

| Equity | % Chg | | | |
|--------------------------------|--------|-------|-------|--------|
| | 6-Sept | 1-day | 1-mth | 3-mth |
| India | | | | |
| Sensex | 15,616 | 1.1 | 4.6 | 10.1 |
| Nifty | 4,519 | 1.0 | 3.7 | 8.1 |
| Global/Regional markets | | | | |
| Dow Jones | 13,363 | 0.4 | (1.0) | 0.7 |
| Nasdaq | 2,614 | 0.3 | 2.1 | 2.9 |
| FTSE | 6,313 | 0.7 | 0.1 | (2.9) |
| Nikkei | 16,157 | (0.6) | (4.5) | (10.5) |
| Hang Seng | 24,062 | 0.0 | 9.8 | 15.7 |

| Value traded (Rs bn) | BSE | NSE |
|----------------------|------|-------|
| Cash | 46.7 | 99.2 |
| Derivatives | 10.3 | 409.3 |
| Total | 57.0 | 508.5 |

| Net inflows (Rs bn) | Recent trends (days) | | | |
|------------------------|----------------------|------|--------|--------|
| | 5-Sept | -7d | -15d | -30d |
| FII | 4.1 | 17.5 | (29.8) | (67.1) |
| MF | 0.7 | 16.0 | 39.9 | 55.9 |

| Forex / Crude | % Chg | | | |
|---------------|--------|-------|-------|-------|
| | 6-Sept | 1day | 1mth | 3mth |
| Rs/US\$ | 40.8 | 0.0 | (0.8) | (0.2) |
| Euro/US\$ | 1.4 | (0.2) | (0.5) | 1.8 |
| Crude(\$/bbl) | 76.5 | 0.2 | 5.6 | 14.3 |

| Mkt movers (Rs) | Close | Pr. Cl. | % Chg |
|--------------------|---------|---------|-------|
| Top gainers | | | |
| Voltamp Trans | 1,365.9 | 1,207.5 | 13.1 |
| NIIT | 144.6 | 130.0 | 11.2 |
| Elder Pharma | 440.2 | 399.2 | 10.3 |
| Top losers | | | |
| Welspun-Gujarat | 241.6 | 255.7 | (5.6) |
| Patni Computer | 480.1 | 504.8 | (4.9) |
| Matrix Lab | 246.2 | 257.1 | (4.2) |

In focus

Balaji Telefilms – Company Update

The big picture – making inroads into films **CMP: Rs 255 Target: Rs 341 BUY**

Power Grid Corporation of India – IPO Note

Positively charged **Price band: Rs 44 – 52 SUBSCRIBE**

Today's top picks

HLL, NTPC, DCB, Ranbaxy, Rel Energy

News track

- ❖ Buoyant corporate performance has pushed up direct tax collection by 42% during April-August to Rs 610.3bn, compared to Rs 429.8bn during the corresponding period last fiscal. (ET)
- ❖ The Indian Bankers Association has supported the view that ICICI Bank and SBI should set up intermediate holding companies under RBI supervision. (BL)
- ❖ The DoT has turned down MTNL's application for additional GSM bandwidth in Delhi and Mumbai citing saturation of airwaves in the two metros. (ET)
- ❖ Ranbaxy, Cadila Healthcare and Sun Pharma have received USFDA approval to market the generic version of Coreg (Carvedilol) in the US. The Glaxo SmithKline drug belongs to the CVS segment and has a market size of US \$1.6bn. (ET)
- ❖ Mastek proposes to raise close to US\$ 30mn through the issue of overseas convertible bonds, ECBs or any other securities for funding acquisitions of companies in the insurance space and expansion of existing subsidiaries. (BS)
- ❖ Moser Baer Entertainment has announced its foray into Tamil film production. The Rs 20bn company has lined up six films, three in Tamil and three in Hindi to be released between November 2007 and March 2008. (BL)
- ❖ Morpen Labs is in talks with a global pharma major for contract manufacturing of multiple products. (ET)
- ❖ NIIT has entered into an agreement with China's ChongQing Information Industry Bureau to offer its training programmes through universities and colleges in ChongQing. (BL)

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

Volume shockers

| (No of shares) | 6-Sept | 2-mth avg | Chg (x) |
|----------------|---------|-----------|---------|
| Monsanto India | 25,600 | 1,497 | 17.1 |
| Asian Paints | 252,118 | 16,261 | 15.5 |
| Havell's India | 727,615 | 61,416 | 11.8 |

Delivery toppers

| | Del (%) | Total vol | Cons days up |
|----------------|---------|-----------|--------------|
| IVRCL Infra | 87.7 | 5,663,323 | 6 |
| LIC Housing | 77.8 | 973,177 | 4 |
| Infotech Enter | 74.9 | 320,310 | 5 |

CMP: Rs 255

Target: Rs 341 

BUY

| | |
|-------------------------|---------------------------|
| Ram Patnaik | Reema Deshkar |
| (91-22) 6612 4752 | (91-22) 6612 4764 |
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| | |
|----------|------------|
| BSE code | 532382 |
| NSE code | BALAJITELE |

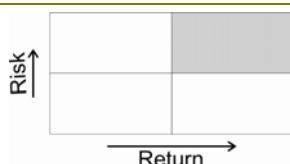
Company data

| Particulars | |
|--------------------------------|------------|
| Market cap (Rs bn / US\$ mn) | 16.6/405.5 |
| Outstanding equity shares (mn) | 65.2 |
| 52-week high/low (Rs) | 278/104 |
| 6-month average daily volume | 322,144 |

