

May 7, 2007

Many small and mid cap companies have announced their results in the past few days. Most companies in general and small & mid cap companies in particular have performed better than expectations.

We have been advising our investors to accumulate since March, when there was pessimism all around - the problems of Yen Carry Trade, US Sub-prime etc. etc. were clouding the minds of most investors. Moreover, when the government put a clampdown on cement prices and ACC dropping to Rs.700, Gujarat Ambuja to Rs.100 levels, and on top of that many Indian & Foreign brokerages started giving Sell calls on the cement sector, after most of damage had already occurred, comparing cement sector with the sugar sector arguing what government interference did to sugar can happen to cement too.

We had in our report of 19th March had written that this short term negative presents be a great opportunity to the long term investors. ACC has gone past Rs.850 and Gujarat Ambuja Rs.120 since then.

We believe that with small & mid cap companies announcing good numbers with some of them having scalable business models, these could be outperformers. However, patience & conviction are key virtues for investors holding these stocks since frustration in most cases wins over hope.

**Some investment ideas on companies that have recently announced good numbers :-
Venky's India Ltd.**

CMP - Rs. 118 NSE Symbol - VENKEYS BSE Code - 523261

Venky's India has been recommended by us on previous occasions too- however the stock has failed to perform as per our expectations - even though the company has been performing well. The company was plagued by problems and losses on account of outbreak of bird flu last year.

We like the business model of the company - the company has presence in both the Institutional and Retail segment and also in Exports. Venky's is a national brand and enjoys the positioning of a hygienic premium product and has a nationwide distribution network. Venky's is the largest player in a sector where it is difficult to even recall a number 2.

We believe this is a stock which has the potential to attract the Institutional & Foreign Investors, since buying is stake in Venky's is akin to taking a position in the India's poultry sector.

The company's has recently come out with heartening numbers :-

Particulars	Quarter Ended	Quarter Ended	Quarter Ended	Year Ended	Year Ended	Year Ended
	(Mar 07)	(Mar 06)	(% Var)	(Mar 07)	(Mar 06)	(%Var)
				(12)	(12)	
Sales	108.89	91.48	19	410.48	381.69	7.5
Other Income	1.2	0.71	69	6.4	2.09	206.2
PBIDT	14.37	-2.4	LP	30.31	27.13	11.7

Interest	1.36	0.84	61.9	4.83	3.17	52.4
PBDT	13.01	-3.24	LP	25.48	23.96	6.3
Depreciation	1.95	1.59	22.6	7.34	6.17	19
PBT	11.06	-4.83	LP	18.14	17.79	2
Tax	3.63	-0.04	LP	5.1	7.85	-35
Deferred Tax	0.49	-0.55	LP	1.52	-1.83	LP
PAT	6.94	-4.24	LP	11.52	11.77	-2.1

One or two more quarters of consistent performance will lead to a lot more conviction and the stock which has been a non performance for the last year and a half will be able to make up for the long wait for its investors.

We reiterate that Venky's India is a great stock to own and keep in one's portfolio.

Jindal Photo Ltd.

CMP - Rs. 97 NSE Symbol - JINDALPHOT BSE Code - 532624

Jindal Photo Ltd., a part of the B.C. Jindal Group and India's largest manufacturer of Photographic and Allied Products. Besides, marketing its products under the brand name `FUJIFILM', the company also manufactures Photographic Color Paper, Medical X-ray Films & equipments, Photo Processing Equipments, Cine Color Positives, Photographic Chemicals etc. The Company has over 36% market share in the Color Paper and Color Roll Films. The other products such as X-ray Films, Cine Color Positive Film, etc. have a market share of about 25%

