

India Daily Views

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Jet Airways (India) Ltd

Sahara deal reported back on the table - ALERT

- CNBC reports from India indicate that Jet Airways is going to purchase Air Sahara for Rs18bn. Including the Rs1.8bn cash advance made a year ago, this implies a purchase price of Rs20bn.
- Air Sahara operates a mixed fleet of B737s, which are all on operating lease. If the media reports are correct, effectively, Jet will have paid close to Rs20bn for a small amount of fixed assets, meaning that Jet will have to absorb a large goodwill charge associated with the acquisition.
- Sahara is one of the older privately owned airlines in India. Over the last year or so, it has seen its domestic marketshare broadly half from around 14% to 7% as competitors have grown faster and Sahara management have been distracted by Jet's previous acquisition attempt. Sahara is unlisted, so we have not seen their financials. Still, we believe that the business has incurred persistent losses, in line with the industry over the last year or so.
- If a merger proceeds, we do not believe that this should materially reduce the intense level of domestic competition. While the combined business should have close to 30% domestic marketshare, we do not believe that there are any easy cost or revenue benefits available to Jet. In our view, rationalisation of the domestic market can only happen if a meaningful player exits the market, along with their capacity, and provided that this is not followed by further deregulation which facilitates others to enter the market.
- We are concerned about the extent to which this purchase might weaken Jet's balance sheet ahead of a large international fleet expansion. We now believe that Jet will have to raise up to Rs50bn in fresh equity to ensure that it is able to access export credit financing for its 20 widebody aircraft to be delivered over 2007/2008. The company might try to do raise these funds over two tranches, which would create a large overhang on the stock, in our view.
- We maintain Underweight on Jet Airways.

Underweight

Rs644.15

09 April 2007

Airlines

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Moser Baer

Muted March monthly sales

- **March monthly sales disappoint.** Monthly sales of Taiwanese optical media manufactures rose 18% M/M from a low base in February (week-long Chinese New Year holiday coupled with lower working days). We note that March monthly sales declined 4% Y/Y, with flat Y/Y sales for the Jan-Mar quarter.
- **Optical media trends:** As we enter the traditionally weak summer season, we expect optical media volumes to remain under pressure. Further, we note that second tier optical media manufacturers in Taiwan have recently cut DVD-R prices by 17-18%, indicating continued oversupply conditions in the industry.
- **Medium term optical media view remains negative:** Our fundamental view on optical media industry remains negative with continued DVD-R pricing pressure and delayed widespread adoption of next generation DVD formats due to the format war between HD-DVD and Blu-ray.
- **Photovoltaic business:** We believe that inadequate Si supply remains the key constraint for the PV business and see some downside risk to our PV estimates due to inadequate and expensive Si supply.
- **We retain our negative view on Moser with a sum of parts based Dec-07 PT of Rs 325.** We expect muted prospects for both the optical media and PV businesses. Further, we believe that Moser might raise capital, resulting in either equity dilution or further deterioration in D/E ratios.

Table 1: Reuters: MOSR.BO, Bloomberg: MBI IN

Rsm (Year-end: Mar)	FY06	FY07E	FY08E	FY09E	Rsm	FY06	FY07E	FY08E	FY09E	52-Week range	Rs162.0-399.0
Sales	16,638	21,664	28,933	37,207	Y/E BPS (Rs)	178.3	193.2	215.2	244.8	Shares Outstg	112Mn
Operating Profit	353	2,349	3,689	4,497	ROE (%)	0.3	8.8	11.7	13.8	Avg daily volume	0.42Mn
EBITDA	3,521	5,915	7,686	8,767	ROIC (%)	0.7	5.5	7.6	9.1	Avg daily value	US\$ 2.85 Mn
Pre Tax Profit	53	1,905	2,826	3,745	Qtr EPS (Rs)	1Q	2Q	3Q	4Q	Index (Sensex)	13,190
Net profit	53	1,781	2,618	3,492	EPS (FY06)	(1.0)	0.3	1.2	0.0	Free float	30%
EPS (Rs)	0.5	16.0	23.5	31.3	EPS (FY07) E	0.6	2.3	3.4	9.7	Dividend Yld (%)	0.3%
P/E (x)	699.1	20.8	14.2	10.6	EPS (FY08) E	1.8	4.8	6.9	9.9	Exchange rate	Rs42.8/US\$1
P/B (x)	1.9	1.7	1.5	1.4	Local	1M	3M	12M		Market Cap (Rs B)	37.10
Cash	2,900	2,061	2,728	5,073	Abs. Perf.(%)	8.5	4.0	48.0		Mkt cap (US\$ m)	866.5
Gross Debt	16,555	18,955	18,955	18,955	Rel. Perf.(%)	6.0	5.3	30.9			

Source: JPMorgan estimates, Company data..

