investor's eye

Index

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
BEL	25-Sep-06	1,108	**1,447**	1,715
BHEL	11-Nov-05	1,203	**2,015**	2,650
ICICI Bank	23-Dec-03	284	**827**	1,240
Infosys	30-Dec-03	689	**2,092**	2,670
ITC	12-Aug-04	69	**158**	220

Wockhardt

Ugly Duckling

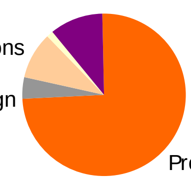
Stock Update

Beating expectations

Buy; CMP: Rs370

Company details	
Price target:	Rs552
Market cap:	Rs4,048 cr
52 week high/low:	Rs562/316
NSE volume: (No of shares)	73,683
BSE code:	532300
NSE code:	WOCKPHARMA
Sharekhan code:	WOCKLTD
Free float: (No of shares)	2.9 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	3.4	-3.5	-7.4	-33.3
Relative to Sensex	17.9	5.9	-13.2	-44.4

Result highlights

- Wockhardt's Q4CY2006 net sales grew by 43.7% to Rs526.4 crore, led by a 22.1% growth in its domestic business and a 56.6% rise in its international business. The sales growth was above our expectations. The massive increase in the international business was largely due to the Pinewood acquisition.
- Despite sharp escalations in the material cost and the staff cost, the company's operating margins remained flat at 23.2%. This was due to the lower research and development (R&D) expenses, which were capitalised instead of being expensed. On excluding the R&D costs, the company's margins actually declined by 190 basis points year on year (yoy). The decline in the margins was on account of the low-margin Pinewood & Dumex acquisitions. Back-of-the-envelope calculations indicate that the Pinewood acquisition alone has impacted the margins by approximately 150 basis points. Wockhardt reported an operating profit (OP) of Rs122.1 crore, a growth of 43.6% yoy.
- The net profit grew by 19.5% to Rs87.1 crore in Q4CY2006. The net profit was impacted by substantially higher interest and depreciation costs, but was nevertheless much higher than our estimate of Rs77.1 crore.
- For CY2006, Wockhardt's net sales grew by 22.4% to Rs1,729.1 crore, as against our expectation of a 17.0% growth. The Dumex and Pinewood acquisitions contributed significantly to the growth. Excluding the acquisitions, the like-to-like growth stood at 14%. The reported net profit grew by 17.3% to Rs301.7 crore. However, the company had incurred extraordinary expenses to the tune of

Results table Rs crore

Particulars	Q4CY06	Q4CY05	% change	CY2006	CY2005	% change
Net sales	526.4	366.2	43.7	1729.0	1413.1	22.4
Pre-R&D expenditure	391.3	265.0	47.7	1267.7	1016.1	24.8
EBITDR	135.1	101.2	33.5	461.3	397.0	16.2
R&D expense	13.0	16.2	-19.8	61.0	68.3	-10.7
Operating profit	122.1	85.0	43.6	400.3	328.7	21.8
Other income	7.8	2.7	188.9	19.0	18.0	5.6
EBITDA	129.9	87.7	48.1	419.3	346.6	21.0
Interest	11.5	-5.1	-325.5	2.6	9.5	-72.7
Depreciation	21.2	9.8	116.3	62.1	42.6	45.7
PBT	97.2	83.0	17.1	354.6	294.5	20.4
Taxes	10.1	10.1	0.0	52.9	37.4	41.4
Net profit	87.1	72.9	19.5	301.7	257.1	17.3
Extraordinary items	0.0	0.0	-	-60.4	0.0	-
Adjusted PAT	87.1	72.9	19.5	241.3	257.1	-6.1
EPS (Rs)	8.0	6.7	19.0	27.6	23.5	17.2
EBIDTR margin (%)	25.7	27.6		26.7	28.1	
OPM (%)	279.1	1544.7		23.2	23.3	
EBITDA margin (%)	24.7	23.9		24.3	24.5	
Net profit margin (%)	16.5	19.9		17.4	18.2	

Rs60 crore in the beginning of the year, due to which the adjusted net profit declined by 6.1% to Rs241.3 crore.

