Short-term correction, long-term opportunity!

The last week of trade saw a long-anticipated correction in the Indian stock markets. Amidst significant levels of volatility, the Sensex saw a free-fall. It was a week that saw wild, massive swings. The week saw the index hitting the lower circuit for the fourth time in its history, on Tuesday, within the first minute of trade, in fact, falling by a mind-boggling 2,273 points at its low point of the day. Just to give a few statistics, the intra-week range stood at a mind-numbing 3,587 points. At its low point of the week, the Sensex lost a huge 5,874 points from its all-time highs hit on January 10, 2008, or a significant 27.7%. Even after this huge fall, the Sensex on Friday recorded it's highest-ever gains in a single trading session. Truly astonishing statistics, indeed! We believe the reasons for the correction witnessed were both domestic and international. Increasing concerns over a US recession and its impact on emerging markets, including India spooked investors. Risk aversion was the consequence. Another point to be noted was the fact that other emerging markets had already witnessed some profit-booking in view of these concerns. Indian markets on the other hand had remained relatively unscathed. Thus, the correction was a global alignment of sorts. On the other hand, factors like high leveraged positions and temporary low liquidity conditions on account of significant capital being locked up in IPOs led to problems on the domestic front as well.

In terms of a sector-wise performance, power stocks saw a correction. We have been saying for a while that we are not comfortable with the stratospheric valuations that these stocks were enjoying and **we maintain our Neutral stance on the Power Sector**. Banking stocks proved to be out-performers over the week, with the Bankex gaining marginally. **We remain bullish on the Banking sector**, given strong credit growth expected, a possible softening of interest rates, strong retail demand and fast growing fee income.

In terms of the strategies that investors can adopt, we believe such corrections are opportunities in disguise. We believe that while such pendulum-like swings in the market can be unnerving, investors would do well to keep a long-term view and buy high quality stocks with good managements at attractive valuations, which will likely lead to better returns over the long-term. The recent correction has led to large cap stocks becoming available at highly attractive valuations. We strongly recommend investing in these companies, given the significantly lower risk that these stocks carry. **Our Top Picks in the large-cap space are Maruti Suzuki, ICICI Bank, Ranbaxy Laboratories, Bharti Airtel and Reliance Energy**.

On the other hand, mid-cap stocks took a beating in the previous week. We believe that, while in the short-term, these stocks may not out-perform the index, over a longer-term time-frame, a lot of quality mid-cap stocks with dynamic management teams are available at attractive valuations. It should be noted that in CY2007, private equity (PE) investments stood at US $17bn, which was equivalent to FII inflows over the year. This clearly signifies strong interest in quality mid-sized companies with strong business prospects and consequently, we remain bullish on select mid-cap companies. **Our Top Picks in this space are 3i Infotech, Bharati Shipyard, Lloyd Electric & Engineering, Apollo Hospitals and Bombay Dyeing.**

Note: - Refer all Result Updates on Angel website

FII activity during the Week *Rs crore*

As on	Cash (Equity)	Stock Futures	Index Futures	Net Activity
Jan 18	(2,186)	(374)	(2,455)	(5,015)
Jan 21	(1,356)	2,195	(1,461)	(622)
Jan 22	(2,256)	4,990	2,824	5,557
Jan 23	(2,500)	2,249	1,758	1,508
Jan 24	(1,351)	2,270	341	1,260
Net	**(9,649)**	**11,331**	**1,007**	**2,688**

Mutual Fund activity during the Week *Rs crore*

As on	Purchase	Sales	Net Activity (Equity)
Jan 18	1,077	1,348	(271)
Jan 21	3,059	1,060	1,998
Jan 22	2,799	1,618	1,181
Jan 23	3,032	2,159	872
Jan 24	1,298	952	347
Net	**11,264**	**7,138**	**4,126**

Indices	Jan 01, 08	Jan 18, 08	Jan 25, 08	Weekly (%chg)	YTD (%chg)
BSE 30	20,287	19,014	18,362	(3.4)	(9.5)
NSE	6,139	5,705	5,383	(5.6)	(12.3)
Nasdaq	2,652	2,347	2,361	0.6	(11.0)
DOW	13,265	12,159	12,379	1.8	(6.7)
Nikkei	15,308	13,861	13,629	(1.7)	(11.0)
HangSeng	27,813	25,202	25,122	(0.3)	(9.7)
Straits Times	3,482	3,104	3,159	1.8	(9.3)
Shanghai Composite	5,262	5,181	4,762	(8.1)	(9.5)
KLSE Composite	1,445	1,439	1,405	(2.4)	(2.7)
Jakarta Composite	2,746	2,611	2,620	0.4	(4.6)
KOSPI Composite	1,897	1,735	1,692	(2.4)	(10.8)
Sectoral Indices					
BANKEX	11,418	11,372	11,380	0.1	(0.3)
BSE AUTO	5,667	5,148	4,843	(5.9)	(14.5)
BSE IT	4,530	3,791	3,800	0.3	(16.1)
BSE PSU	10,468	9,660	8,664	(10.3)	(17.2)

Note: US Markets as on 24 Jan 2008 closing

Weekly Review

Stock market crash!!! Lessons to learn and WEF Meet

Stock market lessons are there to learn everyday. Sometimes the lessons learnt come at a hefty price as the one that we witnessed last week. The Sensex fell by around 27.7% from a high of 21207 to a low of 15332 in a matter of two weeks. Lessons are learnt not only by the leveraged traders who see their capital wiped out on a wrong bet, investors too face the burnt as their capital erodes in the short term. But, the biggest lesson to be learnt is by the Monetary authorities of the financial system, in India, the RBI. What caused the biggest fall in the Indian stock markets was the sudden absence of buyers in the market. This was due to the large amount of the savings/borrowed money locked in the Reliance Power IPO. The sudden liquidity crunch with investors added fuel to fire to the market fall. Weak global cues ignited fears in investors' mind that went for reducing positions. Finding fewer buyers, sellers perceived this as a weak market and sold in panic. Large outstanding positions in the futures and options segment without buyers in market led to forced liquidation. In a scenario such as this when large amount of cash gets locked due to mega public issues, should be perceived in advance by the financial authorities to see that liquidity remains in the market. This is not the first time that we have witnessed a fall during a mega issue. It happened in May 2006 and now in January 2008. During both the instances there were sellers in the market due to weak global cues. To prevent a scenario such as the one we have faced recently, the government, led by the Indian Monetary authorities and Regulators should do enough to prevent the market collapse due to lack of depth.

The second lesson to learn is never ride on excesses in the market. In my weekly article since the last four weeks, I have mentioned that there are excesses in the Mid and Small-cap segments, which went on circuits for days on and on. I also indicated as to how such a momentum was met with during the 2005 Mid and Small-cap rally and then the crash. In my article "Test of Times: With Nerves of Steel" on January 12 2008 Weekly publication, I had indicated how risky it was to hold stocks in the midst of the US financial crisis and slowdown in global growth.

The third most important lesson is to abide to the signals given by events, which have a bearing on the markets. We know that Indian growth story lies in its ability to provide power/electricity to the larger part of our population. In this aspect, the Indo-US nuclear deal is an important development that majority of the long-term investors are looking forward to happen. The government has dragged feet on this front, and retirement of US negotiator of the deal, Nicolas Burns, could further delay implementation of the Indo-US nuclear deal. Against this scenario, the excessive build-up of position in Power-related stocks witnessed heavy unwinding. The BSE Power Index fell 35% from highs while the Sensex declined 27.7% during the same period.

WEF at Davos: FM to hard sell India

The chill in global markets, particularly in India, was felt at the opening session of the World Economic Forum at Davos, Switzerland as well. World economic uncertainties led by the developed economies, particularly the US and the high energy prices, were on the agenda for discussion in most of the meetings. Some 2,500 business and political delegates from around the world discussed issues related to the global economy at the WEF between January 23 - 27. According to a study, "Global Risks 2008", prepared by the WEF, food security would become a key political and economic issue going ahead. Energy, systematic financial risks and supply chain vulnerability are some other emerging issues globally, according to the report.

It is interesting to note that concerns of the impending US recession and slowing down global economy were sidelined as most of the participants talked on the growth prospects of India and China. The gathering at Davos could not have come at a better time as the Indian markets corrected sharply. The Finance Minister accompanied by key politicians and a host of business delegates represented India at the WEF. The Finance Minister, to hard sell the India growth story, urged investors from USA, Japan and Europe to invest in India, especially in the infrastructure sector. Thus, the sector is likely to witness positive moves. **Addressing the media in Davos, the Finance Minister went on record that the US interest rate cuts may influence India's Central Bank, indicating of a rate cut in the RBI Policy on January 29.**

Markets from here

After the recent unnerving session witnessed in the markets, it is likely that the markets will settle down as liquidity returns coupled with global and local investors looking for value investing at current levels.Banking and Financial companies continue to announce robust growth in their 3QFY2008 performance. Also, expectations of a rate cut in the forthcoming RBI Monetary Policy, on January 29, is lifting sentiment in the sector. There are expectations that the US Federal Reserve may further reduce interest rates at its January 30 meeting from current levels of 3.50%. If this happens, we cannot rule out aggressive FII buying. Mid-cap stocks in the Agricultural, Construction Equipment space, and value-based stocks are likely to witness good amount of buying once the funds locked in the Reliance Power Issue is released coupled with improved in sentiment towards India after the WEF meet at Davos.

***Investment Strategist* - Ajay Jaiswal**

ONGC - Buy

Price - Rs962

Target Price - Rs1,115

3QFY2008 Result Update

Performance Highlights

■ **Higher Subsidy burden impacts overall performance:** Oil exploration major, ONGC, reported dismal set of numbers, much below our expectations, primarily on the back of the higher subsidy burden. The subsidy outgo was a high 176% at Rs6,080cr (Rs2,204cr), which impacted PAT to the extent of Rs3,662cr (Rs1,347cr). High crude oil prices during 3QFY2008 resulted in ONGC offering higher discounts to the oil marketing companies (OMCs). Thus, although gross realisations for crude stood at US $91.2/bbl, net realisations were significantly lower at US $54.5/bbl (US $50.9/bbl), on account of the hefty discount of around US $36.7/bbl offered to the OMCs. As a result, ONGC registered 2.9% yoy decline in Net Income to Rs15,121cr (Rs15,565cr) while Profits slipped 6.5% yoy to Rs4,367cr (Rs4,668cr).

