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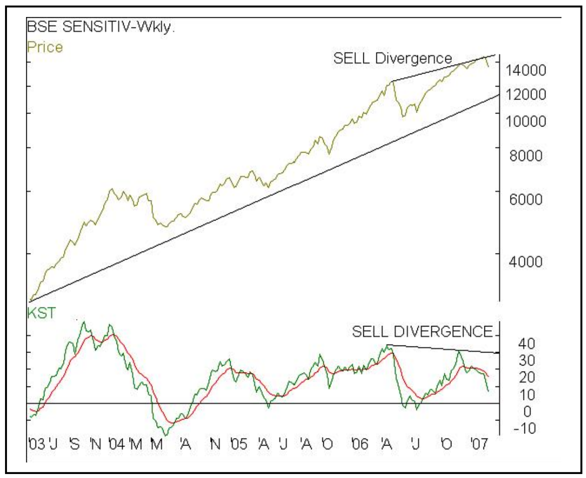
Pull-back rally likely

as all hopes hinge on the Budget

By Sanjay R. Bhatia

The markets displayed extreme signs of weakness as the Sensex fell by close to 400 points on Black Friday, 23rd February 2007. Tentativeness and nervousness at higher levels continued to hamper the pre-budget rally, which did not materialize to the extent it should have. The Sensex failed to sustain above the 14450 level although it touched an intra-day high of 14479 and 14466 level on 19th and 20th February. Traders and speculators were active in metals, pharma, telecom, IT, realty and capital goods space. Incidentally, FIIs remained net buyers in the cash and derivative segments during the course of the week. Mutual funds were also net buyers albeit their purchases were lower.

Global cues remained mixed with crude oil prices once again spiking up above the $60 level while Bank of Japan increased the interest rate by 25bps. On the other hand, Nikkei continued to rally and touched 18000 for the first time in last 7 years. The Dow Jones Industrial also continued to touch new highs. Amidst all these global cues, the biggest worry for the markets remained inflation even though it declined to 6.63% during the week ended February 10 from 6.73% a week earlier. Further tightening measures should be expected from RBI and the government, as crude prices internationally have risen by $3-$4 from this period.



With the Budget around the corner, follow-up buying at higher levels has eluded the markets. Eventhough, institutions have been net buyers the purchases were not significant enough to arrest the fall. Several negative factors like the negative risk:reward ratio, rising inflation and interest rates, corporate acquisitions and mergers, which are likely to affect company bottom-lines in the short-run and subdued FII inflows are some of the major reasons that have contributed to the fall of the markets. The final blow came after the IT raids on 40 entities and banning of 16 entities by SEBI. Now, everything boils down to the Budget. Eventhough, the market expectations are on the lower side, the FM will have to deliver something special and out of the box to change the sentiment of the markets dramatically. The markets would continue to display extreme bouts of volatility and choppiness ahead of the Budget.

Technically, the BSE Sensex failed to move above the crucial 14450 level and has borne the brunt. It has even breached the support of 13800 on Friday. The markets are still not out of the woods as we had indicated in the last issue, has come true as the markets have fallen like ninepins. We, therefore, stand vindicated amid all the hue and cry of the Sensex touching 15000 ahead of the Budget. This weakness is likely to continue could lead to more pain. Inflation continues to remain the biggest negative for the markets and not the Budget. In the event that inflation does not subside dramatically, the markets are likely to meet their waterloo. The markets are likely to witness a pull-back rally but the momentum will be witnessed only after Sensex closes above the 14450 level. The Sensex has support at the 13362 and 12995 levels. On the upside, the 14450 Sensex level is the crucial resistance level. In case of the Nifty, the 3877-3850 and 3716 levels are important support levels. The Nifty is likely to face resistance at the 3968 level followed by the 4050 levels. Traders, speculators and investors should stay away.

Further weakness may crop in

By Hitendra Vasudeo

Either side decisive move above 14750 or below 13800, as headlined last week, was to decide the subsequent course of action on the indices and thereby give direction to the market.

Last week, the Sensex opened at 14406.88 attained a high of 14479.18 and crashed to a low of 13568.08 on Friday. Finally, the weekly close was at 13632.53, which showed a net fall of 723 points on a week-to-week basis.

The Sensex violated the support of 13800 and closed below it as well. The level of 13800 was the level when the Sensex recovered to a high of 14479.18. Last week, the Sensex failed to offer any gain during the week over the previous weeks' closing. It also failed to cross 14479 and did not make any serious attempt to cross it as well. The Sensex surrendered to the bears resulting in a crash situation on Friday.

The weekly trend has turned down after the weekly closing on Friday. The weekly trend would turn up once again only when it crosses 14724 or if the Friday weekly close is above 14233.

The Sensex has violated an important trend line and the rising channel of the rising phase from the low of 8799. After the fall of last week, the termination of the fall is the obvious choice forcing us to look at the retracement of the rise from 8799 to 14723. The retracement levels of the rise from 8799 to 14723 are placed at 12460-11761-11062. Depending on the movements and momentum on the downside, the lower retracement levels could be attained. Logically, we can expect 12460 at least but we still have support at lower levels of 13300-13182-12801. These supports could be tested and depending on the downward momentum each of these supports will be tested or violated.

BSE Mid-Cap index, which crossed the earlier peak of 6070 made a new peak at 6229 but failed to sustain above 6070 resulted in a downfall supported by heavy volumes in the last fortnight.

BSE Small-Cap index faced strong resistance at the peak of 7872 but could manage 7752 in the current rally to finally crumble against the heavy selling pressure with volumes in the last fortnight.

EXIT LIST

Scrip	Last Close	Sell Price	Sell Price	Sell Price	Stop loss	Target 1
ASAHI INDIA GLASS	126.05	130.40	133.00	135.60	144.00	108.4
ASIAN PAINTS	733.00	758.09	768.00	777.91	810.00	674.1
AUROBINDO PHARMA	683.00	710.56	720.00	729.44	760.00	630.6
BHARAT HEAVY EL(BHEL	2279.00	2381.66	2418.00	2454.34	2572.00	2073.7
CUMMINS INDIA	257.95	270.61	277.27	283.94	305.50	214.2
FEDERAL BANK	224.15	241.00	247.30	253.60	274.00	187.6
GRASIM INDUSTRIES	2271.00	2495.21	2572.50	2649.79	2900.00	1840.2
GUJ. AMBUJA CEMENT	122.85	129.12	132.15	135.18	145.00	103.4
HDFC BANK	957.00	1004.11	1027.00	1049.89	1124.00	810.1
IVRCL INFRASTRUCTURE	321.70	364.63	379.00	393.37	439.90	242.8
JAIPRAKASH ASSOCIATE	578.00	619.97	638.50	657.03	717.00	463.0
KESORAM INDUSTRIES	408.45	460.08	476.02	491.97	543.60	324.9
MADRAS CEMENTS	3020.00	3128.13	3212.50	3296.87	3570.00	2413.1
NAGARJUNA CONSTRUCTI	176.85	193.78	199.55	205.32	224.00	144.9
SATYAM COMPUTER SERV	448.75	461.23	467.77	474.32	495.50	405.8
SHREE CEMENT	1239.00	1299.39	1327.00	1354.61	1444.00	1065.4
SHREE PRECOATED STEE	417.65	464.56	480.02	495.49	545.55	333.5
SIEMENS	1124.00	1136.63	1153.50	1170.37	1225.00	993.6
SUN PHARMACEUTICAL I	974.00	1004.58	1016.50	1028.42	1067.00	903.6
TITAN INDUSTRIES	890.00	946.09	966.50	986.91	1053.00	773.1

The broad market indices struggled earlier last fortnight but last week they showed how a pack of cards can fall when the going gets tough.

