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A TIME COMMUNICATIONS PUBLICATION

VOL. XVI No. 20 **Monday, April 2 – 8, 2007** **Pages 16**

Welcome fiscal 2008

Look out for potential winners

By Suryadevara

The Prosperous but volatile fiscal 2007 is passing on the baton to the new fiscal 2008 and it is time to crystal gaze and plan our investments in FY08 for better returns. FY07 has left behind many milestones in the Indian Capital Markets and gave a treat of four prosperous fiscals in succession. Will then, the new fiscal usher further wealth creation or wealth erosion for investors?

Before looking ahead, let us peep through the rear-view mirror for a moment. Earlier, after the prosperous FY03, FY04 was a dream year during which the BSE Sensex had grown from 3049 on 31.3.2003 to 5590 on 31.3.2004. Later, FY05, the Sensex rose from 5590 to 6493. During FY06, the Sensex recorded a growth of 74% to touch 11307. In the outgoing FY07, the Sensex rose to a high of 14724 on 9-2-2007 before retreating to the current level of around 13000. What next?

If we look at the apparent and unfolding positive and negative factors, probably the party is still on and the investors can welcome the new fiscal FY08 with reassuring hope. Is it a mere new year wish or a reasoned perception? Let us look in detail.

First, look at the concerns. In the Indian context, bull markets have always been shorter than bear markets, which invariably last longer. Hence, after four prosperous years in succession, the probability of a bearish market ahead is more. India's fiscal deficit is another area of concern. Prevailing higher crude oil prices do not augur well for the economy. Appreciation of the British Pound and Euro against the Indian Rupee in the last fiscal rings some warning bells. Highly probable are the inflationary pressures that FY08 cannot ignore. Indian stock valuations appear a bit expensive in comparison with those available in other developing nations. Finally, political developments like the Nandigram and Singur agitations do not give out good signals to global investors.

Now look at the positive factors-India is the second fastest-growing economy in the world (second only to China). A GDP growth rate of above 9% is achievable over the next few years. Exports growth is really pleasing and global outsourcing only highlights India's vast untapped potential. A consistent and impressive growth of the Indian Corporate Sector inspires confidence. The Indian Rupee's appreciation against the US Dollar in FY07 is very impressive, which augurs well for the increased FIIs inflows. The Indian Rupee has appreciated against the Japanese Yen also over the last one year. Let us not forget that for over a decade boom-conditions prevailed in USA in the Nineties when the US Dollar was the almighty.

Our burgeoning foreign exchange reserves and the government's commitment to reforms and eagerness to attract foreign investment are big positive factors. Likely revaluation of the Chinese currency by about 10% in FY08 augurs well for the Rupee's strength. Even on the crude oil front, last year has proved that the impact of high crude oil prices is no longer alarming in the light of globalisation. Besides, crude prices are likely to soften after a couple of months. Coming to the fiscal deficits, India's position is far superior to that of the USA.

During 2006, more than $7.09 billion moved out of US equity markets towards emerging markets in spite of federal interest rate hikes to a record 5.25% p.a. Now, US interest rates have peaked and even rate-cuts can be expected inn the latter half of 2007. Problems in the financial sector of US economy and its likely slow-down signals further flight of capital from Dollar assets to non-Dollar assets across the globe. Even the Euro zone interest rates do not have far to go. Although the Japanese economy may be on an upswing, interest rate hike beyond 0.50%p.a is not expected from the Japanese central bank. All these factors favour increased inflows into India in FY08.

Thus the historical perspective of the market is no longer valid. What we have seen in the past 55 years in India may not be relevant for the next few years. In fact, a longer bull phase (of around a decade) that was witnessed in the US in the

Nineties and in China in the recent past can be visualized for India in the evolving conditions. Hence the concern of bear market after four consecutive prosperous years need not bother us much.
Although inflation is a major concern for India, almost all countries face this threat and we need not be unduly worried over it. Even on the valuations front, comparison with other countries or mere P/E ratios alone will not impact the investors' fancy. Higher growth of the rates perceived for the Indian corporate sector and the depth of the Indian capital market may compel global investors to continue buying the Indian Growth Story for some more time. Look at some recent media reports: Dubai based Evolence India Holdings recently raised US $65 mn.; India-focused funds; Indian story is attracting global investors in droves, Apprehensions of FIIs pull out from China sends shock waves throughout the globe. Although the Chinese market recouped the losses, global investments pull out from China cannot be ignored especially in view of the massive inflows it attracted for more than a decade. In fact, such pullouts can benefit the Indian economy even if we can attract a fraction of such outflows. Looking at the sustainable impressive growth of around 9%, the Indian economy will certainly be attractive for global funds.
By this, I do not mean that the road ahead will be smooth and safe. Volatility is to be accepted as a matter of fact when the markets race past to unchartered territories. May-June 2006 movements of the Sensex should serve as a good reminder to investors. The BSE Sensex plunged to a low of 8799 on 14-6-2006 in just about a month from its high of 12671 it scaled on 12.5.2006. The recovery thereafter was equally striking as the market crossed the 14700 level in February 2007. Such volatility should be utilized to reduce the cost of one's holdings by selling at higher levels and buying back at lower prices. In fact, we can look forward to the Sensex level of around 16000, if not more, then FY08 can be more eventful than FY07 2008. Cautious and conservative investors can get around 20% returns in the new fiscal. Brave, nimble-footed, studious and aggressive investors can even target dream returns commensurate with the risks they are willing to take.
In the past few fiscals, large cap momentum stocks stole the limelight. However, things are more likely to change in view of the provision for 'short selling' permitted along with stock lending in the new fiscal. This move is reportedly is expected to bring about more depth into the markets. However, this will certainly tilt the balance in favour of bear operators especially after 4 prosperous years. In such circumstances, most bull operators are likely to concentrate on growth stocks from the mid/small cap segments. Hence potential mid/small cap stocks are likely to give superior returns in the new fiscal even though the indices may not record their impressive growth.
Looking ahead, which sectors appear promising in the new fiscal? Infrastructure, Cement, Steel, Banking, Pharma, Textile, IT & ITES Sectors are likely to be fancied in the new financial year.
Infrastructure: As is evident, this sector is getting the lion's share of the government attention and encouragement. Infrastructure and property development companies are likely to emerge winners in the new fiscal even though they were beaten over the last one month. GMR Infrastructure, MSK Projects, PBA Infrastructure, Lanco Infra, IVRCL, NCCL etc. are likely to merit attention.
IT & ITES: This Sector too is likely to continue its winning spree in the new fiscal also. TCS Ltd., I Gate Global, Tech Mahindra, Satyam are likely to be in focus. Animation sector of this industry is likely to be more visible in the new year. Tata Elxsi, UTV Software, Silverline, Color Chips etc are likely to emerge as winners.
Pharma: The new financial year is bound to throw new winners from the Indian Pharma Sector in view of the competitive strength of the country. Jupiter Biosciences, Zenotech Labs, Dishman Pharma, Glenmark, Divis Lab Ltd., Ind-Swift Ltd., Natco Pharma, Nicolas Piramal can be watched for wealth creation. Of these, Jupiter Biosciences Ltd. appears grossly under discounted at its current price of around Rs.132. Though some research houses gave a sell call on this scrip, it can give surprising returns in the new fiscal.
Textile: Although this sector could not live up to its expectations in the last two years, it is bound to record higher growth rates in the new year. Arvind Mills, Eurotex Inds. & Exports Ltd., Visaka Inds., Nahar Exports etc. are worth watching. Eurotex Industries, which is available at around 40% of its book value can spurt to its potential.
Cement: Although this sector was battered badly last month, it is going to be the joint beneficiary of the infrastructure boom with steel in the new year. ACC, Gujarat Ambuja Cement, Grasim, Sagar Cement etc. can be watched.
Steel: Tata Steel, National Steel can be watched - Ruchi Group may go in for consolidation of its steel businesses under this company.
Banking: In view of the likely consolidation moves in the industry, Canara Bank, Bank Of India, Vijaya Bank, IDBI etc. can be considered for good returns. Things are really happening in Canara Bank, which had strengthened its position in the industry last year with all-round improvement on various parameters. It is likely to continue its winning streak in the new fiscal too. Although the research team at HSBC had given a 12 months target price of Rs.310 to Canara Bank, it is expected to cross this target much earlier.
Primary Market: The primary market is likely to see increased activity in the new fiscal. Investors can look forward to good public issues like Shanta Biotech and good follow-on issues like Canara Bank. With the grading of IPOs made

compulsory, the primary market will witness good quality paper on offer and investors can surely bag some good bargains at the IPO stage.

