

January 16, 2007

FOR PRIVATE CIRCULATION

**Equity**

	15 Jan 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	14,130	0.5	3.8	9.3
Nifty	4,078	0.6	4.9	9.5
Banking	7,402	0.3	5.8	18.3
IT	3,716	0.6	3.3	14.6
Healthcare	3,909	1.0	5.6	6.8
FMCG	1,933	0.3	(1.0)	(6.6)
PSU	6,226	0.2	4.3	5.5
CNX Midcap	5,259	0.6	4.9	10.5
<b>World indices</b>				
Nasdaq	2,502.8	0.7	1.9	6.2
Nikkei	17,210	0.9	2.0	3.4
Hangseng	20,069	2.3	5.0	11.4

**Value traded (Rs cr)**

	15 Jan 07	% Chg - 1 Day
Cash BSE	4,370	2.3
Cash NSE	8,515	(15.0)
Derivatives	26,718	(29.0)

**Net inflows (Rs cr)**

	12 Jan 07	% Chg	MTD	YTD
FII	207.0	30.0	(885)	(885)
Mutual Fund	637.1	354.2	(70)	(70)

**FII open interest (Rs cr)**

	12 Jan 07	% chg
FII Index Futures	11,982.4	(4.4)
FII Index Options	6,870.4	8.0
FII Stock Futures	16,446.2	2.3
FII Stock Options	140.1	11.4

**Advances/Declines (BSE)**

15 Jan 07	A	B1	B2	Total	% Total
Advances	144	406	564	1114	67
Declines	64	232	219	515	31
Unchanged	3	9	13	25	2

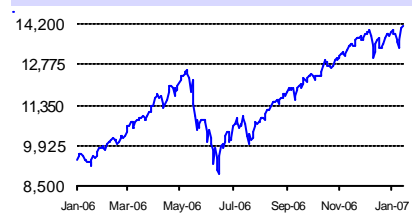
**Commodity**

	15 Jan 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	53.0	2.1	(16.5)	(9.5)
Gold (US\$/OZ)	626.7	(0.1)	1.7	5.0
Silver (US\$/OZ)	12.9	0.2	(0.0)	8.5

**Debt/forex market**

	15 Jan 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.83	7.72	7.65	7.67
Re/US\$	44.29	44.43	44.50	45.44

**Sensex**



Source: Bloomberg

**ECONOMY NEWS**

- The Government is examining the possibility of redefining the foreign investments in companies by removing the distinction between FDI and FII investment. The new policy, which will require changes to FEMA regulations, would look at foreign investments in a company as a whole, instead of treating FIIs as a separate entity. (ET)
- The Group of Ministers (GoM) set up to resolve the contentious spectrum allocation issue has endorsed the Trai recommendation that India adopt an auction system with a reserve price of about Rs.14bn per operator for nation-wide 3G spectrum. However, the operators have the choice of bidding for individual circles as well. (ET)
- Nine projects under various phases of the National Highway Development Programme (NHDP) have generated funds to the tune of Rs 1,368 crore between January 2006 and December 2006. (BS)
- Petroleum Minister said that prices of LPG and kerosene would not be tinkered with and subsidy on the two petroleum products would continue beyond March 31. (BS)
- Finance Minister may introduce two tier service tax structure in his forthcoming budget for next fiscal. A modest levy of 8 - 10% may be considered on small service providers with an annual taxable turnover of up to Rs 10 lakh per annum. (ET)
- The auction of oil blocks under the sixth round of New Exploration and Licensing Policy (NELP VI) is likely to be wrapped up by the end of January. (BS)

**CORPORATE NEWS**

- **Indian Petrochemicals Corporation (IPCL)** today reported a net profit of Rs 405 crore for the third quarter ended December 31, 2006 as against Rs 289 crore in Q3FY06.(BS)
- **Tata Steel** has entered into a definitive agreement to acquire 100% equity stake in Rawmet Ferrous Industries.(BS)
- **CMC**, a subsidiary of Tata Consultancy Services, netted Rs 20.40 crore during the quarter ended December 31, 2006 - an increase of 69% over last year's figure of Rs 12.07 crore during the corresponding period. (BS)
- **BHEL** and **Alstom** have entered into technology transfer agreement and will together generate 1,50,000MW of power over the next ten years. (ET)
- **Radico Khaitan** and entrepreneur Vangal in early talks to buy some liquor assets of the south-based Amruth Group. (ET)
- Mahindra International, the commercial vehicle arm of **Mahindra & Mahindra (M&M)**, plans Rs 2000cr unit in Pune. (BS)
- Sebi asks Actis to up **Phoenix lamps** price by 25%. (BS)

