



Index

- ♦ Stock Update >> [Esab India](#)
- ♦ Stock Update >> [New Delhi Television](#)
- ♦ Mutual Fund >> [What's In-What's Out](#)

Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Alphageo	29-Nov-06	150	195	270
♦ BEL	25-Sep-06	1,108	1,511	1,715
♦ BHEL	11-Nov-05	1,203	2,117	2,650
♦ ICICI Bank	23-Dec-03	284	877	1,240
♦ Infosys	30-Dec-03	689	2,106	2,670

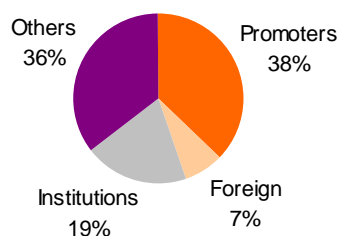
Esab India

Vulture's Pick
Stock Update
Top line growth ahead of expectations
Buy; CMP: Rs328

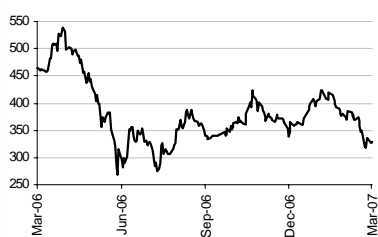
Company details

Price target:	Rs575
Market cap:	Rs505 cr
52 week high/low:	Rs552/237
NSE volume: (No of shares)	17,293
BSE code:	500133
NSE code:	ESABINDIA
Sharekhan code:	ESAB
Free float: (No of shares)	1.0 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-12.7	-3.4	-3.8	-26.1
Relative to Sensex	-4.0	-2.8	-13.3	-39.3

Results highlights

- ◆ Esab India's Q4CY2006 results are good. Its top line grew by 32.4% which was ahead of our expectations. The profit before tax grew by an impressive 50%. However due to a higher tax rate vis-à-vis Q4CY2005, the net profit growth of 21.7% was below our expectations.
- ◆ The higher top line growth was aided by the company's new facility in Chennai. This facility, on a fully operational basis, can contribute additional Rs60 crore to the top line. The revenues for the quarter recorded an impressive 32.4% growth as the equipment division's revenue increased by a whopping 98% and the consumable division's revenue grew by 16%.
- ◆ The operating profit for the quarter grew by 49.6% to Rs14.4 crore as the operating profit margin (OPM) improved by 211 basis points to 18.4%.
- ◆ The improvement in the OPM was on account of the better profitability of the equipment division. The earnings before interest and tax margin of the equipment division improved by 1,200 basis points to 17.5%.
- ◆ The depreciation for the quarter increased by 35% as the company has commissioned its new plant in Chennai.
- ◆ The tax rate for the quarter stood at 33.3% as against 18% in the same quarter last year.
- ◆ Consequently, the net profit grew at a lower rate of 21.7% to Rs10.1 crore.

Results table

Particulars	Rs (cr)					
	Q4CY06	Q4CY05	% yoy chg	CY2006	CY2005	% yoy chg
Net sales	78.7	59.4	32.4	287.2	237.6	20.9
Total expenditure	64.2	49.8	29.1	222.2	184.2	20.7
Operating profit	14.4	9.7	49.6	65.0	53.4	21.8
Other income	2.4	1.6	45.1	5.8	5.2	10.9
EBIDTA	16.8	11.3	49.0	70.8	58.6	20.8
Interest	0.3	0.1	107.7	1.3	0.5	154.0
Depreciation	1.4	1.0	35.3	4.7	4.5	5.6
PBT	15.1	10.1	49.6	64.8	53.7	20.8
Tax	5.0	1.8	176.9	22.2	17.1	29.6
PAT	10.1	8.3	21.7	42.7	36.6	16.7
Extraordinary items	0.0	0.0	-	0.0	0.0	-
Reported PAT	10.1	8.3	21.7	42.7	36.6	16.7
EPS	6.6	5.4	21.7	27.7	23.7	16.7
Margins						
OPM (%)	18.4	16.2		22.6	22.5	
PATM (%)	12.8	14.0		14.9	15.4	

Esab's CY2006 top line growth of 20.9% is ahead of our expectations. However due to rising raw material costs, the bottom line growth of 16.7% is below our expectations. In view of the rising raw material costs we have revised our CY2007 earnings per share estimate downwards to Rs33.9 from Rs38.9 earlier. At the current market price of Rs328 the stock is discounting its CY2006 earnings by 11.8x and its CY2008E earnings by 9.7x.

