



The WEEK Gone By

INVESTMENT RESEARCH

5th April 2007

WEEKLY REPORT

Parag's Views

One of my colleagues narrated a story to me which can only be described as out-of-the ordinary. An acquaintance of his, who tracks markets closely, was considering a gift for his newly born child. When my colleague suggested that he invest in some blue-chip stocks and gift them to his child later on, he rejected the idea. As he was unnerved by all the recent stockmarket volatility. He said that he would rather invest in a fifteen year fixed deposit, with his son as the intended beneficiary.

I think that in case he goes ahead with this plan he might do his son a great disservice. People who watch markets on a daily basis often lose sight of the bigger picture. In this person's case, just because he might have suffered a bit recently due to the fall in the indices, he has concluded that that stocks are not a safe investment vehicle for his son.

Well, empirical data suggests just the opposite. There are any number of studies which prove that the range of market volatility is inversely proportional to the time in the market. Also, stocks as an asset class have beaten other investments during time frames of ten years and beyond. In fact debt instruments have barely beaten inflation over the longer run. Hence, while certain cyclical stocks (say automobile or metal stocks) might not be good investments over the next few months, they might be excellent investments over a fifteen to twenty year period, considering that India is a structural growth story. The same applies to many other stocks and sectors.

By investing in a fifteen year fixed deposit he might be depriving his son of superior inflation-adjusted returns. He should consider this before signing on the Fixed Deposit Application Form.....

ADF Foods Limited

American Dry Fruits Limited (ADF Foods) was started in 1932 as a retail store and it went public in October 1991. The vast business experience of the promoters were instrumental in setting up the export unit. Today, the company operates in the agro-based industry, manufacturing and processing a wide range of canned, bottled and processed vegetables fruits and foods for the export and domestic markets. It extended its product coverage by adding authentic regional pickles, cooking pastes, chutneys and ready meals.



The export performance of the company in the ethnic Indian food line is a major contributor to its turnover. It markets its products under the brands Camel, Aeroplane and Ashoka brands. It is also one of the first Indian company to export branded foods rather than commodities. ADF has established marketing and sales network over two decades in the US, UK, Germany, west Asia, Singapore, Middle East and Australia. To launch the frozen foods in UK the company has incorporated a subsidiary company namely ADF Foods UK Ltd in 2002-03. The company has received various quality certifications like BRC (British Retail Consortium) for its factory in Nadiad, apart from HACCP and ISO 9002 certification. It is in the process of setting up its third unit which will be in Surat Special Economic Zone for manufacturing pickles and frozen food products.

Financials

P & L (Rs Mn)	9 mths ended Dec2005	9 mths ended Dec2006	% Chng
Net Sales	436.84	572.88	31.14
Other Income	7.73	9.08	
Total Income	444.57	581.96	30.90
EXPENDITURE			
Consumption of Materials	252.62	273.56	8.29
Salaries, Wages, Bonus etc	17.30	22.81	31.86
Other Expenses	128.15	181.15	41.36
Total Expenses	398.08	477.53	19.96
EBIDTA	46.50	104.44	124.62
Depreciation & Amortization	9.87	30.43	
EBIT	36.63	74.01	102.06
Interest	12.34	19.42	
PBT	24.29	54.59	
Taxes	8.99	7.16	
PAT	15.30	47.43	210.07
Exceptional items	0.24	0.53	
PAT after exceptional items	15.06	46.90	211.49
Diluted EPS – before EI	1.45	4.51	
Diluted EPS – after EI	1.47	4.56	210.07

ADF Foods has been growing steadily in the last 5 years. Its turnover has increased from Rs42 Crs in 2001 to Rs62 Crs in 2006. However, increase in brand building and other marketing expenditure has witnessed fall in its OPM margins. Nevertheless, it has been paying consistent dividend for the last 3 years and its dividend yield has been over 5% in all the years. Its margins started to improve in the last year and for the 9 months ending Dec06 its top line was up by 31 % and

PAT was up by 210 %.