- Wockhardt plans to achieve sales of $1 billion by 2009. Of this $1 billion, $700 million will come through organic growth while $300 million will come as contribution from inorganic initiatives. For CY2007, the company is targeting to cross sales of $500 million and maintain the net margins in the range of 16-18%.
- Based on the management's vision and strategy presented at the recently held analyst meet, we are introducing our CY2008 estimates for Wockhardt. We believe that Wockhardt's top-line will grow at a compounded annual growth rate (CAGR) of 21.3% over CY2006-08E, with revenues touching Rs2,544.3 crore in CY2008E. Over the same period, the net profit is estimated to grow at a CAGR of 31.3%, with the profits reaching Rs415.8 crore in CY2008E, translating into earnings of Rs34.8 per share.
- At the current market price of Rs370, the stock is available at 12.2x its estimated CY2007E earnings and at 10.6x its estimated CY2008E earnings, on a fully diluted basis. The valuations seem very attractive at these levels and should be viewed as a strong buying opportunity. We maintain our Buy recommendation on the stock with a price target of Rs552.

Pinewood acquisition boosts Q4CY2006 performance

Wockhardt's net sales grew by 43.7% to Rs526.4 crore in Q4CY2006, led by a 22.1% growth in its domestic business and a 56.6% rise in its international business. The sales growth was above our expectations. The massive increase in the international business was largely due to the Pinewood acquisition. On a like-to-like basis (excluding the impact of the acquisitions made during the year), the growth stood at 16% during the quarter. The formulation sales rose by 46.5% whereas the sales of the active pharmaceutical ingredients (APIs) grew by 17.8%.

Despite sharp escalations in the material cost and the staff cost, the company's operating margins remained flat at 23.2%. This was due to a 19.8% decline in the R&D expenses. The reported R&D expenses declined on account of the company's policy of capitalising abbreviated new drug application (ANDA) development costs from Q3CY2006 onwards. On excluding the R&D costs, the company's margins actually declined by 190 basis points. The margin pressure was largely due to the contributions from the low-margin Dumex and Pinewood businesses. Our back-of-the-envelope calculations indicate that the Pinewood business alone has impacted the operating margins by approximately 150 basis points. Wockhardt reported an OP of Rs122.1 crore, a growth of 43.6% yoy. Despite a higher other income (which more than doubled in the quarter), the reported net profit grew by only 19.5% to Rs87.1 crore in Q4CY2006. The net profit was impacted by substantially higher interest and depreciation costs, but was nevertheless much higher than our estimate of Rs77.1 crore.

CY2006 performance beats expectations

For CY2006, Wockhardt's net sales grew by 22.4% to Rs1,729.1 crore, as against our expectation of a 17.0% growth. The robust performance was driven by a 37.7% growth in the domestic business and an 18.9% rise in the international business. Apart from the steady growth in the key therapeutic areas of nephrology and diabetology, the domestic growth was also powered by contributions from the Dumex acquisition. On the international front, the growth was led by a 32% growth in the European business. Apart from the Pinewood acquisition, the European growth was driven by a 12% growth in the UK and a revival in the German business, which had seen a slump since the past three quarters. Excluding the impact of the Pinewood and Dumex acquisitions, the like-to-like growth stood at 14%.

Sales break-up

Rs crore

Particulars	Q4CY06	Q4CY05	% change	CY2006	CY2005	% change
Formulations	485.5	331.3	46.5	1561.1	1247.6	25.1
- India formulations	157.7	130.0	21.3	650.8	509.2	27.8
- EU formulations	288.8	146.7	96.9	698.8	518.2	34.9
- US formulations	19.3	16.7	15.6	106.2	100.4	5.8
- ROW formulations	19.7	37.9	-48.0	105.3	119.8	-12.1
API	41.0	34.8	17.8	168.0	165.5	1.5
- India API	8.2	5.9	39.0	25.6	18.2	40.7
- EU API	3.1	1.1	181.8	16.2	24.7	-34.4
- US API	14.4	10.5	37.1	59.7	49.4	20.9
- ROW API	15.3	17.3	-11.6	66.5	73.2	-9.2
Total	526.5	366.1	43.8	1729.1	1413.1	22.4

The operating margins remained flat at 23.2% despite sharp increases in the company's staff costs and other expenditure. The margins were boosted by the recently adopted policy of capitalising ANDA development costs. Wockhardt capitalised close to Rs57 crore of product development costs during the year (Rs35 crore after tax payment). If we were to expense these costs as per the usual industry practice, the margins would actually show a decline of 340 basis points to 19.9% in CY2006. The margin pressure was due to the consolidation of the Pinewood and Dumex acquisitions, which have significantly lower operating margins as compared with Wockhardt's core business. The reported net profit grew by 17.3% to Rs301.7 crore. However, the company had incurred extraordinary expenses to the tune of Rs60 crore in the beginning of the year, due to which the adjusted net profit declined by 6.1% to Rs241.3 crore.

