INDIA DAILY

May 28, 2008

EQUITY MARKETS

		Change, %		
India	**27-May**	**1-day**	**1-mo**	**3-mo**
Sensex	16,276	(0.4)	(4.4)	(8.7)
Nifty	4,860	(0.3)	(4.5)	(8.0)
Global/Regional indices				
Dow Jones	12,548	0.6	(2.5)	(0.3)
Nasdaq Composite	2,481	1.5	2.3	6.4
FTSE	6,059	(0.5)	(0.5)	1.6
Nikkie	13,837	(0.4)	(0.4)	(0.6)
Hang Seng	24,279	(0.0)	(5.4)	(1.3)
KOSPI	1,820	(0.3)	(0.2)	4.8

Value traded - India

			Moving avg, Rs bn	
	27-May		**1-mo**	**3-mo**
Cash (NSE+BSE)	165.2		205.5	193.9
Derivatives (NSE)	499.7		338.3	633
Deri. open interest	874.1		549	826

Forex/money market

			Change, basis points	
	27-May	**1-day**	**1-mo**	**3-mo**
Rs/US$	42.8	0	261	295
6mo fwd prem, %	0.7	(25)	71	24
10yr govt bond, %	8.2	1	(7)	50

Net investment (US$mn)

	26-May		**MTD**	**CYTD**
FIIs	(276)		6	(2,709)
MFs	12		(197)	1,394

Top movers -3mo basis

			Change, %	
Best performers	**27-May**	**1-day**	**1-mo**	**3-mo**
Shipping Corp	279	(1.7)	22.0	29.2
Nestle India	1,761	1.2	9.0	28.3
i-Flex	1,380	2.3	6.2	26.7
Thomas Cook	103	(0.0)	2.8	26.2
Dr Reddy's	695	0.7	11.1	21.4
Worst performers				
Reliance Cap	1,235	(3.3)	(15.3)	(35.0)
SAIL	166	(0.6)	(5.7)	(34.5)
Thermax	440	2.2	(15.3)	(33.4)
Siemens India	582	0.3	0.1	(32.1)
Essel Propack	32	(1.8)	(17.7)	(31.4)

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News Roundup

Corporate

- UK-based retailer Tesco is believed to be in talks with the Wadias, Parsvnath Developers and Kalpataru Properties to enter the Indian market. (ET)
- Tyre-cord maker SRF Ltd on Tuesday it will acquire Thai Baroda Industries Ltd for Rs1 bn to gain a foothold in South East Asian markets. (Reuters)

Economic and political

- The government is contemplating the levy of a 3-5% cess to finance some of the oil subsidy bill, which is projected to balloon to more than Rs 2 trillion by the end of this fiscal. The cess will be slapped on both income tax and corporate tax. (FE)
- The government partly relaxed the ban on cement exports, which was imposed on April 11 this year to improve the availability of the commodity in the country. (BS)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line.

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Strategy

Sector coverage view	N/A

KS-Ownership Navigator March 2008 quarter changes (qoq)

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- **FIIs divest Rs187 bn in March 2008 quarter**
- **FIIs sell Energy and Industrials; buy Banking & Pharmaceuticals;**
- **Domestic institutions buy Industrials and Metals**

March 2008 quarter witnessed buying by domestic institutions (LIC and MFs) and heavy selling by FIIs. While domestic institutions increased their exposure to Energy and Industrials stocks, FIIs reduced their positions in the same. FII holdings in BSE-200 companies decreased to 19.3% as of March 31, 2008 from 20.5% as of December 31, 2007. Overall, institutions increased their positions in Metals and Banking (following rights offering by Tata Steel and State Bank of India).

FIIs divest Rs187 bn in March 2008 quarter

- FIIs sell Energy and Industrials; buy Banking & Pharmaceuticals;
- Mutual Funds (MFs) buy Energy, Industrials and Metals
- LIC buys Banking, Industrials and Metals

Key stock changes—FIIs subscribed to Tata Steel and SBI rights issue

- FIIs buy State Bank of India, Tata Steel and Federal Bank
- MFs buy Cairn India, L&T and Tata Steel
- LIC buys State Bank of India, Siemens and Reliance Industries

