

**May 21, 2007**
**FOR PRIVATE CIRCULATION**
**Equity**

	18 May 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	14,303	0.0	4.6	(0.4)
Nifty	4,215	(0.1)	5.1	1.6
Banking	7,604	0.9	11.6	5.9
IT	3,722	0.0	1.2	(5.1)
Healthcare	3,734	0.0	(0.8)	(1.8)
FMCG	1,873	0.8	4.0	(1.0)
PSU	6,699	(0.7)	6.6	8.2
CNX Midcap	5,536	0.3	8.2	5.6

**World indices**

	18 May 07	% Chg	1 Day	1 Mth	3 Mths
Nasdaq	2,558.5	0.8	1.3	1.6	
Nikkei	17,400	(0.6)	0.3	(2.3)	
Hangseng	20,905	(0.4)	1.9	1.5	

**Value traded (Rs cr)**

	18 May 07	% Chg - 1 Day
Cash BSE	4,535	(21.4)
Cash NSE	9,810	(20.7)
Derivatives	29,837.4	(18.6)

**Net inflows (Rs cr)**

	17 May 07	% Chg	MTD	YTD
FII	1,061	862	82	13,050
Mutual Fund	608	81	632	(1,722)

**FII open interest (Rs cr)**

	17 May 07	% chg
FII Index Futures	14,128	0.8
FII Index Options	5,958	0.1
FII Stock Futures	18,199	1.9
FII Stock Options	98	5.6

**Advances/Declines (BSE)**

	18 May 07	A	B1	B2	Total	% Total
Advances	77	270	377	724	41	
Declines	132	423	431	986	56	
Unchanged	1	12	27	40	2	

**Commodity**

	18 May 07	% Chg			
		1 Day	1 Mth	3 Mths	
Crude (NYMEX) (US\$/BBL)		64.9	0.1	2.9	9.3
Gold (US\$/OZ)		661.8	0.6	(4.2)	(2.3)
Silver (US\$/OZ)		12.9	0.8	(6.8)	(8.6)

**Debt/forex market**

	18 May 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.2	8.2	8.1	8.0
Re/US\$	40.7	40.8	42.0	44.1

**Sensex**


Source: Bloomberg

## ECONOMY NEWS

- ❑ Debt raised by Indian companies through external commercial borrowings (ECBs) is now estimated to have totalled \$24 billion in the previous fiscal. This is close to 10% higher than the government's internal cap of \$22 billion, fixed for the previous fiscal. (ET)
- ❑ The centre has finalised allocation of 16 blocks with total reserves of 16 bn tons of coal for the ultra mega power projects besides earmarking 15 other blocks for the power sector. (ET)
- ❑ DoT is seeking sweeping changes in the unified access service license (UASL) norms that include a review of equity limit under which a telecomm operator cannot pick up more than a 10% stake in a competing company. (BS)
- ❑ Financial instruments like debentures and promissory notes will soon attract uniform stamp duty across the country. The centre and states have arrived at a consensus on the issue and the states are expected to uniform the rates soon. (ET)

## CORPORATE NEWS

- ❑ Tata AutoComp Systems (Taco) and French auto parts maker Valeo are believed to be in preliminary stages of discussions to acquire a stake in NYSE-listed ailing automotive supplier Visteon Corporation. (BS)
- ❑ Commercial vehicle maker Ashok Leyland has approached the Supreme Court challenging the Delhi High Court's order that restrained registration of old model of buses with high floors in the national capital (BS)
- ❑ Dr Reddy's Laboratories is setting up two special economic zones (SEZs) - one each at Hyderabad and Visakhapatnam in Andhra Pradesh. While one SEZ would be exclusively for active pharmaceutical ingredients, the other would develop pharmaceutical products. (BS)
- ❑ To ensure full utilisation of its new airport, GMR Group promoted GMR Hyderabad International Airport (GHIAL) has tied up with IMRB International to base its strategy on the potential for passenger traffic and cargo movement, specifically from identified spokes in the catchment region. (BS)
- ❑ Tata Power is looking at Australia and South Africa for securing additional supplies of coal for upcoming projects in India. (BL)
- ❑ Dr Reddy's has reported a net profit of Rs 3.25 bn in Q4 FY07 against a loss of Rs 237 mn in the same period of FY06. Revenue during the quarter grew to Rs 15.6 bn rising from Rs 6.9 bn in the corresponding period of FY06. (ET)
- ❑ Aditya Birla Retail plans to invest Rs 90 bn over the next 3 years in a pan-india chain of supermarkets under the brand name 'more'. (BL)

