

Equity indices	% Chg			
	28-Jan	1-day	1-mth	3-mth
<b>India</b>				
Sensex	18,153	(1.1)	(10.2)	(9.1)
Nifty	5,274	(2.0)	(13.3)	(10.7)
<b>Global/Regional markets</b>				
Dow Jones	12,384	1.4	(7.3)	(10.7)
Nasdaq	2,350	1.0	(12.1)	(16.6)
FTSE	5,789	(1.4)	(10.6)	(13.7)
Nikkei	13,329	1.8	(12.9)	(20.2)
Hang Seng	24,694	2.7	(9.8)	(21.8)

Value traded (Rs bn)	BSE	NSE
Cash	39.2	112.0
Derivatives	10.7	434.5
Total	49.9	546.5

Net inflows	Recent trends (days)			
	(Rs bn)	25-Jan	-7d	-15d
FII	6.7	(114.1)	(125.6)	(96.2)
MF	2.2	47.1	31.9	74.8

Forex / Crude	% Chg			
	28-Jan	1-day	1-mth	3-mth
Rs/US\$	39.4	0.0	0.1	0.1
Euro/US\$	1.5	(0.1)	1.2	2.4
Crude(\$/bbl)	91.1	0.1	(5.2)	(2.7)

Mkt movers (Rs)	Close	Pr. Cl.	% Chg
<b>Top gainers</b>			
Prithvi Information	287.4	252.0	14.0
GHCL	140.1	123.1	13.8
Gujarat NRE	124.0	109.5	13.2
<b>Top losers</b>			
Swan Mills	89.1	104.7	(15.0)
Bharat Electronics	1,704.1	1,882.8	(9.5)
Balrampur Chini	85.2	92.6	(8.0)

## In focus

### HDIL – Results Update

Results beat expectations

CMP: Rs 1,002 Target: Rs 1,445 BUY

### Allahabad Bank – Results Update

PAT presents a positive surprise

CMP: Rs 113 Target: Rs 167 BUY

### Ashok Leyland – Results Update

Lower volume sales but realisations improve

CMP: Rs 37 Target: Rs 65 BUY

## Today's top picks

L&T, Reliance, Voltas

## News track

- ❖ The IRDA has given its in-principle nod to the HDFC ERGO joint venture for non-life insurance. (BS)
- ❖ The government has asked the SBI to go slow on mergers with all its subsidiaries. (ET)
- ❖ Indo Tech Transformers will double its transformer manufacturing capacity to 7,450mva with the inauguration of its fifth manufacturing facility during the second week of next month. (BL)
- ❖ Kolte Patil Developers has decided to take the township route for growth. The company's first integrated 400-acre township project at Hinjewadi near Jambhe village is slated to take off in April 2008. (FE)
- ❖ IOC and Tata Power will soon form a joint venture to set up a 1,000MW power project at Mirthapur, Orissa. Tata Power will hold 74% while the remaining will be held by IOC. The JV will supply power to IOC's Paradip refinery and sell the surplus power to the grid at a profit. (Mint)
- ❖ JSW Steel will begin work on the West Bengal (Salboni) plant in March 2008. The company is setting up a 6mn tonne steel plant which will go on stream in 2011. (BL)

Source: BL: Business Line, BS: Business Standard, ET: Economic Times, FE: Financial Express

### Volume shockers

### Delivery toppers

(No of shares)	28-Jan	2-mth avg	Chg (x)	Company	Del (%)	Tot. vol	Cons days up
Jet Airways India	355,905	35,517	10.0	Aban Offshore	54.4	77,816	2
Tele Data Info	1,242,657	135,760	9.2	ABB India	61.3	178,362	(1)
Balaji Telefilms	205,400	22,639	9.1	Alstom Projects	65.7	86,432	2

# HDIL

## Results Update

CMP: Rs 1,002

Target: Rs 1,445 

BUY

### Suman Memani

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NSE code HDIL

### Company data

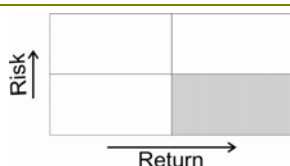
#### Particulars

Market cap (Rs bn / US\$ bn)	231.1/5.9
Outstanding equity shares (mn)	214.4
52-week high/low (Rs)	1,432/472
2-month average daily volume	464,934

### Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	12,034.5	19,780.0	37,160.0
Growth (%)	185.1	64.4	87.9
Adj net inc (Rs mn)	5,418.1	9,142.3	15,552.8
Growth (%)	375.6	68.7	70.1
FDEPS (Rs)	30.1	42.7	72.6
Growth (%)	375.6	41.7	70.1
P/E (x)	33.3	23.5	13.8
ROE (%)	118.8	45.4	38.4

### Risk-return profile



### Shareholding pattern

(%)	Dec-07	Sep-07
Promoters	61.5	61.5
FIIIs	11.6	9.4
Banks & FIs	19.1	20.7
Public	7.8	8.4

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
HDIL	1,002	(4.1)	50.6	73.4
Sensex	18,153	(10.2)	(9.1)	19.2

Company website [www.hdil.in](http://www.hdil.in)

### Results beat expectations; MIAL project to yield higher value

Housing Development and Infrastructure (HDIL) has reported above-expected results for Q3FY08 with a 7% QoQ increase in net sales to Rs 5bn as against Rs 4.4bn expected. About 90% of the quarter's revenues have come from SRS projects and the sale of land development rights, with 6% accruing from residential development. Since the SRS and land development segments earn higher margins, the company's EBITDA margin has improved significantly to 70.8% as against 58.7% in Q2FY08. The net margin has also increased to 54% in Q3FY08 as against 45% in FY07. Consequently, PAT came in 29% ahead of our estimates at Rs 2.7bn. We have upgraded our earnings estimates for FY08 to factor in the quarter's out-performance.

A key highlight of the quarter was the award of the lucrative Mumbai airport SRS project to the company. We had previously accorded the project a conservative valuation of Rs 298/share, but have now raised our valuation to Rs 452/share based on clarity from the management regarding potential TDR generation (~39mn sq ft over next five years) and the buoyant outlook on TDR price realisations. This together with our estimate revision has resulted in a higher target price of Rs 1,445 (excluding SEZ and Dharavi projects) for the stock based on one-year forward NAV.

### Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	4,966.2	4,445.5	11.7
EBITDA	3,518.8	2,530.4	39.0
EBITDA margin (%)	70.8	56.9	-
PAT	2,702.3	2,100.5	28.6
EPS (Rs)	12.6	9.8	28.6

Source: Company, Religare Research

### Quarterly results

(Rs mn)	Q3FY08	Q2FY08	% Chg QoQ	FY07
Net sales	4,966.2	4,648.9	6.8	12,034.5
Other income	198.9	168.3	18.2	130.6
EBITDA	3,518.8	2,730.5	28.9	6,621.7
EBITDA margin (%)	70.9	58.7	-	55.0
Interest	441.1	162.4	171.6	430.0
Depreciation	3.5	3.4	2.9	9.9
PBT	3,074.2	2,564.7	19.9	6,181.8
Tax	371.9	271.0	37.2	763.7
Tax rate (%)	12.1	10.6	-	12.4
PAT	2,702.3	2,293.7	17.8	5,418.1
Equity capital	2,144.0	2,144.0	0.0	2,144.0
EPS (Rs)	12.6	10.7	17.8	25.3

Source: Company, Religare Research

## Result highlights

### Net sales up 7% QoQ – higher revenues booked from SRS and land development

HDIL has logged a 6.8% increase in net sales for Q3FY08 to Rs 5bn as against Rs 4.6bn in Q2FY08. Since the company was listed in July 2007, financial details for Q3FY07 are not available for comparison. During Q3FY08, HDIL has booked 90% of its revenues from SRS projects, 6% from the residential segment and the balance from other income (lease rental and interest income from unutilised IPO proceeds).

