

May 4, 2007
FOR PRIVATE CIRCULATION
Equity

	3 May 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	14,078	1.5	10.1	(2.3)
Nifty	4,151	1.5	11.2	(0.8)
Banking	6,934	0.7	10.9	(6.4)
IT	3,772	1.3	9.2	(3.0)
Healthcare	3,745	1.1	2.7	(2.9)
FMCG	1,811	0.6	5.7	(5.7)
PSU	6,500	1.5	10.3	2.4
CNX Midcap	5,338	1.8	12.3	(0.2)
World indices				
Nasdaq	2,565.5	0.3	4.3	3.6
Nikkei	17,275	(0.7)	0.9	(0.9)
Hangseng	20,682	1.4	2.5	0.8

Value traded (Rs cr)

	3 May 07	% Chg - 1 Day
Cash BSE	4,248	34.0
Cash NSE	9,327	23.2
Derivatives	27,675.2	8.0

Net inflows (Rs cr)

	30 Apr 07	% Chg	MTD	YTD
FII	(305)	56	5,534	12,692
Mutual Fund	71	(281)	979	(2,279)

FII open interest (Rs cr)

	30 Apr 07	% chg
FII Index Futures	14,117	3.5
FII Index Options	5,208	4.1
FII Stock Futures	14,822	3.1
FII Stock Options	40	10.6

Advances/Declines (BSE)

	3 May 07	A	B1	B2	Total	% Total
Advances	162	457	458	1,077	60	
Declines	50	238	361	649	36	
Unchanged	3	19	33	55	3	

Commodity

	3 May 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	63.2	(0.8)	(2.2)	7.1
Gold (US\$/OZ)	682.4	1.4	1.0	5.1
Silver (US\$/OZ)	13.4	1.5	(1.5)	0.1

Debt/forex market

	3 May 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.2	8.2	8.2	7.7
Re/US\$	41.1	41.2	43.1	44.1

Sensex


Source: Bloomberg

ECONOMY NEWS

- The Finance Minister, Mr P. Chidambaram, expressed confidence that the current inflation rate, which is hovering over 6% since January 2007, would be moderated due to "a combination of supply side, fiscal and monetary measures taken by the Government and the Reserve Bank of India." (BL)
- Providing marginal relief to companies issuing employee stock options plans (ESOPs), Finance Minister P Chidambaram announced in the Lok Sabha that the Budget proposal to impose fringe benefit tax on ESOPs would be based on the fair market value at the time of vesting of the option and not at the time of allotment or exercise of the option as proposed in the Budget. (BS)
- The Union Cabinet gave its nod for the proposed Airport Economic Regulatory Authority (AERA) Bill, which seeks to create a level playing field and foster healthy competition among all airports within the country. (BS)
- The Department of Telecom has barred private national long distance operators from carrying intra-circle telephone calls meant for the Government-owned BSNL's subscribers. (BL)
- Reserve Bank of India (RBI) notified the reduction in risk weight on housing loans for up to Rs 20 lakh from 75 per cent to 50 per cent. (ET)

CORPORATE NEWS

- Mumbai-based **Wockhardt Ltd** has announced that it is buying the entire equity of Paris-based Negma Laboratories for \$265 million (Rs 1,087 crore) in an all-cash deal. Negma, which raked in \$150 million (Rs 615 crore) as turnover last year, holds 172 patents and sells three patented drugs in France. (BS)
- The Bombay High Court has restrained **Reliance Industries Ltd**, India's largest non-state company, from selling gas from its field off the country's east coast to any company other than Reliance Natural Resources. (BS)
- The first product of the alliance between Taiwanese two-wheeler major **Sanyang Industry Co Ltd** and **Kinetic Motor Co Ltd (KMCL)** will be a scooterette that will be launched in the Indian market in June. (BL)
- **HDFC'S** fourth-quarter net profit rose 29 per cent, backed by increased loan disbursements as well as maintenance of interest spreads even through a period of interest rate increase. (BL)
- **Colgate Palmolive (India)** announced a Rs 122 crore pay out for its shareholders under which it will pay Rs 9 for every share while reducing its equity capital and the cash on its books. (BS)
- **Orchid Chemicals and Pharmaceuticals** has announced the formation of Orchid Research Laboratories, a subsidiary that will house all of Orchid's research and development activity. (BS)
- **Godrej Sara Lee**, the joint venture company between the Godrej Group and US-based Sara Lee Corporation, is in discussions to take over Sara Lee's independent business unit in India. (BS)