Overweight/Underweight companies

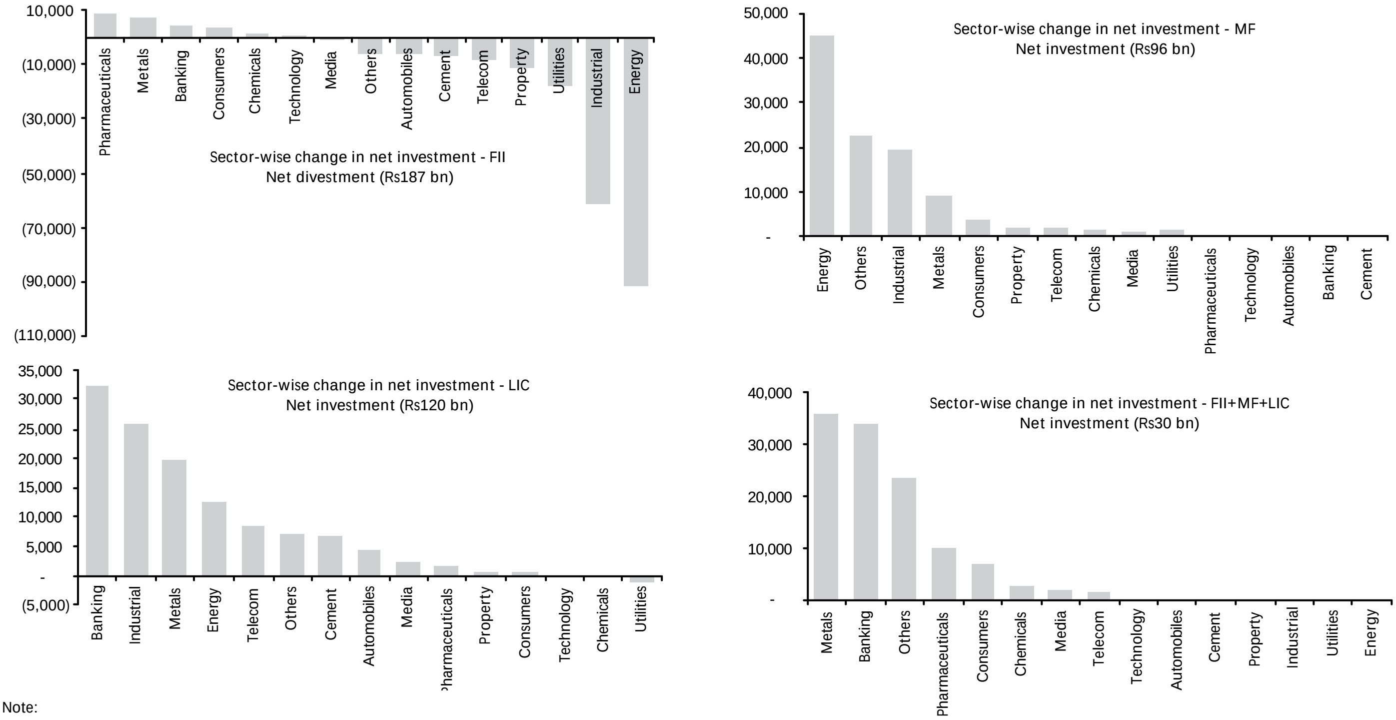
- FIIs are overweight Banking, Technology; underweight Energy, Utilities, Property
- MFs are overweight Industrials and Banking; underweight Energy, Utilities

Limitations of our analyses

- Assumption: BSE-200 is the primary investable universe for institutions
- LIC portfolio comprise stocks with more than 1% holdings
- Unless otherwise specified, analysis in this report is with respect to BSE-200

Sector-wise changes in holdings of FIIs, MFs and LIC during March 2008 quarter

Sector-wise changes in portfolio in March 2008 over December 2007, at quarter average prices (Rs mn), (a)



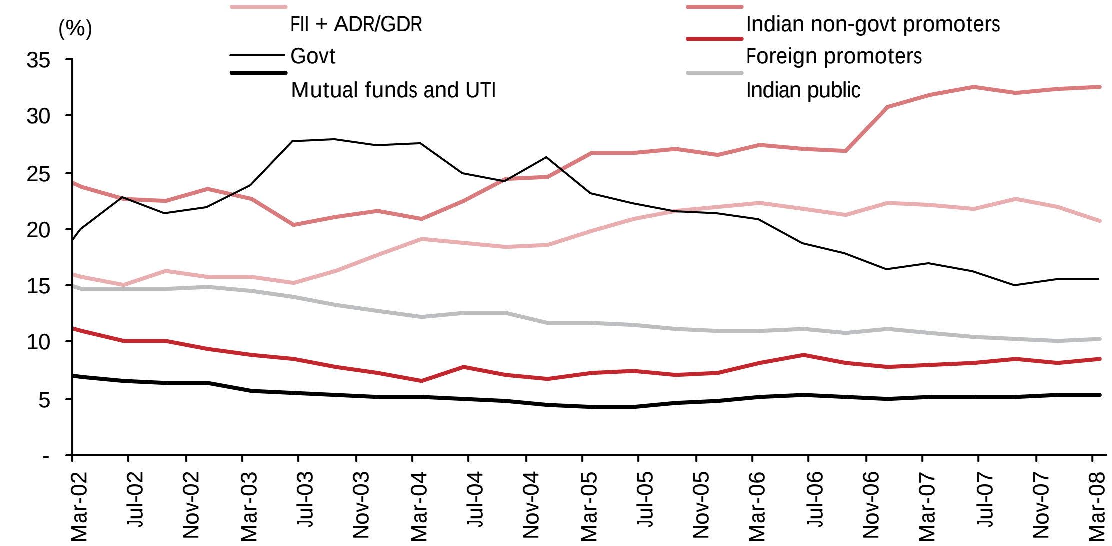
Note:

