April 25, 2007

ICICI Securities I-SEC

India Update

Market data as on Apr 24, 2007

INDICES

		% chg (DoD)
BSE Sensex	14137	1.50
S&P CNX Nifty	4142	5.07
BSE 100	7118	1.59
BSE 200	1681	1.52
Instanex Skindia DR	2479	0.63
Mindex	5882	0.17

OVERSEAS MARKETS

		% chg (DoD)
Dow Jones	12954	0.27
Nasdaq Comp.	2525	0.03
S&P 500	1480	(0.04)
Hang Seng	20573	0.08
Nikkei	17452	(0.02)

ADVANCES/DECLINES (BSE)

Group	A	B1	B2
Advances	129	322	371
Declines	76	373	430
Unchanged	2	15	35

FII TURNOVER (BSE+NSE)* (Rs mn)

Bought	Sold	Net
19,077	19,762	(685)

NEW HIGHS AND LOWS (BSE)

Group	A	B1	B2
Highs	14	8	12
Low	0	4	6

CURRENCY

US$1 = Rs41.14

* FII turnover (BSE + NSE) as on April 23, 2007

Contents

Highlights

Sector/event	Impact
AUTOMOBILES: Maruti Udyog (MUL) – Q4FY07 results review	MUL reported a robust revenue growth of 35.2% YoY in Q4FY07 on the back of a 29.6% YoY rise in volumes. However, EBITDA margin contracted 350bps YoY to 12.4% on account of rising input cost pressures, higher share of low-margin exports and merger with its loss-making subsidiary, Maruti Suzuki Automobiles India. Other income rose 77.8% YoY. Consequently, recurring net profit rose 19.8% YoY to Rs4.61bn, in line with our estimates (i-SEC-Rs4.64bn, consensus-Rs4.26bn). Further, MUL registered healthy market share gain in Q4FY07 – 51.6% in the passenger car segment and 46.2% in the passenger vehicle segment. The gain was on the back of two new product launches – *Estilo* and *Swift* Diesel.

News Snippets

Economy

- Exports from Special Economic Zones rose 52.31% in '06-07 to Rs347.87bn from Rs228.40bn in '05-06. The growth rate was more than double the 24.71% increase recorded the previous year. (Business Line)

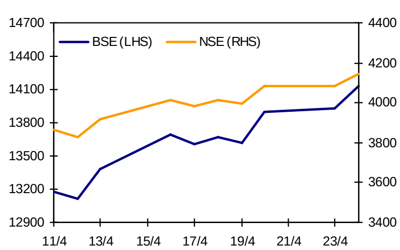
Sectoral

- The rupee closed at yet another high of 41.17, in response to the annual Monetary Policy statement by the Reserve Bank of India. (Business Line)

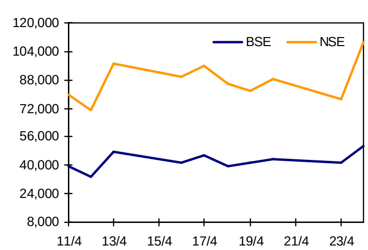
Corporate

- SpiceJet will buy 10 new Boeing 737s as part of its fleet expansion programme, spending US$650-700mn for the purpose. (Business Standard)
- Steel Authority of India is likely to approve Rs60-70bn capital expenditure plan soon for its Rourkela Steel Plant. (Business Standard)
- Oil and Natural Gas Corporation and National Thermal Power Corporation have likely settled a key issue on the exploitation of a coal block in a situation where the coal seams bear both coal bed methane gas as well as coal. (Business Line)

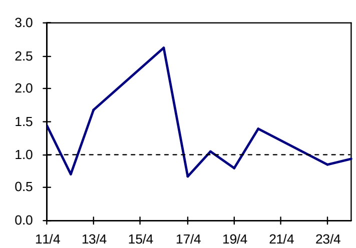
Market movement over last fortnight



Volumes in Rs mn (BSE and NSE)



Advances & Declines ratio (BSE)



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Maruti Udyog (Buy) AUTOMOBILES

Q4FY07 RESULTS REVIEW

On track **Rs794**

Shilpa Gupta shilpa_gupta@isecltd.com

Maruti Udyog (MUL) reported a robust revenue growth of 35.2% YoY in Q4FY07 on the back of a 29.6% YoY rise in volumes. However, EBITDA margin contracted 350bps YoY to 12.4% on account of rising input cost pressures, higher share of low-margin exports and merger with its loss-making subsidiary, Maruti Suzuki Automobiles India (MSAIL). Other income rose 77.8% YoY (increase in yield on investment portfolio, larger portfolio size, and write back of Rs250mn provision). Consequently, recurring net profit rose 19.8% YoY to Rs4.61bn, in line with our estimates (i-SEC-Rs4.64bn, consensus-Rs4.26bn). Further, MUL registered healthy market share gain in Q4FY07 – 51.6% (up 240bps YoY) in the passenger car segment and 46.2% (up 240bps YoY) in the passenger vehicle segment. The gain was on the back of two new product launches – *Estilo* (December ’06) and *Swift* Diesel (January ’07).

Marketplace interaction suggests that MUL’s volume growth momentum remains intact (for details refer to India Update dated April 19, ’07). We believe that MUL is well positioned to capitalise on emerging opportunities on the back of new product launches as well as exports plans. Also, MUL is likely to benefit from competitive advantage enjoyed by it due to: i) highest market share (51% in passenger cars, 46.1% in overall passenger vehicles) in FY07 ii) largest range of models/variants and iii) strongest distribution network. We would be revising our earnings estimates upwards. The stock is trading at FY08E P/E of 13.0x; we maintain MUL as our top pick in the sector.

