

Indbankonline

MARKETS FOR YOU

Private Circulation only

June - 2007

Issue - 1

MESSAGE



M. S. Sundara Rajan

Executive Director, Indian Bank
Chairman, Board of IBMBS Ltd.



एम. एस. सुन्दरराजन
कार्यपालक निदेशक

May 28, 2007



I am glad to note that Indbank Merchant Banking Services Limited (IBMBS) the subsidiary of Indian Bank has embarked upon an ambitious plan of expansion of its operations with a view to coming closer to it's customers. I feel equally glad to note that the plan so drawn by IBMBS includes geographical expansion and entering into niche areas like online trading thereby enabling the customers to deal in stocks and shares from anywhere, equity research and technical analysis for giving value added services etc.

Marching towards achieving such goals, I take immense pleasure to note that IBMBS is launching a monthly newsletter "INDBANKONLINE" designed to assist retail, HNI and institutional investors with details of market trends pertaining to stock market, money market, commodity market etc. and also analysis of select scrips and mutual fund schemes.

I am sure this newsletter giving nuances of saving / investing in the stock market will benefit the customers to a very great extent.

I wish IBMBS all success in this new endeavor.



M. S. SUNDARA RAJAN

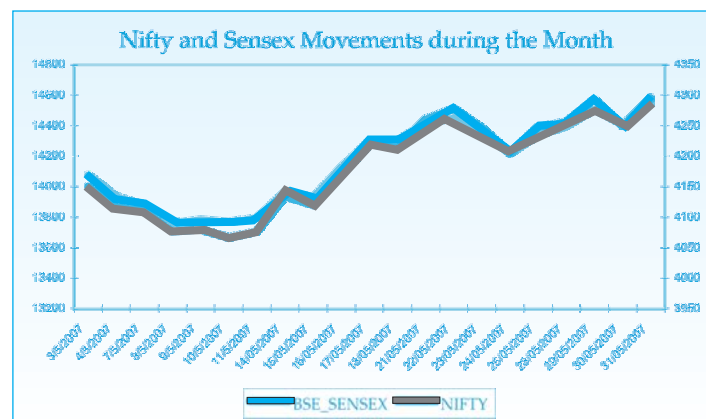


Markets Last Month

Indian Equity Markets

Market ended the week flat during the beginning of the month, as market remained highly volatile, with mainly stock specific action. Sustained optimism on strong corporate earnings and strong global markets aided market sentiment. Lok Sabha passed finance bill 2007-08 after some changes - clarification on FBT on ESOPs; withdrawal of higher fixed duty on cement and instead levy of 12% ad valorem duty on 50 kg bags costing more than Rs.190; and slashing of export duty on iron ore. During the second week of the month, market remained highly volatile, tracking global markets and domestic economic data. Cautious sentiment caused profit booking. Comfort returned on the political uncertainty with the UP elections results announced. Concerns regarding industrial production and inflation were alleviated as IIP unexpectedly grew at 12.9%, with strong growth in manufacturing, and slower inflation rate. Market rallied over the third week, on account of firm global markets, expectation of early arrival of monsoon and a strong 10% rally in Bankex. Market ended its fourth week with marginal gain, amid high volatility on account of approaching derivatives expiry, profit-booking as results season draws to a close and general weakness in the global markets. The market sentiment was cautious with the announcement of twin large IPOs of DLF and ICICI Bank, expected to raise approx. Rs.30000 crore. Lower inflation data was a positive sign for the market.

The Nifty index hit another all time high on the last day of the month at 4295.80, up by 46 points/1.09% from the previous close, buoyed by rising global markets following the US Fed's statement on stable interest rates for next six months, and the release of domestic economic growth figure at 9.04%, the highest growth since 1987. Sensex closed at 14544.46(3.31% over the previous month's close) on the last day of the month.



IT sector under performed throughout the month, due to the pressure of rupee appreciation, while banking stocks gained due to fall in inflation and speculation over SLR cut and also due to better than expected SBI results, passing of SBI (Subsidiary Bank Laws) Amendment Bill 2006 and RBI guidelines on trading of credit default swaps. Banking stocks under performed during the penultimate week of the month due to rumors of possible CRR hike. Auto sector under performed on account of negative outlook on Bajaj Auto demerger.

Institutional Investment - FII and MF Trend for the Month

FIIs bought aggressively during the beginning of the month, suggesting sentiment improvement after good corporate results. MFs were very cautious net buyers as they were buying in line with the market sentiments. But since second week, both FIIs and MFs remain optimistic, as they were net buyers on expectation of strong corporate performance and optimism over underlying strength in the Indian economy.

