



# BNR Capital Services

## NEWS LETTER

Volume No. 7 Issue No. 05

27 December 2008

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### Mutual Fund Scoreboard

### **Auto-Two wheelers:** Will interest and price cut do the magic? *Two wheeler sales have fallen in October and November 2008; whether slew of initiatives by producers, government and RBI will be sufficient to revive demand remains to be seen*

The total 2 wheeler sales reduced by 9% to 656747 units in Nov '08 against 724222 units in Nov '07. Nevertheless the market share in the total automobile industry increased by 100 bps to 77% in Nov'08 compared to 76% in Nov'07. The 2 wheeler total sales has been positive growth track in the current financial year so far owing to low base effect. However from the month of Oct'08 the two wheeler sale has started moving southwards owing to sluggish demand.

Its domestic sales declined by 15% to 567502 units in Nov'08 against 665181 units in Nov'07 largely driven by its motorcycle segment. Its motorcycle segment that contributes 76% to the 2 wheeler industry's domestic sales, reduced by 20% to 431171 units in Nov '08. Its total exports surged by 51% to 89245 units in Nov'08 backed by its motorcycle and scooter segment.

At the production front, the total 2 wheeler production crashed by 5% from 677783 units in Nov '07 to 643734 units in Nov'08 driven by its motorcycle production. Except for dip in motor cycle production, the remaining 3 segments –electric two wheeler, scooter and mopeds recorded growth in production numbers.

### **Scooter/ Scooterettee**

The automobile industry may be in reverse gear, but scooters are making a strong comeback for the first time in more than a decade. While motorcycle and moped sales are falling, there is renewed interest in scooters. The arrival of more exciting scooters with higher fuel efficiency and features like disc brakes, electric ignition, next generation four-stroke engines and alloy wheels with gearless driving has started to revive the segment.

The scooter segment's total sales grew by 14% from 90729 units in Nov'08 to 103481 units in Nov'07 driven by its domestic sales owing to low base effect. Its market share in the total 2 wheeler grew by 300 bps to 16% in Nov'08. Even though there was 14% growth on y-o-y basis, the sales dipped by 2% on m-o-m basis from 105937 units in Oct'08 to 103481 units in Nov'08.

Its total domestic sales grew by 12% from 89078 units in Nov'07 to 100089 units in Nov'08. It was largely driven by growth in Honda Motorcycle (62% domestic market share), Hero Honda (14% domestic market share) and Suzuki Motorcycle (8% domestic market share). However the downfall in TVS motor's and Bajaj Auto domestic sales notably lowered the growth in the total domestic sales. The total exports grew by 105% from 1651 units in Nov'07 to 3392 units in Nov'08 backed by TVS (62% export market share), Hero Honda (8% export market share) and Bajaj Auto (3% export market share).

The total sales of Honda motorcycle (Honda) grew by 28% from 49277 units in Nov'07 to 62930 units in Nov'08 driven by its domestic sales. Its domestic sales rose by 26% from 48841 units in Nov'07 to 62008 units in Nov'08. Its exports zoomed by 111% to 922 units in Nov'08 from 436 units in Nov'07. Its market share in the scooter industry grew by 700 bps to 61%.

The total sales of TVS declined by 23% from 22566 units in Nov'07 to 17418 units in Nov'08 driven by its domestic sales. Its domestic sales reduced by 29% to 15332 units in Nov'08 from 21577 units in Nov'07. However its exports improved by 111%



from 989 units in Nov'07 to 2086 units in Nov'08. Its market share in the scooter industry reduced by 800 bps to 17%.

The total sales of Hero Honda (HH) surged by robust 34% from 10852 units in Nov'07 to 14515 units in Nov '08 backed by its domestic sales. Its domestic sales grew by 33% from 10740 units in Nov'07 to 14235 units in Nov'08. Also its exports stood at 280 units in Nov'08 against 112 in Nov'07. Its market share grew by 200 bps to 14%.

### **Motorcycles/Step-Through**

The motorcycle segment's total sales declined by 13% from 597292 units in Nov'07 to 516720 units in Nov'08 driven by its domestic sales. Its total domestic sales declined by 20% from 540553 units in Nov'07 to 431171 units in Nov'08 driven by Hero Honda (62% domestic market share) and Bajaj Auto (19% domestic market share). However its total exports surged by 51% from 56739 units in Nov'07 to 85549 units in Nov'08 backed by Bajaj Auto's exports (58% exports market share) and TVS Motors exports (22% export market share). Its market share in the 2 wheeler industry reduced by 300 bps to 79%.

Hero Honda Motors total sales crashed by marginal 1% from 277175 units in Nov'07 to 274911 units in Nov'08 owing to its domestic sales. Its domestic sales reduced by 1% from 271251 units in Nov'07 to 267424 units in Nov'08. However its exports spurred by 26% from 5924 units in Nov'07 to 7487 units in Nov'08. Its market share grew by 700 bps to 53%.

The total sales of Bajaj Auto (BAL) reduced by 37% from 209876 units in Nov'07 to 131681 units in Nov'08 driven by its domestic sales. Its domestic sales reduced by 53% from 174936 units in Nov'07 to 82283 units in Nov'08. Its exports grew by 42% from 34940 units in Nov'07 to 49398 units in Nov'08. Its market share crashed by 1000 bps to 25%.

TVS' total sales declined by 21% from 57113 units in Nov'07 to 45276 units in Nov'08 owing to its domestic sales. Its domestic sales reduced by 45% from 48345 units in Nov'07 to 26755 units in Nov'08. On the other hand, its exports surged by 111% from 8768 units in Nov'07 to 18521 units in Nov'08.

