investor's eye

Index

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
Aditya Birla Nuvo	06-Dec-05	714	**1,119**	1,280
India Cements	28-Sep-06	220	**237**	315
Infosys	30-Dec-03	689	**2,167**	2,430
Lupin	06-Jan-06	403	**520**	565
Thermax	14-Jun-05	124	**374**	425

The tyre industry

Sharekhan Sector Report

Roll on good times

Brief argument

Tyre stocks are back in the reckoning and look very attractive considering the stable rubber prices, better pricing power with the tyre majors and a tight demand-supply scenario in the industry. In view of the strong volumes in the original equipment manufacturer (OEM) segment and a robust replacement demand (triggered by brilliant OEM sales recorded in the past two years), we believe the tyre industry is in for good times. We expect the overall volumes of the industry to grow at a compounded annual growth rate (CAGR) of 10% over the next two years. Softening raw material prices along with price hikes should improve the profitability of the tyre companies, restoring their margins to 9-10% levels. **Apollo Tyres** and **Ceat** are our top picks in the sector. Goodyear and Balkrishna Industries operate in niche segments and both would benefit from the demand growth and lower raw material prices. We are gathering detailed information on Goodyear and Balkrishna Industries and if found attractive they would be covered subsequently.

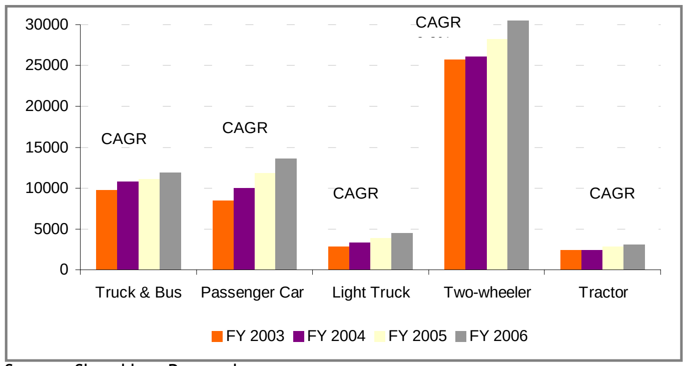
Profile of the industry

The Indian tyre industry is a Rs14,500-crore industry with about 43 tyre companies and total production of 10.36 lakh metric tonne (MT) in FY2006. Broadly, the industry is two tiered, with the tier-I players (top seven tyre companies) accounting for more than 85% of the industry's turnover. The tier-II companies are small in size, concentrating on the production of mainly small tyres (for two/three-wheelers etc), tubes & flaps and the replacement market.

The tyre industry can also be divided into the OEM segment (contributing 23% of the volumes), the replacement market (60%) and the export market (17%). Tyre production has grown at a CAGR of 8.7% over FY2003-06. Players like MRF, Apollo Tyres, JK Industries, Ceat, Bridgestone and Goodyear India dominate the industry.

The demand for tyres has grown at a healthy pace in the past two years with tyre production growing at a CAGR of 10% in the last 2 years to 66 million units. The demand for tyres continues to be strong. This coupled with the low capacity expansions in the current year would lead to a higher pricing power in the hands of the tyre makers despite the constant pressure exerted by the OEMs to reduce prices.

Tyre production



Source: Sharekhan Research

Investment arguments

Strong growth in the auto industry continues

The growth in the auto industry continues unabated and is taking place on a higher base. Overall, the automobile industry has registered a volume growth of 14% in FY2006 and that of 16.9% in the (financial) year till date (YTD).

Though the replacement market is the key growth driver for the tyre industry, the phenomenal growth seen in the original equipment sales has led to a substantial growth in the OEM tyre sales. Going forward too, we expect the automobile industry to post double-digit growth rates, led by the passenger car, commercial vehicle (CV) and tractor segments. Consequently, we expect the demand from the OEM segment to remain strong going forward.

Sharekhan sector top picks valuation

Company	EPS		PER		EV/EBIDTA		CMP	Target	Upside
	FY2007E	FY2008E	FY2007E	FY2008E	FY2007E	FY2008E	(Rs)	price	(%)
Apollo Tyres	20.1	31.3	17.1	11.0	7.4	5.0	344	425	23.5
Ceat	6.1	15.6	20.0	7.8	6.7	4.1	122	190	55.7

OEM sales growth

(in %)	Growth in FY06	YTD-07
Cars	6.9	20.0
CV	12.2	33.3
Motorcycles	18.3	19.7
Three-wheelers	16.7	26.7

Surging replacement demand

Tyre sales are predominantly dependent on the replacement demand. In view of the phenomenal sales recorded in the past two years, the replacement demand has been strong and is expected to remain firm for the next two years. The Indian automobile sector has clocked extremely high growth rates especially in the CV segment (with the ban on the overloading of trucks and the implementation of the hub-n-spoke model), passenger cars (led by new model launches and excise duty cuts), and two-wheelers (mainly motorcycles).

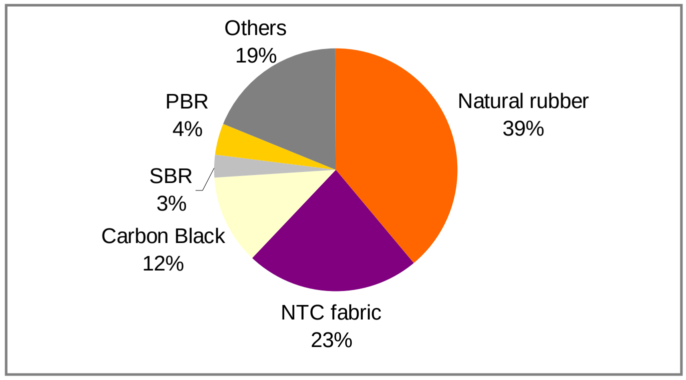
The replacement demand, which accounts for 65% of the total medium and heavy commercial vehicle (M&HCV) offtake, is expected to grow at a faster rate due to the high growth in the sales of M&HCVs in the past. The M&HCVs already sold are likely to turn into a big replacement market for the tyre industry in the future. We expect a very strong replacement demand especially from the CV segment since an extraordinarily large number of CVs were sold in the last two years. The regulatory norms like the Supreme Court ban on the overloading of trucks further boosted the CV sales. Moreover, the margins in the replacement market are significantly higher than those in the OEM market due to the better bargaining power of the tyre companies.

Softening raw material prices to aid margin growth

The tyre industry is raw material-intensive. On an average, the raw material cost accounts for approximately 60% of the sales and roughly 70% of the production cost. The major raw materials required to manufacture a tyre include natural rubber (39% of the total raw material cost), nylon tyre cord (23%), carbon black (12%) and rubber chemicals.

The industry has been plagued by very low operating profit margins (OPMs) due to high raw material prices, which have surged by an average of 75-100% in the past three to four years. To aggravate the situation, the tyre companies did not receive the corresponding price hikes from their OEM clients, which led to a substantial drop in their OPMs.

Break-up of raw material costs



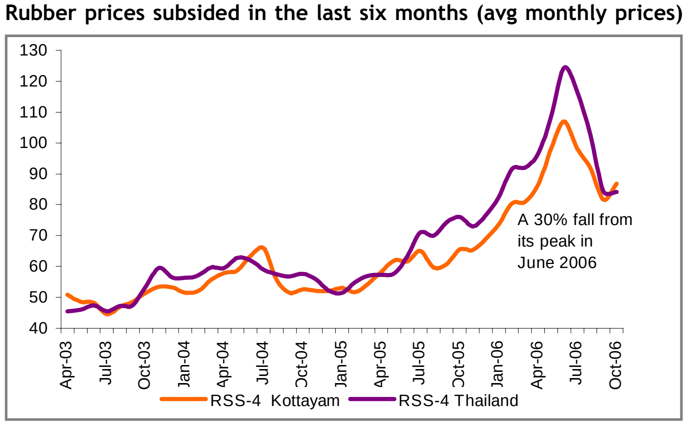
Source: Sharekhan Research

The raw material prices behaved in a very volatile manner in the past one year, with the price of rubber shooting up to a record level of Rs115 per kilogram (RSS-4 in the Kottayam market) during the current fiscal. Also, with the crude touching a high of $78.25, the prices of crude-linked raw materials (SBR, PBR, nylon tyre cords) also went up in the same period. Since then, the prices have corrected significantly and are expected to stablise around the current levels.

