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June 2007

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STOCK IDEAS STANDING (AS ON JUNE 01, 2007)

COMPANY	RECO PRICE	PRICE TARGET	RECO DATE	CURRENT RECO	PRICE AS ON 01-JUNE-07	GAIN-LOSS (%)	ABSOLUTE PERFORMANCE 1M	3M	6M	12M	RELATIVE TO SENSEX 1M	3M	6M	12M
EVERGREEN														
HDFC Bank	358.0	1,355.0	23-Dec-03	Buy	1,152.9	222.0	13.1	18.3	3.6	56.9	7.6	6.5	(2.0)	7.0
Infosys Technologies	689.1	2,440.0	30-Dec-03	Buy	1,940.1	181.5	(5.3)	(9.9)	(11.6)	37.5	(9.9)	(18.9)	(16.4)	(6.2)
Reliance Ind	567.0	**	5-Feb-04	Buy	1,750.4	208.7	12.2	29.1	39.9	90.7	6.8	16.2	32.3	30.1
Tata Consultancy Services	852.5	1,465.0	6-Mar-06	Buy	1,219.0	43.0	(3.7)	(2.9)	2.9	43.8	(8.4)	(12.6)	(2.6)	(1.9)
APPLE GREEN														
ACC	260.0	880.0	10-Aug-04	Buy	852.0	227.7	1.6	(0.9)	(23.2)	17.4	(3.4)	(10.7)	(27.4)	(19.9)
Aditya Birla Nuvo	714.0	1,600.0	6-Dec-05	Buy	1,366.5	91.4	19.4	16.4	19.3	102.4	13.6	4.8	12.8	38.1
Apollo Tyres	344.0	425.0	28-Nov-06	Buy	360.2	4.7	14.1	24.3	3.1	52.3	8.5	11.9	(2.5)	3.9
Bajaj Auto	1,873.0	2,500.0	15-Nov-05	Buy	2,235.0	19.3	(8.6)	(11.1)	(18.7)	(13.3)	(13.0)	(20.0)	(23.1)	(40.9)
Bank of Baroda	239.0	310.0	25-Aug-06	Buy	271.6	13.6	15.1	23.2	1.0	25.1	9.5	10.9	(4.5)	(14.7)
Bank of India	135.0	219.0	25-Aug-06	Buy	211.0	56.3	9.7	27.6	2.3	92.1	4.4	14.9	(3.2)	31.0
Bharat Bijlee	192.3	**	29-Nov-04	Buy	1,920.6	898.8	32.8	57.3	59.4	65.0	26.4	41.6	50.7	12.5
Bharat Electronics	1,108.0	2,020.0	25-Sep-06	Buy	1,892.1	70.8	10.2	22.3	56.9	85.6	4.9	10.1	48.4	26.6
Bharat Heavy Electricals	601.5	1,562.5	11-Nov-05	Buy	1,414.4	135.1	13.7	30.2	12.8	49.6	8.2	17.2	6.7	2.0
Bharti Airtel	625.0	900.0	8-Jan-07	Buy	838.0	34.1	3.2	15.2	32.4	141.3	(1.8)	3.7	25.2	64.6
Canara Bank	213.0	268.0	25-Aug-06	Buy	255.2	19.8	17.2	18.9	(18.0)	15.2	11.5	7.1	(22.4)	(21.4)
Corp Bank	218.0	374.0	19-Dec-03	Buy	330.2	51.4	4.5	27.9	(15.6)	11.6	(0.5)	15.2	(20.2)	(23.9)
Crompton Greaves	88.1	280.0	19-Aug-05	Buy	250.1	183.7	13.7	24.8	29.3	75.5	8.2	12.4	22.3	19.7
Elder Pharma	298.0	508.0	26-Apr-06	Buy	388.4	30.3	(1.8)	(1.4)	14.3	27.4	(6.5)	(11.2)	8.1	(13.1)
Grasim	1,119.0	2,975.0	30-Aug-04	Buy	2,520.0	125.2	3.2	18.5	(7.5)	51.1	(1.8)	6.7	(12.5)	3.1
Hindustan Lever	172.0	280.0	24-Nov-05	Buy	201.3	17.0	0.9	16.0	(15.1)	(7.5)	(4.0)	4.4	(19.7)	(36.9)
HCL Technologies	103.0	395.0	30-Dec-03	Buy	345.7	235.6	3.5	10.1	11.3	41.8	(1.6)	(0.9)	5.2	(3.3)
ICICI Bank	284.0	1,173.0	23-Dec-03	Buy	928.1	226.8	7.2	8.5	5.9	75.8	2.0	(2.3)	0.1	19.9
Indian Hotel Company	76.6	175.0	17-Nov-05	Buy	148.7	94.1	4.5	6.2	(5.5)	33.7	(0.6)	(4.4)	(10.7)	(8.8)
ITC	69.5	200.0	12-Aug-04	Buy	161.5	132.3	0.9	(6.4)	(14.1)	2.4	(4.0)	(15.7)	(18.7)	(30.2)
Lupin	403.5	840.0	6-Jan-06	Buy	722.3	79.0	2.5	18.7	33.4	45.6	(2.5)	6.9	26.1	(0.7)
M&M	232.0	1,050.0	1-Apr-04	Buy	762.5	228.6	(2.1)	(4.4)	(8.4)	35.8	(6.9)	(14.0)	(13.4)	(7.3)
Marico	7.7	63.4	22-Aug-02	Buy	57.6	648.1	5.1	(3.7)	9.1	33.6	0.0	(13.3)	3.2	(8.9)
Maruti Udyog	360.0	1,050.0	23-Dec-03	Buy	810.9	125.3	1.0	(3.5)	(14.8)	19.4	(3.9)	(13.2)	(19.5)	(18.5)
Nicholas Piramal	146.0	393.0	16-Mar-04	Buy	260.2	78.2	1.2	14.7	10.2	41.5	(3.7)	3.3	4.2	(3.5)
Omax Auto	128.0	134.0	19-Jul-05	Buy	92.2	(28.0)	5.3	12.2	8.0	9.3	0.2	1.0	2.1	(25.4)
Ranbaxy	533.5	558.0	24-Dec-03	Buy	388.2	(27.2)	4.5	15.1	3.1	0.1	(0.5)	3.6	(2.5)	(31.7)
Satyam Computers	181.5	538.0	30-Dec-03	Buy	478.5	163.6	1.1	10.0	2.5	46.7	(3.8)	(1.0)	(3.1)	0.1
SKF India	141.0	**	23-Dec-04	Buy	452.2	220.7	17.2	40.9	51.1	54.2	11.5	26.8	42.9	5.2
SBI	476.0	**	19-Dec-03	Buy	1,378.1	189.5	24.7	30.9	1.3	71.4	18.6	17.9	(4.2)	16.9
Sundaram Clayton	1,178.0	1,350.0	15-May-06	Buy	935.4	(20.6)	10.1	(11.4)	(22.0)	(15.5)	4.8	(20.3)	(26.2)	(42.4)
Tata Motors	473.0	980.0	29-Mar-04	Buy	747.2	58.0	1.6	(3.4)	(9.6)	4.7	(3.4)	(13.1)	(14.5)	(28.6)
Tata Tea	789.0	**	12-Aug-05	Buy	952.3	20.7	22.7	56.7	31.6	40.1	16.8	41.0	24.4	(4.4)
Unichem Laboratories	248.0	360.0	12-Dec-05	Buy	263.7	6.3	4.4	5.0	6.9	8.0	(0.7)	(5.4)	1.1	(26.4)
Wipro	418.0	675.0	9-Jun-06	Buy	544.2	30.2	(4.7)	(6.9)	(8.7)	24.9	(9.4)	(16.2)	(13.6)	(14.8)
EMERGING STAR														
3i Infotech	132.0	400.0	6-Oct-05	Buy	310.3	135.1	2.5	23.0	67.6	87.2	(2.5)	10.7	58.5	27.7
Aban Offshore	330.4	3,110.0	3-Mar-05	Buy	2,659.4	704.9	2.0	45.8	136.9	171.7	(3.0)	31.3	124.0	85.3
Alphageo india	150.0	**	29-Nov-06	Buy	346.9	131.2	28.5	79.2	106.8	131.7	22.3	61.3	95.5	58.1
Cadila Healthcare	297.5	425.0	21-Mar-06	Buy	335.0	12.6	3.8	5.3	3.4	17.4	(1.2)	(5.2)	(2.2)	(19.9)
Federal-Mogul Goetze	385.0	559.0	18-Jan-07	Buy	252.1	(34.5)	(3.5)	(23.5)	(30.0)	(9.5)	(8.1)	(31.2)	(33.8)	(38.3)
KSB Pumps	399.0	625.0	3-Oct-05	Buy	493.8	23.8	(6.6)	(6.4)	(13.0)	1.5	(11.1)	(15.7)	(17.7)	(30.8)
Marksans Pharma	236.0	360.0	7-Mar-06	Buy	52.1	(77.9)	(9.9)	(33.9)	(55.5)	(66.1)	(14.2)	(40.5)	(58.0)	(76.9)
Navneet Publications	56.8	67.0	22-Aug-05	Buy	60.0	5.6	5.4	8.2	5.7	10.4	0.3	(2.6)	(0.1)	(24.7)
NDTV	180.9	**	10-Feb-05	Buy	389.6	115.4	15.5	23.5	66.2	99.9	9.9	11.1	57.2	36.3
Nucleus Software Exports	497.0	1,020.0	12-Dec-06	Hold	1,009.8	103.2	(5.2)	(2.6)	98.9	235.1	(9.8)	(12.3)	88.1	128.6

REPORT CARD

STOCK IDEAS STANDING (AS ON JUNE 01, 2007)														
COMPANY	RECO PRICE	PRICE TARGET	RECO DATE	CURRENT RECO	PRICE AS ON 01-JUNE-07	GAIN/ LOSS (%)	ABSOLUTE PERFORMANCE				RELATIVE TO SENSEX			
							1M	3M	6M	12M	1M	3M	6M	12M
Orchid Chemicals	254.0	390.0	16-Jan-06	Buy	258.7	1.9	0.1	10.3	22.4	19.7	(4.7)	(0.7)	15.8	(18.4)
ORG Infomatics	130.0	184.0	16-Dec-05	Buy	115.8	(11.0)	(9.2)	(10.8)	(37.3)	(13.6)	(13.6)	(19.7)	(40.7)	(41.1)
Tata Elxsi	232.0	385.0	14-Dec-06	Buy	342.2	47.5	7.8	17.9	34.5	84.6	2.6	6.2	27.2	25.9
Television Eighteen India	219.0	**	23-May-05	Buy	834.2	280.9	10.5	43.9	(6.5)	101.2	5.1	29.5	(11.6)	37.2
Thermax	124.2	585.0	14-Jun-05	Buy	497.8	300.8	19.4	32.2	32.2	77.4	13.6	19.0	25.0	21.0
UTI Bank	229.4	**	24-Feb-05	Buy	576.2	151.2	24.2	19.9	18.1	103.9	18.2	8.0	11.7	39.1
Ugly Duckling														
Ahmednagar Forgings	250.0	380.0	10-Oct-06	Buy	253.0	1.2	2.8	1.3	2.4	50.5	(2.1)	(8.8)	(3.2)	2.7
Ashok Leyland	38.0	44.0	23-May-06	Buy	38.4	1.1	(1.4)	(1.3)	(7.8)	9.2	(6.2)	(11.1)	(12.8)	(25.5)
Aurobindo Pharma	684.0	914.0	28-May-07	Buy	697.7	2.0	(0.3)	4.9	8.9	24.2	(3.8)	(5.8)	3.7	(20.5)
BASF	220.0	300.0	18-Sep-06	Buy	268.5	22.0	18.2	31.0	18.1	32.4	12.5	17.9	11.7	(9.7)
Ceat	122.0	190.0	28-Nov-06	Buy	176.4	44.6	23.7	50.3	39.8	104.4	17.7	35.3	32.2	39.4
Deepak Fert	50.6	126.0	17-Mar-05	Buy	92.8	83.4	10.0	7.7	16.8	6.5	4.6	(3.1)	10.5	(27.3)
Fem Care Pharma	358.0	500.0	13-Dec-06	Buy	429.8	20.1	13.3	15.1	10.3	34.8	7.8	3.6	4.3	(8.0)
Genus Overseas	101.0	380.0	6-Jul-05	Buy	262.9	160.2	9.6	(2.6)	19.8	5.1	4.3	(12.3)	13.3	(28.3)
Hexaware Technologies	159.0	220.0	30-Mar-07	Buy	155.6	(2.2)	(8.3)	1.5	(13.4)	22.4	(12.8)	(8.7)	(18.1)	(16.5)
ICI India	250.0	581.0	26-May-05	Buy	524.7	109.9	21.5	23.0	32.2	50.7	15.6	10.8	25.1	2.8
India Cements	220.0	231.0	28-Sep-06	Buy	181.3	(17.6)	1.6	4.3	(23.8)	21.9	(3.3)	(6.1)	(27.9)	(16.9)
Indo Tech Transformer	199.0	375.0	28-Nov-06	Buy	348.3	75.0	7.1	30.1	57.0	90.0	1.9	17.1	48.5	29.6
JM Financial	214.0	**	29-Aug-05	Buy	1,100.0	414.0	6.1	18.9	43.3	57.6	1.0	7.1	35.5	7.5
Jaiprakash Associates	125.0	850.0	30-Dec-03	Buy	697.8	458.2	15.7	30.6	1.8	71.6	10.1	17.5	(3.7)	17.0
KEI Industries	39.4	140.0	30-Aug-05	Buy	91.2	131.3	28.2	14.6	4.2	31.0	22.0	3.2	(1.5)	(10.7)
NIIT Technologies	204.0	720.0	31-Mar-06	Buy	590.3	189.3	31.5	29.2	120.9	237.1	25.1	16.3	108.9	129.9
Punjab National Bank	180.0	578.0	19-Dec-03	Buy	535.3	197.4	6.3	20.5	(2.6)	40.5	1.2	8.4	(7.9)	(4.2)
Ratnamani Metals	270.0	**	8-Dec-05	Buy	882.6	226.9	24.6	28.3	87.2	154.3	18.6	15.5	77.0	73.4
Sanghvi Movers	265.0	1,050.0	5-Aug-05	Buy	839.9	216.9	19.0	17.3	8.9	13.6	13.2	5.6	3.0	(22.5)
Saregama India	149.0	375.0	4-Jul-05	Buy	289.4	94.2	23.5	34.8	34.9	14.2	17.6	21.4	27.6	(22.1)
Selan Exploration	58.0	101.0	20-Mar-06	Buy	84.0	44.8	(0.8)	10.7	9.9	14.6	(5.6)	(0.3)	4.0	(21.8)
South East Asia Marine	190.0	300.0	12-Oct-06	Buy	192.4	1.2	0.6	(2.8)	13.5	14.5	(4.2)	(12.5)	7.4	(21.9)
Subros	206.0	340.0	26-Apr-06	Buy	229.3	11.3	0.4	(0.3)	(12.0)	17.7	(4.5)	(10.3)	(16.8)	(19.7)
Sun Pharmaceutical	302.0	1,297.0	24-Dec-03	Buy	1,092.0	261.6	6.3	15.2	5.7	39.5	1.2	3.7	(0.1)	(4.8)
Surya Pharma	139.0	205.0	2-Dec-05	Buy	72.1	(48.2)	(2.3)	1.5	(7.7)	(24.7)	(7.0)	(8.6)	(12.7)	(48.6)
UltraTech Cement	384.0	935.0	10-Aug-05	Buy	837.7	118.2	2.1	(3.2)	(8.1)	40.9	(2.8)	(12.9)	(13.1)	(3.9)
Union Bank of India	46.0	141.0	19-Dec-03	Buy	121.1	163.3	13.3	21.5	(7.4)	20.9	7.8	9.3	(12.5)	(17.5)
Universal Cables	123.0	179.0	30-Aug-05	Buy	114.4	(7.0)	39.3	15.2	7.4	25.4	32.6	3.7	1.6	(14.4)
Wockhardt	248.0	552.0	24-Dec-03	Buy	425.7	71.6	(0.7)	11.9	14.4	18.0	(5.6)	0.8	8.2	(19.5)
Vulture's Pick														
Esab India	60.0	575.0	21-May-04	Buy	419.7	599.4	14.3	23.2	14.8	21.1	8.7	10.9	8.6	(17.4)
Orient Paper	214.0	800.0	30-Aug-05	Buy	447.3	109.0	(6.1)	5.7	(23.1)	21.8	(10.6)	(4.9)	(27.3)	(16.9)
WS Industries	51.0	87.0	2-Dec-05	Buy	49.2	(3.6)	13.9	(3.1)	(9.6)	(16.4)	8.4	(12.7)	(14.5)	(43.0)
Cannonball														
Allahabad Bank	73.0	101.0	25-Aug-06	Buy	86.1	17.9	8.4	12.0	(7.7)	14.1	3.1	0.8	(12.7)	(22.1)
Andhra Bank	85.0	101.0	25-Aug-06	Buy	87.2	2.5	6.9	15.4	(2.0)	23.6	1.7	3.9	(7.3)	(15.7)
Cipla	101.2	256.0	24-Dec-03	Buy	224.2	121.5	6.3	(2.8)	(11.9)	3.1	1.2	(12.5)	(16.7)	(29.7)
Gateway Distriparks	190.0	250.0	11-Aug-05	Buy	182.3	(4.1)	4.1	12.1	0.9	(7.2)	(0.9)	0.9	(4.6)	(36.7)
International Combustion	350.0	519.0	20-Sep-05	Buy	320.9	(8.3)	19.3	10.5	(2.3)	4.5	13.5	(0.6)	(7.6)	(28.7)
J K Cement	149.0	200.0	17-Nov-05	Buy	149.1	0.0	(2.6)	(6.4)	(22.2)	7.4	(7.3)	(15.8)	(26.4)	(26.8)
Madras Cement	1,498.0	3,500.0	17-Nov-05	Buy	2,792.7	86.4	(2.8)	(0.4)	(11.2)	22.6	(7.5)	(10.3)	(16.0)	(16.4)
Shree Cement	445.0	1,500.0	17-Nov-05	Buy	1,183.0	165.8	12.6	3.4	(14.1)	44.6	7.1	(7.0)	(18.7)	(1.3)
Transport Corporation	52.2	100.0	9-Dec-05	Buy	87.5	67.5	35.4	35.3	1.5	26.2	28.8	21.8	(4.0)	(13.9)

** Price under review

Domestic concerns easing but watch out for earnings

Last month the country's leading stock exchange, the Bombay Stock Exchange, achieved an important milestone. The market capitalisation of all the companies listed on the bourse crossed the "one trillion dollar" mark on May 28. Of course the feat was possible thanks to the rupee's relentless rise against the dollar that resulted in a 60% increase in the combined market capitalisation of all these companies in dollar terms in a year. But the 42% gain in rupee terms over the same period is no mean achievement either and reflects the buoyancy in the Indian stock market. The question is: What is filling the market with so much buoyancy even when it is fairly priced at the current levels?

Three things: easing of some concerns, flow of certain positive data and most importantly, strong liquidity. Inflation has been one of the key concerns of the market in recent times, as it has compelled the central bank to tighten its fiscal policy, resulting in higher interest rates and a stronger rupee. The hardening rates and strengthening rupee are, in turn, expected to affect the profitability of Indian companies in FY2008, given the slowdown in sectors like automobiles and housing in April and May this year. Well, the good news is that inflation has finally eased and how! After spending nearly four months at its high perch of above 6%, the Wholesale Price Index has dramatically climbed down to 4.85% for the week ended May 26. That's the lowest since the week ended July 29 last year and has been achieved in just about a month's time. It must be said here that it has come as no surprise to Sharekhan as the broking house is among the few who were expecting the decline, given the high base of inflation in the same period last year. The index is likely to descend even further—in fact we forecast that inflation can fall further to 4.5% by the next month.

With the easing of inflation the pressure on interest rates is also expected to ease. The hardening rates have not only slowed down consumer demand but also made working capital dearer. As per the Society of Indian Automobile Manufacturers, car sales in the past two months grew at the slowest pace in a year. However we believe interest rates are near their peak and going forward we might see at the most another 25-basis-point hike in the policy rates.

Another source of worry in recent times has been the rupee. The local currency has gained 8% so far in the current year and 14% since August 2006 due to strong foreign fund inflows and the Reserve Bank of India's (RBI) reluctance to support the rupee, as the central bank is concerned that the money supply growth would add to inflationary pressures. But now that inflation has moderated, the probability of the RBI's intervention in the foreign exchange market to support the rupee has increased. In fact, according to media reports, the central bank has already made a beginning by purchasing 500 million dollars from the foreign exchange market on May 28. That is good news considering that the rising rupee has claimed several collateral damages so far. It has hit the country's export competitiveness. In April this year, exports in dollar terms saw a growth of 23.6% compared with 12.7% in April 2006; however in rupee terms the growth was only 15.4% vs 15.8% in April last year. Companies that earn in dollars, such as information technology (IT), IT enabled services, business process outsourcing, textiles, pharmaceuticals, gems & jewellery and hospitality companies, have also been affected. We expect the earnings of such companies to slow down in this year as we expect the rupee to remain strong in FY2008. The rupee is expected to derive its strength from the sustained foreign fund flows into the stock market and additional fund flows from the mega public offerings lined up by companies like DLF and ICICI Bank.

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That brings us to the factor that is most responsible for the market's steady rise despite having reached its fair value and that is *liquidity*. Liquidity is in abundance, both locally and globally. Liquidity has swelled globally in the past few years owing to lenient monetary policies of central banks, the emergence of financial instruments like derivatives, and the growth of hedge funds and private equity firms. Private equity firms alone have bid $447 billion for companies so far in the year as against $228 billion a year ago whereas assets of hedge funds have grown three times in the past ten years to $1.57 trillion. The point to be noted is that a significant chunk of these funds has found its way to India in the past few years.

Investors have been pumping money into India from around the globe in the hope of superior returns. Foreign institutional investors have invested $4.0 billion in Indian equities so far in CY2007 vs $8.8 in CY2006. India received foreign direct investments to the tune of $13.3 billion during 2006-07 compared with $5.6 billion in the previous year. The prime minister is expecting another $30 billion this year through the same route. The more the merrier, considering that India needs an investment equivalent to 35.1% of its gross domestic product (GDP) to maintain a growth rate of 9% over the next five years.

No doubt it is India's brilliant performance that is attracting foreign funds by planeloads. The country's economy seems to be on a real high as indicated by the strong economic data released last month. Industrial production grew by 12.9% during March 2007 as against 8.9% in the corresponding period last year. The quick estimates of the Central Statistical Organisation peg the industry growth rate for the entire fiscal at 11.3%. Mining, manufacturing and electricity generation segments showed 6.3%, 14.1% and 7.8% growth respectively in March 2007 and 15.1%, 12.3% and 7.2% rise respectively for FY2007. The GDP, the key indicator of the economy's health, grew by a good 9.1% in the March quarter, taking the growth for the full fiscal to a strong 9.4%, higher than the government's estimate of 9.2% and the highest in almost two decades!

Growth in even the laggard, ie agricultural sector, picked up in the fourth quarter. Agricultural growth improved in the last quarter of FY2007 to 3.8% from a miniscule 1.6% in the previous quarter even though for FY2007 the same remained low at 2.7% vs 6% in FY2006. True, the sector contributes only 18.5% to the country's GDP but any pick-up in the agricultural output would be good for the economy, as it would help bring down inflation further. That's because the current inflation is mostly a result of the demand-supply gap in agricultural commodities such as wheat, pulses and edible oils. However, the agricultural sector has to grow at even a faster clip if the demand-supply mismatch in food grains and other crops has to be overcome.

The sector may get a helping hand from the monsoon in this regard. A near normal monsoon this year, as projected by the India Meteorological Department, would help in accelerating the agricultural growth rate further. Moreover, the monsoon has made an early start this year, it hit the country's shores in the last week of May itself instead of the projected date of June 1. An early monsoon is expected to help several crops like cotton, groundnut, rice and soy bean, provided the rainfall is evenly distributed over the next two months. The monsoon remains critical to the well being of the country's economy as it determines not only the agricultural yield but also the rural demand for consumer goods.

contd....

Some positive data also flowed from the USA last month, allaying fears that the world's largest economy may be headed for recession. For instance, business activity has rebounded, the jobless rate is almost the lowest in six years and stock markets are on a roll in the world's largest economy. Even though the economy grew at the slowest rate (0.6%) in more than four years in the first quarter of CY2007, activity in the service sector has shown improvement for two months in a row (April and May), pointing to recovery in the economy. Although inflation at 2% remains in the upper band of the Federal Reserve's (Fed) comfort zone, the Fed chief expects inflation to "moderate gradually over time". He is also confident that the economy would weather the housing slump and grow at a moderate pace this year. The Fed thus appears in no hurry to cut interest rates. The same is reflected in the Fed futures rate chart, an indicator to gauge the interest rate movements and the Fed's policy action. The chart shows a horizontal straight line, indicating that the markets don't expect the Fed to cut rates in CY2007. The Fed kept the key rate unchanged at its May 9 meeting and its next meeting on June 27-28 is also not expected to yield a rate cut.

It can't be denied that the positive developments, strong economic data and ample liquidity have improved market sentiment in the past few weeks. However there are some concerns that might spook the market going forward. For one, a host of public offerings—including those of DLF and ICICI Bank—is expected to hit the market in June which is likely to divert a large amount of funds to the primary market. Sample this: DLF and ICICI Bank are together looking to mobilise some Rs25,000-30,000 crore! Besides, the market's valuation at 16.5x forward earnings is close to the level at which it has corrected in the past few instances.

Crude could also pose a threat. Continuing its upward march it touched a high of $70 last month and is expected to hover at these elevated levels in the near term, as it is the peak driving season in the USA (the biggest consumer of crude in the world) and the demand for gasoline (read *petrol*) would remain high. Also, the hurricane season has begun in the USA and more hurricane storms have been forecast for this year. If crude sustains at such higher levels, the Indian government may be forced to hike the prices of petroleum and petroleum products, which might stoke inflation again.

Most importantly, even though interest rates are expected to peak soon, they have taken their toll on Indian companies in the past few months by slowing down demand and automobiles are expected to be the hardest hit. This coupled with a possible slowdown in export demand and exchange rate impact is likely to take its toll on the earnings of the corporate sector, at least in the first half of FY2008. As earnings growth picks up in the second half, we expect the market sentiment to revive then and maintain our year-end index target of 15500.

Since there has been no change in the basic India growth story, the Indian market will go on finding takers, both at home and abroad. Also, in a booming economy such as ours, growth-oriented fundamentally strong companies would keep yielding extraordinary returns in the long term. It goes without saying that such companies will continue to be discovered, researched and delivered to you on a platter by Sharekhan. ■

Sharekhan Top Picks

Sharekhan top picks

In the May 2007 issue, we had recommended the best 12 of our Stock Ideas as Sharekhan Top Picks. As on June 1, 2007, the basket of stocks has given absolute return of 7.9% as compared to a 3.5% appreciation in the Sensex and a 3.52% rise in the S&P CNX Nifty.

We have made two changes in the portfolio. We have taken out Aditya Birla Nuvo and Genus Power from the portfolio and brought in HDFC Bank and Aurobindo Pharma. ■

NAME	CMP* (RS)	PER			ROE (%)			TARGET PRICE	UPSIDE (%)
		FY06	FY07E	FY08E	FY06	FY07E	FY08E		
Aurobindo Pharma	697.7	52.9	20.9	15.2	8.6	13.5	15.7	914.0	31.0
Bharti Airtel	838.0	70.4	37.2	26.2	20.7	29.1	32.3	900.0	7.0
Bharat Electronics	1,892.1	26.0	21.2	18.0	29.7	26.7	24.1	2,020.0	7.0
Bharat Heavy Electricals	1,414.4	41.2	28.6	22.5	23.0	26.2	26.4	1,563.0	10.0
HCL Technologies**	345.7	28.8	19.5	16.6	19.5	21.7	23.1	395.0	14.0
HDFC Bank	1,152.9	41.5	32.2	27.7	17.7	19.3	15.8	1,355.0	18.0
Hindustan Lever#	201.3	33.5	28.8	23.4	56.8	56.5	57.3	280.0	39.0
ICICI Bank	928.1	32.5	26.8	26.2	13.6	13.3	10.3	1,173.0	26.0
Indo Tech Transformer	348.3	33.2	14.7	12.0	23.3	30.6	28.7	375.0	8.0
M&M	762.5	27.0	21.3	16.9	22.2	27.2	23.2	1,050.0	38.0
Sun Pharmaceutical Industries	1,092.0	35.4	27.3	22.8	36.1	19.5	18.7	1,297.0	19.0
Thermax	497.8	58.8	29.8	21.3	22.3	31.4	32.4	585.0	18.0

* CMP as on June 01, 2007 **June ending company # Calendar year ending company

NAME	CMP (RS)	PER			ROE (%)			TARGET PRICE	UPSIDE (%)
		FY06	FY07E	FY08E	FY06	FY07E	FY08E		
AUROBINDO PHARMA	**697.7**	52.9	20.9	15.2	8.6	13.5	15.7	**914.0**	31.0

Remarks:

- With strong process chemistry skills, Aurobindo has graduated from being a mere API player to a strong formulation player in the global markets.
- Aurobindo boasts of a product pipeline of 110 DMFs and 82 ANDA filings for the US market. With major approvals having come through in FY2007, we expect incremental revenue of Rs100 crore from the US generic business.
- Being a strong player in the anti-HIV market, Aurobindo has secured several new product approvals for its ARV products. We expect Aurobindo's ARV formulation revenues to reach $99 million and $128.7 million in FY08 and FY09 respectively.
- The above initiatives are expected to translate into revenue and earnings CAGR of 24.3% and 70% respectively over FY2007-09E, yielding EPS of Rs57.1 in FY2009E. At the CMP of Rs698, the stock trades attractively at 15.2x FY2008E and 12.2x FY2009E earning estimates.

