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Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Bharat Bijlee	29-Nov-04	192	1,435	1,425
♦ Ceat	28-Nov-06	122	139	190
♦ India Cements	28-Sep-06	220	248	315
♦ Indo Tech Trans	28-Nov-06	199	269	280
♦ Lupin	06-Jan-06	403	562	670

Ranbaxy Laboratories

Apple Green

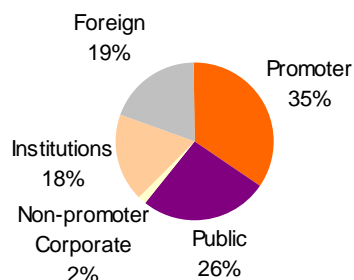
Stock Update

Operating margin lower than expected
Buy; CMP: Rs414

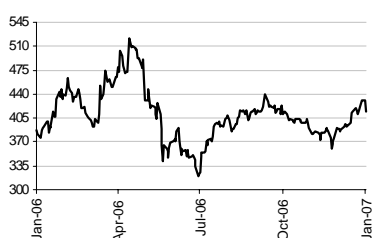
Company details

Price target:	Rs558
Market cap:	Rs15,429 cr
52 week high/low:	Rs530/317
NSE volume: (No of shares)	10.7 lakh
BSE code:	500359
NSE code:	RANBAXY
Sharekhan code:	RANBAXY
Free float: (No of shares)	14.8 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	10.0	2.1	33.6	14.6
Relative to Sensex	6.1	-7.8	-4.3	-26.6

Result highlights

- Ranbaxy Laboratories (Ranbaxy) reported an impressive 167% growth in its net profit to Rs183.3 crore in Q4CY2006, which is higher than our expectation of Rs174.1 crore. The improvement in the profitability was triggered by a forex gain of \$8 million. The focused cost-control efforts and rationalisation of research and development (R&D) spending also contributed to the profit growth.
- The net sales were higher by 22% to Rs1,697.50 crore in Q4CY2006 which was 4% above our expectation. The revenue growth was supported by a stronger revenue inflow from the Simvastatin-80mg tablet (which was under exclusivity in the USA), integration of Terapia SA (which reported over 50% growth) and the jump of 45% in the business from Brazil, Russia, India, China and South Africa (BRICS) during the quarter.
- However, the revenue growth was moderated by the pricing concerns in Europe, particularly the UK, Germany and France, leading to a 6% fall in the sales to \$52 million and a 16% sequential decline in the domestic revenues to \$66 million.

Result table

Particulars	Q4CY2006	Q4CY2005	% yoy growth	Rs (cr)		
				CY2006	CY2005	% yoy growth
Net sales	1697.5	1387.7	22.3	6021.6	5101.9	18.0
Other operating income	79.4	60.4	31.5	112.4	211.2	-46.8
Total operating income	1776.9	1448.1	22.7	6134.0	5313.1	15.5
Consumption of materials	913.1	822.1	11.1	3042.0	2774.4	9.6
SG&A expenses	474.9	418.4	13.5	1761.7	1703.6	3.4
EBIDTR	388.9	207.6	87.3	1330.3	835.1	59.3
EBIDTR margin (%)	22.9	15.0	790bps	22.1	16.4	570bps
R&D expenditure	122.4	123.2	-0.6	387.0	492.5	-21.4
Operating profit	266.5	84.4	215.8	943.3	342.6	175.3
OPM (%)	15.0	5.8	920bps	15.4	6.4	900bps
Other income	2.4	2.2	9.1	29.7	61.6	-51.8
EBITDA	268.9	86.6	210.5	973.0	404.2	140.7
EBITDA margin (%)	15.8	6.2	960bps	16.2	7.9	830bps
Interest	24.7	19.5	26.7	108.0	67.1	61.0
Foreign exchange gain	46.0	-19.0	-342.1	5.2	-31.6	-116.5
Depreciation & amortisation	53.1	44.7	18.8	191.1	144.4	32.3
PBT	237.1	3.4	6873.5	679.1	161.1	321.5
Tax	51.2	-37.7	-235.8	136.1	-69.8	-295.0
PAT	185.9	41.1	352.3	543.0	230.9	135.2
Minority interest (MI)	2.6	1.0	160.0	5.3	2.5	112.0
Extraordinary expenses (EO)	0.0	-28.5	-100.0	22.6	-33.3	-167.9
PAT after MI & EO	183.3	68.6	167.2	515.1	261.7	96.8
PAT margin (%)	10.8	4.9	590bps	8.6	5.1	340bps
EPS	4.9	1.1	357.1	14.4	6.1	135.4

- With the higher realisation from the products under exclusivity and cost-cutting efforts, the operating profit margin (OPM) expanded by 920 basis points to 15%; but the expansion was 240 basis points less than our expectation. Again the margins were inflated by a foreign exchange (forex) gain of \$8 million (against a \$2 million forex gain in Q4CY2005). So if we discount the impact of the forex gain and the other operating income, the OPM appears 620 basis points less than our expectation. There is another cause for concern as well: The OPM has declined by 180 basis points sequentially. The decline was caused partly by the tapering of the realisation from Simvastatin after the expiration of exclusivity in the fag end of Q4CY2006.
- For CY2006, the company reported an 18% growth in the top line to Rs6,021.6 crore and an 890-basis-point expansion in the OPM to 15.4%. This caused the net profit to double (ie a 97% rise) to Rs515.1 crore.
- The company has guided for a 15% top line growth (which is in line with our estimations) with an earnings before interest, tax, depreciation and amortisation (EBITDA) margin of 16% for CY2007. At the current market price, the stock trades at 19.9x CY2007E earnings of Rs20.8 per share. We maintain our Buy recommendation with a longer-term price target of Rs558.

Net sales up 22%, powered by emerging markets

Ranbaxy reported a 22% growth in its sales to Rs1,697.50 crore for Q4CY2006 which is 4% above our expectations. The revenue growth was supported largely by a stronger revenue inflow from the Simvastatin-80mg tablet (which was under exclusivity in the USA) and the integration of Terapia SA (which reported over 50% growth).

The global sales of the company were 22.9% higher at US\$381 million. The same were powered by the appreciable growth in the emerging markets. The BRICS markets reported a pleasing 45% jump in sales to \$137 million. To be specific, the sales in the markets of the Commonwealth of Independent States (CIS), including those of Terapia SA in Romania, witnessed a 161% jump to \$53 million whereas those in Latin America saw a 60% rise to \$16 million. Despite continued pricing pressure the US market (which accounts for about 28% of its total global sales) reported a 16% growth to \$108 million in Q4CY2006. The growth in the American market was triggered by the Simvastatin sales under exclusivity. Ranbaxy grabbed revenues worth \$62 million from the Simvastatin-80mg tablet during the 180-day exclusivity period. The domestic sales were moderate and grew by 10% to \$66 million. The company's overall share of the US generic market (in those molecules it is present) improved to 15.4% in November 2006 from 13.9% in Q4CY2005.

Terapia could be the growth engine in CY2007

With the successful integration of Terapia SA, the commercial operations of both Ranbaxy and Terapia SA have been merged, leading to the doubling of the field force. As a result, the Terapia business saw a growth of over 50% during the last couple of months.

Going forward, the strengthened marketing set-up coupled with a robust portfolio of new products would further boost the business from Romania. The Terapia-Ranbaxy combine has geared itself to meet the new requirements in line with Romania's induction into the European Union (EU) from January 1, 2007. Going forward, Terapia-Ranbaxy will become the strategic hub for Ranbaxy's operations in the EU and CIS markets.

Pricing pressure in regulated markets restricted growth

However, the revenue growth was moderated by the pricing concerns in Europe, particularly the UK, Germany and France. This led to a 6% fall in the sales to \$52 million and a 16% sequential decline in the domestic revenues to \$66 million.

	Q4 CY06	Q4 CY05	% yoy growth	CY06	CY05	% yoy growth
Domestic-India	66.0	60.0	10.0	275.0	238.0	15.5
International	290.0	216.0	34.3	950.0	777.0	22.3
Europe, CIS and Africa	136.0	92.0	47.8	420.0	335.0	25.4
Asia Pacific & Middle East	24.0	19.0	26.3	89.0	68.0	30.9
Latin America	16.0	10.0	60.0	49.0	42.0	16.7
North America	114.0	95.0	20.0	392.0	332.0	18.1
Total dosage forms	355.0	277.0	28.2	1224.0	1014.0	20.7
APIs	26.0	26.0	0.0	115.0	126.0	-8.7
Allied businesses *	0.0	6.0		0.0	33.0	
Net sales	381.0	310.0	22.9	1340.0	1176.0	13.9

Margin up 920 basis points to 15%, but lower than expectation

Thanks to the higher realisation from the products under exclusivity and the cost-cutting efforts, the OPM expanded by 920 basis points to 15%. However the margin was still 240 basis point less than our expectation. The margin was inflated by a forex gain of \$8 million (against a \$2-million forex gain in Q4CY2005). So if discount the impact of the forex gain and the other operating income, the OPM appears 620 basis points less than our expectation.

Though the margin expansion seems appealing on a year-on-year (y-o-y) basis, sequentially the OPM declined by 180 basis points. The margin declined partly because of the tapering of the realisation from Simvastatin after the expiration of exclusivity in the fag end of Q4CY2006.

As per cost-analysis, there was a saving of 540 basis points in the material cost during the quarter, followed by savings of 210 basis points and 160 basis points in the SG&A cost and R&D spending respectively.

	Q4 CY06	Q4 CY05	% yoy growth	CY06	CY05	% yoy growth
Net sales	1697.5	1387.7	22.3	6021.6	5101.9	18.0
Consumption of materials	913.1	822.1	11.1	3042.0	2774.4	9.6
% of net sales	53.8	59.2		50.5	54.4	
SG&A expenses	474.9	418.4	13.5	1761.7	1703.6	3.4
% of net sales	28.0	30.2		29.3	33.4	
R&D expenses	122.4	123.2	-0.6	387.0	492.5	-21.4
% of net sales	7.2	8.9		6.4	9.7	

Net profit jumps by 167%

For Q4CY2006 Ranbaxy reported an impressive growth of 167% in its net profit to Rs183.3 crore, which is higher than our expectation of Rs174.1 crore. The improvement in the profitability was triggered by forex gain, focused cost-control efforts and rationalisation of the R&D spending.

CY2006 performance

For CY2006, the company has reported an 18% top line growth to Rs6,021.6 crore. The revenue growth was driven by the business from North America (up 15% to \$380 million) and the BRICS markets (up 31% to \$477 million). These two markets together accounted for 65% of its total sales as against 61% in the corresponding period of the previous year. The European business remained competitive with revenues of \$194 million (down by 4%). With the improved efficiency, the OPM expanded by 890 basis points to 15.4%, leading to the doubling of the net profit (ie a 97% rise) to Rs515.1 crore.

Product approvals

During CY2006, Ranbaxy maintained its product filing momentum by filing 27 abbreviated new drug applications (ANDAs) with the US Food and Drug Administration (USFDA), taking the cumulative ANDA filings to 197. It also received ten approvals during CY2006. Ranbaxy now has 76 pending approvals with the USFDA. Of the total filings, 20 are first-to-file ones.

During Q4CY2006, in the EU Ranbaxy made 12 national filings in five Reference Member States (RMS), taking the total number of national filings during the year to 27. The company received 16 approvals in six RMS, taking the total number of approvals to 24 during the year.

During CY2006, Ranbaxy filed 127 fresh patent applications across the globe.

Other highlights of Concall

- ♦ Ranbaxy expects pricing pressure in the US market going forward. However, the company expects to neutralise the impact of the same by aggressive product launches from its own product basket as well as from the in-licensed deals. The product pipeline of 76 pending ANDAs would maintain the US revenue growth going forward. The company is targeting double-digit new product introductions in the USA during CY07.
- ♦ The company has indicated that there would not be any major capital expenditure in CY2007. In fact, Ranbaxy wants to strategically utilise the facilities of its strategic partners like IPCA Laboratories, Zenotech Lab and Krebs Biochemicals Industries (Krebs).
- ♦ Further, the company is expecting USFDA inspection of its Paonta Sahib plant next week. This may lead to an approval of the plant in the coming months and result in product launches from the facility afterward.
- ♦ The growth of the EU business continues to suffer due to the health reform changes in Ranbaxy's key markets of Germany and France, and the continued price competition in the UK. However, the company hopes to expand the EU business after the induction of Romania into the EU w.e.f. January 1, 2007.
- ♦ Ranbaxy, with the help of regular product introductions, has maintained its numero uno position in the Indian pharma market with a 5.10% market share (source: ORG-IMS; MAT November 2006). Going forward, the company expects to maintain the growth momentum in the domestic business by investing in high growth segments supported by new products sourced from in-house development, supply partners and in-licensing opportunities.
- ♦ Ranbaxy acquired a strategic stake of 14.9 % in Krebs. This will enable the company to leverage Krebs' active pharmaceutical ingredient (API) and fermentation capabilities more efficiently and derive cost benefits.
- ♦ During the quarter, the company entered into a share purchase agreement to acquire Be-Tabs, the fifth largest branded generic company in South Africa, for a total consideration of approximately USD70 million. Be-Tabs has a turnover of USD30 million, with an EBITDA margin of 30%. The acquisition enables Ranbaxy to further strengthen its presence in the South African market and the South African business will be earnings accretive from the first year itself. The closure of the deal is expected by Q2CY07.