### **Mopeds**

The moped segment's total sales advanced by marginal 2% from 34208 units in Nov'07 to 34916 units in Nov'08 driven by its domestic sales. Its domestic sales increased by 3% from 33557 units in Nov'07 to 34612 units in Nov '08 owing to 6% increase in TVS domestic sales at 34612 units compared to 32436 units in the corresponding previous period. TVS gained 100% domestic market share as the other two players namely, Kinetic and Majestic Auto reported nil sales. On the other hand, its exports dipped by 53% to 304 units in Nov'08 from 304 units in Nov'07 driven by TVS (100% export market share).

### **Electric 2-wheeler**

The electric 2-wheeler sales dipped by 18% to 1630 units in Nov'08 against 1993 units in Nov'07. It solely represents the domestic sales. The sales were notably driven by TVS Motor, new entrant in electric 2-wheeler segment. Prior to TVS, Electrotherm India was the only electric 2-wheeler company listed with SIAM.

The total sales of Electrotherm India declined by 58% from 1993 units in Nov'07 to 838 units in Nov'08. It solely represents its domestic sales. Its market share declined to 51% from 100% a year ago, while the remaining 49% of the market share was captured by the new entrant TVS which reported 792 units domestic sales for Nov'08.

### **Recent Developments**

With the Government announcing 4% cut in excise duty, two wheeler makers are ready to pass the benefit to their customers. While the reduction among Hero Honda products motorcycles and scooters will be in the range of Rs 1,000-2,000, Bajaj Auto, India's second biggest two-wheeler maker has announced a cut of Rs 2,100-4,400 ex-showroom on its range of 2-wheelers and 3- wheelers respectively.

Suzuki Motorcycle India (SMIPL), a subsidiary of Japanese company Suzuki Motor (SMC), plans to invest an additional Rs 150 crore in its operations by 2010. This will fund capacity expansion and new product launches for the Indian market. The company will ramp up its production to 2.5 lakh units a year from the current 1.75 lakh and will introduce two more bikes next year. So far it has invested Rs 400 crore and will be looking at an additional investment of Rs 150 crore by 2010 to expand the existing capacity. The company is also planning to launch new bikes in different segments to diversify our portfolio.

### **Outlook**

India's automobile sector has been hit by the global and local liquidity crunch, rising interest rates and a slowing economy. The industry, which grew at the rate of 15% - 27% in the past five years, is facing numerous challenges now due to shrinking of demand due to lack of available consumer finance, high interest rates and high cost of fuel. On the other hand, cost of input material is also witnessed massive increases, marking a major hit to the auto makers.

Thanks to RBI measures and Government stimulus package. RBI cut the Repo and Reverse repo by 100 basis points 6.5% and 5% respectively, with effected across 08 December 2008. This move is aimed at increasing liquidity and boost up demand in the economy. The Government has also indicated individual banks reduce their lending rates including auto loans. Easy credit availability coupled with low interest rate would increase demand for automotives.

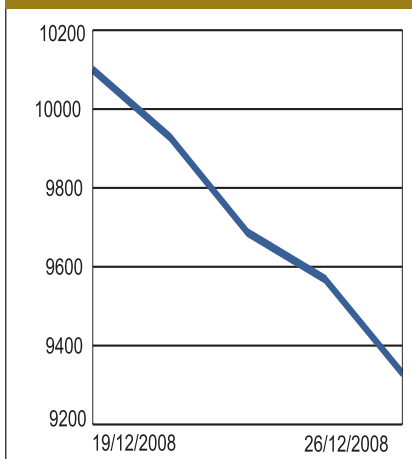
The deceleration in the GDP growth is deepening. Already October 2008 IIP growth turned negative and exports are reportedly fallen both in October and November 2008. The market conditions are only worsening. Recently, banks have cut their Benchmark PLR while producers have cut two wheeler prices consequent to the cut in excise duties. Further, there has been a massive fall in spot prices of various inputs including metals, but the auto sector typically goes for long term contracts. So, once these contracts are renewed, the new contract prices are set to be substantially lower, and that benefit is also likely to be passed in a few months. Whether series of such initiatives by producers, government and the banks / RBI will facilitate revival of demand remains to be seen.



### MARKET SCAN

26-Dec-08	±	Adv.	Dec.
BSE 9328.92	-239.8	775	1554
NSE 2857.25	-59.6	328	835

### BSE SENSEX



### TOP GAINERS / LOSERS

	26-DEC-08	12-DEC-08	VAR(%)
<b>GAINERS</b>			
MINERAL&METL	20823.00	9639.65	116.0
INDIABULLS	143.80	105.65	36.1
BAJAJHIND.LT	63.80	48.80	30.7
AREVA	188.15	144.55	30.2
UNITED BREWE	99.60	77.50	28.5
<b>LOSERS</b>			
SATYAM COM	135.50	220.75	-38.6
GTL INFRAST	28.60	36.05	-20.7
REL COM LTD	205.00	249.20	-17.7
REL INFRA	542.30	648.30	-16.4
STERLITE IN	249.00	292.85	-15.0

*Figures in Rs*

DATE	PURCHASES (RS CR)	SALES (RS CR)	NET (RS CR)
<b>FII (Equity)</b>			
This Fortnight (12/24)	16444	16264	180
This Month (Dec 24)	29286	27391	1895
Jan '99 to Till Date	3025125	2936849	86532
<b>MF (Equity)</b>			
This Fortnight (12/24)	5298	4720	579
This Month (Dec 24)	8620	8638	-18
Feb '00 to Till Date	757621	726051	32062

### Sensex drops 7.6% on worries over Q3 results

Key benchmark indices edged lower in the week ended Friday, 26 December 2008, reversing gains in the preceding two weeks. Global economic uncertainties and concerns about corporate earnings weighed on the market ahead of next month's Q3 December 2008 earnings reporting season. The market slipped on all the four trading sessions of the truncated week.

