

Market Front Page

Index Movements	Closing	% Chg	% YTD
Sensex	13,462	(2.5)	(33.6)
Nifty	4,041	(2.3)	(34.2)
BSE Smallcap	6,702	(3.4)	(49.8)
CNX Midcap	5,239	(3.3)	(43.1)
Nasdaq	2,293	(1.0)	(13.5)
DJIA	11,350	0.0	(14.4)
IBOV	65,018	1.1	1.8
FTSE	5,626	1.7	(12.9)
CAC	4,435	0.9	(21.0)
Turnover	US\$m	% Chg	
BSE	1,077	(21.4)	
NSE	2,660	(10.0)	
Derivatives (NSE)	9,451	(10.9)	
FII F&O (US\$m)	Index	Stocks	
Net buying	(167)	70	
Open interest	8,011	3,579	
Chg in open int.	94	6	
Equity Flows (US\$m)	Latest	MTD	YTD
FII (27/6)	(185)	(2,566)	(6,439)
MF (27/6)	1	673	2,211

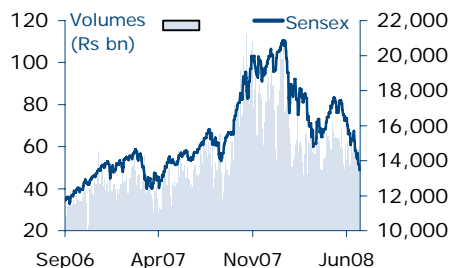
ADR/GDR (US\$)	Latest	% Chg	% Prem
HDFC Bank	71.7	0.1	2.1
Reliance	98.4	(1.8)	1.1
Infosys	43.5	1.0	7.7
Satyam	24.5	(1.9)	20.8
Wipro	12.2	1.4	19.2
ICICI Bank	28.8	(3.0)	(1.8)
SBI	53.8	(0.4)	4.2
ITC	4.3	4.8	(0.5)
Commodities	Latest	%Chg	%YTD
Gold (US\$/ounce)	924	0.1	10.8
Crude (US\$/bl)	140	(0.1)	45.8
Aluminium (US\$/MT)	3,075	0.7	30.8
Copper (US\$/MT)	8,776	1.1	31.4
Forex Rates	Closing	% Chg	%YTD
Rs/US\$	43.0	0.2	9.0
Rs/EUR	67.8	0.5	16.7
Rs/GBP	85.6	0.6	8.7
Bond Markets	Closing	bps Chg	
10 yr bond	8.7	7.0	
Interbank call	8.6	5.0	

Corporate Front Page

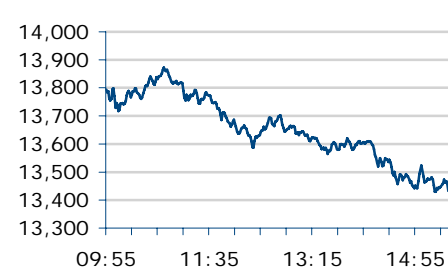
- **NTPC** will get Rs100bn from **Power Finance Corporation** for funding its various projects for capacity addition (ET)
- **Larsen & Toubro** and its JV partner Mitsubishi Heavy Industries have bagged Rs15.57bn order from Andhra Pradesh Power Development Co to build two supercritical turbines of 800MW capacity (BS)
- **ICICI Bank** has decided to increase the floating rate for consumer loans and its benchmark advance rate by 75 basis points each (BS)
- **HDFC** has raised its minimum fixed and floating lending rates to 11% and 14%, respectively (BS)
- **SBI** raises home and auto loan rates by 50bps (ET)
- **BHEL** has won Rs20.8bn order to set up a thermal power plant in Syria (DNA)
- **Madras Cements** has announced a 1:1 bonus issue and a 10-for-1 stock split (BL)
- **DLF** is likely to tie up with Italian apparel brand Boggi for the latter's India foray (ET)
- **Central Bank of India** plans to raise Rs5bn-6bn in FY09 through a basket of products such as hybrid and subordinate bonds (BS)
- The Kenyan government has favoured a Libyan company ahead of **Essar Oil** for a 50% stake in a refinery project in Mombasa (BS)
- **JSW Steel** plans to invest Rs60bn in FY09 to acquire iron-ore mines in the American and African continents and increase existing capacity (BS)
- **Usha Martin** and BHP Billiton have signed an agreement to set up a JV company to explore minerals in Jharkhand (ET)
- **ICICI Bank's** contingent liabilities increased to Rs11.5trn in FY08 from Rs5.6trn in FY07 (ET)
- **Tata Motors** and **Ashok Leyland** plan to hike prices by 2-3% and 3-4% respectively (ET)
- **Titan Industries** is aiming to become a billion-dollar company by FY09 (ET)

Charts Front Page

Sensex price volume



Sensex intraday



Market Front Page

Top Movers BSE 200

Top Gainers	Price (Rs)	Chg (%)	YTD (%)	Top Losers	Price (Rs)	Chg (%)	YTD (%)
Raymond Ltd	226	6.4	-48.7	Dish TV India	30	-9.4	-70.7
NALCO	351	5.0	-27.6	ACC Limited	526	-9.4	-48.7
Sun Pharma Indus	1401	4.5	16.4	Indiabulls Real	273	-9.3	-63.4
Matrix Labs	147	4.3	-39.4	GMR Infra	80	-9.3	-67.6
Corporation Bank	261	3.7	-39.3	IFCI	37	-9.0	-60.1

Volume spurts

Company	CMP	M.Cap	Vol. (in '000)	10D A.Vol (in '000)	% Chg
Federation Bank	182	725	3,386	791	328
Mphasis	217	1,052	698	204	242
Castrol India	259	746	38	14	162
Aditya Birla Nuvo	1192	2,635	360	143	151
Gujarat Fluoro	180	485	33	14	140
IDFC	104	3,120	15,120	6,515	132
Bharat Forge	235	1,219	598	266	124
Television 18	219	609	502	225	123
Matrix Labs	147	531	180	81	121
J&K Bank	530	598	20	10	109

FII - FII trades

Scrip	6/27/2008			6/30/2008		
	Volume '000	Price	Prem %	Volume '000	Price	Prem %
Tata steel	1,274	768	2.5	652.0	758	4.0
Sbi	250	1,208	3	441.0	1,175	2.5
Allahabad bank	5	58	1.5	4.9	57	1.5
Andhra bank	6	57	0.5	6.0	57	1.0
Union bank	4100	118	6	1,070.0	116	5.0
Obc	9.6	145	9	12.0	142	9.0
lob	294	90	5	10.0	85	4.0
Pantaloon	-	-	-	150.0	447	22.0