Particulars	Quarter Ended	Quarter Ended	Quarter Ended	Year Ended	Year Ended	Year Ended
	(Mar 07)	(Mar 06)	(% Var)	(Mar 07)	(Mar 06)	(%Var)
				(12)	(12)	
Sales	110.32	104.4	5.7	360.67	381.25	-5.4
Other Income	0.29	0.17	70.6	1.58	2.03	-22.2
PBIDT	13.44	3.81	252.8	38.07	28.42	34
Interest	0.31	0.1	210	0.61	0.65	-6.2
PBDT	13.13	3.71	253.9	37.46	27.77	34.9
Depreciation	0.56	0.57	-1.8	2.28	2.26	0.9

PBT	12.57	3.14	300.3	35.18	25.51	37.9
Tax	2.96	0.9	228.9	7.48	5.5	36
Deferred Tax	0.06	0	-	0.11	0.54	-79.6
PAT	9.55	2.24	326.3	27.59	19.47	41.7

The company came out with good numbers recently with the annualized EPS at Rs. 27. The stock currently trades at a PE of 3.6, trades at a discount to its Book value which would stand at over Rs.125 on 31st March 2007, has a high promoters shareholding of 72%, looks undervalued given its strong cash flows and the company's total debt free status.

Indag Rubber Ltd.

CMP - Rs. 36 BSE Code - 509162

Indag Rubber Ltd., a part of the Sun Group, is involved in the Retreading of Tyres. The Sun Group bought out the stake of the US collaborator Bandag Inc., pursuant to which the shareholding of Sun Group has increased from 38.5% to 77%.

The company's Nalagarh plant has become operational. The company has been churning out good numbers quarter on quarter and for the full year 2006-07, has achieved a 61% increase in Sales Turnover and has made a profit of Rs.4.21 crores against a loss of Rs.41 lacs - EPS of Rs.8 for FY 06-07.

Particulars	Quarter Ended	Quarter Ended	Quarter Ended	Year Ended	Year Ended	Year Ended
	(Mar 07)	(Mar 06)	(% Var)	(Mar 07) (12)	(Mar 06) (12)	(%Var)
Sales	15.21	9.82	54.9	60.9	37.83	61
Other Income	0.68	0.06	1033.3	1.93	0.39	394.9
PBIDT	2.19	0.36	508.3	7.29	1.62	350
Interest	0.39	0.29	34.5	1.52	0.72	111.1
PBDT	1.8	0.07	2471.4	5.77	0.9	541.1
Depreciation	0.35	0.3	16.7	1.35	0.64	110.9
PBT	1.45	-0.23	LP	4.42	0.26	1600
Tax	-0.32	-0.02	-1500	0.05	0.08	-37.5
Deferred Tax	0.16	0.43	-62.8	0.16	0.59	-72.9

PAT 1.61 -0.64 LP 4.21 -0.41 LP

Indag enjoys a good branding and a dominant position in the business especially in Northern India. Retreading as a business is getting greater acceptance globally since it prevents millions of tyres from getting into land fills and tyre piles and is thus environment friendly.

Anik Industries Ltd.

CMP - Rs. 27 NSE Symbol-MPGLYCEM BSE Code - 519383

Anik Industries is a part of Ruchi Soya Group. This company was earlier called Madhya Pradesh Glychem Limited. The company underwent restructuring in a scheme of arrangement whereby the soya business and the vegetable oil business of the company was sold to Ruchi Soya Industries Limited and a private limited company of the group called Anik Industries Private Limited was merged into this company.

After the restructuring, the company has been transformed from a solvent extraction company to a focused play in the food and dairy business. Anik Industries Limited manufactures Anik brand of Desi Ghee and Anik brand of Dairy Whitener, which is sold under the name of Anik Spray.

Besides Anik, this company sells its products under the Saurabh brand also. Infact, Anik Desi Ghee and Anik Spray, which is the dairy whitener, are national brands and they have a good brand recall. Besides these products this company also has wind power projects in the state of Rajasthan and Madhya Pradesh.