There were also worries foreign portfolio investment could take a knock as recessions in the United States, the eurozone and Japan took their toll.

The BSE 30-share Sensex lost 770.99 points or 7.63% to 9,328.92 in the week ended Friday, 26 December 2008. The S&P CNX Nifty slipped 220.25 points or 7.15% to 2857.25 in the week.

The BSE Mid-Cap fell 157.31 points or 4.81% to 3,106.68 and the BSE Small-Cap index slipped 195.48 points or 5.22% to 3,548.54 in the week. Both these indices outperformed the Sensex.

The barometer index BSE Sensex is down 10958.07 points or 54.01% in the calendar year 2008 so far from its close of 20,286.99 on 31 December 2007. It is 11877.85 points or 56% below its all-time high of 21,206.77 struck on 10 January 2008.

FII were net sellers in calendar 2008, so far, as they offloaded shares worth Rs 52,723.40 crore.

Trading for the week started on a negative note, with the BSE Sensex ending below the psychologically important 10,000 mark on Monday, 22 December 2008. Weak global cues also played the spoilsport. The BSE 30-share Sensex slipped 171.56 points, or 1.7%, to 9,928.35 and the S&P CNX Nifty fell 38.20 points, or 1.24%, to 3,039.30.

Bears were in command on Tuesday, 23 December 2008 on setback in Asian stocks and caution ahead of the expiry of the near month derivatives contracts. The BSE 30-share Sensex declined 241.60 points, or 2.43%, to 9,686.75 and the S&P CNX Nifty was down 70.65 points, or 2.32%, to 2,968.65

Weak global markets and signs of further deterioration in the world economy weighed on the domestic bourses on Wednesday, 24 December 2008. The BSE 30-share Sensex slipped 118.03 points, or 1.22%, to 9,568.72 and the S&P CNX Nifty was down 51.80 points, or 1.74%, to 2,916.85

A sharp drop in advance tax payment by Indian companies in the third quarter pointing to dismal earnings triggered a sell-off on Friday, 26 December 2008. The BSE 30-share Sensex fell 239.80 points, or 2.51%, to 9,328.92 and the S&P CNX Nifty lost 59.16 points, or 2.04%, to 2857.25

India's largest private sector company by market capitalization and oil refiner Reliance Industries (RIL) fell 10.17% to Rs 1,121 in the week on concerns the recent sharp fall in crude prices will hit refining margins.

Metal stocks declined on worries a weakening domestic and global economy will hit demand. Steel Authority of India (down 17.46% to Rs 70.45), Tata Steel (down 7.58% to Rs 211.50), Hinalco Industries (down 10.18% to Rs 48.55), and Sterlite Industries (down 11.29% to Rs 249), declined.

Capital goods stocks fell on worries a slowing economy will crimp orders. India's largest engineering & construction company by sales Larsen & Toubro fell 9.07% to Rs 744.40. India's largest power equipment maker by sales Bharat Heavy Electricals lost 9.58% to Rs 1300.10

Banking stocks fell as fears of rising defaults in a weakening economy offset hopes that lower interest rates may boost lending growth. India's largest state-run bank by net profit State Bank of India fell 3.37% to Rs 1244.25.

India's second largest private sector bank by net profit HDFC Bank slipped 7.49% to Rs 972.60. India's largest private sector bank by net profit ICICI Bank fell 11.44% to Rs 417.95.

Commerce Minister Kamal Nath on 24 December 2008 said the government is considering another stimulus package to lift slowing growth. The new stimulus package may include steps to ease liquidity and relief measures for export and housing sectors, the trade minister said.



## Market may recover after steep slide

Hopes of further rate cuts by the central bank and a likely second government stimulus package to pump prime the economy may trigger a recovery on the bourses after a sharp slide last week. However, trading volumes are likely to remain low due as most foreign fund managers are on a vacation for Christmas and the New Year. Domestic institutions may provide support to boost yearly net asset values.

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The second stimulus package assumes importance as the industrial production fell 0.4% in October 2008, to move into negative zone after 15 years, while exports declined by 12.1% during the month.

The first stimulus package announced early this month mainly involved an across-the-board excise duty cut of 4% and an additional public expenditure of Rs 20,000 crore. In addition to the fiscal stimulus, the Reserve Bank of India through a slew of measures reduced the key ratios and policy rates, thereby releasing about Rs 3 lakh crore of liquidity into the system.

A sustained decline in inflation has raised expectations of a further cut in key policy rates by the Reserve Bank of India. Wholesale prices increased 6.61% in the year through 13 December 2008 lower than previous week's 6.84% rise, data released by the government on Friday, 26 December 2008 showed. The central bank's fiscal year-end target for inflation is at 7%.

Inflation had surged into double digits in early June this year after an increase in state-set retail fuel prices, and peaked at 12.91% on, 2 August 2008, the highest reading since annual numbers in the current data series became available in April 1995.

The RBI had on 6 December 2008, announced a 100-basis point cut in the repo rate and the reverse repo rate each. Repo rate is the rate at which RBI lends to commercial banks and reverse repo rate is the rate at which RBI accepts deposits from banks.

However, concerns over corporate earnings may cap gains. Weaker export numbers, lower excise & duty collections and flagging industrial production data have raised concerns about a sharp moderation in growth. The advance tax paid by India Inc has reportedly declined 22% to about Rs 42600 crore in the December 2008 quarter over the December 2007 quarter, reflecting economic slowdown.

Also there is now the lurking tension brewing on the geopolitical front with tensions escalating between India and Pakistan although Prime Minister Manmohan Singh and his Pakistani counterpart Yousuf Raza Gilani said there would be no Indo-Pak war.

