



Glass Half εμπτΨ...!!!

High Conviction Ideas ✓

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Sr.No.	Company Name	Recommendation	CMP (Rs.)	Target (Rs.)	Page No.
	Glass Half εμπύ...!!!				
	Four Key Investment Themes in India-				1
	<ul style="list-style-type: none"> • Access Valuations - opportunities through evolving Consumption Patterns • Investment Super Cycle - Government Spending on Infrastructure and Governance • Strategic Outsourcing Opportunities • Specific Corporate Developments 				
	Simultaneously, we are negative on few spaces (barring a few stocks) where structural issues remain adverse for any gains going forward –				
	<ul style="list-style-type: none"> • IT Services • Automobiles • Tier II Real Estate 				
1	AIA Engineering Ltd. - All In All Monopoly...!!!	Buy	1280	1760	7
	<i>AIA Engineering (AIA) is one of the largest players globally in the field of manufacturing high chrome mill internals. It derives its growth from investments in sectors like mining, cement and power. AIA is well poised to leverage on its near monopolistic status (backed by technical expertise) through quadrupling its existing capacity.</i>				
2	Allcargo Global Logistics Ltd. - Integrated Logistics Player...	Buy	939	1200	9
	<i>Allcargo Global is well poised to take pole position in international logistics with the acquisition of Belgium based ECU line- second largest MTO operator. Its domestic MTO as well as CFS businesses also concur well with its overall strategy to become a global powerhouse in 'Multimodal Transport Operation' (MTO). We believe the company will have twin advantage of revenue growth from CFS capacity expansion and margin improvement due to outsourcing of documentation work of ECU line into India.</i>				
3	Century Textiles & Industries Ltd. - Riding on Multiple Horses !!!	Buy	875	1160	11
	<i>Century Textiles offers multiple plays viz. Prime real Estate Development in Mumbai, Upturn in Cement and possible upside from Aditya Birla group re-organization.</i>				
4	Dishman Pharma. & Chemicals Ltd. - Scaling up the value chain...	Buy	293	367	13
	<i>Dishman Pharma has a de-risked CRAMS model. It's focus on APIs and intermediates and not on formulations does not pose any competition to its customers. Dishman's technology transfer agreement with API manufacturers brings in an opportunity to supply intermediates on a long term basis. The company has successfully signed agreements with several reputed innovator companies based in EU & US. Through Joint Ventures, it has marked its entry in various geographies. Its strategy to synergize operations and leverage on key capabilities would enable it to consolidate its position globally.</i>				
5	GTL Infrastructure Ltd. - Gains - tower by tower...!!!	Buy	38	53	15
	<i>Robust increase in telecom subscriber base coupled with the thrust to expand in new geographies, Indian telecom industry needs to double its existing network within the next 3 years. This entails a huge opportunity for telecom tower companies, in which GTL Infrastructure (GIL) is the best strategic fit amongst the third party infrastructure providers, riding on the expertise of GTL to deploy and effectively manage passive infrastructure requirement of service providers.</i>				
6	IDBI - The Foster Kid...	Buy	141	200	17
	<i>The potential value unlocking from the investment portfolio, improvement in operational efficiency (on the back of better performance of restructured assets) and recoveries will lead to an improvement in the margins and also earnings. The acquisition of UWB is also expected to benefit the Bank in the long run, due to increase in the Low Cost Deposits, Retail Credit and subsequently margins.</i>				
7	IDFC - India's Own Macquarie...!!!	Buy	149	222	19
	<i>IDFC was a creation to finance India's Infrastructure appetite. The fleet footed monolith is evolving its business model to refine if self as an Infrastructure Investment Bank. IDFC is well positioned with its management model and domain expertise to play the entire Infrastructure opportunity as an Investment Bank – with a sizeable component of fee based income. We expect IDFC's valuations to increasingly factor this business model migration.</i>				

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8	Jain Irrigation Systems Ltd. - Happy Harvest... <i>Agricultural growth is on the top of GOI's agenda since the last couple of years. The plan outlay towards state funded irrigation projects, subsidies and soft loans offer a sustainable business growth opportunity for Irrigation companies. With over two decades of established franchise and execution bandwidth – Jain Irrigation (JISL) is poised to benefit with a lion's share of this opportunity. In addition to the above, overseas acquisitions are estimated to contribute nearly 15% of total revenue by FY09. We feel JISL is a structural story which offers a good proxy on the evolution of the missing peg of growth opportunity in the Indian agronomy.</i>	Buy	550	690	21
9	Maruti Suzuki India Ltd. - Men are back...!!! <i>MSIL has continued to maintain its dominance in the passenger car segment, despite the brewing competitive landscape. Owing to the company's dynamic stance, it has revamped its product portfolio in its marquee segments so as to adapt to the changing preferences of the Indian consumer. In the exports segment, MSIL has mapped out an impressive growth strategy (~ 72% CAGR – FY07-10) via introduction of a new export oriented model by 2009, primarily targeted for European countries along with increasing geographic presence in non European market with its existing models. The Rs 90 bn capex plan would go towards expansions and upgradation across all its facilities.</i>	Accumulate	1034	1254	23
10	Mercator Lines Ltd. - Sailing Profits...!!! <i>With an efficient operative, management and financial structure, MLL is poised to capture the upside from a firm freight cycle in dry bulk carriers and offshore rigs. We expect the stock to be re-rated on the back of improved predictability of financial numbers and acceptance of MLL's superior management model (innovation, risk management and unconventional yet effective strategic approach to business). The proposed listing in Singapore should further enhance the PER multiple of the consolidated entity.</i>	Buy	71	96	25
11	MphasiS Ltd. - Symbiotic Synergies... <i>Mphasis has entered the big boys league with its merger with EDS, one of the largest players in the Infrastructure Technology Outsourcing (ITO) space and having a global footprint in this domain. We believe this integration to be a symbiotic relationship, by helping EDS grow in the Applications Outsourcing space and Mphasis to grow in the ITO space, as well as adding more verticals to Mphasis' portfolio.</i>	Buy	282	375	27
12	Pantaloon Retail (India) Ltd. - Future Money... <i>Pantaloon Retail (PR) has an interesting business model that has potential of serious participation in the mind-to-market engine in the "consumer access" space and benefit from the entire value chain. Diversification of its existing business model from a pure play retailer towards various allied growth segments viz. financing, media, logistics etc. would augment the parents company's intrinsic valuation.</i>	Buy	565	721	29
13	Reliance Communications Ltd. - Air..Food...Water...Rcom...!!! <i>Indian telecom sector has witnessed an explosive growth of 70% CAGR over last 3 years and continues to add more than 7 mn subscribers per month. Demand for international traffic, thrust on broadband rural connectivity and demand for convergence in voice, data and entertainment (triple play) offers immense potential for an integrated communication services provider. Reliance Communications (RCom) is the best fit as it has scale with a core business focus on the domestic wireless segment. Value unlocking through de-merger of Reliance Telecom Infrastructure Ltd. (RTIL) and listing of Flag Telecom would enhance RCom valuations.</i>	Buy	644	819	31
14	Reliance Capital Ltd. - Diamond Fountain-Head...!!! <i>Reliance Capital (R Cap) has emerged as the fastest growing financial service brand in India with a strong growth in its various business segments. Favorable macro economic conditions i.e. growing economy, under-penetration in financial services segments along with aggressive approach towards expanding the business segments, expanding customer base, is expected to further drive the company's exponential growth momentum.</i>	Buy	1681	2222	33
15	Steel Authority of India Ltd. - Heavy Mettle... <i>SAIL is the largest steel player in India with 30% market share. Its captive iron ore and flux mines are its key competitive advantage. It has embarked on an expansion plan which would increase its hot metal capacity by 72% to 25 mn MT by 2010 and modernize its existing plants with a total capex of Rs 450bn. We expect steel prices to remain firm on the back of strong global steel demand coupled with strong raw material prices (iron ore and coking coal) and decrease in steel exports from China.</i>	Accumulate	203	235	35

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16	UTV Software Communications Ltd. - Where is the risk...? <i>After establishing a strong foothold in Movie production adopting the 'Studio Model', UTV is all set to mark its presence in the broadcasting sector. What we like in UTV is its Risk management strategies. UTV is extending its risk management expertise from the "Studio model" of movie production to 'Broadcasting' where the focus is on being "different" rather than "better". UTV's business model provides an intriguing mix of participation in scalability offered by creativity, control on execution and efficient risk management to absorb failures in all business activities like Movies, broadcasting and Gaming.</i>	Buy	679	1025	37
17	Vakrangee Softwares Ltd. - Where Angels fear to tread... <i>Vakrangee is one of the few leading E-Governance service providers in India with expertise in handling huge number of physical documents. VSL is an expert in Digitization, Document management and Variable print management services space. This space is very profitable but Tier I and Tier II technology companies do not enter this space as the work involved is low end non technology work.</i>	Buy	185	320	39
18	Vishal Retail Ltd. - Value Retailing Unlimited... <i>Vishal Retail Limited (VRL) is in the 'value retailing' space. VRL derives its value from a robust and efficient supply chain, with savings at every stage of the supply chain. The business strategy is to sell quality goods at reasonable prices by either manufacturing in house or directly procuring from manufacturers to facilitate a one-stop-shop convenience for customers and to cater to the needs of the entire family.</i>	Buy	691	971	41
19	Voltas Ltd. - Structuring Growth... <i>Voltas is a high growth capital goods company operating in the space of Engineering Services and Electromechanical equipments (order book of Rs.20 bn (1.5x revenue)). The strong double digit profitability in engineering products and services business, improvement in profitability of cooling products business and entry in water treatment - are the core earning drivers over the next couple of years.</i>	Buy	170	216	43
20	Zee Entertainment Enterprises Ltd. - The India Cowboy... <i>Increased distribution platforms like DTH, CAS, IPTV and Mobile TV will strengthen strategic positioning for broadcasters and content owners like ZEEL – a pioneer of Satellite broadcasters in India. We believe ZEEL will effectively leverage content optimally for newer distribution platforms as the group has presence across the media platforms. A potential shift from an advertising driven model to a "Subscription" model will change the revenue mix improving business quality going forward.</i>	Buy	334	450	45

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Glass Half empty...!!!

Alert..there is an economic Tsunami in Emerging Markets, The money with unparallel tides is hitting the Indian shores and the market has taken just 10 trading sessions to move from 16K to almost 18K.

Sure, The Bernanke goodies have fuelled the entire emerging markets pack and the Indian beauty has only matured in this period exciting more Romeos to flirt. The vitamin M is too strong to ignore intrinsic character of the lady in question. While the exuberance to be invested in India is certainly understandable – the flow and rush to commit money to a single country as an asset class at such speed is only a recipe for temporary indigestion.

However, is the story over??? – We feel otherwise.

The glass is half full, but certainly is half empty...! To quote the Investment Guru, Mr. Mark Mobius, “Markets are not over- or-undervalued, stocks are...!!!”. We feel there exists a long-term structural element to the India story – and there exist pockets of growth which are yet to be rewarded with big-time gains.

The market has become pricier by 25% to ride on a currency cushion of 5~7%. With almost half the market trading at multiples of 20x+FY08E, valuations have taken a backseat. Furthermore, with restricted supply of quality stocks, the priority has shifted from “allocation” to “ownership”. Marketcap has overtaken profits as a business buzzword.

This piece is an attempt to rationally evaluate what India offers in terms of medium to long term investment opportunities with potential to deliver superior sustainable returns. The common thread that runs through the selection of our High Conviction Actionable Ideas in this piece are –

- a. The size of opportunity canvas
- b. Business model that complements the same
- c. Execution engine

We have identified four key themes-

- Access Valuations - opportunities through evolving Consumption Patterns
- Investment Super Cycle - Government Spending on Infrastructure and Governance
- Strategic Outsourcing Opportunities
- Specific Corporate Developments

Simultaneously, we are negative on few spaces (barring a few) where structural issues remain adverse for any gains going forward –

- IT Services
- Automobiles
- Tier II Real Estate

Following are our themes / ideas –

Access Valuation:

Vodafone is just the beginning!!!

India is on a tipping point as regards consumer evolution. The evolution offers an intriguing opportunity in terms of being there at the right time. The individual space (we term this as “Access”) of these consumer sets (only growing in size numbers) and their propensity would become a significant part of valuations going forward.

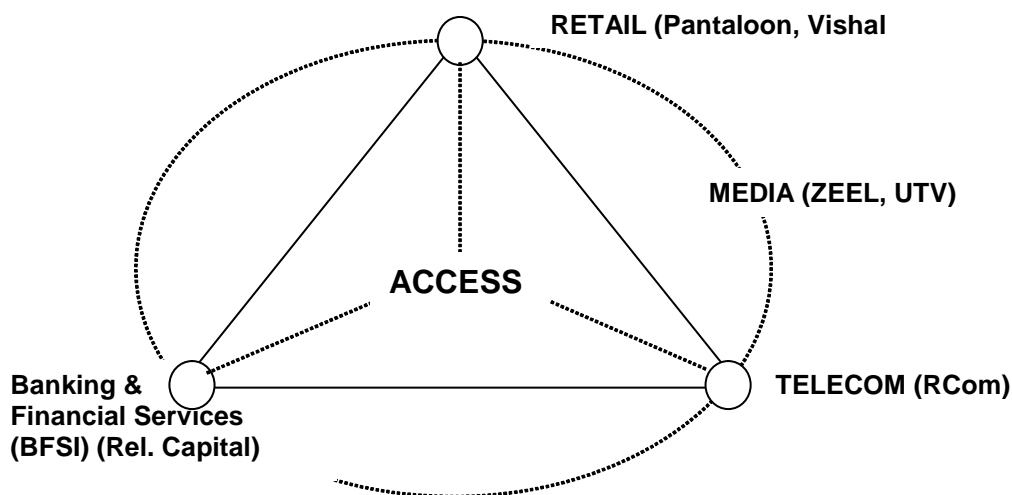
Average Indian has witnessed close to 10% CAGR in his per capita income (at US\$800 today (atlas method)). The consumer too has evolved during this period from being a **Seeker** to **Saver** to **Spender** to **Investor/Speculator** (“Wealth Effect”). We feel, with his spending habits, evolving consumption patterns (“Income Effect”), and attitude towards money (“Age Effect” – 50% population below age 30) has already started an inflection in terms of sheer numbers and are set to benefit from “J” curve.

We feel the three key spaces that fit the bill are...

- **Retail** (where the money is spent),
- **BFSI** (where the money is borrowed/invested) and
- **Telecom** (where a direct personal contact is built).

These spaces are a direct entry point into a consumer space to mine him/ her with relevant product or service and get monetized.

Figure -1



At the start of this year we witnessed how a serious participant in the direct consumption space values access – when Vodafone paid US\$ 11bn (for reaching 25mn subscribers directly). We feel the same would be a key constituent of some of the other sectors like BFSI and Retail – which are the other alternatives to unique identification (and hence REACH) to the ultimate space of the consumer.

A close look at current allocation of money in average consumer spend (net to the operator) in the other two domains, account for almost 10~15 times of average ARPU earned by the telecom operator.

Media (as a binder)

We also expect Media to be serious contributor in this evolution in terms of influencing consumption, developing new value systems, creating awareness, educating the consumer and providing Entertainment & Leisure. We expect this space to be an early beneficiary in terms of monetization to reach the consuming Indian.

Investment Super Cycle

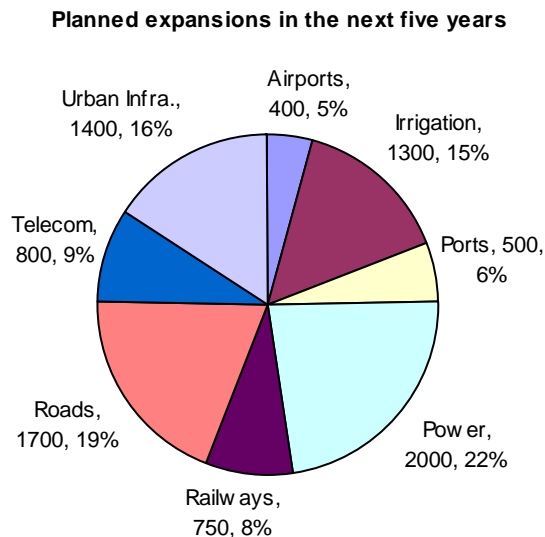
Infrastructure Spending: Lot talked about...

... E-Governance Ssshhhh...

Infrastructure Spending:

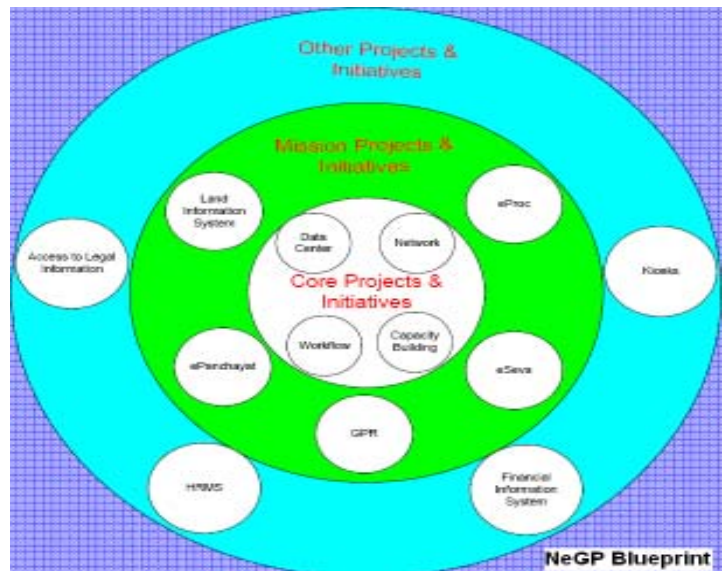
The Government is rightfully playing its own part in the development of the infrastructure sector. According to the 11th Five Year plan, India essentially needs more than USD 13,600 Bn for infrastructure projects (Refer Fig.2).

Figure - 2



Source: Plan Documents

Figure - 3



Source: National e-Governance Program

This segment has been explored to the hilt and valuations have also inched towards maturity. We feel the best way to play this opportunity is..

- To identify players with differentiation, natural competitive advantage (near-monopoly – like **Patel Engineering** and **AIA Engineering**).
- **IDFC** which has capital, expertise, mandate, wherewithal and refined business model to participate in the opportunity in its entirety.
- We like **GTL Infrastructure, Jain Irrigation, SAIL** and **Voltas** as direct or indirect beneficiaries of infrastructure spending.
- We also like **Allcargo** and **Mercator** who act as enablers in India's international trade.

Governance, Health and Education spending: *Not left behind either*

The Government also has identified Governance, Health and Education as key development areas. **These are called Mission Mode Projects.** The key constituents are Sarva Shiksha Abhiyan (Education for all) and ICT (The Information Super Highway – refer Fig. 3).

This opportunity (particularly ICT) is as large as infrastructure but is not fully explored. The advantage of playing mission mode project participants is that they bring steady annuity (committed cash flows) which are linked to strict delivery timelines and run independent of the political control once allocated. We like Vakrangee Software and NIIT in this space.

Strategic Outsourcing Opportunities

Since 2005 – most of the Indian corporates have their business models revisited to participate in what we call as a Flat World – where competition is working 24x7. This has brought about changes in supply chain management and cost structures so as to remain competitive.

Till recently, the pole position in this segment was owned by IT and ITES sectors. Most of the manufacturing sector has efficiently migrated to the success-source-code from their successful counterparts in IT and ITES segments with some requisite adjustments to play the opportunity of global outsourcing. The business in auto, auto-ancillaries, textiles, pharma, and chemicals had their early share of successes. The rising currency has since forced some sort of a withdrawal symptom on this opportunity. We feel this space is still relevant and there is couple of pockets of Critical Value components of the global supply chain where the scale of opportunity is still significant and real –

- CRAMs- The global outsourcing of custom manufacture for innovator companies is expected to grow into a US\$25 bn opportunity by 2010. This space requires strong skills in process chemistry, ability to retain IPR confidentiality and facility compliances and accreditations in the global supply chain. We like **Dishman Pharma** in this space with its evolved business model.
- Local Subsidiaries of Global Participants
Automobiles – The Automotive Mission Plan 2006-16 outlines India's focus towards becoming a hub for small car manufacturing. Competitive advantages in terms of labor and designing capabilities would increasingly propel further outsourcing opportunities for high value components. We like **Maruti** in this space where a strong domestic franchise is complemented by an aggressive exports strategy.
- IT – Indian IT services and products companies have recently witnessed consolidations with their larger counterparts from USA. These buy-outs have not only complemented the business model but have also opened a new era – where Indian professionals drawn from the acquired entity would be at the helm of new developments in the global delivery model. **MphasiS** is a moot case in point here.

Specific Corporate Developments

The Indian Corporate has woken up to a new reality of financial innovations in business strategies. Businesses which need capital monetization (during gestation) are being hived to create interim value (only to be integrated later when the business cash flows emerge). These developments are creating holding company structures/ conglomerates which would benefit with relevant money with relevant risks finding its own sweet spot (in the bargain driving valuations to the new levels). **Surely... One plus One is eleven!!!**

We like **Century Textiles** and **IDBI** in this space.

The Weak Spots

IT Services

The profitability of the Indian IT companies over the years has been driven by the following three factors.

- Low wage costs
- Low Infrastructure costs
- Rupee Depreciation

Most of these factors have displayed decent inflation off-late.

- **Wage Inflation:** Most Indian IT firms spend around 35-45 per cent of their revenue on employees. Wage inflation has consistently been pinpointed at ~15% for the 3-6 year experience level in the IT services arena. Furthermore, given the low employability of the talent pool in India, IT services and BPO firms have to invest increasingly in the training infrastructure as well as in the sales and business development functions.
- **Higher Infrastructure costs :** Infrastructure costs have gone up significantly over the past 3 years. The industry per se is capex intensive and the IT companies are adding infrastructure to accommodate more people in their system. The cost of adding capacity has increased over the years.
- **Rupee Appreciation:** All IT companies are currently facing the appreciating rupee. These companies had been delivering good results so far with EBITDA margins in the range of 30–40%. The rupee has touched a 9 year high, and this has eroded the margins of all the technology companies.

The effective drop in RoIC is yet to reflect in the multiple and we feel the process of adjustment would take some time. Most of the stocks run a risk of under-deliverance if currency appreciation is more than 5~7%. The stock prices are yet to factor in the disappointments. We feel any rise in share prices provide an an opportunity to 'Reduce'.

Automobiles

Our call here is a bit structural. Automobile manufacturers benefited in the early cycle in this run on account of better domestic demand and lower interest rate regime.

Since last three quarters, firm interest rates have played spoilsport – across all the three segments (2-w, Cars, CVs). This super-run on the segment has now created discerning consumers which are more demanding. This has its own effects on the effective product life cycle – a function of technology, changing customer preferences, evolving road infrastructure and continuing quench of customer for value. The resultant is a new platform at 3~x of the costs in FY02 and the price positioning of the new product just at 25% more price than FY02.

The lure to launch the lowest priced car and buy the priciest platforms (which have only a few takers) is also an added risk, the exception being Maruti which manages to surprise with hitting the bull's eye on each new development despite one of the lowest cost platforms.

Tier-II Real Estate

We feel the initial money in the Real Estate sector is already made – and the market is now scratching the bottom in expectation. The exuberance is witnessed by the fact that the money committed to Indian Real Estate funds/ PEs in this calendar is equal to total FII flows into the stock market till date (US\$12bn).

Most of the real estate that is being built in this segment focuses at the top of the pyramid which has only a restricted demand. Moreover, the estimates of deliverables of most of the participants are 8-10 times their cumulative historic deliverance. We feel size, capital execution skills and right-pricing are crucial to future performance. We expect serious issues on these parameters in the TIER-II real estate sector – as the valuation paradigm shifts from NAV to earnings.

Valuation Snapshot

Company Name (Rs mn)	Sector	CMP (Rs)	Target Price (Rs)	M Cap (Rs bn)	Net Sales(Rs mn)		OPM (%)		PAT (Rs mn)		EPS (Rs)		P/E (x)		ROANW (%)		ROACE (%)	
					FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E	FY08E	FY09E
AIA Engineering	Engineering	1280	1760	24.1	7,350	10,650	20.7	22.3	1,113	1,647	59.2	87.6	21.6	14.6	20.5	24.5	27.2	31.7
Allcargo Global*	Logistics	939	1200	19.0	15,915	18,860	9.2	9.5	1,016	1,246	50.0	61.0	18.7	15.3	20.9	20.7	20.2	18.5
Dishman	Pharma	293	367	23.8	8,406	12,144	20.8	20.5	1,179	1,861	14.5	22.9	20.2	12.8	26.8	28.3	14.9	17.3
IDBI	Bank	141	200	102.0	9,764	13,054	0.9	1.1	7,108	8,218	9.8	11.3	14.4	12.4	8.3	9.0	0.6	0.6
IDFC	Financial Institution	149	222	193.0	23,494	29,205	2.6	2.7	6,308	8,096	4.9	6.2	30.6	23.8	14.9	13.9	3.0	2.9
Jain Irrigation	Agri Processing	550	690	38.0	20,509	26,046	16.0	17.3	1,353	2,026	19.6	29.4	28.1	18.7	27.0	22.6	21.2	22.8
Maruti	Auto	1034	1254	299.0	170,390	197,385	13.5	13.6	17,245	19,795	60.0	69.0	17.3	15.1	20.0	22.1	30.3	29.0
Mercator	Shipping	71	96	17.1	13,412	17,292	34.6	38.7	2,669	3,970	11.1	16.5	6.4	4.3	33.7	30.5	13.5	14.6
Mphasis	IT	282	375	58.7	29,395	35,274	18.0	17.0	3,664	5,174	17.6	24.9	16.0	11.3	26.7	27.3	29.9	24.2
Reliance Communications	Telecom	644	819	1,317.0	201,923	271,312	42.5	43.6	49,252	71,957	23.6	33.4	27.3	19.3	19.6	23.7	11.9	15.5
SAIL	Steel	203	235	854.0	388,545	433,945	31.6	31.6	77,734	85,888	18.8	20.8	10.8	9.8	38.4	32.4	47.0	41.7
Vakrangee	IT	185	320	3.9	2,100	3,780	39.0	40.0	456	874	21.3	40.8	8.8	4.6	16.8	24.3	18.8	26.7
Vishal	Retail	691	971	15.5	11,332	16,114	11.5	11.5	468	666	20.9	29.7	33.0	23.2	21.3	17.8	16.8	16.5
Voltas	Capital Goods	170	216	56.2	34,111	46,050	7.1	7.6	1,805	2,639	5.5	8.0	31.1	21.3	37.0	40.3	48.9	55.2
ZEEEL	Media	334	450	147.8	17,675	22,369	31.8	33.8	3,531	4,688	7.9	10.4	42.5	32.0	13.6	14.5	17.9	20.9

SOTP	Sector	CMP (Rs)	Target Price (Rs)	M Cap (Rs bn)
Century Textiles	Diversified	875	1160	81.4
GTL Infrastructure Ltd.**	Telecom	38	53	26.3
Pantaloon Retail	Retail	565	721	84
Reliance Capital	Financial Institution	1681	2222	434
UTV Software	Media	679	1025	16.3

Note

*-C.Y, ** DCF Valuation

IDBI & IDFC: -Net Sales = Nil/Income from Operation; OPM (%) = NIM(%); RoE = RoANW (%)

CMP: Rs 1280

Target Price: Rs 1760

Engineering / Buy

All-In-All Monopoly...!!!

