

**January 2, 2008**
**FOR PRIVATE CIRCULATION**
**Equity**

	1 Jan 08	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	20,301	0.1	4.8	17.2
Nifty	6,144	0.1	6.6	21.2
Banking	11,510	0.8	5.9	22.5
IT	3,973	(1.0)	8.3	5.1
Healthcare	4,412	(0.2)	15.4	15.0
FMCG	2,375	2.4	10.2	10.4
PSU	10,633	1.6	10.6	27.1
CNX Midcap	9,394	2.1	17.5	34.9
<b>World indices</b>				
Nasdaq	2,652	(0.8)	(0.3)	(3.2)
Nikkei	15,565	(0.6)	(2.4)	(8.8)
Hangseng	27,813	1.6	(3.1)	2.2

**Value traded (Rs cr)**

	1 Jan 08	% Chg - 1 Day
Cash BSE	8,128	(6.5)
Cash NSE	16,595	(13.3)
Derivatives	NA	NA

**Net inflows (Rs cr)**

	31 Dec 07	% Chg	MTD	YTD
FII	798	(30)	4,099	71,154
MF (28 Dec)	34	(95)	3,354	6,249

**FII open interest (Rs cr)**

	31 Dec 07	% chg
FII Index Futures	21,963	1.1
FII Index Options	6,715	6.2
FII Stock Futures	53,304	1.3
FII Stock Options	33	13.4

**Advances/Declines (BSE)**

	1 Jan 08	A	B1	B2	Total	% Total
Advances	130	493	599	1,222	74	
Declines	85	192	132	409	25	
Unchanged	1	6	9	16	1	

**Commodity**

	1 Jan 08	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	96.4	0.4	8.7	20.4
Gold (US\$/OZ)	833.7	(0.8)	6.8	14.4
Silver (US\$/OZ)	14.8	-	5.7	10.9

**Debt/forex market**

	1 Jan 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.71	7.72	7.97	7.97
Re/US\$	39.42	39.42	39.50	39.84

**Sensex**


Source: Bloomberg

**ECONOMY NEWS**

- Finance Minister P Chidambaram today reaffirmed that tax rates may be moderated in Budget 2008-09 due February 29 but linked it to better compliance by taxpayers. (BS)
- The Reserve Bank of India (RBI) today said it will permit foreign institutional investors (FIIs) registered with market regulator Securities and Exchange Board of India (Sebi) and sub-accounts of FIIs to short sell, lend and borrow equity shares from February 1. (BS)
- Short-term profits from any share transactions made by an 'insider' will have to be surrendered to the company, according to draft regulations on insider trading issued by the Securities and Exchange Board of India. (BL)
- Major domestic steel producers have increased the prices by Rs 500 to Rs 1,500 per tonne across various products. (BL)
- The New Year may see customs duty on as many as 4,800 items reduced to zero even as the Indian government aims to promote trade with five neighbouring nations categorised as least developed countries (LDCs). (ET)

**CORPORATE NEWS**

- **India Infoline Ltd** has informed the BSE that an EGM will be held on January 17 to approve the plan to issue, offer and allot 37 lakh equity shares of Rs 10 each on preferential basis to Orient Global Tamarind Fund Pte Ltd at Rs 1,500. (BL)
- FMCG major **Godrej Industries** today said it has signed an agreement to transfer its medical diagnostics division to ICICI Venture-backed RFCL for an undisclosed amount. (ET)
- **ICICI Bank Ltd** purchases equity shares in Mascon Global constituting around 5.01% of the total paid-up capital of the company. (BL)
- **Sun Pharmaceutical Industries** allotted 3,39,439 equity shares of Rs 5 each at a premium of Rs 724.30 per share upon conversion of 5,500 zero coupon FCCBs of \$1,000 each. (BL)
- Goldman Sachs and Macquarie India Holdings Ltd will pick up 20 per cent stake each in the company's newly-floated subsidiary **PTC India Financial Services Ltd**. Both Goldman and Macquarie would subscribe to 4.86 crore shares of Rs 10 each at a premium of Rs 6 per share. (FE)
- **Parsvnath Developers** is close to tying up with JW Marriott, Starwood, Intercontinental and ITC for several hotels it plans to build, according to a person close to the development. Parsvnath aims to build 17 hotels involving an investment of Rs 2,000 crore by 2011. (ET)
- **Tata Steel** on Monday began work towards enhancing the capacity at its Jamshedpur plant to 10 million tonnes by 2010. (BS)
- The Reliance Anil Dhirubhai Ambani Group (ADAG) is entering the IT consulting and services space and proposes initially to pool in many of the in-house IT teams servicing group companies like **Reliance Communications, Reliance Energy** and those in financial services and entertainment.(ET)