FII-Cash segment

(Rs.Crores)

Month	Equity Gross Purchase	Equity Gross Sales	Equity Net Purchase/Sales	Debt Gross Purchase	Debt Gross Sales	Debt Net Purchase/Sales
May-07	48193.8	43929.7	4264.1	2376.1	1016.0	1360.1

FII - Derivatives segment

(Rs.Crores)

Month	Index buy	Index sell	Stock buy	Stock sell
May - 07	33513.2	30429.4	19183.1	24477.9

Mutual Fund - In cash & Debt Segment

(Rs. Crores)

Month	Equity Gross Purchase	Equity Gross Sales	Equity Net Purchase/Sales	Debt Gross Purchase	Debt Gross Sales	Debt Net Purchase/Sales
May-07	14256.4	12473.3	1783.1	21427.2	13492.2	7935.0

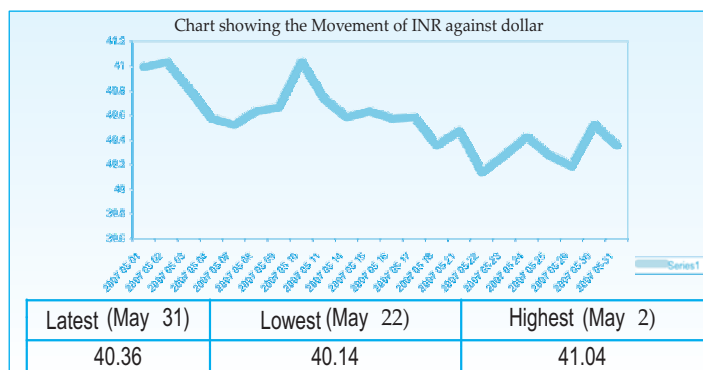
Money Markets

10-year benchmark G-Sec yields rose in the beginning of the month due to concerns over liquidity tightening, despite a fall in inflation easing fears of a near-term hike in interest rates by RBI. Yields fell during the second week and third week, as liquidity eased on increased inflows on account of Govt spending, coupon and redemption payments. Traders speculated that easing inflation could force RBI to leave interest rates unchanged in near term. The sentiment however, turned cautious on higher than expected price data and Govt's comments on inflation.

Cash Reserve Ratio and Interest Rates				
(per cent per annum)				
Item/ week ended	4-May	11-May	18-May	25-May
Cash Reserve Ratio	6.50	6.50	6.50	6.50
Bank Rate	6.00	6.00	6.00	6.00
Minimum Term Lending Rate	10.25	10.25	10.25	10.25
Prime Lending Rate	12.75-13.25	12.75-13.25	12.75-13.25	12.75-13.25
Deposit Rate	7.50-9.00	7.50-9.00	7.50-9.00	7.50-9.00
Call Money Rate (Range)	6.75-7.75	1.50-3.17	6.40-7.75	5.25-7.75

❖ Govt tightened ECB norms that are aimed at restricting flow of foreign funds, during the second week of the month, indicating that redeemable preference shares issued to foreign investors on or after May 1, 2007 would be regarded as external commercial borrowing (ECB), with the exception of those that are compulsorily convertible. The ceiling rates were decreased, making it difficult for smaller companies to raise loans. Also in a bid to curtail fund flow to the sector, realty companies will be barred from raising foreign funds. During the last week the yields remained rangebound with improved liquidity and falling inflation lending the positive market sentiment

❖ WPI-based inflation declined to 5.06% YoY for the week ended May 19 from 5.27% in the previous week. Inflation has been declining for four consecutive weeks. The high base effect coupled with govt's fiscal and monetary measures (viz. duty cuts and interest rate hikes) seem to be weighing inflation down.



❖ Rupee appreciated to a 9-year high of Rs.40.14 / \$ during the month, on the back of strong foreign inflows.

Commodity Market

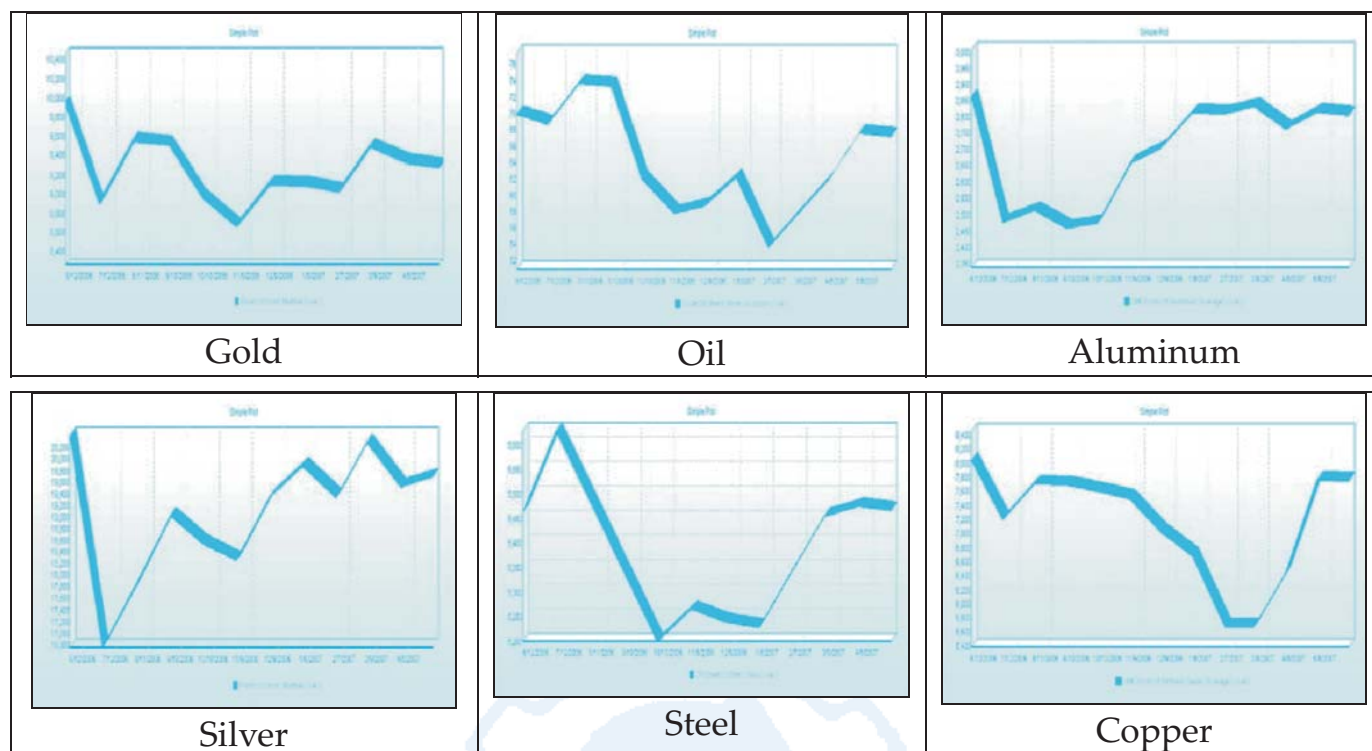
Entire commodity market was weak last week of the month. Commodities futures slipped into uncertain zone on illusive cues in the market.

