

March 26, 2007
FOR PRIVATE CIRCULATION
Equity

	23 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	13,286	(0.2)	(2.7)	(3.1)
Nifty	3,861	(0.4)	(2.1)	(2.0)
Banking	6,822	(0.1)	0.3	(1.9)
IT	3,625	(0.5)	(1.2)	0.7
Healthcare	3,574	0.6	(1.3)	(5.5)
FMCG	1,689	(1.2)	(6.8)	(12.7)
PSU	5,879	(0.4)	(0.6)	(2.3)
CNX Midcap	4,855	0.3	(3.7)	(4.4)
World indices				
Nasdaq	2,448.9	(0.1)	(2.2)	1.5
Nikkei	17,481	0.4	(4.1)	1.8
Hangseng	19,693	0.0	(3.5)	2.4

Value traded (Rs cr)

	23 Mar 07	% Chg - 1 Day	
Cash BSE	3,898		13.5
Cash NSE	8,204		4.3
Derivatives	33,620		(15.8)

Net inflows (Rs cr)

	22 Mar 07	% Chg	MTD	YTD
FII	713	333	(358)	4,520
Mutual Fund	87	254	(1,214)	(2,861)

FII open interest (Rs cr)

	22 Mar 07	% chg	
FII Index Futures	14,485		3.4
FII Index Options	10,410		3.9
FII Stock Futures	16,655		0.3
FII Stock Options	58		(0.7)

Advances/Declines (BSE)

23 Mar 07	A	B1	B2	Total	% Total
Advances	89	277	339	705	39
Declines	120	419	505	1,044	58
Unchanged	5	13	34	52	3

Commodity

	23 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	62.5	0.4	1.8	2.3
Gold (US\$/OZ)	657.4	(1.0)	(4.0)	5.5
Silver (US\$/OZ)	13.2	(2.2)	(10.1)	4.3

Debt/forex market

	23 Mar 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.96	8.00	7.90	7.61
Re/US\$	43.58	43.75	44.20	44.58

Sensex


Source: Bloomberg

ECONOMY NEWS

- The Government wants domestic financial sector regulators to liberalize norms on portfolio investment to allow foreign individuals and more overseas corporates to invest directly in the Indian stock markets. (ET)
- The Government is likely to scrap the textile committee cess. All textiles and textile machinery are likely to be exempted from the cess in a move aimed at improving global competitiveness of Indian companies and attract greater investments into the sector. (ET)
- Airlines have sought more time from the directorate general of civil aviation for taking a decision on scrapping congestion surcharge. The regulator may give carriers an extra week, a Government official said. (ET)
- The annual supplement of the foreign trade policy for 2007-08 may be delayed by a week. The delay is being attributed to the time being taken by the Commerce and Finance Ministries to arrive at a consensus over certain export promotion schemes. (BS)
- The Finance Ministry has made it tough for companies to migrate equipment to SEZs by disallowing tax sops to those importing or shifting second-hand machinery from outside SEZs. (BS)
- World oil prices were driven to the highest levels of the year by news that 15 sailors from a British warship had been seized by Iran, a key crude producer. (FE)

CORPORATE NEWS

- **ONGC** has pipped **Reliance Industries** to the post to contract a rig for exploration. This is significant considering that oil companies across the globe are facing a huge shortage of rigs. (ET)
- The **Essar** group plans to convert its upcoming SEZ at Hazira into a multi-product SEZ. The group has recently filed an application with the state government and has started the process of acquiring additional land for the project. (ET)
- Facing the heat over the prospect of Tatas' Rs.1-lakh car affecting the two-wheeler market, **Bajaj Auto** has said it may build cars to ward off the threat. (BS)
- **Bharat Sanchar Nigam** will pump in Rs.600 bn over the next three years. (ET)
- **Kirloskar Brothers**, a leading pump manufacturing company, plans to enter China with at least one plant. The Pune-based company has plants in UK and Africa. At present, KBL supplies its pumps to China through Hong Kong. (BS)
- **Reliance Industries'** move to seek the status of an export-oriented unit for its existing refinery at Jamnagar would boost net profits as it saves taxes and increases sales in the higher-margin export markets. (BS)
- Steel tycoon Lakshmi N Mittal's acquisition of 49% stake in Hindustan Petroleum's \$3 bn Bhatinda refinery has violated his pact with **ONGC** to pursue hydrocarbon opportunities exclusively with the flagship Indian firm, an ONGC official has said. (FE)
- The RBI has said a multi-layered holding structure put in place by Hutchison Telecom for a 12.26% stake - the stake that the company could not own directly in **Hutch-Essar** - may have breached foreign investment guidelines for the telecom sector. (ET)

