



Economy News

- ▶ Exports rose 35.25% in February to \$14.23 bn when compared with \$10.52 bn in February 2007. In rupee terms, exports touched Rs.565.69 bn - a rise of 21.7% from February 2007. (BS)
- ▶ Underwriting could become mandatory for all IPOs. The proposal is part of the initiatives which are under Sebi's consideration to discipline the primary market and ensure quality paper. (ET)
- ▶ The Government has said it would ask steel producers to cut prices 10-20% within a month, failing which it proposes to take a host of fiscal measures to lower prices. (BS)
- ▶ Manufacturing activity grew at its slowest pace in eight months in March, slipping further from its peak in December as consumer demand softened due to high interest rates, a survey has showed. (ET)
- ▶ Rice exporters have termed the Government's decision to ban non-basmati export as 'hasty' and said there was no need to put a blanket ban when the minimum export price has already been raised. (ET)
- ▶ The Communication Ministry has approved Trai's recommendation to let service providers share active infrastructure. The move will bring down the overall expenditure of telecom companies by over 50% and help reduce tariffs further. (ET)

Corporate News

- ▶ **Videocon** is likely to put in a bid to acquire the loss-making handset business of Motorola as part of an attempt to shore up its planned wireless services business in India. (ET)
- ▶ **RIL** has once again struck gas in exploratory block KG-DWN-2003/1 of Krishna basin. (ET)
- ▶ **Bharti Airtel** has said it has successfully tested 3G applications with various equipment suppliers and is all set to start services as and when the spectrum is allocated. (ET)
- ▶ Talks between the **DLF Group** and French retail major Carrefour for a JV in India have fallen through. DLF has moved on and is in advanced stages of negotiations with Thailand's largest retail and real estate player - The Central Group - for an alliance. (ET)
- ▶ **Maruti Suzuki India** has reported its highest ever annual sales, registering a growth of 13.3% in 2007-08 over the previous fiscal. (BL)
- ▶ **DLF** and Hilton Hotels Corporation in India have announced that they have signed management agreements involving seven new hotel developments in the pipeline. (BL)
- ▶ **Glenmark Pharmaceuticals** has said it has transferred its generics and active pharma ingredients business to its subsidiary, Glenmark Generics Ltd, marking the implementation of its reorganization process. (ET)
- ▶ **Gail India** has signed contracts for marketing the entire volume of gas produced from the Panna-Mukta and Tapti fields. (BS)
- ▶ **Dr Reddy's Laboratories** has entered into a definitive agreement with Dow Chemical Co to acquire a portion of Dowpharma Small Molecules business associated with its UK sites in Mirfield and Cambridge. (ET)
- ▶ **MindTree Consulting** has changed its name to MindTree with immediate effect. (BS)
- ▶ **Pratibha Industries** has bagged an order from Sunshine Housing Development worth Rs.370.3 mn for the construction of a commercial building in Mumbai. (BS)
- ▶ Engines and construction equipment maker **Greaves Cotton** is planning to leverage the current buoyancy in demand for engines from the agricultural sector. (BS)

Equity

	1 Apr 08	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
BSE Sensex	15,627	(0.1)	(11.1)	(23.6)
Nifty	4,740	0.1	(9.3)	(23.3)
BSE Banking	7,644	(1.0)	(24.4)	(35.6)
BSE IT	3,541	(0.2)	(8.3)	(20.5)
BSE Capital Goods	13,560	(3.2)	(15.9)	(31.2)
BSE Oil & Gas	10,354	3.4	(6.2)	(22.7)
NSE Midcap	6,208	(0.5)	(14.3)	(35.3)
BSE Small-cap	7,862	0.3	(18.3)	(43.5)
World Indices				
Dow Jones	12,654	3.2	3.2	(3.0)
Nasdaq	2,363	3.7	4.0	(9.5)
FTSE	5,853	2.6	(0.5)	(8.8)
Nikkei	12,656	1.0	(3.3)	(14.1)
Hangseng	23,137	1.3	(0.8)	(12.4)

