

March 5, 2007
FOR PRIVATE CIRCULATION
Equity

	2 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
Sensex	12,886	(2.1)	(11.2)	(7.5)
Nifty	3,727	(2.2)	(11.6)	(7.2)
Banking	6,447	(2.1)	(13.1)	(10.3)
IT	3,491	(2.4)	(10.8)	(3.8)
Healthcare	3,490	(0.9)	(9.9)	(7.8)
FMCG	1,756	(1.7)	(8.8)	(15.0)
PSU	5,686	(1.4)	(10.5)	(9.3)
CNX Midcap	4,845	(1.0)	(9.8)	(6.1)
World indices				
Nasdaq	2,368.0	(1.5)	(4.2)	(3.4)
Nikkei	17,218	(1.3)	(2.9)	3.5
Hangseng	19,442	0.5	(7.2)	0.2

Value traded (Rs cr)

	2 Mar 07	% Chg - 1 Day
Cash BSE	3,814	(9.5)
Cash NSE	8,961	(10.9)
Derivatives	32,529	(3.3)

Net inflows (Rs cr)

	1 Mar 07	% Chg	MTD	YTD
FII	(439)	73	(439)	5,756
Mutual Fund	(29)	(112)	(29)	(1,646)

FII open interest (Rs cr)

	1 Mar 07	% chg
FII Index Futures	13,872	1.0
FII Index Options	6,091	0.9
FII Stock Futures	14,999	(1.8)
FII Stock Options	43	(6.6)

Advances/Declines (BSE)

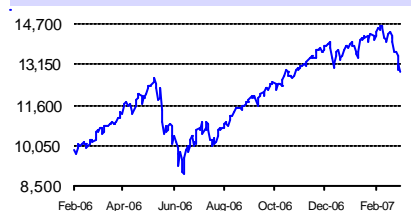
	2 Mar 07	A	B1	B2	Total	% Total
Advances	47	226	366	639	35	
Declines	166	463	506	1,135	63	
Unchanged	-	10	19	29	2	

Commodity

	2 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	61.0	(1.0)	3.8	(2.3)
Gold (US\$/OZ)	642.5	(3.3)	(0.9)	(0.1)
Silver (US\$/OZ)	12.9	(5.4)	(4.8)	(7.0)

Debt/forex market

	2 Mar 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.95	7.95	7.71	7.38
Re/US\$	44.22	44.26	44.10	44.62

Sensex


Source: Bloomberg

ECONOMY NEWS

- Budget 2007-08 has dealt a body blow to a host of self-employed professionals like architects, engineers, accountants, advertisers, etc. The rate of tax deduction at source (TDS) has been doubled from the earlier 5% to 10% for these professionals. (ET)
- The Budget may deal a body blow to the cooperative banking sector. There is a possibility that regional rural banks, sponsored by state-owned commercial banks, will play a greater role, and cooperative banks may lose their importance in the days to come. (ET)
- The Finance minister may ask for personal intervention of chief ministers of 16 states, which have not yet sent any proposal for receiving Central assistance under viability gap funding, a senior official of the department of economic affairs said. (ET)
- Official data shows more people moved above the poverty line by '04-05 compared with earlier estimates of 1999-2000. Provisional data of the 61st round of large sample survey on household consumer expenditure shows poverty ratio at the national level was about 22% in '04-05. (BL)
- India's share in world merchandise exports has crossed the 1% mark and continues to stay at that level. It touched 1% of global exports in 2005, and in January-August 2006, the share continues to be above 1%. (BS)

