MORNING STAR

kotak Kotak Securities

PRIVATE CLIENT RESEARCH

MAY 20, 2008

Economy News

- India has fared better in providing social security like health care, education and child welfare to its people than China and Malaysia, as per a new index brought out by the Asian Development Bank. (FE)
- The Telecom Regulatory Authority of India (Trai) has initiated the consultation process on draft satellite radio policy as proposed by the Ministry of Information and Broadcasting (I&B). The satellite radio policy will lay the ground rules for the companies to operate the satellite radio services in the country. Currently, there are no regulations for the satellite radio industry. (BS)
- Projecting a whopping Rs.100 bn economic engagement with Bhutan in areas like telecom, infrastructure and education, Prime Minister Manmohan Singh has unveiled a mega plan for cooperation in the power sector. (FE)

Corporate News

- **Rural Electrification Corporation** has agreed to fund the entire debt of the 1,000-MW coal-based power project being put up jointly by **NTPC** and the Tamil Nadu Electricity Board, near Chennai. (BL)
- Worried over rising defaults on loans for new tractors and combine harvesters, **State Bank of India (SBI)** has decided to put a temporary freeze on fresh credit to buy such farm equipment. (BS)
- **HCL Technologies** expects it business in the Middle East to start bringing in annual revenue of $100 mn within two years. (FE)
- **PSL Ltd**, makers of coated pipes for transporting hydrocarbon/water products and helical submerged arc welded pipes, has bagged two orders worth Rs.12.25 bn from **HPCL**-Mittal Pipelines Ltd and **L&T**. (BL)
- **Pantaloon Retail (India) Limited** will make an investment of more than Rs.15 bn for opening more than 110 Big Bazar hypermarkets in various cities across the country. (FE)
- **Maruti Udyog**, India's largest car maker, raised the prices of its vehicles by as much as Rs.15,000 to offset the rising input costs. (BS)
- **SAIL** has reported its highest ever net profit of Rs.75.37 bn in fiscal 2007-08, as sales and prices increased, although companies have now frozen rates to help the government curb inflation. (FE)
- Textile machinery manufacturing major **Lakshmi Machine Works** plans to set up a greenfield project in China to manufacture textile spinning machinery. (BL)
- Textile firm **Himmatsingka** has disclosed a mark-to-market (MTM) loss of Rs.1.75 bn (as on March 10, 2008) on a derivative deal with **HDFC Bank**, for which it has sued the bank. (BS)
- **Larsen and Toubro** has said it has entered into a strategic partnership with GE Energy for focusing on the Indian power generation market. (FE)
- **BSEL Infrastructure Realty** has signed a memorandum of understanding with Malaysia's Iskandar Regional Development Authority (IRDA) to develop properties in Johar Bharu region of Malaysia. The company has plans to invest Rs.180 bn in the next 12 years. (BS)

Equity

	16 May 08	% Chg 1 Day	% Chg 1 Mth	% Chg 3 Mths
Indian Indices				
BSE Sensex	17,435	0.5	7.3	(3.8)
Nifty	5,158	0.8	5.5	(2.7)
BSE Banking	8,941	1.5	11.2	(17.9)
BSE IT	4,468	(0.4)	11.5	15.1
BSE Capital Goods	13,697	0.7	2.6	(16.6)
BSE Oil & Gas	11,290	0.7	(1.2)	0.2
NSE Midcap	6,953	0.8	6.0	(3.7)
BSE Small-cap	8,620	0.9	3.2	(10.4)
World Indices				
Dow Jones	13,028	0.3	1.4	4.8
Nasdaq	2,516	(0.5)	4.7	8.1
FTSE	6,377	1.1	5.3	8.2
Nikkei	14,270	0.4	5.5	6.9
Hangseng	25,742	0.5	4.7	7.4

Value traded (Rs cr)

	16 May 08	% Chg - Day
Cash BSE	5,909.6	(5.3)
Cash NSE	13,429.0	(3.0)
Derivatives	37,877	(0.8)

Net inflows (Rs cr)

	15 May 08	% Chg	MTD	YTD
FII	258	39	(444)	(11,686)
Mutual Fund	133	(144)	(639)	5,673

FII open interest (Rs cr)

	15 May 08	% Chg
FII Index Futures	20,177	1.6
FII Index Options	21,140	4.5
FII Stock Futures	20,980	0.6
FII Stock Options	1,057	1.7

