

December 27, 2007

FOR PRIVATE CIRCULATION

**Equity**

	26 Dec 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	20,193	1.7	5.6	17.7
Nifty	6,071	1.4	6.5	21.4
Banking	11,290	1.7	7.6	22.3
IT	4,005	1.1	11.1	5.8
Healthcare	4,316	0.5	12.0	16.0
FMCG	2,233	0.6	4.3	5.3
PSU	10,026	2.0	4.3	23.2
CNX Midcap	8,888	2.3	13.5	32.2
<b>World indices</b>				
Nasdaq	2,724	0.4	5.6	0.5
Nikkei	15,654	0.6	2.3	(7.3)
Hangseng	28,129	1.8	6.4	6.8

**Value traded (Rs cr)**

	26 Dec 07	% Chg - 1 Day
Cash BSE	7,042	31.8
Cash NSE	15,693	10.9
Derivatives	96,144	19.3

**Net inflows (Rs cr)**

	24 Dec 07	% Chg	MTD	YTD
FII	167	(132)	(407)	66,649
Mutual Fund	830	26	249	4,756

**FII open interest (Rs cr)**

	24 Dec 07	% chg
FII Index Futures	24,232	6.3
FII Index Options	11,303	9.4
FII Stock Futures	52,897	2.5
FII Stock Options	130	24.9

**Advances/Declines (BSE)**

	26 Dec 07	A	B1	B2	Total	% Total
Advances	178	586	750	1,514	79	
Declines	38	148	194	380	20	
Unchanged	1	4	9	14	1	

**Commodity**

	26 Dec 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	96.0	2.0	(1.8)	19.5
Gold (US\$/OZ)	824.5	1.6	1.4	12.1
Silver (US\$/OZ)	14.7	1.0	1.3	8.1

**Debt/forex market**

	26 Dec 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.85	7.84	7.94	7.87
Re/US\$	39.42	39.45	39.79	39.69

**Sensex**



Source: Bloomberg

**ECONOMY NEWS**

- The plan to put India's foreign exchange reserves to better use in the form of financing infrastructure projects of local firms is finally set to take off. The Government and the RBI have approved a proposal to form an SPV in London, sources said. (ET)
- Sebi will soon unveil norms for real estate mutual funds as well as for Real Estate Investment Trusts. (ET)
- The Government has accepted the spectrum review committee's recommendation of allocating additional frequency to existing GSM operators based on Trai's subscriber-linked formula and in multiples of 1 MHz. (BS)
- The Government is examining a proposal to levy service tax on amusement parks and coin-operated amusement machines in Budget '08-09. This was among 44 new services offered to states as a part of a compensation package to phase out central sales tax. (ET)
- Cellular Operators' Association of India has served a legal notice to DoT seeking withholding of spectrum issuance till the hearing of the issue. (BS)
- India's power and upstream energy sectors need investments to the tune of \$120-150 bn in the next five years, according to a report by CII and KPMG 'India Energy Inc - Emerging Opportunities & Challenges'. (ET)

**CORPORATE NEWS**

- Daimler will hold 60% stake in its commercial vehicle joint venture in India, with the **Hero group** holding the remaining 40%. The total investment in the project will be around Rs.35 bn. (ET)
- ONGC Videsh, the overseas investment arm of **ONGC**, will take a 40% stake in San Cristobal oilfield in Venezuela. (BL)
- **L&T** has received three orders worth over Rs.7.48 bn (\$190 mn) from Dhofar Power Co and Muscat Electricity Distribution Co for electrical substations and associated works and for executing the Muscat Golf Course in Oman. (BS)
- **Videocon Industries** has said it would set up thermal power projects aggregating 5,000 MW in Gujarat, West Bengal and Chhattisgarh along with an international player. (BL)
- **UB** group has increased its stake in **Deccan Aviation** by almost 3% through market purchases. UB group firm Kingfisher Radio, that runs Kingfisher Airlines, purchased a total of 4 mn shares (2.95%) at Rs.275 each. (BS)
- **VSNL** has sold off 10% equity stake in its wholly-owned subsidiary VSNL Lanka to Sunshine Holdings for Rs.75 mn. (BS)
- Gemini Communication is partnering Chennai-based Midas Communication Technologies for executing a Rs.2.6 bn voice and broadband data services project for **BSNL** in Tamil Nadu, Karnataka and Haryana. (BS)
- Leading private equity firm Warburg Pincus has bought about 3.3% in **Amtek India**, raising its stake in the forgings company to close to 10%. (ET)
- The board of directors of **Spice Communications** has approved a proposal to sell 875 telecom towers of the company to a tower operating company. (BS)
- **KPIT Cummins Infosystems** has said the company has received \$5 mn towards the consideration for allotment of 1,510,877 equity shares. (BL)
- **Deep Industries** has said it has bagged a Rs.300-mn order from **Gujarat State Petronet** for compression of natural gas at Olpad. (BL)
- **Jyothy Laboratories** has said that ICICI Prudential Life Insurance Co has acquired a further 5.62% stake in the company to raise its total holdings in the company to 5.76%. (BL)