CORPORATE NEWS

- **ICICI Bank** has decided to farm out its holdings in its insurance and asset management businesses into a holding company - ICICI Holdings. This will enable ICICI to unlock value and raise capital through a public listing in future. (ET)
- **Tata Steel** has finalized a plan to buy into a coal mine in Australia, as part of a larger strategic plan to scout for global opportunities to secure raw material linkages, post acquisition of Anglo Dutch steel company, Corus. (ET)
- **ONGC** has decided to make another pitch for three nomination blocks in the highly prospective Krishna-Godavari Basin. Consequently, it has decided to approach the Petroleum Ministry to reconsider its decision to re-offer the three deepwater blocks held by the exploration major in the future licensing rounds. (BL)
- **Reliance Industries** has finalized plans to supply gas from its discovery in the Krishna Godavari basin to fertilizer plants in the western region. The company will need to tie up consumers for gas from the K-G basin before it can lay its proposed pipelines from the area. (BS)
- **Tata Motors** is likely to roll out its buses and multi-axle trucks with Chinese radial tyres. (BL)
- Bangalore-based silk fabric manufacturer **Himatsingka Seide** has acquired a 70% stake in Bellora, an Italian bed linen brand for Rs.1.16 bn. The acquisition will enable the company to spread its presence globally. (BS)
- State-owned **BSNL** has contested telecom regulator Trai's decision to cut the access deficit charge, levied on all private telecom operators, saying the fee was essential for the company to undertake projects in non-profitable rural areas. (ET)
- Aiming at a subscriber base of 100 mn by 2011, and garnering 20% market share, **Tata Teleservices**, the leading telecom operator, is betting on the CDMA technology and higher brand visibility to reach this target. (ET)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

FROM OUR RESEARCH TEAM

COMPANY UPDATE

Teena Virmani
teena.virmani@kotak.com
+91 22 6634 1237

ERA CONSTRUCTIONS (Rs.313, FY08E P/E: 6.8x, BUY)

Opportunity to Buy — Saved from impact of Section 80IA

In the Union Budget 2007-08, it has been clarified that tax benefits under Section 80IA will not be applicable for construction companies that are carrying out only civil construction projects. As a result of this, some civil construction companies will have to take a hit on their P&L account or reserves for benefits availed in the past six years. Their effective tax rate would also go up in future estimates. However, the negative impact of Section 80IA will not be seen in case of Era Constructions since it had been paying full tax in past years. The full tax rate has also been considered in future estimates.

Profit and Loss Statement (Rs mn)

(Year end Mar)	FY07E	FY08E	FY09E
Revenues	6,992	11,257	14,634
% Change YoY	125.0	61.0	30.0
EBITDA	1,189	1,914	2,488
% Change YoY	143.2	61.0	30.0
Other Income	110	40	40
Depreciation	75	113	149
EBIT	1,224	1,841	2,379
% Change YoY	157.2	50.4	29.3
Net interest	223	321	359
Profit before tax	1,001	1,519	2,020
% Change YoY	167.0	51.8	33.0
Tax	300	456	606
As % of PBT	30.0	30.0	30.0
Net income	701	1,064	1,414
% Change YoY	165.0	51.8	33.0
Shares outstanding (m)	18.6	23.1	23.1
EPS (reported) (Rs)	37.7	46.1	61.3
P/E	8.3	6.8	5.1
EV/EBITDA	5.0	3.1	2.4

Source: Company & Kotak Securities - Private Client Research

Tax paid by the company in past years

	PBT	Tax@30%	Tax paid by company
FY01	26.5	8.0	4.8
FY02	31.73	9.5	14.3
FY03	33	9.9	9.5
FY04	42.45	12.7	13.6
FY05	74.3	22.3	20
FY06	374.3	112.3	110

Source: Company

The company has an order book of approximately Rs.18 bn to be executed over a period of two and a half years. Era is also the lowest bidder in another Rs.4.5 bn worth of orders. With a healthy order book of Rs.18 bn, we expect the company's revenues to grow at a CAGR of 67% between FY06-FY09. We also expect Era to be a key beneficiary for railway related projects announced in the Railway Budget on account of its prior experience in executing railway projects.

IMPACT OF BUDGET ON THE COMPANY

Union Budget: Increase in provisions for Bharat Nirman and NHDP

For Bharat Nirman, provisions have been raised by 31% to almost Rs.2.4 trillion as compared to last year. Similarly, for NHDP, it has been raised to Rs.107 bn from Rs.99 bn last year. This would result in large number of order inflows especially in the road segment. The company is well equipped to bid for these projects after enhancing its net worth through an FCCB issue of US\$75 mn.