Table 1: Valuation summary

		Y/E March	EPS (Rs)	P/E (x)	EV/E (x)		
Price (24/4/07) (Rs)	794	2005	30.5	26.1	12.8	BSE Sensex	14137
52 week range	991/670	2006	42.2	18.8	10.4	Market Cap. (Rs bn)	229.5
Dividend FY07 (Rs/sh)	4.5	2007P	55.4	15.2	8.4	Market Cap. (US$ bn)	5.5
Dividend yield (%)	0.6	2008E	61.1	13.0	6.6	Shares Out. (mn)	289
Face value (Rs)	5.0	2009E	69.9	11.4	5.3	Free float (%)	35.5

Source: Company data, i-SEC Research

- **Robust revenue growth of 35.2% YoY and market share gain.** MUL registered a 35.2% YoY revenue growth on the back of a 29.6% YoY volume growth in Q4FY07. The volume growth was led by *Alto* (32.6% YoY rise to 61,025 units), *Swift* (47.6%YoY rise to 21,047 units due to launch of *Swift* Diesel in January ’07), *Omni* (38.3% YoY rise to 24,083 units) and exports (74.9% YoY rise to 14,213 units). MUL plans to launch a new sedan, *SX4*, in May ’07. All recent product launches of the company have been highly successful – *Swift* Petrol launched in May ’05 had a wait-list for six months; *Wagon R Duo* (July ’06), *Estilo* (December ’06) and *Swift* Diesel (January ’07) still have wait-lists.

  MUL continued to lead the domestic market in Q4FY07 with a share of 51.6% (up 240bps YoY) in the passenger car segment and 46.2% (up 240bps YoY) in the passenger vehicle segment. For FY07, the company registered 21.6% revenue growth and recorded a 20.1% volume growth in the passenger vehicle segment as compared with the industry growth of 19.7%.

- **Margin contraction in Q4FY07; expect improvement.** EBITDA margin contracted 350bps YoY to 12.4% on account of: i) rising input costs ii) higher contribution from low-margin exports; share of exports went up 180bps YoY to 7.1% and iii) merger with MUL’s loss-making subsidiary, MSAIL, which registered Rs585mn loss in Q4FY07

(Rs333mn in Q3FY07, Rs1,132mn in FY07). However, going forward, as production volumes at MSAIL pick up (25,000 units of *Swift* in FY07, of which *Swift* Diesel was ~8,000 units), we expect MSAIL losses to narrow down as fixed costs get spread over a larger base. This would drive MUL's margin improvement.

- **Strong recurring net profit growth.** Despite EBITDA margin contraction, MUL registered strong recurring net profit growth of 19.8% YoY to Rs4.61bn led by strong volume growth of 29.6%YoY and other income rising 77.8% YoY to Rs2,050mn. The rise in other income was on account of: i) increase in yield on investment portfolio ii) larger portfolio with cash generation and iii) write back of Rs250mn (Rs400mn for FY07) excise duty provision on the back of a Supreme Court judgment in MUL's favour. For FY07, the standalone recurring net profits rose 29.8% to Rs15.7bn and the consolidated recurring net profit rose 28.8% to Rs16bn.

- **MUL – Remains our top pick in the sector.** Marketplace interaction suggests that the volume growth momentum would remain intact with insignificant impact of increase in car financing rates on sales as well as volume boost on account of price declines (lower CST and increased discounts), increased production by MUL to meet wait-list demand and the planned new product (*SX4* sedan) launch.

  We believe that MUL is well positioned to capitalise on emerging opportunities on the back of new product launches and export plans. Also, MUL enjoys competitive advantage due to: i) highest market share (51% in passenger cars, 46.1% in overall passenger vehicles) in FY07 ii) largest range of models/variants and iii) strongest distribution network. We would be revising our earnings estimates upwards. The stock is trading at FY08E P/E of 13x; maintain MUL as our top pick in the sector.

Table 2: Q4FY07 results review

(Rs mn, year ending March 31)

	Q4FY07	Q4FY06	% chg. (YoY)	Q3FY07	% chg. (QoQ)	FY07	FY06	% chg. (YoY)
Total Revenues	**44,298**	**32,770**	**35.2**	**36,795**	**20.4**	**146,539**	**120,522**	**21.6**
(Inc)/Dec in Stock	(249.1)	(2,356)	(89.4)	3,030.1	(108.2)	2,186.4	(2,233)	(197.9)
Raw Materials	33,915	26,723	26.9	24,632	37.7	108,307	94,403	14.7
Staff Cost	807	567	42.3	738	9.3	2,884	2,287	26.1
Other Expenditure	4,315	2,626	64.3	3,110	38.8	13,257	9,450	40.3
Total Expenses	**38,787**	**27,559**	**40.7**	**31,510**	**23.1**	**126,635**	**103,907**	**21.9**
EBITDA	**5,510**	**5,211**	5.7	**5,285**	4.3	**19,904**	**16,615**	19.8
Interest	156	34	356.3	157	(1.1)	376	204	84.6
Depreciation	718	726	(1.0)	759	(5.3)	2,714	2,854	(4.9)
Other Income	2,050	1,153	77.8	1,284	59.6	5,984	4,292	39.4
Recurring pre-tax income	**6,686**	**5,604**	**19.3**	**5,653**	**18.3**	**22,798**	**17,849**	**27.7**
Ext. Ord Inc/(Exp)	(124.9)	(349)	(64.2)	(213.2)	(41.4)	(124.9)	(349)	(64.2)
Taxation	2,076	1,645	26.2	1,676	23.9	7,054	5,609	25.7
- current	1,613	1,802	(10.5)	1,112	45.0	6,157	5,930	3.8
- deferred	463	(157)	(394.6)	564	(17.9)	897	(320)	(380.0)
Reported Net Income	**4,486**	**3,609**	**24.3**	**3,764**	**19.2**	**15,620**	**11,891**	**31.4**
Recurring Net Income	**4,611**	**3,849**	**19.8**	**3,912**	**17.9**	**15,745**	**12,128**	**29.8**
Ratios (%)								
RM/Sales	76.0	74.4		75.2		75.4	76.5	
Staff Cost/Sales	1.8	1.7		2.0		2.0	1.9	
Other Expenses/Sales	9.7	8.0		8.5		9.0	7.8	
EBIDTA Margins	12.4	15.9		14.4		13.6	13.8	
Net profit margins	10.4	11.7		10.6		10.7	10.1	
Effective Tax Rate	31.6	31.3		30.8		31.1	32.1	