NAME	CMP (RS)	FY06	FY07E	FY08E	FY06	FY07E	FY08E	TARGET PRICE	UPSIDE (%)
BHARTI AIRTEL	**838.0**	70.4	37.2	26.2	20.7	29.1	32.3	**900.0**	7.0

Remarks:

- Bharti Airtel, the largest wireless telephony service operator, is one of the key beneficiaries of the consumption boom in the country. It has reportedly added subscribers at a healthy CAGR of over 75% in the past three years and is expected to increase its subscriber base at a CAGR of over 35% over the next two years.
- The company's focus on introducing innovative services, cost control measures and growing economies of scale is resulting in an improvement in its margins, despite the continued pressure on the average revenue per unit (ARPU). Consequently, the earnings are estimated to grow at CAGR of over 46% over the three-year period FY2006-09.
- At the current market price the stock trades attractively at 26.2x FY2008 and 20.5x FY2009 earning estimates.

NAME	CMP (RS)	PER FY06	FY07E	FY08E	ROE (%) FY06	FY07E	FY08E	TARGET PRICE	UPSIDE (%)
BHARAT ELECTRONICS	**1,892.1**	26.0	21.2	18.0	29.7	26.7	24.1	**2,020.0**	7.0
Remarks:	■ Given its wide range of products, research & development capabilities and proven track record, Bharat Electronics is well poised to effectively tap the huge opportunity in the defence sector. ■ It has announced a pending order backlog of Rs9,100 crore as on March end 2007 and would benefit from the over 64% increase in the capital outlay for security and other equipment used by defence forces. Moreover, the recent alliances/tie-ups with leading defence contractors such as Northrop Grumman would further boost the overall growth in the long term. ■ At the current market price the stock trades attractively at 21.2x FY2007 and 18.0x FY2008 earning estimates.								
BHARAT HEAVY ELECTRICALS	**1,414.4**	41.2	28.6	22.5	23.0	26.2	26.4	**1,563.0**	10.0
Remarks:	■ Bharat Heavy Electricals Ltd (BHEL), a leading supplier of power equipment, will be the prime beneficiary of a four-fold increase in the investments (Rs500,000 crore in the 11th Five-Year Plan as against Rs112,000 crore in the 9th Five-Year Plan) being made in the power sector. ■ BHEL's current order book of Rs55,000 crore, ie 3x its FY2007 revenue, provides high earnings visibility. ■ The power ministry has proposed around five ultra mega power projects entailing a capacity addition of 20,000MW (4,000MWx5) with the combined turnkey value of at least Rs80,000 crore. ■ BHEL's recent technology transfer agreement with Alstom for design and manufacture of large-sized (500MW+) super-critical boilers will enable it to bid for the ultra mega power projects. We expect BHEL to bag a fair share out of this huge Rs80,000-crore potential investment, which in turn will maintain the growth momentum in the company's order book. ■ The stock trades at a PER of 22.5x its FY2008E earnings. BHEL's valuation looks attractive as compared with that of its peers, such as Siemens, ABB and Larsen and Toubro.								
HCL TECHNOLOGIES**	**345.7**	28.8	19.5	16.6	19.5	21.7	23.1	**395.0**	14.0
Remarks:	■ HCL Technologies, one of the leading Indian IT service vendors, has been able to successfully bag large-sized deals (multi-million, multi-year) over the past few quarters. This has considerably improved its revenue growth visibility. ■ The company has reported higher than expected performance for the past three quarters. Moreover, it has been able to improve its margins, allaying the concerns that execution of large deals might have an adverse impact on its profitability. ■ At the current market price the scrip trades at 16.6x FY2008 and 13.8x FY2009 estimated earnings. We recommend Buy call on the stock.								
HDFC BANK	**1,152.9**	41.5	32.2	27.7	17.7	19.3	15.8	**1,355.0**	18.0
Remarks:	■ HDFC Bank is the best private sector bank, it delivers a consistent 31% earnings growth under most market situations. ■ The bank has shown a significant improvement in net interest margins to 4.4% when the entire banking system is coping with pressure on margins. This has been possible due to the bank's excellent asset liability management, and a high and stable low-cost deposit base of 55%, which helps to keep the costs down under a rising interest rate scenario. ■ The bank's management has an excellent track record and the latest capital raising plan of Rs4,200 crore would be book value accretive and help the bank to grow at a robust pace. ■ At the current market price the stock is quoting at 21.2x FY2009E earnings per share, 8.2x FY2009E pre-provision profits and 3.1x FY2009E book value. We maintain our Buy recommendation on the stock with a price target of Rs1,355.								
HINDUSTAN LEVER #	**201.3**	33.5	28.8	23.4	56.8	56.5	57.3	**280.0**	39.0
Remarks:	■ HLL is India's largest fast moving consumer good (FMCG) company. The volume growth is picking up in FMCG sector and HLL is likely to be a key beneficiary. ■ The company has regained the pricing power in all the product segments. We believe better pricing power and improved product mix will be the revenue drivers. The turn-around of loss-making businesses, cost-cutting initiatives and increased focus on its food business should help it to improve its profitability. ■ At the current market price the stock is quoting at 23.4x its CY2007E earnings per share (EPS) of Rs8.5. We maintain our Buy recommendation on the stock with a price target of Rs280.								

<table>
<tr><th>NAME</th><th>CMP (RS)</th><th>PER FY06</th><th>FY07E</th><th>FY08E</th><th>ROE (%) FY06</th><th>FY07E</th><th>FY08E</th><th>TARGET PRICE</th><th>UPSIDE (%)</th></tr>
<tr><td>ICICI BANK</td><td>**928.1**</td><td>32.5</td><td>26.8</td><td>26.2</td><td>13.6</td><td>13.3</td><td>10.3</td><td>**1,173.0**</td><td>26.0</td></tr>
<tr><td>**Remarks:**</td><td colspan="9">■ ICICI Bank is India's second-largest bank. Its strong positioning in the retail advance segment gives it dual advantages of a healthy growth in both loans and fee income.
■ Various subsidiaries (life insurance, general insurance, ICICI Securities) add Rs382 to the overall valuation. Listing of the holding company (insurance and asset management businesses) could unlock significant value going forward.
■ The bank plans to raise Rs20,000 crore of equity, which should help it maintain its current high growth rates for the next three years. In the past, the management has improved the return on equity post-dilution.
■ Its international operations are also gaining momentum, the only challenge would be to manage the uptick in non-performing assets.
■ The stock trades at a PER of 26.2x its FY2008E earnings and 2.1x its FY2008E book value.</td></tr>
<tr><td>INDO TECH TRANSFORMERS</td><td>**348.3**</td><td>33.2</td><td>14.7</td><td>12.0</td><td>23.3</td><td>30.6</td><td>28.7</td><td>**375.0**</td><td>8.0</td></tr>
<tr><td>**Remarks:**</td><td colspan="9">■ Indo Tech Transformers is among the leading manufacturers of transformers and is benefiting from the robust demand environment. It is expanding its manufacturing capacity from 2,450MVA to 7,450MVA to cater to the strong demand emerging from the government's stated policy and mission of providing power for all by 2012.
■ The strong order book of around Rs200 crore (2x FY2006 revenues) and high operating margins in the range of 18-20% (the highest in the industry) make it one of our top picks.
■ At the current market price, the stock trades attractively at 14.7x FY2007 and 12.0x FY2008 earnings estimates.</td></tr>
<tr><td>MAHINDRA & MAHINDRA</td><td>**762.5**</td><td>27.0</td><td>21.3</td><td>16.9</td><td>22.2</td><td>27.2</td><td>23.2</td><td>**1,050.0**</td><td>38.0</td></tr>
<tr><td>**Remarks:**</td><td colspan="9">■ The government's increasing thrust on agriculture and the easy availability of credit would benefit M&M's tractor sales.
■ Its product mix would be further enriched with a number of new launches, including a new UV platform, a mid-sized car Logan (in collaboration with Renault) and other products in collaboration with International Trucks. Another multi-purpose vehicle (code named Ingenio) is slated for a launch in FY2008.
■ A better product mix and higher operating efficiencies have helped improve the margins of the company.
■ Subsidiaries like Tech Mahindra, Mahindra Gesco, and MMFSL are rendering strong performances.
■ Currently M&M is quoting at 10.8x FY2008 its consolidated earnings.</td></tr>
<tr><td>SUN PHARMACEUTICAL</td><td>**1,092.0**</td><td>35.4</td><td>27.3</td><td>22.8</td><td>36.1</td><td>19.5</td><td>18.7</td><td>**1,297.0**</td><td>19.0</td></tr>
<tr><td>**Remarks:**</td><td colspan="9">■ Sun Pharma maintains the numero uno ranking with neurologists, cardiologists, diabetologists and orthopedics.
■ With 56 abbreviated new drug applications (ANDAs) pending US FDA approval and a filing rate of 30+ ANDAs per year, Sun Pharma has one of the strongest product pipelines for the US market. The company is amongst the top three players in around 15 of the 25 products that it sells in the US market.
■ Sun Pharma is likely to show a CAGR of about 60% in ROW markets in FY2006-08. It has 750 products registered and another 300+ products pending approval in these markets.
■ With a strong cash position of over Rs1,500 crore, Sun Pharma is well placed to unlock value from potential acquisitions. The demerger of its innovative research and development research unit into a separate arm is likely to trigger substantial value unlocking going forward. The company's disclosed innovative R&D pipeline consists of one new chemical entity and two novel drug delivery system products.</td></tr>
<tr><td>THERMAX</td><td>**497.8**</td><td>58.8</td><td>29.8</td><td>21.3</td><td>22.3</td><td>31.4</td><td>32.4</td><td>**585.0**</td><td>18.0</td></tr>
<tr><td>**Remarks:**</td><td colspan="9">■ Thermax, with its diversified product and application range, is riding on a sustainable capital expenditure (capex) boom in the industrial and infrastructure sectors.
■ The capacity expansion and related projects in the core sectors are leading to higher order intake for Thermax. Thermax' current order book of Rs3,024 crore, ie 1.9x its FY2006 revenue, provides high earnings visibility.
■ The robust traction across divisions and a burgeoning order book would drive a 28.9% CAGR in Thermax' consolidated revenues over FY2006-08.
■ The improving operating leverage from cost rationalisation measures and economies of scale will lead to a 260-basis-point margin expansion over FY2006-08.
■ At the current market price, the stock trades at a PER of 21.3x its FY2008E earnings. Rs43 per share of cash and cash equivalent on the company's books as on December31, 2006 provides a margin of safety.</td></tr>
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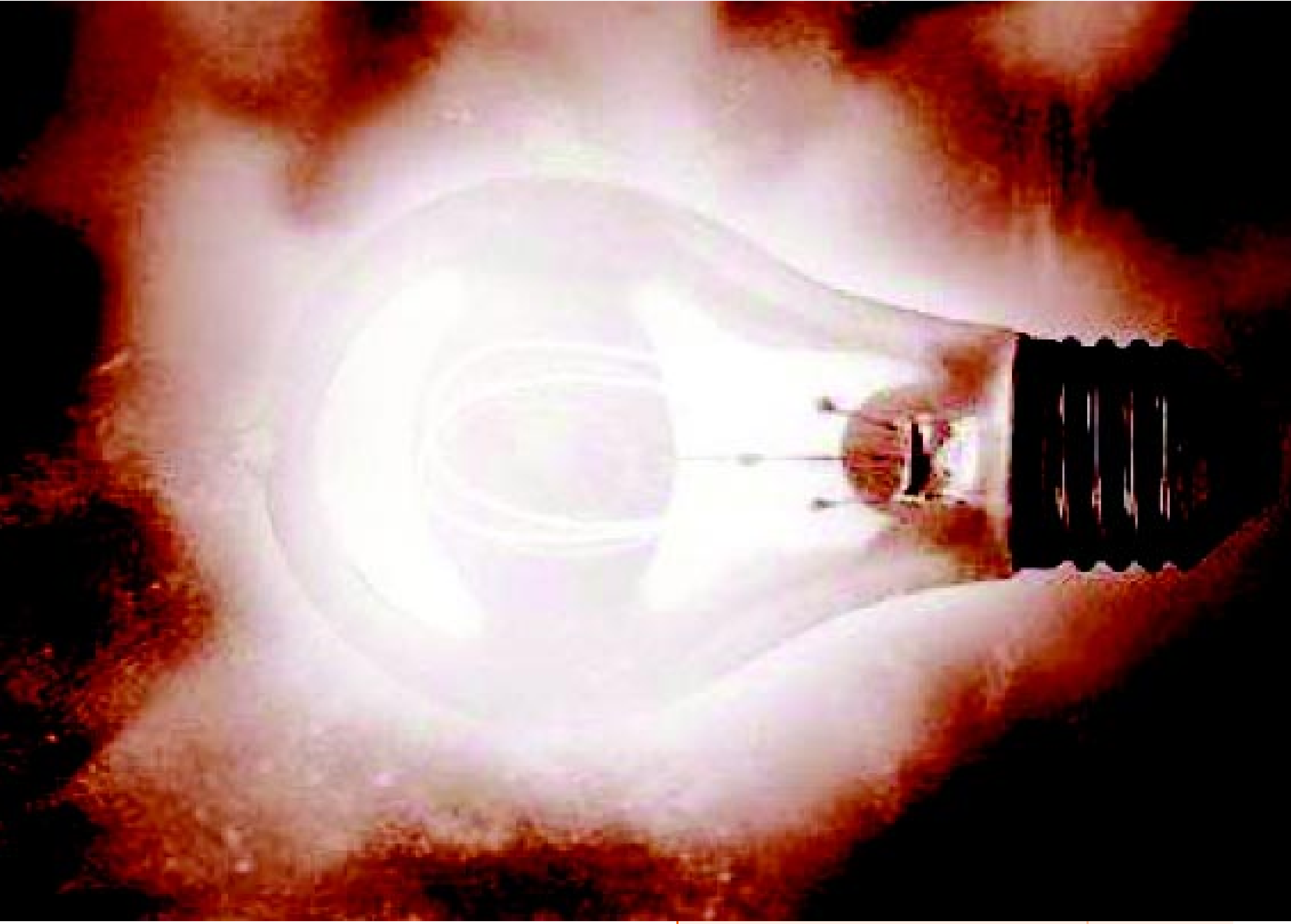


Stock Idea

Aurobindo Pharma

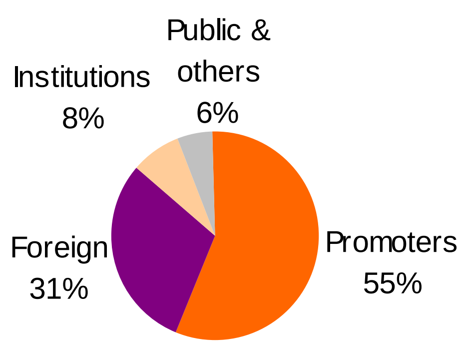
Ugly Duckling	Buy; CMP: Rs684	May 28, 2007

Betting big on formulation growth

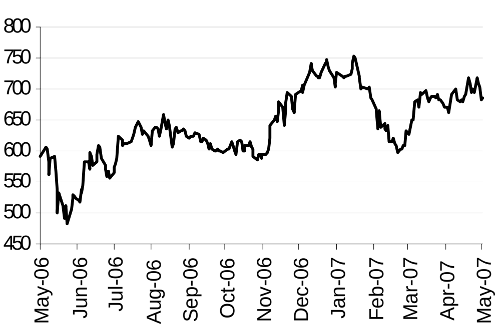
COMPANY DETAILS

Price target:	Rs914
Market cap:	Rs3,649 cr
52 week high/low:	Rs762/468
NSE volume: (No of shares)	1.0 lakh
BSE code:	524804
NSE code:	AUROPHARMA
Sharekhan code:	AURPHARM
Free float: (No of shares)	2.4 cr

SHAREHOLDING PATTERN



PRICE CHART



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	2.2	0.2	15.3	21.5
Relative to Sensex	1.4	-5.0	9.8	-11.0

KEY POINTS

- **Formulation business grows at 62.2% CAGR:** Aurobindo Pharma (Aurobindo) has created a robust product pipeline of 1,172 formulation dossiers for various markets and expects major growth in its speciality generic formulation business. The formulation sales are expected to gallop at a CAGR of 62.2% over FY2006-09.
- **Robust product pipeline:** During FY2007, Aurobindo filed 32 ANDAs and 41 DMFs, taking the cumulative DMF filings to 110 and ANDA filings to 82 in the US market. With the recent USFDA approval for products like Bisoprolol, Simvastatin and Zolpidem tartarate, we estimate incremental revenue of Rs100 crore from the US generic business during FY2008.
- **European business to expand at over 50%:** Aurobindo expects to deliver over 50% growth in Europe on the back of increased product registrations and synergetic benefits flowing from the recent acquisitions of Milpharm in the UK and Pharmacin in the Netherlands. It is also contemplating a couple of mid-sized acquisitions in Europe.
- **Steady growth in ARV business:** With most of the registrations taking place in the recent past, we expect Aurobindo to see steady growth in its ARV formulation revenues. We estimate the ARV formulation business would generate revenues worth $99 million and $128.7 million in FY2008 and FY2009 respectively.
- **Consolidated PAT to grow at 70% CAGR:** Going forward, the increasing traction in formulation exports would help the consolidated revenue to grow at a 24.3% CAGR during FY2006-09E (Rs3,143.1 crore in FY2009E). The adjusted net profit would gallop at a CAGR of 70% during FY2006-09 (Rs348.4 crore in FY2009E), translating into earnings of Rs57.1 per share.
- **Buy with price target of Rs914:** At the current market price of Rs684, Aurobindo is trading at 14.9x its FY2008E and 12.0x its FY2009E earnings. We initiate coverage on Aurobindo with a Buy recommendation and a one-year price target of Rs914 (an upside of 34% from the current levels). The price target discounts the FY2009E earnings by 16x.

COMPANY BACKGROUND

Aurobindo has traditionally been a supplier of APIs with focus on semi-synthetic penicillins and cephalosporins. But thanks to its process chemistry capability, the company has now graduated from a mere API and intermediate player to a speciality generic formulator.

KEY FINANCIALS

Particulars	FY05	FY06	FY07E	FY08E	FY09E
Net sales (Rs cr)	1321.6	1593.6	2057.5	2622.4	3143.1
PAT (Rs cr)	4.8	45.5	202.7	277.9	348.4
Shares in issue (cr)	5.1	5.3	6.1	6.1	6.1
EPS (Rs)	-2.1	13.2	33.4	45.8	57.1
PER (x)	-327.8	52.0	20.5	14.9	12.0
EV/EBIDTA (x)	33.4	23.0	11.9	9.3	7.7
P/BV (x)	5.1	4.5	2.8	2.3	2.0
ROCE (%)	4.6	7.4	11.2	13.4	14.7
RONW (%)	-1.6	8.6	13.5	15.7	16.5

Aurobindo, with 1,172 formulation dossiers for various markets, sees major growth coming from its speciality generic formulation business. Alongside, the company's thrust on ARVs, at a time when AIDS is spreading rapidly across the globe, provides a growth opportunity.

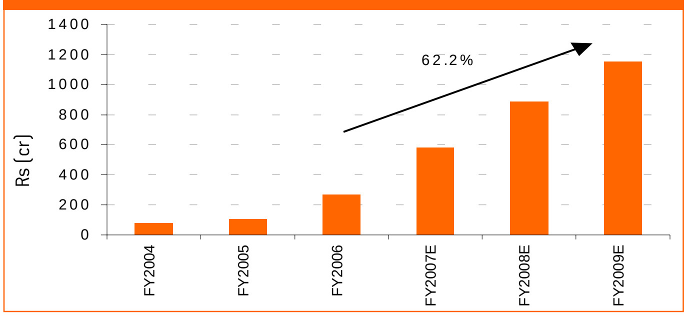
So far as therapy coverage of the company is concerned, it has presence in anti-infective drugs and fast growing life-style disease drugs (including CNS, CVS, diabetes and gastroenterology) and key speciality therapeutics (chronic pain, allergy, ARVs etc).

INVESTMENT ARGUMENTS

Robust formulation growth

Capitalising on its global positioning in bulk drugs and intermediates, Aurobindo has created a robust product pipeline for its formulation business. Supported by its 337 bulk dossiers the company has filed 1,172 formulation dossiers for various markets and expects major growth from its speciality generic formulation business. We estimate the formulation revenue of the company would gallop at a compounded annual growth rate (CAGR) of 62.2% during FY2006-09. The growth would be achieved on the back of a ramp-up in the US generic business, a steady progress in the European and emerging markets, and the increasing anti-retroviral (ARV) exports.

FORMULATION BUSINESS GROWS AT 62.2% CAGR



Source: Sharekhan Research

US generics to catalyse formulation growth

Recognising the upcoming generic opportunity, Aurobindo has rapidly built a robust product pipeline. During FY2007, Aurobindo filed 32 abbreviated new drug applications (ANDAs) and 41 drug master files (DMFs), taking the cumulative DMF filings to 110 and ANDA filings to 82 in the US market. Out of these filings, 41 ANDAs (comprising 23 final approvals, 18 tentative approvals) have been approved by the US Food and Drug Administration (USFDA). The 41 ANDA approvals are inclusive of 23 ARV products. The size of the US market for the company's filings is about $108 billion, which reflects the huge revenue potential for the company. With the recent USFDA approval for products like Bisoprolol, Simvastatin and Zolpidem tartarate, we estimate incremental revenue of Rs100 crore from the US generic business during FY2008.

Though the company has built a robust product pipeline for the US market, most of its products are highly competitive with the presence of a large number of competitors in the market. Even then, with its fully integrated business model Aurobindo is well placed to gain from the US generic opportunity. So far the company has minimal presence in the US market but on account of the approval of an increasing number of products, we foresee a ramp-up in the US formulation business going forward. Further, the company's plan to file 30 ANDAs annually for the next couple of years would maintain the momentum in the US generic business in the medium to longer term.

Aurobindo has strategically launched its own US marketing operations. This marketing and distribution infrastructure coupled with complete backward integration would help the company to counter the competitive pressure in the US market.

Sandoz facility qualifies for US government order

Aurobindo acquired Sandoz' manufacturing facility in New Jersey for US$19 million in order to manufacture controlled substance formulations. This would help the company to participate in the US government tenders, which account for 15% of the total US market valued at over $250 billion. The facility is USFDA approved and the company has already submitted validation batches with the USFDA. The company expects revenue to flow from the facility by H2FY2008. The Sandoz acquisition provides a big revenue opportunity for the company but we have not factored the same in our estimates. So any development on this front would result in an earnings surprise.

Europe witnesses steady progress

In order to establish its position in the European market, Aurobindo has adopted both the organic and the inorganic route. In terms of organic initiatives, Aurobindo has filed 34 dossiers, six of which are already approved. The size of the market for the dossiers filed by the company is $47.8 billion. The company expects to maintain the fast pace of filing dossiers for the European market going forward. In order to monetise its research and development capabilities in dossier fillings, it has also commenced selling dossiers in Europe.

On the other hand, in order to establish its marketing and distribution platform in Europe, it acquired Milpharm in the UK (with a revenue base of £7.7 million in 2005) in FY2006. Milpharm has over 100 market authorisations covering therapies like central nervous system (CNS), cardiovascular system (CVS), gastro-intestinal [GI], diabetes, cephalosporins and semi-synthetic penicillins (SSPs).

Also, in FY2007 Aurobindo acquired Pharmacin, a generic pharmaceutical company based in the Netherlands with a revenue base of euro 6 million for the year ended December 2006. Pharmacin holds 203 market authorisations covering therapies like CNS, CVS and GI. The Dutch company has been growing at a CAGR of 30%.

These acquisitions reduce the time to market and enhance the relationships in the generic value chain in addition to building a broad and formidable product portfolio for the company. Further, having raised $200 million through foreign currency convertible bonds in FY2007 Aurobindo is now contemplating acquiring a couple of mid-sized pharma companies with marketing authorisation in Europe. Hence, both the organic and the inorganic initiatives would result in a steady growth for the company in Europe. With such initiatives, Aurobindo expects over 50% growth in European formulation business for a couple of years.

Well placed to capitalise on growing ARV opportunity

The ARVs bring substantial revenue opportunity for Aurobindo, as around 40 million patients are infected with the HIV virus globally and around 90% are yet to be treated. Furthermore, sponsors like World Health Organisation (WHO), President's Emergency Plan for AIDS Relief (PEPFAR), the Clinton Foundation and Médecins Sans Frontières have increased their access to low-cost manufacturers. This would benefit Aurobindo.

Having created a strong pipeline of 23 approvals (ie the largest number of ARV approvals for any generic player in the world) under the PEPFAR programme (including three new drug application [NDA] approvals) and with 18 products included in WHO's pre-qualification list, Aurobindo is well positioned to gain substantially from the sizeable opportunity in the ARV space. It has over 500 ARV registrations in 45 countries. It has also received licence from BMS to sell the Stavudine and Didanosine ranges of anti-AIDS products in Africa.

With most of the registrations coming in the recent past, we expect Aurobindo to see a steady growth in its ARV formulation revenues. Currently, the monthly run rate of ARV formulation sales is US$7-8 million. Up to FY2007, Aurobindo had no or marginal presence in the African ARV market (which accounts for about 90% of the total global ARV demand). But recently it has set up a subsidiary and is likely to participate in the African government's upcoming $600-million tender for ARVs (which would be executed in the next three years). We estimate Aurobindo would generate ARV formulation revenues worth $99 million and $128.7 million in FY2008 and FY2009 respectively.

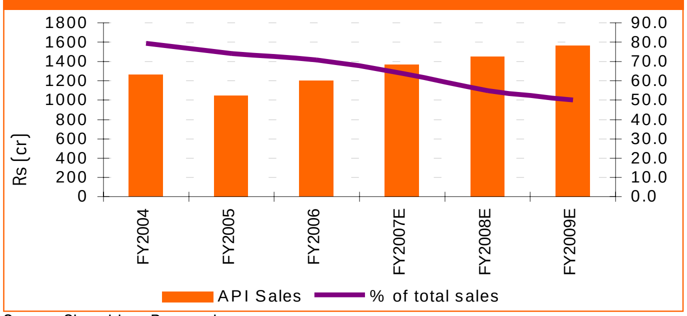
The PEPFAR programme is a five-year, $15-billion American government initiative to combat the global HIV/AIDS epidemic. About 41% of the total money is to be spent on purchase and distribution of ARV drugs between FY2006 and FY2008.

API business sees higher profitability

Aurobindo's API business largely comprises the SSPs and cephalosporins, ARV bulk and others. The API segment still contributes 60-65% of the company's total revenue. With the rising focus on the formulations and their higher captive use, we believe the API growth would moderate to a CAGR of 9% over FY2006-09.

But with the significant surge in the US generics, formulation exports to Europe and emerging markets, and the increasing ARV sales, the contribution of APIs is expected to narrow down to 54.9% and 50.1% during FY2008 and FY2009 respectively.

API CONTRIBUTION ON DECLINE



Source: Sharekhan Research

The SSPs/cephalosporins only contribute about 47% of the total revenue of Aurobindo. But their prices are always volatile and linked to key inputs like Pen G and their derivatives (6 APA, 7 ACCA, 7 ADCA 7 ACA). China is the largest supplier of these inputs and caters to 90% of the global requirement. Of late, the Chinese government has closed down many Pen G facilities on the ground of environmental pollution (in order to maintain environmental standards prior to the Olympic in 2008), resulting in a demand-supply mismatch. As a result, the Pen-G prices have touched $15 per billion of units (BOU) now from $6-7 per BOU during FY2006. Aurobindo has been backward integrated for producing Pen G in China with a capacity of 6,000BOUs. We don't expect Pen G manufacturing to be normal in the near future which is likely to result in higher Pen G prices and higher profitability for Aurobindo. Thus, the company's Chinese unit, which was making losses, turned around during FY2007. Hence we expect better profitability for the API business.

Cephazone—adds new stream of revenue

Cephazone Pharma LLC, USA (Cephazone), the 50:50 US joint venture of Aurobindo, has recently received the approval for its sterile injectable facility in California. The company has already received the approval for its facility to manufacture sterile cephalosporin APIs. Hence, the approval of the Californian facility enriches the earnings visibility of Cephazone, as it expects the USFDA's approval for six injectables soon. It has already got the approval for ceftriaxone (the US market size for the product is $545 million; with seven competitors). Among the others, Ceftiofur (a veterinary product, sold under the brand name *Naxcel*, of Pfizer with annual patented sales of $140 million) could be a major opportunity for the company.

The joint venture would provide a dual stream of sales to Aurobindo by supplying sterile APIs to Cephazone and selling injectables. We estimate the Cephazone joint venture would generate revenues worth $19 million and $31.5 million in FY2008 and FY2009 respectively.

The growing cephalosporin injectable market is an attractive opportunity for the company in the USA and globally. The company is vertically integrated in this category and competition in the injectable space is minimal. So we believe Aurobindo's presence in the US injectable segment can improve its overall profitability.

World-class facilities support export growth

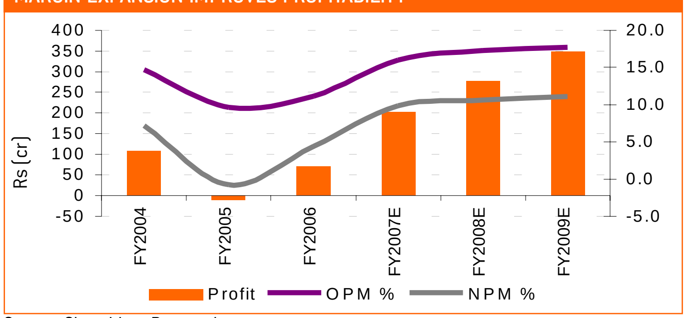
Aurobindo has huge manufacturing assets with approvals from major regulatory bodies already in place. Aurobindo has already invested around USD350 million (over FY2002-06) to create such large manufacturing infrastructure. It has five USFDA approved API plants and three USFDA approved formulation plants in India. Also, the company has manufacturing presence in China (where it manufactures intermediates/APIs for its SSP and cephalosporin business) and New Jersey (as it has acquired the Sandoz facility to participate in the US government orders for controlled substances). With such world class-manufacturing infrastructure, the company can capture substantial export growth going forward.

Financial performance

With the increasing traction in the formulation space, Aurobindo has reported an impressive 43% growth in its stand-alone revenues to Rs1,446.96 crore in M9FY2007. Thanks to the higher contribution from the high-margin formulations, the operating profit margin (OPM) expanded by 460 basis points to 14.8%, resulting in an impressive 371% jump in the net profit to Rs150.05 crore in M9FY2007.

Consolidated sales to grow at 24.3% CAGR over FY2006-09E: Going forward we believe that Aurobindo would deliver an impressive growth on the back of a ramp-up in the US generic business, higher formulation exports to Europe and emerging markets, and a steady progress in the ARV sales. We estimate the consolidated revenues of the company would grow at a 24.3% CAGR during FY2006-09E (Rs3,143.1 crore in FY2009E).

