

Equity indices	% Chg			
	21-Aug	1-day	1-mth	3-mth
<b>India</b>				
Sensex	13,989	(3.0)	(10.1)	(3.2)
Nifty	4,075	(3.2)	(10.8)	(4.8)
<b>Global/Regional markets</b>				
Dow Jones	13,091	(0.2)	(5.5)	(3.3)
Nasdaq	2,521	0.5	(6.2)	(2.6)
FTSE	6,086	0.1	(7.6)	(7.9)
Nikkei	15,872	(0.2)	(12.6)	(10.2)
Hang Seng	21,921	0.9	(5.9)	5.2

Value traded (Rs bn)	BSE	NSE
Cash	48.7	106.3
Derivatives	8.8	454.9
Total	57.5	561.2

Net inflows (Rs bn)	Recent trends (days)			
	20-Aug	-7d	-15d	-30d
FII	(32.4)	(65.8)	(100.1)	66.8
MF	2.4	6.6	17.9	5.1

Forex / Crude	% Chg			
	21-Aug	1day	1mth	3mth
Rs/US\$	41.1	0.0	(2.0)	(1.3)
Euro/US\$	1.3	(0.0)	(2.5)	0.1
Crude(\$/bbl)	69.8	0.4	(7.6)	7.5

Mkt movers (Rs)	Close	Pr. Cl.	% Chg
<b>Top gainers</b>			
Gokaldas Exports	252.1	228.7	10.2
Patni Computer	419.0	391.4	7.0
Sundram Faste	55.3	52.5	5.1
<b>Top losers</b>			
Rashtriya Chem	46.7	53.2	(12.2)
JBF Industries	133.4	151.4	(12.0)
Sun TV Network	297.9	337.1	(11.6)

## In focus

### Sujana Towers – Company Update

Towering high

CMP: Rs 122 Target: Rs 157 BUY

### Today's top picks

Punj Llyod, RIL, ICICI Bank, HDIL

## News track

- ❖ Trai has come down heavily on telecom operators, especially Bharti Airtel, for levying extra charges on subscribers for rectification and repair of landline services. Trai has directed Bharti to refund such charges within one week. (ET)
- ❖ BHEL has won international competitive bidding (ICB) turnkey contracts worth Rs 65bn for setting up two units of 500MW each at Koderma Thermal Power Station (TPS) in Jharkhand and two units of 500MW each at Durgapur Steel TPS in West Bengal. (FE)
- ❖ Lanco Infratech has bagged a Rs 830mn contract to develop and modernise the existing airport at Varanasi in Uttar Pradesh. The company has three other bidders in the cash contract to be executed over a 15-month period. (BL)
- ❖ ICICI Bank has signed a pact with Export Import Bank of Korea for a line of credit of US\$ 200mn to meet foreign currency requirements of corporates having business connections with Korean companies. (BL)
- ❖ Infosys has announced its first Latin American subsidiary and the opening of the development centre and office for the region based in Monterrey, Mexico. (ET)
- ❖ MTNL has joined hands with US-based web service provider AOL to offer its products and content in India through a co-branded portal. The portal, www.mtnl.aol.in, will offer an e-mail service and content straddling across channels like cricket, movies, music and videos besides other services. (ET)
- ❖ Sajjan Jindal-controlled JSW Steel has bought three steel firms in the US controlled by elder brother Prithvi Raj Jindal for US\$ 900mn. (HT)
- ❖ NPPA has recommended a price control on medicines used for worm infestation sold by more than 80 companies in India. (ET)

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

### Volume shockers

(No of shares)	21-Aug	2-mth avg	Chg (x)
Bannari Amman	40,541	2,517	16.1
Chambal Fertilizers	8,328,613	839,981	9.9
Cranes Software	423,358	43,287	9.8

### Delivery toppers

	Del (%)	Total Vol	Cons Days Up
Gokaldas Exports	51.7	1,459,258	3
Aban Offshore	47.1	101,851	-1
ABB India	51.1	838,515	-1

# Sujana Towers

## Company Update

**CMP: Rs 122**

**Target: Rs 157**

**BUY**

### Suman Memani

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BSE code

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### Company data

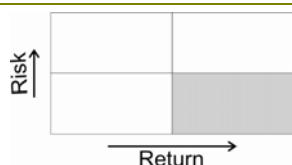
#### Particulars

Market cap (Rs bn / US\$ mn)*	4.7/115.4
Outstanding equity shares (mn)	38.8
52-week high/low (Rs)	122/122
2-month average daily volume	-

