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Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Genus Power	06-Jul-05	101	324	502
♦ Glenmark	17-Jul-08	599	651	754
♦ L&T	18-Feb-08	3,536	2,562	4,044
♦ SBI	19-Dec-03	476	1,416	1,801
♦ Selan Exploration	20-Mar-06	58	273	345

Selan Exploration Technology

Ugly Duckling

Stock Update

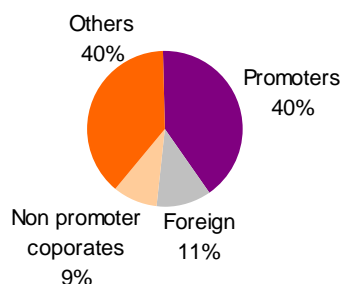
Annual report review

Buy; CMP: Rs273

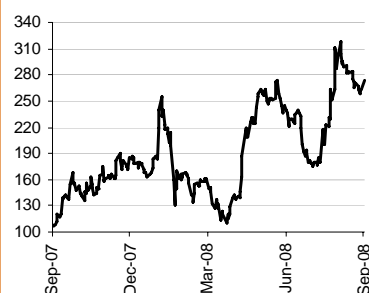
Company details

Price target:	Rs345
Market cap:	Rs442 cr
52 week high/low:	Rs330/105
BSE volume: (No of shares)	1.9 lakh
BSE code:	530075
Sharekhan code:	SELAEXP
Free float: (No of shares)	0.9 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-7.9	7.2	63.7	144.0
Relative to Sensex	-9.4	19.9	95.6	153.4

Selan Exploration Technology (Selan) released its annual report for FY2008 recently. Here, we present the highlights of the report.

- The company witnessed a volume-led growth in FY2008 as its sales volumes saw a growth of 23.5% year on year while the realisations improved by 6.7% during the year. Crude oil production from its three oilfields at Bakrol, Lohar and Indrora grew from 100,963 barrels in FY2007 to 120,226 barrels in FY2008.
- The highlight of the annual report is the upgradation of the proven and probable (2P) reserves of its Bakrol oilfield from 43.22 million barrels estimated earlier to 73.3 million barrels after the completion of the current drilling campaign in the field.
- The company kept up its efforts to further develop its oilfields in FY2008. It drilled seven new wells in the last quarter of FY2008, which was the prime reason behind its dazzling performance in the first quarter of FY2009. The company hopes to continue these efforts, as it aims to identify eight to ten more prospective drilling locations and take them up for drilling in FY2009.
- Selan had obtained the environment clearance for the oilfields at Bakrol, Indrora, Lohar and Ognaj in FY2008. It is now awaiting the mining lease for the Ognaj oilfield from the Gujarat state government. Once the state government obliges with the lease, the Ognaj oilfield would be handed over to the company by Oil and National Gas Corporation (ONGC) and development activities would commence.
- Meanwhile, the cash flow from the company's operations grew from Rs17.98 crore in FY2007 to Rs28.7 crore in FY2008. The return ratios were also maintained—return on capital employed at 27.1% and return on net worth at 23.6%—despite the high capital expenditure undertaken by the company to develop the oilfields during the year. The debt/equity ratio of the company is comfortable at 0.3:1 currently. Moreover, the bulk of the loans of the company are of medium term in nature.

Valuation table

Particulars	FY2006	FY2007	FY2008	FY2009E	FY2010E
Net profit (Rs cr)	6.6	10.6	12.9	53.5	62.5
No of shares (cr)	1.4	1.4	1.4	1.6	1.6
EPS (Rs)	4.6	7.3	9.0	33.0	38.5
% y-o-y change	414.7	59.9	22.2	267.9	16.9
PER (x)	59.6	37.2	30.5	8.3	7.1
Price/BV (x)	11.6	8.9	7.2	3.2	2.2
EV/EBIDTA(x)	28.8	19.8	15.2	4.5	3.5
EV/Sales (x)	20.7	15.1	11.2	3.9	3.0
RoCE (%)	26.0	28.5	27.1	64.7	48.1
RoNW (%)	19.5	23.8	23.6	38.9	31.3

- ♦ There are two disputed items for which the company has not provided for: A sum of Rs1.53 crore relating to a sales tax payment and an amount of Rs0.87 crore pertaining to income tax demand.
- ♦ An amount of Rs1.6 crore relating to profit petroleum for the Lohar fields pertaining to the previous financial year was deducted from the FY2008 sales; excluding this amount the sales growth would have been 37.9% for the full year.
- ♦ Taking into account the disclosed 2P reserves at its Bakrol oilfield, the company is currently trading at an enterprise value/reserve (2P) of \$1.17 per barrel of oil equivalent. The valuation is much cheaper compared with that of the other domestic exploration companies such as ONGC and Hindustan Oil Exploration Company. At the current market price, the stock trades at 8.3x FY2009 and 7.1x FY2010 estimated earnings. We maintain our Buy call on the stock with a price target of Rs345.

