

April 27, 2007

**FOR PRIVATE CIRCULATION**
**Equity**

	26 Apr 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	14,229	0.1	8.4	(0.4)
Nifty	4,178	0.3	9.4	0.7
Banking	7,257	0.3	8.5	(2.6)
IT	3,715	(0.0)	3.5	(1.7)
Healthcare	3,847	0.4	8.1	1.2
FMCG	1,842	0.2	9.6	(5.6)
PSU	6,516	0.5	11.1	3.0
CNX Midcap	5,240	(0.5)	8.2	(1.4)
<b>World indices</b>				
Nasdaq	2,554.5	0.3	4.8	4.9
Nikkei	17,429	1.1	(0.0)	(0.4)
Hangseng	20,667	0.6	3.9	0.9

**Value traded (Rs cr)**

	26 Apr 07	% Chg - 1 Day	
Cash BSE	5,024	1.3	
Cash NSE	11,831	6.8	
Derivatives	14,229	(68.3)	

**Net inflows (Rs cr)**

	25 Apr 07	% Chg	MTD	YTD
FII	962	92	5,673	12,832
Mutual Fund	259	(28)	929	(2,329)

**FII open interest (Rs cr)**

	25 Apr 07	% chg
FII Index Futures	12,981	(28.2)
FII Index Options	4,728	(45.8)
FII Stock Futures	14,233	(21.5)
FII Stock Options	26	(75.1)

**Advances/Declines (BSE)**

26 Apr 07	A	B1	B2	Total	% Total
Advances	97	245	352	694	40
Declines	115	453	441	1,009	58
Unchanged	3	13	31	47	3

**Commodity**

	26 Apr 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	65.3	0.3	3.7	17.8
Gold (US\$/OZ)	674.8	(1.7)	1.2	4.1
Silver (US\$/OZ)	13.3	(3.5)	0.1	(0.6)

**Debt/forex market**

	26 Apr 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.07	8.02	8.02	7.88
Re/US\$	40.9	41.0	43.3	44.3

**Sensex**


Source: Bloomberg

**ECONOMY NEWS**

- Sebi has booked five traders and two brokerages in connection with order book manipulation on the day of listing of securities. (ET)
- The cap applicable on fund houses for investing in overseas instruments may soon go, provided investments by retail investors are routed through a dedicated overseas fund. However, mutual funds may now be able to offer investment options to retail investors through a fund dedicated to investing abroad. (ET)
- The Department of Telecommunications is all set to urge telecom companies to bring down domestic roaming charges to between Re.1 to Rs.2 per minute. Currently, the roaming tariffs range between Rs.1.40 and Rs.2.40 per minute. (BS)
- Pakistan is likely to grant most-favored nation status to India and an official announcement to this effect is likely to be made shortly, said Islamabad Chamber of Commerce & Industry president Muhammad Nasir Khan. (ET)
- The Government is targeting additional power generation capacity of 10,000 MW from renewable sources in the 11th Five-Year Plan. (BL)
- To address the growing signs of overheating in the economy, India needs structural reforms to boost productive capacity so that demand is met and inflation is checked, says global rating agency Moody's. (ET)