Going forward the hectic activity in India's core infrastructure sectors, like roads, ports, airports and construction, and the other industrial sectors are expected to drive the volumes for the welding industry. Being the market leader Esab is expected to make the most of this opportunity. We maintain our Buy recommendation on the stock with a price target of Rs575.

Net sales up 32.4% during the quarter

The net sales growth of 32.4% during the quarter was ahead of our expectations. The higher top line growth was aided by the company's new facility in Chennai. Also, due to the rising demand for its products from its user industries, the equipment division's revenue increased by a whopping 98% and the consumable division's revenue grew by 16%.

Segmental results

Segment revenue	Q4CY06	Q4CY05	% yoy chg
Consumables	54.80	47.34	15.8
Equipment	23.87	12.07	97.8
PBIT			
Consumables	11.96	10.44	14.6
Equipment	4.18	0.66	533.3
PBIT margin (%)			
Consumables	21.82	22.05	
Equipment	17.51	5.47	

New plant set up in Chennai to overcome capacity constraints

The welding equipment division is facing capacity constraint because of which it has been consistently recording revenues in the range of Rs15-17 crore. In order to overcome the capacity constraint, the company has set up an arc welding equipment unit in Chennai with a total investment of Rs20 crore. The effect of the new facility was already visible in the Q4CY2006 results wherein the equipment division's revenue increased by 98% to Rs23.87 crore. On a fully operational basis, the new plant can

generate revenues of Rs60 crore, which is approximately 22% of the company's total CY2006 revenues. This in turn will help Esab to overcome the capacity constraint in its equipment division.

Equipment division's PBIT up 533.3%

As mentioned in our earlier update, the commissioning of the new equipment plant as well as the introduction of new products with technological help from the parent would help the company to register a decent top line growth. The top line of the company indeed grew by an impressive 98% in the fourth quarter of CY2006; its PBIT grew by an excellent 533% to Rs4.18 crore during the same period.

VAT implementation in Tamil Nadu to have positive impact on Esab

The value added tax (VAT) has been implemented in Tamil Nadu with effect from January 1, 2007; the same will positively affect Esab as the company will be able to deduct the input tax paid by it against the tax payable on its finished products.

Valuation and view

At the current market price of Rs328, the stock is discounting its CY2006 earnings by 11.8x and its CY2007E earnings by 9.7x. On an enterprise value/earnings before interest, depreciation, tax and amortisation (EBIDTA) basis, the stock is trading at 7.2x its CY2006 EBIDTA and 5x its CY2007E EBIDTA. Going forward, the hectic activity in India's core infrastructure sectors, like roads, ports, airports and construction, and the other industrial sectors is expected to drive the volumes for the welding industry. Being the market leader Esab is expected to make the most of this opportunity. We maintain our Buy recommendation on the stock with a price target of Rs575.

Earnings Table

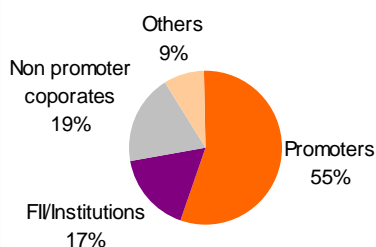
Particulars	CY03	CY04	CY05E	CY06E	CY07E
Net profit (Rs cr)	0.7	20.4	36.6	42.7	52.2
% y-o-y growth	-106.0	2807.0	80.0	17.0	22.0
Shares in issue (cr)	1.54	1.54	1.54	1.54	1.54
EPS (Rs)	0.5	13.2	23.7	27.7	33.9
% y-o-y growth	-106.0	2807.0	80.0	17.0	22.0
PER (x)	748.0	25.7	14.3	12.3	10.0
Book value (Rs)	12.8	26.0	23.8	51.5	85.4
P/BV (Rs)	26.5	26.0	11.2	6.6	4.0
EV/EBIDTA (x)	117.2	15.7	9.9	7.5	5.3