Weekly resistance for the Sensex will be at 13893, 14218 and 14480. Weekly support will be at 13471-13300-13182. Supports will be tested. Pull back to the weekly resistance can be looked as an opportunity to exit pending stuck up positions to cut loss and reduce long positions exposure in the market. Potentially, the market going down to Sensex 12460 cannot be ruled out unless we see a rise and close above 14723. Pull back would offer trading opportunities but investors/traders who can get in and out quickly could take advantage of such a situation. Passive investors and traders can keep only one strategy in mind: to exit pending stuck up long positions to cut losses and book profits as the opportunity arises.

For the Sensex, the Wave Count from the low of 8799 would be as follows:

First Count

Wave 1-8799 to 10940; Wave 2- 10940 to

9875; Wave 3- 9875 to 14035; Wave 4-14035 to 12801; Wave 5- 12801 to 14723
Now the Sensex is looking for retracement of the rise from 8799 to 14723

Alternative 1

Wave 1-8799 to 10940; Wave 2- 10940 to 9875; Wave 3- 9875 to 14035; Wave 4 from 14035 to the current level is still in progress. Once the Wave 4 is complete, then once again an upmove will be resumed to cross or test the top of 14723.

WEEKLY UP TREND STOCKS

Let the price move below Center Point or Level 2 and when it move back above Center Point or Level 2 then buy with what ever low registered below Center Point or Level 2 as the stop loss. After buying if the price moves to Level 3 or above then look to book profits as the opportunity arises. If the close is below Weekly Reversal Value then the trend will change from Up Trend to Down Trend. Check on Friday after 3.pm to confirm weekly reversal of the up Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Up Trend Date
		Stop Loss	Buy Price	Buy Price	Book Profit	Book Profit			
INDIABULLS FIN.	438.50	366.0	415.3	441.3	464.5	513.8	83.2	425.7	25-01-07
PRAJ INDUSTRIES	367.90	293.8	347.7	381.3	401.6	455.5	80.1	370.4	29-12-06
NIIT	638.00	523.7	597.7	631.3	671.7	745.7	76.0	597.9	15-02-07
ESSAR SHIPPING	47.85	36.3	43.8	47.3	51.4	58.9	75.3	48.1	01-12-06
ROLTA INDIA	332.45	281.1	318.0	340.5	354.9	391.8	72.7	328.9	05-01-07

Internals of Wave 4

Wave a-14035 to 12830
Wave b-12830 to 14723
Wave c-14723 to 13568 (not complete and move in progress)
In this case, Wave c could get into 5 waves.
Wave 1-14723 to 14107
Wave 2-14107 to 14480
Wave 3-14480 to 13568 (Not Complete and Move in Progress)
In this case the target for Wave 3 will be 12993
Whenever Wave c gets complete, then Wave 4 will get complete of the falling move from 14723. In that case, Wave 5 of the rise from 8799 would begin and potentially would create lower top or 5th failure.

Alternative 2

Wave 1-8799 to 10940; Wave 2- 10940 to 9875; Wave 3- 9875 to 14035; Wave 4-14035 to 12801; Wave 5- 12801 till date is in progress

<u>Ending Diagonal</u>

WEEKLY DOWN TREND STOCKS

Let the price move above Center Point or Level 3 and when it move back below Center Point or Level 3 then sell with what ever high registered above Center Point or Level 3 as the stop loss. After selling if the prices moves to Level 2 or below then look to cover short positions as the opportunity arises. If the close is above Weekly Reversal Value then the trend will change from Down Trend to Up Trend. Check on Friday after 3.pm to confirm weekly reversal of the Down Trend.

Scrips	Last Close	Level 1	Level 2	Center Point	Level 3	Level 4	Relative Strength	Weekly Reversal Value	Down Trend Date
		Cover Short	Cover Short	Sell Price	Sell Price	Stop Loss			
MATRIX LABS	191.95	153.4	181.3	198.6	209.2	237.1	22.22	211.97	15-02-07
COLGATE-PALMOL	303.60	251.2	289.1	312.6	327.1	365.0	22.53	332.30	12-01-07
TATA TEA	650.00	594.7	635.7	662.3	676.7	717.7	23.86	682.75	25-01-07
HIND. LEVER	187.45	156.3	179.3	194.2	202.3	225.3	24.29	201.06	25-01-07
UNION BNK OF IND	99.25	81.0	94.2	102.3	107.4	120.6	24.58	107.71	19-01-07

<u>Wave A- 12801 to 14060</u>

Wave a -12801 to 13748
Wave b- 13748 to 13182
Wave c- 13182 to 14060

<u>Wave B-14060 to 13303</u>

<u>Wave C- 13303 to 14723</u>

Wave a-13303 to 14325
Wave b-14325 to 14043
Wave c-14043 to 14723

<u>Wave D-14723 to 13568 (Ongoing move)</u>

After completion of Wave D, we will have Wave E, which will be a pull back to test the high of 14723 or a failure by creating a lower top against 14723. Subsequently, we could see a broader and deeper correction.

Wave counts are indicative of direction along with the set of moving averages, which are an objective way to define the trend and directional plan for movements.

<u>Strategy for the week</u>

Exit long positions on spurt to resistance levels to cut losses or to book profits. Panic levels or retracement levels of 12460-11761-11062 could provide an opportunity for selective low profile accumulation in index-based stocks.

Uneasy!

By Fakhri H. Sabuwala

As the D-day (Budget) nears the media and the market are rife with rumours about what shall happen and what shall not. Speculation about budget proposals and their impact on different segments is at its zenith. Along with this, stories of the opportunities that can be ceased by investing or divesting in them are afloat too.

However, one stark reality or naked truth, which one needs to bear in mind, is that along with the grand opportunities there are likely to be wild swings in share prices and stock indices. And being caught on the wrong foot in such a high voltage scenario is highly probable. The notion that stocks gain pre-budget and fall post budget is totally unfounded.

On budget day, the ruling sentiment and the initial response to budget pronouncements rule the roost. Sometimes, it so happens that marketmen derive meanings from an incomplete sentence of the finance minister resulting in losses or gains in the concerned market segment, which may or may not be warranted in reality. This is a result of sentimentality more than the actual implication spelled out by the budget proposal. As a result, volatility is at its peak on such a day and the intra-day difference may vary between 5% to 10 %. Furthermore, one witnesses a sharp upsurge in volumes, which at times is even double than normal average.

The old market adage “Buy on rumours and sell on news” is a fine guru mantra, which holds true in most cases pertaining to individual stocks but may not work for the Budget, which is a different ball game altogether because a lot of expectations are built during the countdown to the budget and it is impossible for the finance minister (FM) to please everyone.

This time the market is feeling uneasy, as the FM may not exercise the desired freedom given the political compulsions brought about by the rising prices of essential commodities, the rising interest rates and the elections to follow in some states. The political sagacity may overrule the economic rationale and thus disturb the equilibrium.

The investment strategy in such a situation is to refrain from creating large long or short positions in a segment or a particular scrip. In case the temptation is strong, strict ‘stop loss’ needs to be observed to minimize your loss within affordable limits. Pick up stocks in reasonable lots on hearing the news but also make sure to book profits immediately thereafter in the following minutes. The high volatility and swings that accompany stock prices on this day are severe, swift and frequent. So make the most of it and do not stick to your stock positions for too long.

One thing worth noting is that budget proposals impacting a segment of the market or a scrip are evaluated on the second or third day and the necessary corrections to the excesses occur thereafter. Thus if the budget is made out to be bad initially, it will be declared ‘not so bad’ on second opinion and if it declared ‘very good’ at first sight, it may be classified as a sugar coated bitter pill on second thoughts! Hence, make the most of the sentiment and the play of emotions. Enjoy the uneasiness as uneasy lies the head that make most money on such days.

