Movers and shakers

Prices as on 26 May 2006 with variation over the fortnight

COMPANY	SHARE PRICE	VAR.(%)
Phoenix Lamps	129.90	35.68

Private equity firm Actis is set to pick-up about 14% stake in the MNC associate auto ancillary company for about $ 9.5 million (Rs 43 crore).

Assam Company 30.10 23.86

Anil Dhirubhai Ambani group (ADAG)- owned Reliance Capital Partners (RCP) picked up close to 10.06% in the Assam-based diversified company through a bulk deal from a Jajodia group company. After the deal, the promoter group will hold 57% in Assam Company. As per reports, Reliance Capital purchased 2.25 crore shares at about Rs 61 crore. Besides RCP, Quantum Mutual Fund also picked up a 3.35% stake in the outfit from the open market. It bought 75 lakh shares at Rs 20.25 crore.

Unitech 11,595.20 23.65

The New Delhi-based real estate major bags India's biggest-ever land deal worth Rs 1582 crore to develop an express city across 340 acres of land in Noida. The entire project is to be completed by 2010. The company recently announced a highly liberal 12:1 (12 bonus shares for every 1 existing equity share) and stock-split of one share of Rs 10 into 5 shares of Rs 2 each.

G L Hotels 118.00 19.43

The Pune-based hospitality company reports turnaround results. In Q4 March 2006, the company's net profit was Rs 1.88 crore (net loss of Rs 0.73 crore). Net sales were up 33.33% to Rs 8.72 crore (Rs 6.51 crore).

Elder Health Care 36.00 18.61

The Raigad-based pharma company reports turnaround results. In Q4 March 2006, the company's net profit was Rs 1.80 crore (net loss of Rs 0.92 crore). Net sales rose 65.80% to Rs 8.67 crore (Rs 5.23 crore).

Country Club (India) 89.90 15.85

The Hyderabad-based hospitality company reports turnaround results. In Q4 March 2006, the company's net profit was Rs 12.23 crore (net loss of Rs 0.77 crore). Net sales surged 263% to Rs 29.91 crore (Rs 8.24 crore).

Karur Vysya Bank 615.30 14.97

The Karur-based private sector bank declares a liberal 1:1 bonus issue and has also proposed rights issue in 1:2 ratio (including the bonus share) at Rs 70 per share. In Q4 March 2006, the bank's net profit grew 47.50% to Rs 44.37 crore (Rs 30.08 crore). Total income rose 21.80% to Rs 228.60 crore (Rs 187.70 crore).

Dewan Housing Finance Corporation 77.85 4.01

The Mumbai-based housing finance company's Q4 March 2006 net profit jumped 58% to Rs 15.24 crore (Rs 9.64 crore). Total income rose 45.4% to Rs 71.87 crore (Rs 49.42 crore). In FY 2006, net profit rose 53.9% to Rs 41.71 crore (Rs 27.10 crore). Total income was up 41.5% to Rs 231.79 crore (Rs 163.82 crore). DHFL's loan sanctions surged 70% to Rs 1257.02 crore in FY 2006. Disbursement rose 76% to Rs 1110.30 crore.

SEAMEC 169.35 0.61

The MNC associate shipping company enters into a Memorandum of Agreement (MOA) with James Fisher (Logistics) (JFLL), a London-based seller, for the purchase of a dynamic positioning (DP) vessel, Oceanic Princess. The vessel is likely to be delivered in second half of June 2006. It also entered into another agreement with Offshore Technology Solutions, Trinidad, West Indies, for engagement of its vessel Seamec III for one year, with a provision of extension for further one year, for working in Port of Spain, Trinidad. The mobilisation is likely to commence in early June 2006.

Siel 65.45 -26.07

The Shriram group diversified company posts net loss of Rs 0.20 crore in Q4 March 2006 (net profit of Rs 4.38 crore in Q4 March 2005). Net sales were flat at Rs 52.61 crore. The other income jumped 1,536.40% to Rs 3.60 crore (Rs 0.22 crore).

Orchid Chemicals & Pharmaceuticals 234.00 -24.86

The Chennai-based bulk drug manufacturer to raise $ 200-million through GDR/FCCB issue for overseas acquisitions.

Prajay Engineers Syndicate 242.65 -21.08

The Hyderabad-based construction company's members approve hike in FII investment ceiling to 74% and a preferential issue of 40 lakh warrants convertible into equity shares to promoters and others at a price of Rs 183 per share.

Kotak Mahindra Bank 286.25 -21.05

The Mumbai-based private sector bank's Q4 March 2006 net profit jumped 50.54% to Rs 34.73 crore (Rs 23.07 crore). Total income increased 71.10% to Rs 293.44 crore (Rs 171.53 crore).

Super Spinning Mills 455.05 -19.89

The Elgi group textile company's board meets on 2 June 2006 to consider a stock-split proposal. It will also consider raising funds through GDR/FCCB or preferential allotment route.

RPG Life Sciences 143.55 -19.24

The RPG group pharma company wins an Australian patent for its formulation of cyclosporine, an immuno-suppressant used for transplant patients.

Gabriel India 30.00 -18.82

The Anand group auto ancillary company reports a sharp fall of 67.50% to Rs 2.15 crore (Rs 6.62 crore) in Q4 March 2006 net profit. Net sales rose 20% to Rs 127.40 crore (Rs 106.24 crore).

ABG Shipyard 309.20 -18.14

The Surat-based shipyard major's Q4 March 2006 net profit jumps 154% to Rs 30.92 crore (Rs 12.19 crore). Total income from operations rose 57% to Rs 192.78 crore (Rs 123.14 crore). In FY 2006, ABG Shipyard's net profit surged 87% to Rs 83.68 crore (Rs 44.75 crore). Total income was up 43.80% to Rs 541.74 crore (Rs 376.64 crore).

Larsen & Toubro 2362.60 -16.73

The engineering major schedules a board meet on 7 June 2006 to consider bonus issue. L&T has a relatively small equity base of Rs 27.38 crore. Q4 March 2006 net profit jumped 40% in to Rs 467 crore, from Rs 334 crore. Revenue from operations rose 8.3% to Rs 4594 crore (Rs 4241 crore). Engineering and construction order backlog end March 2005 was Rs 24170 crore ($ 5.3 billion).

Avaya GlobalConnect 338.95 -15.75

The MNC associate telecom company's Q4 March 2006 net profit drops 54.4% to Rs 7.37 crore (Rs 16.17 crore). Net sales declined 19.1% to Rs 112.85 crore (Rs 139.52 crore).