Value traded (Rs cr)

	1 Apr 08	% Chg - Day
Cash BSE	4,642.2	(25.7)
Cash NSE	11,000.4	(24.1)
Derivatives	35,887	(24.0)

Net inflows (Rs cr)

	31 Mar 08	% Chg	MTD	YTD
FII	11	(109)	125	(12,220)
MF - 28 Mar	377	(823)	(1,846)	6,194

FII open interest (Rs cr)

	31 Mar 08	% Chg
FII Index Futures	19,402.3	4.0
FII Index Options	5,754.0	3.8
FII Stock Futures	17,879.2	1.7
FII Stock Options	114.6	24.6

Advances / Declines (BSE)

	1 Apr 08	A	B	S	Total	% total
Advances	103	1,235	315	1,653	65	
Declines	104	609	150	863	34	
Unchanged	-	38	6	44	2	

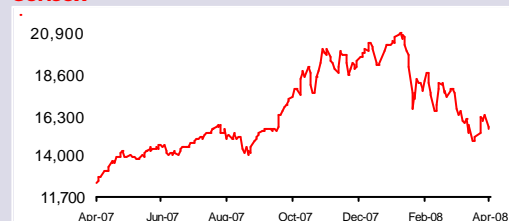
Commodity

	1 Apr 08	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	101.2	0.2	(0.6)	1.6
Gold (US\$/OZ)	882.7	(3.7)	(9.3)	3.1
Silver (US\$/OZ)	16.8	(2.4)	(15.2)	10.2

Debt / forex market

	1 Apr 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.82	7.82	7.57	7.72
Re/US\$	40.11	40.11	40.39	39.42

Sensex



MANAGEMENT MEET UPDATE

Apurva Doshi
doshi.apurva@kotak.com
+91 22 6634 1366

SUNIL HI TECH ENGINEERS LTD (SHEL)

PRICE: Rs.207
TARGET PRICE: Rs.450

RECOMMENDATION: BUY
FY09E P/E: 8.6x

We recently spoke with the management of SHEL and are very positive about its growth prospects. We continue to recommend BUY on SHEL with unchanged price target of Rs.450, that is, 117% upside potential.

Eyeing larger share of balance of plants business

Typically, balance of plant (BOP) work consists of 40% of the total cost per MW of the power plant. SHEL, which used to take small packets of this BOP, has now moved up the value chain. Today it is capable of performing almost 70% of the BOP work on its own. The company is moving ahead with its strategy of executing at least one complete BOP work for up to 500 MW in the next couple of years. Thus, going forward, the company is likely to undertake major part of the BOP work of power plants.

QIP money being deployed in purchasing assets

In January 2008, the company made QIP of Rs.810 mn at an issue price of Rs.360 per share to Bessemer Venture Partner (48.9%), Templeton Mutual Fund (23.3%), Citigroup (7.8%), Merrill Lynch (13.3%) and Tata Mutual Fund (6.6%). The money raised is being deployed in phases to acquire higher capacity cranes and other critical equipments for building power plants of more than 500 MW capacities. Basically, the company is readying itself for the part of BOP work of ultra mega power projects (UMPP). SHEL has already jointly bid for civil and structural portion of BOP work of the Mundra UMPP. The company has already bought cranes worth Rs.100 mn and ordered another high capacity crane worth Rs.250 mn, which would be delivered in the next six months. SHEL has also earmarked Rs.200 mn for its working capital requirements.

Strong order book - could grow further

SHEL has recently bagged projects amounting to Rs.1.0 bn which constitutes structural works of 2x500 MW for NTPC, Ennore, Tamilnadu worth Rs.902 mn and structural works at Bellary worth Rs.104.6 mn for JSW Steel. With this SHEL has a strong unexecuted order book of Rs.8.2 bn with another Rs.1 bn where the company is L1. This is to be executed in the next 15-36 months. Approximately, Rs.1.5 bn is for T&D, Rs.200 mn for steel plants, Rs.400 mn for hydropower while the balance that forms the majority is for the thermal power plant. It is currently working on power plants of 20,000 MW capacities. Majority of the orders are direct orders that typically enjoy superior margins compared to the sub-contract work. This strong order book is very encouraging and provides confidence for the future growth of the company.

