

Equity	% Chg			
	22-Oct	1-day	1-mth	3-mth
<b>India</b>				
Sensex	17,614	0.3	6.3	12.0
Nifty	5,184	(0.6)	7.2	12.2
<b>Global/Regional markets</b>				
Dow Jones	13,567	0.3	(1.8)	(2.7)
Nasdaq	2,754	1.1	3.1	2.4
FTSE	6,459	(1.1)	0.0	(2.5)
Nikkei	16,495	0.3	1.1	(8.2)
Hang Seng	28,949	2.0	12.0	23.9

Value traded (Rs bn)	BSE	NSE
Cash	75.5	152.1
Derivatives	11.1	714.5
Total	86.6	866.6

Net inflows	Recent trends (days)			
	(Rs bn)	19-Oct	-7d	-15d
FII	(32.2)	19.2	209.0	323.5
MF	(2.3)	(13.9)	(35.0)	(46.5)

Forex / Crude	% Chg			
	22-Oct	1day	1mth	3mth
Rs/US\$	39.9	0.0	(0.5)	1.0
Euro/US\$	1.4	0.1	0.8	2.8
Crude(\$/bbl)	85.8	(0.3)	5.1	14.5

Mkt movers (Rs)	Close	Pr. Cl.	% Chg
<b>Top gainers</b>			
Megasoft	123.8	103.1	20.0
Ahmednagar Forg	224.3	202.4	10.8
Himachal Futuri	24.2	22.0	10.0
<b>Top losers</b>			
Bank of Rajasthan	156.7	169.8	(7.7)
NIIT Technologies	348.0	375.0	(7.2)
Emco	1,187.5	1,277.5	(7.0)

## In focus

### ICICI Bank – Results Update

Above-expected growth; upgrade to Buy **CMP: Rs 1,024 Target: Rs 1,215 BUY**

### Venus Remedies – Results Update

Sustained momentum **CMP: Rs 465 Target: Rs 708 BUY**

### Great Offshore – Results Update

Improving day rates buoy performance **CMP: Rs 785 Target: Rs 1,002 BUY**

### Garware Offshore Services – Results Update

Steaming ahead **CMP: Rs 190 Target: Rs 272 BUY**

### Garware Wall Ropes – Results Update

Margin expansion sustains growth **CMP: Rs 154 Target: Rs 301 BUY**

## Today's top picks

**Havell's, HCC, Indian Bank, Pantaloon, Yes Bank**

## News track

- ❖ The Tata group has applied for GSM spectrum through two companies, Tata Teleservices, which has applied for spectrum in 18 circles, and Tata Teleservices (Maharashtra), which runs CDMA services in Maharashtra and Mumbai. (BS)
- ❖ AIM-listed Ishaan real estate fund has acquired 40% stake each in eight real estate projects promoted by the K Raheja group for Rs 10.8bn. This is the first AIM fund investment in the Indian realty space. (ET)
- ❖ Ranbaxy has received approval from the Canadian regulatory authority for marketing hypertension drug Lisinopril. (ET)
- ❖ Holcim has scaled up its shareholding in Ambuja Cements by 3.15% to nearly 40% for Rs 7.1bn through open market operations. (BS)
- ❖ ONGC Mittal Energy, the JV between ONGC and Mittal Investment Sarl, has acquired a 30% interest in an exploratory block in offshore Turkmenistan. (BL)
- ❖ Parsvnath plans to construct two luxury hotels on 110.4 acres in Jodhpur. (ET)

Source: BL: Business Line, BS: Business Standard, ET: Economic Times, FE: Financial Express

### Volume shockers

(No of shares)	22-Oct	2-mth avg	Chg (x)
United Breweries	5,550,539	170,397	32.6
Radico Khaitan	3,701,886	255,216	14.5
Ambuja Cements	54,470,396	3,934,944	13.8

### Delivery toppers

	Del (%)	Total vol	Cons days up
Aban Offshore	41.8	73,964	(2)
ABB India	57.3	495,251	(2)
Alstom Projects	34.9	193,021	(4)

# ICICI Bank

## Results Update

**CMP: Rs 1,024**

**Target: Rs 1,215** 

**BUY** 

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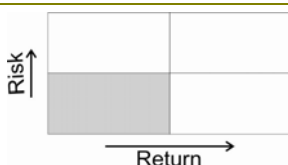
### Company data

Particulars	
Market cap (Rs bn / US\$ bn)	1,137.7/28.4
Outstanding equity shares (bn)	1.1
52-week high/low (Rs)	1,180/719
Quarterly average daily volume	781,627

### Financial snapshot

Particulars	FY07	FY08E	FY09E
NII (Rs bn)	66.4	86.8	108.7
Growth (%)	40.9	30.7	25.3
Adj net profit (Rs bn)	31.1	40.1	50.7
Growth (%)	22.2	28.9	26.6
FDEPS (Rs)	34.6	35.8	45.3
Growth (%)	20.9	3.6	26.6
P/ABV (x)	4.1	2.6	2.4
ROE (%)	13.4	11.3	10.4

### Risk-return profile



### Shareholding pattern

(%)	Sept-07	Jun-07
Promoters	NA	NA
FIIs	70.2	70.8
Banks & FIIs	16.0	16.6
Public	13.8	12.6

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
ICICI Bank	1,024	5.9	4.0	12.0
Sensex	17,560	6.0	12.8	26.4
BSE Bankex	8,837	1.7	5.3	27.8

Company website   [www.icicibank.com](http://www.icicibank.com)

## Above-expected growth; upgrade to Buy

ICICI Bank has declared better-than-expected results for Q2FY08 with a 34% YoY growth in NII to Rs 17.9bn, as against our estimate of Rs 19.3bn (our estimate, however, did not include amortisation expenses of Rs 2.1bn). The robust growth was aided by the recently concluded equity issue which led to a lower deposit intake by the bank. NIM for the quarter thus increased to 2.23% from 1.95% at the end of Q1FY08. Non-interest income excluding treasury gains grew at a robust rate of 42.6% YoY to Rs 19bn.

The bank's insurance subsidiaries have posted a steady performance, with the life insurance segment growing 45% YoY in H1FY08 and the general insurance and AMC segments generating stable revenues. Net profit for the quarter improved 33% YoY to Rs 10bn, bettering our Rs 9.2bn estimate. In view of the strong quarterly performance, we are upgrading our SOTP price target for ICICI Bank from Rs 1,097 to Rs 1,215 and upgrading the stock from a Hold to a Buy. Higher incremental slippage remains a key risk to our call.

### Actual vs estimated performance

(Rs bn)	Actual	Estimated	% Variance
NII	17.9	19.3	(7.5)
PPP	18.9	17.2	9.8
PAT	10.0	9.2	8.8
EPS (Rs)	9.0	8.2	8.8

Source: Company, Religare Research

### Quarterly results

(Rs bn)	Q2FY08	Q2FY07	% Chg YoY	Q1FY08	% Chg QoQ
Int on advances	55.7	37.9	47.0	54.5	2.3
Inc on investments	18.2	12.4	46.4	16.8	8.3
Int on bal with RBI etc.	1.2	1.9	(36.0)	2.0	(38.6)
Interest income	75.2	52.3	43.8	73.3	2.5
Interest expenses	57.3	38.9	47.2	58.5	(2.1)
<b>Net interest income</b>	<b>17.9</b>	<b>13.3</b>	<b>33.9</b>	<b>14.8</b>	<b>20.8</b>
Other income	20.7	15.7	32.0	19.5	6.2
Total income	38.6	29.0	32.8	34.3	12.5
Operating expenses	19.7	15.4	28.4	19.1	3.4
Provisions and W/off	6.4	4.7	38.1	5.5	16.7
<b>PBT</b>	<b>12.4</b>	<b>9.0</b>	<b>37.7</b>	<b>9.7</b>	<b>27.9</b>
Taxes	2.4	1.5	62.7	2.0	21.9
<b>PAT</b>	<b>10.0</b>	<b>7.6</b>	<b>32.8</b>	<b>7.8</b>	<b>29.4</b>
NIM (%)	2.2	2.1		2.0	
Cost/ Income ratio (%)	51.1	52.9	-	55.6	

Source: Company, Religare Research

## Result highlights

### Stable business growth but retail loan offtake continues to decelerate

ICICI Bank has posted business growth of 26% YoY as at the end of Q2FY08 with advances rising 33.3% to Rs 2,071.2bn and deposits increasing 20.5% to Rs 2,283.1bn. Retail advances continue to decelerate, growing 22% during Q2FY08 as compared to 57% YoY growth at the end of Q2FY07. Loans to the retail segment constituted 63.3% of total loans, down from 64.3% at the end of Q1FY08.

### Equity proceeds aided NII growth

Net interest income (NII) grew faster than expected at 34% YoY to Rs 17.9bn due to a lower incremental cost of deposits. Availability of proceeds from the equity issue reduced the reliance on high-cost deposits and led to an increase in the proportion of CASA funds from 22.6% in Q1FY08 to 25%. Consequently, the cost of funds has decreased to 7.7% from 7.8% at the end of Q1FY08. Current account deposits included Rs 20bn of float money from IPOs.

**NIM for the quarter increased to 2.23% from 1.95% at the end of Q1FY08**

An increase in the proportion of international business and deployment of capital in shorter term assets resulted in a 20bps decline in yields to 9.4% during the same period. As at September end, the bank's international business comprised 22% of the total business compared to 20% as at the end of June 2007. The net interest margin (NIM) for the quarter increased to 2.23% from 1.95% at the end of Q1FY08.

### Robust expansion in non-interest income

Non-interest income excluding treasury gains grew at a robust rate of 42.6% YoY to Rs 19bn. Fee income increased 25.4% YoY to Rs 14.9bn and miscellaneous income included dividend from subsidiaries and venture capital funds rose 183% to Rs 4.1bn. Treasury profits for the quarter declined 27% YoY largely due to a Rs 1bn hit on the credit derivatives portfolio. But for this extraordinary item, treasury profits would have recorded a growth of 15% YoY at Rs 2.8bn (one-third from proprietary trading and two-thirds from the private equity business).

#### Break up of non-interest income

(Rs bn)	Q2FY08	Q2FY07	% Chg YoY	Q1FY08	% Chg QoQ
Fee income	14.9	11.9	25.4	14.3	4.1
Treasury income	1.8	2.4	(27.1)	1.9	(9.8)
Misc income	4.1	1.5	183.2	3.3	25.7
<b>Total</b>	<b>20.7</b>	<b>15.7</b>	<b>32.0</b>	<b>19.5</b>	<b>6.3</b>

Source: Company, Religare Research

### Asset quality remains a concern

Operating expenses were up 28% YoY to Rs 19.7bn. A higher incremental slippage ratio resulted in a 38% rise in provisioning to Rs 6.4bn. Of this, Rs 5.5bn is towards loan loss provisions.