Underweight

Rs332.70

10 April 2007
Price Target: Rs325.00

India

Electronics

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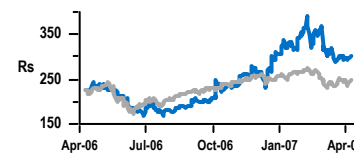
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Price Performance



	YTD	-1M	-3M	-12M
Absolute	-2.3%	-1.7%	-5.8%	34.0%
Relative	0.8%	-5.1%	-4.1%	23.5%

Source: RIMES, Reuters.

See page 7 for analyst certification and important disclosures, including investment banking relationships.

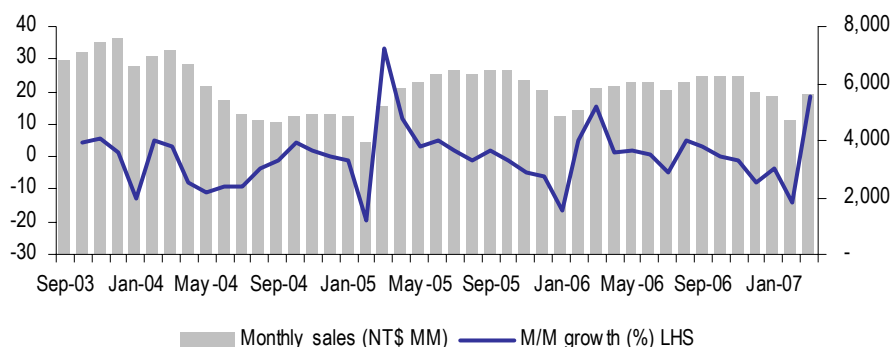
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Table 2: Taiwanese monthly sales in NT\$ M

Company - NT\$ m	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
CMC Magnetics	2,510	2,520	2,601	2,638	2,547	2,511	2,508	2,523	2,532	2,209	2,312	1,819	2,321
Ritek	1,861	2,002	2,068	2,091	1,954	2,169	2,345	2,226	2,272	2,031	1,870	1,608	1,912
Prodisc	701	697	669	691	689	689	674	663	598	551	561	583	629
LD	430	367	312	283	262	279	369	480	486	627	454	440	440
Infodisc	75	48	57	66	75	156	79	96	92	89	76	55	68
Infotrend	266	279	316	301	241	262	291	279	233	208	238	226	226
Total	5,842	5,914	6,023	6,070	5,767	6,066	6,266	6,268	6,213	5,714	5,512	4,731	5,595
Growth M/M (%)													
CMC Magnetics	22.8	0.4	3.2	1.5	-3.5	-1.4	-0.1	0.6	0.4	-12.8	4.7	-21.3	27.5
Ritek	6.1	7.6	3.3	1.1	-6.5	11.0	8.1	-5.0	2.1	-10.6	-7.9	-14.0	18.9
Prodisc	10.1	-0.5	-4.1	3.3	-0.2	-0.1	-2.1	-1.6	-9.9	-7.9	1.9	4.0	7.8
LD	20.7	-14.6	-14.9	-9.2	-7.6	6.7	32.2	30.1	1.2	29.0	-27.6	-3.3	0.0
Infodisc	52.6	-35.5	18.0	15.5	13.2	108.3	-49.4	22.2	-4.2	-3.7	-14.8	-27.9	24.9
Infotrend	16.3	5.1	13.4	-4.9	-19.9	8.7	11.0	-4.1	-16.4	-10.8	14.5	-5.2	0.0
Total	15.2	1.2	1.8	0.8	-5.0	5.2	3.3	0.0	-0.9	-8.0	-3.5	-14.2	18.3

Source: Company reports.

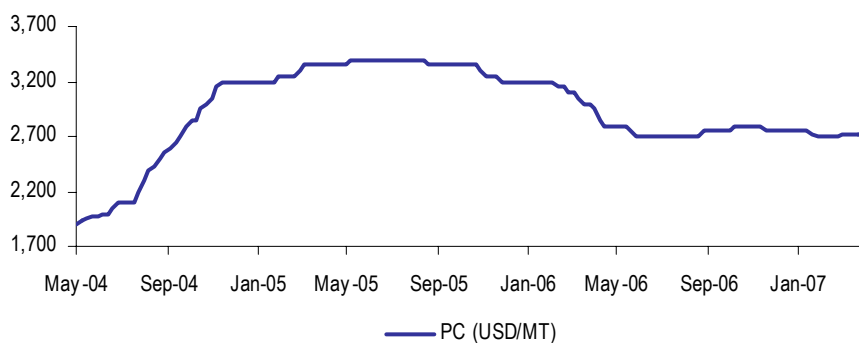
Figure 1: Taiwanese monthly sales



Source: Company reports.

