EMKAY MARKET VISION

May 2006

Emkay© Recommendations

Emkay

has endeavored to provide the best solutions for Wealth Management.

Our timely and effective Research is a step towards serving our Clients.

The following are our recommendations for May2006...

Aksh Opticfibre (CMP 74)

Aksh Optifibre is the second largest company in the Indian optical fibre cable Industry. It has three division- optical fibre, optical fibre cable and FRP rods. AOL produces number of cables like Single Mode & Multi mode cables, Duct Cables, Armoured & Aerial Cables, Indoor & Outdoor Cables etc. The Company has developed a new Micro Cable upto 72 Fibre in maximum 6 mm cable diameter that can be blown in the micro duct to increase the bandwidth of existing network, which reduces cost and saves time. It nearly accounts for 15% of sales and company is expecting it to reach up to 30% of sales next year. The global trend shows that for high-speed broadband networks, Triple Play, Ethernet Leased lines, bandwith on demand, new optical transmission network are required. India is growing at a very faster rate in telecom market and has achieved significant growth in tale – density both in urban and semi-urban segments. Now it is rural tele density and broadband penetration. The demand will be huge from the rural economy both for tele density and broadband services. This will lead to significant demand in optical fibre cables industry and will help AOL to show good show of numbers.

Aksh Optifibre Ltd (AOL) has proposed to merge its associate company Aksh Broadband (in which it holds 27% stake) with itself. According to management of the company the idea behind merger is to create bigger entity to take advantages of future growth opportunity in the industry. Aksh Optifibre is one of the few manufacturers that have integrated their operation backwards for production of optic fibre. In addition to the domestic market, the company exports its cables to the UK, USA, Indonesia and Thailand. The company is also expecting significant increase in exports to Japan. To cater to the domestic and overseas demand company has increased its existing capacity by 50% that is expected to commence in Q1FY07. Sales of the company increased by 197% to Rs.990 mln in FY06 and company turnaround this year with net profit of Rs.148.3 mln against a loss of Rs.38.3 mln last year. With increasing demand from telecom services both in domestic and overseas market and introduction of some new product it is expecting a healthy growth in its topline and bottomline.

Year End (in mln)	Sales	EBITDA %	PAT	EPS	P/E
FY05	383	12.6	-32.7	NA	NA
FY06	990	31	148.3	6.7	11.0
FY07E	1770	27	220.5	10.0	7.4

The above figures are without considering the impact of merger

Andhra Pradesh Paper (CMP 142)

The ‘Andhra Pradesh Paper Mill’ (APPM), currently owned by L.N. Bangur has a manufacturing capacity of 1.54 lacs of mtpa that includes approx 94,000 mtpa of PWP 30,000 mtpa of paperboard and approx 30,000 mtpa of newsprint. Despite of having presence across the country, southern region consists of ~45% of its total production due to proximity to market. Both of the company’s unit Rajahmundry (capacity of 98,500 mtpa) and Kadiam (55,000 mtpa), situated in Godavari District (Andhra Pradesh) are located strategically close to raw-material rich belt and river Godavari for easy water availability. The MDP started by APPM during Q1FY05 is expected to be completed in two phases, 1st by Q1FY07 (comprises increase in pulp capacity from 0.9 lac mtpa to 1.8 lac mtpa and installation of recovery boilers along with increase in captive power capacity to 34 MW from 18 MW) and 2nd phase by Q3FY07 (entails increase in paper capacity from 1.56 lac mtpa to 1.77 lac mtpa). Improvement in pulp and paper yield, better waste management and installation of recovery boilers will reduce the raw material cost and power & fuel cost by 360 bps and 560 bps, respectively. 5-6% increase in realisation due to change in product mix will help in improving margin by 1200-1300 bps. On back of sharp margins improvement, we expect APPM’s EBIDTA to triple (increase by 196%) to Rs.1.8 bn by FY08E (Rs.0.6 bn in FY05). It will lead to a CAGR in PAT at 38% (FY05/FY08E) to Rs.667 mln as against 15.2% in sales to Rs.6.8 bn by FY08E. It will also gear PAT margins to grow from 5.7% in FY05 to 9.8% by FY08E. Further we expect RoCE & RoE to improve to 13.7% and 15.1%, respectively by FY08E.

