

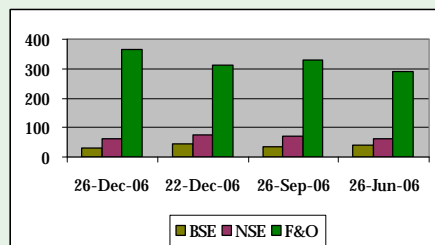


27 December 2006

| Indices       | % Change  |       |      |      |
|---------------|-----------|-------|------|------|
|               | 26-Dec-06 | 1mth  | 3mth | 6mth |
| Sensex        | 13,708    | 0.0   | 11.3 | 36.5 |
| Nifty         | 3,941     | (0.3) | 10.3 | 33.9 |
| CNX Midcap    | 5,698     | 0.8   | 25.5 | 48.1 |
| Banking       | 6,951     | (2.8) | 19.9 | 60.8 |
| Capital Goods | 9,034     | 0.5   | 10.4 | 37.4 |
| IT            | 5,197     | 0.8   | 18.3 | 48.3 |
| Healthcare    | 3,784     | 1.1   | 4.1  | 22.3 |
| NASDAQ        | 2,414     | (1.9) | 6.7  | 13.1 |
| Dow Jones     | 12,408    | 1.0   | 6.3  | 12.3 |

| Net Inflows |           |           |        |       |
|-------------|-----------|-----------|--------|-------|
| Rsbn        | 22-Dec-06 | 21-Dec-06 | MTD    | YTD   |
| FII         | 26        | (4)       | (21.0) | 381.0 |
| Mutual Fund | 3         | 2         | 0.3    | 137.9 |
| FII - F&O   | (2.4)     | 4.3       | (28.4) | 17.9  |

## Turnover



| Commodity & Currency | % Change  |       |       |        |
|----------------------|-----------|-------|-------|--------|
|                      | 26-Dec-06 | 1mth  | 3mth  | 6mth   |
| Crude (US\$/barrel)  | 61.0      | 3.0   | (0.3) | (15.0) |
| Gold (US\$/Oz)       | 625.6     | (2.0) | 5.8   | 6.9    |
| US\$                 | 44.5      | (0.7) | (3.1) | (4.0)  |
| Euro                 | 58.5      | 0.5   | (0.3) | 0.1    |

## Debt

|                          | % Change  |       |       |       |
|--------------------------|-----------|-------|-------|-------|
|                          | 26-Dec-06 | 1mth  | 3mth  | 6mth  |
| RBI Reverse Repo         | 6.0       | 6.0   | 6.0   | 5.8   |
| 10 yr G-Sec yld          | 7.6       | 7.4   | 7.6   | 8.1   |
| Spread 1 & 10 yr G-Sec   | 0.4       | 0.4   | 0.8   | 1.0   |
| US 10 yr treasury        | 4.6       | 4.6   | 4.6   | 5.2   |
| Surplus liquidity (Rsbn) | (280.0)   | 160.0 | 155.2 | 398.2 |

## Cadila Healthcare (Rs340) OUTPERFORMER

### Target Price 395

**Rahul Sharma**  
rahul.sharma@karvy.com

Cadila Healthcare (Cadila), a company with dominant revenues in the domestic formulations space (65%) of revenues is all set to change with the formulations exports being the fulcrum of growth which currently constitutes 13% of revenues will move to 19.5% of revenues by FY 2008. The key growth segments would be US, France and ROW (35 emerging markets worldwide) and Custom manufacturing. We are positive on the stock and rate it as Outperformer.

**US business gaining traction:** The US business has done well and is expected to be on target with revenue scale up from USD 11 mn in FY 2006 to USD 42 mn in FY2008. Tie-up with Mallinkrodt will have is a win-win deal as Mallinkrodt has not got presence in non -narcotic based segments and Cadila will have an opportunity to scale up in the US generics market. Cadila will have a a product basket of 12-15 products and revenues of USD 25 mn for FY 2007E. In FY 2008, the company is expecting further 15 approvals and a product basket of 25-28 products on shelf and revenues of USD 42 mn in FY 2008.