AIA Engineering (AIA) is one of the largest players globally in the field of manufacturing high chrome mill internals. It derives its growth from investments in sectors like mining, cement and power. AIA is well poised to leverage on its near monopolistic status (backed by technical expertise) through quadrupling its existing capacity.

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BSE Sensex	17773
NSE Nifty	5185

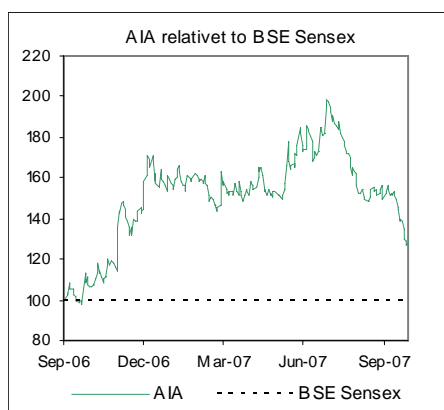
Script Details

Equity	Rs.188mn
Face Value	Rs.10/-
Market Cap	Rs.24.1bn
	US\$601.5mn
52 week High/Low	Rs.1819/793
1-Month Avg. Volume (Daily)	7542
BSE Code	532683
NSE Symbol	AIAENG
Bloomberg Code	AIAE IN
Reuters Code	AIAE.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	69.6
MF/Banks/FIs	17.9
FII's	5.5
Corporate Bodies	3.0
Public / Others	4.1



Investment Rationale

Mining and cement to drive the growth

Global demand of mill internals from mining is expected to be 2.4mn MT, which at present is fulfilled from forged grinding media. A large opportunity for the company lies in the conversion from forging grinding media to high chrome cast grinding media which is more cost effective. AIA expects the mining sector to contribute more than 50% of its revenue as against 10% currently, in near future.

Currently, cement (62%) and utilities (29%) account for around 91% of the total revenues and are expected to grow at a decent rate. The global demand from cement sector is estimated to be 0.30mn MT and growing at 4-5% p.a.

Around 60% of the company's total demand is from replacement which de-risks the business.

Technical Excellence

The company has technical excellence in designing, metallurgy and providing operational advice to clients which results in cost reduction, productivity increase and improvement in the quality of the output. Due to this expertise and near monopolistic status, the company is able to command high margins.

Aggressive capacity expansion in the oligopoly market

There are no major competitors for the company except Belgium based Magotteaux, its erstwhile collaborator. AIA plans to quadruple its capacity from the current 65000 MT (FY07) to 265000 MT by FY09 which we are made to understand, are as per schedule. The first phase would take the capacity to 165000 MT by FY08 and second phase would scale it up to 265000 MT by FY09.

Pricing power re-visited

AIA is in an enviable position where most of its input cost escalations get passed to its customers. However, the company is having its maiden tryst with vagaries of currency appreciation as an exporter. Exports constitute around 50% of AIA's revenue of which 70% is billed in USD. AIA is re-negotiating its pricing strategies with its key customers to accommodate impending currency appreciation in medium to long term.

Valuation

The current order book of the company stands at Rs. 4.1bn. We feel that moving forward with their capacities coming on stream, the revenue is set to grow at a CAGR of 44% and net profit to grow at a CAGR of 38% (FY08-10). At Rs. 1280 the stock trades at 21.6x FY08E earnings and 14.6x FY09E earnings. We initiate coverage on the stock and expect the monopolistic status and high growth performance to enable the stock to trade at Rs. 1760, at 20x FY09E EPS in over the next 12 months.

Year	Net Sales	% growth	EBIDTA	OPM%	PAT	% growth	EPS (Rs.)	% growth	PER(x)	ROANW%	ROACE%
FY06	4,070	-	815.1	20.0	543.3	-	30.6	-	41.9	39.7	52.3
FY07	5,230	28.5	1243.6	23.8	955.6	75.9	50.8	66.3	25.2	25.0	31.8
FY08E	7,350	40.5	1524.3	20.7	1113.1	16.5	59.2	16.5	21.6	20.5	27.2
FY09E	10,650	44.9	2377.1	22.3	1647.0	48.0	87.6	48.0	14.6	24.5	31.7

Figure in Rs mn

INCOME STATEMENT				
	Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Net Sales	4,069.6	5,230.3	7,350.0	10,650.0
Other income	104.0	163.9	190.0	110.0
Total Income	4,173.6	5,394.2	7,540.0	10,760.0
Total Opex	3,254.5	3,986.7	5,825.7	8,272.9
Operating Profit (excl. Other Income)	815.1	1,243.6	1,524.3	2,377.1
Operating Profit (incl. Other Income)	919.1	1,407.4	1,714.3	2,487.1
Interest	52.8	24.1	20.0	15.0
Gross Profit	866.3	1,383.3	1,694.3	2,472.1
Depreciation	70.9	82.1	190.0	305.0
Profit Before Tax & EO Items	795.4	1,301.2	1,504.3	2,167.1
Profit Before Tax	795.4	1,301.2	1,504.3	2,167.1
Tax	252.1	345.6	391.1	520.1
Net Profit	543.3	955.6	1,113.1	1,647.0

BALANCE SHEET				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Sources of Funds				
Equity Capital	177.8	188.0	188.0	188.0
Reserves (excl Rev Res)	2,559.9	4,727.3	5,750.4	7,307.4
Net Worth	2,737.6	4,915.2	5,938.4	7,495.4
Revaluation reserve	3.1	2.5	-	-
Secured Loans	403.9	121.7	120.0	120.0
Unsecured Loans	81.5	43.5	51.9	52.2
Loan Funds	485.4	165.1	171.9	172.2
Deferred Tax Liability/(Asset)	19.9	19.0	-	-
Total Capital Employed	3,246.0	5,101.9	6,110.2	7,667.6
Minority Interest	70.2	81.9	90.0	110.0
Total Liabilities	3,316.2	5,183.8	6,200.2	7,777.6

Applications of Funds				
Gross Block	939.7	1,371.3	2,971.3	4,621.3
Less: Accumulated Depreciation	436.1	515.9	705.9	1,010.9
Net Block	503.6	855.5	2,265.5	3,610.5
Capital Work in Progress	67.6	606.8	425.0	90.0
Investments	966.9	1,465.2	560.0	50.0
Current Assets, Loans & Advances				
Inventories	598.3	982.6	1,232.6	1,582.6
Sundry Debtors	1,230.0	1,422.1	2,013.7	2,917.8
Cash and Bank Balance	184.7	448.8	250.0	150.0
Loans and Advances	877.2	1,182.1	1,782.1	2,682.1
sub total	2,890.2	4,035.6	5,278.4	7,332.5
Less : Current Liabilities & Provisions				
Current Liabilities	423.2	700.2	980.3	1,382.2
Provisions	688.9	1,079.2	1,348.4	1,923.3
sub total	1,112.1	1,779.4	2,328.7	3,305.4
Net Current Assets	1,778.1	2,256.2	2,949.8	4,027.1
Total Assets	3,316.2	5,183.8	6,200.2	7,777.6
E-estimates				

IMPORTANT RATIOS				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
(A) Measures of Performance (%)				
Operating Profit Margin (excl. O.I.)	20.0	23.8	20.7	22.3
Operating Profit Margin (incl. O.I.)	22.0	26.1	22.7	23.1
Interest / Sales	1.3	0.5	0.3	0.1
Gross Profit Margin	20.8	25.6	22.5	23.0
Tax/PBT	31.7	26.6	26.0	24.0
Net Profit Margin	13.0	17.7	14.8	15.3

(B) Measures of Financial Status				
Debt / Equity (x)	0.2	0.0	0.0	0.0
Interest Coverage (x)	17.4	58.3	85.7	165.8
Average Cost Of Debt (%)	10.9	14.6	11.6	8.7
Debtors Period (days)	110.3	99.2	100.0	100.0
Closing stock (days)	53.7	68.6	61.2	54.2
Inventory Turnover Ratio (x)	6.8	5.3	6.0	6.7
Fixed Assets Turnover (x)	8.1	6.1	3.2	2.9
Working Capital Turnover (x)	2.3	2.3	2.5	2.6

(C) Measures of Investment				
Earnings Per Share (Rs.) (excl EO)	30.6	50.8	59.2	87.6
Earnings Per Share (Rs.)	30.6	50.8	59.2	87.6
Cash Earnings Per Share (Rs.)	34.6	55.2	69.3	103.8
Dividend Per Share (Rs.)	-	3.5	4.5	4.5
Dividend Payout (%)	0.0	6.9	7.6	5.1
Profit Ploughback (%)	100.0	93.1	92.4	94.9
Book Value (Rs.)	154.0	261.5	315.9	398.8
Return on Avg. Net Worth (%)	39.7	25.0	20.5	24.5
Return on Avg. Cap. Employed (%)	52.3	31.8	27.2	31.7
Return on Cap. Employed (%) (Excl Cash & Invest.)	35.5	36.4	25.2	27.7

(D) Valuation Ratios				
Market Price	1,280	1,280	1,280	1,280
Price / Earnings Ratio (x)	41.9	25.2	21.6	14.6
Market Cap. (Rs. mn.)	22,753.8	24,059.9	24,059.9	24,059.9
Market Capitalisation to Sales (x)	5.6	4.6	3.3	2.3
Enterprise Value (Rs. mn.)	23,054.5	23,776.2	23,981.8	24,082.1
EV/Sales (x)	5.7	4.5	3.3	2.3
EV/EBDITA (x)	25.1	16.9	14.0	9.7
Market Price to Book Value (x)	8.31	4.89	4.05	3.21
Dividend Yield (%)	-	0.27	0.35	0.35
E-estimates				

CMP: Rs 939

Target Price: Rs 1200

Logistics / Buy

Integrated Logistics Player...

Allcargo Global is well poised to take pole position in international logistics with the acquisition of Belgium based ECU line- second largest MTO operator. Its domestic MTO as well as CFS businesses also concur well with its overall strategy to become a global powerhouse in 'Multimodal Transport Operation' (MTO). We believe the company will have twin advantage of revenue growth from CFS capacity expansion and margin improvement due to outsourcing of documentation work of ECU line into India.

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BSE Sensex	17773
NSE Nifty	5185

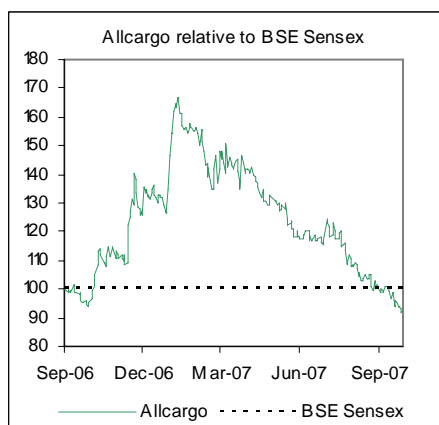
Script Details

Equity	Rs.202mn
Face Value	Rs.10/-
Market Cap	Rs.19.0bn
	US\$476.2mn
52 week High/Low	Rs.1355/686
1-Month Avg. Volume (Daily)	19617
BSE Code	532749
NSE Symbol	ALLCARGO
Bloomberg Code	AGLL IN
Reuters Code	ALGL.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	79.6
MF/Banks/FIs	3.9
FIIIs	3.3
Corporate Bodies	3.7
Public / Others	9.5



Investment Rationale

Pan-India presence through CFS and ICD network

Containerization in India is expected to grow at 15-20% annually led by growing EXIM volumes. Thus Allcargo's addition of five new locations and expansions of the existing CFSs will lead to increased volumes, making it well positioned to benefit from the container traffic growth. We believe the funding of Rs 3.5bn will be financed through an equity issue as considered in the board meeting.

ECU Line acquisition

The synergistic acquisition of ECU line provides expertise and a strong network advantage to Allcargo a port to port service provider. Currently Allcargo enjoys 5.8% EBIT margins in the Indian MTO operations vis-vis 2.2% in its international MTO operations due to higher selling & administrative expenses at ECU line. However, with restructuring and streamlining initiatives like outsourcing of support functions (accounts, documentation ect.) to WNS will lead to net margins improvement of 100 bps in CY09. Currently there are 25 heads sanctioned and the number is expected to go up to 100 in two years time.

Other acquisitions

Allcargo acquired a 100% stake in Hindustan Cargo Limited from Thomas Cook. The company is predominantly in the air freight business where Allcargo doesn't have a significant presence thus benefiting the company to diversify its revenue stream.

Allcargo is also considering the acquisition of Transindia Freight Services Pvt. Ltd. The company owns and operates diverse assets like cranes, trailers, Reach stackers and forklifts. The total equipments owned by the company are close to 300.

Valuation

At CMP, the stock quotes at 18.7x CY07E consolidated EPS of Rs 50. Valuations appear promising in view of robust earnings led by CFS expansions and ECU line integration. We initiate coverage and recommend a buy on the stock with a price target of Rs 1200 over the next 12 months at which it would quote at 19x its CY08E EPS .

Year	Net Sales	% Growth	EBIDTA	OPM(%)	PAT	% Growth	EPS (Rs)	% Growth	PER (x)	ROANW%	ROCE%
CY06	8954	230.0	798	8.9	620.9	25.6	30.6	12.7	30.7	15.7	16.2
CY07E	15915	77.7	1465	9.2	1016.0	63.6	50.1	63.6	18.7	20.9	20.2
CY08E	18860	18.5	1792	9.5	1245.5	22.6	61.4	22.6	15.3	20.7	18.5
CY09E	22398	18.8	2240	10.0	1577.5	26.7	77.8	26.7	12.1	21.0	19.9

E-estimates

INCOME STATEMENT				
	Rs.mn			
Particulars	Dec'06*	Dec'07E	Dec'08E	Dec'09E
Net Sales	8,954.1	15,915.1	18,860.3	22,397.6
Other income	49.8	-	-	-
Total Income	9,003.9	15,915.1	18,860.3	22,397.6
Total Expenditure	8,155.8	14,449.6	17,068.6	20,157.9
Operating Profit (excl. Other Income)	798.3	1,465.5	1,791.7	2,239.8
Operating Profit (incl. Other Income)	848.1	1,465.5	1,791.7	2,239.8
Interest	52.6	49.8	56.6	67.2
Gross Profit	795.6	1,415.6	1,735.1	2,172.6
Depreciation	78.8	176.7	207.5	246.4
Profit Before Tax & EO Items	716.8	1,239.0	1,527.7	1,926.2
Extra Ordinary Exps/(Income)	79.1	-	-	-
Profit Before Tax	795.9	1,239.0	1,527.7	1,926.2
Tax	175.0	223.0	282.2	348.7
Net Profit	620.9	1,016.0	1,245.5	1,577.5

BALANCE SHEET				
Particulars	Dec'06*	Dec'07E	Dec'08E	Dec'09E
Sources of Funds				
Equity Capital	202.9	202.9	202.9	202.9
Employee Stock Options Outstanding	7.7	7.7	7.7	7.7
Reserves (excl Rev Res)	3,737.1	4,661.8	5,816.1	7,302.3
Net Worth	3,947.7	4,864.7	6,018.9	7,505.2
Secured Loans	684.8	1,434.8	2,434.8	2,434.8
Unsecured Loans	91.1	91.1	91.1	91.1
Loan Funds	775.8	1,525.8	2,525.8	2,525.8
Minority Interest	52.6	-	-	-
Deferred Tax Liability	(12.9)	-	-	-
Total Capital Employed	4,763.2	6,390.5	8,544.8	10,031.0

Applications of Funds				
Gross Block	3,407.7	4,747.7	6,847.7	7,697.7
Less: Accumulated Depreciation	670.0	846.7	1,054.1	1,300.5
Net Block	2,737.7	3,901.0	5,793.6	6,397.2
Capital Work in Progress	340.0	100.0	100.0	100.0
Investments	577.9	577.9	577.9	577.9
Current Assets, Loans & Advances				
Inventories	-	-	-	-
Sundry Debtors	1,860.8	3,488.2	4,133.8	4,909.1
Cash and Bank Balance	450.3	240.3	138.9	557.6
Loans and Advances	808.4	808.4	808.4	808.4
Other Current Assets	0.2	0.2	0.2	0.3
<i>sub total</i>	3,119.6	4,537.1	5,081.3	6,275.3
Less : Current Liabilities & Provisions				
Current Liabilities	1,945.2	2,528.7	2,781.6	3,059.7
Provisions	72.8	202.8	232.4	265.6
<i>sub total</i>	2,018.0	2,731.5	3,013.9	3,325.3
Net Current Assets	1,101.7	1,805.6	2,067.3	2,950.0
Misc Expenses	6.0	6.0	6.0	6.0
Total Assets	4,763.2	6,390.5	8,544.8	10,031.0

E-estimates, * 9 months

IMPORTANT RATIOS				
Particulars	Dec'06*	Dec'07E	Dec'08E	Dec'09E
(A) Measures of Performance (%)				
Operating Profit Margin (excl. O.I.)	8.9	9.2	9.5	10.0
Operating Profit Margin (incl. O.I.)	9.4	9.2	9.5	10.0
Interest / Sales	0.6	0.3	0.3	0.3
Gross Profit Margin	8.8	8.9	9.2	9.7
Tax/PBT	22.0	18.0	18.5	18.1
Net Profit Margin	6.9	6.4	6.6	7.0

(B) Measures of Financial Status				
Debt / Equity (x)	0.2	0.3	0.4	0.3
Interest Coverage (x)	16.1	29.4	31.7	33.3
Average Cost Of Debt (%)	6.8	3.3	2.2	2.7
Debtors Period (days)	75.9	80.0	80.0	80.0
Closing stock (days)	0.0	0.0	0.0	0.0
Fixed Assets Turnover (x)	3.3	4.1	3.3	3.5
Working Capital Turnover (x)	8.1	8.8	9.1	7.6

(C) Measures of Investment				
Earnings Per Share (Rs.) (excl EO)	26.7	50.1	61.4	77.8
Earnings Per Share (Rs.)	30.6	50.1	61.4	77.8
Cash Earnings Per Share (Rs.)	34.5	58.8	71.6	89.9
Dividend Per Share (Rs.)	4.5	4.5	4.5	4.5
Dividend Payout (%)	14.7	9.0	7.3	5.8
Profit Ploughback (%)	85.3	91.0	92.7	94.2
Book Value (Rs.)	194.6	239.8	296.7	370.0
Return on Avg. Net Worth (%)	15.7	20.9	20.7	21.0
Return on Avg. Cap. Employed (%)	16.2	20.2	18.5	19.9
Return on Cap. Employed (%) (Excl Cash & Invest.)	17.8	21.0	18.8	21.0

(D) Valuation Ratios				
Market Price - (Rs.)	939.0	939.0	939.0	939.0
Price / Earnings Ratio (x)	30.7	18.7	15.3	12.1
Market Cap. (Rs. mn.)	19,048.4	19,048.4	19,048.4	19,048.4
Market Capitalisation to Sales (x)	2.1	1.2	1.0	0.9
Enterprise Value (Rs.mn.)	19,373.9	20,333.9	21,435.3	21,016.6
EV/Sales (x)	2.2	1.3	1.1	0.9
EV/EBDITA (x)	22.8	13.9	12.0	9.4
Price to Book Value (x)	4.8	3.9	3.2	2.5
Dividend Yield (%)	0.48	0.48	0.48	0.48

E-estimates, * 9 months

CMP: Rs 875

Target Price: Rs 1160

Diversified / Buy

Riding on Multiple horses!!!

Century Textiles offers multiple plays viz. Prime real Estate Development in Mumbai, Upturn in Cement and possible upside from Aditya Birla group re-organization.

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ritesh@dolatcapital.com

BSE Sensex	17773
NSE Nifty	5185

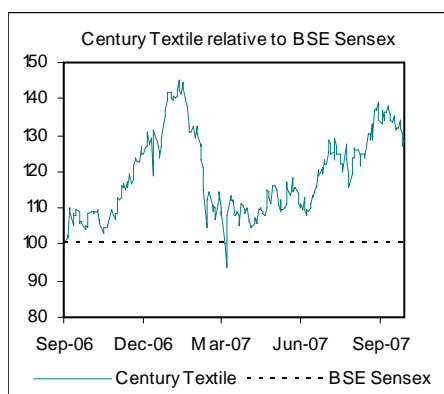
Script Details

Equity	Rs.930mn
Face Value	Rs.10/-
Market Cap	Rs.81.4bn
	US\$2034.4mn
52 week High/Low	Rs.919/432
1-Month Avg. Volume (Daily)	435353
BSE Code	500040
NSE Symbol	CENTURYTEX
Bloomberg Code	CDNTIN
Reuters Code	CNTY.BO

Business Group - Birla BK

Shareholding Pattern as on June'07(%)

Promoter	41.9
MF/Banks/FIs	14.6
FII's	12.1
Corporate Bodies	8.4
Public / Others	23.1



Investment Rationale

Land at a prime location: Century Textiles holds 44 acres of land on a 999 year lease at one of the most prime site in Mumbai – Worli. The existing textile mill has ceased its commercial operation & 95% of 6600 workers have accepted VRS. The SC judgment on the remaining workers is expected by the end of CY2007 & development work is likely to commence there after. Assuming conservative staggered development from FY10-14, FSI of 2x, 15% COC & net realization of Rs.23,000 per sq. ft., we arrive NAV @ Rs 512 per share.

Cement: The Company is in the midst of commissioning 1.5 million tons of capacity to reach to 7.8 million tons. Further, the plans have been firmed up for additional capacity of 3.5 million tons to 11.30 million tons. The current EBIT Margin (31.4%) in cement segments is one of the lowest in the Aditya Birla group. After transferring management to Aditya Birla group, we believe the cement segment would deliver superior results – both Volume driven & Margin expansion.

Textile Business: The “Core” business of textile is in a revamp mode. After shifting to a low cost factory at Bharuch, the company has also re-christened itself by foraying into retailing with one of the most trust worthy brands “Cottons by Century”.

Paper - Reaching Scale: The Company has commenced a recycled paper capacity of 75960 tons in Feb'07, the benefit of which is likely to come in FY08. With improving pricing scenario & further 18% capacity expansion from 197,810 tons to 234,310 tons, we believe paper segment will deliver revenue growth of 28% CAGR during FY07-09E.

The company offers an opportunity to play on multiple businesses. Further it gets more accretive once the re-organization in the Aditya Birla Group takes place. Time lines are however uncertain but but the opportunity remains Realistic. We recommend a buy on the stock with price target of Rs.1160 – 33% upside based on SoTP, over the next 12 months.