### FII DERIVATIVES

Fortnightly (26-Dec-08)			
	Buy	Sell	Net
<b>Index Futures</b>	18401.59	18538.99	-137.40
<b>Index Options</b>	3991.38	3405.61	585.77
<b>Stock Futures</b>	14720.55	15079.53	-358.98
<b>Stock Options</b>	158.90	204.02	-45.12
This Month			
	Buy	Sell	Net
<b>Index Futures</b>	28037.96	26242.09	1795.87
<b>Index Options</b>	7407.19	6860.18	547.01
<b>Stock Futures</b>	20208.13	20154.15	53.98
<b>Stock Options</b>	289.15	320.70	-31.55

### INDEX SUMMARY

	26-DEC-08	12-DEC-08	VARI(%)
SENSEX	9328.92	9690.07	-3.7
NIFTY	2857.25	2921.35	-2.2
BSE TECH	1863.83	1990.45	-6.4
BSE - 100	4817.69	4915.48	-2.0
BSE -200	1115.86	1134.05	-1.6
BSE -500	3469.45	3516.44	-1.3
DOLLEX - 30	1579.50	1637.28	-3.5
DOLLEX - 200	383.12	388.57	-1.4
BSE - PSU	5148.70	4718.51	9.1
BSE AUTO	2364.00	2377.29	-0.6
BSE BANKEX	5211.45	5063.25	2.9
BSE CAP. GOODS	6600.27	6827.54	-3.3
BSE CONS DURA	1852.91	1743.05	6.3
BSE FMCG	1979.21	1945.50	1.7
BSE HEALTHCARE	2888.09	2809.43	2.8
BSE IT	2149.44	2291.33	-6.2
BSE METAL	4950.22	5265.13	-6.0
BSE OIL & GAS	5909.62	6145.35	-3.8



**Fortis Healthcare**  
Likely to pick stake in Wockhardt Hospital, deal at over \$100 million

**Wockhardt**  
hunts for buyers for French company Negma Labs bought for \$275 million in 2007



**L&T**  
May divest Rs 250 crore business of petroleum dispensing pumps

**Reliance Industries**  
Is working on setting up shared service center in a major cost-cutting drive for the group



**Gammon India**  
Eyes acquisition in Africa, Asia to de-risk business

### PTC

Plans \$1 billion offshore funds to finance power projects in India

### Mphasis

Is asking its Noida employees to either relocate to a low cost location or quit

### Jet Airways

May buy stake in MRO facility at Hyderabad airport.

### Rohta

Has put off its plan of acquiring a Chicago-based software firm worth \$40-50 million

### Aries Agro

Will soon announce the acquisition of Sreeni Agro Chemicals

*Note: The above all are just unconfirmed rumours floating around in the market*

### Indian ADR Prices (US \$)

As on 27 December 2008

SYMBOL	CLOSE	CHANGE	(%)CHNG	VOLUME
HDB	65.02	-2.20	-3.27	551524
IBN	17.45	-0.80	-4.38	735750
INFY	24.14	-0.99	-3.94	1019122
MTE	3.22	-0.33	-9.30	152946
PTI	5.42	-0.05	-0.91	42396
RDY	9.56	-0.12	-1.24	73808
REDF	2.06	-0.04	-1.90	152066
SAY	7.92	0.29	3.80	1452677
SIFY	1.58	-0.08	-4.82	141902
SLT	5.23	-0.22	-4.04	549462
TTM	4.26	-0.22	-4.91	352328
VSL	20.64	-1.03	-4.75	133748
WIT	7.74	-0.28	-3.49	183351
WNS	5.70	-0.16	-2.73	59271

### WORLD INDICES

	DATE	CLOSE	CHG	%CHG
Nasdaq	27/12/08	1530.24	5.34	0.35
DJIA	27/12/08	8515.55	47.07	0.56
S&P 500	27/12/08	872.80	4.65	0.54
Nikkei 225	26/12/08	8739.52	140.02	1.63
FTSE 100	24/12/08	4216.59	-39.39	-0.93



### Hero Honda: A pleasurable ride

Price Rs 794

Hero Honda Motor (HHML), a JV between the Hero Group (27% equity stake) and the Honda Motor Co. of Japan (26% equity stake), is India's largest motorcycle manufacturer. The company enjoys an important synergy with its stake holder, Honda Motor Co.: the Hero Group's deep domain knowledge of the Indian market as well as the group's supplier network and Honda's expertise in four-stroke engine technology to produce efficient bikes.

For the seventh consecutive year the company has achieved the unique distinction of being the world's No.1 two-wheeler company. Hero Honda has a domestic market share of 60% in motorcycles.

Hero Honda bikes currently roll out from its three globally benchmarked manufacturing facilities. Two of these are based at Dharuhera and Gurgaon in Haryana and the third state of the art manufacturing facility was inaugurated at Haridwar, Uttarakhand in April this year. These plants together are capable of producing out 4.4 million units per year.

During the quarter ended Sept '08, the company's total net operating income grew by healthy 36% to Rs 3202.05 crore largely driven by its net sales. Its net sales surged by 36% to Rs 3189.71 crore on back of healthy sales volume and price hike in mid Aug '08. Its sales volumes rose by 28% to 972095 units in quarter ended Sept '08 against 756633 units in quarter ended Sept '07. Its other operating income, that contributes less than 1% to total net operating income, increased by 33% to Rs 12.34 crore.

On account of healthy net operating income and decline in the overall expenses, the operating profit margin (OPM) grew by 80 bps to 13.6%. It led to robust growth in its operating profit by 45% to Rs 434.89 crore.