But choosing the right investments alone is not sufficient for ensuring good returns. Profit-booking will be more relevant in the new fiscal, especially after four prosperous years. Booking profits at higher levels to increase liquidity and buying again at lower levels will ensure superior returns.

In these fast-changing times, investors who update their knowledge with the help of good and unbiased experts can benefit from the emerging conditions. Buying into potential winners, booking profits at higher levels during market peaks to re-enter at lower levels should be the right approach in the new fiscal. Although the outlook for the Indian economy over the next few years appears rosy, investors should preserve their pot of profits by booking profits at market peaks, especially in the light of May-June 2006 carnage.

May fiscal 2008 bring prosperity and happiness to all the readers of ‘Money Times’.

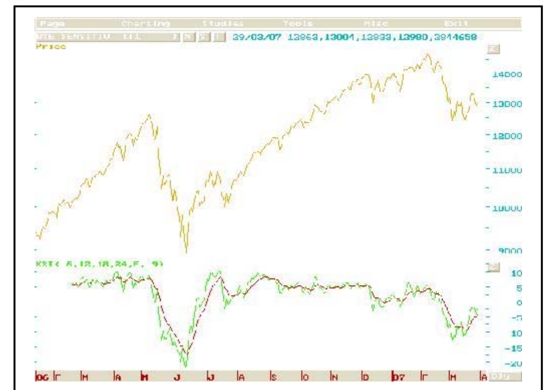
MARKET

Only good Q4 results

can cheer the market sentiment

By Sanjay R. Bhatia

The markets continued to remain volatile and choppy ahead of the derivative segment expiry of the derivatives segment. Weakness persisted on the bourses after last week’s smart rally of around 7% in the benchmark indices. Traders and speculators were active in auto, capital goods, oil & gas, pharma, technology and telecom stocks. Incidentally, FIIs have remained net buyers in the cash segment but have were sellers in the derivatives segment while mutual funds continued to remain net sellers.



Global cues turned negative with crude oil touching $66 level due to political tensions between Iran and the Western powers. Even the appreciation of the Indian rupee to an 8-year high did not help matters. If the rupee continues to appreciate, IT companies are likely to face erosion in margins. Also release of mixed economic data for the US economy added to the uncertainty.

The markets continued to languish at higher levels due to lack of follow-up buying especially from the institutional investors. The next trigger for the markets will be the Q4 results, especially of the IT companies, which are likely to be declared from this week onwards. The future guidance for IT companies will play a crucial part. In the meanwhile, the markets are likely to witness stock specific action and would continue to keep a sharp eye on crude oil and rupee levels.

Technically, the markets could not capitalize on last week’s gains of 7%. Lack of follow-up buying and institutional support saw the markets correcting. The markets continue to lack conviction at higher levels and only the Q4 results are likely to improve this sentiment. However, the Q4 results will have to surprise the markets on the positive side if a strong rally has to unfold.

On the upside, 13471 is an important resistance level for the Sensex, which has support at 13159 and 12884 levels. In case of the Nifty, the 3942 and 3997 levels are likely to act as resistance levels while 3850 and 3608 are its important support levels.

Traders and speculators could buy Aventis Pharma with a stop loss of Rs.1199 and a target price of Rs.1270.

BAZAR.COM

Buy, but cautiously

By Fakhri H. Sabuwala

Fiscal 2006-07 has come to an end and with it the chapters of glory of the Sensex, Nifty and at Dalal Street have been sealed in the annals of history. It is also worth noting that the ultimate week of this fiscal could glaringly display symptoms of a slowdown, a consolidation, sideways movement – all painful ailments nevertheless.

Amid such a gloom to doom scenario on the bourses, the Indian economy has no reason to mourn on the contrary, it has to thank God for the resilience that he has bestowed upon us. It is this great resilience and the imperatives of our large consumer base and the market that will rescue us. No doubt, the momentum of 9% - 9.5% growth in GDP may ease to 8% to 8.25% and the corporate profit momentum may slow down by 3% to 5% but that does not bring us to the end of the road. The tunnel may appear dark but its not a long one and holds a ray of hope at the other end.

What we are witnessing today is the adjustment to the transition that out economy is on to and this painful correction is just cooling off the engine, which had a great run in the past couple of years. Investors, therefore, have no reason to mourn

the recent crash on the bourses but rather treat it as a buying opportunity so that the second leg of the upward move belongs to them. Deep falls and corrections must be treated as a buying opportunity with an understanding that some pain may still surface. It is impossible to time the market and there is not need to dwell on it. So how about deriving confidence from the rising consumerism, rising savings, rising equity consciousness and rising interest of the world in our economy. Let macro factors boost your confidence and enable you to unearth some real gems from the dark mines. Some such gems are:-

1) **SAIL:** After coming out with flying colours in steel and embarking on Rs.1,00,000 cr. capacity expansion, SAIL remains the leader in the steel segment. Diversifying into cement, another infrastructure product, the company enters into 26:74 joint venture with Jaiprakash Associates Ltd., which shall be completed in nearly three years. This expansion gives the company an additional edge and may qualify Jaiprakash for tax holiday as promised by the Finance Minister.
2) **Bharti Airtel:** The unique count of average revenue per user (ARPU), which is Rs.343 per month with Bharti, is the highest in the industry followed by Rs.340 of Hutchison Essar. The average ARPU for the industry stands at Rs.316 for the quarter ending 31st December 2006 from Rs.356, which was for the quarter ending 31st March 2006. Bharti's performance in the light of these statistics is considered good.
3) **Auto Ancillary stocks:** Tier I auto component makers are in for a rough ride o the bourses with most of them trading at near 52-weeks low with low P/E ratios. For medium-to-long-term investors, it is a perfect opportunity to build up positions in these counters, as these companies are likely to be on the growth track.

During the last 12 months, it was the fear of rising cost of raw materials that ate into the company margins. The worst seems to be over now as metal prices have peaked and going forward, operating profits, too, shall grow in tandem to the topline. With capex plans at an advanced stage of implementation, there is now very little chance of a further dilution in equity.

Majority of the small and medium cap auto ancillary stocks are quoting at a P/E of 7-9 times their earnings. This is less than half the trailing P/E of the industry and auto ancillary index. Thus forward valuations of companies like ABC Bearings, ANG Auto, Banco Products, Bharat Gears, Clutch Auto, JBM Auto, NRB Bearings and Sona Koyo Steerings looks very attractive.

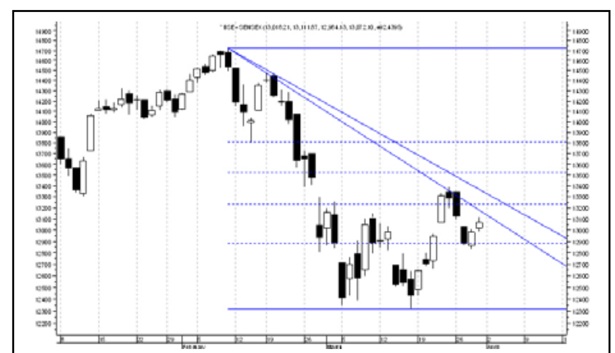
This list may not be exhaustive but in the light of shrunk values and difficult times for the market in general, a small beginning in investments can be made.

TRADING ON TECHNICALS

Plan systematic withdrawals on spurts

By Hitendra Vasudeo

The pullback rise was shortlived last week as we witnessed a subdued movement that did not cross 13386 in order to show any continuation of the pull. Last week, the Sensex fell down after opening on Monday and carried the fall till Thursday's low of 12832. On Friday, the Sensex recovery to close positively but that was not enough. The Sensex closed negative on weekly basis showing a net fall of 214 points on week to week basis.



Earlier on Monday, the Sensex opened at 13345.73 and maintained the same as the high for the week. It fell down to a low of 12832.60 to close the week at 13072.10.

