

March 2, 2007

FOR PRIVATE CIRCULATION
Equity

	1 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	13,160	1.7	(8.6)	(4.9)
Nifty	3,811	1.8	(8.9)	(4.7)
Banking	6,585	2.8	(11.1)	(9.7)
IT	3,576	3.4	(8.0)	(0.5)
Healthcare	3,523	0.7	(8.6)	(6.6)
FMCG	1,786	0.0	(7.0)	(12.9)
PSU	5,765	0.9	(9.2)	(7.8)
CNX Midcap	4,893	0.3	(8.5)	(4.5)
World indices				
Nasdaq	2,404.2	(0.5)	(2.9)	(0.4)
Nikkei	17,454	(0.9)	(1.9)	5.5
Hangseng	19,347	(1.6)	(5.2)	4.3

Value traded (Rs cr)

	1 Mar 07	% Chg - 1 Day	
Cash BSE	4,216	(24.8)	
Cash NSE	10,061	(20.7)	
Derivatives	33,652	(31.9)	

Net inflows (Rs cr)

	28 Feb 07	% Chg	MTD	YTD
FII	(1,644)	(296)	5,595	5,756
Mutual Fund	243	(30)	(274)	(1,616)

FII open interest (Rs cr)

	28 Feb 07	% chg
FII Index Futures	13,737	0.6
FII Index Options	6,035	9.5
FII Stock Futures	15,273	2.4
FII Stock Options	46	1.3

Advances/Declines (BSE)

	1 Mar 07	A	B1	B2	Total	% Total
Advances	123	292	287	702	46	
Declines	91	331	375	797	52	
Unchanged	2	22	17	41	3	

Commodity

	1 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	61.8	(0.4)	4.7	(2.6)
Gold (US\$/OZ)	664.4	(0.7)	1.8	2.1
Silver (US\$/OZ)	13.6	(3.5)	1.8	(2.8)

Debt/forex market

	1 Mar 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.95	7.97	7.70	7.42
Re/US\$	44.27	44.26	44.10	44.62

Sensex


Source: Bloomberg

ECONOMY NEWS

- Infrastructure companies in sectors like telecom, power and oil and gas, which enjoy a tax holiday under Section 80- IA of the Income Tax Act, may have to rush with their plans of amalgamation or demerger if they wish to enjoy the exemption. (ET)
- Foreign companies engaged in composite contracts that include supply of services, will have to pay tax in India even if they render these services outside the country. The Government has introduced a retrospective amendment in the finance bill 2007. (ET)
- Growth in merchandise exports decelerated to 14.08% in January 2007 to \$9.64 bn compared to \$8.45 bn in January 2006. Imports rose 35.74% to \$15.43 bn over \$11.34 bn imported in January 2006. (ET)
- The inflation bogey that stalked the government earlier in the week appears to have lost force, with the wholesale price index declining to 6.05% for the week ended February 17, 2007, against 6.63% for the previous week. (BS)
- On a day when the Finance Minister asked industry to hold the price line, domestic steel and cement manufacturers went the other way and announced price hikes in the two products. (BL)

CORPORATE NEWS

- **Hindalco Industries** announced that its board would meet on Friday to consider a preferential issue of equity and equity-linked instruments. Market sources said Birla and his investment companies would subscribe to the offer. Sources said Birla would scale up his stake from 26.79%. (BS)
- The Cabinet has approved the merger of **Air India** and **Indian**. The airlines will pool together their resources in the Gulf region, South-East Asia and neighboring markets. (ET)
- **Oil India**, the country's second largest exploration and production company, is likely to offer 10% of its share to the public in October this year, a few months later than planned. (BS)
- **Megasoft** has restructured its operations after completing the merger process with VisualSoft Technologies. The company is awaiting formal approval from the High Court of Andhra Pradesh and Registrar of Companies to formally merge the two companies. (BL)
- **Aurobindo Pharma Ltd** has announced that National Agency for Medicines, Finland has given the go-ahead for the manufacture of Cefuroxime injectable 750 mg and 1,500 mg at its Unit-VI facility in Chitkul village of Medak district. (BL)
- **Aircel** will embark on an over \$400-mn pan-India network expansion to double its subscriber base of 5 mn over 18-24 months. The company was hoping to invest over \$400 mn in rolling out its services in other regions of India in the next couple of years. (BS)
- **Himatsingka Seide** has completed the acquisition of a 70% equity stake in Giuseppe Bellora SpA, Italy. This is consequent to the signing of definitive agreements in January. (BL)
- Anticipating a plea by Essar to exercise their Right of First Refusal, **Hutchison Telecommunications International** has filed a caveat in the high courts of Delhi and Mumbai. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

