



Economy News

- ▶ The Government will waive tax on income generated by MFs, which float schemes that aim to invest mainly in the stocks of real estate firms. (ET)
- ▶ With the growth momentum in corporate and personal tax collections continuing, direct tax collections look all set to exceed the revised target of Rs.3050 bn. (ET)
- ▶ The Finance Minister has announced the Government's willingness to sacrifice growth for lower inflation. The FM also said the Government would curb price rise through a combination of fiscal, monetary and supply side measures. (ET)
- ▶ The Government has issued bonds worth Rs.92.97 bn to state-owned oil companies to partly compensate them for selling fuel at subsidized prices. (ET)

Corporate News

- ▶ The Hinduja Group, promoters of **Ashok Leyland**, is in talks with Europe's third-largest auto component manufacturer Valeo SA to buy a controlling stake in the company in a deal that is expected to be around \$1.5 bn (Rs.60 bn). (BS)
- ▶ **ONGC** is on the verge of reporting 'losses' on every barrel of crude oil that it sells due to the high subsidy burden that it has to bear. (BS)
- ▶ **Reliance Retail** is likely to cede majority control to UK clothing and food chain Marks & Spencer in their proposed JV in India. (ET)
- ▶ The Finance Ministry is believed to be examining a proposal by the Essar Group to bring in foreign investment of up to \$2 bn (Rs 80 bn) through Mauritius-based Essar Power Holdings in **Essar Power**. (ET)
- ▶ The final acquisition cost of the Jaguar Land Rover brands by **Tata Motors** is likely to be about 30% more than the \$2.3 bn announced as the purchase price of the transaction. (ET)
- ▶ **IOC** is in talks with ONGC, RIL and GAIL (India) to form a JV for city gas distribution. (BS)
- ▶ The EPC division of **Reliance Energy** has bagged two contracts worth Rs.12 bn for transmission projects of another group company Reliance Power Transmission. (ET)
- ▶ **Ranbaxy Laboratories** has declared a final dividend of Rs.6 per share for the year ended December 31 2007. (ET)
- ▶ Kishore Biyani's **Future Group** has picked up 70% stake in Godrej Aadhaar. The stake has been bought for an undisclosed amount by Future Ventures. (BS)
- ▶ Meditab Specialities Pvt Ltd, developer of the SEZ in Goa where **Cipla** was to set up its plant, has filed a petition at the Goa Bench of the Bombay High Court challenging the Goa Government on its recommendation to scrap its SEZ. (BL)
- ▶ **Havells India** is planning to invest Rs.4 bn for increasing capacities and foraying into a new segment - manufacturing electrical motors. (BS)
- ▶ **Power Grid Corp** has said it has signed agreements with World Bank and Asian Development Bank for two loans of \$600 mn each for funding projects. (ET)

Equity

		% Chg		
	28 Mar 08	1 Day	1 Mth	3 Mths
Indian Indices				
BSE Sensex	16,371	2.2	(6.9)	(19.3)
Nifty	4,942	2.3	(5.4)	(19.5)
BSE Banking	8,200	0.3	(18.9)	(28.2)
BSE IT	3,758	5.0	(2.7)	(17.0)
BSE Capital Goods	14,455	5.4	(10.3)	(26.8)
BSE Oil & Gas	10,468	3.0	(5.1)	(21.3)
NSE Midcap	6,353	3.5	(12.3)	(30.9)
BSE Small-cap	7,902	5.0	(17.9)	(40.8)
World Indices				
Dow Jones	12,216	(0.7)	(0.4)	(7.9)
Nasdaq	2,261	(0.9)	(0.5)	(14.7)
FTSE	5,693	(0.4)	(3.3)	(11.8)
Nikkei	12,820	1.7	(7.2)	(17.6)
Hangseng	23,286	2.7	(5.9)	(17.7)

Value traded (Rs cr)

	28 Mar 08	% Chg - Day
Cash BSE	6,249.4	0.7
Cash NSE	14,308.9	(7.4)
Derivatives	49,087	(23.7)

Net inflows (Rs cr)

	26 Mar 08	% Chg	MTD	YTD
FII	558	(59)	(203)	(12,547)
Mutual Fund	(432)	(181)	(2,171)	5,868

FII open interest (Rs cr)

	27 Mar 08	% Chg
FII Index Futures	18,383.3	3.7
FII Index Options	5,527.7	32.0
FII Stock Futures	18,229.9	7.0
FII Stock Options	85.9	119.5

Advances / Declines (BSE)