Corporate Front Page

- **Yes Bank** has raised Rs3.64bn in a combination of upper tier II subordinated debt and hybrid tier I capital from Rabobank (BL)
- Sonke Pharmaceuticals and **Cipla** Medpro are among the six companies that have bagged a South African government tender for anti-retroviral drugs worth Rand3.5bn (Rs19.2bn) (BS)
- **Aban Offshore** has terminated a Rs44.17bn contract with Husky Oil China (DNA)
- **Future Group** is likely to split Big Bazaar, into two entities - one would be a business-to-consumer front-end entity and the other would cater to back-end operations (ET)
- **SAIL** has signed a MoU with **Shipping Corporation of India** to promote a JV company for providing various shipping-related services to SAIL to import coking coal (ET)
- **JSW Steel** expects its bottomline to take a hit of Rs4.5-5bn in 2008-09, due to increasing input costs and a reduction in steel prices under government pressure (ET)
- **Cipla** has received product patents for new forms of two blockbuster drugs - Osemaprazole and Alendronate, from the Indian authorities (ET)
- **SBI** may have to set aside Rs10bn to cover depreciation of its treasury portfolio this fiscal (DNA)
- **NDTV's** board has approved separating its news and entertainment businesses (DNA)
- **Sun Pharmaceuticals** has launched a cash tender offer for all outstanding ordinary shares of Taro Pharmaceutical Industries for US\$7.75 per share (ET)
- **Pratibha Industries** has bagged orders worth Rs1.8bn from Lanco Hills Technology Park for construction related work (ET)
- Costlier raw material and tight credit conditions have slowed down cement companies' Rs500bn expansion plan to add 80-90m tons capacity in three years (ET)
- **Hikal Ltd**, has commissioned its new multi-purpose agro-chemical plant at Taloja (ET)

Corporate Front Page

- **Future Group** plans to expand its Big Bazaar stores to 150 by June 2009 (ET)
- **Apollo Hospitals** plans to divest 49% stake to strategic investors in the pharmaceutical retailing business (DNA)
- **Kinetic Engineering** will start supplying component for **Tata Motors'** small car project 'Nano' within the next two months (ET)
- **Honda Motorcycles and Scooter India** launched the CBF Stunner, its second 125cc model (BS)
- Gujarat government has tied up with **Adani** and **Essar** for purchasing 3000 MW power at a fixed rate for a period of 26 years (BS)
- Malaysia's TM International and Indian mobile operator **Idea Cellular** will launch an open offer on August 22 to buy up to 20% of Spice Communications (ET)
- Department of Telecom is likely to ask Idea Cellular to submit its spectrum position at present along with that of Spice Communications (ET)
- **Core Projects & Technologies** plans to raise funds up to US\$500m from domestic and/or international market (BS)
- The RPG Group-promoted Spencer's Retail would be entering into a joint venture with a US-based bakery café chain and setting up stand alone stores under its brand name (BL)
- **GVK Group** in consortium with BHP Billiton has emerged as provisional winner of seven deepwater blocks in NELP VII (BL)
- Lakshmi Mittal is looking at entering the takeover battle for the Rio Tinto mining group (DNA)
- ArcelorMittal, plans to raise prices for car makers by about 60% owing to a spike in cost of raw materials (ET)

Economy Front Page

- India's fiscal deficit in May 2008 shot up to 54.9% of the full year target as compared to a much lower 41.2% in May 2007 (FE)
- India's current account balance in Q4 FY08 was at a deficit of US\$1bn as against a surplus of US\$4.3bn in Q4 FY07 (BS)
- India's external debt position as on March 2008 was at US\$221.2bn, up 30.4% over end-March 2007 (BL)
- Railways have decided to levy special supplementary freight charges on transportation of commodities like coal, ore, petroleum products, fertilisers, machinery, machine tools and food grains. The hike ranging from 5-7% will be effective from July 1 (FE)
- The Centre is understood to have finalized the policy for 3G telecom services in the country and foreign players will be allowed to participate in the auction of spectrum to be held soon (FE)
- Farm loan waiver bill for banks may be lower than the initial estimates (BL)
- India hopes to attract investments of around US\$3bn NELP VII, for which 181 bids were received from 99 companies, the most under any auction (BS)
- Out of the 57 blocks on offer in NELP VII, no bids have been received for as many as 12 exploration blocks and only a single bid has been received for 19 other blocks (FE)
- Courts will decide whether natural gas comes under mineral oil for getting the benefits of the seven-year tax holiday (BL)
- The investment policy for urea, aimed at encouraging domestic production and reducing India's dependence on imports, is expected to be unveiled this July (BS)
- Oil marketing companies have raised prices of ATF by 7% (BS)
- The government released its action plan on climate change, focusing on achieving sustainable development through use of cleaner technologies without setting any targets for reducing greenhouse gas emissions (BS)
- The Delhi Cabinet has approved a proposal to slash entertainment tax on cinemas, including multiplexes, from 30% to 20% (ET)
- The Government is considering withdrawing incentives given to exporting companies (DNA)
- Gold necklaces from India, an alloy from Brazil and 23 other developing country products will no longer receive US duty-free treatment (ET)
- The Tamil Nadu government has issued orders granting a subsidy of Rs30 per LPG cylinder for families having only one gas connection (ET)
- India may soon junk the subscriber-based spectrum allocation criteria (ET)

Results Front Page

Rs m	Revenues	%YoY	PAT	%YoY
Asian Hotels	1,593	20.3	438	27.3
Bhartiya International	277	45.5	14	381.4
Bilcare Ltd	4,064	25.8	617	5.3
Bombay Dyeing	3,477	139.6	215	132.6
BSEL Infrastructure Realty	1,101	64.8	286	25.2
Champagne Indage	600	22.0	129	9.0
Gammon India	8,216	32.4	213	-
India Cement	9,781	6.8	1,044	(38.3)
Ispat Industries	22,790	8.3	489	(40.5)
JBF Industries	5,772	29.0	291	59.0
Kamdhenu Ispat	1,324	57.5	47	69.1
Manugraph India	1,235	36.8	173	170.4
Paramount Communications	1,270	29.7	45	(52.1)
Precision Pipes and Profiles	360	6.3	55	12.1
Pyramid Saimira	2,456	263.4	(31)	(153.3)
Radico Khaitan	2,134	42.1	2	-
Shrenuj	2,223	(17.2)	61	(49.6)
Simplex Infrastrucutres	9,490	72.4	290	62.8
Suryajyoti Spinning Mills	521	16.7	6	(72.6)
Unity Infraprojects	3,171	77.1	202	79.9
Zicom Electronic Security Systems	493	8.0	4	(53.1)

Tata Steel - BUY

Metals

01 July 2008

Strong outlook for Corus

At its 4QFY08 earnings conference call yesterday, Tata Steel explained that higher other expenditure at its subsidiary was partly due to a one-time increase in pension liability. Adjusted for this item, recurring EBITDA for 4Q was Rs49.4bn, 12% higher than the reported figure and ahead of our estimate of Rs46.5bn.

