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India Infoline Weekly Newsletter Trade Online

Vol 408- May 19, 2006

Quote of the Week
**Make a decision,
 even if it's wrong.**

Stockistically Yours

Buy Phoenix Lamps at Rs112
 SL 108 tgt 131, 151 – 2months

Buy Prakash Industries at Rs42.20
 SL 38 tgt 49, 52 – 1 month

Buy Jai Corp at Rs574 SL 550
 tgt 665, 683 – 1 month

Buy Adani Exports at Rs180.15
 SL 165 tgt 232, 240 – 1 month

Buy Astra Micro at Rs213
 SL 205 Tgt 247, 280 – 1-1/2 months

By Deepak Shah

TOP STORIES

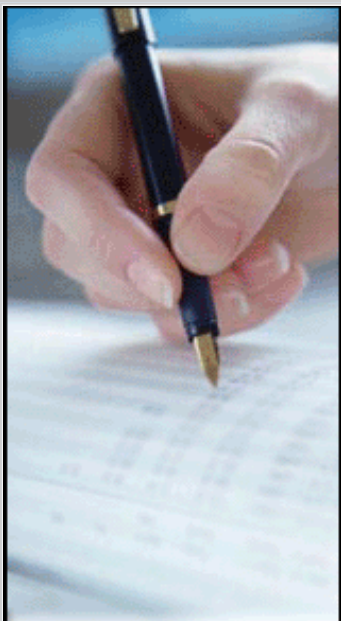
May-hem manufactured?

The initial days of May witnessed quite a bang and saw the Sensex close at record highs over the 12,600 mark. However, the overheated Sensex came crashing down in the last week wiping out around 10% this week itself. The reaction in the market is more of an overreaction to many things including the global markets. Last week, the cement counters started falling courtesy Commerce Minister Kamal Nath's tirade against cement manufacturers. This week it was a host of factors. First the London Metal Exchange saw exits by hedge funds which caused a ripple effect throughout the major markets. May 18 '06 brought back fresh memories of May 17, '04 when indices were frozen at the lower circuit. This time round, the fall in percentage terms was not that bad. In fact, most of the major falls were witnessed in the months of May and April for the last two decades. Following is the table of the five major falls.

May 2006						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Date	Fall in points
18 May '06	826
28 Apr '92	570.42
17 May '04	564.71
15 May '06	462.91
19 May '06	453

On May 18 2006, earlier during the day, when asked to comment on the crash (the market was then down around 500 points), the finance minister P Chidambaram had said, "I don't think every swing in the market requires a comment. I don't analyze markets on an hourly basis." However by the end of the day, he had put the record straight and termed the tax issue as a 'manufactured crisis'. The



**Register
Now!!!**



Key Indicators

Index	19-May	12-May	%chg
BSE Sensex	10938.61	12285.11	-10.96

Government has proposed new guidelines that will try to distinguish stock traders from investors. FIIs currently pay 10% tax on short-term capital gains. If they are termed traders, they will have pay 41% tax.

The biggest fall (in point terms) in the history of the Bombay Stock Exchange may be termed a little unnecessarily. A correction was always on the cards but not to this extent. Earlier on Thursday, when asked to comment on the crash (the market was then down around 500 points), the finance minister P Chidambaram said, "I don't think every swing in the market requires a comment. I don't analyze markets on an hourly basis." By the end of the day, he put the record straight and termed the tax issue as a 'manufactured crisis'. When it comes to taxation, overseas funds are considered 'investors' and not `traders.'

The Government has proposed new guidelines that will try to distinguish stock traders from investors. FIIs currently pay 10% tax on short-term capital gains. If they are termed traders, they will have pay 41% tax. The new draft guidelines distinguish shares held as stock-in-trade and shares held as investment to plug tax avoidance. (Read **Taxing times...Trader or Investor?**)

"No FII has been assessed as a trader. FIIs are investors because they have no permanent base in India," the finance minister clarified. The Sensex crashed by 826.38 points or 6.8% to close at 11,391.43 on Thursday. Following the clarification and given the penchant for a technical bounce back, most market participants would have hoped the worst was over. The Sensex opened smartly, rose by around 300 points and crashed by nearly 600 points before ending 453 points lower at 10938. The finance minister had urged investors to take informed decisions. The 24/7 news channels with distorted interpretation at critical times in pink papers will surely make it difficult for retail investors to stay well informed. But for those who have been with www.indiainfoline.com, there is less scope of getting trapped in manufactured crisis.

Healthy news for Pharma firms

The crash in the markets may have made many ignore all other corporate developments including results. The pharma pack, though it didn't shine on the bourses is doing well with pacts and launches. Dr Reddy's Laboratories Ltd. has launched a European research product Doxofylline, a 2nd-generation Xanthine bronchodilator under a license agreement from Kent Union Ltd. of Hong Kong and marketing co-operation with The Netherlands based Eurodrug Laboratories BV. Meanwhile, Ranbaxy Laboratories has also entered into an in-licensing deal with Eurodrug for marketing the latter's asthma product Doxophylline in India. The product will be introduced for the first time in India under the brand name Synasma. Lupin Ltd has signed an in-licensing pact with Italian pharma company Italfarmaco. As per the deal, the company will market latter's cardiovascular critical care product, Enoxaparin Sodium Injection, in pre-filled syringes under the brand name 'Lupenox' in Indian market. Unichem Laboratories Ltd has signed a product development, manufacturing and supply deal with PLIVA Inc. USA a wholly owned subsidiary of PLIVA Pharmaceuticals, Zagreb, Croatia. As per the pact, PLIVA shall fund certain development activity of the Company, for its conferring exclusivity to PLIVA to market certain of its generics under joint label in the US markets. The agreement covers five products initially, which are in an advanced stage of development, but allows for the inclusion of additional products upon mutual agreement. Elder Pharmaceuticals Ltd has entered into an in-licensing pact with Sterisol AB of Sweden to make and market its disinfectant products in India. Sterisol, which

