



Economy News

- ▶ The annual wholesale price index based inflation rose 8.84% for the week ended November 15, marginally down from the previous week's 8.90%. (BL)
- ▶ China's central bank cut banks' benchmark lending and deposit rates by 108bps on Wednesday, the fourth cut since mid-September. The cost of one-year bank loans will fall to 5.58% from 6.66%, while the benchmark one-year deposit rate falls to 2.52% from 3.60%. (ET)
- ▶ Global rating agency Standard and Poor's (S&P) said India will record an economic growth rate of 7.3-7.8% in 2008. Growth rate is likely to be lower at 6.5-7.0 % in 2009. It has projected that the consumer prices-based inflation would hover between 7.2% and 7.6 % for the year 2008. (BS)
- ▶ The European Commission proposed on Wednesday a sweeping stimulus package worth 200 bn euros (US \$259 bn). The sum, the equivalent of 1.5% of the European Union's gross domestic product, was more than the 130 bn euros that was previously looked at. (ET)
- ▶ According to the US Department of Agriculture forecasts, India may buy 5.4 mn tonnes of edible oil in 2008-09 as against 5.3 mn tonnes in 2007-08. This move would come on the back of declining global prices. (BL)

Corporate News

- ▶ **BHEL** and the Tamil Nadu Electricity Board on Thursday signed an agreement for a joint venture for setting up 1,600 MW Thermal power plants in Tuticorin district, Tamil Nadu. (BL)
- ▶ Japanese auto major Suzuki Motor Corp (SMC) is mulling to buyout the 26% stake of its Indian partner in two-wheeler venture **Suzuki Motorcycle India Pvt Ltd (SMIPL)** from the family of company MD Mr Satya Sheel. (BL)
- ▶ **Sun Pharmaceutical Industries Ltd** said its unit had acquired 100 % of US-based narcotic producer and importer Chattem Chemicals Inc for an undisclosed sum. (ET)
- ▶ **Adlabs Films** is betting on its integrated film service business and movie exhibitions to drive its growth & is spending Rs 2bn to expand the two businesses. It also has a significant presence in film production, distribution and television content production. (ET)
- ▶ **Tata Chemicals Ltd** said its unit, Tata Chemicals Asia Pacific, will invest S\$25 mn in a Singapore-based joint venture to propagate jatropha seedlings, used to produce environment friendly biofuels. (ET)
- ▶ **Supreme Industries Ltd** has approved the buyback of its shares from the open market. It has fixed a price not exceeding Rs 125 per share up to an amount of Rs 2,457.2bn being 10% of the total paid up capital and free reserves as per audited balance sheet for the year ended June 30, 2008. (BL)

Equity

	26 Nov 08	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	9,027	3.8	0.2	(35.7)
NIFTY Index	2,752	3.7	2.5	(34.7)
BANKEX Index	4,625	6.0	(1.7)	(29.9)
BSET Index	2,468	1.5	(8.4)	(35.9)
BSETCG INDEX	6,405	0.3	(5.6)	(44.3)
BSEOIL INDEX	5,648	4.4	2.2	(40.0)
CNXMcap Index	3,291	0.6	(3.9)	(40.7)
BSESMCAP INDEX	3,315	(0.6)	(10.7)	(51.1)
World Indices				
Dow Jones	8,727	2.9	6.7	(24.1)
Nasdaq	1,532	4.6	1.7	(35.7)
FTSE	4,226	1.8	7.6	(24.6)
Nikkei	8,373	2.0	10.5	(34.0)
Hangseng	13,552	1.4	9.7	(34.1)

Value traded (Rs cr)

	26 Nov 08	% Chg - Day
Cash BSE	3,131	(0.9)
Cash NSE	8,819	4.2
Derivatives	48,889	9.6

Net inflows (Rs cr)

	25 Nov 08	% Chg	MTD	YTD
FII	1	(100)	(3,346)	(55,100)
Mutual Fund	118	14	(1,269)	12,884

FII open interest (Rs cr)

	25 Nov 08	% Chg
FII Index Futures	10,262	18.3
FII Index Options	13,801	5.1
FII Stock Futures	10,948	4.0
FII Stock Options	240	4.7

Advances / Declines (BSE)

