

Equity indices	% Chg			
	5-May	1-day	1-mth	3-mth
<b>India</b>				
Sensex	17,491	(0.6)	14.0	(3.6)
Nifty	5,192	(0.7)	11.7	(2.4)
<b>Global / Regional markets</b>				
Dow Jones	12,970	(0.7)	2.9	6.3
Nasdaq	2,464	(0.5)	3.9	8.1
FTSE	6,216	2.1	4.5	5.9
Nikkei	14,049	2.1	5.7	2.2
Hang Seng	26,208	0.1	8.0	11.7

Value traded (Rs bn)	BSE	NSE
Cash	63.9	147.9
Derivatives	2.4	329.7
Total	66.3	477.6

Net inflows (Rs bn)	Recent trends (days)			
	2-May	-7d	-15d	-30d
FII	7.2	6.2	15.6	34.7
MF	(0.8)	0.6	7.8	(14.3)

Forex / Crude	% Chg			
	5-May	1-day	1-mth	3-mth
Rs/US\$	40.7	0.0	(1.8)	(2.9)
Euro/US\$	1.6	0.2	(1.1)	6.1
Crude (\$/bbl)	120.2	0.2	13.2	37.9

Mkt movers (Rs)	Close	Pr. Cl.	% Chg
<b>Top gainers</b>			
UCO Bank	50.2	44.2	13.6
Power Finance Corp	186.6	165.9	12.5
United Brewery Hold	686.3	622.3	10.3
<b>Top losers</b>			
Areva T&D India	1,500.0	1,607.4	(6.7)
Nucleus Software	257.6	273.3	(5.8)
i-flex solutions	1,346.3	1,423.3	(5.4)

## In focus

### Hero Honda – Results Update

Improving product mix springs PAT surprise **CMP: Rs 848 Target: Rs 889 HOLD**

### Asian Oilfield Services – Results Update

Delay in project execution impedes growth **CMP: Rs 193 Target: Rs 232 BUY**

### UTV Software – Results Update

Higher film costs dampen performance **CMP: Rs 804 UNDER REVIEW**

### Indoco Remedies – Results Update

PAT well ahead of estimates but upside limited **CMP: Rs 305 Target: Rs 341 HOLD**

### Indian Bank – Results Update

Falls short of estimates **CMP: Rs 152 Target: Rs 184 HOLD**

## News track

- ❖ The government is planning to offload a 10% stake in profitable PSUs. (ET)
- ❖ **UCO Bank** has received government approval for capital restructuring whereby Rs 3bn of government equity will be converted into preference shares. (BL)
- ❖ **REC** has been granted 'Navratna' status by the government which will give more financial and administrative autonomy to the company. (ET)
- ❖ **IVRCL** has won orders of Rs 4.7bn from the Irrigation department of the Andhra Pradesh government for modernising the Godavari Delta Canal system. (BL)
- ❖ **L&T** has bagged orders worth Rs 3.4bn from Power Grid Corporation for construction of 755km of transmission lines to be completed in 30 months. (BL)
- ❖ **HCL Infosystems** has acquired Jaipur-based niche banking software product firm Natural Technologies for Rs 83.9mn. (ET)
- ❖ **Bharti Airtel** is in talks to acquire South Africa's **MTN**, in what may turn out to be the largest-ever acquisition by an Indian company. (ET)
- ❖ **Tricom India** has acquired BPO firm Godrej Global Solutions, a subsidiary of Godrej Industries, for Rs 196.3mn. (BL)
- ❖ **GlaxoSmithkline Pharma** is in a pact with a Japanese company for exclusive rights to sell the latter's injectable anti-fungal agent 'Micafungin' in India. (BL)

Source: BL: Business Line, BS: Business Standard, ET: Economic Times, FE: Financial Express

### Volume shockers

Company (No of shares)	5-May	2-mth avg	Chg (x)
Alfa-Laval India	50,611	3,154	16.0
UCO Bank	20,180,091	2,045,962	9.9
Aztecsoft	6,030,614	621,415	9.7

### Delivery toppers

Company	Del (%)	Tot vol	Cons days up
Sundram Fastener	53.1	1,487,301.	4.0
Aban Offshore	52.9	124,092.0	(1.0)
ABB India	65.4	453,968.0	(2.0)

# Hero Honda

## Results Update

**CMP: Rs 848**
**Target: Rs 889** 
**HOLD**

**Piyush Parag**      **Abhishek Banerjee**  
 (91-22) 6612 4730      (91-22) 6612 4764  
 piyush.parag@religare.in      abhishek.banerjee@religare.in

BSE code      500182  
 NSE code      HEROHONDA

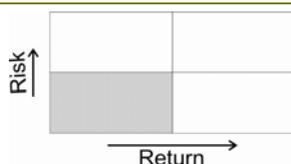
### Company data

Particulars	
Market cap (Rs bn / US\$ bn)	169.3/4.2
Outstanding equity shares (mn)	199.7
52-week high/low (Rs)	865/561
6-month average daily volume	331,577

### Financial snapshot

Particulars	FY08	FY09E	FY10E
Sales (Rs mn)	103,318.0	115,238.8	125,702.5
Growth (%)	4.4	11.5	9.1
Adj net inc(Rs mn)	9,678.8	10,843.1	11,831.5
Growth (%)	24.5	12.0	9.1
FDEPS (Rs)	48.5	54.3	59.2
Growth (%)	24.5	12.0	9.1
P/E (x)	17.5	15.6	14.3
ROE (%)	35.3	32.5	29.2

### Risk-return profile



### Shareholding pattern

(%)	Mar-08	Dec-07
Promoters	55.0	55.0
FIIIs	24.7	27.4
Banks & FIIs	12.2	8.6
Public	8.1	9.0

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Hero Honda	848	13.2	17.0	25.7
Sensex	17,600	11.2	(3.5)	(11.9)
BSE Auto	4,861	8.2	(2.9)	(10.4)

Company website      [www.herohonda.com](http://www.herohonda.com)

### Improving product mix springs PAT surprise

Hero Honda's (HHL) net revenue was marginally lower than our estimate at Rs 27.9bn. However, the company's EBITDA margin improved much more than anticipated due to a favourable change in product mix towards high-end bikes as well as increased volume growth during the quarter. An improved operating performance combined with higher other income pushed PAT ahead of our estimates.

HHL inaugurated its third plant at Haridwar this quarter, which has an installed base of 500,000 vehicles per annum. With a slew of product launches in the executive and premium segments slated to take place in FY09, we expect HHL to continue to dominate the two-wheeler industry in the medium term. We have raised our target price by 13% to Rs 889 to build in the impact of an upward revision in earnings and a shift in target tenure to FY10 from FY09. The stock is trading at a P/E of 14.3x and EV/EBITDA of 9.3x on FY10E. It offers only 5% potential appreciation from the current levels and we thus maintain our Hold recommendation.

### Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	27,886.5	28,500.5	(2.2)
EBITDA	4,118.4	3,262.5	26.2
Adj net income	2,987.0	2,410.3	23.9
FDEPS (Rs)	15.0	12.1	23.9

Source: Company, Religare Research

### Q4FY08 results

(Rs mn)	Q4FY08	Q4FY07	% Chg YoY	Q3FY08	% Chg QoQ
Net sales	27,886.5	26,395.8	5.6	27,430.7	1.7
EBITDA	4,118.4	2,686.6	53.3	3,826.0	7.6
EBITDA margin (%)	14.8	10.2	460bps	13.9	90bps
Depreciation	434.8	355.1	22.4	408.0	6.6
Other income	632.6	522.0	21.2	607.6	4.1
PBT	4,316.2	2,853.5	51.3	4,025.6	7.2
Tax	1,329.2	903.5	47.1	1,275.5	4.2
PAT	2,987.0	1,950.0	53.2	2,750.1	8.6
PAT margin (%)	10.7	7.4	330bps	10.0	70bps
EPS (Rs)	15.0	9.8	53.2	13.8	8.6
CEPS (Rs)	17.1	11.5	48.4	15.8	8.3
Core EPS (Rs)	12.2	7.5	61.8	11.2	9.3

Source: Company, Religare Research

## Results highlights

### Favourable product mix leads to 5% YoY increase in realisations

#### Net revenue up 6% due to improved realisations

Despite flat sales volume growth, HHL's Q4FY08 net revenue increased 5.6% YoY to Rs 27.9bn. The growth was aided by a 5.3% YoY improvement in realisations, owing to a favourable product mix which was tilted towards executive and premium segment motorcycles.

#### EBITDA margin expands on the back of rich product mix

HHL's EBITDA margin was above our expectations primarily due to a better product mix and stronger control on marketing and advertising spends. The margin increased 460bps YoY and 90bps QoQ to 14.8%. Consequently, operating profit for the quarter grew by 53.3% YoY to Rs 4.1bn.

#### Net profit increases 53% YoY surpassing estimates

The company's PAT experienced a strong 53.2% YoY growth to Rs 3bn, exceeding our estimates. Besides the robust expansion in EBITDA margin, earnings growth was also supported by a 21.2% growth in other income. Consequently, the PAT margin has improved by 330bps YoY to 10.7%.

#### FY08 net sales up 4.4% at Rs 103.3bn, net profit up 12.8% at Rs 9.7bn

HHL's FY08 net sales grew by 4.4% YoY to Rs 103.3bn, aided by realisation growth, with volumes remaining flat at 3.3mn units. EBITDA increased 15% YoY to Rs 13.5bn with an EBITDA margin of 13.1% as against 11.8% in FY07. The operating margin expanded by 130bps as a result of a rich product mix and tight control on administrative and promotional spending. PAT grew by 12.8% to Rs 9.7bn and the company declared a dividend of 950% for FY08 against 850% during FY07.

## Outlook

### Hulk to boost market share in premium segment to 18%

#### Improvement in market share expected in premium segment

HHL's market share in the premium segment has increased in FY08, primarily as a result of new product and variant launches in this segment. The company rolled out eight new launches (including variants) till April 2008. We expect HHL's market share in the executive and premium segments to improve in the coming years, primarily due to the sales of *CBZ* and its newly launched *Hulk*. We expect the company to capture 18% of the premium segment in the near term from 10% at present.

HHL has improved its hold in both the scooter and motorcycle segments during the quarter. For scooters, the company has raised its market share by 110bps YoY to 9.7%. In motorcycles, HHL's market share in the 75–125cc category has risen by 2,000bps YoY to 65.2%, while that in the 125–250cc category has risen by 380bps YoY to 10.1%. This strong performance comes at a time when the industry has experienced an 8% YoY decline in volume sales to 6.5mn motorcycles.