**ROW, French business and to pan out:** The company's French business is expected to move up from Euro 10 mn in FY 2006 to Euro 16 mn in FY 2008. This business is expected to breakeven in FY 2007. Aggressive ramp up in product basket and volumes will enable scale up in this business. Emerging markets would be another revenue driver on the back of scale up in Brazil and ROW business segments. This business segment is expected to grow by more than 40 % to Rs1.22bn in FY2008.

**Customs Manufacturing:** This business is expected to show traction with 11 contract manufacturing deals expected to pan out from FY 2006 and peaking out in FY 2008. This would enable the company to de-risk its reliance on the Altana JV going forward. Contract manufacturing revenues are expected to ramp up from Rs 251 mn in FY 2006E to Rs 350 mn by FY 2008E.

| Cadila Ltd                    | Consolidated  | Rs Mn            | FY     |        |        |        |         |         |
|-------------------------------|---------------|------------------|--------|--------|--------|--------|---------|---------|
|                               |               |                  | FY2003 | FY2004 | FY2005 | FY2006 | FY2007E | FY2008E |
| Reuters/Bloomberg Code        | CADLBO/CDH@IN | Net sales        | 10358  | 12567  | 12709  | 14746  | 17895   | 20777   |
| Market Cap(Rs bn)             | 43            | EBITDA           | 2160   | 3255   | 2358   | 2778   | 3560    | 4344    |
| Market Cap(US\$ mn)           | 949           | Net Profit       | 987    | 2081   | 1284   | 1614   | 2089    | 2719    |
| Shares Outstanding(mn)        | 125.60        | EPS(Rs)          | 7.9    | 16.6   | 10.2   | 12.9   | 16.6    | 21.7    |
| 52-week High/Low(Rs)          | Rs 400/231    | EPS growth (%)   |        | 110.8  | (38.3) | 25.7   | 29.4    | 30.2    |
| <b>Major Shareholders (%)</b> |               | EBITDA margin(%) | 20.9   | 25.9   | 18.6   | 18.8   | 19.9    | 20.9    |
| Promoters                     | 72.02         | PER(x)           | 43.3   | 20.5   | 33.3   | 26.5   | 20.4    | 15.7    |
| FIs                           | 4.37          | EV/EBITDA (x)    | 21.7   | 14.2   | 19.4   | 16.7   | 12.8    | 10.2    |
| Banks/Fis/MFs                 | 14.75         | P/S (x)          | 3.8    | 3.2    | 3.3    | 2.8    | 2.3     | 2.0     |
| Public                        | 8.87          | RoCE(x)          | 17.3   | 25.1   | 16.1   | 18.3   | 20.7    | 23.8    |
|                               | <b>100.00</b> | RoE(%)           | 25.8   | 44.2   | 24.3   | 26.3   | 27.1    | 28.1    |

Source: Company and Karvy Estimates

**Reasonable Valuations Make it an OUTPERFORMER:** With revenue traction in major revenue segments coupled with margin expansion on back of better gross margins in some of the markets and cost savings initiative, we believe the company should manage an earnings growth of 29 % and 30 % to Rs 16.6 and Rs 21.7 respectively in FY 2007E and FY 2008E respectively. We rate the stock as a OUTPERFORMER with a price target of Rs 395 on back of 18x FY 2008 (EPS Rs 21.7)

