Emkay

PCG Recommendations

May 2007

Mr. Krishna Kumar Karwa,
Managing Director

From the Managing Director's Desk

Dear Investors,

The month of April'07 has been an excellent month with the indices appreciating by 11.4% over March'07. Robust FII inflows on the back of weakening of US Dollar and no negative surprises in the Annual Corporate results enabled the Bourses to have a sustained recovery. The Broad Market seems to be fairly valued but the momentum seen in large stocks like RIL, ICICI Bank, Bharti, TISCO, etc. gives me reason to believe that we may see a new top in the next few months.

With the Rupee hitting 9 year highs versus the dollar, margins of all foreign exchange earning companies is expected to be under pressure. Large IT companies with high margins and pricing power are expected to be marginally impacted temporarily. Any extended weakness in large IT companies should be used by Investors to create long term IT Portfolios. Infact there is a distinct possibility that IT stocks could be outperformers in the coming months.

ICICI Bank, an Index heavy weight, has announced plans to raise Rs.20,000 crs in equity issue from domestic and international investors in the month of June' 07. ICICI Bank has been an FII favourite and the successful completion of the issue should lead to a distinct re-rating of the domestic bourses.

Initial Meteorological surveys indicate a near normal monsoon; inflation should hopefully be under control on the back of high base effect coming in to play as also the efforts of RBI to control excess liquidity. UP State election results and its political ramification will be all clear in the next one month.

To summaries, May '07 should be an interesting, positive month for investors.

Happy Investing,

The following are our recommendations for May 2007...

Initiating Coverage

Sanjeev Hota
sanjeev.hota@emkayshare.com
+91 22 66121243

Stock details

BSE Code	532807
NSE Code	CINEMAX
Bloomberg Code	-
Market Cap (Rs bn)	35.8
Free Float (%)	32
52-wk Hi/Lo (Rs)	204/101
Avg Daily Vol (BSE)	264048
Avg Daily Vol (NSE)	240151
Shares o/s (mn) FV Rs 10	28

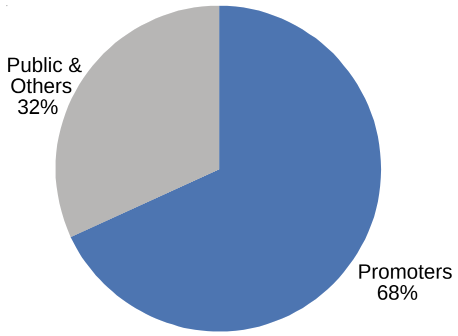
Source: Emkay Private Client Research

Summary table

Rs. mn	FY06A	FY07E	FY08E	FY09E
Total Revenue	723.3	1040.6	1783.0	2483.6
Growth %	114.7	43.9	71.3	39.3
EBITDA	151.6	307.0	492.1	693.3
EBITDA margin %	21.0	29.5	27.6	27.9
Net Profit	76.8	133.2	261.2	381.7
EPS (Rs)	2.7	4.8	9.3	13.6
CEPS (Rs)	3.8	6.6	12.5	18.1
EV/EBITDA	27.4	10.3	6.8	5.0
EV/Sales	5.7	4.1	2.9	1.8
ROE %	33.8	14.6	15.3	18.8
ROCE %	19.1	17.3	18.4	22.9
P/E (x)	47.4	26.7	13.7	9.4
P/CEPS (x)	33.7	19.4	10.2	7.0

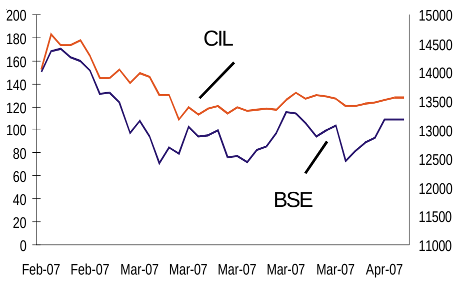
EPS based on current equity of 280 mn of face value of Rs 10 per share / Source: Emkay Private Client Research

Shareholding pattern (11th April 2007)



Source:Emkay Private Client Research

Stock Performance (Rel to sensex)



Source: Capitaline

Cinemax India Limited

(Price: Rs.128 , FY08E- P/E 14x BUY, Target Price: Rs.193)

Cinemax India (CIL) is a part of the Mumbai based Kanakia Group, which has developed over five million square feet of residential and commercial real estate. CIL is focused on the exhibition and gaming business with limited interest in mall development. The Company is also one of the largest owner of multiplex properties in India, with 33 screens spread over 155,000 square feet area. CIL also operates Giggles-The Gaming Zone, at Eternity mall in Thane. It is spread over 13,000 square feet and offers 50 games. CIL has also developed over 200,000 square feet of mall area at Eternity mall, with tenants, including Globus, Proline, Planet M and Archies Gallery.

CIL exhibition chain is a combination of high-end multiplexes and budget retrofit single-screens. CIL having established itself in Mumbai, Thane and Nashik with over 12000 seats housed in 33 screens across 10 properties now plans to expand its operations on a pan India basis across 42 locations in 11 states by the end of FY 2009E.

CIL stock trades at EV/EBITDA 7x FY08E and 5x, FY09E. On a relative valuation basis, CIL trades at 13.5x FY08E and 9x FY09E, which is at a discount of around 58% to PVR and 21% to Inox Leisure based on FY08E.

We initiate a BUY on the stock with a price target of Rs 193 based on the DCF approach, at our target price the stock will be valued at 8x EV/ EBITDA FY09E.

