MORNING INSIGHT

PRIVATE CLIENT RESEARCH

OCTOBER 17, 2008

Economy News

- Inflation stood at 11.44% for the week ended October 4 as compared to 11.8% for the previous week, on account of decline in prices of manufactured goods. However, inflation rate for primary articles - which includes food articles - went up on a weekly basis. The annual rate of inflation stood at 3.22% a year ago. (BS)
- India has no immediate plans to cut fuel prices despite crude oil's fall to a 13-½ month low near $72 a barrel, said oil minister Murli Deora. The break-even level for oil marketing companies will be a level when imported crude oil falls to $61 per barrel. (FE)
- NCAER has slashed GDP growth projection to 7.6% from earlier forecast of 7.8 % for the current fiscal, even after the government tried hard to ease money supply in the system to tide over the effects of global financial crisis. (BL)
- The excise duty collection declined by 3.8% to Rs98bn in September 2008 from Rs101.86bn in the same month last year. Excise duty collection has been showing a dismal performance but it is for the first time this fiscal that it posted a negative growth. (BL)
- Country's real estate segment has taken a beating in terms of private equity investment in the third quarter of this calendar year as the inflows into the sector was only $669.7 mn, a dip of 73.21% from the second quarter of 2008. (BL)

Corporate News

- The **Ranbaxy**-Daiichi deal is in troubled waters after market regulator SEBI rejected the stake sale on the bourses. Ranbaxy may now have to adopt the direct sale route, which would attract long term capital gains tax of upto 10% amounting to Rs 10.0bn. (ET)
- **RNRL** told the Bombay High Court that under the memorandum of understanding signed with RIL, gas from the Krishna-Godavari (KG) basin has to be given to it on the same terms as NTPC. (ET)
- **Tata Steel's** subsidiary Corus UK Ltd and Companhia Vale do Rio Doce (Vale) have signed a contract under which Vale will supply Corus' plants in Europe with almost 63 million tonnes of iron ore over five years. (BL)
- **Hindalco Industries** had received subscriptions for 55.97% of its Rs.50.5bn ($1bn) rights issue, according to provisional data, and underwriters and founders would cover the balance. (ET)
- **Emami Ltd** has entered into a share purchase agreement with Zandu promoter group for buying additional 18.18% shares. The consideration received by the Parikh family, the existing promoter group, would be Rs 15,000 per share and a non-compete fee of Rs 22 crore. (BL)
- **Jindal Drilling & Industries** has bagged a US$165-mn order (about Rs 8.1bn) for leasing its rig to state-run Oil and Natural Gas Corporation (ONGC) in the west coast offshore. (BL)
- **Reliance Power** will commission the 4,000 MW-ultra mega power projects (UMPP)at Sasan in Madhya Pradesh in March 2013, three years ahead of schedule. (BL)
- **Biocon** has posted a consolidated net profit after tax of Rs 25.02 crore for the quarter ended September 30, 2008 as compared to Rs 53.97 crore for the corresponding quarter in the last year, a drop of nearly 53%. (BS)

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

Equity

	16 Oct 08	% Chg 1 Day	1 Mth	3 Mths
Indian Indices				
BSE Sensex	10,581	(2.1)	(20.2)	(19.3)
Nifty	3,269	(2.1)	(18.4)	(17.2)
BSE Banking	5,867	0.4	(11.0)	2.4
BSE IT	2,669	(4.0)	(24.3)	(27.4)
BSE Capital Goods	7,665	(5.2)	(31.2)	(28.8)
BSE Oil & Gas	6,828	(5.6)	(22.1)	(22.9)
NSE Midcap	3,997	(0.2)	(23.3)	(20.8)
BSE Small-cap	4,286	(2.4)	(31.0)	(32.9)
World Indices				
Dow Jones	8,979	4.7	(15.4)	(21.6)
Nasdaq	1,718	5.5	(18.2)	(25.7)
FTSE	3,861	(5.3)	(21.4)	(27.0)
Nikkei	8,458	(11.4)	(26.9)	(33.4)
Hangseng	15,231	(4.8)	(14.7)	(30.8)

Value traded (Rs cr)

	16 Oct 08	% Chg - Day
Cash BSE	4,475	27.8
Cash NSE	12,398	27.2
Derivatives	55,893	27.0

Net inflows (Rs cr)

	15 Oct 08	% Chg	MTD	YTD
FII	(841)	345	(8,043)	(45,548)
Mutual Fund	(383)	47	(428)	12,051

FII open interest (Rs cr)

	15 Oct 08	% Chg
FII Index Futures	12,183	4.1
FII Index Options	19,019	2.5
FII Stock Futures	14,761	(0.6)
FII Stock Options	780	(1.1)

Advances / Declines (BSE)

15 Oct 08	A	B	S	Total	% total
Advances	94	525	144	763	33
Declines	110	1133	290	1,533	65
Unchanged	2	36	13	51	2

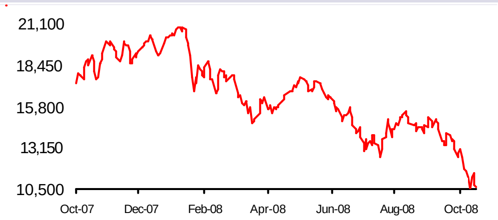
Commodity

		16 Oct 08	% Chg 1 Day	1 Mth	3 Mths
Crude (NYMEX)	(US$/BBL)	72.3	3.6	(25.5)	(44.0)
Gold	(US$/OZ)	804.6	(5.0)	(6.4)	(15.6)
Silver	(US$/OZ)	9.7	(6.0)	(18.6)	(47.5)

Debt / forex market

	16 Oct 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.90	8.20	8.24	9.43
Re/US$	48.88	48.53	46.43	43.09

Sensex



RESULT UPDATE

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NIIT TECHNOLOGIES LTD (NIITT)

PRICE: RS.76 **RECOMMENDATION: ACCUMULATE**
TARGET PRICE: RS.143 **FY09E P/E: 3.2X**

2QFY09 results almost in line with expectations. We incorporate challenging macro scenario into our DCF model. No client specific issues though, as yet. Reduce price target to Rs.143. Recommend ACCUMULATE despite attractive valuations because of the near-term demand uncertainties. Re-iterate preference for large caps - Infosys and Satyam

- Revenue growth in USD terms about 4 - 5%, in our opinion. EMEA revenues grow slowly QoQ and APAC revenues de-grow, which is of concern to us.
- Fall in number of employees QoQ - the second successive quarter of reduction. Company attributes this to non-linear initiatives and initiatives to improve utilisation. We remain cautious on this front.
- We share the company's cautiousness on the Travel & Transportation (Airlines) industry because of the high crude prices and also the financial services industry due to continuing issues in the developed economies.
- Revision of EPS estimates to Rs.24 for FY09 (v/s Rs.25 earlier) to accommodate the prevalent economic scenario in developed countries.
- Our DCF - based price target at Rs.143 (Rs.186 earlier), based on changes made in the DCF model and the changed rupee assumption - FY09 target at Rs.45 per USD.
- At 3x FY09 estimates, valuations are attractive. The company had cash of Rs.22 per share as at 2QFY09 end.
- However, recommend an **ACCUMULATE** in view of the uncertain macro environment in the near term. Upside exists from potential entry of strategic / financial partner through NIIT Limited's 25% stake.
- A prolonged recession in major user economies and a sharper-than-expected appreciation in rupee v/s major currencies are the key risks.

Summary table

(Rs mn)	FY07	FY08	FY09E
Sales	8859	9416	10333
Growth (%)	45.8	6.3	9.7
EBITDA	1802	1763	1897
EBITDA margin (%)	20.3	18.7	18.4
Net profit	1295	1353	1407
Net cash (debt)	-946	-676	-338
EPS (Rs)	33.1	23.1	24.0
Growth (%)	92.9	-30.3	4.0
CEPS	44.2	29.7	31.9
DPS (Rs)	7.0	6.5	8.0
ROE (%)	40.6	33.4	29.0
ROCE (%)	39.3	31.4	30.5
EV/Sales (x)	0.3	0.5	0.4
EV/EBITDA (x)	1.1	2.2	2.2
P/E (x)	2.3	3.3	3.2
P/Cash Earnings	1.7	2.6	2.4
P/BV (x)	0.8	1.0	0.9

Source: Company, Kotak Securities - Private Client Research

2QFY09 results

- NIITT's 2QFY09 results were almost in line on the operational side. Higher other income component helped profits go beyond our expectations.