■ **Crude Oil, Natural Gas production remains flat:** During 3QFY2008, ONGC produced 6.62MMT (6.63MMT) of crude oil and 5.78BCM (5.73BCM) of natural gas, which was almost flat yoy. Although, volume of value-added products declined by around 2% yoy to 857KT (874KT), it was 102% of the target production for 3QFY2008.

■ **Operating Margins slip by 410bp:** Staff Costs were significantly lower at 28% yoy to Rs361.2cr (Rs502.0cr) on account of the one-time expenditure in 3QFY2007. However, Other expenses shot up by over 15.6% yoy to Rs1,856.2cr (Rs1,605.8cr), which led to a 410bp contraction in Operating Margins to 53.1% (57.2%). Overall, this resulted in a 8.4% decline in Operating Profits to Rs5,820cr (Rs6,352cr).

■ **Lower Depreciation, higher Other Income cushion Bottomline decline:** Depreciation was lower by 13.5% to Rs2,212cr 9 (Rs2,558cr) due to lower depletion costs whereas the surplus funds invested in short-term instruments fetched higher returns leading to 22.5% rise in Other Income to Rs863cr (Rs705cr). Lower Depreciation and higher Other Income partially helped cushion the impact of lower realisations on Bottomline.

■ **Discoveries and other major developments:** ONGC made nine discoveries during 3QFY2008, out of which four were new discoveries while five were pool discoveries from existing fields. ONGC is investing over Rs2,553cr for the '2nd Pipeline Project' in Mumbai Offshore fields to be implemented over the next three years. The ONGC Board has also approved Phase-III development of PY-3, Cauvery field at a total capex of US $35.9mn.

■ **ONGC Videsh expanding overseas presence:** ONGC Videsh (OVL) won two oil blocks in Brazil during the quarter. The ONGC Mittal Energy (OMEL) JV also acquired 30% participating interest in the Turkmenistan exploration block.

Outlook and Valuation

ONGC reported a dismal set of numbers for 3QFY2008 on the back of higher subsidy burden that it had to share with the OMCs. Further, with the oil prices on the rise, the subsidy burden is likely to only increase further. Nonetheless, OVL is enhancing its presence in the overseas market where it can sell oil at market rates without any subsidy burden, which remains a positive. There exist chances of a hike in the natural gas prices too, which would help improve ONGC's Earnings. At Rs962, the stock is available at 10.4x our FY2009E Earnings of Rs92.9. **We believe ONGC is a Value play and upgrade the stock to a Buy from Neutral, with a Target Price of Rs1,115.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2006	FY2007	FY2008E	FY2009E
Net Sales	**70,686**	**82,262**	**86,423**	**91,176**
% chg	*18.4*	*16.4*	*5.1*	*5.5*
Net Profit	**15,398**	**17,770**	**18,513**	**19,868**
% chg	*7.4*	*15.4*	*4.2*	*7.3*
EPS (Rs)	**72.0**	**83.1**	**86.6**	**92.9**
EBITDA Margin (%)	44.5	44.0	44.5	45.3
P/E (x)	13.4	11.6	11.1	10.4
P/CEPS (x)	6.3	8.3	7.9	7.4
RoE (%)	27.3	26.8	25.0	24.0
RoCE (%)	26.5	26.1	24.5	23.5
P/BV (x)	3.6	3.1	2.8	2.5

Source: Company, Angel Research; Note: Price as at Jan.22, 2008

***Analyst* - Rohit Nagraj**

ITC - Accumulate

Price - Rs203

Target Price - Rs227

3QFY2008 Result Update

Performance Highlights

- **Topline growth muted, up 11%:** For 3QFY2008, ITC posted a Topline growth of 11% yoy to Rs3,458cr (Rs3,115cr) marginally below our estimates of Rs3,555cr. Growth was largely driven by the company's Non-Cigarette FMCG business, which grew 50.1% and resilient performance by its core Cigarette business. Cigarette revenues registered 7.6% growth in Topline (gross level) on the back of a 1% decline in volumes, which was better than our estimates of 2-2.5% decline. While the Hotels and Paperboard segments delivered a steady performance, ITC's Agri business once again posted a disappointing performance registering a 9.4% yoy decline in Revenues impacted by the ban on export of rice.

- **Earnings growth beats expectations, up 15.8%:** ITC registered a strong Earnings growth for the quarter at 15.8% yoy to Rs831cr (Rs717cr) as against our expectation of Rs817cr, a 13.8% growth. The higher-than-expected growth in Earnings, despite flat Margins, came largely on account of significantly higher Other Income (mainly due to better yield on investments), which increased by 97% to Rs137cr (Rs70cr).

- **Margins flat:** On the Operating front, ITC delivered a positive surprise registering flat Margins with OPM declining by a mere 7bp, as against our expectation of a 34bp decline. EBITDA grew by 10.8% yoy to Rs1,200cr (Rs1,083cr). EBIT Margins witnessed an improvement across segments. Cigarette Margins registered an expansion of 197bp owing to a combination of better product mix and price hikes. In the Non-cigarette FMCG business, the losses in absolute terms witnessed a substantial increase due to launch of HPC products. However, the Non-*Bingo* Food business has achieved break even in this quarter, which is a positive sign.

Outlook and Valuation

We believe the worst is over for ITC particularly with the VAT overhang finally getting addressed and volume growth is likely to pick up going forward. The Cigarette Division's resilience to price hikes and ITC's strategy to load the price hikes particularly in mid-end cigarettes is impressive and is working well in favour of the company driving a consistent Margin expansion in the segment. Moreover, a nominal 5% hike in Excise during the upcoming Budget would act as a positive trigger for the stock. The company's strong consumer demand profile and better pricing power coupled with strong cash flows and its ability to channel these flows into new growth opportunities reinforces our bullish stance on the company's future prospects.

During FY2007-10E, we expect ITC to report a CAGR growth of 16.7% in Topline and 17.5% in Bottomline backed by strong growth traction in its Non-Cigarette FMCG business, Hotels and Agri-business coupled with improved Margins in its core Cigarettes business and higher Other Income. On the Operating front, we expect the company to clock a CAGR growth of 16.3% in EBITDA and flat Margins owing to changing Revenue mix and extended losses in the Non-Cigarette FMCG business (due to new launches in HPC category).

We have revised our FY2008 and FY2009 Earnings estimates by 1.5% and 2.3% respectively to account for improved Margins in the Cigarette segment and higher Other Income. At Rs203, the stock is trading at 20.6x FY2009E EPS of Rs9.9and 14.4x EV/EBITDA. **We recommend an Accumulate on the stock, with a revised 12-month Target Price of Rs227 (Rs212) on the back of better volume growth expectation in Cigarettes, strong growth traction in its Non-cigarette FMCG business and pickup in its Hotels and Paperboard Revenues in FY2009E post completion of the expansion program.**

Key Financials

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
Net Sales	**12,369**	**13,930**	**16,480**	**19,534**
% chg	*26.3*	*12.6*	*18.3*	*18.5*
Net Profit	**2,700**	**3,139**	**3,720**	**4,385**
% chg	*20.8*	*16.3*	*18.5*	*17.9*
OPM (%)	32.2	31.6	31.9	31.8
EPS (Rs)	**7.2**	**8.3**	**9.9**	**11.6**
P/E (x)	28.3	24.4	20.6	17.4
P/BV (x)	7.3	6.3	5.4	4.6
RoE (%)	25.9	25.8	26.1	26.2
RoCE (%)	32.3	31.0	32.2	32.8
EV/Sales (x)	6.1	5.4	4.6	3.9
EV/EBITDA (x)	19.1	17.2	14.4	12.2

Source: Company, Angel Research; Note: Price as at Jan. 21, 2008

***Analyst* - Anand Shah**

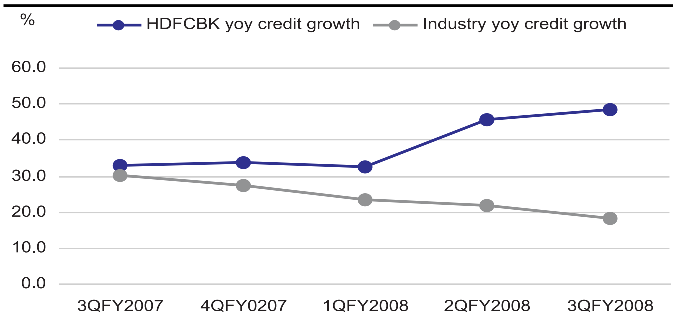
HDFC Bank - Neutral

3QFY2008 Result Update

Performance Highlights

■ **Strong Balance Sheet growth:** The Bank's Advances and Deposits grew 49% yoy in contrast to the overall slowdown in the Banking sector. This robust growth comes under the backdrop of a large capital issuance in 1HFY2008, which resulted in 70% increase in networth. Notably, the Bank's Retail Credit portfolio also showed strong yoy growth of 45%, even as retail credit has shown an especially marked slowdown across the industry. With Auto loan disbursements slowing down, the Bank is increasing its exposure to personal loans, credit cards, business loans, etc., once again displaying the management's ability to re-align its strategy with the sector dynamics to maintain consistent business and Earnings growth.

Exhibit 1: Strong Credit growth



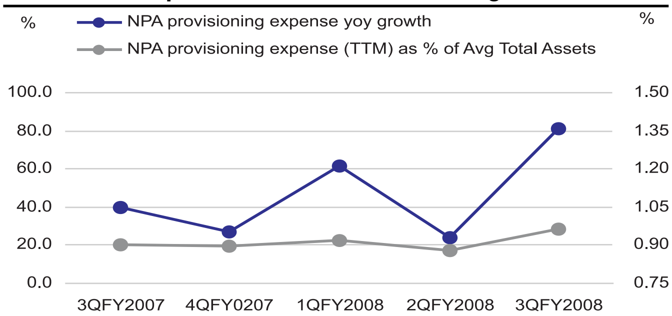
Source: Company, RBI, Angel Research

■ **Net Interest Income up 65%:** NIM expanded by around 25bp (on a TTM basis) driven by changing Credit Mix and large capital issuance completed in 1HFY2008. Driven by business growth and Margin expansion, Net Interest Income (NII) grew 65% yoy to Rs1,437cr (Rs868cr).