Financial snapshot

| Particulars | FY07 | FY08E | FY09E |
|------------------------|---------|---------|---------|
| Sales (Rs mn) | 3,202.2 | 4,017.8 | 5,393.3 |
| Growth (%) | 14.2 | 25.5 | 34.2 |
| Adj net profit (Rs mn) | 795.4 | 895.2 | 1,073.7 |
| Growth (%) | 33.4 | 12.5 | 19.9 |
| FDEPS (Rs) | 12.2 | 13.7 | 16.5 |
| Growth (%) | 33.4 | 12.5 | 19.9 |
| P/E (x) | 20.9 | 18.6 | 15.5 |
| RoE (%) | 27.5 | 26.3 | 26.9 |

Risk-return profile



Shareholding pattern

| (%) | Jun-07 | Mar-07 |
|-------------|--------|--------|
| Promoters | 41.8 | 41.8 |
| FIs | 10.9 | 12.9 |
| Banks & FIs | 9.4 | 4.6 |
| Public | 37.9 | 40.7 |

Stock performance

| Returns (%) | CMP | 1-mth | 3-mth | 6-mth |
|-------------|--------|-------|-------|-------|
| Balaji Tele | 255 | 6.5 | 30.1 | 139.5 |
| Sensex | 15,616 | 4.6 | 10.1 | 24.1 |

| | |
|------------------------|--------------------------------|
| Company website | www.balajitelefilms.com |
|------------------------|--------------------------------|

The big picture – making inroads into films

Balaji Telefilms (BTL) is scaling up its film production and distribution business on a war footing. Its film subsidiary, Balaji Motion Pictures (BMP), has recently acquired the international distribution rights of two T-Series movies – *Darling* (releasing today) and *Bhool Bhulaiya*, besides worldwide rights for Adlab's January 2008 release *Sarkaar Raaj*. BMP has also inked a seven-film deal with T-Series which will have an expected overall budget of over Rs 1bn. These are scheduled to release in FY09. We have raised our estimates and target price to factor in the buoyant growth in the film business. We reiterate our Buy call with a target price of Rs 341 (raised from Rs 317).

Darling releases today

Balaji Motion Pictures (BMP), the film subsidiary of Balaji Telefilms (BTL), has recently acquired the international distribution rights of two T-Series movies, namely *Darling* (starring Fardeen Khan and Esha Deol) and *Bhool Bhulaiya* (starring Akshay Kumar and Vidya Balan). *Darling* is being released today. The company made its entry into international distribution with the recent release of its co-produced film *Shootout at Lokhandwala*.

Acquires Sarkaar Raaj rights

BMP has also acquired the worldwide theatrical and satellite rights of Adlab's *Sarkaar Raaj* being directed by Ram Gopal Varma. *Sarkaar Raaj* is slated for release in January 2008 and is a sequel to Varma's 2005 release *Sarkar*.

Seven-film deal inked with T-Series

BMP has recently inked a seven-film deal with T-Series with an expected overall budget of over Rs 1bn. The deal is likely to be a mix of film co-production and distribution with the films scheduled to release in FY09.

The company has also signed co-production deals with Suniel Shetty's Popcorn Motion Pictures and Sanjay Gupta's White Feather Films. This apart, BMP plans to produce two films on its own, namely *C Company* and *Kya Kool Hain Hum 2*. The company has recently signed on directors like Abbas Mustaan, Tigmanshu Dhulia, Rohit Shetty and Apoorva Lakhia for its various projects. We have raised our estimates to build in all these new projects.

JV with Star for launch of regional programmes

BTL has entered into a joint venture with the Star group for the launch of channels in regional languages other than Hindi. The company will acquire a 49% stake in the JV, which includes the existing Star group channel 'Vijay', for an initial investment of around Rs 600mn. A new Telugu channel launch is also planned soon. BTL will produce regional-based commissioned programmes for the JV, which we believe would generate significant revenues for the company. This JV has already been factored into our estimates.

Revision of estimates

We have revised our estimates upwards to build in the buoyant growth in the film business. Although we do not have specific details on the size of each new project, we have factored in the overall budget for movies to be produced, co-produced and distributed. Our revised consolidated financial estimates for FY08 and FY09 are shown in the table below.

Estimate revision

| (Rs mn) | Before revision | | After revision | |
|------------------|-----------------|---------|----------------|---------|
| | FY08E | FY09E | FY08E | FY09E |
| Revenue | 3,837.8 | 4,493.3 | 4,017.8 | 5,393.3 |
| Operating Profit | 1,347.2 | 1,507.7 | 1,377.2 | 1,657.7 |
| Net Profit | 875.2 | 973.7 | 895.2 | 1,073.7 |
| EPS (Rs) | 13.4 | 14.9 | 13.7 | 16.5 |

Source: Company, Religare Research

Valuation

Movie foray and JV with Star to fuel 30% revenue CAGR over FY07-FY09

We expect the company to register a 30% CAGR in its consolidated revenue over FY07-FY09. Operating profit is expected to record an 18% CAGR during the same period, with net profit clocking a 16% CAGR.

Trading at a discount to peers

The BTL stock is currently discounting its FY08 and FY09 expected earnings by 18.6x and 15.5x respectively. After considering the cash and cash equivalents of Rs 40 and Rs 45, the stock is quoting at 15.7x and 12.8x respectively. The following comparative table shows that BTL is quoting at a discount to its peer group.

