

Equity	% Chg			
	22-Jan	1-day	1-mth	3-mth
India				
Sensex	16,730	(5.0)	(12.7)	(9.5)
Nifty	4,899	(5.9)	(15.0)	(10.5)
Global/Regional markets				
Dow Jones	11,971	(1.1)	(11.0)	(12.5)
Nasdaq	2,292	(2.0)	(14.8)	(18.1)
FTSE	5,740	2.9	(10.8)	(11.9)
Nikkei	12,994	3.4	(14.8)	(21.0)
Hang Seng	22,930	5.4	(17.0)	(21.9)

Value traded (Rs bn)	BSE	NSE
Cash	68.6	206.3
Derivatives	0.2	443.1
Total	68.8	649.4

Net inflows (Rs bn)	Recent trends (days)			
	21-Jan	-7d	-15d	-30d
FII	(24.3)	(77.3)	(59.9)	(31.3)
MF	20.0	6.8	21.6	50.1

Forex / Crude	% Chg			
	22-Jan	1-day	1-mth	3-mth
Rs/US\$	39.5	0.0	(0.1)	0.3
Euro/US\$	1.5	0.0	1.6	2.6
Crude(\$/bbl)	89.3	0.1	(4.3)	4.7

Mkt movers (Rs)	Close	Pr. Cl.	% Chg
Top gainers			
Amara Raja	221.5	186.4	18.8
BL Kashyap	1,836.0	1,669.5	10.0
Indian Bank	197.3	186.5	5.8
Top losers			
Sterlite Optical	158.0	229.9	(31.3)
Peninsula Land	72.1	100.9	(28.5)
Neyveli Lignite	117.8	164.8	(28.5)

In focus

ICICI Bank – Results Update

In-line results; target raised on higher subsidiary value CMP: Rs 1,125 Target: Rs 1,478 **BUY**

Sasken Communication Tech – Results Update

Disappointing quarter; challenging future: Sell CMP: Rs 276 Target: Rs 235 **SELL**

News track

- ❖ India's total telecom subscriber base stands at 272.9mn at the end of December, after 8.2mn additions during the month. The overall teledensity stood at 23.9% at the end of December 2007, against 23.2% in November. (ET)
- ❖ The Reliance Energy-led consortium has won the bid to construct the high speed metro rail between New Delhi's International Airport and New Delhi Railway Station, a project estimated to cost Rs 38bn. (BS)
- ❖ Nicholas Piramal has acquired the pharma business of Bangalore-based Healthline Private Ltd for Rs 150mn. (BL)
- ❖ Cambridge Technology Enterprises (CTE) has entered into an acquisition agreement with Q-Soft Systems and Solutions, a privately-held Bangalore-based company, for an undisclosed amount. (BL)
- ❖ Punjab National Bank may exit from the joint venture with Principal Financial Group in the asset management and insurance broking businesses. (BS)
- ❖ Wockhardt Hospitals will raise Rs 7bn from its IPO which opens on January 31. (BS)
- ❖ Subex Azure has won a contract to provide fraud management and revenue assurance solutions for Umniah. (BL)

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

Volume shockers

Delivery toppers

(No of shares)	22-Jan	2-mth avg	Chg (x)	Company	Del (%)	Tot. vol	Cons days
Asian Paints	889,231	47,935	18.6	Aban Offshore	84.4	384,255	(7)
Amtek Auto	561,722	97,609	5.8	ABB India	70.6	722,531	(8)
Megasoft	346,458	61,639	5.6	Alstom Projects	78.9	144,646	(6)

ICICI Bank



Results Update

CMP: Rs 1,125

Target: Rs 1,478

BUY

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BSE code:	532174
NSE code:	ICICIBANK

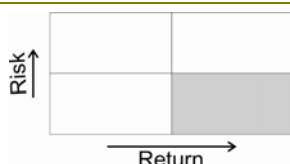
Company data

Particulars	
Market cap (Rs bn / US\$ bn)	1313/33.5
Outstanding equity shares (bn)	1.1
52-week high/low (Rs)	1465/791
Quarterly average daily volume	632799

Financial snapshot

Particulars	FY07	FY08E	FY09E
NII (Rs bn)	66.4	87.7	113.8
Growth (%)	40.9	32.2	29.8
Adj net profit (Rs bn)	31.1	41.6	54.6
Growth (%)	22.2	33.8	31.3
FDEPS (Rs)	34.6	37.2	48.8
Growth (%)	20.9	7.5	31.3
P/ABV (x)	4.5	2.9	2.7
ROE (%)	13.4	11.7	11.2

Risk-return profile



Shareholding pattern

(%)	Dec-07	Sep-07
Promoters	-	-
FIs	70.3	70.2
Banks & FIs	16.9	16.0
Public	12.8	13.8

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Ibank	1127	(2.6)	6.1	14.4
Sensex	16,730	(12.5)	(4.8)	7.7
Bankex	10,186	(5.0)	12.9	21.5

Company website	www.icicibank.com
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In-line results; target raised to capture higher subsidiary value

ICICI Bank's Q3FY08 results were in line with expectations, barring net profit which came in 10% above our estimate due to a lower tax charge during the quarter. As expected, the pace of overall business growth has begun to moderate, while the expansion of international business (which earns low margins) resulted in flattish NIMs, despite the availability of equity proceeds.