Revenues booked on 0.28–0.3  
mn sq ft of SRS development at  
Rs 15,000/sq ft

SRS revenues mainly consist of projects in the Bandra East SRA-1 scheme which are being developed for sale to the Adani group. HDIL will be developing a total of 2.8mn sq ft of land for the group, of which revenues on 0.28–0.3mn sq ft have been booked during the quarter (vis-à-vis just 78,000sq ft in Q2FY07). These revenues have been booked at a revised rate of Rs 15,000/sq ft, up from ~Rs 11,000/sq ft in Q2FY08. We estimate that HDIL has transferred 1.1mn sq ft to the Adani group so far. The balance 1.7mn sq ft is likely to be transferred by FY09 at the revised rate of Rs 15,000/sq ft, which is a 200% discount to the current market price.

We expect higher revenues of Rs 5.7bn in Q4FY08 in comparison to Q3FY08 on account of higher booking from work-in-progress, completion of certain projects and the booking of TDR (transfer development rights) generated from the Mumbai airport project at a higher rate.

### Operating margin rises significantly to 70%

Sale of land development rights and SRS projects contributed a higher share of revenues during the quarter. Since these business segments offer higher margins than residential and commercial development, the company's operating margin has increased to 70.9% from 58.7% in Q2FY08. We expect the margin to settle into a range of 56–59% going ahead. Any significant increase in property price realisations will further add to the margin as HDIL's average cost of land acquisition is low at just ~Rs 200/sq ft.

### Lower tax outgo enables PAT to expand 18% despite high interest burden

HDIL's debt position has increased by Rs 10bn during the quarter as the company borrowed funds to acquire ~50 acres land around the Mumbai international airport for the first phase of the MIAL project. Consequently, interest cost increased substantially by 172% QoQ to Rs 441mn. However, higher operating profits and a low tax rate enabled PAT to expand 18% YoY to Rs 2.7bn with a net margin of 54.4% as against 49.4% in Q2FY08. The company recorded a tax rate of just 12% since its SRS projects are exempt from tax.

FY08 earnings estimate raised  
6% to factor in higher SRS  
margins

### We revise estimates for FY08

We have revised our FY08 revenue estimate downward by 4.8% to factor in the lower realisations from the residential segment. The company books revenue only on completion of residential projects, a majority of which are scheduled for FY09. We have raised our earnings estimate by 6.2% in FY08 to factor in the higher margins from SRS projects.

### Revised estimates

(Rs mn)	FY08E			FY09E		
	Earlier	Revised	% Chg	Earlier	Revised	% Chg
Net sales	20,780	19,780.0	(4.8)	37,160.0	37,160.0	-
Adj net income	8,615.1	9,142.3	6.2	15,572.7	15,552.8	(0.1)
FDEPS (Rs)	40.2	42.7	6.2	72.7	72.6	(0.1)

Source: Religare Research

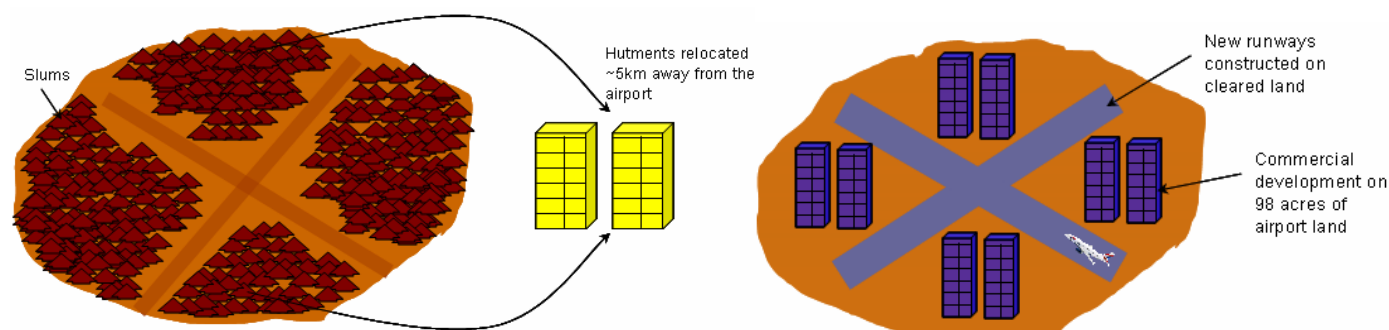
## Other major developments

### Mumbai airport project to generate strong revenue streams

In October 2007, HDIL won the bid to develop 276 acres of slum land near the Chhatrapati Shivaji International airport in Mumbai from the GVK group-promoted Mumbai International Airport (MIAL). As per the agreement with MIAL, HDIL will clear the encroached land of slum dwellers (placed at 85,000 families) and resettle the occupants at an alternative location 5km away from the airport. In return, HDIL will gain TDR rights on the cleared land as well as on construction of alternative housing. The company will also have rights to commercially develop and sell a portion of the cleared airport land.

Slum-encroached airport land

Airport land post-resettlement



Source: Religare Research

**HDIL to generate TDR of 39mn sq ft on airport project over 4-5 years**

**39mn sq ft of TDR to accrue to HDIL:** We expect the company to generate a total TDR of 39mn sq ft over a period of four to five years under the MIAL project, which it can either sell or utilise for own development. Of this, 28.7mn sq ft of TDR is likely to be generated on clearing of the airport land and the balance on relocation of the slum dwellers. HDIL is likely to utilise this TDR in the western suburb of Andheri or in north Mumbai, where TDR prices currently rule at Rs 3800-4200/sq ft.

In order to resettle the slum dwellers, the company requires 180 acres of land at an alternative location. Neither GVK nor the Airport Authority of India (AAI) has such a vast tract of land close by and hence the onus of land acquisition lies with HDIL. During a recent management conference call, the company has stated that it has already acquired 50 acres of land, financed through non-convertible debentures (NCD). This has raised debt by Rs 10bn during the quarter. We believe that the remaining land will also be acquired in the near future.

### TDR generation

Particulars	Area
<b>TDR ON AIRPORT LAND CLEARING</b>	
No. of slum dwellers [A]	85,000
Carpet area to be built for individual slum dwellers	225 sq ft
Built up area (loading of 1.5x) [B]	360 sq ft
<b>Sub-total [A * B]</b>	<b>28.7mn sq ft</b>
<b>TDR ON SLUM DWELLER RELOCATION</b>	
Land required	
- In acres	180 acres
- In mn sq ft [C]	7.8mn sq ft
Floor space index (FSI) [D]	1.33
<b>Sub-total [C * D]</b>	<b>10.2mn sq ft</b>
<b>Grand total</b>	<b>38.9mn sq ft</b>

Source: Company, Religare Research

### Share of saleable commercial area on airport land is 5.7mn sq ft

**Commercial development to further enhance NAV:** Once the 276-acre airport land is cleared, GVK is expected to utilise 180 acres to construct a second runway. HDIL will develop the balance 96 acres commercially via an SPV with MIAL, wherein it will have a 55% share. Its saleable commercial area thus works out to 5.7mn sq ft.

#### Commercial development on airport land

Particulars	Area
Land for commercial development	
- In acres	96 acres
- In mn sq ft	4.2mn sq ft
FSI	2.5
<b>Total area for commercial development</b>	<b>10.5mn sq ft</b>
HDIL's share (55%)	5.7mn sq ft

Source: Company, Religare Research

### We value TDR on airport project at Rs 185 and commercial development at Rs 267

**Airport project valuation raised to Rs 452/share:** We have raised our expectations of TDR price realisation from Rs 3,000/sq ft to Rs 3,800/sq ft considering the recently concluded sale of government property at Goregaon, Mumbai at Rs 3,275/sq ft. Accordingly, we value the TDR to be generated on the airport project at Rs 185/share while the commercial development on cleared land has been valued at Rs 267/share. This gives us a combined value of Rs 452/share for the project.

