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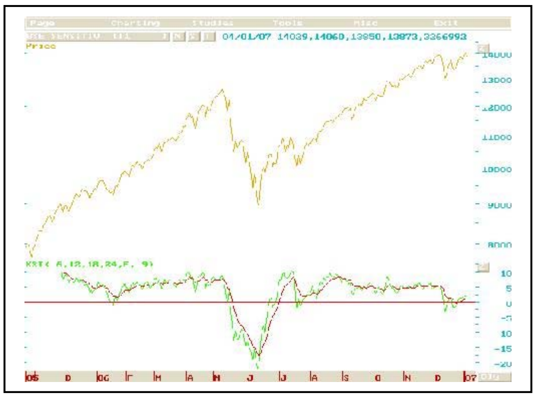
Markets turn tentative

awaiting Q3 results

By Sanjay R. Bhatia

The markets managed to close above the Sensex 14000 level on Wednesday, 3rd Jan.'06, last week but failed to sustain above it due to profit booking and selling pressure. The volumes recorded have been good amidst good advance-decline ratios. Traders and speculators were active in auto, banking, cement, IT, pharma, oil & gas and telecom stocks. Incidentally, FIIs have remained net sellers in the cash segment. Mutual funds, on the other hand, were net buyers during the course of last week.



The global market cues have remained mixed. On one hand, global equity markets have melted down on the back of softening commodity prices, especially base metals, while on the other, crude prices softened once again, trading below the $55 level due to less severe winter in the US. The markets are tentative at higher levels. Now, it is important that the Sensex closes above the 14000 level and sustains above it for the markets to test higher levels. The earnings season will decide the fate of the markets alongwith global market cues. The fall in the crude prices is welcome but the fall in base metal prices could have a trickle down effect on global equity markets and could act as a negative trigger as seen in May'06.

But if Q3 results meet expectations, we could see a good rally unfolding. If, however, they fail to impress, then the markets could fall. Meanwhile, the markets would remain volatile and stock specific action will be witnessed. Global cues would continue to remain important, especially the prices of commodities.

Technically, the Sensex has once again flirted with the 14000 level and had even made a new historic high of 14060 but it failed to sustain above both the levels. Now it is important that it moves and closes above the 14060 level for it to test higher levels. On the upside, if Sensex can move and sustain above the 14060 level, it is likely to test the 14450 level. On the downside, the 13731 is an important support level for Sensex. In the case of the Nifty, on the upside if the Nifty can sustain above the 3970 level, it is likely to test the 4050 and 4100 levels. On the downside, the 3928 level is an important support level. Traders and speculators should wait and watch.

SPECIAL

Due to technical constraints, this article could not be featured in the last electronic edition of Money Times although it was duly published in the print edition. We are, therefore, featuring the article in the electronic edition this week for the benefit of subscribers for the email edition.

Welcome New Year 2007

look out for potential winners

By Suryadevara

As volatile and prosperous 2006 is passing on the baton to the New Year 2007. It is time to crystal gaze and plan our investments for 2007 for better returns. 2006 left behind many milestones in the capital market and remained the fourth prosperous year in succession. Will 2007, too, bring about further wealth creation or unpleasant wealth erosion for investors?

Before looking ahead, let us peep through the rear-view mirror for a moment. Earlier, the year 2003 was a dream year when the BSE Sensex recorded a growth of around 80%. Later, in the highly volatile 2004,the Sensex recorded a net gain of around 13%. During 2005, it recorded a growth of 42% and 46% in 2006. So what next after these four successive prosperous years? If we look at the apparent and unfolding positive and negative factors, probably the party is still on and investors can welcome the New Year with re-assuring hope. Is it a mere New Year wish or a reasoned perception? Let us look in detail.

First, look at the concerns. In the Indian context, bull markets have always been shorter than bear markets, which always last longer. Hence, after four successive prosperous years, the probability of a bearish market ahead is more. The fiscal defict is another matter of concern. Prevailing high crude oil prices, which softened from a high of $78 per barrel, do not augur well for the economy. Appreciation of the British Pound and Euro against the Indian Rupee last year sends some warning bells. Even the inflationary pressures likely in the New Year cannot be ignored. Indian valuations appear a bit expensive compared to of other developing nations. Political movements, like the ongoing Singur agitation does not give good signals to global investors.

Now, look at the positive factors. India is the second fastest growing economy in the world (second only to China). Its GDP growth rate of above 9% can be expected in the next few years. The export growth rate of the economy is really pleasing. Blooming global outsourcing only highlights India's improving potential. Consistent and impressive growth rates of Indian corporates instill confidence. Tata Steel obtaining $8 bn. financing for the takeover of Corus and Essar Group obtaining $10 bn. financing to acquire Huthcison group's 67% stake prove that India has arrived as a global player. The burgeoning foreign exchange reserves together with government's commitment to reforms and eagerness to attract investment inflows are big positive factors. Probable revaluation of the Chinese currency by about 10% in the new year augurs well for the Indian Rupees strength. Last year has also proved that the impact of high crude oil prices is no longer alarming in the light of globalisation. Moreover, crude prices are likely to soften further after a couple of months. Coming to the fiscal deficits, India's position is far superior to that of U.S.A.

During 2006, more than $ 7.09 bn. moved out of US Equity markets to emerging markets in spite of federal interest hikes to a record 5.25% p.a. Now, US interest rates have peaked and rate-cuts cannot be ruled out from mid 2007. A likely US slow-down signals further flight of capital from dollar assets to non-dollar assets across the globe. Even the euro zone's interest rates do not have far to go. Although the Japanese economy can be on the upswing, interest hike of beyond 0.25% p.a. is not expected from the Japanese central bank. All these are favourable for increased inflows into India in the New Year. So, the historical perspective of he market is no longer valid. What we have seen in the past 55 years in India may not be relevant for the next few years. In fact, a longer bull phase of around a decade, which was witnessed in the U.S.A in the Nineties and in China in the recent past, may materialize in the Indian economy in the evolving conditions. So, the concerns of bearishness after 4 consecutive prosperous years need not bother us much.

Even on the valuation front, in comparison with other countries, mere PE ratios alone do not impact investors' fancy. Better growth rates recorded by the Corporate Sector and the depth of the Indian Capital Market may compel global investors to continue buying the Indian Growth Story for some more time.

By this I do not mean that the road ahead will be smooth and safe. Volatility is to be accepted as a matter of fact when the markets race past to unchartered territories. May-June 2006 movements of the market should serve as a reminder for the investors. BSE SENSEX plunged to a low of 8799 on 14-6-2006 from its high of 12671 that it scaled on 12.5.2006(in just about one month). The recovery, thereafter, was equally strong with the market even crossing the 14000 level in December'06. Such volatility is to be carefully utilized to reduce the cost of one's holdings by selling at higher levels and buying back at lower levels. In fact, we can look at the Sensex level of around 15000,if not beyond, in the New Year 2007. Cautious and conservative investors can get around 20% returns in the New Year. Brave, nimble-footed, studious and aggressive investors can even target dream returns commensurate with the risks they are willing to take.

Large cap stocks stole the light during 2005 and 2006.That is why the euphoria is missing in the market even at these high levels. Small investors who lost money in the May-June 2006 carnage lost confidence and simply out of the market. However, a glance at the following facts reveal that things are not that frightening and even small investors can make their due share of profits with improved skills and better informed decisions.

NAME	AS ON 31.12.2005	AS ON 26.12.2006
BSE SENSEX	9398	13708
GOLD STONE TECH	20.75	57.65
JAI CORP	114.25	2391
NARENDRA PROPETY	14.30	63.50
SHREE PRECOATED	91.90	547.20
IOL BROADBAND	67.10	237.75
VAS ANIMATION	2.82	84.50
VIJAYASHANTHI BUILD.	29.20	120.25
NCL IND	20.30	63.10
GMR IND	159.25	329.40
VIPUL INFRA	130.80	2310.75

As the markets gather more strength, participation of retail investors is bound to improve .Mid-cap and small-cap stocks, which underperformed over the last two years are likely to outperform the markets in 2007.

Looking ahead,which sectors appear promising in the new year ?

Infrastructure, Cement, Steel, Banking, Pharma, Textiles, IT & ITES sectors are likely to be fancied.

Infrastructure: As is evident, this sector is getting the lion's share of the governments' attention and encouragement. Infrastructure and property development companies are likely to emerge winners in the New Year also. GMR Infrastructure, MSK Projects, PBA Infrastructure, Lanco Infra, IVRCL, NCCL etc. are likely to win the attention.

IT & ITES: This sector, too, is likely to continue its winning spree in the New Year. TCS Ltd., I Gate Global, Tech Mahindra, Satyam are likely to be in focus. Animation sector of this industry is likely to be more visible in the New Year. Tata Elxi, Utv Software, Silverline, Color Chips etc. are likely to emerge as winners.

Pharma: New year is bound to throw some new winners from the Indian Pharma sector in view of the competitive strength of the country as well as the new winners in the wait. Jupiter Biosciences, Zenotech Labs, Dishman, Glenmark, Divi's Lab can be watched for wealth creation. Though most of the analysts have given a sell call on IndSwift Ltd., this company has the potential to emerge as a surprise winner in the New Year.

Textiles: Although Textiles could not live up to the expectations in the last two years this sector is bound to record higher growth rates in the new year. Arvind Mills, Eurotex Ind. & Exports Ltd., Visaka Ind., Nahar Expors etc. are worth watching. Eurotex is available at 1/2 its book value, which can spurt to its potential.