The deterioration in asset quality continues to be a cause for concern. However, the focus on raising CASA deposits as well as aggressive branch expansion are positives for the bank. Further, the subsidiaries are performing well and would unlock substantial shareholder value, especially with the forthcoming listing of ICICI Securities. We continue with our Buy recommendation on the stock with an upgraded target price of Rs 1,478 (from Rs 1,435) to capture higher value from subsidiaries.

Actual vs estimated performance

(Rs bn)	Actual	Estimated	% Variance
NII adj for amortisation exp	19.6	19.0	2.9
PPP	22.6	22.6	0.1
PAT	12.3	11.2	10.1
EPS (Rs)	11.0	10.0	10.1

Source: Company, Religare Research

Quarterly results

(Rs bn)	Q3FY08	Q3FY07	% Chg YoY	Q2FY08	% Chg QoQ
Int on advances	57.5	41.7	38.1	55.7	3.2
Inc on investments	19.6	13.2	48.6	18.2	7.8
Int on bal with RBI	2.0	1.2	71.4	1.2	60.4
Interest income	79.1	56.0	41.3	75.2	5.3
Interest expenses	59.5	41.2	44.6	57.3	3.9
Net interest income	19.6	14.9	32.0	17.9	9.7
Other income	24.3	19.8	22.5	20.7	17.1
Total income	43.9	34.7	26.6	38.6	13.7
Operating exp	21.3	17.1	24.2	19.7	8.0
PPP	22.6	17.5	28.9	18.9	19.7
Provisions & write-off	7.6	6.7	14.0	6.4	18.0
PBT	15.0	10.9	38.1	12.4	20.6
Taxes	2.7	1.8	53.1	2.4	11.7
PAT	12.3	9.1	35.2	10.0	22.7
Cost-Income ratio (%)	48.5	49.4	-	51.1	

Source: Company, Religare Research

Result highlights

Loan growth has moderated from 34% in FY07 to 24%

NII expands 32% as CASA deposit base expands; NIM flat at 2.3%

ICICI Bank's net interest income (NII) grew 32% YoY to Rs 19.6bn. Adjusted for amortisation expenses, however, NIM remained flat at 2.3%. In line with the management's business strategy, loan growth has moderated from 34% in FY07 to 24% during the quarter. Retail loans grew just 12.2% YoY whereas the bank's international loan portfolio expanded 115% YoY. The flattish trend in the net interest margin (NIM) could be on account of aggressive international lending, which earns lower margins.

The growth in NII was led by an increase in the proportion of CASA deposits and an enlarged asset base. Deposits grew 16.7% YoY, with CASA deposits accounting for 27% of the total (33% for 9mFY08), up from 22.6% in Q1FY08. ICICI Bank is likely to set up close to 400 new branches over the next six months. This would continue to drive the growth in CASA deposits, thereby boosting NII growth.

Strong growth in fee income

The bank's non-interest income increased 22.5% YoY to Rs 24.3bn, with fee income contributing 74%. During the quarter, fees expanded 32.7%. Treasury income, however, dipped 9% YoY on account of a mark-to-market loss of Rs 1.5bn of on the bank's CDO/CLN exposure.

Asset quality continues to deteriorate

Gross NPAs have increased 66% YoY to Rs 64.7bn, now accounting for 3% of total loans as compared to 2.1% a year ago. Retail lending accounted for 64% of the gross NPAs. Net NPAs stood at Rs 32.3bn, which is 1.5% of the loan book. Consequently, the bank's loan loss provisions increased 31% YoY to Rs 6.3bn (excluding standard asset provisioning of Rs 640mn).

Steady growth from subsidiaries

- ❖ ICICI Bank's life insurance subsidiary maintained its robust growth momentum. ICICI Prudential Life reported a NBP (new business profit) of Rs 7.5bn in 9mFY08 as compared to Rs 5.4bn a year ago. The NBP margin stood at 19.3% at the end of December 2007.
- ❖ ICICI Lombard, the bank's general insurance arm, reported a PAT of Rs 1.2bn in 9mFY08 compared to Rs 490mn in 9mFY07.
- ❖ ICICI Prudential AMC recorded Rs 692.3bn in assets under management (AUM) at the end of December. PAT increased 127% YoY to Rs 0.8bn in 9mFY08.
- ❖ ICICI Bank's board has approved the capital raising plans of its securities arm, ICICI Securities, through an IPO and private placement. The company press release also states that ICICI Bank's equity dilution would be up to a maximum of 15% of the post-issue capital. ICICI Securities reported a PAT of Rs 710mn in Q3FY08, and Rs 1.1bn in 9mFY08.
- ❖ ICICI Venture Capital, the bank's private equity arm, reported a PAT of Rs 520mn in 9mFY08 with AUM of Rs 96.3bn. It has announced plans to increase the AUM to ~US\$ 10bn by FY10.

ICICI Securities to raise funds via an IPO and private equity placement

Valuation

Target raised to factor in higher valuations of ICICI Securities and ICICI Venture

Target upgraded to Rs 1,478 on higher subsidiary value; Buy

The forthcoming IPO from ICICI Securities will unlock significant shareholder value. Further, ICICI Venture Capital's aggressive plans to increase its AUM to ~US\$ 10bn by FY10 is ahead of our projections. We are therefore raising our sum-of-the-parts (SOTP) target price from Rs 1,435 to Rs 1,478 to factor in the higher valuations of both these subsidiaries. We maintain our Buy recommendation on the stock.