MARGIN EXPANSION IMPROVES PROFITABILITY



Source: Sharekhan Research

MANUFACTURING INFRASTRUCTURE OF AUROBINDO		
Units	**Segment**	**Certifications**
API		
Unit I	CVS, CNS, anti-allergies	USFDA
Unit I A	Cephalosporins (cephs)	USFDA, WHO
Unit VI	Cephs	USFDA, WHO, Health Canada
Unit VIII	CVS, CNS, gastroenterological, ARVs	USFDA, WHO
Unit XI	ARVs	USFDA, WHO
Datong, China	SSPs	cGMP
Formulations		
Unit III	Multi-purpose (non-cephs)	USFDA, UK MHRA, WHO, Health Canada,MCC(SA), Brazil Anvisa
Unit VI B	Cephs	USFDA, Health Canada, MCC(SA), Brazil Anvisa
Unit XII	SSPs	USFDA, UK MHRA, Health Canada, Brazil Anvisa
New Jersey, USA	Controlled substances	USFDA
California, USA*	Sterile injectables	USFDA
Bio-equival. centre		USFDA, WHO, Brazil Anvisa

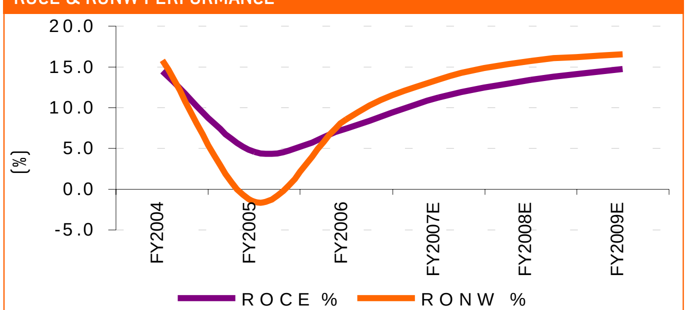
*Facility belongs to Cephazone, the 50:50 joint venture

OPM to improve to 17-18% during FY2007-09: So far as the OPM is concerned, Aurobindo would see progressive expansion on the back of the increasing contribution from the high-margin formulations, its entry into the US injectable market, improving Pen G prices etc. We believe the contribution of formulations would expand from 30% in FY2006 to around 50% in FY2009. We expect the consolidated OPM to improve to 17-18% during FY2007-09 from 11.1% in FY2006.

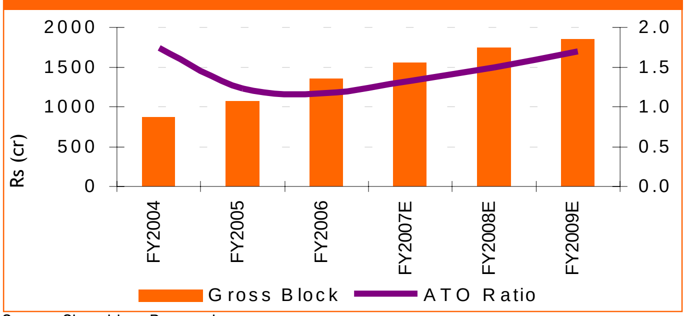
Net profit gallops at a CAGR of 70% during FY2006-09: With the improvement in both revenues and OPM, the adjusted net profit would gallop at a CAGR of 70% during FY2006-09 (Rs348.4 crore in FY2009), translating into earnings of Rs57.1 per share.

Improvement in productivity: The company has already created enough capacities over the years to cope with its formulation exports plan and we don't expect any more investment (except for some maintenance capital expenditure) in this regard going forward. Such capacity creation without commensurate revenues resulted in a steep decline in the asset/turnover ratio to 1.2x in FY2006 from 1.9x in FY2003. But with the formulation exports to the regulated markets (specially to the USA) materialising, we foresee an improvement in the asset productivity. We estimate the asset/turnover ratio would improve to 1.7x in FY2009 from the current level of 1.2x in FY2006. Likewise the return on capital employed (ROCE) and return on net worth (RONW) would improve from 7.4% and 8.6% in FY2006 to 23.3% and 16.5% in FY2009 respectively.

ROCE & RONW PERFORMANCE



ASSET TURNOVER ON STEADY EXPANSION



Source: Sharekhan Research

CONCERNS

Though the company has created a wide product basket for the US, European Union and emerging markets, any delay in product registrations or launches may affect our estimates.

Aurobindo holds the largest number of ARV approvals under PEFAR in the world but the ARV business is tender based. So Aurobindo's failure to grab ARV tenders may affect our earnings estimates.

VALUATION AND VIEW

Globally, drugs worth nearly $140 billion will go off patent by 2016. India, which has the largest number of USFDA approved facilities outside the USA and a cost-competitive manufacturing structure, is expected to make the most of the upcoming generic opportunity. Since Aurobindo has 82 ANDAs, 110 DMFs and 11 USFDA approved facilities in hand, it is well positioned to exploit this generic opportunity going forward. Further, its expansion into European and emerging markets, and the likely incremental revenue flow from its largest approved ARV product basket would fuel its revenue growth and margin expansion in future.

At the current market price of Rs684, Aurobindo is trading at 14.9x its FY2008E and 12.0x its FY2009E earnings. At these valuations, the stock is available cheap when compared with its industry peers.

In fact, Aurobindo's transition from a mere API player to a specialty formulation maker and that too for the regulated markets like the USA is very impressive and would boost its revenues and profitability. Hence, we initiate coverage on Aurobindo with a Buy recommendation and one-year price target of Rs914 (an upside of 34% from current levels). The price target discounts the FY2009E earnings by 16x.

PEER GROUP COMPARISON

Company	CMP (Rs)	EPS		P/E	
		FY08	FY09	FY08	FY09
Lupin	689.0	37.3	46.5	18.5	14.8
Orchid	256.0	18.7	21.4	13.7	12.0
Cipla	204.0	10.9	12.8	18.7	15.9
Wockhardt	403.0	30.2	34.8	13.3	11.6
Aurobindo	683.0	45.8	57.1	14.9	12.0

FINANCIALS

PROFIT & LOSS STATEMENT (CONSOLIDATED) Rs (cr)

Particulars	FY05	FY06	FY07E	FY08E	FY09E
Net sales	1321.6	1593.6	2057.5	2622.4	3143.1
Total operating expenditure	1193.8	1416.1	1728.9	2168.7	2586.8
Operating profit	127.8	177.6	328.6	453.7	556.3
Other income	5.1	31.3	90.0	90.0	85.0
EBIDTA	132.9	208.8	418.6	543.7	641.3
Interest costs	49.9	69.1	82.1	97.1	93.5
Depreciation	64.7	72.1	86.8	99.8	107.3
PBT	18.3	67.6	249.6	346.8	440.5
Total tax	13.1	20.7	44.9	65.9	88.1
Profit after tax	5.2	46.9	204.7	280.9	352.4
Minority interest	0.4	1.4	2.0	3.0	4.0
Adjusted PAT	-10.6	70.0	202.7	277.9	348.4

KEY RATIO (%)

Particulars	FY05	FY06	FY07E	FY08E	FY09E
OPM	9.7	11.1	16.0	17.3	17.7
EBITDA margins	10.1	13.1	20.3	20.7	20.4
PAT margins	0.4	2.9	9.9	10.6	11.1
RoCE	4.6	7.4	17.3	20.3	23.3
RoNW	-1.6	8.6	13.5	15.7	16.5
Debt/Equity ratio	1.5	1.7	1.2	1.1	1.0

BALANCE SHEET (CONSOLIDATED) Rs (cr)

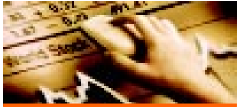
Particulars	FY05	FY06	FY07E	FY08E	FY09E
Sources of funds					
Share capital	25.3	26.6	30.4	30.4	30.4
Reserves & Surplus	652.9	788.5	1471.1	1738.3	2076.1
Net worth	678.2	815.2	1501.4	1768.7	2106.4
Secured loans	755.2	750.3	742.2	801.2	743.0
Unsecured loans	278.9	622.8	1110.9	1230.9	1341.0
Total borrowings	1034.0	1373.1	1853.0	2032.1	2083.9
Equity share warrants	35.0	0.0	0.0	0.0	0.0
Deferred tax liability	61.3	72.6	97.5	128.7	164.0
Minority interest	1.2	2.4	2.0	3.0	4.0
Capital employed	1809.8	2263.2	3454.0	3932.5	4358.3
Application of funds					
Gross block	1072.7	1356.2	1550.7	1750.7	1850.7
Accumulated depreciation	214.4	272.4	359.2	459.0	566.4
Net block	858.3	1083.8	1191.5	1291.7	1284.3
C/w in progress	252.5	149.7	100.0	50.0	50.0
Investments	0.2	0.3	0.3	0.3	0.3
Net current assets	698.7	1029.2	2162.3	2590.5	3023.8
Capital deployed	1809.8	2262.9	3454.0	3932.5	4358.4

VALUATION

Particulars	FY05	FY06	FY07E	FY08E	FY09E
EPS (Rs)	-2.1	13.2	33.4	45.8	57.1
PER (x)	-327.3	51.9	20.5	14.9	12.0
cash EPS (Rs)	13.7	22.1	47.7	62.2	74.7
cash PER (x)	49.8	30.9	14.3	11.0	9.1
EV	4434.7	4802.0	5999.0	6178.1	6250.2
EV/EBIDTA (x)	33.4	23.0	14.3	11.4	9.7
Book value (Rs/share)	133.9	153.3	247.3	291.4	345.3
P/BV (x)	5.1	4.5	2.8	2.3	2.0

The author doesn't hold any investment in any of the companies mentioned in the article.

Stock Update



STOCK UPDATE

Ahmednagar Forgings

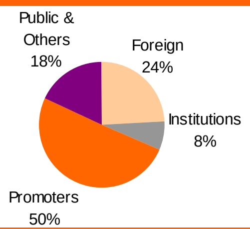
Ugly Duckling | Buy; CMP: Rs250 | May 03, 2007

On track

COMPANY DETAILS

Price target:	Rs380
Market cap:	Rs831 cr
52 week high/low:	Rs300/133
NSE volume (No of shares):	21,543
BSE code:	513335
NSE code:	AHMEDFORGE
Sharekhan code:	AHMDFORG
Free float (No of shares):	1.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.2	-12.2	-5.4	14.4
Relative to Sensex	-2.8	-11.1	-12.0	-2.3

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Ahmednagar Forgings reported a strong performance for Q3FY2007. Its net sales grew by 69% to Rs175.2 crore during the quarter.
- The company has increased its capacity to 110,000 tonne per annum (tpa) and is currently operating at utilisation levels of about 64%. We expect the capacity ramp-up to strengthen the top line further in the coming quarters.
- The margins saw a slight improvement, as the same expanded to 21% led by better operating efficiencies. The operating profit rose by 72.6% to Rs36.8 crore. The company has been able to maintain good margins despite a steep rise in steel prices in the past two years (its raw material cost has risen from 63.5% to 67.9% as a percentage of sales).
- The interest cost was a bit higher due to the capital expenditure (capex) incurred by the company during the quarter. Stable depreciation and lower taxes aided the company to report an 86% improvement in its net profit to Rs20.5 crore.
- At the current levels, the stock is discounting its FY2008E earnings by 6.8x and quoting at an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 4.7x. We maintain our Buy recommendation on the stock with a price target of Rs380.

For further details, please visit the Research section of our website, sharekhan.com

Allahabad Bank

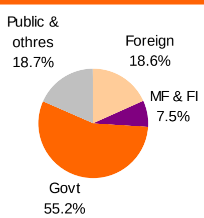
Cannonball | Buy; CMP: Rs89 | May 21, 2007

Growth at the cost of margins

COMPANY DETAILS

Price target:	Rs101
Market cap:	Rs3,976 cr
52 week high/low:	Rs99/53
NSE volume (No of shares):	4.6 lakh
BSE code:	532480
NSE code:	ALBK
Sharekhan code:	ALLBANK
Free float (No of shares):	20.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	10.6	-2.2	-11.6	4.5
Relative to Sensex	5.6	-2.1	-17.4	-18.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Allahabad Bank's net profit for Q4FY2007 declined by 16.5% year on year (yoy) to Rs125.7 crore. The same was lower than our estimate of Rs143.8 crore mainly due to a higher than expected tax liability of the bank during the quarter.
- During the quarter the bank's adjusted net interest income (NII) marginally declined by 1% yoy. The net interest margin (NIM) adjusted for the one-off item has decreased on year-on-year (y-o-y) and sequential bases. A significant increase in the cost of funds unmatched by a commensurate increase in the asset yields has resulted in a 73-basis-point y-o-y decline and a four-basis-point sequential decline in the NIM. The bank's aggressive loan growth policy funded by high-cost bulk deposits is taking a huge toll on its margins.
- The operating performance was not exciting despite a sedate 6.3% y-o-y rise in the operating expenses. The operating profit was up only 2.2% yoy with the core operating profit (excluding treasury) up by 9.2% on a y-o-y basis.
- Although provisions and contingencies declined by 23.4% yoy, yet tax provisions increased by 395% during the quarter. This resulted in a 16.5% y-o-y decline in the profit after tax (PAT) as against a 17.6% y-o-y rise at the profit before tax level.
- At the current market price of Rs89, the stock is quoting at 4.7x its FY2008E earnings per share, 2.8x pre-provision profits and 0.9x book value. The bank is available at attractive valuations compared with its peers, given its low price to book multiple and high return on equity. We maintain our Buy call on the stock with a price target of Rs101.

For further details, please visit the Research section of our website, sharekhan.com

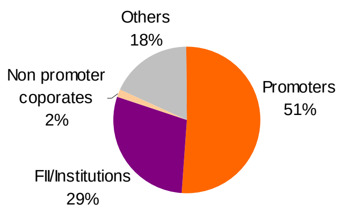
Andhra Bank

Cannonball | Buy; CMP: Rs82.4 | May 08, 2007

COMPANY DETAILS

Price target:	Rs101
Market cap:	Rs3,921 cr
52 week high/low:	Rs98.5/56.5
NSE volume (No of shares):	5.5 lakh
BSE code:	532418
NSE code:	ANDHBANK
Sharekhan code:	ANDHBANK
Free float (No of shares):	23.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	12.1	-5.6	-10.7	1.9
Relative to Sensex	3.8	-0.7	-15.7	-10.7

The author doesn't hold any investment in any of the companies mentioned in the article.

Stable performance

RESULT HIGHLIGHTS

- For Q4FY2007 Andhra Bank reported a stable year-on-year (y-o-y) growth in its net profit to Rs138.8 crore. The same is better than our profit after tax (PAT) expectation of Rs123 crore. The PAT growth was driven by a lower than expected operating expenditure.
- During the quarter, the bank's net interest income (NII) grew by 18.4% year on year (yoy) to Rs362.2 crore. However there was some sequential pressure on the net interest margin (NIM) as the bank's cost of funds increased at a much faster pace than its asset yields. Also, its low cost deposit base declined sequentially.
- The non-interest income increased by 9% yoy to Rs138.4 crore despite a 40.4% y-o-y decline in the treasury income. The non-interest income excluding treasury was up 20.3% yoy.
- Provisions and contingencies showed a decline of 23% yoy to Rs81 crore but increased 25.7% quarter on quarter (qoq) mainly due to higher non-performing assets (NPA) and standard asset provisions charged during the quarter.
- The PAT growth was marginal although the profit before tax (PBT) grew by 158.7% yoy. This was mainly due to a Rs76 crore of tax charge in Q4FY2007 compared to a tax write-back in Q4FY2006.
- The bank has shown an improvement in its operating performance, its capital adequacy ratio (CAR) is comfortable at 11.3% with the Tier-I CAR at 9.98% and its asset quality continues to remain among the best in the industry. At the current market price of Rs82.4, the stock is quoting at 6.5x its FY2008E earnings per share (EPS), 3.6x pre-provision profit (PPP) and 1.1x book value. The bank is available at attractive valuations, given its low price to book multiple compared with its peers, and an average return on equity of 18.1%. We maintain our Buy call on the stock with a price target of Rs101. ■

For further details, please visit the Research section of our website, sharekhan.com

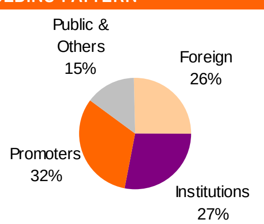
Apollo Tyres

Apple Green | Buy; CMP: Rs318 | May 04, 2007

COMPANY DETAILS

Price target:	Rs425
Market cap:	Rs1,473 cr
52 week high/low:	Rs386/194
NSE volume (No of shares):	55,158
BSE code:	500877
NSE code:	APOLLOTYRE
Sharekhan code:	APOLLOTYR
Free float (No of shares):	3.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	17.1	-3.3	-1.7	1.0
Relative to Sensex	5.0	-1.3	-8.7	-13.1

The author doesn't hold any investment in any of the companies mentioned in the article.

Strong performance

RESULT HIGHLIGHTS

- Apollo Tyres' Q4 results are ahead of our expectations, on both the top line and the margin front.
- The net sales for the quarter saw a strong growth of 22% year on year (yoy) to Rs910.2 crore. The growth was achieved on the back of a 7% growth in the volumes and about a 14.6% growth in the realisation yoy.
- On the back of numerous price hikes undertaken by the industry, softening rubber prices and improved operating efficiencies the margins also improved. The operating profit margin (OPM) expanded by 340 basis points yoy to 11% as the operating profit increased by 78% to Rs100.4 crore.
- Stable interest and depreciation charges helped the company to post a brilliant net profit growth of 141.4% to Rs42.7 crore. The reported profit is up by 62% due to an extraordinary item last year.
- At the current market price of Rs318, the stock discounts its FY2008E earnings by 10.1x and quotes at an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 4.5x. We maintain our Buy recommendation on the stock with a price target of Rs425. ■

For further details, please visit the Research section of our website, sharekhan.com

Ashok Leyland

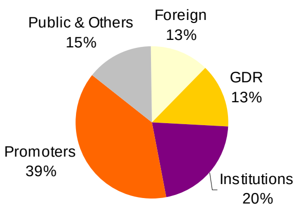
Ugly Duckling | Buy; CMP: Rs39.5 | May 07, 2007

Good show

COMPANY DETAILS

Price target:	Rs44
Market cap:	Rs5,143 cr
52 week high/low:	Rs52.5/30
NSE volume (No of shares):	44.75 lakh
BSE code:	500477
NSE code:	ASHOKLEY
Sharekhan code:	ASHOKLEY
Free float (No of shares):	63.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	11.3	-15.2	-5.5	-16.4
Relative to Sensex	2.1	-12.6	-11.3	-27.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Ashok Leyland Ltd (ALL) has delivered strong results for Q4FY2007 and are ahead of our expectations on the margin front. The top line has grown by 32.1% for the quarter, driven by a volume growth of 28.4% and a realisation growth of 2.9%.
- The operating profit margin (OPM) at 11.6% is higher than our estimates. In comparison with last year, the OPM has declined by 100 basis points, mainly due to a higher raw material cost. Consequently, the operating profits for the quarter have grown by 21.1% to Rs264.9 crore.
- Lower interest cost and taxes helped the company to post a net profit growth of 28.8% to Rs174.6 crore.
- For FY2007 the net sales for the company have grown by 36.5% led by a volume growth of 35%. The OPM has come down by 30 basis points to 9.9% while the profit for the year has grown by 46% to Rs436.3 crore.
- For FY2008 the company plans a capital expenditure of Rs1,000 crore for capacity expansions and new product developments.
- We would take a cautious outlook on the industry considering the rising interest rates and tightening liquidity in the country. We expect the growth rates to moderate and expect a volume growth of 11.9% for FY2008. The company has set a target of reaching the 100,000-vehicle mark during the current fiscal.
- At the current market price of Rs39.5, the stock discounts its FY2008E earnings by 11x. We maintain our Buy recommendation on the stock with a price target of Rs44.

For further details, please visit the Research section of our website, sharekhan.com

Bajaj Auto

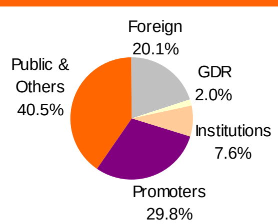
Apple Green | Buy; CMP: Rs2,248 | May 21, 2007

Bruised by demerger, disclosures

COMPANY DETAILS

Price target:	Rs2,500
Market cap:	Rs22,695 cr
52 week high/low:	Rs3,259/2,085
NSE volume (No of shares):	2.9 lakh
BSE code:	500490
NSE code:	BAJAJAUTO
Sharekhan code:	BAJAJ
Free float (No of shares):	6.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-8.4	-24.0	-10.8	-22.9
Relative to Sensex	-12.5	-24.0	-16.6	-39.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The net sales for 4QFY2007 grew by 6.8% to Rs2,313.6 crore.
- The operating profit declined by 23.2% to Rs326.3 crore. The net profit before extraordinary items for the quarter declined by 3.9% to Rs320.75 crore.
- The company announced its long pending demerger, through which two new companies would be created, namely Bajaj Auto Ltd (BAL; new), comprising the manufacturing business, and Bajaj Finserv Ltd (BFL), comprising the insurance, auto finance and wind power businesses. The existing company would be renamed as Bajaj Holdings and Investment Ltd (BHIL). The shareholders would hold 70% in the new companies, while 30% of their holding would be routed through BHIL. We view this process negativly, as the listed holding company would suffer from a holding company discount.
- For every one share held in the existing BAL (future BHIL), the shareholders would get one share in BHIL, one share of the new BAL of Rs10 each and one share of BFL of Rs5 each.
- BAL has also declared that Allianz has a call option to raise its stake in the life insurance business to 74% from the current 26% at a nominal pre-determined price till 2016. When the foreign direct investment (FDI) norms for insurance are relaxed BAL's stake is likely to get reduced.
- We are downgrading our sum-of-the-parts (SOTP) target on BAL to Rs2,500, valuing the new BAL at Rs1,254 per share and BFL at Rs449 per share. Taking into account the cash and investment portfolio of BAL and also BHIL's stake in the two new companies, we value BHIL at Rs835. We maintain our Buy call on the stock.

For further details, please visit the Research section of our website, sharekhan.com

Bank of Baroda

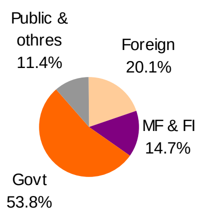
Apple Green | Buy; CMP: Rs285 | May 17, 2007

Improved performance

COMPANY DETAILS

Price target:	Rs310
Market cap:	Rs10,460 cr
52 week high/low:	Rs296/176
NSE volume (No of shares):	6.0 lakh
BSE code:	532134
NSE code:	BANKBARODA
Sharekhan code:	BOB
Free float (No of shares):	16.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	19.5	20.2	3.7	12.7
Relative to Sensex	15.8	21.8	-1.3	-6.8

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Bank of Baroda's (BoB) results are marginally below expectations. The profit after tax (PAT) grew by 17.6% year on year (yoy) but declined 25.4% quarter on quarter (qoq) to Rs245.7 crore compared with our estimate of Rs256.7 crore.
- The adjusted net interest income (NII) was up by 21.5% yoy and 9.6% qoq to Rs1,052.6 crore, better than our estimate of Rs1,002 crore. The net interest margin (NIM) has shown a sequential improvement of nine basis points, driven mainly by an improvement in the asset yields.
- The non-interest income grew by only 6.9% yoy to Rs397.8 crore; the growth was restricted mainly due to a 61.7% decline in the treasury income. However the core fee income grew by 36.4% yoy and 13.9% qoq.
- The asset quality of the bank continues to be healthy with the gross non-performing assets (NPA) at Rs2,092 crore, down Rs300 crore sequentially. The net NPA in percentage terms stood at 0.6%, down from 0.67% in the previous quarter. The capital adequacy ratio (CAR) remains at a comfortable 11.8% with the Tier-I CAR at 8.74%.
- The bank has shown strong business growth with comfortable asset quality levels. However the profitability has not improved in proportion to the growth in the business, thereby leading to a lower return on equity. We feel the bank has successfully made structural changes required to show consistent business growth and the management has now focused on improving the profitability, which should lead to better numbers going forward. At the current market price of Rs285, the stock is quoting at 8x its FY2008E earnings and 1.1x FY2008E book value. We maintain our Buy recommendation on the stock with a price target of Rs310. ■

For further details, please visit the Research section of our website, sharekhan.com

Bank of India

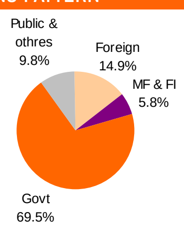
Apple Green | Buy; CMP: Rs200 | May 03, 2007

Price target revised to Rs219

COMPANY DETAILS

Price target:	Rs219
Market cap:	Rs9,762 cr
52 week high/low:	Rs214/80
NSE volume (No of shares):	23 lakh
BSE code:	532149
NSE code:	BANKINDIA
Sharekhan code:	BOI
Free float (No of shares):	14.9 crore

SHAREHOLDING PATTERN



PRICE PERFORMANCE

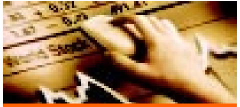
(%)	1m	3m	6m	12m
Absolute	14.6	0.8	12.0	65.1
Relative to Sensex	8.0	2.0	4.2	41.0

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Bank of India's (BOI) Q4FY2007 profit after tax (PAT) was way above expectations. It grew by 76% year on year (yoy) to Rs447 crore compared with our estimate of Rs288.9 crore, mainly due to an unexpected 78.0% year-on-year (y-o-y) jump in the non-interest income.
- The net interest income (NII) grew by 28.8% yoy and 7.7% quarter on quarter (qoq) to Rs991 crore against our estimate of Rs973 crore. The NII figures are adjusted for one-off items to the tune of Rs40 crore and Rs107 crore in Q4FY2007 and Q4FY2006 respectively. Higher yields and controlled costs with a stable low cost deposit base have helped the bank to show an improvement in the margin sequentially.
- The non-interest income was a surprise as it grew by 78% yoy and 79% qoq to Rs576 crore. The 40.4% y-o-y and 38.5% q-o-q growth in the fee income is very promising and looks to be sustainable, as it was driven by a growth in the core fee income generating businesses like remittances, cash management, bank guarantees etc.
- We feel BOI has so far proved to be the best performing public sector bank (PSB) in FY2007 based on all parameters and its management has shown proper intent to maintain the improved performance. We have revised our FY2008E PAT by 15% to Rs1,352 crore, based on the improved earnings visibility for the bank. At the current market price of Rs200, the stock is quoting at 7.2x its FY2008E earnings per share (EPS), 3.1x pre-provisioning profit (PPP) and 1.5x FY2008E book value (BV). We maintain our Buy recommendation on the stock with a revised price target of Rs219. ■

For further details, please visit the Research section of our website, sharekhan.com



STOCK UPDATE

Bharat Bijlee

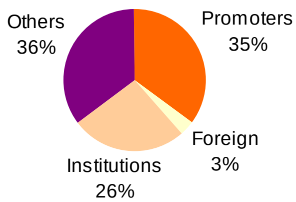
Apple Green	Buy; CMP: Rs1,637	May 11, 2007

Q4FY2007 results: first-cut analysis

COMPANY DETAILS

Price target:	Rs1,730
Market cap:	Rs925 cr
52 week high/low:	Rs1,709/750
NSE volume (No of shares):	11,565
BSE code:	503960
NSE code:	BBL
Sharekhan code:	BHARATBIJ
Free float (No of shares):	0.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	18.5	8.9	27.5	3.2
Relative to Sensex	13.5	14.6	22.5	-7.0

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The Q4FY2007 results of Bharat Bijlee Ltd (BBL) are much ahead of our expectations. The revenue for the quarter grew by 73% to Rs179 crore on the back of a strong order book. The net profit increased by a superb 123% to Rs29.07 crore, much ahead of our expectations.
- The operating profit for the quarter grew by 105% to Rs44.5 crore, as the operating profit margin (OPM) for the quarter improved by 370 basis points to 24.8% against 21.1% on a year-on-year (y-o-y) basis.
- The timely expansion of its transformer manufacturing capacity, by 3000MVA to 8000 MVA per annum, has benefited the company. Going forward, the huge investments lined up in the power sector and the continuing activity in the industrial sector will drive BBL's order book.
- At the current market price of Rs1,637, the stock is discounting its FY2007 earnings by 16.3x and earnings before interest, depreciation, tax and amortisation by 8.6x. Excluding the value of the cash and cash equivalents, the stock is trading at 13x its FY2007 earnings. In view of the better than expected results and strong order backlog, we maintain our Buy recommendation on the stock with a price target of Rs1,730. We shall be upgrading our FY2008 earnings estimates and price target after analysing the annual report of the company. Watch this space.

For further details, please visit the Research section of our website, sharekhan.com

Bharat Electronics

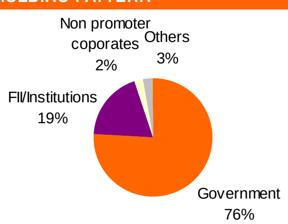
Apple Green	Buy; CMP: Rs1,740	May 03, 2007

Price target revised to Rs2,020

COMPANY DETAILS

Price target:	Rs2,020
Market cap:	Rs13,920 cr
52 week high/low:	Rs1,794/815
NSE volume (No of shares):	1.5 lakh
BSE code:	500049
NSE code:	BEL
Sharekhan code:	BEL
Free float (No of shares):	1.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	14.4	25.2	55.1	31.1
Relative to Sensex	7.7	26.8	44.3	11.9

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Bharat Electronics Ltd (BEL) has reported 10% growth in its net sales to Rs1,734.2 crore during Q4FY07.
- The OPM has improved smarty by 150 basis points to 28%, primarily due to the saving of 460 basis points in the raw material cost as a percentage of the sales. In addition to the margin expansion, the 62.8% growth in the other income resulted in a robust growth of 27.1% in the earnings to Rs357.1 crore.
- On a full year basis, the net sales have grown by 9.4% to Rs3,894.3 crore. The OPM has improved by 50 basis points to 24.2%, largely due to the savings in the raw material cost. Moreover, the jump of 69.1% in the other income component aided the growth in the earnings, which grew at a relatively higher rate of 22.4% to Rs713.9 crore.
- The highlight of the performance was the much higher than expected jump in the order backlog to Rs9,000 crore. This coupled with the recent alliances/tie-ups with global defence companies has vastly improved the growth visibility in the revenues.
- To factor in the same, we have revised upwards the earnings estimate of FY2008 by 10.9%. At the current price, the stock trades at 12.5x FY2008 and 9.9x FY2009 estimated earnings (adjusted for cash on the books). We maintain the Buy call on the stock with a revised price target of Rs2,020.