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

## FROM OUR RESEARCH TEAM

### COMPANY UPDATE

**Apurva Doshi**  
doshi.apurva@kotak.com  
+91 22 6634 1366

## GATI LTD.

PRICE : Rs.196

RECOMMENDATION : **BOOK PARTIAL PROFITS**

TARGET PRICE : Rs.168

CONS. FY09E PE : 29.4x

### GATI acquires 73.7% stake in cold chain logistics player-Kausar

- GATI has acquired 73.7% stake in Delhi-based cold chain logistics firm Kausar India (Kausar). Initially it acquired 52.96% stake in the company. Subsequently it came out with an open offer as per SEBI regulation and acquired another 20.76% @ Rs. 72.84 per share.
- Post this GATI holds 2.7 mn shares for which it paid Rs. 199 mn. This values Kausar at Rs. 270 mn. Kausar recorded a turnover of Rs 187 mn in FY07 thereby the valuation works out to 1.4x its FY07 sales. Kausar is listed on the Delhi Stock Exchange.
- As per the deal, the present management of Kausar would continue to run the operations under the guidance, supervision and support of GATI. The revenues of Kausar have grown at CAGR of 27.1% from Rs. 91 mn in FY04 to Rs. 187 mn in FY07. The company is profitable at both operating and PAT level.

### Cons. Summary table - June end

(Rs mn)	FY07	FY08E	FY09E
Sales	5,680	7,420	9,501
Growth (%)	23.5	30.6	28.0
EBITDA	434	773	1,103
EBITDA margin (%)	7.6	10.4	11.6
Net profit	214	428	622
Net debt	1,420	773	1,164
EPS (Rs)	3.0	4.6	6.7
Growth (%)	11.7	99.8	45.3
DPS (Rs)	0.8	0.9	1.0
ROE (%)	12.3	14.9	14.6
ROCE (%)	10.0	15.2	17.4
EV/Sales (x)	3.5	2.6	2.0
EV/EBITDA (x)	45.4	24.7	17.6
P/E (x)	66.2	42.7	29.4
P/BV (x)	10.5	4.6	4.0

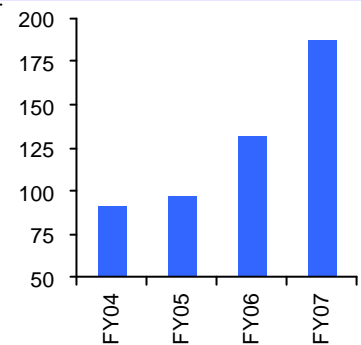
Source: Company (FY07) & Kotak Securities - Private Client Research

### Kausar India

Mn shares Total	3.7
Mn shares owned by GATI	2.7
% Owned by GATI	73.72
Price per share paid by GATI	72.84
Rs. mn paid by GATI	199.0