Comparative valuation

| | CMP(Rs) | FY08E | | FY09E | |
|------------------------------------|---------|----------|-------------|----------|-------------|
| | | EPS (Rs) | P/E (x) | EPS (Rs) | P/E (x) |
| UTV | 505.0 | 17.5 | 28.8 | 26.2 | 19.3 |
| Zee Entertainment | 317.0 | 8.4 | 37.7 | 10.7 | 29.6 |
| NDTV | 372.0 | 5.3 | 70.2 | 7.9 | 47.1 |
| Adlabs | 471.0 | 19.8 | 23.8 | 23.8 | 19.8 |
| Balaji Telefilms | 255.0 | 13.7 | 18.6 | 16.5 | 15.5 |
| Average (excl. Balaji Tele) | - | - | 40.1 | - | 28.9 |

Source: Bloomberg consensus estimates, Religare Research

We raise our target price to Rs 341

As the above table shows, the average FY09E P/E multiple for these companies is 28.9x. We have assigned a P/E multiple of 18x on FY09E earnings of Rs 16.5 for BTL, which is a 38% discount to the industry average because a) BTL is predominantly present in only one media segment – television software – vis-à-vis other vertically integrated peers, and b) the upcoming JV channels are yet to be launched. We thus arrive at a fair value of Rs 296 for BTL. On including expected cash & cash equivalents of Rs 45, we arrive at a fair value of Rs 341/share.

We have raised our target to Rs 341 to build in the buoyant film business

Quality content, regional presence and film ventures will add value; Buy

Reiterate Buy

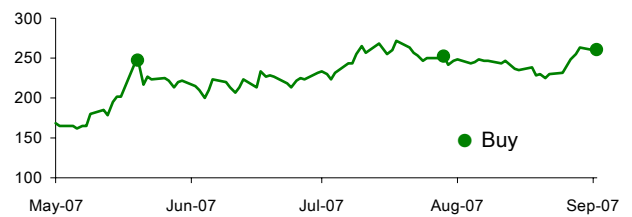
BTL has a strong presence in the mass entertainment television content segment, with programmes in Hindi as well as other regional languages. In a CAS or DTH scenario where content alone will drive subscription and advertisement revenues for broadcasters, BTL will stand to gain by virtue of its quality content and regional presence. Its film ventures through its subsidiary are expected to add significant value to its consolidated financials. We have a revised target price of Rs 341, which represents a 34% appreciation from the current price. Buy.

Recommendation history

| Date | Event | Reco price | Tgt price | Reco |
|-----------|---------------------|------------|-----------|------|
| 22-May-07 | Initiating Coverage | 241 | 317 | Buy |
| 31-Jul-07 | Results Update | 250 | 317 | Buy |
| 06-Sep-07 | Results Update | 255 | 341 | Buy |

Source: Religare Research

Stock performance



Source: Religare Research

Financials

Profit and Loss statement

| (Rs mn) | FY06 | FY07 | FY08E | FY09E |
|-------------------------|---------|---------|---------|---------|
| Revenues | 2,803.7 | 3,202.2 | 4,017.8 | 5,393.3 |
| Growth (%) | 42.5 | 14.2 | 25.5 | 34.2 |
| EBITDA | 936.6 | 1,194.9 | 1,377.2 | 1,657.7 |
| Growth (%) | 39.1 | 27.6 | 15.3 | 20.4 |
| Depreciation | 143.3 | 112.9 | 125.1 | 132.9 |
| EBIT | 793.3 | 1,082.1 | 1,252.2 | 1,524.8 |
| Growth (%) | 37.7 | 36.4 | 15.7 | 21.8 |
| Interest | 0.5 | 0.0 | - | - |
| Other income | 86.9 | 94.4 | 90.0 | 85.0 |
| EBT | 879.8 | 1,176.4 | 1,342.2 | 1,609.8 |
| Growth (%) | 41.1 | 33.7 | 14.1 | 19.9 |
| Tax | 283.4 | 381.0 | 446.9 | 536.1 |
| Effective tax rate | 32.2 | 32.4 | 33.3 | 33.3 |
| Adj net income | 596.4 | 795.4 | 895.2 | 1,073.7 |
| Growth (%) | 44.4 | 33.4 | 12.5 | 19.9 |
| Shares outstanding (mn) | 65.2 | 65.2 | 65.2 | 65.2 |
| FDEPS (Rs) | 9.1 | 12.2 | 13.7 | 16.5 |
| DPS (Rs) | 3.0 | 4.0 | 5.0 | 6.0 |
| CEPS (Rs) | 11.3 | 13.9 | 15.6 | 18.5 |

