May 3, 2007 **FOR PRIVATE CIRCULATION**

Equity

	30 Apr 07	% Chg 1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	13,872	(0.3)	6.1	(2.8)
Nifty	4,088	0.1	7.0	(1.2)
Banking	6,883	(2.9)	5.2	(7.2)
IT	3,725	1.5	5.6	(2.2)
Healthcare	3,703	0.2	1.5	(3.1)
FMCG	1,801	(1.1)	3.5	(5.9)
PSU	6,404	(0.3)	8.1	0.1
CNX Midcap	5,246	1.0	8.2	(1.6)
World indices				
Nasdaq	2,557.8	1.0	4.4	3.3
Nikkei	17,275	(0.7)	0.9	(0.9)
Hangseng	20,388	0.3	2.9	0.1

Value traded (Rs cr)

	30 Apr 07	% Chg - 1 Day
Cash BSE	3,170	(12.8)
Cash NSE	7,571	(7.9)
Derivatives	25,629.5	84.3

Net inflows (Rs cr)

	27 Apr 07	% Chg	MTD	YTD
FII	(195)	(154)	5,838	12,997
Mutual Fund	(39)	(321)	908	(2,350)

FII open interest (Rs cr)

	27 Apr 07	% chg
FII Index Futures	13,640	1.7
FII Index Options	5,001	3.9
FII Stock Futures	14,375	1.5
FII Stock Options	36	37.3

Advances/Declines (BSE)

30 Apr 07	A	B1	B2	Total	% Total
Advances	142	431	413	986	58
Declines	68	260	348	676	40
Unchanged	1	16	29	46	3

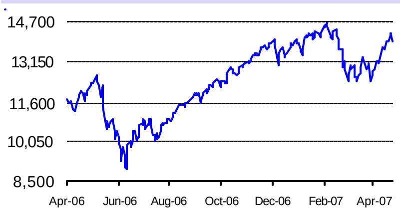
Commodity

	30 Apr 07	% Chg 1 Day	1 Mth	3 Mths
Crude (NYMEX) (US$/BBL)	63.6	(0.1)	(1.6)	7.8
Gold (US$/OZ)	673.1	(0.0)	1.3	3.8
Silver (US$/OZ)	13.2	(0.3)	(1.4)	(1.3)

Debt/forex market

	30 Apr 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.2	8.2	8.2	7.7
Re/US$	41.2	41.1	43.3	44.2

Sensex



Source: Bloomberg

ECONOMY NEWS

- The Centre is considering a partial reduction of Rs 300 per tonne export levy announced in the Budget and put into effect from March 1. A decision is expected to be announced shortly. (BS)
- With bank deposit rates on the rise, low and middle-income households appear to be shedding their conservative mindset by turning away from small savings to get better returns on their investments. (BL)
- Faced with a piquant problem on the supply of liquefied petroleum gas (LPG) to oil marketing companies (OMCs) from Reliance Industries Ltd's (RIL) Jamnagar refinery, the Petroleum Ministry plans to seek changes in Exim Policy to permit refiners with export-oriented unit (EoU) status to sell LPG with deemed export benefits. (BL)
- The Insurance Regulatory Development Authority (IRDA) plans to introduce guidelines soon on transfer (also called assignment) of insurance policies after the Insurance Act is amended. The amendments to the Act are being discussed by a Group of Ministers (GoM) on insurance. (BS)
- Public sector banks have posted a 33 per cent growth in profits in fiscal 2006-07. Twenty-two public sector banks, including IDBI, have reported profits of about Rs 11,539 crore in a year marked by robust economic growth and resultant loan expansion. (BL)

CORPORATE NEWS

- **Bajaj Auto** may take up demerger plan in board meet scheduled for May17. (ET)
- Tatas eye $1 bn through exchangeable bonds (ET)
- **Tata Chemicals** has come out with a roadmap for a massive expansion plan, which includes acquisitions and greenfield projects, at an estimated investment of $1 billion over the next four years. (BS)
- **Wockhardt** has entered into an agreement with Ifrah Finance S.A. of France to acquire Negma Lerads S.A.S, a French Pharmaceutical Group. (BS)
- **Aditya Birla Retail (ABRL)**, which is rolling out a pan-India retail chain by the year-end, is all set to drop the Trinethra brand name from 170 stores across south India and replace it with its own national brand. (BS)
- **Strides Arcolab Ltd** and **Accu-Break Pharmaceuticals Inc (ABP)** on Wednesday said they have called off their joint venture plan to develop generic products using Accu-Break's proprietary technologies. (BL)
- Dr. P. J. Nayak is expected to be back at the helm of **UTI Bank,** rechristened Axis Bank, as whole-time chairman with full powers. (BL)

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

FROM OUR RESEARCH TEAM

RESULT UPDATE

Teena Virmani
teena.virmani@kotak.com
+91 22 6634 1237

PATEL ENGINEERING

PRICE : RS.350 **RECOMMENDATION : BUY**

TARGET PRICE : RS.424 **FY08E PE : 19X**

Result Highlights

- Patel Engineering reported decent set of numbers for Q4FY07 and FY07 with revenues for the current quarter and full year FY07 registering a 31% and 38% YoY respectively, slightly lower than our expectations.
- However operating margins of the company improved by 260 basis points and 50 basis points as compared to Q4FY06 and FY06 respectively, higher than our expectations on account of tilt of order book towards higher margin hydro power projects.
- Improved operating margins and lower interest expenses have resulted in a 60% and 54% growth in net profit for Q4FY07 and full year FY07 respectively as compared to corresponding period last year.
- However company has not made provisions for a higher tax rate as announced in Union Budget 2007-08. It would make provisions for higher tax rate with retrospective effect in the audited accounts after the finance bill is passed.
- We maintain our future estimates and recommend a **BUY** with a price target of Rs.424 based on sum-of-the-parts methodology, taking into account the valuation of core business, subsidiary valuation and land development valuation.

Summary table

(Rs mn)	FY07	FY08E	FY09E
Revenues	11,036	14,951	17,921
% change YoY		35.0	20.0
EBITDA	1,512	1,909	2,300
% change YoY		26.0	21.0
Other Income	80	200	200
Depreciation	273	393	450
EBIT	1,319	1,716	2,051
% change YoY		30.0	19.0
Interest	109	150	184
Profit before tax	1,210	1,566	1,867
% change YoY		29.0	19.0
Tax	129	470	560
as % of PBT	11.0	30.0	30.0
Profit after tax	1,081	1,097	1,307
Net income	1,081	1,096	1,307
Shares outstanding (m)	59.7	59.7	59.7
EPS (reported) (Rs)	18.1	18.4	21.9
P/E (x)	19.3	19.0	16.0
EV/EBITDA (x)	12.8	10.2	8.5

Source: Company & Kotak Securities - Private Client Research

4QFY07 and FY07 results (Standalone)

(Rs mn)	Q4FY07	Q4FY06	YoY (%)	FY07	FY06	YoY (%)
Net Sales	**3,962**	**3,014**	**31.0**	**11,036**	**8,016**	**38.0**
Expenditure	3,506	2,744		9,524	6,958	
EBITDA	**456**	**270**	**69.0**	**1,512**	**1,059**	**43.0**
EBITDA margin	11.5	8.9	260bps	13.7	13.2	50bps
Depreciation	72	63		273	266	
EBIT	**384**	**207**	**86.0**	**1,239**	**793**	**56.0**
Interest	52	72		109	206	
EBT(exc other income)	333	134	148.0	1,130	587	92.0
Other Income	35	101		80	200	
EBT	**368**	**236**	**56.0**	**1,210**	**787**	**54.0**
Tax	28	23		129	85	
Tax (%)	7.7	9.9		10.6	10.8	
Net profit	**340**	**212**	**60.0**	**1,081**	**702**	**54.0**
Minority Interest	0	1		0	0	
PAT	**340**	**213**		**1,081**	**702**	
NPM (%)	8.6	7.0	160bps	9.8	8.8	100bps
Equity Capital	59.7	50.0		59.7	50.0	
EPS (Rs)	**5.7**	**4.2**		**18.1**	**14.0**	

Source: Company

Modest Revenue growth

- On a standalone basis, company has registered a growth of 31% and 38% in revenues for Q4FY07 and FY07 respectively which is slightly lower than our estimates but with a robust order of Rs.50 bn, we expect company's revenues to grow at a CAGR of 27% between FY07-FY09.
- Company has an outstanding order book position of Rs.50bn, comprising of 55% hydro power projects, 25% of irrigation related projects and 20% of transportation and other projects. It has also recently acquired a large sized order of Rs 8bn from the Satluj Jal Vidyut Nigam Ltd, in joint venture with Gammon India Ltd. Company is also aiming for IPP power projects, which will result in keeping the order inflow momentum intact and hence will help in increasing the order book, thereby providing visibility for future.

Operating margins

- Order book mix towards higher margin hydro power projects has resulted in excellent operating profit margins in Q4FY07 and FY07 with margins registering an improvement as compared to the corresponding period last year.
- Hydro power projects would continue to remain focus area for the company. Hence we expect that company would be able to maintain operating margins in the range 13% going forward also.