Year End (in mln)	Sales	EBITDA %	PAT	EPS	P/E
FY05	4434	13.5	254	21.5	6.6
FY06E	4395	15.0	297	12.5	11.4
FY07E	5576	23.5	511	21.5	6.6
FY08E	6777	26.2	667	28.0	5.1

CYBERMEDIA (CMP 102)

Cyber Media (India) Limited is a specialty media house, with eleven publications in the infotech, telecom, consumer electronics and biotech areas; The group's Media business includes the print titles Dataquest, PCQuest, Voice & Data, BioSpectrum, Global Services, Living Digital, DQ Channels India and DQ Week and is leaders in its own segment. It is leveraging strong customer and industry relationship to cross sell other services. Cyber Media has recently acquired 20% stake in SX2 Media Labs L.L.C., a US company that has a portfolio of magazines such as Computer Shopper and CNET Digital Living, which together generated revenue of more than $19 mln in 2004.

Company to leverage its strong content development expertise is expanding its content BPO business. This business began commercial operations in June 2005 with 90 professionals and now the company has plans to increase its skilled manpower by 215 by May 2006. We expect Cyber Media to report 23% CAGR in sales revenue from Rs.664.5 mln in FY05 to Rs.1519 mln in FY09E. Media business is expected to report CAGR of 20% and Media service business is expected to report 25% CAGR during the said period. We expect Cyber Media's "Global Outsourcing" magazine and Content BPO to be the growth driver. In Q306 it reported 58.7% jump in sales to Rs.161.1 mln and 46% jump in net profit to Rs.12.7 mln against the same period last year.

Year End (in mln)	Sales	EBITDA %	PAT	EPS	P/E
FY05	665.4	13.2	43.1	6.0	17.0
FY06E	807.9	14.3	60.7	6.1	16.7
FY07E	1051.4	12.8	70.3	7.0	14.6

COSMO FILMS (CMP 83)

Cosmo Films Limited is a leading player in Bi-axially Oriented Polypropylene Films (BOPP) flexible packaging industry. Cosmo is one of the lowest cost BOPP producers in the world and can expand its customer base by providing cost effective innovative packaging solutions to its customers. The company is the largest exporter of BOPP films from the country. Companies current manufacturing capacity is 71000 MT per annum including 8000 MT of Thermal lamination film. The thermal lamination film capacity has been developed and 2 lines have been commissioned in 2005 for international markets. Encouraged with the positive response from overseas customers, the company has placed orders for two more Extrusion Coating Lines having capacity of 8000 MT. The total capital infusuion for the thermal capacity is expected to be around 40 crores. Extrusion coating Line-III was successfully commissioned in April 2006. Extrusion coating Line-IV is expected to be commissioned by July 2006. The worldwide distribution channels of the Company is quite strong and a major increase of sales in this segment is expected in the year 06 – 07.

The Company has decided to further expand their BOPP film capacity by 30000 Tons per annum at a total capital expenditure of around 90-95 crores. The Capital expenditure on aforesaid projects is proposed to be financed partly through long-term debts and partly through internal accruals. The proposed production line will be located at Vadodara (Gujarat) and is being targeted to be commissioned in 2nd quarter 2007. With availability of natural gas at the Vadodara (Gujarat) unit, the energy costs will reduce significantly and will give a further competitive edge to the Company. Gas based power generating set will be commissioned by June 2006. The company has declared a dividens of Rs.4 per share (40%) which translates into an attractive dividend yield of 5% at current levels.

