

June 20, 2007
FOR PRIVATE CIRCULATION
Equity

	19 June 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	14,296	1.5	(0.1)	12.5
Nifty	4,214	1.6	(0.0)	14.0
Banking	7,682	2.7	1.0	22.1
IT	3,685	(0.1)	(1.0)	5.1
Healthcare	3,781	0.2	1.3	7.3
FMCG	1,803	0.8	(3.8)	10.7
PSU	6,616	2.1	(1.2)	17.4
CNX Midcap	5,702	1.1	3.0	20.7
World indices				
Nasdaq	2,626.8	0.0	2.7	9.1
Nikkei	18,164	0.1	4.9	6.3
Hangseng	21,583	2.7	3.9	12.8

Value traded (Rs cr)

	19 June 07	% Chg - 1 Day
Cash BSE	4,472	22.2
Cash NSE	8,350	18.2
Derivatives	37,415.2	21.5

Net inflows (Rs cr)

	18 June 07	% Chg	MTD	YTD
FII	(29)	122	(209)	17,058
Mutual Fund	207	(725)	(214)	(690)

FII open interest (Rs cr)

	18 June 07	% chg
FII Index Futures	18,811	0.9
FII Index Options	7,439	3.5
FII Stock Futures	21,759	2.5
FII Stock Options	65	21.4

Advances/Declines (BSE)

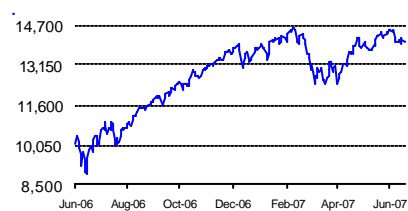
	19 June 07	A	B1	B2	Total	% Total
Advances	143	390	483	1,016	54	
Declines	65	325	424	814	43	
Unchanged	1	19	37	57	3	

Commodity

	19 June 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	69.1	0.0	6.4	22.1
Gold (US\$/OZ)	661.5	0.8	(0.2)	0.3
Silver (US\$/OZ)	13.3	0.9	2.7	(0.0)

Debt/forex market

	19 June 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.18	8.23	8.21	N.A.
Re/US\$	40.8	40.9	40.7	44.1

Sensex


Source: Bloomberg

ECONOMY NEWS

- The Coal Ministry is set to approve 14 blocks with 3,500 MT of reserves. Five of the blocks are in Jharkhand, three in Orissa, five in Chhattisgarh and two in West Bengal. (ET)
- The capacity of the first stage of the country's planned strategic crude reserve may be raised by more than 30% to 9.75 mn barrels after a study found this could be done at limited extra cost, an Oil Ministry source said. (ET)
- The fate of the 4,000 MW Sasan ultra mega power project in Madhya Pradesh will be decided by an empowered group of ministers. The EGoM will meet to take a final decision on the Rs.160 bn pithead coal-based project. (BS)
- The Center's net direct tax collections up to June 18 this fiscal stood at Rs.374.44 bn, registering a 57.5% rise over collections recorded in the corresponding period in the previous year. The collection level so far includes advance tax of Rs.137.96 bn, representing a 28.6% increase on a YoY basis. (BL)
- The Organisation for Economic Cooperation and Development in its Employment Outlook 2007 report said India generated more than 11 mn new jobs every year during 2000 and 2005, which is higher than the figures for Brazil, Russia and China. (BS)

