



Economy News

- ▶ The government is planning to set up a special dedicated fund to provide loans to infrastructure projects — roads, airports, power plants or ports — being developed by private companies as well as by government-private joint ventures. The proposed fund is expected to have a corpus of around Rs.500bn (ET).
- ▶ According to the latest figures released by RBI in its weekly statistical supplement (WSS), India's forex reserves fell by over \$5 billion in the week ended November 14 to \$246.35bn. However, the government has vacated the Rs.52.6bn it borrowed from the central bank under its WMA scheme last week. (ET)
- ▶ Foreign companies can invest up to 49% in Credit Information Bureau under the Foreign Direct Investment (FDI) route, provided they fulfill certain conditions, said the Reserve Bank of India. (BL)
- ▶ The National Pharmaceutical Pricing Authority (NPPA), the price regulator for drugs, may announce a price increase for vitamins within a week to resume supply of vitamin by GlaxoSmithKline and Piramal Life Sciences. (BS)

Corporate News

- ▶ Iraq has dubbed as "illegal" the contracts signed by Reliance Industries for two oil blocks in Kurdistan saying companies signing oil deals with the Kurdistan Regional Government cannot bid for lucrative oilfields contracts in Iraq. (BL)
- ▶ Dabur India has acquired 72.15% in Fem Care Pharma, a women's skin-care products company for Rs2.04bn in an all-cash deal. As required by the takeover regulations of the Securities and Exchange Board of India (Sebi), Dabur will make an open offer for another 20% in Fem Care. (BS)
- ▶ SBI has got RBI approval for its proposed joint venture with a unit of French bank Societe Generale to offer custody and related services. State Bank would hold 65 percent in the venture. (ET)
- ▶ JSW Steel has seen a 40-50% drop in demand for auto grade steel from its auto and auto component clients, as the slowdown in economy has pushed down sales of cars and two-wheelers. (ET)
- ▶ GVK Power and Infrastructure (GVKPIL) plans to raise Rs.2.4bn for its power unit in Punjab. The funds are proposed to be raised by divesting a 40% stake to private equity funds. The proceeds will be used at a later stage in the project. (ET)
- ▶ Glenmark Pharmaceuticals has received the US FDA nod to market ranitidine tablets of 150 mg and 300 mg in that country. The tablet had total sales of over \$41 mn for the 12-month period ended June 2008. (BL)
- ▶ Spicejet reported an increase in net losses by 421% at Rs.1.98bn for the quarter ended September 30, 2008 as compared to Rs.377mn in the corresponding period last year. (BS)

Equity

	21 Nov 08	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	8,915	5.5	(16.6)	(37.4)
NIFTY Index	2,693	5.5	(16.7)	(37.1)
BANKEX Index	4,599	4.6	(21.3)	(30.1)
BSET Index	2,458	4.9	(15.5)	(35.7)
BSETCG INDEX	6,556	5.6	(13.3)	(44.9)
BSEOIL INDEX	5,551	5.7	(18.1)	(43.6)
CNXMcap Index	3,298	0.8	(17.1)	(41.5)
BSESMCAP INDEX	3,391	0.2	(19.2)	(51.1)
World Indices				
Dow Jones	8,046	6.5	(4.0)	(30.8)
Nasdaq	1,384	5.2	(10.8)	(42.7)
FTSE	3,781	(2.4)	(2.6)	(31.3)
Nikkei	7,703	(6.9)	3.4	(37.5)
Hangseng	12,659	2.9	-	(38.1)

Value traded (Rs cr)

	21 Nov 08	% Chg - Day
Cash BSE	3,542	23.46
Cash NSE	9,485	21.7
Derivatives	47,696.0	25.6

Net inflows (Rs cr)

	20 Nov 08	% Chg	MTD	YTD
FII	(656)	(215)	(2,521)	(54,276)
Mutual Fund	(99)	(95)	(1,516)	12,637

FII open interest (Rs cr)

	20 Nov 08	% Chg
FII Index Futures	7,940	(3.3)
FII Index Options	13,524	7.2
FII Stock Futures	10,689	7.5
FII Stock Options	226	(0.1)

Advances / Declines (BSE)