Advances / Declines (BSE)

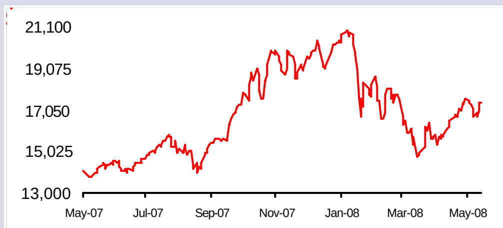
16 May 08	A	B	S	Total	% total
Advances	128	970	244	1,342	56
Declines	74	722	186	982	41
Unchanged	2	39	20	61	3

Commodity

	16 May 08	% Chg 1 Day	% Chg 1 Mth	% Chg 3 Mths
Crude (NYMEX) (US$/BBL)	127.4	0.3	9.2	26.5
Gold (US$/OZ)	905.2	0.3	(1.3)	(4.1)
Silver (US$/OZ)	17.0	0.1	(4.8)	(4.5)

Debt / forex market

	16 May 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.01	8.01	8.15	7.61
Re/US$	42.56	42.59	39.96	39.79



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

RESULT UPDATE

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REDINGTON INDIA

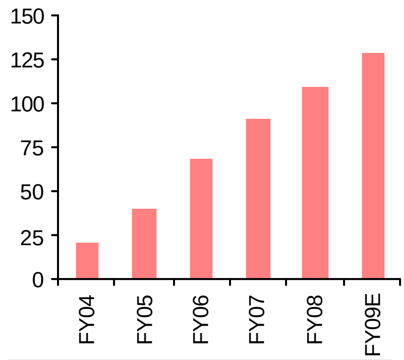
PRICE: RS.374 **RECOMMENDATION: BUY**
TARGET PRICE: RS.440 **CONS. FY09E P/E: 16.7X**

Summary table - Consolidated

Rs mn	FY07	FY08E	FY09E
Sales	90,614	108,701	128,204
Growth (%)	33.4	20.0	17.9
EBITDA	1,927	2,453	3,049
EBITDA margin (%)	2.1	2.3	2.4
Net profit	1,017	1,361	1,745
Net debt	4,018	5,878	7,239
EPS (Rs)	13.1	17.5	22.4
Growth (%)	36.8	33.8	28.2
DPS (Rs)	-	2.5	2.5
ROE (%)	16.3	19.9	21.4
ROCE (%)	15.1	19.2	19.9
EV/Sales (x)	0.4	0.3	0.3
EV/EBITDA (x)	17.2	14.3	11.9
P/E (x)	28.6	21.4	16.7
P/BV (x)	4.7	3.9	3.3

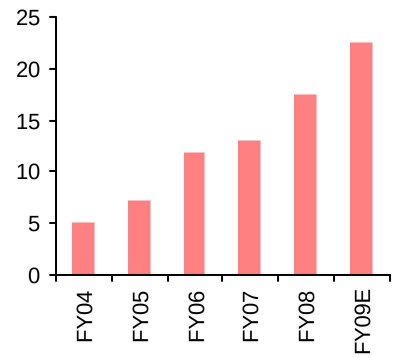
Source: Company, Kotak Securities - Private Client Research

Consolidated Net Sales - Rs. bn



Source: Company, Kotak Securities - Private Client Research

Consolidated EPS - Rs.



Source: Company, Kotak Securities - Private Client Research

Redington reported excellent FY08 results which are above our estimates on the profitability side. Maintain earning estimates for FY09E. We continue to remain positive and recommend BUY with unchanged price target of Rs.440 with 18% upside potential.

- Net Sales for FY08 was at Rs.108.7 bn up by 20.0% on YoY basis. This was primarily due to 22.5% rise in the Indian business and 13.7% rise in the overseas business.
- EBIDTA margin in FY08 was 2.3% up by 10 bps on YoY basis. This was primarily due to improvement in the margins of the Indian business where the PBIT margins improved from 2.1% in FY07 to 2.6% in FY08. The operating margins have improved due to increased sales of high value added products like telecom, consumer durables and non IT products which typically have higher operating margins then IT related products.
- EBIDTA for FY08 was at Rs.2.4 bn up by 25.8% on YoY basis.
- The other income of the company increased form Rs.35 mn in FY07 to Rs.138 mn in FY08 due to interest income of Rs.59.2 mn on account of unutilized money form the IPO being parked with short term deposits with banks.
- PBT for FY08 was at Rs.1.8 bn up 39.1% on YoY basis.
- PAT for FY08 was up by 33.8% on YoY basis to Rs.1.3 bn thereby translating into EPS of Rs.17.5 and CEPS of Rs.18.8.