NSE Nifty	3246.90	3650.00	-11.04
Hang Seng	16313.36	16901.85	-3.48
Nikkei	16155.45	16601.78	-2.69
Dow Jones	11128.89	11500.73	-2.22
Nasdaq	2180.32	2272.70	-2.83
Bovespa (Brazil)	37807.15	40847	-7.44

Investments Rs mn

Index	19-May	12-May	%chg
Rupee to Dollar	45.57	45.01	1.24
Rupee to Euro	57.87	58.06	-0.33

Bullion (Mumbai)

Index	19-May	12-May	%chg
Gold std. (Rs/10gm)	10093	10730	-5.94
Silver (Rs/kg)	19347	22720	-12.07

What's News

Feature

[Manufactured May-hem](#)



By the end of the day, after the biggest crash in the stock markets, the FM put the record straight and termed the tax issue as a 'manufactured crisis'...[More](#)

[Cement...constructing complications!](#)

manufactures products that control infection and personal hygiene at workplaces and public places, is part of the GePe group and the disinfectant and personal hygiene segment is valued at about Rs8.5bn.

MARKET MOOD

May, metals, margin calls & meltdown

The markets fell sharply amid concerns of global meltdown and also news of possible changes in taxation policy, as it would have led to increase in the tax liability for FIIs. Central Board of Direct Taxes (CBDT) drafted circular proposing new guidelines that will try to distinguish stock traders from investors, which prompted the FIIs to press the panic selling button. However, finance minister P Chidambaram later on termed the tax issue as a 'manufactured crisis'. But till that time the damage was already done as on Thursday, the Sensex crashed 826 points, registering its biggest absolute fall in a single trading day also a hike in US interest rate led the FIIs to book profit in the emerging markets. Margin call from the brokers also contributed to the fall. Weakness in the LME market and other Asian markets also led to the downfall. FIIs selling, weakness across the equity and commodity market contributed to the fall. The sectors most affected by the recent fall were metal. It lost by a whopping 21% as southbound journey continued of metal prices on LME. Heavyweights lost their ground as sell off gripped the bourses. The historic week also saw all the 30 Sensex scrips ending in red.

Name	Last Price (Rs.)	Closing Price 5 Days Ago (Rs.)	Change 5 Day %
HINDALCO INDS	188.8	242.5	-22.144
TATA STEEL LIMIT	503.5	644.1	-21.829
CIPLA LTD	221.5	269.7	-17.872
BHARAT HEAVY ELE	1959.1	2333.1	-16.03
ASSOC CEMENT COS	754.45	897.2	-15.911

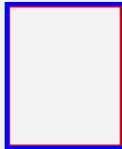
Metal stocks were the worst hit on back of meltdown on the LME as all the copper, aluminum and zinc prices came off their high and cooled off after investors judged the recent surge in prices as overdone. Hindalco dropped 22% to close at Rs189 despite a hike in prices by the company. Hindalco raised aluminum prices by Rs10000 per ton. Jindal Stainless lost 23% to Rs91; Tata Steel dropped nearly 22% to close at Rs503.50. SAIL, Bhushan Steel and JSW Steel lost in the range of 13-17% during the week.

The Q4 results of Tata Steel didn't help either, the company registered a drop of 13.9% in its Q4 profit, sales was at Rs41.28 (up 6.8%) and declares dividend of Rs13 a share.

Banking stocks also lost ground amid huge volatility. Lok Sabha approved amendments to RBI Act to provide the central bank with flexibility in fixing the reserve requirements of commercial banks. SBI fell by over 9% to Rs868 after the company announced its Q4 results with Q4 profit at Rs8.53bn (down 19.8%), total income at Rs111.86bn (up 8.2%). ICICI Bank lost by over 12% to Rs557 and HDFC Bank was down by 7% to Rs814.

Though the cement manufacturers and the Government have settled the issue of rising cement prices for the moment, the sordid episode has dented the Manmohan Singh Government's reputation as being reform-oriented. There was nothing reform-like in asking cement producers to cut prices when the commodity itself has been decontrolled long time back...[More](#)

[Globalization & International Locational Competition](#)



Lecture delivered by Anne O. Krueger, 1st Deputy MD, IMF at the Kiel Institute, in Symposium in Honor of Herbert Giersch...
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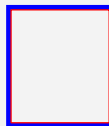
[The Day After Tomorrow](#)



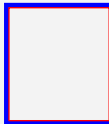
The day after tomorrow is May 17. And who can forget the Black Monday of May 17, 2004 when the indices froze after crashing by over 10%? History seems to be repeating itself on the bourses today as the markets witnessed another Black Monday...[More](#)

[Leader Speak](#)

Ben S. Bernanke, the Federal Reserve chairman, said that stiffer hedge fund regulation could make financial markets less stable, as he backed the current focus on ensuring that hedge fund trading partners manage their risks well...[More](#)



Addressing the United Nations on 'Global Imbalances: an Indian Perspective', **Dr Yaga Venugopal Reddy** is the **Governor of the Reserve Bank of India** raised three issues on global imbalance, India's perspective on the global imbalances and the possible impact of global imbalances on India...[More](#)



M.C.Anand Kumar joined Dorcas Market Makers.C.Anand Kumar,



Selling was also seen in cement stocks after India's cement manufacturers agreed to reduce prices of the building material that is sold to the Federal Government. India Cements was by far the biggest loser and lost over 21% to R161, Grasim Industries was down by 14% to Rs1925 and Prism Cements declined by 14% to R33.6. Others like JK Cements, Gujarat Ambuja Cements and Madras Cements were the other major losers.

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Looking at the international metal prices on LME, the weakness is likely to continue. According to latest 3 Months Forward prices on LME, Copper is trading at \$8060 down by 6%, Aluminium is down by 5.80% to \$2865 and Zinc is down by 6% to \$3415.

FII's sold heavily last week as they opted to book profit after recent surge in stock prices. They sold worth Rs24.96bn in the cash segment. However, MF's have stepped up buying at declines and have bought about Rs20.83bn during the week.