#### Formal approval awaited for SEZ development

HDIL has received in-principal approval for a 5,500-acre SEZ in Vashi-Virar, which is 45–50km from Mumbai. The company has already acquired 1,700 acres of land for this project at less than Rs 100/sq ft. The in-principle approval is valid for a year till December 2008 and as per government norms, HDIL will have to acquire a further 2,500 acres by this time to be eligible for notification.

HDIL also plans to develop a 500MW power plant in the SEZ as well as a port and railway station, and has already incurred Rs 1.5bn towards the same. We have not incorporated the SEZ into our valuation at present as we await declaration of the development plan and government notification. The company is also setting up an SEZ in Bhandup across 600 acres, for which 150 acres has already been acquired.

#### Land bank

Land bank	Area (sq ft)
<b>Existing area</b>	<b>112,100,000</b>
<b>Additions post IPO</b>	
Pune Injyavati	600,000
Pune Injyavati	600,000
Mumbai Vikrohli	370,000
Bhandup Kilburn	240,000
Cybercity Kochi	8,000,000
Mumbai Navi Mumbai	1,600,000
MMR Palghar	10,000,000
<b>Total additions</b>	<b>21,410,000</b>
<b>Total</b>	<b>133,510,000</b>

Source: Company, Religare Research

#### Addition of 10mn sq ft of land during the quarter

The company has acquired 10mn sq ft of land in this quarter, taking its total land bank to 133mn sq ft. The additional land is at Palghar (MMR), wherein it will undertake plotted development. HDIL currently has 24 projects under development totalling 45.5mn sq ft, with projects aggregating 88mn sq ft planned for execution by 2012. These projects are located in and around Mumbai as well as in Kochi, Pune and Hyderabad. Further land acquisition to extend its geographical reach is likely to be the key growth driver for the company.

The company has recently launched its Rs 40bn Kochi project (excluded from the projects mentioned above). The first phase of the Kochi project will involve the development of an IT/ITES Park across 2mn sq ft and a mixed services area of 1mn sq ft. The first phase is likely to be completed in the next 15 months.

## Valuation

**Target price raised to Rs 1,445;  
several potential upsides - Buy**

### We raise target to Rs 1,445; Buy

We believe that HDIL's broad-based business model with a focus on slum rehabilitation will enable it to continue delivering high margins. We have upgraded our sum-of-the-parts (SOTP) target price from Rs 1,291 to Rs 1,445 to include the higher valuation of the Mumbai airport project. We see significant upsides from the company's foray into SEZs and hotels along with the Dharavi project prospects, all of which are yet to be factored into our valuation. We thus reiterate our Buy recommendation on the stock.

### SOTP valuation

Particulars	Value per share (Rs)
NAV of projects (1.1 multiple)	993
Airport project TDR	185
Airport project commercial development	267
<b>Total</b>	<b>1,445</b>

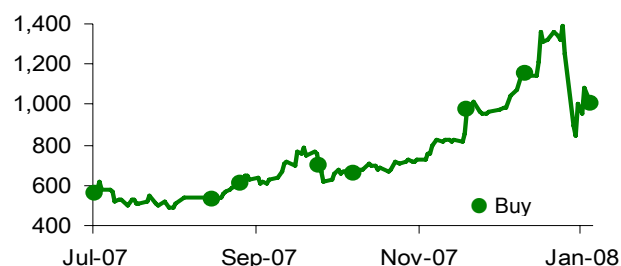
Source: Religare Research

### Recommendation history

Date	Event	Reco price	Tgt price	Reco
29-Jun-07	IPO Note	430-500	NA	Subscribe
10-Sep-07	Initiating	533	694	Buy
18-Sep-07	Company Update	609	694	Buy
17-Oct-07	Company Update	699	871	Buy
31-Oct-07	Results Update	656	871	Buy
13-Dec-07	Company Update	978	1,076	Buy
7-Jan-08	Quarterly Preview	1,150	1,291	Buy
29-Jan-08	Results Update	1,002	1,445	Buy

Source: Religare Research

### Stock performance



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	4,221.5	12,034.5	19,780.0	37,160.0
Growth (%)	550.1	185.1	64.4	87.9
EBITDA	1,219.4	6,487.5	11,799.4	22,169.0
Growth (%)	406.4	432.0	81.9	87.9
Depreciation	2.6	6.3	12.0	15.0
EBIT	1,216.8	6,481.3	11,787.4	22,154.0
Growth (%)		432.6	81.9	87.9
Interest	105.7	430.0	1,150.0	1,800.0
Other income	180.2	130.6	130.0	130.0
EBT	1,291.3	6,181.9	10,767.4	20,484.0
Income taxes	152.0	763.7	1,625.1	4,931.2
Effective tax rate (%)	11.8	12.4	15.1	24.1
Adjusted net income	1,139.3	5,418.1	9,142.3	15,552.8
Growth (%)	682.1	375.6	68.7	70.1
Reported net income	1139.3	5418.1	9142.3	15552.8
Growth (%)	682.1	375.6	68.7	70.1
Shares outstanding (mn)	500.0	1,800.0	2,144.5	2,144.5
Basic EPS (Rs) (adj)	22.8	30.1	42.7	72.6
FDEPS (Rs) (adj)	6.3	30.1	42.7	72.6
DPS (Rs)	-	-	2.0	2.0

Source: Company, Religare Research

### Cash flow statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Net income (EBT)	1,291.3	6,181.9	10,767.4	20,484.0
Depreciation	4.1	6.3	12.0	15.0
Other adjustments, net	(85.8)	237.4	1,019.0	188.8
Changes in working capital	(1,282.4)	(7,426.0)	(38,669.3)	(20,369.0)
Cash flow from operations	(72.9)	(1,000.4)	(26,870.9)	318.8
Capital expenditure	(19.2)	(189.5)	(60.5)	(54.0)
Change in investments	(532.1)	(517.6)	(2,449.6)	(554.0)
Other investing inc/(exp)	(10.2)	-	-	-
Cash flow from investing	(561.5)	(707.1)	(2,510.2)	(608.0)
Free cash flow	(634.4)	(1,707.5)	(29,381.1)	(289.2)
Issue of equity	-	-	16,580.8	(0.0)
Issue/repay debt	1,050.8	1,794.5	14,743.2	2,500.0
Dividends paid	-	-	-	(499.7)
Other financing cash flow	(38.2)	(436.7)	(1,148.7)	(1,800.0)
Cash flow from financing	1,012.6	1,357.8	30,175.3	200.2
Change in cash & cash eq	378.2	(349.7)	794.2	(89.0)
Opening cash & cash eq	19.3	397.5	47.8	842.0
Closing cash & cash eq	397.5	47.8	842.0	753.0

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY06	FY07	FY08E	FY09E
Cash and cash eq	397.5	47.8	842.0	753.0
Accounts receivable	773.9	3,102.6	5,100.0	9,024.3
Inventories	4,373.2	11,525.1	30,367.0	46,000.0
Others current assets	1,245.5	2,332.0	23,006.7	30,607.3
Current assets	6,790.1	17,007.5	59,315.7	86,384.6
Long-term investments	1,132.8	1,650.4	4,100.0	4,654.0
Net fixed assets	49.4	235.9	273.9	308.9
CWIP	10.3	3.5	10.0	10.0
Other assets	-	-	-	-
Total assets	7,982.7	18,897.3	63,699.6	91,357.5
Accounts payable	4,081.9	7,218.6	10,071.0	16,859.9
Others	81.6	645.2	2,118.9	5,419.8
Current liabilities	4,163.5	7,863.9	12,189.9	22,279.7
Debt funds	1,964.6	3,756.8	18,500.0	21,000.0
Other liabilities	4.4	8.3	18.3	33.3
Equity capital	500.0	1,800.0	2,144.5	2,144.5
Reserves	1,350.1	5,468.3	30,846.9	45,900.0
Shareholder's funds	1,850.1	7,268.3	32,991.4	48,044.5
Total liabilities	7,982.7	18,897.3	63,699.6	91,357.5
BVPS (Rs)	37.0	40.4	153.8	224.0

