



### Index

- ♦ [Stock Update >> New Delhi Television](#)
- ♦ [Stock Update >> Ranbaxy Laboratories](#)

### Take Five

Scrip	Reco Date	Reco Price	CMP	Target
♦ 3i Infotech	06-Oct-05	132	182	244
♦ Cadila	21-Mar-06	595	657	850
♦ NDTV	10-Feb-05	181	243	300
♦ Selan Exploration	20-Mar-06	58	68	94
♦ TCS	06-Mar-06	1,705	1,899	1,980

# New Delhi Television

Emerging Star

## Stock Update

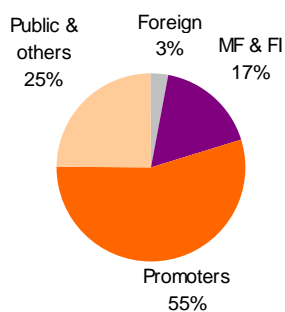
Price target revised to Rs300

Buy; CMP: Rs243

### Company details

Price target:	Rs300
Market cap:	Rs1,477 cr
52 week high/low:	Rs272/138
NSE volume: (No of shares)	5.4 lakh
BSE code:	532529
NSE code:	NDTV
Sharekhan code:	NDTV
Free float: (No of shares)	2.7 cr

### Shareholding pattern



### Price chart



### Price performance

(%)	1m	3m	6m	12m
Absolute	7.5	14.9	10.2	27.3
Relative to Sensex	0.6	-4.1	-14.7	-26.5

We like the way New Delhi Television (NDTV) is broadening its horizons by adding on new sources of growth. The tie-up with Genpact comes as just another feather in its cap. NDTV has formed a joint venture (JV) with Genpact, (formerly known as GE Capital International Services, an outsourcing arm of GE) to foray into the media outsourcing services to global media companies.

We have frequently mentioned that NDTV is evolving as a complete media play with multiple revenue triggers in place. NDTV Profit, its business news channel, has started gaining ground in terms of revenues. NDTV now has global tie-ups for the broadcast of its channels in the USA, the UK and Canada. The stake sale of the new to-be-launched general entertainment channel would also provide substantial upside from hereon. What's more, its Internet vehicle, www.ndtv.com, has been rated as the sixth best news site globally.

With these triggers in place, NDTV's valuations at 17.5x its FY2008E EPS look very attractive. We maintain our Buy recommendation on the stock with a revised price target of Rs300.

### JV opens doors to nearly \$9-10 billion market

The JV will focus on providing cost effective, high quality media services to global and regional media and entertainment companies in the areas like editing, digitisation and closed captioning.

Closed captioning allows deaf and hard of hearing/hearing-impaired people, people learning English as any language in which the programme is being aired, people first learning how to read, people in a noisy environment, and others to read a transcript or dialogue of the audio portion of a video, film, or other presentations. As the video plays, text captions are displayed that transcribe, although not always verbatim, what is said and by whom and indicate the other relevant sounds.

The global media industry is expected to be of the size of \$1.34 trillion of which nearly 70% can be outsourced to save cost. Even if India gets a percentage of this work it opens up the gates to a \$9-10 billion market for NDTV. NDTV will have the first mover advantage for an Indian company in this market.

The JV seeks to combine NDTV's brand image, domain knowledge and media skills with Genpact's global delivery capabilities, and a reputation for operational excellence.

### Valuation and view

We believe that NDTV has several growth triggers in place, which are likely to unfold over a period of time.

- ◆ NDTV Profit has started gaining momentum in terms of revenues and going forward we expect it to contribute significantly to NDTV's earnings (see our note *Regaining the lost ground*, dated January 08, 2006).

- ♦ Two channels in which NDTV has a 20% stake in a tie-up with Astro Broadcast, Malaysia, Asia's largest media company, will be launched in Q1FY2007.
- ♦ All three subscription tie-ups, viz with BSkyB, DirectTV and ATN are now on stream.
- ♦ The stake sale of the new to-be-launched general entertainment channel would also provide substantial upside from hereon.
- ♦ NDTV is looking at a strategic partner for its Internet venture, www.ndtv.com, which will help unlock the value for its shareholders.

With these triggers in place, NDTV's valuations at 17.5x its FY2008E EPS look very attractive. We maintain our Buy recommendation on the stock with a revised price target of Rs300.

#### Valuation table

	Sales (Rs cr)	% y-o-y change	Net profit (Rs cr)	EPS (Rs)	% y-o-y change	PER (x)
FY2005	175.0	155.0	32.1	5.3	-	45.8
FY2006E	210.0	20.0	27.2	4.5	-15.1	54.0
FY2007E	254.0	21.0	43.2	8.0	77.8	30.4
FY2008E	370.0	45.7	86.9	13.9	73.8	17.5

The author doesn't hold any investment in any of the companies mentioned in the article.

