



Index

- ♦ Pulse Track >> [April-July FY2007 fiscal deficit](#)
- ♦ Stock Update >> [Deepak Fertilisers & Petrochemicals](#)
- ♦ Stock Update >> [Godrej Consumer Products](#)
- ♦ Sector Update >> [Automobile](#)

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Aban Loyd	03-Mar-05	330	1,234	1,760
♦ HLL	24-Nov-05	172	234	300
♦ ICICI Bank	23-Dec-03	284	609	750
♦ Orient Paper	30-Aug-05	214	472	675
♦ UltraTech	10-Aug-05	384	777	1,000

Pulse Track

◆ April-July FY2007 fiscal deficit up 11.5% yoy

The fiscal deficit for the period April-July 2006 was at Rs86,404 crore, up 11.5% year on year (yoy), and stood at 58.1% of the budget estimates. The fiscal deficit stood at 2.2% of the gross domestic product (GDP) as against the budget estimate of 3.8% for FY2007. The revenue deficit was 1.93% of the GDP for the period under review as against an estimated deficit of 2.1% for FY2007.

The tax revenues till date have been healthy. The gross tax collections were up by 35.0% yoy and 16.2% of the total budget estimates. However, the devolvement to the states was higher by only 19.3%.

	6-Jul Rs (cr)	% yoy change	Apr-July06 Rs (cr)	% yoy change	FY2007P Rs (cr)	% of actuals to Budget FY2007 Estimates FY2006A	
	(1)	(2)	(3)	(4)	(5)	(6) (3) as % of (5)	(7)
Net tax revenues	19,177	56.0	63,640	44.8	327,205	19.4	23.2
Non-tax revenues	5,777	-3.8	13,696	11.0	76,260	18.0	18.4
Revenue receipts	24,954	36.4	77,336	37.4	403,465	19.2	22.2
Non-debt cap receipts	993	-18.9	2,341	2.3	11,840	19.8	16.7
Total receipts	25,947	32.9	79,677	36.0	415,305	19.2	22.0
Revenue expenditure	32,489	-18.6	155,546	24.2	488,192	31.9	35.3
Capital expenditure	2,122	-17.4	10,535	-2.8	75,799	13.9	15.4
Total expenditure	34,611	-18.5	166,081	22.1	563,991	29.4	32.6
Fiscal deficit	8,664	-62.3	86,404	11.5	148,686	58.1	59.1
Revenue deficit	7,535	-65.1	78,210	13.5	84,727	92.3	85.2

Source: Controller General of Accounts

	Jul-06 Rs (cr)	Jul-05 Rs(cr)	% yoy chg	Apr-July06 Rs (cr)	Apr-July05 Rs (cr)	% yoy chg	FY2007P Rs (cr)	Required growth
Corporate	3,172	-138		19,893	11,009	80.7	133,010	27.9
Income	3,731	2,665	40.0	14,351	10,876	32.0	77,409	35.1
Customs	6,995	5,177	35.1	26,512	19,965	32.8	77,066	12.1
Excise	9,107	8,614	5.7	24,316	22,878	6.3	119,000	7.2
Others	4,275	2,757	55.1	11,044	6,449	71.3	34,168	-6.2
Gross taxes	27,280	19,075	43.0	96,116	71,177	35.0	440,653	17.5
Devolvement to states	8,103	6,779	19.5	32,476	27,213	19.3	113,448	20.5
Net taxes	19,177	12,296	56.0	63,640	43,964	44.8	327,205	16.6