Wockhardt's board has declared a 100% dividend for CY2006 on all outstanding equity shares.

Wockhardt held an analyst meet post the Q4CY2006 and CY2006 results announcement. We present below the key highlights of the meeting.

- Wockhardt plans to achieve sales of $1 billion by 2009. Of this $1 billion, $700 million will come through organic growth while $300 million will come as contribution from inorganic initiatives. The $700 million target from organic initiatives implies a 2.5x jump in the sales from the current level of $300 million. Further, the $300 million contribution from acquisitions implies an additional acquisition turnover of $215 million ($86 million sales already added in CY2006 through the Pinewood and Dumex acquisitions).
- Wockhardt plans to maintain its net margins in the current range of 16-18%. The company views this as a challenge, as typically acquired businesses have substantially lower margins compared to the margins of Wockhardt's core business.
- For CY2007, the company is targeting to cross sales of $500 million and maintain the net margins in the range of 16-18%, as it tries to integrate and improve the operations of the Dumex and Pinewood acquisitions (which have lower margins than Wockhardt's core business).
- In the domestic market, Wockhardt plans to achieve a growth of at least 20% through new product launches, entry into newer therapeutic areas like dermatology and oncology, a 30% growth in the Dumex business and an enhanced focus on in-licencing products from multinational companies for the domestic market. The management has indicated that the Dumex business has broken even and will start contributing positively in the current year.
- For Europe, Wockhardt aims to grow by 50-55%, driven largely by the contributions from the Pinewood acquisition. The company is planning 40+ new product launches in the European markets. Wockhardt is aiming to achieve a 200-basis-point improvement in the operating margins of Pinewood from the current levels of 18%. This will be done through operational cost reductions, global sourcing of raw materials and an eventual shift of manufacturing to the Indian base.
- In the USA, Wockhardt is targeting a growth of 50% plus on the back of several new product launches, focus on steriles and new drug delivery products where the competition is low. The company is expecting at least seven new product approvals from the US FDA in H1CY2007 and is planning an additional 30+ ANDA filings in CY2007 for the US market.
- Wockhardt has recorded $12 million in sales from its biotech product portfolio. The company aims to increase this to $50 million by 2009 through the launch of one new biotech product per year in the domestic market, an expansion into newer unregulated markets through new registrations for Wosulin and a 2009 launch of Wosulin in the regulated markets of Europe and the USA. The management has indicated that the regulatory pathway for insulin biogenerics is clearly laid out in Europe and the company will start filings for its Wosulin brand of insulin in the various European markets from H2CY2008 onwards. The management has also indicated that the biotech business is currently making losses and is expected to contribute meaningfully from FY2009 onwards.

Introducing CY2008 estimates

Based on the strategy and visions presented by the company's managament at the recently held analyst meet, we are introducing our CY2008E estimates for the company. We believe that Wockhardt's top-line will grow at a CAGR of 21.3% over CY2006-08E, with revenues touching Rs2,544.3 crore in CY2008E. The revenues will be driven by a CAGR of 15.8% in the domestic business, a CAGR of 28.2% in the European business and a 25.7% CAGR in the US business.

Over the same period, the net profit is estimated to grow at a CAGR of 31.3%, with the profits reaching Rs415.8 crore in CY2008E, translating into earnings of Rs34.8 per share.

Valuation and view

Wockhardt's performance in Q4CY2006 and CY2006 has surpassed our expectations. The company's domestic and the UK businesses have been growing steadily and the German business, which had been declining over the past 2-3 quarters, has shown a revival in Q4CY2006. The management has outlined the company's 3-year vision and strategy, wherein it aims to take the company to the $1 billion mark in 2009. With an aggressive product pipeline for the European and US markets and entry into newer therapeutic areas in the domestic market, we believe Wockhardt has lined up strong growth prospects for itself.

Further, having already invested significantly into biopharmaceutical products, Wockhardt is expected to be one of the few Indian companies to benefit from the opening up of the biogenerics space in the regulated markets. With legislations in the USA underway, we believe Wockhardt will be able to launch its biogeneric products into these markets in 2009-10. With limited competition in this segment, Wockhardt is expected to reap handsome gains.