Year End (in mln)	Sales	EBIDTA %	PAT	EPS	P/E
FY05	3907.3	12.7	105.8	6.2	9.5
FY06	4219.9	13.0	128.6	6.6	10.5
FY07E	4777.9	13.5	215.3	11.1	7.5
FY08E	5975.62	14	263.7	13.6	6.1

HEG (CMP 184)

HEG's Q4FY06 results came in below our expectation as PAT grew by mere 3.3% to Rs.126 mln on back of 51% rise in revenues to Rs.1938 mln. Though EBDITA jumped 59% to Rs.345 mln, implying margin expansion of 100bps to 17.8% as compared to the previous year, higher interest, depreciation and tax provision resulted in flat PAT. Graphite business showed strong improvement with 26% rise in revenues and 69% rise in PBIT to Rs.1368 mln and Rs.193 mln respectively. However, steel billets / sponge iron business put a drag on overall margins as it registered a loss of Rs.11 mln (+ve Rs.25 mln in the previous year) on PBIT despite 91% rise in revenues to Rs.534 mln. FY06 revenues increased 15% to Rs.5253 mln, while PAT declined 5% to Rs.389 mln. EPS on fully diluted equity stood at Rs.8.3. We maintain our estimates for FY07 and expect PAT of Rs.1070 mln translating into an EPS of Rs.22.8. Full capacity utilization, EBDITA expansion from higher prices and controlled power cost in the graphite business coupled with improved prices of steel billets after a lull of 2 quarters would aid the sharp jump in profits from Rs.390 mln in FY06 to Rs.1070 mln in FY07. This sharp rise in expected earnings in FY07 is expected to have positive impact on the share price in the months to come.

Year End (in mln)	Sales	EBITDA %	PAT	EPS	P/E
FY05	4550	17.4	423.4	10.5	17.5
FY06	5253	21.2	388.2	8.3	22.2
FY07E	8504	26.9	1070.1	22.8	8.1
FY08E	10390	27.2	1406.1	30.0	6.1

Sunil Hi tech Engineers (CMP 143)

The company is engaged in niche segment of Fabrication, Erection & Testing and commissioning of Bunkers, ESPs, Boilers, TG sets in the Power Plants, both in private and public sector. In simple terms, the company, after receiving the orders for the construction of thermal power plants executes the orders, supplies the labour and materials, constructs the plant, installs it, conducts the testing and hands over the plant in working condition to the customer. The company is also engaged in overhauling and maintenance of plants. It has participated in the civil work for power plants up to 500 MW and now is technically qualified to undertake such big projects. The company client list include all big name like NTPC, BHEL, Jindal, Sterlite, SEPCO, L & T, etc. and major state electricity boards. The book order size of the company as on March 06 is around Rs.3400 mln of which it is expects to execute 50% in FY07.

The opportunities in the power sector in India are huge. And thermal power is cost effective source of power in India. Massive investments expected to be made in upgradation of old units, expansion of power generation capacity and setting up of new plants would prove to be beneficial for the company. The company has shown a CAGR of 91.65% during FY2000 to FY2005. In first nine months of FY2006 it showed a revenue growth of 39% to Rs.958 mln and bottomline growth of 60% to Rs.36.8 mln. We expect the company to post an EPS of around Rs.9.1 in FY2007 and around Rs.14 in FY2008.

Year End (in mln)	Sales	EBITDA %	PAT	EPS	P/E
FY05	679	11.2	21.6	2.1	68.1
FY06E	1250	10.1	4.90	4.9	29.2
FY07E	1700	10.5	9.1	9.1	15.7

Rajratan Global Wire (CMP 125)

Rajratan Global Wire (RGW) is one of the leading manufacturers of High Carbon Steel Wires in India. It manufactures Tyre Bead Wire and Prestressed Concrete Wire and Strends. It enjoys the pride of being the largest manufacturer of tyre bead wire (capacity: 30,000 MT) under one roof in India. The function of bead wire is to hold tyre on the rim and is crucial link through which the vehicle load is transferred from rim to tyre. Hence quality is key though value of bead wire in a tyre is only about 3%. There is also no substitute for bead wire. Pre-stressed concrete wires and strand find applications in various construction activities and mass products like railway sleepers, electric poles amongst others. RGW in Dec 05 has expanded its tyre bead wire capacity from 25000 to 30000 MT and in FY07 it is expected to further increase capacity to 36000 MT to capture growing demand from the domestic manufacturers and international giants both for their Indian and overseas operations. Going ahead we expect topline CAGR of 30.6% during FY06-08, operating profits CAGR at 37.4% and net earnings CAGR at 58.6%.