**CORPORATE NEWS**

- **Reliance Industries** has recorded a net profit of Rs.28.53 bn for the quarter ended March 2007, on higher refining margins. The net profit was just 2% higher than the third quarter, but 14% higher than the corresponding period in 2005-06. (ET)
- **Air Deccan** has posted a loss of Rs.2.13 bn for the third quarter ended March 31, 2007 attributing it to high operational costs and oversupply leading to weak domestic yield. With negative margins, expanded operations have added to losses. (BS)
- **India Infoline's** annual net profit rose 54% to Rs.757 mn while revenues grew 95% to Rs.5.25 bn. For the quarter ended March 31 2007, profit after tax rose 49% to Rs.246 mn, while revenues climbed 67% to Rs.1.43 bn. (ET)
- **Nicholas Piramal** has reported a 52% jump in consolidated net sales to Rs.6.45 bn in the fourth quarter ended March 31, 2007, up from Rs.4.25 bn in the same quarter last year. Net profit was up 262.2% to Rs.550 mn. (ET)
- **Cipla** reported a 34% drop in net profit to Rs.1.26 bn in the fourth quarter ended March 31, 2007, mainly due to a sharp decline in active pharmaceutical ingredients exports and rise in material costs. Net sales for the quarter were up 6.3% to Rs.9.38 bn. (ET)
- **Tata Tea** subsidiary, the Tetley Group, has signed an agreement to acquire the Vitax and Flosana trademarks in Poland, from Premium Foods for an undisclosed sum. The combined turnover of the Vitax and Flosana brands is \$23 mn. (BS)
- **Aurobindo Pharma Ltd** has announced that it has received another marketing authorization approval for Metformin tablets from Medicines Control Council of South Africa. (BL)
- **Bhel** has refused to pick 15% in the proposed 1,000-MW Malwa thermal power project planned at Donagalia Purni village of Khandwa district of Madhya Pradesh. (BS)

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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## ABB LTD

PRICE : Rs.4096

TARGET PRICE : Rs.4400

RECOMMENDATION : HOLD

CY07E PE : 32.6x

### Highlights

- ABB's results are ahead of our expectations on the revenues as well as margin front.
- Order inflows growth has been at 43% YoY for the quarter and order backlog is up 59% YoY.
- We are raising our EPS estimates for the company and reiterate a **HOLD** on the stock with a price target of Rs.4400.

### Summary table

(Rs mn)	CY06	CY07E	CY08E
Sales	42,741	62,274	82,151
Growth (%)	44.2	45.7	31.9
EBITDA	4,768	7,644	10,544
EBITDA margin (%)	11.2	12.3	12.8
Net profit	3,404	5,315	7,243
Net cash (debt)	6,201	10,356	16,000
EPS (Rs)	80.5	125.6	171.2
Growth (%)	58.7	56.1	36.3
CEPS	91.8	141.6	190.9
DPS (Rs)	7.9	7.9	7.9
ROE (%)	28.1	31.1	30.2
ROCE (%)	40.7	45.4	44.1
EV/Sales (x)	3.9	2.6	1.9
EV/EBITDA (x)	35.0	21.3	14.9
P/E (x)	50.9	32.6	23.9
P/Cash Earnings	44.6	28.9	21.5
P/BV (x)	14.3	10.1	7.2

Source: Company & Kotak Securities - Private Client Research

### Quarterly performance

	Q1CY07	Q1CY06	% Change
<b>Sales</b>	<b>13,124</b>	<b>8,029</b>	<b>63.5</b>
Raw material costs	9,751	5,868	66.2
Personnel expenses	698	555	25.7
Other exp	1,394	912	52.9
Operating expenses	11,843	7,335	61.5
<b>Operating profit</b>	<b>1,282</b>	<b>695</b>	<b>84.6</b>
Other income	152	180	-15.5
<b>PBDIT</b>	<b>1,433</b>	<b>874</b>	<b>64.0</b>
Interest	10	2	415.5
Depreciation	86	62	38.9
<b>PBT</b>	<b>1,337</b>	<b>810</b>	<b>65.1</b>
Tax	471	297	58.6
<b>PAT reported</b>	<b>866</b>	<b>513</b>	<b>68.8</b>
<b>Ratios</b>			
RM to sales (%)	74.3	73.1	
OPM (%)	9.8	8.7	
Tax rate (%)	35.2	36.7	
Staff costs to sales (%)	5.3	6.9	
Other exp to sales (%)	10.6	11.4	

Source: Company

## RESULTS HIGHLIGHTS

### Growth driven by automation and power sector capex

ABB reported a revenue growth of 63.5% YoY in the first quarter of CY07. Segment-wise, all divisions reported healthy revenue growth.