- ♦ Ranbaxy received the approval to commence Phase-I clinical studies in India on its new chemical entity (NCE), RBx10558, which is a potential candidate for Dyslipidemia. Ranbaxy plans to out-licence this compound to a potential partner. RBX 11160, the company's anti-malaria molecule, is currently undergoing Phase-II-B clinical trials.

Outlook

Ranbaxy has guided for a 15% top line growth, which is inclusive of the full year impact of the recent acquisitions like Terapia SA (Romania) and Be-Tab (South Africa). The growth guidance is modest because the company expects the pricing pressure in its key markets like the USA, the UK, France and Germany to continue. However, the company is upbeat about the growth of its branded formulation business in the emerging markets. On the margin front, Ranbaxy expects to maintain its EBITDA margin at 16% for CY2007.

However, the growth guidance by the company is line with our estimates (i.e 15% topline growth) and we believe that

despite a competitive scenario in the global generic space, Ranbaxy can do well on the back of its broader business model that aims at a strong geographical presence, marketing & supply alliances and in-licencing deals. Further, Ranbaxy's aggressive inorganic growth plan and track record of successful acquisitions and their integration maintains our confidence in the stock. At the current market price, the stock trades at 19.9x of CY2007E earnings of Rs20.8 per share. We maintain our Buy recommendation on Ranbaxy with a one-year price target of Rs558.

Earnings table

Particulars	CY2004	CY2005	CY2006	CY2007E
Net sales (Rs cr)	5451.2	5281.6	6021.6	6932.9
% y-o-y growth		-3.1	14.0	15.1
PAT (Rs cr)	698.6	261.7	537.7	831.9
Shares in issue (cr)	37.2	37.2	37.3	40.0
EPS (Rs)	18.8	7.0	14.4	20.8
PER (x)	22.0	58.9	28.7	19.9
Book value (Rs/share)	62.8	68.6	86.2	110.1
Price/BV (x)	6.6	6.0	4.8	3.8

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

Shree Cement

Cannonball

Stock Update

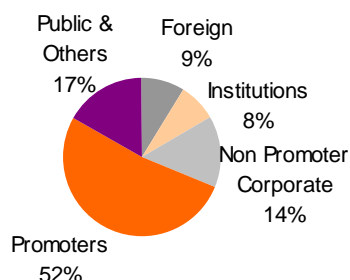
Another quarter of superlative performance

Buy; CMP: Rs1,482

Company details

Price target:	Rs1,700
Market cap:	Rs5,157 cr
52 week high/low:	Rs1,592/528
NSE volume: (No of shares)	13,198
BSE code:	500387
NSE code:	SHREECEM
Sharekhan code:	SHREECEM
Free float: (No of shares)	1.3 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	14.3	33.2	71.2	180.8
Relative to Sensex	10.3	20.3	22.6	79.9

Result highlights

- The company achieved a net profit of Rs104 crore for Q3FY2007, in line with our expectations, translating into a year-on-year (y-o-y) growth of 165%.
- The net sales increased by 153% year on year (yoy) to Rs364.5 crore driven by a huge 80% jump in the volumes and a robust 40% y-o-y rise in the realisations; however, the sales were down sequentially by 2%.
- The operating expenditure increased by 128% yoy to Rs204.4 crore. The rise in the expenditure was in line with our expectations except for the freight cost, which was slightly more than expectations at Rs390 per tonne.
- The sequential dip in the realisations as well as the rise in the freight costs can be attributed to the exercise undertaken by the company to test new markets like Uttar Pradesh. This exercise was undertaken as the company will be commissioning a plant of 1.5 million metric tonne (MMT) capacity in March 2007.
- The operating profit rose by a whopping 194% yoy to Rs160 crore whereas the operating margins expanded by 620 basis points to 43.9%. The earnings before interest, tax, depreciation and amortisation (EBITDA) per tonne rose 1.5x yoy to stand at Rs1,222 per tonne, whereas the EBITDA witnessed a marginal dip of 4% sequentially.
- The interest cost stood much lower at Rs0.65 crore whereas the depreciation provision was also lower at Rs26 crore. Consequently, the net profit grew by 165.5 % yoy to Rs104 crore in line with our expectations.

Result table

Particulars	Q3FY07	Q3FY06	% yoy	9mFY07	9mFY06	% yoy
Net sales	364.5	144.3	153.0	989.8	442.2	124.0
Total expenditure	204.4	89.8	128.0	549.6	291.3	89.0
Operating profit	160.1	54.5	194.0	440.3	150.9	192.0
Other income	4.7	0.7	562.0	12.0	1.7	591.0
EBIDTA	164.8	55.2	199.0	452.3	152.7	196.0
Interest	0.6	3.3	-80.0	8.7	10.6	-17.0
PBDT	164.1	51.8	217.0	443.6	142.1	212.0
Depreciation	26.2	12.3	114.0	86.3	36.8	135.0
PBT	137.9	39.6	249.0	357.2	105.3	239.0
Tax	33.8	0.3	10136.0	84.9	2.7	3020.0
Deferred tax		0.0		0.0	0.0	
PAT	104.2	39.2	166.0	272.4	102.6	166.0
EPS	29.9	11.3				
OPMs (%)	43.9	37.7		44.5	34.1	
EBIDTA (%)	44.6	38.2		45.1	34.4	
EBDT (%)	44.5	35.9		44.3	32.0	
EBT (%)	37.4	27.4		35.7	23.7	
EAT (%)	28.2	27.2		27.2	23.1	

- ♦ Looking at the stupendous performance by the company in the first nine months of the current fiscal year, we are upgrading our FY2007 estimates by 20% to Rs400 crore as against Rs332 crore as per current estimates.
- ♦ At the current market price of Rs1,500, the stock is trading at 13.1x its FY2007 earnings and 11.7x its FY2008 earnings. We maintain our Buy recommendation on the stock with a price target of Rs1,700.

Revenues jump 153% yoy on the back of an 80% jump in volumes...

Shree Cement reported a strong top line of Rs364 crore clocking a year-on-year growth of 153%. The volumes increased by 80% year on year (the highest in our cement universe) to 1.31MMT fuelled by its commissioning of the 1.5MMT unit at its existing plant whereas the realisations increased by 40% year on year to Rs2,782 per tonne. Sequentially the realisations witnessed a slight fall as the company took an exercise to test new markets like Uttar Pradesh for the incremental volumes that will be accruing from its fresh capacities, which resulted in the company giving discounts to establish its presence. But considering this as a one-time exercise, we believe the realisations will jump in the fourth quarter to the earlier levels, as the discounts given in the current quarter will be taken off.

Per tonne analysis

	Q3FY07	Q3FY06	% yoy	Q2FY07	% qoq
Raw material	343.0	206.8	66	325	5
Stocks	-17.8	0.0	-	7	-358
Employee	105.3	109.8	-4	105	0
Power and fuel	471.0	398.7	18	478	-1
Freight	390.0	325.3	20	347	12
Other exp	268.6	198.6	35	287	-6
Total cost per tonne	1560.1	1239.1	26	1549	1
Realisation	2782.4	1990.3	40	2825	-2
EBIDTA	1222.4	751.1	63	1276	-4

...resulting in an operating profit growth of 194% yoy

The company managed to keep its costs under control in the quarter except for the freight cost which increased sequentially by 12% to Rs390 per tonne. This can be attributed to the exercise undertaken by the company to test new markets (Uttar Pradesh) as mentioned earlier. The overall operating expenditure increased by 128% yoy to Rs204 crore. But a higher top line growth led to the operating profits zooming by 194% yoy to Rs160 crore as against Rs55 crore, whereas the operating margins expanded by 620 basis points to 44%. The EBITDA per tonne jumped 1.5x yoy to Rs1,222 per tonne whereas the EBITDA was lower by 4% on a sequential basis.

Muted interest cost and flat depreciation lifts earnings by 166%

The interest cost stood muted at Rs0.65 crore as most of the interest cost related to the new projects was capitalised in the current quarter. Similarly, the depreciation provision remained flat on a sequential basis at Rs26 crore adjusting for the Rs7 crore of pre-operative expenses, which it had written off in the previous quarter. Backed by a strong operating level performance, these factors led to the net profit zooming by 166% yoy to Rs104.16 crore.

Higher volumes—to drive profits going ahead

As mentioned in our earlier update dated December 18, 2006, the company is expanding its capacity further by 1.5 million tonne which will be commissioned by March 2007 and this will be followed by two more units, each having a clinker capacity of 1.2MMT. These coupled with a split grinding unit at Khushkera will catapult the company to a 10-million-tonne plant by FY2009, making it one of the largest stand-alone cement players in the northern region.

Besides, the company has one of the highest EBITDA in the market (an outcome of its constant focus on cost management) and thus a lesser leverage to increasing prices compared with its peers. Thus going ahead, the higher volumes will provide the company the much-needed impetus to maintain the momentum in its operating profit growth.

We are revising FY2007 earnings estimates by 20%

The company had written off the pre-operative expenses of Rs7 crore in the previous quarter which has been charged back to capital work in progress, which will boost the current year's earnings by Rs7 crore. Coupled with this, taking cognisance of the stupendous performance of the company in the first nine months of the current fiscal, we are upgrading our FY2007 earnings by 20% to Rs400 crore as against Rs332 crore as per the earlier estimates.

Valuation and outlook

With the demand-supply situation expected to remain tight over the next couple of years and the pricing scenario buoyant, we believe Shree Cement will be able to leverage on these trends through increased volumes. The 100% self-sufficiency in power will help it to maintain the competitive edge amongst its peers. An efficient cost structure would give the company the wherewithal to withstand any downtrend in the industry, whereas a healthy cash flow position would provide it the cushion to expand further (the company is currently contemplating expansion plans).

We expect Shree Cement's EBITDA to increase to Rs1,389 per tonne by FY2008 and its net profit to grow by 71% over FY2006-08E. At the current market price of Rs1,500, the stock is trading at 13.1x its FY2007 earnings and 11.7x its FY2008 earnings, and commands an enterprise value (EV) per tonne of USD194. Looking at the sanguine outlook for the company, we maintain our Buy recommendation on the stock with a price target of Rs1,700.

Earnings table

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net profit (Rs cr)	40.7	109.6	152.6	400.0	445.0
% y-o-y growth	18.0	169.0	39.0	162.0	11.0
Shares in issue (cr)	3.5	3.5	3.5	3.5	3.5
EPS (Rs)	11.7	31.5	43.8	114.8	127.7
% y-o-y growth	18.0	169.0	39.0	162.0	11.0
PER (x)	128.3	47.7	34.2	13.1	11.7
P/BV (Rs)	24.1	20.5	20	13.1	5.2
EV/EBIDTA (x)	41.5	32	24.5	10.4	7.3
RoCE (%)	13.4	21.2	26.5	43.3	41.1
RoNW (%)	18.9	45.3	51.5	54.3	42.9

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

Canara Bank

Apple Green

Stock Update

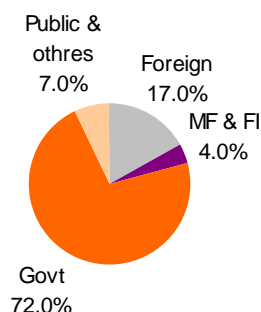
Higher investment provisions are a surprise

Buy; CMP: Rs262

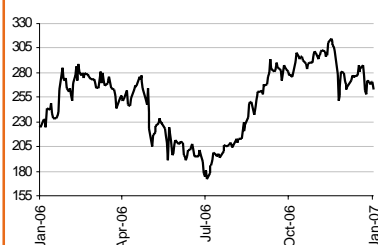
Company details

Price target:	Rs320
Market cap:	Rs10,742 cr
52 week high/low:	Rs320/165
NSE volume: (No of shares)	5.6 lakh
BSE code:	532483
NSE code:	CANBNK
Sharekhan code:	CANBK
Free float: (No of shares)	11.0 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-3.5	-3.9	51.4	24.4
Relative to Sensex	-6.9	-13.2	8.5	-20.3

Result highlights

- Canara Bank's net profit grew by only 1.9% to Rs363 crore, below our expectations of Rs394.7 crore. The operating performance was better than our expectations mainly due to the controlled expenses rather than the growth in the income, but higher provisions have been a surprise, which resulted in the reported profit after tax (PAT) being 8% lower than our estimates.
- During the quarter the bank's net interest income (NII) grew by 8.4% year on year (yoy) to Rs1,038.6 crore compared to our expectations of a 5.6% year-on-year (y-o-y) growth to Rs1,012.3 crore. The increase is primarily due to a sharp rise in the interest on the RBI balances and the other interest component.
- The other income declined by 3.8% yoy due to a 1.4% decline in the fee and other income and a 20% decline in the trading income.
- The reported net interest margin (NIM) has declined by 16 basis points to 3.14% on a y-o-y basis but remained stable on a sequential basis. The NIM has been under pressure on a y-o-y basis because of a steep jump in the interest expended component, which has increased by 50% yoy mainly due to a 29% growth in the deposits and a 58-basis-point y-o-y increase in the cost of funds to 4.86%.
- The operating profit was better than our estimates of Rs648.7 crore and touched Rs701 crore, which remained stable on a y-o-y basis but improved by 13.9% on a sequential basis mainly due to a 6.2% quarter-on-quarter (q-o-q) decline in the operating expenses brought about by the lower staff expenses.
- The provisions at Rs263 crore were up 7.4% yoy. However we expected the provisions to be lower on account of the lower marked-to-market provisions. Hence, despite the operating profits being higher than our expectations the PAT at Rs363 crore was below our expectations of Rs394.7 crore.
- The non-performing asset (NPA) provisions have been lower although the absolute NPA numbers are on the rise on a sequential basis. Hence we feel that going forward higher NPA provisions slightly above the regulatory requirement would be prudent.

