

May 22, 2007

FOR PRIVATE CIRCULATION

Equity

	21 May 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	14,419	0.8	3.8	1.6
Nifty	4,261	1.1	4.3	4.0
Banking	7,681	1.0	11.1	7.0
IT	3,712	(0.3)	(0.3)	(3.6)
Healthcare	3,761	0.7	(0.8)	(0.7)
FMCG	1,911	2.0	5.5	2.3
PSU	6,806	1.6	7.1	12.0
CNX Midcap	5,590	1.0	8.3	8.1

World indices

	21 May 07	% Chg	1 Day	1 Mth	3 Mths
Nasdaq	2,578.8	0.8	2.1	2.1	
Nikkei	17,557	0.9	1.2	(2.5)	
Hangseng	20,928	0.1	1.8	0.6	

Value traded (Rs cr)

	21 May 07	% Chg - 1 Day
Cash BSE	5,403	19.1
Cash NSE	9,918	1.1
Derivatives	31,102.2	4.2

Net inflows (Rs cr)

	18 May 07	% Chg	MTD	YTD
FII (17 May)	1,061	862	82	13,050
Mutual Fund	(135)	(122)	632	(1,722)

FII open interest (Rs cr)

	18 May 07	% chg
FII Index Futures	14,380	1.8
FII Index Options	7,210	21.0
FII Stock Futures	18,644	2.4
FII Stock Options	103	5.3

Advances/Declines (BSE)

	21 May 07	A	B1	B2	Total	% Total
Advances	131	392	4,401	4,924	86	
Declines	78	299	395	772	13	
Unchanged	1	15	28	44	1	

Commodity

	21 May 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)		66.3	2.0	4.6
Gold (US\$/OZ)		663.3	0.2	(4.3)
Silver (US\$/OZ)		13.1	1.0	(6.5)

Debt/forex market

	21 May 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.2	8.2	8.1	7.9
Re/US\$	40.6	40.7	41.7	44.2

Sensex



Source: Bloomberg

ECONOMY NEWS

- The Government has said it is aiming to slow down the flow of foreign debt into the real estate sector through its recent curbs on external commercial borrowings. The Finance Ministry had earlier barred those setting up integrated townships from raising ECBs and made it difficult for small players to raise these borrowings by lowering the ceiling on interest rates to be paid on such debts. (BS)
- The Government is having a relook at the policy governing pre-initial public offer (IPO) sale of shares by real estate companies to foreign investors, which could see private placement of equity being classified as investment by financial institutions. (BS)
- The exclusive club of Organisation for Economic Cooperation and Development (OECD) countries might open its doors to India. The group has offered 'enhanced engagement' to five countries - India, Brazil, China, Indonesia and South Africa - with a view to possible membership. (ET)
- The Chinese government is mulling a proposal to impose new export tax on low value-added finished goods. A drop in Chinese exports is also likely to firm up global hot-rolled steel coil prices from present levels. (ET)

CORPORATE NEWS

- **Steel Authority of India (SAIL)** has posted a 54% increase in consolidated net profit at Rs.62.61 bn for the year ended March 31, 2007 when compared with Rs.40.68 bn for the year ended March 31, 2006. (BS)
- Real estate developer **Emaar MGF** has announced its tie up with Australia's Leighton Group to set up a joint venture construction company with an initial investment of up to \$150 mn. (BS)
- **Satyam Computer Services** has signed a multi-year, multi-disciplinary service agreement with British aircraft manufacturer Hawker Beechcraft Corporation (HBC). (BS)
- Media conglomerate **TV18 group** is likely to sign an agreement with US entertainment major Viacom to float a general entertainment joint venture. The 50:50 venture is likely to be signed during the visit of Viacom CEO and President Phillippe P Dauman, industry sources said. BS
- Facing de-recognition of its special economic zone at Hazira in Gujarat, corporate house **Essar** has told the government it had invested just Rs.670 mn out of the total project cost of Rs.10 bn in its steel facility before it received the SEZ approval. (BS)

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

RESULT UPDATE

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EVEREST KANTO CYLINDERS

PRICE : Rs.1145
FY09E PE : 17.6x

RECOMMENDATION : BOOK PROFITS

The results of Everest Kanto Cylinders are slightly above estimates. We maintain our FY08E and FY09E earnings estimates. However, we continue to recommend our Book Profits call, as the stock is fairly valued even on FY09E estimates.

