MONEY TIMES
BUSINESS & INVESTMENT WEEKLY

A TIME COMMUNICATIONS PUBLICATION

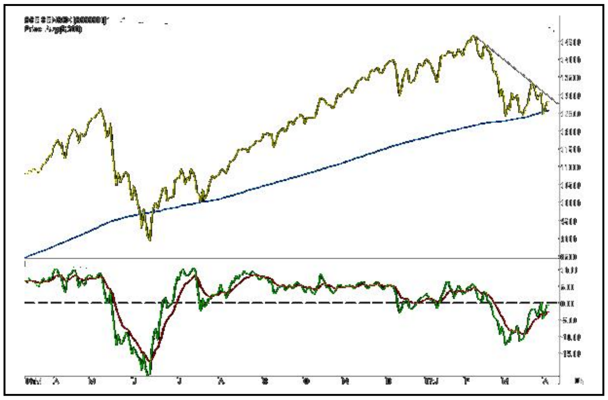
VOL. XVI No. 21 **Monday, April 9 - 15, 2007** **Pages 17**

Market to remain rangebound

Stay in cash till release of Q4 results

By Sanjay R. Bhatia

The markets remained volatile and choppy last week. They witnessed the second biggest fall on Monday, 2nd April 2007, after the RBI credit measures announced after market hours on Friday, 30th March 2007. These measures surprised the markets. The markets have since then witnessed a pullback and relief rally. The advance decline ratio has remained positive but on lower volumes on advancing days, which is a cause for worry. Traders and speculators were active in auto, banking, IT, oil and gas, pharma and metal stocks. Incidentally, FIIs were net sellers in the cash as well as derivatives segment along with the mutual funds.



Global cues were good with global markets witnessing a rally on the softening of crude oil prices. The only negative was on the Rupee front, which continued to appreciate against the US. dollar. It needs to be seen how IT companies react to this appreciation of about 2% while giving their future guidance. The markets are likely to remain rangebound with stock specific action ahead of the Q4 results. In the meanwhile the markets would continue to take cues from global markets along with the Rupee-Dollar levels and of course crude prices. The bellwether Infosys is releasing its results on 13th April, which would decide the future trend of technology stocks. The industrial production numbers are also being released on 12th April and they, too, would affect the sentiment. Any disappointment on the results front could lead to a bloodbath on Dalal Street.

Technically, after Monday's carnage the markets have been able to bounce back on back of short covering and value based buying. However, short positions have already been built in the system as Nifty Futures trade at Rs.38.30 discount to the spot index. The Q4 numbers would certainly dominate the trend from the mid week.

On the upside, the 12884 and 13072 are important resistance levels for the Sensex, and it has support at 12512 and 12359 levels. In case of the Nifty, 3850 level is likely to act as a resistance level, while the 3608 and 3576 are its important support levels.

Investors should stay in cash till the announcement of results.

BAZAR.COM

The gloom shall haunt!

By Fakhri H. Sabuwala

The aggressive monetary tightening by the RBI over the last three months has led to the sorry state of affairs on Dalal Street. Its move to raise CRR was the trigger for this bloodbath, which makes this fall unique. This correction is so different from the ones we witnessed in the course of the rally over the last three years going by the fundamentals. For the first time since mid 2003 the basic dynamics of growth are in question and it is wishful thinking that interest rates shall not move up from this level. The painful reality, however, is that interest rates are rising and it will be foolhardy to assume that we have seen the end of it.

The pain is of rising interest rates, rising inflation and the hardening of the Indian Rupee. If the high rates of interest are to sustain over the next three to four quarters, it will lead to a large shrinkage corporate in toplines and bottomlines. The damage is on. Growth will slowdown and a downward revision and guidance in GDP growth to 7.5% to 8% with a fall in net profits is inevitable. Till inflation is not under control, RBI shall not stop tightening money supply or enhancing interest rates. Both ways, the market loses and so do investors! The firming up of the US Dollar has already widened the trade deficit gap and if the Rupee:Dollar rate remains at the current level, it will be a painful anomaly vis-à-vis the rising interest rate and rising inflation!

The question, therefore, is: How deep and protracted will this painful phase be?

It is for the first time in the last 42 months that the sharp fall has not corrected with confidence. So far, every three-day correction used to be rectified in the following three to four days. But what is happening over the last five weeks? Investors are gradually losing their trust and confidence and have given up hopes of a change for the better. Despite being blind to looming realities all this time, the investors are now sensing a paradigm shift in their comfort levels together with the shift in macro as well micro fundamentals.

Apart from slowdowns in the economy and downgrading of earning guidances, contraction in earning multiples, it is the disappearance of our fair weather friends (FIIs) that is dangerous and fatal. Local money too shall be withdrawn from equity schemes and find its way to bonds and deposits where at least a comfortable 9% to 10% pre tax is available. All this may sound quite bad and desolate but consider this as an inevitable turn of life's cycle. A rough season may be staring us in the face and there is a need to put on a brave front and weather the storm. Consider this as a commercial break during the soap opera show. Do not go away as the entertainment shall return.

During this phase, the quest for growth through capacity expansion could come to a halt. The galloping interest rates and non-availability of funds could delay the implementation of planned projects and could upset their working arithmetic too. Infrastructure may be the biggest sufferer as the need of finance is the greatest here. Cement companies which are embarking on capacity expansion at an investment outlay of Rs.35,000 cr. to Rs.40,000 cr. to add 60 mn. tonnes capacity may see a cost escalation of Rs.1000 cr. assuming half of it comes from internal accruals and the other half from debts. Power projects may be another casualty of this bad financial weather. The huge expansion in Retail may be delayed and the bubble of Realty stocks may burst in coming days. A 15% to 20% decrease in realty rates may create problems for housing loan companies, which are already facing a rough time.

Amidst all this, the markets can still deliver real gems to contrarians. Time to looks for stocks, which have stood the test of time even during the last six weeks. They may only be a handful, yet making money through them is possible. BHEL, which is pregnant with 1:1 bonus and which targets $10 bn. turnover by 2012 could be a scrip of the future. Orchid Chemicals, too, has stood its ground and is readying for a takeoff. SAIL with a strong support base between Rs.95 to Rs.98 is a gem today. Hindustan Zinc, Sterlite Industries, NTPC, Crompton Greaves and Titan could be the winners of tomorrow going by the stability they have displayed during such torrid times.

TRADING ON TECHNICALS

12300-12200: Important support level

By Hitendra Vasudeo

The weekly trend has turned up after the weekly closing at 13285 on 23/03/07. The weekly trend has survived and still shows a weekly uptrend but could surely turn down this week on fall below 12300 or if Friday's weekly close is below 12911.

The Sensex opened last week at 12811.90, attained a low of 12425 and moved up to a high of 12899.31 to finally close the week at 12856.08 and thereby showed a net fall of 216 points on a week to week basis.

Support for the Sensex will be at 12316-12200. The yearly center point is at 12207. In case of a fall and weekly close below 12200, expect a slide down towards 8800-8548. The intermediate levels on its way to 8800-8548 are 11761-11062-10250. The intermediate levels could offer time to time pullback creating lower tops. A weekly close below 12200 would be a problematic situation for the short to medium terms subsequently.

At higher levels, the Sensex has a gap which will offer resistance. Attempts will be made to move and close the gap whereby we could have some intra-day rallies, which will help to cover the gap but ultimately it could surrender downwards. Gap will be at 12899-12984 as the first resistance for the up coming week. Next resistance will be at 13125 followed by a gap at 13386-13408. Only if the Sensex closes on daily and weekly basis above 13408, could we start breathing comfortably for a possibly upmove. All is not well till we are below 13408. A few days could be good but the general health of the market might not be good.

We continue to maintain that the pullback rise of the fall from 14724 to 12316 can be used to exit pending stuck up long positions in loss or profit or execute a systematic withdrawal plan if these retracement levels are arrived. The pullback retracement levels are placed at 13250-13530-13815. In case of a fall and close below 12200 then go short for target of 11761-11062-10250.