Railway Budget: Focus on enhancement of existing facilities

Outlay for track renewals and new facilities have been raised for the coming fiscal in the Railway budget. Budgeted outlay for setting up new lines is Rs.16 bn, for gauge conversion it is Rs.24 bn, for electrification it is Rs.3 bn and for metropolitan transport projects it is Rs.7.2 bn. A large number of projects are likely to be announced under track renewal. This would be extremely positive for players like Era Constructions, which have an expertise in carrying out railway related projects for quite a few of its clients.

Increase in cement prices

Cement companies have increased their retail prices by Rs.10-12/bag in order to pass on the hike in excise duty to end users. However, this would not impact Era Constructions in a major way since for a major proportion of its projects, the company is able to get raw materials like cement and steel from clients, which results in good operating margins. It also has variable pricing clauses in place, which should protect the margins of the company in the rising cement price scenario.

We upgrade Era Construction to BUY from HOLD with a price target of Rs.500

Thus, we believe the overall Budget was negative for construction companies on account of Section 80IA benefits availed by companies, being withdrawn. However, Era Constructions should not be impacted in a negative way on account of this and there would not be any change in our estimates. Hence, we maintain our positive bias for the company and due to the steep correction, would upgrade the stock to **BUY** from **HOLD**, with a price target of Rs.500. At our target price, the stock would be trading at 10.8x on P/E multiples and 5x EV/EBITDA multiples on FY08 estimates.

Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
2-Mar	Asian Tea Ex	Maharashtra Ind. Leas. A	B	75,000	31.80
2-Mar	Asian Tea Ex	Kapish Packaging Private	S	75,002	31.80
2-Mar	Autoind	Mangalaraje N Patwardhan	B	52,000	272.00
2-Mar	Dynamic Indu	Trimurty Equity And Finan	B	60,000	103.00
2-Mar	Dynamic Indu	Bhupatrai A. Sanghrajka	B	140,000	102.99
2-Mar	Dynamic Indu	Atulkumar M Shah	B	25,075	102.84
2-Mar	Dynamic Indu	Upendra N Chavda	S	15,324	103.18
2-Mar	Freshtrop Fr	Quantum M Limited	B	75,000	90.00
2-Mar	Freshtrop Fr	Icici Venture Unit Trust	S	75,000	90.00
2-Mar	Kadamb Const	Laxmi Choudhary	S	20,000	18.80
2-Mar	Lakshmi Over	Lehman Brothers Asia Ltd	B	485,490	145.00
2-Mar	Lakshmi Over	Citigroup Global Markets	S	491,431	145.09
2-Mar	Lumax Indust	Quadra Securities And Fin	S	100,000	505.08
2-Mar	Lumax Indust	Tanivin Trade Fin Private	S	72,000	505.01
2-Mar	Lumax Indust	Krisma Investments Privat	S	151,500	505.38
2-Mar	Lumax Indust	Jusal Trading Pvt Ltd.	S	69,491	505.16
2-Mar	Marg Constru	Jay Investrade Pvt. Ltd	B	201,177	222.05
2-Mar	Micro Techn	Micro Capitals Pvt Ltd	B	75,000	221.87
2-Mar	Micro Techn	Padmanabhan Sekhar	S	75,000	221.66
2-Mar	Mid-Day Mult	Ruane Cunniff And Goldfar	B	1,822,664	43.00
2-Mar	Mid-Day Mult	T Rowe Price Internationa	S	1,819,497	43.00
2-Mar	Mohit Indust	Gaurang Girishbhai Patel	S	35,088	37.02
2-Mar	Mohit Indust	Shishil Tusharkumar Jhave	S	33,035	37.10
2-Mar	Mohit Indust	Poonam M Kotak	S	30,500	37.10
2-Mar	Nagreeka Exp	Lotus Global Investments	B	254,938	104.98
2-Mar	Nagreeka Exp	Pankaj Piyush Trad. And	S	250,825	105.00
2-Mar	Navin Fluori	Fidelity Mf Fidelity Tax	B	99,194	300.00
2-Mar	Ok Play Indi	Dinesh Parikh	B	37,688	116.99
2-Mar	Pyramid Saim	Ubs Securities Asia Ltd.	B	450,000	270.38
2-Mar	Salora Int	Jiwarajka Gopalkumar Huf	B	406,500	82.06
2-Mar	Sharon Bio	Micro Management Ltd	B	100,000	211.00
2-Mar	Sharon Bio	Grd Securities Ltd	S	100,000	211.00
2-Mar	Simplex Trad	Parvati Minerals Private	B	2,545	150.96
2-Mar	Spentex Indu	Nikko Asset Mgmt Mauritiu	S	1,050,000	65.00
2-Mar	Sujana Metal	Hsbc Financial Services M	S	261,569	109.35
2-Mar	Sumeet Indus	Cosmo Corporate Services	B	88,089	30.31
2-Mar	Techtran Pol	Baljit Securities Pvt. Lt	S	75,000	25.99
2-Mar	Transwarranty	Vinco Sales And Services	B	150,700	51.88
2-Mar	Tripex Over	Shahra Securities Pvt Ltd	S	62,676	85.00
2-Mar	Var Polytex	Shreeji Cargo Movers Pvt.	B	55,000	106.95
2-Mar	Var Polytex	Uti Bank Limited	S	55,000	106.95
2-Mar	Vard Holding	Principal Mutual Fund Ac	B	75,000	325.00
2-Mar	Vard Holding	Kotak Mahindra Mf Ac Cont	S	74,975	325.00
2-Mar	Vimal Oil Fo	Shree Dhoot Tdg And Agenc	S	148,303	34.12