Copper prices slumped 7.8% during the third week of the month week due to fear over copper glut. (Chinese copper production recorded 17% rise in April, while world's copper surplus is expected to rise to 524000 tones next year from 280000 tones this year)

Crude prices fell with the biggest weekly decline in 4 months, during the beginning of the month, on the signs that supplies are adequate to meet refiners' summer demand for gasoline. Numbers suggested that crude oil market is well supplied even as gasoline stocks continued to decline. Crude prices rose on supply disruptions from Congo Republic and Nigeria, continued unplanned refinery outages, during the second and third week. Crude oil prices were range bound during the last week of the month, due to speculation over gasoline inventories ahead of the Memorial Day holiday, strikes and violence in Nigeria and tensions over Iran standoff.

NCDEX is set to approach the commodity market regulator, forward markets commission (FMC), to permit trade in coal futures. This would play an active role in lowering the price risks for both consumers and manufacturers using coal, as well as managing resources.

Commodities Movement over the last 12 Months



Global Market

US treasuries rose as job growth data was well below expectations during the end of previous month. They tumbled during the first three weeks of May in response to Fed Policy statement that predominant concern remains at risk and inflation will fail to moderate. The investors interpreted, as Fed isn't inclined to cut rates until late CY07. Prices, however, rose on unsettling economic news on weak retail sales, PPI and widening trade deficit. Core comments on housing market slowdown failed to change investors' perception on Fed rates. US treasury yields hit their highest during the fourth week of the month, since Jan after a surprising jump in new home sales and durable goods orders made a rate cut this year look less likely, amid inflation warnings from policy makers.

Jobless rate in Euro region marginally fell. Having said that, the economic outlook remains robust, with ECB likely to signal further rate hikes.

BoE raised interest rate to 5.5% during the beginning of the month, as economy grows strongly and inflation hit 3.1%.

Shanghai Composite crossed 4000-point mark to a record, during the second week of the month as the market shrugged off official warnings of a possible market bubble. Chinese govt allowed its banks to buy shares overseas, causing Asian markets, particularly HK to rally. However the market tumbled after the government's hike in the stock trading tax.

Indices	Country	Index As on 30th April	Index as on 31st May
Nasdaq	United States	2525.09	2606.28
DJIA	United States	13062.91	13633.08
S&P 500	United States	1482.37	1530.23
Hang Seng	Hong Kong	20318.98	20634.47
Nikkei 225	Japan	17274.98	17875.75
Straits Times	Singapore	3361.29	3511.13
FTSE 100	United Kingdom	6449.2	6635.00
CAC 40	France	5960.04	6105.02
DAX	Germany	7408.87	7882.54

IPO and NFO Review

Forthcoming issues					
Company Name	Issue Type	Face Value	Premium	Issue Open	Issue Close
Nelcast Ltd.	Public Issue (B)	10	195-219	04/06/2007	08/06/2007
Meghmani Organics Ltd.	Public Issue (B)	1	17-19	04/06/2007	07/06/2007
DLF Ltd.	Public Issue (B)	2	500-550	11/06/2007	14/06/2007
Roman Tarmat Ltd.	Public Issue (B)	10	150-175	12/06/2007	19/06/2007

New Listing					
Company Name	Listed Date	Offer Price (Rs.)	Last Traded Price as on 1st June 2007(Rs.)	Last Traded Price (Rs.)	Change (%)
KM Sugar Mills Ltd.	31/05/2007	52	26.35	1/6/2007	-97.34
MIC Electronics Ltd.	30/05/2007	150	380.35	1/6/2007	60.56
Insecticides (India) Ltd.	30/05/2007	115	113.3	1/6/2007	-1.50
Binani Cement Ltd.	28/05/2007	75	67	1/6/2007	-11.94
Hilton Metal Forging Ltd.	24/05/2007	70	60.9	1/6/2007	-14.94
Shree Ganesh Forgings Ltd.	22/05/2007	30	31.7	1/6/2007	5.36
Ankur Drugs & Pharma Ltd.	22/05/2007	10	310.55	1/6/2007	96.78
Bhagwati Banquets & Hotels Ltd.	17/05/2007	40	43.05	1/6/2007	7.08
Webel SL Energy Systems Ltd.	15/05/2007	460	492.9	1/6/2007	6.67
Fortis Healthcare Ltd.	09/05/2007	108	87.8	1/6/2007	-23.01
Lambodhara Textiles Ltd.	15/05/2007	10	19.05	1/6/2007	47.51
Bhandari Consultancy & Finance Ltd.	10/05/2007	10	23.2	1/6/2007	56.90

There were totally 8 public issues during the month of May 2007, of which 3 companies, i.e., MIC Electronics, Time Technoplast and Nitin Fire Protection were oversubscribed by nearly 50 times of their issue size. The other schemes were over subscribed by less than 2 times of their issue size.