#### Production capacity ramp-up progressing as planned

HHL inaugurated its third plant at Haridwar in Uttaranchal, which has an installed capacity of 500,000 vehicles per annum. The company has indicated that the capacity will be further ramped up to 1.5mn units by 2010, taking the total capacity to 5.4mn. HHL will enjoy excise duty relief for ten years and its profits will be exempt from tax for a period of five years in Uttaranchal. Hence, we expect benefits to accrue to the company as and when capacity utilisation increases.

#### Margins to improve

The company's focus on high-end bikes (executive and premium segment), increased indigenisation of components, and tight control on administrative spending are expected to improve profitability in the medium term. However, we expect key raw material prices such as steel, aluminium and nickel to remain firm.

### Margin assumption raised to build in richer product mix and cost cutting

#### Estimates revised

We have revised our earnings estimates upwards as we expect the company's operating profit margin to improve led by a richer product mix and cost cutting initiatives. Depreciation costs have also been revised on the company's announcement of capex plans.

#### Revised estimates

(Rs mn)	FY09E			FY10E		
	Earlier	Revised	% Chg	Earlier	Revised	% Chg
Net sales	115,238.8	115,238.8	0.0	125,702.5	125,702.5	0.0
EBITDA	14,593.6	15,296.2	4.8	16,168.9	16,807.7	4.0
EBITDA margin (%)	12.7	13.3	-	12.9	13.4	-
Adj net income	10,734.2	10,843.1	1.0	11,817.0	11,831.5	0.1
FDEPS (Rs)	53.8	54.3	1.0	59.2	59.2	0.1

Source: Religare Research

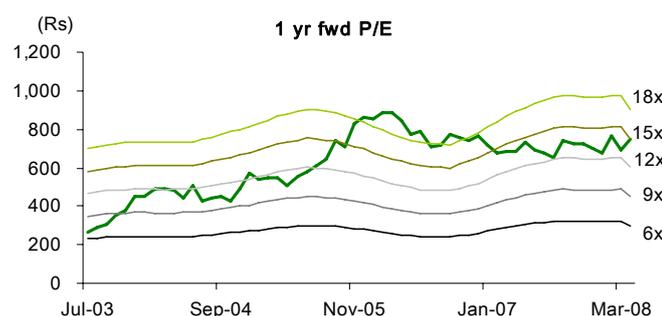
## Valuation

#### Target price increased by 13% to Rs 889

We are increasing our target price by 13% to Rs 889 (Rs 787 earlier) to build in the impact of our estimate revision and a shift in target tenure to FY10 from FY09. We have valued HHL's business at 15x its FY10E earnings.

### Target raised to Rs 889 on revised estimates and roll-over to one-year horizon

#### Hero Honda's P/E band



Source: Religare Research

#### Hero Honda's fair value

Particulars	Value (Rs/share)
FY10E EPS	59.2
Target multiple	15.0
Target price	888.7
CMP	848.0
Potential upside (%)	5.0

Source: Religare Research

### Newly launched 'Hulk' to drive market share and help improve margins

#### Limited upside; maintain Hold

The stock is trading at 14.3x P/E and 9.3x EV/EBIDTA on FY10E. The company is improving its market share in the premium segment, which should translate to improved EBITDA margins. We expect HHL to perform robustly based on a) its extensive product portfolio which is being strengthened by new launches, b) its rising market share in the premium segment on the back of the newly launched Hulk, and c) the consequent improvement in margins.

Higher sales than estimated could be a key positive for the company and may lead to re-rating of the stock. We maintain our Hold recommendation as the potential upside is limited to 5% from the current stock price.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
16-Apr-07	Quarterly Preview	639	612	Sell
10-Jul-07	Quarterly Preview	698	612	Sell
5-Oct-07	Quarterly Preview	735	698	Sell
22-Oct-07	Results Update	725	698	Sell
18-Dec-07	Company Update	702	745	Hold
5-Feb-08	Results Update	725	771	Hold
7-Mar-08	Sector Update	773	787	Hold
5-May-08	Results Update	848	889	Hold

Source: Religare Research

Stock performance



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs mn)	FY07	FY08	FY09E	FY10E
Revenues	98,945.2	103,318.0	115,238.8	125,702.5
Growth (%)	13.6	4.4	11.5	9.1
EBITDA	11,534.2	13,493.7	15,296.2	16,807.7
Growth (%)	(15.3)	17.0	13.4	9.9
Depreciation	1,397.8	1,603.2	1,711.8	1,813.4
EBIT	10,136.4	11,890.5	13,584.4	14,994.3
Growth (%)	(18.8)	17.3	14.2	10.4
Interest	16.1	16.9	17.8	18.6
Other income	2,340.7	2,229.2	2,262.6	2,296.6
EBT	12,461.0	14,102.8	15,829.3	17,272.2
Income taxes	3,882.1	4,424.0	4,986.2	5,440.7
Effective tax rate (%)	31.2	31.4	31.5	31.5
Adjusted net income	7,771.1	9,678.8	10,843.1	11,831.5
Growth (%)	(13.3)	24.5	12.0	9.1
Extra-ordinary items	807.8	-	-	-
Reported net income	8,578.9	9,678.8	10,843.1	11,831.5
Growth (%)	(11.7)	12.8	12.0	9.1
Shares outstanding (mn)	199.7	199.7	199.7	199.7
Basic EPS (Rs) (adj)	38.9	48.5	54.3	59.2
FDEPS (Rs) (adj)	38.9	48.5	54.3	59.2
DPS (Rs)	17.0	19.0	19.0	19.0

Source: Company, Religare Research

### Cash flow statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Net income	8,578.9	9,678.8	10,843.1	11,831.5
Depreciation	1,397.8	1,603.2	1,711.8	1,813.4
Other adjustments, net	(740.1)	-	-	-
Changes in working capital	(2,986.1)	4,863.3	1,002.6	708.7
Cash flow from operations	6,250.5	16,145.3	13,557.4	14,353.6
Capital expenditure	(4,743.9)	(2,550.0)	(2,100.0)	(2,100.0)
Change in investments	880.2	(2,960.8)	(3,404.9)	(3,915.7)
Other investing inc/(exp)	1,132.4	-	-	-
Cash flow from investing	(2,731.3)	(5,510.8)	(5,504.9)	(6,015.7)
Free cash flow	3,519.2	10,634.5	8,052.5	8,337.9
Issue/repay debt	(206.1)	49.6	51.0	52.6
Dividends paid	(3,819.3)	(4,268.6)	(4,268.6)	(4,268.6)
Other financing cash flow	(718.0)	-	-	-
Cash flow from financing	(4,743.4)	(4,219.0)	(4,217.5)	(4,216.0)
Change in cash & cash eq	(1,229.4)	6,415.4	3,834.9	4,121.9
Opening cash & cash eq	1,587.2	357.8	6,773.2	10,608.2
Closing cash & cash eq	357.8	6,773.2	10,608.2	14,730.1

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY07	FY08E	FY09E	FY10E
Cash and cash eq	357.8	6,773.2	10,608.2	14,730.1
Accounts receivable	3,352.5	3,396.8	3,630.8	4,063.8
Inventories	2,755.8	2,708.8	2,877.1	2,985.6
Others current assets	2,666.6	2,746.6	2,829.0	2,913.9
Current assets	9,132.7	15,625.4	19,945.0	24,693.3
Long-term investments	19,738.7	22,699.5	26,104.4	30,020.1
Net fixed assets	11,655.3	12,552.1	12,840.3	13,026.9
CWIP	1,899.2	1,949.2	2,049.2	2,149.2
Deferred tax assets, net	(1,282.0)	(1,282.0)	(1,282.0)	(1,282.0)
Other assets	-	-	-	-
Total assets	41,143.9	51,544.2	59,657.0	68,607.5
Accounts payable	5,548.2	5,660.2	6,434.7	7,160.2
Others	4,871.0	5,017.1	5,167.6	5,322.7
Current liabilities	10,419.2	10,677.3	11,602.3	12,482.9
Debt funds	1,651.7	1,701.3	1,752.3	1,804.9
Other liabilities	4,372.4	9,054.9	9,617.1	10,071.6
Equity capital	399.4	399.4	399.4	399.4
Reserves	24,301.2	29,711.4	36,285.9	43,848.8
Shareholder's funds	24,700.6	30,110.8	36,685.3	44,248.2
Total liabilities	41,143.9	51,544.2	59,657.0	68,607.5
BVPS (Rs)	123.7	150.8	183.7	221.6

Source: Company, Religare Research

### Financial ratios

	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	11.7	13.1	13.3	13.4
EBIT margin (%)	10.2	11.5	11.8	11.9
Net profit margin (%)	7.9	9.4	9.4	9.4
FDEPS growth (%)	(13.3)	24.5	12.0	9.1
Receivables (days)	9.1	11.9	11.1	11.2
Inventory (days)	10.5	11.1	10.2	9.8
Payables (days)	25.1	22.8	22.1	22.8
Current ratio (x)	0.9	1.5	1.7	2.0
Quick ratio (x)	0.6	1.2	1.5	1.7
Debt / equity (x)	0.1	0.1	-	-
ROE (%)	34.7	35.3	32.5	29.2
ROA (%)	19.7	20.9	19.5	18.4
ROCE (%)	35.2	33.2	30.6	28.8
EV/Sales (x)	1.7	1.6	1.4	1.2
EV/EBITDA (x)	14.8	12.2	10.5	9.3
P/E (x)	21.8	17.5	15.6	14.3
P/BV (x)	6.9	5.6	4.6	3.8

Source: Company, Religare Research

## Asian Oilfield Services

## Results Update

CMP: Rs 193

Target: Rs 232

BUY

**Sudeep Anand**

(91-22) 6612 4670

sudeep.anand@religare.in

BSE code

530355

## Company data

## Particulars

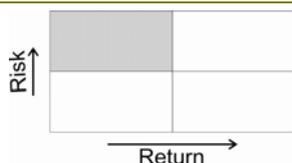
Market cap (Rs bn / US\$ mn)	1.4/35.6
Outstanding equity shares (mn)	7.1
52-week high/low (Rs)	446/30
2-month average daily volume	32,457

## Financial snapshot

Particulars	FY07	FY08E*	FY09E
Sales (Rs mn)	274.1	541.3	947.4
Growth (%)	163.7	97.5	75.0
Adj net inc (Rs mn)	50.9	99.7	220.0
Growth (%)	719.7	95.8	120.8
FDEPS (Rs)	7.5	8.9	14.3
Growth (%)	548.7	18.6	60.8
P/E (x)	25.7	21.6	13.5
ROE (%)	44.7	27.3	26.0

\*15 months (Y/E June)

## Risk-return profile



## Shareholding pattern

(%)	Mar-08	Dec-07
Promoters	10.6	10.2
FIIs	0.3	0.6
Banks & FIIs	3.6	1.7
Public	85.5	87.5

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
AOSL	193	15.1	(11.0)	34.1
Sensex	17,600	11.2	(3.5)	(11.9)
Oil and Gas	11,715	11.2	6.3	(0.2)

Company website

www.asianoilfield.com

## Delay in project execution impedes growth

Asian Oilfield Services (AOSL) has reported below-expected results for Q4FY08, with a decline in its revenues and net profit on a year-on-year basis. Net sales declined 20.5% YoY to Rs 157mn due to the delay in commencement of projects for Oil India and ONGC. Further, higher employee costs and operating expenses hurt EBITDA, which fell 41% YoY. As a result, the company's adjusted net profit decreased 38% YoY to Rs 31.4mn.