Net profit growth

- Net profits have grown by 60% for Q4FY07 and by 54% for the full year FY07, ahead of our estimates. This is due to lower interest payments and higher operating margins as against our estimates.
- Since the Finance Bill has not been passed, company has also not made any provisions for higher tax on withdrawal of Section 80IA benefits. Necessary provisions would be incorporated in the audited numbers if the status quo on removal of 80IA benefits is maintained.
- We expect net profits of the company to be Rs.1.1 bn and Rs.1.3bn for FY08 and FY09.

Consolidated performance

- On a consolidated basis, the revenues have grown better than our estimates but net profit margins contributed by the wholly owned subsidiaries is less than our estimates of 2% for the full year. We expect this to improve in next year.
- Company has also incorporated 11 wholly owned subsidiaries in Q4FY07 for venturing into real estate and independent power producer (IPP) projects. Large sized IPP projects, BOT projects and land bank development in different cities would be carried out through separate subsidiaries. It is also in the process of finalising plans for land bank development in Mumbai and Hyderabad.

Valuation and recommendation

We recommend a BUY on Patel Engineering with a price target of Rs.424

At the current market price of Rs.350, the stock is trading at 19x and 16x on P/E multiples on FY08 and FY09 estimates. Adjusted with the subsidiary and land bank valuations, it is trading at 12.6x and 10.5x on P/E multiples on FY08 and FY09 estimates. We recommend **BUY** with a price target of Rs.424 based on the sum of parts of DCF value of the core business, subsidiary valuation and land development valuations arrived through NPV methodology.

NPV Methodology

1 year forward price target	(Rs)	Methodology
Core business valuation	305	DCF
Subsidiary valuation	14	Relative valuation
Land valuation	105	NPV
Total (Rs)	424	

Source: Kotak Securities - Private Client Research

RESULT UPDATE

Teena Virmani
teena.virmani@kotak.com
+91 22 6634 1237

MADHUCON PROJECTS LTD

PRICE : RS.203 **RECOMMENDATION : HOLD**
TARGET PRICE : RS.251 **FY08E PE(x) : 15x**

Result Highlights:

- Madhucon Projects Ltd reported slightly disappointing set of numbers for Q4FY07 and FY07 with revenues for the current quarter and full year FY07 registering a 54% and 49% YoY respectively, lower than our expectations. This was on account of delay in environmental clearances in AP lift irrigation project.
- Operating margins for the current quarter showed an improvement of 260 basis points but for the full year FY07 operating margins are not comparable with FY06 since company has changed the expenditure classification. However, operating margins for the full year FY07 are better than our expectations.
- Lower revenue growth and higher tax outgo has resulted in a de-growth in current quarter net profits by 24% vis-à-vis Q4FY06.
- Though supreme court has given the environment clearances for AP irrigation project but other government clearances are still awaited. Due to lower than expected performance of the company we are further reducing our estimates for future growth in revenues and recommend a HOLD on the stock.

Summary table

(Rs mn)	FY07	FY08E	FY09E
Revenues	5,101	8,641	12,097
% change YoY		69	40
EBITDA	770	1,210	1,694
% change YoY		57.0	40.0
Other Income	155.6	40	40
Depreciation	239	296	337
EBIT	687	954	1,396
% change YoY		39.0	46.0
Net interest	112	208	263
Profit before tax	575	745	1,133
% change YoY		30.0	52.0
Tax	158	224	340
as % of PBT	27.0	30.0	30.0
Net income	417	522	793
% change YoY		25.0	52.0
No. of shares(m)	37.0	39.0	39.0
EPS (Rs)	9.7	13.4	20.4
P/E (x)	21	15.0	10.0
EV/EBITDA	10.2	7.6	5.5

Source: Company & Kotak Securities - Private Client Research

Q4FY07 and FY07 result highlights

(Rs mn)	Q4FY07	Q4FY06	YoY%	FY07	FY06	YoY%
Net Sales	**1831**	**1189.5**	**54**	**5101**	**3421**	**49**
Expenditure	1524	1020.0		4330	2794.2	
EBITDA	**307**	**169.5**	**81**	**770**	**626.8**	**23**
EBITDA margin	16.8%	14.2%	260bps	15.1%	18.3%	-320bps
Depreciation	72.45	57.1		238.5	191.2	
EBIT	**235**	**112.4**	**109**	**532**	**435.6**	**22**
Interest	34.9	0.7		112	134	
EBT(exc otr income)	200	111.7	79	420	301.6	39
Other Income	35	51.5		156	74.4	
EBT	**234**	**163.2**	**44**	**575**	**376**	**53**
Tax	119	10.0		158	43.2	
Tax%	50.6%	6.1%		27.5%	11.5%	
Net profit	116	153	-24	417	333	25
PAT	**116**	**153**	**-24**	**417**	**333**	**25**
NPM%	6.3%	12.9%		8.2%	9.7%	
Equity Capital	73.8	73.79		73.8	73.79	
EPS (Rs)	**3.1**	**4.2**		**11.3**	**9.0**	

Source: Company

Disappointing revenue growth

Delay in environmental clearances have impacted the revenue growth of the company in the current quarter also, resulting in lower than expected growth in the revenues of the company. This delay might further impact the revenue growth in FY08 and hence we are further revising our estimates downwards for revenues for the company. With an outstanding order book of Rs 43.5bn, we expect the company to register revenues of Rs8.6 bn and Rs12 bn in FY08 and FY09 respectively.

Operating margins better than our expectations

Operating margins of the company are much better than our expectations since company has built a sufficient cushion in fixed price contracts in BOT projects as well as variable pricing clauses in other EPC contracts. We expect company to maintain operating margins in the range of 14% going forward also due to diverse business mix and variable pricing clauses in most of its projects.

Subdued net profit growth due to higher taxes and lower revenues

Company has made higher tax outgo in Q4FY07 due to withdrawal of section 80IA benefits. Higher taxes coupled with lower revenue growth has resulted in a de-growth in the net profits vis-à-vis Q4FY06 but better than expected margins have resulted in net profits of Rs 417mn as against our expectation of Rs 360mn for the full year FY07.

Future growth strategy

Company would continue to remain focused on road and BOT projects as future growth areas. However it has also entered into power sector with 48% equity participation along with Hyderabad based Mahalaxmi group. This project would be implemented in two phases, with first phase of 270MW requiring an investment of Rs 1-1.1bn from Madhucon Projects Ltd over a time frame of 1-1.5 year. It has also signed an MoU with PTC for sale of 80% of the power produced. Company has also entered into coal mining in Indonesia through a holding company and would be exporting the coal to China, Korea or India.

Valuation and Recommendation

We recommend a HOLD on Madhucon Projects

At current price of Rs 203, stock is trading at 15x and 10x times FY08 and FY09 P/E multiples. On EV/EBITDA basis, stock is available at 7.6x and 5.8x times FY08 and FY09 estimates. We have downgraded our estimates for revenues on account of execution delays and environmental clearance issues. Though fund raising plan is not immediately on the cards for the company but we expect that for power project as well as for future BOT projects, company would need funding for equity participation. So on account of downward revision in our revenue estimates and further dilution concerns, we maintain our cautious stance on the company and would recommend a **HOLD** on the company with a price target of Rs 251.

Result Update

Dipen Shah
dipen.shah@kotak.com
+91 22 66341376

Saurabh Gurnurkar
saurabh.gurnurkar@kotak.com
+91 22 66341273

Subex Azure Limited (Subex)

Price : Rs.580 **Recommendation : BUY**
Target Price : Rs.661 **FY08E PE : 12x**

- Subex reported revenues which were below estimates. The bottom-line, however, matched our expectations, sans the one time income and expenses.
- Integration of Azure completed and Syndesis integration progressing along expected lines.
- Healthy order book position and pipeline give good revenue visibility for FY08 revenues.
- Smooth integration of Syndesis is crucial. We note that, Subex has already merged Azure with itself.
- We expect Subex to report an EPS of Rs.45 in FY08, based on pre-FCCB conversion equity.

Maintain BUY on Subex with a price target of Rs.661

- Maintain **BUY** with a price target of Rs.661, which will discount our FY08 earnings estimates by 14.5x.

4QFY07 results

(Rs mn)	3QFY07#	4QFY07#	% YoY	4QFY06	% YoY
Revenues	**1062.4**	**881.6**	**-17.0**	**493.8**	**78.5**
Expenditure	842.5	899.9		361.6	
EBDITA	**219.9**	**-18.3**	**-108.3**	**132.3**	**-113.9**
Depreciation	23.1	36.5		23.9	
EBIT	**196.9**	**-54.8**	**-127.9**	**108.3**	**-150.6**
Interest	20.4	39.0		9.4	
Other Income	29.4	228.2		3.9	
PBT	**205.9**	**134.4**	**-34.7**	**102.8**	**30.7**
Tax	14.3	-141.6		18.7	
PAT	**191.6**	**276.0**	**44.1**	**84.1**	**228.1**
EPS (Rs.)	**5.5**	**7.9**		**2.4**	
Margins (%)					
OPM	20.7	-2.1		26.8	
GPM	18.5	-6.2		21.9	
NPM	18.0	31.3		17.0	

Source : Company # Including Azure's financials

Product revenues

- Product revenues during the quarter fell by about 24% QoQ to Rs.579mn. According to the Management, this was mainly due to some delays at the client end in terms of being ready for the product implementation. We also note that product revenues tend to be volatile on a QoQ basis.
- About 45% of the non-BT revenues in 4QFY07 came from the Fraud Management business whereas, Revenue Assurance and other products contributed 20% and 35%, respectively. About 56% of the revenues came from license revenues.
- For FY07, British Telecom continued to be the largest customer of the consolidated entity and contributed 28% of revenues. The other important parameter is that support services contributed 26% of the revenues in FY07, providing a good degree of stability and predictability to the revenues.