Investment Highlights –

Indian Media and Entertainment Sector: - Future Looks Bright

Indian Media and Entertainment sector, is all set to witness strong growth in the coming years, according to recent FICCI –PWC report Indian Media and Entertainment industry is well poised to grow at a CAGR of 18% to reach Rs 1trillion by 2011, from current size of Rs 437 billion. Incidentally, Indian M&E sector is forecasted to outperform the economic growth in each year till 2011. On the other hand, Indian Film industry, is mirroring the growth in the Indian M&A sector, from its current size of Rs 85 billion, will be aided by the advancement of technologies like digital cinema halls to reach Rs 175 billion by 2011 with a CAGR of 16%. In addition to this, though Bollywood may account for only 2% of the worldwide box office currently, it is expected to more than double its share of the global market in the years to come, which give impetus to drive demand for multiplexes in the coming years.

Indian Multiplex Industry: On an upswing

With robust growth expected in Indian Media and Entertainment sector, Indian Multiplex sector is in a sweet spot to depict strong growth in the coming years, the main catalysts, which will help to drive this growth are: Increasing disposable income coupled with changes in the demographic and lifestyle, with urban population expected to increase from 107 mn in 2001 to 138 mn by 2011, will favor the demand for multiplex. Secondly, increasing corporatisation in the Indian film industry and increasing number of high grade films should increase for total demand for movies, which inherently drive the demand for multiplexes. Thirdly, increase in the disposable incomes of Indian middle class population also would drive the appetite to spend on movies, which is clearly being seen in Tier II and smaller towns, since currently, as much as 65% of the total box office collections in the country come from non metros.

Contd...

CIL is planning exponential Capex to drive its future business growth:

Cinemax has already established a strong brand name in the Mumbai, which is the entertainment hub of India with more than 12000 seats housed in 33 screens across 10 properties. Going forward its plans to have 105 screens by the end of FY08E, with 25797 seats and by end of FY09, total number of screens are expected to increase to around 165, with a total seating capacity of 36132. For the next two fiscal, company has plans a total capex outlay of around Rs1360 mn, which will be funded through, recentely raised fund in IPO, which is close to Rs 1080 mn and also through lease of Nagpur and Thane property.

We believe with incremental seats addition of around 24000 in next two years and with marginal increase in average ticket price and conservative occupancy rate, Cinemax can comfortably drive the ticket sales CAGR of around 60% over FY07E-09E, which inheritably drives growth in other business segment like, gaming, F&B and advertising. On the other hand, Cinemax has got good relationships with big production houses of Bollywood, like Yashraj Production, Dharma Production, UTV etc which augur well for smooth running of the multiplexes.

Leveraging its Strong Developer Background:

Cinemax is a part of Kanakia Group, which is well known name in the real estate development for more than two decades, the wide experience in real estate development of the promoters augurs well for Cinemax, as it has enabled them to control cost and time overrun in developing projects and complete the project in the schedule time, as in the multiplex industry timely execution of projects is very important and deferment in project schedule can impact the financials adversely. Thus Cinemax, being a part of renowned real-estate developer group is in better position to leverage the advantage and complete it scheduled futures plans.

Risks & Concerns-

One of the major risks that have been associated with multiplex sector is execution delay as CIL is on a rapid expansion mode; any delay in execution and cost overruns would impact its financials adversely.

Business Outlook and Valuation – Attractive Valuation

Cinemax is on a rapid expansion mode, and expects to triple its seating capacity by FY09 to more than 36000 seats, which augur well to garner the exponentially growing moviegoers population in India.

Peer Comparison

	Net Sales		EV/EBITDA (x)		EPS (Rs)		P/E (x)		ROE		ROCE	
	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E	FY07E	FY08E
CINEMAX	1,041	1,783	10.3	6.9	4.8	9.3	26.7	13.7	14.6	15.3	17.3	18.4
PVR	**1,740**	**2,714**	**12.3**	**8.2**	**4.5**	**8.2**	**39.6**	**21.7**	**6.2**	**9.3**	**8.1**	**14.2**
INOX Leisure	1,579	2,385	11.5	10.2	4.9	6.9	**23.5**	16.7	13.5	16.2	15.5	18.2

Source: Emkay Private Client Research / Consensus Report

CIL stock trades at EV/EBITDA 7x FY08E and 5x, FY09E. On a relative valuation, basis CIL trades at 14x FY08E and 9x FY09E, which is at a discount of around 58% to PVR and 21% to Inox Leisure on FY08E. We expect Cinemax to grow at a CAGR growth of 55% and 69% in revenue and net profit to Rs 1783 mn and 2484 mn and Rs 261.2 mn and Rs 381.7 mn respectively over FY07E-09E.

We initiate a BUY on the stock with a price target of Rs 193 based on the DCF approach, at our target price the stock will be valued at 8x EV/EBITDA FY09E.