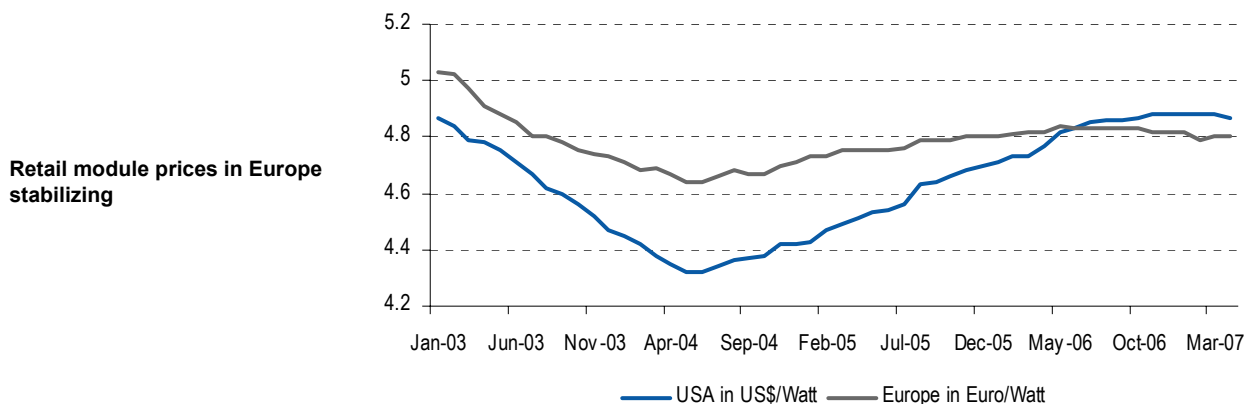
PC prices steady at US\$2.7/Kg

Figure 2: PC prices



Source: E-Plastics

Figure 3: Retail module prices



Source: Solarbuzz.com

Valuation

Our sum-of-the-parts valuation for Moser results in a Dec-07 price target of Rs325/share. We value Moser as the sum of its optical disc and PV parts.

1. With the ROE of the optical disc business below the cost of equity, we value this business at P/B of 0.85x 1-year-forward book value in-line with historical troughs as the ROCE of this business remains below the WACC. This gives us a value of Rs 190/share.
2. We value the PV business at 1-year forward P/E of 15-16x, below the 20x multiples seen by similar firms in Taiwan. This leads us to PV business value of Rs 135/share in Dec-07. This implies a valuation of 2x Dec-08 sales, which is fair, in our view.

Risks to price target are a sharp demand up-tick in DVDRs, tie-ups for polysilicon supply, and faster-than-expected advances in PV technology.