COMPANY UPDATE

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GLAXOSMITHKLINE PHARMA (Rs1142, NOT RATED)

We attended the analyst meet of GSK Pharma held in Mumbai last week, where the management discussed the performance in 2006, ongoing development on the business front and the strategic roadmap to the future. The management has once again reiterated that it is committed to launch new drugs in India from its parent's stable through its listed entity only because it has the marketing muscle. In 2007, the company expected to launch Carvidelol, a second generation antibiotic, Arixtra, and possibly Tykerb. Our key takeaways are as follows:

Net profit grows 18.1% in 2006 on the back of 5.4% growth in net sales

Net profit before exceptional income for the year is up 18.1%, on the back of 5.4% growth in net sales (9% growth on continuing business). Profit from the sale of the animal health business was Rs.1.86 bn; resulting in a reported net profit of Rs.5.46 bn from Rs.5.02 bn in CY05. EBITDA margin for the year was up 160 bps to 30.7% from 29.1% in the previous year. This was mainly driven by a cost rationalization exercise, which we believe, is likely to slow down.

Thus, we expect net profit growth to remain in line with revenue growth. In Q4CY06, net sales have grown only 0.8% to Rs.3.2 bn (largely impacted by the sale of the animal health business). However, earnings growth was 33.1% at Rs.682 mn against Rs.512 mn in Q4CY05.

The company has said it has resolved most of the supply chain issues that it had faced in 2006. This should lead to an improvement in overall performance in 2007 by way of minimizing lost sales. The management has indicated that it should continue to grow in line with the overall market growth going forward. However, they would try their level best to surpass industry growth, they said.

Financial Performance (Q4CY06)

(Rs mn)	Q4 CY06	Q4 CY05	YoY (%)	Q3 CY06	QoQ (%)	CY06	CY05	YoY (%)
Net Sales	3,203	3,177	0.8	3992	-19.8	15,523	14,722	5.4
Expenditure	2,389	2,515		2709		10,763	10,444	
EBIDTA	814	663	22.8	1283	-36.6	4,760	4,277	11.3
Depreciation	41	44		41		159	157	
EBIT	773	619	25.0	1242	-37.8	4,601	4,120	11.7
Interest	0	0		0		-	-	
Other Income	300	210		254		959	659	
PBT	1,073	828	29.6	1496	-28.3	5,561	4,779	16.4
Tax	391	316		505		1,943	1,716	
Reported PAT	682	512	33.1	991	-31.2	3,618	3,063	18.1
Extra-ordinary Items	-4	-89		1864		1,838	1,958	
Adjusted PAT	678	424	60.0	2855	-76.3	5,456	5,021	8.7
Equity Shares (Mn)	84.7	84.7		84.7		84.7	84.7	
EPS (Rs)	8.0	5.0	60.0	33.7	-76.3	64.4	59.3	8.7
EBIDTA Margin	25.4	20.9		32.1		30.7	29.1	
PAT Margin (%)	21.2	13.3		71.5		35.1	34.1	

Source: Company

Pharma business likely to grow 10-12% for the next two years

Glaxo is extremely strong in antibiotics, anti-ulcerants, dermatology and vaccines. Now, the company has also entered chronic segments, like diabetology and cardiology. This, along with the focus brands should drive growth in the pharma business. The pharma business has grown 9.2% YoY in 2006. In the diabetes segment, Glaxo's Windamet becomes the leading brand between the Rosiglitazon/Metformin combinations while Windia is at the No.4 position among Rosiglitazone brands.

Increasingly, the company would map the parent's portfolio. In licensing too is an important part of the management's growth strategy and it is looking for in-licensing opportunities. Glaxo has said it will launch patented products (at least three) by 2010 excluding vaccines. The company is hopeful of the launch of Rotarix and Cervarix vaccines in one or two years.

Priority focus products (about 35% of sales) an important constituent of growth

Priority focus products constitute about 35% of pharma sales, comprising 16 brands. The key brand is Augmentin (over Rs.1 bn in sales), now the largest brand in the country and the vaccines portfolio. Vaccines constitute about 7% of pharma sales (most of it is included in priority category). The Top-three vaccines had sales of US\$24 mn. We note that these have very little competition. About 30% of sales come from price controlled products, growing by 10%. Gross margins on priority focus products are higher than controlled drugs. However, slowing promotional expenses on controlled products help maintain profitability.

Key risks

Increase in price control, slowdown in the domestic market, delay in product approvals or launch and their patents are key downside risks, while it could gain from a reduction in price control (about 30% of sales) and buoyancy in the domestic market growth.