(a) We have used the average of month-end prices of stocks for each of the three months in the latest quarter.

Source: BSE, Kotak Institutional Equities.

Ownership pattern over the past 20 quarters

Analysis done for BSE-200 stocks taking market capitalization at the end of each quarter



Source: BSE, Kotak Institutional Equities.

BSE-200 ownership over the last 20 quarters

Analysis done for BSE-200 stocks taking market cap. at the end of each quarter (US$ bn)

	Promoters							
	Indian non-govt	Foreign	Govt	MFs and UTI	FIIs	Indian Public	UTI	LIC
Jun-03	26.5	9.9	39.0	5.7	15.1	17.5	2.1	5.6
Sep-03	34.7	11.3	49.5	7.0	21.0	20.9	2.3	6.9
Dec-03	47.9	14.0	65.4	8.8	31.4	26.8	2.7	9.0
Mar-04	45.1	11.9	64.2	8.5	33.6	25.0	2.2	9.7
Jun-04	44.2	13.5	52.5	7.6	30.2	23.5	1.7	9.0
Sep-04	59.7	14.9	63.0	8.7	36.7	29.0	2.0	11.1
Dec-04	76.7	17.9	87.4	9.9	48.0	33.9	2.1	13.1
Mar-05	83.3	19.3	76.3	9.5	60.3	33.5	1.5	12.3
Jun-05	88.8	20.8	78.0	10.2	68.6	35.2	1.8	14.0
Sep-05	100.4	22.5	84.8	12.2	78.8	37.9	2.2	16.8
Dec-05	115.1	27.0	97.9	15.6	93.8	44.0	2.6	18.1
Mar-06	137.2	35.3	110.8	19.3	110.3	50.9	3.3	21.5
Jun-06	118.8	34.4	86.8	17.9	94.0	45.2	2.9	19.0
Sep-06	143.2	37.4	100.8	20.7	111.7	52.6	2.7	20.7
Dec-06	194.5	41.9	109.3	23.1	139.4	64.8	3.1	25.2
Mar-07	193.6	42.1	108.5	23.8	132.3	60.1	2.9	24.8
Jun-07	262.5	56.8	137.8	31.6	171.8	76.4	3.3	31.0
Sep-07	306.1	71.1	151.7	38.0	212.5	89.1	4.3	38.1
Dec-07	397.2	87.4	200.9	49.0	264.1	111.9	5.6	49.3
Mar-08	296.1	67.3	148.9	37.7	183.6	84.9	4.5	39.0

Source: BSE, Kotak Instutional Equities.

Metals

JNSP.BO, Rs2206	
Rating	ADD
Sector coverage view	Attractive
Target Price (Rs)	2,900
52W High -Low (Rs)	3357 - 621
Market Cap (Rs bn)	339.6

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	47.6	63.0	71.7
Net Profit (Rs bn)	11.9	16.5	15.6
EPS (Rs)	77.3	106.9	101.5
EPS gth	*37.6*	*38.3*	*(5.0)*
P/E (x)	28.5	21	21.7
EV/EBITDA (x)	17.7	13.4	13.1
Div yield (%)	0.2	0.2	0.2

Shareholding, December 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	58.9	-	-
FIIs	23.6	0.2	0.0
MFs	3.7	0.2	0.0
UTI	-	-	(0.2)
LIC	-	-	(0.2)

Jindal Steel and Power : Net profit almost doubles in 4QFY08 led by increased volumes and better realization; retain ADD

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- **JSP's 4Q net earnings at Rs3.9 bn (we estimated Rs3.4 bn) increased 93% yoy driven by higher volumes and improved realization**
- **4Q EBITDA margins at 38% declined 80 bps yoy but was flat on qoq basis**
- **JSP reported FY2008 net earnings at Rs12.3 bn; EBITDA margin at 39.4% remains flat yoy as higher realizations were offset by sharp appreciation of the rupee**
- **Retain ADD rating with target price of Rs2,900/share**

JSP declared 4QFY08 net earnings of Rs3.9bn, up 93% yoy and 16% higher than our estimates. EBITDA margins declined marginally by 80bps on yoy basis, as higher realization was offset by a sharp appreciation in the rupee and an increase in employee costs. JSP reported FY2008 net profit at Rs12.3 bn, up 76% yoy. We retain our ADD rating and target price of Rs2,900/share.