Key Highlights for Q4FY07

- On a consolidated basis, EKC reported net sales of Rs.4.2 bn in FY07 as against Rs.2.3 bn in FY06, thereby recording strong YoY revenue growth of 80.5%. This is primarily driven by strong volumes from its Gandhidham facility that was commissioned in the fourth quarter of FY06.
- EBIDTA margin during FY07 was up by 190 bps at 26.9% on a YoY basis. This was primarily due to lower raw materials to sales ratio and lower other expenditure to sales ratio at 14.5% in FY07 as against 15.9% in FY06. EKC is able to fully pass on the hike in raw material prices, thereby keeping its margins intact. Also, higher capacity utilization has led to greater operational efficiency leading to lower cost per unit and increasing profitability.
- Depreciation rose 82.2% on a YoY basis to Rs.177.8 mn in FY07 due to the addition of the Gandhidham facility with a capacity to produce 3.4 lakh cylinders per annum.
- Interest cost also increased 41.1% on a YoY basis to Rs.53.2 mn in FY07 due to additional working capital requirements for the Gandhidham facility.
- PBT for FY07 doubled to Rs.953.4 mn over Rs.475.5 mn in FY06.

Summary table - Consolidated

(Rs mn)	FY07	FY08E	FY09E
Sales	4,250.5	6,180.9	7,716.2
Growth %	80.5	45.4	24.8
EBITDA	1,144.7	1,717.4	2,180.9
EBITDA margin %	26.9	27.8	28.3
Net profit	717.5	997.2	1,269.0
Net cash (debt)	96.7	(444.8)	(48.5)
EPS (Rs)	36.8	51.1	65.0
Growth %	106.0	39.0	27.2
CEPS	45.9	61.4	77.2
DPS (Rs)	5.0	5.0	5.0
ROE %	0.3	0.3	0.3
ROCE %	0.4	0.4	0.4
EV/Sales (x)	5.2	3.7	2.9
EV/EBITDA (x)	19.4	13.3	10.3
P/E (x)	31.1	22.4	17.6
P/Cash Earnings	25.0	18.6	14.8
P/BV (x)	8.3	6.2	4.7

Source: Company & Kotak Securities - Private Client Research

EKC Result update - Consolidated

Rs mn	FY07	FY06	YoY %
Net Sales	4,250.5	2,355.0	80.5
Increase / decrease in stock	(336.4)	(2.4)	13,916.7
raw materials	2,681.4	1,305.8	105.3
staff cost	144.2	89.4	61.3
other exp.	616.6	373.6	65.0
total exp.	3,105.8	1,766.4	75.8
EBIDTA	1,144.7	588.6	94.5
Other income	39.7	22.2	78.8
Depreciation	177.8	97.6	82.2
EBIT	1,006.6	513.2	96.1
Interest	53.2	37.7	41.1
PBT	953.4	475.5	100.5
Tax & deferred tax	235.9	140.6	67.8
PAT	717.5	334.9	114.2
Equity shares o/s (mn)	19.5	17.6	10.9
Ratios			
Operating profit margin (%)	26.9	25.0	up 170 bps
Raw Materials / Sales (%)	55.2	55.3	
Staff / Sales (%)	3.4	3.8	
Other Exp. / Sales (%)	14.5	15.9	
EPS (Rs)	36.8	19.0	93.2
CEPS (Rs)	45.9	24.6	
Tax / PBT %	24.7	29.6	

Source: Company

- For FY07, the company reported PAT of Rs.717.5 mn as against Rs.334.9 mn in FY06, thereby registering YoY growth rate of 114.2%. This translates into FY07 EPS of Rs.36.8 and CEPS of Rs.45.9.

Expansion plans

- The second unit of the Dubai plant has not yet become operational due to power problems. However, the management expects to sort out the power problems and commence commercial production at the second unit in Dubai by end of June 2007.
- The China plant with a capacity of 2 lakh cylinders per annum is expected to commence commercial production by December 2007. The management is also committed for the expansion of the China plant from 2 lakh to 1.5 mn cylinders per annum over a period of four years.
- The company has also approved an expansion and modernisation scheme with a projected outlay of approximately US\$ 60 mn. The funding for the proposed expansions is expected to be carried out by way of equity-linked instruments. However, as of now we do not know the exact plans for further expansion nor any specific details for raising of equity capital. Hence, we have not revised our earnings estimates.

Stock Split

- The company has approved the split in the face value of the shares from Rs. 10 to Rs. 2 each. Currently the company has 19.52 mn shares outstanding and hence post stock split the company would have 97.6 mn shares outstanding. However the stock split is subject to shareholders and other requisite approvals.

Valuation & Recommendation

- At the current price of Rs.1145, the stock is trading at 22.4x FY08E and 17.6x FY09E earnings estimates.
- We believe, at the current levels, the stock is fairly valued on FY08E and FY09E numbers.
- We recommend investors **Book Profits** at the current levels and wait for clarity on further expansions and fund raising plans.