AOSL has extended its financial year-ending from March to June, which has caused us to tweak our estimates. We believe that upstream companies will begin to award contracts for seismic survey from June onwards, which will shed further light on AOSL's financials for FY09 and FY10. We maintain our Buy recommendation on the stock with a target price of Rs 232.

## Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	156.9	200.1	(21.6)
EBITDA	46.8	70.5	(33.6)
EBITDA margin (%)	29.8	35.2	-
Adj net income	31.4	35.1	(10.4)
FDEPS (Rs)	2.0	2.3	(10.4)

Source: Company, Religare Research

## Quarterly results

(Rs mn)	Q4FY08	Q4FY07	% Chg YoY	Q3FY08	% Chg QoQ
Net sales	156.9	197.4	(20.5)	41.1	281.8
Expenditure	110.1	118.1	(6.8)	32.2	242.1
EBITDA	46.8	79.3	(41.0)	8.9	425.1
EBITDA margin (%)	29.8	40.2	-	21.7	-
Depreciation	3.1	3.9	(19.1)	2.2	39.9
EBIT	43.7	75.4	(42.1)	6.7	553.7
Interest expenses	4.2	1.3	226.7	1.0	323.4
Other income	1.9	1.1	69.3	7.5	(74.0)
PBT	41.4	75.3	(45.0)	13.2	214.7
Tax expenses	10.0	24.7	(59.6)	5.6	78.4
Adjusted PAT	31.4	50.6	(37.9)	7.6	315.4
Exceptional item	(3.1)	(8.8)	(65.4)	-	-
Reported PAT	28.4	41.8	(32.1)	7.6	275.1
FDEPS	2.0	3.3	(37.9)	0.5	315.4

Source: Company, Religare Research

## Result highlights

### Adverse weather conditions, delay in crew set-up hamper northeast projects

#### Delay in project execution hits revenues

AOSL has posted net revenues of Rs 156.9mn during Q4FY08, a decline of 20.5% YoY. The below-expected performance is primarily due to a delay in commencement of projects at Nagaland and Mizoram for ONGC and Oil India respectively. Owing to adverse weather conditions and delays in crew mobilisation, both projects were delayed by a month and commenced only at the end of February 2008. However, these contracts, cumulatively worth Rs 1.2bn, are expected to last for two work seasons, which is expected to drive revenues.

#### Higher expenses lowered profitability

Increased employees cost and operating expenses caused the EBITDA margin to narrow to 29.8% in Q4FY08 from 40.2% in Q4FY07. Consequently, operating profit for the quarter declined 41% YoY to Rs 46.8mn, lower than our estimate. A reduction in tax expenses and depreciation slightly cushioned adjusted PAT, which dipped 37.9% YoY to Rs 31.4mn.

The company recorded an exceptional expense of Rs 3.1mn in Q4FY08 which includes the settlement of revenues with Canaro Resources, for which it had executed a project a year ago. AOSL's reported net profit declined 32.1% YoY to Rs 28.4mn during the quarter.

#### Financial year extended to June

AOSL's peak working season starts from October and lasts till May-June. Therefore, it has extended its financial year from March to June, which will provide a clear picture of the company's performance each season. We have therefore shifted our FY08 forecast from 12 months to 15 months (June ending). Similarly, with the FY09 year-end moving forward to June, we are revising our financials for FY09 downwards due to the lack of clarity of new contracts.

### FY09 estimates cut on fiscal year extension to June, due to lack of clarity of new contracts

#### Revised estimates

(Rs mn)	FY08E			FY09E		
	Earlier	Revised*	% Chg	Earlier	Revised	% Chg
Net sales	391.3	541.3	38.3	998.4	947.4	(5.1)
EBITDA	139.0	162.8	17.1	406.7	351.7	(13.5)
Adj net income	79.5	99.7	25.4	253.7	220.0	(13.3)
FDEPS (Rs)	7.1	8.9	25.4	16.5	14.3	(13.3)

Source: Religare Research

\* 15 months (Y/E June)

## Valuation

#### Maintain target price of Rs 232, Buy

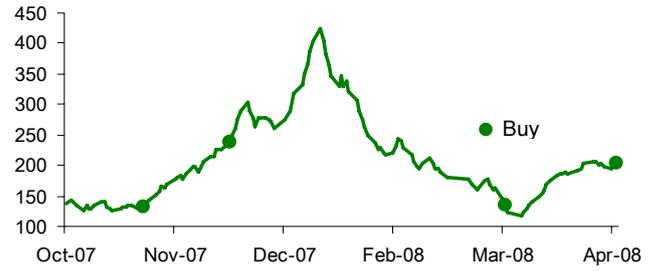
The stock has corrected significantly in the recent market downfall and is trading at a P/E multiple of 13.5x on FY09E EPS and 7.9x on FY10E. We believe that strong exploration and production (E&P) activities will continue to drive the company's growth. ONGC and other upstream companies are likely to award orders from June onwards which is expected to provide revenue visibility for AOSL. We maintain our target price at Rs 232, which is 16x FY09E EPS. We maintain our Buy recommendation on the stock.

Recommendation history

Date	Event	Reco price	Tgt price	Reco
1-Nov-07	Initiating Coverage	131	230	Buy
4-Dec-07	Company Update	238	280	Buy
19-Mar-08	Company Update	140	232	Buy
5-May-08	Results Update	193	232	Buy

Source: Religare Research

Stock performance



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs mn)	FY07	FY08E*	FY09E	FY10E
Revenues	274.1	541.3	947.4	1,650.7
Growth (%)	163.7	97.5	75.0	74.2
EBITDA	85.4	162.8	351.7	596.0
Growth (%)	501.1	90.7	116.1	69.4
Depreciation	6.6	13.1	14.0	24.5
EBIT	78.8	149.6	337.7	571.4
Growth (%)	629.8	89.9	125.7	69.2
Interest	5.0	11.4	18.1	20.1
Other income	1.9	12.0	12.0	12.0
EBT	75.7	150.2	331.6	563.4
Income taxes	24.8	50.6	111.6	189.6
Effective tax rate (%)	29.7	33.7	33.7	33.7
Adjusted net income	50.9	99.7	220.0	373.7
Growth (%)	719.7	95.8	120.8	69.9
Extra-ordinary items	(7.9)	-	-	-
Reported net income	43.0	99.7	220.0	373.7
Growth (%)	706.4	132.0	120.8	69.9
Shares outstanding (mn)	7.0	7.4	14.1	15.3
Basic EPS (Rs) (adj)	7.5	13.5	15.6	24.4
FDEPS (Rs) (adj)	7.5	8.9	14.3	24.4

Source: Company, Religare Research \* 15 months (Y/E June)

### Cash flow statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Net income	50.9	99.7	220.0	373.7
Depreciation	6.6	13.1	14.0	24.5
Other adjustments, net	8.5	-	-	-
Changes in working capital	(53.1)	(53.5)	(43.7)	(161.3)
Cash flow from operations	12.8	59.3	190.4	236.9
Capital expenditure	(48.9)	(290.0)	(25.0)	(300.0)
Change in investments	-	-	-	-
Other investing inc/(exp)	33.9	-	-	-
Cash flow from investing	(15.0)	(290.0)	(25.0)	(300.0)
Free cash flow	(2.2)	(230.7)	165.4	(63.1)
Issue of equity	16.5	324.4	320.5	205.2
Issue/repay debt	20.4	200.0	20.0	-
Dividends paid	-	-	-	-
Other financing cash flow	(21.5)	-	-	-
Cash flow from financing	15.4	524.4	340.5	205.2
Change in cash & cash eq	13.2	293.7	505.9	142.1
Opening cash & cash eq	8.9	22.1	315.8	821.7
Closing cash & cash eq	22.1	315.8	821.7	963.8

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY07	FY08E	FY09E	FY10E
Cash and cash eq	22.1	315.8	821.7	963.8
Accounts receivable	183.5	301.8	499.7	870.6
Inventories	0.9	1.1	1.8	3.2
Others current assets	13.8	37.0	45.9	79.9
Current assets	220.3	655.7	1,369.1	1,917.6
Long-term investments	0.1	0.1	0.1	0.1
Net fixed assets	67.4	344.3	355.2	630.7
CWIP	-	-	-	-
Other assets	-	-	-	-
Total assets	287.8	1,000.0	1,724.4	2,548.4
Accounts payable	43.1	90.5	159.4	277.7
Others	52.6	93.3	188.3	315.0
Current liabilities	95.7	183.9	347.8	592.8
Debt funds	37.5	237.5	257.5	257.5
Other liabilities	1.3	1.3	1.3	1.3
Equity capital	70.1	85.1	141.4	153.4
Reserves	83.2	492.2	976.5	1,543.4
Shareholder's funds	153.2	577.3	1,117.9	1,696.8
Total liabilities	287.8	1,000.0	1,724.4	2,548.4
BVPS (Rs)	21.9	78.2	79.1	110.6