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

# FROM OUR RESEARCH TEAM

## RESULT UPDATE

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# GUJARAT STATE PETRONET LTD

**PRICE : Rs.60**  
**TARGET PRICE : Rs.75**

**RECOMMENDATION : BUY**  
**FY08E P/BV: 2.9x**

The GSPL stock has crossed our target price of Rs.58 and yielded 54% return in the past seven months. We revise our long-term (FY10-12) gas transmission volume estimates upward to reflect more visibility on the gas supply front. We have revised our FY10-12 volume estimates upward to 39, 43 and 49 mmscmd from the earlier estimate of 37, 40 and 41 mmscmd, respectively. Henceforth, we also revise our one-year price target upward to Rs.75 and maintain BUY recommendation.

### Steep jump expected in natural gas supply

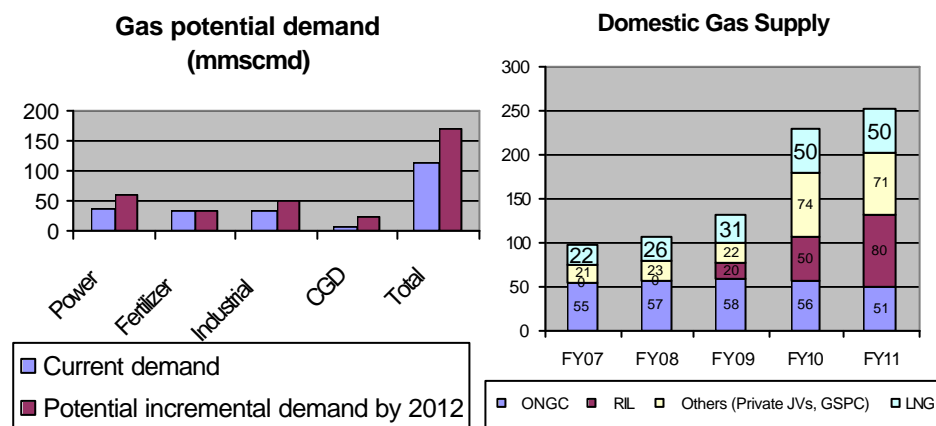
Natural gas supply in the country is expected to increase by 2.5x from the current level of 100 mmscmd (80 domestic and 20 LNG) to 250 mmscmd (80 RIL, 40 GSPC, 20 LNG, 10 ONGC) by FY12. As far as gas demand is concerned, we believe it is supply and infrastructure driven and would continue to absorb any excess supply. Since Gujarat is the most industrialized state in India, it is the only state with adequate pipeline infrastructure. Hence, it will continue to consume maximum amount of natural gas. Based on the fuel economies we see the following industries contributing to incremental gas demand.

#### Summary table

(Rs mn)	FY07	FY08E	FY09E
Sales	3609.1	4514.9	6789.3
Growth %	34.7%	25.1%	50.4%
EBITDA	3081.5	3928.2	5944.6
EBITDA margin %	85.4%	87.0%	87.6%
Depr + Int %	47.9%	54.0%	54.1%
EBT Margin%	39.8%	33.6%	33.4%
Net profit	947.1	999.7	1495.1
Net debt (cash)	7684.5	14661.4	12284.3
EPS (Rs)	1.75	1.84	2.76
Growth %	102.9%	5.6%	49.6%
DPS (Rs)	25.0%	25.0%	25.0%
ROE %	9.8%	9.5%	12.8%
RoIC%	9.7%	7.9%	9.3%
EV/Sales (x)	11.1	10.5	6.6
EV/EBITDA (x)	13.1	12.0	7.5
P/E (x)	34.4	32.6	21.8
P/BV (x)	3.2	3.0	2.6

Source: Company & Kotak Securities - Private Client Research

- Replacing liquid fuel in the power sector in order to meet peak demand and maximizing capacity utilization. Every year 10000 MW power capacity is to be added. 30% of it could be gas-based, which would require 60 mmscmd of gas after five years.
- Existing fertilizer units using naphtha/fuel oil (FO). Current total naphtha/FO demand is 30 mmtpa. Based on 60% conversion, the total gas requirement would be 70 mmscmd.
- Potential for replacing LPG, kerosene in domestic/commercial usage. Current demand is 20 mmtpa. Based on 20% replacement, potential gas requirement would be 16 mmscmd.
- Replacement potential in the transport sector by CNG. Current demand is 60 mmtpa. Based on 10% conversion gas requirement would be 24 mmscmd.