Source: Company, Religare Research

Cash flow statement

| (Rs mn) | FY06 | FY07E | FY08E | FY09E |
|---------------------------|---------|---------|---------|---------|
| Net income | 596.4 | 795.4 | 895.2 | 1,073.7 |
| Depreciation | 143.3 | 112.9 | 125.1 | 132.9 |
| Other adjustments | - | - | - | - |
| Changes in WC | 50.9 | (126.1) | (206.4) | (398.5) |
| Operating cash flow | 790.6 | 782.2 | 813.9 | 808.1 |
| Capital expenditure | (111.6) | (108.7) | (50.0) | (50.0) |
| Investments | (504.7) | (357.9) | (500.0) | (300.0) |
| Other investing inc/(exp) | - | - | - | - |
| Investing cash flow | (616.3) | (466.5) | (550.0) | (350.0) |
| Free cash flow | 174.3 | 315.7 | 263.9 | 458.1 |
| Issue of equity | 27.4 | - | - | - |
| Issue/repay debt | - | - | - | - |
| Dividends paid | (220.7) | (294.2) | (367.8) | (441.3) |
| Others | 37.7 | 29.8 | 20.0 | 10.0 |
| Financing cash flow | (155.6) | (264.5) | (347.8) | (431.3) |
| Beg. cash & cash eq | 108.4 | 127.1 | 178.3 | 94.5 |
| Chg in cash & cash eq | 18.8 | 51.2 | (83.9) | 26.8 |
| Closing cash & cash eq | 127.1 | 178.3 | 94.5 | 121.3 |

Source: Company, Religare Research

Balance sheet

| (Rs mn) | FY06 | FY07E | FY08E | FY09E |
|-----------------------|---------|---------|---------|---------|
| Cash and cash eq | 127.1 | 178.3 | 94.5 | 121.3 |
| Accounts receivable | 714.4 | 815.9 | 1,001.7 | 1,344.6 |
| Inventories | 207.4 | 236.9 | 319.2 | 428.5 |
| Others current assets | 248.7 | 284.1 | 356.4 | 478.4 |
| Current assets | 1,297.6 | 1,515.2 | 1,771.8 | 2,372.9 |
| LT investments | 1,642.1 | 2,000.0 | 2,500.0 | 2,800.0 |
| Net fixed assets | 309.2 | 303.6 | 228.5 | 145.6 |
| CWIP | 8.6 | 10.0 | 10.0 | 10.0 |
| Total assets | 3,257.4 | 3,828.7 | 4,510.3 | 5,328.5 |
| Payables | 199.7 | 228.1 | 286.2 | 384.2 |
| Others | 292.2 | 304.0 | 380.1 | 457.9 |
| Current liabilities | 491.9 | 532.1 | 666.3 | 842.1 |
| LT debt | - | - | - | - |
| Other liabilities | 125.2 | 155.0 | 175.0 | 185.0 |
| Equity capital | 130.4 | 130.4 | 130.4 | 130.4 |
| Reserves | 2,509.9 | 3,011.1 | 3,538.6 | 4,171.0 |
| Net Worth | 2,640.3 | 3,141.5 | 3,669.0 | 4,301.4 |
| Total liabilities | 3,257.4 | 3,828.7 | 4,510.3 | 5,328.5 |
| BVPS (Rs) | 40.5 | 48.2 | 56.3 | 66.0 |

Source: Company, Religare Research

Financial ratios

| | FY06 | FY07E | FY08E | FY09E |
|-----------------------|------|-------|-------|-------|
| EBITDA margin (%) | 33.4 | 37.3 | 34.3 | 30.7 |
| EBIT margin (%) | 28.3 | 33.8 | 31.2 | 28.3 |
| Net profit margin (%) | 21.3 | 24.8 | 22.3 | 19.9 |
| FDEPS growth (%) | 14.1 | 33.4 | 12.5 | 19.9 |
| Receivables (days) | 93.0 | 93.0 | 91.0 | 91.0 |
| Inventory (days) | 27.0 | 27.0 | 29.0 | 29.0 |
| Payables (days) | 26.0 | 26.0 | 26.0 | 26.0 |
| Current ratio (x) | 2.6 | 2.8 | 2.7 | 2.8 |
| Interest coverage (x) | - | - | - | - |
| Debt/equity ratio (x) | - | - | - | - |
| ROE (%) | 24.5 | 27.5 | 26.3 | 26.9 |
| ROCE (%) | 23.4 | 26.2 | 25.1 | 25.8 |
| ROAE (%) | 31.2 | 35.7 | 35.1 | 36.6 |
| EV/Sales (x) | 5.9 | 5.2 | 4.1 | 3.1 |
| EV/EBITDA (x) | 16.2 | 12.9 | 11.3 | 9.5 |
| P/E (x) | 27.9 | 20.9 | 18.6 | 15.5 |
| P/BV (x) | 6.3 | 5.3 | 4.5 | 3.9 |
| P/CEPS (x) | 22.5 | 18.3 | 16.3 | 13.8 |

Source: Company, Religare Research

| | |
|--|--|
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|--|--|

IPO fact sheet

| Particulars | |
|---------------------------|-------------|
| Issue opens | 10 Sep 2007 |
| Issue closes | 13 Sep 2007 |
| Price band (Rs) | 44 – 52 |
| Number of shares (mn) | 573.9 |
| Issue size (Rs bn) | 25.3 – 29.8 |
| Pre-issue equity (Rs bn) | 38.3 |
| Post-issue equity (Rs bn) | 42.1 |
| Financial year ending | March |

Issue details

| Number of shares | (mn) |
|----------------------|-------|
| Net issue to public | 559.9 |
| Employee reservation | 14.0 |
| QIB portion | 280.0 |
| HNI portion | 84.0 |
| Retail portion | 196.0 |

Financial snapshot

| Particulars | FY05 | FY06 | FY07 |
|-------------------------|------|------|------|
| Sales (Rs bn) | 25.1 | 32.1 | 37.2 |
| Growth (%) | 3.2 | 27.8 | 15.9 |
| EBITDA (Rs bn) | 20.1 | 25.9 | 30.8 |
| Growth (%) | 1.6 | 28.7 | 18.9 |
| Adj. net income (Rs bn) | 7.9 | 10.1 | 12.3 |
| FDEPS (Rs) | 2.4 | 3.0 | 3.2 |
| EV/EBITDA (x) | 6.9 | 5.9 | 5.1 |
| ROCE (%) | 7.4 | 8.6 | 8.6 |

Shareholding pattern

| (%) | Pre-issue | Post-issue |
|-----------|-----------|------------|
| Promoters | 100 | 86.4 |
| Others | - | 13.6 |

| | |
|------------------------|-------------------------------|
| Company website | www.powergridindia.com |
|------------------------|-------------------------------|

Positively charged!