30% organic growth for Subex, we believe

- For FY07, we believe that Subex's revenues on a stand-alone basis (at about $32mn) grew by about 30% on a YoY basis, after considering postponement of revenues during 4QFY07. On the other hand, Azure's revenues (at about $23mn for 9-month period) were almost flat YoY.
- This was broadly in line with estimates. Subex had focused on integrating Azure and improving its profitability in FY07. Azure's revenues are expected to grow in FY08.

Order bookings and order pipeline

- In terms of order bookings and pipeline, the company had an order backlog of about $70mn (including annuity revenues) as at FY07 end.
- Also, the company had a consolidated pipeline (including Syndesis) of R$310mn. Subex normally enjoys an order conversion rate of 40%.
- The existing order pipeline, new lines of revenues like managed services and the company's premier positioning in the area of operations, gives a higher degree of comfort as far as order conversion and revenue visibility for FY08 is concerned.

Margins

- EBIDTA margins were impacted by the loss of revenues due to client delays, product revenues volatility and also because of a significant write off of redundancy expenses to the tune of about Rs.240mn, associated with the integration of Azure. The company has now completed the integration process with Azure.
- Excluding the impact of revenue deferrals and one time write off, EBIDTA margins in the products were at about 35%, in our opinion.
- The company earned one time income of about Rs.200mn during 4QFY07 largely due to the forex gains on the FCCB proceeds. On the other hand, because of accumulated losses of Azure, the company had a deferred tax write back of about Rs.154mn.
- Consequently, PAT grew to Rs.276mn. Excluding the extraordinary items and revenue deferrals, we believe that, the PAT was at about Rs.255mn, in line with our estimates.

Integration with Syndesis progressing well

- Subex has started the process of integrating Syndesis with itself and has already identified the areas requiring rationalizations.
- Also, cross-selling opportunities have been identified and will be pursued. Off-shoring of some of the processes has also started.
- With Azure's integration already completed, Subex possesses the experience of integrating large companies. However, we will closely watch the developments in this regard.

Future prospects

(Rs mn)	FY06	FY07E#	% YoY	FY08E	% YoY
Revenues	**1812.1**	**3409.4**	**88.1**	**6942.0**	**103.6**
Expenditure	1301.8	3008.3		4776.1	
EBDITA	**510.4**	**401.2**	**-21.4**	**2165.9**	**439.9**
Depreciation	90.8	125.8		185.0	
EBIT	**419.6**	**275.3**	**-34.4**	**1980.9**	**619.5**
Interest	26.4	87.3		190.6	
Other Income	29.0	389.0		44.0	
PBT	**422.2**	**577.0**	**36.7**	**1834.3**	**217.9**
Tax	30.7	-99.0		256.8	
PAT	**391.4**	**676.1**	**72.7**	**1577.5**	**133.3**
Shares (mns)	34.8	34.8		34.8	
EPS (Rs.)	**11.2**	**19.4**		**45.3**	
Margins (%)					
EBIDTA	28.2	11.8		31.2	
EBIT	23.2	8.1		28.5	
Net Profit	21.6	19.8		22.7	

Source : Company, Kotak Securities - Private Client Research # Azure's financials consolidated WEF 2QFY07

- We expect Subex to report revenues of Rs.6.94bn in FY08. Product revenues are expected to increase to Rs.5.92bn.
- EBIDTA margins are expected to improve with the increase in FY08 on the back of higher proportion of product revenues, lower proportion of one-time write-offs and also increased operational efficiency.
- We have increased the interest charge to accommodate the $180mn FCCBs raised by the company recently. These entail a cost of 2% p.a. However, in case of conversion of FCCBs, the interest cost is expected to come down.
- After considering tax at 14% of PBT, we arrive at a PAT of Rs.1.58bn. and an EPS of Rs.45.

Conversion of FCCBs

- We have not assumed the conversion of FCCBs in to equity shares. In case these are converted at the conversion price of Rs.656 per share, the diluted number of shares would go up to about 47mn.
- After adjusting for a lower interest charge, the PAT may go up to Rs.1.71bn and the EPS on the diluted equity may work out to Rs.36.

Concerns

- An accelerated slowdown / recession in major user economies may impact our projections.
- The rupee has appreciated to Rs.42 v/s the USD. While we expect the rupee to stabilize at about Rs.43 per USD for FY08, a sharp acceleration from the current levels may impact our earnings estimates for the company.
- Failure / delays in realizing the benefits from acquisitions may impact the overall revenue and profit growth of the company.

RESULT UPDATE

Dipen Shah
dipen.shah@kotak.com
+91 22 66341376

Saurabh Gurnurkar
saurabh.gurnurkar@kotak.com
+91 22 66341273

I-FLEX SOLUTIONS

PRICE : RS.2519 **RECOMMENDATION : BOOK PART PROFITS**
TARGET PRICE : RS.1367 **FY08E PE : 52X**

- 4QFY07 results below estimates, mainly due to lower-than-anticipated license fee growth and higher losses in KPO business
- License fee revenues impacted by milestones-related issues, unbilled revenues rise
- Product revenues grow by 45% on a YoY basis, margins down
- Oracle's focus on Financial services vertical gets deeper with the formation of a separate Global Business Unit. I-flex to be a part of that GBU and I-flex's team to manage the GBU's operations.
- Costliest stock in our universe. Price influenced by expectations of a revised open offer by Oracle - unlikely in the near term, in our opinion.
- Recommend booking part profits and holding on the balance for longer-term gains
- An accelerated slowdown / recession in user economies and a sharper-than-expected rupe appreciation are key risks to our estimates and recommendation.

4QFY07 results

(Rs mn)	4QFY07	3QFY07	% QoQ	4QFY06	% YoY
Revenues	**5,794**	**5,502**	**5.3**	**4,577**	**26.6**
Expenditure	4,702	4,438		3,264	
Operating profit	**1,093**	**1,064**	**2.7**	**1,313**	**-16.8**
Depreciation	247	259		152	
EBIT	**845**	**805**	**5.0**	**1,161**	**-27.2**
Other inc	26	-2		106	
PBT	**872**	**803**	**8.6**	**1,267**	**-31.2**
Tax	97	33		98	
	774	770	0.6	1,169	-33.8
Share of Pft / (loss)	2	3		0	
PAT	**777**	**773**	**0.5**	**1,169**	**-33.6**
EPS (Rs)	**9.3**	**9.3**		**14.0**	
Margins (%)					
OPM (%)	18.9	19.3		28.7	
GPM (%)	14.6	14.6		25.4	
NPM (%)	13.4	14.0		25.5	

Source : Company

- I-flex's Q4FY07 results were lower than estimates.
- While services revenues grew at about 10% on a sequential basis, the products revenues were almost flattish.

Revenue break-up (Rs mns)

	FY06	1QFY07	2QFY07	3QFY07	4QFY07	FY07
Products	7571	2000	2589	3172	3206	10966
% of overall revenues	51.0	49.1	51.7	57.6	55.3	53.8
Services	7030	1984	2320	2222	2445	8971
% of overall revenues	47.4	48.7	46.3	40.4	42.2	44.0
KPO	235	92	102	108	143	445
% of overall revenues	1.6	2.3	2.0	2.0	2.5	2.2
TOTAL	**14835**	**4075**	**5010**	**5502**	**5794**	**20382**

Source : company

- Within the products business, license fee revenues actually fell sequentially by about 11%.
- The company attributed this fall to mile-stones-related issues and revenue recognition norms under US GAAP.
- This is adequately reflected in the unbilled revenues, which went up about 50% QoQ to about Rs.1.14bn as at March 31, 2007.
- The tank size increased to 82.5mn, the highest level reached till date and a 12% QoQ rise.
- On an annual basis, which is appropriate for a products company, revenues from products grew by 45%. However, this was on the back of a 76% rise in the Implementation revenues. License fees grew by just 1% during that period.

Break-up of product revenues (Rs mns)

	FY06	1QFY07	2QFY07	3QFY07	4QFY07	FY07
License fees	2669	620	570	793	705	2688
% of product revenues	35.3	31.0	22.0	25.0	22.0	24.5
Implementation	3513	1000	1553	1713	1924	6189
% of product revenues	46.4	50.0	60.0	54.0	60.0	56.4
AMCs	1388	380	466	666	577	2089
% of product revenues	18.3	19.0	18.0	21.0	18.0	19.1

Source : company

- The services business grew on the back of major client wins. The company received a multi-million dollar project with a large global bank, in the payments line of business.
- The consulting business also grew on the back of acquisition of Capco's Singapore operation.
- The KPO revenues grew by 33% QoQ, albeit on a small base of Rs.108mn in 3QFY07.
- The operations have not been impacted significantly by the issues faced by the sub-prime mortgage industry in the USA. The company operates in this business including the account initiation processes.