Subsidiary performing well

The subsidiary of SHEL that is manufacturing boiler pressure parts for power plants up to 500 MW is performing well. In FY08, it is expected to record revenues of close to Rs.200 mn with 15% operating margins. The management is confident of ramping it up to Rs.1 bn of revenues in the next three years. This is high margin business for SHEL. Thus, it would lead to overall increase in revenues and profitability for the company, going forward.

Summary table - Consolidated

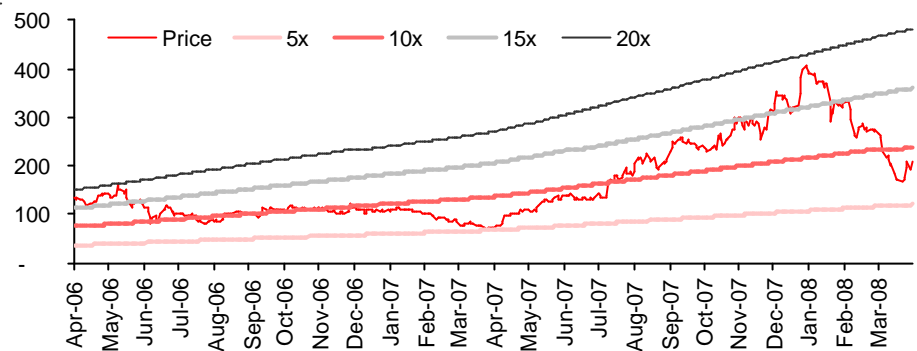
Rs mn	FY07	FY08E	FY09E
Sales	1,448	2,860	4,588
Growth (%)	9.1	97.5	60.4
EBITDA	181	462	730
EBITDA margin (%)	12.5	16.2	15.9
Net profit	76	217	386
Net debt	291	(546)	(183)
EPS (Rs)	7.5	13.5	24.0
Growth (%)	35.4	186.3	78.1
DPS (Rs)	1.2	1.5	2.0
ROE (%)	13.3	16.1	16.8
ROCE (%)	14.8	21.9	24.0
EV/Sales (x)	2.5	1.0	0.7
EV/EBITDA (x)	20.0	6.0	4.3
P/E (x)	27.4	15.4	8.6
P/BV (x)	5.8	1.6	1.3

Source: Company, Kotak Securities - Private Client Research

Valuation & Recommendation

- We maintain our earnings estimates and expect SHEL to report EPS of Rs.13.5 for FY08E moving upto Rs.24.0 for FY09E.
- Post the recent sharp correction in stock price, due to the overall market correction, at Rs.207, the stock is trading at 1.3x book value, 8.6x earnings and 6.9x cash earnings based on FY09E.
- We believe the current valuations are very attractive considering the clear growth prospects of the company, going forward. This is due to strong order book (more than 5x FY07 revenues) and superior execution capabilities.
- We have also done our one year forward rolling band analysis for SHEL. This has revealed that currently the stock is trading near the lower end of the band of 5x-20x one year forward earning estimates.

One year forward P/E graph

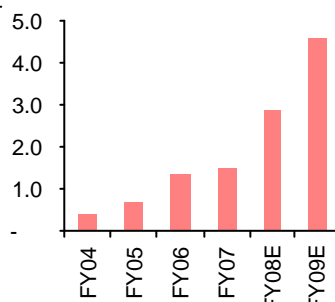


Source: Capitaline; Kotak Securities - Private Client Research

We recommend BUY on SHEL with a revised price target of Rs.450 (117% upside)

