

August 31, 2007
FOR PRIVATE CIRCULATION
Equity

	30 Aug 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	15,122	0.9	(2.8)	4.0
Nifty	4,412	1.2	(2.6)	2.7
Banking	7,752	1.3	(4.9)	1.9
IT	3,593	1.1	(5.7)	(3.0)
Healthcare	3,501	0.4	(5.8)	(8.9)
FMCG	1,949	0.7	(1.2)	2.2
PSU	6,949	0.3	(2.9)	3.1
CNX Midcap	5,912	0.5	(4.3)	4.8
World indices				
Nasdaq	2,565	0.1	0.7	(1.5)
Nikkei	16,154	0.9	(4.9)	(8.2)
Hangseng	23,485	2.0	2.6	15.2

Value traded (Rs cr)

	30 Aug 07	% Chg - 1 Day
Cash BSE	4,678.3	15.0
Cash NSE	15,126.4	40.5
Derivatives	71,282.9	(6.8)

Net inflows (Rs cr)

	29 Aug 07	% Chg	MTD	YTD
FII	(192)	(153)	(7,540)	35,366
Mutual Fund	60	30	3,061	2,144

FII open interest (Rs cr)

	29 Aug 07	% chg
FII Index Futures	14,379.0	(27.6)
FII Index Options	7,585.7	(55.3)
FII Stock Futures	23,121.3	(19.8)
FII Stock Options	51.4	(72.6)

Advances/Declines (BSE)

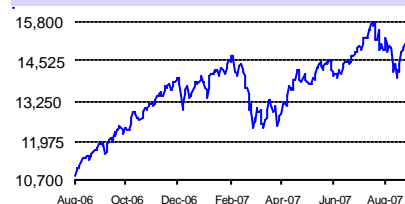
30 Aug 07	A	B1	B2	Total	% Total
Advances	132	420	451	1,003	58
Declines	81	281	314	676	39
Unchanged	4	16	21	41	2

Commodity

	30 Aug 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	73.6	0.4	(5.9)	15.0
Gold (US\$/OZ)	665.3	(0.3)	0.3	0.9
Silver (US\$/OZ)	11.8	(0.8)	(7.9)	(11.8)

Debt/forex market

	30 Aug 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.94	7.92	7.84	8.13
Re/US\$	41.17	41.11	40.53	40.84

Sensex


Source: Bloomberg

ECONOMY NEWS

- The group of ministers set up to decide a national resettlement and rehabilitation policy finalized its recommendations. This includes a one-time settlement for people impacted by industrial projects and SEZs and permits states to acquire up to 30% of the land for private players in certain circumstances. (BS)
- The RBI has cautioned that global credit woes could cause further outflow of capital. However, the regulator has forecast a 'step-up in the growth trajectory'. (ET)
- Despite strong reservations on the latest World Trade Organization proposals on industrial goods, India is sending its negotiating team to Geneva where the Doha Round of multilateral trade talks on agriculture is going to resume from September 3. (BS)
- An approval has been given for setting up international greenfield airports in Goa and Maharashtra through public-private partnership, the Government has told the Lok Sabha. (ET)
- The Government is planning to raise the nation's strategic crude oil stockpile by three-fold to 15 MT, the Minister of State for Petroleum and Natural Gas has said. (ET)