■ **Increase in Expenses:** Staff Expenses grew 65% yoy in line with the trend of the past few quarters. However, other Operating Expenses jumped 78% yoy. Overall, Provisioning Expenses shot up 105% yoy to Rs423cr (Rs206cr). Provisions for NPA and Standard Assets increased 82% yoy, partly representing changing Credit Mix (to riskier assets) as well as higher general provisioning requirements. However, calculated on a TTM basis, provisions for NPAs as a % of Average Total Assets were up just 5 bps. Net NPAs remained stable at 0.4%.

■ **Substantial Treasury gains:** The Bank reported Rs132cr of Profits on Sale/Re-valuation of Investments in 3QFY2008 as against a loss of Rs21cr in 3QFY2007, constituting 12% of PBT and contributed significantly to growth in Net Profit.

Exhibit 2: NPA provisions in line with Asset growth & mix



Source: Company, Angel Research, Note: On TTM basis

Apart from that, core fee income and forex/derivatives related income also continued to contribute substantially to total income, growing 35% yoy to Rs534cr.

■ **Net Profit up 45%:** Although Total Income grew 70% yoy, on account of the spike in Operating and Provisioning Expenses, Net Profit grew 45% yoy.

Outlook and Valuation

At Rs1,518, the stock is trading at 20.4x FY2010E EPS of Rs75 and 3.5x FY2010E Adjusted Book Value of Rs438. While we acknowledge the core strengths of the Bank on virtually all fundamental parameters that we consider while valuing banks, as well as the pedigree and consistent track record of the Bank's A-list management, we feel the stock is fairly valued at present levels. **Hence, we remain Neutral on the stock.**

Exhibit 3: Key Financials (Consolidated)

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
NII	**3,710**	**5,097**	**6,850**	**8,540**
% chg	*45.7*	*37.4*	*34.4*	*24.7*
Net Profit	**1,142**	**1,553**	**2,063**	**2,649**
% chg	*31.1*	*36.0*	*32.9*	*28.4*
NIM (%)	4.7	4.9	5.0	5.0
EPS (Rs)	**35.7**	**43.6**	**58.0**	**74.5**
P/E (x)	42.5	34.8	26.2	20.4
P/BV (x)	7.5	4.6	4.0	3.5
P/ABV (x)	7.6	4.6	4.0	3.5
RoAA (%)	1.4	1.4	1.4	1.5
RoANW (%)	19.5	17.0	16.3	18.2

Source: Company, Angel Research; Note: Price as at Jan 22, 2008

Analyst **- Vaibhav Agrawal**

ICICI Bank - Buy

Price - Rs1,180

Target Price - Rs1,508

3QFY2008 Result Update

Performance Highlights

■ **Subdued business growth:** ICICI Bank continued to witness a moderation in balance sheet growth in line with the sector, with Advances growing 25% YoY to Rs2,15,500cr and Deposits growing 17% YoY to Rs2,29,780cr. The Bank's credit mix continued to change in favour of International Advances (21% of total Advances, up from 12% in 3QFY07) and Unsecured Personal Loans (17% of Advances and also responsible for a large part of the uptick in Gross NPAs). Mortgages continued to grow at 11-12% on a large base, with revival in growth rate unlikely before interest rates soften materially. Funding requirements for planned infrastructure projects and corporate capex (domestic as well as global), however, promise to be huge (though actual disbursements have not yet showed strong signs of picking up for the sector as a whole and may do so only once interest rates start softening - which, we believe, is likely after 4QFY08).

■ **Marginal improvement in NIM:** Proportion of low cost deposits (CaSa ratio) improved to 27% as against 24% in 3QFY07 on account of subdued term deposit growth. The Bank's NIM expanded QoQ by about 15 bps, enabling it to deliver 32% YoY growth in Net Interest Income in spite of moderate balance sheet growth.

■ **Net Profit grows 35%:** The Bank's Core Fee Income also showed robust growth of 33% YoY. Operating Expenses grew 24% YoY and Provisioning Expenses grew 14% YoY, enabling the bank to post 35% YoY growth in Net Profit.

■ **Fee income:** Core Fee Income grew 33% YoY. Credit Cards, SME business & Bancassurance on the retail front and Forex and Derivatives, Syndication and International business on the corporate front were major contributors of the increase in Fee Income.

■ **Home Finance subsidiary:** The Bank intends to hold incremental mortgages in the books of its Home Finance subsidiary (constituted as a non-deposit taking NBFC). This is to take advantage of NBFC regulations including absence of CRR/SLR requirements and Priority Sector requirements, especially given that a large part of the Bank's funding mix comprised of Bulk Deposits anyways.

■ **Increase in Net NPAs:** While the Bank's Net NPAs have increased from 1% in 3QFY07 progressively to 1.5% in 3QFY08, a large part of this increase is attributable to the abovementioned shift in its credit mix to Unsecured Loans, which have characteristically higher default rates of about 6%, but also have interest rates between 24% to 36%. We believe, the Bank's actual experience in slippages need to be tracked on an ongoing basis, as Unsecured Loans represent a high risk and potentially very high return product segment. According to the Bank's Management, a part of the uptick in NPAs is also attributable to Rural Advances, while the rest of the Credit book has not shown any significant increasing trend of slippages.

■ **Imminent value unlocking in key subsidiaries:** The Bank's Board approved an initial public offering as well a private placement for its wholly-owned Broking Subsidiary, ICICI Securities, with up to 15% dilution.

Outlook and Valuation

Slowdown in Balance Sheet growth notwithstanding, we remain positive on the Bank over the longer term. A large part of the Bank's value continues to be derived from its subsidiaries. We have valued the stock on SOTP basis, attributing Rs428 per share of ICICI Bank towards the value of key Insurance, Asset Management and Capital Market subsidiaries. At Rs1,180, the core banking business (after adjusting Rs428 per share towards the value of the subsidiaries) is trading at 14.5x FY2010E EPS of Rs52 and 1.7x FY2010E Adjusted Book Value of Rs442. We value the core banking business at 2.5x FY2010E Adjusted Book Value of Rs442 per share, to arrive at a 12-month target price of Rs1,508. **Hence, we maintain a Buy on the stock, with a 12-month Target Price of Rs1,508.**

Key Financials

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
NII	**6,636**	**8,374**	**11,586**	**15,236**
% chg	*58.5*	*26.2*	*38.4*	*31.5*
Net Profit	**3,110**	**4,124**	**5,278**	**6,692**
% chg	*22.4*	*32.6*	*28.0*	*26.8*
NIM (%)	2.4	2.3	2.6	2.7
EPS (Rs)	**29.6**	**32.2**	**41.2**	**52.0**
P/E (x)	39.9	36.6	28.7	22.7
P/BV (x)	4.4	2.8	2.9	2.7
P/ABV (x)	4.5	2.8	2.9	2.7
RoAA (%)	0.9	0.9	1.0	1.0
RoANW (%)	11.4	10.7	10.4	12.2

Source: Company, Angel Research; Note: Price as at Jan.21, 2008

Analyst **- Vaibhav Agrawal**

Satyam Computer - Buy

Price - Rs371

Target Price - Rs478

3QFY2008 Result Update

Performance Highlights

■ **Out-performance on the Volumes front continues to power Topline:** Satyam reported a strong 8.1% qoq growth in consolidated Top-line for 3QFY2008. This was primarily driven by qoq volume growth of 9.4% (standalone). Pricing also saw continued upside, with offshore rates growing by 2.3% qoq and onsite rates by 2.4% qoq. This is the fourth consecutive quarter of 9%-plus sequential volume growth and the fifth in the last six quarters that the company has been able to achieve this. This is the fourth consecutive quarter when the company has outperformed its larger top-tier peers viz., TCS, Infosys and Wipro in terms of volume growth. On a yoy basis, consolidated Topline grew by 32.2%.

■ **SG&A leverage, higher Offshore and lower Salary costs boost Margins:** During 3QFY2008, Satyam's EBITDA Margins soared by an impressive 164bp qoq. This was due to lower Salary costs as a percentage of sales, as the company had carried out salary hikes during 2QFY2008, which was not there this time around. Leverage on the SG&A front also helped boost Margins. The company also increased the offshore proportion of Revenues and utilisation, thus employing most levers of Margin protection.

■ **Lower Other Income results in slower Bottom-line growth:** During 3QFY2008, Satyam clocked Bottom-line growth of 6.0% qoq, which was slower than Top-line and EBITDA growth. This was mainly due to lower Other Income, which was down by 36.2% qoq.

■ **Forex hedging increased to over US $900mn:** At the end of 3QFY2008, Satyam's forex hedges crossed US $900mn. This is a clear indication about management's pro-active hedging policy.

■ **Client data remains robust:** Satyam added a gross of 32 clients in 3QFY2008 (excluding subsidiaries). The company's active client base now stands at 598 (standalone). Including subsidiaries, Satyam's client base stands at 630. The number of clients in different revenue buckets continues to grow, with 220 clients now giving the company annualised revenues in excess of US $1mn (213 at the end of 2QFY2008, 164 at the end of 3QFY2007). 49 clients give Satyam annualised revenues in excess of US $10mn compared with 40 at the end of 2QFY2008 and 32 at the end of 3QFY2007.

■ **To add a gross of 17,000 employees in FY2008, attrition falls for sixth consecutive quarter:** Satyam expects to add a gross of 17,000 employees for FY2008 (standalone). The standalone entity's employee base stood at 44,847 at the end of the quarter, implying net additions of 3,424. The total employee base (including subsidiaries) stood at 49,199 at the end of the quarter. The biggest positive for Satyam is the fact that trailing 12-month (TTM) attrition reduced for the sixth consecutive quarter, a truly outstanding performance in a highly competitive hiring environment. Attrition levels now stand at 13.1%, down from 13.9% in 2QFY2008 and 17.6% in 3QFY2007.

■ **Acquires US-based management consultancy:** Satyam acquired a Chicago-based company, Bridge Strategy Group LLC (BSG), for a consideration of US $35mn, of which US $19mn will be paid upfront, with the balance payable over a period of 2.5 years. BSG specialises in providing strategy and management consulting services to clients across industry verticals. The company's previous fiscal Topline stood at US $17mn. Satyam will take on-board around 36 consultants with this acquisition.