Source: Industry, Kotak Securities - Private Client Research

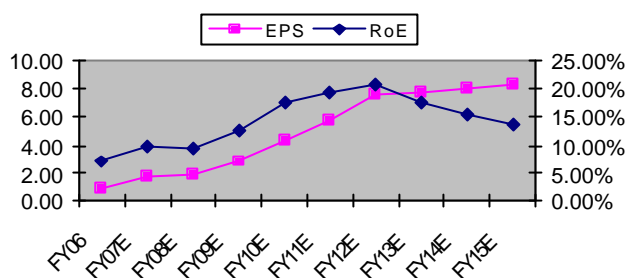
## Valuation and Key Assumptions

We have arrived at a DCF-based price target of Rs.75. We have taken 3% terminal FCF growth rate, which is at a 40% discount to the expected CAGR of 5% for the natural gas industry. The DCF is sensitive to tariffs and volumes.

A key risk to our analysis is regulation intervention in tariffs to curtail the company's RoE. GSPL's business being monopolistic in nature, may come under the regulator's scanner post FY10, when its RoE would be 20%, which is above regulated post tax RoE of 12%. We have maintained the current operating margins for the company, as at present GSPL's tariffs are competitive and excessive RoE would come down post FY12, due to slower 3% terminal growth rate assumed and higher base effect.

Valuation	
WACC (%)	12.4
Terminal growth rate (%)	3.0
PV (FY09-12) (Rs mn)	14182.4
Terminal Value	41160.0
Total Value	55342.4
Net Financial Obligations	14661.4
Equity Value	40681.0
Number of shares (mn)	542.2
Fair Value (Rs)	75.0

Source: Kotak Securities - Private Client Research



Source: Company, Kotak Securities - Private Client Research

## Key Assumptions

(Rs mn)	FY06	FY07E	FY08E	FY09E	FY10E	FY11E	FY12E
Existing Network (mmscmd)	13.4	15.7	20.0	21.9	25.2	27.7	30.5
Network for RIL (mmscmd)	-	-	-	11.0	14.0	16.0	20.0
<b>Total gas volumes (mmscmd)</b>	<b>13.4</b>	<b>15.7</b>	<b>20.0</b>	<b>32.9</b>	<b>39.2</b>	<b>42.5</b>	<b>49.1</b>
Average Tariff (Rs/tcm)	665.8	600.0	612.0	582.5	568.3	567.2	563.5

Source: Kotak Securities - Private Client Research

(Rs mn)	FY07	FY08E	FY09E	FY10E	FY11E	FY12E
Net Sales	3438.3	4467.6	6800.6	8134.6	9055.3	10389.7
Total Expenses	527.5	586.7	844.6	961.5	1063.2	1191.4
Dept	1095.9	1716.3	2307.1	2404.7	2475.1	2548.1
EBIT	1814.9	2164.6	3648.8	4768.4	5517.0	6650.3
Taxes on EBIT	617.1	736.0	1240.6	1621.3	1875.8	2261.1
<b>NOPLAT</b>	<b>1197.8</b>	<b>1428.7</b>	<b>2408.2</b>	<b>3147.2</b>	<b>3641.2</b>	<b>4389.2</b>
Gross cash flow	2293.7	3145.0	4715.3	5551.8	6116.4	6937.3
Increase in WIP	-3164.6	-656.7	-381.8	19.5	14.1	14.6
Inc. NWC	6.7	8.6	19.4	11.1	7.6	11.1
Capita Expenditure	9904.5	10240.0	1686.5	922.8	961.9	990.1
Gross Investment	6746.5	9591.8	1324.1	953.4	983.6	1015.7
<b>FCF</b>	<b>-4452.8</b>	<b>-6446.9</b>	<b>3391.3</b>	<b>4598.4</b>	<b>5132.8</b>	<b>5921.6</b>

Source: Kotak Securities - Private Client Research

Natural gas transmission is the most critical part of the natural gas value chain, as it possesses natural monopoly characteristics. Competition is encouraged over E&P and gas distribution. However, competition is not viable in transmission. Hence, we believe GSPL would establish its monopoly over gas transmission in Gujarat. Being a monopoly it can be expected to generate super normal returns going forward. Hence, we continue to maintain our BUY recommendation.