CORPORATE NEWS

- The Finance Minister has favored acceptance of the pricing formula proposed by **Reliance Industries** for natural gas to be produced from its eastern offshore KG-D6 block from July 2008. (BS)
- **Infosys Technologies** and **Wipro** have shown interest in buying out the US-based high-end analytics company MarketRx. The indicative valuation of MarketRx is seen between \$150 mn and \$160 mn (Rs.6.15-6.50 bn), sources said. (ET)
- The eGoMs' likely approval of **RILs'** gas formula may not be enough to get the gas flowing into the market by June 2008. RIL will need to enter into legally-tenable gas sales contracts with its customers before it can begin gas production from the KG region. (ET)
- **HDFC** has announced closing of its first sponsored HDFC International Real Estate Fund at \$800 mn that would be invested in FDI-compliant Indian realty projects. (ET)
- **TCS** has said it has received a \$140-mn contract from state-owned telecom firm Bharat Sanchar Nigam Ltd. (BL)
- **Bhel** has announced that it has bagged a Rs.19.9-bn order for supply and installation of steam generator and steam turbine packages at the upcoming Vallur Thermal Power Project at Ennore in Tamil Nadu. (ET)
- The Government plans to divest 4.75% of its stake in **NTPC** through a public offer that could fetch it nearly Rs.60 bn. (ET)
- **TVS** has forayed into new segments with the launch of a three-wheeler and a battery-operated scooterette. The three-wheeler has been launched in three different variants, one running on petrol, another running on LPG and the third one on CNG. (BS)
- **Sun TV Network** has said it has bought a 48.9% stake in Red FM. (BL)
- The **GMR Group** is likely to invest Rs.350 bn in the next five years for expanding in various sectors such as airports and power at home and abroad. (BL)
- **IVRCL Infrastructures & Projects** has been awarded irrigation works for an aggregate value of Rs.3.2 bn by the public health and engineering department, Government of Rajasthan in Ajmer and Jodhpur Districts. (BS)
- **Sobha Developers Ltd** has said it has received an order from Roots Corp Ltd for supplying furniture and mattresses for its Ginger Hotels. (BL)

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

FROM OUR RESEARCH TEAM

COMPANY UPDATE

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**We recommend BUY on
Infotech Enterprises with a
price target of Rs.388**

INFOTECH ENTERPRISES

PRICE : Rs.270

TARGET PRICE : Rs.388

RECOMMENDATION : BUY

FY08E PE : 16x

We spoke to the management of Infotech Enterprises. We wanted to update ourselves on the latest developments within the company and the impact, if any, of the sub-prime issues prevalent in the US and Europe. We also spoke to Infotech on the strategic partnership with Continental DataGraphics, a Boeing subsidiary.

The discussion reinforced our view that the recent sub-prime mortgages related issues will not directly impact the company. As of now, Infotech does not operate in this area. Hence, the company has no revenue exposure to the same. Infotech is actively looking at a few acquisitions, for which it had raised close to Rs.3bn recently. We expect the company to announce these in FY08.

We maintain our earnings estimates of Rs.16 per share in FY08 and Rs.22.8 in FY09, based on fully diluted equity. We upgrade the stock from **HOLD** to **BUY** post the recent correction. The price target remains unchanged at Rs.388.

The main takeaways are as under:

No direct impact of US sub-prime issues expected

- Infotech operates two businesses engineering, manufacturing and industrial (EMI) and geospatial solutions design (GSD). The major verticals services by Infotech are manufacturing, aerospace, telecom, government utilities, etc.
- The company has got no exposure to the financial services space. Thus, the problems faced by the US sub-prime mortgage segment are not expected to directly impact Infotech.
- The company has not faced any slowdown or cancellation of orders from any of its clients, till date.
- However, a recession in major user economies may impact Infotech's customers. In turn, this will impact revenue visibility for Infotech.

Strategic partnership with Continental DataGraphics

- Infotech has entered into a strategic partnership with Continental DataGraphics.
- As part of this partnership, Infotech and CDG will jointly bid for technical publications businesses outside Boeing. The Boeing work will be handled by CDG.
- CDG is expected to handle the critical engine parts. The other work may flow to Infotech, based on specifications. We also believe some work may be outsourced by CDG to Infotech, which has got the requisite talent pool.
- CDG specializes in the creation, production, and distribution of complex engineering publications. It provides services like technical authoring and illustration services, digital imaging. It hosts portal services in the US and Europe.
- The major verticals services by CDG including aviation, aerospace and defense, manufacturing, energy and government.
- CDG has developed complex technical and engineering publications for Boeing aircraft and other heavy equipment manufacturers for many decades. In 2007, it is expected to produce more than 2 mn hours in support of technology initiatives related to the development, management, and delivery of technical data and publications.