Quarterly performance

(Rs mn)	1QFY09	2QFY09	% Chg	2QFY08	% Chg
Income	**2458**	**2587**	**5.3**	**2299**	**12.5**
Expenditure	2002	2128		1873	
Operating Profit	456	459	0.7	426	7.8
Depreciation	112	104		103	
Gross Profit	**344**	**355**	**3.2**	**323**	**9.9**
Other Income	62	81		69	
PBT	**406**	**436**	**7.4**	**392**	**11.2**
Tax	51	65		47	
PAT	**355**	**371**	**4.5**	**345**	**7.5**
Minority interest	4	4		1	
Adjusted PAT	351	367	4.6	344	6.7
Shares (mns)	59	59		59	
EPS (Rs)	**6.0**	**6.3**		**5.9**	
OPM (%)	18.6	17.7		18.5	
GPM (%)	14.0	13.7		14.0	
NPM (%)	14.4	14.3		15.0	

Source : Company

Decent growth in revenues

- Revenues grew by about 5% on a sequential basis in INR terms. The growth was similar in USD terms, we believe.
- INR revenues were impacted by the hedging losses of about Rs.85mn. However, the same were almost compensated by gains from currency depreciation of Rs.72mn.
- International business saw revenues grow by about 3% QoQ, whereas domestic revenues grew at a much faster pace and contributed to the higher growth.

Caution on macro scene

- All focus verticals grew at the company average.
- However, the management has indicated potential pressures on growth due to clients focusing more on cutting costs and reducing flab.
- The management has also indicated imminent pricing cuts from clients and we share this view.
- As of now the company has not faced any client specific issues nor have there been significant reduction in realizations.
- However, we remain cautious on the future growth prospects in the back drop of the evolving macro scene.
- We share the management's concern that, there will be pricing pressure in the near term as clients focus on their costs and greater value.

Employee reductions continue

- Employees fell by 221 in number on a sequential basis. This is the second consecutive quarter of reduction.
- The management has attributed this to its cost rationalization initiatives and its efforts to shore up utilization rates which improved to 81% in 2QFY09.
- Non-linear initiatives like managed services and platform based BPO are the other reason for the employee reductions.
- The management has now resorted to just - in -time hiring, which does indicate lower visibility in the immediate future.
- We also believe that, with target peak utilization of 83%, the management does not have significant leeway to protect margins.

ROOM revenues grew at a decent pace

- Revenues from ROOM at Rs.326mn (Rs.277mn in 1QFY09) grew at a decent pace.
- The re-platforming of company's platform - Subscribe - has been completed and the same was launched in early October 2008.
- The same has received encouraging response from customers and the company has

Order intake and client additions on track

- The overall order intake was at $75mn v/s $43mn in the previous quarter. 5 new significant customers were added.
- The order intake was boosted by the British Airways 3 year multi - million GBP order won during the quarter in a vendor rationalization program.
- The management has been able to provide better value to customers on the back of its new services like SaaS, IMS, Platform based BPO and Managed services.

Adecco JV remained impacted

- The JV with Adecco has not scaled up to the desired extent with about 75 people employed in related projects (similar as 1QFY09).
- The Adecco management has undergone a change and with more decentralization initiatives, NIITT management expects business in the JV to be disrupted, at least in the near term.
- While the overall impact is expected to be negligible (FY08 revenues of about Rs.40mn), one of the future growth avenues may not materialize.

Focus on non-linear business models paying off

- The various initiatives on the non-linear side include Infrastructure management services, Platform based services and Managed services. The company has also launched the SaaS initiative recently. The company has platforms like Subscribe (ROOM) & Monalisa (SofTec).
- Revenues from these services formed about 25% of 2QFY09 revenues (23% in 1Q).
- The platform based services should gather steam in 2HFY09 (with ROOM's platform having been re-launched) while the IMS business is expected to contribute for the whole fiscal.
- These initiatives are expected to help the company restrict impact on margins due to salary hikes and potential rupee appreciation, if any.

Margins

- EBIDTA margins during the quarter fell despite the rupee depreciation.
- The benefits arising from the exchange rate, reduced employees and higher offshore revenues were set off by the salary increases for remaining employees.
- The hedging losses of Rs.85mn also flowed down to the EBIDTA, impacting margins.
- The company also initiated cost containment exercise to maintain margins.
- According to the Management, ROOM's margins were about 22% (19%) during the quarter.

Forex gain

- The company followed the Accounting Standard 30 of the ICAI and marked-to-market its effective and non-effective hedges.
- Hedging losses of effective losses were taken directly to the balance sheet. However, the company gained about Rs.56mn mainly from translation of assets.
- In addition to this, the company took losses of Rs.392mn on effective hedges, directly to balance sheet, taking the total amount of unrecognized losses to Rs.1.19bn.
- The company currently has $242mn of hedges including about 15% of GBP - USD hedges and Euro - USD hedges. Both of these are non-effective hedges.

- We have modified our FY09 earnings estimates marginally to accommodate the 2QFY09 results and our changed assumptions of the exchange rate. We have assumed the rupee to appreciate to rs.45 per USD by FY09 end.
- EBIDTA margins are expected to be relatively stable in FY09 as the impact of higher salaries is set off by better margins from ROOM and higher contribution of non-linear revenues, in addition to better utilization and leverage on SG&A expenses.
- Net profits are expected to grow to Rs.1.41bn in FY09 (v/s Rs.1.47bn earlier), translating into earnings of Rs.24.

Valuations and recommendation

- We have incorporated greater caution in our near term assumptions for the company on the back of the challenging macro scene.

We recommend ACCUMULATE on NIIT Technologies with a price target of Rs.143

- A WACC of 14.8% and terminal growth of 3% leads us to a fair value of Rs.143 for the stock.
- At these levels the stock will be quoting at about 6x FY09 earnings, which is attractive.
- However, in view of the near term uncertainties and the management's concerns on demand and pricing, we recommend an **ACCUMULATE** on the stock. We remain positive on the longer term prospects of the company.

Concerns

- Rupee appreciation beyond our assumed levels could provide a downward bias to our earnings estimates.
- A prolonged recession in major global economies could impact growth prospects of NIITT.

RESULT UPDATE

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CONTAINER CORPORATION OF INDIA

PRICE: RS.715 **RECOMMENDATION: BUY**
TARGET PRICE: RS.1100 **FY09E P/E: 10.2x**

The Q2FY09 results of CONCOR were inline with our estimates. We maintain earning estimates and continue to recommend BUY on CONCOR with unchanged price target of Rs.1100

- Net Sales for Q2FY09 was at Rs.9.0 bn up 9.8% on YoY basis due to 12.9% growth in EXIM business. The growth was also aided by increase in the haulage charges by 5% to 16% as per various categories from 1st August 2008. However the domestic business recorded de-growth of 2.6% on YoY basis.
- For Q2FY09 on YoY basis EXIM segment reported volume growth of 3.1% while domestic business reported de-growth of 8.8%. This is due to the fact that it lost some domestic business on account of banning exports of rice, maize and sugar by the government.
- EBIDTA margin during Q2FY09 was up by 400 bps to 29.8% on YoY basis due to significant reduction in rail freight expenses as a percentage of revenues from 60.1% in Q2FY08 to 55.2% in Q2FY09. This was sue to the fact that in the previous quarter the company has increased its terminal handling charges and passed on the cost increases of land lease charges. Also the company had introduced various cost cutting measures like using own equipments and reduction in running empty containers.