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

## FROM OUR RESEARCH TEAM

### RESULT UPDATE

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## TATA CONSULTANCY SERVICES LTD (TCS) (Rs.1326, FY08 PE 24x, BUY)

TCS' results for 3QFY07 came in above our estimates. While revenues grew by 8% QoQ (v/s our expectations of an 4.6% rise), profits were higher by 11% over the previous quarter mainly due to the higher revenues and better-than-expected EBIDTA margins.

In 2QFY07, EBIDTA margins were helped by a one-time net write back of provisions to the tune of Rs.340mn and lower provision for debts to the tune of about Rs.220mn. Despite this and the rupee appreciation, the company was able to improve profitability by about 90bps at the EBIDTA levels.

The macro scenario remains good for the Indian IT services vendors with the US economy not showing signs of a recession and off-shoring becoming more strategic. The full services model operated by TCS through its Global Network Delivery Model (GNDM) is finding increasing acceptance in the form of large contracts bagged by the company in the recent quarters. This is expected to lead to continued growth in the future.

We have revised our earnings estimates for FY07 and FY08 to accommodate the positive comments about the macro environment and the 3QFY07 results. We expect TCS to report revenues of about Rs.186bn in FY07 and Rs.248bn in FY08. We have assumed the rupee to appreciate to Rs.43 per USD by FY08-end. PAT is expected to grow to Rs.41bn in FY07 and further to Rs.53.5bn in FY08, resulting into an EPS of Rs.42 and Rs.55, respectively. The current price discounts our FY07E earnings by 32x and FY08E earnings by 24x.

At the current levels, we believe that our FY07E earnings are fairly priced in. Based on FY08E earnings estimates, we continue to recommend a BUY with a price target of Rs.1453. At the target price, our FY08E earnings will be discounted by 26.5x, which is at a marginal discount to our assumed valuations for Infosys based on FY08 earnings.

A faster-than-expected slowdown / recession in the major user economies and a higher than expected rupee depreciation provide the key downside risks to our estimates.

### 3QFY07 results

(Rs mn)	2QFY07	3QFY07	QoQ %	3QFY06	YoY %
<b>Turnover</b>	<b>44821</b>	<b>48605</b>	<b>8.4</b>	<b>34527</b>	<b>40.8</b>
Expenditure	32527	34852		24760	
<b>EBIDTA</b>	<b>12294</b>	<b>13753</b>	<b>11.9</b>	<b>9767</b>	<b>40.8</b>
Depreciation	958	1080		738	
<b>EBIT</b>	<b>11336</b>	<b>12673</b>		<b>9029</b>	
Interest	0	0		0	
Other Income	77	300		-154	
<b>PBT</b>	<b>11413</b>	<b>12972</b>	<b>13.7</b>	<b>8875</b>	<b>46.2</b>
Tax	1447	1828		1319	
<b>PAT</b>	<b>9967</b>	<b>11144</b>	<b>11.8</b>	<b>7556</b>	<b>47.5</b>
Minority interest	59	115		48	
Share of profit	8	17		-3	
Adjusted PAT	9915	11047	11.4	7505	47.2
EO items	0	0		3	
<b>EPS (Rs)</b>	<b>10.1</b>	<b>11.3</b>		<b>7.7</b>	
EBIDTA (%)	27.4	28.3		28.3	
Net Profit (%)	22.2	22.9		21.9	

