Angel Broking™
Service Truly Personalized

# Weekly Review

November 4, 2010

## Markets end the week higher

The Indian stock markets showed strength during the week. The week witnessed a smooth ride for the benchmark indices, which more or less mirrored global cues, with the Sensex closing higher by 4.3% and the S&P CNX Nifty increasing by 4.5%. The BSE mid-cap and small-cap indices were not far behind their large-cap counterparts, gaining 2.8% and 2.7%, respectively, during the week. The week witnessed a number of 2QFY2011 earnings releases, most of which were in line with street expectations. On the sectoral front, BSE Bankex was the biggest gainer, gaining 6.7%. It was followed by the BSE metal index, which increased by 4.7%. On the other hand, the BSE oil and gas index was the smallest gainer, ending higher by only 1.8%. There were no losing indices during the week.

## Bankex rises 6.7% during the week

During the week, the Bankex rose by 6.7%, widely outperforming the Sensex, which was up 4.3%. The top gainers in the banking sector were SBI (7.5%), IDBI (6.2%), ICICI Bank (2.5%) and HDFC Bank (1.6%). While 2QFY2011 results from private banks (Axis Bank and ICICI Bank) have been encouraging on not just asset quality but also in terms of CASA growth, several PSU banks also reported strong numbers on the back of continued NIM expansion. Our top pick in the large-cap space is Axis bank; and in the mid-cap space, we prefer Dena Bank and Indian Overseas Bank.

## Inside This Weekly

**2QFY2011 RBI Policy Review:** The RBI in its 2QFY2011 monetary policy review raised interest rates for the sixth consecutive time since mid-March 2010, with an objective to control inflationary expectations. The RBI raised the repo and reverse repo rates by 25bp each to 6.25% and 5.25%, respectively, while keeping the CRR unchanged in light of tight liquidity conditions.

**Auto Sector Update - October 2010:** Automakers posted record sales in October 2010 on account of the festival season, with yet another month of double-digit growth. Domestic demand remained upbeat leading into the festival season, with strong growth seen across all the segments. We remain positive on the Indian auto sector and estimate overall auto volumes to register a ~13% CAGR over FY2010–12E. **We maintain our positive stand on M&M, Maruti and Bajaj Auto.**

**Blue Star - 2QFY2011 Result Update:** For 2QFY2011, Blue Star reported top-line growth of 25.2% yoy to ₹695cr (₹555cr), which was in line with our estimates. The company continued to witness margin pressure during the quarter. Consequently, net profit fell by 21.9% yoy to ₹38.6cr (₹49.4cr). We have upgraded our target P/E to 19.0x, owing to improvement in the business outlook. **Thus, we upgrade the stock to Buy with a Target Price of ₹596.**

### FII activity

| As on | Cash (Equity) | Futures | (₹ crore) Net Activity |
|---|---|---|---|
| Oct 29 | 964 | (1,574) | (610) |
| Nov 01 | 5,518 | 1,442 | 6,959 |
| Nov 02 | 929 | (884) | 45 |
| **Net** | **7,410** | **(1,016)** | **6,394** |

*Note: FII data for November3-4, 2010, not updated on SEBI*

### Mutual Fund activity (Equity)

| As on | Purchases | Sales | (₹ crore) Net Activity |
|---|---|---|---|
| Oct 28 | 732 | 714 | 18 |
| Oct 29 | 1,037 | 699 | 338 |
| Nov 01 | 592 | 575 | 17 |
| **Net** | **2,361** | **1,988** | **373** |

*Note: MF data for November 2-3, 2010, not updated on SEBI*

### Global Indices

| Indices | Oct. 29, 10 | Nov. 04, 10 | Weekly (% chg) | YTD |
|---|---|---|---|---|
| BSE 30 | 20,032 | 20,894 | 4.3 | 19.6 |
| NSE | 6018 | 6286 | 4.5 | 20.9 |
| Nasdaq * | 2,507 | 2,540 | 1.3 | 11.9 |
| DOW * | 11,118 | 11,215 | 0.9 | 7.5 |
| Nikkei | 9,202 | 9,359 | 1.7 | (11.3) |
| HangSeng | 23,096 | 24,536 | 6.2 | 12.2 |
| Straits Times | 3,143 | 3,240 | 3.1 | 11.8 |
| Shanghai Composite | 2,979 | 3,087 | 3.6 | (5.8) |
| KLSE Composite | 1,506 | 1,512 | 0.4 | 18.8 |
| Jakarta Composite | 3,635 | 3,629 | (0.2) | 43.2 |
| KOSPI Composite | 1,883 | 1,943 | 3.2 | 15.4 |

### Sectoral Watch

| Indices | Oct. 29, 10 | Nov.. 04, 10 | Weekly (% chg) | YTD |
|---|---|---|---|---|
| BANKEX | 14,016 | 14,961 | 6.7 | 49.2 |
| BSE AUTO | 9,910 | 10,241 | 3.3 | 37.7 |
| BSE IT | 5,993 | 6,180 | 3.1 | 19.2 |
| BSE PSU | 10,140 | 10,502 | 3.6 | 10.2 |

**As on 3rd November*

# 2QFY2011 RBI Policy Review

## RBI hikes repo and reverse repo rates

### Key Measures

- Repo rate hiked by 25bp to 6.25%
- Reverse repo rate hiked by 25bp to 5.25%
- CRR left unchanged at 6.0%

### Key Takeaways

#### Inflation RBI's priority in FY2011

The RBI in its 2QFY2011 monetary policy review raised interest rates for the sixth consecutive time since mid-March 2010, with an objective to control inflationary expectations. The RBI raised the repo and reverse repo rates by 25bp each to 6.25% and 5.25%, respectively.