NFO							
Scheme	Type	Class	Open Date	Close Date	Entry Load	Exit Load	Amount
DBS Chola FMP S7 QP4	Close	Debt – FMP	28/5/2007	1/6/2007	nil	nil	5000
Tata FHF S 12 Plan A	Close	Debt – FMP	28/5/2007	4/6/2007	nil	nil	5000
HDFC Qtr Inter Plan C	Inter	Debt - Income	7/5/2007	5/6/2007	nil	nil	5000
Kotak FMP 3M S-20	Close	Debt - FMP	4/6/2007	6/6/2007	nil	1	5000
RelianceInterval QS3	Inter	Debt - Income	6/6/2007	6/6/2007	nil	0.3	5000
Birla FTP 24 M	Close	Debt - FMP	31/5/2007	8/6/2007	nil	4	5000
Birla FTP 24 M - IP	Close	Debt - FMP	31/5/2007	8/6/2007	nil	4	100000
HDFC Mid-Cap Opportunity	Close	Equity - Diversified	7/5/2007	8/6/2007	nil	nil	5000
SBI InfrastructureS1	Close	Equity - Diversified	11/5/2007	8/6/2007	nil	nil	5000
UTI FMP May07 YS	Close	Debt - FMP	16/5/2007	11/6/2007	nil	2	10000
Tata SIP Inves S-2	Close	Equity - Diversified	10/5/2007	14/6/2007	nil	nil	5000
FranklinIndia HighGC	Open	Equity - Diversified	31/5/2007	29/6/2007	2.25	0.5	5000

During the month of May, the total assets under management (AUM) of the mutual fund industry touched Rs 4,02,035.88 crores, a growth of 14.7 per cent from that of the previous month's (April) AUM of Rs 3,50,279.39 crores.

A total of 91 debt schemes were launched during the month, comprising of 77 closed ended schemes and 14 open-ended schemes. 2 Close ended balanced equity schemes were launched from DWS Capital and Franklin Templeton fund houses during the month. AIG, DSPML, BIRLA and JP Morgan fund houses launched Equity diversified schemes that includes 2 close ended and 2 open-ended schemes.

Mutual Fund Corner

Scheme for the Month

Pru ICICI Services Industries-G (Open Ended Equity Diversified)

Fund Manager : Deven Sangoi

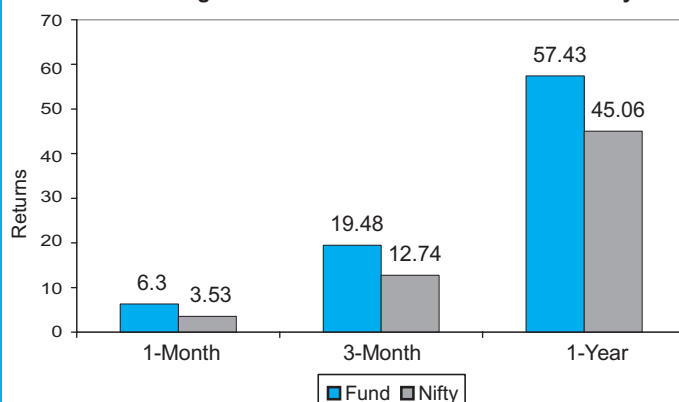
PruICICI Services Industries Fund, an open-ended equity fund, is created to invest in the services sector encompassing the above drivers of India's growth through sectors like Auto components, Banking and Financial services, Health Care, Hotels, Media and Entertainment, Trade and Retail, IT and IT Enabled Services, Telecom, Transportation, etc.

Current Status & Profile	
Latest NAV	17.1 (31/05/07)
52 -Week High	17.1 (31/05/07)
52 -Week Low	8.86 (14/06/06)
Fund Category	Equity: Diversified
Type	Open End
Launch Date	November 2005
Net Assets (Cr)	465.98 (31/03/07)
Benchmark	S&P CNX Nifty

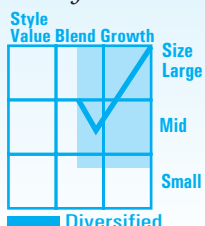
Fund Objective

The Scheme is an open-ended equity Scheme seeking to provide capital appreciation and income distribution to unit holders by investing predominantly in equity/equity related securities of the companies belonging to the service industries and the balance in debt securities and money market instruments including call money. The scheme will predominantly invest in equity or equity related securities of the companies belonging to the service industry and the balance in debt and money market instruments. PruICICI Services Industries Fund offers the Multi-sector fund with much lesser concentration risks.

