

The India Infoline Weekly Wrap

Stock Idea of the Week

15th October, 2007

Punj Llyod Ltd

Buy
CMP Rs353

Company Description

Punj Llyod Ltd (PLL) incorporated in 1998 is one of the largest engineering companies in India providing integrated construction and project management services to energy industry and infrastructure sector projects. PLL has its marketing operations spread across 12 locations in and outside India. The company has acquired Sembcorp Engineers & Construction (SEC) a Singapore based company and has entered into JV with Royal Highness Prince of Saudi Arabia.

Shareholding Pattern

As on 30 th June 2007	Holding (%)	No. of Shares (in Lacs)
Promoter	25.7	134.2
Foreign promoter	29.1	152.0
FII and MF	21.2	110.7
Public & others	24.0	125.3

Recent Developments

PLL has recently bagged a contract from Qatar Petroleum to construct a multi-product pipeline for Rs389cr. In recent past company received an Rs590cr order for building a 6mmtpa sulphur block at Bina refinery to be completed in 25 months. In addition, PLL has forayed into real estate business through a JV with Ramprastha group. This JV commenced its business, developing a 2.5mn sq.ft integrated township in Ghaziabad. The company has also acquired 25.1% stake in Pipavav shipyard, which will support its business in the offshore sector as well as mark its foray into the rapidly growing ship building business.

Robust growth plans & strong order book

With tight demand supply scenario for construction equipment on hire, the company has earmarked a capex plan of Rs400-500cr annually for the next three years. Strong investment is expected in ethanol capacity in Europe and US. Simon Carves a subsidiary of PLL has the technology and EPC capability to cater this particular sector and make inroads cashing on this opportunity. PLL, on consolidated basis has an order book of Rs16,480cr. Of which PLL(excluding SEC) contributed Rs11,576cr and SEC contributed Rs4,904cr. PLL has bagged approx Rs11,000cr order in last 9 months.

Margins of SEC to improve

We expect margins of SEC to gradually improve to 7.2% from current 1.3-1.5% as the company including Simon Carves has bagged quality as well as high margin

Financials

(Rs cr)	FY06	FY07	FY08E	FY09E
Revenues	1,684	5,126	8,562	11,662
yoy growth(%)	(9.0)	204.4	67.0	36.2
Operating Profit	174	374	967	1,341
OPM(%)	10.3	7.3	11.3	11.5
PAT	37.6	161.2	309.1	512.5
yoy growth(%)	(44.9)	328.7	91.7	65.7
EPS (Rs)	10.3	7.4	13.5	16.2
P/E (x)	34.3	48.0	26.3	21.9
EV/EBITDA (x)	31.3	11.7	10.9	8.2
ROE (x)	4.7	13.5	21.7	27.1
ROCE (x)	10.1	14.9	19.0	22.6

Source: Company, India Infoline Research

orders in spaces such as ethanol, petroleum etc. On standalone basis, the company is expected to improve its OPM to around 11.3% from the current levels of 10.9%.

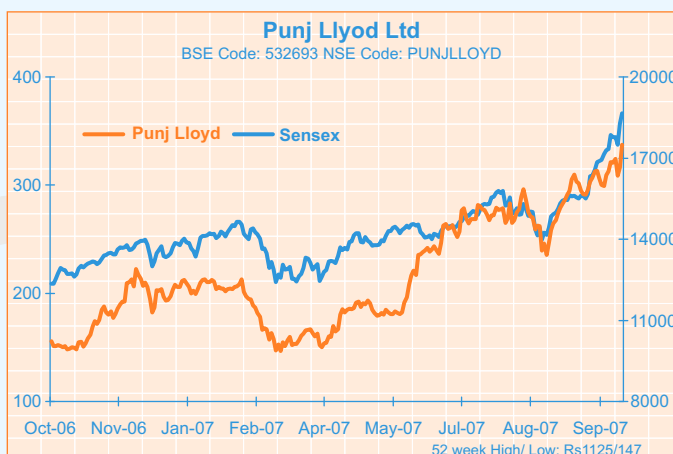
Risk Diversification

PLL is geographically well diversified with its presence all over the globe that reduces the risk of slowdown in a particular geography. In addition, the company has fully diversified portfolio, which includes pipelines, tanks, infrastructure and subsidiaries contribution. PLL takes high number of low gestation period projects, which leads to a faster turnover.