**WPI (food v/s non-food) August 2010**

| Particulars (%) | Inflation (yoy) | Weightage in WPI Index | Contribution to current WPI |
|---|---|---|---|
| Food and textiles | 11.2 | 36 | 47 |
| Oil | 13.6 | 9 | 15 |
| Others | 6.1 | 55 | 39 |
| Current WPI | 8.6 | | |

*Source: MOSPI, Angel Research; Note: Data as per 2004-05 series*

#### Liquidity management in the near term

The Central Bank maintained status quo on the cash reserve ratio (CRR) at 6.0% in light of the sharp liquidity crunch in the banking system, indicating that it would look to manage the liquidity situation in the coming days.

We believe if forex inflows continue at the same pace, looking at the current account deficit and the need to avoid further rupee appreciation, we believe the RBI's intervention would be required. Such intervention would also help relieve the liquidity situation, further aided by government spending returning some liquidity to the system in the near term.

#### Indicated pause in rate hikes not a sign of easing stance

The RBI also indicated that a further rate hike was unlikely over the next three months. In our view, this is because the RBI may be partly taking cognizance of the increasing interest differential vis-à-vis major developed economies and the tight liquidity situation, thus ensuring an upward bias to broader interest rates.

Once liquidity normalises, the RBI may choose to use the CRR tool if forex inflows start creating excess liquidity, or it may choose to use rate hikes again. In any case, in our view, the RBI's indications in the current policy should not be construed as an easing in the monetary stance. Considering the ongoing upcycle in the economy, we believe demand-led inflationary expectations are likely to remain a worry for the RBI, necessitating a calibrated monetary tightening stance.

#### Prudential measures in respect of housing loans

The RBI also proposed the following changes in the rules for housing loans:

- Loan-to-value (LTV) ratio in home loans must not exceed 80%, in order to curb excessive leveraging
- Risk weight for home loans above ₹75lakhs to be at 125%
- Standard asset provisioning for teaser home loans increased to 2% due to concerns on teaser rate home loan schemes

#### Deregulation of interest rate on savings bank deposits

The RBI has proposed to prepare a discussion paper by the end of December 2010 that will delineate the pros and cons of deregulating the interest rate of savings bank deposits. In our view, one of the problems with deregulating savings rates is the interest-rate ALM mismatches that could arise if the savings rate is deregulated, considering the regulatory requirements for Indian banks to invest 25% of their NDTL in fixed-rate government bonds.

#### Other takeaways

- WPI inflation targeted at 5.5% by March 2011, as per the new series
- FY2011 non-food credit growth projection remains unchanged at 20%
- FY2011 GDP growth projection remains unchanged at 8.5%
- Draft guidelines on new bank licences by end-January 2011
- Discussion paper on foreign bank presence in its final stages

**Research Analyst - Vaibhav Agrawal/Shrinivas Bhutda**

# Auto Sector Update - October 2010

## Festive celebration

Automakers posted record sales in October 2010 on account of the festival season, with yet another month of double-digit growth. Domestic demand remained upbeat leading into the festival season, with strong growth seen across all the segments. All two and four-wheeler majors continued to maintain strong sales momentum during the month, largely aided by healthy economic growth, positive consumer sentiment and easy financing. Further, the stocking by dealers in the pre-festive season helped to post higher volumes during October 2010. Demand for vehicles continued to surpass supply; this is despite the fact that most auto majors hiked prices, passing on the cost impact to consumers, owing to high commodity prices and changes in emission norms.

## Tata Motors (TML)

- TML registered 21.3% yoy growth in total sales to 64,757 units (53,404).
- The CV segment recorded 20.3% yoy growth, aided by the M&HCV and LCV segments, which registered yoy growth of 19.4% and 20.9%, respectively.
- The PV segment reported 22.8% yoy growth, with Indigo dispatches of 8,292 units, up 69.3% yoy.
- Nano posted a 44.5% mom decline in sales at 3,065 units. The Sumo/Safari/Xenon XT range reported sales of 3,389 units, up 38.1% yoy.

### Exhibit 1: Tata Motors - Sales trend

| Segment | October | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | %chg | FY11 | FY10 | %chg |
| **Total Sales** | **64,757** | **53,404** | **21.3** | **444,873** | **326,894** | **36.1** |
| M&HCV | 15,610 | 13,079 | 19.4 | 114,343 | 80,087 | 42.8 |
| LCV | 24,062 | 19,905 | 20.9 | 151,231 | 125,128 | 20.9 |
| **Total Commercial Vehicles** | **39,672** | **32,984** | **20.3** | **265,574** | **205,215** | **29.4** |
| Utility Vehicles | 3,427 | 2,475 | 38.5 | 22,968 | 18,448 | 24.5 |
| Cars | 21,658 | 17,945 | 20.7 | 156,331 | 103,231 | 51.4 |
| **Total Passenger Vehicles** | **25,085** | **20,420** | **22.8** | **179,299** | **121,679** | **47.4** |
| Export (Included above) | 5,950 | 2,852 | 108.6 | 32,648 | 16,074 | 103.1 |

*Source: Company, Angel Research*

## Maruti Suzuki (Maruti)

- Maruti registered sales growth of 39.2% yoy to 118,908 units (85,415), with record numbers in all the large volume segments.
- The company registered a 50.3% yoy increase in domestic sales volumes, while exports declined by 18.1% yoy. Maruti continues to focus on meeting the increasing domestic demand.
- The A2 segment grew by 50.7% yoy. Sales of the C segment increased substantially by 91.8% yoy on the back of encouraging numbers from Eeco. The A3 segment posted healthy growth of 32%, led by strong performance from DZire.
- Sales in the B segment grew by 151.2% yoy.

