145.0	15.0
Dividends paid	-	(3.6)	(10.8)	(28.7)
Int Paid	(23.9)	(35.9)	(64.2)	(140.0)
Financing cash flow	39.0	(2.5)	115.0	253.7
Beginning cash & cash equivalents	20.8	6.9	37.0	20.0
Change in cash & cash equivalents	(13.9)	30.0	(16.9)	10.2
Closing cash & cash equivalents	6.9	37.0	20.0	30.3

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY06	FY07	FY08E	FY09E
Cash and cash eq.	6.9	37.0	20.0	30.3
Accounts receivable	145.6	196.4	401.8	643.7
Inventories	191.7	230.0	400.0	713.0
Others current assets	64.5	75.0	20.0	30.0
Current assets	408.6	538.4	841.8	1,417.0
LT investments	-	-	-	-
Net fixed assets	95.2	152.7	484.7	846.7
CWIP	-	-	-	-
Total assets	503.8	691.1	1,326.5	2,263.7
Payable	112.7	179.5	425.4	525.5
Others	16.2	30.0	68.0	140.0
Current liabilities	128.9	209.5	493.4	665.5
LT debt	270.0	307.0	497.0	467.0
Other liabilities	15.3	18.5	30.4	30.0
Equity capital	31.2	31.2	62.4	124.7
Reserves	58.4	124.9	243.3	976.4
Networth	89.5	156.0	305.7	1,101.1
Total liabilities	503.8	691.1	1,326.6	2,263.7
BVPS(Rs)	28.7	50.0	49.0	88.3

Source: Company, Religare Research

### Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin (%)	3.6	7.2	11.2	11.6
EBIT margin (%)	3.2	6.8	10.7	10.5
Net profit margin (%)	1.0	3.4	5.8	5.8
EPS growth(%)	13.1	401.4	128.9	131.7
Receivables(days)	36.3	34.7	52.6	36.6
Inventory(days)	41.9	42.6	49.0	37.6
Payables (days)	30.2	31.4	50.6	34.3
Current ratio(x)	3.2	2.6	1.7	2.1
Interest coverage(x)	2.2	4.1	4.9	5.3
Debt/equity ratio (x)	3.0	2.0	1.6	0.4
ROE(%)	15.6	44.9	52.5	33.8
ROCE(%)	14.5	32.0	38.8	47.3
ROAE (%)	2.8	10.1	12.1	16.4
EV/Sales(x)	0.5	0.4	0.5	0.3
EV/EBITDA(x)	13.7	5.1	4.4	3.0
P/E (x)	130.0	25.9	11.3	4.9
P/BV (x)	4.9	2.8	2.9	1.6
P/CEPS (x)	22.7	5.7	5.1	4.0

Source: Company, Religare Research

**CMP: Rs 165**

**Target: Rs 192**

**BUY**

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BSE code	532218
NSE code	SOUTHBANK

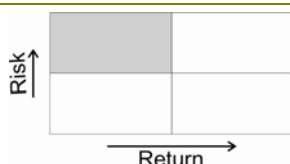
## Company data

Particulars	
Market cap (Rs bn / US\$ mn)	14.9/374.8
Outstanding equity shares (mn)	90.4
52-week high/low (Rs)	175/68
3-month average daily volume	127,341

## Financial snapshot

Particulars	FY07	FY08E	FY09E
NII (Rs bn)	3.7	4.3	5.0
Growth (%)	18.5	16.9	16.5
Adj net profit (Rs bn)	1.0	1.4	1.7
Growth (%)	50.6	31.3	27.3
FDEPS (Rs)	14.8	15.1	19.2
Growth (%)	51	2.02	27.2
P/ABV (x)	1.9	1.4	1.2
ROE (%)	15.3	14.5	14.2

## Risk-return profile



## Shareholding pattern

(%)	Jun-07	Mar-07
Promoters	-	-
FIs	43.2	41.8
Banks & FIs	7.8	6.7
Public	50	51.5

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
South Ind Bank	166	1.7	18.2	76.6
Sensex	18,814	21.3	24.7	43.5
BSE Bankex	9,571	19.9	16.5	46.0

<b>Company website</b>	<b>www.southindianbank.com</b>
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## Marginal NII growth; Fee income shores up profits

South Indian Bank's (SIB) Q2FY08 results are on par with our expectations at the net profit level, led by a strong increase in non-interest income and improving asset quality. However, with a bulk of the loan disbursements occurring during the latter part of the quarter, net interest income (NII) growth was muted. Nevertheless, we expect a robust performance in the coming months on the back of strong business growth, a continued uptick in non-interest income and lower provisioning requirements. We maintain our Buy recommendation on the stock with a target price of Rs 192.

## Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net interest income	906.2	983.9	(7.9)
PPP	678.3	605.5	12.0
PAT	357.9	345.2	3.6
EPS (Rs)	4.0	3.8	5.2

Source: Company, Religare Research

## Quarterly results

(Rs mn)	Q2FY08	Q2FY07	% Chg YoY	Q1FY08	% Chg QoQ
Interest on advances	2,270.3	1,655.7	37.1	2,145.0	5.8
Inc on investments	662.2	516.0	28.3	647.2	2.3
Interest on bal with RBI	168.6	144.4	16.8	184.9	(8.8)
Interest income	3,101.1	2,316.1	33.9	2,977.1	4.2
Interest expenses	(2,194.9)	(1,472.6)	49.0	(2,004.1)	9.5
<b>Net interest income</b>	<b>906.2</b>	<b>843.5</b>	<b>7.4</b>	<b>973.0</b>	<b>(6.9)</b>
Other income	357.1	186.9	91.1	242.6	47.2
Total income	1,263.3	1,030.4	22.6	1,215.6	3.9
Operating expenses	(585.0)	(548.4)	6.7	(677.2)	(13.6)
Provisions and W/off	(86.0)	(195.1)	(55.9)	(75.3)	14.2
PBT	592.3	286.9	106.4	463.1	27.9
Extraordinary income	(33.5)	228.4	-	-	-
Taxes	(200.9)	(98.8)	103.3	(159.4)	26.0
<b>PAT</b>	<b>357.9</b>	<b>416.5</b>	<b>(14.1)</b>	<b>303.7</b>	<b>17.8</b>
Cost/ Income Ratio (%)	46.3	53.2	-	55.7	-

Source: Company, Religare Research

## Result highlights

### Substantial loan disbursements late in the quarter capped growth in interest on advances

#### Muted NII growth

NII increased by 7.4% YoY to Rs 906mn during the quarter. The growth was muted because a substantial portion of the loan disbursements were made in September, which implies that the interest income therefrom would be fully visible only in the next quarter. Additionally, the cost of deposits increased at a faster pace than the growth in yields, curbing NII growth.

Advances and deposits expanded at the rate of 31% and 28% YoY respectively. The cost of deposits stood at 6.56% during the quarter as compared to 5.4% in the corresponding year-ago period. Another factor that has affected NII performance is the higher base effect of the last year when banks were still receiving interest income on CRR balances from the RBI.

#### NIM stable at 2.93%

The net interest margin (NIM) remained stable at 2.93% vis-à-vis 2.91% in Q2FY07. The management expects margins to improve 8–10bps with stable yields and a lower cost of funds. Further, the availability of equity proceeds from the recent private placement would enhance margins.

#### Higher fees and recoveries aid 90% YoY rise in non-interest income

Non-interest income for the quarter rose by 91% YoY to Rs 357mn mainly on account of higher fee income and stronger recoveries. The bank is targeting total recoveries of Rs 1.3bn for FY08, of which Rs 670mn has been accumulated so far in H1FY08. Commission & exchange income grew 50% in the quarter to Rs 240mn and we expect growth to remain firm going forward.

### Adjusting for extraordinary gains in Q2FY07, net profit increased 90% to Rs 357.9mn

#### Asset quality improves; lower provisioning shores up profits

Gross NPAs have declined from 5% in Q2FY07 to 3.4% and net NPAs to 0.7% led by higher recoveries. Also, lower slippages resulted in marginal provisioning requirements, thereby boosting overall profitability. Adjusting for extraordinary gains in Q2FY07, net profit increased 90% to Rs 357.9mn, slightly above our expectations.

#### Fresh issue of equity

SIB recently raised Rs 3.3bn via the private placement of 20mn equity shares at Rs 163/share, thus diluting equity by 28.5% (factored into our estimates). The equity proceeds would relieve the pressure on cost of funds, thus improving NIMs marginally from current levels. Following the equity placement, CAR stands at 14.4% with a tier I ratio of 12.5%. The higher capital base would enable the bank to leverage its balance sheet and improve ROEs in the long term. However, in the near term, ROE will decline and possibly remain subdued even into FY09.