	21 Nov 08	A	B	S	Total	% total
Advances	131	750	191	1,072	48	
Declines	66	800	218	1,084	48	
Unchanged	4	62	22	88	4	

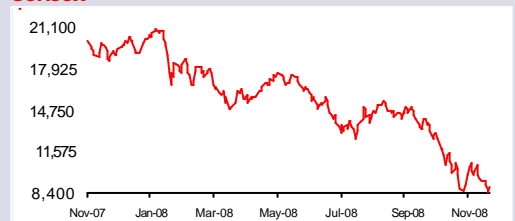
Commodity

		21 Nov 08	1 Day	1 Mth	3 Mths
Crude (NYMEX)	(US\$/BBL)	50.6	1.4	(21.1)	(55.8)
Gold	(US\$/OZ)	800.4	7.4	8.2	(3.4)
Silver	(US\$/OZ)	9.7	7.8	2.2	(28.4)

Debt / forex market

	21 Nov 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.28	7.34	7.80	9.12
Re/US\$	50.02	50.02	49.98	43.79

Sensex



COMPANY UPDATE**Sanjeev Zarbade**

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VOLTAS**PRICE: Rs.57****TARGET PRICE: Rs.70****RECOMMENDATION: ACCUMULATE****FY09E P/E: 8.5x****Summary table**

(Rs mn)	FY08	FY09E	FY10E
Sales	30,445	38,121	45,299
Growth (%)	27	25	19
EBITDA	2,509	2,940	3,248
EBITDA margin (%)	8	8	7
Net profit (adj)	1,700	2,206	2,390
Net cash (debt)	2,223	3,240	3,170
EPS (Rs)	5	7	7
Growth (%)	51	30	8
CEPS	6	7	8
DPS (Rs)	1.2	1.4	1.8
ROE (%)	37	36	31
ROCE (%)	63	60	52
EV/Sales (x)	0.6	0.4	0.4
EV/EBITDA (x)	6.7	5.4	4.9
P/E (x)	11.1	8.5	7.9
P/Cash Earnings	10.4	8.0	7.4
P/BV (x)	3.6	2.8	2.2

Source: Company, Kotak Securities - Private Client Research

Countrywise order book breakup

	(Rs bn)
Abu Dhabi	20
Bahrain & Qatar	10
Saudi Arabia and Others	13.5
Dubai	1.5
India	11

Source: Company

- ❑ We are downgrading our earnings and target price for Voltas in view of deteriorating fundamentals in its major user industries.
- ❑ Dubai property market has slowed down. However, majority of company's orders are outside Dubai in the Middle East region. Abu Dhabi is expected to keep building properties.
- ❑ Textile makers in the Southern India have slowed down investment in modernization following poor demand from the US.
- ❑ We are reviewing downwards our earnings forecast for the company. Maintain Accumulate with target price of Rs 70 (Rs 93 earlier).

The Dubai property which was the growth engine of middle east real estate has slowed down.

In the UAE region especially in Dubai, banks are facing tough times as real estate is slowing down and construction activities has been delayed. Some of the worrying trends in the Dubai property market are rapidly declining house prices, a stagnant resale market, a marked decline in hotel occupancy rates and wage and hiring freezes in property companies. Dubai has borrowed heavily in recent years to finance the physical infrastructure needed to support and connect these new economic sectors.

Nakheel, which is one of the leading property developer in Dubai has been scaling-back some of its property development plans. Large property developers like Damac, Emaar and Omniyat have announced job cuts to fight dwindling property sales.

Voltas has minimal exposure to the Dubai market

Close to 81% of the order backlog of Rs 56 bn is from the Middle East market. Out of this, the order book from Dubai constituted just Rs 1.5 bn. Voltas indicated that they had anticipated a sharp slowdown in the Dubai market since a year earlier and had been consciously reducing exposure in the Dubai property market.

The Abu Dhabi market fundamentals are believed to be stronger

The Abu Dhabi market is likely to remain attractive to buyers as it is a new market and is not as saturated as Dubai. Unlike Dubai, Abu Dhabi is oil rich and is now focusing on developing its other industries which include tourism and property. Also the government is taking steps to protect the economy. In recent weeks it has pumped \$33 billion into the banking system. Abu Dhabi has one of the highest per capital income in the world at USD 46185 per year.

Significant customer advances limits working capital

Voltas works on thin working capital which is mainly due to the sizeable advances that the company takes for its orders. The company has been following a conservative policy while taking orders. The company's focus is on cash generation.

