Edelweiss
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INDIA INFRASTRUCTURE CONFERENCE

The Grey Revolution[SM]

June 26th – 28th, 2006

NOTES

The GREY REVOLUTION …. from Blue print to Structure, is our research treatise on the 20-year theme that has engulfed India—'The Creation of Infrastructure'—to match the soaring ambitions of the young population.

Not withstanding the strong momentum buildup, we believe that we are still in the 'Blue print' stage of the entire infrastructure creation process in India. Hence, although infrastructure stocks have gone up 3-5x over the past 10-12 months, we believe that India has only seen the tip of the iceberg. In other words, the Mumbai-Pune Expressway is only a 100 km patch on the 100,000 km long road network that is to be built over six years in the country.

Creation of infrastructure is at a 'once-in-a-lifetime' inflection point, providing the country an opportunity to move permanently to a higher growth plane. This presents investors everywhere with, what we believe, an unparalleled opportunity to participate in the extraordinary transformation of India from a lumbering elephant to a dancing one. We have only one message: Get on board, NOW!

To complement our report and provide investors with an opportunity to interact with infrastructure companies and other participants and understand the convergence and inter-linkages in this space, we, at Edelweiss, hosted an "Investors Conference on India Infrastructure" from June 26th-28th, 2006 in Mumbai. We had 60 plus companies, 10 plus government officials/nodal agencies /consultants and 120 plus institutional investors attending the conference which resulted in 1,000 plus meetings across stakeholders.

The key discussions at the conference over presentations/panel discussions and group meetings reinforce our views on the fast-growing infrastructure sector and resultant opportunities for various companies.

Key takeaways from the conference are:

- Infrastructure creation is an India priority. The government is taking steps to ensure that there is all round growth in infrastructure creation, rather than the earlier sectoral approach adopted by policy makers and stake-holders.
- There is a growing urgency on part of decision makers to ensure that funding requirements for infrastructure are taken care of through public-private partnerships, as well as by ensuring adequate fiscal benefits to infrastructure creators.
- Companies see strong growth opportunities in the backdrop of this investment.
- Most companies are reporting strong order book accretion and are adapting their business models accordingly to cater to new growth opportunities.

This document presents a snapshot of the meetings, presentations and panel discussions of the Edelweiss Infrastructure Conference.

CONTENTS

Edelweiss India Infrastructure Conference, Mumbai		
Day 1: 26th June	Presentations / Panel discussion	Participating companies - meetings
8:30-9:15	Registration	
9:15-9:20	Welcome address by Mr. Rashesh Shah - MD, Edelweiss Capital	ABG Heavy, DS Kulklarni,
9:20-10:00	Inauguration and opening address by Shri Praful Patel, Honourable Minister of State for Civil Aviation	Elecon Engineering, Elsamex,
10:00-10:45	Corporate presentation by Mr. Madhu Terdal, CFO, GMR Group	Gammon, GMR Group, Government of Maharashtra,
10:45-11:00	Tea break	Havell's, ITI,
11:00-12:00	Presentation on 'Public Private Partnership in infrastructure development' by Mr. Parvez Umrigar, CEO, GIPL	Kalindee Rail, KEC International (RPG Group),
12:00-1:00	Panel discussion on 'Political realities in infra creation' - panel comprises Honourable Member of Parliament Shri Mohammad Salim (CPI-M), Shri Jagdish Shettigar, Former Chief, Economic Cell (BJP), moderated by Mr. Senthil Chengalvarayan of CNBC TV18	Kernex Microsystem, L&T, McNally Bharat, New Consolidated Construction, Prajay Engineers Syndicate,
1:00-2:00	Lunch	Sanghvi Movers,
2:00-2:45	Corporate presentation by Mr. Sunil Sikka, President, Havell's India	Shreyas Shipping, SICAL, Stone India,
2:45-3:45	Presentation on 'Infrastructure opportunities from a global view point' by Mr. Himanshu Vashisht, Director, Elsamex India	Suzlon, Tractors India, Thermax,
3:45-4:00	Tea break	TRF
4:00-5:00	Presentation on infrastructure investment opportunities in Maharashtra by Dr. K. Shivaji, Development Commissioner - Industries, Government of Maharashtra	
5:00-6:00	Corporate presentation by Col. L. V. Raju (Retd.), MD, Kernex Microsystems	
7:00 onwards	Dinner	

ABG HEAVY INDUSTRIES

INR 197

Emerging port logistics player

NOT RATED

July 4, 2006

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Highlights

- Established in 1983 as a company engaged in giving crawler cranes on rent, ABG Heavy has successfully diversified into operating port cranes and maintaining container terminals.
- The privatization in the port sector gave ABG entry into Built, Operate, Lease, and Transfer (BOLT) of port cranes for major ports like JNPT, Chennai, Cochin, and Goa.
- It generated revenues of INR 700 mn in FY06. Crawler crane business contributed 43% and port crane business the remaining.
- In 2004, ABG Heavy diversified into owning and operating container terminals and has bagged Kolkata terminal; Kolkata terminal's container traffic increased 250% (from 4,000 TEUs/month to 10,000 TEUs/month) in a years time
- It recently bagged an INR 2 bn, 30-year Build-Own-Transfer (BOT) contract to carry out container terminal operations at Kandla.

Outlook

- The crawler crane business caters to customers like Suzlon, Micon, Enercon, BHEL, and Reliance, and is expected to generate revenues of INR 0.6-1 bn in FY08E.
- ABG expects to generate INR 150 mn in FY07 from container operations as compared with INR 80 mn in FY06.
- FY08 will mark big growth for the company, as Kandla operations will represent one full year of operation. It expects to handle over 150,000 TEUs by March 2007 and over 350,000 TEUs in a 3-4 year time period.
- ABG Heavy has entered into an agreement with Doosan, Korea, for exclusive co-operation in manufacturing, supply, repair, and service of material-handling equipment for containers and bulk handling projects in Asian countries including India and other Middle-East Asian countries.
- ABG Heavy is planning to establish feeder lines in collaboration with major shipping lines. It is planning to set up jumbo feeders in Kandla and Kolkata terminals, which will enable its cargo to be transshipped to Singapore and Dubai respectively. It intends to set up CFS in both these terminals and to create vertically integrated port operations.

Financials and Valuations

- ABG Heavy registered revenue of INR 602 mn and PAT of INR 177 mn in FY06. On a CMP of INR 206, the stock trades at 20x FY06 EPS of INR 10.3.

Financials

Year to March	FY03	FY04	FY05	FY06
Revenue	565	609	708	602
Rev. growth (%)		*7.9*	*16.2*	*(14.9)*
EBITDA (INR mn)	364	328	342	360
Net profit (INR mn)	90	111	100	117
Shares outstanding (mn)	12	11	11	11
EPS (INR)	7.5	9.8	8.9	10.3
EPS growth (%)		*31.1*	*(9.5)*	*16.4*
P/E (x)	27.6	21.0	23.2	20.0
EV/ EBITDA (x)	6.6	6.6	6.0	6.5
ROE (%)	6.8	10.3	12.4	28.0
ROCE (%)	11.1	10.9	12.0	30.0

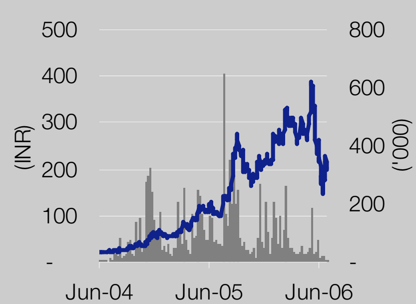
Reuters	:	ABG.BO
Bloomberg	:	ABG IN

Market Data

52-week range (INR)	:	398 / 47
Share in issue (mn)	:	11.3
M cap (INR bn/USD mn)	:	2.2 / 48.2
Avg. Daily Vol. BSE ('000)	:	61.1

Share Holding Pattern (%)

Promoters)	:	68.1
MFs, FIs & Banks	:	6.8
FIIs	:	4.9
Others	:	20.2



D.S. KULKARNI

INR 206

Dreams unlimited

NOT RATED

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July 4, 2006

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Highlights

- Incorporated in 1991 and headed by Mr. D.S.Kulkarni, DSK is a housing construction company with operations in Mumbai, Pune, and Bangalore.
- It went public in 1993 and recently came out with a rights cum follow on public issue.
- The company is currently developing and executing projects in Mumbai, Pune, and Bangalore with 3.9 mn sq. ft. under construction.

Outlook

- It is likely to execute projects of 0.3 mn sq. ft. at Bangalore in FY07.
- Another 1.2 mn sq. ft. of development in Pune and Bangalore is also targeted in the next two years.
- DSK Vishwa, a 3.7 mn sq. ft. project, will commence during the next two years. It will have 10,000 units ranging from 1, 2 and 3 BHK apartments, row houses, bungalow plots, villas, shops, and IT parks and amenities like schools, hospitals, malls, temples, clubs etc. Around 2,200 units have been constructed and handed over.
- Total projects worth INR 12.23 bn are to be executed by the company, out of which work on INR 5.55 bn has already commenced, projects worth INR 3.28 bn will commence in the current financial year and further INR 3.40 bn projects will commence in the next two years.
- The company also plans to venture into Goa and Hyderabad.

Financials and Valuations

- It had sales of INR 350 mn and a PAT of INR 37 mn in FY06.
- DSK expects to have sales of INR 2.7 bn, INR 2.9 bn, and INR 4.9 bn and PBT of INR .49 bn, INR 1.0 bn and INR 2.5 bn in FY07E, FY08E and FY09E, respectively.
- Going forward, promoter share of fully diluted equity will likely go down to 62%.

Reuters	:	DSKL.BO
Bloomberg	:	DSK IN

Market Data

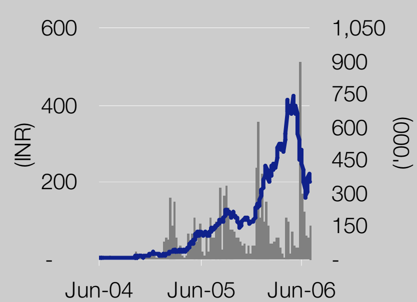
52-week range (INR)	:	446 / 81
Share in issue (mn)	:	22.0
M cap (INR bn/USD mn)	:	4.5 / 98.6
Avg. Daily Vol. BSE ('000)	:	87.5

Share Holding Pattern (%)

Promoters	:	24.2
MFs, FIs & Banks	:	1.2
FIIs	:	23.3
Others	:	51.5

Financials

Year to September	FY03	FY04	FY05
Revenue	572	297	351
Rev. growth (%)		*(48.2)*	*18.2*
EBITDA (INR mn)	38	36	69
Net profit	14	15	37
Shares outstanding (mn)	11	11	11
EPS	1.3	1.3	3.3
EPS growth (%)		*4.2*	*148.6*
P/E (x)	158.8	152.3	61.3
EV/ EBITDA	6.6	12.1	13.5
ROE (%)	8.4	8.5	18.5
ROCE (%)	8.8	6.9	9.5



ELECON ENGINEERING

INR 1,021

Moving from strength to strength

BUY

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July 4, 2006

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Highlights

- Elecon Engineering enjoys leadership position in the industrial gears and transmission industry and is a significant player in the material-handling equipment (MHE) industry. It supplies equipment to core sectors such as steel, fertilizers, cement, coal and iron ore mines, power stations, and port trusts in India and abroad.

- It has developed strong technical linkages with the best players operating in the MHE and gears industry like Koch of Germany and Turbowinds of Belgium.

- Transmission gears and MHE divisions contributed 53% and 47% respectively to the company's business in FY06.

Outlook

- It expects to achieve a turnover of INR 7.5 bn in FY07. Transmission gear and MHE divisions are expected to contribute 47% and 53% respectively.

- It is planning a capex of INR 400 to 600 mn in FY07 primarily for the gear division for manufacturing large size planetary gear box. The gear division is expected to grow by 20-25% in the next 2 years.

- It has collaborated with Turbowinds of Belgium and is expected to install 15 windmills in FY07. This is likely to increase sales by INR 500-600 mn.

- It is targeting exports of INR 500 mn in FY07. It has opened offices in Middle East and China; it intends to expand business in countries such as S. Korea, Philippines, and parts of Vietanam.

Financials and Valuations

- We expect sales to grow by 51.2% to INR 6.7 bn in FY07 and by 19.0% to INR 8.0 bn in FY08. We expect EBITDA margins to be 14% in FY07E and 16% in FY08E.

- The stock currently trades at 14.6x FY07E EPS of INR 70 and 10.2x FY08E EPS of INR 101. Given the strong sales growth expected along with increase in margins, we maintain our **'BUY'** recommendation.

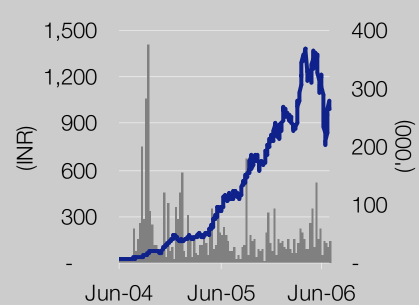
Reuters	:	ELCN.BO
Bloomberg	:	ELCN IN

Market Data

52-week range (INR)	:	1,439 / 386
Share in issue (mn)	:	5.7
M cap (INR bn/USD mn)	:	5.9 / 128.0
Avg. Daily Vol. BSE ('000)	:	19.2

Share Holding Pattern (%)

Promoters	:	45.6
MFs, FIs & Banks	:	4.7
FIIs	:	5.5
Others	:	44.2



Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	2,728	4,425	6,691	7,964
Rev. growth (%)	*71.2*	*62.2*	*51.2*	*19.0*
EBItDA (INR mn)	319	597	918	1,265
Net profit (INR mn)	101	279	470	677
Shares outstanding (mn)	5.7	6.7	6.7	6.7
EPS (INR)	15.0	41.4	69.8	100.5
EPS growth (%)	*375.2*	*176.3*	*68.7*	*44.0*
P/E (x)	68.1	24.7	14.6	10.2
EV/ EBITDA (x)	22.5	14.7	9.6	6.9
ROE (%)	14.6	22.4	24.3	28.7
ROCE (%)	17.6	23.6	24.7	28.1

INFRASTRUCTURE OPPORTUNITIES FROM A GLOBAL VIEW POINT

- Mr. Himanshu Vashist, Elsamex India

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July 4, 2006

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Highlights

- Elsamex SA is a Spanish engineering company active in the sphere of construction and engineering products and services for the past 30 years. It has a significant presence in Asia through its regional office in Bangkok, Thailand which was set up in 1982.
- Elsamex provides road maintenance services as well as solution products like software for inventory control, crack sealing equipments, etc. It has access to the parent company's in house R&D unit for all its technological requirements.
- The company has executed India's first O&M contract on the Mumbai-Pune Expressway for three years from the date of opening of the expressway till its privatization.

Outlook

- Elsamex is planning its foray in the O&M of ports, airports, and petroleum and water plants once private sector participation in these segments picks up.
- The opportunities for Elsamex are directly linked to the growth in the road BOOT projects segment. As developers get their hands full with BOOT projects the incidence of the O&M contracts being outsourced to players like Elsamex increase, thus driving growth.
- The company expects a big spike in maintenance needs and tougher O&M standards being set for Indian roads. With an increase in the length of stretches being awarded and competing assets being offered to users, Elsamex is targeting simultaneous maintenance contracts on very large stretches of highways.

GAMMON INDIA

INR 357

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'Gateway of India' infrastructure

ACCUMULATE

July 4, 2006

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Highlights

- Gammon operates across all sectors within the infrastructure space as a developer cum contractor. It has two subsidiaries; Gammon & Billimoria Ltd (51%) & Gammon Infrastructure Projects Ltd (GIPL) (100%).
- GIPL has ten projects and portfolio size of INR 37 bn. Of these, only four SPVs are currently operational while the other six are likely to come on stream by 2010. These projects are expected to post an IRR of about 8.5%.

Outlook

- Despite the government's thrust on infrastructure development and increased private sector participation, there is still a long way to go for Indian infrastructure to be at par with other emerging markets.
- Gammon India has an order book of INR 80 bn of which 20% is on account of GIPL. Of this, roads account for 20%, ports 30%, hydro power 40%, while the balance 10% includes marine, public utilities and pipelines.
- GIPL has submitted financial bids for nine projects. It is qualified for submission of financial bids for 14 projects and sees opportunities to bid for another 25. It has entered the SEZ development space with the Adityapur SEZ project in JV with TISCO and plans to enter bulk water supply projects for municipal corporations like GIDC & MIDC.
- Gammon India raised USD 100 mn through a GDR issue in January 2006 leading to an equity dilution of 12%. At the subsidiary level, GIPL privately placed 16 mn shares to a US-based hedge fund at the rate of INR 75.9 per share. GIPL has also filed the draft red herring prospectus offering 31 mn shares through the book building route. These funds are to be used to expand the BOOT projects portfolio in GIPL.

Financials and Valuations

- Gammon has posted revenues of INR 15 bn in FY06 (15 months). We expect revenues to grow at 40+% CAGR for the next two years and EBITDA margins of ~13% and PAT margins of ~7% over the next two years. Gammon trades at a market cap order book ratio of 0.4x. On consolidated EPS estimates of INR 15.3 and 21.2 for FY07E and FY08E, Gammon trades at P/E of 23x and 17x, respectively. We maintain a 'ACCUMULATE' recommendation on the stock and look at Gammon as an attractive bet to play growth in infrastructure and project portfolio ramp-up.

Financials

Year to March	CY04	FY06E	FY07E	FY08E
Revenues (INR mn)	8,827	15,983	18,249	26,006
Rev growth (%)	*10.6*	*8.6*	*42.7*	*42.5*
EBITDA (INR mn)	1,000	2,268	2,681	3,768
Net profit (INR mn)	321	1,067	1,263	1,914
Shares outstanding (mn)	15.6	88.5	88.5	88.5
EPS (INR) *	5.5	9.6	14.3	21.6
EPS growth (%)	*76.0*	*75.8*	*47.9*	*51.6*
PE (x)	65.0	36.9	25.0	16.5
EV/EBITDA (x)	24.9	11.0	9.3	6.6
ROAE (%)	11.4	15.2	9.9	11.9
ROACE (%)	10.0	15.2	12.3	14.1

** Annualised EPS (Adjusted for split)*

Reuters	:	GAMM.BO
Bloomberg	:	GMON IN

Market Data

52-week range (INR)	:	589 / 258
Share in issue (mn)	:	88.5
M cap (INR bn/USD mn)	:	31.6 / 685.9
Avg. Daily Vol. BSE/NSE ('000)	:	257.4

Share Holding Pattern (%)

Promoters	:	32.3
MFs, FIs & Banks	:	10.9
FIIs	:	17.9
Others	:	38.9

GMR INFRASTRUCTURE

- Mr Madhu Terdal (GMR Group)

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July 4, 2006

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Highlights

- GMR Infrastructure is one of India's largest pure infrastructure development companies operating in the energy, roads, and airports segments.
- GMR handles 421 km of national highways and 1/3rd of air traffic in India.
- GMR's project basket includes two airport projects (one brownfield and one greenfield), four power projects (two operational) and six road projects (two operational).
- GMR is the largest BOT concessionaire for NHAI in terms of length of roads constructed.

Outlook

- The GMR group holds 63% stake in Hyderabad International Airport Limited. Spread over 5,500 acres, the total project cost is about INR 18 bn. The project is being executed in three phases. The first phase is likely to be completed by FY08.
- The group holds 50.1% stake in the INR 28.4 bn Delhi International Airport Limited. At the end of the first phase the airport is likely to handle 22 mn passengers And on completion, the airport will have the capacity to handle 100 mn passengers per annum. It is likely to have four parallel runways with peak hour runway movement of 112atms/hour.
- GMR has power projects totaling to 1,000 MW through four projects. The naptha-based Mangalore plant (220 MW) and the gas-based Chennai plant (200 MW) are operational. The gas-based Vemagiri plant (370 MW) is likely to be completed shortly. The Alaknanda hydro power plant (140 MW) is now in the feasibility study stage.
- GMR has completed the Tambaram Tindivanam (NH45) and Tuni Anakapalli (NH5) expressway in 2004. It is currently executing the Ambala Chandigarh (NH21/NH22), Pochanpally (NH7), Ulundurpet (NH45) and Jadcherla (NH7) expressways. These projects are likely to be completed in FY09 and FY10.

INFRASTRUCTURE INVESTMENT OPPORTUNITIES IN MAHARASTRA

- by Dr. K. Shivaji (Government of Maharashtra)

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July 4, 2006

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- Maharashtra occupies prominent position in India on account of:
  - The state follows an open door policy
  - Maharashtra's share in country's GDP is 13%
  - It has registered annual growth of 9.3% for past three years
  - The per capita income is INR 32,470 versus national per capita income of INR 23,457
  - The Gross SDP is highest in the country at INR 3,305 bn
  - Export contributes 45% of total country's exports
  - Maharashtra's production output is 19% of India's total output
- Maharashtra state also contributes significantly to the exchequer—43% of corporate tax, 36% of income tax and 17% of central excise
- The state also gives highest productivity in India. For instance, a factory in Maharashtra employs 16% more capital and 2% more labour, but produces 37% more output and adds 51% more value than a factory in other parts of India
- With regards to infrastructure, the state has 11% and 9% of the national road network and rail network. Also, of the total international passengers and cargo handles, 34% is handled by Maharashtra alone
- The state has two major ports and 48 state ports. The port infrastructure is becoming more important with most company's looking for exploring offshore markets. JNPT alone handles 58% of the total container traffic
- In the automotive industry, the state has manufacturing units for all segments of vehicles. The state manufactures almost three out of 10 tractors produced in India and over 70% of medium and heavy trucks
- In the textile industry, ~ 17% of the total country's installed capacity is in Maharashtra and 25% of the total country's cotton production is from Maharashtra. The state also has the largest number of EOU's (560)
- In the IT-ITES space, ~ 129 IT parks are in Maharashtra, employing 32% of IT professionals. Of the total INR 562 bn of IT exports, ~ 21% is contributed by Maharashtra
- The state is poised to attract mega investments through nurturing specialized industrial clusters such as textiles, IT & ITES, bio-technology, wineries, etc. The state is also promoting a number of SEZ's which are both general and product specific
- Single window clearance is now provided to companies to open plants etc, rather than going to each department like labour, etc., for clearances.

HAVELL'S INDIA

INR 568

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Building on urban infrastructure creation

BUY

July 4, 2006

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Highlights

- Incorporated in 1983, Havell's India is the market leader in power distribution products. Its product offerings include electrical products like circuit protection equipments (domestic and industrial switchgears), cables and wires and consumer durables like fans, CFLs and lighting fixtures. It has a strong dealer network with over 2,000 dealers. Havell's has higher penetration in North & South and relatively weaker presence in western India. It also has international operations in over 45 countries.

Outlook

- Will focus on growing its consumer products category and expects to grow it by 100% in FY07. Plans to set-up a consumer durables plant in Uttaranchal for tax benefits.
- CFL to be the next key product:
  - CFL capacity currently at 20 mn and more additions planned over time. FY06 sales of INR 1.1 bn compared to the total market size of ~ INR 7 bn.
  - ISI to become mandatory from January 2007, which will impact the sales from CFL imports. Note that 70% of CFLs are produced in China. The Chinese market is ~10 times the size of India.
  - Bulbs & florescent tubes have seen decline as getting replaced by CFLs.
  - Given the power saving features of CFL, Havell's is lobbying to eliminate VAT on the product. This is likely to cause a spurt in CFL demand.
- Acquired a MCB manufacturing company in Greece, Greyer Hallas, for ~ INR 600 mn. Acquisition will help Havell's gain foot hold in southern European market by leveraging Greyer's world class production facility.
- Plans to increase its R&D spending to develop in-house IP on new designs and products.

Financials and Valuations

- Havell's reported FY06 revenues were INR 10 bn, up 73% and PAT at INR 0.63 bn was up 107%. Revenues have grown at a CAGR of 140% from FY02 and PAT has grown at a CAGR of 160% from FY02 numbers.
- Current quarter will be the 15th consecutive quarter with Q/Q growth.
- We reiterate our **'BUY'** rating on the stock as we expect EBITDA margins to improve further and the sales to continue to show strong growth of more than 17% CAGR for the next two years. The stock trades at P/E of 17x and 12.9x based on FY07E and FY08E EPS of INR 36.8 and INR 48.7, respectively.

Financials

Year to March	FY05	FY06E	FY07E	FY08E
Revenue	5,820	10,073	11,516	14,202
Rev. growth (%)	*60.3*	*73.1*	*14.3*	*23.3*
EBITDA (INR mn)	604	1,031	1,499	1,950
Net profit	305	633	916	1,212
Shares outstanding (mn)	23	25	25	25
EPS	13.2	25.4	36.8	48.7
EPS growth (%)	*45.6*	*93.1*	*44.7*	*32.3*
P/E (x)	43.1	23.0	17.0	12.9
EV/ EBITDA	24.5	15.0	11.5	8.8
ROAE (%)	41.8	47.2	38.9	38.5
ROACE (%)	26.7	33.8	32.6	33.5

Reuters	:	HVEL.BO
Bloomberg	:	HAVL IN

Market Data

52-week range (INR)	:	800 / 281
Share in issue (mn)	:	24.9
M cap (INR bn/USD mn)	:	14.1 / 313.6
Avg. Daily Vol. BSE/NSE ('000)	:	82.3

Share Holding Pattern (%)

Promoters	:	71.6
MFs, FIs & Banks	:	7.4
FIIs	:	8.8
Others	:	12.2

ITI

INR 50

Light at the end of the tunnel

ACCUMULATE

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- ITI is a telecom equipment manufacturing PSU with the GoI owning a 93% stake.
- Products include electronic switching, transmission equipment, OF equipment, digital exchanges, access products, V-SAT equipment and telephone instruments.
- Till now, ITI has been a fixed-line equipment manufacturer. It has recently upgraded its facilities to cater to the fast-growing mobile segment and has forayed into manufacture of GSM and CDMA-WLL equipment through technical collaborations with Alcatel, France, and ZTE, China, respectively.
- ITI's major customers include telecom PSUs BSNL and MTNL. They contribute to more than half the company revenues. Around 25% of BSNL and MTNL tenders are reserved for ITI.
- Its technological partner Alcatel has recently started outsourcing base stations to ITI and orders from this front are likely to increase over time.