Sectors which may benefit from the forthcoming Budget are Textiles, Petrochemicals, Healthcare, Capital Goods, Power, IT, Agriculture and Food Processing. Commodity stocks and cyclicals may be ignored for the time being till the impact of the inflation and rising interest cost becomes known. Till then, enjoy the Economic Survey, the Railway Budget and finally the Union Budget 2007-08.

BEST BETS

Andhra Petrochemicals (Code: 500012) Rs.14.20

Promoted by Andhra Pradesh Industrial Development Corporation and Andhra Sugars Ltd, Andhra Petrochemicals Ltd. (APL) was established as a joint sector company in 1984 with a licenced capacity to produce 30,000 MTPA of Oxoalcohols at Visakhapatnam. However, the company started commercial production from February 1994 only. Since then APL is almost the sole producer of Ox-Alcohol and its derivatives like N-Butanol, 2-Ethyl Hexanol and I-Butanol in India. Its products are used mainly for plasticizers, emulsion paints, adhesives, paper/textile processing, fuel additives, surfactants, mining, stabilizers, solvent extractions, agricultural chemicals, engine machinery lubrication etc. They are also used in rubber chemicals, printing inks, resins, pharmaceuticals, urethane catalysts, dyes, varnishes, nitro cellulose lacquers, acrylates, pesticides, etc.

APL’s manufacturing facility is located at Visakhapatnam (A.P) near the port and is equipped with imported technology supplied by M/s. Davy McKee Ltd., UK, now known as M/s. Davy Process Technology. It has an installed capacity of 39,000 MTPA but has been working above 100% capacity utilization since the last few years. In fact for FY06 it achieved an all time record production of 42,714 MTs, which will probably be beaten this fiscal. As APL is the only producer of oxo-alchohol in India, the rest of the demand is being met by imports. As per industry estimates, the demand for Oxo-Alcohols will continues to rise at 8% p.a. in coming years. This means that the company has a huge potential to expand. Although it has no such plans at present, it intends to do so in future to beat the competition form cheaper imports and increase its market share. Meanwhile, in order to bring down the power cost, the company has initiated steps to install an Uninterrupted Power Supply (UPS) system to feed all essential equipment drives, which will enable the captive D.G. sets to normally shut down and operate only as emergency generators during power failure.

Since crude oil prices were very high in FY06 and as Propylene/Naphtha are the main raw materials for APL, its financial performance was under severe pressure in FY06. This year, however, crude prices have fallen drastically below $60 per barrel and hence APL has made a strong turnaround. For the first nine months ending 31st December 2006, its sales improved by 35% to Rs.184 cr. but net profit increased by more than six times to Rs.20 cr. More importantly, its PBT stood at Rs.36 cr., which translates into an annualized EPS earning before tax of Rs.6. Accordingly, for the full year FY07, it may report a turnover of Rs.250 cr. with PAT of Rs.30 cr., which translates into an EPS of Rs.3.50 on its equity of Rs.85 cr. It may declare a maiden dividend of 7.5% for FY07, which amounts to a yield of more than 5% at CMP. Although APL is endeavouring for restoration of input tax credit on naphtha, the prospects of the industry are still dependent on the government policies concerning VAT and petroleum prices. Investors are advised to buy at current levels with a price target of Rs.24 i.e. 70% return in 15-18 months.

LT Overseas (Code: 532783) Rs.44.00

Incorporated in 1990, LT Overseas Ltd. (LT) is primarily in the business of milling, processing and marketing of branded & non-branded basmati rice and manufacturing of rice food products in the domestic and overseas markets. Its operations include contract farming, procurement, storage, processing, packaging and distribution. Presently with around 22% market share, it is the third largest player in domestic basmati rice segment after Satnam Overseas and KRBL. Incidentally, the company owns 19 brands with 'Daawat' and 'Heritage' as its leading brands. Apart from all types of basmati rice, the company's product portfolio comprises brown rice, white rice, steamed rice, parboiled rice, organic rice, quick cooking rice, value added rice and flavoured rice in the ready to cook segment. Globally, its products are being sold in more than 35 countries including quality conscious markets like USA, Canada, UK and the European Union. In fact, it is among the first few players in the rice industry to achieve ISO:9001 and Hazard Analysis and Critical Control Point (HACCP) certification from British Standards Institute.

Presently, LT has a capacity to process 30.5 TPH of paddy of which 27 TPH is processed at its own facility at Bahalgarh, Haryana, and the balance 3.5 TPH is processed in facility leased from group concerns at Sonepat and Amritsar. Notably, it is among the few rice manufacturers to use silos for storage of rice. Moreover, all its processes are fully mechanized and the output is untouched by hand. It is also using automatic colour sorting machines for quality purposes since 1992. It also has an R&D division that concentrates on developing processes for getting better aroma, better head grains yield and reducing the stickiness and developing value added rice. Recently, it has entered into an agreement with Satake Corporation, Japan, for exclusive right to use new milling technologies for value added rice which will give LT a technological edge over its other local competitors. It has formed a strategic alliance with Phoenix Agri Silica Corporation for developing a silica plant to convert husk ash, a waste generated during the milling process into silica - a raw material used in the cement industry. Meanwhile, it has also entered into contract farming agreement with Tata Chemical. LT has a very strong distribution network with more than 100 distributors covering almost every state. As 40% of its revenue comes from exports, it has exclusive arrangement with distributors in North America, South America and the European Union and has of late started supplying basmati rice directly to retail chains in US and Canada. It is also taking some initiatives to increase its presence in the Far East, Africa and the Middle East region.

A few months back, LT raised around Rs.40 cr. through an IPO at Rs.56 per share primarily for putting up a new parboiled rice processing and milling capacity of 6 TPH, a new milling line for producing value added rice with capacity of 5 TPH and to set up silos and flat storage facilities. It is also putting up a power plant of 2MW for captive consumption. In a pre-IPO placement, LT allotted 7.14 lakh equity shares to Bennett Coleman & Co and another 50,000 equity shares with Deramann Ltd at a price of Rs.70 per share. To increase its domestic market share, the company has applied for another 30 brands which are pending at various stages. Considering all these factors, it may report sales and net profit of Rs.450 cr. and Rs.20 cr. respectively for FY07. This may shoot up to Rs.550 cr. and Rs.32 cr. respectively for FY08. The EPS works out to Rs.9 for FY07 and Rs.14 for FY08. Investors are strongly recommended to buy at current levels as the share price can easily double in a year's time.

EXPERT EYE

By V.H. Dave

Nectar Lifesciences Ltd. (NecLife) (Code: 532649) (Rs.168.55), formerly known as Surya Medicare, manufactures semi-synthetic pencilin (SSP) and the cephalosporin range of oral and sterile bulk drugs. It received WHO-GMP certificates for its products like cefotaxime sodium (sterile), ceftriaxone sodium (sterile), cefazolin sodium (sterile), cefuroxime sodium (sterile), chloramphenicol sodium succinate (sterile), ceftazidim for injection (sterile) and cefepime for injection (sterile).

NecLife has two manufacturing units at Derabassi, Punjab and has taken on lease a manufacturing facility of Aster Pharmaceutical. These are used to manufacture bulk drugs for the oral and sterile SSPs and cephalosporins. During 2005-06, NecLife came out with an IPO of 38,70,000 shares at Rs.240 per equity share through the 100% book building process to raise Rs.92.9 cr.

During FY06, NecLife posted 30% increased sales of Rs.256 cr. and earned 89% higher net profit of Rs.28 cr. On a consolidated basis, sales were Rs.291 cr. with a net profit of Rs.38 cr. resulting in an EPS of Rs.25.5. A dividend of 10% was paid. The consolidated results include the financial statements of NecLife, its subsidiary Chempharma (Pvt.) Ltd., Sri Lanka and Narbada Industries, Jammu, in which NecLife is a major partner. Its exports amounted to Rs.253 cr. in FY06.