Source: CMIE, Controller General of Accounts

Deepak Fertilisers & Petrochemicals Corporation

Ugly Duckling

Stock Update

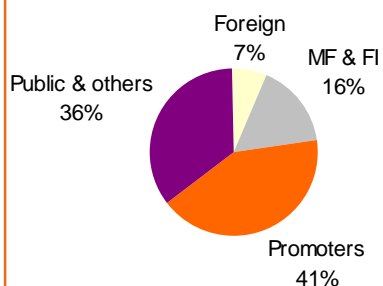
IPA plant begins production

Buy; CMP: Rs83

Company details

Price target:	Rs126
Market cap:	Rs732 cr
52 week high/low:	Rs117/63
NSE volume: (No of shares)	1.7 lakh
BSE code:	500645
NSE code:	DEEPAKFERT
Sharekhan code:	DPKFERT
Free float: (No of shares)	5.2 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	5.4	-7.3	-14.7	-7.3
Relative to Sensex	-3.4	-18.3	-25.3	-39.1

Deepak Fertilisers and Petrochemicals Corporation Ltd (DFPCL) has commenced production at its Isopropyl Alcohol (IPA) plant at Taloja. Here are some key points pertaining to the plant.

- ◆ The plant has been commissioned with a total investment of Rs154 crore.
- ◆ The current market size of the product in India is about 65,000 tonne per annum (TPA) with a growth rate of about 6-7% per annum. DFPCL also plans to begin strategic exports this financial year.
- ◆ The project is unique as it will be a gateway for the company to enter a ready 100% import substitute market and will synergistically utilise the company's marketing and distribution channel for methanol across fast-growing sectors like pharmaceuticals, agrochemicals, organic chemicals, imaging chemicals and paints.
- ◆ It is in line with the company's three-pronged strategy of maximising the existing asset-base, expanding core competence and diversifying into new sunrise sectors.

Already factored in our estimates

We have already factored the benefit of this plant in our earnings estimates for FY2007 and FY2008 (read our report "A turn-around in performance" dated July 18, 2006). We expect the company to earn revenues of Rs139 crore in FY2008 from Rs74.6 crore in FY2006, a compounded annual growth rate of 37%. At the current market price of Rs83 the stock is quoting at a price/earnings ratio of 5.2x its FY2008E earnings per share. We believe the valuation is attractive and maintain a Buy recommendation on the stock with the price target of Rs126.

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net profit (Rs crore)	78.1	74.6	109.2	139.1
Shares in issue (crore)	8.8	8.8	8.8	8.8
EPS (Rs)	8.9	8.5	12.4	15.8
EPS growth (%)	7.0	-4.5	46.3	27.4
PER (x)	9.4	8.8	6.9	5.4
Book value (Rs)	63.4	69.2	78.1	90.5
P/BV (x)	1.3	1.2	1.1	0.9
Dividend yield (%)	4.9	3.6	3.6	3.6
EV/EBIDTA (x)	4.9	6.7	4.4	3.8
EV/Sales (x)	1.2	1.3	1.0	0.9
RoCE (%)	11.5	11.3	13.6	16.1
RoNW (%)	14.1	14.2	16.2	18.2

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

Godrej Consumer Products

Apple Green

Stock Update

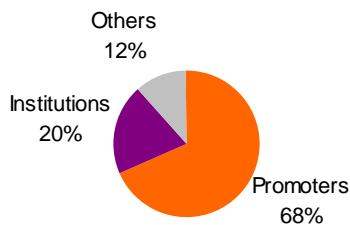
GCPL completes acquisition of Rapidol

Buy; CMP: Rs177

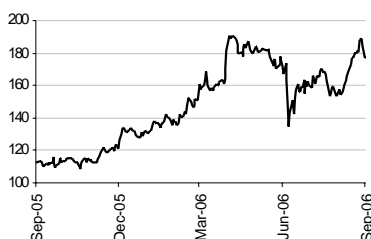
Company details

Price target:	Rs205
Market cap:	Rs3,991 cr
52 week high/low:	Rs200/106
NSE volume: (No of shares)	16,340
BSE code:	532424
NSE code:	GODREJCP
Sharekhan code:	GODRCON
Free float: (No of shares)	7.2 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	15.2	1.7	14.9	58.9
Relative to Sensex	5.6	-10.4	0.7	4.5