## Valuation

#### Management targets business of Rs 250bn for FY08

We believe that strong growth in business, coupled with steady margins and NPA recoveries will drive the bank's earnings going forward. SIB is targeting business of over Rs 250bn in FY08, implying 20% YoY growth. It is also aiming for recoveries to the tune of Rs 1.3bn for the fiscal with a ROE of ~15%.

#### Equity issue is book value-accretive; maintain Buy

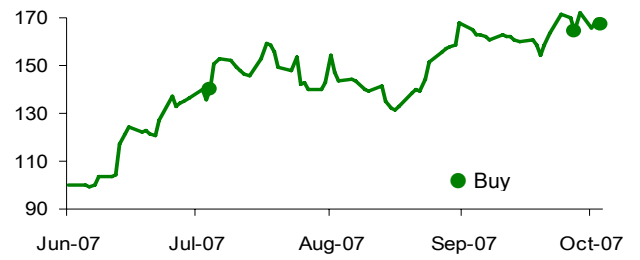
The recently concluded issue was book value-accretive as it was priced at Rs 163/share compared to the book value of Rs 103/share at the end of FY07. At the current price, the bank is trading at a P/ABV of 1.4x and 1.2x on FY08E and FY09E. We have valued SIB on the basis of the dividend discount model (DDM), and continue with our Buy recommendation and our target price of Rs 192.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
12-Jul-07	Initiating Coverage	140	175	Buy
5-Oct-07	Quarterly Preview	164	192	Buy
12-Oct-07	Results Update	165	192	Buy

Source: Religare Research

Stock performance



Source: Religare Research



## Financials

### Profit and Loss statement

(Rs bn)	FY06	FY07	FY08E	FY09E
Interest earned	7.6	9.8	12.1	14.7
Interest expended	4.5	6.1	7.8	9.6
Net interest income	3.1	3.7	4.3	5.0
Growth (%)	20.7	18.5	16.9	16.5
Non-interest income	0.9	1.0	1.0	1.1
Comm, Exchange & Brokerage	0.3	0.2	0.3	0.3
Growth (%)	(11.6)	14.0	(2.8)	10.1
Operating expenses	2.3	2.2	2.3	2.6
Pre-provisioning profits	1.7	2.5	3.0	3.5
Growth (%)	1.4	44.2	18.7	18.5
Provisions & contingencies	0.9	1.1	1.0	1.1
PBT	0.9	1.5	2.0	2.5
Income tax, Interest tax	0.2	0.4	0.6	0.7
Net profit	0.7	1.0	1.4	1.7
Growth (%)	694.6	50.6	31.3	27.3

Source: Company, Religare Research

### Balance sheet

(Rs bn)	FY06	FY07	FY08E	FY09E
Cash in hand & bal with RBI	5.5	7.0	10.4	12.7
Balance with banks, Money at call	8.0	12.5	8.8	9.3
Investments	27.4	34.3	42.9	51.3
Advances	63.7	79.2	98.6	120.8
Fixed assets (net)	0.9	0.9	0.9	0.9
Other assets	2.8	2.7	2.9	3.1
Total assets	108.3	136.5	164.5	198.0
Equity capital	0.7	0.7	0.9	0.9
Reserves & surplus	5.7	6.5	10.7	12.1
Net worth	6.4	7.2	11.6	13.0
Deposits	95.8	122.4	146.8	178.4
Current deposits (a)	5.6	6.2	7.4	8.8
Savings bank deposits (b)	19.7	23.1	28.1	34.4
Term deposits (c)	70.5	93.1	111.2	135.2
Borrowings (incl sub-ord bonds)	2.0	2.1	2.1	2.2
Other liabilities & provisions	4.1	4.8	4.1	4.4
Total liabilities	108.3	136.5	164.5	198.0

Source: Company, Religare Research

### Key ratios

Year-end March	FY06	FY07	FY08E	FY09E
<b>Per share data</b>				
Shares outstanding (mn)	70.4	70.4	90.4	90.4
FDEPS (Rs)	9.8	14.8	15.1	19.2
DPS (Rs)	1.8	2.5	2.8	3.3
Book value (Rs)	91.0	102.8	128.2	143.7
Adjusted book value (Rs)	71.4	88.8	120.5	135.4