Result Update

Umesh Karne
umesh.karne@emkayshare.com
+91 22 66121281

Kirloskar Oil Engines Limited

(Rs. 255, FY09E - P/E 11x, BUY with Target Price of Rs. 329)

Key Financials -

Net sales grew by 33%YoY for Q4FY07

EBITDA margins improved by380bps YoY for Q4FY07

Net profit grew by 37% YoY in Q4FY07

(Rs Mn)	Q4FY07	Q4FY06	YoY%	FY07	FY06	YoY%
Net Sales	5,542.2	4,183.8	32.5	19,383.8	14,437.9	34.3
Other Income	95.6	208.7	(54.2)	440.4	274.2	60.6
Total Income	5,637.8	4,392.5	28.4	19,824.2	14,712.1	34.7
Total Expenditure	4,766.7	3,757.2	26.9	17,191.2	12,850.1	33.8
EBIDTA	775.5	426.6	81.8	2,192.6	1,587.8	38.1
EBIDTA (%)	14.0	10.2	37.2	11.3	11.0	2.9
Interest	53.6	28.5	88.1	144.1	97.4	47.9
Depreciation	96.1	76.4	25.8	318.1	279.8	13.7
PBT	721.4	530.4	36.0	2,170.8	1,484.8	46.2
Provision for Tax	257.9	191.1	35.0	610.9	453.8	34.6
PAT	463.5	339.3	36.6	1,559.9	1,031.0	51.3
Extra ordinary items	83.8	-	-	224.2	974.9	77.0
Adjusted PAT	547.3	339.3	61.3	1,784.1	2,005.9	(11.1)
Equity Capital	194.2	194.2	-	194.2	194.2	-
EPS (Rs)	4.8	3.5	36.6	16.1	10.6	51.3

Source: Company

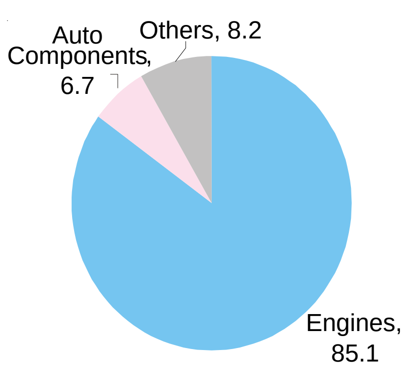
Robust growth continues

Kirloskar Oil Engines Ltd (KOEL) continues to grow at a robust pace and reported impressive Q4FY07 results. KOEL's net sales grew by 33% YoY to Rs5542mn on the back of strong performance of engine segment which grew by 40% YoY and auto component which grew by 13% YoY. KOEL during the year has hived off its castings division to Kirloskar Ferrous and due to which its revenue from other segment in Q4FY07 came down to Rs178mn compared to Rs533mn in Q4FY06.

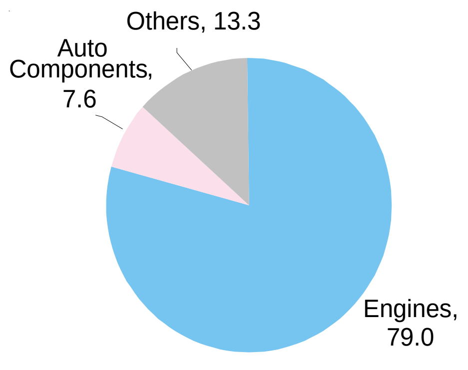
Robust economy growth supported the net sales growth for FY07

For full year i.e. FY07, net sales of KOEL grew by 34% YoY to Rs19,383mn, which is slightly better than our expectation. Engine segment grew robustly at 45% YoY followed by auto components segment at 17% YoY. However other segment showed a decline of 15% YoY mainly because of hive off of casting division during the year. We believe the strong industrial growth supported by construction; IT & ITES, telecom and mining have boosted the growth of diesel engines sales. IIP capital goods have registered strong growth of 18% YoY for the period of Apr-Feb 2007. For FY07 engine segment's contribution increased to 85% to total sales compared to 79% of total sales a year earlier.

Sales Breakup (%) - FY07



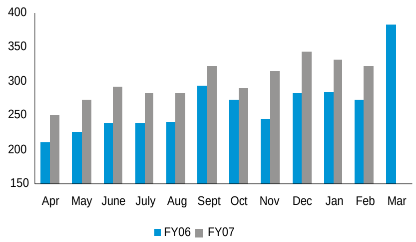
Sales Breakup (%) - FY06



Source: Company

Contd...

IIP - Capital Goods Growth



Source: CSO

EBITDA margins for FY07 improved marginally to 11.3%

EBITDA margins improves marginally for FY07

During Q4FY07 KOEL's EBITDA grew by 82% YoY mainly because of higher volumes, better product mix and lower employee & other expenditures. Its EBITDA margins for the quarter jumped significantly by 380bps YoY to 14%. We believe KOEL had booked higher raw material cost in Q3FY07 and it has partially supported margin improvement and we believe KOEL's overall EBITDA margins for FY08 to remain at 12%. For FY07 KOEL's EBITDA jumped by 38% YoY to Rs2193mn and EBITDA margins showed a marginal improvement of 31bps YoY to 11.3%. We believe KOEL improved its EBITDA margins in engine segment (mainly because of increased focus on mid and high engine segment), but reported a decline in EBITDA margins in auto component segment.

Net profit grows 51% YoY in FY07

KOEL's net profit for Q4FY07 jumped 37% YoY to Rs463mn and reported EPS of Rs4.77 for the quarter. For FY07 KOEL's adjusted net profit went up by 51% YoY to Rs1560mn. KOEL reported extra-ordinary income of Rs224mn which includes Rs5mn from redemption of preference shares from Kirloskar Ferrous, Rs3mn from surplus on hive off of casting division and Rs14mn on surplus on sale of shares of GG Dandekar, a group company. KOEL reported adjusted EPS of Rs16.06 for FY07.

KOEL is a market leader in non-auto diesel engines segment

Business Outlook and Valuation –

Kirloskar Oil Engines is a market leader in the non-automotive engines segment, which has been growing at around 18-20% from three years. We believe that rising demand from user segments like industrial, power generation, Industrial and marine applications coupled with an increase in exports would drive the top line and profitability growth for KOEL.