Tata Motors 814.70 -15.36

The Tata group auto major's April 2006 sales rise 51% to 36,082 units, from 23,889 units a year earlier. Exports were up 28% to 3,572 units, from 2,785 units. Sales of commercial vehicles (CV) more than doubled to 19,182 units, from 8,368 units, while sales of cars and utility vehicles (UV) rose 5% to 13,328 units.

Z F Steering Gear (India) 241.95 -14.79

The Firodia group auto ancillary company's Q4 March 2006 net profit falls 21.6% to Rs 6.33 crore (Rs 8.08 crore). Net sales declined 28.6% to Rs 42.13 crore (Rs 59.08 crore).

J & K Bank 397.15 -14.46

The Srinagar-based private sector bank's Q4 March 2006 net profit plunged 50.30% to Rs 22.79 crore (Rs 45.86 crore). Total income increased 17.10% to Rs 499 crore (Rs 426.07 crore). In FY06, net profit rose 53.66% to Rs 176.84 crore (Rs 115.08 crore). Total income was up 11.80% to Rs 1,839.43 crore (Rs 1,645.37 crore).

Thermax 293.70 -13.06

The Pune-based engineering company's Q4 March 2006 net profit grew 60% to Rs 41.97 crore (Rs 26.19 crore). Total income increased 38% to Rs 480.06 crore (Rs 347.42 crore).

Shreyas Shipping & Logistics 227.30 -12.94

The Mumbai-based shipping company's net profit in Q4 March 2006 posted a 42.81% fall in to Rs 7.24 crore (Rs 12.66 crore). Net sales rose 1.41% to Rs 31.71 crore (Rs 31.27 crore).

Pantaloon Retail (India) 1596.75 -12.38

The Mumbai-based retailing major forays into the insurance sector with life-insurance and non-life insurance joint venture with Italian insurer Generali. The insurance venture, Future Generali, will be headquartered in Mumbai. Generali will hold a 26% equity stake and the Future Group, through its retail arm Pantaloon Retail and Pantaloon Industries, the remaining 74%.

Crompton Greaves 1003.25 -11.61

The Thapar group engineering company's Q4 March 2006 net profit rise's 37.70% to Rs 56.1 crore (Rs 40.73 crore). Total income increased 27.80% to Rs 810.21 crore (Rs 636.32 crore). In FY 2006, net profit jumped 42.10% to Rs 163.05 crore (Rs 114.78 crore). Total income was up 27.80% to Rs 2,553.33 crore (Rs 1,999.4 crore). The company's board also approved a 5-for-1 stock split.

Man Industries (India) 210.80 -10.94

The Mumbai-based pipe manufacturer's Q4 March 2006 net profit surged 268% to Rs 12.01 crore (Rs 3.26 crore). Net sales jumped 65.7% to Rs 360.30 crore (Rs 217.40 crore).

Pidilite Industries 101.80 -10.55

The Mumbai-based speciality chemical manufacturer's Q4 March 2006 net profit falls 21.50% fall to Rs 13.97 crore (Rs 17.79 crore). Net sales rose 21% to Rs 206.53 crore (Rs 170.75 crore).

Havell's India 642.20 -10.46

The Delhi-based electrical equipment manufacturer recommends an issue of bonus shares in the ratio of 1:1 (one bonus share for every existing share) to equity shareholders. The board also approved raising $ 60 million through the issue of FCCBs/ QIPs/ GDRs/ ADR

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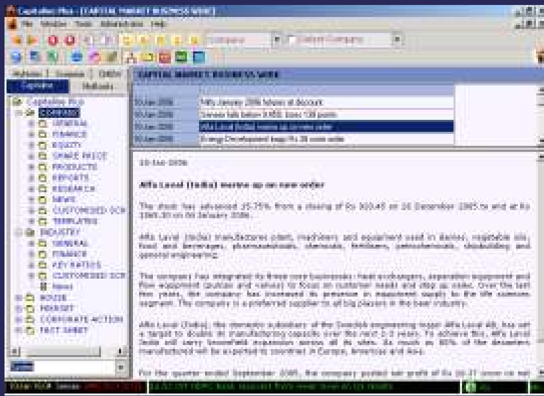

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issues. The funds raised by this issue will be used for the ongoing expansion of capacities across products.

SAIL **82.70** **-9.91**

The PSU steel major's Q4 ended March 2006 net profit falls 58.8% to Rs 1103.20 crore (Rs 2,677.99 crore). Net sales declined 2.5% to Rs 9218.97 crore (Rs 9370.33 crore). The results were not comparable due to the merger of Indian Iron & Steel Company (IISCO), an erstwhile wholly-owned subsidiary company, with the company.

SBI **871.45** **-9.16**

The PSU banking major's Q4 March 2006 net profit falls 19.8% to Rs 853.29 crore (Rs 1,064.88 crore). Net interest income declined 10% to Rs 3554.57 crore (Rs 3950.65 crore). Other income rose 58% to Rs 2677.02 crore (Rs 1690.65 crore). A sharp surge in taxation provision to Rs 1084.74 crore, from Rs 187.03 crore, impacted the bottom line.

Asian Hotels **573.95** **-9.12**

The Delhi-based hospitality company's Q4 ended March 2006 net profit jump's 114.8% to Rs 22.82 crore (Rs 10.62 crore). Total income rose 37.8% to Rs 104.89 crore (Rs 76.09 crore).

PNB **427.40** **-9.04**

The PSU bank's Q4 FY 2006 net profit slips 20% to Rs 288.67 crore (Rs 360.63 crore). Total income rose 12.80% to Rs 2890.41 crore (Rs 2562 crore). FY 2006 net profit was up 2% to Rs 1439.31 crore (Rs 1410.12 crore). Total income rose 6.70% to Rs 10815.31 crore (Rs 10135.53 crore).

Neyveli Lignite Corporation **80.70** **-8.91**

The Cabinet Committee on Economic Affairs (CCEA) clears divestment of government's 10% stake in the PSU power generation and distribution through book building.

Bajaj Auto **2916.45** **-7.74**

The Bajaj group two- and three- wheeler manufacturer's Q4 March 2006 net profit rises 34.30% to Rs 321.79 crore (Rs 239.68 crore). Net sales were up 32.50% to Rs 2165.86 crore (Rs 1,634.61 crore). In FY 2006, Bajaj Auto posted a 47% growth in net profit to Rs 1101.6 crore (Rs 766.8 crore). Net sales advanced 29% to Rs 7,667.9 crore (Rs 5914.6 crore). The company sold 621,972 vehicles in the January-March 2006 quarter, up 29% from the same quarter a year earlier.