However, with the over dependence on acquisitions to meet its growth targets, the company's margins seem to be under pressure, as it strives to integrate operations and derive synergies across the acquisitions and its core business. The decision to capitalise ANDA filing costs further vindicates this view. With more acquisitions on the cards, Wockhardt's margins are likely to remain under pressure in the future as well.

At the current market price of Rs370, the stock is available at 12.2x its estimated CY2007E and 10.6x its estimated CY2008E earnings, on a fully diluted basis. The valuations seem very attractive at these levels and should be viewed as a strong buying opportunity. We maintain our Buy recommendation on the stock with a price target of Rs552.

Valuation table (consolidated) Rs crore

Paticulars	CY05	CY06	CY06E	CY07E	CY08E
Net sales	1413.1	1729.0	1653.6	2272.8	2544.3
PAT	257.1	301.7	258.3	360.9	415.8
Shares in issue (cr)	10.9	10.9	11.9	11.9	11.9
EPS (Rs)	23.5	27.6	21.6	30.2	34.8
PER (x)	15.7	13.4	17.1	12.2	10.6
Cash EPS (Rs)	27.4	33.3	26.4	37.8	43.4
Cash PER (x)	13.5	11.1	14.0	9.8	8.5

The author doesn't hold any investment in any of the companies mentioned in the article.

Ashok Leyland

Ugly Duckling

Stock Update

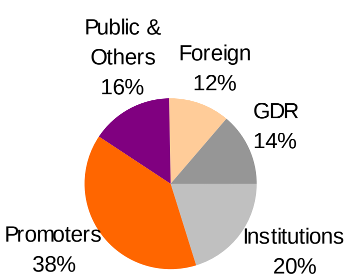
Good growth at attractive valuations

Buy; CMP: Rs39

Company details

Price target:	Rs56
Market cap:	Rs5,108 cr
52 week high/low:	Rs54/29
NSE volume: (No of shares)	51.4 lakh
BSE code:	500477
NSE code:	ASHOKLEY
Sharekhan code:	ASHOKLEY
Free float: (No of shares)	61.7 cr

Shareholding pattern



Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	-23.4	-11.8	-12.4	-7.1
Relative to Sensex	-12.7	-3.2	-17.8	-22.6

Key points

- Ashok Leyland Ltd (ALL) has reported good vehicle sales numbers for the month of February 2007 with an overall growth of 33%. The truck segment recorded a 33% growth and the bus segment grew by 27% during the month.
- The company is all set to surpass its sales target of 80,000 vehicles for the current fiscal. We maintain our positive outlook on the growth prospects of Ashok Leyland on the back of the continuing buoyancy in the commercial vehicle segment.
- The company is expected to spend about Rs4,000 crore in the next three-four years, including about Rs1,200 crore for setting up a plant in Uttaranchal.
- ALL is also a front runner for the acquisition of a stake in Punjab Tractors Ltd (PTL). The acquisition, in case it goes through, would give ALL an entry into the fast growing tractor market in India, and the acquirer would also be able to take advantage of the strong brand equity of PTL and its strong distribution network. However, the acquisition would come at a high price, and the acquirer would have to shell out anything between Rs1,200 crore and Rs1,500 crore, which would necessitate further raising of funds by the company.
- A sharp correction on the bourses following a global meltdown has seen the stock price of Ashok Leyland take a heavy beating. Considering its strong growth outlook, we believe that this is a good buying opportunity, as the stock is available at very attractive valuations, which are at a considerable discount to its peers. At the current market price of Rs39, the stock discounts its FY2008E earnings by 9.5x and quotes at an enterprise value/earnings before interest, depreciation, tax and amortisation of 5.3x. We maintain our Buy recommendation on the stock with a price target of Rs56.