[INVESTMENT STRATEGY](#)

[Weather is hot, market is cold](#)

The heat is on as far as the weather is concerned. But the bulls are getting scorched with the cooling in the market. The month of May saw the Sensex hit record highs and quickly come to March levels. Sensex and Nifty crashed in line with a meltdown globally. But in terms of loss, the Sensex left everyone behind and tanked by nearly 12% in just one week As compared to a fall of around 2-3% in US market. Even Brazilian market fell by over 7% but not enough to match the Sensex' fall from top.

Next week could see further pressure and wild swings as the F&O expiry; concerns over the arrival of monsoon and fears of rising inflation and interest rates dominate the bourses. Judging by this week's fall, it seems that bears may make their presence felt for a while. Any delay in the arrival of monsoon may provide the bears more opportunity to reign. Selling by FII's in the cash segment in last few

Senior VP, Cholayil Pvt Ltd. says, the company sees Medimix making its foray into variants in soaps and a set of related brand extensions...[More](#)



M M Miyajiwala, Executive Vice President & Chief Financial Officer, Voltas Ltd., says, says that the company's order book in the electro-mechanical business group is Rs19bn approximately of which, International order book is Rs13bn...[More](#)



In Focus

[Taxing times...Trader or Investor?](#)



The Government has proposed new guidelines that will try to distinguish stock traders from investors. FIIs currently pay 10% tax on short-term capital gains. If they are termed traders, they will have pay 41% tax...[More](#)

[GE unveils Ecomagination report](#)



GE on Wednesday released its 2005 ecomagination report, showing that revenues from the sale of energy efficient and environmentally advanced products and services hit \$10.1bn in 2005, up from \$6.2bn in 2004 with orders nearly doubling to \$17bn...[More](#)

[Action Plan on nutrition security monitoring soon: Minister](#)



The Minister of Women & Child Development, Renuka Chowdhury, said that the Govt is trying to prepare a road map & surveillance system to provide nutrition security...[More](#)

trading sessions and weak global market may dampen the sentiments even further. Staying away from the market for a few days won't do harm even though the long-term outlook remains strong as the markets have broken all the major support levels and the Sensex may even reach 9900 levels in near future. Allow the markets to stabilize before taking a fresh call. Any positive development in the global front, could bring some relief to the market. However, short covering of position may also help the bulls to notch up some gains. In short, pick up small quantities of stocks you have always wanted to buy but could not due to the sharp and fast rise.

SPECIAL STORY

India Oversold! - Time to buy slowly?



This time just about almost everyone got it wrong. And that's the reason when you go wrong you must always be humble and bow down. It is a very strange animal that behaves differently under the same circumstances. The equity market kept rising against all odds slowly but surely till one fine Monday morning when just about everything crashed. People thought market will recover, as it has done in the recent past. And markets did recover. But, this time round it was an illusion. Markets gave an opportunity for those who got stuck to move out one last time when it rebounded back. But, market players thought the correction was over and started buying. Most people thought market would go only one way - upwards. But, what goes up must come down.

This time it did and it did fall with gravity. 11% shaved off in the previous week. And if you look at the broad indices the hit would be more dramatic. On the positive side, the index is still up 69% over a one year period. But that doesn't make too much sense.

Two questions sprout from here - first is the market over sold and the other what to do in a falling market. Let us take it up one by one.

Is the market over sold? The answer to this is a DEFINITE YES. Why do we say that? To answer this question we will first have to ask ourselves - was the market over bought before the crash? The answer to this is also a DEFINITE YES. What does this mean? This gives us an answer that the market was over bought but not to a large extent. Take earnings growth including visibility. Topline has grown by 12-15% in the past and it will grow in the FY07.

That's a given, if not better. And the bottom line will be hit by constraints such as rising interest rates and depreciation. This will affect earnings growth to 2-3% point. With demand led push, India Inc. could pass on the cost hike to the consumer, at least half of it. And on this basis, earnings could grow easily at around 20%. This gives us the Sensex bottom levels for the current year at 11100. At this

[Minister sees huge green energy potential](#)



Vilas Muttemwar, Minister of Non-Conventional Energy Sources said on

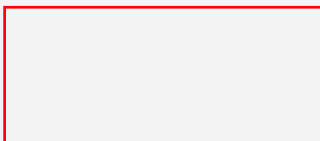
Wednesday that there is a tremendous potential for generation of power from Co-generation in various core industries and from the huge quantities of wastes caused by rapid urbanization and industrialization...

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[Sharper with every byte](#)

In 1450 hours any graduate can turn into a software developer...[More](#)

[Builders` Association of India seeks revision of SRA scheme](#)



In a plea to Local Legislature bodies Builder's

Association of India also sought the allocation of TDR for time bound infrastructure...[More](#)

[Unemployment rate amongst educated youth stands at 6.7%](#)

As per the last survey conducted by the National Sample Survey Organisation in 1999-2000, the unemployment rate among the educated persons (15 year and above) was 6.7% in rural areas and 7.4% in urban areas on all-India basis...[More](#)

point in time, the Sensex is around 10,939 levels. So, we are over sold, marginally. With the first quarter up ahead, we might see Sensex bottom levels of around 11,600. So, there is definite value for money at these levels. The Indian equity market is definitely oversold at this point in time.

The next big question - What to do in a falling market? This is one question that might be eating up your brains for quite some time now. If we say we knew the answer, we would be lying for sure. Cherry picking is the key and it will definitely be seen in a few counters.

For instance - Reliance Communication Ventures - the counter was flat on Friday in a falling market - these are few indications that its one stock that one should not miss out. We hear that Reliance Communication is coming with a public issue @ Rs 450 a share and has already in final talks to place shares with institutional investors at Rs 480 a share. The current share price is around Rs 285. Adani Exports is another such counter. The other things to watch out for are companies doing a stock split or issuing bonus shares. These are companies that will give you better returns compared to benchmark indices. But the biggest play for safe investors is to invest in low beta stocks. What it means is that these counters have a high level of indifference to the index. If the index moves down 1%, these counters might just fall marginally. These are safe bets for long term investors.