### Segment revenues Rs mn

	Q1CY07	Q1CY06	% Change
Power Products	3803.3	2071.8	83.6
Power Systems	4480.2	3008.4	48.9
Automation Products	2879.7	1912.2	50.6
Process Automation	2671.4	1620.1	64.9
Others	54	19	190.3
<b>Total</b>	<b>13889</b>	<b>8631</b>	<b>60.9</b>

Source: Company

### Margin expansion led by power division

Margins have expanded due to higher absorption of fixed expenses like employee costs and other expenditure. Raw materials costs continued to rise as a proportion of revenues. Share of products and services contributed over 50% of the revenues of ABB during the quarter. This is in line with the management's stated intention of raising the share of non-projects business in the overall pie. The products and services business enjoys better margins and this could have partly aided the expansion in margins.

PBIT Margins (%)		
	Q1CY07	Q1CY06
Power Products	9.0	8.8
Power Systems	9.5	8.2
Automation Products	11.3	11.3
Process Automation	7.5	8.4
Others	-2.4	11.3
Total	9.3	9.1

Source: Company

### Sustained pace in order inflows

During the quarter, order inflows grew 42.7% to Rs.20 bn. Order backlog stands at Rs.42.5 bn, up 59% YoY. Key drivers are power utilities and core sector industries like cement, steel, pulp and paper etc. The standard products business continued to grow handsomely, supported by the company's ongoing focus on market penetration and range expansion.

Considering that the products and services revenues, which is largely non-order based, is about 50% of revenues, the order backlog of Rs.42.5 bn raises the revenue visibility strongly. This makes us more confident of the company maintaining a heady growth rate over the next two to three years.

### Outlook

Our outlook for the company remains positive as

- Growth in order inflow continues to be impressive.
- Volume growth should be aided by capacity expansions.
- ABB India is one of the fastest growing operations within the ABB group with a very strong and reliable track record. Given this, we believe ABB India should play a greater role in the South Asian region.

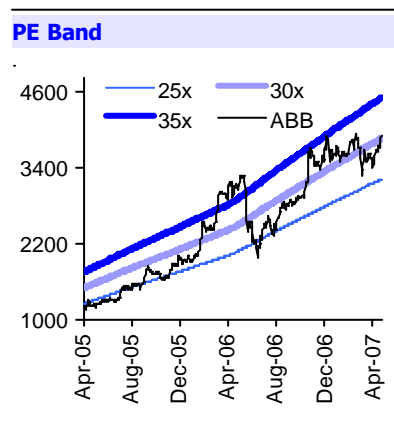
### Raised earnings estimates

On the back of excellent growth in earnings and order inflows, we have raised our earnings estimates for ABB by 10% for CY07. ABB is trading at a steep valuation of P/E 32.6x and 23.9x CY07 and CY08 earnings, respectively (EPS of Rs.125.6 and Rs.171 per share in CY07 and CY08, respectively).

ABB continues to grow at a fast pace and has delivered strong numbers with amazing consistency. This explains the stock's premium valuations. Cash generation continues to be very strong and the company is investing in expanding its manufacturing set up in India.

Going by the current order backlog and general buoyancy in the power and industrial sectors, we believe the company should be able to sustain its high growth rate. This should sustain premium valuations.

The ABB stock trades in a PE band of 25-35x current year expected earnings. We are valuing the stock on the basis of 35x CY07 earnings of Rs.125.6. However, in view of limited upside from here we retain our **HOLD** recommendation on the stock with an enhanced price target of Rs.4400.