Segment	Comments	Value (Rs Mn)
Land	Rs 23,000 per Sq.Ft., Staggered Development over FY10-14, 15% COC	46,269.8
Cement	Based on Ev/Ton of \$ 175	54,600.0
Textile	Assuming PSR of 1x, Capital Output ratio of 1x at an investment of Rs 7.25 billion + 21 million mtrs of Denim	8,450.0
Paper	1.35x Ev/Sales	11,475.0
	Total	120,794.8
Less: Debt		13,003.8
Implied Value		107,791.0
Per Share (Rs)		1,160
CMP (Rs)		875
Upside		33%

INCOME STATEMENT		Rs.mn			
Particulars	Mar'04	Mar'05	Mar'06	Mar'07	
Gross Sales	25,234.6	28,173.5	29,623.7	35,063.1	
Excise	3,274.5	3,612.6	3,841.0	3,661.5	
Revenues	21,960.1	24,560.9	25,782.7	31,401.6	
Other income	1,158.9	836.0	592.7	746.4	
Total Income	23,119.0	25,396.9	26,375.4	32,148.0	
Total Opex	20,135.1	22,371.6	23,008.6	25,156.8	
Operating Profit (excl. Other Income)	1,825.0	2,189.3	2,774.1	6,244.8	
Operating Profit (incl. Other Income)	2,983.9	3,025.3	3,366.8	6,991.2	
Interest	691.3	443.1	413.3	595.2	
Gross Profit	2,292.6	2,582.2	2,953.5	6,396.0	
Depreciation	1,279.7	1,246.1	1,344.7	1,351.9	
Profit Before Tax & EO Items	1,012.9	1,336.1	1,608.8	5,044.1	
Extra Ordinary Exps/(Income)			(424.8)	1,423.7	
Profit Before Tax	1,012.9	1,336.1	2,033.6	3,620.4	
Tax	85.0	110.6	816.2	797.9	
Net Profit	927.9	1,225.5	1,217.4	2,822.5	

BALANCE SHEET		Rs.mn			
Particulars	Mar'04	Mar'05	Mar'06	Mar'07	
Sources of Funds					
Equity Capital	930.4	930.4	930.4	930.4	
Preference Capital					
Reserves (excl Rev Res)	6,867.7	6,618.2	7,336.9	7,608.0	
Net Worth	7,798.1	7,548.6	8,267.3	8,538.4	
Revaluation reserve				-	
Secured Loans	8,531.9	7,063.8	6,967.2	9,298.7	
Unsecured Loans	2,312.9	1,829.3	2,333.9	3,705.1	
Loan Funds	10,844.8	8,893.1	9,301.1	13,003.8	
Deferred Tax Liability/(Asset)	2,028.7	2,430.3	2,771.8	2,584.3	
Total Capital Employed	20,671.6	18,872.0	20,340.2	24,126.5	

Applications of Funds				
Gross Block	28,769.4	29,502.4	30,674.9	35,235.4
Less: Accumulated Depreciation	14,902.0	16,164.8	16,728.9	17,970.6
Net Block	13,867.4	13,337.6	13,946.0	17,264.8
Capital Work in Progress	1,206.5	336.4	1,040.8	1,233.0
Investments	722.5	279.4	159.4	159.4
Current Assets, Loans & Advances				
Inventories	4,695.2	4,425.6	4,909.3	4,743.7
Sundry Debtors	2,092.2	2,078.0	1,682.8	1,969.0
Cash and Bank Balance	375.2	310.9	383.5	1,391.9
Loans and Advances	1,544.4	2,037.9	3,180.2	3,254.9
Other Current Assets				
sub total	8,707.0	8,852.4	10,155.8	11,359.5
Less : Current Liabilities & Provisions				
Current Liabilities	3,352.3	3,268.4	3,740.9	4,128.5
Provisions	479.5	665.4	1,220.9	1,761.7
sub total	3,831.8	3,933.8	4,961.8	5,890.2
Net Current Assets	4,875.2	4,918.6	5,194.0	5,469.3
Misc Expenses				
Total Assets	20,671.6	18,872.0	20,340.2	24,126.5

IMPORTANT RATIOS		Rs.mn			
Particulars	Mar'04	Mar'05	Mar'06	Mar'07	
(A) Measures of Performance (%)					
Operating Profit Margin (excl. O.I.)	8.3	8.9	10.8	19.9	
Operating Profit Margin (incl. O.I.)	12.9	11.9	12.8	21.7	
Interest/ Sales	3.1	1.8	1.6	1.9	
Gross Profit Margin	9.9	10.2	11.2	19.9	
Tax/PBT	8.4	8.3	40.1	22.0	
Net Profit Margin	4.0	4.8	4.6	8.8	

(B) Measures of Financial Status				
Debt / Equity (x)	1.4	1.2	1.1	1.5
Interest Coverage (x)	4.3	6.8	8.1	11.7
Average Cost Of Debt (%)	6.4	5.0	4.4	4.6
Debtors Period (days)	34.8	30.9	23.8	22.9
Closing stock (days)	78.0	65.8	69.5	55.1
Inventory Turnover Ratio (x)	4.7	5.5	5.3	6.6
Fixed Assets Turnover (x)	1.6	1.8	1.8	1.8
Working Capital Turnover (x)	4.5	5.0	5.0	5.7

(C) Measures of Investment				
Earnings Per Share (Rs.) (excl EO)	10.0	13.2	17.7	15.0
Earnings Per Share (Rs.)	10.0	13.2	13.1	30.3
Cash Earnings Per Share (Rs.)	23.7	26.6	27.5	44.9
Profit Ploughback (%)	100.0	100.0	100.0	100.0
Book Value (Rs.)	83.8	81.1	88.9	91.8
Return on Avg. Net Worth (%)	11.9	16.0	15.4	33.6
Return on Avg. Cap. Employed (%)	8.2	9.0	10.3	25.4
Return on Cap. Employed (%) (Excl Cash & Invest.)	8.4	5.1	7.2	21.7

CMP: Rs 293

Target Price: Rs 367

Pharmaceuticals / Buy

Scaling up the value chain...

Dishman Pharma has a de-risked CRAMS model. It's focus on APIs and intermediates and not on formulations does not pose any competition to its customers. Dishman's technology transfer agreement with API manufacturers brings in an opportunity to supply intermediates on a long term basis. The company has successfully signed agreements with several reputed innovator companies based in EU & US. Through Joint Ventures, it has marked its entry in various geographies. Its strategy to synergize operations and leverage on key capabilities would enable it to consolidate its position globally.

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BSE Sensex	17773
NSE Nifty	5185

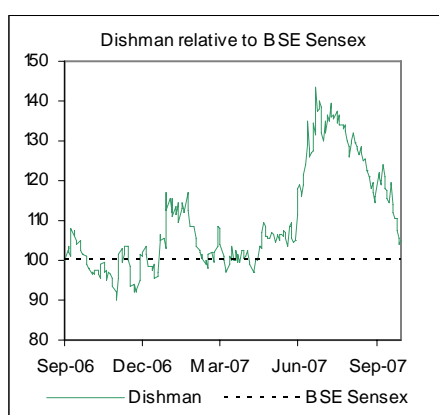
Script Details

Equity	Rs.162mn
Face Value	Rs.2/-
Market Cap	Rs.23.8bn
	US\$596mn
52 week High/Low	Rs.350/188
1-Month Avg. Volume (Daily)	41058
BSE Code	532526
NSE Symbol	DISHMAN
Bloomberg Code	DISH IN
Reuters Code	DISH.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	66.4
MF/Banks/FIs	18.5
FII's	8.5
Corporate Bodies	1.5
Public / Others	5.1



Investment Rationale

CRAMS a US\$ 5 billion Opportunity: The global market size for Contract manufacturing is estimated at US\$ 48 bn growing at 10% p.a. With significant investments in this space, India is poised to be a key player with an estimated market share of US\$ 5bn from the current US\$ 200mn in next ten years with its natural cost advantage and chemistry skills.

Playing its Cards well: The company has been investing aggressively to equip itself with strong technology platforms both onshore and globally. Several acquisitions and tie-ups entered into over the years have created a strong base for Dishman in the CRAMS domain. Integration of Carbogen Amcis (Switzerland Subsidiary) and Synprotec (UK Subsidiary) would result into higher efficiencies and economies of scale. Dishman has entered into several JV's which provides it access to markets other than EU and US, and enables it to bring forth its technological prowess.

Robust Active Pipeline assures traction in earnings over the long term:

Dishman Pharma has long term contracts with AstraZeneca, GSK, Johnson & Merck. During Q1FY08, these have contributed nearly 80% to the Non-Solvay CRAMS revenue. Dishman has signed 20 contracts in CRAMS of which 10-12 contracts are in the active pipeline/ final stages of development. The company is reworking its pricing agreements for the long term contracts in order to combat forex fluctuations.

Recent Strategic Bets:

The Company has set up a new facility in China for manufacturing QUATS which would commence by early FY09 and would cater to high volume low value business while high value QUATS would be manufactured in India. Dishman has acquired Solvay Pharmaceuticals' fine chemicals and vitamin facilities for Euro 12mn and expects the deal closure by end Sep'08. This acquired division, is the only one in the world to have all four known Vitamin analogues. Dishman expects to launch new analogues after FY08-09 after leveraging on this acquisition.

Valuation

We estimate the topline and the bottomline to grow at 45% and 42% CAGR respectively during FY07-09e. At CMP of Rs.293/- the company is trading at an attractive 20.2x FY08E and 12.8x FY09E earnings. We initiate coverage and recommend a BUY rating with a target price of Rs.367/- (at which it would quote at 16x FY09E earnings) over the next 12 months.

Year	Net Sales	% growth	EBIDTA	OPM %	PAT	% growth	EPS(Rs.)	% growth	PER (x)	ROANW %	ROACE %
FY06	2,774.4	48.1	719.5	23.2	508.5	47.2	7.4	47.2	39.6	31.2	15.4
FY07	5,785.7	108.5	1,384.4	19.9	917.1	80.4	12.7	71.5	23.1	37.6	16.0
FY08E	8,406.5	45.3	2,001.9	20.8	1,179.0	28.5	14.5	14.2	20.2	26.8	14.9
FY09E	12,143.8	44.5	2,913.8	20.5	1,860.7	57.8	22.9	57.8	12.8	28.3	17.3

Figure in Rs mn

INCOME STATEMENT				Rs.mn
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Net Sales	2774.4	5785.7	8406.5	12143.8
Other income	77.0	233.1	252.2	425.0
Total Income	2851.4	6018.8	8658.7	12568.8
Total Opex	2132.0	4634.4	6656.8	9655.0
Operating Profit (excl. Other Income)	642.4	1151.3	1749.7	2488.8
Operating Profit (incl. Other Income)	719.5	1384.4	2001.9	2913.8
Interest	59.5	161.6	308.5	364.3
Gross Profit	660.0	1222.8	1693.4	2549.5
Depreciation	120.5	263.1	425.5	527.0
Profit Before Tax & EO Items	539.5	959.7	1267.8	2022.5
Extra Ordinary Exps/(Income)	-0.2	10.6	0.0	0.0
Profit Before Tax	539.7	949.1	1267.8	2022.5
Tax	31.2	31.9	88.9	161.8
Net Profit	508.5	917.1	1179.0	1860.7

BALANCE SHEET				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Sources of Funds				
Equity Capital	137.3	144.4	162.6	162.6
Preference Capital	0.0	0.0	0.0	0.0
Reserves (excl Rev Res)	1670.8	2932.0	5564.6	7276.5
Net Worth	1808.1	3076.4	5727.2	7439.1
Revaluation reserve	77.1	76.9	76.9	76.9
Secured Loans	685.9	3880.7	4703.8	4980.5
Unsecured Loans	2568.9	1728.8	1680.8	2685.8
Loan Funds	3254.8	5609.5	6384.6	7666.3
Deferred Tax Liability/(Asset)	-0.5	108.9	108.9	108.9
Total Capital Employed	5139.5	8871.7	12297.6	15291.2

Applications of Funds				
Gross Block	2190.2	6079.0	7528.8	8328.8
Less: Accumulated Depreciation	440.0	699.1	1124.6	1651.6
Net Block	1750.2	5379.9	6404.2	6677.2
Capital Work in Progress	373.3	649.8	800.0	649.8
Investments	74.8	140.2	140.2	140.2
Current Assets, Loans & Advances				
Inventories	1082.2	2977.8	4203.2	6409.2
Sundry Debtors	863.2	1251.6	2335.1	3710.6
Cash and Bank Balance	1351.8	355.5	976.7	1495.1
Loans and Advances	449.0	839.2	1339.2	1839.2
Other Current Assets	0.0	0.0	0.0	0.0
sub total	3746.2	5424.1	8854.3	13454.1
Less : Current Liabilities & Provisions				
Current Liabilities	656.6	2526.0	3502.7	4891.2
Provisions	159.2	210.9	413.0	753.4
sub total	815.8	2736.9	3915.7	5644.6
Net Current Assets	2930.4	2687.2	4938.7	7809.5
Misc Expenses	10.8	14.6	14.6	14.6
Total Assets	5139.5	8871.7	12297.6	15291.2

E-estimates

IMPORTANT RATIOS				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
(A) Measures of Performance (%)				
Operating Profit Margin (excl. O.I.)	23.2	19.9	20.8	20.5
Operating Profit Margin (incl. O.I.)	25.9	23.9	23.8	24.0
Interest / Sales	2.1	2.8	3.7	3.0
Gross Profit Margin	23.8	21.1	20.1	21.0
Tax/PBT	5.8	3.4	7.0	8.0
Net Profit Margin	18.3	15.9	14.0	15.3

(B) Measures of Financial Status				
Debt / Equity (x)	1.8	1.8	1.1	1.0
Interest Coverage (x)	12.1	8.6	6.5	8.0
Average Cost Of Debt (%)	1.8	2.9	4.8	4.8
Debtors Period (days)	113.6	79.0	101.4	111.5
Closing stock (days)	142.4	187.9	182.5	192.6
Inventory Turnover Ratio (x)	2.6	1.9	2.0	1.9
Fixed Assets Turnover (x)	1.6	1.1	1.3	1.8
Working Capital Turnover (x)	0.9	2.2	1.7	1.6

(C) Measures of Investment				
Earnings Per Share (Rs.) (excl EO)	7.4	12.6	14.5	22.9
Earnings Per Share (Rs.)	7.4	12.7	14.5	22.9
Cash Earnings Per Share (Rs.)	9.2	16.3	19.7	29.4
Dividend Per Share (Rs.)	0.7	1.0	1.2	1.8
Dividend Payout (%)	9.5	8.0	8.0	8.0
Profit Ploughback (%)	90.5	92.0	92.0	92.0
Book Value (Rs.)	26.3	42.6	70.4	91.5
Return on Avg. Net Worth (%)	31.2	37.6	26.8	28.3
Return on Avg. Cap. Employed (%)	15.4	16.0	14.9	17.3
Return on Cap. Employed (%) (Excl Cash & Invest.)	14.1	10.6	11.8	14.4

(D) Valuation Ratios				
Market Price - Average	293.0	293.0	293.0	293.0
Price / Earnings Ratio (x)	39.6	23.1	20.2	12.8
Market Cap. (Rs. mn.)	20,128.2	21,169.0	23,838.9	23,838.9
Market Capitalisation to Sales (x)	7.3	3.7	2.8	2.0
Enterprise Value (Rs. mn.)	22,031.2	26,423.0	29,246.7	30,010.1
EV/Sales (x)	7.9	4.6	3.5	2.5
EV/EBDITA (x)	30.6	19.1	14.6	10.3
Market Price to Book Value (x)	11.13	6.88	4.16	3.20
Dividend Yield (%)	0.24	0.35	0.40	0.62

E-estimates

CMP: Rs 38

Target Price: Rs 53

Telecom / Buy

Gains - tower by tower...!!!

Robust increase in telecom subscriber base coupled with the thrust to expand in new geographies, Indian telecom industry needs to double its existing network within the next 3 years. This entails a huge opportunity for telecom tower companies, in which GTL Infrastructure (GIL) is the best strategic fit amongst the third party infrastructure providers, riding on the expertise of GTL to deploy and effectively manage passive infrastructure requirement of service providers.

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BSE Sensex	17773
NSE Nifty	5185

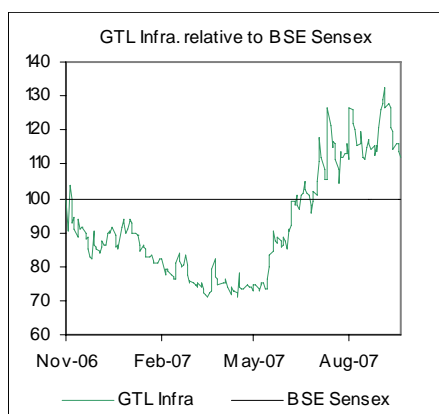
Scrip Details

Equity	Rs.6941mn
Face Value	Rs.10/-
Market Cap	Rs.26.3bn
	US\$657.5mn
52 week High/Low	Rs.43.65/17.78
1-Month Avg. Volume (Daily)	836402
BSE Code	532775
NSE Symbol	GTLINFRA
Bloomberg Code	GTLI IN
Reuters Code	GTLI.BO

Business Group - Global

Shareholding Pattern as on June'07(%)

Promoter	46.5
MF/Banks/FIs	5.3
FII's	5.8
Corporate Bodies	11.1
Public / Others	31.4



Investment Rationale

Strong demand for tower infrastructure for the booming Indian Telecom Sector:

The Indian telecom industry has currently 110000 towers and as per our estimates will require an incremental 185700 towers with an investment of Rs 530 billion by 2010 to support the growing subscriber base. The demand for towers will be driven by the increased coverage requirement, higher minutes of usage and increasing data applications. The demand for towers could further exceed our estimates on account of implementation of new technologies such as 3G and Wimax.

Opportunity for third party infrastructure providers

The thrust on faster network roll out to capture the first mover advantage by service providers has created a strategic space for third party infrastructure providers. The third party infrastructure model not only provides plug and play service for operators but also covers demand risk by reducing the capex for operators.

Leveraging the expertise of GTL

Global Tele Systems Ltd (GTL), the parent company, has a track record of executing 20,000 towers, out of which 15,000 have been setup across India. Consequently, GTL has established relationships with telecom operators on one hand and network OEMs on the other. GTL has been managing the telecom infrastructure for the operators. As the infrastructure business has been hived off to GIL from October 2005, the expertise and local market knowledge would be available with GIL.

Aggressive expansion plan of GIL to roll out 24000 towers by 2011

GIL already has on ground 2000 telecom towers, which is the highest among the third party infrastructure providers. GIL has plans to roll out 24,000 towers by 2011, which would translate into a market share of approximately 8.1% of the total tower requirement. On a milestone basis, GIL has set a target to roll out 6,700 towers by March 2008 and subsequently around 6000 towers each year for the next 3 years.

GIL appears attractive on relative valuation

The recent stake sale of 5% by RTIL at Rs 1400 crore translates into an EV / Tower of Rs 16.8 million. Going forward, RTIL is expected to have a portfolio of 37000 towers by Mar 08, translating into an EV / Tower of Rs 7.3 million on forward basis. GIL's valuation based on EV / Tower works out to Rs 4.7million, which is at a discount of 36% as compared to RTIL.

Comparative Valuation	Current		Mar 08	
	GIL	RTIL	GIL	RTIL
No. Of Towers	2000	16000	6700	37000
EV (In million)	31709	270000	31709	270000
EV/Tower (In million)	15.9	16.88	4.7	7.3

Valuation

Considering that revenue model is annuity based; we have used the DCF valuation method to value GIL. We reiterate our BUY recommendation with a price target of Rs 53, which we expect will be achieved within a time horizon of 9~12 months.

INCOME STATEMENT

Particulars	Rs.mn			
	Mar'07*	Mar'08E	Mar'09E	Mar'10E
Net Sales / Income from Operations	499.6	1,508.3	4,714.6	8,912.3
Total Expenditure	175.4	937.8	2,335.3	3,838.8
Operating Profit excl. OI	324.2	570.5	2,379.2	5,073.5
Other Income	102.2	548.0	200.0	220.0
Interest	106.3	1,064.1	1,424.7	2,748.6
Gross Profit	320.1	54.4	1,154.5	2,544.9
Depreciation	334.1	803.4	1,944.3	3,288.9
Profit Before Tax	(13.9)	(749.0)	(789.8)	(744.0)
Total Tax	217.6	239.3	263.3	289.6
Net Profit	(231.5)	(988.4)	(1,053.1)	(1,033.6)
Bal trf to Reserves	(231.5)	(988.4)	(1,053.1)	(1,033.6)
EPS (Rs)	NA	NA	NA	NA

BALANCE SHEET

Particulars	Rs.mn			
	Mar'07*	Mar'08E	Mar'09E	Mar'10E
Equity	3,328.2	6,941.0	7,712.2	7,712.2
Application money / Share Premium	-	-	3,084.9	-
Reserves	203.4	203.4	203.4	3,288.2
Net Worth	3,531.5	7,144.4	11,000.5	11,000.5
Net Worth (Adjusted for accumulated loss)	3,186.3	5,810.7	8,613.8	7,580.2
Secured Loans	7,120.9	11,201.3	12,991.3	26,927.3
Unsecured Loans	57.1	-	9,526.9	9,526.9
Loan Funds	7,178.0	11,201.3	22,518.2	36,454.2
Deferred Tax Liability	351.6	351.6	351.6	351.6
Capital Employed	11,061.1	18,697.2	33,870.2	47,806.2

Applications of Funds

Gross Block	4,824.8	16,355.0	32,003.5	48,492.6
Acc Depreciation	519.1	1,322.4	3,266.7	6,555.6
Net Block	4,305.8	15,032.5	28,736.7	41,937.0
Capital Work in Progress	5,393.0	2,647.1	2,856.8	2,777.0
Investments	1,304.4	854.4	854.4	854.4

Current Assets, Loans & Advances

Inventories	-	-	-	-
Sundry Debtors	132.2	289.3	775.0	1,220.9
Cash and Bank Balance	304.2	411.0	902.8	492.0
Loans and Advances	547.7	657.2	788.7	946.4
<i>sub total</i>	984.1	1,357.5	2,466.5	2,659.2
Less : Current Liabilities & Provisions				
Current Liabilities	1,270.9	2,527.2	3,429.8	3,839.9
Provisions	0.5	0.8	1.2	1.8
<i>sub total</i>	1,271.4	2,527.9	3,431.0	3,841.7
Net Current Assets	(287.3)	(1,170.5)	(964.5)	(1,182.5)
P&L (loss)	345.3	1,333.7	2,386.7	3,420.3
Total Assets	11,061.1	18,697.2	33,870.2	47,806.2

E-estimates

* - 9 months

IMPORTANT RATIOS

Particulars	Mar'07*	Mar'08E	Mar'09E	Mar'10E
(A) Measures of Performance				
Operating Profit Margin (excl. O.I.) (%)	64.9	37.8	50.5	56.9
Operating Profit Margin (incl OI) (%)	70.9	54.4	52.5	58.0
Interest / Sales (%)	21.3	70.6	30.2	30.8
Gross Profit Margin (%)	53.2	2.6	23.5	27.9
Net Profit Margin (%)	NA	NA	NA	NA

(B) Measures of Financial Status

Debt / Equity (x)	2.0	1.6	2.0	3.3
Interest Coverage (x)	0.9	0.3	0.4	0.7
Debtors Period (days)	96.6	70.0	60.0	50.0
Fixed Assets to Turnover (x)	0.1	0.1	0.2	0.2
Working Capital to Turnover (x)	NA	NA	NA	NA

(C) Measures of Investment

Earnings Per Share (Rs.)	(0.7)	(1.4)	(1.0)	(1.3)
Cash Earnings Per Share (Rs.)	0.3	(0.3)	0.8	2.9
Dividend Per Share (Rs.)	-	-	-	-
Dividend Payout (%)	-	-	-	-
Profit Ploughback (%)	100.0	100.0	100.0	100.0
Book Value (Rs.)	10.6	10.3	10.2	14.3
Return on Avg. Cap. Employed (%)	3.0	3.3	7.6	11.4

(D) Measures of Valuation

CMP - (Rs.)	38.0	38.0	38.0	38.0
Market Cap. (Rs. mn)	12,647.1	26,375.8	29,306.4	29,306.4
Enterprise Value (Rs. mn.)	19,520.9	37,165.6	50,921.7	65,269.5
Market Cap/Sales (x)	25.3	17.5	6.2	3.3
Price/Book Value (x)	3.6	3.7	3.7	2.7
P/E Ratio (x)	(54.6)	(26.7)	(39.0)	(28.4)
EV/EBIDTA	60.2	65.1	21.4	12.9

E-estimates

* - 9 months

CMP: Rs 141

Target Price: Rs 200

Banking / Buy

The Foster Kid...

The potential value unlocking from the investment portfolio, improvement in operational efficiency (on the back of better performance of restructured assets) and recoveries will lead to an improvement in the margins and also earnings. The acquisition of UWB is also expected to benefit the Bank in the long run, due to increase in the Low Cost Deposits, Retail Credit and subsequently margins.

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BSE Sensex	17773
NSE Nifty	5185

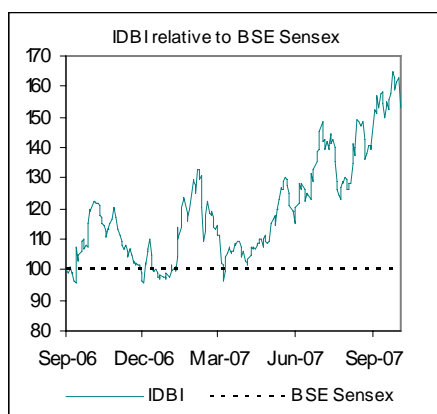
Scrip Details

Equity	Rs.7244 mn
Face Value	Rs.10/-
Market Cap	Rs.102bn
	US\$2553mn
52 week High/Low	Rs.163/66
1-Month Avg. Volume (Daily)	4395730
BSE Code	500116
NSE Symbol	IDBI
Bloomberg Code	IDBI IN
Reuters Code	IDBI.BO

Business Group - Gol - IDBI

Shareholding Pattern as on June'07(%)

Gol	52.7
MF/Banks/FIs	19.5
FII's	9.3
Corporate Bodies	3.9
Public / Others	14.6



Investment Rationale

IFCI corporate developments - an immediate trigger

IDBI owns around 5% of IFCI. IFCI is currently under-going a structural change in its existence with a probable infusion of a strategic partner with a global pedigree with Indian aspirations. IDBI also co-owns with IFCI, structural gems of capital markets like SEBI, NSE, SHCIL, CARE, ISIL, OTCEI and NSDL. It also owns sizable holdings in Money Market institutions like DFHIL, STCIL and CCI.

Potential of value unlocking from the Investments portfolio

Apart from these investments, IDBI owns equity investments in various companies and institutions. The bank has quoted equity investments of Rs 85.1bn (Book Value as on March 2006), with a market value of Rs 85.9bn.

We expect the bank, to monetize a sizeable proportion of its quoted and unquoted investments to restrict this exposure to the regulatory compliance limit by Sept'09. The discounted realizable value of these investments are worth Rs 82.3/ sharel.

UWB acquisition benefits to accrue in the long-run

IDBI's acquisition of UWB (in Oct'2006) is expected to be beneficial over the long run for the bank. The acquisition increased IDBI's network by 230 branches from 195 branches to 425 branches. IDBI can leverage on UWB's widespread network, access to the Low Cost Deposits and expand its Retail Credit Portfolio.

Improved operational performance on recoveries & restructured assets

IDBI has assets of about Rs130bn under a Stressed Assets Stabilisation Fund (SASF), which were transferred at Rs90bn. The Bank is expected to make recoveries from these SASF accounts, and subsequently redeem the zero-interest bearing securities (means improved NIMs).