The stock is currently trading at P/ABV multiples of 2.7x and 2.5x on FY09E and FY10E respectively. At Rs 438/share, the value of subsidiaries and other investments comprises a substantial portion of ICICI Bank's fair value. The bank's core valuation of Rs 1,040/share is at a discount to other leading private banks. The lower valuation is primarily on account of lower margin and return ratio parameters.

Valuation summary

Particulars	Value per share (Rs)	Comment
Value of ICICI Bank (standalone)	1,039.9	2.3x ABV FY10E
ICICI Life Insurance*	246.0	17x NBAP FY10E
ICICI Lombard (General Insurance)*	51.7	6x BV FY10E
ICICI Prudential AMC*	43.3	12% of AUM FY10E
ICICI Securities	45.0	36x EPS FY09E
ICICI Venture Capital	35.0	20% of AUM FY10E
Other investments	17.4	-
SOTP valuation	1,478.3	-

Source: Religare Research

*After holding company discount of 20%

Management focus on maintaining cost of funds to boost ROE

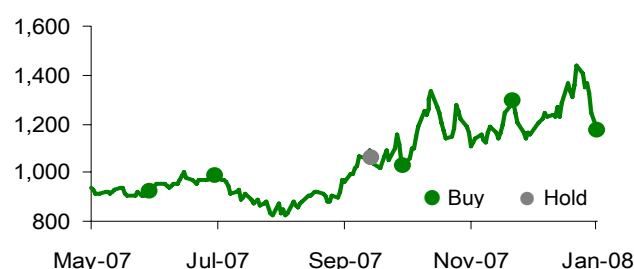
We believe ICICI Bank deserves higher valuations considering its position as the second largest bank in India, expected improvement in ROE over the next two to three years, and its stronghold in the private insurance business. Further, we see merit in the management focus on the liability side rather than on asset growth. We believe this will translate to higher CASA deposits, which will in turn boost margins and ROE. Our only concern is the deterioration in asset quality. A failure to check this would result in lower profitability.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
20-Jun-07	FPO Note	918	1,080	Subscribe
23-Jul-07	Results Update	985	1,080	Buy
5-Oct-07	Quarterly Preview	1,061	1,097	Hold
22-Oct-07	Results Update	1,024	1,215	Buy
13-Dec-07	Sector Update	1,290	1,435	Buy
23-Jan-08	Results Update	1,125	1,478	Buy

Source: Religare Research

Stock performance



Source: Religare Research

Standalone financials

Profit and Loss statement

(Rs bn)	FY07	FY08E	FY09E	FY10E
Interest earned	229.9	316.1	386.5	467.5
Interest expended	163.6	228.4	272.6	319.6
Net interest income	66.4	87.7	113.8	147.9
Growth (%)	40.9	32.2	29.8	29.9
Non-interest income	59.3	79.5	103.4	124.1
Comm, Exchange & Brokerage	43.3	57.4	75.5	98.1
Growth (%)	41.8	34.0	30.1	20.1
Operating expenses	66.9	85.1	107.7	137.1
Pre-provisioning profits	58.7	82.1	109.5	135.0
Growth (%)	51.1	39.7	33.4	23.3
Provisions & contingencies	22.3	28.4	36.7	39.1
PBT	36.5	53.7	72.8	95.8
Income tax, Interest tax	5.4	12.1	18.2	25.4
Net profit	31.1	41.6	54.6	70.4
Growth (%)	22.2	33.8	31.3	29.0

Source: Company, Religare Research

Balance sheet

(Rs bn)	FY07	FY08E	FY09E	FY10E
Cash in hand & bal with RBI	187.1	225.5	282.3	352.6
Balance with banks, Money at call	184.1	230.2	264.7	304.4
Investments	912.6	1,053.5	1,213.6	1,455.7
Advances	1,958.7	2,452.2	3,069.2	3,797.0
Fixed assets (net)	39.2	40.2	41.2	42.3
Other assets	164.9	206.1	257.7	322.1
Total assets	3,446.6	4,207.8	5,128.7	6,274.1
Equity capital	12.5	14.7	14.7	14.7
Reserves & surplus	234.1	459.3	496.0	548.6
Net worth	243.1	470.5	507.2	559.8
Deposits	2,305.1	2,717.4	3,401.3	4,248.1
Current deposits (a)	213.8	256.5	329.6	423.6
Savings bank deposits (b)	288.4	360.5	477.6	620.9
Term deposits (c)	1,803.0	2,100.4	2,594.1	3,203.7
Borrowings (incl sub-ord bonds)	706.6	834.5	998.3	1,196.3
Other liabilities & provisions	188.2	181.9	218.4	266.4
Total liabilities	3,446.6	4,207.8	5,128.7	6,274.1

Source: Company, Religare Research

Key ratios

Year-end March	FY07	FY08E	FY09E	FY10E
Per share data				
Shares outstanding (bn)	0.9	1.1	1.1	1.1
FDEPS (Rs)	34.6	37.2	48.8	62.9
DPS (Rs)	10.0	11.0	14.0	14.0
Book value (Rs)	274.2	423.4	456.2	503.2
Adjusted book value (Rs)	252.1	390.6	415.1	455.7