Chart showing the Performance Returns of- Fund & Nifty



Fund Style



Portfolio Characteristics

Equity and Equity related instruments in services sector 70% to 100% & Debt, Money Market Instruments and Call money 0% to 30%

Top Holdings (as on 31/3/07)

Top Holdings		Ason 30/04/07
Name of Holding	Instrument	% Net Assets
Nucleus Software Exports	Equity	5.33
Nifty Futures	Equity Derivatives	4.39
India Infoline	Equity	3.95
ICICI Bank	Equity	3.83
Bharti Airtel	Equity	3.43
Jain Irrigation Systems	Equity	3.41
Jagran Prakashan	Equity	3.09
Deccan Chronicle Holdings	Equity	3
Punjab National Bank	Equity	2.84
Bharati Shipyard	Equity	2.68
Dishman Pharma & Chemicals	Equity	2.56
Wipro	Equity	2.54
Bharat Electronics	Equity	2.52
Jai Prakash Associates	Equity	2.49
Andhra Bank	Equity	2.38
Infotech Enterprises	Equity	2.3
Nagarjuna Construction Co.	Equity	2.16
Zee Entertainment Enterprises	Equity	2.11
United Phosphorus Ltd.	Equity	2.08
CONCOR	Equity	2.08
Aditya Birla Nuvo	Equity	2.07
Tata Consultancy Services	Equity	1.99
Union Bank of India	Equity	1.98
Tech Mahindra	Equity	1.93
Mphasis	Equity	1.92

Sector Wise Holdings

Sector Weightings		
Ason 30/04/07		
Technology	% Net Assets	
Services	27.65	
Financial Services	14.06	
Chemicals	12.03	
Diversified	8.05	
Health Care	4.56	
Automobile	4.56	
Construction	3.79	
Energy	3.05	
Textiles	1.41	

IFCI

House : Government of India

Industry : Finance-Term-Lending Institutions

Industrial Finance Corporation of India (IFCI) was set up in the year 1948, by the Central Government as the first Development Financial Institution in the country to provide long-term finance needs of the industrial sector. Subsequently in the year 1993 it was incorporated as a limited company and was renamed as IFCI Ltd. At the initial phase IFCI was provided access to low-cost funds, which in turn enabled it to provide loans and advances to corporate borrowers at concessional rates.

The company is essentially involved in project financing and also provides other financial services, leasing and merchant banking services. It has also been successful in implementing the Government's development projects. IFCI provides long-term financial support to all segments of the Indian Industry. It contributes funds for the modernization of Indian industry, export promotion, import substitution, entrepreneurship development, pollution control, energy conservation and generation of both direct and indirect employment.

IFCI directly provides short-term and long term financing to sectors like Consumer goods industry (textiles, paper, sugar), Service industries (hotels, hospitals), Basic industries (iron & steel, fertilizers, basic chemicals, cement), Capital & intermediate goods industries (electronics, synthetic fibers, synthetic plastics, miscellaneous chemicals) and to the Infrastructure Sector (power generation, telecom services).

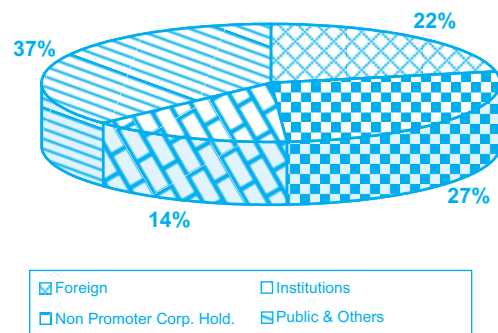
IFCI has its head office at New Delhi and is operating through a network of over 27 branches across the country and is wholly owned and managed by the Central government.

As a long-term strategy, the company comprises primarily the creation of necessary infrastructure and opening of more offices for resource mobilization as also taking effective steps to gradually move away from the long-term project financing towards becoming a universal bank.

No fresh assistance was sanctioned during the year 2006, in consonance with the continuing objective of consolidation of operations and fulfilling the terms and conditions of loan/grants received from the Government of India.

IFCI is being spearheaded by Atul Rai, whole time director.

Shareholding Pattern (%)



Financials snapshot

IFCI had a net profit of Rs 652.68 crores in the quarter ended March 2007 as against net loss of Rs 105.11 crores during the previous quarter ended March 2006. Sales rose 40.60% to Rs 1052.62 crores in the quarter ended March 2007 as against Rs 748.68 crores during the previous quarter ended March 2006. During FY07 the company sanctioned Rs 1000 odd crores loans to the top corporate and targets about Rs 2500 crores for FY08. The CARs on Mar'07 stood at 14%.

For the FY06-07, IFCI showed a net profit of Rs 898.02 crores in the year ended March 2007 as against net loss of Rs 178.10 crores during the previous year ended March 2006. Sales rose 20.91% to Rs 1989.73 crores in the year ended March 2007 as against Rs 1645.69 crores during the previous year ended March 2006.

Government so far has infused around Rs 4,600 crores in IFCI to revive it. The 2007-08 budget announced Rs 1,300 crores fresh infusion in the institution to meet its restructuring liabilities, including payment for outstanding loan of Rs 880 crores.

During the end of the previous financial year, 2006-07, the net NPAs of IFCI had reduced to zero with an NPA resolution of over Rs 1,000 crores, while gross NPAs stood at Rs 6,500 crores. The accumulated losses have fallen from Rs 4,800 crores to Rs 800 crores. The company has made recoveries of Rs 1,000 crores in 2006-07. The revival in the country's economy also helped it reducing bad loans.

In the January-March quarter of 2007, the company raked in Rs 800 crores from a seven per cent stake sale in the National Stock Exchange and about Rs 30 crores by divesting its entire stake in ICRA.