Summary table

(Rs mn)	FY07	FY08	FY09E
Sales	30,373	33,473	39,165
Growth (%)	24.8	10.2	17.0
EBITDA	8,912	8,904	10,925
EBITDA margin (%)	29.3	26.6	27.9
Net profit	7,038	7,522	9,112
Net debt	(10,626)	(15,215)	(17,534)
EPS (Rs)	54.1	57.9	70.1
Growth (%)	33.9	6.9	21.1
DPS (Rs)	22.0	18.5	20.0
ROE (%)	26.8	23.6	26.1
ROCE (%)	33.5	29.8	32.7
EV/Sales (x)	2.7	2.3	1.9
EV/EBITDA (x)	9.2	8.7	6.9
P/E (x)	13.2	12.4	10.2
P/BV (x)	3.5	2.9	2.4

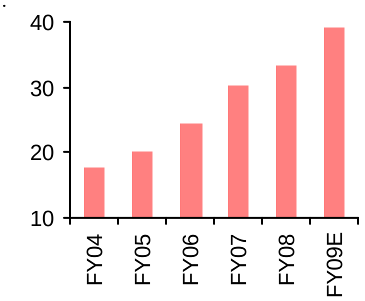
Source: Company, Kotak Securities - Private Client Research

Quarterly results table

(Rs mn)	Q2FY09	Q2FY08	YoY (%)	Q1FY09	QoQ (%)	H1FY09
Net Sales	**9,034**	**8,229**	**9.8**	**8,228**	**9.8**	**17,262**
Staff cost	156	110	41.0	151	2.8	307
Rail expenditure	4,983	4,949	0.7	4,484	11.1	9,468
Other exp	1,207	1,047	15.3	1,203	0.3	2,410
Total Exp.	6,346	6,106	3.9	5,839	8.7	12,185
EBIDTA	**2,688**	**2,123**	**26.6**	**2,389**	**12.5**	**5,077**
Other income	478	324	47.8	453	5.7	931
Depreciation	275	260	5.6	275	0.1	550
EBIT	**2,891**	**2,186**	**32.3**	**2,568**	**12.6**	**5,459**
PBT	**2,891**	**2,186**	**32.3**	**2,568**	**12.6**	**5,459**
Tax & deferred tax	654	445	47.1	549	19.2	1,204
Net Profit	**2,237**	**1,741**	**28.5**	**2,018**	**10.8**	**4,255**
Equity shares o/s (mn)	130.0	130.0		130.0		130.0
Ratios						
Operting profit margin (%) excluding other income	29.8	25.8	+400 bps	29.0	+80 bps	29.4
Staff cost / sales (%)	1.7	1.3		1.8		1.8
Rail / sales (%)	55.2	60.1		54.5		54.8
Other Exp. / Sales (%)	13.4	12.7		14.6		14.0
Tax % of PBT	22.6	20.4		21.4		22.0
EPS (Rs)	**17.2**	**13.4**	**28.5**	**15.5**	**10.8**	**32.7**
CEPS (Rs)	19.3	15.4	25.5	17.6	9.5	37.0

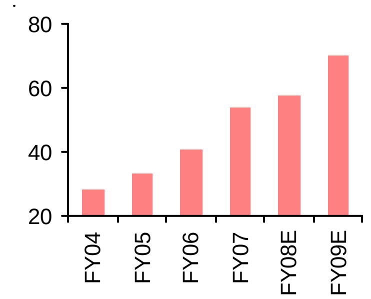
Source: Company

Net sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

EPS (Rs)



Source: Company, Kotak Securities - Private Client Research

- EBIDTA for the Q2FY09 was at Rs.2.7 bn up 26.6% on YoY and up 12.5% on sequential basis.
- The other income of the company went up significantly from Rs.324 mn in Q2FY09 to Rs.478 mn in Q2FY09 due to strong cash reserves on its books of Rs.17.4 bn as of September 2008.
- PBT for the Q2FY09 was up by 32.3% YoY and up 12.6% on sequential basis to Rs.2.9 bn.
- PAT for Q2FY09 was at Rs.2.2 bn up 28.5% on YoY basis and up 10.8% on sequential basis thereby translating into quarterly EPS of Rs.17.2 and quarterly CEPS of Rs.19.3.
- For H1FY09 the company reported PAT of Rs.4.2 bn thereby translating into half yearly EPS of Rs.32.7 and CEPS of Rs.37.0.

Segmental table

(Rs mn)	Q2FY09	Q2FY08	YoY (%)	Q1FY09	QoQ (%)
Segmental Revenue					
EXIM	7,427	6,579	12.9	6,644	11.8
Domestic	1,607	1,650	(2.6)	1,585	1.4
TEU (lakh nos.)					
EXIM	5.2	5.0	3.1	4.8	8.4
Domestic	1.0	1.1	(8.8)	1.1	(4.6)
Revenue per TEU					
EXIM	14,266	13,033	9.5	13,836	3.1
Domestic	15,469	14,492	6.7	14,551	6.3
Segmental Results - PBIT					
EXIM	2,324	1,759	32.1	1,976	17.6
Domestic	226	177	27.7	242	(6.7)
Segmental Margins (%)					
EXIM	31.3	26.7	17.0	29.7	5.2
Domestic	14.1	10.7	31.1	15.3	(7.9)

Source: Company, Kotak Securities - Private Client Research

Foray into end-to-end logistics services

- CONCOR is evaluating various proposals in terms of domestic and international tie-ups to offer door-to-door delivery using various modes of transport like rail, road, sea and air.
- The company is likely to form alliances in next three to six months for its proposed air cargo and shipping business where it has already short listed the potential partners.
- CONCOR is also looking to induct a strategic partner in its cold chain logistics subsidiary i.e. Fresh & Healthy enterprises Ltd. to expand this on a pan India basis with procurement, transportation, storage and distribution of fresh fruits and vegetables.
- However as of now, nothing has been decided in terms of these alliances and thus we await further details form the management.

Going ahead with aggressive capex plan

- Despite the current slowdown, the company is looking to invest Rs.50 bn over next five years to create assets in the logistics business. The company is debt free and has cash of Rs.17.4 bn on its books and thus is going ahead with its expansion plans. It has already ordered 1300 high speed wagons and is in process of ordering another 1500 wagons.

Rs.5.0 bn capex in FY09E

- This year it has already acquired 12 rakes and would acquire another 12 rakes by March 2009. It would spend Rs.3.0 bn for wagon acquisition. The company has also approved purchase of equipments like reach stackers and is likely to spend Rs.500 mn. It is also building three new terminals at cost of Rs.1.0 bn.
- CONCOR has also approved construction of three more terminals thus it would have total of 64 terminals by FY10.

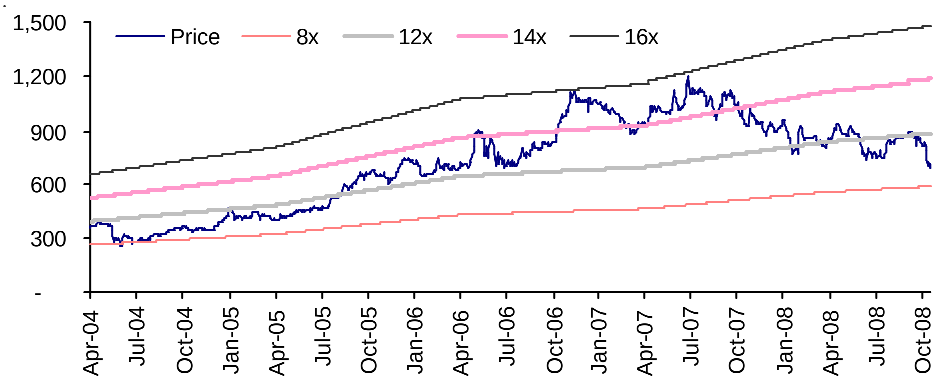
Recommendation and Valuation

- We maintain our earning estimates and expect CONCOR to report EPS of Rs.70.1 for FY09E.
- At Rs.715, the stock trades at 2.4x book value, 10.2x earnings and 9.0x cash earnings based on FY09E.