Valuation & recommendation

- We maintain earnings estimates and expect Redington to report EPS of Rs.22.4 in FY09E.
- At the current market price of Rs.374, the stock trades at 3.3x P/BV, 16.7x earnings and 15.3x cash earnings based on consolidated FY09E earnings estimates.
- We continue to remain positive and maintain BUY on Redington with unchanged price target of Rs.440 that provides 18% upside potential form current levels.
- However we would like to speak to the management regarding performance of its NBFC subsidiary and also its growth plans going forward and would come back to you with the revised update if any.
- We maintain BUY on Redington.

Consolidated FY08 Results update - Redington

Rs mn	FY08	FY07	YoY%
Net Sales	**108,701**	**90614**	**20.0**
COGS	103,398	86595	19.4
Staff Cost	1,187	804	47.6
other expenditure	1,663	1266	31.4
Total exp.	106,248	88,664	19.8
EBIDTA	**2,453**	**1,950**	**25.8**
Other income	138	35	295.1
Depreciation	100	133	(24.8)
EBIT	2,491	1,852	34.5
Interest	720	579	24.3
PBT	1,771	1,272	39.1
Tax & deferred tax	410	256	60.4
PAT	**1,361**	**1,017**	**33.8**
Equity shares o/s (mn)	77.9	77.9	
Ratios			
Operting profit margin (%)	2.3	2.2	up 10 bps
COGS / Sales (%)	95.1	95.6	
Staff cost / Sales (5)	1.1	0.9	
Other Exp. / Sales (%)	1.5	1.4	
EPS (Rs)	**17.5**	**13.1**	**33.8**
CEPS (Rs)	18.8	14.8	
Tax / PBT (%)	23.2	20.1	

Source: Company, Kotak Securities - Private Client Research

Segmental

Rs mn	FY08	FY07	YoY%
Revenue			
India	57814	47185	22.5
Overseas	51242	45061	13.7
PBIT	FY08	FY07	YoY%
India	1505	1005	49.8
Overseas	985	847	16.4
PBIT Margin (%)	FY08	FY07	YoY%
India	2.6	2.1	22.2
Overseas	1.9	1.9	2.3

Source: Company, Kotak Securities - Private Client Research

RESULT UPDATE

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HT MEDIA

PRICE: RS.143 **RECOMMENDATION: HOLD**
TARGET PRICE: RS.181 **FY09E EV/EBITDA: 11x**

Summary table

Rs mn	FY07	FY08E	FY09E
Sales	10390.5	11871.0	14452.7
Growth %	26.6	14.2	21.7
EBITDA	1902.4	2238.5	2608.6
EBITDA margin %	18.3	18.9	18.0
Net profit	1148.7	1449.5	1714.0
Net debt (cash)	-2623.1	-3703.7	-4959.8
EPS (Rs)	4.9	6.2	7.3
Growth %	208.2	26.2	18.3
CEPS	6.6	8.1	9.3
DPS (Rs)	0.4	0.6	0.6
ROE %	15.4	16.9	17.2
ROCE %	20.9	21.7	22.5
EV/Sales (x)	3.0	2.6	2.0
EV/EBITDA (x)	16.6	13.6	11.2
P/E (x)	29.2	23.1	19.5
P/Cash Earnings	21.7	17.7	15.3
P/BV (x)	4.2	3.6	3.1

Source: Company, Kotak Securities - Private Client Research

Investments in new initiatives- 'Mint', new editions of 'Hindustan' and higher newsprint prices likely to impact near term financials. We continue to believe elevated newsprint prices (up c25% in 4 months), and recent INR depreciation will impact FY09E financials and are medium term headwinds for print media stocks, HT included. Also, HT has earmarked continued investments towards new initiatives that will likely be pressure points for near term earnings growth.

We tweak earnings estimates and target price to factor in Q4FY08 results; higher print orders from 'Hindustan' and a higher newsprint cost assumption for FY09E. We retain our HOLD rating on the stock with a revised price target of Rs.181, pending an investor con call. We retain our HOLD rating despite decent optical upsides as easing of newsprint prices (expected in 2HCY08) and monetization of new initiatives will be the variables to watch for share price performance.

