



Economy News

- ▶ The US economy could contract in the first half of this year but should then pick up as aggressive rate cuts stimulate growth, and financial and housing market woes recede, Federal Reserve Chairman Ben Bernanke has said. (BS)
- ▶ ADB has projected India's economic growth rate to moderate to 8% in 2008-09, from 8.7% last fiscal. (BL)
- ▶ There seems to be a near consensus among economists that containing inflation through monetary tightening would prove counterproductive. They argue that this time inflation is largely led by supply constraints and not demand pull driven unlike in February 2007. (ET)
- ▶ India's industrial production growth, which slowed to 5.3% in January, is likely to further come down to around 3.4% between April and July when India faces maximum power scarcity, ASSOCHAM has said. (ET)
- ▶ The steel industry appears to be bowing to the Government's pressure to reduce prices. Secondary steel producers have assured the Government that they would hold the prices to help contain inflation. (BS)

Corporate News

- ▶ **Tata Motors** plans to list depositary receipts on the Tokyo Stock Exchange, and may raise more than ₹100 bn (\$983 mn) in Japan for acquisitions, the company said. (ET)
- ▶ **Satyam Computer Services** has entered into an MoU with Central Institute of Plastics Engineering and Technology for developing new engineering plastic materials through an industry-institute collaborative approach. (BS)
- ▶ **BoB** has said it has revised interest rates on term deposits in foreign currency by NRIs. (ET)
- ▶ Gateway Rail Freight, a subsidiary of **Gateway Distriparks** is in the process of raising around Rs.3.3 bn from PE investors. (ET)
- ▶ **UTV Software Communications** has announced the launch of its English business news channel UTVi. (BS)
- ▶ **IVRCL Infrastructures & Projects** has bagged orders valued at Rs.4.84 bn. The new orders include construction of a part of an integrated township in Kolkata at Rs.2.5 bn, and building houses for economically weaker sections in Delhi for Rs.1.14 bn. (BS)
- ▶ **GSPL** has said the company has obtained CARE AA rating from the CARE rating committee for long-term bank loans of Rs.12.11 bn by the company. (BL)
- ▶ **Era Infra Engineering** has said the company has secured an order valued at approximately Rs.40 mn from Jeet Builders Pvt Ltd for the supply of ready mix concrete for the construction of multi-storied residential complex at Greater Noida. (BL)
- ▶ **Suzlon Energy** has said its US-based arm has secured a contract from a local company in that country for supply of 200 MW of wind turbine capacity. (ET)
- ▶ **Zensar Technologies** has bagged a \$5-mn contract in West Asia and South Africa in the first three months of 2008 and is now targeting over 10% of its total revenues from these fast growing segment of the market. (ET)
- ▶ **GMR Infrastructure** plans to raise \$3 bn (Rs.120 bn) over 'four or five years' to help fund expansion of power projects. (BS)
- ▶ **BEML** has reported a provisional rise of 11% in profit before tax at Rs.3.5 bn and 15.5% increase in turnover at Rs.30.05 bn for the year ended March 31 2008. (BS)

Equity

	2 Apr 08	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
BSE Sensex	15,750	0.8	(5.6)	(22.6)
Nifty	4,754	0.3	(4.0)	(23.1)
BSE Banking	7,823	2.3	(17.1)	(33.0)
BSE IT	3,644	2.9	(1.3)	(16.5)
BSE Capital Goods	13,498	(0.5)	(11.1)	(30.9)
BSE Oil & Gas	10,328	(0.2)	(0.9)	(24.1)
NSE Midcap	6,231	0.4	(10.7)	(35.0)
BSE Small-cap	7,912	0.6	(14.4)	(43.1)
World Indices				
Dow Jones	12,606	(0.4)	2.8	(3.5)
Nasdaq	2,361	(0.1)	4.6	(9.3)
FTSE	5,916	1.1	1.7	(8.7)
Nikkei	13,189	4.2	2.3	(13.2)
Hangseng	23,872	3.2	2.1	(10.4)

Value traded (Rs cr)

	2 Apr 08	% Chg - Day
Cash BSE	4,873.6	(15.8)
Cash NSE	11,199.1	1.8
Derivatives	34,170	(4.8)

Net inflows (Rs cr)

	1 Apr 08	% Chg	MTD	YTD
FII	(1,188)	940	(1,188)	(13,408)
Mutual Fund	(285)	(175)	(285)	5,909

FII open interest (Rs cr)

	1 Apr 08	% Chg
FII Index Futures	18,558.0	(4.4)
FII Index Options	6,531.8	13.5
FII Stock Futures	18,095.0	1.2
FII Stock Options	117.2	2.3