Financial Snapshot (Rs.Crores)					
	Fy2006-07 (Unaudited)	Fy 2005-06	Fy 2004-05	Q 2007-03	Q 2006-03
Equity	638.68	638.68	638.68	638.68	638.68
Networth	16.23	- 3919.79	- 3844.85	-	-
Capital Employed	NA	10187.7	11609.37	-	-
Gross Block	NA	598.37	603.3	-	-
Sales	1989.73	1584.96	1230.36	1052.62	748.68
Rate of Growth(%)	25.54%	28.82%	10.93%	40.60%	-
Other Income	81.26	194.63	272.57	183.49	133.61
PBIDT	730.94	606.86	535.87	1215.06	199.2
Rate of Growth(%)	20.45%	13.25%	- 128.73%	509.97%	-
PBT	- 9.02	- 177.82	- 443.4	1031.52	- 1.11
PAT	880.71	- 266.2	- 626.65	652.68	- 105.11
Rate of Growth(%)	430.84%	- 57.52%	- 77.33%	0	-
Book Value (Rs)	0.25	- 61.37	- 60.2	720.95	-
EPS(Unit Curr.)	13.79	0	0	1.02	0.00
PBIDTM(%)	100.6	29.13%	23.46%	115.43%	26.61%
PBDTM(%)	63.86	- 13.69%	- 40.28%	98.20%	0.16%
PATM(%)	45.13	- 14.96%	- 41.70%	63.50%	- 0.15%

With economy growing at a higher rate and steel, cement and textile sectors looking up, the company is likely to make substantial recoveries from such sectors. IFCI's investments in subsidiaries, associate companies, assisted companies and strategic investments are expected to generate high returns as many of them are doing well. IFCI is also understood to have an attractive real estate portfolio, which is estimated to be worth Rs 1,000 crores.

Future IFCI

IFCI has announced a major turnaround with a profit of around Rs 1,000 crores for financial year 2006-07. The turnaround is accompanied by several changes including a new man at the helm of the company. Atul Kumar Rai, Indian Economic Service officer has taken over as the new Chief Executive Officer. A key target for Rai is to sustain the revival of the company and develop a viable business model.

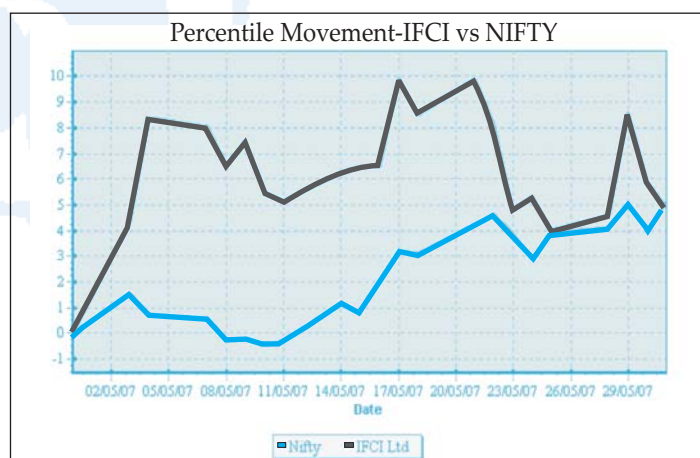
The board of IFCI Ltd has decided to divest 26% of its stake to a strategic investor through fresh issue of shares. Consultant firm Ernst & Young has already been roped in to find a strategic partner for the company. Several global financial majors like CitiGroup and Barclays have expressed interest. The stake is likely to go to a company, which can help IFCI to scale greater heights.

IFCI is in the process of selling Malavika Steel Plant, estimated to fetch close to Rs 600 crores. However, this will materialize in the early part of 2007-08. To recover its dues, IFCI has advertised for sale of one of its units of Arihant Industries Ltd at Baddi, Himachal Pradesh, for a reserve price of Rs 45 crores. The unit is located on about 28 acres of land and is eligible for tax concession from the central and state government.

Market Report

The sudden realization that IFCI is turning black has led to a 243 per cent increase in the share price - to Rs 47 as on May 31 from Rs 14 as on January 2, 2007.

The rally in IFCI began after the company sold 7% stake in NSE, out of an aggregate 12.44% it holds in India's premier stock exchange. The company raked in about \$161 million from the sale. IFCI still has another 5% stock in NSE, which it has kept in the larder for rainy days.



Market snapshot	
Market Data (As on 31 - May -2007)	
Price (Rs)	47.05
Lat. P/E	3.4
Mkt. Cap.(Rs Cr)	3011.15
Lat. BV(Rs)	0.27
52 W H/L(Rs)	51/8
Lat. EPS(Rs)	13.76
Lat.Eqty (Rs Cr)	639.99
Div. Yield (%)	0.00

SAIL (Steel Authority of India Ltd)

