

July 4, 2006

FOR PRIVATE CIRCULATION

Equity

	3 Jul 06	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	10,695	0.8%	2.3	(8.1)
Nifty	3,151	0.7%	1.9	(9.5)
Banking	4,359	0.2%	(10.0)	(20.3)
IT	2,525	1.3%	3.8	(9.9)
Healthcare	3,131	0.0%	(6.7)	(21.2)
FMCG	1,981	1.6%	4.5	(13.6)
PSU	4,980	0.6%	(4.5)	(19.9)
CNX Midcap	3,950	0.1%	(7.3)	(20.0)
World indices				
Nasdaq	2,190	0.8	(1.3)	(6.6)
Nikkei	15,572	0.4	(0.7)	(9.3)
Hangseng	16,327	0.4	2.8	1.6

Value traded (Rs cr)

	3 Jul 06	% Chg - 1 Day	
Cash BSE	2,334	(27.4)	
Cash NSE	5,061	(28.4)	
Derivatives	16,281.1	(20.3)	

Net inflows (Rs cr)

	30 Jun 06	% Chg	MTD	YTD
FII	106.3	137.9	1,411	11,474
Mutual Fund	433.8	911.6	(1,958)	11,936

FII open interest (Rs cr)

	30 Jun 06	% Chg	
FII Index Futures	7,047	(1.9)	
FII Index Options	1,426	23.7	
FII Stock Futures	7,029	1.7	
FII Stock Options	37	45.9	

Advances/Declines (BSE)

	3 Jul 06	A	B1	B2	Total	% Total
Advances	112	279	340	731	49	
Declines	92	294	322	708	48	
Unchanged	2	13	29	44	3	

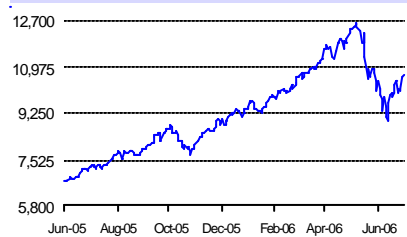
Commodity

	3 Jul 06	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	73.9	-	2.2	10.8
Gold (US\$/OZ)	623.5	1.2	(3.2)	5.3
Silver (US\$/OZ)	11.3	2.1	(7.7)	(4.0)

Debt/forex market

	3 Jul 06	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	8.14	8.10	7.67	N.A.
Re/US\$	46.01	46.07	45.77	44.71

Sensex



Source: Bloomberg

ECONOMY NEWS

- Private equity (PE) and venture capital (VC) firms have crossed \$3.4 bn in investments in the first six months of 2006, zipping past the \$2.2 bn PE investment figure in the whole of 2005. (ET)
- The I-T department is working out the modalities to mine the load of financial information being gathered through third-party sources to clamp down better on tax evasion. The department is expected to deliberate on ways to use the data culled from car companies, credit card providers and banks to enhance revenue collection. (ET)
- The northern states of Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Uttaranchal and Uttar Pradesh feel that to improve the GDP growth rate from 7% to 8.5%, policy initiatives have to be taken by the Center. (BS)
- The drive for e-government, operational efficiency and the pressure to build an information and communication technology (ICT) savvy nation is fuelling strong growth in IT spending for the public sector in the Asia Pacific region, according to IDC. (BL)

CORPORATE NEWS

- **ICICI Bank** said it has raised the interest rates on rupee and foreign currency-denominated deposits held by non-residents. The new rates take effect immediately, the bank said in a statement. It didn't say what prompted the revision in rates. (BL)
- **RILs'** organized retail foray - under Reliance Retail, a wholly owned subsidiary - will kick off with a food and beverage store in Hyderabad on August 1 this year, followed by a store every week in Andhra Pradesh. Sources said there would be three types of stores in all. (ET)
- **Reliance Communications** on Monday announced a new plan, which allows its fixed wireless subscribers in State capitals to make calls to each other at local call charges, at 40 paise a minute. The Reliance move follows a similar price plan announced by MTNL for STD calls between Delhi and Mumbai at local call rates. (BL)
- **BHEL** has bagged two contracts worth Rs. 8.42 bn for setting up two thermal power projects in Rajasthan. The contracts, placed by Rajasthan Vidut Utpadan Ltd, entail the setting up of a 250-MW unit at Suratgarh Thermal Power Station and a 195-MW unit at Kota Thermal Power Station, a BHEL release said. (BL)
- **L&T** has bagged four orders together valued at Rs. 3.29 bn from IOC and Bongaigaon Refinery & Petrochemicals Ltd (BRPL) for their on-going expansion projects. L&T's heavy engineering Division will be executing the order. (BL)
- Shares of **Qualcomm** have come under pressure over the past one month, losing a market cap of \$11.7 bn. Qualcomm, listed on Nasdaq, share prices dropped nearly 15% in June on the back of various negative reports including **Reliance Communication**. (ET)
- **Honda Japan** will invest another Rs. 30 bn in India across all its operations in the next ten years. The company will also kick-off a new parts business called **Honda Motor India**, which will be headed by Masahiro Takedagawa, president and CEO of **Honda Siel**, who will also coordinate Honda's different businesses in India. (ET)
- **JP Morgan Chase**, which holds 28% stake in **MTR Foods**, has informed the Maiya family of a time bound pull out from the company. The overseas investor could be looking at around Rs. 400 mn for its holding. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