JSP's 4Q net earnings, at Rs3.9 bn were 16% higher than our estimates and increased 93% on yoy basis on account of higher volumes and better realizations. EBITDA, at Rs5.8 bn increased 48% yoy and was largely in line with our estimates.

EBITDA margins, at 38% declined 80 bps yoy as a result of a sharp appreciation in the rupee and increase in employee costs. EBITDA margin remained flat on qoq basis as JSP unlike its peers JSW Steel and Tata Steel would be relatively unaffected by increase in raw material costs—JSP has captive source for meeting its iron ore and coal requirements thereby insulating it from increase in iron ore an coal prices.

JSP reported FY2008 net earnings at Rs12.3 bn—up 76% yoy. EBITDA at Rs21.3 bn was up 52% as JSP sold more steel during the year and realizations were higher as well. FY2008 EBITDA margin at 39.4% remained flat as the higher realizations were offset by a sharp appreciation of the rupee. We expect volumes to improve as JSP continues to benefit from its capacity expanded in the past year. We also expect JSP to stabilize its plate mill and receive approval for sale of plates under API-grade in FY2009E.

Retain our SOTP-based target price of Rs2,900. We believe many triggers exists that can make a case for incremental value generation from current prices.

a) **We currently value JSP's stake** in El Mutun assuming an execution probability of just 50%. We believe this project can add great value, if JSP is successful in executing its plans. We note that JSP received the mining approvals for the EL Mutun mines recently and we expect mining to commence by end-FY2009E.

b) **JSP's existing coal mine in Chhattisgarh** can support an incremental 1,500MW for the next 20 years. The company has floated a tender to order 1,320MW and will likely place order for equipments in the next 3-4 months, in our estimate. We have not yet captured the full value that this project can potentially add.

We continue to maintain an ADD rating on the stock with target price of Rs2,900.

Jindal Steel and Power, Interim results, March fiscal year-ends (Rs mn)

	4Q 2008	3Q 2008	4Q 2007	% change qoq	% change yoy	12 months 2008	12 months 2007	% change
Quantitative details ('000 tons)								
Steel sales	360,639	335,722	236,408	7.4	52.5	1,266,750	710,875	78.2
Sponge iron sales	58,084	87,544	158,207	(33.7)	(63.3)	405,670	698,945	(42.0)
Power sales (mn units)	245	284	281	(13.8)	(12.8)	893	1,237	(27.8)
Earnings drivers								
Average US HRC prices (US/ton)	762	590	571	29.2	33.5	633	632	0.2
Average UK HRC prices (US/ton)	692	643	616	7.6	12.3	659	618	6.6
Average INR:USD	39.79	39.47	44.16	0.8	(9.9)	40.26	45.25	(11.0)
Interim results								
Net revenues	**15,230**	**13,956**	**10,539**	9.1	44.5	**54,108**	**35,198**	53.7
Expenditure	**(9,437)**	**(8,633)**	**(6,622)**			**(32,794)**	**(21,174)**	
Stock adjustment	1,472	230	397			1,603	601	
Raw materials	(5,046)	(5,334)	(3,213)			(19,340)	(11,284)	
Employee cost	(504)	(301)	(243)			(1,450)	(937)	
Other costs	(5,359)	(3,228)	(3,564)			(13,607)	(9,555)	
EBITDA	**5,793**	**5,324**	**3,917**	8.8	47.9	**21,314**	**14,024**	52.0
Other income	248	118	201			491	290	
Depreciation	(1,035)	(1,188)	(1,183)			(4,515)	(3,365)	
EBIT	5,006	4,254	2,935			17,290	10,949	
Interest	(603)	(500)	(250)			(2,265)	(1,501)	
Pre-tax profits - as reported	4,402	3,754	2,685			15,025	9,448	
Unusual or infrequent items	-	-	-			-	-	
Pre-tax profits - as adjusted	**4,402**	**3,754**	**2,685**	17.3	64.0	**15,025**	**9,448**	59.0
Taxes	(499)	(564)	(312)			(2,656)	(1,071)	
Reported profits - as reported	3,903	3,191	2,373			12,370	8,377	
Extra-ordinary items	-	-	-			-	-	
Reported profits - as adjusted	**3,903**	**3,191**	**2,373**	22.3	64.5	**12,370**	**8,377**	47.7
Reported profits - as adjusted	**3,903**	**3,191**	**2,373**	22.3	64.5	**12,370**	**8,377**	47.7
Ratios								
Costs as % of revenue (%)	62.0	61.9	62.8			60.6	60.2	
EBITDA margin (%)	38.0	38.1	37.2			39.4	39.8	
ETR (%)	11.3	15.0	24.5			17.7	25.6	
EPS (Rs/share)	25.4	20.7	15.4			80.3	54.4	

