

Tower Top Picks

...Fundamentally Charged

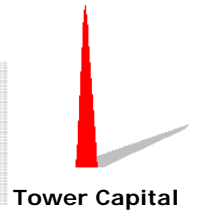
June 22, 2006

Tower Capital & Securities Pvt. Ltd

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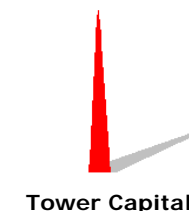
Flow of the Report



- ➔ **Auto & Auto Component**
 - ➔ Bajaj Auto
 - ➔ Bharat Forge
- ➔ **Banking**
 - ➔ Punjab National Bank
 - ➔ Union Bank of India
- ➔ **Infrastructure / Logistics**
 - ➔ Noida Toll Bridge
 - ➔ Transport Corporation of India
- ➔ **Metals**
 - ➔ Hindalco
- ➔ **Pharmaceuticals**
 - ➔ Glenmark Pharma

Bajaj Auto

BUY



CMP (Rs)	2,625
Target (Rs)	3,330
% Upside	26.9%
Sensex	10,235

Stock Statistics

Reuters Code	BJAT.BO
Bloomberg Code	BJA@IN
BSE Code	500490
NSE Code	BAJAJAUTO
ISIN No.	INE118A01012

Equity Cap (Rs Mn)	1,011.8
Market Cap (Rs Bn)	266
52 Week H/L	3325 / 1238
Avg Daily Volume (6M)	69,157

Shareholding % (Mar'06)

Promoters	29.8
MFs, UTI, Banks	7.9
FIIs	19.4
PCBs	13.5
Indian Public	26.5
Others	2.9



Key Investment Positives...

- ❑ Robust and consistent volume growth reported in domestic and exports market, backed by exemplary competencies in area of product launches, technology and marketing and distribution
- ❑ Motorcycle market share consistently on rise; Currently stands at about 34%
- ❑ Expanding international operations through greenfield manufacturing/assembly facilities in Indonesia and Nigeria. Would augment well for BAL's consistent long term growth prospects
- ❑ Volume growth to be robust during FY06-FY08E
 - ❑ Motorcycle & 3-wheeler sales CAGR estimated at 23% and 11.3% respectively
- ❑ We expect leadership in entry and premium segments to be sustained, while that in the executive segment is poised for expansion on the back of new variant and model launches
- ❑ Value unlocking in investment and insurance subsidiaries, a key trigger
- ❑ FY07E and FY08E EPS estimated at Rs 137.8 and Rs 168.4 respectively with FY06-FY08 CAGR at 23.1%
- ❑ At current price of Rs 2,625, the stock quotes at 15.6x PER and 9x EV/EBIDTA FY08E

What can go wrong...

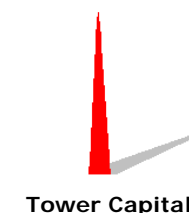
- ❑ Aggressive competition across motorcycle segments from existing as well as new players
- ❑ Resurgence in metal prices would be an area to watch out for as it could squeeze margins

Key Financials:

Standalone (Rs Mn)	FY05	FY06	FY07E	FY08E
Net Sales	59,271	76,679	95,388	115,062
<i>% growth yoy</i>	<i>20.5</i>	<i>29.4</i>	<i>24.4</i>	<i>20.6</i>
Net Profit	7,292	11,233	13,942	17,035
<i>% growth yoy</i>	<i>(1.3)</i>	<i>54.1</i>	<i>24.1</i>	<i>22.2</i>
OPM (%)	15.4	17.7	18.0	18.3
EPS (Rs)	72.1	111.0	137.8	168.4
<i>% growth yoy</i>	<i>(1.3)</i>	<i>54.1</i>	<i>24.1</i>	<i>22.2</i>
RONW (%)	18.6	25.2	26.8	27.6
ROCE (%)	22.0	27.5	30.4	32.5
P/E (x)	36.4	23.6	19.0	15.6
EV/EBIDTA (x)	19.3	13.8	11.1	9.0

Bharat Forge

BUY



CMP (Rs)	316
Target (Rs)	420
% Upside	32.9%
Sensex	10,235

Stock Statistics

Reuters Code	BFRG.BO
Bloomberg Code	BHFC@IN
BSE Code	500493
NSE Code	BHARATFORG
ISIN No.	INE465A01025

Equity Cap (Rs Mn)	444.6
Market Cap (Rs Mn)	70,261
52 Week H/L	485 / 221
Avg Daily Volume (6M)	252,626

Shareholding % (Mar'06)

Promoters	35.8
MFs, UTI, Banks	10.5
FII's	22.0
PCBs	11.4
Indian Public	17.9
Others	2.4



Key Investment Positives...

