

**January 3, 2007**
**FOR PRIVATE CIRCULATION**
**Equity**

	2 Jan 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	13,942	1.1	0.7	12.7
Nifty	4,007	1.0	0.2	12.3
Banking	7,120	0.5	(2.3)	18.4
IT	3,701	1.4	3.0	24.1
Healthcare	3,820	0.7	1.3	4.8
FMCG	1,941	0.3	(5.4)	(5.3)
PSU	6,073	0.7	(2.8)	4.1
CNX Midcap	5,175	(0.5)	1.0	10.3
<b>World indices</b>				
Nasdaq	2,415.3	(0.4)	0.1	7.7
Nikkei	17,225	0.0	5.5	6.8
Hangseng	20,310	1.7	8.8	15.5

**Value traded (Rs cr)**

	2 Jan 07	% Chg - 1 Day
Cash BSE	3,089	(18.0)
Cash NSE	5,938	(21.4)
Derivatives	19,957	7.2

**Net inflows (Rs cr)**

	29 Dec 06	% Chg	MTD	YTD
FII	331.9	131.6	(3,742)	36,127
Mutual Fund	225.2	(66.7)	1,535	15,919

**FII open interest (Rs cr)**

	29 Dec 06	% chg
FII Index Futures	10,800.7	1.7
FII Index Options	3,270.0	6.4
FII Stock Futures	13,327.7	3.3
FII Stock Options	16.5	273.8

**Advances/Declines (BSE)**

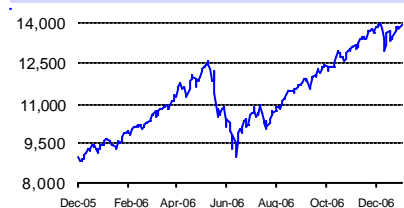
	2 Jan 07	A	B1	B2	Total	% Total
Advances	149	493	592	1234	73	
Declines	55	149	213	417	25	
Unchanged	4	12	18	34	2	

**Commodity**

	2 Jan 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	61.1	-	(3.8)	0.0
Gold (US\$/OZ)	640.5	0.6	(0.9)	11.4
Silver (US\$/OZ)	13.2	2.2	(6.2)	21.7

**Debt/forex market**

	2 Jan 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.54	7.62	7.42	7.62
Re/US\$	44.25	44.26	44.62	45.97

**Sensex**


Source: Bloomberg

**ECONOMY NEWS**

- ❑ Faced with total opposition from mobile operators on reducing roaming tariffs, Trai said it may enforce a regulation for the purpose but will first explore all options to arrive at a solution. (BS)
- ❑ The robust growth in the refining sector has led to infrastructure sector growth hitting 9.5% in November 2006 compared to 5.7% recorded in the corresponding period last year. Refinery products recorded 16.4% growth in November 2006 compared to 1.5% in November 2005. (ET)
- ❑ Telecom Disputes Settlement And Appellate Tribunal (TDSAT) has asked Trai to look into the possibility of fixing prices of television channels under the DTH service following a similar arrangement for CAS. (BS)
- ❑ The Urban Development Ministry has proposed that all states should notify at least 10-12% of the land fit for urbanization for commercial use. (ET)
- ❑ The IT hardware and electronics industry has asked for state-level reforms to facilitate investments in the sector. Some of the suggestions include stamp duty exemption and relief from electricity duty. (ET)

**CORPORATE NEWS**

- ❑ The Government is considering several routes like enacting a law or getting a court order or simply issuing an ordinance for merging state-owned carriers **Indian** and **Air-India**, official sources said. (BS)
- ❑ **Ranbaxy Laboratories** has received approval from the USFDA to manufacture and market Atenolol, a hypertension drug. (BL)
- ❑ **Jet Airways** will acquire 10 Boeing 787-8 series aircraft, better known as the Dreamliner. The listed price of the aero planes is more than \$1.5 bn. (BS)
- ❑ **Bhel** is poised to bag an EPC contract worth near Rs.4 bn for a 200 MW gas-based power venture in Bangladesh. Electricity Generation Co Bangladesh will award the contract and Asian Development Bank will fund the project. (ET)
- ❑ **Lupin** has said it has received tentative approval from the USFDA for its ANDA for Setraline Hydrochloride tablets in 25mg, 50mg and 100 mg. This is the company's 18th ANDA approval till date. (BL)
- ❑ **Nagarjuna Construction Co** has informed the Bombay Stock Exchange that the company has secured new orders totaling Rs.2.55 bn. (BL)
- ❑ **NTPC** has said a new 210 MW unit of Feroze Gandhi Unchahar Thermal power project has commenced commercial operation from January 1. (BL)
- ❑ **Praj Industries** has contracted the second phase orders from Cilion for its Imperial County project and from Missouri Valley Energy for its Meckling, South Dakota project. (BL)
- ❑ **Max India** chairman Analjit Singh, who owns 8.75% stake in **Hutch Essar**, is learnt to be open to being Vodafone's partner if Vodafone acquires Hutchison's stake in Hutch. (ET)
- ❑ Real estate major **DLF** has filed its revised draft prospectus for India's largest-ever IPO, estimated at over Rs.105 bn. DLF is scheduled to issue 175 mn shares, comprising 10.2% of its equity capital. (ET)
- ❑ Shares of Anglo-Dutch steel maker Corus rose to a three-week high in intra-day trading on the LSE. The surge was fuelled by speculation that there could be another round of the bidding war between **Tata Steel** and its Brazilian rival CSN. (ET)
- ❑ The **AV Birla** group has acquired the Hyderabad-based supermarket chain Trinethra Super Retail, including its fast growing online shopping outfit, Fabmall. (ET)

