

June 14, 2006
FOR PRIVATE CIRCULATION
Equity

	13 Jun 06	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	9,063	(4.4)	(26.2)	(16.1)
Nifty	2,663	(4.1)	(27.0)	(16.8)
Banking	4,080	(4.0)	(27.5)	(22.4)
IT	2,129	(4.4)	(23.8)	(17.6)
Healthcare	2,889	(3.7)	(28.2)	(20.4)
FMCG	1,608	(4.7)	(29.0)	(21.0)
PSU	4,405	(3.5)	(30.6)	(24.7)
CNX Midcap	3,436	(6.2)	(34.0)	(26.1)
World indices				
Nasdaq	2,072	(0.9)	(7.6)	(9.7)
Nikkei	14,219	(4.1)	(13.6)	(11.7)
Hangseng	15,234	(2.5)	(9.3)	(1.2)

Value traded (Rs cr)

	13 Jun 06	% Chg - 1 Day
Cash BSE	2,642	(0.4)
Cash NSE	5,576	0.4
Derivatives	19,183.6	(7.8)

Net inflows (Rs cr)

	12 Jun 06	% Chg	MTD	YTD
FII	97.9	(80.8)	(6,484)	11,827
Mutual Fund	(10.2)	96.6	6,471	12,471

FII open interest (Rs cr)

	12 Jun 06	% Chg
FII Index Futures	9,974	3.9
FII Index Options	2,272	3.8
FII Stock Futures	8,824	(6.3)
FII Stock Options	112	6.0

Advances/Declines (BSE)

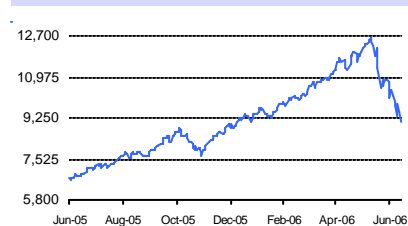
	13 Jun 06	A	B1	B2	Total	% Total
Advances	12	47	114	173	10	
Declines	198	609	672	1479	88	
Unchanged	0	6	25	31	2	

Commodity

	13 Jun 06	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	68.6	(2.6)	(4.8)	11.0
Gold (US\$/OZ)	562.1	(7.0)	(22.6)	0.5
Silver (US\$/OZ)	9.6	(12.6)	(33.9)	(7.1)

Debt/forex market

	13 Jun 06	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.75	7.75	7.44	7.42
Re/US\$	46.04	45.92	45.45	44.51

Sensex


Source: Bloomberg

ECONOMY NEWS

- It was freefall for the stock markets on Tuesday with the benchmark BSE-30 Sensex wiping out all gains of 2006 and ending at a six-month low of 9,062.65 points, down 413.50 points or 4.36 per cent from Monday. (BL)
- Gold fell below Rs 9,000 per 10 grams for the first time since mid-April while silver tumbled more than 5 per cent. (BS)
- The chemicals and fertilisers ministry has given a three-month reprieve to pharma companies for printing drug labels with a uniform maximum retail price, inclusive of all local taxes. (BS)
- The Ministry of Coal would finalise allotment of coalmines to another 28 Government companies for captive use within the next few days. The companies include several State Electricity Boards as well as Central Government undertakings like the National Thermal Power Corporation. (BL)
- The initial public offer proposals of the National Hydroelectric Power Corporation and the PowerGrid Corporation of India Ltd may be sent to the Cabinet for consideration by next month. (BS)