An evolving cross media model, dominant positioning in English print, ramp up in 'Hindustan' and success of new franchises-'Mint' and 'Fever 104' are levers HT has to support longer term growth in the backdrop of these medium term challenges.

Result Highlights

- HT Media's 4QFY08 results were in line with our estimates on the net profit front at Rs.415.9mn (up 74% YoY and 12% QoQ), losses from HT's business paper 'Mint' (Rs.94mn this quarter and cRs.400mn for FY08) impacted the overall profitability. Revenue growth was below estimate at 14% YoY for Q4'08 at Rs.3.13bn; aided by ad revenue growth of 14.2 % YoY.

- Adjusted for the investments in 'Mint', EBITDA margins expanded by 310bps YoY for 4Q at 22.2%, EBITDA margins including 'Mint' stood at 19.2% for Q4FY08 vis-à-vis the 18.7% reported in Q3FY08 & 15.2% reported in Q4FY07.

- Margins grew QoQ (50bps @ 19.2%) for HT despite adverse RM pricing aided by seasonally lower print orders (English daily), a c5mth inventory (contracted at lower than now existing prices) stocked by the company in addition to savings on ad & sales expenses (down 18% QoQ). RM prices were flat YoY and down 9% QoQ at Rs.1.11bn

We continue to recommend HOLD on HT Media with a price target of Rs.181

- Ad revenue growth in FY08 has been modest at 16% (ad revenues of Rs.10.13bn) for HT, we believe this is due to challenges the sector has been facing in certain key client segments like autos and real estate. This modest ad revenue growth comes after two years of strong 30% plus growth in FY06 and FY07.

- In our opinion, the tepid ad revenue growth rates likely reflect readership losses (in Delhi) in addition to the lull in key client segments like autos and real estate that persisted for the better part of FY08. We await management commentary on the outlook for these sectors going forward.

- For the full year FY08 revenues stood at Rs.11.8bn, a growth of 14% YoY. EBITDA margins stood at 18.9% which aided the 26% YoY growth in profits to Rs.1.45bn. This translated into an EPS of Rs.6.2 for FY08.

- Profit growth for HT, over the recent quarters has been muted due to its new investments- 'Mint'- the business daily, new editions of Hindustan and the base effect. This has resulted in single digit EBITDA growth YoY during H1'08 and 18% YoY for the full year, lower than peers.

- We opine the expected impact on near term financials on account of new investments (well-received in target markets) and muted ad revenue growth rates will likely weigh on the stock. An increase in newsprint prices ($700/ton being the contracted price for Q1'09 v/s $580/ton in Q3'08) and the recent INR depreciation could be additional near term headwinds, in our opinion.
- We remain positive on HT's strategy of securing longer term growth by investing in new cross media initiatives like a business daily, radio, events, internet foray and a wider footprint for its Hindi daily 'Hindustan". These investments though are likely to weigh on near term financials; also expansions in Hindi print coincide with elevated newsprint prices, a negative for initial cost structures.
- The company is holding an analyst call on May 21 2008 to discuss its financial results; we will look for greater clarity on discussed issues and revisit earnings/ target prices/recommendation if there is any material change post the management interaction.

Changes to estimates

- We have modified our estimates marginally to account for the 4Q08 results and have assumed higher print orders and investments for Mint (post roll out in Bangalore & expected new editions) and also it's Hindi paper- 'Hindustan'.
- We have modified our estimates marginally to also account for expected firmer newsprint prices in Q1'09. Now we assume NP prices of $750/ton for FY09E on an average basis. We have also assumed the INR at Rs.40/$for FY09 (v/s Rs.38.5/$ earlier), an additional headwind as HT imports significant amounts of its RM requirements.

Projected Financials

- In financials, HT Media's print business is expected to deliver 18% and 22% CAGR in revenues and earnings respectively over FY07-09E. We expect EBITDA margins to decline to 18% in FY09 from the 18.9% reported in FY08, on account of the medium term cost pressures we envisage for the business- elevated newsprint prices, rupee depreciation and new investments in the business. .
- We expect HTML to report revenues of Rs.14.4bn in FY09E, a growth of 22% over FY08. Net profits are expected to grow to Rs.1.71bn in FY09E (up 18% YoY). This would translate into an EPS of Rs.7.3 (Rs.8.2 earlier) for FY09 after the Rs.6.2 reported in FY08.

