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September 2007

Weather improves but will it hold?

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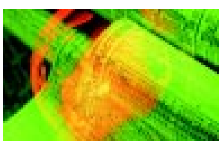
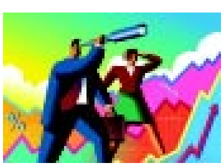




STOCK IDEAS STANDING (AS ON SEPTEMBER 03, 2007)														
COMPANY	RECO PRICE	PRICE TARGET	RECO DATE	CURRENT RECO	PRICE AS ON 03-SEPT-07	GAIN-LOSS (%)	ABSOLUTE PERFORMANCE				RELATIVE TO SENSEX			
							1M	3M	6M	12M	1M	3M	6M	12M
Evergreen														
HDFC Bank	358.0	1,355.0	23-Dec-03	Buy	1,176.2	228.5	-2.3	2.8	26.4	38.2	-0.9	-3.0	5.8	4.3
Infosys Technologies	689.1	2,440.0	30-Dec-03	Buy	1,862.0	170.2	-6.2	-3.1	-10.4	3.2	-4.9	-8.5	-25.0	-22.2
Reliance Ind	567.0	**	5-Feb-04	Buy	1,955.6	244.9	3.6	11.3	45.8	76.8	5.0	5.0	22.1	33.4
Tata Consultancy Services	852.5	1,425.0	6-Mar-06	Buy	1,058.8	24.2	-8.1	-11.4	-9.9	8.1	-6.8	-16.4	-24.5	-18.4
Apple Green														
ACC	260.0	1,210.0	10-Aug-04	Buy	1,071.1	312.0	1.6	25.8	22.0	20.7	3.0	18.8	2.1	-8.9
Aditya Birla Nuvo	714.0	1,600.0	6-Dec-05	Buy	1,388.9	94.5	-5.9	-1.2	16.8	79.9	-4.6	-6.7	-2.3	35.8
Apollo Tyres	34.4	42.5	28-Nov-06	Buy	39.8	15.7	7.4	13.4	34.8	34.1	8.9	7.0	12.8	1.2
Bajaj Auto	1,873.0	2,550.0	15-Nov-05	Buy	2,321.5	23.9	-0.6	7.4	-8.7	-11.4	0.7	1.4	-23.6	-33.1
Bank of Baroda	239.0	366.0	25-Aug-06	Buy	282.4	18.2	-10.8	-1.7	24.8	9.4	-9.6	-7.2	4.4	-17.4
Bank of India	135.0	280.0	25-Aug-06	Buy	249.3	84.6	-5.4	17.2	52.1	74.4	-4.1	10.6	27.3	31.6
Bharat Bijlee	192.3	2,425.0	29-Nov-04	Buy	2,393.3	1,144.5	-0.4	29.4	98.5	143.8	1.0	22.1	66.2	84.0
Bharat Electronics	1,108.0	1,975.0	25-Sep-06	Buy	1,751.2	58.1	-4.2	-6.1	11.3	48.4	-2.8	-11.3	-6.9	12.0
Bharat Heavy Electricals	1,203.0	1,954.0	11-Nov-05	Buy	1,941.0	61.3	9.4	35.5	74.1	68.7	11.0	27.8	45.7	27.3
Bharti Airtel	625.0	1,100.0	8-Jan-07	Buy	871.5	39.4	-2.6	3.8	22.4	114.1	-1.3	-2.1	2.5	61.6
Canara Bank	213.0	315.0	25-Aug-06	Buy	251.7	18.2	-6.8	2.7	19.1	13.3	-5.5	-3.1	-0.3	-14.5
Corp Bank	218.0	422.0	19-Dec-03	Buy	339.3	55.6	-8.6	1.9	31.2	9.2	-7.3	-3.8	9.8	-17.6
Crompton Greaves	88.1	314.0	19-Aug-05	Buy	311.8	253.7	4.5	24.0	55.2	106.1	6.0	17.0	29.9	55.5
Elder Pharma	298.0	508.0	26-Apr-06	Buy	380.0	27.5	-4.1	-2.2	-2.8	5.7	-2.7	-7.7	-18.6	-20.2
Grasim	1,119.0	3,250.0	30-Aug-04	Buy	2,935.6	162.3	-0.7	17.3	34.5	32.0	0.6	10.7	12.6	-0.4
Hindustan Unilever	172.0	280.0	24-Nov-05	Buy	209.2	21.6	2.6	4.0	22.0	-8.4	4.0	-1.8	2.1	-30.9
HCL Technologies	103.0	395.0	30-Dec-03	Buy	310.5	201.4	-3.6	-11.8	2.4	7.3	-2.2	-16.8	-14.3	-19.0
ICICI Bank	284.0	1,173.0	23-Dec-03	Buy	907.3	219.5	-4.6	-2.7	7.5	49.9	-3.3	-8.2	-10.0	13.2
Indian Hotel Company	76.6	180.0	17-Nov-05	Buy	129.8	69.4	-8.7	-11.6	-9.9	-0.9	-7.4	-16.6	-24.6	-25.2
ITC	69.5	200.0	12-Aug-04	Buy	173.9	150.1	-0.1	6.3	1.2	-9.0	1.3	0.3	-15.3	-31.4
Lupin	403.5	840.0	6-Jan-06	Buy	598.5	48.3	-8.9	-16.9	-2.1	17.7	-7.6	-21.6	-18.1	-11.2
M&M	232.0	900.0	1-Apr-04	Buy	721.5	211.0	-2.8	-6.0	-10.7	10.8	-1.4	-11.3	-25.3	-16.4
Marico	7.7	70.0	22-Aug-02	Buy	59.0	665.6	3.5	0.5	-5.4	14.6	4.9	-5.2	-20.8	-13.5
Maruti Udyog	360.0	921.0	23-Dec-03	Buy	880.9	144.7	3.6	6.8	4.0	1.4	5.0	0.8	-13.0	-23.5
Nicholas Piramal	146.0	326.0	16-Mar-04	Buy	288.2	97.4	0.2	7.1	21.2	21.1	1.6	1.1	1.5	-8.6
Ranbaxy	533.5	500.0	24-Dec-03	Buy	396.2	-25.7	0.4	0.9	17.9	-1.5	1.7	-4.8	-1.3	-25.7
Satyam Computers	181.5	538.0	30-Dec-03	Buy	449.9	147.9	-6.9	-4.2	9.1	11.6	-5.6	-9.6	-8.7	-15.8
SKF India	141.0	500.0	23-Dec-04	Buy	402.3	185.3	-5.4	-10.3	31.1	44.7	-4.1	-15.4	9.8	9.2
SBI	476.0	1,780.0	19-Dec-03	Buy	1,605.6	237.3	-1.5	19.6	55.6	73.9	-0.2	12.8	30.2	31.2
Sundaram Clayton	1,178.0	1,350.0	15-May-06	Buy	712.2	-39.5	-10.2	-26.7	-37.1	-30.4	-9.0	-30.8	-47.4	-47.5
Tata Motors	473.0	792.0	29-Mar-04	Buy	703.0	48.6	0.4	-5.5	-8.7	-15.3	1.8	-10.8	-23.6	-36.1
Tata Tea	789.0	970.0	12-Aug-05	Buy	767.2	-2.8	-2.4	-16.8	24.2	-4.1	-1.1	-21.5	4.0	-27.7
Unichem Laboratories	248.0	360.0	12-Dec-05	Buy	225.3	-9.2	-4.9	-14.7	-11.5	-4.2	-3.5	-19.5	-25.9	-27.7
Wipro	418.0	648.0	9-Jun-06	Buy	475.4	13.7	-2.7	-11.3	-13.1	-5.9	-1.4	-16.3	-27.3	-29.0
Emerging Star														
3i Infotech	66.0	200.0	6-Oct-05	Buy	148.6	125.1	-0.7	-4.7	22.3	80.1	0.7	-10.1	2.3	35.9
Aban Offshore	330.4	3,540.0	3-Mar-05	Buy	2,873.7	769.8	-2.6	12.1	63.4	138.3	-1.3	5.8	36.8	79.8
Alphageo india	150.0	517.0	29-Nov-06	Buy	367.3	144.9	-6.7	12.1	85.6	160.9	-5.4	5.8	55.4	96.9
Axis Bank (UTI Bank)	229.4	725.0	24-Feb-05	Buy	635.4	177.0	1.2	9.4	39.0	86.5	2.6	3.2	16.3	40.7
Balaji Telefilms	231.0	303.0	9-Jul-07	Buy	260.1	12.6	4.5	20.3	138.1	108.2	5.9	13.5	99.3	57.1
Cadila Healthcare	297.5	425.0	21-Mar-06	Buy	309.3	4.0	-13.0	-7.9	-3.4	-8.3	-11.8	-13.1	-19.1	-30.8
Federal-Mogul Goetze	385.0	559.0	18-Jan-07	Buy	165.1	-57.1	-5.6	-34.2	-50.9	-46.0	-4.3	-37.9	-58.9	-59.2
KSB Pumps	399.0	625.0	3-Oct-05	Buy	510.0	27.8	-8.2	0.1	-2.6	-1.9	-6.9	-5.5	-18.5	-25.9
Marksans Pharma	236.0	360.0	7-Mar-06	Buy	49.5	-79.0	-11.4	-8.7	-40.7	-58.0	-10.2	-13.8	-50.3	-68.3
Navneet Publications	56.8	67.0	22-Aug-05	Buy	60.7	6.9	-0.3	-3.5	6.7	3.5	1.1	-9.0	-10.7	-21.9
Network 18 Fincap	476.0	651.0	20-Jun-07	Buy	369.1	-22.5	-14.6	-26.1	8.9	-	-13.4	-30.3	-8.8	-
Nucleus Software Exports	248.0	460.0	12-Dec-06	Hold	352.4	42.1	-19.8	-31.0	-32.5	82.8	-18.7	-34.9	-43.5	37.9

REPORT CARD

STOCK IDEAS STANDING (AS ON SEPTEMBER 03, 2007)														
COMPANY	RECO PRICE	PRICE TARGET	RECO DATE	CURRENT RECO	PRICE AS ON 03-SEPT-07	GAIN/ LOSS (%)	ABSOLUTE PERFORMANCE				RELATIVE TO SENSEX			
							1M	3M	6M	12M	1M	3M	6M	12M
Orchid Chemicals	254.0	375.0	16-Jan-06	Buy	206.8	-18.6	-9.6	-21.0	-9.5	1.6	-8.4	-25.4	-24.3	-23.4
ORG Informatics	130.0	184.0	16-Dec-05	Buy	106.0	-18.5	-11.1	-6.1	-23.2	26.1	-9.9	-11.4	-35.7	-4.9
Tata Elxsi	232.0	370.0	14-Dec-06	Buy	311.6	34.3	6.0	-7.6	16.5	46.8	7.4	-12.9	-2.5	10.8
Television Eighteen India	219.0	967.0	23-May-05	Buy	825.4	276.9	-3.5	-3.8	40.0	89.1	-2.1	-9.2	17.2	42.7
Thermax	124.2	700.0	14-Jun-05	Buy	644.7	419.1	-1.2	27.2	69.4	120.4	0.1	20.0	41.8	66.3
Ugly Duckling														
Ahmednagar Forgings	250.0	380.0	10-Oct-06	Buy	249.6	-0.2	-6.5	4.9	-3.8	35.0	-5.2	-1.0	-19.5	1.9
Ashok Leyland	38.0	42.0	23-May-06	Hold	38.4	1.1	2.0	2.0	-0.8	-0.3	3.4	-3.7	-17.0	-24.8
Aurobindo Pharma	684.0	914.0	28-May-07	Buy	616.0	-9.9	-7.3	-11.7	-4.8	-3.1	-6.0	-16.7	-20.3	-26.9
BASF	220.0	300.0	18-Sep-06	Buy	271.2	23.3	-5.2	2.7	32.9	25.6	-3.9	-3.1	11.2	-5.2
Ceat	122.0	216.0	28-Nov-06	Buy	164.2	34.6	-9.8	-9.2	40.7	60.7	-8.6	-14.3	17.8	21.3
Deepak Fert	50.6	126.0	17-Mar-05	Buy	106.1	109.7	0.7	25.9	27.0	35.1	2.1	18.8	6.3	1.9
Genus Overseas	101.0	**	6-Jul-05	Buy	509.1	404.0	23.7	97.2	87.3	153.5	25.4	86.1	56.8	91.3
Hexaware Technologies	159.0	184.0	30-Mar-07	Buy	122.0	-23.3	-10.2	-22.1	-18.3	-19.2	-9.0	-26.5	-31.6	-39.0
ICI India	250.0	581.0	26-May-05	Buy	521.2	108.5	4.1	5.7	28.2	77.3	5.5	-0.2	7.3	33.8
India Cements	220.0	300.0	28-Sep-06	Buy	250.3	13.8	12.5	37.0	37.5	22.9	14.0	29.3	15.1	-7.3
Indo Tech Transformer	199.0	**	28-Nov-06	Buy	563.4	183.1	17.8	60.2	104.0	246.4	19.5	51.2	70.7	161.4
Jaiprakash Associates	125.0	1,061.0	30-Dec-03	Buy	910.9	628.7	9.3	31.4	67.0	112.9	10.8	24.0	39.8	60.7
KEI Industries	39.4	125.0	30-Aug-05	Buy	76.7	94.7	-16.0	-22.8	-7.2	19.5	-14.8	-27.2	-22.3	-9.8
NIIT Technologies	136.0	460.0	31-Mar-06	Buy	347.1	155.2	-1.8	-22.2	18.2	151.6	-0.5	-26.6	-1.1	89.9
Punjab National Bank	180.0	636.0	19-Dec-03	Buy	490.9	172.7	-5.9	-8.6	15.5	5.2	-4.6	-13.8	-3.3	-20.6
Ratnamani Metals	270.0	1,215.0	8-Dec-05	Buy	1,145.2	324.1	19.9	32.3	66.7	245.3	21.6	24.8	39.5	160.6
Sanghvi Movers	53.0	210.0	5-Aug-05	Buy	206.5	289.6	17.3	37.0	46.6	61.2	18.9	29.3	22.7	21.6
Saregama India	149.0	375.0	4-Jul-05	Buy	251.5	68.8	-17.6	-14.4	13.0	39.2	-16.4	-19.2	-5.4	5.1
Selan Exploration	58.0	126.0	20-Mar-06	Buy	107.5	85.3	2.3	30.4	38.2	57.8	3.7	23.1	15.6	19.1
Seamec	190.0	300.0	12-Oct-06	Buy	226.5	19.2	-1.3	13.5	13.1	24.5	0.0	7.1	-5.3	-6.1
Subros	206.0	340.0	26-Apr-06	Buy	221.6	7.6	-5.0	-5.0	-2.6	5.1	-3.7	-10.4	-18.5	-20.7
Sun Pharmaceutical	302.0	1,287.0	24-Dec-03	Buy	944.7	212.8	0.1	-16.0	9.1	12.4	1.4	-20.7	-8.7	-15.2
Surya Pharma	139.0	205.0	2-Dec-05	Buy	81.9	-41.1	6.5	13.7	15.4	-10.1	8.0	7.3	-3.4	-32.2
UltraTech Cement	384.0	1,100.0	10-Aug-05	Buy	946.2	146.4	-1.3	11.3	3.8	20.3	0.1	5.0	-13.1	-9.2
Union Bank of India	46.0	192.0	19-Dec-03	Buy	140.8	206.1	-12.4	15.1	41.8	20.2	-11.2	8.6	18.6	-9.3
Universal Cables	123.0	179.0	30-Aug-05	Buy	94.5	-23.2	-6.4	-17.9	-3.9	-3.4	-5.2	-22.6	-19.6	-27.1
Wockhardt	248.0	552.0	24-Dec-03	Buy	401.4	61.8	-0.7	-7.4	9.7	6.7	0.7	-12.6	-8.2	-19.5
Zensar Technologies	342.0	442.0	18-Jun-07	Buy	212.0	-38.0	-20.5	-41.5	-9.5	-2.6	-19.4	-44.8	-24.2	-26.5
Vulture's Pick														
Esab India	60.0	575.0	21-May-04	Buy	497.5	729.2	7.8	22.6	40.9	37.5	9.3	15.7	18.0	3.8
Orient Paper	214.0	680.0	30-Aug-05	Buy	447.8	109.2	-5.4	4.9	5.4	8.4	-4.1	-1.0	-11.8	-18.2
WS Industries	51.0	108.0	2-Dec-05	Buy	86.0	68.5	17.5	70.8	68.8	74.9	19.1	61.2	41.2	32.0
Cannonball														
Allahabad Bank	73.0	125.0	25-Aug-06	Buy	92.2	26.2	-5.2	9.9	23.4	28.1	-3.9	3.7	3.3	-3.3
Andhra Bank	85.0	117.0	25-Aug-06	Buy	86.5	1.7	0.1	-0.2	15.6	2.2	1.5	-5.8	-3.2	-22.9
Gateway Distriparks	190.0	250.0	11-Aug-05	Buy	132.0	-30.6	-10.7	-9.5	0.9	-3.3	-9.5	-14.6	-15.6	-27.0
International Combustion	350.0	519.0	20-Sep-05	Buy	407.3	16.4	-6.4	28.2	37.3	36.2	-5.1	21.0	14.9	2.8
J K Cement	149.0	200.0	17-Nov-05	Buy	170.7	14.5	-3.0	10.5	4.4	-0.7	-1.6	4.2	-12.6	-25.1
Madras Cement	1,498.0	3,700.0	17-Nov-05	Buy	3,661.9	144.5	7.9	28.8	25.2	26.8	9.4	21.6	4.8	-4.3
Shree Cement	445.0	1,625.0	17-Nov-05	Buy	1,295.4	191.1	-3.4	-1.0	7.7	29.5	-2.0	-6.6	-9.9	-2.3
Tourism Finance Corporation	17.1	30.0	25-Jun-07	Buy	26.0	52.0	30.2	49.0	50.7	155.9	32.0	40.6	26.2	93.1
Transport Corporation	52.2	**	9-Dec-05	Hold	112.2	114.8	0.5	32.3	74.5	102.2	1.9	24.8	46.0	52.6

** Price under review

REPORT CARD: STOCK IDEAS BOOKED					
COMPANY	RECOMMENDED AT (Rs)	RECOMMENDED ON	BOOKED AT (Rs)	BOOKED ON	APPRECIATION (%)
JM Financial	214.0	August 29, 2005	1,330.0	August 24, 2007	521.0

Weather improves but will it hold?

As if the global concerns related to the US subprime crisis were not enough, the market also had to deal with a political storm at home last month. At the heart of this storm was the historic 123 nuclear agreement signed between India and the USA recently. No sooner had the government released the text of this agreement than its Left allies rejected the pact, branding it as flawed and a sell-out of the nation's interests. Things reached a deadlock soon and at one point it even appeared that the Left would withdraw support to the government. Thankfully, the government managed to reach a truce with its communist allies and the immediate crisis was averted. Predictably, the market reacted to the political drama with extreme volatility but as the concerns on the domestic front subsided, the market also settled down.

What must have also calmed the market's nerves are the worldwide efforts to contain the damage caused by the US subprime lending crisis. In Europe, European Central Bank and Bank of England have offered to provide additional cash to banks to bring down the cost of credit and facilitate lending between banks. Both the central banks have also held back on interest rate hikes. Japan's chief financial regulator Yoshimi Watanabe has said that he will monitor the country's banks for any losses related to the US subprime mess. In the USA, the nerve centre of the subprime crisis, President George W Bush has announced a measured plan to help stabilise the markets and provide loan guarantees to some of the defaulting borrowers. The US Federal Reserve (Fed) too, in an unexpected move, has lowered its discount rate (the rate at which it directly lends to banks) by 0.5 percentage points to 5.75% to tackle the credit squeeze resulting from the collapse of the subprime lending market. The Fed has changed its stance and will act to stabilise the market. The VIX (the Chicago Board Options Exchange Volatility Index), which had shot up to more than 30 has settled now at a lower level of 22. News flow on losses related to subprime/CDO has also abated.

Adding good cheer is the Indian economy's surprise performance in the first quarter. Allaying fears that the rising cost of credit and the appreciation in the rupee may have slowed down the economy, India's gross domestic product (GDP) grew at a healthy pace of 9.3% in the first quarter of FY2008, ahead of market expectations of 9% growth. The growth was driven by the industrial and service sectors both of which grew by 10.6% during the quarter. What's remarkable about the first quarter's performance is that the same was achieved despite the high base of Q1FY2007 when the GDP had grown by 9.6%. Equally heartening is the fact that the agricultural sector showed signs of revival—agricultural produce saw an increase of 3.8% in Q1FY2008 vs a 2.8% rise a year ago.

There are also signs of recovery in certain other sectors that were expected to have been hit hard by the rising cost of credit and the strengthening rupee. For instance, there has been some improvement in exports: exports in dollar terms reported a growth of 18.5% year on year in July 2007 but in rupee terms the increase was only of 3%. Export data of the next two months would make it clear whether the sector has actually recovered or the lag effect is yet to be reflected. After a lacklustre performance in June and July, the automobile sector too saw a pick-up in sales of two-wheelers and four-wheelers in August. Sales of automobiles are expected to pick up further with the onset of the festival season.

contd....

Inflation remains under control. In fact, for the first time in 15 months the inflation rate has fallen below the 4% mark—it dropped to 3.79% for the week ended August 25. The tax collections are very strong. Net tax collection grew by 42% in the April-August period with the corporate tax collection rising by 49%. Loan growth has also begun to pick up with the year-to-date growth up 0.5% from a negative 0.7% a month back.

The government has restricted external commercial borrowings (ECBs) above $20 million with a view to controlling the huge capital inflow through the ECB route. This would help to reduce the overall money supply in the economy, which is also a concern area for the Reserve Bank of India (RBI). It would also help to arrest the sustained appreciation in the rupee and provide some relief to the export oriented sectors. However, interest rates may not soften in the near term, as the money supply is likely to reduce and the domestic credit demand is likely to increase which would maintain a firm bias over the interest rates. Meanwhile the central bank's official growth estimate for the entire fiscal remains 8.5% whereas the finance minister is confident that the economy will maintain the 9% growth rate in FY2008. We feel the next two months' economic data would be crucial, as the same would provide a clearer picture of the economy's pace of growth.

The economy's impressive performance so far has seen a unidirectional flow of foreign direct investments. In the first two months of this financial year, the country received foreign direct investments to the tune of Rs15,180 crore compared with Rs2,972 crore for the corresponding period of FY2007, denoting a whopping growth of 180% year on year. Significantly, Japan would be investing in the country's infrastructure in a big way. During his recent visit to the country accompanied by 180 top businessmen of his country, the Japanese premier Shinzo Abe discussed a plan to build a $90-billion industrial corridor with state-of-the-art infrastructure linking the national capital with the financial capital. As much as one-third of the funds for this project would come from Japan.

Foreign institutional investors (FIIs) continue to buy into the India story. After selling shares worth a net of Rs7,770.50 crore in August, the FIIs helped the market recover from the last month's fall by purchasing shares worth a net of Rs2,245.80 crore in four trading sessions from August 31, 2007 to September 5, 2007. The FIIs have been the main driver of the market in the current bull run and the fact that they still find the Indian stock market attractive, especially after the last month's sell-off on global concerns, is reassuring.

Even though the sun is shining through the clouds again, we feel developments within the country, in the USA and the financial markets worldwide need to be watched closely as the same could influence our market in the near term. In the USA, so far the subprime lending concerns have not yet spread to the other sectors of the economy but it remains to be seen for how long this will hold true. Admittedly, the GDP growth in the second quarter at 4% was the fastest since the start of 2006 and overshadowed the nominal 0.6% growth recorded in the first quarter, but analysts believe that growth has peaked and will slow down sharply in the coming quarters. If the subprime lending crisis worsens, it could increase the chances of a downturn in the USA, which the RBI feels could affect growth in the emerging

contd....

economies like India. It could also force foreign investors to reassess their risks and withdraw capital from the emerging markets, thereby affecting liquidity and setting off widespread volatility in financial markets across the globe. However, the Fed chief is under pressure to cut the Fed rate to boost consumer spending and prevent the US economy from slowing down. Interest rate futures show traders are betting with 100% certainty that the Fed will cut the borrowing cost by at least 25 basis points to 5% at its September 18 meeting. A rate cut by the Fed could stimulate fresh appetite for riskier assets like equities of emerging economies like India.

The yen, which continues to appreciate against the other major global currencies on negative US economic data and a drop in the demand for riskier investments following the subprime crisis, also needs to be monitored. A lot of yen money has been invested in the Indian market and any more rise in the yen may set off another bout of unwinding of the yen carry trades and this could destabilise our market. Crude has hardened. Brent crude oil has risen to $75 and crude prices are expected to go up further because supplies are falling and demand remains strong.

Back home, the subprime concerns don't directly affect Indian banks as they don't have any exposure to the US subprime securities. However, a global liquidity crunch has shot up bond yields across the globe. After several central banks assured the market of proper availability of liquidity, the markets have stabilised but bond yields have not gone down to the pre-subprime crisis levels. Thus, higher bond yields would result in higher investment provisions for Indian banks and affect profitability to some extent. If the subprime issue resurfaces and global liquidity dries up, then we could witness an outflow of foreign money. This could put further pressure on interest rates while the rupee could weaken.

