



## Economy News

- ▶ India's crude oil import bill has almost doubled to Rs 1,976.20bn during the first five months of current fiscal on back of record international oil prices. India imported 54.6 mn tonnes of crude oil in April-August 2008 as against 51.9 mn tonnes of crude imported for Rs 1,015.09bn in the same period a year ago, according to latest data from Petroleum Ministry. (BS)
- ▶ The Election Commission has announced assembly election dates for five states. The two-phased polls in Chattisgarh will be held on November 14 and 20 while elections will be held in Madhya Pradesh on November 25, Mizoram and Delhi on November 29 and Rajasthan on December 4. (BS)
- ▶ Exports reached a level of US \$162.9 bn dollars during 2007-08, registering a growth of 29.02 % over the same period last year. With this India has exceeded its 2007-08 exports target by US\$3bn. (FE)
- ▶ Reserve Bank has decided to inject Rs 200bn through short-term lending route to help the mutual funds meet their liquidity needs and overcome redemption pressure. The special repo will be conduct for 14-day at the rate of 9% per annum. However, out of the Rs.200bn, banks have availed of only Rs.35bn (BL)
- ▶ While global economic problems are impacting IT budgets, the IT industry will not see the dramatic reductions that were seen during the dot.com bust, according to Gartner. In the worst case scenario, IT spending will increase by 2.3% in 2009, down from our earlier projection of 5.8% according to Peter Sondergaard, senior vice president at Gartner and global head of Research. (BS)

## Corporate News

- ▶ **Jet Airways** has decided to lay off over 800 of its employees. It will lay off only those employees who have not been confirmed. Cuts will be across all segments like cabin crew, pilots, ground staff, airport services and management. Most of these employees have been in the company for less than six months. (BS)
- ▶ **DLF** has said it will reschedule its proposed buyback of shares for complying with the observations of SEBI. The buyback was to start from October 15, but now it is expected to start from October 17. The company has announced its buyback plans for a maximum of 22 million shares, or 11 per cent of public share-holding, at a maximum price of Rs.600 a share. (BS)
- ▶ **Ranbaxy Laboratories** expects to close the deal with Daichii Sankyo by the end of December. It is also set to strengthen its business in the US despite an import restriction on 30 of its medicines by the US Food and Drugs Authority (ET)
- ▶ **Tata Motors** has acquired 50% stake in Norwegian innovative solutions maker for electric vehicles Miljo Grenland Innovasjon, with which it is developing the electric Indica in the country. (BL)
- ▶ **Elecon Engineering Company Ltd**, has bagged three orders by reputed clients namely Techpro Systems Chennai and Sail-Durgapur Steel Plant, worth Rs 517.4mn. (ET)
- ▶ **IFCI Ltd** has recorded a 48% decline in net profit at Rs 2.59bn in the Q2FY09 as against Rs 4.97bn in the corresponding quarter last year. Income from operations fell by 35% to Rs 3.83bn from Rs 5.91bn.
- ▶ **Reliance Money**, the retail brokerage arm of Reliance Capital, is buying 15% stake in Hong Kong Mercantile Exchange (HKMEX). This would be the first time an Indian firm is buying stake in an overseas exchange. (ET)
- ▶ **JSW Steel** expects to cut product prices by the end of October, and has no plans to cut production as of now. (ET)

### Equity

	14 Oct 08	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
BSE Sensex	11,483	1.5	(15.1)	(9.4)
Nifty	3,519	0.8	(13.6)	(8.9)
BSE Banking	6,038	1.1	(11.1)	9.6
BSE IT	2,940	5.4	(18.3)	(18.1)
BSE Capital Goods	8,876	1.1	(21.9)	(12.8)
BSE Oil & Gas	7,623	1.0	(13.5)	(12.2)
NSE Midcap	4,194	1.5	(21.1)	(16.6)
BSE Small-cap	4,616	2.3	(27.7)	(28.2)
<b>World Indices</b>				
Dow Jones	9,311	(0.8)	(14.7)	(15.1)
Nasdaq	1,779	(3.5)	(18.4)	(19.7)
FTSE	4,394	3.2	(15.6)	(15.0)
Nikkei	9,448	14.2	(23.8)	(27.0)
Hangseng	16,833	3.2	(15.1)	(22.4)