Lupin **1098.75** **-7.64**

The Mumbai-based Indian bulk drug major signs an initial agreement to buy a 51% stake in Belgium's Artifex Finance CVA at an undisclosed sum. The deal to acquire controlling stake in Artifex includes a stake in Artifex's subsidiary Dafra Pharma that focuses on anti-malaria drugs. It also received US Food and Drug Administration (USFDA) approval for its abbreviated new drug application (ANDA) for cefdinir 300mg capsules. Cefdinir is a third generation cephalosporin administered orally to treat a wide variety of bacterial infections. The company also declared a liberal 1:1 bonus issue.

Transport Corporation of India **370.00** **-7.58**

The Agarwal group travel services provider's Q4 March 2006 net profit spurted 79% to Rs 3.98 crore (Rs 2.22 crore). Net sales increased 27% to Rs 245.49 crore (Rs 192.97 crore). In FY 2006, net profit rose 56% to Rs 16.03 crore (Rs 10.29 crore). Net sales were up 17.71% to Rs 864.10 crore against Rs 734.32 crore in the previous fiscal.

Gujarat NRE Coke **84.60** **-7.13**

The Kolkata-based coking coal supplier schedules a board meet on 03 June 2006 to consider an issue of bonus shares — the fifth bonus issue from the company. It had earlier issued bonus shares at regular intervals - (11:10 in year 1996), (1:2 in the year 2003), (1:2 in the year 2004), and (1:1 in the year 2005).

Jyoti Structures **513.30** **-7.04**

The Valecha group transmission equipment manufacturer's board approves the proposal of 5-for-1 stock split. Jyoti Structures's Q4 March 2006 net profit spurted 116.4% to Rs 10.39 crore (Rs 4.80 crore). Net sales rose 19% to Rs 236.36 crore (Rs 198.59 crore).

HPCL **322.45** **-6.96**

The PSU oil refiner and marketer's Q4 FY 2006 net profit surged four-fold to Rs 2013.41 crore (Rs 499.80 crore). Total income increased 26.86% to Rs 21016.89 crore (Rs 16565.74 crore). In March 2006, the government had issued oil bonds worth Rs 11500 crore to compensate the losses suffered by oil marketing companies due to the cap on the prices of petroleum products. Of this, HPCL received Rs 2344.86 crore, accounted under sales/income from operations. If not for the oil bonds, the company's profitability would have been severely impacted.

Nagarjuna Construction **343.10** **-4.61**

The Hyderabad-based construction company's board meets on 29 May 2006 to consider the issue of bonus shares.

Abhishek Industries **29.65** **-3.42**

The Trident group textile manufacturer's Q4 March 2006 net profit soars 551% to Rs 17.51 crore (Rs 2.65 crore). Net sales rose 46.7% to Rs 242.66 crore (Rs 165.40 crore).

Bharat Gears **79.35** **-2.86**

The Haryana-based auto ancillary company's Q4 March 2006 net profit surges 205.50% to Rs 2.78 crore (Rs 0.91 crore). Net sales were up 12.5% to Rs 47.77 crore (Rs 42.45 crore).

***Note:** Figures in bracket are for the corresponding period of the previous year unless otherwise stated.*

Kotak Mahindra Bank

Profit doubles on buoyant markets

On a consolidated basis, Kotak Mahindra Bank (KMB) reported a growth of 104% in the profit after tax (PAT) excluding extraordinary items (EO) in the March quarter (Q4) FY 2006 and 100% in FY 2006 mainly due to the performance of its key subsidiaries: Kotak Mahindra Capital Company (KMCC) and Kotak Securities (KS).

The two subsidiaries registered phenomenal growth rates similar to the earlier quarters due to the buoyant primary and secondary markets. The non-recurring EO pertained to the stake sale of Hutchison Essar (a non-strategic investment made in 1998) by subsidiaries and an associate of the bank.

The net interest margin (NIM) stood at 5.1% end FY 2006 compared with 5.3% end FY 2005. The net non-performing assets (NNPAs) were 0.23% end FY 2006 compared with 0.28% end FY 2005.

The consolidated PAT including EO was up 706% to Rs 518 crore in Q4 of FY 2006, from Rs 64 crore in Q4 of FY 2005. Consolidated PAT including EO jumped 327% to Rs 730 crore in FY 2006, from Rs 171 crore in FY 2005.

The consolidated PAT excluding EO rose 104% to Rs 131 crore in Q4 of FY 2006, from Rs 64 crore in FY 2005. Consolidated PAT excluding EO surged 100% to Rs 342 crore in FY 2006, from Rs 171 crore in FY 2005.

The net interest income (NII) expanded 55% to Rs 201 crore in Q4 of FY 2006 and 49% to Rs 665 crore in FY 2006, from FY 2005.

The group's stressed assets portfolio on the books stood at Rs 420 crore with outstanding recoverable of around Rs 2400 crore. The consolidated advances grew 46% to Rs 10420 crore in FY 2006, with retail loans comprising 87% of the portfolio, while deposits grew 47% to Rs 5617 crore.

KMCC, the investment banking arm, reported a 329% and 258% jump up to Rs 27 crore and Rs 57 crore in PAT in Q4 of FY 2006 and FY 2006, respectively.

KS, with a market share of 8.5% in FY 2006 (6.3% in FY 2005), clocked average daily volumes of over Rs 2440 crore in FY 2006 (Rs 1060 crore in FY 2005). The average daily volumes were over Rs 3570 crore (Rs 1560 crore in Q4 of FY 2005) in Q4 of FY 2006. KS reported an 85% and 104% jump to Rs 80 crore and Rs 216 crore in PAT in Q4 of FY 2006 and FY 2006, respectively.

Kotak Mahindra Asset Management Company and Trustee Company (KMAMC&TC) had assets under management (AUM) of Rs 10410 crore end FY 2006 (Rs 6650 crore end FY 2005). Equity AUM was Rs 3130 (Rs 1290 crore). It reported a 69% jump to Rs 8 crore in PAT in FY 2006.

Kotak Life Insurance (KLI), with a network of 45 branches in 34 cities (30 branches in FY 2005), reported a premium income growth of 34% to Rs 622 crore in FY 2006, from Rs 466 crore in FY 2005. First-year premium adjusted for single premium was up 82% to Rs 351 crore. KLI still continued to be in the red with a loss of Rs 43 crore in FY 2006 (Rs 46 crore in FY 2005).