Valuation and Recommendation

For Q1FY08, the consolidated income stood at Rs1,394cr, a rise of 73%, while its PAT before minority interest was at Rs59cr. The contribution of SEC in the topline and bottomline was Rs688cr and Rs38cr. On back of rising OPM, international presence, significant experience and strong order book, we recommend a buy with a price target of Rs420.

Share Price Chart



Source: Company, BSE, India Infoline Research

Dark Horse

Spanco Telesystems

Buy
CMP Rs217

Spanco Telesystems & Solutions Ltd (Spanco), which was primarily engaged in providing Telecommunication and IT enabled services, has extended its expertise into the dynamic space of Business Process Outsourcing (BPO) and Radio Frequency Identification Device (RFID) Solutions.

Through its presence in US and UK, Spanco has diversified its geographical reach. Spanco recently, in alliance with BSNL, won the bid as a telecom service provider. The alliance has won the license to operate the various passenger & tourism information services on behalf of Indian Railways over the next 10 years. Anil Ambani promoted Reliance Capital Ltd had 4% stake in the company as on 30th June, 2007.

Shareholding pattern

As on 30 th June 2007	Holding (%)	No. of Shares (in Lacs)
Promoter	30.1	62.9
Institutions	19.8	41.4
Foreign Corporate Bodies	14.3	29.9
Public & others	35.8	74.8

Spanco mainly caters to the hardware and systems integration needs of various organizations. The systems integration business model involves network engineering and includes setting up of telecom towers and other network related infrastructure services for telecom operators. The business model is structured around four key verticals, viz. defense, telecom carriers, government, and PSU utilities. Spanco currently derives ~90% of the total revenues from this segment, while the rest comes from the BPO segment. The company currently is in the process to unite all its BPO ventures under a single roof, Spanco BPO Ventures. The new entity will act as a holding company for all its joint ventures in the BPO business and shall include the recently acquired railways project Bharat BPO services in which it holds a 50% stake, Spanco's Middle East joint venture in which it holds

Financials

(Rs cr)	FY05	FY06	FY07
Net Sales	104	216	427
Operating Profit	21.4	42.9	65.0
OPM (%)	20.5	19.8	15.2
PAT	9.2	20.0	32.7
Equity	17.0	15.8	20.7
EPS (Rs)	5.4	12.6	15.8

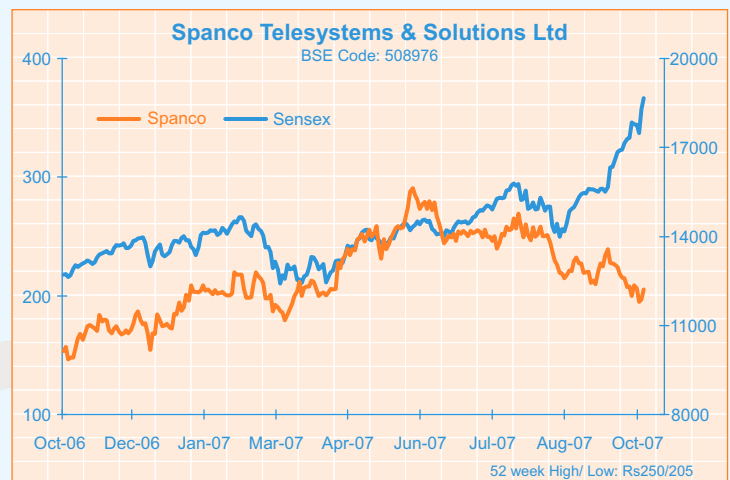
Source: Company, India Infoline Research

51%, its call centre business in the UK and the international BPO business Respondez.

The company's BPO revenue stood at Rs35cr, ~8% of its total revenue for FY07. Under the current expansion plan the company expects to double its revenues and the seating capacity. The Middle East joint venture is expected to post a robust performance as the demand and per seat realizations for call centre services in the region is higher.

Acquisition of GTL on a lease Spanco, in joint venture with ICICI Bank, has entered into an agreement to buy GTL's BPO assets arm at Navi Mumbai and Pune for 25 years for a sum of Rs253cr. With over 1,500 seating capacity, the deal involves leasing out of facilities and not outright sale by GTL.