Year End (in mln)	Sales	EBITDA %	PAT	EPS	P/E
FY05	931	10.8	46	10.5	11.9
FY06	990	12.0	59	11.9	10.5
FY07E	1320	13.0	83	19.1	6.5
FY08E	1689	13.3	130.5	30.0	4.2

FAG Bearings (CMP 635)

FAG bearings is a subsidiary of German bearing major Kugelfischer George Schaefer AG, with the parent holding 51.33% stake in the company. The company is the 2nd largest supplier of bearings in India. It's is one of the key suppliers of bearings to the automobile sector. The OEM and replacement market sales bifurcation for the company is 50:50. Such high sales contribution from the replacement market has enable the company in maintaining good operating margins as compared to its peers. With strong technical support from the parent, FAG India is looking at a good volume growth both in domestic as well as export market. The company has declared excellent March quarter results. The company registered sales of Rs.1221.1 mln for the quarter ended March 2006 against Rs.898 million for the same period in the previous year (a growth of 36% YoY). Operating profit increased to Rs.294.7 mln from Rs.160.5 mln for the quarter ended March 2005. (Growth of 83.6% YoY). Operating margin improves to 24.13% for the current quarter from 17.87% for the same period last year. The yearly margins for year ended 2005 stood at 20.1% (which was a growth of 15% over year ended 2004). The improvement in margins is attributed to better productivity, better product mix and better management of expenses. The expenses for the quarter increased by 25.46% over the same period last year. EPS for the quarter stood at Rs.10.85 (this translates to an annualised EPS of Rs.43.4).

The company declared strong yearly results for the year ended 2005. Sales stood at Rs.4083 mln against a sale of Rs.3231 mln for the year ended 2004 (registering a growth of 26.37% YoY). Exports for the year grew by 70% over pervious year (exports being 17% of total turnover). For the year 2006 company expects exports to be 22% of the total turnover. EPS for the year ended 2005 stood at Rs.28.8 against Rs.18.6 for year 2004. We expect the company to earn an EPS of 44. For the year 2006 the company has maintained the growth outlook similar to 2005. For this the company has planned a capacity expansion by around 25% for which the company shall incurr a capital expenditure of Rs.80 crore (totally funded by internal accruals). This is strongly supported by excellent Q1 results.

Year End (in mln)	Sales	EBITDA %	PAT	EPS	P/E
CY04	3231.2	17.4	308.8	18.6	8.7
CY05	4083.2	20.1	478.9	28.8	13.9
CY06E	5300.0	23.0	732.2	44.1	14.4
CY07E	6360.0	23.0	897.7	54.0	11.8

India Infoline (CMP 185)

India Infoline is one of the leading advisory and execution service providers for entire gamut of financial services. Its service offering includes Equities Broking, Commodities Broking, Mutual Funds Distribution, Mortgages Distribution, PMS, Research & Content Services, Life Insurance Agency, Investment Banking, Personal Loan Distribution and other debt products. Today the group has around 150 branches in more than 50 cities across India with manpower of about 3500 employees, which is growing rapidly. We are quite excited by the growth opportunities offered by the financial services space in view of strong economy growth, rising middle class with rapidly increasing disposable incomes and savings, favorable demographics etc. We feel India Infoline is one of the companies ideally positioned to take benefit of this opportunity. The company has planned to increase its branch network to around 300 in the coming 12-15 months. This coupled with the rapid expansion of last year would ensure high growth rates in the current year and years to come.