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

Insurance

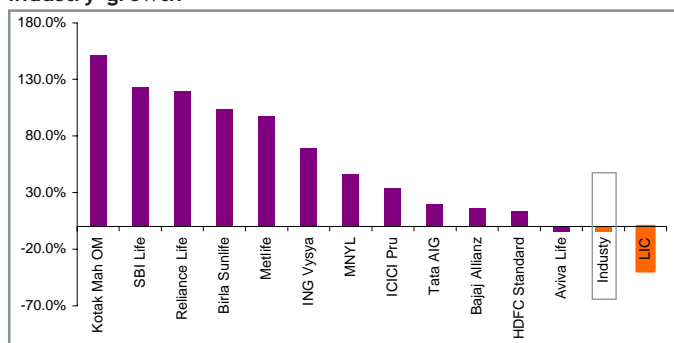
Sector Update

Growth in new business premium dipped in July

The Insurance Regulatory and Development Authority has released the July 2008 data for the first premium collection by life insurance companies. The numbers point to some signs of deceleration in the growth rate of the new business premium. The new business premium for private players saw a growth of 53.5% year on year (yoy) in July 2008 as compared with a growth of 80.4% in the previous month. The month-on-month drop in the growth could be attributed to the downturn in the equity markets and the slowdown in the demand for the unit linked products offered by the life insurance companies.

The growth in the new business premium of Life Insurance Corporation of India (LIC) remained a drag on the growth of the overall industry during the month. The new business premium growth for LIC declined by 39.3% yoy, leading to a drop of 4.6% in the growth of the industry. On a month-on-month basis too, the growth in the new business premium for the industry declined by 4.4% during the period.

Industry growth



Kotak Mahindra Old Mutual Life Insurance topped the charts with a robust 152% growth yoy in the new business premium. SBI Life continued its growth momentum with a 123% year-on-year growth in its new business premium in July 2008. Close on its heels were Reliance Life and Birla Sunlife whose new business premium grew by 120% and 104% yoy respectively.

YTD performance remains encouraging

On a year-till-date (YTD) basis, the growth in the new business premium still remains encouraging. Amidst high volatility in the equity markets and uncertain economic conditions, the private players maintained a 70% year-on-year growth in their new business premium during the month. However, this performance was marred by a 32% decline in the new business premium growth of LIC. This led to a paltry 9% year-on-year increase in the new business premium growth for the industry as a whole.

SBI Life, Birla Sunlife put up a good show

Notably, SBI Life surprised with a 209% year-on-year increase in its YTD new business, moving up to the second spot, right after ICICI Prudential, which maintained its leadership position in the private space with a 24% market share. Birla Sunlife also put up a good show with a 161% increase yoy in its new business premium on an YTD basis.