Ideal play on India's fast-growing power transmission sector

Investment rationale

- ❖ Monopoly player in India's transmission infrastructure sector, with ownership of electrical transmission lines covering 61,875 circuit kilometres and 106 substations.
- ❖ Investments of ~Rs 10.3tn planned in India's power sector to raise generation capacity by over 65% from 132,329MW to 219,992MW over the 11th plan period. PGCIL plans to concurrently raise transmission capacity 2.5 times from 14,100MW to 37,150MW by 2012.
- ❖ Impeccable implementation record – the company surpassed capacity addition targets during the eight, ninth and tenth plans to add 9,724 circuit km, 12,436 circuit km and 19,172 circuit km of lines respectively.
- ❖ Very strong operational efficiency with system availability of 98-99%.
- ❖ Assured 14% ROE towards its capacity investment as per the tariff structure fixed by Central Electricity Regulatory Commission (CERC).

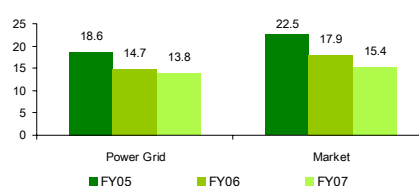
Key concerns

- ❖ Entry of private players would erode market share.
- ❖ The tariff set by CERC caps the company's return generating capacity. There is also the risk of a tariff reduction during the scheduled re-pricing in April 2009.

Valuation

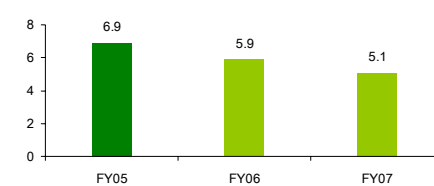
- ❖ At the lower band of Rs 44, PGCIL is available at a P/E of 17x on FY07 and 10x on FY08E (based on Q1FY08 annualised EPS) and at 20x and 12x at the upper band of Rs 52 (diluted basis). The current BV/share is Rs 30.5 adjusted for the dilution and Q1FY08 PAT; the Price/BV is thus 1.4x and 1.7x on Rs 44 and Rs 52 respectively. Subscribe.

P/E multiple (x)



Source: Religare Research

EV/EBITDA multiple (x)



Source: Religare Research

Financials

Profit and Loss statement

| (Rs bn) | FY04 | FY05 | FY06 | FY07 |
|-------------------------|-------|-------|------|------|
| Revenues | 24.4 | 25.1 | 32.1 | 37.2 |
| Growth (%) | 21.0 | 3.2 | 27.8 | 15.9 |
| EBITDA | 19.8 | 20.1 | 25.9 | 30.8 |
| Growth (%) | 29.2 | 1.6 | 28.7 | 18.9 |
| Depreciation | 6.1 | 6.4 | 7.4 | 8.3 |
| EBIT | 13.8 | 13.7 | 18.5 | 22.5 |
| Growth (%) | 28.3 | (0.3) | 34.6 | 22.0 |
| Interest | 9.9 | 8.1 | 9.5 | 11.4 |
| Other income | 3.7 | 3.2 | 3.4 | 3.6 |
| EBT | 7.6 | 8.8 | 12.4 | 14.7 |
| Growth (%) | (1.2) | 16.5 | 41.0 | 18.6 |
| Tax | (0.3) | 1.2 | 1.6 | 2.5 |
| Effective tax rate | (4.5) | 13.9 | 12.9 | 17.2 |
| Adj net income | 7.5 | 7.9 | 10.1 | 12.3 |
| Growth (%) | 14.0 | 5.0 | 28.4 | 21.8 |
| Shares outstanding (bn) | 3.1 | 3.2 | 3.6 | 3.8 |
| FDEPS (Rs) | 2.6 | 2.4 | 3.0 | 3.2 |
| DPS (Rs) | 0.5 | 0.7 | 1.0 | 1.1 |
| CEPS (Rs) | 4.5 | 4.4 | 5.0 | 5.4 |

Source: Company, Religare Research

Cash flow statement

| (Rs bn) | FY04 | FY05 | FY06 | FY07 |
|---------------------------|--------|--------|--------|--------|
| Net income | 7.5 | 7.9 | 10.1 | 12.3 |
| Depreciation | 6.1 | 6.4 | 7.4 | 8.3 |
| Other adjustments | 22.0 | 8.2 | 8.5 | 40.0 |
| Changes in WC | 6.3 | 4.5 | 8.1 | 11.7 |
| Operating cash flow | 41.8 | 27.0 | 34.1 | 72.2 |
| Capital expenditure | (15.5) | (33.4) | (30.8) | (65.6) |
| Investments | (1.1) | (0.3) | (1.1) | 1.7 |
| Other investing inc/(exp) | 0.0 | 0.0 | 0.0 | 0.0 |
| Investing cash flow | (16.7) | (33.7) | (31.9) | (63.9) |
| Free cash flow | 25.1 | (6.7) | 2.2 | 8.4 |
| Issue of equity | 0.0 | 1.3 | 4.2 | 2.0 |
| Issue/repay debt | (16.2) | 5.7 | (3.1) | (0.0) |
| Dividends paid | (1.4) | (2.1) | (3.5) | (4.3) |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing cash flow | (17.6) | 4.9 | (2.3) | (2.3) |
| Beg. cash & cash eq | 0.2 | 7.8 | 6.0 | 5.9 |
| Chg in cash & cash eq | 7.6 | (1.7) | (0.1) | 6.1 |
| Closing cash & cash eq | 7.8 | 6.0 | 5.9 | 12.0 |