During Q3FY07, NecLife posted 74% increased net profit of Rs.11 cr., which does not include Rs.4.2 cr. dividend received from its subsidiary, Chempharma. During the first nine months ended 31st December 2006, whereas sales advanced by 39% to Rs.293 cr., net profit surged by 79% to Rs.29.3 cr.

Its equity capital is Rs.14.9 cr. and with reserves of Rs.158 cr., the book value of the share works out to Rs.116. The value of the gross block has gone up substantially by Rs.62 cr. to Rs.163 cr. from Rs.101 cr. due to expansion and other projects.

The promoters hold 65.9% in its equity capital, institutions/mutual funds hold 8.2%, PCBs hold 11.4%, FIIs hold 1% leaving 13.5% with the investing public.

During FY06, NecLife successfully raised funds from the international market to the tune of US $35,000,000 by way of Foreign Currency Convertible Bonds (FCCBs) aggregating Rs.156.3 cr. It has also allotted 35000 Zero Coupon Convertible Bonds (ZCCBs) of US $1000 each. With regard to this, NecLife has recently set the adjusted conversion price is Rs.265.39. The conversion date is not yet fixed.

NecLife has recently filed Drug Master File (DMF) for its Oral Cephalosporin Active Ingredient both with US-FDA (US Food & Drug Administration) and EDQM (European Directorate of Quality & Medicines). After these filings NecLife will be inspected by the concerned authorities within the stipulated time-lines.

To further strengthen its position in the fast-growing cephalosporin segment, NecLife has adopted a four pronged strategy: (1) Expansion of the installed capacity: Currently, an expansion project is under implementation in the oral and sterile cephalosporin segment and is also in the process of setting up an additional sterile cephalosporin manufacturing unit at Derabassi (Unit 2).

(2) Addressing the high-end Cephalosporin market: to ensure superior operating margins and simultaneously transform itself from an API focused player in cephalosporin with a high value range.

(3) Forward integration: After consolidating its presence in the cephalosporin segment, NecLife intends to forward integrate and foray into the manufacture of cephalosporin-based formulations. As a step in this direction, the company plans to set up a US FDA certified formulations unit at Baddi. The new facility is expected to be operational before March 2007. NecLife also putting up a empty hard gelatin capsule unit at a cost of Rs.35 cr. NecLife would be entitled certain tax benefits which are allowed by the Central and Himachal Pradesh Government for

setting up the projects in the Baddi.

(4) Backward integrated into drug intermediates: NecLife has a wholly-owned subsidiary in Sri Lanka, Chempharma Pvt. Ltd., which manufactures drug intermediates, a majority of which is captively consumed to manufacture bulk drugs. This subsidiary makes the company fully integrated, right from drug intermediates to bulk cephalosporins to formulations products and thereby help NecLife consolidate its presence across the entire cephalosporin value chain. After the proposed expansion, forward and backward integration, NecLife would emerge as one of the largest integrated producers of the entire range of cephalosporin drugs in the country.

NecLife proposes to enter into phytochemical manufacturing. A phytochemical is a natural bioactive compound found in fruits and vegetables that works together with vitamins, minerals and fibre to promote good health in many ways. These are non-nutritive plant chemicals that contain protective, disease preventing compounds. More than 900 different phytochemicals have been identified as components of food and many more phytochemicals continue to be discovered today. The cost of project of the proposed phyto chemicals & herbals is around Rs.80 cr.

NecLife is also setting up a Quality Control Centre at an investment of Rs.10 cr. and is putting up a agro-based captive power generation plant at Derabassi (Unit - II) to be run on husk.

NecLife operates in the global as well as domestic pharmaceutical industry.

Within the anti-infective segment, Cephalosporin is the fastest growing category in India with a compounded growth rate of 15% over the last five years. Internationally, Cephalosporin is a part of the top 10 drug classes with aggregate sales amounting to US $7.6 billion. NecLife is well-placed in this growing therapeutic segment due to its robust product pipeline, manufacturing expertise, research and development capabilities and aggressive marketing focus.

Based on the first three quarters of FY07, NecLife is all set to clock a consolidated net profit of Rs.51 cr., which would give and EPS of Rs.34. The share of NecLife is currently traded at Rs.213 at a forward P/E of 6.3. Considering its improved results, the ongoing and future expansions and its diversification plans coupled with the bright prospects of the industry, the shares of NecLife are an excellent buy price with a price target of Rs.350 in the medium term. The industry P/E currently rules firm at 29 leaving good scope for NecLife scrip to rise handsomely. The 52-week high/low of the share has been Rs.283/90.

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Ashiana Ispat Ltd. (AIL) (Code: 513401) (Rs.14.50) has declared highly encouraging results as its net profit for the first three quarters has shot up dramatically by 328% to Rs.2.1 cr.

AIL manufactures the Kamdhenu brand of High Strength Deformed Bar of all ranges and MS Ingots in Northern India. Its unique technique and disciplined implementation makes it a trusted player in the iron & steel industry. All its divisions have sufficient in-house facilities with modern equipment and a motivated work force, which has helped to minimize the production cost.

AIL was promoted by Puneet Jain & associates in 1992 and has its plant at Bhiwadi, Alwar, in Rajasthan.

During Q3FY07, AIL posted 850% higher net profit of Rs.80 lakh on 48% increased sales of Rs.38 cr. For the first three quarters of FY07, while sales have advanced by 41% to Rs.105 cr., net profit jumped by 328% to Rs.2.1 cr.

Its equity capital is Rs.4.2 cr. and with reserves of Rs.1.4 cr., the book value of the share works out to Rs.13.3. The value of its gross block is Rs.11 cr. and its debt equity ratio was 2.6:1 as on 31st March 2006. With increased profits in FY07, the debt equity ratio is likely to improve substantially.

The promoters hold 36% in its equity leaving 74% with the investing public.

AIL has drawn a directional roadmap for FY08. The major goals/objectives of the plan are to increase the business of steel and steel-related activities, increase in market share and aim at achieving international/national benchmarks in production cost and consumption ratios especially in new units. It has further decided to install another modern steel unit in technical collaboration with an overseas leader of the steel industry.

The country is in the midst of massive investment in infrastructure, housing construction, capital goods, consumer durables etc. As a result, we have witnessed healthy 7.9% growth in apparent finished steel consumption to 195.05 lakh tonnes, which in fact trails the domestic growth in production of 7.2% to 223.13 lakh tonnes in the six months ended 30th September 2006. In exports, too, the country has reported a remarkable 18% growth to 24 lakh tonnes during this period and witnessed further improvement in prices in October and November 2006, especially in pig iron, sponge iron, longs (used in construction sector) as well as in galvanized steel.

In view of the bright prospects of the iron & steel industry, the outlook for AIL looks highly encouraging. Based on the current going, AIL is likely to post a net profit of Rs.3.2 cr. on sales of Rs.150 cr. This would result in an EPS of Rs.7.5 for FY07, which could further increase to Rs.10 in FY08.

At the current market price of Rs.16, the share of AIL discounts its estimated EPS of Rs.7.5 for FY07 by a little over 2, which makes the scrip very attractive for the medium-to-long term. Investment in this share is likely to fetch decent appreciation of about 50% in 6-9 months. The 52-week high/low of the share has been Rs.17/5.

STOCK WATCH

By Saarthi

FCS Software Solutions Ltd. (Code:532666) (Rs.76.85) is a leading provider of IT services and has carved out a niche for itself in areas like e-learning, digital content services, IT consultancy, product engineering services and application support 24x7. For the December 2006 quarter its total revenue grew by 35% to Rs.40 cr. but net profit shot up by 50% to Rs.6.35 cr. due to better operating margins. Last year, it started a new unit in Punchkula (Haryana) and this year it has acquired 1.66 acres of land at Chandigarh Technology Park, under the SEZ scheme. Besides, it is planning to expand its operations to Gurgaon and has been allotted a plot of 4000 sq. mts. at Noida. It may end FY07 with a top-line of Rs.150 cr. with PAT of Rs.21 cr. i.e. an EPS of Rs.15 on its equity of Rs.14 cr. With 69% promoter stake, expected dividend of 30% and 52-week high of Rs.166, this scrip is available extremely cheap at the current market cap of just above Rs.100 cr.