Bajaj Allianz continues to disappoint

For the month, the new business premium growth for Bajaj

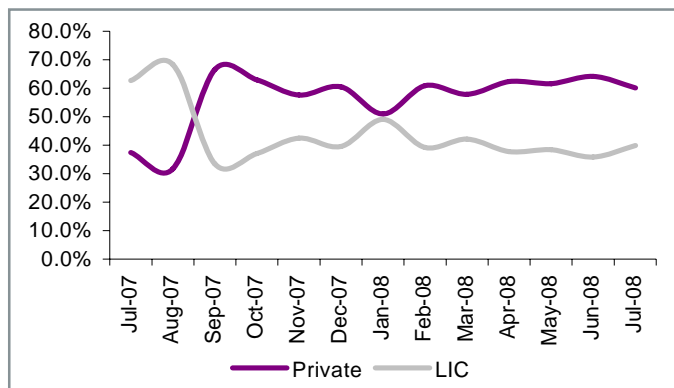
INSURER	July 2008	July 2007	% yoy	% mom	FY09 YTD	FY08 YTD	% yoy
Kotak Mahindra OM	105.2	41.8	151.6	13.9	327.3	149.0	119.6
SBI Life	240.1	107.6	123.0	-55.5	1212.9	392.8	208.8
Reliance Life	241.8	110.2	119.5	44.4	662.1	269.0	146.2
Birla Sunlife	200.5	98.2	104.1	-15.5	692.3	265.7	160.6
Metlife	71.4	36.2	97.4	32.9	247.1	116.3	112.5
ING Vysya	55.9	33.0	69.3	-22.1	204.7	145.8	40.4
Max New York Life	122.9	83.9	46.6	-25.3	559.6	331.5	68.8
ICICI Prudential	562.5	418.8	34.3	-6.3	2019.4	1356.6	48.9
Tata AIG	67.4	56.3	19.7	3.9	304.5	190.1	60.2
Bajaj Allianz	336.6	289.5	16.3	7.9	1101.0	950.2	15.9
HDFC Standard	183.4	161.5	13.6	-3.7	625.7	489.1	27.9
Aviva Life	58.5	61.2	-4.4	2.4	219.7	216.1	1.6
PRIVATE TOTAL	2323.2	1513.2	53.5	-10.4	8360.8	4925.5	69.7
LIC	1539.6	2537.3	-39.3	6.2	5114.2	7464.0	-31.5
INDUSTRY TOTAL	3862.8	4050.5	-4.6	-4.4	13475.0	12389.5	8.8

Allianz stood at around 16.3% yoy as compared with a 91% growth in July 2007. On a YTD basis too, the growth in the new business premium of the company came in at 16%. This deceleration in the growth led to a loss of market share for Bajaj Allianz, which slipped to the third position (from the second earlier) with a 13.2% market share among the private players.

LIC loses market share significantly

LIC has lost its market share significantly since the private players were allowed in the insurance space in 2000. For July 2008, LIC's market share in the new business premium stood at 40% as compared with 36% in the previous month. This increase could be attributed to the slower growth in the new business premium for the private players. However, on a YTD basis, LIC's market share declined significantly to 38% from 60% in the year-ago period.

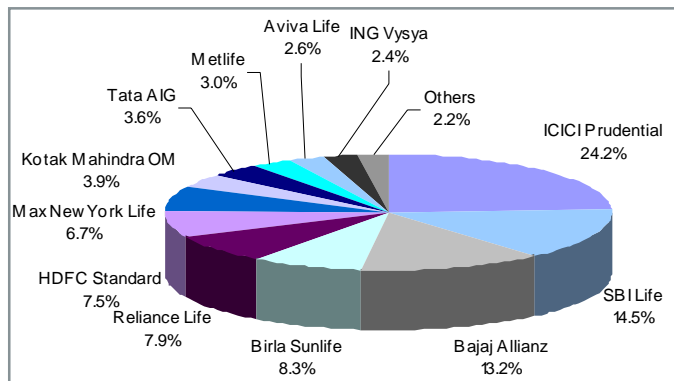
Market share—private vs LIC



SBI Life's gain, Bajaj Allianz' loss

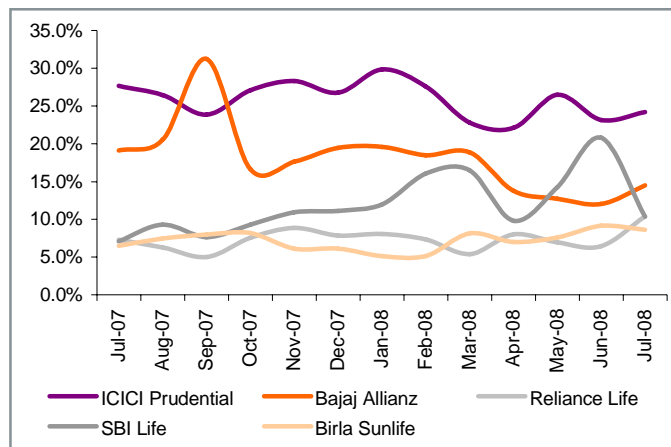
Amongst the private players, the competition seemed to be getting more intense. With a robust 200%+ growth (on a YTD basis) in its new business premium SBI Life climbed up to the second spot with a 14.5% market share, right after ICICI Prudential, which clearly maintained its leadership position with a 24.2% market share. Due to a slower growth in its new business premium, Bajaj Allianz slipped to the third position, a notch below SBI Life.

Pvt players mkt share - YTD



As evident from the chart below, even on a monthly basis, Bajaj Allianz witnessed a continuous loss of market share to the other private players like SBI Life, Reliance Life and Birla Sunlife. Any more slowdown in the new business premium growth for Bajaj Allianz could prove detrimental to the company's position in the industry.