The latest financials of the company are given as under :-

Particulars	Quarter Ended	Quarter Ended	Quarter Ended	Year Ended	Year Ended	Year Ended
	(Mar 07)	(Mar 06)	(% Var)	(Mar 07)	(Mar 06)	(%Var)
				(12)	(12)	
Sales	210.72	151.77	38.8	478.72	215.53	122.1
Other Income	0.08	0	-	2.59	2.75	-5.8
PBIDT	13.55	3.48	289.4	26.97	22.48	20
Interest	5.27	-0.69	LP	7.19	8.99	-20
PBDT	8.28	4.17	98.6	19.78	13.49	46.6
Depreciation	0.46	1.58	-70.9	2.2	2.13	3.3
PBT	7.82	2.59	201.9	17.58	11.36	54.8
Tax	2.71	1.96	38.3	5.26	7.35	-28.4
Deferred Tax	0.03	-0.27	LP	0.18	-10.62	LP

PAT	5.08	0.9	464.4	12.14	14.63	-17
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This company paid a dividend of 12% for FY 05-06.

This company may undergo a re-rating since after the restructuring, the company's business profile has undergone a change from commodity business to product business. The restructuring has made this company a focussed play in the food and dairy business and the management is quite capable of increasing the scales in this business.

Atlas Cycle Industries Ltd.

CMP - Rs. 135 BSE Code - 505029

Atlas Cycle is a stock which has been an underperformer over the past few years. The company has been bogged down by various problems including infighting within the promoter group. The problems took their toll on the operations of the company resulting in the company not achieving much growth in the past few years.

This company has three bicycle-manufacturing units located at Sonapat in Haryana, Sahibabad in UP and Malanpur in Madhya Pradesh. They also have a steel tube division located in Gurgaon, which has recently been relocated to Bawal Industrial Area, Haryana.

The company recently announced its quarterly numbers.

Particulars	Quarter Ended	Quarter Ended	Quarter Ended	Year Ended	Year Ended	Year Ended
	(Mar 07)	(Mar 06)	(% Var)	(Mar 07)	(Mar 06)	(%Var)
				(12)	(12)	
Sales	136.09	110.21	23.5	483.91	440.06	10
Other Income	102.1	1.71	5870.8	105.31	2.55	4029.8
PBIDT	78.35	3.21	2340.8	88.16	13.73	542.1
Interest	2.53	1.79	41.3	6.7	7.65	-12.4
PBDT	75.82	1.42	5239.4	81.46	6.08	1239.8
Depreciation	1.1	0.88	25	4.87	3.97	22.7
PBT	74.72	0.54	13737	76.59	2.11	3529.9
Tax	4.51	0.32	1309.4	5.54	1.71	224
Deferred Tax	0	0	-	0	-0.51	100
PAT	70.21	0.22	31813.6	71.05	0.91	7707.7

A noticeable feature of the results just announced by the company is that the company has provided an amount of Rs.100.82 crores as Other Income being the Book Profit on Sale of land at Gurgaon because of shifting and installation of their tube mill at Bawal. (Since the company has mentioned Book Profit on Sale of land, it seems that the company has signed an Agreement to Sell in the Jan-Mar 07 quarter but is yet to receive the payment for the land). The very fact that the company has managed to sell the land for over Rs.100 crores and the cash when it comes in the books of the company would itself be more than the current enterprise value with Rs.44 crores of Market Cap and Rs.60 crores of debt (as on 31.3.06). One must remember that out of Rs.60 crores of debt, Rs.50 crores is working capital advance which is generally against Stock & inventory.

Atlas is a very strong brand name with a brand loyalty attached to it. The company therefore deserves a much higher market cap than the present Rs. 44 crore. Besides the land at Gurgaon which the company has sold realizing over Rs.100 crores (payment yet to be received), the company has been sitting on historical assets whose current value would be many times more than the market cap of the company.

Historical Assets and their valuations apart, the company's core business carries a lot of potential and the company can move up the value chain by getting into the manufacture of electric bikes without incurring major capital expenditure since it already has infrastructure and distribution network in place.

The major risk for the company is the steel prices. The other risk being competition from China and thirdly although the family problems, as of now, look settled, in case they resurface, it can adversely impact the operations of the company.