CORPORATE NEWS

- **SREI Infrastructure Finance Ltd** on Tuesday said it has bagged orders worth Rs 3,000 crore from the National Highway Authority of India (NHAI) for road construction projects. (BL)
- **Opto Circuits (India) (OCI)**, manufacturer of healthcare equipment, has registered a 64% rise in its net profit to Rs 118 mn during the fourth quarter of FY06 as compared to Rs 72 mn reported in Q4FY05 (BS)
- Indian steel pipe maker **Man Industries Ltd** said on Tuesday it had secured a Rs 4 billion order from Iran, and another worth Rs 1 billion from India's Reliance Industries Ltd. (ET)
- **Bharat Petroleum Corporation (BPCL)** has reported record sales through its customer loyalty programme card, PetroCard, accounting for over 14 per cent of the total turnover pie for 2005-06. (BS)
- **Gujarat NRE Coke Ltd** has picked up a stake in New Zealand Oil and Gas Ltd's subsidiary Pike River Coal Company Ltd for Rs 570 mn. (BS)
- **Tata Sons** is all set to pick a 26 per cent stake in the Nagarjuna refinery at Cuddalore in Tamil Nadu. The Tatas will spend close to Rs 3.5 bn for its stake in the Rs 13.7 bn crore equity of the project. (BL)
- **Maruti Udyog Ltd** plans to set up a new joint venture company to make components for Suzuki motorcycles and cars in India. (BL)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
State Bank of India	750.6	0.6	0.5	2.2
ONGC	977.1	(0.0)	(0.0)	1.6
Shipping Corp	122.0	(3.3)	(0.2)	0.3
Losers				
Reliance Ind	858.7	(4.7)	(12.7)	7.2
Wipro	395.3	(6.4)	(8.2)	1.0
Infosys Tech	2,639.1	(4.5)	(7.3)	0.9

Source: Bloomberg

FROM OUR RESEARCH TEAM

COMPANY UPDATE

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**We maintain our BUY on
 Voltas with a price target of
 Rs.1,230**

VOLTAS LTD (Rs.765, FY07 PE: 19.8x; BUY)

We recently met the management of Voltas Ltd and came out positive from the meeting.

Some of the key takeaways from the meeting

- Voltas' continues to be in a sweet spot across various business segments. Its unitary cooling division (consumer durables) is well placed as is slated to report a 40% plus growth in the current quarter. The company is number two in terms of market share in Household AC market and is ramping up its distribution network to increase its market share to 20% from 16% currently.
- The Middle East market for Electro-mechanical and plumbing (MEP) projects continues to look good. While the construction activity is currently focused in and around Dubai, there remains substantial scope for construction spending in Abu Dhabi and Qatar. The company has recently won a Rs 5.0 bn order for MEP project from Bahrain. This order would be executed over the next two years.
- The Domestic market for AC products continues to witness traction fuelled by the IT/ITES and retail segments. The order backlog has also increased substantially to Rs 6.0 bn and order inflows have grown 56% in FY06. The company also sees substantial opportunity arising from the Airport modernization and construction sector. It is already executing air-conditioning project for Hyderabad Airport.
- In the projects business, past experience with a particular customer can help in getting new projects. In this regard, the company stands a good chance of winning the Delhi Airport project as the main project developer in Hyderabad and Delhi is the same (GMR group).
- The company sees heightend global activity in the water treatment and supply sector. In this domain, Voltas is established as a total solutions provider for turnkey pumping projects as well as for water, effluent and sewage treatment, as well as water pollution control. In all these applications, Voltas offers complete electro-mechanical and associated civil construction services.
- In the overseas water-treatment business, technology is a constraint for Voltas. To address this constraint, the company is looking at acquiring a company with a view to gain technological access into the field of water-treatment.
- In the water-treatment project segment, Voltas is executing the phase I of Changi Water treatment business. This project has suffered due to the sharp rise in commodity prices resulting in erosion of margins. The company is not booking any profits on this project. The project is largely completed and could contribute Rs 1.0 bn in revenues in FY07.
- The company has appointed the Boston Consulting Group (BCG) with an objective of advising the company on how to scale up its business from current levels and business portfolio restructuring. The study would be over in the next three months.
- The company has guided that in the first half of the current year, margins in the projects business could be subdued as the share of revenues from new projects would be higher resulting in lower profit recognition.

Outlook

We expect substantial improvement in revenues as well as profitability of the unitary cooling division, which has bleeding for some time. Earnings are expected to grow at a CAGR of 32% over FY06-08.

On the back of very impressive earnings growth in FY06, Voltas has witnessed a significant rerating. At our forecast EPS of Rs 38.6 and Rs 50.8, the stock is trading at 19.8x and 15.1x FY07 and FY08 earnings respectively. Voltas' business is not fixed asset intensive and its working capital cycle is also very short, thus resulting in significant free cash generation. Going ahead, sustained pace of revenue growth and expansion in operating margins would further intensify cash generation.