Plugging the missing pegs

IDBI is also focusing on increasing its Fee Based Income. It has tied up with Fortis Insurance & Federal Bank to form a Life Insurance company, where the Bank holds major stake i.e. 48%. Further, leveraging on corporate relationships, the Bank is expected to increase its offerings and enter businesses such as Assent Management .

Valuation

IDBI's business model is blessed with regulatory forbearance. Its transition to a potential banking monolith has just been initiated with recent induction of Mr. Yogesh Agarwal as Bank's new CMD. The improved operation of the Bank's core business on an efficient business structure - something we feel is a compulsive regulatory conclusion is expected to re-rate the stock.

At the CMP, the stock trades at 12.4x FY09E EPS of Rs11.3, 1.1x FY09E Book Value of Rs 129.7 and 1.2x FY09E Adj. Book Value of Rs122.1. **We reiterate our Buy recommendation on the stock with a revised target price of Rs 200 over next 12 months.**

Year	NII	% Growth	Net Profit	% Growth	NIM(%)	EPS(Rs)	PER(x)	P/BV(x)	P/ABV(x)	ROANW(%)	ROAA(%)
FY06	3,798.9	102.2	5,609.4	82.6	0.5	7.7	18.2	1.6	1.8	9.1	0.7
FY07	6,579.3	73.2	6,303.1	12.4	0.7	8.7	16.2	1.2	1.3	8.6	0.7
FY08E	9,763.9	48.4	7,108.2	12.8	0.9	9.8	14.4	1.2	1.3	8.3	0.6
FY09E	13,053.5	33.7	8,218.3	15.6	1.1	11.3	12.4	1.1	1.2	9.0	0.6

Figure in Rs mn

INCOME STATEMENT

	Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Interest Income	53,807	63,454	79,095	94,297
Interest Expenses	50,008	56,875	69,332	81,244
Net Interest Income	3,799	6,579	9,764	13,053
Other Income	12,804	10,272	9,233	9,660
Operating Income	16,603	16,851	18,997	22,714
Operating Expenses	8,595	7,785	8,564	9,388
Operating Profit	8,009	9,066	10,434	13,326
Provisions and Contingencies	2,125	2,240	2,071	2,923
Profit before Tax	5,883	6,826	8,363	10,403
Provision for Tax	274	523	1,254	2,185
Profit after Tax	5,609	6,303	7,108	8,218

BALANCE SHEET

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Sources of Funds				
Equity Capital	7,247	7,248	7,249	7,250
Reserver & Surplus	56,474	75,751	80,822	86,730
Net Worth	63,721	82,999	88,071	93,980
Deposits	260,009	433,540	602,647	809,303
Borrowings	475,302	424,044	408,193	389,758
Other Liabilities	86,616	97,810	105,121	104,674
Total Liabilities	885,648	1,038,393	1,204,031	1,397,714
Application of Funds				
Cash & Balance with RBI	26,801	54,065	55,419	57,918
Bal. with Banks/ Short Notice	26,827	15,046	15,871	16,485
Advances	527,391	624,708	755,897	914,358
Investments	253,505	256,753	283,783	309,711
Fixed Assets	8,109	27,784	26,223	23,632
Other Assets	43,015	60,037	66,838	75,610
Total Assets	885,648	1,038,393	1,204,031	1,397,714

E-estimates

IMPORTANT RATIOS

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Valuation				
EPS (Rs)	7.7	8.7	9.8	11.3
Book Value (Rs)	88.0	114.6	121.6	129.7
Adj. Book Value (Rs)	80.2	104.6	112.6	122.1
PER (x)	18.2	16.2	14.4	12.4
PBV (x)	1.6	1.2	1.2	1.1
PABV (x)	1.8	1.3	1.3	1.2
Profitability (%)				
RoANW	9.1	8.6	8.3	9.0
RoAA	0.7	0.7	0.6	0.6
Cost / Income Ratio	51.8	46.2	45.1	41.3
Cost / Avg. Earning Assets	1.1	0.9	0.8	0.8
Avg. yield on Advances	9.0	9.1	9.7	9.6
Avg. yield on Investments	3.4	3.9	4.3	4.3
Avg. cost on Deposits	4.4	5.7	5.7	5.6
Spread	-0.5	0.0	0.3	0.5
Net Interest Margin	0.5	0.7	0.9	1.1
Growth (%)				
Net Interest Income	102.2	73.2	48.4	33.7
Other Income	104.2	(19.8)	(10.1)	4.6
Operating Profit	121.8	13.2	15.1	27.7
Net Profit	82.6	12.4	12.8	15.6
Credit	16.1	18.5	21.0	21.0
Deposit	72.2	66.7	39.0	34.3
C/D ratio	202.8	144.1	125.4	113.0
Investment / Deposit Ratio	97.5	59.2	47.1	38.3
Asset Quality				
NPAs as % to Net Advances (%)	1.0	1.1	0.9	0.6
Dividend				
DPS (Rs)	1.5	1.5	2.0	2.3
Capital Adequacy (%)				
CAR	14.8	13.7	13.1	12.0
Efficiency				
Avg. Business per Employee (Rs mn)	153.1	201.6	262.4	329.6
Avg Profit per Employee (Rs lakh)	9.5	13.0	14.6	16.4

E-estimates

CMP: Rs149

Target Price: Rs 222

Financial Institution / Buy

India's Own Macquarie...!!!

IDFC was a creation to finance India's Infrastructure appetite. The fleet footed monolith is evolving its business model to refine if self as an Infrastructure Investment Bank. IDFC is well positioned with its management model and domain expertise to play the entire Infrastructure opportunity as an Investment Bank – with a sizeable component of fee based income. We expect IDFC's valuations to increasingly factor this business model migration.

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BSE Sensex	17773
NSE Nifty	5185

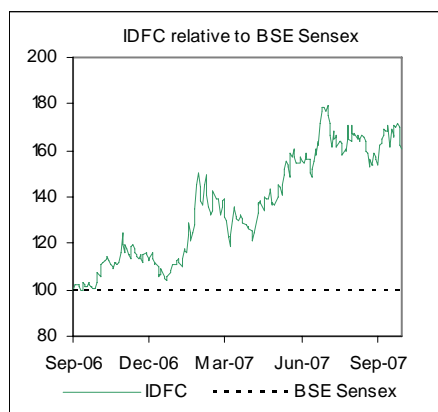
Scrip Details

Equity	Rs.12942mn
Face Value	Rs.10/-
Market Cap	Rs.192.8bn
	US\$4820.9mn
52 week High/Low	Rs.158/65
1-Month Avg. Volume (Daily)	2921783
BSE Code	532659
NSE Symbol	IDFC
Bloomberg Code	IDFCIN
Reuters Code	IDFC.BO

Business Group - Govt of India

Shareholding Pattern as on June'07(%)

Govt of India	23.2
MF/Banks/FIs	16.5
FIs	49.8
Corporate Bodies	2.4
Public / Others	8.2



Investment Rationale

Infrastructure boom – IDFC the natural beneficiary: India is expected to continue its infrastructure boom in the next 3-4 years. Govt plans to spend Rs 14500bn during the 11th plan (2007-2012), thus increasing infrastructure spend to 8% by 2012 of GDP from currently 4.5% of GDP. The change in Government policy, allows the entry of private players followed by concessions, which creates massive opportunity in infrastructure. IDFC is the natural beneficiary being a dominant player in the infrastructure segment.

Strong Domain Expertise: IDFC is one of the best plays from the infrastructure perspective in India, primarily on the back of its domain expertise in the various sectors. IDFC would leverage expertise to boost its Syndication, Advisory, Capital Market and Fund Management businesses. Its positioning as a specialist infrastructure institution has helped it develop a sharp focus in areas such as project appraisal.

Migration of business model to Infrastructure Investment Bank: IDFC is gradually diversifying its revenue stream from lending spreads to the fee based income. The company has made a smart move by developing the capabilities in fee-generation segments viz. Asset management and the investment banking to mitigate the risk of the rising interest rates.

Strong Risk Management system: IDFC has very rigorous risk management, which involves assessment of latent risks to scrutinize projects on a continual basis. Along with it the domain expertise in various segments enables the company to have one of the best asset quality in the industry. The company's Gross NPAs stood at Rs 300 mn (0.2%) and Net NPAs are nil.

Valuation

The continued growth momentum in infrastructure spending in India makes IDFC a natural beneficiary. The gradual diversification of its revenue stream towards fee based income, to mitigate risk of rising interest rates is expected to benefit the company.

At the CMP, the stock trades at 23.8X, FY09E EPS of Rs 6.2, 3.2X FY09E Book Value of Rs 47.3 and 3.2X FY09E Adj. Book Value of Rs 47. We initiate coverage on the stock and recommend a BUY with a 12 month Target Price of Rs 222 at which it would quote at 4.7x of its FY09E book value.

	Income from Operations	Growth (%)	NIM (%)	PAT	Growth (%)	EPS (Rs)	Growth (%)	PER (x)	PBV (x)	PABV (x)	ROANW (%)	ROAA (%)
FY06	10,475.4	38.2	2.7	3,907.6	26.3	3.5	12.6	42.8	6.5	6.5	17.5	3.8
FY07	15,711.7	49.2	2.5	5,039.2	29.0	4.5	28.6	33.3	5.7	5.7	18.3	3.4
FY08E	23,494.0	49.6	2.6	6,307.7	25.2	4.9	8.8	30.6	3.5	3.5	14.9	3.0
FY09E	29,205.3	24.1	2.7	8,096.4	28.4	6.2	28.4	23.8	3.2	3.2	13.9	2.9

Figures in Rs mn

INCOME STATEMENT				
	Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Income from Operations	10,475	15,712	23,494	29,205
Infrastructure Operation	9,592	14,314	21,411	26,566
Treasury operations	883	1,398	2,083	2,640
Other Mis. Income	21	127	190	215
Total Income	10,496	15,839	23,684	29,420
- Interest Expense and other charges	5,008	8,555	11,585	15,538
Net Operating Income	5,488	7,284	12,099	13,883
Total Operating Expenses	546	821	1,057	1,245
- Staff Expenses	315	480	648	806
Other Expenses	232	341	408	439
Operating Profit	4,942	6,463	11,043	12,638
Provisions and Contingencies	516	174	1,852	1,001
Profit Before Tax	4,426	6,289	9,191	11,636
Tax	517	1,368	3,033	3,840
Profit After Tax	3,910	4,921	6,158	7,796
Share of profit of Minority Interest	2	118	150	300
Profit After Tax	3,908	5,039	6,308	8,096

BALANCE SHEET				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Liabilities				
Capital	11,225	11,259	12,955	12,955
Reserves and Surplus	14,460	18,217	42,131	48,285
Networth	25,685	29,476	55,086	61,240
Loan Funds	93,802	149,028	188,369	248,603
- Subordinated Debt	6,500	6,500	7,500	8,500
- Unsecured Loans	87,302	142,528	180,869	240,103
Total Liabilities	119,487	178,505	243,455	309,843
Assets				
Investments	12,991	23,902	33,736	37,000
— Infrastructure Investments	4,840	6,452	15,236	17,500
— Treasury Investments	8,150	17,451	18,500	19,500
Infrastructure Loans	101,909	139,184	192,770	255,421
Gross Block	770	794	1,344	1,894
Less: Depreciation	263	305	352	405
Net Block	508	489	992	1,489
Current Assets, Loans and Advances	7,869	18,437	20,771	22,763
Current Liabilities and Provisions	4,519	5,335	6,283	8,049
Net Current Assets	3,350	13,102	14,488	14,714
Deferred Tax Assets	794.1	856.9	500	250
Goodwill on Consolidation	0	969.2	969.2	969.2
Total Assets	119,487	178,505	243,455	309,843
E-estimates				

IMPORTANT RATIOS				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Valuation				
EPS	3.5	4.5	4.9	6.2
Book Value	22.9	26.2	42.5	47.3
Adj. Book Value	22.9	26.2	42.2	47.0
P/E	42.8	33.3	30.6	23.8
P/BV	6.5	5.7	3.5	3.2
P/ABV	6.5	5.7	3.5	3.2
Profitability Ratio's				
ROANW	17.5	18.3	14.9	13.9
ROAA	3.8	3.4	3.0	2.9
Growth				
Infrastructure Operations	38.2	49.2	49.6	24.1
Total Income	41.4	50.9	49.5	24.2
Net Profit	26.3	29.0	25.2	28.4
Spread Ratios				
Yield on Infrastructure Loan Assets (B)	8.34	9.34	9.65	9.40
Cost of Loan Funds (A)	6.28	7.05	7.11	7.11
Spread (B-A)	2.06	2.30	2.54	2.29
Net Interest Margin (%)	2.69	2.46	2.56	2.66
Gross NPA	509.2	300.0	481.9	574.7
Net NPA	-	-	384.3	407.0
Net NPA (%)	-	-	0.2	0.2
CAR	25.6	20.4	21.1	19.9
Tier I	19.2	16.1	17.3	16.3
Tier II	6.4	4.3	3.9	3.6
E-estimates				

Jain Irrigation Systems Ltd.

DOLAT CAPITAL

CMP: Rs 550

Target Price: Rs 690

Agri-Processing / Buy

Happy Harvest...

Agricultural growth is on the top of GOI's agenda since the last couple of years. The plan outlay towards state funded irrigation projects, subsidies and soft loans offer a sustainable business growth opportunity for Irrigation companies. With over two decades of established franchise and execution bandwidth – Jain Irrigation (JISL) is poised to benefit with a lion's share of this opportunity. In addition to the above, overseas acquisitions are estimated to contribute nearly 15% of total revenue by FY09. We feel JISL is a structural story which offers a good proxy on the evolution of the missing peg of growth opportunity in the Indian agronomy.

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BSE Sensex	17773
NSE Nifty	5185

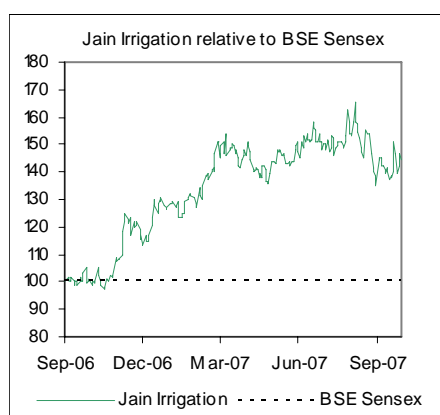
Script Details

Equity	Rs.690mn
Face Value	Rs.10/-
Market Cap	Rs.38bn
	US\$950mn
52 week High/Low	Rs.568/265
1-Month Avg. Volume (Daily)	42605
BSE Code	500219
NSE Symbol	JISLJALEQS
Bloomberg Code	JI IN
Reuters Code	JAIR.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	30.5
MF/Banks/FIs	12.2
FIs	40.2
Corporate Bodies	3.0
Public / Others	14.2



Investment Rationale

Strong inorganic growth

Revenue from the companies acquired last year (primarily engaged in MIS business) i.e. Naandan, Acquarius, Chapin etc is estimated to be USD100mn by FY09. Acquisition of Cascade Specialities, USA (engaged in onion dehydration) will enable the company to reach #3 position globally. The acquisition has opened the gates of business with MNCs.

Higher Budgetary Allocations:- GOI's target to achieve 4% agriculture growth under the XIth Plan compared to the current 2.3%, has led to a 54% higher allocation under the accelerated irrigation benefit programme (AIBP) in the recent budget.

Aggressive Execution Targets:- As per Micro Irrigation task force's recommendation, by the end of the XIth Plan, 18.3mn hectares of land is required to be brought under Micro Irrigation system (MIS) from 1.2mn hectares at the beginning of Xth Plan at a cost of Rs615bn. JISL being the leader in MIS with a 40% market share at the national level will be the biggest beneficiary of this huge opportunity. Revenue from MIS business rose 75% yoy during FY07. By FY09 MIS business (along with overseas acquisitions) is estimated to contribute more than 40% to total revenue.

Piggybacking on demand from infrastructure sector in PVC/PE pipes business

Natural Gas Production is estimated to double by 2009 & demand for telecom cable ducting is estimated to increase to around 250000 Kms. Jain Irrigation also plans to further penetrate the urban and commercial applications for its PVC Piping Systems, focusing on India's increasing need for housing, sewerage, water supply and telecommunications infrastructure.

Integrated model in food processing

The Company targets to achieve further vertical integration of its activities in the agri-supply chain through expanded upstream contract farming arrangements to support the downstream Agro-Processed Products business. This will enable the company to scale up its food processing business in a significant way.

Valuation

With its direct ride on indian agronomy, JISL at Rs.550 offers a good growth adjusted value at 0.8x PEG. **We maintain BUY on the stock with a price target of Rs690 over the next 12 months.**

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY06	8426.4	40.4	1286.2	15.3%	615.8	173.9	8.2	121.6	67.1	29.5	17.0
FY07E	12389.8	47.0	1793.3	14.5%	836.2	35.8	13.4	63.4	41.0	31.1	16.2
FY08E	20508.9	65.5	3286.3	16.0%	1352.8	61.8	19.6	46.3	28.1	27.0	21.2
FY09E	26046.3	27.0	4507.0	17.3%	2026.1	49.8	29.4	50.0	18.7	22.6	22.7

Figure in Rs mn

INCOME STATEMENT		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Net Sales	8,941.4	13,046.9	21,527.4	27,339.9	
Other income	256.7	304.7	210.0	250.0	
Total Income	8,683.2	12,694.6	20,718.9	26,296.3	
Total Opex	7,140.2	10,596.5	17,222.6	21,539.3	
Operating Profit (excl. Other Income)	1,286.2	1,793.3	3,286.3	4,507.0	
Operating Profit (incl. Other Income)	1,543.0	2,098.0	3,496.3	4,757.0	
Interest	504.1	712.5	980.0	1,130.0	
Gross Profit	1,038.8	1,385.5	2,516.3	3,627.0	
Depreciation	267.3	337.0	435.0	510.0	
Profit Before Tax & EO Items	771.6	1,048.5	2,081.3	3,117.0	
Extra Ordinary Exps/(Income)	135.8	6.5	-	-	
Profit Before Tax	635.8	1,042.0	2,081.3	3,117.0	
Tax	19.9	205.8	728.4	1,091.0	
Net Profit	615.8	836.2	1,352.8	2,026.1	

BALANCE SHEET		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Sources of Funds					
Equity Capital	584.1	617.5	690.0	690.0	
Preference Capital	-	-	-	-	
Reserves (excl Rev Res)	1,634.5	2,540.2	6,170.3	10,403.9	
Net Worth	2,218.6	3,157.7	6,860.3	11,093.9	
Revaluation reserve	-	-	-	-	
Secured Loans	5,287.3	6,803.1	7,446.2	7,100.0	
Unsecured Loans	2,728.3	2,771.6	2,771.6	3,000.0	
Loan Funds	8,015.5	9,574.7	10,217.8	10,100.0	
Deferred Tax Liability/(Asset)	(730.3)	(535.8)	(535.8)	(535.8)	
Minority Interest	-	104.2	104.2	104.2	
Total Capital Employed	9,503.8	12,300.9	16,646.5	20,762.3	

Applications of Funds				
Gross Block	6,429.6	9,288.6	11,088.6	12,588.6
Less: Accumulated Depreciation	2,385.5	2,822.8	3,257.8	3,767.8
Net Block	4,044.1	6,465.8	7,830.8	8,820.8
Capital Work in Progress	418.0	791.6	791.6	791.6
Investments	200.1	200.1	304.3	1,304.8
Current Assets, Loans & Advances				
Inventories	2,686.1	4,697.0	7,750.0	9,842.5
Sundry Debtors	2,163.4	3,584.8	5,914.9	7,511.9
Cash and Bank Balance	2,389.9	443.1	496.1	670.0
Loans and Advances	788.5	1,161.7	1,916.8	2,434.3
Other Current Assets	57.2	101.0	130.0	166.0
sub total	8,085.0	9,987.6	16,207.8	20,624.7
Less : Current Liabilities & Provisions				
Current Liabilities	2,941.5	4,860.8	8,020.3	10,185.8
Provisions	301.8	283.4	467.6	593.8
sub total	3,243.3	5,144.2	8,487.9	10,779.6
Net Current Assets	4,841.7	4,843.4	7,719.9	9,845.1
Misc Expenses	-	-	-	-
Total Assets	9,503.8	12,300.9	16,646.5	20,762.3

E-estimates

IMPORTANT RATIOS		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
(A) Measures of Performance (%)					
Operating Profit Margin (excl. O.I.)	15.3	14.5	16.0	17.3	
Operating Profit Margin (incl. O.I.)	17.8	16.5	16.9	18.1	
Interest / Sales	6.0	5.8	4.8	4.3	
Gross Profit Margin	12.0	10.9	12.1	13.8	
Tax/PBT	3.1	19.8	35.0	35.0	
Net Profit Margin	7.1	6.6	6.5	7.7	

(B) Measures of Financial Status				
Debt / Equity (x)	3.6	3.0	1.5	0.9
Interest Coverage (x)	3.1	2.9	3.6	4.2
Average Cost Of Debt (%)	6.3	7.4	9.6	11.2
Debtors Period (days)	93.7	105.6	105.3	105.3
Finished Goods Inventory (days)	0.0	0.0	0.0	0.0
Closing stock (days)	116.4	138.4	137.9	137.9
Inventory Turnover Ratio (x)	3.1	2.6	2.6	2.6
Fixed Assets Turnover (x)	2.1	1.9	2.6	3.0
Working Capital Turnover (x)	1.7	2.6	2.7	2.6

(C) Measures of Investment				
Earnings Per Share (Rs.) (excl EO)	8.2	13.4	19.6	29.4
Earnings Per Share (Rs.)	10.5	13.5	19.6	29.4
Cash Earnings Per Share (Rs.)	15.1	19.0	25.9	36.8
Dividend Per Share (Rs.)	2.1	2.5	3.4	4.4
Dividend Payout (%)	19.4	18.5	17.2	14.9
Profit Ploughback (%)	80.6	81.5	82.8	85.1
Book Value (Rs.)	38.0	51.1	99.4	160.8
Return on Avg. Net Worth (%)	29.5	31.1	27.0	22.6
Return on Avg. Cap. Employed (%)	17.0	16.2	21.2	22.7
Return on Cap. Employed (%) (Excl Cash & Invest.)	14.7	12.5	18.0	21.3

(D) Valuation Ratios				
Market Price	550.00	550.00	550.00	550.00
Price / Earnings Ratio (x)	52.2	40.6	28.1	18.7
Market Cap. (Rs. mn.)	32,126.8	33,964.2	37,950.0	37,950.0
Market Capitalisation to Sales (x)	3.8	2.7	1.9	1.5
Enterprise Value (Rs. mn.)	37,752.5	43,095.8	47,671.7	47,380.0
EV/Sales (x)	4.5	3.5	2.3	1.8
EV/EBDITA (x)	24.5	20.5	13.6	10.0
Market Price to Book Value (x)	14.48	10.76	5.53	3.42
Dividend Yield (%)	0.37	0.46	0.61	0.80

E-estimates

Maruti Suzuki India Ltd. (MSIL)

DOLAT CAPITAL

CMP: Rs 1034

Target Price: Rs 1254

Automobile / Accumulate

Men are back...!!!

MSIL has continued to maintain its dominance in the passenger car segment, despite the brewing competitive landscape. Owing to the company's dynamic stance, it has revamped its product portfolio in its marquee segments so as to adapt to the changing preferences of the Indian consumer. In the exports segment, MSIL has mapped out an impressive growth strategy (~ 72% CAGR – FY07-10) via introduction of a new export oriented model by 2009, primarily targeted for European countries along with increasing geographic presence in non European market with its existing models. The Rs 90 bn capex plan would go towards expansions and upgradation across all its facilities.

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BSE Sensex	17773
NSE Nifty	5185

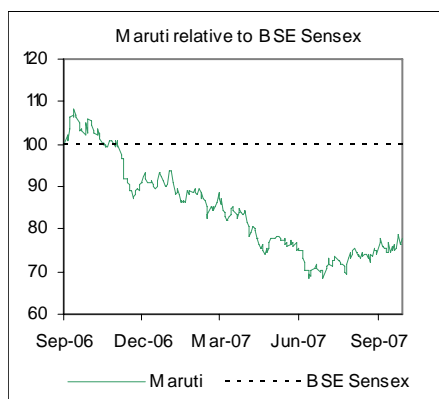
Script Details

Equity	Rs.1,445mn
Face Value	Rs.5/-
Market Cap	Rs.299bn
	US\$7475mn
52 week High/Low	Rs.1038/713
1-Month Avg. Volume (Daily)	239520
BSE Code	532500
NSE Symbol	MARUTI
Bloomberg Code	MULIN
Reuters Code	MRTI.BO

Business Group - MNC Associate

Shareholding Pattern as on June'07(%)

Promoter	58.7
MF/Banks/FIs	22.8
FIs	12.9
Corporate Bodies	2.8
Public / Others	2.9



Investment Rationale

Revamped product portfolio to facilitate sustainable growth

The compact car segment (~ 58% industry share) has registered CAGR of 27% over the past six years. MSIL has managed to maintain its leadership position in this segment with a 58% market share. The new models/variants launches in the A2 segment have been timely so as to circumvent product fatigue. With the combination of contemporary styling and competitive pricing resulting from high localization (90 to 95%), MSIL has ensured that its dominance in this segment would be maintained. In the compact car segment, we expect 17% CAGR in domestic volumes between FY07-09.

With the increasing per capita income, consumers have upgraded to higher price points. MSIL is looking to augment its presence in the A3 segment (16% market share) with the launch of the SX-4. The company has recently announced its plans to introduce a sedan by Q4FY08, which we feel would be a replacement for the fatigued Esteem.

Exports expected to zoom

MSIL accounts for 28% of the industry exports in the passenger vehicle segment for FY 07. During the last couple of years, MSIL has increased focus on sales to non-european countries such as Africa, Middle-East, South-East Asia and North America. MSIL has aggressive plans of increasing exports of its existing models to these countries and simultaneously introduce an export oriented model which is primarily targeted at European countries. By FY10, MSIL is optimistic of exporting 2 lac units translating into 72% CAGR over FY07-10.