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

FROM OUR RESEARCH TEAM

RESULT UPDATE

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**We recommend BOOK
PROFITS on Mphasis
BFL**

MPHASIS BFL LTD

PRICE : Rs.325

TARGET PRICE : Rs.247

RECOMMENDATION : **BOOK PROFITS**

FY08E PE : 26x

Highlights

- Mphasis' 4QFY07 results matched our bottom-line estimates, while outperforming our topline expectations.
- Employee base on a consolidated level (with EDS India) crossed 20,000.
- Operational integration with EDS India complete. More benefits expected over future quarters.
- Consolidated PAT expected to rise to Rs.2.59bn v/s Rs.1.79bn in FY07. EPS expected to be Rs.12.4 on enhanced equity.
- We believe that, at 26x FY08E estimates, the current price fairly discounts the fundamental positives expected in FY08. In our opinion, the price is holding up in anticipation of a revised open offer from EDS.
- We continue to recommend booking profits on the stock with a price target of Rs.247. There can be further upsides from the current levels, from a revision in the open offer price from EDS, if any.
- An accelerated slowdown / recession in user economies and a sharper-than-expected rupee appreciation are key risks to our estimates and recommendation.

Q4FY07 Results

(Rs mn)	4QFY07	3QFY07	QoQ (%)	4QFY06	YoY (%)
Turnover	3,373	3,060	10.2	2,505	34.6
Expenditure	2,726	2,471		1,992	
EBIDTA	647	588	9.9	514	25.9
Depreciation	163	161		140	
EBIT	483	427	13.2	373	29.5
Interest	-19	-12		-10	
ESOP/EO expns	0	0		0.8	
Other Income	-25	-62		11	
PBT	478	377	26.5	394	21.2
Tax	22	20		43	
PAT	456	358	27.4	352	29.6
Shares (mns)	164	164		164	
EPS (Rs)	2.8	2.2		2.1	
Margin (%)					
EBDITA	19.2	19.2		20.5	
EBIT	14.3	14.0		14.9	
PAT	13.5	11.7		14.0	

Source : Company

- Revenues grew by 10% on a sequential basis, on the back of a strong growth in BPO revenues.
- IT services revenues grew by about 4.9%, in line with most of the larger peers.
- The management has indicated that, it is able to extract price increases from existing clients which getting higher-than-average rates from new clients.
- Mphasis is focusing on new areas like Testing, Remote Infrastructure Management (RIM) and Remote Desktop Management (RDM). It already employs 700 employees in RIM, 1300 in RDM and about 700 in Testing business.
- With EDS acquiring RelQ, the testing SBU will closely align with RelQ's operations and work in a unified manner.

Revenue break up (Rs mns)				
	1QFY07	2QFY07	3QFY07	4QFY07
IT services	1828.0	2057.3	2184.9	2291.0
QoQ (%)	6.0	12.5	6.2	4.9
BPO	779.0	862.0	873.8	1081.0
QoQ (%)	-0.3	10.7	1.4	23.7

Source : company

- BPO revenues grew by about 24% QoQ as the company scaled up within existing clients.
- We believe that, this rise was also partly due to the seasonality involved in a part of the revenues.
- The company has started doing income tax returns preparation work for its US customers and this work peaks in the first quarter of any calendar year. This is also partly reflected in the absolute amount of non-voice revenues, which grew by 58% QoQ as compared to a 9% QoQ growth in voice revenues.
- Moreover, two accounts, employing about 300 employees, are expected to scale down in the next couple of quarters and may impact revenue growth to some extent.
- In our opinion, Mphasis is one of the few players to have a platform-based BPO and enjoys a competitive advantage on that front, after acquiring El Dorado. The platform-based BPO would let the company charge clients on a value added basis as against the current cost plus billing.
- According to the management, the domestic business, which was incurring losses, has turned around and has started contributing to the overall profits thereby positively impacting margins.