And if you are weak at heart - do one thing - SIT on cash. But, remember the saying - No gains, no pains.

DOMESTIC NEWS

Mumbai Metro Rail Project on track?



Finally, the Mumbai Metro Rail Project seems to see the light with the Maharashtra

Chief Minister, Vilasrao Deshmukh declaring that a consortium led by Reliance Energy Ltd of the Anil Dhirubhai Ambani Group has won the Rs23.56bn contract for the first phase of the Mumbai Metro Rail project.

Deshmukh further said that s Special Purpose Vehicle (SPV), consisting of REL and Mumbai Metropolitan Region Development Authority (MMRDA), would execute the project. Phase-I is likely to be completed by 2009, the Maharashtra Chief Minister added. French company Connex

CBDT guidelines to differentiate traders & investors

The Central Board of Direct Taxes (CBDT) announced that it intends to come out with separate definitions for traders and investors, which will remove the ambiguity of classifying stock market income as trading income or as investments and is aimed at checking rampant tax evasion by stock market players by switching their identities as traders and investors.



The CBDT proposes to issue supplementary instructions to distinguish between shares held as stock-in-trade and investments and will seek detailed information from assesses on the nature of their trading and investment in the stock market, in order to classify them as traders

Calendar of Event

Sunday, May 21

Goa: Frost & Sullivan organizes 'Opportunities in Life Science Molecules: Global Partnership Summit' at Goa. Participants include Baxter Healthcare of U.S., Ranbaxy Laboratories Ltd. Otsuka Pharmaceuticals and GlaxoSmithKline UK.

Tuesday, May 23

Torrent Pharmaceuticals Ltd. to announce the audited financial results of the company for year ended March 31.

Wednesday, May 24

Thermax Ltd. to announce the audited financial results of the company for the 4th quarter ended March 31. Mumbai: Shreyas Shipping Ltd. to announce the audited financial results of the company for 4th quarter ended March 31.

Thursday, May 25

Karnataka Bank Ltd. to announce the audited financial results of the bank for the 4th quarter ended March 31. Steel Authority of India Ltd. to announce the audited financial results of the company for 4th quarter ended March 31.

Monday, May 29

Mumbai: Mahindra & Mahindra Ltd. to announce the audited financial results of the company for 4th quarter ended March 31. Mumbai: Tata Power Co. to announce the audited financial results of the company for 4th quarter ended March 31.

Tuesday, June 27

Mumbai: Corporation Bank holds annual

and Hong Kong MRT are the other members of the consortium, and they will provide the technical know-how and the project will run on BOOT basis for 35 years, of which the first five years will be the construction period, the Chief Minister said.

The Versova-Andheri-Ghatkopar route will have 12 stations comprising Versova, DN Nagar, Azad Nagar, Andheri, Western Express Highway, Chakala, Airport, Marol Naka, Saki Naka, Subhash Nagar, Asalpha Road and Ghatkopar.

...Anil Ambani Group unveils new logo

The Anil Dhirubhai Ambani Group has unveiled a new group logo after having worked on it for almost nine months.



The logo consists of the word Reliance in capital letters in an entirely new font along with the lineage, Anil Dhirubhai Ambani Group. The alphabet 'A' in the Reliance name has been converted into two arrows arching upwards. The group said that it is a reflection of the group's varied business interests from telecommunications to entertainment, urban infrastructure to financial services, and from energy to healthcare.

Kerala likely to get first monsoon showers on May 30



monsoon are likely to hit the Kerala coast on

India Meteorological Department (IMD) officials said that the first showers of the southwest

or investors.

The CBDT will examine whether the purchase of stocks was made solely with the purpose of resale at a profit or for long term capital appreciation, with or without the intention of earning dividends and interest. The draft guidelines have been issued and stakeholders comments on the new rules are invited by May 25.

Tata Motors' dream in West Bengal



Tata Motors Ltd has announced the setting up of its first plant in West Bengal. The said plant is proposed to be set up at Singur block of

Chandannagar sub-division in the Hooghly district.

The dream car plant will be spread over an area of 700 acres, with additional facilities for a vendor park. The total investment is likely to be over Rs10bn, including direct investment by the company and that by its vendors.

The plant will initially directly employ 2,000 persons, and is expected to create employment in excess of 10,000 jobs amongst the vendors and service providers in the vicinity of the plant. The construction work will commence shortly, and the plant will be commissioned in 2008.

Zuari offloads 50% stake in cement JV to Italcementi

Zuari Industries Ltd. announced that it will sell a 50% stake in Zuari Cement Ltd. to its joint venture



shareholders meeting.

From the Research Desk

Simbhaoli Sugar Mills Ltd BUY CMP: Rs153

Simbhaoli Sugar Mills Ltd (SSML) is an Uttar Pradesh (UP) based sugar producer with total crushing capacities of 13,300 TCD and 90 KLPD distillery. The company also sells refined sugar in packs of 1-5kg under the brand name "TRUST" which have higher realizations and are also less prone to price fluctuations which periodically affect sugar sold in bulk. The company plans to expand its crushing capacity to 19,500 TCD and distillery capacity from 90 KLPD to 210 KLPD. These expansions are expected to be complete by the next sugar season 2006-07. In order to fund these capacity expansions, the company has recently raised US \$33mn through an FCCB issue convertible at Rs170 per share. Additionally, SSML is also exploring possibilities to set up a greenfield manufacturing facility (standalone refinery or an integrated sugar unit) in sugar cane growing countries Africa and/or South America. Thus capacity expansions in sugar, distillery and co-gen and stable sugar realizations are expected to drive profitability in the next one year. We recommend a BUY on the stock with a medium term perspective.

Dishman Pharmaceuticals and Chemicals Ltd CMP Rs242 BUY

Under pressure to reduce costs across the value chain, global pharma companies are outsourcing non-core activities like manufacturing of intermediates and API's to low cost destinations like India and China. We believe Dishman an established player in contract research and manufacturing services (CRAMS) is likely to benefit significantly from this outsourcing opportunity. Starting with Solvay for contract manufacturing, Dishman has contracts with leading

May 30. The forecast is two days ahead of the normal onset date of June 1. This follows the weather bureau's forecast last month that monsoon will be 93% of the long-period average, with a 22% chance of being deficient.