At Corus, increase in realisation was in line with cost increases. Tata Steel expects to achieve a ~US\$600m increase in Corus's EBITDA in FY09. Tata Steel's current valuations—PE of 6.7x and EV/EBITDA of 5.6x on FY09ii—are attractive, with PE at a ~33% discount to global peers. We expect this discount to narrow, as firm steel prices in Europe improve Corus's earnings visibility. Retain Buy.

- **4QFY08 consolidated earnings marred by one-time cost:** Tata Steel's subsidiaries reported a 21.6% QoQ increase in other expenses to Rs94.9bn, which was the primary reason for the quarter's lower-than-expected EBITDA. The company attributed the increase to: 2) a ~US\$125m pension provisioning at Corus on account of a change in mortality assumptions; and 2) a US\$100m provision for losses on derivative contracts.

While the provision related to pension liabilities is a one-time item, provision for losses on derivative instruments may recur. Note that during the analyst meet, the company had categorically said that it had booked no one-time expenses in 4QFY08.

- **Firmness in European steel prices to reflect in earnings from 2QFY09:** Steel prices in Europe have risen by over 45% in the past six months. Management indicated that Corus will see a cost increase of €230/tonne in FY09. The company has taken a price increase of a similar amount till July 2008, and this should offset the cost increase. While 1QFY09 earnings may show some weakness due to time lag in cost pass-through, we expect a strong performance from 2QFY09.

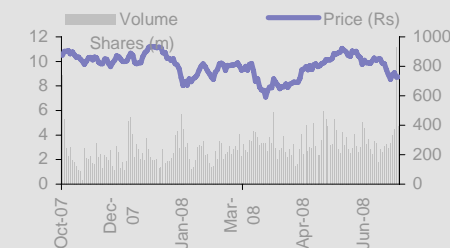
CMP	Rs729
12-mth Target price (Rs)	870 (19%)
Market cap (US\$ m)	14,592
Bloomberg	TATA IN

52Wk High/Low (Rs)	970/466
Diluted o/s shares (m)	862
Daily volume (US\$ m)	63.6
Dividend yield FY08ii (%)	2.9
Free float (%)	66.1
Shareholding pattern (%)	
Tata Group	33.9
FII's	19.5
Domestic MFs/Insurance cos	21.8
Others	24.8

Price performance (%)

	1M	3M	1Y
TATA Steel	-19.3	8.6	38.0
Rel. to Sensex	-1.3	22.5	46.2
SAIL	-13.9	-20.1	6.6
JSW Steel	-23.4	8.7	47.3

Stock movement



Valuation summary

Y/e 31 Mar	FY06A	FY07A	FY08ii	FY09ii	FY10ii
Revenues (Rs m)	203,221	252,133	1,315,359	1,567,993	1,468,531
EBITDA margins (%)	30.9	28.9	13.7	12.6	12.7
Pre-exceptional PAT (Rs m)	37,313	41,738	62,255	93,748	87,516
Reported PAT (Rs m)	37,313	41,738	123,500	93,748	87,516
EPS (Rs)	67.5	68.6	72.3	108.8	101.6
Growth (%)	3.5	1.7	5.3	50.6	-6.6
PER (x)	10.8	10.6	10.1	6.7	7.2
ROE (%)	36.3	28.5	33.8	20.9	15.7
Debt/Equity (x)	0.3	1.7	1.5	1.1	0.8
EV/EBITDA (x)	6.8	8.0	6.4	5.6	5.4
Price/Book (x)	3.9	3.0	1.7	1.4	1.1

Source: IIFL Research

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- Corus negotiating for higher increase in contract prices:** Corus sells 30% of its production through one-year contracts, for which prices are fixed at the beginning of each calendar year. The price increase for CY2008 was low, at ~€100/tonne. However, with raw-material costs having risen higher than initially expected, the company is negotiating for additional price hikes from contract customers.
- Expects to take price hike in domestic market from 2QFY09:** Management indicated that it expected to raise prices in the domestic market once the three-month moratorium on prices has expired in August 2008 (the government had persuaded steelmakers to hold prices for this period to help contain inflation). Inflation has surged since then, from 7.6% in early May to 11.4% in the previous week. We remain sceptical about government honouring its promise to allow steel company to raise prices.
- Domestic volume growth at 20%:** Tata Steel commissioned its new H blast furnace in May 2008. The company expects this furnace to increase its production of saleable steel by 0.8m tonnes in FY09 (~20% higher than in FY08). Additionally, the company will sell 0.3m tonnes of pig iron during the year, as its caster is likely to come on stream two months after the blast furnace.
- Capex to surge in FY10:** Capital expenditure for the year FY09 is estimated at US\$2bn. The company expects to start construction at Kalinganagar 6mtpa greenfield expansion in two months. If the construction starts as scheduled, capex in FY10 and FY11 will be close to US\$3bn a year.

Figure 1: Comparative valuation

	Price	Market cap	Reco.	EPS (Rs)		PER (x)		EV/EBIDTA (x)	
	Rs	Rs m		FY09ii	FY10ii	FY09ii	FY10ii	FY09ii	FY10ii
JSW Steel	901	168,462	MP	106.0	129.1	8.5	7.0	5.6	4.9
SAIL	140	576,190	MP	21.0	20.4	6.7	6.9	3.4	3.8
Tata Steel	729	532,486	Buy	108.8	101.6	6.7	7.2	5.6	5.4

Source: Bloomberg, IIFL Research

Figure 2: Tata Steel is trading at discounts to global peers

	P/E		EV/EBITDA	
	FY09E	FY10E	FY09E	FY10E
Global peers				
Nippon Steel	10.9	10.2	6.5	6.3
Arcelor Mittal	10.4	9.1	7.6	7.2
POSCO	9.3	8.9	6.2	5.6
JFE	9.5	9.9	5.9	5.4
CIA Sideurgica	11.6	8.9	8.8	6.7
Evrast Group	9.8	9.5	6.6	6.3
China Steel	10.1	9.4	9.6	9.5
Median	10.1	9.4	6.6	6.3
China				
Shanghai Baosteel	8.0	7.1	4.2	3.9
Maanshan Iron and Steel	10.1	9.1	5.2	4.3
Angang Steel	7.5	7.2	4.0	3.7
Wuhan Steel	7.2	6.4	5.5	4.6
Median	7.7	7.2	4.7	4.1
India				
SAIL	6.7	6.9	3.4	3.8
Tata Steel	6.7	7.2	5.6	5.4
JSW Steel	8.5	7.0	5.6	4.9

Source: Bloomberg, IIFL Research

B L Kashyap - BUY

Construction

01 Jul 2008

Growth on track

Boosted by strong revenue growth in 4QFY08, B L Kashyap's net profit was ahead of our expectations, despite a 80bps contraction in margins. With an order book of Rs30bn and robust order inflow momentum, we expect earnings CAGR of 31% over FY08-10ii. This is significantly lower than management's indication, and reflects our concerns regarding uncertainty on the BPTP order.

