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### Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ Aban Offshore	03-Mar-05	330	1,225	1,760
♦ HLL	24-Nov-05	172	247	300
♦ ICICI Bank	23-Dec-03	284	647	770
♦ Orient Paper	30-Aug-05	214	619	800
♦ UltraTech	10-Aug-05	384	840	1,000

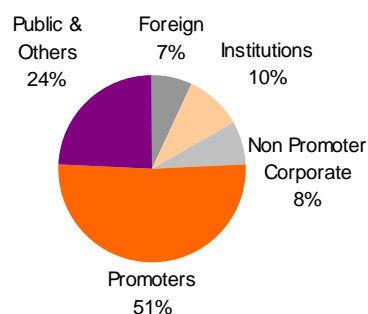
# Genus Overseas Electronics

**Ugly Duckling**
**Stock Update**
**Genius over the seas**
**Buy; CMP: Rs219**

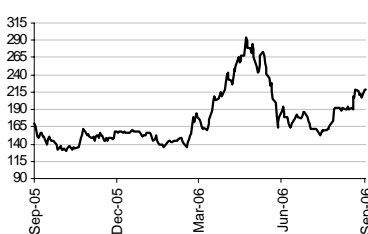
## Company details

Price target:	Rs270
Market cap:	Rs237 cr
52 week high/low:	Rs309/126
NSE volume: (No of shares)	40,474
BSE code:	530343
NSE code:	GENUSOVERE
Sharekhan code:	GENUSOVER
Free float: (No of shares)	53 lakh

## Shareholding pattern



## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	14.0	21.7	22.9	27.0
Relative to Sensex	8.2	-1.1	9.2	-13.1

## Key points

- Genus Overseas has entered into a joint venture with Brazilian company, Mobix Wireless Solutions Ltd, to set up a greenfield manufacturing unit in the country.
- The plant will have a capacity to manufacture one million electronic energy meters; both single and three-phase ones.
- The proposed project will entail an investment of USD15 million which will be financed through a mix of debt and equity.
- At 100% utilisation, the joint venture will clock a turnover of Rs200 crore and enjoy better margins on account of Mobix Wireless Solutions' brand image.

## Genus Overseas enters overseas market

With the intention of capitalising on the huge opportunities in the overseas markets, Genus Overseas (Genus) has decided to enter into a 50:50 joint venture (JV) with Mobix Wireless Solutions Ltd, a leading Brazilian company in communications technology. The details of the deal are as follows:

- the JV would be setting up a greenfield plant with a capacity to manufacture one million single and three-phase electronic energy meters (EEMs); and
- it would require a total investment of USD15 million or approximately Rs70 crore, which will be financed partly by a loan of USD9 million from a development bank in Brazil @ 0% interest. Both the companies in the JV will contribute equally the balance USD6 million in the form of equity.

## About Mobix Wireless Solutions

Mobix Wireless Solutions is a leading technology company providing innovative wireless solutions for m-commerce and telemetry solutions, based on advanced cellular data technologies. Over the past decade, Mobix Wireless Solutions has become a

## Key financials

Particulars	FY2004	FY2005	FY2006E	FY2007E	FY2008E
Net profit (Rs cr)	3.1	7.3	13.6	19.7	30.0
Shares in issue (cr)	1.0	1.0	1.0	1.2	1.2
EPS (Rs)	3.0	7.3	13.5	16.2	24.6
% y-o-y growth	4.0	139.0	86.0	44.0	52.0
PER (x)	72.3	30.2	16.2	13.5	8.9
Book value (Rs)	17.5	23.2	45.4	80.6	103.7
P/BV (Rs)	12.5	9.5	4.8	2.7	2.1
EV/EBIDTA (x)	24.5	16.7	7.5	5.9	4.0
Dividend yield (%)	0.5	0.7	0.7	0.7	0.7
RoCE (%)	11.4	12.6	15.4	14.0	17.0
RoNW (%)	17.3	31.3	29.8	20.1	23.8

worldwide leader in developing wireless data solutions for embedded systems, such as point-of-sale terminals, parking meters, vending machines, vehicle-mounted devices and automatic meter reading (AMR).