**Gross NPAs rose 11% QoQ to Rs 66.9bn despite sale of Rs 3.6bn worth of mortgage NPAs**

Gross NPAs rose to Rs 66.9bn from Rs 60.4bn, even after adjusting for Rs 3.6bn in the sale of mortgage NPAs to ARCIL (for a price of ~Rs 2.5bn). Net NPAs at Rs 30.4bn (1.4% of customer assets) were also higher as compared to Rs 27.4bn (1.3%) in Q1FY08.

### CAR at 16.8%

ICICI Bank's capital adequacy at the end of Q2FY08 stood at 16.8%, of which tier-1 capital constitutes 13%. The CAR has improved due to the recently concluded equity issue.

**PAT for the general insurance business rose 145% to Rs 810mn as against Q2FY07**

### Subsidiary performance

- ❖ **General insurance on track:** ICICI General Insurance's net profit for the quarter came in at Rs 810mn as compared to Rs 330mn a year ago, whereas the AMC business posted a net profit of Rs 530mn. Assets under management stood at Rs 504bn as against Rs 378.7bn at the end of March 2007.
- ❖ **Life insurance growth in line with industry:** The life insurance business maintained its leadership position among private players. Annualised premium was up 45% for H1FY08 and the management expects growth to touch 60% for the full year. New Business Achieved Profit (NBAP) in H1FY08 was up to Rs 4.3bn compared to Rs 3.5bn a year ago. The NBAP margin for Q2FY08 remained stable at 19.7%.
- ❖ **RBI approval on holding company awaited:** So far, the RBI has not approved the creation of a holding company (which would include the insurance and AMC businesses). Pending this decision, ICICI Bank has infused Rs 800mn in general insurance and Rs 6bn in the life insurance business. If the RBI's approval does not come through, the bank may evaluate options to list the insurance company.

## Valuation

### Target price raised to Rs 1,295

Considering the better-than-expected results for H1FY08, we are raising our net profit estimates for FY08 and FY09 by 4.8% and 5% respectively. Accordingly, our target price stands revised from Rs 1,097 to Rs 1,215. We have used a sum-of-the-parts approach (SOTP) for the core business which includes investments in other subsidiaries, and built in a 20% holding company discount for ICICI Financial Services to arrive at a fair value for the stock.

### Trades at a discount to peers...

At Rs 375/share, the value of subsidiaries and other investments comprises a substantial portion of ICICI Bank's fair value. If we consider the bank's core valuation of Rs 840/share, we see that it would be available at a discount to other leading private banks. The lower valuation is primarily on account of lower margin and return ratio parameters.

### ...but valuation parameters to improve; upgrade to Buy

We believe the bank deserves higher valuations considering its position as the second largest bank in India, expected improvement in RoE over the next two to three years, and its stronghold in private insurance. With the availability of float money from the equity issue and stabilising of interest rates, we believe NII and fee income growth will remain robust. We thus upgrade the stock from Hold to Buy with our revised target price of Rs 1,215. Note that the higher incremental slippage remains a key risk to our call. A failure to check this would adversely affect profitability.

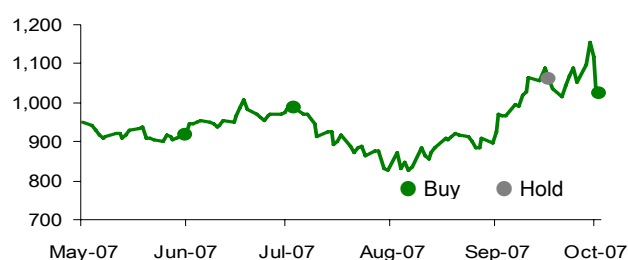
**Earnings estimates and target price raised to build in the strong results; Upgrade to Buy**

### Recommendation history

Date	Event	Reco price	Tgt price	Reco
20-Jun-07	FPO Note	918	1,080	Subscribe
23-Jul-07	Results Update	985	1,080	Buy
05-Oct-07	Quarterly Preview	1,061	1,097	Hold
22-Oct-07	Results Update	1,024	1,215	Buy

Source: Religare Research

### Stock performance



Source: Religare Research

## Financials

### Profit and Loss statement

(Rs bn)	FY06	FY07	FY08E	FY09E
Interest earned	143.1	229.9	309.8	400.1
Interest expended	96.0	163.6	223.0	291.4
Net interest income	47.1	66.4	86.8	108.7
Growth (%)	46.8	40.9	30.7	25.3
Non-interest income	41.8	59.3	74.7	93.3
Comm, Exchange & Brokerage	30.0	43.3	57.4	73.7
Growth (%)	33.2	41.8	26.0	24.9
Operating expenses	50.0	66.9	85.1	107.7
Pre-provisioning profits	38.9	58.7	76.4	94.2
Growth (%)	45.1	51.1	30.0	23.4
Provisions & contingencies	7.9	22.3	24.7	26.6
PBT	31.0	36.5	51.7	67.6
Income tax, Interest tax	5.5	5.4	11.6	16.9
Net profit	25.4	31.1	40.1	50.7
Growth (%)	26.7	22.2	28.9	26.6

Source: Company, Religare Research

### Balance sheet

(Rs bn)	FY06	FY07	FY08E	FY09E
Cash in hand & bal with RBI	89.3	187.1	225.3	288.9
Balance with banks, Money at call	81.1	184.1	211.8	232.9
Investments	715.5	912.6	1,103.2	1,332.4
Advances	1,461.6	1,958.7	2,569.6	3,294.9
Fixed assets (net)	39.8	39.2	40.2	41.2
Other assets	126.6	164.9	206.1	257.7
Total assets	2,513.9	3,446.6	4,356.2	5,448.0
Equity capital	12.4	12.5	14.7	14.7
Reserves & surplus	213.2	234.1	457.7	491.2
Net worth	222.1	243.1	468.9	502.4
Deposits	1,650.8	2,305.1	2,888.5	3,703.6
Current deposits (a)	165.7	213.8	272.5	350.2
Savings bank deposits (b)	209.4	288.4	389.3	525.6
Term deposits (c)	1,275.7	1,803.0	2,226.7	2,827.8
Borrowings (incl sub-ord bonds)	486.7	706.6	834.5	998.3
Other liabilities & provisions	150.8	188.2	160.7	240.2
Total liabilities	2,513.9	3,446.6	4,356.2	5,448.0

Source: Company, Religare Research

### Key ratios

Year-end March	FY06	FY07	FY08E	FY09E
<b>Per share data</b>				
Shares outstanding (mn)	0.9	0.9	1.1	1.1
FDEPS (Rs)	28.6	34.6	35.8	45.3
DPS (Rs)	8.5	10.0	11.0	13.5
Book value (Rs)	253.5	274.2	422.1	452.0
Adjusted book value (Rs)	241.7	252.1	399.1	422.5

### Valuation ratios

Market price	1,024.0	1,024.0	1,024.0	1,024.0
P/E (x)	35.8	29.6	28.6	22.6
P/BV (x)	4.0	3.7	2.4	2.3
P/ABV (x)	4.2	4.1	2.6	2.4

### Earnings quality (%)

Net interest margin	2.5	2.4	2.4	2.4
Yield on advances	8.6	9.4	9.9	10.2
Yield on investments	6.1	7.4	7.5	7.5
Cost of funds	4.4	5.9	6.3	6.7
Cost/Income	56.3	53.2	52.7	53.3
Return on average net worth	14.6	13.4	11.3	10.4
Return on average assets	1.2	1.0	1.0	1.0

### Growth ratios (%)

Net interest income	46.8	40.9	30.7	25.3
Other income	33.2	41.8	26.0	24.9
Total income	40.0	41.3	28.5	25.1
Pre-provisioning profit	45.1	51.1	30.0	23.4
Net profit	26.7	22.2	28.9	26.6
Advances	59.9	34.0	31.2	28.2
Deposits	65.4	39.6	25.3	28.2

### Asset quality

Proportion of low-cost deposits (%)	22.7	21.8	22.9	23.6
Credit-Deposit ratio (x)	88.5	85.0	89.0	89.0
Investment/Deposit (%)	43.3	39.6	38.2	36.0
Net NPA ratio	0.7	1.0	1.0	1.0
CAR	13.3	11.7	14.6	12.3
Tier-I ratio	9.2	7.4	11.0	9.4

Source: Company, Religare Research

# Venus Remedies

## Results Update

**CMP: Rs 465**

**Target: Rs 708**

**BUY**

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NSE code VENUSREM

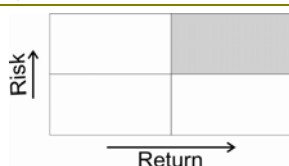
### Company data

Particulars	
Market cap (Rs bn / US\$ mn)	3.9/97.0
Outstanding equity shares (mn)	8.4
52-week high/low (Rs)	549/350
6-month average daily volume	33,658

### Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	1,413.0	2,109.9	3,123.6
Growth (%)	53.3	49.3	48.0
Adj net profit (Rs mn)	287.8	426.6	667.1
Growth (%)	77.4	48.2	56.4
FDEPS (Rs)	29.7	44.0	68.8
Growth (%)	77.4	48.2	56.4
P/E (x)	15.7	10.6	6.8
RoE (%)	63.6	54.9	52.5

### Risk-return profile



### Shareholding pattern

(%)	Sep-07	Jun-07
Promoters	26.0	21.1
FIs	18.3	21.6
Banks & FIs	0.3	0.3
Public	55.4	57.0

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Venus Remedies	465	(9.6)	(5.7)	3.3
Sensex	17,614	6.3	12.0	26.5
BSE HC	3,730	2.1	(1.8)	1.5

Company website [www.venusremedies.com](http://www.venusremedies.com)

### Sustained momentum

Venus Remedies' Q2FY08 results were in line with expectations. The company posted strong 37% YoY topline growth led by an estimated 29% increase in domestic market sales to Rs 386mn coupled with a ~77% rise in exports. The EBITDA margin of 25.9% was also in line with estimates. The strong operational performance resulted in 39% YoY PAT growth to Rs 98.3mn.

Venus' performance has been in line with our H1FY08 estimates and we expect this momentum to sustain throughout the year. Key brands, R&D products and new launches would drive a 36% domestic revenue CAGR over FY07-FY09. Further, greater penetration of semi-regulated markets and forays into regulated markets should result in a 100% CAGR in exports over the same period. At Rs 465, the stock is trading at 10.6x FY08E EPS of Rs 44 and 6.8x FY09E EPS of Rs 68.8. We believe Venus remains one of the most undervalued stocks in the pharma space with significant growth potential over the next two years. We maintain Buy with a target price of Rs 708 based on two-stage DCF valuation.

### Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	495.3	493.7	(0.3)
EBIDTA	128.3	125.0	2.6
PAT	98.3	98.7	(0.4)
EPS (Rs)	11.7	11.8	(0.4)

Source: Company, Religare Research

### Quarterly results

(Rs mn)	Q2FY08	Q2FY07	% Chg	H1FY07	H1FY06	% Chg
Net sales	495.2	361.2	37.1	931.4	679.8	37.0
Expenditure	366.9	274.7	33.6	688.9	517.2	33.2
Operating profit	128.3	86.53	48.2	242.5	162.6	49.2
Other income	1.1	5.11	(78.0)	2.4	7.8	(68.9)
Interest	10.8	8.2	30.6	20.8	13.5	54.2
Depreciation	7.9	4.0	98.7	14.8	7.7	91.7
PBT	110.8	79.5	39.4	209.3	149.1	40.4
Tax	12.5	8.9	40.1	23.7	16.7	41.6
Adj PAT	98.3	70.5	39.4	185.7	132.4	40.2
OPM (%)	25.9	24.0	-	26.0	23.9	-
EPS (Rs)	11.7	8.4	39.0	22.0	15.7	39.9
P/E (x)	11.4	-	-	12.0	-	-

Source: Company, Religare Research

## Result highlights

### Strong volume growth in key brands Ronem, Mucomelt and Neurotol

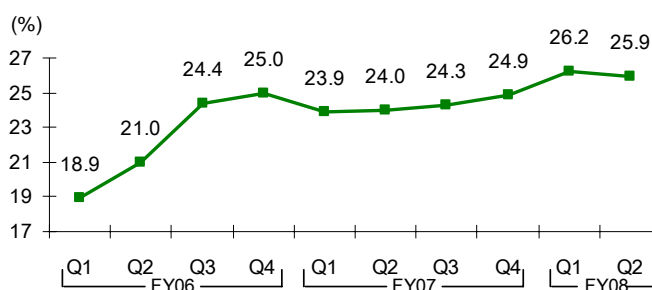
#### Sales growth in line with estimates

Venus's topline growth of 37% YoY to Rs 495mn was in line with estimates. The growth was driven by an estimated 29% increase in domestic market sales to Rs 386mn and ~77% rise in exports to Rs 108mn. Key brands like *Ronem*, *Mucomelt* and *Neurotol* recorded strong volume growth while R&D products are witnessing increasing demand from the company's marketing partners. Export sales witnessed strong traction in semi-regulated markets. The company is on track to expand operations in 40 countries outside India.

#### EBITDA margin expanded by 190bps YoY to 25.9%

Strong topline growth has resulted in a 190bps YoY expansion in the EBITDA margin to 25.9%. The gross margin improved sharply by 510bps to 71.6% as the contribution from high-margin exports has started increasing. Other expenses as a percentage of sales declined by 20bps to 12.7%, as commissioning of phase-II of the Baddi unit started realising its potential, decreasing overheads.

#### EBITDA margin trend



Source: Company, Religare Research

#### Net profit growth outpaces topline growth

The strong operational performance has led to a 39% YoY bottomline growth for the company, ahead of the increase in sales. The quarter saw higher depreciation due to commissioning of phase-II at Baddi during March 2007. Venus reported an EPS of Rs 11.7 for the quarter.

## Recent developments

#### Two research products registered in Ukraine

The company has registered two of its research products in Ukraine. The first order for bulk supplies of an innovative formulation was successfully executed during this quarter.

#### In-licensed a product from Chinese inventor company

Venus entered into an in-licensing agreement with a Chinese inventor company to exclusively manufacture and market the latter's patented amino-glycoside formulation in India for 10 years. Phase-III, multi-centre clinical trials for the product will begin over the next few months, and launch is scheduled for Q3FY09. The formulation has an addressable market of Rs 6bn, growing at 8% p.a. The management expects to capture 10% of the market within two years of launch.

#### Agreement with Pharma Match

Venus has signed an agreement with Amsterdam-based Pharma Match R&D for jointly preparing, registering and marketing an EU-CTD dossier for a latest generation carbapenem injectible.

### Agreement with Dutch Pharma Match for a latest generation carbapenem injectible

## Valuation

### Maintain Buy with target of Rs 708

Venus' performance has been in line with our H1FY08 estimates and we expect this momentum to sustain throughout the year. Key brands, R&D products and new launches would drive a 36% domestic revenue CAGR over FY07-FY09. Further, greater penetration of semi-regulated markets and forays into regulated markets should result in a 100% CAGR in exports over the same period.

**Venus remains one of the most undervalued stocks in the pharma space; reiterate Buy**

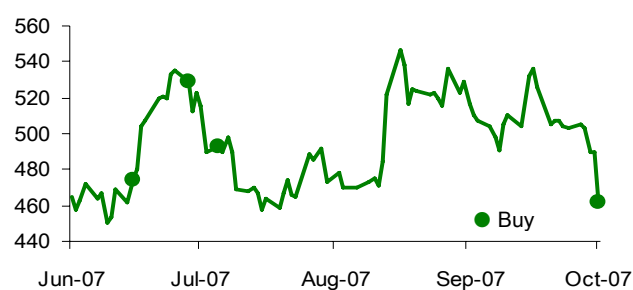
At Rs 465, the stock is trading at 10.6x FY08E EPS of Rs 44 and 6.8x FY09E EPS of Rs 68.8. We believe Venus remains one of the most undervalued stocks in the pharma space with significant growth potential over the next two years. We maintain Buy with a target price of Rs 708 based on two-stage DCF valuation.

### Recommendation history

Date	Event	Reco price	Target	Reco
05-Jul-07	Initiating Coverage	474	708	Buy
18-Jul-07	Company Update	527	708	Buy
25-Jul-07	Results Update	492	708	Buy
23-Oct-07	Results Update	465	708	Buy

Source: Religare Research

### Stock performance



Source: Religare Research



## Financials

### Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	922.0	1,413.0	2,109.9	3,123.6
Growth (%)	170.4	53.3	49.3	48.0
EBITDA	211.1	349.0	541.3	832.7
Growth (%)	236.1	65.4	55.1	53.8
Depreciation	9.2	21.5	33.3	43.7
EBIT	201.9	327.6	508.1	789.0
Growth (%)	248.9	62.3	55.1	55.3
Interest	19.3	27.9	29.8	40.5
Other income	0.8	22.2	1.0	1.0
EBT	183.3	321.8	479.3	749.5
Growth (%)	284.6	75.6	48.9	56.4
Tax	14.9	34.0	52.7	82.4
Effective tax rate	8.1	10.6	11.0	11.0
Adj net income	162.2	287.8	426.6	667.1
Growth (%)	303.3	77.4	48.2	56.4
Shares outstanding (mn)	8.4	8.4	8.4	8.4
FDEPS (Rs)	16.7	29.7	44.0	68.8
DPS (Rs)	2.3	3.4	4.4	6.9
CEPS (Rs)	17.7	31.9	47.4	73.3

Source: Company, Religare Research

### Cash flow statement

(Rs mn)	FY06	FY07E	FY08E	FY09E
Net income	162.2	287.8	426.6	667.1
Depreciation	9.2	21.5	33.3	43.7
Other adjustments	5.6	8.0	17.6	27.5
Changes in WC	(66.5)	2.8	(222.9)	(233.4)
Operating cash flow	110.6	320.2	254.5	504.9
Capital expenditure	(206.8)	(648.6)	167.4	(200.0)
Investments	2.6	(230.2)	(269.8)	(200.0)
Other investing inc/(exp)	(42.7)	(39.9)	(87.7)	(60.3)
Investing cash flow	(246.9)	(918.6)	(190.1)	(460.3)
Free cash flow	(136.3)	(598.5)	64.4	44.6
Issue of equity	3.9	0.2	-	-
Issue/repay debt	148.3	633.6	18.0	90.0
Dividends paid	(19.1)	(28.8)	(42.7)	(66.7)
Others	4.9	7.3	(0.0)	(0.0)
Financing cash flow	137.9	612.4	(24.7)	23.3
Beg. cash & cash eq	13.6	15.3	29.1	69.0
Chg in cash & cash eq	1.7	14.0	39.8	67.9
Closing cash & cash eq	15.3	29.1	69.0	136.9

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY06	FY07E	FY08E	FY09E
Cash and cash eq	15.3	29.1	69.0	136.9
Accounts receivable	76.4	93.9	260.1	470.7
Inventories	142.7	181.0	352.9	485.2
Others current assets	89.9	129.8	217.4	277.7
Current assets	324.3	433.7	899.4	1,370.5
LT investments	-	230.2	500.0	700.0
Net fixed assets	234.0	507.6	674.3	830.6
CWIP	63.8	417.4	50.0	50.0
Total assets	622.1	1,588.9	2,123.7	2,951.1
Payables	35.9	47.8	120.3	163.2
Others	38.3	85.0	127.7	194.4
Current liabilities	74.2	132.8	248.0	357.6
LT debt	216.4	850.0	868.0	958.0
Other liabilities	12.7	20.7	38.3	65.8
Equity capital	84.1	84.3	84.3	84.3
Reserves	234.8	501.2	885.1	1,485.5
Net Worth	318.9	585.5	969.4	1,569.8
Total liabilities	622.1	1,589.0	2,123.7	2,951.1
BVPS (Rs)	37.9	69.4	115.0	186.2

Source: Company, Religare Research

### Financial ratios

	FY06	FY07E	FY08E	FY09E
EBITDA margin (%)	22.9	24.7	25.7	26.7
EBIT margin (%)	21.9	23.2	24.1	25.3
Net profit margin (%)	17.6	20.4	20.2	21.4
FDEPS growth (%)	303.3	77.4	48.2	56.4
Receivables (days)	23.3	22.0	30.6	42.7
Inventory (days)	69.4	61.9	76.5	84.4
Payables (days)	23.0	16.0	24.1	28.6
Current ratio (x)	4.4	3.3	3.6	3.8
Interest coverage (x)	10.4	11.7	17.1	19.5
Debt/equity ratio (x)	0.7	1.5	0.9	0.6
ROE (%)	66.8	63.6	54.9	52.5
ROCE (%)	51.1	32.7	30.5	35.3
ROAE (%)	44.3	29.6	27.4	31.1
EV/Sales (x)	5.1	3.3	2.2	1.5
EV/EBITDA (x)	22.3	13.5	8.7	5.7
P/E (x)	27.8	15.7	10.6	6.8
P/BV (x)	22.3	12.3	6.7	4.0
P/CEPS (x)	26.3	14.6	9.8	6.3