Top 5 market players



Outlook

After witnessing an accelerated growth in the new business premium for a span of seven months, the insurance industry saw a decline of ~5% in the same in July 2008. Though this decline could be mainly attributed to the dull performance of LIC, this also reflects the structural weaknesses in the nation's economy which is affecting the overall growth of the insurance industry. Nevertheless, the performance of the private players remains encouraging and we maintain our positive outlook on the sector.

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Automobiles

Sector Update

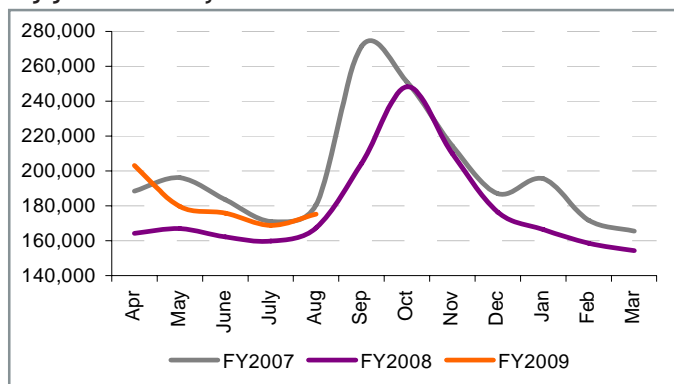
Slowdown continues

Automobile sales remained weak across all the segments for the month of August 2008. The demand in the sector continued to fall due to rising interest rates and credit control measures.

Bajaj Auto

- The motorcycle sales continued to be weak during the month, growing marginally by 5% year on year (yoy).
- The company launched the *New Discover 135 DTSi* last month (July 2008) and sold 27,091 units in the very first month of the launch.
- The company is also planning to launch *Platina 125 DTSi Electric Start* in September this year with a target sale of 10,000 units per month.
- On the back of new product launches and festive season, the management expects a double-digit growth in the second half of FY2009.
- The three-wheeler segment continued to perform badly, however the sales are expected to pick up in the second half of the year on the back of new product launches.
- The exports during the month grew by 26% to 71,105 units.

Bajaj Auto motorcycle sales



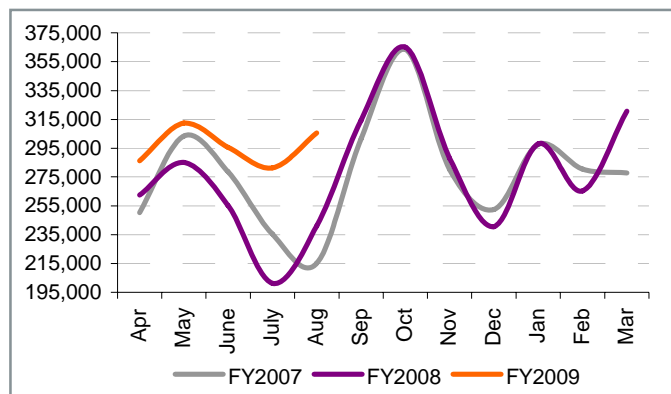
Sales performance for August 2008

Segment	Aug 08	Aug 07	% yoy chg	% mom chg	YTD 2009	YTD 2008	% yoy chg
Bajaj Auto							
Motorcycles	175274	167483	5.0	3.8	902743	821406	10.0
Total two wheelers	176631	170203	4.0	4.0	908579	833259	9.0
Three wheelers	24324	25504	-5.0	2.0	106175	119929	-11.0
Grand Total	200955	195707	3.0	3.7	1014754	953188	6.0
Hero Honda							
Two-wheelers	3,05,516	2,40,875	26.8	8.6	14,81,077	12,44,919	19.0

Hero Honda

- The two-wheeler sales grew sharply by 26.8% in August 2008.
- Hero Honda continues to be the market leader in the motorcycle business with strong growth in key brands like *CD Deluxe* in the entry segment, *Glamour*, *New Splendor NXG*, *Splendor+* and *Passion Plus* in the deluxe segment and *Hunk*, *CBZ X-treme* and *Karizma* in the premium segment. The company's scooter *Pleasure* also did well during the month with sales of 12,000 units.