Result table

Particulars	Q3FY07	Q3FY06	% yoy chg	% qoq chg	9MFY07	9MFY06	% yoy chg
Net interest income	1,038.6	958.2	8.4	5.8	2,967.6	2,597.7	14.2
Other income	299.3	311.2	-3.8	-4.5	870.8	963.1	-9.6
Treasury income	32.0	40.0	-20.0	220.0	43.0	78.0	-44.9
Fee income & others	267.3	271.2	-1.4	-11.9	827.8	885.1	-6.5
Net income	1,337.9	1,269.4	5.4	3.4	3,838.3	3,560.8	7.8
Operating expenses	636.9	570.2	11.7	-6.2	1,931.9	1,720.2	12.3
Operating profit	701.0	699.2	0.3	13.9	1,906.4	1,840.6	3.6
Core operating profit (excluding treasury)	669.0	659.2	1.5	10.5	1,863.4	1,762.6	5.7
Provisions & contingencies	263.0	244.9	7.4	71.4	790.7	750.9	5.3
PBT	438.0	454.3	-3.6	-5.1	1,115.7	1,089.7	2.4
Provision for taxes	75.0	98.0	-23.5	-25.0	200.0	240.0	-16.7
Net profit	363.0	356.3	1.9	0.3	915.7	849.7	7.8

- We have revised our FY2007 expected PAT downwards by 5.6% to Rs1,424.3 crore from Rs1,509.8 crore mainly due to the higher provisions booked during Q3FY2007. Hence, FY2007 earnings per share (EPS) stand at Rs34.7 compared to Rs36.8 estimated earlier.
- At the current market price of Rs262, the stock is quoting at 5.7x its FY2008E EPS, 3.2x pre-provision profits (PPP) and 1.1x book value. We maintain our Buy recommendation on the stock with a price target of Rs320.

Margins remain under pressure

The reported net interest margin (NIM) has declined by 16 basis points to 3.14% on a y-o-y basis but has remained stable on a sequential basis. The management expects to maintain the NIM at the current levels. We feel the NIM could hover around the current levels as the bank is making efforts to make up the lost ground on the current and savings account (CASA) front.

Lower CASA ratio increases cost of funds

The deposits have grown by 26% yoy to Rs131,781 crore, which is above the industry growth rates. Further the term deposits seem to have grown at a faster pace than the low-cost deposits as its CASA ratio has come down to around 33% from 36% on a y-o-y basis. This has led to significant increase in the interest cost as the term deposit rates have firmed up steeply.

Yield analysis

Particulars	Q3FY07	Q3FY06	Q2FY07
Yield on funds	8.00	7.58	7.92
Cost of funds	4.86	4.28	4.77
NIM	3.14	3.30	3.15

Source: Company

Provisions exceed our expectations due to higher investments depreciation

The provisions at Rs263 crore were up 7.4% yoy. However we expected the provisions to be lower on account of the lower marked-to-market provisions. The bank has provided only Rs50 crore towards the NPA provisions during Q3FY2007, which is much lower than the expected growth in the NPA provisions in line with the growth in the advances. Our NPA provisions expectation was much higher at Rs127.6 crore. Although the actual provisions for the NPAs are much lower, the other provisions component is significantly higher than our estimates and thus exceeded our total provision estimates.

The major portion of the other provisions comprises of investment depreciation of almost Rs185 crore, which was unexpected. We assumed an insignificant investment depreciation provision because the 10-year yields have stayed lower than the closing rates for Q2FY2007 and hence

the incremental provisions would not have been of the proportion reported in Q3FY2007 numbers. However, since the yields have firmed up for the short-term securities, the bank had to provide for the investments depreciation amount. Almost 60% of the statutory liquidity ratio (SLR) investment book is in the available for sale category, which needs to be marked-to-market at the end of every quarter.

Particulars (Rs crore)	Q3FY07	Q3FY06	% yoy	% qoq
Provisions & contingencies	263.0	244.9	7.4	71.4
Prov for NPA	50.1	49.0	1.7	-74.6
Others	197.9	181.6	9.0	661.2

Lower NPA provisions despite absolute increase in NPAs remain a concern

The bank has reported a decline in the gross non-performing assets (GNPAs) on percentage terms to 2.06% from 2.13% on a q-o-q basis primarily due the increase in the gross advances, as in absolute terms the GNPAs have increased on a sequential basis. On the net non-performing assets (NNPA) front we observe that in percentage terms the same has remained stable but on an absolute basis the same has increased. Hence, we feel higher NPA provisions could be required going forward.

Particulars	Q3FY07	Q3FY06	Q2FY07
GNPA (Rs crore)	1873.5	2204.13	1761.45
NNPA (Rs crore)	867.7	845.98	787.35
GNPA (%)	2.06	3.06	2.13
NNPA (%)	0.96	1.20	0.96

Valuation

We have revised our FY2007 expected PAT downwards by 5.6% to Rs1,424.3 crore from Rs1,509.8 crore mainly due to the higher provisions booked during Q3FY2007. Hence, the EPS for FY2007 stands at Rs34.7 compared to Rs36.8 estimated earlier. At the current market price of Rs262, the stock is quoting at 5.7x its FY2008E EPS, 3.2x pre-provision profits (PPP) and 1.1x book value. We maintain our Buy recommendation on the stock with a price target of Rs320.

Earnings table

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net profit (Rs cr)	1338.6	1109.5	1343.9	1424.3	1880.5
Shares in issue (cr)	41.0	41.0	41.0	41.0	41.0
EPS (Rs)	32.6	27.1	32.8	34.7	45.9
EPS growth (%)	18.6	-17.1	21.1	6.0	32.0
PE (x)	8.1	9.7	8.0	7.6	5.7
P/PPP (x)	3.8	4.2	4.1	3.9	3.2
Book value	128.1	149.0	174.0	200.8	236.2
P/BV (x)	2.1	1.8	1.5	1.3	1.1
Adj book value	94.5	121.6	152.5	174.4	205.0
P/ABV (x)	2.8	2.2	1.7	1.5	1.3
RONW (%)	19.7	19.5	20.3	18.5	21.0

Satyam Computer Services

Apple Green

Stock Update

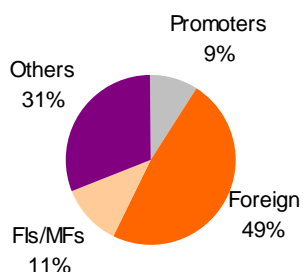
Price target revised to Rs550

Buy; CMP: Rs488

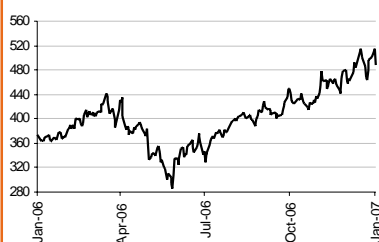
Company details

Price target:	Rs550
Market cap:	Rs16,031 cr
52 week high/low:	Rs890/487
NSE volume: (No of shares)	32.5 lakh
BSE code:	500376
NSE code:	SATYAMCOMP
Sharekhan code:	SATYAM
Free float: (No of shares)	29.9 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	7.4	14.7	49.7	44.1
Relative to Sensex	3.6	3.6	7.2	-7.7

Result highlights

- Satyam Computer Services (Satyam) reported a revenue growth of 3.7% quarter on quarter (qoq) and of 31.3% year on year (yoy) to Rs1,661 crore during the third quarter. The revenue growth was not only below market expectations but also a tad below the company's guidance. The consolidated volume growth was decent at 8.2% qoq but the same was not reflected in the revenue growth due to the appreciation in the rupee and the shift in the revenue mix towards the offshore business.
- The operating profit margin (OPM) improved by 205 basis points to 24.7% on a sequential basis, in spite of the adverse impact of the rupee appreciation, an increase in the selling, general and administrative (SG&A) expenses as a percentage of sales and a decline in the profitability of its subsidiaries. On the other hand, the shift towards high-margin offshore business, decline in provisions (related to leave encashment and gratuity) and other cost efficiencies (including pricing and productivity gains in fixed priced projects) had a positive impact (of over 400 basis points) on the margins. Consequently, the operating profit grew at a healthy rate of 13.1% sequentially to Rs410 crore.
- However, the earnings growth was limited by the steep decline of 64.2% in the other income component to Rs10.1 crore (due to the foreign exchange fluctuation loss of Rs35.5 crore) and the increase in the effective tax rate to 10.7% (up from 8.8% in the previous quarter). Consequently, the consolidated earnings grew by 5.4% qoq and 25% yoy to Rs337.2 crore, which is below the consensus estimate of around Rs340 crore.

Result table (consolidated Indian GAAP)

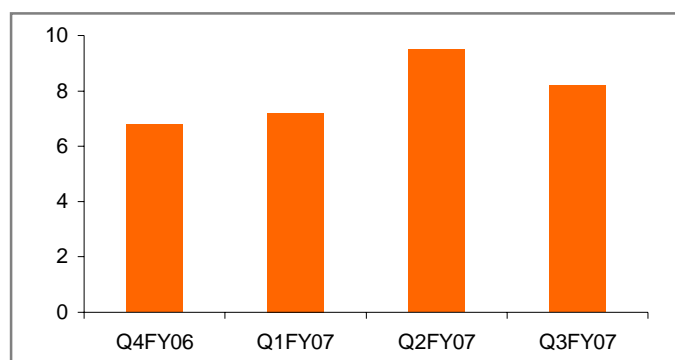
Particulars	Q3FY07	Q3FY06	Q2FY07	% yoy	% qoq
Net revenue	1661.1	1265.3	1601.9	31.3	3.7
Gross profit	693.8	527.9	619.2	31.4	12.0
Other expenses	283.8	213.3	256.7	33.1	10.6
Total expenditure	1251.1	950.7	1239.4	31.6	0.9
Operating profit	410.0	314.6	362.5	30.3	13.1
Non-operating income	10.1	33.0	28.2	-69.3	-64.2
Interest	3.2	2.7	2.7	21.4	18.8
Depreciation/Amortization	39.4	34.1	37.5	15.5	5.0
PBT	377.5	310.8	350.5	21.5	7.7
Provision for taxation	40.3	38.6	30.7	4.4	31.5
PAT	337.2	272.2	319.8	23.9	5.4
Share of Associate Companies	0.0	2.4	0.0	-	-
RPAT	337.2	269.7	319.8	25.0	5.4
Equity capital	131.4	129.3	131.0		
Basic EPS (Rs)	5.1	4.2	4.9		
Margins (%)					
GPM(%)	41.8	41.7	38.7		
OPM(%)	24.7	24.9	22.6		
NPM(%)	20.3	21.5	20.0		

- For Q4, the consolidated revenues and earnings are guided to grow by 4-4.5% and 5.4% respectively on a sequential basis. This implies a 0.3-0.5% downgrade in the annual revenue guidance to Rs6,434-6,442 crore (down from Rs6,452-6,476 crore guided earlier). But the annual guidance for the earnings including the stock compensation charges has increased marginally to Rs20.9 per share (up from Rs20.73-20.81 per share guided earlier). Moreover, the marginal upgrade in the revenue guidance in dollar terms to \$1,443-1,445 million (up from \$1,434-1,440 million guided earlier) suggests that the downgrade in the revenue guidance in rupee terms is largely due to the steep appreciation in the rupee.
- At the current price the stock trades at 23.3x FY2007 and 19.4x FY2008 estimated earnings (including the non-cash charges for the stock options). We maintain our Buy call on the stock with a revised price target of Rs550 (18x rolling four quarters one-year forward earnings).

Volume growth continues to be robust

The consolidated volume growth of 8.2% qoq was ahead of our expectations and is commendable given the fact that the third quarter has relatively lesser number of working days. Moreover, Satyam's volume growth is higher than that reported by some of its peers. For instance, Infosys Technologies has reported a volume growth of 7.4% whereas Tata Consultancy Services reported a volume growth of 7.9% for Q3.

Sequential growth in volumes (%)



However, the sequential growth in the revenues (in rupee terms) was dented by the combined impact of the steep appreciation in the rupee (a 2.8% appreciation in the average exchange rate realisation) and the shift in the revenue mix towards the offshore business. The offshore volumes grew at a relatively higher rate of 10.3% qoq (against a 1.7% sequential growth in the onsite business). This resulted in a sharp increase of 130 basis points in the contribution of the offshore revenues to the company's total turnover.

In terms of the outlook, the company expects to maintain the growth momentum and is witnessing in a strong ramp up in business from its large clients. The revenues from the Top 10 clients grew by 14.6% qoq during the quarter. The management indicated that the large contracts that it secured from its large clients earlier during the year are now getting reflected in the company's performance. The company is close to winning two large deals and has a healthy pipeline of 10-15 large outsourcing contracts.