Functional integration with EDS India complete

- EDS India is being merged into Mphasis through a share-swap. 5 shares of Mphasis will be issued for every 4 shares of EDS India. The diluted number of shares are expected to amount to 208mn.
- According to the Management, the functional and operational integration with EDS India is complete and the legal and financial integration will be completed after the approval from the court.
- Mphasis has re-aligned its operations into 4 business lines viz. Application services, BPO, ITO (infrastructure related business) and shared services (for EDS's internal operations).
- EDS India's unaudited numbers suggest that it had revenues of about Rs.5.7bn in FY07 with a PAT of Rs.590mn.
- Mphasis is seeing increased traction on all three sources of revenues - existing accounts, EDS and EDS-led clients.
- Mphasis is currently driving sales efforts in 70 EDS clients. It had secured a large contract through EDS in the telecom domain which is already being executed. The company expects to bag another large order in the retail vertical in the near future.

EBITDA Margins

- EBITDA margins were flattish QoQ, despite the impact of the rupee.
- This was due to the improved margins in the BPO business, on the back of higher value added jobs and also better utilization on the back of more data-based jobs.
- Also, the domestic BPO operations continued to improve in terms of profitability.
- Mphasis incurred losses of about Rs.25mn primarily due to restatement of USD denominated assets. A lower-than-expected tax of Rs.21mn led to net profits of Rs.456mn, which were marginally higher than our estimates.

Future prospects					
(Rs mn)	FY06	FY07	YoY (%)	FY08E*	YoY (%)
Turnover	9,401	11,958	27.2	24,337	103.5
Expenditure	7,426	9,923		20,256	
EBDITA	1,975	2,035	3.0	4,081	100.5
Depreciation	519	631		1,215	
EBIT	1,456	1,404	-3.6	2,866	104.2
Interest	-17	-52		-70	
ESOP/EO expns	14	0		0	
Other Income	77	-154		5	
PBT	1,536	1,302	-15.3	2,941	125.9
Tax	38	101		353	
PAT	1,498	1,200	-19.9	2,588	115.6
Shares (mns)	161	164		208	
EPS (Rs)	9.3	7.3		12.4	
Margin (%)					
EBDITA	21.0	17.0		16.8	
EBIT	15.5	11.7		11.8	
PAT	15.9	10.0		10.6	

Source : Company, Kotak Securities - Private Client Research; * - Including EDS India

- We have revised our earnings estimates to incorporate the 4QFY07 numbers and have also incorporated EDS India's financials based on initial FY07 numbers. Mphasis has an aspiration to achieve a combined turnover (including EDS India) of \$1bn in three years' time.
- Post our earnings revision, we now expect the company to achieve revenues of Rs.24.33bn in FY08. In our model, we have assumed the rupee to be at an average of Rs.43 for FY08. We also have assumed the number of employees to increase to about 26750 in FY08.
- We have also assumed margins to remain stable in FY08 mainly due to better capacity utilization, improvement in realizations, improving profitability in the back-office processing business and leverage on SG&A expenses. This is despite the expected rupee appreciation and the fact that, the company plans to invest additional monies in building up a bench and training infrastructure.
- With the tax benefit arising out of accumulated losses (in the US subsidiary) expiring, we expect the company to pay tax at a rate of around 12% for FY08E.
- Thus, PAT is expected to reach Rs.2.59bn in FY08. This would translate into an EPS of Rs.12.4 for FY08.

Concerns

- An accelerated slowdown / recession in major user economies may impact our projections.
- The rupee has appreciated to about Rs.42 v/s the USD. This is higher than our assumed levels of about Rs.43 per USD in FY08. While we expect the rupee to stabilize at about Rs.43 per USD for FY08, a sharp acceleration from the current levels may impact our earnings estimates for the company.