WEEKLY UP TREND STOCKS

Let the price move below Center Point or Level 2 and when it move back above Center Point or Level 2 then buy with what ever low registered below Center Point or Level 2 as the stop loss. After buying if the price moves to Level 3 or above then look to book profits as the opportunity arises. If the close is below Weekly Reversal Value then the trend will change from Up Trend to Down Trend. Check on Friday after 3.pm to confirm weekly reversal of the up Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Up Trend Date
		Stop Loss	Buy Price	Buy Price	Book Profit	Book Profit			
PRAJ INDUSTRIES	394.75	285.3	352.6	377.7	419.9	487.2	80.1	381.2	15-03-07
SAIL	114.65	98.7	108.5	112.2	118.3	128.1	77.0	111.0	23-03-07
ABAN OFFSHORES	2151.00	1753.7	1997.7	2088.3	2241.7	2485.7	76.2	1940.5	30-03-07
JSW STEEL	497.10	440.4	476.2	491.0	512.0	547.8	74.1	479.3	23-03-07
KOTAK MAH. BANK	470.80	410.9	449.4	466.4	487.9	526.4	72.1	460.3	23-03-07

WEEKLY DOWN TREND STOCKS

Let the price move above Center Point or Level 3 and when it move back below Center Point or Level 3 then sell with what ever high registered above Center Point or Level 3 as the stop loss. After selling if the prices moves to Level 2 or below then look to cover short positions as the opportunity arises. If the close is above Weekly Reversal Value then the trend will change from Down Trend to Up Trend. Check on Friday after 3.pm to confirm weekly reversal of the Down Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Down Trend Date
		Cover Short	Cover Short	Sell Price	Sell Price	Stop Loss			
PARSVNATH DEV.	249.50	218.8	238.2	246.4	257.7	277.1	17.44	264.98	05-04-07
LANCO INFRA.	143.90	113.3	134.5	146.4	155.7	176.9	18.85	162.53	09-02-07
A.C.C.	722.00	633.3	689.3	712.7	745.3	801.3	19.47	733.75	25-01-07
TORRENT POWER	57.55	50.8	55.5	58.1	60.2	64.9	24.79	59.35	25-01-07
TATA MOTORS	686.00	607.0	660.0	687.0	713.0	766.0	25.62	732.25	30-03-07

Review of the Elliot Wave Count to get the broad market picture:-

First Count:

Wave 1- 2594 to 3758;

Wave 2- 3758 to 2828;

Wave 3-2828 to 12671;

Internals of Wave 3

Wave i- 2904 to 3416

Wave ii- 3416 to 2904

Wave iii- 2904 to 6249

Wave iv- 6249 to 4227

Wave v- 4227 to 12671

Wave 4 – Currently Going On

Wave a -12671 to 8799

Wave b-8799 to 14723

Wave c-14723 to 12316 (not yet complete)

When Wave c gets completed then Wave 4 will also get completed and Wave 5 will begin which will have an upward direction.

The question now is: If Wave c is a failure, then it must not violate 12300-1200 at all. That would be very bullish for the overall market. If Wave c is a normal irregular flat, then it can move towards beginning of Wave b - 8799 and even violate it on the downside. If Wave c is irregular flat, then expect 12300-12200 to get breached to expect a range of 8800-8550.

Alternative Count -1

In this count, we assume that the falling leg from 6150 (Year 2000) was not get completed at 2594 but was complete at 2904. In that case, the Bull move began from 2904. If that be the case, then expect the First Big leg of the Super long term Bull move from 2904 to 14723 as complete and now we are into a correction phase of 2904 to 14723.

Wave 1- 2904 to 6249

Wave 2- 6249 to 4227

Wave 3- 4227 to 12671

Wave 4-12671 to 8799

Wave 5-8799 to 14724

In this case of wave count, expect the retracement of the rise from 2904 to 14723. The retracement levels of this rise are placed at 10208-8814-7419.

Alternative Count II

PUNTER'S PICKS

Note: Positional trade and exit at stop loss or target which ever is earlier. Not an intra-day trade. A delivery based trade for a possible time frame of 1-7 trading days. Exit at first target or above.

Scrips	BSE CODE	Last Close	Buy Price	Buy On Rise	Stop Loss	Target 1	Target 2	Risk Reward
CADILA HEALTHCARE	532321	347.75	340.00	350.00	325.00	365.5	390.5	0.78
EIH	500840	96.35	94.50	98.00	90.75	102.5	109.7	1.09
PUDUMJEE PULP & PAPR	500343	88.50	86.50	90.00	81.45	95.3	103.8	0.96
WEAROLOGY	523628	89.25	87.55	90.00	81.30	95.4	104.1	0.77

BUY LIST

Scrip	Last Close	Buy Price	Buy Price	Buy Price	Stop Loss	Target 1	Target 2	Monthly RS
NTPC	158.75	156.51	154.50	152.49	146.00	173.5	190.5	68.74
LUPIN	634.90	627.12	620.05	612.98	590.10	687.0	746.9	55.80

In this count, we assume that the falling leg from 6150 (Year 2000) did not get complete at 2594 but was completed at 2828. Following will be wave count:

Wave 1- 2828 to 3416
Wave 2-3416 to 2904
Wave 3- 2904 to 14723
Internals of Wave 3
Wave I-2904 to 6249
Wave II-6249 to 4227
Wave III-4227 to 12671
Wave IV- 12671 to 8799
Wave V- 8799 to 14723
Wave 4 – 14723 to 12316 (current move in progress)

In this count is taken into picture then to an outer extent Wave 4 can retrace back toward the beginning of Wave IV-8799 or retrace the rise from 8799 to 14723. The retracement levels are placed at 12460-11761-11062.

After reviewing these forms of count, we can conclude that whichever count we try to fit the level of 12300-12200 is an important level. Below 12300-1200, the correction will surely be deep in terms of price and time.

Strategy for the Week

The safer strategy would be to look for pullback retracements to book profit and exit long positions in loss or profit as the Sensex pullback to 13250-13500-13800 as the opportunity arises. Trading opportunities will be available as the Sensex begins the pullback from lower levels to higher levels. From a trader's perspective, get in and get out at higher levels will be a good strategy but never convert stuck-up positions into an investment. Small losses are better than big losses from a trader's perspective. For investors, systematic withdrawal plan at pullback levels of 13250-13500-13800 as the opportunity arises will be the best strategy. Always exit half of the positions at each of the levels when they are arrived. Long-term investors could wait for lower levels of 10208-8814-7419 or start systematic investment plan from current prices. And if lower levels are attained first, then surely long-term investors will benefit. If the index is going to abnormal heights any time in 3 years to 5 years time then short to medium-term panic market condition would provide an opportunity for systematic investors.

TOWER TALK

* Among the large caps, **NTPC** & **SAIL** show tremendous strength even in such market condition. It seems good times are ahead for both scrips.
* With crude oil once again heading for the US $70 mark and molasses price trading low, **India Glycols** will surely benefit from it. The scrip has bottomed out and may witness a rally in the short- term.
* Within a month **Bilpower** promoters have picked up more than 3 lakh shares (3% stake) from the open market. Take your bet.
* Although cement prices haven't corrected, some smart buying was steel seen in **Hyderbad Industries** in the last two days. Don't buy in momentum and wait till its Q4 numbers are out.
* Sugar sector is once again in action as and all sugar scrips have risen sharply last week. But investors are advised to exercise caution, as the future doesn't look good for this sector.
* Hardening interest rate is fundamentally negative for India Inc. Stay away from capital-intensive sectors like textiles, cement, sugar, steel and banking in particular.
* **Godawari Power & Ispat** with the completion of its expansion and embarking on new expansions is a stock to watch.
* The creeping acquisition of **Orchid Chemicals** is on by its promoters. Insiders feel that its share price may rise to Rs.320 in the short run and the scrip shall take-off thereafter.
* **Glenmark**, a pharma stock, can sprint and head for the four-digit mark.
* Mortgage woes have begun to engulf **ICICI Bank, HDFC** and **LIC Housing Finance**.
* **Wockhardt's** case in regularizing its product andifloxacin shall support the cases of Cipla, Dr. Reddy and Novartis too.
* Mutual funds are witnessing redemption pressure in equity and other growth schemes with reduction in their asset base by over Rs.57,000 cr. in March 2007 alone.

* The government is promoting nano technology in a big way. **United Credit,** which is setting up a greenfield project in nano technology could be a stock to watch.
* Good real estate stocks like **Ashiana Housing, Eldeco Housing, Nirlon** etc. are available at affordable prices. But they must be stocked up with a long-term view.
* **I-Flex Solutions** is riding high on the Oracle stake in it. Oracle needs just under 7% more to go for delisting.
* **Solitaire Machine Tools** has announced a board meeting for declaring dividend. Even a 6% dividend at the current price of Rs.11 is promising.
* **Karuturi Networks** has announced record date for 1:1 bonus. Some action may be on the cards.

BEST BETS

Accel Frontline Ltd. (Code: 532774) Rs.61

Established in 1991, Accel Frontline Ltd. (AFL) is an IT Services provider specialising in consulting, infrastructure, applications, outsourcing and support services. It has a strategic alliance with the reputed Singapore based Frontline Technologies Corporation Ltd. The company has structured its business by carving out the following four strategic business units (SBUs):

***IT Infrastructure Solutions*:** More than 50% of its revenue comes from this segment, which offers its customers the chance assess, build, deploy and optimise IT Infrastructure for mission critical applications. The solutions include system integration of data centres, networks, storage management, disaster recovery and security.

***Infrastructure Management Services*:** With 30% revenue contribution, this SBU provides IT infrastructure maintenance, facilities management services, application management services and IT outsourcing.