*****

Shree Hari Chemicals Export Ltd. (Code:524336) (Rs.25.50) is a reputed manufacture and exporter of dyes and intermediaries. It produces reactive acid as well as direct dyes and a wide range of dye intermediaries like H-acid, Gama acid, Peri acid, vinyl suplhone etc. For the December 2006 quarter, it made a very strong turnaround as sales more than doubled to Rs.20.50 cr. and the net profit shot up to Rs.1.40 cr. compared to Rs.10 lakh in Q3FY06 thereby registering quarterly EPS of Rs.3. Impotantly, it reported a very healthy OPM of 19% against 7% last year on the back of higher realization for some of its products. Last fiscal, the company set-up a solvent plant system, which is the latest technology available to increase the yield and improve quality. For the first nine months, it has already clocked an EPS of Rs.5 and may end the full year with an EPS of about Rs.7. It's a strong turnaround candidate.

*****

To curb inflation, the government is adopting various measures and has reduced the custom duty on import of cement. It is further considering to ban export to increase the domestic supply. Although any further price hike is ruled out, cement companies are expected to do well fundamentally as cement prices are trading fairly high. **NCL Industries Ltd. (Code:502168) (Rs.46.80)** has once again reported stunning numbers for the December'06 quarter. Sales increased by 70% to Rs.56 cr. and net profit zoomed to Rs.9.30 cr. against Rs.0.83 cr. in Q3FY06. It has also decided to merge NCL Energy with itself through a share swap ratio of 1:6. A few months back, it was planning to raise around Rs.55 cr. for expansion through preferential allotment of equity shares to FIIs at Rs.68 per share, but somehow dropped it. However, for FY07, it may report net sales of Rs.200 cr. with NP of 22 cr. i.e. an EPS of Rs.8 on its current equity of Rs.29.22 cr. on a standalone basis. Buy at declines.

*****

RS Software (India) Ltd. (Code:517447) (Rs.67.60), a SEI CMM Level 4 company, is a leader in providing quality software services and consulting to international players in the electronic payment space. Its bandwidth of offerings covers all segments from card associations to processors, acquirers & issuers, ISOs, all the way down to the merchants who manage POS terminals at retail outlets. For the December 2006 quarter, its revenue grew by 10% to Rs.25 cr. but net profit jumped up 70% to Rs.2.40 cr. due to improved margin and lower depreciation cost. For future growth, it is expanding aggressively to set up a new infrastructure of 60,000 sq. ft. in Kolkata, which would be completed by FY08. Apart from UK and USA, the company is also working towards expanding its operations to Asia Pacific and Far East countries. For FY07, it may register a top-line of Rs.100 cr. and bottom-line of Rs.8 cr. i.e. an EPS of Rs.11 on its current equity of Rs.7.40 cr.

*****

Tonira Pharma Ltd. (Code:530155) (Rs.19.55) is a well-known manufacturer and exporter of bulk drugs, drug intermediates and active pharmaceuticals ingredients (APIs) with 95% of its products exported to more than 80 countries worldwide. It also has an USFDA compliant manufacturing facility at Vadodara, Gujarat. For the December 2006 quarter, its sales rose by 40% to Rs.9.30 cr. and net profit also increased by 40% to Rs.1 cr. registering an EPS of Rs.1.20 for the quarter. Last year, it tied-up with US-based Apotex Corporation and Teva Pharmaceutical to supply four API drugs for a period of five years. For the full year FY07, it is estimated to register net sales of around Rs.38 cr. and PAT of nearly Rs.3 cr., which works out to an EPS of Rs.4 on its equity of Rs.7.90 cr. However, low promoter holding of around 27% maybe one of the reasons for its low discounting by the market.

FIFTY FIFTY

By Kukku

Investment Call

*** KCP Ltd. (Code:) (Rs.251.55)** is diversified into Cement and Heavy Engineering. The KCP Cement Division went operational in 1958 and was India's first dry process kiln.

KCP Ltd. has 5 divisions:

1. Cement - 5 lakh tonnes at Macherla, Andhra Pradesh
2. Hydropower - Small 8 MW power plant near Vinukonda
3. Engineering Workshop at Tiruvottiyur in Chennai - 130 acres
4. Sugar subsidiary in Vietnam
5. Biotech

The Heavy Engineering Division was established in 1955 as a sprawling High Technology Complex in Chennai and is a large highly integrated, modernized unit with Casting, Fabrication and Machining facilities required to manufacture large infrastructure machinery for core Industries like Sugar, Cement, Steel and Power. Its facilities and product range is comparable to heavy engineering units like Walchandnagar Industry and Larsen & Toubro.

An important highlight of its financial performance is its 58 year uninterrupted dividend record and its bonus capitalisation of shareholder wealth (98% of share capital) which is the 3rd highest in India.

The company's planning to put its real estate in Hyderabad, Vijayawada and Chennai (Thiruvatriyur) to proper use. The company proposes to develop a 3 star hotel at its land (3-4 acre) in Hyderabad at a cost of Rs.40 cr. and is in talks with leading hospitality chains for managing the property.

The company is also contemplating developing spare land at its Engineering unit at Chennai given its proximity to the Ennore Port. The company is also proposing to build a mall at Vijaywada where it has a land of less than half an acre. The last two projects are yet to be worked on financial parameters. The hotel projects will be largely funded by internal accruals and external borrowings. The new business forays will further free the business of the company from the cyclicality of the cement business and the capex dependent engineering business.

KCP holds some really prime property. The corporate office is located in Egmore just off Mount Road. The company has 30 grounds of posh property. Each ground = 2400 sq feet. MICO recently sold its property located close by at about Rs.2 cr. per ground about a year back. But since land prices have shot up, its land value should be around Rs.100 cr.

KCP had acquired 130 acres of land for its Engineering workshop in Tiruvottiyur, which has now developed into a middle class residential locality. According to local real estate brokers, the land is going at about Rs.1600 per sq. ft. Assuming it goes at Rs.1200 per sq. ft., the value of that property is about Rs.600 cr.

For the first nine months ended on 31st December 2006, the company ha reported sales of around Rs.201 cr. while net profit shot up to Rs.33.33 cr. after providing tax of around Rs.20 cr., on its capital of Rs.12.89 cr., which gives EPS of Rs.26 for the nine month period.

Seeing to the firm cement prices and its strong order position in heavy engineering, the company is likely to post an EPS of around Rs.36-40, which can go up to Rs.60/65 by FY08 on much higher contribution by all its divisions, mainly from the engineering division.

Seeing to its strong customer base of booming capital goods industry, huge real estate worth, highly profitable cement division, the stock looks very attractive at Rs.270 and has the potential to become another mini Walchandnagar, which was strongly advised repeatedly in this column from Rs.85/90 onwards. The stock is already under accumulation from smart knowledgeable HNIs.

Market Guidance

*** Accentia Technologies (Rs.67.85)** is attracting heavy buying from informed quarters. Keep a watch for an upmove.

***** Although **Revathi Equipment (Rs.705)** may not report encouraging results in this quarter, its long-term story is intact. It is very likely to report strong growth in top line and profits over the next two years. At the current price, the worst is already discounted. Investors should continue to hold it as a safe investment bet with long term target of above Rs.1500 or even more over the next 18 months.