Valuation & Recommendation:

- The HT stock has corrected c40% from its peak in Dec-07, as newsprint prices have increased over the last few months and new investments continued to impact near term financials in addition to the broader Indian stock market correction. While positive on the company's strategy of developing a pan- India and cross media presence, we believe the discussed near term earnings pressures will weigh on stock performance.
- We have valued HTML's print business using an average of DCF and EV/EBITDA methodologies. Our weighted average price target stands at Rs.170 for HT Media; Rs.175 on DCF and Rs.165 at 13x FY09 EBITDA.
- To this we have added Rs.10, our estimate of fair value accretive to the HT shareholder from 'Fever 104'- HT's radio business to arrive at a price target of Rs.181 (Rs.220 earlier) for the HT stock.
- While our TP offers optical upsides from the current levels we believe easing of NP prices (expected 2HCY08) and monetization of new initiatives will be key variables to watch for share price performance. We will watch the same and look for opportunities to upgrade the stock given our positive bias for HT's longer term prospects.

- Greater visibility on FY10 earnings and faster than expected break even of new initiatives, greater clarity on new businesses (and their monetisation) can lead to recommendation/price target changes.

Revenues: Ad revenue growth at 18% YoY; 'Hindustan' grows healthily as ad revenues catch up with circulation

Quarterly results

Rs.Mn	Q4FY08	Q4FY07	% chg	Q3FY08	% chg	FY07	FY08	% chg
Revenues	3133.5	2747.6	14.0	3194.0	-1.9	10390.5	11871.0	14.2
Expenditure	2532.3	2329.4		2597.9		8488.1	9632.6	
EBDITA	601.2	418.2	43.8	596.2	0.8	1902.4	2238.5	17.7
Depreciation	117.1	107.4		113.6		397.1	446.7	
EBIT	484.1	310.8		482.6		1505.3	1791.8	
Net Interest	43.2	34.6		44.5		142.5	173.3	
Other Income	123.1	90.7		87.3		402.7	398.1	
PBT	564.0	366.9	53.7	525.4	7.4	1762.9	2016.6	14.4
Tax	148.1	127.3		152.8		614.2	567.1	
PAT	415.9	239.6		372.6		1148.7	1449.5	
PAT after EO items	415.9	239.6	73.6	372.6	11.6	1148.7	1449.5	26.2
EPS (Rs)*	1.8	1.0		1.6		4.9	6.2	
OPM (%)	19.2	15.2		18.7		18.3	18.9	
GPM (%)	15.5	11.3		15.1		14.5	15.1	
NPM (%)	13.3	8.7		11.7		11.1	12.2	

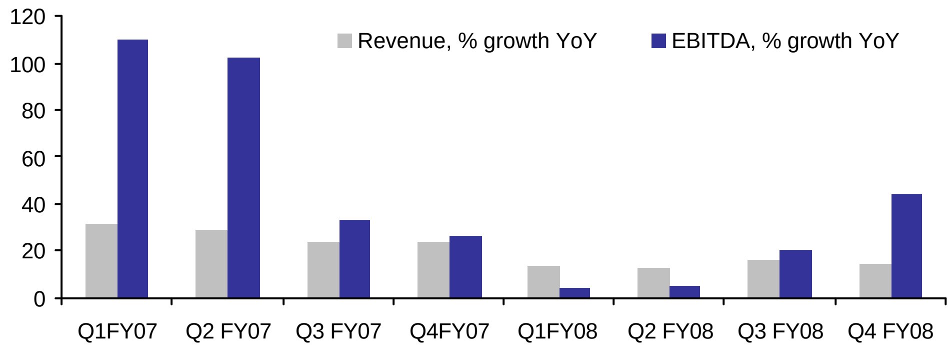
Source: Company

- The 14% YoY revenue growth for HT Media in Q4 FY08 was on the back of an 14.2% growth in advertising revenues that offset the flattish trend in circulation revenues. Ad revenues for the quarter stood at Rs.2.68bn, up 14.2% on a YoY basis.
- Ad revenue growth through FY08 have remained muted on account of challenging industry environment during a part of the fiscal as interest rate sensitive advertiser segments like autos & real estate tightened ad spends.