We believe that sustainability of demand from the Agri sector for mid and small sized engines and an equally good demand scenario for higher end engines from the Powergen, Industrial and marine application space, would mean that KOEL is likely to record a healthy 23% CAGR topline growth in its core business over the next 2 years (FY07-09E).

KOEL to invest Rs5.5bn in new Kagal facility

KOEL has announced that it has signed a MOU with the state of Maharashtra for setting up a facility to manufacture oil engines and diesel-based generator sets (DG sets) at Kagal MIDC in Kolhapur district. The facility would be spread over 160 to 200 acres of land of which 150 acres has already been handed over to KOEL by MIDC. KOEL will invest Rs5.5bn into the plant. The company has said to meet the growing demand from its domestic and global customers for engines, the company is investing in a green field world-class engine manufacturing plant. KOEL would raise Rs3.5bn through debts and rest would be raised through internal accruals. Manufacturing of DG sets would start from September 2008 and diesel engines from April 2008. The capacity will be stepped up in phases to 100,000 engines p. a.

We believe this new facility and EOU for the manufacturing of engine valves will be the growth drivers in the near future. But the huge capex (114% of FY06 gross block) announced by KOEL could impact the return ratios marginally in near future.

Contd...

Growth drivers intact -

Products	Application	Demand Driver
Small Engines (Upto 20HP)	Agriculture	Good Monsoon
	Telecom, IT & ITES	Robust subscriber gr
	Retail Genset	Power Supply Gap
Medium Engines (20-830HP)	Construction	Housing, IT/ITES/SEZs
	Manufacturing -Tractors	Agri and good monsoon
	Material Handling	IIP gr
	Genset	Power Supply Gap
Large Engines (830-11000HP)	Marine	Defence/Shipping
	Gensets	IIP gr
Auto Component	Manufacturing - Auto & Industrial OEMs	Auto gr/Export Opportunities

Source: Emkay Private Client Research

We remain positive on the development

Currently we are waiting for the clarification on the new growth prospects from the newly announced Kagal plant and our FY09E financials include initial revenue estimates from the new Greenfield Kagal plant. Our assumption is strongly supported by continuation of strong economy growth, deficiency of power, continuation of strong construction and mining activity. We would update investors in detail about the new plant and its revenue strategy once we get clarification from the management. We remain positive on KOEL's new plant and expect that this plant has big potential to get ramped up in near future. We remain positive on the long term prospects of KOEL and upgrade the financials for FY08E as well. We estimate KOEL's top line and bottom line would grow at a CAGR of 23% and 22% over FY07-FY09E.

Financial Estimates –

We have upgraded FY08 estimates

	Old Estimates		Revised Estimates	
Year Ended	Mar07E	Mar08E	Mar08E	Mar09E
Net Sales (Rs Mn)	18,613	22,373	23763	29330
EBITDA (Rs Mn)	1,949	2,568	2876	3447
EBITDA (%)	10.5	11.5	12.1	11.8
PAT (Rs Mn)	1,512	1,705	1995	2335
EPS (Rs)	15.6	17.6	20.5	24.05
P/E (x) At Rs.255	16.3	14.5	12.4	10.6

Source: Emkay Private Client Research

We recommend a BUY with a price target of Rs329

At current market price of Rs255, KOEL stock trades at a PE multiple of 12x and 11x on FY08E and FY09E earnings respectively. We recommend BUY with an increased target price of Rs329 which includes core business value at Rs238 per share and investment value at Rs91 per share.

Result Update

Sanjeev Hota
sanjeev.hota@emkayshare.com
+91 22 66121243

Paradyne Infotech Ltd.

(Rs 116, FY08E - P/E 5x, BUY with revised Target Price Rs 195)

Quarter Ended:

	Q4FY06	Q3FY07	Q4FY07	QoQ Var%	YoY Var%	Q4FY07#
Revenues (Rs Mn)	229.92	344.78	419.21	22%	82%	737.26
EBITDA %	11.5	15.0	13.8	-121	226	16.6
EBITDA	26.5	51.7	57.8	12	118	122.08
Net Profit	20.2	39.6	48.2	22	138	92.82

Source: Company and Emkay Private Client Research

Q4FY07 Result: Great Quarter

Net Profit grew by 22% QoQ

Driven by strong growth in both the services line namely, Infrastructure Management Services and Software services, which grew by 12% and 54% QoQ respectively, Paradyne Infotech recorded a 22% growth in the revenues to Rs 419.2 mn.

EBITDA margins declined by 120bps QoQ

On the other hand, blended EBITDA margins declined by 120bps QoQ to 13.8%, primarily on account of lowered margins in the Software services business to 27% from 47% in Q3FY07, which was on account of lower high margins product revenues as compared to Q3FY07.

Net profit for the quarter grew by 22% QoQ and 138% YoY to Rs 48.2 mn.

Consolidated Performance: Integrated LGI Inc numbers

On a consolidated basis, including revenues of PIL's recently acquired LGI stood at 737.3 mn, out of which LGI contributed around Rs 310 mn. Last year consolidated numbers were not comparable, as contribution from other subsidiaries like Dyne Techservices was negligible.

On consolidated basis net margin stood at around 12.5%

EBITDA stood at Rs 122 mn, with a margin of 16.6%. On a consolidated basis EBITDA margin was higher, primarily on account of higher margins of LGI, which was around 19%. Net profit stood at Rs 92.8, with a net margin of around 12.5%.