Source: Company data, Kotak Institutional Equities estimates

Banking

SRTR.BO, Rs343	
Rating	REDUCE
Sector coverage view	Attractive
Target Price (Rs)	355
52W High -Low (Rs)	472 - 144
Market Cap (Rs bn)	69.6

Financials

March y/e	2008	2009E	2010E
Sales (Rs bn)	12.0	17.7	22.3
Net Profit (Rs bn)	3.9	5.6	7.0
EPS (Rs)	19.2	27.6	33.3
EPS gth	*85.7*	*43.8*	*20.6*
P/E (x)	17.9	12	10.3
P/B (x)	4.0	3.3	2.8
Div yield (%)	1.5	2.4	3.0

Shareholding, December 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	42.0	-	-
FIIs	13.2	0.1	0.1
MFs	3.4	0.2	0.2
UTI	-	-	-
LIC	-	-	-

Shriram Transport Finance: Raising target price to factor higher business volume, retain REDUCE

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- **Post yesterday's (May 27, 2008) analysts meet, we are raising earnings estimates to factor higher growth traction**
- **We revise target price to Rs355 (from Rs335), retain REDUCE recommendation**

After the analysts meet, we are raising our earnings estimates by 9% and 6% for FY2009E and FY2010E, respectively, to factor higher loan growth, NPL provisions, operating expenses and tax liability. We are raising our price target to Rs355 from Rs335 earlier (based on FY2009E). We believe Shriram Transport Finance (STFC) operates one of the most profitable business models in the NBFC space. However, we find the stock closer to its full valuation at the current levels and expect it to underperform the market. We retain REDUCE recommendation on the stock. Our fair value based on FY2010E is Rs410. The stock is currently trading at 12X PER and 3.3X PBR FY2009E.

Key highlights

Moderate growth over medium term. We factor moderate disbursements growth—24% and 16% in FY2009E and FY2010E, respectively, on the back of 61% and 76% growth in FY2007 and FY2008. We believe the company will find it challenging to consistently deliver very high growth. The management has guided for a moderate growth of 20-30% in FY2009E. STFC's debt-equity ratio increased to 8X in March 2008; the company will likely need to raise equity to support higher than estimated growth.

Provisioning expenses will likely rise hereon. We expect STFC's provisioning expenses to increase by about 70% yoy in FY2009E. These would be on account of higher business volumes and likely higher NPL ratio. STFC's loan loss provisions were at 1.6% of average assets in FY2008 vs 2% in FY2007 on the back of lower gross NPLs (1.6% in March 2008 vs 2% in March 2007). Given the potential risks in STFC's business segment, we expect NPLs to rise from the current lows. We estimate the provision expenses at 1.9% of average assets for FY2009E and FY2010E.

Growth to drive operating expenses. We are also raising our estimates for STFC's operating expenses and salaries. STFC established 70 new branches in FY2008. We expect 40-50 new branches to be set-up annually which will drive higher expenses.

Highlights of 4Q08 results

- STFC reported PAT (4QFY08) of Rs1.1 bn, up 131% yoy but 2% below estimates
- Net operational income up 102% to Rs3.7 bn—largely supported by enhanced net worth post IPO
- Core earnings above estimates—driven by strong loan growth, stable spreads but tempered by higher wages and operating expense
- Disbursements—Rs38 bn (up 112% yoy) mainly driven by used vehicles (Rs26 bn, up 193% yoy). Consequently, outstanding truck assets were up 62% yoy to Rs195 bn

Shriram Transport Finance - Old and New estimates
March fiscal years, 2009-2010E (Rs mn)

