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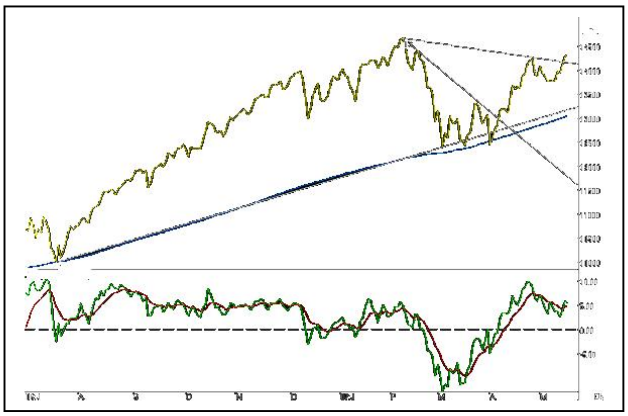
Positive signs

as buying emerges at higher levels

By Sanjay R. Bhatia

The uptrend on the bourses continued after the markets were rangebound during the initial days of the week. The advance decline ratio remained robust amidst higher volumes, which is a positive sign. Traders and speculators were active in index heavyweights, banks, metals, oil & gas and telecom stocks. Incidentally, FIIs remained net sellers in the cash segment but were net buyers in the derivatives segment. Mutual funds, however, remained net buyers.



The global cues have remained mixed with crude oil prices spiking above the $65 level. The global markets, too, displayed strength. The domestic inflation rate, meanwhile, has fallen to 5.44%. The US dollar has also strengthened against the rupee, which is good for the IT stocks. But the real positive sign for the markets has been the emergence of follow-up buying at higher levels. Now, it is important that fund flows continue to remain strong if the markets have to move higher. In the meanwhile, the markets will display intermediate bouts of volatility and choppiness amid stock specific action as the benchmark indices get closer to their previous historic highs. The markets would continue to take cues from the global markets, rupee-dollar exchange rate and the crude oil prices.

Technically, if Sensex sustains above the 14200 level then it is likely to test the 14372 level on the upside and has support at the 14009 level. And if the Nifty continues to sustain above the 4164 level, then it is likely to test the 4245 level. The 4047 level is an important support level for the Nifty.

Traders and speculators could buy BEML with a stop loss of Rs.1020 and a target price of Rs.1083.

BAZAR DOT COM

The budding stalwarts!

By Fakhri H. Sabuwala

Last week, the National Stock Exchange (NSE) promoted 31 active scrips mainly from the mid-cap and small-cap groups to the F&O segment. The list along with the lot size in brackets is given hereunder. You must have already seen the movements and even tremors in these counters. They are:- Aditya Birla Nuvo (200), Adlabs (450), AIA Engg. (200), Deccan Aviation (1700), Ansal Properties (650), Alstom Projects (400), Oswal Chemicals (4950), Birla Corp. Ltd. (850), Bombay Rayon (1150), Dena Bank (5250), Educomp (150), Everest Kanto (200), Financial Technologies (150), Mahindra Gesco (350), Hotel Leela (3750), India Infoline (500), Kesoram Inds. (500), Moser Baer (550), Pantaloon Retail (500), Patel Engg. (500), Peninsula Land (550), Petronet LNG (4400), Rajesh Exports (550), Reliance Natural Resources (7150), Rolta (India) Ltd. (450), Shree Cement (200), S Kumars Nationwide (2600), Sterling Biotech (1250), Sterlite Opticals (1050), United Phosphorous (700) and Unitech (450).

It would not be out of place to analyse select stocks from the above list from the fundamental point of view and blend it with technicals as Futures & Options strategies to make a winning combination.

Sensex: Projected EPS = Rs.830 for FY08. At P/E ratio of 22 the Sensex will touch 18260 by March 2008.

Nifty: Projected EPS = Rs.260 for FY08. At P/E ratio of 20 the Sensex will touch 5200 by March 2008.

These could be conservative estimates for the P/E multiples, which had risen to 25 in the case of the Sensex and the Nifty during their earlier peaks.

Deccan Aviation: A scrip piloted by a man from Mars….not a manglik but planning a marriage with someone from Venus…..wow!!!

The poor man's airline will divest its stake very soon and get a strategic partner on board very soon.

The company is likely to register profit at EBIDTAR (before lease rentals) level in FY08 but would incur a loss at the EBIDTA level. Its penetration into smaller cities and its Pan-India presence, low fares, economical to fly and competing with the first class A/C fares of the railways. The scrip is worth a closer look.

Its recent upside is more due to its promotion to F&O segment rather than its fundamental. Buy on declined for a decent profit in a year from now!

Rolta: With a strong order book at Rs.690 cr. executable in the next 18 to 24 months, this company has grown at CAGR of 23% for FY04-06 against the industry's CAGR of 33% but plans to achieve benchmark growth rate by FY09 with catalysts like the Indian national Map Policy and the Indo-US Nuclear Cooperation deal. Rolta's services also help airports and seaports in improving their operational experiences and utilization of assets. Eyeing at Rs.50 cr. airport contracts in the coming years. The company enjoys high EBITDA and net margins compared to its peers. Rolta's net margin is 24%, Geometric's 12% and Infotech Enterprises' 14%.

Rolta's two joint ventures, which will enhance its participation in high growth verticals such as power, defense and energy. Stone & Webster Rolta Ltd. and Rolta's JV with Thales, both from USA, would contribute considerably to its growth in FY08.

United Phosphorous Ltd. (UPL): the only Indian player in the global generics opportunity in crop protection products, focused on the regulated markets of US and Europe. The company has fully integrated manufacturing facilities and a strong distribution network across target markets. Its growth strategy is to file its own registrations and acquire tail-end brands of global majors in regulated markets. With 80% of its revenue coming from global markets and a strong direct presence in targeted markets. UPL has emerged as the third largest generics company in the world.

Its depressed FY07 due to higher depreciation and interest costs may only be a transitory phase and its 49.9% stake in Advanta only adds an element of innovation to the business and may lead to its best years ahead.

TRADING ON TECHNICALS

Looking for a breakout; will it happen?

By Hitendra Vasudeo

Last week, we had expected the struggle of the Sensex to continue. In an overall view, the struggle was not visible but definitely it could not make a new high and also it could not cross the recent high of 14383. The Sensex recovered and showed week-to-week gains but underperformed the overall market as stock specific moves were witnessed.

The Sensex opened at 13954.41 last week maintained a low at 13885.46 and moved up to a weekly high at 14352.98 to finally close the week at 14303.41. It recorded a net gain of 506 points on a week-to-week basis.

The trend, which had turned down for one week bounced back to turn the tables. The weekly trend has turned up and can turn down only on fall below 13500 or if the Friday weekly close is below 13985.

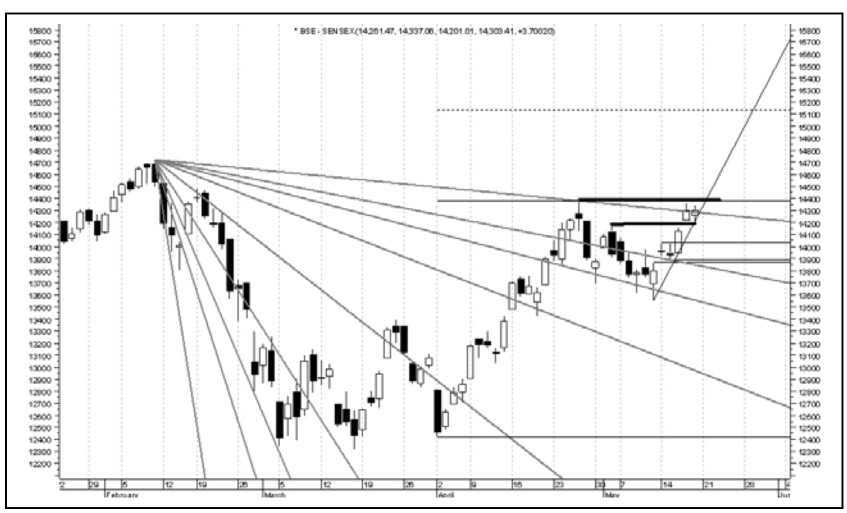
Weekly support will be at 14180-14008-13796 and weekly resistance will be at 14475, 14725 and 14943.