Margins improve by 205 basis points

The company has also done a commendable job of improving the OPM by 205 basis points on a sequential basis, despite the adverse impact of the appreciation in the rupee (a negative impact of 110-120 basis points), an increase of 100 basis points in SG&A cost as a percentage of sales and the decline in the combined operating margins of its subsidiaries (a negative effect of 30 basis points).

However, the same was more than nullified by the positive impact of the lower provisions (decline of Rs33 crore in the provisions for leave encashment and gratuity as compared to Q2), the favourable shift towards the high-margin offshore business (offshore revenues contributed 48.9% of the revenues, 130 basis points higher than Q2's contribution of 47.6%) and other cost efficiencies. The cost efficiencies were driven by the cumulative impact of multiple factors such as the broadening of the employee base, better management of the fixed priced projects and an improvement in average realisation (sequentially, the billing rate for the onsite, offshore and domestic businesses grew by 0.36%, 0.12% and 0.5% respectively).

Major factors influencing margins sequentially (in basis points)

Negative impact

Forex gain/(loss)	110-120
Overheads cost	100
Losses of subsidiaries	30

Positive impact

Lower provisions	200
Offshore shift	50-60
Cost efficiencies	160-170

In terms of the outlook, the OPM is expected to decline in Q4 on a sequential basis. The sequential decline in margins factor in the incremental impact of charges related to stock-based compensation of around \$4.5 million (or Rs20 crore). But given the robust performance in the third quarter, the company expects to limit the decline in FY2007 to around 60 basis points, that is an improvement over its earlier guidance of a 100-basis-point decline in the OPM.

Guidance (in rupee terms) dented by rupee appreciation

The key factor that dented investor sentiments was the downward revision of the company's revenue guidance for FY2007 to Rs6,434-6,442 crore from Rs6452-6476 crore guided earlier. However, the downgrade is largely because of a change in the assumption on the rupee/dollar exchange rate to Rs44.3 from the earlier assumption of Rs45.3. In fact, the revenues in dollar terms are guided to grow at a higher rate of 31.6-31.8% (\$1,443-1,445 million) compared with its earlier guidance of 30.8-31.3% (\$1,434-1,440 million).

The guidance for the earnings including the non-cash charges related to stock-based compensation has increased marginally to Rs20.9 per share from Rs20.73-20.81 per share guided earlier. But the guidance for the earnings excluding the stock compensation charges has been downgraded to Rs21.19 per share from Rs21.31-31.39 per share guided earlier.

Subsidiaries continue to make losses

The combined revenues of its subsidiaries grew by 3.2% qoq to Rs66.2 crore and the net loss increased to Rs6.2 crore (higher than the Rs2.6-crore loss reported in Q2). Nipuna, the business process outsourcing subsidiary, contributed the bulk of the revenues (Rs43.4 crore, up 6.7% qoq) as well as the net loss (Rs5.7 crore). The other two key subsidiaries, Satyam Computer Services (Shanghai) and CitiSoft Plc, reported combined net loss of Rs0.5 crore. On the positive side, Nipuna has further consolidated its position in the animation space by bagging a \$25-million contract from the UK-based 4K Animation and was ranked among the top ten offshore vendors for knowledge process outsourcing services. The annual revenue guidance of Nipuna has been raised marginally to \$37 million from \$36 million given earlier.

Other highlights

During the quarter, the net employee addition stood at 2,746 associates (on a stand-alone basis), taking the staff strength to 34,405. The subsidiaries added 534 employees

and the consolidated manpower stood at 38,188 professionals. The attrition rate improved for the second consecutive quarter to 17.6% (down from 19.6% in Q1 and 18.3% in Q2) on last twelve-month basis.

The company added 34 new clients in Q3. The number of clients with a run rate of over one million dollars increased to 164, up from 154 reported in Q2FY2007. However, the number of clients with a run rate of over \$10 million remained stagnant at 32.

The receivables days at 82 were higher than 80 days reported in Q2FY2007.

No changes in earnings estimates

Though we have revised downwards the revenue estimates for FY2007 by 0.7%, the earnings estimates have not been altered to reflect the better than expected performance on the margin front.

Valuation

At the current price the stock trades at 23.3x FY2007 and 19.4x FY2008 estimated earnings. We maintain our Buy call on the stock with a revised price target of Rs550 (18x rolling four quarters one-year forward earnings).

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net revenue (Rs cr)	3521.0	4793.0	6457.0	8269.0
Net profit (Rs cr)	712.0	982.0	1377.0	1676.0
Shares in issue (cr)	63.9	64.8	65.7	66.5
EPS (Rs)	11.1	15.2	21.0	25.2
% yoy change		36.0	38.3	20.2
PER	43.8	32.2	23.3	19.4
OPM (%)	24.7	24.3	24.0	23.3
Dividend (Rs)	5.0	7.0	8.0	9.0
Dividend yield (%)	1.0	1.4	1.6	1.8

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

Nicholas Piramal India

Apple Green

Stock Update

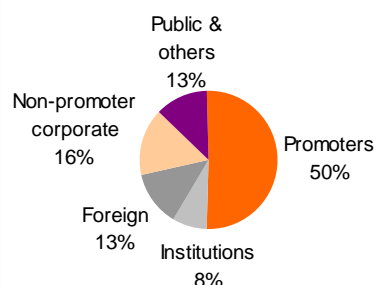
Results in line with expectations

Buy; CMP: Rs266

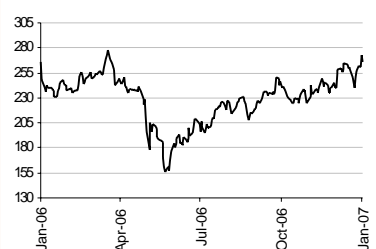
Company details

Price target:	Rs393
Market cap:	Rs5,570 cr
52 week high/low:	Rs285/148
NSE volume: (No of shares)	2.3 lakh
BSE code:	500302
NSE code:	NICHOLASPIR
Sharekhan code:	NICHPI
Free float: (No of shares)	10.4 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	11.2	10.6	33.9	2.4
Relative to Sensex	7.3	-0.2	-4.1	-34.4

Result highlights

- Nicholas Piramal (Nicholas) reported a 61.3% year-on-year (y-o-y) increase in its net sales to Rs649.5 crore in Q3FY2007. The growth was achieved on the back of a 13% increase in the domestic sales and a whopping 208.9% surge in the global revenues. The sales growth was ahead of expectations.
- The 13% rise in the domestic sales was driven mainly by a 12.6% growth in the branded formulation business and a staggering 53.1% rise in the pathology laboratory (pathlabs) business.
- The international sales benefitted largely from the incremental revenues flowing in from Pfizer's Morpeth facility in the UK and Avecia (now NPIL UK). Morpeth and NPIL UK together contributed Rs216 crore of revenues during the quarter, up 17% on a sequential basis.
- Nicholas' operating profit margin (OPM) expanded by 650 basis points to 14.9% in the quarter, driven by a sharp 970-basis-point reduction in the raw material cost and a 360-basis-point drop in the other expenses. The material cost improved because the company derived a higher amount of the high-margin CRAMS revenues during the quarter. Further, the enhanced capacity utilisation of the Morpeth facility also increased the operating leverage.
- Consequently, the company's operating profit rose by 185.3% to Rs97 crore during the quarter.
- Even though the acquisitions led to a substantial increase in the interest and depreciation expenses during the quarter, the growth in the net profit was

Result table

Particulars	Q3FY07	Q3 FY06	% yoy	M9FY07	M9FY06	% yoy
Net sales	649.5	402.6	61.3	1808.9	1166.0	55.1
Total expenditure	552.5	371.6	48.7	1528.1	995.1	53.6
Operating profit	97.0	34.0	185.3	280.8	173.9	61.5
Other income	0.2	0.4	-46.2	18.2	20.5	-11.1
EBIDTA	97.3	34.4	182.7	299.0	194.4	53.8
Interest	8.8	2.3	277.2	20.9	13.0	61.4
Depreciation	26.0	17.0	53.6	73.2	47.4	54.4
PBT	62.5	15.1	312.8	204.9	134.0	52.9
Taxes	11.0	5.3	107.4	35.5	24.0	47.9
Reported PAT	51.5	9.8	422.9	169.3	110.0	54.0
Minority interest	0.0	0.0	-100.0	0.1	0.2	-66.7
PAT after MI	51.5	9.8	424.5	169.3	109.8	54.2
Extra-ordinary items	3.2	0.1	2157.1	3.2	0.7	338.9
Net profit	48.4	9.7	399.5	166.1	109.0	52.3
Prior period items	-7.2	0.0	-	3.0	3.6	-15.5
Adjusted PAT	55.6	9.7	473.9	163.1	105.5	54.6
EPS (Rs)	2.4	0.4	457.0	8.0	5.1	54.8
OPM (%)	14.9	8.4		15.5	14.9	
EBITDA margin (%)	15.0	8.5		16.5	16.7	
Net profit margin (%)	7.4	2.4		9.2	9.4	

impressive at 400% to Rs48.4 crore. Adjusting for the income for the prior-period adjustments, the adjusted net profit stood at Rs55.6 crore, up 474% year on year (yoy). The net profit growth was aided by a relatively lower tax incidence during the quarter. The tax outgo was lower on account of the progressive shift of the manufacturing activities to the tax-exempt Baddi facility. The net profit was in line with our estimates.

- ♦ At the current market price of Rs266, the stock is quoting at 15.9x its estimated FY2008 earnings. In view of the strong revenue flows and the enhanced profitability picture for the coming years, we maintain our Buy recommendation on the stock with a price target of Rs393.

Nicholas' Q3FY2007 results were in line with our expectations. Its consolidated sales were up by 61.3% yoy to Rs649.5 crore. The growth in the sales was driven by a 13% rise in the domestic business and a whopping 208.9% surge in the global revenues. A 970-basis-point improvement in the gross margins and a sharp drop of 360 basis points in the company's other expenses caused the OPM to improve by 650 basis points to 14.9% during the quarter. Despite a substantial jump in the interest and depreciation expenses on account of the past acquisitions, the consolidated net profit grew by an impressive 400% to Rs48.4 crore in Q3FY2007.

On a stand-alone basis, Nicholas' net sales rose by 14.3% to Rs408 crore during the quarter. The stand-alone growth was lower on account of a subdued growth in the branded formulation business. The stand-alone OPM expanded by 600 basis points during the quarter to 18.5%, causing the operating profit to grow by 68.8% to Rs75.3 crore. The improved performance on the operating front caused the net profit to grow by 82.4% to Rs43.3 crore, despite a 2.5x jump in the interest expenses and a higher tax provisioning in the quarter.

Domestic formulation business slows down

Nicholas' domestic formulation business grew by only 12.6% yoy to Rs295 crore in Q3FY2007 as compared with a 22% y-o-y growth seen in Q2FY2007. On a sequential basis, the company reported a decline of 7.9% in its domestic formulation sales. While the company reported an encouraging growth in the therapeutic segments of cardiovascular, dermatology, gastrointestinal, NSAIDS, ophthalmology and biotech drugs, the overall growth was restricted by an 8.9% decline in the revenues from the "others" segment. Nicholas launched five new branded formulations in the domestic market during the quarter.

However, the revenue contribution from the new products launched over the last two years fell from 5.5% in Q2FY2007 to 3.8% in Q3FY2007. The decline in the contribution from the new products could also explain the subdued overall growth.

However, with its increased focus on general practitioners through its newly formed subsidiary, NPIL Healthcare, Nicholas expects a ramp-up in the sales of its acute therapy products. The management is confident of delivering a strong growth of 13-14% over the next few years.

Acquired businesses boost global revenues

Nicholas' global revenues zoomed by 208.9% to Rs301.5 crore in Q3FY2006, driven by the contributions from the two acquired businesses, NPIL UK and Pfizer's Morpeth facility. The two acquired entities generated Rs216.2 crore or 72% of the global revenues in the quarter, up by 17% on a sequential basis. The increase in the capacity utilisation at NPIL UK and Morpeth brought about the sequential increase in the revenues from these two facilities. NPIL UK and Morpeth have significantly contributed to the overall 61.3% growth in Nicholas' net sales in Q3FY2007. Excluding the impact of these two acquisitions, the growth in the sales on a like-to-like basis would be only 16%. Further, with the integration of Torcan's Canadian facilities with the company's Indian unit, the revenues of the process development service (PDS) business have also grown by a remarkable 163.6% in the quarter.

As per the Nicholas management, the turn-around for NPIL UK remains on track. The subsidiary has been showing a healthy growth in its revenues and has reported marginal losses during the quarter. The management expects it to break even by the end of the current fiscal. Further, the management has also indicated that even with the ramp-up in the capacity utilisation at NPIL UK and Morpeth, substantial idle capacity is yet available. This leads us to believe that NPIL UK and Morpeth will continue to report increasing revenues every quarter, as the management continues its efforts to scale up the capacity utilisation at the two facilities.