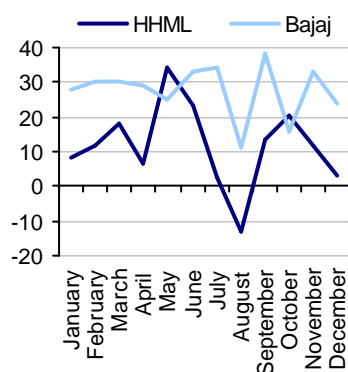
Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

## FROM OUR RESEARCH TEAM

### SECTOR UPDATE

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Monthly sales growth yoy (%) - 2006



Source: Bloomberg

## TWO-WHEELER AUTO SALES VOLUME

Two-wheeler sales for December were dominated by the robust sales growth shown by Bajaj Auto. The company has managed to maintain the sales momentum post the festive season aided by strong performances from the various models. We expect strong volume growth in the third quarter of the year to continue as the top two manufacturers fight it out for the market leadership position. December saw Hero Honda posting a moderate 3% growth in volumes while TVS Motor disappointed recording a negative growth of 4% in overall two-wheeler sales.

**Bajaj Auto:** Bajaj recorded a growth of 26% in motorcycles, growing faster than the industry growth rate of about 20%. This was in sharp contrast to the flat/negative sales growth registered by other major motorcycle manufacturers, thereby leading to a significant gain in market share for Bajaj motorcycles to 35.5%. Three wheeler sales continue to be buoyant with a growth of 50% YoY.

On the export front, Bajaj Auto clocked a 113% rise in volumes with sales of 39,385 units. The capacity is also being expanded to 300,000 units per month from April 2007 as the management expects growth of 25% in the next financial year. The Bajaj Kristal DTS-i, the first product from an all-new hi-tech scooter platform, will be launched in January 2007.

**Hero Honda:** Hero Honda has reported sales of 252,462 units during December 2006. The company is focusing on aggressive revenue growth and higher market share that is backed by aggressive marketing and communication campaigns. The company has lost around 4% market share this year. It intends to recover this through the launch of eight new models in 2006. However, so far the new models (mostly variants) launched during the year have failed to boost the company's faltering sales leading to a decline in the market share.

### Volume trends - Two Wheelers

	Dec '06	Dec '05	yoy (%)	Apr-Dec'06	Apr-Dec'05	yoy(%)
<b>Bajaj Auto</b>						
Motorcycles	187,063	148,263	26	1,843,654	1,379,206	34
Total Two Wheelers	187,179	154,925	21	1,858,641	1,478,522	26
Three Wheelers	27,749	18,534	50	237,198	179,368	32
<b>Total</b>	<b>214,928</b>	<b>173,459</b>	<b>24</b>	<b>2,095,839</b>	<b>1,657,890</b>	<b>26</b>
<b>Exports (out of above)</b>	<b>39,385</b>	<b>18,534</b>	<b>113</b>	<b>325,728</b>	<b>176,765</b>	<b>84</b>
<b>Hero Honda</b>						
Domestic	245,141	238,822	3	2,156,427	1,916,654	13
Exports	7,321	6,282	17	80,133	72,812	10
<b>Total</b>	<b>252,462</b>	<b>245,104</b>	<b>3</b>	<b>2,480,753</b>	<b>2,228,291</b>	<b>11</b>
<b>TVS Motors</b>						
Motorcycles	58,756	68,724	-15	712,095	587,089	21
<b>Total Two Wheelers</b>	<b>103,188</b>	<b>107,412</b>	<b>-4</b>	<b>1,158,639</b>	<b>991,514</b>	<b>17</b>

Source: Company

**TVS Motors:** Motorcycle sales for TVS Motors declined by 15% for the month clocking volumes of 58,756 units as compared with 68,724 units in December 2005. The scooter sales were reported at 16,616 units in December 2006 compared to 16,051 units recorded last year. TVS Scooty continues to dominate the ungeared sub-100 cc scooter segment. On the export front, TVS Motor Co recorded 7,088 units in December 2006, at a growth rate of 17% compared to the same period last year.