EBIDTA margins were lower

- On an overall basis, margins were lower despite a sharp spike-up in the services business from 15.4% to 23.8%.
- We believe that, the services business witnessed some project completions and achievement of milestones, which helped margins.
- In the products business, margins were about 400bps lower QoQ, due to the lower proportion of license fees during the quarter.
- The company also incurred some one-time expenses amounting to about Rs.42mn.

Oracle sets up Financial Services GBU

- Oracle is setting up a separate global business unit (GBU) for Financial Services and I-flex would now be a part of that GBU. The GBU will be headed and managed by I-flex's management team namely, Mr. Rajesh Hukku, Mr. Deepak Ghaisas and Mr. RaviShankar.
- This re-alignment is being done by Oracle to increase focus on the financial services segment, where Oracle sees significant scope for growth.
- However, I-flex will remain an independent entity and will be managed by the existing management team.
- We believe I-flex will be benefited by this re-alignment. While it already has access to the existing strengths of Oracle in this vertical I-flex will be able to draw upon the synergies and competence which may come to Oracle by way of any acquisitions.

Financials and Recommendation

- We have revisited our earnings estimates after the Q4FY07 results and have made changes to our future earnings estimates.
- We expect the company to report revenues of Rs.27.5bn in FY08 with EBIDTA margins improving to 19.2%.
- The improvement in margins is mainly on the expectations of a higher proportion of product revenues in FY08 revenues (56% in FY08 v/s 53.8% in FY07) and an improvement in the KPO margins to EBIDTA break-even levels in 4QFY08.
- We expect a PAT of Rs.4.07bn, resulting into an EPS of Rs.49 in FY08.

Future prospects

(Rs mn)	FY06	FY07E	% Chg	FY08E	% Chg
Revenues	**14835**	**20382**	**37.4**	**27480**	**34.8**
Expenditure	11885	16796		22204	
Operating profit	**2950**	**3586**	**21.6**	**5276**	**47.1**
Depreciation	505	832		1144	
EBIT	**2445**	**2754**	**12.7**	**4132**	**50.0**
Other inc	278	349		500	
E.O items	3	0		0	
PBT	**2720**	**3103**	**14.1**	**4632**	**49.3**
Tax	535	343		572	
	2185	2760	26.3	4059	47.1
Share of Pft / (loss)	5	9		8	
PAT	2190	2770	26.4	4067	46.9
EPS (Rs)	**26.3**	**33.3**		**48.8**	
OPM (%)	19.9	17.6		19.2	
GPM(%)	16.5	13.5		15.0	
NPM(%)	14.8	13.6		14.8	

Source : Company, Kotak Securities - Private Client Research

Recommendation

- We see the Oracle relationship as a key differentiator for I-Flex and believe this could open up significant business opportunities for the company in addition to having endowed it with an MNC parentage. The healthy product tank size, potential for increased leverage of the Oracle relationship and continuing traction being witnessed by its flagship offerings make us sanguine about I-flex's future prospects.
- We believe that, the growth in product revenues may improve in the longer term on account of new alliances with IBM in addition to the Oracle relationship.
- However, at about 50x FY08 earnings estimates, we believe most of the positives are priced in.
- In our opinion, the stock is accommodating expectations of a revised open offer by Oracle, with a view to increase its stake further and de-list the stock from the bourses.
- We see this as an unlikely event, especially in the near term, as Oracle is holding about 82% stake in I-Flex and has indicated to let the stock listed for a few years.
- Thus, we recommend booking part profits on the stock.
- An accelerated slowdown / recession in major user economies may impact our projections.
- The rupee has appreciated to about Rs.42 v/s the USD. This is higher than our assumed levels of about Rs.43 per USD in FY08. While we expect the rupee to stabilize at about Rs.43 per USD for FY08, a sharp acceleration from the current levels may impact our earnings estimates for the company.

RESULT UPDATE

Vinay Goenka
vinay.goenka@kotak.com
+91 22 66341291

AMTEK INDIA

PRICE : RS.169 **RECOMMENDATION : BUY**

TARGET PRICE : RS.222 **FY08E PE : 10.6X**

Amtek India declared their third quarter results that were above our expectations. We maintain BUY on the stock with a price target of Rs.222 based on FY08 earnings.

Summary table

(Rs mn)	FY06	FY07E	FY08E
Sales	4,721	8,242	12,763
Growth %	36.0%	75.0%	55.0%
EBITDA	1,210	2,020	3,287
EBITDA margin %	25.6	24.5	25.8
Net profit	667	1,131	1,962
Net cash (debt)	(4,598)	(1,797)	(2,459)
EPS (Rs) Diluted	11.3	9.2	15.9
Growth %	63.0%	17.0%	73.0%
ROE %	28.8	22.0	22.7
ROCE %	15	13.8	18.4
EV/Sales (x)	2.98	1.92	1.29
EV/EBITDA (x)	11.6	7.8	5.0
P/E (x)	15.0	18.4	10.6
P/BV (x)	3.8	1.9	1.5

Source: Company & Kotak Securities - Private Client Research

Quarterly Performance

(Rs mn)	Q3FY07	Q3FY06	YoY %
Net Sales	**2113**	**1234**	**71**
Other Income	70	27	164
Total Income	**2183**	**1261**	**73**
Inc/Dec in Stocks	1358	784	73
Raw Materials	-8	-10	
Staff Costs	92	72	28
Other Expenditure	116	71	62
Total Expenditure	**1557**	**917**	**70**
Op Profits	**556**	**317**	**75**
OPM %	26.3	25.7	
Interest	52	35	48
Depreciation	96	71	35
PBT	**478**	**238**	**101**
Prov for Tax	137	64	113
PAT	**341**	**173**	**97**
Equity Capital	178	118	178
EPS (Rs)	**3.83**	**2.93**	**30.74**

Source: Company

Key highlights of Q3 FY07 results

- Net Sales increased by 71% to Rs.2.1bn benefiting from higher demand and better capacity utilization. While domestic revenues increased from Rs.1.2bn to Rs.1.4bn, exports improved from Rs.520mn to Rs.700mn on a yoy basis.
- The growth in operating profits was higher than the topline growth at 75% as the company managed to show better cost management.
- Operating margins increased by 60bps from 25.7% to 26.3% as the raw material to sales decreased marginally from 63.9% to 62.7%
- Interest costs have increased from Rs.35mn to Rs.52mn during the quarter while the depreciation has also increased to Rs.96mn (increase of 35% yoy).
- PAT has improved by 97% yoy to Rs.341mn in the current quarter translating into an EPS of Rs.3.83 for the quarter.

Expansion Plans - To substantially increase capacity

The expansion plans of the company are on track and the casting capacity is expected to increase from the present 30,000 tons to 1,20,000 tons by the end of the current financial year. (June End'07)

The company is on track for the shifting of capacity from Sigma Cast, a company it had acquired in Feb'05. It plans to shift around 45,000 tons of capacity from Sigma Cast to Indian facilities this year. Going forward it will not only be able to sweat the assets better but also expand the operating margins through production at the cheaper Indian facilities.

Capacity Details (Tons)

	Amtek India	Time Frame
Current capacity	30,000	
New Capacity	45,000	Jan'07
New Capacity	45,000	June'07
Line-Shifting from Sigma Cast	15,000	March'07
Line-Shifting	15,000	June'07
Line-Shifting	15,000	Oct'07
Total	1,65,000	

Source: Company

Business Outlook: Expect strong topline growth

The topline growth of the company looks assured in the coming years, as it will benefit through orders from group companies like GWK and Zelter besides customers of Sigmacast. Currently hardly 10-15% of Zelter's revenues are outsourced to India, which the company intends to increase to around 40%. Besides the company will benefit from fresh supplies to Maruti's new Diesel plant, Tata-Fiat's joint venture as well as a whole host of new players looking to set up base in India. This is besides the organic growth that will be driven by increase in domestic sector demand for various segments like passenger cars, two-wheelers, tractors, LCVs/HCVs, railways and refrigeration.

Valuations

We expect the company to post a sales growth of 64% CAGR over the next two years resulting in revenues of Rs12.7bn in FY08E. Although we do not expect margin expansion from the current levels the growth in topline would lead to higher profits for the company. AIL should post Rs.1.9bn profits in FY08 (72% CAGR over FY06-FY08) benefiting from higher capacity and utilizations.

We recommend a BUY on Amtek India with a price target of Rs.222

At the current market price of Rs.169 the stock trades at a PE of 18x and 10.6x its estimated FY07 and FY08 earnings on a fully diluted basis. The current valuations look attractive given the expansion plans and the expected topline growth over the next couple of years. AIL also holds significant investments in Amtek Auto which at 50% discount amounts to over Rs.1.5bn, giving a per share value of Rs.13 on diluted equity. Our price target of Rs.222 is the sum of Rs209 for the core business and Rs.13 for its investment in Amtek Auto. Based on the current market price the stock offers an upside of 31% from the current levels over a 12 month period. We maintain **BUY** on the stock with a price target of Rs.222.