RESULT UPDATE

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BALRAMPUR CHINI MILLS

PRICE : Rs.64
TARGET PRICE : Rs.55

RECOMMENDATION : SELL
FY07 PE : 13x

Balrampur Chini declared their second quarter results with a decline in net profits of 75%. Higher cane costs and lower realizations led a decline in net profits. We continue to recommend SELL on the stock at the current levels with a price target of Rs.55.

Summary table

(Rs mn)	FY06 12M	FY06 18M	FY07 12M
Sales	11,172	18,984	14,673
Growth (%)	37.0	152.0	-22.0
EBITDA	2,985	3,581	2,557
EBITDA Margin (%)	27.0	19.0	17.0
Net profit	1,940	2,916	1,200
EPS	8.3	12.2	4.8
DPS (Rs)		1.6	1.6
ROE (%)	26.8	29.1	27.0
ROCE (%)	23.2	29.2	27.6
EV/Sales (x)	1.6	0.8	1.2
EV/EBITDA (x)	6.0	3.3	6.8
P/E (x)	7.7	5.4	13.2
P/BV (x)	1.7	1.5	1.4

Source: Company & Kotak Securities - Private Client Research

Quarterly performance

(Rs mn)	Q2FY07	Q4FY06	YOY (%)
Net Sales	3,969	3,323	19
Other Income	22	22	
Total Income	3,991	3,344	19
Inc/Dec in Stock	(3,838)	(3,653)	
Raw Materials	6,447	5,205	24
Staff Cost	217	142	53
Other Expenditure	584	445	31
Total Expenditure	3,410	2,139	59
Operating Profit	559	1,184	(53)
OPM (%)	14.1	35.6	
Interest	150	66	126
Depreciation	194	116	68
Profit before Tax	237	1024	(77)
Provision for Tax	28	200	
Deferred Tax	9	29	
Profit after Tax		0	
Equity Capital	200	794	(75)
EPS (Rs)	248	248	

Source: Company

Key performance highlights

- During Q2FY07, the turnover increased by 19% to Rs.3.9 bn as compared to Rs.3.3 bn.
- The sugar division's percentage contribution in revenues declined to 78% from 85% in the same quarter of last year. However on the profitability front, the company reported loss of Rs.7.3 mn for the sugar segment. Average realizations were lower at Rs.14,731 per ton from Rs.17,009 per ton.
- While the production in the sugar division was higher by 39.8%, average recoveries were lower at 10.4% as compared to 10.6% last year.
- The Distillery segment recorded impressive growth during the quarter with increased revenues at Rs.500 mn (Rs.226 mn last year) and higher profits of Rs.171 mn (Rs. 41 mn last year) due to better realizations. Distillery operations supplied 18,445.7 kl, increasing production by 66.1% from 11,108.1 kl.
- Cogeneration business posted higher revenues of Rs.588 mn (Rs.344 mn last year) due to increased capacities at recently commissioned Mankapur unit (34MW, out of which 22MW is saleable). The Co-generation segment produced 2,201.0 lakh units, higher by 96.3% from 1,121.3 lakh units
- Depreciation charges during the quarter increased by 68% due to addition of new capacities in all the three segments.

- PAT was down by 75% for the quarter at Rs.200 mn as compared to Rs.794 mn in the corresponding quarter of last year leading to an EPS of Re.0.80 for Q2FY07.
- The capacity expansion plan of the company is on schedule and for the next sugar season it would have a total crushing capacity of 75,000 tons crushed per day (tcd) as compared to 55,500 tcd in the last season with saleable co-generation capacity of 116 MW and distillery operations to 320 KLPD.

Valuation

The company's profitability would also be adversely affected due to the higher depreciation and interest charges as a result of the ongoing capex program. Although the sugar margins would be adversely impacted going forward due to lower sugar realizations improved realizations from the by-products would partially offset the impact. Positive trigger for the sugar prices from the current levels would be higher international prices (leading to exports from the country) or lower production in the next sugar season (resulting in supply shortage). Another potential trigger could be subsidies from the UP state government post elections. We remain negative on the sector primarily due to the bearish view on the sugar prices given the demand supply mismatch both domestically and in the international market.