Natural rubber

Natural rubber is the most important raw material used to manufacture tyres, accounting for almost 40% of the total raw material cost. In FY2006, the production and consumption of rubber grew by 5.5% and 6.2%, respectively, while rubber exports increased by 51.2% (for the same period) on account of the imbalance in the global demand-supply position. Hence, rubber prices had been on a constant upmove since the start of the calendar year 2005. Unfavourable weather conditions like bad monsoons in India, a typhoon in China in September 2005 that led to a rubber plantation loss in the Hainan province, and floods in Thailand and Malaysia in December last year further aggravated matters. The price of rubber peaked in May 2006 with the price of RSS-4 rubber reaching Rs115 at Kottayam and Rs128.8 in Thailand.

Rubber prices subsided in the last six months (avg monthly prices)



Source: CMIE

Since then, the rubber prices have come down by about 25% on an average. Rubber production has registered accelerated growth in every month of FY2007. The production growth during these months of the lean season was extraordinary. Considering the volatility in the prices and a higher demand from the tyre industry, it is difficult to predict the future behaviour of rubber prices. However, industry experts and tyre companies expect the rubber prices to remain stable at the current levels. Lower rubber prices coupled with the price hikes undertaken by the industry should improve the OPMs substantially on a year-on-year basis.

With increasing radialisation of tyres, the share of natural rubber is expected to decline due to a higher use of synthetic rubber in the making of radial tyres.

Nylon tyre cord

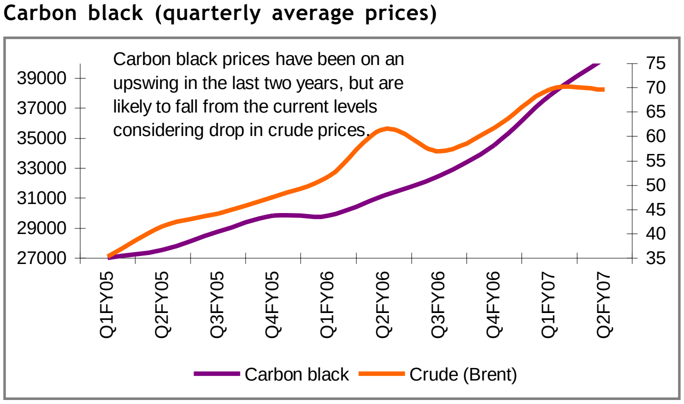
Nylon tyre cord fabric (NTCF) is a reinforcement material that imparts strength and tenacity to the tyre. In addition to providing load carrying capacity and abrasion resistance, a high strength cord also improves the maneuverability of a tyre. NTCF accounts for nearly 26% of the total raw material cost of the tyre industry. Caprolactam is the major raw material used to manufacture NTCF, accounting for 53% of its total cost. The prices of Caprolactam have been under control in the past few months and are expected to remain stable as per the industry experts.

Other raw materials

The other raw materials include carbon black, styrene butadiene rubber (SBR) and poly butadiene rubber (PBR). The prices of carbon black, SBR and PBR are closely linked to the crude oil prices. The crude prices have softened in the last few months with Brent coming down to the present levels of $58 a barrel from its peak levels of $78.25 in August this year. Since the prices of the other raw materials like synthetic rubber, SBR and PBR are linked to the crude prices, the overall raw material cost of a tyre company is expected to decline considerably on a sequential comparison.

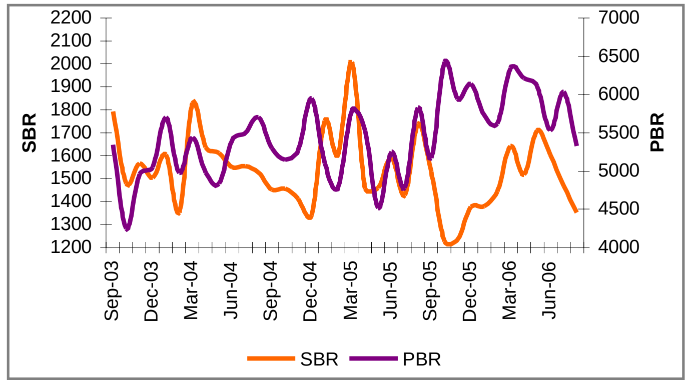
Behaviour of crude-linked raw material prices

Carbon black (quarterly average prices)



Source: Sharekhan Research, CMIE

SBR & PBR prices have been volatile-are largely linked to crude prices

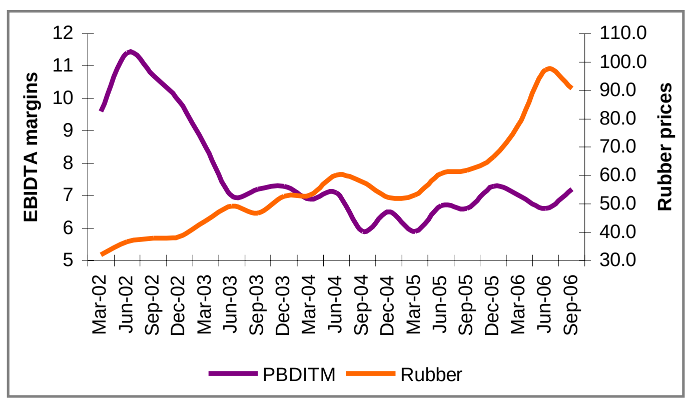


Source: Sharekhan Research, CMIE

Price hike undertaken by major tyre players in view of rising RM prices

In view of the rising rubber and crude prices, most of the tyre majors have effected a number of price hikes in the last twelve months. The approximate price hike compared with that in last year has been in the region of 15-20% in both the OEM and the replacement segment. Historically, tyre prices have tended to remain sticky and not come down as sharply even if there has been a decline in the raw material cost. Higher prices coupled with the lowering raw material cost should help in safeguarding the OPM of the industry.

Rubber prices adversely impact operating margins



Source: Sharekhan Research

The demand-supply situation is likely to remain favourable for the next two years and we expect tyre makers to continue to operate at higher utilisation levels.

The competition is quite intense in the tyre industry and lower capacity utilisation in the last few years had negatively affected the pricing power of the tyre makers. Lack of money and lower profitability of the tyre makers led to very little capacity addition in the industry in the past few years. However, the demand for tyres has grown at a healthy pace in the past two years with tyre production growing at a CAGR of 10% in the last two years to 66 million units in

FY2006. The demand for tyres continues to be strong which coupled with the low capacity expansions in the current year has led to a tight demand-supply situation. The same has also improved the pricing power of the tyre makers despite the constant pressure exerted by the OEMs to reduce prices.

Currently, the industry is operating at a high capacity utilisation level of about 90%. The top five players, accounting for more than 80% of the domestic requirement, run at 95% utilisation levels. With the demand growing at a breath-taking speed in the recent times, the demand-supply scenario is well balanced currently.

Since the domestic demand for tyres is expected to be firm in the medium term and given the limited capacity expansion planned by the market players, we expect the demand-supply scenario to remain favourable for the tyre manufacturers. We thus expect their realisations to remain high in the medium term; we also expect them to retain their pricing power.

Consequent to the strong demand, we expect capacity additions to set in over the next five years. However, the realisations of the tyre manufacturers would not be adversely affected due to the gestation time for setting up fresh capacities. The capacity additions are likely to be higher in the non-truck radial categories due to the higher demand anticipated from these segments.

Anti-dumping duty

The finance ministry has imposed a provisional anti-dumping duty on non-radial lorry and bus tyres, tubes and flaps imported from China and Thailand. The provisional anti-dumping duty, which is usually valid for about six months, has been imposed through the reference price route to discourage any under-valuation. In the case of China, the ministry has pegged the reference price for bias tyres used in lorry and buses at $88.82 per piece. For inner tubes and tyre flaps, the reference price has been pegged at $6.98 and $3.50 respectively.