Source: Company data, i-SEC Research

Table 3: Sales volume – Strong growth and market share gain

(Nos)

	Q4FY07	Q4FY06	% chg (YoY)	Q3FY07	% chg (QoQ)	FY07	FY06	% chg (YoY)
Sales Volume								
M800	19,117	25,273	(24.4)	19,683	(2.9)	79,245	89,223	(11.2)
Alto	61,025	46,024	32.6	64,118	(4.8)	227,668	158,625	43.5
Zen	20,858	6,349	228.5	1,420	1,368.6	28,967	35,425	(18.2)
Wagon R	31,807	26,080	22.0	34,871	(8.8)	119,849	89,540	33.9
Swift	21,047	14,262	47.6	14,052	49.8	63,911	51,546	24.0
Esteem	6,807	6,058	12.4	5,750	18.4	23,507	21,929	7.2
Baleno		2,992	(100.0)	1,160	(100.0)	6,170	10,010	(38.4)
Omni	24,083	17,408	38.3	21,036	14.5	81,089	63,653	27.4
Versa	250	462	(45.9)	390	(35.9)	2,002	2,736	(26.8)
Gypsy	905	1,367	(33.8)	628	44.1	3,221	4,351	(26.0)
Export	14,213	8,125	74.9	9,073	56.7	39,295	34,784	13.0
Total	200,112	154,400	29.6	172,181	16.2	674,924	561,822	20.1
% Swift	10.5	9.2				9.5	9.2	
% Alto	30.5	29.8				33.7	28.2	
% M800	9.6	16.4				11.7	15.9	
% exports	7.1	5.3				5.8	6.2	
Market share (%)								
- PVs	46.2	43.8		48.5		46.1	46.1	
- Cars	51.6	49.2		53.9		51.0	51.7	

Source: Company data, i-SEC Research

Table 4: Q4FY07 results review (Consolidated)

(Rs mn, year ending March 31)

	FY07	FY06	% chg (YoY)
Total Revenues	**147,884**	**121,431**	**21.8**
(Inc)/Dec in Stock	2,180	(2,231)	(197.7)
Raw Materials	109,427	95,089	15.1
Staff Cost	2,965	2,377	24.8
Other Expenditure	14,000	10,162	37.8
Total Expenses	**128,572**	**105,397**	**22.0**
EBITDA	**19,312**	**16,034**	**20.4**
Interest	404	223	81.0
Depreciation	2,755	2,891	(4.7)
Other Income	7,010	5,335	31.4
Recurring pre-tax income	**23,163**	**18,255**	**26.9**
Ext. Ord Inc/(Exp)	(124)	(349)	(64.4)
Taxation	7,156	5,740	24.7
- current	6,253	6,053	3.3
- deferred	903	(313)	(388.4)
Reported Net Income	**15,883**	**12,191**	**30.3**
Recurring Net Income	**16,007**	**12,428**	**28.8**
Ratios (%)			
RM/Sales	75.5	76.5	
Staff Cost/Sales	2.0	2.0	
Other Expenses/Sales	9.5	8.4	
EBIDTA Margins	13.1	13.2	
Net profit margins	10.8	10.2	
Effective Tax Rate	31.1	32.1	

Source: Company data, i-SEC Research

Mahanagar Telephone Nigam (Hold) TELECOM

Q4FY07 RESULTS REVIEW

Out of sync **Rs152**

Poonam Nishal poonam_nishal@isecltd.com

Q4FY07 was a disappointing quarter in light of the sharp decline in ARPU in both the wireline and wireless segments, resulting in lower-than-expected revenues at Rs12bn (i-SEC: Rs13bn). However, better control over operating costs (especially network and employee costs) helped the company improve its EBITDA margin 500bps YoY to 18.3% (though flat QoQ). Continued support from tax refunds (at Rs1.1bn post tax) led to 47% YoY growth in earnings at Rs2.1bn. However, adjusting for the extraordinary items, reported earnings were at Rs1bn. Overall, MTNL continues to struggle and the ongoing pressure in its wireline segment, the main revenue earner, is making the task of a revival difficult. Further, though the wireless subscriber base witnessed a robust pick-up in the past three months (Chart 1), it could not improve the overall picture as the segment contributes just 15% to total revenues. Key events to watch for going forward are: i) response to IPTV service post the recent commercial launch in Delhi and Mumbai ii) progress on the real estate front with two key properties (Noida and Borivali) being taken up for development and iii) favourable outcome of litigations related to license fee and pension liabilities, which could inflate the cash balance resulting in a special dividend. Though the valuations appear attractive at FY08E EV/EBITDA of 8.6x, we expect subdued returns on the back of a continued lacklustre performance going forward. Maintain Hold.