For further details, please visit the Research section of our website, sharekhan.com

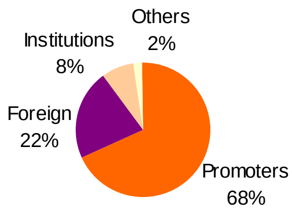
Bharat Heavy Electricals

Apple Green | Buy; CMP: Rs2,724 | May 28, 2007

COMPANY DETAILS

Price target:	Rs3,125
Market cap:	Rs66,673 cr
52 week high/low:	Rs2,760/1,531
NSE volume (No of shares):	5.0 lakh
BSE code:	500103
NSE code:	BHEL
Sharekhan code:	BHEL
Free float (No of shares):	7.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	8.4	18.6	7.4	43.0
Relative to Sensex	7.4	12.4	2.2	4.8

The author doesn't hold any investment in any of the companies mentioned in the article.

Price target revised to Rs3,125

RESULT HIGHLIGHTS

- The turnover for the quarter grew by 25% to Rs7,576 crore driven by higher order backlog of Rs46,700 crore at the end of Q3FY2007.
- The order backlog during the quarter grew by an impressive 45% to Rs55,000 crore driven by a strong 56% increase in order inflows of Rs16,300 crore on a year-on-year (y-o-y) basis.
- The power division registered a 23% growth in revenues whereas the industry division recorded a growth of 30% in revenue.
- The operating profit margin (OPM) for the quarter improved by 135 basis points year on year (yoy). Consequently the operating profit for the quarter grew by 33% to Rs1,587 crore.
- The other income increased by 34% to Rs286 crore mainly on account of the rising yields on the huge cash reserves of the company.
- On a full year basis, the turnover for FY2007 grew by 29% to Rs18,702 crore and the net profit grew by 42% to Rs2,385 crore.
- Order inflows during the year grew by a whopping 88% to Rs35,633 crore. In the power segment, BHEL secured orders worth Rs27,722 crore. In the industry business BHEL secured the biggest ever order worth Rs6,008 crore during the year. The order backlog at the end of March 31, 2007 stood at Rs55,000 crore, which is around 3x its FY2007 sales.
- In international business, BHEL secured export orders of Rs1,903 crore during the year in comparison with an average yearly order book of Rs1,275 crore in the last five years.

For further details, please visit the Research section of our website, sharekhan.com

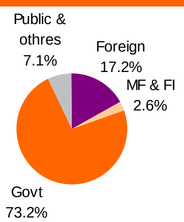
Canara Bank

Apple Green | Buy; CMP: Rs251 | May 18, 2007

COMPANY DETAILS

Price target:	Rs268
Market cap:	Rs10,307 cr
52 week high/low:	Rs320/165
NSE volume (No of shares):	5.5 lakh
BSE code:	532483
NSE code:	CANBK
Sharekhan code:	CANBNK
Free float (No of shares):	11.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	22.7	16.8	-15.9	-1.5
Relative to Sensex	16.7	16.9	-21.4	-17.2

The author doesn't hold any investment in any of the companies mentioned in the article.

Higher provisions restrict profit growth

RESULT HIGHLIGHTS

- Canara Bank's results have been much above our and market expectations with the profit after tax (PAT) reporting a growth of 2.3% to Rs505 crore compared with our estimate of a 10% year-on-year (y-o-y) decline to Rs444 crore. The profit growth was higher than expected mainly due to a substantial jump in the non-interest income driven by a higher treasury income and cash recoveries.
- The net interest income (NII) was up by 11.3% year on year (yoy) and 5.5% quarter on quarter (qoq) to Rs1,014 crore compared with our estimate of Rs1,030 crore. The non-interest income zoomed by 58% yoy and 120% qoq to Rs626.2 crore, primarily driven by a 172% y-o-y and 186% sequential growth in the trading income to Rs92 crore.
- The provisions increased by 66.1% yoy and 54% qoq to Rs497 crore mainly on account of higher depreciation on investments provided on the marked-to-market investments book
- The margins may remain under slight pressure, however the business growth is likely to boost the NII. The bank has also reduced the interest rate risk on its book by bringing down the duration of its "available-for-sale" category to 2.48 years from 3.76 years earlier and stated that the duration is expected to further come down below two years. At the current market price of Rs251, the stock is quoting at 6.6x its FY2008E earnings per share, 3.3x pre-provisioning profits and 1.1x FY2008E book value. We maintain our Buy recommendation on the stock with a price target of Rs268.

For further details, please visit the Research section of our website, sharekhan.com

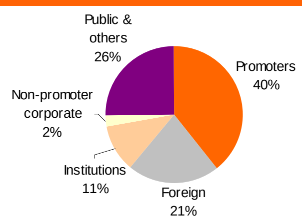
Cipla

Cannonball | Buy; CMP: Rs215 | May 07, 2007

COMPANY DETAILS

Price target:	Rs256
Market cap:	Rs16,673 cr
52 week high/low:	Rs280/180
NSE volume (No of shares):	2.8 lakh
BSE code:	500087
NSE code:	CIPLA
Sharekhan code:	CIPLA
Free float (No of shares):	47.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-5.1	-12.9	-15.0	-18.4
Relative to Sensex	-13.0	-10.2	-20.3	-28.9

The author doesn't hold any investment in any of the companies mentioned in the article.

Price target revised to Rs256

RESULT HIGHLIGHTS

- Cipla reported lower than expected results for Q4FY2007 with a net profit of Rs125.7 crore against the expectation of Rs199.6 crore. The revenues were marginally higher by 6.3% to Rs938.5 crore. The sales growth was lower due to a 27% decline in the API exports to Rs141.46 crore.
- The OPM witnessed a 590-basis-point decline to 15.7% in the quarter due to the higher contribution of low-margin anti-retrovirals and lower API sales to the regulated markets. Consequently, the operating profit stood at Rs147.0 crore, down by 22.8%. With the 40% fall in other income and the higher tax incidence (up from 4.0% to 11.3%), the net profit declined by 40.3% in the net profit to Rs125.7 crore.
- Cipla reported disappointing numbers for both Q4FY2007 and FY2007, largely due to the lower than expected performance of the export business and the decline in the OPM. Hence, we are revising down our FY2008 earning estimate by 17.4%.; we are also introducing our FY2009 estimate.
- At the current price of Rs215, the stock trades at 19.7x and 16.7x of its FY2008 (Rs 10.9)and FY2009 (Rs 12.8) earnings respectively. Though, we have toned down our estimate, positive earnings surprises for the company at frequent intervals from exports are not ruled out. We maintain our Buy recommendation on the stock with a revised price target of Rs256 (ie 20x of FY2009E EPS of Rs12.8).

For further details, please visit the Research section of our website, sharekhan.com

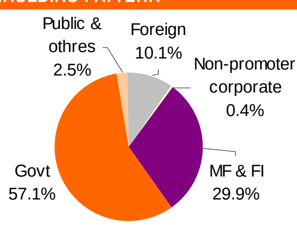
Corporation Bank

Apple Green | Buy; CMP: Rs317 | May 07, 2007

COMPANY DETAILS

Price target:	Rs374
Market cap:	Rs4,547 cr
52 week high/low:	Rs445/206
NSE volume (No of shares):	72,775
BSE code:	532179
NSE code:	CORPBANK
Sharekhan code:	CORPBANK
Free float (No of shares):	2.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	23.8	9.0	-16.8	-11.9
Relative to Sensex	13.5	12.4	-21.9	-23.2

The author doesn't hold any investment in any of the companies mentioned in the article.

Numbers in line with expectations

RESULT HIGHLIGHTS

- Corporation Bank's results are in line with our expectations; the profit after tax (PAT) grew by 18.2% year on year (yoy) but declined 19.1% quarter on quarter (qoq) to Rs118.5 crore compared with our estimate of Rs116.1crore.
- Adjusted net interest income (NII) was up by 31.2% yoy and 16.1% qoq to Rs387 crore. A moderate loan growth and significant increase in float balances helped the bank to improve its margins by 25 basis points to 3.06% on a sequential basis.
- The non-interest income increased by 14.4% yoy and 13% qoq to Rs180 crore. The core fee income was up 15.9% yoy and 5% qoq.
- With the net income up 25.4% yoy and the operating expenses up only 11.3% yoy, the operating profit was up by 36.4% yoy to Rs345.3 crore. The core operating profit (operating profit less treasury and recovery income) showed a good growth of 36.2% yoy and 29.2% qoq.
- Provisions and contingencies grew by 55.5% yoy and 103.7% qoq due to higher non-performing assets (NPA) and standard asset provisioning during the quarter. The significant increase in the provisions on a sequential basis resulted in a 19.1% sequential decline in the PAT although the operating profit grew by 17.8% qoq.
- The asset quality of the bank continues to be healthy with stable gross NPA at Rs624 crore and the net NPA at 0.47% in percentage terms. The capital adequacy ratio (CAR) remains at a comfortable 12.7% with Tier-I CAR at 11.3%.
- At the current market price of Rs317, the stock is quoting at 7.4x its FY2008E earnings per share (EPS), 3.4x pre-provision profit (PPP) and 1.1x book value. We maintain our Buy call on the stock with a price target of Rs374.

For further details, please visit the Research section of our website, sharekhan.com

Esab India

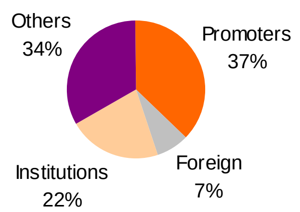
Vulture's Pick | Buy; CMP: Rs378 | May 04, 2007

Beating expectations

COMPANY DETAILS

Price target:	Rs575
Market cap:	Rs582 cr
52 week high/low:	Rs467/237
NSE volume (No of shares):	16,230
BSE code:	500133
NSE code:	ESABINDIA
Sharekhan code:	ESAB
Free float (No of shares):	1.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	24.2	-1.9	-7.3	-16.3
Relative to Sensex	11.3	0.1	-13.9	-28.0

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Esab India's Q1CY2007 results are ahead of our expectations. Its top line grew by 29% to Rs81.2 crore and bottom line grew by a strong 38% to Rs12.3 crore during the quarter.
- The higher top line growth was aided by the company's new facility as Chennai, which on a fully operational basis can contribute additional Rs60 crore to the top line. The revenues for the quarter recorded an impressive 29% growth as the equipment division's revenue increased by 31.7% and the consumable division's revenue grew by 28.1%.
- The operating profit for the quarter grew by 44% to Rs19.6 crore as operating profit margin (OPM) improved by 250 basis points to 24.1%. The improvement in the OPM was on account of better profitability of both the divisions. The earnings before interest and tax (EBIT) margin of the equipment division improved by 396 basis points to 16.5% and that of the consumable division improved by 282 basis points to 27.7%.
- The depreciation for the quarter increased by 24% as the company has commissioned its new plant at Chennai.
- The interest cost was negligible as the company has repaid its entire debt and become a debt-free company.
- The continuing thrust on infrastructure and growth in the other-steel based segments of the industry will continue to drive the volume growth for the company's products. At the current market price of Rs378, the stock is discounting its CY2007 earnings by 11.2x. On an enterprise value/earnings before interest, depreciation, tax and amortisation (EBIDTA) basis the stock is trading at 6.2x its CY2007 EBIDTA. We maintain our Buy recommendation on the stock with a price target of Rs575.

For further details, please visit the Research section of our website, sharekhan.com

Gateway Distriparks

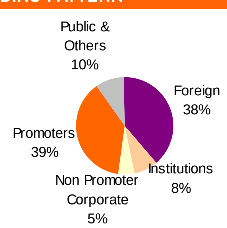
Cannonball | Buy; CMP: Rs182 | May 10, 2007

Results in line with expectations

COMPANY DETAILS

Price target:	Rs250
Market cap:	Rs1,674 cr
52 week high/low:	Rs301/137
NSE volume (No of shares):	5.6 lakh
BSE code:	532622
NSE code:	GDL
Sharekhan code:	GATEWAY
Free float (No of shares):	5.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

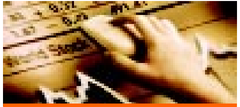
(%)	1m	3m	6m	12m
Absolute	10.6	-1.9	9.9	-24.8
Relative to Sensex	5.7	3.2	4.3	-32.8

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Gateway Distriparks Ltd's (GDL) revenues from the container business grew by 24% year on year (yoy) to Rs41 crore in Q4FY2007. With Snowman Frozen Foods, the cold chain subsidiary, contributing Rs6.65 crore for the quarter, the total revenues for the quarter stood at Rs47 crore.
- The operating profit grew by 22% yoy to Rs22.6 crore whereas the operating profit margin (OPM) declined by 840 basis points to 47.4%. Snowman Frozen Foods continued to remain unprofitable at the earnings before interest, tax, depreciation and amortisation (EBITDA) level, registering a loss of Rs0.17 crore for the quarter.
- The interest cost decreased by 66% yoy to Rs0.20 crore, thanks to the repayment of debt whereas the depreciation provision increased by 62.6% yoy to Rs4.57 crore on account of higher capital expenditure (capex) during the quarter.
- The tax provision stood at 17% as the company continued to enjoy the 80 IA benefit for investment in inland container depots (ICDs). The net profit increased by 8.5% yoy to Rs19.27 crore.
- Last month, GDL through its subsidiary GatewayRail had formed a 51:49 joint venture with Container Corporation of India (Concor) to construct and operate a rail-linked double-stack container terminal at Garhi-Harsaru, 7 kilometre from Gurgaon in Haryana.
- We are in the process of revising our numbers and will update you soon on the revised numbers. Meanwhile we maintain our Buy recommendation on the stock with a price target of Rs250 per share.

For further details, please visit the Research section of our website, sharekhan.com



STOCK UPDATE

Grasim Industries

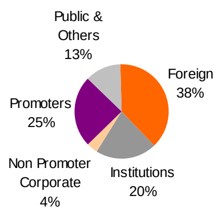
Apple Green | Buy; CMP: Rs2,505 | May 16, 2007

Price target revised to Rs2,975

COMPANY DETAILS

Price target:	Rs2,975
Market cap:	Rs22,946 cr
52 week high/low:	Rs2,908/1,462
NSE volume (No of shares):	1.6 lakh
BSE code:	500300
NSE code:	GRASIM
Sharekhan code:	GRASIM
Free float (No of shares):	6.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	8.4	-5.3	-7.2	19.3
Relative to Sensex	4.1	-2.6	-10.6	-0.3

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The stand-alone revenues of Grasim Industries (Grasim) grew by a robust 37.4% year on year (yoy) to Rs2,490 crore, driven by strong cement realisations and higher volume in viscose staple fibre (VSF) and sponge iron businesses.
- The operating profit grew by 66% yoy to Rs771 crore largely on account of a 77% year-on-year (y-o-y) rise in cement earnings before interest, tax, depreciation and amortisation (EBITDA) to Rs470 crore..
- The interest expenses were up by 55% yoy to Rs36 crore in the quarter on account of higher borrowings in the period. Depreciation increased by 15% yoy to Rs87.6 crore.
- Boosted by an other income component of Rs78 crore (on account of the deployment of surplus funds), Grasim's net profit rose by 69.1% yoy to Rs437 crore.
- The capital expenditure (capex) is progressing well and the new capacities of 8 MMT are expected to get commissioned in the first quarter of FY2009.
- The company is expanding its VSF capacity at Kharach, Gujarat from 45,625 tonne to 63,725 tonne.This coupled with an expansion at Harihar will take the total VSF capacity to 350000 tonnes.
- We are upgrading our consolidated FY2008 earnings per share (EPS) estimate by 3.8% to Rs245 and introducing our FY2009 EPS estimate of Rs208.
- At the current market price of Rs2,505, the stock is trading at 10.1x FY2008E EPS and 11.9x FY2009E EPS. Looking at the stability imparted to the company by the higher cash flows from the VSF business, we maintain our Buy recommendation with a price target of Rs2,975 per share.

For further details, please visit the Research section of our website, sharekhan.com

Hindustan Lever

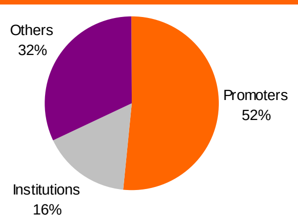
Apple Green | Buy; CMP: Rs195 | May 08, 2007

Good sales growth but disappointing margins

COMPANY DETAILS

Price target:	Rs280
Market cap:	Rs42,699 cr
52 week high/low:	Rs289/166
NSE volume (No of shares):	3,426,776
BSE code:	500696
NSE code:	HINDLEVER
Sharekhan code:	HLL
Free float (No of shares):	106.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-0.8	-4.4	-19.8	-29.9
Relative to Sensex	-8.2	0.5	-24.3	-38.2

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The Q1CY2007 net profit of Hindustan Lever Ltd (HLL) grew by 13.6% year on year (yoy) to Rs333.9 crore, which is slightly below our expectations.
- The net revenues grew by 13.8% yoy on the back of an 8.73% year-on-year (y-o-y) growth in the HPC segment, which comprises the soap and detergent, and personal care businesses. The lower growth in the personal product range is disappointing but is expected to pick up in the coming quarters.
- The EBIT margin showed a contraction of 70 basis points to 13.6%. The contraction in the PBIT margin is attributable to the lower growth in the personal care segment.
- The operating profit margin (OPM) of HLL contracted by 44 basis points to 11.37% on a y-o-y basis due to a higher raw material cost. The selling and administrative expenses as a percentage of sales increased by 35 basis points which led to further erosion in the margin.
- The soap and detergent segment was able to maintain its EBIT margin at 12.1% yoy whereas the EBIT margin in the personal care product range recorded an improvement of 30 basis points to 24.7%.
- At the CMP of Rs195, the stock is quoting at 22.8x its CY2007E EPS of Rs8.5 and 20x its CY2008E EPS of Rs9.6. We maintain our Buy recommendation on the stock with a price target of Rs280.

For further details, please visit the Research section of our website, sharekhan.com

ITC

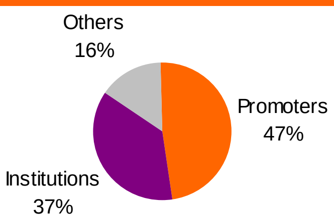
Apple Green | Buy; CMP: Rs165 | May 29, 2007

Strong growth across segments

COMPANY DETAILS

Price target:	Rs200
Market cap:	Rs61,957 cr
52 week high/low:	Rs196/140
NSE volume (No of shares):	53.6 lakh
BSE code:	500875
NSE code:	ITC
Sharekhan code:	ITC
Free float (No of shares):	198.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.4	-3.3	-7.6	-8.0
Relative to Sensex	-0.2	-13.4	-13.1	-31.9

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q4FY2007 the net revenues of ITC grew by 24.4% year on year (yoy) as most of its businesses saw a strong growth: cigarettes (revenue up 14.3%), fast moving consumer goods (FMCG; revenue up 63%), hotels (revenue up 15.6%), paperboards (revenue up 12%) and agri-business (revenue up 16%).
- The company's earnings before interest, tax, depreciation and amortisation (EBITDA) margin dropped by 220 basis points to 23.9% in Q4FY2007 primarily due to higher other expenditure.
- The tax provisioning was on the higher side during the quarter which along with a decline in the operating profit margin (OPM) led to a lower than expected profit after tax (PAT). The Q4FY2007 net profit grew by 14.7% yoy to Rs650 crore.
- We believe that the company's cigarette business would see a stable growth despite the slowdown in demand witnessed by the cigarette industry earlier in the year.
- The non-cigarette FMCG business is the only business in ITC's portfolio that is not making a profit. However, its losses were stable despite the roll-out of the Bingo brand of products throughout the country which led to higher sales and promotion expenses during the quarter. We expect this business to break even by FY2009.
- In the hotel segment, the profitability was lower primarily due to a one-time transition cost incurred on account of upgrading 7 Sheraton Hotel to Starwood Hotels and Resorts' The Luxury Collection brand.
- At the current market price of Rs165, the stock is attractively quoting at 20.6x FY2008E earnings per share (EPS) and 13.1x FY2008E enterprise value (EV)/EBIDTA. We maintain our Buy recommendation on ITC with a price target of Rs200.

For further details, please visit the Research section of our website, sharekhan.com

Jaiprakash Associates

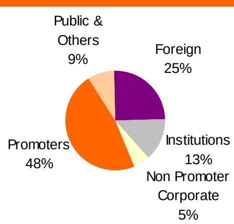
Ugly Duckling | Buy; CMP: Rs667 | May 22, 2007

Cement division boosts overall performance

COMPANY DETAILS

Price target:	Rs850
Market cap:	Rs14,607 cr
52 week high/low:	Rs753/280
NSE volume (No of shares):	9.6 lakh
BSE code:	532532
NSE code:	JPASSOCIAT
Sharekhan code:	JPASSO
Free float (No of shares):	11.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	14.9	5.9	0.1	47.5
Relative to Sensex	10.7	3.9	-5.8	10.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The overall revenue growth of Jaiprakash Associates (Jaiprakash) was muted at 3.6% year on year (yoy) to Rs886 crore during the quarter.
- The cement revenues increased by 45.8% yoy to Rs602 crore whereas the construction revenues fell by 34% yoy to Rs330 crore as the new projects were in the ramp-up phase while the old projects were close to completion during the quarter.
- Jaiprakash's overall operating margin (OPM) improved sharply by 1,170 basis points to 29.7%, thanks to the sharp jump in the earnings before interest and tax (EBIT) margin of the cement business by 1,660 basis points yoy to 35% on the back of strong realisations and cement volumes during the quarter.
- The interest expenses increased by 12% yoy to Rs65 crore during the quarter while the depreciation charge increased by 11% yoy to Rs42 crore.The net profit witnessed a strong growth of 87% yoy to Rs130 crore.
- We are keeping our FY2008 earnings per share (EPS) estimate of Rs29.5 unchanged and introducing our FY2009 EPS estimate at Rs33.2. At the current market price of Rs671, the stock is trading at 20x its FY2009 EPS. We continue to remain positive on the company's outlook and maintain our sum-of-the-parts (SOTP) price target of Rs850 per share.

For further details, please visit the Research section of our website, sharekhan.com

STOCK UPDATE

JK Cement

Cannonball

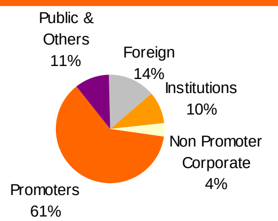
Buy; CMP: Rs162 | **May 17, 2007**

Price target revised to Rs200

COMPANY DETAILS

Price target:	Rs200
Market cap:	Rs1,124 cr
52 week high/low:	Rs231/109
NSE volume (No of shares):	69,781
BSE code:	532644
NSE code:	JKCEMENT
Sharekhan code:	JKCEMENT
Free float (No of shares):	2.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	5.9	-13.5	-11.8	-6.8
Relative to Sensex	2.6	-12.4	-16.0	-22.9

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The overall revenues of JK Cement grew by 49% year on year (yoy) to Rs366 crore, as the overall volumes grew by 11% yoy and the realisations improved by 34.9% yoy.
- The expenditure for the quarter increased by 27% yoy to Rs255 crore mainly on account of a 13% year-on-year (y-o-y) increase in the raw material cost and a 31% y-o-y rise in the freight cost.
- The company's high leverage to cement prices resulted in a 145% y-o-y surge in its operating profits to Rs111.7 crore which helped the operating profit margin (OPM) to expand by 1,200 basis points yoy to 30.5%.
- As the interest cost and depreciation provision remained flat, the profit after tax (PAT) ballooned by 274% yoy to Rs61.4 crore.
- We had mentioned in our previous reports, the company is incurring a capital expenditure (capex) of Rs290 crore for setting up three captive power plants (CPPs). But as there has been a delay in the commissioning of all the projects, we don't expect the company to avail of the complete savings in the power cost in FY2008 as expected earlier.
- Consequently, we are revising our earnings estimate downwards by 5.2% to Rs211 crore from Rs222 crore. We are also introducing our FY2009 earnings estimate at Rs180 crore.
- At the current market price of Rs162 per share, JK Cement is trading at 5.3x its FY2008 earnings and 6.2x its FY2009 earnings. We maintain our Buy recommendation on the stock with a reduced price target of Rs200 per share.

For further details, please visit the Research section of our website, sharekhan.com

KEI Industries

Ugly Duckling

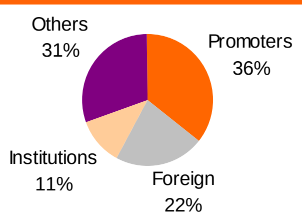
Buy; CMP: Rs75 | **May 21, 2007**

Q4FY2007 results: First-cut analysis

COMPANY DETAILS

Price target:	Rs140
Market cap:	Rs448 cr
52 week high/low:	Rs130/41
NSE volume (No of shares):	2.3 lakh
BSE code:	517569
NSE code:	KEI
Sharekhan code:	KEIINDUS
Free float (No of shares):	3.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	11.0	-18.0	6.1	-3.7
Relative to Sensex	6.1	-17.9	-0.8	-24.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- KEI Industries' (KEI) net sales grew by 123% to Rs207.4 crore in Q4FY2007, in line with our expectations. However the net profit grew by 37.3% to Rs11.4 crore and the growth was below our expectations on account of rising raw material prices and a higher interest cost.
- The power cable segment's revenues grew by a robust 125% to Rs208 crore while the stainless steel wire segment's revenues grew by 97% to Rs25 crore.
- The operating profit margin (OPM) for the quarter declined by 490 basis points to 12.1% due to a rise in raw material prices. The raw material cost as a percentage of sales increased to 76.6% from 63.9% in Q4FY2006.
- The operating profit for the quarter grew by 59% to Rs25.1 crore.
- The interest expense for the quarter increased by 148% to Rs7.5 crore due to a rise in the interest rates and also because the company availed of higher working capital loans since the business is growing at a rapid pace. The depreciation cost for the quarter increased by 31% to Rs1.2 crore.
- For the full year, the net sales grew by 99% to Rs681.5 crore and the net profit grew by 54.3% to Rs40.1 crore.
- At the current market price of Rs75, the stock is quoting at around 11x its FY2007 earnings per share and 6.6x its FY2007 enterprise value/earnings before interest, depreciation, tax and amortisation. We maintain our Buy recommendation on the stock with a price target of Rs140. We shall be upgrading our FY2008 earnings estimates after analysing the annual report of the company. Watch this space.

For further details, please visit the Research section of our website, sharekhan.com

KSB Pumps

Emerging Star

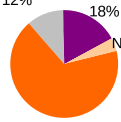
Buy; CMP: Rs490 | **May 14, 2007**

Price target revised to Rs625

COMPANY DETAILS

Price target:	Rs625
Market cap:	Rs870 cr
52 week high/low:	Rs680/360
NSE volume (No of shares):	2,180
BSE code:	500249
NSE code:	KSBPUMPS
Sharekhan code:	KSBPUMPS
Free float (No of shares):	0.58 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-2.9	-15.5	-0.1	-21.1
Relative to Sensex	-7.2	-11.2	-4.2	-30.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- KSB Pumps' Q1CY2007 results are below our expectations on the margin front. The company's net sales grew by 13.5% to Rs109.6 crore during the quarter.
- On segmental basis, the revenues of the pump business went up by 7.1% to Rs78.9 crore while that of the valve business grew by a strong 35.6% to Rs30.1 crore. However, the margin in the pump business declined to 11.4% from 19.8% last year, as last year's sales included the supply of nuclear pumps, which carry higher margins.
- On the back of stable interest and depreciation costs, the profit after tax (PAT) for Q1CY2007 declined by 4.6% to Rs12.5 crore. The management remains bullish on the prospects of the company, which is witnessing a 40% growth in its order book. The margins are also expected to be maintained at last year's levels or show a slight improvement due to a better product mix.
- KSB Pumps, enjoying a market share of 12-14%, would stand to gain from the huge investments in the user industries, and hence is expected to sustain the growth momentum going forward. However, considering the high raw material cost and lower than expected margin in the first quarter, we are downgrading our CY2007 earnings estimate by 6.8% to Rs34.8 and our CY2008 earnings estimate by 9.1% to Rs41.8. At the current market price of Rs490, the stock quotes at CY2008E price/earnings ratio (PER) of 12x and an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of Rs6.5x. We maintain our Buy recommendation on the stock with a revised price target of Rs625. ■

For further details, please visit the Research section of our website, sharekhan.com

Lupin

Apple Green

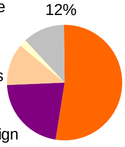
Buy; CMP: Rs707 | **May 11, 2007**

Price target revised to Rs840

COMPANY DETAILS

Price target:	Rs840
Market cap:	Rs5,680 cr
52 week high/low:	Rs755/406
NSE volume (No of shares):	4.0 lakh
BSE code:	500257
NSE code:	LUPIN
Sharekhan code:	LUPLTD
Free float (No of shares):	3.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

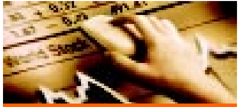
(%)	1m	3m	6m	12m
Absolute	14.2	17.4	41.5	17.9
Relative to Sensex	9.3	23.6	35.9	6.2

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Lupin's net sales increased by 22.8% year on year (yoy) to Rs518.1 crore in Q4FY2007. Lupin's operating profit margin (OPM) expanded by 460 basis points yoy to 14.5% in Q4FY2007. The OPM was below expectations on account of a higher than anticipated rise in the company's raw material cost and higher research and development (R&D) expenses.
- The company's reported net profit stood at Rs137.1 crore, up by 173.1% yoy. However, this includes the one-time income related to the sale of the Perindopril patent. Based on our estimates, the net profit excluding the post-tax consideration received from the sale of the Perindopril patent stood at Rs61.3 crore, a jump of 22% yoy. The same was above our estimate of Rs57.5 crore.
- Lupin 's FY2007 profit performance (exclusive of the one-time gain) was just in line with our expectations. Hence, we are maintaining our FY2008 numbers. For FY2009, we expect the revenue to grow by 18% to Rs3,054.4 crore and the profit to rise by 25% to Rs410.5 crore.
- The management has given an impressive revenue guidance of Rs3,000 crore for FY2008 (a 50% growth) and of Rs4,200 crore (a 40% growth) for FY2009. However, as per our organic growth estimates, at the current price Rs707 the stock is available at Rs19x its FY2008E and 15.2x its FY2009E earnings. We maintain our Buy with a revised price target of Rs840 (18x of FY2009E earnings). ■

For further details, please visit the Research section of our website, sharekhan.com



Mahindra & Mahindra

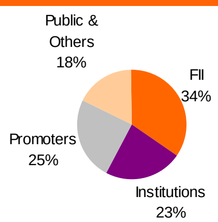
Apple Green | **Buy; CMP: Rs765** | **May 29, 2007**

In investment mode

COMPANY DETAILS

Price target:	Rs1,050
Market cap:	Rs18,186 cr
52 week high/low:	Rs1,002/488
NSE volume (No of shares):	8.0 lakh
BSE code:	500520
NSE code:	M&M
Sharekhan code:	M&M
Free float (No of shares):	19.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-3.0	-7.3	-8.9	28.3
Relative to Sensex	-6.3	-16.9	-14.3	-5.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Mahindra and Mahindra's (M&M) stand-alone net sales grew by 20% year on year (yoy) to Rs2,747 crore in Q4FY2007. The pre-exceptional profit after tax (PAT) was at Rs247.1 crore. An extraordinary income of Rs166 crore realised from the sale of shares of Mahindra and Mahindra Financial Services Ltd (MMFSL) last year depressed the reported PAT. The reported PAT declined by 21% to Rs233 crore from Rs255 crore in Q4FY2006.
- For FY2007 stand-alone net sales grew by 22% to Rs10,050 crore. The automotive business domestic volumes grew by 17.8% while the exports surged by 45%. The tractor segment recorded a strong growth of 22%.
- On a consolidated basis, the net sales for FY2007 grew by 43% to Rs17,617 crore. The consolidated pre-exceptional PBT for the year stood at Rs2,320 crore, grew by 50.7% yoy.
- The company plans to increase its capital expenditure (capex) for the year to Rs2,000 crore, to be utilised for capacity expansions, new product launches and research and development (R&D) activities. Funds are also required to acquire Punjab Tractor Ltd (PTL) and Swaraj Engine, and invest in joint ventures. All these projects would be financed through a combination of debt and equity which would lead to nominal equity dilution.
- The contribution of the non-automotive business has increased in the recent years. For FY2007, the non-automotive business contributed 39% to sales and 51% to PAT.
- We expect FY2008 to be the year of consolidation for the company with all new product launches would take place in FY2009. At the current market price of Rs764, the stock discounts its consolidated FY2009 earnings by 8.7x. We maintain our Buy recommendation on the stock with a sum-of-the-parts (SOTP) price target of Rs1,050.