Valuation ratios

P/E (x)	32.6	30.3	23.1	17.9
P/BV (x)	4.1	2.7	2.5	2.2
P/ABV (x)	4.5	2.9	2.7	2.5

Earnings quality (%)

Net interest margin	2.4	2.5	2.6	2.8
Yield on advances	9.4	10.5	10.5	10.3
Yield on investments	7.4	7.6	7.6	7.6
Cost of funds	5.9	6.7	6.7	6.4
Cost/Income	53.2	50.9	49.6	50.4
Return on average net worth	13.4	11.7	11.2	13.2
Return on average assets	1.0	1.1	1.2	1.2

Growth ratios (%)

Net interest income	40.9	32.2	29.8	29.9
Other income	41.8	34.0	30.1	20.1
Total income	41.3	33.0	29.9	25.2
Pre-provisioning profit	51.1	39.7	33.4	23.3
Net profit	22.2	33.8	31.3	29.0
Advances	34.0	25.2	25.2	23.7
Deposits	39.6	17.9	25.2	24.9

Asset quality

Proportion of low-cost deposits (%)	21.8	22.7	23.7	24.6
Credit-Deposit ratio (x)	85.0	90.2	90.2	89.4
Investment/Deposit (%)	39.6	38.8	35.7	34.3
Net NPA ratio	1.0	1.5	1.5	1.4
CAR	11.7	14.6	12.3	12.6
Tier-I ratio	7.4	11.0	9.4	8.6

Source: Company, Religare Research

Sasken Communication Tech



Results Update

CMP: Rs 276

Target: Rs 235 ↓

SELL ↓

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BSE code	532663
NSE code	SASKEN

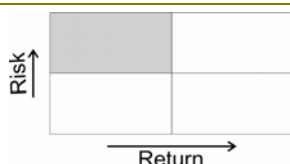
Company data

Particulars	
Market cap (Rs bn / US\$ mn)	7.9/200.0
Outstanding equity shares (mn)	28.6
52-week high/low (Rs)	584/257
2-month average daily volume	49,041

Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	4,750.8	5,552.3	6,310.8
Growth (%)	54.2	16.9	13.7
Adj net inc (Rs mn)	441.2	316.6	512.7
Growth (%)	92.5	(28.2)	62.0
FDEPS (Rs)	15.8	11.1	17.6
Growth (%)	81.7	(29.4)	58.0
P/E (x)	17.5	24.8	15.7
ROE (%)	10.9	7.3	11.3

Risk-return profile



Shareholding pattern

(%)	Dec-07	Sep-07
Promoters	26.3	26.3
FIs	18.5	17.2
Banks & FIs	11.2	12.3
Public	44.0	44.2

Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Sasken	276	(8.0)	(11.0)	(43.1)
Sensex	19,014	(0.8)	8.3	22.2
BSE IT	3,791	(12.3)	(19.1)	(23.0)

Company website	www.sasken.com
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Disappointing quarter; challenging future: Sell

Sasken Communication's Q3FY08 results were significantly below our as well as consensus estimates. The under-performance can be attributed to lower-than-expected volume growth and a decrease in royalty revenues during the quarter. Net profit declined by 73% QoQ to Rs 38.6mn. Excluding the one-time income of Rs 105mn in Q2FY08, net profit growth was flat QoQ. Though the adjusted EBITDA margin has improved by 152bps QoQ, the expansion fell short of our expectations. On a consolidated basis, the EBITDA margin came in 623bps below our estimate due to lower product revenues. The quarter registered product revenues of US\$ 2.4mn as against our expectations of US\$ 3.5mn.

The demand environment for the services segment remains challenging with key customer verticals still witnessing sluggish growth. On the product side as well, the inability to generate adequate revenues is raising concerns. We believe that the product division would break-even much later than we previously expected. In view of the quarter's under-performance and the sluggish growth prospects, we are downgrading our FY08 and FY09 earnings estimates for Sasken by 39.6% and 38.2% respectively. We believe the current risk-return profile does not favour investment in the sector and downgrade the stock to Sell.

Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	1,413.2	1,573.9	(10.2)
EBITDA	159.5	275.7	(42.2)
EBTIDA margin (%)	11.3	17.5	(623bps)
Net profit	38.6	154.0	(74.9)
FDEPS (Rs)	1.4	5.3	(74.5)

Source: Company, Religare Research

Quarterly results

(Rs mn)	Q3FY08	Q2FY08	% Chg QoQ	Q3FY07	% Chg YoY
Revenue	1,413.2	1,432.3	(1.3)	1,310.2	7.9
Gross profit	387.4	486.2	(20.3)	433.1	(10.6)
GPM (%)	27.4	33.9	-	33.1	-
EBITDA	159.5	234.6	(32.0)	194.0	(17.8)
EBITDA margin (%)	11.3	16.4	-	14.8	-
EBIT	55.2	131.4	(58.0)	133.1	(58.5)
EBIT margin (%)	3.9	9.2	-	10.2	-
Profit before taxes	75.1	200.0	(62.4)	153.9	(51.2)
Net profit	38.6	143.3	(73.1)	118.7	(67.5)
EPS (Rs)	1.4	5.0	(73.1)	4.2	(67.8)

Source: Company, Religare Research

Result highlights

Services and product revenues dipped 1.1% and 5.2% QoQ respectively

Revenue growth lower than expected

Sasken's revenues decreased 1.3% QoQ in Q3FY08 as against our expectations of 9.9% growth. The under-performance stemmed from below-par revenues in both the services and product segments, which witnessed a dip of 1.1% and 5.2% respectively. Excluding one-time income of Rs 105mn in Q2FY08, the services segment grew 7.3% QoQ. The under-performance in the product division is on account of lower royalty and licensing revenues, which registered a drop of 57% QoQ.