### Financial snapshot

Particulars	FY06	FY07E	FY08E
Sales (Rs mn)	3,050.2	4,393.2	6,270.0
Growth (%)	-	44.0	61.5
Adj net profit (Rs mn)	336.9	389.7	610.0
Growth (%)	-	15.6	56.5
FDEPS (Rs)	14.0	10.0	15.7
Growth (%)	-	15.6	56.5
P/E (x)	18.0	12.2	7.7

### Risk-return profile



### Shareholding pattern

(%)	Jun-07	Mar-07
Promoters	29.7	-
FIs	48.0	-
Banks & FIs	5.9	-
Public	16.4	-

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Sujana Towers	122	NA	NA	NA
Sensex	13,989	(10.1)	(3.2)	(0.2)

Company website

[www.sujana.com](http://www.sujana.com)

## Towering high

Sujana Towers (STL) is the new entity formed following the de-merger of Sujana Metals' tower business. STL manufactures transmission towers for the power and telecom sectors and services large clients such as PGCIL, Bharti, AP Transco, GTL and Reliance Communications. Considering the strong demand scenario, STL has substantially enlarged its tower manufacturing and structural steel capacities. We expect the company to log a sales and PAT CAGR of 43.4% and 65.8% respectively over FY06-FY08.

We have a target price of Rs 157 for STL at which the stock would trade at a P/E of 10x on FY08E which is very attractive considering that other transmission players trade within a range of 11-16x. Going ahead, we believe that STL will attract a scarcity premium and witness a significant stock price re-rating considering its strong footing in the tower business and foray into the transmission line segment. We recommend a Buy on the scrip.

## Business update

### Capacity enhanced substantially...

The company has undertaken a Rs 850mn expansion programme over FY06-FY08 for expanding its tower capacity. The expenditure (including for the metal business expansion) has been funded via a preferential allotment of Rs 1bn and Rs 200mn in debt.

Post-expansion, the tower manufacturing capacity has increased from 28,000tpa to 128,000tpa, operational from March 2007. The management expects to utilise at least 90% of the capacity in FY08. The heavy structural steel product capacity (now part of STL) has also been raised to 70,000tpa which moves up to 80,000-85,000tpa for a mix of light and heavy structures. Thus, 80% of the structural steel input requirement for tower manufacturing is now met in-house.

### ...driving operational efficiencies

With a large proportion of the raw material (structural steel) requirement being met through in-house supply, STL will witness considerable cost savings and hence margin growth. The increase in tower capacity will also enable the company to take on larger orders, thus bolstering revenues. Moreover, the company is fully booked for the next three quarters and we expect execution of 9,500-9,700 tonnes per month (tpm). This will reduce the per unit cost of raw material and push up the operating margin.

### Cost-cutting measures further boost margin growth

The company has initiated certain measures to maximise productivity and cut costs. It undertakes small batch production which lowers the inventory carrying cost, and also saves on scrap by producing non-standardised sizes tailored to client requirements. These measures are expected to add another 100-120bps to the operating margin for FY08. For Q4FY07, the EBITDA margin was at 13.8%.

### Foray into power transmission lines

The government has targeted investments of Rs 8,000bn in the power sector over 2007-12, of which Rs 3,000bn would be invested in transmission and distribution (T&D). This investment would generate 100,000MW of power by 2012 and accomplish the government's mission of 'Power to all'. Considering the significant potential in T&D, STL has recently forayed into the allied business of transmission lines through the JV route.

**Executing power transmission projects for KPTCL and AP Transco worth Rs 1.5bn**

SML is currently in the process of executing power transmission projects totalling Rs 1.5bn for KPTCL and AP Transco, in joint venture with Deepak Cables and Annapoorna Constructions & Transmission respectively. The company will continue to adopt the joint venture route in this segment to avoid the high risk of operation.