Source : Company

## Revenues

- The company reported a growth of 8% in revenues driven largely by a similar rise in the volumes. This is as compared to an 11% rise in volumes in 2QFY07. In the international business, growth came about despite a 170bps shift in favor of offshore and GDC revenues to 45.7%. The company was able to transition large contracts to off-shore and GDC locations. This shift impacted the revenues growth by 1.6% in 3QFY07.
- In all the large accounts, which the company has received, the scale ups are along expected lines and the off-shoring of business is happening at the desired pace. These initiatives should lead to better profitability in the future. We believe that, timely shifting of work to off-shore locations would gradually lead to normalized margins over the life of the contract.
- The company has been able to secure large deals in diverse areas like financial services, transportation and retail areas, including others, which has helped the volume growth. During the quarter, TCS bagged two \$100mn deals and three \$50mn deals.
- The revenue growth was also helped by the productivity improvement in the fixed priced contracts, which formed 41% of the quarter's revenues. Asset-based solutions also helped and contributed 2.8% of revenues compared to 2.5% in the previous quarter. The company bagged large orders for FNS and in areas like treasury and depository solutions.
- TCS has been able to get better rates from existing as well as new clients. According to the management, existing clients are giving 3% - 5% increases at the time of renegotiations. On the other hand, the company is getting new clients at 5% - 10% higher rates. Revenues grew by 2% due to the higher average realizations v/s a 1.17% rise in 2QFY07. The rupee appreciation impacted the overall growth rate of revenues by 2.46% for the quarter.
- The revenue growth was led by emerging verticals like Retail and Life Sciences in addition to Telecom and BFSI. New services like Assurance services, Consulting and Asset Leveraged solutions continued to grow well.
- In the BPO segment, the UK based BPO subsidiary, Diligenta, continued the transformation process and is expected to gradually transition the platform. However, the process is expected to take time and marketing to new clients is expected to start post the completion of the transformation process. The subsidiary, which mainly services Pearl's clients continued to incur losses.

## Margins

- EBIDTA margins during the quarter improved by about 90bps due to higher realizations (1.74%), increased productivity (0.14%) and higher off-shore revenues (0.28%). On the other hand, margins were negatively impacted due to forex fluctuations (1.37%).
- The margin improvement is encouraging especially as it came in the backdrop of a nearly 3.5% appreciation in rupee and exceptional gains in the previous quarter (about 0.76% margin gain in 2QFY07).
- The management has indicated that a further move towards off-shore (target 45% of revenues), better utilization of GDCs and better leverage of SG&A expenses (target 19% of revenues) provide the levers for potential margin improvement in the future.
- The other income component grew from Rs.77mn in 2QFY07 to Rs.300mn in 3QFY07, on the back of forex gains.

<b>Future prospects</b>					
<b>(Rs mn)</b>	<b>FY06E</b>	<b>FY07E</b>	<b>YoY %</b>	<b>FY08E</b>	<b>YoY %</b>
<b>Turnover</b>	<b>132550</b>	<b>185850</b>	<b>40.2</b>	<b>247562</b>	<b>33.2</b>
Expenditure	95543	135284		181063	
<b>EBIDTA</b>	<b>37008</b>	<b>50566</b>	<b>36.6</b>	<b>66499</b>	<b>31.5</b>
Depreciation	2806	3989		5000	
<b>EBIT</b>	<b>34202</b>	<b>46578</b>		<b>61499</b>	
Interest	0	0		0	
Other Income	257	1395		1550	
<b>PBT</b>	<b>34459</b>	<b>47972</b>	<b>39.2</b>	<b>63049</b>	<b>31.4</b>
Tax	4984	6424		9142	
<b>PAT</b>	<b>29475</b>	<b>41548</b>	<b>41.0</b>	<b>53907</b>	<b>29.7</b>
Minority interest	280	384		555	
Share of profit	16	60		120	
Adjusted PAT	29211	41225	41.1	53472	29.7
EO items	243	0		0	
<b>EPS (Rs)</b>	<b>29.6</b>	<b>42.1</b>		<b>54.6</b>	
EBIDTA (%)	27.9	27.2		26.9	
Net Profit (%)	22.2	22.4		21.8	

Source: Company, Kotak Securities - Private Client Research

We have made appropriate changes our FY07E and FY08E estimates post the 3QFY07 results and the favourable comments made by the management on future volume growth and pricing.

We have assumed the rupee to appreciate to Rs.43 per USD by FY08 end. We expect the company to achieve revenues of Rs.185bn in FY07 and Rs.248bn in FY08.

