

**April 3, 2007**
**FOR PRIVATE CIRCULATION**
**Equity**

	2 Apr 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	12,455	(4.7)	(3.3)	(11.1)
Nifty	3,634	(4.9)	(2.5)	(9.7)
Banking	6,153	(6.0)	(4.6)	(13.9)
IT	3,368	(4.5)	(3.5)	(10.2)
Healthcare	3,554	(2.6)	1.8	(8.3)
FMCG	1,691	(2.8)	(3.7)	(12.2)
PSU	5,674	(4.2)	(0.2)	(6.9)
CNX Midcap	4,686	(3.4)	(3.3)	(10.2)
<b>World indices</b>				
Nasdaq	2,422.3	0.0	2.3	(0.0)
Nikkei	17,028	(1.5)	(0.3)	(0.4)
Hangseng	19,810	0.0	2.7	(2.2)

**Value traded (Rs cr)**

	2 Apr 07	% Chg - 1 Day
Cash BSE	2,833	(1.9)
Cash NSE	6,867	(8.7)
Derivatives	28,876	23.2

**Net inflows (Rs cr)**

	30 Mar 07	% Chg	MTD	YTD
FII	841	(334)	1,403	4,520
Mutual Fund	(84)	39	(1,944)	(2,861)

**FII open interest (Rs cr)**

	30 Mar 07	% chg
FII Index Futures	12,526	(12.1)
FII Index Options	4,472	14.0
FII Stock Futures	12,825	(1.7)
FII Stock Options	9	59.6

**Advances/Declines (BSE)**

2 Apr 07	A	B1	B2	Total	% Total
Advances	16	120	290	426	24
Declines	200	580	489	1,269	73
Unchanged	1	15	38	54	3

**Commodity**

	2 Apr 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	65.6	(0.5)	6.4	12.5
Gold (US\$/OZ)	664.0	0.0	3.3	5.8
Silver (US\$/OZ)	13.3	(0.7)	3.1	5.6

**Debt/forex market**

	2 Apr 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.97	7.97	7.95	7.52
Re/US\$	43.3	43.5	44.3	44.2

**Sensex**


Source: Bloomberg

**ECONOMY NEWS**

- Housing finance companies and banks may have to contribute 1% of their annual incremental home loans to a new 'safety fund'. The mandatory contribution will increase their borrowing costs and is likely to lead to a further rise in home loan rates. (ET)
- Sebi has told several new hedge funds wanting to invest in India that they should agree to a lock-in period of two years as a comfort against quick withdrawal in adverse circumstances. (ET)
- There are fears that given the pace of monetary tightening measures the central bank has taken over the past three months, the economy is unlikely to maintain its growth momentum of the past three years. (ET)
- The freeze on SEZs may go in the next 10 days. The meeting of the EGoM follows a clearance from the Congress party that had met last week to decide the future of SEZs. (BS)
- Despite specific sectors like power, ports, roads and employment falling short of their targets, the Tenth Five-Year Plan 2002-'07 Five-Year Plan has recorded impressive gains in telecom, railways, airport and poverty alleviation. (BS)

**CORPORATE NEWS**

- **Tata Power Company** is looking to form a joint venture with an overseas electrical equipment manufacturing company just two days after ensuring coal linkage for its ultra mega power project in Mundra and other projects in Maharashtra through a billion-dollar transaction. (ET)
- **Idea**, an Aditya Birla Group company, has lowered ISD rates by 80 paise per minute. Idea consumers will now have to pay Rs.6.40 per minute for calls to the US, Canada, Europe and Hong Kong instead of the earlier Rs.7.20. (ET)
- Fiat Auto India - the 50:50 joint venture between Fiat and **Tata Motors** has announced an investment of Rs.40 bn (€660 mn) at the Ranjangaon plant over the next five years.
- **HDFC**, its subsidiary **HDFC Bank** and **UTI Bank** have raised their lending rates by 50-100 basis points. HDFC raised its lending rates by 75 basis points, but effected a smaller hike for existing borrowers by raising its prime lending rate by only 50 basis points. (BS)
- **Tata Steel** has announced the completion of its \$12-bn acquisition of Anglo-Dutch group, Corus, at a price of 608 pence per share. (ET)
- **Lanco Infratech Ltd** has won three construction projects in Karnataka and Tamil Nadu, valued at Rs.1.02 bn. The company said with the addition of these three projects, Lanco's order book for its construction and EPC division now stands at more than Rs.50 bn. (BL)
- **Ranbaxy Laboratories** and GlaxoSmithKline have decided to develop a drug in the respiratory segment, as the first of their joint drug discovery collaboration. (BL)
- The potential commercial viability of the gas find by **ONGC** in the Mahanadi Basin is likely to be confirmed in the next few days. (BL)
- **Tata Coffee Ltd** is poised to become a major branded player in key markets in two to three years. Over this period, the company is looking to convert its entire production of soluble coffee, including the new freeze-dried coffee, into branded operations. (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