	Old estimates			New estimates			% change		
	2008	2009E	2010E	2008	2009E	2010E	2008	2009E	2010E
Net interest income *(a)*	11,241	15,098	19,086	11,967	17,656	22,321	6.5	16.9	16.9
Loans (including securitised loans)	180,915	245,461	305,881	195,066	257,881	318,530			
YoY(%)	50	36	25	62	32	24			
NIM (%)	8.9	8.7	8.8	8.5	8.5	8.4			
NPL provisions	2,391	3,628	4,399	2,317	4,003	5,167	-3.1	10.3	17.5
Operating expenses	3,063	3,790	4,750	3,600	4,901	6,178	17.5	29.3	30.1
Employee	1,113	1,302	1,720	1,252	1,822	2,364	12.5	39.9	37.4
Others	1,950	2,488	3,029	2,348	3,079	3,814	20.4	23.8	25.9
PBT	5,970	7,864	10,121	6,058	8,761	10,984	1.5	11.4	8.5
Tax	2,060	2,713	3,492	2,160	3,154	3,954	4.9	16.2	13.2
PAT	3,911	5,151	6,629	3,898	5,607	7,030	-0.3	8.9	6.0

Note. (a) includes income on securitised assets.

Source: Kotak Institutional Equities estimates

Pharmaceuticals

DISH.BO, Rs305	
Rating	BUY
Sector coverage view	Attractive
Target Price (Rs)	515
52W High -Low (Rs)	455 - 229
Market Cap (Rs bn)	24.8

Financials

March y/e	2007	2008E	2009E
Sales (Rs bn)	8.0	11.0	13.3
Net Profit (Rs bn)	1.2	1.7	2.2
EPS (Rs)	14.9	20.5	27.1
EPS gth	*32.5*	*37.1*	*32.3*
P/E (x)	20.4	14.9	11.2
EV/EBITDA (x)	15.2	10.6	8.4
Div yield (%)	0.0	0.0	0.0

Shareholding, December 2007

	Pattern	% of Portfolio	Over/(under) weight
Promoters	63.2	-	-
FIIs	8.9	0.0	0.0
MFs	21.1	0.3	0.3
UTI	-	-	-
LIC	-	-	-

Dishman Pharmaceuticals: Company meets FY2008 guidance, operating outlook remains positive

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- **4QFY08 revenues, 12% above KIE, at Rs2.4 bn driven by CRAMS**
- **EBITDA margins at 18.6%—5% lower than expectations due to increase in materials, personnel costs**
- **PAT at Rs398 mn, 5% above KIE due to tax reversal**
- **Company gives FY2009E AT guidance of Rs 1.5 bn. We think this is a conservative estimate**
- **FY2009E, FY2010E earnings estimates decreased 7% and 14%, respectively**
- **Maintain BUY rating with a SOTP-based target price of Rs515 (from Rs540)**
- **Dishman has the maximum upside potential among CRO/CMO companies we cover**

Dishman reported revenues at Rs2.4 bn, 12% above KIE, driven by CRAMS and Carbogen Amcis revenue expansion. However, EBITDA was 11% lower than KIE due to higher materials and personnel cost. PAT at Rs398 mn was 5% higher than KIE due to tax reversal this quarter. FY2009E and FY2010E earnings estimates decreased 7% and 14%, respectively, though most changes are below EBITDA line. The stock trades at 15X FY2009E and 11X FY2010E earnings. Maintain BUY rating with a SOTP-based target price of Rs515 (Rs540 earlier).

4QFY08 revenues, 12% above KIE, at Rs2.4 bn driven by CRAMS. Revenues grew 17% qoq in rupee terms to touch Rs2.4 bn. The growth was driven by CRAMS revenues at Rs1.8 mn which beat estimates by 20%. However, the MM (marketable molecules) segment sales were 21% lower than estimates. The company also reported around Rs102 mn of other operating income.

EBITDA margins at 18.6%—5% lower than expectation. Margins were lower than KIE due to (1) sharp decline in profitability of MM business. Margins in MM business have been declining for most of the year due to increase in raw material prices from China and rupee appreciation. (2) Material cost at 38% of sales was higher than KIE of 35% and personnel costs was at 27% of sales vs KIE 24%.

PAT at Rs398 mn, 5% above than estimates due to tax reversal. Dishman reported other income of Rs154 mn this quarter. Tax rate was negative due to tax reversal of Rs 58 mn.

Update on new plants. The company incurred capex of Rs1.5 bn in FY2008E towards setting up four new plants for its CRAMS business. (1) Unit 1 set up for Solvay is running at full capacity with Solvay having increased its esprosartan order by 3X and unit 8B with a capacity to produce 7 mt of esprosartan per month will take the total production of esprosartan to 22 mt per month. (2) Unit 8A has just been commissioned and is a multipurpose plant with annual potential revenues of US$60-65 mn at full capacity. (3) Unit 9 is being developed at an investment of Rs450 mn as a high potency unit for manufacturing anticancer drugs, hormones, etc. The management highlighted that while there are manufacturing sites for class1-2 of high potency drugs in India, unit 9 will be capable of handling production of class 3-4 drug drugs. The plant is expected to be ready by 1QCY2009. We do not factor in any revenues from this facility in our estimates and wait for update on progress of this site.