The Sensex has stiff resistance at 14400-14725. If the Sensex is able to give a breakout and close above 14725, then expect the rally to continue towards 15616 at least.

Review of the Elliot Wave Count to get the broad market picture:-

First Count:

Wave 1- 2594 to 3758;
Wave 2- 3758 to 2828;
Wave 3-2828 to 12671;
Internals of Wave 3
Wave i- 2904 to 3416
Wave ii- 3416 to 2904
Wave iii- 2904 to 6249
Wave iv- 6249 to 4227
Wave v- 4227 to 12671
Wave 4
Wave a -12671 to 8799
Wave b-8799 to 14723
Wave c-14723 to 12316
Wave 5- 12316 to 14384 (current move in progress)



WEEKLY UP TREND STOCKS

Let the price move below Center Point or Level 2 and when it move back above Center Point or Level 2 then buy with what ever low registered below Center Point or Level 2 as the stop loss. After buying if the price moves to Level 3 or above then look to book profits as the opportunity arises. If the close is below Weekly Reversal Value then the trend will change from Up Trend to Down Trend. Check on Friday after 3.pm to confirm weekly reversal of the up Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Up Trend Date
		Stop Loss	Buy Price	Buy Price	Book Profit	Book Profit			
RELIANCE CAPITAL	906.00	691.7	824.7	876.3	957.7	1090.7	78.8	787.3	23-03-07
SAIL	138.95	127.6	135.1	138.8	142.7	150.2	78.5	135.0	23-03-07
GMR INFRA.	482.50	392.1	446.8	465.7	501.5	556.2	75.1	435.9	20-04-07
JINDAL STEEL & PO	3205.00	2818.3	3053.3	3136.7	3288.3	3523.3	74.6	2977.8	23-03-07
ROLTA INDIA	464.40	401.4	441.3	458.2	481.2	521.1	73.9	443.2	13-04-07

WEEKLY DOWN TREND STOCKS

Let the price move above Center Point or Level 3 and when it move back below Center Point or Level 3 then sell with what ever high registered above Center Point or Level 3 as the stop loss. After selling if the prices moves to Level 2 or below then look to cover short positions as the opportunity arises. If the close is above Weekly Reversal Value then the trend will change from Down Trend to Up Trend. Check on Friday after 3.pm to confirm weekly reversal of the Down Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Down Trend Date
		Cover Short	Cover Short	Sell Price	Sell Price	Stop Loss			
P&G	759.00	716.0	746.0	763.0	776.0	806.0	28.98	765.00	27-04-07
WIPRO	543.95	499.3	529.3	544.7	559.3	589.3	29.06	555.77	04-05-07
INFOSYS	1982.00	1844.3	1936.3	1982.7	2028.3	2120.3	29.61	2015.25	11-05-07
RAYMOND	340.15	319.3	332.6	338.3	345.9	359.2	29.70	346.71	04-05-07
DR. REDDY'S LABS	666.00	591.7	642.7	670.3	693.7	744.7	31.14	695.00	11-05-07

PUNTER'S PICKS

Note: Positional trade and exit at stop loss or target which ever is earlier. Not an intra-day trade. A delivery based trade for a possible time frame of 1-7 trading days. Exit at first target or above.

Scrips	BSE CODE	Last Close	Buy Price	Buy On Rise	Stop Loss	Target 1	Target 2	Risk Reward
B.A.S.F. INDIA	500042	229.80	227.25	233.80	221.00	241.7	254.5	1.35
DISA INDIA	500068	1781.00	1732.00	1805.00	1675.00	1885.3	2015.3	0.98
HIKAL	524735	405.60	387.20	435.00	380.00	469.0	524.0	2.48
SANGHVI MOVERS	530073	736.00	715.00	750.00	690.00	787.1	847.1	1.11
ZENITH COMPUTERS	517164	62.30	60.50	64.00	58.50	67.4	72.9	1.34

BUY LIST

Scrip	Last Close	Buy Price	Buy Price	Buy Price	Stop Loss	Target 1	Target 2	Monthly RS
MOSER-BAER	456.65	420.07	406.22	392.38	347.55	537.4	654.8	65.15
ING VYSYA BNK	237.05	224.37	218.00	211.63	191.00	278.4	332.4	63.62
FEDERAL BANK	278.25	266.57	261.50	256.43	240.00	309.6	352.6	55.87

EXIT LIST

Scrip	Last Close	Sell Price	Sell Price	Sell Price	Stop loss	Target 1	Target 2	Monthly RS
CESC	368.50	372.32	377.55	382.78	399.70	328.0	283.7	46.19
SESA GOA	1691.00	1702.47	1723.00	1743.53	1810.00	1528.5	1354.5	47.20

Internals of Wave 5
Wave 1- 12316 to 13386
Wave 2- 13386 to 12425
Wave 3- 12425 to 14384
Wave 4- 14384 to 13554
Wave 5- 13554 to 14352 (Current Move in progress)

Alternatively, Wave 4 could still be in progress with the formation of an Expanding Triangle. If we get into an Expanding Triangle, then the following will be the internals of Wave 4:
Wave a -12671 to 8799
Wave b-8799 to 14723
Wave c-14723 to 12316
Wave d- 12316 to 14383 (not yet complete, current move in progress)

In an expanding triangle, each wave exceeds the previous move and retraces back the whole gain as well. In this case, if Wave d has begun then it could move to cross the top of 14724 and retrace back the whole rise back to 12300. Wave d, in that case, will cross 14724 and Wave e after the completion of Wave d will move down back lower towards 12300. Once 'a-b-c-d-e' formation gets complete, then expect the rally once again to make new highs for Wave 5. But this Wave 5 can be a failure also.

After reviewing the wave count, the earlier argument of stiff resistance at higher level gains importance and for any further sustained rally the top of 14724 has to get crossed at the earliest. The market overall is in a trading orbit now and traders buying must book profit and churn to get into new momentum stocks.

Strategy for the week

Our overall strategy to book profits at higher level continues with stock wise rotation in order to get into momentum based moves with a stop loss. Investors can hold on to long positions and till Sensex 13500 is in tact. As a general thumb rule, keep 2 weeks low as stop loss for any long positions for the current up trended stocks. Violation of 2 weeks low of stock or indices could puncture the expected upmove. Before the breakout, market will test the top and keep reacting before finally crossing it.

TOWER TALK

* **IBM** is buying **Patni Computers**. Its price movement denotes the courtship is on and merits will follow.
* **UTV** will turn out to be the best media stock of the year and is heading for 4-digit mark.
* As per reliable sources, **Jupiter Biosciences** is set to raise Rs.100 cr. by placing around 65 lakh shares at Rs.155 per share through QIP route. Ranbaxy will also be allotted warrants at about the same rate. Its share price will shoot up substantially after these allotments.
* **Micro Technologies** board has approved to raise Rs.120 cr. through private placement and FCCB/QIP route. Company has aggressive growth plans. Keep accumulating at sharp declines.
* Despite sharp appreciation in the rupee, mid-cap IT stocks witnessed a smart rally last week. Take this opportunity to book profit and shift to power ancillary scrips like **Pitti Lamination**, **Hind Rectifier, Easun Reyrolle, ICSA, Bilpower, IMP Power** etc.
* **KIC Metalics** has made a strong turnaround for the March 2007 quarter and seems back on track. Catch it if you can.
* Cement scrips are coming back into action and may see a smart rally in coming week. Hold on to **JK Lakshmi, Anjani Cement, Mangalam Cement, India Cement, NCL Industries** etc.
* **Karuturi Networks** has acquired 100% stake and management control in Estel, a Category A Internet Service Provider, which was jointly promoted by a Nasdaq listed company and a Delhi group and provides the company a foothold in Delhi based IT and ITES sector. Bennet Coleman is also picking up preferential warrants.
* **Software Technology Group,** a Delhi based company promoted by technocrats, has ambitious plans in the education sector and is considered a long-term value buy.
* **Twilight Litaka Pharma** has announced major plans for manufacturing products for Herbalife a lifestyle and weight management company and has returned to the dividend list after restructuring.
* **Gujarat Apollo** has announced very encouraging results and is also likely to list on the NSE soon. The stock is available at attractive level for long-term investments.
* The ex bonus date for **Bihar Tubes** 1:1 bonus issue is 24 May 2007. Given its good performance in FY07, the stock looks fairly attractive at Rs.160 level despite a smart move in the last few days.
* **Amara Raja Batteries** is poised to cross the Rs.500/550 mark in the medium-term and Rs.600 in the long term. Circles close to the management projection EPS of Rs.40 on sales of Rs.560 cr. for FY07 and an EPS of Rs.67 in FY08.
* The Kalyani Group plans to demerge its investment division, which will unlock substantial value and the scrip could touch the magic figure of Rs.500.
* **Hanung Toys & Fabrics** is being cornered by knowledgeable persons. Its EPS of Rs.11 is likely to go up to Rs.17 plus in FY08 and further to Rs.30 in FY09 on the back of massive expansion of Rs.172 cr. Our first target is Rs.230.
* An automobile analyst who tracks **Bharat Gears** projects an EPS of Rs.18/20 in FY08. The share can easily touch Rs.100.