Hero Honda two-wheeler sales



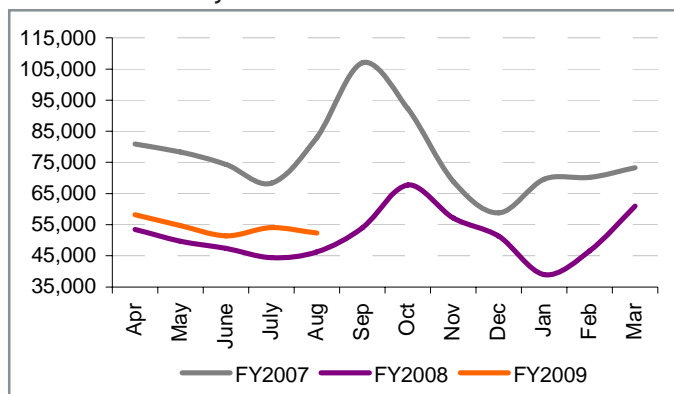
TVS Motors

- TVS Motors' motorcycle sales grew by 13.1% during August 2008 mainly due to a low base and launch of *Apache RTR* in the last month.
- The scooter sales grew by a marginal 3% yoy, while the moped sales recovered during the month and grew by 15% yoy.
- The exports grew by 51% at 18,083 units.

Sales performance for August 2008

Segment	Aug 08	Aug 07	% yoy chg	% mom chg	YTD 2009	YTD 2008	% yoy chg
TVS Motors							
Motorcycles	52,304	46,235	13.1	-3.2	270,674	241,157	12.2
Scooters	25,392	24,645	3.0	5.1	112,979	118,526	-4.7
Mopeds	36,625	31,854	15.0	-9.2	181,002	168,578	7.4
Total	114,321	102,734	11.3	-3.6	564,655	528,261	6.9

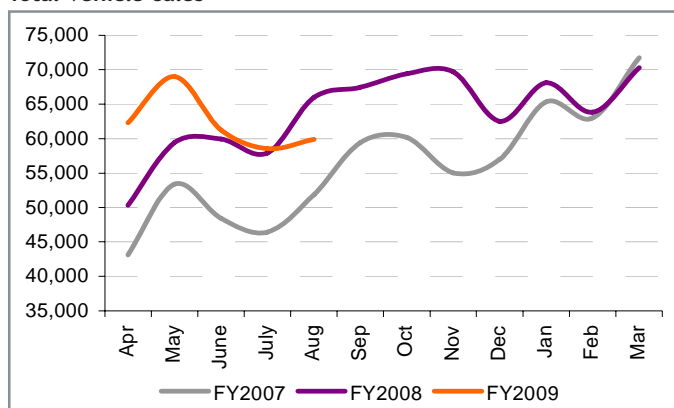
TVS Motors motorcycle sales



Maruti Suzuki India

- Maruti Suzuki's sales for August 2008 declined by 9.2%.
- The sales of A1 segment comprising of *Maruti 800* declined by 32%, despite the launch of the new LPG version.
- In the C segment, sales of *Omni* and *Versa* declined by 17%.
- The compact A2 segment, which is the mainstay of the company, reported a 9.7% decline in the sales due to intensified competition from Hyundai's *i10* and General Motor's *Spark*.
- The A3 segment continues to report a double-digit growth of 12%, mainly due to higher sales of recently-launched *Dzire* and low base of the last year.
- The exports grew by meagre 1% at 5,795 units.

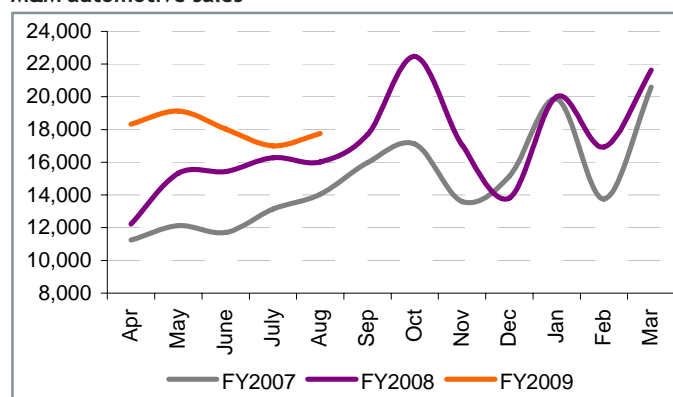
Total vehicle sales



Mahindra & Mahindra

- The utility vehicle (UV) sales grew by just 2% yoy mainly due to a 21% decline in the sales of *Scorpio*. The UV sales other than *Scorpio* however grew by 12% due to a decent performance by *Bolero* and *Maxx*. The sales of this segment were impacted due to price increase taken by the company in the wake of the increase in the excise duty.
- The three-wheeler segment continued its robust growth and rose by 51% for the month, indicating a strong performance by *Alfa*. The company is also working on an electric version of *Alfa*.
- The tractor sales showed a strong growth this month with the sales in the domestic market growing by 16.5% yoy. The momentum in exports continued during the month with the sales growing by 6.4% yoy.
- Recently, the company has signed a joint venture agreement with Yancheng Tractors of China. The company will hold a 51% stake in the joint venture.
- The company has also launched *Logan* in Nepal, which will be available in two variants—1.4GLE Petrol and 1.5 DLS Diesel. The sales of *Logan* for August 2008 stood at 1,464 units as against 2,252 units in August 2007.