**BULK DEALS ON NSE - 26 Dec 2006**

| Symbol     | Scrip Name                | Client Name                     | Buy/Sell | Quantity Traded | Price |
|------------|---------------------------|---------------------------------|----------|-----------------|-------|
| GOLDTECH   | GOLDSTONETECHNOLOGIES LT  | SUNIL CAPITAL AND SECURITIES P  | BUY      | 76,359          | 58.1  |
| RALLIS     | RALLIS INDIA LTD          | BIRLA MUTUAL FUND               | BUY      | 138,715         | 261.5 |
| CUB        | CITY UNION BANK LTD       | BIRLA MUTUAL FUND               | BUY      | 124,246         | 161.8 |
| IFCI       | IFCI LTD                  | JAYPEE CAPITAL SERVICES LTD.    | BUY      | 6,181,927       | 11.7  |
| GOLDTECH   | GOLDSTONETECHNOLOGIES LT  | D K JAIN.                       | BUY      | 151,066         | 58.1  |
| KALECONSUL | KALE CONSULTANTS LTD      | PRASHANT JAYANTILAL PATEL       | BUY      | 122,284         | 123.9 |
| HOVS       | HOV SERVICES LTD          | ASIT C MEHTA INVESTMENT INTERRM | BUY      | 235,534         | 182.8 |
| BLUEBIRD   | BLUE BIRD (INDIA) LTD     | ASIT C MEHTA INVESTMENT INTERRM | BUY      | 208,104         | 83.7  |
| RUCHIRA    | RUCHIRA PAPERS LIMITED    | VIDYA FINVEST PVT. LTD.         | BUY      | 430,932         | 23.3  |
| PIONEEREMB | PIONEER EMBROIDERIES LTD  | SEARCH FINVEST PVT. LTD.        | BUY      | 60,246          | 236.6 |
| GOLDTECH   | GOLDSTONETECHNOLOGIES LT  | LATIN MANHARLAL SECURITIES PVT. | BUY      | 72,830          | 58.1  |
| FMGOETZE   | FEDERAL-MOGUL GOETZE (IND | MACQUARIE BANK LTD.             | BUY      | 445,000         | 415.0 |
| GOKEX      | GOKALDAS EXPORTS LTD.     | ICICI PRUDENTIAL LIFE INSURANCE | BUY      | 100,000         | 610.0 |
| CREWBOS    | CREW B.O.S. PRODUCTS LTD. | GEE BEE SECURITIES PRIVATE LIMI | BUY      | 65,000          | 257.3 |
| GOLDTECH   | GOLDSTONETECHNOLOGIES LT  | SUNIL CAPITAL AND SECURITIES P  | SELL     | 71,356          | 58.6  |
| SABERORGAN | SABERO ORGANICS GUJARAT L | DURU B. MANGHNANI               | SELL     | 130,000         | 14.8  |
| RALLIS     | RALLIS INDIA LTD          | BIRLA MUTUAL FUND               | SELL     | 138,715         | 261.5 |
| CUB        | CITY UNION BANK LTD       | BIRLA MUTUAL FUND               | SELL     | 124,246         | 161.8 |
| GOLDTECH   | GOLDSTONETECHNOLOGIES LT  | P RAMESH CHANDRA                | SELL     | 87,000          | 58.1  |
| IFCI       | IFCI LTD                  | JAYPEE CAPITAL SERVICES LTD.    | SELL     | 6,481,927       | 11.7  |
| FMGOETZE   | FEDERAL-MOGUL GOETZE (IND | SPADE FINANCIAL SERVICE LTD     | SELL     | 445,000         | 415.0 |
| KALECONSUL | KALE CONSULTANTS LTD      | PRASHANT JAYANTILAL PATEL       | SELL     | 123,284         | 123.6 |
| HOVS       | HOV SERVICES LTD          | ASIT C MEHTA INVESTMENT INTERRM | SELL     | 235,534         | 184.3 |
| BLUEBIRD   | BLUE BIRD (INDIA) LTD     | ASIT C MEHTA INVESTMENT INTERRM | SELL     | 208,104         | 83.6  |
| RUCHIRA    | RUCHIRA PAPERS LIMITED    | VIDYA FINVEST PVT. LTD.         | SELL     | 87,619          | 23.3  |
| DAAWAT     | LT OVERSEAS LIMITED       | MAN MOHAN DAMANI                | SELL     | 150,445         | 46.7  |
| PIONEEREMB | PIONEER EMBROIDERIES LTD  | SEARCH FINVEST PVT. LTD.        | SELL     | 37,715          | 232.5 |
| GOLDTECH   | GOLDSTONETECHNOLOGIES LT  | LATIN MANHARLAL SECURITIES PVT. | SELL     | 72,830          | 58.3  |
| GOKEX      | GOKALDAS EXPORTS LTD.     | CITIGROUP GLOBAL MARKETS MAURIT | SELL     | 100,000         | 610.0 |
| CREWBOS    | CREW B.O.S. PRODUCTS LTD. | GEE BEE SECURITIES PRIVATE LIMI | SELL     | 35,000          | 268.0 |