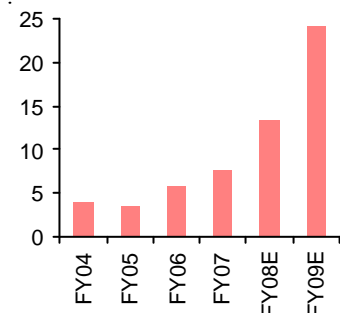
- Looking at the strong order book, that is, 5.7x FY07 revenues and high growth potential, that is, 78.0% CAGR in revenues and 125.8% CAGR in PAT from FY07 to FY09E, we feel the valuations are very attractive at the current levels.
- We remain positive and maintain our **BUY** recommendation on SHEL with unchanged price target of Rs.450. This provides 117% upside potential.

Net sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

EPS (Rs)



Source: Company, Kotak Securities - Private Client Research

EVENT UPDATE**Teena Virmani**teena.virmani@kotak.com
+91 22 6634 1237**Rohit Ledwani**rohit.ledwani@kotak.com
+91 22 6634 1507**PROVOGUE (INDIA) LTD****PRICE: Rs.1135****TARGET PRICE: Rs.1300****RECOMMENDATION: HOLD****FY10E P/E: 30.1x**

Provogue India's subsidiary - Prozone Enterprises Pvt Ltd has entered into an agreement with Triangle India Real Estate Fund LLC, co-promoted by Old Mutual Investment Group Property Investment (OMIGPI) and ICS Realty. Triangle India Real Estate fund would acquire 27% stake in a step down subsidiary Prozone Enterprises for Rs.4.57 bn (\$114 mn).

This subsidiary is executing retail mall management projects in Aurangabad, Indore, Jaipur and Nagpur. We view this agreement to be significantly positive for Prozone since it is expected to benefit from the expertise of the ICS group in the field of mall management as well as car park management. Coupled with the synergies expected from Liberty International Plc and ICS Realty, Prozone is well set to capitalize on the parent company as well as international expertise in the retailing segment.

We maintain our positive bias on the company and recommend HOLD on the stock. We have fine-tuned our target price based on the new holding of Prozone in the step down subsidiary and arrived at a price target of Rs.1300, a marginal reduction as against Rs.1360 earlier.

Key highlights of the deal are -

Prozone project details

Prozone is targeting four cities for first phase of development spanned across retail, commercial and hotel segment. Retail malls are expected to get operational by 2010 while commercial and hotel development would follow after that.

Summary table

Rs mn	FY08E	FY09E	FY10E
Sales	3,326	4,677	6,220
Growth (%)	39.3	40.6	33.0
EBITDA	466	677	940
EBITDA margin (%)	14.0	14.5	15.1
Net profit	273	483	713
Net cash (debt)	503	164	77
EPS (Rs)	14.4	25.4	37.5
Growth (%)	39.6	76.6	47.7
CEPS	18.2	29.7	42.5
DPS (Rs)	2.9	5.1	7.5
ROE (%)	10.0	16.0	20.5
ROCE (%)	13.1	18.1	23.3
EV/Sales (x)	6.6	4.7	3.5
EV/EBITDA (x)	47.3	32.2	23.2
P/E (x)	78.6	44.5	30.1
P/Cash Earnings	62.2	38.0	26.6
P/BV (x)	7.6	6.7	5.7

Source: Kotak Securities - Private Client Research

Breakup of area for development

(mn sq ft)	Retail	Hotel	Commercial	Share of Prozone (%)
Aurangabad	1.06	0.15		55
Jaipur	1.6	0.15	3.5	50
Nagpur	1.634	0.15	2.5	100
Indore	1.7	0.15	3.1	60
Total	6.0	0.6	9.1	

Source: Company

Retail projects will be executed under a separate subsidiary in which Triangle India Real Estate Fund would be acquiring 27% stake for Rs.4.57 bn. These funds are intended to be utilized for the second phase of retail mall development in other cities such as Coimbatore, Lucknow, Jodhpur, Bhopal, Hyderabad, Mysore, etc.