The stock is currently valued at 13.2x on price-earning basis for FY07 and a multiple of 6.8x on EV/EBIDTA basis. The stock is currently trading at a price of Rs.64 and we recommend **SELL** on the stock at the current levels.

RESULT UPDATE

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**We maintain BUY on
Orchid with a price
target of Rs.379**

ORCHID CHEMICALS & PHARMACEUTICALS LTD

PRICE : Rs.265
TARGET PRICE : Rs.379

RECOMMENDATION : BUY
FY08E PE : 11.2x

FY07 Result Highlights

- Orchid chemical has come out with below expectation results for FY07 on consolidated basis. The company has registered 5.2% growth in total income to Rs9.85bn as compared to Rs9.4bn in FY06.
- Operating margin has improved by 170bps to 28.1% vs. 26.4% in FY06 due to growth in dosage forms business in the regulated markets. Operating profit grew by 16.5% to Rs2.76bn from Rs2.37bn in FY06 which is broadly in line with our estimates. However, profit at net level is below our expectation and has grown by 37.2% y-o-y at Rs786mn from Rs573mn, which was mainly impacted due to higher interest, depreciation and taxes.
- For Q4 FY07, the consolidated total income gone up by 3% at Rs2.64bn as compared to Rs2.56bn in the corresponding period of the last year. Operating profit stood at Rs728mn as compared to Rs619mn in Q4FY06 registering a growth of 17.7%. Operating margin has improved by 350bps to 27.6% vs. 24.1% in Q4FY06. Net profit after tax grew by 105% to Rs187mn from Rs91mn in Q4FY06.

Summary table

(Rs mn)	FY06	FY07	FY08E
Revenues	9,366	9,851	13,749
Growth (%)	29.7	5.2	39.5
EBITDA	2,375	2,766	3,797
EBITDA margin (%)	26.4	28.1	28.2
Net profit	573	786	2,255
Net Margin (%)	6.4	8.0	16.8
EPS diluted (Rs)	8.9	11.9	23.8
Growth (%)	38.0	34.7	100.0
DPS (Rs)	4.0	3.0	3.0
RoE (%)	9.3	11.9	14.5
RoCE (%)	8.9	9.5	12.2
EV/Sales (x)	3.7	2.5	1.7
EV/EBITDA (x)	14.5	9.3	6.0
P/E (x)	42.0	22.1	11.2
P/BV (x)	3.1	1.8	1.2

Source: Company & Kotak Securities - Private Client Research

Consolidated Performance (FY07)

(Rs mn)	Q4FY07	Q4FY06	YoY (%)	FY07	FY06	YoY (%)
Sales & Operating Income	2,638	2,563	2.9	9,851	9,519	3.5
Expenditure	1,910	1,944	-1.8	7,085	7,145	-0.8
EBIDTA	728	619	17.7	2,766	2,375	16.5
Depreciation	233	270		851	858	
EBIT	496	348	42.2	1,915	1,516	26.3
Interest	245	203		993	878	
Other Income	(12)	(9)		4	12	
PBT	239	137	74.4	926	650	42.4
Tax	53	46		140	77	
Profit after Tax	187	91	105.0	786	573	37.2
Equity Shares (Mn)	66	66		66	65	
EPS (Rs)	2.8	1.4	105.0	11.9	8.9	34.7
EBIDTA Margin	27.6	24.1		28.1	24.9	
PAT Margin (%)	7.1	3.6		8.0	6.0	

Source: Company Press Release

Strong growth seen in domestic formulation business

The domestic formulation business (Orchid healthcare & Mano Pharma) registered a growth of 23% at topline level to Rs690mn as compared to Rs561mn in FY06 driven by premium and new product introductions in the previous quarters, including the critical care antibiotics range that have had good market acceptance. All therapeutic groups viz. psychiatry, anti-diabetic and cardio-vascular have performed well, with the critical care division contributing a leading share of revenues with the sustained performance of Meropenem injection.