BEST BETS

South East Asia Marine Engineering & Construction Ltd. (Code: 526807) Rs.190.25

South East Asia Marine Engineering & Construction (SEAMEC) is a 78.24% subsidiary of Coflexip Stena Offshore Mauritius Ltd which in turn is owned by Technip S.A of France, the largest oilfield engineering, construction and service group in Europe. SEAMEC operates multi-purpose support vessels (MSV) for diving and provides underwater/subsea engineering and construction, maintenance, inspection of under-water structures, rescue-operations and fire-fighting and other support services for offshore oil/gas installations located in India or abroad. Hence it is a pure play of charter hiring of MSVs, which are more specialized vessels than Offshore Supply Vessels (OSV) as they are equipped with Dynamic Positioning (DP) system and can go underwater for repair & maintenances of underwater pipelines. Notably, there are just about 30-35 MSVs operating in the world and Technip is the undisputed leader with 17 of them. In India SEAMEC is a leader with 4 out of 6 vessels whereas the balance two are with ONGC.

Earlier, SEAMEC owned three vessels viz., Seamec-I with 1700 DWT, Seamec-II with 2100 DWT, Seamec-III with 2100 DWT but last year it acquired the fourth vessel 'Seamec Princess' which is being upgraded and will be ready only by Aug'07. This vessel is quite huge compared to the existing three vessels and will boost its earnings significantly once deployed. All the three MSVs are 1983 make and with no stipulations for any kind of phase out, there won't be any replacement pressure for at least the next 10 years. Besides, the newly acquired Seamec-Princess is an originally 1984 built vessel, again re-built in 2001 and has a usable life of 15-20 years. With increased activity in the oil & gas sector in India and overseas, the demand for offshore vessels has increased leading to a substantial increase in charter rates. Seamec-1 is deployed with Dolhin Offshore for US$16000 per day, Seamec-II is with Condux SA for approx US$45000 per day and Seamec-III with Offshore Technology West Indies on a similar charter rate. The Seamec-Princess is expected to be deployed at a rate of around US$55000 per day.

Investors, should however, keep in mind that the company has planned to dry-dock Seamec-I during the current quarter and Seamec-II during Sept'08 quarter, which will impact its performance in the coming two quarters. But after that, it is estimated to report bumper results with the deployment of its fourth vessel. In short, CY07 will not be that encouraging also due to the sharp appreciation of the rupee but CY08 will be fabulous. Also in the next three months, the promoters will bring down their stake to 75% from 78% currently as per SEBI guidelines. Importantly, despite being in a capital-intensive industry, SEAMAC is a zero debt company. Secondly, the parent company Technip is learnt to have bagged Rs.1200 cr. order from Reliance Industries, which indirectly augurs well for SEAMEC. Considering all these factors, it may end the financial year ending 31st December 2007 with a revenue of Rs.185 cr. and profit of Rs.50 cr. i.e. EPS of Rs.15 on equity of Rs.33.90. For CY08, the topline can shoot up to Rs.250 cr. whereas bottomline is estimated to be Rs.80 cr, which means an EPS Rs.24 on its current equity. Hence investors are advised to accumulate this scrip in the coming six months with a price target of Rs.320 (70% appreciation) in 15 months.

Flat Products Equipment Ltd. (Code: 500147) Rs.302.40

Established in 1978 and promoted by Mr. T. R. Mehta, Flat Products Equipment Ltd. (FPEL) is the only company in India having capabilities for designing, fabrication and installation of cold rolling mills. Cold Rolling Mill is the equipment required to convert hot rolled sheets into cold rolled sheets. Hence, FPEL enjoys a virtual monopoly in India while competing globally with players like Kawasaki & Hitachi (Japan), Siemens & SMS (Germany), DMS (France) and CMI Belgium. Presently, the company derives major revenue from metal cold rolling mills, galvanizing lines and corrugating machines apart from specialisation in other downstream processing mills and auxiliary equipments like skin pass mills, aluminum strip and foil mills, colour coating mills, tension leveling lines, mill automation equipments, metal processing lines, slitting and pickling lines etc. In fact, the company provides twenty solutions to ferrous and non-ferrous metal processing industry with its unique strength, state-of-the-art equipment building, process technology and project management capabilities.

The company has two units - one at Taloja Industrial Area, Maharashtra and the other in Silvassa, Union Territory of Dadra & Nagar Haveli. At present, the company has collaborations with T. Sendzimir as well as Bliss Salem, USA, for manufacture of cold rolling mills, with Achenbach Buschutten, Germany, for manufacture of aluminium strip and foil mills with Redex of France for manufacture of stretch levelling equipment and with Durmech Engineering, UK, for paint coating lines. Notably, all its collaborators are world leaders in their respective fields. Due to the huge market, FPEL has been concentrating on exports since the last few years and has made its presence felt in USA, Mexico, Europe, China, Korea, Malaysia, Morrocco, Turkey, Colombia, Bangladesh, Egypt, Kenya, Iran, UAE, Vietnam, Japan, Ethiopia etc. With steel and metal producers expanding aggressively worldwide including India, the company has huge order flows especially for exports. In fact its current order in hand position stands at a whopping Rs.1000 cr, which gives it a strong revenue visibility.

Earlier in 2003 & 2004, FPEL was doing well with an operating margin of 9-10% but due to sharp rise in raw material costs and with no escalation clause signed with customers, its margin fell substantially to 3-4% for 2005 and 2006. However the worst is over now and the company is executing contracts with better margins and with an escalation clause. Thus for March'07 quarter,it reported sales of Rs.234 cr. which was tad lower to entire FY06 sales of Rs.286 cr. Importantly, it made a strong turnaround by reporting an OPM of more than 8% after quite a long time. After tax provisioning of around Rs.6 cr. its net profit stood at Rs.12 cr. i.e. whopping EPS of

Rs.25 for just one quarter. For full FY07, sales grew by 80% to Rs.511 cr. and net profit multiplied 7 times to around Rs.16 cr. i.e. EPS of Rs.32 on its tiny equity of Rs.4.94 cr. Assuming that FPEL has already turned around, it may clock a turnover of Rs.700 cr. with PAT of Rs.25 cr. for FY08. This translates into an EPS of Rs.50 on its current equity. However, with exports contributing to more than 70% of its total revenue, the sharp appreciation of the rupee is cause of concern. Still investors can buy the scrip at current levels as it has the potential to give handsome returns in medium to long-term.

ANALYSIS

KEC International: A good medium-term pick

By Devdas Mogili

KEC International is a Mumbai based leading power transmission engineering, procurement and construction (EPC) firm and is a part of the Rs.9500 cr. RPG Enterprises. Its business includes design, fabrication, galvanising and testing of transmission line towers, all types of masts, erection of complete transmission lines, supply and erection of tower materials, sub-station structures and overhead equipment for railway electrification etc.