Share Price Chart



Source: BSE

Heard it on the grapevine

JP Associate is believed to create a SPV for Taj expressway projects, the company is also planning to list this demerged entity on the bourses.

EMCO may acquire Africa based transformer company, the deal size is estimated at Rs240-320cr.

Patel Engineering may build Rs500cr, 100MW hydro project in Andhra Pradesh. The company is expected to bag a big order from Mauritius government for port development.

Adlabs is believed to launch their first venture in Chennai soon.

Nippon Steel is likely to pick up 10% stake in **Gangotri Iron and Steel**.

BHEL may win an order for Rs1,500cr from NTPC.

Ispat Industries is in news to build Rs6,400cr steel plant at Philippines to lower cost.

Bharati Shipyard to construct a ship building and repairs unit in Orissa.

Cummins India to increase its stake in IT firm **KPIT Cummins**.

Bharti Airtel likely to disinvest a majority stake in its tower arm Bharti Infratel

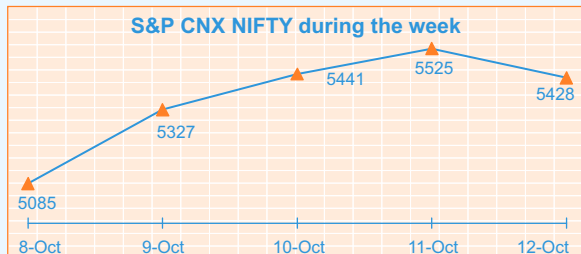
Rcom and **HFCL Infotel Ltd** may soon get into GSM Space.

Wockhardt plans expansion in US, looking for marketing partner for new drug launches, to triple its revenues by FY09.

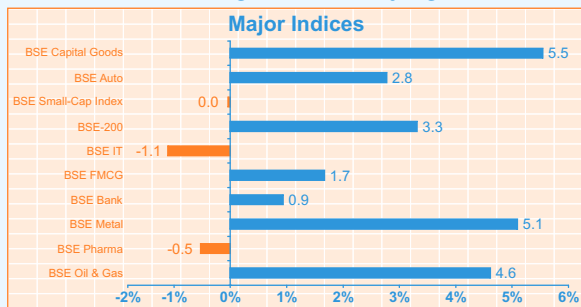
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Market Overview

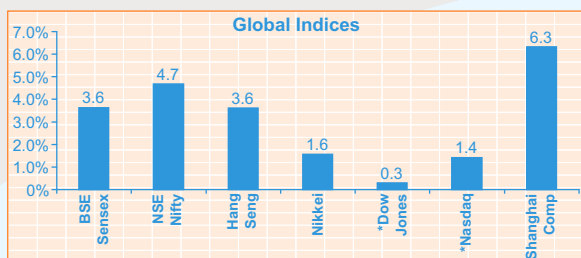
Bulls continued their journey in search of greener pastures by recording another weekly gain with benchmark index advancing 646 points or 3.6% to close at 18,419 and NSE Nifty adding 242 points or 4.7% over the previous week close. Relentless inflows from FIIs and temporary standoff by the government continues to provide bulls the required ammunition to go forward overcoming the below expectations quarterly results from Infosys. However, on Friday markets cooled off following the comments made by Finance minister over the steep rise in sensex.



Metal prices have been rising steadily after cut in interest rate by FED on hopes that the demand from US will bounce back in the near term. With the Chinese government imposing taxes on steel exports the view for Indian steel manufacturers has improved. BSE Metal index advanced 5.1% with gains led by Tata Steel and JSW Steel. Power stocks were again in limelight on back of re-rating of the sector with stocks like Reliance Energy and NTPC scaling past its all time highs. Oil & Gas, Capital Good and Auto Index were among the other major gainers.



Gains were also seen in the global markets with Dow Jones Industrial Average and S&P 500 index surging to all-time highs during the week, as investors breathed a sigh of relief that the minutes from the last Fed meet fueled optimism for another interest rate cut by the end of the year. Other key Asian indices pared some of their gains on speculation that China will raise interest rates in the near term. Nikkei Index added 1.6% and Hang Seng Index advanced 3.6% over the week.