## Financial highlights

### Financial performance

(Rs mn)	Q4FY07	FY07	FY06	% Var
Sales	1,444.0	4,393.2	3,050.2	44.0
Other income	1.3	6.0	5.0	21.0
EBIDTA	199.7	639.7	319.8	100.0
EBITDA margin (%)	13.8	14.6	10.5	38.9
Interest	22.4	59.7	23.9	150.1
EBDT	177.3	580.0	295.9	96.0
Depreciation	17.6	66.2	51.3	28.9
Prior period	0.1	0.6	114.5	(99.4)
PBT	159.7	514.4	359.1	43.2
Tax	20.0	59.2	0.0	-
Deferred tax	0.0	65.5	22.2	195.8
PAT	139.7	389.7	337.0	15.6

Source: Company, Religare Research

### Capacity enhancement supports 44% rise in revenues for FY07

Revenue increased by 44% to Rs 4.4bn in FY07 against Rs 3.1bn in FY06 due to capacity additions which raised production to 9,000tpm. The operating margin improved by 410bps to 14.6% due to in-house raw material supply and better operating efficiency. We expect margins to be maintained at this level going ahead. Depreciation cost increased by 28.9% to Rs 66.2mn in FY07 on account of the additional capex of Rs 850mn undertaken by the company during FY06-FY08.

### Adjusted PAT up 76%

PBT rose 43.2% and PAT was up 15.6% in FY07. Adjusted for prior period items, PAT has risen 75.6% to Rs 389.7mn as against Rs 222.5mn in the same period last year. We expect the company to post a PAT CAGR of 65.8% to Rs 610mn over FY06-FY08.

**EBITDA margin improved 410bps to 14.6% in FY07**

## Valuation

### STL to attract scarcity premium; Recommend Buy

We initiated a Buy call on Sujana Metal Products (pre de-merger) at Rs 138 with a target price of Rs 208, wherein we had valued the tower business at Rs 157 and the metals business at Rs 51 (see table). Our target price for the tower segment has been arrived at by discounting the tower business at 10x on FY08E earnings of Rs 15.7. This is very attractive considering that other transmission players trade within a range of 11-16x. Going ahead, we believe that STL will attract a scarcity premium and witness a significant stock price re-rating considering its strong footing in the tower business and foray into transmission lines. We recommend a Buy on the scrip.

### Peer comparison

	CMP (Rs)	Sales (Rs mn)		Operating margin (%)		EPS (Rs)		P/E (x)	
		FY07	FY08E	FY07	FY08E	FY07	FY08E	FY07	FY08E
RPG Transmission	234	3,725	4,692	11.5	11	16.4	20.5	14.2	11.4
Jyoti Structure	186	10,249	9,950	12.3	11	6.8	13	27.3	14.3
KEC International	595	20,932	25,500	12	11	27.8	38	21.4	15.6
Sujana Towers	122	4,393.2	6,270	14.6	14.1	10.0	15.7	12.2	7.7

Source: Religare Research

### Target price breakdown

Particulars	Price at which call was initiated (Rs)	Target price (Rs)
Metal business	30	51
Tower business	108	157
<b>Sujana Metal Products</b>	<b>138</b>	<b>208</b>

Source: Religare Research

### STL - sales and earnings forecast

(Rs mn)	FY07E	FY08E
Sales	4,393.2	6,270.0
EBDITA	639.7	896.6
PAT	389.7	610.0
EPS (Rs)	10.0	15.7

Source: Religare Research

### Recommendation history

Date	Event	Reco price	Tgt price	Reco
14-May-07	Initiating Coverage	108	157	Buy
21-Aug-07	Company Update	122	157	Buy

