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Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Deepak Fertilizer	17-Mar-05	50	111	126
♦ McDowell	30-Dec-05	471	519	750
♦ Orient Paper	30-Aug-05	214	236	335
♦ SKF India	23-Dec-03	141	290	406
♦ WS Industries	02-Dec-05	51	60	112

Automobile

Sector Update

Good domestic growth in four-wheelers

Four-wheelers—strong growth from the mid-sized car segment

The four-wheeler segment witnessed a strong rise in the domestic sales volumes in December, while the exports of the four-wheeler majors Maruti Udyog Ltd (MUL) and Tata Motors declined during the month. The month saw a strong growth in mid-sized cars; with MUL reporting a 36.6% rise in its A2 segment and Tata Motors reporting a 28.8% rise in its car segment. We believe this is mainly because the automobile majors have announced a price hike from January, and the customers pre-empted their decision to buy a new vehicle and hence the segment recorded a good growth in the month of December.

Maruti Udyog Ltd (MUL)—A2 segment leads the growth

Maruti Udyog has reported a 5.1% year-on-year (y-o-y) rise in its total sales volumes for the month of December. Although the total domestic sales were up by 16.4% from 37,157 units in December 2004 to 43,181 in December 2005, the exports took a hit during the month and marked a decline of 57.6% year on year (yoy). The domestic sales

were up mainly on account of the strong growth in the A2 segment, which was triggered by the strong sales of the recently launched *Swift*. The rapid growth in this segment may be because of customers advancing their purchases to pre-empt the price hike in January. In the period April-November 2005, MUL has reported an overall growth of 4.6% with a 26.3% growth in the A2 segment.

Tata Motors

Tata Motors has reported an overall growth of 11.4% in its total sales volumes. The growth came primarily from the domestic segment, which rose by 13.1% while the exports showed a slight decline of 0.7%. The buoyancy in the light commercial vehicle (LCV) segment continued and the segment reported an overall growth of 19.9% in December (including both the domestic and exports sales). The LCV segment has grown at a healthy pace of 37.6% due to the strong performance of *Ace*, its one-tonne pick-up truck, which has received good acceptance. The car segment was the major gainer in December with a domestic growth of 36.6% yoy, with *Indica* recording a 40% increase and the *Indigo* family registering a 29% rise.

Maruti Udyog

Volume (units)	Dec-05	Dec-04	% Change	Nov-05	% Change	YTD FY06	YTD FY05	% Change
Domestic sales	43,251	37,153	16.4	43,568	-0.7	380,763	351,583	8.3
Export sales	2,828	6,675	-57.6	3,823	-26	26,656	37,958	-29.8
Total	46,079	43,828	5.1	47,391	-2.8	407,419	389,541	4.6
M800	7,252	7,885	-8	7,397	-2	63,950	88,347	-27.6
Omni/ Versa	4,638	5,237	-11.4	5,250	-11.7	48,496	47,625	1.8
Alto/Wagon R/ Zen/Swift	28,367	20,759	36.6	28,019	1.2	242,421	191,911	26.3
Baleno/ Esteem	2,459	2,987	-17.7	2,437	0.9	22,889	20,733	10.4
Total Cars	42,716	36,868	15.9	43,103	-0.9	377,756	348,616	8.4
MUV-Gypsy/Vitara	535	285	87.7	465	15.1	3,007	2,967	1.3
Total Domestic sales	43,251	37,153	16.4	43,568	-0.7	380,763	351,583	8.3
Exports	2,828	6,675	-57.6	3,823	-26	26,656	37,958	-29.8
Total	46,079	43,828	5.1	47,391	-2.8	407,419	389,541	4.6

Tata Motors

Volume (units)	Dec'05	Dec'04	% Change	Nov-05	% Change	YTD FY06	YTD FY05	% Change
M& HCV	11110	12501	-11.1	10,973	1.2	84,647	92,115	-8.1
LCV	7620	5966	27.7	6,721	13.4	58,822	42,746	37.6
UTILITY	3307	2505	32.0	2,439	35.6	24,918	22,472	10.9
CARS	9730	7122	36.6	10,687	-9.0	102,592	102,524	0.1
Total Domestic	31767	28094	13.1	30,820	3.1	270,979	259,857	4.3
M& HCV	751	379	98.2	916	-18.0	5,558	4,079	36.3
LCV	1678	1792	-6.4	1,315	27.6	15,235	9,372	62.6
UTILITY	205	322	-36.3	207	-1.0	1,110	1,894	-41.4
CARS	1197	1364	-12.2	1,024	16.9	13,302	3,954	236.4
Total Exports	3831	3857	-0.7	3,462	10.7	35,205	19,299	82.4
Grand total	35598	31951	11.4	34,282	3.8	306,184	279,156	9.7