Source: Company, Capitaline

### Kausar Net sales (Rs mn)



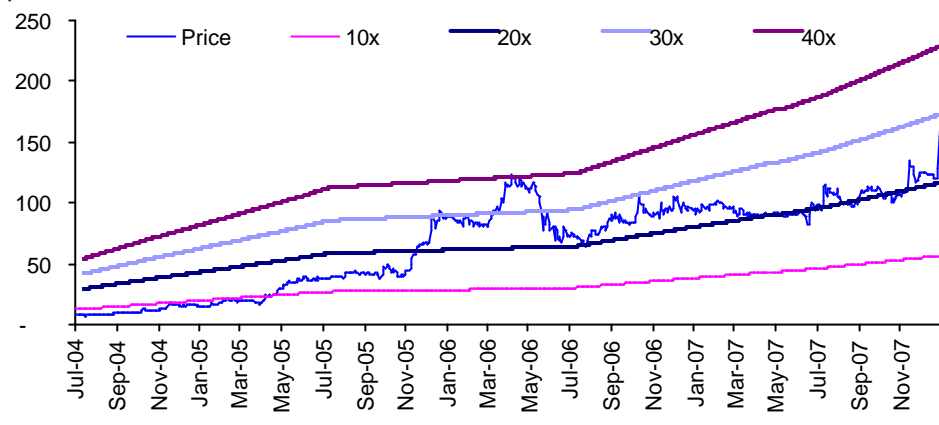
Source: Company

- Kausar has a decade-old strong presence in the cold chain segment in northern parts of India and specializes in the transportation of meat, pedigree products, dairy products and pharmaceuticals. Kausar has a strong customer base with clients like Hindustan Unilever, Nestle, Dabur, Amul, Vadilal and Cadbury among others.
- This acquisition makes strategic sense for GATI, as at present, it does not have any presence in the movement of perishable cargo. Thus this acquisition will mark its entry into the cold chain and refrigerated logistics space.
- There is a huge potential for cold chain logistics in India and this justifies the move by GATI to acquire Kausar. However we would like to wait for the strategy of GATI to integrate refrigerated logistics business into its core business. We feel that there would not be any immediate significant impact on the financials of GATI as it contributes around 3% of its revenues.
- As of now we maintain our earnings estimates for GATI and expect it to report EPS of Rs. 4.6 for FY08E and Rs. 6.7 for FY09E.

## Valuation & Recommendation

- At Rs.196, the stock trades at 4.0x book value, 29.4x earnings and 22.7x cash earnings based on FY09E.
- We expect the revenues of the company to grow at CAGR of 29.3% and Profits to grow at CAGR of 70.4% over FY07 to FY09E.
- Since last one year the stock has traded between 20-30x times one-year forward estimates. We value the company at a multiple of 25x one-year forward earning estimate of Rs.6.7, which give a fair value of Rs.168 per share of GATI.

### GATI one year forward rolling PE band graph



Source: Capitaline; Kotak Securities - Private Client Research

### We recommend **BOOK PARTIAL PROFITS**

- We recommend booking part profits only in GATI despite the target price being lower as against the current price. However long term investors, with more than a year's investment horizon to continue to **HOLD** the stock. This is because the company is in the sweet spot to take advantage of the Logistics boom that is unfolding in India.
- GATI has more than 1.2 mn sq ft of warehouse space, pan- India express distribution centers, web-based tracking, growing international business through wholly-owned subsidiaries and a presence in coastal shipping. It has also recently forayed into the air cargo business with two leased freighter aircraft and proposed induction of three freighter aircrafts by March 2008. GATI is ideally poised to take advantage of the growing logistics sector in India.
- Several multi national players are planning to enter India. While this will increase competition for GATI, aligning with these players, in any form, can prove to be beneficial to players like GATI.

## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
1-Jan	A K Capital	K S B Holdings Pvt Ltd	S	36,960	367.07
1-Jan	Aditya Forge	Surendra D. Telisara	B	23,400	15.87
1-Jan	Arvind Inter	Gujarat Nre Coke Ltd	S	25,000	17.70
1-Jan	Asian Tea Ex	Enca Finlease Ltd.	S	43,050	60.20
1-Jan	Assam Com Lt	Reliance Capital Partners	S	2,640,160	56.50
1-Jan	Axon Infotec	Gaurav Jayanti Doshi	S	4,000	104.75
1-Jan	Brushman Ind	Mackertich Consultancy Services	S	85,000	81.90
1-Jan	C G Impex	Prafullaben A Soni	S	46,000	28.73
1-Jan	Cat Vision P	Vincent Commercial Co	S	48,601	17.00
1-Jan	Ceekay Diaki	Spjstock	B	25,111	104.71
1-Jan	Century Ext	D.K Stock Investment	S	82,500	17.19
1-Jan	Chand Prab I	Brightmoon Supply Pvt Ltd	B	18,933	17.70
1-Jan	Circuit Sys	Latin Manharlal Sec Pvt Ltd	S	63,302	49.31
1-Jan	CS Software	Venkata Balireddy Munnangi	S	47,500	95.25
1-Jan	Cupid Ltd	Shilpa R Sidhwani	B	100,000	35.23
1-Jan	Dagger Forst	Sharmistha Maheshbhai Shah	S	88,110	58.01
1-Jan	Dewan Hou Fi	M S Bsma Ltd	B	427,117	225.30
1-Jan	Dhoot Indus.	Bhanu Jayantilal	S	76,543	42.81
1-Jan	Diana Tea Co	Shri Dutt Polytextile	B	250,000	30.08
1-Jan	Diana Tea Co	Subhash Chand Jain	S	286,319	29.97
1-Jan	Diana Tea Co	Radheshyam Singhanian HUF	S	200,000	30.00
1-Jan	DMC Inter	Sanjay C. Baxi Management Cons	B	20,000	46.26
1-Jan	DMC Inter	Jayesh Jayantilal Shah HUF	B	22,000	48.36
1-Jan	DMC Inter	Asmah Shares And Stock Brokers	S	83,775	47.05
1-Jan	DMC Inter	JMP Securities Pvt. Ltd.	S	125,000	46.82
1-Jan	DMC Inter	Krishna Infomedia Ltd	S	50,500	47.12
1-Jan	Ecoplast Ltd	P Rama Sekhar	S	35,000	51.48
1-Jan	Empower Inds	Bhupatrai A Sanghrajka	S	100,000	27.40
1-Jan	English I.Cl	Karun Carpets Pvt Limited	S	43,000	1,942.05
1-Jan	Fiberwb In	Kanubhai Manilal Patel	S	70,000	7.70
1-Jan	G V Films Lt	BNP Paribas Arbitage GDR	S	4,500,000	12.63
1-Jan	Gangotri I&S	H.R. Javeri	B	33,500	43.41
1-Jan	Gopala Polyp	Idbi Ltd	S	100,000	13.94
1-Jan	Guj St Fn Co	GSFC Staff Co Op Credit Soc	S	175,000	30.60
1-Jan	Gujara Lea F	GIIC Ltd	S	140,000	20.15
1-Jan	GuptaSynthe	Mahendra P Rathod	B	35,087	66.99
1-Jan	GuptaSynthe	Santoshdevi Sharma	S	92,000	67.38
1-Jan	GuptaSynthe	Kamal Kishore	S	92,000	67.38
1-Jan	GuptaSynthe	Mahendra P Rathod	S	35,087	64.06
1-Jan	IKF Techno	JMP Securities Pvt. Ltd.	B	1,250,000	18.65
1-Jan	J B Chem Phr	JMP Securities Pvt. Ltd.	B	428,175	97.44
1-Jan	Jagjanani	Latin Manharlal Sec Pvt Ltd	B	92,756	19.00
1-Jan	Jasch Indusr	Vinay Chawla	S	64,433	31.65
1-Jan	Jptsecuritii	Roop Chand Jhanwer	S	24,549	17.35
1-Jan	Kancha Inter	Pradip P. Shah	S	30,000	16.95
1-Jan	Kilburn Offi	IDBI Ltd	S	50,000	15.34
1-Jan	Kilpest Indi	Mala Hemant Sheth	B	60,532	85.69
1-Jan	La Opal Rg L	Meenu Bhanshali	S	61,893	59.46
1-Jan	LafanPetroc	Abdul J Bolim	S	50,476	35.36
1-Jan	Lincoln Phar	Ishan Marketing Pvt Ltd	S	300,000	17.20
1-Jan	Lincoln Phar	Advent Marketing Pvt Ltd	S	200,000	17.20
1-Jan	Magnum Vent	JMP Securities Pvt. Ltd.	B	191,539	38.89