Source: Company, Religare Research

**CMP: Rs 785**

**Target: Rs 1,002** ↓

**BUY**

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piyush.parag@religare.in      abhishek.banerjee@religare.in

BSE code      532786  
NSE code      GTOFFSHORE

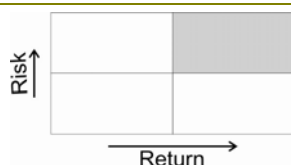
## Company data

Particulars	
Market cap (Rs bn / US\$ mn)	29.2/748.1
Outstanding equity shares (mn)	38.1
52-week high/low (Rs)	905/501
6-month average daily volume	295,631

## Financial snapshot (consolidated)

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	5,368.4	6,594.9	7,922.8
Growth (%)	54.8	22.8	20.1
Adj net profit (Rs mn)	1,414.2	1,877.3	2,331.1
Growth (%)	54.1	32.7	24.2
FDEPS (Rs)	37.1	49.2	58.8
Growth (%)	54.1	32.7	19.5
P/E (x)	21.2	15.9	13.3
ROE (%)	25.2	28.0	25.9

## Risk-return profile



## Shareholding pattern

(%)	Jun-07	Mar-07
Promoters	26.1	28.1
FIs	8.5	5.0
Banks & FIs	20.5	19.2
Public & Others	44.9	47.7

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Great Offshore	785	(8.6)	(9.3)	7.5
Sensex	17,560	6.0	12.8	26.4

**Company website**      [www.greatoffshore.com](http://www.greatoffshore.com)

## Improving day rates buoy performance

Great Offshore's Q2FY08 results have exceeded our expectations, mainly on account of re-pricing of four vessels at better day rates and higher foreign exchange gains. However, the heavy dry docking expenses incurred for the Badrinath rig has led us to revise our earning estimates downwards by 17% and 3% for FY08 and FY09 respectively. Accordingly our target price for the stock stands reduced to Rs 1,002. We remain positive on the company's growth prospects in the long run and maintain our Buy call on the stock. The management has indicated its intention to grow inorganically, for which it has raised funds of Rs 1.5bn through a preference share issue. This would be a key growth driver in the long term.

## Actual vs estimated performance (standalone)

(Rs mn)	Actual	Estimated	% Variance
Net sales	1,523.3	1493.6	2.0
EBIDTA	722.4	657.2	9.9
PAT	496.1	358.5	38.4
EPS (Rs)	13.0	9.4	38.4

Source: Company, Religare Research

## Quarterly results (standalone)

(Rs mn)	Q2FY08	Q2FY07	% Chg YoY	Q1FY08	% Chg QoQ
Net sales	1,523.3	1,270.5	19.9	1,450.1	5.0
EBIDTA	722.4	624.3	15.7	639.8	12.9
EBIDTA margin (%)	47.4	49.1	-	44.1	-
Depreciation	231.4	146.6	57.8	236.4	(2.1)
Interest	145.1	72.7	99.6	136.0	6.7
Other income	173.3	9.1	1,804.4	290.0	(40.2)
PBT	519.2	414.1	25.4	557.4	(6.9)
Tax	23.1	26.2	(11.8)	(4.3)	(637.2)
PAT	496.1	387.9	27.9	354.5	39.9
PAT margin (%)	32.6	30.5	-	24.4	-
EPS (Rs)	13.0	10.2	27.9	9.3	39.9
CEPS (Rs)	19.1	14.0	36.1	20.9	(8.8)
Core EPS (Rs)	8.5	9.9	(14.8)	7.1	18.8

Source: Company, Religare Research

## Result highlights

### Revenue growth of 20% YoY...

Great Offshore's net sales grew by 20% YoY to Rs 1.5bn on account of additional revenues from four new vessels and a significant improvement in day rates for four chartered anchor handling tug supply vessels (AHTSVs). Day rates for the Badrinath rig have increased substantially by 134% during the quarter from US\$ 35,000/day to US\$ 82,000/day under the operator ONGC. However, this has not been accounted for in the standalone quarterly results as Badrinath operates through Great Offshore's wholly owned subsidiary, Deep Water Services (DWS). As per the arrangement, Badrinath has been leased to DWS at day rates of US\$ 22,000/day and DWS charges ONGC US\$ 82,000/day.

### Day rate revision for major vessels in Q2FY08

(US\$/day)	Old day rates	Revised day rates	% Increase	Contracted up to
<b>AHTSVs</b>				
M-III	6,000	8,000	33.3	June '08
M-IV	6,000	8,000	33.3	June '08
M-V	6,000	9,500	58.3	June '08
M-VI	6,000	9,500	58.3	June '08
<b>Rig</b>				
Badrinath	35,000	80,000	128.6	Sept '10

Source: Company

### Vessels additions from mid-2006

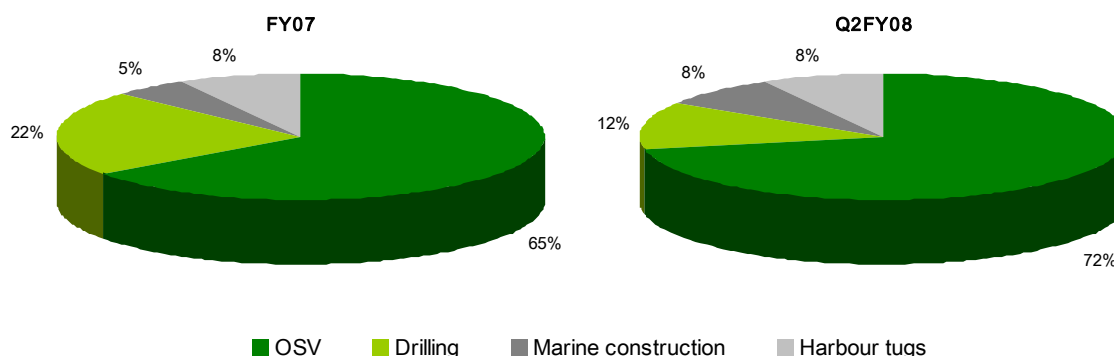
Asset Name	Category	Delivery Date	Contract Start Date	Present Status
Malaviya Twenty Nine	PSV	20-Jun-06	25-Jul-06	Contracted at US\$ 14,950/day for 5 years
Malaviya Thirty	PSV	14-Sep-06	27-Sep-06	Spot
Malaviya Twenty Seven	High-end AHTSV	22-Sep-06	30-Sep-06	Contracted at US\$ 15,300/day for 5 years
Malaviya Twenty Eight	High-end AHTSV	28-Dec-06	30-Dec-06	Contracted at US\$ 14,400/day for 3 years
Malaviya Thirty Six	MSV	30-Dec-06	-	Contracted at US\$ 58,500/day for 5 years
Malaviya Thirty Four	AHTSV High-end	14-Dec-06	15-Apr-07	Just entered a 2-year contract at US\$
Malaviya Twenty Three	High-end AHTSV	03-May-07	18-May-07	Contracted at US\$ 20,500/day for 2 years

Source: Company

### ...led by OSV contribution

Revenue contribution from offshore supply vessels (OSVs) has improved considerably to 72% in Q2FY08 as against 65% in FY07 due to re-pricing of AHTSVs at higher day rates and a reduced contribution from rigs. The Badrinath rig underwent dry docking (for repairs and maintenance) and was hence operational for only 20 days during the quarter. The revenue share of drilling rigs has also dropped significantly to 12% in Q2FY08 from 22% in FY07.

### Segmental revenue break-up



Source: Company, Religare Research

**Positive contract re-pricing led to a higher-than-expected EBITDA margin of 47.4%**

**Positive surprise on EBITDA margin**

Great Offshore recorded an EBITDA margin of 47.4% for the quarter, 340bps higher than our expectations. This was mainly on account of positive re-pricing of vessels. However, the margin dropped 170bps YoY due to a sharp rise in repair and maintenance costs, and employee expenses. This restricted operating profit growth to 16% YoY to Rs 722mn.

**Forex gain inflates reported PAT growth**

Great Offshore's reported net profit grew by 28% YoY in Q2FY08, ahead of our expectations mainly due to an extraordinary foreign exchange gain of Rs 103.8mn.

## Other highlights

**Contract renewals due for some vessels**

The contracts for certain vessels including M-XXI, M-I and M-II are due for renewal in the current financial year. At present, these three vessels are fetching day rates of US\$ 14,000/day, US\$ 5,000/day and US\$ 5,500/day respectively.

**Bagged a five-year contract from ONGC valued at Rs 10bn for its new jack-up rig**

**Rs 10bn contract bagged from ONGC**

During Q2FY08, Great Offshore bagged a five-year contract from ONGC for its new state-of-the-art jack-up rig *Samed Shikhar*, which is scheduled to be delivered in Q3FY09. The contract is valued at an estimated Rs 10bn and is slated to commence on or before May 2009.

**Capex plans of US\$ 225mn till FY09**

The company's order book consists of a jack-up rig to be delivered in November–December 2008 and a multi-supply vessel (MSV) to be delivered in April-May 2009. The total committed capex towards these purchases is about US\$ 225mn till FY09, which will be financed through internal accruals (20%) and debt (80%).

**Raising funds for acquisition**

Great Offshore has raised Rs 1.5bn via the allotment of 1.5mn optionally convertible redeemable preference shares at a price of Rs 1,000 each fully paid up. The shares carry a dividend rate of 10% p.a and are convertible after 18 months at a price of Rs 875/share. The management has indicated that the funds raised will be deployed for an acquisition, though the deal has not yet been finalised.

**Impact on Balance sheet**

Particulars	(Rs mn)
No. of preference shares issued (mn)	1.5
Preference share capital (FY08)	1,500.0
Addition to FY09 Equity capital	15.0
Addition to FY09 Reserves (share premium account)	1,297.5
Addition to FY09 Reserves (profit on conversion)	202.5
Equity capital (FY09)	396.2
Preference share capital (FY09)	0.0
Reserves and surplus (FY09)	10,252.6

Source: Company, Religare research

**Acquisition could be a key upside**

Even with the committed capex plans, Great Offshore is an under-leveraged company which implies that it has potential to grow faster in a favourable industry environment. The company management is dynamic and open to growing inorganically. Acquisition of any company or vessel could be a key upside to our projected earnings estimates, depending upon the nature and size of the deal.

## Financial outlook

### Strong revenue visibility

Most of Great Offshore's vessels are deployed on long-term contracts (3-5 years) where day rates are fixed at the time of contract. This affords a significantly higher revenue visibility to the company vis-à-vis other global offshore players whose vessels largely operate in the spot market and are hence susceptible to fluctuating day rates. Out of its fleet of 40 vessels, 32 are deployed at fixed chartered rates, while only 8 vessels are deployed at spot rates.