***Enterprise Software Solutions*:** This unit contributes nearly 10% of its revenue and specialises in providing ERP consulting, application management, outsourced product development and industry specific solutions with software products like 'Accel EMS' for the manufacturing domain, 'Prodigy' and 'Accel UMS' for the Education domain, 'Accel HealthSPACE' for the Healthcare domain and 'Best B' for the Banking domain.

***Business Process Outsourcing Services*:** Although its BPO division generates only 10% revenue, it has an unique model under which it provides warranty outsourcing, logistics management, repair depot and technical helpdesk services to major IT and telecom product companies.

Presently, AFL operates out of its head office, 8 regional offices, 22 area/branch offices and 80 service locations. It has state-of-the-art software development centres in Chennai and Kochi. Its BPO division operates at 39 locations with its head office in Chennai and presence in other major centres and the metropolitan cities. It also has two subsidiary offices in Singapore and Dubai. Besides, the company is a certified partner for Sun Microsystems, Microsoft, IBM and Oracle to deliver applications on their platforms and provide support for such applications. Notably, AFL's business processes conform to ISO 9001:2000, SEI CMMI Level 5 and BS 15000 standards. With a prestigious client list of over 2000 corporates and having presence in seven countries, AFL is now planning to tap the Far East, Middle East, and African countries apart from increasing its market penetration in USA.

Couple of months back, AFL acquired the banking solutions division of a Chennai based software company, which specializes in software products for banking applications and implementation and migration services for Core Banking software in India, Middle East and Africa region. Recently, the company also entered into a strategic partnership with Seagate Technology, USA, to provide professional data recovery services through its extensive network. More importantly, a few days back it was awarded a prestigious contract by the Centre for Railway Information Services for installing and maintaining smart card based Automatic Ticket Vending Machines (ATVMs) across Western and Central railway stations including the suburban stations of Mumbai. On a standalone basis, it is expected to register total revenue and PAT of Rs.200 cr. and Rs.15 cr. respectively for FY07, which can improve to Rs.250 cr. and Rs.20 cr. for FY08. This works out to an EPS of Rs.7 & Rs.9 for FY07 and FY08 respectively. Hence at a forward P/E of less than 7 and at its current market cap of Rs.135 cr., the scrip is trading fairly cheap. Secondly, it's trading at 20% discount to its issue price of Rs.75. Investors are strongly recommended to buy it at current levels with a price target of Rs.100 in a year.

TIL Ltd. (Code: 505196) Rs.186

Established in 1944, TIL, earlier known as Tractors India Ltd. is India's leading providers of technology intensive, application specific heavy engineering equipment for use in core infrastructure sectors. In fact, it is the pioneer and undisputed leader in mobile crane manufacturing and has now emerged as an integrated provider of total material handling solutions. Importantly, TIL enjoys exclusive marketing rights in the northern and eastern India for the Caterpillar (USA) range of construction/earth moving equipments and engines. TIL's product profile is broadly segmented into three divisions:

1. Material handling equipment (30% revenue): This division manufactures material handling equipment such as cranes, forklifts trucks, reachstakers, articulated self loading cranes, anode transport vehicles etc. Besides, it also markets imported heavy duty crawler cranes, heavy logistic vehicles, aerial work platforms etc. Notably, TIL produces mobile cranes of 10 to 100 tonnes in diesel, electric and hydraulic versions and is the only domestic manufacturer of cranes in the range of 30 – 100 tonnes.

2. Construction equipment (50% revenue): This division markets earthmoving, construction and mining equipments like hydraulic excavator, skid steer loader, motor grader, wheel loader, off highway trucks & dumpers, track type tractor etc. manufactured by Caterpillar (USA), one of the world's biggest manufacturer of construction equipment with a very strong reputation. It also trades in critical spares parts and provides after-sales service to customers.

3. Power systems (20% revenue): This unit is engaged in assembly, supply, erection and commissioning of power generating sets (diesel-based) driven on Caterpillar engines in the 180 - 2250 KVA range, which find diverse use in several industry segments like hospitals, railways, hotels & restaurants, cinema houses, multiplexes, residential colonies and factories. It also offers higher range of gas/heavy fuel based 'CAT' power systems and engines with capacities from 1.6 MW to 12MW.

TIL has two plants, one at Kolkata for material handling equipment and the other near Delhi for power systems. Besides, it has 34 service centres all across the country and has technical collaborations with international manufacturers like Boss (UK), Grove (USA), National Crane (USA), Luna Euipos (Spain) & Hencon (Holland) for making equipments in India. It is also bringing in higher technology from Manitowoc, USA, for competing with other foreign players in crane sizes of above 100 tonnes. Due to better margins, TIL has started focusing more on value added high tonnage offerings such as Reach Stackers (container handling mobile equipment) and Electric Level Luffing cranes (for Bulk Cargo). It has a very healthy order book position with good orders flowing from Tata Steel, Reliance Petroleum, Bharat Coking Coal, Punj Lloyd, ONGC, Madhucon, Soma, KMC etc. Of late, it has also started renting equipment, which is growing rapidly and has a huge potential. Meanwhile, TIL plans to introduce high technological products like 40 tonnes RTG, 10-35 tonnes Electrical Level Luffing Cranes, Refuse Collection Vehicles & Fire/Crash Rescue Vehicle. Moreover, as the company is working at optimum capacity utilization it intends to enter into the used equipment market and may even go for a greenfield expansion to increase capacity.

Incidentally, TIL's wholly-owned subsidiaries in Union of Myanmar, Singapore and Nepal are also doing well. With the Government's emphasis on infrastructure development and the investment plans of industries such as cement, steel, coal, etc. as well as the port and mining sectors, the future prospects of TIL look very promising. Also, as the peak load shortage continues, its Power System business will continue to grow. On a standalone basis, it may earn a profit of Rs.18 cr. on revenues of around Rs.550 cr. This means EPS of more than Rs.18 on its equity of Rs.9.73 cr. For FY08, its EPS can increase upto Rs.22 and consolidated EPS may stand at Rs.30. Thus, the scrip is trading at forward P/E multiple of 8, which is extremely cheap. Investors are strongly recommended to buy it at current levels with a price target of Rs.260 in a year's time. Long-term investors can expect much higher levels.

ANALYSIS

Sical Logistics Ltd.: Buy on declines

By Devdas Mogili

Sical Logistics Ltd. (SICAL), formerly known as South India Corporation (Agencies) Ltd., is a 52-year old Chennai-based company incorporated in 1955 as a private limited company and subsequently converted to public limited in 1981.

The company belongs to the MA Chidambaram Group. The other group companies include MAC Industries. SICAL has 12 offices spread over Tamil Nadu, Pondicherry, Gujarat and Karnataka, of which most are in Tamil Nadu. A.C. Muthaiah is the chairman while R.Rama Kumar is the managing director of the company.

The company is engaged in shipping, stevedoring, ship chartering, ship repairing, marine engineering, marketing, clearing and forwarding business. SICAL is the leading provider of port-based logistics solutions for dry bulk cargo.

It has a wholly-owned subsidiary in Singapore, Bergen Offshore Logistics and has a joint venture with PSA Singapore named PSA-Sical, which has bagged a contract for a second container terminal project at Chennai port. The company's operations can be broadly categorized into three divisions: logistics, building materials and other operations. The company also has an oil palm division, which is expected to be demerged shortly.

In July 2006, the consortium led by SICAL received a formal letter of intent from the Ministry of Shipping and Surface Transport for building a Rs.550 cr. iron-ore terminal at Ennore Port, which is to be completed within 27 months. During 2006 another SICAL led consortium won the bid to develop a rail terminal on a build-operate-transfer (BOT) basis in Nagpur.

Recently, it has acquired the latest generation specialty 470 MKII class platform supply vessel (PSV) for $31.3 mn. A PSV provides offshore logistics such as supplies and cargo transport for deep water offshore drilling. It has another offshore PSV named Sical Torino, which would be deployed in the North Sea where such vessels are in large demand owing to the surge of deepwater drilling in recent years.

In February 2007, SICAL planned to invest Rs 350 cr. to operate container trains over the next three years. The company has sought permission of the Indian Railways to operate container trains on an all-India basis for export-import and domestic cargo in four categories offered by the Railways. The investment would go towards developing container train operations connecting the Jawaharlal Nehru Port Trust at Nhava Sheva, near Mumbai, to the company's existing inland container depot at Noida and towards developing similar operations on three other strategic routes in India. The expenditure will largely go into creating facilities with railway sidings at inland locations, container rolling stock and handling equipments.

Performance: The company reported encouraging results for FY06 and for Q3FY07. It clocked net sales of Rs.960.38 cr. with a net profit of Rs.53.69 cr. netting an EPS of Rs.19.14 for FY06.

Financial Highlights: (Rs in cr.)

