

Dear sir,

It's Diwali again. Let us make use of this opportunity to Buy stocks for investments. We have listed below 7 stocks from our basket which look good for investment and can be bought on Muhurat trading day (9th November, 2007).

Stocks	CMP (Rs)
SBI	2,268.0
RIL	2,763.0
HDFC	2,560.0
L & T	4,150.0
Ranbaxy	428.0
Indotech	686.0
Sanghvi Movers	203.0



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## Remarks:

- ◆ SBI has received an in-principle approval from the government for its forthcoming rights issue, further details on its capital raising plans are expected soon.
- ◆ The management has stated that it is optimistic about getting approval for the holding company (guidelines from the RBI expected by month end). This will also be positive for the stock.
- ◆ The launch of new businesses such as general insurance by April 2008 and private equity business by January 2008 along with the expected improvement in the operating performance in H2FY2008 should sustain the positive sentiment for the stock over the medium term.
- ◆ At the current market price, the stock is quoting at 20.5x its FY2009E earnings, 8.3X pre-provision profit and, 2.6x stand-alone and 2x consolidated FY2009E book value. We maintain our Buy recommendation on the stock with a revised twelve-month forward price target of Rs2,625.

## Ranbaxy

CMP: Rs428

## Remarks:

- ◆ With a geographically diversified presence and a large product portfolio, Ranbaxy is one of the best plays on the global generic opportunity.
- ◆ After the recent acquisition of Zenotech Laboratories, Ranbaxy becomes one of the few companies to have a presence in the niche markets of biosimilars and oncology injectables.
- ◆ Ranbaxy's base business in the USA has been growing at an encouraging 35%. Further, the company has a First-to-File (FTF) status on approximately 20 Para IV filings, representing a market size of \$26 billion. It expects to monetise at least one FTF opportunity every year during CY2008-10. While the opportunities for CY2009 and CY2010 (generic Valtrex and generic Lipitor respectively) have already been lined up, the management is confident of winning an FTF for CY2008.
- ◆ Ranbaxy believes its next growth wave to come from the branded markets of Asia, Africa and Latin America. With a product pipeline of over 100 products for these markets, the revenues from emerging markets will drive the company's growth.
- ◆ Ranbaxy has decided to de-merge its new drug discovery research operations into a separate entity effective January 1, 2008 and to list it subsequently. This will boost the overall profitability of the core business and also unlock value in the discovery research and development assets. The announcements of further details on the de-merger scheme will act as a near-term trigger for the stock.
- ◆ At the current market price of Rs438.6, the stock is trading at 23.7x CY2007E earnings and 24.8x CY2008E earnings. We maintain our Buy recommendation on the stock with a price target of Rs500.

## Indo Tech Transformers

CMP: Rs686

## Remarks:

- ◆ Transmission and distribution of power is all set to attract huge investments (Rs427,000 crore over the XIth Five-year Plan) owing to the need to develop a robust network for power distribution. Transformer making companies like Indo Tech Transformers are all set to benefit from the huge investments in the sector.
- ◆ Indo Tech Transformers, a niche player in the transformer manufacturing space, arguably has the best margins in the industry. The high margins due to operational efficiencies are fuelling the growth of the company.
- ◆ The company is expanding its manufacturing capacity to 7,450 MVA per annum to meet the rise in demand for transformers. It has an outstanding order book of Rs219 crore.
- ◆ The stock trades at a price/earnings ratio of 13.6x its FY2009E. We maintain Buy recommendation on the stock with price target of Rs725.

## Sanghvi Movers

CMP: Rs203

## Remarks:

- ◆ Sanghvi Movers Ltd (SML) one of the largest crane-hiring company in Asia and is ranked 19th in the world by Cranes International, an international crane magazine. It has a fleet of 260 cranes of capacities ranging from 20 tonne to 800 tonne. The capacity expansion exercise undertaken by India Inc in recent times has led to a strong demand for cranes.
- ◆ SML has added cranes worth Rs189 crore in FY2007. It is further planning to invest Rs200 crore in FY2008 and FY2009 each, which will lead to sustained earning growth in over FY2007-09
- ◆ SML's recent strategic shift toward acquiring newer cranes has led to a significant improvement in its operating margins. Going forward the company plans to add higher capacity cranes to its fleet which would be useful in the construction of larger and more complex projects like the nuclear power plants.
- ◆ We believe with a market share of 45%, SML is poised to benefit from the ongoing investment in the infrastructure space. We expect its revenue and profits to post a CAGR of 32.5% and 30% respectively.