Source: Religare Research

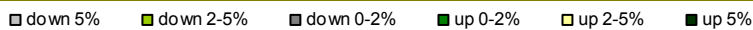
## Recommendation tracker

Date	Company	Report type	Stock price (Rs)	Target (Rs)	Reco
23-Jul-07	Cipla	Results Update	201	214	SELL
23-Jul-07	Garware Wall Ropes	Initiating Coverage	154	301	BUY
23-Jul-07	Central Bank of India	IPO Note	85-102	NA	SUBSCRIBE
25-Jul-07	ACC	Results Update	1,118	1,110	SELL
25-Jul-07	Union Bank of India	Results Update	154	191	BUY
25-Jul-07	Sasken Communication	Results Update	418	516	BUY
25-Jul-07	Venus Remedies	Results Update	492	708	BUY
25-Jul-07	Greenply Industries	Results Update	202	252	BUY
26-Jul-07	Opto Circuits (India)	Results Update	475	517	BUY
26-Jul-07	Great Offshore	Results Update	807	1,045	BUY
26-Jul-07	Lakshmi Energy and Foods	Results Update	181	260	BUY
26-Jul-07	Tulip IT Services	Results Update	749	932	BUY
26-Jul-07	Indus Fila	Results Update	224	352	BUY
26-Jul-07	Punjab National Bank	Results Update	525	610	BUY
26-Jul-07	Bank of India	Results Update	263	300	HOLD
27-Jul-07	Omax Auto	Results Update	77	112	BUY
30-Jul-07	PVR Cinemas	Results Update	209	277	BUY
30-Jul-07	Shringar Cinemas	Results Update	60	75	BUY
30-Jul-07	Apollo Tyres	Results Update	391	498	BUY
30-Jul-07	Federal Bank	Results Update	352	434	BUY
31-Jul-07	RPG Cables	Results Update	48	87	BUY
31-Jul-07	Balaji Telefilms	Results Update	250	317	BUY
01-Aug-07	Nava Bharat Ventures	Results Update	198	302	BUY
01-Aug-07	K S Oils	Results Update	55	68	BUY
01-Aug-07	Bank of Baroda	Results Update	300	343	BUY
01-Aug-07	Dishman Pharmaceuticals and Chemicals	Results Update	315	357	HOLD
01-Aug-07	Cadila	Results Update	351	416	BUY
01-Aug-07	Divi's Laboratories	Results Update	6,692	6,330	HOLD
02-Aug-07	Maruti Udyog	Results Update	821	945	BUY
02-Aug-07	Sangam (India)	Results Update	56	95	BUY
02-Aug-07	KPR Mills	IPO Note	225-265	NA	AVOID
02-Aug-07	Riddhi Siddhi Gluco Biols	Results Update	265	365	BUY
06-Aug-07	Mahindra and Mahindra	Results Update	678	990	BUY
06-Aug-07	Cinemax	Results Update	142	189	BUY
06-Aug-07	Parsvnath Developers	Initiating Coverage	326	512	BUY
08-Aug-07	Wipro Technologies	Company Update	459	595	HOLD
09-Aug-07	Punjab National Bank	Analyst Meet Note	521	610	BUY
13-Aug-07	Bajaj Auto	Company Update	2,319	2,748	BUY
13-Aug-07	IVRCL Infrastructures & Projects	Initiating Coverage	381	488	BUY
13-Aug-07	Inox Leisure	Results Update	121	120	SELL
14-Aug-07	Madhucon Projects	Company Update	247	332	BUY
16-Aug-07	Riddhi Siddhi Gluco Biols	Company Update	270	365	BUY
17-Aug-07	Jindal Drilling and Industries	Initiating Coverage	754	1,056	BUY
20-Aug-07	Motilal Oswal Financial Services	IPO Note	725 – 825	NA	SUBSCRIBE
20-Aug-07	Time Technoplast	Initiating Coverage	525	736	BUY
22-Aug-07	Sujana Towers	Company Update	122	157	BUY

## Market trends

### BSE sectoral indices

	% Chg				Constituent performance
	21-Aug	1-day	1-mth	3-mth	
Automobiles	4,475	(2.7)	(12.7)	(8.5)	
Banks	7,324	(4.4)	(12.8)	(4.4)	
Capital Goods	11,990	(2.8)	(8.3)	16.9	
Comm. & Tech.	3,359	(3.5)	(13.5)	(9.9)	
Consumer Durables	3,972	(1.6)	(5.6)	2.3	
FMCG	1,799	(2.4)	(1.6)	(6.3)	
Healthcare	3,430	(3.1)	(10.4)	(9.2)	
IT	4,295	(3.7)	(12.7)	(11.4)	
Metal	9,847	(3.5)	(19.4)	(6.5)	
Oil & Gas	7,408	(2.8)	(8.7)	(5.7)	
Mid-caps	6,134	(3.3)	(10.3)	(0.2)	
Small-caps	7,538	(3.8)	(7.9)	3.5	

Number of companies: 

### Emerging markets

Country	% Chg				
	21-Aug	1-day	1-mth	3-mth	6-mth
Brazil	49,815	1.2	(13.3)	(4.6)	7.2
Shanghai	4,978	0.5	22.7	21.1	66.0
Hong Kong	21,921	0.9	(5.9)	5.2	5.3
India	13,989	(3.0)	(10.1)	(3.2)	(0.2)
South Korea	1,755	1.1	(11.5)	6.8	19.8
Taiwan	8,457	(0.3)	(11.8)	3.3	8.3

### FII statistics

(US\$ mn)	1-day	WTD	MTD	YTD
India	(789.3)	(1,654.8)	(2,231.0)	8,003.9
South Korea	(363.1)	(524.9)	(7,013.4)	(11,927.0)
Taiwan	(35.5)	25.9	(5,860.7)	2,318.6
Thailand	(204.9)	12.8	(1,255.6)	2,838.9