Particulars	QE 31/12/06	QE 31/12/05	YE 21/03/06
Net Sales/Income from operations	224.58	219.67	960.38
Other Income	3.29	1.30	8.84
Total Expenditure			
Inc/Dec in Stock in Trade	(0.59)	0.74	(5.74)
Raw Materials	10.65	11.92	49.54
Purchase of traded goods	68.76	52.19	237.49
Stores Consumed	0.33	0.55	3.15
Staff Cost	5.48	5.46	21.53
Power, Fuel and Water Charges	0.26	0.70	4.90
Mfg and other expenses	12.76	6.26	32.51
Cost of Services	99.52	120.41	506.85
PBDIT	30.70	22.74	118.99
Interest	6.06	5.21	26.53
Depreciation	3.77	3.19	13.78
Profit before tax	20.87	14.34	78.68
Provision for taxation	10.11	3.66	10.55
Provision for deferred tax	(0.19)	0.59	2.63
Provision for FBT	0.17	0.15	0.40
Profit before prior pd Adjustment	10.78	9.94	65.10
Prior period adjustments	-	-	11.41
Net profit after Prior pd adj	10.78	9.94	53.69
Paid up equity share capital	30.19	27.55	30.19
Res Exc Rev Reserves	-	-	284.27
Basic EPS (Rs) not annualized	3.57	3.32	19.14
Diluted EPS (Rs)	2.98	-	-

Q3 Results: SICAL came out with impressive results for the Q3 ended 31st December 2006. On net sales of Rs.224.58 cr., it registered a net profit of Rs.10.78 posting a basic EPS of Rs.3.57 and a diluted EPS of Rs.2.98. The annualised EPS works out to Rs.14.28 and the annualised diluted EPS was Rs.11.92. During this quarter, the company made a higher provision of Rs.10.11 cr for taxation as against Rs.3.66 cr in the corresponding previous quarter of last year. This higher provision of tax has significantly dented its earnings for the latest reported quarter.

Financials: The company has an equity base of Rs.30.19 cr. and with reserves excluding revaluation reserves of Rs.284.27 cr. the book value of the share works out to Rs.104.16. For FY06, it recorded a ROCE of 18.46 and RONW of 28.01.

Share Profile: The SICAL share with a face value of Rs.10 is listed and traded both on the BSE and NSE under the B2 segment. Its share price touched a 52-week high of Rs.575 and a 52-week low of Rs.145. At its current market price of Rs.183, it has a market capitalization of Rs.552 cr.

Dividends: The company has been paying dividends as shown below.

FY2000 - 25%; FY2001 - 15%; FY2002 - 7.5%; FY2003 to 2006 - 0%.

Due to its ongoing plans and investments and with a view to conserve resources, the company skipped dividends for the years FY2003 to FY2006.

Shareholding Pattern: As on 31st December 2005, the promoter holding was 56.45% while non-promoter holding was of 43.55%. Among mutual funds, Sundaram BNP Paribas has added the SICAL share to its Select Mid-Cap (D) and (G) Schemes in January 2007.

Prospects: The surge in demand for oil & gas has led to a sharp increase in deep water drilling, leading to a global surge in demand for specialized high capability platform vessels.

Ennore Port has chosen the SICAL led consortium to build an iron-ore terminal at a port near Chennai. The project is estimated at nearly Rs.550cr. and operations are expected to begin in 2008-09. The iron ore terminal will be developed on a build-operate-transfer (BOT) contract for 30 years including the construction period. The terminal will have a capacity for 12 million tonnes of cargo per year, expandable to 15/20 million tonnes per year. The project to be implemented on a revenue sharing basis with Ennore Port, is expected to generate nearly Rs.200 cr. in annual revenue.

Finally, with infrastructure sector assuming the status of a thrust area for development by the Government and the Golden Quadrilateral Project being pursued in its full vigour, the company is poised to reap rich benefits by remaining focussed on the logistics business.

Conclusion: SICAL is a well-integrated multi-modal logistics player with a good reputation and pedigree. The company's investments in railway containers and Ennore Port will yield results in the years to come.

At its current market price of Rs.183 the SICAL share is discounted less than 14 times against the industry average P/E multiple of about 34. Since the prospects for logistic players are promising in view of higher growth and GDP, the share of SICAL may be added to ones portfolio on declines for decent gains.

MARKET REVIEW

Sensex loses 216 points on interest rate hike

By Ashok D. Singh

The Sensex lost 216.02 points or 1.6% to close at 12856.08 for the week ended on Thursday, 4 April 2007. The NSE Nifty lost 69.55 points or 1.8% to 3752.

The market witnessed a steep fall on Monday but recovered from a part of the fall later during the week. The fall was caused by Reserve Bank of India's (RBI) surprise hike in short term interest rate and cash reserve ratio (CRR) announced after the markets had closed on Friday, 30 March 2007. Firm global markets and cooling off of crude oil prices aided the recovery from lower levels in the short trading week.

A surprise hike in the repo rate and the CRR announced by the RBI after trading hours on Friday, 30 March 2007 spooked the bourses on Monday, 2 April. The Sensex plunged 616.73 points (4.72%), to settle at 12,455.37. Bank and auto shares led the sharp fall on the day. Its intra-day fall of 646.58 points on that day was its highest intra-day point fall since 28 February 2007.

The latest rate hike reignited concerns that economic growth will slowdown due to sustained interest rate hikes. The RBI raised its short-term lending rate, the repo rate by 25 basis points to 7.75%. The central bank also raised the CRR by half a percentage point. The CRR will rise to 6.50% in two tranches, the first on 14 April 2007 and the other on 28 April 2007 and will drain Rs.15500 cr. from the banking system.

The market recovered on Tuesday, 3 April taking support from steady to firm Asian and European bourses and the Sensex jumped 170 points. All sectoral indices on the BSE settled with gains and shares from the IT sector led the uptrend that day.

The market extended its recovery on Wednesday, 4 April, tracking firm Asian stocks and the Sensex added 162 points. Asian stocks extended their rally on Wednesday with Australia, Singapore and South Korea hitting record highs, inspired by a reassuring US housing data and falling crude oil prices.

The recovery continued on Friday, 5 April when the Sensex advanced 69 points. Buying in metal, banking and cement sectors lifted the bourses on that day. The market was closed on Friday, 6 April on account of Good Friday.

The BSE Mid-Cap index lost 64.17 points or 1.1% to 5319.95 whereas the BSE Small-Cap index lost 14.14 points or 0.2% to 6456.37 in the week.

Foreign institutional investors (FIIs) were in the selling mode. They pressed sales worth a net Rs.643.40 cr. in two trading sessions between Monday and Tuesday. Mutual funds were net buyers to the tune of Rs.63.30 cr. on Monday. On Tuesday, they pressed sales worth a net Rs.105 cr.

The SEBI, the market regulator, proposed applying circuit filters on the day of relisting a scrip and has proposed that 20% price band would be levied on commencement/re-commencement of trading in a scrip, which would include all cases of commencement/ re-commencement of trading due to de-merger, amalgamation, capital reduction, scheme of arrangements, revocation of suspension etc. as decided by the exchanges from time to time.

On Wednesday, SEBI banned 28 stock broking firms and eight individuals from trading in shares for five years for their role in the Ketan Parekh securities scam. These entities have also been debarred from accessing the capital markets and associating with any intermediary in the capital market for five years.

The empowered group of ministers (GoM) on Thursday cleared 83 proposals for special economic zones (SEZs) and capped the maximum area of an SEZ at 5,000 hectares. The maximum area is for multi-product zones and the state governments can prescribe a lower limit, if needed. GoM has also decided to lift the freeze on approving new special economic zones. It may be recalled that the GoM at its last meeting in January 2007 put a freeze on fresh notifications and approvals due to widespread protests against land acquisition for SEZs, especially at Nandigram in West Bengal.

Metal prices Sterlite Industries, Hindustan Zinc (HZL) and Hindalco recovered tracking rally in metal prices on the London Metal Exchange (LME). Zinc and lead maker HZL, jumped nearly 6% to Rs.654.90 on Thursday on the top of Wednesday's 8% surge. The scrip has a got a boost from the rising metal prices on the LME. Metal prices rose sharply on the LME on Wednesday. Zinc for three-month delivery on the LME, surged by 7.4% on that day.

Described as the largest integrated zinc producer in the country, HZL has a 4,40,000 tonnes zinc capacity. The second phase of expansion, which would see the capacity increase to 6,60,000 tonnes, is expected to be completed by mid-2008. The company also plans to set up a captive power plant of 80 MW that will help it contain power costs.

HZL's net profit jumped 423% in 9-months April-December 2006 to Rs.3507 cr., on 211% growth in revenue to Rs.6531 cr.

Shares of two-wheeler makers slipped following disappointing sales for the month just gone by. Hero Honda shed 7.6% to Rs.632.45 in the week.

Zee Entertainment jumped 6.37% to Rs.267.90 on Thursday extending it's Wednesday's 4.5% rise. The stock surged on reports that major broadcasters like Star, Zee and Sony are banking on the growth in satellite TV audiences for a hike in advertisement rates.