Impressive performance in the pathlabs business

Nicholas has reported a 53.1% surge in the revenues from its pathlabs business to Rs16.7 crore in Q3FY2007. During the quarter, the company, through its Wellspring chain of pathology labs, has acquired a majority stake in Jankharia Imaging to become India's first corporate to enter into high-end health imaging services. Jankharia Imaging is the most successful imaging and radiology centre in India. The Nicholas management is upbeat about the prospects of its

Revenue break-up (Rs crore)

Particulars	Q3FY07	Q3 FY06	% change	9MFY07	9MFY06	% change
India sales	348.0	308.0	13.0	1085.7	961.6	12.9
Branded formulations	295.0	262.0	12.6	909.6	816.2	11.4
CMO	19.4	18.3	6.0	58.6	59.1	-0.8
Pathlabs	16.7	10.9	53.1	48.3	32.4	49.3
Others	17.0	16.8	1.0	69.1	53.9	28.3
Global sales	301.5	97.6	208.9	741.1	207.4	257.3
PDS	42.2	16.0	163.6	103.0	16.0	543.4
PMS	191.9	24.2	694.8	451.2	25.6	1666.1
MMBB	61.4	52.6	16.8	166.7	153.0	9.0
Others	6.0	4.9	22.4	20.2	12.9	56.5
Total net sales	649.5	405.6	60.1	1826.7	1169.0	56.3

pathlabs business. It plans to expand the business through the expansion of its existing laboratories and through acquisitions. The business has reported sales of Rs48 crore in M9FY2007. The management expects to end the year with sales of close to Rs90 crore from this business.

High-margin CRAMS business and operating leverage push up margins

Despite a rise of 140.2% and 75.6% in the company's staff cost and R&D spend respectively, Nicholas' OPM expanded by a remarkable 650 basis points to 14.9% in Q3FY2007. The improvement in the margin was primarily driven by a sharp 970-basis-point improvement in the gross margin to 63.3% during the quarter. The gross margin improved on account of a higher share of revenues from the high-margin CRAMS business. Moreover, with the increased capacity utilisation at Morpeth and NPIL UK, the effect of operating leverage also contributed to the margin expansion.

Cost analysis (Rs crore)

Particulars	Q3FY07	Q3 FY06	% change
Raw material cost	238.7	187.2	27.5
% of sales	36.7	46.5	
Employee expenses	112.0	46.6	140.2
% of sales	17.2	11.6	
R&D expenses	30.9	17.6	75.6
% of sales	4.8	4.4	
Other expenses	170.9	120.3	42.1
% of sales	26.3	29.9	

Net profit zooms by 400%

An improved operating performance and lower tax incidence (18% tax rate in Q3FY2007 as compared with 35% in Q3FY2006) caused Nicholas' net profit to grow by a whopping 400% to Rs48.4 crore in Q3FY2006, despite a higher interest cost and depreciation charge. The company's interest and depreciation costs rose by 377% and 54% yoy respectively in the quarter, on account of the numerous acquisitions made in the past one year. Nicholas' tax

incidence was substantially lower in the quarter as it continued to derive excise and tax benefits from the progressive shifting of manufacturing to its tax-exempt facility at Baddi. After the payment of the mandatory preference dividend, the earnings for the quarter stood at Rs2.4 per share.

Nicholas has recently implemented a change in the accounting treatment of the goodwill arising out of the acquisitions: The company has started impairing the goodwill asset in the balance sheet instead of amortising the same in the profit and loss account. Due to the change in the accounting policy, the company has booked an income of Rs7.2 crore for the prior-period adjustments. Including this income, the adjusted profits of the company stood at an even more impressive Rs55.6 crore, up by 474% yoy.

Discovery R&D pipeline building up

Over the years, Nicholas has built a state-of-the-art R&D facility and strengthened its R&D knowledge and expertise to world-class standards. Its excellent capabilities are reinforced by the recently announced drug discovery collaboration agreement with Eli Lilly wherein Nicholas has in-licensed one of Eli Lilly's metabolic disorder molecules for clinical development. Having built world-class facilities, Nicholas has also created an impressive discovery R&D pipeline. With a focus on the therapeutic segments of oncology, diabetes, inflammation and infectious diseases, Nicholas has a pipeline of one new chemical entity (NCE) and two phytopharmaceutical products in the clinics. Additionally, five of its NCEs and one phytopharmaceutical product is scheduled to enter the clinics in 2007. The company's total pipeline has an aggregate revenue potential of \$30.9 billion, which is estimated to grow to \$48.5 billion by 2008. Nicholas has been spending aggressively on R&D; its R&D expenses were up by 96% yoy in M9FY2007. The company will continue to spend 6-7% of its turnover on sales.

NPIL's discovery R&D pipeline

Therapeutic area	Compound	Target	Stage of development	Revenue potential in 2005 (\$billion)	Revenue potential in 2008 (\$billion)
Oncology	P276	CDK-4 inhibitor	Phase I/II	\$2.7	\$6.5
Oncology	P1446	CDK-4 inhibitor	Preclinical		
Oncology	KM80	Gleevac resistant cancer	Preclinical		
Oncology	Pxxx	Hypoxia-induced factor	Preclinical		
Oncology	Microbial leads	General	Preclinical		
Inflammation	P979	TNF alpha inhibitor	Preclinical	\$19.5	\$29.0
Inflammation	Back-ups	TNF alpha inhibitor	Preclinical		
Inflammation	PP-05	TNF alpha inhibitor	Phase II complete		
Inflammation	P-1539	Safe NSAIDS	Preclinical		
Inflammation	P2026	Safe NSAIDS	Preclinical		
Diabetes	Pyyy	non-PPAR	Preclinical	\$4.5	\$5.5
Infectious diseases	PP-04	antifungal	in Phase II	\$4.2	\$7.5
Infectious diseases	PM 181104	Drug resistant bacteria	Preclinical		
Aggregate revenues				\$30.9	\$48.5

Source: Company

Valuation & view

From being a formulation player in the domestic market, Nicholas has emerged as a leader in the custom manufacturing space. Through strategic acquisitions and expansions, the company has achieved a good growth. Simultaneously, it has also maintained its focus on building its innovative pipeline of molecules. The company's strength in the R&D field is vindicated through its recent drug development deal with global pharma major, Eli Lilly.

Through steady growth in the branded formulation segment, ramp-up in the CRAMS contracts, the expansion of the pathlabs business and a ramp-up in the capacity utilisation at Morpeth and NPIL UK, Nicholas is well-positioned to exhibit strong growth both in the domestic market and internationally. Further, with the progressive integration of the acquired facilities, the synergies and cost savings would improve the margins as well.

Considering the strong revenue flows and enhanced profitability picture for the coming years, we remain

positive on the company. At the current market price of Rs266, Nicholas is quoting at 15.9x estimated FY2008 earnings. We maintain our Buy recommendation on the stock with a price target of Rs393.

Valuation table (consolidated)

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net sales	1391.5	1308.2	1582.5	2347.8	2770.1
PAT	199.7	164.1	124.2	240.3	352.5
Shares in issue (cr)	3.8	19.0	20.9	20.9	20.9
EPS (Rs)	58.8	4.3	6.0	11.4	16.8
PER (x)	4.5	61.9	44.6	23.4	15.9
cash EPS (Rs)	72.8	7.1	9.3	15.3	20.8
cash PER (x)	3.7	37.7	28.7	17.4	12.8
EV	1342.8	5406.5	5775.6	5753.5	5568.8
EV/Ebitda (x)	4.8	31.9	29.2	16.1	11.6
Book value (Rs/share)	120.6	29.0	48.5	55.8	68.4
P/BV (x)	2.2	9.2	5.5	4.8	3.9
Mcap/sales	0.7	3.9	3.5	2.4	2.0

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

Reliance Industries

Evergreen

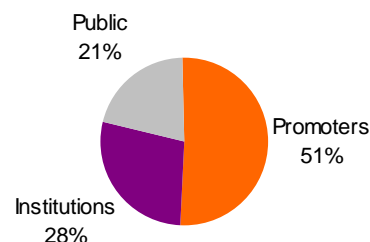
Stock Update

Price target revised to Rs1,530
Buy; CMP: Rs1,380

Company details

Price target:	Rs1,530
Market cap:	Rs192,339 cr
52 week high/low:	Rs1,409/675
NSE volume: (No of shares)	12.9 lakh
BSE code:	500325
NSE code:	RELIANCE
Sharekhan code:	RIL
Free float: (No of shares)	68.8 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	6.0	13.2	36.1	99.1
Relative to Sensex	2.3	2.2	-2.5	27.6

Result highlights

- Reliance Industries (RIL) has positively surprised in its Q3FY2007 results by reporting a whopping 57.6% year-on-year (y-o-y) growth in its earnings, way ahead of our and consensus estimates.
- The net revenues for the quarter grew by 45.7% driven by a strong 48.2% y-o-y growth in the revenues from the petrochemicals business and a 37.5% y-o-y growth in the revenues from the refining business.
- The profit before interest and tax (PBIT) in the petrochemicals business grew by only 32.2% on account of a 156-basis-point contraction in the margins. The PBIT of the refining business grew by 124.9% on the back of a 358-basis-point expansion in the margins. As a result the PBIT grew by 38% yoy to Rs1,764 crore.
- The refining business again gave a positive surprise and the gross refining margins (GRMs) grew by 28.6% yoy and also 28.6% sequentially despite a 36.1% yoy and a 17.9% sequential decline in the Singapore benchmark GRMs. In fact this is the highest ever out-performance over the benchmark Singapore complex by RIL.
- With the better-than-expected performance of the refining division and the robust top line growth of the petrochemical business, the net profit grew by a massive 57.6% to Rs2,799 crore.
- We like the way RIL has been diversifying into new areas of growth like the upstream oil and gas activity, organised retailing and construction of special economic zones (SEZs). However, these areas of businesses would entail a lot of investment for RIL going forward and we expect them to generate tremendous value for the shareholders.
- We are revising our FY2007E earnings by 7.1% and the FY2008E earnings by 7.9%. Given the out-performance of our and street's expectations for the second consecutive quarter, more clarity on the exploration end of the business and definitive visions for the new ventures like retail, we are revising our price target to Rs1,530.

Result table

Particulars	Q3FY07	Q3FY06	% yoy chg	9MFY07	9MFY06	% yoy chg
Net sales	26472.0	18168.0	45.7	79468.6	56669.0	40.2
Other income	42.0	180.0	-76.7	108.0	596.0	-81.9
Total income	26514.0	18348.0	44.5	79576.6	57265.0	39.0
Total expenditure	21763.0	15192.0	43.3	65957.0	46415.0	42.1
Operating profit	4709.0	2976.0	58.2	13511.6	10254.0	31.8
Interest	293.0	194.0	51.0	837.0	653.0	28.2
Depreciation	1062.0	824.0	28.9	2987.0	2419.0	23.5
Profit before tax	3396.0	2138.0	58.8	9795.6	7778.0	25.9
Tax	597.0	362.0	64.9	1740.0	1211.0	43.7
Reported PAT	2799.0	1776.0	57.6	8055.6	6567.0	22.7
EPS	20.1	12.7	57.6	57.7	47.0	22.7

Revenue grows by 45.7% yoy

The net revenues for Q3FY2007 grew by 45.7% yoy on the back of the strong performance of the petrochemicals and refining and marketing (R&M) businesses. The petrochemicals business' revenues grew by 48.2% yoy while the revenues of the refining business grew by 37.5% yoy.

Segment results

Particulars	Q3FY2007	Q3FY2006	% yoy chng
Revenues (Rs crore)			
Petrochemicals	10895.0	7353.0	48.2
Refining	20870.0	15179.0	37.5
Others	634.0	497.0	27.6
PBIT (Rs crore)			
Petrochemicals	1407.0	1064.0	32.2
Refining	1925.0	856.0	124.9
Others	364.0	320.0	13.8
PBIT margins (%)			
Petrochemicals	12.9	14.5	-156 bps
Refining	9.2	5.6	358 bps
Others	57.4	64.4	-697 bps

The volumes of petrochemicals were up sequentially barring PX, which was down on account of the maintenance shutdown. The y-o-y volumes were up sharply on account of the polyester, intermediates and PP capacities commissioned over the last 6-8 months. The growth in the petrochemicals revenue was largely driven by the volume growth.

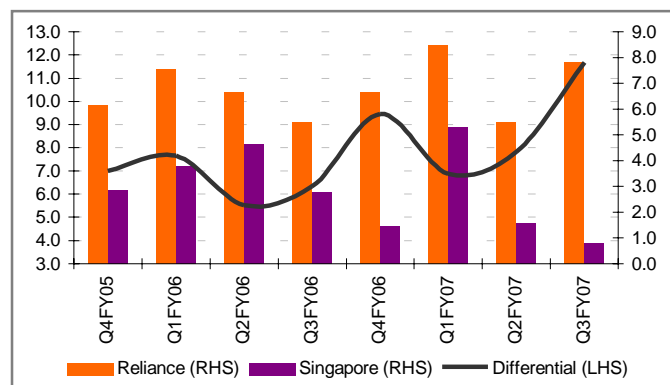
A higher overall throughput, which was up 18% yoy to 7.9 million tonne on the back of the higher domestic throughput due to the easing oil prices boosted the revenue growth in the R&M business.

R&M business: GRMs growth lends a huge positive surprise!!

As mentioned earlier the revenues for the R&M business grew by 37.5% yoy to Rs20,870 crore on the back of an increase in the throughput and prices.