**RESULT UPDATE**

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**TATA MOTORS****PRICE : Rs.742****TARGET PRICE : Rs.922****RECOMMENDATION : BUY****FY08E CONSOLIDATED PE : 12x**

**Tata Motors reported financial numbers for Q4FY07 that were in line with our estimates with the company benefiting from strong volume growth as well as better realizations. We maintain Buy on the stock with a revised price target of Rs922.**

**Key Highlights of Q4FY07**

- The Company reported net sales at Rs.82.6 bn for Q4FY07, an increase of 20% over Rs.68.8bn recorded in the corresponding quarter of last year, followed by EBIDTA growth of 12% at Rs 9.3bn from Rs 8.4bn in Q4 last year. However the topline includes a figure of Rs602mn on account of foreign exchange gain (Rs293.8mn last year).
- The profit after tax for Q4FY07 was Rs.5.7bn as compared to Rs4.5bn in Q4FY06, an increase of 26%. However in the Q4 of FY07 the company has earned other income of Rs.604 mn by way of forex gains.
- The net interest cost in Q4FY07 decreased to Rs.598mn from Rs. 692mn in Q4FY06, a decrease of around 14% y-o-y.
- During the quarter ended March 31, 2007 the Company has made following investments in subsidiaries: (a) additional investment in TML Financial Services Ltd Rs 2000 million (b) Tata Motors (Thailand) Ltd Rs 116.10 million and (C) Tata Marcopolo Motors Ltd Rs 300,000.

**Quarterly Performance**

Period Ended (Rs mn)	Q4FY07	Q4FY06	YoY %
Gross Sales	96010	79793	20
Other Income	604	44	22
Total Income	109349	90758	20
Net Sales	82670	68828	20
Total Expenditure	86633	71393	21
Op Profits	9377	8399	12
OPM %	11.34	12.20	-7
Interest	598	692	-14
Depreciation	1583	1363	16
PBT	7801	6389	22
Prov for Tax	2031	1895	7
Exceptional Item	-3	87	-104
PAT before Eitem	5771	4494	28
PAT after Eitem	5774	4581	26
Equity Capital	3854	3829	
EPS (Rs)	14.98	11.97	25

Source: Company

**Other Highlights for Q4FY07**

- CV domestic sales volumes in FY07 at 2,98,586 units in FY07 grew 39% from 2,14,836 unit sales in FY06. The company's market share in the CV industry increased to 64% from 61% in FY06, an increase of 270bps.
- Volumes in the MCV truck segment grew by 1.8% yoy which was lower than the industry growth of 5.4%. Consequently the market share for the segment stood at 77% during FY07 as against 79.7% in FY06.
- Volumes in the bus segment registered a 11.2% yoy increase from 22,982 units in FY06 to 25, 522 units in FY07. Also the management has announced setting up a new plant for the bus segment in association with Marcopolo.

- Over 70,000 units of Tata Ace were sold during FY07 in the domestic market. The Greenfield plant at Uttarakhand dedicated to Ace and its variants has commenced operations and the company is looking to increase Ace sales from around 6,000 units per month to 7,500 units per month going forward.
- Revenues from international business formed around 18% of the consolidated revenues of the company during FY07 as compared to 17% in FY06.

### Subsidiaries continue to perform

- The company's consolidated revenues at Rs324bn for FY07 recorded an increase of 36% as against Rs.237.6bn in FY06.
- The consolidated PAT at Rs.21.7bn as against Rs.17.2bn for the full year recorded a growth of 26%.
- Among the subsidiaries the integration of TTL with INCAT has extended beyond the scheduled deadline and hence despite posting a turnover of Rs9.6bn it recorded only Rs163mn in net profits.