Source: Company, Religare Research

### Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin (%)	28.9	53.9	59.7	59.7
EBIT margin (%)	28.8	53.9	59.6	59.6
Net profit margin (%)	27.0	45.0	46.2	41.9
FDEPS growth (%)	-	375.6	41.7	70.1
Receivables (days)	66.9	58.8	75.7	69.4
Inventory (days)	531.7	523.1	958.0	929.7
Payables (days)	496.3	371.8	395.4	327.9
Current ratio (x)	1.6	2.2	4.9	3.9
Quick ratio (x)	0.6	0.7	2.4	1.8
Interest coverage ratio (x)	11.5	15.1	10.3	12.3
Debt / equity (x)	1.1	0.5	0.6	0.4
ROE (%)	123.2	118.8	45.4	38.4
ROA (%)	28.5	40.3	22.1	20.1
ROCE (%)	63.7	87.3	37.7	36.7
EV/Sales (x)	6.0	2.1	1.3	0.7
EV/EBITDA (x)	20.6	3.9	2.1	1.1
P/E (x)	158.3	33.3	23.5	13.8
P/BV (x)	27.1	24.8	6.5	4.5

Source: Company, Religare Research



## Allahabad Bank

## Results Update

CMP: Rs 113

Target: Rs 167

BUY

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BSE code	532480
NSE code	ALBK

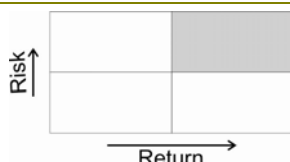
## Company data

Particulars	
Market cap (Rs bn / US\$ bn)	54.0/1.37
Outstanding equity shares (mn)	446.7
52-week high/low (Rs)	143/68
3-month average daily volume	370,066

## Financial snapshot

Particulars	FY07	FY08E	FY09E
NII (Rs bn)	17.5	20.0	23.6
Growth (%)	11.0	14.4	17.7
Adj net profit (Rs bn)	7.5	10.8	11.2
Growth (%)	6.2	43.7	4.2
FDEPS (Rs)	16.8	24.1	25.2
Growth (%)	6.2	43.7	4.2
P/ABV (x)	1.2	1.1	0.9
ROE (%)	18.5	22.4	20.5

## Risk-return profile



## Shareholding pattern

(%)	Dec-07	Sep-07
Promoters	55.2	55.2
FIs	18.6	18.7
Banks & FIs	9.7	9.3
Public	16.5	16.8

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Allahabad Bk	121	3.0	21.3	28.9
Sensex	18,153	(10.2)	(9.1)	19.2
BSE Bankex	11,521	1.2	8.2	45.5

Company website	www.allahabadbank.in
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## PAT presents a positive surprise

Allahabad Bank's (ALB) NII for Q3FY08 has come in below our estimates due to a sharper increase in interest expenses than expected. However, in a positive surprise, PAT stands significantly above our projections, rising 27.6% YoY to Rs 3.7bn as against Rs 2.4bn estimated. The growth in PAT is mainly on account of income from the liquidation of investments and mutual funds. Core operations, however, were muted with a modest business growth of 19.5% during the quarter, due to a conscious restructuring of the loan portfolio.

Going ahead, we believe that the incremental credit-deposit ratio would improve as adequate deposits have been accepted during 9mFY08 and advances are expected to grow at 18–20% in FY08 and 20–22% in FY09. Consequently, we expect NIM to stabilise at 2.8–3%. Non-interest income would post robust growth, but lower treasury gains coupled with a higher tax burden could result in flattish profit growth in FY09.

While inconsistent profit growth could impact the bank's valuations, we believe that the improving core operating parameters would reduce the bank's steep valuation discount to peers. ALB currently trades at a P/ABV of 1.1x and 0.9x on FY08E and FY09E respectively. We recommend a Buy on the stock with a target price of Rs 167.

## Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
NII	4,452.8	4,962.0	(10.3)
PPP	5,211.2	3,652.9	42.7
PAT	3,650.5	2,422.8	50.7
EPS (Rs)	8.1	5.4	50.7

Source: Company, Religare Research

## Quarterly results

(Rs mn)	Q3FY08	Q3FY07	% Chg YoY	Q2FY08	% Chg QoQ
Interest on advances	11,295.4	8,995.2	25.6	10,748.5	5.1
Income on investments	4,479.0	3,940.5	13.7	4,442.0	0.8
Interest on Bal with RBI	60.5	113.8	(46.9)	166.6	(63.7)
Interest income	15,834.9	13,049.6	21.3	15,357.1	3.1
Interest expenses	11,382.1	8,202.6	38.8	10,938.7	4.1
<b>Net interest income</b>	<b>4,452.8</b>	<b>4,846.9</b>	<b>(8.1)</b>	<b>4,418.4</b>	<b>0.8</b>
Other income	3,729.2	978.7	281.0	1,285.8	190.0
Total income	8,182.0	5,825.6	40.4	5,704.2	43.4
Operating expenses	2,970.7	2,565.2	15.8	2,708.6	9.7
PPP	5,211.2	3,260.4	59.8	2,995.6	8.8
Provisions and W/off	1,250.1	83.7	1,592.9	318.1	293.0
PBT	3,961.1	3,344.1	18.4	2,677.5	47.9
Taxes	310.6	482.9	(35.7)	279.7	11.1
<b>PAT</b>	<b>3,650.5</b>	<b>2,861.3</b>	<b>27.6</b>	<b>2,397.9</b>	<b>52.2</b>
<b>NIM (%)</b>	<b>2.8</b>	<b>3.4</b>	<b>-</b>	<b>2.95</b>	<b>-</b>

Source: Company, Religare Research



## Result highlights

### Business growth muted as expected

ALB's business growth has been subdued during the quarter at 19.5% YoY, wherein advances and deposits grew by 18.3% and 20.4% respectively. The bank is in the process of consolidating its loan portfolio and had earlier indicated that business growth would slow during the quarter. We expect a better performance in the coming quarters as core operations improve.

### Increased deposit acceptance during H1FY08 muted NII

### NII dips 8% YoY with lower margin growth

Net interest income (NII) for the quarter declined by 8% YoY to Rs 4.5bn, while showing flattish growth sequentially. A lower incremental credit-deposit (CD) ratio and higher interest expenses affected NII growth. Interest expenses increased 39% YoY due to higher deposit acceptance during H1FY08, which led to an 82bps rise in the cost of deposits to 6.55% from 5.73% in the same year-ago quarter. Also, income from liquid mutual funds totalling Rs 900mn was classified under other income as per recent RBI norms, which further depleted NII.

The net interest margin (NIM) declined by 65bps YoY to 2.76% mainly due to slower business growth and higher interest expenses. However, we expect NIMs to improve as advances pick up pace from Q4FY08 onwards.

### Other income expands 4-fold to Rs 3.7bn owing to the sale of investments

### Sale of investments boosts non-interest income

Other income nearly quadrupled to Rs 3.7bn owing to the sale of investments and inclusion of income from liquid mutual funds. The bank sold investments of Rs 1.5bn during the quarter. Fee income from the distribution of financial products also showed healthy growth of 36% YoY to Rs 900mn, and remains a key revenue driver. And while the current surge in treasury gains may not be replicated in future, the contribution of this revenue stream to non-interest income will also remain significant.