Source: NSE

**BULK DEALS ON BSE - 26 Dec 2006**

| Symbol | Scrip Name   | Client Name                  | Buy/Sell | Quantity/Traded | Price |
|--------|--------------|------------------------------|----------|-----------------|-------|
| 509475 | BOMBAY PAINT | BRIJALYOGESH PARIKH          | B        | 11,051          | 44.7  |
| 531270 | DAZZEL CONF  | RAPID COMMERCIAL AND FINL    | B        | 29,050          | 7.0   |
| 505982 | ENNORE FOUND | LOTUS GLOBAL INVESTMENTS     | S        | 115,674         | 130.0 |
| 507552 | FOODS & INNS | GANDHI SEC. AND INV. PVT. LT | B        | 10,000          | 157.1 |
| 523277 | G V FILMS LT | LOTUS GLOBAL INVESTMENTS     | S        | 1,005,960       | 7.2   |
| 507960 | GUJ HOTELS L | BRIJALYOGESH PARIKH          | S        | 22,000          | 66.8  |
| 524184 | GULSHA SUG C | NJ.ASSOCIATES                | B        | 33,000          | 58.1  |
| 532145 | H.S.INDIA    | CHETAN DOGRA HUF             | B        | 281,000         | 19.2  |
| 532145 | H.S.INDIA    | CRS TRADERS EXPORTS PVT      | B        | 140,000         | 19.2  |
| 532145 | H.S.INDIA    | CHENTAN DOGRA                | S        | 61,676          | 19.2  |
| 532145 | H.S.INDIA    | CHETAN DOGRA                 | S        | 60,000          | 19.3  |
| 532761 | HOV SERVICES | ASIT C MEHTA INVESTMENT I    | B        | 71,617          | 183.2 |
| 532761 | HOV SERVICES | ASIT C MEHTA INVESTMENT I    | S        | 71,617          | 182.7 |
| 512185 | IOL BROADBAN | DEUTSCHE SECURITIES MAURI    | S        | 200,000         | 230.0 |
| 700109 | ISPAT PR SH  | ASHABEN MOTVANI              | B        | 2,000           | 1.6   |
| 700109 | ISPAT PR SH  | ASHABEN MOTVANI              | S        | 1,800           | 1.7   |
| 532758 | KEW INDUSTR  | SPJ STOCK BROKERS            | B        | 79,270          | 36.0  |
| 532758 | KEW INDUSTR  | OWN                          | S        | 79,270          | 36.4  |
| 531373 | KOTAWALA(I)  | HITESH JHAVERI               | S        | 38,446          | 77.4  |
| 500256 | LOK HOUSI CO | ABN AMRO BANK NV LONDON      | B        | 550,000         | 275.0 |
| 500256 | LOK HOUSI CO | LOTUS GLOBAL INVESTMENT      | S        | 80,000          | 274.9 |
| 500256 | LOK HOUSI CO | KENT TRADING AGENCIES PVT    | S        | 90,000          | 274.2 |
| 511276 | MEFCOM AGR I | MASTER FINLEASE LTD          | B        | 90,166          | 133.2 |
| 511276 | MEFCOM AGR I | ISF SECURITIES LTD           | B        | 47,000          | 133.4 |
| 511276 | MEFCOM AGR I | COSMO CORPORATE SERVICES     | S        | 59,500          | 133.4 |
| 511276 | MEFCOM AGR I | KALPANA MADHANI SECURITIE    | S        | 30,000          | 133.4 |
| 511276 | MEFCOM AGR I | ISF SECURITIES LTD           | S        | 47,000          | 133.4 |
| 507621 | MILKFOOD     | DHANVANI INVESTMENTS PVT     | B        | 175,090         | 320.2 |
| 507621 | MILKFOOD     | SUDHIR AVASTHI               | S        | 90,500          | 320.3 |
| 507621 | MILKFOOD     | SHABNAM AVASTHI              | S        | 61,600          | 320.3 |
| 531453 | MOHIT INDUST | PREEM GEETA CHANDAN          | B        | 35,000          | 61.0  |
| 523307 | PANASON HOME | ZAVERCHAND M CHHEDA          | S        | 55,550          | 39.6  |
| 514300 | PIONER EMBRO | SEARCH FINVEST LTD           | B        | 82,997          | 235.8 |
| 514300 | PIONER EMBRO | SEARCH FINVEST LTD           | S        | 142,997         | 233.2 |
| 532692 | RADHA MADHAV | HARSHIL KANTILAL KOTHARI     | B        | 100,000         | 51.6  |
| 504903 | RATHI UDYO L | SECURITIES TRADING CORPOR    | S        | 498,218         | 26.2  |
| 500044 | RAYBAN SUN O | HARDIK B PATEL               | S        | 150,000         | 101.2 |
| 500044 | RAYBAN SUN O | BHARAT J PATEL               | S        | 248,000         | 103.5 |
| 531033 | REGAL ENT CO | UPSURGE INVESTMENT AND FI    | B        | 55,571          | 5.0   |
| 502465 | SPECIALITY   | HONEYVICK ENTERPRICES P L    | B        | 41,099          | 40.3  |
| 513414 | SUJANA METAL | MORGAN STANLEY DEAN WITTE    | B        | 218,000         | 102.4 |
| 514211 | SUMEET INDUS | MASTER FINLEASE LTD          | S        | 125,000         | 15.0  |
| 523842 | SUPERTANN I  | HONEYVICK ENTERPRICES P LT   | B        | 24,942          | 47.4  |
| 523842 | SUPERTANN I  | HONEYVICK ENTERPRICES P L    | S        | 24,942          | 49.8  |
| 531499 | SYBLY INDUSR | JASBIR SINGH                 | B        | 30,200          | 15.5  |
| 590038 | VISU INTL    | EXCEL PAINTS PRIVATE LIMI    | S        | 690,629         | 13.1  |
| 512167 | YASHRAJ SECR | SHARAD SHAH                  | S        | 5,500           | 141.0 |
| 531845 | ZENITH BIRLA | KARNAVATI DYE CHEM PVT       | S        | 257,671         | 40.5  |