Steel: Tata Steel, National Steel can be watched- Ruchi group may go for consolidation of its steel businesses under this company.

Banking: In view of the likely consolidation moves in the industry, Canara Bank, Bank of India, Vijaya Bank, IDBI etc. can be considered for good returns. Canara Bank had strengthened its position in the industry last year with all-round improvement in various parameters. It is likely to continue its winning streak in the new year too.

Primary Market: The primary market is likely to see increased activity in the new year. Investors can look forward to good public issues like Shanta Biotech and Power Finance Corporation and good follow-on issues like Canara Bank, However as the primary market improves, even poor quality papers will be dumped at high premiums on unsuspecting investors. Care must be exercised that past mistakes are not repeated by subscribing to poor quality paper at exorbitant prices.

Choosing the right investments alone is not sufficient for ensuring good returns. Profit-booking will be more relevant in the new year, especially after four prosperous years. Booking profits at higher levels to increase liquidity and buying again at lower levels will ensure superior returns.

In these fast-changing times, investors who update their knowledge with the help of good and unbiased experts can benefit from the emerging conditions. Buying into potential winners, booking profits at higher levels during market peaks to re-enter at lower levels should be the approach in the new year. Although the outlook for the Indian economy in the next few years appear rosy, investors should preserve their pot of profits in the new year, especially in the light of the May-June 2006 carnage.

May 2007 bring Prosperity & Happiness to all readers of 'Money Times'.

TRADING ON TECHNICALS

Make or break week for the Sensex

By Hitendra Vasudeo

In the last weekly update, we had indicated that the new breakout point was at Sensex 14100. It will continue to remain at 14100 after last week's movement. Last week, the Sensex opened at 13827.77, attained a high at 14060.35 and fell to a low of 13794.44 before it closed the week at 13860.52 and thereby showed a net rise of 56 points on a week to week basis.

The weekly trend is up after the weekly close on 29/12/06 at 13786. The weekly trend can turn down on fall below 13490 or if the Friday weekly close is below 13683.

Resistance continues to be at 13900-14100. In case of breakout and close above 14100, the Sensex can move towards 14797 at least. Till the resistance is not crossed and we do not see a closing above 14100, we cannot set the trading target of 14797. Further positive movement on the Sensex depends on the breakout and close above 14100.

On the daily chart on 04/01/07, we have an Engulfing Bear/Evening Star pattern which has bearish effect. On the weekly chart, we have Stalled Pattern, which again highlights that further bullish moves on the Sensex are possible only on breakout and close above 14100.

As a result of these formations, we could see a minor correction to test the lower weekly support levels. Weekly support levels are at 13751 and 13488. Support levels are likely to be tested if we do not see a breakout and close above 14100 in the first half of the week. If the weekly close is above 14100, then it would be an ideal situation for the bulls and the bears would run for cover.

PUNTER'S PICKS

Note: Positional trade and exit at stop loss or target which ever is earlier. Not an intra-day trade. A delivery based trade for a possible time frame of 1-7 trading days. Exit at first target or above.

Scrips	BSE CODE	Last Close	Buy Price	Buy On Rise	Stop Loss	Target 1	Target 2	Risk Reward
ADHUNIK METALS	532727	34.40	33.80	35.25	32.00	37.3	40.5	1.19
ANDHRA PETROCHEM	500012	14.18	13.84	14.59	13.40	15.3	16.5	1.47
AUSTIN ENGINEERING	522005	100.50	99.00	104.00	92.55	111.1	122.5	1.33
BALMER LAWRI-VAN	505864	44.15	42.00	46.00	40.00	49.7	55.7	1.34
DIL	506414	298.95	292.75	305.00	280.00	320.5	345.5	1.13
HANIL ERA TEXTILES	500177	20.40	19.50	20.40	18.30	21.7	23.8	0.62
MOTHERSON SUMI SYS	517334	110.05	106.90	112.00	102.00	118.2	128.2	1.01
SHILP GRAVURES	513709	50.00	46.60	54.90	40.00	64.1	79.0	1.41
STELCO STRIPS	513530	32.95	31.45	34.55	28.60	38.2	44.2	1.21

WEEKLY UP TREND STOCKS

Let the price move below Center Point or Level 2 and when it move back above Center Point or Level 2 then buy with what ever low registered below Center Point or Level 2 as the stop loss. After buying if the price moves to Level 3 or above then look to book profits as the opportunity arises. If the close is below Weekly Reversal Value then the trend will change from Up Trend to Down Trend. Check on Friday after 3.pm to confirm weekly reversal of the up Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Up Trend Date
		Stop Loss	Buy Price	Buy Price	Book Profit	Book Profit			
TECH MAHINDRA	1639.75	1524.9	1609.6	1664.2	1694.4	1779.1	88.5	1523.0	22-12-06
A. BIRLA NUVO	1287.00	1159.7	1243.7	1284.3	1327.7	1411.7	80.7	1217.3	29-12-06
BHARTI AIRTEL	636.60	469.2	571.5	608.7	673.8	776.1	76.6	623.2	29-12-06
CENTURY TEXT	738.00	688.7	722.7	741.3	756.7	790.7	75.7	701.5	29-12-06
SESA GOA	1727.00	1140.7	1498.7	1628.3	1856.7	2214.7	75.2	1440.5	22-12-06

WEEKLY DOWN TREND STOCKS

Let the price move above Center Point or Level 3 and when it move back below Center Point or Level 3 then sell with what ever high registered above Center Point or Level 3 as the stop loss. After selling if the prices moves to Level 2 or below then look to cover short positions as the opportunity arises. If the close is above Weekly Reversal Value then the trend will change from Down Trend to Up Trend. Check on Friday after 3.pm to confirm weekly reversal of the Down Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Down Trend Date
		Cover Short	Cover Short	Sell Price	Sell Price	Stop Loss			
ITC	165.50	147.6	160.9	169.7	174.2	187.5	23.56	171.43	15-12-06
BAJAJ HINDUSTAN	204.70	177.9	197.4	209.7	216.9	236.4	24.70	217.04	03-11-06
HIND. LEVER	212.70	198.7	208.4	213.8	218.1	227.8	26.72	219.63	24-11-06
BALRAMPUR CHINI	81.30	74.4	79.4	82.4	84.4	89.4	29.54	82.91	15-12-06
BHEL	2290.00	2171.3	2250.3	2289.7	2329.3	2408.3	35.43	2346.25	15-12-06

If the weakness persists, then we will have to take the retracement of the rise from 12801 to 14060. The retracement levels of the rise from 12801 to 14060 are placed at 13580-13431-13283.

If the Sensex does not cross 14100, then we are leaving the doors open for correction to 13580-13431-13283. The Sensex will test either of these retracement levels and would then make an attempt to cross14100 if it fails to do so immediately.

Next week, we will take the review an Elliot Wave counts after the movement for the week to come.

Index stocks can get aggressive once again only on breakout and close above 14100. Till then, use spurts to sort portfolios thereby keeping room for stocks, which give fresh breakouts after a prolonged consolidation.

Broad market indices are doing well for the last couple of weeks. BSE Small-Cap Index has comprehensively crossed and closed above the 0.618 level of the fall from 7872 to 4480, which was placed at 6578. For the last two weeks, we are maintaining above 6578 on BSE Small-Cap Index. Expect the BSE Small-Cap Index to move near the top of 7872 or to test it in days to come.

The BSE Mid-Cap Index is very near to its top of 6070 as its high last week was 5994. Expect resistance at the higher level of 5994-6070. If BSE Mid-Cap index crosses and closes above 6070, then expect a strong rally in Mid-Cap stocks.

The BSE Small-Cap Index has outperformed BSE Mid-Cap index and BSE Sensex in the last 2 weeks. The BSE Mid-Cap index has outperformed the BSE Sensex in the last 2 weeks. This means that the broad market participation has increased and has outperformed the frontliners. If broad market stocks and indices have to outperform the frontlines, it is equally important for the Sensex to close and maintain above 14100 even if the speed on the Sensex is slow.

We could see the Sensex correcting or consolidating in the wider band of 14100 to the retracement level of 13580-13431 range before making further head way in the mean time broad market stocks and indices could do the catching up act.

EXIT LIST							
Scrip	Last Close	Sell Price	Sell Price	Sell Price	Stop loss	Target	Target
SIEMENS	1122.00	1131.81	1137.00	1142.19	1159.00	1087.8	1043.8

We also need to be cautious before the breakout and close above Sensex 14100 because we have a taboo that when the overall market is likely to fall or give a big correction, the last movers are broad market Small-Cap stocks. Therefore, we may see the current week as a make or break for the Sensex. If the Sensex gives a breakout, then not only will index stocks rally but also the broad market stock can rally much more than the frontline stocks. But the trigger has to come from the Sensex for the continuation of the rally whether in the frontline or broad market stocks.

Strategy for the week

Book profits and exit long positions selectively at higher levels. Resistance will be at 13900-14100. Remain in stocks, which are within 15% of their respective 52-weeks high and stocks that are about to breakout even in this market condition after prolonged consolidation.

In the event of a breakout and weekly close above 14100, the bandwagon rally would continue. But before that can happen, the market will give an opportunity to decide and sort your portfolio. Spot and decide where to be and where not to be. Buy index related stocks on breakout and close above 14100. Selectively buy Mid-Cap outperforming stocks on BSE Mid-Cap breakout and close above 6070.