### Valuation ratios

<b>Market price</b>				
P/E (x)	16.8	11.2	10.9	8.6
P/BV (x)	1.8	1.6	1.3	1.1
P/ABV (x)	2.3	1.9	1.4	1.2

### Earnings quality (%)

Net interest margin	3.2	3.1	2.9	2.8
Yield on advances	9.4	9.7	9.8	9.8
Yield on investments	6.4	7.1	7.3	7.2
Cost of funds	4.9	5.5	5.7	5.9
Cost/Income	56.4	46.5	43.6	42.0
Return on average net worth	12.6	15.3	14.5	14.2
Return on average assets	0.6	0.8	0.8	0.9

### Growth ratios (%)

Net interest income	20.7	18.5	16.9	16.5
Other income	(11.6)	14.0	(2.8)	10.1
Total income	11.5	17.5	12.6	15.3
Pre-provisioning profit	1.4	44.2	18.7	18.5
Net profit	694.6	50.6	31.3	27.3
Advances	18.7	24.3	24.5	22.5
Deposits	12.8	27.8	19.9	21.6

### Asset quality

Proportion of low-cost deposits (%)	26.4	23.9	24.2	24.2
Credit-Deposit ratio (x)	66.5	64.7	67.2	67.7
Investment/Deposit (%)	28.6	28.0	29.2	28.7
Net NPA ratio	1.9	1.0	0.6	0.5
CAR	13.0	11.1	13.2	11.7
Tier-I ratio	8.4	8.8	11.5	10.3

Source: Company, Religare Research

## Recommendation tracker

Date	Company	Report type	Stock price (Rs)	Target (Rs)	Reco
28-Aug-07	Ashok Leyland	Company Update	35	48	BUY
29-Aug-07	Parsvnath Developers	Company Update	287	512	BUY
30-Aug-07	Jagran Prakashan	Initiating Coverage	551	662	BUY
30-Aug-07	Deccan Chronicle	Initiating Coverage	228	273	BUY
30-Aug-07	HT Media	Initiating Coverage	211	232	NEUTRAL
03-Sep-07	Central Bank of India	Company Update	125	144	HOLD
04-Sep-07	Maruti Udyog	Company Update	881	945	BUY
05-Sep-07	Parsvnath Developers	Company Update	316	512	BUY
05-Sep-07	MindTree Consulting	Initiating Coverage	589	556	SELL
05-Sep-07	Shri Lakshmi Cotsyn	Initiating Coverage	104	210	BUY
06-Sep-07	Power Grid Corporation of India	IPO Note	44 – 52	NA	SUBSCRIBE
07-Sep-07	Balaji Telefilms	Company Update	255	341	BUY
10-Sep-07	Greenply Industries	Company Update	230	288	BUY
10-Sep-07	HDIL	Initiating Coverage	533	694	BUY
11-Sep-07	Cadila Healthcare	Company Update	320	416	BUY
12-Sep-07	Petronet LNG	Company Update	67	73	BUY
12-Sep-07	Great Offshore	Company Update	868	1,045	BUY
13-Sep-07	IVRCL Infrastructure & Projects	Company Update	379	443	BUY
14-Sep-07	KPIT Cummins Infosystems	Company Update	142	173	BUY
14-Sep-07	Nicholas Piramal India	Company Update	272	332	BUY
18-Sep-07	HDIL	Company Update	609	694	BUY
19-Sep-07	Jubilant Organosys	Company Update	290	388	BUY
19-Sep-07	Punjab National Bank	Company Update	492	610	BUY
20-Sep-07	Tulip IT Services	Company Updates	862	1,015	BUY
20-Sep-07	Garware Offshore	Company Updates	187	272	BUY
21-Sep-07	Deccan Chronicle	Company Update	207	243	BUY
24-Sep-07	K S Oil	Company Update	74	85	BUY
25-Sep-07	Sasken Communication Technologies	Company Update	335	440	BUY
25-Sep-07	Shri Lakshmi Cotsyn	Company Update	122	210	BUY
25-Sep-07	UTV Software Communications	Initiating Coverage	584	795	BUY
26-Sep-07	Bihar Tubes	Company Update	133	172	BUY
27-Sep-07	Bank of India	Company Update	262	300	HOLD
28-Sep-07	Punj Lloyd	Initiating Coverage	299	367	BUY
01-Oct-07	Garware Offshore	Company Update	204	272	BUY
03-Oct-07	Bajaj Hindusthan	Sector Update	176	159	SELL
03-Oct-07	Balrampur Chini	Sector Update	78	82	SELL
03-Oct-07	Triveni Engg	Sector Update	115	116	HOLD
04-Oct-07	Opto Circuits (India)	Company Update	555	517	HOLD
04-Oct-07	Deepak Fertilisers and Petrochemicals	Initiating Coverage	114	158	BUY
08-Oct-07	Lakshmi Energy	Company Update	211	260	BUY
09-Oct-07	Time Technoplast	Company Update	612	736	BUY
10-Oct-07	Ashok Leyland	Company Update	41	48	BUY
10-Oct-07	Prism Cement	Results Update	63	81	BUY
12-Oct-07	Infosys Technologies	Results Update	1,977	2,071	HOLD
12-Oct-07	Bihar Tubes	Results Update	146	204	BUY
12-Oct-07	South Indian Bank	Results Update	165	192	BUY