Two-wheeler segment—slowing down post-festive season

The two-wheeler segment has reported a slight slowdown in December 2005 with all the major players witnessing a deceleration in the sales growth. However this is mainly because of the sharp rise in the sales during the festive season.

Bajaj Auto Ltd (BAL)

Bajaj Auto Ltd (BAL) has reported a marginal overall rise of 3.8% in its total sales volumes. The motorcycle sales saw a slowdown, rising only 3.2% yoy from the growth of 40% levels witnessed till October. However, the ungeared scooter segment reported a strong growth of 100% but this was offset by a 30% decline in the geared scooters segment. Its sales in the ungeared scooter segment have been rising ever since the launch of *Wave*. Overall, the two-wheeler segment reported a meagre growth of 1.7%. The three-wheeler segment was a winner this month marking a whopping 26% y-o-y rise during the month. The exports of two- and three-wheelers combined registered a jump of 63% at 18,534 units in the month as against 11,360 units exported in the same period last year. Bajaj plans to launch a new bike in the value segment—which would be a stripped-down variant of *CT100*—this month. Also Bajaj is expected to unveil a new range of scooters in the forthcoming Auto Expo. We believe this shall strengthen the position of the company in the scooter market.

Bajaj Auto

Volume (units)	Dec-05	Dec-04	% Change	Nov-05	% Change	YTD FY06	YTD FY05	% Change
Motorcycles	148,263	143,727	3.2	157,831	-6.1	1,379,206	1,053,566	30.9
Scooters-geared	5,071	7,246	-30.0	5,109	-0.7	55,853	82,344	-32.2
Scooters-ungeared	2,962	1,477	100.5	4,248	-30.3	46,603	26,113	78.5
Step-thrus	-	1,249	-100.0	-	-	870	14,804	-94.1
Total two wheelers	156,296	153,699	1.7	167,188	-6.5	1,482,532	1,176,827	26.0
Three wheelers	18,534	14,705	26.0	17,157	8.0	179,368	168,260	6.6
Total	174,830	168,404	3.8	184,345	-5.2	1,661,900	1,345,087	23.6

TVS Motors

Volume (units)	Dec-05	Dec-04	% Change	Nov-05	% Change	YTD FY06	YTD FY05	% Change
Motorcycles	68,724	63,496	8.2	68,122	0.9	587,089	502,615	16.8
Scooters	16,051	14,866	8	21,057	-23.8	193,857	175,892	10.2
Mopeds	22,637	18,524	22.2	24,082	-6	210,568	192,368	9.5
Total	107,412	96,886	10.9	113,261	-5.2	991,514	870,875	13.9

Hero Honda

Volume (units)	Dec-05	Dec-04	% Change	Nov-05	% Change	YTD FY06	YTD FY05	% Change
Motorcycles	245,104	230,751	6.2	251,186	-2.4	2,228,294	1,935,981	15.1
Domestic	238,822	225,250	6.0	243,885	-2.1	2,155,479	1,892,540	13.9
Exports	6,282	5,501	14.2	7,301	-14.0	72,815	43,441	67.6

TVS Motors

TVS Motor Company has registered a 10.9% growth in its two-wheeler sales for December 2005 at 107,412 units as compared to 96,886 units in the same month last year. The growth was led by a strong 22.2% growth in the moped sales. Motorcycle sales increased 8.2% yoy while the scooters segment reported an 8% rise. The exports during the reporting month increased by 41% to 6,069 units. *TVS Scooty* sales increased nearly 8% to 16,051 units as against 14,866 units in the same month last year. In December TVS had unveiled a new bike *Apache* in the premium segment. The bike is expected to be launched in south India by January 2006 and across the nation by February 2006. We believe that this should further help the company to increase its sales volumes.