- B L Kashyap's revenue grew 95% YoY in 4QFY08, significantly ahead of our expectation. Strong revenue growth underscores the company's ability to scale up operations.
- EBITDA margin contracted 80bps YoY to 12.5%, and was in line with our estimate. PAT margin contracted 50bps YoY in 4QFY08, lower than the contraction in EBITDA margin. This was despite a strong increase in interest and depreciation costs and was driven by a lower tax rate of 32% vs 36% in the year-ago period.
- For FY08, revenue rose 91% to Rs15.4bn. EBITDA growth was faster at 99%, as EBITDA margin expanded 50bps to 11.9%. Recurring net profit grew 107% to Rs1.15bn in FY08 as other income tripled, more than offsetting the strong increase in interest and depreciation costs.
- As at June 2008, the company had an order book of ~Rs30bn. 80-85% of the order book is for commercial real-estate construction. With ~70% of the order book to be executed in one year, management expects to achieve 50-55% growth in FY09. Our revenue growth estimate, at 35% in FY09, is significantly lower, on account of uncertainty related to the BPTP project. BPTP is an NCR-based real-estate developer.
- ~33% (Rs10.4bn) of the order book is for a BPTP project in Greater Noida. The management has indicated a one-month delay in commencement of construction for this project. In our view, the delay in the project could be significantly longer.

CMP	Rs1,133
Market cap (US\$ m)	539
Bloomberg	KASH IN
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52Wk High/Low (Rs)	2400/780
Diluted o/s shares (m)	21
Daily volume (US\$ m)	0.2
Dividend yield FY08ii (%)	0.4
Free float (%)	29.2
Shareholding pattern (%)	
Promoters	70.8
FII's	14.9
Domestic MFs/Insurance cos	7.2
Others	7.1

Price performance (%)

	1M	3M	1Y
B L Kashyap	-18.7	-31.1	36.5
Rel. to Sensex	-0.7	-17.1	44.6
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CCCL	-3.4	-18.1	-
Simplex Infra	-24.7	-30.6	12.8
Sadbhav Eng	-20.3	-39.5	26.4

Stock movement

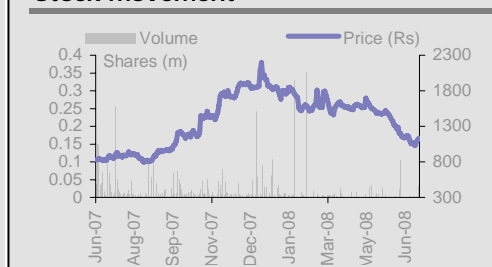


Figure 1: Valuation summary

Y/e 31 Mar	FY06A	FY07A	FY08ii	FY09ii	FY10ii
Revenues (Rs m)	4,655	8,081	15,427	20,827	28,117
EBITDA Margins (%)	10.2	11.4	11.9	11.9	11.9
Reported PAT (Rs m)	282	557	1,154	1,483	2,000
EPS (Rs)	13.7	27.1	56.2	72.2	97.3
Growth (%)		97.8	107.0	28.5	34.9
PER (x)	82.6	41.8	20.2	15.7	11.6
ROE (%)	11.5	18.9	28.7	27.6	27.6
Debt/Equity (x)	0.1	0.3	0.3	0.2	0.1
EV/EBITDA (x)	48.5	25.8	12.8	9.5	6.8
Price/Book (x)	9.5	7.9	5.8	4.3	3.2

Source: Company, IIFL Research

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- Management commentary remains bullish on both execution and order intake. Currently, construction for ~40m sq ft space is underway, vs 28.5m sq ft delivered in FY08. The company is negotiating orders worth Rs20bn, and expects to book orders at least equal to the revenues booked.
- 100% of the current order book of Rs30bn has pass-through clauses. In some orders from real-estate developers, clients supply raw material such as cement and steel. We expect the company to maintain EBITDA margin at 11.9% in FY09 and FY10.
- B L Kashyap has capabilities to take up projects on lump-sum turnkey basis, with ~25% of its revenue coming from such projects. The balance revenues are from pure construction projects.
- The company's real-estate subsidiary, Soul Space Projects, is currently developing ~1.8m sq ft of retail space and 0.12m sq ft of commercial space in five projects. All these projects are on the lease model. The company has indicated that 70% of the retail space has already been leased out. It is also developing Construction work on the 0.33m sq ft retail space in Amritsar is expected to start in one month.
- Management indicated that 25% of the 117 apartments being built in Mohali were booked in the first phase of marketing. Construction work for the Pune and Bikaner projects has also started. Management expects to book revenue of Rs700m-750m from sales of apartments and plots in its residential projects in FY09.
- We have tweaked our earnings estimates to marginally increase our revenue estimates and cut our EBITDA margin assumptions by 10bps. This translates into 4% and 2% downward revisions in FY09 and FY10 earnings estimates, respectively. Accordingly, we cut our target price to Rs1,587 from Rs1,623. Maintain BUY.

Figure 2: Standalone 4QFY08 and FY08 results

Rs m	4QFY07	3QFY08	4QFY08	FY07	FY08
Net Sales	2,373	4,058	4,621	8,081	15,427
Expenses	2,059	3,584	4,044	7,157	13,585
EBIDTA	315	474	577	924	1,842
Interest	19	42	50	50	161
Depreciation	27	42	45	99	156
Other Income	33	32	39	80	219
PBT	302	421	521	854	1,744
Tax	110	169	168	298	591
Profit After Tax	192	252	353	556	1,154
EPS	9.4	12.3	17.2	27.1	56.2
Margins					
EBIDTA	13.3	11.7	12.5	11.4	11.9
PBT	12.7	10.4	11.3	10.6	11.3
Profit After Tax	8.1	6.2	7.6	6.9	7.5
Tax Rate	36.4	40.1	32.2	34.9	33.9
Yearly Growth					
Revenue	57.2	71.8	94.7	73.6	90.9
EBIDTA	100.4	89.8	83.5	94.2	99.5
PAT	106.1	63.8	83.6	97.4	107.4

Source: Company, IIFL Research

Gammon India - BUY

Construction

01 Jul 2008

Interest costs depress profits

Gammon India reported strong revenue growth of 32% during 4QFY08. EBITDA margins too expanded 90bps YoY to 9.6%. However, a sharp increase in interest costs and negative other income contained net profit growth at 6.7% YoY.