	28 Mar 08	A	B	S	Total %	total
Advances	181	1,652	422	2,255	86	
Declines	26	238	52	316	12	
Unchanged	-	27	9	36	1	

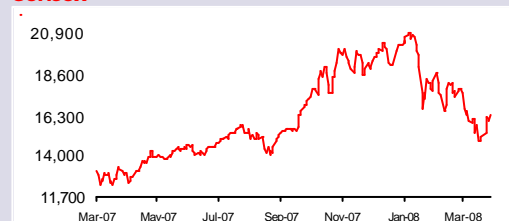
Commodity

		% Chg		
	28 Mar 08	1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	104.6	(1.0)	2.7	9.0
Gold (US\$/OZ)	931.1	(1.7)	(4.2)	11.9
Silver (US\$/OZ)	17.9	(2.9)	(9.7)	20.9

Debt / forex market

	28 Mar 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.79	7.77	7.60	7.72
Re/US\$	39.91	40.10	39.88	39.44

Sensex



MANAGEMENT MEET UPDATE

Teena Virmani

teena.virmani@kotak.com
+91 22 6634 1237**ULTRATECH CEMENTS****PRICE: Rs.785**
TARGET PRICE: Rs.847**RECOMMENDATION: REDUCE**
FY09E P/E: 8.8x

We recently met the management of UltraTech Cement to understand the company's progress on its upcoming capacities as well as rising cost pressures. Though we understand that the upcoming capacities in the cement sector may take an additional quarter to stabilize operations, rising costs may continue to hurt the net profit of companies in a stable cement price scenario. Thus, we continue to maintain our cautious outlook on the sector and REDUCE recommendation on the stock.

Summary table

Rs mn	FY07	FY08E	FY09E
Sales	49,108	56,197	65,513
Growth (%)	49.0	14.0	17.0
EBITDA	14,179	17,489	19,637
EBITDA margin (%)	28.9	31.1	30.0
Net profit	7,824	10,098	11,110
EPS (Rs)	62.8	81.1	89.2
Growth (%)	247.0	29.0	10.0
ROE (%)	55.8	44.5	33.4
ROCE (%)	43.0	41.2	37.5
EV/Sales (x)	2.2	1.9	1.5
EV/EBITDA (x)	7.6	6.1	5.0
P/E (x)	12.5	9.7	8.8
P/BV (x)	5.5	3.5	2.5

Source: Company, Kotak Securities - Private Client Research

Demand supply scenario

Cement demand till February has grown at 8%, which is lower than our estimates of 9.3% for the current fiscal. A few factors such as existing plants already operating at full capacity utilization as well as severe winter in the northern regions during December and January have had their impact on demand as mentioned above. We believe that with the continuous thrust of the Government on infrastructure creation, cement demand should grow at a CAGR of 9.3% between FY07 and FY10.

We have learnt from the company management that though the additional capacities in the cement industry would start getting operational by Q1FY09/Q2FY09, it would take almost a quarter for them to stabilize operations. Hence, by mid FY09, we expect further increases in cement prices to be restricted.

Commissioning of new units

The company's capex plan of Rs 33 bn is well on track to be spent over the next three years. Out of the 4.9 MT additional capacity planned by the company, UltraTech Cements has just commissioned its clinkerization plant of 3.3 MT capacity at its unit in Andhra Pradesh (APCW). A split grinding unit of 1.3 MT along with a 46 MW captive power plant are expected to commission by Q1FY09.

Captive power plants in Gujarat (92 MW) and Chhattisgarh (50 MW) are expected to be operational by Q1FY09/Q2FY09. Thus, with additional capacities in the next fiscal, we expect volumes to grow by 14% in FY09 as compared to FY08. Commissioning of captive power plants would also result in controlling the power costs to some extent. But full impact would be visible only by end of FY09.

Increasing costs

Increasing pet coke and coal prices continue to hurt the cement industry. Pet coke prices have shot up significantly during the last year. UltraTech Cement also relies on naphtha and fuel oil. Prices of naphtha and fuel oil have also witnessed an increase with increase in crude prices. The company has endeavored to address escalating power costs by investing in captive thermal power plants at its two major plants in Kovaya (Gujarat) and Hirni (Chhattisgarh). The impact of the captive thermal power plants is expected to be visible by end of FY09. This is expected to help the company in restricting the increase in power cost in the oversupply scenario. The company management would continue to focus on maintaining operating margins in the range of 30-31%. We expect EBITDA per ton to be around Rs.990 per ton and Rs.972 per ton for FY08 and FY09, respectively.