# Ranbaxy Laboratories

Apple Green

## Stock Update

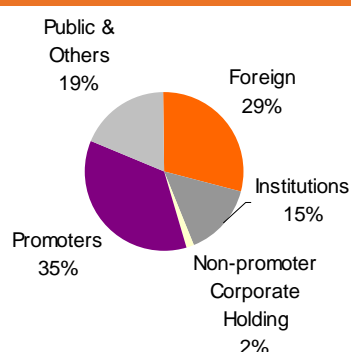
Yes—a big move

Buy; CMP: Rs411

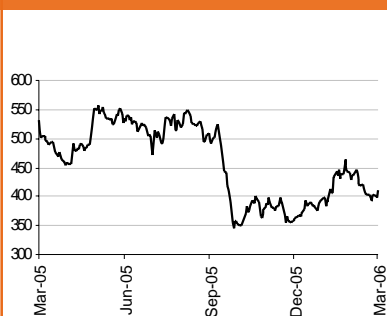
### Company details

Price target:	Rs600
Market cap:	Rs16,424 cr
52 week high/low:	Rs567/339
NSE volume: (No of shares)	22 lakh
BSE code:	500359
NSE code:	RANBAXY
Sharekhan code:	RANBAXY
Free float: (No of shares)	23.9 cr

### Shareholding pattern



### Price chart



### Price performance

(%)	1m	3m	6m	12m
Absolute	-7.4	11.2	-21.3	-24.4
Relative to Sensex	-13.3	-7.2	-39.0	-56.3

### Event

Ranbaxy has bought a 96.7% stake in the Romanian generic firm Terapia for a consideration of US\$324 million (Rs1,450 crore).

### Background

Terapia is a Romanian generics drugs manufacturing company, which had sales of close to US\$80 million in CY2005. The company has two production facilities with manufacturing lines for tablets, capsules, ampoules and liquids. In addition it has a sales force of over 200 employees (one of the largest amongst its peers). The company manufactures products in the high growth cardiovascular and central nervous system segments and has about 157 product registrations.

### Acquisition fairly priced

Ranbaxy paid US\$324 million for acquiring a 96.7% stake in Terapia, which had sales of US\$80 million in CY2005. This translates to a cost of 4.19x its CY2005 sales. At first glance, this looks expensive when compared to Dr Reddy's acquisition of Betapharm (2.92x CY2005 sales) and Zentiva's acquisition of Sicomed (3.26x TTM sales). However it should be noted that Terapia is a good profit making firm having an earnings before interest, tax, depreciation and amortisation (EBITDA) margins of over 35%. Hence the premium paid for the firm looks justified when we compare the price as a multiple of EBITDA. On this basis the acquisition of Terapia at 11.6x its CY2005 EBITDA is cheaper than both Betapharm (12x its CY2005 EBITDA) and Sicomed (12.5x its CY2005 EBITDA). Also it is important to note that Betapharm does not have a manufacturing facility while Terapia has manufacturing facilities (2 plants in Romania).

Both Terapia and Betapharm are in similar product areas having a similar number of registrations. Ranbaxy will have to pay for the European filings while Dr Reddy's got the filings through Betapharm. A comparison of the sales growth in the coming years indicates a greater growth for Terapia (20%) as compared to Betapharm (13%) over the next 3 years. Hence we see that overall it is an equal bet compared to Betapharm.

	Ranbaxy acquires Terapia (96.7% stake)	Dr Reddy's Labs acquires Betapharm (100% stake)	Zentiva acquires Sicomed- Sept2005 (51% stake)
US\$ million	Comparison with CY2005 sales	Comparison with CY2005 sales	Adjusted TTM sales
Cost	324	570	102
Sales	77.4	195	31.3
EBITDA	27.9	47.5	8.2
Manufacturing facility	Yes-2 plants	No	Yes
Cost/Sales	4.19	2.92	3.26
Cost/EBITDA	11.6	12.0	12.5
EBITDA margins	36%	24%	26%
Domestic market	Romania	Germany	Romania
Expected market growth (2004-2008 CAGR)	14%	8%	14%
Expected firm growth	20%	13%	18%
Product registrations	157	145	130
Sales force	200	250	170
Focus segments	CVS, CNS, Muscoloskeletal	CVS, CNS	CNS, Alimentary

Sales and EBITDA proportionate to the stake acquired.

### Synergies with Ranbaxy

Ranbaxy is planning to increase its penetration in the European and CIS markets. Terapia's geographical location in Romania (central eastern Europe) makes it an ideal base for both these territories. The company has manufacturing facilities that can be used by Ranbaxy and 30% of Terapia's products are registered in over 15 countries of Europe. Further the timing of the acquisition is perfect as Romania joins the European Union on January 1, 2007 thus making it easy for Terapia to make the European Union registrations for its products.

Terapia has one of the largest sales forces in the fast growing Romanian market. It has 60 new marketing authorisations planned in the next 3 years. Ranbaxy, on the other hand, intends to increase its focus in the central and eastern European and the CIS countries. Hence Terapia fits perfectly into Ranbaxy's plans. The acquisition should be seen as a strategic move aimed at increasing the focus and revenues in Europe in the coming years.