The EBIDTA margins for are expected to be marginally lower despite salary hikes and the expected rupee appreciation. A shift to off-shore (about 43.5% of revenues by 4QFY08) and additional leverage on costs, along with marginal price increases, are expected to restrict the impact on margins.

Consolidated PAT is expected to grow to Rs.41bn in FY07E and further to Rs.53.5bn in FY08E. The EPS works out to Rs.42 in FY07E and to Rs.55 in FY08E.

**RESULT UPDATE**

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## HCL TECHNOLOGIES LTD (HCLT)

### (Rs.630, FY08E PE 16x, BUY)

HCLT's 2QFY07 results were broadly in line with our estimates. Revenue growth of 6.2% QoQ was spurred by healthy growth in the Infrastructure (IMS) & software services business. A higher than expected other income coupled with a lower tax incidence resulted in profits of Rs.2862mn that were above our estimates.

We like HCLT because of its focus on integrated services, which allows it to increase profitability by improving productivity. The company's investments in new services like IMS and BPO have started yielding results in the form of the recent large deal wins.

Over the recent quarters, HCLT has won large contracts like Teradyne, Autodesk, DSG Intl. and Skandia, with most of these being multi service and multi year deals in BPO, Infrastructure Services and software services. These are expected to help the company in achieving sustained growth in the quarters to come.

We have fine-tuned our earnings estimates to accommodate the Q2FY07 results. We expect HCLT to report net profit of Rs.10.9bn in FY07 and further grow to Rs.12.4bn in FY08. These will translate into earnings of Rs.33.7 and Rs.38.4 for FY07 and FY08 respectively. At the current price levels our FY08E earnings are discounted by 16x.

Given the relatively lower profitability of the company, we have accorded valuations that are at a discount to larger peers. At our revised target price of Rs.772 our FY08 earnings will be discounted by 20.2x and provides an upside of 23% from the current levels. We recommend a BUY on HCL Technologies.

**2QFY07 results**

(Rs mn)	1QFY07	2QFY07	% chg	2QFY06	% chg
<b>Turnover</b>	<b>13796</b>	<b>14651</b>	<b>6.2</b>	<b>10542</b>	<b>39.0</b>
Expenditure	10807	11410		8165	
Operating Profit	2989	3241	8.4	2377	36.3
Depreciation	556	623		493	
<b>Gross Profit</b>	<b>2433</b>	<b>2618</b>	<b>7.6</b>	<b>1884</b>	<b>39.0</b>
Other Income	290	481		143	
<b>PBT</b>	<b>2723</b>	<b>3099</b>	<b>13.8</b>	<b>2027</b>	<b>52.9</b>
Tax	221	206		203	
<b>PAT</b>	<b>2502</b>	<b>2893</b>	<b>15.6</b>	<b>1824</b>	<b>58.6</b>
Share of income	4	-23		-7	
Minority interest	5	7		6	
Adj. PAT	2501	2863	14.5	1811	58.1
PAT after EO prov	2501	2863		1811	
<b>EPS (Rs)</b>	<b>7.8</b>	<b>9.0</b>		<b>5.7</b>	
OPM (%)	21.7	22.1		22.5	
GPM (%)	17.6	17.9		17.9	
NPM (%)	18.1	19.7		17.3	

Source : Company

## REVENUES

HCLT's Q2FY07 revenues grew by 6.2% QoQ to Rs.13.8bn. This was brought about by BPO services and IM services where revenues grew by 6% and 12%, respectively. Software services revenues on the other hand grew by 5% during the quarter.

### Software Services

We believe that, revenues in the software services business grew on the back of higher volumes and also an improvement in the average realizations (largely due to a change in the business mix). While volumes were higher, we believe that average realizations have also improved for the company that aided revenue growth. This coupled with higher onsite utilization rates helped offset the impact of rupee appreciation during the quarter.

Revenues grew on the back of increased business from its non-Top 20 clients that have grown at a higher than company rate, indicative of traction in new accounts and the mega deals won by the company over the past two quarters. HCLT has indicated that it is actively pursuing business from clients which are not necessarily in the Fortune 500 list. According to the management Fortune 500 companies are either working with other Indian majors or are not in looking at total business transformation services.