Outlook

- ITI is looking at spending INR 1.5 bn as capex over the next three years.
- Order backlog as on June 1, 2006 stood at INR 18.7 bn (including purchase orders of INR 6.6 bn and advanced purchase orders of INR 12.1 bn).
- Currently, it has assured orders for around 17 mn lines—15 mn lines from BSNL and 2 mn from MTNL. Alcatel has also placed an order for 300 BTS and intends to source up to 5 mn lines from ITI in the near future.
- ITI has land bank of ~375 acres including some prime property in Bangalore, which was recently revalued (in April 2006) at INR 24 bn. It intends to develop around 45 acres in partnership with Construction Corporation of India and sell some surplus land.

Financials and Valuations

- We expect ITI to be back in the black. Over FY07-08E, we reckon EBITDA margins to be in the range of 8-11% and profit margins at 1.9% and 5.1%, respectively.
- We expect topline to double over FY07-08E to INR 38.7 bn and bottomline at INR 1.9 bn in FY08E.
- The stock trades at a P/E of 23.5x FY07E and 7.3x FY08E. We maintain our **'ACCUMULATE'** recommendation.

Reuters	:	ITEL.BO
Bloomberg	:	ITI IN

Market Data

52-week range (INR)	:	95 / 28
Share in issue (mn)	:	288.0
M cap (INR bn/USD mn)	:	14.4 / 312.7
Avg. Daily Vol. BSE/NSE ('000)	:	4,009.0

Share Holding Pattern (%)

Promoters	:	93.0
MFs, FIs & Banks	:	0.5
FIIs	:	0.0
Others	:	6.5

Financials

Year to March	FY05	FY06E	FY07E	FY08E
Revenue (INR mn)	13,179	16,958	32,596	38,729
Rev. growth (%)	*0.1*	*0.3*	*0.9*	*0.2*
EBITDA (INR mn)	(5,455)	(3,406)	2,878	4,263
Net profit (INR mn)	(5,144)	(4,520)	608	1,964
Shares outstanding (mn)	288.0	288.0	288.0	288.0
EPS (INR)	(17.9)	(15.7)	2.1	6.8
EPS growth (%)	*(0.2)*	*12.1*	*113.5*	*222.9*
P/E (x)	_	_	23.5	7.3
EV/ EBITDA (x)	_	_	11.0	7.4
ROE (%)	_	_	4.1	13.4
ROCE (%)	_	_	30.6	42.5

KALINDEE RAIL NIRMAN

INR 97

Edelweiss
Ideas create, values protect

On track

NOT RATED

July 4, 2006

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Highlights

- Established in 1984, Kalindee has established itself as a leading player in the execution of major railway, track, signaling and telecommunication projects in India.
- Its main lines of business include:
    - Railway safety signaling systems.
    - Fixed traction installations for electric traction.
    - Railway new line and gauge conversion.
    - Optical fiber and copper cable based telecom networks.
- Kalindee Rail has already bagged projects worth INR 1.28 bn for various track, civil, signaling and mobile projects. It has also started various turnkey projects worth INR 3.2 bn which are to be executed over the next few years.
- The company has tied-up with various international partners like Ericsson, Alcatel, Motorola and GE, among others. It has bids jointly with Tata Projects and Unity Constructions for larger projects.

Outlook

- Rail Vikas Nigam Limited, a 100% government-owned company, has identified 56 projects pertaining to rail-port connectivity, developing multimodal corridors to the hinterland, construction of mega bridges and strengthening of the Golden Quadrilateral.
- Phase I of the INR 600 bn freight corridor railway project is expected to commence in the next year. Kalindee is likely to get a significant share of these projects, similar to its success in RVNL projects.
- After the success of Delhi MRTS, the cabinet has approved MRTS projects of Mumbai, Bangalore and Hyderabad. These projects will add to its order book.

Financials and Valuations

- Kalindee Rail registered a turnover of INR 901 mn and PAT of INR 35 mn, a growth of 69% and 63%, respectively in FY06. The stock trades at a P/E of 13.4x its FY06 EPS of INR 7.2. The company has also merged a group company which is expected to increase the equity capital to INR 80 mn.

Reuters	:	KALI.BO
Bloomberg	:	KRNE IN

Market Data

52-week range (INR)	:	223 / 73
Share in issue (mn)	:	8.0
M cap (INR bn/USD mn)	:	0.8 / 17.2
Avg. Daily Vol. BSE ('000)	:	51.6

Share Holding Pattern (%)

Promoters	:	28.9
MFs, FIs & Banks	:	0.3
FIIs	:	9.0
Others	:	61.8

Financials

Year to March	FY03	FY04	FY05	FY06
Revenue (INR mn)	305	371	534	901
Rev. growth (%)	-	*22*	*44*	*69*
EBIDTA (INR mn)	17	22	43	75
Net profit (INR mn)	11	12	22	36
Shares outstanding (mn)	5	5	5	5
EPS (INR)	2.3	2.5	4.4	7.2
EPS growth (%)	-	*10.5*	*76.5*	*62.5*
P/E (x)	42.4	38.4	21.8	13.4
EV/ EBITDA (x)	30.3	25.3	12.3	-
ROE (%)	10.7	10.6	16.4	-
ROCE (%)	13.9	12.0	18.3	-

KEC INTERNATIONAL

INR 263

Edelweiss
Ideas create, values protect

Making its presence felt globally

BUY

July 4, 2006

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Highlights

- KEC International Ltd (KEC) is one of the leading players in transmission line EPC with annual capacity of 60,000 MTs. It has modern design and engineering facilities at its two plants at Nagpur and Mumbai. KEC provides end-to-end solutions for transmission line projects. Its major business segments are power T&D, telecom towers, railway electrification, hotline stringing, tower testing and engineering services. Major strengths of KEC are strong prequalification credentials, close association with customers, and good designing capabilities. It has a client base spread over 40 countries, with strong presence in the Middle East, Africa and Central Asia and has strong international presence with more than 60% of revenues coming from exports.

Outlook

- The current order book at the end of May 2006 stood at INR 25 bn, of which INR 20 bn are international orders. KEC successfully entered the power distribution/rural electrification market by winning large orders from India & overseas. The distribution order book stands at INR 5bn. The execution cycle for distribution orders is one year.
- By 2012, Power Grid has an expenditure plan of INR 70 bn for power transmission and distribution. It implies around INR 10 bn investment annually and KEC being the industry leader is well placed to benefit from the investment spend.
- The management is positive on private sector participation being encouraged in transmission lines and expects tenders worth INR 15 bn to be floated on 100% independent private transmission company (IPTC) basis.
- KEC is also considering foraying into SAARC markets like Bangladesh and Bhutan, which the company believes are very promising markets for transmission projects.

Financials and Valuations

- KEC achieved a turnover of INR 17.3 bn in FY06, registering a growth of 40% Y-o-Y and a PAT of INR 493 mn, a 17% Y-o-Y growth. We expect revenues to grow at a CAGR of 22% over the next two years to INR 25.6 bn in FY08E and PAT to grow at a CAGR of 62% to INR 1.3 bn by FY08E.
- At CMP of INR 263, the stock trades at 10.4x and 7.7x FY07E and FY08E earnings, respectively. Considering KEC's strong presence in domestic as well as overseas markets and expected strong growth ahead, we maintain our 'BUY' recommendation.

Reuters	:	KECI.BO
Bloomberg	:	KEC IN

Market Data

52-week range (INR)	:	510 / 215
Share in issue (mn)	:	37.7
M cap (INR bn/USD mn)	:	9.9 / 215.6
Avg. Daily Vol. BSE ('000)	:	383. 6

Share Holding Pattern (%)

Promoters	:	34,3
MFs, FIs & Banks	:	32.4
FIIs	:	16.3
Others	:	17.0

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenues (INR mn)	12,303	17,272	20,799	25,610
Rev growth (%)	*50.6*	*40.4*	*20.4*	*23.1*
EBITDA (INR mn)	1,196	1,622	1,997	2,492
Net profit (INR mn)	423	493	952	1,292
Shares outstanding (mn)	37.6	37.7	37.7	37.7
EPS (INR)	11.2	13.1	25.3	34.3
EPS growth (%)	*47.8*	*16.5*	*93.0*	*35.8*
PE (x)	23.4	20.1	10.4	7.7
EV/EBITDA (x)	10.7	7.9	6.4	5.1
ROAE (%)	15.0	19.3	38.1	36.6
ROACE (%)	13.5	23.7	24.8	28.4

KERNEX MICROSYSTEMS

INR 171

Safety on rails

BUY

July 4, 2006

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Highlights

- Established in 1991, Kernex Microsystems is in the business of software development, project consultancy, and electronics system integration.
- It provides high-level software and hardware development for networked anti-collision systems (ACD), metro sky bus systems and advance signal systems. It also has new technologies like train actuated warning device (TAWD), signal passing at danger (SPAD) and hot box and wheel vibration detection systems under development and trials.
- Kernex has a capacity to produce 4,400 ACDs which is likely to go upto 10,000 per annum to cater to the huge demand.

Outlook

- Indian Railways requires 62,000 km of rail tracks to be implemented with ACDs within a period of six-seven years, implying a requirement of 8,000-9,000 ACDs per year.
- It expects the anticipated revenues combining capital cost and services to reach INR 3.5 bn/year.
- Internationally, out of the total 1.2 mn km of track over 0.85 mn km of tracks need some sort of collision prevention system. Kernex, to exploit this opportunity, is planning to enter into SE Asia, Africa, Latin America, the Middle East and Russia.
- A huge opportunity also exists for Kernex in the form of sky bus implementation. Currently, sky bus metro systems worth INR 265 bn are at proposal stages with KRCL. This presents INR 7.5 bn opportunity for Kernex.

Financials and Valuations

- We expect Kernex to register revenue of INR 1.3 bn and INR 1.9 bn in FY07E and FY08E, respectively. Profit is expected to be INR 250 mn and 390 mn during the same period.
- At the CMP of INR 170, the stock trades at 7.7x FY07E EPS of INR 22 and 5.0x FY08E EPS of INR 34.5, respectively. The estimates may also prove to be conservative as they do not include upsides from new product development and exports. We reiterate our 'BUY' recommendation.

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue	526	413	1,288	1,920
Rev. growth (%)	*2.4*	*(0.0)*	*1.6*	*0.5*
EBITDA (INR mn)	161	136	484	753
Net profit	90	86	249	389
Shares outstanding (mn)	11	11	11	11
EPS	7.9	7.6	22.1	34.5
EPS growth (%)	*1.9*	*(0.0)*	*1.9*	*0.6*
P/E (x)	21.6	22.5	7.7	5.0
EV/ EBITDA*	11.5	6.8	2.4	1.5
ROE (%)*	45.7	11.5	18.4	23.9
ROCE (%)*	63.8	18.7	29.7	38.6

** Estimated for FY06*

Reuters	:	NA
Bloomberg	:	KMSI IN

Market Data

52-week range (INR)	:	399 / 144
Share in issue (mn)	:	11.4
M cap (INR bn/USD mn)	:	1.9 / 42.2
Avg. Daily Vol. BSE/NSE ('000)	:	1,046.9

Share Holding Pattern (%)

Promoters	:	58.9
MFs, FIs & Banks	:	1.1
FIIs	:	0.4
Others	:	39.6

LARSEN & TOUBRO

INR 2,191

Edelweiss
Ideas create, values protect

Default India infrastructure play

BUY

July 4, 2006

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Highlights

- L&T is India's largest E&C conglomerate and is also into manufacturing and marketing of earthmoving and related construction and industrial machinery, construction of roads, bridges and ports, electrical industries, IT and other industrial products.
- L&T's core operation (E&C) constitutes more than 85% of total revenues. The company is receiving most of its orders from the hydrocarbon sector. In the construction space, L&T is getting business from all infrastructure spaces (highways, ports, airports). It is also receiving orders from the transmission line business.
- L&T is planning to unlock its infotech subsidiary in FY08 and L&T IDPL is unlikely to be rolled out before FY10, as most of L&T's BOT projects are still in the construction phase and are expected to enter revenue phase in the next few years.

Outlook

- L&T's order backlog as of March 2006 stood at INR 247 bn, which is 1.4x consolidated FY06 revenues. Its E&C business order intake for 1Q06 is INR 57 bn, which is 50% growth over 1Q05. L&T's current order book will have an average execution period of ~20 months. L&T has given the guidance of 30% and 25% growth in its order book and revenues, respectively, for FY07. It also expects sustainable operating margins of 8-8.5% for its E&C business.
- L&T expects its order book to be mostly driven by orders from the oil and gas sector and it expects less order inflows from process industries and power sector in the near future.
- L&T is foraying into defense by setting up a life cycle support system that will service, repair and maintain arms and ammunition for defense forces. L&T expects annual orders of ~INR 10 bn to flow from defense sectors. Given the encouraging investment outlook in GCC countries, L&T is planning more JV's in this region.

Financials and Valuations

- L&T's consolidated revenues for FY06 were INR 165 bn versus INR 146 bn for FY05, registering a growth of 14%. This modest growth was mainly on account of bunching of orders in 4Q05. We expect a lot of execution and billing of orders in FY07. L&T is also focusing on improving its ROCE from the current 16% to 20% in FY07.
- We expect L&T's stock to command premium valuations, given the high visibility in revenue and earnings. The stock trades at P/E of 21.9x and 16.7x FY07E and FY08E consolidated earnings. We therefore reiterate stock with **'BUY'** recommendation.

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenues (INR mn)	145,517	165,604	213,289	263,662
Rev growth (%)	*32.6*	*13.8*	*29.4*	*23.6*
EBITDA (INR mn)	11,495	15,838	20,753	26,543
Net profit (INR mn)	6,947	12,475	13,019	17,026
Shares outstanding (mn)	129.9	129.9	129.9	129.9
EPS (INR)	53.5	96.0	100.2	131.1
EPS growth (%)	*11.1*	*79.6*	*4.4*	*30.8*
PE (x)	41.0	22.8	21.9	16.7
EV/EBITDA (x)	25.8	18.7	14.3	11.2
ROAE (%)*	23.3	25.1	31.9	35.4
ROACE (%)*	15.5	17.5	23.1	26.0

** Estimated ROAE and ROACE for FY06*

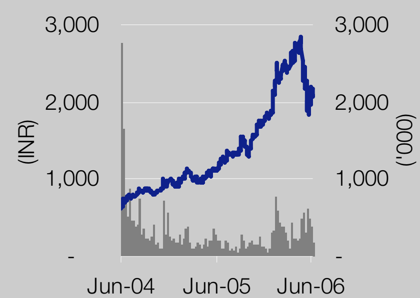
Reuters	:	LART.BO
Bloomberg	:	LT IN

Market Data

52-week range (INR)	:	2,915 / 1,123
Share in issue (mn)	:	129.9
M cap (INR bn/USD mn)	:	284.6/6,187.2
Avg. Daily Vol. BSE/NSE ('000)	:	522.2

Share Holding Pattern (%)

Promoters	:	0.0
MFs, FIs & Banks	:	36.3
FIIs	:	19.1
Others	:	44.5



MCNALLY BHARAT ENGINEERING

INR 90

'Conveying' India's growth

BUY

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- McNally Bharat Engineering (MBE) has turnkey products that have applications in mining, power and port sectors. Its products include material-handling equipment, mineral beneficiation plants and port equipments like cranes and reach stakers.
- MBE has strong technical collaborations with a wide variety of organizations to strengthen its presence in both products and projects.
- It has a market share of around 40% in port handling equipments, 30% in mineral beneficial plants and 25% in ash handling equipments.

Outlook

- It has recently collaborated with TPE, a Russian company. This will help MBE in acquiring business in the modernization of the steel sector (expected market of INR 70 bn over next two-three years).
- It is entering into the contract mining business and has received an order of INR 1.8 bn for supplying lignite and limestone handling system to Neyveli Lignite.
- It plans to foray into industrial gear box manufacturing in collaboration with an international company. Half of the production is expected to be used for captive consumption. This is likely to have a positive impact on its margins.
- It plans to achieve sales of INR 10 bn with 12% EBITDA margins by FY2010E. Expected sales in FY07E are INR 5.5 bn with an EBITDA margin of 6%.
- MBE is targeting a change in its order mix. It plans to increase the share of mineral beneficiation (higher margin business) from 13% to 25% of the order book.

Financials and Valuations

- We expect sales to grow by 48.3% to INR 4.9 bn in FY07E and by 52.3% to INR 7.5 bn in FY08E. We expect EBITDA margins to be 7.3% in FY07E and 10.2% in FY08E.
- The stock trades at P/E of 11.9x FY07E EPS of INR 7.5 and 4.9x FY08E EPS of INR 18.2. With strong sales and EBITDA growth expected from 2HFY07E onwards, we reiterate our **'BUY'** recommendation.

Reuters	:	MCNL.BO
Bloomberg	:	NA

Market Data

52-week range (INR)	:	160 / 56
Share in issue (mn)	:	26.5
M cap (INR bn/USD mn)	:	2.4 / 51.6
Avg. Daily Vol. BSE ('000)	:	100.0

Share Holding Pattern (%)

Promoters	:	34.1
MFs, FIs & Banks	:	14.7
FIIs	:	5.2
Others	:	45.9

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	2,865	3,327	4,934	7,514
Rev. growth (%)	*48.1*	*16.1*	*48.3*	*52.3*
EBITDA (INR mn)	108	169	363	770
Net profit (INR mn)	26	53	199	482
Shares outstanding (mn)	26	26	26	26
EPS (INR)	1.0	2.0	7.5	18.2
EPS growth (%)	*74.9*	*99.9*	*278.4*	*142.7*
P/E (x)	90.4	45.2	11.9	4.9
EV/ EBITDA (x)	33.7	20.0	9.3	4.4
ROE (%)	7.3	9.8	25.2	45.5
ROCE (%)	10.5	12.8	24.0	44.3

NEW CONSOLIDATED CONSTRUCTION CO.

Emerging star NOT RATED

July 4, 2006

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Company Background/Profile

New Consolidation Construction Company (NCCCL), based in Mumbai, is a construction company which offers a wide range of construction services across sectors. The company was incorporated in 1946 as a public company. Its projects include industrial plants, commercial and corporate complexes, residential buildings, etc. The company's operations extend across India with its project offices at its four prominent project sites: Bangalore, Baddi, Pune, and Goa.

Management Team

Chairman and Managing Director	:	Mr. Abbas Jasdanwalla
Director	:	Mr. Salim Jasdanwalla
CEO and Managing Director	:	Mr. Mahesh Mudda

Business Overview

Construction: NCCCL specializes in turnkey projects such as housing and corporate complexes, industrial structures, educational institutions etc. It offers a wide range of construction services, such as civil, structural, sanitation services, interior decoration, etc.

Its clients include domestic and international companies across sectors like chemicals, light and heavy engineering, electrical and electronic industries. The company is a specialist in construction of pharmaceutical plants and has executed projects for all leading pharma players, including Bayer, Nicholas Piramal, Novartis, Glaxo, among others. The current order book size of the company is about INR 600 mn. The company has ventured into real estate development with its first project under progress in Pune.

Financials

For the year-ended March 31, 2006, the company has achieved a top line of about INR 1.6 Bn and PAT of INR 80 mn. During FY07, the company is likely to achieve a PAT of about INR 250 mn.

PRAJAY ENGINEERS SYNDICATE

INR 175

Chote nawab

NOT RATED

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Prajay (PSEL) is a Hyderabad based construction and hospitality company with 20 years of experience in the construction business. Till date it has completed 0.6 mn sq. ft. of construction, with 85-80% for the middle and upper middle class population of Hyderabad.
- Its land bank totals 18 mn sq. ft. and is currently valued at INR 9.5 bn. Prajay plans to develop the land in next four-five years. The land was bought at a total cost of INR 2.92 bn, of which INR 0.6 bn still remains to be paid.
- Its land bank is strategically located across Hyderabad and greater Hyderabad, near major infrastructure projects coming up in Hyderabad and its outskirts.

Outlook

- In FY07, PSEL plans to complete 2.2 mn sq. ft. of construction 1.6 mn sq. ft. of the planned construction has already been booked, of which 70% is in the middle and upper middle class bracket.
- Housing demand in Hyderabad is very strong given the population demographics, government infrastructure spending and corporate investments.
- Prajay plans to foray into Tier II cities of Andhra Pradesh like Vizag and Vijaywada and also into other states like Maharashtra and Goa.
- Projects under construction include: Prajay Celebrity Mall (1.12 mn sq ft), Prajay Technopark, Nacharam (1.4 mn sq ft), an 18 hole golf course, hotel construction totaling 1,200 rooms and residential projects spread over 109 acres.
- In FY07, Prajay expects to construct 4.5 mn sq. ft. having sales of INR 5-5.5 bn and PAT of INR 700 mn, up 570% and 200%, respectively.

Financials and Valuations

- In FY06, it had sales of INR 747 mn, up 215% and a PAT of INR 235 mn, up 434%. The company reported EPS of INR 17.8 in FY06 compared to EPS of INR 5.6 in FY05.
- On a fully diluted equity base of 22 mn shares, including the recently completed FCCB issue, promoter shareholding stands at 34%.

Reuters	:	NA
Bloomberg	:	PES IN

Market Data

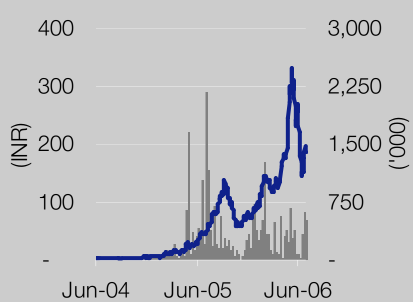
52-week range (INR)	:	339 / 44
Share in issue (mn)	:	12.9
M cap (INR bn/USD mn)	:	2.3 / 49.1
Avg. Daily Vol. BSE ('000)	:	702.7

Share Holding Pattern (%)

Promoters	:	27.9
MFs, FIs & Banks	:	0.0
FIIs	:	25.5
Others	:	46.6

Financials

Year to March	FY03	FY04	FY05	FY06
Revenue	188	178	233	747
Rev. growth (%)	-	*(5.5)*	*31.0*	*221.0*
EBITDA (INR mn)	30	36	74	
Net profit	10	8	45	235
Shares outstanding (mn)	22	22	22	22
EPS	0.5	0.4	2.0	10.7
EPS growth (%)	-	*(21.2)*	*474.4*	*424.6*
P/E (x)	389.4	494.3	86.1	16.4
EV/ EBITDA	131.0	112.6	54.1	-
ROE (%)	10.9	8.0	39.0	-
ROCE (%)	17.0	15.2	26.0	-



SANGHVI MOVERS

INR 688

Largest crane play on Indian infrastructure

BUY

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Sanghvi Movers is the largest crane hiring company in India and was ranked 12th across the globe by the *Cranes International* magazine. Apart from crane hiring, it also provides other services and aims to become a complete solutions provider.
- It has a diversified fleet of cranes ranging from 20 MT to 800 MT capacities. It presently owns 225 cranes and 60 trailers and is independent on outside transport service for carrying his cranes
- Sanghvi Movers has established a nationwide presence through depots in various locations like Tathawade, Nagpur, Chennai, Bangalore, Bharuch, Delhi, and Bhubaneshwar.
- It derives 45% of its revenues from windmill power projects, 20% from refineries and petrochemicals, 15% from power plants, 10% from plant maintenance, and 10% from others.

Outlook

- Sanghvi Movers has lined up a capacity expansion plan of INR 2 bn in FY07E and INR 1 bn in FY08E. With this, it expects to increase the number of cranes to 275 in 2007E and about 310 in 2008E.
- It is also planning to add a few more depots at Delhi, Jamnagar, Bangalore, and the rest of India.
- It expects to fund its capex plan through USD 20-25 mn FCCBs. The promoters have also been issued 6,00,000 share warrants at a price of INR 700 and hence, there will be additional infusion of capital of INR 420 mn.
- Sanghvi Movers has guided for a net profit of INR 450-500 mn in FY07E and INR 750 mn in FY08E.

Financials and Valuations

- We estimate revenues and net profit to grow at a CAGR of 38% and 52%, respectively, between FY06 and FY08E.
- At the CMP of INR 688, the stock trades at 10x FY07E EPS of INR 70 and 6.7x FY08E EPS of INR 102, respectively. The huge infrastructure creation across the sectors and its dominant position in the crane hiring business will help Sanghvi Movers continue its growth momentum. We maintain our 'BUY' recommendation.