Godrej Consumer Products Ltd (GCPL) today completed the acquisition of the South African business of Rapidol, UK as well as its subsidiary Rapidol International. As announced in July 2006 GCPL had entered into an agreement to acquire these entities subject to certain regulatory approvals. These acquisitions give GCPL distinct advantages of (1) ownership of strong ethnic hair colour brands in ten countries and Rapidol's existing manufacturing base in Pinetown (near Durban), South Africa; and (2) an opportunity to introduce some of its products, which would include other hair colour offerings and the *FairGlow* and *Evita* soap brands in the African continent.

We had included the impact of this acquisition in our estimates. Since the acquisition will be initially funded through debt, adjusting for the interest cost Rapidol will add 0.7% in FY2007 and 1.2% in FY2008 to its consolidated earnings. However going forward, this acquisition would be highly accretive and strategic for GCPL and is expected to contribute significantly to the company's revenue and profits.

The stock trades at a price-earnings ratio of 21.7x FY2008E consolidated earnings, which are attractive considering 1) the upside in the company's core products; 2) aspirations to grow across geographies; 3) the ability to explore synergy benefits; and 4) the profitable deployment of cash. We reiterate our Buy call on the stock with a 12-month price target of Rs205, an upside of 16% from the current levels.

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net profit (Rs cr)	83.1	119.4	150.0	184.3
Share in issue (cr)	22.6	22.6	22.6	22.6
EPS (Rs)	3.7	5.3	6.6	8.2
% y-o-y growth	28.3	0.0	23.6	22.8
PER (x)	48.1	33.4	26.6	21.7
Book value (Rs)	2.2	3.3	-6.0	-13.9
P/BV (x)	80.3	53.4	-29.2	-12.7
EV/Ebidta (x)	40.4	29.1	23.2	19.9
Dividend yield (%)	6.8	7.9	7.9	7.9
ROCE (%)	150.4	91.2	-751.9	-94.7
RONW (%)	166.8	151.8	-113.0	-59.5

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Automobile

Sector Update

Mixed show due to lean season

Bajaj Auto

Volume (units)	Aug-06	% yoy chg	% mom chg	YTD-07
Motorcycles	180,570	20.9	5.5	34
Scooters-geared	-	-	-	-84
Scooters-ungeared	1,443	-82.5	7.1	-72.9
Total two-wheelers	182,013	11	5.1	26
Three-wheelers	26,150	15	-1.9	25
Total	208,163	11	4.2	26

- The sales for the month of August 2006 seem to have been impacted due to the monsoon.
- The growth rate in the motorcycle segment was halved at 20.9% year on year (yoy).
- The ungeared scooter segment continued its downward slide. The sales of this segment are expected to pick up from January 2007 onwards with the launch of two new offerings ie *Blade* and *Kristal*.
- The total two-wheeler sales rose by 11% to 182,013 units.
- The three-wheeler segment grew by 15% yoy.
- The growth rate in export sales also appears to have slowed down. The exports for the month were at 32,283 units, marking a growth of 36% yoy, as compared to the triple-digit growth rates witnessed till now. Year-till-date the export sales have touched 173,022 units, a growth of 95%.

TVS Motors

Volume (units)	Aug-06	% yoy chg	% mom chg
Motorcycles	83014	39	21.5
Scooters	23118	5.7	-8.8
Mopeds	29401	36.7	6.1
Total	135533	32	11.6

- The growth in the motorcycle segment boosted the overall sales of TVS in August 2006. The overall two-wheeler sales rose by 20% to 121,462 units.
- The company reported a 39% growth in its motorcycle sales in August 2006. The growth was driven by the sales of *TVS Star* and *Apache*, which has become the second largest selling brand in the premium segment.

- The company is enhancing its production due to the anticipated demand, especially with the festival period on the anvil.
- The exports continued to do well recording new highs. For August, export sales were at 11,008 units, a growth of 71% compared to the same period last year.