	26 Nov 08	A	B	S	Total	% total
Advances	124	594	147	865	43	
Declines	76	801	219	1,096	54	
Unchanged	4	43	13	60	3	

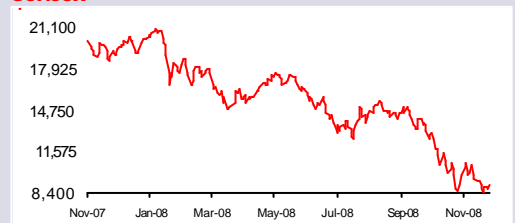
Commodity

		26 Nov 08	% Chg		
			1 Day	1 Mth	3 Mths
Crude (NYMEX)	(US\$/BBL)	53.5	(1.7)	(14.7)	(53.7)
Gold	(US\$/OZ)	815.8	0.4	8.9	(2.5)
Silver	(US\$/OZ)	10.4	0.4	12.2	(24.6)

Debt / forex market

	26 Nov 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.21	7.21	7.63	8.83
Re/US\$	49.44	49.99	49.87	43.85

Sensex



MANAGEMENT MEET UPDATE

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INDRAPRASTHA GAS (IGL)

PRICE: Rs. 104

TARGET PRICE: Rs. 135

RECOMMENDATION: ACCUMULATE

FY09E P/E: 7.9x

- ❑ Limited impact of slowdown in economy
- ❑ Maintain FY09 EPS estimate of Rs.13.2
- ❑ Maintain ACCUMULATE with unchanged price target of Rs.135

Robust business model to have limited impact of slowdown

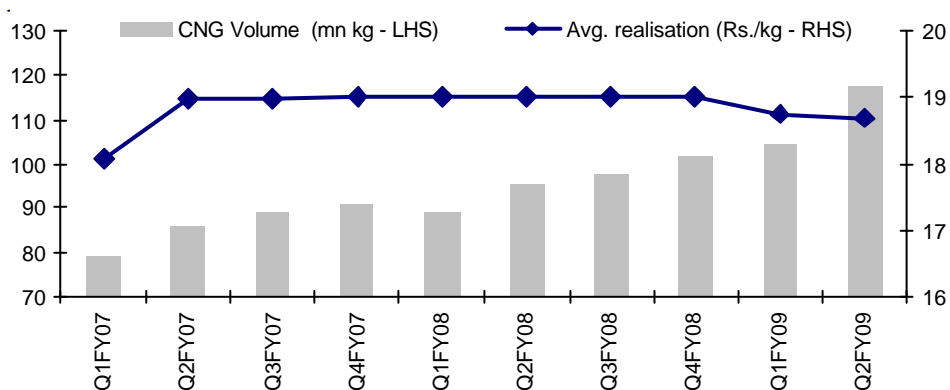
- Due to its utility nature that is fuel for the vehicles and piped natural gas for domestic and industrial consumers we feel that the impact of the slowdown would be limited on the performance of the company.
- It is also protected by the fact that the commercial vehicles and buses in Delhi are bound by law to use CNG as an auto-fuel. IGL also enjoys cost advantage in private vehicles using Petrol because CNG supplied by IGL costs Rs.18.9 per kg whereas petrol costs Rs.50.6 per liter in Delhi.
- On the PNG front it sells PNG to domestic consumers at Rs.13.5 per kg and to commercial units at Rs.23 per kg. The mix is 50:50 for domestic and commercial customers thereby limiting the negative impact of slowdown in any one segment.
- This is also ably supported by the steady volume growth over the past ten quarters both in the CNG and PNG business of the company. Also the average realizations have been fairly stable over the last six quarters.
- Various expansion initiatives by the company would help to maintain the 12-15% growth rate in CNG volumes of the company for the visible future. The expansion into various city gas distribution projects would help to continue the robust growth of around 20% in the PNG volumes of the company of going forward.

Summary table

(Rs mn)	FY07	FY08	FY09E
Sales	6,141	7,060	8,457
Growth (%)	17.9	15.0	19.8
EBIDTA	2,552	3,000	3,341
EBIDTA margin (%)	41.6	42.5	39.5
Net profit	1,380	1,745	1,841
EPS (Rs)	9.9	12.5	13.2
Growth (%)	30.0	26.5	5.5
CEPS (Rs)	14.1	16.9	18.6
DPS (Rs)	2.5	2.5	4.0
ROE (%)	32.6	33.4	28.9
ROCE (%)	48.0	49.4	43.6
EV/Sales (x)	2.4	2.1	1.7
EV/EBIDTA (x)	5.7	4.8	4.3
P/E (x)	10.6	8.3	7.9
P/BV (x)	3.1	2.5	2.1
P/CEPS (X)	7.4	6.1	5.6