**Trade details of bulk deals**

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
1-Jan	Maruti Infra	Risi Finstock Private Limited	S	40,664	19.05
1-Jan	Moschip Semi	JMP Securities Pvt. Ltd.	B	228,618	38.27
1-Jan	Nitinspinner	Asmah Shares And Stock Brokers	S	208,507	27.32
1-Jan	Nitinspinner	JMP Securities Pvt. Ltd.	S	255,289	27.46
1-Jan	Nutraplus Pr	Hiteshjhaveri	B	21,318	14.13
1-Jan	Pochiraju In	JMP Securities Pvt. Ltd.	S	194,076	62.17
1-Jan	Pochiraju In	Latin Manharlal Sec Pvt Ltd	S	97,065	62.29
1-Jan	Rajas Tube M	Palco International I Pvt Ltd	S	25,000	36.77
1-Jan	Rama Paper	Shilpa R Sidhwani	S	75,000	35.94
1-Jan	Refno Res Ch	Baldev Raj Bhatia	S	20,000	18.88
1-Jan	Refno Res Ch	Sujit Ranjan Maily	S	22,071	19.50
1-Jan	Regency Cera	Hitesh Shashikant Jhaveri	B	72,087	30.70
1-Jan	RFLInternat	Mohd Hanif Hajiahmed Kapadia	B	50,000	1.82
1-Jan	RFLInternat	Kantilal Ramji Shah	S	60,000	1.82
1-Jan	RFLInternat	Ganeshbhai P Prajapati	S	45,000	1.82
1-Jan	RFLInternat	Arvind Jbhimaji Makwana	S	35,000	1.82
1-Jan	Rites Intern	Vincent Commercial Company Ltd	S	50,000	18.50
1-Jan	Salzer Elec	Prism Impex Pvt Ltd	B	50,000	174.47
1-Jan	Salzer Elec	Athena Investment	B	50,000	182.40
1-Jan	Salzer Elec	Chanakya International	S	133,000	173.64
1-Jan	Sarasw.Comm.	Mohini Finsec Private Ltd	B	31,965	6.24
1-Jan	Sarasw.Comm.	Winro Commercial India Ltd	S	31,964	6.24
1-Jan	Satnam Overs	Alosha Vanijya Pvt Ltd	B	110,852	110.38
1-Jan	Saya Housing	Blackmore Investment And Trading	S	25,000	12.89
1-Jan	Shalibha Fin	Inkam Financial Consultants Pvt Ltd	S	35,000	30.98
1-Jan	Simmond Mars	Clovertchnologies Pvt Ltd	B	30,000	95.03
1-Jan	Southern Isp	Jai Maa Vinimay P Ltd	S	32,500	31.35
1-Jan	Spectra Indu	Varju Investment Pvt Ltd	B	58,000	24.35
1-Jan	Swaraj Engin	Shailaja Finance Ltd	B	45,000	361.02
1-Jan	Tasty Bite	Vishal Agarwal	B	13,567	88.04
1-Jan	Titan Biotec	Moongipa Finvest Ltd	S	55,838	41.40
1-Jan	Tyche Periph	Rna Builders Ng	B	90,107	101.09
1-Jan	Uniproduc In	Globe Capital Market Ltd	S	43,104	77.86
1-Jan	Vivimed Labs	Aap Investments	B	71,100	150.55
1-Jan	Vivimed Labs	Merrill Lynch Capital Markets			
		Espana S.A. S.V.	S	300,000	150.00
1-Jan	Wanbury Ltd	Dms Management Services	S	75,000	164.55
1-Jan	Wellwor Over	Karnavati Dyechem Pvt. Ltd.	S	2,400,000	1.32
1-Jan	Welspun Syne	IDBI Ltd	S	500,000	14.63
1-Jan	Zenith Birla	Santosh Ind Ltd	B	265,000	69.79
1-Jan	Zenith Birla	Pushkar Banijya Ltd	S	265,000	69.76

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
NTPC	257	2.6	9.4	9.2
Reliance Energy	2,279	6.7	5.9	3.7
ITC	218	3.9	5.3	11.5
<b>Losers</b>				
Bharti Airtel	968	(2.9)	(9.5)	1.3
Reliance Ind	2,848	(1.2)	(8.7)	1.2
TCS	1,055	(2.1)	(3.9)	0.2

Source: Bloomberg

## Forthcoming events

### COMPANY/MARKET

Date	Event
8-Jan	Supreme Industries earnings expected
9-Jan	Mastek, iGate Global, Axis Bank, South Indian Bank earnings expected
10-Jan	Motilal Oswal earnings expected
11-Jan	Infosys Technologies earnings expected

Source: Bloomberg

## Research Team

Name	Sector	Tel No	E-mail id
Dipen Shah	IT, Media, Telecom	+91 22 6634 1376	dipen.shah@kotak.com
Sanjeev Zarbade	Capital Goods, Engineering	+91 22 6634 1258	sanjeev.zarbade@kotak.com
Teena Virmani	Construction, Cement, Mid Cap	+91 22 6634 1237	teena.virmani@kotak.com
Awadhesh Garg	Pharmaceuticals	+91 22 6634 1406	awadhesh.garg@kotak.com
Apurva Doshi	Logistics, Textiles, Mid Cap	+91 22 6634 1366	doshi.apurva@kotak.com
Saurabh Gurnurkar	IT, Media, Telecom	+91 22 6634 1273	saurabh.gurnurkar@kotak.com
Saurabh Agrawal	Metals, Mining	+91 22 6634 1291	agrawal.saurabh@kotak.com
Saday Sinha	Banking, Economy	+91 22 6634 1440	saday.sinha@kotak.com
Rohit Ledwani	Retail	+91 22 6634 1507	rohit.ledwani@kotak.com
Sarika Lohra	NBFCs	+91 22 6634 1480	sarika.lohra@kotak.com
Chetan Shet	FMCG, Power	+91 22 6634 1382	chetan.shet@kotak.com
Shrikant Chouhan	Technical analyst	+91 22 6634 1439	shrikant.chouhan@kotak.com
Kaustav Ray	Editor	+91 22 6634 1223	kaustav.ray@kotak.com
K. Kathirvelu	Production	+91 22 6634 1557	k.kathirvelu@kotak.com

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