### SECTOR UPDATE

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## FOUR-WHEELER AUTO SALES VOLUME

**Tata Motors:** Tata Motors reported total sales of 62,779 vehicles (including exports) for March 2007, a growth of 11% over 56,406 vehicles sold in March last year. The company's sales of commercial vehicles in March 2007 in the domestic market were 30,720, an increase of 13% over 27,289 vehicles sold in March last year. M&HCV sales stood at 17,673, a growth of 8% over March 2006, while LCV sales were 13,047, a growth of 19% over March 2006.

The passenger vehicle business reported impressive sales of 25,760 vehicles in the domestic market in March 2007, an increase of 14% over March 2006. The sharp growth in passenger car sales can be attributed to the Indica, which sold 15,283 units, a growth of 18% over March 2006. The company exported 6,299 vehicles in March 2007 as compared to 6,508 vehicles in March last year, a decline of 3%.

Although CV sales are expected to moderate in the current year to 10-12% we do not expect a hard landing for the CV industry despite a rising interest rate scenario. This is on the back of stable freight rates, supply constraints and sustained growth in the economy especially on the infrastructure front. We expect Tata Motors to record 10% volume growth in the M&HCV segment in FY08 (percentage growth would be higher in tonnage terms) and 7.5% growth in the domestic passenger car segment.

Going forward, the company is expected to launch the Rs.1 lakh car, a new car platform besides the World Truck Platform by 2009. We also expect the JV with Fiat to add significant value to the company in terms of technology and new markets. According to us, all these initiatives and JVs would provide the company with a more secular product portfolio. The stock is currently trading at a valuation of 10.6x its core earnings of Rs.51.5 for FY08. We believe this offers an attractive entry point for long-term investors. We are upgrading the stock from a **HOLD** to a **BUY** with a price target of Rs.890.

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

### Volume Trends - Four Wheeler

	Mar '07	Mar'06	yoy (%)	Apr-Mar'07	Apr-Mar'06	yoy (%)
<b>Tata Motors</b>						
M&HCV	17,673	16,312	8	173,381	128,714	35
LCV	13,047	10,977	19	125,792	86,236	46
Utility	6,109	4,954	23	47,893	37,905	26
Cars	19,651	17,655	11	179,000	150,951	19
Exports	6,299	6,508	-3	53,312	50,539	5
<b>Total</b>	<b>62,779</b>	<b>56,406</b>	<b>11</b>	<b>579,378</b>	<b>454,345</b>	<b>28</b>
<b>M&amp;M</b>						
UVs	15,210	12,305	24	127,856	114,694	11
LCVs	1,011	593	70	8,652	6,777	28
3-Wheelers	3,648	2,686	36	33,700	22,419	50
Exports	754	816	-8	8,021	5,534	45
Tractors - Domestic	7,053	6,320	12	95,004	78,048	22
Tractors - Exports	752	1,006	-25	7,525	6,980	8
<b>Total</b>	<b>28,428</b>	<b>23,726</b>	<b>20</b>	<b>280,758</b>	<b>234,452</b>	<b>20</b>
<b>MUL</b>						
PCs	64,284	60,341	7	632,408	522,664	21
MUVs	272	800	-66	3,221	4,374	-26
Exports	7,216	2,055	251	39,295	34,784	13
<b>Total</b>	<b>71,772</b>	<b>63,196</b>	<b>14</b>	<b>674,924</b>	<b>561,822</b>	<b>20</b>

Source: Company

**M&M:** M&M auto sales in March grew strongly by 26% YoY and cumulative sales for FY07 improved 19% YoY. The company benefited from higher sales in the UV (24% increase) and the three-wheelers (36% increase) segments. In the farm equipment sector, the tractor segment reported 12% growth in the domestic market. M&M has posted 22% growth in the tractor segment for the full year in the domestic market. The company continues to benefit from a revival in UV sales particularly in the Scorpio brand. Tractor sales have been moderate in the last quarter of FY07 and we expect tractor sales to further soften in FY08.

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

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

**MUL:** Domestic sales for Maruti in the passenger car segment rose 6% to 64,556 vehicles while export volumes improved 251% YoY (low base), resulting in a total sales growth of 14% YoY. Maruti's volume in the domestic A2 segment grew an impressive 26.3%, and by 3.2% in the C segment. The numbers are not strictly comparable as last year's March sales were significantly higher due to a cut in excise duties.