Also, though an uneasy truce has been reached between the government and the Left parties over the 123 nuclear agreement, the same is only temporary and the issue might flare up again when the government decides to operationalise the nuclear deal. Two, India Inc will announce its results for the second quarter next month. The base of last year is moderate at 22.8%. However the extraordinary foreign exchange (forex) gains reported by some companies in the first quarter of this year due the appreciating rupee would be absent in the second quarter and some companies could even report forex losses because the rupee is likely to end the second quarter below its June 2007 highs. Since rupee exports in July grew at 3% but corporate tax collection increased by 49% in the April-August period, the trend in corporate earnings would be difficult to gauge. Hence the remaining data to be released before the announcement of the Q2 results would present a better picture of the things to come.

Ergo we advise caution when dealing with the market in the near term. Raise your cash levels and be prepared for some volatility. Invest only in quality stocks like Sharekhan's Stock Ideas. Remember, India's economic growth story remains intact and this fact alone should make the stock market a safe bet in the long term. ■

Sharekhan Top Picks

Sharekhan top picks

In the August 2007 issue, we had recommended the best 12 of our Stock Ideas as Sharekhan Top Picks. As on September 3, 2007, the basket of stocks has given an absolute return of 5.4% as compared with a 2.9% appreciation in the Sensex and a 2.7% rise in the S&P CNX Nifty.

This month, we have made just one change in the portfolio. We have replaced ITC with Infosys Technologies. The change is in line with our overweight stance on the front-line tech stocks. After the steep correction in the tech counters (a correction that seems to have been overdone), the quality tech stocks are available at attractive valuations.

NAME	CMP* (RS)	PER FY07	PER FY08E	PER FY09E	ROE (%) FY07	ROE (%) FY08E	ROE (%) FY09E	TARGET PRICE	UPSIDE (%)
Balaji Telefilms	260.1	21.3	17.3	14.2	28.6	28.6	28.0	303.0	16.5%
Bharat Bijlee	2,393.3	24.5	17.7	13.1	48.8	42.9	40.1	2,425.0	1.3%
Bharat Heavy Electricals	1,941.0	39.4	30.9	24.8	26.2	25.9	25.7	1,954.0	0.7%
Bharti Airtel	871.5	38.7	26.0	20.6	29.1	33.0	32.0	1,100.0	26.2%
Grasim	2,935.6	13.7	11.1	12.7	27.5	27.2	27.0	3,250.0	10.7%
HCL Technologies**	310.5	16.9	16.8	13.0	21.7	23.1	22.7	395.0	27.2%
HDFC Bank	1,176.2	32.9	27.9	21.3	19.3	15.9	15.6	1,355.0	15.2%
Hindustan Unilever#	209.2	29.9	24.6	21.8	56.5	57.4	52.0	280.0	33.8%
Infosys Technologies	1,862.0	27.8	22.7	18.0	34.3	33.2	32.4	2,440.0	31.1%
Jaiprakash Associates	910.9	44.9	29.8	26.0	16.1	15.5	15.3	1,061.0	16.5%
Madras Cement	3,661.9	14.3	9.9	8.3	46.3	41.7	34.1	3,700.0	1.0%
Maruti Udyog	880.9	16.6	14.0	12.3	24.9	26.1	23.8	921.0	4.6%

* CMP as on September 03, 2007 **June ending company #December ending company

NAME	CMP (RS)	PER FY07	PER FY08E	PER FY09E	ROE (%) FY07	ROE (%) FY08E	ROE (%) FY09E	TARGET PRICE	UPSIDE (%)
BALAJI TELEFILMS	**260.1**	21.3	17.3	14.2	28.6	28.6	28.0	**303.0**	16.5%

Remarks:

- The flurry of entertainment channels to be launched over the next couple of years would result in a huge opportunity for quality and leading content providers such as Balaji Telefilms.
- Balaji has an established presence in the general entertainment channel category and is among the top content provider for channels like Star, Zee and Sony for past few years. Its shows consistently figure in the top slots on the rating charts.
- Going forward, the joint venture with Star for launch of at least six regional entertainment channels would create substantial value for the shareholders. Balaji would produce ~530 hours of annual prime time content for each of these channels, thus scaling up its core content business.
- At current market price the the stock quotes at 14.2x its FY2009 estimated earnings. Our sum-of-parts valuation gives us a target price of Rs303.

NAME	CMP (RS)	PER FY07	PER FY08E	PER FY09E	ROE (%) FY07	ROE (%) FY08E	ROE (%) FY09E	TARGET PRICE	UPSIDE (%)
BHARAT BIJLEE	**2,393.3**	24.5	17.7	13.1	48.8	42.9	40.1	**2,425.0**	1.3%

Remarks:

- Bharat Bijlee, a leading transformer manufacturing company, shall benefit from huge investments in the T&D sector.
- The company has increased its transformer manufacturing capacity from 5000MVA to 8000MVA and considering the robust demand for power generation, transmission and distribution, the company plans to further increase the transformer manufacturing capacity to 11,000MVA.
- The order inflows for motors, transformers and projects increased by 77% from Rs325.3 crore in FY2006 to Rs574.8 crore in FY2007.
- The stock trades at a PER of 13.1x its FY2009E and we expect its revenues to grow at a CAGR of 26.8% over FY2007-09E.

NAME	CMP (RS)	PER FY07	PER FY08E	PER FY09E	ROE (%) FY07	ROE (%) FY08E	ROE (%) FY09E	TARGET PRICE	UPSIDE (%)
BHARAT HEAVY ELECTRICALS	**1,941.0**	39.4	30.9	24.8	26.2	25.9	25.7	**1,954.0**	0.7%

Remarks:

- Bharat Heavy Electricals Ltd (BHEL), a leading supplier of power equipment, will be the prime beneficiary of a four-fold increase in the investments (Rs500,000 crore in the 11th Five-Year Plan as against Rs112,000 crore in the 9th Five-Year Plan) being made in the power sector.
- BHEL's current order book of Rs62,400 crore, ie 3.6x its FY2007 revenue, provides high earnings visibility.
- The power ministry has proposed around five ultra mega power projects entailing a capacity addition of 20,000MW (4,000MWx5) with the combined turnkey value of at least Rs80,000 crore.
- BHEL's recent technology transfer agreement with Alstom for design and manufacture of large-sized (500MW+) super-critical boilers will enable it to bid for the ultra mega power projects. We expect BHEL to bag a fair share out of this huge Rs80,000-crore potential investment, which in turn will maintain the growth momentum in the company's order book.
- The stock trades at a PER of 24.8x its FY2009E earnings. BHEL's valuation looks attractive as compared with that of its peers, such as Siemens, ABB and Larsen and Toubro.

BHARTI AIRTEL	**871.5**	38.7	26.0	20.6	29.1	33.0	32.0	**1,100.0**	26.2%

Remarks:

- Bharti Airtel, the largest wireless telephony service operator, is one of the key beneficiaries of the consumption boom in the country. It has reportedly added subscribers at a healthy CAGR of over 75% in the past three years and is expected to increase its subscriber base at a CAGR of over 35% over the next two years.
- The company's focus on introducing innovative services, cost control measures and growing economies of scale is resulting in an improvement in its margins, despite the continued pressure on the average revenue per unit (ARPU). Consequently, the earnings are estimated to grow at CAGR of over 46% over the three-year period FY2006-09.
- At the current market price the stock trades attractively at 26.0x FY2008 and 20.6x FY2009 earning estimates.

GRASIM	**2,935.6**	13.7	11.1	12.7	27.5	27.2	27.0	**3,250.0**	10.7%

Remarks:

- Grasim Industries will be augmenting its capacity by 9.5MMT comprising two greenfield units of 4MMT each at Kotputli and Shambhupura, and a brownfield expansion of 1.5MMT. With the tight demand-supply situation expected to persist in FY2009, the incremental volumes will augur well for the company.
- With the outlook for the VSF business remaining positive, the incremental volumes coupled with a firm pricing scenario will provide stability for the company's business.
- These two factors coupled with the incremental profits from the UltraTech's business will boost the consolidated earnings of the company.

HCL TECHNOLOGIES**	**310.5**	16.9	16.8	13.0	21.7	23.1	22.7	**395.0**	27.2%

Remarks:

- HCL Technologies is benefiting from its differentiated strategy to focus on uncontested spaces such as infrastructure management and custom application development services, which are relatively under penetrated by offshore vendors.
- Driven by its differentiated strategy, the company has been able to bag more than a fair share of large-sized outsourcing deals. This has resulted in a strong growth momentum in the past few quarters. The aggressive hedge strategy is an added advantage as the impact of rupee appreciation would be relatively lower and boost treasury gains.
- At the current market price the stock trades at 16.8x FY2008 and 13x FY2009 estimated earnings.

HDFC BANK	**1,176.2**	32.9	27.9	21.3	19.3	15.9	15.6	**1,355.0**	15.2%

Remarks:

- HDFC Bank is the best private sector bank and has delivered a consistent 31% earnings growth under most market situations.
- The bank has one of the highest net interest margins of 4% plus supported by a high and stable low-cost deposit base of 50%, which helps the bank keep its costs down under a rising interest rate scenario.
- The bank's management has an excellent track record and after the recent ADR issue of $698 million the bank is well capitalised for future growth.
- With branch approvals in place, increased capital adequacy and strong earnings growth, the bank is all set to scale new highs.
- At the current market price the stock is quoting at 21.3x FY2009E earnings per share, 8.2x FY2009E pre-provision profits and 3.1x FY2009E book value. We maintain our Buy recommendation on the stock with a price target of Rs1,355.

SHAREKHAN TOP PICKS

NAME	CMP (RS)	PER FY07	PER FY08E	PER FY09E	ROE (%) FY07	ROE (%) FY08E	ROE (%) FY09E	TARGET PRICE	UPSIDE (%)
HINDUSTAN UNILEVER#	**209.2**	29.9	24.6	21.8	56.5	57.4	52.0	**280.0**	33.8%

Remarks:

- HUL is India's largest fast moving consumer good (FMCG) company. The volume growth is picking up in FMCG sector and HUL is likely to be a key beneficiary.
- The company has regained the pricing power in all the product segments. We believe better pricing power and improved product mix will be the revenue drivers. The turn-around of loss-making businesses, cost-cutting initiatives and increased focus on its food business should help it to improve its profitability.
- At the current market price the stock is quoting at 24.6x its CY2007E EPS of Rs8.5. We maintain our Buy recommendation on the stock with a price target of Rs280.

INFOSYS TECHNOLOGIES	**1,862.0**	27.8	22.7	18.0	34.3	33.2	32.4	**2,440.0**	31.1%

Remarks:

- Infosys is best positioned to weather the impact of a possible slowdown in the USA. It is also likely to be the key beneficiary of the expected increase in the offshore outsourcing from the global corporations looking to derive maximum value out of the IT budgets.
- Despite the cost pressures and the appreciation of the rupee, the company is expected to limit the decline in margins to around 100 basis points in this fiscal. We estimate the company's consolidated earnings will grow at a CAGR of 24% during the two-year period FY2007-09.
- At the current market price the stock trades at 22.7x FY2008 and 18x FY2009 estimated earnings. We maintain our Buy call on the stock.

JAIPRAKASH ASSOCIATES	**910.9**	44.9	29.8	26.0	16.1	15.5	15.3	**1,061.0**	16.5%

Remarks:

- Jaiprakash is expanding its capacity by 15MMT over the next three years at the end of which it will emerge as one of the largest cement players in north India with a capacity of 22MMT.
- The company is the largest private sector hydropower player and is currently sitting on a huge construction order book of Rs7,200 crore. Taking cognisance of the government's target of achieving 50,000MW in hydropower electricity by 2012, we expect the order book to maintain its current momentum.
- The Taj Expressway project coupled with the company's real estate business (Taj Greens) will add value to the company's shareholders.
- Thus the company's diversified businesses will provide the much-needed stability to the overall business in the wake of a downturn in the cement cycle.

MADRAS CEMENT	**3,661.9**	14.3	9.9	8.3	46.3	41.7	34.1	**3,700.0**	1.0%

Remarks:

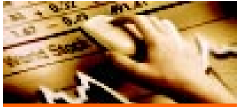
- The company is incurring a capital expenditure of Rs1,474 crore to expand its capacity by 4MMT in the next one year. The 2MMT expansion at Jayantipuram (including a 1MMT grinding unit at Kolkata) will be commissioned by the third quarter of FY2008, whereas the remaining 2MMT capacity at Ariyalur including an additional 56MW wind power plant will be commissioned by the second quarter of FY2009.
- The higher capacities will drive the volume growth of the company going forward whereas the improved pricing scenario will improve its profits. The captive power plants will help lower the power & fuel cost. The company will be able to save income tax in FY2009 to the extent of the accelerated depreciation available on wind power plants, which will positively increase the cash flows of the company. At the current market price of Rs3,328,the stock is trading at a valuation of 8.3x its FY2009 earnings.

MARUTI UDYOG	**880.9**	16.6	14.0	12.3	24.9	26.1	23.8	**921.0**	4.6%

Remarks:

- Maruti Udyog, the market leader in the passenger car market in India, is set to benefit from the number of new launches made by it in the recent times.
- Most of its new launches, namely *WagonR Duo*, *Zen Estilo*, *Diesel Swift* and *SX4*, have been well received by the market and are clocking strong volumes. Also, with the addition of the diesel vehicle and a sedan, the company has expanded its product basket, making it a full-fledged play on the country's booming passenger car market.
- With the expansion of its Manesar plant, its exports are also set to go on a top gear. Suzuki has identified India as a hub for manufacture of small cars for its worldwide markets and the company would be exporting about 100,000 units of the new vehicle to its parent, while another 50,000 units would be supplied to Nissan.
- At current levels, the stock is trading at 12.3x its FY2009E and is available at an EV/EBIDTA of 7.2x. We maintain our Buy recommendation with a price target of Rs921.

Stock Update



Aban Offshore

Emerging Star

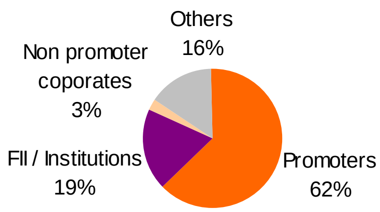
Buy; CMP: Rs2,760 | **August 20, 2007**

Price target revised to Rs3,540

COMPANY DETAILS

Price target:	Rs3,540
Market cap:	Rs10,623 cr
52 week high/low:	Rs3185/1010
NSE volume (No of shares):	1.2 lakh
BSE code:	523204
NSE code:	ABANLOYD
Sharekhan code:	ABANLOYD
Free float (No of shares):	1.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-13.9	5.5	43.6	114.9
Relative to Sensex	-7.0	6.1	44.5	72.4

The author doesn't hold any investment in any of the companies mentioned in the article.

- Aban Offshore's consolidated financial performance in FY2007 is below expectations as the line-by-line consolidation of Sinvest was done only with effect from January 9, 2007 (after it become the wholly owned subsidiary). The company had total debt of Rs10,852 crore (debt-equity ratio of 20.4). The gross block of Rs8,099 crore included a goodwill of Rs4,800 crore.
- The acquisition of Sinvest was done keeping in view the robust industry outlook (i.e. the record day rates and consequently the compelling payback). Moreover, the strong visibility in cash flow more than negates the financial risk. The outlook for the day rates continues to be robust for high-end rigs and Aban is taking steps to enter into long-term contracts for its older assets that are more venerable to a possible softening of day rates going forward.
- The proposed listing of its Singapore-subsidiary at the indicated equity value of $2.5-3 billion (much higher than market expectations) is an important re-rating trigger for the stock. Another likely positive development is the unexpected gain of $90 million due to its 18% stake in Petrojack ASA.
- The earning estimates have been revised downwards by 25% for FY2008 (primarily due to delay in the schedule for some assets and change in the exchange rate assumption) and upgraded by 8.6% for FY2009 estimates. At the current market price the stock trades at 25x FY2008 and 7.4x FY2009 earning estimates. We maintain the Buy call on the stock with a revised price target of Rs3,540.■

For further details, please visit the Research section of our website, sharekhan.com

Andhra Bank

Cannonball

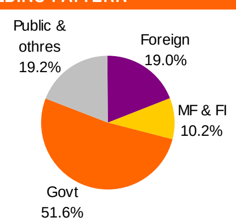
Buy; CMP: Rs85 | **August 13, 2007**

Price target revised to Rs117

COMPANY DETAILS

Price target:	Rs117
Market cap:	Rs4,123 cr
52 week high/low:	Rs99/70
NSE volume (No of shares):	6.2 lakh
BSE code:	532418
NSE code:	ANDHBANK
Sharekhan code:	ANDHBANK
Free float (No of shares):	23.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-3.7	-0.7	2.4	9.0
Relative to Sensex	-3.0	-8.5	-0.7	-19.3

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- For Q1FY2008 Andhra Bank (ANDB) reported a 21.2% year-on-year (y-o-y) growth in its net profit to Rs141.1 crore, driven by a modest operating performance coming on the back of a higher non-interest income and lower provisions.
- The net interest income (NII) was up 8% year on year (yoy) to Rs362.1 crore. The bank's net interest margin (NIM) declined by 25 basis points on a y-o-y basis and by six basis points on a sequential basis (after adjusting for Rs25 crore of one-time income in Q4FY2007).
- The non-interest income increased by 33.4% yoy to Rs112.5 crore due to a higher treasury income component as the fee income growth remained flat.
- Provisions and contingencies showed a decline of 68.1% yoy to Rs9.3 crore from Rs29.1 crore, mainly due the absence of a one-time hit of Rs20 crore that the bank had taken during Q1FY2007 on transfer of securities.
- At the current market price of Rs85, the stock is quoting at 5.8x its FY2009E earnings per share (EPS), 3.2x pre-provision profits (PPP) and 1x book value. The bank is available at attractive valuations, given its low price to book multiple compared with its peers and an average return on equity of 18.5%. We maintain our Buy call on the stock with a revised price target of Rs117.■

For further details, please visit the Research section of our website, sharekhan.com

STOCK UPDATE

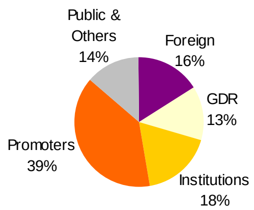
Ashok Leyland

Ugly Duckling | Hold; CMP: Rs38 | August 30, 2007

COMPANY DETAILS

Price target:	Rs42
Market cap:	Rs4,998 cr
52 week high/low:	Rs51.2/33.9
NSE volume (No of shares):	31.5 lakhs
BSE code:	500477
NSE code:	ASHOKLEY
Sharekhan code:	ASHOKLEY
Free float (No of shares):	63.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	1.1	0.9	-1.8	-2.2
Relative to Sensex	2.6	-2.9	-16.0	-24.6

The author doesn't hold any investment in any of the companies mentioned in the article.

In tie-up with Nissan

- Ashok Leyland and Nissan Motor Company, Japan have agreed to form three joint venture companies in India to develop, manufacture and market light commercial vehicle (LCV) products.
- Both companies are also examining ways to tap each other's dealer networks in India and elsewhere. A final agreement would be signed after the feasibility study concludes by October 2007.
- The tie up should aid Ashok Leyland to expand its product offerings and introduce products in the sub-6 tonne category, where it currently lacks presence. However, the setting up of the plant would take at least 18-24 months and hence the first roll out of the new products is expected only in FY2010.
- The commercial vehicle segment is currently witnessing a slowdown, which is impacting Ashok Leyland as well. We continue to watch keenly the commercial vehicle segment in India to determine any signs of revival. We expect things to improve in the second half of the fiscal with the advent of the festive season.
- For FY2008 we expect the company to report a sales volume growth of 3.2%.
- At current levels, the stock discounts its FY2009E earnings by 9.7x and is available at an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 6.2x. We maintain our Hold on the stock. ■

For further details, please visit the Research section of our website, sharekhan.com

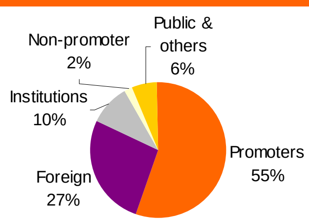
Aurobindo Pharma

Ugly Duckling | Buy; CMP: Rs628 | August 06, 2007

COMPANY DETAILS

Price target:	Rs914
Market cap:	Rs3,351 cr
52 week high/low:	Rs825/570
NSE volume (No of shares):	2.4 lakh
BSE code:	524804
NSE code:	AUROPHARMA
Sharekhan code:	AURPHARM
Free float (No of shares):	2.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-18.6	-9.9	-12.4	3.4
Relative to Sensex	-20.5	-16.7	-17.3	-26.4

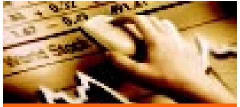
The author doesn't hold any investment in any of the companies mentioned in the article.

Results below expectations

RESULT HIGHLIGHTS

- Aurobindo Pharma's (Aurobindo) net sales grew by a lacklustre 9.4% to Rs480 crore in Q1FY2008 on the back of an impressive 23.8% rise in the domestic business and a muted 10.2% growth in the exports.
- The exports slowed down and grew by only 10.2% to Rs277.2 crore in Q1FY2008 primarily due to a sharp appreciation in the rupee during the quarter. The rising rupee reduced the total exports by almost Rs20 crore.
- Aurobindo's operating profit margin (OPM) contracted by 380 basis points to 11.2% during the quarter. This was largely due to a 480 basis point increase in the company's raw material cost due to lower realisation on exports on account of the rising rupee. The research and development (R&D) cost of the company grew by a whopping 182% as the product development cost were charged to the profit & loss (P&L) account (due to change in accounting policy) during the quarter. Consequently, Aurobindo reported a 18.2% decline in its operating profit to Rs53.9 crore.
- Despite a poor operating performance, Aurobindo's net profit grew by a 61.7% to Rs58.5 crore in Q1FY2008. The net profit was, however, below our expectations.
- At the current market price of Rs628, the stock is trading at 13.7x and 10.9x its estimated FY2008E and FY2009E earnings respectively. We maintain our Buy recommendation on the stock with a price target of Rs914. ■

For further details, please visit the Research section of our website, sharekhan.com



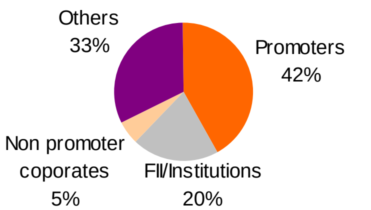
Balaji Telefilms

Emerging Star | Buy; CMP: Rs230 | August 24, 2007

COMPANY DETAILS

Price target:	Rs303
Market cap:	Rs1,500 cr
52 week high/low:	Rs278/104
NSE volume (No of shares):	5.9 lakh
BSE code:	532382
NSE code:	BALAJITELE
Sharekhan code:	BALAJITELE
Free float (No of shares):	3.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-14.9	3.3	88.5	65.2
Relative to Sensex	-5.5	4.1	79.8	31.5

The author doesn't hold any investment in any of the companies mentioned in the article.

Annual report review

We went through the recently released annual report of Balaji Telefilms Ltd (BTL). A review of the same is presented below.

- The revenues of the company grew by 14.2% year on year (yoy) to Rs320.2 crore. The net profit increased by 33.4% yoy and substantially outperformed the top line growth. The operating profit margin (OPM) improved by 391 basis points to 37.3%.
- The revenue model of the TV content business is shifting more towards the high-margin commissioned programming segment.
- The strong operating cash flows for the company led the cash and cash equivalents to grow to Rs185 crore at the end of the year. The return ratios continue to be outstanding with the return on capital employed (RoCE) at 41.7% and the return on net worth (RoNW) at 28.6%.
- In FY2007, BTL entered into a joint venture (JV; a 49% stake) with Star for launching regional general entertainment channels. Star brings to the JV its already running Tamil channel "Star Vijay". The JV plans to launch similar channels in Telugu, Kannada, Malayalam, Gujarati, Bengali and Marathi within a couple of years.
- As against our sum-of-the-parts price target of Rs303 the stock is trading at Rs233 per share. We maintain our Buy recommendation on the stock.

For further details, please visit the Research section of our website, sharekhan.com

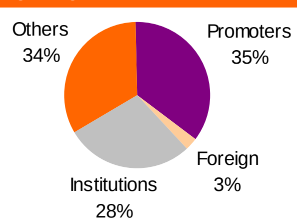
Bharat Bijlee

Apple Green | Buy; CMP: Rs2,145 | August 17, 2007

COMPANY DETAILS

Price target:	Rs2,425
Market cap:	Rs1,212 cr
52 week high/low:	Rs2,496/959
NSE volume (No of shares):	9,955
BSE code:	503960
NSE code:	BBL
Sharekhan code:	BHARATBIJ
Free float (No of shares):	0.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-12.4	27.2	56.9	115.0
Relative to Sensex	-6.7	24.5	55.5	69.4

The author doesn't hold any investment in any of the companies mentioned in the article.