KMB had 65 full-fledged branches across 43 cities in India end FY 2006. It plans to have 110 branches across 65 towns and cities end FY 2007. The bank has a target of 30% growth in advances. The capital adequacy ratio has improved after the global depository shares (GDS) issue.

KMB has plans to restructure the capital structure of its subsidiaries, which continue to have surplus capital at this point. However, for optimal allocation and benefit to be derived from such restructuring, certain tax issues need to be resolved.

KMB's operating costs would continue to be high as the bank is focussing on branch expansion, which will provide a relatively stable income base in the medium- to long-term and reduce its dependence on capital market revenue for deriving profit. ■

Consolidated Financial Results

	0603(3)	0503(3)	Var(%)	0603(12)	0503(12)	Var(%)
Interest Earned	359.12	219.86	63	1184.48	776.13	53
Interest Expended	158.05	89.95	76	519.57	328.65	58
Net Interest Income	201.08	129.91	55	664.91	447.47	49
Other Income (OI)**	766.01	495.73	55	1669.64	935.38	78
Net Total Income	967.08	625.64	55	2334.55	1382.85	69
Operating Exp.	718.81	504.06	43	1667.07	1055.11	58
Operating profit	248.28	121.57	104	667.47	327.75	104
Prov. & Contingencies	16.45	5.24	214	51.24	18.18	182
Profit Before Tax	231.83	116.33	99	616.23	309.56	99
EO (OI non-recurring)	126.59	0.00	-	126.59	0.00	-
PBT after EO	358.42	116.33	208	742.83	309.56	140
Tax Provision	75.48	39.41	92	213.00	115.67	84
PAT before Minority Int.	282.94	76.92	268	529.82	193.89	173
Less: Minority int. incl. EO	58.63	13.68	328	63.02	26.31	140
Add: Profit of assoc. incl. EO	293.79	1.04	-	294.61	3.33	-
Consolidated PAT incl. EO	518.10	64.28	706	729.75	170.91	327
Consolidated PAT excl. EO	130.81	64.28	104	342.46	170.91	100
EPS*(Rs)	16.1	7.9		10.6	5.3	

*Calculated on consolidated PAT excluding EO & annualized on current equity of Rs 324.09 crore after considering GDS issue of Rs 15 crore in April 2006. Face Value: Rs 10. Figures in Rs crore**. OI doesn't include the non-recurring income (separately reported as EO) involving the Huthison Essar stake sale for Rs 126.59 crore by subsidiaries and associates of the Bank. LP : Loss to profit . PL : Profit to loss. *Source: Capitaline Corporate Database.*

Broadening branches

KMB has plans to restructure the capital structure of its subsidiaries, which continue to have surplus capital. However, for optimal allocation and benefit to be derived, certain tax issues need to be resolved. The bank's operating costs would continue to be high as it is focussing on branch expansion, which will provide a relatively stable income base in the medium- to long-term and reduce its dependence on capital market revenue for deriving profit

Bharat Bijlee

Margin and EO power profit growth

Bharat Bijlee, a leading manufacturer of transformers and motors, turned in strong figures in the quarter (Q4) ended March 2006 due to growth in volumes, control in cost and revenue realisation of work undertaken in the earlier quarters.

On rising sales (up 35% to Rs 103.06 crore) and operating profit margin (OPM) expansion [1,240 basis points (bps) to 21%], the operating profit (OP) surged by a whopping 228% to Rs 21.61 crore. As a result, the profit before tax (PBT) before extraordinary (EO) items stood higher by 208% despite other income (OI) falling by 17% to Rs 1.62 crore and interest cost up 42% to Rs 1.69 crore. Depreciation cost was marginally down by 2% to Rs 50 lakh. Due to the lower base in the corresponding quarter, net profit increased to Rs 13.09 crore as against Rs 93 lakh in the March 2005 quarter.

The value of production surged by 31% to Rs 88.84 crore. The strong surge in sales was partly due to revenue booking of works carried out in the earlier quarters apart from strong volume demand for transformers and low-tension motors. In the first nine months ended December 2005, the value of production stood 13.3% higher than the sales for the same period. This situation significantly scaled down to 4% end of FY 2006 on strong revenue booking in the last quarter of the fiscal.

The sharp decline in all cost heads, including material, was the major reason for this strong rise in OPM in Q4 of FY 2006. Despite firm prices of commodity materials like copper, Bharat Bijlee managed to control material cost, which, as a proportion to sales adjusted to stocks, was lower by 742 bps to 55.1%. Other expenses were down 357 bps to 8.8% and staff cost by 298 bps to 7.4%. The revenue booking of works done in the earlier quarters also enabled the company to control in cost of material despite firm prices of commodity materials.

Though other income (OI) was lower, and interest cost increased, EO expenses stood at Rs 40 lakh comprising VRS expenses as against an EO expense of Rs 4.71 crore in the March 2005 quarter. Consequently, PBT after EO soared by 869% to Rs 20.64 crore. Taxation including deferred tax was higher by 498% to Rs 7.23 crore. Thus, the profit after tax (PAT) before prior period tax/adjustment was higher at Rs 13.41 crore in the March 2006 quarter as against Rs 92 lakh in the March 2005 quarter.

In FY 2006, sales went up by 22% to Rs 300.78 crore and OP expanded by 87% on higher sales and expansion in OPM by 580 bps to 17%.

As OI was lower by 17% to Rs 3.68 crore, interest cost higher by 24% to Rs 4.69 crore and so also depreciation by 10% to Rs 1.84 crore, PBT before EO ended at Rs 48.38 crore, a rise of 83%. There was an EO gain of Rs 1.91 crore as against a gain of Rs 9.18 crore in FY 2005. As a result, PBT after EO rose 41% to Rs 50.29 crore. After taxation of Rs 16.22 crore (up 108%), PAT before tax provision for earlier year ended at Rs 34.07 crore, a rise of 23%. With provision of tax for earlier years at Rs 39 lakh as against nil, PAT after tax provisions for earlier years ended 21% lower to Rs 33.68 crore.

Bharat Bijlee inaugurated its new transformer factory on 22 March, 2006, increasing its manufacturing capacity to more than 8,000 MVA per annum.