BAZAR.COM

Hesitancy sets in

By Fakhri H. Sabuwala

For once, at least, the prophets of doom saw a ray of hope. Correction due to overvalued P/Es and an urgent need to book profit was the loud scream from the rooftops. All these weeks such pleas had fallen on deaf ears ever since the Sensex touched 12000 level. But during the first week of the New Year, the indices heeded the call. Despite crossing 14K mark mid-week, the Sensex crashed on Thursday, 4th Jan.'07, by 143 points and the sentiment ceased to remain buoyant. Both the Nifty and the Sensex turned hesitant despite the positive depth and breadth of the market. But the side market, especially mid-caps and small-caps came into their own and posted gains when the frontline leaders were losing value.

Taking cue from the Asian markets, especially the Hong Kong bourse which lost nearly 400 points in a single day, the Sensex, too, caved in. The Hong Kong market was also considered to e the one overpriced going by their P/E ratios and the heat generated so far. The recent record highs witnessed there suggested a correction and warranted a rethinking as FIIs and local mutual funds turned cautious. The same may turn true for Indian stocks also as a chill has just begun to engulf the local funds and FIIs. But the outlook for second rankers and smaller stocks in each segment appears to be cheerful. Steel stocks like Ispat Industries, Sunflag Iron & Steel and Essar Steel mat outperform the leaders in steel stocks during the next twelve months. In the IT segment, the likes of Mphasis, Mastek, Megasoft, Aftek and Polaris may return higher gains than the leaders. Media and airline stocks, which were recommended in the last issue, remained on the winning track. It is forecast that 2007 shall belong to media and airlines and they will outperform any other segment.

PERFORMANCE: WINNER 2007

28 Stocks Recommended Based on close on 29/12/06
15 Stocks have gained over the close price on 29/12/06 as on 05/01/07
13 more to go
4 Stocks Gained between 10.35%-18.30% in 1 week

Silverline and ColorChips are two low-priced animation stories which one needs to closely monitor. Both these stocks could be multi-baggers in coming days.

Pharma may spring surprises we had said. Look at Divi's Labs, Ranbaxy, Wockhardt, Dr. Reddy's Labs, Shashun Chemicals, Orchid Chemicals and Ind-Swift Labs.

Oil refineries and marketing companies as also gas distributors look very, very promising for the near term. Fall in crude oil prices and expansion by BPCL, HPCL, GAIL, IOC etc. makes them look very attractive.

Retail story may be another winner for 2007 with the likes of Pantaloon, Shopper's Stop, Trent, Bharti and Reliance Retail leading the parade.

Realty scrips may be cooling off shortly and profits will be booked here.

If, however, you are a die-hard fan for frontrunners, Mahindra, ABB, Siemens, Tech Mahindra, Tata Elxsi, SAIL, Dr. Reddy's, GAIL, Reliance, Reliance Communication and Bharti could be considered.

BEST BETS

RS Software (India) Ltd. (Code:517447) Rs.88

Established in 1991, RS Software India Ltd. (RSS) is a leader in providing quality software services and consulting to global players in the electronic payments space. Its bandwidth of offerings covers all segments from card associations to processors, acquirers & issuers, ISOs, all the way down to the merchants who manage POS terminals at retail outlets. Since inception, the company has acquired extensive understanding of the credit and debit card domains and is engaged in building tools, frameworks and customizable industry components for use in payment systems applications for smart cards, payment gateways and mobile-based technologies. It offers a gamut of services that include Transaction Processing, Dispute Resolution, Risk Mitigation and Data Analytics. In the hi-tech space, the company is creating Biometric offerings for securing financial transactions through fingerprint identification and is working towards developing frameworks that include multi-modal biometrics for solutions in areas that require high degree of security. It also has substantive expertise in Embedded & Hi-tech Systems while its technology bandwidth spans across mainframes, mid-range, client-server, systems software, web technologies and ERP.

Operating out of the Salt Lake Electronics Complex in Kolkata and having offices in UK and USA, RSS is amongst the first companies to receive the ISO 9001: 2000 certification and CMM Level 4 and P-CMM level 3 assessments in the year 2000. It is one of the first companies to bring the IBM Mainframe architecture to India in 1991 and the fiftieth company to receive the BS7799 Certification in 2005. Its clients include high profile global players in the Payment Cards industry, Insurance, Manufacturing and in the Retail/Logistics sector. However its top client, VISA, contributes about 60% of the revenues with 90% of the revenues coming from its top 5 clients. The offshore/onsite mix is around 40/60 while the revenue mix is in the ratio of Maintenance-31%, Development–21%, Testing-30% and Consulting-18%. Apart from the UK and US, the company is working towards expanding its operations to Asia Pacific and Far East countries also. For future growth, the company is expanding aggressively to set up a new infrastructure of 60,000 sq. ft. in Kolkata, which would be completed by FY08. To complement this, it is planning to increase the headcount to 600 employees from 500 currently and further to 850 by FY08.

To fund its expansion and repay some of its high cost borrowing, RSS recently raised approx Rs.16 cr. through a Rights issue at Rs.65 per share. In the last couple of years, the company has financially turned around strongly and has transformed itself from a plain vanilla software service company to a specialist in the niche payment system domain. For H1FY07, while its topline improved by 15% to Rs.53 cr., its bottomline doubled to Rs.4.40 cr. due to better margins and lower depreciation. For the full year FY07, the company is expected to clock total revenue of Rs.115 cr. with PAT of Rs.9 cr., which translates into EPS of Rs.11 on its fully expanded and diluted equity of approx Rs.8.40 cr. For FY08, its EPS can shoot up to Rs.16. Hence investors are strongly recommended to buy at current levels with a price target of Rs.130 in 9-12 months.

Aro Granite Inds. (Code:513729) Rs.111

Incorporated in 1989, Aro Granite Industries Ltd (AGIL) is one of the largest manufacturers and exporters of modular granite tiles (polished and flamed) and slabs. In fact more than 5% of India's total export of granite products are made by AGIL. The company has won CAPEXIL's 'Certificate of Merit' award for three consecutive years and 'Special Export Award' for five years. It has access to rich natural stone deposits that enable it to provide clients with rare and exclusive colours. The marketing network of AGIL spans the globe and is currently meeting the granite needs of USA, Canada, Europe, Russia, Japan, Austalia, New Zealand, South Africa etc. Although exports account for over 95% of sales, there is increase in demand in the domestic market too with the emergence of multiplexes and large shopping malls and the boom in housing. Most airport projects use granite as the flooring material, which augurs well for the company

It has two manufacturing units at Hosur in Tamil Nadu with an installed capacity of 180,000 sq. mt. of tiles and 295,000 sq. mt. of slabs. It is among the few companies having resining facility and the plants are equipped with the most sophisticated environment friendly granite processing machinery line from Italy. The strategic & geographical location of the plant ensures close proximity and direct access to quarries in South India, which are known for the finest and widest range of granites. Besides, to overcome the shortage of rough stones, it also sources its raw material from few other countries such as Saudi Arabia, Norway and Finland. Considering the growing international demand for granite tiles & slabs and the bulging order book position, AGIL is increasing the existing production capacity of both tiles and slabs by 360,000 sq. mt. and 95,000 sq. mt. respectively. The expansion is near completion thereby taking its capacity to 5,40,000 sq. mt. of tiles and 3,90,000 sq. mt. of slab. The total outlay for the expansion was about Rs.34 cr. funded by debt of Rs.24 cr. from ICICI Bank Ltd. and the balance from internal accruals.

In March 2006, Mr. Prem Arora, co-promoter and co-founder of the company exited this business and AGIL is now led by Mr. Sunil Arora only. Interestingly, Pearl Mineral Pvt. Ltd. a key supplier of rough granite blocks to the company, has taken about 14% stake, which ensures consistent and continuous supply of quality raw material. However, with the government support, the Indian Granite Industry is going to become the hub for sourcing world requirements. For H1FY07, sales increased by 45% to Rs.53.50 cr. and net profit tripled to Rs.8.50 cr. registering a half yearly EPS of Rs.12. For the full year FY07, it may clock a turnover of Rs.110 cr. and PAT of Rs.15 cr. i.e. EPS of Rs.21 on its equity of Rs.7 cr. For FY08 it can register an EPS of more than Rs.35. That means the scrip is trading at a P/E of merely 3 times against its FY08 earnings. Hence investors are advised to accumulate this scrip at sharp declines to double their money in 15 months.

EXPERT EYE

By V.H. Dave

According to a recently released paper by the Associated Chambers of Commerce, domestic pharma market, which consistently grew at 9.5% CAGR over the past five years, is set to accelerate at 13.6% between 2006-10 and touch $9.48 billion by 2010 from the present level of $5.7 billion. The R & D spend is likely to grow at about 8-9% of total sales by 2010 from the current 3%. This translates into booming prospects for the Indian pharma industry. Further, the potential US $ 50-billion generic business from advanced markets will be a major growth driver for the domestic pharma industry. India is one of the lowest cost drug producers in the world with world-class chemical synthesis expertise. It also possesses the highest number of USFDA-complied facilities out of America. Alongside, Indian players have also turned aggressive on R&D and innovation pumping huge funds and efforts in this direction. With such initiatives, particularly in a conducive business environment, the domestic pharma industry expects to scale new highs in the medium-to long-term.

Within this pharma segment, two highly promising pharma shares are recommended for decent appreciation in the medium-to-long-term.