- Gammon's revenue grew 32% YoY to Rs8.2bn in 4QFY08, ahead of our 25% growth expectation. EBITDA margin expanded 90bps YoY to 9.6%, ahead of our expectations. Consequently, EBITDA beat our estimate by 13%.
- However, interest costs more than quadrupled QoQ to Rs204m. The company also booked negative other income of Rs90m, further depressing PBT to Rs372m (down 33% YoY), 25% below our expectation.
- FY08 revenue grew 27% YoY. EBITDA margin expanded 30bps to 9.6%, resulting in EBITDA growth of 31% YoY. However, a 140% increase in interest costs and negative other income resulted in a net profit decline of 10.2%.
- We have assumed interest costs will increase sharply from 1QFY09, owing to interest on debt raised to finance the Italian acquisitions. The jump in interest costs in 4Q would mean further downside to earnings estimates. We will seek an explanation from the company for the sharp increase in interest costs and the nature of extraordinary expenses booked in the quarter.

CMP	Rs215
Market cap (US\$ m)	442
Bloomberg	GMON IN
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52Wk High/Low (Rs)	845/210
Diluted o/s shares (m)	89
Daily volume (US\$ m)	1.2
Dividend yield FY08ii (%)	0.2
Free float (%)	68.9
Shareholding pattern (%)	
Promoters	31.1
FII's	28.3
Domestic MFs/Insurance cos	17.2
Others	23.4

Price performance (%)

	1M	3M	1Y
Simplex Infra	-47.6	-44.9	-47.7
Rel. to Sensex	-29.6	-31.0	-39.6
Nagarjuna	-32.0	-35.4	-24.7
HCC	-32.9	-39.3	-35.1
IVRCL Infra	-27.2	-21.7	-15.5

Stock movement

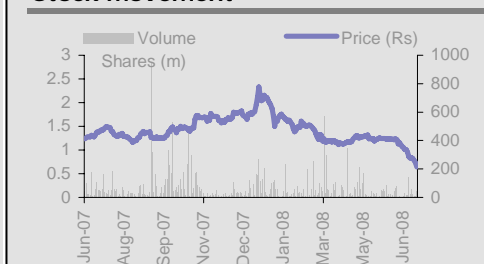


Figure 1: Valuation summary

Y/e 31 Mar	FY06A	FY07A	FY08ii	FY09ii	FY10ii
Revenues (Rs m)	14,765	18,517	23,449	29,889	37,361
EBITDA Margins (%)	12.5	9.3	9.6	9.5	9.5
Pre-exceptional PAT (Rs m)	1,043	984	883	1,090	1,417
Reported PAT (Rs m)	1,057	445	861	1,090	1,417
EPS (Rs)	11.8	11.1	10.0	12.3	16.0
Growth (%)		-5.7	-10.2	23.0	30.0
PER (x)	18.2	19.3	21.5	17.4	13.4
ROE (%)	11.4	3.9	7.0	8.1	9.5
Debt/Equity (x)	0.2	0.3	0.3	0.4	0.5
EV/EBITDA (x)	10.5	12.6	9.8	8.2	6.9
Price/Book (x)	2.1	1.7	1.5	1.4	1.3

Source: Company, IIFL Research

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Figure 2: Standalone 4QFY08 and FY08 results

Rs m	4QFY07	3QFY08	4QFY08	FY07	FY08
Sales	6,207	5,227	8,216	18,517	23,449
Operating expenses	5,666	4,759	7,425	16,795	21,200
EBITDA	541	468	792	1,722	2,249
Share of profit from JV	62	0	0	122	0
Other Income	57	4	(90)	75	(68)
Interest	13	48	204	136	326
Depreciation	91	114	126	352	462
PBT	556	310	372	1,431	1,394
Tax	336	118	137	447	510
Net Profit	220	192	235	984	883
Extraordinary items	(539)	-	(22)	(539)	(22)
Reported PAT	(319)	192	213	445	213
Adjusted EPS	2.5	2.2	2.7	10.3	10.1
Yearly Growth					
Revenues	55.8%	18.8%	32.4%	16.5%	26.6%
EBIDTA	102.8%	-9.2%	46.3%	-6.7%	30.6%
PAT	-23.6%	-39.2%	6.7%	-4.4%	-10.2%
Margins					
EBITDA	8.7%	9.0%	9.6%	9.3%	9.6%
PBT	9.0%	5.9%	4.5%	7.7%	5.9%
Profit After Tax	3.5%	3.7%	2.9%	5.3%	3.8%
Tax Rate	65.6%	38.0%	36.8%	31.2%	36.6%

Source: Company, IIFL Research

Maytas Infra - MP

Construction

01 Jul 2008

Margins trending down

Maytas Infrastructure reported a strong 157% YoY increase in FY08 revenues, significantly ahead of our expectation. EBITDA was only modestly higher than our estimate, as EBITDA margin declined by 343bps. Net profit growth was even slower, at 81% YoY, because of a significant increase in interest and depreciations costs.

- Revenue grew 157% to Rs16.4bn in 4QFY08, significantly ahead of our expectation, underlining the company's capability to scale up execution in line with strong growth in order book.
- However, EBITDA margin contracted 343bps YoY to 12.7% in FY08, 130bps lower than our estimate. Margins are dropping to those registered by its peers; accordingly, we are likely to revise our margin estimates downwards, after ascertaining the cause of margin declines.
- Depreciation and interest expenses increased sharply in FY08, ahead of our expectations. Interest costs rose despite funds raised through an IPO in 2QFY08. Combined with mark-to-market losses of Rs89.3m during 4QFY08, this contained PBT growth at 69% YoY.
- Tax rate for the quarter stood at 19%; for the full year, it was 26%. In our view, the company would have to account for tax at the full rate, going forward.
- Order book as at end-2MFY09 stood at Rs62.3bn, implying order inflows of ~Rs17bn in the first five months of the calendar. Sustained order intake momentum imply upside risk to our revenue estimates.
- Auditors have qualified the consolidated accounts, as the company has consolidated certain jointly-controlled companies using the equity method of accounting, against a proportionate line-by-line consolidation as per accounting standards. As a result, the company's consolidated FY08 PBT was higher by Rs350.7m.