Even though the anti-dumping duty has been levied, we believe the reference price is still too low. However, we still believe that the move is positive and sends strong signals to the industry.

Radialisation on an increase, albeit at a slower pace

The radialisation levels in India have increased significantly in the past few years, but are still considerably lower in comparison with the other countries. The penetration levels in case of passenger cars have reached almost 90%. However, in CVs the penetration levels are still abysmally low at around 2%. The reason being the bad quality of the roads, the lower level of awareness regarding the benefits of radial tyres and a high cost differential between the cross ply and the radial tyres.

We expect the radialisation level in the M&HCV segment to grow to about 6% in FY2010 from the levels of 2.25% in FY2006. In LCV tyres, the level is expected to go up to 15% from the current 11%.

Radial tyres-a more efficient option

Particulars	Cross ply tyre	Radial tyre
Price of M&HCV tyre (Rs)	9,500	11,500
Life of a tyre (Km)	55,000	100,000
No of times re-treading done	3	3
Cost of retreading	2,250	2,500
Total cost of re-treading (Rs)	6,750	7,500
Casing cost	5,750	5,750
Increased life after re-treading	60,000	60,000
Total life of tyre (Km)	115,000	160,000
Total cost (Rs)	22,000	24,750
Cost per 1,000 kms (Rs)	191	155

Threats

Threat from cheap imports from China and Thailand: The threat of cheap imports from China and Thailand still looms large on the tyre industry even after the implementation of the anti-dumping duty by the government. Due to high capacities and the benefit of economies of scale, the products at these countries can be made at much lesser costs and can be sold at a lower margin in comparison with the Indian products.

Cyclical industry: Like the automobile industry, the tyre industry too is cyclical in nature and its fortunes are linked to the performance of the automobile industry.

Re-treading: Re-treading presents a cheaper method of increasing the life of a vehicle and is widely practised among the truck operators.

View

We believe that the tyre industry is all set to ride on the benefits of higher or steady tyre prices and a tight demand-supply situation in the industry. Declining raw material prices has come as a relief to the tyre makers and should help them reach their older levels of OPMs. A strong replacement demand, the continued buoyancy in the OEM sales, a better pricing power and increasing radialisation levels in the country spell good times for the industry.

Apollo Tyres

Apple Green

Stock Idea

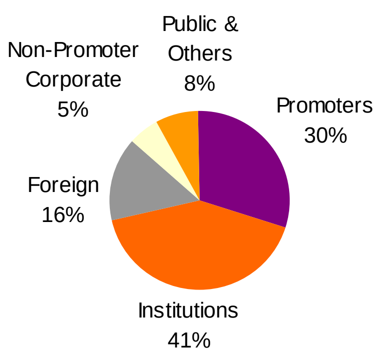
Playing in the replacement market

Buy; CMP: Rs344

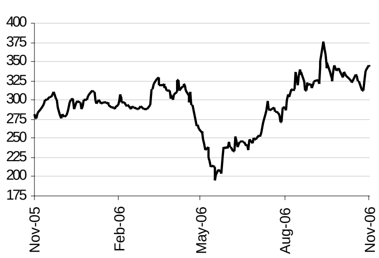
Company details

Price target:	Rs425
Market cap:	Rs1,734 cr
52 week high/low:	Rs386/194
NSE volume: (No of shares)	62,580
BSE code:	500877
NSE code:	APOLLOTYRE
Sharekhan code:	APOLLOTYR
Free float: (No of shares)	3.5 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	1.6	18.4	33.4	27.9
Relative to Sensex	-4.8	-0.7	3.7	-18.6

Key points

- Apollo Tyres is the market leader in the truck and bus tyre segment with a market share of 28%. We expect the replacement cycle to get triggered in a big way considering the sharp rise in the commercial vehicle (CV) sales witnessed in the past one year. Being the market leader, we expect Apollo Tyres to be the biggest beneficiary of an upswing in the CV tyre replacement market.
- The benefit of the subsiding raw material prices should start getting reflected in the operating profit margins of the company from Q3FY2007 onwards.
- Apollo Tyres acquired South African tyre maker Dunlop Tyres in January 2006. We see this as a positive because of the benefits that would accrue as a result of the increasing synergies from the acquisition and access to Dunlop Tyres's overseas markets and technological expertise.
- At the current market price of Rs344, the stock is trading at 11x its FY2008E earnings and at an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 5x. Considering the strong growth opportunities and the powerful position of the company in the market, we believe that the stock is under valued. We therefore initiate a Buy recommendation on Apollo Tyres with a price target of Rs425.

Company background

Incorporated in 1972, Apollo Tyres is a Raunaq group company engaged in the manufacture of automobile tyres, tubes and flaps. The company is the second largest tyre manufacturer in the country with an overall market share of about 23%. Currently, it has a capacity to manufacture 7,000 tyres a day. It has three plants located in Trichur, Ranjangaon and Vadodara. It has the largest distribution network in India comprising 7,000 dealerships, including 3,500 exclusive outlets.

The replacement market accounts for almost 69% of its total turnover while OEMs and the export segment account for 22% and 9% respectively. Apollo Tyres is the leader in the M&HCV segment (almost 75% of the revenue is derived from this segment) and commands a market share of about 25% in the M&HCV replacement segment. Its clients include all the major automobile manufacturers such as Tata Motors, Ashok Leyland, Maruti and Mahindra and Mahindra (M&M).

Key financials

Particulars	FY2004	FY2005	FY2006	FY2007E	FY2008E
Net sales (Rs cr)	1,910.8	2,235.8	2,613.6	3,230.8	3,741.0
Net profit (Rs cr)	70.4	67.6	78.2	101.3	158.0
Shares in issue (cr)	3.8	3.8	3.8	5.0	5.0
EPS (Rs)	18.4	17.6	20.4	20.1	31.3
% y-o-y growth		*-4.0*	*15.6*	*-1.4*	*56.0*
PER (x)	18.4	18.2	18.0	17.1	11.0
Book value (Rs)	149.2	150.4	165.4	190.6	237.2
P/BV	2.3	2.3	2.1	1.8	1.4
EV/EBITDA	9.5	14.1	8.1	7.4	5.0
Mcap/Sales	0.7	0.6	0.5	0.5	0.5
RoCE (%)	16.3	13.1	12.7	13.5	17.8
RoNW (%)	12.5	12.6	11.6	10.5	13.2

Investment arguments

No 1 player in M&HCV segment; to benefit from replacement cycle in the segment

Apollo Tyres is the market leader in the truck and bus tyre segment with a market share of 28%. We expect the replacement cycle to get triggered in a big way considering the sharp rise in the CV sales witnessed in the past one year. The CV replacement demand begins with a lag of about a year from the sale of the vehicle. Being the market leader, we expect Apollo Tyres to be the biggest beneficiary of an upswing in the CV tyre replacement market.

Synergies as a result of acquisition in SA

Apollo Tyres acquired South African tyre maker Dunlop Tyres in January 2006. We see this as a positive because of the benefits that would accrue as a result of the increasing synergies from the acquisition and the access to Dunlop Tyres's strong technological expertise. The acquisition gives Apollo Tyres access to Dunlop's higher-end technology, its distribution network in Europe, and markets in South Africa. We expect the South African subsidiary to do well going forward as a result of a price hike (about 10%) effected by the tyre majors in South Africa from October 2006 onwards. Apollo Tyres is actively looking at inorganic growth and is on the look-out for more acquisitions in the overseas markets.

Capacity expansion

During the current year, Apollo Tyres would increase its capacity by about 10% with its various de-bottlenecking initiatives. It is setting up a greenfield plant in Tamil Nadu for truck and bus radial tyres. The total investment chalked out for the same is about Rs500 crore out of which about Rs300 crore would be spent in the first phase in the next two years.