According to IMD officials, there has already been pre-monsoon rain in coastal areas of Andhra Pradesh, Karnataka and Orissa. With agriculture contributing a fifth of the country's GDP and two-thirds of the country's population dependent on it for their livelihood, the monsoons are vital to India's economy.

Cement producers offer 5% discount to Govt

In a response to the ultimatum issued by Kamal Nath, the Union Minister for Commerce & Industry, to the CMA on May 15 to reduce the price, the cement makers have agreed to a 5% reduction in cement prices for central government projects, putting an end to the spat between them. They have also pledged to maximize production and dispatches to meet the rapidly growing demand among the retailers.

Builders and the Government countered CMA's contention of price increase due to higher freight and fuel cost, inadequate supply and truck loading restrictions by saying that increase in cement prices shouldn't be more than the increase in input costs.

Lok Sabha okays changes in RBI Act

The Lok Sabha approved the amendments to the Reserve Bank of India Act easing banks worries about meeting strong demand for credit. As per the changes CRR cannot fall under 3%. The amendment grants the central bank flexibility in



partner Ciments Francais S.A. of



France for a total consideration of Rs6bn. Ciments is a French subsidiary of Italcementi. The valuation is based on the company's result as on March 31, 2006, Zuari Industries said. The decision to sell the company's 50% stake in the cement business is based on the the company's business strategy to focus on its core competence in fertilisers and agriculture related businesses in India and overseas, Zuari Industries said.

SEBI proposes lower fees for brokers



The Securities and Exchange Board of India (SEBI) on Tuesday came out with a new fee structure for brokers in both cash and the derivative segments. The capital market regulator has proposed lower fees than the

recommendation of the panel headed by D.C. Anjaria.

The committee had recommended Rs 100 for every Rs 10mn worth of turnover for new brokers in the cash segment. as a result of growing competition, brokerages have undergone a downward revision. Thus, SEBI has proposed to reduce the fees to a fifth of what was recommended by the Anjaria Committee. This translates into Rs20 for Rs10mn of turnover.

For existing and new brokers in the derivatives segment, the regulator has proposed to increase the fees from Rs 10 per Rs 10mn of turnover to Rs 20 per Rs 10mn of turnover. Considering that the derivatives market has grown significantly and the number of participants have also increased, the panel had recommended upward revision of fee from Rs 10 per Rs 10mn of turnover to Rs 50 per Rs 10mn of turnover in a phased manner.

innovator companies. With the acquisition of Synprotec, a contract research organization, Dishman will have presence across the entire CRAMS chain. The company has market leadership in its erstwhile QUATs business, which is expected to generate steady cash flows. Dishman is looking at acquiring a company in Switzerland in the CRAMS field. We estimate revenue CAGR of 37.4% and a profit CAGR of 47.2% over FY05-08E driven by CRAMS. At Rs242, the stock is trading at 22.8x FY07E EPS of Rs10.5 and 18x FY08E EPS of Rs13.4.

Hindalco Industries Ltd BUY CMP Rs216

Hindalco Industries Ltd is one of the largest non-ferrous metals players globally with its presence in aluminium and copper. The company recently declared a robust set of Q4FY06 numbers with its topline growing by 45.4% to Rs36.5bn against Rs25.2bn in the corresponding quarter last year. For the quarter the company maintained its operating margins at 25%, which for the whole year stood at 23%. This performance was due to robust prices, strong margins and improved volumes of the commodity. It posted a robust bottomline growth of 39.6% to Rs6.2bn for Q4FY06 against Rs4.4bn in Q4FY05.

The company is expanding its existing alumina capacity to 1.5mn tons from 1.1mn tons by FY07 which will help it to capitalize on high prices. Alumina prices hit the roof at US\$630 per ton recently. This was against US\$116 in 1994 and US \$430 in 2000. LME prices of aluminium have risen by 28.2% over the last one year (March '05- March '06) and are expected to remain firm over the current year citing deficit in the international market.

The company is in the midst of Rs120bn capacity expansion wherein it will set up a new alumina refinery and aluminium smelter - Aditya alumina (by Nov '09) and Aditya aluminium (by March '10) and another alumina refinery - Utkal alumina which will be in a JV with Alcan Inc (by

fixing the Statutory Liquidity Ratio and Cash Reserve Ratio requirements for banks.

"The volatility in the influx of foreign exchange and the market conditions in a fast-changing economy, can be expected to continue as the financial sector makes more progress", P. Chidambaram, Finance Minister told the lower house of parliament. "For effective conduct of monetary policy, there is need to enable the RBI to determine CRR for scheduled banks without any floor or ceiling".

According to the RBI, non-food credit grew by 30% in the year ended March 31, 2006 amid a rapidly expanding economy. The country's Gross Domestic Product (GDP) is estimated to have grown at 8% in the last fiscal year, and this year it is likely to grow at 7.5%.

The Reserve Bank of India has earlier directed all banks to display all user charges and penalties on their web site by May 31 . The Bank said that the information should adhere to the format prescribed by the RBI and that banks must put up the details of various service charges in their branches/offices.

The guidelines will ensure that customers are not slapped with surprise penalties and will have access to costs of switching from floating to fixed rate loans. Customers will also be able to compare user charges of different banks on various services as the RBI will collect data and reproduce bank ratings on its own website.

Siemens partners with Huawei-3Com



Siemens Ltd has entered a strategic alliance with Huawei-3 Com, to offer futuristic IP based voice, data and video network solutions, which optimizes the

For existing brokers in the cash segment, SEBI has suggested that the amount of the fees would be such that it will not impose a significant financial burden on them, while at the same time, ensuring that all of them are placed on an equal footing. Accordingly, existing brokers who are paying turnover based fees for the first five financial years, would be given an option to switch over to the proposed new fee structure immediately or after the completion of 10 years from the grant of registration.