RESULT UPDATE

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Summary table

(Rs mn)	FY06E	FY07E	FY08E
Sales	685.9	1202.5	1757.5
Growth (%)	89.5	75.3	46.2
EBIDTA	185.0	309.8	476.0
EBIDTA margin (%)	27.0	25.8	27.1
Net profit	108.0	161.8	251.5
EPS (Rs)	10.5	15.1	23.5
Growth (%)	20.9	44.3	55.4
DPS (Rs)	1.80	1.50	1.50
ROE (%)	16.0	15.0	19.0
ROCE (%)	18.0	18.0	21.0
EV/Sales (x)	4.68	2.67	1.83
EV/EBIDTA (x)	17.36	10.37	6.75
P/E (x)	25.67	17.79	11.44
P/BV (x)	2.78	2.44	2.04

Source: Company & Kotak Securities - Private Client Research

CHAMPAGNE INDAGE (CIL) (Rs.269, FY07 PE: 17.8x, BUY)

Champagne Indage has reported quite impressive fourth quarter results, which are in line with our expectations. The stock has corrected significantly since our recommendation and at the current price, valuations look highly appealing given the company's growth potential. We reiterate our **BUY** with a price target of Rs. 472.

Quarterly performance

	Q4FY06	Q4FY05	% change
Net Sales	257	144	79
Other income	10	3	279
Raw material costs	(29)	16	-
Staff costs	12	7	74
Other costs	197	78	153
Operating costs	180	100	80
Operating profit	77	44	77
Interest	0	16	-
Depreciation	3	2	81
PBT	84	29	191
Tax	36	4	777
PAT	47	25	92
OPM (%)	30.0	30.3	
Other costs to sales (%)	76.8	54.2	
PAT (%)	56.5	85.6	

Source: Company

Highlights

Strong revenue momentum: Revenues for the quarter grew by 79% YoY to Rs. 257 mn. For the full year FY06, revenues grew by 90% to Rs. 686 mn. The company is expanding its capacity to cater to the robust industry growth. CIL's installed capacity is slated to rise 60% from 5 mn liters per annum currently to 8 mn liters per annum by end of FY07.

Margins have been maintained: Margins for the quarter remained stable at 30%. The change in stocks figure indicates substantial inventory at the end of the year. Since mature wines command a premium to normal wines, hence the company keeps aside some portion of its production to mature. Inventory is almost equal to annual sales.

Depreciation has increased as the company during the year expanded its winemaking capacity to 5 mn liters.

Robust earnings growth continues: CIL reported 91% increase in net profits in Q4 despite a substantial increase in tax payouts. Going ahead, we are projecting a 50% CAGR in earnings growth over FY06-08.

Valuation

Champagne Indage is the market leader and the largest producer of wines in Asia. It has more than 35 principal brands under its umbrella and a market share of over 70% in India. The company has a presence in all three segments of wines, namely, still wine, sparkling wine and fortified wine. The industry has experienced a growth of over 30% for the past few years. We expect Champagne Indage's revenues to grow at a CAGR of 71% over FY05-08.

Its net profits are expected to grow by 50% CAGR over FY06-08. We recommend a **BUY** on the stock with a target price of Rs. 472, implying an upside of 75% from the current price. We have arrived at the fair value by assigning the lower end of the one-year forward rolling P/E of 20x to FY08 earnings.

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
3-Jul	Acknit Knitt	Dhanani International Lim	S	13,500	47.43
3-Jul	Avantel Soft	Kotak Mahindra UK Ltd Ac	S	39,140	39.52
3-Jul	Axon Infotec	Shantilal M Shah Huf	B	5,000	49.55
3-Jul	Axon Infotec	Amit Kirtilal Shah Huf	B	5,000	49.55
3-Jul	Axon Infotec	Kushagra Software Ltd	S	15,000	49.97
3-Jul	BL Kashyap	Arisaig Partners Aisa Pte	B	100,000	940.00
3-Jul	BL Kashyap	Llyod George Investment M	S	96,600	940.00
3-Jul	CS Software	PCS Securities Ltd	S	33,100	23.00
3-Jul	Dover Securt	Sunview Vinimay Private L	S	157,100	6.25
3-Jul	Dover Securt	Duke Chemicals Private Li	S	101,200	6.25
3-Jul	Dover Securt	Ramesh Chand Agarwal	S	114,200	6.25
3-Jul	Dover Securt	Gulmohar Advisors Private	S	81,200	6.25
3-Jul	Govind Rubbe	Reliance Capital Trustee	B	1,199,011	27.00
3-Jul	Govind Rubbe	Prudential Icici Asset Ma	S	1,201,311	27.00
3-Jul	Maikaa Fibre	Khandwala Securities Ltd	S	100,000	10.10
3-Jul	Micro Techn	UBS Securities Asia Ltd.	B	68,200	211.68
3-Jul	Micro Techn	Macquarie Bank Limited	S	56,000	211.35

Source: BSE

Forthcoming events

COMPANY/MARKET	
Date	Event
5-Jul	Tata Steel holds annual shareholders meeting; Ultratech Cement to announce earnings and dividend
12-Jul	Infosys Technologies earnings expected
15-Jul	Bajaj Auto earnings expected
18-Jul	HDFC earnings expected
19-Jul	Biocon earnings expected
20-Jul	Godrej Consumer Products holds shareholders meeting and to announce earnings and dividend
21-Jul	ITC to announce 1st quarter earnings
24-Jul	IDFC earnings expected
26-Jul	Mahindra & Mahindra earnings expected

Source: Bloomberg

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
ONGC	1,129.4	1.9	6.4	1.9
TCS	1,800.2	3.5	6.3	0.5
Infosys Tech	3,154.4	2.5	4.4	0.6
Losers				
Wipro	502.5	(2.1)	(3.2)	1.2
HDFC Bank	778.5	(2.2)	(1.1)	0.5
Suzlon	1,026.3	(1.5)	(0.9)	0.6

Source: Bloomberg

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