EBITDA growth has slowed down perceptibly, as new investments take toll

- In Q4FY08, HT Media reported EBITDA margins of 19.2% that were up by about 400bps YoY. These margins in Q4'08 include an EBITDA burn of Rs.94mn towards the business paper- Mint.
- Adjusted for the investments in 'Mint', EBITDA margins expanded by 310bps YoY for 4Q'08 (22.2% vis-à-vis 19.1% in 4Q'07).
- We opine that continuing investments in different editions, elevated newsprint prices, increased ad & sales costs towards the business paper and other new cross media initiatives will possibly keep margins under pressure in the near term.

HT Media YoY Revenue & EBITDA growth rates have slowed down as investments take toll

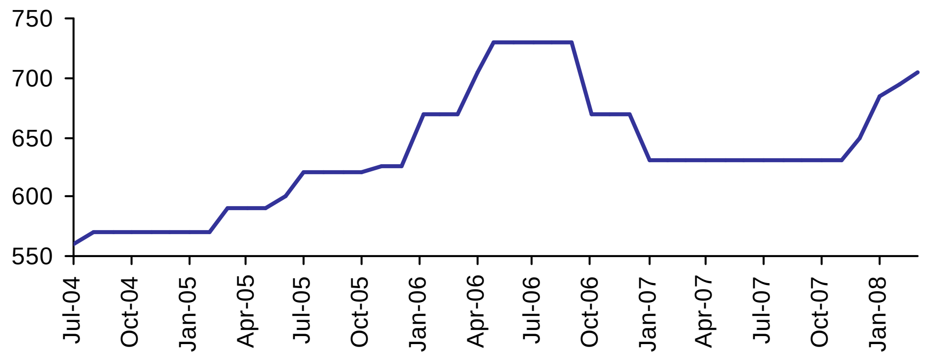


Source: Company

Newsprint prices (c40% of revenues) will be the key variable to watch for print stocks, HT included. Industry expects a softening towards 2HCY08.

- Industry players expect newsprint prices to firm up a further 7-8% from current levels, in the medium term. This firmness in prices is seen on account of closure of some capacities in North America, according to industry players. HT, in our estimate imports c70% of its newsprint requirement. Print players' EBITDA and profitability is sensitive to raw material costs; with RM costs being c38-40% of company revenues.

Newsprint prices - up sharply over the last four months



Source: Bloomberg

Sensitivity to Newsprint prices, HT Media

		Base case	
Average landed price for FY09, $/ton	**700.0**	**750.0**	**800.0**
EBITDA	2972.6	2610.0	2236.4
PAT	**1982.0**	**1714.2**	**1467.4**
EPS	8.5	7.3	6.3
Fair value of print business, Rs.	**202.0**	**172.0**	**165.0**

Source: Kotak Securities - Private Client Research

RESULT UPDATE

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VOLTAS

PRICE: RS.163 **RECOMMENDATION: HOLD**
TARGET PRICE: RS.187 **FY09E P/E: 21.8X**

Numbers are lower than our estimates mainly due to lower revenue and profit booking in the projects segment.

Operating profit grew 69% YoY for the quarter due to expansion in operating margins.

Order book growth has remained fairly robust. Order backlog is up 122% yoy to Rs.48.7 bn providing 36 months of projects revenue visibility

We have reduced earnings downwards in FY09 in view of the high steel and aluminium prices, which may constrain margin expansion, especially in the engineering services and products segment. Also, close to Rs 15 bn of projects are still in the design and mobilization stage. This indicates that it would take some time for these projects to report full margins.

We maintain HOLD with a target price of Rs.187 (Rs.225 earlier)

Summary table

Rs mn	FY08	FY09E	FY10E
Sales	30445	39563	51778
Growth %	26.8	29.9	30.9
EBITDA	2509	3522	4727
EBITDA margin %	8.2	8.9	9.1
Net profit (adjusted)	1785	2490.8	3298.8
Net cash (debt)	463.7	562.3	2920.1
EPS (Rs)	5.4	7.5	10
Growth %	56.9	39.5	32.4
CEPS	5.8	8.1	10.6
DPS (Rs)	1.2	1.6	1.6
ROE %	39%	39%	38%
ROCE %	62%	62%	60%
EV/Sales (x)	1.8	1.4	1
EV/EBITDA (x)	21.4	15.2	10.8
P/E (x)	30.4	21.8	16.4
P/Cash Earnings	28.2	20.2	15.4
P/BV (x)	10.1	7.4	5.4