RESULT UPDATE

Lokendra Kumar
lokendra.kumar@kotak.com
+91 22 6634 1540

GREAT OFFSHORE

PRICE : RS.752 **RECOMMENDATION : BUY**

TARGET PRICE : RS.878 **FY08E PE : 14.3X**

Great Offshore's Q4 and FY07 results have been slightly better than our expectations on account of fewer dry-docking expenses. For the year company reported net profit of Rs 1.4 bn (EPS Rs 37) in contrast to our expectation of Rs 1.3 bn. However, the expenses (Badrinath and MSV dry docking expenses of $ 22 mn) have been delayed for the next quarter; hence we have downgraded our FY08 net profit estimate to Rs 2.0 bn (EPS Rs 52.5) from earlier estimate of Rs 2.2 bn (EPS Rs 59). There is no change in our valuation and target price (Rs 878) as it is based on normalized CY09 earnings, when company would deploy its ordered fleet (1 new jack up rig and 1 MSV).

Quarterly and Yearly (FY07) Performance Review

The company got listed in December 2006; hence FY06 Q4 data is not available for YoY quarterly comparison. Net profit declined by 20% QoQ to Rs 299 mn, primarily on account of higher depreciation and interest charges. Net sales remained flat QoQ as the new fleet vessels received in Q3 (3 OSVs and 1 MSV) weren't deployed; however depreciation (14% increase) and interest charges (40% increase) increased based on the delivery taken. Hence we would see the correct picture in the quarters to come, when the vessels are going to be fully deployed and there would be re-rating of old vessels as well due to current higher charter rates.

Summary table

(Rs mn)	FY06	FY07	FY08E
Sales	3.5	5.4	6.5
Growth %	-	53.5	21.2
EBITDA	1.6	2.7	3.5
EBITDA margin %	44.6%	50.0%	53.9%
Net profit	0.9	1.4	2
Net cash (debt)	-2.7	-5.9	-9
EPS (Rs)	24.1	37.1	52.5
Growth %	-	53.7	41.4
DPS (Rs)	5.1	5.1	5.1
ROE %	17.8	24.4	27.3
RoIC%	16.1	20.1	22.3
EV/Sales (x)	9.0	6.40	5.80
EV/EBITDA (x)	20.1	12.9	10.7
P/E (x)	31.2	20.3	14.3
P/BV (x)	5.5	4.5	3.5

Source: Company & Kotak Securities - Private Client Research

Quarterly performance

(Rs mn)	Q3FY07	Q4FY07	QoQ (%)	FY06	FY07	YoY (%)
Net sales	**1482.70**	**1492.90**	**0.69**	**3468.50**	**5368.4**	**54.78**
Other Income	6.10	26.50	334.43	28.90	78.1	170.24
Total Income	**1488.80**	**1519.40**	**2.06**	**3497.40**	**5446.5**	**55.73**
Expenditure	760.90	812.10	6.73	1937.00	2762.4	42.61
EBITDA	**727.90**	**707.30**	**-2.83**	**1560.40**	**2684.1**	**72.01**
EBITDA Margin (%)	48.89	46.55	-4.79	44.62	49.28	10.46
Interest	95.40	133.30	39.73	164.30	359.60	118.87
Gross Profit	**632.50**	**574.00**	**-9.25**	**1396.10**	**2324.50**	**66.50**
Depreciation	193.30	220.30	13.97	421.80	696.70	65.17
PBT	**439.20**	**353.70**	**-19.47**	**974.30**	**1627.80**	**67.07**
Tax	63.80	54.40	-14.73	44.50	213.6	380.00
Tax rate (%)	14.53	15.38	5.88	4.57	13.12	187.30
PAT	**375.40**	**299.30**	**-20.27**	**918.00**	**1414.20**	**54.05**
Net Profit Margin (%)	25.21	19.70	-21.88	26.25	25.97	-1.08
Equity Capital	381.20	381.20	0.00	381.20	381.20	0.00
EPS (Rs)	**9.85**	**7.85**	**-20.27**	**24.08**	**37.10**	**54.05**

Source: Company

The company witnessed robust growth YoY, with net profit as well as net sales grew by 54% to Rs 1.4 bn and Rs 5.4 bn respectively. The growth was on account of larger fleet size and better charter rates for the old vessels as shown in the table below. Operating margins improved to 49% from FY06 margins of 45% due to better charter rates. The improvement is particularly impressive as the company had to dry dock 8 more vessels compared to FY06. The net profit growth has been same as the top line growth despite improvement in operating margins, due to higher increase in interest and depreciation charges, as explained above. Hence ideally net profit growth could have been much better had the new vessels got deployed in Q4.

Growth momentum expected to sustain in FY08

The company added as many as 7 new vessels during the year (4 of which are yet to be fully utilized) taking the total fleet tally to 39. The company has been ahead of market with timely fleet acquisition, it is expected to take delivery of one more OSV very soon to take tally to 40. Hence we expect the growth momentum to continue in FY08 as well. FY09 should be a year of consolidation, while FY10 would again witness step earning jump on account of delivery of a rig and MSV.

Charter Rates (usd/day)

	2005	2007
Highend AHTSVs	11500	15500
Lowend AHTSVs	3750	7500
PSVs	11500	16500

Source: Company

Fleet Additions in FY07

	Contract start date	Charter rates ($/day)
PSV	Jul-06	14950
PSV	Spot	Spot
Highend AHTSV	Oct-06	15300
Highend AHTSV	Dec-06	14400
Highend AHTSV	Mar-07	11250
Highend AHTSV	Nov-06	15300
MSV	May-07	58500

Source: Company

Valuation

	CY09E
EV/EBITDA Multiple	7.50
2009E EBITDA (Rs bn)	5.45
EV (RS bn)	40.90
Net debt (Rs bn)	-7.19
Equity Value (Rs bn)	33.70
Value per share (Rs)	858

Source: Kotak Securities - Private Client Research

Valuation and Recommendation

Currently global companies are trading at 2009E EV/EBITDA multiple of 5.5, while Great Offshore is trading at 6.5x. We expect premium valuations for Great Offshore considering its lower debt/equity ratio of (1.1x compared global average of 2.5x) and its younger fleet size (average age of 12 years compared to global average of 19 years). Going forward, we expect it to trade at 7.5x 2009 EBITDA compared to global one year forward multiple of 6.5x. We maintain our target price of Rs.878 with **BUY** recommendation.

RESULT UPDATE

Apurva Doshi
doshi.apurva@kotak.com
+91 22 6634 1366

CONCOR

PRICE : RS.2072
TARGET PRICE : RS.2498

RECOMMENDATION : BUY
FY09E PE : 16.4x

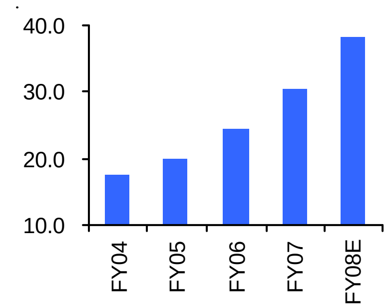
Q4FY07 result slightly below estimates. Maintain BUY with unchanged price target of Rs. 2498 (21% upside potential)

Summary table

(Rs mn)	FY06	FY07	FY08E
Sales	24,332	30,460	38,349
Growth (%)	22.0	25.2	25.9
EBITDA	6,976	9,109	11,622
EBITDA margin (%)	28.7	29.9	30.3
Net profit	5,258	6,906	8,233
Net debt	(6,763)	(7,957)	(10,765)
EPS (Rs)	80.9	106.3	126.7
Growth (%)	22.7	31.3	19.2
DPS (Rs)	18.0	19.0	20.0
ROE (%)	27.7	29.2	27.6
ROCE (%)	35.3	37.5	36.9
EV/Sales (x)	5.3	4.2	3.2
EV/EBITDA (x)	18.3	13.9	10.7
P/E (x)	25.6	19.5	16.4
P/BV (x)	6.4	5.1	4.1

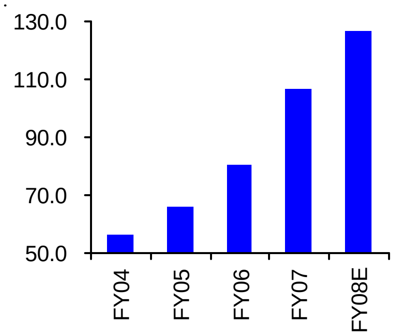
Source: Company & Kotak Securities - Private Client Research

Sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

EPS (Rs)



Source: Company, Kotak Securities - Private Client Research

Quarterly performance (Rs mn)