FY07 Performance (Standalone):

For FY07, Revenues grew by 54% to Rs 1332.9 mn, EBITDA margin expanded by around 480bps to 14.5%, which took EBITDA higher by 192% to Rs 193.4 mn. Net profit grew by 105% to Rs 149.7 mn.

Net profit growth exceeds our expectations by 10%

The performance for FY07, was quite inline with our estimates on revenues front, however net profit growth was around 10% higher than our estimates, which was primarily on the back of lower taxes and marginal expansion in the EBITDA margins.

FY07 performance (Consolidated):

For FY07, Paradyne Infotech including revenues of LGI Inc. stood at Rs 1682.5 mn, EBITDA margin stood at 15.7% and net profit clocked at 196.2mn. Out of which LGI contributed around Rs 310 mn in revenues and around 50 mn in net profit.

Paradyne Infotech acquires LGI Inc:

PIL, Integrated full year numbers of LGI for FY07

Paradyne Infotech has recently acquired LGI Inc. (Links Group International Inc.) based in Virginia, US. The acquisition is all cash deals, with a cash consideration of $ 4.75 mn. Paradyne Infotech signed the purchase agreement to acquire 100% stake in LGI, through its US subsidiary Dyne Techservices. The deal was finance through the both the debt and internal accruals, with debt comprises of major part to the tune of around $4.15 mn.

Contd...

Links Group International:

LGI was established in June 2004 by a few hardened professionals, LGI actively pursued a partnership model to ensure complete servicing of the client's IT needs. Links Group International Inc. is a growing IT services company that specializes in delivering highest quality technology solutions to companies across the globe.

Business Outlook and Valuation:

Paradyne Infotech continues show robust performance, driven by strong growth in its key verticals, going forward with management endeavors to drive growth through both organic and inorganic route, we expect strong traction to continue in the coming years.

Revised target price to Rs 195 from Rs 150 earlier

We have revised our estimates for FY08, on account of earlier integration of PIL's recently acquired LGI Inc. We have revised our consolidated revenues and net profit estimates by around 6% and 9% respectively.

Going forward, we expect robust business tractions will continue for Paradyne, and with increasing acceptability of its product and services in the domestic IT industry and incremental traction in the US market through PIL's recent acquisitions LGI Inc.

At the current market price Rs 116, PIL is available at a attractive market caps/sales ratio of around 0.7x FY07A and 0.5x FY08E.and 6x FY07A and 5x FY08E.

On account of PIL robust financials performance and continual improvement in operational efficiency and sooner than expected integration of inorganic initiative, we have revised our target price to Rs 195, at our target price the stock will be valued at 8x for FY08E.

Financial Estimates –

Year Ended			Consolidated		Earlier Estimates		
	FY07E	FY07A	Consolidated FY07A	Deviation from our Estimates	Consolidated FY08E	FY08E	Implied Change (%)
Net Sales (Rs Mn)	1,352.9	1,332.9	1,682.5	-1.5	2,265.8	2,390.4	5.5
EBITDA Mn)	189.4	193.3	264.3	2.1	340.7	384.9	13.0
EBITDA%)	14.0	14.5	15.7	50 Bps	15.0	16.1	100 Bps
PAT (Rs Mn)	136.5	149.7	196.2	9.7	250.4	273.2	9.1
EPS (Rs)#	12.5	13.8	18.0	9.7	23.0	25.1	9.1
P/E (x) @ Rs 116	9.2	8.4	6.4	-	5.0	4.6	-

Notes: Consolidated revenues and profitability for FY07 and FY08E, includes LGI Inc.
Source: Company and Emkay Private Client Research

Result Update

Sanjeev Hota
sanjeev.hota@emkayshare.com
+91 22 66121243

Tata Elxsi Ltd.

(Rs 318, FY08E - P/E 13x, BUY, Target Price Rs 368)

Quarter Ended:

	Q4FY06	Q3FY07	Q4FY07	QoQ Var%	YoY Var%	FY06	FY07	Growth (%)
Revenues (Rs Mn)	709.7	805.1	891.3	10.7	25.6	2356	3076.6	30.6
EBITDA%	21.9	22.7	24.3	161Bps	244Bps	19.7	22.4	276.1
EBITDA	155.2	182.4	216.7	18.8	39.6	463.8	690.52	48.9
Net Profit	115.3	139.2	160.1	15.0	38.9	343.4	521.25	51.8

Source: Company and Emkay Private Client Research

Q4FY07 Result: Inline performance

Tata Elxsi reported a strong performance for Q4FY07, with revenues up by 11% QoQ and 26% YoY to Rs 891.3 mn, driven by around 7% sequential growth in the Software Development and Services (SDS), however as expected incremental growth was contributed by 35% QoQ growth in the System Integration business as forth quarter has always been the strong quarter for the System integration business.

Blended margins expanded by 160bps QoQ

On the other hand, blended EBITDA margins expanded by 160bps QoQ to 24.3%, which was largely contributed by around 1600bps expansion in the PBIT margins in the System integration business, while SDC PBIT margins lowered by around 200bps to 22.2%.

Effective tax rate for the quarter gone up by around 340 bps to 16%, net profit for the quarter grew by 15% QoQ and 39% YoY to 160 mn.