CMP	Rs431
Market cap (US\$ m)	589
Bloomberg	MAY IN
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52Wk High/Low (Rs)	1152/370
Diluted o/s shares (m)	59
Daily volume (US\$ m)	0.3
Dividend yield FY08ii (%)	0.3
Free float (%)	63.4
Shareholding pattern (%)	
Promoters	36.6
FII's	5.4
Domestic MFs/Insurance cos	6.3
Others	51.6

	Price performance (%)		
	1M	3M	1Y
Maytas Infra	-23.2	-39.9	-
Rel. to Sensex	-5.2	-25.9	-
<hr/>			
Nagarjuna	-32.0	-37.5	-24.7
Gammon India	-47.6	-44.1	-47.7
IVRCL Infra	-27.2	-25.1	-15.5

Stock movement

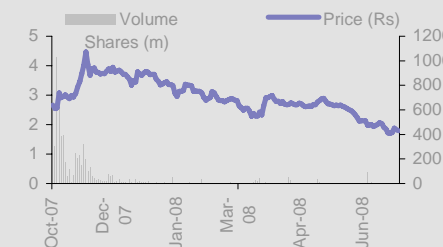


Figure 1: Valuation summary

Y/e 31 Mar	FY06A	FY07A	FY08ii	FY09ii	FY10ii
Revenues (Rs m)	2,222	6,368	16,374	20,775	29,085
EBITDA Margins (%)	16.8	16.1	12.7	13.0	13.0
Reported PAT (Rs m)	262	550	996	1,352	1,829
EPS (Rs)	4.5	9.3	16.9	23.0	31.1
Growth (%)		109.8	81.1	36.0	35.3
PER (x)	98.3	46.9	25.9	19.1	14.1
Adjusted PER (x)			15.9	11.7	8.6
ROE (%)	12.1	20.7	14.5	16.5	18.2
Debt/Equity (x)	0.5	1.6	0.7	0.9	1.1
EV/EBITDA (x)	62.6	30.6	14.9	12.2	9.6
Price/Book (x)	10.1	9.7	3.8	3.1	2.6

Source: Company, IIFL Research

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Figure 2: Standalone FY08 results

Rs m	FY07	FY08
Net Sales	6,010	16,374
Expenditure	5,044	14,298
Material consumed	1,301	5,977
Personnel expenses	205	697
Contract, administrative and selling expenses	3,538	7,625
EBITDA	966	2,075
Depreciation	113	391
Financial expenses	177	567
Other income	39	91
ADD company's share of profit in integrated JV	80	137
Profit before tax	795	1,346
Tax	245	349
Profit after tax	550	996
EPS	9.3	16.9
Growth (%)		
Revenue	186.5	157.1
EBITDA	165.7	114.9
PAT	109.8	81.1
Margins (%)		
EBITDA	16.1	12.7
Tax rate	30.8	26.0
PAT	8.6	6.1

Source: Company, IIFL Research

Simplex Infrastructure - BUY

Construction

01 Jul 2008

Strong growth ahead

Upfront investments in hiring manpower and raising operational capex, coupled with a wide geographical footprint, are translating into strong growth momentum. We estimate 57% earnings CAGR over FY08-10ii on the back of strong revenue growth and net margin expansion as interest costs decline as proportion of revenues.

- Revenue grew 72% YoY to Rs9.5bn in 4QFY08, significantly ahead of our estimate of 50% YoY growth. A 35% increase in manpower and 50% addition to gross block during FY08 meant that growth was not constrained due to execution slippages.
- EBITDA margin contracted 90bps YoY to 8.6%, 140bps below our estimate. EBITDA margins were hit by a Rs110m write-off of bad debts pertaining to long-pending client disputes and Rs90m visa expenses for employees in Middle East projects. Visa costs are likely to drop in the quarters ahead, as the visas are valid for three years. Visa costs in FY09 would be incurred only on additional manpower allocated to Middle East projects, and this cost unlikely to be significant. Adjusting for the non-recurring items, 4QFY08 EBITDA margin stood at 10.4%.
- The company has not accounted for Rs72.5m (5.7% of FY08 PBT) of mark-to-market losses on forex derivative contracts and the auditors have referred to this deviation from accounting standard in their report.
- Forex losses were booked on exotic USD-Swiss Franc options. According to the company, they had entered into these contracts to lower their borrowing costs. The management admitted that the contracts were signed without a thorough assessment of risk and it would eschew such contracts in the future.
- The company would book any potential losses once the contracts are unwound in 2QFY09. The current mark-to-market losses on the contract are ~Rs65m, with a maximum possible loss of Rs85m.

CMP	Rs426
Market cap (US\$ m)	544
Bloomberg	SINF IN
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52Wk High/Low (Rs)	790/330
Diluted o/s shares (m)	55
Daily volume (US\$ m)	0.9
Dividend yield FY08ii (%)	0.4
Free float (%)	50.6
Shareholding pattern (%)	
Promoters	49.4
FIIs	12.1
Domestic MFs/Insurance cos	18.4
Others	20.1

	Price performance (%)		
	1M	3M	1Y
Simplex Infra	-24.7	-25.0	12.8
Rel. to Sensex	-6.7	-11.0	20.9
<hr/>			
Gammon India	-47.6	-44.9	-47.7
Nagarjuna	-32.0	-35.4	-24.7
IVRCL Infra	-27.2	-21.7	-15.5

Stock movement

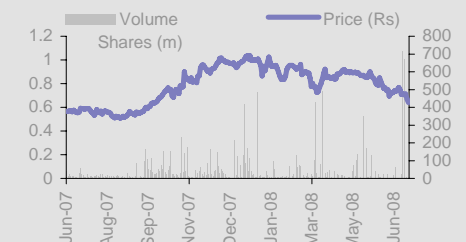


Figure 1: Valuation summary

Y/e 31 Mar	FY06A	FY07A	FY08ii	FY09ii	FY10ii
Revenues (Rs m)	13,427	17,082	28,185	38,895	50,564
EBITDA Margins (%)	8.7	9.3	9.5	9.5	9.5
Reported PAT (Rs m)	416	537	898	1,526	2,227
EPS (Rs)	7.6	9.8	16.3	27.8	40.5
Growth (%)	65.0	29.0	67.2	70.0	45.9
PER (x)	56.3	43.6	26.1	15.3	10.5
ROE (%)	17.9	19.5	11.6	16.6	16.8
Debt/Equity (x)	1.9	2.5	1.0	1.0	0.7
EV/EBITDA (x)	19.2	15.6	10.6	8.2	6.7
Price/Book (x)	7.9	6.7 (x)	2.7	2.3	1.8

