

April 20, 2007
FOR PRIVATE CIRCULATION
Equity

	19 Apr 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	13,620	(0.4)	7.2	(4.0)
Nifty	3,998	(0.3)	8.1	(2.3)
Banking	6,849	0.6	8.9	(8.5)
IT	3,643	(0.9)	4.0	(1.9)
Healthcare	3,773	0.3	7.0	(2.9)
FMCG	1,811	0.5	11.2	(7.2)
PSU	6,243	(0.7)	10.8	0.4
CNX Midcap	5,113	(0.1)	8.3	(3.2)
World indices				
Nasdaq	2,505.4	(0.2)	4.0	2.2
Nikkei	17,372	(1.7)	1.7	0.9
Hangseng	20,300	(2.3)	6.1	1.0

Value traded (Rs cr)

	19 Apr 07	% Chg - 1 Day
Cash BSE	4,037	5.4
Cash NSE	8,194	(4.7)
Derivatives	33,551	20.0

Net inflows (Rs cr)

	18 Apr 07	% Chg	MTD	YTD
FII	640	(1)	3,604	10,762
Mutual Fund	19	108	(30)	(3,287)

FII open interest (Rs cr)

	18 Apr 07	% chg
FII Index Futures	16,775	4.9
FII Index Options	8,370	3.0
FII Stock Futures	17,207	1.1
FII Stock Options	90	1.2

Advances/Declines (BSE)

	19 Apr 07	A	B1	B2	Total	% Total
Advances	101	312	369	782	44	
Declines	110	394	439	943	53	
Unchanged	1	13	41	55	3	

Commodity

	19 Apr 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	61.8	(2.1)	9.3	18.9
Gold (US\$/OZ)	683.0	(1.0)	3.9	7.7
Silver (US\$/OZ)	13.7	(2.1)	3.1	6.7

Debt/forex market

	19 Apr 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.09	8.11	8.08	7.83
Re/US\$	42.1	42.0	44.1	44.3

Sensex


Source: Bloomberg

ECONOMY NEWS

- The Government has asked state-owned banks to temper credit growth, surging at 30%, as well as rebalance their portfolios. The Finance Minister asked banks to moderate credit growth to high-risk sectors and cautioned against mobilizing bulk deposits at high costs. (ET)
- The annual foreign trade policy for 2007-08 has managed to please exporters across the board by announcing refund of service tax on export goods. The move would cost the exchequer an estimated Rs.5.5 bn annually. (ET)
- The Government has notified the enhancement of FDI in telecom from 49% to 74%. All companies have been given three months to comply with the revised norms and, thereafter, compliance reports will have to be submitted on a six-monthly basis. (ET)
- The Union Finance Ministry's plans to boost the central excise duty collections from pharmaceutical products, through a correction in the duty evaluation criteria two years ago, seems to have backfired as the collections hit a three-year low in 2006-07. (BS)
- The Government has urged the RBI to direct scheduled commercial banks to earmark at least 50% of the export credit finance for small and medium exporters. (BL)
- The India Meteorological Department has said the total rainfall in the country in the ensuing monsoon season (June to September) would be 95% of the long-period average rainfall with a prediction error of 5%. (BS)

CORPORATE NEWS

- **ACC** has reported a 54.5% rise in first-quarter net profit to Rs.3.64 bn as prices remained strong and costs fell. Net sales realization, which is the net revenue earned per ton of cement sold, jumped 26%, while operating margin climbed 600 basis points to 30.3%. (ET)
- **Biocon** has posted a consolidated net profit of Rs.610 mn for the fourth quarter ended March 31, 2007, up 27% from Rs.480 mn posted in the year-ago quarter. The company's revenues grew 30% to Rs.2.79 bn from Rs.2.15 bn a year ago. (ET)
- The shareholders and creditors of **IPCL** have approved the merger of the company with **Reliance Industries**. Shareholders as well as both secured and unsecured creditors, at a court-convened meeting on April 14, approved the merger, IPCL informed BSE. (ET)
- **HCL Technologies** and Riyadh-based Advanced Electronics Company have signed an agreement to implement IT projects in Saudi Arabia. (ET)
- **Reliance Industries** has discovered 'significant' amounts of gas in an offshore block in Saurashtra. Reliance has intimated the Directorate General of Hydrocarbons about the discovery, a source said. (BS)
- **Infosys BPO** is planning to scale up its presence in Manila by setting up its own delivery center soon. Infosys BPO plans to use the Manila facility to serve the US clients in both voice and non-voice processes. (BL)
- The Pune-based **Praj Industries**, a Rs.6-bn biotechnological solution provider, will enter into a 60:40 joint venture with Netherlands-based Aker Kvaerner Netherlands BV. It is also looking to acquire a Brazilian company to establish a foothold there. (BL)
- Direct to home operator and Zee Group company, **Dish TV** has announced a Rs.5-bn investment in its distribution business to face competition that would unfold in the segment shortly. (ET)