## Market trends

### BSE sectoral indices

	% Chg				Constituent performance
	11-Oct	1-day	1-mth	3-mth	
Automobiles	5,604	2.7	14.9	11.9	
Banks	9,571	1.6	19.9	16.5	
Capital Goods	17,088	2.7	25.1	32.0	
Comm. & Tech.	4,089	(2.0)	15.5	7.4	
Consumer Durables	4,823	1.2	5.0	14.6	
FMCG	2,184	1.9	4.9	17.6	
Healthcare	3,868	1.7	5.0	(0.0)	
IT	4,767	(5.6)	7.3	(2.1)	
Metal	14,833	2.7	24.5	29.3	
Oil & Gas	10,726	1.7	28.9	39.6	
Mid-caps	7,591	1.4	10.2	11.9	
Small-caps	9,120	1.1	6.4	11.0	

Number of companies: down 5% down 2-5% down 0-2% up 0-2% up 2-5% up 5%

### Emerging markets

Country	% Chg				
	11-Oct	1-day	1-mth	3-mth	6-mth
Brazil	62,456	(1.2)	15.9	8.4	31.9
Shanghai	5,919	0.1	14.4	51.1	67.6
Hong Kong	28,845	(1.0)	18.7	26.5	41.5
India	18,814	0.8	21.3	24.7	43.5
South Korea	2,046	(0.6)	12.8	7.1	34.1
Taiwan	9,680	(0.2)	7.3	3.5	19.9

### FII statistics

(US\$ mn)	1-day	WTD	MTD	YTD
India	433.3	1,754.8	3,208.2	16,226.9
South Korea	(434.1)	(413.6)	(57.4)	(16,170.4)
Taiwan	136.6	386.4	1,368.1	5,262.5
Thailand	2,838.8	75.9	75.9	1,697.8

## Events calendar

### Board meetings

October 12	13	14
IID Forgings Marathon Nextgen - Stock Split Aban Offshore HDFC Bank Horizon Battery Technologies	Bhansali Engineering Polymers Gati TTL CMC - Board Meeting Monnet Ispat – Financial Results	Patel Engineering Gujarat Nre Coke – Financial Results IDFC
15	16	17
Orbit Corporation Jaiprakash Associates RIL Indian Bank Welspun Gujarat	Kernex Microsystems - Bonus Peninsula Land - Stock Split HCL Technologies - Blue Dart Express Reliance Petroleum	Television Eighteen - Bonus Alembic RNRL Polaris Software Lab KPIT Cummins Infosystems
18	19	20
Ashapura Minechem - Bonus Ranbaxy Laboratories Bannari Amman Sugars Biocon Garware Wall Ropes	Tech Mahindra Grindwell Norton Hilton Metal Forging Asian Paints – Results, Dividend Bajaj Auto – Financial Results	Gujarat Narmada Valley – Results
21	22	23
-	Eicher Motors – Results Finolex Industries Inox Leisure – Results IL&FS Investment Managers Lumax Industries – Results	Agro Tech Foods – Results Binani Cement – Results Binani Industries Deepak Fertilizers – Results Micro Inks – Results

## Trade data

### Institutional bulk deals

Scrip	Client	Buy/Sell	Quantity	Avg Price (Rs)
Emami	Reliance Capital Trustee Co	B	320,879	212.0
Emami	Sundaram Mutual Fund	S	322,000	212.0
Emami	Reliance Capital Trustee Co	B	321,737	212.0
Emami	Sundaram Mutual Fund	S	322,073	212.0
Genus Power	UBS Securities Asia	B	100,000	620.2
JK Tyre Ind	Macquarie Bank	B	298,705	116.0
JK Tyre Ind	HDFC Mutual Fund Ac HDFC Equity Fund	S	481,143	117.7