Impact of Budget on the company

- Introduction of ad valorem excise duty of 14% on bulk cement in Union budget 2008-09 is likely to be passed on to the end users. Though bulk cement trade constitutes a small proportion for the total sales for the company but it intends to pass on the increased impact to the end users.
- Thrust of government on infrastructure creation is likely to maintain the cement demand growth of more than 9% going forward.

Impact of DEPB duty benefit withdrawal

In a move to control spiraling prices as well as increase supply in domestic markets, the Government has withdrawn the DEPB benefit on the cement sector. This move may impact cement exports. UltraTech Cements' earnings are likely to be impacted by this move only marginally.

Financial outlook

- With incremental capacities coming up, we expect dispatches to be around 17.7 MT and 20.2 MT in FY08 and FY09, respectively.
- We expect cement prices to improve just marginally by 2.5% till H1FY09. Therefore, we assume net realizations will be around Rs.3230 per ton and Rs.3295 per ton in FY08 and FY09, respectively.
- Thus, we expect the company to post revenues of Rs.56 bn and Rs.65.5 bn in FY08 and FY09, respectively.
- Increasing power and fuel costs as well as rising freight costs are expected to put pressure on the margins of the company. Thus, we expect EBITDA/ton to be around Rs.990 and Rs.972 in FY08 and FY09, respectively.
- Depreciation and interest cost are expected to rise with the commissioning of new plants as well as higher borrowings in FY09.
- Thus, we expect profits to be around Rs.10 bn and Rs.11.1 bn in FY08 and FY09, respectively.

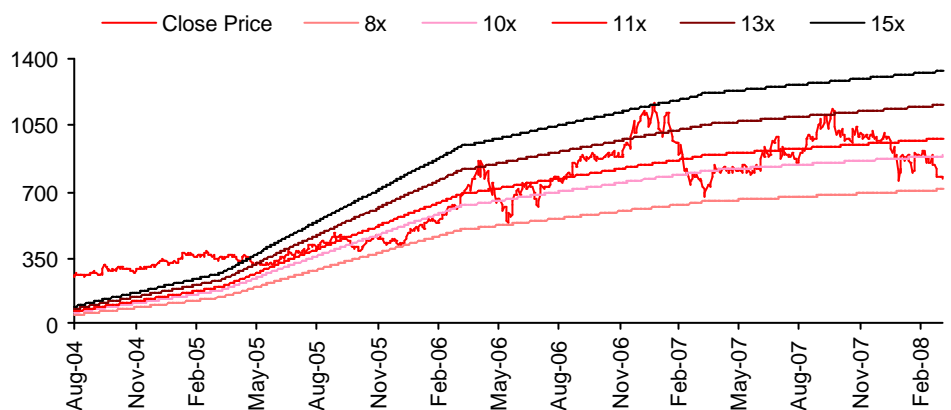
Valuation & recommendation

At the current market price of Rs.785, the stock is trading at 9.7x and 8.8x FY08 and FY09 P/E multiples, respectively. On an EV/EBITDA basis, it is trading at 6.1x and 5.0x for FY08 and FY09 estimates, respectively. We believe UltraTech Cement should benefit from higher volumes during the next financial year. With pricing pressure expected by the second half of FY09, it would be difficult for companies to pass on the increased cost to end users. Hence, profitability is expected to be impacted with restricted price increases and higher expenditure.

Thus we believe that FY09 is going to witness bunching up of capacities, which may create pressure on the cement prices. Hence with the impending oversupply situation, we reduce our target valuation multiples for the stock for FY09. We arrive at a target of Rs 847 based on 9.5x P/E and 6x EV/EBITDA multiple on FY09 estimates. Thus we maintain our cautious outlook on the sector and REDUCE recommendation on the stock with a price target of Rs 847.