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net sales (Rs cr)	4182.4	5247.7	6902.5	8379.8
Net profit (Rs cr)	281.0	305.6	426.1	534.7
% y-o-y growth		*9.0*	*39.0*	*25.0*
Shares in issue (cr)	118.9	122.2	133.2	133.2
EPS (Rs)	2.4	2.5	3.2	4.0
% y-o-y growth		*9.0*	*39.0*	*25.0*
PER (x)	16.1	15.2	11.9	9.5
Book value (Rs)	9.6	11.4	15.1	16.0
P/BV (Rs)	4.1	3.4	2.6	2.4
EV/EBIDTA (x)	11.2	9.0	7.0	5.3
Dividend yield (%)	2.6	3.4	3.1	3.1
RoCE (%)	20.7	21.8	27.1	31.1
RoNW (%)	23.7	23.6	21.1	25.1

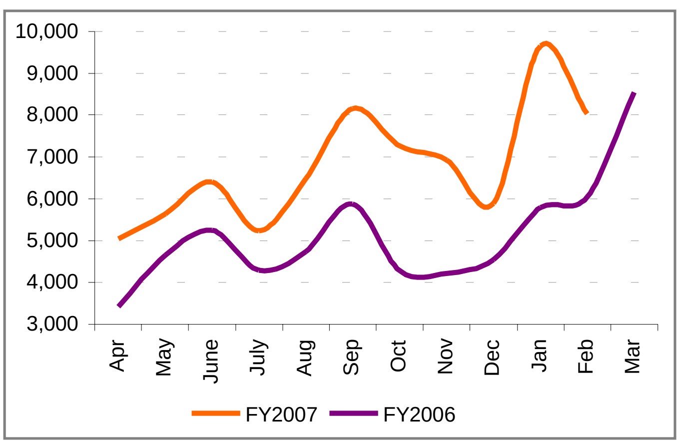
Sales performance

	Feb-07	Feb-06	% yoy	Jan-06	% mom	YTD-07	YTD-06	% yoy
MDV passenger	1,671	1,314	27.2	1,752	-4.6	13,830	14,071	-1.7
MDV goods	6,347	4,625	37.2	7,870	-19.4	60,557	38,288	58.2
LCV	18	99	-81.8	28	-35.7	303	719	-57.9
Total sales	**8,036**	**6,038**	**33.1**	**9,650**	**-16.7**	**74,690**	**53,078**	**40.7**

Strong February vehicle sales numbers

- Ashok Leyland reported strong sales numbers for the month of February as the total sales for the month touched 8,036 vehicles, marking a year-on-year (y-o-y) growth of 33%.
- Even though the month-on-month sales declined by 17%, this was mainly because the January sales were skewed upwards due to the implementation of the value-added tax (VAT) in Tamil Nadu in January.
- The domestic sales continued to be strong with February sales growing by 33% to 7,353 vehicles, while the exports for the month grew by 31% year on year (yoy).
- The improvement in the bus division sales continued as the segment recorded sales of 1,671 vehicles, a growth of 27%. The truck sales continued its upward trend and grew by 37% to 6,347 vehicles.
- In February the sales of its light commercial vehicles (LCV) stood at 18 units, marking a decline of 82% yoy.
- Looking at the year-till-date numbers, the company has reported an overall growth of 41.7% with the goods segment growing by 61% yoy and the passenger segment marking a decline of 4.7%.

Ashok Leyland sales performance



Outlook continues to remain positive

The company is still buoyant on the prospects of the commercial vehicle (CV) segment, despite a high base and expects the segment to register a 15-20% growth rate for the coming two years. A strong growth in the infrastructure sector and the ban on the overloading of trucks are expected to continue to result in good growth for the segment. The company has also delivered a very strong performance in the 9-month period of the current fiscal as its profits have grown by about 60% during the period to Rs261.7 crore.

The continued buoyancy in the CV segment, the company's capacity expansion plans and better overseas prospects would act as triggers for the stock. The company's presence across geographies and a beefed-up product portfolio would de-risk its business model.

Capex plans

In line with its growth objective, ALL has earmarked a capital expenditure (capex) of Rs4,000 crore for the next three to four years and plans to raise its capacity to 200,000 units in four years. The company is expected to spend about Rs1,200 crore to set up a greenfield plant in Uttaranchal. The first phase of the project is expected to be completed in the next 15-18 months while the second phase is targeted to be completed by March 2010. Out of the Rs4,000-crore capex, about half would be generated through internal accruals, while the remaining Rs2,000 crore would be raised through a mix of debt and convertible bonds.

Front runner in race to acquire Punjab Tractors

Media reports indicate that Ashok Leyland is a front runner in the race to acquire Punjab Tractors Ltd (PTL). In a note dated February 13, 2007 we had stated that the acquirer would have to shell out something in the range of Rs1,200-Rs1,500 crore to acquire PTL. At these valuations, the deal appears to be expensive and the acquisition would put pressure on the company's cash flows. For Ashok Leyland, a winning bid would not only allow the company to foray into the tractor market but also give it an opportunity to strengthen its position in the commercial vehicle market, as Punjab Tractors also has 14% in LCV firm Swaraj Mazda. Punjab Tractors also holds a 33% stake in Swaraj Engines.