Packaged food industry is well developed in all the markets ADF caters to. Moreover, with the increase in Indian population demand for such products unlikely to reduce. Robust demand for Indian food coupled with strong brands makes ADF Foods well positioned to become a major global player.

Profit & Loss A/C (Rs Mn)	200603 (12)	200503 (12)	200403 (12)	200303 (12)
Sales Turnover	61.81	60.99	61.02	49.35
Other Income	1.75	1.38	1.87	7.55
Stock Adjustments	(0.38)	2.27	(2.57)	1.02
Total Income	63.18	64.58	60.27	57.86
EXPENDITURE :				
Raw Materials	22.64	27.18	26.16	24.83
Power & Fuel Cost	1.91	1.59	1.35	1.01
Employee Cost	1.92	1.92	1.48	1.45
Other Mfg. Expenses	13.18	13.26	14.13	11.22
Selling and Admin. Expenses	14.52	13.15	11.09	8.87
Miscellaneous Expenses	1.71	0.99	0.79	1.21
Total Expenditure	55.88	58.09	55.00	48.59
Operating Profit	7.30	6.49	5.27	9.27
Interest	1.71	1.61	1.09	1.50
Gross Profit	5.59	4.88	4.18	7.77
Depreciation	1.35	1.19	1.03	1.02
Profit Before Tax	4.24	3.69	3.15	6.75
Tax	0.79	0.46	0.18	0.12
Fringe Benefit Tax	0.20	-	-	-
Deferred Tax	0.55	1.35	0.68	0.69
Reported Net Profit	2.70	1.88	2.29	5.94
Extraordinary Items	-	(0.01)	(0.06)	3.88
Adjusted Net Profit	2.70	1.89	2.35	2.06
EPS after ex items	2.60	1.82	2.26	1.98

Balance Sheet (Rs Mn)	200603 (12)	200503 (12)	200403 (12)	200303 (12)
SOURCES OF FUNDS :				
Share Capital	10.40	10.40	10.40	10.40
Reserves Total	20.98	19.48	18.67	17.41
Total Shareholders Funds	31.38	29.88	29.07	27.81
Secured Loans	15.93	8.70	5.10	6.93
Total Debt	15.93	8.70	5.10	6.93
Total Liabilities	47.31	38.58	34.17	34.74
APPLICATION OF FUNDS :				
Gross Block	45.09	27.35	23.29	23.00
Less: Accumulated Depreciation	10.99	9.64	8.45	7.59
Net Block	34.10	17.71	14.84	15.41
Capital Work in Progress	0.59	2.06	2.52	0.02
Investments	-	4.50	4.50	4.75
Current Assets, Loans & Advances				
Inventories	10.27	10.45	7.21	10.67
Sundry Debtors	6.23	9.19	6.88	5.33
Cash and Bank	2.10	1.01	1.28	0.87
Loans and Advances	6.02	4.26	4.18	3.48
Total Current Assets	24.62	24.91	19.55	20.35
Less : Current Liabilities and Provisions				
Current Liabilities	5.23	6.64	5.19	4.45
Provisions	3.35	1.15	0.79	0.50
Total Current Liabilities	8.58	7.79	5.98	4.95
Net Current Assets	16.04	17.12	13.57	15.40
Miscellaneous Expenses not written off	0.07	0.26	-	-
Deferred Tax Liability	3.42	2.88	1.52	0.84
Net Deferred Tax	(3.42)	(2.88)	(1.52)	(0.84)
Total Assets	47.31	38.58	34.17	34.74

GURUKUL

FINANCIAL TERMS EXPLAINED

Law of one price:

An economic rule which states that in an efficient market, a security must have a single price, no matter how that security is created. For example, if an option can be created using two different sets of underlying securities, then the total price for each would be the same or else an arbitrage opportunity would exist.