Herbal drugs major **Plethico Pharmaceuticals Ltd. (PPL) (Code: 532739) ((Rs.382)** had tapped the capital market with a Rs.110 cr. IPO in Apr.'06 in a price band of Rs.280 to Rs.300 per share. The project cost of Rs.153 cr. includes Rs.26 cr. to upgrade the Kalaria plant for making it UK-MHRA compliant, Rs.31 cr. towards the setting up of a plant in Jammu and Kashmir, which is WHO GMP-compliant. PPL has so far spent Rs.57 cr. on various projects. PPL has earmarked Rs.28 cr. for acquisition opportunities in the OTC, domestic herbal and nutraceuticals space in India.

PPL manufactures branded formulations for domestic and non-regulated export markets. Its products fall under anti-diabetic, anti-rheumatic, hepato-protective, anti-lipidemic and rejuvenating agents. PPL currently has three business segments - herbals/nutraceuticals, allopathic/disposables and contract manufacturing - accounting for 50%, 21% and 29% of revenue respectively. It has a strong thrust on exports representing 68.1% of sales.

PPL has successfully diversified its product profile over herbals, nutraceuticals, OTC drugs, formulations, hospital consumables and veterinary segments and has more than 200 product approvals. With its established brand identity and strong presence in cough & cold, gastro-intestinal, cardiac, pain and anti-infective segments, its Travisil range of products is among the market leaders in the cough & cold segment.

PPL exports products to 45 countries across Africa, South East Asia, the Confederation of Independent States, the Gulf Co-operation Council and Latin America, and holds stakes in six overseas marketing and distribution companies. Herbal and nutraceutical products represent 69% of its exports, while allopathic drugs and disposables such as gloves, syringes and condoms account for 31% of the export revenues.

In India, contract manufacturing accounts for 91% of the company's revenues, while OTC drugs sales account for the remaining 9% of domestic revenues. PPL has three SBUs in the OTC segment - Nutriscience (sports nutrition and supplement), confectionary (herbal candies) and the foot care and oral care segment.

Recently, PPL came out with excellent results for the year ending 30th Sep.'06, wherein its sales advanced by 46% to Rs.328 cr. Net profit shot up by 54% to Rs.86 cr. yielding an EPS of Rs.25.3. During Q4FY06, sales surged by 74% to Rs.106 cr. and net profit by 39% to Rs.26 cr.

Its equity capital is Rs.34 cr. and with reserves of Rs.410 cr., the book value of the share works out to Rs.130. The promoters hold 87% in the equity capital. Goldman Sachs Investments (Mauritius) and Prudential ICICI trust hold 2.6% and 1.6% respectively leaving 8.8% with the investing public.

At present, PPL does not have presence in regulated markets like Europe and USA. The upgradation of its Kalaria (Indore) plant by Jan.'07 will help it foray into the UK generic and herbal markets and give a thrust into the existing markets in CIS, Russia and Africa.

Revenues from the export market are likely to remain the key driver of profitability over the next three to five years. The extent to which its investments, especially in the CIS countries, make incremental payoffs will have a critical bearing on key profitability parameters.

If PPL adheres to the implementation plan indicated in the offer document, the new facilities should start contributing to revenues from FY08. The full impact of the planned investments will be reflected in revenues and earnings only from FY09 onwards. During Sept.'07, PPL may post about 50% higher sales of Rs.500 cr. with a net profit increasing to Rs.130 cr. This would give an EPS of Rs.38. Based on the projects, its EPS could go up to Rs.45 and Rs.55 in FY08 and FY09 respectively.

The share of PPL is available at a P/E of 10 on FY07 earnings and 8.5 on FY08 earnings. Applying the industry (Pharmaceuticals-Indian-Formulations) average P/E of 13, the share has all the potential to cross the Rs.500 mark in 6-9 months and Rs.600 in about one year. The 52-week high/low of the share has been Rs.510/244.

*****

Surya Pharmaceuticals Ltd. (SPL) (Code: 532516) (Rs.90) is a Chandigarh-based pharmaceutical major with four manufacturing facilities spread across Himachal Pradesh, Haryana and Punjab. It was incorporated in 1992 to manufacture bulk drugs and intermediaries and ventured into manufacturing of active pharmaceutical ingredients (APIs) and formulations in 2001. SPL has repositioned itself as a low-cost manufacturer apart from its foray into contract manufacturing.

SPL produces semi synthetic penicillin based products, first generation Cephalosporins, anti histamines, drug intermediaries and formulations. The company is predominantly a bulk drug or Active Pharmaceutical Ingredient (API) manufacturer. Currently, SPL is focused on the manufacture of tablets and capsules for Penicillin G based products, where it has strong presence in the API segment. SPL specializes in the Betalactum and oral Cephalosporin range of anti-infectives and is ranked among the top five in the country in this area. SPL has a well-established marketing network in India and across the globe. More than 40% of its total production is exported to Europe, SE Asia, the Far East, Middle East, Latin America and Africa.

SPL is gradually phasing out of Semi-synthetic penicillin by entering the new category called 'Macrolides' comprising the Cephalosporin molecule. The company has entered into strategic alliances for manufacturing 3rd and 4th generation molecules of Cephalosporins, which include 'Cefixime', 'Cefprozil' and 'Cefdinir'. SPL has set up a new facility to manufacture a new third generation Cephalosporin, the commercial production is expected to commence shortly. The facility also includes a captive power plant. During FY06, SPL spent Rs.105 cr. towards expansion with Rs.80 cr. raised through debt.

During FY06, SPL posted 41% increased sales of Rs.239 cr. (Rs.169 cr.) and earned 156% higher net profit of Rs.22 cr. (Rs.8.6 cr.). Its EPS was Rs.20 on the then equity capital of Rs.11 cr. During Q2FY07 net profit has marginally advanced by 6% to Rs.6.4 cr. on 5% higher sales of Rs.62 cr. During H1FY07, net profit has advanced by 5% to Rs.11.7 cr. on equally higher sales of Rs.124 cr.

Due to preferential allotment to the promoter and associates, its equity has gone up to Rs.14.5 cr. With reserves of Rs.80 cr., the book value of the share works out to Rs.65. On account of expansion, its borrowings and gross block have gone up to Rs.148 cr. (Rs.68 cr.) and Rs.125 cr. (Rs.76 cr.) respectively. The debt-equity ratio works out to 1.55:1. SPL had cash on hand of Rs.44 cr. as on 31st Mar.'06. This cash is being deployed in the expansion.

SPL has recently issued 12000 Foreign Currency Convertible Bonds (FCCBs) at US $1000 each convertible into equity shares at a price of Rs.139.11 per share to DE Shaw Vallance International Inc, Tortola, British Virgin Islands. SPL has received the entire proceeds of USD 12 millions (Rs.54 cr.) in respect of the FCCBs issue.

The promoters hold 25% in the equity capital, promoter associates hold 49% leaving only 24% with the investing public.
SPL has made an impressive foray into contract research and manufacturing (CRAMS) space with orders worth Rs.350 cr. to be executed over the next few years. It is positioning itself as a low cost manufacturer and has bagged several contract manufacturing orders in the API and formulations stages. The company has recently signed a contract with a UK based pharma major supplying off-patent API supplies worth Rs.220 cr. spread over a period of 5 years starting FY07.
In the next one to two years, SPL is targeting acquisitions in India and abroad aiming at backward and forward integration, the negotiations of which are already at an advanced stage. It is also targeting the product segment - Broad basing at its existing locations and greenfield & brown field implementations at its existing and new locations. SPL"s new facility at Jammu, which was commissioned in FY05 manufactures third generation Cephalosporin viz 'Cefaclor'.
SPL's Jammu facility and the upgradation of its existing four plants to the US FDA standards could result in the company achieving a turnover of Rs.300 cr. increasing to Rs.450 cr. by FY07 & FY08 respectively. Sales could rise to over Rs.600 cr. when the effects of expansion will be fully reflected in FY09. The increasing revenue prospects as a result of the shift in focus towards high-margin products, apart from contract manufacturing, are also likely to benefit the company going forward. Based on the interim results, SPL is all set to record an EPS of Rs.18 in FY07, which could rise to Rs.24 in FY08 on its increased capital. The shares of SPL are available at a P/E of 4.9 on FY07E and 3.7 on FY08E respectively.
Recently, a large chunk of shares has been acquired by knowledgeable quarters. SPL is the cheapest pharma in the Indian-Bulk Drugs & Formulation category with an industry composite P/E of 28. applying a reasonable P/E of 10, investment in this share is likely to double in about one year. The 52-week high/low of the share has been Rs.174/55.