Source: Company, IIFL Research

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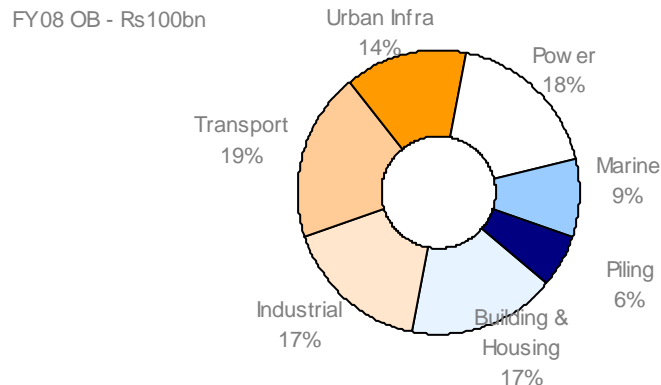
- The order book currently stands at Rs100bn (end-4Q order book plus orders won during 1QFY09). This should translate into an order coverage ratio of 3.2x as at end-1QFY09. Management has indicated that the order pipeline remains strong, and it expects continued buoyancy in order inflows.
- The order book is well-diversified across sectors and geographies, and makes Simplex's growth trajectory more resilient to vagaries of capex cycle in particular geographies or sectors.
- Given robust growth visibility and comfort on execution, we upgrade our FY09 and FY10 revenue estimates by 5.7% each. Our revenue estimates are lower than management guidance of 40-42% revenue growth in FY09.
- We have cut our FY09 and FY10 EBITDA margin estimates by 50bps each, to factor in margin compression from forex losses to be recognised in FY09 and potential input price pressures. About 15% of the order book is fixed-price (10% of domestic orders and 25% of foreign orders are fixed-price). The company has indicated that EBITDA margin should expand by 50bps YoY in FY09.
- Consequent to changes in revenue and margin assumptions, our earnings estimates remain unchanged.

Figure 3: 4QFY08 and FY08 results

Rs m	4QFY07	3QFY08	4QFY08	FY07	FY08
Net sales	5,505	7,040	9,490	17,082	28,185
Expenses	4,980	6,334	8,676	15,491	25,510
EBIDTA	525	705	814	1,591	2,675
Interest	208	296	215	632	1,002
Depreciation	112	167	204	391	639
Other income	43	41	93	134	234
PBT	248	283	489	702	1,268
Tax	70	63	199	165	370
PAT	178	220	290	537	898
EPS (Rs)	3.2	4.0	5.3	9.8	16.3
Margins					
EBIDTA	9.5	10.0	8.6	9.3	9.5
PBT	4.5	4.0	5.1	4.1	4.5
Profit After Tax	3.2	3.1	3.1	3.1	3.2
Tax Rate	28.3	22.3	40.7	23.4	29.2
Yearly Growth					
Revenue	38.9	65.4	72.4	27.2	65.0
EBIDTA	47.5	55.9	55.0	36.9	68.1
PAT	67.4	27.4	62.8	29.0	67.2

Source: Company, IIFL Research

Figure 2: Well-diversified order book provides resilience to vagaries of capex cycle



Source: Company, IIFL Research

India Cements – MP

Cement

1 July 2008

Mixed bag

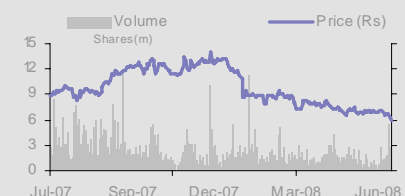
India Cements's (ICL) net sales rose 8% YoY to Rs8.4bn, beating our estimate of Rs8.2bn. PAT before adjusting for extraordinary items declined by 9.8% YoY to Rs1.5bn, in line with our expectation. After adjusting for EO items (charges of Rs481m for one-time settlement of corporate debt restructuring), PAT declined by 38.3% YoY to Rs1bn. We retain our earnings estimate for FY09 and FY10 at Rs22.8 and Rs18.5, respectively. We maintain our MP rating and target of Rs162.

- Results for 4QFY07 included 9 months' financials of Visaka Cement and are hence not comparable on a YoY basis. On a QoQ basis, cement realisations increased by 1.6% as the demand-supply situation in the southern region continues to favour cement producers; sales volumes increased by 12.5% QoQ.
- EBITDA was flat YoY at Rs2.6bn (adjusted for Indian Premier League EBITDA of Rs50m, ICL's EBITDA declined by 2%), and EBITDA margin declined 250bps YoY to 31.1%. On QoQ basis, EBITDA margin declined by 200bps.
- Other income increased sharply in 4QFY08 QoQ, as ICL booked sponsorship receipts of Rs140m from Indian Premier League (IPL). Cement cost per tonne increased by 4.7% QoQ, primarily on account of an increase in other expenses. Other expenses per tonne increased 28% QoQ on account of IPL expenses of Rs90m, and managerial remuneration of Rs106m. The company indicated a net positive EBITDA from IPL in the first season of the tournament.
- ICL's plan to expand capacity from 8.9mtpa to 14mtpa by end-FY09 is running as per schedule. Capacity expansions of 3.5mtpa in the northern region are likely to be completed by end-FY10. The company has already placed plant equipment orders for 1.5mtpa capacity in the northern region.

CMP	Rs137
12-mth Target price (Rs)	162 (19%)
Market cap (US\$ m)	901
Bloomberg	ICEM IN
52Wk High/Low (Rs)	333/134
Diluted o/s shares (m)	293
Daily volume (US\$ m)	6.4
Dividend yield FY08ii (%)	1.3
Free float (%)	71.9
Shareholding pattern (%)	
Promoters	28.1
FII	33.8
Domestic MF	16.9
Others	21.2

	Price performance (%)		
	1M	3M	1Y
India Cements	-14.3	-26.6	-33.9
Rel. to Sensex	3.7	-12.7	-25.8
ACC	-20.9	-36.8	-44.0
Ultratech	-16.2	-30.1	-39.5
Madras Cement	6.6	-14.9	-4.2