Source: BSE

### Insider trading

Scrip	Acquirer/Seller	Buy/Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Aksh Optifibre	Dr Kailash S Choudhari	S	352,265	-	7,060,850	16.4
Bhagwati Banquets & Hotels	Narendra G Somani	B	150,000	-	5,929,755	20.3
Bhagwati Banquets & Hotels	Mavi Investment Fund	B	500,000	1.7	1,500,000	5.1
Dabur India	Sunil Duggal	S	7,000	-	1,581,527	0.2
Dabur India	P D Narang	S	200,000	-	1,517,320	0.2
Empower Industries India	Dewang Master	S	10,000	-	-	-
Empower Industries India	Dewang Master	S	30,000	-	1,747,077	34.9
Envair Electrodyne	Shripad Mirashi	B	100	-	--	-
Envair Electrodyne	Shripad Mirashi	B	400	-	1,556,692	51.2
Garnet International	Maxwell Mgmt Services & Pacs	B	85,000	1.8	1,862,274	39.4
Garnet International	Jyoti J Mehta & Pacs	S	85,000	1.8	461,400	9.8
Garnet International	Jitendra J Mehta & Pacs	S	50,000	1.1	411,400	8.7
Garnet International	Maxwell Mgmt Services & Pacs	B	50,000	1.1	1,912,274	40.5
Gateway Distriparks	R Kumar	S	25,000	-	58,000	0.1
Htmt Global Solutions	Ashok P Hinduja & Pacs	B	1,188,140	5.8	-	-
Htmt Global Solutions	Harsha A Hinduja & Pacs	B	1,926,395	9.4	-	-
Htmt Global Solutions	Aasia Mgmt & Consultancy & Pac	B	5,929,737	28.9	-	-
Htmt Global Solutions	Amas Mauritius	B	2,766,660	13.5	-	-
ICICI Bank	Charanjit Attra	B	3,750	-	3,750	-
ICICI Bank	Murali Ramakrishnan	B	1,800	-	6,227	-
ICICI Bank	Arun Raman	B	1,400	-	3,400	-
ICICI Bank	Sunith Menon	B	3,750	-	21,550	-
ICICI Bank	B Y Joshi	S	2,000	-	21,279	-
ICICI Bank	G Ramachandran	S	3,000	-	9,650	-
IL & FS Investment Managers	Ravi Parthasarathy	S	40,038	-	237,462	0.9
IL & FS Investment Managers	Arun Kumar Saha	S	4,500	-	55,500	0.2
IL & FS Investment Managers	Vibhav Kapoor	S	44,000	-	91,000	0.4
IL & FS Investment Managers	Dr Archana Hingorani	S	3,000	-	267,550	1.0
Mawana Sugars	Reliance Growth Fund	S	200,100	0.5	1,311,057	3.1
Parekh Aluminex	Merrill Lynch Capital Mkts Espana Sa Sv	B	125,000	1.8	445,294	6.4
Patel Engineering	Silloo Patel	S	6,000	-	546,665	0.9
Rap Media	Ritika Arora Handa	S	7,300	-	-	-
Rap Media	Daljeet Kaur Arora	S	42,853	-	364,447	6.2
Selan Exploration Technology	Merrill Lynch Capital Mkts Espana Sa Sv	S	7,198	0.1	493,030	3.4
Southern Online Bio Technologies	C R Sridevi	S	1,900	-	-	-
Ucal Fuel Syste	S Muthukrishnan	B	1,979	-	23,031	0.2

Scrip	Acquirer/Seller	Buy/Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Vakrangee Softwares	Morgan Stanley Mauritius Co &Pac	B	300,000	1.6	1,497,880	7.8
Welspun -Gujarat Stahl Rohren	Copthall (M)Inv&Bluebay (M)Inv	B	10,000,000	-	10,000,000	5.8
XI Telecom & Energy	Jm Financial Mutual Fund	B	800,000	5.5	800,000	5.5

Source: BSE

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### Recommendation parameters

	Returns	Absolute
Large-caps*	> 10%	< - 5%
	BUY	SELL
Mid-caps**	> 25%	< 10%

\*Market cap over US\$ 1bn \*\*Market cap less than US\$ 1bn

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