*****

Ador Fontech Ltd. (AFL) (Code: 530431) (Rs.82) is recommended for steady appreciation in the medium-to-long term. Its burgeoning order book across engineering, construction and infrastructure especially for pipelines in the power, oil & gas transportation are strong growth drivers. The medium term outlook of the welding industry is therefore very positive and AFL is all set to post encouraging results in coming years.
AFL, an associate of Advani Oerlikon (now Ador Welding) was incorporated in Aug 1974, as Cosmic Fontech but subsequently changed its name to the present one and become a public limited company in Nov 1993. In 1992, the company acquired Fist India (P) Ltd. and Kostech India Pvt. Ltd., which were subsequently merged with the company and became divisions of AFL. In 1995, AFL expanded the Kostech facility at Nagpur and to part-finance this project it came out with a public issue in Mar.'95.
AFL offers products and solutions for reclamation welding and recycling of vital machinery components. Its product basket includes filler wires, welding equipment/accessories, wire feeders, wearplates and cladded pipes. Apart from manufacturing the aforesaid products, the company also acts as a value added reseller for Alloy Steel International, Australia; Berkenhoff, Germany; CEA, Italy; Cepro, Netherlands; Degussa, Germany; Delora Stellite, Germany; Euromate, Netherlands; Gasflux, USA; Protector, Australia/Singapore; Sulzer Metco, Swiz/USA for their products in India. The products are marketed under the brand names, Oerlikon-Fon, Fonmatic and Fonarc.
AFL also offers high temperature process for maintenance products from AREMCO, USA, for repair and corrosion protection of metal and refractory materials. The Ahmednagar plant of Fist Division produces 'A' series products of the ADFL Range. The Nagpur facility of Kostech Division is continuously expanding capacity and offers high-tech, state-of-the art welding and metal sprays for repair, reclaim and rebuild vital machinery parts for core sector industries. Its new Zip Arc division has specially formulated a range of maintenance and surfacing alloys as a solution to wear and industrial maintenance problems.
During FY06, AFL posted 25% increased sales of Rs.68 cr. and earned 58% higher net profit of Rs.4.5 cr. The EPS was Rs.12.2 and a dividend of 40% was paid. With the borrowings of Rs.4.4 cr., its debt-equity ratio works out to 0.33:1.During H1FY07, its net profit has advanced by 14% to Rs.1.5 cr. on 9% higher sales of Rs.33 cr. Its equity capital is just Rs.3.5 cr. and with reserves of Rs.9.8 cr., the book value of its share works out to Rs.38. The promoters hold 19% holding leaving 81% with the investing public.

Indian welding product manufacturers are on song with strong growth in revenue and profits since the economic recovery. The sustained vibrancy in steel intensive industries like engineering, automobiles, oil & gas, construction etc. on a firm growth track, the demand for welding products, both consumables and equipment, is buoyant. Shift in preference among user industry members from low cost substandard products to branded quality products even at a marginally higher price boosts the prospects of AFL. Further investment in power, capital goods, petrochemicals, oil & gas and pipelines is likely to cascade into strong demand for welding products given the scope for fabrication work. Moreover the strong growth in automobiles will have a cascading effect on the demand for welding equipment /consumables.

Machinery and components tend to wear but with usage. And given the escalating prices with strong demand and supply constraints for certain asset classes like ships, offshore drilling rigs and select machineries, the importance of reclamation and recycling cannot be over emphasised. This opens a great opportunity for reclamation and welding products, a niche class of welding industry.

AFL has an uninterrupted dividend record since 1996 and is a front-runner in the welding business. Based on the half-year trend, AFL is likely to post an EPS of Rs.14.5 for FY07. The share is traded at Rs.79.70 at a forward P/E of 5.5 against the industry P/E of 11.5. Considering its low equity, improving performance, coupled with the bright prospects of the industry, the AFL share is recommended for steady appreciation in the long-term. The 52-week high/low of the share has been Rs.151/75.

STOCK WATCH

By Saarthi

Hazoor Multi Project Ltd. (Code:532467) (Rs.18) has once again declared good results for Q1FY07 i.e. Nov.'06 quarter. Sales grew by 15% to Rs.5.40 cr. but net profit increased by 25% to Rs.1.60 cr. maintaining its OPM of 38%. It has a huge property in Lonavala near Amby Valley, on which it has flagged off an Rs.80 cr. highly luxurious residential project meant for the elite. It has also acquired a residential project admeasuring 1 lakh square feet in Pune city and is further looking for more land to develop. Hence, real estate development will become the core activity of the company. For the year ending 30th Aug.'07, it may report a topline of Rs.35 cr. with net profit of Rs.8 cr., which works out to an EPS of Rs.4 on its fully expanded equity of Rs.8.60 cr. having face value of Rs.4 per share. In the near future the company may raise capital through the FCCB/ADR route, which could lead to a re-rating of the company. It is also considering to list its shares on NSE, which will improve its liquidity going forward. At a reasonable discounting by 8 times the scrip has the potential to cross Rs.30 in 9-12 months.

*****

Alufluoride Ltd. (Code:524634) (Rs.21) is a reputed manufacturer and exporter of aluminium fluoride, which is used as flux in reducing the melting point of Alumina for aluminium production. Recently, the company succeeded in sourcing an alternate supplier for Hydrofluosilicic acid for conversion on ad-hoc basis and is now working at higher capacity utilization. Although its sales remained flat at Rs.4.70 cr. for Dec.'06 quarter the net profit zoomed up to Rs.0.98 cr. compared to Rs.0.04 cr. last year. For the nine months ending Dec.'06, sales was up 20% to Rs.15.35 cr. and PAT stood at Rs.2.40 cr. against Rs.0.50 cr. last year. Since aluminium smelters in India and abroad are enhancing their production capacity and new aluminium smelters, too, are up, the company is expected to perform better in coming quarters. It may end FY07 with sales of Rs.20 cr. with profit of Rs.2.50 cr. i.e. EPS of Rs.4 on its equity of Rs.7 cr. The scrip can rise 50% from the current level in a year's time.

*****

A few days back, **BSEL Infrastructure Ltd. (Code:532123) (Rs.69)** came out with a fantastic set of numbers for the Dec.'06 quarter. With help from its wholly-owned subsidiary i.e. BSEL Infrastructure Realty FZE based in UAE, the company's topline zoomed to Rs.34 cr. compared to Rs.8 cr. last year whereas net profit sky-rocketed to Rs.30 cr. against Rs.4 cr. Dec.'05. Although, the same kind of profit is not expected in coming quarters, this performance has strengthened its balance sheet. Moreover, in joint venture with Unity Infraprojects, the company has been awarded a contract of Rs.545 cr. by Nagpur Municipal Corporation for development of six shopping malls with a built-up area of 27 lakh sq ft. Again in a joint venture with Unity Infraprojects, it has bagged another contract of Rs.156 cr. for constructing, operating and maintaining a 400 room hotel on a BOT basis at Shivchhatrapati Sports Complex, Pune. Accumulate at declines only.

*****

Choksi Lab Ltd. (Code:526546) (Rs.21) is a group of research laboratories offering analysis, calibration, pollution control, research and consultancy services to a broad spectrum of industries. It has facilities to analyze food & agricultural products, cement & building materials, chemicals, drugs, metals, oil, soil, PVC pipes & paints etc for its client or as a regulatory requirement. For the six months ending 30th Sept.'06, its income increased by 17% to Rs.4.65 cr. while the bottomline improved by 12% to Rs.0.65 cr. Of late, the company has entered into clinical trial research in a big way and commenced a 40-bed clinical research facility at Vapi for carrying out bio-availability and bio-equivalence studies. For FY07, it is expected to report total revenue of around Rs.10 cr. with PAT of Rs.1.30 cr., which can lead to an EPS of Rs.3

on its equity of Rs.4.85 cr. For FY08, it has the capability to report an EPS of Rs.5. At the current market cap of Rs.10 cr. only, it is a fairly undervalued scrip.

*****

Textile is one sector which underperformed in 2006 and most of the analysts expect the same for 2007 also. But with the markets hitting new highs and expected to touch Sensex 16000, bargain hunting is bound to emerge in cheap textile scrips like **Winsome Textile Ltd. (Code:514470) (Rs.40)**. It has already clocked sales of Rs.71 cr. with net profit of Rs.6 cr. for H1FY07, which is substantially more than entire FY06 profit. For future growth, the company has undertaken modernisation cum expansion projects to add 13000 spindles, 10 tonnes/day dyeing, 2.50 MW Hydro power plant along with complete replacement of old ring frames at a capex of Rs.117 cr. Hence, it is estimated to end FY07 with sales of Rs.150 cr. and net profit of Rs.8 cr. i.e. EPS of Rs.14 on its small equity of Rs.5.87 cr. with cash EPS of Rs.24 and book value of Rs.55, this scrip is available cheap and can easily appreciate by 50% from the current level in 6-9 months. Just buy and hold.

FIFTY FIFTY

By Kukku

* From our recommended stocks, **Fortis Financial Services (Rs.130), Walchandnagar Inds. (Rs.1212), Garnet Construction (Rs.95), Asian CERC (Rs.252), NESCO (Rs.1861), Ultratech Cement (Rs.1155), Can Fin Homes (Rs.74), Century Textiles (Rs.760)** and **Elecon Engineering (Rs.460)** all reached new highs.

* We have been recommending coal mining sector stocks from a very low level since more than two years. Investors can continue to hold these stocks like **McNally Bharat (Rs.181), Atlas Copco (Rs.735), Ingersoll Rand (Rs.371), TRF (Rs.430)** and **TIL (Rs.213)** for further upside.

* Investors can think of switching from **Eimco Elecon (Rs.375)** to **Revathi Equipments (Rs.622)** or **Kirloskar Pneumatic (Rs.384).**

* **KSB Pumps (Rs.635)** is expected to come out with better performance and possible bonus issue. Investors can continue to hold this stock.

* **Fedders Llyod (Rs.155)** is expected to come out with favourable announcement in the near future. The share price may see an upside.

* Punters are said to be active in accumulation of **Asian CERC** along with some other big investors.

* Marketmen expect good upside in **Sun Pharma (Rs.987)** and **Bharat Forge (Rs.356)** in the near future.

* A leading fund is said to have taken investment position in **Ashiana Housing (Rs.225)** as per market unconfirmed sources.

* Some marketmen expect the share price of **Ashco Inds. (Rs.52)** to move up sharply even from its current level after some consolidation.