Massive capex plans across all facilities

MSIL has outlined a Rs 90 bn capex over 4 to 5 years, spread across all its facilities. The company plans to spend 40 bn at its Gurgaon plant for setting up a die casting facility and upgradation of existing facilities. Production facility at Manesar plant would be ramped up from 1 lac units to 3 lac units, which will entail a cost of Rs 25 bn. The diesel engine plant capacity would be taken to 3 lac units from the current 1 lac with a capex cost of Rs 25 bn. Considering, all its facilities are running at peak capacities, the expansion is much needed for supporting future growth. The capex funding would be solely through internal accruals.

Valuation

At CMP, MSIL currently trades at 15.1x FY09E core EPS of Rs 69. We initiate coverage and recommend a BUY with a 12 months price target of Rs 1254 based on 16x FY09E core EPS + Rs 150 per share for cash/investments.

Year	Net Sales	% Growth	EBITDA	OPM-%	PAT	% Growth	EPS (Rs)	% Growth	PER (X)	ROANW-%	ROACE-%
FY06	120,034	10.0	16,266	13.6	11,891	36.7	41	36.7	25.1	24.2	33.3
FY07	145,922	21.6	19,904	13.6	15,620	31.4	54	31.4	19.1	25.4	34.4
FY08E	170,390	16.8	23,051	13.5	17,245	10.4	60	10.4	17.3	20.0	30.3
FY09E	197,385	15.8	26,959	13.6	19,795	14.8	69	14.8	15.1	22.1	29.0

Figure in Rs mn

INCOME STATEMENT

Rs.mn

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Net Sales	120,034	145,922	170,390	197,385
Income from Services	488	617	679	747
Total Income	120,522	146,539	171,069	198,131
Operating Expenses	104,256	126,635	148,018	171,172
Operating Profit (excluding O.I.)	16,266	19,904	23,051	26,959
Other income	4,292	5,984	6,104	6,104
Operating Profit (including O.I.)	20,558	25,888	29,155	33,063
Interest	204	376	675	675
Gross Profit	20,354	25,512	28,480	32,388
Depreciation	2,854	2,714	3,666	4,109
Profit Before Tax	17,500	22,798	24,814	28,279
Tax	5,609	7,178	7,568	8,484
Net Profit	11,891	15,620	17,245	19,795

BALANCE SHEET

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Sources Of Funds				
Equity Capital	1,445	1,445	1,445	1,445
Reserves	48,840	62,853	78,798	97,292
Net Worth	54,526	68,539	80,243	98,737
Secured Loans	717	635	635	635
Unsecured Loans	-	5,673	5,673	5,673
Loan Funds	717	6,308	6,308	6,308
Deferred Tax Liability	1,990	2,776	3,886	4,275
Total Sources of Funds	57,233	77,623	90,437	109,320

Application Of Funds				
Gross Block	49,546	61,468	81,468	101,468
Depreciation	32,594	34,871	38,537	42,647
Net Block	16,952	26,597	42,931	58,821
Cap. Work-in-Progress	920	2,389	3,000	4,000
Investments	20,512	34,092	34,092	34,092
Current Assets				
Inventories	8,812	7,132	9,842	10,630
Sundry Debtors	6,461	7,474	8,865	10,063
Cash and Bank Balance	14,016	14,228	7,934	8,760
Loans and Advances	7,662	9,241	11,075	13,422
Other Current Assets	458	384	422	465
Current Assets-Sub total	37,409	38,459	38,138	43,339
Current Liabilities & Provision				
Current Liabilities	15,058	20,110	24,005	27,099
Provisions	4,713	4,905	5,150	5,408
Current Liabilities & Provisions-Sub total	19,771	25,015	29,155	32,507
Net Current Assets	17,638	13,444	8,983	10,833
Deferred Tax Asset	1211	1101	1431.3	1574.43
Total Assets	57,233	77,623	90,437	109,320

E-estimates

IMPORTANT RATIOS

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Excise/Gross Sales	18.4	14.9	14.3	14.3
Net Raw Material Cost/net sales	76.1	75.0	75.0	75.0
Power & Fuel/net sales	0.5	0.7	0.7	0.7
Employee Cost/net sales	1.9	2.0	2.1	2.0
Other Mfg exp/net sales	1.5	0.7	0.8	0.7
Selling & Distribution & Admin exp/net sales	5.6	6.8	6.7	6.7
Other Expenses/net sales	1.2	1.6	1.7	1.6

Operational Performance-%

Operating Profit Margin (excl. O.I.)	13.6	13.6	13.5	13.6
Operating Profit Margin (incl. O.I.)	17.1	17.7	17.1	16.8
Other Income/net sales	3.6	4.1	3.6	3.1
Interest / Sales (x)	0.2	0.3	0.4	0.3
Dep/Gross Block (x)	5.8	4.4	4.5	4.1
Gross Profit Margin	17.0	17.5	16.7	16.4
Tax/PBT	32.1	31.5	30.5	30.0
Net Profit Margin	9.9	10.7	10.1	10.0

Financial Performance

Average Cost Of Debt (%)	10.8	10.7	10.7	10.7
Debtors Period (days)	18.9	17.4	17.5	17.5
Closing stock (days)	30.1	26.1	24.0	25.0
Fixed Assets Turnover (x)	7.1	5.5	4.0	3.4
Creditors Period (days)	61.9	72.4	63.0	63.0
Non-Cash Working Capital	3622.0	-784.0	1049.2	2072.1
Current Ratio (x)	1.9	1.5	1.3	1.3

Other Ratios

Debt / Equity (x)	0.01	0.09	0.08	0.06
Interest Coverage (x)	100.8	68.9	43.2	49.0
Return on Avg. Net Worth (%)	24.2	25.4	20.0	22.1
Return on Avg. Cap. Employed (%)	33.3	34.4	30.3	29.0

Per Share Data

EPS-(Rs)	41.1	54.0	60	69
CEPS-(Rs)	51.0	63.4	72.4	82.7
Dividend Payout (%)	70%	90%	90%	90%
Book Value (Rs.)	188.7	237.2	277.7	341.7

Valuation Ratios

Market Price (Rs.)	1034	1034	1034	1034
PER (x)	25.1	19.1	17.3	15.10
Market Cap. (Rs. mn.)	298,826	298,826	298,826	298,826
Market Cap/Sales (x)	2.5	2.0	1.75	1.51
Enterprise Value (Rs. mn.)	285,527	290,906	297,200	296,374
EV/Sales (x)	2.4	2.0	1.74	1.50
EV/EBDITA (x)	17.6	14.6	12.89	10.99

E-estimates

CMP: Rs 71

Target Price: Rs 96

Shipping / Buy

Sailing Profits...!!!

With an efficient operative, management and financial structure, MLL is poised to capture the upside from a firm freight cycle in dry bulk carriers and offshore rigs. We expect the stock to be re-rated on the back of improved predictability of financial numbers and acceptance of MLL's superior management model (innovation, risk management and unconventional yet effective strategic approach to business). The proposed listing in Singapore should further enhance the PER multiple of the consolidated entity.

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BSE Sensex	17773
NSE Nifty	5185

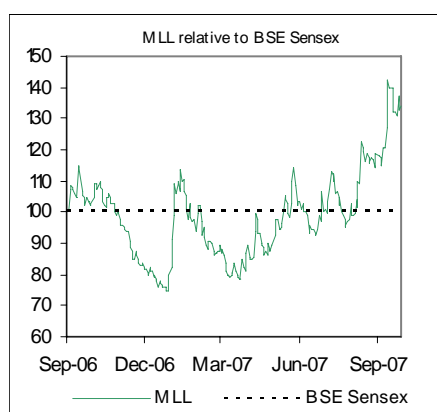
Scrip Details

Equity	Rs.241.1mn
Face Value	Re.1/-
Market Cap	Rs.17.1bn US\$428mn
52 week High/Low	Rs.79.5/31.2
1-Month Avg. Volume (Daily)	1233033
BSE Code	526235
NSE Symbol	MLL
Bloomberg Code	MRLNIN
Reuters Code	MRCT.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	43.1
MF/Banks/FIs	2.5
FII's	19.4
Corporate Bodies	5.4
Public / Others	29.6



Investment Rationale

Firm Dry Bulk Rates: MLL to benefit through Singapore subsidiary from the firm freight rate scenario in Dry Bulk Segment - driven mainly by sustained momentum in commodity movements to-and-from India and China. All the dry bulk vessels are on charter at very high rates for the next 3.5 years with a client like Arcelor Mittal and Tata power.

Listing of Singapore subsidiary: MLL Singapore is raising around USD150mn, offering 30% of its stake including FCCB. We have valued the Singapore subsidiary at USD 500mn. After discounting by 50%, the investment of Mercator through its 70% holdings in this entity works to approx USD 175mn. This markets value is not fully reflected in the MLL stock. We expect listing process will be completed in the next 2 weeks.

Recent forays into offshore business

Mercator has chalked out an ambitious plan to reap benefits of the boom in the off-shore segment. It has recently placed an order for construction of a new offshore jack up rig at a cost of Rs 8100mn with Keppel, which will be delivered in the Q1FY09.

Entry into Dredging business:

MLL bought two 2006-built dredgers having a capacity to dredge 4500-5000 cubic meters of material at a cost of USD 20mn each. A dredger is used for creating new ports and harbors and to deepen the channels and berths of existing ports. Both the dredgers which will be on charter with Dredging Corporation of India for 3 years, one is from 1st October 2007 and second one is tentatively schedule from next month, We expect each dredger will contribute around Rs 500mn revenue per annum.

Valuation

We believe the Singapore subsidiary will get an attractive valuation considering strong dry bulk market. International shipping companies trade at a higher P/E of around 8x to 10x as compared to 5x-6x in India and a premium to their Net asset value at around 1.2 to 1.5x. compared to 0.7 in India

At the current market price of Rs 71 the stock is trading at 6.4x FY08E EPS of 11 and 4.3x FY09E EPS of 16, respectively. We expect MLL to trade at 6x FY09E and continue to recommend a BUY on the stock with a target price of Rs.96.

Year	Net Sales	% growth	EBIDTA	OPM %	PAT	% Growth	EPS (Rs)	% Growth	PER	ROANW %	ROACE %
FY06	8,262.5		3481.1	42.1	1980.3		10		6.8	36.6	14.5
FY07	11,227.6	35.9	2956.5	26.3	1349.3	-31.9	7	-31.9	10.0	23.1	8.4
FY08E	13,411.9	19.5	4647.1	34.6	2669.1	97.8	11.1	55.3	6.4	33.7	13.5
FY09E	17,292.2	28.9	6699.7	38.7	3970.2	48.7	16.5	48.7	4.3	30.5	14.6

Figure in Rs mn

INCOME STATEMENT		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Net Sales	8,262.5	11,227.6	13,411.9	17,292.2	
Ship Operating Expenses	4,540.6	7,398.9	5,586.2	6,511.6	
Employee Cost	12.5	148.2	160.9	207.5	
Admin & General expenses	228.4	723.9	737.7	864.6	
Total Expenditure	4,781.4	8,271.1	8,764.8	10,592.6	
Operating Profit	3,481.1	2,956.5	4,647.1	6,699.7	
Other income	170.7	272.7	270.0	270.0	
Operating Profit (incl. Other Income)	3,651.8	3,229.2	4,917.1	6,969.7	
Interest	707.7	807.7	955.6	1,261.8	
Gross Profit	2,944.1	2,421.5	3,961.5	5,707.9	
Depreciation	936.7	1,038.0	1,237.9	1,656.7	
Profit Before Tax & EO Items	2,007.4	1,383.4	2,723.6	4,051.2	
Profit Before Tax	2,007.4	1,383.4	2,723.6	4,051.2	
Tax	27.1	34.1	54.5	81.0	
Net Profit	1,980.3	1,349.3	2,669.1	3,970.2	

BALANCE SHEET					
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Sources of Funds					
Equity Capital	189.2	189.2	241.1	241.1	
Preference Share	400.0	400.00	400.0	400.0	
Warrant against sharecapital	48.8	48.80	48.8	48.8	
Sharepremium Account	753.261	753.26	3,295.9	3,295.9	
General Reserves (Inc P&L)	1,927.180	3,451.57	5,591.7	9,033.0	
Net Worth	5,409.8	6,283.67	9,577.5	13,018.8	
Total Loan Funds	13,103.1	18,347.35	17,695.7	23,365.7	
Total Capital Employed	18,512.9	24,631.0	27,273.3	36,384.6	
Applications of Funds					
Gross Block	14,783.1	18,944.65	23,944.6	32,044.6	
Less: Accumulated Depreciation	1,329.3	2,054.72	3,292.7	4,949.4	
Net Block	13,453.8	16,889.92	20,652.0	27,095.3	
Capital Work in Progress	-	958.55	-	-	
Investments	997.8	870.67	2,070.7	2,197.8	
Current Assets, Loans & Advances					
Inventories	237.2	249.97	624.7	805.4	
Sundry Debtors	771.3	1,859.33	1,212.6	1,516.0	
Unbilled Revenues	-	-	-	-	
Cash and Bank Balance	1,182.0	3,787.76	947.0	3,228.4	
Loans and Advances	2,542.9	2,087.87	2,542.9	2,542.9	
<i>sub total</i>	4,733.5	7,984.93	5,327.2	8,092.7	
Less : Current Liabilities & Provisions					
Current Liabilities	606.5	1,848.40	670.6	864.6	
Provisions	65.7	224.66	106.0	136.6	
<i>sub total</i>	672.2	2,073.06	776.5	1,001.2	
Net Current Assets	4,061.3	5,911.87	4,550.6	7,091.5	
Total Assets	18,512.9	24,631.0	27,273.3	36,384.6	
E-estimates					

IMPORTANT RATIOS					
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
(A) Cost Analysis (%)					
Shipoperating Expenses/net sales	55.0	65.9	41.7	37.7	
Employee Cost/net sales	0.2	1.3	1.20	1.20	
Admin & General Expenses/net sales	2.8	6.4	5.5	5.0	
Total Expenditure/net sales	57.9	73.7	65.4	61.3	
(B) Operational Performance (%)					
Operating Profit Margin (excl. O.I.)	42.1	26.3	34.6	38.7	
Operating Profit Margin (incl. O.I.)	44.2	28.8	36.7	40.3	
Other Income/net sales	2.1	2.4	2.0	1.6	
Interest / Sales	8.6	7.2	7.1	7.3	
Dep/Gross Block	6.3	5.5	5.2	5.2	
Gross Profit Margin	35.6	21.6	29.5	33.0	
Tax/PBT	1.4	2.5	2.0	2.0	
Net Profit Margin	24.0	12.0	19.9	23.0	

(B) Financial Performance					
Average Cost Of Debt (%)	5.4	4.4	5.4	5.4	
Debtors Period (days)	34.1	34.0	33.0	32.0	
Closing stock (days)	18.1	18.0	17.0	17.0	
Fixed Assets Turnover (x)	0.6	0.7	0.6	0.6	
Creditors Period (days)	48.8	47.0	47.0	48.0	
Cash Collection Period (days)	3.4	5.0	3.0	1.0	
Working Capital Turnover (days)	3.4	5.0	3.0	1.0	
Non-Cash Working Capital	2879.3	2124.1	3603.6	3863.1	
Current Ratio (x)	7.0	3.9	6.9	8.1	

(C) Other Ratios					
Debt / Equity (x)	2.4	2.9	1.8	1.8	
Interest Coverage (x)	5.2	4.0	5.1	5.5	
Return on Avg. Net Worth (%)	36.6	23.1	33.7	30.5	
Return on Avg. Cap. Employed (%)	14.5	8.4	13.5	14.6	

(D) Per Share Data					
Earnings Per Share (Rs.)	10.5	7.1	11.1	16.5	
Cash Earnings Per Share (Rs.)	15.4	12.6	16.2	23.3	
Dividend Per Share (Rs.)	0.9	1.8	1.8	1.8	
Dividend Payout (%)	8.4	25.2	16.3	10.9	
Profit Ploughback (%)	91.6	74.8	83.7	89.1	
Book Value (Rs.)	28.6	33.2	39.7	54.0	

(E) Valuation Ratios					
Market Price - (Rs.)	71.0	71.0	71.0	71.0	
Price / Earnings Ratio - (x)	6.8	10.0	6.4	4.3	
Market Cap. (Rs. Mn.)	13436.3	13436.3	17118.7	17118.7	
Market Cap/Sales (x)	1.6	1.2	1.3	1.0	
Enterprise Value (Rs. Mn.)	25357.3	27995.8	33867.5	37256.1	
EV/Sales (x)	3.1	2.5	2.5	2.2	
EV/EBDITA (x)	7.3	9.5	7.3	5.6	
Market Price to Book Value (x)	2.5	2.1	1.8	1.3	
Dividend Yield (%)	1.2	2.5	2.5	2.5	
E-estimates					

CMP: Rs 282

Target Price: Rs 375

IT / Buy

Symbiotic Synergies...

Mphasis has entered the big boys league with its merger with EDS, one of the largest players in the Infrastructure Technology Outsourcing (ITO) space and having a global footprint in this domain. We believe this integration to be a symbiotic relationship, by helping EDS grow in the Applications Outsourcing space and Mphasis to grow in the ITO space, as well as adding more verticals to Mphasis' portfolio.

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BSE Sensex	17773
NSE Nifty	5185

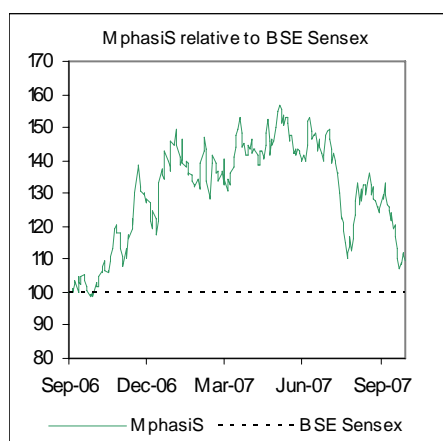
Scrip Details

Equity	Rs.2082mn
Face Value	Rs.10/-
Market Cap	Rs.58.7bn US\$1467mn
52 week High/Low	Rs.340/186
1-Month Avg. Volume (Daily)	104371
BSE Code	526299
NSE Symbol	MPHASIS
Bloomberg Code	MPHLIN
Reuters Code	MBFL.BO

Business Group - MNC Associates

Shareholding Pattern as on June'07(%)

Promoter	50.5
MF/Banks/FIs	11.4
FII's	11.6
Corporate Bodies	14.8
Public / Others	11.7



Investment Rationale

Full Value Outsourcing Model

Mphasis is one of the companies which has built its foundations on "Full Value Outsourcing" by consistently delivering best-in-class improvements in business performance reducing costs and increasing control of business processes with a focus on Financial Services, Hi-Tech, Telecom and Healthcare verticals. With EDS, Mphasis is steadily gaining a foothold in the Manufacturing (including Automotive) and Transportation (Airlines & Logistics) verticals.

Repositioning with EDS brand

Mphasis has rechristened itself as 'Mphasis – An EDS Company'. This positioning helps facilitate both the front end and the backend growth.

Mphasis has now become a global entity with EDS at the helm and Mphasis is the core engine which is redefining its parent's space.

Improved Traction with new business model

EDS gives Mphasis access to newer customers as well as improved traction from EDS' clients by giving engagements with 25 of EDS's clients and an expected ramp up to 70 clients by FY08. And this will set the company on higher growth trajectory in terms of sales and profits from FY08 onwards.

The EDS – Mphasis relationship is a symbiotic relationship. This has already translated into gains for Mphasis, by getting a contract from Vodafone worth \$1 bn over 7 years. This also translates as good gains for EDS by helping them get an 'Application development only' deal for the first time.

Aggressive Expansion to counter currency pressure

Mphasis is ramping up its capacity with the addition of 12000 employees over FY08, and Mphasis has got two offices of 200000 sq. ft and 700000 sq. ft. coming up in Bangalore.

Mphasis has become core to EDS' strategy and this gives Mphasis the size and scalability to overcome the rupee appreciation. Sheer business volumes will drive future growth and outweigh the rupee pressure.

Valuation

At CMP, the stock trades at 11.3x FY09E EPS. We recommend a buy on the stock with a target price of Rs.375 at which it would quote at 15x FY09E EPS over the next 12 months.

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY06	9401.1	22.8	1995.4	21.2	1499.1	20.2	9.3	-	30.3	22.7	22.2
FY07	17606.2	87.3	2693.6	15.3	1419.7	-5.3	6.8	-	41.3	14.1	16.6
FY08E	29395.3	67.0	5291.1	18.0	3664.3	158.1	17.6	158.1	16.0	26.7	29.9
FY09E	35274.3	20.0	5996.6	17.0	5174.4	41.2	24.9	41.2	11.3	27.3	24.2

Figure in Rs.mn

INCOME STATEMENT

Rs.mn

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Revenues	9401.1	17606.2	29395.3	35274.3
Cost of Revenues	6042.2	12616.2	20576.7	24692.0
Gross Profit	3358.8	4990.0	8818.6	10582.3
Selling Expenses	565.9	902.2	1175.8	1763.7
General & Admin Expenses	797.5	1394.2	2351.6	2821.9
EBITDA	1995.4	2693.6	5291.1	5996.6
Depreciation & Amortisation	518.2	1016.6	1175.8	1411.0
EBIT	1477.3	1677.0	4115.3	4585.7
Provision for doubtful debts, net	13.9	14.7	0.5	35.3
Forex gain	85.2	-133.6	-41.2	176.4
Other Income	-8.7	-1.8	0.0	3.5
Interest Income	17.5	75.1	20.6	176.4
EBT	1557.3	1602.1	4094.2	5781.5
Income Taxes (including FBT)	58.2	182.5	429.9	607.1
Tax Rate	3.7	11.4	10.5	10.5
PAT	1499.1	1419.7	3664.3	5174.4
Dividend	418.7	520.7	520.7	520.7

BALANCE SHEET

Particulars	Mar'06	Mar'07E	Mar'08E	Mar'09E
Shareholders Funds				
Share Capital	1610.2	2081.8	2081.8	2081.8
Reserves and Surplus	4921.9	7935.9	11600.2	16774.6
Employee Stock Options Outstanding	73.8	67.2	67.2	67.2
	6605.9	10085.0	13749.3	18923.7
Minority interest	0.0	0.0	0.0	0.0
LOAN FUNDS				
Secured Loans	36.9	28.4	28.4	28.4
Unsecured Loan	0.0	0.0	0.0	0.0
Total Capital Employed	6642.8	10113.4	13777.7	18952.1

APPLICATION OF FUNDS

Fixed Assets				
Cost	3143.2	5768.1	8868.1	12368.1
Accumulated Depreciation	1801.9	3494.5	5451.5	8504.3
Net Book Value	1341.3	2273.5	3416.6	3863.8
Capital WIP	114.0	244.8	316.6	363.8
CAPEX	1455.3	2518.3	3100.0	3500.0
Goodwill	2676.5	2710.5	2700.0	2700.0
Investments	0.0	0.0	0.0	0.0
Deferred Tax Assets	166.5	177.4	185.0	400.0
Current Assets, Loans & Advances				
Cash & Bank Balances	988.5	1892.6	2312.2	5723.8
Debtors and Unbilled Revenues	2117.2	4210.1	7029.2	8435.1
Interest Receivable	2.1	11.4	11.4	11.4
Loans & Advances	711.2	1508.3	2818.7	3382.5
	3818.9	7622.4	12171.6	17552.7
Current Liabilities & Provisions				
Current Liabilities	836.2	1975.3	3298.0	3957.6
Provisions	638.3	939.9	1080.9	1243.1
	1474.4	2915.2	4378.9	5200.6
Net Current Assets	2344.5	4707.1	7792.7	12352.1
Total	6642.8	10113.4	13777.7	18952.1
E-estimates				

IMPORTANT RATIOS

Particulars	Mar'06	Mar'07E	Mar'08E	Mar'09E
(A) Measures of Performance (%)				
EBITDA margin	21.2	15.3	18.0	17.0
EBIT margin	15.7	9.5	14.0	13.0
NOPLAT margin	15.1	8.5	12.5	14.7
(B) Measures of Financial status				
Total debt/Equity (%)	0.6	0.3	0.2	0.2
Quick ratio (x)	2.6	2.6	2.8	3.4
Dividend cover (x)	3.6	2.7	7.0	9.9
Total debt/Market capitalisation (%)	0.1	0.0	0.0	0.0
Net debt/Market capitalisation (%)	-2.1	-3.1	-3.8	-9.6
Asset turnover (x)	1.4	1.7	2.0	1.7
Sales/Net FA (x)	7.0	7.7	8.6	9.1
Working capital/Sales (x)	0.7	0.6	0.5	0.5
Fixed capital/Sales (x)	0.2	0.1	0.1	0.1
Receivable days	82.2	87.3	90.0	90.0
Payable days	32.5	41.0	40.0	40.0

(C) Measures of Investment

ROA (%)	22.5	13.5	24.3	25.1
ROANW (%)	22.7	14.1	26.7	27.3
ROIC (%)	16.4	8.9	22.9	24.6
RoI/C/Cost of capital (x)	1.4	0.7	1.9	2.0
ROACE (%)	22.2	16.6	29.9	24.2
EPS (Rs)	9.3	6.8	17.6	24.9
DPS (Rs)	2.6	2.5	2.5	2.5
Book NAV/share (Rs)	41.0	48.4	66.0	90.9
Dividend payout ratio (%)	27.9	36.7	14.2	10.1

(D) Valuation ratios

PER (x)	30.3	41.4	16.0	11.3
PEG (x) - y-o-y growth	0.7	0.4	-0.6	-0.3
Price/Book (x)	0.0	0.0	0.0	0.0
EV/Net sales (x)	4.7	3.2	1.9	1.5
EV/EBITDA (x)	22.3	21.1	10.7	8.8
EV/EBIT (x)	30.1	33.9	13.7	11.6
EV/NOPLAT (x)	31.3	38.0	15.4	10.2

(E) Growth Rates (%)

Net sales	22.8	87.3	67.0	20.0
EBITDA	41.1	35.0	96.4	13.3
EBIT	45.0	13.5	145.4	11.4
NOPLAT	25.0	5.3	145.2	41.2
E-estimates				

Pantaloon Retail (India) Ltd.