Source: BSE

---

**Research Desk (Tel: 91-22-22895000)**

Hemindra Hazari

Head of Research

hemindra.hazari@karvy.com

---

| <b>Stock Ratings</b> |   | <b>Absolute Returns</b> |  | <b>Stock Ratings</b> |   | <b>Absolute Returns</b> |
|----------------------|---|-------------------------|--|----------------------|---|-------------------------|
| Buy                  | : | > 25%                   |  | Market Performer     | : | 0 - 15%                 |
| Out Performer        | : | 16 - 25%                |  | Under Performer      | : | < 0%                    |

**Disclaimer**

The information and views presented in this report are prepared by Karvy Stock Broking Limited. The information contained herein is based on our analysis and up on sources that we consider reliable. We, however, do not vouch for the accuracy or the completeness thereof. This material is for personal information and we are not responsible for any loss incurred based upon it.

The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advice, as they believe necessary. While acting upon any information or analysis mentioned in this report, investors may please note that neither Karvy nor any person connected with any associated companies of Karvy accepts any liability arising from the use of this information and views mentioned in this document.

The author, directors and other employees of Karvy and its affiliates may hold long or short positions in the above-mentioned companies from time to time. Every employee of Karvy and its associated companies are required to disclose their individual stock holdings and details of trades, if any, that they undertake. The team rendering corporate analysis and investment recommendations are restricted in purchasing/selling of shares or other securities till such a time this recommendation has either been displayed or has been forwarded to clients of Karvy. All employees are further restricted to place orders only through Karvy Stock Broking Ltd.

---

**Karvy Stock Broking Limited**

Regd Off : 46, Road No 4, Street No 1, Banjara Hills, Hyderabad – 500 034. Tel: 040-23351988, 23354283.

---