### Exhibit 2: Maruti Suzuki - Sales trend

| Segment | October | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | %chg | FY11 | FY10 | %chg |
| **Total Sales** | **118,908** | **85,415** | **39.2** | **715,886** | **558,332** | **28.2** |
| A1 M800 | 2,631 | 3,124 | (15.8) | 14,744 | 18,980 | (22.3) |
| C Omni, Versa, Eeco | 15,379 | 8,018 | 91.8 | 90,496 | 52,451 | 72.5 |
| A2 Alto, WagonR, Zen, Swift, A-Star, Ritz | 77,502 | 51,437 | 50.7 | 446,968 | 351,266 | 27.2 |
| A3 SX4, Dezire | 11,621 | 8,804 | 32.0 | 71,941 | 53,029 | 35.7 |
| **Total Domestic PC** | **107,133** | **71,383** | **50.1** | **624,149** | **475,726** | **31.2** |
| B: MUVs Gypsy, Grand Vitara | 422 | 168 | 151.2 | 4,229 | 2,323 | 82.0 |
| **Total Domestic PV** | **107,555** | **71,551** | **50.3** | **628,378** | **478,049** | **31.4** |
| Exports | 11,353 | 13,864 | (18.1) | 87,508 | 80,283 | 9.0 |

*Source: Company, Angel Research*

## Mahindra & Mahindra (M&M)

- M&M's monthly sales grew by robust 32.3% yoy to 58,776 units (44,442).
- The tractor segment grew by strong 29.3% yoy, with domestic tractor sales up by 31.4% yoy. On mom basis, domestic tractor sales grew by 43.4% during October 2010.
- The automotive segment grew substantially by 34.4% yoy, led by strong growth across all segments. Logan sales continued to revive, growing at a strong rate of 169.1% yoy, albeit on a low base.
- The UV segment (*Scorpio, Xylo* and *Bolero*) reported 21.3% yoy growth.
- The four-wheeler pick-up segment increased by 53.3%, with *Maxximo* and GIO posting strong numbers.

### Exhibit 3: Mahindra & Mahindra - Sales trend

| Segment | October | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | %chg | FY11 | FY10 | %chg |
| **Total Sales** | **58,776** | **44,442** | **32.3** | **328,655** | **264,588** | **24.2** |
| Passenger Utility Vehicles | 15,908 | 13,114 | 21.3 | 96,375 | 86,544 | 11.4 |
| Four-wheel pick up | 9,277 | 6,051 | 53.3 | 56,112 | 36,621 | 53.2 |
| LCV | 817 | 841 | (2.9) | 6,743 | 5,710 | 18.1 |
| Logan | 1,079 | 401 | 169.1 | 4,948 | 3,302 | 49.8 |
| Three wheelers | 5,410 | 4,131 | 31.0 | 34,075 | 24,883 | 36.9 |
| Exports | 2,004 | 1,132 | 77.0 | 10,464 | 4,889 | 114.0 |
| **Total Automotive Sales** | **34,495** | **25,670** | **34.4** | **208,717** | **161,949** | **28.9** |
| Domestic Tractor Sales | 23,378 | 17,796 | 31.4 | 113,382 | 98,407 | 15.2 |
| Exports Tractor Sales | 903 | 976 | (7.5) | 6,556 | 4,232 | 54.9 |
| **Total Tractor Sales** | **24,281** | **18,772** | **29.3** | **119,938** | **102,639** | **16.9** |

*Source: Company, Angel Research*

# Auto Sector Update - October 2010

## Bajaj Auto (BAL)

- Bajaj Auto reported overall sales growth of 32.2% yoy to 370,816 units (280,455).
- The motorcycle segment posted the highest-ever sales for the month, registering 32.1% yoy growth. Pulsar registered record sales of 94,598 units.
- The three-wheeler segment reported 34.6% yoy growth to 41,040 units (30,481 units).
- Exports continued to post strong performance, with robust demand from Sri Lanka, Colombia, Bangladesh and Africa.

**Exhibit 4: Bajaj Auto - Sales trend**

| Segment | October | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | %chg | FY11 | FY10 | %chg |
| **Total Sales** | **370,816** | **280,455** | **32.2** | **2,299,700** | **1,514,940** | **51.8** |
| Motorcycles | 329,776 | 249,681 | 32.1 | 2,041,639 | 1,332,145 | 53.3 |
| Scooters | - | 293 | - | 27 | 3,826 | (99.3) |
| **Total 2 Wheelers** | **329,776** | **249,974** | **31.9** | **2,041,666** | **1,335,971** | **52.8** |
| Three Wheelers | 41,040 | 30,481 | 34.6 | 258,034 | 178,969 | 44.2 |
| Export (Included above) | 110,387 | 84,012 | 31.4 | 741,618 | 486,737 | 52.4 |

*Source: Company, Angel Research*

## Hero Honda (HH)

- HH sold 505,553 units (354,156) during the month, registering robust growth of 42.7% yoy.
- Strong performance was driven by refreshed product range, innovative branding and marketing initiatives, particularly revolving around the Commonwealth Games.
- New Super Splendor and Splendor Pro launched in September 2010 also helped the company to post better volumes.