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

FROM OUR RESEARCH TEAM

INITIATING COVERAGE

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NUMERIC POWER SYSTEMS LTD

PRICE : Rs.350
TARGET PRICE : Rs.615

RECOMMENDATION : BUY
FY09E PE(x) : 4.9x

Numeric Power Systems Ltd (NPSL) is a leading manufacturer of uninterrupted power supply (UPS) systems and power conditioners in India. The company has a diverse range of products to suit different industries like IT, telecom, banking, insurance, healthcare, SMEs and domestic households. Currently, the company has six manufacturing facilities in the south and one in the north, thereby catering to mass markets. With more businesses requiring technological solutions and sophisticated electrical equipment, the need for power protection systems for continuous and quality power is increasing at a very rapid pace.

The strong demand for the products of the company coupled with an increasing focus towards servicing of equipment and a tie-up with Socomec SA of France, which is Europe's leading switchgear and UPS systems company, is expected to lead to a significant rise in revenues and profitability for the company, going forward. With a significant international presence through its subsidiaries and marketing points we believe NPSL is a growing multinational in the power management solutions arena. We are positive on the growth prospects of the company. Therefore, we are initiating coverage with a BUY recommendation on NPSL with a price target of Rs. 615 (76% upside potential) over a 12-month horizon, which is based on the DCF method of valuation.

Consolidated summary table (year end Mar)

Rs mn	FY06	FY07E	FY08E	FY09E
Sales	2,331	2,987	3,493	4,020
Growth (%)	(7.1)	28.1	16.9	15.1
EBITDA	253	326	404	498
EBITDA margin (%)	10.8	10.9	11.6	12.4
Net profit	198	245	293	362
Net debt	28	60	11	(111)
EPS (Rs)	39.5	49.0	58.1	71.6
Growth (%)	(8.9)	24.0	19.8	23.4
DPS (Rs)	2.0	2.0	2.0	2.0
ROE (%)	22.0	24.2	23.2	23.0
ROCE (%)	24.7	27.2	27.9	29.9
EV/Sales (x)	0.8	0.6	0.5	0.4
EV/EBITDA (x)	7.1	5.6	4.4	3.3
P/E (x)	8.9	7.1	6.0	4.9
P/BV (x)	1.9	1.6	1.3	1.0

Source: Company & Kotak Securities - Private Client Research

Key investment rationale

- **Robust GDP growth to lead to higher growth in user industries.** The Indian GDP is growing at above 8% and is expected to continue to grow at such rates, if not higher, for the visible future. This has led to the formation of a growing Indian middle class, which is the main consumption class. The per capita consumption of power in India is very low at 606 kwh as against a global average of 3000 kwh. On the corporate side, the demand for power is likely to be primarily led by hi-tech equipment, data storage and automation that are happening across the country. This would translate into higher demand for conditioned power and also high quality and continuous power.
- **India faces significant power deficit & voltage fluctuations - Opportunity for NPSL.** India faces an energy deficit of 9.3% and peak deficit of 13.9%. This is likely to get worse with the development of malls, multiplexes and changing lifestyle of Indians. However, there is not much spare power capacity available in the country. Also, the quality of power is the big question in India. There are several outages and voltage fluctuations in power supply, which could damage critical equipment and result in loss of data. This provides an opportunity to NPSL as UPS provides continuous and conditioned power to the critical equipments.
- **Reputed client list.** The company enjoys the confidence of reputed clients like Infosys, Intel, Veritas, HDFC, Citibank, ICICI, RBI, NIC, Reliance, ABB, BMW, Nokia to name a few across user industries, which it serves. In the IT segment, the company commands almost 60% market share. In banking, almost 82% of the ATMs out of 22000 odd in the country are fitted with UPS supplied by NPSL. The company enjoys a superior relationship with Siemens and Phillips for medical equipment in the healthcare segment.
- **Tie-up with Socomec SA of France.** In order to move to high value-added products, which command better pricing power, the company has formed a JV with Socomec SA of France, which is Europe's leading switchgear and UPS systems company. With the Socomec alliance, NPSL plans to undertake retail trading of the Socomec brand of UPS of more than 10 KVA with three-phase input and output along with related accessories on a national scale. Socomec has a turnover of more than €230 mn and has a 30% market share in Europe.