Source: Company, Religare Research

Recommendation history

| Date | Event | Reco price | Tgt price | Reco |
|-----------|----------|------------|-----------|-----------|
| 06-Sep-07 | IPO Note | 44-52 | NA | Subscribe |

Source: Religare Research

Balance sheet

| (Rs bn) | FY04 | FY05 | FY06 | FY07 |
|-----------------------|-------|-------|-------|-------|
| Cash and cash eq | 7.8 | 6.0 | 5.9 | 12.0 |
| Accounts receivable | 4.8 | 5.7 | 4.4 | 4.9 |
| Inventories | 2.0 | 1.8 | 1.8 | 1.8 |
| Others current assets | 16.6 | 15.0 | 17.5 | 16.4 |
| Current assets | 31.1 | 28.6 | 29.6 | 35.1 |
| LT investments | 20.0 | 20.3 | 21.4 | 19.7 |
| Net fixed assets | 165.2 | 177.2 | 212.8 | 251.9 |
| CWIP | 22.5 | 35.8 | 36.5 | 60.8 |
| Total assets | 238.9 | 261.9 | 300.3 | 367.5 |
| Payables | 20.7 | 24.7 | 31.8 | 40.0 |
| Others | 3.7 | 3.4 | 5.5 | 8.3 |
| Current liabilities | 24.4 | 28.1 | 37.2 | 48.4 |
| LT debt | 122.7 | 133.9 | 150.3 | 193.3 |
| Other liabilities | 10.9 | 11.4 | 14.1 | 18.8 |
| Equity capital | 30.7 | 32.0 | 36.2 | 38.3 |
| Reserves | 50.2 | 56.4 | 62.5 | 68.8 |
| Net Worth | 81.0 | 88.5 | 98.7 | 107.0 |
| Total liabilities | 238.9 | 261.9 | 300.3 | 367.5 |
| BVPS (Rs) | 26.3 | 27.6 | 27.2 | 28.0 |

Source: Company, Religare Research

Financial ratios

| | FY04 | FY05 | FY06 | FY07 |
|-----------------------|-------|-------|-------|-------|
| EBITDA margin (%) | 81.4 | 80.1 | 80.7 | 82.8 |
| EBIT margin (%) | 56.5 | 54.6 | 57.5 | 60.5 |
| Net profit margin (%) | 32.4 | 30.2 | 33.7 | 32.8 |
| FDEPS growth (%) | 0.0 | (8.0) | 26.2 | 6.8 |
| Receivables (days) | 70.6 | 81.8 | 49.3 | 47.4 |
| Inventory (days) | 29.1 | 26.4 | 20.2 | 17.8 |
| Payables (days) | 306.1 | 353.0 | 355.8 | 387.0 |
| Current ratio (x) | 1.3 | 1.0 | 0.8 | 0.7 |
| Interest coverage (x) | 1.4 | 1.7 | 2.0 | 2.0 |
| Debt/equity ratio (x) | 1.5 | 1.5 | 1.5 | 1.8 |
| ROE (%) | 10.3 | 8.8 | 10.9 | 11.5 |
| ROCE (%) | 9.1 | 7.4 | 8.6 | 8.6 |
| ROAE (%) | 0.0 | 6.4 | 7.0 | 7.1 |
| EV/Sales (x) | 6.3 | 5.5 | 4.8 | 4.2 |
| EV/EBITDA (x) | 7.7 | 6.9 | 5.9 | 5.1 |
| P/E (x) | 17.1 | 18.6 | 14.7 | 13.8 |
| P/BV (x) | 1.7 | 1.6 | 1.6 | 1.6 |
| P/CEPS (x) | 9.7 | 10.1 | 8.7 | 8.2 |