* US data from Thursday to Thursday

FII & MF Activity

(Rs in cr)

Date	FII Net Investment	MF Net Investment
4-Oct-07	575	(532)
5-Oct-07	3,420	(275)
8-Oct-07	-	(331)
9-Oct-07	1,951	(340)
10-Oct-07	1,748	(355)
Total 2007	69,276	872

BSE Sensex & BSE 200 Five Top Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Change	Company	CMP (Rs)	% Change
REL	1,636	13.2	Patel Engg	622	26.2
ONGC	1,092	12.9	IDFC	177	19.1
Tata Power	1,049	11.6	IVRCL Infra	501	18.2
L&T	3,361	9.2	VSNL	526	17.3
BHEL	2,341	8.7	JP Associates	1,258	16.1

BSE Sensex & BSE 200 Five Top Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Change	Company	CMP (Rs)	% Change
ITC	185	(6.1)	IOC	454	(10.1)
HDFC Bank	1,431	(3.2)	Chambal Fert.	51	(10.1)
Hero Honda	755	(2.9)	BF Utilities	2,182	(9.2)
HDFC	2,471	(2.2)	MRPL	62	(9.1)
SBI	1,862	(1.1)	Gujarat Alkalies	145	(8.0)

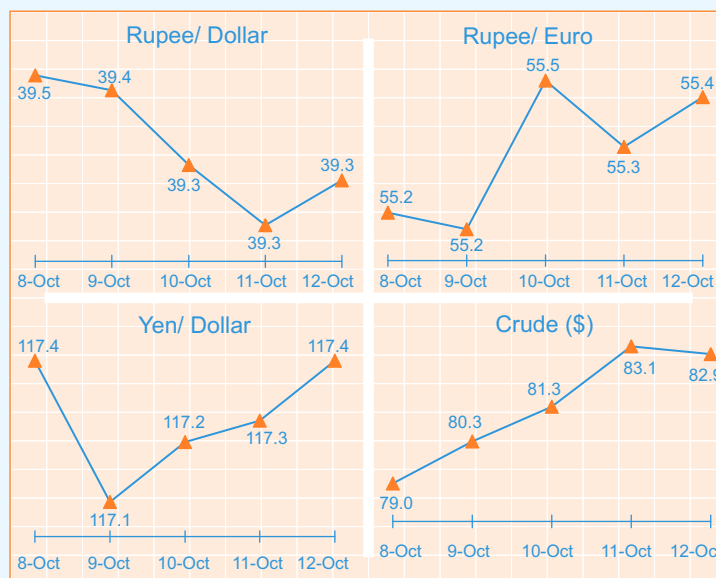
Corporate Action

Company	Record Date	Purpose
Ashapura Min.	19-Oct-07	Bonus Issue
GE Shipping	26-Oct-07	Interim Dividend
Madras Cement	29-Oct-07	Interim Dividend
MindTree Con.	30-Oct-07	Interim Dividend
Bampsl Secur	05-Nov-07	Bonus Issue

Stocks in No Delivery Period

Company	From	To
Man Industries	09-Oct-07	15-Oct-07
Peninsula Land	16-Oct-07	22-Oct-07
Advani Hotels	22-Oct-07	26-Oct-07
ICSA	23-Oct-07	29-Oct-07
West Coast Pap	26-Oct-07	01-Nov-07
Ruchi Soya Industries	29-Oct-07	02-Nov-07
Tata Steel	29-Oct-07	02-Nov-07