We recommend a BUY on NPSL with a price target of Rs.615 (upside 76%)

- **New Parwanoo plant to jack up revenues, profitability.** The company successfully set up a new plant at Parwanoo, Himachal Pradesh with a capacity to manufacture UPS of up to 20000 KVA per annum. The unit has commenced commercial production since September 2005. The plant has stabilized its operations in FY07 and we feel the full potential of the plant would be realized in the following years.
- **High-margin service business growth to raise overall EBIDTA margins.** NPSL provides services such as annual maintenance contracts of UPS and power conditioners of not only its own brands but also for other brands. The company has 174 service locations across the country and provides round-the-clock services to its customers almost anywhere in the country. The service business is typically a high-margin business for NPSL. Hence, it is now laying more emphasis on the growth of the service department.
- **Integrated player in power protection systems.** In FY06, NPSL implemented an auxiliary power systems project for Power Grid Corporation for all northeastern states. This is a turnkey effort by the company involving design, supply and installation of total power conditioning systems. With this project, the company has elevated itself to an integrated player in the power protection systems and this would act as a reference point for more such projects in future.
- **Focus on exports.** The company has been steadily exporting its products to various countries like Canada, UK, China, South America, Singapore, Mauritius and Africa. Typically exports have higher operating margins than the domestic business of UPS. The company is also looking to expand its presence in Africa and it may go for some acquisition or JV in the future.
- **Market leader; bags numerous awards.** The company has been the market leader in the UPS segment with an overall market share of 15.9% as ranked by Frost and Sullivan. The company has the distinction of being declared the "No.1 Online UPS Manufacturer in India" for the last three years at the Soft Disk award and also being "Soft Disk No. 1 power electronic company of the year" for the past fourteen consecutive years.
- **Robust growth in sales and profits.** The net sales of the company have grown at a CAGR of 28.6% from Rs.852 mn in FY01 to Rs.2.3 bn in FY06. The net profits of the company have grown at a CAGR of 39.1% from Rs.53 mn in FY01 to Rs.198 mn in FY06. We expect the net sales of the company to grow at a CAGR of 19.9% from Rs.2.3 bn in FY06 to Rs.4.0 bn in FY09E and net profits to grow at a CAGR of 22.4% from Rs.198 mn in FY06 to Rs.362 mn in FY09E.
- **Attractive valuations.** At the current price of Rs. 350, the stock is trading at very attractive valuations of 6.0x FY08E and 4.9x FY09E earnings estimates. We feel the valuation is attractive due to NPSL's strong track record and good future potential due to the expanded capacity and growth in demand, which is expected to lead to growth in terms of revenues and profitability, going forward.

Key Risks

- NPSL is the leader in the UPS segment. Any move by the other players of reducing prices to capture the market share could impact the revenues and thus impact overall profitability of the company.
- Copper, aluminum, steel and lead are the main raw materials for the company. Thus, any increase in prices, which cannot be passed on to the customers could impact the profitability of the company. To overcome this situation, the company is gearing up to the advanced technological levels to reduce the metal based inputs into the products and thereby control the overall cost of production.
- NPSL imports 70-80% of its requirements of batteries used in its products. Thus, the company is exposed to foreign currency risks. However all competitors are in a similar situation and, hence, it would not cause a major dip in the margins of the company.