CMP: Rs 565

Target Price: Rs 721

Retail / Buy

Future Money...

Pantaloon Retail (PR) has an interesting business model that has potential of serious participation in the mind-to-market engine in the “consumer access” space and benefit from the entire value chain. Diversification of its existing business model from a pure play retailer towards various allied growth segments viz. financing, media, logistics etc. would augment the parents company’s intrinsic valuation.

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BSE Sensex	17773
NSE Nifty	5185

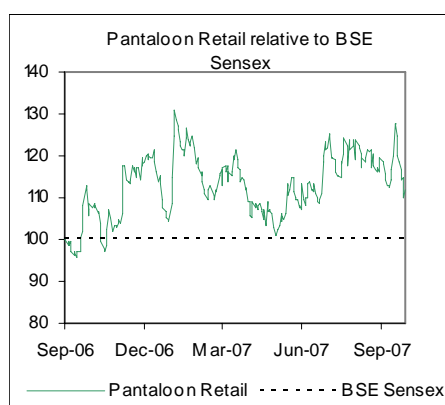
Scrip Details

Equity	Rs.301mn
Face Value	Rs.2/-
Market Cap	Rs.84.0bn
	US\$2100mn
52 week High/Low	Rs.583/344
1-Month Avg. Volume (Daily)	84232
BSE Code	523574
NSE Symbol	PANTALONR
Bloomberg Code	PFIN
Reuters Code	PFAS.BO

Business Group - Pantaloon

Shareholding Pattern as on June'07(%)

Promoter	44.7
MF/Banks/FIs	11.8
FII's	25.9
Corporate Bodies	6.3
Public / Others	11.4



Investment Rationale

“Speed” at the core of Execution - PR Plans to have a total of 17mn sqft of operational retail space by 2009. The company has tied up close to 25mn sqft of new retail space expected to come by 2011. Overall, value retailing formats of the company would continue to dominate the retail space addition. The company plans to have 20% of its retail space in the Tier 3 cities. Consistent monthly addition of retail space and steady ramp up of formats instills confidence on the execution skills of the company and targeted retail space addition.

Migration of Business Model – from Retailing to Consumption – Pantaloon is shifting its focus from low margin business to Retail towards high growing consumption business. The company has diversified its business model towards various growth segments viz. financing, media, logistic etc. The shift in business is expected to create huge value for the parent company by unlocking of these subsidiaries.

Unlocking from Synergetic Holdings - Future Capital (owned 74%) is likely to get listed over the next few months (10% dilution) and the company expects valuation of around Rs25bn-30bn. Future Capital has around 75 retail locations and the management expects a credit book of US\$1.5-2bn by FY11 and Assets Under Management are about US\$1.2bn. We feel this would be the first kicker to stock performance in the near term. In the medium term, PR would further initiate the process to unlock value through listing of its synergistic subsidiaries like Future Media and Future Bazaar (tentatively valued at around \$50mn and \$70mn respectively) by diluting 10%~15%.

Management by “Abdication” – the new success mantra – Company’s each business segment is now being managed by an entrepreneur having domain expertise focusing on creating value for the parent company. The main business of Retailing too is entrusted with a clear SBU focus of extracting further 2~3% margins from this activity.

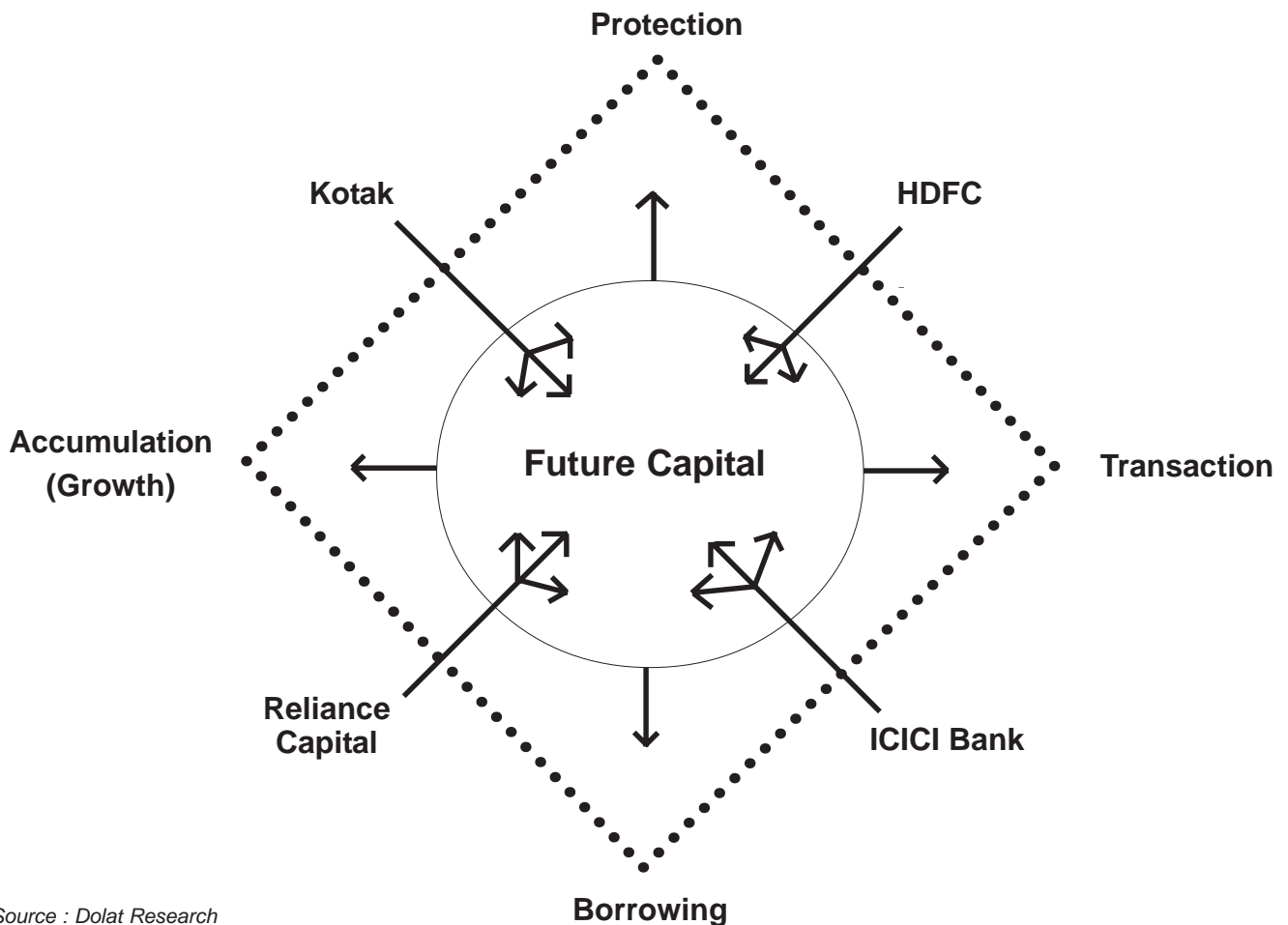
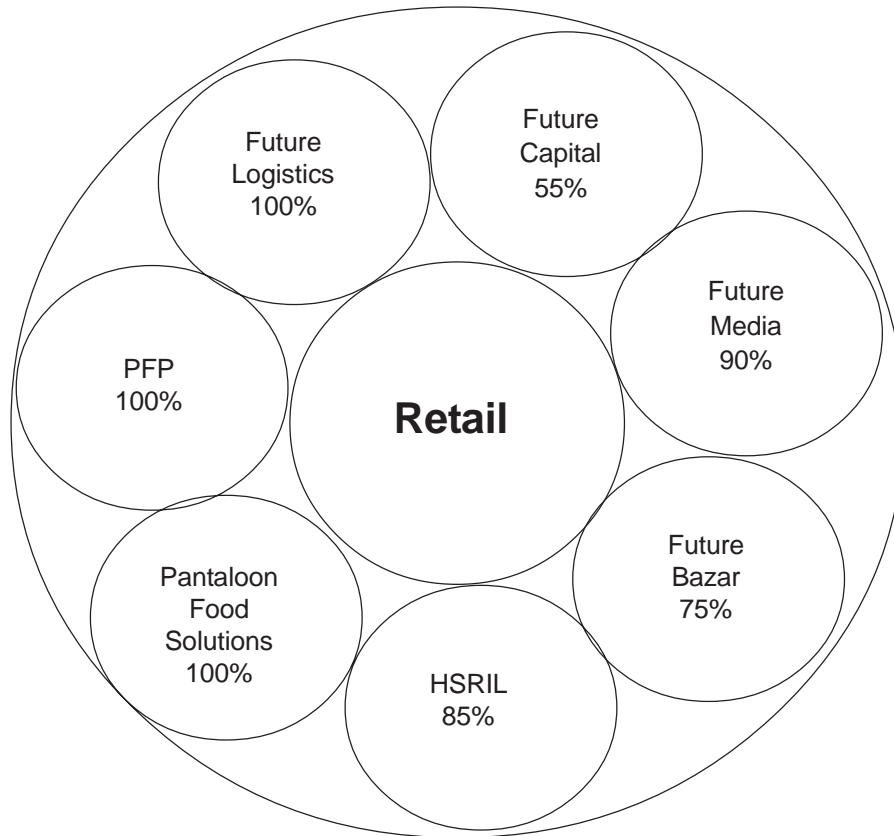
Valuation

The stock needs to be looked at on a consolidated basis with the emerging new business model (Fig. 1). However, if played well, it has the potential to unlock value equivalent (or even higher) than the standalone retail business.

We initiate coverage with a buy recommendation with a target price of Rs 721 (our fair value by SOTP) over the next 12 months.

Segment	Present Stake	Comments	Entity Valuation (Rs mn)	Value per share(Rs)
Core Retailing	100%	30x its FY09 earnings of Rs 16	82,080.0	480.0
Home Solutions	85%	15% dilution at Entity valuation of Rs 11 Bn in Sept'06	18,700.0	109.4
Future Capital	55% (Post issue)	IPO estimated to raise Rs 3 billion @ 10% dilution	16,500.0	96.5
Future Media	90%	Strategic stake to WPP @ Entity Valuation of Rs 2 billion	1,700.0	9.9
Future Bazaar	75%	Dilution of 25% @ \$ 20 million	3,200.0	18.7
Future Generali Life	58%	Base Value	1,000.0	3.4
Future Generali General	58%	Base Value	1,000.0	3.4
Per Share (Rs)				721
CMP (Rs)				565
Upside				28%

Fig 1 : Future group Evolving Business Model



Source : Dolat Research

CMP: Rs 644

Target Price: Rs 819

Telecom / Buy

Air..Food...Water...RCom...!!!

Indian telecom sector has witnessed an explosive growth of 70% CAGR over last 3 years and continues to add more than 7 mn subscribers per month. Demand for international traffic, thrust on broadband rural connectivity and demand for convergence in voice, data and entertainment (triple play) offers immense potential for an integrated communication services provider. Reliance Communications (RCom) is the best fit as it has scale with a core business focus on the domestic wireless segment. Value unlocking through de-merger of Reliance Telecom Infrastructure Ltd. (RTIL) and listing of Flag Telecom would enhance RCom valuations.

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BSE Sensex	17773
NSE Nifty	5185

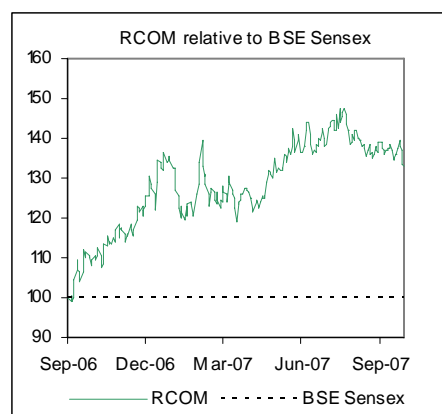
Scrip Details

Equity	Rs.10223mn
Face Value	Rs.5/-
Market Cap	Rs.1317bn US\$32925mn
52 week High/Low	Rs.663/334
1-Month Avg. Volume (Daily)	1854994
BSE Code	532712
NSE Symbol	RCOM
Bloomberg Code	RCOM IN
Reuters Code	RLCM.BO

Business Group - ADAG

Shareholding Pattern as on June'07(%)

Promoter	66.8
MF/Banks/FIs	7.3
FII's	12.5
Corporate Bodies	1.7
Public / Others	11.8



Investment Rationale

Strategic Initiatives for wireless segment to drive the core business:

Indian telecom industry has the highest growth rate in the world primarily driven by the increased affordability levels and enhanced coverage. With sustained innovations of right-priced product and service offering, RCom has seized the market initiative from its competition. This will reflect in further enhancement of its market share (17.5% in FY07 to 20% in FY10). We expect RCom to attain a subscriber base of 79 million by 2010 at 42% CAGR against industry rate of 33%.

Capitalizing on Global Communication Opportunities:

The global market for enterprise and data service is estimated to be USD 90 bn. RCom is expanding its international network by expanding Flag Telecom (already largest submarine cable system in the world) capacity to 115,000 kms. The acquisition of Yipes, an Ethernet service provider in US, and recent tie up with Vanco to increase its reach to more than 100 countries will propel the growth of RCom's global business. This extensive reach will enable RCom to cater to the international communication requirements of Indian corporate and strengthen its leadership position in the International Long Distance (ILD) segment.

At Pole Position to Play Convergence

With the largest OFC network (1 lac kms) and expanding further, RCom is likely to emerge as the biggest beneficiary of the growth in broadband and technology conversion. RCom has the infrastructure to capitalize the thrust on e-governance and high speed bandwidth connectivity pan India. Customized broadband offerings for the fast growing SME segment will ensure high potential revenue streams. RCom's triple play services for DTH / IPTV would stand to benefit from complementary synergies of Big Entertainment and Adlabs (other group companies).

Value Unlocking through Tower Business and listing of Flag Telecom

Hiving off of its 16,000 tower portfolio into a separate company (RTIL) and divesting 5% stake, values the tower company at USD 6.7 bn translating into a value of Rs 131 / share. Further addition of 21,000 towers in FY08 and the listing of Flag telecom will provide further upside to RCom valuations.

Valuation

At CMP, RCom trades at an EV/ EBITDA of 17.3X FY08E and 13.0x FY09E. Based on SOTP valuation, we value RCom at Rs 695 for core business (EV/EBIDTA of 15X for Wireless and 12X for Global & Broadband on FY09E) and Rs 124 for RTIL. We initiate coverage and recommend a BUY with a 12 month price target of Rs 819 to trade at EV/EBIDTA of 16.4x FY09E.

Year	Revenue	% Growth	EBIDTA	OPM %	PAT	% Growth	EPS (Rs.)	% Growth	PER (x)	EV/EBIDTA(x)	ROANW (%)	ROACE (%)
FY07*	171,903	-	64,429	37.5	35,308	-	17.3	-	37.3	22.0	15.4	8.7
FY08E	201,923	17.5	85,817	42.5	49,252	39.5	23.6	36.4	27.3	17.5	19.6	11.9
FY09E	271,312	34.4	118,292	43.6	71,957	46.1	33.4	41.6	19.3	13.2	23.7	15.5

Figure in Rs mn, * 15 months

INCOME STATEMENT			
	Rs.mn		
Particulars	Mar'07*	Mar'08E	Mar'09E
Net Sales / Income from Operations	171,903.7	201,923.2	271,312.7
Total Expenditure	107,474.4	116,105.9	153,020.4
Operating Profit excl. OI	64,429.3	85,817.4	118,292.3
Other Income	2,498.8	2,498.8	2,498.8
Interest	646.8	3,793.3	5,203.7
Gross Profit	66,281.3	84,522.9	115,587.4
Depreciation	29,192.8	32,173.5	35,683.2
Profit Before Tax	37,088.5	52,349.4	79,904.2
Total Tax	731.0	3,141.0	7,990.4
EO items	1,093.2	-	-
Minority Adjustment	43.9	43.9	43.9
Net Profit	35,308.2	49,252.4	71,957.7
EPS (Rs)	17.3	23.6	33.4

BALANCE SHEET			
Particulars	Mar'07*	Mar'08E	Mar'09E
Sources of Funds			
Equity	10,223.1	10,453.9	10,787.4
Application money / Share Premium	-	21,269.2	40,666.5
Reserves	219,083.4	240,702.9	284,454.9
Net Worth	229,306.5	272,426.0	335,908.8
Minority Interest	56.1	56.1	56.1
Secured Loans	51,135.7	71,135.7	91,135.7
Unsecured Loans	123,247.6	151,747.6	140,747.6
Loan Funds	174,383.3	222,883.3	231,883.3
Deferred Tax Liability	26.0	-	-
Capital Employed	403,771.9	495,365.4	567,848.2

Applications of Funds			
Gross Block	349,441.6	489,441.6	589,441.6
Acc Depreciation	55,926.0	88,099.5	123,782.7
Net Block	293,515.6	401,342.1	465,658.9
Capital Work in Progress	36,906.8	58,733.0	64,838.6
Investments	77,114.0	77,114.0	77,114.0
Current Assets, Loans & Advances			
Inventories	4,821.2	6,085.4	8,176.5
Sundry Debtors	18,316.1	21,575.4	28,989.6
Cash and Bank Balance	72,006.4	64,899.9	61,782.6
Loans and Advances	22,103.1	24,313.4	26,744.8
Other Current Assets	13,883.6	14,577.8	15,306.7
<i>sub total</i>	131,130.4	131,451.8	141,000.2
Less : Current Liabilities & Provisions			
Current Liabilities	114,333.6	127,446.9	136,217.9
Provisions	47,148.8	45,828.6	44,545.4
<i>sub total</i>	161,482.4	173,275.5	180,763.4
Net Current Assets	(30,352.0)	(41,823.7)	(39,763.2)
P&L (loss)			
Total Assets	403,771.9	495,365.4	567,848.2

E-estimates

* 15 Months

IMPORTANT RATIOS			
Particulars	Mar'07*	Mar'08E	Mar'09E
(A) Measures of Performance			
Operating Profit Margin (excl. O.I.) (%)	37.5	42.5	43.6
Operating Profit Margin (incl OI) (%)	38.4	43.2	44.1
Interest / Sales (%)	0.4	1.9	1.9
Gross Profit Margin (%)	38.0	41.3	42.2
Tax/PBT (%)	2.0	6.00	10.0
Net Profit Margin (%)	20.2	24.1	26.3

(B) Measures of Financial Status			
Debt / Equity (x)	0.8	0.8	0.7
Interest Coverage (x)	58.3	14.8	16.4
Average Cost of Debt (%)	0.37	1.70	2.24
Debtors Period (days)	38.9	39.0	39.0
Inventory Turnover Ratio (Days)	10.2	11.0	11.0
Fixed Assets to Turnover (x)	0.6	0.5	0.6

(C) Measures of Investment			
Earnings Per Share (Rs.)	17.3	23.6	33.4
Cash Earnings Per Share (Rs.)	31.5	38.9	49.9
Dividend Per Share (Rs.)	0.5	0.5	0.8
Dividend Payout (%)	2.9	2.1	2.2
Profit Ploughback (%)	97.1	97.9	97.8
Book Value (Rs.)	112.2	130.3	155.7
Return on Avg. Net Worth (%)	15.4	19.6	23.7
Return on Avg. Cap. Employed (%)	8.7	11.9	15.5

(D) Measures of Valuation			
CMP (Rs.)	644.0	644.0	644.0
Market Cap. (Rs.mn.)	1,316,735	1,346,461	1,389,422
Enterprise Value (Rs. mn.)	1,419,112	1,504,444	1,559,522
Market Cap/Sales (x)	7.7	6.7	5.1
Price/Book Value (x)	5.7	4.9	4.1
P/E Ratio (x)	37.3	27.3	19.3
EV/EBIDTA(x)	22.0	17.5	13.2

E-estimates

* 15 Months

Reliance Capital Ltd.

CMP: Rs1681
Target Price: Rs2222
Financial Institution / Buy

Diamond Fountain-Head...!!!

Reliance Capital (R Cap) has emerged as the fastest growing financial service brand in India with a strong growth in its various business segments. Favorable macro economic conditions i.e. growing economy, under-penetration in financial services segments along with aggressive approach towards expanding the business segments, expanding customer base, is expected to further drive the company's exponential growth momentum.

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BSE Sensex	17773
NSE Nifty	5185

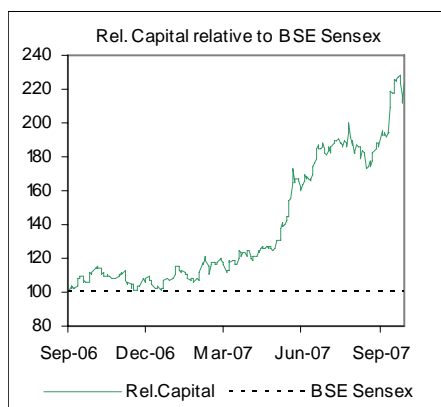
Scrip Details

Equity	Rs.2456mn
Face Value	Rs.10/-
Market Cap	Rs.434bn
	US\$10870mn
52 week High/Low	Rs.1889/530
1-Month Avg. Volume (Daily)	737561
BSE Code	500111
NSE Symbol	RELCAPITAL
Bloomberg Code	RCFTIN
Reuters Code	RLCP.BO

Business Group - ADAG

Shareholding Pattern as on June'07(%)

Promoter	52.4
MF/Banks/FIs	1.3
FII's	1.4
Corporate Bodies	29.2
Public / Others	15.7



Investment Rationale

Largest Asset management Company: - Reliance Asset Management Company (R-AMC) is the largest and fastest growing AMC in India, with a highest customer base of 3.4mn customers. R-AMC's AUM grew by 120% CAGR during the period of FY05-07 and increased its market share in AUM from 5% in Mar 2004 to 15% in June 2007.

Insurance the major growth driver: - The Company has emerged as one of the fastest growing private sector insurance companies in last 2.5yrs. Reliance Life and Reliance General has 6th and 3rd largest private player. The company owns 100% in its both the Insurance business segments.

Broking initiative – attractive move: - The Company has recently entered into the broking and distribution business under the brand name Reliance Money (RM). It is focusing on franchisee model to expand its reach especially in the tier-II and tier-III cities (It has 4000 outlets in 700 locations). RM has adopted the aggressive policy to capture the market share by providing the broking service at flat rates and through the expanded reach earn higher revenue from the distribution part.

Financing business the next growth driver – penetration is key

Despite its fast pace of growth in last 3-4 years, Retail Credit is under-penetrated in India. The fast growing retail credit is expected to continue its growth momentum in the long run despite a slow down in the shorter run. R-Cap is better placed to cater the under penetrated retail finance in a more profitable manner, with no requirements on the statutory requirements of SLR and CRR.

Penetration – an immediate agenda: - R-Cap has adopted as aggressive approach towards increasing its branch network, customer base though cross selling products amongst the group. RM offers gamut of products under one roof and also plans to aggressively expand its branch network in each of its business segments to drive its business growth. The aggressive approach has enabled the company to become the leader/ or amongst the top player in the respective fields.

Hidden Assets – Investment book – The Company has developed group resources to capture the equity investment growth opportunity. The Company has strategic investments in few of the Reliance group companies and also in Adlabs Films. The company plans to divest these investments depending on the need of the capital requirement. The total unrealized gains of these investments is Rs 53.6bn i.e. Rs 265 / share.

Valuation

We initiate coverage with a buy recommendation with a target price of Rs 2222 (our fair value by SOTP).

Particulars	Value Per Share	Rationale
Life Insurance	1011	Valued at 20x FY09E NBAP
General Insurance	297	Valued at 20x FY09E normalised Profits
AUM	294	Valued at 6% of AUM FY09E
Broking	112	Valued at 15x FY09E
Financing Business	242	Valued at 2.5x BV of FY09E
Unrealised gains	266	As on 04/10/07
Total	2222	
CMP	1681	
Upside	32.2%	

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CMP: Rs 203

Target Price: Rs 235

Steel / Accumulate

Heavy Mettle...

SAIL is the largest steel player in India with 30% market share. Its captive iron ore and flux mines are its key competitive advantage. It has embarked on an expansion plan which would increase its hot metal capacity by 72% to 25 mn MT by 2010 and modernize its existing plants with a total capex of Rs 450bn. We expect steel prices to remain firm on the back of strong global steel demand coupled with strong raw material prices (iron ore and coking coal) and decrease in steel exports from China.

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BSE Sensex	17773
NSE Nifty	5185

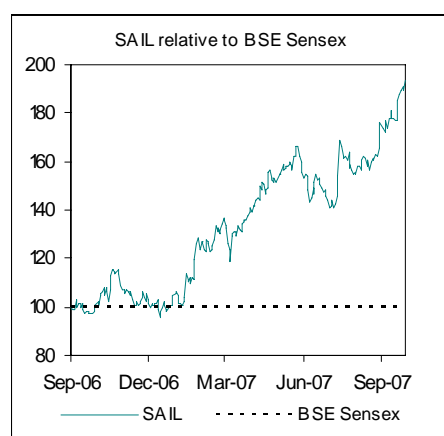
Script Details

Equity	Rs.41304mn
Face Value	Rs.10/-
Market Cap	Rs.854bn
	US\$21359mn
52 week High/Low	Rs.214/75
1-Month Avg. Volume (Daily)	2394404
BSE Code	500113
NSE Symbol	SAIL
Bloomberg Code	SAILIN
Reuters Code	SAIL.BO

Business Group - Govt of India

Shareholding Pattern as on June'07(%)

Govt. of India	85.8
MF/Banks/FIs	5.3
FIIs	6.4
Corporate Bodies	0.5
Public / Others	2.0



Investment Rationale

Play on domestic consumption of steel

SAIL is a play on the domestic consumption of steel with 95% of its output sold domestically. The projected investment of approx. Rs.1500 bn on infrastructure like rails, roads, ports & airports in the 11th plan period and strong growth expected in automobiles, consumer durables, pipelines and shipbuilding will increase growth in steel consumption to 12% CAGR over FY07-12.