The Anjaria Committee's recommendation to charge fees annually to new brokers while allowing the existing brokers not to pay any further fees, over and above what has been paid for the fixed tenure of five years, would mean uneven competition between the new and existing brokers.

Poor show by SBI

The public sector banking major, State Bank of India has reported a negative results by posting a net profit of Rs8532.9mn in the fourth ended March 31, 2006 as against to Rs10648.8mn for the quarter ended March 31, 2005. However, its total income has increased Rs111.86bn in the fourth quarter. The Bank has posted a net profit of Rs44.07bn for the year ended March 31, 2006 as compared to Rs43.04bn for the year ended March 31, 2005. Its total income has increased from Rs395.48bn in FY04-05 to Rs431.84bn for FY05-06.



The Group has posted a net profit after minority interest of Rs55.3bn for the year ended March 31, 2006 as compared to Rs54.64bn for the year ended March 31, 2005. The Central Board has declared a dividend of Rs 14 per share for the year ended March 31, 2006.

FY10). Coupled with this the company is also undertaking brownfield expansion at Belgaum – expanding alumina refining capacity (by April '09) and Hirakud – aluminium smelting facility (by Dec '09). The company also recently doubled its copper capacity from 250,000 tpa to 500,000 tpa during the third quarter, which will reap benefits for the company from the current year.

With the company's subsidiary, Aditya Birla Minerals Ltd, getting listed on the Australian stock exchange it could be a big positive for the company. The company issued 153.6mn shares at AUS \$1.95 to public which were listed at Aus \$3.66 per share on the exchange. Hindalco holds 51% stake in this company. We recommend a buy on the stock with a long term perspective.

RPG Transmission Ltd CMP: Rs206.6 BUY

RPG Transmission Ltd (RPGTL) is a player in power transmission, railway electrification and telecommunication tower constructing and erecting space. It announced its Q4FY06 results registering a growth of 142% to Rs970mn against Rs401mn in the corresponding period last year (CPLY). It expanded its margins to 11.2% for the quarter and to 10.1% for nine months annualized 9FY06 against 8% and (6) % respectively in the CPLY. The company's bottomline grew by 101.1% after negating the exceptional income that it earned last year.

RPGTL has a confirmed order book of Rs4bn (1.5x annualized revenues of FY06). It witnessed a healthy rise in its order bookings over previous years. This is expected to continue in future too on the back of accelerated spending by the government for improving the power situation in the country. With an improved balance sheet, RPGTL is expected to garner a greater share of new order intake in the sector. The company is L1 for further orders to the tune of Rs1bn, which is expected to be announced shortly. This would lead to further improvement in order book.

total-cost-of-ownership for Indian enterprises. The combined Siemens-Huawei-3Com products and solutions are intended to accelerate the deployment of high performance networks, which are now essential infrastructure for all enterprises in India.

The Company said that its Communications Enterprise Networks Division and Huawei-3 Com, a JV of 3Com, US and Huawei, China announced an extension of the recently signed global partnership to the Indian enterprise market. This alliance will offer networking solutions to the entire market spectrum from SOHO to large enterprises, designed to meet its specific requirements at a highly attractive total cost of ownership.

Siemens, Suzlon to replace SCI, Tata Chem in Nifty



India Index Services and Products Ltd has announced

that Suzlon Energy Ltd. and Siemens India Ltd. will replace Shipping Corporation of India Ltd. and Tata Chemicals Ltd. in the S&P CNX Nifty. Infrastructure Development Finance Co. Ltd. will simultaneously replace Siemens India in the CNX Nifty Junior Index. An NSE circular said that the Index Maintenance Sub-Committee decided to make the changes during its Quarterly Review. These changes will become effective from June 26.

GLOBAL NEWS

Arcelor...Mittal gets nod from 3 European regulators



Mittal Steel's €19bn (US\$24bn) bid for No.2 rival Arcelor has got the approval of the financial regulators in France, Belgium and

Luxembourg, while Dutch financial regulator approved the share listing prospectus prepared for the issuance of new Mittal Steel Class A common shares in connection with the offer. They all approved Mittal Steel's public offer to issue 547.6mn new shares as

CVRD, Thyssen Krupp to form a JV steel slab plant in Brazil

Companhia Vale do Rio Doce (CVRD), the largest producer of iron ore and pellets in the world, and ThyssenKrupp Stahl AG, one of the largest European steelmakers, have signed a

Memorandum of Understanding to construct an integrated slab plant in Brazil.

The next step will be the creation of a joint venture company, Companhia Siderúrgica do



RPGTL had been making losses for the past six years, but turned around on operational levels in the current year. It registered a profit of Rs46.5mn in F6/05 against a loss of Rs269mn in FY04. RPGTL underwent corporate debt restructuring during F6/05 as a result of which it ended its year in June. The company however changed its year ending back to March from current year. It replaced its existing high cost debt with low cost debt, rescheduled its term loans and renegotiated lending rates. The company also undertook rigorous cost cutting activities, which enabled it to generate an operating profit of Rs198mn in FY06 against a loss of Rs52mn in F6/05.

We expect RPGTL to benefit from the accelerated investments in power sector. It currently trades at a P/E of 16.5x FY07E earnings of Rs12.5 and 13x FY08E earnings of Rs15.9. We expect RPGTL to bag further orders over the next few months, which would trigger further rerating of the stock. We recommend a Buy with a price target of Rs240 over a period of 12 months.