Strong growth in exports likely to continue

We expect the export growth to continue and the contribution of exports to rise to about 15% of the total sales in the next three years from the current levels of about 8-9%. The strong network of Dunlop Tyres and the possibility of further tie-ups should trigger off a strong export growth.

Valuations

At the current market price of Rs344, the stock is trading at 11x its FY2008E earnings and at an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 5x. Considering the strong growth opportunities and the powerful position of the company in the market, we believe that the stock is undervalued. We therefore initiate a Buy recommendation on Apollo Tyres with a price target of Rs425.

Financials

Profit and loss Rs (cr)

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net sales	1,910.8	2,235.8	2,613.6	3,230.8	3,741.0
Operating expenses	1,745.3	2,115.7	2,387.6	2,958.6	3,375.0
Operating profit	165.4	120.1	226.0	272.2	366.0
Other income	16.5	74.8	6.1	5.0	6.0
EBIDTA	182.0	194.9	232.1	277.2	372.0
Depreciation	43.7	56.8	72.8	82.0	91.2
Interest	31.9	48.3	57.7	44.0	45.0
PBT	106.3	89.9	101.5	151.2	235.8
Tax	71.5	72.6	73.3	101.3	158.0
PAT	70.4	67.6	78.2	101.3	158.0

Balance sheet Rs (cr)

Particulars	FY04	FY05	FY06	FY07E	FY08E
Share capital	38.3	38.3	38.3	46.4	50.4
Reserves & surplus	533.6	538.4	595.7	914.1	1,145.4
Shareholders fund	571.9	576.7	634.0	960.5	1,195.8
Total debt	421.4	543.8	750.0	550.0	450.0
Total liabilities	**993.3**	**1,120.6**	**1,384.0**	**1,510.5**	**1,645.8**
Gross block	975.9	1,148.4	1,310.6	1,518.5	1,658.5
Net fixed assets	648.1	750.1	840.7	966.6	1,015.4
CWIP	65.8	84.3	77.9	20.0	30.0
Investments	64.2	54.5	0.5	0.5	0.5
Current assets	817.8	902.8	1,196.1	1,369.9	1,530.3
Current liabilities	509.3	568.2	626.3	741.6	825.5
Net current assets	308.5	334.6	569.8	628.3	704.9
Misc exp not w/o	1.7	0.4	0.3	0.3	0.3
Deffered tax liability	-94.9	-103.4	-105.2	-105.2	-105.2
Total assets	**993.3**	**1,120.6**	**1,384.0**	**1,510.5**	**1,645.8**

The author doesn't hold any investment in any of the companies mentioned in the article.

Ceat

Ugly Duckling

Stock Idea

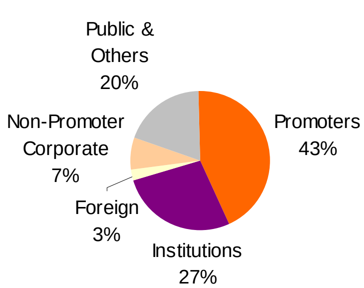
Specialty tyres to drive growth

Buy; CMP: Rs122

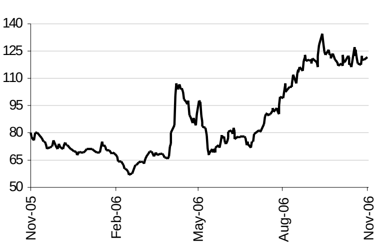
Company details

Price target:	Rs190
Market cap:	Rs557 cr
52 week high/low:	Rs140/56
NSE volume: (No of shares)	3.5 lakh
BSE code:	500878
NSE code:	CEAT
Sharekhan code:	CEAT
Free float: (No of shares)	2.6 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	4.3	22.3	34.6	54.5
Relative to Sensex	-2.3	2.6	4.6	-1.7

Key points

- Ceat has an overall market share of around 12% across all categories and ranks fourth in the industry. Exports account for 20% of its sales. The company is improving its product mix with higher contribution expected from exports and specialty tyres where the profit margins are higher.
- Ceat has undertaken various initiatives in order to improve its productivity from re-engineering its tyre designs, improving its utilisation levels, de-bottlenecking its manufacturing processes and rationalising its manpower costs over the last few years. All these initiatives have paid off and led to considerable margin improvement in the first half of FY2007. We expect the margins to expand from 4.5% in FY2006 to about 7.2% by FY2008.
- Ceat is paying octroi to the Maharashtra state government at the rate of about 1.5% of its sales. Ceat is the only tyre company to pay this octroi. However, the Maharashtra state government is likely to abolish the tax, which should further boost the margins of the company.
- Ceat's current investment portfolio consists of its holdings in many RPG group companies. Assuming a 75% discount to the same, the valuation works out to Rs18 per share. Also, the company has recently obtained its board's approval to sell part of its Bhandup property. Our estimate is that this sale would fetch the company about Rs70-80 crore or Rs16 per share.
- At the current market price of Rs122, the stock is trading at 7.8x its FY2008E earnings and at an EV/EBIDTA of 4.1x. Considering the strong growth opportunities in the specialty tyre segment, improving productivity and expected growth in the margins, we believe that the valuations are attractive. We therefore initiate a Buy recommendation on Ceat with a price target of Rs190.

Company background

Established in 1958, Ceat is the flagship company of the RPG group. It manufactures a wide range of tyres with significant domestic and international presence. The company has two manufacturing facilities, one in Bhandup (capacity of 230 tonne per day) and the other in Nasik (150 tonne per day). Ceat is trying to increase its presence in the specialty tyre segment. The company has made gradual and yet significant progress in the last few years in the areas of increasing productivity, improving quality and enhancing margins.

Key financials

Particulars	FY2004	FY2005	FY2006	FY2007E	FY2008E
Net sales (Rs cr)	1407.2	1532.2	1744.1	2122.1	2458.9
Net profit (Rs cr)	14.1	-1.9	0.5	27.9	71.1
Shares in issue (cr)	3.51	3.51	4.57	4.57	4.57
EPS (Rs)	4.0	-0.5	0.1	6.1	15.6
% y-o-y growth				*5259.0*	*155.0*
PER (x)	44.2	-246.1	705.4	20.0	7.8
Book value (Rs)	178.0	179.5	76.4	81.6	96.3
P/BV	0.7	0.7	1.6	1.5	1.3
EV/EBITDA	22.4	13.7	10.4	6.7	4.1
Mcap/Sales	0.3	0.3	0.3	0.3	0.2
ROCE (%)	9.4	6.4	8.4	12.3	21.9
RONW (%)	1.5	-0.3	0.2	7.5	16.2

Investment arguments

Improved productivity and better product mix should help margin growth

A relatively mismanaged company not so long ago, Ceat has undertaken various initiatives in order to improve its productivity. From re-engineering its tyre designs, drastically improving its utilisation levels and de-bottlenecking its manufacturing processes to rationalising its manpower costs over the last few years, all of the company's initiatives have paid off and led to considerable margin growth. Going forward, the productivity improvement measures, and effective utilisation of the sales and distribution expenses should continue. The management has already started taking steps to achieve the same and we expect the margins to improve henceforth. We expect the margins to expand from 4.5% in FY2006 to about 7.2% by FY2008.

Specialty tyre contribution on the rise

The contribution from the specialty tyre segment to the total revenues, particularly the OTR, has increased in the recent times. There is a huge export demand for such tyres, which being a low-volume segment lack the presence of global tyre majors. The profit margins in this segment are almost double of those in the car, truck and bus segments. Currently, Ceat is using about 40-50 tonne of capacity for specialty tyres, which is expected to be raised to about 60 tonne in FY2008 and to 100 tonne later on.

Increasing international presence

Ceat already exports its products to about 100 countries and expects a strong opportunity in the export segment going forward. The margins enjoyed in the export business are much higher than those in the domestic market. The demand for specialty tyres is growing at a tremendous pace and the absence of big tyre makers in this segment makes it a very attractive opportunity for Ceat.