Cement shares recovered from lower levels as cement producers did not cut cement prices despite the government abolishing import duties. Late on Tuesday, 3 April, the government abolished the 16% countervailing duty (CVD) and an additional 4% customs duty on portland cement. It may be recalled that in late-January 2007, the government had already abolished 12.5% basic import duty on cement.

IT bellwether, Infosys, witnessed alternate bouts of buying and selling. Infosys' FY08 guidance, which it will unveil along with Q4FY07 results on 13 April 2007 is the next major trigger for the markets. In a recent pre-guidance report on Infosys, Merrill Lynch placed a short-term 'sell' on this Sensex heavyweight expecting a conservative guidance from the company due to an uncertain US economic outlook, the appreciation of the rupee versus the dollar and other client-specific issues.

Bank shares recovered during the latter part of the week after Monday's steep fall caused by RBI's surprise rate hike. The rise in lending rates is expected to slowdown the loan growth, which has been running at about 30%. ICICI Bank raised its benchmark lending rate by 100 basis points to 15.75% effective 1 April 2007. It also raised its floating reference rate for consumer loans, including home loans, by 100 basis points to 12.75%. Yes Bank raised its prime lending rate by 75 basis points to 14.75%.

Tata Steel surged after the company on Monday reported strong sales and production for FY07. The scrip rose 3.4% to Rs.465.20 in the week. Tata Steel's sales in FY07 were record-breaking for both flat and long products.

PSU power equipment major, Bharat Heavy Electricals Ltd. (BHEL) witnessed renewed buying after the company during trading hours on Tuesday reported 42% growth in provisional net profit for FY07. BHEL's net profit rose 42% to Rs.2385 cr. in FY07 from Rs.1679 cr. in FY06. Turnover rose 28.7% to Rs.18702 cr. from Rs.14525 cr. in the previous fiscal

Bharat Electronics surged 4% to Rs.1648 on Thursday extending its recent rise after the company said early this week that its profit before tax rose 22% in FY07 as per provisional figures and that it had strong order backlog.

Bharat Electronics reported profit-before-tax of Rs.1040 cr. on provisional revenues of Rs.3960 cr. for FY07. Exports during the year were at Rs.50.33 cr. The company, which manufactures defence electronics equipment estimates its order-book position at Rs.9100 cr. as on 1 April 2007.

The Sensex lost 216.02 points to end at 12856.08 last week. The next major trigger for the domestic bourses is Q4FY07 earnings. The Q4 results are expected to be strong. The higher advance tax paid by frontline companies support this view. Marketmen will also closely watch what company managements have to say about their outlook for FY08

Inflation has been a cause of concern for quite a while now.

In spite of taking several measures to rein in prices, the government has not been able to bring them down. India's wholesale price index rose 6.39% in the 12 months to 24 March, lower than the previous week's increase of 6.46%, as per latest data released on Thursday, 5 April showed.

Crude oil prices steadied near $64 per barrel mark, drawing support from a big drop in the US gasoline inventories ahead of the peak summer demand by the world's top consumer. Any sharp upmove from this level, may trigger fresh selling.

A lot will also depend on how the global markets pan out. Over the past few months, local bourses have been tracking global cues in a similar direction. Any sharp correction will lead to a fall here as well.

Market likely to recover

By G.S. Roongta

Last Monday 2nd April 2007, was very significant in that it was the first trading day of the week, first trading day of April 2007 and of the fiscal 2007-08. But in a macabre move, it proved to be another black Monday as the Sensex shed a hefty 617 points – the second largest single day fall since May 2004 when the UPA government was voted to power and trading was shut twice before the Sensex closed with a fall of over 800 points.

This time, it was the RBI governor, Dr. Y. V. Reddy, who had bulldozed into the markets untimely raising the Cash Reserve Ratio (CRR) by 50 basis points in two tranches of 25 basis points each in quick succession.

G.S. Roongta

First, it was the Union Budget 2007-08 proposals presented on 28th February 2007, which had shattered the market sentiment and it was the RBI governor now who sent further cold waves into the market. Had he raised the CRR during his review of the economic policy before the presentation of the Union Budget, the market would not have plunged to the extent it did, as it would have been considered to be a necessary step to contain inflation. But the fact that it did not do so and the government awakened to its need only after the defeat of the ruling Congress party in the assembly polls of Punjab, Uttarakhand and Chattisgarh smacks of political motives. This has been done to win popularity with the masses before the forthcoming UP elections and something that has not gone down well with the market.

The desperation of the UPA government is evident from the way it has gone about brow beating the cement industry to reduce prices first by introducing a dual excise policy based on the price per 50 kg cement bag and now by easing imports by abolishing the 16% custom duty plus 4% SAD to teach the domestic cement industry a lesson. This is in contravention of the spirit of understanding that it had arrived at with the industry just a few days back.

As is well known, hasty and nasty steps of economic measures do more harm in the long run rather than correct any imbalance they proclaim to. By such a hasty action, the government may have harmed the GDP growth, which may now fall to 8% or 8.5% from the level of 9.1% targeted for FY08. Also, by initiating economic measures with underlining political interests, the government has lost its shine and proved its failure on several economic issues. And to divert the people’s attention, it has resorted to witch hunting industrial segments, which it considers as cash cows for its own benefit.

Just as the recovery of 1000 points on the Sensex against the fall of 2100 points proved to be short-lived, so also the recent second largest fall did not last long as the market started recovering from the very next day i.e. Tuesday, 3rd April despite the uncertainty, fear and panic. On all three days thereafter, the market witnessed gains giving the impression that the steep fall on Monday was a knee-jerk panic reaction to the RBI governor’s tightening credit policy announced of Friday, 30th March after the market hours. This is borne out by the fact that banking stocks, which had collapsed on Monday, 2nd April recovered their lost ground over the next two trading sessions when the new CRR guidelines were to affect them the most.

But the fact is that the fall on Monday was so severe and widespread that it left no sectors unaffected. Thereafter, it was a mad rush of short sellers rushing in panic to cover up their positions realizing the brutal onslaught that they had indulged in excess on Monday. As the old saying goes, “Excess of anything is bad”. Thus with a slow and steady recovery in the Sensex in the latter part of the week an impression was created that the worst seems to be over and other negative reasons like the removal of 16% countervailing duty plus 4% SAD on import of cement was overlooked.

The government’s deadlock with the cement industry was discussed at length in the last issue and the merit of the dual excise policy introduced in the budget was criticized in earlier columns since the budget issue. But this latest salvo fired by the government against cement manufacturers has broken the understanding it had reached with them a few days back when they had assured not to raise prices. Now that the government has liberalized cement imports to teach the domestic industry a lesson, the laws of demand and supply will once again prevail and determine the price of cement bags based on their need and requirement in different pockets and supply constraints. The industry does not seem to be bothered by this step, as it is confident that imports cannot match local price and quality.

This confidence of cement producers helped shore up cement stocks, which had earlier retreated at the boorish attitude of the government in trying to browbeat an industry that had emerged from a long period of indifferent financial health when it was denied any support or help from the government. Cement stocks may, therefore, continue their firm trend based on the prospects of the industry.

Money Times readers are well aware that I have been strongly advocating investment in cement stocks right since 2003 based on the infrastructure story. My view remains intact despite the 45-50% fall in cement stocks from their peak levels brought about by the government's ill-conceived announcement since budget day, 28th February 2007. ACC at Rs.700-720, Grasim at Rs.2050-2100, Shree Cements at Rs.880-900 and JK Lakshmi Cement Rs.96-98 are excellent picks to reap handsome profits both in the medium to long-term.

Even at the current market price of cement at Rs.210-220 per 50 kg. cement bag, the profitability of cement companies will be far better than witnessed in FY06 and FY07. For eg., the estimated EPS of ACC for FY08 between Rs.80-100 barely discounts its FY08 earnings by 8 times against the 12 to 15 P/E multiple in the earlier two years. Thus the much hue and cry about government intervention in fixing cement prices provides a great opportunity to investors who may have missed the bus earlier when cement stocks were ruling sky high till 28th February 2007.

In stock markets, the trend is more important and makes stock prices appear either attractive or costly rather than their fundamentals. And since the fundamentals of the cement sector are quite intact and likely to improve further following the robust demand from building, housing, construction and other infrastructure developments the market price of cement stocks is nearly 50% cheaper without any deterioration in demand or excess supply.

Regrettably, however, investors follow the herd mentality on such occasions and divest their precious holdings instead of taking a cool decision and buy in such panic situations when the prices are the least. I would like to remind readers about my recommendation of two very low priced stocks viz. Camphor & Allied Products and Super House Leather, both of which were recommended on two or three occasions and have now appreciated by 300% against the recommended price to touch the Rs.90-100 mark even in such market conditions.