Source: Company, Kotak Securities - Private Client Research

Quarterly Results

	Q4 FY08	Q4 FY07	% change
SalesTurnover	8421.1	7213.00	17%
Other income	144.7	119.20	21%
Expenditure	7836.7	6866.80	14%
RM costs	2884.4	4019.40	-28%
Purchase of traded goods	3286.1	1515.20	117%
Staff costs	759.3	627.60	21%
Other costs	906.9	704.60	29%
Operating profit	584.40	346.20	69%
Interest	5.4	0.00	
Gross Profit	723.7	465.40	56%
Depreciation	40.2	30.00	34%
PBT	683.5	435.40	57%
Tax	242.5	51.50	371%
Adjusted PAT	441.0	383.90	15%
Profit on sale of property / compensation -88%		95	814.60
Reported PAT	536.00	1198.50	
OPM%	6.9%	4.8%	
Raw material costs to sales %	34.3%	55.7%	
Purchase of traded goods to sales %	39.0%	21.0%	
Staff costs %	9.0%	8.7%	
tax rate %	35.5%	11.8%	

Source: Company

- Net sales for the Quarter increased by 17% to Rs 8.4 bn. Revenue booking has been sluggish in the projects business as major part of the order buildup has taken place during the second half of the last fiscal. Typically, MEP projects orders tend to have a execution period 20-24 months and hence revenue booking tends to be sluggish in initial period.

- The engineering products business posted a negative growth during the quarter on a sequential basis. This segment includes commission income on sale of textile machinery for LMW and material handling equipments like forklifts, dumptrucks etc. Voltas presently manufactures and markets low and medium-priced material handling equipment under its own brand and also distributes high-end equipment imported from Hitachi and BT Industries, a Swedish firm.
- Unitary Cooling division continued with its robust growth rate and posted an increase in revenues of 38% yoy. Productivity has improved on shifting production from Hyderabad to Pantnagar in Uttaranchal.

Segment Revenues

Rs mn	Q4 FY08	Q4 FY07	% change	Q3 FY08
Electromechanical projects	4683	4432	6%	3737
Engg products and services	1442	1275	13%	1600
Unitary cooling	2141	1557	38%	1238
Others	127	64	100%	96
Total	8394	7327	14.6%	6670

Source: Company

Margins expand on greater profit booking in projects and turn-around in unitary cooling business

- Margins expanded from 4.8% in Q4 FY07 to 6.9% in Q4 FY08. Compared to FY07, a sizeable number of large projects reached the billing stage during FY08. This has improved the company's profitability in the projects business.
- During the year, the company executed close to Rs 3500 mn of orders and initiated Rs 15 bn of fresh orders. The new orders could not reach the 10% profit booking stage hence there is a moderation in margins in Q4 FY08.
- The unitary cooling business has benefited from higher employee productivity and excise-tax benefits.
- The engineering services reported margin decline mainly arising out of product mix shift in favour of manufactured items. The management indicated that efforts are to maintain the margins of this division at 20-22% levels.

Segment Revenues

Rs mn	Q4FY08	Q4FY07	Q3 FY08
Electromechanical projects	5.9%	5.7%	7.4%
Engg products and services	21.7%	23.4%	17.7%
Unitary cooling	6.8%	5.7%	5.2%
Others	3.6%	-121.9%	10.5%
Total	8.8%	7.7%	9.5%

Source: Company

- Strong orders accretion on a sequential basis: Order backlog at Rs 48.7 bn is up 122% yoy and 34% on a sequential basis. Some of the large orders in the international market included Ferrari Theme park and District Cooling park orders in UAE. During the year, the company completed the new Rajiv Gandhi International Airport in Hyderabad. Order pipeline continues to be strong.
- We estimate that the company has won several big-ticket orders during the quarter. Estimated order inflows rose to Rs 15.9 bn as compared to Rs 2.33 bn in Q4 FY07.
- However, orders backlog in the engineering services and products business is lower. The previous year had bunching up TUFs related textile machinery orders.

Outlook

- Committed towards the Voltas growth plan: Voltas has formulated plan to reach turnover of Rs 100 bn by 2011. Out of which, Rs 70 bn would be contributed organically. This implies a revenue CAGR of 48% over the next three years. The company has plans to acquire businesses in niche areas that would catalyse the growth rate. At the bottomline level, the target is to achieve a net profit margin of 10% as compared to 4.7% in FY07.
- Focus on profitable growth: With significant buoyancy in the Middle East as well as Indian markets, the company's emphasis has been on project selection. Towards this, the company has expanded its scope of work and is also looking at new geographies. Company sees further scope for margin improvement and is making efforts to improve margins in projects and unitary cooling business.