Valuations and recommendation

The company has posted an EPS (after exceptional items) of Rs.64.4 for CY06 and at the current market price of Rs.1142, the stock is trading at a P/E of 17.7x CY06 earnings. Currently, we do not have a rating on the stock.

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
1-Mar	Bannari Amma	Anuj A Sheth Huf	B	264,652	95.95
1-Mar	Bannari Amma	Prescient Securities Pvt.	S	264,652	95.95
1-Mar	Dolph Med Se	Master Finlease Ltd	B	286,664	7.27
1-Mar	Dolph Med Se	Avisha Credit Capital Ltd	B	100,000	7.28
1-Mar	Federal Bank	Icici Mutual Fund Ac Dyna	B	950,000	220.00
1-Mar	Federal Bank	Hsbc Global Investment Fu	S	961,500	220.00
1-Mar	G V Films Lt	Ubs Securities Asia Ltd.	B	1,392,321	6.09
1-Mar	G V Films Lt	Bnp Paribas Arbitrage Acc	S	1,361,791	6.09
1-Mar	Gayatri Proj	Prism Impex Pvt Ltd	S	50,000	270.61
1-Mar	Gemstone Inv	Kishor Balubhai Chauhan	B	77,000	22.35
1-Mar	Gemstone Inv	Sharman Appliances Pvt Lt	S	50,000	22.40
1-Mar	Gemstone Inv	Sushila Premchand Shah	S	20,000	22.40
1-Mar	Gulshan Poly	Mergers And Acquisitions	B	40,500	39.80
1-Mar	Indian Bank	Government Of Singapore I	B	4,732,116	91.55
1-Mar	Kancha Inter	Nirmal Investments	B	47,716	12.86
1-Mar	Kancha Inter	Indusind Bank Ltd	S	71,360	12.66
1-Mar	Madhav Mar G	Jain Orna Pvt Ltd	S	70,000	100.33
1-Mar	Maruti Infra	S.K.Stock Broking Pvt. Lt	B	50,000	8.77
1-Mar	Maruti Infra	Vipul Dhirajlal Shah	S	36,000	8.77
1-Mar	Mohit Indust	Shah Manish Ratilal	B	28,000	40.97
1-Mar	Mohit Indust	Rajeev Goyal	B	70,000	40.95
1-Mar	Mohit Indust	Hasmukhbhai Ratilal Patel	B	50,000	40.95
1-Mar	Mohit Indust	Hemrajsinh Vaghela	S	51,500	40.95
1-Mar	Pantaloon In	Vijay Biyani	B	44,000	375.00
1-Mar	Pantaloon In	Sunil Gopikishan Biyani	B	57,600	375.00
1-Mar	Pantaloon In	Gopikishan B Biyani	B	84,300	375.00
1-Mar	Pantaloon In	Gopikishan Biyani Huf	S	42,500	375.00
1-Mar	Pantaloon In	Bansi Silk Mills	S	182,100	375.00
1-Mar	Real Strip L	Kishan Gopal Mohta	S	20,106	44.85
1-Mar	Royale M H I	Pilot Consultants Ltd	S	125,842	21.21
1-Mar	Royale M H I	Sparrow Exports Pvt Ltd.	S	371,900	21.87
1-Mar	Shamke Multi	Pneumatic Leasing Service	B	100,000	1.86
1-Mar	Srf Polymer	Le Roy Securities P Ltd	S	97,941	136.00
1-Mar	Sujana Metal	J.P.Morgan Securities Ltd	B	270,000	107.40
1-Mar	Techtran Pol	Baljit Securities Pvt Ltd	S	130,000	24.40
1-Mar	Transwarranty	Spjstockbroker	B	222,001	42.38
1-Mar	Transwarranty	Vinco Sales And Services	B	205,235	43.22
1-Mar	Vivimed Labs	Search Finvest Pvt Ltd	B	40,434	168.74
1-Mar	Wires Fabrik	Sidhant Vijay Kumar Jati	B	30,388	64.35
1-Mar	Wires Fabrik	Eclat Developers Pvt Ltd	S	29,628	64.35

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
TCS	1,255	5.1	12.0	2.0
Infosys Tech	2,159	3.9	9.1	1.7
Reliance Com	429	5.2	8.7	8.7
Losers				
Bajaj Auto	2,522	(3.7)	(2.0)	0.5
Gujarat Ambuja	112	(3.5)	(1.2)	17.7
ACC Ltd	876	(2.9)	(1.0)	1.9

Source: Bloomberg

Forthcoming events

COMPANY/MARKET

Date	Event
5-Mar	TV18 to announce interim dividend; Network 18 to consider rights offer
6-Mar	GAIL India to announce special interim dividend

Source: Bloomberg

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