Favored pick in logistic sector

- CONCOR continues to remain our favored pick in the logistics sector as we feel that the valuations are attractive as CONCOR has tremendous advantage in terms of scale of operations for transportation of containers through railways. Also CONCOR enjoys strong debt free balance sheet and this would help it to sustain in the current challenging economic environment.
- We have also done a one-year forward rolling band analysis for CONCOR, which revealed that currently the stock is trading at the lower end of the band of 8x- 16x one year forward earning estimates.

One year forward rolling P/E band



Source: Capitaline, Kotak Securities - Private Client Research

We recommend BUY on CONCOR with unchanged price target of Rs.1100

- Thus, we remain positive and reiterate our **BUY** on CONCOR with unchanged price target of Rs.1100 which provides upside potential of 54% from the current level.

Note: Analyst holding 100 shares

RESULT UPDATE

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HDFC BANK

PRICE: RS.1093 **RECOMMENDATION: BUY**
TARGET PRICE: RS.1350 **FY10E P/E: 16.6X, P/ABV: 2.5X**

HDFC Bank, the second-largest private sector bank in India, has reported strong growth in its net interest income (NII) and net profit for Q2FY09, which is slightly above our expectations.

Net interest income (NII) and net profits have risen 40.0% and 29.3%, respectively, for Q2FY09 (taking merged numbers with CBoP for Q2FY08). Robust loan book growth of 43.9% and a core net interest margin of 4.2% have mainly contributed to this.

We are slightly tweaking our earnings estimates for FY09E & FY10E in our workings and maintaining a BUY rating on the stock with a target price of Rs.1350 based on P/ABV of 3.1x its FY10E adjusted book value and P/E of 20.5x its FY10E earnings. In the short term the stock may move in line with international trends.

Quarterly Performance

(Rs mn)	Q2FY09	Q2FY08*	YoY (%)
Interest on advances	30607.7	20697.1	47.9
Interest on Investment	8966.5	7554.7	18.7
Int on RBI/ other assets	329.9	735.5	-55.1
Other interests	8.0	14.2	-43.7
Total interest earned	**39912.1**	**29001.5**	**37.6**
Interest expended	**21247.6**	**15670.3**	**35.6**
Net interest income	**18664.5**	**13331.2**	**40.0**
Other income	6431.1	6394.3	0.6
Net Revenue (NII + Other income)	25095.6	19725.5	27.2
Operating Expenses	**13867.1**	**10507.9**	**32.0**
Employee expenses	6116.3	3918.7	56.1
Other operating expenses	7750.8	6589.2	17.6
Operating profit	**11228.5**	**9217.6**	**21.8**
Prov. & contingencies	3460.3	3215.1	7.6
Taxes	2488.4	1919.2	29.7
Net profit	**5279.8**	**4083.3**	**29.3**
EPS (Rs.)	**12.40**	**9.61**	**29.1**

Source: Company
Note: Numbers for Q2FY08 includes merger of CBoP to make it comparable with Q2FY09 numbers.

HDFC bank has reported its merged numbers with Centurion Bank of Punjab Ltd (CBoP) for Q2FY09. The merger of CBoP with HDFC Bank became effective on May 23, 2008. Therefore, these results are not comparable. To make it comparable, we have also merged the numbers of CBoP for Q2FY08.

HDFC Bank records robust NII growth

NII grew 40% from Rs.13.33 bn in Q2FY08 to Rs.18.66 bn in Q2FY09. This increase came on the back of strong growth in net advances (43.9% YoY growth) and higher share of demand deposits (CASA at 44.0%) in its total deposits.

During Q2FY09, interest income rose 37.6%, whereas interest expense grew at 35.6%.

Bank registers healthy business growth

The bank's balance sheet grew 18.4% YoY to Rs.1717.7 bn at the end of Q2FY09. HDFC Bank's net advances grew 43.9% YoY from Rs.742.2 bn at the end of Q2FY08 to Rs.1067.6 bn at the end of Q2FY09.

Total deposits also grew at 21.2% from Rs.1103.6 bn at the end of Q2FY08 to Rs.1337.8 bn at the end of Q2FY09. Demand deposits (CASA) grew 12.1% YoY, taking the share of CASA deposits to 44.0%, a decline of 358 bps YoY and 81 bps Q-o-Q.

Flat non-interest income.

Other income for merged entity was almost flat. It grew 0.6% from Rs.6.39 bn in Q2FY08 to Rs.6.43 bn in Q2FY09.

- Fee income was Rs.5.87 bn during Q2FY09.
- Foreign exchange income was Rs.0.68 bn during Q2FY09.
- Loss on sale of investments was Rs.0.16 bn during Q2FY09.

Margins improved sequentially

The NIM slightly improved from 4.1% in Q1FY09 to 4.2% in Q2FY09. It also showed improvement from 4.0% (for standalone HDFC bank) during Q2FY08. (Note: The NIM has been computed after adjusting the amortization premium for investments held in held to maturity (HTM) category). We believe that, going forward; margins would stabilize around 4.0% levels, as banks will not compromise on growth to maintain such high margins.

Prudent NPA management

Asset quality at the end of Q2FY09 remained healthy and stable with gross NPA at 1.57% as against 1.2% (for standalone HDFC bank) during the corresponding quarter of last year. Similarly, net NPA stood at 0.57% at the end of Q2FY09 as against 0.4% (for standalone HDFC bank) at the end of Q2FY08.

Capital adequacy ratio remains healthy

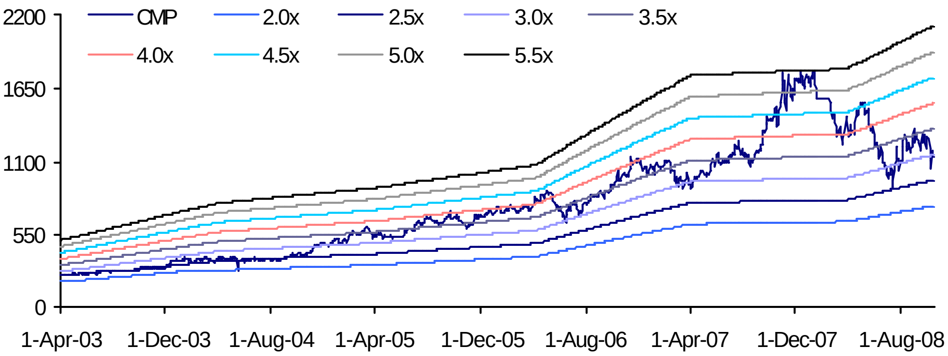
Capital adequacy ratio stood at 11.4% as against the regulatory requirement of 9%. Out of this, Tier I capital is healthy at 8.8%.

The bank's business momentum remained healthy in both its retail and wholesale customer franchises. At the end of Q2FY09, its distribution network had 1412 branch outlets and 2890 ATMs.

Valuations

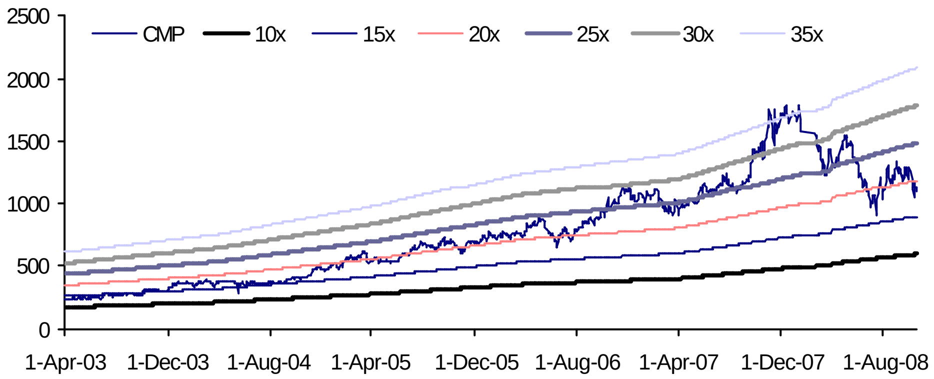
At the current market price of Rs.1093, the stock is trading at 16.6x its FY10E earnings and 2.5x its FY10E ABV. We have slightly tweaked our earning estimates and now expect net profit for FY09E and FY10E to be Rs.22.2 bn and Rs.29.7 bn, respectively. This will result in an EPS of Rs.52.2 and Rs.65.7 for FY09E and FY10E, respectively. The adjusted book value for FY09E and FY10E are forecast at Rs.327.0 and Rs.433.3, respectively.

