



Economy News

- ▶ An inter-ministerial consultation process is expected to begin next week to increase Urea prices by as much as 40 percent. (BL)
- ▶ Iran warned Gulf Arab oil producers against boosting production to offset any potential drop in Tehran's crude exports in the event of an embargo affecting its oil sales, the latest salvo in the dispute between the West and the Islamic Republic over its nuclear programme. (BS)
- ▶ Data from the Corporate Debt Restructuring (CDR) forum reveals that as on September 30, the share of iron and steel in the aggregate debt restructured by this process was the highest, at 30.9 per cent, with 28 cases. (BS)
- ▶ India has threatened to review the benefits it provides to European airlines as it mounted its opposition to the EU move to impose carbon tax on Indian carriers operating through Europe. (ET)

Corporate News

- ▶ **NTPC**, after taking baby steps into power transmission and distribution in 2002, is making efforts to enter the retail distribution segment in a more aggressive manner, both in the national and international market. (BL)
- ▶ **Tata Motors** owned Jaguar Land Rover will invest aggressively in new products and technology over the next 3-5 years even as the slowdown in Europe continues to be a matter of concern. (BL)
- ▶ **Reliance Industries (RIL)** is planning to pick up a minimum 26 per cent stake in leading cable operators, including multi-system operators. (BS)
- ▶ **GMR Energy Limited (GEL)** a subsidiary of GMR Infrastructure Limited, has commissioned its first 25 MW Solar Power Plant at Patan district in Gujarat at a cost of Rs 3 bn This plant also marks GMR Group's foray into the Renewable Energy space. (BS)
- ▶ Despite the glut in the cement industry, **Shree Cement** has placed equipment orders of nearly Rs 7 bn for its kiln unit in Rajasthan. (BS)
- ▶ **State Bank of India (SBI)** will increase the interest rate on car loans by at least 50 basis points from tomorrow to bring these in line with competing banks. (BS)
- ▶ **Development Credit Bank (DCB)** defers its QIP issue to next fiscal. The bank is now hoping to raise up to Rs.1.2 bn in the first quarter of FY13. (BS)
- ▶ **Gujarat Mineral Development Corporation (GMDC)** today will take a decision on setting up an alumina plant and aluminium smelter project in joint venture (JV) with the Navratna PSU Nalco. (ET)
- ▶ **UB Group** may consolidate its foreign liquor assets under Whyte & Mackay and list the Scottish subsidiary as part of a strategy to overcome the financial crisis caused by its floundering airlines business. (ET)
- ▶ **Rural Electrification Corp (REC)** will approach Swiss investors by the end of this month to raise \$200 million equivalent in Francs through a bond sale since US dollar loans get expensive amid hoarding by crisis hit European banks.(ET)

Equity

	13 Jan 12	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	16,155	0.7	4.3	(5.4)
NIFTY Index	4,866	0.7	4.6	(5.2)
BANKEX Index	10,300	0.5	9.3	(6.9)
BSET Index	5,482	(0.0)	(4.0)	(3.8)
BSETCG INDEX	9,297	2.9	10.3	(15.8)
BSEOIL INDEX	7,822	(0.4)	1.9	(11.7)
CNXMcap Index	6,654	0.9	5.9	(6.8)
BSEMCAP INDEX	6,172	1.4	8.5	(10.7)
World Indices				
Dow Jones	12,422	(0.4)	4.7	6.7
Nasdaq	2,711	(0.5)	6.1	1.6
FTSE	5,637	(0.5)	4.6	3.1
NIKKEI	8,500	1.4	(0.4)	(4.3)
HANGSENG	19,204	0.6	4.0	2.8

Value traded (Rs cr)

	13 Jan 12	% Chg - Day
Cash BSE	2,701	5.4
Cash NSE	12,075	(2.2)
Derivatives	114,938	4.9

Net inflows (Rs cr)

	12 Jan 12	% Chg	MTD	YTD
FII	525	5.6	2,559	2,559
Mutual Fund	(421)	481.1	(573)	(573)

FII open interest (Rs cr)

	12 Jan 12	% Chg
FII Index Futures	12,217	2.8
FII Index Options	34,299	1.3
FII Stock Futures	26,764	2.4
FII Stock Options	1,302	8.4

Advances / Declines (BSE)

	13 Jan 12	A	B	S	Total	% total
Advances	148	1,494	254	1,896	66	
Declines	56	685	161	902	31	
Unchanged	1	73	22	96	3	

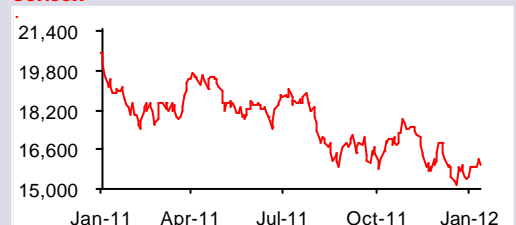
Commodity

	13 Jan 12	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	98.8	0.1	5.6	13.8
Gold (US\$/OZ)	1,633.8	(1.2)	2.9	(2.4)
Silver (US\$/OZ)	29.7	(1.9)	0.9	(7.3)