The raw material cost, as % to sales net stock adjusted, declined 10 bps to 73%. Also its other expenditure and staff cost slipped by 80 bps and 20 bps to 10% and 3%. Further its other income surged by 80% to Rs 53.88 crore and net interest income declined by 17% to Rs 8.34 crore. On accounting its depreciation cost going up by 21% to Rs 46.64 crore, PBT increased by 49% to Rs 450.47 crore.

Though its effective tax rate declined by 40 bps to 32%, its tax provision grew by 47% to Rs 144.17 crore. Finally, PAT grew 50% to Rs 306.30 crore.

The company had launched 4 new bikes for the festive season. The 4 new motorcycles are – all new Passion Pro and 3 refreshes of existing models: new CBZ Xtreme, self start version of Splendor NXG and refreshed Pleasure.

Hero Honda continues to gain market share (between Bajaj, Hero Honda and TVS), with market share for November 2008 standing at 62% as compared to 52% in November 2007, 55% for FY08 and 50% for FY07.

During the quarter ended September 2008, tax incidence fell from 32.4% to 32.0%. For the six months it was down from 31.6% to 27.7%.

The company expects the overall tax rate to reach 25%-26% due to tax benefits at the new plant. With the start of production at the Uttarakhand Plant from Apr'08, the company has started utilising the excise and income tax benefits available in the region.

To avail the maximum benefits, HHML plans to shift the production of its high-margin products (executive and premium bikes) to this facility.

Hero Honda has set up a state-of-the-art manufacturing plant in the Integrated Industrial Estate in Haridwar, developed by SIDCUL (The State Industrial Development Corp. of Uttaranchal Ltd.). The plant and its main ancillaries would be located on a 275-acre plot there. Besides manufacturing for the home market, the company aims to use the new plant to cater to export requirements.

Unlike other two-wheeler manufacturers, the location, being in proximity to its present vendor base, Hero Honda's suppliers would be least disturbed and well integrated.

There has been slowdown in two-wheeler industry in October/November 2008. Even as motorcycle industry sales (including exports) have declined 13% in these two months, Hero Honda has almost maintained its volumes. There may not be significant growth or can be some fall in volumes in the rest of the year due to high base and risk aversion in bank lending. However this is going to be temporary problems and we expect two-wheeler industry to be one of the first industries to be back on growth track.

In FY 2009 we expect the company to register sales and net profit of Rs 12158.19 crore and Rs 1193.83 crore respectively. On equity of Rs 39.94 crore and face value of Rs 2 per share, EPS works out to Rs 59.8. The share price trades at Rs 794. P/E works out to 13.2.

#### Hero Honda: Financials

	0503(12)	0603(12)	0703(12)	0803(12)	0903(12P)
Net Sales	7421.65	8713.98	9899.96	10364.54	12158.19
OPM (%)	15.8	15.7	11.8	13.3	13.5
OP	1168.64	1364.45	1173.04	1382.11	1638.15
Other inc.	136.90	156.28	189.85	152.68	204.18
PBDIT	1305.54	1520.73	1362.89	1534.79	1842.33
Interest	-1.09	-6.13	-22.99	-35.81	-26.73
PBDT	1306.63	1526.86	1385.88	1570.60	1869.07
Dep.	89.38	114.62	139.78	160.32	189.98
PBT	1217.25	1412.24	1246.1	1410.28	1679.09
EO	68.55	0.00	0.00	0.00	485.26
PBT after EO	1148.70	1412.24	1246.1	1410.28	1193.83
Tax	406.78	440.9	388.21	442.40	0.00
PAT	741.92	971.34	857.89	967.88	1193.83
EPS *	40.6	48.6	43.0	48.5	59.8

\* Annualised on current equity of Rs 39.94 crore. Face Value: Rs 2. (P): Projections.  
EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax.  
Figures in Rs crore. Source: Capitaline Corporate Databases



### Indian Bank: Operating profit up by 55%

Indian Bank for the second quarter ended Sep'08 reported Net interest income (NII) growth of 45% to Rs 681.83 crore with the core interest income earned increasing by 34% to Rs 1688.15 crore.

Despite decline in other income, the operating profit zoomed by 55% to Rs 532.80 crore with decent growth in NII and flat growth in operating expenses. However with spurt in tax and other provisions, the Net profit for the quarter recorded restricted growth of 14% to Rs 282.92 crore for the quarter under review.

Talking about the results Shri M S Sundara Rajan, Chairman & Managing Director said that "the Bank has excelled in all areas - in the total business, net worth, operating profit, net profit, EPS and other key ratios".

The Overall Business of the Bank increased to Rs 1,12,706 crore up from Rs 86,383 crore recording a growth of Rs.26,323 crore ( 30.47%). Total Deposits rose by 20.22% (Rs 10,867 crore) to Rs 64,614 crore from Rs 53,747 crore. Gross Advances increased by 47.36% (Rs 15,456 crore) to Rs 48,092 crore from Rs 32,636 crore.

NIM improved to 3.86% as compared to 3.23% with improved yield on advances and reduction in cost during the quarter. Cost of Deposit has reduced from 6.24% for the quarter ended June 2008 to 6.10% for the quarter ended September 2008 due to focus on low cost deposits. Return on Average Assets was 1.60% as

compared to 1.66%. Cost income ratio was lower at 40.44% as against 51.42%.

Book value of equity improved to Rs.116.30 (Rs.85.65 for September 07). Net Worth improved to Rs.5398.42 crore from Rs.4080.94 crore. The Capital Adequacy Ratio as per Basel II norms stood at 11.27% (including Tier I Capital Adequacy of 10.10%) as on 30.09.2008 against 13.85% as on 30.09.2007.