### Performance of subsidiaries

Subsidiaries	Revenues			PAT		
	FY07	FY06	%gth	FY07	FY06	%gth
Tata Daewoo Co	23336	15849	47	830	583	42
HV Transmission	1756	1277	38	450	301	50
HV Axle	1967	1439	37	579	463	25
Tata Technologies	9605	5450	76	163	116	41
Telco Construction Equipment	18277	13050	40	1839	868	112
TML Financial Services	1602	0		128	0	

Source: Company

### Business Outlook

The company is looking at increasing capacity across all products in then next 12-15 months as part of its capex plans of Rs120bn over the next four years (earlier planned capex was Rs100bn over three years) as it looks to double its turnover in the next four-five years. The company is also looking at launching new models and platforms in the passenger cars, trucks and buses besides face-lift of existing models including the Indica replacement platform.

However, the new products are scheduled to be launched only from the beginning of FY08 and would continue into FY09. Besides a new plant for bus manufacturing, the company is also setting up a new plant in Kharagpur under Telcon that would be used by Hitachi for its global operations. The company is also exploring new geographies of Latin America, Russia and Thailand to spread its international operations. However it seems unlikely that the company is seriously looking at value unlocking of its subsidiaries in the near future.

### Valuations

We have made certain changes in our earnings estimates for the company. We now expect the company to report net sales of Rs301bn in FY08 with corresponding net profits of Rs.20.8 bn on a standalone basis assuming lower operating margins of 12%. This translates into an EPS of Rs51.6 on a fully diluted basis. On a consolidated basis we expect an EPS of Rs60.3 for FY08 on a fully diluted basis.

We have done a SOTP valuation for the stock including the valuation for its subsidiaries and investments in Tata Steel. We have rolled over the valuation of the subsidiaries from FY07 to FY08 earnings. Our revised DCF valuation for the stock based on our new estimates comes to Rs769 while the subsidiaries and its investment in Tata Steel have been valued at Rs153. The new revised price target for the stock is Rs922. We maintain BUY on the stock.

<b>Summary table</b>			
<b>Rsm</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>
Sales	206,022	275,352	301,334
Growth %	18%	34%	9%
EBITDA	27,950	34,739	37,733
EBITDA margin %	12.5	12.0	12.0
Net profit	15,797	19,148	20,789
Net cash (debt)	(18,135.5)	(18,089.7)	(15,214.7)
EPS (Rs) (Diluted)	37.8	47.5	51.6
Growth %	15%	25%	9%
ROE %	32.7	30.7	26.8
ROCE %	27.3	29.7	27.5
EV/Sales (x)	1.37	1.02	0.92
EV/EBITDA (x)	10.9	8.5	7.7
P/E (x)	19.6	15.6	14.4
P/BV (x)	5.1	4.1	3.3

Source: Company and Kotak Securities - Private Client Research

**RESULT UPDATE**

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**JBF INDUSTRIES LTD**

**PRICE : Rs.119**  
**TARGET PRICE : Rs.189**

**RECOMMENDATION : BUY**  
**FY08E PE : 7x**

**Summary table - Consolidated**

(Rs mn)	FY06	FY07	FY08E
Sales	7223	14,796	19,126
Growth (%)	-2	104.8	29.3
EBITDA	883	1,726	2,388
EBITDA margin (%)	12.2	11.7	12.5
Net profit	427	806	1,201
Net debt	3721	2,277	1,635
EPS (Rs)	8.7	11.4	17.1
Growth (%)	46.0	88.8	49.0
DPS (Rs)	2	2.0	2.0
ROE (%)	17.2	18.6	19.0
ROCE (%)	13.1	19.1	23.8
EV/Sales (x)	1.7	0.7	0.5
EV/EBITDA (x)	13.7	6.2	4.2
P/E (x)	13.7	10.4	7.0
P/BV (x)	2.8	1.5	1.2

Source: Company & Kotak Securities - Private Client Research

**The results of JBF Industries was below estimates due to higher provision of deferred tax. However, we maintain FY08E earnings estimates and continue to recommend BUY with an unchanged price target of Rs.189 (59% upside).**

**Key Highlights for Q4FY07**

- Net Sales for Q4 FY07 was at Rs 4.7 bn up by 171.1% yoy and up 15.1% qoq largely due capacity addition in the Polyester chips plant and commissioning of the POY plant in the previous quarter.
- For FY07 the company reported net sales of Rs. 14.8 bn thereby registering yoy growth rate of 104.8%.
- On the volumes front, JBF produced approximately 2.4 lakh MT of Polyester chips in FY07 thereby registering 102.4% yoy volume growth. The company also produced approximately 82500 MT of POY in FY07 thereby registering 43.4% yoy volume growth. This is primarily on the back of expanded capacities.