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

FROM OUR RESEARCH TEAM

COMPANY UPDATE

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We upgrade to BUY from a HOLD on Crompton Greaves with a target price of Rs.245

CROMPTON GREAVES (Rs.200, FY08 P/E: 18.9x, BUY)

Crompton Greaves Ltd (CGL) is the market leader in India in transformers and switchgears. Over the last two years, the company has demonstrated its ability to identify attractive acquisition targets and turn them around. In the process, CGL has been able to expand its product portfolio. The domestic as well as overseas order book of the company is growing at a healthy pace. Over the next two years, we see earnings growth at a CAGR of 40% between FY07-09. The stock has corrected in recent times. In view of this, we upgrade the stock to a BUY from a HOLD.

KEY INVESTMENT POSITIVES

PGCIL's capex plans indicate continued traction in T&D sector

As against the usual 50% investment in T&D for every 100% investment in the power sector, the investment in T&D in India has been lagging at 30%. This has resulted in high T&D losses. Power Grid Corporation of India (PGCIL) plans to invest Rs.550 bn during the Eleventh Plan to increase its transmission capacity. The plan is to raise the current transmission capacity from 11,500 MW to 37000 MW by 2012.

PGCIL also plans to go for hybrid ultra high voltage transmission system, which will reduce transmission losses. The company also plans to raise its capital expenditure plans for 2007-08 to Rs.91 bn from Rs.61 bn in the current fiscal, an increase of nearly 50%.

Expanding product portfolio

With the focus on faster capacity augmentation and more efficient power transmission technologies, PGCIL has been moving towards higher application of high voltage (HV) and hybrid ultra high voltage power transmission (800 KV/1200 KV transmission). Over the last two years, CGL has geared itself to address the emerging tech trends. It has acquired Pauwels and Ganz, thereby enabling access to up to 750 KV 600 MVA transformer range.

Proven track record of value accretive acquisitions

CGL has demonstrated its ability to identify and turn around companies. It acquired Pauwels in 2005 and has been able to ramp up the operations of the company. The operating margin of Pauwels has already been improved from 5.7% in CY05 to 6.5-7% in CY06. In FY07, the company acquired Ganz, whose founders were the inventors of modern age transformers.

While Ganz has reported negative EBITDA of €2.7 mn in October-December 2006, the CGL management expects EBITDA margin to move up to greater than 8% in CY07. Margins of Ganz have suffered due to unprofitable orders that the company is currently executing. CGL also plans to outsource part of Pauwels orders from Ganz, which should optimize production capacities across locations in Europe.

Attractive earnings growth

CGL's order book stood at Rs.21.1 bn, which was a 44% rise over FY06 end. The order backlog of Pauwels and Ganz is also healthy at Rs.24.2 bn. During FY07, CGL's earnings growth was hampered by a rise in copper prices and higher tax charges. Copper prices had a steep rise in FY07 but now appear to have stabilized. Hence, in FY08, we believe there is scope for margins to expand. We see the share of profits from its subsidiaries rising in FY07 and FY08 due to a turnaround in Ganz and margin expansion in Pauwels. On a consolidated basis, we are forecasting a growth of 40% in CAGR between FY07-09.