US Generics continued to be a significant part of revenue

During the FY07, Orchid's US generics continued its sustained growth both in terms of revenue and profitability. Ramp-up in volume market share in key cephalosporin products like Cefoxitin and Cefazolin injections helped power growth. Company is currently the sole generic supplier of Cefoxitin and also the only supplier of Cefazolin finished dosage forms to the US. More than 60% of the US generics turnover is derived from sterile products. The company has been successful in converting its API business in the US for Cefazolin injection into formulation supplies for other major generic players as well, thus achieving a dominant market share of over 80%. The company expects the growth in the ensuing quarters will be driven by approvals for premium first-wave generic products.

Robust growth is expected in FY08 driven by rich product pipeline

Orchid expects to be present on day one of patent expiry of Tazobactam/Zosyn (\$480mn), Cefdinir/Omnicef (\$490mn) and Cefepime/Maxipime (\$120mn). Of these, generic Zosyn (Tazo+Pip) is a lucrative opportunity where Orchid expects minimal competition - at least till Nov'07 when process patent expires. In addition, it expects to be the first generic in Ceftiofur/Naxcenel (\$150mn), a veterinary injectable. We expect FY08 should be the robust year for the Orchid led by some big new products launches.

Regulatory filings progressing well

The regulatory filing calendar has progressed significantly well during FY07. The company has filed 6 DMFs and 5 ANDAs during the 4th quarter taking the cumulative count to 45 DMFs and 39 ANDAs till date. Of the DMFs filed, 26 are in the cephalosporin space, 17 in the NPNC segment and 2 in the penicillin product area. Out of the 39 ANDAs filed, 27 correspond to cephalosporins, 10 to the NPNC products and 2 in the sterile penicillin area. As of date, Orchid has received approvals from the USFDA for 18 of its ANDAs. The company has also been progressing fast in its regulatory filings for the EU market where it has cumulatively filed 12 dossiers for marketing authorizations during FY07, of which 2 dossiers were filed in the Q4-FY07.

Valuations and recommendation

The company has posted partially diluted EPS of Rs11.9 in FY07 and we expect EPS to grow by 100% to Rs23.8 in FY08E. At current market price Rs265, the stock is trading at 11.2x FY08E fully diluted earnings. We maintain **BUY** with target price of Rs379.

Financial Performance (Standalone) : Q4FY07

(Rs mn)	Q4FY07	Q4FY06	YoY (%)	Q3 FY07	QoQ (%)	FY07	FY06	YoY (%)
Net Sales	2,480	2,398	3.4	2,387	3.9	9,342	8,888	5.1
Expenditure	1,719	1,707	0.7	1,609	6.8	6,444	6,295	2.4
EBIDTA	761	691	10.2	778	-2.2	2,898	2,593	11.8
Depreciation	242	261		204		840	830	
EBIT	519	430	20.6	575	-9.7	2,058	1,763	16.7
Interest	227	200		264		967	870	
Other Income	3	10		3		16	13	
PBT	295	240	23.0	313	-5.6	1,106	906	22.1
Extra-Ordinary Items	-	-		-		-	-	
Tax	53	46		30		140	77	
Profit After Tax	243	194	25.2	283	-14.3	966	829	16.6
Equity Shares (Mn)	66	65		66		66	65	
EPS (Rs)	3.7	3.0	22.9	4.3	-14.3	14.7	12.8	14.4
EBIDTA Margin	30.7	28.8		32.6		31.0	29.2	
PAT Margin (%)	9.8	8.1		11.9		10.3	9.3	

Source: Company Press Release

SECTOR UPDATE

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**We recommend a BUY on
Tata Motors with a price
target of Rs.890**

FOUR-WHEELER AUTO SALES VOLUME

Tata Motors: Tata Motors reported a total sale of 40,486 vehicles (including exports) for the month of April '07, a growth of 11% over 36,574 vehicles sold in April last year. The Company's sales of commercial vehicles in April '07 in the domestic market were 19,607 nos., a marginal decrease over 19,674 vehicles sold in April last year. M&HCV sales stood at 10,392 nos, a degrowth of 14% over April '06, while LCV sales were 9,215 nos., an impressive growth of 22% over April '06. The passenger vehicle business also reported strong sales of 16,842 vehicles in the domestic market in April '07, an increase of 26% over April '06. The sharp growth in passenger car sales can be attributed to the Indica, which sold 10,870 units, a growth of 26% over April '06. The company exported 4,037 vehicles in April 2007 as compared to 3,572 vehicles in April last year, an improvement of 13%.