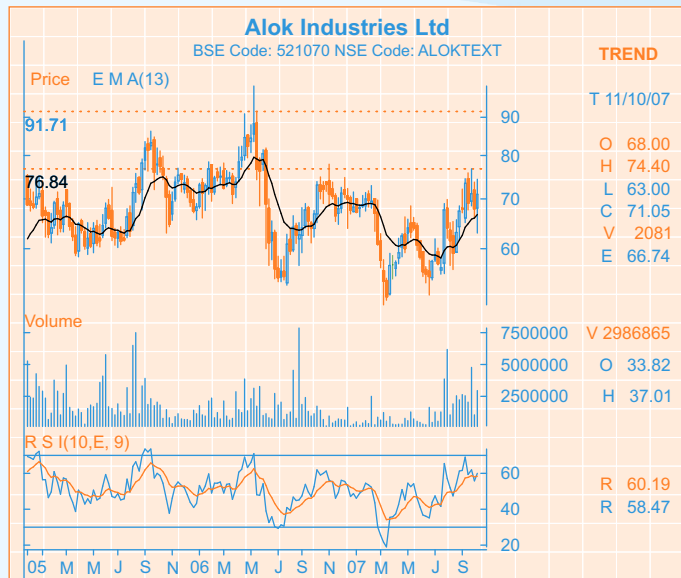
Currency and Crude Movements



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Technical Stock Ideas of the Week

Accumulate Alok Industries Ltd CMP Rs72



Prices have rallied on a steady note from a low of Rs50 in March 2007 to touch a high of Rs77 in October 2007.

Prices have moved in a basic Higher Bottom Higher Top formation since March 2007.

The stock faces strong resistance at the 77 levels. The weekly RSI is indicating strength in the upmove. Prices have also sustained above the 13 week SMA which is a good sign for the Bulls.

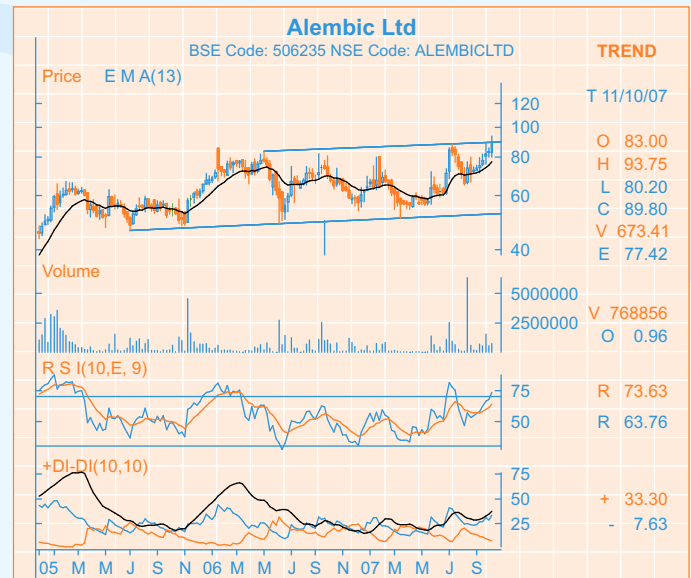
The current upmove has been supported by increase volumes which is suggestive of Accumulation in strong hands.

We believe that the stock is set to test price targets of Rs90 and Rs100 in the coming weeks. Aggressive traders should buy the stock between Rs70-75 with a stop loss of Rs67.5 for trading targets of Rs85. Investors who missed out earlier can enter the stock at current levels and on declines to Rs65-68 range for targets of Rs90 and Rs100 in the coming weeks. Investors should follow a stop loss of Rs63 on all long positions.

Technically Strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (Lacs)	10 days Average Traded Qty (Lacs)
Bharat Forge	291	287	9.5	2.0
MTNL	161	158	9.0	7.3
Kesoram Inds	575	571	1.0	0.4
RNRL	92	90	404.6	271.3
NTPC	218	211	43.1	32.5

Accumulate Alembic Ltd CMP Rs86



Prices have consolidated between the broad range of Rs90-50 since December 2005 till date.

The recent price action suggests that the Breakout from this consolidation is round the corner. The weekly RSI is suggesting strength in the current upmove. The Weekly ADX is suggesting strong buildup of momentum in the trend.

The volumes have been steadily picking up in the past few weeks suggesting accumulation activity.

Keeping in mind the above mentioned technical evidences we recommend to buy the stock at current levels and add to positions on declines to Rs77-83 range. Investors should look for the targets of Rs120 and Rs135. We recommend following a stop loss of Rs74 on all long positions.

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Technically Weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (Lacs)	10 days Average Traded Qty (Lacs)
PNB	512	524	3.6	1.5
SCI	212	215	3.4	1.5
IDBI	145	148	56.8	43.2
Bajaj Auto	2,542	2,577	0.4	1.0
LIC Housing Fin	229	238	1.1	2.7

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