Uncertainty in product segment increases

Royalty revenues from the product segment continued to decrease for the second consecutive quarter. Uncertainty over the future growth of royalty revenues has risen as clients appear to be delaying their mobile phone launches. The company has already witnessed the cancellation of a product launch by a Chinese mobile vendor.

The management had earlier indicated that the product segment would achieve break-even in late FY08 or early FY09. Considering the current scenario we believe that it would be difficult to achieve break-even in the near future. Also, there could be write-offs in the segment which would further aggravate the situation.

Product break-even unlikely in near future; sluggish growth prospects in services

Downgrading FY08 and FY09 estimates

We are downgrading our revenue and EPS estimates for FY08 and FY09 to factor in the lower-than-expected quarterly performance, sluggish growth prospects in services, and lower revenues with higher losses expected from products in FY09. We are also lowering our margin estimates for FY08 and FY09 as we believe the company would find it increasingly difficult to improve margins in the face of lower volume growth, higher attrition levels and limited margin levers.

Our revenue estimates have been revised downwards by 7.6% and 21.9% for FY08 and FY09 respectively. The EPS estimates for these two years stand reduced by 39.6% and 38.2% respectively.

Revised estimates

(Rs mn)	FY08E			FY09E		
	Earlier	Revised	% Chg	Earlier	Revised	% Chg
Revenues	6,006.6	5,552.3	(7.6)	8,079.9	6,310.8	(21.9)
EBITDA	986.0	679.3	(31.1)	1,490.3	868.1	(41.8)
EBITDA margin (%)	16.4	12.2	(418bps)	18.4	13.8	(469bps)
Net income	526.7	316.6	(39.9)	839.6	512.7	(38.9)
FDEPS (Rs)	18.4	11.1	(39.6)	28.4	17.6	(38.2)

Source: Religare Research

Downgrade to Sell

Revising target price to Rs 235; downgrade to Sell

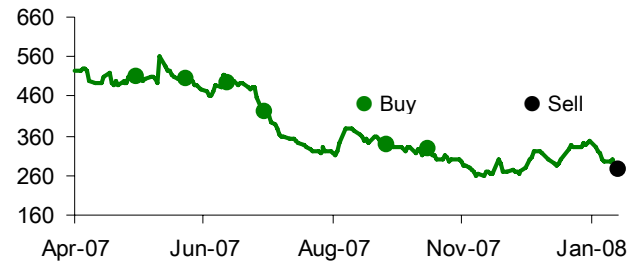
Following the under-performance in Q3FY08 and the significant downward revision of our estimates, we are downgrading the stock from Buy to Sell and reducing our target price from Rs 417 to Rs 235. At our target of Rs 235, the stock will trade at 13.4x its FY09E earnings of Rs 17.6. We maintain our negative outlook on the sector and believe that the risk-reward ratio does not favour investment.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
22-May-07	Initiating Coverage	507	647	Buy
18-Jun-07	Company Update	505	647	Buy
9-Jul-07	Sector Update	494	606	Buy
25-Jul-07	Results Update	418	516	Buy
25-Sep-07	Company Update	335	440	Buy
16-Oct-07	Results Update	329	417	Buy
22-Jan-08	Results Update	276	235	Sell

Source: Religare Research

Stock performance



Source: Religare Research

Consolidated financials

Profit and Loss statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Revenues	4,750.8	5,552.3	6,310.8	7,176.5
Growth (%)	54.2	16.9	13.7	13.7
EBITDA	755.0	679.3	868.1	1,173.8
Growth (%)	56.7	(10.0)	27.8	35.2
Depreciation	266.4	417.1	404.2	428.7
EBIT	488.5	262.2	463.8	745.1
Growth (%)	61.4	(46.3)	76.9	60.6
Interest	44.7	40.6	41.3	41.3
Other income	98.0	239.5	193.3	155.0
EBT	541.8	461.1	615.8	858.8
Growth (%)	48.3	(14.9)	33.6	39.5
Tax	100.6	144.5	103.1	231.9
Effective tax rate (%)	18.6	31.3	16.7	27.0
Net income (adjusted)	441.2	316.6	512.7	626.9
Growth (%)	92.5	(28.2)	62.0	22.3
Shares outstanding(mn)	28.2	28.7	29.5	29.5
FDEPS (Rs)	15.8	11.1	17.6	21.2
DPS (Rs)	4.0	5.0	6.0	7.0
CEPS(Rs)	25.1	25.6	31.1	35.8