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
21-May	ADLABS FILMS	BHUPATI CONSULTANCY SERVICES	B	4800000	528
21-May	ADLABS FILMS	MANMOHAN RAMANNA SHETTY	S	4800000	528
21-May	BAMPSL SECUR	LILAC FARMS PRIVATE LTD	S	374718	0.91
21-May	BHAGWATI BAN KAUSHIK SHAH SHARES SEC P L		B	156425	52.3
21-May	BHAGWATI BAN KAUSHIK SHAH SHARES SEC P L		S	156425	52.26
21-May	CUPID LTD	YOGESH AMBERKER	B	52714	57.56
21-May	CUPID LTD	YOGESH SAKHARAM AMBEKAR	S	45493	57.26
21-May	CUPID LTD	YOGESH AMBREKAR	S	62439	57.15
21-May	GVK POWERINF	T.ROWE PRICE NEW ASIA FUND	B	422983	402
21-May	KALPTARU	DHIREN R. SHETHIA	B	27638	69.03
21-May	KALPTARU	BHAVNA S. SETHIA	B	51713	69.05
21-May	KALPTARU	ASHLESH GUNVANTBHAI SHAH	B	88654	68.8
21-May	KALPTARU	KAMAL B. PAREKH	B	50000	66.5
21-May	KALPTARU	N C JAIN	B	55937	69.08
21-May	KALPTARU	URVI NIMESH CHITALIA	B	50100	67.63
21-May	KALPTARU	DHIREN R. SHETHIA	S	27638	68.88
21-May	KALPTARU	BHAVNA S. SETHIA	S	51713	68.99
21-May	KALPTARU	VIPULKUMAR PRAMODCH SHAH	S	63710	69.1
21-May	KALPTARU	ASHLESH GUNVANTBHAI SHAH	S	188399	67.94
21-May	KALPTARU	N C JAIN	S	55937	68.89
21-May	MEDIA VIDE L	BEYOND SECURITIES PVT LTD	S	190285	50.13
21-May	PVR LTD	SUNDARAM BNP PARIBAS MF	B	421200	222
21-May	PVR LTD	ICICI VENTURE FUND	S	228450	222
21-May	RAJ TELE	MBL AND COMPANY LIMITED	B	66458	261.88
21-May	RAJ TELE	H.J.SECURITIES PVT.LTD.	B	126725	263.17
21-May	RAJ TELE	MBL AND COMPANY LIMITED	S	66458	262.13
21-May	RAJ TELE	H.J.SECURITIES PVT.LTD.	S	126725	262.82
21-May	RAMAPAPER	HEMANT KUMAR GUPTA	S	51550	35.36
21-May	RAMAPAPER	HEMANT KUMAR GUPTA	S	55000	35.97
21-May	RAMA PUL PAP	DIVYA STOCK BROKING LTD	B	71947	63.79
21-May	RAMA PUL PAP	DIVYA STOCK BROKING LTD	S	85656	63.73
21-May	SANDUR MAN	RAMESH KUMAR JAIN	B	25000	47.15
21-May	SANDUR MAN	IDBI LTD	S	52000	47.19
21-May	TRIPEX OVER	HARDIK M MITHANI	B	168162	31.59
21-May	TRIPEX OVER	N C JAIN	B	49619	32.66
21-May	TRIPEX OVER	RAMABEN SHYAMBHAI PATEL	B	42000	32.68
21-May	TRIPEX OVER	HARDIK M MITHANI	S	158779	32.13
21-May	TRIPEX OVER	N C JAIN	S	54123	32.56
21-May	TRIPEX OVER	RAMABEN SHYAMBHAI PATEL	S	42000	31.22
21-May	UTV SOFTWARE	H.J.SECURITIES PVT.LTD.	B	161511	466.87
21-May	UTV SOFTWARE	H.J.SECURITIES PVT.LTD.	S	161511	467.06

Source: BSE

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Not Available				
Losers				
Not Available				

Forthcoming events

Source: Bloomberg

COMPANY/MARKET	
Date	Event
22-May	Alembic, Punjab Tractors, Bharat Forge to announce earnings and dividend
23-May	Punjab National Bank to announce earnings and dividend
24-May	Centurion Bank of Punjab, BPCL to announce earnings and dividend
25-May	IndusInd Bank to announce earnings
28-May	Mahindra & Mahindra, Indian Oil Corp to announce earnings and dividend
29-May	Hindustan Petroleum to announce earnings and dividend
30-May	Madras Cements, Tata Power Company to announce earnings and dividend
31-May	Ranbaxy Laboratories holds shareholders meeting
1-June	Tata Tea to announce earnings and dividend

Source: Bloomberg

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