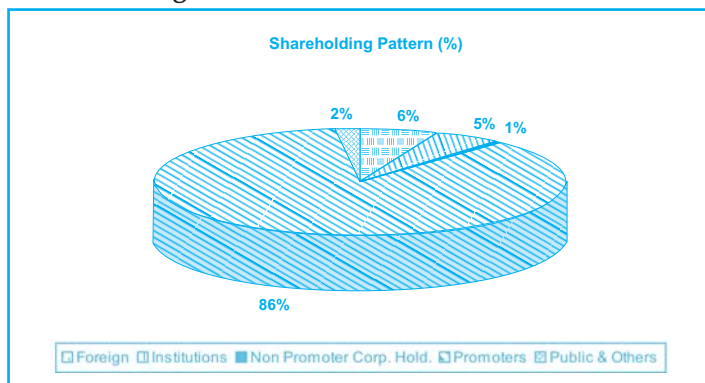
INDUSTRY : Steel Large

HOUSE : Government of India

Incorporated in 1973, the Steel Authority of India (SAIL) is a giant among the steel majors in India. SAIL is the largest steel conglomerate in the country and the world's ninth-largest steelmaker. It manages and operates five integrated steel plants at Bhilai (Madhya Pradesh), Bokaro (Bihar), Durgapur (West Bengal), Rourkela (Orissa) and Burnpur (West Bengal). It also has four units for special and alloy steels and ferro alloys at Durgapur (West Bengal), Salem (Tamilnadu), Chandrapur (Maharashtra), and Bhadravati (Karnataka). The subsidiaries of SAIL are The Indian Iron & Steel Company Ltd and Maharashtra Elektros melt Ltd. SAIL's plants and units have received ISO 9002/1 certifications and are well-equipped with the state-of-the-art technology to meet advanced needs and applications.

SAIL operates nine iron ore, five limestone, three dolomite and three coal mines besides generating 700 MW of captive power. The Central Marketing Organization, with its head quarters at Calcutta, monitors its domestic market through an expanding network of stockyards, dockyards, branch sales offices and consignment agents while the International Trade Division looks after its export of world-class steel to as many as 70 countries across the globe, by establishing close liaison with buyers abroad. The company is the only producer of extra-wide (up to 3200 mm) and heavy plates, catering to the needs of the construction, automobile, shipbuilding, engineering and other sectors.

Share Holding Pattern



Industry Trend

Budget Provisions

- ❖ Customs duty on primary steel has been retained at 5%.
- ❖ Customs duty on seconds and defectives of steel has been reduced from 20% to 10%.
- ❖ Customs duty on all coking coal irrespective of ash content to be fully exempted.
- ❖ Levy of additional 1% cess for funding of secondary and higher education on both excise and customs duties
- ❖ Dividend distribution tax raised to 15% from 12.5%

However the budget failed to address the major expectation of the industry on import duties for steel, melting scrap and electrodes, etc. The focus of the budget has been infrastructure development. This can emerge as a catalyst for the steel industry. A greater thrust on infrastructure could facilitate acceleration in demand for longs. Overall, the Union Budget 2007-08 has been neutral for the steel sector.

Indian steel industry is witnessing unprecedented growth. Steel consumption has grown by over 10 per cent in most of the months during April/January 2006/07. With new capacities coming onstream, production of steel has also recorded a healthy 7.7 per cent rise. Steel prices hardened in May 2007 on account of government intervention. Steel Authority of India upped prices by Rs.8001,500 per tonne for flat and long products.

Steel prices in China are lower on y-o-y basis. However, there is some respite for the industry as the prices are recovering slowly from the lows touched in the recent times.

Financial Overview

Financial Snapshot (Rs.Crores)					
	Fy 2006- 07 (Unaudited)	Fy 2005-06	Fy 2004-05	Q 2007-03	Q 2006-03
Equity	4130.4	4130.4	4130.4	4130.4	4130.4
Networth	17313.15	12601.41	10306.65	-	-
Rate of Growth(%)	37.39%	22.26%	104.59%	-	-
Capital Employed	NA	16899.03	16076.44	-	-
Sales	35026.21	32686.89	32023.87	10385.08	8979.62
Rate of Growth(%)	7.16%	2.07%	32.68%	15.65%	-
Other Income	839.21	1147.74	1072.69	238.79	175.69
PBIDT	10966.23	7380.8	11144.28	3262.35	1667.87
Rate of Growth(%)	48.58%	-33.77%	136.80%	95.60%	-
PAT	6202.29	3974.28	6821.69	1901.88	1103.2
Rate of Growth(%)	56.06%	-41.13%	171.37%	72.40%	-
Book Value (Rs)	41.92	30.51	24.95	-	-
EPS (Rs.)	15.02	9.44	16.06	4.60	2.67
Rate of Growth(%)	59.07%	-41.22%	164.14%	72.40%	-
Dividend (%)	31%	20%	33%	15%	13%
Debt - Equity	NA	0.44	0.94	-	-
RONW (%)	41.47%	35.04%	88.85%	-	-
PBIDTM(%)	31.31%	22.58%	34.80%	31.41%	18.57%
PATM(%)	17.71%	12.28%	21.29%	18.31%	12.29%

Strong demand for steel, market-driven product-mix, higher value-added special steel production and improved techno-economic parameters helped Steel Authority of India Ltd (SAIL) to achieve a record turnover. The quarter ended Mar'07 SAIL reported a 16% rise in net sales to Rs 10385.08 crores. The resultant operating profit for the quarter ended Mar'07 stood at Rs 3023.56 crores which was 103% higher as compared to the corresponding previous quarter last year. The ensuing PAT for the quarter ended Mar'07 stood at Rs 1901.88 crores, which was 72% higher when compared with corresponding period last year.

For the year ended Mar'07 SAIL reported a 22% rise in sales revenue to Rs 35026.21 crores. The resultant operating profit for the year ended Mar'07 stood at Rs 10127.02 crores which was 49% higher as compared to the corresponding period last year.