Lupin Limited CMP: Rs1,105 BUY

Lupin is one of the world's largest manufacturers of drugs that combat TB, bacterial infections and cardiovascular disease. Launch of Ceftriaxone in the US market makes it the 3rd largest Indian generic company. The company has about 35 ANDAs pending approval, which includes opportunities like simvastatin and lovastatin. After the exclusivity is over, Lupin would launch them in the US market. Revenues in the bulk drug segment are expected to contribute substantially, as the company is negotiating long term contracts with both generic as well as innovator companies. Lupin's JV with Aspen Pharmacare Holdings Ltd, South Africa will enable it to enter TB and API segment in the South African market. The JV will also investigate opportunities to enter the Malaria market. The total malarial market is estimated at \$500mn, of which 85% is

part of a three-quarters stock and one-quarter cash bid for the Luxembourg-based steelmaker. Approval by the Spanish Comision Nacional del Mercado de Valores is expected in the near future. The company is still awaiting approval from EU market regulators

Xstrata faces nationalist protests



Diversified Anglo-Swiss miner Xstrata is seeking to derail an agreed takeover offer made by Inco, another Canadian

mining group, for Falconbridge in October. The Inco deal is awaiting nod from US and European Union regulators and from Falconbridge shareholders. The United Steelworkers union, which represents Inco and Falconbridge workers at the two companies' flagship operations in Sudbury, Ontario, has also weighed in against the Xstrata bid. Wayne Fraser, the union's Ontario Director, described the offer as "a nightmare come true".

Inco, Falconbridge and union leaders are seeking political support by promoting their deal as a way of keeping valuable Canadian resource assets out of foreign hands. Xstrata maintains that its acquisition of Falconbridge would "deliver significant overall benefits to Canada". It has promised to base its global nickel business in Toronto and not to lay off any workers from the Sudbury operations for three years. A winning offer by Xstrata for Falconbridge would nearly double the scale of its business and give Xstrata a US\$42B market cap calculates Numis. It is believed that a merger could result in over US\$1B in benefits over the coming years.

Meanwhile, in an unexpected announcement, Falconbridge reported a 194% increase in

Atlântico to conclude the joint feasibility study and to implement the project. The 4.4mn tons per year slab plant is expected to be located in the State of Rio de Janeiro and to start production in 2008.

Bausch & Lomb withdraws contact lens solution globally



Bausch & Lomb has announced the permanent removal of its MoistureLoc contact lens solution from worldwide markets effective immediately. Bausch & Lomb suggested that former MoistureLoc users switch to ReNu MultiPlus, which has a safety record and a formula different from that of MoistureLoc. Its manufacturing plant in India will shift production from MoistureLoc to the ReNu MultiPlus formula.

The voluntary product exchange program launched in India by Bausch & Lomb will be extended to include both US-imported and locally manufactured MoistureLoc. Health authorities in Hong Kong, Singapore and the FDA and the US Centers for Disease Control and Prevention had previously reported that the MoistureLoc formula used by many of the contact lens users were treated for a rare eye infection called Fusarium keratitis.

Bausch & Lomb launched an investigation to determine the root cause of the infections and understand why there appeared to be a disproportionate association with MoistureLoc.

South Korea indicts Hyundai Motor chairman

South Korea indicted Chung Mong-koo, Chairman, Hyundai, on charges of embezzling company's funds. He is accused of misappropriating



concentrated in Africa. Lupin has signed an In-Licensing agreement with ItalFarmaco, a leading Italian pharmaceutical Company. As per the Agreement, the Company will exclusively market their cardiovascular Critical Care product, Enoxaparin Sodium Injection, in pre-filled syringes under the brand name "LUPENOX" in the Indian market. The company is likely to enter the EU this fiscal. The management has recommended a 1:1 bonus subject to shareholder approval. At Rs1,105, the stock is trading at an attractive 20.5x FY07E EPS of Rs54 and 17x FY08E EPS of Rs65.3. We recommend a buy on the stock.

profits for the month of April, earning \$238mn (125.7mn pounds)), or 63 cents a share, compared with a profit of \$81mn, or 27 cents a share, in April 2005. Falconbridge has agreed to be taken over by Inco in a deal that would create the largest nickel producer in the world. On Wednesday, Xstrata, Falconbridge's biggest shareholder, trumped Inco's bid with an unsolicited offer for the rest of Falconbridge's shares. Inco itself is a target of Teck Cominco Ltd.

China lifts yearlong ban on IPOs



China has ended a year-long ban of IPOs, permitting companies to submit applications to the securities regulator and luring some of

the \$1.9trillion household savings. Also, companies like PetroChina Co that are listed in markets overseas may become home-bound. The China Securities Regulatory Commission issued new rules on initial share sales, after a Government program to trade more than \$200bn of mostly state-owned stockholdings was implemented, without causing a Markey slump.

The ban was imposed in May last year because to prevent flood of equity, as companies converted non-tradable holding into common stock.

AstraZeneca offers to acquire Zenyth Partner

Zenyth Therapeutics Ltd has reported that leading global pharmaceutical company

AstraZeneca has announced a £702mn cash



company funds worth US\$109.2mn, some for personal use and for incurring losses at group companies by coercing them to support weaker affiliates. Some analysts fear the continued detention of Chung, known for his able management traits, may lead to a leadership vacuum and deter the group's mission to become the world's No. 5 auto-maker by 2010 in terms of sales volume. The chairman's family will donate their US\$1bn stake in Glovis to charity, which prosecutors say, will not alter the course of investigations.

Singapore projects 7% growth rate for 2006



For the second time this year, Singapore's government has increased its 2006 growth forecast to 7%, although an even higher growth rate is a possibility. In 2005, the

government expected a 6.4% growth rate, but in on February 16, the government forecast hit a lower 6%.

Demand from consumer electronics and communication related sectors will be pivotal growth drivers. The city-state has added 33,400 jobs in the first quarter, bringing down the unemployment rate to 2.6%, the lowest in more than four years, leading to increased spending. While sales at hotels and restaurants have beefed up by 7.3% due to surging visitors, credit card billings in the first three months of 2006 rose 17% higher than a year earlier to \$4.9bn. the country is benefiting from rising global tourism and the introduction of discount carriers in Asia.

Honda to build new plants in Japan, US & Canada

Honda Motor Company will build new plants in



offer for Cambridge Antibody Technology Group plc (CAT). CAT and Zenyth are currently co-developing a therapeutic antibody against the GM-CSF receptor for rheumatoid arthritis and other inflammatory indications.