Rs mn	Q4FY07	Q4FY06	YoY(%)	Q3FY07	QoQ(%)	FY07	FY06	YoY(%)
Net Sales	**8,081**	**6,806**	**18.7**	**7,472**	**8.2**	**30,460**	**24,408**	**24.8**
staff cost	100	82	22.9	83	20.4	352	303	16.1
rail expenditure	4,741	3,654	29.7	4,226	12.2	17,290	12,733	35.8
other exp	1,038	1,104	(6.0)	939	10.6	3,709	4,336	(14.5)
Total Exp.	5,879	4,839	21.5	5,248	12.0	21,351	17,372	22.9
EBIDTA	**2,202**	**1,966**	**12.0**	**2,224**	**(1.0)**	**9,109**	**7,036**	**29.5**
Other income	148	162	(8.2)	205	(27.7)	684	542	26.4
Depreciation	223	242	(8.1)	242	(7.9)	919	849	8.3
EBIT	**2,128**	**1,886**	**12.8**	**2,187**	**(2.7)**	**8,874**	**6,729**	**31.9**
Interest	-	-	-	-	-	-	2	(100.0)
PBT	**2,128**	**1,886**	**12.8**	**2,187**	**(2.7)**	**8,874**	**6,726**	**31.9**
Tax & deferred tax	436	524	(16.8)	531	(17.9)	1,969	1,700	15.8
Net Profit	1,692.4	1,362.0	24.3	1,656.4	2.2	6,906	5,026	37.4
Equity shares o/s (mn)	65.0	65.0		65.0		65.0	65.0	
Ratios								
Operting profit margin (%)								
excluding other income	27.3	28.9	-160bps	29.8	-250bps	29.9	28.8	+110bps
staff cost / sales	1.2	1.2		1.1		1.2	1.2	
rail / sales	58.7	53.7		56.6		56.8	52.2	
Other Exp. / Sales	12.8	16.2		12.6		12.2	17.8	
tax % of PBT	20.5	27.8		24.3		22.2	25.3	
EPS (Rs)	26.0	21.0	24.3	25.5	2.2	106.3	77.3	37.4
CEPS (Rs)	29.5	24.7	19.4	29.2	0.9	120.4	90.4	33.2

Source: Company

- Net Sales for Q4 FY07 was at Rs. 8.1 bn up 18.7% on yoy basis and up 8.2% on sequential basis due to higher export import traffic in the country in terms of number of containers handled.
- For FY07 the company reported revenues of Rs. 30.4 bn thereby registering 24.8% yoy growth in revenues.
- EBIDTA margin during Q4 FY07 was down by 160 bps to 27.3% on yoy basis due to significant increase in rail transportation expenses. Rail expenditure as a percentage of sales increased from 53.7% in Q4FY06 to 58.7% in Q4FY07. This is primarily due to increase in haulage charges by the railways, which can only be passed on the customers with a lag.
- EBIDTA for the Q4 FY07 was at Rs 2.2 bn up 12.0% on yoy and down 1.0% on sequential basis.
- PBT for the Q4FY07 was up by 12.8% yoy and down 2.7% on sequential basis to Rs. 2.1 bn.
- NPAT for Q4FY07 was at Rs. 1.7 bn thereby translating into quarterly EPS of Rs. 26.0 and quarterly CEPS of Rs. 29.5. NPAT is up 24.3% on yoy basis and also up 2.2% on sequential basis.
- For FY07 the company reported PAT of Rs. 6.9 bn thereby registering yoy growth of 37.4%. The company reported full year EPS of Rs. 106.3 and CEPS of Rs. 120.4 for FY07.

JV with GDL to operate double stack container terminal

The company has formed a JV with Gateway Distriparks Ltd. to construct and operate a rail-linked double-stack container terminal at Garhi Hasaru near Gurgaon in Haryana. The joint effort is aimed at consolidating cargo volumes of North India for double-stack container train operation on the diesel route from NCR to JN Port, Mundra and Pipavav. This is primarily aimed to avoid duplication of resources and thereby save massive investments for both parties. The double stack container terminal is expected to commence commercial operations by April 2008.

Discount scheme for import containers

From 1st May 2007, CONCOR has introduced a discount scheme for the import containers to be moved in its trains from gateway ports like JNPT, Mundra, Kandla, Pipavav, Chennai, Tuticorin, Kochi, Kolkata, Haldia and Visakhapatnam to its various inland container depots (ICDs) located in the hinterland. The scheme is open to the shipping lines and their agents using CONCOR`s trains for transportation of import containers subject to a minimum traffic throughput of 8,000 TEUs (including loaded and empties) per annum and to signing of at least a three-year contract guaranteeing the minimum volume to the company. The committed discount would vary from five to six and half percent. We feel that the above development would not lead to reduction in our earnings estimates as the lower profits on account of discounts would be offset by higher volume growth.

Valuation and recommendation

- We maintain our earnings estimates and expect the company to report EPS of Rs. 126.7 in FY08E.
- At the current market price of Rs. 2072, the stock trades at 4.1x its FY08E book value, 16.4x its FY08E EPS and 14.4x its FY08E CEPS.

We maintain BUY on Concor with a price target of Rs.2498 (21% upside)

- We maintain our positive bias for the stock and continue to recommend a BUY with unchanged price target of Rs. 2498, which provides 21% upside potential. Maintain **BUY**.

Note: Analyst holding 50 shares

RESULT UPDATE

Apurva Doshi
doshi.apurva@kotak.com
+91 22 6634 1366

GATEWAY DISTRIPARKS LTD

PRICE : RS.175 **RECOMMENDATION : BUY**

TARGET PRICE : RS.211 **FY09E PE : 13.1x**

Q4FY07 result in line with estimates on the profitability side. Maintain BUY with unchanged price target of Rs. 211 (21% upside potential)

Summary table - consolidated

(Rs mn)	FY06	FY07	FY08E
Sales	1,610	2,364	3,312
Growth (%)	16.2	46.9	40.1
EBITDA	811	1,140	1,566
EBITDA margin (%)	50.3	48.2	47.3
Net profit	774	948	1,236
Net debt	(1,193)	(424)	(332)
EPS (Rs)	8.4	10.3	13.4
Growth (%)	5.9	24.9	30.5
DPS (Rs)	3.0	3.0	3.0
ROE (%)	12.9	14.5	16.9
ROCE (%)	14.8	16.9	20.0
EV/Sales (x)	9.3	6.6	4.8
EV/EBITDA (x)	18.4	13.8	10.1
P/E (x)	20.9	17.0	13.1
P/BV (x)	2.6	2.4	2.1

Source: Company & Kotak Securities - Private Client Research

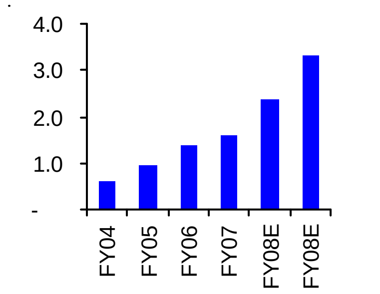
Quarterly performance - Consolidated

(Rs mn)	Q4FY07	Q4FY06	YoY(%)	Q3FY07	QoQ(%)	FY07	FY06	YoY(%)
Net Sales	**469**	**327**	**43.3**	**414**	**13.4**	**1,610**	**1,386**	**16.2**
staff cost	36	24	49.9	22	63.9	89	77	15.7
Transportation cost	96	42	129.7	87	9.7	300	140	113.9
Labour cost	19	13	45.4	22	(10.8)	64	49	29.3
Sub contract xp.	15	14	10.9	19	(18.2)	71	66	7.5
Auction exp.	2	9	(74.9)	8	(73.7)	14	27	(47.1)
other exp	82	45	83.5	57	45.6	262	190	37.7
Total Exp.	251	146	71.5	214	17.0	799	549	45.6
EBIDTA	**218**	**181**	**20.5**	**199**	**9.6**	**811**	**837**	**(3.1)**
Other income	64	62	2.9	57	13.0	245	110	122.9
Depreciation	46	28	62.6	36	27.0	139	106	31.2
EBIT	**237**	**215**	**10.0**	**220**	**7.6**	**917**	**841**	**9.0**
Interest	2	6	(66.3)	2	(17.7)	12	25	(53.3)
PBT	**235**	**209**	**12.1**	**217**	**7.9**	**905**	**815**	**11.0**
Tax & deferred tax	42	32	33.0	31	33.7	139	93	48.5
Net Profit	192.5	177.6	8.4	186.0	3.5	766	722	6.1
less minority int.	(5.5)	(1.1)	-	(2.4)	131.2	(8)	(1)	-
PAT	**198.1**	**178.7**	**10.9**	**188.4**	**5.2**	**774**	**723**	**7.0**
Equity shares o/s (mn)	92.4	92.2		92.3		92.37	92.2	
Ratios								
Operting profit margin (%)								
excluding other income	46.5	55.3	-880bps	48.2	-170bps	50.3	60.4	
staff cost / sales	7.6	7.3		5.3		5.5	5.5	
transport cost / sales	20.4	12.7		21.1		18.6	10.1	
labour cost / sales	4.1	4.1		5.3		4.0	3.6	
sub cont. exp. / sales	3.3	4.2		4.6		4.4	4.7	
auction exp. / sales	0.5	2.6		2.0		0.9	1.9	
Other Exp. / Sales	17.6	13.7		13.7		16.3	13.7	
tax % of PBT	17.9	15.1		14.5		15.3	11.5	
EPS (Rs)	**2.1**	**1.9**		**2.0**		**8.4**	**7.8**	
CEPS (Rs)	2.6	2.2		2.4		9.9	9.0	
TEU`s handled	65180	51569	26.4	57374	13.6	240491	210976	14.0
CFS Revenues	427	331		392		1,554	1,401	
Avg. Realisations per TEU	6,547	6,418	2.0	6,825	(4.1)	6,460	6,640	(2.7)

Source: Company

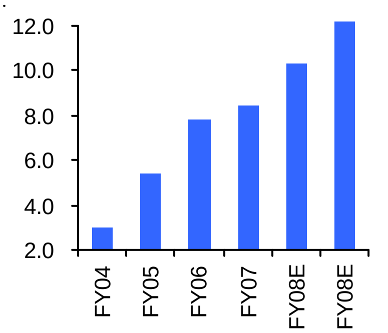
- Net Sales for Q4 FY07 was at Rs. 469 mn up 43.3% on yoy basis and up 13.4% on sequential basis due to higher throughput at JNPT and Chennai CFS. The JNPT CFS is operating at near peak capacities despite competition emerging at JNPT.
- On consolidated basis the company handled 65180 TEU`s in Q4FY07 against 51569 TEU`s in Q4FY06 thereby registering yoy volume growth of 26.4% and sequential volume growth of 13.6%.