### Value traded (Rs cr)

	14 Oct 08	% Chg - Day
Cash BSE	4,168	7.1
Cash NSE	11,846	2.4
Derivatives	47,278	16.4

### Net inflows (Rs cr)

	13 Oct 08	% Chg	MTD	YTD
FII	(842)	(64)	(7,013)	(44,519)
Mutual Fund	521	65	215	12,695

### FII open interest (Rs cr)

	13 Oct 08	% Chg
FII Index Futures	12,130	13.0
FII Index Options	20,257	0.4
FII Stock Futures	15,104	2.9
FII Stock Options	834	1.5

### Advances / Declines (BSE)

	13 Oct 08	A	B	S	Total	% total
Advances	128	1,110	290	1,528	65	
Declines	77	566	150	793	33	
Unchanged	-	35	12	47	2	

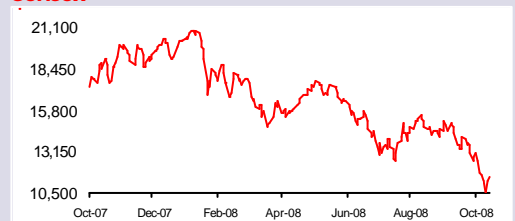
### Commodity

		14 Oct 08	1 Day	1 Mth	3 Mths
Crude (NYMEX)	(US\$/BBL)	78.3	(0.4)	(18.2)	(43.6)
Gold (US\$/OZ)		836.7	0.4	7.3	(13.6)
Silver (US\$/OZ)		11.0	2.4	(1.3)	(42.0)

### Debt / forex market

	14 Oct 08	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	8.01	7.90	8.44	9.48
Re/US\$	48.08	48.26	45.93	42.85

### Sensex



## RESULTS PREVIEW

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## QUARTERLY RESULTS PREVIEW - HOTELS

## Key expectations for Q2FY09

- During the quarter ended on September 30, 2008, we expect hotel companies in our active coverage to report an overall revenue growth of 17.3% y-o-y to Rs.5.18bn. EBIDTA growth is likely to remain in the same range and is expected to grow 17.4% y-o-y to Rs.1.72bn. However, net profit growth during the same period is likely to be lower. We expect companies in our coverage to report 4.1% y-o-y growth in net profit to Rs.972mn.
- During the quarter, the aggregate EBITDA and net profit margins of companies in our coverage are expected to be around 33.1% and 18.8%, respectively.
- Indian Hotels (IHCL) is expected to report a standalone revenue growth of 15% driven by firm room rates and sustained occupancies across its properties except few softening markets. IHCL has small presence (relative to its size) in those markets where correction in ARR and occupancies is higher. We expect IHCL standalone revenue to grow 15% to Rs.3.93bn and net profit growth of 20.7% to Rs.642mn. EBITDA margins are expected at 30% while net margins are expected at 16.4%. We expect IHCL to register a firm growth rate in the current season and should benefit most due to its wide geographical presence.
- We expect Hotel Leela Venture (HLV) to register a revenue growth of 25% to Rs.1.25bn and net profit growth of -17.9% to Rs.329mn. EBITDA margins are expected decline significantly to 43% against 47.2% in Q2FY08. The decline in margins was due to decline in ARR and occupancies in its key property at Bangalore and higher operating costs.
- The hotel stock have corrected significantly in since January 2008 mainly due to the concerns over slowdown in hotel industry led by economic slowdown and huge anticipated supply in key markets. We believe that concerns have been over played and stocks are trading at compelling valuations and at more attractive levels. However, prolonged global economic slowdown remains a risk for luxury hotels segment.
- **Preferred pick:** Indian Hotels (IHCL)