Octroi abolishment would further aid margin growth

Currently, Ceat is paying octroi to the Maharashtra state government at the rate of about 1.5% of its sales. Ceat is the only tyre company to pay this octroi. However, the Maharashtra state government is likely to abolish the tax which should further boost the margins of the company.

Capacity expansion plans

The company recently raised Rs45 crore to expand its radial tyre capacity. It expects an overall 7% volume growth over the next two years and has an internal target of lowering the interest cost to 2.5% of its sales from around 3% currently. A substantial reduction in the debt levels over the years has already brought down its interest cost from Rs108 crore in FY2002 to Rs72.3 crore in FY2006.

Investment value and land bank provides a cushion

Ceat's current investment portfolio consists of its holdings in many RPG group companies. The current market value of the same works out to Rs325 crore or Rs74 per share. Assuming a 75% discount to the same, the valuation works out to Rs18 per share. Also, the company has recently obtained its board's approval to sell part of its Bhandup property. It has got an approval to sell off 7 acre out of the total 32 acre of land in Bhandup. Our estimate is that this sale would fetch the company about Rs70-80 crore or Rs16 per share.

Particulars	Price (Rs)	Comment
Core business	171.2	At 11x FY08 earnings
Investment value	18.5	At 75% discount to CMP
Fair value	189.7	

Valuations

At the current market price of Rs122, the stock is trading at 7.8x its FY2008E earnings and at an EV/EBIDTA of 4.1x. Considering the strong growth opportunities in the specialty tyre segment, improving productivity and expected growth in the margins, we believe that the valuations are very reasonable. We therefore initiate a Buy recommendation on Ceat with a price target of Rs190.

Financials

Profit and loss Rs (cr)

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net sales	1,407.2	1,532.2	1,744.1	2,122.1	2,458.9
Operating expenses	1,377.3	1,484.4	1,666.2	2,004.0	2,280.8
Operating profit	29.9	47.8	77.9	118.1	178.2
Other income	95.9	43.8	22.3	20.0	22.0
EBIDTA	125.8	91.6	100.2	138.1	200.2
Depreciation	22.1	22.1	22.4	31.2	36.8
Interest	85.8	72.3	72.3	64.0	54.0
PBT	17.8	-2.7	5.5	42.9	109.4
Tax	8.2	-1.0	4.7	15.0	38.3
PAT	14.1	-1.9	0.5	27.9	71.1

Balance sheet Rs (cr)

Particulars	FY04	FY05	FY06	FY07E	FY08E
Share capital	35.1	35.1	45.7	45.7	45.7
Reserves & surplus	589.5	595.0	303.3	327.2	394.3
Shareholders fund	624.6	630.1	349.0	372.9	440.0
Total debt	470.4	450.6	417.6	380.0	300.0
Total liabilities	**1,095.0**	**1,080.8**	**766.6**	**752.9**	**740.0**
Gross block	829.2	889.8	1,106.8	1,156.1	1,226.1
Net fixed assets	498.2	529.4	721.7	739.8	773.0
CWIP	10.7	15.0	4.3	0.0	0.0
Investments	190.8	190.8	127.8	127.8	127.8
Current assets	984.4	961.3	539.3	577.4	632.8
Current liabilities	575.1	602.8	612.5	678.1	779.6
Net current assets	409.3	358.5	-73.2	-100.7	-146.8
Misc exp not w/o	0.0	0.0	0.0	0.0	0.0
Deffered tax liability	-14.0	-13.0	-14.0	-14.0	-14.0
Total assets	**1,095.0**	**1,080.8**	**766.6**	**752.9**	**740.0a**

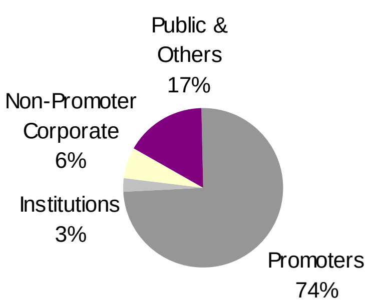
Goodyear India

CMP: Rs176

Company details

Market cap:	Rs400 cr
52 week high/low:	Rs185/54
BSE volume: (No of shares)	66,737
BSE code:	500168
Sharekhan code:	GOODYEAR
Free float: (No of shares)	0.6 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	42.8	52.6	136.2	130.8
Relative to Sensex	33.8	28.0	83.6	46.8

Company background

Goodyear India, with 74% of the stake held by Goodyear Tire & Rubber Company, US Goodyear, has annual sales of over US$15 billion. It has presence in six continents and operates from 80 facilities in 28 countries. It is the sole tyre company that supplies original equipment (OE) to all the car manufacturers in the country. Goodyear India is the largest supplier of tractor tyres in the country.

Highest market share in the tractor segment, which continues to grow well

Being the number one player in the tractor tyre segment Goodyear India has benefited from the strong growth in the tractor sales in the recent times. Tractor sales are expected to remain strong going forward too, thereby helping the OE demand to remain firm.

Setting up a new radial plant

Goodyear India plans to invest Rs80 crore to expand the production capacity at its Aurangabad facility. With this the daily production will go up to 10,000 car tyres from the current level of 4,500 car tyres. The company plans to complete the expansion by 2008.

The company also plans to invest of Rs50 crore to set up 300 shop-in-shop exclusive retail outlets in India. It will set up 50 such branded stores by the end of 2006 and 250 more by the end of 2008. These showrooms will offer value-added products and services, car-care products including car perfumes, car wash and tyre shine.

Robust performance till date

For the nine months, Goodyear India has reported a sales growth of 23% to Rs591 crore. The operating profit margins have doubled from 3.5% to 7% for the nine mont ended September 2006. Its profit after tax (PAT) has grown by seven times to Rs34.9 crore. Considering the very strong growth performance, continued strong growth in the tractor segment and the exciting future prospects, the stock is trading at a discount to its peers.

Valuations

At the current market price of Rs176, the stock quotes at 8.9x its annualised CY2006E earnings.

Valuation table

Particulars	CY2003	CY2004	CY2005
Net sales (Rs cr)	574.7	635.6	687.5
Net profit (Rs cr)	-12.7	5.2	8.8
Shares in issue (cr)	2.3	2.3	2.3
EPS (Rs)	-	2.2	3.8
% y-o-y growth			*69.9*
PER (x)	1,091.1	51.4	32.2
Book value	33.0	35.1	38.9
P/BV	5.3	5.0	4.5
EV/EBIDTA	41.4	21.5	14.8
Mcap/Sales	0.7	0.6	0.6
ROCE (%)	9.0	9.1	13.0
RONW (%)	0.5	9.7	14.0

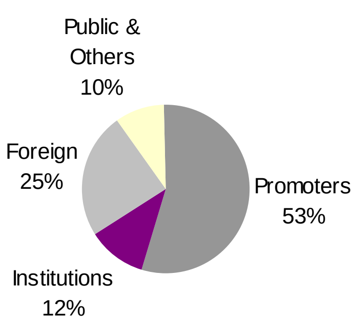
Balkrishna Industries

CMP: Rs480

Company details

Market cap:	Rs922 cr
52 week high/low:	Rs1,298/440
NSE volume: (No of shares)	2,986
BSE code:	502355
NSE code:	BALKRISIND
Sharekhan code:	BALKIND
Free float: (No of shares)	0.9 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	-19.5	-10.2	-29.6	-54.1
Relative to Sensex	-24.6	-24.7	-45.3	-70.8

Company background

Incorporated in 1961, Balkrishna Industries was promoted by the Siyaram Poddar group. The company is a leading manufacturer of off-highway automobile tyres and exports about 95% of its tyre production. It has two tyre manufacturing plants, one at Waluj, Maharashtra and another at Bhiwadi, Rajasthan. It has a capacity of 60,000 tonne per annum. Balkrishna Industries primarily operates in three business segments: off-highway tyres, paperboards and textile processing. The tyre division contributed almost 81% of its revenues in FY2006. The company's tyre division is focused on specialty tyres, which are meant for industrial, construction, earth-moving and agricultural applications. The paperboard and textile processing businesses, contributing 14% and 6% of revenues respectively, are essentially focused on the domestic market, which offers modest growth prospects.