Source: Company, Religare Research

### Financial ratios

	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	31.1	30.1	37.1	36.1
EBIT margin (%)	28.8	27.6	35.6	34.6
Net profit margin (%)	18.6	18.4	23.2	22.6
FDEPS growth (%)	548.7	18.6	60.8	69.9
Receivables (days)	164.2	163.6	154.4	151.5
Inventory (days)	0.9	1.0	0.9	0.9
Payables (days)	47.2	64.4	76.6	75.6
Current ratio (x)	2.3	3.6	3.9	3.2
Quick ratio (x)	2.3	3.6	3.9	3.2
Interest coverage ratio (x)	11.2	9.7	13.2	19.6
Debt / equity (x)	0.2	0.4	0.2	0.2
ROE (%)	44.7	27.3	26.0	26.6
ROA (%)	25.3	15.5	16.2	17.5
ROCE (%)	55.2	29.7	30.8	34.3
EV/Sales (x)	3.1	1.6	0.9	0.5
EV/EBITDA (x)	10.1	5.3	2.4	1.4
P/E (x)	25.7	21.6	13.5	7.9
P/BV (x)	8.8	2.5	2.4	1.7

Source: Company, Religare Research

# UTV Software

## Results Update

CMP: Rs 804

UNDER REVIEW

### Ram Patnaik

(91-22) 6612 4752

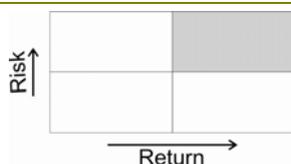
ram.patnaik@religare.in

BSE code 532619  
NSE code UTVSOF

### Company data

Particulars	
Market cap (Rs bn / US\$ mn)	19.9/493.2
Outstanding equity shares (mn)	24.8
52-week high/low (Rs)	1,132/302
3-month average daily volume	45,403

### Risk-return profile



### Shareholding pattern

(%)	Dec-07	Mar-08
Promoters	30.7	32.5
FIs	20.5	20.3
Banks & FIs	12.0	10.9
Public	36.8	36.3

### Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
UTV	804	5.9	(8.3)	13.6
Sensex	17,600	14.7	(5.7)	(10.2)

Company website [www.utvnet.com](http://www.utvnet.com)

## Higher film costs dampen performance

UTV Software (UTV) has recorded a significant 363% YoY growth in revenue to Rs 1.9bn. However, this was 5% below our estimate, while operating profit at Rs 108mn is substantially lower than expected, although the company has recorded a growth of 261% YoY as compared to a loss in the same year-ago quarter. This has been due to a partial reflection of film segment revenues even as a majority of the costs were booked in the quarter. Consequently, net profit has come in much below our expectations at Rs 271mn.

There have been significant developments in terms of equity participation from Walt Disney and the promoter group in the recent past, in the holding company as well as the group broadcasting company. We believe there would be a significant business revamp going forward. The company remains under review until we obtain further clarity from the management regarding the growth potential across segments.

### Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	1,870.4	1,971.3	(5.1)
EBITDA	108.1	823.8	(86.9)
Adj net income	270.8	569.2	(52.4)
FDEPS (Rs)	43.6	99.5	(56.2)

Source: Company, Religare Research

### Quarterly results

(Rs mn)	Q4FY08	Q4FY07	% Chg YoY	Q3FY08	% Chg QoQ
<b>Net revenue</b>	<b>1,870.4</b>	<b>403.8</b>	<b>363.2</b>	<b>1,231.8</b>	<b>51.8</b>
a) Direct costs	1,469.1	283.5	418.2	864.7	69.9
b) Personnel costs	95.7	47.8	100.4	57.5	66.5
c) Other expenses	197.4	139.8	41.3	72.0	174.2
Total expenditure	1,762.2	471.0	274.1	994.2	77.3
Operating profit (EBDIT)	108.1	(67.3)	260.8	237.6	(54.5)
Depreciation	11.1	(12.4)	189.5	7.8	43.0
Gross profit	97.1	(54.9)	276.9	229.9	(57.8)
Financial expenses	28.8	16.1		0.1	-
Other income	77.0	12.9	495.9	12.0	544.3
<b>PBT</b>	<b>145.2</b>	<b>(58.0)</b>	<b>350.2</b>	<b>241.7</b>	<b>(39.9)</b>
Provision for tax	(125.5)	(171.2)	26.7	10.9	(1,253.1)
<b>PAT</b>	<b>270.8</b>	<b>113.1</b>	<b>139.3</b>	<b>230.8</b>	<b>17.3</b>
OPM (%)	5.8	(16.7)	-	19.3	-
Equity	248.4	228.9	8.5	228.9	8.5
EPS (Rs)	43.6	19.8	120.6	40.3	8.1

Source: Company, Religare Research

## Result highlights

**Films contributed 55% of revenue with the release of Jodha Akbar and Race...**

### Surge in film and gaming revenues

UTV's Q4FY08 revenue has risen 363% YoY to Rs 1.9bn with television contributing 23%, films 55% and the gaming/interactive segment bringing in 22%. Television revenues have grown by 68% YoY, films revenues by 672% and interactive revenues by 425% YoY during the quarter.

### Operating costs quadruple due to higher film costs

Direct cost has gone up significantly by 418% YoY, constituting 78.5% of revenues during the quarter. Total operating expenditure increased 274% YoY due to the spike in direct cost.

The higher expenditure is primarily due to the cost burden incurred on two films released during the quarter, namely *Jodha Akbar* and *Race*. Theatrical release revenues for *Jodha Akbar* have been booked, but revenues related to other rights on the film will come in only during the next few quarters. In the case of *Race*, the film was released in the last week of the quarter, and thus only a small portion of revenue has been recorded even as a majority of the costs were booked during the quarter.

**...but high costs and partial revenue booking weakened margins**

### Weak operating margins pull down PAT

Syndication revenue has contributed a sizeable amount this quarter at Rs 470mn, wherein the operating margin is low at 5–7%. This coupled with the increased film cost burden has resulted in a very low margin of 5.8% for the company. The EBIT margin for the television segment stood at 18%, film segment at 6%, and interactive segment at 12%. Operating profit came in at Rs 108mn as compared to a loss of Rs 67mn in the same year-ago quarter. Net profit has increased 139% YoY to Rs 271mn, much below our expectations.

## Operational highlights

### Film segment

Two movies, namely *Jodha Akbar* and *Race*, were released during the quarter, the first being produced and the second being distributed by UTV through its subsidiary. Both films have done well at the box office.

### Television segment

During the quarter, the television segment has done 90 hours of commissioned programming. Going forward, the company has a line up of shows which are currently in production, including UTV's first programme on SunTV and three reality shows. These are expected to go on air in the second quarter of FY09. The company also has two more shows coming out of joint ventures with Smriti Irani and Shekhar Suman which are expected to go on air during the same period.

In airtime sales, UTV has posted a monthly average of ~100 hours of content under management across all leading South Indian channels such as SunTV, GeminiTV, UdayaTV and KTV.

### Interactive segment

This segment comprises gaming (through recent acquisitions of Ignition and Indiagames), animation, post-production and VFX (special effects) activities. During the quarter, the interactive segment contributed ~22% of the operating revenues, which is expected to grow significantly as the games pipeline begins to enter the commercial stage.

**UTV's first programme on SunTV, 3 reality shows to go on air in Q2FY09**

### Total fund infusion of Rs 13bn from Disney and promoters

#### Disney raises stake in UTV to 32%

Disney has increased its stake in UTV to 32.1% from 13.7% via a preferential allotment of 9mn shares for Rs 8bn. UTV's promoter group has also increased its stake to 32.1% post-dilution by way of a Rs 3.9bn warrants subscription. This apart, Disney will invest Rs 1.2bn for a 15% stake in UTV Global Broadcasting (the broadcasting arm of UTV). The total fund infusion is to the tune of Rs 13bn, which would be deployed across segments progressively.

#### We will revise estimates shortly

Post the Disney stake acquisition, we believe UTV would witness a significant business revamp. We are in the process of evaluating the company's business plan with the management, which is likely to lead to significant changes in our financial projections. We will revise our estimates and target price once we obtain further clarity regarding the growth potential across segments.

#### Recommendation history

Date	Event	Reco price	Tgt price	Reco
25-Sep-07	Initiating Coverage	584	795	Buy
29-Oct-07	Results Update	708	795	Buy
7-Feb-08	Results Update	857	892	Buy
5-May-08	Results Update	804	NA	Under rev

Source: Religare Research

#### Stock performance



Source: Religare Research

## Indoco Remedies

## Results Update

CMP: Rs 305

Target: Rs 341 ↓

HOLD ↓

## Alok Dalal

(91-22) 6612 4750

alok.dalal@religare.in

BSE code 532612  
NSE code INDOCO

## Company data

Particulars	
Market cap (Rs bn / US\$ mn)	3.7/93.7
Outstanding equity shares (mn)	12.3
52-week high/low (Rs)	391/205
3-month average daily volume	4,983

## Financial snapshot

Particulars	FY07	FY08*	FY09E
Sales (Rs mn)	3,259.9	2,626.8	4,155.4
Growth (%)	33.9	(19.4)	58.2
Adj net inc (Rs mn)	436.4	318.4	607.8
Growth (%)	53.8	(27.0)	90.9
FDEPS (Rs)	38.3	27.4	49.5
Growth (%)	59.4	(28.4)	80.5
P/E (x)	8.0	11.1	6.2
ROE (%)	20.4	13.1	21.8

\* Nine-month performance

## Risk-return profile



## Shareholding pattern

(%)	Mar-08	Dec-07
Promoters	60.3	60.3
FIs	4.1	5.5
Banks & FIs	10.7	11.1
Public	24.9	23.1

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Indoco	305	9.5	15.6	6.5
Sensex	17,600	14.7	(5.7)	(10.2)
BSE HC	4,289	11.5	13.8	10.2

Company website [www.indoco.com](http://www.indoco.com)

## PAT well ahead of estimates but upside limited

Indoco Remedies' Q4FY08 sales were below estimates but adjusted net profits came in ahead of expectations. Sales grew at 18% YoY driven by the strong execution of contracts in the export regulated markets and performance of key brands in the domestic market. Exports to the less regulated markets witnessed a muted growth of 1.6% as the shipment of a few products was deferred to the next quarter. Lower interest expense and MAT credit entitlement resulted in a 64% growth in adjusted PAT to Rs 34.1mn.