Volume growth and falling costs will be key drivers of earnings for SAIL

The company is expanding its hot metal capacity from 14.5 mn MT to 25 mn MT by 2010 through brownfield expansions and de-bottlenecking of existing furnaces, funded largely through internal accruals. It would improve product mix by setting up new finishing mills and reduce the share of semi-finished products from 20% currently to 4% by 2010. Phasing out of ingot casting route of steel production would save energy and operating costs.

Integrated operations with captive iron ore mines

SAIL is fully integrated on iron ore and fluxes, with a total reserve of 3 bn MT of iron ore (currently mining 25mn MT/year), which would suffice its expanded capacity. This insulates SAIL's profits from volatile iron ore prices (2.8x in last three years) and is expected to increase by 25% in next contract year. SAIL is dependant on imports for coking coal and coal, and remains vulnerable to supply disruption and higher prices.

Robust balance sheet, attractive return ratios

SAIL is a net debt free company and with high ROCE and ROE of above 35% and both are expected to remain above 30% over next two years. We expect that capex of Rs 450 bn over next four years would be largely funded through the internal accruals without equity dilution. We expect that SAIL net debt /equity ratio would not go above 0.5 even during the expansion plans.

Valuation

SAIL is currently trading at FY2009E EV/EBITDA of 5.2x, and is at a 20% discount to valuation of the global steel players. We expect steel prices to remain firm on the back of strong global steel demand coupled with strong raw material prices (iron ore and coking coal) and decrease in steel exports from China. We believe that this discount would reduce with the increase in share of value added products, and an added advantage of captive iron ore facilities. We initiate coverage and recommend SAIL as 'Accumulate' with a price target of Rs.235 over next 12 months, at which it would trade at 6.5x its FY09E EV/EBITDA comparable to its global peers.

Year	Net Sales	Growth(%)	EBITDA	OPM(%)	PAT	EPS(Rs)	Growth(%)	PER(x)	EV/EBITDA(x)	ROANW(%)	ROACE(%)
FY06	279715	(2.1)	65667	23.5	43297	10.5	(36.5)	19.4	10.6	37.8	35.8
FY07	339231	21.3	93294	27.5	62017	15.0	43.2	13.5	7.2	41.5	47.0
FY08E	388545	14.5	122680	31.6	77734	18.8	25.3	10.8	5.6	38.4	47.0
FY09E	433945	11.7	137144	31.6	85888	20.8	10.5	9.8	5.2	32.4	41.7

Figure in Rs mn

INCOME STATEMENT		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Net Sales	279,715.1	339,231.2	388,545.1	433,945.3	
Other income	11,308.5	15,910.2	12,563.7	13,086.0	
Total Opex	214,047.9	245,937.4	265,864.6	296,801.1	
Operating Profit (excl. Other Income)	65,667.2	93,293.8	122,680.5	137,144.2	
Interest	4,677.6	3,321.7	3,384.8	3,441.8	
Gross Profit	72,298.1	105,882.3	131,859.4	146,788.4	
Depreciation	12,073.0	12,114.8	13,507.5	16,021.6	
Profit Before Tax & EO Items	60,225.1	93,767.5	118,351.9	130,766.8	
Extra Ordinary Exps/(Income)					
Profit Before Tax	60,225.1	93,767.5	118,351.9	130,766.8	
Tax	16,927.7	31,750.1	40,618.4	44,879.2	
Net Profit	43,297.4	62,017.4	77,733.5	85,887.6	

BALANCE SHEET		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Sources of Funds					
Equity Capital	41,304.0	41,304.0	41,304.0	41,304.0	
Reserves (excl Rev Res)	84,710.1	131,827.5	190,208.1	256,766.3	
Net Worth	126,014.1	173,131.5	231,512.1	298,070.3	
Secured Loans	11,221.6	15,563.9	16,573.4	16,988.8	
Unsecured Loans	31,754.6	26,241.3	26,241.3	26,241.3	
Loan Funds	42,976.2	41,805.2	42,814.7	43,230.1	
Deferred Tax Liability/(Asset)	14,844.6	14,126.6	14,126.6	14,126.6	
Total Capital Employed	183,834.9	229,063.3	288,453.4	355,427.0	

Applications of Funds				
Gross Block	293,604.6	299,127.1	314,127.1	364,127.1
Less: Accumulated Depreciation	171,983.2	183,150.0	196,657.5	212,679.1
Net Block	121,621.4	115,977.1	117,469.6	151,448.0
Capital Work in Progress	7,579.4	12,360.4	42,360.4	92,360.4
Investments	2,919.4	5,137.9	7,137.9	10,137.9
Current Assets, Loans & Advances				
Inventories	62,100.6	66,514.7	74,515.5	83,222.4
Sundry Debtors	18,817.3	23,147.5	25,843.5	28,697.4
Cash and Bank Balance	61,726.4	96,098.3	117,940.3	97,930.9
Other Current Assets	13,664.0	18,025.7	34,969.1	39,055.1
sub total	156,308.3	203,786.2	253,268.3	248,905.8
Less : Current Liabilities & Provisions				
Current Liabilities	51,917.0	53,982.0	63,018.8	70,382.4
Provisions	54,835.4	55,507.8	69,938.1	78,110.2
sub total	106,752.4	109,489.8	132,956.9	148,492.5
Net Current Assets	49,555.9	94,296.4	120,311.4	100,413.3
Misc Expenses	2,158.2	1,291.5	1,174.1	1,067.4
Total Assets	183,834.3	229,063.3	288,453.4	355,427.0

E-estimates

IMPORTANT RATIOS		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
(A) Measures of Performance (%)					
Operating Profit Margin (excl. O.I.)	23.5	27.5	31.6	31.6	
Operating Profit Margin (incl. O.I.)	26.4	30.7	33.7	33.6	
Interest / Sales	1.7	1.0	0.9	0.8	
Gross Profit Margin	24.8	29.8	32.9	32.8	
Tax/PBT	28.1	33.9	34.3	34.3	
Net Profit Margin	14.9	17.5	19.4	19.2	

(B) Measures of Financial Status				
Debt / Equity (x)	0.3	0.2	0.2	0.1
Interest Coverage (x)	16.5	32.9	40.0	43.6
Average Cost Of Debt (%)	10.9	7.9	7.9	8.0
Debtors Period (days)	24.6	24.9	24.3	24.1
Closing stock (days)	81.0	71.6	70.0	70.0
Inventory Turnover Ratio (x)	4.5	5.1	5.2	5.2
Fixed Assets Turnover (x)	2.3	2.9	3.3	2.9
Working Capital Turnover (x)	5.6	3.6	3.2	4.3

(C) Measures of Investment				
Earnings Per Share (Rs.) (excl EO)	10.5	15.0	18.8	20.8
Earnings Per Share (Rs.)	10.5	15.0	18.8	20.8
Cash Earnings Per Share (Rs.)	13.4	17.9	22.1	24.7
Dividend Per Share (Rs.)	2.0	3.1	4.0	4.0
Dividend Payout (%)	19.1	20.6	21.3	19.2
Profit Ploughback (%)	80.9	79.4	78.7	80.8
Book Value (Rs.)	30.5	41.9	56.1	72.2
Return on Avg. Net Worth (%)	37.8	41.5	38.4	32.4
Return on Avg. Cap. Employed (%)	35.8	47.0	47.0	41.7
Return on Cap. Employed (%) (Excl Cash & Invest.)	45.0	63.5	66.8	49.0

(D) Valuation Ratios				
Price / Earnings Ratio (x)	19.4	13.5	10.8	9.8
Market Capitalisation / Sales (x)	3.0	2.5	2.2	1.9
EV/Sales (x)	2.9	2.3	2.0	1.8
EV/EBDITA (x)	10.6	7.2	5.6	5.2
Price / Book Value (x)	6.6	4.8	3.6	2.8
Dividend Yield (%)	0.99	1.53	1.97	1.97

E-estimates

CMP: Rs 679

Target Price: Rs 1025

Media / Buy

Where is the risk...?

After establishing a strong foothold in Movie production adopting the 'Studio Model', UTV is all set to mark its presence in the broadcasting sector. What we like in UTV is its Risk management strategies. UTV is extending its risk management expertise from the "Studio model" of movie production to 'Broadcasting' where the focus is on being "different" rather than "better". UTV's business model provides an intriguing mix of participation in scalability offered by creativity, control on execution and efficient risk management to absorb failures in all business activities like Movies, broadcasting and Gaming.

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BSE Sensex	17773
NSE Nifty	5186

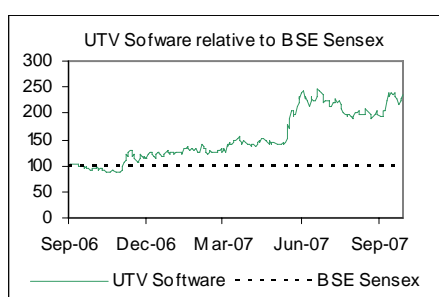
Scrip Details

Equity	Rs.228.9mn
Face Value	Rs.10/-
Market Cap	Rs.16.3bn
	US\$407.0mn
52 week High/Low	Rs.756/172
1-Month Avg. Volume (Daily)	109095
BSE Code	532619
NSE Symbol	UTVSOF
Bloomberg Code	UTVIN
Reuters Code	UTVS.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	30.7
MF/Banks/FIs	16.6
FII	21.7
Corporate Bodies	4.7
Public / Others	26.3



Investment Rationale

Movie Making gains scalability after AIM listing: UTV has evolved itself into a strong media powerhouse with its innovative studio model. It is the only Indian movie production company having co-production deals with Fox Studios, which will facilitate it to move to the Big Boys league in movie production. The presence of a strategic investor like Walt Disney (14.85%) is an acknowledgement of its evolution and provides an opportunity to become a global player in content production and related businesses.

Re-entering into Broadcasting: Broadcasting in India is turning into an exciting yet challenging space, with simultaneous entry of bountiful serious participants. We expect the top-end of the market to be fragmented. This makes way for the niche channels. UTV will launch a bouquet of 9 speciality channels over the next one year. Bindass and Bindass Movies Channel are already launched (GEC Youth Channel) (in talks for JV with Astro Vani (largest Malaysian broadcaster) and couple of other experienced players). The differentiated content, Distribution strength and Optimum Capex plan is likely to be the key decisive factors in the success of its broadcasting venture.

New Media business - a strategic fit: The new media business of animation and gaming software business are complementary to the movie and broadcasting business as the IPR generated in either business can be successfully monetized in the other businesses. With 30% of business contribution in FY09, this SBU would complement the growth engine of Movie business.

UTV's transformation from a boutique media house to a global media conglomerate is a process that has already begun. This wider canvas, along with presence of a serious Global Strategic Investor (who understands and breathes the business) demands UTV to trade at rich valuations (premium of 1.5 times to its Sum of Parts valuation of Rs 683). We maintain "BUY" with a price target of Rs 1,025 over next 12-15 months.

UTV - Sum of Parts Valuation

		Rs Mn			Mcap	Rs per share	Comments
Particulars		2008	2009	2010			
Content (Movie)	Rev	2,865	4,373	4,810	8,426	351	PV of NBoC of 30 movies 10 Mn each over three years; taken at 1x sales
	EBIDT	443	748	870			
	Margin	15.5%	17.1%	18.1%			
New Media (Animation, Post Production and Gaming)	Rev	1,7110	2,480	4,612	4,000	166	1x 2010 Rev.
	EBIDT	165	230	521			
	Margin	9.6%	9.3%	11.3%			
Broadcasting	Rev	60	1,632	3,026	4,000	166	1x 2010 Rev.
	EBIDT	(150)	(691)	(113)			
	Margin	-250.0%	-42.3%	-3.7%			
Total	Rev	4,635	8,485	12,448	16,426	683	
	EBIDT	458	287	1,278			
	Margin	9.9%	3.4%	10.3%			

INCOME STATEMENT		Rs.mn	
Particulars	Mar'05	Mar'06	Mar'07
Net Sales	1,767.9	2,084.2	1,749.1
Other income	36.3	47.9	283.2
Total Income	1,804.2	2,132.0	2,032.3
Total Expenditure	1,519.7	1,968.2	1,677.8
Operating Profit (excl. Other Income)	248.2	115.9	71.3
Operating Profit (incl. Other Income)	284.5	163.8	354.5
Interest	18.3	-	16.1
Gross Profit	266.2	163.8	338.4
Depreciation	52.8	47.4	31.4
Profit Before Tax & EO Items	213.5	116.4	307.0
Extra Ordinary Exps/(Income)	(0.3)	50.6	(7.1)
Profit Before Tax	213.2	167.0	299.9
Tax	50.8	24.8	(163.4)
Net Profit	162.4	142.2	463.3

BALANCE SHEET		Rs.mn	
Particulars	Mar'05	Mar'06	Mar'07
Sources of Funds			
Equity Capital	194.9	194.9	228.9
Preference Capital	-	-	-
Reserves (excl Rev Res)	1,201.0	1,143.0	1,584.3
Net Worth	1,395.9	1,338.0	1,813.2
Revaluation reserve/Minority Interest	-	-	74.0
Secured Loans	174.4	1,014.8	1,637.2
Unsecured Loans	10.0	-	-
Loan Funds	184.4	1,014.8	1,637.2
Deferred Tax Liability	7.9	26.3	-
Total Capital Employed	1,588.2	2,379.1	3,524.4

Applications of Funds			
Gross Block	518.9	529.4	976.3
Less: Accumulated Depreciation	223.1	246.4	114.8
Net Block	295.8	283.1	861.5
Capital Work in Progress	-	124.3	16.0
Investments	165.4	200.5	171.5
Current Assets, Loans & Advances			
Inventories	472.5	783.2	1,637.0
Sundry Debtors	571.9	581.7	465.0
Cash and Bank Balance	132.6	66.1	684.8
Loans and Advances	392.9	829.5	497.6
Other Current Assets	1.693	0.0	0.8
<i>sub total</i>	1,571.7	2,260.5	3,285.1
Less : Current Liabilities & Provisions			
Current Liabilities	439.9	483.8	938.6
Provisions	4.8	5.4	5.6
<i>sub total</i>	444.7	489.2	944.2
Net Current Assets	1127.02	1771.22	2340.88
Misc Expenses/Deferred Tax	-	-	134.5
Total Assets	1,588.3	2,379.1	3,524.4

IMPORTANT RATIOS		Rs.mn	
Particulars	Mar'05	Mar'06	Mar'07
(A) Measures of Performance (%)			
Operating Profit Margin (excl. O.I.)	14.0	5.6	4.1
Operating Profit Margin (incl. O.I.)	15.8	7.7	17.4
Interest / Sales	1.0	0.0	0.9
Gross Profit Margin	14.8	7.7	16.7
Tax/PBT	23.8	32.0	32.0
Net Profit Margin	9.0	6.7	22.8

(B) Measures of Financial Status			
Debt / Equity (x)	0.1	0.8	0.9
Interest Coverage (x)	15.6	0.0	22.0
Average Cost Of Debt (%)	9.9	0.0	1.0
Debtors Period (days)	97.6	137.2	341.6
Closing stock (days)	0.0	0.0	0.0
Fixed Assets Turnover (x)	6.0	7.4	2.0
Working Capital Turnover (x)	4.0	4.3	1.9

(C) Measures of Investment			
Earnings Per Share (Rs.) (excl EO)	8.3	4.7	20.5
Earnings Per Share (Rs.)	8.3	7.3	20.2
Cash Earnings Per Share (Rs.)	11.0	9.7	21.6
Dividend Per Share (Rs.)	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0
Profit Ploughback (%)	100.0	100.0	100.0
Book Value (Rs.)	71.6	68.6	79.2
Return on Avg. Net Worth (%)	11.6	25.6	39.4
Return on Avg. Cap. Employed (%)	14.6	4.9	9.2
Return on Cap. Employed (%) (Excl Cash & Invest.)	22.8	7.3	11.2

CMP: Rs 185

Target Price: Rs 320

IT / Buy

Where Angels fear to tread...

Vakrangee is one of the few leading E-Governance service providers in India with expertise in handling huge number of physical documents. VSL is an expert in Digitization, Document management and Variable print management services space. This space is very profitable but Tier I and Tier II technology companies do not enter this space as the work involved is low end non technology work.

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BSE Sensex	17773
NSE Nifty	5185

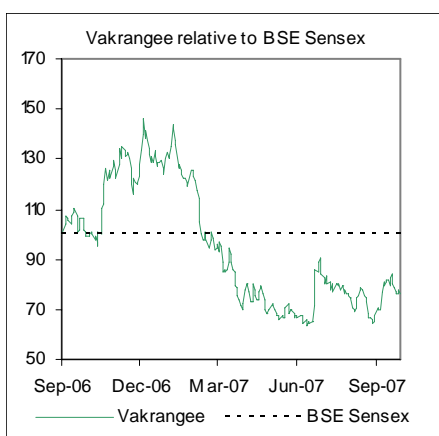
Scrip Details

Equity	Rs.214mn
Face Value	Rs.10/-
Market Cap	Rs.3.9bn
	US\$98.9mn
52 week High/Low	Rs.305/126
1-Month Avg. Volume (Daily)	142347
BSE Code	511431
NSE Symbol	VAKRANSOFT
Bloomberg Code	VKIIN
Reuters Code	VAKR.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	15.5
FII's	18.1
Corporate Bodies	29.0
Public / Others	37.5



Investment Rationale

Opportunity due to RTI and NeGP

The Right to Information Act and the e-Governance program being conducted by the Government of India has made it necessary for all government departments to have all the information in digital form. This includes historical as well as the present and future information.

Technical Expertise in this space

Vakrangee with its expertise in Digitization and Document management services and the capacity to scan 5.6 million impressions per day is poised to take advantage of the growing opportunities in this arena. The National e-Governance program has a current fixed budget outlay of Rs. 230bn for these projects.

VSL has also got expertise in the Print management services space. VSL has been doing large scale data management and variable printing activities for the Election Commission of India and has the ability to leverage this competency to gain a market share in the booming private sector market. The current market opportunity of the variable data printing space is Rs. 30 Bn. and VSL can look at a major share of this pie

VSL has a proven track record in handling manuscripts of around 75 thousand polling booths of Maharashtra, Voters database of the village Panchayats in Uttar Pradesh and MCA 21.

Huge market opportunity

Even though the market size is huge, the work involved is low end non technology processing work, where the Tier I and Tier II technology companies are not entering. VSL is rightly positioned to take a big share of this work on the virtue of being the 'Strongest qualified participant' in this space.

Change in management

The reinforcement of the company management with eminent and proven adversaries from the financial services and e-Governance segment like Mr. Pradip Shah (Founder Chairman of CRISIL) and Mr. Ramesh Joshi (Ex- ED of SEBI and a member of SEBI takeover panel) provide the necessary building blocks for further relevant alliances to enable optimized participation in this opportunity.

Valuation

At CMP, the stock trades at 4.6x FY09E EPS. We initiate coverage and recommend a buy on the stock with a price target of Rs.320 at which it would quote at 7.8x its FY09E EPS.

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY06	511.5	50.3	167.5	32.7	103.8	266.8	10.0	266.8	18.6	12.9	13.6
FY07	1166.6	128.1	515.9	44.2	243.7	134.8	12.7	26.9	14.6	13.6	20.2
FY08E	2099.9	80.0	819.0	39.0	455.7	87.0	21.3	67.3	8.8	16.8	18.8
FY09E	3779.8	80.0	1511.92	40.0	873.5	91.7	40.8	91.7	4.6	24.3	26.7

Figure in Rs mn

INCOME STATEMENT

Rs.mn

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Income from S/W & DB related services	511.5	1166.6	2099.9	3779.8
Cost of Consumables	121.0	224.3	441.0	756.0
Direct Expenses	183.4	306.9	588.0	1058.3
Gross Profit	207.1	635.3	1070.9	1965.5
Administrative and selling expenses	39.6	119.4	252.0	453.6
EBITDA	167.5	515.9	819.0	1511.9
Depreciation	50.9	149.6	304.0	547.2
EBIT	116.6	366.3	514.9	964.7
Interest	0.4	0.0	0.0	0.0
Other Income	0.5	4.4	0.0	11.3
EBT	116.7	370.7	514.9	976.0
Provision for Taxation Including FBT	10.0	42.1	59.2	102.5
Deferred Tax	2.9	126.5	0.0	0.0
Add:MAT credit to be availed	0.0	41.6	0.0	0.0
PAT	103.8	243.7	455.7	873.5

BALANCE SHEET

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Share Capital	103.5	191.5	214.0	214.0
Reserves and Surplus	579.2	1527.5	2448.5	3322.1
Share application & allotment money	122.1	54.2	54.2	54.2
Minority Interest	0.0	15.7	0.0	0.0
Loan Funds				
Secured Loans	14.5	14.5	14.5	14.5
Unsecured Loans	37.9	13.6	13.6	13.6
Deferred Tax Liability	0.0	169.8	0.0	0.0
Total	857.2	1986.8	2744.8	3618.4

Application of Funds

Fixed Assets				
Gross Block	530.4	1611.1	1911.1	2484.4
Less Depreciation	215.6	365.1	474.6	617.0
Net Block	314.8	1246.0	1436.5	1867.4
Capital Work in Progress	0.0	20.3	0.0	0.0
Total Fixed Assets	314.8	1266.3	1436.5	1867.4
Current Assets, Loans & Advances				
Inventories	370.1	486.6	583.9	759.1
Sundry Debtors	193.4	193.4	200.0	210.0
Cash & Bank Balances	4.6	54.2	542.2	805.0
Loans & Advances	57.0	130.0	169.0	219.7
Total Current Assets Loans & Advances	625.1	864.2	1495.1	1993.8
Current Liabilities and Provisions	87.4	143.7	186.8	242.9
Net Current Assets	537.7	720.5	1308.3	1751.0
Deferred Tax Assets	4.9	0.0	0.0	0.0
Total Assets	857.4	1986.8	2744.8	3618.4

E-estimates

IMPORTANT RATIOS

Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
(A) Measures of Performance (%)				
EBITDA margin	32.7	44.2	39.0	40.0
EBIT margin	22.8	31.4	24.5	25.5
NOPLAT margin	30.2	26.2	36.2	37.3
(B) Measures of Financial Status				
Total debt/Equity (x)	0.1	0.0	0.0	0.0
Current ratio (x)	7.2	6.0	8.0	8.2
Quick ratio (x)	4.9	4.7	6.9	7.3
Dividend cover (x)	9.7	9.9	-	35.5
Asset turnover (x)	0.6	0.6	0.8	1.0
Sales/Net FA (x)	1.6	0.9	1.5	2.0
Working capital/Sales (x)	1.1	0.6	0.6	0.5
Fixed capital/Sales (x)	0.6	1.1	0.7	0.5
Receivable days	138.0	60.5	34.8	20.3
Inventory days	264.1	152.2	101.5	73.3
(C) Measures of Investment				
ROA (%)	12.1	12.3	16.6	24.1
ROANW (%)	12.9	13.6	16.8	24.3
ROIC (%)	108.6	120.6	33.9	60.5
ROACE (%)	13.6	20.2	18.8	26.7
EPS (Rs)	10.0	12.7	21.3	40.8
Book NAV/share (Rs)	66.0	89.8	124.4	165.2
(D) Valuation ratios				
PER (x)	18.6	14.6	8.8	4.6
EV/Net sales (x)	3.9	3.1	1.7	0.8
EV/EBITDA (x)	11.8	6.9	4.2	2.1
EV/EBIT (x)	17.0	9.7	6.7	3.3
EV/NOPLAT (x)	1.3	1.2	0.5	0.2
(E) Growth Rates (%)				
Net sales	50.3	128.1	80.0	80.0
EBITDA	150.4	208.0	58.7	84.6
EBIT	430.0	214.1	40.6	87.3
NOPLAT	112.1	97.7	148.6	85.5
E-estimates				

CMP: Rs 691

Target Price: Rs 971

Retail / Buy

Value Retailing Unlimited...

Vishal Retail Limited (VRL) is in the 'value retailing' space. VRL derives its value from a robust and efficient supply chain, with savings at every stage of the supply chain. The business strategy is to sell quality goods at reasonable prices by either manufacturing in house or directly procuring from manufacturers to facilitate a one-stop-shop convenience for customers and to cater to the needs of the entire family.

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BSE Sensex	17773
NSE Nifty	5185

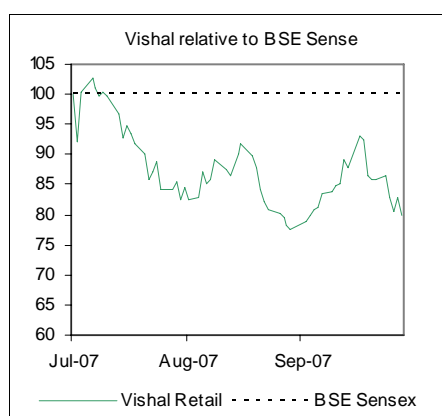
Scrip Details

Equity	Rs.224mn
Face Value	Rs.10/-
Market Cap	Rs.15.5bn
	US\$397.9mn
52 week High/Low	Rs.809/423
1-Month Avg. Volume (Daily)	93484
BSE Code	532867
NSE Symbol	VISHALRET
Bloomberg Code	VISHIN
Reuters Code	VIRL.BO

Business Group - Indian Private

Shareholding Pattern as on June'07(%)

Promoter	63.9
MF/Banks/FIs	10.1
Corporate Bodies	15.8
Public / Others	10.1



Investment Rationale

Booming Retail Space

The organized retail sector accounts for 4% of the total retail space in India. According to a McKinsey report, organized retail currently covers 13 million consumers as of 2007, and this is expected to rise to 61 million customers by 2015.

