



## Index

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## Take Five

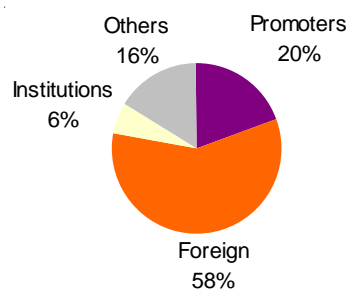
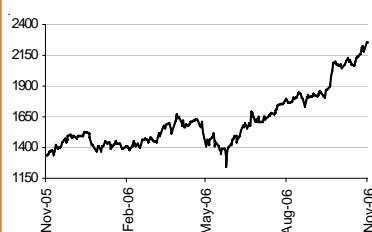
Scrip	Reco Date	Reco Price	CMP	Target
◆ India Cements	28-Sep-06	220	213	315
◆ Infosys	30-Dec-03	689	2,252	2,430
◆ Lupin	06-Jan-06	403	507	565
◆ Thermax	14-Jun-05	124	379	425
◆ UTI Bank	24-Feb-05	229	501	*

\*Under review

# Infosys Technologies

**Evergreen**
**Stock Update**
**ADS issue priced at \$53.5**
**Buy; CMP: Rs2,252**
**Company details**

Price target:	Rs2,430
Market cap:	Rs124,446 cr
52 week high/low:	Rs2,263/1,225
NSE volume: (No of shares)	11.2 lakh
BSE code:	500209
NSE code:	INFOSYSTCH
Sharekhan code:	INFOSYS
Free float: (No of shares)	44.4 cr

**Shareholding pattern**

**Price chart**

**Price performance**

(%)	1m	3m	6m	12m
Absolute	9.3	28.2	53.9	68.7
Relative to Sensex	3.4	9.3	23.9	7.6

The sponsored American depository shares (ADSs) issue by Infosys Technologies have been priced at \$53.5 each excluding the underwriting discounts and commissions. The aggregate size of the ADS issue works out to \$1.6 billion, taking the total market capitalisation of Infosys' overseas float to over \$5.5 billion. Consequently, Infosys is likely to get included in the Nasdaq-100 index in the forthcoming review of the index constituents in December.

**Premium of around 6.8%**

The issue price is at a premium of around 6.8% over the closing price of Rs2,253 on the Indian bourses on November 20, 2006 (date of announcement of the issue price). After taking into account the deduction related to the issue expenses, the Indian investors should get a premium of 5-6% on the shares accepted in the sponsored issue.

**Attractive acceptance ratio**

The Indian invitation to offer totalled to 8.4 crore shares, which translates into an acceptance ratio of 35.7% on the issue size of 3 crore shares. Only 17.6% of the total outstanding Indian shares (around 47.8 crore) were tendered in the sponsored issue, resulting in the higher-than-expected acceptance ratio.

Of the total of 8.4 crore shares tendered, around 1.3 crore shares were offered by the directors (including the promoters and founder members) and the other senior management of the company. Consequently, the promoters' stake is likely to get further diluted from the existing 19.7%. In addition to this, some of the leading financial institutions (such as JP Morgan, Merrill Lynch, Deutsche Bank) also played on the arbitrage opportunity and offered 1.7 crore shares in the issue.

**Boosting investor sentiments**

In addition to its possible inclusion in the Nasdaq-100 index (resulting in enhanced visibility and higher demand especially from the index-related schemes), the sponsored ADS issue tends to have a positive impact on the share price. In the past two sponsored issues, the Infosys' ADS appreciated by 12-13% during the month of the ADS issue.

**Valuation**

At the current market price the stock trades at 33x FY2007 and 25x FY2008 estimated earnings. We maintain Buy recommendation on the stock with a price target of Rs2,430.

**Valuation table**

Particulars	FY2005	FY2006	FY2007E	FY2008E
Net revenue (Rs cr)	7,130.0	9,521.0	14,137.0	19,469.0
Net profit (Rs cr)	1,847.0	2,458.0	3,808.0	5,114.0
No of shares	54.0	55.1	55.8	56.8
EPS(Rs)	34.2	44.6	68.2	90.0
% y-o-y change	46.6	30.4	52.9	32.0
PER	65.8	50.5	33.0	25.0
EV/EBIDTA	25.3	18.9	27.0	19.8
EV/Sales	8.3	6.2	8.6	6.3
RoCE	40.8	39.7	45.0	44.6
RoNW	35.3	35.3	39.8	39.5