Source: BSE

Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
Gainers				
Hindustan Lever	179	1.7	1.3	3.4
ONGC	799	0.4	1.3	1.5
HDFC	1,534	1.5	1.1	0.7
Losers				
Reliance Ind	1,316	(3.8)	(14.4)	4.8
TCS	1,209	(3.7)	(9.0)	1.3
Bharti Airtel	707	(3.1)	(8.5)	1.5

Source: Bloomberg

Forthcoming events

COMPANY/MARKET	
Date	Event
5-Mar	TV18 to announce interim dividend; Network 18 to consider rights offer, Gremach holds press conference to announce IPO; Moser Baer holds press conference to announce new initiatives
6-Mar	GAIL India to announce special interim dividend
8-Mar	Wockhardt to announce interim dividend
9-Mar	Colgate and Nalco to announce second interim dividend
10-Mar	Reliance, IPCL, FDC to announce interim dividend
20-Mar	Nestle India to announce earnings & dividend

Source: Bloomberg

Research Team

Name	Sector	Tel No	E-mail id
Dipen Shah	IT, Media, Telecom	+91 22 6634 1376	dipen.shah@kotak.com
Sanjeev Zarbade	Capital Goods, Engineering	+91 22 6634 1258	sanjeev.zarbade@kotak.com
Teena Virmani	Construction, Cement, Mid Cap	+91 22 6634 1237	teena.virmani@kotak.com
Awadhesh Garg	Pharmaceuticals	+91 22 6634 1406	awadhesh.garg@kotak.com
Apurva Doshi	Logistics, Textiles, Mid Cap	+91 22 6634 1366	doshi.apurva@kotak.com
Saurabh Gurnurkar	IT, Media, Telecom	+91 22 6634 1273	saurabh.gurnurkar@kotak.com
Vinay Goenka	Auto, Auto Ancillary, Sugar	+91 22 6634 1291	vinay.goenka@kotak.com
Saday Sinha	Economy, Banking	+91 22 6634 1440	saday.sinha@kotak.com
Lokendra Kumar	Oil & Gas	+91 22 6634 1540	lokendra.kumar@kotak.com
Shrikant Chouhan	Technical analyst	+91 22 6634 1439	shrikant.chouhan@kotak.com
Kaustav Ray	Editor	+91 22 6634 1223	kaustav.ray@kotak.com
K. Kathirvelu	Production	+91 22 6634 1557	k.kathirvelu@kotak.com

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