### Significant improvement in asset health

Asset quality has improved significantly during the quarter with gross and net NPAs declining to 2.06 % and 0.67% respectively from 3.06% and 0.72% at the end of Q3FY07. This was mainly due to slow growth in advances and higher provisioning.

### CAR at 12.8%; may raise further tier II capital

The bank's capital adequacy ratio (CAR) presently stands at 12.8% with tier I CAR at ~8%. ALB raised Rs 5bn of tier II capital at the end of the second quarter to meet capital requirements. It may raise additional tier II capital to fuel growth in advances.

## Valuation

### Core operations to strengthen; Valuation discount to narrow – Buy

ALB has witnessed slower growth in operations due to the consolidation and restructuring of its loan portfolio, which suppressed NII. With advances expected to pick up and a stable cost of funds, we believe that NII growth will strengthen, aiding margin growth. However, lower treasury gains and a higher tax rate in FY09 could slow profit growth, in turn affecting valuations.

### Valuation gap to narrow as core operations improve; Buy

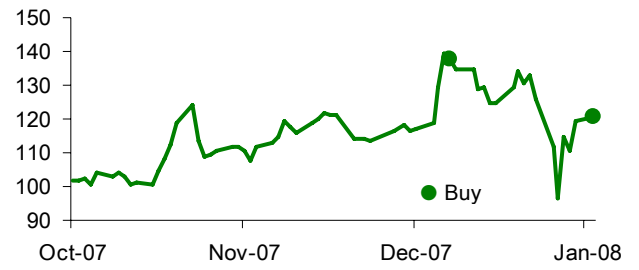
On a relative comparison, however, ALB's current valuation (P/ABV of 1.1x and 0.9x on FY08E and FY09E) is at an overly steep discount to other players. We believe that as operational performance improves, ALB's valuations would soon catch up with peers. We thus recommend a Buy on the stock with a target price of Rs 167, which is 0.9x and 0.8x FY09E, FY10E P/ABV.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
4-Jan-08	Initiating Coverage	138	167	Buy
29-Jan-08	Results Update	113	167	Buy

Source: Religare Research

Stock performance



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs bn)	FY07	FY08E	FY09E	FY10E
Interest earned	48.8	60.9	71.9	85.3
Interest expended	31.3	40.9	48.4	57.7
Net interest income	17.5	20.0	23.6	27.6
Growth (%)	11.0	14.4	17.7	17.0
Non-interest income	3.8	7.4	6.8	7.5
Comm, Exchange & Brokerage	3.6	4.4	5.5	6.5
Growth (%)	25.0	23.3	23.5	19.2
Operating expenses	10.3	11.2	12.5	13.8
Pre-provisioning profits	11.0	16.2	17.9	21.3
Growth (%)	7.4	47.1	10.5	19.1
Provisions & contingencies	2.6	1.8	2.2	2.7
PBT	8.4	14.4	15.7	18.6
Income tax, Interest tax	0.9	3.6	4.5	5.6
Net profit	7.5	10.8	11.2	13.0
Growth (%)	6.2	43.7	4.2	15.7

Source: Company, Religare Research

### Balance sheet

(Rs bn)	FY07	FY08E	FY09E	FY10E
Cash in hand & bal with RBI	40.7	56.3	68.4	82.5
Balance with banks, Money at call	8.7	9.6	10.6	11.6
Investments	187.5	224.4	268.3	319.0
Advances	412.9	493.4	596.0	716.4
Fixed assets (net)	10.6	11.1	11.6	12.2
Other assets	16.3	16.7	16.4	19.4
Total assets	676.6	811.5	971.4	1,161.2
Equity capital	4.5	4.5	4.5	4.5
Reserves & surplus	40.3	47.0	53.7	61.3
Net worth	44.8	51.5	58.1	65.8
Deposits	595.4	717.5	871.8	1,050.5
Current deposits (a)	54.9	66.0	81.1	97.7
Savings bank deposits (b)	171.2	201.6	246.7	297.3
Term deposits (c)	369.3	449.9	544.0	655.5
Borrowings (incl sub-ord bonds)	18.4	23.1	20.7	22.5
Other liabilities & provisions	18.0	19.4	20.8	22.4
Total liabilities	676.6	811.5	971.4	1,161.2

Source: Company, Religare Research

### Key ratios

Year-end March	FY07	FY08E	FY09E	FY10E
<b>Per share data</b>				
Shares outstanding (mn)	446.7	446.7	446.7	446.7
FDEPS (Rs)	16.8	24.1	25.2	29.1
DPS (Rs)	3.0	4.0	4.5	5.3
Book value (Rs)	100.2	115.2	130.1	147.2
Adjusted book value (Rs)	70.6	88.2	102.6	119.2

### Valuation ratios

Market price	121.0	121.0	121.0	121.0
P/E (x)	7.2	5.0	4.8	4.2
P/BV (x)	1.7	1.4	1.2	1.0
P/ABV (x)	1.2	1.1	0.9	0.8

### Earnings quality (%)

Net interest margin	3.02	2.8	2.7	2.7
Yield on advances	9.2	9.8	9.7	9.6
Yield on investments	8.4	7.8	7.6	7.5
Cost of funds	5.6	5.8	5.7	5.7
Cost/Income	48.3	41.0	41.1	39.4
Return on average net worth	18.5	22.4	20.5	21.0
Return on average assets	1.1	1.3	1.2	1.1

### Growth ratios (%)

Net interest income	11.0	14.4	17.7	17.0
Other income	(22.0)	96.5	(8.2)	11.0
Total income	3.3	28.9	10.7	15.7
Pre-provisioning profit	7.4	47.1	10.5	19.1
Net profit	6.2	43.7	4.2	15.7
Advances	41.7	19.5	20.8	20.2
Deposits	22.8	20.5	21.5	20.5

### Asset quality

Proportion of low-cost deposits (%)	38.0	37.3	37.6	37.6
Credit-Deposit ratio (x)	69.3	68.8	68.4	68.2
Investment/Deposit (%)	31.5	31.3	30.8	30.4
Net NPA ratio (%)	1.1	0.70	0.7	0.6
CAR (%)	12.5	13.8	12.6	12.1
Tier-I ratio (%)	8.1	9.1	8.9	8.7

Source: Company, Religare Research

## Ashok Leyland

## Results Update

CMP: Rs 37

Target: Rs 65

BUY

<b>Piyush Parag</b>	<b>Abhishek Banerjee</b>
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BSE code:	500477
NSE code:	ASHOKLEY

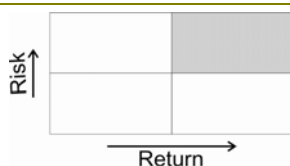
## Company data

Particulars	
Market cap (Rs bn / US\$ bn)	44.8/1.1
Outstanding equity shares (mn)	1,323.9
52-week high/low (Rs)	57.9/25.8
2-month average daily volume	11,847,508

## Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	73,203.7	75,656.0	86,550.5
Growth (%)	37.3	3.4	14.4
Adj net inc (Rs mn)	4,257.7	4,878.3	5,202.3
Growth (%)	40.8	14.6	6.6
FDEPS (Rs)	3.2	3.7	3.9
Growth (%)	29.9	14.6	6.6
P/E (x)	11.4	10.0	9.3
ROE (%)	26.0	24.1	22.4

## Risk-return profile



## Shareholding pattern

(%)	Dec-07	Sep-07
Promoters	38.6	38.6
FIs	29.6	30.3
Banks & FIs	15.9	17.3
Public	15.9	13.8

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Ashok Leyland	37	(28.5)	(10.5)	(3.6)
Sensex	18,153	(10.2)	(9.1)	19.2
BSE Auto	4,926	(12.0)	(12.9)	(0.4)

Company website	www.ashokleyland.com
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## Lower volume sales but realisations improve

Ashok Leyland's (ALL) Q3FY08 results were largely in line with our expectations in terms of revenue and EBITDA. Revenues have increased marginally by 1.3% YoY to Rs 18bn as the company witnessed a decline in volume sales, which was offset by higher realisations. An increase in raw material prices together with lower volumes caused the EBITDA margin to drop 110bps YoY to 9.4%. PAT, however, was significantly higher than our estimates at Rs 1.2bn, primarily due to higher other income.