Debt / forex market

	13 Jan 12	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	NA	NA	NA	NA
Re/US\$	51.5	51.6	53.2	49.1

Sensex



INITIATING COVERAGE

Amit Agarwal

agarwal.amit@kotak.com

+91 22 6621 6222

ARSHIYA INTERNATIONAL (ARST)

PRICE: Rs.122

TARGET PRICE: Rs.185

RECOMMENDATION: BUY

FY13E: P/E: 5.0

We initiate coverage of Arshiya International (ARST) with a BUY rating and a 12- month PT of Rs.185 based on 7.5x FY13E P/E. ARST is in the midst of a transformation from a 3PL player to becoming an integrated service provider. Its Free Trade Warehousing Zone (FTWZ) foray, if successful, can lead to a significant re-rating of the stock even above our target valuations. We expect 24% sales CAGR over FY11-13E driven by ~Rs.5 bn cumulative revenue from FTWZs and an increasing presence in container haulage and 3PL logistics. Adjusted PAT is expected to increase at a 34% CAGR driven by a 750-bps expansion in EBITDA margin as high margin FTWZ business expands and contributes about 25% to revenues in FY13E from 3% in FY11. We expect sizeable value accretion from the FTWZ business from FY13E. We believe a 25% discount to the one year forward multiple of peer group companies adequately factors in concerns on account of high leverage.

Stock details

BSE code	: 506074
NSE code	: ARSHIYA
Market cap (Rs mn)	: 7250
Free float (%)	: 56.8
52 wk Hi/Lo (Rs)	: 292/120
Avg daily volume	: 300,000
Shares (o/s) (mn)	: 59

Summary table

(Rs mn)	FY11	FY12E	FY13E
Sales	8,216	10,322	12,653
Growth (%)	56.2	25.6	22.6
EBITDA	1,593	2,494	3,407
EBITDA margin (%)	19.4	24.2	26.9
PBT	965	1,386	1,835
Net profit	813	1,108	1,470
EPS (Rs)	13.8	18.8	24.9
Growth (%)	-17.3	36.3	32.7
CEPS (Rs)	17.8	26.0	36.2
Book value (Rs/share)	122.4	145.4	170.8
Dividend per share (Rs)	1.0	1.2	1.5
ROE (%)	11.7	14.0	15.8
ROCE (%)	8.5	9.1	9.8
Net cash (debt)	(12,935)	(17,953)	(22,584)
NW Capital (Days)	63.3	61.7	77.3
EV/EBITDA (x)	15.9	12.1	10.2
P/E (x)	8.9	6.5	4.9
P/Cash Earnings	6.8	4.7	3.4
P/BV (x)	1.0	0.8	0.7

Source: Company,

Kotak Securities - Private Client Research

Key investment argument

- FTWZ is a unique business model new in India and adopted by ARST.** FTWZ is a deemed foreign territory. The unit operating within the zone is given special status with various fiscal and non-fiscal benefits. These benefits include various tax exemptions and various value added services at relatively low cost which leads to savings for the clients in the form of low working capital requirement and reduced logistics cost. ARST is pioneering the FTWZ concept in India and after successfully commissioning its Mumbai FTWZ in 3Q FY11, the company is on track to start commercial operations at its Khurja FTWZ by 4QFY12. The company also has plans to add more FTWZs in future in central, eastern and southern regions of the country.
- Ramping up of the rail business.** ARST has a category 1 container rail licence and a fleet of 15 rakes which primarily runs on domestic segment. Company intends to buy another 5 rakes and lease 10 rakes over the next 24 months to support its rail business and also to complement its FTWZ and Logistics business. Company has already spent more than Rs 4 bn on rail license, rakes and Khurja Distriparks and would be spending another Rs.1 bn in the next 24 months. We estimate the rail business to effectively complement the FTWZ and logistics business with revenues for the segment growing from ~Rs 1.7 bn in FY11 to ~Rs.2.3 bn in FY13E.
- ARST has an integrated business model which helps attract customers.** ARST, with its rail infrastructure network combined with the FTWZ has emerged as a one-stop-shop to cater to the point-to-point logistics requirement of the customers. The company has already started its first FTWZ in Panvel, near Mumbai which would be followed by Khurja, near Delhi in Q4FY12. The company intends to have FTWZ in every region of the country and all these FTWZs would be well connected with the rail infrastructure of the company providing customers with complete logistics solution. Such an arrangement is very critical today to attract customers, retain them and command better rates.
- We expect 24% revenue CAGR to ~Rs 12.7 bn over FY11-13E led by FTWZ.** Strong initial performance at Mumbai FTWZs gives us visibility of about Rs.3.2 bn revenue until FY13E as the company benefits from strong entry barriers in the space. In addition, a differentiated strategy of entering long-term charters with clients ensures a higher utilization rate in the container rail business, which is expected to post a 15% CAGR while the third party logistics business is estimated to grow at 7% CAGR over FY11-13E.