### Outlook

Ranbaxy has become aggressive in the European market choosing the inorganic route to increase its penetration. With two acquisitions in Europe in one month (acquisitions

of GSK's Italian arm-Allen Spa and Terapia) the company has laid the base for its future growth in Europe and CIS. The two acquisitions taken together are expected to contribute more than Rs695 crore to the top line and Rs200 crore to the bottom line in CY2007. We estimate sales of Rs7,569.9 crore for CY2007 with a profit after tax (PAT) of Rs957.1 crore yielding an earnings per share (EPS) of Rs23.9 for CY2007. At the current market price of Rs411 the stock is trading at 17.2x its CY2007 earnings estimate. We believe that these acquisitions will help in the medium term in enhancing the net profit margins and in the long term in establishing a strong hold in the European markets. Keeping in mind these growth initiatives we reiterate our Buy recommendation on Ranbaxy with a price target of Rs600.

### Key financials

Year to 31st Dec	2003	2004	2005	2006E	2007E
Net revenues (Rs cr)	4702.0	5245.1	5109.0	6550.8	7569.9
Adj profit (Rs cr)	704.1	701.1	261	703.7	957.1
Shares in issue (cr)	39.96	39.96	39.96	39.96	39.96
EPS (Rs)	17.6	17.5	6.5	17.6	23.9
PER (x)	23.3	23.4	62.9	23.3	17.2
Book value (Rs/share)	63	67.2	73.7	91.3	115.3
Price/BV (x)	6.5	6.1	5.6	4.5	3.6

The author doesn't hold any investment in any of the companies mentioned in the article.

## Evergreen

HDFC Bank  
 Infosys Technologies  
 Reliance Industries  
 Tata Consultancy Services

## Apple Green

Aditya Birla Nuvo  
 Associated Cement Companies  
 Bajaj Auto  
 Balrampur Chini Mills  
 Bharat Bijlee  
 Bharat Heavy Electricals  
 Container Corporation of India  
 Corporation Bank  
 Crompton Greaves  
 Emco  
 Godrej Consumer Products  
 Grasim Industries  
 Hindustan Lever  
 Hyderabad Industries  
 ICICI Bank  
 Indian Hotel Company  
 ITC  
 Mahindra & Mahindra  
 Marico Industries  
 Maruti Udyog  
 McDowell & Company  
 MRO-TEK  
 Lupin  
 Nicholas Piramal India  
 Omax Auto  
 Ranbaxy Laboratories  
 Satyam Computer Services  
 Sintex Industries  
 SKF India  
 State Bank of India  
 Tata Motors  
 Tata Tea  
 Unichem Laboratories

## Vulture's Pick

Esab India  
 Orient Paper and Industries  
 WS Industries India

## Emerging Star

3i Infotech  
 Aarvee Denim and Exports  
 Aban Loyd Chiles Offshore  
 Alok Textile Industries  
 Alphageo India  
 Cadila Healthcare  
 KSB Pumps  
 Marksans Pharma  
 Navneet Publications (India)  
 New Delhi Television  
 Orchid Chemicals & Pharmaceuticals  
 ORG Informatics  
 Solecron Centum Electronics  
 Television Eighteen India  
 Thermax  
 Tube Investments of India  
 UTI Bank  
 Welspun Gujarat Stahl Rohren  
 Welspun India

## Ugly Duckling

Deepak Fertilisers & Petrochemicals Corporation  
 Genus Overseas Electronics  
 HCL Technologies  
 ICI India  
 Jaiprakash Associates  
 JM Financial  
 KEI Industries  
 Nelco  
 Numeric Power Systems  
 Punjab National Bank  
 Ratnamani Metals and Tubes  
 Sanghvi Movers  
 Saregama India  
 Selan Exploration Technology  
 Sun Pharmaceutical Industries  
 Surya Pharmaceuticals  
 UltraTech Cement  
 Union Bank of India  
 Universal Cables  
 Wockhardt

## Cannonball

Cipla  
 Gateway Distriparks  
 International Combustion (India)  
 JK Cements  
 Madras Cement  
 Shree Cement  
 Transport Corporation of India

For Private Circulation only

[Home](#)

### Disclaimer

"This document has been prepared by Sharekhan Ltd (SHAREKHAN) This Document is subject to changes without prior notice and is intended only for the person or entity to which it is addressed to and may contain confidential and/or privileged material and is not for any type of circulation. Any review, retransmission, or any other use is prohibited. Kindly note that this document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.

Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report. The information contained herein is from publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. We do not represent that information contained herein is accurate or complete and it should not be relied upon as such. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. SHAREKHAN & affiliates may have used the information set forth herein before publication and may have positions in, may from time to time purchase or sell or may be materially interested in any of the securities mentioned or related securities. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of SHAREKHAN."