I recall one reader bought Camphor & Allied Products at Rs.30-32 and when its price reacted after hitting a high of Rs.60-65 he doubted the reliability of the stock and wanted to get out even at some loss in profits. We tried to reason with him that the stock was worth Rs.100 if he had the patience to hold on. This stock has hit the Rs.90/100 mark twice thereafter even in the poor market scenario and this gentleman maybe repenting if has got out in haste. Analysts can only hunt for good underpriced stocks for the benefit of investors but it is they who must have patience to hold on to such picks for the long-term or feel satisfied with the profits that they individually chose to book. There is little that an investment advisor can do when investors turn short sighted using investment grade stocks to hedge against their trading position or short-term investment losses.

Earlier one reader was furious at my recommendation of Essar Shipping and wrote a nasty letter to the editor about it. Thereafter in just 6 months, the stock appreciated by 100-150% and is yet traded at Rs.40/42. We analysts do not recommend a stock for fun but labour over the company's financial details, the economic and industrial prospects and analyse the particular scrip from various angles before we recommend it for investment. But we are not gods to pin point the exact day of rise and when they should sell. Investors must use their own discretion after reading an article and must carry out some exercise of his own to check out its implication and imbalances, if any.

Recommendations in Money Times are far better than those made by big broking firms or research houses and provide the basic investment rationale without overloading readers with heavy data and other unrelated information to keep it simple and straight. But readers cannot expect us to be at their beck and call to explain every move after the recommendation as stocks are bound to react to new economic, industrial and corporate realities that emerge thereafter and which is the nature of things. Readers must therefore develop some confidence about their own judgement rather than panic when markets crash and which is often caused by severe extraneous factors like global markets, government policies, natural calamities or vested interests. And the current period, which will be a very testing period, is where the long-term investor must maintain his cool.

STOCK WATCH

By Saarthi

Lloyd Electric & Engineering Ltd. (Code: 517518) (Rs.137.55) is India's largest manufacturer of evaporator and condenser (E&C) coils used in air conditioners with an installed capacity of more than 1 mn. coils and can also assemble around 2,20,000 air conditioners per annum. Recently, it set-up a new manufacturing unit in Dehradun (Uttaranchal) to manufacture room air-conditioners, components of air-conditioners and electronic goods. Besides, it is in contract with an Australian company for designing, manufacturing and supplying of AC package units to Metro Rail in India It has also tied up with a Korean company for the manufacture of roll bond and frost-free coils for refrigerators. For FY07, it is expected to report sales of Rs.475 cr. with net profit of Rs.43 cr. This will work out to an EPS of Rs.14 on its diluted equity of Rs.31 cr. This can improve upto Rs.17-18 due to expansion and other factors in FY08. A solid bet.

*****

Visesh Infotechnics Ltd. (Code: 532411) (Rs.30.30) has strategic partnerships & alliances with global IT leaders like Novell, Microsoft, Oracle, Compaq, IBM, Sun, Cisco, 3Com, HP, Toshiba etc. Its ERP softwares and other products are being successfully used in almost all industry verticals such as telecommunications, chemicals, automobiles, pharmaceuticals, services (including finance & ITeS), government, education, sugar, sales & distribution. Of late, it has diversified into high technology and fast emerging areas of mobile telematics. Last fiscal, the company ventured into the business of Knowledge Process Outsourcing (KPO) and BPO through its newly-formed division VConnect™. The company has other aggressive expansion plans for which it may raise more than Rs.40 cr. in the near future. It may end FY07 with a topline of around Rs.125 cr. and bottomline of Rs.19 cr. i.e. EPS of Rs.7 on its current equity of Rs.26.97 cr. The scrip can easily rise 50% in the medium-term. Just buy and hold.

*****

Kavveri Telecom Products Ltd. (Code: 49.55) (Rs.590041) is a leading manufacturer of telecom related products like Antennas, Radio frequency (RF) components, Cables & Connectors, Repeaters, Fixed Cellular Terminals and Solar Products. Besides it also provides solutions like Site/RF Survey, RF planning, designing & implementation, Repeater based GSM & CDMA indoor as well as outdoor coverage solution and Microcell based indoor coverage solution. Its esteemed clientele includes industry giants such as Ericsson, Motorola, Spice, Airtel, Reliance Infocomm, BEL, MTNL, BSNL, Tata Teleservices, Aircell, Infosys, IBM, HP, LG, ISRO, World Space etc to name a few. A few days back, the company bagged a huge contract from Hutchison Essar for providing In-Building Solutions (IBS) to their network for all its circles throughout India for the year 2007. Last year, it also acquired Til-Tek Antenna - a leading antenna manufacturing company based in Canada. For FY07, it may report sales and net profit of Rs.40 cr. and Rs.5.25 cr., which may shoot up to Rs.60 and Rs.8.50 cr. respectively in FY08. This means EPS of Rs.5 & Rs.9 on its current equity of Rs.9.80 cr. A good buy for the medium-to-long-term.

*****

Austin Engineering Co. Ltd. (Code: 522005) (Rs.77.80) is a leading manufacturer and exporter of quality automobile and industrial ball and roller bearings. It manufactures all types of bearings including Ball Bearings, Cylindrical Roller Bearings, Needle Roller Bearings, Tapered Roller Bearings, Spherical Roller Bearings and Flexible Roller Bearings. On the back of strong industrial growth, the bearing industry is doing exceptionally well and this company, too, is expected to announce decent numbers for the March 2007 quarter. For full year ending 31st March 2007, it may register net sales of little less than Rs.65 cr. with net profit of Rs.5.50 cr. This translates into an EPS of Rs.16 on its tiny equity of Rs.3.53 cr. and may declare 20-25% dividend. With huge reserves of Rs.20 cr. supporting its small capital, the book value works out to more than Rs.65. For FY08, it can register an EPS of Rs.18. At a current P/E ratio of less than 5 and EV of Rs.40 cr., it's a value buy.

*****

After hitting a high of Rs.320, the share of **Indo Asian FuseGear (Code: 532658) (Rs.117.75)** has reduced to one third although its fundamentals have not changed much. The company manufactures all types of LT switchgears, miniature circuit breakers, compact fluorescent lights and other allied electrical engineering goods. Apart from six manufacturing facilities, it recently put up three more units in the tax-free area of Haridwar- Uttaranchal, all of which have begun commercial production. Last year, it entered into a joint venture with a Spanish company for setting up a new plant to manufacture and market state-of-the-art wiring accessories and products that include Intelligent Building and Home Automation products. Although its FY07 working may not be so great but the coming three years will be bumper years, as the company is on the inflexion point and the expansion effect will start kicking in from FY08. It is expected to register total revenue of Rs.350 cr. with net profit of Rs.30 cr. for FY08, which means an EPS of Rs.20 on its diluted equity of around Rs.15 cr. This is one of the best contrarian bets for the long-term.

FIFTY FIFTY

By Kukku

Note - Investors should keep booking profits at every rise & should remain good cash to the extent of 15/25% all the time for buying in case of sharp reactions. At any time they should not remain fully invested.

Investment Call

*** Ashiana Housing & Finance (Rs.172)** is Bhiwadi's largest developer with six completed projects amounting to 1,300 dwelling units. It has begun offering possession of another 640 dwelling units in its Seventh project a retirement resort called Ashiana Utsav. The only other player with a standing project is Konark.

Over the last two years prices have nearly doubled in Bhiwadi and its biggest growth driver is that Bhiwadi has its own economy. Altogether, 2500 small and big industries operate here. The workforce belonging to these industries is driving the demand for housing.

Ashiana is also developing a mall of 80,000 sq. ft. and expects a rental income of around Rs.35 per sq. ft. from this project, which is expected to be complete in the next one year.
Ashiana Housing is very strongly placed and is expected to report a profit of around Rs.11/12 cr. for FY07 and around Rs.20/25 cr. for FY08 on its very small capital of Rs.5.35 cr.
Investors can expect good returns over the next few years.

Market Guidance

* **Spanco Telesystems & Solutions (Rs.205)** has recorded an excellent performance in 9MFY07 with a YOY revenue growth of 132% and net profit growth of 112%, which is expected to continue on the back the growing business opportunity in the telecom sector as well as its foray into newer geographies and businesses. It is also believed that the Railways Integrated Train Enquiry System (IRCTC project) provides a sustainable revenue stream and also holds potential for significant revenue as well as bottom line growth. At Rs.206, the stock trades at 13.6x its FY07E EPS guidance of Rs.14.9 and 7.2x its EPS guidance of Rs.27.7 for FY08. Investors can continue to hold this stock.
* Favourable developments are said to be taking place in **Crisil (Rs.2652)**. Investors can continue to hold this stock for better targets.
* **Dhampur Speciality Sugar (Rs.94)** is being added by big HNIs on some favourable developments. Its share price target can be high. Those holding can stay invested.
* **Nirlon (Rs.65.75)** was discussed two weeks back at Rs.46/50 level stock has been hitting upper limits with high volumes. Investors who bought at lower level can book part profit to remain in cash.
* **Disa India Ltd. (Rs.1439.60)** recommended at Rs.920 level a few weeks back is now trading above Rs.1400 level. If bought below Rs.1000, investors may book partial profits.
* **JMC Projects (Rs.208.75)** is another stock recommended at Rs.170/185 level. Hold on to this stock for target price of Rs.300 as Q4 results are expected to be better.
* **Hikal Ltd. (Rs.388)** is in action after a long time. Investors can keep holding this stock in portfolio for a good upmove.
* **Fortis Financial (Rs.96)** is expected to move up as per informed sources. Investors can stay invested.
* **Gallant Metals (Rs.9.6), Accel Frontline (Rs.61), Surya Roshni (Rs.50), Indianbulls Real Estate (Rs.259)** are said to be under accumulation by knowledgeable investors/punters and may witness some action.