Operational and Financials Highlights:

Software Development and Services grew by 6% QoQ

System integration business PBIT grew by 139% QoQ

Software Developments and Services PBIT margins declined by 200bps QoQ

Segment Revenue	Q4FY06A	Q3FY07A	Q4FY07A	FY06A	FY07A
System Integration	158	115.46	156.7	473.34	455.5
% of Revenue	22.2	14.3	17.6	20.0	14.8
QoQ growth (in %)		2	35.7		
YoY growth (in %)		(5.9)	(0.8)		(3.8)
Software Devpmt.	552.7	689.51	734.8	1888.24	2625.77
% of Revenue	78.8	85.7	82.4	80.0	85.2
QoQ growth (in %)		8.3	6.6		
YoY growth (in %)		51	32.9		39.1
Total	**710.7**	**804.97**	**891.5**	**2361.6**	**3081.3**
Segment PBIT					
System Integration	27.1	15.77	45.9	70.0	69.5
% of Total PBIT	16.6	8.6	21.9	14.7	10.1
QoQ growth (in %)		138.9	138.9	138.9	138.9
YoY growth (in %)		-0.4	69.4	-0.4	-0.8
Software Devpmt.	136.5	167.63	163.4	404.72	616.42
% of Total PBIT	83.4	91.4	78.1	85.3	89.9
QoQ growth (in %)		11.2	(2.5)		
YoY growth (in %)		87	19.7	87	52.3
Total PBIT	163.6	183.4	209.28	474.7	685.9
Segment Margin					
System Integration	17.2	13.7	29.3	14.8	15.2
QoQ (Change)		783bps	1564bps		
YoY (Change)		76bps	1215bps		46
Software Development	24.7	24.3	22.2	21.4	23.5
QoQ (Change)		65bps	(208) bps		
YoY (Change)		467	(246) bps		204

Source: Company and Emkay Private Client Research

Contd...

Business Outlook and Valuation: Growth Advanced

The result for the quarter gone by was inline with our expectations, on both the revenues and profitability front. Going forward, we expect Tata Elxsi to continue its growth momentum for the year ahead.

We maintain our estimate for FY08E, and we are still working on the estimates for FY09E, as we look forward for more clarity on the headcounts addition and client's accounts ramp up.

At current market price of 318, Tata Elxsi stock trades at 13x FY08E earning and EV/EBITDA of 10X FY08E.

We maintain BUY on Tata Elxsi with a target price of Rs 368 based on DCF approach, at our target price the stock will be valued at 15.5x for FY08E earning.

Financial Estimates -

	FY07E	FY07A	Deviation from our Estimates	FY08E
Revenues In Rs Mn	3076.8	3076.6	0.0	4117.4
EBITDA %	21.8	22.4	64	23.5
EBITDA	670.7	690.5	2.9	967.6
Net Profit	511.4	521.3	1.9	739.1
EPS in Rs	16.4	16.7	1.9	23.7
P/E at Rs 318	19.4	19.0		13.4

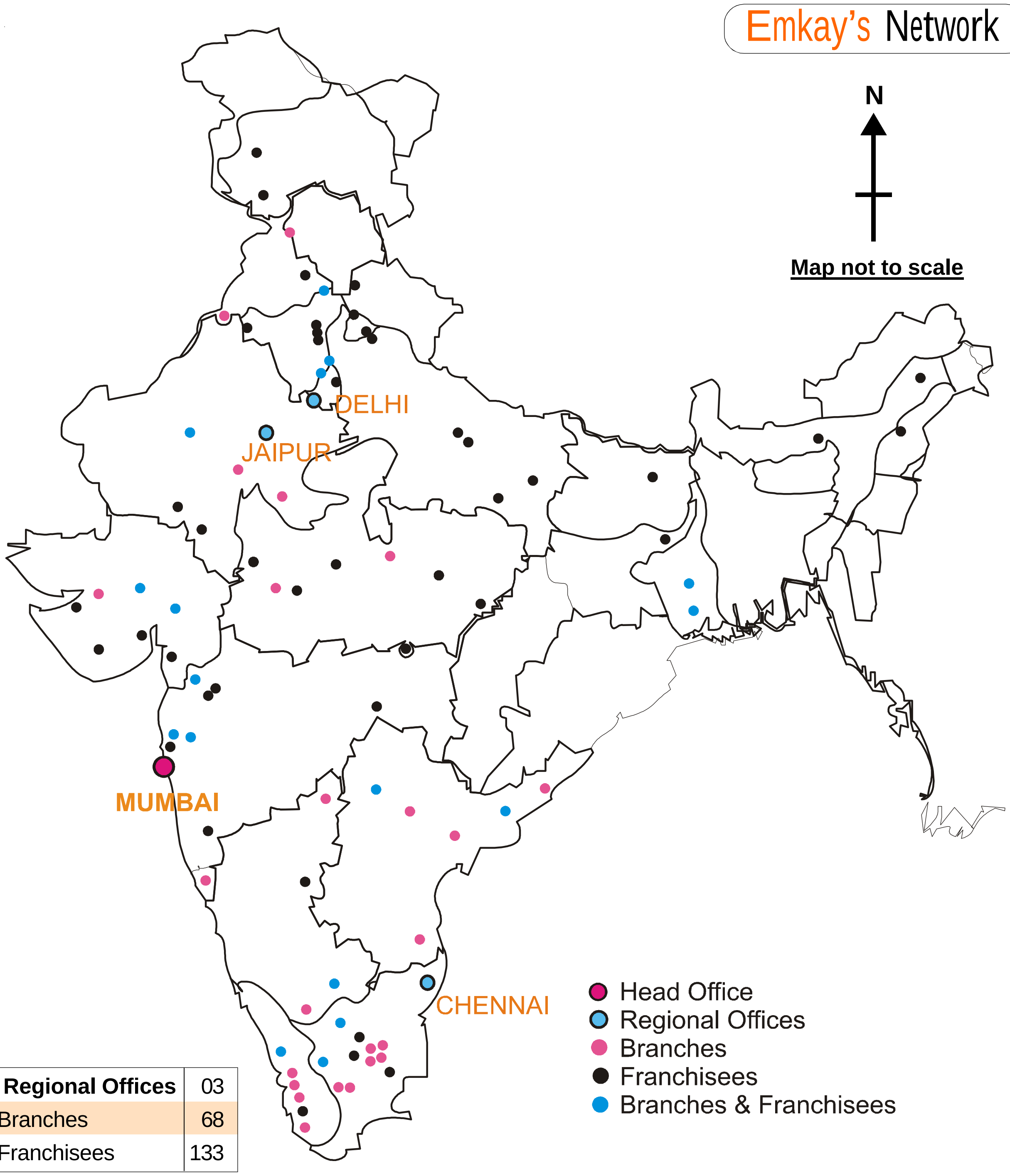
Source: Company and Emkay Private Client Research