Table 1: Valuation summary

		Y/E March	EPS (Rs)	P/E (x)	EV/E (x)		
Price (24/04/07) (Rs)	152	2005	14.0	10.9	5.5	BSE Sensex	14137
52 Week Range (Rs)	226/124	2006	6.1	25.0	9.7	Market Cap. (Rs bn)	108.1
Dividend FY07E (Rs)	6.0	2007	5.2	29.0	8.8	Market Cap. (US$ bn)	2.4
Dividend Yield (%)	3.9	2008E	5.2	29.1	8.6	Shares Out. (mn)	630
Face Value (Rs)	10.0	2009E	6.3	24.3	7.0	Free float (%)	43.8

Source: Company data, i-SEC Research

- **Revenues declined 17%YoY to Rs12bn.** However, adjusting for exceptional income at Rs3bn in Q4FY06 (towards arrears of charges from other operators) revenue growth was at 4.8%. The sharp reduction in ARPU in wireline and wireless segments (Chart 2) was highly disappointing and indicates the lack of pricing power. However, the company attributed this to a sudden decline in traffic in February '07, though is yet to figure out a reason for the same. With competition set to intensify going forward, we believe it would be difficult for the company to gain momentum from here on.

- **EBITDA margin improved 500bps YoY to 18.3%.** Highly competitive network sharing deals with private operators and BSNL have helped in reducing MTNL's revenue share costs. This coupled with various initiatives taken as regards SG&A costs and employee costs (voluntary retirement scheme, discontinuation of various frills etc) resulted in operating expenses declining 22% YoY and 5% QoQ, taking the overall margin to 18.3%.

- **Income from tax refunds boosted earnings by Rs1.1bn.** Interest income on tax refunds was at Rs519mn (net of taxes). This coupled with tax write-back of Rs579mn boosted earnings by Rs1.1bn to Rs2.1bn. The outcome of other litigations related to license fee (which has already been decided in MTNL's favour) and pension liabilities is expected over the next 6-8 months and could result in significant cashflow for the company, which we believe could result in one-time special dividend.

- **Subdued outlook** as MTNL failed to get its acts together this quarter as well. It has not been able to deliver on revenues and costs simultaneously – in FY07, when the company rationalised costs, its revenues were hit. Similarly, in FY06, the company failed on the cost front as it aggressively beefed up marketing, which, however, boosted revenue growth. We expect FY08 to be the last year of lacklustre performance as new revenue streams evolve (real estate and triple play – IPTV, voice and internet), leading to robust earnings momentum beyond 12-18 months.
- **Attractive valuations** at FY08E EV/EBITDA of 8.6x and FY09E EV/EBITDA of 6.9x, though earnings visibility and growth remain a concern over the medium term. However, developments relating to real estate, broadband, triple play and international foray could trigger an upside. Maintain Hold.

Table 2: Q4FY07 results review

(Rs mn, year ending March 31)

	Q4FY07	Q4FY06	% chg. (YoY)	Q3FY07	% chg. (QoQ)	FY06	FY07	% chg. (YoY)
Net Sales	**12,000**	**14,453**	**(17.0)**	**12,319**	**(2.6)**	**55,610**	**49,234**	**(11.5)**
Revenue Share	1,992	5,676	(64.9)	2,091	(4.7)	15,392	11,334	(26.4)
License Fee	1,121	955	17.3	1,191	(5.9)	4,590	4,556	(0.7)
Personnel Cost	4,240	3,176	33.5	4,740	(10.5)	19,053	18,125	(4.9)
Admin./Operative Expenses	2,449	2,716	(9.8)	2,264	8.2	8,450	6,383	(24.5)
Total Expenses	9,802	12,524	(21.7)	10,285	(4.7)	47,485	40,398	(14.9)
EBITDA	**2,198**	**1,929**	**13.9**	**2,034**	**8.0**	**8,125**	**8,835**	**8.7**
Interest	1	29	(96.0)	2	(28.1)	244	21	(91.5)
Depreciation	1,728	1,655	4.4	1,704	1.4	6,467	6,803	5.2
Other Income	1,079	1,492	(27.7)	778	38.6	3,355	3,508	4.5
Recurring pre-tax income	**1,547**	**1,737**	**(10.9)**	**1,107**	**39.8**	**4,769**	**5,520**	**15.8**
Extraordinary income/(expense)	1,098	-	-	1,363	(19.5)	1,971	2,859	45.0
Taxation	582	335	73.9	384	51.6	937	1,947	107.9
- Current	1,042	783	33.1	577	80.4	561	3,054	444.6
- Deferred	(460)	(448)	2.6	(194)	137.6	376	(1,106)	(394.1)
Reported Net Income	**2,063**	**1,402**	**47.1**	**2,086**	**(1.1)**	**5,803**	**6,431**	**10.8**
Recurring Net Income	**965**	**1,402**	**(31.2)**	**723**	**33.5**	**3,832**	**3,573**	**(6.8)**
Ratios (%)								
EBITDA margins	18.3	13.3		16.5		14.6	17.9	
PBT Margins	12.9	12.0		9.0		8.6	11.2	
Net profit margins	8.0	9.7		5.9		6.9	7.3	
Effective tax rate	37.6	19.3		34.7		19.6	35.3	