The boards of AstraZeneca and CAT have announced that they have agreed terms of recommended cash offer to be made by AstraZeneca to acquire the entire share capital of CAT not otherwise held by AstraZeneca. The offer values CAT's issued share capital, excluding AstraZeneca's existing 19.2% shareholding in CAT, at approximately £567mn and the entire issued share capital of CAT at approximately £702mn. Zenyth and CAT entered into an agreement to co-develop therapeutic antibodies against the GMCSF receptor for inflammatory disease in December 2001. Under the agreement Zenyth and CAT share the costs of drug development and future potential revenues on a 50/50 basis.

Japan, United States and Canada. The US plant would cost around \$400mn, with a capacity of 200,000 units and work force of 1,500 and will start operations in 2008. Also a 200,000 unit per year engine plant for \$140mn in Canada will start production in 2008 and employ a work force of 340. the new car assemble plant in Japan will start operations in 2010 with a capacity of 200,000 units and a work force of 2,200. this will raise the capacity in Japan to 1.5 mn units a year from 1.3mn. it also has plans to raise motorcycle production capacity in Asia to 14mn units in 2007.

Expecting global car sales to exceed 4.5mn units and, and motorcycle sales to be at least 18mn units in 2010, car capacity will be doubled in India three years ahead of schedule, while car output capacity in India will reach 100,000 units around 2007.

WEEKLY SUPPORT & RESISTANCE LEVEL

Co. Name	S3	S2	S1	Closing Price	R1	R2	R3
BSE SENSEX	9966.01	10201.80	10452.31	10938.61	11424.91	11675.43	11911.21
NSE NIFTY	2951.39	3023.03	3099.14	3246.90	3394.66	3470.78	3542.42
A.C.C.	619.18	651.98	686.82	754.45	822.08	856.93	889.72
ALLSEC	241.52	246.00	250.76	260.00	269.24	274.00	278.48
BANKBARODA	208.14	215.08	222.44	236.75	251.06	258.43	265.36
BHARAT PET.	373.90	380.30	387.10	400.30	413.50	420.30	426.70
BHARTI	352.51	360.83	369.66	386.80	403.94	412.78	421.09
BHEL	1625.80	1706.60	1792.45	1959.10	2125.75	2211.60	2292.40
BIOCON	380.31	390.55	401.43	422.55	443.67	454.55	464.79
BSES	446.60	462.90	480.22	513.85	547.48	564.80	581.10
CENTURYTEX	379.92	402.05	425.56	471.20	516.84	540.35	562.48
GAIL	240.94	245.93	251.22	261.50	271.78	277.08	282.06
GUJAMBCEM	81.72	84.90	88.28	94.85	101.42	104.80	107.98
HCL TECHNO	441.88	456.08	471.16	500.45	529.74	544.83	559.03
HERO HONDA	770.04	784.95	800.79	831.55	862.31	878.15	893.06
HEXAWARE TEC	115.68	121.20	127.07	138.45	149.84	155.70	161.22
HIND.PETRO	286.58	292.80	299.41	312.25	325.09	331.70	337.92
HINDUJA FI	586.32	614.30	644.03	701.75	759.47	789.20	817.18
ICICIBANK	497.45	511.85	527.15	556.85	586.55	601.85	616.25
I-FLEX	1002.16	1032.40	1064.53	1126.90	1189.27	1221.40	1251.64
INFOSYS TECH	2773.30	2822.10	2873.95	2974.60	3075.25	3127.10	3175.90
ITC LTD.	163.19	167.43	171.92	180.65	189.38	193.88	198.11
JETAIRWAYS	819.05	835.05	852.05	885.05	918.05	935.05	951.05
L&T	2133.41	2222.05	2316.23	2499.05	2681.87	2776.05	2864.69
MAH & MAH	556.41	573.53	591.71	627.00	662.29	680.48	697.59
MARUTIUDYOG	674.24	701.28	730.00	785.75	841.50	870.23	897.26
MASTEK LTD	304.04	312.50	321.49	338.95	356.41	365.40	373.86
NATIONALUM	183.32	198.20	214.01	244.70	275.39	291.20	306.08
ONGC	1163.26	1193.98	1226.61	1289.95	1353.29	1385.93	1416.64
ORINTAL BANK	197.69	203.05	208.75	219.80	230.86	236.55	241.91
PUNJAB NATIO	367.50	381.40	396.17	424.85	453.53	468.30	482.20
RANBAXY LAB.	378.21	390.75	404.08	429.95	455.82	469.15	481.69
RELCAPITAL	456.03	473.48	492.01	528.00	563.99	582.53	599.97
RELIANCE	889.50	910.60	933.02	976.55	1020.08	1042.50	1063.60
SATYAM COM	582.84	602.58	623.54	664.25	704.96	725.93	745.66
STATE BANK	770.32	794.00	819.16	868.00	916.84	942.00	965.68
TATA ENGG	736.83	764.00	792.87	848.90	904.93	933.80	960.97
TATA STEEL	403.18	427.50	453.34	503.50	553.66	579.50	603.82
TATAPOWER	485.30	497.00	509.43	533.55	557.67	570.10	581.80
TATATEA	579.53	609.73	641.81	704.10	766.39	798.48	828.68
VISUAL.(I)	89.35	92.43	95.70	102.05	108.40	111.68	114.76

WIPRO LTD.	443.94	455.30	467.37	490.80	514.23	526.30	537.66
ZEE TELE.	193.40	202.18	211.50	229.60	247.70	257.03	265.80

NOTE : S1, S2 and S3 are critical support levels while R1, R2 and R3 are resistance levels. Trading call depends on the price band.



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Website : <http://www.indiaonline.com>

India Infoline Ltd
15th Floor, PJ Towers
Dalal Street,
Mumbai - 400 001
Tel : +(9122) 6749 1700
Fax : +(9122) 2272 2419

Head Office

**Building No. 75, Nirlon Complex,
Off Western Express Highway,
Goregaon (East), Mumbai 400 063
Tel : +(9122) 6677 5900
Fax : +(9122) 2685 0451**

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