KEC International is one of the largest power transmission, EPC companies in the world with presence in more than 15 countries. It derives nearly 70% of its turnover from the overseas markets with Africa occupying a significant portion of this pie thanks to the rapid expansion of the electricity network there.

The company is currently engaged in executing orders in various countries such as Abu Dhabi, Libya, Tunisia, Algeria, Iraq, Afghanistan, Oman, Zambia, Nigeria and Ethiopia. In the domestic market, too, the company is a leading player and is already executing various orders for Power Grid Corporation of India Ltd. (PGCIL), WBSEB, J&K SPDC, UPPCL and Power links etc.

KEC is planning to enter into the North American market with a Joint Venture with Power Engineers Inc., USA. KEC Power Inc (KPI) the new company formed in USA, is a 50:50 joint venture based in Idaho. As per company's assessment, the North American market is on the verge of significant growth opportunities. High value projects are expected to come up as the US builds transmission system infrastructure.

Orders: The company’s order book at the end of Q3FY07 was Rs.2,900 cr. compared with Rs.2,500 cr. at the end of FY06. It has received new orders worth Rs.150 cr. from the international and domestic markets. Two orders are from the Middle East whereas one worth Rs.58.30 cr. is from the West Bengal Electricity Board. The scope of work for this order includes supply and construction of three lines of 132 KV D/C each around Haldia. With these orders, the company’s order-book has reached a record level of Rs.3,000 cr.

GRTE, the power transmission division of the Algerian utility company, Sonelgaz, has placed an order worth Rs.70 cr. (11.5 million euros) for supply and construction of 400 KV single circuit transmission line over 52 kms from Ain Sefra to Mougrar.

The company has also secured a contract of Rs.22 cr. in Abu Dhabi for a 220 KV transmission line of 12 kms from Mirfa to Ruwaison on turnkey basis.

Performance: The company has reported exhilarating results for the year ended 31st March 2007. It registered revenues of Rs.2128.26 cr. with a net profit of Rs.54.63 cr. netting an EPS of Rs.27.76.

Financial Highlights: (Rs. in cr.)

Particulars	Q4FY07	Q4FY06	FY07
Net Sales/Income	**640.92**	**478.38**	**2093.21**
Other Income	0.32	(0.27)	0.69
Total Income	641.24	478.11	2093.90
Total Expenditure	570.27	430.19	1841.96
Interest (Net)	16.80	17.42	59.25
Depreciation/Amortisation	8.04	8.83	33.43
Profit before tax	46.13	21.67	159.26
Prov. for taxation (inc DT/FBT)	15.95	5.63	54.63
Net Profit	**30.18**	**16.04**	**104.63**
Paid up equity share capital	37.69	37.69	37.69
Reserves			241.13
Basic/Diluted EPS (Rs)	**8.01**	**4.40**	**27.76**

Q4 Results: The Q4 results have been very impressive. On net sales of Rs.640.92 cr. it reported a net profit of Rs.30.18 cr. netting a basic/diluted EPS of Rs.8.01. The annualized EPS works out to Rs.32.04.

Financials: The company has an equity base of Rs.37.69 cr. supported by reserves of Rs.241.13 cr. with a book value of Rs.74 of its share.

Share Profile: The shares of KEC International with a face value of Rs.10 are listed and traded on the BSE and NSE under B1 segment. Its share price touched a 52-week high of Rs.613 and a low of Rs.210. At its current market price of Rs.502, it has a market capitalization of Rs.1892 cr.

Shareholding Pattern: As on 31 March 2007, the promoter’s stake in the company was 34.27% while the balance of 65.73% was with non-corporate promoters, institutions and the public. Mutual funds have evinced a lot of interest in the counter and the funds that accumulated the company's shares include funds like Tata Mutual Fund, Principal PNB Fund, UTI, HDFC, Magnum Fund etc.

Dividends: The company has paid dividends as shown below:

March 2006 - 11.8% and March 2007 - 45%.

Prospects: The domestic market is now reviving with a lot of new business expected in the ensuing quarters. KEC International is seen benefiting from the privatisation of transmission lines in India. The country urgently needs to strengthen the existing transmission networks, as power-generation and demand is shooting up. The recent fall in copper and steel prices also augurs well for power transmission equipment makers such as KEC.

Further, the recent initiatives by the government inviting private investment in transmission networks will serve as a chief trigger for earnings prospects in the near term. The privatisation initiatives aside, the government's ambitious targets of 200,000 MW electricity generation capacity by 2012 from the present 114,000 MW together with the existing and anticipated regional disparities in power availability provide a compelling growth environment for this sector.

The power deficit in the northern and western regions is currently around 18-20%, in contrast to the surplus situation in the eastern and north eastern region at 26% and 5% and has meant an increasing focus on upgradation and expansion of inter-regional transmission capacity.

The consequent ramp-up in inter-regional capacity from about 11,500 MW in December 2006 to 16,750 MW by March 2007 and finally to 37,150 MW by 2012, would provide a fat order book for tower companies in the next three to four years. Moreover, projects of over Rs.75,000 cr. under direct implementation of PGCIL are envisaged in the central sector alone. The rural electrification programme is another demand driver. The Rajiv Gandhi Vidyutikaran Yojana (RGGVY) introduced in April 2005 aims at providing electricity to all villages and habitations in four years.

Rural electrification already forms a substantial chunk of about 16-30% of the order books of the top three tower companies. The prospects for smaller players like KEC International is, therefore, equally good.

Conclusion: KEC International is a market leader in India. KEC has good project execution skills; efficient utilisation of resources, geographically diversified revenue streams, good visibility, a robust order book position which makes it a attractive growth story.

At its current market price of Rs.502, the share is discounted less than 19 times against the industry average P/E multiple of 23. The share is thus reasonably priced compared to its peers. Considering the government’s thrust on the power sector, its good order book position and impressive performance makes KEC International a good bet for medium to long-term investment.

MARKET REVIEW

Sensex poised at a crucial stage

By Ashok D. Singh

The BSE Sensex gained 507.25 points or 3.67% to settle at 14303.41 for the week ended Friday, 18 May 2007. The NSE Nifty rose 137.85 points or 3.3% to close at 4214.50 for the week. Tracking firm global markets led to the domestic surge. Reports of an early onset of the monsoon also supported the rally. The rally in State Bank of India and ICICI Bank and in index heavyweight Reliance Industries helped the upside swing.

The Indian meteorological department on Monday, 14 May 2007, forecast annual monsoon rains would arrive in Kerala on 24 May 2007. "The forecast model suggests that the monsoon onset over Kerala is likely to be on 24 May, with a model error of plus or minus three days," it added. The meteorological department has forecast that annual monsoon this year would be 95% of the long-term average.

RBI on Wednesday, 16 May 2007, released the long-awaited draft guidelines for banks and dealers to begin trading credit default swaps in the country – derivatives that allow banks to hedge against the risk of default. The move will enable banks to step up lending to the corporate sector by allowing them to offload some of the risk to third-party investors.

Oil marketing companies declined after Brent crude oil prices advanced more than $2 to a fresh eight-month high above $70 a barrel. The sharp surge came after the US refinery problems fanned concerns about potential gasoline supply bottlenecks just before the summer-driving season begins.

Small-cap and mid-cap shares which have been rising since early last month extended gains. BSE Small-Cap index gained 235.90 points or 3.3% to 7220.30 in the week. BSE Mid-Cap index rose 238.68 points or 4% to 6089.95 in the week.

Trading for the week started on an upbeat note. The market surged on Monday, 14 May 2007, on firm global markets, strong Q4FY07 results announced by the State Bank of India (SBI) on Saturday, 12 May 2007, and on prospects of political stability in Uttar Pradesh. But the Sensex came off the higher level after an initial 229.86-point rally that took it above 14,000 to 14,026.02.

The Sensex settled on a weak note on Tuesday, 15 May 2007, tracking negative cues from global markets. It was highly volatile throughout the day’s trading session. It lost 36.53 points.

A rally in interest-rate-sensitive banking, auto and real-estate shares, telecom stocks and index heavyweight Reliance Industries boosted the market in a volatile trading session on Wednesday, 16 May 2007. The BSE 30-share Sensex’s surge materialised in the last one hour of trading. Higher Asian markets supported domestic bourses as the Sensex added 198 points.