For the year ended March 06, the company made rapid progress with its total income growing by 182% from Rs.772.5 mln to Rs.2180.5 mln. The net profit during the same period improved by 126% from Rs.216.8 mln to Rs.489.3 mln. Apart from equities broking (which is the main business), other business like Life Insurance Commission, Distribution Commission and Fees, Online and Other media income showed rapid growth and achieved reasonable sales. For FY06 the company's EPS was Rs 10.98. Looking at rapid expansion and overall opportunity we feel the company could achieve EPS growth of around 40% for next two years. Accordingly we recommend buying stock at the current level.

Year Ended	Income	PAT	EPS	PE
FY05	772.5	216.8	7.7	24.0
FY06	2180.5	489.3	10.9	17.0
FY07E	3270.7	685.1	15.2	12.2
FY08E	4906.1	959.1	21.3	8.7

Performance of our April 06 Recommendations

Company	Price 31/3/06	Price 29/4/06	% Change
Cybermedia	89	102	14.6
Greaves	326	419	28.5
HEG	171	184	7.6
Nestle	1162	1280	10.2
Nesco	1299	1962	51.0
Niit Tech	230	220	(4.3)
Paramount Comm	172	280	62.8
Subhash Projects	179	235	31.3
Rajratan Wires	121	125	3.3
Sunflage Iron	17.3	17.4	0.6
Karnatka Bank	100	98.5	(1.5)
Weighted Return			**18.5**

April was excellent month for our recommendations with weighted average return of 18.5% for the month! The stars of the months were Paramount Communication (Up 62.8%), Nesco (Up 51%), Subhash Projects (Up 31.3%) and Greaves (Up 28.5%).

Emkay Model Portfolio April 2006

Co Name	Recommended Price	Weight %	Sector	Month End Price #	% Change
Maruti	873	8	Auto	928	**6.3**
Dena Bank	37	8	Banking	35	**(5.4)**
Tata Chemicals	266	8	Chemicals/Fertilisers	258	**(3.0)**
ITC	195	8	FMCG	204	**4.6**
I-Flex	1315	8	IT	1227	**(6.7)**
Infosys	2975	8	IT	3182	**7.0**
Orchid Chemicals	379	8	Pharma	346	**(8.7)**
Reliance Commun	309	8	Telecom	320	**3.6**
SKF India	308	7	Bearing	352	**14.3**
Paramount Cables	173	7	Cables	280	**61.8**
Greaves	332	7	Capital Goods	419	**26.2**
TNPL	117	7	Paper	126	**7.7**
Subhash Projects	179	5	Construction	235	**31.3**
Total		**97**			
Cash		**3**			

 # Prices are as of April 29, 2006 at around 12.45

April was good month for our Model Portfolio with portfolio delivering return of around 9.1% vs Sensex retrun of around 6.8%. Four stocks viz Paramount Cables, Subhash Projects, Greaves and SKF India did exceedingly well delivering double digit returns. However during this months four stocks delivered negative returns they were Orchid Chemicals, I-Flex, Tata Chemicals and Dena Bank. However our confidence on most of these negative stocks are high and we have retained all except Tata Chemicals in our May's Portfolio

Emkay Model Portfolio May 2006

Co Name	Recommended Price	Weight %	Sector	Month End Price #	% Change
Dena Bank	35	8	Banking & Fin Services	50	**43**
India Infoline	185	7	Banking & Fin Services	250	**35**
FAG Bearing	635	7	Bearing	800	**26**
Finolex Cables	350	5	Cables	450	**29**
Aksh Optifiber	74	5	Cables	100	**35**
Greaves	419	7	Capital Goods	460	**10**
ITC	204	8	FMCG	225	**10**
I-Flex	1227	8	IT	1500	**22**
Infosys	3182	8	IT	3600	**13**
Cosmo Films	83	5	Packaging	120	**45**
TNPL	126	7	Paper	150	**19**
Orchid Chemicals	346	8	Pharma	435	**26**
Reliance Commun	320	8	Telecom	350	**9**
Total		**91**			
Cash		**9**			

 # Prices are as of April 29, 2006 at around 12.45

Note:

This portfolio is for investors with Normal Risk Profile having atleast 12-18 month outlook.