Earnings Revision

- In our revenue estimates for FY09, we have reduced growth for engineering products and services business given moderation in the textile and industrial segment. We expect 20% revenue growth in FY09 as compared to 33% in FY08.
- **Reduced Operating margins** We have reduced operating margins forecast by 110 bps. More importantly, the company's most profitable segment ie Engineering services and products may face a slowdown and also pressure on margins due to material costs going up. In the projects segment, we believe that majority of projects are still in the initial stage of design and site mobilization stage indicating that it will a while before these projects start showing margins (Voltas has a practice of not booking margins until 10% of the costs related to the projects are incurred).

Our earnings forecast for FY09 is reduced by 17%.

Valuation

	PE 09	EV/EBITDA 09
Thermax	16.8	10.6
BHEL	24.0	15.9
Blue Star	18.6	12.1
Voltas	21.8	15.4

Source: Company, Kotak Securities - Private Client Research

- We arrive at a fair price of Rs.187 based on DCF. In view of the limited upside at current levels, we maintain a Hold on the stock.

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
16-May	Asia Ind Net	Atul Naginbhai Chauhan	B	22,524	13.18
16-May	Bajaj Steel	Sheetal Rajesh Jain	S	32,274	174.88
16-May	Contech Soft	Deepak Gobindram Punjabi	B	50,000	24.51
16-May	Cybermat Inf	Edelweiss Estates Private Ltd	S	654,333	5.63
16-May	DMC Inter	Hitech Computech Private Ltd	S	35,000	13.22
16-May	Filat Fash	Kishor B Giri	S	30,000	33.26
16-May	Gemini Commu	Mahesh Chotalal Shah	S	104,214	264.38
16-May	Jumbo Bag Lt	Sanjaykumar C Jain	B	50,000	30.40
16-May	Jumbo Bag Lt	Rina Ashishbhai Shah	S	57,069	30.45
16-May	Koff Br Pict	Pravin D Gala	B	33,100	21.99
16-May	Kushagra So	Romy Realty Private Ltd.	B	157,025	7.87
16-May	Micro Forge	Geometric Sec and Adv Pvt Ltd	B	48,600	16.52
16-May	Monozym Indi	Vinay Sharma	B	60,000	4.19
16-May	Raj Glo Wir	Sunil Chordia	B	100,000	60.70
16-May	Raj Glo Wir	Rajratan Resources Pvt. Limited	B	150,000	60.70
16-May	Raj Glo Wir	Chandanmal Chordia	S	250,000	60.70
16-May	Rajas Tube M	Apl Infrastructure Private Lim	S	90,000	14.30
16-May	Shriram City	India Advantage Fund Vi	B	1,428,571	385.00
16-May	Shriram City	Vinamra Universal Traders Pvt Ltd	B	771,483	385.00
16-May	Sika Interp	Neerja Chawla	S	9,387	68.04
16-May	Sita Shree	Sophia Gth A Class of Somerset Ind	S	393,410	45.03
16-May	Suryadeep Ch	Universal Credit	B	83,000	2.67
16-May	Webel Sl Ene	Blackstone Asia Advisors Ll..	B	100,812	350.00
16-May	Webel Sl Ene	Morgan Stanley Mauritius Co Ltd	S	124,303	350.11

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
SAIL	186	7.6	9.0	27.7
Reliance Com	603	2.2	4.4	7.1
Cairn India	301	4.6	4.1	14.7
Losers				
Infosys Tech	1,871	(1.2)	(2.1)	2.1
HDFC	2,762	(1.4)	(1.9)	0.6
Bharti Airtel	852	(0.4)	(1.2)	3.7

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
19-May	Tech Mahindra earnings expected
20-May	DRL, BoB, GNFC, GMR Infrastructure, Suzlon Energy, Bharat Forge, Tata Teleservices, ICI India earnings expected
21-May	HDIL earnings expected
22-May	Cummins India, Core Projects & Technologies earnings expected
23-May	BHEL, ITC, Jet Airways, Federal Bank, Crompton Greaves earnings expected
28-May	Mahindra & Mahindra, Tata Motors, Birtania Industries earnings expected
29-May	L&T, NTPC earnings expected
30-May	Colgate, GSFC earnings expected

Source: Bloomberg

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