- ❑ BFL has emerged as a global auto component giant with world class designing, manufacturing and technology capabilities in place. Dual shore manufacturing capability largely accomplished
- ❑ Strong competencies in automotive and non-automotive business, ensuring de-risked business model
- ❑ Recent Inorganic growth initiatives to help BFL take a gigantic leap in coming years
 - ❑ JV with China's FAW Group to strengthen foothold in fast growing Chinese auto market
 - ❑ Acquisition of Imatra Forging Group (Europe) and Federal Forge (US) added to BFL's globalisation strategy. The integration process is believed to be on track
 - ❑ Such initiatives further enhanced and encouraged BFL's relations with its global clients
- ❑ Consolidated EPS (excluding Chinese JV) for FY07E and FY08E is estimated at Rs 17 & Rs 22.1 respectively with FY06-FY08 CAGR at 38.6%
- ❑ BFL has corrected by 31% since 1st April '06 vis-à-vis 11% and 14% fall in the Sensex and Auto Index respectively
- ❑ Valuation attractive at PER of 14.3x FY08E consolidated EPS

What can go wrong...

- ❑ Rupee appreciation could impact exports revenue, and hence profitability
- ❑ Resurgence in metal prices would be an area to watch out for as it could squeeze margins

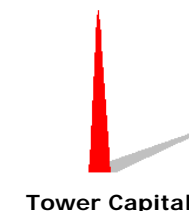
Key Financials:

Standalone (Rs Mn)	FY05	FY06	FY07E	FY08E
Net Sales	12,191	15,779	21,314	25,446
Adj. Net Profit	1,616	2,070	2,738	3,554
OPM (%)	26.9	24.7	25.1	26.2
EPS (Rs)	7.9	9.5	12.6	16.3
<i>% growth yoy</i>	<i>19.6</i>	<i>19.8</i>	<i>32.3</i>	<i>29.8</i>
Cons. EPS (Rs)	10.0	11.5	17.0	22.1
<i>% growth yoy</i>		<i>15.6</i>	<i>47.4</i>	<i>30.3</i>
RONW (%)	50.2	25.9	21.8	24.8
ROCE (%)	36.2	23.8	20.9	23.5
P/E (x)	39.9	33.3	25.1	19.4
EV/EBIDTA (x)	19.9	17.2	13.4	10.9
Cons. P/E (x)	31.7	27.5	18.6	14.3

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Punjab National Bank

BUY



Stock Statistics

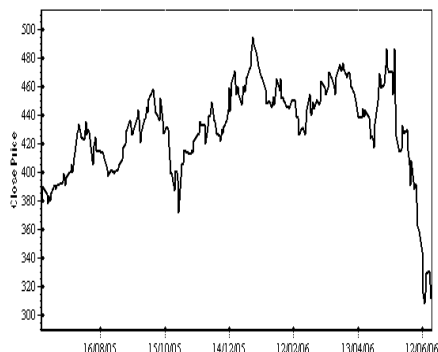
CMP (Rs)	335
Target (Rs)	575
% Upside	72
Sensex	10,235

Reuters Code	PNBK.BO
Bloomberg Code	PNB@IN
BSE Code	532461
NSE Code	PNB@IN
ISIN No.	INE160A01014

Equity Cap (Rs Mn)	3,153
Market Cap (Rs Mn)	105,626
52 Week H/L	496 / 300
Avg Daily Volume (6M)	652,852

Shareholding % (Mar'06)

Govt Holding	57.8
MFs, UTI, Banks	13.9
FIIs	20.2
PCBs	2.4
Indian Public & Others	5.6



Key investment positives...