Beating all expectations with 62% growth

RESULT HIGHLIGHTS

- Bharat Bijlee Ltd (BBL) revenues grew by 62.8% to Rs115.6 crore in Q1FY2008, which was above expectations
- The operating profit moved up by 161.5% to Rs19.9 crore, translating into an operating profit margin (OPM) of 17.2%. The OPM expanded by an impressive 650 basis points. The profit after tax (PAT) jumped by a whopping 194.4% to Rs12.6 crore in Q1FY2008.
- The increase in the revenues and profits was due to improved realisation in both transformer and motor businesses. The margins expanded on the back of a lower cost-to-sales ratio. The raw material cost-to-sales ratio declined by 410 basis points to 65.2% during the quarter.
- The interest cost declined by 13.1% to Rs0.9 crore while the depreciation charge grew by 48.1% to Rs0.8 crore.
- At the end of the quarter the order backlog of BBL stood at Rs300 crore.
- We expect BBL's revenues to grow at a compounded annual growth rate (CAGR) of 26.9% over FY2007-09E. The robust demand for its products and the timely expansion exercise to cater to the demand provide good visibility to its earnings. We remain positive on the stock and reiterate our Buy recommendation on BBL with a price target of Rs2,425.
- At the current market price of Rs2,145 the stock is discounting its FY2008E earning by 15.8x and FY2009E earnings by 11.7x. In terms of EV/EBIDTA the stock is trading at 8.4x FY2008E and 6.0x its FY2009E.

For further details, please visit the Research section of our website, sharekhan.com

Bharat Electronics

Apple Green

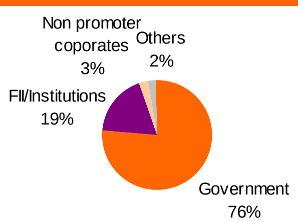
Buy; CMP: Rs1,650 | **August 01, 2007**

Price target revised to Rs1,975

COMPANY DETAILS

Price target:	Rs1,975
Market cap:	Rs13,200 cr
52 week high/low:	Rs1,794/815
NSE volume (No of shares):	1.5 lakh
BSE code:	500049
NSE code:	BEL
Sharekhan code:	BEL
Free float (No of shares):	1.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-3.3	3.1	29.2	60.0
Relative to Sensex	-9.0	-8.5	16.1	9.2

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q1FY2008, Bharat Electronics Ltd (BEL) reported a decline of 16.3% in its net sales to Rs404.4 crore. Given the fact that the company had a record order backlog of Rs9,100 crore at the beginning of the fiscal, the revenues in Q1 were much below street expectations.
- The performance at the operating level was even more disappointing with an operating loss of Rs4.6 crore during the quarter. In addition to the lower than expected execution in Q1, the operating profit was dented by the provision of Rs25.7 crore made for wage hikes and additional increments to its employees (of which Rs6.4 core pertains to the previous year).
- However, the other income component jumped by 71% to Rs65.6 crore (as against Rs38.4 crore in Q1FY2007) which enabled the company to report a profit after tax (PAT) of Rs26.3 crore.
- The management expects the growth to pick up in the coming quarters and consequently we are not revising our estimates. We would review the same depending on the performance in Q2FY2008.
- At the current market price the stock trades at 11.8x FY2008 and 9.3x FY2009 estimated earnings (multiple adjusted for estimated free cash on its books). We maintain Buy recommendation on the stock with a revised price target of Rs1,975 (12x FY2009E earnings plus estimated free cash of Rs545 per share on its books).

For further details, please visit the Research section of our website, sharekhan.com

Bharat Heavy Electricals

Apple Green

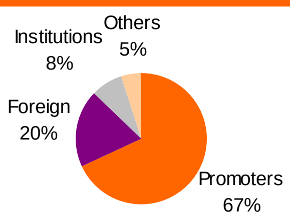
Buy; CMP: Rs1,665 | **August 22, 2007**

Price target revised to Rs1,954

COMPANY DETAILS

Price target:	Rs1,954
Market cap:	Rs78,813 cr
52 week high/low:	Rs1895/969
NSE volume (No of shares):	7.2 lakh
BSE code:	500103
NSE code:	BHEL
Sharekhan code:	BHEL
Free float (No of shares):	15.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

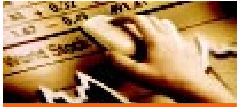
(%)	1m	3m	6m	12m
Absolute	-3.5	20.7	37.3	40.2
Relative to Sensex	7.3	23.7	38.1	14.0

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q1FY2008 the net sales of Bharat Heavy Electricals Ltd (BHEL) grew by 21.7% to Rs3,233.9 crore and were slightly below our expectations.
- In Q1FY2008, the company incurred a foreign exchange (forex) loss of Rs54 crore on its receivables as against a forex gain of Rs18 crore in Q1FY2007. Treating both as extraordinary items; the operating profit margin (OPM) remained flat year on year (yoy) at 11.3%. The net profit before extraordinary items grew by 56.8% to Rs342.9 crore.
- The net profit after extraordinary items grew by 22.1% to Rs288.9 crore.
- The order backlog at the end of the quarter stood at a historic level of Rs62,400 crore.
- BHEL is likely to take minority stakes in state utilities to upgrade to super critical power plants. This strategy in turn would make BHEL the prime recipient of the equipment orders.
- The company plans to raise its boiler and turbine capacity from the existing 6,000 megawatt (MW) each to 15,000MW each over next three years. 4,000MW of the capacity will come onstream by December 2007.
- The Indian power generation sector is set to attract huge investments owing to the government's initiative of providing power to all by 2012. BHEL's, excellent track record and its competitive advantage in the super critical equipment space put BHEL in the driver's seat.
- We maintain our Buy recommendation with a price target of Rs1954 and at the current market price of Rs1,665 the stock is quoting at 26.5x its 2008E earnings and 21.3x its 2009E earnings. In terms of EV/EBIDTA the stock trades at 17.1x FY2008E and 13.1x FY2009E.

For further details, please visit the Research section of our website, sharekhan.com



STOCK UPDATE

Cadila Healthcare

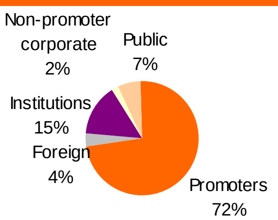
Emerging Star | Buy; CMP: Rs355 | August 01, 2007

Results beat expectations

COMPANY DETAILS

Price target:	Rs425
Market cap:	Rs4,459 cr
52 week high/low:	Rs412/266
NSE volume (No of shares):	48,549
BSE code:	532321
NSE code:	CADILAHC
Sharekhan code:	CADILAHEAL
Free float (No of shares):	3.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-5.6	10.1	5.5	26.9
Relative to Sensex	-11.2	-2.3	-5.2	-13.4

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The total operating income of Cadila increased by 28.4% year on year (yoy) to Rs572.2 crore in Q1FY2008, driven by a 19.7% growth in the domestic business and a 49.9% rise in the exports.
- The operating profit margin (OPM) shrank by 70 basis points to 19.4%, largely due to a 245-basis-point decline in the gross margin due to lower realisation on exports and a changing product mix. Consequently, the operating profit grew by 23.8% to Rs111.2 crore.
- The net profit rose by an impressive 38.1% to Rs73.9 crore. The profit growth was aided by a foreign exchange forex gain of Rs9.1 crore recorded during the quarter as compared with a forex loss of Rs1.3 crore in the corresponding quarter of the previous year. The net profit surpassed our expectations.
- In order to incorporate the impact of the recent acquisitions and the appreciation of the rupee against all the other major currencies, we are revising our estimates for Cadila. We have upgraded our revenue estimates by 5.2% and 5.1% to Rs2,241.0 crore and Rs2,600.8 crore for FY2008E and FY2009E respectively. Further, we have reduced our FY2008 and FY2009 earnings per share (EPS) estimates by 2.1% each to Rs21.6 and Rs26.1 respectively.
- At the current market price of Rs355, the company is trading at 16.4x its FY2008 and at 13.6x its FY2009 estimated earnings. We reiterate our Buy recommendation on Cadila with a price target of Rs425.

For further details, please visit the Research section of our website, sharekhan.com

Canara Bank

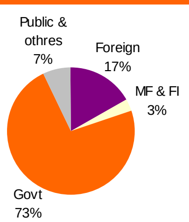
Apple Green | Buy; CMP: Rs258 | August 06, 2007

Price target revised to Rs315

COMPANY DETAILS

Price target:	Rs315
Market cap:	Rs10,250 cr
52 week high/low:	Rs320/165
NSE volume (No of shares):	5.9 lakh
BSE code:	532483
NSE code:	CANBK
Sharekhan code:	CANBNK
Free float (No of shares):	11 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-7.0	17.1	11.1	34.1
Relative to Sensex	-9.2	8.3	4.9	-4.5

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Canara Bank's profit after tax (PAT) grew by 26% year on year (yoy) to Rs241 crore in Q1FY2008 mainly due to lower provisions as its operating profit increased by only 6.5% yoy to Rs612 crore.
- The net interest income (NII) was down by 5.7% yoy and by 11.9% quarter on quarter (qoq) to Rs894 crore. The net interest margin (NIM) declined by 70 basis points yoy as costs increased at a much faster pace than the overall yields for the bank.
- However the non-interest income increased by a whopping 56.6% yoy to Rs380 crore, mainly due to a higher treasury income of Rs36.7 compared with Rs1.1 crore in Q1FY2007.
- The operating performance remained weak with the operating profit up by only 6.5% yoy to Rs612 crore.
- Provisions declined by 16% yoy to Rs301.5 crore mainly on account of lower depreciation on investments provided on the marked-to-market investment book.
- At the current market price of Rs258, the stock is quoting at 5.9x its FY2009E earnings per share (EPS), 3x pre-provision profits (PPP) and 0.8x BV. We maintain a Buy recommendation on the stock with a revised price target of Rs315 at which it would trade at 1x FY2009E BV.

For further details, please visit the Research section of our website, sharekhan.com

ESAB India

Vulture's Pick

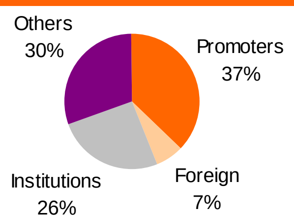
Buy; CMP: Rs484 | **August 23, 2007**

Results ahead of expectations

COMPANY DETAILS

Price target:	Rs575
Market cap:	Rs745 cr
52 week high/low:	Rs505/286
NSE volume (No of shares):	19,570
BSE code:	500133
NSE code:	ESABINDIA
Sharekhan code:	ESAB
Free float (No of shares):	1.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	4.9	22.8	29.8	25.7
Relative to Sensex	14.5	23.8	26.6	0.3

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- ESAB India's revenues grew by 35% to Rs87.3 crore in the Q2CY2007, the commissioning of new capacities led to increased top line.
- The operating profit grew by 36.8% to Rs21.7 crore. Consequently, the operating profit margin (OPM) also expanded by 30 basis points year on year (yoy) to 24.8%.
- The depreciation cost for the quarter increased by 26.7% as the company has commissioned its new plant.
- Exelvia group India B.V. along with Charter plc and ESAB Holding Ltd have made an open offer to the shareholder of ESAB India to acquire 30.78 lac shares (Fully paid up equity share of Rs10 each) at Rs426 per share. These represent 20% of the total fully paid up capital.
- For the first half of CY2007 the net sales grew by 32.1% to Rs168.5 crore and the bottom line grew by 36.4% to Rs26.4 crore, subsequently generating an earnings per share (EPS) of Rs17.2 per share.
- We expect the profits of ESAB India to grow by 26.8% CAGR over CY2006-08E on the demand for the welding products due to the planned investments in core infrastructure sectors. We our revising our CY2007 (+10%) to Rs37.2/share, and introducing our FY2008E earnings at Rs44.5/share. We remain positive on the stock and maintain our Buy recommendation with a price target of Rs575.
- As the current price of Rs484 the stock is quoting at 13x its CY2007E earnings and 10.9x CY2008E earnings. In terms of EV/EBIDTA the stock is trading at 7.5x CY2007E and 5.6x CY2008E. ■

For further details, please visit the Research section of our website, sharekhan.com

HCL Technologies

Apple Green

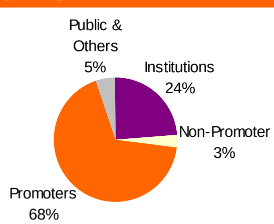
Buy; CMP: Rs300 | **August 17, 2007**

Beaming with confidence

COMPANY DETAILS

Price target:	Rs395
Market cap:	Rs19,560 cr
52 week high/low:	Rs358/271
NSE volume (No of shares):	5.0 lakh
BSE code:	532281
NSE code:	HCLTECH
Sharekhan code:	HCLTECH
Free float (No of shares):	10.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-5.7	-8.7	-8.1	8.7
Relative to Sensex	0.5	-10.7	-8.9	-14.3

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- HCL Technologies has reported a revenue growth of 2.2% quarter on quarter (qoq) and 28.6% year on year (yoy) to Rs1,612 crore for the fourth quarter ended June 2007. In dollar terms, the revenues grew by 9.2% qoq, driven by volume growth of 6.6% and improvement in the blended realisation (1.7%).
- The OPM declined by 170 basis points qoq to 21.6%, due to the adverse impact of the rupee appreciation(300 basis points), higher overhead costs (60 basis points) and unfavourable revenue mix (30 basis points). This was partially mitigated by better realisation and higher utilisation rate.
- The five-fold jump in forex gains to Rs250.4 crore and 87.3% growth in the other income component to Rs36.9 crore enabled the company to post a robust growth of 46.7% qoq and 108.9% yoy in its consolidated earnings to Rs486.7 crore. The company has increased forex cover to $1.16 billion, up from $900 million.
- In terms of operational highlights, the company signed seven multi-million, multi-year deals during the quarter. It has given a broad guidance of a 30% growth in revenues (in dollar terms) for the next two years.
- To factor in the appreciation in the rupee and the charges related to the employee stock option scheme ($24 million in FY2008), we have revised downward our earnings estimate for FY2008 by 11% to Rs18.4 per share. We maintain our Buy recommendation on the stock with a price target of Rs395. ■

For further details, please visit the Research section of our website, sharekhan.com

Hindustan Unilever

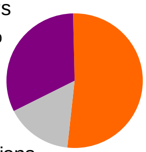
Apple Green | Buy; CMP: Rs201 | August 01, 2007

Results above expectations

COMPANY DETAILS

Price target:	Rs280
Market cap:	Rs44,515 cr
52 week high/low:	Rs262/166
NSE volume (No of shares):	2.9 lakh
BSE code:	500696
NSE code:	HINDLEVER
Sharekhan code:	HLL
Free float (No of shares):	108.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	9.3	3.5	0.6	-8.6
Relative to Sensex	2.8	-8.2	-9.6	-37.7

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The Q2CY2007 results of Hindustan Unilever Ltd (HUL) were above our expectations. The net revenues of the company grew by 12.9% year on year (yoy) on the back of an 11.5% year-on-year (y-o-y) growth in the home and personal care (HPC) segment, which comprises the soap and detergent, and personal care businesses.
- The profit before interest and tax (PBIT) margin showed an expansion of ten basis points to 16.2%. The PBIT margin was slightly depressed by the losses in the nascent water business excluding which the PBIT margin stood at around 17%.
- The operating profit margin (OPM) of HUL expanded by 126 basis points to 14.7% on a y-o-y basis due to a lower advertising spend and a stable raw material cost.
- The operating profit grew by 23.5% to Rs512 crore in Q2CY2007 from Rs414.7 crore in Q2CY2006. Excluding the losses from the water business, the growth in the earnings before interest, tax, depreciation and amortisation (EBIDTA) had been at 30%, which is quite commendable. The net profit grew by 29.5% to Rs493.1 crore in Q2CY2007.
- HUL has announced buy-back of shares from the market at a price of Rs230 per share for a total amount of Rs630 crore, which will reduce its equity capital upto 1.2%.The impact of this buy-back is expected to be neutral on the earnings
- At the current market price of Rs201, the stock is quoting at 23.5x its CY2007E earnings per share (EPS) of Rs8.5 and 21x its CY2008E EPS of Rs9.6. We maintain our Buy recommendation on the stock with a price target of Rs280.

For further details, please visit the Research section of our website, sharekhan.com

ICI India

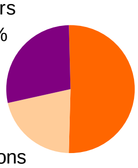
Ugly Duckling | Buy; CMP: Rs536 | August 14, 2007

ICI agrees to takeover offer from Akzo Nobel

COMPANY DETAILS

Price target:	Rs581
Market cap:	Rs2,191 cr
52 week high/low:	Rs575/298
NSE volume (No of shares):	10,290
BSE code:	500710
NSE code:	ICI
Sharekhan code:	ICI
Free float (No of shares):	2.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	6.3	23.2	32.3	88.9
Relative to Sensex	7.9	12.6	23.1	39.0

The author doesn't hold any investment in any of the companies mentioned in the article.

- Imperial Chemical Industries Plc, UK (ICI UK) has agreed to the takeover offer of Akzo Nobel NV (Akzo) after a prolonged negotiation. Akzo, the world's largest maker of paints, shall be acquiring ICI UK for £8 billion, valuing the British company at 13x its CY2006 enterprise value (EV)/earnings before interest, tax, depreciation and amortisation (EBITDA) multiple.
- After this acquisition, ICI UK's Indian subsidiary ICI India's paint business with a turnover of Rs900 crore will go to Akzo while its adhesive and electronic material businesses with total revenues of Rs100 crore will go to Henkel.
- According to the Securities and Exchange Board of India guidelines, Akzo is expected to make an open offer of 20% to the shareholders of ICI India. The open offer is expected to be at the same valuations at which Akzo is acquiring ICI UK. At the current market price of Rs536, ICI India is trading at EV/EBIDTA of 12.3x FY2007. We expect the open offer to be made at the current price range.

For further details, please visit the Research section of our website, sharekhan.com

ICICI Bank

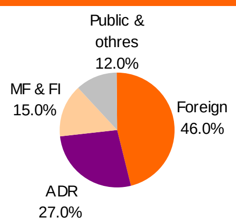
Apple Green

Buy; CMP: Rs872 | **August 20, 2007**

COMPANY DETAILS

Price target:	Rs1,173
Market cap:	Rs92,871 cr
52 week high/low:	Rs1,001/580
NSE volume (No of shares):	16.3 lakh
BSE code:	532174
NSE code:	ICICIBANK
Sharekhan code:	ICICIBANK
Free float (No of shares):	74 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-15.3	-10.8	-12.0	41.4
Relative to Sensex	-8.5	-10.3	-11.4	13.4

The author doesn't hold any investment in any of the companies mentioned in the article.

FIPB hurdle cleared

- ICICI Bank has obtained the Foreign Investment Promotion Board (FIPB) approval (subject to RBI clearance) to sell upto 24% stake in its financial services company to foreign investors. This proposal had earlier been rejected by FIPB on the grounds that it did not comply with the 26% foreign direct investment (FDI) cap in insurance ventures and also that the promoter of an insurance venture cannot be the subsidiary of the same company, ICICI Financial Services (IFS) in this case.
- The above view of FIPB was in contradiction to the view expressed by the finance ministry's insurance division and the Insurance Regulatory and Development Authority that the FDI in ICICI Bank's proposed holding company would not violate the norms. The change in the stance of FIPB is a welcome move for ICICI Bank and other banks like state Bank of India who are looking to adopt the holding company route to raise the capital for their insurance business.
- Our back of the envelope calculation suggests that with the formation of the holding company and its future listing, the overall valuations of the stock can further improve by Rs78 per share as the core banking business can improve by 4% or Rs30 per share, and if the market valuations for its subsidiaries are taken as a benchmark then there is a further upside to our valuations of Rs48 per share. The details on the valuation upside are explained later.
- At the current market price of Rs872, the stock is quoting at 19.1x its FY2009E earnings per share, 9.3x its pre-provisioning profits and 1.9x book value (BV). We maintain our Buy recommendation on the stock with a price target of Rs1,173.

For further details, please visit the Research section of our website, sharekhan.com

Indian Hotels Company

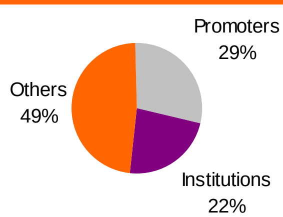
Apple Green

Buy; CMP: Rs138 | **August 08, 2007**

COMPANY DETAILS

Price target:	Rs180
Market cap:	Rs8,320 cr
52 week high/low:	Rs163/114
NSE volume (No of shares):	13.9 lakh
BSE code:	500850
NSE code:	INDHOTEL
Sharekhan code:	INDNHOT
Free float (No of shares):	42.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-6.5	-2.6	-12.2	18.0
Relative to Sensex	-6.5	-10.0	-14.6	-15.7

The author doesn't hold any investment in any of the companies mentioned in the article.

Results slightly below expectation

RESULT HIGHLIGHTS

- The Q1FY2008 results of Indian Hotels Company Ltd (IHCL) are slightly below our expectations. On a stand-alone basis, the company's top line grew by 19.8% to Rs346.5 crore from Rs289.4 crore in Q1FY2007.
- The average room rate (ARR) in the first quarter grew by 16% to Rs8,500 from Rs7,337 whereas the occupancy rate (OR) stood at 69% in Q1FY2008 as against 66% in Q1FY2007.The subdued growth in the ARR is due to the appreciated rupee.
- The other income for the first quarter of the current financial year went up from Rs10.4 crore to Rs17.9 crore and included Rs13 crore of foreign exchange (forex) gain.
- The operating profit margin (OPM) improved by 110 basis points from 30.5% in Q1FY2007 to 31.6% in Q1FY2008. The operating profit grew by 24.1% to Rs109.6 crore.
- The interest cost rose from Rs17.8 crore in Q1FY2007 to Rs22.7 crore in Q1FY2008 whereas the depreciation stood at Rs21.3 crore. The bottom line of the company grew by a healthy 39% to Rs54.8 crore from Rs39.4 crore in Q1FY2007, resulting in earnings of Rs0.91 per share.
- The company has informed the Bombay Stock Exchange (BSE) that a meeting of the board of directors will be held on August 13 to consider various options for raising long-term finance for its capital expenditure (capex) and growth plans, including a rights issue to the shareholders.
- At the current market price of Rs138 the stock is quoting at a price/earnings ratio (PER) of 19.1x FY2008E consolidated earnings per share (EPS) of Rs7.2 and 15x FY2009E consolidated EPS of Rs9.1. We maintain our Buy recommendation on the stock with price target of Rs180.

For further details, please visit the Research section of our website, sharekhan.com

Indo Tech Transformers

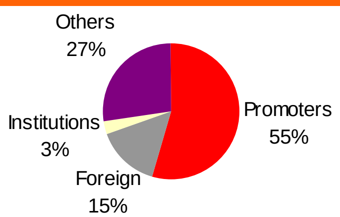
Ugly Duckling

Buy; CMP: Rs450 | **August 02, 2007**

COMPANY DETAILS

Price target:	Rs540
Market cap:	Rs478 cr
52 week high/low:	Rs486/140
NSE volume (No of shares):	50,808
BSE code:	532717
NSE code:	INDOTECH
Sharekhan code:	INDOTECH
Free float (No of shares):	0.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	10.5	39.0	55.6	218.3
Relative to Sensex	8.3	28.5	47.4	126.3

The author doesn't hold any investment in any of the companies mentioned in the article.

Price target revised to Rs540

RESULT HIGHLIGHTS

- In Q1FY2008, Indo Tech Transformers Ltd (ITTL) registered a healthy revenue growth of 84.1% to Rs39.4 crore. The net earnings in the quarter jumped by 114.6% to Rs6.9 crore as against Rs3.2 crore in the corresponding quarter last year.
- The operating profit increased by a whopping 165.5% to Rs9.9 crore on the back of reduced raw material prices and better utilisations. The drop in the price of copper, which accounts for about 30% of the total raw material cost, resulted in lower raw material cost. Consequently, the operating profit margin (OPM) expanded by 770 basis points year on year (yoy) to 25%.
- The company commissioned a dry transformer plant of 100 mega volt ampere (MVA) capacity in June 2007. It would commission its large transformer plant by October this year which would raise its total capacity from 3,450MVA at present to 7,450MVA. The increased production capacity would also broaden the company's product offerings, making ITTL a more competitive player in the market.
- The order book at the end of the quarter stood at Rs134 crore which translates to 1,550MVA.
- With increased product range and surging demand for dry type transformers, we see a greater visibility in the earnings of ITTL backed by a strong order book and capacity additions. At the current market price of Rs450, the stock is quoting at 15x its FY2008E earnings and 9.6x its FY2009E earnings. In terms of enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA), it is trading at 9.4x its FY2008E EV/EBIDTA and 5.6x its FY2009E EV/EBIDTA. We maintain our Buy recommendation on the stock with a revised price target of Rs540 with an upside of 20% from the current levels. ■

For further details, please visit the Research section of our website, sharekhan.com

ITC

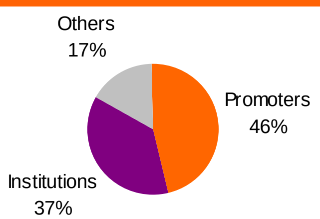
Apple Green

Buy; CMP: Rs158 | **August 22, 2007**

COMPANY DETAILS

Price target:	Rs200
Market cap:	Rs59,590 cr
52 week high/low:	Rs196/140
NSE volume (No of shares):	60.4 lakh
BSE code:	500875
NSE code:	ITC
Sharekhan code:	ITC
Free float (No of shares):	203.1 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-1.4	-9.2	-11.1	-14.1
Relative to Sensex	9.6	-7.0	-10.6	-30.1

The author doesn't hold any investment in any of the companies mentioned in the article.