Net sales (Rs bn)



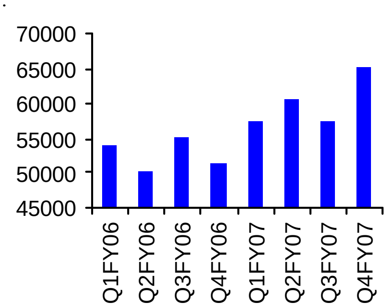
Source: Company, Kotak Securities - Private Client Research

EPS (Rs)



Source: Company, Kotak Securities - Private Client Research

TEU`s handled - Quarterly



Source: Company

- On a consolidated basis the company achieved average realizations per TEU of Rs. 6547 in Q4FY07 as against Rs. 6418 in Q4FY06 thereby registering yoy growth rate of 2.0%. The average realization at JNPT is also up 2.2% on yoy basis to Rs. 7160 per TEU.
- For FY07 the company reported revenues of Rs. 1.6 bn thereby registering 16.2% yoy growth in revenues. Also the company handled 2.4 lakh TEUs in FY07 as against 2.1 lakh TEUs in FY06 thereby registering impressive yoy volume growth of 14.3%
- EBIDTA margin during Q4 FY07 was down by 880 bps to 46.5% on yoy basis due to significant increase in transportation costs. Transportation cost as a percentage of sales increased from 12.7% in Q4FY06 to 20.4% in Q4FY07. This is primarily due to addition of transportation costs of Garhi ICD and also the transportation costs of the recently acquired cold chain business of Snowman frozen foods ltd.
- EBIDTA for the Q4 FY07 was at Rs 218 mn up 20.5% on yoy and up 9.6 % on sequential basis.
- Interest cost declined significantly in Q4 FY07 to Rs. 2 mn, down 66.3% on yoy basis as the company prepaid the loans having a very high rate of interest.
- The other income of the company went up significantly to Rs. 245 mn in FY07 as against Rs. 110 mn in FY06. This was primarily due to income from the proceeds of the GDR issue which were invested in short term fixed deposits and liquid mutual funds, pending deployment in business.
- PBT for the Q4FY07 was up by 12.1% yoy and up 7.9% on sequential basis to Rs. 235 mn.
- PAT for Q4FY07 was at Rs. 198 mn thereby translating into quarterly EPS of Rs. 2.1 and quarterly CEPS of Rs. 2.6. PAT is up 10.9% on yoy basis and up 5.2 on sequential basis.
- For FY07 the company reported PAT of Rs. 774 mn thereby registering yoy growth of 7%. The company reported full year EPS of Rs. 8.4 and CEPS of Rs. 9.9 for FY07.

Expansion plans on track

The company is setting up its second rail-linked **Inland Container Depot (ICD)** at Faridabad, which will be on the electric railway route connecting JNPT to North India. GDL has already acquired over 66 acres of land at Asaoti, Faridabad district in Haryana. The company is also building its third ICD in Ludhiana, which will also be connected to the Indian Railways network. The land acquisition is in progress and GDL has already acquired a majority of the proposed 50-acre facility. Both the new ICDs are expected to commence commercial operations by April 2008.

The company has started its operations at **Punjab Conware CFS** and it is in process of upgrading the facility to GDL standards. The first jetty of the new third terminal, at Jawaharlal Nehru Port Terminal (JNPT), Nhava Sheva, has commenced the commercial operations since April 2006. The new terminal is expected to add another 1.3 - 1.5 mn TEU`s capacity to the port. As against this additional capacity no new CFS has been built around JNPT due to unavailability of land. With the Punjab Conware CFS, the company is uniquely positioned to take advantage of the growth potential at JNPT.

With acquisition of **Snowman Frozen Foods** the company is formulating its strategies for providing pan India cold chain logistics services. Currently it reported losses as the company had to incur some reorganization expences. However the management is confident of making small profit in FY08E.

The company has formed a **JV with CONCOR** to construct and operate a rail-linked double-stack container terminal at Garhi Hasaru near Gurgaon in Haryana. The joint effort is aimed at consolidating cargo volumes of North India for double-stack container train operation on the diesel route from NCR to JN Port, Mundra and Pipavav. This is primarily aimed to avoid duplication of resources and thereby save massive investments for both parties. The double stack container terminal is expected to commence commercial operations by April 2008.

Issue of bonus shares

GDL has proposed issue of bonus shares in the ratio of one equity share for every four equity shares held in the company. Post this, the equity of the company is expected to go up from Rs. 92.36 mn to Rs. 115.46 mn. The proposed record date for issue of bonus shares is June 8, 2007.

Valuation and recommendation

- We maintain our earnings estimates and expect the company to report EPS of Rs. 10.3 in FY08E and Rs. 13.4 in FY09E.
- At the current market price of Rs. 175, the stock trades at 2.4x for FY08E and 2.1x FY09E to book value.
- It discounts FY08E and FY09E earnings at 17.0x and 13.1x respectively.
- It discounts FY08E and FY09E cash earnings at 14.4x and 11.3x respectively.

We maintain BUY on GDL with a price target of Rs.211 (21% upside)

- We maintain our positive bias for the stock and continue to recommend a BUY with unchanged price target of Rs. 211, which provides 21% upside potential. Maintain **BUY.**

RESULT UPDATE

Sanjeev Zarbade
sanjeev.zarbade@kotak.com
+91 22 6634 1258

MATHER AND PLATT PUMPS LTD

PRICE : RS.238 **RECOMMENDATION : HOLD**
TARGET PRICE : RS.260 **CY07E PE : 12.7x**

Mather and Platt's first quarter results are lower than our expectations.

Operating margins has declined by 390 bps. However, volatility in margins on a quarterly basis is a normal feature of the company. Hence we are maintaining our EPS estimates for now.

The stock has outperformed the market over the last quarter. In view of the limited upside from current levels, we are revising the rating to a HOLD from a BUY with a price target of Rs.260.

Summary table

(Rs mn)	CY05	CY06	CY07E
Sales	618	1,314	1,780
Growth %	(30.9)	112.6	35.5
EBITDA	70	203	275
EBITDA margin %	11.3	15.5	15.5
Net profit	(83.6)	122.5	173.6
Net cash (debt)	(179.9)	(136.8)	(33.9)
EPS (Rs)	(9.1)	13.3	18.8
Growth %	(166.1)	(246.5)	41.7
CEPS	(8.0)	14.6	20.3
DPS (Rs)	-	-	-
ROE %	(131.2)	101.5	72.6
ROCE %	28.0	84.5	73.8
EV/Sales (x)	3.8	1.8	1.3
EV/EBITDA (x)	34.1	11.5	8.1
P/E (x)	(26.3)	17.9	12.7
P/Cash Earnings	(29.7)	16.3	11.7
P/BV (x)	73.3	14.4	6.7

Source: Company & Kotak Securities - Private Client Research

Quarterly performance (Rs mn)

	Q1CY07	Q1CY06	% change
Net Sales	**340.7**	**249.4**	**36.6**
Other Income	0.9	0.7	28.6
Total Income	**341.6**	**250.1**	**36.6**
RM costs	181.4	122.5	48.1
Staff costs	58.0	46.2	25.5
Other costs	58.3	39.6	47.2
Expenditure	297.7	208.3	42.9
Operating Profit	**43.0**	**41.1**	**4.6**
Interest	8.1	8.0	1.3
Gross Profit	**35.8**	**33.8**	**5.9**
Depreciation	3.6	2.8	28.6
Profit before Tax	**32.2**	**31.0**	**3.9**
Tax	6.7	0.8	737.5
Provisions	10.9	10.8	0.9
Adjusted PAT	25.5	30.2	-15.6
Reprted PAT	**14.6**	**19.4**	**-24.7**
OPM (%)	12.6	16.5	
Tax rate (%)	34	-169	
RM costs to sales (%)	53	49	

Source: Company

Key Highlights

Revenues for the quarter increased 37% yoy to Rs 340.7 mn: The Company produces various types of pumps for multi-purpose applications of water handling requirements of core sector industry, Government enterprises and export market.

- Operating margins declined 390 bps to 12.6%. M&P caters to projects in the core sector industries and hence operating profitability tends may not remain uniform across all the four quarters.
- The company has commissioned its Kolhapur facility, which would be used as an assembly unit for Wilo's range of pumps.