Advances / Declines (BSE)

	2 Apr 08	A	B	S	Total	% total
Advances	118	1,241	317	1,676	65	
Declines	90	623	155	868	34	
Unchanged	-	36	10	46	2	

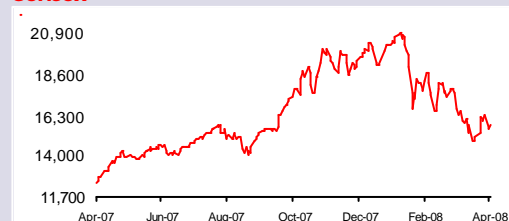
Commodity

	2 Apr 08	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	104.7	(0.2)	2.1	5.5
Gold (US\$/OZ)	904.4	2.5	(8.1)	4.5
Silver (US\$/OZ)	17.4	3.2	(14.8)	13.0

Debt / forex market

	2 Apr 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.90	7.80	7.56	7.75
Re/US\$	39.98	39.82	40.39	39.43

Sensex



COMPANY UPDATE

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HINDUSTAN DORR OLIVER**PRICE: Rs.100****TARGET PRICE: Rs.181****RECOMMENDATION: BUY****FY09E P/E: 11.3x**

- **HDO likely to end year with Rs.5.0-bn plus order backlog, up 60% over FY07. Revenue visibility of 19 months is based on estimated FY08 revenues.**
- **To forge technical tie-up for entry into coal beneficiation segment**
- **Management focused on meeting execution targets for FY09. Plans are to increase share of revenues from manufactured products.**
- **Valuations compelling at current price. In view of this, we reiterate BUY with a target price of Rs.181.**

Summary table

Rs mn	FY07	FY08E	FY09E
Sales	2,085	3,100	4,504
Growth (%)	47.5	48.7	45.3
EBITDA	186	307	443
EBITDA margin (%)	8.9	9.9	9.8
Net profit	153	226	317
Net cash (debt)	411	410	413
EPS (Rs) (cons)	4.3	6.3	8.9
Growth (%)	133.8	47.1	40.6
CEPS	4.7	7.1	9.7
DPS (Rs)	0.4	0.5	0.5
ROE (%)	13.0	16.0	19.0
ROCE (%)	17.0	25.0	30.0
EV/Sales (x)	1.5	1.0	0.7
EV/EBITDA (x)	17.0	10.3	7.2
P/E (x)	23.4	15.9	11.3
P/Cash Earnings	21.2	14.2	10.3
P/BV (x)	2.9	2.5	2.1

Source: Company, Kotak Securities - Private Client Research

Likely to end year with impressive order backlog

During the current year, we estimate that HDO has recorded order inflows of Rs.5.2 bn. During the current quarter, HDO is estimated to have received orders worth Rs.1-1.2 bn. Significant orders include a project worth Rs.820 mn from RCF for ANP granulation plant. HDO's current order backlog is Rs.5.0 bn plus, thus providing a revenue visibility of 19 months based on FY08 revenues.

Order from Uranium Corporation of India delayed but HDO strongly placed

In the field of uranium ore processing and extraction plants in India, HDO has supplied equipment and systems to 3000 TPD capacity greenfield project for Uranium Corporation of India Ltd at Jharkhand and is also planning to contribute to their upcoming greenfield projects at Andhra Pradesh and Meghalaya as EPC contractors.

HDO claims it has tied up with a South African company (Bateman Engineering Group), which has the best technical qualification for executing the project. While this order was expected to be received during CY07 itself, we understand the award of the order may take place in June-July 2008. However, the management has indicated that the scope of the order has been expanded from Rs.2.4 bn earlier to Rs.3.5 bn plus.

In the process of forging a technical tie-up for coal beneficiation projects

In view of the massive power generation capacity addition in India, the bulk of which will be based on coal, we see significant demand for coal beneficiation equipment. HDO currently does not have the requisite qualifications for taking up coal-washing projects and is in talks with the Bateman Engineering Group.

Focus on execution & talent retention

The management has indicated that as of now it has not seen signs of new projects getting postponed. Moreover, the focus from the client's side is on completing the projects on time. HDO has won several projects during the year. Hence, it has managed timely execution of these projects which would be a focus area for the company in FY09. The management is using performance incentives and stock options to ensure manpower retention.

Aggressive investment plans of prime client Vedanta Resources

HDO has been a preferred enviro-engineering solutions company for Vedanta Resources. The company has completed various packages for Vedanta's greenfield alumina refinery project of 1.4 MTPA capacity, which is the largest in India. HDO is working on a Rs.2.1-bn order with Chinese company Chailleco for Vedanta's alumina refinery at Jharsuguda. During the year, HDO received further orders of Rs.300 mn from Vedanta for piping system and compressed air piping with accessories pertaining to the same project.