Engineering services business has slowed down

- Voltas is the sole selling agent for LMW, which is one of the top textile machinery makers in India.
- The company books commission income on its sale of textile machinery.
- During 2007-08, hardening of rupee against US\$, slow down in the US economy, soaring raw material cost, power disturbance and high cost of funds, have eroded the margin and hampered further growth of the textile sector, particularly the small and medium enterprises. This has forced the textile sector to reconsider their investment programmes and either downsize or postpone their investment plans.
- The other segments in the engineering service business include manufacture of forklifts and trading of mining equipment. This segment is also bearing the brunt of slowdown in industrial and infrastructure segment.

Growth in consumer durables business has slackened

- The consumer durables business include water coolers window and split ACs. Due to the present economic conditions, the growth in the business has slowed down considerably. The market has stagnated in the past few months partly due to high inventory levels at dealer end.
- This segment has high import content and the rupee depreciation has also had an adverse impact on the cost of imported inputs and finished goods.
- Substantial inventories are also putting pressure on the profitability of the business.
- Capital employed has increased due to increased inventory levels.
- In the short term, the margins are likely to be under pressure. However, we believe that this business has tremendous potential for the future growth.

Other Highlights

- Order book of the Company in the Projects business has risen very significantly and provides strong visibility of 41 months of FY08 segment revenues of project business.
- The Company continues to remain debt free and has cash surplus of Rs 2.7 bn in FY08.
- The short-term focus of the Company is on cash generation and cost erosion while continuing the medium to long term focus on growth in revenues in profitability in line with the plans.

Earnings changes

- We have reduced revenue growth from 22% to 20% in FY10
- We believe margins could be under pressure as price competition may intensify in the consumer durables and engineering products business. We have thus built in 50 bps reduction in EBITDA margin in FY10 as compared to an increase of 50 bps earlier.
- Earnings highly sensitive to EBITDA margins.
- Reduce earnings by 18% in FY10 to Rs 7 from Rs 8.5 per share.

Target Price

In our DCF model, we built in 12% growth in FY11 followed by 4% revenue growth for perpetuity.

Gradual increase in working capital coupled with a reduction in EBITDA margins.

We have arrived at a price target price of Rs 70 (Rs 93 earlier). We maintain **ACCUMULATE**.

**We recommend ACCUMULATE
on Voltas with a price target of
Rs.70**

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
21-Nov	Allied Comp	Shree Bhikshu Fin. Pvt Ltd	B	400,000	5.15
21-Nov	Axon Infotec	Satyanrain Prem Sukh Lahoti HUF	B	5,000	7.80
21-Nov	Birla Corpor	Merlin Securities Pvt Ltd	B	1,700,000	109.96
21-Nov	Birla Corpor	Sundaram BNP Paribas Select Mcap Fund	S	1,459,233	110.00
21-Nov	Finolex Cabl	JM MFund Ac JM Basic Fund	S	2,004,391	20.01
21-Nov	G.S. Auto	SPJ Stock	S	60,000	21.83
21-Nov	Kailash Fico	Mandvi Dyes And Chemicals Pvt	B	150,000	22.86
21-Nov	Luminai Tech	Prabhakar Dattaram Kudaskar	S	150,000	4.43
21-Nov	Sanguine Md	Vishu Enterprise	B	111,501	7.14
21-Nov	Sanguine Md	Comfort Intech Limited	S	200,000	7.21
21-Nov	Valiant Comm*	Naishadh Jawahar Paleja	S	46,557	18.00
21-Nov	Winsome Text	Pratap Ashar Manish	S	45,480	13.23
21-Nov	XI Tel Ene	Morgan Stanley Mauritius Company Ltd	B	220,000	54.50
21-Nov	XI Tel Ene	Citigroup Global Mkts Mauritius Pvt Ltd	S	220,000	54.50

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Ind	1,124	6.5	17.4	8.7
NTPC Ltd	151	8.7	16.0	12.6
ONGC	688	5.6	12.6	3.0
Losers				
DLF	198	(3.4)	(1.9)	17.7
UNITECH	32	(8.6)	(0.8)	46.8
ACC	400	(2.0)	(0.2)	0.5

Source: Bloomberg

Forthcoming events

Company/Market

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

Source: Bloomberg

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