“Quotes”

From the Masters

“The cult of the stock market was, in the end, the greatest fantasy in an age filled with illusion.”

-Robert Sobel,
The Great Bull Market: Wall Street in the 1920s



Bars and Graphs

Levels for the current Week

NAME	WKLY HIGH	WKLY LOW	WKLY CLOSE	R2	R1	PP	S1	S2
A.C.C.	735.50	680.00	721.90	767.97	744.93	712.47	689.43	656.97
BAJAJ AUTO	2,385.00	2,251.10	2,307.65	2,448.48	2,378.07	2,314.58	2,244.17	2,180.68
BHARTI ARTL	754.45	726.00	745.65	770.48	758.07	742.03	729.62	713.58
BHEL	2,410.00	2,145.00	2,359.55	2,569.85	2,464.70	2,304.85	2,199.70	2,039.85
BSE SENSEX	12,899.31	12,425.52	12,856.08	13,200.76	13,028.42	12,726.97	12,554.63	12,253.18
CIPLA LTD.	234.80	220.50	232.40	243.53	237.97	229.23	223.67	214.93
DR.REDDY'S	757.00	695.00	729.30	789.10	759.20	727.10	697.20	665.10
GRASIM IND.	2,130.00	2,025.00	2,113.00	2,194.33	2,153.67	2,089.33	2,048.67	1,984.33
GUJ.AMB.CEM	108.00	100.25	105.90	112.47	109.18	104.72	101.43	96.97
HDFC	1,534.90	1,397.10	1,527.85	1,624.42	1,576.13	1,486.62	1,438.33	1,348.82
HDFC BANK	948.50	895.00	943.25	982.42	962.83	928.92	909.33	875.42
HERO HONDA	680.00	631.00	632.45	696.82	664.63	647.82	615.63	598.82
HIND.LEVER	203.25	193.70	199.95	208.52	204.23	198.97	194.68	189.42
HINDALCO	133.20	126.70	132.10	137.17	134.63	130.67	128.13	124.17
ICICI BANK	843.50	791.15	838.55	876.75	857.65	824.40	805.30	772.05
INFOSYS TECH	2,004.50	1,912.00	1,992.30	2,062.10	2,027.20	1,969.60	1,934.70	1,877.10
ITC LTD.	151.90	146.15	148.10	154.47	151.28	148.72	145.53	142.97
LARSEN & TOU	1,599.80	1,508.00	1,547.65	1,643.62	1,595.63	1,551.82	1,503.83	1,460.02
MARUTIUDYOG	800.00	738.00	755.70	826.57	791.13	764.57	729.13	702.57
NTPC LTD	163.00	146.00	158.75	172.92	165.83	155.92	148.83	138.92
ONGC CORPN	868.00	821.10	844.25	891.35	867.80	844.45	820.90	797.55
RANBAXY LAB.	361.90	330.00	346.75	378.12	362.43	346.22	330.53	314.32
RELIANCE	1,368.90	1,305.00	1,357.55	1,407.72	1,382.63	1,343.82	1,318.73	1,279.92
RELIANCE ENR	504.00	474.40	500.75	522.65	511.70	493.05	482.10	463.45
RIL COM VEN	415.00	389.00	397.45	426.48	411.97	400.48	385.97	374.48
SATYAM COM	468.65	444.00	455.50	480.70	468.10	456.05	443.45	431.40
STATE BANK	961.00	915.10	947.95	987.25	967.60	941.35	921.70	895.45
TATA MOTORS	714.00	661.25	686.45	739.98	713.22	687.23	660.47	634.48
TATA STEEL	469.00	421.05	465.20	499.70	482.45	451.75	434.50	403.80
TCS LTD.	1,224.00	1,185.00	1,193.85	1,239.95	1,216.90	1,200.95	1,177.90	1,161.95
WIPRO LTD.	561.50	515.00	551.30	589.10	570.20	542.60	523.70	496.10