Stock Recommendations from Emkay PCG

Name of the Company	Reco Date	Reco Price (Rs)	Target Price (Rs)	52 Week high/low (After Rec. Date)	CMP (Rs)	Appreciation % (As on 30 Apr 07)
NESCO Ltd	27-Dec-05	394 X/B	1,000.0	2249/400	1,153.6	192.8
Praj Industries Ltd	02-Jan-06	192.0	325.0	376/97	499.3	160.1
Tech Mahindra Ltd	04-Oct-06	619.0	1,794.0	2049/521	1,588.8	156.7
Ratnamani Metals and Tubes	19-Sep-06	358.0	944.0	690/244	708.1	97.8
NIIT Technologies Ltd	08-Nov-06	246.0	488.0	472/131	448.9	82.5
Thermax	24-Jul-06	242.0	450.0	447/206	419.0	73.1
Paradyne Infotech Ltd.	20-Nov-06	68.0	150.0	121/42	116.5	71.3
Iflex Solutions	01-Nov-06	1,515.0	2,000.0	2174/840	2,519.2	66.3
RPG Transmission	13-Sep-06	137.0	223.0	243/75	212.6	55.2
Kirloskar Oil Engine	31-Jul-06	182.0	329.0	330/154	255.0	40.1
M&M	28-Jul-06	577.0	1,025.0	1002/488	778.9	35.0
Ahmednagar Forgings	30-Aug-06	186.0	335.0	300/133	246.0	32.3
Tata Elxsi Ltd.	15-Nov-06	242.0	368.0	320/147	317.6	31.2
Sujana Metals	08-Feb-07	109.0	215.0	122/36	142.8	31.0
Dynamatic Technologies	03-Oct-06	1,066.0	1,386.0	1932/671	1,350.0	26.6
Ashok Leyland Ltd	20-Jul-06	31.0	51.0	54/30	39.0	25.6
Sunil Hitech	02-Aug-06	87.0	140.0	176/76	108.6	24.8
Subros	25-Jul-06	184.0	350.0	285/150	229.0	24.5
KPIT Cummins	02-Nov-06	113.8	144.2	181/62	136.2	19.7
Automotive Axles	26-Jul-06	441.0	724.0	820/331	525.1	19.1
Royal Orchid Hotels Ltd	28-Sep-06	176.0	243.0	235/96	205.0	16.5
Tata Consultancy Services	18-Oct-06	1,114.0	1,518.0	1399/728	1,265.7	13.6
Amtek Auto	15-Jan-07	351.0	510.0	435/240	385.3	9.8
Satyam Computers	27-Oct-06	431.0	590.0	525/271	473.1	9.8
Tanla Solutions	10-Jan-07	395.0	613.0	454/365	433.5	9.7
HCL Technologies	18-Oct-06	304.5	405.0	707/362	334.1	9.7
Bharat Forge	01-Aug-06	300.0	416.0	485/221	322.9	7.6
Global Vectra Helicorp Ltd.	15-Dec-06	218.0	334.0	327/155	226.1	3.7
Infosys Technologies	12-Oct-06	1,981.0	2,616.0	2401/1225	2,049.4	3.5
Tata Motors	27-Jul-06	726.0	1,071.0	997/651	750.5	3.4
Maruti Udyog	05-Jul-06	785.0	1,020.0	991/670	803.1	2.3
Pratibha Industries Ltd	16-Oct-06	195.0	205.0	392/133	198.8	1.9
ISMT	09-Aug-06	69.0	139.0	125/62	70.3	1.9
Wipro Ltd	30-Oct-06	562.0	676.0	660/383	571.3	1.6
Cinemax India Ltd	13-Apr-07	126.0	193.0	204/101	127.9	1.5
BL Kashyap & Sons Ltd.	09-Nov-06	1,303.0	1,964.0	1595/750	1,319.1	1.2
Bharati Shipyard	22-Jan-07	416.0	554.0	573/248	420.8	1.2
Great Offshore	19-Jan-07	753.0	1,153.0	905/702	759.8	0.9
Jindal Drilling & Industries	29-Jan-07	535.0	786.0	702/188	538.8	0.7
Paper Products Ltd	16-Aug-06	326.0	478.0	499/240	322.0	(1.2)
Cosmo Films	19-Jul-06	88.0	100.0	123/67	86.2	(2.0)
GMM Pfaudler	20-Sep-06	135.0	209.0	208/92	131.4	(2.7)
Bosch Chassis Systems Ltd	18-Sep-06	952.0	1,150.0	1380/671	923.0	(3.0)
Patel Engineering	26-Feb-07	361.0	393.0	635/222	349.9	(3.1)
Shree Cements	11-Oct-06	1,097.0	1,800.0	1592/543	1,050.8	(4.2)
Ultratech Cement Ltd #	20-Oct-06	867.0	800.0	1205/501	820.3	(5.4)
Peninsula Land Ltd	15-Feb-07	410.0	600.0	967/286	385.3	(6.0)
Hero Honda	06-Feb-07	730.0	800.0	950/637	683.6	(6.4)
Bajaj Auto Ltd	17-Jul-06	2,644.0	3,238.0	3325/2032	2,445.0	(7.5)
Madhucon Projects	29-Aug-06	221.0	305.0	438/160	203.1	(8.1)
TTK Prestige	19-Jan-07	132.0	201.0	185/73	121.0	(8.4)
Gabriel India Ltd	27-Sep-06	34.0	52.0	43/22	31.1	(8.7)
Kamat Hotels	24-Jan-07	190.0	230.0	230/110.1	171.0	(10.0)
Taj GVK	22-Feb-06	196.0	250.0	345/152	173.5	(11.5)
Suprajit Engineering Ltd	07-Jul-06	187.0	227.0	272/147	165.2	(11.7)
Hyderabad Industries	28-Dec-06	236.0	360.0	525/215	207.3	(12.2)
NRB Bearings	03-Jul-06	101.0	118.6	655/390	88.0	(12.9)
Rajratan Global Wire Ltd	17-Aug-06	94.0	150.0	146/82	81.7	(13.1)
ACC Ltd #	26-Oct-06	974.0	770.0	1192/572	838.9	(13.9)
Hotel Leelaventure Ltd.	27-Nov-06	65.0	84.0	90/42	54.6	(16.0)
Federal Mogul Goetze India Ltd	01-Nov-06	329.0	467.0	449/201	261.2	(20.6)
Chettinad Cement Ltd	20-Feb-07	480.0	575.0	680/250	368.1	(23.3)
TVS Motors #	11-Jul-06	90.0	92.0	187/74	64.5	(28.4)
Mangalam Cements Limited	27-Nov-06	208.0	306.0	259/88	143.6	(31.0)
Manugraph India Ltd	27-Sep-06	231.0	294.0	319/175	152.7	(33.9)