- Infotech is also working on technical publications. This partnership is expected to help Infotech in reaching out to a larger set of customers.
- The financial details about the expected revenues and margins are not available.
- By virtue of being a vendor to aerospace companies like Bombardier and Boeing, Infotech may be able to source additional business. This could come in from the offset clause inserted by the Government in all large defense deals.
- Under the offset clause, foreign companies to which India awards defense contracts, have to either manufacture 50% of the order value in India or outsource goods and services amounting to 50% of contract value from Indian suppliers.
- Infotech is currently executing a small contract under the offset clause.
- The company has formed a 50: 50 joint venture with Hindustan Aeronautics Ltd (HAL). The JV is expected to target engineering design services for aero engines, technical publications and the offset program for aerospace sales.
- The JV is close to appointing a CEO. We expect revenues to start kicking in from Q3FY08.
- As the company had not hedged itself effectively against the rupee appreciation, Infotech's Q1FY08 profits were impacted.
- The company has now raised its hedges. Currently, Infotech has receivables of \$80 mn hedged at an average rate of 41.61 per US dollar. This should allow the company to protect its profitability in the event of a sustained rise in the rupee.

Acquisitions on the anvil

- Infotech had raised about Rs.3 bn in Q1FY08 to fund potential acquisitions.
- We expect the company to complete the acquisitions by FY08 end.
- However, in the absence of any further information, we have not made any changes to our estimates.

Future prospects

(Rs mn)	FY07	FY08E	YoY (%)	FY09E	YoY (%)
Income	5,425.4	6,764.1	24.7	8,984.8	36,312.2
Expenditure	4,291.7	5,427.1		7,217.5	
EBDITA	1,133.7	1,337.0	17.9	1,767.3	9,754.9
Depreciation	256.0	334.9		430.0	
EBIT	877.7	1,002.1		1,337.3	
Interest	13.9	18.0		18.0	
Other income	66.8	98.9		187.0	
PBT	930.6	1083.0	16.4	1,506.3	9,095.1
Tax	186.5	229.0		346.5	
PAT	744.1	854.0		1,159.9	
Share of Profit	92.5	76.0		83.0	
Adj PAT	836.6	930.0	11.2	1,242.9	11,035.3
Shares (mn)	46.2	54.5		54.5	
EPS (Rs)	18.1	17.1		22.8	
Margins (%)					
EBDITA	20.9	19.8		19.7	
EBIT	16.2	14.8		14.9	
PAT	15.4	13.7		13.8	

Source: Company, Kotak Securities - Private Client Research

- We believe the revenue growth will remain healthy in FY08 and FY09, led by the EMI vertical. We have assumed the rupee to appreciate to 41.50 per US dollar by FY08 end and to 40.50 per US dollar by FY09 end.
- We believe there may be an impact on profitability in FY08 and FY09 due to:
 - Expected rupee appreciation
 - Salary hikes (about 12-15% offshore and 2-5% onsite) and,
 - Sustained investments in sales and support functions (mainly on recruitments).
- Consequently, we expect margins to settle at 19.7% in FY09, down from the 20.9% in FY07 as higher EMI contribution and cost rationalization initiatives set off the impact of the abovementioned factors.
- We expect profits to grow to Rs.1.24 bn in FY09, translating into an EPS of Rs.22.8. The EPS is based on the fully diluted equity

Concerns

- The rupee has appreciated to 41 against the US dollar. This is higher than our assumed levels for FY08 and FY09. A sharp acceleration from current levels may impact our earnings estimates for the company.
- A steep deceleration/recession in major global economies could impact revenue growth of Indian vendors.

COMPANY UPDATE

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CONTAINER CORPORATION OF INDIA (CONCOR)

PRICE : Rs.2116
TARGET PRICE : Rs.3000

RECOMMENDATION : BUY
FY09E PE : 14.2x

The Concor stock has corrected in the recent volatile markets. However, the fundamentals remain intact. We continue to maintain BUY on Concor with 42% upside potential from current levels.

We recently met the management of Concor. We have gone through the annual report of Concor for FY07. The following are our key takeaways:

Addition to Assets

In FY07, the company added 815 high-speed wagons thereby taking the total to 5927. In addition to this, Concor has 1357 container flats and 1293 leased wagons from Indian Railways. The company has placed orders for 2025 high-speed wagons. These are expected to be delivered in two years. Concor added 1067 containers in FY07, thereby taking the total to 12812 containers. The company has also placed orders for 15 reach stackers that are expected to be delivered in FY08. All these would help Concor to stay ahead of its competition and maintain its near monopoly situation in the coming years.