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
19-Apr	Artson Engi	Hardik Trading Co	B	86,254	44.30
19-Apr	Asian Oilfie	Pratap Bhan Arora	S	50,000	44.85
19-Apr	Assambrook	K M Parekh HUF	B	36,061	19.84
19-Apr	Bihar Tubes	Aap Investments	B	60,000	143.10
19-Apr	Deep Inds	Vishal Minda	S	105,000	62.95
19-Apr	DH Weld Elec	Religare Securites Ltd Ca	B	30,117	26.62
19-Apr	Empower Inds	Pradeep Bhat	B	40,000	13.66
19-Apr	Empower Inds	Dharmendra H Bhojak	S	52,650	13.66
19-Apr	Federal Bank	HSBC Financial Services	B	1,874,683	240.00
19-Apr	Federal Bank	International Finance Cor	S	1,874,683	240.00
19-Apr	Gemstone Inv	Supreme India Cottex Pvt	B	25,000	20.49
19-Apr	Gemstone Inv	Mala Hemant Sheth	B	50,000	20.12
19-Apr	Gemstone Inv	Sushila Premchand Shah	S	100,000	20.38
19-Apr	Intern Diamo	Ravindra Mandava	B	415,000	10.69
19-Apr	Intern Diamo	Hasmukh Purshottam	B	35,000	10.43
19-Apr	Intern Diamo	Sanjeev Arora	S	214,507	10.55
19-Apr	Intern Diamo	Dipakkumar Chandrakant Sh	S	50,000	10.69
19-Apr	Intern Diamo	Nayanbhai Rameshchandra S	S	44,991	10.67
19-Apr	Jagjanani	Jayesh Kuwadia	S	100,000	23.51
19-Apr	Jaisal Secur	Canox Trading Pvt Ltd.	B	41,000	26.65
19-Apr	JJ Exporter	Sunita Bonds And Holdings	B	109,300	57.50
19-Apr	JJ Exporter	Nupur Carpets Pvt Ltd	B	88,480	57.53
19-Apr	JJ Exporter	Savita Dhandhania	S	155,816	57.50
19-Apr	JJ Exporter	P.K Jhunjunwala HUF	S	109,373	57.50
19-Apr	Modison Meta	Arena Textiles and Ind. Ltd	B	20,070	396.62
19-Apr	Oriental	Anil Amrutlal Gandhi	S	121,515	24.00
19-Apr	Pruden Pharm	Accord Capital Markets Ltd	B	287,473	11.33
19-Apr	Pruden Pharm	Madhu Devi Saraf	S	287,473	11.33
19-Apr	Pyramid Saim	Rbafinanceandinvestmentco	B	143,868	343.60
19-Apr	Ritesh Indus	Shivalik Securities Ltd	B	83,799	57.39
19-Apr	Shiva Cement	Shilpi K Modi	B	510,849	10.48
19-Apr	Soma Tex Ind	Lilac Farms Pvt Ltd	B	239,105	33.08
19-Apr	Vertex Secur	Vinayak Maruti Bhanage	S	40,000	24.75
19-Apr	Visu Intl	Lilac Farms Pvt Ltd	S	194,134	13.06

Source: BSE

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
SBI	1,053	1.9	2.0	2.2
Reliance Ind	1,492	0.5	1.9	2.2
ITC	159	1.4	1.6	5.3
Losers				
Infosys Tech	2,040	(1.8)	(4.1)	1.6
ONGC	896	(1.1)	(4.0)	1.2
Wipro	576	(1.7)	(2.8)	1.0

Source: Bloomberg

Forthcoming events

COMPANY/MARKET	
Date	Event
20-Apr	Exide Industries, Satyam Computers, Merck, Gujarat Ambuja Cements, Wipro, IDBI to announce earnings and dividend; M&M to consider funds raising plans
21-Apr	Titan Industries to announce earnings and dividend; Zee Entertainment earnings expected
23-Apr	Power Finance Corporation, Rolta India, Bank of India earnings expected; Reliance Capital to announce earnings and dividend; Central Bank holds press conference to discuss on earnings
24-Apr	Hexaware Technologies, MTNL earnings expected; Maruti Udyog to announce earnings and dividend; Sun TV to consider bonus issue; HDFC Bank to announce earnings and dividend
25-Apr	Godrej Consumer to announce earnings and dividend; IDFC, Grasim, Glenmark Pharma, Alfa Laval India, Maharashtra Seamless, Nalco, Idea Cellular earnings expected; Reliance Energy, Dena Bank to announce earnings and dividend
26-Apr	ABB Ltd, SKF India, Wockhardt, Nicholas Piramal, Escorts earnings expected
27-Apr	Earnings expected: Alok Industries, GlaxoSmithKline Consumer Healthcare; Glaxo SmithKline Pharma, Ranbaxy, Polaris Software, FACT, Bharti Airtel, Concor, Hindustan Construction and HCL Infosys

Source: Bloomberg

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