Table 3: Moser P&L

(Rs in m , year-end March)	2007E				2008E				2003	2004	2005	2006	2007E	2008E	2009E
	1Q	2Q	3Q	4QE	1QE	2QE	3QE	4QE							
Revenue	4,545	5,009	5,015	7,095	5,517	6,483	7,674	9,259	10,589	15,118	12,822	16,638	21,664	28,933	37,207
EBIT	21	440	593	1,296	501	763	1,022	1,403	3,038	4,130	424	353	2,349	3,689	4,497
EBITDA	873	1,331	1,499	2,213	1,479	1,753	2,031	2,422	4,280	6,394	3,288	3,521	5,915	7,686	8,767
Pre Tax Profit	67	263	420	1,155	231	585	828	1,182	2,547	3,598	299	53	1,905	2,826	3,745
Tax	2	3	44	74	28	46	58	76	(36)	65	(288)	(0)	124	208	254
Net Profit	65	260	376	1,081	203	539	770	1,106	2,583	3,533	587	53	1,781	2,618	3,492
EPS (Rs)	0.6	2.3	3.4	9.7	1.8	4.8	6.9	9.9	27.4	36.5	5.3	0.5	16.0	23.5	31.3
Margins (%)															
Operating Margin	0.5	8.8	11.8	18.3	9.1	11.8	13.3	15.2	28.7	27.3	3.3	2.1	10.8	12.7	12.1
EBITDA Margin	19.2	26.6	29.9	31.2	26.8	27.0	26.5	26.2	40.4	42.3	25.6	21.2	27.3	26.6	23.6
Net Margin	1.4	5.2	7.5	15.2	3.7	8.3	10.0	11.9	24.4	23.4	4.6	0.3	8.2	9.0	9.4
Sequential Growth (%)															
Revenue	(10.4)	10.2	0.1	41.5	(22.2)	17.5	18.4	20.7	56.0	42.8	(15.2)	29.8	30.2	33.6	28.6
EBIT	(83.8)	2,032.5	34.8	118.8	(61.4)	52.4	33.9	37.4	14.9	36.0	(89.7)	(16.8)	565.6	57.0	21.9
EBITDA	(6.1)	52.5	12.6	47.7	(33.2)	18.5	15.9	19.2	29.6	49.4	(48.6)	7.1	68.0	29.9	14.1
Net Profit	1,803.2	301.3	44.9	187.3	(81.3)	166.0	42.9	43.6	14.4	36.8	(83.4)	(91.0)	3,256.7	47.0	33.4
EPS	1,803.2	301.3	44.9	187.3	(81.3)	166.0	42.9	43.6	14.4	33.4	(85.6)	(91.0)	3,256.7	47.0	33.4

Source: JPMorgan estimates, Company data.

Moser baer: Summary of Financials

Income statement						Ratio Analysis					
INR in millions, year-end Mar	FY05A	FY06A	FY07E	FY08E	FY09E	%, year-end Mar	FY05A	FY06A	FY07E	FY08E	FY09E
Revenues	12,822	16,638	21,664	28,933	37,207						
Cost of Goods Sold	12,398	16,285	19,315	25,244	32,710	EBITDA margin	25.6	21.2	27.3	26.6	23.6
						Operating Margin	3.3	2.1	10.8	12.7	12.1
Operating Profit (EBIT)	424	353	2,349	3,689	4,497	Net Margin	4.6	0.3	8.2	9.0	9.4
EBITDA	3288	3521	5915	7686	8767						
Other Income	-125.2	-299.9	-443.6	-863.0	-751.6	Sales growth	-15.2	29.8	30.2	33.6	28.6
						Operating Profit Growth	-89.7	-16.8	565.6	57.0	21.9
Earnings before tax	299	53	1,905	2,826	3,745	Net profit growth	-83.4	-91.0	3256.7	47.0	33.4
Tax	288	0	-124	-208	-254	EPS (Reported) growth	-85.6	-91.0	3256.7	47.0	33.4
Net Income	587	53	1781	2618	3492						
						Net debt to total capital	32.2	37.5	41.7	37.8	30.0
INR						Net debt to equity	58.4	68.7	78.4	67.6	50.8
EPS (Reported)	5.3	0.5	16.0	23.5	31.3	Asset Turnover	32.8	42.6	48.8	60.0	71.0
BPS	178.5	178.3	193.2	215.2	244.8	ROE	3.2	0.3	8.8	11.7	13.8
DPS	1.0	1.0	1.0	1.3	1.3	ROIC	2.3	0.7	5.5	7.6	9.1
Shares Outstanding (bn)	112	112	112	112	112	ROCE	2.0	0.7	5.4	7.6	8.9
Balance sheet						Cash flow statement					
INR in millions, year-end Mar	FY05A	FY06A	FY07E	FY08E	FY09E	INR in millions, year-end Mar	FY05A	FY06A	FY07E	FY08E	FY09E
Cash and cash equivalents	4,593	2,900	2,061	2,728	5,073	Net Income	587	53	1,781	2,618	3,492
Accounts receivable	3,315	3,799	5,832	8,117	9,262	Depr. & Amortisation	2,864	3,168	3,566	3,997	4,270
Inventories	3,435	4,470	6,609	8,625	9,841	Change in working capital	-2,219	-2,717	-3,600	-3,659	-1,910
Others	798	1,683	2,353	3,071	3,504	Other	0	0	0	0	0
Current assets	12,141	12,852	16,855	22,541	27,680	Cash flow from operations	1,232	504	1,747	2,956	5,852
LT investments	1,936	397	397	397	397	Capex	-4,215	-4,031	-4,859	-2,130	-3,317
Net fixed assets	24,982	25,846	27,138	25,271	24,318	Disposal/ (purchase)	-1,884	1,525	0	0	0
Others	-14	0	0	0	0	Cash flow from investing	-6,099	-2,506	-4,859	-2,130	-3,317
Total assets	39,044	39,094	44,390	48,209	52,394	Free cash flow	-2,983	-3,527	-3,112	826	2,535
Liabilities						Equity raised/ (repaid)	0	0	0	0	0
						Debt raised/ (repaid)	1,623	349	2,400	0	0
Payables	1,884	1,739	2,675	3,746	4,457	Other	-10	89	0	0	0
Others	809	640	946	1,235	1,409	Dividends paid	-127	-127	-127	-159	-191
Total current liabilities	2693	2379	3621	4981	5865	Cash flow from financing	1,485	310	2,273	-159	-191
Long term debt	16206	16555	18955	18955	18955						
Other liabilities	244	272	272	272	272	Net change in cash	-3,382	-1,693	-839	667	2,344
Total liabilities	19143	19206	22848	24207	25092	Beginning cash	7,974	4,593	2,900	2,061	2,728
Shareholders' equity	19902	19888	21542	24001	27302	Ending cash	4,593	2,900	2,061	2,728	5,073