Domestic Business

The domestic business volume handled by Concor has grown 4.2% in FY07. Significant growth is expected in the domestic business. This is primarily on account of the growing retail and auto carrier project. Concor has entered into specific agreements with major customers to provide total logistics services. The company has also appointed 23 business associates to increase its domestic business.

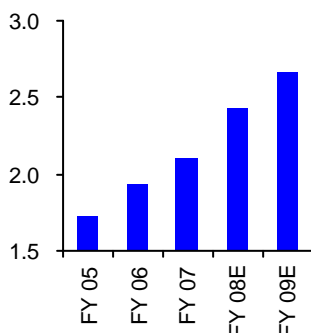
MoU/strategic alliances

- A total of 13 private players have entered the field of transportation of containers by railways. The company has signed MoUs for cooperation, co-share/ co-use of resources with eight parties out of 13. Namely, they are Pipavav Rail Corporation, CWC, Gateway Distriparks, Hind Terminals, Mundra International Container Terminals, India Infrastructure Leasing Co, Delhi Assam Roadways and the JM Baxi Group. The company has also initiated dialogue with some other operators.
- Concor has also initiated steps to provide comprehensive multi-modal logistics services in alliance with strong road-based majors like Transport Corporation of India. Concor has formed a joint working group with TCI. This will be followed by detailed commercial agreements for joint working.
- The company has signed an agreement with IL&FS to form an SPV for the project development business. The company, named M/s Integrated Infra Log Pvt. Ltd has been created for the purpose. However, no further details are available at this point of time.
- Concor has formed a joint working group with M/s Hindustan Aeronautics Ltd (HAL) to set up and operate an air cargo complex at Nashik. The construction of the facility named Halcon has been completed and is awaiting customs notification to become operational.
- Concor has also entered into an MoU with Gujarat Maritime Board (GMB) for developing Port facilities at Okha and Porbandar in Gujarat.
- Concor is also at advanced stages for strategic long-term business alliances with major shipping lines.

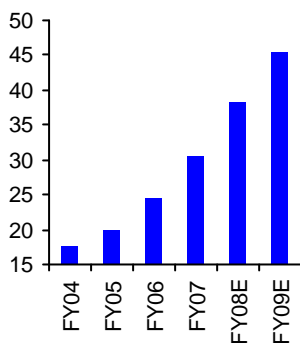
Summary table

(Rs mn)	FY07	FY08E	FY09E
Sales	30,373	38,349	45,348
Growth (%)	24.8	26.3	18.3
EBITDA	8,912	11,622	13,626
EBITDA margin (%)	29.3	30.3	30.0
Net profit	7,038	8,233	9,705
Net debt	(10,626)	(13,395)	(17,517)
EPS (Rs)	108.3	126.7	149.3
Growth (%)	33.9	17.0	17.9
DPS (Rs)	22.0	24.0	25.0
ROE (%)	26.8	27.9	26.5
ROCE (%)	33.5	37.2	35.3
EV/Sales (x)	4.2	3.2	2.6
EV/EBITDA (x)	14.2	10.7	8.8
P/E (x)	19.5	16.7	14.2
P/BV (x)	5.2	4.2	3.4

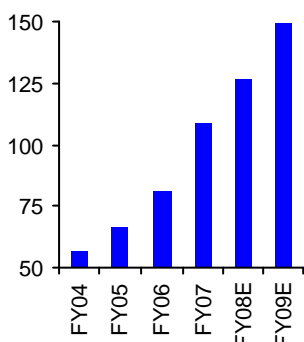
Source: Company, Kotak Securities - Private Client Research