The company has changed its accounting year from June to March, as a result of which FY08 numbers are for a period of nine months. As April-June is the best quarter for the company, we have reduced our sales estimates for FY09 and FY10 by 18% and 14% respectively. We have trimmed our EBITDA margins for both years by 80bps each due to higher expenditure which would be incurred on product filings for the US markets. Consequently, our EPS estimates for both years stands reduced by 18.8% and 13.2% to Rs 49.5 and Rs 68.1 respectively. We maintain our FY10 P/E multiple of 5x, but our target price stands reduced to Rs 341 on account of our revised EPS for FY10. As the upside from current levels is only 12%, we downgrade our recommendation from Buy to Hold.

## Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	870.8	980.1	(11.1)
EBITDA	96.8	108.5	(10.8)
Adj net income	34.1	29.3	16.4
FDEPS (Rs)	2.8	2.5	16.4

Source: Company, Religare Research

## Quarterly results

(Rs mn)	Q3FY08	Q3FY07	% Chg	9M FY08	9M FY07	% Chg
Net sales	870.8	736.0	18.3	2,626.9	2,256.7	16.4
Expenditure	(774.0)	(661.4)	17.0	(2,199.3)	(1,928.7)	14.0
Operating profit	96.8	74.6	29.8	427.6	328	30.4
Other income	7.2	3.6	100.0	25.1	21.7	15.7
Interest	(13.7)	(21.6)	(36.6)	(36.2)	(35.0)	3.4
Depreciation	(26.8)	(21.7)	23.5	(77.8)	(64.7)	20.2
PBT	63.5	34.9	81.9	338.7	250.0	35.5
Tax	25.8	(13.8)	-	(20.3)	(50.3)	(59.6)
RPAT	73.1	21.1	246.4	300.1	199.7	50.3
OPM (%)	11.1	10.1	100bps	16.3	14.5	170bps
EPS (Rs)	7.3	1.8	232.9	25.9	16.9	44.6

Source: Company, Religare Research

## Result highlights

### 42% growth in export formulations to regulated markets

#### Contracts in Europe drive 18% sales growth

Indoco Remedies posted a sales growth of 18% YoY for the quarter to Rs 871mn. Export formulations to the regulated markets increased 42%, with contracts in the UK, Germany and Eastern Europe being the key contributors to growth. However, sales to less regulated markets witnessed a muted growth of 1.6% as the shipment of a few products was deferred to the next quarter.

Domestic sales witnessed a growth of 14% YoY driven by growth in leading brands. Historically, the January-March quarter has been a weak period for the company as its product portfolio is more inclined towards the April-June period. The company is looking at increasing its presence in lifestyle segments like CVS (cardiovascular) and diabetes which are not seasonal in nature.

#### Sales break-up

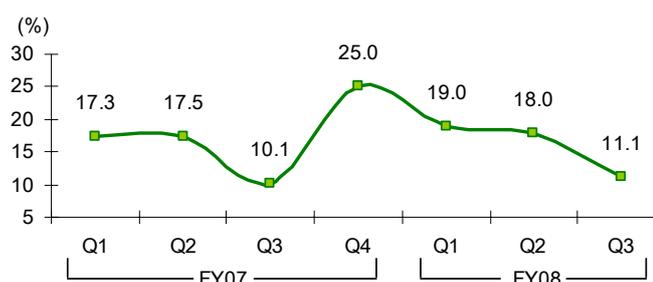
(Rs mn)	Q3FY08	Q3FY07	% Chg	9mFY08	9mFY07	% Chg
Domestic formulations	612.4	538.7	13.7	1,959.4	1,721.0	13.9
Exports						
Regulated	174.7	123.0	42.0	453.9	346.4	31.0
Less regulated	43.4	42.7	1.6	120.3	86.6	38.9
API	13.2	22.6	(41.6)	27.6	60.8	(54.6)
Total exports	231.3	188.3	22.8	601.8	493.8	21.9
Domestic API	27.1	8.9	204.5	65.6	41.9	56.6
Net sales	870.8	735.9	18.3	2,626.8	2,256.7	16.4

Source: Company

#### EBITDA margin records modest growth of 100bps

The company's EBITDA margin for the quarter stood at 11.1%, an increase of 100bps YoY. Formulations sales, both in the domestic and export markets, were key contributors to the margin expansion, whereas the muted sales to less regulated markets and a decline in API exports pegged back growth.

#### Trend in EBITDA margin



Source: Company, Religare Research (Y/E Jun)

### Adjusted PAT up 64% YoY on lower interest cost and MAT credit

#### Lower interest outgo and MAT credit entitlement lead to 64% PAT growth

Interest outgo for the quarter declined by 37% YoY to Rs 13.7mn whereas other income doubled to Rs 7.2mn. The company also availed of MAT credit for the quarter and hence reported a tax benefit of Rs 25.8mn as against a tax outgo of Rs 13.8mn for Q3FY07. Consequently, adjusted PAT increased by 64% YoY to Rs 34.1mn for the quarter.

## Valuation

### Expect revenue CAGR of 40% to Rs 5.2bn over FY08-FY10

Indoco's exports sales are gaining traction with the company selling products in the regulated markets through contract manufacturing in the UK (7 active partners), Germany (supply agreements for 22 products), Eastern Europe and USA. The company also has a strong presence in the semi-regulated markets which are estimated to witness a revenue CAGR of 32% to ~Rs 200mn over the next two years.

A strong performance from key brands and new product introductions are likely to drive a revenue CAGR of 43% in the domestic market over FY08-FY10 to Rs 4.2bn. Ophthalmic solution sales to the US remain a key long-term growth driver for the company. FY10 should see a strong contribution from existing contracts with Nexus Ophthalmic and Paddock and the recently announced five-year contract with Amneal Pharma for 10 products.

### Accounting year changed to March, we reduce estimates for FY09 and FY10

The company has changed its accounting year from June to March, as a result of which FY08 numbers are for a period of nine months. As April-June is the best quarter for the company, we have reduced our sales estimates for FY09 and FY10 by 18% and 14% respectively. We have trimmed our EBITDA margins for both years by 80bps each due to higher expenditure which would be required for US operations. Consequently, our EPS estimates for both years stands reduced by 18.8% and 13.2% to Rs 49.5 and Rs 68.1 respectively.

**Apr-Jun is the best quarter; change in accounting year thus warrants estimate revision**

### Revised estimates

(Rs mn)	FY09E			FY10E		
	Earlier	Revised	% Chg	Earlier	Revised	% Chg
Net sales	5,061.5	4,155.4	(17.9)	6,006.6	5,153.1	(14.2)
Adj net income	748.7	607.8	(18.8)	964.8	837.3	(13.2)
FDEPS (Rs)	60.9	49.5	(18.8)	78.4	68.1	(13.2)

Source: Religare Research

### Target price revised to Rs 341, downgrade to Hold

We maintain our FY10 P/E multiple of 5x, but our target price stands reduced to Rs 341 on account of our revised EPS for FY10. As the upside from current levels is only 12%, we downgrade our recommendation from Buy to Hold. New, high-value contracts in Europe and positive news flow with respect to US operations are key upside risks to our estimates.

**Limited upside from current price; downgrade to Hold**

### Recommendation history

Date	Event	Reco price	Tgt price	Reco
16-May-07	Initiating Coverage	286	383	Buy
3-Jul-07	Visit Note	286	383	Buy
1-Jan-08	Company Update	313	383	Buy
5-May-08	Results Update	305	341	Hold

Source: Religare Research

### Stock performance



Source: Religare Research

## Consolidated financials

### Profit and Loss statement

(Rs mn)	FY07	FY08*	FY09E	FY10E
Revenues	3,259.9	2,626.8	4,155.4	5,153.1
Growth (%)	33.9	(19.4)	58.2	24.0
EBITDA	575.0	427.6	793.7	1,059.0
Growth (%)	40.5	(25.6)	85.6	33.4
Depreciation	90.3	77.8	104.2	115.3
EBIT	484.7	349.8	689.4	943.7
Growth (%)	38.6	(27.8)	97.1	36.9
Interest	50.9	36.2	40.3	43.8
Other income	48.3	25.1	41.6	51.5
EBT	482.1	338.7	690.7	951.4
Income taxes	45.7	20.3	82.9	114.2
Effective tax rate (%)	9.5	6.0	12.0	12.0
Adjusted net income	436.4	318.4	607.8	837.3
Growth (%)	53.8	(27.0)	90.9	37.7
Extra-ordinary items	(15.9)	(18.3)	-	-
Reported net income	452.3	336.7	607.8	837.3
Growth (%)	59.4	(25.6)	80.5	37.7
Shares outstanding (mn)	11.8	12.3	12.3	12.3
Basic EPS (Rs) (adj)	38.3	27.4	49.5	68.1
FDEPS (Rs) (adj)	38.3	27.4	49.5	68.1
DPS (Rs)	6.5	6.8	7.5	10.0

Source: Company, Religare Research, \*Nine-month performance

### Cash flow statement

(Rs mn)	FY07	FY08E	FY09E	FY10E
Net income	436.4	300.1	607.8	837.3
Depreciation	134.6	101.7	104.2	115.3
Other adjustments, net	31.0	7.1	29.0	40.0
Changes in working capital	(49.9)	(19.6)	(512.3)	(411.3)
Cash flow from operations	552.0	389.2	228.7	581.2
Capital expenditure	(726.9)	(102.8)	(195.4)	(237.4)
Change in investments	114.9	-	-	-
Other investing inc/(exp)	(11.8)	-	-	-
Cash flow from investing	(623.8)	(102.8)	(195.4)	(237.4)
Free cash flow	(71.8)	286.4	33.3	343.8
Issue of equity	-	4.7	-	-
Issue/repay debt	23.1	30.0	35.0	35.0
Dividends paid	(87.6)	(96.5)	(106.0)	(141.3)
Other financing cash flow	44.1	-	-	-
Cash flow from financing	(20.3)	(61.8)	(71.0)	(106.3)
Change in cash & cash eq	(92.1)	224.7	(37.7)	237.5
Opening cash & cash eq	246.3	154.2	378.8	341.2
Closing cash & cash eq	154.2	378.9	341.2	578.6