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	754	1493	2108	2844
Rev. growth (%)	*64.7*	*98.1*	*41.2*	*34.9*
EBITDA (INR mn)	455	986	1366	1822
Net profit (INR mn)	137	322	507	746
Shares outstanding (mn)	7	7	7	7
EPS (INR)	18.8	44.1	69.5	102.2
EPS growth (%)	*122.0*	*134.9*	*57.6*	*47.0*
P/E (x)	36.6	15.6	9.9	6.7
EV/ EBITDA (x)	13.3	7.4	5.3	4.0
ROE (%)	26.4	49.2	54.5	53.2
ROCE (%)	19.8	27.7	26.8	29.1

Reuters	:	SNGM.BO
Bloomberg	:	SGM IN

Market Data

52-week range (INR)	:	913 / 183
Share in issue (mn)	:	7.4
M cap (INR bn/USD mn)	:	5.1 / 111.0
Avg. Daily Vol. BSE ('000)	:	32.7

Share Holding Pattern (%)

Promoters	:	70.0
MFs, FIs & Banks	:	0.9
FIIs	:	2.7
Others	:	26.4

SHREYAS SHIPPING & LOGISTICS

INR 184

Bon voyage

BUY

July 4, 2006

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Highlights

- A full-fledged container feeder shipping and logistics company in India, operating under diverse business segments:

  Charter services

  Feeder services

  Logistics & SCM

- Pioneered the concept of containerized coastal shipping in India.

Outlook

- Capex plan of INR 3.5 bn.
- Proposed to be raised and utilized in a phased manner over the next fifteen months.
- The plan involves:
- Acquisition of three second-hand container vessels.
- Acquisition of one new vessel from Singapore.
- Setting up of infrastructure facilities for terrestrial onshore logistics services like warehouses, containers, and cargo handling equipment.

Financials and Valuations

- Consolidate first-mover advantage and strengthen leadership in containerized movements by developing logistics business and de-risking business model.
- We estimate revenues to grow at 31% CAGR between FY06 and FY08E.
- At the CMP of INR 189, the stock trades at 10.2x FY07E EPS of INR 18.6 and 7.9x FY08E EPS of INR 24.
- We maintain our 'BUY' recommendation.

Reuters	:	SRSH.BO
Bloomberg	:	SRYS IN

Market Data

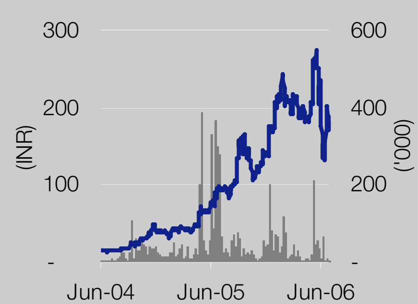
52-week range (INR)	:	290 / 80
Share in issue (mn)	:	22.0
M cap (INR bn/USD mn)	:	4.0 / 87.7
Avg. Daily Vol. BSE ('000)	:	47.0

Share Holding Pattern (%)

Promoters	:	73.7
MFs, FIs & Banks	:	0.2
FIIs	:	0.5
Others	:	25.7

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenues (INR mn)	970	1,241	1,488	2,116
EBITDA (INR mn)	347	415	563	829
Net profit (INR mn)	357	343	435	561
EPS (INR)	18.0	15.6	18.6	24.0
EPS growth (%)	*384.2*	*(13.2)*	*18.9*	*29.0*
PE (x)	10.5	12.1	10.2	7.9
EV/EBITDA	12.4	10.5	8.0	6.7
Dividend yield (%)	1.1	1.2	1.3	1.3
ROE (%)	48.6	28.9	23.7	23.2



SICAL

INR 238

Edelweiss
Ideas create, values protect

Multi modal logistics player

NOT RATED

July 4, 2006

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Highlights

- SICAL is India's leading provider of integrated multimodal logistics services for bulk cargo and carries 7500 MTs of cargo daily. The company's fleet comprises 320 self-owned vehicles and 2000 vehicles on hire.
- The company's logistics business contributes 65% to its total revenues. Its primary activities under the logistics business are port handling, trucking, shipping and custom house-related activities, container handling , warehousing, and offshoring of logistics
- In port handling, the company is managing a 20-year BOT project for TNEB at Ennore and handling 2000 MT/day of coal. It has entered into a JV partnership with PSA with SICAL owning 37.5% for handling the Tuticorin container terminal. It has a 30-year contract for O&M of the terminal and handles 1800 TEUs/month.
- In CFS business, it has a JV with CWT Distriparks which manages a 55 acre CFS in Chennai and has capacity to handle 6000 TEUs per month.

Outlook

- SICAL has bagged a 30-year BOT license for managing the iron ore terminal at Ennore at a cost of INR 5.5 bn. It will have a capacity to handle 12 mn MT, which can go upto 15-20 mn MT in subsequent phases. It expects to generate INR 75.4 bn revenues and EBITDA of INR 28.3 bn for 28 years.
- It has undertaken a container rail project at a cost of INR 3.7 bn for movement of containerized cargo through rail. It expects to generate revenues of INR 12.14 bn in the next five years.
- It has also bagged a tender for managing CFSs at Vizag (2,000 TEUs/month), Tuticorin (2,000 TEUs/month), and Noida (4,000 TEUs/month)
- SICAL has lined up a capacity expansion plan of more than INR 12 bn over the next 3-4 years to capitalize on the growing logistics sector.

Financials and Valuations

- SICAL registered revenues of INR 9.6 bn and PAT of INR 650 mn in FY06. On a CMP of INR 238, the stock trades at 12.2x FY06 EPS of INR 19. If one were to include the dilution of USD 75 mn FCCB @ 565/share, it trades at 15x FY06 EPS.

Financials

Year to March	FY03	FY04	FY05	FY06
Revenue (INR mn)	11,193	11,036	12,407	9,604
Rev. growth (%)	-	*(1.4)*	*12.4*	*(22.6)*
EBITDA (INR mn)	823	929	1,018	1,102
Net profit (INR mn)	36	126	435	537
Shares outstanding (mn)	28	28	28	30
EPS (INR)	1.3	4.6	15.8	17.8
EPS growth (%)	-	*253.7*	*245.5*	*12.6*
P/E (x)	183.8	52.0	15.0	13.4
EV/ EBITDA (x)	13.0	10.9	9.7	-
ROE (%)	2.3	8.1	24.8	-
ROCE (%)	12.1	13.2	16.7	-

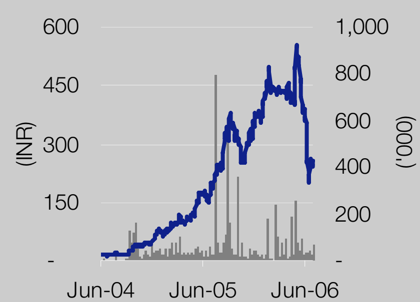
Reuters	:	SICA.BO
Bloomberg	:	SIC IN

Market Data

52-week range (INR)	:	575 / 184
Share in issue (mn)	:	30.2
M cap (INR bn/USD mn)	:	7.2 / 155.8
Avg. Daily Vol. BSE ('000)	:	32.5

Share Holding Pattern (%)

Promoters	:	56.5
MFs, FIs & Banks	:	3.7
FIIs	:	14.7
Others	:	25.2



STONE INDIA

INR 220

Led by safe growth

BUY

July 4, 2006

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Highlights

- With over seven decades of association with Indian Railways, Stone India is one of the leading manufacturers of electromechanical equipments and systems for Indian Railways' rolling stock.
- Stone India's product profile includes brake systems for rolling stock, locomotive brake systems, alternators and power conditioning, pantographs for electric locomotives and air dryers for locomotives. It enjoys a market share of 25-30% and is in the No 1 or No 2 positions across all the categories.
- It also has a strong international presence through exports to countries in the Far East, Australia, Middle East, and Africa.
- Stone India has technical collaborations with leading global players like Wabtec Corporation, US; Poli brakes, Italy; MZT Hepos AD, Macedonia; EMS industries, South Africa; SAB, Sweden, among others.

Outlook

- To continue with its strong technological advantage, Stone India is planning collaborations with Good Year, Europe; Seratec & Synics AG, Switzerland, and SMA technologies AG, Germany.
- It is also planning to enter into new geographies and introduce new products like air dryer for the US market, air brake systems for MZT Hepos, AC system and control, pneumatic suspension systems and micro processor-based control systems.
- Stone India expects to register revenues of INR 890 mn and INR 1.1 bn in FY07E and FY08E, respectively. The expected profit figures are INR 153 mn and 302 mn for FY07E and FY08E, respectively.

Financials and Valuations

- For FY07E and FY08E, we expect Stone India to register revenues of INR 0.8 bn and INR 1.1 bn and profit is expected to be INR 121 mn and 223 mn respectively.
- At the CMP of 220, the stock trades at 16.4x FY07E EPS of INR 13.4 and 9.0x FY08E EPS of 24.5. With a strong R&D background, diversification into new products and geographies, Stone India is expected to continue with the strong growth. We maintain our 'BUY' recommendation.

Reuters	:	STOn.BO
Bloomberg	:	STON IN

Market Data

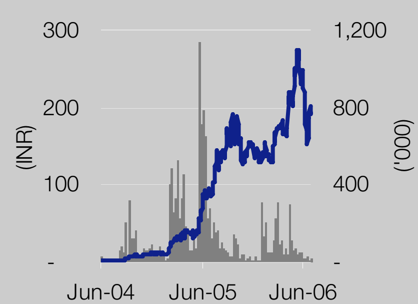
52-week range (INR)	:	287 / 84
Share in issue (mn)	:	7.5
M cap (INR bn/USD mn)	:	1.7 / 36.0
Avg. Daily Vol. BSE ('000)	:	45.1

Share Holding Pattern (%)

Promoters	:	36.8
MFs, FIs & Banks	:	13.2
FIIs	:	1.1
Others	:	49.0

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	403	532	800	1050
Rev. growth (%)	*34.3*	*32.1*	*50.2*	*31.3*
EBITDA (INR mn)	15	86	168	282
Net profit (INR mn)	23	77	121	223
Shares outstanding (mn)	9	9	9	9
EPS (INR)	2.5	8.4	13.4	24.5
EPS growth (%)	*(125.6)*	*235.4*	*58.1*	*83.7*
P/E (x)	87.2	26.0	16.4	9.0
EV/ EBITDA (x)	140.9	25.7	13.1	7.8
ROE (%)	9.8	24.4	23.7	31.3
ROCE (%)	9.4	17.4	21.0	28.5



India Equity Research | Conference Update | Power

SUZLON ENERGY

INR 1,061

Best of both worlds

BUY

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Substantial reduction in the cost of generation of wind power from 36 cents to 4-6 cents and technological advancement has helped world energy demand to grow at nearly 20% CAGR for the last 5 years.

- World wind power has an installed base of 60,000 MW, and India has a base of 5000 MW. Suzlon commands 6.1% of the world market share.

- Suzlon energy has till date installed 2000 MW, of which, 964 MW were installed in FY06. It has a total capacity of 2800 MW (1600 India, 600 US, and 600 China).

- Current order book for Suzlon energy stands at 770 MW, out of which, 180 MW is domestic (3-6 month execution) and 590 MW is international orders (400 in US, 100 in China, and 90 in Australia).

Outlook

- With increasing government focus and incentives on renewable energy sources like wind power and its dominant position in the Indian market, Suzlon energy expects to register a growth of 45-50% in the coming years.

Financials and Valuations

- We estimate revenues and net profit to grow at a CAGR of 44% and 46% respectively between FY06-08E. It is expected to register INR 78 bn revenues and INR 17.5 bn profit in FY08E.

- At the CMP of 1061, the stock trades at 22.6x FY07E EPS of INR 47 and 17.4x FY08E EPS of 61 respectively. With domestic demand on an upswing and Suzlon establishing its international presence, we believe that the company will be able to increase its market share aggressively. We reiterate our **'BUY'** recommendation.

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	19,425	37,886	59,869	78,394
Rev. growth (%)	*126.5*	*95.0*	*58.0*	*30.9*
EBITDA (INR mn)	4,692	9,219	16,285	21,179
Net profit (INR mn)	3,651	8,213	13,485	17,517
Shares outstanding (mn)	288	288	288	288
EPS (INR)	12.7	28.6	46.9	60.9
EPS growth (%)	*151.9*	*124.9*	*64.2*	*29.9*
P/E (x)	83.5	37.1	22.6	17.4
EV/ EBITDA (x)	79.9	39.5	22.4	17.2
ROE (%)	62.8	43.2	38.0	36.6
ROCE (%)	45.8	43.7	42.6	41.3

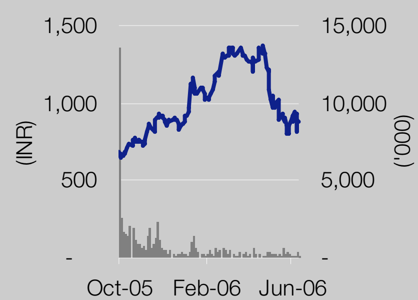
Reuters	:	SUZL.BO
Bloomberg	:	SUEL IN

Market Data

52-week range (INR)	:	1,430 / 565
Share in issue (mn)	:	287.5
M cap (INR bn/USD mn)	:	305.0 / 6,629.8
Avg. Daily Vol. BSE ('000)	:	1,785.7

Share Holding Pattern (%)

Promoters	:	69.8
MFs, FIs & Banks	:	0.6
FIIs	:	22.1
Others	:	7.6



TIL

INR 205

Caterpillaring India's growth

BUY

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- TIL was established in 1944 and is organized into three groups: Material Handling Group (MHG), Construction Equipment Group (CEG) and Power System Group (PSG). In FY06, the revenue contribution of each of these groups was 26%, 49% and 24%, respectively.
- It is the sole distributor, spare and service provider for Caterpillar in North and East India. These equipments are used in mining, construction and earth moving.
- In the PSG division, it sells generator sets in the range of 180 KVA-2250 KVA using Caterpillar diesel engines and Hindustan Power Plus engines as a base.

Outlook

- It has recently collaborated with Paceco, a US company, to produce Rubber Tyre Gantry Cranes. The demand for these cranes is expected to be around 370 till FY012, out of which 70 have already been imported.
- It is in discussion with Grove, one of its technological collaborators, for market access to the Middle East and South East Asia. This will enable TIL to increase its revenues and establish presence in the international market.
- The current capacity utilization is close to 100%. It plans to set-up two additional plants, the details of which have not yet been finalized.
- It plans to increase the EBITDA margins of the CEG group from 7% to 12% over the next three years with better product support. In FY06, the CEG group contributed 57% of the company's revenue.

Financials and Valuations

- We expect sales to grow by 16.7% to INR 5.3 bn in FY07E and by 24.2% to INR 6.7 bn in FY08E. We expect EBITDA margins to be 10.4% in FY07E and 10.9% in FY08E.
- TIL trades at a P/E of 9.0x and 6.2x on our standalone FY07 and FY08 EPS estimates of INR 22.8 and INR 33.0, respectively. On a consolidated basis, the stock is at 7.8x FY07E and 5.6x FY08, on EPS of INR 26.3 in FY07E and INR 36.8 in FY08E. It is expected to receive huge orders in mining equipment in the coming years. With the company planning to increase its international presence and entering into new related businesses, we maintain our **'BUY'** recommendation.

Reuters	:	TILL.BO
Bloomberg	:	TIL IN

Market Data

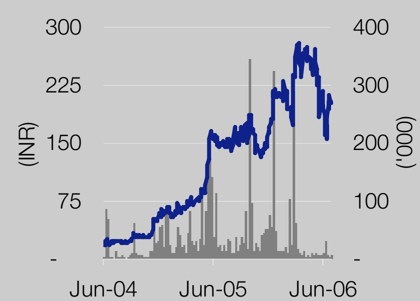
52-week range (INR)	:	290 / 131
Share in issue (mn)	:	9.7
M cap (INR bn/USD mn)	:	2.0 / 43.4
Avg. Daily Vol. BSE/NSE ('000)	:	46.9

Share Holding Pattern (%)

Promoters	:	41. 6
MFs, FIs & Banks	:	40.2
FIIs	:	0.3
Others	:	18.0

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	3,340	4,585	5,352	6,650
Rev. growth (%)	*20.6*	*37.3*	*16.7*	*24.2*
EBITDA (INR mn)	318	397	557	726
Net profit (INR mn)	68	119	221	320
Shares outstanding (mn)	9.7	9.7	9.7	9.7
EPS (INR)	7.0	9.8	22.8	33.0
EPS growth (%)	*21.6*	*39.9*	*133.6*	*44.6*
P/E (x)	29.3	21.0	9.0	6.2
Consolidated EPS (INR)	9.9	13.9	26.3	36.8
Consolidated PE (x)	20.8	14.8	7.8	5.6
EV/ EBITDA (x)	8.6	8.2	6.0	5.1
ROE (%)	12.8	16.0	30.3	34.2
ROCE (%)	15.4	16.1	22.6	26.8



THERMAX

INR 257

Sustaining momentum

BUY

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Thermax operates in the energy and environment segments. These can be further classified into process heat, energy systems, absorption cooling, cogeneration, water and waste water treatment plants, air pollution control and chemicals division.
- The energy business contributes around 65% of the revenues, whereas the environment business contributes around 35% of revenues. Further 60% of the revenues are from products and 40% of the revenues are from services.
- Market share is 90% for chillers, 35-38% for boilers and heaters, 8% for water and waste water, 35% for chemicals and around 60% for air treatment divisions.
- The order book as on March 31, 2006 was INR 17 bn, to which INR 7 bn was added post March 2006.

Outlook

- Thermax expects top-line growth of at least 30% and its internal target is 50% growth.
- The company will start making boilers up to 50 MW from FY07E.
- The management talked about making a different SBU for power plants less than 10 MW. It sees an opportunity in catering to rural demand. The rural demand is for 2- 5 MW plants.
- The management is looking for operational maintenance of power plants. The company currently has three power plants for operational maintenance.
- It is also looking at making inroads in power plants in SE Asia, due to power shortages in these countries.
- Thermax has technology tie ups with Wartsila in the domestic market and is now looking to enter into export markets as well.
- Management has plans to enter the business of carbon black.

Financials and Valuations

- The stock currently trades at 20.9x FY07E and 16.6x FY08E P/E.
- We expect sales to grow by 31.2% in FY07E and by 22.9% in FY08E.
- Given the pan vertical application profile of Thermax as an engineering company and an improving scenario on the profitability front, we retain our 'BUY' recommendation on the stock.

Reuters	:	THMX.BO
Bloomberg	:	TMX IN

Market Data

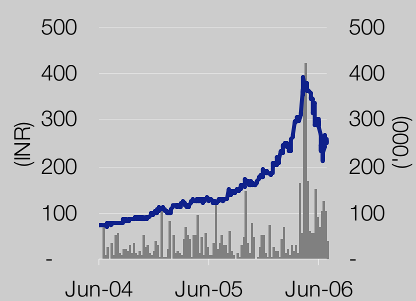
52-week range (INR)	:	410 / 116
Share in issue (mn)	:	119.2
M cap (INR bn/USD mn)	:	30.6 / 660.5
Avg. Daily Vol. BSE/NSE ('000)	:	61.1

Share Holding Pattern (%)

Promoters	:	62.0
MFs, FIs & Banks	:	16.8
FIIs	:	4.2
Others	:	17.0

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	12,696	16,261	21,332	26,222
Rev. growth (%)	*58.0*	*28.1*	*31.2*	*22.9*
EBITDA (INR mn)	1,048	1,767	2,556	3,200
Net profit (INR mn)	672	1,025	1,690	2,129
Shares outstanding (mn)	23.8	119.2	119.2	119.2
EPS	28.2	8.6	14.2	17.9
EPS growth (%)	*8.1*	*(69.5)*	*65.0*	*26.0*
P/E (x)	51.6	32.0	20.9	16.6
EV/ EBITDA	32.6	19.3	13.4	10.7
ROE (%)	14.3	21.2	27.6	27.1
ROCE (%)	20.5	33.7	42.9	41.9



TRF

INR 270

Conveying a turnaround story

BUY

July 4, 2006

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Highlights

- TRF provides engineered equipments, systems and services including equipment procurement and construction/maintenance (EPC/EPCM) systems, bulk material handling systems and equipments, and coal beneficiation systems.
- It has strong technical collaborations with MNCs such as SMS Demag LTDA of Brazil (for mini-blast furnace), Fluor Daneil of USA for EPC/EPCM services, and Hatch Associates of Australia for bulk material handling systems.
- The two segments—products and services segment and projects and services segment—contributed 39% and 51% of the business in FY06, respectively.

Outlook

- With capacity addition of 50,000 MW during FY07-12E, a capital expenditure of INR 112.5 bn on material handling equipment is expected in the next six years. Assuming a conservative 10% market for TRF, its revenue for material handling equipment division will be INR 2.5 bn per year.
- The National Maritime Development Programme (NMDP) will entail a total expenditure of INR 50 bn towards domestic equipments such as cranes and material handling systems. Assuming a 20% market share, the ports equipment division will ensure INR 1 bn annual revenue for TRF for the next 10 years.

Financials and Valuations

- We expect sales to grow by 46% to INR 3.2 bn in FY07E and by 29% to INR 4.1 bn in FY08E. We expect EBITDA margins to be 9.2% in FY07E and 11.2% in FY08E.
- The stock currently trades at 11.3x FY07E EPS of INR 23.8 and 6.5x FY08E EPS of INR 41.4. It is likely to rise as margins start expanding 2HFY07E onwards. We maintain our **'BUY'** recommendation.

Reuters	:	TTRO.BO
Bloomberg	:	TRF IN

Market Data

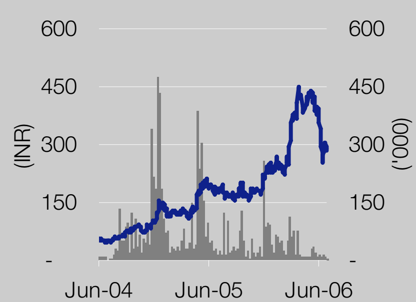
52-week range (INR)	:	470 / 151
Share in issue (mn)	:	5.5
M cap (INR bn/USD mn)	:	1.5 / 32.3
Avg. Daily Vol. BSE ('000)	:	24.7

Share Holding Pattern (%)

Promoters	:	48.2
MFs, FIs & Banks	:	0.0
FIIs	:	4.2
Others	:	47.6

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	1,988	2,166	3,171	4,103
Rev. growth (%)	*17.1*	*8.9*	*46.4*	*29.4*
EBITDA (INR mn)	102	173	295	462
Net profit (INR mn)	40	71	131	228
Shares outstanding (mn)	5.5	5.5	5.5	5.5
EPS (INR)	7.2	12.9	23.8	41.4
EPS growth (%)	*19.6*	*78.2*	*85.3*	*73.5*
P/E (x)	37.4	21.0	11.3	6.5
EV/ EBITDA (x)	21.8	12.4	7.3	4.6
ROE (%)	10.3	17.3	26.4	34.5
ROCE (%)	11.6	13.8	19.6	24.8



Edelweiss India Infrastructure Conference, Mumbai		
Day 2: 27th June	Presentations / Panel discussion	Participating companies - meetings
9:00-10:00	Presentation on '35 non-metro airports modernisation program' by Shri Ajit Dubey, Executive Director, AAI	Airport Authority of India, AIA Engineering, BHEL,
10:00-10:45	Presentation on 'National Highway Development Program' by Shri Ashok Wasson, CGM (BOT Projects), NHAI	B L Kashyap, C&C, Crompton Greaves
10:45-11:00	Tea break	Hindalco, IVRCL,
11:00-12:00	Presentation on 'Telecom sector infrastructure development in India and developing countries' by Shri Rajendra Singh, Secretary, TRAI	J L LaSalle, Kalpataru Group, KEI Industries,
12:00-1:00	Presentation on Power Sector by Mr. B. R. Jaju, CFO, Crompton Greaves	Knight Frank, Maytas
1:00-2:00	Presentation on 'Real estate scenario in India' by Mr. Pranay Vakil, Chairman, Knight Frank / Lunch	Morarjee Realties Nava Bharat, National Highway Authority of India,
2:00-3:00	Panel discussion on Real estate - panel comprises of Mr. Rajesh Jaggi, MD, Morarjee Realties; Mr. Pranab Datta, CEO, Mahindra GESCO; Mr. Niranjan Hiranandani, Hiranandani Group; Mr. Pranay Vakil, Chairman, Knight Frank, moderated by Mr. Mridul Upreti, Head Corporate Finance, JLLS	NSICT (P&O), PSL, Real Estate Scenario in India, Simplex Infrastructure, Shipping and Port Infrastructure
3:00-3:45	Corporate presentation by Mr. Ajay Munot, ED, Kalpataru Group	Telecom Regulatory of India, Usha Martin.
3:45-4:00	Tea break	
4:00-4:45	Corporate presentation by Mr. Vineet Kashyap, MD, B L Kashyap	
4:45-5:30	Presentation on 'Shipping and Port infrastructure' by Shri Michael Pinto, Former Secretary, Ministry of Shipping	
5:30-6:00	Corporate presentation by Mr. Sanjay Majmudar, Advisor, AIA Engineering	
7:00 onwards	Dinner	

35 Non-Metro Airports Modernization Program

- Shri Ajit Dubey, Airport Authority of India

July 4, 2006

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Highlights

- Airport Authority of India (AAI) manages 128 airports in India, of which 15 are international airports, eight custom airports, 25 civil enclaves and 80 domestic airports.
- The Indian aviation industry has witnessed a growth of 46% in passenger traffic in FY06. Low-cost carriers (LCC) have facilitated a shift of passengers from train to air travel. About 30% of passengers traveling by India's leading LCCs are first-time travelers.
- Modernization of all 35 non-metro airports is likely to be completed over the next five years.