Outlook and Valuation: Going forward, we expect Satyam to maintain a CAGR growth of 26.8% in Top-line and 16.0% in Bottom-line over FY2007-10E. We expect EBITDA Margins to remain under pressure and touch 20% levels by FY2010E from 23.7% in FY2007. At Rs371, the stock trades at 11.6x FY2010E EPS. **We maintain a Buy on the stock, with a 12-month Target Price of Rs478.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
Net Sales	**6,485**	**8,402**	**10,908**	**13,225**
% chg	*35.3*	*29.6*	*29.8*	*21.2*
Net Profit	**1,405**	**1,704**	**2,044**	**2,193**
% chg	*43.1*	*21.3*	*19.9*	*7.3*
EBITDA Margin (%)	23.7	21.5	20.7	20.0
EPS (Rs)	**20.5**	**24.9**	**29.8**	**32.0**
P/E (x)	18.1	14.9	12.4	11.6
P/CEPS (x)	16.4	13.6	11.3	10.5
RoE (%)	27.9	26.8	26.6	23.9
RoACE (%)	26.7	27.6	28.1	27.4
P/BV (x)	4.4	3.7	3.0	2.6
EV/Sales (x)	3.2	2.4	1.8	1.4
EV/EBITDA (x)	13.6	11.2	8.6	6.8

Source: Company, Angel Research; Note: Price as at Jan. 21, 2008

***Analyst* - Harit Shah**

Bharat Forge - Buy

Price - Rs284

Target Price - Rs380

3QFY2008 Result Update

Performance Highlights

- **In-line Standalone Results:** Standalone Bharat Forge (BFL) recorded 16.7% yoy growth in Net Sales during 3QFY2008 largely on the back of a 16.4% growth in its Indian operations. However, BFL registered a moderate growth in Exports of 17.4% as against around 41% in 2QFY2008. Exports were impacted by the slowdown in production in the US market. In 3QFY2008, BFL witnessed a decline in Operating Margins by 147bp to 24.5% mainly due to the Rupee appreciation. BFL reported a 7.7% yoy decline in Net Profit to Rs58.6cr, which was slightly lower than our estimate of Rs61cr.

- **Consolidated Results:** BFL reported a 7.8% yoy decline in Consolidated Net Profit to Rs71cr, which was slightly lower than our estimate of Rs77cr. Consolidated Sales at Rs1,080cr were up 6.2%. Consolidated Operating Margins were flat at 16.2% (16.4%) despite continued sluggishness of its subsidiaries. BFL's consolidated numbers did not include FAW Bharat Forge, BFL's joint venture in China.

Key Highlights

- **Joint venture in China:** BFL's joint venture (JV) in China reported positive growth in Revenues on the back of good traction seen in the domestic industry there. The BFL management has indicated that the JV will break even in FY2009, with ramp up in capacity utilisation and profits expected only in FY2009.

- **Global subsidiaries:** The company's global subsidiaries are operating in near-saturated markets and future growth is expected to be marginal. However, BFL expects to garner marketshare in FY2008 and FY2009. It also targets to improve Operating Margins of its subsidiaries from the current 8% to 14% levels.

- **Production slowdown in US:** In the US, the CV segment has been the traditional mainstay of BFL. However, in 3QFY2008, the US M&HCV industry was impacted by the yoy production slowdown there. This has in turn impacted BFL's exports to USA. However, the de-risking strategy adopted by the company forUSA helped limit the loss due to the slowdown to 12%.

- **Exports to Europe up nearly 78%:** BFL's Revenues from the European markets continued to grow at a strong rate in 3QFY2008 compared to 3QFY2007 primarily because of gains in marketshare with the existing customers. BFL continues to work with all major OEMs there, with long-term engagement for their new platforms in place.

- **Emerging opportunities in Non-Automotive Business:** BFL expects its Non-Automotive business to contribute around 40% of its global revenues over the next four years. Over the last two years, BFL had announced fresh investments to the tune of Rs490cr (Rs350cr in Baramati and Rs140cr in Pune) to set up capacity to cater to the opportunities arising in its Non-Automotive business. Currently, the company's Non-Automotive business accounts for 17% of its consolidated revenues. Going ahead, it is expected to increase to 25% once new capacities become operational in Baramati by April 2008. Margins in this segment are also expected to be superior compared to the Auto segment.

Outlook and Valuation

BFL's initiatives to de-risk its Export revenues have been paying off, with its exports to the European markets growing rapidly. The company's capex for its Non-Auto business is also on track, with capacities at Baramati and Pune expected to get commissioned in 1QFY2009 and 2QFY2009, respectively. Serial production is likely to commence six months thereafter.

At Rs284, the stock is trading at 15.3x FY2009E and 13.1x FY2010E consolidated Earnings. We believe BFL is well positioned on the global front to benefit from scale, product diversification and productivity gains. **We maintain a Buy on the stock, with a revised Target Price of Rs380.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
Net Sales	**4,178**	**4,374**	**5,248**	**6,035**
% chg	*38.4*	*4.7*	*20.0*	*15.0*
Net Profits	**296**	**335**	**413**	**482**
% chg	*18.0*	*13.2*	*23.4*	*16.8*
OPM (%)	15.5	15.7	15.8	16.0
EPS (Rs)	**13.3**	**15.0**	**18.5**	**21.7**
P/E (x)	21.4	18.9	15.3	13.1
RoE (%)	19.8	20.2	22.2	22.9
RoCE (%)	13.5	13.4	15.9	18.1
EV/Sales (x)	1.7	1.6	1.4	1.2
EV/EBITDA (x)	11.1	10.4	8.7	7.4

Source: Company, Angel Research; Note: Price as at Jan.22, 2008

***Analyst* - Vaishali Jajoo**

Corporation Bank - Buy

Price - Rs372

Target Price - Rs540

3QFY2008 Result Update

Performance Highlights

■ **Moderate Balance Sheet growth:** The Bank maintained steady growth in business, with Advances growing 19% yoy to Rs34,458cr and Deposits growing 24% yoy to Rs49,175cr. The CASA ratio declined marginally to 30%, as Current and Savings Deposits grew 16% yoy. However, the management has expressed confidence in growing average daily CASA balances by about 22-24% yoy, at the same time indicating that Business (Deposits + Advances) growth should be about 20% yoy, going forward. In light of the Bank's qualitatively superior Distribution Network and Payments Systems in the South, we believe the Bank is well placed to garner low-cost deposits, with a special focus on winning larger corporate mandates for CMS & Payroll accounts.

■ **NIM lower; to recover post deposit repricing:** Due to pressure on the Cost of Deposits front, NIM contracted sequentially by 10bp to 3.74%. Growth in Net Interest Income (NII) was therefore muted at 6% yoy. However, Bulk Deposits having a duration of less than 1 year comprise 1/3rd (about Rs12,000cr) of the Bank's Term Deposits of about Rs34,000cr. A large portion of these deposits were contracted towards the end of FY2007 at very high rates. At least Rs9,000cr of such deposits will get repriced by mid-4QFY08 and the Bank expects that the rates at which they are renewed will be at least 1% lower. This should result in the overall cost of deposits coming down over the next 2 quarters by about 20-25 bps. With Yield on Advances remaining more or less stable for the time being, the Bank's NIM should recover by at least 10-15 bps going forward.

■ **Core Income growth muted; Strong Treasury gains and NPA recoveries:** Non-Interest Income and Operating expenses too remained more or less flat. Around 40% of Non-Interest Income comprised Treasury gains and Recoveries. Strong recoveries and upgradation of NPAs also enabled the Bank to keep incremental provisioning expenses for NPAs very low at Rs6cr as against Rs67cr in 3QFY2007 and Rs36cr in 2QFY2008. Gross NPAs also declined to 1.7% from 2.1% in 3QFY2007 and Net NPAs to 0.3% (0.5%). Provision coverage also improved to 81% (78%). The Bank has traditionally maintained superior asset quality and the management has expressed confidence that the further improvement in asset quality witnessed in 3QFY08 should sustain going forward, especially on account of greater efficiency and promptness in monitoring NPAs driven by the Bank's Core-Banking Solution.

■ **Net Profit up 30%:** The Bank reported a yoy Net Profit growth of 30% to Rs191cr (Rs147cr) mainly driven by lower Provisioning expenses. Going forward, we expect the Bank to deliver steady earnings growth (at 19% CAGR over FY2008-10E) and improvement in RoE (to about 18% by FY2010E).

Outlook and Valuation

At Rs372, the stock is trading at 5.9x FY2010E EPS of Rs63 and 1.0x FY2010E Adjusted Book Value of Rs378. Although Income growth was not very encouraging in 3QFY2008, we have a positive view on the Bank's due to its efficient operations reflected in low Operating expenses (relative to average assets), superior Asset quality and Investments in modern distribution and payment systems (relative to peers). We believe the Bank's NIM should bounce back once Bulk Deposits re-price downwards. The Bank has very low financial leverage, which is reflected in its high Tier I ratio of 10.8%. Going ahead, with increasing leverage over the next 2-3 years, we believe the Bank will be able to deliver higher and sustainable RoE (18-19%). **Hence, we maintain a Buy on the stock, with a 12-month Target Price of Rs540.**

Key Financials

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
NII	**1,378**	**1,429**	**1,577**	**1,907**
% chg	*12.3*	*3.7*	*10.3*	*21.0*
Net Profit	**536**	**649**	**754**	**8974**
% chg	*20.6*	*21.1*	*16.1*	*19.0*
NIM (%)	3.1	2.6	2.4	2.5
EPS (Rs)	**37.4**	**45.3**	**52.5**	**62.5**
P/E (x)	10.0	8.2	7.1	5.9
P/BV (x)	1.4	1.3	1.1	1.0
P/ABV (x)	1.4	1.3	1.1	1.0
RoAA (%)	1.2	1.1	1.1	1.1
RoANW (%)	15.0	16.2	16.7	17.6

Source: Company, Angel Research; Note: Price as at Jan. 22, 2008

***Analyst* - Vaibhav Agrawal**

Idea Cellular - Buy

Price - Rs115

Target Price - Rs184

3QFY2008 Result Update

Performance Highlights

- **Mobile subscriber base drives Topline:** Idea Cellular recorded a 48.8% yoy and 9.3% qoq growth in Topline in 3QFY2008. This was mainly driven by the strong increase in the company's mobile subscriber base, which grew by nearly 70% yoy and 12.8% qoq. At the end of 3QFY2008, Idea Cellular had a mobile subscriber base of 21.1mn, recording net adds of 2.4mn over the quarter. As has been the trend over the past several quarters, average revenues per user (ARPUs) clocked a 13.4% yoy and 3.1% qoq fall. A positive feature this quarter was the increase in minutes of usage (MoUs) by 4.7% qoq.