### Dry docking expenses to push down margin

DWS, the subsidiary of Great Offshore, has incurred dry dock expenses of US\$ 12mn for Badrinath and booked 80% of the expenses as revenue expenditure in the current fiscal. Further, the upgradation cost for the MSV is expected to be to the tune of ~US\$ 15mn. Great Offshore will capitalise 95% of MSV's dry docking expenses, while booking 5% as revenue expenses. As a result, we have lowered our EBIDTA margin estimates by 630bps in FY08 to 53.1% and 80bps in FY09 to 60.3%.

### Earnings revised downwards

We have lowered our earnings estimates by 17% and 3% for FY08 and FY09 respectively to build in the impact of dry docking expenses, adjusted for the expected rise in day rates. We now expect Great Offshore's earnings to grow at a CAGR of 28% till FY09 from Rs 1.4bn in FY07 to Rs 2.3bn backed by a 11-percentage-point improvement in EBIDTA margin and a healthy 22% revenue growth. Consequently, our EPS estimates for FY08 and FY09 stand revised to Rs 49 and Rs 59 respectively.

## Valuation

### Target price revised downwards; Maintain Buy

We have revised our target price downwards by 4% to Rs 1,002 from Rs 1,045 to build in the revision in our earnings estimates. The stock is trading at an attractive P/E of 13.3x FY09 earnings. At our target price of Rs 1,002, the stock will trade at 17x FY09E earnings, which we believe is reasonable considering the company's strong revenue visibility, EBIDTA margin of between 50% and 60% and sustainable in excess of 40%.

**Margin and earnings estimates lowered to factor in heavy dry dock costs on Badrinath**

**We lower our target to Rs 1,002 but maintain Buy in view of strong revenue visibility**

### Recommendation history

Date	Event	Reco price	Tgt price	Reco
07-May-07	Initiating Coverage	753	1,045	Buy
26-Jul-07	Results Update	807	1,045	Buy
12-Sep-07	Company Update	868	1,045	Buy
22-Oct-07	Results Update	785	1,002	Buy

Source: Religare Research

### Stock performance



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	3,468.5	5,368.4	6,594.9	7,922.8
Growth (%)	-	54.8	22.8	20.1
EBITDA	1,531.5	2,606.0	3,498.6	4,779.1
Growth (%)	-	70.2	34.3	36.6
Depreciation	421.8	696.7	843.5	1,088.3
EBIT	1,109.7	1,909.3	2,655.2	3,690.8
Growth (%)	-	72.1	39.1	39.0
Interest	164.3	359.6	703.8	960.3
Other income	28.9	78.1	16.0	16.5
EBT	974.3	1,627.8	1,967.4	2,747.0
Growth (%)	-	67.1	20.9	39.6
Tax	56.3	213.6	90.1	415.9
Effective tax rate	5.8	13.1	4.6	15.1
Adj net income	918.0	1,414.2	1,877.3	2,331.1
Growth (%)	-	54.1	32.7	24.2
Shares outstanding (mn)	38.1	38.1	38.1	39.6
FDEPS (Rs)	24.1	37.1	49.2	58.8
DPS (Rs)	13.6	14.0	14.3	14.5
CEPS (Rs)	35.1	55.4	71.4	86.3

Source: Company, Religare Research

### Cash flow statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Net income	949.9	1,414.2	1,877.3	2,331.1
Depreciation	421.8	696.7	843.5	1,088.3
Other adjustments	214.7	359.6	703.8	960.3
Changes in WC	14.0	4.6	(220.0)	(385.3)
Operating cash flow	1,600.4	2,475.1	3,204.6	3,994.4
Capital expenditure	(2,173.8)	(6,390.0)	(1,350.0)	(7,200.0)
Investments	0.0	0.0	0.0	0.0
Other investing inc/(exp)	0.0	0.0	0.0	0.0
Investing cash flow	(2,173.8)	(6,390.0)	(1,350.0)	(7,200.0)
Free cash flow	(573.4)	(3,914.9)	1,854.6	(3,205.6)
Issue of equity	0.5	0.0	1,500.0	15.0
Issue/repay debt	1,416.6	5,112.0	1,080.0	5,760.0
Dividends paid	(221.9)	(533.7)	(543.2)	(574.5)
Others	(164.2)	(359.6)	(703.8)	(960.3)
Financing cash flow	1,031.0	4,218.7	1,333.0	4,240.2
Beg. cash & cash eq	530.4	988.0	1,291.8	4,479.4
Chg in cash & cash eq	457.6	303.8	3,187.6	1,034.6
Closing cash & cash eq	988.0	1,291.8	4,479.4	5,514.0

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY06	FY07	FY08E	FY09E
Cash and cash eq	988.0	1,291.8	4,479.4	5,514.0
Accounts receivable	838.7	1,312.8	1,576.6	1,850.7
Inventories	67.3	130.4	163.1	182.8
Others current assets	229.5	351.3	431.6	518.5
Current assets	2,123.5	3,086.4	6,650.7	8,066.0
LT investments	12.8	12.8	12.8	12.8
Net fixed assets	5,973.4	11,666.7	12,173.2	18,284.9
CWIP	1,829.2	1,829.2	1,829.2	1,829.2
Total assets	9,938.9	16,595.1	20,666.0	28,193.0
Payables	987.1	1,614.2	1,724.4	1,664.8
Others	45.8	84.9	131.4	186.5
Current liabilities	1,032.9	1,699.0	1,855.8	1,851.2
LT debt	3,731.6	8,843.6	9,923.6	15,683.6
Other liabilities	11.8	9.3	9.3	9.3
Equity capital	381.2	381.2	381.2	396.2
Reserves	4,781.4	5,661.9	6,996.0	10,252.6
Net worth	5,162.6	6,043.1	7,377.2	10,648.8
Total liabilities	9,938.9	16,595.1	19,166.0	28,193.0
BVPS (Rs)	135.4	158.5	193.5	268.8

Source: Company, Religare Research

### Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin (%)	44.2	48.5	53.1	60.3
EBIT margin (%)	32.0	35.6	40.3	46.6
Net profit margin (%)	26.5	26.3	28.5	29.4
FDEPS growth (%)	-	54.1	32.7	19.5
Receivables (days)	-	72.1	78.9	77.9
Inventory (days)	-	6.6	8.0	7.9
Payables (days)	-	169.5	194.1	194.1
Current ratio (x)	2.1	1.8	3.6	4.4
Interest coverage (x)	6.8	5.3	3.8	3.8
Debt/equity ratio (x)	0.7	1.5	1.3	1.5
ROE (%)	-	25.2	28.0	25.9
ROCE (%)	-	34.1	39.6	40.9
ROAE (%)	-	14.4	14.3	15.1
EV/Sales (x)	9.4	7.0	5.4	5.2
EV/EBITDA (x)	21.3	14.4	10.1	8.6
P/E (x)	32.6	21.2	15.9	13.3
P/BV (x)	5.8	5.0	4.1	2.9
P/CEPS (x)	22.3	14.2	11.0	9.1

Source: Company, Religare Research

# Garware Offshore Services

# Results Update

**CMP: Rs 190**
**Target: Rs 272**
**BUY**

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BSE code	501848
NSE code	GARWOFFS

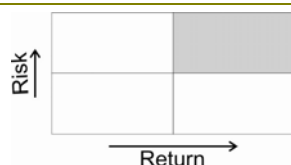
## Company data

Particulars	
Market cap (Rs mn / US\$ mn)	3,667/91.7
Outstanding equity shares (mn)	18.8
52-week high/low (Rs)	300/94
6-month average daily volume	43,880

## Financial snapshot

Y/E Dec	CY06	CY07E	CY08E
Sales (Rs mn)	523.8	860.6	1,441.0
Growth (%)	69.7	64.3	67.4
Adj net profit (Rs mn)	156.7	213.4	451.7
Growth (%)	48.1	36.1	111.7
FDEPS (Rs)	7.1	9.0	19.0
Growth (%)	5.8	26.3	111.7
P/E (x)	26.8	21.2	10.0
RoE (%)	17.1	15.4	24.5

## Risk-return profile



## Shareholding pattern

(%)	Jun-07	Mar-07
Promoters	33.4	32.5
FIs	15.1	15.2
Banks & FIs	3.7	3.0
Public & Others	47.8	49.3

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
GOSL	186	2.2	(6.3)	(14.0)
Sensex	17,614	6.3	12.0	26.5

<b>Company website</b>	<b>www.garwareoffshore.com</b>
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## Steaming ahead

Garware Offshore's (GOSL) Q3CY07 results have exceeded our expectations mainly due to the re-pricing of one anchor handling tug supply vessel (AHTSV) at 90% higher day rates. The company's EBITDA margin has improved 150bps YoY to 56.1% on account of a higher proportion of PSV sales. However, increased depreciation and interest costs limited earnings growth to 43% YoY during the quarter, though this was still higher than our estimate of 22% growth. We remain positive on GOSL's future prospects and maintain our Buy recommendation on the stock with an end-FY09 target price of Rs 272.

## Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	268.8	201.8	33.2
EBITDA	150.9	119.1	26.7
PAT*	63.4	53.7	18.0
PAT#	235.3	-	-
EPS* (Rs)	3.2	2.8	22.4
EPS# (Rs)	11.9	-	-

Source: Company, Religare Research \*Excl. forex gains #Incl. forex gains

## Quarterly results

Y/E Dec (Rs mn)	Q3CY07	Q3CY06	% Chg YoY	Q2CY07	% Chg QoQ
Net sales	268.8	134.9	99.2	194.1	38.5
EBITDA	150.9	73.7	104.7	115.3	30.9
EBITDA margin (%)	56.1	54.6	-	59.4	-
Depreciation	37.2	15.8	135.4	29.6	25.7
Interest	50.5	16.9	199.0	34.8	45.1
Other income	173.2	3.6	4,711.4	2.7	6,436.3
PBT	236.4	44.6	430.0	53.5	342.0
PAT*	63.4	44.2	43.4	51.9	22.2
PAT#	235.3	44.2	432.3	51.9	353.4
PAT margin* (%)	23.6	32.8	-	26.7	-
EPS* (Rs)	3.2	2.4	43.4	2.7	27.3
Cash EPS* (Rs)	5.1	3.2	67.6	4.2	28.6
Core EPS* (Rs)	3.1	2.2	52.9	2.6	31.4

Source: Company, Religare Research \*Excl. forex gains #Incl. forex gains

## Result highlights

**Fleet augmentation coupled with rising freight rates have increased revenues 99% YoY**

### Near doubling of revenues

GOSL has delivered robust revenue growth of 99% YoY to Rs 269mn in Q3CY07 on the back of three newly added platform supply vessels (PSVs) and re-pricing of an existing AHTSV at 90% higher day rates.