## Events calendar

### Board meetings

August 22		23	24
Clutch Auto – Results		HCL Info – Dividend, Results	i-flex solutions – Results
Mah Seamless – Results		India Cements - Results	Gillette India – Results
Jain Irrigation – Results		Gem Spinners – Results	DCM Shriram Con - Dividend, Results
		Ansal Hsg – Results	Advani Hotels - Results
25		26	27
Galaxy Bearings – Results		Sunday	Visaka Ind – Results
Ruchi Soya – Dividend, Results			Lumax Auto – Dividend, Results
			Wall Street Fin – Results
28		29	30
Regal Finance - Results		Ballarpur Ind - Results	
		RTS Power Corp - Dividend, Results	

## Trade data

### Institutional bulk deals

Scrip	Client	Buy/Sell	Quantity	Avg Price (Rs)
Alfa Transfr	Religare Securites Caterpi	B	63,086	81.9
Central Bank Of India	Citigroup Global Markets Mauritius	B	8,859,294	127.7
Central Bank Of India	FID Funds (Mauritius)	B	2,931,988	130.5
Central Bk	FID Funds Mauritius	B	2,500,000	130.5
Centurion Bank Of Punjab	HSBC Financial Services(Middle East)	B	19,000,00	47.7
Chambal Fertilizers	Merrill Lynch Capital Markets Espana SA Svb	B	3,010,000	47.7
Micro Techn	Morgan Stanley And Co Intl Ac Morgan Stanley	B	85,195	231.0
Micro Techn	Morgan Stanley And Co Intl Ac Morgan Stanley	S	85,195	231.0
Prakash Industries	Merrill Lynch Capital Markets Espana SA Svb	B	2,340,000	72.3
SEL Manufacturing Company	Credit Suisse (Singapore) A/C Credit Suisse	S	211,365	95.8
SEL Manufacturing Company	Lionhart Investments A/C Photon Mauritius	S	357,348	90.0

Source: BSE

### Insider trading

Scrip	Acquirer/Seller	Buy/Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Bajaj Auto	Sanjiv Bajaj	B	1,000	-	395,271	0.4
Can Fin Homes	Chattisgarh Investments & Pacs	B	411,587	2.0	1,452,531	7.1
CCL Products (India)	C Rajendra Prasad	B	7,047	0.1	1,378,447	10.4
Dolat Investments	Gigantic Investments	S	3,897	-	2,127,317	2.4
Glaxosmithkline Consumer Healthcare	Life Insurance Corporation Of India	S	1,187,384	2.8	3,337,323	7.9
Hi-Tech Gears	Hi-Tech Portfolio Investments	B	4,048	0.0	945,119	10.1
ICICI Bank	Nachiket Mor	B	25,000	-	25,000	-
ISMT	A K Jain	B	5,000	-	1,712,281	1.2
ISMT	A K Jain	B	5,000	-	1,717,281	1.2
ITC	B B Chatterjee	S	3,000	-	113,405	-
ITC	B B Chatterjee	S	6,000	-	107,405	-
ITC	Anup Singh	S	4,464	-	233,700	-
Man Industries (India)	Rameshchandra Mansukhani	B	7,299	-	1,210,291	4.5
Nissan Copper	Sanjay Mardia	B	5,000	0.0	-	-
Pae	Pritam A Doshi	B	27,087	0.3	105,044	1.1
Thermax	Prakash M Kulkarni	S	7,015	-	90,635	0.1
Trent [Lakme ]	Franklin India Flexi Cap Fund	B	134,173	0.7	689,945	3.7
Trent [Lakme ]	Franklin India Smaller Companies Fund	B	168,857	0.9	851,958	4.5
Ventura Textiles	Ventura Texports	S	10,250,00	2.6	130,706,5	33.1
Ventura Textiles	Penny Securities & Investments	S	10,000,00	2.5	45,897,41	11.6
Ventura Textiles	Sapna Bhargava J/W Prakash Bhargava	S	500,000	0.1	-	-
Ventura Textiles	Sneh Prakash Bhargavaj/Wprakash	S	500,000	0.1	-	-
Vishal Exports Overseas	Punjab National Bank	S	3,400,090	0.9	7,455,580	2.1

Source: BSE



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### Recommendation parameters

			Returns	Absolute
Large-caps*	> 10%	< -5%		
	BUY	SELL		
Mid-caps**	> 25%	< 10%		

\*Market cap over US\$ 1bn \*\*Market cap less than US\$ 1bn

### Religare Securities

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