- **Margins rise on lower subscriber acquisition costs:** Owing to a fall in subscriber acquisition costs, Idea recorded an 87bp yoy and 52bp qoq expansion in EBIDTA Margins during the quarter. However, the Margin expansion was curtailed due to the significant network expansion undertaken by Idea. The company's presence at the end of the quarter stood extended to 2,369 census towns (2,186 at the end of 2QFY2008 and 1,627 at the end of 3QFY2007) and 8,735 other population centres (6,227 at the end of 2QFY2008 and 1,980 at the end of 3QFY2007) implying significant expansion. As a result, network operating costs increased as a percentage of sales by 464bp yoy and 183bp qoq. Network expansion typically has a 'lag effect', with costs incurred upfront, while revenues are realised from the expansion over the next quarter.

- **Bottomline more than doubles:** Due mainly to the Margin expansion and a lower-than-proportionate rise in Depreciation charges, Bottomline grew by 108.1% yoy. Sequentially, the growth was 7.5%.

- **Forms Indus Towers in partnership with Bharti, Vodafone:** Idea, in an effort to improve operational efficiency of its core telecom business, gain scale benefits and better valuations for its Tower business, has joined forces with Bharti Airtel and Vodafone Essar to form Indus Towers. This company will undertake network expansion for all the three telcos across 16 of the 23 telecom circles in the country. These circles exclude Madhya Pradesh and the 6 'C' category circles. We believe a key reason for the formation of Indus is, among others, to command higher valuations. Valuation of a towerco significantly depends on the tenancy ratio, and given that the above-mentioned companies are pooling their tower assets together, the tenancy ratio is likely to receive a significant boost. This will lead to a faster break-even, greater profitability and better valuations. Management has stated a likely listing of Indus in two years.

- **Gets spectrum in Mumbai and Bihar:** Idea has been allotted start-up spectrum in the Mumbai and Bihar circles and the company expects to commence operations by 2QFY2009. As for the remaining circles where the company has got letters of intent (LoIs) from the government, which will complete its pan-India footprint, the company's chances of getting spectrum quickly are uncertain, given the change in policy regards this issue. Earlier, the company that was first in the queue to get licences and spectrum was determined on the basis of the date of application. The government has recently changed this and now the company that pays the licence fees first after receiving LoIs will be considered as first in the queue for spectrum allotment. Thus, this is a risk to the company commencing operations ahead of other applicants in the circles where it is not currently present.

Outlook and Valuation

Going forward, we expect Idea Cellular to record a CAGR growth of 40.4% in Topline over FY2007-10E, while Bottomline is expected to grow at a strong CAGR of 58.4% in the mentioned period. We expect EBITDA Margins to touch 34.6% in FY2010E. At Rs115, the stock trades at 15.2x FY2010E EPS and at an EV/EBITDA of 8.6x on FY2010E EBITDA. **We maintain a Buy on the stock, with a 12-month Target Price of Rs184, including Rs35 per share as the value of Idea's stake in Indus Towers.**

Key Financials

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
Net Sales	**4,366**	**6,560**	**9,313**	**12,086**
% chg	*47.2*	*50.2*	*42.0*	*29.8*
EBITDA Margin (%)	33.6	33.8	34.3	34.6
Net Profit	**502**	**1,016**	**1,528**	**1,994**
% chg	*148.2*	*102.3*	*50.4*	*30.5*
EPS (Rs)	**1.9**	**3.9**	**5.8**	**7.6**
P/E (x)	60.4	29.8	19.9	15.2
RoE (%)	30.3	35.7	35.7	33.0
RoCE (%)	18.4	21.6	24.3	25.4
Sales/GFA (x)	0.6	0.6	0.6	0.6
EV/EBITDA (x)	22.4	15.5	11.2	8.6

Source: Company, Angel Research; Note: Price as at Jan. 22, 2008

Analyst **- Harit Shah**

Pratibha Industries - Buy

Price - Rs319

Target Price - Rs377

3QFY2008 Results Update

Performance Highlights

■ **Net Sales zooms 82%:** For 3QFY2008, Pratibha Industries (PIL) reported a robust 82% yoy surge in Net Sales to Rs150cr (Rs83cr) as against our expectation of Rs114cr. Top-line was driven by strong Revenue growth across Divisions and Margin expansion accruing from scale benefits. Strong growth recorded by the Water and Transportation Segments also aided Topline growth.

■ **Operating Profit spikes 73%:** Operating Profit for the quarter beat our expectation of Rs15.5cr to Rs19cr (Rs11cr), a stupendous yoy growth of 73%. However, Operating Margins declined by 60bp mainly due to an increase in Employee and Other expenses.

■ **Good Order Book position:** PIL currently has an order book of Rs2,000cr, a yoy growth of 110%. Out of the Total Order Book, 75% of the orders are from the company's core competence area which is designing to distribution of water covering laying of pipelines, WTPs, pump house, etc. Around 25% of the order book is from urban infrastructure and the balance is from development of intra-city roads, etc.

Key Developments

■ **Fund Raising Plans:** To fund it's future projects and to increase its net worth to meet the pre-qualification norms for bidding tenders, at its EGM management approved raising funds up to Rs200cr through FCCBs. From our recent interaction with the management, we gathered that the company is very close to finalising an FCCB issue to the tune of Rs80cr (US $20mn) and announcement of the same is expected shortly, which could provide a short-term trigger for the stock price.

Orders Galore

- PIL has secured contract for replacement of rising mains and laying of new rising mains and gravity mains in Jammu City from Jammu & Kashmir economic reconstruction agency. The total value of the contract is Rs49.5cr. The project is to be executed in 18 months.
- PIL has secured a contract from Delhi International Airport for construction and expansion of the domestic arrival terminal at Indira Gandhi International Airport at New Delhi. The project is in joint venture with Pratibha Pipes & Structural, a group company. The contract is to be executed within 5 months. The total value of the contract is Rs41.4cr.
- PIL has bagged a contract valued at Rs58.9cr from Vijay Associates Constructions, for construction of residential complex. The total area to be constructed is about 25 lakh square feet. The contract will be completed in 33 months. The project includes construction of four high-rise towers of 49 floors.

Outlook and Valuation

The future holds great opportunities for the infrastructure players as can be concluded from the allocations for the infrastructure sector in the Union Budget 2007-2008. Allocation for *Bharat Nirman* has increased by 31.6% from Rs18,696cr to Rs24,603cr, which will bring in huge orders for all the players. Allocation for the *Rajiv Gandhi Drinking Water Mission* has been increased from Rs4,680cr to Rs5,850cr and for the total sanitation campaign, the Budget has been increased from Rs720cr to Rs954cr. Allocation for the *National Highways Development Program* has been augmented to US $2.8bn, a yoy increase of 26.5%. The state highways and roads are also throwing up investment opportunities with Maharashtra and Andhra Pradesh taking the lead.

At Rs319, the stock trades at 12.2x FY2009E and 10.4x FY2010E Earnings of Rs26.1 and Rs30.6 respectively, on a standalone basis. PIL is a mid-sized construction company and we have given a P/E multiple of 12x FY2010E Earnings on its core business and valued its BOT project for Rs10, which gives a Target Price of Rs377. **We recommend a Buy on the stock, with a potential upside of 18%.**

Key Financials

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
Net Sales	**300**	**479**	**674**	**916**
% chg	*72.5*	*59.3*	*40.9*	*35.9*
Net Profit	**20**	**32**	**49**	**57**
% chg	*65.9*	*56.3*	*51.8*	*17.3*
FDEPS (Rs)	**11.0**	**17.2**	**26.1**	**30.6**
EBITDA Margin (%)	12.2	13.4	13.4	12.7
P/E (x)	29.0	18.5	12.2	10.4
P/CEPS (x)	21.1	15.0	10.4	8.7
RoE (%)	23.1	20.1	19.9	19.5
RoCE (%)	19.7	18.6	19.4	21.3
P/BV (x)	4.8	2.7	2.2	1.9
EV/Sales (x)	1.7	1.0	0.7	0.3
EV/EBITDA (x)	14.3	7.5	5.6	2.0

Source: Company, Angel Research; Note: Price as at Jan. 22, 2008

Analyst **- Shailesh Kanani**

Tanla Solutions - Buy

Price - Rs611

Target Price - Rs784

3QFY2008 Result Update

Performance Highlights

■ **Global expansion, marketshare gains power Topline:** Tanla Solutions recorded a strong 11.2% qoq Topline growth in 3QFY2008. On a yoy basis, Topline more than doubled growing by over 110%. Tanla expanded its global operations in the last fiscal and this quarter. The company commenced commercial operations in Dubai and set up strategic partnership with mobile messaging and payment partners in Spain and South Africa. Thus, this far in FY2008, the company moved beyond the UK market into Ireland, Singapore, Dubai, Spain and South Africa. Tanla also spread its operations in the Indian market through signing agreements with Airtel, BSNL, Vodafone-Essar, Reliance Communications (RCOM) and Idea.

Segment-wise, the Aggregator business once again drove revenues growing by 12% qoq. Geographical expansion has been the chief driver of Topline for this business. The company in the UK market has increased its marketshare to 4.5%. The Products and Offshore businesses of the company grew by 10.2% qoq and 6.9% qoq, respectively.

■ **Lower Cost of Sales, SG&A leverage boost Margins:** Tanla recorded a strong 165bp qoq rise in EBITDA Margins in 3QFY2008. This was a result of lower Cost of Sales, which fell as a percentage of sales, by 161bp qoq. The company saw some stability in the percentage of SG&A costs to sales after making significant investments in brand-building over the past couple of quarters. In fact, in 1QFY2008 and 2QFY2008, SG&A costs had increased by 123.7% qoq and 62.4% qoq, respectively. Thus, this time round, the company has leveraged on these investments, with SG&A expenses falling slightly by 4bp qoq as a percentage of sales.

■ **Higher Margins, lower Taxes boost Bottomline:** Tanla recorded a strong 18.3% qoq rise in Bottom-line during the quarter on the back of Margin expansion and lower effective tax rate (23.4% this quarter v/s 25.3% in 2QFY2008). On a yoy basis, the growth was a strong 87.8%.

■ **Aggregator business continues to power ahead on geographic expansion:** During 3QFY2008, Tanla's Aggregator business clocked a robust 12% qoq growth. One of the key strategies that the company is executing to drive Revenue growth going ahead is geographic expansion. Tanla during 3QFY2008 expanded its reach to Dubai, Spain and South Africa. Going ahead, in 4QFY2008, the company will start booking Revenues from the US market as well. The company's expansion into Ireland and Singapore has also proceeded well.