We expect Tata Motors to record 10% volume growth in the M&HCV segment in FY08 (% growth would be higher in tonnage terms) and 7.5% growth in the domestic passenger car segment. Besides we believe that supply constraints for Maruti's Diesel engines would benefit the company's Indica sales.

Going forward the company is expected to launch the Rs1 lakh car, a new car platform besides the World Truck Platform by 2009. We also expect the JV with Fiat to add significant value to the company in terms of technology and new markets. According to us all these initiatives and JVs would provide the company with a more secular product portfolio.

Volume Trends - Four Wheeler

	April '07	April '06	YoY (%)	Apr-March '07
Tata Motors				
M&HCV	11,271	12,676	-11	185,405
LCV	11,304	9,196	23	149,258
Utility	3,397	2,480	37	49,307
Cars	14,514	12,222	19	195,408
Total	40,486	36,574	11	579,378
M&M				
UVs	9,588	8,389	14	127,856
LCVs	642	511	26	8,652
3-Wheelers	2,005	2,021	-1	33,700
Exports	632	312	103	8,021
Tractors - Domestic	8,275	8,351	-1	95,004
Tractors - Exports	785	648	21	7,525
Total	21,927	20,232	8	280,758
MUL				
PCs	48,400	41,400	17	632,408
MUVs	208	174	20	3,221
Exports	1,700	1,553	9	39,295
Total	50,308	43,127	17	674,924

Source: Companies

M&M: M&M auto sales in April grew strongly by 15% YoY as the company benefited from higher sales in the UV (14% increase) segment. In the farm equipment sector the tractor segment reported flat growth in the domestic market. The company continues to benefit from a revival in the UV sales particularly in the Scorpio brand.

**We recommend a BUY on
M&M with a price target
of Rs.950**

We expect M&M's core auto business to post around 12% increase in volumes while the tractor sales are estimated to record 10% growth in FY08. Mahindra-Renault JV has launched the highly successful 'Logan' Model in the mid-size car category while the JV with ITEC will enter the CV segment in FY09. Both these JVs have scope for enhanced scale of operations and can add substantial value to M&M's value in future.

**We recommend a BUY on
MUL with a price target
of Rs.948**

MUL: Domestic sales for Maruti in the passenger car segment rose by 17% to 48,400 vehicles while export volumes improved by 9% YoY, resulting in a total sales growth of 17% YoY. Maruti's volume in the domestic A2 segment grew by an impressive 20%, and by 21% in the C segment. Sales in the A2 segment were powered by the new models like Estilo, Diesel Swift besides aggressive marketing by the company. The management had emphasized during the recent conference call that volume growth remains their top priority. Despite the higher interest rate scenario, we believe that Maruti would comfortably achieve our volume growth of 11% for FY08 as the company continues to lead the compact car segment.

Valuation FY08

	CMP (Rs)	Sales (Rs bn)	Net profit (Rs bn)	EPS (Rs)	P/E (x)	Target (Rs)	Reco
Tata Motors	734	290	20.7	51.5	14	890	BUY
M&M	792	106	9.2	40	20	950	BUY
MUL	814	168	16.9	58.6	13.8	948	BUY