The weekly trend has turned up after the weekly closing on 13285 on 23/03/07. The weekly up trend could be shortlived. The weekly trend will once again turn down on fall below 12300 or if the Friday weekly close is below 12918.

The Sensex must not violate the support of 12300. If that happens then the rise to 13386 was a part of the overall falling leg from 14724. The fall till 12316 was of 26 days and if it falls below 12300 then the continuation of the fall could take the Sensex down further.

The fall in that case could be of 72-86 days from the top day of 14724. Accordingly the time frame for next turning date would be 9th June + or – 6 trading days. After this turning date, the next date would be in October'07 (9th Oct'07 + or – 3 trading days). The fall in terms of price and time has to be arrested but 12300 must not be comprehensively violated. The fall can get extended in term of time up to 9th June'07 +or- 6 trading days or up to 9th Oct'07 + or – 3 trading days.

The Sensex has completed one round of corrective phase from 14724 to 12316. A pull back to 13386 was witnessed. If 13386 is not crossed at the earliest, then expect 12300 to be breached for overall target of 8800-8548. The intermediate levels on its way to 8800-8548 are 11761-11062-10250. The intermediate levels could offer time to time pull back creating lower tops. A weekly close below 12300 would be a problematic situation for short to medium term.

The pullback rally level still remains the same. If the market rebounds again without violating 12300, the pull back levels are 13250-13500-13800.

Wave count updates will be given in the next weekly update

Strategy for the week

Use spurts to exit or sell stocks as the index moves towards 13250-13500-13800. The strategy has to be like a Systematic Withdrawal plan at these index levels whenever they are attained.

WEEKLY UP TREND STOCKS

Let the price move below Center Point or Level 2 and when it move back above Center Point or Level 2 then buy with what ever low registered below Center Point or Level 2 as the stop loss. After buying if the price moves to Level 3 or above then look to book profits as the opportunity arises. If the close is below Weekly Reversal Value then the trend will change from Up Trend to Down Trend. Check on Friday after 3.pm to confirm weekly reversal of the up Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Up Trend Date
		Stop Loss	Buy Price	Buy Price	Book Profit	Book Profit			
IFCI	33.60	28.4	31.7	33.0	34.9	38.2	78.6	28.6	23-03-07
PRAJ INDUSTRIES	378.70	349.5	368.0	375.7	386.5	405.0	77.4	371.9	15-03-07
BHARTI AIRTEL	763.00	694.0	742.0	769.0	790.0	838.0	77.4	756.3	23-03-07
SAIL	114.10	101.5	109.5	112.8	117.4	125.4	75.1	108.3	23-03-07
ABAN OFFSHORES	2018.00	1613.3	1867.3	1970.7	2121.3	2375.3	72.2	1851.0	30-03-07

WEEKLY DOWN TREND STOCKS

Let the price move above Center Point or Level 3 and when it move back below Center Point or Level 3 then sell with what ever high registered above Center Point or Level 3 as the stop loss. After selling if the prices moves to Level 2 or below then look to cover short positions as the opportunity arises. If the close is above Weekly Reversal Value then the trend will change from Down Trend to Up Trend. Check on Friday after 3.pm to confirm weekly reversal of the Down Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Down Trend Date
		Cover Short	Cover Short	Sell Price	Sell Price	Stop Loss			
A.C.C.	735.00	688.3	720.3	737.7	752.3	784.3	19.37	748.50	25-01-07
LANCO INFRATEC	158.35	134.9	152.3	163.6	169.6	187.0	20.78	169.39	9/2/2007
TATA MOTORS	728.00	595.7	687.7	739.3	779.7	871.7	28.70	749.75	30-03-07
GUJ. AMBUJA CEM	106.70	96.2	102.7	105.3	109.2	115.7	31.16	107.02	25-01-07
NEYVELI LIGNITE	50.40	46.6	49.2	50.5	51.7	54.3	31.37	50.75	15-02-07

PUNTER'S PICKS

Note: Positional trade and exit at stop loss or target which ever is earlier. Not an intra-day trade. A delivery based trade for a possible time frame of 1-7 trading days. Exit at first target or above.

Scrips	BSE CODE	Last Close	Buy Price	Buy On Rise	Stop Loss	Target 1	Target 2	Risk Reward
DISA INDIA	500068	1338.00	1270.00	1380.00	1099.00	1553.7	1834.7	0.90
FLEX INDUSTRIES	500148	225.75	214.15	225.75	211.80	234.4	248.3	0.62
GUJ.MINERAL DEV.CORP	532181	475.40	470.00	484.00	435.00	514.3	563.3	0.96
SANGUINE MEDIA	531898	39.35	39.05	39.40	35.75	41.7	45.3	0.64

BUY LIST								
Scrip	Last Close	Buy Price	Buy Price	Buy Price	Stop Loss	Target 1	Target 2	Monthly RS
JSW STEEL	493.45	466.74	454.00	441.26	400.00	574.7	682.7	66.00
CESC	377.95	350.25	338.95	327.65	291.05	446.1	541.9	50.80

EXIT LIST								
Scrip	Last Close	Sell Price	Sell Price	Sell Price	Stop loss	Target	Target	Monthly RS
MICO (MOTOR IND.CO.)	3260.00	3333.69	3427.50	3521.31	3825.00	2538.7	1743.7	37.99
INFOSYS TECHNOLOGIES	2013.00	2044.57	2071.00	2097.43	2183.00	1820.6	1596.6	42.48
ALSTOM PROJECTS INDI	395.50	422.24	432.20	442.16	474.40	337.8	253.4	44.92
EXIDE INDUSTRIES	42.65	43.54	44.33	45.11	47.65	36.9	30.2	46.78
MOSER-BAER INDIA	298.40	308.00	315.02	322.05	344.80	248.5	188.9	54.22

BEST BETS

Sunil Hitech (Code: 532711) Rs.74.50

Sunil Hitech Engineers Ltd. (SHEL) is an engineering turnkey service provider in the power sector. It is engaged in the niche segment of fabrication, erection, testing and commissioning of bunkers, electrostatic precipitators, boilers and turbine generator sets in power plants. Its service profile includes civil works for thermal power stations, ash handling, repairs, modification, rehabilitation and major maintenance of power plants. The company has executed many projects varying from 30 MW to 500 MW like Korba STPS (Super Thermal Power Station), Chandrapur STPS, Vindhachal STPS, Talcher STPP (Super Thermal Power Plant), Rihand STPP etc. Its clientele includes heavyweights like BHEL, REL, NTPC, L&T, Tata Power, Punj Lloyd, JSW Steel, Sterlite, Tata Power and major SEBs across India.

Currently, SHEL derives 85% revenue from its projects division whereas 15% comes from its operations & maintenance division. Its present service offering on the generation side is strongly backed by a manufacturing facility through a 100% subsidiary-Sunil Hitech Engineers & Manufacturers and a huge fleet of heavy equipments and machineries. Recently, SHEL has diversified into manufacturing of Transmission Towers with an initial investment of Rs.10 cr. For this purpose, it is setting up a fully automated German technology galvanizing plant at Butibori, Nagpur, with an annual production capacity of 20,000 MTPA expandable upto 40,000 MTPA for a total capex of Rs.110 cr. Of late, the company has also forayed into power distribution-related contracts and is executing the Rs.19 cr. Accelerated Power Development and Reforms Programme (APDRP) project in Kalyan, near Mumbai. Besides this, it has participated for Bhandup and Thane APDRP tenders worth Rs.130 cr. Thus, the company is now into each part of power sector viz. generation, transmission & distribution. Importantly, the company is regularly bagging prestigious orders and is constantly bidding for various public and private projects. At present, its 25 projects are at the execution stage and its order book stands at whopping Rs.500 cr., which is nearly 3 times its expected FY07 topline.

Moreover, the central government has planned an addition of 1,00,000 MW by 2012 in the 10th and 11th Five Year Plans and huge investment for upgradation of old power plants in addition to power sector reforms would create huge business opportunities for the company in coming years. In February 2006, SHEL launched its maiden IPO by issuing 34.8 lakh equity shares at Rs.100 aggregating to around Rs.35 cr. For FY07, it is expected to clock a turnover of around Rs.150 cr. with net profit of Rs.6.50 cr. recording an EPS of Rs.6.50 on its current equity of Rs.10 cr. However, on the back of aggressive order execution, it may report total revenue of Rs.220 cr. and profit of Rs.11 cr. i.e. EPS of Rs.11 for FY08. This means that the scrip is currently trading at a P/E multiple of merely 7 against its FY08 earnings. Although the company may raise capital to fund its working capital requirement and which may dilute the equity to some extent, investors are still recommended to buy it at current levels as the share price may double in 15-18 months.