EXPERT EYE

By V.H. Dave

The share of **Simplex Castings Ltd. (SCL) (Code: 513472) (Rs.41)** is recommended for decent appreciation for the long-term because she casting & forging industry has bright prospects in view of the booming automobile and engineering sectors. SCL is an upcoming company in this lucrative sector and is poised for a smart jump in profitability in coming years.
Registered as a partnership firm in 1971, SCL was incorporated on 30 January 1980 and went public in 1993. It was promoted by H. B. Shah and Arvind K. Shah and manufacture heavy castings in grey cast iron, alloy cast iron, steel and stainless steel.
It has two major units - one heavy grey iron unit and the other heavy steel-casting foundry. For the first time it developed Truck Frame for Diesel Locomotive Works as per drawing and design of G.M. Motors, USA, and with technical expertise from Atchison Casting Corp., USA, one of the leaders in Rail and Road Castings.
SCL's products are mainly used by steel plants, power plants, mining and cement plants, Defence and the Railways. In 1999-2000, the company developed bi-metallic rolls used in a Thermal Power Plant. Its products are accepted by inspection agencies such as Lloyds, RITES, RDSO, SGS, Bureau Veritas and other such reputed inspection agencies.
The company has technical collaborations with Nippon Steel Corporation, Japan; Ikio Iron Works, Japan; Dango & Dienenthal, Germany; China Metallurgical, China; Schalker, Germany; etc.
During FY06, SCL posted 106% increased net profit of Rs.2.8 cr. on 8% higher sales of Rs.108 cr. During Q3FY07, it recorded 131% increased net profit of Rs.1.4 cr. on 19% higher sales of Rs.37 cr. During the first three quarters of FY07, net profit doubled by 107% at Rs.3.5 cr. on 19% higher sales of Rs.94 cr.
SCL exports its products/castings to Japan, USA, and CIS countries, Australia Egypt etc. Currently it has export orders worth Rs.12 cr. on hand. In FY06 exports were Rs.7.6 cr. against Rs.2.7 cr. in FY05.

Its equity capital is Rs.6 cr. and with reserves of Rs.17 cr., the book value of its share works out to Rs.38. During FY06, SCL added Rs.8 cr. to the gross block taking the value to Rs.80.7 cr. and its debt-equity ratio was 1.5:1 as on 31st March 2006.

The promoters have increased their holding by 19% to 58% in the last one year with NRI and PCBs holding 4% each leaving 34% with the investing public.

The Simplex Group is a leading Indian manufacturer of different engineering products, castings and equipments for all core sectors for the past 50 years. With such engineering experience and technical knowhow coupled with modern design, manufacturing and non-destructive trading (NDT) facilities, SCL has become synonymous with high quality products. It is now entering new areas like hydro & gas turbine castings, fabrication & equipment building, projects on turnkey basis for various steel plants and automobile sectors.

SCL offers engineering castings in various grades for core industrial sector like Steel, Power, Railroad equipment, Mining, Cement, Defence, Sugar and other specialized areas in as cast, machined and in assembled condition. The steel foundry is equipped to manufacture engineering steel castings weighing upto 17 tonnes cast weight in a single piece. Its foundry can also produce steel castings like slag pot weighing upto 22 tonnes as a single piece.

Increased domestic demand of 20% a year of castings & forgings, the growth of 20% a year in the automobile industry, increased exports of castings & forgings (target of US $5 bn. by 2015) and the booming engineering & capital goods sectors are the strong demand drivers of the casting & forging industry. Global economic recovery and the shift in production/manufacturing base by Western auto players to low-cost nations like China and India only help domestic players like SCL to expand & explore greater opportunities.

Based on the going so far, SCL is likely to post a net profit of Rs.6 cr., which would yield an EPS of Rs.10 in FY07, which could go up to over Rs.14 in FY08.

The share of SCL is currently available at Rs.36 discounting its FY07E earning of Rs.10 by just 3.6 times. The industry average of the casting & forging industry currently hovers at 17, making the valuation of SCL highly attractive. The share is likely to appreciate by more than 50% in about 6-9 months from the current level. The 52-week high/low of the share has been Rs.60/26.

*****

In the first calendar year of the quota-free environment of 2006, the Indian Textile industry has performed satisfactorily with an estimated export growth of about 25%. Textile companies are expanding to global-sized capacities and installing state-of-the-art technologies deriving benefits from the Textile Upgradation Fund Scheme (TUFS). Overseas buyers are also displaying greater confidence in Indian textile players and have opened large buying offices in India. Within this segment, the share of **Ambika Cotton Mills Ltd. (ACML) (Code: 531978) (Rs.138)** is recommended for decent gains in the medium-to-long term.

Promoted by P K Ganeshwar, M Rathanasamy and P V Chandran, ACML was incorporated as Ambika Cotton Mills Pvt. Ltd. in October 1988 and subsequently converted into a public limited company in September 1994. It manufactures high-quality, contamination-free cotton yarn and compact spinning yarn, a premium yarn. The value of such yarn increases when made out of specialty cottons like Pima cotton sourced from the USA and Giza cotton sourced from Egypt, which goes into manufacturing premium brand of shirts and T-shirts. ACML is among the very few manufacturers of compact yarn made from Pima and Giza.

During FY06 ACML posted a net profit of Rs.18.7 cr. on 24% higher sales of Rs.105 cr. During Q3FY07, net profit surged by 23% to Rs.7 cr. on 28% increased sales of Rs.39 cr. For the first three quarters, its net profit advanced by 23% to Rs.17.6 cr. on 43% higher sales of Rs.108 cr.

ACML exports directly to Taiwan, China, Hong Kong, Turkey, Korea, Singapore, Egypt and Israel. It also caters to markets in Peru, Germany and Italy through merchant exports. Its main overseas clients are Quannitex Enterprise Corporation, Taiwan and Pacific Textiles and Winnitex Investment Co., both in Hong Kong. Its exports during FY06 amounted to Rs.44 cr.

ACML's equity capital is just Rs.5.9 cr. and with reserves of Rs.92 cr., the book value of the share works out to Rs.166. During FY06, the value of its gross block has shot up by a whopping Rs.206 cr. from Rs.146 cr. in FY05. The debt-equity ratio at 1.45:1, was a bit high due to its borrowings for expansion.

The promoters hold 31% in the equity capital, FIIs hold 5.4% and mutual funds like UTI, Reliance Capital etc. hold 20%, Non-promoter controlled, private corporate bodies (PCBs) hold 3% leaving 40.6% with the investing public.

Under its expansion programme, ACML has already installed and commissioned 24,112 spindles for compact spinning with 100% wind energy captive power. The installed capacity has been enhanced to 66,000 spindles of which compact spinning capacity constitutes 41,000 spindles. This expanded capacity is expected to be fully operational from FY07 onwards. ACML's wind power capacity has also gone up to 13 MW.

ACML has also initiated steps for setting up another 43200 spindles for doubling its yarn to 9600 spindles along with back processing machinery in a separate plant at an estimated cost of Rs.125 cr.

ACML has the flexibility to switch between export and domestic markets as it manufactures on the basis of specific market demand rather than producing and selling factory-specific products and exports amount to 40% of the turnover. Stable cotton prices bode well for it, as cotton is its key raw material.

It is estimated that India's share in the global textile has the potential to grow to US $50 bn. by 2010 from the present US $14 bn. The cotton crop has been good and the outlook on the prices is stable. The government is also concentrating on improving infrastructure. The benefits of these measures should start surfacing soon.

The share of ACML is currently traded at Rs.135 discounting its estimated EPS of Rs.40 by just 3.4 times. ACML will see its revenue and profit leapfrog on massive capacity expansion after which its EPS is likely to jump to Rs.50 in FY08 and Rs.55 in FY09. The industry average P/E rules firm at 9 leaving tremendous scope for the ACML scrip to rise. Investment in this share is likely to appreciate by over 50% in about 6-9 months. The 52-week high/low of the share has been Rs.338/120.