Tanla also expanded its marketshare in the UK Aggregation market to 4.5%. This is driving growth in that market. The company is also witnessing strong traction in the mobile payment service that it launched, PayForIt, with increased interest being shown by all major UK mobile operators such as 3, O2, Vodafone, T-Mobile, Virgin Media and Orange.

During 3QFY2008, Tanla also increased its focus on the Indian market signing messaging and billing agreements with Airtel, BSNL, RCOM, Vodafone-Essar and Idea Cellular. Thus, going ahead, revenue visibility is very strong in the Aggregator business and we expect this to be the key growth driver of Topline. Other businesses of the company, viz. Offshore and Products, also clocked decent growth of 6.9% qoq and 10.2% qoq, respectively.

Outlook and Valuation

Going forward, we expect Tanla to maintain a 55.4% CAGR growth in Topline over FY2007-10E, while Bottomline is expected to clock a 38.2% CAGR growth in the mentioned period. We expect EBITDA Margins to decline from 49.8% in FY2007 to 42.7% in FY2010.

At Rs611, the stock trades at 12.5x FY2010E EPS. We believe these valuations are reasonable given the strong EPS growth expected in the next few years. **We maintain a Buy on the stock, with a 12-month Target Price of Rs784.**

Key Financials

Y/E March (Rs cr)	FY2007	FY2008E	FY2009E	FY2010E
Net Sales	**222**	**450**	**641**	**833**
% chg	*252.0*	*102.9*	*42.4*	*29.9*
EBITDA Margin (%)	49.8	45.3	44.1	42.7
Net Profit	**93**	**158**	**206**	**245**
% chg	*206.8*	*70.0*	*30.4*	*19.1*
EPS (Rs)	**18.6**	**31.5**	**41.1**	**49.0**
P/E (x)	32.9	19.4	14.9	12.5
P/BV (x)	5.9	4.8	3.8	3.0
RoE (%)	32.6	26.6	27.7	26.4
RoCE (%)	20.8	31.2	33.2	33.1
Sales/GFA (x)	4.2	2.1	1.6	1.5
EV/EBITDA (x)	26.5	14.5	10.5	8.2

Source: Company, Angel Research; Note: Price as at Jan.24, 2008

Analyst **- Harit Shah**

Wockhardt Hospitals - Avoid

IPO Note - 'Pricey Hospice'

Objects of the Issue

Particulars	Rs cr
Construction, expansion and development of Greenfield and Brownfield hospitals	569
Pre-payment of short-term loans*	285
General corporate purposes including strategic initiatives	•
Issue expenses	•
Total	•

*Source: RHP; *As on Dec 31, 2007, the company has availed secured/ unsecured short-term loans aggregating to Rs285cr. Around Rs232.9cr were utilised for capital expenditure incurred on existing / ongoing projects and the balance Rs52cr is lying as a fixed deposit.*

Wockhardt Hospitals is one of the largest private healthcare services companies in India, having 15 hospitals. Six of the existing facilities are "Greenfield" facilities, which the company has constructed. The remaining Nine facilities are as "Brownfield" facilities which means that Wockhardt Hospitals refurbishes, equips and operates hospitals located on the premises of others pursuant to revenue sharing or lease arrangements. The company also owns and operates nine pharmacies located at their facilities.

According to the WHO, total expenditure on Healthcare in India constituted 4.8% of the GDP in 2003 and was lower than in 1999, when it constituted 5.1%. This is lower than healthcare spending in other developing countries such as Brazil (7.6%), China (5.6%) and Mexico (6.2%), but higher than spending in countries like Thailand (3.3%) and Malaysia (3.8%). India spent roughly Rs1,700bn on healthcare in 2004, with approximately Rs910bn spent on healthcare delivery services.

Rationale for Avoid view

We have compared Wockhardt Hospitals with Apollo Hospitals, which is also in the Hospitals business, but much larger in size. Currently, Apollo has 48 hospitals with 7,243 beds while Wockhardt Hospitals has 15 hospitals with 1,374 beds. Further, Apollo has a diversified Revenue model in place wherein it clocks about 1/3rd of its Revenues from Pharmacy, which has a shorter pay back period and higher returns. Wockhardt Hospitals, on the other hand, has majority of its Revenue coming from In-patient treatments. Apollo also has well-known doctors like Dr Trehan (who has shifted from Escorts to Apollo). This is important considering the fact that more often than not, a hospital is sought after for its panel of Specialist doctors than for its bed count, as it increases the confidence of the patients. On the valuation front, Wockhardt Hospitals is expensive compared to the well-entrenched, Apollo Hospitals.

Exhibit 1: Comparative Valuation - FY2008E

Particulars	Apollo Hospitals	Wockhardt Hospitals
EV/Bed	2.7	5.6
EV/Sales	2.4	7.8
EV/EBIDTA (x)	15.0	46.9
P/E (x)	20.8	102.6
P/BV (x)	2.9	3.1

Source: RHP, Angel Research, Wockhardt Hospitals Revenue is 9mths annualised, Apollo Hospitals is on normalised basis, Apollo price Rs463

Considering the business fundamentals of the company, we are of the view that the valuations of Wockhardt Hospitals' IPO do not warrant an investment. This is more so because of the fact that listed peer, Apollo Hospital, which is much larger in terms of scale of operations, is available at a discount to the IPO. Further, considering the developments over the last few days in the Indian stockmarkets, we believe that investors would now scrutinise IPOs and their valuations much more closely than before. This is in view of the fact that the recent correction in the secondary market has made the valuations of many stocks attractive, thus providing an option for investors to park their funds in, rather than fund entrepreneurial dreams. Thus, henceforth, unlike the last few quarters, it could be relatively difficult for a company tapping the capital market to command a significant premium to its listed peers.

Valuation

Wockhardt Hospitals is exploring opportunities in the Indian Healthcare segment by investing in new projects to increase the number of hospital and beds. However, the company would remain in investment mode for sometime and the results would be visible only by FY2010. At the upper end of the price band of Rs310, valuations stand at 7.8x EV/Sales and 46.9x EV/EBDITA its FY2008 numbers, which is significantly higher than Apollo Hospitals, which trades at 2.4x EV/Sales and 15.0 EV/EBDITA its FY2008 numbers. Even on EV/Bed basis, the company is expensive. Further, even after considering the expansion plans of both the companies over the next couple of years, our numbers indicate that Wockhardt Hospitals would still quote at a marginal premium to Apollo Hospitals, which we believe is not justified. **Hence, we recommend 'Avoid' the Issue.**

Note: Refer Detailed IPO Note on Angel website

***Analyst* - Ms. Sarabjit Nangra / Akshat Vyas**

IRB Developers - Avoid

IPO Note - 'An Expensive By Pass'

Objects of the Issue

Particulars	Rs cr
Investment in IDAA	90
Pre-payment and Re-payment of existing loans	723
General Corporate purposes	*
Issue related Expenses	*
Issue Proceeds*	1,134
* at the upper price band	

Source: Company RHP

Experience and strong track record in infrastructure development: With over two decades of experience in the infrastructure development and construction business, IRB has been involved in the construction or operation and maintenance of approximately 1,200 kilometers of highways and roads in India, as of August 31, 2007. We believe IRB's experience gives it an advantage over competitors when bidding for new large BOT projects and enables to capitalise on the opportunities available in this growing sector of the Indian economy.

Integrated execution capabilities with in-house construction: IRB is an integrated infrastructure development and construction company. The engineering, procurement and construction activities for the company's funded construction projects as well as for BOT projects are all completed within the IRB Group. Similarly, operations and maintenance activities related to the company's BOT projects including toll collection are also executed within the IRB Group. This enables the company to not only reduce its dependence on third party sub-contractors and exercise greater control over the quality and timely execution of construction and operation and maintenance works but, also enables it to capture the entire economic value chain in such projects. Equipment asset management is a critical element of timely delivery and quality on infrastructure development and construction projects.

Good Order Book: IRB's consolidated Order Book as of Dec 31, 2007 stood at Rs2,300cr. This Order Book includes around Rs1,100cr of BOT projects and the balance Rs1,200cr accounts for Operating and Maintenance of the BOT Road projects. We expect the company to execute orders worth Rs1,100cr (6x FY2007 revenues) over the next two years, and the O&M orders would be executed over next 8-10 years.

Concentrated Business Model: IRB is basically into BOT projects in the Road segment, which undoubtedly has huge potential apart from enjoying higher IRRs compared to cash contracts of the Road segment. But, we prefer a diversified infrastructure player rather than a player having a business model solely based on BOT projects. This, because a company with a diversified business model would de-risk itself from any slow down in a particular segment. In this case, IRB plans to enter the Real Estate business to de-risk its business model. However, as of now IRB only has 925 acres of land purchased at 15 lakh per acre.

Commands Rich Premium to Peers: IRB is basically only into BOT Road Projects. Hence, it is not possible to compare it with any particular company. Nonetheless, we have made a peer (companies that are into BOT projects apart from being in other lines of businesses) comparison to indicate that the IPO is attracting rich premium though we believe that it should be trading at Discount.

Exhibit 1: Comparative Analysis - FY2009E

Parameter (Rs cr)	IRB	NCC	MPL	IVRCL
Sales	945	5,270	1,247	4,480
Net Profit	109	249	93	270
Market Cap	7,312	6380	2675	6148
P/E (x)	67.0	25.6	28.7	22.8
Order Book	2,300	9,000	4,050	10,000
Order Book/Sales (x)	2.4	1.7	3.2	2.2

Source: Angel Research

Recent conversion of FCD at low price: In March 2007, the company had taken a loan of around Rs264cr from Deutsche Bank, Jade Dragon and CPI Ballpark Investment Limited. This loan was taken in the form of fully convertible debentures (FCDs) at Rs77.5/per share. We believe that there has been no drastic change in the business dynamics or in the fundamentals of the company that within nine months the IPO price is fixed at 183% (in case of lower price band 139%) premium to the price fixed of the FCDs. As against this IPO, we believe investors can get better investment opportunities in the Secondary markets.