Changes Made Over Last Month

Book Profits in Maruti, SKF India, Paramount Cables and Subhash Projects

Sell Tata Chemicals due to concern about rising oil prices

Revising Target Price of Infosys to Rs 3600 and of Greaves to Rs 460

Adding India Infoline, FAG Bearing, Finolex Cables, Aksh Optifiber and Cosmo Films to portfolio

PCG AND RETAIL TEAM

Wealth management & distribution services			
Akhilesh Singh	Business Head	akhil.singh@emkayshare.com	91-22-6612 1212
Arun Gopalan	Asst.Vice President Distribution	arun@emkayshare.com	09892320662
Jullie Patadia	Executive - Distribution	julie.patadia@emkayshare.com	91-22-22678665
Research			
Suman Memani	Research Analyst	suman.memani@emkayshare.com	91-22-66121212 Extn 280
Pratik Dalal	Research Analyst	pratik.dalal@emkayshare.com	91-22-66121212 Extn 279
Retail marketing & business development			
Chirayush Bakshi	VP - Marketing & Business Development	chirayush.bakshi@emkayshare.com	91-22-66606690 Extn 146
V H Bhaskaran	VP - Business Development (South)	bhaskaran@emkayshare.com	91-22-66606690 Extn 113
Deviprasad Amin	Executive - Retail	deviprasad.amin@emkayshare.com	91-22-66606690 Extn 271
PCG sales and dealing team			
Vijay Saraf	Vice President	vijay.saraf@emkayshare.com	91-22-66606690 Extn 230
Yogesh Mehta	Sr. Dealer	yogesh@emkayshare.com	91-22-6606690 Extn 230
Nitesh Bhansali	Sr. Dealer	nitesh@emkayshare.com	91-22-66606690 Extn 230
Sameer Desai	Dealer	sameer.desai@emkayshare.com	91-22-66606690 Extn 230
E-broking			
Raju Mewawala	Asst Vice President	raju@emkayshare.com	91-22-56606690 Extn 256
Technical and derivatives research team			
Manas Jaiswal	Technical Analyst	manas.jaiswal@emkayshare.com	91-22-66121212 Extn 274
Rajesh Manial	Associate Technical Analyst	rajesh.manial@emkayshare.com	91-22-66121212 Extn 275
Zeal Mehta	Derivative Analyst	zeal.mehta@emkayshare.com	91-22-66121212 Extn 276

Emkay Rating Distribution

Ratings	Definition
BUY	Expected total return (%) of stock price appreciation and dividend yield) of over 25% within the next 12-18 months.
ACCUMULATE	Expected total return (%) of stock price appreciation and dividend yield) of over 10% within the next 12-18 months.
REDUCE	Expected total return (%) of stock price appreciation and dividend yield) of below 10% within the next 12-18 months.
SELL	The stock is believed to under perform the broad market indices or its related universe within the next 12-18 months.
NEUTRAL	Analyst has no investment opinion on the stock under review.

Emkay Share and Stock Brokers Ltd.

Member: The Stock Exchange, Mumbai (BSE) and The National Stock Exchange (NSE).
Paragon Center, Ground Floor, H -02, Pandurang Budhkar Marg, Worli, Mumbai – 400 013.
Tel No. 66121212. Fax: 66121299; e-mail: marketing@emkayshare.com; web: www.emkayshare.com
Regn.Nos.PMS-INP 000000779; BSE (Cash) INB 010901838; BSE (Derivative) INF 010901838;
NSE (Cash) INB 230901838; NSE (Derivative) INF 230901838; DP CDSL IN-DP-CDSL-58-2000
Call (Tollfree) 1-600-223-434 / 1-800-223-434