Update on new businesses. (1) Dishman's plant in China is on track and will commence production by September 2008. The company has changed its earlier strategy and is now offering its Chinese facility to global CRAMS customers as they look to diversify across manufacturing locations in order to mitigate risks. We forecast US$5 mn sales in China for FY2009E increasing to US$10 mn in FY2010E. (2) Revenues from Middle East JV will start in 2010. We do not factor in any revenues from Middle East as yet. (3) Dishman Japan will be operational in FY2009E and negotiations with top Japanese companies (including Takeda for outsourcing of Lansoprazole) are underway. We forecast US$10 mn revenues for FY2009E and US$20 mn for FY2010E.

Company gives FY2009E PAT guidance of Rs 1.5 bn. For FY2009E, Dishman expects sales of Rs10.5 bn and PAT of Rs1.5 bn. Management expects EBITDA margins (excluding forex income) to increase to 23-24%. (FY2008 reported margins at 19% and adjusted margin excluding one-time costs at 21%). Increase in margins will be driven by (1) increase in margins of MM business. The MM business was severely hit this year with margins declining to 10% at the EBIT level. The Vitamin D business reported EBITDA margin of 8% for the full year due to initial one-time expenses at Dishman Netherlands. The company expects margins to increase to around 18-20% at Dishman Netherlands driving profitability of this business segment. We model EBIT margins to increase to 13% in FY2009E and 15% in FY2010E. (2) Improvement in margins of CRAMS segment. Carbogen Amcis reported EBITDA margins of 28% for FY2008, up 3% yoy boosting CRAMS segment profitability. We expect the company to maintain the margins at similar levels and model 80 bps and 50 bps margin increases for FY2009-10E (FY2008 EBIT margins at 21.7%). (3) Increase in capacity utilization of new plants. Management expects increasing utilization of new plants—Unit 8A (multipurpose plant, revenue potential of US$60-65 mn at full capacity), 8B (dedicated to Solvay, revenue potential of Euro 30-40 mn at full capacity) to contribute to increase in margins. (4) Last year the company had absorbed around Rs150 mn losses from three subsidiaries which are expected to breakeven this year.

FY2009E, FY2010E earnings estimates decreased 7% and 14%. In exhibit 3, we show the changes in forecasts made following FY2008 results. (1) According to the management, Carbogen Amcis registered sales growth of 11-12% for FY2008 in local currency. We reduce Carbogen Amcis FY2009E sales growth to 15% in local currency in line with management guidance. (2) MM business from India grew 3% in dollar terms for FY2008. We accordingly reduce sales growth for the Indian business to 5% for FY2009-10E and maintain Vitamin D revenues at Euro 16 mn for FY2009E in-line with guidance (3) Incorporating revenues from Japan and higher Rs/US$ rate (39.8 for FY2009E and 39.5 for FY2010E) leads to 4% increase in revenues for FY2009 from earlier estimates. We reduce FY2009E and FY2010E PAT by 7% and 14% from our earlier estimates to reflect FY2008 performance and company guidance. There are no major changes till EBITDA line.

Maintain BUY rating with a SOTP-based target price of Rs515 (from Rs540). We estimate (1) sales of Rs11 bn vs company guidance of Rs10.5 bn for FY2009E (2) FY2009E EBITDA margin (excluding other income) at 25% (3) We believe company's PAT guidance of Rs1.5bn (excluding forex income) is conservative and estimate PAT for FY2009E at Rs1.6 bn, 11% higher than guidance. Despite reduction in FY2010E earnings estimates by 14%, our target price of Rs515 declines by 5% (from Rs540) as we roll forward price last set in January.

Interim results- Dishman , March fiscal year-ends (Rs mn)