**Exhibit 5: Hero Honda - Sales trend**

| Segment | October | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | %chg | FY11 | FY10 | %chg |
| Total Sales | 505,553 | 354,156 | 42.7 | 3,025,536 | 2,656,378 | 13.9 |

*Source: Company, Angel Research*

## TVS Motor (TVS)

- TVS Motor reported 38.2% yoy growth in overall volumes to 182,341 units (131,941).
- Domestic sales grew by 37.5% yoy to 164,290 units (119,475), while exports continued to report impressive growth of 44.8% to 18,051 units (12,466).
- The scooter segment recorded 57.8% yoy growth to 44,659 units (28,301).
- The motorcycle segment grew by strong 49.2% yoy to 84,233 units (56,465).

  Three-wheeler sales grew by 278.2%, registering sales of 3,449 units (912).

**Exhibit 6: TVS Motors - Sales trend**

| Segment | October | | | YTD | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | %chg | FY11 | FY10 | %chg |
| **Total Sales** | **182,341** | **131,941** | **38.2** | **1,171,129** | **874,879** | **33.9** |
| Motorcycles | 84,233 | 56,465 | 49.2 | 493,597 | 364,086 | 35.6 |
| Scooters | 44,659 | 28,301 | 57.8 | 264,501 | 181,790 | 45.5 |
| Mopeds | 50,000 | 46,263 | 8.1 | 391,827 | 322,723 | 21.4 |
| **Total 2 Wheelers** | **178,892** | **131,029** | **36.5** | **1,149,925** | **868,599** | **32.4** |
| Export (Included above) | 18,051 | 12,466 | 44.8 | 130,555 | 78,902 | 65.5 |
| **Three Wheelers** | **3,449** | **912** | **278.2** | **21,204** | **6,280** | **237.6** |

*Source: Company, Angel Research*

## Outlook

We remain positive on the Indian auto sector. We estimate overall auto volumes to register a ~13% CAGR over FY2010-12E, aided by the improved business environment for the sector. Over the long term, comparatively low penetration levels, a healthy economic environment and favourable demographics supported by higher per-capita income levels are likely to help auto companies in sustaining their top-line growth. However, increased input costs and interest rates are the anticipated headwinds that could affect the sector's volume and earnings growth. We expect rising input costs to restrict profitability, despite having a positive view on demand. We prefer stocks where strong and improving fundamentals could deliver positive earnings surprises. **We maintain our positive stand on M&M, Maruti and Bajaj Auto.**

**Research Analyst - Vaishali Jajoo/Yaresh Kothari**

# Crompton Greaves - Buy

**Price - ₹326**
**Target Price - ₹375**

## 2QFY2011 Result Update

### Performance Highlights

| (₹ cr) | 2QFY11 | 2QFY10 | % chg yoy | 1QFY10 | % chg qoq |
|---|---|---|---|---|---|
| **Net Sales** | **2,398** | **2,189** | **9.5** | **2,302** | **4.2** |
| EBITDA | 333 | 307 | 8.6 | 297 | 12.1 |
| EBITDA margin (%) | 13.9 | 14.0 | (11)bp | 12.9 | 100bp |
| **Reported PAT** | **214** | **193** | **10.5** | **191** | **11.9** |

*Source: Company, Angel Research*

Crompton Greaves (CG) reported better-than expected results for 2QFY2011. On a consolidated basis, CG posted revenue growth of 9.5% yoy to ₹2,398cr (₹2,189cr), while PAT increased 10.5% yoy to ₹214cr (₹193cr). We are revising our estimates upwards and upgrade the stock from Neutral to Buy.

**Riding high on demand revival:** The power systems segment after reporting negative growth for the last four quarters bounced back in 2QFY2011 registering 6.8% yoy growth on consolidated basis. On the back of revival in the construction of wind farms in Europe and the ensuing demand for distribution transformers, the overseas power systems segment registered 23% yoy growth. However, adjusted for the Euro depreciation, the segment reported 6.8% yoy growth. On the domestic front, revenue growth was led by the consumer products segment, which reported strong 23.9% yoy growth, while the power and industrial segments registered 6.6% and 17.6% yoy growth, respectively. On a consolidated basis, CG reported 9.5% yoy growth in revenues to ₹2,398cr, while EBIDTA and PAT grew 8.6% and 10.5% yoy to ₹333cr and ₹214cr, respectively.

**Consumer products segment drives domestic business:** The growth in the domestic business was led by the consumer products segment, which reported strong 23.9% yoy growth, while the power and industrial segments recorded 6.6% and 17.6% yoy growth, respectively. Management expects the consumer product segment to maintain the growth rate during 2HFY2011as well on the back of better margins and does not foresee any pricing pressures, going forward.

The power systems segment recorded subdued growth during 2QFY2011 due to deferred off-take at the customer end. EBIT margin of the segment fell by 110bp to 17.5%. Management expects deliveries to normalise during 2HFY2011.

Revenues of the industrial segment grew 17.6% yoy, while EBIT margins dropped by 110bp to 20.5%. Going forward, management expects the segment to register 15% growth with incremental order inflow from the cement, sugar, oil & gas and steel segments during 2HFY2011.