Recommendation: The stock is trading at 12.7x CY07 forecast earnings. Our outlook for the company remains positive in view of the strong investment momentum in the industrial sector. M&P is now a subsidiary of Wilo, which is one of the top ten pump-makers in the world. Hence the scope for exploiting synergies in terms of outsourcing from India is very strong in the company.

M&P has outperformed the market over the last three months. At the current price, there is limited upside from current levels. We revise our rating to a **HOLD** with a price target of Rs 260.

We recommend a HOLD on Mather and Platt Pumps with a price target of Rs.260

RESULT UPDATE

Sanjeev Zarbade
sanjeev.zarbade@kotak.com
+91 22 6634 1258

BHARAT ELECTRONICS

PRICE : RS.1716 **RECOMMENDATION : BOOK PARTIAL PROFITS**
TARGET PRICE : RS.1700 **FY08E PE : 16.2X**

- Q4 revenues up 10% yoy while full year revenues are up 11%
- Earnings for the quarter is up 25%
- The stock has reached our price target of Rs 1700 and we recommend investors to book partial profits

Summary table

(Rs mn)	FY06	FY07E	FY08E
Sales	35,020	38,943	50,053
Growth %	9.9	11.2	28.5
EBITDA	8,542	9,411	11,691
EBITDA margin %	24.4	24.2	23.4
Net profit	5,830	7,139	8,486
Net cash (debt)	18,226	21,787	30,070
EPS (Rs) (cons)	72.9	89.2	106.1
Growth %	30.6	22.4	18.9
CEPS	82.7	100	117.4
DPS (Rs)	12.8	12.8	12.8
ROE %	32%	31%	28%
ROCE %	48%	44%	42%
EV/Sales (x)	3.4	3	2.1
EV/EBITDA (x)	13.9	12.3	9.2
P/E (x)	23.6	19.2	16.2
P/Cash Earnings	20.8	17.2	14.6
P/BV (x)	7.1	5.4	4.2

Source: Company & Kotak Securities - Private Client Research

Quarterly performance (Rs mn)

Year end	200703	200603	% change
SalesTurnover	**17,342**	**15,757**	**10**
Other income	574	353	63
Expenditure	**12,494**	**11,529**	**8**
RM costs	9,341	9,156	2
Staff costs	1,427	1,140	25
Other costs	1,725	1,233	40
Operating profit	**4,848**	**4,228**	**15**
Interest	0	250	
Gross Profit	**5,422**	**4,331**	**25**
Depreciation	252	228	11
PBT	**5,170**	**4,103**	**26**
Tax	1,598.8	1,239.4	29
Adjusted PAT	**3571**	**2863**	**25**
OPM%	28.0	26.8	
RM costs to sales %	53.9	58.1	
Other exp	9.9	7.8	
tax rate %	31	30	

Source: Company

Revenue booking slows down after third quarter

For the quarter, the company registered a revenue growth of 10% yoy. Management has guided towards a Rs 40 bn plus revenue in FY07. In the current financial year, more than 80 per cent of the turnover accrued from products using indigenous technology.

Margin expansion led by fixed cost absorption

While for the quarter raw materials to sales ratio deteriorated by 620 bps, sluggish employee costs and absolute decline in other expenditure absorbed the material cost increases.

Robust other income

Other income rose 63% to Rs 574 mn, which aided profit growth. Other income is mainly on account of interest income, which the company receives on its cash surplus of Rs 18.3 bn (equivalent to Rs 229 per share).

Healthy order backlog implies a 59% growth in order inflows in FY07

The order book as on April 01, 2007 is estimated to be around Rs 91 bn. The significant orders received during the year include the Artillery Combat Command & Control System, Electronic Warfare systems, STARS V Mk II - a secure tactical radio in VHF band, and Naval Systems for P28 and P15A class of ships. New products introduced during the year include Safari - a jammer system used for VVIP security and for protection of Army convoys, Advanced Land Navigation System, VPS Mk III - a hand-held, lightweight UHF radio for use by the defence forces, Battery Level Radar, Electronic Voting Machine Mk II and Intelligent Message Terminal.

Outlook and recommendation

BEL is aiming to achieve a turnover of US $ 1 billion in the current financial year (2007-08) and to reach a figure of US $ 2 billion by the year 2011-12. With the improved order backlog, we believe revenue growth for the company should gather pace from hereon.

We recommend Book Partial Profits on Bharat Electronics

On the back of better earnings numbers coupled with improved order backlog, the BEL stock has posted strong outperformance in the past six months and is currently trading above our price target of Rs 1700. We are convinced about the future prospects of the company and the opportunities that are likely to emerge as a result of defence offset policy. However, in view of the recent runup in the stock price, investors are advised to **BOOK PARTIAL PROFITS.**

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
30-Apr	Ambika Coton	HSBC Global Investment Funds	S	50,000	126.36
30-Apr	Asian Oilfie	Pratap Bhan Arora	S	50,000	52.40
30-Apr	Core Project	Grant Investment Limited FCCB	S	191,555	601.40
30-Apr	Cupid Ltd	Neil Finstock Pvt. Ltd	B	40,000	55.00
30-Apr	Empower Inds	Kaushik Maganbhai Rathod	B	50,000	15.36
30-Apr	Empower Inds	Jitesh Kailash Malhotra	B	50,150	15.36
30-Apr	Empower Inds	Beni Prasad Jain	S	52,420	15.44
30-Apr	Empower Inds	Dikul Mahendra Shah	S	50,000	14.80
30-Apr	Galaxy Entet	Bellono Finvest Ltd	B	275,488	105.25
30-Apr	Galaxy Entet	Nandita Mihir Mehta	S	153,488	105.25
30-Apr	Galaxy Entet	B R International	S	122,000	105.25
30-Apr	Jagjanani	Hemant Madhusudan Sheth	S	175,000	26.34
30-Apr	Micro Techn	Goldman Sachs and Company	B	52,968	249.83
30-Apr	Mohit Indust	Hemant Madhusudan Sheth	S	30,000	38.90
30-Apr	Nitco Tiles	Carissa Investment Private Ltd	S	188,983	200.00
30-Apr	Stone Indi L	Jalco Financial Services Pvt Ltd	S	45,459	104.35
30-Apr	Tripex Over	Rashmikant Ashokbhai Dave	S	47,726	46.53
30-Apr	Tulip Star H	Seaglimpse Investments Pvt Ltd	S	62,000	76.25
30-Apr	Tulip Star H	Systematik Finvest Pvt Ltd	S	114,000	76.20

Source: BSE

Gainers & Losers

Nifty Gainers & Losers	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
ICICI Bank	866	(7.4)	(12.2)	4.0
Bharti Airtel	811	(1.8)	(5.5)	3.9
ONGC	914	(1.4)	(5.3)	1.0
Losers				
Reliance Com	477	3.7	6.7	9.7
TCS	1,266	2.6	6.0	1.0
Reliance Ind	1,561	1.4	5.9	2.4

Source: Bloomberg

Forthcoming events

COMPANY/MARKET

Date	Event
3-May	Earnings expected: Century Textiles, Aditya Birla Nuvo, United Phosphorous, Orchid Chemicals and Colgate Palmolive
4-May	Hindalco Industries, Ashok Leyland, GE Shipping earnings expected
5-May	Gujarat Narmada, Gujarat Industries Power to announce earnings and dividend
7-May	Union Bank of India to announce earnings and dividend
8-May	Dabur India to announce earnings; Gail India, Kotak Mahindra Bank and Syndicate Bank to announce earnings and dividend
9-May	Lupin Lab to announce earnings and dividend
10-May	Finolex Cables to announce earnings
12-May	Chambal Fertilizers to announce earnings
15-May	Sun Pharmaceutical Industries to announce earnings

Source: Bloomberg

Research Team

Name	Sector	Tel No	E-mail id
Dipen Shah	IT, Media, Telecom	+91 22 6634 1376	dipen.shah@kotak.com
Sanjeev Zarbade	Capital Goods, Engineering	+91 22 6634 1258	sanjeev.zarbade@kotak.com
Teena Virmani	Construction, Cement, Mid Cap	+91 22 6634 1237	teena.virmani@kotak.com
Awadhesh Garg	Pharmaceuticals	+91 22 6634 1406	awadhesh.garg@kotak.com
Apurva Doshi	Logistics, Textiles, Mid Cap	+91 22 6634 1366	doshi.apurva@kotak.com
Saurabh Gurnurkar	IT, Media, Telecom	+91 22 6634 1273	saurabh.gurnurkar@kotak.com
Vinay Goenka	Auto, Auto Ancillary, Sugar	+91 22 6634 1291	vinay.goenka@kotak.com
Saday Sinha	Economy, Banking	+91 22 6634 1440	saday.sinha@kotak.com
Lokendra Kumar	Oil & Gas	+91 22 6634 1540	lokendra.kumar@kotak.com
Shrikant Chouhan	Technical analyst	+91 22 6634 1439	shrikant.chouhan@kotak.com
Kaustav Ray	Editor	+91 22 6634 1223	kaustav.ray@kotak.com
K. Kathirvelu	Production	+91 22 6634 1557	k.kathirvelu@kotak.com