Hero Honda

Volume (units)	Aug-06	% yoy chg	% mom chg
Domestic	206,551	-13.3	
Exports	8,525	4.0	
Total	215,076	-12.7	-8.6

- The sales of Hero Honda were impacted in August due to the lack of new products and aggressive competition.
- The sales in the domestic market were down by 13.3% due to the huge inventory build up.
- Hero Honda's manufacturing plants were shut in the last week of August due to the inventory build-up and for maintenance.

Maruti Udyog

Volume (units)	Aug-06	% yoy chg	% mom chg	YTD-07
A1-(M800)	6425	-9.3	6.4	-0.1
A2-(Alto, Wagon R, Zen, Swift)	32466	22.2	10.7	22.5
A3-(Baleno, Esteem)	2837	14.6	32.4	6.7
C-(Omni,Versa)	6335	17.3	-8.2	14.6
Total Cars	48063	15.8	8.2	16.7
MUVs-(Gypsy,Vitara)	196	-1.0	-20.3	-0.8
Total Domestic Sales	48259	15.7	8.1	16.6
Exports	3596	-25.0	104.9	-16.9
Total	51855	11.5	11.7	14.1

- The lean season impact continued for Maruti as well.
- The sales for the month of August 2006 at 51,855 vehicles, witnessed a growth of 11.7%. The domestic sales grew by 8%, whereas the export sales grew by 12% yoy.
- The decline in the A1 segment, comprising of *Maruti 800*, continued with the segment reporting a fall in the sales of 9.3% yoy.

- ♦ The A2 segment comprising of *Alto*, *WagonR* and *Swift* continued to grow at a healthy rate of 22%, mainly due to the sales of *Swift*.
- ♦ The sales of the A3 segment have picked up due to the exchange offer for *Baleno*.
- ♦ The improvement in export sales helped to push the overall growth rate for the month to double-digit numbers.

Mahindra & Mahindra

Volume (units)	Aug-06	% yoy chg	% mom chg	YTD-07
Utility vehicles	9573	6	7.4	7
Scorpio	3482	29	14.4	22
Uvs w/o Scorpio	6091	-4	3.7	0
LCVs	602	-7	-7	7
Three-Wheelers	2806	44	-4	79
Automotive domestic	12981	12	4	16
Exports	1051	59	60	42
Tractors	6309	11	-16	28

- ♦ The recovery in the sales of utility vehicles (UVs) continued with the segment reporting a growth of 6%, with the sales of the new *Scorpio* recording a new high with sales at 3,482 numbers, a growth of 29% yoy and 14% month on month.
- ♦ The three-wheeler segment continued to perform well recording a phenomenal growth rate of 44% yoy.
- ♦ The exports during the month reported a strong growth of 59%.
- ♦ The tractor sales for the month were slow at 11% yoy and a drop of 16% from July 2006.
- ♦ Mahindra & Mahindra launched the all-new *Scorpio* and the *Scorpio Pik up* in Sri Lanka. This is part of a series of global launches of the vehicles. General Sales Company is the exclusive distributor for Mahindra vehicles in Sri Lanka. They are also the distributors for global brands like Volvo and Proton.

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Evergreen

HDFC Bank
 Infosys Technologies
 Reliance Industries
 Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
 Associated Cement Companies
 Bajaj Auto
 Balrampur Chini Mills
 Bank of Baroda
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 Bharat Bijlee
 Bharat Heavy Electricals
 Canara Bank
 Corporation Bank
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 Elder Pharmaceuticals
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 Grasim Industries
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 ICICI Bank
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 ITC
 Mahindra & Mahindra
 Marico Industries
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Cannonball

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Ugly Duckling

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 Jaiprakash Associates
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 KEI Industries
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Vulture's Pick

Esab India
 Orient Paper and Industries
 WS Industries India

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