For further details, please visit the Research section of our website, sharekhan.com

Navneet Publications (India)

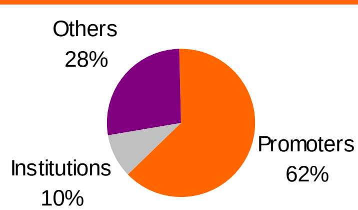
Emerging Star | **Buy; CMP: Rs55** | **May 09, 2007**

Results in line with expectation

COMPANY DETAILS

Price target:	Rs67
Market cap:	Rs524 cr
52 week high/low:	Rs70/50.5
NSE volume (No of shares):	53,251
BSE code:	508989
NSE code:	NAVNETPUBL
Sharekhan code:	NAVNEET
Free float (No of shares):	3.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	6.7	-4.9	-2.4	-14.8
Relative to Sensex	-0.4	0.9	-7.7	-24.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Navneet Publications reported a growth of 5% in its revenues to Rs46.8 crore during the fourth quarter. The fourth quarter, which is usually a lull period for the publication business, showed a growth of 3% to Rs16.9 crore. However, the stationary business continues to grow at 7% (Rs28.3 crore in the fourth quarter). This growth was mainly due to the higher domestic sales.
- The operating profit margin (OPM) of 10% is 200 basis points higher than the 8% OPM reported in Q4FY2006. Consequently, the operating profit grew by just 27% to Rs4.71 crore.
- The profit after tax (PAT) was lower by 13% to Rs1.33 crore primarily due to a lower other income and higher taxes. In FY2006, the company had a tax shield due to its merger with Navneet Edutainment.
- On a full-year basis, the revenues and earnings have grown by 11% to Rs326.7 crore and by 23% to Rs43.5 crore respectively. The OPM has improved by 200 basis points to 22%, largely due to the better profitability in the publication business. The company has declared a dividend of Rs2 for FY2007 which as resulted in a dividend yield of 3.6%.
- The company had announced that it would invest Rs25 crore to set up a windmill-based power generation plant in Gujarat. This power project is expected to get functional by the end of July 2007. This will help the company to save income taxes as well as generate additional source of revenue.
- At the current market price the stock trades at 12x FY2007 and 10x FY2008 estimated earnings. We maintain our Buy recommendation on the stock with a one-year price target of Rs67 (12x FY2008E earnings).

For further details, please visit the Research section of our website, sharekhan.com

Nicholas Piramal India

Apple Green

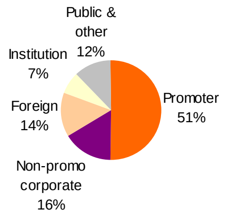
Buy; CMP: Rs243 | **May 03, 2007**

Q4 results above our expectations

COMPANY DETAILS

Price target:	Rs393
Market cap:	Rs5,350 cr
52 week high/low:	Rs287/150
NSE volume (No of shares):	1.4 lakh
BSE code:	500302
NSE code:	NICHOLASPIR
Sharekhan code:	NICHPI
Free float (No of shares):	10.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.1	0.1	10.4	9.2
Relative to Sensex	-2.8	2.5	2.0	-8.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Nicholas Piramal's consolidated sales for the quarter were 52% higher at Rs645.2 crore on the back of a 13% increase in the domestic sales and a whopping 146% surge in the global revenues. The consolidation of businesses acquired from Avecia Pharmaceuticals and Pfizer's former Morpeth facility, UK has scaled up the global revenues.
- It has reported a 480-basis-point expansion in the OPM to 13.2% in Q4FY2007, but the same was much lesser than the expectation of an OPM of 15.6% due to one-time charge of Rs20 crore. Otherwise, if we discount the one-time charge, the OPM expanded by 790 basis points to 16.3%.
- It has reported an impressive growth of 260% year on year (yoy) in its consolidated net profit to Rs54.9 crore for Q4Y2007. The same is above our expectation of Rs50.5 crore.
- In full year FY2007, the company's consolidated sales grew by 55.0% to Rs2,470 crore, while its operating profit increased by 83.0% to Rs380 crore. The net profit for the year was up 80.7% to Rs220 crore.
- For FY2008, the company has guided for about a 100% growth in the contract manufacturing business and a 25% growth in the overall revenue. It expects to maintain the margin at 15.5%.
- We revised FY2008 estimates and introduce FY2009 numbers as per which the company's net earnings stand at Rs297.0 crore (a 30.1% growth) and at Rs355.3 crore (a 20% growth) for FY2008 and FY2009 respectively. At the current market price of Rs256, Nicholas Piramal discounts its FY2009 estimated earnings by 15.1x. We maintain a Buy call with a price target of Rs393.

For further details, please visit the Research section of our website, sharekhan.com

NIIT Technologies

Ugly duckling

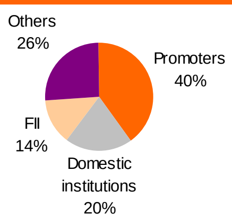
Buy; CMP: Rs519 | **May 23, 2007**

Price target revised to Rs720

COMPANY DETAILS

Price target:	Rs720
Market cap:	Rs2,007 cr
52 week high/low:	Rs564/131
NSE volume (No of shares):	1.4 lakh
BSE code:	532541
NSE code:	NIITTECH
Sharekhan code:	NIITTECH
Free float (No of shares):	2.3 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

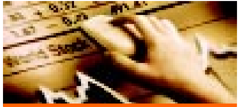
(%)	1m	3m	6m	12m
Absolute	8.6	2.8	93.8	177.0
Relative to Sensex	4.4	-0.5	83.0	97.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- NIIT Technologies Ltd (NTL) reported a growth of 5.2% quarter on quarter (qoq) and 46.5% year on year (yoy) in its consolidated revenues to Rs243.5 crore during the fourth quarter.
- The margins improved by 70 basis points to 21.9% on a sequential basis, despite the adverse impact of the appreciation of the rupee. The margin improvement was driven by the cumulative impact of a favourable revenue mix, savings in the overhead cost, improved performance of BPO and Room Solutions.
- The jump in the other other income (to Rs5.6 crore due to tax refund in its overseas subsidiary), lower depreciation charges and a steep decline in effective tax rate (down to 2% due to the write-back of the provisions made earlier) boosted earnings. Consequently, the consolidated earnings grew at an explosive rate of 32.7% qoq and 138.9% yoy to Rs45.9 crore. This is the third consecutive quarter of over 20% sequential growth in the earnings.
- The company is expected to maintain the growth momentum on the back of the record order intake of $72 million in Q4, taking the pending order backlog of $103 million (highest ever).
- Along with the results, the company has rewarded the shareholders with a bonus issue of one equity share for every two shares held and a dividend of 65% on the existing capital. The stock trades at 12.2x FY2008 and 10.1x FY2009 estimated earnings. We re-iterate our Buy call on the stock with price target of Rs720 (14x FY2009 earnings).

For further details, please visit the Research section of our website, sharekhan.com



Nucleus Software Exports

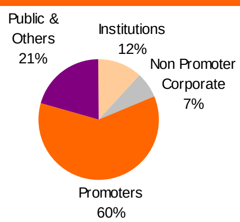
Emerging Star | Hold; CMP: Rs1,010 | May 04, 2007

Put on Hold

COMPANY DETAILS

Price target:	Rs1,020
Market cap:	Rs1,626 cr
52 week high/low:	Rs1,198/245
NSE volume (No of shares):	35,110
BSE code:	531209
NSE code:	NUCLEUS
Sharekhan code:	NUCSEX
Free float (No of shares):	0.64 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	12.9	20.1	119.0	165.1
Relative to Sensex	1.2	22.5	103.4	128.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Nucleus Software Exports (Nucleus) has announced a growth of 7.1% quarter on quarter (qoq) and 42.9% year on year to Rs60.2 crore.
- The OPM improved by 60 basis points sequentially to 28.5%, in spite of the 230-basis-point increase in the overhead expenses as a percentage of the sales (up from 15.7% to 18% in Q4). The OPM was boosted by a 290-basis-point improvement in the gross margin due to a favourable revenue mix (even after accounting for Rs1.8 crore of a one-time expense due to the penalty related to the delay in project execution).
- However, the earnings were largely flat at Rs13.9 crore (sequentially) due to a lower other income, higher depreciation cost and tax rate.
- The order backlog of Rs330 crore continues to be healthy (up from Rs131 crore as on March 2006). Moreover, the expected execution of the ACOM order (around $35 million) is likely to boost the overall revenue growth in the coming quarters.
- Along with the results, the company has rewarded the shareholders with a bonus issue of 1:1 and dividend payout of 35% (Rs3.5 per share).
- In addition to the flattish sequential growth reported in the past two quarters (a flat growth for two consecutive quarters), the scrip has appreciated by over 100% since our Buy recommendation on December 12, 2007 (@Rs497) and appears fairly valued at around 14.8x FY2009 earnings estimate. Consequently, we are downgrading the stock to Hold recommendation and would review our estimates if the ramp up is much faster than our expectations.

For further details, please visit the Research section of our website, sharekhan.com

Orchid Chemicals & Pharmaceuticals

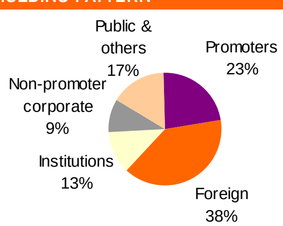
Emerging Star | Buy; CMP: Rs259 | May 09, 2007

Results in line with expectations

COMPANY DETAILS

Price target:	Rs390
Market cap:	Rs1,705 cr
52 week high/low:	Rs347/142
NSE volume (No of shares):	1.6 lakh
BSE code:	524372
NSE code:	ORCHIDCHEM
Sharekhan code:	ORCHID
Free float (No of shares):	5.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-3.8	-4.6	20.3	-22.6
Relative to Sensex	-10.2	1.2	13.8	-31.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Orchid Chemicals (Orchid) reported a year-on-year (y-o-y) increase of 3.4% in its net sales to Rs248.0 crore in Q4FY2007. The sales growth was above our expectations. It maintained its performance in its major market, the USA. Its key products—Ceftriaoxne and Cefproxil—continued to enjoy a healthy market share in excess of 20-25%. Further, being the sole generic supplier of Cefoxitin and Cefazolin in the USA, Orchid maintains its high market share for these products.
- Orchid's operating profit margin (OPM) improved by 190 basis points to 30.7% in the quarter. The improvement in the margin was driven by a 14.5% decline in the company's material cost on account of an improved product and geographical mix. The resultant improvement in the margin has caused the company's operating profit to grow by 10.2% to Rs76.1 crore in Q3FY2007.
- Orchid has already repaid $138 million of its total $290-million debt. Our back-of-the-envelope calculations indicate the repayment of debt will result in savings of approximately Rs56 crore in FY2008 for Orchid.
- At the current market price of Rs259, Orchid is quoting at 10.1x its estimated FY2008 earnings. The valuation is very attractive given the strong growth potential for FY2008 and FY2009 in view of some forthcoming big launches in the USA and an entry into Canada and Europe. Hence, we maintain our Buy call on the company with a price target of Rs390.

For further details, please visit the Research section of our website, sharekhan.com

Punjab National Bank

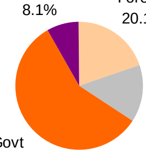
Ugly Duckling | **Buy; CMP: Rs535** | **May 24, 2007**

Higher one-time provisions affect numbers

COMPANY DETAILS

Price target:	Rs578
Market cap:	Rs17,625 cr
52 week high/low:	Rs585/300
NSE volume (No of shares):	6.3 lakh
BSE code:	532461
NSE code:	PNB
Sharekhan code:	PUNBANK
Free float (No of shares):	13.3 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	18.1	28.5	4.5	38.1
Relative to Sensex	14.5	21.6	-0.9	2.3

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The Q4FY2007 results of Punjab National Bank (PNB) are much below our expectations with the profit after tax (PAT) reporting a decline of 17.7% year on year (yoy) to Rs237 crore compared with our estimate of Rs460 crore. The PAT declined mainly due to higher than expected staff expenses (Rs300 crore of one-time AS-15 related prudential provisions) and higher marked-to-market (MTM) investment depreciation.
- The reported net interest income (NII) was up 20.6% yoy but down by 1.6% quarter on quarter (qoq) to Rs1,423 crore. However, adjusted for a one-time cash reserve ratio (CRR) interest income of around Rs56 crore the NII was up 15.8% yoy and down 5.5% qoq. Our calculations suggest that the net interest margin (NIM) of the bank has declined on a sequential basis by 36 basis points due to a decline in the asset yields (as interest on investments declined) combined with an increase in the cost of funds.
- The non-interest income was up 23% yoy. The 29.5% yoy growth in the core fee income was one of the highlights of the current quarterly results.
- Provisions for the quarter were high at Rs613 crore, of which Rs330 crore was on account of the MTM losses on the bond portfolio.
- We have reduced our earnings estimate for FY2008 by 6% to Rs1,971 crore mainly due to higher NPA related provisions. Despite the decline in the NIM on a sequential basis the bank's NIM still continues to be among the highest in the industry. We expect the NIM to stabilise going forward and improve the profitability of the bank. At the current market price of Rs535, the stock is quoting at 8.6x its FY2008E earnings and 1.4x FY2008E book value. We maintain our Buy call on the stock with a price target of Rs578. ■

For further details, please visit the Research section of our website, sharekhan.com

Sanghvi Movers

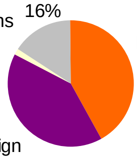
Ugly Duckling | **Buy; CMP: Rs818** | **May 31, 2007**

Results in line with estimates

COMPANY DETAILS

Price target:	Rs1,050
Market cap:	Rs708 cr
52 week high/low:	Rs912/563
NSE volume (No of shares):	3,902
BSE code:	530073
NSE code:	SANGHVIMOV
Sharekhan code:	SANGMOVE
Free float (No of shares):	0.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	15.9	10.1	7.0	3.8
Relative to Sensex	11.5	-1.5	1.3	-23.4

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The Q4FY2007 results of Sanghvi Movers Ltd (SML) are in line with our expectations. The company's revenues increased by 23.6% to Rs52.1 crore and the net profit grew by 70% to Rs15.1 crore year on year (yoy).
- We had mentioned in our previous update that the Q3FY2007 performance was not up to the mark because of the high base effect. The company had got an additional order of around Rs20 crore from Reliance Industries in Q3FY2006 due to a shutdown in the latter's refinery; this boosted the base of the previous year. The fourth quarter's splendid performance after the subdued Q3FY2007 numbers reaffirms our faith in the company.
- The company did a capital expenditure of Rs189 crore in the full year. It now plans to add more cranes worth Rs150 crore in FY2008.
- SML is the largest crane hiring company in India having a fleet of 250 cranes. The outlook for the company remains positive as the capex binge of India Inc continues. At the current market price of Rs818, the stock is quoting at 7.5x its FY2008E cash earnings per share (CEPS) and 5.6x its FY2008E enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA). We maintain our Buy recommendation on the stock with a price target of Rs1,050. ■

For further details, please visit the Research section of our website, sharekhan.com

Saregama India

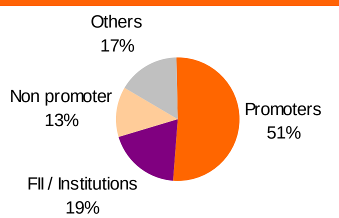
Ugly Duckling | Buy; CMP: Rs295 | May 29, 2007

Hitting a musical note

COMPANY DETAILS

Price target:	Rs375
Market cap:	Rs433 cr
52 week high/low:	Rs303/122
NSE volume (No of shares):	22,583
BSE code:	532163
NSE code:	SAREGAMA
Sharekhan code:	GRAMCO
Free float (No of shares):	0.72 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	27.4	33.3	30.8	23.5
Relative to Sensex	23.0	19.5	23.1	-8.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In the fourth quarter, the revenue from operations remained almost flat year on year (yoy) at Rs29.3 crore. As expected physical sales declined by 23.8% yoy to Rs19.1 crore while non-physical sales grew sharply by 117.4% yoy to Rs9.5 crore.
- The share of the non-physical sales for the quarter increased to 33.3% from 14.9% in Q4FY2006; the same rose to 30.2% in FY2007 from 14.9% in FY2006. This is a big positive as the revenue mix of the company is shifting towards this high-margin business.
- The operating profit margin (OPM) improved from a meager 1.7% in Q4FY2006 to 10.1% and pre-exceptional net profit stood at Rs1.6 crore for Q4FY2007 against a loss of Rs0.4 crore in Q4FY2006.
- Several growth triggers are lined up for SIL. These triggers include-the expected roll-out of many new radio stations; the increase in the music content rate, a rapid growth in the number of telecom subscribers and the inclination of telecom customers towards ring tones, caller tunes etc, the expected commissioning of its portal containing musical tracks in Q1FY2008 and the listing of Global Wholesale Club.
- At the current price of Rs295, the stock is quoting at 18.4x its FY2008E earnings per share (EPS) of Rs16. We reiterate our Buy recommendation on the stock with a price target of Rs375.

For further details, please visit the Research section of our website, sharekhan.com

Selan Exploration Technology

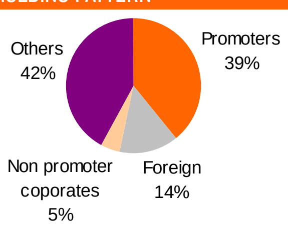
Ugly Duckling | Buy; CMP: Rs84 | May 03, 2007

Price target revised to Rs101

COMPANY DETAILS

Price target:	Rs101
Market cap:	Rs121 cr
52 week high/low:	Rs114/50
NSE volume (No of shares):	49,350
BSE code:	530075
NSE code:	SELAN
Sharekhan code:	SELAEXP
Free float (No of shares):	0.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	14.5	9.1	7.7	-9.1
Relative to Sensex	7.9	10.4	0.2	-22.4

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Selan Exploration Technology (Selan) has announced a growth of 93.2% in its net sales for Q4FY2007 to Rs8.5 crore. The growth was higher than expectations due to a surge in the volumes during the last quarter. The average realisation of $55 per barrel was lower than the average of $58 per barrel realised for the full year.
- The operating profit margin (OPM) improved considerably to 61.6%, up from 43.7% in Q4FY2006. Consequently, the operating profit grew by 171.9% to Rs5.2 crore.
- The adjusted net profit grew by 134.7% to Rs3.4 crore, up from Rs1.4 crore in Q4FY2006 (adjusted for the one-time income of Rs1.9 crore).
- On a full year basis, the net sales grew by 39.8% to Rs26.2 crore, driven by a 39% increase in the volumes. The company crossed the mark of one lakh barrels of oil sold during FY2007. The margins were largely flat and the adjusted net profit grew by 60% to Rs10.6 crore.
- Encouraged by the positive results of the first phase of the development of its oil fields, the company intends to drill six to eight new wells during the current fiscal. The incremental volumes from the commercialisation of new wells (two wells in Bakrol during Q4) and the expected addition from the phase II of development in the current fiscal are expected to boost the overall production volume by 40-50% in the current year.
- At the current market price the scrip trades at 7.5x FY2008 and 5.8x FY2009 estimated earnings. We maintain Buy call on the stock with a revised price target of Rs101 (7x FY2009 estimated earnings and 1.2x enterprise value [EV]/oil reserves [proven and probable]).

For further details, please visit the Research section of our website, sharekhan.com

Shree Cement

Cannonball

Buy; CMP: Rs1,091 | **May 16, 2007**

Q4FY2007 results: First-cut analysis

COMPANY DETAILS

Price target:	Under review
Market cap:	Rs3,797 cr
52 week high/low:	Rs1,592/650
NSE volume (No of shares):	24,534
BSE code:	500387
NSE code:	SHREECEM
Sharekhan code:	SHREECEM
Free float (No of shares):	1.3 cr

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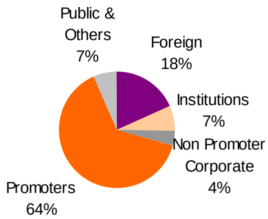


PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	15.6	-20.9	-21.8	7.3
Relative to Sensex	11.0	-18.7	-24.7	-10.4

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Shree Cement's Q4FY2007 net revenues grew by 68% year on year to Rs378 crore on the back of a 36% year-on-year growth in its volumes and a 24% year-on-year growth in its realisations.
- The expenditure (adjusting for the depreciation) grew by 67% year on year to Rs226.9 crore on account of a higher power fuel cost, which witnessed a 51% year-on-year increase (due to the rising pet coke prices) and increased freight cost, which jumped by 35% year on year.
- The operating profit grew by 69% year on year to Rs151 crore whereas the operating profit margin stood at 40%, adjusting for the pre-operative expenses of Rs20 crore pertaining to the earlier years (the company reversed the same in the current quarter).
- The interest cost remained flat on a year-on-year basis but declined sequentially. For the quarter the company provided a depreciation of Rs154 crore, which included Rs114 crore on Unit IV commissioned in March 2007 and Rs20 crore of amortisation of the pre-operative expenditure.
- The tax provision for the quarter was marginal at Rs0.3 crore. On account of the higher depreciation provision, the net profit was lower at Rs23.8 crore.
- The net sales for FY2007 grew by 104% year on year to Rs1,367 crore whereas the net profit grew by 862% year on year to Rs177 crore. Adjusting for the additional depreciation provision of Rs199 crore pertaining to Unit II, the net profit stood at Rs376 crore.
- We are in the process of revising our earnings estimates for the company. We shall update you with the revised earnings and price target as soon as we meet with the management.

For further details, please visit the Research section of our website, sharekhan.com

State Bank of India

Apple Green

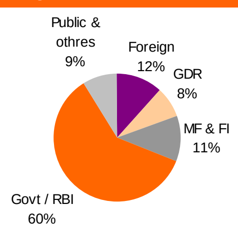
Buy; CMP: Rs1,227 | **May 15, 2007**

Strong core operating performance

COMPANY DETAILS

Price target:	Rs1,325
Market cap:	Rs64,577 cr
52 week high/low:	Rs1,379/684
NSE volume (No of shares):	12.6 lakh
BSE code:	500112
NSE code:	SBIN
Sharekhan code:	SBI
Free float (No of shares):	17.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	20.7	9.5	7.0	28.0
Relative to Sensex	15.6	9.5	2.4	10.8

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- State Bank of India's (SBI) results have been far ahead of expectations with the profit after tax (PAT) growing by 75% to Rs1,493 crore compared to our estimate of Rs1,260 crore. The higher than expected growth in the PAT was driven mainly by a Rs950-crore write-back of the provisions on the bond portfolio.
- The reported net interest income (NII) increased by 21.5% to Rs4,320 crore, however adjusted for the one-time items the NII was up 23.9% year on year (yoy). Our calculations suggest that the net interest margin (NIM) improved by 17 basis points on a sequential basis and by 29 basis points yoy to 3.24%, driven by better yields and controlled costs.
- The reported non-interest income grew by 22.6% yoy to Rs2,894.3 crore. However there was a Rs950-crore of write-back due to excess provisions on its books.
- The results have been a mixed bag. While improvement was seen in the core operating performance driven by the NII and fee income growth, higher provisions restricted the overall profit growth. But it's mainly the one-off write-back of Rs950 crore that resulted in a higher than expected growth in the profits. We have downgraded FY2008E PAT by 2.6% to Rs5,377.9 crore mainly due to the adjustment made for the higher dividend income received by SBI in FY2007 (the bank would have normally received the same in FY2008) and slightly higher NPA provisions which we feel should be factored in due to the uptick in the credit cycle. At the current market price of Rs1,226, the stock is quoting at 13x its FY2008E stand-alone earnings per share (EPS), 1.7x FY2008E stand-alone book value and 1.3x FY2008E consolidated book value. We maintain our Buy recommendation on the stock with a price target of Rs1,325.

For further details, please visit the Research section of our website, sharekhan.com

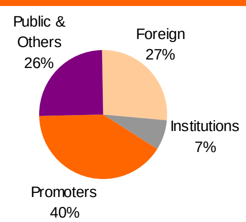
Subros

Ugly Duckling | Buy; CMP: Rs222 | May 03, 2007

COMPANY DETAILS

Price target:	Rs340
Market cap:	Rs263 cr
52 week high/low:	Rs285/150
NSE volume (No of shares):	8,327
BSE code:	517168
NSE code:	SUBROS
Sharekhan code:	SUBROS
Free float (No of shares):	0.72 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-2.8	-5.5	-7.5	-10.2
Relative to Sensex	-8.5	-4.3	-13.9	-23.3

The author doesn't hold any investment in any of the companies mentioned in the article.

Price target revised to Rs340

RESULT HIGHLIGHTS

- Subros' Q4FY2007 results are slightly below expectations both on the top line front and the profit margin front. The net sales for the quarter grew by 8.7% to Rs183.3 crore.
- Adjusting for the one time VRS expenditure, the operating margins of the company has increased slightly to 13% against 12.6% last year as higher raw material costs restricted margin growth. Consequently the operating profits for the year grew by 11.8% to Rs23.75 crore.
- Higher interest and depreciation costs due to the commissioning of its new plant at Gurgaon affected the profitability further. Consequently, the company reported a 4% growth in its adjusted net profits to Rs10.1 crore.
- Rising interest rates would have a negative impact on the whole automobile sector, which would also affect the volumes of companies like Subros. We are therefore downgrading our volume estimate for Subros and consequently cutting our earnings estimate for FY2008 by 23.5% to Rs32.8. We are introducing our FY2009 estimates for Subros and expect earnings of Rs40.1.
- We maintain our positive outlook on Subros. At the current levels, the stock is available at attractive valuations of 5.5x FY2009E earnings and an enterprise value (EV)/ earnings before interest, depreciation, tax and amortisation (EBIDTA) of 2.2x. We maintain our Buy recommendation on the stock with a revised target of Rs340. ■

For further details, please visit the Research section of our website, sharekhan.com

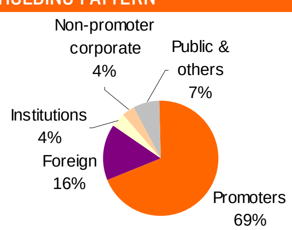
Sun Pharmaceutical Industries

Ugly Duckling | Buy; CMP: Rs1,064 | May 21, 2007

COMPANY DETAILS

Price target:	Rs1,297
Market cap:	Rs20,578 cr
52 week high/low:	Rs1,196/640
NSE volume (No of shares):	2.3 lakh
BSE code:	524715
NSE code:	SUNPHARMA
Sharekhan code:	SUNPHARM
Free float (No of shares):	6.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-12.0	-1.0	4.8	19.3
Relative to Sensex	-15.9	-0.9	-2.0	-6.5

The author doesn't hold any investment in any of the companies mentioned in the article.