The market rallied for the second straight day on Thursday, 17 May 2007, as buying momentum continued in index pivotals, specially index heavyweight Reliance Industries which struck a fresh all-time high. Firm global markets aided the surge as Sensex rose 172 points.

A late surge in Reliance Industries helped Sensex end a tad higher on Friday, 18 May 2007, after it moved between positive and negative zone throughout the day. Subdued Asian markets and a powerful bomb blast at Meeca Masjid near Charminar in Hyderabad that took place in the afternoon capped the market's gains.

FIIs bought shares worth a massive Rs.1060.80 cr. on Thursday, 17 May 2007. The large inflow came after they had pulled out Rs.470 cr. in two trading sessions from Tuesday, 15 May 2007 to Wednesday, 16 May 2007.

SBI spurted on strong Q4FY07 results, which it had unveiled on Saturday, 12 May 2007. The Lok Sabha, on Tuesday, 15 May 2007, passed the SBI (Subsidiary Bank Laws) Amendment Bill, 2006. The amendment bill will allow SBI to reduce its stake in subsidiary banks to 51%, from the existing 55% and above.

Reliance Industries was in demand in the week. The stock hit a record high above Rs.1700 on Friday, 18 May 2007. The company said on Tuesday, 15 May 2007, it had made two gas discoveries in separate blocks off the east and west coasts of the country. The commercial viability of the above discoveries is currently under evaluation.

But rupee's rise weighed on IT shares. A rise in the rupee directly impacts revenue and profit of IT firms, which derive a lion's share of revenue from exports to the US.

The Sensex gained 507.25 points to close at 14303.41 last week. The Sensex is poised at a very crucial stage where it is likely to test its all time high this week. The out come of this test will decide the future trend of the market. If it fails to cross the all time high successfully, it is likely to fall much lower in the near future and the possibility is it might break its strong support level near 12,300.

MARKET

The market is headed for a big rise

By G.S. Roongta

After much uncertainty on account of the U.P. election results and expectations of a hung assembly, when market players opted to be cautious, the stock market emerged from the narrow range as the election results favouring the BSP dispelled all such doubts.

The thumping majority that the BSP got was much beyond anybody's expectation and it emerged like the proverbial moon from an eclipse to shine clear and bright over U.P. And no sooner were the election results declared, the market sentiment got an automatic boost and even global weaknesses could not prove a hindrance to the upward march of the indices.

G.S. Roongta

Last week, I had stated about the weekly fluctuation by 500 points on the Sensex knowing fully well that the U.P. election results would either add or rob 500 points from the Sensex depending on the outcome of the election results. Now since the results are better than expectations, the market is poised to make a good headway and clear the fog that had till now blurred the vision of market experts for the past three weeks as evident from the TV telecasts.

It was really very interesting to watch the popular TV channels and listen to a host of technical experts give their opinions, which confused the common investor about the direction of the market and whether one should invest or divest. There were three popular views that were commonly aired: to hold, exit or watch. And their future guidance involved so much uncertainty with no clear commitment to trigger the 'stop losses', which ultimately converted them into losses!

This only benefits the broking community who not only earn brokerage every time but also collect a host of other charges like service tax, securities transaction tax, turnover tax, stamp duty, transaction cost etc. Thus if you entered just two or three small transactions on a regular basis, the broker gets Rs.200 as brokerage, securities transaction cost of Rs.100 and service tax and a host of other charges of Rs.50 whether you gain or lose. And to hope of gaining on a daily basis is nothing but to daydream as majority of day traders end their trades in a loss and lose nearly Rs.10,000 on a daily basis.

In view of this, investment is always considered to be a safe haven. Whether the investment is small or big, there is no need to observe any 'stop loss' that is triggered every now and then in a volatile market. Besides, there are good chances of the market price returning to the earlier levels after an interim dip on completing the downward cycle and the investment remains in tact if not appreciating thereafter.

The previous week ending Friday, 11th May 2007, closed with the BSE Sensex at 13796.16 nearly 1000 points away from it all time peak of 14723.88 achieved on 9th February 2007. And "the Nifty at 4245 was just readying to kiss a new time high". This was my observation last week. Since then, the BSE Sensex has played enough hide and seek with the 14000 level after closing above it at least three times ever since it crossed this benchmark level in April 2007.

Actually speaking, the market was in deep consolidation after a fall of 2200 points from its all time peak and such a deep consolidation needs time to test and break past the previous top. Any break of the higher top without proper consolidation is rather risky and dangerous as happened in 1996 when it broke the earlier peak of 1992 without sufficient consolidation.

Believe it or not, this time the market is moving in a very systematic manner consolidating each and every rise without any hurry to rush to make a fresh top. The Sensex 14000 level will turn rock solid when the Sensex hits beyond 14800 level just as technical experts talk about 12000 being a strong support level for any downward correction. Soon they will talk about 14000 as a strong bottom once the Sensex hits a new high at 14800.

But there is no fun in making a two-way forecast like the technical analysts. There must be a clear cut vision and an analyst must give a proper direction with some measure of commitment in his analysis to make it interesting and convincing instead of presenting two-way alternate views. This is because Indian investors are pure investors who invest for the long-term.

In my twenty years career as an analyst, I have never given a two-way opinion and have always identified stocks with at least three to five years perspective keeping in mind their growth plans and overlooking the inevitable aberrations that were bound to surface in such a long period. And if anybody cares to evaluate my record, he will be pleasantly surprised to find that 90% of my stock picks have met with great success ranging from 100% to 500% in 3-5 years. This should, however, not cast any shadow on the scrips that could not perform upto the mark thanks to the deliberate and narrow-minded approach of promoters or shortsighted government policies that hurt a stock's performance. However, I have always exposed the promoters' games or highlighted the government's lack of vision in such cases and updated investors from time to time.

Around four years back, I had identified both Essar Steel and Essar Shipping as good dark horse prospects when they were available at throwaway prices of Rs.4/5 each. I had built very high hopes on them and expected them to turn out mind-boggling profits. Both the scrips recorded a smart turnaround from the scrap level at which they were available but the promoters manipulated the working results and ruined the outlook despite the companies faring exceedingly well. In the bargain, the promoters made enormous wealth by all playing all sorts of foul and unfair games at the cost of the common investors.

The recent report about an Essar Steel executive having been arrested in Ahmedabad on Wednesday, 16th May'07, for alleged evasion of customs duty on import of its Hazira plant is an example of how the promoters have built their personal empire at the cost of the common shareholders.

The BSE Sensex is trying to cross past the peak level of 14724, which is nearly 500 points away and which can be crossed convincingly this week or next week.

The economic fundamentals of India are now far superior to other countries and it just cannot be compared to them when weakness affects other global markets. No doubt, global events will cast a shadow but our markets are unlikely to suffer as in the past. Yet, there are players and analysts who blindly go by global cues as hard proof of market behaviour. An example of such weakness is the Indian Rupee getting stronger which is hurting exports, particularly the IT and ITES sectors. This is blown out of proportion as a strong Rupee also has lot of advantages on the import front especially crude oil prices, which can lower our import bill substantially. It is, therefore, a favourable factor and which will lead to full convertibility and help integrate our markets with the global economy.

The Rupee, as I had indicated earlier is likely to become stronger and the exchange rate with the US Dollar will fall below Rs.40.

Another reason, which is flaunted, is the inflation rate when it goes beyond 5.5%. But this rate is not such a dangerous level to worry about and must be accepted as part and parcel of a growing economy. This will cease to trouble marketmen like crude oil prices, which was the hot topic of concern a couple of months back.

The Indian stock market is now much more mature and such problems of growth can be taken in our economic stride and are unlikely affect out markets drastically because the market is headed for a big rise.