Source: Company, Religare Research

Cash flow statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Net income	441.2	316.6	512.7	626.9
Depreciation	266.4	417.1	404.2	428.7
Other non-cash adjustments	-	128.6	-	-
Changes in working capital	(394.7)	(92.7)	(388.6)	(187.5)
Operating cash flow	313.0	769.6	528.4	868.1
Capital expenditure	(466.7)	(505.0)	(460.0)	(450.0)
Investments	1,497.0	-	-	-
Other investing inc/(exp)	(2,035.0)	-	-	-
Investing cash flow	(1,004.6)	(505.0)	(460.0)	(450.0)
Free cash flow	(691.7)	264.6	68.4	418.1
Issue of equity	112.7	201.5	87.0	-
Issue/repay debt	904.5	(90.0)	-	-
Dividends paid	(128.3)	(161.5)	(199.1)	(199.1)
Others	-	-	-	-
Financing cash flow	889.0	(49.9)	(112.1)	(199.1)
Beginning cash & cash equivalents	151.4	348.8	563.4	519.6
Change in cash & cash equivalents	197.3	214.6	(43.8)	218.9
Closing cash & cash equivalents	348.8	563.4	519.6	738.5

Source: Company, Religare Research

Balance sheet

(Rs mn)	FY07	FY08E	FY09E	FY10E
Cash and cash eq	348.8	563.4	519.6	738.5
Accounts receivable	1,108.2	1,247.6	1,408.5	1,474.6
Inventories	8.0	-	-	-
Others current assets	747.0	779.7	939.0	1,032.9
Current assets	2,212.0	2,590.7	2,867.1	3,246.1
LT investments	368.1	368.1	368.1	368.1
Net fixed assets	2,995.5	3,000.9	3,160.5	3,267.7
Other assets	339.0	196.0	6.3	6.3
Total assets	5,914.6	6,155.7	6,402.0	6,888.1
Payable	502.1	545.8	657.3	688.2
Others	275.8	303.4	333.8	373.8
Current liabilities	777.9	849.2	991.1	1,062.0
LT debt	916.0	826.0	826.0	826.0
Other liabilities	3.2	3.2	3.2	3.2
Equity capital	285.0	287.0	295.0	295.0
Reserves	3,932.5	4,190.3	4,286.7	4,701.9
Networth	4,217.5	4,477.3	4,581.8	4,997.0
Total liabilities	5,914.6	6,155.7	6,402.0	6,888.1
BVPS(Rs)	149.6	156.0	155.3	169.4

Source: Company, Religare Research

Financial ratios

	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	15.9	12.2	13.8	16.4
EBIT margin (%)	10.3	4.7	7.3	10.4
Net profit margin (%)	9.3	5.7	8.1	8.7
EPS growth (%)	81.7	(29.4)	58.0	21.0
Receivables (days)	85.1	82.0	81.5	75.0
Inventory (days)	0.6	-	-	-
Payables (days)	38.6	35.9	38.0	35.0
Current ratio (x)	2.8	3.1	2.9	3.1
Interest coverage (x)	10.9	6.5	11.2	18.0
Debt/equity ratio (x)	0.2	0.2	0.2	0.2
ROE (%)	10.9	7.3	11.3	13.1
ROCE (%)	10.8	6.8	10.3	11.9
ROAE (%)	8.3	4.3	7.2	10.8
EV/Sales (x)	1.8	1.5	1.3	1.2
EV/EBITDA (x)	11.2	12.4	9.7	7.2
P/E (x)	17.5	24.8	15.7	13.0
P/BV (x)	1.8	1.8	1.8	1.6
P/CEPS (x)	11.0	10.8	8.9	7.7

Source: Company, Religare Research

Recommendation tracker

Date	Company	Report type	Stock price (Rs)	Target (Rs)	Reco
10-Dec-07	Deep Industries	Initiating Coverage	216	401	BUY
11-Dec-07	Parsvnath Developers	Company Update	407	512	BUY
13-Dec-07	HDIL	Company Update	978	1,076	BUY
14-Dec-07	Adhunik Metaliks	Company Update	215	246	BUY
17-Dec-07	Jindal Drilling & Industries	Company Update	1,317	1,305	HOLD
18-Dec-07	Hero Honda	Company Update	702	745	HOLD
19-Dec-07	PVR	Company Update	313	391	BUY
24-Dec-07	Vishal Retail	Company Update	777	1,018	BUY
24-Dec-07	Mercator Lines	Initiating Coverage	115	177	BUY
24-Dec-07	K P R Mill	Initiating Coverage	165	212	BUY
26-Dec-07	Tata Metaliks	Initiating Coverage	163	234	BUY
27-Dec-07	Apar Industries	Initiating Coverage	347	458	BUY
27-Dec-07	REI Agro	Initiating Coverage	728	1,007	BUY
28-Dec-07	Gulf Oil Corp	Initiating Coverage	291	477	BUY
31-Dec-07	Bank of India	Company Update	365	400	HOLD
1-Jan-08	Indoco Remedies	Company Update	313	383	BUY
1-Jan-08	Gremach Infrastructure Equipments	Initiating Coverage	360	529	BUY
2-Jan-08	Venus Remedies	Company Update	565	708	BUY
3-Jan-08	Ganesh Housing Corp	Initiating Coverage	751	1,201	BUY
4-Jan-08	Tulip IT	Company Update	1,118	1,015	HOLD
4-Jan-08	Indian Bank	Initiating Coverage	212	257	BUY
4-Jan-08	Indian Overseas Bank	Initiating Coverage	201	241	BUY
4-Jan-08	Allahabad Bank	Initiating Coverage	138	167	BUY
8-Jan-08	Information Technology	Quarterly Preview	NA	NA	NA
9-Jan-08	Mahindra & Mahindra	Company Update	830	940	BUY
10-Jan-08	Axis Bank	Results Update	1,095	1,272	BUY
10-Jan-08	Prism Cement	Results Update	67	91	BUY
10-Jan-08	Bank of India	Company Update	400	457	BUY
11-Jan-08	South Indian Bank	Results Update	237	271	BUY
14-Jan-08	Infosys Technologies	Results Update	1,580	1,935	HOLD
14-Jan-08	Reliance Power	IPO Note	405 - 450	NA	SUBSCRIBE
14-Jan-08	Future Capital Holdings	IPO Note	700 - 765	NA	SUBSCRIBE
15-Jan-08	Elecon Engineering	Initiating Coverage	306	424	BUY
16-Jan-08	Indian Bank	Results Update	219	257	BUY
17-Jan-08	Apollo Tyres	Results Update	54	70	BUY
17-Jan-08	Tata Consultancy Services	Results Update	945	1,095	HOLD
17-Jan-08	J K Lakshmi Cement	Results Update	171	324	BUY
18-Jan-08	Shri Lakshmi Cotsyn	Results Update	151	300	BUY
21-Jan-08	Wipro	Results Update	461	455	SELL
21-Jan-08	Biocon	Results Update	539	654	BUY
21-Jan-08	Nicholas Piramal India	Results Update	331	369	HOLD
21-Jan-08	KPIT Cummins Infosystems	Results Update	115	107	SELL
22-Jan-08	Hindustan Construction Company	Results Update	196	333	BUY
22-Jan-08	Sasken Communication Tech	Results Update	276	235	SELL
23-Jan-08	ICICI Bank	Results Update	1,125	1,478	BUY