- ❑ Third largest bank in India with a pan India branch network of 4,156 branches and 968 ATMs
 - ❑ Targeted 85% of business under CBS for FY07
- ❑ NII, going forward, to be aided by:
 - ❑ Strong growth in high yielding advances to SME segment (16% in FY06) and retail segment (23% in FY06)
 - ❑ Cost of deposit to remain under control on account of higher proportion of demand deposit (48% of total deposits in FY06)
- ❑ Asset quality for bank continues to be a strong point
 - ❑ Net NPA at 0.96% in FY04 to 0.16% in FY08E
- ❑ Tier I CAR at 10.1% as on March '06 will comfortably support the business growth, going forward
- ❑ Our target price of Rs 575 discounts FY08E AdjBV 1.5x

What can go wrong...

- ❑ In a rising rate scenario, higher duration investments in the AFS segment will lead to higher MTM depreciation
 - ❑ Larger proportion (51%) of the investment portfolio (Q1FY07) transferred to HTM will partly mitigate the risk

Key Financials:

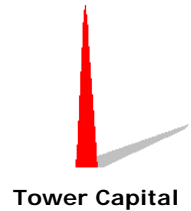
Rs Million	FY05	FY06	FY07E	FY08E
NII	40,067	46,668	52,225	57,518
% growth yoy	10.6	16.5	11.9	10.1
PAT	14,101	14,393	16,340	20,219
% growth yoy	27.2	2.1	13.5	23.7
EPS (Rs)	44.7	45.6	51.8	64.1
AdjBV	244.9	278.6	319.1	371.1
ROAA (%)	1.2	1.1	1.0	1.1
ROAE (%)	21.4	16.5	16.4	17.8
NIM (%)	3.6	3.5	3.4	3.2
P/E (x)	6.9	6.7	5.9	4.8
P/AdjBV (x)	1.3	1.1	1.0	0.8

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Union Bank of India

BUY



Stock Statistics

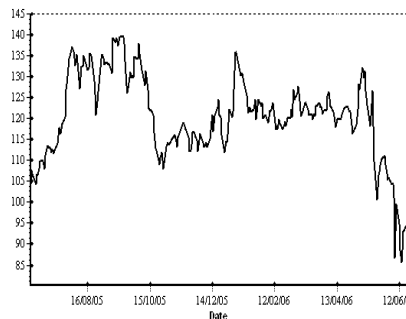
CMP (Rs)	95
Target (Rs)	152
% Upside	60
Sensex	10,235

Reuters Code	UNBK.BO
Bloomberg Code	UNBK@IN
BSE Code	532477
NSE Code	UNIONBANK
ISIN No.	INE692A01016

Equity Cap (Rs Mn)	5,051
Market Cap (Rs Mn)	47,896
52 Week H/L	84 / 143
Avg Daily Volume (6M)	936,334

Shareholding % (Mar'06)

Govt Holding	55.4
MFs, UTI, Banks	6.6
FIs	20.0
PCBs	2.6
Indian Public & Others	15.4



Key investment positives ...

- ❑ Seventh largest bank in India with a network of 2,082 branches and 473 ATM as on March '06
 - ❑ CBS to be implemented to 92% of the business in FY07
- ❑ Larger proportion (77%) of the investment portfolio (Q1FY07) transferred to HTM will guard bank against higher investment depreciation
- ❑ Improving control on slippages
 - ❑ Gross slippages are expected to fall from 1.7% in FY04 to 0.6% in FY08E
- ❑ RoE for FY07E and FY08E is expected to remain above 20%, amongst the best in the industry
- ❑ Our target price of Rs 152 discounts FY08E AdjBV by 1.4x

What can go wrong...

- ❑ Tier I CAR at 7.3% (March '06) may impact business growth in FY08
- ❑ In a rising rate scenario, high dependence on deposits for growth in business will put pressure on margins
 - ❑ Further focus on raising CASA deposits (33% of total deposit FY06) will partially control the same

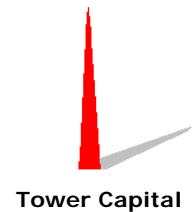
Key Financials:

Rs Million	FY05	FY06	FY07E	FY08E
NII	20,646	23,743	28,458	31,337
<i>% growth yoy</i>	<i>18.9</i>	<i>15.0</i>	<i>19.9</i>	<i>10.1</i>
PAT	7,191	6,752	9,846	11,026
<i>% growth yoy</i>	<i>(35.1)</i>	<i>(14.5)</i>	<i>45.8</i>	<i>12.0</i>
EPS (Rs)	15.6	13.4	19.5	21.8
AdjBV	53.4	66.0	89.4	109.4
ROAA (%)	1.1	0.9	1.1	1.0
ROAE (%)	25.0	18.5	21.6	20.5
NIM (%)	3.3	3.1	3.2	3.0
P/E (x)	5.8	6.7	4.6	4.1
P/AdjBV (x)	1.7	1.4	1.0	0.8

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Noida Toll Bridge

BUY



CMP (Rs)	42
Target (Rs)	65
% Upside	55%
Sensex	10235

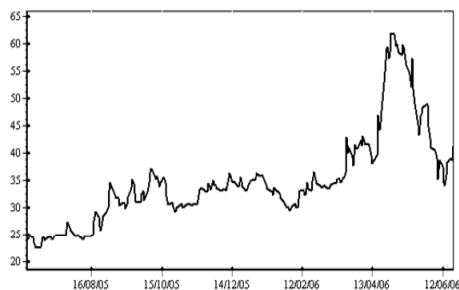
Stock Statistics

Reuters Code	NOID.BO
Bloomberg Code	NTB IN
BSE Code	532481
NSE Code	NOIDATOLL
ISIN No.	INE781B01015

Equity Cap (Rs Mn)	1,804
Market Cap (Rs Mn)	7,514.21
52 Week H/L	65 / 22
Avg Daily Volume (6M)	923,283

Shareholding % (Mar'06)

Promoters	22.7%
Foreign	44.6%
Government	5.5%
Institutions	9.9%
Non Promoter Corporate H	2.4%
Public & Others	14.8%



Key Investment Positives...

- Intra-urban facility in a high growth area to support traffic growth
- Predictable cash flows from existing infrastructure with inflation protected revenue streams with further upsides to come from increase in electronic tolling
- Additional income sources like advertising and land development
- Relatively low ongoing capex requirement
- Long Term Asset protected by concession that assures a 20% project return

What can go wrong...

- Nationalisation of the facility
- Political Force Majeure
- The existing State Support Agreement mitigates risk of new competing facilities. However, competition from existing competing facilities remains

NTBCL has a business model for which the value lies in the future cash flows. Hence, we value the company by discounting its future cash flows.

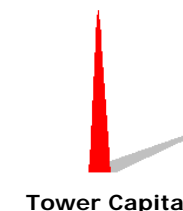
Key Financials:

Rs Million	FY05	FY06	FY07E	FY08E
Net Sales	306	390	481	631
<i>% growth yoy</i>	<i>24.7</i>	<i>27.5</i>	<i>23.4</i>	<i>31.1</i>
EBIDTA	215	271	374	507
OPM (%)	70.2	69.6	77.8	80.4
Adj. Net Profit	(165)	26	131	234
<i>% growth yoy</i>	-	-	<i>402.5</i>	<i>78.5</i>
EPS (Rs)	(1.4)	0.1	0.7	1.3
<i>% growth yoy</i>	-	-	<i>387.2</i>	<i>78.5</i>
RONW (%)	(11.3)	1.1	3.9	6.4
ROCE (%)	3.9	4.3	4.8	7.2
P/B (x)	3.7	2.4	2.2	2.1
EV/EBIDTA (x)	40.5	34.2	25.7	18.5

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Transport Corp

Unrated



CMP (Rs)	306
Sensex	10235

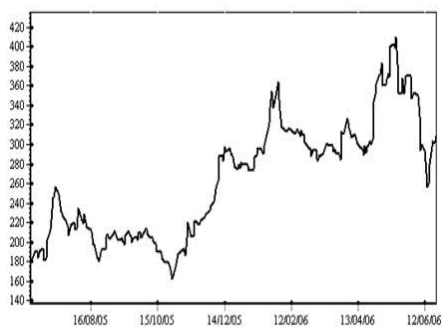
Stock Statistics

Reuters Code	TCI IN
Bloomberg Code	TCIL.BO
BSE Code	TCI
NSE Code	532349
ISIN No.	INE688A01014

Equity Cap (Rs Mn)	105
Market Cap (Rs Mn)	3,207.8
52 Week H/L	448 /158
Avg Daily Volume (6M)	5,131

Shareholding % (Mar'06)

Promoters	71.6%
Foreign	2.4%
Institutions	2.8%
Non Promoter Corporate	4.1%
Public & Others	19.1%



Key Investment Positives...