CORPORATE NEWS

- **Tata Sons**, the Tata group's holding company, said it has formed a new firm, Tata Capital, for financial services that will operate in the large growing segments within the finance sector that also include businesses that Tata Finance earlier operated in. (ET)
- The giants of India Inc, the likes of **Reliance Industries, Tata Steel, SAIL, Anil Dhirubhai Ambani group**, Lafarge and **Gujarat Ambuja**, will now receive freight service guarantee from Indian Railways. (ET)
- **Sterlite Industries**, part of the London-based Vedanta Resources group, has raised over \$2 bn through the listing of its American Depository Shares on the New York Stock Exchange. (ET)
- Temasek and Government of Singapore Investment Corporation are looking at cornering a little less than 40% of the fresh public issue of **ICICI Bank**. This would involve an investment of around Rs.80 bn. (ET)
- **L&T** and its UAE-based joint venture partner Eastern Contracting have bagged an order valued at AE\$557.5 mn (about Rs.6.18 bn) to build a residential property in Dubai. (FE)
- **HCL Technologies** has inked a \$15-mn contract with Italy's Alenia Aeronautica to provide engineering services for improving the C-27J Spartan tactical transport aircraft. (BL)
- **Lupin** and its US subsidiary, Lupin Pharmaceuticals, have mutually settled a patent violation case pending in a US court on the bacterial infection drug Omnicef, owned by Abbott Laboratories and Astellas Pharma. (BS)
- **Srei Infrastructure** has made a net profit of Rs.793 mn during 2006-07, logging a 64% growth over that of the previous year. (ET)
- **Spice Communications**, a company that offers GSM services through its Spice Telecom brand, intends to raise Rs.5.2 bn through its IPO. The price band for the issue, which opens on June 25 and closes on June 27, has been fixed at Rs.42-Rs 46 per share. (BS)

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

FROM OUR RESEARCH TEAM

EVENT UPDATE

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IPCA LABORATORIES LTD

PRICE : Rs.695

RECOMMENDATION : BUY

TARGET PRICE : Rs.800

FY08E PE : 11.8x

USFDA approval for Hydroxychloroquine sulfate tablets

- Ipca Laboratories has received approval from the USFDA to market hydroxychloroquine sulfate tablets (200 mg strength) in the US market. The drug has total annual sales of US\$50 mn in the US markets, according to IMS ORG MAT March 2007.
- The company's marketing partner Ranbaxy Pharmaceuticals Inc, US will commercialize this product in the US market utilizing its established marketing expertise and distribution network. After this approval, the company now has three products for marketing under the company's alliance with Ranbaxy after Furosemide and Atenolol tablets.
- Initially, Ranbaxy will manufacture and market this formulation in the US markets using its DMF approved active pharmaceutical ingredient (API) - hydroxychloroquine sulfate. However, in future, the company will manufacture this formulation at its greenfield facility in Indore in the SEZ area at an investment of Rs.600-700 mn.
- Ipca is one of the largest producers of API hydroxychloroquine sulfate in the world and holds its DMFs in various countries. The company is also marketing formulations of hydroxychloroquine sulfate in various markets. This approval will further strengthen the company's global market share of this product.
- Ipca entered into a strategic alliance with Ranbaxy in 2006 to develop a number of generic prescription pharmaceutical products, which will be marketed by Ranbaxy in the US markets. While Ranbaxy will file for regulatory approval and initially support the manufacture of these products, Ipca, going forward, will manufacture such products utilizing their facilities in India. Most of these products will be supported using the company's DMF approved APIs.

Summary table

(Rs mn)	FY07	FY08E	FY09E
Revenues	9,366	10,749	12,222
Growth (%)	23.6	14.8	13.7
EBITDA	2,038	2,277	2,586
EBITDA margin (%)	21.8	21.2	21.2
Net profit	1,258	1,471	1,714
Net Margin (%)	13.4	13.7	14.1
EPS (Rs)	50.3	58.8	68.6
Growth (%)	109.5	16.9	16.6
DPS (Rs)	5.5	10.0	10.0
RoE (%)	29.7	27.5	25.8
RoCE (%)	26.6	26.0	25.3
EV/Sales (x)	1.0	1.6	1.3
EV/EBITDA (x)	4.6	7.7	6.3
P/E (x)	13.8	11.8	10.1
P/BV (x)	1.8	2.9	2.4

Source: Company & Kotak Securities - Private Client Research

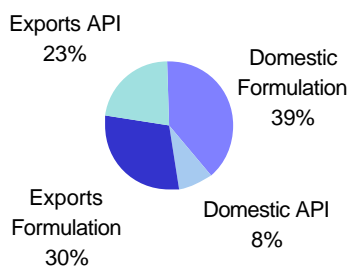
Focus on branded formulation business to drive growth

We believe the company's focus on the branded formulations business and emerging economies (mainly India, Africa, South Asia and the CIS, which constitute about 55% of sales) should drive the growth. On a high base, we expect net profit growth of 17% over the next two years. We expect sales to grow at 14% CAGR over the next two years.