Valuation: We have used SOTP methodology to value IRB by giving 16x FY2009E Earnings to its cash contract business (Rs27/share), by discounting the future cash flows from its BOT projects (Rs64.7/share) and have valued its Real Estate Business on Net Asset Value (NAV) basis and have arrived at an NAV of Rs56.3/share. **The total value per share hence works out to Rs148, which is at a discount even to the lower price band of the Issue. We therefore recommend Avoid this IPO.**

Note: Refer Detailed IPO Note on Angel website

***Analyst* - Shailesh Kanani**

OnMobile Global - Avoid

IPO Note - Strong 'growth', but less 'value'

Objects of the Issue

Particulars	Amount	Schedule of deployment		
		FY2009	FY2010	FY2011
Purchase of equipment	180.5	55.5	60.0	65.0
Working capital requirements	5.0	5.0	0.0	0.0
Repayment of loan	35.0	35.0	0.0	0.0
General Corporate Purposes	242.8			
Total	**463.3**			

Source: Company RHP

OnMobile Global (OMGL) is a leading provider of telecommunications value added software products and services in India. The company was incorporated in India in September 2000 by OnMobile Systems, Inc (OMSI), an incubated start-up company of Infosys Technologies.

Rationale for our 'Avoid' view

We have compared OMGL with Tanla Solutions, a company operating in a similar line of business. However, it should be noted that Tanla's business model is slightly different from that of OMGL. While Tanla has a primarily service-oriented business, OMGL's business model is product-led. On most operating metrics, Tanla comes out on top vis-à-vis OMGL. Tanla's EBITDA Margins, Asset Turnover ratio and Return Ratios stack up better compared to OMGL. Tanla earns higher percentage revenue share per transaction than OMGL as the former operates mainly in developed markets like the UK and Ireland, where mobile operators get a lesser share and the usage of mobile value-added services (VAS) is also much more.

Exhibit 1: Comparative Analysis

Parameters	OMGL	Tanla Solutions
Revenues (FY2007, Rs cr)	137	222
EBITDA Margins (FY2007, %)	45.8	49.8
Fixed Asset turnover ratio (FY2007, x)	2.4	4.2
RoE (%)*	15.6	26.6
RoCE (%)*	13.1	31.2
P/E ratio (x)**	40.0	21.7

*Source: Company RHP, Angel Research; * RoE and RoCE calculated on expanded equity capital post the Issue on annualised 1HFY2008 numbers for OMGL; for Tanla, we have taken our FY2008 Estimates for comparison purposes; ** P/E ratio has been calculated on fully diluted equity capital post the Issue at the lower end of the price band (Rs425) for OMGL on annualised 1HFY2008 Net Profit; for Tanla, it is calculated on our FY2008 Estimated EPS at the closing stock price as on Wednesday, January 23, 2008.*

On the valuation front, the OMGL Issue comes at a significant 85% premium to Tanla, based on annualised 1HFY2008 numbers and our FY2008 Estimates respectively. This is despite the fact that OMGL's Operating metrics do not compare favourably with Tanla. OMGL's business model should command better metrics than Tanla being product-based, while Tanla operates through a Services model. But this is not the case. Hence, we believe that this premium is not justified, even after taking into account higher growth rates going ahead.

Concerns

Low percentage revenue share: The average percentage revenue-share that OMGL earns is in the range of 20-25% per transaction. This is considerably lower than is the case in developed markets like the UK, where aggregators and platform providers typically get 40-60% revenues per transaction. Going ahead, it seems unlikely that this share will change dramatically, given that telcos would tend to have greater bargaining power, since they would be using a number of VAS providers.

Continuous investments required in R&D: OMGL, to keep its products relevant and compete effectively in the market place, will need to make constant investments in R&D. Even so, there may not be any guarantee of success after making these investments, as competitors may bring out better products, resulting in the company losing business.

High debtor days: OMGL's days' sales outstanding in FY2007 stood at as many as 144 days, or nearly five months of sales. This could lead to the company facing significant cash constraints.

Outlook and Valuation

At the lower end of the price band of Rs425, the OMGL IPO comes at a P/E of 40.0x annualised 1HFY2008 Earnings. We believe the company's valuations are very demanding and even adjusting for strong growth going ahead, the Issue does not come at reasonable valuations. Given that Tanla Solutions, a company in a similar line of business, is available at more reasonable valuations even after factoring in slower growth, we believe investors are better off staying away from the issue. **Investors should note that we are enthused by OMGL's business model and believe it will record strong growth over the next few years. However, we believe the IPO is aggressively priced and recommend investors to 'Avoid' the Issue purely on the basis of valuations.**

Note: Refer Detailed IPO Note on Angel website

Analyst **- Harit Shah**

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Last two weeks or so can easily be termed as one of the worst and devastating phase of the Indian stock markets. Correction from high of 6357.10 on January 8, 2008 to lows of 4448.50 on January 22, 2008, a 30% correction, made sure that many participants lost not just confidence on the markets but on Equity as an asset class also to create wealth. But if we do a retrospective analysis we clearly jump to conclusion that we are not talking about investors but traders.

The trigger for this sharp fall has been fears of recession in US economy, thanks to the sub-prime crisis, which forced many financial giants to write-off billions of Dollars. Effects of this could be very well felt in other major global economies. Commodities were first to face the brunt, which has a direct correlation with the economy. Crude corrected significantly from $100/bbl and has been acting as a lead indicator for the direction of the markets. Even currency played spoilt-sport with the Yen appreciating to 106/$ levels leading to unwinding of world's largest carry trades, which in turn added pressure on falling equity markets.

In India, we had our own technical issues to deal with. Ever since the P-note issue, FIIs have not been buying significantly in our markets and since the last two weeks their sell figures in the cash as well as index futures have been astronomical. Not just Retail but even HNIs and to an extent Institutions were much leveraged in the markets, which was apparent from the total open interest moving to highs of nearly 1.40 lakh crores. Though a significant part of it was arbitrage but, it acted as a double whammy in times of unwinding. As prices declined significantly, premium turned into a discount and arbitrage unwinding set-in to worsen matters.

With leverage positions out of the system as open interest of the market is less than 90,000 crores, market retracing 50% of the fall and bottom for the time being is made, thanks to the Fed reducing the lending rate by 75bp, which has helped the global markets to stabilise and trade with a positive bias, one has to learn lessons from this fall. At a time of distress, investors or traders are better off to be in index heavyweights rather than mid- or small-cap stocks. As market stabilises at lower levels, fresh money from the FIIs, DIIs and MFs will first flow into these stocks and chances of them bouncing back will be much higher. In fact, on Friday, many large cap stocks were much near to levels from where they corrected compared to the Mid-caps.

Traders should make the list of fundamentally strong companies, which are near their fair valuations if not at fair value and trade in them. In volatile times, reduce exposure or shift trading activity from futures to cash. A simple and important aspect is having knowledge of the instrument in which one trades. Awareness is the key. Apart from analysing the direction of the underlying, emphasis should also be given to operational issues and risk management.

As positions in the market have lightened to a great extent, we do not expect the market to show significant downward movements as it depicts off late. Having said that, we may continue to react to global cues as important events lie ahead in the coming week, which may set the direction of the market. Be in large caps. Sectors like Auto, Banking and Pharma look attractive. Avoid Cement, Fertilisers, Metals, Real Estate and Sugar. Oil & Gas and Telecom may trade in a range.

Food for thought - It pays to be bit conservative in markets by avoiding high flier Mid-caps governed by momentum rather than fundamentals, and certain level of cash should always be kept aside to buy quality stocks in such crashes.

Derivative Strategy

Scrip : NIFTY **CMP : Rs.5383.35/-** **Lot Size : 50** **Exercise Day (F&O) :** 31 January 2008

View: Mildly Bullish **Strategy: Bull Call Ladder**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Market Price(Rs.)
BUY	50	NIFTY	5500	JANUARY	CALL	80.00
SELL	50	NIFTY	5600	JANUARY	CALL	49.00
SELL	50	NIFTY	5700	JANUARY	CALL	29.00

LBEP: Rs.5502/-
HBEP: Rs.5798/-
Max. Risk: Unlimited
If Nifty continues to trade above HBEP.
Max. Profit: Rs. 11150/-
If Nifty closes between 5600 and 5700 on expiry
NOTE: If Nifty moves in the favorable direction then profit can be booked before HBEP to capitalize on trading gains.

Expected Payoff

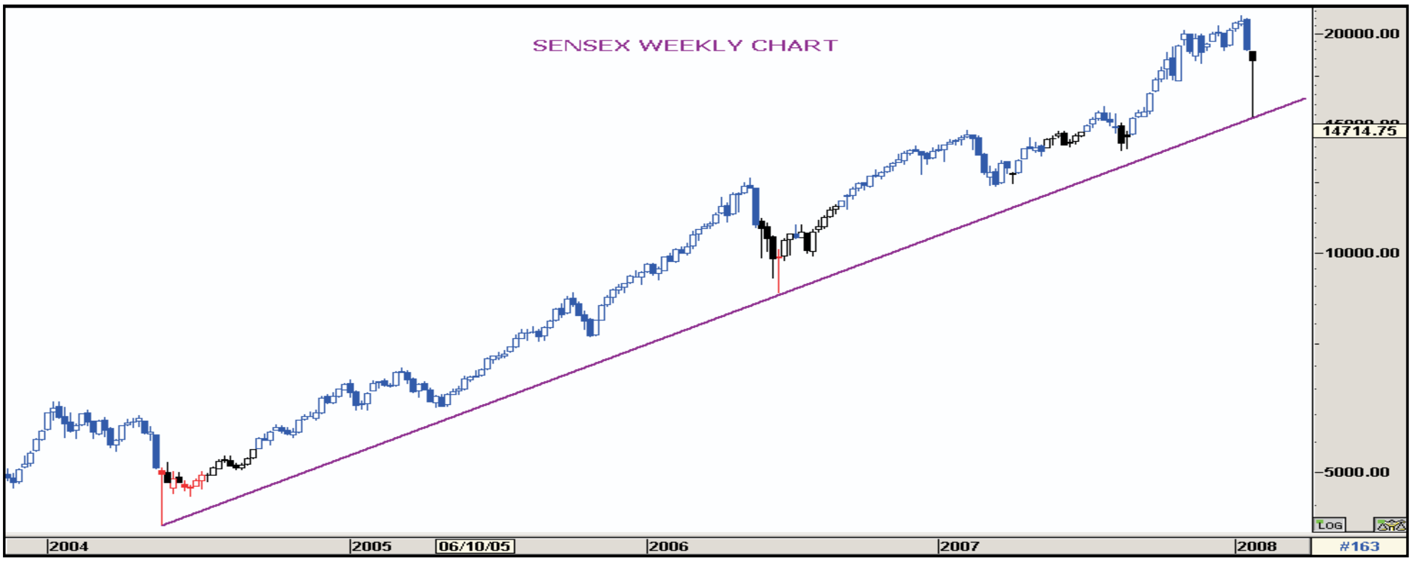
Closing Price	Expected Profit/Loss
Rs.5200.00	Rs.(2.00)
Rs.5400.00	Rs.(2.00)
Rs.5600.00	Rs.98.00
Rs.5800.00	Rs.(2.00)
Rs.6000.00	Rs.(2.00)

Markets navigating choppy waters!