***** Investors should stay invested if holding in **Navin Fluorine Int'l. (Rs.283), Ion Exchange ((Rs.138) and Ennore Foundries (Rs.158)**.

***** Investors are advised to keep watch on alcohol based raw material stocks like **Alkyl Amines Chemicals (Rs.90.70)** for a good upside.

* Keep a watch to add on reactions **Fortis Financial Services (Rs.102.80), Karnataka Bank (Rs.173.85), Zenith Fibres (Rs.25)** and **Garware Wall Ropes (Rs.85.75)**.

* Seeing to the projects it has in hand, **Ashiana Hsg. & Finance (Rs.167)** is likely to report an EPS of around Rs.20/22 in the current year which may go up to Rs.50/55 in the next year as it gives possession on completion of some of its projects. Investors should take benefit of this reaction to pick this stock.
* As warned earlier, keep away from the speculative or operator driven stocks. These stocks have suffered the most in this correction. Many market players who take investment positions in many of the stocks might influence company managements in presenting a better outlook to make quick money on better sentiment. Many big brokers, FIIs, funds managers and analysts, too, get trapped in this game. Investors are advised to remain very careful in such stocks.
* Investors are also advised to avoid high premium IPOs as many promoters are taking advantage of this bull run to come out with unjustified high premium issues. Investors must note that this will not last for long.

TOWER TALK

* Strong rumorus of Sensex touching 12000 post-budget are floating in the market. Marketmen and investors will remain edgy throughout the week.
* One camp of fundmental analysts and economists believes that the Budget will be full of positive surprises now that most of the negatives have already surfaced.
* Despite the market shaving off nearly 1000 points on the Sensex in a few sessions, **GNFC** is holding strong at Rs.105 on informed buying. Keep a close watch, as it may shoot up post budget.
* **Sesa Goa** may be taken over by Lakshmi Mittal at a good premium. Watch this scrip.
* Some restructuring and consolidation is expected in **Numeric Power.** Keep accumulating it at sharp declines as the scrip can once again test the Rs.500 level.
*The recent Sebi order on **Atlanta Ltd** for price rigging is just the tip of the iceberg. More such orders are likely from the watchdog body.
* Last week's carnage has left the market battered. However some stocks like **Steel Strips & Tubes** in the small cap segment held ground.
* Solid stocks like **Bayer Crop Science, Lanxess ABS** could be considered in this market, as they are available at attractive prices.
* **Shivalik Global** is performing well in the garment segment and is poised to step up gear in the Realty sector.
* While Realty stocks are coming down, the desire for owning land and houses can never subside. So, look out for good realty stocks at low P/E.
* With the pre-Budget segment turning negative even a normal Budget could turn out to be positive for the markets.
* **Jhunjhunwala Vanaspati** with a manufacturing unit in Sri Lanka, will benefit by the Centre's decision to de-canalise and allow duty-free vanaspati imports. Company is also a real estate story with its 300 acres near Varanasi.
* The promoter of **Radhe Developers** has increased his holding by purchasing from the open market. Is it a prelude to an FPO rights offer?
* **Vamshi Rubber** is expected to complete its expansion by end FY07 and benefit by the fall in raw material prices.
* **RT Exports** given its excellent Q3FY07 working is expected to zoom.
* **Prithvi Information Systems** stock is being acquired by persons close to the management and mutual funds. With a likely EPS of Rs.50 for FY07, the share is poised to touch Rs.500 in about one year.

* **Banco Products** is likely to consider liberal bonus in the current year on likely EPS of Rs.38-40 for FY07.The share would touch Rs.400.
* **Electrosteel Castings** may issue a liberal bonus in the current year.
* Bond markets are falling. God knows why, when things are working well for them!
* Tax exemption limits under Sec 80C may be raised to Rs.1.5 lakh from Rs.1 lakh.
* Multiplexes are already bleeding. Partial withdrawal of tax benefits may lend them a deadly blow.
* **ACC** and **Gujarat Ambuja** are considered safe bets at their Thursday's low. One can bid for them

at these rates.
* A revision in duties on rubber is in the offing, which may not allow the tyre companies to make hay any further.
* IPO pricing may turn saner if not fairer, after the listing of **Cairn India Ltd.**
* **GMR Infrastucture** is set to lead the race in building airports on a BOT basis.
* The **DCF Universal** IPO seems to be jinxed given the issue postponement, Sebi enquiry and penalty on promoters and the top out in realty stocks.

MARKET REVIEW

Sensex closes 723 points lower last week

By Ashok D. Singh

The BSE Sensex shed huge 723.02 points for the week ended 23 February 2007, to settle at 13,632.53. The NSE Nifty lost 207.30 points, to settle at 3,938.90.

The markets declined through the week amidst high volatility. Factors like the CRR-hike, rising inflation, concern over rising domestic interest rates, unwinding in derivatives ahead of the expiry of February 2007 contracts on 22 February 2007 and fear that short-term capital gains tax may be hiked in the Union Budget 2007-08 to be presented on 28th February 2007 were the major triggers for the fall.

Caution was also partly due to worries of a possible interest rate hike by the Bank of Japan, which raised benchmark lending rates in the country to 0.50% on 22 February 2007.

The BSE Mid-Cap Index shed 288.12 points for the week ended 23 February 2007, to settle at 5,664.89 compared with the previous week's closing of 5,953.01. The BSE Small-Cap Index shed 385.83 points to 6,904.43 compared with previous week's closing at 7,290.26.

On Monday (19 February), the BSE Sensex settled 47.35 points higher, at 14,402.90. It had opened firm, at 14,436.18, tracking the 346-point surge of Thursday (15 February 2007). After staying firm throughout the day, the market appeared to tire in the late-afternoon session. Profit booking in index-pivotals capped gains. Banking stocks, which had sharply declined in the past few sessions following the CRR hike were in demand.

On Tuesday (20 February), the Sensex lost 149.52 points (1%), to 14,253.38 in what was a broad-based correction. The undertone was cautious due to rising domestic interest rates and also due to concerns that the short-term capital gains tax may be hiked in the Union Budget 2007-08. Caution was also partly due to worries of a possible interest rate hike by the Bank of Japan, whose board was to meet the next day.

The Sensex lost 64.89 points, at 14,188.49, on Wednesday (21 February 2007). The Sensex remained volatile throughout. Although trading was devoid of wild swings, the benchmark Sensex frequently moved in and out of the red. After opening weak, the Sensex had recovered but finally succumbed to pressure at higher levels in the late afternoon.

Volatility continued on Thursday, (22 February) as well, when the February derivative contracts expired. A sudden sell-off gripped the market in late trading due to expiry of February 2007 derivative contracts. Much of the fall materialised in the last 50 minutes of trade. Cement, auto, banking shares and pharma pivotal weakened in late trading.

The Sensex closed at 14,021.31 with a fall of 167.18 points. On that day, it came off the lower level after briefly falling below 14,000. But for a relatively firm trend in index heavyweight Reliance Industries (RIL), the fall in the BSE Sensex could have been much steeper.

Friday (23rd February 2007) saw the BSE Sensex falling below the psychological level of 14,000 in the opening session itself as selling continued unabated throughout the day. A host of stocks from the small-cap and mid-cap space were heavily sold. The 30-shares BSE Sensex plunged 388.78 points (2.77%), to settle at 13,659.53. Market men are unwinding their long positions, choosing to watch from the sidelines, cautious, ahead of the Union Budget for 2007-08.

FIIs were net buyers to the tune of Rs.653.90 cr. during the first three days of the week, to 23 February 2007. For February 2007, till 23 February 2007, FIIs purchased shares worth Rs.4175.40 cr. The strong inflow was triggered by an upgrade in India's sovereign rating to investment grade by global ratings agency, Standard & Poor's, on 30th January 2007. Even mutual funds (MFs) were net buyers of equities worth Rs.152.28 cr. in the first four days of the week.