Outlook

- India requires a total investment of INR 404 bn in airport infrastructure development up to 2010, of which INR 4 bn is likely to be spent in the North East region of the country.
  - Delhi and Mumbai airport modernization will require an investment of INR 150 bn.
  - Chennai and Kolkata airports will require INR 50 bn (in total).
  - Greenfield airports including Bangalore, Hyderabad, Goa, Pune, Navi Mumbai, Nagpur, and Greater Noida will require investments of INR 100 bn.
  - Up-gradation of 25 selected airports requires an investment of INR 70 bn.
  - Modernization/improvement of 55 airports will require INR 30 bn of investments.
- Of the total spends required, INR 47 bn is likely to be spent on the air side, terminal building, cargo-handling facilities and related facilities while INR 11 bn is likely to be spent for the land side development on 35 non-metro airports over the next five years.
- Aircraft traffic at the Delhi airport has increased from 19 landings and take offs per hour to 40 landings and take offs per hour. By September 2006, Mumbai is likely to have simultaneous landing and takeoff facility. The aircraft traffic at Mumbai is likely to increase from 25 aircrafts/hour to 40 aircrafts/hour.
- AETRA, a rating agency that sets preferred standards for private players in a public-private partnership (PPP) on a scale of 5, has rated Changi airport at 4 while the best in the world are rated 4.5. So far India stood a little below 3. In the current airport modernization programs, developers like GMR and GVK will have to achieve a rating of 3.5 in the first phase and 3.75 in the second stage of the modernization program.
- There is a thrust on increasing the contribution of non-aeronautical revenues (malls, lounges, eateries and others) at Indian airports in line with international airports like Dubai and Changi airports

AIA ENGINEERING

INR 638

Edelweiss
Ideas create, values protect

Grinding a success story

BUY

July 4, 2006

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Highlights

- AIA Engineering (AIA) is a niche manufacturer of high chrome castings for vertical mill parts used in cement, thermal power, and mining plants. Its products include grinding media, liners, and diaphragms.
- It has 95% market share of the organized sector for grinding media for cement mills in the domestic market. It meets 70% grinding media requirement of thermal power plants and mining plants in the country. In the cement industry the AIA's clientele includes companies such as ACC Limited, Gujarat Ambuja Cement Ltd., Ultra-tech Ltd. and Grasim Industries. The company holds 22% market share (excluding China) of the global cement market.
- In FY06, exports accounted for 48% of the sales and replacement demand constituted 75% of the total sales.

Outlook

- Exports to mining and cement plants globally will drive the company's future growth. It has already established international marketing presence under 'Vega' brand.
- AIA is increasing its capacity by 104,000 MT p.a. over two phases at a cost of INR 1.15 – 1.2 bn. It expects to reach a production of 75,000 MT in FY07, 110,000 in FY08, and 150,000 MT in FY09.
- It has partnered with JL Smidth for supplying to Chinese cement industry. This provides it an opportunity to convert the existing demand of 150,000 MT p.a. of forged grinding media to high crome grinding media.
- It is also planning to set up a captive power plant of 30MW. This is likely to have a positive impact on the margins, once the plant commercializes.

Financials and Valuations

- We expect sales to grow by 23.87% to INR 5.04 bn in FY07 and by 26.2% to INR 6.36 bn in FY08. We expect EBITDA margins to be 20.7% in FY07E and 20.8% in FY08E.
- The stock currently trades at 17.7x FY07E EPS of INR 36.1 and 13.1x FY08E EPS of INR 48.9. We expect the PAT to grow at a much higher rate compared with the EBITDA, as the new capacity is coming up as an Export Oriented Unit (EOU) and will not attract taxes domestically. We reiterate our **'BUY'** recommendation.

Reuters	:	NA
Bloomberg	:	NA

Market Data

52-week range (INR)	:	786 / 391
Share in issue (mn)	:	17.8
M cap (INR bn/USD mn)	:	11.3 / 246.6
Avg. Daily Vol. BSE/NSE ('000)	:	640.5

Share Holding Pattern (%)

Promoters	:	73.7
MFs, FIs & Banks	:	13.1
FIIs	:	8.0
Others	:	5.2

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	2,937	4,070	5,039	6,360
Rev. growth (%)	*37.0*	*38.6*	*23.8*	*26.2*
EBITDA (INR mn)	389	815	1,047	1,328
Net profit (INR mn)	269	543	642	869
Shares outstanding (mn)	13.1	17.8	17.8	17.8
EPS (INR)	15.1	30.6	36.1	48.9
EPS growth (%)	*16.2*	*102.1*	*18.2*	*35.4*
P/E (x)	42.2	20.9	17.7	13.1
EV/ EBITDA (x)	22.6	13.1	10.2	8.0
ROE (%)	40.2	29.2	20.7	23.6
ROCE (%)	33.2	34.8	26.8	29.6

BHARAT HEAVY ELECTRICALS (BHEL) INR 1,947

Powering ahead BUY

July 4, 2006

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Highlights

- BHEL is the largest engineering and manufacturing enterprise in India in the energy-related/infrastructure sector. It manufactures over 180 products under 30 major product groups catering to core sectors of the economy viz., power generation and transmission, industry, transportation, telecommunication, renewable energy, etc. It has a wide network of 14 manufacturing divisions, over 100 project sites, eight service centers and 18 regional offices spread across the country.
- BHEL is focusing on overseas market and plans to push growth going forward by expanding its current product basket and entering new markets.
- BHEL is ramping up its capacity from 6,000 MW to 10,000 MW to capitalize on the 65,000 MW capacity addition expected across the country over the next five years. This incremental capacity is expected to be on stream in FY07.

Outlook

- BHEL expects the railway sector (metro rail projects and freight corridor) to contribute to its order accretion going forward. The company has recently secured orders from Afghanistan and Bangladesh for setting up of sub station.
- The company expects at least 15% growth in revenues over the next three years. Its current order book stands at ~ INR 375 bn, 2.8 x FY06 revenues.
- BHEL has been facing stiff competition from international players, particularly from European countries and China in the GCC market. Operating margins in China are about 7.5% as compared to about 18% for BHEL. The company expects to maintain this operating margin trade off going forward. BHEL is increasing its focus on O&M facilities for power plants and expects contribution from this segment to increase over the next five years. A pure O&M contract is expected to generate enough revenues to cover 50% of the cost of setting up a new power plant. This contribution is expected to increase further in case of contracts that involve replacement of parts as well.

Financials and Valuations

- Backed by robust order accretion, revenues are expected to grow at a CAGR of 27% over FY06E-08E to INR 213 bn. EBITDA are expected to improve to 18.3% in FY08E from 17.6% and in FY06. The stock trades at a P/E of 22.7 x and 18.7 x for FY07E and FY08E. Considering the high visibility in revenues and earnings along with attractive valuations we maintain our **'BUY'** recommendation on stock.

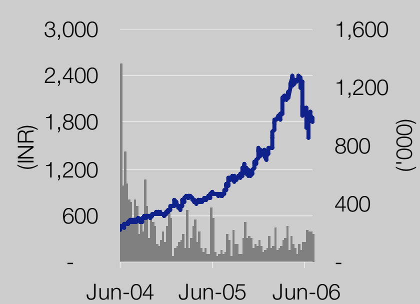
Reuters	:	BHEL.BO
Bloomberg	:	BHEL IN

Market Data

52-week range (INR)	:	2,465 / 840
Share in issue (mn)	:	244.8
M cap (INR bn/USD mn)	:	476.6/10,360.3
Avg. Daily Vol. BSE/NSE ('000)	:	378.0

Share Holding Pattern (%)

Promoters	:	67.7
MFs, FIs & Banks	:	7.3
FIIs	:	22,4
Others	:	2,6



Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenues (INR mn)	99,472	132,893	180,256	213,637
Rev growth (%)	*19.4*	*33.6*	*25.1*	*18.5*
EBITDA (INR mn)	16,663	23,383	32,723	39,039
Net profit (INR mn)	9,534	16,792	21,032	25,548
Shares outstanding (mn)	244.8	244.8	244.8	244.8
EPS (INR)	39.0	68.6	85.9	104.4
EPS growth (%)	*44.9*	*76.1*	*25.3*	*21.5*
PE (x)	50.0	28.4	22.7	18.7
EV/EBITDA (x)	27.4	19.5	14.0	11.7
ROAE (%) *	17.2	24.2	25.6	25.3
ROACE (%) *	23.3	31.7	34.1	33.7

** Estimated ROAE and ROACE for FY06*

B L KASHYAP & SONS

INR 904

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Building blocks

BUY

Highlights

- B L Kashyap (BLK) is a one-stop construction solution provider operating on a design-build model in the residential, commercial and industrial construction segments.
- BLK operates in North, South and East India with 50% of its FY06 revenues coming from the North.
- It has two subsidiaries in the furnishing and real estate spaces—Furnishers and Contractors Pvt. Ltd. and Soul Space Projects Ltd. Furnishers and Contractors provides a wide range of furnishing and fit outs, making BLK an end-to-end construction service provider. Soul Space is BLK's real estate subsidiary which develops and markets properties built on land provided by a third party or acquired by itself. It currently has 0.2 mn sq.ft area under development in Pune.

Outlook

- The company expects INR 12 tn of spending in the housing sector and INR 550 bn in the industrial construction sector over the next five years.
- With the share of organized retailing in the total pie slated to increase from 3% at present to about 8-10% by 2010 and growing demand from the Indian IT/ITES sector, the company expects huge opportunities in the commercial construction space.
- The company is increasing its thrust on large residential projects and is targeting projects sized at around 0.3-0.4 mn sq. ft. (per project).
- BLK's current order book stands at 21.6 mn sq. ft. of which residential space accounts for 4 mn, industrial space accounts for 1.5 mn and office and commercial space accounts for the balance 16.1 mn.
- BLK is planning to venture into the SEZ development space and is targeting the residential development space allowed on 40% of the total area. It intends to tie up with local contractors to bag projects in this segment.

Financials and Valuations

- BLK has declared revenues of INR 4.7 bn in FY06 with EBITDA and PAT margins of 10.3% and 6.1%, respectively.
- We expect BLK to post revenues of INR 9.9 bn in FY07E and INR 13 bn in FY08E. We expect EBITDA and PAT margins of 12.1% and 7.5%,respectively, in FY07E and 14.3% and 8.9% respectively, in FY08E.
- The stock trades at a P/E of 12.4x and 7.8x and has a market capitalization:order book ratio of 0.9 for FY07E. We maintain our **'BUY'** recommendation on the stock.

Financials

Year to March	FY05	FY06E	FY07E	FY08E
Revenues (INR mn)	3,131	5,312	9,927	13,374
Rev growth (%)	*98.9*	*69.6*	*86.9*	*34.7*
EBITDA (INR mn)	248	464	1,202	1,907
Net profit (INR mn)	121	279	741	1,185
Shares outstanding (mn)	4.8	10.2	10.2	10.2
EPS (INR)	24.9	27.4	72.6	116.2
EPS growth (%)	*272.6*	*10.2*	*165.0*	*60.1*
PE (x)	36.4	33.0	12.4	7.8
EV/EBITDA (x)	34.9	18.6	7.2	4.5
ROAE (%)	75.0	21.5	26.4	31.5
ROACE (%)	68.7	27.3	34.3	42.6

July 4, 2006

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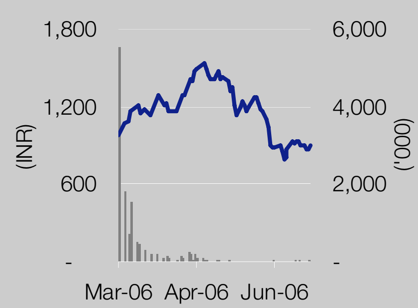
Reuters	:	NA
Bloomberg	:	KASH IN

Market Data

52-week range (INR)	:	1,595 / 750
Share in issue (mn)	:	10.2
M cap (INR bn/USD mn)	:	9.2 / 200.4
Avg. Daily Vol. BSE ('000)	:	215.2

Share Holding Pattern (%)

Promoters	:	72.0
MFs, FIs & Banks	:	0.0
FIIs	:	0.0
Others	:	28.0



C&C CONSTRUCTIONS

Small is beautiful

NOT RATED

July 4, 2006

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Company Background/Profile

C&C Constructions is an infrastructure project development company with operations in India and Afghanistan. The company was incorporated in 1996 by a group of professionals and is based in NCR, Delhi. Presently, the company in engaged in the execution of highway and airport projects and telecom infrastructure. It executes most of its projects in joint venture (50% share) with B. Seeniah & Company, Hyderabad.

Management Team

Chairman	:	Mr. Johar
Managing Director	:	Mr. C.S. Sethi

Business Overview

- **Infrastructure**

  The company derives a significant portion of its revenues from its Afghan operations where it acts as a subcontractor for road projects to agencies such as Louis Berger, United Nations Office, among others. In India, the company has been engaged in road and highway projects for agencies such as NHAI, Punjab Infrastructure Development Board, among others. It has a current order book size of about INR 5.15 bn.

- **Financials and Valuations**

  The company's revenues have increased from INR 383.02 mn in FY01 (year-ending June 30) to INR 1.75 bn in FY05. PAT has increased from INR 30.53 mn in FY01 to INR 288.16 mn in FY05. Correspondingly, the EPS and book value have grown from INR 9.64 and Rs. 26.08 in FY01, respectively, to INR 66.60 and INR 186.65 in FY05, respectively. The company has been a profit making and dividend paying company since inception.

GROWTH OPPORTUNITIES IN INDIAN POWER

- by Mr. B. R. Jaju (Crompton Greaves)

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July 4, 2006

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Concerns in the power sector

- Operating inefficiencies with low power loading factor and very high transmission and distribution cost.
- Regulatory bottlenecks in forms of distorted and/or very high tariffs, slow progress of energy audit and unwieldy structural framework of state electricity boards (SEBs).
- Billing and collection inefficiency.
- Mounting losses of SEB's—nearly INR 220 bn and negative rates of return.

Opportunities in the power sector inevitable

- Electricity to 0.12 mn villages by 2012.
- The Central Electricity Authority (CEA) forecasts an additional 100,000 MW to be added by FY12.
- Building a national grid to enhance inter regional transmission capabilities (> 30,000 MW).

Investment opportunities

- Investment program estimated from 2007-12, power generation of about INR 2,300 bn and T&D of about INR 2,500 bn.
- Seven ultra mega power projects of 4,000 MW requiring an investment of INR 150 bn each.
- Thermal and hydro power projects where about 80% of capacity is yet to be developed.

The road ahead

- Renewable sources of energy like wind mills and bio gas, with a potential of 100,000 MW.
- Public private partnership in forms of joint ventures, strategic alliances and consortiums is the way ahead.

HINDALCO INDUSTRIES

INR 177

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Ideas create, values protect

Smart recovery

BUY

July 4, 2006

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Highlights

- Hindalco, a flagship company of the Aditya Birla group, is India's largest producer of aluminium and copper, with operations in India and Australia.
- It is amongst the lowest-cost producers of aluminium in the world, having a fully integrated aluminium plant comprising of alumina refinery, captive power plant, smelter, and downstream facilities. It has an alumina refining capacity of 1.14 mn tpa and aluminium smelting capacity of 425 ktpa.
- About 56% of its aluminium business revenues come from value-added downstream products like wire rods, foils, rolled products, extrusions, and alloy wheels.
- Hindalco's copper business comprises of a 500 ktpa capacity copper smelter at Dahej in Gujarat, making it the largest single-location smelter in Gujarat, and two captive copper mines in Australia.
- The copper business comprises of copper sold in the form of cathodes and continuous cast rods and by-products—precious metals, DAP and NPK complexes—and also houses a captive jetty.

Outlook

- Hindalco is undertaking brownfield and greenfield expansion projects across alumina and aluminium. It plans to increase its alumina refining capacity from 1.1 mn tpa to 4.1 mn tpa by end CY09 and aluminium production capacity to 1.5 mn tpa from 425 ktpa by March 2011. Total capex for alumina and aluminium and plans expansions is projected at INR 120 bn. It is also pursuing an INR 77 bn capex project for erecting a 325 ktpa aluminium smelter and a 750 MW captive power plant with captive coal mining (allotted jointly with Essar group). No new capex is being planned for the copper business.
- The fundamentals of the aluminium and copper market indicate a firm pricing environment going ahead. Hindalco, with its low-cost structure and strong presence in value-added products, will witness earnings growth in this environment.

Financials and Valuations

- Hindalco reported net revenues of INR 114 bn in FY06, a 20% Y-o-Y increase, EBITDA of INR 26 bn (14% increase) and PAT of INR 16.5 bn (a 25% increase).
- In FY06, the aluminium business contributed 53% of top line and 99% of PBIT, with copper contributing the balance. The stock is trading at a P/E and EV/EBITDA of 7.6x and 3.5x FY07E, respectively, on expected standalone EPS of INR 23. We continue to believe in the long-term growth story unfolding at Hindalco and reiterate our **'BUY'** recommendation.

Reuters	:	HALC.BO
Bloomberg	:	HNDL IN

Market Data

52-week range (INR)	:	1,460 / 113
Share in issue (mn)	:	115.9
M cap (INR bn/USD mn)	:	20.5 / 445.7
Avg. Daily Vol. BSE/NSE ('000)	:	4,969.3

Share Holding Pattern (%)

Promoters	:	26.9
MFs, FIs & Banks	:	16.9
FIIs	:	20.1
Others	:	36.1

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenues (INR mn)	95,233	113,965	155,364	164,807
Rev growth (%)	*53.4*	*19.7*	*36.3*	*6.1*
EBITDA (INR mn)	22,765	26,051	48,609	44,191
Net profit (INR mn)	13,294	16,555	28,605	25,448
Shares outstanding (mn)	986.0	986.0	1,232.5	1,232.5
EPS (INR)	13.5	16.8	23.2	20.6
EPS growth (%)	*58.5*	*24.5*	*38.2*	*(11.0)*
PE (x)	13.1	10.5	7.6	8.6
EV/EBITDA (x)	77.0	6.5	3.5	3.8
ROE (%)	15.5	17.6	24.1	18.1

IVRCL INFRASTRUCTURE

INR 229

Water kingdom

ACCUMULATE

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- IVRCL Infrastructures & Projects Limited (IVRCL) is a premier engineering, procurement, construction and commissioning (EPCC) and lumpsum turnkey (LSTK) service provider with front-end engineering and design capabilities.
- It has geographical presence in fifteen states across India and nearly more than 50% of the turnover comes from the western and southern regions.
- IVRCL has acquired domain knowledge and pre-qualification in water and environment sectors, roads and bridges, buildings and industrial structures and power and transmission sectors.

Outlook

- IVRCL's order book was valued at INR 7bn in May 2006 of which about 50% was on account of water-related projects.
- EBIDTA margins are likely to stay stable at 9% for the water business, 8% for road and buildings and 12% in power projects.
- IVRCL is looking at new opportunities in the real estate space and has acquired 450 acres of land in Chennai. The company has guided on an initial investment of INR 1 bn and additional investment of INR 6 bn over the next three years. The company is likely to privately place equity shares in its real estate subsidiary shortly.

Financials and Valuations

- IVRCL posted revenues of INR 17 bn in FY06 with EBITDA and PAT margins of 9% and 6%, respectively.
- We expect a growth in revenues of about 30% over the next two years. We expect revenues of INR 23 bn in FY07E and INR 29 bn in FY08E. We expect EBITDA margins of about 10% and PAT margins of 6% over the next two years.
- On our consolidated EPS estimates of INR 12.4 and INR 14.6 the stock trades at a P/E of 18.6x and 15.9x for FY07E and FY08E, respectively. We maintain our '**ACCUMULATE**' recommendation on the stock.

Financials

Year to March	FY05	FY06E	FY07E	FY08E
Revenues (INR mn)	10,781	17,112	22,924	29,490
Rev growth (%)	*39.1*	*58.7*	*34.0*	*28.6*
EBITDA (INR mn)	887	1,525	2,229	2,927
Net profit (INR mn)	571	840	1,327	1,561
Shares outstanding (mn)	17.0	106.9	106.9	106.9
EPS (INR) *	6.7	7.9	12.4	14.6
EPS growth (%)	*67.3*	*16.9*	*57.9*	*17.6*
PE (x)	34.4	29.5	18.6	15.9
EV/EBITDA (x)	41.3	24.0	16.4	12.5
ROAE (%)	18.8	20.8	28.6	26.9
ROACE (%)	13.1	8.1	7.2	8.4

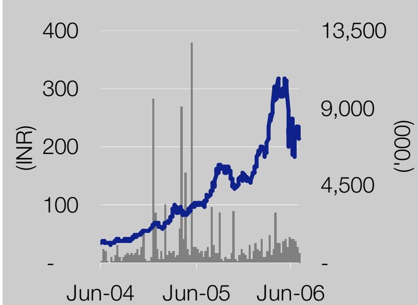
Reuters	:	IVRC.BO
Bloomberg	:	IVRC IN

Market Data

52-week range (INR)	:	326 / 96
Share in issue (mn)	:	106.9
M cap (INR bn/USD mn)	:	24.5 / 542.8
Avg. Daily Vol. BSE/NSE ('000)	:	1,417.6

Share Holding Pattern (%)

Promoters	:	12.9
MFs, FIs & Banks	:	27.4
FIIs	:	37.9
Others	:	21.8



JONES LANG LASALLE

Third umpire

NOT RATED

July 4, 2006

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Company Background/Profile

Jones Lang LaSalle (JLL) was formed by the merger of LaSalle Partners Incorporated and Jones Lang Wootton in 1999. Building on Jones Lang Wootton's international strengths in Europe and Asia Pacific and LaSalle's depth in North America and its position as a leader in real estate investment management services, Jones Lang LaSalle brings together two organizations with rich histories of client service. JLL has more than 100 offices worldwide and operates in more than 430 cities in 50 countries.

JLL started its India operations in 1998 through its wholly owned subsidiary. It has six offices across India including Mumbai, Delhi, Bangalore, and Pune. It has executed projects in 30 cities across India. JLL (India) has staff of over 900 professionals. The South Asian assignments from Colombo, Dhaka, and Katmandu are managed through India

Management Team (India)

Country Head (India) : Mr. Vincent Lottefier

Business Overview

The range of property-related services offered include:

- Capital markets: JLL's services include institutional property sales and acquisitions, real estate financing, private equity placements, portfolio advisory activities, REIT structuring and corporate finance advice and execution.

- Corporate solutions: Corporations require real estate solutions that support their business strategies.

    - Strategic Consulting: Dedicated to analysis, research and long-run implementation of strategic real estate solutions, JLL's Strategic Consulting team helps clients reduce risk, maximize returns and make quality property decisions.
    - Tenant Representation: This includes transaction management, lease management, and strategic master plans.
    - Project & Development Services: JLL's expert management of procurement, design, construction, consolidation and relocation process delivers facilities that are closely aligned with overall business objectives.
    - Global Client Services: JLL's Global Client Services team supports corporate solutions' business lines in identifying and prioritizing significant new business opportunities with existing clients and prospects on a local, regional and global basis.

- Investor services: JLL's investment advice is backed by sophisticated research and advisory infrastructure, allowing clients to make their decision with the best intellectual property on offer.

KALPATARU POWER TRANSMISSION

INR 701

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Ideas create, values protect

Diversifying power presence

BUY

July 4, 2006

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Reuters	:	KAPT.BO
Bloomberg	:	KPP IN

Market Data

52-week range (INR)	:	2,112 / 471
Share in issue (mn)	:	21.7
M cap (INR bn/USD mn)	:	15.2 / 330.8
Avg. Daily Vol. BSE/NSE ('000)	:	55.9

Share Holding Pattern (%)

Promoters	:	77.7
MFs, FIs & Banks	:	4.6
FIIs	:	3.0
Others	:	14.7

Highlights

- The USD 250 mn Kalpataru Group is a leading player in the power, infrastructure, and real estate sector space, holding 77.6% equity in KPTL and 49.9% in JMC Projects.
- KPTL, the flagship company of the group, is engaged in the business of designing, testing, fabricating, erection, construction, and commissioning of power transmission lines and substation structures on a turnkey basis in India and overseas. It has recently increased its tower capacity from 54,000 MTs p.a. to 84,000 MTs p.a. and is operating at 86% capacity.

Outlook

- KPTL's current order backlog stands at INR 20 bn, 2.4x FY06 revenues. Of the total order backlog, exports constitute ~30%. The average project execution cycle is 18-27 months for domestic projects and 20-30 months for international assignments.
- JMC Projects, where KPTL has a 49.9% stake, has an order book of INR 8 bn (including two NHAI projects). JMC earned a profit of INR 13 mn in the six months financial year ended FY06 and is poised to achieve substantial growth in the ensuing years.
- The management has guided revenue of INR 20 bn in the forthcoming year, of which ~ INR 15 bn is expected to be contributed by KPTL and balance by JMC Projects.
- The company is set to explore larger opportunities in the field of biomass power and oil and gas pipeline laying. KPTL has already built two 7 MW biomass power plants. It is likely to make an investment of INR 600 mn, of which about INR 300 mn is for pipes, 100 bn for biomass power and INR 200 mn for TSA equipments.
- KPTL foresees opportunities of ~ INR 1,500 bn in the power distribution business up to 2012. The power distribution business is a zero capex, high RoE business. KPTL is undertaking large projects for rural electrification under the Bharat Nirman - Rajeev Gandhi Grameen Vidyutikaran Yojana - the Ministry of Power (MoP) and Rural Electrification corporation (REC) sponsored RE programmes.