The ensuing PBIDT for the year ended Mar'07 was Rs 10966.23 crores, which was 49% higher as compared to the corresponding period last year. The PBT the year ended Mar'07 stood at Rs 9422.62 crores, which was 65% higher when compared with corresponding period last year.

Provision for tax (including deferred tax and fringe benefit tax) for the year ended Mar'07 stood at Rs 3220.33 crores resulting in PAT of Rs 6202.29 crores as compared to Rs 4012.97 crores in corresponding period last year indicating a rise of 55%.

The profitability of the company improved mainly due to higher production and sales of saleable steel coupled with improvement in product-mix, productivity and techno-economic parameters as well as higher sales realizations.

Future SAIL

SAIL's Corporate Plan 2010 also entails modernization of three of its specialty steel plants Alloy Steels Plant (ASP) at Durgapur, Visvesvaraya Iron & Steel Plant (VISL) at Bhadravati and Salem Steel Plant (SSP) at Salem. This will ensure increase in the production of saleable steel from SAIL's specialty steel plants from a level of 0.379 MT in 2004-05 to 0.993 MT by 2010. Currently, projects worth round Rs 28,000 crores are in various stages of completion. This includes 28 ongoing projects worth more than Rs 2,800 crores spread over six production units across the country.

In a significant development, the company now obtains consolidated approval for the major projects instead of piecemeal approvals. Some of the important ongoing projects include installation of Slab Caster at Bhilai Steel Plant, Installation of Bloom Caster at Durgapur Steel Plant, Installation of Pipe Coating Plant at Rourkela Steel Plant,

Rebuilding of Coke Oven Battery No. 5 and Upgradation of Automation System of Tandem Mill in CRM Complex at Bokaro Steel Plant and Installation of Argon Oxygen Decarburisation (AOD) and High Powered Electric Arc Furnace (EAF) at Alloy Steels Plant.

As per the Corporate Plan of SAIL, Bokaro Steel Plant is likely to become the first steel plant to have a state-of the art thin slab caster. With this, Bokaro plant will acquire capability to process 100% of steel through continuous casting process.

SAIL is planning to set up an SEZ in the extra land adjacent to the company's stainless steel plant at Salem in Tamil Nadu. Steel Authority of India (SAIL) board approved Rs 9869-crores, for modernization and capacity expansion plan of Rourkela Steel Plant (RSP). The proposal envisages to more than double the hot metal production capacity of RSP from 2 million tones to 4.5 million tones a year (MTPA). The project is expected to be completed by 2010.

Est. Saleable Steel Capacities of SAIL plants by 2010 (In MT)

Bhilai Steel Plant	6.21
Durgapur Steel Plant	2.85
Rourkela Steel Plant	2.90
Bokaro Steel Plant	6.50
IISCO Steel Plant	2.37
Alloy Steels plant	0.43
Salem Steel Plant	0.35
Visvesvaraya Steel Plant	0.22
Total	21.83

Percentile Movement-SAIL vs NIFTY



Market trend

Market snapshot	
Market Data (As on 31 - May - 2007)	
Price (Rs)	140.1
Lat. P/E	9.3
Mkt. Cap.(Rs Cr)	57866.90
Lat. BV(Rs)	41.92
52 W H/L(Rs)	150 / 61
Lat. EPS(Rs)	15.02
Lat.Eqty (Rs Cr)	4130.4
Div.Yield (%)	1.43

Beginners Corner

Savings: In common usage, saving means putting money aside, the money you earn is partly spent and the rest saved for meeting future expenses.

Investment: Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. Investment analysis is the process of determining the profitability of an investment by comparing it with the profitability of alternative investments.

Investment Mantra

- ❖ Invest early
- ❖ Invest regularly
- ❖ Invest for long term and not short term

Reason for investing

- ❖ To earn return on your idle resources
- ❖ To generate a specified sum of money for a specific goal in life
- ❖ To make a provision for an uncertain future
- ❖ Invest to meet the cost of Inflation. Inflation is the rate at which the cost of living increases. (Remember to look at an investment's 'real' rate of return, which is the return after inflation)

Options available for investment

- ❖ **Physical assets** like real estate, gold/ jewellery, commodities etc. and/or
- ❖ **Financial assets** such as fixed deposits with banks, small saving instruments with post offices, insurance/provident/pension fund etc. or securities market related instruments like shares, bonds, debentures etc

What care should one take while investing?

- ❖ Draw the investment goals and assess the same
- ❖ Identify the various investment opportunities
- ❖ Obtain written documents explaining the investment, and understand the same
- ❖ Verify the legitimacy of the investment
- ❖ Understand the costs and benefits associated with the investment
- ❖ Assess the risk-return profile of the investment
- ❖ Know the liquidity and safety aspects of the investment
- ❖ Deal only through an authorized intermediary and seek all clarifications about the intermediary and the investment

Investment Tip for the Month

Save Half Your Age.

Take your age, divide it by two, and that is how much of your income you should be saving. For example, if you're 20 years old and just starting your first job, you should save 10 percent of your salary. If you're 44 years-old, you should save 22 percent.

Benefits? When you're younger and aren't making much, achieving a high savings rate is difficult. When you're older, you're not only saving a greater percentage, but you are presumably making more money and are saving a greater amount.

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