Source: Kotak Securities - Private Client Research

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
3-May	Abhinav Cap	Aarti Naik	B	60,000	47.50
3-May	Allianz Secu	Eversheds Services Pvt Ltd	S	80,000	53.00
3-May	Allianz Secu	Darshanjit Singh	S	250,000	53.00
3-May	Allianz Secu	Sharmistha Investments Pvt. Ltd.	S	147,735	53.00
3-May	Allianz Secu	Planetary Mauritius Ltd	S	150,000	53.00
3-May	Amtek Indi L	Morgan Stanley and Co Intl Ac Morgan Stanley Dean Witter Mau	B	513,327	165.75
3-May	Amtek Indi L	Morgan Stanley and Co Int Ac Fccb	S	513,327	165.75
3-May	Champagn Ind	Sanjivani Horticulture Pvt Ltd	S	100,000	670.00
3-May	Champagn Ind	Anam Transport Pvt Ltd	S	100,000	670.00
3-May	Champagn Ind	Atom Finvest Pvt Ltd	S	100,000	670.00
3-May	Empower Inds	Kanwari Lal Sandeep Kumar Chhabr	S	39,005	16.12
3-May	Evinix	Bhagwandas Bhattar HUF	B	55,000	95.26
3-May	Evinix	Hiren Kumar Parshottam Bhai Patel	S	55,000	95.26
3-May	Fiem Inds	Anil Mabulal Vedmehta	S	151,229	120.30
3-May	Gremac Infra	Anand Yogesh Shares and Cons	B	200,000	159.15
3-May	Gremac Infra	Hiren Kumar Parshottam Bhai Patel	S	108,000	158.97
3-May	Jagjanani	Kamlesh Chavda	S	158,556	24.15
3-May	Jagjanani	Kanubhai Prajapati	S	132,000	26.23
3-May	Jagjanani	Ramanbhai C Patel HUF	S	85,000	24.40
3-May	Netwo Fncap	Reliance Capital Limited	B	1,352,000	399.22
3-May	Netwo Fncap	Sonata Investments Limited	S	1,248,000	395.00
3-May	Rama Pul Pap	Priti Krishnagopal Chandak	S	50,000	52.24
3-May	Rama Pul Pap	Divya Stock Broking Ltd	S	44,087	52.62
3-May	Salzer Elec	Systematix Shares and Stocks	S	47,766	81.14
3-May	Salzer Elec	Industrial Investment Trust Limited	S	95,160	81.26
3-May	Shyam Tel	Jalco Financial Services Pvt. Ltd	S	101,966	99.38
3-May	SKP Securities	Credwyn Holdings India Pvt. Ltd.	B	100,000	32.35
3-May	SKP Securities	Nirlon Trade And Finance Pvt Ltd	S	100,000	32.35
3-May	Tripex Over	Rashmikant Ashokbhai Dave	B	50,000	43.80
3-May	Tripex Over	Ashlesh Gunvantbhai Shah	S	96,550	43.80
3-May	Visu Intl	Oudh Finance Investment Pvt. Ltd.	B	301,408	13.04
3-May	Visu Intl	VSF Investments Pvt Ltd	S	300,000	13.01
3-May	Visu Intl	Oudh Finance Investment Pvt. Ltd.	S	283,802	13.05
3-May	Yashraj Secr	Maru Securities Pvt Ltd	B	10,000	346.10
3-May	Yashraj Secr	Kanta Subhash Jain	S	10,000	346.10

Source: BSE

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Ind	1,626	4.2	17.7	3.7
Bharti Airtel	835	3.0	8.8	1.2
TCS	1,290	1.9	4.6	1.7
Losers				
Reliance Com	472	(1.1)	(2.1)	6.8
Hindustan Lever	196	(1.7)	(1.5)	5.5
Tata Motors	733	(2.5)	(1.4)	2.2

Source: Bloomberg

Forthcoming events

COMPANY/MARKET	
Date	Event
4-May	Hindalco Industries, Ashok Leyland, GE Shipping earnings expected
5-May	Gujarat Narmada, Gujarat Industries Power to announce earnings and dividend
7-May	Union Bank of India to announce earnings and dividend; Glory Polyfilms holds press conference to announce IPO
8-May	Dabur India to announce earnings; Gail India, Kotak Mahindra Bank and Syndicate Bank to announce earnings and dividend
9-May	Lupin Lab to announce earnings and dividend
10-May	Finolex Cables to announce earnings
12-May	Chambal Fertilizers to announce earnings
15-May	Sun Pharmaceutical Industries to announce earnings
17-May	Bajaj Auto to announce earnings and dividend
18-May	Hindustan Lever holds Annual shareholder meeting
21-May	SAIL to announce earnings and dividend
28-May	Mahindra & Mahindra to announce earnings and dividend

Source: Bloomberg

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