R1 = First Resistance Level | R2 = Second Resistance Level

S1 = First Support Level | S2 = Second Support Level

PP = Pivot Point

Chart Talk

MOVEMENT: Trading week started with a negative closing and the end was 70 points plus. Thus one negative closing out of four trading days helped current week close on a positive note as compared to a loss of 600 points in last week. Considering the volatility which was around 500 points during this week (which is the difference between the weekly high and weekly low) is very much in lines as compared to past two weeks. Going ahead SENSEX should face resistance around 13200 levels. And support should come at 12600 levels, the same band which we have been talking for last four weeks. Thus all in all market looks to be more in a trading range rather than in trending pattern.



Local Equity Market					
INDICES	05-Apr-07	Week Ago	% Chng	Month Ago	% Chng
Sensex	12,856.08	12,979.66	(0.95)	12,697.09	1.25
Nifty	3,752.00	3,798.10	(1.21)	3,655.65	2.64
CNX Nifty Junior	6,734.25	6,778.65	(0.65)	6,433.90	4.67
S&P CNX500	3,100.85	3,116.25	(0.49)	3,002.95	3.26
CNX Midcap 200	4,807.50	4,782.80	0.52	4,630.50	3.82
CNX IT	5,088.40	5,179.80	(1.76)	5,189.15	(1.94)

International Equity Market					
INDICES	05-Apr-07	Week Ago	% Chng	Month Ago	% Chng
DJIA	12,530.05	12,348.75	1.47	12,207.59	2.64
Nasdaq	2,458.69	2,417.88	1.69	2,385.14	3.08
S&P 500	1,439.37	1,422.53	1.18	1,395.41	3.15
FTSE 100	6,382.90	6,324.20	0.93	6,138.50	3.98
Nikkei 225	17,491.42	17,263.94	1.32	16,844.50	3.84
Hang Seng	20,209.71	19,821.78	1.96	19,058.56	6.04
HSCEI	9,859.50	9,599.53	2.71	8,833.25	11.62

MSCI Indices					
MSCI Indices	05-Apr-07	Week Ago	% Chng	Month Ago	% Chng
The World Index	1,538.17	1,515.94	1.47	1,483.50	3.69
Emerging Market	947.44	924.67	2.46	882.69	7.34
EM Asia	378.11	368.70	2.55	357.38	5.80
EM India	371.11	370.80	0.08	367.17	1.07

Commodities					
Commodities	05-Apr-07	Week Ago	% Chng	Month Ago	% Chng
GOLD (\$/oz)	673.35	661.50	1.79	646.50	4.15
SILVER (\$/oz)	13.63	13.31	2.40	12.90	5.66
ALUMINIUM (\$/t)	2,871.00	2,780.00	3.27	2,694.00	6.57
COPPER (\$/t)	7,420.00	6,755.00	9.84	5,980.00	24.08
CRUDE - BRENT (\$/bbl)	67.95	67.88	0.10	62.12	9.39
CRUDE - WTI (\$/bbl)	64.09	66.03	(2.94)	62.06	3.27

Transportation					
Commodities	05-Apr-07	Week Ago	% Chng	Month Ago	% Chng
World SCALE	90.00	104.00	(13.46)	77.50	16.13
BALTIC FREIGHT INDEX	5,487.00	5,355.00	2.46	4,921.00	11.50