Rolling 1-year forward P/ABV band



Source: Company, Kotak Securities - Private Client Research

Rolling 1-year forward P/E band



Source: Company, Kotak Securities - Private Client Research

We maintain BUY on HDFC Bank with a price target of Rs.1350

We maintain a **BUY** recommendation on the stock as HDFC Bank has consistently delivered a growth of around 30% (YoY) in net profit for the past 26 quarters. Moreover, the bank continues to maintain its leadership among domestic banks with its robust credit growth, one of the highest CASA, high and stable margins, high RoE, clean asset quality and a large component of fee income in its total income.

Therefore, we maintain BUY rating on the stock with a target price of Rs.1350 based on P/ABV of 3.1x its FY10E adjusted book value and P/E of 20.5x its FY10E earnings, which provides 23.5% upside from the current levels. The stock may remain range bound in short term and move in line with the developments in global financial market.

Key data (Rs. bn)

	FY07	FY08*	FY09E	FY10E
Interest income	66.48	120.45	168.85	203.29
Interest expense	31.79	61.33	91.22	105.28
Net interest income	34.68	59.12	77.63	98.02
Other income	15.16	28.92	32.22	40.85
Gross profit	25.64	41.49	50.27	65.62
Net profit	11.41	19.74	22.20	29.67
Gross NPA (%)	1.6	1.6	1.6	1.6
Net NPA (%)	0.5	0.5	0.7	0.8
Net interest margin (%)	3.9	4.3	4.1	4.2
RoE (%)	19.5	16.9	15.7	17.0
RoAA (%)	1.4	1.4	1.2	1.3
Dividend Yield (%)	0.6	0.8	0.8	0.8
EPS (Rs)	35.7	40.1	52.2	65.7
Adjusted BVPS (Rs)	195.1	317.1	327.0	433.3
P/E (x)	30.6	27.3	20.9	16.6
P/ABV (x)	5.6	3.4	3.3	2.5

Source: Company, Kotak Securities - Private Client Research

*Note: * stands for proforma number post the merger with CBoP*

COMPANY UPDATE

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SESA GOA

PRICE: RS.84 **RECOMMENDATION: BUY**
TARGET PRICE: RS.156 **FY09E EV/EBITDA: 1.3x; P/E: 3.2x**

Stress Case Valuation - Sesa Goa remains a BUY

However, stock to see meaningful rally post Q3FY09 results: We note H2 is always better than H1.

We have done a stress case valuation for Sesa Goa to address the impact of -negative global macro environment, beaten down iron ore spot prices and the lack of risk appetite given shaken investor confidence post the stock market meltdown.

Over the past few weeks, the global economy has been showing significant headwinds, evaporating the liquidity needed for normal functioning of the economic activities. Further, business confidence is shrinking fast impacting the real economy. Immediate and explicit casualty has been commodities and commodity stocks.

While Policy actions have been taken, there is high probability that it may take few quarters for the business confidence to revive meaningfully.

In light of the above, we are making some key assumption changes enlisted below

(i) Further cutting down the spot iron ore price assumptions for FY09E by huge $28/t to $60/t

(ii) Increasing the present year contracted prices by $5/t to $82/t based on management inputs.

(iii) Building in 10% fall in contracted iron ore prices next year.

(iv) Iron ore export duty taken at prevailing 15%.

(v) Royalty taken at prevailing levels.

We are also slashing the valuation multiple to 3.25x EV/EBITDA for FY09E from 6x EV/EBITDA earlier.

Sesa Goa remains a BUY purely based on valuations with a revised target price of Rs.156 against Rs.300 earlier.

Summary table

(Rs mn)	FY08A	FY09E	FY10E
Sales (Rs. mn)	35,516	56,174	63,048
Growth (%)	80.4	58.2	12.2
EBITDA (Rs. mn)	22,108	28,246	28,215
EBITDA Margins (%)	61.4	49.8	44.4
Net Profit (Rs. mn)	14,920	20,551	21,008
EPS (Rs.)	19.0	26.1	26.7
Growth (%)	146.0	37.7	2.2
ROE (%)	53.5	44.3	32.2
ROAE(%)	69.4	55.3	37.6
EV/Sales (x)	1.3	0.6	0.4
EV/ EBITDA (x)	2.1	1.2	0.8
P/E (x)	4.4	3.2	3.2
P/B (x)	2.4	1.4	1.0
BVPS (x)	35.5	58.9	83.0

Source: Company, Kotak Securities - Private Client Research

Vedanta production data conference call takeaway - positively surprised

- Sesa Goa management informed in the conference call on October 14 that for FY09E the company expects to sell 50% of the iron ore in annual contracts basis and the average realization for the contract prices would be in range of $90/t. This has come as a positive surprise as it would cushion profitability concerns in the prevailing scenario of continuous decline in iron ore spot prices.
- Company management has been smart enough to not only timely enter into annual contracts for higher volumes but also obtain a robust 80% hike in iron ore prices. Earlier the management had guided long/spot iron ore sales mix of 35:65. We anticipate the move would considerably reduce the market risk perception going forward.
- Sesa Goa also announced its production numbers for Q2. Saleable iron ore production for Q2 was highest ever for the quarter at 2.56MT up 38.6% from last years 1.85MT in this quarter.

Q2 Quarter Preview

Q2 is traditionally a weak quarter as the production activities in Goa are adversely affected due to monsoons. Q2 results are due on Oct 22 2008. We anticipate sales of Rs.6300mn (up 86.7% YoY) and net profit of Rs.2260mn (up 175% YoY) for the quarter.

H2 profits always higher than H1

We want to inform the investors that Sesa Goa earns bulk of the annual profits in H2. Traditionally H1 accounts for 1/3 of annual profits while H2 accounts for 2/3 of annual profits. We believe that Q3FY09 results due in late Jan 2009 would be trigger for the stock and see sentiments turning positive thereon.

Cash still not a King in bearish sentiments

At present stock price of Rs.84.1, Sesa Goa has a market capitalization of Rs.66207mn. Net cash equivalents at the end of June 2008 was more than Rs.25000mn (Rs.32/share) and for year ending March 2009 the net cash equivalents of Rs.31500mn (Rs.40/share) is expected i.e. 47.5% of the present market price. So, if we deduct net cash equivalents as on March end 2009 from the market capitalization we are getting the operating business of the company for Rs.34717mn (Rs.44.1/share). Sesa Goa is expected to earn a net profit in excess of Rs.21000mn (Rs.26/share) for both FY09E and FY10E even with our stress case valuation assumptions. The operating business of the company is going at a earnings multiple of less than 2 and it appears attractive to us.

Special resolution to be passed through postal ballot

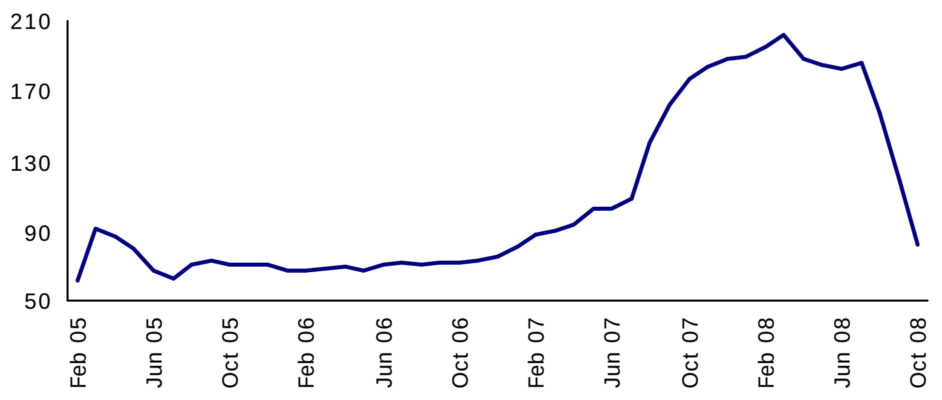
Sesa Goa intends to venture into following business and has sought shareholders approval for changing the object clause in the Memorandum of Association of the company. (i) To construct and operate ports, shipyard, jetties, harbours, ship breaking and ship building at any port in India or elsewhere (ii) To carry on business of inland and sea transport (iii) To establish and develop SEZ and Industrial Estates/ Parks. The result of the postal ballot would be announced on November 17, 2008.