ITC acquires Technico Pty Ltd

- ITC has acquired Technico Pty Ltd, Australia, through its wholly owned subsidiary, Russell Credit.
- Technico Pty Ltd was a subsidiary of Chambal Fertilisers and Chemicals (of the Zuari group) through the latter's subsidiary, Chambal Biotech Pvt Ltd, Singapore, which owned 77.65% of its equity. The financial details of the takeover have not been disclosed. We believe that the transaction is small and is unlikely to affect the financials of ITC.
- Technico Pty Ltd provides supply chain solutions to global customers by using proprietary technology (TECHNITUBER) to deliver early generation seed potato products. It has seed manufacturing facilities in China, Canada, India and the Middle East. ITC already has farm linkages for buying potatoes through its e-Choupals. This acquisition will further strengthen its agri-input business and secure supplies for the salted snacks business sold under the brand Bingo (launched in March 2007).
- We have always liked the way ITC has channelised the strong cash flows generated from its cigarette business into the other businesses of FMCG products, hotels, paperboards and now e-Choupals. At the current market price of Rs158.4, the stock is attractively quoting at 19.9x its FY2008E earnings per share and 12.6x FY2008E enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA). We maintain our Buy recommendation on ITC with a price target of Rs200. ■

For further details, please visit the Research section of our website, sharekhan.com

JK Cement

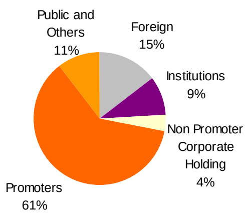
Cannonball

Buy; CMP: Rs161 | **August 03, 2007**

COMPANY DETAILS

Price target:	Rs200
Market cap:	Rs1,163.84 cr
52 week high/low:	Rs231/125
NSE volume (No of shares):	67,843
BSE code:	532644
NSE code:	JKCEMENT
Sharekhan code:	JKCEMENT
Free float (No of shares):	2.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	6.4	6.7	-17.7	4.7
Relative to Sensex	4.0	-1.7	-21.5	-25.0

The author doesn't hold any investment in any of the companies mentioned in the article.

In line with expectations

RESULT HIGHLIGHTS

- JK Cement's top line in Q1FY2008 grew by 17% yoy to Rs326 crore on the back of a 25% growth in realisations to Rs3,564 per tonne. The volumes , however, declined by 7% yoy to 915,820 tonne as the grey cement plant remained shut for 20 days for maintenance.
- On the costs front, the fixed costs increased by 33% yoy on the back of a 25% rise in employee costs and 38% yoy surge in the operating expenditure. The variable cost per tonne, which increased marginally by 3% yoy to Rs1,770 per tonne during the quarter, along with the drop in volumes resulted in the overall operating expenditure growing slower by 8% yoy to Rs229 crore.
- On the back of a higher realisation growth during the quarter, the operating profit jumped by 47% yoy to Rs96.5 crore whereas the operating margins improved by 610 basis points to 29.6%. The higher realisations and flat variable cost structure caused EBITDA per tonne expanding to Rs1,051 per tonne during the quarter from Rs280 per tonne in the corresponding quarter last year.
- The interest cost increased by 11% yoy to Rs9.1 crore due to the higher interest rates, whereas the depreciation provision increased by 11% yoy to Rs9.1 crore.Thanks to the excellent performance at the operating level, the net profit grew by 59% yoy to Rs52.5 crore.
- The company's 20 mega watt (MW) pet coke power plant commenced its trial production in July 2007 and will be fully operational from August 2007. The 10MW turbine will get commissioned by August 2007, whereas the 13.5MW waste heat recovery plant will get commissioned in two phases from September to December 2007.

For further details, please visit the Research section of our website, sharekhan.com

JM Financial

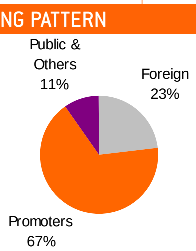
Ugly Duckling

Book Profit; CMP: Rs1,330 | **August 24, 2007**

COMPANY DETAILS

Market cap:	Rs3,987 cr
52 week high/low:	Rs1,384/715
NSE volume (No of shares):	15,003
BSE code:	523405
NSE code:	JMFINANCIL
Sharekhan code:	JMSHR
Free float (No of shares):	69 lakh

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	2.8	13.4	33.4	64.8
Relative to Sensex	14.0	14.3	27.3	31.2

The author doesn't hold any investment in any of the companies mentioned in the article.

Book profits

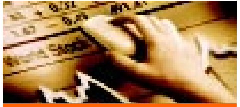
Current valuations factor in most of the upside

In our last update on JM Financial (JMF; please refer to our Investor Eye dated July 17, 2007) we had explained in detail what sort of organic and inorganic growth plans JMF could adopt to scale up its operations after its split with Morgan Stanley. Following our update JMF has gone one step further and hired four top officials from JP Morgan to boost its institutional equity desk set-up plans. JMF has been putting the building blocks in place, as more or less expected by us, and nothing has changed on that front. But we feel that most of the upside expected from the discounting of the company's FY2009E earnings is already reflected in the stock price and hence the extent of the upside expected from the current levels is not enticing enough to continue coverage on the stock.

Book profit, absolute returns at a whopping 521%

We initiated coverage on the stock at Rs214 on August 29, 2005, which gives an absolute return of 521% and a return of almost 261% on an annualised basis. Our price target of Rs1,352 has been achieved with the stock going on to make a 52-week high of Rs1,385 on August 10, 2007. We recommend that investors book profit as most of the positives relating to the stock are already factored in its price and the risks to its valuations appear more than the rewards it promises at this juncture.

For further details, please visit the Research section of our website, sharekhan.com



KEI Industries

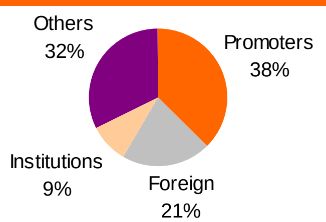
Ugly Duckling | Buy; CMP: Rs72 | August 31, 2007

Price target revised to Rs125

COMPANY DETAILS

Price target:	Rs125
Market cap:	Rs424 cr
52 week high/low:	Rs130/59
NSE volume (No of shares):	1.7 lakh
BSE code:	517569
NSE code:	KEI
Sharekhan code:	KEIINDUS
Free float (No of shares):	3.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-13.1	-25.2	-6.7	20.5
Relative to Sensex	-12.4	-29.1	-20.9	-7.7

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The net sales of KEI industries Ltd (KEI) grew robustly by 85.4% year on year (yoy) to Rs184.1 crore in Q1FY2008. The sales growth was in line with our expectation.
- The operating profit grew by 58.2% yoy to Rs24 crore. The growth in operating profit was subdued as a result of pressure on the margins in the power cable business due to company's recent foray into the high tension (HT) power cables coupled with a change in the product mix. The operating profit margin (OPM) fell by 230 basis points to 13% in Q1FY2008.
- The interest cost went up by 155% to Rs8.6 crore while the depreciation went up by 37.3% to Rs19 crore.
- The net profit grew by 57.3% (yoy) to Rs11.93 crore mainly due to a high growth in the other income. The other income rose on account of the revaluation of the foreign currency convertible bonds (FCCBs).
- The power cable business reported a growth of 77.5% (yoy) in its revenues and a decline of 220 basis points in profit before interest and tax (PBIT) margins. The revenues from the stainless steel wire business posted an impressive growth of 113.6% while the PBIT margins for expanded by 30 basis points.
- The order backlog of the company at the end of Q1FY2008 was Rs200 crore. ■

For further details, please visit the Research section of our website, sharekhan.com

KSB Pumps

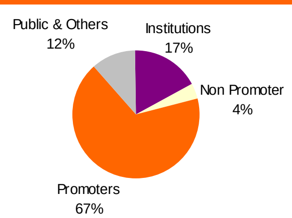
Emerging Star | Buy; CMP: Rs520 | August 07, 2007

Low-key performance

COMPANY DETAILS

Price target:	Rs625
Market cap:	Rs933 cr
52 week high/low:	Rs680/461
NSE volume (No of shares):	2,448
BSE code:	500249
NSE code:	KSBPUMPS
Sharekhan code:	KSBPUMPS
Free float (No of shares):	0.6 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-12.6	3.9	-9.1	10.3
Relative to Sensex	-12.3	-3.4	-12.4	-20.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- KSB Pumps' Q2CY2007 results were below expectations, both on the top line and the profitability front. The net sales for the quarter rose by just 1% to Rs112.4 crore.
- The profitability took a substantial beating during this quarter as the overall margin declined by 1,090 basis points to 12%. On a segmental basis, the PBIT margin of the pump division fell to 9.5% (from 23.3% last year) while that of the valve division dropped to 15.9% (from 21.8% last year).
- The profitability of the company was affected in the quarter mainly because of the higher sales through dealers during the quarter and lesser contribution of the project business. We understand that the order book of the company in the project business is growing at about 40% year on year (yoy). Considering this, we expect higher revenue booking on account of the project business (which carries higher margins) in the subsequent quarters.
- In view of the slower growth in the first half, we are downgrading our earnings estimates for CY2007 and CY2008 by 18.9% and 5% to Rs28.2 and Rs39.7 respectively.
- At the current market price of Rs525, the stock is trading at 13.2x its CY2008E earnings and is available at an enterprise value EV/EBIDTA of 7.5x. We maintain our Buy recommendation on the stock with a price target of Rs625. ■

For further details, please visit the Research section of our website, sharekhan.com

Mahindra & Mahindra

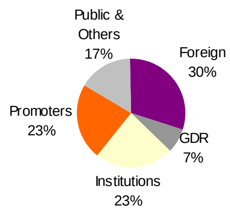
Apple Green | **Buy; CMP: Rs694** | **August 01, 2007**

Price target revised to Rs900

COMPANY DETAILS

Price target:	Rs900
Market cap:	Rs17,003 cr
52 week high/low:	Rs1,002/562
NSE volume (No of shares):	8.3 lakh
BSE code:	500520
NSE code:	M&M
Sharekhan code:	M&M
Free float (No of shares):	17.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	1.4	-5.9	-17.8	25.3
Relative to Sensex	-4.6	-16.5	-26.1	-14.5

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- The Q1FY2008 results of Mahindra & Mahindra (M&M) were below our expectations. The stand-alone net sales of the company grew by 16.8% to Rs2,612.8 crore in the quarter led by an overall volume growth of 13.6%.
- On segmental basis, the automotive revenues rose by 21% to Rs1,504.5 crore, whereas the FE division's revenues grew by 9.7%. The profit before interest and tax (PBIT) margin in the automotive segment declined by 110 basis points due to the strengthening of the rupee. The appreciation in rupee led to lower export realisation and lower profitability during the quarter. The FE division maintained the PBIT margin at 13.4%. Consequently, the overall operating profit margin (OPM) declined by 150 basis points to 10.6%, causing the operating profit to grow by only 2.5%.
- On consolidated basis, the gross revenues grew by 40.7% to Rs5,879.2 crore in Q1FY2008 while the profit before tax (PBT) and exceptional items grew by 11.7% to Rs535.7 crore.
- We expect FY2008 to be the year of consolidation for the company as new product launches would take place only in FY2009. We are downgrading our consolidated earnings per share (EPS) for FY2008 by 13% to Rs61.8 and for FY2009 by 15% to Rs69.7.
- We have a sum-of-parts price target for M&M. In view of the downgrade in earnings we downgrade our price target to Rs900, where the core business is valued at Rs490 and 50% of the value is derived from its subsidiaries.■

For further details, please visit the Research section of our website, sharekhan.com

Maruti Suzuki India

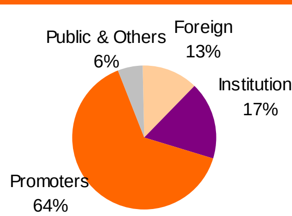
Apple Green | **Buy; CMP: Rs793** | **August 16, 2007**

Annual report review

COMPANY DETAILS

Price target:	Rs921
Market cap:	Rs22,911 cr
52 week high/low:	Rs991/713
NSE volume (No of shares):	6.8 lakh
BSE code:	532500
NSE code:	MARUTI
Sharekhan code:	MARUTIUD
Free float (No of shares):	10.3 cr

SHAREHOLDING PATTERN



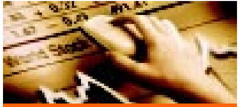
PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-1.3	2.3	-4.1	2.9
Relative to Sensex	0.3	-5.3	-11.2	-23.3

The author doesn't hold any investment in any of the companies mentioned in the article.

- The re-christened Maruti Suzuki India Ltd (MSIL; formerly Maruti Udyog) had an interesting FY2007, when it recorded its highest ever sales volumes and improved its market share in the passenger car segment to 55.1% from 54.6% in FY2006.
- For FY2007, MSIL's total income grew by 21.6% to Rs14,611.5 crore. The operating profit margin for the year came down slightly by 40 basis points to 13.7% on the back of the new launches and the losses of the Manesar plant. The profit after tax (PAT) before the extraordinaries was Rs1,532.9 crore, up 23.5% compared with the previous year's PAT.
- MSIL has outlined a capital expenditure (capex) of about Rs9,000 crore for the next three to four years. The funds shall be spent on new product development, capacity expansions, development of new engines and modernisation of its Gurgaon plant.
- The management has expressed its bullishness on the Indian automobile markets. It expects India to export nearly one million compact cars in the next three to four years.
- At the current market price of Rs793, the stock discounts its FY2009E earnings by 10.6x and is available at enterprise value(EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 6.0x. We believe this is our top pick in the automobile sector and maintain our Buy recommendation on the stock with a price target of Rs921.■

For further details, please visit the Research section of our website, sharekhan.com



Navneet Publications (India)

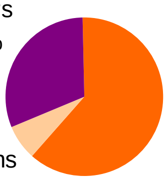
Emerging Star	Buy; CMP: Rs61	August 02, 2007

Margin affected due to higher advertising spend

COMPANY DETAILS

Price target:	Rs67
Market cap:	Rs581 cr
52 week high/low:	Rs70/50.5
NSE volume (No of shares):	65,790
BSE code:	508989
NSE code:	NAVNETPUBL
Sharekhan code:	NAVNEET
Free float (No of shares):	3.7 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-4.9	0.0	-6.1	5.0
Relative to Sensex	-6.8	-7.6	-11.0	-25.3

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- For Q1FY2008 Navneet Publications has reported a growth of 14.4% in its revenues to Rs198.6 crore against Rs173.7 crore in Q1FY2007. The first quarter, which is usually the best period for the publication business, showed a slightly subdued growth of 13.5% to Rs142.92 crore. This was primarily due to the late arrival of government textbooks in the market that delayed the launch of supplementary books. The second quarter of this financial year is expected to witness higher sales due to the spill-over effect.
- The stationary business showed a robust growth of 20% to Rs55.4 crore in the first quarter as against Rs46.1 crore in Q1FY2007. This growth was mainly due to the higher domestic sales.
- The profit before interest and tax (PBIT) margin in the publication division improved by 220 basis points to 36.4% in Q1FY2008 whereas the PBIT margin of the stationary business decreased from 19.5% in Q1FY2007 to 8.3% in Q1FY2008. The margin decline was due to the write-off of doubtful debt of Rs2.57 crore (one-time nature) and aggressive advertise spend of Rs2.82 crore for the brand building exercise. The profit after tax (PAT) was higher by 16.4% to Rs39.65 crore as against Rs34.06 crore in Q1FY2007.
- The company ventured into a new stream of business, e-learning, in this quarter. Initially it would invest around Rs1.0-1.5 crore. It has already started receiving enquiries from schools of Gujarat and Maharashtra. We believe this could be the new growth driver for the company in the coming years.
- At the current market price, the stock trades at 10.6x FY2007 and 9.8x FY2008 estimated earnings. We maintain our Buy recommendation on the stock with a one-year price target of Rs67. ■

For further details, please visit the Research section of our website, sharekhan.com

Nicholas Piramal India

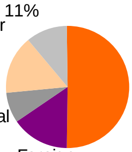
Apple Green	Buy; CMP: Rs253	August 29, 2007

Demerger of discovery R&D to unlock value

COMPANY DETAILS

Price target:	Rs326
Market cap:	Rs5,291 cr
52 week high/low:	Rs321/195
NSE volume (No of shares):	65,842
BSE code:	500302
NSE code:	NICHOLASPIR
Sharekhan code:	NICHPI
Free float (No of shares):	10.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-2.5	-5.1	16.1	19.4
Relative to Sensex	-0.5	-8.9	-0.2	-8.1

The author doesn't hold any investment in any of the companies mentioned in the article.

- Nicholas Piramal India Ltd (NPIL) is planning to restructure its research and development (R&D) division by spinning off its new chemical entity (NCE) research unit into a separate entity. The company is holding a board meeting on August 31, 2007 to consider the proposal.
- NPIL currently spends around 5-6% of its turnover on discovery R&D. With a focus on the therapeutic segments of oncology, diabetes, inflammation and infectious diseases, NPIL has a pipeline of one new NCE and two phytopharmaceutical products in the clinics. Additionally, five of its NCEs and one phytopharmaceutical product is scheduled to enter the clinics in 2007, which would make it one of the largest clinical development pipelines among the Indian players.
- We have attempted to value the demerged discovery R&D entity of NPIL in line with Sun Pharma Advanced Research Company (SPARC-which is the demerged innovative R&D unit of Sun Pharmaceuticals). We estimate the value of the demerged R&D company at Rs2,369.1 crore, which translates into a value of Rs113.4 per share.
- Assuming that the demerger is effective from April 1, 2007, the same would provide some relief to the base business in terms of the reduction in R&D expenses and the associated loss of the tax shield. We estimate that the demerger would result in Rs55.3 crore and Rs67.9 crore of incremental net profit for the base business, which adds an additional Rs2.6 and Rs3.2 to the earnings per share (EPS) of FY2008E and FY2009E respectively. ■

For further details, please visit the Research section of our website, sharekhan.com

ORG Informatics

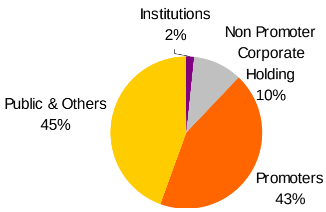
Emerging Star | Buy; CMP: Rs109 | August 03, 2007

In line with expectations

COMPANY DETAILS

Price target:	Rs184
Market cap:	Rs14.6 cr
52 week high/low:	Rs209/73
BSE volume (No of shares):	81,398
BSE code:	517195
Sharekhan code:	SARAELE
Free float (No of shares):	83 lakh

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	9.6	-12.9	-32.2	47.5
Relative to Sensex	7.2	-19.8	-35.4	5.7

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- ORG Informatics' performance was in line with expectations during Q1FY2008. Its consolidated revenues grew by 76% to Rs84.3 crore largely driven by 89.3% increase in the revenues from the telecom segment.
- The operating profit margin (OPM) during the quarter stood at 9.5%, which is slightly higher than 9.4% in Q1FY2007 but significantly higher than 1.3% reported in Q4FY2007. The low OPM in Q4FY2007 was an aberration resulting from the cumulative impact of high contribution from the low-margin hardware supply part of the Mahanagar Telephone Nigam Ltd (MTNL) order, restructuring cost related to recent acquisitions and one-time write-off and provisions for debt. Consequently, the operating profit grew by 77.7% to Rs8 crore in Q1FY2008.
- The consolidated earnings of the company during the quarter grew at a relatively slower rate of 60.1% to Rs4.1 crore due to the increase in the interest outgo, higher depreciation charge and higher effective tax rate.
- In terms of the outlook, the management expects to maintain the growth momentum on the back of a healthy order pipeline and the margins in the 9-10% range. It has a pending order backlog of over Rs400 crore as in June 2007. Moreover, the company would continue to actively scout for inorganic opportunities and has given the mandate to Standard Chartered Bank for its proposed foreign currency convertible bond (FCCB) issue to raise $20 million to fund its inorganic initiatives.
- At the current market price the stock trades at 10.6x FY2007 and 7.7x FY2008 estimated earnings (on a diluted equity base of Rs17.1 crore). We maintain our Buy call on the stock with a price target of Rs184 (13x FY2008 earnings).

For further details, please visit the Research section of our website, sharekhan.com

Ranbaxy Laboratories

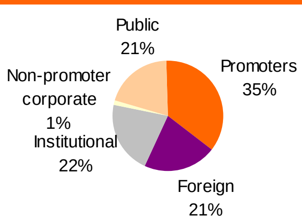
Apple Green | Buy; CMP: Rs352 | August 21, 2007

Price target revised to Rs500

COMPANY DETAILS

Price target:	Rs500
Market cap:	Rs13,121 cr
52 week high/low:	Rs452/304
NSE volume (No of shares):	6.5 lakh
BSE code:	500359
NSE code:	RANBAXY
Sharekhan code:	RANBAXY
Free float (No of shares):	24.3 cr

SHAREHOLDING PATTERN



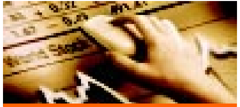
PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	3.5	-8.0	-6.1	-8.5
Relative to Sensex	11.6	-9.3	-8.1	-28.1

The author doesn't hold any investment in any of the companies mentioned in the article.

- Pfizer Inc has lost the initial bid for a new patent on Lipitor, the world's best-selling drug that could extend the company's monopoly on the medicine until June 2011.
- The rejection of Pfizer Inc's plea to reissue the invalidated '893 patent brightens Ranbaxy's chances of entering the $8.5-billion Lipitor market in March 2010, 15 months ahead of the expiry of the invalidated '893 patent.
- Using the discounted cash flow (DCF) method, we have valued the Lipitor exclusivity opportunity for Ranbaxy at Rs48 per share.
- Ranbaxy has created a rich pipeline of one-time opportunities for itself. The company has a First-to-File (FTF) status on approximately 20 Para IV abbreviated new drug application (ANDA) filings, representing a market size of about $26 billion. The management is confident of monetising one such opportunity every year during CY2008-10.
- To account for the lower dollar/rupee exchange rate for CY2007, we have revised our CY2007 revenues and earnings estimates by 5.7% and 10.9% respectively. Our revised earnings estimate for CY2007 now stands at Rs18.5 per share. We are also introducing our CY2008 estimates for Ranbaxy in this report. We estimate a 14% growth in its revenues to Rs7,456.2 crore and a 4.7% decline in its profits to Rs706.0 crore in CY2008, yielding earnings of Rs17.7 per share in CY2008.
- At the current market price of Rs352, Ranbaxy is trading at 19.0x its estimated CY2007 and 19.9x its estimated CY2008 earnings. We maintain our Buy recommendation on the stock, with a revised price target of Rs500.

For further details, please visit the Research section of our website, sharekhan.com



STOCK UPDATE

Ratnamani Metals and Tubes

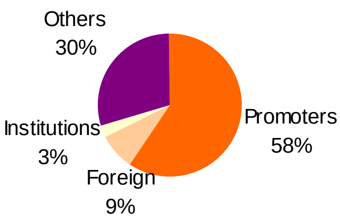
Ugly Duckling | **Buy; CMP: Rs1,100** | **August 14, 2007**

Ratnamani shines

COMPANY DETAILS

Price target:	Rs1,215
Market cap:	Rs990 cr
52 week high/low:	Rs1,140/330
NSE volume (No of shares):	3,156
BSE code:	520111
NSE code:	RATNAMANI
Sharekhan code:	RATNMET
Free float (No of shares):	0.4 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	15.5	53.4	57.3	216.3
Relative to Sensex	17.3	40.1	46.3	132.8

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q1FY2008, Ratnamani Metal and Tubes Ltd (RMTL) registered a growth of 115.7% in its net revenues to Rs190 crore, which is in line with our expectations.
- The operating profit for the quarter grew by 122.7% to Rs42.3 crore. The operating profit margin (OPM) expanded by 70 basis points to 22.3%. In spite of a higher raw material cost to sales ratio, the OPM expanded due to a better utilisation rate and operational efficiencies.
- The interest expenses increased by 37.2% to Rs5.2 crore and the depreciation cost grew by 96.7% to Rs5.3 crore for Q1FY2008.
- The profit after tax (PAT) in Q1FY2008 grew by 172.1% to Rs22.6 crore as against that of Rs8.3 crore in Q1FY2007. A high net profit is attributed to an increase in the operating profits and high other income of Rs3.1 crore that came on account of foreign exchange (forex) gains.
- The order book of the company for the quarter stood at Rs431 crore including exports (deemed exports to special economic zones) of Rs228 crore.
- At the current market price of Rs1,100, the stock is quoting at 11.5x its FY2008E earnings and 8.2x its FY2009E earnings. In terms of enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) the stock is trading at 6.3x FY2008E and 4.6x FY2009E. We are positive on the stock and maintain our Buy recommendation with a price target of Rs1,215.