**Fleet additions:** During the last week of Q2CY07, the company took delivery of a new build PSV, *M.V. Kameth* (a UT 755L Norwegian PSV), for a total investment of US\$ 22.8mn (including mobilisation cost of US\$ 0.3mn). This vessel has been deployed on a five-year contract with ONGC at day rates of US\$ 15,500, fetching an annual operating income of Rs 240mn from July 25, 2007. With this acquisition, GOSL's fleet has increased to seven vessels.

**Premium pricing:** The company has deployed one of its existing AHTSVs (under the operator ONGC) in the spot market at US\$ 8,800/day for a period of fifteen days, with a 6-month extension option. This is approximately 90% higher than the existing day rate of US\$ 4,560. This AHTSV would be leased to its wholly owned Singapore-based subsidiary, Garware Offshore International Services, for US\$ 6,750/day, who in turn would be paid US\$ 8,800 by the charterer.

We expect the remaining three AHTSVs to also be re-priced at much higher day rates shortly. We have assumed that these would earn ~50% higher rates. Our estimate of average daily charges for the four AHTSVs thus rises from US\$ 4,560 to US\$ 4,697 in CY07, US\$ 6,486 in CY08 and US\$ 7,000 in CY09.

### EBITDA margin improves 150bps YoY

GOSL's EBITDA margin improved 150bps YoY to 56.1% due to a higher proportion of PSV sales, which offer much better day rates and larger margins. As a result, the company's operating profit appreciated 105% to Rs 151mn in Q3CY07.

### Earnings grew 43% YoY

Higher depreciation and interest costs (due to 80% debt financing of new deployed assets) restricted earnings growth to 43% YoY to Rs 63mn. However, the company reported net profit growth of 432% YoY due to a notional foreign exchange gain of Rs 172mn. Cash earnings (excluding forex gain) appreciated by 57% YoY.

## Future outlook

**Order book of two PSVs and three AHTSVs at a capex of US\$ 92mn**

### Expansion plans to add seven vessels including two construction barges

GOSL's order book consists of two PSVs, two 60T AHTSVs, one 100T AHTSV and two construction barges. The total committed capex towards purchase of the PSVs and AHTSVs is estimated at US\$ 92mn (including mobilisation costs) till CY09. The company has not yet laid down the delivery timeline and cost structure for the construction barges.

### PSVs to drive operating revenues at 66% CAGR over CY06-CY08

We expect GOSL's operating revenues to increase at a 66% CAGR to Rs 1.4bn by CY08, backed by a strong charter rate environment and higher capacity due to new vessel additions. The company plans to deploy a total of five PSVs by CY09, which are likely to contribute 60% of total revenues.

### EBITDA margin to expand substantially

We expect the company's operating margin to improve by about 890bps from 56.2% in CY06 to 65.1% in CY08 on account of the higher contribution from PSVs, which offer relatively better contract rates. We expect EBITDA to grow at a CAGR of 79% over CY06-CY08.



**Net profit CAGR of 70% till CY08**

We expect net profit to grow at a CAGR of 70% over CY06-CY08 on the back of a sharp improvement in margins and a healthy growth in topline. Consequently, EPS is expected to grow from Rs 7 in CY06 to Rs 19 in CY08.

**Valuation****Maintain Buy with target of Rs 272**

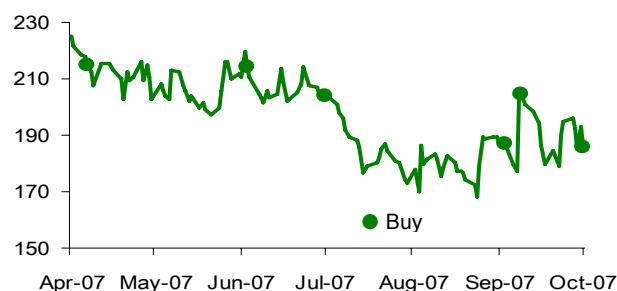
At the current market price, the stock is trading at a P/E multiple of 10x on CY08E earnings and PEG ratio of 0.2. We remain positive on the stock and reiterate our Buy call with an end-FY09 target price of Rs 272, providing an upside of 43% from the current levels. At the target price, the stock will trade at a P/E of 14.3x on CY08E, which we believe is reasonable, considering the company's operating profit margin of 65% and ROE of 25%.

**Our target of Rs 272 represents a 43% upside; Buy**

**Recommendation history**

Date	Event	Reco price	Tgt price	Reco
25-Apr-07	Initiating Coverage	212	272	Buy
22-Jun-07	Company Update	214	272	Buy
18-Jul-07	Results Update	203	272	Buy
20-Sep-07	Company Update	187	272	Buy
01-Oct-07	Company Update	204	272	Buy
22-Oct-07	Results Update	190	272	Buy

Source: Religare Research

**Stock performance**

Source: Religare Research

## Financials

### Profit and Loss statement

(Rs mn)	CY05	CY06	CY07E	CY08E
Revenues	308.6	523.8	860.6	1,441.0
Growth (%)	(3.2)	69.7	64.3	67.4
EBITDA	136.6	294.6	508.5	938.5
Growth (%)	(1.5)	115.7	72.6	84.6
Depreciation	35.7	76.2	132.1	202.5
EBIT	100.8	218.3	376.4	736.0
Growth (%)	(7.0)	116.5	72.4	95.5
Interest	5.4	67.6	158.8	279.7
Other income	18.6	13.6	0.0	0.0
EBT	114.1	164.4	217.5	456.3
Growth (%)	8.6	44.1	32.4	109.8
Tax	8.2	7.6	4.2	4.7
Effective tax rate	7.2	4.6	1.9	1.0
Adj net income	105.8	156.7	213.4	451.7
Growth (%)	(14.4)	48.1	36.1	111.7
Shares outstanding (mn)	14.4	18.8	23.8	23.8
FDEPS (Rs)	6.7	7.1	9.0	19.0
DPS (Rs)	1.3	2.1	2.3	2.6
CEPS (Rs)	9.0	10.5	14.5	27.5

Source: Company, Religare Research

### Cash flow statement

(Rs mn)	CY05	CY06	CY07E	CY08E
Net income	105.8	156.7	213.4	451.7
Depreciation	35.7	76.2	132.1	202.5
Other adjustments	(45.9)	141.7	-	-
Changes in WC	5.3	(62.5)	(234.0)	268.1
Operating cash flow	101.0	312.1	111.5	922.3
Capital expenditure	(809.5)	(1,673.4)	(1,455.3)	(1,376.6)
Investments	(0.3)	(1.0)	-	-
Other investing inc/(exp)	(136.0)	(167.1)	(9.0)	(1,166.9)
Investing cash flow	(945.8)	(1,841.5)	(1,464.3)	(2,543.5)
Free cash flow	(844.8)	(1,529.4)	(1,352.8)	(1,621.2)
Issue of equity	86.0	276.9	415.3	-
Issue/repay debt	779.6	1,036.4	913.6	1,608.3
Dividends paid	(19.8)	(45.5)	(54.5)	(61.3)
Others	9.2	338.5	115.6	12.7
Financing cash flow	855.0	1,606.3	1,390.0	1,559.7
Beg. cash & cash eq	19.0	29.2	106.1	143.3
Chg in cash & cash eq	10.2	76.9	37.2	(61.5)
Closing cash & cash eq	29.2	106.1	143.3	81.8

Source: Company, Religare Research

### Balance sheet

(Rs mn)	CY05	CY06	CY07E	CY08E
Cash and cash eq	29.2	106.1	143.3	81.8
Accounts receivable	146.0	112.1	150.2	198.5
Inventories	31.1	60.1	60.0	60.0
Others current assets	130.0	108.4	273.8	154.8
Current assets	336.3	386.7	627.2	495.1
LT investments	4.6	5.6	5.6	5.6
Net fixed assets	1,223.8	2,319.3	3,920.5	5,988.2
CWIP	59.8	350.7	-	-
Total assets	1,624.5	3,062.3	4,553.4	6,488.9
Payables	31.3	19.3	19.3	19.3
Others	36.6	74.7	88.6	96.5
Current liabilities	67.9	94.0	107.8	115.7
LT debt	810.8	1,847.2	2,760.8	4,369.2
Other liabilities	-	32.7	-	-
Equity capital	157.9	188.3	238.1	238.1
Reserves	587.9	900.1	1,446.6	1,765.9
Net Worth	745.8	1,088.3	1,684.7	2,004.0
Total liabilities	1,624.5	3,062.3	4,553.4	6,488.9
BVPS (Rs)	102.9	49.3	70.8	84.2

Source: Company, Religare Research

### Financial ratios

	CY05	CY06	CY07E	CY08E
EBITDA margin (%)	44.3	56.2	59.1	65.1
EBIT margin (%)	32.7	41.7	43.7	51.1
Net profit margin (%)	34.3	29.9	24.8	31.3
FDEPS growth (%)	(22.1)	5.8	26.3	111.7
Receivables (days)	169.2	88.7	91.7	94.7
Inventory (days)	93.9	154.7	156.7	158.7
Payables (days)	123.7	39.7	37.7	35.7
Current ratio (x)	5.0	4.1	5.8	4.3
Interest coverage (x)	18.8	3.2	2.4	2.6
Debt/equity ratio (x)	1.1	1.7	1.6	2.2
ROE (%)	16.0	17.1	15.4	24.5
ROCE (%)	8.8	9.7	10.2	13.6
ROAE (%)	9.6	9.3	9.9	13.3
EV/Sales (x)	12.3	11.3	8.3	6.1
EV/EBITDA (x)	27.7	20.2	14.0	9.4
P/E (x)	28.3	26.8	21.2	10.0
P/BV (x)	1.8	3.9	2.7	2.3
P/CEPS (x)	21.2	18.0	13.1	6.9

Source: Company, Religare Research

# Garware Wall Ropes

## Results Update

**CMP: Rs 154**

**Target: Rs 301**

**BUY**

### Suman Memani

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### Company data

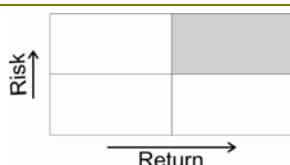
#### Particulars

Market cap (Rs bn / US\$ mn)	3.1/78.1
Outstanding equity shares (mn)	20.7
52-week high/low (Rs)	196/39
2-month average daily volume	26,836

### Financial snapshot

Particulars	FY07	FY08E	FY09E
Sales (Rs mn)	3381.8	4,218.7	5,514.5
Growth (%)	28.8	24.7	30.7
Adj net profit (Rs mn)	222.2	329.9	478.5
Growth (%)	49.6	48.5	45.1
FDEPS (Rs)	10.7	14.0	20.4
Growth (%)	43.7	30.9	45.1
P/E (x)	14.3	11.0	7.6
ROE (%)	14.1	18.0	12.7

### Risk-return profile



### Shareholding pattern

(%)	Sept-07	Jun-07
Promoters	43.5	43.5
FIs	4.0	2.5
Banks & FIs	17.4	18.7
Public	35.1	35.3

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
GWRL	154	10.0	1.3	67
Sensex	17,560	6.0	12.8	26.4

Company website [www.garwareropes.com](http://www.garwareropes.com)

## Margin expansion sustains growth

Garware Wall Ropes (GWRL) has reported lower-than-expected results for Q2FY08. Net sales increased 28% YoY to Rs 977mn, which was 18% below our estimate of Rs 1.2bn as the company is still in the initial phases of project execution in the geo-synthetics business. Export sales have also been comparatively lower, comprising 32% of the revenues in H1FY08 as compared to the average contribution of 36% and 42% in FY06 and FY07 respectively. However, the EBITDA margin came in 160bps ahead of our estimates at 14.6% due to a significant rise in margins from the cordage business.