Q4 first-cut analysis and acquisition highlights

RESULT HIGHLIGHTS

- The consolidated net sales of Sun Pharmaceutical Industries (Sun Pharma) grew by 33.8% year on year (yoy) to Rs544.2 crore in Q4FY2007. The strong growth was driven by an increase of 43.4% in the domestic business and a 22.4% growth in the exports. Caraco's sales grew by 32% yoy to $32.7 million in Q4FY2007 and by 41% to $117 million in FY2007.
- Sun Pharma's operating profit margin (OPM) expanded by 610 basis points on a lower base to 28.3%, resulting in a 70% spike in its operating profit to Rs154.5 crore.
- Sun Pharma's other income was higher by 24.2% to Rs94.2 crore, which was more than double of our estimate of Rs42.7 crore for the quarter.
- With an impressive revenue growth in both domestic formulation and export businesses, a 610-basis-point expansion in the OPM and a higher than expected other income, Sun Pharma's net profit for Q4FY2007 stood at Rs212.1 crore, up 48.4% yoy. The net profit was ahead of our estimate of Rs184.4 crore.
- The company has guided for a conservative 15-18% consolidated revenue growth for FY2008 (which is less than our estimate of a 30% growth) whereas Caraco has guided to a growth of 30% during the year. Sun Pharma expects to maintain the OPM in FY2008. ■

For further details, please visit the Research section of our website, sharekhan.com

Sundaram Clayton

Apple Green

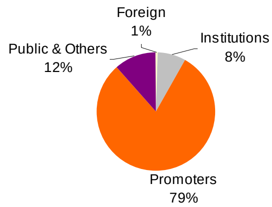
Buy; CMP: Rs847 | **May 07, 2007**

Beating expectations with strong margins

COMPANY DETAILS

Price target:	Rs1,350
Market cap:	Rs1,607 cr
52 week high/low:	Rs1,410/779
NSE volume (No of shares):	1,560
BSE code:	520056
NSE code:	SUNDRMCLAY
Sharekhan code:	SUNCLA
Free float (No of shares):	0.38 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-10.6	-30.0	-29.7	-21.0
Relative to Sensex	-18.0	-27.8	-34.0	-31.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Sundaram Clayton Ltd's (SCL) Q4 results are ahead of our estimates because of a positive surprise on the operating profit margin (OPM) front.
- The net sales for the quarter grew by 25.3% to Rs218.4 crore, with both the die-casting and the air-brake division rendering a strong performance.
- The OPM improved by 160 basis points year on year (yoy) to 18.2% because of strong improvement in the operating performance of the company. The company was able to achieve better operating efficiencies due to higher volumes that led to considerable savings in the employee cost and other expenses.
- Both interest cost and depreciation charge rose due to high capital expenditure (capex) incurred by the company last year. Consequently, the adjusted net profit grew at 21% to Rs27.8 crore.
- The company has increased its capex for the next year to Rs175 crore, which shall be spent on both the divisions for capacity expansions and new product development.
- SCL has a huge investment portfolio, as it holds 56.8% in TVS Motors and also has holdings in other companies like TVS Electronics and TVS Finance & Services. In valuing the company we have assumed a 75% discount to the total investment value per share. After adjusting for the investments, the stock is currently trading at around 11.3x its stand-alone FY2008E earnings. We maintain our Buy recommendation on the stock with a revised price target of Rs1,350.

For further details, please visit the Research section of our website, sharekhan.com

Tata Motors

Apple Green

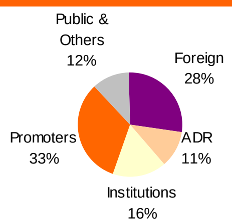
Buy; CMP: Rs708 | **May 23, 2007**

Price target revised to Rs980

COMPANY DETAILS

Price target:	Rs980
Market cap:	Rs27,362 cr
52 week high/low:	Rs975/651
NSE volume (No of shares):	14.3 lakh
BSE code:	500570
NSE code:	TATAMOTORS
Sharekhan code:	TELCO
Free float (No of shares):	21.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

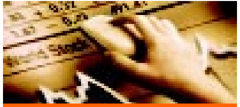
(%)	1m	3m	6m	12m
Absolute	0.5	-13.5	-12.7	-3.0
Relative to Sensex	-3.3	-16.3	-17.6	-30.8

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Tata Motors' Q4FY2007 results are slightly below are expectations, primarily on profitability front. The Q4FY2007 net sales (excluding a foreign exchange [forex] gain) of the company grew by 20.0% to Rs8,206.8 crore, driven by a volume growth of 16.2% and a realisation growth of 3.3%.
- The lower profitability is owing to higher raw material cost and sequential drop in the realisation due to a change in the product mix.
- The other income was higher at Rs60.4 crore against Rs4.4 crore last year. The PAT grew by 25.9% to Rs576.7 crore.
- For the full year, net revenues grew by 33% to Rs27,404.8 crore against Rs20,672 crore last year, while the net profit grew by 25% to Rs1,913.5 crore.
- The consolidated sales for the full year grew by 36.4% to Rs32,426.4 crore while net profit grew by 25.4% to Rs2,170 crore.
- We are taking a cautious view on the commercial vehicle (CV) industry and expect the slowdown to continue in the first half of FY2008 on the back of tightening liquidity and higher interest rates. We expect the situation to correct itself towards the second half of the fiscal with the peaking out of interest rates and better availability of funds.
- We are downgrading our FY2008 earnings estimate by 6.2% to Rs53.4 and are also introducing our FY2009 estimate. We expect stand-alone earnings of Rs60.8 and consolidated earnings of Rs70.3 in FY2009. At the current levels, the stock trades at 11.7x its FY2009 stand-alone earnings per share (EPS) and 10.1x its consolidated earnings. We maintain our Buy recommendation on the stock with a revised price target of Rs980.

For further details, please visit the Research section of our website, sharekhan.com



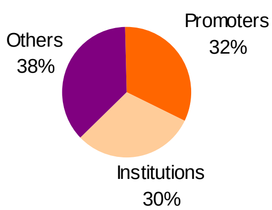
Tata Tea

Apple Green | Buy; CMP: Rs914 | May 25, 2007

COMPANY DETAILS

Price target:	Under review
Market cap:	Rs5,642 cr
52 week high/low:	Rs941/558
NSE volume (No of shares):	1.3 lakh
BSE code:	500800
NSE code:	TATATEA
Sharekhan code:	TATATEA
Free float (No of shares):	4.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	30.4	35.2	19.2	27.2
Relative to Sensex	29.7	29.3	14.4	-6.9

The author doesn't hold any investment in any of the companies mentioned in the article.

Implications of Glacèau stake sale

Event

Coca-Cola Company has approved the purchase of vitamin water maker Glacèau for $4.2 billion in cash and coke stock. Tata Tea Ltd (TTL) and Tata Sons Ltd (TSL) had together acquired a 30% stake in Energy Brands Inc (EBI), a company based in the USA, for $677 million (Rs3,110 crore) at an enterprise value of $2.2 billion for the company.

Structure of the deal

To finance the $677-million acquisition, Tetley had invested US$565 million in Glacèau while TSL had contributed the rest. Out of this US$565 million, the debt component was US$315 million while TTL had contributed US$192 million. As per this funding structure, Tetley held 25% in Glacèau whereas TSL had a 5% stake. Effectively, TTL's stake in Glacèau was 19.25% as it held 77% in its subsidiary Tetley.

Outlook

We believe the latest development would affect the growth prospects of the company in the short term, though the stake sale could help the Tatas to make acquisitions in the other growth markets.

Tetley's 25% stake in Glacèau at the current valuation works out to $1,050 million. With TTL selling its stake, the company is getting $374 million (after deducting the debt of $315 million and its contribution of $197 million) which works out to Rs247 per share of TTL. We will be revising our FY2008 numbers and will be coming out with an update soon. ■

For further details, please visit the Research section of our website, sharekhan.com

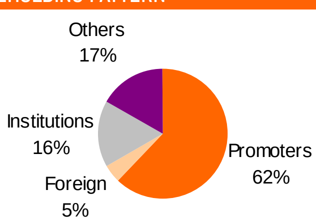
Thermax

Emerging Star | Buy; CMP: Rs488 | May 30, 2007

COMPANY DETAILS

Price target:	Rs585
Market cap:	Rs5,815 cr
52 week high/low:	Rs499/206
NSE volume (No of shares):	1.0 lakh
BSE code:	500411
NSE code:	THERMAX
Sharekhan code:	THERMAX
Free float (No of shares):	4.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	12.9	24.4	26.0	63.3
Relative to Sensex	8.2	10.7	17.7	20.4

The author doesn't hold any investment in any of the companies mentioned in the article.

Price target revised to Rs585

RESULT HIGHLIGHTS

- The consolidated revenues of Thermax grew by a whopping 65% year on year (yoy) to Rs856.5 crore in Q4FY2007, sharply ahead of our expectation. The revenue of the energy segment grew by a strong 74% yoy to Rs685.5 crore and that of the environment segment grew by a robust 53.7% yoy to Rs205 crore.
- The company's operating profit margin (OPM) declined by 70 basis points yoy to 12.4% in the quarter. The dip in the margin was due to a rise in the raw material prices and a change in the product mix.
- The order backlog grew at 79% yoy to Rs3,100 crore. It is equivalent to 1.3x FY2007 consolidated revenues and order inflows during the quarter were up by 38% to Rs894 core. This imparts a very strong visibility to the revenues.
- In light of the continued growth traction over the last few quarters, the closure of the loss-making subsidiary ME Engineering and the revised guidance of a 40% top line growth for FY2008, we are revising our FY2008 earnings estimate upwards by 2.4%. We are also revising our one-year price target upwards to Rs585. The Rs50 per share of cash and cash equivalent on the company's books provides a margin of safety to our price target. We maintain a Buy on the stock with a revised price target of Rs585. ■

For further details, please visit the Research section of our website, sharekhan.com

UltraTech Cement

Ugly Duckling

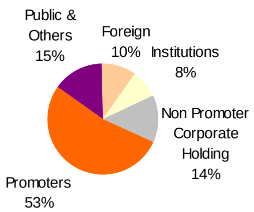
Buy; CMP: Rs816 | **May 09, 2007**

Price target revised to Rs935

COMPANY DETAILS

Price target:	Rs935
Market cap:	Rs10,118 cr
52 week high/low:	Rs1,204/248
NSE volume (No of shares):	37,569
BSE code:	532538
NSE code:	ULTRACEMCO
Sharekhan code:	ULTRACEM
Free float (No of shares):	5.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	17.7	-26.2	-7.7	3.2
Relative to Sensex	9.9	-21.7	-12.8	-8.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- A strong realisation growth of 28% year on year (yoy) and a volume growth of 12% yoy helped the top line of UltraTech Cement to grow by 43% yoy to Rs1,465 crore.
- The company's high leverage to cement prices led the operating profit to zoom by 113% yoy to Rs409 crore whereas the earnings before interest, tax, depreciation and amortisation (EBITDA) per tonne almost doubled to Rs811.
- Helped by a flat interest cost, depreciation provision and a stable tax rate, the net profit increased by 184% yoy to Rs231 crore.
- The 4MMT project is on schedule and the facility is expected to come up by the end of FY2008. It would scale up the capacity of the company to 21.5MMT.
- The company is also putting up a 92-megawatt (MW) lignite-based captive power plant (CPP) at Gujarat and a 46MW coal-based CPP at Hirmi, Chattisgarh. On account of these CPP projects the company's per unit cost of power will come down to Rs2 in FY2009 from Rs5.28 now, resulting in a saving of Rs120-130 crore.
- We expect the company's earnings to grow at a compounded annual growth rate (CAGR) of 11% over FY2007-09 to Rs77.2 per share. At the current market price of Rs816 the stock is trading at 11.3 x its FY2008 and 10.6x its FY2009 estimated earnings. The enterprise value (EV) per tonne stands at USD 112. Looking at the positive triggers for the stock, we maintain our Buy recommendation on it with a reduced price target of Rs935.

For further details, please visit the Research section of our website, sharekhan.com

Unichem Laboratories

Apple Green

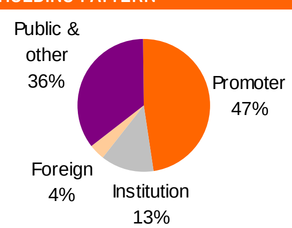
Buy; CMP: Rs265 | **May 18, 2007**

Q4 results above expectations

COMPANY DETAILS

Price target:	Rs360
Market cap:	Rs951 cr
52 week high/low:	Rs303/200
NSE volume (No of shares):	10,606
BSE code:	506690
NSE code:	UNICHEMLAB
Sharekhan code:	UNICHEM
Free float (No of shares):	1.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

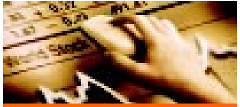
(%)	1m	3m	6m	12m
Absolute	23.8	23.6	17.8	2.3
Relative to Sensex	17.7	23.7	10.1	-14.0

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q4FY2007 Unichem Laboratories (Unichem) reported a sales growth of 26.7% to Rs134.1 crore, which is much higher than our expectations of Rs124.2 crore. The sales growth was achieved on the back of a superb 71% jump in the exports to Rs41.4 crore and an 11.8% rise in its domestic sales to Rs94.4 crore.
- The operating profit margin (OPM) narrowed by 210 basis points to 16.0% in the quarter, largely due to a higher product filing cost which restricted the growth in the operating profit to 12.2% at Rs21.4 crore.
- Subsequently, an over five-fold jump in the other income, an 18% fall in the interest expenses and a lower than expected tax provisioning during the quarter resulted in a 32.1% growth in the profit after tax (PAT; profit before extraordinary items) to Rs20.5 crore in Q4FY2007. The net profit was above our expectation of Rs15.5 crore for the quarter.
- For FY2007, Unichem reported a 20% growth in its net sales to Rs545.60 crore, a flat OPM of 20% and a 26.9% growth in the bottom line to Rs88.9 crore. For FY2007, both sales and net profit were higher than our expectations of Rs530 crore and Rs85.5 crore respectively.
- At the current market price of Rs265, the stock is trading at 9.3x its estimated FY2008 earnings. In view of the positive outlook for the company, we maintain our Buy recommendation on Unichem, with a price target of Rs360.

For further details, please visit the Research section of our website, sharekhan.com



Union Bank of India

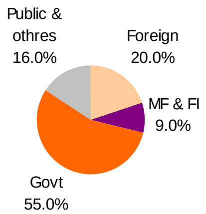
Ugly Duckling | **Buy; CMP: Rs120** | **May 17, 2007**

Strong operating performance

COMPANY DETAILS

Price target:	Rs141
Market cap:	Rs6,061 cr
52 week high/low:	Rs142/81
NSE volume (No of shares):	7.9 lakh
BSE code:	532477
NSE code:	UNIONBANK
Sharekhan code:	UBI
Free float (No of shares):	22.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	17.0	12.1	-9.9	6.9
Relative to Sensex	13.4	13.6	-14.2	-11.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The Q4FY2007 results of Union Bank of India (UBI) are below our expectations with the profit after tax (PAT) reporting a growth of 57.4% year on year (yoy) to Rs228.1 crore compared with our estimate of Rs254.7 crore. The profit is lower mainly due to higher than expected provisions made by the bank during the quarter.
- The adjusted net interest income (NII) was up 29.4% yoy and 9.4% quarter on quarter (qoq) at Rs750.4 crore. The net interest margin (NIM) of the bank improved on a sequential basis by 38 basis points to 3.37% for Q4FY2007. Controlled increase in costs coupled with improvement in yields helped the bank to improve its margins both yoy and qoq.
- The operating profit was up 49.4% yoy and 30.7% qoq, while the core operating profit (ie the operating profit excluding the treasury gains and others) reported a growth of 56.4% yoy and 31.4% qoq. The growth was driven by a good core income growth and controlled operating expenses.
- The management's renewed focus on profitable businesses and asset quality is a welcome move for the bank's future performance, which is aptly reflected in its improved NIMs and low NPA levels. The bank is currently available at attractive valuations compared to its peers. At the current market price of Rs120, the stock is quoting at 5.6x its FY2008E earnings and 1x FY2008E book value. We maintain our Buy recommendation on the stock with a price target of Rs141.

For further details, please visit the Research section of our website, sharekhan.com

Universal Cables

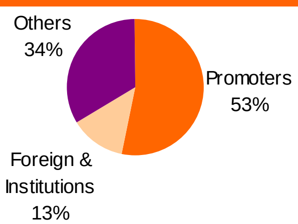
Ugly Duckling | **Buy; CMP: Rs95** | **May 24, 2007**

Q4 results beat expectations

COMPANY DETAILS

Price target:	Rs179
Market cap:	Rs220 cr
52 week high/low:	Rs135/61
NSE volume (No of shares):	14,414
BSE code:	504212
NSE code:	UNIVCABLES
Sharekhan code:	UNCABLES
Free float (No of shares):	1.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	7.3	-8.6	-10.3	-9.3
Relative to Sensex	4.0	-13.5	-14.9	-32.7

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Universal Cables Ltd's (UCL) Q4FY2007 results are ahead of our expectations. UCL's net sales grew by 51% to Rs129 crore; and the net profit grew by 77% to Rs6.2 crore as against our expectation of Rs5 crore.
- The operating profit margin (OPM) for the quarter improved by 137 basis points to 10.84% on account of operational efficiencies as the other expenses to sales ratio declined to 10.78% from 14.43% last year.
- We had mentioned in our previous update that we expect the OPM to improve, as the company focuses on the high-end products that have better margins and as its 100% subsidiary Optic Fibre Goa Ltd (OFGL) turns profitable. On a full year basis this optic fibre business recorded a turnover of Rs15 crore, growing by 100% over the last year. Its PBIT stood at Rs1.4 crore as against the loss of Rs1.6 crore in the previous year.
- The company has recommended a payment of dividend for the year @ Rs2.40 per share (ie 24%), thus the stock also offers good dividend yield.
- At the current market price of Rs95, the stock is quoting at 7.2x its FY2008E earnings per share (EPS) and 5x its FY2008E enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA). We maintain our Buy recommendation on the stock with price target of Rs179.

For further details, please visit the Research section of our website, sharekhan.com

Wockhardt

Ugly Duckling

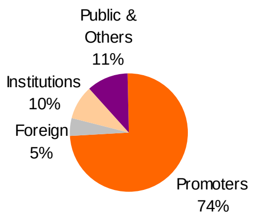
Buy; CMP: Rs431 | **May 03, 2007**

Results in line with expectations

COMPANY DETAILS

Price target:	Rs552
Market cap:	Rs4,715 cr
52 week high/low:	Rs480/316
NSE volume (No of shares):	45,781
BSE code:	532300
NSE code:	WOCKPHARMA
Sharekhan code:	WOCKLTD
Free float (No of shares):	2.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	7.8	24.0	11.7	-0.3
Relative to Sensex	1.6	25.6	3.9	-14.9

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Wockhardt's net sales increased by 48.7% to Rs522.8 crore in Q1CY2007. The growth came on the back of a 35% growth in the domestic business and a 57% growth in the international business. The sales growth was ahead of our estimates.
- The sales in the European market grew by 93%, largely driven by the consolidation of the Pinewood acquisition. The sales in the US market grew by 15%. Wockhardt's operating profit margin (OPM) expanded by 260 basis points to 22.2% in Q1CY2007.
- Wockhardt's pre-exceptional net profit rose by 17% to Rs66.3 crore. The growth was despite higher interest cost, depreciation charge and tax outgo. The profit was in line with our estimates.
- Wockhardt has acquired Negma Laboratories (Negma) of France-based, with sales of $150 million and EBITDA margin of around 18%, in an all-cash deal worth $265 million. This acquisition is in line with the company's aim to achieve a turnover of $1 billion by 2009. With its successful track record of creating value post-integration, we believe the acquisition of Negma too will be value accretive for Wockhardt.
- At the current market price of Rs431, the stock is available at 14.2x its CY2007E and 12.4x its CY2008E earnings, on a fully diluted basis. We maintain our Buy recommendation on the stock with a price target of Rs552.

For further details, please visit the Research section of our website, sharekhan.com

WS Industries India

Vulture's Pick

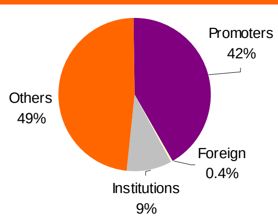
Buy; CMP: Rs43 | **May 07, 2007**

No surprises

COMPANY DETAILS

Price target:	Rs87
Market cap:	Rs91 cr
52 week high/low:	Rs85/39
BSE volume (No of shares):	64,293
BSE code:	504220
Sharekhan code:	WSIND
Free float (No of shares):	1.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	5.5	-19.5	-18.0	-27.8
Relative to Sensex	-3.2	-17.0	-23.0	-37.1

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- WS Industries' (WSI) Q4FY2007 results are in line with our expectations.
- The revenues for the quarter grew by 16% to Rs44.8 crore while the net profit grew by 113% to Rs2.2 crore on the back of its high operating leverage and lower depreciation expense.
- The operating profit for the quarter grew by 37% yoy to Rs5.3 crore as the operating profit margin (OPM) expanded by 180 basis points to 11.9%. The OPM expanded because of lower power & fuel cost and other operational efficiencies. The power & fuel cost as a percentage of sales declined to 15.5% from 18.4% in Q4FY2006 and the other expenses, as a percentage of sales, dropped to 17.4% from 19.4% in Q4FY2006.
- The interest cost increased by 25.7% while the depreciation cost decreased by 10.6%.
- The order book at the end of March 2007 stood at a healthy Rs200 crore.
- The Q4FY2007 results of WSI are in line with our estimates; the company is having a good order book of Rs200 crore, which is around 1.2x its FY2007 sales and provides good earnings visibility. We have valued WSI using the sum-of-the part (SOTP) valuation method, wherein we have valued WSI's core insulators business at 10x its FY2008E earnings per share (EPS). This gives the fair value Rs58 per share. Further, we have valued WSI's realty subsidiary at the current realisable value of Rs3,500 per square feet. Taking WSI's current 59% stake in the realty venture, we arrive at a value of Rs29 per share. This gives us a fair value of Rs87 per share of WSI.

For further details, please visit the Research section of our website, sharekhan.com

MUTUAL GAINS — MAY 09, 2007

Sharekhan's top equity fund picks

Driven by India Inc's fourth quarter performance, the BSE Sensex has advanced by an appreciable 6.1% in April 2007. Even its rival, the Nifty has gained almost 7% during the same period. Foreign investors, the main drivers of the market so far, were net buyers to the tune of Rs6,680 crore in April, while the domestic mutual funds were buyers to the extent of Rs1,032 crore.

The January-March quarter was taxing for Indian companies. At 6.1% levels inflation remained well above the Reserve Bank of India's (RBI) comfort range of 5.0-5.5% for most of the period. The rupee too has strengthened because of the tightening of the money supply, which has been growing at a robust rate of 21% on the back of surging foreign fund inflows and rising deposits. The RBI's reluctance to intervene in the foreign exchange market has added to the rupee's gains. The local currency has appreciated by almost 7.5% against the dollar in the year till date. The continued firmness in the rupee is feared to trigger downward revisions in the earnings estimates of IT, pharma and textile companies.

Nevertheless India Inc has managed to meet expectations for the fourth quarter. The Sensex companies (about 19 have announced their results so far) have reported a net profit growth of 36.3% against expectations of a 36.8% increase. However they have failed to exceed expectations unlike in the previous quarters.

But the good news is that the adverse effect of the harsh measures taken to control inflation should fully unfold in the coming months and then the central bank is likely to adopt a more moderate and growth-oriented policy stance. The signs of the same are already visible in the recent credit policy. Even though the central bank's focus remains on fighting inflation, the word "growth" has reappeared in its policy statement. That the RBI does not expect any major slowdown in the economy is apparent from its target for FY2008-the same has been pegged at a respectable 8.5%.

Moreover, there is a growing consensus that inflation would come down to the RBI's comfort level of 5% going forward. After remaining above 6% levels since last December, the Wholesale Price Index has already fallen to 5.77% (for the week ended April 21) aided by lower prices of some food products and manufactured items. We expect inflation to moderate going forward on account of the high base effect that would kick in going forward. Thus it is widely believed that the worse is over as far as interest rate hikes are concerned.

There are other indications also that the long-term growth is intact. For instance, the Capital Goods Production Index, which is a reliable barometer of economic and investment activities in the country, saw a growth of 18.2% in February 2007 vs a 10.7% growth in February 2006.

However there are some uncontrollable factors that might prolong the pain. For instance, monsoon may play spoilsport by being below normal this year. As of now, the monsoon is expected to be 5% below the long period average. The second forecast of the IMD due in June would be able to give a clearer picture of the monsoon no doubt.

In terms of global cues, the Consumer Confidence Index in the USA declined to its lowest levels in eight months during April 2007 over rising gasoline prices and a wave of mortgage defaults. The core consumer inflation (inflation less energy and food) reported a 0.1% month-on-month increase, which was the smallest in the last three months. The lower inflation figures mean the Federal Reserve Chairman Ben S. Bernanke may keep the interest rates unchanged at its meet on May 09, 2007 with the economy expected to grow at a moderate pace. Hence, the developments in the US markets remained normal and we don't see any major risk in the near term for our markets from such global developments.

Net-net, in the short term, the going could be tough for Indian companies and this might result in volatility in the market. But the long-term growth story remains intact. Also, once inflation begins to moderate, interest rates would soften. The rupee too would come down as the central bank would then be free to intervene in the foreign exchange market to control the local currency. All this should restore the business and investment environment, and propel growth.

We have identified the best equity-oriented schemes available in the market today based on the following parameters: the past performance as indicated by the returns, the Sharpe ratio and Fama (net selectivity).

We have identified the best equity-oriented schemes available in the market today based on the following 3 parameters: the past performance as indicated by the one and two year returns, the Sharpe ratio and Fama (net selectivity).

The past performance is measured by the one and two year returns generated by the scheme. Sharpe indicates risk-adjusted returns, giving the returns earned in excess of the risk-free rate for each unit of the risk taken. The Sharpe ratio is also indicative of the consistency of the returns as it takes into account the volatility in the returns as measured by the standard deviation.

FAMA measures the returns generated through selectivity, ie the returns generated because of the fund manager's ability to pick the right stocks. A higher value of net selectivity is always preferred as it reflects the stock picking ability of the fund manager.

We have selected the top 10 schemes upon ranking on each of the above 4 parameters and then calculated the mean value of each of the 4 parameters for the top 10 schemes. Thereafter, we have calculated the percentage underperformance or over performance of each scheme (relative performance) in each of the 4 parameters vis a vis their respective mean values.

For our final selection of schemes, we have generated a total score for each scheme giving 30% weightage each to the relative performance as indicated by the one and two year returns, 30% weightage to the relative performance as indicated by the Sharpe ratio and the remaining 10% to the relative performance as indicated by the FAMA of the scheme.

All the returns stated below are absolute for less than one year and annualised for more than one year.

We present below our recommendations in the equity-oriented mutual fund category.

AGGRESSIVE FUNDS

MID-CAP CATEGORY

Scheme Name	NAV	Returns as on Apr 30, 07(%)		
		3 Months	1 Year	2 Years
Sundaram BNP Paribas Select Midcap	90.65	-5.07	8.14	53.16
Reliance Growth	275.50	-0.70	9.46	49.48
ICICI Prudential Emerging STAR	28.93	-3.89	8.26	54.03
SBI Magnum Midcap	22.27	-6.55	7.08	48.63
Birla Mid Cap	65.27	-2.73	9.22	41.80
Indices				
BSE Sensex	13872.37	-2.39	15.15	50.05

OPPORTUNITIES CATEGORY

Scheme Name	NAV	Returns as on Apr 30, 07(%)		
		3 Months	1 Year	2 Years
ICICI Prudential Dynamic Plan	67.14	-2.02	16.36	60.69
DSP ML Opportunities	56.01	-1.79	11.53	49.36
ING Vysya Domestic Opportunities	27.47	-1.89	10.17	45.85
HSBC India Opportunities	28.53	-3.94	11.91	51.59
Franklin India Opportunity	25.70	-6.26	10.30	53.19
ABN AMRO Opportunities	21.37	-0.95	11.31	50.47
Birla India Opportunities	52.56	-3.29	11.83	40.42
Indices				
BSE Sensex	13872.37	-2.39	15.15	50.05

EQUITY DIVERSIFIED/CONSERVATIVE FUNDS

Scheme Name	NAV	Returns as on Apr 30, 07(%)		
		3 Months	1 Year	2 Years
Birla SunLife Frontline Equity	52.52	0.81	27.18	50.05
HDFC Equity	151.16	-0.52	15.64	51.99
DSP ML Top 100 Equity	59.69	1.47	18.10	53.56
Franklin India Prima Plus	142.36	-1.46	20.05	52.11
SBI Magnum Multiplier Plus 93	54.14	-2.52	12.09	58.92
ICICI Prudential Power	83.50	-0.42	12.69	53.69
Birla SunLife Equity	186.23	-1.18	17.33	50.85
HDFC Top 200	111.81	-1.25	13.39	49.56
Indices				
BSE Sensex	13872.37	-2.39	15.15	50.05

THEMATIC/EMERGING TREND FUNDS

Scheme Name	NAV	Returns as on Apr 30, 07(%)		
		3 Months	1 Year	2 Years
DSP ML India Tiger	34.12	-1.00	17.12	57.67
SBI Magnum Sector Umbrella - Contra	38.86	-1.25	10.53	57.23
Tata Infrastructure	23.79	-2.83	9.37	48.74
Tata Equity P/E	26.75	0.71	11.32	41.05
Templeton India Growth	68.50	-2.10	10.49	40.47
Kotak Global India	27.38	0.19	7.74	42.10
Indices				
BSE Sensex	13872.37	-2.39	15.15	50.05

BALANCED FUNDS

Scheme Name	NAV	Returns as on Apr 30, 07(%)		
		3 Months	1 Year	2 Years
HDFC Prudence	115.438	-1.4361	20.1334	37.7957
FT India Balanced	33.6153	-0.2214	13.3342	34.5975
Franklin India Balanced	36.3033	-0.2108	13.3346	34.6059
Birla SunLife 95	182.27	1.5545	13.5485	33.8471
Birla Balance	28.15	-0.3892	12.0369	28.2231
DSP ML Balanced	39.263	-0.3047	11.2248	34.8617
Indices				
Crisil Balanced Fund Index	2491.49	-0.2658	11.2008	28.591

TAX PLANNING FUNDS

Scheme Name	NAV	Returns as on Apr 30, 07(%)		
		3 Months	1 Year	2 Years
Franklin India Index Tax	31.93	-0.71	16.82	46.64
PRINCIPAL Tax Savings	78.23	-3.02	3.69	43.81
Principal Personal Taxsaver	132.33	-2.54	10.93	11.83
Indices				
BSE Sensex	13872.37	-2.39	15.15	50.05

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand the individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. So, we suggest that you get in touch with our Mutual Fund Advisor before investing in the best funds. ■

AUTOMOBILES — MAY 23, 2007

Dream run interrupted

The commercial vehicle (CV) segment has been on a dream run. A strong growth in the economy, easy availability of finance, lower interest rates and high freight rates contributed to this performance. Time has come for taking a slight breather. While the macro factors still appear to be strong, we expect the growth to slacken in the next 6-12 months.

We expect a slowdown in the first half of the current fiscal primarily for the following reasons.