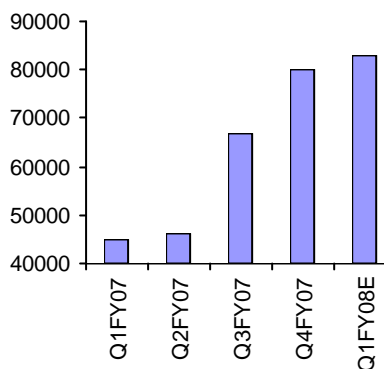
**Quarterly Performance**

Rs mn	Q4FY07	Q4FY06	YoY (%)	Q3FY07	QoQ (%)	FY07	FY06	YoY (%)
<b>Net Sales</b>	<b>4,774</b>	<b>1,761</b>	<b>171.1</b>	<b>4,146.7</b>	<b>15.1</b>	<b>14,795.8</b>	<b>7,223.4</b>	<b>104.8</b>
Inc/dec in stock	(130)	(5)		41.1		(348.1)	11.2	
raw materials	3,965	1,398	183.7	3,302.3	20.1	12,138.1	5,623.3	115.9
staff cost	41	22	83.7	31.2	30.1	127.2	83.6	52.2
Power exp.	192	86	124.8	158.1	21.7	597.5	340.0	75.7
other exp.	221	73	202.6	163.5	34.9	554.7	282.6	96.3
total exp.	4,289	1,573	172.6	3,696.2	16.0	13,069.4	6,340.7	106.1
<b>EBIDTA</b>	<b>486</b>	<b>188</b>	<b>158.8</b>	<b>450.5</b>	<b>7.8</b>	<b>1,726.4</b>	<b>882.7</b>	<b>95.6</b>
Other income	21	25	(15.1)	19.0	12.6	87.5	32.7	167.6
Depreciation	107	57	87.3	99.6	7.0	365.6	227.7	60.6
EBIT	401	156	156.7	369.9	8.3	1,448.3	687.7	110.6
Interest	94	30	216.9	88.5	5.6	268.8	109.5	145.5
PBT	307	127	142.7	281.4	9.1	1,179.5	578.2	104.0
Extra loss/ (gain)	(14)	(2)	-	(43.0)	-	(24.3)	(19.2)	-
Tax & def tax	138	(7)		90.6	52.1	397.9	170.5	133.4
<b>PAT</b>	<b>183</b>	<b>135</b>	<b>35.1</b>	<b>233.8</b>	<b>(21.8)</b>	<b>805.9</b>	<b>426.9</b>	<b>88.8</b>
Equity shares o/s (mn)	54.4	49.0		54.4		54.4	49.0	
Fully Diluteed Equity	70.4	70.4		70.4		70.4	70.4	
<b>Ratios</b>								
<b>Operating profit margin (%)</b>	<b>10.2</b>	<b>10.7</b>	<b>down 50 bps</b>	<b>10.9</b>	<b>down 70 bps</b>	<b>11.7</b>	<b>12.2</b>	<b>down 50 bps</b>
Raw Materials / Sales (%)	80.3	79.1		80.6		79.7	78.0	
Other Exp. / Sales (%)	4.6	4.1		3.9		3.7	3.9	
Reported EPS (Rs)	3.4	3.1		4.6		15.6	9.8	
EPS (Rs) - Diluted	2.6	1.9		3.3		11.4	6.1	
CEPS (Rs)	4.1	2.7		4.7		16.6	9.3	
Tax / PBT (%)	44.9	(5.1)		32.2		33.7	29.5	

Source: Company

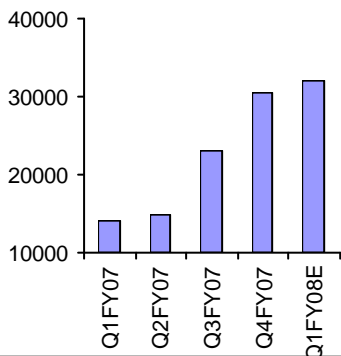


**Chips Production MT**



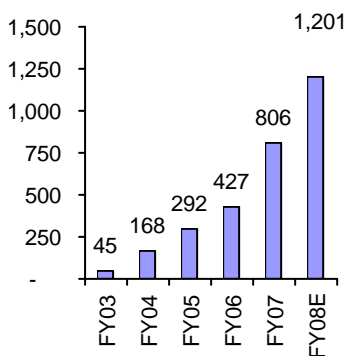
Source: Company & Kotak Securities - Private Client Research