Source: Company, Religare Research

Recommendation tracker

| Date | Company | Report type | Stock price (Rs) | Target (Rs) | Reco |
|-----------|---------------------------------------|---------------------|------------------|-------------|-----------|
| 30-Jul-07 | PVR Cinemas | Results Update | 209 | 277 | BUY |
| 30-Jul-07 | Shringar Cinemas | Results Update | 60 | 75 | BUY |
| 30-Jul-07 | Apollo Tyres | Results Update | 391 | 498 | BUY |
| 30-Jul-07 | Federal Bank | Results Update | 352 | 434 | BUY |
| 31-Jul-07 | RPG Cables | Results Update | 48 | 87 | BUY |
| 31-Jul-07 | Balaji Telefilms | Results Update | 250 | 317 | BUY |
| 01-Aug-07 | Nava Bharat Ventures | Results Update | 198 | 302 | BUY |
| 01-Aug-07 | K S Oils | Results Update | 55 | 68 | BUY |
| 01-Aug-07 | Bank of Baroda | Results Update | 300 | 343 | BUY |
| 01-Aug-07 | Dishman Pharmaceuticals and Chemicals | Results Update | 315 | 357 | HOLD |
| 01-Aug-07 | Cadila | Results Update | 351 | 416 | BUY |
| 01-Aug-07 | Divi's Laboratories | Results Update | 6,692 | 6,330 | HOLD |
| 02-Aug-07 | Maruti Udyog | Results Update | 821 | 945 | BUY |
| 02-Aug-07 | Sangam (India) | Results Update | 56 | 95 | BUY |
| 02-Aug-07 | KPR Mills | IPO Note | 225-265 | NA | AVOID |
| 02-Aug-07 | Riddhi Siddhi Gluco Biols | Results Update | 265 | 365 | BUY |
| 06-Aug-07 | Mahindra and Mahindra | Results Update | 678 | 990 | BUY |
| 06-Aug-07 | Cinemax | Results Update | 142 | 189 | BUY |
| 06-Aug-07 | Parsvnath Developers | Initiating Coverage | 326 | 512 | BUY |
| 08-Aug-07 | Wipro Technologies | Company Update | 459 | 595 | HOLD |
| 09-Aug-07 | Punjab National Bank | Analyst Meet Note | 521 | 610 | BUY |
| 13-Aug-07 | Bajaj Auto | Company Update | 2,319 | 2,748 | BUY |
| 13-Aug-07 | IVRCL Infrastructures & Projects | Initiating Coverage | 381 | 488 | BUY |
| 13-Aug-07 | Inox Leisure | Results Update | 121 | 120 | SELL |
| 14-Aug-07 | Madhucon Projects | Company Update | 247 | 332 | BUY |
| 16-Aug-07 | Riddhi Siddhi Gluco Biols | Company Update | 270 | 365 | BUY |
| 17-Aug-07 | Jindal Drilling and Industries | Initiating Coverage | 754 | 1,056 | BUY |
| 20-Aug-07 | Motilal Oswal Financial Services | IPO Note | 725 – 825 | NA | SUBSCRIBE |
| 20-Aug-07 | Time Technoplast | Initiating Coverage | 525 | 736 | BUY |
| 22-Aug-07 | Sujana Towers | Company Update | 122 | 157 | BUY |
| 22-Aug-07 | Prism Cement | Initiating Coverage | 51 | 81 | BUY |
| 24-Aug-07 | PVR Cinemas | Company Update | 179 | 277 | BUY |
| 27-Aug-07 | Cipla | Company Update | 171 | 191 | HOLD |
| 27-Aug-07 | IT People | FPO Note | 40 | 30-32 | NA |
| 28-Aug-07 | Ashok Leyland | Company Update | 35 | 48 | BUY |
| 29-Aug-07 | Parsvnath Developers | Company Update | 287 | 512 | BUY |
| 30-Aug-07 | Jagran Prakashan | Initiating Coverage | 551 | 662 | BUY |
| 30-Aug-07 | Deccan Chronicle | Initiating Coverage | 228 | 273 | BUY |
| 30-Aug-07 | HT Media | Initiating Coverage | 211 | 232 | NEUTRAL |
| 03-Sep-07 | Central Bank of India | Company Update | 125 | 144 | HOLD |
| 04-Sep-07 | Maruti Udyog | Company Update | 881 | 945 | BUY |
| 05-Sep-07 | Parsvnath Developers | Company Update | 316 | 512 | BUY |
| 05-Sep-07 | MindTree Consulting | Initiating Coverage | 589 | 556 | SELL |
| 05-Sep-07 | Shri Lakshmi Cotsyn | Initiating Coverage | 104 | 210 | BUY |
| 06-Sep-07 | Power Grid Corporation of India | IPO Note | 44 – 52 | NA | SUBSCRIBE |
| 07-Sep-07 | Balaji Telefilms | Company Update | 255 | 341 | BUY |

Market trends

BSE sectoral indices

| | % Chg | | | | Constituent performance |
|-------------------|--------|-------|-------|-------|--|
| | 6-Sept | 1-day | 1-mth | 3-mth | |
| Automobiles | 4,938 | 1.2 | 4.1 | 2.6 |  |
| Banks | 8,111 | 1.2 | 2.3 | 8.0 |  |
| Capital Goods | 13,659 | 0.7 | 6.7 | 24.6 |  |
| Comm. & Tech. | 3,647 | 0.3 | 0.3 | (2.4) |  |
| Consumer Durables | 4,497 | 1.1 | 8.4 | 12.1 |  |
| FMCG | 2,032 | 1.5 | 4.9 | 12.2 |  |
| Healthcare | 3,717 | 0.5 | 2.5 | (1.5) |  |
| IT | 4,665 | 0.4 | 1.0 | (5.9) |  |
| Metal | 11,687 | 0.8 | 5.8 | 12.1 |  |
| Oil & Gas | 8,232 | 1.1 | 5.5 | 11.3 |  |
| Mid-caps | 6,849 | 1.1 | 4.2 | 10.7 |  |
| Small-caps | 8,396 | 1.3 | 6.1 | 13.6 |  |

Number of companies: 