### Outlook and Valuation

Revival in the overseas power systems coupled with expected growth in the domestic power sector, industrial capex and the growing consumer durables segment augur well for CG. Management continues to maintain its revenue and profitability guidance for FY2011 despite remaining cautious on the revival in wind farm constructions in Europe and the uncertain outlook for the American markets. We have revised our revenue and earning estimates upwards and expect the company to register top-line and bottom-line CAGR of 11.7% and 4.2% respectively, over FY2010-12. At the current price, the stock is quoting at 23.3x and 20.2x FY2011E and FY2012E EPS, respectively. **We recommend a Buy on the stock, with a Target Price of ₹375.**

### Key Financials (Consolidated)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **8,737** | **9,141** | **10,184** | **11,406** |
| *% chg* | *27.9* | *4.6* | *11.4* | *12.0* |
| **Net Profit** | **560** | **860** | **896** | **1,036** |
| *% chg* | *37.7* | *53.6* | *4.2* | *15.7* |
| EBITDA (%) | 11.4 | 14.0 | 13.6 | 14.0 |
| **EPS (₹)** | **8.7** | **12.9** | **14.0** | **16.2** |
| P/E (x) | 37.3 | 24.3 | 23.3 | 20.2 |
| P/BV (x) | 11.5 | 8.4 | 6.5 | 5.1 |
| RoE (%) | 36.1 | 38.3 | 31.4 | 28.4 |
| RoCE (%) | 39.7 | 43.0 | 38.5 | 36.9 |
| EV/Sales (x) | 2.4 | 2.2 | 2.0 | 1.7 |
| EV/EBITDA (x) | 21.0 | 16.0 | 14.6 | 12.4 |

*Source: Company, Angel Research; Price as on November 1, 2010*

**Research Analyst - John Perinchery/Hemang Thaker**

# CESC - Buy

**Price - ₹380**
**Target Price - ₹474**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 1QFY11 | % chg (qoq) | 2QFY10 | % chg (yoy) |
|---|---|---|---|---|---|
| **Net revenue** | **1,105** | **1,096** | ***0.8*** | **964** | ***14.6*** |
| Operating profit | 318 | 256 | *24.2* | 225 | *41.3* |
| OPM (%) | 28.8 | 23.6 | *542bp* | 23.5 | *543bp* |
| **Net profit** | **155** | **110** | ***40.9*** | **126** | ***23.0*** |

*Source: Company, Angel Research*

For 2QFY2011, CESC recorded healthy 23.0% yoy growth in standalone net profit, primarily due to certain prior-period tariff adjustments relating to fuel and electricity purchased, amounting to ₹217cr, which helped in reducing expenses. The monthly per sq. ft. sales of Spencer's, the company's 94% retail subsidiary, increased by 35% to ₹11,100 in August 2010 and is currently EBITDA/sq. ft. positive at store level.

**Bottom line up 23% yoy, aided by prior-period tariff adjustments:** CESC's standalone top line grew by impressive 14.6% yoy, aided by 7.4% growth in sales volume arising out of the commissioning of 250MW Budge-Budge Unit-3, which became operational in 4QFY2010. Top-line growth was also aided by higher tariff charged by the company in Kolkata-regulated area. The company's OPM increased by 543bp yoy to 28.8% due to lower other expenses, which stood at negative ₹14cr in the quarter as against ₹131cr in 2QFY2010. Interest and depreciation expenses for the quarter increased by 67.4% yoy and 30.6% yoy, respectively, on account of capacity addition.

### Operational highlights

During 2QFY2011, CESC's total power generation stood at 2,344MU (2,036MU), up 15.1% yoy. Overall PLF excl. Budge-Budge Unit - 3 and New Cossipore plants stood at healthy 98.2% (99.2%) during the quarter, albeit down by 100bp yoy. Power purchased by the company reduced by 12.5% yoy during the quarter to 505MU (577MU). The company's T&D losses remained unchanged at 14%.

### Outlook and valuation

At the CMP, the stock is trading at 8.1x FY2012E EPS and at 1.0x FY2012E P/BV. We have assigned a 1.15x FY2012E blended P/BV multiple to the company's existing power business, considering its lower RoE and higher cash component. Thus, the total value of the power business works out to ₹452/share. We have valued Spencer's on mcap/sales basis, after considering the mcap/sales of peers such as Pantaloon Retail, Shopper's Stop and Trent. On one-year forward mcap/sales basis, peers of Spencer's are trading broadly in the range of 0.7-0.9x. Due to the low-margin business model and cash losses, we have assigned Spencer's mcap/sales ratio of 0.15x FY2012E sales, which is at a significant discount to the average of its peers. Thus, the total value of its retail business works out to ₹12/share. We have valued the company's mall in Central Kolkata and land in Mulajore (35 acres) on NAV basis and have arrived at a price of ₹10/share for its real estate business. **We maintain a Buy rating on the stock with a revised SOTP-based Target Price of ₹474 (₹470).**

### Key financials (standalone)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net sales** | **3,098** | **3,355** | **4,375** | **4,820** |
| *% chg* | *9.5* | *8.3* | *30.4* | *10.2* |
| **Adj. net profit** | **410** | **432** | **542** | **593** |
| *% chg* | *19.1* | *5.5* | *25.3* | *9.4* |
| OPM (%) | 21.9 | 22.9 | 24.1 | 24.0 |
| **EPS (₹)** | **32.6** | **34.5** | **43.2** | **47.1** |
| P/E (x) | 11.6 | 11.0 | 8.8 | 8.1 |
| P/BV (x) | 1.4 | 1.2 | 1.1 | 1.0 |
| RoE (%) | 12.9 | 12.0 | 13.2 | 12.7 |
| RoCE (%) | 8.1 | 7.8 | 9.9 | 9.5 |
| EV/Sales (x) | 2.3 | 2.2 | 1.7 | 1.9 |
| EV/EBITDA (x) | 10.4 | 9.6 | 7.2 | 8.0 |