About Triangle India Real Estate Fund

The Triangle Real Estate India Fund LLC offers investors exposure to the rapidly growing property sector in India, with a focus on organized retail shopping center developments in Tier II and III cities. It is co-promoted by **Old Mutual Investment Group Property Investment (OMIGPI), South Africa and ICS Realty Private Ltd, India**. Old Mutual Investment Group Property Investments (OMIGPI) is a subsidiary of the Old Mutual group, which has approximately US\$500 bn of assets under management. OMIGPI currently has -

- US\$3.5 bn assets under management - two unlisted funds and two listed real estate funds in South Africa and Namibia, all with focus on retail sector
- 25 mn square feet, 70% retail space
- 68 organized retail malls
- More than 6,000 tenants and over 150 mn shoppers per annum

While **ICS Realty** is part of the ICS Group, which is an Indian group specializing in real estate, infrastructure and financial services. **ICS Realty** is a focused, niche retail sector player operating via JVs with:

- OMIGPI - a JV Indian property development and property management services
- Bentel Associates - South African architectural design services firm specializing in retail centers
- Secure Parking - Australian specialist parking design and management company

Details of Triange India Real Estate Fund

Promotors	Old Mutual Investment Group Property Investments Ltd, South Africa ICS Realty Private Ltd, India
Investment universe	India
Target Return over fund term	20%
Term	8 years(2x1 year option to extend)
Focus	Retail centric with mixed use opportunities, hospitality and offices

Source: Triange India Fund

Synergies expected from the deal

We expect significant synergies to come to Prozone from this deal with the experience of OMIGPI as well as ICS group in the field of architectural design services, mall management services and car park management. Both groups have international clientele and have a significant presence across markets.

This will help in developing and then professionally managing the retail infrastructure assets according to international standards. Triangle India Real Estate Fund LLC also has investments in Liberty International Plc. It intends to capitalize on the growing consumerism in the Tier-II and Tier-III cities in different emerging markets.

Sum-of-the-parts valuation

Valuation of Provogue (based on FY10 estimates)

(Rs mn)

VALUATION OF PROZONE

Retail projects

Valuation of Retail SPV as on FY09	16,926	Based on 27% stake offer at Rs 4570 mn
Valuation of Retail SPV as on FY10(1 yr fwd)	19,296	One year forward valuation
Prozone's share(@73%)	14,086	Corresponding to Prozone's 73% share now
Cash inflow(Rs 4570mn)	4,570	Cash received from the deal
Total valuation of Retail SPV for Prozone	18,656	
Provogue's share	13,992	Corresponding to 75% share of Provogue in Prozone
Value per share(Rs)(A)	736	

Commercial and hotel projects

Value for Prozone(for commercial and hotel projects)	2,881	Present value of land discounted by 33%
Provogue's share(75%)	2,161	Corresponding to 75% share of Provogue in Prozone
Value per share(Rs)(B)	114	

Land cost for Prozone post stake sale(Rs mn)	2,920	Corresponding to 73% share of Prozone
Cost per share (Rs) for Provogue©	115	
Total Valuation of Prozone(Rs) (A+B-C)	735	

VALUATION OF RETAIL BUSINESS (RS)	564	At 15x FY10 estimated earnings
TOTAL VALUATION OF PROVOGUE	1,299	

Source: Kotak Securities - Private Client Research

Valuation and Recommendation

At the current price of Rs.1135, the stock is trading at 44.5x and 30.1x P/E multiples on FY09 and FY10 estimates, respectively. We have valued the company on a sum-of-the-parts methodology - valuing the retail business at 15x P/E on its FY10 estimated earnings at Rs.564 and valuing Prozone at Rs.735 based on the NPV of its projects. We have fine-tuned our Prozone valuations after taking into account the deal valuations and arrived at a valuation of Rs.735 per share for Provogue as against Rs 796 per share earlier. Thus we change our recommendation to HOLD with a price target of Rs.1300 as against Rs.1360 earlier.