## Earning Estimates for Q2FY09 (July - Sep 2008)

Company (Rs mn)	Revenue			EBIDTA			Net Profit			Q1FY09		
	Q2FY09	Q2FY08	YoY (%)	Q2FY09	Q2FY08	YoY (%)	Q2FY09	Q2FY08	YoY (%)	Ebidta (%)	NPM (%)	EPS (Rs)
Indian Hotels	3,926	3,414	15.0	1,178	989	19.1	642	532	20.7	30.0	16.4	0.9
Hotel Leela	1,252	1,001	25.0	538	473	13.8	329	401	(17.9)	43.0	26.3	0.9
<b>Total</b>	<b>5,178</b>	<b>4,415</b>	<b>17.3</b>	<b>1,716</b>	<b>1,462</b>	<b>17.4</b>	<b>972</b>	<b>934</b>	<b>4.1</b>	<b>33.1</b>	<b>18.8</b>	

Source: Kotak Securities Private Client Research

## HOTEL INDUSTRY UPDATE

### Sustained flow of tourist in India to drive the industry growth

We believe sustained flow of foreign tourist in India and, probably, most importantly, efforts to communicate the brand India message (through 'Incredible India' campaign) will continue to fuel demand for hotels across star categories in a majority of leisure and commercial markets. India's hotel industry is increasingly being viewed as a worthy investment, both within the country and outside. Increase in tourist arrivals and visits, medical tourism, augmentation of telecommunication services and sharp momentum in financial services sector has kept the services sector buoyant in recent years.

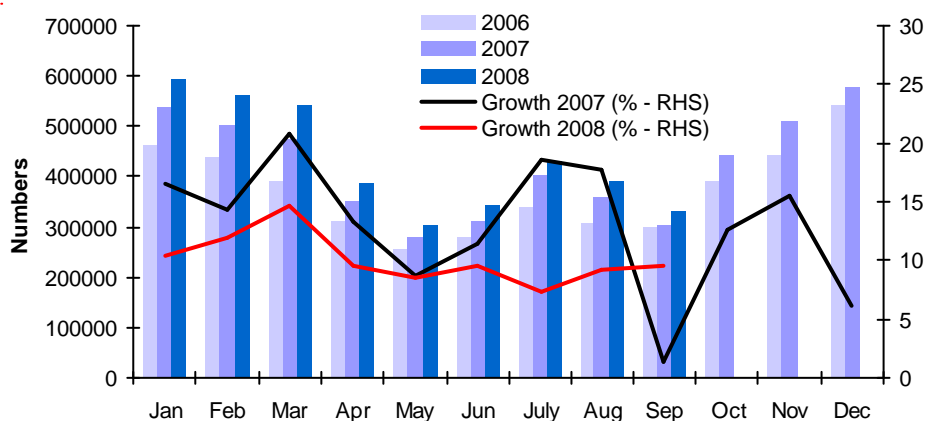
Niche segments such as medical tourism, culture tourism, the great Indian temple circuit, yoga and ayurveda are likely to grow rapidly. We expect foreign tourist arrivals into India to grow at 12-15% CAGR over the next five years. This is likely to reach 10 mn in 2012.

### Foreign tourist arrivals and forex earnings likely remain in double digit

We believe that the continued 'Incredible India' campaign has had a strongly positive impact on tourist arrivals. Efforts are being made to communicate the 'Brand India' message by penetrating the global market and reaching the ultimate consumers through electronic, print and internet media. Foreign tourists arrivals to India have been growing at a CAGR of 14% over the last five years. We expect growth in tourist traffic to remain strong in the double digits.