STOCK WATCH

By Saarthi

After few disappointing quarters **Torrent Cables Ltd. (Code: 504096) (Rs.184)** seems to be back on track if the last two quarters results are any indication. For the March 2007 quarter, it registered 30% higher sales at Rs.63 cr. whereas net profit increased by 45% to Rs.7.70 cr. i.e. EPS of Rs.10 for the quarter. The company managed to maintain a decent OPM of 19%. For the full year FY07, its sales and profit stood at Rs.190 cr. and Rs.19.50 cr. Respectively leading to an EPS of Rs.26 on its current equity of Rs.7.50 cr. Belonging to the reputed Torrent Group and operating in the high growth sector of power cables, it can end FY08 with topline of Rs.250 cr. with a bottomline of Rs.27 cr. i.e. EPS of Rs.36. Hence at CMP of Rs.180, the scrip discounts its FY08 earnings by just 5 times. It's a value buy and investors can buy with a price target of Rs.250 for the medium-term.

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JK Lakshmi Cement Ltd. (Code: 500380) (Rs.123) has once again reported fantastic numbers for the March 2007 quarter. Sales increased by 50% to an all time high of Rs.263 cr. whereas net profit zoomed by 160% to Rs.61 cr. on the back of better margins, lower depreciation and negative tax provision. For the entire FY07, sales were up 45% to Rs.844 cr. and PAT more than trebled to Rs.178 cr. i.e. a whopping EPS of whopping Rs.31 on its current equity of Rs.57 cr. Notably, the company has commissioned one of the captive thermal power plants of 18 MW, while the other 18 MW plant will start by June 2007 end where after the company will become almost self-sufficient for its power requirements. Also a, couple of months back it completed the capacity expansion and operational efficiency improvement plan thereby taking its total cement production capacity to 3.4 million tonnes. Going forward, cement prices are expected to soften but considering its expansion impact and saving in power costs, it can report sales of Rs.1000 cr. and PAT of Rs.160 cr. on a conservative basis for FY08. This translates into an EPS of Rs.26 on its fully diluted equity of Rs.61.20 cr. Scrip may see a smart rally in the near future.

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Simplex Castings Ltd. (Code: 513472) (Rs.61) is part of the Simplex group of industries and manufactures heavy castings in grey cast iron, alloy cast iron, stainless steel and steel. These products are used primarily in steel plants, power plants, mining, cement plants, defence and the railways. For the March' 07 quarter, its sales jumped up 35% to Rs.40 cr. and net profit more than doubled to Rs.2.20 cr. registering a quarterly EPS of Rs.3.70. For the full year FY07, its sales improved by 25% to Rs.134 cr. but PAT doubled to Rs.5.70 cr. i.e. an EPS of Rs.9.50 on its equity of Rs.6 cr. Incidentally, the company has shown the receipt from contract work to the tune of Rs.2.50 cr. as 'other income' for FY07. However for FY08, it may clock a turnover of more than Rs.150 cr. with profit of Rs.6.50 cr., which means an EPS of Rs.11. Buy at declines.

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Although the current market cap of **Garnet Construction Ltd. (Code: 526727) (Rs.69)** is hardly Rs.60 cr. the company is betting huge on construction and real estate space with its Rs.1200 cr. 'Magic Hills' project at Khopoli near Panvel. Presently, the company has 400 acres of land under which it is developing the entire township project including apartments, row houses, independent bungalows, malls, IT centre and also educational facilities. It has also entered into an exclusive global marketing alliance with the Sternon Group (Dubai-based real estate developers, builders and promoters) to market this residential and commercial project to prospective buyers around the world. The project is expected to be commissioned by October 2007 for which the company is planning to raise around Rs.250 cr. through FCCB or QIP route. For FY07, it recorded sales of Rs.35 cr. and after tax provisions of Rs.3.35 cr., the net profit stood at Rs.6.65 cr. However, it's a pure long-term buy and investors should buy on sharp declines only.

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For a very long time **Bihar Caustic & Chemicals Ltd. (Code: 500057) (Rs.54)**, an Aditya Birla group company, is trading in a very narrow range of Rs.50-60 despite of strong fundamentals. Last year, the company increased capacity by 50% to 75,000 MT and shifted to the energy efficient membrane cell technology. It has been reporting decent set of numbers for quite some time and ended FY07 with 30% higher sales and net profit at Rs.143 cr. and Rs.34 cr. respectively. This translates into an EPS of Rs.14.50 on its equity of Rs.23.40 cr. It declared 15% dividend, which gives a yield of around 3% at CMP. With the divestment plan of Gujarat Alkalies hotting up, scrips from this sector may come into action in the near future. Moreover, for FY08 it can report sales of Rs.160 cr. and PAT of Rs.36.50 cr. i.e. EPS of Rs.16 on its current equity. In spite of huge debt of more than Rs.100 cr., the scrip has the potential to give an average return of 25-30% in a year's time.

FIFTY FIFTY

By Kukku

IMPORTANT MESSAGE

1) Investors should be very careful as there are many research reports circulated on many new and unknown companies in the market based on the data or details provided by company managements. Many research analysts do not spend sufficient time on verifying the data provided by the managements and most reports are made without checking the supporting documents or details provided by the management. Research analysts should ensure that the input data provided by the management is very authentic. Otherwise, it is possible that you land into a scam of manipulated balance sheets or results. As greed takes over, managements tend to play the markets. Many companies have come out with very high and unjustified premiums and some managements are placing the stocks at higher levels with FIIs or mutual funds through attractive presentations or the media. Investors need to be very watchful of such cases.

2) Investors are advised to increase cash in hand at every rise in the stocks that have already flared up in the last few weeks.

Investment Calls

*** Mather & Platt Pumps Ltd. (MPPL) (Rs.270)** has become a subsidiary of Rs.4000 cr. WILO AG, Germany, the sixth largest pump manufacturer in the world with manufacturing/ marketing operations in 40 countries. With more than 100 years of experience, MPPL is one of the pioneers in the design & manufacture of Centrifugal Pumps. This ISO 9001 & ISO 14001 certified company offers a wide range of pumps & valves to all core industries and is a major exporter of pumps to the countries in South East Asia, Middle East, Africa, Australia & Canada.

The major industrial sectors it caters to comprise Power, Petrochemical & Fertilisers, Steel, Mining, Water Supply, Irrigation, Municipal Services, Pulp and Paper Industry and Pumps for fire fighting covering major industries, ports, power plants, building services etc.

The company has now developed the WILO range of pumps at its Kolhapur unit built with world class state-of-the-art technology leading to global quality products and anticipates great prospects for these products. For year ended 31 December 2006, it recorded sales of Rs.141 cr. with net profit of Rs.8.58 cr. against profit of just Rs.46 lakh in the previous period. Its equity capital is Rs.9.2 cr. With the present strong order book position and given the overall economic growth and focus of government on infrastructure projects, the company is poised for better performance in coming years. Stock has given strong volume breakout after consolidating for almost 15 months. Investors can keep a watch on this stock and buy on dips for good long-term growth. Stock is very likely to cross Rs.500 mark in the next one year.

*** Tayo Rolls Ltd. (Rs.165),** a subsidiary of Tata Steel, was promoted in 1968 in collaboration with Yodogawa Steel Works of Japan. To update its technology, Tayo forged an alliance with ESW of Austria for Technical up-gradation in 1992.

Since inception, Tayo has been a market leader and has met the country's roll requirements for a wide variety of industries. Through continuous improvement both in the process as well as its products, Tayo has kept pace with the changing needs of industry providing more value to its customers in terms of more rolling per roll.

The company has successfully diversified into production of Special Castings for use in Power Plants and has made a significant presence in the industry.

Tayo enjoys a wide customer base in India and has also been exporting rolls to Australia, Austria, Bangladesh, Belgium, Canada, Egypt, Germany, Indonesia, Kazakhstan, Nepal, Norway, New Zealand, Oman, Qatar, Saudi Arabia, Sweden, Singapore, South Africa, Trinidad, Talwan, UAE, Romania, Chez Republic and USA. Its products not only meet customer expectation but also its after sales service which compares with the best in the world.

The company plans to grow five fold in five years and aspires to be a Rs.500 cr. plus turnover company by 2010, through: Accelerated growth with global mindset, Strategic alliances/ diversification, People focus, by providing best value to customers and low cost quality product & services.