Attractive valuations

A sharp correction on the bourses following a global meltdown has seen the stock price of Ashok Leyland take a heavy beating. Considering its strong growth outlook, we believe that this is a good buying opportunity, as the stock is available at very attractive valuations, which are at a considerable discount to its peers. At the current market price of Rs39, the stock discounts its FY2008E earnings by 9.5x and quotes at an enterprise value/earnings before interest, depreciation, tax and amortisation of 5.3x. We maintain our Buy recommendation on the stock with a price target of Rs56.

Aban Offshore

Emerging Star

Stock Update

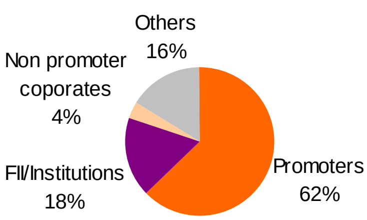
Price target revised to Rs2,430

Buy; CMP: Rs1,780

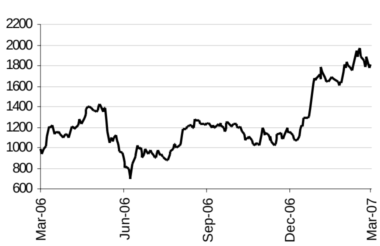
Company details

Price target:	Rs2,430
Market cap:	Rs7,120 cr
52 week high/low:	Rs2,008/645
NSE volume: (No of shares)	86,963
BSE code:	523204
NSE code:	ABANLOYD
Sharekhan code:	ABANLOYD
Free float: (No of shares)	1.4 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-0.1	57.5	45.4	92.4
Relative to Sensex	13.9	72.8	36.3	60.4

Aban Offshore Ltd (AOL) has announced the signing of a contract with affiliates of Addax Petroleum and Sinopec to deploy its deepwater drill ship, Aban Abraham, in the offshore block located at the Gulf of Guinea. The contract to drill five firm wells (with an option to drill another five wells) over a duration of 300 days is worth $123 million (can be increased to $246 million). It works out to a charter rate of $410,000 per day (around 36.6% higher than the charter rate of $300,000 for its contract starting from July 2007). The recently acquired contract is effective from end of May 2008 and would positively affect the earnings of FY2009.

Sinvest stake hiked to 100%

AOL also announced recently that it has already hiked its stake in Sinvest ASA to over 98% under the mandatory open offer made by its subsidiaries. Further, the Aban group has decided to carry out a compulsory acquisition of the remaining 1.99% shares as per the section 4-25 of the Norwegian Public Ltd Companies Act. Consequently, AOL is clearly set to increase its stake to 100% in Sinvest.

Revision of earnings

To factor in the impact of both these developments, we have revised the consolidated earnings estimate of FY2009 by 1.7% to Rs303.6 per share. Accordingly, the price target has been revised to Rs2,430 (8x FY2009E earnings which is at a slight premium to the valuations of the other comparable global players due to the company's strong cash flows and a relatively higher return on equity).

Key financials (consolidated)

Particulars	FY06	FY07E	FY08E	FY09E
Net profit (Rs cr)	76.8	73.0	489.9	1216.3
Shares in issue (cr)	3.7	4.0	4.0	4.0
EPS (Rs)	20.8	18.2	122.3	303.6
% y-o-y growth	*49.9*	*-12.7*	*571.6*	*148.3*
PER (x)	83.9	96.1	14.3	5.8
Book value (Rs)	116.9	236.1	356.4	657.9
P/BV (Rs)	15.0	7.4	4.9	2.7
EV/EBIDTA (x)	25.7	23.9	10.4	4.6
RoCE (%)	15.9	7.2	19.0	30.3
RoNW (%)	26.3	7.7	34.3	46.1

The author doesn't hold any investment in any of the companies mentioned in the article.

Banking

Sector Update

RBI seeks to limit inter-bank lendings

No material impact on banks' liability structure

The Reserve Bank of India (RBI) has asked banks to put in place a comprehensive framework for managing its inter-bank liabilities (IBL). Currently there are no defined limits on IBL for banks and with this measure the RBI wants banks to be aware of the potential risks associated with such a liability and contain the liquidity risk arising out of excessive dependence on such liabilities.