Source: Company, Religare Research

### Balance sheet

(Rs mn)	FY07	FY08E	FY09E	FY10E
Cash and cash eq	154.2	378.8	341.2	578.6
Accounts receivable	1,036.9	761.3	1,426.6	1,643.4
Inventories	379.5	229.2	696.0	432.9
Others current assets	206.4	367.8	415.5	515.3
Current assets	1,777.1	1,737.1	2,879.3	3,170.2
Long-term investments	-	-	-	-
Net fixed assets	1,670.6	1,680.1	1,771.5	1,893.7
CWIP	16.8	8.4	8.2	8.1
Deferred tax assets, net	(206.9)	(214.0)	(243.0)	(283.0)
Other assets	5.5	5.5	5.5	5.5
Total assets	3,263.1	3,217.1	4,421.5	4,794.6
Accounts payable	464.7	171.4	821.6	420.6
Others	112.7	121.8	139.1	182.3
Current liabilities	577.4	293.1	960.7	602.9
Debt funds	355.6	385.6	420.6	455.6
Other liabilities	-	-	-	-
Equity capital	118.2	122.9	122.9	122.9
Reserves	2,211.9	2,415.5	2,917.3	3,613.2
Shareholder's funds	2,330.1	2,538.4	3,040.2	3,736.1
Total liabilities	3,263.0	3,217.1	4,421.5	4,794.6
BVPS (Rs)	276.1	261.8	359.8	390.1

Source: Company, Religare Research

### Financial ratios

	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	17.6	16.3	19.1	20.6
EBIT margin (%)	14.9	13.3	16.6	18.3
Net profit margin (%)	13.4	12.1	14.6	16.2
FDEPS growth (%)	59.4	(28.4)	80.5	37.7
Receivables (days)	104.7	124.9	96.1	108.7
Inventory (days)	48.1	50.5	50.2	50.3
Payables (days)	63.4	52.8	53.9	55.4
Current ratio (x)	3.1	5.9	3.0	5.3
Quick ratio (x)	2.4	5.1	2.3	4.5
Interest coverage ratio (x)	9.6	9.8	16.1	20.1
Debt / equity (x)	0.2	0.2	0.1	0.1
ROE (%)	20.4	13.1	21.8	24.7
ROA (%)	14.3	9.8	15.9	18.2
ROCE (%)	19.5	12.5	21.6	24.7
EV/Sales (x)	1.2	1.4	0.9	0.7
EV/EBITDA (x)	6.5	8.8	4.7	3.5
P/E (x)	8.0	11.1	6.2	4.5
P/BV (x)	1.1	1.2	0.8	0.8

Source: Company, Religare Research

## Indian Bank



## Results Update

CMP: Rs 152

Target: Rs 184 ↓

HOLD ↓

<b>Abhishek Agarwal</b>	<b>Dinesh Shukla</b>
(91-22) 6612 4753	(91-22) 6612 4739
abhishek.a@religare.in	dnesh.shukla@religare.in

BSE code	532814
NSE code	INDIANB

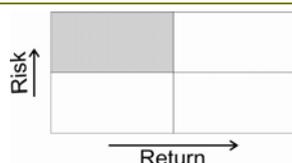
## Company data

Particulars	
Market cap (Rs bn / US\$ bn)	61.0/1.5
Outstanding equity shares (mn)	429.8
52-week high/low (Rs)	256/114
Quarterly average daily volume	177,872

## Financial snapshot

Particulars	FY08	FY09E	FY10E
NII (Rs bn)	19.9	22.0	26.1
Growth (%)	11.8	10.3	18.7
Adj net profit (Rs bn)	10.1	9.9	11.8
Growth (%)	32.8	(1.4)	18.6
FDEPS (Rs)	23.5	23.1	27.5
Growth (%)	32.8	(1.4)	18.6
P/ABV (x)	1.5	1.2	1.1
ROE (%)	24.9	19.2	19.7

## Risk-return profile



## Shareholding pattern

(%)	Mar-08	Dec-07
Promoters	80.0	80.0
FIs	13.8	14.2
Banks & FIs	2.6	2.0
Public	3.6	3.8

## Stock performance

Returns (%)	CMP	1-mth	3-mth	6-mth
Indian Bank	152	(2.1)	(36.3)	(7.5)
Sensex	17,490	13.9	(6.3)	(10.7)
Bankex	9,130	20.8	(16.5)	(17.1)

Company website	www.indianbank.co.in
-----------------	----------------------

## Falls short of estimates

Indian Bank (IBL) has posted disappointing results, with both NII and PAT falling short of our estimates by 14% and 12% respectively. In a bid to cross the Rs 1,000bn business mark, the bank aggressively accepted high-cost deposits, which served to escalate interest expenses and constrain NII growth. Further, implementation of the recent AS-15 provisions coupled with lower recoveries resulted in a nominal growth in profits at 3% YoY. Net margins also fell to 3.34% as against 3.6% in Q4FY07 due to a decline in the proportion of CASA deposits from 36.2% to 33.1%. The credit-deposit ratio has dipped to ~50% during the quarter, which also affected NII and margins.

We believe that interest expenses would continue to be on the higher side owing to the bank's bulk deposit intake, though the liquidation of excess SLR investments could cushion costs to some extent. In line with the industry trend, credit growth would be moderate, resulting in lower NII growth. Further, we are doubtful of the sustainability of the bank's cash recoveries. We have revised our estimates to factor in the effect of a slowdown in credit offtake, hike in CRR and lower recoveries. We are thus reducing our target price for the stock to Rs 184 and also downgrading our recommendation from Buy to Hold.

## Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
NII*	5,132.1	5940.9	(13.6)
PPP	5,229.7	4602.5	13.6
PAT	2,416.7	2756.8	(12.3)
EPS (Rs)	5.6	6.4	(12.3)

Source: Company, Religare Research \* Excludes adjustment of interest recovery in Q4FY07

## Quarterly results

(Rs mn)	Q4FY08	Q4FY07	% Chg YoY	Q3FY08	% Chg QoQ
Int on advances	9,725.7	7,462.6	30.3	9,662.9	0.6
Inc on investments	3,861.7	3,968.2	(2.7)	4,039.0	(4.4)
Int on bal with RBI	12.5	535.5	(97.7)	52.2	(76.1)
Interest income	13,599.9	11,966.3	13.7	13,754.1	(1.1)
Interest expenses	8,467.8	6,466.0	31.0	8,137.2	4.1
Net interest income	5,132.1	5,500.3	(6.7)	5,616.9	(8.6)
Other income	3,128.6	3,669.6	(14.7)	3,005.9	4.1
Total income	8,260.7	9,169.9	(9.9)	8,622.8	(4.2)
Operating exp	3,031.0	3,529.0	(14.1)	3,990.6	(24.0)
PPP	5,229.7	5,640.9	(7.3)	4,632.2	12.9
Provisions & write-off	1,782.0	2,486.3	(28.3)	1,057.2	68.6
Extraordinary item	-	225.0	-	-	-
PBT	3,447.7	2,929.6	17.7	3,575.0	(3.6)
Taxes	1,031.0	576.6	78.8	500.0	106.2
PAT	2,416.7	2,353.0	2.7	3,075.0	(21.4)
NIM (%)	<b>3.34</b>	<b>3.60</b>	-	<b>3.57</b>	-
Cost-Income ratio (%)	36.7	38.5	-	46.3	-

Source: Company, Religare Research

## Result highlights

### Subdued credit growth - CD ratio of ~50% - mutes NII

#### Slackening credit growth mutes NII

IBL's net interest income (NII) has declined by 7% YoY to Rs 5.1bn for Q4FY08. However, adjusted for recoveries, NII has risen by 4.3% YoY. The bank recovered interest of Rs 288mn in Q4FY08 as against Rs 798mn in Q4FY07 leading to slower lower growth NII for this quarter. NII growth was also muted due to a fall in the credit-deposit (CD) ratio and higher interest expenses. The CD ratio has declined to ~50% as credit growth was subdued during the quarter and the bank continued to accelerate deposit intake.

#### Aggressive acceptance of bulk deposits erodes margins

In a bid to cross the Rs 1000bn business mark, IBL accepted a higher proportion of bulk deposits, raising interest costs and curbing margin growth. Bulk deposits at the end of year stood at Rs 82bn, forming 14.3% of total deposits, carrying an average interest rate of ~9.5%.

The low-cost CASA deposit base simultaneously declined to ~33% from 36% in the corresponding period, causing the net interest margin (NIM) to decline to 3.34% as against 3.6% in Q4FY07 and subduing the growth in NII.

#### High base of recoveries leads to dip in non-interest income

Non-interest income recorded a decline of 15% YoY primarily due to lower recoveries as compared to Q4FY07. IBL recovered around Rs2.1bn from written-off accounts in Q4FY07 compared to Rs1bn in Q4FY08, leading to higher non-interest income in that quarter. Excluding recoveries, non-core income has expanded 36.4% YoY to Rs 2.2bn, led by fee income and treasury gains. Fee income posted a growth of 8% YoY to 1.6bn despite a slowdown in forex revenues. Treasury income increased substantially to Rs 509.6mn from Rs 55mn in Q4FY07. IBL also received income tax refund of Rs 260mn in the quarter.

#### Rise in operating expenses, tax burden subdue PAT...

Net profit was lower than expected with a nominal growth of 2.7% YoY to Rs 2.4bn due to higher operating and tax expenses. The bank has made a provision of Rs 920mn on account of AS-15 liabilities on employee welfare (starting from Q3FY08). Total liabilities relating to AS-15 stand at Rs 4.6bn which will be booked over a period of five years. In spite of this expense, the cost-income ratio for FY08 has improved to 45.7% as compared to 47% in FY07.

During the quarter, IBL adopted norms of AS-22 relating to the treatment of deferred tax assets or liabilities. Accordingly, the tax provisions during the current quarter increased substantially. However, this was partially offset by crediting reserves with the amount equivalent to the deferred tax asset due to past accumulated losses. Going forward, the provisions would appear to be on the higher side, but payment would be at the rate applicable under MAT till FY10.

#### ...but asset quality improves

Provisions have declined by 28% YoY to Rs 1.8bn owing to an improvement in asset quality. Gross and net NPAs have declined to 1.2% and 0.24% respectively on the back of strong recoveries. IBL recovered Rs 1.2bn in Q4FY08, taking recoveries for the full fiscal to Rs 5.8bn as compared to Rs 6.5bn in FY07. Recoveries will continue as the bank has a written-off portfolio in excess of Rs 18bn.

#### Better capital position than peers

IBL has a capital adequacy ratio (CAR) of 12.86% with tier 1 capital at 11.4%. It has sufficient room to raise tier I or tier II capital as required. In addition, the bank has 4.3% of excess SLR investment which can be liquidated to raise funds.