Financials and Valuations

- KPTL posted revenues of INR 8.4 bn and a PAT of INR 665 mn for FY06. We expect KPTL's revenues to grow by 28% and PAT to grow by 34% to INR 13.8 bn and INR 1.2 bn, respectively, by FY08E. The stock trades at 17.5x and 12.7x for FY07E and FY08E earnings, respectively. Considering KPTL's diverse business profile, strong revenue growth and improving margins, we maintain our **'BUY'** recommendation on the stock.

Year to March	FY05	FY06	FY07E	FY08E
Revenues (INR mn)	5,417	8,404	10,440	13,779
Rev growth (%)	*57.2*	*55.1*	*24.2*	*32.0*
EBITDA (INR mn)	633	1,144	1,461	1,970
Net profit (INR mn)	287	665	869	1,199
Shares outstanding (mn)	10.9	21.7	21.7	21.7
EPS (INR)	13.2	30.6	40.0	55.2
EPS growth (%)	*103.3*	*131.7*	*30.6*	*37.9*
PE (x)	53.0	22.9	17.5	12.7
EV/EBITDA (x)	24.4	13.5	10.6	7.8
ROAE (%)	28.0	42.4	43.0	40.9
ROACE (%)	26.9	37.1	38.4	39.7

KEI INDUSTRIES

INR 282

Edelweiss
Ideas create, values protect

Cabling growth

BUY

July 4, 2006

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Highlights

- KEI Industries (KEI) manufactures specialty cables for power and industrial sectors. Its product range includes control cables, LT power cables, instrumentation cables, telecom cables and non-ferrous alloy wires and rods.
- Cables contributed 87%, stainless steel wires contributed 12.7%, and the remaining was contributed by other product segments.

Outlook

- The company is looking at setting up of manufacturing facilities/expansion of HT&LT cable and other existing product ranges.
- Going forward, management will outsource cable manufacturing or its components.
- The management has stated that the company was looking at inorganic growth via acquisitions of manufacturing facilities/brands in Asia.
- The company was bullish on future growth in the backdrop of addition of generation capacity and growth in sectors like metals, cement and other industrial sectors.
- The company expects the export market to grow due to high cost of production and closure of plants in Europe.
- Management gave a sales guidance of INR 6.7 bn and INR 10 bn in FY07E and FY08E, respectively. The PAT guidance is INR 530 mn and INR 800 mn for FY07E and FY08E, respectively.

Financials and Valuations

- The stock trades at 8.7x FY07E and 6.6x FY08E P/E, which is at a significant discount to other players in the electrical segment.
- Our expectation of revenue growth is ~70% in FY07E and ~32% in FY08E.
- With the boom in the power cables sector coupled with KEI's well established presence and expansion plans, we believe KEI is poised to deliver strong results, going forward. We maintain our **'BUY'** recommendation.

Reuters	:	KEIN.BO
Bloomberg	:	KEII IN

Market Data

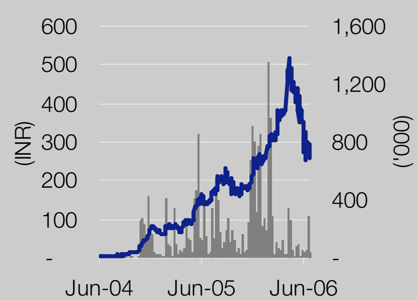
52-week range (INR)	:	529 / 137
Share in issue (mn)	:	11.8
M cap (INR bn/USD mn)	:	2.8 / 61.9
Avg. Daily Vol. BSE ('000)	:	126.8

Share Holding Pattern (%)

Promoters	:	41,6
MFs, FIs & Banks	:	19.0
FIIs	:	17.8
Others	:	21.7

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	2,053	3,013	5,134	6,797
Rev. growth (%)	*1.1*	*0.5*	*0.7*	*0.3*
EBITDA (INR mn)	212	449	745	960
Net profit (INR mn)	84	260	412	543
Shares outstanding (mn)	2.7	5.9	11.8	11.8
EPS (INR)	31.7	44.1	34.9	46.0
EPS growth (%)	*2,718.1*	*39.3*	*(20.8)*	*31.8*
P/E (x)	8.9	6.4	8.7	6.6
EV/ EBITDA (x)	9.6	4.5	2.7	2.1
ROAE (%)	34.3	36.4	30.7	30.3
ROACE (%)	30.8	34.6	33.6	33.3



KNIGHT FRANK

White knight

NOT RATED

July 4, 2006

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Fundamentals driving housing demand

- Indian economy is growing at a fast clip: 10th largest economy, 8% growth.
- Demographics: 50% population under 25 years, 30% population middle class.

Real estate is the second-largest employer after agriculture

- Linked to 250 ancillary industries.
- Multiplier effect on the economy: A unit increase in expenditure in this sector generates five times income.
- Construction industry: Risen from 5.25% of GDP in 2003 to over 7% currently.
- Rapid sub-urbanization of Indian cities.
- Real estate growth percolating to Tier II & III locations.
- Unprecedented foreign interest in real estate.
- New formats gaining prominence—SEZ, townships.

Office sector demand on a rise

- Demand (2006-08): Approximately 90 mn.sq.ft. (80% from the IT/ ITES sector).
- Supply (2006-08): Approximately 94 mn.sq.ft.
- 75% concentrated in eight locations. Established centers (Mumbai, Delhi, Bangalore, Hyderabad), emerging centers (Chennai, Pune, Kolkata, Chandigarh).
- Total office space stock in India is currently approximately 135 mn.sq.ft.
- 100% FDI allowed in construction of commercial premises.

Retail sector demand on a rise

- FDI in single brand retailing now allowed.
- Key drivers: Increasing disposable incomes, rising consumption.
- One of the highest retail density in the world at 6%.
- Size of the total retail market is USD 210 bn, estimated growth is 5-7% p.a.
- Organized retail: Only 3%, but growing at 30% p.a.
- Close to 220 malls operational by end-2008. Approximately 60 mn.sq.ft.

Residential sector demand on a rise

- Key drivers: Increasing urbanization, higher employment, rising incomes, cheap and easier availability of credit.
- Demand-supply mismatch resulting in shortage.
- Residential mortgage 3% of GDP.
- Absence of organized rental market.
- 100% FDI in townships allowed, minimum area requirement is 25 acres.
- Hospitality sector demand on a rise
- Key revenue generator: Business tourism.
- Increasing occupancy costs and room rates.
- Shortage of rooms across all major cities.
- 100% FDI allowed.

SEZ

- Aimed at directing funds in infrastructure, increase in production and manufacturing capacity and creation of new employment opportunities.
- To foster higher economic growth through export promotion activities.

MAYTAS

Stepping stones

NOT RATED

Edelweiss
Ideas create, values protect

July 4, 2006

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Company Background/Profile

Maytas is an infrastructure development and construction company, which delivers EPC projects in sectors such as highways & expressways, Irrigation & Dams and Integrated Townships and IT Parks The company is based in Hyderabad and started operations in 1988. The Company is headed by Mr. B. Teja Raju (son of Mr. Ramalangi Raju, Chairman, Satyam Computers) and is a group company of Satyam Computers.

Management Team

Chairman	:	Mr. VV Rama Raju
Managing Director	:	Mr. Teja Raju

Business Overview

Maytas is involved in construction of roads, highways, expressways, irrigation projects with canals, dams, barrages, hydroelectric projects, housing and property development projects. The Company currently has 3 BOT projects and has also entered into a joint venture with GVK Infrastructure for a power project. The company was adjudged as the 'Fastest Growing Construction Company' in India by National Academy of Construction during 2002-2003.

Financials and Valuations

The revenues for FY05 stood at Rs. 2,900 million with PAT of Rs. 146 million. The Company had an order backlog as on December 31, 2005 aggregating Rs. 28,000 million.

MORARJEE REALTIES (PENINSULA LAND) INR 406

Edelweiss
Ideas create, values protect

Building dreams NOT RATED

July 4, 2006

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Highlights

- Peninsula Land Ltd. (PLL), erstwhile Morarjee Realties, was formed in 1999 under Pirmal Holdings to develop real estate properties of the Piramal Group. PLL is currently involved in developing a property in South Mumbai and plans to acquire three more mills in Mumbai.
- PLL built the first mall in India—Crossroads. The mall currently has 97% occupancy, with current rental rates of INR 225/sq. ft./month.
- Peninsula Land has three projects under construction, Ashoka Gardens (INR 6.2 bn), Ashoka Towers (INR 4.0 bn) and Peninsula Techno Park (INR 3.5 bn).
- All the three projects are expected to close towards the middle of FY08. 90% of Ashoka Towers and 40% of Ashoka Gardens is already sold. Approximately 1 mn sq. ft. of land is locked in these projects.

Outlook

- It plans to develop three SEZs in Goa and one in Pune. Its current land bank stands at 14 mn sq. ft. and another 0.5 mn sq. ft. is being added post the merger with Dawn Mills.
- In FY08, the company will have huge excess cash, post the completion of its current projects and 6 mn shares of equity dilution (INR 5 bn). With this cash, it plans to form a real estate fund that will help it acquire land bank on an ongoing basis.

Financials and Valuations

- In FY06, PLL reported a total income INR 1.8 bn and PAT of INR 770 mn. It plans to double the revenue and PAT in FY07.
- PLL divested its textile business in FY04, hence its previous year's numbers are not comparable. In FY05 it had a revenue of INR 663 mn and a loss of INR 22 mn.

Reuters	:	MORA.BO
Bloomberg	:	MGSW IN

Market Data

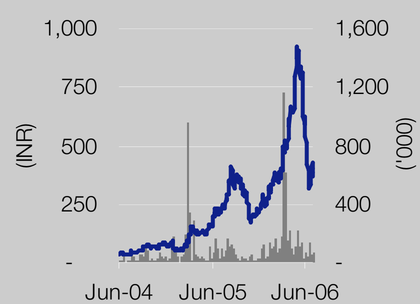
52-week range (INR)	:	967 / 164
Share in issue (mn)	:	19.6
M cap (INR bn/USD mn)	:	39.0 / 15.8
Avg. Daily Vol. BSE/NSE ('000)	:	121.6

Share Holding Pattern (%)

Promoters	:	72.2
MFs, FIs & Banks	:	6.4
FIIs	:	0.4
Others	:	21.0

Financials

Year to March	FY03	FY04	FY05	FY06
Revenue	2,422	6,410	622	1,840
Rev. growth (%)		*164.7*	*(90.3)*	*195.7*
EBITDA (INR mn)	186	41	(112)	950
Net profit	(405)	2,046	(22)	770
Shares outstanding (mn)	20	20	20	39
EPS	(20.7)	104.7	(1.1)	19.5
P/E (x)	(19.6)	3.9	(369.0)	20.8
EV/ EBITDA	61.7	280.6	(102.8)	22.6
ROE (%)	(38.5)	653.7	7.4	7.1
ROCE (%)	2.3	66.3	(0.7)	1.2



NAVA BHARAT FERRO ALLOYS

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Ideas create, values protect

Growing traction

NOT RATED

July 4, 2006

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Company Background/Profile

Nava Bharat Ferro Alloys (NBFA), promoted by late Dr. D. Subba Rao & Mr. P. Punnaiah in 1972, set up its first ferro alloy plant in Andhra Pradesh in 1975. The company commenced operations with manufacturing of ferro silicon in a single furnace of 16.5 MVA capacity. It has progressed from a single-product manufacturing unit to a multi-product company, manufacturing and marketing bulk ferro alloys like ferro silicon, ferro chrome, crystal sugar, industrial alcohol, power etc.

Management Team

Managing Director	:	Mr. D. Ashok
Executive Director	:	Mr. Vikram Prasad
Director (Finance)	:	Mr. G R K Prasad
Director (Business Development)	:	Mr. Durga Prasad

Business Overview

- Ferro alloys: Ferro Alloys are compounds of iron and other elements like manganese, silicon, chrome, etc. which are necessary ingredients in steel production and are used as additives when steel is being produced/refined. NBFA's ferro alloy plants are located in Andhra Pradesh and Orissa. The current manufacturing capacity of this segment is 200,000 TPA.

- Power: NBFA has current installed capacity of 112 MW of power at its Andhra Pradesh and Orissa units. Over the years, NBFA has achieved significant expertise in power generation. NBFA's capital cost of setting up a power plant and operating cost of generating power is one of the lowest and most efficient according to industry standards. NBFA proposes to expand the power generation capacity to 208 MW in the next two-three years.

- Sugar: NBFA has a 3,600 TCD sugar plant located in Andhra Pradesh. The plant is strategically located near the port and railway lines with sufficient cane availability. The company proposes to ramp up the capacity to 6,000 TCD in the next two years.

The company has entered into a JV for investments in the infrastructure sector. This JV has bid for various projects and has been awarded projects for development of roads, SEZ and power. The JV is likely to implement these projects in due course of time.

Financials and Valuations

In FY06, the revenue stood at INR 5.5 Bn and PAT was INR 580 mn. The current market capitalization of the company is around INR 5.7 bn.

NATIONAL HIGHWAY DEVELOPMENT PROGRAM

- by Shri Ashok Wasson, (NHAI)

July 4, 2006

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Highlights

- Under the NHDP Phase I & II, ~92% of the GQ (5,846 km) has been completed and the remaining is expected to be completed by December 2006. About 1,000 km of the NSEW corridor (7,300 km) is likely to be completed.

- Under NHDP Phase III-A, 4,000 km has been approved by government for implementation by December 2009 and balance 6,000 km (NHDP III-B) is likely to be completed by December 2012. All future are to be awarded on BOT basis (BOT – Toll or BOT-Annuity). The government has announced some projects to be given under annuity based as the entrepreneur may not want to take the traffic risk.

- Government to provide grant for funding viability gap limited to 40% (INR 200 bn at 2004 prices) and also meet the entire expenditure on land acquisition, rehabilitation and resettlement, utility relocation (INR 50 bn at 2004 prices).

- The government has revised its planned cost for upgradation of the national highway network under its Vision 2005-2012 from INR 1.72 tn to INR 2.2 tn.

- Some of the changes made under new Model Concession Agreement (MCA) are:
  - NHAI will be liable to pay damages for various defaults (related to site handling, barriers, additional toll ways, competing roads and change in law, etc.).
  - The bidding parameter has been changed from grant/negative grant to grant/premium. Premium is project specific predetermined percentage of toll revenue to be paid by concessionaire from date quoted by him in the bid and 1% increment of the premium % for every subsequent year.
  - The provision for six laning is to be decided on project to project basis. If no six laning is to be undertaken, then there exists an exit option and the concession period reduces to 12 years from 20.
  - The concession period will be increased up to 20% in case actual traffic has fallen short of the target traffic by more than 2.5% and will be reduced by 10% in case actual traffic has exceeded by more than 2.5% of target traffic.

NSICT (P&O)

Lighthouse NOT RATED

July 4, 2006

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Highlights

- NSICT (Nhava Sheva International Container terminal) is India's first privately managed container terminal. It is run by P&O Ports, a subsidiary of the Peninsular and Oriental Steam Navigation Company, UK. Developed at a cost of USD 250 mn, it is managed under a Build-Operate-Transfer agreement set up with the Jawaharlal Nehru Port Trust (JNPT) of the Government of India.
- P&O Ports is a leading port operator overseeing 21 ports in 19 countries around the globe.
- The terminal combines 600 m of quay line with a draught of 13.5 m at berth and a paved container yard area of 30 hectares. It has a capacity of 1.1 mn TEUs and is capable of handling fifth generation vessels.
- NSICT is a full service container terminal which takes complete responsibility for the cargo once the vessels berth alongside. Some of the services that it offers are:
  - Container handling to/from vessel.
  - Container handling to/from rail.
  - Storage of containers.
  - Internal terminal transport.
  - Cargo planning for the vessel.
  - Transport to/from container freight station.
  - Handling of over-dimensional, hazardous containers.
- Management strongly believes that government should act more as a facilitator and be instrumental in infrastructure creation.
- The policies structure should help increase the private sector participation. The example cited is that of TAMP which sets tariffs on a 15% ROI basis and reduces the tariff for a player which is efficient and hampers the growth in the sector.
- One of the major issues that NSICT face is the congestion at the port due to lack of infrastructure facilities. Around 9000 TEUs are stacked at the port waiting for the rail connectivity and this is expected to increase the volume at the Mundra port going forward.

PSL

INR 220

Edelweiss
Ideas create, values protect

Domestic pipeline growth play

BUY

July 4, 2006

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Highlights

- PSL Ltd (PSLL) is the largest manufacturer of HSAW (Helical Submerged Arc Welded) pipes in India and has a capacity of 1.1 MMTPA. The advantages of the HSAW technology coupled with the company's capacity build-up act as entry barriers for new players.
- PSLL's mills are strategically located across western and eastern coasts. This allows the company to bid for projects both in India and overseas. Additionally, its HSAW pipe mills are re-locatable, which offers the company logistical advantages. .
- HR coils, a key raw material for HSAW pipes are cheaper and easily available compared with steel plates used in LSAW (Longitudinal Submerged Arc Welded) pipes.

Outlook

- PSLL expects to achieve a turnover of INR 18 bn in FY07 and 20-22 bn in FY08. The revenue projection for FY07 excludes any orders from Reliance that is likely to announce orders in next three months.
- The company's unexecuted order book as at April 1, 2006 stood at INR 15 bn. As on June end, PSL has an order book of INR 18-20 bn, which includes L1 orders.
- PSLL plans to set-up a 70 TMT mill in Jaipur and 2 X 70 TMT mills in the U.A.E. at a total cost of ~ INR 0.6 bn. It is in the early stages of venturing in the U.S. markets, to take advantage of the pipeline replacement cycle.
- PSLL intends to have a total capacity of 3-4 million tones by 2010. Net margins are expected to expand to 4-5% in next two years compared with FY06 margins of 3.4%

Financials and Valuations

- We expect sales to grow by 31.2% to INR 18.9 bn in FY07 and by 34.0% to INR 25.3 bn in FY08. We expect EBITDA margins to be 10.7% and 10.3% in FY07E and FY08E, respectively.
- The stock currently trades at 10.6x FY07E EPS of INR 20.7 and 7.8x FY08E EPS of INR 28.2. With high growth expected in the pipeline orders and increased capacity utilisation it is likely to report increased margins. Hence, we are positive on the company and maintain our **'BUY'** recommendation.

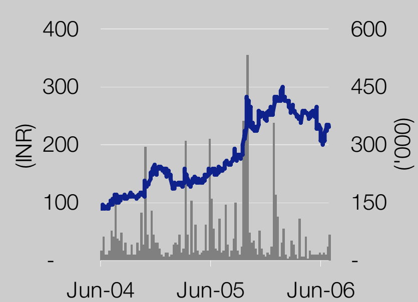
Reuters	:	PSLH.BO
Bloomberg	:	PSLL IN

Market Data

52-week range (INR)	:	312 / 153
Share in issue (mn)	:	32.1
M cap (INR bn/USD mn)	:	7.1 / 153.5
Avg. Daily Vol. BSE/NSE ('000)	:	85.5

Share Holding Pattern (%)

Promoters	:	64.3
MFs, FIs & Banks	:	4.1
FIIs	:	13.3
Others	:	18.3



Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	13,962	14,421	18,915	25,347
Revenue growth (%)	*69.4*	*3.3*	*31.2*	*34.0*
EBITDA (INR mn)	840	1,309	2,017	2,622
Net profit (INR mn)	320	492	813	1,106
EPS (INR)	11.1	15.3	20.7	28.2
EPS growth (%)	*14.3*	*38.4*	*35.4*	*36.0*
P/E (x)	19.9	14.4	10.6	7.8
EV/ EBITDA (x)	13.1	8.8	5.7	4.4
ROE (%)	19.1	16.2	17.5	21.2
ROCE (%)	9.4	8.8	11.6	16.5

REAL ESTATE SCENARIO IN INDIA

Panel discussion

Edelweiss
Ideas create, values protect

July 4, 2006

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Panel consisting of:

1. Mr. Pranay Vakil – (Chairman, Knight Frank)
2. Mr. Rajesh Jaggi – (MD, Peninsula Land)
3. Mr. Niranjan Hiranandani – (MD, Hiranandani)
4. Mr. Pujit – (MD, Orbit Corporation)
5. Mr. Mridul Upreti – Moderator - (Head Jones Lang LaSalle's Corporate Finance)

Highlights

- Changing urban demographic factors will keep real estate prices higher and demand for houses strong.
    - 95% of the buyers are still retail buyers compared to 65% of the buyers being investors during the last real estate bust.
    - Huge shortage of houses—65% of the population lives in *kuccha* houses.
    - Urban population is currently 27% of 1.0 bn people, expected to be 35% of the 1.5 billion people by the end of 2025.
- Given the right environment, real estate activity could add another 4% to the GDP growth; given the trickle down impact of real estate construction on cement, steel, equipment manufacturers, employment generation and other related areas; is immense.
- Acquisition of land bank which is strategically located and at the right cost will be the key criteria deciding future growth of real estate companies.
- SEZs are a viable and profitable business model, corporate demand for SEZs to remain strong. Specialty SEZs will be the next step in SEZ development.
- Organized retail is still 2% of the business. It will move on to more than 10% creating strong demand for malls. Malls will be the center of future entertainment, shopping and leisure activity in India.
- Interest rate hike should not have much impact and is currently affecting only marginal buyers who are moving to smaller purchases rather than canceling purchases.
- Rental housing offered by builders could be the next thrust area.

SIMPLEX INFRASTRUCTURE

INR 1,371

Edelweiss
Ideas create, values protect

Concrete growth

BUY

July 4, 2006

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Highlights

- Simplex Infrastructure is one of the fastest-growing infrastructure solution providers in the country with a presence across seven segments: power, industrial construction, piling, urban infrastructure, marine, high-rise buildings, roads and bridges.
- It has executed the largest single contract for casting and installation of pre-cast concrete piles—11,000 piles at Kakinda and 8,000 piles at Mumbai. In all, it has executed over 2,000 projects in India and abroad.
- Simplex had an order backlog of INR 42 bn in FY06 with the power segment accounting for 40%, industrial structures 20%, roads and bridges 15%, marine projects 15% and urban infrastructure and piling accounting for 10% of the total order book.

Outlook

- The company is increasing its focus in the overseas market, especially the Middle East, with projects like the Hilton Hotel in Qatar, the Dubai Metro Rail project, etc. It intends to bag orders worth INR 5 bn in Qatar in the current year.
- Overseas projects are likely to contribute 25% to revenues in FY07. The company intends to increase this contribution to about 40% going forward.
- The company is expecting a 40% growth in the current year against a 35% growth over the past four years.
- Simplex does not have any BOOT road projects at present. It is likely to enter the BOOT real estate segment where it will develop and market the property on land provided by a third party. We believe this approach will enable Simplex to capitalize on its strong execution capabilities, while keeping its investment requirements low.

Financials and Valuations

- Simplex posted revenues of INR 13 bn in FY06 with EBITDA and PAT margins of 8.8% and 3.1%, respectively.
- We expect revenues to grow to INR 20 bn in FY07E and INR 29 bn in FY08E with EBITDA and PAT margins of 9.3% and 4.3% in FY07E and 9.8% and 5.1% in FY08E, respectively.
- On an order backlog of INR 42 bn, market capitalization:order book ratio is at 0.3x. On a P/E basis, the stock trades at 11.5x and 6.7x for FY07E and FY08E. We maintain our **'BUY'** recommendation on the stock.

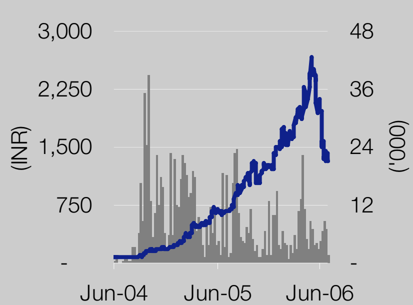
Reuters	:	SMCP.BO
Bloomberg	:	SCP IN

Market Data

52-week range (INR)	:	2,725 / 632
Share in issue (mn)	:	8.7
M cap (INR bn/USD mn)	:	11.9 / 259.2
Avg. Daily Vol. BSE/NSE ('000)	:	6.8

Share Holding Pattern (%)

Promoters	:	46.5
MFs, FIs & Banks	:	2.9
FIIs	:	15.4
Others	:	35.2



Financials

Year to March	FY05	FY06E	FY07E	FY08E
Revenues (INR mn)	9,990	13,446	19,747	28,905
Rev growth (%)	*55.8*	*34.6*	*46.9*	*46.4*
EBITDA (INR mn)	702	1,181	1,842	2,834
Net profit (INR mn)	252	417	858	1,469
Shares outstanding (mn)	7.3	8.6	43.1	43.1
EPS (INR) *	6.9	9.7	19.9	34.1
EPS growth (%)	*159.9*	*40.9*	*105.8*	*71.1*
PE (x)	33.4	23.7	11.5	6.7
EV/EBITDA (x)	20.0	11.9	7.6	5.0
ROAE (%)	26.3	23.3	29.7	37.4
ROACE (%)	15.9	16.4	20.2	24.1

SHIPPING AND PORT INFRASTRUCTURE

- by Shri Michael Pinto (Former Shipping Secretary, GoI)

Edelweiss
Ideas create, values protect

July 4, 2006

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Presentation on Ports infrastructure

Mr. Michael Pinto has held various senior level positions and was instrumental in development of shipping and port infrastructure in the country. His assignments include:

- As Director General of Shipping, Mr. Pinto was asked to head a National Shipping Policy Committee to formulate a long term perspective plan for Indian shipping.
- Mr. Pinto's next assignment was with the Jawaharlal Nehru Port (JNP), India's largest container port.
- Both as Chairman of JNP as well as the Indian Ports Association (IPA) Mr. Pinto played a stellar role in opening the port sector to private investment and in popularizing the concept of the landlord port.