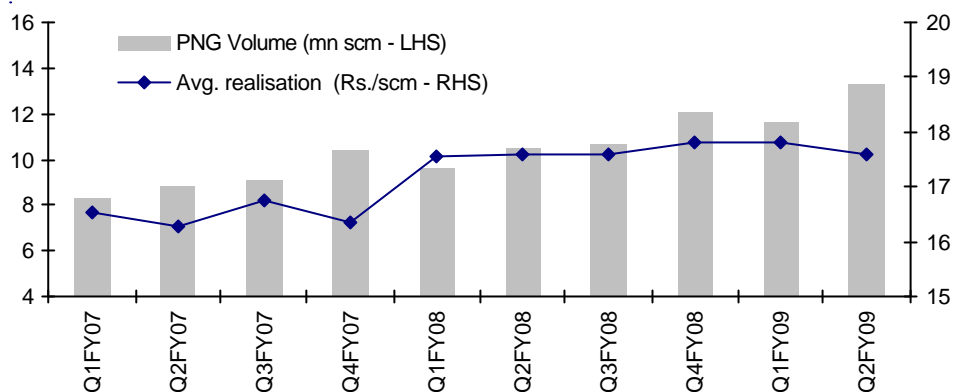
Source: Company, Kotak Securities - Private Client Research

CNG Volume and Average realizations



Source: Company, Kotak Securities - Private Client Research

PNG Volume and Average realizations



Source: Company, Kotak Securities - Private Client Research

Robust volume growth of CNG and PNG in H1FY09

- The CNG business of the company registered strong 20.0% YOY volume growth in H1FY09. This is primarily due to rising conversion of private cars into CNG i.e. approximately 5000 cars a month are getting converted to CNG.
- In H1FY09 the PNG business of the company also registered robust 23.9% YoY volume growth due to rising domestic PNG consumers.

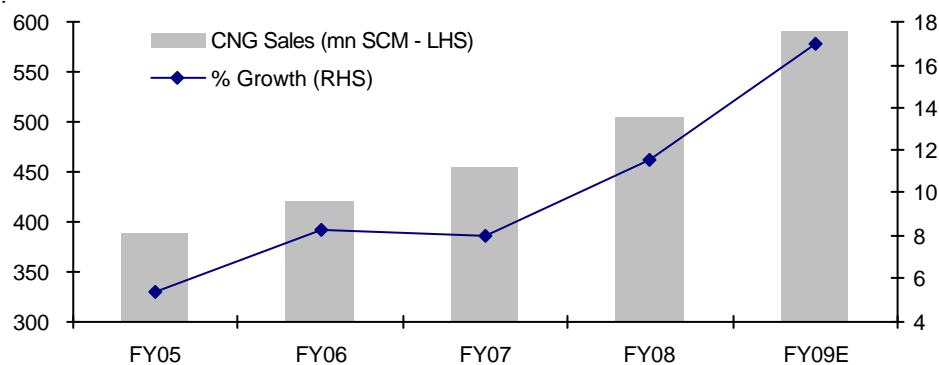
Half yearly performance of IGL

	H1FY09	H1FY08	% shift
Volume performance			
CNG mn kg	221.2	184.4	20.0
PNG mn scm	24.9	20.1	23.9
Value (Rs. mn)			
CNG	4145	3505	18.2
PNG	442	353	24.9
Average Realisations			
CNG Rs. per Kg	18.7	19.0	(1.4)
PNG Rs. per SCM	17.7	17.6	0.9

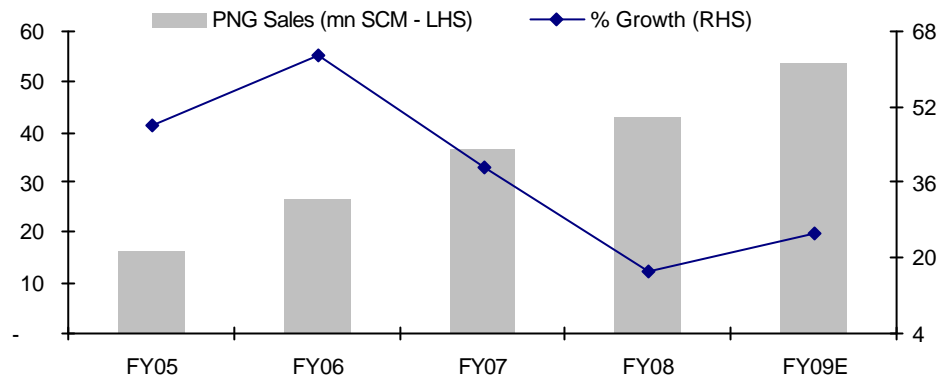
Source: Company, Kotak Securities - Private Client Research