- ❑ **High margin FTWZ business to improve margins from ~19% in FY11 to ~27% in FY13E.** We are factoring in a conservative utilization rate of 75% and an EBITDA margin of around 60% for the FTWZs. With the company focusing on the FTWZ business, the share of FTWZ business in the revenues is expected to expand from 3% in FY11 to 25% in FY13 which would help the margin improve from ~19% in FY11 to ~27% in FY13E.

Valuation and recommendation - High risk and high return stock

- ❑ FTWZ is the key to the growth prospects of ARST. The business is very capital intensive and has a long gestation period. Also the FTWZ business concept is nascent in the country and currently has low acceptability. We expect ARST which has made a strong beginning in the segment to continue with its FTWZ plan and emerge as a leading FTWZ player in the country. Proper and timely execution of planned expansion and strong customer base would be very important for the company and has the potential to take the company to new highs. However high leverage, execution delays and poor acceptability of the FTWZ concept are some of the pitfalls associated with the FTWZ business and can be a drag for the company. Consequently we rate the stock as high risk high return stock.

We initiate coverage with BUY rating on Arshiya International with a price target of Rs.185

- ❑ We initiate coverage with a **BUY** rating with a 12-month target price of Rs 185 based on 7.5 FY13E P/E, a 25% discount to the one year forward multiple of peer group companies in the Logistics space. The discount captures the risks on account of the high leverage position of the company. At our target price the stock would trade at 1.0x P/B and 10.2x EV/EBIDTA FY13E.

Key risks:

- ❑ Since no other player in the country has ever set up an FTWZ, there is a vacuum with regard to availability of trained human resources having understanding of the concept of FTWZ.
- ❑ Significant execution delays in the commissioning FTWZs and/or lower-than-expected utilization rates of FTWZ warehouses can impact the performance negatively.
- ❑ Competition from upcoming FTWZs which have got the necessary regulatory approval and have land parcels at strategic locations can hamper performance
- ❑ Arbitrary haulage rate hike taken by Indian Railways which the company is not able to pass to the customers because of competition especially from the road sector.
- ❑ Any negative implications arising out of change in regulatory policy can be detrimental for the company's plans.
- ❑ Slowdown in global trade which would hurt the overall business of the company.