SENSEX (18362) / NIFTY (5383)

In the last Weekly review, we mentioned 'Indices may bounce to the levels of 19,700 -19,950 / 5,900 - 5,975 and on downside, close below 18,950 - 18,880 / 5,675 - 5,630 may trigger further correction, which may lead indices to 18,200 -18,000 / 5,450 - 5,400'. The indices have sharply fallen beyond the support levels.

On the Sectoral front, the Capital Goods, Banking and IT sectors may show positive movement.



Source: Advanced Get

Pattern Formation:

The past week witnessed one of the sharpest fall on the Indian bourses in recent times, which was mainly due to the panic reactions to the concerns about slowdown of the US economy. The 'Rising Wedge' breakdown discussed during our last Weekly Review has more than achieved the target.

On the weekly charts, indices took support on the long-term 'Trend line' joining bottoms of May 21, 2004 and June 16, 2006. Also, 50% retracement of the total move from June 16, 2006 (8799 / 2595) to recent top (21207 / 6357) comes to around 15000 / 4475. In addition, on the daily charts of indices and major index constituents, prices took support near the 200-day EMA (Exponential moving average) Combining these multiple supports, we feel that the bottom of this week should act as a major support for indices in the near future. This suggests that the long-term uptrend is intact and one should look to buy on every decline.

Future Outlook:

Positive closing of the indices on Friday (January 25) after a sharp intra-week fall, may lead the bounce further in the coming week. Once above 18500 / 5520 levels, indices may test 18750 - 19000 / 5590 -5675 levels in the early part of the coming week. However, market may remain extremely volatile ahead of expiry and one should be prepared for a bumpy ride in the days to come. On the down side, major support is seen at 17000 - 16600 / 5050 - 4900 levels.

Short-Term Picks

ABB (1,256) - BULLISH

Source: Advanced Get

ABB has given a close above 200 DMA (Daily Moving Average) along with 'Positive Crossover' on Stochastic and RSI oscillators on the daily chart. This indicates bullish momentum in the coming trading sessions. Traders can buy this stock at current levels or on declines upto Rs. 1,240 level, with a stop loss of Rs.1,215 with a target of Rs.1,365 for the next 1-2 weeks.

GMR Infra (194) - BULLISH

Source: Advanced Get

GMR Infra has given a close above the 200 DMA (Daily Moving Average) along with rising volumes and 'Positive Crossover' on RSI oscillator on the daily chart. This indicates bullish momentum in the coming trading sessions. Traders can buy this stock at current levels or on declines upto Rs.187 level, with a stop loss of Rs.176 with a target of Rs.222 for the next 1-2 weeks.

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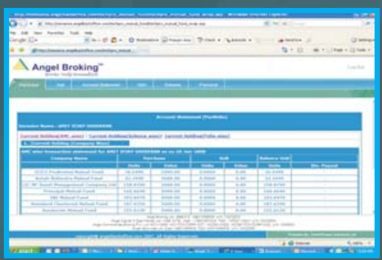

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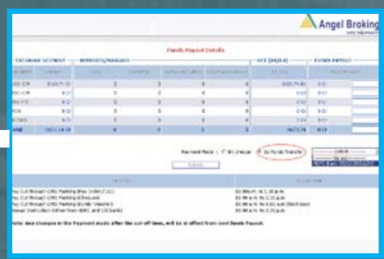

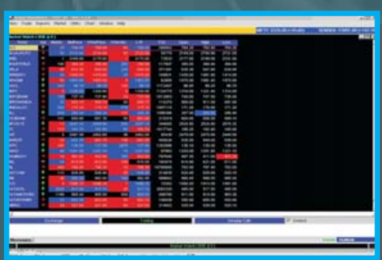

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Agri Technicals

NCDEX MARCH JEERA

Last week, Jeera prices opened the week on its high at 11602 fell sharply lower throughout the week breaking all the supports made a low of 10380 and finally ended the week with a huge loss of Rs.1340 to close at 10290.

TREND : BEARISH

TRADING LEVELS:

This week market is expected to find good Support at 10220-10180 levels. Strong Support is seen at 10100-10050 levels.

Trading below 10040 would lead to lower prices initially towards 9970 then 9871 and then finally towards 9734.

Resistance is observed at 10380-10400 levels. Strong Resistance is seen at 10620-10660.

Trading above 10670 would lead to higher prices initially towards 10730 then 10870 and then finally towards 10990.

Recommendation: Sell in the range of 10380-10400 for a Target of 10110 then 10070, with strict stop-loss above 10580.

NCDEX MARCH PEPPER

Last week, Pepper prices opened the week lower at 15700 initially moved higher but found very good resistance at 15820. Later prices fell sharply lower made a low of 14651 and finally ended the week with a loss of Rs.950 to close at 14760.

TREND : BEARISH

TRADING LEVELS:

This week market is expected to find good support at 14680-14640 levels. Strong support is seen at 14520-11450 levels.

Trading below 14440 would lead to lower prices initially towards 14310 then 14140 and then finally towards 14052 levels.

Resistance is observed at 14880-14920 levels. Strong resistance is seen at 15075-15150.

Trading above 15150 would lead to higher prices initially towards 15290 and then finally towards 15500.

Recommendation: Neutral

NCDEX APRIL GUARSEED

Last week, Guarseed prices opened lower at 1870 initially made a high of 1885. Later prices fell sharply lower but found good support at 1810 bounced back higher towards 1875 and finally ended the week with a loss of Rs. 16 to close at 1863.

TREND: NEUTRAL

TRADING LEVELS:

This week market is expected to find good support in the range of 1844-1835 levels. Strong support is seen at 1817-1809

Trading below 1808 would lead to lower prices initially towards 1787 and then finally towards 1765.

Resistance is observed in the range of 1879-1885 levels. Strong resistance is seen at 1910-1916.

Trading Above 1917 would lead to higher prices initially towards 1936 and then finally towards 1957.

Recommendation: Buy in the range of 1845-1835 for a Target of 1910 then 1930 with strict stop-loss below 1808.

NCDEX MAY MUSTARD SEED

Last week, Mustard Seed prices opened the week at 528.35 initially fell sharply lower but has found very good support at 509.0. Later prices recovered sharply higher made a high of 543.80 and finally ended the week with a gain of Rs.14.1 to close at 542.10.

TREND : BULLISH

TRADING LEVELS:

This week market is expected to find good support at 539-537 levels. Strong support is seen at 529-526.

Trading below 526 would lead to lower prices initially towards 522 and then finally towards 516.

Resistance is observed in the range of 550-552. Strong resistance is seen at 557-559.

Trading above 559 would lead to higher prices initially towards 565 and then finally towards 575.

Recommendation: Buy in the range of 539-537 for a Target of 556 then 565 with strict stop-loss below 525.

***Sr Technical Analyst (Commodities)* - Samson P**

Guar Seed

Market Commentary:

After witnessing a continuous decline in November and December 2007, Guar Futures have started recovering in the New Year. Prices remained under pressure in 2007 as cases of poor quality were reported in Guar gum consignments to Europe. However, the European Union issue relating to guar gum exports has been resolved and fresh orders have been placed by the importers. Thus, higher export demand amidst declining arrivals is supporting the prices to firm up since the last 2-3 weeks. In the last week, the NCDEX April contract traded in the range of Rs1,811-1,875 per quintal, whereas Spot prices at Jodhpur traded in the range of 1,780-1,840 per quintal. We expect prices to remain firm in the coming week on lower supply and comparatively higher demand.

Supply scenario: Harvesting of Guar is almost complete across Rajasthan and thus arrivals have declined to a large extent. Stockists are also holding the stocks in expectations of better prices thereby tightening the supplies. Average daily arrivals during the last week were around 15 thousand bags. The current production estimate stands around 8-8.5 lakh tonnes against 7.5 lakh tonnes during the last year. However, lower beginning stocks for the fresh season would keep the overall supply steady around 9.5 lakh tonnes.

Demand scenario: Demand for Guar byproducts like Churi and Korma continues to remain good due to high Oil meal prices. Churi and korma are still proving a cheaper alternative to oil meals as high protein animal feed. Also, export demand for Guar gum is good and expected to improve further. We are expecting Exports of Guar products to touch 2.40 lakh tonnes in 2007-08 against 2.10 lakh tonnes in 2006-07 as a result of lower production in Pakistan. The only hindrance to the spike in prices is the appreciating Rupee, which is eating away the Margins of the exporters. The export price of guar gum has increased to $1100/tonne against $1,000/tonne in December.

Outlook:

With the fundamentals remaining strong and supplies expected to tighten gradually with the passage of time, firmness in the prices is expected in the short term. Any revival in the oil meal market after the recent correction would also prove beneficial for the guar market, as it will support the by-product prices. Other major factor, which would limit the downside is the contract gap. Usually, during the time of expiry we see prices moving down due to the rising stock position. However, there is no contract expiring in February and thus no major downside is expected. In the longer term (March-April), Guar prices are likely to remain bullish on steady supply and comparatively higher export demand.

NCDEX - April '08 Contract

Source: Telequote India

Particulars	April '08 Contract (per 100 Kg)
Resistance-1	1884
Resistance-2	1914
Close	**1863**
Support-1	1840
Support-2	1814

Prices at Major Mandis

Centers	Prices (per quintal)
Guar Seed	
Jodhpur	1780-1840
Bikaner	1640-1690
Guar Gum	
Jodhpur	4275-4375

Research Analyst (Commodities) - Vedika More

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Ratings (Returns)	Buy (> 15%)	Accumulate (5 to 15%)	Neutral (5 to -5%)	Reduce (> -5%)	Sell (> -15%)

Angel Commodities Broking (P) Ltd: MCX Member ID: 12685 / FMC Regn No: MCX / TCM / CORP / 0037 NCDEX : Member ID 00220 / FMC Regn No: NCDEX / TCM / CORP / 0302

Weekly Review

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