Operates in a niche segment

Balkrishna Industries is currently among the top ten manufacturers of off-highway tyres globally. The company has managed to create its own niche in the highly concentrated specialty tyre market. Its strength lies in its ability to cater to low-volume requirements through its strong product development team, which churns out more than 100 new SKUs every year. As a result, the company has always enjoyed higher margins compared with the rest of the industry. The margins had taken a slight fall after the sharp run-up in the raw material prices. With the raw material prices cooling off, we expect the company's margins to improve in the coming few quarters.

Strong volume growth to continue

We expect the strong volume growth to continue for the tyre business. The company recorded a 25.4% volume growth in H1FY2007 and the volume growth is expected to remain strong for the rest of the year too. We expect the strong brand image and the lower cost advantages to continue to drive the volume growth for the company.

Cost advantages against its global peers

Balkrishna Industries enjoys various cost advantages against its global peers. The average raw material-to-sales ratio for the company has been about 50% against

Valuation table

Particulars	FY2004	FY2005	FY2006
Net sales (Rs cr)	366.4	488.2	620.2
Net profit (Rs cr)	30.0	57.0	70.3
Shares in issue (cr)	1.2	1.2	1.9
EPS (Rs)	24.2	46.1	36.4
% y-o-y growth		*90.4*	*-21.0*
PER (x)	19.8	10.4	13.2
Book value	87.9	127.6	148.7
P/BV	5.5	3.8	3.2
EV/EBIDTA	10.6	6.8	8.1
Mcap/Sales	1.6	1.2	1.5
ROCE (%)	24.5	33.9	26.2
RONW (%)	27.5	36.1	24.5

almost 65% of the other global players. Its power cost is lower as the company had invested Rs30.8 crore to set up a low-cost energy generation unit for its Bhiwadi plant. The power cost of the European tyre makers further rises during the winters, as the plants are required to be heated up. This provides Balkrishna Industries significant cost advantages. Also, the company operates its plant for almost 350 days a year against about 220-250 days for the European makers. Its labour cost is also about one-fifth of that of the European players.

Capacity expansion plans

The company's capacity expansion programme of taking the total tyre capacity to 100,000 tonne per annum (tpa) is going as per schedule. The current capacity stands at 70,000tpa, and is expected to touch 100,000tpa by March 2007. Of the total capital expenditure (capex) plan of Rs270 crore, it has incurred about Rs120 crore in FY2006 and the balance Rs150 crore would be incurred in FY2007. The capex shall be funded through the foreign currency convertible bond issue last year and internal accruals.

Paper business to be sold; textile to be demerged

The company is looking to sell off its paper business and is actively looking for a buyer for the same. Also, it would demerge its textile division and is looking to do both at the same time.

Valuation

Balkrishna Industries has always enjoyed higher margins compared with the rest of the industry owing to its higher export contribution and niche position in the industry. At the current market price of Rs480 the stock trades at 13.2x its FY2006 earnings and an EV/EBITDA of 8.1x.

The author doesn't hold any investment in any of the companies mentioned in the article.

Indo Tech Transformers

Ugly Duckling

Stock Idea

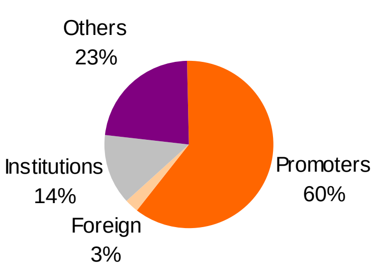
Powered by power reforms

Buy; CMP: Rs199

Company details

Price target:	Rs280
Market cap:	Rs211 cr
52 week high/low:	Rs252/118
NSE volume: (No of shares)	75,231
BSE code:	532717
NSE code:	INDOTECH
Sharekhan code:	INDOTECH
Free float: (No of shares)	0.4 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	25.3	34.8	11.9	-
Relative to Sensex	18.3	14.7	-11.4	-

Key points

- The fortunes of Indo Tech Transformers are all set get transformed, thanks to India's mission to achieve power for all by 2012. As part of this programme the government plans to almost double the country's installed power generation capacity from 115,000MW to 200,000MW by the end of the 11th Five-Year Plan.
- This initiative is expected result in an additional demand of around 570,000MVA of transformer capacity over FY2005-12 or of 80,000MVA per year. Another 15,000MVA of demand is expected from the replacement market every year, leading to a total annual demand of 95,000MVA. That is a huge opportunity for the transformer industry whose annual capacity stands at a mere 75,000MVA.
- Indo Tech already stands to gain from this opportunity, as it has built a strong relationship with the SEBs in the south over the years. Now to make the most of this demand explosion, it is tripling its capacity from 2,450MVA to 7,450MVA.
- Indo Tech has signed an MoU with DuPont (USA) to set up a 100MVA plant to manufacture dry-type transformers for industrial and corporate customers. These transformers are higher in realisation and installed in the basement of hotels, IT parks, malls etc. We believe this will further boost the top line of the company.
- As a result of these initiatives we expect its revenues and net profit to grow at CAGR of 52% and 49% respectively over FY2006-08E.
- At the current market price of Rs199, the stock is quoting at 8.6x its FY2008E EPS and 4.8x its FY2008E EV/EBIDTA. Considering the future growth potential of the company and the stock's attractive valuations, we recommend a Buy on the stock with a price target of Rs280.

Company background

Indo Tech was incorporated in 1992. It started its business as a partnership firm, M/s Indo Tech Electric Company. It commenced production of small distribution transformers at Saidapet and Palakkad in 1976. Indo Tech went public in February 2006. Currently it has three plants with a total installed capacity of 2,450MVA.

Key financials

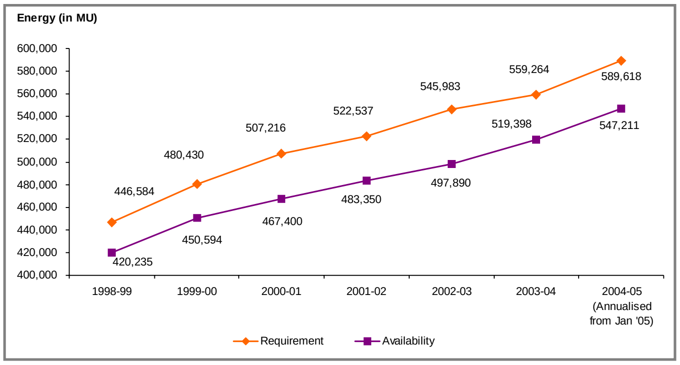
Particulars	FY2004	FY2005	FY2006	FY2007E	FY2008E
Net profit (Rs crore)	4.1	7.5	11.1	16.2	24.7
Shares in issue (crore)	0.3	0.3	1.1	1.1	1.1
EPS (Rs)	14.4	26.5	10.5	15.2	23.2
% y-o-y change		*84.0*	*-60.6*	*45.6*	*52.6*
PER (x)	13.9	7.5	19.1	13.1	8.6
Book value (Rs)	58.9	85.1	67.2	79.4	99.6
P/BV (x)	3.4	2.4	3.0	2.5	2.0
EV/EBIDTA (x)		4.1	9.2	7.2	4.8
EV/Sales (x)	1.0	0.7	1.8	1.5	1.0
Dividend yield (%)	0.0	0.0	1.0	1.5	1.5
RoCE (%)	29.2	39.2	23.0	27.6	33.8
RoNW (%)	24.5	36.8	23.3	20.8	25.9

Investment arguments

Government's mission "Power for all by 2012"

The government's emphasis on providing power for all by 2012 and the reform initiatives taken in this direction are likely to benefit all organised electrical equipment manufacturers, as there will be more thrust on quality products. This will enable organised players like Indo Tech to increase their sales by providing quality and reliable products to the state electricity boards (SEBs) and other customers. Indo Tech is already well placed to benefit from the government's "power for all" programme, as it has built a strong relationship with the various SEBs in the south over the years.