For further details, please visit the Research section of our website, sharekhan.com

Sanghvi Movers

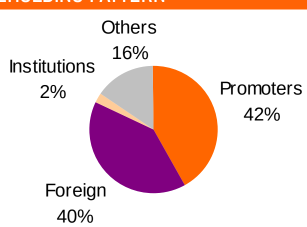
Ugly Duckling | **Buy; CMP: Rs995** | **August 16, 2007**

Poised to benefit from large capital spend

COMPANY DETAILS

Price target:	Rs1,050
Market cap:	Rs779 cr
52 week high/low:	Rs1,034/612
NSE volume (No of shares):	3,755
BSE code:	530073
NSE code:	SANGHVIMOV
Sharekhan code:	SANGMOVE
Free float (No of shares):	0.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	19.3	43.2	44.6	57.5
Relative to Sensex	21.3	32.5	33.9	17.4

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q1FY2008, Sanghvi movers Limited (SML) reported a growth of 31.7% in its revenues to Rs53 crore, inline with our expectations. The net profit (before extraordinary items) grew by 37.1% to Rs14.5 crore
- The operating profit grew by 42.6% to Rs40.6 crore in Q1FY2008 resulting in the operating profit margin (OPM) improved by 580 basis points year on year (yoy) to 76.6%. The operating profit and OPM expanded due to the reduced repair and maintenance costs in the current quarter on account of inclusion of new cranes by the company in its fleet.
- The interest expended increased by 35.5% to Rs7.4 crore whereas the depreciation cost was up 45.1% to Rs11.1 crore as against Rs7.6 crore in Q1FY2007.
- SML added five cranes in the current quarter incurring a capital spend of Rs41 crore in the current quarter. The company has planned a total capital expenditure of Rs160 crore for FY2008. Out of the five cranes added three were new and two were second hand.
- August 23, 2007 has been announced as the ex-date for stock split in the ratio of five equity shares of Rs2 each for every one equity share of Rs10.

For further details, please visit the Research section of our website, sharekhan.com

Saregama India

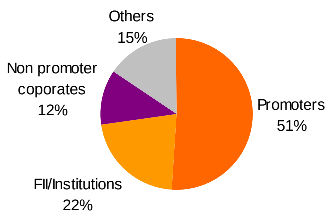
Ugly Duckling | **Buy; CMP: Rs281** | **August 03, 2007**

Results not upto the mark

COMPANY DETAILS

Price target:	Rs375
Market cap:	Rs412 cr
52 week high/low:	Rs344/131
NSE volume (No of shares):	15,306
BSE code:	532163
NSE code:	SAREGAMA
Sharekhan code:	GRAMCO
Free float (No of shares):	72 lakh

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-10.7	20.9	22.6	102.3
Relative to Sensex	-12.7	11.4	16.9	45.0

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- Q1FY2008 results of Saregama India Ltd (SIL) are slightly below our expectations.
- The revenues of the company were down 14.9% year on year (yoy) to Rs28.7crore due to a sharp 32.2% decline in the physical sales to Rs16.2 crore. On the positive side the non-physical sales (license fees) increased by 27.1% yoy to Rs12.5crore.
- Despite lower than expected costs the operating profit margin (OPM) of the company in Q1FY2008 stood at 13.5% as against 16.8% in Q1FY2007.
- A much higher tax rate led the adjusted profit after tax (PAT) decline to Rs3crore compared with Rs5.4crore for the corresponding period last year.
- We believe SIL stands in a sweet spot with its vast repertoire of music content experiencing strong growth in demand from radio and telecom industries and other opportunities available in the digital music space. However, the growth in demand is going to be counterbalanced by declining sales in the physical format. With margins being much better in the non-physical format, the profit growth will outpace growth in top line in the coming years.
- At the current market price of Rs281, the stock is trading at 14.7x its FY2009E earnings per share (EPS) of Rs19.1. We maintain our Buy recommendation on the stock with a price target of Rs375.

For further details, please visit the Research section of our website, sharekhan.com

Selan Exploration Technology

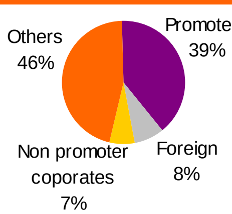
Ugly Duckling | **Buy; CMP: Rs110** | **August 06, 2007**

Price target revised to Rs126

COMPANY DETAILS

Price target:	Rs126
Market cap:	Rs159 cr
52 week high/low:	Rs119/60
NSE volume (No of shares):	49,350
BSE code:	530075
NSE code:	SELAN
Sharekhan code:	SELAEXP
Free float (No of shares):	0.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

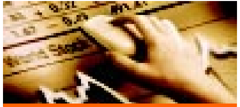
(%)	1m	3m	6m	12m
Absolute	12.7	37.1	46.7	68.8
Relative to Sensex	10.1	26.8	38.4	20.2

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- For Q1FY2008 Selan Exploration has reported a growth of 27.9% in its revenues to Rs7.7 crore. The growth was driven largely by an increase of 37.9% in its volumes. On the other hand, the appreciation in the rupee by close to10% adversely affected the revenue growth (in rupee terms).
- The operating margin was marginally lower at 65.8% due to higher provisions of Rs0.97 crore for the development of hydrocarbon reserves (up from Rs0.49 crore in Q1FY2007).
- The earnings growth was relatively lower at 16.2% to Rs3.1 crore, due to the cumulative impact of a lower other income (down by 25.9%), an increased interest outgo (up by 83.3%) and a higher effective tax rate.
- On a sequential basis, the revenues and earnings declined by 9.1% and 8.9% respectively in spite of a marginal growth in the volumes. The appreciation in the rupee was the key reason behind the sequential decline in the revenues and earnings.
- To factor in the steep appreciation in the rupee we have revised downwards our earnings estimates for FY2008 and FY2009 by 9.5% and 2.8% respectively (after revising the exchange rate assumption to Rs40/USD from Rs44/USD earlier). At the current market price the stock trades at 10.8x FY2008 and 7.8x FY2009 estimated earnings. We maintain our Buy recommendation on the stock with a revised price target of Rs126 (9x FY2009 earnings; 1.5x enterprise value (EV)/oil reserves [2P]).

For further details, please visit the Research section of our website, sharekhan.com



South East Asia Marine Engineering & Construction

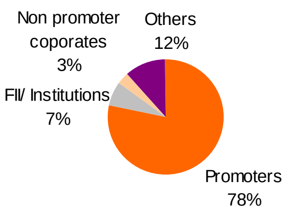
Ugly Duckling | **Buy; CMP: Rs223** | **August 20, 2007**

High charter rates improve earnings

COMPANY DETAILS

Price target:	Rs300
Market cap:	Rs756 cr
52 week high/low:	Rs260/151
NSE volume (No of shares) :	45,831
BSE code:	526807
NSE code:	SEAMECLTD
Sharekhan code:	PEERSSHIP
Free float (No of shares) :	0.74 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-13.4	10.0	-7.5	12.9
Relative to Sensex	-6.4	10.6	-6.9	-9.4

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- South East Asia Marine Engineering & Construction (SEAMEC) has reported a growth of 26.5% in its revenues to Rs46.7 crore in Q2CY2007. The growth in revenues was largely driven by an increase in day rates for two of its vessels.
- The operating margin, however, declined by 290 basis points to 49.4% largely due to a jump of 96% in the staff cost to Rs14.4 crore. Consequently, the operating profit increased by around 20% to Rs23.1 crore.
- The increase in the interest outgo and depreciation charges resulted in a relatively lower growth of 15% in its earnings to Rs19.6 crore.
- On a half-yearly basis, the revenues grew by 60.9% to Rs102.8 crore whereas the earnings rose by 36.5% to Rs44 crore due to the increase in the staff cost.
- One of the company's vessels Seamec-I is on maintenance is expected to get operational by Q3CY2007. Another vessel Seamec-II is scheduled for maintenance by the end of Q3CY2007. Delivery of the fourth vessel has been delayed to the mid of current quarter.
- To factor in the change in the exchange rate assumption, delay in the delivery of fourth vessel and higher than expected dry-docking period for Seamec-I, we have revised downwards CY2007 and CY2008 earnings estimates.
- At current market price the stock trades at 12.7x CY2007 and 6.5x CY2008 earnings. We maintain our Buy rating on the stock with a price target of Rs300.■

For further details, please visit the Research section of our website, sharekhan.com

State Bank of India

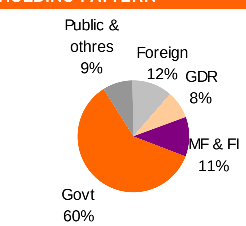
Apple Green | **Buy; CMP: Rs1,556** | **August 27, 2007**

Taking steps in the right direction

COMPANY DETAILS

Price target:	Rs1,780
Market cap:	Rs81,892 cr
52 week high/low:	Rs1,760/758
NSE volume (No of shares) :	15.2 lakh
BSE code:	500112
NSE code:	SBIN
Sharekhan code:	SBI
Free float (No of shares) :	17.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-6.9	15.4	40.0	69.6
Relative to Sensex	1.8	13.0	31.2	34.0

The author doesn't hold any investment in any of the companies mentioned in the article.

SBI has decided to merge State Bank of Saurashtra: The State Bank of India (SBI), has decided to merge the State Bank of Saurashtra (SBS), an unlisted wholly owned associate bank, with itself. The boards of both the banks have given an in-principle approval to the merger proposal. The SBI will now have to get approvals from the Government (which holds 59.7% stake in SBI) and the Reserve Bank of India. We feel the SBI chose the SBS to begin the consolidation process, as the SBS is the smallest among the SBI's subsidiary banks and due to the ease of getting the regulatory approvals as the SBS is completely owned by the SBI.

Valuations remain attractive

The organisational changes (like the merger with associates and formation of the holding company), regulatory policy changes (a possibility of introduction of new capital raising instruments like non-voting shares or guidelines on preference shares) and fundamental improvement in the core business prospects remain the likely triggers going forward, which makes the SBI our top pick among the public sector banks. At the current market price of Rs1,556, the stock is quoting at 14.2x its FY2009E earnings, 5.8X pre-provision profits, 1.9x stand alone and 1.5x consolidated FY2009E book value. We maintain our Buy recommendation on the stock with a price target of Rs1,780.■

For further details, please visit the Research section of our website, sharekhan.com

Tata Motors

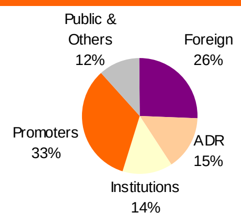
Apple Green

Buy; CMP: Rs699 | **August 01, 2007**

COMPANY DETAILS

Price target:	Rs792
Market cap:	Rs25,704 cr
52 week high/low:	Rs975/635
NSE volume (No of shares):	15.4 lakh
BSE code:	500570
NSE code:	TATAMOTORS
Sharekhan code:	TELCO
Free float (No of shares):	19.9 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	4.4	-4.9	-18.7	-3.6
Relative to Sensex	-1.7	-15.6	-27.0	-34.2

The author doesn't hold any investment in any of the companies mentioned in the article.

Results below expectations

RESULT HIGHLIGHTS

- Tata Motors' Q1FY2008 results were below expectations due to lower than expected margins. However, the bottom line was buttressed by a higher foreign exchange (forex) gain on account of strengthening of the rupee.
- The net sales of the company grew by 5.3% to Rs6,056.8 crore during the quarter.High raw material cost and lower volumes particularly in the commercial vehicle (CV) segment adversely affected the margins (excluding the forex gain/loss), which declined to 9% from 11.9%.
- After accounting for the forex gain of Rs205.9 crore, the net profit for the quarter grew by 22.4% to Rs466.76 crore.
- Looking at the consolidated performance, the company's sales grew by 13.3% to Rs7,631.3 crore while the profit excluding the forex gain declined by 27.7% to Rs308.2 crore. The profit after tax, extraordinaries and forex adjustments grew by 35.7% to Rs516.1 crore.
- We continue to take a cautious outlook on the CV industry, considering the high interest rates and lower availability of finance. We expect the lacklustre trend to continue for another quarter at least.
- In view of the lower than expected profit margins, we are downgrading our consolidated earnings by 10% to Rs54.5 for FY2008 and by 5% to Rs62.9 for FY2009. At the current levels, the stock trades at 11x its FY2009E consolidated earnings and is available at an enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 5.9x. We maintain our Buy recommendation on the stock with a price target of Rs792. ■

For further details, please visit the Research section of our website, sharekhan.com

Thermax

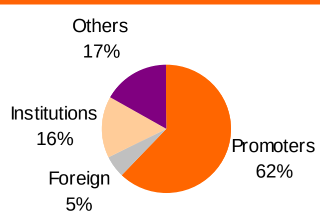
Emerging Star

Buy; CMP: Rs610 | **August 28, 2007**

COMPANY DETAILS

Price target:	Rs700
Market cap:	Rs7,268 cr
52 week high/low:	Rs674/280
NSE volume (No of shares):	65,496
BSE code:	500411
NSE code:	THERMAX
Sharekhan code:	THERMAX
Free float (No of shares):	4.5 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-4.7	38.3	59.9	106.1
Relative to Sensex	-2.3	32.8	43.9	58.8

The author doesn't hold any investment in any of the companies mentioned in the article.

Price target revised to Rs700

RESULT HIGHLIGHTS

- Continuing its growth run, Thermax reported an increase of 101% year on year (yoy) in its consolidated sales to Rs713.6 crore during Q1FY2008.
- The operating profits jumped by 106.8% yoy to Rs76.5 crore. Increased raw material cost and higher proportion of lower margin project business restricted the operating profit margin (OPM) growth only to 30 basis points to 10.7% in Q1FY2008.
- The energy business recorded a robust growth of 101% yoy in revenues and bettered the profit before interest and tax (PBIT) margins by 70 basis points to 11.3%. Environment business also reported PBIT margins improvement by 130 basis points and contributing Rs119.2 crore to the top line.
- The consolidated net profit grew by a whopping 114.5% to Rs55.9 crore in Q1FY2008 much ahead of street expectations.
- In order to meet the rising demand company plans commissioning of two more manufacturing facilities in Salvi (Gujarat) and Zehjiang (China) which phase-wise will be fully operational between March-June 2008.
- The consolidated order book at the end of Q1FY2008 stood at Rs3,057 crore which is equivalent to 1.3x its FY2007 net revenues, which gives a clear visibility of earnings. ■

For further details, please visit the Research section of our website, sharekhan.com

Tourism Finance Corporation of India

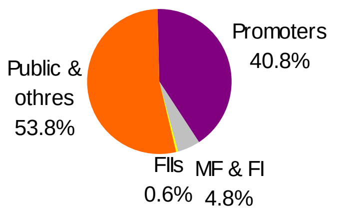
Cannonball | **Buy; CMP: Rs25** | **August 21, 2007**

Operating performance to improve going forward

COMPANY DETAILS

Price target:	Rs30
Market cap:	Rs169 cr
52 week high/low:	Rs26.3/9.5
NSE volume (No of shares):	4.8 lakh
BSE code:	526650
NSE code:	TFCILTD
Sharekhan code:	TFCI
Free float (No of shares):	4.0 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	21.0	40.2	33.2	143.9
Relative to Sensex	30.4	38.2	30.4	91.6

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- For Q1FY2008 Tourism Finance Corporation of India (TFCI) has reported an 86% year-on-year (y-o-y) growth in its profit after tax (PAT) to Rs1.6 crore. The profit growth was aided by improved operating performance and lower provisions.
- In the first quarter, the net interest income (NII) grew by 40.7% year on year (yoy) to Rs4.7 crore, mainly driven by a y-o-y decline of 10.3% in the interest expense to Rs8.2 crore.
- TFCI's operating expenses jumped by 47.8% mainly due to a significant increase in the lease rentals for its office space.
- Provisions and contingencies declined by 33.3% to Rs1 crore, reflecting the lower provisioning requirement as the net non-performing asset (NPA) was almost nil and incremental defaults were contained during the first quarter.
- We expect TFCI's earnings to grow at a 32% compounded annual growth rate over the period FY2006-09. The business prospects for the company have improved significantly on the back of the capacity expansion planned in the hotel and tourism sectors for the next three to four years. At the current market price of Rs25 the stock is quoting at 6.1x its FY2009E earnings and 0.7x FY2009E book value. We maintain our Buy recommendation on the stock with the price target of Rs30.

For further details, please visit the Research section of our website, sharekhan.com

Transport Corporation of India

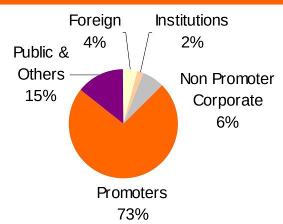
Cannonball | **Hold; CMP: Rs115** | **August 13, 2007**

Put on hold

COMPANY DETAILS

Price target:	Rs100
Market cap:	Rs770 cr
52 week high/low:	Rs120/52
NSE volume (No of shares):	48,672
BSE code:	532349
NSE code:	TRANSPORTCO
Sharekhan code:	TCIL
Free float (No of shares):	1.8 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	13.5	78.6	63.0	108.9
Relative to Sensex	14.4	64.4	58.0	54.7

The author doesn't hold any investment in any of the companies mentioned in the article.

- Transport Corporation of India (TCI) has placed 7% of its equity with Fidelity Investments International for Rs53 crore. The placement was part of the company's fund raising plans to finance its scheduled capital expenditure (capex) of Rs440 crore. The shares have been placed at Rs105.25 per share at a premium of Rs103.25 to the face value of Rs2 per share. The placement will expand TCI's equity by Rs1 crore to Rs14.5 crore, resulting in an equity dilution of 7%.
- The company achieved a turnover of Rs266 crore for Q1FY2008, growing at the rate of 9% year on year (yoy).
- The earnings before interest and tax (EBIT) grew by 16% yoy to Rs13.69 crore whereas the EBIT margin remained flat at 5% during the quarter.
- The company's interest cost almost doubled to Rs4.08 crore whereas the depreciation provision was higher by 51.5% .As the company's tax provision stood higher at 36.4% against 27% in the last year, the net profit witnessed a decline of 13.5% yoy to Rs5.69 crore.
- We believe that at the end of the capex plan by FY2010, TCI will be fully equipped to benefit from the opportunities in the third-party logistic (3PL) space. We expect the company's net profit to grow at a compounded annual growth rate (CAGR) of 27% over FY2007-09.
- At the current market price TCI is discounting its FY2008E earnings by 23x and its FY2009E earnings by 18x. Considering its historical valuations we believe that the stock is fully valued at the current market price and thus offers little scope for appreciation in the near term. We thus put a Hold on the stock.

For further details, please visit the Research section of our website, sharekhan.com

Wipro

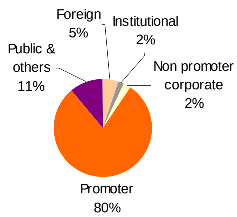
Apple Green | Buy; CMP: Rs462 | August 07, 2007

Infocrossing acquisition earnings dilutive

COMPANY DETAILS

Price target:	Rs648
Market cap:	Rs66,066 cr
52 week high/low:	Rs690/455
NSE volume (No of shares):	1.3 lakh
BSE code:	507685
NSE code:	WIPRO
Sharekhan code:	WIPRO
Free float (No of shares):	29.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-11.9	-19.2	-27.1	-8.8
Relative to Sensex	-11.6	-24.8	-29.8	-34.4

The author doesn't hold any investment in any of the companies mentioned in the article.

- Wipro's acquisition of US-based Infocrossing in an all-cash deal of $600 million is important strategically as it would considerably boost the company's capabilities in the infrastructure management service business. The acquisition would enhance Wipro's positioning in terms of bagging large-sized total outsourcing deals.
- On the flip side, the deal appears to be expensive and would also dilute the earnings per share (EPS) over the next couple of years. Infocrossing has been valued at over 70x CY2006 reported net income and 52.2-55.6x CY2007 guided net income. Moreover, the incremental contribution to the consolidated earnings would be much lower than the yield on cash ($600 million outgo) and consequently result in a net negative impact of Rs22 crore and Rs81.5 crore in FY2008 and FY2009 respectively.
- To factor in the impact of the acquisition of Infocrossing, we have revised downward the earnings estimates for FY2008 and FY2009 by 0.6% and 2.1% respectively. At the current market price the stock trades at 20.1x and 16.7x FY2008 and FY2009 earnings estimates. We maintain our Buy recommendation on the stock with a price target of Rs648.

For further details, please visit the Research section of our website, sharekhan.com

WS Industries India

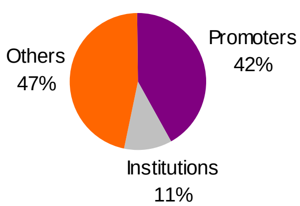
Vulture's Pick | Buy; CMP: Rs75 | August 07, 2007

Price target revised to Rs108

COMPANY DETAILS

Price target:	Rs108
Market cap:	Rs159 cr
52 week high/low:	Rs82/40
BSE volume (No of shares):	1.2 lakh
BSE code:	504220
Sharekhan code:	WSIND
Free float (No of shares):	1.2 cr

SHAREHOLDING PATTERN



PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	34.2	57.5	25.7	50.6
Relative to Sensex	34.6	46.4	21.1	8.4

The author doesn't hold any investment in any of the companies mentioned in the article.

RESULT HIGHLIGHTS

- In Q1FY2008 WS Industries' (WSI) top line grew by 21% to Rs.47.7 crore, slightly above our expectation.
- The operating profit increased by 52.5% to Rs7.1 crore, resulting in an expansion in the operating profit margin (OPM) by 310 basis points to 14.9% in Q1FY2008. The margin improved mainly due to a change in the product mix and a reduction in the power and fuel cost on account of a higher utilisation rate and improved efficiency.
- The profit after tax (PAT) increased by 142.4% to Rs3.95 crore; the PAT growth was higher mainly due to a decrease in both the interest cost, which dropped by 9% year on year (yoy) to Rs1.72 crore, and the depreciation cost, which fell by 4.6% to Rs9 crore yoy.
- A healthy order book of Rs190 crore, which is about 1.15x its FY2007 revenues, and increased production capacity indicate the high earnings capability of the company. We have valued WSI using the sum-of-the-parts (SOTP) method wherein we have valued its core insulator business at 9x its FY2009E earnings per share (EPS). This gives the fair value of Rs78.7 per share. Further, we have valued WSI's realty subsidiary at the current realisable value of Rs3,500 per square feet. Taking WSI's current 59% stake in the realty venture, we arrive at a value of Rs29 per share, which gives us a fair value of Rs108 per share of WSI. We remain positive on the stock and maintain our Buy recommendation with a revised price target of Rs108.

For further details, please visit the Research section of our website, sharekhan.com

Sharekhan's top equity fund picks

Record foreign fund inflows enabled the market to advance by an appreciable 6.1% in July. However, the upward march was bumpy with breathtaking climbs, stomach-churning drops et al. Not content with conquering the lofty levels of 15k, the market rapidly gained another 800 points in less than a fortnight to close at an all-time high of 15,869 on July 24. Just when expectations were building up that the market would comfortably cross even the magic figure of 16k before the month got over, it plummeted by over 541 points on July 27, in reaction to the weakness in global markets. Recovery was rapid but short-lived. Thus even though the market took another round of cash reserve ratio (CRR) hike in its stride and closed up 300 points on July 31, it plunged by a mind-numbing 620 points the very next day when the other global markets crashed on heightened US subprime lending concerns. Clearly, the market is choosing to take its cue from the West at the moment. Considering that there is much trouble brewing in the West, that is a cause for concern.

All eyes are on the USA, where the subprime mortgage crisis is unfolding itself. The sharp rise in defaults on subprime loan repayments and foreclosures on account of the rising interest rates in the USA has forced some of the biggest US subprime lenders to either shut shop or file for bankruptcy. There are fears that the crisis is spreading to the other mortgage segments also and might ultimately result in a severe credit crunch. A crunch in the housing market, in turn, could slow down consumer spending-consumer spending grew at a mere 1.3% in the second quarter vs 3.7% in the first quarter. Any downturn in the US economy could spell trouble for our market as it would not only affect our exports and hence our economy but also slow down the fund flows into our market. However, it will be some time before the extent of the damage caused by the bursting of the housing bubble becomes clear.

Fortunately, in spite of everything the broader American economy appears to be in good shape. The unemployment rate remained stable at 4.6% and 92k new jobs were added in July 2007. In the second quarter, the US GDP grew at the fastest pace in more than a year at 3.4% as against 0.6% in the first quarter of 2007. Inflation too remains within the comfort range of the US Federal Reserve (Fed). The problem has till now remained limited to the housing sector and not affected the rest of the economy. But if the crisis balloons this view could change.

Meanwhile, there is another frightening aspect of the subprime mortgage crisis. The recent meltdown in the equity markets across the world was triggered by reports of losses suffered by large funds with exposure to the US subprime lending market. For instance, two funds of Bear Sterns Cos., the fifth-largest US securities firm, collapsed last month while Australia's Macquarie Bank has voiced its fears that some of its funds may post losses. It is feared these foreign institutional investors (FIIs) may sell their profitable investments in the emerging markets to offset the losses suffered on account of the collapse of the US subprime lending market. That's not all, the yen has appreciated by a good 5.3% against the dollar in the past few weeks which is triggering large-scale unwinding of the carry trades financed with the Japanese currency.

Not all concerns that India Inc has to deal with are imported though. There are problems aplenty on the home turf as well. Firm interest rates and strong rupee continue to hurt our exports, which (minus petroleum products), as per our estimates in rupee terms, actually saw a decline of 1% in June this year vs a 37% growth in June 2006. The slowdown in the export sector may ultimately slow down the earnings growth of the domestic companies. That the strong rupee and high interest rates have already affected the earnings growth momentum was evident from the first quarter results of corporates. For the first time in several quarters, the earnings of the corporate sector failed to meet expectations when adjusted for the foreign exchange gains.