Mn TEU handled

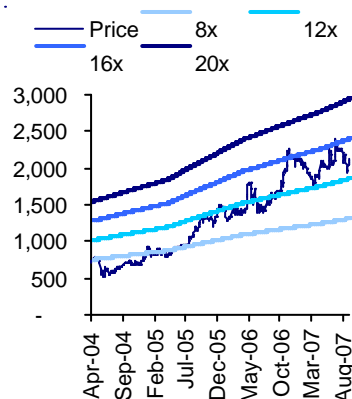
Source: Company, Kotak Securities - Private Client Research

Net Sales (Rs bn)

Source: Company, Kotak Securities - Private Client Research

EPS (Rs)

Source: Company, Kotak Securities - Private Client Research

One-year forward rolling P/E band

Source: Kotak Securities - Private Client Research, Capitaline

JV with Reliance logistics

Concor has formed a JV with Reliance Logistics to jointly promote an end-to-end logistics business using various modes of transport that is, road, rail, air etc. The JV would independently operate in the logistics business. It would use various services of Concor, Reliance Logistics and also other logistics services providers. For example, Concor would provide use of its high-speed wagons, containers and terminals. Reliance would provide strong road-based logistics services. At a later stage, it could also provide crucial logistics support to Reliance Retail. Thus, it is a win-win situation for both companies as it would expand the scope of operation for both of them.

Cold chain Business - Fresh & Healthy

- Concor has already commenced commercial operations of its cold chain project in a phased manner. The entire cold chain project is being carried out under a wholly-owned subsidiary named Fresh and Healthy Enterprises Ltd, incorporated in February 2006. The company has already built a 12000 MT cold storage unit at Sonapat in Haryana. These are controlled atmosphere stores that improve the shelf life of fruits and vegetables.
- The objective of the cold chain project is to set up a countrywide perishable goods distribution system through a network of technologically advanced cold storages and a logistics network based on refrigerated/climate controlled containers that can move on rail or road or by multiple modes of transport.
- In FY07, Concor procured 52838 boxes of apples from Shimla and Kinnaur districts of Himachal Pradesh. The apples were packed in a specially developed carton and transported to Delhi through reefer trucks. Almost all boxes of apples were sold to various retailers with nominal wastage of three boxes.
- The company recorded revenues of Rs.47.5 mn with an operating loss of Rs.2.5 mn. However, the net loss was restricted to Rs.1.9 mn, primarily due to other income of Rs.1.5 mn. The management is confident of operating this business at 18 to 20% EBIDTA, going forward. The company is looking at procuring 600,000 boxes of apples in FY09E. In our opinion, Concor could garner a PAT of approximately Rs.55 mn in FY09E. That is less than 1% of the expected PAT from its core business of transportation of container by railways. Hence, we have not included any revenues or profitability out of its cold chain business into our earnings estimates.

Awards

Concor has received the MOU Excellence Award for being among the Top Ten best performing PSUs in terms of MOU Performance Rating for two consecutive years, FY05 and FY06.

Recommendation and Valuation

- We maintain our earnings estimates for Concor and expect it to report an EPS of Rs.126.7 in FY08E, moving up to Rs.149.3 in FY09E.
- With the recent volatile markets, Concor has corrected by 13.5% from its high of Rs.2444, thereby making it attractive from current levels. Also, it is trading at the lower band of the 14 to 20x one-year forward estimates, which makes it attractive at current levels.
- The current market price of Rs.2116 discounts FY09E earnings at 14.2, which we believe is very attractive considering the leadership position and clear growth prospects for the company going forward.
- We remain positive on Concor and maintain BUY with an unchanged price target of Rs.3000, which provides 42% upside potential.