Industry Update

What is happening to iron ore prices in OTC swaps trading?

- Forward iron ore prices used in over-the-counter (OTC) swaps trading have continued to tumble over the last few weeks. As per latest update from Steel Business Briefing based on data provided by Deutsche Bank, Q4CY08 prices have fallen from $110/tonne to $87.33/t while Q1CY09 prices have slipped to the same level from $113/t. Q2CY09 prices have dropped from $113/t to $93.67/t and Q3CY09 prices are down to $99/t from $114.33/t. Q4CY09 prices have dropped by $12 to $115/t. Iron ore prices are falling due to failure of Chinese mills to ramp-up production after the Olympics. However, few steel companies are taking the opportunity to expand their furnaces while they are closed, so it doesn't mean that all is bleak.

Indian Iron Ore 63% Fe dry price - CFR N.China port (US$/t)



Source: Steel Business Briefing

Rio Tinto faces first industrial action in the Pilbara for more than 15 years

- It is reported that Rio Tinto's (world's second largest iron ore supplier) Pilbara Iron Ore train drivers will walk off the job again this Friday (October 17, 2008). Last Saturday's strike was the first industrial action in the Pilbara for more than 15 years.
- The Construction, Forestry, Mining and Energy Union said 90% of Rio Tinto's main line train drivers did not show up for their shifts. Mr Gary Wood CFMEU mining and energy division's state secretary told Australian Mining that "From our point of view, last Saturday's strike was only the commencement of a campaign in an endeavor to put pressure on Rio Tinto to come to the table." He said that "After Friday's stop work action, if there is still no discussions with Rio Tinto, the CFMEU will be forced to ramp up industrial action into next week."
- According to the CFMEU, the train drivers are requesting a pay rise of 4.75% per annum. The employees are also asking that there AUD 20,000 main line allowance be incorporated into their salary.

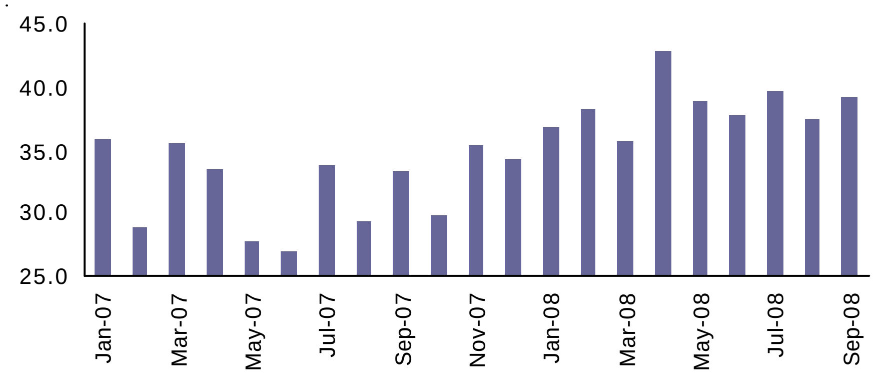
Baltic Dry Index - down 80% from mid year high - Misleading Indicator

The Baltic Dry index has plummeted since early June, strengthening the perception of China's economy slowing. Rapid descent of the shipping index, which largely measures spot freight rates, might point to suffering smaller steel mills retreating from the spot market. But the September increase in iron ore imports showed the index was misleading as a gauge of Chinese demand. Economic growth in China is slowing not slumping.

China's iron ore imports jumped in September

China imported 39.2 million tons of iron ore in September, up 4.81 percent from August 2008. Iron ore imports from January to September increased 22 percent year-on-year to 346.11 million tons. The iron ore figures are certainly a positive note in the middle of negative sentiment. It suggests that though smaller steel companies with high marginal cost of production may be curtailing production given weakening steel prices but the large steel companies are still producing a lot of steel and need the ore. So the negative news flow emerging from the trade journals had been giving a lopsided view which now stands corrected.

China Iron Ore Monthly Imports (In million tonnes)



Source: Bloomberg, Reuters

Iron ore stockpiles at major Chinese ports have started falling

For the week ending October 10 2008, iron ore stockpiles at Chinese major ports were reduced by 1.74 million tonnes to 72.11 million tonnes, out of which Indian spot ore also decreased to 19 million tonnes.

The overstock situation is persisting due to thin trade amid current weak market sentiment. Imported iron ore price has suffered steep decline during last week. Steel mills are quite cautious in purchasing iron ore at the moment due to sharper steel price slump than expected. The market trade has yet to pick up despite increasing enquires.

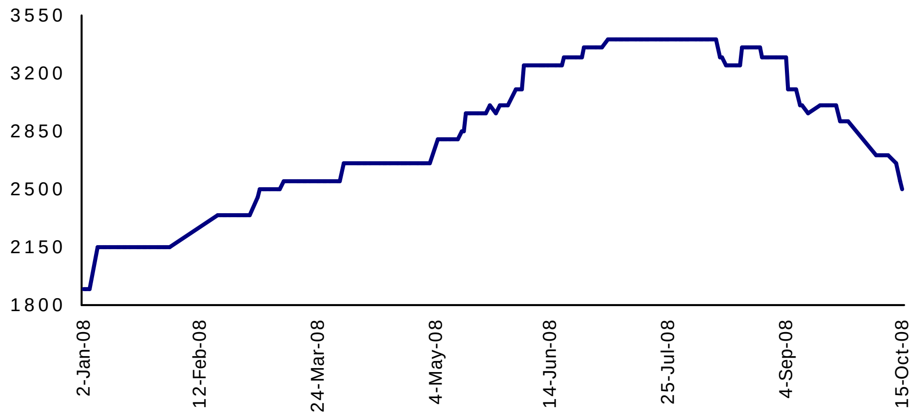
Despite the negatives, stockpiles are expected to decline in coming weeks as significant cut in iron ore imports from Brazil's Vale is a likely scenario. Please note that it takes almost 40 days for shipment of iron ore from Brazil to China and the final disagreement between Chinese steelmakers and Vale happened only in last week of September 2008. This weeks talk between Vale and Chinese steelmakers have apparently failed to resolve the dispute. As mentioned in our earlier note that this logjam can be highly beneficial to Indian iron ore exporters which are facing a tumbling spot iron ore market.

Coke Prices in China have corrected sharply - Discount on low grade iron ore prices can reduce

It is a known fact that lower grade iron ore requires higher consumption of coke in the blast furnace. China's domestic coke prices started shooting up sharply from May 2008, putting the Chinese steel firms using lower grade iron ore at a disadvantage. Subsequently the demand for the lower grade iron ore reduced and it started selling at a steep discount to higher grade iron ore.

China government increased the export duty on coke from 25% to 40% on August 20, 2008. Post higher export duty, the coke domestic prices in China have been continuously correcting sharply. It is now trading at a level seen in March 2008. This is very positive and critical for Sesa Goa as it largely sells low grade iron ore and was getting a steep discount on the sales as compared to higher grade iron ore prices. Though we believe the discount on low grade iron ore prices would reduce going forward with sharp correction in China's domestic coke prices, we are not considering that for our valuation as the market environment demands extreme caution.

China Foundry Coke Domestic Spot Price Shanghai (CNY/T)



Source: Bloomberg

Thought to ponder

- Will the several planned high cost iron ore new mines development capex programs be economically viable in the event of sustained iron ore price correction?
- Will the firms have the funds required to meet those humongous capex in deteriorating credit environment?

China Macro Update

Why we focus on China Macro?