#### **JV to strengthen relationship with Mobix**

Genus enjoys an exclusive technical tie-up with Mobix Wireless Solutions to develop and manufacture EEMs that monitor power distribution billing with the AMR technology (AMR is generally regarded as the reading of a utility meter by a means that does not require physical access or visual inspection of the meter). Further, Mobix Wireless Solutions also distributes Genus' meters in North and South America as well as in the other countries. The proposed JV for setting up a manufacturing unit in Brazil further strengthens the relationship that Genus shares with the company.

#### **Requisite approvals for AMR meters already in place**

According to the press release of Genus, the company has already been doing pilot projects in Brazil for the last two years and has obtained all necessary approvals for the JV in that country. This is very positive, as it means that the company would be able to generate revenue as soon as the proposed plant gets operational. Usually, it takes a long time to obtain the requisite approvals from the government for such a venture. Further, with the pilot project already on, Genus' products have found wide acceptance in Latin America. This, we believe, would expedite the execution of the new project.

#### **FCCB proceeds to be used for the equity**

Genus had earlier raised USD7.5 million through a foreign currency convertible bond (FCCB) issue. The company would be using part of the proceeds to subscribe to the equity of the JV.

#### **Potential revenues of Rs200 crore...**

At 100% capacity utilisation, Genus expects to clock a turnover of Rs200 crore. The company has already started the formalities of acquiring land in Brazil and expects to commission the plant by the third quarter of FY2008. Thus we can expect the revenues to start accruing on the books from Q4FY2008.

#### **Better margins on account of Mobix' brand value**

Mobix Wireless Solutions, being one of the leading players in the wireless technology space, enjoys a tremendous brand name in Europe and Latin America. As a result the JV's products would enjoy higher margins in the range of 15-16%. Besides, Genus would also get access to the huge distribution network of Mobix Wireless Solutions without spending an extra penny.

Genus has not yet acquired any land for the proposed project. Hence we have not factored the revenues from the JV in our estimates, as we feel that any delay in land acquisition will affect the revenue flow. We will incorporate the revenues in our estimates as and when we gain more clarity on the completion of the proposed project.

#### **Valuation and view**

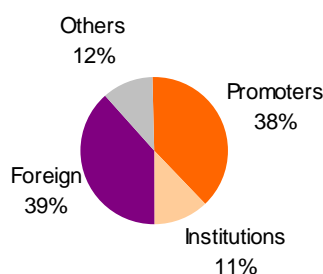
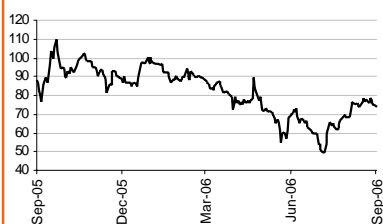
Going forward, the government's aim of power for all by 2012, focus on 100% metering and replacement of old mechanical meters with EEMs would drive Genus' earnings. This opportunity coupled with the order backlog of Rs460 crore, which stands at more than 2x company's FY2006 revenue, provides a strong visibility to the company's earnings. At the current market price of Rs219, Genus is discounting its FY2007E earnings by 13.5x and its FY2008E earnings 8.9x. We maintain our Buy recommendation on the stock with a price target of Rs270.

The author doesn't hold any investment in any of the companies mentioned in the article.