Note: Analyst Holding: 50 Shares only

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
30-Aug	Andhr Cement	Harsh Credit	B	3,000,000	40.00
30-Aug	Andhr Cement	Aryavrat Financial Services	B	2,175,000	39.93
30-Aug	Andhr Cement	ICICI Bank Ltd Investment	S	6,194,367	40.00
30-Aug	Ashco Indust	Shailesh Mulraj Ved	S	35,000	33.70
30-Aug	Axis Bank	Merill Lynch Capital Mkts España S A Sv	B	2,100,000	612.00
30-Aug	Axis Bank	Life Insurance Corporation of India	B	1,938,684	612.00
30-Aug	Axis Bank	Barclays Capital Mauritius	S	7,700,000	612.02
30-Aug	Bella Ste Al	Setu Securities	B	1,902,001	4.56
30-Aug	Bella Ste Al	Nidhi Securities	B	1,500,003	4.46
30-Aug	Birla Cap	Pradeep Bhat	B	50,117	5.43
30-Aug	Birla Corpor	Emerging Markets Mgt L.L.C The EMM Umbrella Funds	B	400,000	295.00
30-Aug	Birla Corpor	Citigroup Global Markets Mauritius	S	400,000	294.97
30-Aug	Blue Star L	Calyon	S	624,753	316.51
30-Aug	Dish Tv	Reliance Mutual Fund	B	5,085,841	75.00
30-Aug	Dish Tv	Fidelity Mangement And Research Ac Fid Fund Mauritius	S	5,244,341	75.01
30-Aug	DMC Inter	Heena Developers	S	20,000	67.20
30-Aug	DMC Inter	CHP Finance	S	20,000	68.00
30-Aug	Dolph Med Se	Avisha Credit Capital Limited	S	320,000	5.66
30-Aug	Dwar Sugar	Merrill Lynch Capital Markets España S.A. S.V.	B	84,269	58.85
30-Aug	Dynamic Indu	Hemant Madhusudan Sheth	B	95,000	40.02
30-Aug	Dynamic Indu	Ankit Rajendra Sanchaniya	S	95,000	40.01
30-Aug	Gemstone Inv	Bhaveshth Prakash Pabari	B	21,815	23.66
30-Aug	Gemstone Inv	Prem Mohanlal Parikh	S	41,570	22.92
30-Aug	Jaipan Indus	Enca Finlease Ltd.	B	33,562	14.75
30-Aug	K Sera Sera	Macquarie Bank Limited	S	105,000	18.27
30-Aug	Kadamb Const	Arvind Desai D	S	106,144	34.20
30-Aug	Kirloskar El	Franklin Templeton MF Ac Franklin India High G Co Fd	B	650,000	231.00
30-Aug	Kirloskar El	India Prima Fund	B	350,000	231.00
30-Aug	Kirloskar El	The GMO Emerging Illiquid M Fund	B	720,311	231.00
30-Aug	Kirloskar El	HSBC Financial Ser Middle East	S	1,725,000	231.00
30-Aug	Krypton Indu	Ritu Bucha	S	22,000	61.46
30-Aug	Lawreshwar	Global Film and Bord Casting Ltd	B	69,313	9.72
30-Aug	Novgol Petr	Abhayraj Shukla	S	67,001	6.14
30-Aug	Salora Int	Equity Intelligence India P M S	S	100,000	155.00
30-Aug	Schablona In	RaipurAgrotech	S	25,000	14.50
30-Aug	Simplex Cast	Paresh C Jain	B	30,800	70.26
30-Aug	Subhkam Cap	Quest Financial Services	B	34,000	275.00
30-Aug	Subhkam Cap	Subhkam Properties	S	34,000	274.95
30-Aug	Triveni Engi	Cisa Mauritius Limited	B	2,100,000	81.15
30-Aug	Vertex Secur	Devendra Suresh Gupta	B	30,000	30.55
30-Aug	Vertex Secur	Mahesh H Rathod Huf	B	40,000	30.55
30-Aug	Vertex Secur	Lucyamma Thomas	S	33,656	30.55
30-Aug	Vertex Secur	Ivan J Coelho	S	201,490	30.55

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Com	535	3.1	6.3	9.7
Reliance Ind	1,912	1.2	6.0	4.2
SAIL	167	3.1	4.0	19.5
Losers				
Nalco	256	(4.6)	(1.5)	0.8
GAIL India	315	(1.9)	(1.0)	1.9
Cipla	165	(2.6)	(0.7)	7.1

Source: Bloomberg

Forthcoming events

COMPANY/MARKET

Date	Event
31-Aug	MTNL & Aksh Optifibre holds press conference
10-Sep	Initial Public Offer of Power Grid Corporation opens
20-Sep	SAIL holds annual shareholders meeting

Source: Bloomberg

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