Hero Honda

Hero Honda's sales for the month were lower than expected. Hero Honda's motorcycle sales in the month of December stood at 2.45 lakh units as against 2.30 lakh units in December 2004, up 6.2%. The exports rose 14.2% yoy to 6,282 units in December 2005. Also, the market share of the company rose to 53.0% in December 2005 in the motorcycle segment. The growth has slowed down in November and December as the demand slackened due to the above average volume growth during the festive season. We expect the volumes to gain momentum as the company plans to launch its ungeared scooter *Pleasure* in the month of January.

Cement

Sector Update

Good show continues

The top four cement players—Gujarat Ambuja, ACC, Grasim and UltraTech—have recorded a 14.05% year-on-year (y-o-y) growth in dispatches at 53.8 lakh tonne in December as against a mere 2.12% rise at 47.2 lakh tonne seen in the previous month.

ACC tops the chart

Amongst the top four cement companies ACC tops the chart with a very impressive 18.3% growth in cement dispatches. ACC's Chaibasa unit, which has a capacity of 1.2 million tonne, became fully operational during the month of December 2005 and consequently contributed to higher dispatches. The AV Birla group also recorded a very healthy growth of 13% followed by Gujarat Ambuja Cements Ltd (GACL), which showed a 7% rise in cement sales for December 2005.

The improved monthly numbers have helped cement players to better their dispatches in the December 2005 quarter with a 6.6% y-o-y growth at 14.25 million tonne. In contrast, the dispatches for the top four firms had risen a mere 2.96% at 12.87 million tonne in the September 2005 quarter. The dispatches in December were driven by an upturn in the demand from the southern states, in particular from Andhra Pradesh, which is implementing key infrastructure projects.

Cement prices up Rs3-5 per bag in Mumbai and Rs20 in Delhi

Confirming the positive outlook of the cement industry in 2006, the prices in the retail market in Mumbai jumped

by Rs3-5 to Rs180 per 50 kilogram bag as compared to Rs170 per bag a year ago. This entails a 6% y-o-y improvement in the prices of cement in Mumbai, as compared to a 3% improvement recorded in December 2004. The hike has coincided with a general increase in the dispatches and production of major cement companies in December.

The price hike is expected to have an impact on the rest of the country, especially in the North where the demand is one of the highest. Major infrastructure work, including the Delhi Metro and the Golden Quadrilateral, will drive the demand. Consequently cement prices in Delhi are presently hovering around Rs170 per bag as compared to Rs150 per bag during December 2004. This entails an average improvement of around 13% in December 2005 as compared to an improvement of 8% in the month of December 2004.

Rising freight cost to help cement prices cross Rs200 mark in Mumbai

No doubt, cement companies are leveraging improved demand conditions that are usually witnessed in the post-monsoon season, but they are also grappling with higher freight costs. Moreover, the increase in the freight charges after the Supreme Court ban on overloading will also have an impact on the prices of cement. For most cement firms, this development is expected to result in freight costs moving up by 5-6% or about Rs2-3 a bag. Little wonder that industry experts expect the prices to breach the Rs200 mark in Mumbai by April.

(million tonne)	Dec-05	Dec-04	Var (%)	Q3FY06	Q3FY05	Var (%)	YTD06	YTD05	Var (%)
ACC	1.6	1.3	18.3	4.7	4.1	14.3	13.1	12.1	8.4
GACL	1.2	1.1	7.1	2.5	2.4	3.1	8.6	8.2	5.1
Aditya Birla Group	2.6	2.3	13.0	7.1	6.9	3.2	20.5	19.1	7.2
Total	5.4	4.8	13.1	14.2	13.4	6.6	42.2	39.4	7.2

Evergreen

HDFC Bank
Infosys Technologies
Reliance Industries

Apple Green

Aditya Birla Nuvo
Associated Cement Companies
Bajaj Auto
Balrampur Chini Mills
Bharat Bijlee
Bharat Heavy Electricals
Container Corporation of India
Corporation Bank
Crompton Greaves
Emco
Godrej Consumer Products
Grasim Industries
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Hyderabad Industries
ICICI Bank
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ITC
Mahindra & Mahindra
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Welspun India

Ugly Duckling

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Deepak Fertilisers & Petrochemicals Corporation
Genus Overseas Electronics
HCL Technologies
ICI India
Jaiprakash Associates
KEI Industries
Numeric Power Systems
Punjab National Bank
Ratnamani Metals and Tubes
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Surya Pharmaceuticals
UltraTech Cement
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Wockhardt

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