While the Singapore GRMs again declined by 17.9% during the quarter and by 36.1% yoy the GRMs of Reliance were up 28.6% sequentially as well as yoy. In fact the differential of \$7.8 per barrel is the highest it has ever enjoyed. The refining margins increase is attributable to (1) Reliance's hedging skills; (2) refinery complexity; and (3) operational efficiencies. The management has indicated that this level of differential is unlikely to continue though they will try to retain such high operational flexibility to optimise the GRMs. On the back of the robust increase in the GRMs, the PBIT increased by 124.9% yoy and the PBIT margins expanded 358 basis points.

Outperforming Singapore GRM (\$/bbl)



Source: Company

Petrochemicals/polyester business: A mixed bag

The volumes of petrochemicals were up sequentially barring PX, which was down on account of the maintenance shutdown. The y-o-y volumes and hence the revenues were up sharply on account capacity expansion. No more growth in the petrochemical volumes is expected over the next 2-3 years as the petrochemical capital expenditure (capex) in the current phase has ended.

The petrochemical margins, while still strong, were down quarter on quarter (qoq), coming off the Q2FY2007 peak. The PE spread over naphtha was up, while PP was largely flat. The PX prices as well as the margins were down sharply, coming off their 10-year peak prices and margins in September 2006. The margins of PTA, MEG as well as polyester were down, reflecting the global capacity overhang in the chain, especially in polyester.

Oil & gas business: Flat quarter but better clarity

- While the falling oil prices impacted crude realisations, the volume growth offset the negative impact. The production of crude oil was up 14.9% qoq, while the gas production was up 32.2% sequentially at Panna and Mukta. The Tapti gas production too was up 49.8% sequentially on the back of recovery from the flood related disruptions at Hazira in the Q2FY2007 numbers.

	Q3FY07	Q3FY06	% yoy	Q2FY07	% qoq
Panna-Mukta					
Crude (Tonnes)	485,275	412,327	17.7	422,516	14.9
Gas (mscm)	476	331	43.8	360	32.2
Tapti - Gas (mscm)	629	573	9.8	420	49.8

MSCM - Million standard cubic meters

- The company reiterated the production schedule from the KG basin to commence from FY2009. The total expenditure till date is about US\$250 million. KG-D6 expects to achieve 40MMSCMD production within two months of its commencement and reach 80MMSCMD within the next year and a half.

- ♦ In all 8 wells were drilled in KGD6, KGIII5 and KGIII6 blocks.
- ♦ The east-west gas pipeline would have a capacity to transport 80MMSCMD of gas. The capex of Rs16,200 crore, which is being funded on its own balance sheet, with RIL making a 15-year deposit of Rs2,500 crore in order to book its capacity. The rest is being funded through equity of about Rs5,000 crore and the remaining through debt, but without any guarantees or recourse to Reliance Industries.

Net profit grows by 57.6% yoy

The operating profit for Q3FY2007 grew by 58.2% yoy to Rs4,709.0 crore as the operating profit margins (OPM) expanded by 141 basis points. With the better-than-expected performance of the refining division, and the robust top line growth of the petrochemical business, the net profit grew by a massive 57.6% to Rs2,799 crore.

Valuation and view

We like the way RIL has been diversifying into new areas of growth like the upstream oil and gas activity, organised retailing and the construction of SEZs. However, these areas of businesses would entail a lot of investment for RIL going forward, and we expect them to generate tremendous value for the shareholders.

On the commencement of the production from KG D6 and other E&P properties, we expect the E&P business to emerge as a significant earnings contributor for RIL. This would enable RIL to de-risk its earnings from an adverse refining/petrochemical cycle and also maintaining its earnings trajectory.

We are revising our FY2007E earnings by 7.1% and the FY2008E earnings by 7.9%. Given the out-performance of our and street's expectations for the second consecutive quarter, more clarity on the exploration end of the business and definitive visions for the new ventures like retail, we are revising our price target to Rs1,530.

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net revenues	66,051.0	81,211.0	105701.0	91354.0
% y-o-y change	27.5	15.3	30.2	-13.6
Net profit	7,572.0	9,069.0	10386.0	10499.9
Shares in issue (cr)	139.6	139.6	139.6	139.6
EPS (Rs)	54.2	65.0	74.4	75.2
% y-o-y change	42.9	19.8	14.5	1.1
PER (x)	25.4	21.2	18.6	18.4
Book value (Rs)	295.0	351.5	417.4	484.1
P/BV (x)	4.7	3.9	3.3	2.9
RoNW	19.9	20.1	19.4	16.7

	Rs crore	Rs per share	Comment
R&M	52925.4	433.0	based on 5.5x FY2008 Ev/Ebidta
Petrochemicals	47239.2	386.5	based on 6x FY2008 Ev/Ebidta
Upstream assets	70791.4	579.2	based on Ev/barrel of oil equivalent of \$4.5 for gas and \$10 for oil
Investments	23390.1	191.4	90% discount to the current market price of IPCL and RPL
Reliance Retail	9171.4	75.0	based on dcf given strong the ramp-up and clear vision
Debt	-16500.0	-135.0	FY2008E Debt
Total	187017.4	1530.0	

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

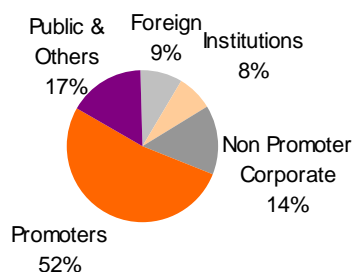
UltraTech Cement

Ugly Duckling
Stock Update
Stellar performance
Buy; CMP: Rs1,130

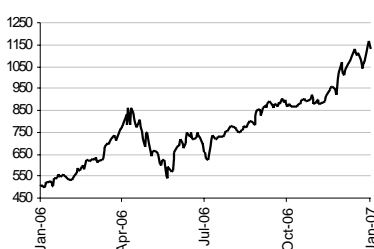
Company details

Price target:	Rs1,365
Market cap:	Rs14,067 cr
52 week high/low:	Rs1,204/493
NSE volume: (No of shares)	29,775
BSE code:	532538
NSE code:	ULTRACEMCO
Sharekhan code:	ULTRACEM
Free float: (No of shares)	5.9 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	6.9	30.8	65.5	130.9
Relative to Sensex	3.1	18.1	18.5	47.9

Result highlights

- UltraTech Cement Limited (UTCL) has reported a whopping 790% year-on-year (y-o-y) jump in its net profit at Rs212.46 crore for Q3FY2007, marginally ahead of our expectations.
- The net sales increased by 61% year on year (yoy) from Rs782 crore to Rs1,260 crore boosted by a 14% increase in the volumes and a 41% jump in the realisations.
- The company's leverage to volumes resulted in the operating profit registering a growth of 244.5% yoy to Rs380 crore whereas the operating margins expanded by 1,600 basis points to 30% yoy.
- On the backdrop of a robust realisation growth and a muted increase in the operating expenditure, the earnings before interest, tax, depreciation and amortisation (EBITDA) per tonne stood at Rs879 clocking a y-o-y growth of 200% and a quarter-on-quarter (q-o-q) growth of 27%.
- Depreciation stood at Rs57 crore whereas the interest expenditure stood at Rs20 crore, marginally lower than expectations.
- Sweetened by a higher-than-expected other income of Rs16 crore, the net profit stood at Rs212.5 crore clocking a y-o-y growth of 790%.
- The company's capital expenditure (capex) plan of Rs2,700 crore is progressing well. This will provide the much needed volume growth going forward and result in higher profitability on account of the savings in power costs.

Result table

Rs (cr)

Particulars	Q3FY07	Q3FY06	% yoy chg	9MFY07	9MFY06	% yoy chg
Net sales	1260.5	782.9	61.0	3445.3	2232.5	54.3
Total expenditure	880.2	672.6	31.0	2436.0	1907.9	27.7
Raw material consumed	104.4	69.0	51.0	279.5	194.5	43.7
Stock adjustment	4.0	-29.4	-114.0	-7.0	-66.5	-89.4
Purchase of finished goods	49.0	102.0	-52.0	98.9	254.5	-61.1
Employee expenses	31.5	21.3	48.0	88.4	55.7	58.6
Power, oil & fuel	289.3	228.9	26.0	823.3	620.4	32.7
Freight & handling	250.8	180.0	39.0	702.6	502.9	39.7
Other expenses	151.1	100.8	50.0	450.2	346.3	30.0
Operating profit	380.2	110.4	245.0	1009.3	324.5	211.0
Other income	16.7	7.0	139.0	42.0	26.2	60.2
PBIDT	396.9	117.4	238.0	1051.2	350.7	199.7
Interest	20.2	22.8	-11.0	66.5	67.2	-1.1
PBDT	376.7	94.6	298.0	984.7	283.5	247.3
Depreciation	57.1	51.5	11.0	166.2	154.5	7.5
PBT	319.6	43.1	642.0	818.6	129.0	534.6
Tax	107.2	19.2	457.0	267.9	45.0	495.0
PAT	212.5	23.9	790.0	550.7	84.0	555.9
EPS	17.1	1.9		44.3	6.7	
OPM (%)	30.2	18.1		29.3	14.5	
EBITDA (%)	31.1	14.9		30.1	15.5	
EBDT (%)	29.5	12.0		28.2	12.6	
PBT (%)	25.0	5.5		23.5	5.7	
PAT (%)	16.7	3.0		15.8	3.7	

- Taking notice of the stellar third quarter performance and considering the buoyant scenario in the sector in the next one year, we are upgrading our FY2007 earnings estimates by 6% to Rs722 crore and FY2008 earnings by 28% to Rs1,132 crore.
- At the current market price of Rs1,130, the stock is discounting its FY2007 revised earnings by 18.4x and its FY2008 revised estimates by 12.4x whereas on an enterprise value (EV) per tonne basis, the stock is trading at USD171 per tonne. Maintaining our positive view on the stock, we are upgrading our price target to Rs1,365.

Net sales increase by a robust 61% year on year

The company has reported a 61% year-on-year growth in the revenues to Rs1,260 crore, which is marginally ahead of our expectations. The volumes including clinker exports grew by 14% yoy to 4.33 million metric tonne (MMT) and the robust prices in its key markets led to the realisations jumping by 41% yoy and by 6.7% quarter on quarter (qoq) to Rs2,913 per tonne.

Leverage to prices trigger a 244% jump in operating profits

The company's operating expenditure increased by a meagre 30% yoy to Rs839 crore whereas the per tonne costs remained flat sequentially at Rs2,035.

Consequently, the company's operating profit jumped by 244% to Rs380.2 crore whereas the operating margins expanded by 1,600 basis points yoy to 30.2%. The EBITDA per tonne stood at Rs879, which translates into a y-o-y growth of 202% and a sequential growth of 27%.

Per tonne analysis	Q3 FY07	Q3 FY06	% yoy chg	Q2 FY07	% qoq chg
Raw material consumed	241.3	181.4	33.0	229	5.6
Stock adjustment	9.2	-77.4	-111.9	-3	-405.9
Purchase of finished goods	113.3	268.5	-57.8	66	72.7
Employee expenses	72.8	56.0	29.9	80	-8.9
Power, oil & fuel	668.8	602.3	11.0	675	-0.9
Freight	579.8	473.7	22.4	560	3.5
Other expenses	349.2	265.3	31.6	431	-19.0
Total cost per tonne	2034.9	1769.9	15.0	2038	-0.1
Realisation per tonne	2913.9	2060.4	41.4	2729	6.8
EBIDTA per tonne	879.0	290.4	202.7	691	27.2

Net profit registers a quantum jump

The stellar performance at the operating level coupled with a higher other income (Rs16 crore) and lower interest cost (Rs20 crore) resulted in the net profit increasing by a whopping 790% yoy to Rs212 crore, marginally ahead of expectations.

Capex plans on track--Rs2,700 crore to be spent over next two years

Even though UTCL has reported an EBIDTA per tonne of cement of Rs879, it has one of the highest power and fuel

cost of close to Rs670 per tonne. This is primarily because UTCL still has to rely largely upon grid power and diesel generator sets. In order to address the issue of the rising energy costs, the company has earmarked a capex of around Rs1,424 crore to be spent over the next three years on modernisation of its cement plants. This includes an expenditure of Rs844 crore towards the installation of captive power plants at the company's units in Gujarat and Chhatisgarh. Further to meet the growing demand for cement and to maintain its market share in the southern region, UTCL has approved a capex of Rs1,274 crore towards the expansion of its cement capacity by 4 million tonne per annum at its plant in Andhra Pradesh (APCW) along with a captive power plant of 46MW. The total capex of almost Rs2,700 crore will be spent over the next two years.

We are revising our FY2007 earnings estimates by 6% and FY2008 estimates by 28%

Considering the stellar performance in the first nine months of the current financial year, we are upgrading our FY2007 earnings estimates by 6% to Rs766 crore. Taking notice of the buoyant pricing scenario we are increasing our net realisation assumptions for FY2008 by Rs100 per tonne to Rs3,025. Consequently, our revised earnings for FY2008 stand at Rs1,000 crore.

Revised PAT	Old estimates	New estimates	% yoy
FY07	722.9	766.0	6.0
FY08	886.0	1132.7	28.0

Revised EPS	Old estimates	New estimates	% yoy
FY07	58.1	61.5	6.0
FY08	71.2	91.0	28.0

Upgrade price target to Rs1,365

Going forward, UTCL will benefit from the rising cement prices across the country as well as higher volumes owing to the rising capacity utilisation and improving cost efficiency, as it commissions its captive power plants.