### AS-15 liabilities and higher tax provisions constrain PAT growth

## We revise estimates due to slowdown in credit growth and CRR hikes

### Revision of estimates

We have revised our NII and PAT estimates for FY09 and FY10 considering the anticipated industry-wide slowdown in credit growth. The accumulation of high-cost funds would impede IBL's NII growth until these deposits mature by FY10. Operating profit would also be hit by the recent increase in CRR. Further, in the high interest rate scenario, the risk of incremental slippages is higher. And, tax provisions for IBL would be on the higher side post-adoption of AS-22 norms.

We have revised the effective tax rate applicable to the bank, resulting in a downward revision in our net profit estimates. We now estimate a flattish CAGR of 8% in net profits over FY08–FY10.

### Revision of estimates

	FY09E			FY10E		
	Earlier	Revised	% Chg	Earlier	Revised	% Chg
NII	23,552.5	21,967.9	(6.7)	26,981.0	26,065.4	(3.4)
PPP	18,597.1	16,494.3	(11.3)	22,777.7	19,723.7	(13.4)
PAT	12,948.0	9,948.8	(23.2)	15,550.7	11,800.2	(24.1)
EPS	30.1	23.1	(23.2)	36.2	27.5	(24.1)

Source: Religare Research

## Valuation

### Operating performance to remain subdued

Historically, IBL's profit has been boosted by strong recoveries from its written-off portfolio. While recoveries for FY08 were robust at Rs 5.6bn, they were lower than the Rs 6.5bn recovered in FY07. IBL still has a written-off portfolio in excess of Rs 18bn, but the high interest rate scenario raises questions on the sustainability of higher recoveries.

In order to drive business growth, the bank has accumulated high-cost deposits but these would squeeze margins and lower NII growth. Further, with the RBI expecting moderate credit growth for the industry in FY09 at ~20%, we believe yields on advances would remain stable. However, IBL still has excess SLR investments to the tune of 4.3% which can be liquidated to improve the CD ratio and to partially offset the risk of higher interest expenses.

### We reduce target to Rs 184; downgrade to Hold

Based on our expectations of a subdued operating performance, flattish net profit growth and uncertainty over recoveries, we reduce our target price from Rs 194 to Rs 184 and downgrade the stock from Buy to Hold. At our revised target price, the stock would trade at 1.3x FY10E adjusted book value.

## Operations to remain subdued; downgrade to Hold

### Recommendation history

Date	Event	Reco price	Tgt price	Reco
4-Jan-08	Initiating Coverage	212	257	Buy
16-Jan-08	Results Update	219	257	Buy
7-Apr-08	Quarterly Preview	163	194	Buy
5-May-08	Results Update	142	184	Hold

Source: Religare Research

### Stock performance



Source: Religare Research

## Financials

### Profit and Loss statement

(Rs bn)	FY07	FY08	FY09E	FY10E
Interest earned	41.9	51.5	62.5	73.5
Interest expended	24.1	31.6	40.5	47.4
Net interest income	17.8	19.9	22.0	26.1
Growth (%)	18.0	11.8	10.3	18.7
Non-interest income	8.2	10.7	10.8	11.9
Comm, Exchange & Brokerage	1.5	1.8	2.1	2.3
Growth (%)	77.7	29.7	0.8	11.0
Operating expenses	12.5	14.0	16.2	18.3
Pre-provisioning profits	13.6	16.6	16.5	19.7
Growth (%)	52.0	22.1	(0.6)	19.6
Provisions & contingencies	4.7	4.2	3.2	3.4
PBT	8.8	12.3	13.3	16.3
Income tax, Interest tax	1.2	2.3	3.3	4.5
Net profit	7.6	10.1	9.9	11.8
Growth (%)	50.6	32.8	(1.4)	18.6

Source: Company, Religare Research

### Balance sheet

(Rs bn)	FY07	FY08	FY09E	FY10E
Cash in hand & bal with RBI	37.3	64.3	69.0	74.8
Balance with banks, Money at call	10.9	3.4	4.0	4.2
Investments	208.8	219.2	253.2	291.7
Advances	290.6	398.4	488.8	596.4
Fixed assets (net)	5.5	5.4	5.8	6.4
Other assets	8.4	14.4	12.8	15.3
Total assets	561.5	705.1	833.6	988.8
Equity capital	8.3	8.3	8.3	8.3
Reserves & surplus	30.1	43.8	52.0	60.1
Net worth	34.4	48.1	56.3	64.3
Deposits	470.9	610.5	732.6	875.4
Current deposits (a)	36.3	47.3	52.7	56.9
Savings bank deposits (b)	130.4	150.1	190.5	232.0
Term deposits (c)	304.1	413.0	489.3	586.5
Borrowings (incl sub-ord bonds)	22.4	15.8	12.7	14.6
Other liabilities & provisions	29.8	26.7	28.0	30.4
Total liabilities	561.5	705.1	833.6	988.8

Source: Company, Religare Research

### Key ratios

Year-end March	FY07	FY08	FY09E	FY10E
<b>Per share data</b>				
Shares outstanding (mn)	429.8	429.8	429.8	429.8
FDEPS (Rs)	17.7	23.5	23.1	27.5
DPS (Rs)	3.0	3.0	3.0	3.5
Book value (Rs)	80.1	111.9	130.9	149.7
Adjusted book value (Rs)	68.5	104.7	123.3	141.8

### Valuation ratios

Market price	152.0	152.0	152.0	152.0
P/E (x)	8.6	6.5	6.6	5.5
P/BV (x)	1.9	1.4	1.2	1.0
P/ABV (x)	2.2	1.5	1.2	1.1

### Earnings quality (%)

Net interest margin	3.5	3.3	3.0	2.9
Yield on advances	9.9	10.2	10.2	9.9
Yield on investments	7.8	7.5	7.3	7.2
Cost of funds	5.0	5.5	5.9	5.8
Cost/Income	47.9	45.8	49.6	48.1
Return on average net worth	26.5	24.9	19.2	19.7
Return on average assets	1.5	1.6	1.3	1.3

### Growth ratios (%)

Net interest income	18.0	11.8	10.3	18.7
Other income	77.7	29.7	0.8	11.0
Total income	32.0	17.4	7.0	16.1
Pre-provisioning profit	52.0	22.1	(0.6)	19.6
Net profit	50.6	32.8	(1.4)	18.6
Advances	29.2	37.1	22.7	22.0
Deposits	15.4	29.6	20.0	19.5

### Asset quality

Proportion of low-cost deposits (%)	35.4	32.3	33.2	33.0
Credit-Deposit ratio (x)	61.7	65.3	66.7	68.1
Investment/Deposit (%)	44.3	35.9	34.6	33.3
Net NPA ratio	0.9	0.24	0.2	0.2
CAR	14.1	12.9	13.7	12.8
Tier-I ratio	12.3	11.4	11.0	10.8

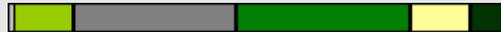
Source: Company, Religare Research

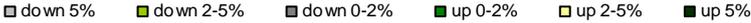
## Recommendation tracker

Date	Company	Report type	Stock price (Rs)	Target (Rs)	Reco
31-Mar-08	Inox Leisure	Sector Update	94	170	BUY
31-Mar-08	Jagran Prakashan	Sector Update	94	158	BUY
31-Mar-08	PVR	Sector Update	186	416	BUY
31-Mar-08	UTV Software	Sector Update	768	892	BUY
1-Apr-08	Glenmark Pharmaceuticals	Initiating Coverage	485	548	BUY
3-Apr-08	Dena Bank	Company Update	51	84	BUY
4-Apr-08	Petronet LNG	Company Update	72	94	BUY
7-Apr-08	Jubilant Organosys	Company Update	340	405	BUY
8-Apr-08	KS Oils	Company Update	66	122	BUY
8-Apr-08	Sujana Towers	Company Update	107	202	BUY
9-Apr-08	Sarda Energy & Minerals	Company Update	307	574	BUY
10-Apr-08	Mahindra & Mahindra	Company Update	608	853	BUY
11-Apr-08	BHEL	Company Update	1,765	2,021	BUY
11-Apr-08	Rural Electrification Corp	Initiating Coverage	110	145	BUY
16-Apr-08	Infosys Technologies	Results Update	1,511	1,440	HOLD
17-Apr-08	Deep Industries	Results Update	152	285	BUY
17-Apr-08	MindTree	Results Update	408	450	BUY
17-Apr-08	Petronet LNG	Results Update	80	94	BUY
21-Apr-08	Pyramid Saimira Theatre	Initiating Coverage	330	557	BUY
21-Apr-08	Wipro	Results Update	459	370	SELL
22-Apr-08	Satyam Computer	Results Update	459	435	HOLD
22-Apr-08	GlaxoSmithKline Pharma	Results Update	1,020	1,192	BUY
22-Apr-08	Tata Consultancy Services	Results Update	993	851	SELL
23-Apr-08	Biocon	Results Update	509	585	BUY
23-Apr-08	Unity Infrastructure Projects	Initiating Coverage	580	897	BUY
24-Apr-08	South Indian Bank	Results Update	160	236	BUY
24-Apr-08	Jubilant Organosys	Results Update	360	452	BUY
25-Apr-08	Nicholas Piramal India	Results Update	340	412	BUY
28-Apr-08	Cairn India	Initiating Coverage	256	314	BUY
28-Apr-08	Cipla	Results Update	224	209	SELL
29-Apr-08	Bharti Airtel	Results Update	922	1,150	BUY
29-Apr-08	Glenmark Pharma	Results Update	625	700	BUY
30-Apr-08	HCC	Results Update	129	249	BUY
30-Apr-08	IT Sector	Sector Update	NA	NA	NEUTRAL
30-Apr-08	Cairn Energy	Results Update	261	314	BUY
30-Apr-08	Cadila Healthcare	Results Update	277	381	BUY
30-Apr-08	ABB	Results Update	1,142	1,395	BUY
2-May-08	Hindustan Zinc	Results Update	641	846	BUY
5-May-08	Venus Remedies	Results Update	444	708	BUY
5-May-08	Asian Oilfield Services	Results Update	193	232	BUY
5-May-08	UTV Software	Results Update	804	NA	UNDER REVIEW
5-May-08	Indoco Remedies	Results Update	305	341	HOLD
5-May-08	Indian Bank	Results Update	152	184	HOLD
5-May-08	Hero Honda	Results Update	848	889	HOLD