The market is expected to remain subdued in the run up to the Union Budget 2007-08, which will be presented in Parliament next Wednesday (28th February 2007) and shall lead the market trend.

MARKET

Market to bounce back

By G. S. Roongta

In last week's article, I had strongly supported the two global acquisitions made by India Inc. even though the stock markets had reacted to the news by beating down the share price of Tata Steel and Hindalco. I am happy to note that my contrarian point of view against market behaviour for these two stocks proved correct as their share prices stabilized and have remained firm throughout last week in an otherwise bearish market.

The BSE Sensex suffered a severe setback right from the beginning of the week and shed 723 points during the week. But both Tata Steel and Hindalco remained steady and Tata Steel closed higher against the closing of last week.

The pre-Budget rally has turned negative as several Nifty stocks crashed. The worst affected Nifty stocks that were beaten badly were ACC, Grasim, M&M, Tata Motors, Tata Tea and several others. There was a strong attempt to break the BSE Sensex support level of 14,000 on different occasions throughout the week and was finally beaten to close the Sensex lower at 13,633 after piercing Sensex 14,000 level twice during the week.

Interestingly, Thursday, 22nd February, was the last day for F&O transactions, which were due for expiry or roll over to March 2007. But keeping in mind the Budget blues and the associated risk, bulls did not roll over their positions to the next month but allowed the contracts to expire at the prevailing market prices, which in turn put heavy selling pressure on the market. This huge liquidation on expiry of bull contracts naturally led to a fall in stock prices of those particular stocks in the cash market. Sellers too opted to book profit by squaring up their short positions rather than roll them over to the next month. Thus the roll over by both bulls and bears was very little in percentage terms compared to earlier months.

ACC lost nearly 135 points from a high of Rs.1050 to Rs.915, Grasim nose dived by more than 380 points during the week. As a result, cement stocks suffered large scale liquidation and all frontline cement scrips suffered huge losses including Gujarat Ambuja Cements, India Cement, Shree Cements, JK Cement, JK Lakshmi Cement, etc.

Among steel counters, Tata Steel and SAIL were steady at or around its previous week's close and SAIL looked quite good as it hit a high of Rs.120 while closing at Rs.113.

Sugar and Technology shares exhibited a mixed trend. Real Estate, Construction and land based stocks continued to remain weak. These segments have shed nearly over 30% from their peak levels. The land bank stories, which were gathering momentum all these days seems to have fallen flat as bears hammered these stocks heavily. Realty and developers' scrips are suddenly considered too costly on the back of the hike in interest on home loans and fears that the Budget may cast some shadow on the future plans of this sector.

FIIs and mutual funds, too, adopted the wait and watch policy without taking any worthwhile position on either side in view of the impending Union Budget. Analysts are issuing mixed forecasts but are tight lipped about specific stocks as their market prices currently hover near to their peak levels and can move 10% on either side on alternate bouts of buying and selling during the Budget session, which is expected to be very volatile.

Investors should, therefore, opt to stay in cash rather than be fully invested. Obviously, shrewd investors would like to act after going through the fine print of the Finance Bill thoroughly to assess the final impact of the proposed levies.

However, my pre-Budget sectoral recommendations are for Steel, Cement, Fertilisers, Power generation, Power distribution, Textiles, Rural electrification and Agricultural related products. The government may either reduce custom duties on these sectoral products or provide some benefits by altering the excise duty levied on them.

I refrain from giving any stock specific recommendations on a short-term basis on pre-Budget considerations. Investors are advised to sit comfortably with liquid cash to enable them to rush in and buy fundamentally good stocks, whose prospects have brightened with the Budget proposals. Since revenue collection this year is excellent and will reduce the Budget deficit considerably, the finance minister may provide greater relief to the weaker sections of society and fixed income groups. He may not adopt any move or measure that may harm this section of society. This year, our Budget will be an eye catching one from the vote bank point of view because the ruling government is short of a clear majority and would like to lure voters by this year's Budget levies, which may enable the government to declare an early election in a crisis driven situation. Elections in UP is a live example of such a crisis driven situation created suddenly to oust the ruling Mulayam Singh government.

Apart from the expiry of the February 2007 contracts on Thursday, 22nd February, the latest Political developments in UP and the risk for the UPA Government after the withdrawal of support by the Samajwadi party is also a reason for the market to face such large scale liquidation of stocks on the expiry of the February contracts. This situation let to a free fall of stock price on the last day of the week i.e. Friday, 23rd February 2007 shedding over 400 points during intra-day session. The political situation in UP might turn tense, which may ring further alarm bells for investors.

ANALYSIS

Universal Cables Ltd.: Accumulate on declines

By Devdas Mogili

Universal Cables Ltd. (UCL), a 63-year old company belonging to the M.P. Birla Group, was originally incorporated as Hindustan Woollen Mills in 1945. Subsequently, its name was changed to the present one in tune with its new business.

UCL is also the co-promoter of Vindhya Telelinks, which manufactures jelly filled telephone cables (JFTC) and Birla Ericsson, which manufactures optical telecables. The company also merged Optic Fibre Goa Ltd. with itself with effect from 1st April 2005. Its operations can be broadly classified into three divisions i.e. Power Cables, Capacitors and Optic Fibre Cables. The company's manufacturing facilities are located at Verna Industrial Estate, Goa. R.P. Lodha is the chairman of the company.

UCL manufactures and markets electrical cables, wires and conductors. It has a tie up with Bristish Insulated Calender Cables (BICC), UK, the world's largest cable producer for production of paper-insulated power cables. Its power cables are sold under the brand name 'Unistar'.

The company has since expanded to produce bare overhead conductors, copper alloy trolley wires and catenaries for electric traction, thermoplastic cables up to and including 11 KV, elastomeric cables up to 35 KV, continuous cast and rolled aluminium, aluminium alloy rods etc.

UCL has entered into several tie-ups. Its capacitor division has a tie up with Toshiba, Japan and General Electric, USA to manufacture paper-insulated power capacitors. Its cable division has a collaboration agreement with Asea Kabel, Sweden, to manufacture polythene power cables upto 33 KV, which was extended to extra-high tension cables upto 145 KV and fluoroplastic cables.

UCL has developed several new products for the Defence sector as well as electronic equipment and has embarked on collaborative research in specific hi-tech areas in association with Bombay Atomic Research Centre (BARC) and the Indian Institute of Technology (IIT).

Performance: The company has reported very encouraging results for FY06. On net sales turnover of Rs.297.52 cr., it clocked a net profit of Rs.16.57 cr. registering a basic/diluted EPS of Rs.7.16.

Financial Highlights: For the 9 months ended 31st December 2006, it registered a net sales figure of Rs.264.57 cr. and recorded a net profit of Rs.15.76 cr. netting a basic/diluted EPS of Rs.6.81. The annualized EPS works out to Rs.9.30.

(Rs. in lakh)

Particulars	QE 31/12/06	QE 31/12/05	HYE 31/12/06	QE 31/12/05	YE 31/03/06
Sales/Income	9978	8296	30426	25577	34313
Less: Excise Duty	1214	1080	3969	3401	4561
Net Sales/Income	8764	7216	26457	22176	29752
Other Income	309	118	553	325	434
Total Expenditure					
a. Inc/Dec in Stocks	(542)	(40)	(2656)	491	148
b. Raw Materials	6386	4849	20307	14017	19625
c. Emp remu & benefits	605	510	1807	1594	2085
d. Other Expenditure	1498	1079	4041	3328	4569
Interest	154	102	486	382	495
Profit before Dep.	972	834	3025	2689	3264
Depreciation	192	163	598	465	633
Profit before tax	780	671	2427	2324	2631
Prov for tax					
Income Tax	218	-	818	-	-
MAT	-	36	-	122	140
Less: MAT Cr Entitlement	-	(36)	-	(122)	(140)
Def Tax charge/ (Cr)	50	224	6	752	932
FBT	12	12	27	32	42
Net Profit	**500**	**435**	**1576**	**1440**	**1657**
Paid up Equity (FV:Rs.10)	2313	2004	2313	2004	2004
Share capital suspense	-	309	-	309	309
Reserves					11865
Basic/Diluted EPS (Rs.) Not annualised	**2.16**	**1.88**	**6.81**	**6.23**	**7.16**

Latest Results: For Q3FY07, its sales improved by 21% to Rs.87.64 cr. and net profit rose by 15% to Rs.5 cr. as compared to Q3FY06. It recorded a basic/diluted EPS of Rs.2.16 and the annualized EPS works out to Rs.8.64.