- Due to the steady growth in demand and limited impact of slowdown in the economy, we expect the CNG volumes to grow by 17.5% from 505 MMSCM in FY08 to 590 MMSCM in FY09E. Also we expect the PNG volume to grow by 25.0% from 43 MMSCM in FY08 to 54 MMSCM in FY09E

CNG sales (MMSCM) & growth (%)



Source: Company, Kotak Securities - Private Client Research

PNG sales (MMSCM) & growth (%)

Source: Company, Kotak Securities - Private Client Research

Debt free company - expansions on track

The company is debt free and in fact has cash surplus of Rs.2.0 bn on the books as of September 2008. Thus the company is on track to expand into adjoining areas of Delhi like Noida, Greater Noida, Ghaziabad, Sonapat & Panapat. The company is going ahead with its planned capex of Rs.5 bn in next three years. We feel that cash balance and internal accruals of the company would be sufficient to meet the planned capex of the company in the visible future.

Gas availability not an issue to immediate growth

The company has assured gas supply of 2.2 MMSCMD of gas for Delhi from one of its promoters i.e. GAIL. It has also assured supply of additional 0.5 MMSCMD for the adjoining areas of Delhi. Thus IGL has assured supply of 2.7 MMSCMD of gas for Delhi and adjoining areas. Currently it consumes on an average 2.0 MMSCMD of gas thereby leaving another 0.7 MMSCMD of gas for further expansions. Thus we feel that going forward availability of gas should not be a problem for double digit growth in volumes for IGL.

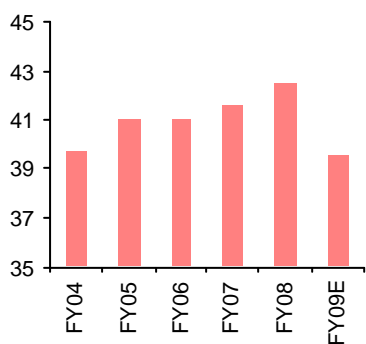
Divident History

Year	Per share (Rs.)
FY03	0.5
FY04	1.5
FY05	2.0
FY06	2.5
FY07	3.0
FY08	4.0

Source: Capitaline

Dividend yield of 3.8%

IGL has strong history of increasing dividend payout since 2003. For FY08 the company paid 40% dividend i.e. Rs.4 per equity share. At the current market price of Rs.106 it translates into tax free dividend yield of 3.8% which is an added incentive for investing in the stock of IGL.

Operating margins (%)

Source: Company, Kotak Securities - Private Client Research

Lower operating margins already factored in

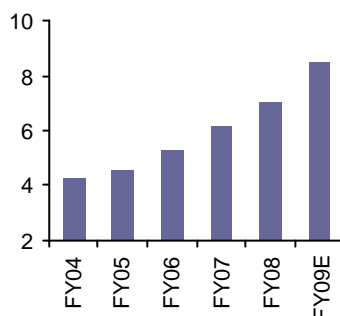
On the margin front, we have already accounted for the increase in the staff and other expenditure. Also looking at the strong 40% plus operating margins of the company for last four years we have accounted for pricing pressures going forward and the increase in raw material cost as percentage of revenues. Thus we expect the company to report lower operating margin of 39.5% in FY09E as compared to 42.5% in FY08.

We recommend ACCUMULATE on Indraprastha Gas with a price target of Rs.135

Valuation & Recommendation

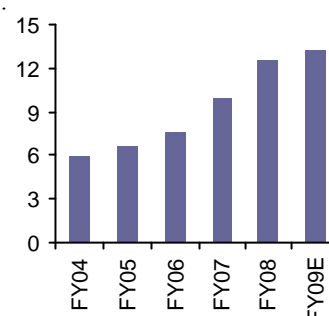
- We maintain our earning estimates and expect IGL to report EPS of Rs.13.2 in FY09E.
- At Rs.104, the stock trades at 4.3x EV/EBIDTA, 2.1x book value, 7.9x earnings and 5.6x cash earnings based on FY09E.
- We remain positive on the medium to long term growth prospects of the company. However due to concern of likely regulation and competition in the CNG and PNG distribution business we maintain ACCUMULATE on IGL.
- We have valued IGL on the DCF method of valuation with 13.3% WACC and 4.0% terminal growth rate. We have already accounted for the likely regulation and competition post FY11 where we have considered post tax ROCE of 14.0%.
- We recommend **ACCUMULATE** on IGL with unchanged price target of Rs.135. This provides 30% upside potential form current levels.