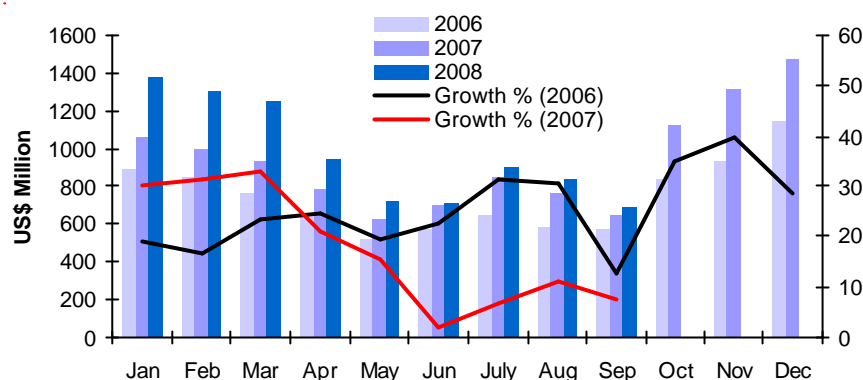
India achieved a significant growth in terms of foreign tourist arrivals during 2007 taking India's tourist arrivals from 4.45mn in 2006 to 5.03mn in 2007, showing an increase of 13.2%. Foreign exchange earnings from tourism also showed a phenomenal growth from US\$8.93bn in 2006 to US\$11.25bn in 2007, achieving a growth of 25.9%. Further, YTD Oct-08, foreign tourist arrivals increased by 10.4% to 3.87mn while foreign exchange earnings in dollar terms increased by 20.3% to US\$8.73bn during the same period.

#### Trend in foreign tourist arrivals



Source: Ministry of Tourism

### Foreign Exchange Earnings (US\$ Million)



Source: Ministry of Tourism

### Foreign tourist arrivals and Forex Earnings for the last Ten Years

Year	Tourist Arrivals (mn)	Growth YoY (%)	Forex Earnings (Rs bn)	Growth YoY (%)	Forex Earnings (USD Bn.)	Growth YoY (%)
1996	2.29	7.7	100	19.2	2.82	9.6
1997	2.37	3.8	105	4.6	2.89	2.3
1998	2.36	(0.7)	122	15.6	2.95	2.0
1999	2.48	5.2	130	6.6	3.01	2.1
2000	2.65	6.7	156	20.7	3.46	15.0
2001	2.54	(4.2)	151	(3.5)	3.20	(7.6)
2002	2.38	(6.0)	151	(0.1)	3.10	(3.0)
2003	2.73	14.3	207	37.6	4.46	43.8
2004	3.46	26.8	279	34.8	6.17	38.2
2005	3.92	13.3	331	18.5	7.49	21.4
2006	4.45	13.5	404	21.9	8.93	19.2
2007	4.98	11.9	479	18.7	11.62	30.1
2008 YTD	3.87	10.4	365	17.8	8.73	20.3

Source: Ministry of Tourism, Bureau of Immigration

### Medical tourism - Immense potential

Health tourism in India has emerged strongly over the last few years and is expected to grow due to its strong value proposition on cost, quality and services. We believe that, in this segment, tourists to India will comprise (1) uninsured individuals from developed countries where the cost of tertiary care is significantly higher, and (2) individuals from developing countries who come to India due to lack of adequate healthcare in their home country. The tourism factor is also seen as an influence on people's decisions to travel to India for healthcare services. Industry estimates point to US\$300 mn worth of medical tourism business currently. However, it is extremely difficult to put growth numbers to this opportunity.

### Healthcare Cost in India compare favourably with Thailand

Treatment	USA	Thailand	India
Cardiac Surgery	300,000	14,250	6,000
Bone Marrow Transplant	250,000	62,500	26,000
Liver transplant	300,000	75,000	69,000
Orthopaedic surgery	20,000	6,900	6,000

Source: "Indian is far cheaper than Thailand", A report by India Brand Foundation in March 2004

### Demand-Supply imbalance to continue for next 2-3 years

While the hotel industry has announced significant capacity additions in the past few years, typically long gestation periods are likely to prolong the current scarcity of rooms well into 2009-10. Further, rising real estate prices in metros and Tier-II cities have been pushing project costs of hotels upwards, which have raised questions on the sustainability and feasibility of the projects. We believe this may delay some of the announced hotel projects.

For a long period, hotel companies faced huge shortages of rooms in major cities leading to sharp jump in ARR and RevPARs. Hence, domestic and international chains are aggressively building capacity in high growth markets such as Hyderabad, Bangalore, Chennai and Pune. We believe this will put downward pressure on occupancy ratio and ARR. However, increase in revenue from additional rooms (assuming sustained demand) will partially offset the loss due to lower ARR.