We expect a stronger overall performance in the second half of the fiscal as cordage exports gather pace due to the seasonal effect and the company progresses to the valued-added stage of project execution in the geo-synthetics segment. We maintain our Buy call with a target price of Rs 301 at which the company would discount its FY09E EPS by 14.8x, which is attractive vis-à-vis peers.

### Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	977.0	1,195.0	(18.3)
EBIDTA	143.1	155.5	(8.0)
PAT	70.0	82.5	(15.3)
EPS (Rs)	3.0	3.5	(15.1)

Source: Company, Religare Research

### Quarterly results

(Rs mn)	Q2FY08	Q2FY07	% Chg YoY	Q1FY08	% Chg QoQ
Sales	977.0	763.5	28.0	952.7	2.5
Other income	1.4	9.3	(84.5)	1.2	23.1
EBIDT	143.1	106.3	34.7	102.0	40.4
EBIDT margin (%)	14.6	13.9	5.3	10.7	36.9
Interest	39.2	21.1	86.2	30.4	29.1
EBDT	103.9	85.2	22.0	71.6	45.1
Depreciation	27.6	23.1	19.2	26.1	5.8
PBT	76.3	62.1	23.0	45.5	67.7
Tax	6.4	4.2	53.3	4.6	38.6
PAT	70.0	57.9	20.8	40.9	70.9

Source: Company, Religare Research

## Result highlights

**Revenue contribution from geo-synthetics increased 89% YoY to Rs 215.9mn**

### Revenue growth at 28% YoY

GWRL has witnessed a 28% increase in revenues during the quarter to Rs 977mn as against Rs 763.5mn during the same period last year. The growth was led by an 89% YoY rise in revenues from the geo-synthetics business to Rs 215.9mn (gross) as against Rs 114.4mn in Q2FY07. The cordage business recorded a 21.5% growth in revenues to Rs 795.3mn (gross) from Rs 650.4mn in the same period last year.

### EBIDTA margin up 70bps

The company's operating margin improved by 70bps YoY to 14.6% in Q2FY08 from 13.9% in Q2FY07 due to a stronger margin in the cordage business (up 190bps to 16.9%). We expect the margins in this segment to remain stable in the coming quarters.

The geo-synthetic margin, however, decreased to 7% because of a higher proportion of initial-phase civil work that was executed during the quarter. Going forward, we expect the operating margin in this business to improve as the company progresses to the valued-added stages of project execution.

### PAT rises 21% led by 30bps expansion in net margin

The net profit margin has increased to 7.9% in Q2FY08 as against 7.6% in the same period last year. The margin growth occurred despite a 100–150bps rise in interest rates and a higher inventory of finished goods and raw material. The stronger margin aided a 21% YoY rise in net profit to Rs 70mn

## Future outlook

### Performance to improve in H2FY08...

Although the company's performance fell short of expectations during Q2FY08, we expect a stronger showing in the second half of the fiscal. GWRL typically records 40–45% of revenues during the first half of the year, whereas the second half brings in the greater share at 55%. The profit contribution is also higher in the third and fourth quarters as exports pick up during this period.

### ...led by strong geo-synthetics order book, stable growth in cordage

The company has a strong order book of Rs 1bn in the geo-synthetics segment which is to be executed over the next 12–15 months. This includes a landfill project in Uttar Pradesh valued at Rs 500mn. We expect the geo-synthetics business to witness a revenue CAGR of 50% over FY07-FY09 and contribute 20% of revenues in FY08 as against 16% in FY07.

The cordage segment is expected to witness stable growth in the coming quarters with an upward bias since export demand for these products is seasonal in nature and typically witnesses an uptick in the third and fourth quarters.

**H2 typically records stronger growth; Rs 1bn order book in geo-synthetics to propel revenues**

## Valuation

### We expect a re-rating on par with infrastructure players; Maintain Buy

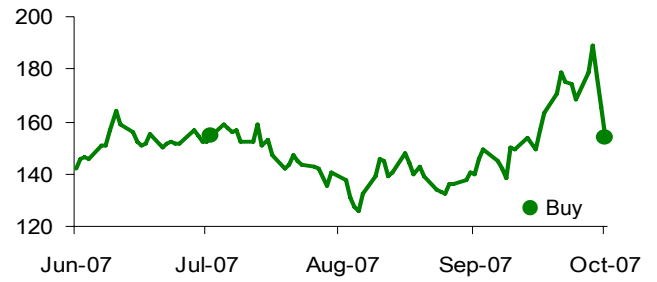
We believe GWRL merits valuations on par with other infrastructure players considering its presence in the niche geo-synthetics business, stable growth in cordage products and the wide range of application of its products. At the current price of Rs 154, GWRL trades at a discount of 7.6x on FY09E earnings which is attractive when compared to peers like IVRCL, Madhucon who trade at 14–20x on FY09E. We maintain our Buy recommendation with a target price of Rs 301 at which the company would discount its FY09E EPS of Rs 20.4 by 14.8x.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
23-Jul-07	Initiating Coverage	154	301	Buy
22-Oct-07	Results Update	154	301	Buy

Source: Religare Research

Stock performance



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Revenues	2,625.2	3,381.8	4,218.7	5,514.5
Growth (%)		28.8	24.7	30.7
EBITDA	309.8	434.7	564.9	752.5
Growth (%)		40.3	29.9	33.2
Depreciation	85.8	94.3	100.0	105.0
EBIT	224.0	340.4	464.9	647.5
Growth (%)		52.0	36.6	39.3
Interest	72.5	89.3	90.0	82.0
Other income	-	-	-	-
EBT	151.4	251.1	374.9	565.5
Growth (%)		65.8	49.3	50.9
Tax	0.6	25.1	42.0	82.0
Effective tax rate (%)	0.4	10.0	11.2	14.5
Net income (adjusted)	148.6	222.2	329.9	478.5
Growth (%)		49.6	48.5	45.1
Shares outstanding(mn)	20.0	20.7	20.7	23.7
FDEPS (Rs)	7.5	10.7	14.0	20.4
DPS (Rs)	-	0.2	0.5	1.1
CEPS(Rs)	11.7	15.3	20.8	24.6

Source: Company, Religare Research

### Cash flow statement

(Rs mn)	FY06	FY07	FY08E	FY09E
Net income	151.4	251.1	374.9	565.5
Depreciation	85.8	94.3	100.0	105.0
Other non-cash adjustments	72.5	58.5	(10.2)	35.0
Changes in working capital	-	(190.1)	(273.5)	(678.7)
Operating cash flow	309.8	213.9	191.2	26.8
Capital expenditure	-	(273.1)	(150.0)	(867.0)
Investments	-	-	-	-
Other investing cash flow	-	-	-	-
Investing cash flow	-	(273.1)	(150.0)	(867.0)
Free cash flow	309.8	(59.2)	41.2	(840.2)
Issue of equity / warrants	(0.0)	7.5	-	1,561.9
Issue/repay debt	-	170.7	114.8	(558.1)
Dividends paid	-	-	-	-
Int Paid	-	(89.3)	(90.0)	(82.0)
Financing cash flow	(0.0)	88.8	24.8	921.8
Beginning cash & cash equivalents	20.8	32.5	74.5	80.0
Change in cash & cash equivalents	309.8	29.6	66.0	81.6
Closing cash & cash equivalents	32.5	74.5	80.0	85.0

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY06	FY07	FY08E	FY09E
Cash and cash	32.5	74.5	80.0	85.0
Accounts receivable	603.8	881.7	999.9	1,321.0
Inventories	743.5	772.5	950.0	1,180.0
Others current assets	737.8	655.5	772.0	975.0
Current assets	2,117.6	2,384.2	2,801.9	3,561.0
LT investments	177.1	177.1	177.1	177.1
Net fixed assets	886.8	1,065.5	1,098.2	1,480.0
CWIP	-	-	-	400.0
Total assets	3,181.6	3,626.8	4,077.2	5,618.1
Payable	656.1	712.6	834.0	909.4
Others	158.3	157.8	104.5	176.0
Current liabilities	814.4	870.4	938.5	1,085.4
LT debt	856.5	1,027.2	1,142.0	583.9
Other liabilities	144.2	151.4	165.4	168.4
Equity capital	199.6	207.1	207.1	237.0
Reserves	1,166.8	1,370.7	1,624.0	3,543.4
Networth	1,366.5	1,577.8	1,831.1	3,780.4
Total liabilities	3,181.6	3,626.8	4,077.1	5,618.1
BVPS(Rs)	68.4	76.2	88.4	159.5

Source: Company, Religare Research

### Financial ratios

	FY06	FY07	FY08E	FY09E
EBITDA margin (%)	11.8	12.9	13.4	13.6
EBIT margin (%)	8.5	10.1	11.0	11.7
Net profit margin (%)	5.7	6.6	7.8	8.7
EPS growth (%)		43.7	30.9	45.1
Receivables(days)	84.0	95.2	86.5	87.4
Inventory(days)	79.2	108.3	98.9	93.2
Payables (days)	139.8	215.4	182.0	156.2
Current ratio(x)	2.6	2.7	3.0	3.3
Interest coverage(x)	4.3	4.9	6.3	9.2
Debt/equity ratio (x)	0.6	0.7	0.6	0.2
ROE (%)	10.9	14.1	18.0	12.7
ROCE (%)	13.9	16.7	19.0	17.2
ROAE (%)	4.7	6.1	8.1	8.5
EV/Sales(x)	1.3	1.0	1.0	0.8
EV/EBITDA(x)	10.8	8.0	7.7	5.6
P/E (x)	20.6	14.4	11.0	7.6
P/BV (x)	2.2	2.0	1.7	1.0
P/CEPS (x)	13.1	10.1	7.4	6.3