Mobile Telecommunication (Code: 532127) Rs.13.53

Incorporated in 1995, Mobile Telecommunication Ltd (MTL) is engaged in the business of telecom system development, manufacturing of electronic hardware, software development and trading in other products. In short, the company focuses on products and services related to the telecommunication infrastructure. It has gradually emerged as a reputed contract manufacturing service provider with its electronic manufacturing facility located at Nasik. It manufactures box assemblies as well as PCB assemblies and caters to clients from IT, Auto, Power, Medical and Telecommunications sector. In late 2005, however MTL diversified into the BPO business by acquiring the BPO facility of M/s Quantum eServices Pvt. Ltd.

Presently, MTL is focusing on three divisions – Internet technologies (VOIP & IP telephony), IT enabled services (International Call center) and manufacturing of telecom products (WLL handsets). The company is working on VOIP and IP Telephony technology and is in the process of establishing a network of Servers in USA, UK and India. Till such time as two-way telephony through Internet is allowed in India, MTL will be providing Voicemail through telephones. It

is also setting up a subsidiary in USA to launch its services over there. On the BPO front, Quantum eServices has become a wholly owned subsidiary of MTL and has a 550-seater facility in the renowned Mindspace, Malad (W), Mumbai. The company is planning to enter into BPO space in a big way and the contract with one of the world's leading airline for its outsourcing requirement is underway. Thirdly, it is setting up a manufacturing plant for the production of WLL (Wireless in Local Loop) handsets based on corDECT technology. Notably MTL is the 5th licencee for this technology but has taken it solely for the export market.

Besides, MTL has got into APFC (Automatic Power Factor Controller) panels under the joint venture with Herodex Power Systems, who are one of the leading manufacturers of energy saving equipments related to industrial, commercial and power distribution applications. Hence the company has forayed into the energy - saving devices market and plans to enter into areas of light and energy saving products. With Herodex, the company is developing 'THAI CAP' APFC relays with the best technological features, which are definitely in a class apart from the other relays available in the market. Moreover, MTL is working towards a portal call Stdisdfree.com which will offer suite of services like PC-to-Phone, PC-to-PC, PC-to-Fax and voice mail, all integrated into one easy to use product. It has plans to launch the Automatic Meter reading system, which will collect the data automatically from meters and other devices via telecommunications at a remote central location of your choice. MTL also intends to enter the rapidly growing market of Wireless Brodband Services.

Although its future plans look very interesting, execution is the key to its growth. In spite of taking approval from the shareholders in November 2005 to raise around Rs.90 cr. through the FCCB/GDR route, nothing has been finalized till now. It was even decided to split the face value of shares to Re.1 but eventually it was dropped. For FY07, it may report a topline of Rs.23 cr. and bottomline of Rs.1.50 cr., which means an EPS of Rs.1.20 on its equity of Rs.11.90 cr. If things pan out well as per the company's plans then for FY08 it can register total revenue of Rs.30 cr. with net profit of Rs.2.25 cr. i.e. an EPS of Rs.2. However, despite some promoter concerns, this company with a BPO facility of 550 seats is available extremely cheap at an Enterprise Value (EV) of Rs.20 cr. Long term investors can take an exposure as the scrip has bottomed out and can double in 6-9 months with operators support.

TOWER TALK

* **Jupiter Bioscience** has entered into a confidentiality agreement with Ranbaxy Laboratories to discuss business alliance. This will lead to re-rating of the scrip. Grab it before its too late.

* **Kamla Dials** is once again in the limelight with Reliance Capital AMC taking nearly 9% stake in it at Rs.57 per share.

* **Andhra Sugars**, one of the promoters of **Andhra Petro** has increased nearly 2% stake by purchasing shares from open market in the last few days. Scrip is bound to shoot up in the near future.

* With the rupee getting stronger there is selling in IT scrips. Cashing on this opportunity, a reputed FII is quietly accumulating good quantity of **Aftek Ltd.** from the open market. Take your bet.

* **Hazoor Multiprojects** has formed three subsidiaries: Hazoor Ambey for its Lonavala project, Hazoor Township for the Pune project and Hazoor Media for the media related segment. The scrip can turn into a multibagger in the long term.

* **Accel Frontline** will install and maintain the smart card based Automatic Ticket Vending Machines across Western and Central Railways including the suburban stations of Mumbai. Simply buy and hold.

* **Emco Ltd.**, the largest manufacturer of transformers, is likely to post a 46% rise in topline for FY07. Margins are likely to rise 8% to 13.5%, which makes it an interesting buy.

* The meltdown in the US loan mortgage market will burst the real estate bubble in India despite the high political stakes in it.

* With ship building in for boom times, **ABG Shipyard** and **Bharati Shipyard** merit greater attention.

* **Spice Ltd.** earlier known as Modi Olivetti Ltd. is now changing its name to Spice Mobile and likely to approach the capital markets.

* **FIEM Ltd.** has clinched new orders from Yamaha Motor India, paving the way for enhancing its business with Japanese companies. With likely sales of about Rs.350 cr. and net profit of Rs.26 cr. in FY08, the share may cross the Rs.165 in the medium-term.

* Punters are betting big on **Godawari Power**, which would be completing its major expansion in Q1FY08. With likely EPS of Rs.40 in FY08, the share may touch Rs.180 in six months.

* Interested buying is on in **Mount Shivalik Industries**, which has 7% of the beer market. Sab Miller of South Africa has evinced an interest in taking over the company.

* **Spanco Telesystems** has allotted 10.94 lakh shares to Ascent India Fund of UTI Investments and 30.81 lakh shares to Monet Ltd. at Rs.213 and the management has taken 65 lakh shares at Rs.205. Total Rs.102 cr. is being deployed for a major expansion.

* The counter of **GM Breweries** has shown large scale cornering by persons in the know and is headed towards the century mark.

Gitanjali Gems Ltd.: For sparkling gains!

By Devdas Mogili

Gitanjali Gems Ltd. (GGL) was incorporated in 1986 as a private limited company and was subsequently converted into a public limited one. The company had come out with an IPO of 17,000,000 equity shares for Rs.10 per share at a price of Rs.195 per equity share through the book building process in February 2006 and the issue was oversubscribed.

GGL is engaged in sourcing of rough diamonds from primary and secondary source suppliers in the international market and in cutting & polishing the rough diamonds for exports. It also manufactures and markets diamond and other jewellery through retail outlets in India. GGL sells its branded jewellery under the brand name of D'Damas, Nakshatra, Asmi, Gili, Sangini and Desire.

It has two modern diamond manufacturing facilities located at Borivali, Mumbai, in the Special Economic Zone (SEZ) in Surat and a facility at the Santa Cruz Electronic Export Processing Zone (SEEPZ) in Andheri, Mumbai for jewellery designing and manufacturing diamond studded jewellery. It also has two modern jewellery manufacturing facilities at MIDC at Andheri, Mumbai. Mehul C. Choksi is the chairman and managing director of the company. GGL has planned to set up additional diamond & jewellery manufacturing facilities at Mumbai and also at Gems & Jewellery SEZ in Hyderabad.

STOP PRESS!
After this story was filed by out analyst, there are new reports that the Gitanjali Group in an innovative step has tied up with Hindustan Petroleum for retailing diamond jewellery at select HPCL pumps.

GGL has several subsidiaries, which include CRIA Jewellery Pvt. Ltd., Fantasy Diamond Cuts Pvt. Ltd., Gitanjali Exports Corporation Ltd., Hyderabad Gems SEZ Ltd. and Mehul Impex Ltd. In September 2005, it merged Gemplus Jewellery India Ltd., Prism Jewellery Pvt. Ltd., Fantasy Diamond Cuts and Giantti Jewels Pvt. Ltd. with itself.