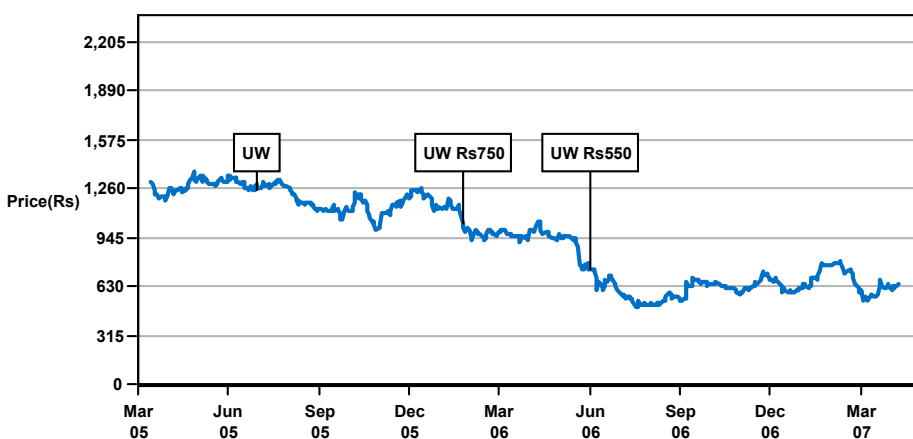
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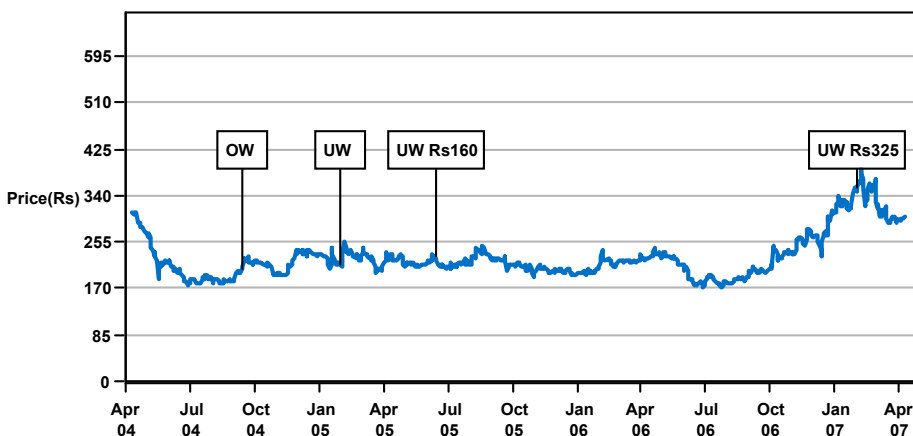
Jet Airways (India) Ltd (JET.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
29-Jun-05	UW	1255.05	-
24-Jan-06	UW	1038.10	750.00
02-Jun-06	UW	734.90	550.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
 Initiated coverage Jun 29, 2005. This chart shows JPMorgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.
 JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Moser Baer (MOSR.BO) Price Chart



Date	Rating	Share Price (Rs)	Price Target (Rs)
14-Sep-04	OW	204.70	--
31-Jan-05	UW	213.00	--
14-Jun-05	UW	227.15	160.00
31-Jan-07	UW	355.65	325.00

Source: Reuters and JPMorgan; price data adjusted for stock splits and dividends.
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 JPMorgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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IB clients*	49%	51%	38%
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