**POY Production MT**



Source: Company & Kotak Securities - Private Client Research

**Net Profits Rs mn**



Source: Company & Kotak Securities - Private Client Research

- EBIDTA margin during Q4 FY07 was down by 50 bps at 10.2% on yoy basis. This was primarily due to higher raw materials to sales ratio at 80.3% in Q4FY07 as against 79.1% in Q4FY06. This was due to softening crude prices, which impacted the Polyester chips and POY prices. The prices of its key raw materials like PTA and MEG have also come down subsequently and hence we expect the company to regain its operating margins in the following quarters.
- EBIDTA for Q4FY07 was Rs.486 mn up, 158.8% YoY and 7.8% on a sequential basis.
- Depreciation during Q4 FY07 was higher by 87.3% yoy and 7.0% on qoq basis to Rs. 107 mn. This was due to the increase in the provisioning of depreciation due to the expansion of POY capacity from 60000 TPA to 150000 TPA.
- Interest cost increased significantly to Rs. 94 mn in Q4 FY07 due to the expansion of the POY plant becoming operational and thus the interest is not capitalized but charged to the profit and loss account.
- PBT for the Q4 FY07 was at Rs. 307 mn up 142.7% on yoy basis and up 9.1% on sequential basis.
- PAT for the Q4 FY07 was up by 35.1% yoy and down 21.8% on sequential basis to Rs 183 mn. This was primarily due to provision of Rs. 112.5 towards deferred taxation on account of difference in depreciation towards commissioning of the POY plant during the year.
- For FY07 the company reported PAT of Rs. 805.9 mn as against Rs. 426.9 mn in FY06 thereby registering yoy growth rate of 88.8%. This translates into FY07 EPS of Rs. 11.4 and CEPS of Rs. 16.6 on fully diluted basis.

**Expansion plans**

JBF is expanding the production of polyester chips plant at Sarigam, Gujarat by 600 TPD thereby raising the capacity to 1200 TPD. The cost of project is estimated at Rs. 1 bn. The project is expected to commence commercial production by March 2008. However we have not included any revenues nor profitability into our earnings estimates as we would like to monitor the progress of the plant.

The company's Ras-Al-Khaimah, UAE project for polyester resin packaging (PET) and polyester films manufacturing is having couple of months delay and now the first phase of the plant is expected to commence commercial production towards the end of June 2007. The delay is primarily due to heavy unexpected rains in the region which halted the work for couple of weeks and subsequently led to further delays for setting up other infrastructure.

**Recommendation and Valuation**

We maintain our EPS estimate of Rs. 17.1 in FY08E on fully diluted basis.

At Rs. 119, the stock trades at 1.2x FY08E to book value, discounts FY08E earnings at 7.0x which we believe is very attractive considering the strong growth prospects of the company regarding its expansion plans and firm demand for Polyester chips and POY in the country.

We remain positive and reiterate our BUY with unchanged price target of Rs. 189, which provides upside potential of 59% from the current level. We recommend BUY.



## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
18-May	BHAGWATI BAN N D NISSAR		B	273513	51.49
18-May	BHAGWATI BAN KAUSHIK SHAH SHARES SEC P L		B	215568	52.41
18-May	BHAGWATI BAN BHARAT H SHETH		B	193607	51.73
18-May	BHAGWATI BAN DEEPAK S CHHEDA		B	93001	51.7
18-May	BHAGWATI BAN HIMANSHU R NISSAR		B	158405	51.36
18-May	BHAGWATI BAN N D NISSAR		S	273513	51.58
18-May	BHAGWATI BAN KAUSHIK SHAH SHARES SEC P L		S	215768	52.36
18-May	BHAGWATI BAN BHARAT H SHETH		S	193607	51.78
18-May	BHAGWATI BAN DEEPAK S CHHEDA		S	93001	51.8
18-May	BHAGWATI BAN HIMANSHU R NISSAR		S	158405	51.39
18-May	BHAGWATI BAN MANISH SHARMA		S	151000	52.57
18-May	BIHAR TUBES VIRINDER ENGG. AND CHEM.		B	38143	162.42
18-May	CHAN GUIDE I RAJENDRA KARNIK		B	131298	12.44
18-May	CHAN GUIDE I KAMLADEVI NEMICHAND JAIN		S	50000	12.44
18-May	CHAN GUIDE I JAYSHREE RAJESH JAIN		S	47000	12.44
18-May	CHAN GUIDE I ANUPAMA RAKESH JAIN		S	30000	12.44
18-May	CRAZY INFOTE VINAYAK MARUTI BHANAGE		S	19000	101.6
18-May	DIANA TEA CO SINGHANIA BUILDERS PVT LTD		S	250000	12.74
18-May	DIANA TEA CO PRETORIA ENCLAVE PVT LTD		S	400000	12.74
18-May	GEMSTONE INV SUPREME INDIA COTTEX PVT LTD		B	25543	21.94
18-May	GEMSTONE INV PREM MOHANLAL PARIKH		B	100050	22.5
18-May	GEMSTONE INV HEMANT MADHUSUDAN SHETH		S	15110	22.28
18-May	GEMSTONE INV PREMCHAND KESHAVJI SHAH		S	100000	22.5
18-May	GEMSTONE INV ANURAG SABOO		S	25000	21.95
18-May	IL&FS INV TSM CLSA MAURITIUS LTD		B	1435000	204.99
18-May	IL&FS INV TSM CAPITAL INTERNATIONAL INC		S	1431479	205
18-May	INDO PAC SOF DAKSH PROFESSIONAL CON. PVT LTDB			55000	15.85
18-May	INDO PAC SOF VIKAS JAIN		S	74850	15.89
18-May	KALPTARU ASHLESH GUNVANTBHAI SHAH		B	181974	66.34
18-May	KALPTARU ASHLESH GUNVANTBHAI SHAH		S	103364	66.49
18-May	KALPTARU ARUN KUMAR K L		S	25000	65.5
18-May	KATWA UDYOG RAMALING SAI VISHNU		B	28000	18.77
18-May	KOFF BR PICT KASHIBEN ISHWARLAL PATEL		S	60000	20.38
18-May	MEFCOM AGR I DHIREN R. SHETHIA		B	23964	37.81
18-May	MEFCOM AGR I DHIREN R. SHETHIA		S	18964	37.82
18-May	MEGASOFT LTD PRUDENTIAL ICICI TRUST LTD.		B	305000	133.49
18-May	MEGASOFT LTD SOGELUX FUND.		S	294854	131.17
18-May	MEGASOFT LTD SUNDARAM MUTUAL FUND		S	300000	133.5
18-May	PRITHVI INFO BHARAT H SHETH		B	13448	308.6
18-May	PRITHVI INFO BHARAT H SHETH		S	13448	309.39
18-May	RAJ TELE NARENDRA P GANATRA		B	73807	246.68
18-May	RAJ TELE MBL AND COMPANY LIMITED		B	66303	244.17
18-May	RAJ TELE UTTAM FINANCIAL SERVICES LTD		B	98238	244.73

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Reliance Industries	1,698	0.8	3.6	2.3
ICICI Bank	951	1.4	2.3	1.7
HDFC Bank	1,070	2.7	1.8	2.1
<b>Losers</b>				
Tata Steel	-	(100.0)	(70.2)	0.0
Bajaj Auto	2,287	(8.7)	(4.3)	3.1
Reliance Communication	496	(0.8)	(1.6)	2.6

Source: Bloomberg

## Forthcoming events

### COMPANY/MARKET

Date	Event
21-May	SAIL to announce earnings and dividend
22-May	Alembic, Punjab Tractors, Bharat Forge to announce earnings and dividend
23-May	Punjab National Bank to announce earnings and dividend
24-May	Centurion Bank of Punjab, BPCL to announce earnings and dividend
25-May	IndusInd Bank to announce earnings
28-May	Mahindra & Mahindra, Indian Oil Corp to announce earnings and dividend
29-May	Hindustan Petroleum to announce earnings and dividend
30-May	Madras Cements, Tata Power Company to announce earnings and dividend
31-May	Ranbaxy Laboratories holds shareholders meeting

Source: Bloomberg

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