With enhanced transformer production capacity, Bharaj Bijlee is set to benefit from the growing demand for transformers, triggered by strong investment in the pipeline in the power sector. The demand for low voltage motors is also good, given the capacity addition and modernisation in the manufacturing sector. The transformer growth will be driven by both new generation capacity planned in the country and replacement demand, and motor consumption by strong industrial demand. ■

Bharat Bijlee: Results

	0603 (3)	0503 (3)	Var. (%)	0603 (12)	0503 (12)	Var.(%)
Sales	103.06	76.48	35	300.78	245.84	22
OPM (%)	21.0	8.6		17.0	11.2	
OP	21.61	6.59	228	51.23	27.45	87
Other inc.	1.62	1.95	-17	3.68	4.41	-17
PBIDT	23.23	8.54	172	54.91	31.86	72
Interest	1.69	1.19	42	4.69	3.79	24
PBDT	21.54	7.35	193	50.22	28.07	79
Dep.	0.50	0.51	-2	1.84	1.68	10
PBT before EO	21.04	6.84	208	48.38	26.39	83
EO	-0.40	-4.71	-92	1.91	9.18	-79
PBT after EO	20.64	2.13	869	50.29	35.57	41
Current Tax	7.06	2.64	167	15.26	8.95	71
Deferred Tax	0.17	-1.43	-112	0.96	-1.15	-183
PAT	13.41	0.92	999	34.07	27.77	23
Tax provision Earlier years	0.32	-0.01	PL	0.39	0.00	999
Net Profit	13.09	0.93	999	33.68	27.77	21
EPS (Rs)*	#	#		58.0	36.5	

* EPS is on current equity of Rs 5.65 crore, Face value of Rs 10# . EPS is not annualised due to seasonality of business. Figures in Rs croreVar. (%) exceeding 999 has been truncated to 999. *Source: Capitaline Corporate Database.*

Powerful strikes

With enhanced transformer production capacity, Bharaj Bijlee is set to benefit from the growing demand for transformers. The demand for low voltage motors is also good, given the capacity addition and modernisation in the manufacturing sector. The transformer growth will be driven by both new generation capacity and replacement demand, and motor consumption by strong industrial demand.

Shanthi Gears

Continues to be in top gear

Shanthi Gears manufactures gears and gear products. The company's products are well accepted in the market place as it is one of the largest manufacturers of gears, gear boxes, geared motors and gear assemblies, both standard and custom built, from few grams to over 20 tonnes in weight, from a crude application like hand operated winches to specialty gears for the aviation industry.

Due to its leadership in the domestic market, the products of Shanti Gears command a premium. A major chunk (65%) of its revenue comes from gearboxes for specialty applications and only 35% from standard industrial gearboxes.

In the quarter ended March 2006, Shanthi Gears registered a strong 46% growth in sales to Rs 48.35 crore, partly on higher demand and inventory clearance. The operating profit margin (OPM) improved by 860 basis point (bps) to 38.6%. Thereby, the operating profit (OP) jumped 87% to Rs 18.65 crore. As a percentage to sales net of stocks, the raw material cost was lower by 820 bps to 38.8%.

But staff and other expenses were up by 184 bps to 7.6% and 289 bps to 12.7%, respectively. The other income (OI) was nil as against Rs 3 lakh in the March 2005 quarter. Interest cost was higher by 26% to Rs 54 lakh and so was depreciation by 44% (Rs. 3.56 crore). The spurt in interest cost and depreciation was on account of the investment of the company in new production lines. Thus, the increase in profit before tax (PBT) was moderated to 105% at Rs 12.67 crore. With taxation higher by 93% to Rs 5.56 crore, the profit after tax (PAT) before prior period tax's rise was restricted to 116% at Rs 8.99 crore. As the prior period tax was nil in the quarter as against Rs 5 lakh in the March 2005 quarter, the net profit jumped 116% to Rs 8.99 crore.

Net sales was higher by 33% to Rs 162.29 crore in FY 2006. OPM expanded to 36.1%, from 34.0% and OP increased 42% to Rs 58.60 crore. Limited by lower OI (down 26% to Rs 17 lakh), higher interest cost (up 117% to Rs 3.0 crore) and higher depreciation (up by 33% to Rs 12.71 crore), the PBT rise was tempered to 40% at Rs 43.06 crore. PAT was up 46% to Rs 28.06 crore after providing for taxation that was higher by 47% to Rs 28.06 crore. PAT after prior period tax increased 47% to Rs 28.06 crore after accounting for prior-year taxes at zero as against Rs 12 lake in the corresponding previous period.

To fund its expansion programme Shanthi Gears issued foreign currency convertible bonds (FCCBs) in September 2005. It successfully closed the FCCB issue on 14 November 2005. The proceeds are to be used to fund its future capex plans.

The bonds consisted of $10-million 0.5% Series A convertible bonds due 2010 and $5-million 0.5% Series B convertible bonds due 2010. Both are convertible into equity shares of Re 1 each at any moment by exercise of option. The Series A bonds have already been placed at a premium of 0.5% and are convertible at an initial conversion price of Rs 58.35 per equity share. The series B bonds will be issued when funds are required and convertible at 115% of the average closing price of the equity share during the 30 trading days prior to the series B bond pricing date.

Subscribers to the 0.5% Series A convertible bonds, i.e., Merrill Lynch Capital Markets Espana S.A.SV, Madrid and Crdit Suisse (Singapore), have exercised the option of conversion of US$1 million and US$0.5 million each and they have been allotted shares of the company. Consequently, the share capital stood increased to Rs 7.99 crore on 25 May 2006.

Going forward, Shanthi Gears is expected to sustain strong revenue and profit growth. This stems from the fact that the company is well positioned to capitalise on the strong demand for gears with its strategy of continuous investment on capacity, technology and moving up the value chain. A healthy order book position covering three-four months' sales provides revenue visibility. The company is working with global majors such as GE Electric and Atlas Copco for outsourcing orders. Any large order will boost exports and the margin. ■

Shanthi Gears: Results

	0603 (3)	0503 (3)	Var.(%)	0603 (12)	0503 (12)	Var.(%)
Sales	48.35	33.19	46	162.29	121.71	33
OPM (%)	38.6	30.0		36.1	34.0	
OP	18.65	9.97	87	58.60	41.39	42
Other inc.	0.00	0.03	-100	0.17	0.23	-26
PBIDT	18.65	10.00	87	58.77	41.62	41
Interest	0.54	0.43	26	3.00	1.38	117
PBDT	18.11	9.57	89	55.77	40.24	39
Dep.	3.56	2.47	44	12.71	9.58	33
PBT	14.55	7.10	105	43.06	30.66	40
Current Tax	3.35	2.00	68	11.60	10.50	10
Deferred Tax	2.21	0.88	151	3.40	0.92	270
PAT	8.99	4.22	113	28.06	19.24	46
Prior Year Taxes	0.00	0.05	-100	0.00	0.12	-100
PAT after prior year tax	8.99	4.17	116	28.06	19.12	47
EPS (Rs)*	4.1	1.9		3.2	2.2	

* Annualised on dilluted equity of Rs 8.8 crore. Face Value: Rs 1. Figures in Rs crore.
Source: Capitaline Corporate Database.