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
13-Jan	8k Miles Soft	Bhavini Vijaykumar Shah	B	35,000	43.0
13-Jan	8k Miles Soft	Surendra Mangaldas Marfatia	S	85,000	43.5
13-Jan	Arrow Securi	Advance India Shares & Securities	B	40,000	15.5
13-Jan	Arrow Securi	Anuj Garg	S	40,000	15.5
13-Jan	Banas Finance	Neha Mundhra	S	533,500	54.1
13-Jan	BGIL Films	Enaam Securities	B	35,000	3.8
13-Jan	BGIL Films	Nidhi Gupta	S	32,725	3.8
13-Jan	Borosil Glass	Borosil Glass Works Limited Buy Back	B	30,000	850.0
13-Jan	Choice Intl	Praveen Kumar Bansal	S	41,000	42.0
13-Jan	Dazzel Conf	Yogeshkumar Sureshbhai Parmar	B	744,500	3.3
13-Jan	Dazzel Conf	Brijesh Ashokbhai Halari	B	745,390	3.3
13-Jan	Dhvanil Chem	Ganesh Bhagoji Khaire	S	36,000	30.8
13-Jan	Gujarat Intrux-\$	Omprakash Siremalji Kanungo	S	25,000	34.3
13-Jan	Hindustan Org	Arcadia Share & Stock Brokers	B	345,213	24.5
13-Jan	IFL Promoters	Advance India Shares & Securities	B	150,000	5.4
13-Jan	IFL Promoters	Anuj Garg	S	150,000	5.4
13-Jan	Karma Ind	Sanjay Singal	B	190,000	45.6
13-Jan	Kay Power	Parveen Kumar	B	66,992	10.3
13-Jan	Kay Power	Bampsl Securities Ltd	S	79,041	10.2
13-Jan	Ken Fin Serv	Ramesh Krishna Kulaye	B	20,005	89.7
13-Jan	Krishna Deep	Advent Tradelink Pvt Ltd	B	30,000	100.3
13-Jan	LKP Fin	Sea Glimpse Investments	B	150,000	76.0
13-Jan	LKP Fin	Padmakshi Financial Services	S	150,000	76.0
13-Jan	LKP Fin	Starrose Suppliers Pvt Ltd	S	99,896	74.0
13-Jan	Milkfood	Sudha Commercial Co	B	34,000	75.1
13-Jan	Milkfood	Pinnacle Trades And Investments	S	34,000	75.1
13-Jan	Millennium Cyb	Pandurang Kashinath Lakhe	B	30,009	2.0
13-Jan	Millennium Cyb	Vijaykumar Bohra	S	26,169	2.0
13-Jan	Nexsoft Info	Parvathi Rudraraju	S	65,000	8.6
13-Jan	Parichay Invest	Rohitji Gandaji Parmar	B	15,000	30.0
13-Jan	Pasupati Fin	Hitesh Jayantilal Shah	B	30,000	25.3
13-Jan	Pasupati Fin	Devendra Jayantilal Shah	S	25,000	25.2
13-Jan	Ranklin Sol-\$	Gudhey Sunitha	S	49,928	11.4
13-Jan	Raymed Labs	Rakesh Kumar Sharma	B	30,000	29.4
13-Jan	Raymed Labs	Fastcon Infrastructure Pvt Ltd	B	30,000	28.9
13-Jan	Rockon Fin	Kemfin Services Pvt Ltd	B	3,324,000	2.9
13-Jan	Rockon Fin	Lal Lunia Jawari	S	1,200,000	2.9
13-Jan	Sheetal Diam	Pankaj Vinod Shah	S	28,000	5.4
13-Jan	Spectacle	Rajesh Jayantilal Khandhar	B	935,000	5.0
13-Jan	Spectacle	Kiran Bhiku Bhanases	S	350,000	5.0
13-Jan	Spectacle	Jigar Praful Ghoghari	S	288,703	5.0
13-Jan	Vaishnavi	Venkata Siva Gangadhara rao P	B	82,217	8.0
13-Jan	Vaishnavi	Gopala Krishna Bonam	B	108,000	8.3
13-Jan	Vaishnavi	Ashwani Kumar Agarwal	S	137,517	7.9

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
L&T	1,173	3.6	7.2	2.2
Tata Steel	416	6.9	5.9	12.2
Coal India	344	5.6	3.8	9.0
Losers				
Reliance Ind	732	(0.7)	(2.8)	4.7
HDFC	682	(0.9)	(2.6)	1.9
Bajaj Auro	1,431	(3.0)	(2.0)	0.8

Source: Bloomberg

Fundamental Research Team

Dipen ShahIT, Media
dipen.shah@kotak.com
+91 22 6621 6301**Sanjeev Zarbade**Capital Goods, Engineering
sanjeev.zarbade@kotak.com
+91 22 6621 6305**Teena Virmani**Construction, Cement, Mid Cap
teena.virmani@kotak.com
+91 22 6621 6302**Saurabh Agrawal**Metals, Mining
agrawal.saurabh@kotak.com
+91 22 6621 6309**Saday Sinha**Banking, NBFC, Economy
saday.sinha@kotak.com
+91 22 6621 6312**Arun Agarwal**Automobiles
arun.agarwal@kotak.com
+91 22 6621 6143**Ruchir Khare**Capital Goods, Engineering
ruchir.khare@kotak.com
+91 22 6621 6448**Ritwik Rai**FMCG, Media
ritwik.rai@kotak.com
+91 22 6621 6310**Sumit Pokharna**Oil and Gas
sumit.pokharna@kotak.com
+91 22 6621 6313**Amit Agarwal**Logistics, Transportation
agarwal.amit@kotak.com
+91 22 6621 6222**Jayesh Kumar**Economy
kumar.jayesh@kotak.com
+91 22 6652 9172**K. Kathirvelu**Production
k.kathirvelu@kotak.com
+91 22 6621 6311

Technical Research Team

Shrikant Chouhanshrikant.chouhan@kotak.com
+91 22 6621 6360**Amol Athawale**amol.athawale@kotak.com
+91 20 6620 3350**Premshankar Ladha**premshankar.ladha@kotak.com
+91 22 6621 6261

Derivatives Research Team

Sahaj Agrawalsahaj.agrawal@kotak.com
+91 22 6621 6343**Rahul Sharma**sharma.rahul@kotak.com
+91 22 6621 6198**Malay Gandhi**malay.gandhi@kotak.com
+91 22 6621 6350**Prashanth Lal**prashanth.lal@kotak.com
+91 22 6621 6110

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