In the software segment HCLT has added about 580 employees in 2QFY07 with the gross lateral employee addition at 1553. The margins for this business increased by about 50 bps to 22.8%; positively impacted by benefits of scale, higher utilization rates and beneficial impact of pricing improvements.

### BPO Revenues

BPO revenues during the quarter grew by 6% to Rs.1.86bn (13% of revenues). This business also added 1069 employees on a net basis, continuing with the high additions in the previous two quarters taking the total strength in this segment to 12,181 employees. The large employee addition witnessed in this space is to service the large clients acquired recently and this indicates the visibility of revenues going forward.

Margins increased sequentially in 2QFY07 by 60bps to 23.1% on account of the higher utilization levels and also better non-voice mix in business. The proportion of non-voice business in this space was close to 35%. The company aims to scale up the non-voice component to 40% in the near term. An increase in proportion of non-voice business is expected to favorably impact margins for the BPO segment.

HCLT is increasingly looking at output based pricing in new deals which would allow it to maintain and improve profitability through better productivity. Also, the company is targeting increased revenues in back office processing to improve its capacity utilization rates from this segment.

### Infrastructure Services

The infrastructure services business continued with its healthy growth during the quarter with revenues growing by 12% QoQ. Once again, growth in the current quarter was brought about by the multi year and multi service integrated deals from large customers.

The company is among the few that have built up a strong practice in this area having been one of the early starters in this line of business and is rated among the strong global players in IM by Forrester and IDC. This business continued to witness significant migration of contracts from traditional global outsourcers to offshore outsourcers like HCLT.

Operating margins in this business declined marginally to about 17.5% (-10bps). We believe this is on account of higher marketing spends this quarter. Increased revenues from higher margin businesses and greater leverage from the SG&A spends, in our opinion have helped the company mitigate the negative effect of the rupee appreciation during the quarter.

## Margins

EBDITA margins for the quarter were close to 40bps up from the previous quarter at 22.1% from the 21.7% reported in the previous quarter. The improvement in margins came about due to greater utilization rates in the software services business coupled with the beneficial impact of pricing up ticks. In our opinion the impact of the rupee appreciation on the gross margins was compensated to an extent by the increased contribution from geographies like Europe and also the productivity increases registered in the BPO segment.

The management has indicated that any improvement in margins will be utilized to spend on sales and marketing, in order to sustain and improve on the current growth rates. Going forward, on an annual basis, we expect the margins to remain stable at around 2QFY07 levels keeping in mind the proposed increase in sales and support spend/investments.

## Future Prospects

(Rs mn)	FY06	FY07E	% chg	FY08E	% chg
<b>Turnover</b>	<b>43938</b>	<b>59737</b>	<b>36.0</b>	<b>72978</b>	<b>22.2</b>
Expenditure	34159	46647		56766	
<b>EBIDTA</b>	<b>9779</b>	<b>13091</b>	<b>33.9</b>	<b>16213</b>	<b>23.8</b>
Depreciation	2033	2529		3133	
<b>EBIT</b>	<b>7746</b>	<b>10562</b>	<b>36.4</b>	<b>13080</b>	<b>23.8</b>
Other Income	579	1728		1665	
<b>PBT</b>	<b>8325</b>	<b>12290</b>	<b>47.6</b>	<b>14745</b>	<b>20.0</b>
Tax	626	994		1588	
Adj. PAT	7698	11296	46.7	13157	16.5
Share of income	-6	-4		22	
ESOP	0	362		765	
Minority interest	25	22		20	
<b>PAT</b>	<b>7667</b>	<b>10908</b>	<b>42.3</b>	<b>12394</b>	<b>13.6</b>
PAT after EO prov	7667	10908		12394	
<b>EPS (Rs)</b>	<b>24.0</b>	<b>33.7</b>		<b>38.3</b>	
EBIDTA (%)	22.3	21.9		22.2	
EBIT (%)	17.6	17.7		17.9	
PAT (%)	17.5	18.9		18.0	

Source: Company, Kotak Securities - Private Client Research

We have fine-tuned our FY07E & FY08E earnings estimates to accommodate 2QFY07. We now expect the company to report revenues of Rs.60bn and Rs.74bn in FY07 and FY08, respectively. While IM revenues are expected to grow at a CAGR of 44% over FY06-08, IT services revenues are expected to rise by a CAGR of 25% and BPO revenues by 37% over FY06-08.