VRL's Pan India presence

Vishal Retail with its pan India presence is poised to grow and tap this market as a value retailer spread across 38 cities with 53 stores, across Tier I, II, and III cities and covering 1.3 million square foot area. VRL is also looking at a foray into Tier IV cities with smaller stores of 5000-8000 sq ft.

Strong SCM and Execution capabilities

VRL has strong supply chain capabilities and a sound technology backbone with a recently concluded SAP implementation.

VRL has also done backward integration for its apparel brands, by starting the process right from buying grays. This helps VRL to get higher margins as Private labels generate higher margins

Aggressive Expansion Plans

With plans to add 800000 sq ft in FY08, the area under VRL's store footage will go from 1.3 mn sq ft to 2.1 mn sq. ft.

We believe a huge market opportunity, with the right technology backbone, strong and robust supply chain and exploration in Tier III cities gives VRL the first mover advantage in India's booming organized Retail Sector.

Valuation

At CMP the stock trades at 23.2x FY09E EPS. We initiate coverage and recommend a BUY on the stock with a target price of Rs. 971 at which it will quote at 32x FY09E EPS.

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY06	2890.9	97.4	269.9	9.4	124.7	313.1	7.6	271.2	91.1	17.2	17.0
FY07	6049.5	109.3	693.3	11.5	249.8	100.3	13.6	80.2	50.5	19.7	14.6
FY08E	11331.7	87.3	1298.7	11.5	468.0	87.3	20.9	53.3	33.0	21.3	16.8
FY09E	16114.0	42.2	1846.8	11.5	665.5	42.2	29.7	42.2	23.2	17.8	16.5

Figure in Rs mn

INCOME STATEMENT				Rs.mn
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Gross Sales	2890.9	6049.5	11331.7	16114.0
COGS	2143.9	5124.9	9599.9	13651.3
Increase/Decrease in inventory	-407.0	-1662.1	-3113.4	-4427.4
Gross Profit	1154.0	2586.6	4845.2	6890.1
Staff costs	135.4	274.1	513.4	730.1
SG&A	748.7	1619.2	3033.1	4313.2
EBIDTA	269.9	693.3	1298.7	1846.8
Interest	29.1	147.5	276.4	393.0
Depreciation	53.7	152.9	286.4	407.2
PBT	187.1	392.9	736.0	1046.6
Tax	62.4	143.1	268.0	381.1
Net Profit	124.7	249.8	468.0	665.5
BALANCE SHEET				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
SOURCES OF FUNDS				
Equity share capital	164.9	183.3	224.0	224.0
Reserves & surplus	559.1	1084.4	1969.0	3519.2
Loans	550.5	2432.1	3837.5	4988.7
Others	22.3	36.0	36.0	
Total Capital Employed	1296.9	3735.7	6066.5	8731.9
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	461.7	1328.4	2484.0	3527.3
Less Depreciation/ amortization	106.8	257.7	286.4	407.2
Net block	354.9	1070.6	2197.6	3120.1
Capital Work in Progress	46.4	10.9	66.4	106.3
Total	401.3	1081.5	2264.0	3226.3
Current Assets, Loans and advances				
Inventories	782.0	2491.5	3238.9	4599.3
Sundry debtors	0.9	1.2	2.0	2.0
Cash and bank balances	82.7	151.5	110.0	110.0
loans and loans advances	322.2	580.4	1085.3	1541.2
other current assets	3.7	82.5	154.2	218.9
Current liabilities & Provisions				
(a) current liabilities	224.3	467.1	560.5	672.6
(b) provisions	78.6	203.8	244.5	293.4
Total	302.9	670.8	805.0	966.0
Net Current Assets	884.0	2636.2	3785.4	5505.4
Total	1296.9	3735.7	6066.5	8731.9

E-estimates

IMPORTANT RATIOS				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
(A) Measures of Performance (%)				
EBITDA margin	9.4	11.5	11.5	11.5
EBIT margin	7.5	9.0	9.0	9.0
NOPLAT margin	7.2	9.1	9.1	9.1
(B) Measures of Financial Status				
Operating cash flow/Total debt (%)	37.7	22.6	26.9	29.4
Total debt/Equity (%)	76.0	191.9	175.0	133.3
Net debt/Equity (%)	64.6	179.9	170.0	130.3
Current ratio (x)	5.3	7.1	8.2	9.6
Quick ratio (x)	1.8	1.7	2.4	2.8
Interest cover (x)	7.4	3.7	3.7	3.7
Total debt/Market capitalisation (%)	4.8	19.3	24.9	32.3
Asset turnover (x)	1.8	1.4	1.6	1.7
Sales/Net FA (x)	7.2	5.6	5.0	5.0
Working capital/Sales (x)	0.3	0.4	0.3	0.3
Fixed capital/Sales (x)	0.1	0.2	0.2	0.2
Receivable days	0.1	0.1	0.1	0.0
Inventory days	99.0	150.9	104.7	104.4
(C) Measures of Investment				
ROA (%)	7.8	5.7	6.8	6.9
ROANW (%)	17.2	19.7	21.3	17.8
ROIC (%)	9.8	6.8	7.8	7.6
ROACE (%)	17.0	14.6	16.8	16.5
EPS (Rs)	7.6	13.6	20.9	29.7
Book NAV/share (Rs)	43.9	69.2	97.9	167.1
Tax rate (%)	33.3	36.4	36.4	36.4
(D) Valuation ratios				
PER (x)	91.1	50.5	33.0	23.2
PEG (x) - y-o-y growth	0.3	0.6	0.6	0.6
EV/Net sales (x)	4.1	2.5	1.7	1.3
EV/EBITDA (x)	43.8	21.5	14.7	11.0
EV/EBIT (x)	54.7	27.6	18.9	14.1
EV/NOPLAT (x)	57.0	27.1	18.6	13.9
(E) Growth Rates(%)				
Net sales	97.1	108.9	87.4	42.3
EBITDA	203.4	156.9	87.3	42.2
EBIT	261.7	150.0	87.3	42.2
NOPLAT	199.9	165.2	87.3	42.2
Invested capital	140.6	190.3	63.0	44.8

E-estimates

CMP: Rs 170

Target Price: Rs 216

Capital Goods / Buy

Structuring growth...

Voltas is a high growth capital goods company operating in the space of Engineering Services and Electromechanical equipments (order book of Rs.20 bn (1.5x revenue)). The strong double digit profitability in engineering products and services business, improvement in profitability of cooling products business and entry in water treatment - are the core earning drivers over the next couple of years.

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BSE Sensex	17773
NSE Nifty	5185

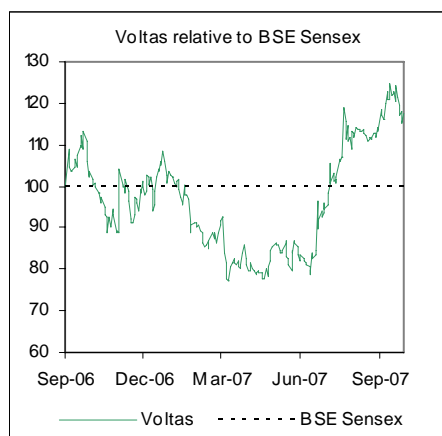
Scrip Details

Equity	Rs.330.9mn
Face Value	Rs.1/-
Market Cap	Rs.56.2bn
	US\$1420.3mn
52 week High/Low	Rs.175/75
1-Month Avg. Volume (Daily)	636091
BSE Code	500575
NSE Symbol	VOLTAS
Bloomberg Code	VOLTIN
Reuters Code	VOLT.BO

Business Group - Tata

Shareholding Pattern as on June'07(%)

Promoter	27.3
MF/Banks/FIs	18.6
FII's	30.0
Corporate Bodies	3.7
Public / Others	20.3



Investment Rationale

Improvement in profitability of overseas operations

Profitability in the overseas business of the company was adversely impacted last year on account of certain non recurring expenses and some projects not reaching certain threshold levels of completion. In Q1FY08, profitability of the overseas operations have registered a marked improvement leading to substantial increase in electromechanical division's EBIT margins to 9.2%(Q1FY08) from 5.5% (Q1FY07).

Dominant position in domestic HVAC business

Voltas enjoys leadership position (~27% market share) in the domestic HVAC business alongwith Blue Star. This division will continue to grow at 30% plus with very good visibility in the growth of major user industries like Retail, IT & IT enabled services, entertainment and hospitality (overall addressable opportunity for the company of Rs200bn+ over the next five years). Voltas will also be a major beneficiary of airport modernization being undertaken across the country.

Strong double digit profitability in engineering products and services business

Profitability in this division, comprising of machine tools, textile machinery, mining and construction equipment (agency business) and forklifts (own manufacturing), stands at a strong 22%. During Q1FY08, this division's revenue rose at an impressive 43% to Rs 1,152mn. Considering the expansion plans across user industries of this division's products, growth rate will be sustained going forward.

Cooling products division achieved turnaround

With the shift of operations of cooling products division from Hyderabad to Uttaranchal, profitability has substantially improved to 6.7% (Q1FY08) from 1.4% (Q1FY07). The Uttaranchal region enjoys a tax holiday, providing overall cost benefit. The vacated premises in Hyderabad will also result in huge gains on real estate.

Valuation

49% CAGR in EPS during FY07-09E, alongwith accelerated revenue growth and improved profitability leads us to rate the stock as a BUY with a price target of Rs 216. At Rs 170, Voltas is trading at 21.3x FY09E EPS. We initiate coverage with a BUY report on the stock and a target price of Rs.216 (27x FY09E EPS) over the next 12 months.

Year	Net Sales	Growth-%	EBITDA	OPM-%	Net Profit	Growth-%	EPS (Rs)	Growth-%	PER (X)	ROANW(%)	ROACE-%
FY06	19544	32.3	1118	5.7	737	41.0	2.2	40.9	76.3	30.0	37.2
FY07	25267	29.3	1278	5.1	2015	173.5	6.1	173.5	27.9	57.9	38.8
FY08E	34111	35.0	2425	7.1	1805	-10.4	5.5	-10.4	31.1	37.0	48.9
FY09E	46050	35.0	3495	7.6	2639	46.2	8.0	46.2	21.3	40.3	55.2

Figure in Rsmn

INCOME STATEMENT		Rs.mn			
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Gross Sales	20,227.1	25,983.0	35,077.1	47,354.0	
Excise	682.7	715.6	966.1	1,304.3	
Revenues	19,544.4	25,267.4	34,110.9	46,049.8	
Other income	251.9	514.4	425.0	500.0	
Total Income	19,796.3	25,781.8	34,535.9	46,549.8	
Total Opex	18,426.7	23,989.5	31,685.9	42,554.6	
Operating Profit (excl. Other Income)	1,117.6	1,277.9	2,425.0	3,495.2	
Operating Profit (incl. Other Income)	1,369.6	1,792.3	2,850.0	3,995.2	
Interest	6.3	(89.8)	15.0	25.0	
Gross Profit	1,363.3	1,882.1	2,835.0	3,970.2	
Depreciation	140.9	155.7	180.0	200.0	
Profit Before Tax & EO Items	1,222.3	1,726.4	2,655.0	3,770.2	
Extra Ordinary Exps/(Income)	261.9	(696.4)	-	-	
Profit Before Tax	960.4	2,422.8	2,655.0	3,770.2	
Tax	223.6	407.4	849.6	1,131.1	
Net Profit	736.9	2,015.4	1,805.4	2,639.1	

BALANCE SHEET					
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
Sources of Funds					
Equity Capital	330.6	330.7	330.7	330.7	
Preference Capital					
Reserves (excl Rev Res)	2,385.7	3,911.1	5,187.6	7,249.8	
Net Worth	2,716.3	4,241.8	5,518.3	7,580.5	
Revaluation reserve	-	-	-	-	
Secured Loans	647.9	1,113.0	600.0	600.0	
Unsecured Loans	252.9	2.8	2.8	2.8	
Loan Funds	900.7	1,115.8	602.8	602.8	
Deferred Tax Liability/(Asset)	(256.3)	(279.0)	(279.0)	(279.0)	
Total Capital Employed	3,360.7	5,078.6	5,842.1	7,904.3	
Applications of Funds					
Gross Block	3,163.2	2,851.2	3,350.4	3,850.4	
Less: Accumulated Depreciation	1,642.0	1,378.7	1,558.7	1,758.7	
Net Block	1,521.2	1,472.5	1,791.7	2,091.7	
Capital Work in Progress	113.7	128.5	128.5	128.5	
Investments	461.5	1,247.9	1,247.9	2,317.0	
Current Assets, Loans & Advances					
Inventories	3,186.9	5,122.9	7,069.6	9,544.0	
Sundry Debtors	4,368.7	4,919.1	6,640.8	8,965.1	
Cash and Bank Balance	1,297.6	1,676.7	1,950.0	2,500.0	
Loans and Advances	1,268.7	1,763.2	2,204.0	2,865.2	
Other Current Assets					
sub total	10,121.9	13,481.9	17,864.4	23,874.2	
Less : Current Liabilities & Provisions					
Current Liabilities	7,654.2	9,396.8	12,685.7	17,125.6	
Provisions	1,203.4	1,855.4	2,504.8	3,381.4	
sub total	8,857.5	11,252.2	15,190.4	20,507.1	
Net Current Assets	1,264.4	2,229.7	2,674.0	3,367.2	
Misc Expenses					
Total Assets	3,360.7	5,078.6	5,842.1	7,904.3	

E-estimates

IMPORTANT RATIOS					
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E	
(A) Measures of Performance (%)					
Operating Profit Margin (excl. O.I.)	5.7	5.1	7.1	7.6	
Operating Profit Margin (incl. O.I.)	6.9	7.0	8.3	8.6	
Interest / Sales	0.0	(0.4)	0.0	0.1	
Gross Profit Margin	6.9	7.3	8.2	8.5	
Tax/PBT	23.3	16.8	32.0	30.0	
Net Profit Margin	3.7	7.8	5.2	5.7	
(B) Measures of Financial Status					
Debt / Equity (x)	0.3	0.3	0.1	0.1	
Interest Coverage (x)	217.1	(20.0)	190.0	159.8	
Average Cost Of Debt (%)	0.7	(8.0)	2.5	4.1	
Debtors Period (days)	81.6	71.1	71.1	71.1	
Finished Goods Inventory (days)	0.0	0.0	0.0	0.0	
Closing stock (days)	59.5	74.0	75.6	75.6	
Inventory Turnover Ratio (x)	6.1	4.9	4.8	4.8	
Fixed Assets Turnover (x)	12.8	17.2	19.0	22.0	
Working Capital Turnover (x)	15.5	11.3	12.8	13.7	
(C) Measures of Investment					
Earnings Per Share (Rs.) (excl EO)	1.4	4.0	5.5	8.0	
Earnings Per Share (Rs.)	2.2	6.1	5.5	8.0	
Cash Earnings Per Share (Rs.)	2.7	6.6	6.0	8.6	
Dividend Per Share (Rs.)	0.6	1.0	1.4	1.5	
Dividend Payout (%)	26.9	16.7	25.2	18.8	
Profit Ploughback (%)	73.1	83.3	74.8	81.2	
Book Value (Rs.)	8.2	12.8	16.7	22.9	
Return on Avg. Net Worth (%)	30.0	57.9	37.0	40.3	
Return on Avg. Cap. Employed (%)	37.2	38.8	48.9	55.2	
Return on Cap. Employed (%) (Excl Cash & Invest.)	61.0	52.1	84.9	106.7	
(D) Valuation Ratios					
Market Price	170.00	170.00	170.00	170.00	
Price / Earnings Ratio (x)	76.3	27.9	31.1	21.3	
Market Cap. (Rs. mn.)	5,620.6	5,621.6	5,621.6	5,621.6	
Market Capitalisation to Sales (x)	0.3	0.2	0.2	0.1	
Enterprise Value (Rs. mn.)	5,223.8	5,060.8	4,274.4	3,724.4	
EV/Sales (x)	0.3	0.2	0.1	0.1	
EV/EBDITA (x)	3.8	2.8	1.5	0.9	
Market Price to Book Value (x)	20.69	13.25	10.19	7.42	
Dividend Yield (%)	0.35	0.60	0.81	0.88	

E-estimates

CMP: Rs 334

Target Price: Rs 450

Media / Buy

The Indian Cowboy...

Increased distribution platforms like DTH, CAS, IPTV and Mobile TV will strengthen strategic positioning for broadcasters and content owners like ZEEL – a pioneer of Satellite broadcasters in India. We believe ZEEL will effectively leverage content optimally for newer distribution platforms as the group has presence across the media platforms. A potential shift from an advertising driven model to a “Subscription” model will change the revenue mix improving business quality going forward.

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BSE Sensex	17773
NSE Nifty	5185

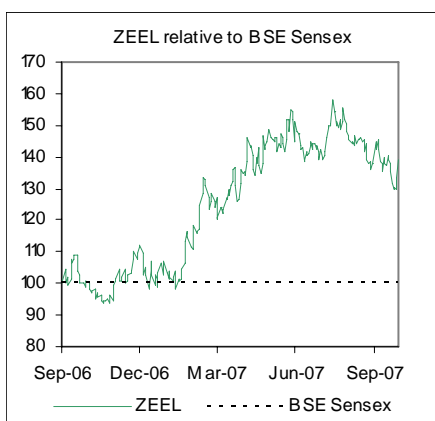
Script Details

Equity	Rs.433.6mn
Face Value	Re.1/-
Market Cap	Rs.147.83bn
	US\$3695.8mn
52 week High/Low	Rs.381/210
1-Month Avg. Volume (Daily)	453858BSE
Code	505537
NSE Symbol	ZEEL
Bloomberg Code	Z IN
Reuters Code	ZEE.BO

Business Group - Essel Group

Shareholding Pattern as on June'07(%)

Promoter	43.3
MF/Banks/FIs	15.6
FIIIs	30.3
Corporate Bodies	4.7
Public / Others	6.1



Investment Rationale

Increasing visibility in revenue growth through...

- **Domestic subscription**

With initiation of improvement in cable addressability system, we believe ZEEL – a pioneer in Satellite broadcaster in India will enjoy fruits of domestic subscription probably for the first time. (Till now domestic and international subscription revenue used to be Approx. 1:1). We believe the company would register subscription revenue growth of 15.7% CAGR over FY07-09 to Rs 10.8 Bn (48.9% of revenue in FY09) and this does include any revenue from CAS subscription.

- **Advertisement revenue growth with improved content**

From nil to 20 programs amongst the top 50 in just seventeen months, makes us believe that the market will easily absorb the continued rate hike – the most recent being a 15% hike a month ago. Moreover we believe low Ad spends to GDP ratio and too much metro centric Ad focus will open the gates for regional Ads resulting in change in the entire Ad landscape in India.

ICL: Likely next big thing

We see ICL (Promoted by Essel Group and IL&FS) as the extension of Realty shows, which is currently a new concept in Indian broadcasting. Cricket coupled with realty can be a guaranteed combination for its success.

We expect Zee sports would be natural choice to carry the broadcasting of these cricket-realty shows. We believe that first year Advertisement revenue to Zee sports from the Cricket League will be to the tune of Rs 250 million (assuming Rs 50,000 per 10 second slot and 50 matches a year).

Valuation

We believe that improvement in revenue visibility and higher ROE warrants superior valuations. We have not factored in CAS subscription growth for the lack of clarity on regulatory issues. Considering imminent CAS announcements from regulators in near term, we initiate coverage on the stock and recommend 'Buy' with 12 month price target of Rs 450, at which it would quote at 43x its FY09E EPS.

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY06	16,544	24.8	2,695.2	16.3	2,221	-35.6	5.3	-38.6	62.6	10.4	11.2
FY07	15,159	-8.4	3,204.0	21.1	2,366	6.5	5.3	-0.7	63.0	10.3	12.5
FY08E	17,675	16.6	5,617.1	31.8	3,531	49.2	7.9	48.1	42.5	13.6	17.9
FY09E	22,369	26.6	7,556.1	33.8	4,688	32.8	10.4	32.9	32.0	14.5	20.9

Figure in Rs mn

INCOME STATEMENT				Rs.mn
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Net Sales	16543.7	15158.8	17674.5	22369.2
Other income	639.4	747.3	363.0	200.0
Total Income	17183.1	15906.1	18037.5	22569.2
Total Expenditure	13848.4	11954.8	12057.4	14813.1
Operating Profit (excl. Other Income)	2695.3	3204.1	5617.1	7556.1
Operating Profit (incl. Other Income)	3334.7	3951.3	5980.1	7756.1
Interest	187.6	334.3	224.9	156.7
Gross Profit	3147.1	3617.1	5755.2	7599.4
Depreciation	359.6	184.7	266.0	314.5
Profit Before Tax & EO Items	2787.5	3432.4	5489.2	7284.9
Extra Ordinary Exps/(Income)	19.4	67.0	125.7	167.6
Profit Before Tax	2768.1	3365.4	5363.5	7117.3
Tax	546.8	999.0	1832.2	2429.2
Net Profit	2221.3	2366.3	3531.3	4688.1

BALANCE SHEET				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
Sources of Funds				
Equity Capital	412.5	433.6	433.6	433.6
Preference Capital	-	-	-	-
Reserves (excl Rev Res)	20,873.6	25,747.5	28,411.6	32,015.8
Net Worth	21,286.1	26,181.0	28,845.2	32,449.3
Revaluation reserve / Minority Interest	458.1	818.6	-	-
Secured Loans	364.0	2,451.9	1,951.9	1,451.9
Unsecured Loans	4,537.5	773.9	773.9	773.9
Loan Funds	4,901.5	3,225.8	2,725.8	2,225.8
Deferred Tax Liability	-	-	366.4	852.3
Total Capital Employed	26,645.7	30,225.4	31,937.4	35,527.4

Applications of Funds				
Gross Block	13,278.7	15,702.1	16,121.6	16,421.6
Less: Accumulated Depreciation	794.7	1,080.5	1,346.5	1,661.1
Net Block	12,484.0	14,621.6	14,775.1	14,760.5
Capital Work in Progress	461.5	219.5	-	-
Investments	3,024.0	2,325.7	1,000.0	1,000.0
Current Assets, Loans & Advances				
Inventories	128.4	24.0	48.4	61.3
Sundry Debtors	4,854.6	5,331.3	6,295.0	7,967.1
Cash and Bank Balance	1,285.6	954.8	1,808.4	4,216.1
Loans and Advances	6,192.8	9,762.2	9,762.2	9,762.2
Other Current Assets(Programs or Films right)	2,398.0	2,015.6	2,418.8	2,902.5
<i>sub total</i>	14,859.4	18,087.9	20,332.9	24,909.2
Less : Current Liabilities & Provisions				
Current Liabilities	3,108.0	3,908.9	3,303.4	4,058.4
Provisions	1,237.7	1,197.5	867.1	1,083.9
<i>sub total</i>	4,345.7	5,106.4	4,170.5	5,142.3
Net Current Assets	10,513.7	12,981.5	16,162.4	19,766.9
Deferred Tax Assets	150.8	77.1	-	-
Misc Expenses	11.7	1.8	-	-
Total Assets	26,645.7	30,225.4	31,937.4	35,527.4

E-estimates

IMPORTANT RATIOS				
Particulars	Mar'06	Mar'07	Mar'08E	Mar'09E
(A) Measures of Performance (%)				
Operating Profit Margin (excl. O.I.)	16.3	21.1	31.8	33.8
Operating Profit Margin (incl. O.I.)	19.4	24.8	33.2	34.4
Interest / Sales	1.1	2.2	1.3	0.7
Gross Profit Margin	18.3	22.7	31.9	33.7
Tax/PBT	19.8	32.0	32.0	32.0
Net Profit Margin	12.9	14.9	19.6	20.8

(B) Measures of Financial Status				
Debt / Equity (x)	0.2	0.1	0.1	0.1
Interest Coverage (x)	17.8	11.8	26.6	49.5
Average Cost Of Debt (%)	3.8	10.4	8.3	7.0
Debtors Period (days)	107.1	128.4	130.0	130.0
Closing stock (days)	2.8	0.6	1.0	1.0
Inventory Turnover Ratio (x)	128.8	631.5	365.0	365.0
Fixed Assets Turnover (x)	1.3	1.0	1.2	1.5
Working Capital Turnover (x)	1.6	1.2	1.1	1.1

(C) Measures of Investment				
Earnings Per Share (Rs.) (excl EO)	5.3	5.3	7.9	10.4
Earnings Per Share (Rs.)	5.4	5.5	8.1	10.8
Cash Earnings Per Share (Rs.)	6.3	5.9	8.8	11.5
Dividend Per Share (Rs.)	1.0	1.5	2.0	2.5
Dividend Payout (%)	18.6	27.5	24.6	23.1
Profit Ploughback (%)	81.4	72.5	75.4	76.9
Book Value (Rs.)	51.6	60.4	66.5	74.8
Return on Avg. Net Worth (%)	10.4	10.3	13.6	14.4
Return on Avg. Cap. Employed (%)	11.2	12.5	17.9	20.9
Return on Cap. Employed (%) (Excl Cash & Invest.)	11.7	14.0	19.0	23.8

(D) Valuation Ratios				
Market Price (Rs.)	334.0	334.0	334.0	334.0
Price / Earnings Ratio (x)	62.6	63.0	42.5	32.0
Market Cap. (Rs. Cr.)	137,775.0	144,811.4	144,811.4	144,811.4
Market Capitalisation to Sales (x)	8.3	9.6	8.2	6.5
Enterprise Value (Rs. Cr.)	141,390.9	147,082.4	145,728.7	142,821.1
EV/Sales (x)	8.5	9.7	8.2	6.4
EV/EBDITA (x)	42.4	37.2	24.4	18.4
Market Price to Book Value (x)	6.5	5.5	5.0	4.5
Dividend Yield (%)	0.3	0.4	0.6	0.7

E-estimates

Notes

The ratings are based on the absolute upside of our target price from the current price.

Upside

> 25 %
15% - 25%
0% - 15%
< 0 %

Ratings

Buy
Accumulate
Reduce
Sell

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