Market trends

BSE sectoral indices

	% Chg				Constituent performance
	22-Jan	1-day	1-mth	3-mth	
Automobiles	4,476	(4.1)	(19.2)	(17.9)	
Banks	10,158	(4.0)	(5.4)	6.2	
Capital Goods	16,453	(3.7)	(12.1)	(1.9)	
Comm. & Tech.	3,099	(3.6)	(17.9)	(22.0)	
Consumer Durables	4,924	(8.0)	(19.1)	(1.1)	
FMCG	2,000	(8.0)	(9.0)	(6.0)	
Healthcare	3,476	(6.1)	(18.1)	(9.8)	
IT	3,444	(3.6)	(20.3)	(25.7)	
Metal	14,114	(5.7)	(22.8)	(8.3)	
Oil & Gas	9,975	(10.1)	(18.5)	(7.1)	
Mid-caps	7,202	(8.6)	(20.2)	(4.7)	
Small-caps	10,028	(8.1)	(15.1)	9.8	

Number of companies: 

Emerging markets

Country	% Chg				
	22-Jan	1-day	1-mth	3-mth	6-mth
Brazil	56,097	4.4	(11.1)	(10.5)	(3.3)
Shanghai	4,605	1.0	(9.7)	(20.2)	9.3
Hong Kong	22,930	5.4	(17.0)	(21.9)	(1.9)
India	16,730	(5.0)	(12.7)	(9.5)	6.3
South Korea	1,637	1.7	(12.9)	(16.0)	(17.9)
Taiwan	7,503	(1.0)	(5.5)	(21.0)	(22.0)

FII statistics

(US\$ mn)	1-day	WTD	MTD	YTD
India	(601.3)	(601.3)	(1,483.8)	(1,483.8)
South Korea	(923.0)	(1,364.4)	(7,324.3)	(7,324.3)
Taiwan	(620.1)	(834.4)	(1,877.9)	(1,877.9)
Thailand	(4,861.7)	(171.8)	(171.8)	(171.8)

Events calendar

Quarterly results

January 23, 2008		24	25
Fortis Healthcare		3i Infotech	Dr. Reddy's Laboratories
Chennai Petroleum Corporation		South Asian Petrochem	GIPCL
Sonata Software		Honeywell Automation India	Ashok Leyland
MRO - TEK		Sun Pharma Advanced	ICRA
Mid-Day Multimedia		Mysore Paper Mills	Tvs Motor
Ballarpur Industries		GMR Infrastructure	Century Textiles & Industries
Bank of Maharashtra		Gemini Communication	Zee News
26	27	28	
Century Enka	Mangalam Cement	Hindustan Motors	
		Mahindra & Mahindra Financial Services	
		Remsons Industries	
		Sundaram Brake Linings	
		Andhra Pradesh Paper Mills	
		Apar Industries	
29	30	31	
Tata Power	Bajaj Auto	ACC	
Asian Paints	City Union Bank	Ganesh Housing Corporation	
Dabur India	Hanung Toys And Textiles	IVRCL Infrastructures & Projects	
Eicher Motors	Karuturi Networks	MRF	
Maruti Suzuki India	Power Grid	Nagarjuna Construction Co.	
Subex Azure	NTPC	Finolex Cables	