## Bulk Deals

## Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
14-Oct	Anjani Synth	Pooja Sumit Agarwal	B	100,000	22.0
14-Oct	Ashco Indust	Ankk Media Arts Pvt Ltd	B	70,000	7.6
14-Oct	Chemcel	Rameshbhai V Parmar	S	189,999	4.6
14-Oct	Core Project	Indiabulls Financials Services Ltd	S	2,200,000	64.9
14-Oct	Educomp Soln	Tree Line Advisors Hong Kong Ltd. Ac	B	225,127	2,402.0
14-Oct	Educomp Soln	Goldman Sachs Investmts Mauritius I Ltd	S	225,127	2,402.0
14-Oct	Goldston Tec	Hemant Madhusudan Sheth	S	122,911	93.4
14-Oct	Gujarat Fluo*	Tree Line Asia Mas Fund Singapore Pte	B	993,500	109.5
14-Oct	Gujarat Fluo*	Goldman Sachs Investmts Mauritius I Ltd	S	993,500	109.5
14-Oct	lol Net Com	India Max Investment Fund Ltd.	B	145,000	51.3
14-Oct	Kohinorfoods	Beejay Investment and Financial Cons	B	200,000	121.0
14-Oct	Kohinorfoods	Alosha Vanijya Pvt Ltd	B	146,272	120.1
14-Oct	Kohinorfoods	Sudhirjain	S	333,000	120.6
14-Oct	Mahar Polybu	Anurag Gupta HUF	B	5,450	67.1
14-Oct	Mov Pictu-PMS	Religare Finvest Ltd Liquidati	S	58,000	6.3
14-Oct	Netwo St Bro	The Royal Bank of Scotland Plc Trustee Of Jupiter India Fund	B	150,000	30.0
14-Oct	Netwo St Bro	Swiss Finance Corpn Mauritius Limited	S	150,000	30.0
14-Oct	Odyssey Corp	Rehana Mohammedali Gheewala	B	35,146	22.9
14-Oct	Odyssey Corp	Kirit V Dave	S	31,046	22.9
14-Oct	Panacea Biot	Serum Institute Of India Ltd	B	1,000,416	220.0
14-Oct	Panacea Biot	Mirae Asset India Equity Master Inv Trust	S	561,778	220.0
14-Oct	Prranet Indu	Vimalchand Karamchand Ranka	B	905,000	1.7
14-Oct	Ranklin Solu	Ramesh Kumar	S	35,985	69.8
14-Oct	Rit Pro Ind	Shree Atam Vallabh Poly Plsti	S	50,100	63.8
14-Oct	Shyam Soft I	Rajesh K Goda	S	51,170	4.5
14-Oct	Silver Anima	JP Morgan Chase Bank Na	S	60,410	10.6
14-Oct	Valson Ind	Ami Stock Share Brokers Pltd	S	35,000	31.0

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Reliance Ind	1,621	3.2	11.8	4.6
Bharti Airtel	767	3.6	8.3	5.4
Infosys	1,398	6.0	7.4	1.9
<b>Losers</b>				
ONGC	882	(3.9)	(12.4)	3.3
Reliance Com	268	(5.0)	(4.7)	9.8
SAIL	107	(6.1)	(4.7)	7.3

Source: Bloomberg

## Forthcoming events

### Company/Market

Date	Event
15-Oct	L&T, CMC Ltd, HCL Tech, Concor earnings expected; Reliance Communications holds meet for strategic initiative
16-Oct	HDFC Bank, Mphasis, GTL, NIIT Technologies, Biocon earnings expected
17-Oct	HDFC, Satyam, India Infoline earnings expected
18-Oct	Chambal Fertilizer, Ultratech Cement, Indian Bank, Federal Bank, Allahabad Bank earnings expected
20-Oct	Titan, Canara Bank, Shree Cements, Petronet LNG, Idea Cellular, Jet Airways, Akruti City, United Phosp, Rolta India earnings expected

Source: Bloomberg

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