Gross NPA declined to 0.98% (Rs.470.40 crore) as on 30.09.2008, from 1.58% (Rs 515.56 crore) as on 30.09.2007. As on 30.09.2008, the Bank's Net NPA declined to Rs.85.26 crore and constituted 0.18% of net advances as against 0.27% as on 30.09.2007.

During the half year, total NPA recovery was at Rs 252.87 crore. With constant monitoring of standard assets, slippage to NPA category was contained at Rs 142.12 crore during the half year.

For the half year ended Sep'08, the bank registered a Net interest income of Rs 1221.35 crore compared to Rs 954.01 crore, up by 28%. With 9% growth in other income at Rs 455.99 crore and operating expenses increasing marginally by 1% to Rs 707.91 crore, the operating profit jumped by 44% to Rs 969.43 crore. Provision and contingencies increased by 98% to Rs 277.93 crore and provision for tax advanced by 161% to Rs 190.95 crore. After accounting for the same the Net profit for the half year ended Sep'08 increased by 9% to Rs 500.55 crore.

Provision has been made for employee benefits viz., pension, and gratuity; leave encashment, etc., on proportionate and estimated basis in accordance with the Revised Accounting Standard (AS) – 15. A sum of Rs.46 crore has been charged to Profit & Loss Account towards transitional liability on proportionate basis for the half-year ended September 30, 2008 in compliance with the Revised AS - 15 on Employee Benefits notified by the Institute of Chartered Accountants of India. The balance of unrecognized transitional liability as per Revised AS – 15 is Rs.322 crore.

During the half year 32 new branches were opened. The Bank's ATMs increased to 628 as on 30.09.2008 in 230 cities/towns (including 171 offsite ATMs). The Bank's customers can access more than 31,000 ATMs across the country through consortium arrangements.

### Indian Bank: Standalone Results

PARTICULARS	0809(3)	VAR. (%)	0809(6)	VAR. (%)	0803(12)	VAR. (%)
Interest Earned	1688.15	34	3189.93	30	5212.98	24
Interest Expended	1006.32	28	1968.58	31	3159.07	31
Net Interest Income	681.83	45	1221.35	28	2053.91	15
Other Income	212.77	-10	455.99	9	1005.68	22
Net Total Income	894.60	27	1677.34	22	3059.59	17
Operating Expenses	361.80	0	707.91	1	1400.29	14
Operating Profits	532.80	55	969.43	44	1659.30	20
Provisions & Conting.	108.93	119	277.93	98	424.32	-11
Profit Before Tax and EO	423.87	44	691.50	30	1234.98	36
Profit Before Tax	423.87	44	691.50	30	1234.98	40
Provision for tax	140.95	205	190.95	161	226.24	82
Net Profit	282.92	14	500.55	9	1008.74	33
EPS* (Rs)	26.3		23.3		23.5	

\* Annualized on current equity of Rs 429.77 crore. Face Value: Rs 10.

Figures in Rs crore. LP: Loss to profit; PL: Profit to loss.

Source: Capitaline Corporate Database



### **Zicom Electronic Security Systems grants options**

The committee of Zicom Electronic Security Systems has approved the grant of 226,000 stock options to the eligible employees of the company and of its subsidiaries as under ESOS 2006 and ESOS 2007.

### **ECE Industries appoints MD**

The members of ECE Industries has appointed P K Mohta as managing director of the company for a period of three years with effect from 01 November 2008.

### **Adlabs Films to convene EGM**

The extraordinary general meeting of Adlabs Films will be held on 22 January 2009 to utilize the securities premium account in the manner provided in the scheme of arrangement between Adlabs Films and Reliance Unicom and their respective shareholders and creditors.

### **Adlabs Films' equity shareholders to approve scheme of arrangement**

The equity shareholders meeting of Adlabs Films will be held on 22 January 2009 for the purpose of considering the scheme of arrangement between Adlabs Films, the demerged company and Reliance Unicom, the resulting company and their respective shareholders and creditors.

### **Satyam Computer Services' director resigns**

Satyam Computer Services has accepted the resignation of Mangalam Srinivasan, non-executive and independent director of the company with effect from 25 December 2008.

The company made this announcement during the trading hours today, 26 December 2008.

### **Foseco India to hold board meeting**

The board meeting of Foseco India will be held on 22 January 2009 to consider the adoption of audited accounts and recommendation of dividend for the year ended 31 Dec 2008.

### **Shirpur Gold Refinery appoints additional directors**

The board of Shirpur Gold Refinery has appointed Sanjay Jain - representing Jayneer Capital, Prakash Goenka - independent and Anish Goel - independent as additional directors of the company with effect from 24 December 2008.

The board has accepted the resignation of Chintan A Patel, Tapan M Patel and Subhash M Jain as directors of the company.

### **IBN18 Broadcast to allot convertible warrants**

The members of IBN18 Broadcast has approved to allot up to 1,50,00,000 convertible warrants to RVT Investments, a wholly owned subsidiary of Television Eighteen India, a promoter group company, entitling the warrant holders from time to time to apply for equity shares of the company in one or more tranches.

The members has approved to raise funds up to Rs 400 crore in one or more tranches through a public issue / on a private placement basis / qualified institutional placement.

### **Sarda Energy announces temporary closure of iron ore mines**

Sarda Energy & Minerals has announced that due to non-conducive atmosphere created by outside miscreants, at the iron ore mines of the company, the operation of the mine has been suspended temporarily.

### **Suryachakra Power Corporation to issue & allot warrants**

The extraordinary general meeting of Suryachakra Power Corporation will be held on 17 January 2009 to offer, issue and allot 65,00,000 convertible warrants to promoters at an issue price of 15.50 per warrant convertible into equal number of equity shares with in a period not exceeding 18 months from the date of allotment of warrants at a price of Rs 10 per equity share with a premium of Rs 5.50.