	4QFY07	3QFY08	4QFY08	4QFY08 KIE	Growth (%, yoy)	Growth (%, qoq)	Chg (% vs. KIE)
Net sales	**2,082**	**2,066**	**2,419**	**2,154**	**16**	**17**	**12**
Change in stock	(436)	(19)	(44)	(140)	NM	NM	NM
Consumption of raw ma	1,073	790	954	905	(11)	21	5
Personnel cost	656	547	648	517	(1)	18	25
Other expenses	485	349	412	370	(15)	18	11
Total Expenditure	**1,778**	**1,667**	**1,971**	**1,652**	**11**	**18**	**19**
EBITDA	**304**	**399**	**449**	**502**	**48**	**13**	**(11)**
Other income	127	125	154	100	21	23	54
Interest	48	77	96	50	99	25	91
Depreciation	32	104	167	130	426	60	29
PBT	**352**	**343**	**340**	**422**	**(3)**	**(1)**	(19)
Tax	(57)	22	(58)	42	NM	NM	NM
PAT	**408**	**321**	**398**	**380**	**(2)**	**24**	**5**
CRAMS	449	1,550	1,799	1,500	**301**	**16**	**20**
Marketable molecules	340	429	518	654	53	21	(21)
Others	1,293	87	102	—	(92)	18	NM
Total	**2,082**	**2,066**	**2,419**	**2,154**	**16**	**17**	**12**

Source: Company data, Kotak Institutional Equities.

Forecasts and valuation, March fiscal year-ends, 2006-2010E

	Net Revenue		EBITDA		Net Profit		EPS	ROCE	ROE	P/E
	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs mn)	Growth (%)	(Rs)	(%)	(%)	(X)
2006	2,774	47.1	648	25.5	508	58.1	6.3	13.5	30.3	48.8
2007	5,786	108.5	1,151	77.6	917	80.4	11.3	12.7	36.2	27.0
2008	8,031	38.8	1,529	32.8	1,215	32.5	14.9	9.3	23.2	20.4
2009E	10,959	36.5	2,759	80.5	1,666	37.1	20.5	14.4	20.8	14.9
2010E	13,267	21.1	3,414	23.8	2,205	32.3	27.1	16.6	22.7	11.3

Source: Company data, Kotak Institutional Equities.

Revenue breakup, March fiscal year-ends, 2009E-2010E (Rs mn)

	Current estimates		Earlier estimates		% change	
	2009E	2010E	2009E	2010E	2009E	2010E
CRAMS	**8,357**	**10,422**	**7,396**	**9,800**	**13**	**6**
India	2,829	3,651	1,938	2,678	46	36
Swiss	4,570	5,121	5,002	6,406	(9)	(20)
UK	361	466	267	341	35	36
China	199	395	190	375	5	5
Japan	398	790	—	—		
Marketable molecules	**2,602**	**2,845**	**3,166**	**3,737**	**(18)**	**(24)**
India	1,551	1,616	2,044	2,522	(24)	(36)
Netherlands	1,051	1,229	1,121	1,215	(6)	1
Total	**10,959**	**13,267**	**10,562**	**13,537**	**4**	**(2)**
EBITDA	**2,759**	**3,414**	**2,599**	**3,603**	**6**	**(5)**
EBITDA margin	25.2	25.7	24.6	26.6	1	(1)
Other income	100	100	200	100	(50)	—
Depreciation	640	690	500	550	28	25
Financial charges	330	330	317	316	4	4
PBT	**1,889**	**2,494**	**1,982**	**2,837**	**(5)**	**(12)**
PAT	**1,666**	**2,205**	**1,784**	**2,553**	**(7)**	**(14)**

Source: Company data, Kotak Institutional Equities.

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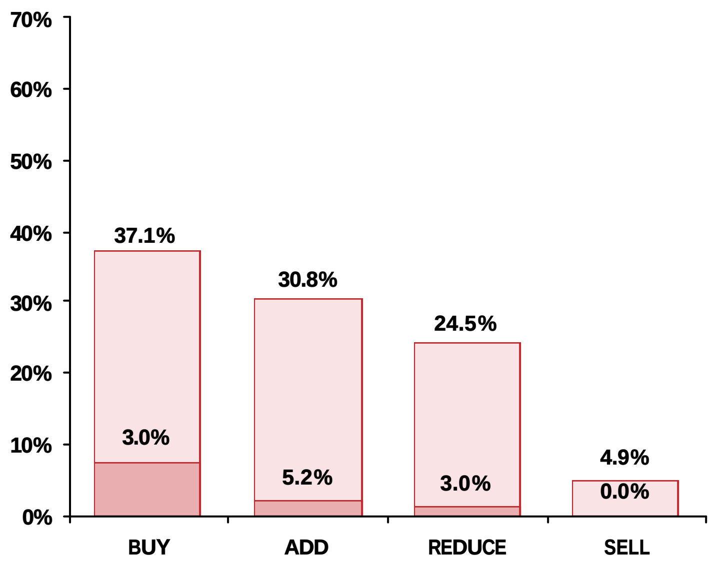

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Source: Kotak Institutional Equities. As of March 31, 2008

Ratings and other definitions/identifiers

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Old rating system

Definitions of ratings

OP = Outperform. We expect this stock to outperform the BSE Sensex over the next 12 months.
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