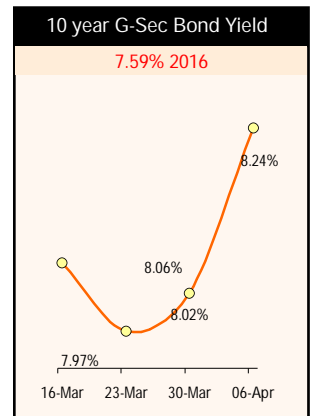
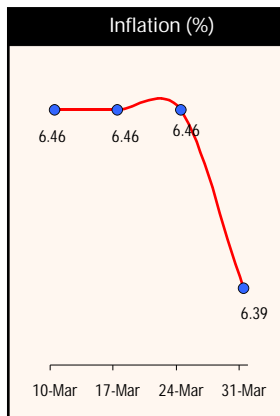
Forex					
FOREX	05-Apr-07	Week Ago	% Chng	Month Ago	% Chng
1 USD	42.93	43.75	(1.87)	44.47	(3.46)
1 GBP	84.49	85.83	(1.56)	85.88	(1.62)
1 EURO	57.44	58.32	(1.51)	58.37	(1.60)
100 YEN	36.10	37.05	(2.56)	38.13	(5.32)

Global Listings					
Scrips	05-Apr-07	Week Chng	Month Chng	Premium/Discount	Share per ADR/GDR
Infosys ADR	52.09	3.85	(2.51)	12.24%	1
Wipro ADR	15.83	(1.25)	8.24	23.26%	1
ICICI Bank ADR	37.71	(4.51)	4.33	-3.48%	2
Satyam ADR	23.25	1.53	10.52	9.56%	2
HDFC Bank ADR	65.75	(2.23)	9.98	-0.26%	3
MTNL ADR	6.72	0.90	12.50	-2.54%	2
Dr. Reddy ADR	17.00	3.09	13.65	0.06%	1
VSNL ADR	18.85	2.33	18.46	0.73%	2
Reliance GDR	62.50	(0.79)	10.53	-1.18%	2
ITC GDR	3.43	2.39	(8.22)	-0.58%	1
Ranbaxy GDR	8.20	1.49	11.76	1.52%	1
L & T GDR	36.50	(1.88)	18.32	1.24%	1

Top Gainers & Losers of the Week		
Top Gainers	Apr 6, 07	% Change
Balrampur Chinni Ltd	73.70	13.91
Bharat Electronics Ltd.	1,653.15	11.68
GAIL (India) Ltd	292.25	10.74
Titan Industries Ltd	884.45	7.10
Aurobindo Pharma Ltd.	693.30	6.97
IFCI Ltd.	35.10	6.20
Neyvelli Lignite Corporation Ltd	52.50	6.17
Cummins India Ltd.	271.20	5.88

Top Losers		
Top Losers	Apr 6, 07	% Change
Vijaya Bank	39.90	(8.17)
Punjab & National Bank	440.25	(7.20)
Corporation Bank	269.60	(7.02)
Maruti Udyog Ltd.	755.90	(6.96)
Hero Honda Motors Ltd.	632.60	(6.50)
UTI Bank Ltd.	451.45	(5.95)
Mahindra & Mahindra Ltd.	713.70	(5.81)
Polaris Software Lab Ltd.	168.45	(5.74)

Sectoral Performance			
Sectors	Week	Month	3 Months
Others	7.98	14.94	(7.12)
Paints	4.34	20.50	6.66
Metals	3.75	7.25	(0.60)
Pharmaceuticals	2.81	10.44	(4.90)
Capital Gds/Infrastructure	2.05	5.86	(4.61)
FMCG	1.87	3.19	(7.71)
Fertilizers	0.85	2.46	(7.10)
Power	0.76	2.71	(7.71)
Oil/Gas	0.30	4.58	(9.05)
Telecommunication - Services	(0.19)	9.13	3.93
Cement	(0.19)	(8.22)	(29.86)
Textiles	(0.70)	(1.19)	(19.83)
Hotels/Travel	(0.81)	7.08	(6.20)
Diversified	(1.05)	3.89	(5.52)
Computers - Hardware	(1.27)	0.13	26.81
Computers - Software	(1.65)	5.57	(8.75)
Banking/Finance	(2.39)	5.83	(4.32)
Auto/Auto Ancl	(3.10)	(2.37)	(13.66)
Media	(3.25)	11.68	(6.73)
Shipping	(5.00)	6.04	(3.18)



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