We recommend REDUCE on Ultratech Cements with a price target of Rs.847

PE Band



Source: Capitaline, 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)
28-Mar	Amtek Auto L	Warhol Limited	B	1,793,381	260.00
28-Mar	Colgate Palm	DWS Invest Sa Ac DWS Invest Bric Plus	B	961,149	394.00
28-Mar	Colgate Palm	Morgan Stanley Mauritius Co	S	961,149	394.00
28-Mar	Dhanustech	Melchior Indian Opportunities Fund	B	150,000	156.00
28-Mar	Dmc Inter	J A Finanacial and Mgmt Cons	B	20,000	11.60
28-Mar	Dmc Inter	Hitech Computech Private Ltd	S	56,003	11.77
28-Mar	Encore Soft	K Ullas Kamath	S	55,799	13.10
28-Mar	ETC Network	ICICI Prudential Mutual Fund Ac Fusion Fund Series li	S	70,000	336.02
28-Mar	Garwa Mari I	Sweety Investment	S	29,394	16.04
28-Mar	Grabal Alok	Index Equities Pvt.Ltd	B	1,399,000	100.00
28-Mar	Grabal Alok	Divya Shakti Trading Services Ltd	S	1,400,000	100.00
28-Mar	IFL Prmoter	Hitech Computech Private Ltd	S	30,000	21.70
28-Mar	Inca Finleas	Nirmala Pravin Gala	B	20,000	55.00
28-Mar	Indsil Elect	Sharon Gupta	B	60,000	47.75
28-Mar	Indsil Elect	Hemant Kumar Gupta	S	60,000	47.75
28-Mar	Intern Conve	Multi Manager India Fund Limited	B	50,000	262.10
28-Mar	Intern Conve	Kedco Processors Private Limited	S	54,486	262.37
28-Mar	Kalpana Indu	Jacqua Industries and Sales Co Ltd	B	93,155	70.00
28-Mar	Khaitan Wvg	Bharosemand Commodities Pvt.Ltd	B	90,496	93.30
28-Mar	KLG Systel	Reliance Infrastructure and Cons	B	400,462	550.50
28-Mar	KLG Systel	Sonata Investments Limited	S	400,462	550.50
28-Mar	Madhav Mar G	Shripal Shares and Securities	B	55,000	44.69
28-Mar	Mag Shr Fin	Reliance Infrastructure and Cons	B	557,000	350.00
28-Mar	Mag Shr Fin	Sonata Investments Limited	S	557,000	350.00
28-Mar	Prime Focus	Reliance Capital Limited	B	482,000	650.00
28-Mar	Prime Focus	Adlabs Films Limited	S	482,000	650.00
28-Mar	Punjab Chem	Mohit Salecha	B	25,000	136.99
28-Mar	Radhe Develo	Hiralkumar Jayandrabhai Thakk	S	90,000	46.32
28-Mar	Rai Sh Rek M	HRM Infobiz Pvt Ltd	B	40,140	110.16
28-Mar	Rai Sh Rek M	Keventor Leather Pvt Ltd	S	39,000	110.23
28-Mar	Rit Pro Ind	Muvin Infotech Ltd	B	100,000	59.65
28-Mar	Sagar Cement	AVH Resources India Pvt L	B	199,060	442.49
28-Mar	Sagar Cement	Morgan Stanley Mauritius Co	S	158,040	442.50
28-Mar	Sagar Cement	Blackstone Asia Advisors Llc Ac India Fund Inc	S	191,960	442.50
28-Mar	Span Diagnos	Darshanjit Singh	B	18,928	70.20
28-Mar	Splash Media	Rajesh Kumar Maheshwari HUF	S	7,500	125.00
28-Mar	Stelco Strip	Sheetal Rajesh Jain	B	100,000	28.25
28-Mar	Stelco Strip	CNI Infoxchange Pvt Ltd	B	100,000	28.25
28-Mar	Subhkam Cap	Micro Management Ltd	S	100,000	419.39

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Ind	2,352	3.6	19.7	3.9
NTPC	204	3.6	9.8	5.4
Larsen & Toubro	3,151	6.5	9.3	0.8
Losers				
ONGC	1,049	(2.0)	(7.8)	2.0
HDFC	2,614	(1.9)	(2.4)	1.0
HDFC Bank	1,407	(1.8)	(1.5)	0.6

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
31-Mar	Ballarpur Industries re-listing on BSE & NSE Cairn India to announce earnings for 2007 Pfizer to announce Q1 earnings Essel Propack to announce earnings and dividend Great Offshore to consider buy-back of its shares
9-Apr	Yes Bank earnings expected
15-Apr	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, Hotels	+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

Disclaimer

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Persons into whose possession this document may come are required to observe these restrictions.

This material is for the personal information of the authorized recipient, and we are not soliciting any action based upon it. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Kotak Securities Ltd. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients.

We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable though its accuracy or completeness cannot be guaranteed. Neither Kotak Securities Limited, nor any person connected with it, accepts any liability arising from the use of this document. The recipients of this material should rely on their own investigations and take their own professional advice. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

Kotak Securities Limited has two independent equity research groups: Institutional Equities and Private Client Group. This report has been prepared by the Private Client Group. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Equities Research Group of Kotak Securities Limited.

We and our affiliates, officers, directors, and employees world wide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

No part of this material may be duplicated in any form and/or redistributed without Kotak Securities' prior written consent.