At the current market price of Rs1,130, the stock is discounting its FY2007 revised earnings by 18.4x and its FY2008 revised estimates by 12.4x whereas on an EV per tonne basis, the stock is trading at USD171 per tonne. Maintaining our positive view on the stock, we are upgrading our price target to Rs1,365.

Earnings table

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net profit (Rs cr)	38.8	79.7	229.8	766.0	1132.7
% y-o-y growth	-	105.0	188.0	215.0	57.0
Shares in issue (cr)	12.5	12.4	12.4	12.4	12.4
EPS (Rs)	3.1	6.4	18.5	61.5	91.0
PER (x)	363.5	176.4	61.2	18.4	12.4
P/BV (Rs)	13.1	13.2	13.5	8.3	5.1
EV/EBIDTA (x)	48.6	43.7	27.6	10.0	6.9
RoCE (%)	6.0	5.7	14.7	42.6	46.5
RoNW (%)	3.6	7.5	22.1	42.7	41.2

Bharat Bijlee

Apple Green

Stock Update

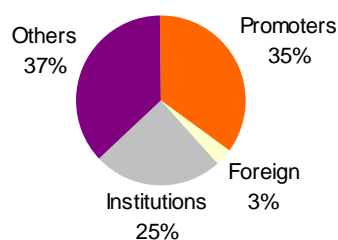
Price target revised to Rs1,730

Buy; CMP: Rs1,435

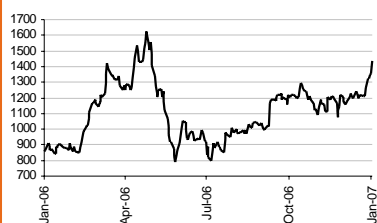
Company details

Price target:	Rs1,730
Market cap:	Rs811 cr
52 week high/low:	Rs1,709/750
BSE volume: (No of shares)	30,330
BSE code:	503960
NSE code:	BBL
Sharekhan code:	BHARATBIJ
Free float: (No of shares)	0.4 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	12.2	11.2	46.9	67.7
Relative to Sensex	8.3	0.4	5.2	7.4

Result highlights

- ◆ Bharat Bijlee Ltd's (BBL) Q3FY2007 results are slightly ahead of our expectations.
- ◆ The revenue for the quarter grew by 28.5% to Rs120 crore on the back of a strong order book of Rs270 crore at the beginning of the quarter.
- ◆ The operating profit for the quarter grew by 41.5% to Rs22.2 crore, as the operating profit margin (OPM) for the quarter improved by 180 basis points to 20.2% against 18.4% in Q3FY2006. This is a significant improvement and the company has been able to reverse the declining margin trend as depicted in H1FY2007 (H1FY2007 OPM stood at 11.9% as against 12.4%). The H1FY2007 performance was marred by the low margin 100MVA transformer business, which was the entry order for BBL in the high range market.
- ◆ The interest for the quarter increased by 53% while the depreciation increased by 25%.
- ◆ Consequently the net profit for the quarter grew by an impressive 43% to Rs13.37 crore.
- ◆ The order backlog for the quarter jumped by almost 100%. The order inflows also showed a very strong growth of about 140% year on year (yoy).

The company has been benefited by the timely expansion of its transformer manufacturing capacity, which it enhanced by 3,000MVA and now stands at 8,000MVA per annum. The improvement in the OPM is a welcome sign of the growth prospects and profitability of the company. Going forward, the huge investments lined up in the power sector and the continued activity in the industrial sector will drive BBL's order book.

Result table

	Rs (cr)					
Particulars	Q3FY07	Q3FY06	% yoy chg	9MFY07	9MFY06	% yoy chg
Net sales	109.8	85.4	28.5	290.9	197.8	47.1
Total expenditure	87.5	69.7	25.6	247.1	168.2	46.9
Operating profit	22.2	15.7	41.5	43.8	29.6	48.4
Other income	0.6	0.5	10.0	2.2	2.1	4.8
EBIDTA	22.8	16.2	40.5	46.0	31.6	45.5
Interest	1.5	1.0	53.0	3.9	2.9	34.2
Depreciation	0.6	0.5	25.0	1.7	1.3	28.4
PBT	20.6	14.7	40.1	40.4	27.4	47.5
Tax	6.9	5.4	27.8	13.3	8.9	50.0
PAT	13.7	9.3	47.3	27.1	18.5	46.3
Extraordinary items	0.4	0.0	-	1.1	0.8	-
Reported PAT	13.4	9.3	43.5	26.0	17.7	46.5
EPS	23.7	16.5	43.5	46.0	31.4	46.5
Margins						
OPM (%)	20.2	18.4		15.1	14.9	
PATM (%)	12.5	10.9		9.3	9.4	

Healthy growth in revenues

BBL's revenue for the quarter marked a healthy growth of 28.5% yoy to Rs109.8 crore. This was the result of a strong order book of Rs270 crore at the beginning of the quarter and the support of its recently commissioned 3,000MVA new transformer facility.

Strong performance on the operational front

BBL's operating profit for the quarter grew by 41.5% yoy, as the OPM for the quarter improved by 180 basis points to 20.2% as against 18.4% in Q3FY2006. This is a significant improvement and the company has been able to reverse the declining margin trend as depicted in H1FY2007 (H1FY2007 OPM stood at 11.9% as against 12.4%). The H1FY2007 performance was marred by the low margin 100MVA transformer business, which was the entry order for BBL in the high range market. Towards the end of FY2006, BBL entered the 100MVA+ transformer market, a space that hitherto was dominated by players like Crompton Greaves, EMCO and BHEL. Hence in order to gain market share, BBL had taken nine orders for the delivery of 100MVA+ transformers at a lower realisation and early delivery schedule. Being of entry level these orders had very low margins. Five out of these nine transformers were delivered in Q1FY2007 and the balance transformers were delivered in Q2FY2007.

Net profit higher by 43.5%

The interest cost for the quarter increased by 53% while the depreciation increased by 25% as the company had commissioned a new 3,000MVA plant during Q1FY2007. Consequently the net profit for the quarter registered an impressive growth of 43.5% to Rs13.4 crore.

Order backlog jumps almost 100%

Driven by the investment in the power sector, the momentum in BBL's order backlog has been maintained. The order backlog for the quarter jumped by almost 100%. The order inflow also jumped by an impressive 140% yoy. With the government's mission of "Power to all by 2012" and the thrust on the transmission and distribution (T&D) sector, BBL's order backlog is expected to remain robust.

Revision of estimates

Considering the strong order book position and the higher contribution from its recently commissioned 3,000MVA unit, we are upgrading our FY2007 estimates by 8.1% and the FY2008 estimates by 5.8%. Hence our earnings per share (EPS) estimates for FY2007 & FY2008 now stand at Rs76.3 and Rs92.4 respectively.

Particulars	FY2007	FY2008
Earlier	70.6	87.3
Current	76.3	92.4
% change	8.1	5.8

Valuation and view

At the current market price of Rs1,353, the stock is discounting its FY2008 earnings by 15.5x and the earnings before interest, depreciation, tax and amortisation (EBIDTA) by 7.3x. Excluding the value of the cash and cash equivalents, the stock is trading at 11.8x its FY2008E earnings. In view of the better-than-expected results and the strong order backlog, we maintain our Buy recommendation on the stock with a revised price target of Rs1,730.

Earnings table

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net sales (Rs cr)	201.1	245.8	301.1	405.8	479.1
Net profit (Rs cr)	10.7	30.4	34.2	43.1	52.2
% y-o-y growth	37.0	22.0	22.0	35.0	18.0
Shares in issue (cr)	0.57	0.57	0.57	0.57	0.57
EPS (Rs)	19.0	53.8	60.5	76.3	92.4
% y-o-y growth	37.0	22.0	22.0	35.0	18.0
PER (x)	73.7	37.3	25.5	18.4	15.2
Book value (Rs)	53.7	92.6	136.8	203.1	285.4
P/BV (Rs)	26.1	15.1	10.2	6.9	4.9
EV/EBIDTA (x)	33.4	19.3	12.0	8.9	7.1
Dividend yield (%)	0.3	0.6	0.9	0.7	0.7
RoCE (%)	37.5	39.6	45.1	42.3	37.4
RoNW (%)	35.4	40.6	40.1	37.6	32.4

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

Genus Overseas Electronics

Ugly Duckling

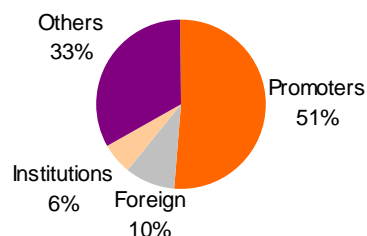
Stock Update

Price target revised to Rs345
Buy; CMP: Rs256

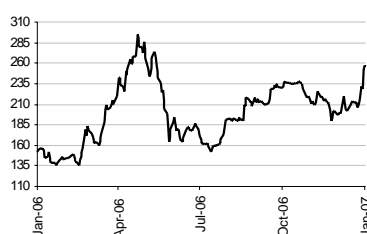
Company details

Price target:	Rs345
Market cap:	Rs312 cr
52 week high/low:	Rs309/131
BSE volume: (No of shares)	30,330
BSE code:	530343
NSE code:	GENUSOVERE
Sharekhan code:	GENUSOVER
Free float: (No of shares)	0.6 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	29.7	11.6	49.8	70.8
Relative to Sensex	25.2	0.7	7.3	9.4

Result highlights

- The Q3FY2007 results of Genus Overseas Electronics (Genus) are in line with our expectations.
- The revenues for the quarter grew by 266% to Rs89.5 crore mainly on the back of the faster execution of the Surat meter supply contract.
- The operating profit for the quarter grew by 182% to Rs12.6 crore and the operating profit margin (OPM) for the quarter stood at 14.1% as against 18.3% in Q3FY2006. However, the Q3FY2007 and Q3FY2006 OPMs are not comparable. That's because the company had abnormal operations in Q3FY2006 due to a fire incident because of which the other expenses were on the lower side in Q3FY2006. Going forward, we expect the company to maintain its OPM in the range of 14.5-15%.
- The interest expense for the quarter rose by 108%, as the company has availed of large working capital loans to execute its project orders.
- Consequently, the net profit for the quarter grew by 273% to Rs6.2 crore.
- The order book of the company stood at Rs470 crore at the end of December 2006.

The demand for meters is soaring on the back of the government's aim to provide power for all by 2012 as well as focus on 100% metering and replacement of old mechanical meters with electronic energy meters (EEMs). Genus is a leading manufacturer of tamper-proof EEMs and to cater to the growing demand for EEMs, the company is expanding its manufacturing capacity by setting up a new EEM plant in the tax-free zone at Uttaranchal.

Result table

	Rs (cr)					
Particulars	Q3FY07	Q3FY06	% yoy chg	9MFY07	9MFY06	% yoy chg
Net sales	89.5	24.5	266.1	218.5	99.9	118.7
Total expenditure	76.9	20.0	284.9	185.9	86.5	114.8
Operating profit	12.6	4.5	182.3	32.6	13.4	144.0
Other income	0.4	0.1	225.6	1.2	0.4	200.8
EBIDTA	13.0	4.6	183.6	33.8	13.7	145.6
Interest	4.3	2.0	108.0	11.7	4.2	181.3
Depreciation	1.5	0.5	186.3	3.9	1.5	152.9
PBT	7.3	2.0	258.3	18.2	8.1	125.8
Tax	1.1	0.4	191.9	2.7	1.3	107.0
PAT	6.3	1.7	272.9	15.5	6.8	129.3
Extraordinary items	0.0	0.0	-	0.0	0.0	-
Reported PAT	6.3	1.7	272.9	15.5	6.8	129.3
EPS	5.1	1.4	272.9	12.7	5.6	129.3
Margins						
OPM (%)	14.1	18.3		14.9	13.4	
PATM (%)	7.0	6.9		7.1	6.8	

Revision of estimates

Considering the strong order book position, higher contribution from the Uttaranchal plant and the upside from the joint venture with Mobix Wireless Solutions which will start contributing revenues from Q4FY2008, we are upgrading our FY2008 estimates by 6.6%. Our earnings per share (EPS) estimate for FY2008 now stands at Rs29.0 as against the earlier estimate of Rs27.2.

Particulars	FY2007	FY2008
Earlier	18.9	27.2
Current	18.9	29.0
% change	0.0	6.6

Growing order book

With the recent order win of Rs75 crore from the Rajasthan State Electricity Board for the supply of single and three phase EEMs, the order book of the company has increased to Rs470 crore. The order book is approximately 1.2 times its FY2007E sales.

The order flow is expected to remain robust as the government's mission of "Power to all by 2012" and focus on 100% metering and replacement of old mechanical meters with EEMs would continue to fuel the growth.

Trial production started at Uttaranchal plant

To cater to the growing need for EEMs, the company is setting up a new manufacturing plant in the tax-free zone at Uttaranchal. Trial production from the plant has already started and we expect the plant to start contributing revenues from Q4FY2007.

Contribution from Mobix JV is expected from Q4FY2008

To capture the huge growth opportunities in the overseas markets and also as a de-risking strategy, the company has entered into a 50:50 joint venture with Mobix Wireless Solutions, a leading Brazilian company in communications

technology. The land for the plant has been acquired already and the production is expected to commence from Q4FY2008.