Source: Company data, i-SEC Research

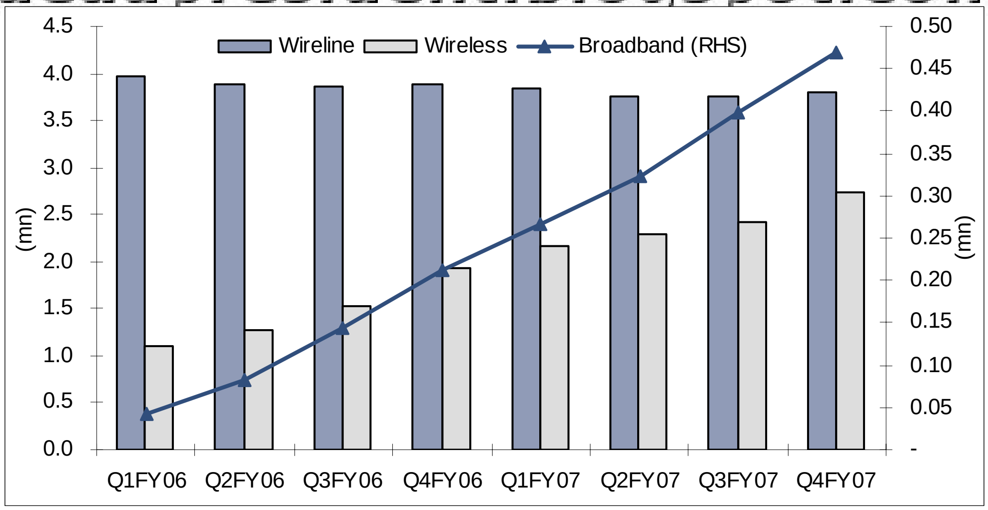
Table 3: Segment-wise revenues

(Rs mn, year ending March 31)

	Q4FY07	Q4FY06	% chg. (YoY)	Q3FY07	% chg. (QoQ)
Basic Services	9,039	12,028	(24.9)	9,376	(3.6)
Cellular	1,769	1,566	13.0	1,960	(9.7)
WLL	205	149	37.7	230	(10.8)
Other services	987	710	39.0	753	31.1
Total	**12,000**	**14,453**	**(17.0)**	**12,319**	**(2.6)**

Source: Company data, i-SEC Research

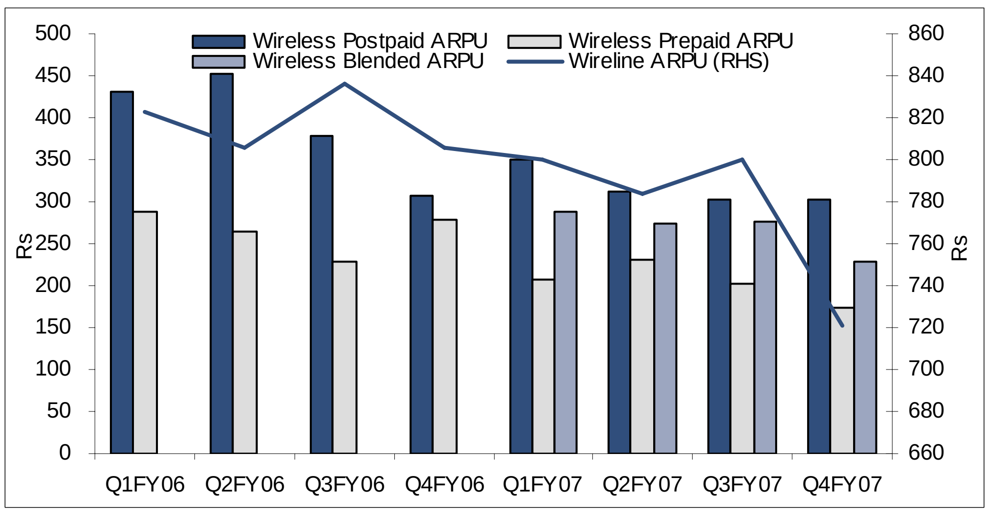
Chart 1: Subscriber base



Source: Company data, i-SEC Research

Chart 2: ARPU trends

Sharp decline in ARPU seen across segments, mainly due to significant fall in traffic during February '07



Source: Company data, i-SEC Research

Important disclosure: ICICI Securities has been mandated to advise the Department of Telecom on the proposal for merger of MTNL and BSNL. The research note has been prepared based on publicly available information. The research recommendation of the analyst for MTNL has been maintained at HOLD since the downgrade from BUY on November 17, '06.

Sector update PHARMA

THEME NOTE ON SUN PHARMA AND GLENMARK PHARMA

Trailblazers

Rajesh Vora rajesh_vora@isecltd.com

We have been impressed by the trailblazing performance of Sun Pharma Industries (SPIL) and Glenmark Pharma over the years. Backed by visionary promoters, focussed and disciplined approach to building sinew for future growth and above-average EPS CAGR (SPIL-34%, Glenmark-67%) in the past five years, the companies are the best two pharma plays from India. Further, with the de-merger of drug discovery research (DDR) into a separate company (to be listed by June '07), SPIL would offer two distinct plays on generics and DDR, while Glenmark would continue as a composite play on both businesses. Given their strong DDR capabilities, we expect significant value creation for investors in the next 3-5 years. Besides, earnings CAGR through FY09E from the base generics business would be robust at 24% and 46% for SPIL and Glenmark respectively. We reiterate them as our top two BUYs in the sector.

- **US generics – Fast growing & differentiated business.** SPIL and Glenmark have built a strong ANDA pipeline through an aggressive acquisition strategy, front-end distribution and highly competitive back-end. Despite being late entrants in the market as against Ranbaxy and Dr. Reddy's, their businesses are growing rapidly – SPIL likely to cross US$100mn in FY07E, while Glenmark expected to touch the milestone by FY09E, which would possibly be the fastest (six years) by any Indian pharma company. Importantly, their pipeline has a good mix of para IVs, NDDS-based products, controlled substances and other niche products. We expect revenue CAGR from the US dosage form business through FY09E to be a strong 22% and 41% for SPIL and Glenmark respectively.