# Welspun Gujarat Stahl Rohren

**Emerging Star**
**Stock Update**
**Bags fresh order worth Rs700 crore**
**Buy; CMP: Rs74**
**Company details**

Price target:	Rs84
Market cap:	Rs958 cr
52 week high/low:	Rs113/47
NSE volume: (No of shares)	2.2 lakh
BSE code:	532144
NSE code:	WELGUJ
Sharekhan code:	WELSPUNGUJ
Free float: (No of shares)	8.0 cr

**Shareholding pattern**

**Price chart**

**Price performance**

(%)	1m	3m	6m	12m
Absolute	8.5	8.0	-16.5	-9.6
Relative to Sensex	3.0	-12.2	-25.8	-38.1

Welspun Gujarat Stahl Rohren (WGSR) has announced fresh order booking of Rs700 crore for the supply of line pipes to the oil & gas companies. What's important is the fact that the large part of the new orders has been received from the overseas market including an order worth Rs450 crore from the USA, which is a developed and highly competitive market.

The company has also strengthened its position in Iran with an order worth Rs200 crore. Earlier the company had bagged orders from National Iranian Gas Company (\$50 million) and Petrolran Development Company (around \$52 million). Other notable overseas order wins in the past couple of years are the Rs500-crore order from Indonesia (PGN) and Rs301-crore order from Algeria (Story Transgas). The large orders reflect that the company has been able to establish itself in the niche area of high-pressure oil & gas segment globally.

**Revenue growth momentum to be maintained**

In spite of the healthy fresh order booking during the quarter, the current pending order book stands at Rs1,800 crore which is around 12.5% higher than the order book of Rs1,600 crore at the beginning of the quarter. This clearly shows that the company has executed a substantial part of its order backlog at the beginning of the quarter and is likely to report a healthy growth in revenues for the second quarter as well. WGSR had shown a robust revenue growth of 63.2% in Q1 of the current fiscal.

Apart from this, the company has a healthy order pipeline in terms of bids made for orders worth Rs5,000 crore. The management expects to bag a reasonably substantial portion of it.

**Other developments**

The board of directors have authorised the management to consider bidding for exploration blocks under the new exploration licencing policy (VI). Though the company is not officially commenting on the same, we don't expect it to make any substantially large investments in diversification as it is already executing a large backward integration (worth Rs1,200 crore) project to produce plates and coils (one million tonne).

**Valuation**

At the current price, the stock is trading at 12.3x FY2007 and 8.9x FY2008 estimated earnings. We maintain our Buy call on WGSR with a price target of Rs84.

**Key financials**

Particulars	FY2004	FY2005	FY2006E	FY2007E	FY2008E
Net profit (Rs cr)	72.0	33.8	61.3	102.1	142.3
Shares in issue (cr)	28.3	10.7	16.9	16.9	16.9
EPS Rs	2.5	3.2	3.6	6.0	8.4
%yoy chg		24.1	14.7	66.6	39.4
PE (x)	29.3	23.6	20.6	12.3	8.9
BV (Rs)	7.6	27.4	57.5	63.6	72.0
P/BV	9.8	2.7	1.3	1.2	1.0
EV/EBIDTA	16.1	13.6	8.2	6.8	5.0
EV/Order book	1.2	0.5	0.8	1.0	1.1

## Monsoon Watch

### Erratic monsoon causes concern

#### Monsoon status as of September 13, 2006

The monsoon season is nearing its end and the retrenchment is expected to begin by the end of this month. The quantum of rainfall in the major areas of north India during the week from September 6 to September 13 has been lower than normal. The overall monsoon situation is 2% below normal for the week ending September 13, 2006.

#### Rainfall during the week September 6-13, 2006

For the week ending September 13, 2006, the rainfall was excess/normal in 18 sub-divisions and deficient/scanty in 18 sub-divisions out of the 36 meteorological sub-divisions. The actual rainfall was recorded to be 34.3mm. This is a deviation of -26% from the normal of 46.3mm.