Riding on demand

Shanthi Gears can sustain strong revenue and profit growth with its strategy of continuous investment on capacity, technology and moving up the value chain. A healthy order book position covering three-four months' sales provides revenue visibility. Any large order will boost exports and the margin.

KPIT Cummins

Strong profit guidance for FY 2007

After a lukewarm performance in the sequential quarter ended December 2005, KPIT Cummins recorded a strong financial performance in the fourth quarter ended March 2006. Consolidated revenue was up by 12% to Rs 90.16 crore over the December 2005 quarter on some regained momentum in the company's niche manufacturing vertical. With better operational efficiency, the operating profit margin (OPM) expanded by 220bps to 16.7%, which took the net profit higher by 24% to Rs 10.27 crore. The revenue expanded by 34%, and net profit was higher by 37% over the March 2005 quarter.

In FY 2006, consolidated revenue was up by 26% to Rs 318.22 crore, which was above KPIT Cummins's lowered guided revenue growth of 22-25% over FY 2005. Net profit was up by 15% to Rs 32.63 crore in line with the lower net profit growth guidance of 13-23% over FY 2005. The guidance was lowered in July 2005, after the Q1 results.

The board of directors approved an increase in the authorised share capital from Rs 12 crore to Rs. 30 crore and recommended payment of 35% dividend or Rs 1.75 per share of face value of Rs 5 each.

KPIT Cummins successfully concluded three acquisitions in the US, France and India and entered into a joint venture agreement in Germany in FY 2006. In the March 2006 quarter, it acquired C.G. Smith in an all-cash deal for Rs 38 crore, of which Rs 35-crore downpayment was made to acquire 100% equity. An additional Rs 3 crore is to be paid based on future performance.

With the new acquisitions, the company begins FY 2007 with a customer base of 72, 51% of which are among the Forbes Global 1000 companies. Customers include 52 in the manufacturing vertical, nine in the BFSI vertical and 11 in the 'Others' category (mostly software vendors).

Number of 'star' customers grew from seven to 10 in FY 2006. The three new star customers added included two manufacturing companies and a software vendor from Europe. Revenue from the 10 STAR customers constituted 83.51% of the total revenue in FY 2006.

Cummins, the largest and the dominant star customer, contributed 46.67% of the FY 2006 revenue. Revenue from it grew by 66% to approximately Rs 150 crore over the previous year. The Cummins business constituted 45.28% of the total revenue in Q4 of FY 2006 compared with 49.63% in Q3 of FY 2006. The revenue from other customers grew by 30% over the previous year and constituted 16.49% of the total revenue.

Revenue from the top 10 customers in FY 2006 declined to 87.09% from 90.71% in FY 2005. In Q4 of FY 2006, revenue from the top 10 customers, including Cummins, accounted for 83.75% of the total revenue compared with 86.91% in Q3 of FY 2006 and 89.35% in Q4 of FY 2005.

Revenue in FY 2007 is expected to be in the range of $ 98 million (Rs 436.1 crore) to $ 102 million (Rs. 453 crore), representing a growth, in dollar terms, of 34% to 40% over revenue of FY 2006. Net profit in FY 2007 is expected to be in the range of $ 11.25 million (Rs. 50 crore) and $ 12.00 million (Rs. 53.4 crore), representing a growth, in dollar terms, of 51% to 61% over net profit in FY 2006. The growth drivers in FY 2007 will be increase in offshoring, which will grow to 46% from 39%, better utilisation rates, and increase in offshore billing rates by about 8-10%.

At the beginning of FY 2006, KPIT Cummins had given a revenue guidance of Rs 330 crore and a net profit guidance of Rs 37 crore to Rs 39.5 crore. Actual figures stood at Rs 318 crore and Rs 32.63 crore, respectively. ■

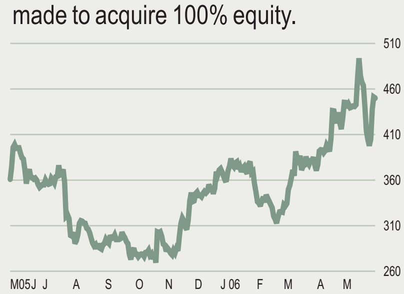
KPIT Cummins Infosystems: Consolidated Results

	0603(3)	0512(3)	Var. (%)	0503(3)	Var (%)	0603(12)	0503(12)	Var. (%)
Sales	90.16	80.40	12	67.27	34	318.22	252.45	26
OPM (%)	16.7	14.5		13.1		14.4	13.3	
OP	15.02	11.63	29	8.78	71	45.95	33.46	37
Other income	0.00	0.00		0.00		0.08	0.08	
PBIDT	15.02	11.63	29	8.78	71	46.03	33.54	37
Interest	0.90	0.51	76	0.35	157	1.92	0.94	104
PBDT	14.12	11.12	27	8.43	67	44.11	32.60	35
Depreciation	2.27	2.25	1	1.31	73	8.18	3.21	155
PBT	11.85	8.87	34	7.12	66	35.93	29.39	22
Tax	1.58	0.60	163	-0.39	PL	3.30	1.29	156
PAT	10.27	8.27	24	7.51	37	32.63	28.10	16
EO	0.00	0.00		0.00		0.00	0.31	
PAT after EO	10.27	8.27	24	7.51	37	32.63	28.41	15
EPS (Rs)*	28.2	22.7		20.6		22.4	19.5	

Annualized on current equity of Rs 7.28crore. Face Value: Rs 5.
EPS is calculated after excluding EO and relevant tax. PL- Profit to Loss.
Figures in Rs crore. *Source: Capitaline Corporate Database.*

Inorganic growth

KPIT Cummins concluded three acquisitions in the US, France and India and entered into a joint venture agreement in Germany in FY 2006. In the March 2006 quarter, it acquired C.G. Smith in an all-cash deal for Rs 38 crore, of which Rs 35-crore downpayment was made to acquire 100% equity.