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

New Delhi Television

Emerging Star
Stock Update
Fund mobilisation begins for new channels
Buy; CMP: Rs304
Company details

Price target:	Rs348
Market cap:	Rs1,867 cr
52 week high/low:	Rs354/129
NSE volume: (No of shares)	1.6 lakh
BSE code:	532529
NSE code:	NDTV
Sharekhan code:	NDTV
Free float: (No of shares)	2.8 cr

Shareholding pattern

Price chart

Price performance

(%)	1m	3m	6m	12m
Absolute	-0.7	50.3	35.9	30.6
Relative to Sensex	9.2	51.1	22.6	7.4

A step towards creating a media and entertainment conglomerate

New Delhi Television (NDTV) has received a major push towards implementing its ambitious plans of diversifying its broadcast offerings by entering the general entertainment and lifestyle space. Last week the news broadcaster received the approval of the Foreign Investment Promotion Board to raise foreign investment of Rs585 crore (~\$130 million) for its proposed channels through its UK-based subsidiary NDTV Network Plc. Taking a step forward, it has also entered into a definitive agreement with Com Ventures V.I.L.P for infusing \$20 million in NDTV Network Plc. We believe the company will expedite the fund raising process by roping in strategic/ financial investors or go for a listing on the Alternative Investment Market (commonly known as AIM).

Seeding growth

After creating a niche in the news genre and proving its capabilities in establishing three leading news channels, the company's management plans to broaden NDTV's presence in the non-news space. We believe that, with a highly experienced management and a pool of talent nurtured over a period, NDTV is well poised to enter the large but highly competitive Indian general entertainment space. In addition to this, it also plans to launch niche lifestyle channels dedicated to travel, food, fashion, shopping and health & wellness along with "Metronations" (city-centric channels) to garner local advertising. The new structure would further enable it to rope in strategic investors for each segment of the business and enable it to focus on the varying needs of each business. Apart from broadcasting we see value in its media outsourcing joint venture with Genpact, Internet portal (www.ndtv.com) and consulting businesses.

Sum-of-the-parts valuation

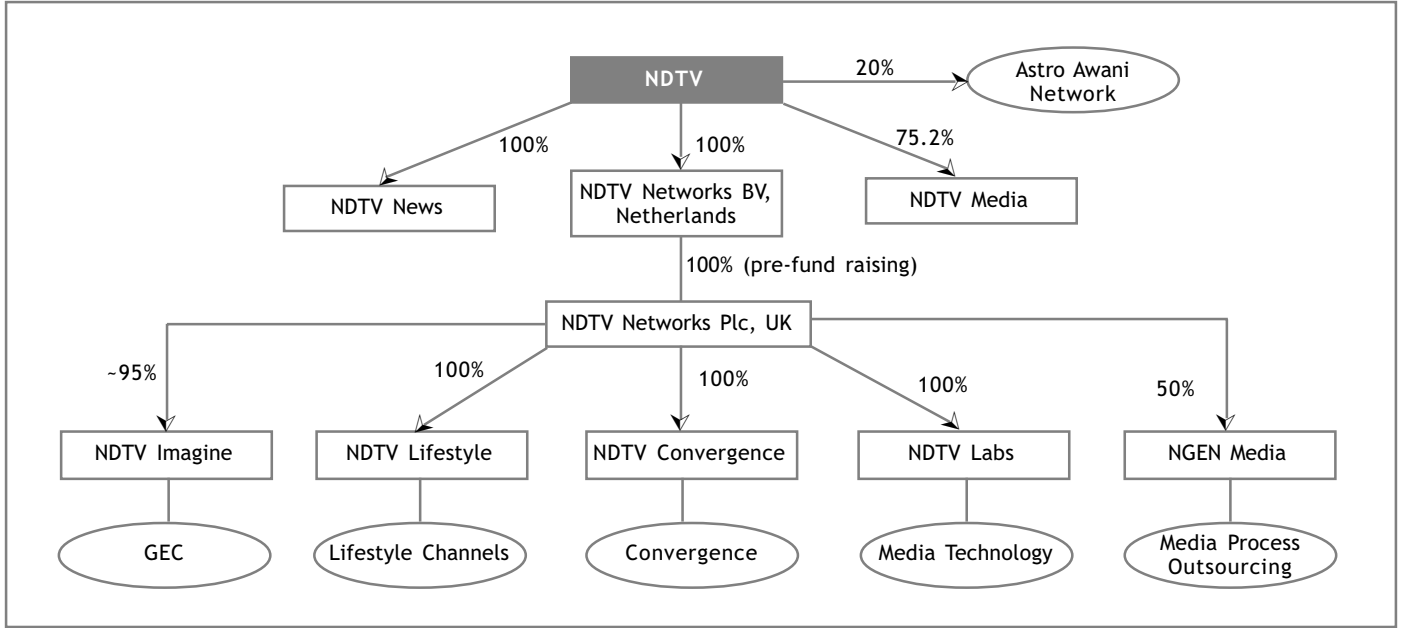
Properties	Value (Rs cr)	Comments
Three news channels	1388	Based on 3.9 FY08E Revenues
GEC & lifestyle channels	437	Based on \$130 mn foreign investment
ndtv.com	213	85% stake
Astro channels/ MPO	155	
Total Value	2193	
Equity Capital	6.3	
Value per share (Rs)	348	