Emerging markets

| Country | % Chg | | | | |
|-------------|--------|-------|-------|-------|-------|
| | 6-Sept | 1-day | 1-mth | 3-mth | 6-mth |
| Brazil | 54,569 | 0.3 | 1.4 | 4.8 | 27.9 |
| Shanghai | 5,326 | (1.3) | 14.5 | 36.9 | 83.9 |
| Hong Kong | 24,062 | 0.0 | 9.8 | 15.7 | 27.2 |
| India | 15,616 | 1.1 | 4.6 | 10.1 | 24.1 |
| South Korea | 1,884 | (0.3) | 1.3 | 7.5 | 33.5 |
| Taiwan | 9,056 | 0.4 | 2.2 | 8.4 | 21.1 |

FII statistics

| (US\$ mn) | 1-day | WTD | MTD | YTD |
|-------------|-----------|---------|---------|------------|
| India | 100.5 | 286.6 | 286.6 | 8,660.6 |
| South Korea | (441.8) | (256.5) | (256.5) | (14,273.5) |
| Taiwan | 209.3 | 350.0 | 350.0 | 2,322.2 |
| Thailand | (1,141.5) | 10.2 | 10.2 | 2,977.7 |

Events calendar

Board meetings

| September 7 | | 8 | | 9 | |
|-------------|--|----|---|----|--|
| | Alcobex Met - Results Kusum Elect. - Results Isibars - Results | | Lloyds Metals - Issue of warrants Sidharth Tub - Results | | - |
| 10 | | 11 | | 12 | |
| | Dhanprayog – Results | | Areva T&D – Results | | Asian Oilfie - General Gulshan Poly - General |
| 13 | | 14 | | 15 | |
| | Adlabs Films – Divident, Results | | | | |

Trade data

Institutional bulk deals

| Scrip | Client | Buy/Sell | Quantity | Avg Price (Rs) |
|---------------------------|--|----------|-----------|----------------|
| Amtekauto-Roll Sett | Merrill Lynch Capital Markets Espana SA Svb | B | 2,158,015 | 359.5 |
| Gokaldas Exp | DSP Merrill Lynch Capital | S | 203,350 | 253.0 |
| Goldstone Tech | ILFS Investsmart PMS | B | 100,000 | 140.0 |
| Havell India | PCA India Infrastructure Equity Open | B | 320,622 | 501.0 |
| IVRCL Inf Pr | Capital Research And Management Co | B | 3,164,853 | 400.0 |
| IVRCL Inf Pr | Crown Capital | S | 2,547,060 | 400.0 |
| Ivrcl Infra & Proj | Capital Research & Mgmt Co A/C Small Cap World | B | 1,260,000 | 399.7 |
| Jain Irrigation Systems L | Merrill Lynch Capital Markets Espana SA Svb | B | 2,842,916 | 484.0 |
| Rico Auto Industries | HDFC Core & Satelte Fund | S | 636,069 | 34.4 |
| Shree Precoated Steels | Merrill Lynch Capital Markets Espana SA Svb | B | 2,330,048 | 358.8 |
| Unity Infra | BSMA | B | 100,000 | 605.0 |

Source: BSE

Insider trading

| Scrip | Acquirer/Seller | Buy/Sell | Shares transacted | | Post-transaction holding | |
|------------------------------|----------------------------------|----------|-------------------|------|--------------------------|-------|
| | | | Qty | % | | |
| Ansal Housing & Construction | J P Morgan Securities & Pacs | B | 13000 | 0.07 | 841530 | 5.04 |
| Bhagwati Banquets & Hotels | Lotus Global Investments | B | 1000000 | 3.41 | 2000000 | 6.83 |
| CCS Infotech | M A Hasan Abdul Kader | B | 50000 | - | 418100 | 4.16 |
| Crystal Software Solutuions | Richline Finvest | B | 90691 | 1.81 | 358772 | 7.18 |
| Crystal Software Solutuions | Kaushal N Shah | B | 30000 | 0.6 | 613065 | 12.28 |
| Gokaldas Exports | FID Fds (M) & FID Aus India Fund | S | 1500000 | 4.36 | 468599 | 1.36 |
| I-Flex Solutions | Olivier Trancart | B | 20000 | - | - | - |
| ICSA (India) | Goldman Sachs Investments (M) | B | 60000 | - | - | - |
| ICSA (India) | Goldman Sachs Investments (M) | S | 158355 | - | 298177 | 3.76 |
| K Sera Sera Productions | Macquarie Bank | S | 101578 | 0.52 | 907554 | 4.65 |
| Kotak Mahindra Bank | Ashish Khetan | B | 7590 | - | 7590 | - |
| Kotak Mahindra Bank | Vivek Anand P S | B | 3007 | - | 4904 | - |
| Lupin | Dr K U Mada | B | 25 | - | 325 | - |
| Lupin | Parari A Patil | B | 100 | - | 1650 | - |
| Multi Arc India | Sunidhi Securities & Finance | B | 190000 | 2.34 | 620000 | 7.63 |
| Multi Arc India | Jasvantlal Chhotalal & Co | S | 190000 | 2.34 | - | - |
| Satyam Computer Services | V Murali | S | 1000 | - | - | - |
| Satyam Computer Services | K Sriram | S | 1500 | - | - | - |
| Splash Media Works | Manoj Meher | S | 20000 | 1.6 | - | - |
| United Phosphorus | SBI Mutual Fund | S | 50000 | 0.02 | 5400686 | 2.87 |
| Venus Remedies | Sonata Investments | B | 145084 | 1.72 | 941405 | 11.17 |

Source: BSE

RELIGARE RESEARCH

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Recommendation parameters

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

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

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