#### Valuation FY08

	<b>CMP (Rs)</b>	<b>Sales (Rs bn)</b>	<b>Net profit (Rs bn)</b>	<b>EPS (Rs)</b>	<b>P/E (x)</b>	<b>Target (Rs)</b>	<b>Reco</b>
Bajaj Auto	2742	109.8	14.8	146	18.7	3173	HOLD
Hero Honda	785	110.8	11.4	56.2	13.9	798	HOLD
TVS Motors	85	44	1.4	6.2	13.7	81	HOLD

Source: Company & Kotak Securities - Private Client Research

## SECTOR UPDATE

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## FOUR-WHEELER AUTO SALES VOLUME

**Tata Motors:** Tata Motors reported total sales of 48,792 vehicles (including exports) for December '06, a growth of 37% over 35,598 vehicles sold in December last year. The company's sales of commercial vehicles in December 2006 in the domestic market were 28,179, an increase of 50% over 18,730 vehicles sold in December last year.

M&HCV sales stood at 17,274, a growth of 55% over December 2005, while LCV sales were 10,905, a growth 43% over December 2005. The passenger vehicle business reported a total sale of 16,515 vehicles in the domestic market in December 2006, an increase of 27% over December 2005. The sharp growth in passenger car sales can be attributed to the Indica, which sold 10,588 units, a growth of 52% over December '05.

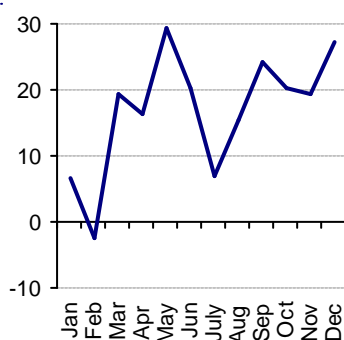
**M&M:** M&M auto sales in December grew strongly by 38% YoY and cumulative sales YTD for FY07 improved by 17% YoY. The company benefited from higher sales in the UV (34% rise) and the three-wheelers (64% rise) segments. In the farm equipment sector, the tractor segment reported 22% growth in the domestic market. M&M has posted 25% growth in the tractor segment for the year till date.

## Volume Trends - Four Wheeler

	Dec '06	Dec'05	yoy (%)	Apr-Dec'06	Apr-Dec'05	yoy (%)
<b>Tata Motors</b>						
M&HCV	18,591	11,861	57	130,722	91,212	43
LCV	13,131	9,298	41	107,010	73,056	46
Utility	3,973	3,512	13	32,543	26,030	25
Cars	13,097	10,927	20	137,177	115,892	18
<b>Total</b>	<b>48,792</b>	<b>35,598</b>	<b>37</b>	<b>407,452</b>	<b>306,190</b>	<b>33</b>
<b>M&amp;M</b>						
UVs	11,274	8,414	34	87,975	81,040	9
LCVs	724	463	56	6,086	5,232	16
3-Wheelers	2,559	1,559	64	23,877	15,283	56
Exports	575	515	12	6,044	4,110	47
Tractors - Domestic	6,104	5,007	22	73,487	58,674	25
Tractors - Exports	655	590	11	5,566	4,715	18
<b>Total</b>	<b>21,891</b>	<b>16,548</b>	<b>32</b>	<b>203,035</b>	<b>169,054</b>	<b>20</b>
<b>MUL</b>						
PCs	54,400	42,716	27	447,414	377,756	18
MUVs	240	535	-55	2,316	3,007	-23
Exports	2,345	2,828	-17	25,082	26,659	-6
<b>Total</b>	<b>56,985</b>	<b>46,079</b>	<b>24</b>	<b>474,812</b>	<b>407,422</b>	<b>17</b>

Source: Company

## Monthly sales growth yoy (%) - 2006



Source: Bloomberg

**MUL:** Domestic sales for Maruti in the passenger car segment rose by 26.3% YoY while export volumes declined 17% YoY, resulting in total sales growth of 23.7% YoY. Maruti's volume in the domestic A2 segment grew by 35.6%, and by 40.6% in the C segment. Overall, the company sold 54,640 vehicles in the domestic market in December. The company's sales in the A2 segment were bolstered by the launch of Zen Estilo during December. The new Zen Estilo is the first of the five models that Maruti has announced it will launch in the domestic market over the next five years. It will bolster its presence in the B-segment where it already has the Alto and WagonR.