Valuation and view

At the current market price of Rs304 the stock trades at 44.3x its FY2008E earnings. We maintain our Buy recommendation on the stock with a price target of Rs348.

Earnings table	FY2005	FY2006	FY2007E	FY2008E
Net profit (Rs crore)	33.2	24.1	26.4	43.2
Shares in issue (crore)	6.1	6.1	6.3	6.3
EPS (Rs)	5.5	4.0	4.2	6.9
EPS growth (%)	-123.0	-27.5	5.7	63.6
PER (x)	55.6	76.7	72.5	44.3
Book value (Rs)	32.5	35.8	33.4	39.0
P/BV (x)	9.4	8.5	9.1	7.8
EV/EBIDTA (x)	35.3	42.2	39.4	25.0
RoCE (%)	15.3	0.1	11.5	16.3
RoNW (%)	17.4	11.6	12.3	18.9

Group structure



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

What's In—What's Out

Mutual Fund

Fund Analysis: March 2007

Favourite stock picks in the portfolios of equity and mid-cap funds

An analysis has been undertaken on equity and mid-cap funds' portfolios, indicating the favourite picks of fund managers for the month of February 2007. Equity funds comprise of all diversified, index, sector and tax planning funds, whereas mid-cap funds include a universe of 18 funds such as Reliance Growth, Franklin India Prima Fund, HDFC Capital Builder, Birla Mid-cap Fund etc.

What's in

Top new stocks added to the equity funds' portfolios.

Company name	No of shares	Mkt value (Rs cr)
Akruti Nirman	214977	9.12
ASC Enterprises	2243181	204.67
Bartronics India	1501386	16.25
BSEL Infrastructure Realty	300000	2.07
C&C Construction	205950	4.56
Cinemax India	250339	3.55
Euro Ceramics	184939	4.17
Evinix Accessories	--	1.97
First Source Solutions	7097981	55.64
Ganesh Housing Corpn	800076	28.42
House of Pearl Fashions	211593	8.21
Indian Bank	2118076	65.55
Indus Fila	--	21.53
Kansai Nerolac Paints	--	0.32
Mahavir Spinning Mills	3216826	70.35
Mudra Lifestyle	299384	4.07
Power Finance Corporation	20953906	232.40
Redington India	1075600	16.17
SMS Pharmaceuticals	273787	9.84
XI Telecom	--	4.58

Top new stocks in the mid-cap funds' portfolios.