Banks have been asked to limit their IBL to 200% of their net worth as on March 31 of the previous year. However, individual banks, with the approval of their boards of directors, can fix a lower limit. Banks having a capital adequacy ratio (CAR) of at least 25% more than the minimum requirement of 9% (ie CAR of 11.25% as on March 31, the previous year) have been allowed a higher limit of up to 300% of their net worth for IBL.

The guidelines will be applicable from April 1, 2007. Banks that are unable to comply with the above requirements from April 1, 2007 onwards may furnish a plan to the RBI for approval, indicating a new date by which the necessary adjustments could be made.

Impact on banks' liability structure

The introduction of prudential limits on IBL has set the limits for a bank's exposure to certificates of deposits and fixed deposits where banks place money with each other to expand their balance sheets.

Our calculations based on the readily available data as on March 2006 show that except for UTI Bank all banks have an exposure below the initial 200% threshold limit. However, as on December 2006, all banks under our coverage have a CAR of above 11.25%. We believe all banks would strive to maintain the CAR above that limit so that they have the headroom for another 100% of their net worth in FY2008 which could be raised from inter-bank sources. Hence, no material impact is expected on the banks' liability structure for the banks under our coverage.

Company	Total IBL	Networth Mar 2005	% of NW	CAR (%) Dec 2006
Allahabad Bank	702.8	1727.4	41	12.8
Andhra Bank	237.8	1837.0	13	12.8
Bank of Baroda	4450.3	5627.8	79	12.2
Bank of India	3183.7	4299.3	74	11.8
Canara Bank	2138.8	5992.0	36	12.7
Corporation Bank	90.0	3054.9	3	13.7
HDFC Bank	2700.2	4519.8	60	12.8
ICICI Bank	15067.5	12550.0	120	13.4
PNB	6972.9	7848.8	89	12.9
SBI	13196.6	24072.1	55	11.9
UBI	1720.4	3139.4	55	13.2
UTI Bank	6361.1	2408.2	264	11.8

The author doesn't hold any investment in any of the companies mentioned in the article.

Evergreen

HDFC Bank
Infosys Technologies
Reliance Industries
Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
ACC
Apollo Tyres
Bajaj Auto
Balrampur Chini Mills
Bank of Baroda
Bank of India
Bharat Bijlee
Bharat Electronics
Bharat Heavy Electricals
Bharti Airtel
Canara Bank
Corporation Bank
Crompton Greaves
Elder Pharmaceuticals
Grasim Industries
Hindustan Lever
Hyderabad Industries
ICICI Bank
Indian Hotels Company
ITC
Mahindra & Mahindra
Marico
Maruti Udyog
Lupin
Nicholas Piramal India
Omax Autos
Ranbaxy Laboratories
Satyam Computer Services
SKF India
State Bank of India
Sundaram Clayton
Tata Motors
Tata Tea
Unichem Laboratories
Wipro

Cannonball

Allahabad Bank
Andhra Bank
Cipla
Gateway Distriparks
International Combustion (India)
JK Cement
Madras Cement
Shree Cement
Transport Corporation of India

Emerging Star

3i Infotech
Aban Offshore
Alphageo India
Cadila Healthcare
Federal-Mogul Goetze (India)
KSB Pumps
Marksans Pharma
Navneet Publications (India)
New Delhi Television
Nucleus Software Exports
Orchid Chemicals & Pharmaceuticals
ORG Informatics
Tata Elxsi
Television Eighteen India
Thermax
UTI Bank

Ugly Duckling

Ahmednagar Forgings
Ashok Leyland
BASF India
Ceat
Deepak Fertilisers & Petrochemicals Corporation
Fem Care Pharma
Genus Overseas Electronics
HCL Technologies
ICI India
India Cements
Indo Tech Transformers
Jaiprakash Associates
JM Financial
KEI Industries
NIIT Technologies
Punjab National Bank
Ratnamani Metals and Tubes
Sanghvi Movers
Saregama India
Selan Exploration Technology
South East Asia Marine Engineering & Construction
Subros
Sun Pharmaceutical Industries
Surya Pharmaceuticals
UltraTech Cement
Union Bank of India
Universal Cables
Wockhardt

Vulture's Pick

Esab India
Orient Paper and Industries
WS Industries India

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