Kalpataru Power Transmission

Towering performance

Kalpataru Power Transmission concluded FY 2006 with a strong performance in the quarter (Q4) ended March 2006. Sales grew by 110% to Rs 361.38 crore in Q4 of FY 2006 over Q4 of FY 2005. The operating profit (OP) surged by 116% on higher sales and marginal improvement in operating profit margin (OPM) by 40 basis points (bps) to 13.9%. Net profit increased 158% to Rs 31.30 crore.

Most of the upside of the sales growth was from both transmission and the infrastructure businesses. The segment revenue of the core transmission business grew by 124% to Rs 333.02 crore (or 92% of total sales) and that of the infrastructure business, which went on stream in the March quarter of FY 2005, registered a 125% growth to Rs 22.21 crore (or 6% of total sales) in Q4 of FY 2006. Similarly, revenue from the biomass business was higher by 75% to Rs 5.11 crore (or 1% of total sales). But the real estates segments revenue de-grow 95% to Rs 56 lakh as against Rs 10.79 lakh.

Though the OPM growth stabilised at 13.9% over the December 2005 quarter, it registered a higher growth of 40 bps to 13.9% over Q4 of FY 2005. The expansion in OPM was largely on account of the sharp fall in staff as well as other expenses. As a proportion to sales, the cost of material was higher by 486% to 52.3%. But the staff cost was down 149 bps to 3.8% and other expenses by 264 bps to 29.7%. This more than compensated the rise in material cost, paving the way for an expansion in OPM.

Most of the upside in the OP growth in absolute terms came from the transmission division. This segment's profit grew 142% to Rs 42.58 crore [or 92% of total profit before interest and tax (PBIT) in Q4 of FY 2006)]. The strong OP of the transmission division was because of higher revenue as well as expansion in the OPM (up 97 bps to 12.8%). Similarly, the biomass division registered a strong growth in segment profit to Rs 1.97 crore (or 4% of total PBIT) as against Rs 7 lakh in the corresponding previous quarter. OP of the infrastructure segment, up 59% to Rs 1.81 crore, was largely backed by higher revenue growth as its segment OPM declined 338 bps to 8.1%. OPM real estate segment de-grew (down 97% to Rs 11 lakh)

Spurred by higher other income (OI) (at Rs 2.19 crore as against Rs 7 lakh in the March 2005 quarter) but moderated by higher interest cost (up 67% to Rs 2.67 crore) and depreciation (up 178% to Rs 3.20 crore), profit before tax (PBT) rose 132% to Rs 43.54 crore. Despite higher provision for taxation including the fringe benefit tax (FBT) and deferred tax by 84% to Rs 12.24 crore, the net profit expanded 158% to Rs 31.30 crore.

Sales of the company went up by 55% (to Rs 840.38 crore) in FY 2006 on a high base spurred by the strong growth in transmission division: 66% to Rs 759.10 crore (or 90% of total sales). Similarly, the newly business segment, which went on stream in Q4 of FY 2005, turned in a sales growth of 275% to Rs 37.10 crore (or 4% of total sales). While the sales of the biomass division stood higher by 38% to Rs 18.18 crore, that of the real estate business was lower by 56% to Rs 28.21 crore.

OP expanded by 94% (to Rs 114.41 crore) as OPM improved to 13.6%, from 10.9%, in FY 2006. The upside of the growth in OP came from the transmission division, with its segment profit up by 109% to Rs 91.03 crore. Equally all other segments, too, registered strong a growth: real estate 39% to Rs 9.49 crore, biomass 70% to Rs 5.93 crore, and infrastructure 25% Rs 1.43 crore. After tax provisions (up 89% to Rs 27.87 crore), net profit concluded at Rs 66.53 crore — a strong appreciation of 132%.

Kalpataru Power Transmission emerged winner in most of the tenders where its was a L1 bidder. It bagged orders in excess of Rs 300 crore for 400 KV transmission lines and of Rs 175-crore for rural electrification jobs in Bihar from Power Grid Corporation and a Rs 75-crore distribution project from the Uttaranchal government in the quarter ended March 2006. The order backlog including L1 jobs stood at over Rs 2000 crore end FY 2006.

The new tower plant of the company, set up an export-oriented unit (EOU) at Gandhinagar in Gujarat in October 2005, has been certified ISO 14000 and ISO 9000. Moreover, the capacity has been enhanced further to 30,000 tonnes, taking the total installed capacity to 84,000 tonnes. ■

Kalpataru Power Transmission: Results

	0603 (3)	0503 (3)	Var. (%)	0603 (12)	0503 (12)	Var.(%)
Sales	361.38	172.29	110	840.38	541.84	55
OPM (%)	13.9	13.5		13.6	10.9	
OP	50.10	23.20	116	114.41	59.00	94
Other inc.	2.19	0.07	999	4.88	1.33	267
PBIDT	52.29	23.27	125	119.29	60.33	98
Interest	5.55	3.32	67	16.10	11.37	42
PBDT	46.74	19.95	134	103.19	48.96	111
Dep.	3.20	1.15	178	8.79	5.50	60
PBT	43.54	18.80	132	94.40	43.46	117
Current Tax	13.69	6.14	123	27.54	13.90	98
Deferred Tax	-1.45	0.52	-379	0.33	0.84	-61
PAT	31.30	12.14	158	66.53	28.72	132
EPS (Rs)*	#	#		30.6	13.2	

* EPS is on enhanced equity of Rs 21.72 after 1:1 bonus issue, Face value of Rs 10.
# EPS is not annualised due to seasonality of business. Figures in Rs crore.
Var. (%) exceeding 999 has been truncated to 999. *Source: Capitaline Corporate Database.*

Hefty order book

Kalpataru Power Transmission has bagged orders in excess of Rs 300 crore for 400 KV transmission lines and of Rs 175 crore for rural electrification jobs in Bihar from Power Grid Corporation and a Rs 75-crore distribution project from the Uttaranchal government

Does a gift given by my daughter-in-law attract gift tax?

by T K Doctor & Zankhana T Doctor

Does a gift given by daughter-in law to mother-in-law or father-in-law attract gift tax or clubbing provision?

— Hina S Patel, e-mail

Clubbing provisions under sec 64(1) (vi) are attracted when an asset is transferred to daughter-in-law for inadequate consideration. Transfer by daughter-in-law to her parents-in-law does not attract clubbing provisions.

The Gift Tax Act, 1958, has been abolished. However, from FY 2005 sec 56(2)(v) has been inserted in the Income Tax Act, 1961. If an individual/Hindu Undivided Family (HUF) receives money exceeding Rs 25000 without consideration from a non-relative after 1 September 2004, then the whole of such amount is taxable as 'Income from other sources'. This is not applicable for gifts received in kind, money received at marriage or under a will / on inheritance or in contemplation of death of the payer. 'Relative' for the purpose of this section means spouse/brother/sister of individual, brother/sister of spouse of the individual, brother/sister of either of the parents of the individual, any lineal ascendant or descendant of individual or spouse of these persons.