*Source: Company, Angel Research; Price as on November 3, 2010*

**Research Analyst - Rupesh Sankhe/V Srinivasan**

# Blue Star - Buy

**Price - ₹458**
**Target Price - ₹596**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 1QFY11 | % chg (qoq) | 2QFY10 | % chg (yoy) |
|---|---|---|---|---|---|
| **Net Sales** | **695** | **665** | **5** | **555** | **25.2** |
| EBITDA | 67 | 61 | 10 | 66 | 2.0 |
| EBITDA margin (%) | 9.7 | 9.2 | | 11.9 | |
| **PAT** | **38.6** | **37.2** | **4.0** | **49.4** | **(21.9)** |

*Source: Company, Angel Research*

For 2QFY2011, Blue Star (BSL) reported top-line growth of 25.2% yoy to ₹695cr (₹555cr), which was in line with our estimates. The company continued to witness pressure in margins, with OPM dropping by 220bp yoy to 9.7% (11.9%). Consequently, net profit fell by 21.9% yoy to ₹38.6cr (₹49.4cr). We have revised downwards our OPM estimates for FY2011 and FY2012 by 40bp and 10bp respectively, given the lower-than-expected margins clocked in the first half. In 2QFY2011, BSL completed acquisition of the plumbing and fire-fighting company, DS Gupta Construction, which reflects in our estimates. We have upgraded our Target P/E to 19.0x owing to improvement in the business outlook.

**Segment-wise performance:** The electro mechanical projects and packaged air-conditioning systems (EMPPACS) division registered 14.9% yoy increase in sales for the quarter to ₹471cr (₹410cr). EBIT of the division stood at ₹44cr, implying an EBIT margin of 9.4% (11.4%). Margins fell as the company is booking revenues from the low-margin projects that were bagged during the tough times of FY2010.

Sales of the cooling products (CP) division stood at ₹144cr (₹111cr) for 2QFY2011, a strong increase of 29.4% yoy. EBIT of the division came in at ₹16cr, while EBIT margin stood at 11.5%, a dip by 306bp yoy, reflecting higher input costs.

The professional electronics and industrial systems (PEIS) division posted strong growth of 99.9% yoy to ₹67cr (₹34cr). Sales of the division came in primarily from an uptick in the commercial air-conditioning segment. EBIT of the division came in at ₹16.3cr, while EBIT margin stood at 24.1%.

**Margins continue to remain weak:** The company reported strong sales growth, backed by the robust 29.2% yoy growth in the cooling products segment and 99.9% growth in the professional electronics and industrial systems (PEIS) division. However, margins remained under pressure due to the high input costs and change in business mix. On the back of lower margins PAT declined by 21.9% yoy to ₹38.6cr.

### Outlook and Valuation

We remain bullish on the company's business prospects given its strong order book position, impending uptick in the IT and real estate segments and successful acquisition of DS Gupta Constructions Pvt. Ltd. However, owing to the lower-than-expected margins posted in 2QFY2011, we have pruned our OPM estimate for FY2011 and FY2012. At current levels the stock is trading at 19.2x and 14.6x FY2011E and FY2012E EPS, respectively. We have upgraded our target P/E multiple to 19.0x based on BSL's strong growth prospects, backed by an uptick in demand and robust order book position. **We upgrade the stock to a Buy with a Target Price of ₹596.**

### Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **2,503** | **2,525** | **3,163** | **3,989** |
| *% chg* | *12.7* | *0.9* | *25.3* | *26.1* |
| **Net Profit** | **184.0** | **211.5** | **214.8** | **282.1** |
| *% chg* | *5.7* | *15.0* | *1.6* | *31.3* |
| EBITDA (%) | 10.4 | 10.9 | 10.1 | 10.6 |
| **EPS (₹)** | **20.5** | **23.5** | **23.9** | **31.4** |
| P/E (x) | 22.2 | 19.3 | 19.2 | 14.6 |
| P/BV (x) | 11.1 | 8.3 | 6.8 | 5.4 |
| RoE (%) | 58.3 | 49.3 | 39.1 | 41.2 |
| RoCE (%) | 67.3 | 53.8 | 50.3 | 51.3 |
| EV/Sales (x) | 1.6 | 1.6 | 1.3 | 1.0 |
| EV/EBITDA (x) | 15.8 | 14.8 | 13.0 | 9.8 |

*Source: Company, Angel Research; Price as on November 3, 2010*

**Research Analyst - Jai Sharda**

# JP Associates - Buy

**Price - ₹125**
**Target Price - ₹169**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 2QFY10 | % chg (yoy) | 1QFY11 | % chg (qoq) |
|---|---|---|---|---|---|
| Net Sales | 3,071 | 1,889 | 62.6 | 3,214 | (4.5) |
| Operating Profit | 759.0 | 520.4 | 45.9 | 682.4 | 11.2 |
| Net Profit | 115.5 | 138.0 | (16.3) | 148.7 | (22.3) |

*Source: Company, Angel Research*

**Top-line beats estimates; recurring earnings disappoint owing to margin pressure:** JAL reported robust top-line growth of 62.6% yoy to ₹3,071cr (₹1,889cr), significantly ahead of our estimates of 33.1% growth, aided by the strong 73% and 43% growth in construction and cement revenues, respectively. However, EBIT margins of the cement segment played spoil-sport and impacted overall OPMs, which came in at 24.7% as against our estimate of 27.2%. Interest and depreciation costs were in line with our estimates. Bottom-line de-grew 16.3% to ₹115.5cr (₹138cr) mainly due to higher tax provision for the quarter (61%).