We have reduced our net revenue estimates for FY08 and FY09 to factor in lower volume sales. However, we have raised our EBITDA margin assumptions due to a richer product mix. This has led to an increase of 2.4% and 0.8% in our earnings estimates for FY08 and FY09 respectively. We remain bullish on the company's future growth prospects and believe the stock is attractively valued at a P/E of 9.3x and EV/EBITDA of 6.5x on FY09E. We maintain our Buy call on the stock with a target price of Rs 65.

## Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	18,000.8	17,367.9	3.6
EBITDA	1,654.8	1,786.1	(7.4)
Adj net income	1,202.2	893.6	34.5
FDEPS (Rs)	0.9	0.7	34.5

Source: Company, Religare Research

## Quarterly results

(Rs mn)	Q3FY08	Q3FY07	% Chg YoY	Q2FY08	% Chg QoQ
Volumes (in nos)	18,965	20,051	(5.4)	18,892	0.4
Realisation per vehicle	949,160.0	886,534.8	7.1	924,144.6	2.7
Net sales	18,000.8	17,775.9	1.3	17,458.9	3.1
EBITDA	1,687.7	1,868.7	(9.7)	1,684.9	0.2
EBITDA margin (%)	9.4	10.5	(110bps)	9.7	(30bps)
EBITDA per vehicle	88,991.8	93,194.9	(4.5)	89,183.3	(0.2)
Depreciation	408.3	332.3	22.9	466.2	(12.4)
Interest	152.5	25.7	494.5	126.3	20.8
Other income	437.0	63.5	588.1	111.4	292.3
PBT	1,564.0	1,574.2	(0.7)	1,203.8	29.9
PAT	1,202.2	1,052.6	14.2	803.4	49.6
PAT margin (%)	6.7	5.9	80bps	4.6	210bps
Core PAT per vehicle	40,345.4	49,327.2	(18.2)	36,627.1	10.2
EPS (Rs)	0.9	0.8	13.6	0.6	49.6
Cash EPS (Rs)	1.2	1.0	15.7	1.0	26.9
Core EPS (Rs)	0.6	0.7	(23.0)	0.5	10.6

Source: Company, Religare Research

## Result highlights

Realisation improves 7.1% due to price hikes

### Net revenues grow 1.3% YoY

ALL's net revenue grew marginally to Rs 18bn in Q3FY08 as volume sales declined 5.4% YoY to 18,965 vehicles. The impact of slower volumes was partially offset by a 7.1% improvement in realisation per vehicle. Volumes were hit by a fall in domestic goods carrier sales, which declined 12.7% YoY to 13,240 vehicles.

### Volume snapshot

(units)	Q3FY08	Q3FY07	% Chg
<b>Passenger carriers</b>			
Domestic	3,772	3,385	11.4
Exports	1,378	1067	29.1
Total	5,150	4,452	15.7
<b>Goods carriers</b>			
Domestic	13,240	15,160	(12.7)
Exports	424	369	14.9
Total	13,664	15,529	(12.0)
<b>LCV</b>			
Domestic	122	69	76.8
Exports	29	1	2,800.0
Total	151	70	115.7
<b>Overall</b>			
Domestic	17,134	18,614	(8.0)
Exports	1,831	1,437	27.4
<b>Grand total</b>	<b>18,965</b>	<b>20,051</b>	<b>(5.4)</b>

Source: Company

### EBITDA margin declines 110bps

The EBITDA margin experienced a 110bps YoY decline to 9.4% due to lower volume sales and an increase in raw material costs. Consequently, operating profit for the quarter dipped 9.7% YoY to Rs 1.7bn.

### Other income bolsters PAT

ALL's net profit increased 14.2% YoY to Rs 1.2bn in Q3FY08, primarily due to an increase in other income to Rs 437mn from Rs 64mn in Q3FY07. Consequently, the PAT margin increased 80bps to 6.7% in Q3FY08. FDEPS experienced a growth of 13.6% YoY.

## Financial outlook

Product launches expected in FY09

### Realisation and volume sales to pick up

ALL has announced a number of price hikes on its range of vehicles during 9mFY08, leading to better price realisations. We expect the company's realisation per vehicle to continue to improve in Q4FY08 and beyond due to the effect of price hikes and new product launches planned for FY09. On a sequential basis, sales volume increased marginally, but would improve as new products are rolled out and interest rates soften in the near term.

### EBITDA margin expansion during 9mFY08

For the first nine months of the fiscal, ALL reported an 80bps YoY improvement in its EBITDA margin to 9.8%. This was led by a better product mix and its ongoing cost cutting programme.

### Estimates revised downwards to factor in expected decline in sales volume in FY08

#### Estimates revised

We have reduced our net revenue estimates primarily due to a revision of our volume sales estimates for FY08. However, since ALL has been able to improve margins during 9mFY08, we have raised our EBITDA margin estimate for both FY08 and FY09. Over FY07–FY10, we expect net revenues, EBITDA and PAT to grow at a CAGR of 10.2%, 17.4% and 10.7% respectively, with a 190bps rise in the EBITDA margin to 11.1%.

#### Revised estimates

(Rs mn)	FY08E			FY09E		
	Earlier	Revised	% Chg	Earlier	Revised	% Chg
Net sales	81,700.0	75,656.0	(7.4)	91,800.0	86,550.5	(5.7)
EBITDA	8,100.0	7,710.4	(4.8)	9,400.0	9,137.4	(2.8)
EBITDA margin (%)	9.9	10.2	30bps	10.2	10.6	40bps
Adj net income	4,800.0	4,878.3	1.6	5,200.0	5,202.3	0.0
FDEPS (Rs)	3.6	3.7	2.4	3.9	3.9	0.8

Source: Religare Research

## Valuation

#### Maintain target of Rs 65; Buy

Maintain target of Rs 65, a potential upside of 71%; Buy

Our DCF valuation for ALL gives us a fair value of Rs 65/share. The stock is currently trading at a P/E of 9.3x and EV/EBITDA of 6.5x on FY09E. At our target price of Rs 65, the stock will discount FY10E earnings by 14.7x, which we believe is justified. We remain positive about the company's growth prospects in the medium term and reiterate our Buy call on the stock.