Trade data

Institutional bulk deals

Scrip	Client	Buy/Sell	Quantity	Avg Price (Rs)
ABG Shipyard	ICICI Prudential Life Insurance Co	B	288,120	793.0
Aptech	Merrill Lynch Capital Markets Espana SA Svb	B	228,900	189.8
Bank Of Rajasthan	Abn Amro Bank NV London Branch	B	1,106,407	98.9
Dr Reddy's Lab	HSBC Global Investment Funds A/C HSBC Global Inve	S	965,578	595.3
Emco	HSBC Global Investment Funds A/C HSBC Global	S	59,391	1,074.9
Gitanjali Gems	Goldman Sachs Investments Mauritius	B	591,210	251.0
Gokaldas Exports	ICICI Bank	S	308,240	264.0
Hindustan Dorr-Oliver	Somerest Emerging Opprtuniti Fun	B	450,000	129.4
IFCI	ABN Amro Bank Nv London Branch	S	7,920,250	44.6
Ind Inv Trus	Dhananjaya Money Management Ser P	B	250,869	100.0
India Infoline	Orient Global Tamarind (Mauritius)	B	354,737	1,131.0
Kothari Products	Deutsche Securities Mauritius	B	58,904	700.0
Lakshmi Mach Works	ICICI Prudential Life Insurance Co	B	91,491	2,044.1
Madhav Mar	LRS Portfolio And Adv Ser P	B	52,071	58.9
Megasoft	Copthall Mauritius	B	275,000	93.1
Monne Ispat	Deutsche Securities Mauritius	B	375,626	372.0
Monne Ispat	Deutsche Bank Ag London GDR Account	S	375,633	372.0
Northgate Te	Macquarie Bank	B	142,996	495.1
Om Met Infra	Bsma	B	500,000	65.5
Orchid Chemicals	Lb India Holdings Cayman I	B	334,000	228.7
Oswal Chem & Fert	Lb India Holdings Cayman I	S	1,173,150	26.9

Source: BSE

Disclosures under insider trading regulations

Scrip	Acquirer/Seller	Buy/Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Abl Bio-Technologies	Rosemary Isaac	S	45,000	-	241,400	1.0
Adani Enterprises	SB Adani Family Trust	B	69,953,000	28.4	95,190,500	38.6
Adani Enterprises	Gautam S Adani Family Trust	S	7,430,000	3.0	5,000,000	2.0
Adani Enterprises	Mahasukh S Adani Family Trust	S	11,065,000	4.5	3,216,000	1.3
Adani Enterprises	Vasant S Adani Family Trust	S	6,442,000	2.6	7,275,000	3.0
Adani Enterprises	Mahasukh S Adani Family Trust	S	12,288,000	5.0	1,074,000	0.4
Asian Independent Network	Chandrakant Sheth	S	100,000	-	-	-
Chd Developers	Anangram Industries	S	1,998,683	2.1	5,401,317	5.6
Citiport Financial Services	Rambai Plastico	S	100,000	3.2	223,400	7.2
Citiport Financial Services	Alok Kumar Agarwal & Sons (Huf)	S	55,000	1.8	-	-
GV Films, ,	Bnp Paribas Arbitrage	B	17,500,000	5.0	19,490,839	5.6
Goodluck Steel Tubes	Foster Capital Ventures	B	446,250	12.1	446,250	12.1
Goodluck Steel Tubes	Consolidated Securities	S	446,250	12.1	-	-
Gopala Polyplast	Industrial Development Bank Of India	S	500,000	2.4	2,282,962	11.1
Gopala Polyplast	Industrial Development Bank Of India	S	450,000	2.2	1,832,962	8.9
ICSA (India)	Clsa (Mauritius)	B	60,000	0.1	2,942,762	7.1
Ismt	Mamta Tradelinks(India)	B	9,763,860	6.8	11,919,123	8.3
Lumax Industries ,	Stanley Electric Co	B	1,869,547	20.0	4,327,712	46.3
Man Industries (India)	Heena Ramesh Mansukhani	B	2,000	-	273,112	0.5
Ok Play India	Rajan Handa	S	207,000	-	9,017,600	58.2
Paras Petrofils	Harshad J Patel	S	830,000	0.3	-	-
Paras Petrofils	Siddharth C Patel	S	550,000	0.2	2,840,000	0.9

Scrip	Acquirer/Seller	Buy/Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Paras Petrofils	Sanidhya Securities	S	2,241,290	0.7	-	-
Paras Petrofils	Virajben S Patel	S	570,000	0.2	3,131,000	0.9
Paras Petrofils	Vishwesh S Patel	S	1,558,710	0.5	1,169,190	0.4
Paras Petrofils	Ashok Jain	S	1,170,000	0.4	229,000	0.1
Punit Commercials	Winro Commercial (India)	S	9,000	3.8	14,200	5.9
Ritesh Properties & Industries	Sanjeev Arora	B	2,000	-	1,309,687	13.0
Ritesh Properties & Industries	Sanjeev Arora	B	511	-	1,310,198	13.0
Ritesh Properties & Industries	Sanjeev Arora	B	44,820	-	1,355,018	13.5
Rolta India ,	KR Vaidyanathan	S	1,000	-	3,750	-
Shri Lakshmi Cotsyn	Reliance Capital	S	354,000	2.4	607,000	4.1
Tonira Pharma	Bhailal B Shah	S	18,000	0.2	2,900	-
Tonira Pharma	Virendra B Shah	S	54,000	0.7	4,010	0.1
XI Telecom & Energy	Jm Financial Mutual Fund	B	40,000	0.3	1,394,007	-

Source: BSE

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Recommendation parameters

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

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

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