Domestic formulation business on a roll

Domestic formulation sales (38% of net sales) have grown 19% to Rs.3.54 bn for the year and we expect domestic formulation sales to grow 16% in FY08, mainly driven by therapeutic expansion through new product introduction, especially in the fast growing lifestyle segment, and increased focus on marketing of mature brands. The company plans to introduce eight to 10 new products (including line extensions) in various therapeutic areas.

New products launched in the last three years now constitute nearly 25% of the domestic formulation sales. While, the company is still a leader in anti-malarial, therapy mix has changed significantly and chronic categories are close to achieving half of segment sales. During the last two years, the company expanded its sales force. Product flow has also improved, and focused marketing divisions are resulting in brand building.

Revenue Break-up (FY07)

Source: Company

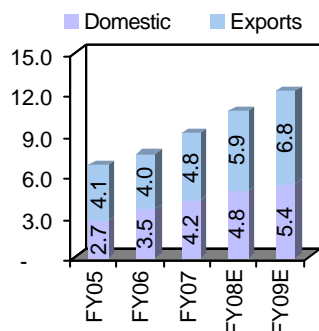
Diverse geographic portfolio, emerging economies likely to remain key growth driver

We expect about 25% growth in international formulation business for the next two years on the back of new products launches, increased sales from the branded formulation business in Africa, Asia and CIS countries. The company is also preparing to enter the US market and expects to launch five to six generic products in FY08. So far, it has filed eight ANDA applications with the USFDA and has got the approval for two ANDAs. It is planning to file 20 ANDA by March 2008.

Revenues from US generics are likely to begin next year, on the back of own ANDAs (including APIs) and distribution agreement with Ranbaxy. The company is focusing on products with its own APIs. The product development team is also beginning to deliver new generics early. All this, we believe, should result in sustained growth in the medium-term. However, emerging economies are likely to remain the growth driver for some time.

APIs continue to do steady business; likely to grow at 8-10%

APIs, which constitute around 31% of total sales, have grown 14% in FY07 (8% in FY06). For FY08, we expect growth of 9% in APIs. The management has been indicating traction in the APIs business, which could potentially help beat estimates from next year. Visibility of shipments to generic companies is high for some old APIs. We highlight that Ipca is a very competitive manufacturer and has dominant shares in several products. Some of its APIs (off-patent) are even sold to innovator companies, and now shipment for the Japanese market too has been made. The list of APIs has doubled to 55 in the last two years, and the target is to add about 10 products each year.

Geographical Revenue Break-up (Rs bn)

Source: Company, Kotak Securities - Private Client Research

Expansion on the way to meet growing demand

Ipca has started commercial production from its newly set up formulation plant in Dehradun from May 2006 to meet the growing demand. It is also setting up a greenfield facility in Indore in the SEZ area, to manufacture various APIs, intermediates and formulations at an investment of approximately Rs.600-700 mn over the next two years, funded by internal accruals. We expect this plant to start commercial production by the end of FY08. This plant will be approved by USFDA and will meet all demands of the regulated markets of the US and European countries.

Valuations attractive; we expect 17% earnings growth for the next two years

Ipca has posted an EPS of Rs.50.3 in FY07. We estimate EPS of Rs.58.8 and Rs.68.6 for FY08 and FY09, respectively. At the current market price Rs695, the stock is trading at 11.8x FY08E and 10.1x FY09E earnings.

We believe the company is doing very well in branded generics and promotional markets and valuations continue to be attractive with high earnings visibility. We believe Ipca continues to offer a mix of both growth and value. We maintain **BUY** with a target price of Rs.800, which provides a potential upside of 15% from current levels.

Key risks & concerns

We recommend a BUY on IPCA Laboratories with a price target of Rs.800

- Greater than anticipated pricing pressure in generic APIs/formulation business and/or lower market share would impact the profitability adversely.
- Delay in DMF filings and/or supply of APIs.
- Delay in ANDA filing and/or approval and any delay in new product launch in domestic or promotional markets.
- Risk arising from expanding the coverage of drug price control order. At present, 16% of sales come from price-controlled products.
- Foreign currency fluctuations.