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

## FROM OUR RESEARCH TEAM

### COMPANY UPDATE

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## VISHAL RETAIL

**PRICE : Rs.862**

**TARGET PRICE : Rs.861**

**RECOMMENDATION : HOLD**

**FY09E PE : 25.1x**

### We recommend HOLD on the stock post the recent run up in share price

We had recently initiated coverage on Vishal Retail with a target price of Rs.861. We had valued the company on a 25x P/E based on our FY09 estimates. The stock has since gone up by 16.5% to touch our target price and closed at Rs.862 on Wednesday.

Vishal operates primarily in the value retail segment. The company is present predominantly in Tier II and Tier III cities. The company had closed FY07 with 1.26 mn square feet of retail space under operation and raised money through an initial public offer in June 2007 to fund its further expansion.

We had assumed Vishal Retail will expand its retail space to 2.1 mn square feet in FY08 and to 3.1 mn square feet in FY09.

The company is on target in terms of opening new stores. Of late, Vishal has been opening new stores at a rapid pace. The company recently opened stores in Delhi, Jammu, Rajasthan, Bhopal and Himachal Pradesh. As of date, Vishal has 80 stores covering 1.8 mn square feet.

Based on our interaction with the management, we have assumed that the company will close the year with 2.1 mn square feet of space. We believe Vishal should be able to achieve this scale.

The company has also recently opened a specialty format under the name 'Vishal Fashion Mart' in Delhi. These stores are small in size at about 2000 square feet each. Vishal is looking to expand on this format as well. These stores will sell private label apparels.

### Valuation & recommendation

Vishal Retail has grown at a scorching pace over the past few years registering a CAGR of 86% in revenues between FY03-07 and PAT CAGR of 160% in the same period.

We maintain our earnings estimates for FY08 and FY09. We estimate the revenues will grow at a CAGR of 68% between FY07 and FY09 to Rs.17.85 bn in FY09. On the other hand, PAT is expected to grow at a CAGR of 77% over the same period to Rs.768 mn in FY09.

The company has high operating margins at over 11%. We feel these margins are sustainable going forward. This is primarily because of the lower lease costs paid by Vishal by virtue of operating in Tier II and Tier III cities. The company also has a higher proportion of revenues coming from sales of private and quasi-private labels.

While we have currently not made any change to our earnings estimates, we may make changes to our estimates to incorporate the impact of any new plans of the company and the actual results for Q3FY08 and beyond.

We recommend a **HOLD** on Vishal with an unchanged price target of Rs.861. Any corrections from current levels can be used as an opportunity to buy the stock.

### Summary table

Rs mn	FY07	FY08E	FY09E
Sales	6,027	10,589	17,853
Growth (%)	108.9	75.7	68.6
EBITDA	670	1,240	1,916
EBITDA margin (%)	11.1	11.7	10.7
PBT	393	693	1,147
Growth (%)	110.0	76.5	65.4
Net profit	250	465	768
Growth (%)	100.3	85.9	65.4
EPS (Rs)	11.2	20.7	34.3
Net cash (debt)	(2,281)	(2,954)	(4,347)
ROE (%)	25.0	23.1	25.0
ROCE (%)	21.6	19.8	21.8
Operating Cash Flow	(1,008)	140	736
Net W Capital (Days)	150	124	97
P/E (x)	77.3	41.6	25.1
P/BV (x)	15.2	7.0	5.7
DPS (Rs)	0.0	3.1	5.1
EV/Sales (x)	3.6	2.2	1.3
EV/EBITDA (x)	32.4	18.4	12.5