Source: Company, Religare Research

## Recommendation tracker

Date	Company	Report type	Stock price (Rs)	Target (Rs)	Reco
13-Sep-07	IVRCL Infrastructure & Projects	Company Update	379	443	BUY
14-Sep-07	KPIT Cummins Infosystems	Company Update	142	173	BUY
14-Sep-07	Nicholas Piramal India	Company Update	272	332	BUY
18-Sep-07	HDIL	Company Update	609	694	BUY
19-Sep-07	Jubilant Organosys	Company Update	290	388	BUY
19-Sep-07	Punjab National Bank	Company Update	492	610	BUY
20-Sep-07	Tulip IT Services	Company Updates	862	1,015	BUY
20-Sep-07	Garware Offshore	Company Updates	187	272	BUY
21-Sep-07	Deccan Chronicle	Company Update	207	243	BUY
24-Sep-07	K S Oil	Company Update	74	85	BUY
25-Sep-07	Sasken Communication Technologies	Company Update	335	440	BUY
25-Sep-07	Shri Lakshmi Cotsyn	Company Update	122	210	BUY
25-Sep-07	UTV Software Communications	Initiating Coverage	584	795	BUY
26-Sep-07	Bihar Tubes	Company Update	133	172	BUY
27-Sep-07	Bank of India	Company Update	262	300	HOLD
28-Sep-07	Punj Lloyd	Initiating Coverage	299	367	BUY
01-Oct-07	Garware Offshore	Company Update	204	272	BUY
03-Oct-07	Bajaj Hindusthan	Sector Update	176	159	SELL
03-Oct-07	Balrampur Chini	Sector Update	78	82	SELL
03-Oct-07	Triveni Engg	Sector Update	115	116	HOLD
04-Oct-07	Opto Circuits (India)	Company Update	555	517	HOLD
04-Oct-07	Deepak Fertilisers and Petrochemicals	Initiating Coverage	114	158	BUY
08-Oct-07	Lakshmi Energy	Company Update	211	260	BUY
09-Oct-07	Time Technoplast	Company Update	612	736	BUY
10-Oct-07	Ashok Leyland	Company Update	41	48	BUY
10-Oct-07	Prism Cement	Results Update	63	81	BUY
12-Oct-07	Infosys Technologies	Results Update	1,977	2,071	HOLD
12-Oct-07	Bihar Tubes	Results Update	146	204	BUY
12-Oct-07	South Indian Bank	Results Update	165	192	BUY
15-Oct-07	HDFC Bank	Results Update	1,430	1,585	BUY
16-Oct-07	Axis Bank	Results Update	813	904	BUY
16-Oct-07	Sasken Communication Tech.	Results Update	329	417	BUY
16-Oct-07	Tata Consultancy Services	Results Update	1,074	1,193	BUY
17-Oct-07	Shri Lakshmi Cotsyn	Results Update	123	210	BUY
17-Oct-07	HDIL	Company Update	699	871	BUY
18-Oct-07	Jubilant Organosys	Results Update	295	405	BUY
19-Oct-07	Biocon	Results Update	507	542	BUY
19-Oct-07	KPIT Cummins	Results Update	115	139	BUY
22-Oct-07	Wipro Tech	Results Update	501	540	HOLD
22-Oct-07	Hero Honda	Results Update	725	698	SELL
22-Oct-07	Petronet LNG	Results Update	73	73	SELL
22-Oct-07	ICICI Bank	Results Update	1,024	1,215	BUY
22-Oct-07	Great Offshore	Results Update	785	1,002	BUY
22-Oct-07	Garware Offshore Services	Results Update	190	272	BUY
22-Oct-07	Garware Wall Ropes	Results Update	154	301	BUY
23-Oct-07	Venus Remedies	Results Update	465	708	BUY

## Market trends

### BSE sectoral indices

	% Chg				Constituent performance
	22-Oct	1-day	1-mth	3-mth	
Automobiles	5,301	0.1	2.1	2.0	
Banks	9,029	2.2	3.3	8.1	
Capital Goods	15,569	0.9	7.2	14.5	
Comm. & Tech.	3,857	(1.5)	6.0	(0.9)	
Consumer Durables	4,802	0.5	1.1	12.9	
FMCG	2,045	1.2	(5.0)	9.3	
Healthcare	3,730	0.4	2.1	(1.8)	
IT	4,619	(1.4)	4.3	(5.8)	
Metal	14,433	(0.3)	12.6	17.3	
Oil & Gas	10,080	(1.6)	7.9	22.8	
Mid-caps	7,263	0.3	0.9	6.0	
Small-caps	8,851	0.6	(0.5)	7.5	

Number of companies: down 5% down 2-5% down 0-2% up 0-2% up 2-5% up 5%

### Emerging markets

Country	% Chg				
	22-Oct	1-day	1-mth	3-mth	6-mth
Brazil	61,215	0.5	5.9	5.5	24.5
Shanghai	5,713	0.8	4.7	35.6	53.9
Hong Kong	28,949	2.0	12.0	23.9	40.9
India	17,614	0.3	6.3	12.0	26.5
South Korea	1,927	1.2	0.4	(3.3)	24.8
Taiwan	9,469	1.2	4.0	(1.6)	18.2

### FII statistics

(US\$ mn)	1-day	WTD	MTD	YTD
India	(797.1)	36.3	3,683.8	16,702.5
South Korea	(155.5)	(155.5)	(2,014.3)	(18,127.3)
Taiwan	(810.6)	(810.6)	90.6	3,984.9
Thailand	(488.7)	49.5	314.0	3,380.6



## Events calendar

### Financial results

October 23		24	25
Agro Tech Foods		3i Infotech	ABB
Binani Cement		Dabur India	Bharat Heavy Electricals
Binani Industries		Gujarat Ambuja Exports	Century Textiles & Indu
Deepak Fertilizers		Gujarat Gas Co	MRF – Dividend
Micro Inks		Hindustan Motors	Sun Pharma – Dividend
Greenply Industries		Mro-Tek	Liberty Shoes
Satyam Computer		Page Industries - Unaudited Accounts	Prime Focus
26	27	28	
Bata India	Kamat Hotels (I)	R Systems International	
Bharat Electronics	Kansai Nerolac Paints	LT Overseas	
Hindustan Cons	South Asian Petrochem	Prime Textiles	
Lanco Infratech	Sun Pharma Advanced Research Co.	Adarsh Plant Project	
Tata Steel	Thermax	Clariant Chemicals	
Ponni Sugars (Erode)	Magma Shrachhi Finance		
29	30	31	
Mphasis	Balaji Telefilms	Berger Paints	
Hindustan Petroleum Corporation	Dolphin Offshore	Bharat Petroleum Corpn	
House of Pearl Fashions	HDFC	Celebrity Fashions	
ICRA	Meghmani Organics	Gangotri Textiles	
Mahindra & Mahindra	Tata Chemicals	IVRCL Infr	
Titan Industries	Tata Power	IVR Prime	
RPG Cables	Karnataka Bank	Hindalco Industries	
November 1	2	3	
	Ranbaxy Lab – Interim Dividend	Bampsl Securities - Bonus 2:5	
		Garden Silk Mills – Dividend	
		Parenteral Drugs – Bonus	

## Trade data

### Institutional bulk deals

Scrip	Client	Buy/Sell	Quantity	Avg Price (Rs)
Ambuja Ceme	Holderind Investments	B	48,800,000	148.8
Ambuja Ceme	Notz Stucki Et Cie S A Ac Aruna Fund	S	9,972,012	149.0
Ambuja Ceme	The Master Trust Bk Of Japan Ac Nomura India Invt Fd	S	8,000,000	149.0
Champagn Ind	DB International Asia	B	1,021,539	683.5
Champagn Ind	JPMSL Ac Cophall Investment	S	150,000	680.5
Champagn Ind	CLSA Mauritius	S	571,539	684.0
Himatsingka Seide	Morgan Stanley Investment Management Inc A/C Mor	S	500,000	110.5
Himatsingka Seide	Morgan Stanley Asset Management	S	500,000	110.5
Icici Bank	DB International Asia	B	6,603,716	1,049.9
Man Alumin	SBI Funds Management P Ac Magnum Equity Fund	S	17,171	40.4
Man Alumin	Principal Trustee Co P Ac Principal Long Term Eq Fund 3	S	35,236	40.8
Man Alumin	Principal Trustee Co P Ac Principal Infra And Services	S	18,344	40.8
Man Alumin	Principal Trustee Co P Ac Principal Growth Fund	S	21,542	40.8
Man Aluminium	SBI MF- Magnum Eq Fd Mms-90 -7	S	20,849	40.5
Man Aluminium	Tata Td Waterhouse Trustee CoP-A/C Tata MF	S	30,211	37.0
Man Aluminium	Tata Trustee Co A/C Tata M F - Td Waterhouse	S	42,223	37.6
Mcd Holding	DB International Asia	B	871,500	204.4
Mcd Holding	JPMSL Ac Cophall Investment	S	270,000	203.0
Mcd Holding	CLSA Mauritius	S	601,500	205.0
Panyam Cemen	CLSA Mauritius	B	101,800	90.0
Panyam Cemen	Merrill Lynch Capital Markets Espana SA SV	S	100,000	90.0
Radico Khait	DB International Asia	B	3,664,908	180.0
Radico Khait	CLSA Mauritius	S	3,664,908	180.0
Sical Log	UBS Securities Asia Swiss Finance Corp	S	400,258	205.0
United Brew	DB International Asia	B	1,208,692	348.5
United Brew	JPMSL Ac Cophall Investment	S	1,208,692	348.5
United Brewr	DB International Asia	B	5,524,031	918.4
United Brewr	CLSA Mauritius	S	2,741,945	937.0

Source: BSE

### Insider trading

Scrip	Acquirer/Seller	Buy/Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Ang Auto	Premjit Singh	B	50,000	0.4	3,432,949	28.8
Bhagwati Banquets & Hotels	Narendra G Somani	B	6,490	-	5,936,245	20.3
ICSA (India)	Sonata Investments	S	32,871	0.4	300,000	3.7
ICSA (India)	G Bala Reddy	S	791,480	9.8	450,000	5.6
Intense Technologies	HSBC Financial Services	B	980,000	5.5	980,000	5.5
Intense Technologies	Citigroup Global Markets	B	1,725,000	9.7	1,725,000	9.7
Praj Industries	Parth Pramod Chaudhari	B	999,000	0.6	-	-

Source: BSE

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Recommendation parameters

Large-caps*	> 10%	< - 5%	Returns	Absolute
	BUY	SELL		
Mid-caps**	> 25%	< 10%		

\*Market cap over US\$ 1bn \*\*Market cap less than US\$ 1bn

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