Power supply position in India

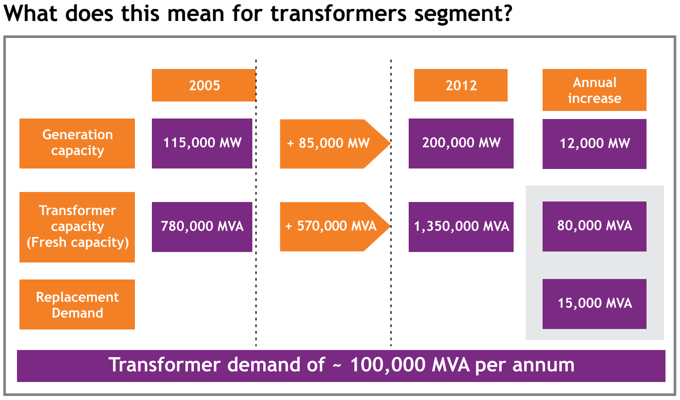


Source: Ministry of Power

Huge demand potential

With every megawatt (MW) of generating capacity being added, an additional 7 mega volt ampere (MVA) of transformer capacity is required. This means, if the country plans to achieve a generating capacity of 200,000MW by 2012 (115,000MW currently), then it will require an additional of 570,000MVA of transformer capacity to service this extra production. Also there is expected a replacement demand of around 15,000MVA per annum. Transformers usually have a life of 20~30 years, hence those transformers that were installed during 1970s/1980s are likely to be replaced in the next few years. This provides a huge business opportunity to organised players (like Indo Tech) in the transformer manufacturing business.

What does this mean for transformers segment?



Source: Ministry of Power

Indo Tech transformer's product range

Product	Rating	Maximum capacity
Distribution transformer	11/22/33KV	2.5MVA
Medium transformer	66/110/132/220KV	100MVA
Specialised transformer		
Wind mill application	11/22/33KV	250KVA-1,500KVA
Dry-type transformer	11/22KV	3.15MVA
Induction furnace	11/22/33KV	3.15MVA
Arc furnace	33KV	16MVA
Mobile transformer	230KV	60MVA
Unitised sub-station	33KV	5MVA

Well-diversified robust order book

Indo Tech had an unexecuted order book of Rs172 crore at the end of September 2006, with new orders to the tune of Rs79 crore booked during this quarter, reflecting the growing demand for transformers. We expect the order flow to remain robust as the demand for transformers is on an upswing. Indo Tech has a good mix of government and private sector projects which enables it to enjoy higher margins and protects it from any downturn in either sector.

Strong customer base

The company has a very strong customer base in south India, the prime customers being the state electricity boards, such as those of Tamil Nadu, Kerala, and Andhra Pradesh, as well as EPC contractors such as L&T, ABB and Reliance Energy.

Dominant position in the south

Over the years Indo Tech has established a strong relationship with the south-based SEBs and industrial customers. The clientele of the company includes the major SEBs from the south, ie Tamil Nadu Electricity Board, Andhra Pradesh Electricity Board, Karnataka Electricity Board and Kerala Electricity Board. These SEBs accounted for 70% of the company's total sales in FY2006. Over the years, the company has managed to get good orders from these SEBs and commands a reasonable market share in the south.

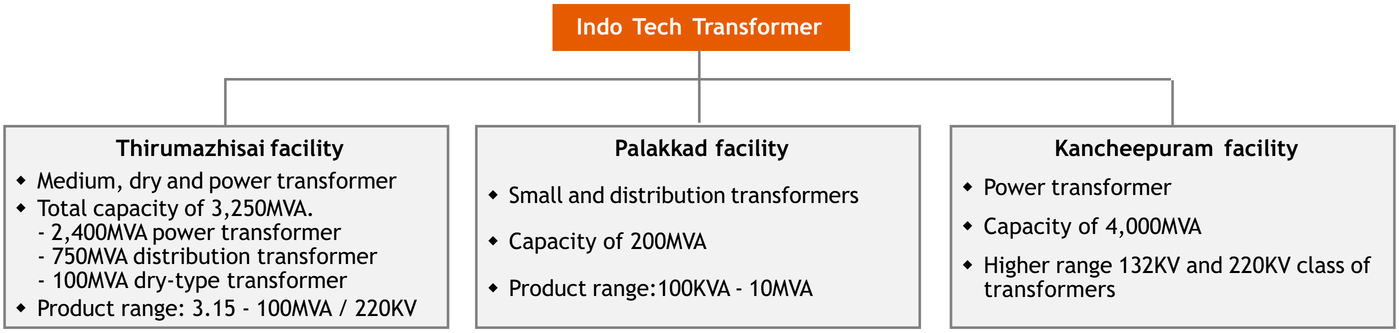
Strong international presence

Indo Tech is amongst the first Indian transformer manufacturers to export to North America. The company has a strategic tie-up with M/s. Mobile Source Inc Canada for marketing transformers in North/South American markets. The company has exported around 600 units to overseas markets in the past, however due to capacity constraints and a booming domestic market it did not export any in the past couple of years. Now with the enhanced capacity the company is again looking at the export market, where the margins are high.

New products in pipeline

Indo Tech has signed a memorandum of understanding with DuPont (USA) for setting up a 100MVA plant capable of

Expansion to cater growth



manufacturing dry-type transformers using Nomex insulating materials. The technology for the venture would be provided by the multinational. The proposed facility will be set up at its Thirumazhisai complex and will cater mainly to the requirements of industrial and corporate customers. A lot of software technology parks, hotels, hospitals and high-rise buildings are coming up in the major Indian cities where there is not sufficient space for setting up sub-stations for oil-filled transformers. A lot of these projects require dry-type transformers, which are environment friendly and very safe, and hence can be placed indoors.

Penetrate new customer bases

Most of the customers of Indo Tech are based in the southern parts of India. In view of this, the company has a huge potential to expand its presence in the western and northern parts of the country. The company is targetting SEBs in the northen and central regions of India to widen its customer base.

Current and proposed capacity

Facility	Current (MVA)	Proposed (MVA)	Current status
Thirumazhisai—power transformer	1,800.0	2400.0	Operational from Nov 2007
Thirumazhisai—dist transformer	0.0	750.0	Operational from Nov 2007
Thirumazhisai—dry-type transformer	0.0	100.0	Will be operational by Jan 2007
Saidapet	450.0	0.0	Shifted to Trhirumazhisai
Palakkad—dist transformer	200.0	200.0	Already operational
Kancheepuram—power transformer		4,000.0	Will be operational by Sep 2007
Installed capacity	**2,450.0**	**7,450.0**	

Capex plans

Indo Tech has envisaged a capacity expansion plan that will increase its annual capacity from 2,450MVA currently to 7,450MVA by September 2008. The company proposes to invest Rs60 crore in this expansion exercise by September 2008 and has already raised close to Rs38 crore from its initial public offer; the balance requirement would be met through internal accruals and debt.

Half-yearly performance

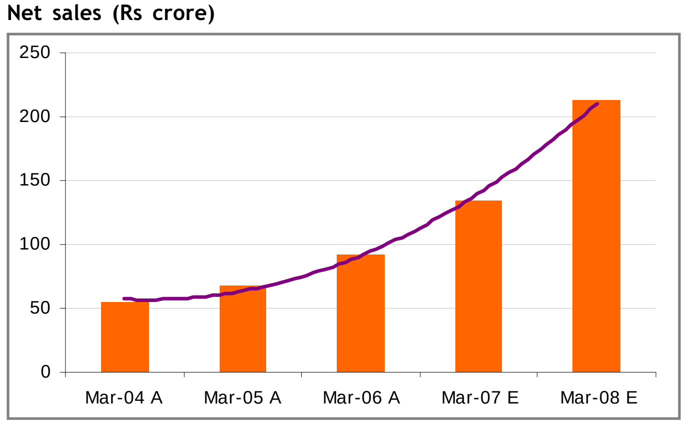
Particulars	H1FY07	H1FY06	% yoy chg
Net sales	53.9	41.6	29.4
Other income	1.8	0.3	513.8
Total income	55.7	41.9	32.8
EBIDTA	10.5	7.4	42.7
OPM (%)	19.5	17.7	
Net profit	7.8	5.0	57.0
NPM (%)	14.0	11.9	

In the first half of the current financial year, Indo Tech reported a growth of 29.4% in its net sales to Rs53.9 crore as against Rs41.6 crore in the last year. Its earnings before interest, depreciation, tax and amortisation (EBIDTA) margin stood at 19.5% as against 17.7% in the last year. The net profit of the company grew by 57% to Rs7.8 crore as against Rs4.9 crore and the net profit margin stood at 14% as against 11.9% in the same period last year.