* **Jaihind Projects (Rs.38/40)** and **SSI (Rs.193)** are is under accumulation by informed big HNI investors.

* There are indications that many speculative penny stocks having weak fundamental or with fabricated stories are being pushed up for exit at higher levels. Traders/ investors should remain careful about these stocks.

* **Shasun chemicals (Rs.128)** has given good breakout for a good upside.

* **Hikal Ltd. (Rs.361)** can be accumulated for safe & steady growth from the current level of around Rs.365.

* Informed sources & marketmen are talking of bigger target on **Ruby Mills (Rs.393)** based on land developments & lease rental stories.

* After accumulation & consolidation, **Prime Textiles (Rs.159)** seems to have given good breakout for good upmove. It has already developed 6 acres of land at Tirupur and there are indications of profit of around Rs.35 cr. in the next two years on a small capital of Rs.4.55 cr.

* **Sterlite Opticals (Rs.244), Greaves Cotton (Rs.342), JMC Projects (Rs.225), Tata Elxsi (Rs.268)** and **Sagar Cements (Rs.139)** are the other stocks that seem to have given a good breakout for a further upmove on good fundamentals.

* **First Leasing (Rs.43)** with strong book value of around Rs.85 and good dividend track record of 22.5% looks very attractive as good yield stock around Rs.43 level. With an expected EPS of around Rs.12/13 in the current year, the stock is available at a P/E ratio of just 3.5. There has been good support & accumulation at this level for last few weeks. It is seems to be a risk-free buy at current level with a target of around Rs.60 in the next 6 months time.

*** Zenith Fibres (Rs.26)** is another stock with a dividend yield of around Rs.6 book value of Rs.22 and at current valuations it looks attractive. The outlook of the company is said to be good. Investors can keep accumulating this stock for good dividend yield as well reasonable capital appreciation in this heated upmarket.
***** Stocks to keep watch on are **Prime Focus (Rs.400), Mohit Inds. (Rs.66), Lanco Infratech (Rs.253)**.
***** Mid-caps and small-caps along with speculative penny stocks are likely to remain active in the next few weeks until the Budget. Investors are advised to exit fundamentally weak stocks at every higher level and switch to strong growth oriented stocks.

TOWER TALK

*** VST Tillers** recommended at Rs.120 in this column a few weeks back is now being recommended by a financial fortnightly at Rs.144. Even at this level, the stock remains a value buy.
*** Envair Electrodyne,** a Kirloskar group company is in action. It manufactures equipments for clean air management.
*** JHS Svengaard** is seen as a mid-cap with long-term prospects.
*** Indsil Electrosmelts** is upbeat about the future prospects of its hydel power generation revenues.
*** Garnet Constructions** has a low P/E compared to other small and mid-caps construction stocks.
*** Lanexess ABS** recommended here at lower levels has developed market fancy. Even at the current level of Rs.190, there is still scope for decent appreciation.
***** Is **Suasish Diamond** following footsteps of Classic Diamond? This TT stock mentioned at Rs.120 level has doubled within 3 months.
*** Transpek Industries** is fancied by smart investors based on its good results in the current year.
*** Vadilal Industries**, a stock in the Dairy sector, has good growth prospects in view of its massive retail initiatives.
*** Amrutanjan** may have a land bank of around Rs.130 cr. at Chennai and **Zandu** around Rs.150 cr. at Mumbai, which could be factored in their valuations.
***** The operator in **Rain Calcining** is very active and could place large chunks with private investors in a bid to meet the stock price projections.
*** Crompton Greaves** is poised for the triple century mark on the back of large order flows from the government.
*** Siemens** and **ABB** are considering a bonus issue in the near future says the market grapevine. The latter may also go for a stock split.
*** GNFC** is looking extremely bullish on the charts and may make a strong breakout in the coming week. Buy a for a target of Rs.128-130 in a week or two.
***** A big bull is very active in the **Aftek Ltd** counter. Scrip may see a sharp vertical rise in the near future. Grab it before it shoots up.
***** A well known FII is learnt to be bullish on **MTNL** and is quietly accumulating the scrip in good quantities from the open market. Some fireworks are expected in coming days.
***** Punters have started betting on the pharma sector and mid-cap pharma scrips are buzzing with decent volumes. **Surya Pharma, Albert David, Ind-Swift Lab** may remain in action in the coming weeks.
***** Zinc prices have come down whereas galvanized steel prices are going up. **Uttam Galva** and **National Steel** may shoot up in the short-term.

MARKET REVIEW

The Sensex is likely to be rangebound

By Ashok D. Singh

The first trading week of the New Year began on a positive note. However the market cooled off later during the week.
For the week ended 5 Jan.'07, the BSE Sensex gained 73.61 points or 0.53% to settle at 13,860.52 and the NSE Nifty gained 17 points (0.42%) for the week to close at 3983.40.
Small-cap and mid-cap stocks outperformed the pivoltas. BSE Small-Cap Index rose 299.23 points or 4.3% to settle at 7,191.55. BSE Mid-Cap Index gained 131.49 points or 2.26% to settle at 5,936.67.
The markets entered calendar year 2007 on a positive note. On Tuesday (2 Jan.), the first day of trading this year, the Sensex settled at 13942.24 gaining a good 155.33 points. IT and auto stocks played anchor on the day in pulling up the Sensex. The IT stocks gained in anticipation of good Q3 results while auto stocks found increased buying interest on the back of favourable Dec.'06 sales volumes. On Wednesday, the start was not pronouncedly bullish but the markets recovered in mid-afternoon trading. During intra day trading, the Sensex had marginally crossed its all time high level of 14035.30 and closed the day 72.68 points higher at 14024.49.
Thursday was a day of volatility. However the volatility was not as strong as witnessed in sessions a fortnight back. The Sensex swung 210 points intra-day. It opened strong on reports of the Centre and the States having agreed to phase out Central Sales Tax (CST) over the next 4 years and the Sensex touched an all time high of 14060.35. Then the correction

came in with selling pressure in FMCG, IT and metal stocks resulting in the Sensex closing at 13871.71, which was 143.21 points lower than the previous day. The markets were plainly flat on Friday as the Sensex closed marginally lower by 11.19 points at 13860.52. The Nifty closed lower by 5.40 points to settle at 3983.40.

FIIs were net buyers to the tune of Rs.3892.90 cr. for Jan.'07 till 4 Jan.'07. This included FII subscription to the mega IPO of Cairn India. FII allotment in the Cairn India IPO was to the tune of Rs.3030 cr. Mutual Funds were net buyers to the tune of Rs.164 cr. by the first three trading sessions of the New Year.

Index heavy weight Reliance Industries gained 1.44% for the week to Rs.1288.60. Infosys gained 1.53% for the week at Rs.2274.80. Infosys would be coming out with its Q3 numbers on 11th Jan. Satyam Computer firmed up. Apart from the anticipated favourable Q3 results, there are also rumours in the market that Anil Ambani is in talks with company chairman, Ramalinga Raju for a stake in the company. The stock gained 3.63% for the week to close at Rs.501.50. Satyam announces Q3 results on 19 Jan.'07.

Ranbaxy rose 5.5% for the week to Rs.413.45. The company's alliance with Ipca Laboratories received USFDA approval to sell atenolol tablets in the United States. Atenolol is indicated in the management of hypertension. Ranbaxy settled at Rs.413.45 to

Iron ore exporter Sesa Goa jumped nearly 9% to Rs.1688 on Friday following reports it will start negotiations on annual price contracts with major global customers from Feb.'07. The stock pared gains after it had risen as much as 13.3% to a high of Rs.1758. Friday's high is a lifetime high for the scrip.

Commodity prices continued to correct during last week. Copper fell sharply to touch $5700 per tonne levels. The metal saw its 8-month low price being hit last week. Sterlite and Hindalco, both having copper in its product portfolio, did not lose much and closed the week more or less flat. Hindalco lost Rs.3 over the week and closed at 171.10. Sterlite lost a meagre Rs.0.10 (-0.02%) over its previous week's close and settled at Rs.543.30.

Air Deccan grew about 5% during the week on news that it had managed to post nominal profits in the Oct. – Dec.'06 quarter.

On Friday, Pyramid Saimira Theatre settled at Rs.158.20 on BSE on high volume of 1.69 cr. shares, compared to IPO price of Rs.100. The stock debuted at Rs.135. It hit a high of Rs.163.85 and low of Rs.125. The company had priced its IPO at the higher end of the Rs.88 to Rs.100 price band. On the same day, Tanla Solutions finished at upper circuit of Rs.379.80 on BSE, compared to IPO price of Rs.265. 32.63 lakh shares changed hands in the counter on BSE on the day of its debut. Tanla Solutions had priced its IPO at the upper end of the Rs.230 to Rs.265 price band.

Indian real estate developer DLF has filed a prospectus for an initial public offering after pulling a planned issue last year. As per reports, the sale of 10.2% of the company could raise more than $2 billion. This offer is said to India's biggest ever-public issue.

The Sensex gained 73.61 points to end at 13,860.52 last week. The Q3 results shall start flowing in from this week and the market shall respond as per the results announced. And once the flow of results is over, the pre-budge anticipation shall begin. The Sensex is likely to be rangebound between 12,200-14,500 till the Budget is announced.

MARKET

Encouraging signals in 2007

By G.S Roongta

Last week was very significant as it ushered in the New Year 2007, which followed a very historical year as the indices conquered new peaks perhaps like never before. The phenomenal growth of 2006 obviously led many analyst and marketmen to conclude that a major correction was imminent and stocks were overpriced by and large.