Stock movement

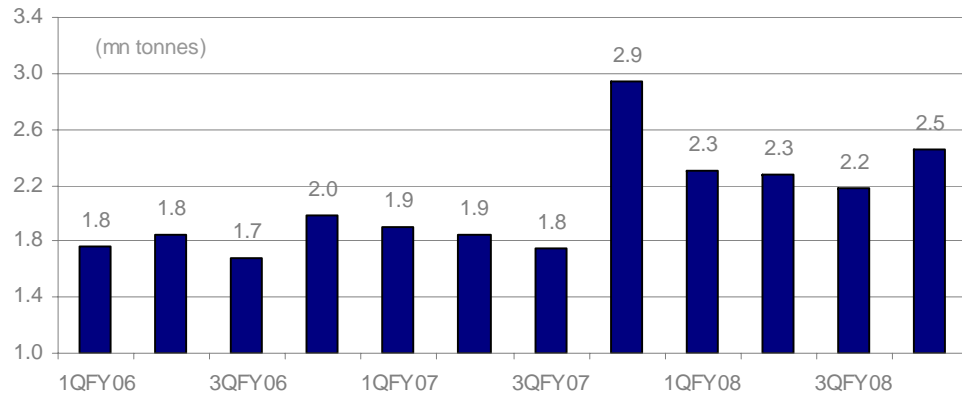


4QFY08 result snapshot – margins down YoY and QoQ

(Rs m)	4QCY07	4QCY08	% QoQ	% YoY
Sales volume (m tonnes)	2.9	2.5	12.5	-16.5
Realisation (Rs/tonne)	2,657	3,436	1.6	29.3
Net sales	7,812	8,440	14.4	8.0
Total Expenditure	(5,181)	(5,811)	17.9	12.2
EBITDA	2,631	2,629	7.3	(0.1)
EBITDA margin (%)	33.7	31.1	-200bps	-250bps
Depreciation	(444)	(390)	25.4	(12.1)
Interest	(398)	(229)	(16.1)	(42.5)
Other income	22	325	984.3	1,406.0
PBT	1,811	2,335	23.2	29.0
Tax	120	810	(229.7)	577.4
Pre-exceptional PAT	1,691	1,526	20.0	(9.8)
Extraordinary items	0	481		
PAT	1,691	1,044	(17.8)	(38.3)

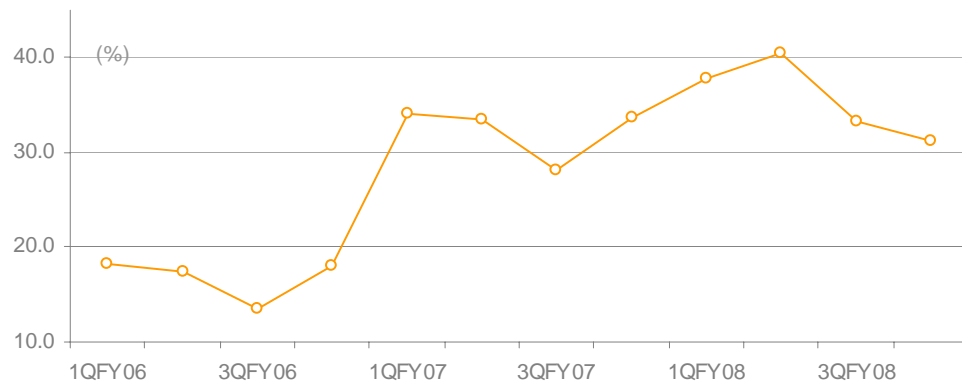
Source: Company

Figure 1: QoQ volumes improve with pick-up in construction post-monsoon



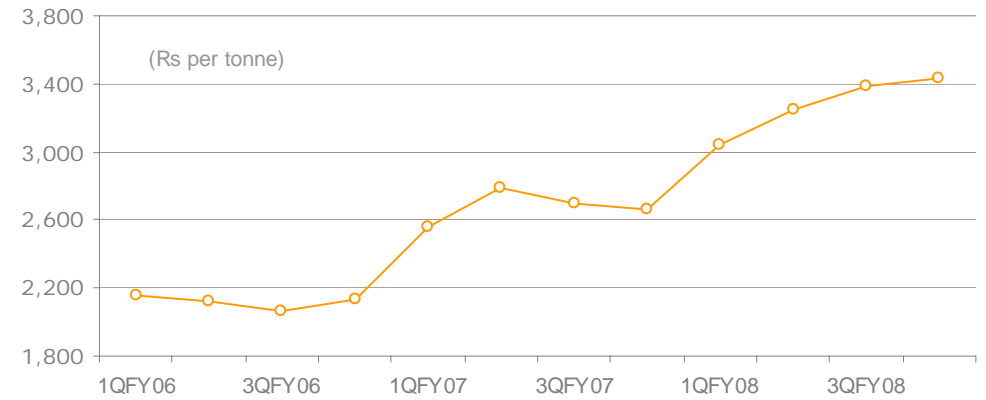
Note : Adjusted for Visaka numbers cement volumes increase by 17% YoY in 4QFY08
Source: Company

Figure 2: Margins decline as cost increase exceeds realisation growth



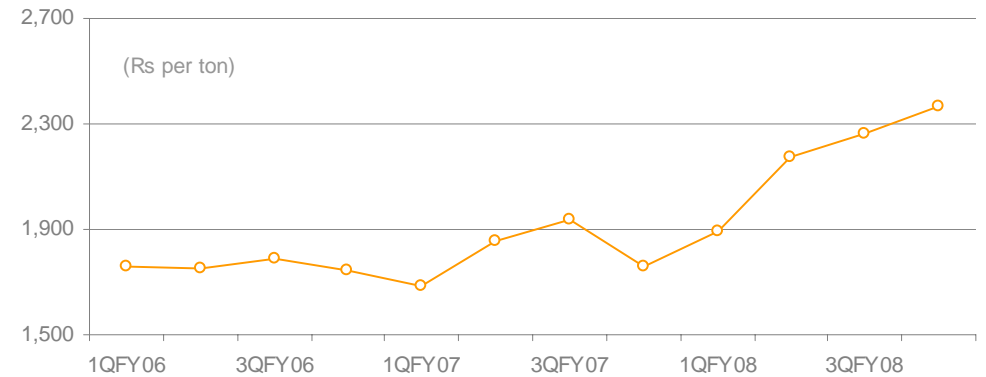
Source: Company

Figure3: Cement realisations continue to increase



Source: Company

Figure 4: Cost per tonne increases unabated



Source: Company

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Events calendar – July 2008

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2 Rel Ind Infra	3	4	5
7 India Info	8 Motilal Oswal	9 Adity Birla Nuvo	10 Bajaj Auto	11 Infosys Bank of India Edelweiss	12
14	15 DCB	16 Hexaware Excel Corp, HDFC, Chambal Fert	17 KPIT Biocon	18 Wipro IDFC, Shree Cement	19
21 SAIL, Satyam, Tech Mahindra	22 IDBI Bank, Dr Reddy	23 Infotech Enterprises	24 Mindtree, Patni ETC Network, Karur Vysya, Marico, Tata Motors	25 3i Infotech	26 ICICI Bank
28 Dabur India BOB, Kota Mah Bk	29	30 Mah & Mah, Saregama	31 TCS		AGM Hind Motor – 5 Aug Welspun Guj – 7 Aug UTV Soft-12 Aug Peninsula Land-13Aug Divi's Lab-16 Aug



Key to IIFL recommendations:

BUY: Absolute return of > +10%

SELL: Absolute return of < -10%

Market Performer: Absolute return of -10% to +10%

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