Sell/Book Profit Call

Emkay's Network



Total Regional Offices	03
Total Branches	68
Total Franchisees	133

Regional Offices

NEW DELHI
MR. ARUN BANSAL
401, NEW DELHI HOUSE, 27, BARAKHAMBA ROAD, NEW DELHI - 110001
PH: 9350496088 / 9350192101; Email: newdelhi@emkayshare.com

JAIPUR
MR. RAHULL MANTRI
1,M.I.ROAD,2ND FLOOR, NO.7,OPP. AMRAPURA STHAN, JAIPUR 302001, RAJASTHAN
TEL NO: 0141 2378661/2/3/4; Email: emkay.jaipur@emkayshare.com

CHENNAI
MR. RAJESH RENGARAJAN
1ST FLOOR ROOP EMERALD. NEW NO 45 OLD NO28, NORTH USMAN ROAD. T-NAGAR, CHENNAI 600-017
TEL NOS: 044-45502496/7/ , Email: chennai@emkayshare.com

Mr. Chirayush Bakshi – Vice President - Marketing and Business Development
Mob.: 9322934529; Email: chirayush.bakshi@emkayshare.com
Mr V. H. Bhaskaran – Vice President - Business Development (South)
Mob.: 9323811847; Email: bhaskaran@emkayshare.com

Name	Sector	Tel No	E-mail id
Avinash Gorakshakar	Head of Research	+91 22 6612 1206	avinash@emkayshare.com
Umesh Karne,CFA	Auto, Auto Ancillary, Capital Goods, Power Equipment	+91 22 6612 1281	umesh.karne@emkayshare.com
Manish Balwani	Cement, Construction	+91 22 6612 1278	manish.balwani@emkayshare.com
Sanjeev Hota	IT, Telecom, Media	+91 22 6612 1243	sanjeev.hota@emkayshare.com
Pratik Dalal	Hotels, Packaging, Retail	+91 22 6612 1280	pratik.dalal@emkayshare.com
Suman Memani	Mid-caps, Construction & Realty	+91 22 6612 1279	suman.memani@emkayshare.com
Sunita Karwa	Research Associate	+91 22 6612 1282	sunita.karwa@emkayshare.com
Manas Jaiswal	Technical analyst	+91 22 6612 1274	manas.jaiswal@emkayshare.com
Rajesh Manial	Associate Technical analyst	+91 22 6612 1275	rajesh.manial@emkayshare.com
Zeal Mehta	Derivative Analyst	+91 22 6612 1276	zeal.mehta@emkayshare.com

Emkay Share and Stock Brokers Ltd.

Member: Bombay Stock Exchange Limited (BSE) and The National Stock Exchange (NSE).
C-6, Ground Floor, Paragon Center, Pandurang Budhkar Marg, Worli, Mumbai – 400 013.
Tel No. 66121212. Fax: 66121299; e-mail: marketing@emkayshare.com; www.emkayshare.com
Regn.Nos.PMS-INP 000000779; BSE (Cash) INB 010901838; BSE (Derivative) INF 010901838;
NSE (Cash) INB 230901838; NSE (Derivative) INF 230901838; DP CDSL IN-DP-CDSL-58-2000
Call (Tollfree) 1-600-223-434 / 1-800-223-434