Financials: The company has an equity base of Rs.20.04 cr. with a book value of Rs.69.2. As on 31st March 2006, it had a very attractive debt:equity ratio of 0.51 while the long-term debt:equity ratio was at 0.23.

Share Profile: UCL's shares with a face value of Rs.10 are listed and traded both on the BSE and NSE under B1 segment. Its share price touched a 52-week high of Rs.139 and a low of Rs.61. At its current market price of Rs.108, it has a market capitalistion of Rs.255 cr.

Dividends: The company has been paying dividends as shown below:

FY 1996 - 20%, FY 1997 - 20%, FY 1998 - 15%, FY 2000 - 10%, FY 2001 - 10%, FY 2005 - 10%, FY 2006 - 20%.

The company had to skip the payment of dividend for the years 1998-99 and again from 2001-02 to 2003-04. The company hiked the dividend by 10 points for the year 2005-06 from 10% to 20% for the year 2005-06.

Shareholding Pattern: As on 30th September 2006, the promoter holding in the company was 52.92% while the balance of 47.08% was held with by non-promoters, institutions and the investing public.

Prospects: The company is implementing a state-of-the-art technological upgradation-cum-expansion project for XLPE Cables using Vertical Continuous Vulcanizing (VCV) Line with capabilities of manufacturing both Medium Voltage (MV) and Extra High Voltage (EHV) Cables upto 400 KV. This plant will be one of its kind in India with capabilities to respond to High Voltage (HV) and EHV demand. In the short to medium-term, none of the indigenous players are envisaged to make a foray into the EHV cables market due to technology barriers and high investment cost. The cutting edge VCV technology would propel its strategic growth plan.

Conclusion: UCL has been reporting improved performance on QoQ basis. At its current market price of Rs.108, the share is discounted around 13 times its estimated earnings for FY07, which is also the industry average P/E multiple. Owing to its aggressive marketing strategy and overall performance, the company is expected to fare much better going forward. The share can be accumulated on any weakness with a medium to long-term perspective.

MONEY FOLIO

Page Industries IPO closes on 27th February

Page Industries Ltd., the exclusive licensee of Jockey International Inc. (USA) for India, Sri Lanka, Nepal, Bangladesh and Maldives, is entering the capital markets with an IPO of 28,04,000 equity shares of Rs.10 each, for cash at a premium through a 100% book building process in the price band of Rs.360 and Rs.395 per equity share. The issue opens on Friday, 23rd February and closes on Tuesday, 27th February. The issue will be listed on the BSE and NSE.

The objects of the offer are to: raise capital for brand building; expansion of garment manufacturing capacity in the existing facility; setting up of a new garment manufacturing facility at Bommasandra, Bangalore; expansion of the elastic manufacturing facility and socks manufacturing facility; purchasing a corporate head office at Bangalore; implementation of new generation ERP software (SAP) and modernization of production process.

For FY06, it posted a total income of Rs.103.8 cr. with a net profit of Rs.11.4 cr.

Teledata invests US $105 mn. in eSys Technologies, Singapore

Teledata Informatics, a technology solutions provider, has made a strategic investment of US $105 mn. To acquire the majority stake in Singapore headquartered IT distribution major and PC maker eSys Technologies Pte. Ltd., a US $2 bn. Company with a profit of about US $16 mn. This investment will enable Teledata to capitalize o the synergy between Teledata and eSys.

Teledata Informatics is a US $234 mn. Software solutions and services company with global operations across 18 countries and is one of the fastest growing Indian companies and among the top 50 software service providers globally.

For Q3FY07, Teledata posted a top-line growth of 464% with revenue of Rs.1252.48 cr. as compared to Rs.222.15 cr. during Q3FY06. Net income was Rs.150.62 and the EPS was Rs.8.77 compared to an EPS of Rs.4.44 in the corresponding previous period.

UTI MF launches Gold Exchange Traded Fund

UTI Mutual Fund has announced the launch of UTI Gold Exchange Traded Fund from Thursday, 1st March 2007. The New Fund Offer (NFO) closes on Monday, 12th March 2007.

UTI Gold Exchange Traded fund is an open ended exchange traded fund designed to track the performance and yield of gold. The scheme will be invested in gold bullion and will reflect the international price of the gold in the market. The objective of this scheme is to provide returns that, before expenses, closely track the performance and yield of gold.

Every unit of UTI GETF will approximately represent one gram of pure gold. Units allotted under the scheme will be credited to investor to investors demat accounts. This scheme offers opportunity to investors to diversify their portfolio by investing in gold without the hassles of handling the physical asset. Investors can buy and sell as small as one unit of the scheme on NSE once the scheme is listed. The minimum investment is Rs.20,000 and multiples of Re.1 thereafter. Entry load varies from 2.5% of NAV to 0.75% of NAV for those investing between Rs.2 to Rs.5 cr. in the scheme and waived for those investing Rs.5 cr. or more.

Garnet Construction ties up with Sternon Group, Dubai

Garnet Construction Ltd., a decade-old real estate property developer, has entered into an exclusive global marketing alliance with the Sternon Group, a Dubai-based real estate developers, builders and promoters to market its residential and commercial projects to prospective buyers around the world. This is the first-of-its-kind strategic alliance wherein an Indian developer will leverage a global partner to market his construction projects globally. This is also the first such exclusive marketing alliance initiative for the Sternon Group in the Indian sub-continent.

The Sternon Group, which operates in 28 countries, will have the exclusive rights to market Garnet Construction Ltd.'s mega residential and commercial township project, 'Magic Hills', spanning 400 acres at the Mumbai-Pune Express Highway near Panvel in Navi Mumbai. The project is valued at Rs.1,200 cr. with the residential portion (250 acres) accounting for Rs.900 cr. The 'Magic Hills' residential project offers plots, row houses and bungalows. It also comprises the IT park (75 acres) and educational institution portion (75 acres).

This one-of-its-kind township, which combines classic traditions and modern lifestyle, comprises all the modern amenities including recreational, retailing and educational facilities. The Sternon Group will invest upto US $ 3-4 million in this project and market the 'Magic Hills' project as an ideal home for investors, holiday-seekers and Non-Resident Indian families.

Superhouse plans Rs.45 cr. expansion

Leading manufacturer and exporter of leather footwear and accessories, Superhouse Ltd., an ISO 9001:14001 and OHSAS 18001 company is planning to foray in a big way into the retail sector. It proposes to make its 'Allen Cooper' brand of products available through franchisee mall and shopping arcades throughout the country. The Allen Cooper brand is exported to over 50 countries and is sold in northern India through company owned Allen Cooper shops. Besides increasing the share of franchise stores, Superhouse will target big retailers like Reliance Retail, Walmart, Big Bazars, etc. whose annual requirement is about Rs.6,000 cr.

Superhouse has also announced expansion plans of Rs.45 cr. to implement of doubling its tanning capacities and finished leather products. The company exports amounting to 80% of sales is made to more than 50 countries mainly to France, Germany, UK, Ireland, Spain China and the Gulf.

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