EBIDTA margins are expected to be maintained despite salary hikes and the expected rupee appreciation due to increasing leverage in the multi-service accounts and cost control initiatives. The faster growth in BPO revenues, which enjoy slightly higher margins, should also positively impact the profitability.

After assuming higher tax at about 11% of PBT in FY08E, PAT is expected to grow to Rs.10.9bn and a further Rs.12.4bn in FY08, translating into an EPS of Rs.33.7 and Rs.38.3 respectively in FY07 and FY08 respectively. Our earnings estimates for the fiscals also incorporate an ESOP charge, applicable from the next quarter. Management has guided towards charges of Rs.362mn & Rs.765mn on account of ESOP's over FY07 & FY08.



## COMPANY UPDATE

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## GUJARAT STATE PETRONET LTD (Rs.51, FY08E P/BV: 2.5X, HOLD)

GSPL moved 20% up yesterday on the news that gas transmission pipeline projects might get infrastructure benefits. The infrastructure benefit would result in tax savings and lower cost of fund (debt) for pipeline expansion. We change our recommendation on the stock to HOLD with revised price target of Rs. 56.

The stock has crossed our target price of Rs 48. We revise our target price to Rs 56, based on higher clarity on the gas supply situation in India. We have revised our long term (Post FY09) estimates of gas volumes to be transported by the company upward, as expected gas production by Reliance has gone up to 80 mmscmd from the level of 40 mmscmd at the time when we initiated coverage. Based on our recent talk with management we have changed our estimate of gas supply for Reliance to 15 mmscmd from the previous estimates of 11 mmscmd. Slight revision in the target price is also due to time factor as it has been almost 4 months since we initiated coverage. The stock has provided 32% returns during the duration of 4 months.

The stock is expected to show steady increase in the earnings in the quarters to come; hence we believe it'll continue to remain market performer. Other triggers to stock could be the expansion plans in other states as the company has received invitation from the governments of Andhra Pradesh and Tamil Nadu to setup to set up gas transportation networks similar to Gujarat in those states as well. However right now nothing has been finalized on this regard.

## Summary table

(Rs mn)	FY07E	FY08E	FY09E
Sales (Rs mn)	3517	4302	6983
Growth %	33.5%	22.3%	62.3%
EBITDA (Rs mn)	3,056	3,734	6,127
EBITDA margin %	86.9%	86.8%	87.8%
Dep + Int %	46.0%	48.6%	53.1%
EBT Margin%	40.1%	38.1%	34.6%
Net profit (Rs mn)	891	1,020	1,501
Net cash (debt)	9,822	14,687	11,903
EPS (Rs)	1.64	1.88	2.77
Growth %	90.8%	14.5%	47.2%
DPS (Rs)	0.25	0.25	0.25
ROE %	9.3%	9.7%	12.9%
RoIC%	9.5%	6.6%	9.1%
EV/Sales (x)	1.1	1.0	0.6
EV/EBITDA (x)	1.2	1.1	0.7
P/E (x)	31.1	27.1	18.4
P/BV (x)	2.8	2.5	2.2

Source: Company & Kotak Securities - Private Client Research

## Strong Quarterly Performance Expected

Q3FY07 results for the company are expected to be very good. The company has managed to transport 16 mmscmd of gas volumes in comparison to previous quarter figure of 13 mmscmd. We expect 28% QoQ growth in the net earnings to Rs 275 mn. Based on our talk with the management, we have also changed our estimates for volumes in FY08 to 18 mmscmd from the earlier estimate of 17 mmscmd.