Performance: The company has reported impressive results for the year ended 31st March 2006. It clocked a consolidated revenue of Rs.2403 cr. with a net profit of Rs.53.95 cr. posting an EPS of Rs.12.23 for FY06 and it paid a dividend of 10%.

Financial Highlights: (Rs. in lakh)

Particulars	QE 30/09/06	QE 30/09/05	YE 31/03/06
Net Sales	49955.23	48281.68	240332.06
Profit before tax	2585.68	1610.28	6313.25
Prov for taxation	360.73	163.31	918.40
Net Profit	2224.95	1446.97	5394.85
Paid up Equity share capital	5899.85	3999.85	5899.85
Basic EPS (Rs) Not annualized	3.77	3.62	12.23

Q3 Results: GGL has recorded equally gratifying results for Q3FY07. It posted consolidated revenues of Rs.799.50 cr. with a net profit of Rs.31 cr. netting a basic EPS of Rs.5.25. The annualized EPS works out to Rs.21.

Financials: GGL has an equity base of Rs.59 cr. with a book value of Rs.120.1 per share, a debt:equity ratio of 0.83 and recorded a ROCE of 10.25% and a RONW of 10.01 for 2005-06.

Share Profile: The share of GGL with a face value of Rs.10 was listed both on BSE and NSE on March 10, 2006 and touched a 52-week high of Rs.268 and a low of Rs.108. At its current market price of Rs.197, it has a market capitalization of Rs.1172 cr. Currently the share is quoting just above its public issue price of Rs.195.

Shareholding Pattern: As on 31st December 2006, the promoters' holding was 67.79% and the balance of 32.21% was with non-promoter corporates, institutions, public and others. During the months of January and February 2007, mutual funds like LIC Mutual Fund, JM Mutual Fund, Magnum Mutual Fund and Kotak Mutual Fund have added the GGL share to their different schemes, which is indicative of future prospects.

Prospects: GGL has systematically developed brands and the business of gems & jewellery and the company is in the process of changing the dynamics of the Indian gems and gold jewellery industry as India is looked upon as a sourcing base for its high quality and low manufacturing cost of diamonds and jewellery.

The company is also planning to open 62 Multi Brand High-end jewellery stores across the country during FY08.

Further, GGL is developing India's largest Gems and Jewellery SEZ at Rajiv Gems Park spread over 200 acres in Hyderabad at an outlay of Rs.1200 cr. It is positioned as a leading gems and jewellery hub in the region and will make a significant contribution in establishing India as one of the major players in the gems and jewellery industry in the world. In addition, it is also planning to invest Rs.150 cr. in Panvel SEZ near Mumbai.

Conclusion: GGL has adopted both the organic and inorganic route for its growth. Its acquisitions of several companies and opening of retail outlets is indicative of its aggressive strategy.

At its current market price of Rs.197, the share price is discounted less than 10 times its anticipated earnings against the industry average P/E multiple of 14. Considering its impressive performance, its aggressive strategy and good management, GGL is expected to yield good results in future. In view of its glittering performance, the share can be added to one's portfolio for sparkling gains in the medium to long-term.

MARKET REVIEW

The Sensex closes lower

By Ashok D. Singh

The BSE Sensex lost 213.8 points (1.6%) for the week ended 30 March 2007, to settle at 13,072.10, while the NSE Nifty lost 39.50 points (1%), to end at 3,821.55.

The weakness in global markets and soaring global crude oil prices, which were trading near the $67 per barrel mark, was the main cause of concern for the domestic market. Prior to this week, the markets had settled with weekly losses on five straight trading sessions.

Last week, SEBI was much in the news as it decided to allow short selling by institutional investors only in 159 stocks, which are also traded in the derivatives segment.

On the issue of IPO grading, the SEBI chief said that the scope of grading would be expanded gradually to even rights issue and follow-on public offerings (FPOs). Later, companies will also be graded on the basis of previous issues made by them. However with the introduction of grading, the merchant banker will not be shorn off his responsibility. Merchant bankers will continue to be responsible for all disclosures made in the prospectus and issue related processes.

On the issue of imposing circuit filters on the first day of listing, the SEBI chief said that the Surveillance Committee comprising the representatives of the exchange and SEBI, was seized of the matter and some concrete decisions would be taken soon.

India's current account deficit in the October-December 2006 quarter was $3.04 bn. compared with a revised deficit of $4.68 bn. in the July-September 2006 quarter. Data from the RBI showed the October-December merchandise trade deficit widening to $19.02 bn. from a revised $16.06 bn. in the July-September quarter. The RBI said the balance of payments (BoP) surplus in the October-December quarter was $7.51 bn., compared with a surplus of $2.27 bn. in the July-September quarter.

India's foreign exchange reserves rose to a record $197.746 bn. on 23 March from $195.957 bn. a week earlier. Analysts attribute part of the increase in reserves to the central bank's aggressive dollar purchases to protect the rupee's export-competitiveness against other currencies.

The RBI also raised its short-term lending rate, on Friday, 30 March 2007 the repo rate by 25 basis points to 7.75% with immediate effect. Its cash reserve ratio (CRR) has also been hiked by half a percentage point. The cash reserve ratio will rise to 6.50% in two tranches, the first on 14 April and the second on 28 April. The latest move by the central bank is expected to impact banking scrips directly and all other interest rate sensitive sectors indirectly.

The week started bearish with the Sensex declining 161.61 points on 26 March to 13,124.32, as banking and auto shares succumbed to selling pressure. The markets remained closed on 27 March 2007, for Ram Navmi. The Sensex plunged 239.98 points a day later to 12,884.34 as stocks across the board were severely pounded. The market collapsed partly due to weak global markets, and partly due to unwinding in the derivatives market. All BSE sectoral indices settled with losses and

shares from IT, auto and banking space had to beat a hasty retreat.

On 29 March 2007, the Sensex advanced 95.32 points to 12,979.66 on account of short covering in the derivatives segment. Shares from FMCG, Capital goods and IT sectors were in demand.

The 30-share BSE Sensex settled 92.44 points higher at 13,072.10, on 30 March 2007, as investors built fresh positions, following the smooth rollover of open positions in the derivatives segment from March to April, and anticipating robust Q4 and FY 2007 results.

The Sensex lost 213.8 points last week to settle at 13,072.10. The sentiment remained weak throughout the week and is likely to continue this week as well. The next major trigger for the bourses is Q4 March 2007 earnings, reports of which will start this week. The Q4 results are expected to be strong. Marketmen will closely watch what company managements have to say about the outlook for FY 2000.

MARKET

Government to blame for market debacle

By G. S. Roongta

The stock market continued to drift last week having shed 400 points on the Sensex in the first 3 trading sessions and piercing the crucial support level of the BSE Sensex 13000. The Sensex at 13072 is still about 1700 points below its peak level of 14724 made on 9th February 2007. The recovery of 800 points in the week before has thus proved to be short lived.

The week ending Friday, 30th March 2007 was not only the ending of fiscal 2006-07 but also the point of roll over of the Futures & Options (F&O) contracts and witnessed a lot of activity by way of squaring off transactions on month end considerations. Since the whole of March 2007 was in the grip of bear operators, they were in a commanding position in settling transactions in their favour. Because of this, automobile stocks like Bajaj Auto, Tata Motors, Hero Honda, M&M, TVS Suzuki and others suffered heavy losses on a month to month basis.

G.S. Roongta

Similarly, cement stocks suffered heavily as ACC, Grasim, Gujarat Ambuja, Shree Cements and India Cements stock prices suffered a heavy blow as they retraced nearly 35-40% from their peak levels in March 2007. This is one of the steepest falls in recent history and the gains that cement stocks had recorded in the whole of fiscal FY07 seemed to have been wiped out in just one month eventhough there are no recessionary factors of production or sale plaguing the industry.

It is indeed ironical that ill-thought government policies can damage the fortunes of millions of investors in cement stocks and wipe out thousands of crores of market capitalization that they had gained by investing in this sector over the past 4 years. All this is wiped out in 20 trading sessions after the presentation of the Union Budget on 28th February 2007, which unveiled the government policy of dual excise duty in cement based on the pricing per bag rather than the cost of production, which ought to be the norm for determining the excise.