Thus the sky does appear to be overcast. But as always, there's a silver lining. India continues to grow at a faster pace than most other emerging economies and thus remains the toast of the FIIs. Just to give you an idea, the FIIs made net purchases worth over Rs17,000 crore in the first three weeks of July alone-that is almost equivalent to what they had invested in April, May and June put together. Of course, the global concerns that we just talked of might result in some mass withdrawals in the near term but the fact remains that the Indian economy's impressive performance would be able to sustain the foreign fund inflows in the medium term.

When all's said and done, there are concerns, both global and home-grown, that might keep the markets volatile in the near term. Hence caution is advised. Rather than rushing in on a correction, we would wait and watch how the global and domestic factors unfold. We prefer telecom and fast moving consumer goods sectors as well as select stocks from cement, engineering and capital goods sectors with lower valuations.

We have identified the best equity-oriented schemes available in the market today based on the following parameters: the past performance as indicated by the returns, the Sharpe ratio and Fama (net selectivity).

We have identified the best equity-oriented schemes available in the market today based on the following 3 parameters: the past performance as indicated by the one and two year returns, the Sharpe ratio and Fama (net selectivity).

The past performance is measured by the one and two year returns generated by the scheme. Sharpe indicates risk-adjusted returns, giving the returns earned in excess of the risk-free rate for each unit of the risk taken. The Sharpe ratio is also indicative of the consistency of the returns as it takes into account the volatility in the returns as measured by the standard deviation.

FAMA measures the returns generated through selectivity, ie the returns generated because of the fund manager's ability to pick the right stocks. A higher value of net selectivity is always preferred as it reflects the stock picking ability of the fund manager.

We have selected the top 10 schemes upon ranking on each of the above 4 parameters and then calculated the mean value of each of the 4 parameters for the top 10 schemes. Thereafter, we have calculated the percentage underperformance or over performance of each scheme (relative performance) in each of the 4 parameters vis a vis their respective mean values.

For our final selection of schemes, we have generated a total score for each scheme giving 30% weightage each to the relative performance as indicated by the one and two year returns, 30% weightage to the relative performance as indicated by the Sharpe ratio and the remaining 10% to the relative performance as indicated by the FAMA of the scheme.

All the returns stated below, for less than one year are absolute and for more than one year the returns are annualised.

We present below our recommendations in the equity-oriented mutual fund category.

AGGRESSIVE FUNDS

MID-CAP CATEGORY

Scheme Name	NAV	Returns as on Jul 31, 07(%)		
		3 Months	1 Year	2 Years
SBI Magnum Midcap	26.64	19.62	67.97	50.28
Reliance Growth	324.13	17.65	67.41	46.66
Birla Mid Cap	80.30	23.03	63.48	46.08
ICICI Prudential Emerging STAR	33.21	14.79	62.79	47.61
Sundaram BNP Paribas Select Midcap	102.13	12.67	39.50	48.77
Indices				
BSE Sensex	15550.99	12.10	44.74	42.57

OPPORTUNITIES CATEGORY

Scheme Name	NAV	Returns as on Jul 31, 07(%)		
		3 Months	1 Year	2 Years
ABN AMRO Opportunities	25.94	21.39	70.81	51.67
Fidelity Equity	25.14	15.18	61.52	44.96
DSP ML Opportunities	64.42	15.02	48.91	45.37
Franklin India Flexi Cap	24.07	14.79	47.06	44.48
Kotak Opportunities	33.78	14.36	50.46	42.29
Tata Equity Opportunities	68.75	15.91	54.00	42.63
Franklin India Opportunity	29.51	14.81	55.89	44.37
Indices				
BSE Sensex	15550.99	12.10	44.74	42.57

EQUITY DIVERSIFIED/CONSERVATIVE FUNDS

Scheme Name	NAV	Returns as on Jul 31, 07(%)		
		3 Months	1 Year	2 Years
Birla SunLife Frontline Equity	60.21	14.64	57.21	47.04
DSP ML Top 100 Equity	67.33	12.81	53.17	48.18
SBI Magnum Multiplier Plus 93	63.38	17.07	57.00	51.59
HDFC Equity	172.33	14.00	48.98	45.68
Birla SunLife Equity	220.83	18.58	66.99	47.93
Franklin India Prima Plus	162.39	14.07	57.76	48.30
SBI Magnum Global Fund 94	47.75	10.99	55.23	50.23
SBI Magnum Equity	32.68	14.91	54.39	47.60
ABN AMRO Equity	32.46	19.65	62.06	46.80
HDFC Growth	58.72	20.86	57.86	46.62
Indices				
BSE Sensex	15550.99	12.10	44.74	42.57

THEMATIC/EMERGING TREND FUNDS

Scheme Name	NAV	Returns as on Jul 31, 07(%)		
		3 Months	1 Year	2 Years
DSP ML India Tiger	40.33	18.20	69.26	56.82
Tata Infrastructure	29.26	22.97	66.66	55.97
SBI Magnum Sector Umbrella - Contra	44.29	13.97	54.00	49.13
SBI Magnum Sector Umbrella Emerging Businesses	34.41	17.84	57.77	32.94
Templeton India Growth	77.40	12.99	47.79	37.63
Indices				
BSE Sensex	15550.99	12.10	44.74	42.57

BALANCED FUNDS

Scheme Name	NAV	Returns as on Jul 31, 07(%)		
		3 Months	1 Year	2 Years
Birla SunLife 95	208.64	14.47	48.82	33.35
HDFC Prudence	130.20	12.79	44.65	36.13
FT India Balanced	37.70	12.16	41.66	33.16
Tata Balanced	57.54	11.33	44.40	33.94
DSP ML Balanced	44.01	12.10	39.59	34.01
SBI Magnum Balanced	39.35	9.85	37.20	33.33
Indices				
Crisil Balanced Fund Index	2697.03	8.25	28.64	25.58

TAX PLANNING FUNDS

Scheme Name	NAV	Returns as on Jul 31, 07(%)		
		3 Months	1 Year	2 Years
PRINCIPAL Tax Savings	94.24	20.47	69.77	49.78
Birla SunLife Tax Relief 96	112.51	21.42	65.63	45.41
Sundaram BNP Paribas Taxsaver	30.61	11.15	48.63	39.25
Indices				
BSE Sensex	15550.99	12.10	44.74	42.57

Every individual has a different investment requirement, which depends on his financial goals and risk-taking capacities. We at Sharekhan first understand the individual's investment objectives and risk-taking capacity, and then recommend a suitable portfolio. So, we suggest that you get in touch with our Mutual Fund Advisor before investing in the best funds. ■

AUTOMOBILES — AUGUST 29, 2007

Don't throw caution to the winds yet

Key points

- The automobile sector has been underperforming the market since the last six months on account of low demand due to higher interest rates, low availability of finance, the monsoons and the higher base of last year. The medium and heavy commercial vehicle (M&HCV) and the motorcycle segments have been the worst affected, while the passenger car segment has outperformed the industry on the back of a number of new launches.

- Even though most of the companies are expecting a revival during the forthcoming festive season, the slowdown in the first four months of FY2008 has been higher than anticipated. The revival is also expected to be delayed in view of the late festive season this year. Hence we continue to remain cautious on the industry and need to keenly monitor the next two months.

- Our channel checks indicate mixed outlook. The commercial vehicle (CV) segment is witnessing some pick up in demand. The two-wheeler industry is also witnessing a bit of revival, but lack of any powerful new launch and tight funding may continue to de-grow the industry for the next three-four months. The passenger car segment is witnessing a double-digit growth, but increasing inventory levels and competition are forcing the players to offer huge discounts.

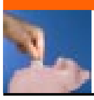
- We have given our estimates for Q2FY2008. For our large cap auto universe we expect the sales to be down by 10.6%, whereas profit after tax (PAT) is expected to decline by 28.1%. The performance in Q2FY2008 could show significant quarter on quarter (q-o-q) and year on year (y-o-y) decline in profits and the reported profits could also be impacted due to foreign exchange (forex) loss arising out of weakening of the rupee.

- In view of the above-mentioned factors, we are revising our estimates on these companies. We are reducing our volumes as well as earnings estimates for Tata Motors by 0.5% (due to better performance of subsidiaries), Ashok Leyland by 10.9%, Maruti Suzuki by 2.5% and Bajaj Auto by 5.7%. **Maruti Suzuki is our top pick in the sector.** ■

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

BANKING — AUGUST 28, 2007



RBI uncomfortable with IHC structures

The Reserve Bank of India (RBI) has expressed concerns over the intermediate holding company (IHC) structures planned by Indian banks. RBI's main concerns are regarding regulatory supervision, risk assessment and legal aspects involving the parent, IHC and other subsidiaries.

The country's two largest banks, public sector leader State Bank of India (SBI) and private sector leader ICICI Bank, have both announced plans to set up IHC for asset management and insurance ventures.

ICICI Bank: Our valuations for ICICI Bank's expected holding company is at $9.7 billion lower than the market valuations of $11 billion (benchmark valuations for 5.9% stake sale to foreign investors at Rs2,650 crore translates into a $11 billion value for the holding company). The difference in valuations translates to around Rs48 per share of ICICI Bank.

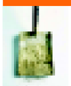
SBI: For SBI also, we have not factored in any value unlocking from the holding company formation and hence don't expect valuations to suffer much. SBI had seen a decline of only Rs8 (0.5%) on August 28, 2007 as the value unlocking has mainly been priced into ICICI Bank, which had received the firm commitments from certain foreign investors. We have assigned a value of $6.2 billion to the insurance and asset management businesses of SBI translating into Rs277 per share of SBI.

Our price targets for ICICI Bank and SBI at Rs1,173 and Rs1,780 don't factor in any upside from the holding company formation and subsequent value unlocking from the stake sale. However, after RBI's recent stance the sentiments have suffered but unlikely to translate into a sharp decline in the stock prices, hence we maintain a Buy on these two companies. ■

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

CEMENT — AUGUST 20, 2007



Dispatches up 14.5% yoy in July

Cement dispatches up 14.5% yoy; down marginally mom

In July, industry dispatches grew by 9.5% year on year (yoy) whereas the dispatches for the Sharekhan universe rose by a robust 14.5% yoy to 7.63 million metric tonne (MMT) underlining the buoyancy in the appetite for cement consumption. On the month-on-month (m-o-m) basis, the Sharekhan universe mirrored the industry dispatches declining by 2%.

PARTICULARS	JULY (IN MMT)	% YOY	REMARKS
ACC	1.64	15.20	Higher capacity + Base effect
Ambuja Cements	1.39	19.50	Base effect
Grasim Industries	1.31	13.10	Base effect
Ultratech	1.07	4.90	
JK Cement	0.29	33.00	
Shree Cement	0.44	39.30	Higher capacity + Base effect
Orient Paper	0.19	2.00	
India Cement	0.81	7.60	Higher production at Sankarnagar and Raasi
Madras Cement	0.47	-2.80	
Total	7.63	14.50	
Industry	13.34	9.60	

Source: CMA, Sharekhan

Monsoons depress overall capacity utilizations to 93%

Though monsoons were not the heaviest in July, the onset of monsoons did lower the cement production in most parts of the country except the South, and consequently the overall utilisation levels dropped by 300 basis points to 93%.

CAPACITY UTILISATIONS (%)

Regions	June 2007	July 2007
Northern	105	97
Eastern	90	87
Western	95	85
Southern	93	97
Central	97	96
Overall	96	93

Source:Sharekhan

Prices in the South—on upward trajectory

With the capacity utilizations crossing 100% in the South coupled with a slower capacity additions has left the cement prices skyrocket in the South. As mentioned in our earlier updates, the wholesale prices in Tamil Nadu increased by Rs6-7 per bag in May and again by Rs7-9 per bag in June whereas the prices in Andhra Pradesh increased by Rs5-9 per bag in the first week of June. This was visible in the realization growth of both our south based companies—India Cements and Madras Cements—which witnessed a quarter-on-quarter realization growth of 10-11% respectively.

Outlook

We maintain our view that the construction activity in most parts of the country will take a backseat in August and so will the cement consumption. Thus we expect the cement prices to maintain the status quo in most parts of the country except Tamil Nadu and Andhra Pradesh, where we might see the prices rising further in the ensuing months.

FMCG — AUGUST 10, 2007

Q1FY2008 earnings review

Companies from the fast moving consumer goods (FMCG) sector have reported an impressive performance for the first quarter of FY2008. On an average, the top line and bottom line of the FMCG industry grew by 17.5% and 20.6% respectively during the quarter. In spite of the rising pressure of high raw material prices, the industry was able to maintain its margins in Q1. The revenue growth was driven by higher volumes and improved pricing power. The strong growth in the revenues of companies like ITC (despite price hikes and declining volumes), Hindustan Unilever Ltd (HUL), Dabur India and Nestle indicates that the performance of the sector would be strong in the coming quarters.

Outlook and valuation

We believe with the rising consumerism, the roll-out of the retail formats and increasing penetration of the FMCG companies in the rural market, the growth momentum in the industry is expected to remain strong in the coming quarters. Moreover, better pricing power and improved product mix would help the industry to maintain its margins in the coming quarters.

Our preferred long-term picks in the FMCG sector are HUL, ITC and Marico. HUL has shown a strong revenue growth with a 30% increase in its earnings before interest, tax, depreciation and amortisation (excluding the losses from the water business) during the quarter, which is quite commendable.

ITC is another top pick which had been an underperformer for the past few months due to concerns over the implementation of the value added tax. But we had always insisted that the underperformance was a short-term aberration. The strong growth in the company's cigarette division in the first quarter in spite of declining volumes only reaffirms our faith in ITC.

In view of the increased contribution from its high-margin products, its strong product basket and the fact that its Kaya business has achieved operational efficiency, we continue to be bullish on Marico as well.

Due to lower advertising spend and staff costs as well as a lower tax rate Colgate India has reported a 13.3% growth for the current quarter with a bottom line growth of 69%.

GCPL is trading at a lower valuation on a comparative basis. Nestle's valuations are already factoring in the robust growth recorded in the past few quarters. With the commencement of the manufacturing unit in a tax-efficient zone, the bottomline is expected to show a strong growth in the coming quarters.

Till now, the absence of aggressiveness in Dabur India was a cause for concern. However, the company's newfound appetite for making acquisitions and floating new ventures (health and beauty format) has dispelled that concern. We believe Dabur India could be a good bet in the long run.

INFORMATION TECHNOLOGY AUGUST 23, 2007

Concerns overdone

In addition to seasonality factor, the underperformance of the tech stocks has been driven by the added concerns related to the steep appreciation in the rupee, subprime issue and its possible fallout on the overall demand environment, and the slowdown in the earnings growth momentum over FY2007-2010.

The concerns appear to be overblown and more than priced in the current valuations. The premium commanded by the tech stocks over the Sensex valuations (on one year forward basis excluding tech stocks) have reduced from a high of around 120% in the mid of 2004 to a historic low of 20%. Despite the fact that the key concern of rupee appreciation is under control now and the tech sector is largely insulated from the uncertainties related to the rising political risk. We continue to prefer HCL Technologies and Satyam among frontline stocks. In the mid-cap space, we prefer 3i Infotech.

Appreciating rupee

The rupee has retraced back to Rs41 level, and the recent policy initiatives indicate (like cap on ECB and levy to issue bonds) that the worst is already behind us. Anyway, the foreign inflows (especially portfolio investments) could due to the rising political risk. Consequently, we believe that the average exchange rate for FY2008 could be slightly over Rs41/USD as against Rs40 or Rs40.5 factored in by the street.

Subprime issue and its fallout on IT budgets

The subprime issue is likely to have a limited impact on the demand scenario. That's because the domestic IT companies have a minimal direct exposure to the mortgage companies. Second, the industry is better positioned (as compared to post dotcom bust) to absorb the possible adverse impact of expected slowdown in US economy in the coming quarters.

#Slowdown in earnings CAGR (the tax effect)

The consensus earnings estimates indicate that the earnings growth momentum could slowdown to around 19-20% during FY2007-2010 due to the declining trend in margins (driven by wage cost inflation and appreciating trend in the rupee) and higher tax rate in FY2010. However, this seems to be already factored in the current valuations. ■

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

AMBUJA CEMENT

VIEWPOINT | CMP: RS133 | AUGUST 23, 2007

Holcim picks up 3.94% in Ambuja Cements

Holcim acquires 3.94% in Ambuja Cements from promoters

Continuing with the creeping acquisition of Ambuja Cements' shares, Holcim Mauritius has announced the acquisition of 6 crore equity shares of the company from its promoters.

Open offer of 20% at Rs154 per share

The company will have to make an open offer of 20%, constituting 30.6 crore shares, to the shareholders of Ambuja Cements at Rs154 per share. The offer price would translate into a premium of 18.4% on the stock's closing price as on August 22, 2007. After the open offer, Holcim Mauritius' stake in Ambuja Cements will rise to 56% from 32% at present.

SHAREHOLDING PATTERN

Particulars	Pre offer	Post offer
Holcim	32.3	56.24
Indian promoters	4.74	0.8
Non-promoters	62.96	42.96

Source: BSE, Company

Deal translates into an EV per tonne of USD260

Ambuja Cements is expanding its capacity by 6 million metric tonne (MMT) from 16MMT in CY2006 to 22MMT by CY2009. At the end of CY2008, the company will have an additional capacity of 19MMT. Based on the fully expanded capacity of 22MMT, the current offer price translates into an implied enterprise value per tonne of USD260.

Though we don't think that the valuations of the broad cement pack will witness a re-rating as a result of the open offer, we are certain that the valuations of ACC would witness a re-rating since Holcim holds the controlling stake in the company.

Acceptance ratio at 31.2%

For the open offer of a 20% stake in Ambuja Cements, the acceptance ratio stands at 31.2%, provided all the non-promoters offer their shares. ■

For further details, please visit the Research section of our website, sharekhan.com

The author doesn't hold any investment in any of the companies mentioned in the article.

Gujarat NRE Coke

Viewpoint | CMP:Rs60 | August 03, 2007

Realisation reflects strong coke market

We attended the analyst meet of Gujarat NRE Coke. Following are the key takeaways from the meet:

- The net sales of the company grew by a whopping 130% year on year (yoy) to Rs149 crore mainly driven by a strong rise in coke prices (FOB china), which rose to US$260 in the current quarter from US$150 in June 2006.
- The Earnings before interest, depreciation, tax and amortisation (EBIDTA) of the company during the quarter grew by 564% yoy to Rs59.2 crore on the back of the increased realisation (a 22% yoy) and the reduced cost of coal to the company. The average cost of coal to the company during the quarter was in the range of $100 per tonne as against landed cost of $170 per tonne, which rose by 14% in last ten months.
- The current market value of the total investment of the company is close to Rs1,157 crore, which on expanded equity comes to Rs34 per share.

Outlook

Gujarat NRE Coke has successfully transformed itself into an integrated coking coal company from a coke producer. The stock price performance will be largely driven by the Chinese coke prices and coking coal prices. However the current dynamics suggest the coke market to remain firm for atleast next six months. The successful completion of the recent acquisition of Ellouera mines, which would increase the coking coal mining production, would insulate the company from adverse price movements in coke. ■

For further details, please visit the Research section of our website, sharekhan.com

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HCL Infosystems

Viewpoint | CMP: Rs188 | August 28, 2007

Technically sound

The highlights of the analyst meet hosted by HCL Infosystems are given below.

FY2007, the Nokia effect

HCL Infosystems (HCLI) reported a tepid growth of 3.5% in its gross revenues to Rs11,855 crore during FY2007. Though the computer systems segment grew by 13.8%, the performance was dented by the flat growth in the telecommunications & office automation (telecom) segment due to the revision of agreement with Nokia.

As per the revised agreement between HCLI and Nokia for the distribution of latter's mobile handsets, the gradual transfer of the distribution business to Nokia was initiated from the first quarter of FY2007 and would be fully completed by the second quarter of FY2008. The Nokia distribution business accounted for around 65-70% of the revenues in the telecom segment. However, the Nokia business is expected to show growth in the current fiscal. Moreover, the company has significantly enhanced the portfolio of non-Nokia products like Apple and Kodak.

Focus on laptops and system integration (SI) projects

Despite increasing competition, HCLI has been able to maintain its dominance in the desktop personal computer segment. It has also aggressively forayed into the fast growing laptop segment where its market share increased to 4.7% in CY2006 and 7.4% in Q1CY2007, up from 1.2% in CY2005.

Going forward, the company is betting on the SI segment to drive growth over the next 3-5 years. It has already established a strong SI practice in certain verticals such as telecommunications, banking, e-governance and power; and has reported some large order wins.

Valuation

At the current market price the stock trades at reasonably attractive valuations of 10x FY2007 and around 8.5x FY2008 rough earning estimates. Given the dividend of 100% during the past nine consecutive quarters, the dividend yield stand at 4.3% and is an added advantage in the stock. ■

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JSW Steel

Viewpoint	CMP: Rs557	August 24, 2007

Earnings accretive only in long term

Event

JSW Steel has acquired a US- based plate and pipe mill for a total consideration of $940 million which includes a working capital of $130 million. JSW Steel has acquired a 90% stake from the group company, Jindal Saw.

Details

- The plate mill of the US- based plate and pipe mill has a capacity of 1.2 million tonne with the current year production at 0.6 million tonne. The pipe mill has a capacity of 0.55 million tonne with the current year production at 0.2 million tonne.
- The current acquisition cost for the company works out at 12.3 times its enterprise value (EV)/ earnings before interest, depreciation, tax and amortisation (EBIDTA). On EV per tonne based on the current capacity, the company has paid $267 per tonne for the plate mill and around $964 per tonne for the pipe mill, which appears fairly priced when compared with the Greenfield cost per tonne. As part of synergy JSW Steel will supply excess slab to the US plant and thereby reduce the cost of conversion of pipe making.

Outlook

We believe the company will have synergetic benefit by supplying slab to the US plant. However the major challenge would be to make the US plant efficient by reducing the cost of production and increasing the capacity utilisation by improving the labour cost per tonne to make the deal value accretive. At the current market price of Rs557, the stock is trading at 6x trailing twelve months (ttm) price earning ratio and 4.2x EV/EBIDTA. We believe that the event driven investors have exited the stock and it has been penalised more than it deserves. The stock has corrected by 26% in the last one month. However there remains a high execution risk to make the US plant efficient and increase its production to the rated capacity. ■

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Tata Steel

Viewpoint	CMP: Rs680	August 31, 2007

Firm steel prices

Tata Steel reported its consolidated results for Q1FY2008 with net sales of Rs31,154 crore, an operating profit of Rs4,904 crore and a reported net profit of Rs6,360 crore. The reported net profit included an extraordinary gain of Rs4,434 crore on account of actuarial gains due to an increase in the yield rates on bonds held by various pension funds and foreign exchange gain from foreign currency borrowing.

For like to like comparison we have added Corus results to Tata Steel's June quarter 2006 and March quarter 2007 results.