## Valuation FY08

	CMP (Rs)	Sales (Rs bn)	Net profit (Rs bn)	EPS (Rs)	P/E (x)	Target (Rs)	Reco
Tata Motors	929	294.1	21.2	52.7	17.6	855	HOLD
MUL	968	170	17.1	59	16.4	1083	BUY

Source: Company & Kotak Securities - Private Client Research

## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
2-Jan	Best E.Hotel	Piyush Mahasukhlal Shah	S	13,000	54.97
2-Jan	BF Utilities	Goldman Sachs and Company	S	200,000	2,803.92
2-Jan	Gravity Ind	S.P.J. Stock Brokers	B	67,856	8.70
2-Jan	Hazoor Media	Param Treasury India	S	52,200	20.15
2-Jan	Inter Digi	Chandrakant Bhogilal Shah	B	286,994	3.87
2-Jan	Iol Broadban	KMUK Ac Icgq Ltd	B	100,000	264.65
2-Jan	Krypton Indu	Chainroop Dugar	B	22,924	47.90
2-Jan	Mefcom Agr I	Cosmo Corporate Serv	B	45,965	162.04
2-Jan	Mefcom Agr I	Aakash Investments	B	25,000	162.10
2-Jan	Mefcom Agr I	Master Finlease Ltd	S	69,965	162.10
2-Jan	Mefcom Agr I	JMP Securities Pvt. Ltd.	S	20,000	162.00
2-Jan	Mefcom Agr I	ISF Securities Ltd	S	18,330	162.10
2-Jan	Mohit Indust	B K Share and Stock Broke	B	25,000	61.75
2-Jan	Mohit Indust	SRK Projects Pvt. Ltd.	B	43,602	62.67
2-Jan	Mohit Indust	Shanti Lal Shand HUF	B	32,899	64.15
2-Jan	Noble Exploc	Manish Shantilal Ajmera	B	249,740	18.17
2-Jan	Noble Exploc	Prathamesh Investment	S	283,500	18.18
2-Jan	Pace Elec(P)	Shree Thirumalai Marketin	S	99,575	41.48
2-Jan	Prime Secu L	Balbir Singh Uppal	S	205,000	58.14
2-Jan	Raj Rayon Li	Accurate Finstock Pvt Ltd	S	150,000	42.95
2-Jan	Rasi Electro	S Yogarathnam	S	25,000	22.67
2-Jan	Rock Hard Pe	Dharmendra Soni	B	103,686	12.54
2-Jan	Royale M H I	Jhaveri Trading and Inves	S	300,000	53.80
2-Jan	Sanguine Md	Gandhi Sec. and Inv.Pvt.Ltd	B	50,000	50.50
2-Jan	Sanguine Md	Sheetal Rajesh Jain	S	37,191	50.50
2-Jan	Sanguine Md	Shilpa Milind Desai	S	30,000	50.50
2-Jan	Sanguine Md	Neil Information Technolo	S	84,844	50.50
2-Jan	Speciality	Ashok Sawhny	B	20,000	46.04
2-Jan	Supreme Yarn	Toubro Holding Ltd	S	200,000	30.05
2-Jan	Supreme Yarn	Mit Gopalbhai Shah	S	193,860	30.18
2-Jan	Toyam Electr	Colleen M Chinoy	S	17,900	22.44
2-Jan	Vardhman Ind	Toubro Holding Ltd	S	75,508	27.95
2-Jan	Vyapar Inds	Ramanbhai C Patel HUF	B	50,000	129.77

Source: BSE

## Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Tata Consultancy	1,249	2.2	5.2	0.4
Infosys Tech	2,273	1.4	3.4	1.1
Satyam Comp	508	5.2	3.3	2.6
<b>Losers</b>				
Zee Ent	287	(2.1)	(0.5)	1.3
Tata Steel	479	(0.7)	(0.4)	1.0
HDFC	1,620	(0.5)	(0.4)	0.04

Source: Bloomberg

## Forthcoming events

COMPANY/MARKET	
Date	Event
3-Jan	SBI Life insurance holds press conference for business growth plans
4-Jan	Infrastructure Development to consider new business plans
10-Jan	iGate Global Solutions earnings expected
11-Jan	Infosys Technologies, HDFC Bank, Mastek earnings expected
13-Jan	CMC earnings expected
15-Jan	HCL Technologies earnings expected
16-Jan	Bajaj Auto earnings expected
18-Jan	Ranbaxy Laboratories to announce earnings & dividend
19-Jan	Dabur India earnings expected
20-Jan	Godrej Consumer earnings expected

Source: Bloomberg

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