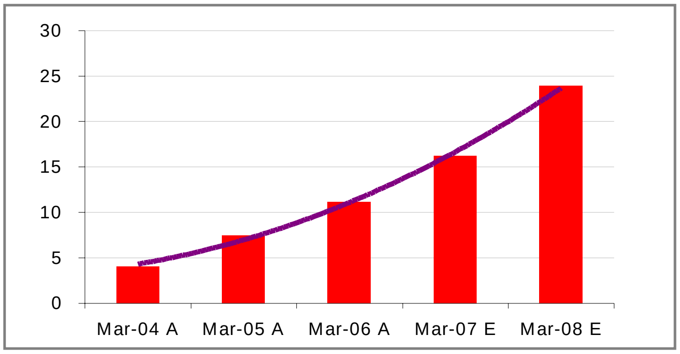
Revenue and profit growth

The company has shown consistent growth in its revenues and profits over the past three years. Considering the robust order book and expansion plans, we expect the company to show a strong revenue growth in the coming years as well.

Net sales (Rs crore)



Net profit (Rs crore)



Installed capacity of peer group

	Installed capacity (MVA)	Actual production (MVA)	Capacity utilisation (%)
Crompton Greaves*	19500	14074	72
BHEL	16000	14925	93
Alstom*	8500	5546	65
EMCO	8500	5964	70
ABB	8000	5383	67
Voltamp	4500	4462	99
Bharat Bijlee@	3800 to 8000	2912	77
Indo Tech#	2450 to 7450	1890	77

*Includes reactors capacity
@ Recently expanded in March 2006
# Being expanded by September 2007

Source: Company Annual reports

Risks and concerns

Indo Tech is in the business of manufacturing transformers which is dependent on the power sector reforms undertaken by the government. Since this is a politically sensitive issue, there could be a delay in the implementation of these reforms which could, in turn, delay the execution of the power projects.

Approximately 70% of the company's revenues come from the SEBs. Any delay in payment by them could affect our estimates for the company. However, most of these projects are funded by the World Bank and Indo Tech has not faced any such delays in the past which reduce this risk.

The company's growth is dependent on the availability of key raw materials, ie CRGO, copper and transformer oil. These constitute between 65-70% of its net sales. Any abnormal rise in the prices of these will affect the profitability of the company in case it fails to pass on the same to its customers. However, most of the company's projects have price escalation clauses and the company places back-to-back orders for the raw materials that reduce this risk as well.

Valuation

At the current market price of Rs199, the stock is quoting at 8.6x its FY2008E earnings per share (EPS) and 4.8x its FY2008E enterprise value (EV)/EBIDTA. Considering the strong growth prospects of the company and of the industry as a whole, we believe that the stock is trading at attractive valuations. We recommend a Buy on Indo Tech with a price target of Rs280 at which level the stock would be trading at 12x its FY2008E EPS.

Financials

Profit and loss account Rs (cr)

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net sales	55.2	67.5	92.7	134.3	212.8
Other income	0.3	0.6	0.8	2.5	2.0
Total income	55.5	68.1	93.5	136.8	214.8
Total expenditure	48.7	56.3	75.4	109.3	172.7
Operating profit	6.8	11.8	18.1	27.4	42.1
Depreciation	0.7	0.9	0.9	1.6	3.2
PBIT	6.1	10.9	17.3	25.9	38.9
Interest	1.1	0.6	0.7	1.5	1.8
Profit before tax	5.0	10.3	16.5	24.3	37.1
Tax	0.9	2.8	5.4	8.2	12.5
Profit after tax	4.1	7.5	11.1	16.2	24.7
Reported net profit	4.1	7.5	11.1	16.2	24.7

Balance sheet Rs (cr)

Particulars	FY04	FY05	FY06	FY07E	FY08E
Sources of funds					
Share capital	2.8	2.8	10.6	10.6	10.6
Reserves total	13.8	21.1	60.7	73.7	95.2
Total shareholders funds	16.6	23.9	71.3	84.3	105.8
Total debt	2.6	2.1	2.0	7.6	7.6
Net deferred tax	1.8	1.8	1.6	1.6	1.6
Total liabilities	21.0	27.8	75.0	93.6	115.0
Application of funds					
Net block	9.5	10.6	13.4	47.9	68.6
Capital work in progress	0.2	0.0	0.0	0.0	0.0
Investments	0.1	0.1	11.3	11.3	11.3
Net current assets	11.2	17.2	50.2	34.4	35.1
Misc expenses not w/o	0.0	0.0	0.0	0.0	0.0
Total assets	21.0	27.8	75.0	93.6	115.0

Valuations

Particulars	FY04	FY05	FY06	FY07E	FY08E
EPS (Rs)	14.4	26.5	10.5	15.2	23.2
PER (x)	13.9	7.5	19.1	13.1	8.6
P/BV (x)	3.4	2.4	3.0	2.5	2.0
EV/EBIDTA (x)	0.0	4.1	9.2	7.2	4.8
EV/Sales (x)	1.0	0.7	1.8	1.5	1.0

Key ratios (%)

Particulars	FY04	FY05	FY06	FY07E	FY08E
OPM	11.8	16.6	18.7	18.6	18.9
PATM	7.3	11.0	11.9	11.8	11.5
RoCE	29.2	39.2	23.0	27.6	33.8
RoNW	24.5	36.8	23.3	20.8	25.9

The author doesn't hold any investment in any of the companies mentioned in the article.

Sharekhan Stock Ideas

Evergreen

HDFC Bank
Infosys Technologies
Reliance Industries
Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
ACC
Apollo Tyres
Bajaj Auto
Balrampur Chini Mills
Bank of Baroda
Bank of India
Bharat Bijlee
Bharat Electronics
Bharat Heavy Electricals
Canara Bank
Corporation Bank
Crompton Greaves
Elder Pharmaceuticals
Grasim Industries
Hindustan Lever
Hyderabad Industries
ICICI Bank
Indian Hotels Company
ITC
Mahindra & Mahindra
Marico Industries
Maruti Udyog
Lupin
Nicholas Piramal India
Omax Autos
Ranbaxy Laboratories
Satyam Computer Services
SKF India
State Bank of India
Sundaram Clayton
Tata Motors
Tata Tea
Unichem Laboratories
Wipro

Cannonball

Allahabad Bank
Andhra Bank
Cipla
Gateway Distriparks
International Combustion (India)
JK Cement
Madras Cement
Shree Cement
Transport Corporation of India

Emerging Star

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Aban Offshore
Cadila Healthcare
KSB Pumps
Marksans Pharma
Navneet Publications (India)
New Delhi Television
Orchid Chemicals & Pharmaceuticals
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Solectron Centum Electronics
Television Eighteen India
Thermax
TVS Motor Company
UTI Bank
Welspun Gujarat Stahl Rohren

Ugly Duckling

Ahmednagar Forgings
Ashok Leyland
BASF India
Ceat
Deepak Fertilisers & Petrochemicals Corporation
Genus Overseas Electronics
HCL Technologies
ICI India
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Indo Tech Transformers
Jaiprakash Associates
JM Financial
KEI Industries
NIIT Technologies
Punjab National Bank
Ratnamani Metals and Tubes
Sanghvi Movers
Saregama India
Selan Exploration Technology
South East Asia Marine Engineering & Construction
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