M&M automotive sales



Sales performance for August 2008

Segment	Aug 08	Aug 07	% yoy chg	% mom chg	YTD 2009	YTD 2008	% yoy chg
Maruti Suzuki India							
M800 - A1	3717	5480	-32.2	-25.0	25319	29444	-14.0
Omni, Versa - C	6540	7889	-17.1	4.6	33554	35734	-6.1
Alto, WagonR, Zen, Swift - A2	37667	41736	-9.7	8.3	197889	186886	5.9
SX4, Dzire - A3	5427	4839	12.2	-9.7	27376	20289	34.9
Total Passenger Vehicles	53351	59944	-11.0	2.6	284138	272353	4.3
MUV, Gypsy, Vitara - MUV	762	285	167.4	-15.4	2979	1319	125.9
Domestic sales	54113	60229	-10.2	2.3	287117	273672	4.9
Exports	5795	5739	1.0	2.9	23918	19874	20.4
Total	59908	65968	-9.2	2.3	311035	293546	6.0
Mahindra & Mahindra							
Automotive							
Utility Vehicles	11731	11494	2.1	9.9	60322	54232	11.2
Three-wheelers	4315	2860	50.9	5.8	19791	13245	49.4
Total domestic	16046	14354	11.8	1.6	80113	67477	18.7
Exports	890	831	7.1	-7.3	5182	3894	33.1
Total vehicles	16936	15185	11.5	-5.7	85295	71371	19.5
Tractors							
Domestic	7000	6011	16.5	-41.6	41455	37611	10.2
Exports	597	561	6.4	7.3	3723	3239	14.9
Total tractors	7597	6572	15.6	-17.5	45178	40850	10.6

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Sharekhan Stock Ideas

Evergreen

Housing Development Finance Corporation
HDFC Bank
Infosys Technologies
Larsen & Toubro
Reliance Industries
Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
Apollo Tyres
Bajaj Auto
Bajaj Finserv
Bajaj Holdings & Investment
Bank of Baroda
Bank of India
Bharat Bijlee
Bharat Electronics
Bharat Heavy Electricals
Bharti Airtel
Canara Bank
Corporation Bank
Crompton Greaves
Elder Pharmaceuticals
Glenmark Pharmaceuticals
Grasim Industries
HCL Technologies
Hindustan Unilever
ICICI Bank
Indian Hotels Company
ITC
Mahindra & Mahindra
Marico
Maruti Suzuki India
Lupin
Piramal Healthcare (Nicholas Piramal India)
Punj Lloyd
Ranbaxy Laboratories
Satyam Computer Services
State Bank of India
Tata Motors
Tata Tea
Wipro

Cannonball

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

Emerging Star

3i Infotech
Aban Offshore
Alphageo India
Axis Bank (UTI Bank)
Balaji Telefilms
BL Kashyap & Sons
Cadila Healthcare
Jindal Saw
KSB Pumps
Navneet Publications (India)
Network 18 Fincap
Nucleus Software Exports
Opto Circuits India
Orchid Chemicals & Pharmaceuticals
Patels Airtemp India
Television Eighteen India
Thermax
Zee News

Ugly Duckling

Ashok Leyland
Aurobindo Pharma
BASF India
Ceat
Deepak Fertilisers & Petrochemicals Corporation
Genus Power Infrastructures
ICI India
India Cements
Indo Tech Transformers
Ipca Laboratories
Jaiprakash Associates
KEI Industries
Mahindra Lifespace Developers
Mold-Tek Technologies
Orbit Corporation
Punjab National Bank
Ratnamani Metals and Tubes
Sanghvi Movers
Selan Exploration Technology
SEAMEC
Shiv-Vani Oil & Gas Exploration Services
Subros
Sun Pharmaceutical Industries
Surya Pharmaceutical
Tata Chemicals
Torrent Pharmaceuticals
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