### **Alps Industries to increase authorized share capital**

The members of Alps Industries has approved to increase authorized share capital. This was decided at the extraordinary general meeting held on 26 December 2008.

### **Man Industries India's board approves buy-back of FCCBs**

The board of Man Industries India has considered and approved buy-back of FCCBs issued by the company and outstanding as on date in accordance with the RBI circular dated 08 December 2008.

### **Setco Automotive appoints additional director**

The board of Setco Automotive has appointed B L Naik as additional / independent director of the company. This was decided at the board meeting held on 24 December 2008.

### **Interfit Techno Products to issue preference shares**

The board meeting of Interfit Techno Products will be held on 02 January 2009 to issue and allot redeemable non convertible / non cumulative preference shares on preferential basis.

### **PVR announces opening of its another multiplex**

PVR has announced the opening of its another prestigious multiplex in Mumbai comprising seven mainstream digital audis with total capacity of 1847 seats, situated at Phoenix Mills Compound, 462, S B Marg, Lower Parel, Mumbai named as 'PVR Phoenix Mill' on 26 December 2008. The PVR Phoenix Mill is owned by CR Retail Malls (India), a wholly owned subsidiary of PVR.

### **HDFC Bank issues tier - II bonds**

HDFC Bank has issued on private placement basis unsecured non-convertible redeemable subordinated bonds in the nature of debentures. Upper tier II bonds for an amount of Rs 578 crore and lower tier - II bonds for an amount of Rs 1150 crore.