News reports indicate that the Vedanta Group is planning to invest over \$8.5 bn (about Rs.340 bn) to generate 10,000 MW of power through coal-based plants in Orissa and Chhattisgarh. We expect HDO to get significant opportunities in enviro-engineering from these investments.

Target to reach Rs.5.0 bn in revenues by FY09

HDO's target is to reach Rs.5.0 bn in FY09 from Rs.2.1 bn in FY07. The company expects revenues from manufacturing of equipment to exceed Rs.1.0 bn in FY09 (Rs.600 mn estimated in FY08). HDO manufactures pressure vessels, heat exchangers and filters required for water and mineral purification processes. The company is in talks with global majors to outsource their equipment manufacturing to India.

On a fast-growth track

Under the IVRCL group's fold, HDO has been driving an in-house transformation initiative to streamline the way it is doing business. The focus is to achieve improvement in factors like operational excellence, cost, quality and on-time performance. Such initiatives have enabled the company to expedite decision making, increasing throughput, dispatch and commissioning schedules to match the changing business dynamics.

This has been reflected in its FY07 performance with net profits rising 133%. Based on forecast revenue CAGR of 47% over FY07-09, we expect the company to report EPS of Rs.6.3 and Rs. 8.9 per share, respectively, in FY08 and FY09.

Valuations

At the current price, HDO is trading at 13.8x and 9.8x FY08 and FY09 earnings estimates, respectively. On an EV/EBITDA basis, the stock is trading at 6.5x one-year forward. The balance sheet remains strong with low levels of leverage. We reiterate **BUY** with a price target of Rs.181.

We recommend BUY on Hindustan Dorr Oliver with a price target of Rs.181

Bulk Deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
2-Apr	Bihar Tubes	Jagan Industries Ltd	S	45,000	141.22
2-Apr	Birla Cap	Ayodhyapati Investment Pvt Ltd	S	90,000	6.58
2-Apr	DMC Inter	Hitech Computech Private Ltd	S	46,466	13.50
2-Apr	Donear Indus	Lotus Global Investments Limited	B	299,125	65.00
2-Apr	GSS America	Pacific Corporate Services Ltd	S	290,141	689.40
2-Apr	GSS America	India Diversified Mau Limited	S	150,000	630.14
2-Apr	Jumbo Bag Lt	Dinesh Rathod HUF	B	50,235	43.41
2-Apr	Karut Net L	Rhea Holdings Pvt Ltd	B	300,000	190.00
2-Apr	Karut Net L	LB India Holdings Mau li Ltd FCCB	S	300,000	190.00
2-Apr	Mah Ind Leas	Shah Samir D	B	95,429	16.70
2-Apr	Mah Ind Leas	Alliance Intermediateries	S	95,429	16.70
2-Apr	Media Matrix	Committed Trading Pvt Ltd	B	600,000	5.96
2-Apr	Monet Sugar	Umra Securities Ltd	B	89,193	21.82
2-Apr	Monet Sugar	Trustwell Holdings Limited	S	46,344	21.72
2-Apr	Nagreeka Cap	Usha Devi Saraogi	B	200,000	62.00
2-Apr	Nagreeka Cap	Pushpa Devi Saraogi	B	157,500	62.00
2-Apr	Nagreeka Cap	Meridian Investments	S	357,500	62.00
2-Apr	OK Play Indi	Rajendra Kumar Jain	S	35,000	57.50
2-Apr	Rajas Tube M	APL Infrastructure Private Lim	B	100,000	11.50
2-Apr	Southbiotec	Vincent Commercial Company Ltd	B	170,000	20.15
2-Apr	Southbiotec	Vatican Commercials Ltd	S	170,000	20.15

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
SAIL	168	(3.8)	(4.6)	12.6
BHEL	1,854	(2.1)	(3.1)	1.7
Tata Steel	649	(3.4)	(2.7)	1.8
Losers				
Bharti Airtel	823	2.5	6.3	2.4
Infosys Tech	1,483	4.2	5.7	1.4
HDFC	2,473	4.7	5.2	0.5

Source: Bloomberg

Forthcoming events

Company/Market

Date	Event
3-Apr	Gammon Infrastructure Projects listing on BSE & NSE
	BHEL to announce Q4 results
	Aditya Birla Retail & Oracle holds press conference
9-Apr	Yes Bank earnings expected
15-Apr	Infosys, HCL Tech earnings expected
16-Apr	Power Finance Corporation earnings expected

Source: Bloomberg

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