Company name	No of shares	Mkt value (Rs cr)
Akruti Nirman	7411	0.31
Amara Raja Batteries	12393	0.45
ASC Enterprises	--	11.27
Bartronics India	750693	8.12
C&C Construction	14902	0.33
Cinemax India	4726	0.07
Evinix Accessories	--	1.97
First Source Solutions	228234	1.79
Indian Bank	595031	11.99
IDFC	79860	0.64
IFCI	3256515	8.97
Kirloskar Pneumatic	71128	2.74
Power Finance Corporation	463809	5.15
Ram Krishna Forgings	142287	1.94
Redington India	558201	8.39
Reliance Energy	49969	2.40
Satyam Computer Services	332000	13.76
SREI International Finance	529550	2.81
Syndicate Bank	241178	1.63
XI Telecom	--	4.58

What's out

Complete exits in the equity funds' portfolios.

Company name
Subhash Projects & Marketing
Cranes Software International
Sarla Polyester

Complete exits in the mid-cap funds' portfolios.

Company name
BOC India
Britannia Industries
Carborundum Universal
Champagne Indage
Mahanagar Telephone Nigam
Tata Motors
Cranes Software International
Sarla Polyester
Reliance Communication Ventures
Nitco Tiles

Favourite picks for the month

Top additions to the existing holdings of equity funds' portfolios.

Company name	No of shares added	Mkt value added (Rs cr)
Tata Consultancy Services	4560289	541.97
ICICI BANK	4742119	394.50
Power Finance Corporation	20953906	232.38
Zee Telefilms	8515209	199.64
Punjab National Bank	3848360	163.27
HDFC Bank	1726604	161.02
Reliance Energy	3247007	155.65
Maruti Udyog	1692114	142.09
Network Eighteen Fincap	3542678	119.69
State Bank of India	864201	89.80
IDFC	9539755	86.95
Steel Authority of India	7656669	83.42
Mahavir Spinning Mills	3216826	70.35
Bharati Tele - Ventures	912898	65.61
Satyam Computer Services	1496384	61.73
Cummins India	2314206	58.43
Federal Mogul Goetze (India)	1735943	58.37
Biocon	1215867	55.67
First Source Solutions	7097981	55.58
HT Media	2857916	51.77

Top additions to the existing holdings of mid-cap funds' portfolios.

Company name	No of shares added	Mkt value added (Rs cr)
Federal Bank	1677723	36.99
CESC	780651	26.85
Welspun Gujarat Stahl Rohren	1660061	17.70
Deccan Chronicle Holdings	190773	15.64
Network Eighteen Fincap	451732	15.26
India Infoline	496990	14.71
Satyam Computer Services	332000	13.70
GVK Power & Infrastructure	406579	13.02
Aditya Birla Nuvo	98496	11.77
Amtek India	723946	10.92
Orient Paper & Industries	240927	10.55
IFCI	3256515	8.94
Exide Industries	1889077	8.78
Alok Industries	1404402	8.58
Redington India	558201	8.39
Bartronics India	750693	8.12
Deep Industries	1583336	8.01
Monnet Ispat	311675	7.03
KEC International	131021	6.99
Centurion Bank of Punjab	1955806	6.93

Popular stocks in mid-cap funds

Company name	No of shares	Mkt value (Rs cr)
Aditya Birla Nuvo	1082093	129.23
Amtek Auto	2163812	80.7
Bharat Earth Movers	1831381	202.35
Crompton Greaves	4719145	92.87
Deccan Chronicle Holdings	1257698	103.14
Divis Laboratories	282734	82.23
India Cements	6052883	108.33
IPCA Laboratories	1643507	101.91
Jain Irrigation Systems	3029181	124.5
JaiPrakash Associates	3986789	217.81
Jindal Saw	4015623	191.28
Jindal Steel and Power	386814	90.15
JSW Steel	3160526	147.85
Lupin	1646364	98.71
Maharashtra Seamless	2846418	135.49
MICO	298506	104.93
Mphasis BFL	3336250	86.41
NIIT Technologies	2875725	114.04
Reliance Industries	1240415	167.77
Sintex Industries	4163405	88.85

Exclusive stocks

Some stocks held by only one fund.