#### DCF assumptions

Particulars	Assumption
Cost of equity (%)	15.7
Beta	1.1
Risk free rate (%)	8.0
Risk premium (%)	7.0
Cost of debt (%)	9.2
Debt to total	0.3
Equity to total	0.7
WACC (%)	13.3

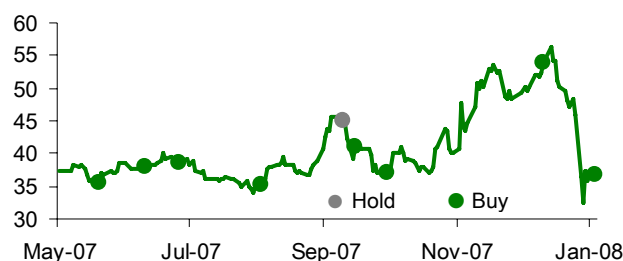
Source: Religare research

#### Recommendation history

Date	Event	Reco price	Tgt price	Reco
14-Jun-07	Company Update	36	48	Buy
5-Jul-07	Company Update	38	48	Buy
23-Jul-07	Results Update	39	48	Buy
28-Aug-07	Company Update	35	48	Buy
5-Oct-07	Quarterly Preview	45	48	Hold
10-Oct-07	Company Update	41	48	Buy
25-Oct-07	Results Update	37	48	Buy
7-Jan-08	Quarterly Preview	54	65	Buy
29-Jan-08	Results Update	38	65	Buy

Source: Religare Research

#### Stock performance



Source: Religare Research



## Consolidated financials

### Profit and Loss statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Revenues	73,203.7	75,656.0	86,550.5	98,061.7
Growth (%)	37.3	3.4	14.4	13.3
EBITDA	6,723.6	7,710.4	9,137.4	10,872.9
Growth (%)	26.5	14.7	18.5	19.0
Depreciation	1,505.7	1,712.0	2,485.8	3,237.3
EBIT	5,217.9	5,998.3	6,651.5	7,635.6
Growth (%)	28.7	15.0	10.9	14.8
Interest	288.4	599.7	874.7	1,149.7
Other income	1,115.6	1,193.7	1,253.4	1,316.0
EBT	6,045.1	6,592.3	7,030.2	7,802.0
Income taxes	1,632.2	1,714.0	1,827.8	2,028.5
Effective tax rate (%)	27.0	26.0	26.0	26.0
Adjusted net income	4,257.7	4,878.3	5,202.3	5,773.4
Growth (%)	40.8	14.6	6.6	11.0
Extra-ordinary items	248.5	155.2	-	-
Min. int / inc. from associates	-	-	-	-
Reported net income	4,412.9	4,878.3	5,202.3	5,773.4
Growth (%)	34.8	10.5	6.6	11.0
Shares outstanding (mn)	1,323.9	1,323.9	1,323.9	1,323.9
Basic EPS (Rs) (adj)	3.2	3.7	3.9	4.4
FDEPS (Rs) (adj)	3.2	3.7	3.9	4.4
DPS (Rs)	1.2	1.3	1.5	1.5

Source: Company, Religare Research

### Cash flow statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Net income	4,412.9	4,878.3	5,202.3	5,773.4
Depreciation	1,505.7	1,712.0	2,485.8	3,237.3
Other adjustments, net	1,958.7	-	-	-
Changes in working capital	(2,859.0)	(2,568.5)	2,751.4	2,720.3
Cash flow from operations	5,018.3	4,021.9	10,439.6	11,731.0
Capital expenditure	(5,777.7)	(9,000.0)	(10,000.0)	(10,000.0)
Change in investments	1,470.9	-	-	-
Other investing inc/(exp)	502.4	-	-	-
Cash flow from investing	(3,804.4)	(9,000.0)	(10,000.0)	(10,000.0)
Free cash flow	1,213.9	(4,978.1)	439.6	1,731.0
Issue of equity	102.3	-	-	-
Issue/repay debt	(515.3)	4,500.0	5,000.0	5,000.0
Dividends paid	(1,787.3)	(1,861.7)	(2,234.1)	(2,234.1)
Other financing cash flow	(693.4)	-	-	-
Cash flow from financing	(2,893.7)	2,638.3	2,765.9	2,765.9
Change in cash & cash eq	(1,679.8)	(2,339.9)	3,205.5	4,496.9
Opening cash & cash eq	6,029.2	4,349.4	2,009.5	5,215.1
Closing cash & cash eq	4,349.4	2,009.5	5,215.1	9,712.0

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY07	FY08E	FY09E	FY10E
Cash and cash eq	4,349.4	2,009.5	5,215.1	9,712.0
Accounts receivable	5,228.8	5,200.0	8,884.4	6,149.5
Inventories	10,703.2	11,407.1	14,083.6	13,007.5
Others current assets	6,695.7	10,440.5	11,944.0	13,532.5
Current assets	26,977.1	29,057.2	40,127.1	42,401.5
Long-term investments	2,210.9	2,210.9	2,210.9	2,210.9
Net fixed assets	13,070.4	20,358.4	27,872.5	34,635.3
CWIP	2,374.9	2,374.9	2,374.9	2,374.9
Intangible assets	-	-	-	-
Deferred tax assets, net	(1,969.3)	(1,969.3)	(1,969.3)	(1,969.3)
Other assets	-	-	-	-
Total assets	42,664.0	52,032.0	70,616.1	79,653.3
Accounts payable	14,336.8	13,654.8	20,208.7	16,444.0
Others	3,221.7	5,755.1	9,817.1	14,079.6
Current liabilities	17,558.5	19,409.9	30,025.8	30,523.6
Debt funds	6,404.0	10,904.0	15,904.0	20,904.0
Other liabilities	-	-	-	-
Equity capital	1,323.9	1,323.9	1,323.9	1,323.9
Reserves	17,621.8	20,638.4	23,606.6	27,146.0
Shareholder's funds	18,701.5	21,718.1	24,686.3	28,225.7
Total liabilities	42,664.0	52,032.0	70,616.1	79,653.3
BVPS (Rs)	14.1	16.4	18.6	21.3

Source: Company, Religare Research

### Financial ratios

	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	9.2	10.2	10.6	11.1
EBIT margin (%)	7.1	7.9	7.7	7.8
Net profit margin (%)	5.8	6.4	6.0	5.9
FDEPS growth (%)	29.9	14.6	6.6	11.0
Receivables (days)	23.6	25.2	29.7	28.0
Inventory (days)	66.1	71.8	72.6	68.3
Payables (days)	83.1	90.9	96.5	92.4
Current ratio (x)	1.5	1.5	1.3	1.4
Quick ratio (x)	0.9	0.9	0.9	1.0
Interest coverage ratio (x)	18.1	10.0	7.6	6.6
Debt / equity (x)	0.3	0.5	0.6	0.7
ROE (%)	26.0	24.1	22.4	21.8
ROA (%)	14.1	13.3	11.9	11.7
ROCE (%)	22.6	20.8	18.2	17.0
EV/Sales (x)	0.7	0.8	0.7	0.6
EV/EBITDA (x)	7.5	7.5	6.5	5.5
P/E (x)	11.4	10.0	9.3	8.4
P/BV (x)	2.6	2.2	2.0	1.7