## Expected quarterly results

(Rs mn)	FY07Q1	FY07Q2	FY07Q3E	QoQ (%)
Total Income	756.2	802.8	980.2	22.1
Total Expenditure	156.9	100.4	131.9	31.4
Operating Profit (EBITDA)	599.3	702.4	848.3	20.8
EBITDA Margin (%)	0.8	0.9	0.9	10.4
Net Profit	193.2	223.9	275.0	22.8
PAT Margin	0.3	0.3	0.3	
Equity share capital	5,422.4	5,422.4	5,422.4	
EPS (Rs)	0.4	0.4	0.5	22.8
Gas volumes transported	12.8	12.9	16.0	

Source: Company & Kotak Securities - Private Client Research

## Volume estimates

	FY06	FY07E	FY08E	FY09E	FY10E	FY11E
Gas Volumes Transported (mmscmd)	10.8	15.0	17.8	31.4	36.7	40.1
Average Tarrifs - Rs/tcm	665.8	642.1	660.8	643.1	616.4	615.8

Source: Company & Kotak Securities - Private Client Research



**Assumptions**

Terminal growth rate	0.03
D/E (Mkt value)	0.20
WACC	12.59%
NPV (Rs mn.)	8456.361
TV (Rs mn.)	32001.95
NFO (Rs mn.)	9821.873
Equity Value (Rs mn.)	30636.44
Number of shares (Rs mn.)	542.2433
Fair value per share (Rs)	56.50

Source: Kotak Securities - Private Client Research

**DCF Valuation**

	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>	<b>FY10E</b>	<b>FY11E</b>	<b>FY12E</b>
Net Sales	2,635	3,517	4,302	6,983	8,073	8,847	9,145
Total Expenses	692	528	584	875	969	1,042	1,087
Dept	791	1,096	1,595	2,307	2,366	2,435	2,507
EBIT	1,152	1,894	2,123	3,800	4,738	5,370	5,551
Taxes on EBIT	457	720	807	1,444	1,801	2,040	2,110
NOPLAT	695	1,174	1,316	2,356	2,938	3,329	3,442
GCF	1,486	2,270	2,911	4,663	5,303	5,765	5,949
Increase in WIP	3,583	(1,165)	(3,300)	285	23	28	29
Inc. NWC	238.2	0.0	0.3	0.9	0.7	8.0	10.7
Capex	1,141	9,992	10,678	638	923	946	974
Gross Investment	4,962	8,827	7,379	924	947	982	1,014
FCF	(3,477)	(6,557)	(4,468)	3,740	4,356	4,782	4,936

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)
15-Jan	Alchemist Lt	Ayodhyapati Investment	S	378,087	28.48
15-Jan	Anil Sp Stel	Ashok Kumar Parmar	S	20,000	22.85
15-Jan	Ashco Indust	Pavan Anil Gandhi	S	86,325	57.02
15-Jan	Ashco Indust	Neha Ashok Kotwani	S	25,000	57.05
15-Jan	Crew Bos	Volga International Ltd	B	80,000	262.26
15-Jan	Crew Bos	Macquarie Bank Ltd.	S	135,000	260.19
15-Jan	CS Software	Navmee Securities Pvt Ltd	B	35,000	50.84
15-Jan	Cupid Ltd	Vora Mukesh Jitendra	B	38,073	38.57
15-Jan	Dmc Inter	Chintan Securites and Fin	S	11,000	47.15
15-Jan	Empower Inds	Suhas Sadanand Ganpule	S	50,079	11.20
15-Jan	Epic Energy	Wall Street Capital Marke	B	48,147	40.00
15-Jan	Epic Energy	Rajesh Pravin Bhanushali	S	30,000	39.97
15-Jan	Gemstone Inv	Manish S Joshi	B	21,200	18.03
15-Jan	Gemstone Inv	Gemstone Investments Ltd	S	20,000	18.00
15-Jan	Gemstone Inv	M N Rajgopal HUF	S	25,000	17.75
15-Jan	H.S.India	Chetan Dogra HUF	S	150,000	24.50
15-Jan	H.S.India	Chetan Dogra	S	100,000	24.70
15-Jan	Innocorp L	A C Agrawal Sons Shares S	B	38,283	23.21
15-Jan	Karuna Cable	Surendra Singh Bengani	B	365,000	16.10
15-Jan	KLG Systel	BSMA Limited Dr Account	S	61,000	331.47
15-Jan	Koff Br Pict	Apoorvashree Ajayprakash	S	25,000	19.00
15-Jan	Kovilp Lak R	Keynote Commodities Ltd.	S	201,848	55.19
15-Jan	Maharastra	Deepmilan Investment	S	38,000	96.68
15-Jan	Marg Constru	Consolidated Infrastructu	B	100,000	294.92
15-Jan	Marg Constru	Priyanka Finance Pvt.Ltd.	S	104,364	294.74
15-Jan	Mayu Uniquot	A C Agrawal Sons Shares S	B	27,460	44.93
15-Jan	Micro Techn	Micro Capitals Pvt Ltd	B	75,000	274.97
15-Jan	Micro Techn	Padmanabhan Sekhar	S	100,000	275.21
15-Jan	Osian Lpg Bo	Manish B Shah Huf	B	49,250	17.21
15-Jan	Pioner Embro	Shriprakash Vinaykumar Sa	B	165,000	268.90
15-Jan	Pioner Embro	Origin Management Consult	S	61,009	273.00
15-Jan	Pioner Embro	Search Finvestment Limite	S	52,626	271.53
15-Jan	Pioner Embro	Money Matters Advisory Se	S	100,000	268.85
15-Jan	Pioner Embro	Rajesh Sharma	S	70,506	269.70
15-Jan	Sagar Cement	Principal Mutual Fund Acc	B	58,611	167.41
15-Jan	Shakti Pumps	Ashita Bhavin Parekh	B	106,252	106.00
15-Jan	Shakti Pumps	Santosh Industries Ltd	B	150,000	106.00
15-Jan	Shakti Pumps	Magna Umbrella Fund Plc A	S	280,252	106.06
15-Jan	Simbhaol Su	Citiland Commercial Credi	B	125,000	59.35
15-Jan	Simbhaol Su	U K Paints I Pvt Ltd	S	125,000	59.35
15-Jan	Sujana Metal	Bsma Limited	B	600,891	99.80
15-Jan	Sujana Metal	Tejdeep Engineering Enter	S	558,160	99.80
15-Jan	Sujana Univ	Mavi Investment Fund Limi	S	925,000	20.50
15-Jan	Vas Anima En	Chandrakanth.C	S	25,000	113.63
15-Jan	Woolite Merc	Umesh Purushottam Chamdia	S	51,038	20.00
15-Jan	Yashraj Secr	Obident Exports Pvt Ltd	S	5,404	158.36