Highlights

- In the last five years during 2001-06, traffic at Indian major ports grew by 142.3 mn tonnes as compared to 130 mn tonnes addition in the last decade. India is also expected to double the port traffic every five years and handle 2 bn tonnes of cargo traffic in the next 10 years.
- Increase in containerization and container penetration has helped container traffic to increase from 1.45 mn tonnes in FY95-96 to 4.61 mn tonnes in FY05-06.
- With the growth assumption of 7.5% till FY10 and 9.0% going forward, India is expected to handle 24 mn TEUs by FY2015.
- Private investment announced in some of the ports is expected to add another 4.45 mn TEUs at a total investment of INR 45 bn.
- Bulk cargo which presently accounts for 65% of total traffic moved in the country is expected to drop to 51% by 2011. Non bulk (largely container) is expected to rise from 35% to 49%.
- Major ports have also announced INR 558 bn expansion programme of which private sector is expected to contribute INR 345 bn. The break up activity wise of the outlay is as follows:

Outlay and funding pattern of Major ports (INR bn)

Project head	Private investment	Others	Total
Deepening of chanels, berths etc	1.9	61.2	63
Construction of berths/jetties	280.8	44.8	325.6
Procurement of equipments	10.8	15.6	26.3
Rail & road connectivity	0	59.6	59.6
Others	51.6	31.8	83.5
Total	345.1	213	558

TELECOM SECTOR INFRASTRUCTURE DEVELOPMENT IN INDIA AND DEVELOPING COUNTRIES

- by Shri Rajendra Singh (TRAI)

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Telecom subscriber base is growing at an unprecedented pace. India is now the fifth country in the world having a mobile subscriber base of more than 100 mn after China, US, Japan and Russia. GoI is aiming at a subscriber base of 250 mn by December 2007.
- Indian telecom industry enjoys the lowest ARPUs and nearly the highest MoUs in the world.
- Growth has been lopsided with rural teledensity at a mere 1.86%. Overall teledensity is also drastically low at 12.86%.
- Around 1/3rd of the villages have 74% of the rural population. So targeting them will greatly boost rural teledensity. Deterrents to rural expansion include high costs, initial underutilization, and sparse population, among others.
- Regulation has been changed over the years to foster growth through lower license fees, unified access license and open competition in the sector. However, regulatory levies are higher in India than those in other developing countries and must be reduced to increase subscriber base and improve penetration.
- Regarding licensing, TRAI believes an ideal licensing regime should be one that does not come in the way of deployment of latest technologies but at the same time technology should not be able to bypass regulatory system such that it disturbs the level playing field.
- TRAI has also proposed a new spectrum policy whereby spectrum has been de-linked from the unified license framework, and annual spectrum license fees reduced to 4% (instead of the current fees based on amount of spectrum used).
- Regarding the issue of 3G spectrum allocation, TRAI has floated a paper on the spectrum allocation procedure, pricing and identification of appropriate bands for future growth of mobile and broadband services.

USHA MARTIN

INR 158

Edelweiss
Ideas create, values protect

Size does matter

NOT RATED

July 4, 2006

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Highlights

- Usha Martin Limited (UML) is India's largest and the world's second-largest manufacturer of steel wires and wire ropes with manufacturing facilities located near Ranchi and Jamshedpur. The company also acquired the wire and wire rope business of JCT Limited located at Hoshiarpur in Punjab last year to increase its production capacity of value-added steel products.
- It has three principal manufacturing divisions of wire and wire rope; steel; and cables.
- UML has a worldwide distribution, service and marketing network covering Houston, Glasgow, Copenhagen, Johannesburg, Australia, and Singapore.
- The company has subsidiaries which have manufacturing facilities in Bangkok, Dubai and Worksop (UK).

Outlook

- To improve its cost competitiveness, UML has adopted a backward integration strategy and acquired a captive iron ore mine with estimated reserves of 80-100 mn tonnes and a captive coal mine with estimated reserves of 30 mn tonnes.
- With a capex of about 12.5 bn, it will increase its steel capacity from 360 ktpa to 900 ktpa and wire rod capacity from 275 ktpa to 660 ktpa by April 2009.
- Its pig iron production capacity will be raised to 600 ktpa from current 200 ktpa and DRI capacity from 120 ktpa to 375 ktpa by April 2009.
- OTIS Elevators has partnered UML as a global supplier of choice for use of wire and wire ropes in high-speed elevators.
- As output from the captive mines entail a larger proportion of raw material inputs, it will lead to margin expansions.

Financials and Valuations

- In FY06, UML reported consolidated net revenues of INR 18 bn (a 16% Y-o-Y increase), EBITDA of INR 3 bn (a 28% Y-o-Y increase) and PAT of INR 843 mn (a 68% increase).
- The steel division accounted for 58% of revenues and about 70% of profits in FY06.
- At CMP of INR 159, it trades at a trailing P/E and EV/EBITDA of 8.3 and 4.4x respectively. The company is expected to benefit immensely from backward integration into mines, capacity expansion across product segments (both in India and abroad) and encouraging outlook on the end consuming sectors.

Financials

Year to March	FY04	FY05	FY06
Revenue (INR mn)	10,625	15,503	18,020
Revenue growth (%)	*3*	*45.9*	*16.2*
EBITDA (INR mn)	1,824	2,367	3,039
Net profit (INR mn)	164	501	843
Share outstanding (mn)	37	37	44
EPS (INR)	4.4	13.5	19.0
EPS growth (%)	*405.4*	*206.1*	*40.5*
P/E (x)	35.8	11.7	8.3
EV/ EBITDA (x)	7.7	5.7	4.4
ROE (%)	4.2	11.7	15.6

Reuters	:	USBL.BO
Bloomberg	:	USM IN

Market Data

52-week range (INR)	:	265 / 75
Share in issue (mn)	:	22.2
M cap (INR bn/USD mn)	:	3.5 / 76.3
Avg. Daily Vol. BSE ('000)	:	212.8

Share Holding Pattern (%)

Promoters	:	32.3
MFs, FIs & Banks	:	22.8
FIIs	:	21.2
Others	:	23.7

Edelweiss India Infrastructure Conference, Mumbai		
Day 3: 28th June	Presentations / Panel discussion	Participating companies - meetings
9:00-9:45	Presentation on 'Energy security of India through coal' by Shri. K.Ranganath, Director Marketing, Coal India	Aegis Logistics, Apar Industries,
9:45-10:30	Corporate presentation by Shri N. K. Gupta, CMD, Dredging Corporation of India	Arihant Foundations, Bharti Shipyard,
10:30-11:00	Corporate presentation by Mr. S. K. Hazra, MD, Aegis Logistics	Coal India, Deepak Fertilizers, Dredging Corporation,
11:00-11:15	Tea break	Eimco Elecon, Emco, Era Construction,
11:15-12:00	Presentation on 'Private-public partnership in power sector' by Shri Sanjay Chadha, Director (PPP), Ministry of Power, Government of India	Essar Power, Essel Group, Finolex Cables, HCC,
12:00-1:00	Presentation on 'Perspectives on power sector investments from a regulatory viewpoint' by Dr. Pramod Deo, Chairman, MERC	Indo Asian Fusegear, Jyoti Structures, Marg Construction, Ministry of Power - Government of India,
1:00-2:00	Panel discussion on 'Infrastructure creation in the power sector' - panel comprises Shri Sanjay Chadha (Ministry of Power); Dr. Pramod Deo, Chairman, MERC; Mr. A. K. Srivastava, MD, Essar Power and Shri T. N. Thakur, Chairman, Power Trading Corporation, moderated by Mr. Govindraj Ethiraj of Business Standard / Lunch	Power Scenario in India, Regulatory framework in Power, Patel Engineering, Pratibha Industries, Punj Lloyd, Power Sector - Emerging Horizons,
2:00-2:45	Presentation by Mr. Y. M. Deosthalee, CFO and Board Member, L&T	Risks and Challenges of going global , Tata Power.
2:45-3:30	Presentation on 'Power sector investments - emerging horizons' by Shri T. N. Thakur, Chairman, PTC	
3:30-4:00	Corporate presentation by Mr. P. B. Patel, MD, Elecon Engineering	
4:00-4:05	Vote of thanks	

AEGIS LOGISTICS

INR 159

Edelweiss
Ideas create, values protect

High on gas

NOT RATED

July 4, 2006

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Highlights

- Aegis imports, markets, and distributes bulk propane, petroleum products and LPG to a variety of industrial customers in the western region.
- It has the following business divisions:
- Liquid terminal: Enables import and export of liquid oil and petroleum products. It handles over 30 products with a capacity of 150,000 kl. The division contributed 35% of revenue in FY06 at INR 528 mn.
- Gas division: This division imports, markets, and distributes bulk propane and LPG and contributed to 65% of revenues in FY06 at INR 1,017 mn. It has a 20,000 metric ton of refrigerated LPG terminal facility at Mahul, Trombay.
- Auto gas: There are currently four LPG auto gas stations.
- The company has realized a gain of INR 19.6 mn for year-ended March 31, 2006 as it sold off its chemical division.

Outlook

- Aegis has a capex plan of INR 750 mn, which will lead to 50% increase in the capacity of its liquid terminal division. This will be fully operational by Q4FY07, though the full benefits will be visible only in FY08.
- The capex is proposed to be funded through internal accruals and debt.
- The company also plans to increase the number of auto gas stations from current four to 20 in FY07 and 50 in FY08.
- It is currently operating at Mumbai port and is likely to achieve closure of another port by end FY07.

Financials and Valuations

- The company has guided for a 20% growth in revenues for FY07.
- At the CMP of INR 158, the stock trades at 8.4x FY06 EPS of INR 18.5.

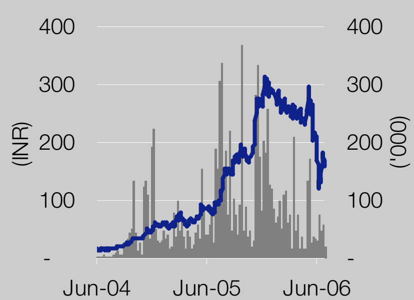
Reuters	:	AEGS.BO
Bloomberg	:	AGIS IN

Market Data

52-week range (INR)	:	321 / 86
Share in issue (mn)	:	16.3
M cap (INR bn/USD mn)	:	2.6 / 55.5
Avg. Daily Vol. BSE ('000)	:	57.3

Share Holding Pattern (%)

Promoters	:	63.9
MFs, FIs & Banks	:	0.1
FIIs	:	0.5
Others	:	35.5



Financials

Year to March	FY04	FY05	FY06
Revenues (INR mn)	808	1,205	1,545
Net profit (INR mn)	90	131	302
EPS (INR)	5.5	8.0	18.5
EPS Growth (%)	*29.4*	*45.7*	*130.9*
PE (x)	28.7	19.7	8.5
Dividend yield (%)	0.5	0.8	1.6
ROE (%)	14.3	17.7	30.3

APAR INDUSTRIES

INR 197

Powered for growth

BUY

July 4, 2006

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Highlights

- Apar is the largest manufacturer of transformer oils in India, with a market share of around 50%.
- It is the second-largest manufacturer of power transmission lines/conductors in India and one of the top five in the world.
- Transformer oil constituted 47%, conductors 40% and polymers 13% of the total FY06 revenues. Other products include specialty oils and polymers (nitrile rubber/high styrene rubber).
- Apar is the only manufacturer of nitrile rubber in India, which is used mainly in the automotive and rice rolling sector.

Outlook

- 64% of revenues are from the power sector which is likely to see sustained growth in the near future.
- Apar is pre-qualified to meet the requirements of all Indian power generators and utilities.
- The company exports to over 20 countries. Exports constitute about 20% of revenues and the management expects them to grow at 100% p.a.
- Order book for the conductor business is in excess of INR 5 bn.
- Management expects 70% domestic and 30% export revenue mix.
- Stagnation in world supply of NBR polymer, is a positive for the company as it gives flexibility in pricing resulting in higher margins.
- NBR requirement in India has grown at 15% plus p.a. in the past three years, and this growth is expected to continue.

Financials and Valuations

- The stock trades at 8.4x FY07E and 7.4 FY08E P/E.
- We expect sales to grow by 14% to INR 12.7 bn in FY07E and by 8% to INR 13.8 bn in FY08E.
- We believe the stock looks attractive as current valuations do not factor in its market leadership and potential opportunities in the power space.

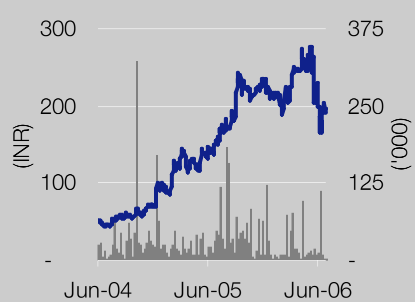
Reuters	:	APAR.BO
Bloomberg	:	GAPR IN

Market Data

52-week range (INR)	:	294 / 145
Share in issue (mn)	:	24.2
M cap (INR bn/USD mn)	:	4.1 / 89.0
Avg. Daily Vol. BSE ('000)	:	32.0

Share Holding Pattern (%)

Promoters	:	69.9
MFs, FIs & Banks	:	8.6
FIIs	:	3.7
Others	:	17.8



Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	8,741	11,124	12,726	13,798
Rev. growth (%)	*0.3*	*0.3*	*0.1*	*0.1*
EBITDA (INR mn)	519	880	873	953
Net profit (Adj.) (INR mn)	327	466	571	647
Shares outstanding (mn)	20.8	20.8	24.2	24.2
EPS (Adjusted) (INR)	15.7	22.4	23.6	26.7
EPS growth (%)	*25.1*	*42.2*	*5.3*	*13.2*
P/E (x)	12.5	8.8	8.4	7.4
EV/ EBITDA (x)	9.1	6.6	5.4	5.0
ROAE (%) (Adjusted)	39.9	30.9	27.5	25.3
ROACE (%) (Adjusted)	18.7	22.7	23.8	23.3

ARIHANT FOUNDATIONS AND HOUSING INR 293

Chennai's property pasha NOT RATED

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Arihant Foundations and Housing Ltd. (AFHL) is a Chennai based real estate developer with a 25-year track record in developing residential and commercial projects. Till date, it has developed 5 mn sq. ft. of residential and commercial property.
- Housing demand in Chennai is strong given the comparatively lower prices, demographics and corporate investments, particularly in IT/ITES, manufacturing and auto sectors.
- Currently the company has ~6 mn sq. ft. under development, out of which 10% is retail, 15% commercial, and 75% residential.
- The company has a land bank of 130 acres, out of which 45 acres is strategically located in the IT corridor and another 45 acres is close to Mahindra City. The total cost of land is around INR 1.50 bn and the market value of the land is ~INR 3 bn.

Outlook

- AFHL is planning to expand to Hyderabad and Coimbatore.
- It is planning to acquire another 250 acres, mostly through JVs with land owners.

Financials and Valuations

- It expects sales in FY06E (September ending) of INR 1.2 bn, up 96% from FY05 sales of INR 615 mn. In FY06E, it expects PAT of INR 225 mn compared to PAT of INR 75mn in FY05.
- In March 2007 it will issue 70 lakh warrants, taking promoter holding to 57%.

Reuters	:	ARFL.BO
Bloomberg	:	AFH IN

Market Data

52-week range (INR)	:	312 / 151
Share in issue (mn)	:	6.0
M cap (INR bn/USD mn)	:	1.8 / 38.2
Avg. Daily Vol. BSE ('000)	:	15/0

Share Holding Pattern (%)

Promoters	:	40.3
MFs, FIs & Banks	:	1.5
FIIs	:	3.7
Others	:	54.6

Financials

Year to September	FY03	FY04	FY05	FY06E
Revenue (INR mn)	203	299	615	1,204
Rev. growth (%)	-	*47.4*	*105.4*	*9,577.2*
EBITDA (INR mn)	19	19	102	361
Net profit (INR mn)	10	6	75	221
Shares outstanding (mn)	7	7	7	7
EPS (INR)	1.5	0.8	10.7	31.5
EPS growth (%)	-	*(43.3)*	*1,172.9*	*1,272.9*
P/E (x)	197.0	347.3	27.3	9.3
EV/ EBITDA (x)	151.5	146.0	27.7	
ROE (%)	13.3	3.6	24.2	
ROCE (%)	5.0	3.0	10.5	

BHARATI SHIPYARD

INR 324

Setting sail

NOT RATED

Edelweiss
Ideas create, values protect

Highlights

- High wages and other factors have resulted in the gradual shifting of the ship building industry from Europe and the US to Asian countries. India is expected to gain from this shift by leveraging its cost competitiveness.
- Banning of single hull tankers due to environmental regulations, higher structural standards leading to scrapping of old vessels and increase in oil prices are dominant factors which will boost the ship building industry in the next few years.
- Incorporated in 1976, Bharati Shipyard is engaged in the design and construction of various types of sea going, coastal, harbour, inland crafts and vessels.
- It has ship building units at Ratnagiri and Ghodbunder and has the capability to deliver six vessels in a year, up to a length of 120 mtrs and 9,000T DWT.
- Bharati Shipyard has an order book of INR 14 bn, of which INR 11 bn worth of projects are unexecuted.

Outlook

- Rising sea trade volumes and initiatives like the Sagar Mala project are expected to generate additional demand for 2,400 new ships.
- Bharati Shipyard is in the process of setting up a new ship building unit in Mangalore at a cost of INR 4 bn. The unit is expected to have capacity of building 65,000 DWT ships.
- Based on the robust demand, the management expects revenues and PAT to grow at a CAGR of 35-40% over the next five years. It targets to achieve turnover of INR 20 bn by 2010.

Financials and Valuations

- Bharati Shipyard registered a turnover of INR 26 bn and PAT of INR 504 mn in FY06, a growth of 35% and 84%, respectively, over the previous year. At a CMP of INR 324, the stock trades at a P/E of 14.4x its FY06 EPS of INR 22.4.

Financials

Year to March	FY03	FY04	FY05	TTM
Revenue (INR mn)	611	1,217	1,926	2,601
Rev. growth (%)	-	*99.1*	*58.3*	*31.2*
EBITDA (INR mn)	77	174	458	546
Net profit (INR mn)	12	60	273	504
Shares outstanding (mn)	6	9	23	23
EPS (INR)	0.5	2.7	12.2	22.4
EPS growth (%)	-	*407.2*	*357.9*	*84.4*
P/E (x)	618.4	121.9	26.6	14.5
EV/ EBITDA (x)	27.8	19.3	16.5	
ROE (%)	8.8	19.8	32.0	
ROCE (%)	31.7	33.1	-	

July 4, 2006

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Reuters	:	N A
Bloomberg	:	BHARTI IN

Market Data

52-week range (INR)	:	573 / 152
Share in issue (mn)	:	22.5
M cap (INR bn/USD mn)	:	7.3 / 158.3
Avg. Daily Vol. BSE ('000)	:	221

Share Holding Pattern (%)

Promoters	:	44.5
MFs, FIs & Banks	:	22.8
FIIs	:	19.3
Others	:	13,5

ENERGY SECURITY OF INDIA THROUGH COAL

- Shri K. Ranganath (Coal India)

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Higher Reserve/Production (R/P) ratio. R/P for coal is 136 as against 23 for crude oil and 26 for natural gas
- Advantage Coal
  - Wider spread of reserves and easy affordability
- Coal meets 55% of power requirement (as on Dec 2005)
- Per capita energy consumption of coal in India is 177 kg oil equivalent as against the world average of 414 kg oil equivalent
- Total coal reserves in India as on Jan 2006 is 253.3 bn tn. Out of this, the share of coking coal and non-coking coal is 12.7% and 87.3% respectively
- About 80% of reserve in India is concentrated in the states of Jharkhand (29%), Orissa (25%), Chhattisgarh (16%), and West Bengal (11%)
- Imports meet the gap between demand and indigenous supply; the expected demand-supply gap in FY07 is 46.6 mn tn.

Characteristics of Indian Coal deposits

- Limited reserve of coking coal (32.1 bn tn)
- High ash (40% and above) and low calorific value (average 4000 K.Cal/Kg-UHV)
- Mismatch in location of deposit and major consumption centers, leading to high transportation cost

Coal-based Thermal Power Plants in India

- 75 coal-based utility power stations with an installed capacity of 62,599 MW as on June 2006
- Additional capacity creation in Xth plan (2002-2007) targeted at 18,308 MW, requiring 65.5 mn tn of coal in the terminal year
- Additional capacity creation in XIth plan targeted at 24,032 MW, requiring 92 mn tn of coal in the terminal year

Changing scenario

- Currently, share of opencast production has increased to 81% versus 28% in 1973
- Increase in the size of equipments used in mining
- Opportunities in Indian Coal Sector
- Acquisition of captive coal blocks
- Joint-Venture with existing captive block owners
- Operating Contract in coal mining
- Coal Beneficiation
- CBM / Coal Gassification / Coal to Oil
- Technology transfer in underground mines

Performance of Coal India

- Production of raw coal increased to 343.37 mn tn in 2005-06 from 260.69 mn tn in 1999-2000
- Offtake of coal increased to 333.54 mn tn in 2005-06 from 263.61 mn tn in 1999-2000
- 74.6% of raw coal production was dispatched to the power sector in 2005-06
- Increased productivity at 3.28 tn in 2005-06 as against 2.11 tn in 1999-3000. However, the productivity is still below the world average.

DEEPAK FERTILIZERS & PETROCHEMICALS INR 71

Right chemistry BUY

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Incorporated in 1979 with a single product ammonia nitrate, Deepak fertilizer has become a multi product company with a turnover of INR 5 bn and gross fixed asset base of INR 6.78 bn.
- Industrial chemicals, fertilizers, and trading are the company's major business segments. Methanol, nitric acid, ammonium nitrate, and nitrogen phosphate account for 30%, 16%, , 21%, and , 33% of the company's revenues respectively.
- Natural gas is a primary feedstock for Deepak fertilizer. The company has its own 42 km gas pipeline from Uran to Taloja, which ensures uninterrupted gas supply.
- Deepak fertilizer's products' net selling price has continuously increased, in spite of fall in customs duty.

Outlook

- Deepak fertilizer is expected to embark on the following three new projects:
  - Iso Propyl Alcohol (IPA) – The project is expected to add revenues of INR 1.2-1.4 bn to the company's existing revenue base with a 20-25% EBITDA margins
  - Speciality Mall (Ishanya) – Deepak Fertilizer intends to lease the entire area at a rate of INR 40-45/sq. ft. It has another plot of 10 acres in Pune and is in the process of identifying a strategic partner for the same.
  - East India Project – Deepak Fertilizer is planning to commission this 300,000 ton project during March-April 08. It will increase the company's export potential from the existing 10,000 ton to 100,000 ton in 2008.

Financials and Valuations

- We expect Deepak Fertilizer's sales and PAT to grow at a CAGR of 25% and 28% respectively during FY06-08E.
- We also believe that increased gas availability (through recently awarded Dahej Uran pipeline) and the company's shift from highly expensive naphtha to natural gas for feedstock will enable it to save significant fuel and power costs.
- The stock trades at PE(x) of 8.5x and 6.6x on EPS of 11.4 and 14.8 in FY07E and FY08E respectively. We reiterate our **'BUY'** recommendation.