### Segment-wise performance

**Cement division:** JAL's cement division reported revenue growth of 43.0% yoy to ₹1,208cr (₹845cr), 12.8% above our estimate of ₹1,071cr. The divisional EBIT margin came in at 15.6% (26.1%), which was mainly on account of higher input cost and decline in realisations. JAL currently has an installed cement capacity of ~24MTPA and 1HFY2011 dispatch volumes stood at ~7.3mtpa. We expect the company to achieve dispatch volumes of 14.6mtpa and top-line of ₹5,107cr for FY2011. This is assuming average realisation of ₹3,877/tonne (gross) for FY2011, which implies a 10% hike in the cement price in 2HFY2011 over 1HFY2011. For FY2012, we have factored in volume growth of 27% to 18.5mtpa and realisation of ₹4,071/tonne (gross) resulting in top-line of ₹6,803cr, a yoy jump of 33%.

**Construction division:** The construction division registered 73.0% yoy surge in revenues to ₹1,571cr (₹908cr) as against our expectation of ₹1,100cr. Divisional EBIT margin came in at 20.9% (19.8%), which were in line with our estimates. We highlight that construction margins returned to normalised levels in 2QFY2011 after registering disappointing 7% margins in 1QFY2011. The construction division has posted volatile numbers over the last few quarters. For FY2011 and FY2012, we are penciling top-line of ₹7,815cr and ₹9,910cr, respectively. On the operating front, we are factoring in EBIT margin of 15.2% and 17.8% for FY2011 and FY2012, respectively.

**Real estate division:** The real estate division reported 265.5% yoy revenue growth to ₹323.cr (₹88.4cr) in line with our expectation of ₹300.4cr. The divisional EBIT margin came in at 41.2% (33.0%), which were tad above our estimate of 40.1%.

### Outlook and Valuation

We expect JAL to become one of the fastest growing conglomerates and post top-line and bottom-line CAGR of 33.9% and 31.5% respectively, over FY010-12. We have valued JAL's cement business at 6.5x EV/EBITDA (₹62.7/share) and construction division at FY2012E target EV/EBITDA multiple of 8.5x (₹78.5/share). We have valued its power and real estate businesses on market cap basis (giving 20% holding company discount) contributing ₹81.8/share to our target price. The treasury shares (₹11.1/share) have been valued at the current market price, whereas net debt is accounted for on a per share basis in our valuation at ₹65.1. **We maintain a Buy on the stock with an SOTP target price of ₹169, implying an upside of 35% from current levels.**

### Key Financials (Standalone)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **6,148** | **10,355** | **14,475** | **18,643** |
| *% chg* | *43.8* | *68.4* | *39.8* | *28.8* |
| **Adj. Net Profit** | **897** | **989** | **1,158** | **1,749** |
| *% chg* | *47.1* | *10.2* | *17.1* | *51.0* |
| **FDEPS (₹)** | **4.2** | **4.7** | **5.4** | **8.2** |
| EBITDA Margin (%) | 33.6 | 27.9 | 26.2 | 27.6 |
| P/E (x) | 19.5 | 26.8 | 22.9 | 15.2 |
| RoAE (%) | 15.9 | 13.0 | 12.5 | 16.3 |
| RoACE (%) | 10.3 | 10.2 | 10.5 | 12.5 |
| P/BV (x) | 2.6 | 3.1 | 2.7 | 2.3 |
| EV/Sales (x) | 6.0 | 4.0 | 3.2 | 2.6 |
| EV/EBITDA (x) | 17.8 | 14.3 | 12.1 | 9.3 |

*Source: Company, Angel Research; Price as on November 1, 2010*

**Research Analyst - Shailesh Kanani/Nitin Arora**

# GE Shipping - Buy

**Price - ₹327**
**Target Price - ₹396**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 1QFY11 | % chg (qoq) | 2QFY10 | % chg (yoy) |
|---|---|---|---|---|---|
| **Net sales** | **631** | **644** | ***(2.1)*** | **663** | ***(4.8)*** |
| EBITDA | 259 | 261 | *(0.8)* | 168 | *53.9* |
| OPM margin (%) | 41.1 | 40.6 | *51bp* | 25.4 | *1,567bp* |
| **PAT** | **169** | **172** | ***(1.8)*** | **108** | ***55.5*** |

*Source: Company, Angel Research*

GE Shipping's (Gesco) 2QFY2011 results were in line with our estimates, reflecting tepid shipping markets but thriving offshore markets. Management has reported a higher current NAV at ₹382/share in 2QFY2011 v/s ₹368/share in 1QFY2011, led by increased asset prices. Management guided that the global slippages stand at around 25% and 40% for tankers and dry bulk segments, respectively, with virtually no cancellations creating an over-supply in the near term. Gesco intends to list its offshore subsidiary Greatship Ltd. (GIL) in the near future, which will unlock value of its offshore business. We maintain our Buy rating on the stock.

**Offshore segment saves the day:** Gesco's consolidated revenue (excl. gain on sale of vessels) declined by 4.8% yoy and 2.1% qoq to ₹631cr. The shipping segment's revenue declined by 23.7% yoy ₹478cr due to lower revenue days (down 6.1% yoy) and time charter yields (TCY), which fell by 10.1% yoy, for the product tanker segment. The offshore segment's revenue grew by 36.1% yoy to ₹238cr, driven by increased operating days. EBIT margins for both the segments registered growth on a yoy basis on account of increased freight rates in case of the shipping segment and better operating leverage in the offshore segment. Consequently, EBITDA margin stood at 41.1% (up 1,567bp yoy and 51bp qoq). There was a substantial decline of 53.2% yoy and 26.0% yoy in interest cost and tax expense, respectively. Consequently, reported PAT increased by 55.5% yoy, down 1.8% qoq, to ₹169cr.