****

The shares of the cable industry have been fancied by all quarters. Dealers say that the buying in cable counters is attributed to the better than expected prospects of the cable industry on the back of growth in the power sector. Within this segment, the share of **Delton Cables Ltd. (DCL) (Code: 504240) (Rs.76)** is recommended for medium-to-long-term.

Established in 1948, DCL manufactures control cables, railway cables, coaxial cables, power/energy cables, flexible cables, thermocouple cables, data transmission cables, telecommunication cables, instrumentation cables, house wiring cables and submersible cables. DCL's quality department strives to achieve the highest quality in raw materials, in-process materials and finished products. Its systems have been approved by STQC, the ISO certifying body and it has been awarded the ISO:9002 certification for quality systems.

DCL's clients include MTNL, Siemens, Bharti Televentures, Avaya Global, Reliance, NTPC, Nuclear Power Corporation, Tata Power, CESC, Power Grid, Bhel, Bharat Electronics, Hindalco, Nalco and all refineries among others.

DCL's intensive R&D efforts through the years have won it accolades for its role in the development of telecommunication and other specialty cables in India. It is well-equipped with R&D facilities meeting the most stringent national and international standards of quality control and product development. The Department of Space, Government of India has recognized Delton's contribution in the successful launch of ASLV-D.

During FY06, DCL achieved 48% increased sales of Rs.100 cr. and posted 295% higher net profit of Rs.2.9 cr. yielding an EPS of Rs.10. For the first nine months of FY07, its net profit advanced by 12% to Rs.2.8 cr. on 14% higher sales of Rs.81 cr.

Its equity capital is Rs.2.9 cr. and with reserves of Rs.13 cr., the book value of the share works out to Rs.55 and the value of its gross block is Rs.25 cr. The promoters hold 73% in its equity capital leaving 27% with the investing public.

DCL is targeting growth in exports and is exploring new markets overseas to expand its product base. Its exports during FY06 amounted to Rs.2 cr. against Rs.50 lakh in FY05 and which is expected to advance further in FY07. It has entered into alliances with US-based major and other companies for marketing its products in overseas markets. It has alliances with Andrew Corporation, Channel Master, Energy-Onix Broadcast, all US-based, and LGP Telecom AB, Sweden, and Coresma, Israel.

DCL has won recognition and certificates of merit from the Government of India for its outstanding contribution and export performance. Today, DCL is a prime supplier to the Power, Telecommunication, Railways, Steel & Mining sectors in India and has also firmly established itself in the overseas markets.
If the half-yearly trend is anything to go by, DCL is likely to post an EPS of Rs.12.5 in FY07. The shares are currently traded at Rs.78 discounting its estimated EPS 12.5 by 6.2 times against the industry average of 12. In view of its tiny equity capital, improving fundamentals and the better-than-expected prospects of the power industry, the shares of DCL can be purchased for decent appreciation in the medium-to-long-term gain. Investment in this share is likely to fetch an appreciation of about 40% in about one year. The 52-week high/low of the share has been Rs.151/51.

MONEY FOLIO

Fortis Healthcare IPO opens on 16th April

Fortis Healthcare Ltd. (FHL), one of the largest private healthcare companies and a Ranbaxy promoter group company, is entering the capital market with an IPO of 45,996,439 equity shares of Rs.10 each for cash at a premium to be decided through a 100% book building-process in the price band for of Rs.92 to Rs.110 per equity share. The issue opens for subscription on Monday, 16th April and closes on Friday, 20th April 2007 and the shares will be listed on the BSE and NSE.
The company has concluded pre-IPO allotments of 10,670,194 equity shares with Mr. Raj Kumar Bagri (1,000,000 equity shares), Mr. Apurv Bagri (1,000,000 equity shares), Trinity Capital (Eight) Ltd. (8,000,000 equity shares) and Vasco Inc. (670,194 equity shares) at prices ranging from Rs.135 to Rs.159.50 per share aggregating to Rs.1,536.90 mn. during 5th January and 20th March 2007.
FHL has adopted the hub and spoke model for its network of 11 hospitals primarily in North India and 16 satellite and heart command center in hospitals across the country and one heart command center in Afghanistan. The network will provide healthcare for all major diseases including lifestyle diseases.
For FY06, FHL reported a total turnover of Rs.297 cr. with a total loss of Rs.52.7 cr. For the first nine months of FY07 ending 31st December 2006, it recorded total income of Rs.384.6 cr. with allocable losses of Rs.75 cr.

Sherwin-Williams acquires Nitco Paints

Sherwin-Williams Company, USA, has announced its entry into the Indian paint market with its purchase of Nitco Paints at an undisclosed price.
Nitco Paints is a leading manufacturer and distributor in western India of exterior speciality paints and coatings used in the construction of office buildings, high rise apartments, shopping malls, hospitals and schools with sales of about Rs.18 cr.

HLL launches calcium enriched ice cream

The Kwality Wall’s Division of Hindustan Lever has for the first time in India launched a calcium enriched ice cream called ‘MOO’ on the occasion of World Health Day.
It is a combination of vanilla & chocolate contains the calcium equivalent to one glass of milk.

Subscription Form

Please fill in the subscription coupon in capital letters only and mail it to
Subscription Manager
Time Communications (India) Ltd.
Goa Mansion, 58, Dr. S.B. Path (Goa St.), Fort, Mumbai – 400 001
Phone: 022-22654805 Telefax: 022-22616970
Email: **moneytimes@vsnl.com**
Website: **www.moneytimes.in**
Money Times/ Profitrak /EasyTrade/ Investrak/ Early Bird Gains/ Top Trades
I wish to subscribe to:
⌑ **Money Times** (MT) ⌑ **Profitrak Daily** (PD) ⌑ **Profitrak Weekly** (PW) ⌑ **Profitrak Fortnightly** ⌑ **Live Market Calls** (LMC) ⌑ **Profitrak Short-Term Gains** (PSG) ⌑ **Investrak Smart Moves** (ISM) ⌑ **Top Trades** (TT) ⌑ **EasyTrade** (ET) ⌑ **Early Bird Gains** (EBG)
⌑ **Nifty Futures** (NF) ⌑ **Profitrak F&O** (PF&O) ⌑ **Winners of 2007** and

a) Enclose demand draft/ pay order payable at par in Mumbai (No cheques please) favouring 'Time Communications (India) Ltd.' for _____ months _____ years as per the subscription rates given below.
⌑ DD No. ________ dated ________ on _________________ Branch __________ Rs._____

b) Have transferred the amount electronically to 'Time Communications (India) Ltd.' C/A No. 10043795661 at State Bank of India, Fort Market Branch, Fort, Mumbai – 400001 or deposit cash only in the nearest ICICI Bank favouring 'Time Communications (India) Ltd.', C/A No.: 623505381145 at ICICI Bank, Fort Branch, Mumbai – 400001 and have advised you by email about the same.

c) I/We are aware that investment in equities is risky and stock performance is unpredictable and can result in losses in spite of all analysis and projections.

Subscription Rates:
⌑ MT:- 1 year: Rs.500, 2 years: Rs.950, 3 years: Rs.1350, 4 years: Rs.1700, 5 years: Rs.2000.
⌑ By email ⌑ By post ⌑ Courier (Add Rs.25 per issue if required by courier)
⌑ PD & PF&O:- Rs.2500 p.m., Rs.7000 quarterly, Rs.13,000 half-yearly, Rs.20,000 annually. (By email only)
⌑ PW:- Rs.1500 p.m., Rs.12,000 annually. ⌑ By email ⌑ By post ⌑ Courier (Add Rs.25 per issue if required by courier)
⌑ PF:- Rs.8000 p.a. ⌑ By email ⌑ By post ⌑ Courier (Add Rs.25 per issue if required by courier)
⌑ LMC:- Rs.3000 p.m. (By SMS on mobile/internet)
⌑ NF:- Rs.1000 p.m., Rs.8000 p.a. (By SMS on mobile/internet)
⌑ PSG:- Rs.8000 p.a.. (By email only)
⌑ ISM:- Rs.8000 p.a. (Add Rs.25 per issue if required by courier)
⌑ TT:- Rs.1000 p.m., Rs.10, 000 p.a. ⌑ By email ⌑ By post ⌑ Courier (Add Rs.25 per issue if required by courier)
⌑ ET:- Rs.2000 p.m. (By email only)
⌑ EBG:- 1 year: Rs.5000, 2 years: Rs.8500, 3 years: 11,000. ⌑ By email ⌑ By post ⌑ Courier (Add Rs.25 per issue if required by courier)
⌑ Winners of 2007:- Rs.2000 yearly. ⌑ By email ⌑ By post ⌑ Courier (Add Rs.25 per issue if required by courier)

Name (in capital):____
Address: ____
____
____
Tel. No.: (O) ______________ (R) ______________ (M)______________
Email ID: ____
Are you an ⌑Investor ⌑ Trader ⌑ Broker/Sub Broker ⌑ Investment Adviser ⌑ Banker

Date & Place _____________ Signature ________________