The company has big advantage of low capital base of Rs.5.47 cr. With expected sales of Rs.500 cr. by 2010, the profit is likely to jump many times from the current level. Investors can safely add on dips. At present stock is cum dividend 42.5%. This stock was recommended last week and witnessed good investment buying closing higher every day on higher volumes. This means that the stock has attracted the attention of big investors.

Market Guidance

***** Strong market feedbacks are pouring in about **Peninsula (Rs.437)** and the stock might see a good upside.

*** JJ Exporters (Rs.65)** has absorbed a group company called JJ Spectrum, which was a company with high equity, big assets, modern machinery and equipments, etc. Because of its high shareholding in JJ Spectrum, there was an equity shrink following the merger. Thus the equity increase has not been in proportion to the increase in assets and the increase in potential turnover making it an attractive buy.

*** Hindustan Construction Company (Rs.100)** is involved in the implementation of Lavase township for Lavasa Corpn Ltd. near Pune. The company has completed acquisition of 7559 acres of land and is in the process of acquiring another 2147 acres as the total size of the project is 12500 acres. The company has launched a new brand initiative for establishing a strong brand name and is one of the safe investment bets on reactions.

***** With book value of around Rs.165 and consolidated EPS of 21.5, **DIC India (Rs.180)** looks attractive at Rs.182. Given the MICR Ink price of Rs.457, the valuations of DIC India looks very attractive.

***** When **Kamla Dials (Rs.90)** was a relatively unknown stock about two years back, we had recommended it for long-term investment. The stock has now caught the attention of big investors like Reliance. Investors can think of booking partial profits since the stock has moved very fast over the last few days.

*** Bag Films (Rs.47) -** Keep a watch on this speculative stock. It is likely to remain in action.

*** TIL Ltd. (Rs.216)** has come out with better results and some broking firms have given a buy call on this stock. The company has very strong order position and is likely to report consolidated EPS of around Rs.30/32 for 2007-08. The stock price can go up to Rs.325 in the next one year. We have been recommending this stock from a very low level of around Rs.32 in this column.

*** Gujarat Apollo Industries (Rs.125)** is another stock, which has been underperforming. Its results for FY07 are encouraging. Investors should continue to hold this stock as it is likely to go up in the near future when the selling of the recently allotted bonus shares is absorbed.

***** Some momentum stocks to watch out for are **Bombay Rayon (Rs.230), NIIT Technologies (Rs.520), Indiabulls Real Estate (Rs.386), Radha Madhav (Rs.72), Oswal Chemicals (Rs.44.1).**

*** Revathi Equipments (Rs.587)** has maintained its equity dividend at 100%, it reported an EPS of Rs.37 for FY07 against Rs.51 last year. Buy on dips around Rs.560.

***** Investors are advised to stay invested in **IDBI (Rs.104), Adhunik Metals (Rs.60), Karnataka Bank (Rs.179), Tera Software (Rs.92), Finolex Cables (Rs.84).**

EXPERT EYE

By V.H. Dave

One metal analyst with the reputed brokerage house strongly recommends buying the shares of **Usha Martin Ltd. (UML) (Code: 517146) (Rs.241.60)** as he expects UML to post an excellent performance for FY07 and FY08 on the back of the booming demand for its products.

UML is the fifth largest manufacturer of wire ropes in the world and is an integrated player from iron ore to steel ropes. Its intermediate production capacities are supported by technologically advanced routes of production and high capacity utilization helping it deliver excellent quality and productivity in the process.

UML was promoted by B. K. Jhawar in 1986 and he has spearheaded several successful industrial enterprises of the group in India and abroad.

UML’s products portfolio includes pig iron, billets, wires and wire ropes. Its subsidiaries are engaged in the manufacture of cables, splicing tools and crimping tools. In view of its competitive edge and business potential, UML is positioning itself strategically and systematically to serve customers who are demanding in terms of quality and service, and move up higher by value addition and improved product mix. Its Steel, Wire and Wire Rope divisions continue to have certifications for quality management systems in accordance with ISO 9001:2000 from BVQI.

During FY06, UML posted 56% higher net profit of Rs.64 cr. on flat sales of Rs.1190 cr. For Q3FY07 while sales increased by 11% to Rs.351 cr., the net profit jumped by 72% to Rs.28.4 cr.

For the first nine months of FY07, whereas sales advanced by 15% to Rs.1005 cr., net profit advanced by 62% to Rs.72.5 cr.

UML has subsidiaries like UM Cables and Usha Martin Power Co., which are also faring well. On a consolidated basis for the first three quarters of FY07, UML has earned a net profit of Rs.98 cr., on sales of Rs.1465 cr. as against a net profit of Rs.85 cr. on sales of Rs.2180 cr. in FY06.

UML’s equity capital is Rs.23.6 cr. and with reserves of Rs.561 cr., the book value of the share works out to Rs.124. UML has been able to improve its debt:equity ratio to 1.2 in FY06 from 1.8 in FY05 and the value of its gross block is a whopping Rs.1561 cr. The promoters hold 43.7% in its the equity capital, FIIs hold 21.7% and mutual funds/institutions hold 20.6%. The PCBs hold 5.9% leaving 8.1% with the investing public.

To increase the share value of added steel, UML has acquired land in Chennai for setting up a bright bar manufacturing plant to cater to the growing demands of the automobile sector. It also plans to expand its wire rope production capacity in India by 30000 TPA in the next 2 years. UML is also expanding its steel capacity at Jamshedpur to capture a larger portion of the burgeoning automotive steel market.

UML is planning to increase its steel capacity from the current 360,000 to 600,000 TPA by September 2008 and further to 10,00,000 TPA by FY10. Towards this end, an investment of Rs.1300 cr. would be made in logistics, minerals, power distribution and in value addition to the product mix and strengthen the company's global distribution and marketing network.

UML plans to fund this through debt of Rs.500 cr., internal accruals of Rs.600 cr. and the remaining Rs.200 cr. through a mix of GDRs and promoters' contribution.

UML is all set to commence captive coal mining within the next six months. When that happens, the specialty steel and wire rope manufacturing with its raw material linkages would be complete. The company already has captive iron ore mines and power generation units.

The forging of linkages to coal, iron ore and power would have a positive impact on its bottomline. Already, a linkage to its iron ore requirements has helped the company cut input costs.

The rising demand from user industries coupled with firm product prices has been responsible for the outstanding performance of the Indian steel industry. The user industries, which include automobiles, consumer durables, infrastructure and engineering have registered a brisk growth. The brisk growth in user industries has contributed towards the increase in domestic consumption, which in turn has provided the impetus to the Steel Industry.

The increasing domestic consumption along with firm global as well as domestic prices has contributed to the impressive performance of the steel companies. In addition to domestic revenues, there is substantial growth in the export revenues of steel companies mainly due to higher realization. The prospects of the steel industry, therefore, appear bright.

Based on the current trend, UML is likely to record consolidated net profit of Rs.140 cr. on sales of Rs.1990 cr. in FY07, which would give a consolidated EPS of Rs.30. In view of its improving financials, the strong demand for its products coupled with its expansion plans, the share of UML is available at Rs.200 with a P/E multiple of 6.7 only and can be bought with a price target o f Rs.260 in the medium term. The 52-week high/low of the share has been Rs.265/135.

*****

The shares of transformer companies are in demand with most shares like Indo Tech Transformers, Bharat Bijlee and Voltamp Transformers touching 52-week highs. Within this segment, the share of **IMP Powers Ltd. (IMPPL) (Code: 517571) (Rs.121)** is recommended for decent appreciation in the long-term. IMPPL is into the lucrative transformer manufacturing, the demand of which is constantly on the increase. The Government has set itself vision of 'Power for all by 2012', which will entail an investment of Rs.11,50,000 cr. in power generation, transmission and distribution leading to a huge requirement for transformers.

IMPPL was established in 1961 and has two well-established manufacturing units at Mumbai & Silvassa manufacturing entire range of electrical measuring instruments, testing equipments, distribution & power transformers. Its satisfied clientele includes all the state electricity boards, railways, and public and private sector undertakings.