Source: BSE

## Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
SAIL	100	10.1	7.6	26.0
Reliance Ind	1,365	1.9	7.1	3.2
L&T	1,509	2.9	2.4	0.5
<b>Losers</b>				
ONGC	916	(0.8)	(3.2)	0.6
ICICI Bank	958	(1.5)	(2.6)	0.7
Reliance Com	430	(0.8)	(1.4)	4.4

Source: Bloomberg

## Forthcoming events

COMPANY/MARKET	
Date	Event
16-22 Jan	Initial Public Offer of Yogindera Worsteds opens
16-23 Jan	Initial Public Offer of House of Pearl Fashions opens
16-Jan	Bajaj Auto, Escorts, Jubilant Organosys, HT Media earnings expected
17-Jan	Lupin, Wipro, Infotech Enterprises, NIIT Technologies earnings expected
18-23 Jan	Initial Public Offer of Technocraft Industries opens
18-Jan	Ranbaxy Laboratories to announce earnings & dividend; Reliance Industries, Reliance Energy, Chambal Fertilizers, Exide Industries, Shasun Chemicals, Biocon, Siemens, Nicholas Piramal earnings expected
19-Jan	Dabur India, Ramond, IDFC, Ballarpur Industries, Hindustan Construction, Satyam Computers, Gujarat Narmada Valley Fertilizers company, ING Vysya Bank, Dena Bank, Indo Rama Synthetics, NIIT Ltd, Orchid Chemicals, Tata Teleservices (M), Sonata Software, Wyeth, Jain Irrigation, Deccan Chronicle, Jet Airways, i-flex Solutions, earnings expected
20-Jan	ICICI Bank, Godrej Consumer, Gujarat Alkalies, Chennai Petroleum Corp, Pfizer earnings expected
22-Jan	Zee Telefilm, JSW Steel, Bank of India, India Cements, Cadila Healthcare, Merck Ltd, Maruti Udyog, Kotak Mahindra Bank, Bank of India, Colgate Palmolive India, Ingersoll Rand (I) earnings expected

Source: Bloomberg

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