Result highlights

- The company reported a revenue growth of 23% year on year (yoy) and 6% quarter on quarter (qoq) to Rs31,155 crore as against Rs25,273 crore in the subsequent quarter of the previous year. The growth was mainly driven by firm European steel prices, which rose by 13% yoy and 6% qoq to 516 euro per tonne as against 469 euro per tonne in the subsequent quarter of the previous year.
- The stock is currently trading at a consensus FY2008E enterprise value (EV)/earnings before interest, depreciation, tax and amortisation (EBIDTA) of 5x and a price multiple (PE) of 7.4x

Outlook

We believe firm steel prices will drive the stock performance going forward. International steel prices are expected to remain firm in the near term due to the production cut backs and increase in the input cost, mainly iron ore and coking coal. The contracts for iron ore and coking coal for the current year are expected to be on a higher side. Due to increase in the financial leverage the stock price performance will remain highly sensitive to international steel prices. ■

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Bhavnagar
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Nagpur (C A)
409/412, Heera Plaza, Near Telephone Exchange Square, Central Avenue, Nagpur-440 008. Tel: (0712) 2731922/23 e-mail: shailesh_k@branch.sharekhan.com

Nagpur - Dharampeth
54, Park Residency, Khare Town, Dharampeth, Nagpur - 440 010. Tel: (0712) 6610752 to 56 e-mail: p.kothari@branch.sharekhan.com

Navsari
1-Nirmal Complex, 1st Floor, Station Road, Sayaji Road, Navsari - 396 445. Tel: (02637) 652300/652400/248888 e-mail: amitkeshwani@branch.sharekhan.com

Nashik - Ashok Stambh
6-Sancheti Tower, Opp Circle Cinema, Ashok Stambh, Nashik-422 002. Tel: (0253) 6610990-999 e-mail: sameerk@branch.sharekhan.com

Nashik - College Road
5 SK Open Mall, Yeolekar Mala, Near BYK College, College Road, Nashik-422 005. Tel: (0253) 6610975 to 978 e-mail: mandar@branch.sharekhan.com

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5, Pusa Road, Opp. Bal Bharti Public School, New Delhi-110005. Tel: (011) 45064908 / 28750726/27 e-mail: hemendra@branch.sharekhan.com

E-4, 2nd Floor, Inner Circle, Above Pizza Hut, Connaught Place, New Delhi-110 001. Tel: (011) 66095731 / 66095705 e-mail: amitpal@branch.sharekhan.com

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New Delhi - Karkardooma
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New Delhi - Vasant Vihar
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Gaurangi Chambers , 1 st Floor, Opp Damani Estate, L B S Marg , Thane - 400 602. Tel: (022) 67913961/62 / 67914017/18. e-mail: ashishi@branch.sharekhan.com

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SHAREKHAN EARNINGS GUIDE

Prices as on September 03, 2007

Company	Price (Rs)	Sales FY07	Sales FY08E	Sales FY09E	Net Profit FY07	Net Profit FY08E	Net Profit FY09E	EPS FY07	EPS FY08E	EPS FY09E	(%) EPS Growth FY09/FY07	PE (x) FY07	PE (x) FY08E	PE (x) FY09E	ROCE (%) FY07	ROCE (%) FY08E	RONW (%) FY07	RONW (%) FY08E	DPS (Rs)	Div Yield (%)
Evergreen																				
HDFC Bank	1,176.2	5,225.8	7,183.9	9,544.1	1,141.9	1,502.9	1,964.2	35.8	42.2	55.2	24%	32.9	27.9	21.3	-	-	19.3	15.9	7.0	0.6
Infosys Tech	1,862.0	13,893.0	17,269.0	22,299.0	3,726.0	4,717.0	5,952.0	66.9	82.0	103.3	24%	27.8	22.7	18.0	37.5	37.8	34.3	33.2	21.0	1.1
Reliance Ind	1,955.6	105,701.0	91,354.0	142,079.0	10,386.0	10,499.9	19,417.0	74.4	75.2	128.3	31%	26.3	26.0	15.2	25.1	23.0	19.4	16.7	10.0	0.5
TCS	1,058.8	18,633.0	23,803.0	29,460.0	4,132.0	5,030.0	6,054.0	42.2	51.4	61.9	21%	25.1	20.6	17.1	39.5	35.4	45.2	38.2	7.5	0.7
Apple Green																				
ACC	1,071.1	5,803.5	7,263.7	7,808.3	1,062.2	1,556.6	1,493.1	56.5	82.8	79.5	19%	19.0	12.9	13.5	34.1	39.9	33.8	34.3	15.0	1.4
Aditya Birla Nuvo^	1,388.9	8,258.0	10,782.4	-	281.2	501.0	-	32.0	53.7	-	68%	43.4	25.9	-	7.5	7.5	15.5	15.5	5.0	0.4
Apollo Tyres	39.8	3,284.3	3,741.2	4,180.2	113.4	150.8	179.9	2.3	3.0	3.6	26%	17.7	13.3	11.1	17.6	17.2	11.9	12.1	4.5	11.3
Bajaj Auto	2,321.5	9,317.5	9,585.3	10,981.3	997.9	1,140.3	1,306.7	98.6	112.7	129.1	14%	23.5	20.6	18.0	22.3	21.4	18.0	18.4	40.0	1.7
Bank of Baroda	282.4	4,750.8	5,771.4	6,511.7	1,026.5	1,307.7	1,576.7	28.1	35.8	43.1	24%	10.0	7.9	6.6	-	-	12.4	14.3	6.0	2.1
Bank of India	249.3	5,003.0	5,932.1	7,107.2	1,123.2	1,394.2	1,722.9	23.0	28.6	29.5	13%	10.8	8.7	8.4	-	-	21.2	22.2	3.5	1.4
Bharat Bijlee	2,393.3	469.9	590.5	756.6	55.1	76.4	103.2	97.6	135.3	182.7	37%	24.5	17.7	13.1	63.4	59.0	48.8	42.9	25.0	1.0
Bharat Electronics	1,751.2	3,892.5	4,446.5	4,974.9	718.2	842.0	948.8	89.8	105.2	118.6	15%	19.5	16.6	14.8	38.5	35.5	27.3	25.0	12.0	0.7
BHEL	1,941.0	17,561.0	22,143.4	27,543.5	2,414.7	3,076.0	3,825.9	49.3	62.8	78.2	26%	39.4	30.9	24.8	34.7	39.8	26.2	25.9	14.5	0.7
Bharti Airtel	871.5	18,519.7	27,051.0	34,192.0	4,257.0	6,365.6	8,034.4	22.5	33.5	42.3	37%	38.7	26.0	20.6	31.7	32.1	29.1	33.0	-	0.0
Canara Bank	251.7	5,477.8	6,001.4	6,896.4	1,420.8	1,552.0	1,785.4	34.7	37.9	43.5	12%	7.2	6.6	5.8	-	-	16.3	14.2	7.0	2.8
Corp Bank	339.3	1,943.6	2,181.6	2,453.7	536.1	635.7	746.2	37.4	44.3	52.0	18%	9.1	7.7	6.5	-	-	15.0	16.0	9.0	2.7
Crompton Greaves	311.8	5,639.0	7,297.7	8,542.4	281.7	383.5	521.0	7.7	10.5	14.4	37%	40.5	29.7	21.7	36.8	41.2	27.3	28.0	1.0	0.3
Elder Pharma	380.0	447.3	562.1	648.4	56.8	74.8	84.6	30.6	40.3	45.6	22%	12.4	9.4	8.3	15.9	15.4	17.3	18.8	2.5	0.7
Grasim	2,935.6	14,412.0	12,726.4	13,659.6	1,967.5	2,430.0	2,115.0	214.6	265.0	230.7	4%	13.7	11.1	12.7	33.3	35.7	27.5	27.2	16.0	0.5
HCL Tech**	310.5	6,033.7	7,533.4	9,377.5	1,258.1	1,268.7	1,650.0	18.4	18.5	23.8	14%	16.9	16.8	13.0	25.5	28.3	21.7	23.1	8.0	2.6
HUL*	209.2	12,103.4	13,800.0	15,395.0	1,539.7	1,883.9	2,111.8	7.0	8.5	9.6	17%	29.9	24.6	21.8	67.0	68.4	56.5	57.4	6.0	2.9
ICICI Bank	907.3	12,565.0	16,796.7	21,641.1	3,110.4	4,015.7	5,120.8	34.6	35.8	45.7	15%	26.2	25.3	19.9	-	-	13.3	10.4	10.0	1.1
Indian Hotel Co	129.8	1,544.0	1,787.0	2,086.0	321.8	363.7	440.6	5.3	6.0	7.3	17%	24.5	21.6	17.8	22.6	21.6	17.9	17.6	1.6	1.2
ITC	173.9	12,369.0	14,328.0	17,276.0	2,699.9	2,998.3	3,629.2	7.2	8.0	9.6	16%	24.2	21.7	18.1	34.9	33.5	27.7	26.6	3.1	1.8
Lupin	598.5	1,970.9	2,600.0	3,054.4	302.1	328.9	410.5	34.2	37.3	46.5	17%	17.5	16.0	12.9	23.4	20.4	34.0	20.4	5.0	0.8
M&M	721.5	9,629.9	11,312.1	13,010.4	957.7	898.0	1,061.4	40.2	37.7	44.6	5%	17.9	19.1	16.2	29.7	21.6	20.2	19.3	11.5	1.6
Marico	59.0	1,559.5	1,896.9	2,149.7	112.9	160.8	203.2	1.9	2.6	3.3	34%	31.9	22.7	17.9	35.9	48.0	58.7	51.3	0.7	1.2
Maruti Udyog	880.9	14,611.5	17,768.3	20,447.3	1,532.9	1,821.3	2,077.8	53.0	63.0	71.9	16%	16.6	14.0	12.3	35.2	41.0	24.9	26.1	4.5	0.5
Nicholas Piramal	288.2	2,420.2	2,866.9	3,248.1	232.6	282.4	342.1	11.0	13.4	16.3	22%	26.2	21.5	17.7	16.6	17.6	21.4	22.3	3.5	1.2
Ranbaxy*	396.2	6,018.3	6,535.2	7,456.2	510.3	740.9	706.0	13.7	18.5	17.7	14%	28.9	21.4	22.4	11.2	14.2	19.7	25.1	8.5	2.1
Satyam Computers	449.9	6,485.0	8,114.0	10,178.0	1,405.0	1,673.0	2,026.0	21.4	25.0	29.9	18%	21.0	18.0	15.0	27.8	27.9	25.9	25.9	8.0	1.8
SKF India*	402.3	1,342.5	1,537.1	1,798.9	99.3	145.4	176.1	18.8	27.6	33.4	33%	21.4	14.6	12.0	39.4	45.7	23.5	27.4	4.5	1.1
SBI	1,605.6	23,501.0	26,946.7	31,199.4	4,541.3	5,164.7	6,267.4	86.3	90.4	109.7	13%	18.6	17.8	14.6	-	-	15.4	13.7	14.0	0.9
Sundaram Clayton	712.2	816.3	923.8	1,128.7	92.8	101.2	138.8	48.9	53.3	73.6	23%	14.6	13.4	9.7	31.2	28.9	26.5	24.5	15.0	2.1
Tata Motors	703.0	32,426.4	34,592.6	40,856.7	2,170.0	2,076.3	2,615.0	56.3	54.3	64.9	7%	12.5	12.9	10.8	33.4	28.5	28.4	22.6	15.0	2.1
Tata Tea	767.2	4,024.9	4,323.0	4,582.6	366.2	321.7	421.8	62.3	52.2	68.4	5%	12.3	14.7	11.2	11.4	8.9	19.6	10.3	15.0	2.0
Unichem Lab	225.3	545.6	638.9	710.7	89.0	102.5	115.6	24.7	28.5	32.1	14%	9.1	7.9	7.0	25.3	27.1	24.0	25.2	5.0	2.2
Wipro	475.4	14,943.0	18,670.0	23,126.0	2,917.0	3,283.0	3,977.0	20.4	23.0	27.6	16%	23.3	20.7	17.2	22.5	22.1	28.7	27.2	6.0	1.3
Emerging Star																				
3i Infotech	148.6	655.3	1,132.8	1,445.4	96.5	183.6	227.1	7.2	10.9	13.5	37%	20.6	13.6	11.0	11.4	12.7	13.7	11.4	1.0	0.7
Aban Offshore	2,873.7	576.4	1,099.5	2,158.7	-50.2	424.9	1,445.0	-13.0	110.4	375.4	-	-221.1	26.0	7.7	4.7	12.0	-7.1	60.8	-	-
Alphageo India	367.3	54.0	90.0	138.1	7.5	16.9	28.4	15.2	30.7	51.7	84%	24.2	12.0	7.1	28.5	43.2	28.7	37.9	0.5	0.1
Axis Bank (UTI Bank)	635.4	2,577.2	3,628.8	4,872.5	659.0	875.6	1,150.8	23.4	24.6	32.3	17%	27.2	25.8	19.7	-	-	20.9	13.7	4.5	0.7
Balaji Telefilms	260.1	320.2	391.4	497.4	79.5	96.7	119.6	12.2	15.0	18.3	22%	21.3	17.3	14.2	41.7	42.8	28.6	28.6	3.5	1.3
Cadila Healthcare	309.3	1,828.8	2,241.0	2,600.8	233.8	271.9	328.3	18.6	21.6	26.1	18%	16.6	14.3	11.9	20.4	19.2	25.4	24.6	4.0	1.3
F-M Goetze*	165.1	387.4	676.7	795.4	-6.3	38.2	54.4	-	12.6	17.9	-	-	13.1	9.2	18.0	21.3	16.9	20.4	0.0	-
KSB Pumps	510.0	406.4	462.2	546.1	51.1	49.1	69.1	29.4	28.2	39.7	16%	17.3	18.1	12.8	45.0	37.7	25.3	20.6	4.0	0.8
Marksans Pharma^	49.5	240.8	535.5	-	9.9	73.5	-	2.8	20.4		629%	17.7	2.4	-	4.7	-	20.0		-	-
Navneet Pub	60.7	326.8	375.6	405.2	42.7	53.7	58.5	4.5	5.6	6.1	16%	13.5	10.8	10.0	17.0	19.0	20.8	22.7	2.0	3.3
Network 18 Fincap	369.1	338.3	-	-	-9.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Year CY instead of FY

** June ending company

^EPS growth resembles FY08/FY07

Company	Price (Rs)	Sales			Net Profit			EPS			(%) EPS Growth	PE (x)			ROCE (%)		RONW (%)		DPS	Div Yield
		FY07	FY08E	FY09E	FY07	FY08E	FY09E	FY07	FY08E	FY09E	FY09/FY07	FY07	FY08E	FY09E	FY07	FY08E	FY07	FY08E	(Rs)	(%)
Nucleus Software	352.4	221.2	316.4	428.0	55.2	73.0	100.1	17.0	22.4	30.8	35%	20.7	15.7	11.4	37.4	35.7	33.2	31.7	1.8	0.5
Orchid Chemicals	206.8	912.9	1,044.3	1,193.9	96.6	156.4	224.5	14.7	17.3	23.5	26%	14.1	12.0	8.8	9.4	11.2	19.3	10.8	3.0	1.5
ORG Infomatics	106.0	306.6	426.2	490.1	17.3	24.1	27.3	10.2	14.1	16.0	25%	10.4	7.5	6.6	36.7	30.9	27.6	20.5	-	-
Tata Elxsi	311.6	308.0	396.0	487.3	52.1	63.7	79.7	16.7	20.4	25.6	24%	18.7	15.3	12.2	62.0	55.0	84.0	65.4	7.0	2.2
TV18 India	825.4	239.8	325.5	437.9	60.8	85.1	126.1	11.0	15.1	22.3	42%	75.0	54.7	37.0	13.9	16.0	20.7	21.2	2.0	0.2
Thermax	644.7	2,324.8	3,264.0	4,405.1	199.2	299.7	418.6	16.7	25.2	35.1	45%	38.6	25.6	18.4	59.7	63.9	32.8	37.1	3.4	0.5
Ugly Duckling																				
Ahmed Forging	249.6	600.3	916.9	1168.7	68.2	118.9	144.4	20.5	35.8	43.5	46%	12.2	7.0	5.7	25.9	33.8	21.2	27.3	-	-
Ashok Leyland	38.4	7,320.4	7,920.6	9,144.6	441.3	401.0	517.2	3.1	3.0	3.9	12%	12.4	12.8	9.8	25.8	21.9	21.5	19.4	1.5	3.9
Aurobindo Pharma	616.0	2,122.9	2,622.9	3,143.7	203.2	278.0	348.4	38.1	45.8	57.1	22%	16.2	13.4	10.8	11.2	13.4	13.5	15.7	1.5	0.2
BASF	271.2	836.7	1,156.9	1,556.2	54.0	80.5	111.4	17.8	28.6	39.5	49%	15.2	9.5	6.9	27.4	32.8	18.6	24.0	7.0	2.6
Ceat	164.2	2,133.1	2,314.5	2,573.9	39.7	77.1	96.4	8.6	16.9	21.1	57%	19.1	9.7	7.8	15.4	22.9	11.0	16.5	1.8	1.1
Deepak Fert	106.1	833.1	1,114.5	1,259.1	94.4	114.9	150.8	10.7	13.0	17.1	26%	9.9	8.2	6.2	11.1	12.1	13.9	18.3	3.0	2.8
Genus Overseas	510.0	365.2	516.0	648.5	28.2	47.0	57.7	23.2	38.6	47.4	43%	22.0	13.2	10.8	28.5	31.1	27.9	31.9	1.5	0.3
Hexaware Tech	122.0	848.2	1,098.8	1,343.3	124.2	136.2	174.2	8.9	9.6	12.3	18%	13.7	12.7	9.9	33.2	30.1	28.6	24.9	0.4	0.3
ICI India	521.2	1,015.0	987.3	1,102.9	87.4	118.9	134.4	21.4	29.1	32.9	24%	24.4	17.9	15.8	8.6	11.5	12.4	13.0	27.0	5.2
India Cements	250.3	2,049.7	3,103.0	3,574.0	449.3	771.7	729.0	20.4	29.7	28.0	17%	12.3	8.4	8.9	22.2	32.5	31.5	28.6	-	-
Indo Tech Trans	563.4	155.4	226.6	352.5	25.2	32.1	49.7	23.7	30.2	47.0	41%	23.8	18.7	12.0	41.2	38.7	31.3	30.6	4.5	0.8
Jaiprakash Asso	910.9	3,796.0	4,637.0	5,635.0	443.6	663.0	767.0	20.3	30.6	35.0	31%	44.9	29.8	26.0	10.5	10.8	16.1	15.5	2.5	0.3
KEI Industries	76.7	603.9	868.9	1,173.0	40.1	53.5	81.2	5.2	6.9	10.4	42%	14.8	11.2	7.4	24.9	23.1	32.5	30.2	0.5	0.7
NIIT Technologies	347.1	885.9	1,111.3	1,347.8	129.2	161.1	192.4	22.0	27.5	32.8	22%	15.8	12.6	10.6	38.7	35.9	41.2	35.0	3.0	0.9
PNB	490.9	6,556.9	7,374.2	8,707.8	1,540.0	1,874.4	2,217.8	48.8	59.4	70.3	20%	10.1	8.3	7.0	-	-	15.8	17.2	9.0	1.8
Ratnamani Metals	1,145.2	571.2	818.4	1,087.8	64.1	88.5	125.7	71.2	95.9	134.6	37%	16.1	11.9	8.5	45.3	45.0	57.7	47.7	5.0	0.4
Sanghavi Movers	206.5	178.6	237.1	285.5	47.2	62.4	75.9	11.5	14.5	17.4	23%	18.0	14.3	11.8	23.3	23.8	24.5	23.6	12.5	6.1
Saregama India	251.5	143.3	170.8	198.1	17.3	21.0	28.7	11.4	14.0	19.1	29%	22.1	18.0	13.2	18.0	18.6	20.1	20.5	-	-
Selan Exploration	107.5	26.2	38.4	49.3	10.6	14.7	20.2	7.3	10.2	14.0	38%	14.7	10.5	7.7	28.5	31.0	23.8	24.9	-	-
SEAMEC	226.5	159.1	200.1	281.5	58.6	59.6	116.4	17.3	17.6	34.3	41%	13.1	12.9	6.6	29.0	24.0	25.0	20.0	-	-
Subros	221.6	647.4	733.5	952.1	31.9	33.8	51.4	26.6	28.2	42.8	27%	8.3	7.9	5.2	21.7	20.4	19.5	16.8	3.0	1.4
Sun Pharma	944.7	2,132.1	2,688.4	3,232.0	774.1	927.0	1,100.8	40.0	44.8	53.1	15%	23.6	21.1	17.8	19.0	18.9	19.5	18.7	5.5	0.6
Surya Pharma^	81.9	287.5	462.1	-	27.3	42.4	-	18.9	29.3	-	55%	4.3	2.8	-	15.6	15.0	23.9	21.6	-	-
UltraTech Cement	946.2	4,910.8	5,717.7	6,496.7	782.2	1,001.4	1,139.7	62.8	80.4	91.5	21%	15.1	11.8	10.3	43.3	39.6	44.7	37.4	4.0	0.4
Union Bank of India	140.8	3,478.0	3,981.8	4,595.9	846.0	1,079.7	1,293.2	16.7	21.4	25.6	24%	8.4	6.6	5.5	-	-	19.2	21.0	3.5	2.5
Universal Cables	94.5	377.2	478.8	-	21.9	30.1	-	9.5	13.0	-	37%	9.9	7.3	-	18.2	20.5	13.7	16.5	2.4	2.5
Wockhardt*	401.4	1,729.0	2,718.8	3,098.8	301.6	370.1	427.8	27.6	31.0	35.8	14%	14.5	12.9	11.2	11.4	18.9	22.6	19.9	5.0	1.2
Zensar Tech	212.0	605.9	845.5	1,035.8	58.8	75.5	95.4	24.4	31.5	39.7	28%	8.7	6.7	5.3	23.7	27.2	27.8	28.1	3.5	
Vulture's Pick																				
Esab India	497.5	287.2	368.7	424.0	42.6	57.4	68.6	27.7	37.2	44.5	27%	18.0	13.4	11.2	108.1	83.6	55.5	46.1	5.0	1.0
Orient Paper	447.8	1,101.1	1,274.4	1,388.3	137.2	182.6	181.5	84.6	94.7	94.1	5%	5.3	4.7	4.8	48.8	44.7	87.5	36.4	10.0	2.2
WS Industries	86.0	165.4	200.5	294.0	7.9	14.5	18.5	3.7	6.8	8.7	53%	23.2	12.6	9.9	15.4	16.8	11.2	18.6	-	-
Cannonball																				
Allahabad Bank	92.2	2,127.1	2,476.2	2,815.6	750.2	839.5	967.1	16.8	18.8	21.6	13%	5.5	4.9	4.3	-	-	22.6	21.6	4.0	4.3
Andhra Bank	86.5	1,864.4	2,156.5	2,612.4	537.9	611.3	705.7	11.1	12.6	14.6	15%	7.8	6.9	5.9	-	-	17.8	18.2	3.8	4.4
Gateway Distri	132.0	161.0	262.6	395.2	78.8	88.9	114.8	8.5	9.6	12.5	21%	15.5	13.7	10.6	14.8	15.1	12.0	13.4	3.5	2.7
ICIL	407.3	79.8	98.9	117.9	8.3	11.3	13.8	34.6	47.1	57.9	29%	11.8	8.6	7.0	34.7	39.3	21.3	23.1	2.5	0.6
J K Cements	170.7	1,233.0	1,479.0	1,559.0	178.6	210.0	180.0	25.5	30.0	25.7	0%	6.7	5.7	6.6	23.2	24.7	21.6	20.8	1.5	0.9
Madras Cements	3,661.9	1,574.1	2,028.6	2,619.7	308.5	445.4	536.4	255.4	368.7	443.0	32%	14.3	9.9	8.3	42.0	42.2	46.3	41.7	15.0	0.4
Shree Cement	1,295.4	1,368.0	1,962.5	2,276.8	356.7	544.6	564.7	102.4	156.3	162.1	26%	12.7	8.3	8.0	42.6	58.7	56.0	46.9	3.0	0.2
TFCI	26.0	29.7	37.5	48.5	14.3	20.2	27.5	2.1	3.0	4.1	40%	12.4	8.7	6.3	-	-	7.5	9.9	0.5	1.9
TCI	112.2	1,088.5	1,265.7	1,560.1	30.6	39.9	49.9	4.5	4.9	6.3	18%	24.9	22.7	17.8	17.6	17.1	22.4	16.3	1.5	1.3

* Year CY instead of FY

** June ending company

^EPS growth resembles FY08/FY07

Remarks	
Evergreen	
HDFC Bank	• The consistent growth of 31% quarter after quarter makes HDFC Bank, India's leading private sector bank, a safe bet. The risk from the interest rate volatility is low as its fee income/net income ratio is the highest in the industry at 30%. The recent capital raising along with approval for new branch licences would help the bank to sustain the growth momentum.
Infosys Tech	• Infosys is India's premier IT and IT-enabled service company. It is one of the key beneficiaries of the strong trend of offshore outsourcing. It is well positioned to weather the current uncertainties related to a possible slowdown in the USA and its fallout on the overall demand environment.
Reliance Ind	• RIL's refining business remains strong. The upswing in the petrochemical cycle is likely to continue for the next 18-24 months. Upstream assets are valued at Rs580 per share. Its subsidiary, RPL, adds another Rs167 per share to the stock price.
TCS	• TCS pioneered the IT service outsourcing business from India and is the largest IT service firm in the country. It is a leader in most service offerings and is in the process of further consolidating its leadership position through the inorganic route and large deals.
Apple Green	
ACC	• ACC is India's largest cement maker and will be the primary beneficiary of the improving cement demand-supply equilibrium. The volume boost from the expanded capacity and the cost reduction through captive power plants shall boost its profitability. Holcim's strategic stake in it will result in the unlocking of value.
Aditya Birla Nuvo	• Aditya Birla Nuvo participates in India's four most exciting sectors: garments, insurance, telecom and IT/IT enabled services. It has a perfect strategy: to earn cash from its cash cow businesses, such as carbon black, rayon and fertilisers, and invest in high-growth businesses, such as garments, insurance, telecom and IT/IT enabled services.
Apollo Tyres	• Apollo Tyres is the market leader in the truck and bus tyre segment with a market share of 28%. We expect the replacement cycle to get triggered in a big way, given the sharp rise in the commercial vehicle (CV) sales in the past one year. The margins improved substantially in FY2007 and are expected to be sustained heron due to lower rubber prices, its main raw material. Considering the strong growth opportunities and the powerful position of the company in the market, we believe that the stock is under-valued.
Bajaj Auto	• Bajaj Auto is a leading two-wheeler maker. It is being spilt into three separate companies, comprising a holding company, an automobile company and a financial service & insurance company. The sales of the two-wheeler segment have been currently affected due to rising interest rates. The three-wheeler segment should help in maintaining the overall volume growth. It is the second largest player in the insurance business.
Bank of Baroda	• BOB, with a wide network of over 2,700 branches across the country, has a stronghold in the western and eastern parts of India. With only around 25% of its investment portfolio in the available-for-sale category of duration below 1 year, the bank has insulated its investment portfolio from the risk of rising interest rates. We expect a 14% growth in its net revenue and a 24% growth in its earnings over FY2006-09E.
Bank of India	• BOI has a wide network of 2,644 branches across the country and 24 branches abroad. With only around 25% of its investment portfolio in the available-for-sale category of duration below one year, the bank has insulated its investment portfolio from the risk of rising interest rates. With improving margins and steady asset growth, we expect a strong 23% growth in its net revenues and a 35% growth in its earnings over FY2006-09E.
Bharat Bijlee	• Bharat Bijlee, a leading transformer manufacturing company, shall benefit from huge investments in the T&D sector. Its OPM and RoCE are all set to improve substantially on transfer of the low-margin elevator business.
Bharti Airtel	• Bharti Airtel is leading the wireless telephony revolution and has emerged as the largest mobile operator in the country. In addition to the robust growth in revenues, the focus on cost efficiencies and high-margin non-voice business are more than mitigating the impact of declining trend in the tariffs.
BEL	• BEL, a public sector unit involved in manufacturing of electronic, communication and defence equipment, is benefiting from the enhanced capital expenditure outlay in the budget to strengthen and modernise security systems. Moreover, civilian and export orders are also aiding the overall growth in revenues.
BHEL	• BHEL, India's biggest power equipment manufacturer, will be the prime beneficiary of a four-fold increase in the investments being made in the Indian power sector. Its order book of Rs62,400 crore stands at around 3.55x FY2007 revenue and we expect it to maintain the growth momentum.
Canara Bank	• Canara Bank, with a wide network of 2,513 branches across the country, has a stronghold in the southern parts of India, especially in the states of Andhra Pradesh and Karnataka. The bank has reduced its interest rate risk by bringing down the duration of its available-for-sale (AFS) portfolio to 1.5 years. We expect a 12% growth in its net revenues and a 10% growth in its earnings over FY2006-09E.