Net sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

EPS (Rs)



Source: Company, Kotak Securities - Private Client Research

ANALYST MEET UPDATE**Sanjeev Zarbade**

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SIEMENS INDIA LTD**PRICE: Rs.224****TARGET PRICE: Rs.260****RECOMMENDATION: REDUCE****FY09E P/E: 11.4x**

- ❑ At the Siemens Analyst meet, the management clearly indicated that Energy, Industry and Healthcare are the focus areas for Siemens India Ltd. Thereby it appears that likelihood of transfer of infotech business (SISL) to parent cannot be ruled out in the future.
- ❑ Consolidated numbers impacted by software subsidiary SISL, which had an extraordinary loss and increase in tax liability. SISL to work on a cost-plus basis, which would mean reduced profitability for the division.
- ❑ Siemens management indicated that the worst of the project-related losses are behind us so far as Torrent Power project is concerned.
- ❑ Capex of Rs 2.0 bn in FY08 and similar levels of capex likely in FY09
- ❑ We believe the market has not taken kindly to the fact that divisions are being transferred back to the parent ie Siemens AG. Lack of transparency remains an ongoing concern. We maintain our Reduce call on the company.

Summary table

(Rs mn)	FY08	FY09E	FY10E
Sales	97,296	107,489	118,583
Growth (%)	3.4	10.5	10.3
EBITDA	9,103	10,797	11,845
EBITDA margin (%)	9.4	10.0	10.0
Net profit	5,995	6,509	7,098
Net cash (debt)	9,196	13,497	16,636
EPS (Rs) (standalone)	14.2	18.0	20.4
EPS (Rs) (cons)*	14.4	19.7	21.4
Growth (%)	(22.3)	36.7	9.0
ROE (%)	22.9	25.6	23.4
ROCE (%)	33.0	32.6	29.9
P/E (x) consolidated	15.6	11.4	10.4

Source: Company, Kotak Securities - Private Client Research

Analyst Meet Highlights**Consolidated numbers impacted by software division**

- The consolidated numbers were hit due to subdued numbers from the largest subsidiary ie Siemens Information Systems Ltd (SISL)
- Revenue growth was lower due to impact of currency appreciation given exports account for 74% of revenues.
- Margins were impacted by rupee appreciation. During the year, there was a change in business model which affected profitability. Further there were higher tax charges as more revenue came under tax liability.
- SISL was reoriented in a new form as Siemens IT services (SIS) and it has become a prime offshore development centre for SIS globally.
- The management indicated that the model of SISL has been changed from an profit-oriented one to a cost-plus model, which could possibly mean sacrificing margins.

SISL

(Rs mn)	FY06	FY07	FY08
Revenues	8605	10236	9943
PBT	1687	1599	733
NP	1331	1521	339
NPM (%)	15.5	14.9	3.4

Source: Company

Business portfolio restructuring continues

As in the previous years, the company has continued to restructure its business portfolio. During the year, Siemens Information processing Services was transferred to Siemens Corporate Finance Pvt. Ltd., a 100% subsidiary of Siemens AG.

Siemens Info Processing Services

(Rs mn)	FY06	FY07	FY08
Revenues	832	1010	1071
PBT	104	180	132
NP	101	173	117
NPM (%)	12	17	11

Source: Company

Siemens also approved the acquisition of the balance 50% stake in Flender Ltd. from Flender AG. With the said acquisition, Flender Ltd, would become a 100% subsidiary of the Company. Subsequently, Flender Ltd would be merged with the Company. Flender's revenues during the year grew 20% and profits rose 15%.

Siemens indicated that its focus areas for Siemens India Ltd are Energy, Industry and Healthcare. This may indicate that there could be a possibility of SISL (now SIS) being transferred to the parent.