SCHEME NAME	Returns					SCHEME NAME	Returns				
	NAV (Rs) 26 Dec'08	CORPUS (Rs cr)	6M	1Y	3Y		NAV (Rs) 26 Dec'08	CORPUS (Rs cr)	6M	1Y	3Y
<b>DEBT</b>						Fidelity International Opportunities (G)	6.32	658.13	-34.06	<b>-48.07</b>	N.A
ICICI Pru Income Plan-Inst (G)	29.94	507.60	23.60	<b>23.71</b>	13.07	UTI-Master Equity Plan Unit Scheme	28.24	792.94	-23.43	<b>-48.29</b>	0.19
ICICI Pru Income Plan-(G)	28.87	507.60	23.28	<b>23.04</b>	12.45	UTI-India LifeStyle Fund (G)	6.00	589.43	-22.88	<b>-48.36</b>	N.A
Birla Sun Life Income Plus-Retail (G)	41.11	534.45	18.90	<b>20.80</b>	12.65	HSBC Dynamic Fund (G)	6.41	237.57	-28.83	<b>-48.56</b>	N.A
Birla Sun Life Income Fund 54EA(G)	34.67	135.55	17.41	<b>20.21</b>	13.35	<b>Sensex</b>	<b>9328.92</b>		<b>-32.41</b>	<b>-53.98</b>	<b>0.26</b>
Birla Sun Life Income Fund 54EB(G)	34.45	135.55	17.41	<b>20.21</b>	13.35	<b>Nifty</b>	<b>2857.25</b>		<b>-30.93</b>	<b>-53.15</b>	<b>0.75</b>
Birla Sun Life Income Fund (G)	34.69	135.55	17.41	<b>20.20</b>	13.35	<b>BALANCED</b>					
Reliance Income Fund-(G)	30.18	256.72	18.92	<b>19.57</b>	11.34	Kotak Wealth Builder - Series I (G)	11.84	102.82	8.21	<b>13.80</b>	N.A
Reliance Income Fund-(Bonus)	14.23	256.72	18.84	<b>19.57</b>	3.36	Benchmark Eqly & Deriv Oppor Fund	10.95	117.08	3.55	<b>8.04</b>	N.A
ICICI Pru Short Term Plan-Inst (G)	17.85	166.62	11.94	<b>15.60</b>	10.65	FT India Capital Safety Fund - 3 Years (G)	10.86	239.67	0.81	<b>-3.50</b>	N.A
ICICI Pru Short Term Plan (G)	17.59	166.62	11.80	<b>15.29</b>	10.33	UTI-Cap Protection Oriented-Sr.1-3Yr(G)	10.75	125.84	0.78	<b>-4.87</b>	N.A
UTI-Bond Fund (G)	26.80	357.62	15.21	<b>15.14</b>	9.33	SBI Cap Protection Oriented Fund-Sr.I (G)	9.59	185.64	1.14	<b>-5.04</b>	N.A
HDFC Income Fund (G)	20.51	302.17	14.77	<b>14.40</b>	8.17	FT FTF - Series III - 36 Mths (G)	12.26	104.21	-0.98	<b>-5.99</b>	7.12
DSP BR Bond Fund-Retail Plan (G)	29.65	261.25	13.60	<b>13.82</b>	7.74	FT India Cap Safety Fund 5 Years (G)	10.60	273.54	1.08	<b>-7.87</b>	N.A
ICICI Pru Interval-II - Qrtly Interval - E (G)	11.12	203.28	5.08	<b>13.52</b>	N.A	UTI-Cap Protection Oriented-Sr.1-5Yr(G)	10.51	111.80	0.28	<b>-10.37</b>	N.A
ICICI Pru Interval-II - Qrtly Interval - D (G)	11.34	306.83	7.53	<b>12.80</b>	N.A	UTI-CRTS (G)	118.63	332.84	-0.90	<b>-11.72</b>	N.A
HDFC High Interest Fund - STP (G)	16.53	226.34	7.82	<b>12.40</b>	9.55	FT FTF - Series II - 60 Mth (G)	12.54	134.95	-3.72	<b>-13.55</b>	6.70
Reliance Short Term Fund - (G)	15.76	178.28	8.14	<b>12.04</b>	9.56	UTI-Unit Linked Insurance Plan	13.68	2777.56	-1.38	<b>-15.68</b>	5.88
Lotus India Interval Fund - Qrtly B (G)	11.19	123.87	6.20	<b>11.37</b>	N.A	UTI-Retirement Benefit Pension Plan	18.20	435.30	-3.68	<b>-16.38</b>	3.97
Sundaram BNP Paribas FII Fund-Qrtly B (G)	11.33	225.24	5.46	<b>10.86</b>	N.A	FT FTF - Series VI - 60 Mths (G)	10.80	143.22	-5.81	<b>-17.22</b>	N.A
UTI-Fixed Income Interval-Qrtly-Sr.I (G)	11.56	398.86	5.39	<b>10.72</b>	N.A	UTI-CCP Balanced Fund (G)	13.06	2096.83	-5.76	<b>-19.16</b>	4.75
UTI-Fixed Income Interval-Qrtly-Sr.I-Inst(G)	11.57	398.86	5.39	<b>10.72</b>	N.A	Templeton India Pension Plan - (G)	41.12	142.29	-9.33	<b>-24.91</b>	4.04
Lotus India Interval Fund-Qrtly E (G)	11.06	123.46	5.27	<b>10.56</b>	N.A	Tata Young Citizens Fund	12.97	120.78	-11.09	<b>-28.94</b>	2.78
JM Interval Fund-Qrtly Plan-1-Inst (G)	11.06	289.80	5.30	<b>10.55</b>	N.A	Escorts Opportunities Fund (G)	23.84	152.77	-10.23	<b>-31.71</b>	3.34
<b>EQUITY</b>						Tata SIP Fund - Scheme I (G)	7.67	223.64	-22.88	<b>-32.19</b>	N.A
Birla Sun Life International Equity - Plan A (G)	6.86	140.49	-30.22	<b>-32.28</b>	N.A	ICICI Pru Equity & Deriv-Wealth Optimis (G)	8.02	400.11	-18.58	<b>-38.22</b>	N.A
Reliance Banking Fund - (Bonus)	39.83	632.62	-8.26	<b>-39.57</b>	8.53	<b>MONTHLY INCOME PLAN</b>					
Reliance Banking Fund - (G)	39.83	632.62	-8.26	<b>-39.57</b>	8.53	Reliance Monthly Income Plan (G)	16.10	158.95	13.64	<b>7.57</b>	10.23
IDFC Imperial Equity Fund (G)	10.29	112.08	-21.51	<b>-43.51</b>	N.A	UTI-Monthly Income Scheme (G)	15.47	118.51	2.93	<b>-0.93</b>	7.08
UTI-Contra Fund (G)	7.57	164.71	-17.98	<b>-44.42</b>	N.A	ICICI Pru MIP - AEP Half Yearly - Cumu	20.84	227.51	4.16	<b>-2.46</b>	7.46
Birla Sun Life Dividend Yield Plus (G)	35.64	176.68	-14.00	<b>-44.59</b>	-1.49	ICICI Pru MIP - AEP Monthly - Cumu	20.84	227.51	4.16	<b>-2.46</b>	7.46
UTI-Dividend Yield Fund (G)	14.47	805.50	-19.52	<b>-44.96</b>	4.20	ICICI Pru MIP - AEP Quarterly - Cumu	20.84	227.51	4.16	<b>-2.46</b>	7.46
Tata Equity Management Fund (G)	7.60	139.92	-24.86	<b>-45.52</b>	N.A	ICICI Pru MIP (G)	20.84	227.51	4.16	<b>-2.46</b>	7.46
ICICI Pru Dynamic Plan - Inst Option - 1 (G)	7.59	975.92	-25.35	<b>-45.60</b>	N.A	Birla Sun Life Monthly Income (G)	28.46	122.55	4.89	<b>-2.66</b>	8.34
Principal Global Opportunities Fund (G)	9.99	237.70	-42.42	<b>-45.69</b>	-7.65	HSBC Monthly Income Plan-Savings (G)	15.17	118.59	3.36	<b>-3.60</b>	8.74
ICICI Pru Dynamic Plan	49.31	975.92	-25.72	<b>-46.12</b>	6.55	LICMF Monthly Income Plan-(G)	26.39	123.32	-1.61	<b>-7.65</b>	7.18
DSP BR Top 100 Equity Fund (G)	50.24	901.14	-22.59	<b>-46.14</b>	9.38	HDFC Monthly Income Plan-LTP (G)	15.67	927.82	0.36	<b>-8.99</b>	6.51
UTI-Equity Fund (G)	25.55	1045.17	-25.29	<b>-46.21</b>	-0.72	FT India Monthly Income Plan-(G)	21.77	368.78	-1.96	<b>-9.23</b>	5.32
Reliance Equity Fund - Inst (G)	9.53	1696.61	-20.45	<b>-46.29</b>	N.A	FT India Monthly Income Plan-(Bonus)	12.50	368.78	-3.80	<b>-10.94</b>	4.09
Reliance Equity Fund (G)	9.53	1696.61	-20.45	<b>-46.29</b>	N.A	ICICI Pru Income Multiplier Fund-Reg(G)	14.27	207.71	-3.07	<b>-13.63</b>	4.64
HDFC Top 200 Fund (G)	90.11	1843.60	-23.28	<b>-46.45</b>	4.58	* Rs crore. Schemes having corpus more than 100 crores					
ICICI Pru Growth Fund - Inst Option - 1 (G)	9.37	234.85	-25.69	<b>-47.87</b>	N.A						

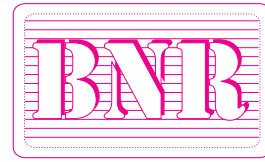
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## **B.N.Rathi Securities Limited**

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SEBI Regn: INB060714139

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