Sesa Goa sells more than 70% of its iron ore to China. So the fortunes of the company are highly correlated with the fortunes of the Chinese economy. As there is hardly any coverage of China's economic developments in Indian media, we need to appraise investors with the material developments in China.

Economic Health

China economy was growing at above 10% rate for last five years. There are concerns that the growth rate would slow down amid the global financial crisis and post Olympics cool off. Like other economies, China is also facing housing correction which has adversely affected GDP growth and weakened steel demand. The housing correction alone will ensure that GDP growth slows to 8-9 percent in 2009 and steel demand weakens. But it is matter of time before the world acknowledges that even the slowed growth rate on higher base is not a bad deal after all for the resource industry.

Policy Response

- China political statements and strategy seems to be focused on increasing domestic employment and prosperity based on high economic growth rate. As China's economy had overheated, the government was pursuing tightening monetary policy for last few years. But there has been policy shift in the last one month to prevent the slowdown expected from the global financial crisis.

- Action Taken - China's central bank has lowered interest rates twice (September 15 2008 and October 15 2008) in the past one month, along with banks' required reserves, looking to prevent the economy from slowing too much as global demand droops. Post latest cut, the cost of one-year bank loans will fall to 6.93 percent from 7.20 percent, while the benchmark one-year deposit rate falls to 3.87 percent from 4.14 percent. The PBOC also cut the reserve requirement for all banks by 0.50 percentage point. That lowers the requirement for big banks to 17.0 percent and for other banks to 16 percent.

- Action Likely - China's broad M2 money supply grew at its slowest pace in over three years in September, underlining the scope the central bank has to ease policy further to counter the fallout from the global credit crisis. The People's Bank of China said on Tuesday that M2 rose 15.3 percent in the year to September, down from 16.0 percent in August and significantly lower than economists' expectations of a 16.1 percent rise. It was the slowest pace since May 2005. This reflects a contraction in economic activity. The central bank has a lot of room to cut bank reserves and interest rates further. Economic growth is set to slow to under 10 percent this year for the first time since 2002, many economists say, and some government researchers are urging Beijing to relax policy more urgently to keep it from dipping too much. We see further rate cuts, lowering required reserves along with large financial stimulus to boost China's domestic economy as the probable policy actions by the government in the coming few months. "With tools at our disposal, we are confident and capable of prevailing over the overall difficulties and challenges," Vice Premier Wang Qishan told visiting U.S. Senator Chuck Hagel, the official Xinhua news agency said on October 15 2008 and this is a signal for the actions to come.

- Is policy response working? - Despite the slowdown in money supply growth, banks extended 374.5 billion yuan ($54.8 billion) in new domestic-currency loans in September, compared with 271.5 billion yuan in August. Authorities raised banks' lending quotas by 5-10 percent at the end of July and ordered that the extra loans be channeled to small firms and the agricultural sector. The rise in new loans shows that the policy was working, but more easing would be needed down the road. Any improvement in the economic activity from the recent policy action can be gauged only from the data one to two months down the line.

Key Assumptions with changes

	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Old Assumptions								
Sales Volume (mn tonnes)	12.4	16.0	21.0	24.0	25.0	25.0	25.0	25.0
Contract Prices (US$/t)	43.0	77.0	77.0	77.0	69.3	64.1	60.9	57.9
Spot Prices (US$/t)	85.0	88.0	88.0	88.0	81.4	75.3	71.5	73.3
Exchange Rate (US$/INR)	40.3	43	43	43	43	43	43	43
Realisations in USD/ton	65.8	84.2	84.2	84.2	77.2	71.4	67.8	67.9
%Change in average realisations		27.9%	0.0%	0.0%	-8.3%	-7.5%	-5.0%	0.1%
Realisations in Rs/ton	**2,651**	**3,618**	**3,618**	**3,618**	**3,318**	**3,069**	**2,916**	**2,920**
%Change in average realisations		**36.5%**	**0.0%**	**0.0%**	**-8.3%**	**-7.5%**	**-5.0%**	**0.1%**
Royalty (Rs. mn)	116	163	4245	5949	5415	4753	4331	4253
Export Duty (Rs. mn)	1591	8665	12918	14763	14102	13044	12392	12410
EBITDA Margins (%)	61.4%	52.5%	42.6%	39.8%	36.1%	32.5%	29.9%	28.6%
EPS (Rs.)	19.0	31.4	33.1	36.4	34.2	31.0	28.8	28.9
New Assumptions								
Sales Volume (mn tonnes)	12.4	16.0	21.0	24.0	25.0	25.0	25.0	25.0
Contract Prices (US$/t)	43.0	82.0	73.8	70.1	63.1	58.4	55.4	52.7
Spot Prices (US$/t)	85.0	60.0	54.0	48.6	64.7	82.6	102.1	123.2
Exchange Rate (US$/INR)	40.3	44.0	43.0	43.0	43.0	43.0	43.0	43.0
Average Realisations in USD/ton	65.8	70.6	62.9	57.2	52.2	48.3	45.9	45.4
%Change in average realisations		7.3%	-10.8%	-9.1%	-8.7%	-7.5%	-5.0%	-1.1%
Average Realisations in Rs/ton	**2,651**	**3,105**	**2,705**	**2,460**	**2,245**	**2,077**	**1,973**	**1,951**
%Change in average realisations		**17.1%**	**-12.9%**	**-9.1%**	**-8.7%**	**-7.5%**	**-5.0%**	**-1.1%**
Royalty (Rs. mn)	116	163	220	296	400	540	729	985
Export Duty (Rs. mn)	1,591	7,473	7,243	7,527	7,156	6,620	6,289	6,218
EBITDA Margins (%)	61.4%	49.8%	44.4%	39.0%	33.1%	27.7%	23.6%	20.6%
EPS (Rs.)	19.0	26.1	26.7	25.7	23.1	19.9	17.4	16.3

Source: Kotak Securities - Private Client Research

VALUATION

Target Price based on 3.25x EV/EBIDTA for FY09E standalone earnings

	EBITDA (Rs mn)	Multiple (x)	Valuation (Rs mn)	Value (Rs/Share)
Enterprise Value	**28,246**	**3.25**	**91,799**	**116.6**
Add: Net Cash (at end of FY09)			30,929	39.3
Target Market Capitalization			122,729	155.9
Target Price				**156**

Source: Kotak Securities - Private Client Research

DCF VALUATION

Free Cash Flow Calculation

	2008A	2009E	2010E	2011E	2012E	2013E	2014E	2015E*
Profits after tax	14920	20551	21008	20208	18201	15637	13708	12813
Depreciation	426	542	809	1154	1510	1847	2129	2329
Add interest	15	0	0	0	0	0	0	0
Add change in WC	-1219	-4093	-1540	-1196	-1229	-288	267	-56
Capex	-410	-3730	-5138	-5252	-5052	-4550	-3127	-2056
Total Cash Flows	13733	13270	15140	14913	13429	12646	12976	13030
PV of cash flows	13733	11636	11640	10054	7939	6555	5898	0
Terminal Value								108181

*Source: Company, Kotak Securities - Private Client Research; Note: * Terminal year*

Valuation parameters

		Rationale behind assumptions
WACC	14.0%	
Terminal Year growth	2.0%	
PV of FCF FY09 to FY2014E	53,722	
Terminal value	108,181	
PV of terminal value	49,169	
Firm Value	102,891	
Less Net Debt	(19,717)	Not included the investment of 419.2mn in Sesa Ind
NPV	122,608	
No. of equity shares outstanding (mn)	787.2	Fully diluted
NPV/Sesa Goa share	**156**	**Intrinsic value**

Source: Kotak Securities - Private Client Research

WACC Calculation

Parameters		Rationale behind assumptions
Risk free rate	8.5%	10 year Government bond yield
Market risk Premium	6.0%	High premium given current market conditions
Beta of the Stock	0.93	2 year daily returns regressed against Sensex
Cost of equity	14.0%	
Gross cost of debt	NA	Target cost of Capital
Tax rate	NA	Marginal Tax
Net cost of Debt	NA	
Target Debt to Capital ratio	NA	Free cash flows good enough for capex needs
WACC	14.05%	