As you are a relative, the above provisions will not apply in your case. You have received the gift from the spouse of your lineal desendant.

My daughter-in-law and I are professionals. What will be our income tax liabilities in the following two cases:

Professional income	+	Short-term capital gains on shares	= Total income
● 1,00,000	+	80,000	= 1,80,000
● 70,000	+	65,000	= 1,35,000

In each of the case, Rs 40000 has been invested in NSC.

— Padma Mahajan, Indore

Rs 1.35 lakh is the maximum amount not chargeable to income tax for women. It is assumed that the short-term capital gains made by you are on the sale of shares on a recognised stock exchange and the securities transaction tax (STT) has been paid.

As per the proviso to sec 111A (1), if the total income of resident individual/HUF, as reduced by short-term capital gains, is below the maximum amount not chargeable to income tax, then such short-term capital gains shall be reduced by the amount by which the total income as reduced falls short of the maximum amount which is not chargeable to income tax and the tax on the balance of such short-term capital gains shall be computed at the rate of 10%

According to sec 111A (2), if the gross total income of an assessee includes any short-term capital gains, deduction under chapter VI-A is allowed from the gross total income reduced by capital gains. Rs 40000 invested in NSC are allowable as deduction under chapter VIA under sec 80C.

As per sec 111A (2), your daughter-in-law's and your gross total income (excluding capital gains) is Rs 70000 and Rs one lakh, respectively. From this income, deduction of Rs 40000 under sec 80C will be allowed. So the (net) total income is Rs 30000 and Rs 60000, respectively.

The total income excluding short-term capital gains is below the maximum amount which is not chargeable to tax (i.e., Rs 1.35 lakh). So as per proviso to sec 111A (1), taxable capital gains equals excess of total income including capital gains over Rs 1.35 lakh.

In your case, taxable capital gains works out to nil (as total income of Rs 30000 plus capital gains of Rs 65000 = Rs 95000 is below the basic exemption limit of Rs 1.35 lakh). So, the final tax liability is zero.

If Rs 25000 or more is received from a non-relative after 1 September 2004, then it is taxable as 'Income from other sources'

In case of your daughter-in-law, taxable capital gains work out to Rs 5000 (total income Rs 60000 + capital gains Rs 80000 =Rs 1.40 lakh – Rs 1.35 lakh). Tax is to be paid at the rate of 10% on such gains. i.e., 10% of Rs 5000 = Rs 500 plus education cess at 2% is the final tax liability in case of your daughter-in-law.

Deduction under chapter VI-A is allowed from the gross total income reduced by capital gains

I am in the business of reselling parts of watches since many years. On account of slackness in business since the last few years, I am arranging godowns and warehouses for others for which I get commission and brokerage. In the last assessment year, the income tax officer (ITO) treated my commission income as 'Income from other sources' and, consequently, disallowed depreciation on car, electricity expenses, insurance, telephone expenses, while allowing interest paid, legal and professional fee and bank charges. Consequently, on such disallowance, I have to pay tax, interest and also face concealment penalty proceedings. What should I do in such a situation?

— R K Padmanabh, e-mail

You may file an appeal before the Commissioner of Income Tax (CIT), Appeals, against the order of the ITO. The following facts are revealed from your case:

- You are engaged in reselling parts of watches and making arrangement of godowns and warehouses for others for commission/ brokerage.
- The ITO treated your commission/brokerage income on arranging godowns and warehouses as 'Income from other sources' and not as 'Business income' and disallowed you the expenses like depreciation on car, electricity expenses, insurance, and telephone expenses.

Against the contentions of ITO, you can appeal on following grounds. First, he treated your commission/brokerage income as 'Income from other sources' and not as 'Business income'. For that, you can take the view that it is not necessary that business should always consist of activities of trade, commerce or manufacture. Even activities of rendering service to others fall within the four corners of the expression 'business'. Further, commission income is regularly earned by you year after year. So commission income should be treated as business income.

In Chunni Lal Kalyan Das (AIR-1925 AII-469), the court, while examming the scope of the word 'business', held that it would include any adventure and that it was not possible to exclude from the expression 'adventure', indeed successful adventure, the negotiation of a sale of a large mill, which resulted in a commission payable of Rs 75000. In the result, it was held that the receipt was from a transaction, which was from the business of a broker and came within the definition of business. So, relying on the above, you may argue that the commission income should be treated as business income.

With regard to the second contention of disallowing the said expenses, you can argue that deduction for those expenses should be allowed as they are incurred to earn the commission income. Whether commission is treated as 'Business income' or 'Income from other sources', expenses incurred to earn the income should be allowed as a deduction under sec 37(1) or under sec 57 as the case may be.

To arrange for a godown, several parties who want to rent out space have to be contacted, meetings have to be conducted between both the parties (i.e., one who gives godown on rent and one who takes godown on rent), and negotiations undertaken. Several times both the parties have to be contacted and communicated each others' terms or views. For all this, telephones are required. Car is needed to visit the godown/ clients. All the paper work for this is done from office. So office maintenance expenses, electricity expenses and car insurance expenses are also incurred to undertake this commission business.

Even if expenses are not allowed against commission income, you are running the business of reselling of watches against which you can claim the expenses. Just because there is lean period in business, expenses cannot be disallowed. The expenses are more or less in the nature of fixed expenses and do not change or vary with the quantum of transactions of sale and purchase. They are genuine recurring business expenses and should be allowed.

When the ITO has allowed you deduction of interest, professional fees and bank charges against the business of reseller in watches, then there is no justification for disallowing other expenses. You may also refer to the case law 'Indraprastha Steel Industries vs ITAT 88 ITR 138'. Here, even though no business was carried on by the assessee during the year, expenses on salaries, conveyance, insurance, audit fees, filing, miscellaneous expenses, sales tax and depreciation were allowed.

To conclude, you must prove that in spite of the lean period the business of reselling parts of watches is still existing and has not been closed down. You may produce copy of your sales tax number and returns. You should also show that commission/brokerage is earned regularly year after year, and the expenses were incurred regularly year after year and were genuine business expenses to safeguard yourself from the tax/interest/penalty proceedings of the IT department.

Expenses incurred to earn the income should be allowed as a deduction under sec 37(1) or under sec 57

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