Company	Remarks
Corp Bank	• Corporation Bank has one of the lowest cost/income ratio and the highest Tier-I CAR. This leaves ample scope to leverage balance sheet without diluting equity, quite unlike the other state-owned banks. It is most aggressive on technology implementation with all its branches under Core Banking Solution, covering 100% business of the bank. It has superior asset quality with NPAs at 0.47%.
Crompton Greaves	• The outlook is buoyant for Crompton Greaves' key business of industrial and power systems. A consolidated order book of Rs4,870 crore generates clear earnings visibility. The synergy from the acquisitions of Pauwels and GTV will drive its consolidated earnings.
Elder Pharma	• With leading big brands like Shelcal and Tiger Balm, pharma company Elder Pharma is set to make the most of the domestic demand with line extensions and new molecules. New in-licencing agreements will ensure good growth for the company. Elder is also looking to expand its global footprint through acquisitions. Having already made 2 acquisitions in Europe, the company is on the look out for more acquisition opportunities in markets like Latin America.
Grasim	• Going forward, the improved performance of the VSF business, continued concrete performance of its cement business and the steep uptrend in the earnings of its 51% subsidiary, Ultratech, would drive Grasim's consolidated earnings.
HCL Tech	• HCL Tech is one of the leading Indian IT service vendors. It has been able to successfully ramp up the business from the large-sized deals bagged over the past few quarters, which has considerably improved its revenue growth visibility.
HUL	• HUL is India's largest fast moving consumer good (FMCG) company. The volume growth is picking up in FMCG sector and HUL is likely to be a key beneficiary. The rural demand growth will be icing on the cake. HUL has regained the pricing power in all the product segments. Turn-around of loss-making businesses and cost reduction measures should help it improve its profitability.
ICICI Bank	• ICICI Bank is India's second-largest bank. With a strong positioning in the retail advance segment, it enjoys a healthy growth in both loans and fee income. Its various subsidiaries add Rs380 to the overall valuation. The bank has successfully raised Rs20,000 crore, which would fund its growth for the next three years.
Indian Hotels Co	• The tight demand-supply scenario in the hotel industry will push up the ARRs in the short term and we expect Indian Hotels Co (India's largest hotel company) with its pedigree of hotels to be the key beneficiary of this trend. We expect its earnings to grow at a strong 27.3% CAGR over FY2006-08.
ITC	• ITC's plan to diversify from the key business of cigarettes is paying off with the non-cigarette businesses of hotels, paper and agri-products reporting a strong growth in revenues. The cigarette business would nurture the growth of the businesses that are at nascent stage. As ITC gains leadership position in each of these businesses, we expect its valuations to improve further, reducing the gap between its valuation and that of HLL.
Lupin	• Leading pharma company Lupin is set to take off in the export market by targeting the US market (primarily for formulations) while maintaining its dominance in the anti-TB segment globally. Further, with an expanded field force and therapy focused marketing division, Lupin's branded formulation business in the domestic market has been performing better than the industry. Lastly, Lupin's ongoing R&D activities are expected to yield sweet fruits going forward.
M&M	• M&M is a leading maker of tractors and utility vehicles in India. Its utility vehicle sales continue to be strong. Its investments with world majors in passenger cars and commercial vehicles have helped the company diversify into various auto segments. The acquisitions made by its subsidiary Systech will pay off over the coming three years. The value of its subsidiaries adds to the sum-of-parts valuation.
Marico	• Marico is India's leading FMCG company. Its core brands, Parachute and Saffola, have a strong footing in the market. It intends to play on the broader beauty and health platform. Its risk appetite is rising, as is evident from the five acquisitions made in eighteen months. It is also directing its energies to the high-margin businesses, viz value-added hair oil, *Kaya* and *Sundari*.
Maruti Udyog	• Maruti Udyog is India's largest small car manufacturer. This is the only pure passenger car play. With new launches the company is expected to maintain its growth rate in the domestic market. Suzuki has identified India as a hub for manufacture of small cars for its worldwide markets. Increased indigenisation and cost control measures to help improve margins.
Nicholas Piramal	• Pharma major Nicholas Piramal is ready to gain from the ramp-up in its contract manufacturing deals with MNCs. Further, the acquisition of Pfizer's Morpeth facility in the UK adds glory to its global contract manufacturing strength. The demerger of its R&D division will unlock value of its impressive R&D pipeline.
Ranbaxy	• Ranbaxy, apart from adopting an inorganic growth strategy, has been maintaining an aggressive product introduction strategy as well in the domestic, regulated and other pharma markets. With such efforts, it maintains the numero uno position in the domestic market. Exclusivity opportunities in the USA, along with strong expansion in semi-regulated markets, will drive its growth.
Satyam Comp	• Satyam is among the top five Indian IT service companies. In the past few quarters, it has been able to bag some large-sized deals and has further consolidated its leadership position in enterprise solutions segment.

	Remarks
SKF India	• SKF, a leading bearing and engineering solution provider, enjoys good visibility in high-margin replacement market. It will be the primary beneficiary of growing volumes of Indian automobile industry and the huge industrial investment lined up by India Inc. It also plans to focus on its high-margin service division.
SBI	• Despite being the largest bank of India SBI is growing at a high rate which is commendable. Its loan growth is likely to remain healthy at 22-25% with improving core operating performance and stable net interest margins. The ownership transfer from RBI to the government and value unlocking from its investments in subsidiaries could provide further upside for the parent bank. The asset quality has been improving with the net NPAs falling to 1.7% of the net advances.
Sundaram Clayton	• Sundaram Clayton is a strong player in the air brake and casting business and supplies mainly to the automobile industry. It is being split into two companies: the Airbrakes business will be held by WABCO and the castings company will be held by the Sundaram group. This value unlocking will lead to higher sourcing by WABCO of its global requirements from India and good export prospects for the casting business as well.
Tata Motors	• Tata Motors is one of India's leading automobile companies with diverse product portfolios across commercial vehicles and cars. The commercial vehicle segment is witnessing a slowdown due to rising interest rates. However, with the spending on infrastructure long-term prospects continue to be positive. The international operations and subsidiaries also add value to the company.
Tata Tea	• Over past two years Tata Tea has transformed itself from just a commodity (tea) seller to a branded tea maker. It has recently acquired management control of Mount Everest Mineral water, owner of the Himalayan brand. This makes the company a compete beverage company, having presence in all the vertical: tea, coffee and water. However, its valuations are much cheaper than is peers.
Unichem Lab	• Big brands in the domestic pharma market and a strong marketing network are the distinguishing features of Unichem. Its domestic business is growing steadily while it is aggressively registering products in international markets (particularly in Europe). The recent acquisition of the balance 40% in subsidiary, UK-based Niche Generic, would boost its product registration and launches in the entire European region, and augment its exports.
Wipro	• Wipro is one of the leading Indian IT service companies. The revival in the BPO business, strong traction in its existing IT service business and the incremental growth from the recent inorganic initiatives have considerably improved the growth visibility in the global software service business.
	Emerging Star
3i Infotech	• 3i offers software products and solutions to the banking, financial services and insurance (BSFI) sector. The growth momentum is expected to continue due to a healthy order book and the growing visibility of its product business in the overseas markets. The benefits of the recent acquisitions will also get fully reflected in its performance in the coming quarters.
Aban Offshore	• Aban Offshore, one of Asia's largest oil drilling companies, is benefiting from the increase in oil exploration and production activities globally. The re-pricing of its existing assets at significantly higher day rates and efforts taken to substantially ramp up the asset base through organic and inorganic routes would significantly improve its financial performance over the next few years.
Alphageo	• Alphageo provides seismic survey and other related support services to oil exploration & production companies in India. The recent order wins and a healthy pipeline of orders have considerably improved the company's revenue growth visibility.
Axis Bank	• Over the last few years Axis Bank (UTI Bank) has grown its balance sheet aggressively. We expect the quality of its earnings to improve as the proportion of the fee income goes up. Axis Bank has also raised capital, which would help it to maintain its growth momentum for the next three years. Its asset quality continues to remain healthy with the net NPAs at 0.6% despite a strong asset growth.
Balaji Telefilms	• Balaji Telefilms (BTL) is a play on the fast growing demand for quality Television content in India. It is by far the leader in the TV content production space. The flurry of entertainment channels along with their willingness and ability to spend more on good content, will be add to BTL's revenues. Its JV with Star for regional broadcasting also opens up a big value proposition.
Cadila	• Cadila's improving performance in the US generic and French market, along with the steady progress in the CRAMS space enriches its growth visibility. With key subsidiaries turning profitable, Cadila is all set to harvest the fruits of its long-term investments.
F-M Goetze India	• Federal-Mogul Goetze India, a leading supplier of piston and piston rings, enjoys a 65% share of the OEM market and 70-80% penetration in the CV and tractor segments. It would benefit from increasing dieselisation in the car segment. There also exists a huge potential for outsourcing to its parent, who is looking to shift some of its manufacturing lines to low-cost countries.

	Remarks
KSB Pumps	• KSB Pumps, a leading maker of pumps and valves, is a beneficiary of the investments lined up in India's power and industrial sectors. The strong order inflow in the pump business and the capacity expansion would drive its growth.
Marksans Pharma	• Contract manufacturing orders and the lifestyle bulk drug business will drive the growth of pharma company, Marksans Pharma. The recent efforts to direct its product to regulated markets, particularly Europe and other newer ROW markets, would also boost growth. The inorganic growth trigger cannot be ruled out.
Navneet Pub	• Publishing major Navneet's earnings will continue to grow in FY2008 backed by the procedure of change in the syllabus in Gujarat and Maharashtra. The growth in stationary business would be aided by the introduction of non-paper stationary products.
Network 18	• Network 18, the holding company of the TV18 group, owns the best media properties through its holdings in TV18 and GBN. While, TV18 owns business channels CNBC and Awaaz, GBN controls CNN-IBN and IBN-7. GBN will soon launch a Hindi general entertainment channel via its tie-up with Viacom. Network 18 is in the process of launching a full fledged home shopping network inclusive of a dedicated home shopping channel. We expect Network 18 to create immense value through its holdings.
Nucleus Software	• Nucleus Software offers a comprehensive suite of software products to banking and financial service companies globally. Its flagship product "FinnOne" is rated as the highest selling retail banking product in the IBS annual ranking review 2006. The niche positioning and a robust order book provide a reasonably healthy growth outlook.
Orchid Chem	• Orchid's entry into the non-antibiotic space will fuel its growth during the year. Its entry into European and Canadian markets will further boost its sales in the coming years. With UK MHRA approval for its plants and marketing tie-ups in place, Orchid is all set to make its entry into the European market, which will catapult its growth to a different trajectory.
ORG Infomatics	• ORG Infomatics is focused on providing IT services in the convergent IT and telecom space. Driven by a restructured business model, it has shown an exponential growth over the past couple of years. The growth momentum is likely to be maintained due to a healthy order book and the reasonable size of its operations now.
Tata Elxsi	• Tata Elxsi has successfully transformed itself from a system integration company into an established player in the niche segment of product design and engineering services. It has built the required scale of operations and strong client relationships to effectively tap the huge emerging opportunity in this segment.
TV18 India	• TV18 is India's leading news media company. It owns the nation's top business news channels, CNBC TV-18 and Awaaz. It also owns a repertoire of web properties such as moneycontrol.com, poweryourtrade.com and commoditiescontrol.com. The buoyant economic fundamentals augur well for its media properties. With top-notch management it remains one of the best media companies in the country.
Thermax	• The continued rise in India Inc's capital expenditure (capex) will benefit Thermax' energy and environment businesses. Its strong order book of Rs3,057 crore, which is equivalent to 1.3x FY2007 revenues, ensures visibility of earnings.
	Ugly Duckling
Ahmed Forging	• Ahmednagar Forgings, a very promising forgings company, has a strong order book of Rs1,300 crore. It is further raising its forging capacity to 165,000tpa from the current 115,000tpa. It trades at very attractive valuations considering the stupendous increase in its size and improving product mix.
Ashok Leyland	• Ashok Leyland is the second largest CV player in the industry. Its short-term performance may get affected due to slowdown in the segment due to rising interest rates. Long-term prospects appear bright. Initiatives on value engineering and e-sourcing of materials should help in maintaining the margins going forward.
Aurobindo	• Aurobindo, with 94 ANDAs, 112 DMFs and 11 USFDA approved facilities in hand, is well positioned to exploit the US generic opportunity going forward. Further, its expansion into Europe and other emerging markets and likely incremental revenue flow from its largest approved ARV product basket would fuel the revenue growth. Galloping Pen-G prices and higher formulation growth would expand the margin of the company going forward.
BASF India	• BASF India (BASF) is set to benefit from the changing demographics and the resulting consumption boom in India. BASF's products are used in industries like white goods, textiles, home furnishing, paper, construction and automobiles all of which have been growing at a fast pace in contemporary times. To capitalise on the resulting opportunity, BASF is expanding the capacity of its products. A dividend yield of over 3% provides a margin of safety to the investment.
Ceat	• Tyre maker Ceat has an overall market share of 12% across categories and ranks fourth in the industry. Exports account for 20% of its sales. It is improving its product mix with higher contribution expected from exports and specialty tyres where the profit margins are higher. Ceat has undertaken various initiatives in order to improve its productivity and this should lead to improvement in margins. We find the stock's valuations attractive.

Remarks	
Deepak Fert	• Deepak Fertiliser manufactures and supplies industrial chemicals. The industrial upsurge will increase the demand for bulk chemicals. A new 70,000MTPA capacity for producing IPA will act as an inflexion point for its top and bottom lines. It also has plans to expand its ammonium nitrate capacity at a cost of Rs400 crore. Despite a Rs700-crore capex, there is no equity dilution and the debt/equity ratio remains comfortable.
Genus Power Inf	• Genus, India's leading electric meter manufacturing company, is all set to reap the benefits of the APDRP initiatives like the 100% metering programme and the replacement of mechanical meters by electronic meters. A healthy order book of Rs370 crore will maintain growth in its revenue and profitability.
Hexaware Tech	• Hexaware Technologies is a mid-sized IT service company focused on the fast growing enterprise solutions market and HR IT services. It has a dominant position in PeopleSoft products and is scaling up its capabilities in Oracle and SAP. The earnings are expected to grow at a CAGR of 18.5% over CY2006-08.
India Cements	• With the modified capex plan, India Cements will join the league of top 5 cement players with a capacity of 14 MMT at the end of FY09. Higher cement prices in the south coupled with the higher volume growth will help the earnings to grow at a CAGR of 27% over FY07-09.
Indo Tech	• The demand for transformers is on an upswing, thanks to high power-generation targets of the government. The annual demand for transformer is expected to be around 95,000MVA whereas the current capacity of transformer industry stands at around 75,000MVA. To cater to this opportunity transformer maker Indo Tech is tripling its capacity, which will result in a strong earnings growth.
ICI India	• The outlook for the company is positive due to its increased focus on premium products. Due to the discontinuation of some of its businesses the top line growth may look subdued. The company has Rs877 crore of investment on its book, which would translate into free cash and cash equivalents of around Rs215 per share. Moreover with ICI UK getting acquired by Akzo Nobel, the company would get access to wider portfolio of products coming from the acquirer's stable.
Jaiprakash Asso	• Jaiprakash Associate, India's leading cement and construction company, is all set to reap the benefits of the huge investments to be made in India's infrastructure. It has a strong order backlog of Rs11,750 crore. The Taj Expressway project as well as the real estate business will add significant value to the stock price of the company going ahead.
KEI Industries	• KEI makes stainless steel wires, cables and winding wires. It is expected to be a major beneficiary of the pick-up in investments in the power generation as well as transmission and distribution sectors. On the back of these investments we expect its revenues and earnings to grow at a CAGR of 39% and 42% respectively over FY2007-09E.
NIIT Tech	• NIIT Tech was formed by hiving off the software service business of NIIT into a separate entity in June 2004. It is focused on three key industry domains and is benefiting from its inorganic initiatives and restructuring undertaken to consolidate the client base.
PNB	• PNB has the best deposit mix in the banking space with the low-cost deposits constituting 49% of its total deposits. Its asset quality remains comfortable with net NPAs at 0.9%. A strong retail franchise and technology focus will help boost its loan and fee businesses. It has also reduced its interest rate risk by shifting securities to the held to maturity category.
Ratnamani Metals	• Ratnamani is the largest maker of stainless steel (SS) tubes and pipes in the country. Given the buoyant demand for SS tubes and pipes from its clients including BHEL and L&T, and a strong order book of RS.431 crore, we expect its revenues and earnings to grow at a CAGR of 38% and 40% respectively over FY07-09E.
Sanghvi Movers	• Sanghvi Movers is the largest crane hiring company in Asia. It is a perfect asset play on the upsurge in the country's capex cycle. The usage of cranes is an essential part of investment spending and of the projects being undertaken by Indian companies; this bodes well for the company. Its strong cash flows make it an attractive investment.
Saregama India	• Saregama is in the business of music and home entertainment, and has a repertoire of around 3 lakh songs spread across a number of languages. We expect a strong growth in Saregama's earnings from the sale of music in non-physical format with tremendous growth in the value-added services in the telecom sector and the expansion of the radio broadcast sector.
Selan Exploration	• Selan is an oil exploration & production company with five oil fields in the oil rich Cambay Basin, Gujarat. The initiatives taken to develop and monetise the oil reserves in its Bakrol and Lohar oil fields are likely to significantly ramp up the production capacity and result in a re-rating of the stock.
SE Asia Marine	• SEAMEC with its fleet of three MSVs is a key beneficiary of the higher rates for MSVs due to the surge in oil exploration spends. It has recently acquired a vessel, which is being converted into a diving support vessel and will commence operation in the current quarter, boosting the company's overall performance.

Remarks		
Subros	•	Subros, the largest integrated manufacturer of automobile air conditioning systems in India, is expected to be a prime beneficiary of buoyancy in the passenger car segment. It is a strong play on growth plans of Maruti Udyog and Tata Motors, who are expanding their capacities. It plans to double its capacity in next two years which in turn will maintain momentum in its earnings growth.
Sun Pharma	•	Sun Pharma has been a steady performer in the domestic pharma market supported by its leading position in chronic therapies, which contribute 70% of its domestic formulation sales. Going forward, the robust growth in Caraco, the US outfit of the company, as well as growth in the domestic and ROW markets would maintain the growth momentum.
Surya Pharma	•	A shift to a high-margin product portfolio is the name of the game and Surya is well aware of it. The cephalosporin opportunity would result in sweet fruits for this pharma company.
UltraTech Cement	•	Going forward, UCL should benefit from firm cement prices across the country as well as higher volumes owing to rising capacity utilisation and improving cost efficiency, as it commissions its captive power plants. Synergies with Grasim will reduce its freight cost. All this should improve its operating margins.
UBI	•	Union Bank has a strong branch network and an all-India presence. The net NPAs are below 1% and with the biggest chunk of its investment portfolio in the held-till-maturity segment, the bankis well protected against further interest rate increase. With an average return on equity of 20% over FY2006-09E, the bank is available at attractive valuations.
Universal Cables	•	Universal Cables is a leading player in the Indian power cable segment and hence would be one of the biggest beneficiaries of the huge demand for power cables over the next couple of years. It has investments that are worth Rs34 per share of its group companies.
Wockhardt	•	A stream of new launches in the USA and sustained momentum in the domestic business will ensure good growth for Wockhardt. The recent acquisition of Negma Laboratories will propel the company to a new growth trajectory as synergistic benefits start flowing in. Further, the likely approval of bio-similar in USA, EU and other geographies would drive Wockhardt in the medium to longer term.
Zensar	•	Zensar, promoted by the RPG group, has effectively utilised the inorganic route to gain critical mass in the fast growing service practice like enterprise solutions and extend its presence in newer markets. Its earnings are expected to grow at a healthy CAGR of 29% over FY07-09.
		Vultures's Pick
Esab India	•	Change in positioning from low margin, high volume products to quality and high margin products. Double-digit manufacturing sector growth to help business of electrodes and welding equipment.
Orient Paper	•	Orient Paper is set to benefit from the upswing in both its businesses: paper and cement. The volume growth in the cement business through capacity expansion and increased blending and savings in power costs (thanks to the 50MW captive power plant) would drive the profitability of the cement division. Rising paper prices and increased capacity augur well for the paper division. It also has investments in excess of Rs100 crore on its books.
WS Industries	•	WSI, a leading maker of insulators, is all set to reap the benefits of a three-fold increase in investment in the T&D segment in India. A strong order book of about Rs110 crore and a shift to higher-margin product of hollow insulators will drive the earnings. It plans to develop an IT park covering 10 lakh sq ft at Chennai. Taking WSI's current 59% stake in its realty venture, we arrive at a value of Rs29.1 per share for the realty venture alone.
		Cannonball
Allahabad Bank	•	Allahabad Bank, with a wide network of 1,933 branches across the country, has a stronghold in the northern and eastern parts of India. With only around 35% of its investment portfolio in the available-for-sale category of duration of below 3 years, the bank has insulated its investment portfolio from the risk of rising interest rates. With an average RoE of 19% over FY2006-09E, the bank is available at attractive valuations.
Andhra Bank	•	Andhra Bank, with a wide network of over 1,200 branches across the country, has a stronghold in the southern parts of India, especially in Andhra Pradesh. With only around 32% of its investment portfolio in the available-for-sale category of duration of less than 2 years, the bank has insulated its investment portfolio from the risk of rising interest rates. We expect a 17% growth in its net revenues and a 13% growth in its earnings over FY06-09E.
Gateway Dist	•	Gateway Distriparks, a port-based logistic facilitator, has strong presence at JNPT, the country's biggest port. It has a market share of 25%. The recently won contract from the Punjab state government to operate a CFS near JNPT for a period of 15 years will provide the much-needed trigger for the volume growth going ahead. The company's foray into the rail operation business will be a trigger for its earnings in the long term.

Remarks	
ICIL	• International Combustion, which makes gear motors & boxes, polymers, heavy engineering equipment etc, is a good play on India Inc's current capex plans, especially in the sugar and steel industries. The emerging outsourcing trend in the gear motor space should lead to an earnings surprise.
J K Cements	• The firm cement prices and volume growth from the recent capacity expansion will drive JK Cement's top line. This coupled with the company's drive to bring down its power cost by installing a CPP and a waste heat recovery unit would result in substantial margin improvement.
Madras Cements	• Strong cement consumption in the southern region would continue to drive the earnings of Madras Cement, one of the most cost efficient producers of cement. The 4-million-tonne expansion of the company's existing facilities will provide the much needed volume growth in the future.
Shree Cement	• The company's recent addition of 1.5MMT coupled with expansion of 4MMT over the next 18 months will drive volumes at a CAGR of 22.1% over the next 2 years. The company's robust cash flows will enable it to withstand the downturn in the cement cycle.
TFCI	• Tourism Finance Corporation of India TFCI provides financial assistance to the hotel and tourism sector. Given its exposure to only this sector, its performance is inextricably linked to the prospects of the tourism sector. This was largely responsible for TFCI's earlier financial problems. However, things are now looking very promising for TFCI with improved asset quality and strong loan demand due to significant expansion plans lined up by the hotel and tourism sector. We expect TFCI's earnings to grow at a 32% CAGR over FY2006-09.
TCI	• TCI, a leading logistic solution provider, is rightly focusing on its high-growth logistic business and high-margin express cargo business. Driven by the exponential growth in the logistic business and the incremental revenue from the express cargo business, its earnings are expected to grow substantially. The company's plans to develop property at 4 identified places provide a cushion to its stock price.