1. Tightening auto credit, as many banks are lowering their exposure towards the sector.
2. Rising interest rates, which are leading to postponement of buying decision by prospective customers.
3. High base of last year, as it included the maximum impact of one-time demand due to ban on overloading of trucks.

However, we are expecting the situation to correct itself in another 6-12 months, as the interest rates would peak out by then. The credit availability is also expected to improve, as banks would again start focusing on the segment. Hence, we believe this slowdown is an aberration and on a longer-term basis, we expect the CV growth to continue on a fast track, considering the buoyancy in the country's economy. We expect the CV segment to record a growth of 9.7% in FY2008 and of 10% in FY2009.

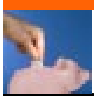
To impact earnings of the current year

The slowdown in the CV segment in the current fiscal would affect the earnings estimate of major CV players like Tata Motors and Ashok Leyland. We currently expect Tata Motors to record a growth of 12.9% in its CV sales in FY2008. Ashok Leyland is expected to record an 11.9% growth. Any further slowdown can adversely affect the earnings of these two companies and we estimate that a 100-basis-point drop in growth can affect the earnings estimate by 1.2% for Tata Motors and by 2.1% for Ashok Leyland.

However, the long-term fundamentals of both the companies remain intact and hence we are positive on the long-term outlook for the sector and these two companies. We maintain our Buy recommendation on Tata Motors with a price target of Rs980 and that on Ashok Leyland with a price target of Rs44. ■

For further details, please visit the Research section of our website, sharekhan.com

BANKING — MAY 30, 2007



Possibility of another CRR hike remains alive

The continued growth momentum, easy liquidity driven by strong foreign inflows and concerns over increase in global commodity prices could prompt the Reserve Bank of India (RBI) to suck out the excess liquidity from the banking system. Expectations are building up that the RBI may be prompted to take a pre-emptive action as the system is again flush with funds and the government is all set to resume spending. Amidst this developing situation, the comforting factors have been the moderation in inflation (down to 5.27% from 5.44%) and non-food credit growth (lower at 27.1% compared with 30.5% growth in the previous year). However, money supply growth at 20.2% (RBI's FY2008 target being 17%) is the only factor that could prompt the RBI to step in and suck out liquidity from the system to keep the money supply growth in check.

What led to the sudden increase in liquidity?

The improvement in liquidity conditions in the market has been due to government expenditure, bond redemption and very recently the RBI's intervention in the foreign exchange (forex) market.

Outlook

Most market participants believe that we are nearing the peak of the current interest tightening cycle and from hereon we can expect at the most another 50-basis-point hike in the CRR or another 25-basis-point hike in the policy rates. However, market rates have increased at a faster pace than policy rates and hence the impact of another CRR hike should not be significant, unlike that witnessed in December 2006 end and March 2007 end. Again this time the market expects the RBI to take some action, hence the possible impact of such an action already seems to have been factored in to some extent. Interest rate sensitive sectors like automobiles, banking and real estate may witness some impact due to the policy measures, however the broader market may not replicate the meltdown we had seen in the previous instances when the RBI had taken some unexpected steps. ■

For further details, please visit the Research section of our website, sharekhan.com

FMCG — May 25, 2007

Price hikes across the board

The rising prices of vegetable oils has forced fast moving consumer goods (FMCG) companies to effect price hikes across products. The price of palm oil is at ten-year high and the same has risen by over 20% in the past one year on account of a drop in supply and rise in global demand. As a result, the soap manufacturing industry has had little option but to pass on the price hike to consumers.

FMCG major Hindustan Lever Ltd (HLL) has raised prices of select brands by 5-10%. It has increased the prices of detergent brands *Surf Excel Blue* and *Rin Advance* by Re1 each, from Rs41 and Rs51 to Rs42 and Rs52 for 500gm and 1kg packs respectively. The price of its flagship brand, *Lifebouy*, has seen an effective increase of 11%.

Godrej Consumer Products has also increased the price of select products in the soap segment by 5-10% over the March-April period. The hikes are in keeping with its earlier announcement that it would hike the price of all its soap brands, beginning with *Cinthol* and *No 1 Godrej*, by 7-8%. Even the price of *Cinthol Talc* has been increased by 4-6%

On the other hand, Marico Industries, which had hiked the price of its edible oil brand *Saffola* by 3-4% earlier this year, has so far desisted from undertaking a similar exercise. But it too may raise the price of its hair oil brands, *Parachute* and *Shanti Amla*, depending on the trend in coconut oil prices.

Outlook

We believe, that these companies have regained the pricing power in all the product segments and better pricing power and improved product mix will be the revenue drivers going ahead. Given the defensive nature of the industry, strong free cashflow generation, high return on capital employed and robust growth outlook, the sector looks attractive. Our preferred long-term picks in the sector are HLL, ITC, Marico and Tata Tea.

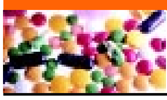
FMCG UNIVERSE

	P/E		EV/EBITDA	
	FY07	FY08	FY07	FY08
HLL	29.0	23.6	25.4	21.8
ITC	23.2	20.8	14.5	12.8
Marico	29.7	22.7	17.8	16.2
Tata Tea	15.4	14.5	9.5	9.0

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

Pharmaceuticals — May 07, 2007



Omnicef loses patent protection

Event

The patent for Omnicef (generic name – cefdinir), the antibiotic used to treat various infections, expired on May 6, 2007, in the USA. Lupin and Sandoz (the generic arm of Swiss drug maker Novartis) have already received the final approval from the US Food and Drug Administration (USFDA) for manufacturing and marketing cefdinir in both capsule and solution forms. On the other hand, Orchid Chemicals (Orchid), Ranbaxy Laboratories (Ranbaxy) and Teva—the world's largest generic companies—are awaiting approval from the USFDA.

About Omnicef

The combined sales of the Cefdinir solution and capsule form of the drug are estimated to have reached approximately $900 million in December 2006. Cefdinir is an extended-spectrum semisynthetic cephalosporin used to treat or prevent a variety of infections related to the ear, sinus, throat and skin.

For Omnicef, six competitors are there including - the innovator (Abbot Laboratories), the authorised generic company and four other generic companies (Orchid, Lupin, Sandoz and Teva) in the first wave of launch. Ranbaxy also holds the pending ANDA.

Implication & valuation

The market size of cefdinir at approximately $900 million as of December 2006. We expect the market to get eroded by 80-85%. Based on the assumptions, we estimate cefdinir to contribute approximately $13.5 million and $16.9 million in revenues for Orchid and Lupin respectively. On a fully diluted expanded equity base of Orchid, the impact on the earnings is likely to be minimal at Rs0.4 per share in FY2008. For Lupin, the product is expected to contribute Rs2.4 per share in earnings during FY2008.

ESTIMATION OF REVENUES AND EARNINGS FROM CEFDINIR

	Orchid	Lupin
Market size ($m)	900	900
Price erosion	85%	85%
Market share	12%	15%
Months in FY2008	10	10
Estimated revenues ($m)	13.5	16.9
Estimated profits ($m)	4.1	5.1
Incremental EPS (Rs)	0.4	2.4

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

Page Industries

Viewpoint | CMP: Rs440 | May 15, 2007

Riding on retail revolution

Page Industries Ltd (PIL) commenced operations in 1995 to manufacture and sell inner wear (for men and women) under the Jockey brand name. With a distribution network of 14,000 outlets in 1,100 cities, the company has emerged as one of the largest organised players in this segment. It has around 9% share of the total market and around 23% market share in the premium brand segment.

In February 2007, the company came out with a public issue of around Rs100 crore which included an offer for sale of Rs55 crore by the promoters. The rest (around Rs45 crore) is being utilised to expand its manufacturing capacity to 74 million pieces (up from 33 million), build brand and enhance its retail reach.

Efforts to maintain growth momentum

In FY2007, PIL's Its revenues and earnings have grown by 34% and 49% respectively. The management expects to maintain the 30-35% growth rate in its revenues over the next three years. Some of the initiatives outlined by the management to drive growth are as follows.

- PIL generates over 70% of its revenues from men's inner wear segment. The company expects to aggressively focus on women's inner wear (that currently contributes only 14% of revenues and by 62% in FY2007); leisure wear (5% of the total turnover) and the recently introduced sleep wear.
- To strengthen its distribution reach and aggressively expanding the chain of exclusive brand stores under the franchisee model. Moreover, foray into newer markets like Bangladesh.
- Lastly, the company is actively exploring outsourcing opportunities with its parent and expanding its manufacturing capacity to 74 million pieces, up from 33 million now.

Concerns

PIL faces severe competition from the existing apparel brands that have forayed in innerwear segment. Moreover, many foreign brands are lined up to enter the Indian market that would only intensify the competition. The company is the licencee of the Jockey brand and does not own the brand. It pays royalty to Jockey International, ie around 5% of its net sales.

Valuation

At the current market price the stock trades at 28.8x FY2007 earnings and around 22x FY2008 rough earnings estimates. The scrip appears to be more than fairly priced at the current levels. ■

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

Patel Engineering

Viewpoint | CMP: Rs412 | May 10, 2007

Unlocking value of land bank

We attended the analyst meet of Patel Engineering Ltd (PEL) held on May 09, 2007 in Mumbai. Following are the key takeaways from the meet.

Real estate plans

- For the first time, the company unveiled its real estate plans and strategy for its land bank.
- The current land bank stands at around 500 acre, located in four places.
- The important thing about the company's land bank is that the entire land bank is situated in urban areas and hence commands higher realisation.
- The company has floated a wholly owned subsidiary called Patel Realty India Ltd (PRIL) under which all its real estate activities will take place.
- As per the company's estimates, the total saleable area stands at around 6 crore square feet, which if sold at an average price of Rs2,000 per square feet would value the land bank at a staggering Rs12,000 crore.
- In the first phase the company plans to develop the land at Mumbai and Bangalore.

Core construction business plans

- PEL is a major player in the hydro power construction business. Its presence in high-margin segment of hydro power is set to get a boost as the government plans to utilise the untapped potential of hydro power in India.
- The company has an order book of around Rs5,000 crore, which is around 3.7x its FY2007 consolidated sales and provides huge revenue visibility.
- The company expects the revenues to grow at a compounded annual growth rate of 25-30% for the next two to three years.

Foray into power generation

PEL has announced that it is setting up a 1,200MW thermal power plant near Bhavnagar with a proposed investment of Rs5,000 crore.

Valuation and view

At the current market price, the stock trades at around 21.7x its FY2008E earnings, which is in line with that of its peers. However the valuation of the land bank is not factored in these valuations which could provide further upside from the current levels, depending on the company's success in the real estate venture. ■

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

SHAREKHAN EARNINGS GUIDE

Prices as on June 01, 2007

Company	Price (Rs)	Sales			Net Profit			EPS			(%) EPS Growth	PE (x)			ROCE (%)		RONW (%)		DPS	Div Yield
		FY06	FY07E	FY08E	FY06	FY07E	FY08E	FY06	FY07E	FY08E	FY08/FY06	FY06	FY07E	FY08E	FY06	FY07E	FY06	FY07E	(Rs)	(%)
Evergreen																				
HDFC Bank	1,152.9	3,670.3	5,225.8	7,183.9	871.2	1,141.9	1,502.9	27.8	35.8	41.6	22%	41.4	32.2	27.7	-	-	17.7	19.3	7.0	0.6
Infosys Tech	1,940.1	9,521.0	13,893.0	17,659.8	2,458.0	3,726.0	4,706.9	44.6	66.9	81.8	35%	43.5	29.0	23.7	39.7	43.8	35.3	40.0	21.0	1.1
Reliance Ind	1,750.4	81,211.0	105,701.0	91,354.0	9,069.0	10,386.0	10,499.9	65.0	74.4	75.2	8%	26.9	23.5	23.3	20.1	25.1	20.1	19.4	10.0	0.6
TCS	1,219.0	13,245.0	18,633.0	24,003.0	2,911.0	4,132.0	5,157.0	29.7	42.2	52.7	33%	41.0	28.9	23.1	40.1	39.5	49.4	45.2	7.5	0.6
Apple Green																				
ACC	852.0	3,160.2	5,803.5	6,654.7	310.5	1,060.8	1,206.9	16.8	56.2	64.1	95%	50.7	15.2	13.3	12.0	35.0	14.5	33.8	15.0	1.8
Aditya Birla Nuvo	1,366.5	4,830.3	8,258.0	10,782.4	204.9	281.2	501.0	21.9	32.0	53.7	57%	62.4	42.7	25.4	7.8	7.5	12.8	15.5	5.0	0.4
Apollo Tyres	360.2	2,613.6	3,292.3	3,741.0	78.2	113.4	158.0	20.4	24.4	31.3	24%	17.7	14.8	11.5	12.7	16.4	11.6	11.6	4.5	1.2
Bajaj Auto	2,235.0	7,488.1	9,520.4	10,623.4	999.3	1,286.9	1,322.1	98.7	127.2	130.6	15%	22.6	17.6	17.1	25.5	27.1	20.9	23.2	40.0	1.8
Bank of Baroda	271.6	4,416.6	4,959.3	5,850.7	827.0	1,026.5	1,307.4	22.6	28.1	35.8	26%	12.0	9.7	7.6	-	-	11.2	12.5	6.0	2.2
Bank of India	211.0	4,059.8	5,247.1	6,034.6	701.2	1,122.8	1,352.7	14.4	23.0	27.7	39%	14.7	9.2	7.6	-	-	14.8	21.1	3.5	1.7
Bharat Bijlee	1,920.6	301.1	405.8	479.1	31.0	43.1	52.2	54.8	76.3	92.4	30%	35.0	25.2	20.8	45.1	42.3	40.1	37.6	13.0	0.7
BEL	1,892.1	3,502.0	3,894.3	4,469.7	583.0	713.9	843.1	72.9	89.2	105.4	20%	26.0	21.2	18.0	41.7	37.8	29.7	26.7	12.0	0.6
BHEL	1,414.4	13,442.6	18,405.2	22,699.6	1,679.3	2,414.7	3,076.3	34.3	49.4	62.9	35%	41.2	28.7	22.5	36.4	42.9	23.0	26.2	14.5	1.0
Bharti Airtel	838.0	11,662.5	18,519.7	26,824.0	2,257.6	4,257.0	6,072.7	11.9	22.5	32.0	64%	70.4	37.2	26.2	24.6	31.7	20.7	29.1		0.0
Canara Bank	255.2	4,959.5	5,477.8	6,007.2	1,343.9	1,420.8	1,552.0	32.8	34.7	37.9	8%	7.8	7.3	6.7	-	-	20.3	18.5	7.0	2.7
Corp Bank	330.2	1,798.3	2,017.7	2,267.6	444.5	536.1	631.1	31.0	37.4	44.0	19%	10.7	8.8	7.5	-	-	13.8	15.0	9.0	2.7
Crompton Greaves	250.1	4,131.4	5,639.0	7,297.7	227.9	281.7	383.5	6.2	7.7	10.5	30%	40.2	32.5	23.8	32.2	36.8	29.4	27.3	1.0	0.4
Elder Pharma	388.4	352.4	457.5	562.1	36.7	55.7	74.8	21.0	29.9	40.2	38%	18.5	13.0	9.7	13.4	17.0	14.2	18.4	2.5	0.6
Grasim	2,520.0	9,715.8	14,412.0	13,587.6	1,039.0	1,967.5	2,228.0	101.3	214.6	244.3	55%	24.9	11.7	10.3	17.8	33.3	16.6	27.5	16.0	0.6
HCL Tech**	345.7	4,388.3	6,077.9	7,662.0	773.9	1,166.5	1,409.8	12.0	17.7	20.8	32%	28.8	19.5	16.6	21.4	25.5	19.5	21.7	8.0	2.3
HLL*	201.3	11,060.5	12,103.4	13,713.0	1,310.7	1,539.7	1,883.4	6.0	7.0	8.6	20%	33.5	28.8	23.4	68.7	67.0	56.8	56.5	6.0	3.0
ICICI Bank	928.1	9,691.8	13,563.8	17,873.0	2,540.1	3,110.2	4,015.7	28.5	34.6	35.4	11%	32.5	26.8	26.2	-	-	13.6	13.3	10.0	1.1
Indian Hotel Co	148.7	1,084.3	1,385.0	1,546.0	181.2	267.1	297.4	3.1	4.6	5.1	28%	47.9	32.3	29.2	14.0	18.4	10.6	13.9	1.3	0.9
ITC	161.5	9,790.5	12,369.0	14,330.4	2,239.9	2,699.9	3,002.5	6.1	7.2	8.0	15%	26.5	22.4	20.2	33.8	36.5	26.4	27.8	3.1	1.9
Lupin	722.3	1,606.1	1,970.9	2,600.0	182.7	302.1	328.9	20.7	34.2	37.3	34%	34.9	21.1	19.4	15.8	23.3	28.4	24.0	3.3	0.5
M&M	762.5	8,222.7	10,050.3	12,317.6	659.2	852.4	1,070.9	28.2	35.8	45.0	26%	27.0	21.3	16.9	26.8	29.7	22.2	27.2	11.5	1.5
Marico	57.6	1,145.3	1,559.5	1,826.0	86.9	112.9	147.1	1.5	1.9	2.4	29%	39.7	31.1	24.0	26.1	28.0	33.3	23.2	2.2	3.8
Maruti Udyog	810.9	12,052.2	14,653.9	17,856.7	1,189.2	1,562.0	1,737.4	41.1	54.0	60.1	21%	19.7	15.0	13.5	34.5	31.7	24.7	20.0	4.5	0.6
Nicholas Piramal	260.2	1,582.5	2,420.2	2,946.4	127.5	232.6	297.0	6.0	11.0	14.1	53%	43.4	23.7	18.5	12.0	16.6	12.6	21.4	3.5	1.3
Omax Auto	92.2	578.6	664.8	764.6	20.0	24.6	30.5	9.4	11.5	14.2	23%	9.8	8.0	6.5	13.3	18.9	18.8	22.0	2.3	2.4
Ranbaxy*	388.2	5,281.6	6,021.6	6,932.9	261.7	515.1	831.9	7.0	13.8	20.8	72%	55.5	28.1	18.7	17.5	19.2	21.2	22.2	8.5	2.2
Satyam Comp	478.5	4,793.0	6,485.0	8,223.0	982.0	1,405.0	1,698.0	15.2	21.4	25.3	29%	31.5	22.4	18.9	26.9	27.8	25.7	25.9	8.0	1.7
SKF India*	452.2	781.4	1,342.5	1,537.1	91.7	99.3	127.5	17.4	18.8	24.2	18%	26.0	24.1	18.7	43.0	39.4	26.4	23.5	4.5	1.0
SBI	1,378.1	23,024.3	23,501.0	26,201.2	4,406.7	4,541.3	5,377.9	83.7	86.3	94.1	6%	16.5	16.0	14.6	-	-	17.0	15.4	14.0	1.0
Sundaram Clayton	935.4	629.3	816.3	1,001.7	68.6	92.8	112.2	36.2	48.9	59.1	28%	25.8	19.1	15.8	27.8	31.2	23.7	26.5	15.0	1.6
Tata Motors	747.2	23,769.5	32,426.4	37,944.9	1,710.7	2,206.4	2,446.9	45.2	56.3	63.5	19%	16.5	13.3	11.8	30.8	33.4	27.9	28.4	15.0	2.0
Tata Tea	952.3	3,106.5	4,044.6	4,199.0	293.9	341.9	388.7	52.5	57.9	62.9	9%	18.1	16.4	15.1	13.9	13.0	19.0	18.2	15.0	1.6
Unichem Lab	263.7	459.9	545.6	638.9	76.2	88.9	102.5	21.2	24.7	28.5	16%	12.4	10.7	9.3	26.7	26.7	25.3	23.9	5.0	1.9
Wipro	544.2	10,611.0	14,943.0	18,269.0	2,027.0	2,917.0	3,459.2	14.2	20.4	24.2	31%	38.3	26.7	22.5	23.5	26.1	25.7	29.1	6.0	1.1
Emerging Star																				
3i Infotech	310.3	417.8	655.3	1,089.5	50.2	96.5	155.1	9.5	14.3	21.3	50%	32.7	21.7	14.6	15.1	15.0	13.7	14.5	2.0	0.6
Aban Offshore	2,659.4	490.1	576.4	1,099.5	76.8	112.4	485.3	20.8	29.2	126.1	146%	127.9	91.1	21.1	15.9	7.5	26.3	11.6	-	-
Alphageo India	346.9	23.9	55.0	80.0	4.2	7.5	13.5	8.5	13.6	24.5	70%	40.8	25.5	14.2	27.0	30.7	20.4	27.9	0.5	0.1
Cadila Healthcare	335.0	1,484.5	1,828.8	2,129.7	164.9	233.8	277.4	13.1	18.6	22.1	30%	25.6	18.0	15.2	17.0	20.5	23.6	27.6	4.0	1.2
FM Goetze*	252.1	449.2	380.0	644.4	13.5	18.6	55.6	5.3	7.3	18.6	87%	47.6	34.5	13.6	10.9	9.2	14.0	16.1	0.0	-
KSB Pumps	493.8	358.6	406.4	476.9	37.9	51.1	60.5	21.8	29.4	34.8	26%	22.7	16.8	14.2	44.2	45.0	23.3	25.3	4.0	0.8
Marksans Pharma	52.1	297.4	391.3	535.5	22.9	37.9	73.5	6.4	10.5	20.4	79%	8.2	5.0	2.6	10.5	13.8	23.3	27.2	-	-
Navneet Pub	60.0	294.3	326.8	369.1	35.6	43.6	53.7	3.7	4.6	5.6	22%	16.0	13.0	10.7	15.9	19.1	19.4	21.0	2.0	3.3
NDTV	389.6	221.0	278.4	356.3	24.1	20.9	43.2	4.0	3.4	6.9	32%	98.3	114.6	56.5	14.1	5.4	12.7	7.4	0.8	0.2

* Year CY instead of FY ** June ending company # 9 months

Company	Price (Rs)	Sales			Net Profit			EPS			(%) EPS Growth	PE (x)			ROCE (%)		RONW (%)		DPS	Div Yield
		FY06	FY07E	FY08E	FY06	FY07E	FY08E	FY06	FY07E	FY08E	FY08/FY06	FY06	FY07E	FY08E	FY06	FY07E	FY06	FY07E	(Rs)	(%)
Nucleus Software	1,009.8	148.2	221.2	322.6	37.0	55.2	81.0	21.8	32.6	49.7	51%	46.3	31.0	20.3	37.7	37.4	32.1	33.2	3.5	0.3
Orchid Chemicals	258.7	821.5	907.4	1,181.1	82.9	96.6	248.3	12.8	14.7	26.1	43%	20.2	17.6	9.9	10.4	10.4	10.6	9.4	3.0	1.2
ORG Infomatics	115.8	155.2	331.5	426.2	8.1	17.7	24.1	5.9	10.1	14.1	55%	19.6	11.5	8.2	37.5	39.0	43.2	27.7	-	-
Tata Elxsi	342.2	235.6	308.0	395.8	34.5	52.4	67.1	11.0	16.7	21.4	39%	31.1	20.5	16.0	57.5	62.0	98.6	84.0	7.0	2.0
TV18 India	834.2	152.0	239.8	322.4	37.2	60.8	90.6	17.7	10.8	16.0	-5%	47.1	77.2	52.1	19.4	18.0	21.7	21.6	2.0	0.2
Thermax	497.8	1,624.3	2,326.7	3,264.0	100.9	199.2	279.3	8.5	16.7	23.4	66%	58.8	29.8	21.3	37.2	56.0	22.3	31.4	3.4	0.7
UTI Bank	576.2	1,807.9	2,577.2	3,354.1	485.1	659.0	851.1	17.4	23.4	26.8	24%	33.1	24.6	21.5	-	-	18.2	21.0	4.5	0.8
Ugly Duckling																				
Ahmed Forging	253.0	357.9	635.0	934.2	40.5	67.5	121.3	12.2	20.3	36.5	73%	20.7	12.5	6.9	24.5	27.9	15.7	21	-	-
Ashok Leyland	38.4	5,329.8	7,168.2	8,302.2	285.0	436.3	480.0	2.2	3.3	3.6	28%	17.5	11.6	10.7	21.6	26.6	20.2	23.3	1.2	3.1
Aurobindo Pharma	697.7	1,593.6	2,057.5	2,622.4	45.5	202.7	277.9	13.2	33.4	45.8	86%	52.9	20.9	15.2	7.4	11.2	8.6	13.5	1.5	0.2
BASF	268.5	683.0	836.7	1,165.5	45.4	56.2	80.1	16.1	20.0	28.4	33%	16.7	13.4	9.5	24.8	27.5	17.1	19.2	7.0	2.6
Ceat	176.4	1,744.1	2,134.8	2,458.9	0.5	39.7	76.1	0.1	8.7	16.7	1192%	1,764.0	20.3	10.6	8.4	14.0	0.2	10.2	1.8	1.0
Deepak Fert	92.8	608.7	692.4	891.9	74.6	93.7	135.3	8.5	10.6	15.4	35%	10.9	8.8	6.0	11.3	11.5	14.2	13.9	3.0	3.2
Fem Care Pharma	429.8	70.4	80.8	97.2	6.1	10.7	13.8	20.3	35.6	45.8	50%	21	12	9	58.7	50.8	43.6	46.0	6.0	1.4
Genus Overseas	262.9	212.8	365.2	494.0	14.8	28.2	38.6	14.7	23.2	31.7	47%	17.9	11.3	8.3	23.3	24.9	36.4	27.9	1.5	0.6
Hexaware Tech	155.6	678.7	848.2	1,124.2	91.6	124.2	158.6	7.7	8.9	11.2	21%	20.2	17.5	13.9	32.3	33.2	28.3	28.6		0.0
ICI India	524.7	892.0	900.0	945.1	53.7	107.0	119.0	13.1	26.2	29.1	49%	40.1	20.0	18.0	11.5	9.8	10.0	15.0	27.0	5.1
India Cements	181.3	1,541.8	2,049.7	2,690.6	42.4	449.3	583.6	2.2	20.4	22.4	219%	82.4	8.9	8.1	8.2	22.2	5.1	31.5	-	-
Indo Tech Trans	348.3	92.7	155.5	226.6	11.1	25.2	30.8	10.5	23.7	29.0	66%	33.2	14.7	12.0	23.0	38.7	23.3	30.6	2.0	0.6
JM Financial	1,100.0	335.0	452.3	565.3	67.2	102.6	145.1	23.4	31.6	44.7	38%	47.0	34.8	24.6	-	-	21.8	17.2	2.5	0.2
Jaiprakash Asso	697.8	3,791.4	4,384.2	5,235.2	379.4	443.6	638.2	19.5	20.5	29.5	23%	35.8	34.0	23.7	12.4	14.3	24.4	22.8	2.5	0.4
KEI Industries	91.2	299.4	576.0	837.2	26.0	45.2	69.5	5.2	7.7	11.8	51%	17.5	11.8	7.7	32.6	36.9	42.3	38.5	0.4	0.4
NIIT Technologies	590.3	607.5	885.9	1,145.7	66.3	129.2	166.1	17.2	33.0	42.5	57%	34.3	17.9	13.9	25.9	38.7	30.3	39.0	6.0	1.0
PNB	535.3	6,147.7	6,556.9	7,440.0	1,439.0	1,540.0	1,971.1	45.6	48.8	62.5	17%	11.7	11.0	8.6	-	-	16.4	15.3	9.0	1.7
Ratnamani Metals	882.6	319.1	557.9	695.7	33.5	59.6	70.4	37.3	63.1	74.5	41%	23.7	14.0	11.8	38.7	47.8	50.5	54.1	2.5	0.3
Sanghvi Movers	839.9	149.0	178.6	236.9	31.9	47.2	62.4	44.5	54.5	72.0	27%	18.9	15.4	11.7	26.4	23.3	39.6	18.8	10.0	1.2
Saregama India	289.4	126.7	143.3	176.8	7.2	16.8	23.5	4.9	11.4	16.0	81%	59.1	25.4	18.1	8.9	18.0	11.9	20.1	-	-
Selan Exploration	84.0	18.7	26.2	38.4	6.6	10.6	16.3	4.6	7.3	11.3	57%	18.3	11.5	7.4	26.0	28.5	19.5	23.8	-	-
SEAMEC	192.4	82.3	159.1	224.6	19.4	58.6	79.1	5.7	17.3	23.3	102%	33.7	11.1	8.3	13.0	29.0	11.0	25.0	-	-
Subros	229.3	565.1	647.4	767.0	24.3	31.9	39.3	20.3	26.6	32.8	27%	11.3	8.6	7.0	20.6	21.7	18.9	19.5	3.0	1.3
Sun Pharma	1,092.0	1,637.2	2,132.1	2,791.2	573.6	774.1	936.5	30.9	40.0	47.9	25%	35.4	27.3	22.8	16.4	19.0	36.1	19.5	5.5	0.5
Surya Pharma	72.1	257.7	287.5	462.1	22.0	27.3	42.4	19.8	18.8	38.3	39%	3.6	3.8	1.9	13.0	15.6	20.1	23.9	-	-
UltraTech Cement	837.7	3,302.8	4,910.8	5,433.8	229.8	782.2	898.5	18.5	62.8	72.2	98%	45.4	13.3	11.6	14.7	43.3	22.1	44.7	4.0	0.5
UBI	121.1	2,999.4	3,632.2	4,104.9	675.2	845.3	1,079.7	13.4	16.7	21.4	27%	9.1	7.3	5.7	-	-	15.8	17.5	3.5	2.9
Universal Cables	114.4	297.5	377.2	478.8	16.6	21.9	30.1	8.3	9.5	13.0	25%	13.8	12.0	8.8	18.1	18.2	11.9	13.7	1.0	0.9
Wockhardt*	425.7	1,413.1	1,729.0	2,272.8	257.1	241.2	360.9	23.5	22.0	30.2	13%	18.1	19.3	14.1	17.0	11.4	31.5	22.6	5.0	1.2
Vulture's Pick																				
Esab India	419.7	238.2	287.2	325.6	35.2	42.6	52.1	22.8	27.7	33.9	22%	18.4	15.1	12.4	113.9	108.1	103.1	55.5	0.0	0.0
Orient Paper	447.3	867.1	1,102.2	1,287.9	39.1	130.7	182.4	26.3	88.2	94.9	90%	17.0	5.1	4.7	18.0	32.6	92.9	36.4	10.0	2.2
WS Industries	49.2	147.1	165.4	200.5	4.3	7.9	12.2	2.4	3.7	5.8	55%	20.5	13.3	8.5	13.0	15.4	10.6	11.2	-	-
Cannonball																				
Allahabad Bank	86.1	2,184.4	2,218.1	2,597.0	706.4	750.1	839.6	15.8	16.8	18.8	9%	5.4	5.1	4.6	-	-	26.8	22.7	4.0	4.6
Andhra Bank	87.2	1,627.1	1,864.4	2,232.2	485.5	537.9	611.3	10.0	11.1	12.6	12%	8.7	7.9	6.9	-	-	19.0	17.5	3.8	4.4
Cipla	224.2	2,891.4	3,438.1	4,100.5	692.4	660.8	847.2	8.9	8.5	10.9	11%	25.2	26.4	20.6	29.4	21.5	34.9	18.9	1.2	0.5
Gateway Dist	182.3	138.6	165.0	227.2	73.0	79.8	111.5	7.9	8.7	12.1	24%	23.1	21.0	15.1	20.0	14.8	12.7	12.2	2.0	1.1
ICIL	320.9	66.8	79.8	98.9	5.7	8.3	11.3	23.8	34.6	47.1	41%	13.5	9.3	6.8	28.8	32.2	17.4	20.5	2.5	0.8
J K Cements	149.1	872.3	1,233.0	1,479.0	32.5	178.6	210.9	4.7	25.5	30.2	153%	31.7	5.8	4.9	9.6	23.2	4.8	21.6	1.5	1.0
Madras Cements	2,792.7	1,008.4	1,574.1	1,904.0	79.9	308.5	378.1	66.2	255.3	313.0	118%	42.2	10.9	8.9	14.9	45.3	20.3	46.0	15.0	0.5
Shree Cement	1,183.0	694.8	1,368.0	1,723.0	152.6	356.7	433.6	43.8	102.4	124.5	69%	27.0	11.6	9.5	26.5	43.3	51.5	54.3	3.0	0.3
TCI	87.5	904.8	1,088.5	1,265.7	20.7	30.8	39.0	4.0	4.6	5.1	13%	21.9	19.0	17.1	17.8	17.6	19.4	22.4	1.5	1.7

* Year CY instead of FY   ** June ending company   # 9 months

^Not comparable with EPS of FY2006 due to restructuring.