Source: Company, Kotak Securities - Private Client Research

**We recommend a HOLD on Vishal Retail with a price target of Rs.861**

## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
26-Dec	Aditya Forge	CNI Research Ltd	B	45,000	13.26
26-Dec	Amttek Indi L	Warburg Pincus International Llc Ac Stoneridge Investment Ltd	B	2,900,000	203.98
26-Dec	Amttek Indi L	Bluecrest Special Situations Master Fund Limited	S	2,900,000	203.90
26-Dec	Anjani Synth	Natraj Financial and Services Ltd	S	37,336	126.91
26-Dec	Axon Infotec	Dynamic Equities Private Ltd	S	4,000	76.23
26-Dec	Bajaj Steel	Nilesh Nagindas Ambavi	B	21,668	151.20
26-Dec	Bartronicsin	Grants Investment Ltd FCCB	S	160,000	240.05
26-Dec	Bihar Tubes	Sheth Brothers	B	50,000	185.00
26-Dec	Camlin Fine	Surya Corporation	B	49,401	76.18
26-Dec	Cat Technol	Sarfarakhan Sarvarkhan Pathan	B	196,861	14.71
26-Dec	Century Ext	Asmah Shares and Stock Brokers	B	103,280	14.16
26-Dec	Century Ext	Sheth Brothers	B	60,700	14.18
26-Dec	Century Ext	D.K Stock Investment	B	85,000	14.18
26-Dec	Choic Intern	R C Sharma HUF	S	24,255	18.18
26-Dec	Dagger Forst	Deepak K Shah	B	50,000	47.70
26-Dec	Deccan Aviat	Kingfisher Radio Ltd	B	1,640,000	275.00
26-Dec	Deccan Aviat	Money Matters Advisory Ser Ltd	S	1,640,000	274.99
26-Dec	Epic Energy	Guardian Portfolio Consultants Ltd	S	36,367	176.08
26-Dec	Foundry Fuel	The Hoogly Mills Co Ltd	S	35,540	13.84
26-Dec	Gemstone Inv	Prem Mohanlal Parikh	B	24,000	25.91
26-Dec	Gemstone Inv	Bhupesh Rathod	S	46,020	25.60
26-Dec	Gopala Polyp	Prasad Deshpande	B	150,000	11.48
26-Dec	Gopala Polyp	Maru Securities Pvt Limited	S	100,000	11.48
26-Dec	Gopala Polyp	Industrial Dev Bank Of India	S	100,000	11.48
26-Dec	Gopala Polyp	IDBI Ltd	S	100,000	11.48
26-Dec	GuptaSynthe	Sujata Puneet Rungta	S	36,000	63.00
26-Dec	Hind.Oil Exp	Matterhorn Ventures	B	1,730,000	169.03
26-Dec	Hind.Oil Exp	Rekha Jhunjunwala	S	1,721,355	169.01
26-Dec	Indus Ind Bk	Hinduja Ventures Ltd	B	1,977,391	124.00
26-Dec	Indus Ind Bk	Ashok Leyland Ltd	S	2,000,000	124.01
26-Dec	Jaysyn Dyest	Mahendra Guma nmal Lodha	S	291,000	12.00
26-Dec	Khaitan Wvg	Bharosemand Commodities Pvt Ltd	B	5,197	90.00
26-Dec	Kilburn Offi	IDBI Ltd	S	75,000	12.70
26-Dec	Lincoln Phar	Digital Biotech Pvt Ltd	S	200,000	14.02
26-Dec	Lincoln Phar	Advent Tradelink Pvt Ltd	S	200,000	14.04
26-Dec	Lokesh Mach	Sudhir Jain	S	113,226	116.00
26-Dec	Mah Ind Leas	Rashel Agrotech Ltd.	S	30,142	47.00
26-Dec	Marson Ltd	Asmah Shares and Stock Brokers	B	140,000	11.84
26-Dec	NDTV Ltd.	Prannoy Roy	B	4,835,850	400.00
26-Dec	NDTV Ltd.	G A Global Investment Ltd	S	4,836,000	400.00
26-Dec	Noida Tol Br	Credit Suisse Singapore Ltd	S	1,400,000	57.98
26-Dec	Nouvea Multi	Paras Shantilal Porwal	B	40,000	36.15
26-Dec	Nouvea Multi	Shailesh A Jhaveri Huf	S	40,000	36.15
26-Dec	Shri Bajrang	Mahesh Meetal	B	73,000	76.09
26-Dec	Simran Farms	Mool Chand Chandak	B	31,901	12.04
26-Dec	Stone Indi L	Kotak PMS	S	84,000	155.08
26-Dec	Syncom Formu	SSK Scripts Pvt Ltd	S	143,691	46.91
26-Dec	Visesh Infot	Sunil Girdharilal Reheja	S	175,462	39.99
26-Dec	Yashraj Secr	Mittal Securities and Finance Ltd	S	75,000	28.75

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Reliance Ind	2,897	3.9	27.3	3.2
Reliance Com	744	2.4	6.3	3.2
SBI	2,400	2.8	6.0	0.7
<b>Losers</b>				
ONGC	1,237	(1.0)	(4.6)	1.6
Tata Consultancy	1,100	(0.9)	(1.6)	0.7
Suzlon Energy	1,896	(1.1)	(1.0)	0.5

Source: Bloomberg

## Forthcoming events

### COMPANY/MARKET

Date	Event
27-Dec	Bank of India to consider fund raising plans; Bajaj Hindustan to consider fund raising plans and dividend
28-Dec	Kinetic Motor holds press conference on plans for Kinetic SYM

Source: Bloomberg

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