Source: Kotak Securities - Private Client Research

Sensivity Analysis - DCF Valuation

		WACC (%)				
		16.0	15.0	14.0	13.0	12.0
Growth rate	0.0%	132	139	147	156	167
	1.0%	135	143	151	162	173
	2.0%	138	147	**156**	168	181
	3.0%	142	151	162	175	190
	4.0%	146	157	169	184	202

Source: Kotak Securities - Private Client Research

Financials: Sesa Goa

Balance Sheet (Rs mn)

Year ending Mar	FY08A	FY09F	FY10F
LIABILITIES			
Equity Share Capital	394	394	394
Reserves & Surplus	27,518	45,996	64,932
Net Worth	**27,911**	**46,390**	**65,326**
Short Term Loans	-	-	-
Long Term Loans	-	-	-
Deferred Tax Liabilities	535	550	565
Total Liabilities	**28,446**	**46,940**	**65,891**
ASSETS			
Gross Block	6,378	9,334	14,120
Less Depreciation	2,397	2,939	3,748
Net Block	**3,981**	**6,395**	**10,372**
CWIP	**159**	**933**	**1,284**
Investments	**20,004**	**31,217**	**44,299**
of which financial investments	19,585	30,798	43,880
Total Current Assets	7,701	11,904	13,867
Total Current Liabilities	3,399	3,509	3,932
Net Current Assets	**4,303**	**8,395**	**9,935**
Total Assets	**28,446**	**46,940**	**65,891**

Source: Company, Kotak Securities - Private Client Research

Cash Flow Statement (Rs mn)

Year ending Mar	FY08A	FY09F	FY10F
Net Profits	14,920	20,551	21,008
Add Depreciation	426	542	809
Decrease in Working Capital	(1,219)	(4,093)	(1,540)
Increase in Deferred Tax	14	15	15
Cash flow from Operations	**14,141**	**17,015**	**20,292**
Capital Expenditure	(410)	(3,730)	(5,138)
Increase in Investments	0	-	-
Increase in Loans and advances	(178)	-	-
Other items	-	-	-
Cash flow from investing	**(588)**	**(3,730)**	**(5,138)**
Increase in Equity	-	-	-
Increase in Borrowings	-	-	-
Dividend Payment	(2,072)	(2,072)	(2,072)
Cash flow from financing	**(2,072)**	**(2,072)**	**(2,072)**
Total Cash Flow	**11,481**	**11,213**	**13,082**
Opening Cash in Hand	8,403	19,717	30,929
Closing Cash in Hand	19,717	30,929	44,012
Change in Cash Balance	**11,314**	**11,212**	**13,082**

Source: Company, Kotak Securities - Private Client Research

Profit & Loss (Rs mn)

Year ending Mar	FY08A	FY09F	FY10F
Net Sales	**35,516**	**56,174**	**63,048**
EBITDA	**22,108**	**28,246**	**28,215**
Other Income	703	1,666	2,620
Depreciation	426	542	809
Interest	15	-	-
PBT	22,369	29,370	30,026
Taxes	7,449	8,819	9,018
PAT	**14,920**	**20,551**	**21,008**
Shares Outstanding (mn)	787	787	787
EPS (Rs)	**19.0**	**26.1**	**26.7**

Source: Company, Kotak Securities - Private Client Research

Key ratios

Year ending Mar	FY08A	FY09F	FY10F
EBITDA Margins (%)	61.4	49.8	44.4
NPM Margins (%)	41.4	36.3	33.1
ROE on yr-end equity (%)	53.5	44.3	32.2
ROAE (%)	69.4	55.3	37.6
EPS growth (%)	146.0	37.7	2.2
P/E (x)	**4.4**	**3.2**	**3.2**
EV/sales (x)	**1.3**	**0.6**	**0.4**
EV/EBITDA (x)	**2.1**	**1.2**	**0.8**
P/B (x)	**2.4**	**1.4**	**1.0**
BVPS (Rs)	**35.5**	**58.9**	**83.0**

Source: Company, Kotak Securities - Private Client Research

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
16-Oct	Bang	Maruti Securities Ltd	B	73,326	264.6
16-Oct	Bell Ceramic	Mega Resources Ltd	S	120,924	4.0
16-Oct	Cg Vak Sof E	Chandrika Pravinbhai Patel	B	40,251	6.1
16-Oct	Cg Vak Sof E	Swapna Agrawal	S	40,000	6.1
16-Oct	Db(Intr) Stbr	Rector Investments Private Limited	S	25,000	21.7
16-Oct	Diamant Inv	Fancy Investrade Pvt Ltd	B	50,450	87.6
16-Oct	Diamant Inv	Distent Barter Pvt Ltd	B	29,250	87.6
16-Oct	Diamant Inv	Sarswati Vincom Ltd	S	29,450	87.6
16-Oct	Diamant Inv	Fountain Vanijya Pvt Ltd	S	50,000	87.6
16-Oct	Forbes & Co	Seepra Sumeet Kabra	B	77,572	387.6
16-Oct	Forbes & Co	SPS Capital and Money Mng Services	S	67,889	387.2
16-Oct	Indbul Real	Fidelity Funds Emerging Markets Fund	S	3,600,000	101.4
16-Oct	Joindr Cap S	Jayeshshah	S	104,200	10.3
16-Oct	Karuturi Glo	Citigroup Global Markets Mauritius	B	3,625,000	11.0
16-Oct	Karuturi Glo	Bsma Limited	S	3,625,000	11.0
16-Oct	Livingroom L	Daskabita	B	12,500	39.1
16-Oct	Northgate Te	Marshal India Seclect Fund Ltd	B	850,000	72.1
16-Oct	Northgate Te	Citigroup Global Markets Mauritius	S	840,597	72.1
16-Oct	Prranet Indu	Champalal Chouhan	B	1,000,000	1.6
16-Oct	Shrilakshmi	Nav Nirman Mercantiles Ltd	B	102,838	34.3
16-Oct	Stone Indi L	Sanjiv Dhiresh Bhai Shah	S	44,125	34.8
16-Oct	Subhkam Cap	Fancy Investrade Pvt Ltd	B	34,000	190.0
16-Oct	Subhkam Cap	Ansu Commercial Pvt Ltd	S	34,000	190.0
16-Oct	Sumeet Indus	Atmaram Sarda	S	146,933	7.0
16-Oct	Uniabex Al P	Moneybee Securities Pvt Ltd	B	30,000	66.0
16-Oct	Uniabex Al P	Moneybee Commodities Pvt Ltd	S	29,500	66.0

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Reliance Com	259	9.8	7.8	13.5
DLF Ltd	325	8.0	6.7	8.7
Hindustan Unilever	248	7.0	5.8	10.4
Losers				
Reliance Ind	1,392	(8.4)	(30.4)	10.3
ONGC	804	(4.2)	(12.2)	2.4
TCS	495	(8.9)	(7.7)	2.0

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
17-Oct	HDFC, Satyam, India Infoline earnings expected
18-Oct	Chambal Fertilizer, Ultratech Cement, Indian Bank, Federal Bank, Allahabad Bank earnings expected
20-Oct	Titan, Canara Bank, Shree Cements, Petronet LNG, Idea Cellular, Jet Airways, Akruti City, United Phosp, Rolta India earnings expected
21-Oct	LIC Housing Finance, BRPL, PFC, Chennai Pet, Wockhardt, Ashok Leyland, Marico, Tech Mahindra, Indian Hotels Co, Hero Honda Motors, Jaiprakash Associates, Zee Entertainment, Opto Circuits, Hindustan Zinc, RNRL, Indiabulls Securities, Indiabulls Financials, Pantaloon Retail earning expected
22-Oct	Wipro, Bajaj Finserv, Century Textils, Neyveli Lignite Corp, SKF India, Coromandal Fert, IDFC, Sesa Goa, Yes Bank, Phoenix Mills, UB Holdings, Cipla, TCS, Oriental Bank of Commerce, Piramal Healthcare earnings expected

Source: Bloomberg

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