## Market trends

### BSE sectoral indices

	5-May	% Chg			Constituent performance
		1-day	1-mth	3-mth	
Automobiles	4,812	(1.0)	9.9	(1.8)	
Banks	9,131	(0.1)	20.3	(14.6)	
Capital Goods	14,210	(0.2)	12.6	(14.3)	
Comm. & Tech.	3,482	(0.7)	14.5	1.8	
Consumer Durables	4,468	(2.2)	17.0	(9.6)	
FMCG	2,474	(0.0)	7.9	13.0	
Healthcare	4,296	0.2	11.7	15.5	
IT	4,317	(0.9)	17.1	13.2	
Metal	15,887	0.2	18.2	(1.9)	
Oil & Gas	11,699	(0.1)	13.8	4.8	
Mid-caps	7,299	0.9	16.5	(8.4)	
Small-caps	8,845	0.3	14.7	(15.1)	

Number of companies: 

### Emerging markets

Country	% Chg				
	5-May	1-day	1-mth	3-mth	6-mth
Brazil	70,175	1.2	8.9	19.0	8.8
Shanghai	3,771	0.3	9.4	(18.0)	(31.9)
Hong Kong	26,208	0.1	8.0	11.7	(11.0)
India	17,491	(0.6)	14.0	(3.6)	(9.8)
South Korea	1,852	0.2	4.9	9.2	(8.1)
Taiwan	8,787	(0.6)	2.2	14.5	(5.4)

### FII statistics

(US\$ mn)	1-day	WTD	MTD	YTD
India	178.5	263.2	178.5	(2,535.7)
South Korea	155.7	190.1	155.7	(17,300.2)
Taiwan	(486.9)	(486.9)	(452.5)	(568.4)
Thailand	383.8	(33.8)	12.1	(481.0)

## Events calendar

### Quarterly results

May 6		7	8
Eveready Ind		MM Forgings	Hindustan Motors
Torrent Pharma		Mid-Day Multimedia	Ashok Leyland
Infomedia India		Rathi Ispat	Hyderabad Industries
Development Credit Bank		Praj Industries	Birla Corporation
9		10	11
Apollo Tyres		Arvind Mills	-
Ptl Enterprises		Power Finance Corp	
Asian Paints		Key Corp	
Hinduja Foun			

## Trade data

### Institutional bulk deals

Scrip	Client	Buy/Sell	Quantity	avg Price (Rs)
Rajvir Ind	India Emerging Infrastructure	S	52,016	151.0
Shloka Info	Newgate Investment Trust Ac Newgate Asia Opp	B	24,674	35.4
Aztecsoft	BSMA	S	518,000	80.0
Aztecsoft	Citigroup Global Markets Mauritius	S	1,000,000	80.0
Aztecsoft	Lehman Brothers	S	2,180,308	80.0
Evinix Accessories	Sophia Growth - A Share Class Of Somerset India Fund	S	1,000,000	15.5
Indiabulls Securities	Merrill Lynch Capital Markets Espana	S	2,440,000	127.4
Rajvir Industries	India Emerging Infrastructure	S	20,000	150.0

Source: BSE

### Disclosures under insider trading regulations

Scrip	Acquirer/Seller	Buy / Sell	Shares transacted		Post-transaction holding	
			Qty	%	Qty	%
Aztecsoft	Ramchandran Ramakrishnan	S	5,000	0.0	18,946	0.0
Bajaj Hindustan Sugar & Industries	Bajaj Hindustan	B	3,210,454	2.7	90,740,724	76.9
Bsel Infrastructure Realty	Western Bizcon Services	B	4,517	0.0	744,517	0.9
Ccap	Chirantan Mukherji	B	23,369	-	559,278	15.7
Ccap	Chirantan Mukherji	B	33,135	-	592,413	16.6
Crew BOS Products	Deutsche Bank Aktiengesellschaft	S	18,400	0.1	547,311	4.3
Divi'S Laboratories	N V Ramana	B	59,175	-	329,425	-
Divi'S Laboratories	P Gundu Rao	B	3,550	-	3,635	-
Educomp Solutions	Shantanu Prakash	S	75,000	0.4	8,910,541	51.6
Educomp Solutions	Sangeeta Gulati	S	1,400	-	2,400	0.0
Educomp Solutions	Ms Anjee Prakash	S	25,000	0.2	647,688	3.8
Facor Alloys	M/S Rai Bahadur Shreeram & Co	S	113,050	0.1	23,180,831	11.9
Greenply Industries	Aeneas Portfolio Company Lp	S	780,000	4.6	648,868	3.8
Greenply Industries	Goldman Sachs Invest(Mauritius)	B	780,000	4.6	1,447,816	8.5
Infosys Technologies	Sridar Iyengar	S	4,000	-	6,000	-
Kamdhenu Ispat	Sarita Agarwal	B	27,700	0.1	625,400	3.3
Logix Microsystems	Sanjay Soni	B	4,600	-	1,622,020	13.2
Logix Microsystems	Kiran Soni	B	4,500	-	389,327	3.2
Man Industries (India)	Sanjay A Patkar	B	12,500	-	12,500	-
Mayur Leather Products	RKPoddar	S	5,000	0.1	990,870	20.5
Parekh Distributors	Nirad D Mehta	S	37,500	37.5	--	-
Parekh Distributors	Sanjay M Gaitonde	S	37,000	37.0	--	-
Parekh Distributors	Praful Patel	B	56,000	56.0	56,000	56.0
Parekh Distributors	Varsha Patel	B	18,500	18.5	18,500	18.5
Patel Engineering	Praham India	B	22,679	0.0	13,477,000	22.6
Saraswati Commercial (India)	Ashwin Kumar Kothari	B	10,000	1.6	48,000	7.5
Simmonds-Marshall	Clover Technologies	B	9,222	-	150,584	7.2
Simmonds-Marshall	Clover Technologies	B	1,174	-	141,362	6.7
Sumeet Industries	Shankarlal Somani	B	10,700	0.1	567,475	2.8
Suzlon Energy	Beena K Vagadia J/W Kirti J Vagadia	S	5,000	-	435,000	0.0
Transchem	Aditya Investments & Communication	B	6,600	-	604,314	4.9
Xo Infotech	Krinshaw Holdings	S	1,739,454	8.5	--	-
Xo Infotech	Ashbourne Holdings	S	2,243,380	11.0	--	-
Zicom Electronic Security Systems	Success Equifin	B	2,164	0.0	52,021	0.4

Source: BSE

## RELIGARE RESEARCH

### Fundamental Research

Amitabh Chakraborty, CFA, FRM	President - Equity	amitabh.chakraborty@religare.in	(91-22) 6612 4602
Piyush Parag	Automobiles, Shipping	piyush.parag@religare.in	(91-22) 6612 4730
Abhishek Banerjee	Automobiles, Shipping	abhishek.banerjee@religare.in	(91-22) 6612 4764
Abhishek Agarwal	Banking, Sugar	abhishek.a@religare.in	(91-22) 6612 4753
Dinesh Shukla	Banking, Sugar	dinesh.shukla@religare.in	(91-22) 6612 4739
Vinod Nair	Capital Goods, Engineering, Power	nair.vinod@religare.in	(91-22) 6612 4731
Ronald Siyoni	Capital Goods, Engineering	ronald.siyoni@religare.in	(91-22) 6612 4615
Suman Memani	Construction, Realty, Mid-caps	suman.memani@religare.in	(91-22) 6612 4736
Anurag Purohit	IT, Telecom, Power	anurag.purohit@religare.in	(91-22) 6612 4795
Hitesh Punjabi	IT, Telecom	hitesh.punjabi@religare.in	(91-22) 6612 4769
Ram Patnaik	Media, FMCG	ram.patnaik@religare.in	(91-22) 6612 4752
Rahul Singhvi	Metals	rahul.singhvi@religare.in	(91-22) 6612 4749
Sudeep Anand	Oil & Gas, Chemicals	sudeep.anand@religare.in	(91-22) 6612 4670
Alok Dalal	Pharmaceuticals	alok.dalal@religare.in	(91-22) 6612 4750
Rahul Gajare	Power	rahul.gajare@religare.in	(91-22) 6612 4749

### Technical Research

Birendrakumar Singh	birendrakumar.singh@religare.in	(91-22) 6612 4657
---------------------	---------------------------------	-------------------

### Derivatives Research

Somendra Agarwal	somendra.agarwal@religare.in	(91-22) 6612 4767
------------------	------------------------------	-------------------

### Production

Anisha deSa	anisha.desa@religare.in	(91-22) 6612 4729
Rajesh Mhatre	rajesh.mhatre@religare.in	(91-22) 6612 4728
R Murali	r.murali@religare.in	(91-22) 6612 4674

### Administration

Shraddha Hosalkar	shraddha.hosalkar@religare.in	(91-22) 6612 4680
-------------------	-------------------------------	-------------------

### Recommendation parameters

	Returns	Absolute
Large-caps*	> 10%	< - 5%
	B	SELL
Mid-caps**	> 25%	< 10%

\*Market cap over US\$ 1bn\*\*Market cap less than US\$ 1bn

### Religare Securities

**Mumbai:** 3rd Floor, Dheeraj Arma, Anant Kanekar Marg, Bandra (East), Mumbai-400 051. Phone: +91 22 66124600 Fax- 66124781

**New Delhi:** 19, Nehru Place, New Delhi - 110019, Phone: +91 11 30815100.

### Disclaimer

**Religare Securities** (Religare) has two independent equity research groups: Institutional Equities (Institutional Equity Research) and Priority Client Group (Religare Research). Religare Institutional Equity Research is aimed to service the institutional clients of Religare Securities including the Portfolio Management Services of Religare whereas Religare Research is published with a view to service all segments of clients including Retail, HNIs and Institutional clients and PMS.

This document has been prepared by Religare Securities – Priority Client Group. Affiliates of Religare-PCG may have issued other reports that are contrary with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Institutional Equities Research Group of Religare Securities.

We are not soliciting any action based upon this material. This report is not to be construed as an offer to sell or the solicitation of an offer to B any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Religare-PCG. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Religare-PCG will not treat recipients as customers by virtue of their receiving this report. We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable. It should be noted that the information contained herein is from publicly available data or other sources believed to be reliable. Neither Religare, nor any person connected with it, accepts any liability arising from the use of this document.

This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The investment discussed or views expressed may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Religare, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Religare and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Religare and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Religare and its affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and B or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall Religare, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Copyright in this document vests exclusively with Religare. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from Religare. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

**Analyst's holding in the stocks mentioned in the report: NIL.**