The government has not yet ceased to warn and harm the cement industry even after it reached a moral agreement with it three weeks back not to raise any further prices from the current levels. Is it not strange that the industry minister asks cement producers to reign in cement prices at the current level to help government control inflation without any reduction in duties? Thus on the one hand the government is begging for help without sacrificing its pound of flesh and yet adds to the industry's operating costs as the railway freight cost have been hiked by 6% as 'busy season' surcharge recently levied on commodities in the railway budget. Will this not fuel the cost of distribution for the cement industry by nearly Rs.350 per tonne, which is 50% more than the hike in excise duty of Rs.200 per tonne for cement sold about Rs.190 per bag.

In the informal agreement hammered out with the government, cement producers are under obligation not to pass on this additional freight rate to customers and bear the brunt of it at the cost of their operating margins. When the government tries to dominate an industry sector n control its pricing mechanism, how can it be termed a free market pricing?

Is it not really ridiculous on the part of the government working towards a free economy to milk out one industrial sector after the other to suit its political whims and in total disregard to the operating economic logic? The government had demonstrated its short-sightedness earlier as it killed the boom in sugar stocks by imposing a ban on sugar exports. After robbing the industry of its vigour, the government is now trying to revive it by giving incentives for building buffer stocks and permitting unlimited export of sugar! This was a repetition of its bungling in reducing customs duty on imported steel to discipline the steel producers, which resulted in dumping of steel by foreign companies and injured the domestic industry which was compelled to reduce prices after damaging it the government if now trying to soften the blow by providing incentives to boost production.

Does this not prove that the government lacks prospective plans and policies and acts in an irrational manner in total disregard to economic wisdom. Either it is out to milk a booming sector or rushes in foolishly on pretext of saving some other sector instead of letting market forces determine the price of a commodity. More often than not, its interference is dictated by narrow political considerations or other political exigencies with an eye to some forthcoming elections.

And now that the government has made the cement industry its target, it too has lost thousands of crores in market valuation as did the sugar and steel industries earlier thanks to the ill-conceived policies of our government. Is the government not making a mockery of the economic boom reflected in the stock boom attracting hundreds and billions of dollars into the country by tinkering with economic sectors without understanding the underlying logic? By its ham handed policies the government is driving away thousands of investors who had just returned to the stock market after a long period. The daily turnover in the cash market, which had just cost Rs.12500 cr. per day is after a long time has hit a low of Rs.8500 cr. The 52-week low evaluation of the majority of stocks that had become past history is now in focus again as several stocks have fallen below their 52-week low and there are many more heading in that direction. It's a rare sight to find any stock heading towards its 52-week high. It will be a dream come true even if 10% of the market leaders head in that direction because the fundamentals of the economy are strong and should rightly reflect so on the bourses. And it will be very difficult to attract investors once again if the sentiment turns bad without any basic economic reason for its decline. Politics should not dictate economic growth but should in fact facilitate it for the overall well-being of the nation.

How much time is needed to repair the sentiment is not clear at this juncture as we live in very uncertain times given the government's election led policy measures. One only hopes that the power that be will rectify their unreasonable approach and not play around with economic factors that build our nation and are reflected in the stock markets. Let us, therefore watch how fresh positions are built in the new fiscal 2007-08 as they will give a clue to the mood of the market. While concluding it is safe to advise to make some constructive investments in sectors like cement, steel, energy & power and infrastructure stocks whose future appears intact despite government interferences.

STOCK WATCH

By Saarthi

Kilburn Engineering Ltd. (Code: 522101) (Rs.46.70) belonging to the Williamson Magor Group operates in areas of process design, engineering, manufacturing, installation and commissioning of turnkey plants and systems catering to industries such as petrochemicals, chemicals fertilisers, refineries, oil & gas and food processing. It has already been discharged from the purview of SICA / BIFR as its networth has turned positive. For the year ending 31st March 2006, it may report sales of Rs.50 cr. with net profit of Rs.4.50 cr. i.e. EPS of Rs.3 on its current equity of Rs.13.50 cr. But the company is expected to make a smart turnaround from FY08 on the back of higher volumes as well as better margins. Currently, it has a very healthy order book position to the tune of Rs.100 cr. Hence for FY08, it can clock a turnover of Rs.80 cr. with profit of Rs.8.25 cr., which will lead to an EPS of Rs.6. Besides, the company is in the of relocating its manufacturing plant to a bigger premises and may sell its land admeasuring 8.42 acres in Bhandup, which may fetch around Rs.100 cr. After hitting a high of Rs.92, the scrip has tumbled down sharply to Rs.40 level. Investors can safely buy it at current levels with a price target of Rs.75 in the medium-term.

*****

The share price of **Rama Paper Mills Ltd. (Code: 500357) (Rs.35)** is trading in the same price range over the past two years inspite of the sharp improvement in its fundamentals. It has already enhanced its capacity to 44500 TPA by installing some balancing equipment and is putting up an additional line to produce tissue and post paper with a capacity of 18380 TPA. Further, it has plans to augment its production capacity to 79500 TPA and is in the process of installing 6 MW power plant for captive consumption to reduce its power cost substantially. Although its December 2006 numbers were not great, still it is expected to report net sales of Rs.90 cr. with net profit of Rs.7 cr. i.e. EPS of Rs.9 on equity of Rs.7.60 cr. for FY07. During FY07, it raised Rs.8.75 cr. through preferential allotment of 25 lakh equity shares at Rs.35 per share and the promoters are infusing Rs.7.50 cr. by way of preferential allotment of 20.83 lakh equity shares at Rs.36 per share. With this, the promoter holding will shoot upto 41% from 25% currently. For FY08, it may register sales of Rs.110 cr. with PAT of Rs.9.50 cr. i.e. EPS of Rs.10 on its diluted equity of Rs.9.70 cr. At the current market cap of Rs.25 cr., it's a screaming buy.

*****

IMP Powers Ltd. (Code: 517571) (Rs.94) manufactures the entire range of power & distribution transformers, electrical & digital measuring instruments, testing equipments etc. It produces HV & EHV power transformers ranging from 10 KVA upto 150 MVA and has a total installed capacity of 3600 MVA. It is the only transformer company in the zero sales tax zone enjoying 15 years (till 2012) sales tax holiday

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for its Silvassa unit. Recently, it manufactured and dispatched a 100 MVA, 230 KV class transformers worth Rs.4 cr. to Rajasthan Rajya Vidyut Nigam, which is an achievement by itself. Last year, it made preferential allotment of 9,15,000 equity shares and 5,10,000 equity warrants at Rs.85 per shares. For the year ending 30th June 2007, it is expected to report a topline of Rs.100 cr. and bottomline of Rs.8.25 cr. i.e. EPS of Rs.14 on its current equity of Rs.5.90 cr. Ironically, despite the strong demand for its product, its capacity utilization is barely 50%, which it intends to push around 80% in FY08. Hence for FY08, it is estimated to register sales of Rs.140 cr. with net profit of Rs.12.50 cr. i.e. EPS of Rs.19 on its diluted equity of Rs.6.70 cr. Available at a P/E ratio of less than 5, it is a very good buy.

*****

Ahlcon Parenterals (India) Ltd. (Code: 524448) (Rs.54) is engaged in manufacture of life saving intravenous fluids including Dextrose, Saline, Electrolytes, Amino Acids, Fat Emulsion, Blood Substitutes, Small Volume Injectables, Eye Drops, medical disposals etc. Encouraged by the overwhelming success of its diversification into ophthalmic products, it has added more value-added ophthalmic products and is expanding its existing range of Infusions and Anti- microbial solutions. Further, it is in the midst of setting up a new project to almost double its production capacities, which will be operational by the second half of calendar year 2007. It may end FY07 with a total revenue of around Rs.50 cr. and profit of Rs.8.50 cr., which translates into an EPS of Rs.12 on its equity of Rs.7.20 cr. Importantly, the company has established a strong alliance with large local players in several key global markets and was been able to efficiently hedge the risk posed by a domestic market. Although the full impact of its capacity expansion will be felt in FY09, for FY08 it may report sales of Rs.60 cr. with net profit of Rs.10.50 cr. i.e. an EPS of Rs.15. Buy for a target of Rs.75 in 6-9 months.