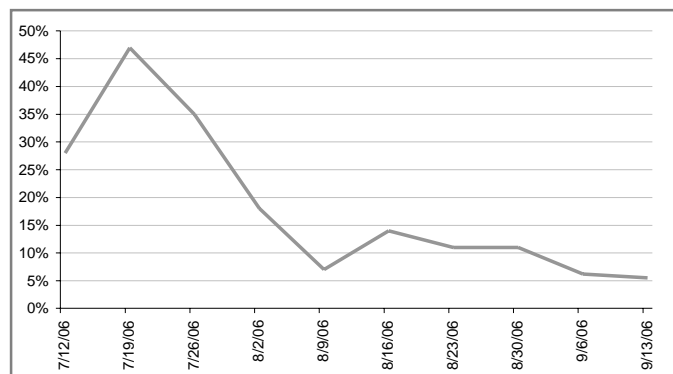
#### Cumulative rainfall (June 1 to September 13)

The total rainfall for the season was excess/normal in 26 sub-divisions and deficient in 10 sub-divisions out of the 36 meteorological sub-divisions. Against the normal rainfall for the season at 804.9mm, the actual rainfall was recorded to be 792mm. This is a departure of -2% for the ongoing season.

#### 5.5% of rain dependent area under deficient rainfall

The crop area dependent solely on the monsoon is about 135 million hectares in the country out of the total crop area of 186 million hectares. As of September 13, 5.5% of the rain dependent area had received deficient rainfall. The situation has marginally improved from last week. However, the current situation is vastly better than the initial weeks of the monsoon season. The improvement has been mainly due to good rainfall in Tamil Nadu and Pondicherry.

#### Deficient area



#### Sowing status as of September 8, 2006

The sowing progress data reveals that rice has been sown on 34.8 million hectares, up from 34.6 million hectares in the same period last year. The acreage under coarse grains has witnessed a decline this season. Compared with 21.7 million hectares sown last year, the sown area this season has been recorded at 20.3 million hectares.

Sowing of *kharif* pulses had earlier displayed a positive picture. However, the progress has slowed down in the last few weeks. As a result the total sown area this year now stands at 10.86 million hectares compared to 10.84 million hectares sown in the of same period last year.

#### Area in million hectares

Crop	2006-07	2005-06	% y-o-y chg
Rice	34.8	34.6	2.4
Coarse grains	20.3	21.7	-14.0
Soybean	8.0	7.7	2.6
Groundnut	4.6	5.5	-8.5
Total oilseeds	15.9	17.0	-10.6
Sugarcane	4.4	4.3	1.6
Cotton	8.7	8.4	3.3
Total Pulses	10.9	10.8	0.3

The overall oil seed acreage has seen a decline mainly due to a shortage in groundnut sowing. The total sown area under oil seeds has been 15.9 million hectares as against 17 million hectares sown last year. The total sown area under groundnut this year is down to 4.64 million hectares compared with 5.5 million hectares last year. The dry spell in the early part of the monsoon season is the primary cause for the fall in the sown area. However, the situation has improved from earlier weeks due to the rains received in Gujarat recently.

The coverage of soy bean has been much higher this season compared with the last season. As of September 8, 2006 the sown area stood at 8 million hectares compared with 7.7 million hectares last year.

The sowing of sugar-cane is over in almost all the cane producing states. The sown area this year stands at 4.4 million hectares vis-à-vis 4.3 million hectares last year.

Farmers in Gujarat have opted to dedicate a larger area to cotton this year. Compared with the last year's acreage of 8.7 million hectares, the sown area this year is higher by 3.3% at 8.36 million hectares.

### 2006-07 first advance estimate of crop production

The first advance estimate released by the government points to a dip in the overall output of grains to 105 million tonne against the figures of 109.7 million tonne (final estimate) for the same season last year.

The first advance estimate shows a decline in the output of major crops like rice, coarse cereals and oil seeds. The cotton output is expected to go down from 19.5 million bales last year to 18 million bales for the 2006-07 season. The rice output is expected to decline to 76 million tonne from 78.04 million tonne in the previous year.