Valuation and view

At the current market price of Rs257, the stock is quoting at 8.9x its FY2008E EPS and 5.1x its FY2008E enterprise value/earnings before interest, depreciation, tax and amortisation. The stock is trading at a discount to its peers, considering the fact that the company's order book is about 1.2x its FY2007E sales which provides higher revenue visibility. We believe the discount is unjustified and revise our price target for the stock to Rs345. We maintain our Buy recommendation on the stock with the revised price target of Rs345, at which level the stock will trade at 12x its FY2008E EPS.

Earnings table

Particulars	FY04	FY05	FY06	FY07E	FY08E
Net sales (Rs cr)	79.4	131.7	212.8	351.0	474.1
Net profit (Rs cr)	3.1	7.4	14.8	23.0	35.3
% y-o-y growth	4.0	141.0	101.0	55.0	53.0
Shares in issue (cr)	1.01	1.01	1.01	1.22	1.22
EPS (Rs)	3.0	7.3	14.7	18.9	29.0
% y-o-y growth	4.0	141.0	101.0	55.0	53.0
PER (x)	84.8	35.2	18.1	13.6	8.9
Book value (Rs)	17.5	23.1	39.1	78.8	106.3
P/BV (Rs)	14.7	11.1	6.6	3.3	2.4
EV/EBIDTA (x)	27.7	19.1	12.0	7.2	5.1
Dividend yield (%)	0.5	0.6	0.6	0.6	0.6
RoCE (%)	18.5	21.4	23.3	23.1	23.9
RoNW (%)	17.3	31.6	36.4	24.0	27.3

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

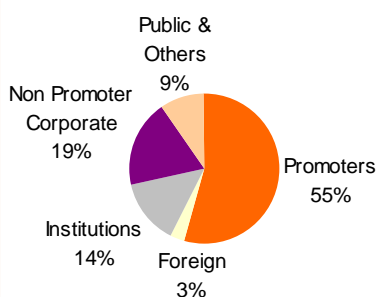
New Delhi Television

Emerging Star
Stock Update
Price target revised to Rs348
Buy; CMP: Rs309

Company details

Price target:	Rs348
Market cap:	Rs1,897 cr
52 week high/low:	Rs326/129
BSE volume: (No of shares)	30,330
BSE code:	532529
NSE code:	NDTV
Sharekhan code:	NDTV
Free float: (No of shares)	2.8 cr

Shareholding pattern



Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	49.0	40.3	106.2	65.5
Relative to Sensex	43.8	26.7	47.7	6.0

Result highlights

- NDTV witnessed a muted revenue growth of 15.8% year on year (yoy) to Rs79.1 crore owing to higher competition.
- The operating profit margin (OPM) was down by 360 basis points yoy to 24.2% as the company is spending for new businesses. The operating profit was flat yoy at Rs19.1 crore as per expectations; however, it improved substantially compared to an operating loss in Q2FY2007.
- The marketing and distribution cost, the primary reason for the increased cost, was up 59.8% yoy at Rs10.7 crore, but as a percentage of sales it declined to 13.5% as compared to 14.1% and 18% in Q1FY2007 and Q2FY2007 respectively.
- The incubation costs of the planned new ventures seem to have inflated the cost structure and segregation of these costs this quarter onwards will lead to the improved profitability picture for the news business.
- The profit after tax (adjusted for extraordinary items) was down at Rs10.0 crore as against Rs14.1 crore in Q3FY2006 as expected.
- We have lowered our earnings estimates for FY2007 and FY2008 as NDTV continues to be in an investment mode whereby we expect the short-term profitability to remain muted. At the same time we remain bullish on its exciting broadcasting properties, diversification in other genres of broadcasting such as general entertainment and lifestyle, its foray in the media consulting segment and media process outsourcing thus leveraging on its expertise in the business. The above makes it a good integrated media play.

Revenue growth lower as expected

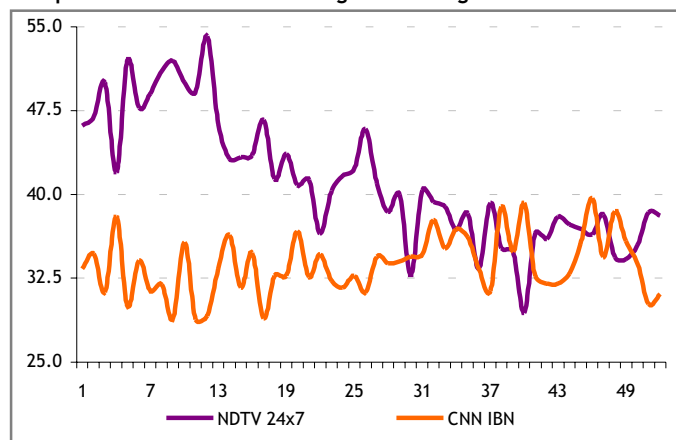
The revenues for Q3FY2007 grew only by 15.8% yoy to Rs79.1 crore. However, this was expected with the increase in the competition. In the English news genre where the competition with CNN-IBN has intensified, NDTV 24X7 regained its position of leadership with an increase in its market share from 34.4% at the beginning of December 2006 to 38.1% in the last week of the year. In the business news space it

Result table

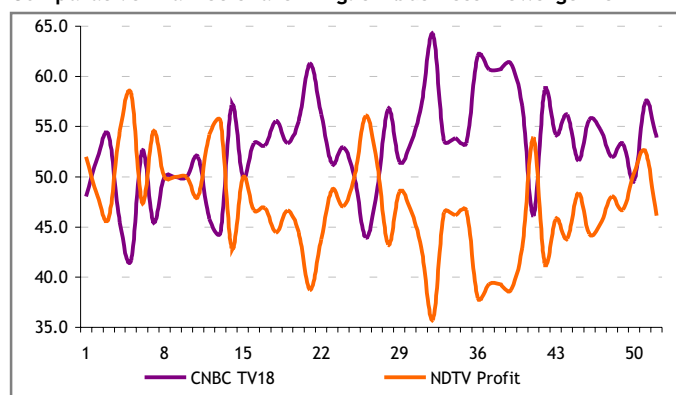
	Rs (cr)			
Particulars	Q3FY07	Q3FY06	% yoy chg	% qoq chg
Net sales	79.1	68.3	15.8	45.9
Total expenditure	60.0	49.3	21.6	3.6
Operating profit	19.1	19.0	0.8	-
Other income	0.3	0.6	-	-
Interest	0.3	0.0	-	-
Depreciation	5.0	4.2	19.0	13.6
Profit before tax	14.1	15.3	-8.0	-
Extraordinary item	6.8	11.5	-40.9	-39.5
Profit before tax but after E/I	7.3	3.9	89.4	-
Tax	-2.5	-1.2	-	-
Profit after tax	4.9	2.6	84.4	-
Profit after tax (adj for E/I)	10.0	14.1	-29.5	168.9

continues to be a close second to CNBC TV-18. In the Hindi news genre, where Aaj Tak remains an undisputed leader, NDTV India progressed by overtaking Zee News for the third place in the month of December 2006 with a market share of 13.8%.

Comparative market share—English news genre



Comparative market share—English business news genre



Comparative market share—Hindi news channel

Channel	% Market share in Dec'06
Aaj Tak	22.3
Star News	18.6
Zee News	12.9
NDTV India	13.8

Source: TAM media

Operating profits remain flat--not a surprise

The operating profit remained flat at Rs19.1 crore as the margins slumped to 24.2% from 27.8%. The overall cost structure has been growing at a couple of crore each quarter for the last four quarters and stands at Rs60 crore for Q3FY2007. Year on year the total cost has increased by 21.6% exceeding the growth in the revenues, thus affecting the OPM. The primary contribution to this cost increase has come from the marketing and distribution costs, which have zoomed 59.8% yoy to Rs10.7 crore. However, the production expenses have come down from Rs13.4 crore in Q2FY2007 to Rs12.3 crore that helped the company to cut down a further rise in the costs.

With the flat operating profit, higher depreciation at Rs5 crore versus Rs4.2 crore and a deferred tax charge of Rs0.4 crore against a write back of Rs0.3 crore in the corresponding quarter last year the profit after tax (adjusted for extraordinary items) declined from Rs14.11 crore to Rs9.55 crore.

However, NDTV has been booking incubation costs on its proposed new ventures as a charge to its profit and loss account (Rs5.21 crore charged in Q3FY2007). Post the launch of these ventures these costs will be allocated to NDTV Ventures, the new company formed for the proposed new ventures. We believe this will improve the margins for the news business.

Better marketing and distribution—investing to stay ahead of competition

We have been maintaining over the last few quarters that the cutthroat competition in the news genre would shoot up NDTV's marketing and distribution costs. We believe, that in order to maintain and improve its viewership share NDTV will continue to incur higher marketing and distribution costs.

Lowering estimates

Considering the developments in the revenue and cost drivers, we have revised downwards our estimates for FY2007 and FY2008.

	Earlier estimates		New estimates		% chg
	Net profit (Rs Crore)	EPS (Rs)	Net profit (Rs Crore)	EPS (Rs)	
FY2007E	30.0	4.8	26.4	4.1	-12.0
FY2008E	50.3	8.0	43.2	6.9	-14.1

...but believe that the growth drivers are in place

Though the financials may seem to be bleeding in the short term, we expect NDTV's future growth to come from its new ventures and higher contribution from the subscription revenues in the long term. Its growth drivers are as follows.

- An increase in the domestic subscription income from the forthcoming revolutionary changes in the distribution infrastructure would be a growth driver. The implementation of CAS and its expansion to the other regions of the country is expected to give respite from the problem of substantial under declaration of the subscribers. Newer distribution platforms like DTH and IPTV will further lend pace to the subscription revenues.
- Its tie-ups with leading distributors in countries like the USA, the UK, Canada, the Middle East, South Africa etc for distributing its leading channel NDTV 24X7 would also be a growth driver. These are expected to bring in international subscription revenues.

- ♦ Its joint venture with Genpact to jointly provide media process outsourcing services to the global media companies presents an opportunity with a market worth \$9-10 billion.
- ♦ NDTV entered into a joint venture with Astro Broadcast, Malaysia, Asia's largest media company under which it has provided its expertise to set up two news channels in Indonesia and Malaysia. The Indonesian channel (Astro Awani) has made a profit this quarter, in only 6 months since its launch. The Malaysian channel will be launched in the next few months. NDTV has a 20% stake in each of these channels.
- ♦ NDTV has planned city centric news channels 'Metro Nations' to tap the local advertisement market. We expect the launch of the first of these channels in Delhi and Mumbai in Q4FY2007.
- ♦ The company is gearing up for an entry in the non-news space by launching a general entertainment channel (the launch is expected in FY2008). We see the overall valuation of the channel in triple-digit million dollars. The company also plans to launch a lifestyle channel.
- ♦ NDTV's website, www.ndtv.com ranks among the top 10 most visited news websites globally. Considering the valuations of 'info edge' (the only listed player in the space) and 'Web 18' (TV18 group company holding internet properties) we believe the portal could add substantially to NDTV's valuations.

Value creation in sight

We expect NDTV's non-news ventures to contribute significantly to the company's value. It plans to raise \$100 million plus for its general entertainment channel (GEC), which hints at the potential value of the channel. Towards making GEC a big success, the company has already roped in Karan Johar on the board of NDTV Ventures by entering into a tie-up with his production company Dharma Productions. Also media reports suggest that NDTV is currently in the process of getting the best professionals from existing channels to spearhead the GEC. Together with this its proposed lifestyle channel would make NDTV a diversified broadcaster with presence across the

broadcasting arena. We believe this coupled with the city centric channels, media process outsourcing and the global consulting business to substantially enhance shareholders' value.

Valuations and view

NDTV is currently in an investment phase where it is focusing on a diversified business model for tapping most of the new areas of growth. We believe with a highly focused and experienced management, NDTV is a good long-term play. In the short term further movement of the stock will be determined by the investments it is expecting to garner for the new ventures (specifically GEC). We maintain our Buy recommendation on the stock and upgrade the price target to Rs348.

Valuation table

Properties	Value (Rs cr)	Comments
Three news channels	1388	Based on 3.9x FY08E Revenues
GEC	437	95% stake, valued at \$100mn
ndtv.com	213	85% stake
Astro channels/MPO	165	
Total value	2193	
Equity capital	6.3	
Value per share (Rs)	348	

Earnings table

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net profit (Rs crore)	33.2	24.1	26.4	43.2
Shares in issue (crore)	6.1	6.1	6.3	6.3
EPS (Rs)	5.5	4.0	4.2	6.9
EPS growth (%)	-123.0	-27.5	5.7	63.6
PER (x)	56.5	77.9	73.7	45.1
Book value (Rs)	32.5	35.8	33.4	39.0
P/BV (x)	9.5	8.6	9.2	7.9
EV/EBIDTA (x)	35.9	42.9	40.0	25.4
RoCE (%)	15.3	0.1	11.5	16.3
RoNW (%)	17.4	11.6	12.3	18.9

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

Evergreen

HDFC Bank
Infosys Technologies
Reliance Industries
Tata Consultancy Services

Apple Green

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

Cannonball

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

Emerging Star

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

Ugly Duckling

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

Esab India
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