FIFTY FIFTY

By Kukku

Investment Calls

* **Hindustan Construction Co. (Rs.89)** has robust order position backlog of Rs.9672 cr. with power sector accounting for 47 % of the order position. Its real estate subsidiary is also likely to contribute in a big way as the company has a total of 189 mn. sq. ft. area. The power projects will contribute significantly in FY08 and will improve margins, which were affected as the company had not taken benefit of the price escalation clause and which it will as and when it gets it.

The company could not account for margins on 19% of the revenue as projects did not reach the recognition threshold. It is likely to report sharp improvement in margins over the next 3 to 4 quarters as 55% - 60% of its order book in values terms will reach margin recognition and will reduce the losses of the Bandra - Worli Sea Link Project.

Investors looking for long-term growth can add this stock with one year target of around Rs.140/150 level.

Market Guidance

* **Trigyn Tech (Rs.26)** is likely to report consolidated sales of around Rs.100 cr. for FY07 from Rs.43 cr. last year. It seems the worst is over for the company. New promoters, United Telcom are taking an active interest in the company. The company is now debt-free and it is a turnaround case. Investors can buy this stock at lower levels for investment.

* There are indication of better earnings by **Taj GVK (Rs.180)** in the 4th quarter compared to its third quarter. Investors can stay invested.

* **Nirlon Ltd. (Rs.54)** has rented approx. 5,39,437 sq. ft. built-up space at Goregaon and 70,166 sq. ft. at Tarapur on leave and license basis to various corporate clients as on June 30, 2006. The income from this division increased from Rs.11.69 cr. in 2004-05 to Rs.18.51 cr. for the period ending 30th June 2006. The belt division of the company is also likely to turnaround.

The company is in the process of developing an IT park, which is likely to be completed in the next 18/24 months time and could generate lease rental income of around Rs.70/80 cr. Investors can think of taking a small exposure on reactions around Rs.45 level.

* Better market reports are pouring in for **Asian Oil Field (Rs.33.5)**. Investors holding it are likely to get benefit over the next one year.

* As per informed sources, good results for the fourth quarter are expected from **United Phosphorous (Rs.320)**. Investors are also hopeful of a bonus issue along with the announcement of results.

* Smart HNIs are adding **Voltas (Rs.84.80)** and **GMR Infrastructure (Rs.260)**. Keep watch.

* **Mather & Platt Pumps (Rs.235)** has a strong order book position and is expected to grow at the rate of 30% - 35%. Investors can continue to hold this stock.

* Since Nickel prices are very firm, stainless steel manufacturers may not report good profits. Even steel casting manufacturers like **Steel Cast (Rs.261)** and **Uni Abex Alloy(Rs.80)** may suffer. **Mukand (Rs.81)** is also in the same field.

* **Accel Frontline (Rs.60)** is expected to report an EPS of around Rs.7-8 for FY07, which could go up to Rs.11-12 this year. Stock is attracting the attention of analysts of few broking firms. Keep a watch for an upmove.

* Investors should avoid stocks of companies with large borrowings as interest rates are likely to firm up and will affect their profitability. Companies with poor credit ratings are likely to suffer most.

EXPERT EYE

By V.H. Dave

This scrip was recommended in EBG at Rs.243 on 18th July 2006. Since then it touched a high of Rs.485, giving a gain of 99%. This share is recommended again at the current price of Rs.318 as it has come down by 33% from its high despite its promising future.

Amara Raja Batteries Ltd. (ARBL) (Code: 500008) (Rs.343.35) is a prominent player in the storage & automotive battery industry. It was promoted by R. N. Galla and Johnson Controls Inc., a Fortune 500 company with sales of US $ 22 bn. holds 26% stake in its equity capital.

ARBL had initially set up a plant to manufacture sealed, maintenance-free lead-acid stationary batteries for industrial applications with an installed capacity of 1,00,000 pieces per annum.

Today, it manufactures a wide range of industrial and automotive batteries and is a major player in the valve regulated lead acid (VRLA) batteries that are used in industrial applications such as telecom, power and IT among others. In the automotive batteries segment, ARBL manufactures batteries only for passenger cars and commercial vehicles. The existing facility is ISO:9001, QS9000 and TS 16949 certified by RWTUV Germany.

ARBL is the preferred supplier to major telecom MNCs, like Siemens, Lucent, Alcatel, Ericsson, Motorola, Nokia and VSNL, BSNL, MTNL, Air Tel and Indian Railways besides a host of companies in industries such as power, oil & gas and UPS systems. ARBL supplies automotive batteries exclusively to Ford, General Motors- Opel diesel vehicles, Daimler Chrysler and preferentially to Hindustan Motors, Telco, Mahindra & Mahindra, Ashok Leyland, Honda, Fiat and Swaraj Mazda.

ARBL's aftermarket retail network has been expanded and now comprises 135 franchisees from 125 in the previous fiscal. The Company currently has a pan India sales and service network with 135 franchisees, 99 Pitstops and over 12000 active retailers.

Its sales during FY06 shot up by 65% to Rs.362 cr. while net profit after tax at Rs.24 cr. jumped by 175% from Rs.14.6 cr. resulting in an EPS of Rs.21 while the cash earning per share (CEPS) worked out to a whopping Rs.34. During Q3FY07, sales advanced by 50% to Rs.146 cr. whereas net profit moved up by 41% to Rs.9.7 cr. During the nine months ended 31st December 2006, net profit jumped by 117% to Rs.31.8 cr. on 60% higher sales of Rs.403 cr.

ARBL is in sound financial health. Its small equity of Rs.11.4 cr. supports reserves of Rs.190 cr. and the book value of its share works out to Rs.178. The value of its gross block as on 31st March 2006 stood at Rs.191 cr. against Rs.167 cr. in FY05. With borrowings of Rs.38 cr., the debt-equity ratio stood at works out to 0.19: 1 for FY06. The promoters hold 52% in its equity capital. FIIs hold 3.5%, domestic financial institutions hold another 7.2% and PCBs hold 8.8%, leaving 28.5% with the investing public.

ARBL 's expansion raising its capacity of automotive battery to 3.6 mm units per annum at a cost of Rs.16 cr. and industrial 2 Volt VRLA Battery capacities by nearly 50% from 240 mm AH to 350 mm AH per annum envisaging an investment of Rs.11 cr. were slated for completion in FY07. ARBL has approved investment of Rs.88

July - September 2006

EBG Quarterly Performance: 100%

During July – September 2006, which is the fourth quarter of the third year of 'Early Bird Gains' (EBG) – the investment newsletter that spots multi-baggers, it has scored 100% success with all 14 recommendations recording an appreciation.

EBG has, therefore, consistently, maintained quality while the bonus issues in excess of 30% highlight the confidence of its recommendations.

Issue Dated	Scrip	Buy Price	Highest price since recom.	Growth %
06-07-06	Tayo Rolls Ltd.	112.5	160	42
12-07-06	Amara Raja Batteries Ltd.	251.95	485	92
19-07-06	Simbhaoli Sugars Ltd.	74.45	100	34
19-07-06	Visaka Industries Ltd.	118.1	156	32
26-07-06	Suryavanshi Spinning Mills	46	64	39
02-08-06	Clariant Chemicals (I) Ltd.	247	360	46
09-08-06	Banco Products (India) Ltd.	192.1	344	79
16-08-06	Bilpower Ltd.	91.25	248	172
23-08-06	Proto Infosys	3	7	133
30-08-06	Godawari Power & Ispat Ltd.	79.1	123	56
06-09-06	Panoramic Universal Ltd.	92.3	210	128
13-09-06	Menon Pistons Ltd.	67.15	90	34
20-09-06	Zenith Computers Ltd.	73.15	90	23
27-09-06	Vinay Cements Ltd.	23.95	39	62

EBG for sure profits

cr. to increase automotive battery capacity by 50% from 3.6 mm units per annum to 5.4 mm units per annum. The expansion is expected to be completed by the second quarter of FY08.
ARBL has approved the investment in setting up a facility at Tirupati for the manufacture of two wheeler and small VRLA batteries. The proposed investment would be Rs.113 cr. spread over 3 years. The capacity of the said facility would be 5.74 mn. units.
In the telecom sector, there was increased demand for VRLA batteries from both private and public telecom companies. Amaron is the preferred supplier to Daimler Chrysler, GM and Ford in India. That it is one of the market leaders in Singapore and has a sizeable presence in the quality conscious Japanese market is testaments to its claim of being a high quality product. Domestic automotive battery volumes registered a strong growth over the previous year.
ARBL is all set to increase its sales by about 55% to Rs.565 cr. with net profit improving by about 75% to Rs.42 cr., which will result in an EPS of Rs.37 in FY07. EPS could increase to Rs.45 in FY08 on the back of expansion and the booming economy and industrial growth.
The shares of ARBL are currently traded at Rs.318 discounting its FY07E 8.6 times and FY08E by 7.1 times. The industry average P/E of the electric equipment segment, in which ARBL is operating currently rules firm at about 22 leaving tremendous scope for the ARBL scrip to rise further. Investment in this share is likely to fetch decent appreciation of more than 35% in about 6-9 months. The 52-week high/low of the share has been Rs.485/148.