Such popular expressions were endorsed by other global investment gurus like Mark Faber and Mark Mobius on grounds that most asset values were overstretched and that there were other favourable markets compared to the new stock market, which was no longer attractive if one examined the P/E ratios. It is against this backdrop that this column ventured out with a contrarian opinion as I genuinely believed that there is a further upside to Indian stock markets and the real bull market will flourish in 2007 once the mid-caps start booming. Its in the mid-caps and small-caps that real appreciation and profits are possible as against the frontline stocks which are already fully priced if not overpriced and offer limited scope of appreciation and that too selectively.


G.S. Roongta

This was the underlying thought, which was central to my articles in Dec.'06 leading upto the New Year issue dated Monday, January 1 – 7, 2007. Fortunately, the market movements have more often than not borne out my forecast time and again, which leads me to believe that my reading of the market, especially its undercurrents, has been fruitful. Readers who read my column must have already observed how different is our approach compared to other business dailies or TV channels that are always propagating the common popular perceptions of the market – something that big operators want us to believe. And any true analyst with the true interest of common investors in his heart would be failing in his duty if he fails to caution then about the big game that is always played in equity markets. To the extent that I am able to fulfill this role, I am satisfied.

To recap, I had cautioned investors that it was a false attempt to push the market beyond 14000 on Nifty 4000 while both these indices were languishing below these levels for weeks together giving the impression of a strong undercurrent whereas the markets badly needed a correction and which is what I emphasized in my articles during that period. I had categorically ruled out any further upmove till the correction and consolidation had taken place and which was indeed called for at that point of time. What happened thereafter is before us as the Sensex corrected by over 1000 points and hit a low of 12801.65 on 12th Dec.'06 from the intra-day high of 14035 that it had touched very briefly on 6th Dec.'06. This means that the market had corrected itself by 1233 points in less than a week and was now ready for an upmove, which has finally materialized in 3 weeks as the Sensex crossed for the first time above 14000 last week as also did the Nifty above 4000 level.

When I stated two issues back that the stock boom of 2006 was only a trailer of the real bull market that was likely to unfold in 2007, the immediate movements in the Sensex thereafter seem to support my forecast again as the Sensex soared handsomely by a rise of 237 points on 26th Dec.'06 and 150 points on 27th Dec.'06, 155 points on 2nd Jan.'07 and 73 points on 3rd Jan.'07 taking the total rise to 616 points in 4 trading days not withstanding the minor corrections of the last two days of calendar year 2006 on account of year end considerations.

The BSE Sensex hit a new all time high on 3rd Jan.'07 at 14060 while the CNX Nifty, which had touched a high of 4046.85 points on 8th Dec.'06 could not cross that level. This means that several Nifty stocks seem to have peaked out and will face resistance till other underpriced stocks catch up to reasonable levels.

But writing about the market trend and the undercurrents is not good enough unless investors are able to profit from our investment recommendations. That is why we always include a scrip or two or a sector that deserves your investment. We should review their performance in the first week of 2007.

In my New Year's recommendation, I made a specific recommendation for Elecon Engineering and Eimco Elecon. Both these shares have appreciated thereafter to hit a new high of Rs.478 for Rs.2 paid-up which amounts a market price of Rs.2390 for Rs.10 paid up. I made a specific study that the stock may prove like Siemens and ABB in days to come. Those who wish to book profit in Siemens and ABB may switch over to Elecon Engineering and Eimco Elecon.

Eimco Elecon, too, crossed Rs.400 mark to ht a recent new high of Rs.405. there is enough strength in the scrip to hit its previous new high of Rs.508.

In my last few articles, I expressed my anguish about the major fall in market prices of Bajaj Auto without any bearish reason.

The Bajaj Auto stock after making a low of Rs.2495 bounced back gaining 350 points in just 3-4 trading sessions.

Regarding L&T, in my New Year's article I wrote that it will continue to shine and readers will witness that L&T has also hit its all time high crossing Rs.3000 pre-bonus level. Arvind Mills, a long time languishing stocks has too shown a sign of recovery hardening over 10% in a bearish market on 4th Jan.'06 after my recommendation about it.

Apart from this, the readers must have also noticed about my remark with the recent two IQB issues namely Gulshan Sugars & Blue Bird Ltd. Both these shares are not only much below their issue prices but Gulshan Sugars lost steam and lost investors' wealth to fall by more than 50% in just 3 trading sessions after my remark. The share hit a low of Rs.30 as

April - June 2006

EBG Quarterly Performance: 13/14

During April – June 2006, which is the third quarter of the third year of 'Early Bird Gains' (EBG) – the investment newsletter that spots multi-baggers, it has scored 93% success with 13/14 recommendations recording an appreciation.

EBG has, therefore, consistently, maintained quality while the bonus issues in excess of 20% highlight the confidence of its recommendations.

Issue Dated	Scrip	Buy Price	Highest price since recom.	Growth %
05-04-06	Sakthi Sugars	220.00	285	30
11-04-06	Gujarat JHM Hotels	65.00	107	65
19-04-06	Cera Sanitaryware	88.00	146	66
26-04-06	Yuken India Ltd.	285.00	285	0
03-05-06	Kalindee Rail Nirman	175.00	187	7
10-05-06	Aksh Optifibre Ltd.	75.00	89	19
17-05-06	Ajanta Pharma Ltd.	83.00	105	27
24-05-06	NTPC	112.00	158	41
31-05-06	Indian Overseas Bank	86.00	128	49
31-05-06	Aftek Infosys	67.00	70	5
07-06-06	Keltech Energies	132.90	157	18
14-06-06	Morarjee Textiles	77.65	91	17
21-06-06	Nile Ltd.	77.80	89	14
28-06-06	Bharat Gears	62.00	67	8

EBG for sure profits

against its issue price of Rs.60 in Dec.'06. The investor will, therefore, notice that this column is not meant to guide for buying recommendation alone but we try to pin point whenever we feel something is wrong by way of price-rigging prior to any print media.

Readers might also recall that I had recommended WPIL stock in Money Times issue dated September 4 – 10, 2006 at just Rs.30. The immediate response was quite good and the stock appreciated by 30% in the next week itself. Thereafter, it met with profit-booking so the stock came back to its recommended price. Two weeks later, another analyst of a reputed pink business daily remarked about WPIL saying to sell out as there is no scope of any appreciation in this stock. Next week, I made an observation refuting the analyst's advice that WPIL will not go down beyond our recommended price of Rs.30 as I was so sure of my recommendation.

Readers will be happy to note that WPIL was traded at Rs.48 hitting the upper circuit subsequently for 3-4 days continuously during the last week. Thus, the share has shown appreciation of nearly more than 50% in just four month from original recommendation in Sept.'06 and in two months or so after the other analyst's sell signal at Rs.30.

What I want to say is that my recommendation is not just for fun but it is done after a great homework, research from various market angles and then I opt to recommend when I am sure of its rate risk.

Besides specific recommendation, we also make sectoral recommendations on important occasions such Diwali, Budget and New Year.

I do not know whether these sectoral recommendations serve any purpose because it is difficult for a reader to select a stock out of many. But he may certainly use it for future guidance and pick up the stocks when the market goes in for a reaction.

In New Year 2007, investors will be happy to note that the rise in B1 & B2 stocks is spreading faster than Sensex stocks. For example, Mafatlal Industries attracted upper circuit throughout last week, Sri Ramkrishna Mills, WPIL, Shri Dinesh Mills, Essar Shipping, Sarda Plywood have gained good grounds last week itself. Like this, there are over 100 stocks apart from the specific stocks recommended in this column from time to time.

The last two days of profit-booking was a repeat of the previous week and is not, therefore, not a matter of worry. Investors should be back in mid-caps and small-cap stocks only as punters are now trying to discover values in them as I had forecast and emphasized strongly.

ANALYSIS

Ipca Laboratories Ltd: A medium to long-term pick

By Devdas Mogili

Ipca Laboratories, a Mumbai based company originally incorporated as The Indian Pharmaceutical Combine Association Ltd in 1949, is engaged in the manufacture of speciality formulations such as anti-malarials, anti-emetics, anti-hypertensives, antibiotics and bulk drugs, drug intermediates, generic formulations, hospital products, etc.

It is the largest Indian manufacturer of the anti-malarial bulk drug - chloroquine phosphate. Ipca has subsidiaries in Brazil, USA and UK. It has four manufacturing facilities, two in Silvassa in the Union Territory of Dadra and Nagar Haveli, one at Ratlam, in Madhya Pradesh and another at Gandhidham in Gujarat. M.R. Chandurkar is the managing director of the company.

Exports: IPCA is a recognized Trading House and exports to more than 100 countries mainly to Australia, Canada, Ethiopia, Germany, Italy, Japan, Srilanka, US, UK, Yemen, etc.

Expansion: The company has enhanced the installed capacity of Tablets/Capsules and Basic Drugs/Intermediates by 14,100 lakh to 55,500 lakh pieces and 705 tonnes to 3037 tonnes respectively during 2004-05. It also commissioned a new formulation plant during the year 2004 in Piparia (Silvassa).

Awards: IPCA Laboratories has received the 'Lifetime Achievement Award' for 2002-03 from CHEMEXIL for export promotion over the years.

New Products: During 2004-05 the company has launched 15 new formulations and expanded its formulations manufacturing unit at Athai (Silvassa) to meet the growing export business. Recently, Ipca Laboratories started marketing Artemether and Lume fantrine tablets, both of which are used in the treatment of P.Falciparium Malaria.