- **Expect significant value creation in DDR in 3-5 years.** Both SPIL and Glenmark have developed an end-to-end understanding and cultivated a strong 'innovation' mindset as regards DDR. As a result, their DDR pipeline and the capability to succeed in the medium-to-long term are impressive. Glenmark is by far the biggest success in DDR from India with a few world-class deals already in the bag. Further, SPIL has recently unveiled its DDR pipeline for the first time ever. We expect significant value creation in DDR for both the companies in the next 3-5 yeas.

- **Crème de la crème – SPIL & Glenmark Pharma.** We expect SPIL and Glenmark to outshine peers both quantitatively and qualitatively over the next 3-5 years on the back of a massive scale-up in the base generics business, potential upside from DDR and unstinted focus on building sinew for sustainable future growth. Both SPIL and Glenmark remain our top two BUYs in the sector with Rs1,440/share and Rs916/share fair value, implying 22% and 34% potential upside respectively in the next 12-15 months.

Table 1: Valuation summary – Sun Pharma

		Y/E March	EPS* (Rs)	P/E (x)	EV/E (x)		
Price (24/04/07) (Rs)	1,062	2005	19.5	54.4	47.1	BSE Sensex	14137
52 Week Range (Rs)	1180/681	2006	25.5	41.6	40.9	Market Cap. (Rs bn)	202
Dividend FY07E (Rs)	8.0	2007E	35.9	29.5	27.9	Market Cap. (US$ bn)	4.8
Dividend Yield (%)	0.8	2008E	45.4	23.4	20.9	Shares Out. (mn)	190
Face Value (Rs)	5.0	2009E	55.2	19.2	16.0	Free float (%)	30.4

Source: Company data, i-SEC Research; * Fully diluted basis

Table 2: Valuation summary – Glenmark Pharma

		Y/E March	EPS* (Rs)	P/E (x)	EV/E (x)		
Price (24/04/07) (Rs)	686	2005	8.3	82.2	54.8	BSE Sensex	14137
52 Week Range (Rs)	686/239	2006	6.3	109.6	64.6	Market Cap. (Rs bn)	82.1
Dividend FY07E (Rs)	2.5	2007E	24.0	28.6	21.4	Market Cap. (US$ bn)	1.97
Dividend Yield (%)	0.4	2008E	41.5	16.5	13.3	Shares Out. (mn)	119.7
Face Value (Rs)	2.0	2009E	46.0	14.9	11.8	Free float (%)	45.5

Source: Company data, i-SEC Research; * Fully diluted basis

Details in our report '*Trailblazers*' dated April 24, 2007.

Comment

AVIATION – Sector update

Event: The Reserve Bank of India has allowed hedging of ATF for airlines' domestic operations in its Annual Policy Meet yesterday

Impact: We believe it is a welcome move for the aviation sector as it reduces the volatility associated with crude prices

Though the airlines are unlikely to benefit substantially at the current crude price levels as consensus estimates indicate lower crude prices through FY08-09, we believe the airlines would gain even if they lock in crude prices in US$50-55/bl range

The move is also important given that Indian oil marketing companies typically revise ATF prices only once a month and often the revision does not correlate strictly with the crude price movement/expectations. Hence, the hedging allows the airlines to decide their own fuel prices in global exchanges.

Bharti Airtel (Buy) TELECOM

Q4FY07 RESULTS PREVIEW **Rs874**

Poonam Nishal poonam_nishal@isecltd.com

- Mobile subscriber additions expected to touch a record high of 5.2mn (17% QoQ and 89% YoY rise) in Q4FY07E, predominantly on the back of category A and B circles (71% of the total). Pressure on ARPUs is expected to continue in the light of increasing proportion of low usage customers.
- Despite a 2% QoQ decline in ARPUs, margins expected to improve 10bps to 37.7% in the mobile segment; however, overall margins to improve 30bps to 41.1% due to further improvement in margins across other business segments.
- Favourable forex movement to help BAL maintain low finance costs in Q4FY07, though derivatives and forex gain expected to be much lower than Q3FY07 thereby squeezing net margins 170bps to 23%.

Table 1: Valuation summary

		Y/E Mar	EPS (Rs)	P/E (x)	EV/E (x)		
Price (24/04/07) (Rs)	874	2005	7	134	55	BSE Sensex	14137
52 Week Range	882/310	2006	11	82	40	Market Cap. (Rs bn)	1,657
Dividend FY07E (Rs/sh)	-	2007E	22	40	22	Market Cap. (US$ bn)	37
Dividend yield (%)	-	2008E	31	28	16	Shares Out. (mn)	1,896
Face value (Rs)	10	2009E	40	22	12	Free float (%)	39

Source: Company data, i-SEC Research

Table 2: Quarterly estimates

(Rs mn, year ending March 31)

	Q4FY07E	Q4FY06	YoY (%)	QoQ (%)	YTDFY07*	YTDFY06*	YoY (%)
Revenues	55,953	34,114	64.0	13.9	131,264	82,521	59.1
EBITDA	22,969	12,773	79.8	14.5	52,088	30,800	69.1
PBT	15,138	7,414	104.2	5.0	33,792	18,161	86.1
PAT	12,852	6,824	88.3	5.8	29,040	15,761	84.3

Source: Company data, i-SEC Research * April - December

Details in our results preview dated April 2, 2007

Ranbaxy Laboratories (Buy) PHARMA

Q1CY07 RESULTS PREVIEW **Rs349**

Rajesh Vora rajesh_vora@isecltd.com

- Gross revenues are expected to register a strong 25% growth to Rs16bn (US$358mn), primarily driven by the Terapia acquisition.
- EBITDA margin is likely to expand 99bps to 12% on a low base.
- With a significant bounce back in sales growth and profitability in CY06 over CY05, potential upside from the value-accretive acquisitions and reorganisation of R&D assets into a separate vehicle is likely to boost sentiment.