**We recommend HOLD on
Provogue with a price target of
Rs.1300**

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
1-Apr	ANG Auto	Rajasthan Global Sec Ltd	B	78,152	85.00
1-Apr	Axon Infotec	Gaurav Jayanti Doshi	B	5,000	45.80
1-Apr	Birla Cap	Ayodhyapati Investment Pvt Ltd	S	58,613	6.38
1-Apr	Cat Technol	Sarfarazkhan Sarvarkhan Pathan	S	187,973	5.70
1-Apr	Cybermat Inf	Cherry Cosmetics Pvt. Ltd.	S	463,595	5.88
1-Apr	GSS America	R M Shares Trading Pvt Ltd	B	212,902	789.46
1-Apr	GSS America	Manan P Dalal Arb	B	99,762	793.42
1-Apr	GSS America	R M Shares Trading Pvt Ltd	S	212,902	789.64
1-Apr	GSS America	Manan P Dalal Arb	S	99,762	795.57
1-Apr	Kashyap Tec	Om Education It Pvt Ltd	B	3,263,333	2.00
1-Apr	Kinetic Engi	Mint Investments Limited	B	29,000	85.00
1-Apr	Kinetic Engi	Pan Emami Cosmed Limited	S	30,493	85.00
1-Apr	Panam Petroc	Melchior Indian Oppertunities Fund	S	25,476	130.10
1-Apr	Rajvir Ind	India Emerging Infrastructure	B	90,000	130.00
1-Apr	Rajvir Ind	Melchior Indian Oppertunities Fund	S	92,908	130.00
1-Apr	SREI Infra	Citigroup Global Markets Mauritius	S	547,138	130.37

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Ind	2,345	3.5	19.2	3.1
ONGC	1,008	2.8	9.8	1.1
Reliance Pet	167	7.0	8.1	19.7
Losers				
BHEL	1,892	(8.2)	(13.8)	2.2
SAIL	175	(5.8)	(7.4)	15.1
Bharti Airtel	803	(2.8)	(7.3)	2.9

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
2-Apr	Indiabulls Securities listing on BSE & NSE UTV Software holds press conference for its business news BEML organizes a press conference Mother Daily holds press conference for product launch
9-Apr	Yes Bank earnings expected
15-Apr	Infosys, HCL Tech earnings expected
16-Apr	Power Finance Corporation earnings expected

Source: Bloomberg

Research Team

Name	Sector	Tel No	E-mail id
Dipen Shah	IT, Media, Telecom	+91 22 6634 1376	dipen.shah@kotak.com
Sanjeev Zarbade	Capital Goods, Engineering	+91 22 6634 1258	sanjeev.zarbade@kotak.com
Teena Virmani	Construction, Cement, Mid Cap	+91 22 6634 1237	teena.virmani@kotak.com
Awadhesh Garg	Pharmaceuticals, Hotels	+91 22 6634 1406	awadhesh.garg@kotak.com
Apurva Doshi	Logistics, Textiles, Mid Cap	+91 22 6634 1366	doshi.apurva@kotak.com
Saurabh Gurnurkar	IT, Media, Telecom	+91 22 6634 1273	saurabh.gurnurkar@kotak.com
Saurabh Agrawal	Metals, Mining	+91 22 6634 1291	agrawal.saurabh@kotak.com
Saday Sinha	Banking, Economy	+91 22 6634 1440	saday.sinha@kotak.com
Rohit Ledwani	Retail	+91 22 6634 1507	rohit.ledwani@kotak.com
Sarika Lohra	NBFCs	+91 22 6634 1480	sarika.lohra@kotak.com
Chetan Shet	FMCG, Power	+91 22 6634 1382	chetan.shet@kotak.com
Shrikant Chouhan	Technical analyst	+91 22 6634 1439	shrikant.chouhan@kotak.com
Kaustav Ray	Editor	+91 22 6634 1223	kaustav.ray@kotak.com
K. Kathirvelu	Production	+91 22 6634 1557	k.kathirvelu@kotak.com

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