The company has decided to set up a new formulations manufacturing unit at Special Economic Zone (SEZ) Indore and another manufacturing unit at Village Shakarpur Hakumatpur (Dist Dehradun), Uttaranchal, at a cost of Rs.15 cr. to cater to the formulations requirement of the domestic market. A few months back, it acquired from Wyeth, the rights, title, interest and goodwill for the Isordil brand.

Tie-up: In September'06, Ipca Laboratories tied up with Ranbaxy's US unit to market its products. The Florida-based arm of Ranbaxy sells generic and branded prescription products in the US. Ipca will develop the generic prescription pharmaceutical products that will be marketed by Ranbaxy in the US.

Apart from the Ranbaxy tie-up, Ipca recently acquired about 10% stake in Mangalam Drugs, which also manufactures malarial drugs. Perhaps, this stake will add synergies to the company's product profile.

Joint Ventures: Earlier this year, Ipca entered into a joint venture (JV) with Chongqing Holley Holding Company, China, to market Artemisinin-based active pharmaceutical ingredients (APIs) and its formulations to international institutions, NGOs, government and semi-government bodies across the globe.

R & D: The company has always considered Research & Development (R&D) crucial for its sustained growth and has stepped-up investments in R&D to keep pace with the changing domestic and global scenario. It has set up R&D centres in Mumbai, Ratlam and Indore, duly recognized by the Govt. of India, Ministry of Science and Technology, Department of Scientific and Industrial Research (DSIR).

Performance: The company has declared impressive results for FY06. On a sales turnover of Rs.809.89 cr., it clocked a net profit of Rs.63.98 cr. netting a basic/diluted EPS of Rs.25.59 for the year.

Financial Highlights: (Rs. in cr.)

Particulars	QE 30/09/06	QE 30/09/05	HYE 30/09/06	HYE 30/09/05	YE 31/03/06
Sales/Income	261.75	212.65	501.25	436.06	809.89
Less: Excise & Sales duty	17.80	16.85	36.06	33.07	58.54
Net Sales/Income	**243.95**	**195.80**	**465.19**	**402.99**	**751.35**
Other Income	0.53	0.62	1.47	0.91	1.95
Total Expenditure					
a. inc./dec. in stock	(11.26)	1.53	(14.31)	12.71	1.81
b. Material Con	111.37	86.91	211.07	171.59	344.47
c. Staff Cost	29.55	23.88	58.20	48.98	99.65
d. Mfg & O Exp	53.79	47.75	104.64	90.59	186.50
e. Forex Fluctua	2.44	2.21	6.79	2.17	3.78
Financial cost	5.78	2.73	10.61	5.63	14.09
Dep & Amortisa	7.27	5.94	14.18	11.78	24.61
PBT	45.54	25.47	75.48	60.45	78.39
Provision for tax					
Current	8.18	4.78	12.28	11.58	7.00
Deferred	1.33	2.73	2.25	4.87	4.95
FBT	0.63	0.47	1.21	0.65	2.50
Add: Excess Prov. for tax					0.04
Net Profit After Tax	**35.40**	**17.49**	**59.74**	**43.35**	**63.98**
Paid up equity	25.00	25.00	25.00	25.00	25.00
Res Exc Rev Res	-	-	-	-	360.89
EPS Basic (Rs.)	**14.16**	**7.00**	**23.90**	**17.34**	**25.59**
Diluted (Rs.)	**14.15**	**7.00**	**23.89**	**17.34**	**25.59**

Q2 Results: Ipca Labs has come out with superb results for Q2FY07, with total net income (net of excise & sales tax) at Rs.244.48 cr. from Rs.196.42 cr. for Q2FY06. It posted a net profit after tax of Rs.35.40 cr. for Q2FY07 as compared to Rs.17.49 cr. to Q2FY06 and recorded a basic EPS of Rs.14.16 and diluted EPS of Rs.14.15. The annualized diluted EPS works out to Rs.56.60.

Financials: The company has an equity base of Rs.25 cr. with reserves excluding revaluation reserves of Rs.360.89 cr. and the book value of its share works out to Rs.154.4.

Share Profile: The shares of Ipca Labs have a face value of Rs.10 and are listed on BSE/NSE under A group. Its share price touched a 52-week high of Rs.564 and a low of Rs.265. At its current market price of Rs.525, it has a market capitalization of Rs.1312 cr.

Distribution Policy: The company has a liberal distribution policy as can be seen from the payment of dividends for the last several years as shown below:

FY2000 - 55%, FY2001- 50%, FY2002 - 55%, FY2003 - 90%, FY2004 - 110%, FY2005 - 55% and FY2006 - 55%.

Enthused by its performance, the board has declared an interim dividend of 35% for FY07. Earlier during January'05, the company issued 1:1 bonus shares.

Shareholding Pattern: As on 30/09/2006, the promoters holding in the company was to the tune of 52.11% while non-promoter holding was 47.89%. During October'06, mutual funds like Tata Mutual Fund, HDFC Mutual Fund, Franklin India, ING Vysya and Kotak Mutual Fund have added the Ipca share to their various schemes.

Prospects: Apart from exporting to more than 100 countries, the company is equally strong in the domestic pharmaceutical business. Its formulations business in India now comprises of six marketing divisions focusing on key therapeutic segments. Its brand building is prominent especially in chronic therapy segments such as cardiovasculars, anti-diabetics, newer anti-malarials, central nervous system (CNS) and non-steroidal anti-inflammatory drugs (NSAID).

In the recent past, the company introduced 15 new products in the domestic market. New products introduced during the last four financial years now constitute nearly 20% of its domestic formulations sales. Some of the new molecules introduced for the first time in India are Hydroxy Chloroquine Sulphate under the brand 'HCQS', Aceclofenac under the brand 'Zerodol', a novel injectible anti-biotic combination under the brand 'Sultax'. They have done well in the domestic formulations market.

Conclusion: The company's performance has been highly encouraging for the past several quarters. With the government's emphasis on health for all by 2012, the prospects for pharmaceuticals units like Ipca Labs are very bright.

At its current market price of Rs.525, its share price is discounted by less than 10 times against the industry average P/E multiple of over 25. The share is available at an attractive valuation and can be picked up for significant capital appreciation in the medium to long-term.

Autoline IPO opens on 8th Jan.

Autoline Industries Ltd. is entering the capital market with a public issue of equity shares through a 100% Book Building process aggregating Rs.75 cr. in the price band of Rs.200 to Rs.225 per equity share of face value of Rs.10 each. The bid/issue opens on Monday, 8th Jan.'07 and closes on Friday, 12th Jan.'07.

Autoline is one of the largest Design-Engineering-Manufacturing (DEM) service providers to the automobile industry in Pune and supplies complex sheet metal sub-assemblies and subassemblies to Bajaj Auto, Tata Motors, Kinetic Engineering, Mahindra & Mahindra, Walker Exhaust and Fiat India. It is the 'single source supplier' of load bodies for Tata Ace mini trucks supplying around 10,000 load bodies per month to Tata Motors.

Last year, Autoline, entered into an arrangement with Stokota Engg, the Indian subsidiary of Stokota NV, Belgium for supply of Tippers, Tipper Trailers, Tankers, Cement Bulkers, Garbage Extractors, etc. Its tool-room and manufacturing facilities has emerged as the preferred destination for major global automobile giants like General Motors and Volkswagen besides Force Motors and Bajaj Auto.

Founded in January 1995, Autoline's turnover has grown over 100 times over the last decade. It recorded a growth of 63% from sales of Rs.68.5 cr. in 2004-05 to Rs.111.3 cr. in 2005-06, while net profit grew from Rs.1.82 cr. in FY05 to Rs.7.01 cr. in FY06. For the 8-month period ended 30th Nov.'06, the company recorded sales of Rs.118.3 cr. with net profit of Rs.7.48 cr.

Autoline has taken up modernization and expansion by setting up a second mass manufacturing unit at Chakan, Pune, for increasing the production of sub-assemblies and building capabilities for manufacturing aesthetic parts such as door assemblies for passenger vehicles and heavy load bodies for commercial vehicles expand its engineering capabilities. The total modernization and expansion project is estimated to cost Rs.104 cr. and the company has already invested approx. Rs.46.2 cr. in the expansion/ modernization initiatives till 30th Nov.'06.

Dena Bank & LIC launch 'Dena Grihaswami Suraksha Yojana'

Dena Bank along with LIC announced the launch of 'Dena Grihaswami Suraksha Yojana', a Group Mortgage Redemption Assurance Scheme for its housing loan borrowers.

All housing loan borrowers including staff housing loan borrowers of Dena Bank in the age group of 18-60 would be eligible to join the Dena Grihaswami Suraksha Yojana, which has the following;

Highlights:-

1. The insurance cover is limited to outstanding loan subject to maximum of Rs.1 cr.
2. Single Premium for the entire term of the loan (ranging from 3 years to 20 years) at the time of entry into the scheme.
3. In case of death of the member during the term of cover, outstanding loan, the set off against the policy proceeds settled by LIC.
4. If the amount of death claim exceeds the outstanding loan, the excess is paid to the nominee of the member.

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☐ PSG:- Rs.8000 p.a.. (By email only)
☐ ISM:- Rs.8000 p.a. (Add Rs.25 per issue if required by courier)
☐ TT:- Rs.1000 p.m., Rs.10, 000 p.a. ☐ By email ☐ By post ☐ Courier (Add Rs.25 per issue if required by courier)
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