We maintain our BUY on Voltas with a price target of Rs.1,230.

Summary table

Rs mn	FY05	FY06	FY07E	FY08E
Sales	13,867	18,531	23,866	29,219
Growth %	8.4	32.1	30.3	20.0
EBITDA	445.0	1007.5	1673.0	2244.5
EBITDA margin %	3.2	5.4	7.0	7.7
Net profit (adjusted)	455.0	864.0	1275.6	1678.5
Net cash (debt)	391.9	1074.9	885.5	2718.1
EPS (Rs)	13.8	26.1	38.6	50.8
Growth %	54.7	89.9	47.7	31.6
CEPS	16.9	32.6	42.9	55.5
DPS (Rs)	3.4	3.4	3.4	3.4
RoE %	23%	43%	41%	38%
RoCE %	21%	37%	48%	48%
EV/Sales (x)	1.7	1.3	1.0	0.8
EV/EBITDA (x)	55.9	24.0	14.6	10.1
P/E (x)	55.7	26.1	19.8	15.1
P/Cash Earnings	45.3	23.5	17.9	13.8
P/BV (x)	13.1	10.0	6.8	4.8

Source: Company, Kotak Securities - Private Client Research

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
13-Jun	Arih Found H	HSBC Financial Services M	B	59,497	279.65
13-Jun	Dalmia Cem B	Maruti Securities Limited	B	205,000	237.00
13-Jun	Dalmia Cem B	Goldman Sachs Investment	S	204,920	237.00
13-Jun	Elder Pharma	Maruti Securities Limited	B	184,886	280.10
13-Jun	Elder Pharma	Dreamland Builttech Ltd	S	184,886	280.10
13-Jun	Fedders Llyo	Dreamland Buildtech Ltd	B	340,543	117.15
13-Jun	Fedders Llyo	Jalco Financial Services	S	239,188	117.16
13-Jun	Lakshmi Over	Lehman Brothers Asia Ltd	B	60,000	755.95
13-Jun	Madhucon Pro	ABN Amro Bank N V London	B	200,000	230.00
13-Jun	Madhucon Pro	Franklin Templeton Invest	S	387,400	230.00
13-Jun	Paramo Commu	Morgan Stanley And Co Int	B	97,000	136.60
13-Jun	PRN Cap Mark	Visco Agencies Pvt. Ltd.	S	160,000	225.23
13-Jun	Unity Infra	Goldman Sachs Investment	B	216,215	446.00
13-Jun	Unity Infra	Sam Global Securities Lim	B	105,970	423.02
13-Jun	Unity Infra	Credit Suisse Singapore L	S	216,315	446.00
13-Jun	Unity Infra	Sam Global Securities Lim	S	105,970	424.53
13-Jun	Vas Anima En	Vijay Kumar Raju A.	B	50,000	20.00
13-Jun	Vas Anima En	Chamundeswara Nath Vankin	B	27,720	20.00
13-Jun	Worldw Le Ex	Samir Mukund Lal Shah	B	20,662	35.84
13-Jun	Zicom Ele Se	Fidelity Mutual Fund Ac F	S	101,234	124.00

Source: BSE

Forthcoming events

COMPANY/MARKET	
Date	Event
13-Jun	IndusInd Bank to announce annual results
14-Jun	Starcom Mediavest Group, Gemini Communication, Mumbai International Airport, Godrej Beverages holds press conference
15-Jun	Shipping Corporation of India, Container Corporation to announce earnings and dividend; Bank of Baroda & HDFC Standard Life holds press conference
16-Jun	Exide Industries to consider stock split; Dredging Corporation of India to announce earnings & dividend
17-Jun	Financial Technologies (India) to announce earnings
19-Jun	Radico Khaitan to consider raising of funds
21-Jun	CESC Ltd to announce earnings and dividend
22-Jun	ONGC Corporation, Amara Raja Batteries to announce earnings and dividend
27-Jun	Corporation Bank holds shareholders meeting; Reliance Industries holds annual shareholders meeting; Bata India to announce 2nd quarter earnings
30-Jun	State Bank of India holds shareholders meeting; Bharat Electronics to announce earnings and dividend

Source: Bloomberg

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