**We recommend a BUY on MUL with a price target of Rs.1085**

The combined sales figures for February and March this year show a growth of 26.5% over the same period last year. The company has managed to post an impressive 21% overall growth in domestic sales for the full year. Among others, sales were powered by the Alto, which grew a whopping 41.1% over the previous year.

We expect the volume momentum to continue in the A2 segment, especially after the launch of the diesel Swift at an aggressive price by the company. Due to superior engine technology, the share of diesel car sales in total car sales in India is gradually expected to increase and the success of diesel Swift could plug an important gap in Maruti's product portfolio. Despite the increasing interest rate scenario, we believe Maruti would comfortably achieve our volume growth of 11% for FY08 as the company continues to lead the compact car segment.

#### Valuation FY08

	<b>CMP (Rs)</b>	<b>Sales (Rs bn)</b>	<b>Net profit (Rs bn)</b>	<b>EPS (Rs)</b>	<b>P/E (x)</b>	<b>Target (Rs)</b>	<b>Reco</b>
Tata Motors	670	290	20.7	51.5	13	890	BUY
M&M	715	106	9.2	40	18	950	BUY
MUL	750	168	17.6	60.9	12	1085	BUY

Source: Kotak Securities - Private Client Research

## Bulk deals

Trade details of bulk deals					
Date	Scrp name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
2-Apr	Ambika Coton	C Bhavani	B	85,000	139.88
2-Apr	Baba Arts	Shankar Mahto	B	69,648	60.02
2-Apr	Bihar Tubes	Pankaj Sharma	B	40,000	104.50
2-Apr	Bihar Tubes	Muvin Infotech Ltd	S	80,000	104.47
2-Apr	Camlin Fine	Rahul Doshi	S	44,576	74.43
2-Apr	Chord Food P	Duke Advisors Pvt Ltd.	S	26,400	35.56
2-Apr	Dev Crbank	HSBC Financial Services M	B	907,100	65.30
2-Apr	Dev Crbank	ABN Amro Bank Nv London B	S	905,000	64.46
2-Apr	Galaxy Entet	Merlin Resources Pvt Ltd	B	325,000	114.12
2-Apr	Galaxy Entet	Pinnacle Trades and Inves	S	225,000	113.83
2-Apr	Granules Ind	Citigroup Global Markets	B	83,000	102.31
2-Apr	Ind Infoline	UBS Securities Asia Ltd	B	250,000	349.69
2-Apr	Jagjanani	Vicky Rajesh Jhaveri	B	170,000	22.95
2-Apr	Jagjanani	Bliss Investment Consulta	S	100,000	22.95
2-Apr	Kosian Indus	Chetan Dogra	B	16,650	17.44
2-Apr	Mah Ind Leas	Sanmati Investment	B	29,500	84.25
2-Apr	Maharastra	Shankar Mahto	B	43,498	110.36
2-Apr	Neo Sack Ltd	BCB Finance P Ltd	S	85,000	13.05
2-Apr	Nikki Glob F	Kiran Nair	S	35,000	10.66
2-Apr	Rana Sugars	Edelweiss Estates P Ltd	S	627,742	25.77
2-Apr	Shri Bajrang	JDM Securities	S	60,286	24.23
2-Apr	Tripex Over	Shivkumar Agarwal	B	50,000	39.94
2-Apr	Tripex Over	Akash Bachubhai Patwa	S	65,000	38.89

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
GAIL India	267	0.9	0.4	0.6
GlaxoSmithkline	1,105	(1.4)	(0.3)	0.1
Dabur India	93	(2.0)	(0.3)	0.8
<b>Losers</b>				
ONGC	826	(6.2)	(23.4)	1.2
Reliance Ind	1,314	(4.1)	(15.7)	3.3
Bharti Airtel	729	(4.6)	(13.3)	1.0

Source: Bloomberg

## Forthcoming events

### COMPANY/MARKET

Date	Event
3-Apr	BHEL to announce FY07 earnings; Hexaware Technologies holds press conference
5-Apr	Sun TV to announce stock split
9-12 Apr	SEBI hosts 32nd IOSCO annual conference in Mumbai
11-Apr	Mastek, iGate Global earnings expected
12-Apr	Ballarpur Industries earnings expected
13-Apr	Infosys earnings expected
17-Apr	UTI Bank to announce earnings and dividend
20-Apr	Exide Industries to announce earnings and dividend
25-Apr	Godrej Consumer to announce earnings and dividend; IDFC earnings expected
27-Apr	GlaxoSmithkline Consumer to announce earnings; BEL earnings expected
30-Apr	BHEL holds annual shareholder meeting

Source: Bloomberg

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