*****

Prithvi Information Solutions Ltd. (PISL)(Code: 532675) (Rs.266.30) is an upcoming IT enabled services provider in the areas of technology outsourcing, business intelligence, network solutions and KPO (knowledge process outsourcing).
Incorporated in 1998 as a limited company in Hyderabad, it started its business with outsourcing contracts for offshore software development and has evolved into an outsourcing service provider. It provides software solutions across a host of technologies and platforms. Its scale of operations is such that it has six offices in USA alone and one each in UK, Canada and Singapore, besides three global delivery centres in Hyderabad and Bangalore.
PISL's domain expertise is spread across various sectors such as Banking & Financial Services, Insurance, Technology, Telecom, HealthCare, Manufacturing, and E-governance. Basically, it has three strategic business units – technology outsourcing, process outsourcing and intelligence solutions jointly addressing a wide spectrum of clients.
When it comes to technology outsourcing, PISL is into application development, migration, integration and product development areas and covers the banking, manufacturing and high-tech sectors. Its service offerings span the complete software life cycle including consulting, architecture, development, testing and maintenance, migration, re-engineering and integration services.
PISL has 80 clients with the top 5 contributing 21% of its revenue. Eight of its customers are Fortune 500 companies and over 15 are big ticket clients with over US $10 bn. turnover. PISL has added 7 new clients in Q3FY07.
It has already bought 2 acres land at Banjara Hills, Hyderabad and an ODC (offshore development center) is expected to be operational by Q1FY08. It has aggressive hiring plans for its ODC at Hyderabad and plans to increase its offshore head count by 2000.
Its repeat business is 83% and its employee strength stands enhanced to 1622, out of which 1138 are employed in USA, 480 in India and 4 in Europe. PISL plans to employ another 400-500 people over the next six months. Its attrition rate is below the industry average and well within manageable limits at 5%.
During FY06, PISL earned 86% higher net profit of Rs.53.3 cr. on 48% increased sales of Rs.453 cr. For Q3FY07, it posted net profit of Rs.23.4 cr., for Q3FY07 a growth of 5.5% on QoQ basis and 62.9 % on YoY basis. Its revenues for Q3FY2007 surged to Rs.199 cr., a growth of 17% on QoQ basis and 71% on YoY basis. Its EPS for Q3FY07 alone works out to Rs.13 against Rs.12.3 in Q2FY07. PISL successfully managed to keep its operating margins YoY to 12.8% in Q3FY07. During the first nine months ended 31st December 2006, while sales advanced by 61% to Rs.510 cr., net profit rose by 75% to Rs.64 cr.
Encouraged by the robust growth both in turnover and net profit, PISL is planning to go in for a foreign currency convertible bond (FCCB) issue up to $50 mn. (Rs.225 cr.) to aid acquisitions and achieve exponential growth in the near future.
PISL's equity capital is Rs.18 cr. and with reserves of Rs.274 cr., the book value of the share works out to Rs.162. Seeing its growth prospects, FIIs and mutual funds have bought 9% and 7% stake respectively. The promoters hold 30% and PCBs hold 26% leaving 28% with the investing public.
PISL is planning a major foray into the high-end KPO segment while it already has significant presence in the Network Solutions space. With India well-positioned to seize a major chunk of the KPO pie, PISL stands to record big gains due to its diverse offerings and early mover advantage.
NASSCOM has projected overall software and services will grow by 25-28% clocking revenues of US $36-38 bn. in FY07. IT-ITES exports are likely to grow by 27-30% in FY 06-07, posting revenues between US $29-31 bn. The

excellent performance of the Indian software and services industry once again reinforces investor confidence that the industry is on course to meet the projected target of US $60 bn. exports by FY10, as projected in the NASSCOM McKinsey Report.
Based on the current going, PISL is all set to post an EPS of Rs.50 in FY07, which is expected to rise to Rs.60 in FY08 and Rs.80 in FY09. The strengthening rupee is unlikely to affect PISL, as it hedges its position in the forex market. At current market price, the PISL stock is trading at a P/E of 5.4 times, its FY07E of Rs.50. The share is likely to cross the Rs.400 mark in about 12 months with at a conservative P/E of 8 when the average P/E for medium-small sized software companies is currently rules firms at 20. The 52-week high/low of the share has been Rs.503/244.

MONEY FOLIO

Ammana Bio Pharma to enter the capital market

Hyderabad based Ammana Bio Pharma Ltd. (ABPL) is entering the capital markets with an IPO of equity shares through a 100% book building process aggregating to Rs.21.66 cr. in the price band of Rs.12 to 14 per equity share of face value of Rs.10 each. The issue opens on Wednesday, 28th March and closes on Thursday, 5th April 2007.
Ammana Bio Pharma Ltd. promoted by Mr. C. Balamouli and M/s. Ammana Equity Fund Pvt. Ltd. manufactures Ethanol at its unit in Mouli Gram in Chittoor Dist. of Andhra Pradesh. It has the capacity to manufacture 90,00,000 litres of ethanol per annum and is currently producing 30,000 litres of ethanol per day.
The company now proposes to expand the existing facilities to enable the production of 30,000 litres per day of Extra Neutral Alcohol (ENA). The IPO proceeds will fund the company's expansion of capacity to 6000 of bio-fuel per day to manufacture three basic products viz. a) Fuel Ethanol, popularly known as 'Gasohol', b) Extra Neutral alcohol or potable alcohol and c) Rectified Spirit by multifeed system using sweet sorghum as the basic raw material as it has many advantages over molasses including low cost of production.
The company has received order from HPCL and BPCL for supply of ethanol. The Rectified Spirits and Extra Neutral Alcohol caters to other chemicals, liquors and pharma industries.
For the year ending FY06, ABPL recorded a turnover of Rs.125.72 lakh with net profit of Rs.3.67 lakh. For the first nine months of FY07 ending 31st December 2006, it posted total sales income of Rs.936.17 lakh with net profit of Rs.39.14 lakh.

Shree Precoated Steels forays into real estate

Shree Precoated Steels Ltd. (SPSL), a pioneer in precoated steel industry and a flagship company of the Rs.2000 cr. Ajmera group has submitted a scheme of amalgamation with Anik Development Corporation Pvt. Ltd. (ADCPL).
Through this amalgamation, SPSL will get integrated into the real estate business of ADCPL. The profits derived from the Bhakti Park project at Wadala will be added to SPSL's profit.

Shakti Pumps' new export unit

Shakti Pumps (India) Ltd., the largest manufacturer of Stainless Steel Submersible Pumps in Asia and the second largest in the world, is planning to establish a separate division in the SEZ area Pithampur to meet the demand for exports exclusively while unit No. 1 continues to meet the domestic demand with a production capacity of 55000 submersible pumps per annum.
It has spent Rs.25 cr. on the SEZ unit with installation of the latest state-of-the-art high technology with a production capacity of 2,00,000, which has started functioning from 16th March 2007.

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Rana Sugars plans mega power generation

Rana Sugars Ltd.; a joint venture company of the Rana Group with the Punjab Agro Inds. Corpn. Ltd. is a diversified company ranging from sugar to power and distilleries earning revenues from all segments.
It generates power from bagasse waste and started production of 10MW power in 2002, which is set to touch 70 MW by the end of 2008.

Sarda Food in tetrapaks

To celebrate 10 successful years of the Yogi brand, the Sarda Group launched the new packaging and design of its Yogi Vita Juices in tetrapak packaging. The brand has also launched Yogi Sharbats in PET bottles.

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