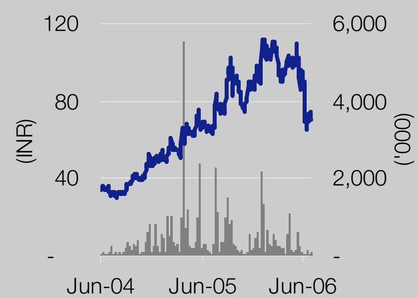
Reuters	:	DPFE.BO
Bloomberg	:	DFPC IN

Market Data

52-week range (INR)	:	117 / 63
Share in issue (mn)	:	88.2
M cap (INR bn/USD mn)	:	6.3 / 136.2
Avg. Daily Vol. BSE/NSE ('000)	:	658.7

Share Holding Pattern (%)

Promoters	:	41.2
MFs, FIs & Banks	:	16.2
FIIs	:	2.8
Others	:	39.8



Financials

Year to March	FY05	FY06	FY07E	FY08E
Sales (INR mn)	4,782	5,260	6,964	8,745
Growth (%)	*1.4*	*10.0*	*32.4*	*25.6*
EBITDA (INR mn)	1,247	1,323	1,949	2,443
Net profit (INR mn)	797	755	1,003	1,293
Shares outstanding (mn)	88	88	88	88
EPS (fully diluted) (INR)	9.0	8.6	11.4	14.7
EPS growth (%)	*14.4*	*(5.3)*	*32.9*	*28.9*
P/E (x)	10.8	11.4	8.5	6.6
EV/EBITDA* (x)	6.1	6.5	4.4	3.5
ROE (%) *	16.0	13.7	16.4	18.7

** Estimated for FY06*

DREDGING CORPORATION OF INDIA

INR 529

Edelweiss
Ideas create, values protect

Huge growth potential

BUY

July 4, 2006

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Highlights

- World dredging market is estimated over USD 8.78 bn and is anticipated to grow 5% in the current fiscal. Indian dredging market is fairly open, compared to the fact that about half of the world is closed to international players
- Indian dredging market is estimated to be around INR 10 bn and is largely maintenance driven; the industry is seasonal to some extent.
- DCI is the largest dredging company in India and 6th in the world. It derives 50% of its revenues from Kolkata Port Trust and has also worked in the international market. It has taken up dredging work in Taiwan and land reclamation work in Bahrain.
- Sethusamudram Ship canal project and some of the ports in India have already announced INR 44 bn of capital dredging works.

Outlook

- The announcement of National Maritime Development Programme (NMDP) GoI and development of private ports thereof are likely to create high dredging demand.
- Capital dredging is likely to be an INR 100 bn market in the next ten years. Additional maintenance dredging will be 10% of the capital dredging.
- DCI is planning to enter into a strategic partnership with Dredging International of Belgium, which has around 75 state-of-the-art dredgers and operates across the globe. The two companies will take up large size dredging ventures both in India and abroad. The company also plans to acquire four to five vessels in near future and enter into international dredging works. Currently, GoI has put disinvestment of DCI on the back burner; also the company has been removed from the current list of PSUs for disinvestment. However, we feel that this could be a potential trigger whenever it comes through.

Financials and Valuations

- We expect DCI's revenues to grow at a CAGR of 10.4% during FY06-08E to reach INR 6.14 bn in FY08E because of gradual capacity addition. Profit is expected to reach INR 1.76 mn in FY08E compared with INR 1.71 bn in FY06.
- At the CMP of 529, the stock trades at 8.8x FY07E EPS of INR 60 and 8.4x FY08E EPS of 63 respectively. Given its relatively cheap valuation and existence of medium-term triggers like firming up of a JV or positive news about its divestment, we maintain our **'BUY'** recommendation.

Reuters	:	DRDG.BO
Bloomberg	:	DCIL IN

Market Data

52-week range (INR)	:	749 / 460
Share in issue (mn)	:	28.0
M cap (INR bn/USD mn)	:	14.8 / 322.0
Avg. Daily Vol. BSE/NSE ('000)	:	26.4

Share Holding Pattern (%)

Promoters	:	78.6
MFs, FIs & Banks	:	11.5
FIIs	:	5.4
Others	:	4.5

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	5,248	5,036	5,661	6,144
Rev. growth (%)	*0.8*	*(4.0)*	*12.4*	*8.5*
EBITDA (INR mn)	2,416	1,711	2,437	2,652
Net profit (INR mn)	1,133	1,716	1,681	1,768
Shares outstanding (mn)	28	28	28	28
EPS (INR)	40.5	61.3	60.0	63.1
EPS growth (%)	*(33.4)*	*51.4*	*(2.0)*	*5.2*
P/E (x)	13.1	8.6	8.8	8.4
EV/ EBITDA* (x)	4.7	6.2	4.3	4.0
ROE (%) *	13.7	18.6	16.1	15.2
ROCE (%)*	19.2	17.7	18.8	17.6

** Estimated for FY06*

EIMCO ELECON

INR 226

Finding black gold

NOT RATED

July 4, 2006

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Highlights

- Eimco Elecon (I) Ltd., incorporated in 1974, manufactures a wide range of underground mining machinery like air powered rocker shovels, electro hydraulic side dump loaders and electro hydraulic and air powered load gaul dumpers used as loading machines in both underground coal mines and metalliferous mines.

- Its major clients are the subsidiaries of Coal India Limited. Other clients include Singanery Collieries Co. Ltd., Uranium Corporation of India, Bharat Gold Mines, Hindustan Copper Limited, Hindustan Zinc Limited, L&T and Ferro Alloys Corporation Limited.

- It has 80% market share in the segments in which it operates. Spares account for more than 60% of its sales.

Outlook

- It has entered into a technical collaboration with an international company for the manufacture of drills used in open cast mining. There is a demand for 60-70 drills and spares from Coal India every year. Each drill costs around INR 10 mn and Eimco expects to capture a market share of 30% by FY08.

- It has introduced continuous miners (INR 100 mn per machine) in underground mining. The demand for this product is on the rise with Coal India planning to achieve 100% mechanization by 2017.

- It expects revenues of INR 1.2 bn in FY07E with and EBITDA margin of 20-25%.

Financials and Valuations

- Eimco registered a turnover of INR 911.7 mn and PAT of INR 82.4 mn in FY06, a decline of 6% and 5%, respectively, over the previous period. At a CMP of INR 226, the stock trades at a P/E of 15.8x its FY06 EPS of INR 14.3.

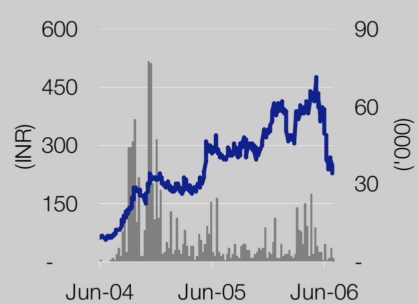
Reuters	:	EIMC.BO
Bloomberg	:	EEI IN

Market Data

52-week range (INR)	:	507 / 225
Share in issue (mn)	:	5.8
M cap (INR bn/USD mn)	:	1.3 / 28.3
Avg. Daily Vol. BSE/NSE ('000)	:	4.5

Share Holding Pattern (%)

Promoters	:	73.1
MFs, FIs & Banks	:	0.6
FIIs	:	6.5
Others	:	19.8



Financials

Year to March	FY03	FY04	FY05	FY06
Revenue (INR mn)	821	838	971	912
Rev. growth (%)		*2.1*	*15.9*	*(6.1)*
EBITDA (INR mn)	116	149	187	219
Net profit (INR mn)	50	76	88	82
Shares outstanding (mn)	5.8	5.8	5.8	5.8
EPS (INR)	8.6	13.2	15.2	14.3
EPS growth (%)		*53.2*	*15.1*	*(5.8)*
P/E (x)	27.0	17.1	14.9	15.8

EMCO

INR 421

Transforming growth story

BUY

Edelweiss
Ideas create, values protect

July 4, 2006

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Highlights

- Emco was incorporated in 1964 and its product portfolio consists of transformers and meters.
- Additionally, it is also present in the business of providing turnkey solutions in different stages of the value chain for power distribution and transmission.
- Transformers contributed about 70%, meters contributed about 24%, and projects and services contributed about 6% to the total sales of FY06.
- Current capacity for transformers is at 10,000 MVA. Exports contributed about 16% to the total sales.

Outlook

- The order book was strong at INR 4,250 mn. Transformers contributed 78%, projects 16%, and meters 6%.
- Expansion of transformer capacity to 15,000 MVA in FY07E and 20,000 MVA in FY08E.
- The company is entering into switchgear business. Capex outlay is INR 230 mn for FY07.
- Emco is setting up a 135 MW power plant at Chandrapur, Nagpur district, through a SPV. Total cost of the project is INR 6 bn and will be financed by 70% debt and 30% equity.
- Emco is pursuing plans to increase export to 25% of the total revenue pie, from the current 16%.

Financials and Valuations

- The stock trades at 9.3x FY07E and 6.3x FY08E P/E, which is at a significant discount to other electrical equipment players.
- We expect sales to grow by 36% to INR 5.5 bn in FY07E and by 30% to INR 7.1 bn in FY08E.
- In the backdrop of the strong expected growth and the inherent scale-up in business model, we expect valuation discount to large peers to narrow. We reiterate our **'BUY'** recommendation.

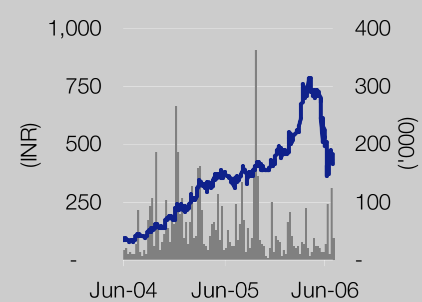
Reuters	:	EMCO.BO
Bloomberg	:	EMCO IN

Market Data

52-week range (INR)	:	844 / 301
Share in issue (mn)	:	7.9
M cap (INR bn/USD mn)	:	3.3 / 72.3
Avg. Daily Vol. BSE ('000)	:	31.8

Share Holding Pattern (%)

Promoters	:	38.3
MFs, FIs & Banks	:	18.2
FIIs	:	17.5
Others	:	26.0



Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenue (INR mn)	2,359	4,054	5,533	7,192
Rev. growth (%)	*0.5*	*0.7*	*0.4*	*0.3*
EBITDA (INR mn)	309	458	746	1,016
Net profit (INR mn)	97	195	359	531
Shares outstanding (mn)	6.4	7.9	7.9	7.9
EPS (INR)	15.2	24.6	45.3	67.1
EPS growth (%)	*108.2*	*62.0*	*83.9*	*48.1*
P/E (x)	27.7	17.4	9.3	6.3
EV/ EBITDA (x)	11.9	9.6	5.8	4.3
ROAE (%)	13.6	23.7	32.9	34.6
ROACE (%)	15.1	18.7	21.6	23.6

ERA CONSTRUCTION

INR 272

Edelweiss
Ideas create, values protect

Growing to scale

NOT RATED

July 4, 2006

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Highlights

- Era Constructions, a mid-sized construction company, undertakes diversified activities for airports, power projects, drainage, sewerage and roads, institutional and industrial complexes, multiplexes, and residential buildings. It has completed more than 50 projects in a span of 14 years.
- The Era Group is prominent in construction activities, real estate development, hospitality and entertainment and pre-engineered buildings.

Outlook

- With the Indian economy on a strong footing, the management foresees potential opportunities flowing in from the construction business. In 2005, the company started its construction activity in roads and railways sectors. Era recently bagged a NHAI project of INR 3.3 bn on BOT annuity basis. It has also been awarded four projects worth INR 2 bn by Rail Vikas Nigam Limited (RVNL).
- Era intends to undertake projects in the irrigation sector, sea ports and hydel electric power plants. It is also planning to acquire real estate projects through its associate company, Era Infrastructures (India) Limited.
- The company has a strong order book of INR 15 bn, which is well diversified with infrastructure projects comprising of ~45%. About 70% of its order book comes from the government and PSUs.
- Era is transcending from executing mid-size projects to big-ticket projects to improve its bottom line. As a result, Era's average ticket size has now increased from INR 0.4–0.5 bn to INR 0.8 bn.
- The management is also positive on the pre-engineered buildings sector, as more than 70% of the new industrial complexes use steel structures.
- The management is de-risking its construction portfolio by diversifying across sectors, customers and states. Currently, its largest customer accounts for less than 25% of total revenues.

Financials and Valuations

- Era Constructions has posted revenues of INR 3.1 bn for FY06, a 100% Y-o-Y growth and a PAT of INR 264 mn, 385% Y-o-Y growth. Era has given a guidance to achieve target revenue of INR 28 bn and a PAT of INR 3 bn in FY08.
- The stock trades at a trailing P/E of 19.3x of FY06 earnings.

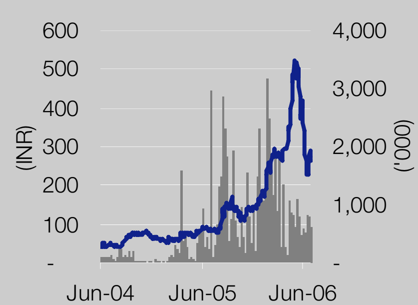
Reuters	:	ERCI.BO
Bloomberg	:	ERC IN

Market Data

52-week range (INR)	:	542 / 69
Share in issue (mn)	:	18.6
M cap (INR bn/USD mn)	:	5.1 / 110.2
Avg. Daily Vol. BSE ('000)	:	648.4

Share Holding Pattern (%)

Promoters	:	20.3
MFs, FIs & Banks	:	4.8
FIIs	:	10.1
Others	:	64.8



Financials

Year to March	FY03	FY04	FY05	FY06
Revenues (INR mn)	1,014	1,095	1,562	3,108
Rev growth (%)	*10.7*	*7.9*	*42.7*	*98.9*
EBITDA (INR mn)	73	84	140	489
Net profit (INR mn)	23	29	54	264
Shares outstanding (mn)	4.3	4.3	6.5	18.6
EPS (INR)	5.4	6.7	8.3	14.2
EPS growth (%)	*31.5*	*23.5*	*25.3*	*70.0*
PE (x)	50.7	41.0	32.7	19.3
EV/EBITDA (x)	73.3	63.8	38.1	10.9
ROACE (%)	15.9	16.8	21.2	

ESSAR POWER

'Positive Attitude'

NOT RATED

July 4, 2006

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Company Background/ Profile

Essar Group is one of India's largest corporate houses with interests spanning manufacturing and service sectors in both old and new economies: steel, oil & gas, power, telecom & BPO, shipping and construction. The Essar Group enjoys a dominant presence in all its business sectors, be it steel, oil & gas, power, or shipping.

Management Team

Chairman	:	Mr. Shashi Ruia
Vice-Chairman	:	Mr. Ravi Ruia
Managing Director	:	Mr. A. K. Srivastava
Chief Financial Officer	:	Mr. P. N. Krishnan

Business Overview

- Essar Power set up India's first new generation independent power project at Hazira, India, in the early 1990s. The 515 MW natural gas-fired combined cycle has consistently set new standards of excellence in the Indian power sector and meets the highest operating benchmarks. This plant operates with a plant availability factor in excess of 94%. In addition to multi-fuel capability, the plant has the lowest manpower to megawatt ratio and one of the lowest capital costs per MW in India.

FINOLEX CABLES

INR 291

Cabling growth

BUY

July 4, 2006

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Highlights

- Finolex Cables is a leading manufacturer of electrical and communication cables. Electrical cables are used in general wiring, pumps, motors etc., and communication cables are used in telephone lines, residential and office networking wires, broadband, cable TV, V-SAT etc.
- Communications business is on decline with JFTC demand remaining flattish. Meanwhile, the electrical cable business has recorded a CAGR of 22% over the past five years.
- Finolex generates 67% of its sales from the electrical cables business and 26% from communication cables segment and the balance from copper cables.

Outlook

- Finolex is aggressively entering three new products categories: modular switches, CFLs (beginning July 2006) and power cables. We expect these businesses to contribute INR 1.75 bn by FY08E, around 14% of total sales.
- Given VAT implementation, share of the unorganized sector, which is currently around 50%, will reduce. Finolex will be one of the key beneficiaries of this trend.

Financials and Valuations

- Finolex reported FY06 revenues of INR 7.5 bn, up 31% and PAT at INR 0.5 bn, up 64%. Revenues have grown at a CAGR of 28% from FY04 and PAT has grown at a CAGR of 17% from FY04 numbers.
- We expect sales to grow at a CAGR of 24% over the next two years; PAT is expected to grow at 32% over the same period.
- The stock trades at a P/E of 16x and 13x on our FY07E and FY08E EPS estimates of INR 23.4 and INR 28.8, respectively. We retain our **'BUY'** recommendation.

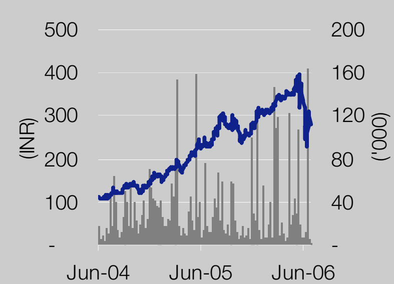
Reuters	:	FNXC.BO
Bloomberg	:	FNXC IN

Market Data

52-week range (INR)	:	423 / 222
Share in issue (mn)	:	30.6
M cap (INR bn/USD mn)	:	8.9 / 193.3
Avg. Daily Vol. BSE/NSE ('000)	:	37.5

Share Holding Pattern (%)

Promoters	:	32,0
MFs, FIs & Banks	:	17.0
FIIs	:	10.5
Others	:	40.5



Financials

Year to March	FY05	FY06	FY07E	FY08E
Sales	5,708	7,478	9,924	11,537
Growth (%)	*25.3*	*31.0*	*32.7*	*16.3*
EBITDA	568	760	1,227	1,627
Growth (%)	*91.9*	*33.8*	*61.5*	*32.6*
Net profit	308	504	716	880
Shares outstanding (mn)	31	31	31	31
EPS (fully diluted)	10.1	16.5	23.4	28.8
EPS growth (%)	*4.1*	*63.7*	*42.2*	*22.9*
P/E (x)	28.9	17.7	16.0	13.0
EV/EBIDTA	16.2	17.0	9.6	-
ROE (%)	5.9	7.9	13.3	15.2

HINDUSTAN CONSTRUCTION COMPANY INR 108

Scale play BUY

Highlights

- Hindustan Construction Company (HCC) focuses on construction of technologically complex and long gestation projects in diversified areas like hydel power, roads, bridges, dams, barrages, marine works, buildings, etc. It has recently made its foray in the real estate segment with the Lavasa project, which is being executed by its wholly owned subsidiary, Hincon Realty. HCC gets technical support from its subsidiaries HCC-Infotech and HCC-Technoconslt. HCC-Infotech provides software development and consultancy services, while HCC-Technoconslt provides consultancy in design and engineering aspects of engineering.
- HCC's order book of INR 97 bn in FY06 comprised of transportation (roads/rail) (43%), power (38%), water projects (15%) and balance 4% from other segments.

Outlook

- HCC expects a growth of 20+% over the next two years and has guided to revenues of INR 25 bn and order backlog of INR 100 bn plus in FY07 and expects to maintain its order book/ turnover ratio at 4x going forward.
- HCC has only one BOOT project, the Pune Paud Toll Road worth INR 260 mn. It does not intend to ramp up its BOOT portfolio significantly. It is likely to undertake BOOT projects in the form of an investor to secure the upfront construction contract and securitize the expected project cash flows. We believe this strategy would keep HCC's risk quotient in check. HCC is likely to continue with its strategy to focus on large-sized complex infrastructure projects. Some of the contracts undertaken include: Delhi metro rail corridor project, Ennore break water project, Tala hydel power project, Mumbai-Pune expressway.

Financials and Valuations

- HCC posted revenues of INR 20 bn in FY06 with EBITDA margin of 9% and PAT margin of 4%. We expect the revenues to grow to INR 26 bn in FY07E and INR 33 bn in FY08E. EBITDA margins are likely to grow to 10% and PAT to 6% by FY08E.
- We value the Lavasa project at a NPV of INR 19 bn and a bedrock value of INR 7 bn. With HCC's 50% stake in the project, we expect it to add about INR 9 bn to its books on a going concern basis and about INR 4 bn on a bedrock valuation. Based on our fully diluted EPS estimates of INR 5 and INR 7, the stock trades at P/E of 21.1x and 15.6x for FY07E and FY08E, respectively. We maintain our **'BUY'** recommendation on the stock.

Financials

Year to March	FY05	FY06E	FY07E	FY08E
Revenues (INR mn)	15,782	20,241	25,849	33,348
Rev growth (%)	*34.7*	*28.3*	*27.7*	*29.0*
EBITDA (INR mn)	1,561	1,843	2,666	3,437
Net profit (INR mn)	736	794	1,403	1,895
Shares outstanding (mn)	22.9	274.3	274.3	274.3
EPS (INR) *	3.2	2.9	5.1	6.9
EPS growth (%)	*77.3*	*(9.8)*	*76.8*	*35.1*
PE (x)	33.6	37.3	21.1	15.6
EV/EBITDA (x)	17.1	14.5	10.0	7.8
ROAE (%)	28.6	12.7	14.7	17.5
ROACE (%)	15.8	10.0	10.2	12.2

** Fully diluted EPS (Adjusted for split)*

July 4, 2006

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Reuters	:	HCNS.BO
Bloomberg	:	HCC IN

Market Data

52-week range (INR)	:	1,188 / 93
Share in issue (mn)	:	256.0
M cap (INR bn/USD mn)	:	27.6 / 600.8
Avg. Daily Vol. BSE/NSE ('000)	:	591.2

Share Holding Pattern (%)

Promoters	:	46.9
MFs, FIs & Banks	:	9.9
FIIs	:	12.7
Others	:	30.5

INDO ASIAN FUSEGEAR

INR 144

Electrifying growth

NOT RATED

July 4, 2006

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Highlights

- Indo Asian Fusegear (IAFL) manufactures and markets a wide range of electrical control and protection equipment. Huge investments in power T&D, boom in the construction sector coupled with growing awareness for power safety, conservation and energy efficiency have considerably boosted the demand for its products. The business mix consists of switchgears and lightning accounting for 83% and 17%, respectively.

Outlook

- The company has obtained major contracts from North Africa for feeder pillars.
- OEM supply contracts worth over USD 5 mn are under execution for FY07E.
- The company has won a long-term contract worth USD 3 mn annually, for supply of MCBs and related products to customers in the UK.
- It has bagged a long-term contract worth USD 1 mn annually, for supply of CFL's and lamps to customers in the US.
- Management indicated that the business mix would change to 60% switchgear, 26% lightning and 14% wire in FY07.

Financials & Valuations

- Revenues in FY06 were INR 1.5 bn, growing at a CAGR of 23.4% from FY02 to FY06.
- PAT in FY06 was INR 158 mn, growing at a CAGR of 306% from FY02 to FY06.
- PAT margin was at 10.7% for FY06 improving from 9.6% in FY05.

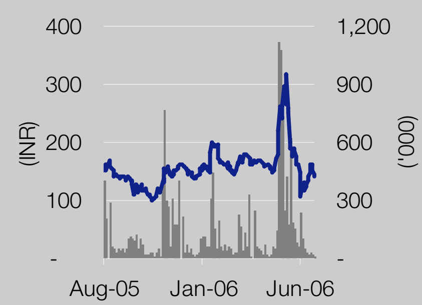
Reuters	:	IASS.BO
Bloomberg	:	INAF IN

Market Data

52-week range (INR)	:	320 / 98
Share in issue (mn)	:	9.4
M cap (INR bn/USD mn)	:	1.4 / 29.5
Avg. Daily Vol. BSE ('000)	:	109.0

Share Holding Pattern (%)

Promoters	:	29.0
MFs, FIs & Banks	:	6,6
FIIs	:	7,4
Others	:	63.3



Financials

Year to March	FY03	FY04	FY05	FY06
Revenue (INR mn)	671	750	1,142	1,471
Rev. growth (%)	*5.7*	*11.7*	*52.3*	*28.8*
EBITDA (INR mn)	68	61	168	149
Net profit (INR mn)	6	16	110	158
Shares outstanding (mn)	9.4	9.4	9.4	12.6
EPS (INR)	0.6	1.7	11.7	12.6
EPS growth (%)	*222.2*	*175.2*	*587.1*	*7.1*
P/E (x)	233.7	84.9	12.4	11.5
EV/ EBITDA (x)	22.5	34.7	12.6	14.2
ROE (%)	2.8	7.3	33.6	29.6
ROCE (%)	11.3	10.4	28.7	24.4

JYOTI STRUCTURES

INR 371

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Spreading the light

BUY

July 4, 2006

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Highlights

- Incorporated in 1975, Jyoti Structures Limited (JSL) is a leading turnkey/EPC player providing solutions in the field of high voltage power transmission lines and substations. It has uniquely positioned itself to pre qualify for transmission lines up to 800 Kv, substations up to 400 Kv and distribution projects. JSL in among the very few companies in the world which possess the capability to execute turnkey jobs that involve setting up both transmission lines and substations. JSL has two business segments: power transmission towers and sub-station towers. Sub stations contribute about 20% to revenues, while power transmission accounts for the rest. JSL's client base is spread across 30 countries. JSL has recently won a project fully funded by the Asian Development Bank with Powergrid in Cochin worth INR 1.4 bn.

Outlook

- JSL has tower manufacturing facilities at Nasik and Raipur. It recently increased its tower manufacturing capacity from 52,000 MTs p.a. to 76,000 MTs p.a., which augurs well for JSL, given that the 'power tower' segment is likely to be a key beneficiary of power reforms announced by the government. JSL expects to utilize atleast 60,000 MT of capacity annually for the next two years. JSL has an order book of INR 13.4 bn, of which about INR 9 bn is to be executed in the FY07E. JSL expects strong order accretion going forward, as the rural electrification program has started kicking in. JSL has guided revenues of ~INR 10 bn in FY07, with ~60% coming from power transmission, 20% from sub-stations and 20% from rural distribution. Currently exports contribute 18% to revenues. The management is targeting a 25% contribution over the next two years. It's JV with Gulf Investment Corporation, Kuwait, to establish a tower manufacturing facility is a step in the same direction.