Table 1: Valuation summary

		Y/E Dec	EPS* (Rs)	P/E (x)	EV/E (x)		
Price (24/04/07) (Rs)	349	2004	17.3	20.1	14.4	BSE Sensex	14137
52 Week Range	530/306	2005	5.2	67.3	57.0	Market Cap. (Rs bn)	130
Dividend CY07E (Rs/sh)	11.5	2006P	13.2	26.4	16.3	Market Cap. (US$ bn)	3.12
Dividend yield (%)	3.3	2007E	16.6	21.0	13.7	Shares Out. (mn)	372
Face value (Rs)	5	2008E	20.4	17.1	11.4	Free float (%)	65.1

Source: Company data, i-SEC Research; * consolidated as per Indian GAAP on fully diluted basis

Table 2: Quarterly estimates

(Rs mn, year ending December 31)

	Q1CY07E	Q1CY06	YoY (%)	QoQ (%)	CY06	CY05	YoY (%)
Revenues	15,694	12,631	24.2	(7.5)	60,216	50,974	18.1
EBITDA	1,919	1,423	34.8	(16.8)	9,473	2,588	266.0
PBT	1,155	794	45.5	(25.5)	6,779	1,081	527.2
PAT	924	677	36.6	(29.7)	5,286	2,071	155.3

Source: Company data, i-SEC Research

Details in our results preview dated April 11, 2007

GlaxoSmithKline Pharma (Buy) PHARMA

Q1CY07 RESULTS PREVIEW **Rs1,179**

Rajesh Vora rajesh_vora@isecltd.com

- Sales from the pharma business are likely to witness a modest 3% growth to Rs3.85bn due to the high Q1CY06 base (when it rose 61%) and the absence of sales from animal healthcare business (with effect from July 31, '06).
- EBITDA margin is likely to expand 25bps to 33.4%.
- GSK Pharma is the best value play on pharma MNCs and will benefit from the new IPR regime CY09 onwards.

Table 1: Valuation summary

		Y/E Dec	EPS (Rs)	P/E (x)	EV/E (x)		
Price (24/04/07) (Rs)	1,179	2003	24.8	47.5	8.8	BSE Sensex	14137
52 Week Range	1,495/891	2004	30.8	38.3	23.9	Market Cap. (Rs bn)	100
Dividend CY07E (Rs/sh)	35	2005	36.8	32.1	21.3	Market Cap. (US$ bn)	2.4
Dividend yield (%)	3	2006P	42.6	27.7	18.9	Shares Out. (mn)	85
Face value (Rs)	10	2007E	48.5	24.3	16.7	Free float (%)	49

Source: Company data, i-SEC Research

Table 2: Quarterly estimates

(Rs mn, year ending December 31)

	Q1CY07E	Q1CY06	YoY (%)	QoQ (%)	CY06	CY05	YoY (%)
Revenues	4,174	4,262	(2.1)	30.3	15,820	15,185	4.2
EBITDA	1,501	1,488	0.8	52.4	5,274	4,670	12.9
PBT	1,611	1,596	1.0	50.2	5,598	4,859	15.2
PAT	1,047	1,034	1.2	53.6	3,607	3,092	16.7

Source: Company data, i-SEC Research

Details in our results preview dated April 11, 2007

Recent reports/updates

Analyst	Company/Sector	Date
Rajesh Vora	Pharma: Theme note on Sun Pharma & Glenmark	Apr 24
Anand / Shilpa Yadav	Kansai Nerolac: Radiant hues	Apr 24
Anand / Shilpa Yadav	Colgate-Palmolive: Tranquil tone	Apr 23
S. Ramesh / Amit	Netback: Refining on a winning streak	Apr 19
Shilpa Gupta	Speedometer: Subdued pace	Apr 16
S. Ramesh / Amit	GAIL (India): Stepping up the gas	Apr 16
Shilpa Gupta	Automobiles Quarterly results preview: Mixed bag	Apr 12
Rajesh Vora	Pharma Quarterly results preview: In full bloom	Apr 11
S. Ramesh / Amit	Oil&Gas Quarterly results preview: Full blast ahead	Apr 9
Anand / Shilpa Yadav	FMCG Quarterly results preview: On a promising note	Apr 9
Rajesh Vora	Wockhardt: On come-back trail	Apr 5
Poonam Nishal	Utilities Quarterly results preview: Waiting for Godot	Apr 5
Amar Kedia	Aviation Quarterly results preview: Mixed bag	Apr 3
Rajesh Vora	Glenmark Pharma: Raising the bar	Apr 3
Amar Kedia	SpiceJet: Tempest to blow past	Apr 3
Poonam Nishal	Telecom Quarterly results preview: Swelling volumes to script success	Apr 2
S. Ramesh	Gujarat Gas: Set for new highs	Mar 30
Rajesh Vora	Cadila Healthcare: Run to form	Mar 26
Amar Kedia	Balmer Lawrie: Stirring up	Mar 23
Anand Shah	Nestle: On an accelerated growth path	Mar 22
S. Ramesh	Netback margin monthly: Refining, the lone star shining	Mar 19
Rajesh Vora	Sun Pharma: The Sun SPARCles	Mar 16
Vikash Mantri	Jagran Prakashan (Unrated): Augmenting clout	Mar 15
Shilpa Gupta	Speedometer (Mar '07) – Balanced manoeuvre	Mar 14
Eq. Research Team	Union Budget Review 2007-08	Mar 1
S. Ramesh	Gujarat Gas Company: Higher gas costs hit margins	Feb 26
S. Ramesh	Netback margin monthly: Refining sweetens the pot	Feb 21
S. Ramesh	Oil&Gas sector update: Halcyon days ahead	Feb 15
Rajesh Vora	Dr. Reddy's Lab: Bolstering the base	Feb 9
Amar Kedia	Aviation Sector: Clear horizons	Feb 9
Anand Shah	Godrej Consumer: Outshining the rank	Feb 6
Poonam Nishal	Bharti Airtel: Ringing in success	Feb 5
Vinay Patel	Monetary policy review: Yet another surprise	Feb 1
Shekhar Singh	MphasiS: In the fray	Feb 1