Summary table

(Rs mn)	FY07E	FY08E	FY09E
Sales	56,578	69,371	81,303
Growth (%)	33.8	23.2	-
EBITDA	4,363	6,224	7,492
EBITDA margin (%)			
(Consolidated)	7.7	9.0	9.2
Net profit	2,455	3,871	4,768
EPS (Rs)	6.70	10.60	13.00
EPS (Rs) standalone	4.9	6.8	8.5
Growth %	5.8	57.7	23.2
DPS (Rs)	2.0	2.0	2.0
ROE (%)	26.5	30.6	29.1
ROCE (%)	28.7	38.0	38.0
EV/Sales (x)	1.1	0.9	0.7
EV/EBITDA (x)	14.7	10.4	8.4
P/E (x) consolidated	29.8	18.9	15.4
P/BV (x)	6.9	5.3	4.0

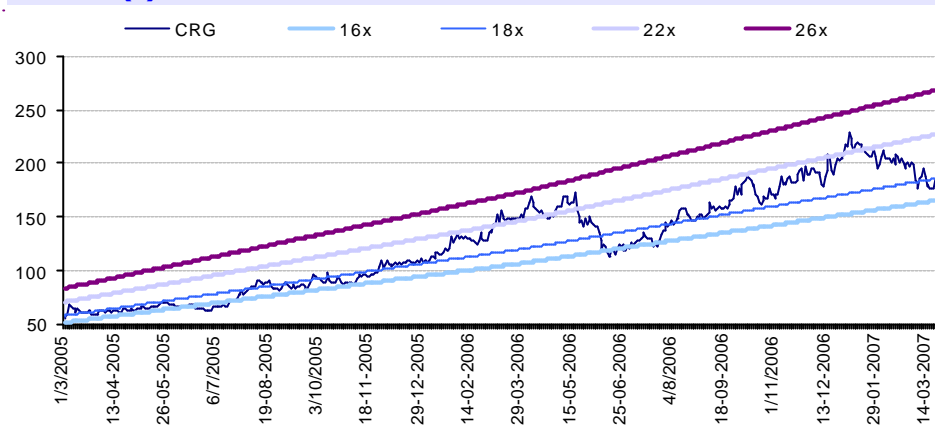
Source: Company & Kotak Securities - Private Client Research

We upgrade to BUY from a HOLD on Crompton Greaves with a target price of Rs.245

Valuation

At the current price, CGL is trading at 18.9x and 15.4x in FY08 and FY09 earnings, respectively. The stock has traded in a P/E band of 18-22x two-year forward EPS. Due to a recent correction in price, the stock is available at the lower end of the 18x-22x band. The stock has an attractive earnings growth profile and globalized operations. We upgrade the stock to a **BUY** from a **HOLD** with a target price of Rs.245.

PE band (x)



Source: Company, Kotak Securities - Private Client Research

Valuation

	EPS (Rs)		PE (x)		EV/EBITDA (x)
	FY08	FY09	FY08	FY09	FY08
ABB CY 07 & CY08	114.0	150.0	31.5	23.9	19.9
Siemens (Sep end) FY07 & FY08	33.4	47.0	32.3	23.0	15.0
Areva CY07 & CY08	39.9	53.7	27.5	20.4	17.4
Crompton Greaves	10.6	13.0	18.9	15.4	11.9