	Remarks
	Evergreen
HDFC Bank	• The consistent growth of 31% quarter after quarter makes HDFC Bank, India's leading private sector bank, a safe bet. The risk from the interest rate volatility is low as its fee income/net income ratio is the highest in the industry at 30%. Recent capital raising plans along with approval for new branch licences would help the bank to sustain the growth momentum.
Infosys Tech	• Infosys is India's premier IT and IT-enabled service company. It is one of the key beneficiaries of the strong trend of offshore outsourcing. Moreover, despite the cost pressures the company has proven its ability to maintain its profitability.
Reliance Ind	• RIL's refining business remains strong. The upswing in the petrochemical cycle is likely to continue for the next 18-24 months. Upstream assets are valued at Rs580 per share. Its subsidiary, RPL, adds another Rs167 per share to the stock price.
TCS	• TCS pioneered the IT service outsourcing business from India and is the largest IT service firm in the country. It is a leader in most service offerings and is in the process of further consolidating its leadership position through the inorganic route and large deals.
	Apple Green
ACC	• ACC is India's largest cement maker and will be the primary beneficiary of the improving cement demand-supply equilibrium. The volume boost from the expanded capacity and the cost reduction through captive power plants shall boost its profitability. Holcim's strategic stake in it will result in the unlocking of value.
Aditya Birla Nuvo	• Aditya Birla Nuvo participates in India's four most exciting sectors: garments, insurance, telecom and IT/IT enabled services. It has a perfect strategy: to earn cash from its cash cow businesses, such as carbon black, rayon and fertilisers, and invest in high-growth businesses, such as garments, insurance, telecom and IT/IT enabled services.
Apollo Tyres	• Apollo Tyres is the market leader in the truck and bus tyre segment with a market share of 28%. We expect the replacement cycle to get triggered in a big way, given the sharp rise in the commercial vehicle (CV) sales in the past one year. The margins improved substantially in FY2007 and are expected to be sustained heron. Considering the strong growth opportunities and the powerful position of the company in the market, we believe that the stock is under-valued.
Bajaj Auto	• Bajaj Auto is a leading two-wheeler maker. It is being spilt into three separate companies, comprising a holding company, an automobile company and a financial service & insurance company. The sales of the two-wheeler segment have been currently affected due to rising interest rates. The three-wheeler segment should help in maintaining the overall volume growth. It is the second largest player in the insurance business.
Bank of Baroda	• BOB, with a wide network of over 2,700 branches across the country, has a stronghold in the western and eastern parts of India. With only around 35% of its investment portfolio in the available-for-sale category of duration of 2.7 years, the bank has insulated its investment portfolio very well from the risk of rising interest rates. We expect a 15.1% growth in its net revenue and a 25.7% growth in its earnings over FY2006-08E.
Bank of India	• BOI has a wide network of 2,644 branches across the country and 24 branches abroad. With only around 25% of its investment portfolio in the available-for-sale category and its duration below one year, the bank has insulated its investment portfolio very well from the risk of rising interest rates. With improving margins and steady asset growth, we expect a strong 21.9% growth in its net revenues and a 38.9% growth in its earnings over FY2006-08E.
Bharat Bijlee	• Bharat Bijlee, a leading transformer manufacturing company, shall benefit from huge investments in the T&D sector. Its OPM and RoCE are all set to improve substantially on transfer of the low-margin elevator business.
Bharti Airtel	• Bharti Airtel is leading the wireless telephony revolution and has emerged as the largest mobile operator in the country. In addition to the robust growth in revenues, the focus on cost efficiencies and high-margin non-voice business are more than mitigating the impact of declining trend in the tariffs.
BEL	• BEL, a public sector unit involved in manufacturing of electronic, communication and defence equipment, is benefiting from the enhanced capital expenditure outlay in the budget to strengthen and modernise security systems. Moreover, civilian and export orders are also aiding the overall growth in revenues.
BHEL	• BHEL, India's biggest power equipment manufacturer, will be the prime beneficiary of a four-fold increase in the investments being made in the power sector. Its order book of Rs55,000 crore stands at around 3x FY2007 revenue and we expect it to maintain the growth momentum.
Canara Bank	• Canara Bank, with a wide network of 2,513 branches across the country, has a stronghold in the southern parts of India, especially in states like Andhra Pradesh and Karnataka. With nearly 60% of its investment portfolio in the held-to-maturity category, the bank faces some risk from the rising interest rates. We expect a 10% growth in its net revenues and an 8% growth in its earnings over FY2006-08E.

	Remarks
Corp Bank	• Corporation Bank has one of the lowest cost/income ratio and the highest Tier-I CAR. This leaves ample scope to leverage balance sheet without diluting equity, quite unlike the other state-owned banks. It is most aggressive on technology implementation with all its branches under Core Banking Solution, covering 100% business of the bank. It has superior asset quality with NPAs at 0.47%.
Crompton Greaves	• The outlook is buoyant for Crompton Greaves' key business of industrial and power systems. A strong order book of Rs4,500 crore is equivalent to 0.7x FY2007 consolidated revenues and generates earnings visibility. The synergy from the acquisitions of Pauwels and GTV will drive its consolidated earnings.
Elder Pharma	• With leading big brands like Shelcal and Tiger Balm, pharma company Elder Pharma is set to make the most of the domestic demand with line extensions and new molecules. New in-licencing agreements will ensure good growth for the company. The fairness cream, Fairone, shall drive the earnings.
Grasim	• Going forward, the improved performance of the VSF business, continued concrete performance of its cement business and the steep uptrend in the earnings of its 51% subsidiary, Ultratech, would drive Grasim's consolidated earnings.
HCL Tech	• HCL Tech is one of the leading Indian IT service vendors. It has been able to successfully ramp up the business from the large-sized deals bagged over the past few quarters, which has considerably improved its revenue growth visibility.
HLL	• HLL is India's largest fast moving consumer good (FMCG) company. The volume growth is picking up in FMCG sector and HLL is likely to be a key beneficiary. The rural demand growth will be icing on the cake. The company has regained the pricing power in all the product segments. That along with stable raw material prices, turn-around of loss-making businesses and cost reduction measures should help it improve its profitability.
ICICI Bank	• ICICI Bank is India's second-largest bank with a strong positioning in the retail advance segment which gives it dual advantages of a healthy growth in both loans and fee income. Various subsidiaries add Rs380 to overall valuation. The bank has decided to transfer its holdings in the insurance (74%) and asset management (51%) businesses to a 100% subsidiary, ICICI Holdings. Listing of the same would unlock significant value for the stock. The bank has announced capital raising plan of Rs20,000 crore which would fund its growth for the next three years without any dilution.
Indian Hotels Co	• The tight demand-supply scenario in the hotel industry will push up the ARRs in the short term and we expect Indian Hotels Co (India's largest hotel company) with its pedigree of hotels to be the key beneficiary of this trend. We expect its earnings to grow at a strong 27.3% CAGR over FY2006-08.
ITC	• ITC's plan to diversify from the key business of cigarettes is paying off with the non-cigarette businesses of hotels, paper and agri-products reporting a strong growth in revenues. The cigarette business would nurture the growth of the businesses that are at nascent stage. As ITC gains leadership position in each of these businesses, we expect its valuations to improve further, reducing the gap between its valuation and that of HLL.
Lupin	• Leading pharma company Lupin is set to take off in the export market by targeting the US market (primarily for formulations) while maintaining its dominance in the anti-TB segment globally. Further, with an expanded field force and therapy focused marketing division, Lupin's branded formulation business in the domestic market has been performing better than the industry. Lastly, Lupin's ongoing R&D activities are expected to yield sweet fruits going forward.
M&M	• M&M is a leading maker of tractors and utility vehicles in India. The utility vehicle and tractor segments should be able to grow by 10% this year. Investments in the other businesses like passenger cars and commercial vehicles along with world majors will help the company diversify into various auto segments. Acquisitions by subsidiary Systech will pay off over the coming three years. Value of its subsidiaries adds to the sum-of-parts valuation.
Marico	• Marico is India's leading FMCG company. Its core brands, Parachute and Saffola, have a strong footing in the market. It intends to play on the broader beauty and health platform. Its risk appetite is rising, as is evident from the five acquisitions made in eighteen months. It is also directing its energies to the high-margin businesses, viz value-added hair oil, *Kaya* and *Sundari*.
Maruti Udyog	• Maruti Udyog is India's largest small car manufacturer. This is the only pure passenger car play. With new launches the company is expected to maintain its growth rate in the domestic market. Suzuki has identified India as a hub for manufacture of small cars for its worldwide markets. Increased indigenisation and cost control measures to help improve margins.
Nicholas Piramal	• Pharma major Nicholas Piramal is ready to gain from the ramp-up in it contract manufacturing deals with MNCs. Further, the acquisition of Pfizer's Morpeth facility in the UK adds glory to its global contract manufacturing strength. The restructuring of its wide spread field force is likely to unlock value in terms of higher product acceptance and greater market share in domestic market.
Omax Auto	• A leading maker of auto components and auto ancillaries Omax has re-structured its revenue model by diversifying its domestic customer base, increasing the share of exports in revenues and broadening its product range. It is expanding its capacity to tap growth opportunities.

	Remarks
Ranbaxy	• Ranbaxy, apart from adopting an inorganic growth strategy, has been maintaining an aggressive product introduction strategy as well in the domestic, regulated and other pharma markets. With such efforts, it maintains the numero uno position in the domestic market. Exclusivity opportunities in the USA, along with strong expansion in semi-regulated markets, will drive its growth.
Satyam Comp	• Satyam is among the top five Indian IT service companies. Despite the continued losses in its subsidiaries, it has shown a marked improvement in its performance and to an extent addressed the key concern of losses in its subsidiaries.
SKF India	• SKF, a leading bearing and engineering solution provider, enjoys good visibility in high-margin replacement market. It will be the primary beneficiary of growing volumes of Indian automobile industry and the huge industrial investment lined up by India Inc. It also plans to focus on its high-margin service division.
SBI	• Despite being the largest bank of India SBI is growing at a high rate which is commendable. Its loan growth is likely to remain healthy at 22-25% with improving core operating performance and stable net interest margins. The ownership transfer from RBI to the government and value unlocking from its investments in subsidiaries could provide further upside for the parent bank. The asset quality has been improving with the net NPAs falling to 1.7% of the net advances.
Sundaram Clayton	• Sundaram Clayton is a strong player in the air brake and casting business and supplies mainly to the automobile industry. It is being split into two companies: the Airbrakes business will be held by WABCO and the castings company will be held by the Sundaram group. This value unlocking will lead to higher sourcing by WABCO of its global requirements from India and good export prospects for the casting business as well.
Tata Motors	• Tata Motors is one of India's leading automobile companies with diverse product portfolios across commercial vehicles and cars. The commercial vehicle segment is witnessing a slowdown due to rising interest rates. However, with the spending on infrastructure long-term prospects continue to be positive. The international operations and subsidiaries also add value to the company.
Tata Tea	• Over past two years Tata Tea has transformed itself from just a commodity (tea) seller to a branded tea maker. It has recently acquired management control of Mount Everest Mineral water, owner of the Himalayan brand. This makes the company a compete beverage company, having presence in all the vertical: tea, coffee and water. However, its valuations are much cheaper than is peers.
Unichem Lab	• Big brands in the domestic pharma market and a strong marketing network are the distinguishing features of Unichem. Its domestic business is growing steadily while it is aggressively registering products in international markets (particularly in Europe). The recent acquisition of the balance 40% in subsidiary, UK-based Niche Generic, would boost its product registration and launches in the entire European region, and augment its exports.
Wipro	• Wipro is one of the leading Indian IT service companies. The revival in the BPO business, strong traction in its existing IT service business and the incremental growth from the recent inorganic initiatives have considerably improved the growth visibility in the global software service business.
	Emerging Star
3i Infotech	• 3i offers software products and solutions to the banking, financial services and insurance (BSFI) sector. The growth momentum is expected to continue due to a healthy order book and the growing visibility of its product business in the overseas markets. The benefits of the recent acquisitions will also get fully reflected in its performance in the coming quarters.
Aban Offshore	• Aban Offshore, one of Asia's largest oil drilling companies, is benefiting from the increase in oil exploration and production activities globally. The re-pricing of its existing assets at significantly higher day rates and efforts taken to substantially ramp up the asset base through organic and inorganic routes would significantly improve its financial performance over the next few years.
Alphageo	• Alphageo provides seismic survey and other related support services to oil exploration & production companies in India. The recent order wins and a healthy pipeline of orders have considerably improved the company's revenue growth visibility.
Cadila	• Cadila's improving performance in the US generic market along with the steady progress in the CRAMS space enriches its growth visibility. With key subsidiaries expected to turn profitable in the near future, Cadila is all set to harvest the fruits of its long-term investments.
F-M Goetze India	• Federal-Mogul Goetze India, a leading supplier of piston and piston rings, enjoys a 65% share of the OEM market and 70-80% penetration in the CV and tractor segments. It would benefit from increasing dieselisation in the car segment. There also exists a huge potential for outsourcing to its parent, who is looking to shift some of its manufacturing lines to low-cost countries.

Remarks	
KSB Pumps	• KSB Pumps, a leading maker of pumps and valves, is a beneficiary of the investments lined up in India's power and industrial sectors. The strong order inflow in the pump business and the capacity expansion would drive its growth.
Marksans Pharma	• Contract manufacturing orders and the lifestyle bulk drug business will drive the growth of pharma company, Marksans Pharma. The recent efforts to direct its product to regulated markets, particularly Europe and other newer ROW markets, would also boost growth. The inorganic growth trigger cannot be ruled out.
Navneet Pub	• Publishing major Navneet's earnings will continue to grow in FY2008 backed by the procedure of change in the syllabus in Gujarat and Maharashtra. The growth in stationary business would be aided by the introduction of non-paper stationary products.
NDTV	• NDTV is one of India's largest television production houses. With numerous revenue streams in its fold, such as a global consulting tie-up, a global subscription alliance, Internet ventures and its move to launch general entertainment and lifestyle channels, it has already put the building blocks in place for a long-term growth.
Nucleus Software	• Nucleus Software offers a comprehensive suite of software products to banking and financial service companies globally. Its flagship product "FinnOne" is rated as the highest selling retail banking product in the IBS annual ranking review 2006. The niche positioning and a robust order book provide a reasonably healthy growth outlook.
Orchid Chem	• Orchid will benefit the most in the bulk and formulation market for cephalosporins in the USA. Its entry into European and Canadian markets will further boost its sales in the coming years. With UK MHRA approval for its plants and marketing tie-ups in place, Orchid is all set to make its entry into the European market, which will catapult its growth to a different trajectory.
ORG Infomatics	• ORG Infomatics is focused on providing IT services in the convergent IT and telecom space. Driven by a restructured business model, it has shown an exponential growth over the past couple of years. The growth momentum is likely to be maintained due to a healthy order book and the reasonable size of its operations now.
Tata Elxsi	• Tata Elxsi has successfully transformed itself from a system integration company into an established player in the niche segment of product design and engineering services. It has built the required scale of operations and strong client relationships to effectively tap the huge emerging opportunity in this segment.
TV18 India	• TV18 is India's leading news media company. It owns the nation's top business news channels, CNBC TV-18 and Awaaz. It also owns a repertoire of web properties such as moneycontrol.com, poweryourtrade.com and commoditiescontrol.com. The buoyant economic fundamentals augur well for its media properties. With top-notch management it remains one of the best media companies in the country.
Thermax	• The continued rise in India Inc's capex will benefit Thermax' energy and environment businesses. It has a strong order book of Rs3,024 crore which is equivalent to 1.9x FY2006 revenues and ensures visibility of earnings. Better operational efficiencies coupled with cost management will lead to a 260-basis-point expansion in margin over the FY2006-08 period.
UTI Bank	• Over the last few years UTI Bank has grown its balance sheet aggressively. We expect the quality of its earnings to improve as the proportion of the fee income goes up. It has also announced plans to raise capital, which would help to maintain its growth momentum for the next three years. Its asset quality continues to remain healthy with the net NPAs at 0.68% despite a strong asset growth.
Ugly Duckling	
Ahmed Forging	• Ahmednagar Forgings, a very promising forgings company, has a strong order book of Rs850 crore, executable over next twelve months. It is more than trebling its forging capacity to 165,000tpa by FY2008 and is also increasing its machining capacity. It trades at very attractive valuations considering the stupendous increase in its size and improving product mix.
Ashok Leyland	• Ashok Leyland is the second largest CV player in the industry. Its short-term performance may get affected due to slowdown in the segment due to rising interest rates. Long-term prospects appear bright. Initiatives on value engineering and e-sourcing of materials should help in maintaining the margins going forward.
Aurobindo Pharma	• Aurobindo, with 82 ANDAs, 110 DMFs and 11 USFDA approved facility in hand, is well positioned to exploit the US generic opportunity going forward. Further, its expansion into Europe and other emerging markets and likely incremental revenue flow from its largest approved ARV product basket would fuel the revenue growth as well as margin expansion for the company in future.
BASF India	• BASF India (BASF) is set to benefit from the changing demographics and the resulting consumption boom in India. BASF's products are used in industries like white goods, textiles, home furnishing, paper, construction and automobiles all of which have been growing at a fast pace in contemporary times. To capitalise on the resulting opportunity, BASF is expanding the capacity of its products. A dividend yield of over 3% provides a margin of safety to the investment.

	Remarks
Ceat	• Tyre maker Ceat has an overall market share of 12% across categories and ranks fourth in the industry. Exports account for 20% of its sales. It is improving its product mix with higher contribution expected from exports and specialty tyres where the profit margins are higher. Ceat has undertaken various initiatives in order to improve its productivity and this should lead to improvement in margins. We find the stock's valuations attractive.
Deepak Fert	• Deepak Fertiliser manufactures and supplies industrial chemicals. The industrial upsurge will increase the demand for bulk chemicals. A new 70,000MTPA capacity for producing IPA will act as an inflexion point for its top and bottom lines. It also has plans to expand its ammonium nitrate capacity at a cost of Rs400 crore. Despite a Rs700-crore capex, there is no equity dilution and the debt/equity ratio remains comfortable.
Fem Care	• Fem Care is a market leader in the niche segment of bleach cream; it is also among the leading players in the hand-wash liquid soap and hair-removing cream categories. The successful launch of high-end products and acquisition of an international brand are likely to boost its overall growth in the coming quarters.
Genus Power Inf	• Genus, India's leading electric meter manufacturing company, is all set to reap the benefits of the APDRP initiatives, like the 100% metering programme and the replacement of mechanical meters by electronic meters. A healthy order book of Rs403 crore will maintain growth in its revenue and profitability.
Hexaware Tech	• Hexaware Technologies is a mid-sized IT service company focused on the fast growing enterprise solutions market and HR IT services. It has a dominant position in PeopleSoft products and is scaling up its capabilities in Oracle and SAP. The strong revenue growth visibility and the ability to maintain margins would help its earnings to grow at a CAGR of 28.5% over CY2006-08.
India Cements	• India Cements, the largest cement manufacturer in the southern region, is all set to see exponential growth because of its high leverage to cement prices. It plans to raise its capacity by 3 million tonne in the next 2 years, which will take its total capacity to 12 million tonne.
Indo Tech	• The demand for transformers is on upswing, thanks to high power-generation targets of the government. The annual demand for transformer is expected to be around 95,000MVA whereas the current capacity of transformer industry stands at around 75,000MVA. To cater to this opportunity transformer maker Indo Tech is tripling its capacity, which will result in a strong earnings growth.
ICI India	• We expect ICI's paint and starch business to grow at a CAGR of 20% over next two years. Though due to the discontinuation of some of its businesses the top line growth may look subdued. The company has Rs765 crore of investment on its book, which would translate into free cash and cash equivalents of around Rs202 per share.
JM Financial	• JM Financial is a non-banking financial company. After the recent split with Morgan Stanley (MS) the company is planning to set up its own institutional equity desk and expand its retail broking and margin funding businesses. It has a huge pool of cash after it raked in almost Rs1,900 crore for the deal in which it sold its 49% stake in the foreign institutional equities business to MS. Despite MS' exit, we feel there is still significant value to be unlocked in the scrip in the medium to long term.
Jaiprakash Asso	• Jaiprakash Associate, India's leading cement and construction company, is all set to reap the benefits of the huge investments to be made in India's infrastructure. It has a strong order backlog of Rs7,200 crore. The Taj Expressway project as well as the real estate business will add significant value to the stock price going ahead.
KEI Industries	• KEI makes stainless steel wires, cables and winding wires. It is expected to be a major beneficiary of the pick-up in investments in the power generation as well as transmission and distribution sectors. On the back of these investments we expect its revenues and earnings to grow at a CAGR of 66% and 63% respectively over FY2006-08E.
NIIT Tech	• NIIT Tech was formed by hiving off the software service business of NIIT into a separate entity in June 2004. It is focused on three key industry domains and is benefiting from its inorganic initiatives and restructuring undertaken to consolidate the client base.
PNB	• PNB has the best deposit mix in the banking space with the low-cost deposits constituting 49% of its total deposits. Its asset quality is also healthy with net NPAs at 0.5%. A strong retail franchise and technology focus will help boost its loan and fee businesses. However a high level of AFS bond portfolio poses a risk in a rising interest rate scenario.
Ratnamani Metals	• Ratnamani is the largest maker of stainless steel (SS) tubes and pipes in the country. Given the buoyant demand for SS tubes and pipes from its clients including BHEL and L&T, and a strong order book of Rs376 crore, we expect its revenues and earnings to grow at a CAGR of 47% and 45% respectively over FY2006-08.
Sanghvi Movers	• Sanghvi Movers is the largest crane hiring company in Asia. It is a perfect asset play on the upsurge in the country's capex cycle. The usage of cranes is an essential part of investment spending and of the projects being undertaken by Indian companies; this bodes well for the company. Its strong cash flows make it an attractive investment.

Remarks	
Saregama India	• Saregama is in the business of music and home entertainment, and has a repertoire of around 3 lakh songs spread across a number of languages. We expect a strong growth in Saregama's earnings from the sale of music in non-physical format with tremendous growth in the value-added services in the telecom sector and the expansion of the radio broadcast sector.
Selan Exploration	• Selan is an oil exploration & production company with five oil fields in the oil rich Cambay Basin, Gujarat. The initiatives taken to develop and monetise the oil reserves in its Bakrol and Lohar oil fields are likely to significantly ramp up the production capacity and result in a re-rating of the stock.
SE Asia Marine	• SEAMEC with its fleet of three MSVs, which are deployed by oil companies for construction and maintenance of underwater pipelines, is a key beneficiary of the boom in E&P spends and higher rates for MSVs. It has recently acquired a vessel, which is being converted into a diving support vessel and will commence operation by Q3CY2007, boosting the company's overall performance.
Subros	• Subros, the largest integrated manufacturer of automobile air conditioning systems in India, is expected to be a prime beneficiary of buoyancy in the passenger car segment. It is a strong play on growth plans of Maruti Udyog and Tata Motors, who are expanding their capacities. It plans to double its capacity in next two years which in turn will maintain momentum in its earnings growth.
Sun Pharma	• Sun Pharma has been a steady performer in domestic pharma market supported by its leading position in chronic therapies, which contribute 70% of its domestic formulation sales. Going forward, the robust growth in Caraco, the US outfit of the company, as well as in the domestic and ROW markets would maintain the growth momentum. Further, the recent disclosure of R&D pipeline will unlock value for investors.
Surya Pharma	• A shift to a high-margin product portfolio is the name of the game and Surya is well aware of it. The cephalosporin opportunity would result in sweet fruits for this pharma company.
UltraTech Cement	• Going forward, UCL should benefit from firm cement prices across the country as well as higher volumes owing to rising capacity utilisation and improving cost efficiency, as it commissions its captive power plants. Synergies with Grasim will reduce its freight cost. All this should improve its operating margins.
UBI	• Union Bank has a strong branch network and an all-India presence. The net NPAs are expected to go down to 1.2% by 2007. With the biggest chunk of its investment portfolio in the held-till-maturity segment, it is perfectly guarded against interest rate increases. With an average return on equity of 17.8% over FY2006-08E, the bank is available at attractive valuations.
Universal Cables	• Universal Cables is a leading player in the Indian power cable segment and hence would be one of the biggest beneficiaries of the huge demand for power cables over the next couple of years. It has investments that are worth Rs34 per share of its group companies.
Wockhardt	• A stream of new launches in the USA and sustained momentum in the domestic business will ensure good growth for Wockhardt. The recent acquisition of Negma Laboratories will propel the company to a new growth trajectory as synergistic benefits start flowing in. Further, the likely approval of bio-similar in USA, EU and other geographies would drive Wockhardt in the medium to longer term.
Vultures's Pick	
Esab India	• Change in positioning from low margin, high volume products to quality and high margin products. Double-digit manufacturing sector growth to help business of electrodes and welding equipment.
Orient Paper	• Orient Paper is set to benefit from the upswing in both its businesses: paper and cement. The volume growth in the cement business through increased blending and a captive power plant would drive the profitability of the cement division. Rising paper prices and increased capacity augur well for the paper division. It also has investments in excess of Rs100 crore in its books.
WS Industries	• WSI, a leading maker of insulators, is all set to reap the benefits of a three-fold increase in investment in the T&D segment in India. A strong order book of about Rs110 crore and a shift to higher-margin product of hollow insulators will drive the earnings. It plans to develop an IT park covering 10 lakh sq ft at Chennai. Taking WSI's current 59% stake in its realty venture, we arrive at a value of Rs29.1 per share for the realty venture alone.
Cannonball	
Allahabad Bank	• Allahabad Bank, with a wide network of 1,933 branches across the country, has a stronghold in the northern and eastern parts of India. With only around 35% of its investment portfolio in the available-for-sale category of duration of 3.7 years, the bank has insulated its investment portfolio from the risk of rising interest rates. With an average RoE of 24% over FY2006-08E, the bank is available at attractive valuations.

Remarks

Andhra Bank	• Andhra Bank, with a wide network of over 1,200 branches across the country, has a stronghold in the southern parts of India, especially in Andhra Pradesh. With only around 32% of its investment portfolio in the available-for-sale category of duration of 2.3 years, the bank has insulated its investment portfolio very well from the risk of rising interest rates. We expect a 17.1% growth in its net revenues and a 12.2% growth in its earnings over FY2006-08E.
Cipla	• Partnership agreements with major international firms and low R&D costs are what drive Cipla. This pharma company has a business model similar to that of only a few in the business. Also, Cipla--the cheapest manufacturer of ARVs--is well set to gain from the anti-AIDS focus worldwide.
Gateway Dist	• Gateway Distriparks, a port-based logistic facilitator, has strong presence at JNPT, the country's biggest port. It has a market share of 25%. The recently won contract from the Punjab state government to operate a CFS near JNPT for a period of 15 years will provide the much-needed trigger for the volume growth going ahead. The company's foray into the rail operation business will be a trigger for its earnings in the long term.
ICIL	• International Combustion, which makes gear motors & boxes, polymers, heavy engineering equipment etc, is a good play on India Inc's current capex plans, especially in the sugar and steel industries. The emerging outsourcing trend in the gear motor space should lead to an earnings surprise. Its strong order book of Rs64 crore is equivalent to 1.0x FY2006 revenues and ensures visibility of earnings.
J K Cements	• The firm cement prices and volume growth from the recent capacity expansion will drive JK Cement's top line. This coupled with the company's drive to bring down its power cost by installing a CPP and a waste heat recovery unit would result in substantial margin improvement.
Madras Cements	• Strong cement consumption in the southern region would continue to drive the earnings of Madras Cement, one of the most cost efficient producers of cement. The 4-million-tonne expansion of the company’s existing facilities will provide the much needed volume growth in the future.
Shree Cement	• The company's recent addition of 1.5MMT coupled with expansion of 4MMT over the next 18 months will drive volumes at a CAGR of 22.1% over the next 2 years. The company's robust cash flows will enable it to withstand the downturn in the cement cycle.
TCI	• TCI, a leading logistic solution provider, is rightly focusing on its high-growth logistic business and high-margin express cargo business. Driven by the exponential growth in the logistic business and the incremental revenue from the express cargo business, its earnings are expected to grow substantially. The company's plans to develop property at 4 identified places provide a cushion to its stock price.

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