Scrip Name	Fund House
Control Print (I)	HDFC Mutual Fund
Dabur Pharma	Tata Mutual Fund
Dhunseri Tea & Industries	PRINCIPAL Mutual Fund
Ennore Foundries	PRINCIPAL Mutual Fund
Grindwell Norton	Kotak Mahindra Mutual Fund
Gujarat Pipavav Port	UTI Mutual Fund
Hitkari Fibers	UTI Mutual Fund
JBF Industries	Tata Mutual Fund
Pantaloen Textile Industries	PRINCIPAL Mutual Fund
Sparsh BPO Services	HDFC Mutual Fund
SRF Polymers	PRINCIPAL Mutual Fund
Tezpore Tea Company	UTI Mutual Fund
Vardhman Holding	PRINCIPAL Mutual Fund

Cash rich funds: Top 10 funds having more cash compared to the others

Reliance Long Term Equity Fund, Principal Resurgent India Equity Fund, Birla Index Fund, Can Multicap Fund, HSBC Tax Saver Equity Fund and UTI Spread Fund are some of the cash rich equity diversified funds waiting for right valuations to invest.

Scheme	Equity (%)	Debt (%)	Cash & equivalent (%)
Reliance Long Term Equity Fund	51.13	0	48.87
Principal Resurgent India Equity Fund	52.68	0	47.32
Birla Index Fund	55.36	0	44.64
Can Multicap Fund	51.97	11.83	36.20
Can D MAT	65.16	0	34.84
Cangrowth Plus	67.75	0	32.25
HSBC Tax Saver Equity Fund	65.84	2.46	31.70
UTI Spread Fund	52.06	18.32	29.62
SBI Magnum Global Fund 94	69.38	2.03	28.59
SBI Magnum Tax Gain Scheme 93	71.08	1.58	27.34

Disclaimer: mutual fund investments are subject to market risk. Please read the offer document carefully before investing. Past performance may or may not be sustained in the future.

Evergreen

HDFC Bank
 Infosys Technologies
 Reliance Industries
 Tata Consultancy Services

Apple Green

Aditya Birla Nuvo
 ACC
 Apollo Tyres
 Bajaj Auto
 Balrampur Chini Mills
 Bank of Baroda
 Bank of India
 Bharat Bijlee
 Bharat Electronics
 Bharat Heavy Electricals
 Bharti Airtel
 Canara Bank
 Corporation Bank
 Crompton Greaves
 Elder Pharmaceuticals
 Grasim Industries
 Hindustan Lever
 Hyderabad Industries
 ICICI Bank
 Indian Hotels Company
 ITC
 Mahindra & Mahindra
 Marico
 Maruti Udyog
 Lupin
 Nicholas Piramal India
 Omax Autos
 Ranbaxy Laboratories
 Satyam Computer Services
 SKF India
 State Bank of India
 Sundaram Clayton
 Tata Motors
 Tata Tea
 Unichem Laboratories
 Wipro

Cannonball

Allahabad Bank
 Andhra Bank
 Cipla
 Gateway Distriparks
 International Combustion (India)
 JK Cement
 Madras Cement
 Shree Cement
 Transport Corporation of India

Emerging Star

3i Infotech
 Aban Offshore
 Alphageo India
 Cadila Healthcare
 Federal-Mogul Goetze (India)
 KSB Pumps
 Marksans Pharma
 Navneet Publications (India)
 New Delhi Television
 Nucleus Software Exports
 Orchid Chemicals & Pharmaceuticals
 ORG Informatics
 Tata Elxsi
 Television Eighteen India
 Thermax
 UTI Bank

Ugly Duckling

Ahmednagar Forgings
 Ashok Leyland
 BASF India
 Ceat
 Deepak Fertilisers & Petrochemicals Corporation
 Fem Care Pharma
 Genus Overseas Electronics
 HCL Technologies
 ICI India
 India Cements
 Indo Tech Transformers
 Jaiprakash Associates
 JM Financial
 KEI Industries
 NIIT Technologies
 Punjab National Bank
 Ratnamani Metals and Tubes
 Sanghvi Movers
 Saregama India
 Selan Exploration Technology
 South East Asia Marine Engineering & Construction
 Subros
 Sun Pharmaceutical Industries
 Surya Pharmaceuticals
 UltraTech Cement
 Union Bank of India
 Universal Cables
 Wockhardt

Vulture's Pick

Esab India
 Orient Paper and Industries
 WS Industries India

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