- ❑ Over four decades of experience offering a pan India network, cargo-tracking solutions, warehousing and other value added services in the logistics space
- ❑ A planned capex of Rs 4.38 billion over the FY2007-FY2010 period is further likely to augment its competitive position
- ❑ Going forward, we expect growth largely to be driven by the XPS and the supply chain management businesses. Given the higher margins in these businesses, we expected operating margins by 350-400 bps over the next 2-3 years
- ❑ Economic growth, increasing outsourcing and VAT implementation across the country should likely result in a significant boost to overall cargo transportation
- ❑ Well poised to capitalise on the demand surge in the express cargo distribution business driven by its sound infrastructure – distribution network, technology and warehousing facilities

What can go wrong...

- ❑ Higher fuel prices
- ❑ Underdeveloped infrastructure

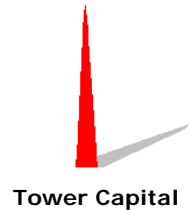
Given its earnings visibility and sustainable business we expect a steady revenue and earnings growth over the next 2-3 years. We are positive on the stock and would be initiating coverage on the same.

Key Financials:

R s M illion	F Y 0 4	F Y 0 5	F Y 0 6
Net Sales	6,322	7,347	8,641
% growth yoy	17.9	16.2	17.6
E B I D T A	267	332	441
O P M (%)	4.2	4.5	5.1
A dj. Net Profit	75	108	160
% growth yoy	32.8	43.7	48.4
E P S (R s)	7.2	10.3	15.3
% growth yoy	32.8	43.7	48.4
R O N W (%)	13.8	17.7	22.4
R O C E (%)	12.8	13.7	18.7
P / E (x)	42.7	29.7	20.0

Hindalco

BUY



CMP (Rs)	170
Target (Rs)	225
% Upside	32
Sensex	10,275

Stock Statistics

Reuters Code	HALC.BO
Bloomberg Code	HNDL@IN
BSE Code	50044
NSE Code	HINDALCO
ISIN No.	INE038A01020

Equity Cap (Rs Mn)	1,160.0
Market Cap (Rs Mn)	180.0
52 Week H/L	251/92
Avg Daily Volume (6M)	230,661.0

Shareholding % (Mar'06)

Promoters	26.9
MFs, UTI, Banks	16.9
FII	38.2
PCBs	4.9
Indian Public	13.1



Key Investment Positives...

- ❑ Doubling of copper smelter capacity from 0.25 mtpa to 0.5 mtpa to drive volumes during the coming years. Copper Cathode production is estimated to be at 0.35 million tons and 0.4 million tons in FY07 and FY08 respectively from 0.21 million tons in FY06
- ❑ Increase in Capacity of Alumina from 1.145 million tons in FY06 to 1.315 million tons in FY07 and 1.57 million tons in FY08. Aluminium capacity will also go up from current 0.312 million tons to 0.475 million tons and 0.536 million tons in FY07 and FY08, respectively
- ❑ Y-o-Y increase in Average Price Realisation of Alumina and Aluminium by around 10% and 5% respectively in FY07
- ❑ Improved TC/RC Margin to 23 cents/lb in FY07 from 20 cents/lb last year
- ❑ More proportion of copper concentrate coming from own mines. Both the mines will achieve their rated capacity and together produce around 0.110 million ton of copper concentrate in FY07 as compared to 0.045 million tons in FY06. Company is expected to fulfill 30-35% of copper concentrate requirement internally in FY08 as compared to 20% in FY06
- ❑ We estimate EPS to come in at Rs 19.28 and Rs 17.86 in FY07E and FY08E respectively. Stock is currently trading at P/E of 9.5x and EV/EBIDTA of 4.9x on FY08E earnings

What can go wrong...