Source: Capitaline

**We maintain HOLD recommendation on ABB with a revised price target of Rs.4400**

## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
26-Apr	Accent Tech	Ramnath Puvvada	S	30,000	82.13
26-Apr	Best E.Hotel	Devendra Popatlal Shah	S	12,500	53.59
26-Apr	Clutch Auto	Jm Small And Midcap Fund	B	85,000	139.49
26-Apr	Dhampure Sgr	The Dhampur Sugar Mills L	S	36,100	84.92
26-Apr	Dhanlaxm Fab	Mohit Salecha	B	32,075	44.97
26-Apr	Dhanlaxm Fab	G Saroja	S	30,250	42.11
26-Apr	Empower Inds	Kanwari Lal Sandeep	S	41,400	14.58
26-Apr	Gremac Infra	Vicky Rajeshbhai Jhaveri	B	200,000	147.38
26-Apr	Jagjanani	Rajesh Navinchandra Shah	B	200,000	27.45
26-Apr	Karut Net L	Dilip Chandulal Parekh	B	50,000	173.65
26-Apr	Kilitch Drug	Rubaiyat Arun Patel	S	58,457	44.00
26-Apr	Lok Housi Co	Deutsche Securities Mauri	B	125,000	177.98
26-Apr	Mefcom Agr I	Master Finlease Ltd	S	41,458	19.20
26-Apr	Mohit Indust	Hemant Madhusudan Sheth	B	30,000	40.30
26-Apr	Mohit Indust	Supreme India Cottex Pvt	S	30,000	40.30
26-Apr	Nirlon Ltd	Newzone Mercantile Compan	B	297,960	83.51
26-Apr	Nirlon Ltd	Alltime Mercantile Co. Pv	B	300,000	83.40
26-Apr	Photoquip In	Javed S Saiyed	B	28,030	11.89
26-Apr	Rohit Pulp P	Darshana Mehta	B	20,763	24.38
26-Apr	Usher Agro	Bakshu Property Pvt Ltd	B	116,200	29.69
26-Apr	Vimal Oil Fo	Ramanbhai M Patel	B	50,000	28.00
26-Apr	Vimal Oil Fo	Interface Financial Servi	S	50,000	28.55
26-Apr	Vyapar Inds	Anand Paulbhai Chauhan	S	73,755	108.40

Source: BSE

## Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
TCS	1,240	1.6	3.6	1.5
Wipro	564	1.4	2.2	2.2
Suzlon Energy	1,224	2.9	2.0	1.1
<b>Losers</b>				
ONGC	959	(1.4)	(5.8)	2.9
Tata Steel	561	(1.9)	(1.2)	3.7
HCL Tech	326	(2.4)	(1.1)	1.4

Source: Bloomberg

## Forthcoming events

COMPANY/MARKET	
Date	Event
27-Apr	Earnings expected: Ranbaxy, CRISIL, Bharti Airtel, GlaxoSmithkline Consumer, GlaxoSmithkline Pharma, Dreding Corp, Raymond Ltd, PTC India, SSI Ltd, Polaris Software, Fertilizers and Chemicals Travancore, Concor, HCC, Videocon Industries, Jubilant Organosys and HCL Infosys
28-Apr	Sesa Goa, Bank of Baroda, ICICI Bank, Oriental Bank, Corporation Bank, Micro Inks, Ingarsoll Rand India earnings expected
30-Apr	Hindustan Lever, Procter & Gamble, Andhra Bank, Gujarat Gas Co, Bharat Electronics, Nestle India, Mphasis Ltd, CESC, Reliance Communications, Aftek, United Spirits, TV18, Moser Baer, JSW Steel, Jain Irrigation, Bank of Maharashtra, Bharti Shipyard, GMDC, Sterlite Optical Tech, BHEL, Alstom Projects earnings expected.
1-May	Apollo Tyres to announce earnings and stock split; I-flex Solutions to announce earnings and dividend
2-May	Canara Bank to announce earnings and dividend
3-May	Earnings expected: Century Textiles, Aditya Birla Nuvo, United Phosphorous, Orchid Chemicals and Colgate Palmolive
4-May	Hindalco Industries, Ashok Leyland, GE Shipping earnings expected
5-May	GNFC to announce earnings and dividend

Source: Bloomberg

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