In spite of an expected rise in the soy bean output, the overall *kharif* oil seed output is shown to be down. This is mainly because of the decline in the groundnut output from 6.22 million tonne to 4 million tonne.

The sugar-cane output, however, has been estimated to increase from 278 million tonne to 283 million tonne. The output of *kharif* pulses is expected to marginally increase from 5 million tonne from 4.66 million tonne.

### Output in million tonne

	2006-07E	2005-06	% y-o-y chg
Rice	76.0	78.0	-2.4
Sugarcane	283.0	278.0	1.7
Oilseeds	13.0	15.0	-13.3
Pulses	5.0	4.7	7.2
Cotton*	18.0	19.5	-7.6

\*Cotton in million bales

### Conclusion

*Kharif* crops contribute about 55% to the agricultural gross domestic product (GDP) and with the sowing season at its end, the overall sown area situation looks satisfactory at this stage. The rainfall for the season has improved considerably since the dry spell witnessed in June. The point of concern is the erratic nature that the rains have displayed this season. The early part of the season was marked by the lack of rainfall, and then floods in the states of Maharashtra and Madhya Pradesh marked the latter part of the monsoon season. The overall negative outlook for *kharif* output in the first advance estimate is to a large extent a result of this erratic performance of the monsoon. Since sowing was delayed this season, we need to see if subsequent estimates revise the crop output upwards.

In the current 2005-06 season, prices of major agricultural commodities like wheat, pulses and sugar-cane have been considerably higher. The higher prices translate into higher purchasing power for the farming community, which could moderate the adverse impact on the GDP due to the estimated lower output.

## Evergreen

HDFC Bank  
Infosys Technologies  
Reliance Industries  
Tata Consultancy Services

## Apple Green

Aditya Birla Nuvo  
Associated Cement Companies  
Bajaj Auto  
Balrampur Chini Mills  
Bank of Baroda  
Bank of India  
BASF India  
Bharat Bijlee  
Bharat Heavy Electricals  
Canara Bank  
Corporation Bank  
Crompton Greaves  
Elder Pharmaceuticals  
Godrej Consumer Products  
Grasim Industries  
Hindustan Lever  
Hyderabad Industries  
ICICI Bank  
Indian Hotels Company  
ITC  
Mahindra & Mahindra  
Marico Industries  
Maruti Udyog  
Lupin  
Nicholas Piramal India  
Omax Auto  
Ranbaxy Laboratories  
Satyam Computer Services  
SKF India  
State Bank of India  
Sundaram Clayton  
Tata Motors  
Tata Tea  
Unichem Laboratories  
Wipro

## Cannonball

Allahabad Bank  
Andhra Bank  
Cipla  
Gateway Distriparks  
International Combustion (India)  
JK Cement  
Madras Cement  
Shree Cement  
Transport Corporation of India

## Emerging Star

3i Infotech  
Aban Offshore  
Cadila Healthcare  
KSB Pumps  
Marksans Pharma  
Navneet Publications (India)  
New Delhi Television  
Orchid Chemicals & Pharmaceuticals  
ORG Informatics  
Solelectron Centum Electronics  
Television Eighteen India  
Thermax  
TVS Motor Company  
UTI Bank  
Welspun Gujarat Stahl Rohren

## Ugly Duckling

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Deepak Fertilisers & Petrochemicals Corporation  
Genus Overseas Electronics  
HCL Technologies  
ICI India  
Jaiprakash Associates  
JM Financial  
KEI Industries  
NIIT Technologies  
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Ratnamani Metals and Tubes  
Sanghvi Movers  
Saregama India  
Selan Exploration Technology  
Subros  
Sun Pharmaceutical Industries  
Surya Pharmaceuticals  
UltraTech Cement  
Union Bank of India  
Universal Cables  
Wockhardt

## Vulture's Pick

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Orient Paper and Industries  
WS Industries India

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