- ❑ Projects not executing on time
- ❑ Sharp decline in the Alumina and Aluminium prices will affect the topline
- ❑ Decline in Tc/Rc Margins will impact the copper business' margins

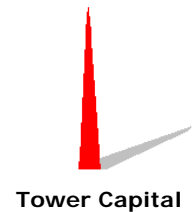
Key Financials:

Rs Million	FY05	FY06	FY07E	FY08E
Net Sales	93,381	113,997	159,401	155,861
<i>% growth yoy</i>	<i>56.9</i>	<i>22.1</i>	<i>39.8</i>	<i>(2.2)</i>
Adj. Net Profit	13,294	15,283	22,990	20,740
<i>% growth yoy</i>	<i>58.5</i>	<i>15.0</i>	<i>50.4</i>	<i>(9.8)</i>
OPM (%)	24.3	25.0	27.0	26.6
EPS (Rs)	14.3	13.2	19.8	17.9
<i>% growth yoy</i>	<i>0.6</i>	<i>(0.1)</i>	<i>50.4</i>	<i>(9.8)</i>
RONW (%)	18.3	16.3	18.8	15.2
ROCE (%)	12.6	11.3	12.6	10.2
P/E (x)	11.9	12.9	8.6	9.5
EV/EBIDTA (x)	8.1	7.6	4.7	4.9

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Glenmark Pharma

BUY



CMP (Rs)	272
Target (Rs)	410
Upside	51%
Sensex	10276

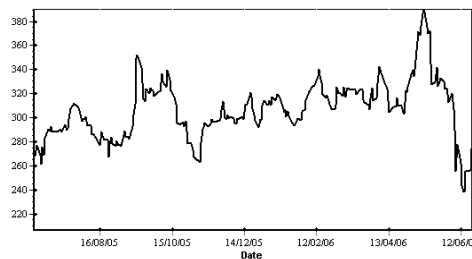
Stock Statistics

Reuters Code	GLEN.BO
Bloomberg Code	GNP@IN
BSE Code	532296
NSE Code	GLENMARK
ISIN No.	INE935A01027

Equity Cap (Rs Mn)	237.4
Market Cap (Rs Mn)	32,274
52 Week H/L	1.7
Avg Daily Volume (6M)	111,271

Shareholding % (Mar'06)

Promoters	54.9
MFs, UTI, Banks	4.2
FIIs	19.5
PCBs	5.3
Indian Public	15.2
Others	1.0



Key Investment Positives...

- ❑ Has 6 products in US markets already (market share > 20%) and is expected to have 18 products by end of FY07
- ❑ Partnership and its own ANDAs should see this business grow by more than 100% till FY08
- ❑ Acquisition of Servycal and Klinger in LATAM is expected to contribute significantly in the next two years, where it is expected to have a CAGR of 60%
- ❑ Oglemilast continues to be one of the major triggers, going forward, which is expected to give revenues of about US\$ 35 million in the next two years
- ❑ Expected to announce the out-licensing deal for Oglemilast in Europe in the near future
- ❑ Robust R&D pipeline indicating that the company would have four molecules in Phase I by end of FY07, giving further upside potential to the stock
- ❑ Valuation attractive at PER of 10.7x FY08E consolidated EPS

What can go wrong...

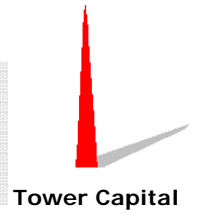
- ❑ Failure of Oglemilast in Clinical trials
- ❑ Higher than expected price erosions

Key Financials:

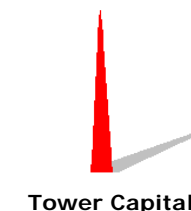
Rs Million	FY05	FY06E	FY07E	FY08E
Net Sales	6,121	7,003	11,090	13,965
Adj. Net Profit	1,072	908	2,714	3,355
<i>% growth yoy</i>	<i>159.1</i>	<i>(15.3)</i>	<i>199.0</i>	<i>23.6</i>
OPM (%)	25.4	19.9	31.9	31.4
EPS (Rs)	8.2	7.0	20.8	25.7
<i>% growth yoy</i>	<i>156.3</i>	<i>(14.6)</i>	<i>197.1</i>	<i>23.6</i>
RONW (%)	38.0	20.9	40.3	34.6
ROCE (%)	24.6	14.2	29.6	29.4
P/E (x)	33.2	38.8	13.1	10.6
EV/EBIDTA (x)	24.3	24.7	10.0	7.2

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NOTES



Indian EQUITIES TEAM



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