Quarterly results date reckoner

No.	Nifty companies	Date of result
1	ABB India	April 26
2	ACC	April 19
3	Bajaj Auto	
4	Bharat Heavy Electricals	
5	Bharat Petroleum Corporation	
6	Bharti Airtel	April 27
7	Cipla	April 26
8	Dabur India	May 8
9	Dr. Reddy's Laboratories	
10	GAIL (India)	
11	GlaxoSmithKline Pharmaceuticals	April 27
12	Grasim Industries	April 25
13	Gujarat Ambuja Cements	April 20
14	HCL Technologies	April 17
15	HDFC Bank	April 24
16	Hero Honda Motors	
17	Hindalco Industries	May 4
18	Hindustan Lever	April 30
19	Hindustan Petroleum Corporation	
20	Housing Development Finance Corporation	May 3
21	ITC	
22	ICICI Bank	April 28
23	Indian Petrochemicals Corporation	
24	Infosys Technologies	April 13
25	Larsen & Toubro	
26	Mahanagar Telephone Nigam	April 24
27	Mahindra & Mahindra	
28	Maruti Udyog	April 24
29	National Aluminium Company	April 25
30	Oil & Natural Gas Corporation	
31	Punjab National Bank	
32	Ranbaxy Laboratories	April 27
33	Reliance Communications	April 30
34	Reliance Energy	April 25
35	Reliance Industries	April 26
36	Reliance Petroleum	April 25
37	Satyam Computer Services	April 20
38	Siemens	April 23
39	State Bank of India	
40	Steel Authority of India	May 21
41	Sterlite Industries (India)	
42	Sun Pharmaceutical Industries	
43	Suzlon Energy	
44	Tata Consultancy Services	April 16
45	Tata Motors	
46	Tata Power Co.	
47	Tata Steel	
48	Videsh Sanchar Nigam	
49	Wipro	
50	Zee Entertainment	April 21

No.	Other companies	Date of result
1	Adlabs Films	April 26
2	Alembic Limited	
3	Apollo Hospitals Enterprise	
4	Arvind Mills	
5	Ashok Leyland	May 4
6	Asian Paints	May 10
7	Aventis Pharma	April 16
8	Balaji Telefilms	
9	Bank of Baroda	April 28
10	Bharat Forge	
11	Britannia Industries	
12	Cadila Healthcare	April 26
13	Canara Bank	May 2
14	Colgate-Palmolive	May 3
15	Corporation Bank	April 28
16	GlaxoSmithKline Consumer	
17	Glenmark Pharma	April 25
18	Godrej Consumer Products	April 25
19	Gujarat Gas Company	April 30
20	IDBI	April 20
21	Indian Hotels Co.	
22	Indraprastha Gas	
23	Info Edge (India)	May 3
24	Infotech Enterprises	
25	Jammu & Kashmir Bank	
26	Jet Airways	
27	JSW Steel	April 30
28	Kansai Nerolac Paints	May 3
29	Madras Cements	
30	Marico	April 26
31	MphasiS	April 30
32	National Thermal Power Corp.	
33	Nestle India	April 30
34	Oriental Bank of Commerce	April 28
35	Patni Computer Systems	April 25
36	Polaris Software Lab	April 27
37	Procter & Gamble	April 30
38	Punjab Tractors	
39	Raymond	April 26
40	Sasken Communication Technologies	
41	SpiceJet	
42	Tata Tea	
43	TVS Motor Company	
44	Union Bank of India	May 7
45	UTI Bank	April 17
46	Wockhardt	April 26

Note: Result dates in calendar format on Page 14

Quarterly results date reckoner

APRIL 2007

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	**2** .	**3** .	**4** .	**5** .	**6** .	**7** .
8 .	**9** .	**10** .	**11** .	**12** .	**13** Infosys Tech.	**14** .
15	**16** Aventis Pharma, TCS, HCL Tech.	**17** HCL Technologies, UTI	**18** .	**19** ACC	**20** IDBI, Gujarat Ambuja Cements, Satyam Comp.	**21** Zee
22	**23** .	**24** MTNL, Maruti, HDFC Bank	**25** Godrej Consumer, Nalco, Grasim, Glenmark, Patni, Reliance Energy	**26** Wockhardt, ABB, Cadila, Cipla, RIL, Adlabs Films, Marico	**27** Polaris Software, Ranbaxy Lab, GSK Pharma, Bharti Airtel	**28** Corporation Bank, BoB, OBC
29	**30** Gujarat Gas, P&G, Nestle, MphasiS, HLL, JSW Steel					

MAY 2007

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	.	**1** .	**2** .	**3** Kansai Nerolac, Info Edge, Colgate-Palmolive	**4** Ashok Leyland	**5** .
6 .	**7** Union Bank of India	**8** .	**9** .	**10** Asian Paints	**11** .	**12** .
13	**14** .	**15** .	**16** .	**17** .	**18** .	**19** .
20	**21** .	**22** .	**23** .	**24** .	**25** .	**26** .
27	**28** .	**29** .	**30** .	**31** .		

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