Financials & Valuations

- JSL's revenues registered a growth of 74% Y-o-Y to INR 7.4 bn in FY06. Its PAT also grew by 140% Y-o-Y to INR 277 mn in FY06. We expect revenue and PAT to grow at a CAGR of 16% and 24% over the next two years to INR 9.9bn and INR 427 mn, respectively. On our EPS estimates of INR 24 and INR 31, the stock is trading at P/E of 16x and 12x for FY07E and FY08E, respectively. We believe there exist huge potential upsides in the stock price from current levels and maintain our 'BUY' recommendation.

Financials

Year to March	FY05	FY06	FY07E	FY08E
Revenues (INR mn)	4,245	7,381	8,448	9,966
Rev growth (%)	*42.3*	*73.9*	*14.5*	*18.0*
EBITDA (INR mn)	410	748	832	1,031
Net profit (INR mn)	115	277	327	427
Shares outstanding (mn)	13.8	13.8	13.8	13.8
EPS (INR)	8.3	20.0	23.7	30.9
EPS growth (%)	*80.3*	*140.0*	*18.3*	*30.3*
PE (x)	44.5	18.5	15.7	12.0
EV/EBITDA (x)	14.0	7.7	6.9	5.6
ROAE (%)	14.7	23.9	25.4	27.3
ROACE (%)	20.9	28.1	30.2	32.4

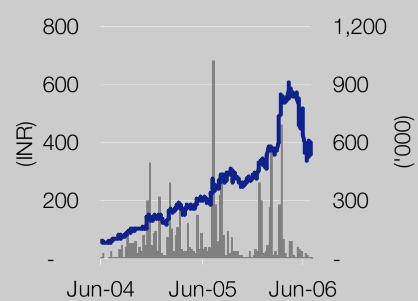
Reuters	:	JYTS.BO
Bloomberg	:	JYS IN

Market Data

52-week range (INR)	:	630 / 185
Share in issue (mn)	:	13.8
M cap (INR bn/USD mn)	:	5.1 / 111.3
Avg. Daily Vol. BSE/NSE ('000)	:	187.4

Share Holding Pattern (%)

Promoters	:	28.2
MFs, FIs & Banks	:	12.9
FIIs	:	15.4
Others	:	43.5



MARG CONSTRUCTION

INR 93

Marg darshak

NOT RATED

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Highlights

- Incorporated in 1994, MARG Constructions Ltd. is a construction company handling residential, commercial, infrastructure and township projects.

- MARG has a strong presence in Chennai with residential, commercial and SEZ projects at strategic locations. It also recently signed a 33-year BOT agreement with Karikal port.

- The company's total land bank is around 675 acres with a market value of more than INR 1.2 bn.

Outlook

- Currently, projects under implementation total 45.83 mn sq. ft. of construction, including 28.63 mn sq. ft. in IT park, 11.44 mn sq. ft. in residential and 5.76 mn sq. ft. in commercial spaces and malls.

- The company has ~ 542 acres of vacant land including 323.5 acres and 208.4 acres of two large plots for SEZ development. The market value of this land is ~ INR 1.2 bn. MARG wants to develop two SEZs and residential as well as commercial projects on this land and plans to have development margins of around 20% on these projects.

Financials & Valuations

- In FY05, MARG reported sales of INR 160 mn and PAT of 13 mn. In FY06, the company expects to generate sales of INR 522.35 mn and PAT of 62.7 mn, up 227% and 368%, respectively.

- It is also in the process of raising FCCB/GDR worth INR 1.1 bn and subscribing 8.1 mn warrants at INR 88.75. Its fully diluted equity, post these mergers, stands at INR 300 mn.

Financials

Year to September	FY03	FY04	FY05
Revenue	31	16	160
Rev. growth (%)		*(48.9)*	*903.1*
EBITDA (INR mn)	14	8	47
Net profit	5	1	13
Shares outstanding (mn)	10	10	10
EPS	0.5	0.1	1.3
EPS growth (%)		*(80.4)*	*1,240.0*
P/E (x)	181.9	927.5	69.2
EV/ EBITDA	NA	NA	NA
ROE (%)	3.6	0.7	7.6
ROCE (%)	(1.6)	1.3	8.1

July 4, 2006

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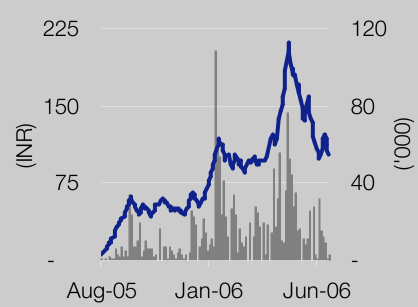
Reuters	:	NA
Bloomberg	:	MINFS IN

Market Data

52-week range (INR)	:	213 / 7
Share in issue (mn)	:	10.2
M cap (INR bn/USD mn)	:	0.9 / 20.5
Avg. Daily Vol. BSE ('000)	:	12.1

Share Holding Pattern (%)

Promoters	:	46.0
MFs, FIs & Banks	:	0.0
FIIs	:	12.4
Others	:	41.6



DEVELOPMENT OF ULTRA MEGA POWER PROJECTS

- Shri Sanjay Chadha (Ministry of Power, Government of India)

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July 4, 2006

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- India has an installed capacity of 124.850 MW, out of which 32% is contributed by the central sector, 57% by the state sector, and 11% by the private sector.
- India's energy deficit was 12.5% in 2005-06. India's per capita consumption of power is 606 Kwh, which is very low compared to the global average of 3,000 Kwh.
- To counter the scarcity, the government has set up an ambitious capacity addition target of over 100,000 Kwh by end of the 11th plan.
- The government announced the setting of five ultra mega power plants, all having a capacity of 4,000 MW. All these projects are expected to be commissioned during the 11th plan.
- The projects will use super critical technology, ensuring higher efficiency and lower CO2 emissions.
- Projects will be awarded to the developer through tariff based competitive bidding, ensuring cheaper power.
- The ministry has introduced "Shell Company" concept for the above power projects. Each company will work independently to reach a stage where major tie-ups, statutory clearances and linkages are in place. Shell companies will then be transferred to successful bidders for execution of projects.
- The above concept is a novel one, and will result in expediting the pain staking process of taking various approvals, interfacing with governmental agencies etc., resulting in speedier execution of power projects.
- Two stage selection process with the first containing qualifying criteria for selection of bidders and second stage of bidding containing request for proposals from the qualified bidders which will further be evaluated by the SPVs with help of appointed consultants.
- Investment opportunities are of about USD 3 bn in each project. Long-term bond market and take out financing for better tariff is being proposed. Sectoral capping and group exposure capping for the purpose of debt financing is expected to be revisited and properly enhanced exclusively for these ultra mega projects.

POWER SECTOR SCENARIO IN INDIA

Panel Discussion

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July 4, 2006

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Panel consisting of:

1. Dr. Pramod Deo – (Chairman, MERC)
2. Shri T. N. Thakur – (Chairman, PTC)
3. Shri Sanjay Chadha – (Director, Ministry of Power, Government of India)
4. Mr. A. K. Srivastava – (MD, Essar Power)
5. Mr. Govindraj Ethiraj – Moderator - (Business Standard)

Reduced political resistance

In 2005-06, India's energy deficit was 12.5% and peak deficit was around 8.3%. The per capita consumption of power in India is 606 kWh compared to a global average of around 3,000 kWh. The prime reason for this has been slow capacity additions and transmission and distribution losses.

In such a scenario, the need for addition of capacity in generation and T&D is acute. This pressing need has resulted in substantially reduced political resistance for reforms in the power sector.

Targets for capacity addition

The Electricity Act 2003 is the cornerstone of power reforms in India. Although slow, the reform process in the sector is gathering pace two years after the Electricity Act 2003 was passed. By the end of the 10th plan (FY2007) the government targeted to add 41,000 MW, which may not be achieved. The likely capacity addition for the 10th plan is 23,402 MW, of which 20,858 MW of capacity is under execution.

Capacity addition constraints

The major constraints as indicated by the panel for capacity additions are fuel availability and fuel pricing. Availability of coal and gas pose significant constraints in capacity addition as power generated using other fuels like naptha is costlier. While hydel power projects don't suffer from pricing constraints, they do suffer from execution risk. The viability of a power project is paramount for its success. A case in point could be the Dhabol project which was backed by government guarantees, even so it failed because power supply at the quoted price was not viable in the long run.

Financing and government support

Currently, finance is not easily available for power projects. But this should change as greater incentives and support is given by government to tide over power scarcity. For example, in, ultra mega power projects the government has used a novel model of shell companies to ease the setting up process for the potential power generators. The panel was of the view that viable power generation projects are rewarding for investors in the long run, even more so because of government assistance and incentives given to investors who intend to invest in upcoming capacity addition projects.

REGULATORY CHALLENGES IN INTRODUCING COMPETITION IN THE POWER SECTOR AND INVESTMENT OPPORTUNITIES

- Dr. Pramod Deo (MERC)

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Highlights

- Essentially four models can be followed in the power industry:

  The first model where generation, transmission and distribution are bundled together and only a single operator is present was used in India. This model permits no competition.

  In the second model, competition is introduced at the generation level, while a single operator is present at the transmission and distribution levels.

  In the third model, competition is introduced by allowing the generator to distribute bypassing the transmission network, in addition to having more than one generator.

  In the fourth model, competition is introduced at the generator level and the distribution level resulting in competition at the retail level.

  Higher bargaining power for the buyers, more than one seller and tariff reforms are required for the power industry to move to the market system.

  While generation has been delicensed by the Electricity Act 2003, it is still regulated. Open access for large buyers and privatization of distribution are steps to address the demand side.

  The regulator has to make decisions working within the constraints of acute power shortage and limited transmission on the East- West corridor making export of power from East difficult.

  MERC came up with a multi-pronged strategy to counter the power shortage by promoting open access, harnessing captive generation and giving parallel distribution licenses. This model was used successfully in Pune to counter the problem.

PATEL ENGINEERING

INR 275

Power play

BUY

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Highlights

- Patel Engineering operates as a developer cum contractor in a number of areas including power projects and underground works, dams and associated works, roads, bridges, marine works and other structures and micro tunneling projects.
- Patel's subsidiary in US, Patel Engineering Inc in turn holds two companies, ASI RCC Inc. and Westcon Micro Tunneling Inc. ACC RSI has successfully constructed several RCC dams in the US and third world countries. Westcon Micro Tunneling specializes in micro tunneling and has completed several projects in the US.

Outlook

- Patel Engineering has an order book of INR 40 bn as of FY06-end. Irrigation and hydro projects have historically accounted for 95% of the order book. The company is re orienting its business profile to include more road and urban infrastructure projects. Despite the re orientation, irrigation and hydro projects are expected to continue accounting for 80% of the order book going forward.
- Patel has bid for INR 20 bn worth of water projects of which it expects to win INR 10 bn worth of orders by September 2006. It proposes to undertake IPPs of 60-70 MW size. Of the total FPO proceeds, INR 1 bn have been allocated towards these projects. Patel Engineering is increasing its focus on the domestic market since opportunities here are far more attractive compared to other developed countries. The contribution of its US subsidiaries has reduced from 30% in FY05 to 20% in FY06. Going forward, their contribution is expected to be about 18%.

Valuations

- Patel Engineering posted revenues of INR 10 bn in FY06 with EBITDA and PAT margins of 12% and 7%, respectively. We expect the order book to grow to INR 57 bn and INR 67 bn in FY07E and FY08E. Revenues are expected to grow to INR 13 bn in FY07E and INR 16 bn in FY08E. EBITDA and PAT margins are likely to grow to 13% and 8%, respectively, over the next two years.
- On a current order backlog of INR 45 bn, market capitalization is 0.4x of order book. On our fully diluted EPS estimate of INR 18 and INR 22, the stock trades at a P/E of 15x and 13x for FY07E and FY08E. We maintain our **'BUY'** recommendation on the stock post the improving outlook on hydro power projects.

Financials

Year to March	FY05	FY06E	FY07E	FY08E
Revenues (INR mn)	7,922	10,114	13,235	16,298
Rev growth (%)	*1.9*	*27.7*	*30.9*	*23.1*
EBITDA (INR mn)	784	1,221	1,724	2,073
Net profit (INR mn)	421	732	1,088	1,315
Shares outstanding (mn)	48.6	49.6	59.3	59.3
EPS (INR) *	8.7	14.8	18.3	22.2
EPS growth (%)	*47.9*	*70.3*	*24.2*	*21.0*
PE (x)	31.7	18.6	15.0	12.4
EV/EBITDA (x)	19.9	12.8	9.1	7.5
ROAE (%)	28.4	37.2	22.2	16.3
ROACE (%)	10.7	13.8	12.7	10.9

** Adjusted for split & bonus*

July 4, 2006

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Reuters	:	PENG.BO
Bloomberg	:	PEC IN

Market Data

52-week range (INR)	:	635 / 169
Share in issue (mn)	:	59.3
M cap (INR bn/USD mn)	:	16.3 / 354.7
Avg. Daily Vol. BSE/NSE ('000)	:	150.7

Share Holding Pattern (%)

Promoters	:	64.5
MFs, FIs & Banks	:	5.5
FIIs	:	5.3
Others	:	24.7

PRATIBHA INDUSTRIES

INR 187

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Scaling up to size

NOT RATED

July 4, 2006

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Highlights

- Pratibha Industries Limited (PIL), a flagship company of the Pratibha Group, is dedicated and committed to providing quality infrastructure in the field of design and construction of complex and integrated water transmission and distribution projects, water treatment plants, elevated and underground reservoirs, mass housing projects, commercial complexes, precast design and construction.
- Pratibha Industries Limited is set to venture into four new businesses:
  - Oil and gas pipelines (EPC contracts).
  - Tunneling.
  - Hydropower.
  - Underground mechanical car parking.

Outlook

- Across major metro cities in India, the company sees an opportunity worth INR 1 tn in the area of water engineering and Pratibha is well placed to benefit from the same.
- The company is increasing its focus on Rajasthan considering huge government initiatives that are being taken in the area of water management.
- Pratibha Industries has secured the INR 2 bn Navi Mumbai Municipal Corporation (NMMC) water project which involves providing, laying and commissioning of drinking water from Kalamboli to Digha in Navi Mumbai.
- The company's current order book stands at INR 7 bn. On a consolidated basis, the Pratibha Group forecasts a topline of INR 6.3 bn, of which INR 4.5 bn is likely to be contributed by flagship PIL and about INR 1.8 bn from its pipe subsidiary. On account of strong working capital management, Pratibha is unlikely to raise additional funds over the next two years.

Valuations

- PILs consolidated revenues stood at INR 1.7 bn in FY06 as against INR 1.2 bn in FY05, a growth of 44%. On a consolidated basis, the net profits grew to INR 123 mn, Y-o-Y growth of 52%.

Reuters	:	NA
Bloomberg	:	NA

Market Data

52-week range (INR)	:	392 / 135
Share in issue (mn)	:	14.3
M cap (INR bn/USD mn)	:	2.7 / 58.1
Avg. Daily Vol. BSE/NSE ('000)	:	2,436.2

Share Holding Pattern (%)

Promoters	:	70.5
MFs, FIs & Banks	:	1.1
FIIs	:	6.8
Others	:	21.6

Financials

Year to March	FY03	FY04	FY05	FY06
Revenues (INR mn)	426	818	1,214	1,741
Rev growth (%)	*21.1*	*92.2*	*48.4*	*43.4*
EBITDA (INR mn)	34	70	143	220
Net profit (INR mn)	19	36	81	123
Shares outstanding (mn)	2.0	2.0	2.0	14.3
EPS (INR)	1.3	2.5	5.7	8.6
EPS growth (%)	*59.4*	*87.0*	*125.4*	*51.4*
PE (x)	138.9	74.3	33.0	21.8
EV/EBITDA (x)	95.3	46.1	22.7	14.7
ROACE (%)	29.8	28.7	30.5	

PUNJ LLOYD

INR 753

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Global touch

NOT RATED

July 4, 2006

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Highlights

- Punj Lloyd is one of the largest engineering companies in the country, providing integrated design, engineering, procurement, construction and project management services for the energy industry and infrastructure sector projects.
- Its business is divided into four broad segments: infrastructure facilities (66%), pipelines (18%), process facilities (2%) and tanks (14%). Punj Lloyd's operations are spread across the Middle East, the Caspian region, Asia Pacific, Africa and South Asia. It has 13 subsidiaries and 12 project management offices. Over the years, it has had more than 115 clients and has executed more than 180 projects in over 12 countries. It had an order book of INR 43 bn in FY06 and has added another INR 12 bn worth of orders in the past three months. While 46% of this order book is in the civil construction space, the balance is from engineering services.

Outlook

- Punj Lloyd is L1 bidder for orders worth USD 400 mn, which includes a single project of USD 290 mn from the National Oil Company in Libya. The company expects huge activity in Libya and is likely to win a large number of orders from there.
- In December 2005, Punj Lloyd acquired a Singapore-based company, SembCorp for USD 40 mn. SembCorp gave Punj an entry into the urban infrastructure space as well as access to new geographies including London and Singapore. SembCorp owns a commercial building worth USD 24 mn as well as has stake in a few hotels. Punj intends to sell of these assets to recover its acquisition cost.
- Prior to the acquisition, SembCorp provided only design and procurement facilities, while the construction activity was sub contracted. Punj plans to integrate all services to be provided in house. It also intends to offshore SembCorp's design function, which is currently based in London, to India to increase cost efficiency.

Financials & Valuations

- Punj Lloyd posted revenues of INR 17 bn and a PAT of INR 554 mn in FY06. Energy services accounted for 75% of revenues, while the balance was on account of infrastructure and other services. The company expects a 25% CAGR in revenues going forward. With an order book turn over period of 12 months in the energy segment and 24 months in the infrastructure segment, the company expects an EBITDA of about 14% on the total order book.
- Punj Lloyd has a gross block of INR 8 bn and expects to add another INR 2.5 bn in the current year.

Reuters	:	PUJL.BO
Bloomberg	:	PUNJ IN

Market Data

52-week range (INR)	:	1,255 / 669
Share in issue (mn)	:	52.2
M cap (INR bn/USD mn)	:	39.3 / 855.3
Avg. Daily Vol. BSE/NSE ('000)	:	333.8

Share Holding Pattern (%)

Promoters	:	54.8
MFs, FIs & Banks	:	2.5
FIIs	:	18.7
Others	:	24.0

Financials

Year to March	FY04	FY05	H106
Revenues (INR mn)	15,943	17,900	6,795
Rev growth (%)	-	*12.3*	-
EBITDA (INR mn)	2,916	2,054	643
Net profit (INR mn)	1,054	137	28
Shares outstanding (mn)	20.6	25.2	43.9
EPS (INR)	51.1	5.4	1.3
EPS growth (%)	-	*(89.4)*	*(76.9)*
PE (x)	20.0	187.9	-
EV/EBITDA (x)	21.2	30.2	-

** H1-FY06 EPS annualised*

POWER SECTOR INVESTMENTS: EMERGING HORIZONS

- by Shri T. N. Thakur (PTC)

July 4, 2006

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Highlights

- The pre-2003 structure involved SPUs and central PSUs spanning the functions of generation, transmission and distribution (T&D) with a very limited role for private players. Tariff-setting function was carried out by state governments with little emphasis on 'economic utility' reflective tariffs.

- The envisaged structure proposes an additional power trading segment apart from generation, T&D. It also clearly specifies regulation on license/entry, tariffs, open access and standards of performance.

- The 2003 Electricity Act and subsequent policy announcements are driven by global power industry trends—liberalization (reducing role of government and increased role of market forces in pricing and service levels), restructuring for competitive gains and commercial considerations and tapping international markets for electricity and fuels.

- Rapid capacity addition, greater private investment and improving quality through regulation are the need of the day. Necessary steps to achieve this include promoting investments based on a multiple-buyer/limited term of sale model, moving away from a regulatory approach largely driven by a social rationale and shifting focus from gaining higher market share to expanding market size to tap the huge latent demand.

- One way to improve fundamentals is to expose entities to the working of markets through development of an efficient power market. This will enable better utilization of existing resources, improving credit profile of utilities with better cash flows while success of small/medium capacities in the short term will pave the way for big-ticket capacity creation. Development of power trading market is also a key factor.

- The National Electricity Policy envisages greater public-private partnership, harnessing surplus captive generation for meeting demand, promoting arrangements for surplus power from cogeneration and decentralized distributed generation facilities.

- Regarding fuel for power generation, coal, oil and gas have shown increasing volatility especially over the past few years and one way of managing price risk is through aggregation of fuel requirements through market intermediaries. Also, over time it will be essential to look for more stable, long-term resources.

RISKS AND CHALLENGES OF GOING GLOBAL

- by Mr. Y.M. Deosthalee (L&T)

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* **Why globalize?**

  There is no one specific reason behind companies going global, as the advantages of going global outnumber disadvantages. In the Indian context, many companies have moved abroad to sharpen focus, increase market share and bridge competency gaps. Also, the slow down in Europe and other countries has resulted in outsourcing of manufacturing activities to low-cost destinations like India and value acquisition targets.

* **Stages of globalization**

  The globalization process is a step-by-step process, wherein a company first starts exporting, licensing. It then starts entering into JV's or starts having franchises in the export market. After establishing itself in the global market, it may start doing M&A activities. It may also do a greenfield venture once it marks its footprint in the overseas market.

* **Risks and challenges**

  Some of the severe risks of going global are operational risks, industry risks, strategic risks, credit risks, regulatory risks, business environment risks and market risks. Companies are also exposed to commodity price risks due to fixed price contracts. Also, there are huge liquidating damages on account of execution delays which wipe out a major part of profits.

  Country analysis is a must before venturing into overseas markets. To have an effective country analysis, the company should do a detailed analysis of political risks, cultural risks, economic and demographic risks.

* **Risk management**

  Risk mitigation involves a detailed study during the stage of bidding for the project with respect to the risk element, assigning probability to risks, severity of risk attached and risk sharing/passing of risk to the next chain. For instance, if for a particular risk, high probability of occurrence and high severity of risk is attached, then there exists a very high risk for that particular risk element.

* **L&T's global competitiveness**

  L&T foresees huge global market and expects more orders from the oil and gas sector coming from GCC countries. As a part of its de-risking strategy, it wants to diversify geographically and expects at least 25% of its revenues to come from export markets. L&T has already had inorganic growth in the past and is now looking for more acquisitions to bridge the efficiency gap.

TATA POWER

INR 455

Generation next

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Mumbai license area operations

Under the new tariff regulations notified by the Maharashtra Electricity Regulatory Commission, the basic profit given by regulated return shall be retained in FY07. However the new regulations allow extra efficiency-based savings in several costs, most notably in fuel costs. We forecast the profit from Mumbai to grow from INR 2000 m in FY06 to INR 3550 m in FY07. Thus a 16% effective RoE business shall cross 22% RoE in FY07. The profit of Rs 3550 m shall grow at 6% to 8% in FY08 and FY09. It shall grow 15% CAGR in FY10 and FY11 when one unit of 250 MW each are commissioned in FY09 and FY10.

Generation outside Mumbai

The company has currently generating capacities in Jamshedpur and Belgaum, with total capacity of 528 MW. This business also generates RoE in excess of 20%.

Price INR	455	
Cash end FY06 estimated INR m	18,796	
Cash per share INR	95	
Investments including liquid investment INR m	29,323	
(at 1x book value) Investments per share INR	148	
Remaining price INR	211	
attributed to Mumbai licence area and generation outside Mumbai		

	FY06	FY07E*
PAT from Mumbai operations	2,000	3,550
PAT from generation outside Mumbai	730	830
PAT from Tala projects (6 months)	-	100
Total PAT from operations	2,730	4,480
EPS Rs	13.8	22.6
P/E 1 year forward		9.3

Growth Opportunities

As seen from the table we project that the stock trades at FY07 P/E of 9.3 x. We anticipate that the company is seeking to invest in large projects of 1000 MW and above size like (a) ultra-mega power projects whether integrated with coal block, or import based (b) based on coal mine allocated by the Ministry of Coal. We also see the company entering into manufacturing of defence equipment in FY08 in a big way. This kind of planned and opportunistic growth is not built into the FY07 P/E of 9.3x.

* *FY07E estimates are our initial estimates. (We do not have a recommendation on the stock).*

Financials

Year to March	FY04	FY05	FY06
Revenues (INR mn)	51,848	49,547	57,120
Growth (%)		*(4.4)*	*15.3*
EBITDA (INR mn)	14,725	15,412	12,984
Net profit (INR mn)	4,603	5,910	7,073
Shares outstanding	197.9	197.9	197.9
EPS (INR)	23.3	29.9	30.4
EPS growth (%)		*29.2*	*9.0*
ROE (%)		12.0	11.7

July 4, 2006

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Reuters	:	TTBW.BO
Bloomberg	:	TPWR IN

Market Data

52-week range (INR)	:	613 / 374
Share in issue (mn)	:	198.1
M cap (INR bn/USD mn)	:	90.1 / 1,959.1
Avg. Daily Vol. BSE/NSE ('000)	:	632.6

Share Holding Pattern (%)

Promoters	:	32.3
MFs, FIs & Banks	:	22.8
FIIs	:	21.2
Others	:	23.7

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RATING INTERPRETATION

Buy	Expected to appreciate more than 20% over a 12-month period	Reduce	Expected to depreciate up to 10% over a 12-month period
Accumulate	Expected to appreciate up to 20% over a 12-month period	Sell	Expected to depreciate more than 10% over a 12-month period
Trading Buy	Expected to appreciate more than 10% over a 45-day period	Trading Sell	Expected to depreciate more than 10% over a 45-day period