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
19-Jun	Bihar Tubes	Shanker Sales Promotion Pvt. Ltd	B	50,000	102.00
19-Jun	Bihar Tubes	MS BSMA Ltd	B	100,000	102.00
19-Jun	Bihar Tubes	Balbair Singh Uppal	B	25,000	102.98
19-Jun	Bihar Tubes	Subhash Kumar Gupta	S	16,091	102.01
19-Jun	Bihar Tubes	Mukesh Kumar Jain	S	20,000	103.62
19-Jun	Chamatkar.Nt	Maruti Securities Ltd	B	190,000	21.75
19-Jun	Chamatkar.Nt	Sainath Herbal Care Marketing P Ltd	S	190,000	21.75
19-Jun	Chan Guide I	Rajesh Anant Dongre	S	63,750	17.56
19-Jun	Chan Guide I	Dwarika H Paswan	S	40,000	17.45
19-Jun	Cupid Ltd	Neil Finstock Pvt. Ltd	B	100,000	56.62
19-Jun	Euro Ceramic	Melchior Indian Opportunities Fund	B	500,000	153.00
19-Jun	Euro Ceramic	Ashok Commercial Enterprises	S	91,250	160.54
19-Jun	Euro Ceramic	Dungarpur Capital Services Pvt Ltd	S	272,201	157.95
19-Jun	Glory Poly	Chetan Vaghjibhai Shah.	B	106,523	53.83
19-Jun	Indo Asi Fu	M2M Chips P.Ltd.	S	90,000	135.91
19-Jun	JBM Auto	Melchior Indian Opportunities Fund	S	50,000	78.70
19-Jun	Koff Br Pict	Vasant M Chheda HUF	S	60,608	23.95
19-Jun	Lok Housi Co	Divekar Aviv J	B	80,000	154.88
19-Jun	Lok Housi Co	ABN Amro Bank N V London	S	83,600	154.58
19-Jun	Novgol Petr	Vaishali Sharad Gawade	B	31,000	6.99
19-Jun	Novgol Petr	Uma Petro Products India Ltd.	B	61,779	6.90
19-Jun	Novgol Petr	Sameer Bhutani	S	100,000	6.90
19-Jun	Patel Airtem	N.N.Shah	B	30,000	36.90
19-Jun	Patel Airtem	Himanshu Rawal	S	251,490	37.23
19-Jun	Rana Sugars	Edelweiss Estates P Ltd	S	432,372	15.68
19-Jun	RPG Transm	Goldman Sachs Inv Mau 1 Ltd	B	62,900	228.05
19-Jun	Schrader Dun	Sainath Herbal Care Marketing P Ltd	B	33,940	253.32
19-Jun	Shamke Multi	Dugar Securities Ltd	S	95,000	3.85
19-Jun	Tripex Over	Bliss Investment Consultancy	S	74,080	25.80

Source: BSE

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Ind	1,727	3.3	14.9	2.2
ONGC	915	2.9	10.7	0.6
Reliance Com	504	3.2	6.3	2.6
Losers				
Infosys Tech	1,956.6	(1.7)	-3.7	1.8
Satyam Computers	468.7	(1.5)	-0.9	2.1
TCS	1,160.0	(0.2)	(0.5)	0.9

Source: Bloomberg

Forthcoming events

COMPANY/MARKET	
Date	Event
20-Jun	Ford India holds press conference to launch new product; Max India, Batiibo holds press conference; Bharat Earth Movers holds press meet to announce share sale; Spice Communication holds press conference to announce IPO; Dun & Bradstreet holds press conference to announce tie-up.
21-Jun	Abbott India to announce 2nd quarter earnings; Evolence India & Healthcare Global holds press conference
22-Jun	Amara Raja Batteries to announce earnings and dividend; Infosys Technologies holds share holders meeting in Bangalore
25-Jun	Annual General Meeting of SBI; ONGC to announce earnings
26-Jun	Apollo Hospitals enterprise to announce earnings and dividend
29-Jun	TCS holds annual shareholders meeting
30-Jun	Tata Tele Services, Colgate Palmolive to announce earnings and dividend; Tata Coffee and Castrol earnings expected

Source: Bloomberg

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