## Sanghvi Movers

Ugly Duckling

Stock Update

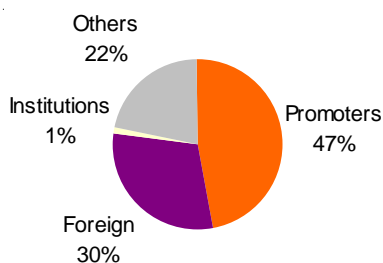
Oozing confidence

Buy; CMP: Rs763

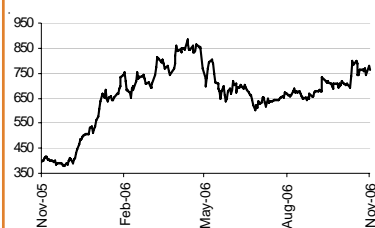
### Company details

Price target:	Rs1,150
Market cap:	Rs557 cr
52 week high/low:	Rs913/374
BSE volume: (No of shares)	8,229
BSE code:	530073
Sharekhan code:	SANGMOVE
Free float: (No of shares)	39 lakh

### Shareholding pattern



### Price chart



### Price performance

(%)	1m	3m	6m	12m
Absolute	10.6	17.8	2.9	93.6
Relative to Sensex	4.6	04	-17.2	23.4

At its board meeting held on November 17, 2006 Sanghvi Movers decided to allot up to 880,000 equity shares of face value Rs10 each to Goldpeak. (Goldpeak is a wholly-owned subsidiary of Aria Investment Partners III, LP). The proposed allotment would be carried out as per the pricing formula recommended by the Securities and Exchange Board of India or at Rs825 per equity share, whichever is higher.

By way of this allotment the company proposes to raise Rs72.6 crore, which will go towards funding its enhanced capital expenditure (capex) requirements. We had earlier estimated the company's capex needs at Rs150 crore this year; the estimate has now been revised upwards to Rs200 crore, as per management's guidance.

### Lower interest cost to mitigate impact of equity dilution

In our earlier estimates we had assumed a higher interest cost on account of the company's higher loan requirement to fund the capex. Now, because of the proposed equity allotment, the loan requirement of Sanghvi Movers would come down substantially. Hence the resulting reduction in the interest cost would boost the company's bottom line, thereby negating the impact of the proposed equity dilution.

### Transaction to be CEPS neutral

The impact of this transaction on the company's cash earnings per share (CEPS) for FY2008 would be insignificant. After a marginal revision, our CEPS estimate for FY2008 now stands at Rs122.1 as against our earlier projection of Rs122.8.

### Valuation

The enhanced capex plans of the company are an indicator of its management's positive outlook on its business. At the current market price of Rs763, the stock is quoting at 6.2x its FY2008E CEPS and at 4.7x its FY2008E enterprise value/earnings before interest, depreciation, tax and amortisation. Considering the fact that the placement is taking place at a price higher than the current market price of the stock, we maintain our Buy recommendation on Sanghvi Movers with a price target of Rs1,150.

### Valuation table

Particulars	FY2004	FY2005	FY2006	FY2007E	FY2008E
Net sales (Rs crore)	45.8	75.4	149.0	207.5	278.0
Net profit (Rs crore)	6.5	13.7	31.9	54.5	75.1
Shares in issue (crore)	0.7	0.7	0.7	0.9	0.9
EPS (Rs)	8.5	18.8	44.1	62.1	85.5
% y-o-y change		121.6	134.9	40.8	37.7
PER (x)	90.1	40.6	17.3	12.3	8.9
CEPS (Rs)	21.6	38.6	75.2	89.3	122.1
Book value (Rs)	64.6	77.8	110.7	232.3	350.2
P/BV (x)	11.8	9.8	6.9	3.3	2.2
EV/EBIDTA (x)	23.0	14.4	8.0	6.6	4.7
Dividend yield (%)	0.7	0.7	1.3	1.3	1.3
RoCE (%)	16.1	19.7	26.4	27.1	26.3
RoNW (%)	13.7	24.1	39.6	26.7	24.4

## Evergreen

HDFC Bank  
 Infosys Technologies  
 Reliance Industries  
 Tata Consultancy Services

## Apple Green

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

## Cannonball

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

## Emerging Star

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

## Ugly Duckling

Ahmednagar Forgings  
 Ashok Leyland  
 BASF India  
 Deepak Fertilisers & Petrochemicals Corporation  
 Genus Overseas Electronics  
 HCL Technologies  
 ICI India  
 India Cements  
 Jaiprakash Associates  
 JM Financial  
 KEI Industries  
 NIIT Technologies  
 Punjab National Bank  
 Ratnamani Metals and Tubes  
 Sanghvi Movers  
 Saregama India  
 Selan Exploration Technology  
 South East Asia Marine Engineering & Construction  
 Subros  
 Sun Pharmaceutical Industries  
 Surya Pharmaceuticals  
 UltraTech Cement  
 Union Bank of India  
 Universal Cables  
 Wockhardt

## Vulture's Pick

Esab India  
 Orient Paper and Industries  
 WS Industries India

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