Source: Company, Religare Research

## Recommendation tracker

Date	Company	Report type	Stock price (Rs)	Target (Rs)	Reco
28-Dec-07	Gulf Oil Corp	Initiating Coverage	291	477	BUY
31-Dec-07	Bank of India	Company Update	365	400	HOLD
1-Jan-08	Indoco Remedies	Company Update	313	383	BUY
1-Jan-08	Gremach Infrastructure Equipments	Initiating Coverage	360	529	BUY
2-Jan-08	Venus Remedies	Company Update	565	708	BUY
3-Jan-08	Ganesh Housing Corp	Initiating Coverage	751	1,201	BUY
4-Jan-08	Tulip IT	Company Update	1,118	1,015	HOLD
4-Jan-08	Indian Bank	Initiating Coverage	212	257	BUY
4-Jan-08	Indian Overseas Bank	Initiating Coverage	201	241	BUY
4-Jan-08	Allahabad Bank	Initiating Coverage	138	167	BUY
8-Jan-08	Information Technology	Quarterly Preview	NA	NA	NA
9-Jan-08	Mahindra & Mahindra	Company Update	830	940	BUY
10-Jan-08	Axis Bank	Results Update	1,095	1,272	BUY
10-Jan-08	Prism Cement	Results Update	67	91	BUY
10-Jan-08	Bank of India	Company Update	400	457	BUY
11-Jan-08	South Indian Bank	Results Update	237	271	BUY
14-Jan-08	Infosys Technologies	Results Update	1,580	1,935	HOLD
14-Jan-08	Reliance Power	IPO Note	405 - 450	NA	SUBSCRIBE
14-Jan-08	Future Capital Holdings	IPO Note	700 - 765	NA	SUBSCRIBE
15-Jan-08	Elecon Engineering	Initiating Coverage	306	424	BUY
16-Jan-08	Indian Bank	Results Update	219	257	BUY
17-Jan-08	Apollo Tyres	Results Update	54	70	BUY
17-Jan-08	Tata Consultancy Services	Results Update	945	1,095	HOLD
17-Jan-08	J K Lakshmi Cement	Results Update	171	324	BUY
18-Jan-08	Shri Lakshmi Cotsyn	Results Update	151	300	BUY
21-Jan-08	Wipro	Results Update	461	455	SELL
21-Jan-08	Biocon	Results Update	539	654	BUY
21-Jan-08	Nicholas Piramal India	Results Update	331	369	HOLD
21-Jan-08	KPIT Cummins Infosystems	Results Update	115	107	SELL
22-Jan-08	Hindustan Construction Company	Results Update	196	333	BUY
22-Jan-08	Sasken Communication Tech	Results Update	276	235	SELL
23-Jan-08	ICICI Bank	Results Update	1,125	1,478	BUY
23-Jan-08	HDFC Bank	Results Update	1,470	1,879	BUY
23-Jan-08	EMCO	Results Update	1,194	1,631	BUY
24-Jan-08	Bank of India	Results Update	390	457	BUY
24-Jan-08	Binani Cement	Results Update	91	148	BUY
24-Jan-08	Bharat Forge	Results Update	300	404	BUY
25-Jan-08	HT Media	Results Update	195	247	HOLD
25-Jan-08	Sterlite Technologies	Results Update	202	384	BUY
25-Jan-08	Cipla	Results Update	175	179	SELL
28-Jan-08	State Bank of India	Results Update	2,405	2,827	BUY
28-Jan-08	Tulip IT	Results Update	974	1,392	BUY
29-Jan-08	HDIL	Results Update	1,002	1,445	BUY
29-Jan-08	Allahabad Bank	Results Update	113	167	BUY
29-Jan-08	Ashok Leyland	Results Update	37	65	BUY

## Market trends

### BSE sectoral indices

	% Chg				Constituent performance
	28-Jan	1-day	1-mth	3-mth	
Automobiles	4,926	1.7	(12.0)	(12.9)	
Banks	11,521	1.2	1.2	8.2	
Capital Goods	17,116	(2.0)	(12.9)	(13.8)	
Comm. & Tech.	3,300	(3.7)	(16.5)	(17.8)	
Consumer Durables	5,259	(0.6)	(20.4)	(1.6)	
FMCG	2,148	(0.5)	(5.8)	(0.6)	
Healthcare	3,646	(1.3)	(16.0)	(7.1)	
IT	3,660	(3.7)	(19.6)	(21.7)	
Metal	15,443	(1.0)	(22.6)	(10.2)	
Oil & Gas	11,078	(1.1)	(16.1)	(5.0)	
Mid-caps	7,987	(0.4)	(16.6)	(1.2)	
Small-caps	10,304	(1.1)	(20.1)	6.2	

Number of companies: down 5% down 2-5% down 0-2% up 0-2% up 2-5% up 5%

### Emerging markets

Country	% Chg				
	28-Jan	1-day	1-mth	3-mth	6-mth
Brazil	58,594	2.0	(8.3)	(9.9)	10.7
Shanghai	4,488	1.6	(14.7)	(21.9)	3.3
Hong Kong	24,694	2.7	(9.8)	(21.8)	9.4
India	18,153	(1.1)	(10.2)	(9.1)	19.2
South Korea	1,641	0.8	(13.5)	(20.5)	(12.9)
Taiwan	7,512	0.3	(10.5)	(23.4)	(18.0)

### FII statistics

(US\$ mn)	1-day	WTD	MTD	YTD
India	165.9	(1,949.4)	(2,831.9)	(2,831.9)
South Korea	(323.9)	(323.9)	(8,782.2)	(8,782.2)
Taiwan	(126.0)	(126.0)	(1,811.3)	(1,811.3)
Thailand	(628.6)	(20.0)	(1,306.5)	(1,306.5)

## Events calendar

### Quarterly results

January 29, 2008	30	31
Tata Power, Asian Paints, Essar Oil, Dabur India, Eicher Motors, Maruti Suzuki, Subex Azure, Pyramid Saimira, Torrent Power, Mundra Port, Triveni Engg & Industries, Deccan Cements, Suzlon Energy, Maruti Suzuki India, Yes Bank,	Bajaj Auto, Tata Chemicals, DLF City Union Bank, ICSA-India, Hanung Toys And Textiles, KS Oils, Karuturi Networks, Birla Power Solutions, Power Grid, Mahindra & Mahindra, NTPC, Gulf Oil Corp, Adlabs Films,	ACC Ganesh Housing Corporation IVRCL Infrastructures & Projects MRF Nagarjuna Construction Co Finolex Cables
February 1	2	3
Ambuja Cements - Final Dividend	-	-

## Trade data

### Disclosures under insider trading regulations

Scrip	Acquirer/Seller	Buy/Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Apeego	Manju Surekha	B	400,000	6.7	400,000	6.7
Apeego	Natwarlal Surekha	B	400,000	6.7	400,000	6.7
Aptech	Morgan Stanley Mauritius Co & Pac	B	102,000	4.8	2,213,289	5.1
Escorts	Escotrac Finance & Investment	B	80,703	0.1	13,289,860	-
Escorts	Escotrac Finance & Investment	B	14,400	-	13,304,260	-
Glenmark Pharmaceuticals	Blanche E Saldanha	B	15,000	-	535,598	0.2
Glenmark Pharmaceuticals	Gracias Saldanha	B	16,000	-	644,409	0.3
Global Broadcast News	Reliance Capital	B	24,219	0.1	2,215,493	8.2
International Hometex	Trimbak Leasing & Finance	S	100,000	-	3,541,166	17.4
JHS Svendgaard Laboratories	Nikhil Nanda	B	67,914	-	5,602,043	44.8
JHS Svendgaard Laboratories	Nikhil Nanda	B	116,650	-	5,479,129	43.8
KEI Industries	Sbi Mutual Fund	S	100,000	0.2	2,509,092	4.2
Lloyd Electric & Engineering	Goldman Sachs Invest (Mauritius)	B	161,560	-	-	-
Lloyd Electric & Engineering	Goldman Sachs Invest (Mauritius)	S	879,579	-	2,247,014	7.3
Opto Circuits (India)	Suleman Adam Merchant	B	4,243	-	138,760	0.1
Orchid Chemicals	Life Insurance Corporation Of India	B	625,000	1.0	3,633,053	5.5
Orissa Sponge Iron And Steel	Quantum (M)	B	1,000,000	5.0	1,261,043	6.3
Parekh Aluminex	Merrill Lynch Espana SaSv	B	600,000	4.9	1,045,294	8.6
Shree Renuka Sugars	Vidya M Murkumbi	B	19,500	-	159,940	0.6
Sumeet Industries	Shankarlal Somani	B	30,200	0.2	494,320	2.7
Tonira Pharma	Ipca Laboratories	B	56,271	0.7	780,494	9.8
Triveni Engineering & Industries	Clsa (Mauritius)	B	1,415,000	0.6	14,249,284	5.5

Source: BSE

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**Recommendation parameters**

<b>Large-caps*</b>	> 10%	< - 5%	<b>Returns</b>	<b>Absolute</b>
	BUY	SELL		
<b>Mid-caps**</b>	> 25%	< 10%		

*\*Market cap over US\$ 1bn \*\*Market cap less than US\$ 1bn*

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