Source: 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)
23-Mar	AML	HSBC Financial Services M	S	155,258	73.75
23-Mar	Asian Oilfie	Arwa Umesh	S	35,000	32.82
23-Mar	Axon Infotec	AS Vanijya Private Limited	B	3,500	291.00
23-Mar	Baba Arts	AVN Stock and Securities	S	79,500	57.58
23-Mar	Bilpower Ltd	Rajendrakumar Anandilal C	B	69,500	147.00
23-Mar	Class Diam I	Anand Yogesh Share and Co	B	35,000	381.23
23-Mar	Crazy Infote	Kedia Consultants Pvt Ltd	S	40,000	83.30
23-Mar	Gayatri Proj	Buena Vista Fund Management	B	77,000	233.68
23-Mar	Gayatri Proj	Goldman Sachs Investments	S	76,000	232.98
23-Mar	Indbul Real	Citigroup Global Markets	S	1,271,751	345.10
23-Mar	Indcap Finan	DJ Sons Securities	B	19,736	24.30
23-Mar	Jagjanani	Jayesh Kuwadia	B	100,000	25.00
23-Mar	Jagjanani	Sandhya Khandelwal	B	100,000	24.70
23-Mar	Jagjanani	Arcadia Share and Stock B	B	100,000	25.00
23-Mar	Jagjanani	Anand Yogesh Share and Co	B	400,635	22.62
23-Mar	Jagjanani	D K Jain	S	150,000	25.61
23-Mar	JK Sugar Ltd	Hiral Manish Shah	S	60,700	26.63
23-Mar	Maharastra	AVN Stock and Securities	B	45,458	115.44
23-Mar	Mastek	Infrastructure Leasing	S	174,300	305.00
23-Mar	Oriental	Shailesh Ved	B	123,495	25.00
23-Mar	Page Industr	HDFC Mutual Fund Account	B	155,000	288.97
23-Mar	Patel Airtem	Pawan S Agarwal	B	100,000	37.71
23-Mar	Patel Airtem	Rajesh Shah	B	50,837	38.21
23-Mar	Pradeep Met	Pegasus Stocks and Shares	B	420,000	19.36
23-Mar	Pradeep Met	Aditya Dugar	S	234,266	19.50
23-Mar	Pradeep Met	Anuj M.Munot	S	166,750	19.44
23-Mar	RTS Power Co	Thesus Global Research Ltd	B	30,000	110.00
23-Mar	RTS Power Co	Hilton Sales Private Limited	B	70,000	110.88
23-Mar	Sarup Tanner	Camphar Securities and Ad	B	20,100	34.78
23-Mar	Sarup Tanner	Geometric Sec and Adv P L	S	20,000	34.80
23-Mar	Shri Bajrang	Kanhaiyalal Oza	S	50,000	23.17
23-Mar	Surana Corpr	Shantilal Surana	B	150,000	21.00
23-Mar	Surana Corpr	Surana G R	B	350,000	21.00
23-Mar	Surana Corpr	The Indiaman Mauritius Ltd	B	500,000	21.00
23-Mar	Switch Tec G	Ruby Ladha	S	18,325	39.00
23-Mar	System Cor S	Ram Gupta	B	56,950	12.00
23-Mar	Transwarranty	Verdia Marble Pvt. Ltd.	B	266,338	44.79
23-Mar	Vakran Softw	Peance Commercial Pvt Ltd	S	100,000	146.00
23-Mar	Vyapar Inds	Anand Yogesh Share and Co	B	52,675	121.09
23-Mar	Vyapar Inds	GRD Securities Ltd	S	45,000	118.97
23-Mar	Vyapar Inds	Jigneshbhai Hiralal Shah	S	52,524	120.40
23-Mar	W S Industri	M M Murarka Share and Sec	B	160,000	45.02
23-Mar	W S Industri	Raghuvalika Trading Pvt Ltd	S	160,000	45.02
23-Mar	Wearology Lt	Julius Baer Asset Management	B	36,721	78.00
23-Mar	Yashraj Secr	Diamant Investment and Fi	B	15,014	245.33
23-Mar	Yashraj Secr	S Uttamchand	S	14,000	245.50

Source: BSE

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Larsen & Toubro	1,626	3.3	2.9	1.1
BHEL	2,272	1.8	2.0	0.9
Bharti Airtel	784	0.5	1.4	1.2
Losers				
ONGC	843	(1.1)	(3.9)	1.1
ITC	144	(3.5)	(3.9)	10.9
Infosys Tech	2,093	(1.3)	(3.0)	1.4

Source: Bloomberg

Forthcoming events

COMPANY/MARKET	
Date	Event
26-30 Mar	Initial Public Offer of Advanta India opens
26-Mar	Aventis Pharma to announce audited earnings and dividend; Ammana Bio Pharma holds press conference to announce IPO
27-Mar	Cairn India holds analyst meet
28-Mar	Polaris Software to announce second interim dividend
28-5 Apr	Initial Public Offer of Ammana Bio Pharma opens
29-Mar	Ranbaxy Laboratories to announce earnings and dividend; Abbot India to announce earnings

Source: Bloomberg

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