Growth in Order inflows

(%)	FY07	FY08
PTD	34.0	40.0
A&D	15.0	36.0
Industrial Solutions	96.0	54.0
SBT	35.0	45.0
Transportation systems	246.0	-23.0
Medical Solutions	35.0	17.0
SISL	-26.0	14.0

Source: Company

Order inflows were healthy across divisions

Adjusted for one large export order of Rs 38 bn, the order inflows during the year grew 36% to Rs 87 bn. The order flow was healthy across product divisions, except the transportation sector. The decline in order inflows in the transportation division was on the back of high base of previous year.

Earnings Changes

- We have made the following the changes in our earnings outlook
- We have adjusted downwards the earnings outlook for SIS given the change in business model to cost-plus basis from a profit oriented model earlier.
- We are also adjusting the earnings for the transfer of the Information processing business.
- Thus our earnings estimates for FY09 declines 15%

Valuation

Siemens is trading at 11.4x and 10.4x FY09 and FY10 earnings respectively. In view of the changes made in our earnings forecast, we are reducing price target from Rs.340 to Rs 260. The stock has fallen 20% over the previous two trading sessions. We maintain **REDUCE** on the stock.

We recommend REDUCE on Siemens India with a price target of Rs.260

Bulk Deals

Trade details of bulk deals

Date	Scrp name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
26-Nov	Amtek Auto L	Merrill Lynch Capital Mkts Espana Sa Sv	B	4,330,757	46.10
26-Nov	Amtek Auto L	Goldman Sachs Investments Mauritius I	S	1,071,588	46.10
26-Nov	Amtek Auto L	Credit Suisse Singapore Limited	S	1,596,656	46.10
26-Nov	Amtek Auto L	Morgan Stanley Mauritius Company Ltd	S	1,662,513	46.10
26-Nov	Cranes Soft	Copthall Mauritius Investment Limited	B	2,327,430	85.00
26-Nov	Cranes Soft	Morgan Stanley Mauritius Company Ltd	S	914,448	85.00
26-Nov	Cranes Soft	Macquarie Bank Limited	S	1,412,982	85.00
26-Nov	Gangotri I&S	GBK Resources Pvt Ltd	S	48,200	8.06
26-Nov	ICSA Ind	Raiffeisen Eurasien Aktien Fonds	B	1,963,500	178.01
26-Nov	ICSA Ind	Clsa Mauritius Limited	S	1,963,500	178.01
26-Nov	Kailash Fico	Parachit Sales Mkt Services	B	100,000	22.63
26-Nov	Kailash Fico	S L Trades And Finance I Pvt	S	60,000	22.60
26-Nov	Natraj Fin	Maxilla Financial Services Pvt	B	30,000	30.25
26-Nov	Natraj Fin	Nilesh Rasiklal Pandya	S	34,000	30.25
26-Nov	Northgate Te	Citigroup Global Mkts Mauritius Pvt Ltd	B	1,378,837	54.76
26-Nov	Northgate Te	Macquarie Bank Limited	S	1,235,499	54.50
26-Nov	Prajay Eng S	Citigroup Global Mkts Mauritius Pvt Ltd	B	1,193,060	18.25
26-Nov	Prajay Eng S	ABN Amro Bank N.V. London	S	1,193,060	18.25
26-Nov	Rajesh Expot	Dhirajlal Jerambhai Dhakan	B	5,525,000	20.52
26-Nov	Rajesh Expot	Bennett Coleman and Co Ltd	S	5,844,000	20.51
26-Nov	Ruchi Soya	Dhanajjaya Money Mgmt Ser P Ltd	B	975,497	22.49
26-Nov	Ruchi Soya	Deutsche Securities Mauritius Ltd	S	1,050,000	22.48
26-Nov	Shri Adhikar	Upturn Securities Pvt Ltd	B	50,000	9.06
26-Nov	Tulip Tele	Merrill Lynch Cap Mkts Espana S.A. S.V.	B	158,914	427.00
26-Nov	Tulip Tele	ABN Amro Bank N.V. London	S	158,914	427.00

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Ind	1,139	6.3	17.1	8.5
NTPC	165	6.9	14.1	9.5
Bharti Airtel	653	4.0	7.7	4.3
Losers				
Siemens India	224	(16.5)	(2.4)	4.3
Unitech	26	(8.6)	(0.6)	45.1
Zee Entertainment	114	(6.6)	(0.6)	1.8

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
28 Nov	Tata Steel to announce consolidated half-year earnings Dhampur Sugar to announce earnings

Source: Bloomberg

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