IMPPL can manufacture HV & EHV power transformer up to 220 kV Class to 150 MVA. The total installed capacity is 3600 MVA. Backed by continuous in-house applied technical research and use of best quality raw materials have enabled it to comply with the latest exacting standards, both national and international. Its products are sold in Southeast and Middle East Asia, Africa, New Zealand and Australia. Exports during FY06 have pole-vaulted three times to Rs.20 cr. from Rs.6.5 cr. in the earlier year.

During the year ended 30 June 2006, its sales have advanced by 54% to Rs.67 cr. Net profit was Rs.3.7 cr. against net loss of Rs.5.7 cr. in the 15 months ended 30 June 2005. During Q3FY07, while sales advanced by 50% to Rs.27 cr., its net profit jumped by 99% to Rs.2.4 cr. For the nine months ended 31 March 2007, although sales have surged by 55% to Rs.72 cr., net profit moved up by 123% to Rs.5.9 cr.

Its equity capital is Rs.5.9 cr. and with reserves of Rs.13.4 cr., the book value of the share works out to Rs.33.

The promoters hold 45% in the equity capital. Non-promoter corporate holding is 9.5%. Stressed Assets Stabilization Fund has acquired 12.6%. The domestic institutions hold 6% leaving 26.9% with the investing public.

IMPPL continues to invest in expansion. During FY06, it invested Rs.3 cr., taking gross block to Rs.42 cr. IMPPL has been able to reduce its borrowings to Rs.66 cr. from Rs.72 cr. in FY05.

Sources close to the management say this is just the beginning of the road for IMPPL as it witnesses growing demand for its transformers and meters. With the bright prospects of the power industry, IMPPL is in the process of enhancing its production in coming years. Besides, IMPPL is sitting on huge land at Kandivli (W) in Mumbai. If it decides develop into residential/commercial complex, it will fetch crores of rupees.

IMPPL expects to garner target sales of Rs.110 cr. for the ensuing year ending 30 June 2007 with a bottom line of about Rs.8.5 cr., which will give an EPS of Rs.14.5. Riding on the boom, analysts expects sales of Rs.150 cr. in FY08 with a net profit increasing to Rs.12 cr. (EPS Rs.20). The shares of IMPPL are currently traded at just Rs.106, discounting its FY07E only 7.3 times and FY08E of Rs.20 by just 5.3 times. The industry average P/E of the electric equipment industry currently rules firm at over 30.

The shares of its peers, Indo Tech and Voltamp Transformers are quoted at a P/E of 14 and 18 on their earnings of Rs.24 and Rs.38 for FY07 respectively. Thus the shares of IMPPL are going cheap and with a reasonable P/E of 12. Investment in this share is likely to fetch decent appreciation of about 65% (Target Price: Rs.174) in 6-9 months. The 52-week high/low of the share has been Rs.126/55.

MONEY FOLIO

Kewal Kiran Clothing net zooms by 60%

Kewal Kiran Clothing Ltd. makers of Killer, Pg 3, Easies, Lawman, Integriti brand of apparels and K-Lounge retails outlets has reported 55.4% higher revenue of Rs.133.62 cr. for FY07 against Rs.85.96 cr. for FY06. Its PAT has zoomed by over 60% at Rs.18.66 cr. for FY07 against Rs.11.65 cr. for FY06 and the board of directors has recommended a dividend of 25% for 2006-07.

This was the first working result of the company after it went public to expand its manufacturing capacities and retailing operations and diversifying into women's wear range. The full impact of the expansion will be visible in the current year 2007-08.

Tata AIG General Insurance launches 'Domestic TravInsure'

Tata AIG General Insurance Company Ltd. has launched '**Domestic TravInsure'** – a specially designed insurance programme for domestic travelers beginning with SpiceJet passengers and can be purchased while booking tickets on the SpiceJet website - www.spicejet.com.

It is the first private sector insurance company to offer comprehensive domestic travel insurance solutions and is designed keeping in mind the specific needs and exigencies of domestic passengers, not just from the perspective of an accident cover but also in terms of alleviating the inconveniences experienced during travel and is valid for 30 days.

Zylog Systems plans IPO

Zylog Systems Ltd., a 100% EOU is a software solution provider offering differentiated services and adept in delivering specific business technology solution onsite/ offsite/ offshore or in combination depending upon the clients' requirement, nature of engagement and the nature of the project.

One third of its revenue is through partnerships with Systems Integrators/ Solution Providers and Value Added Resellers (VARs) and has created specialization and focus in industry verticals such as Telecom, BFSI & Retail.

It registered a growth from Rs.96.5 cr. in FY04 to Rs.147.3 cr. in FY05 to Rs.261.2 cr. in FY06. The PAT during the same period was up from Rs.11.6 cr. to Rs.18.2 cr. and Rs.38.5 cr. respectively. For the first 7 months of FY07 ended 31 October 2006, its total income was Rs.209.4 cr. with PAT at Rs.30.6 cr.

Its overseas operations are taken care of by its overseas branches in USA and subsidiaries in Singapore and United Kingdom.

Zylog proposes to raise capital for developing and expanding business by setting up of two state-of-the-art Offshore Development Centres, to fund acquisition(s)/strategic investments and to invest Rs.35 cr. on acquisitions.

Meghmani Organics plans IPO

Meghmani Organics Ltd., engaged in the manufacture and sale of Pigments and Agrochemicals with manufacturing activities located at four locations in Gujarat is planning an issue of about Rs.102 cr. through a book-built issue in early June 2007.

Two of its pigment manufacturing facilities at Vatva and Panoli are ISO 9001-2000 certified and a majority of its pigments are exported with exports constituting about 85% of pigment revenues in FY06. The company specializes in green and blue pigments, which have varied end use applications including, amongst others, printing inks, plastics, rubber, paints, textiles, leather and paper industries.

The agrochemical products are manufactured at two multifunctional facilities in Chharodi and Ankleshwar, of which Chharodi facility is ISO 9001-2000 certified. Exports constituted about 66% of agrochemical revenues for FY06. It manufactures three broad categories of Agrochemical products, namely, pesticide intermediates, technical grade pesticides and pesticide formulations, all of which fall under the range of pesticides. These agrochemical products find primary application in crop protection and non-crop applications such as public health, termite and insect control and veterinary applications.

Meghmani Organics is a profitable company since inception. Its revenues have grown from Rs.177.3 cr. in FY02 to Rs.389.2 cr. in FY06 at a CAGR of 17.03% and net profits have increased from Rs.23.5 cr. in FY02 to Rs.38.3 cr. in FY06 at a CAGR of 10.26%.

Global Trade Finance's net soars 121%

Global Trade Finance Ltd. (GTF), a Mumbai-based trade finance company promoted by Exim Bank along with two other foreign banks, has reported a 121% jump in net profit at Rs.29.42 cr. for FY07 as against Rs.13.33 cr. in FY06. The company is a market leader in the export and import factoring business in India and commands almost 80% market share catering to the SME segment with e-loan facility.

It recorded a robust 121% growth in loans disbursed at Rs.6213.8 cr. in FY07 against Rs.2805.8 cr. in FY06, which has helped GTF clock over 100% increase in its bottom-line for the third year in a row.

Its factored loan asset book grew by 119% to Rs.1749.6 cr. as of 31 March 2007 as against Rs.799 cr. as of 31 March 2006.

The NBFC has shown remarkable improvement in key financial parameters like Return on Equity: 35.83% (28.22%); Return on Net Worth: 25.11% (18.49%); Cost-Income Ratio: 31.07% (38.18%); Business per employee: Rs.l,129.78 mn.; and net profit per employee: Rs.8 mn. (Rs.5.1 mn.) and nil NPA for the fifth year in a row.

Visu Int'l Q4 net at Rs.6.16 cr.

Visu International Ltd., pioneer in the field of 'Global education' engaged into, education counseling and consultancy coaching and training services including TOEFL, GRE, GMAT, SAT, IELTS, etc, software development and training posted a net profit of Rs.6.16 cr. for Q4FY07 against Rs.3 cr. in Q4FY06. Total income for the quarter rose to Rs.27.52 cr. against Rs.23.01 cr. in the previous period and the EPS stood at Rs.1.74.

The company has introduced recently computerized selection of universities for students based on their academic profiles and its prestigious product Visu Testing Services (VTS) is under trial run.

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