



MIDEAST
PORTFOLIO MANAGEMENT LTD

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SECTOR REPORT

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ENGINEERING / CAPITAL GOODS SECTOR REPORT

The capital goods industry closed fiscal ended March 2007 on a strong note. The quarter ended March 2007 is empirically strong for the industry. As such, the players have clocked an impressive revenue as well as profit growth despite the higher base of the March 2006 quarter. Strategic investment in capacities and technology, both organically and inorganically, along with the shortening of the execution cycle have helped the industry players to capitalise on the strong order book and demand. The aggregate revenue of the 25 companies, forming part of the BSE Capital Goods Index, grew 36% to Rs 27961 crore.

DOMINANT PLAYERS IN THE INDUSTRY.

There are around 25 main companies forming part of the BSE Capital Goods Index. Among them the main contributors of the growth of the sector are ABB Ltd., Bhel, Suzlon Energy Ltd. and L&T Ltd.

ABB LTD.

ABB LTD. in India serves utility and industry customers with the complete range of ABB's offerings. Perspective. The company has posted income of Rs 1327.61 crore and net profit after tax of Rs 86.63 crore. ABB is quite a good stock fundamentally, there is no doubt about it, their reserves have been very nice, order book position is looking very good, very robust, one of the prime beneficiaries are strong investments in both the power as well as manufacturing sector, very strong support from the parent company. So we see this as a good stock to buy for medium to long term.

BHARAT HEAVY ELECTRICALS LTD.

BHEL is the largest engineering and manufacturing enterprise in India in the energy-related/infrastructure sector, today. BHEL manufactures over 180 products under 30 major product groups and caters to core sectors of the Indian Economy. The future prospects of company looks very strong as- 1) expect 24% growth in order book in FY08 led by key customers NTPC, APGenco etc 2) Potential success at super-critical tenders & gas-based projects 3) BHEL's capacity expansion plans are running on time to meet backlog. Also the company has secured Rs 1,829 crore order for manufacturing and setting up three 500MW thermal power units in Haryana. The company has posted income of Rs 7,205.70 crore and net profit after tax of Rs 1,150.37crore.

LARSEN AND TOUBRO LTD.

Larsen & Toubro Limited (L&T) is India's largest engineering and construction conglomerate with additional interests in electricals , electronics and IT. The company's order book in Q1 has increased up 32% to Rs 9,800 crore. Currently, the company's order backlog stands at Rs 42,000 crore. The company expects order book in FY08 will jump 30-35%. The order will be mainly from hydrocarbon, power and construction industries. The company has posted income of Rs 4,716.68 crore and net profit after tax of Rs 376.85 crore.

SUZLON ENERGY LTD.

Suzlon Energy Limited traces its roots back to 1995, when the company took its first step on the renewable energy stage with its incorporation. Fundamentally, Suzlon Energy really continues to look good because they have got very strong order book position. It's about 3 times what it used to be a year back. So it is phenomenal in terms of order book. Over and above that we think the buzz is bit news driven because the company plans to or would look to list in Europe sometime over the next two years.

STOCKS TO WATCH UNDER CAPITAL GOODS SECTOR

- **ABB LTD. (Current Market Price Rs.1136)**
- **BHARAT HEAVY ELECTRICALS LTD. (Current Market Price Rs.1765)**
- **LARSEN AND TOUBRO LTD. (Current Market Price Rs.2614)**
- **SUZLONG ENERGY LTD. (Current Market Price Rs.1532)**
- **SIEMENS LTD. (Current Market Price Rs.1322)**
- **THERMAX LTD. (Current Market Price Rs.598)**

BUY AND HOLD RECOMMENDATION

- **ABB LTD.**
- **BHARAT HEAVY ELECTRICALS LTD.**
- **LARSEN AND TOUBRO LTD.**
- **SUZLONG ENERGY LTD.**

THANKS AND REGARDS

PMS TEAM