### Outlook and valuation

We believe the accelerated phase-out of single hull tankers and higher slippages/cancellations would ease over-supply and improve charter yields going forward. Moreover, healthy capex (eight vessels over the next two years) would spur revenue growth in the high-margin offshore segment. **We recommend a Buy rating on the stock with a Target Price of ₹396.**

### Exhibit 1: 2QFY2011 performance (Consolidated)

| Y/E March (₹ cr) | 2QFY11 | 1QFY11 | % qoq | 2QFY10 | % yoy |
|---|---|---|---|---|---|
| Revenue* | 631 | 644 | (2.1) | 663 | (4.8) |
| Total expenditure | 372 | 383 | (2.9) | 494 | (24.8) |
| EBITDA*# | 259 | 261 | (0.8) | 168 | 53.9 |
| EBITDA margin (%) | 41.1 | 40.6 | 51bp | 25.4 | 1,567bp |
| Depreciation | 100 | 105 | (4.7) | 108 | (7.4) |
| Interest | 33 | 93 | (64.4) | 71 | (53.2) |
| Gain on sale of vessels | 26 | 44 | (41.1) | 54 | (51.8) |
| Foreign exchange gain/(loss) | (32) | 41 | | (8) | |
| Other income | 60 | 39 | 51.8 | 85 | (30.3) |
| PBT | 179 | 187 | (4.2) | 121 | 47.9 |
| Tax | 10 | 14 | (33.7) | 13 | (26.0) |
| Tax rate (%) | 5.3 | 7.7 | | 10.7 | |
| Adj. PAT | 170 | 173 | (1.8) | 108 | 56.7 |
| EO/Prior period items | 0 | 0 | | 0 | |
| Minority interest | 1 | 1 | | 0 | |
| Reported PAT | 169 | 172 | (1.8) | 109 | 55.5 |
| PAT margin (%) | 26.7 | 26.7 | 6bp | 16.4 | 1,036bp |
| Number of shares (cr) | 15 | 15 | | 15 | |
| Adj. EPS (₹) - quarterly | 11.1 | 11.3 | (1.8) | 7.1 | 55.5 |

*Source: Company, Angel Research; Note:*Excl. gain from sale of vessels; #Excl. gain/(loss)from forex transactions*

### Exhibit 2: Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **3,801** | **2,891** | **2,985** | **3,833** |
| *% chg* | *21.4* | *(23.9)* | *3.3* | *28.4* |
| **Net Profit** | **1,418** | **513** | **681** | **1,028** |
| *% chg* | *(2.4)* | *(63.8)* | *32.7* | *51.0* |
| EBITDA (%) | 40.8 | 33.7 | 37.7 | 40.2 |
| **EPS (₹)** | **93.1** | **33.7** | **44.7** | **67.5** |
| P/E (x) | 3.5 | 9.7 | 7.3 | 4.8 |
| P/BV (x) | 1.0 | 0.9 | 0.8 | 0.7 |
| RoE (%) | 29.7 | 9.4 | 11.4 | 15.5 |
| RoCE (%) | 13.2 | 5.3 | 6.0 | 9.3 |
| EV/Sales (x) | 1.8 | 3.0 | 2.8 | 2.2 |
| EV/EBITDA (x) | 4.5 | 8.8 | 7.4 | 5.5 |

*Source: Company, Angel Research; Price as on November 1, 2010*

**Research Analyst - Param Desai/Mihir Salot**

# Godawari Power & Ispat - Buy

**Price - ₹203**
**Target Price - ₹302**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 2QFY10 | % chg (yoy) | 1QFY11 | % chg (qoq) |
|---|---|---|---|---|---|
| **Net sales** | **148** | **165** | ***(10.4)*** | **196** | ***(24.6)*** |
| EBITDA | 30 | 21 | *48.0* | 36 | *(15.8)* |
| % margin | 20.6 | 12.4 | *811bp* | 18.4 | *215bp* |
| **Net profit** | **7** | **5** | ***59.5*** | **13** | ***(42.7)*** |

*Source: Company, Angel Research*

For 2QFY2011, GPIL's net revenue came in at ₹148cr, down 10.4% yoy and 24.6% qoq. However, net profit grew by 59.5% yoy to ₹7cr, down 42.7% qoq.

**EBITDA margin expands:** GPIL's 2QFY2011 net revenue fell by 10.4% yoy and 24.6% qoq to ₹148cr on account of a) reduced sponge iron production (53,637 tonnes v/s 60,860 tonnes in 2QFY2010 and 61,535 tonnes in 1QFY2011) and b) lower sales volume of billets and power. While sponge iron realisation increased by 18% yoy (down 6% qoq) to ₹14,438/tonne, billet realisation increased by 17.4% yoy (down 12.3% qoq) to ₹24,669/tonne. Pellet production increased to 62,315 tonnes from 55,396 tonnes in 1QFY2011. Average pellet realisation stood at ₹5,371/tonne, down 25.9% qoq. Despite other expenses as a percentage of net revenue increasing to 25.2% from 11.2% in 2QFY2010 on account of higher fuel consumption, lower raw-material cost (which as a percentage of net revenue declined to 49.1% from 73.7% in 2QFY2010) resulted in an 811bp yoy and 215bp qoq EBITDA margin expansion to 20.6%. As a result, EBITDA grew by 48% yoy to ₹30cr (fell by 15.8% qoq), and net income came in higher by 59.5% yoy to ₹7cr (down 42.7% qoq).

### Other highlights

- In 2QFY2011, pellet production increased to 62,315 tonnes (55,396 tonnes in 1QFY2011). We expect pellet production to be at 90-100kt in 3QFY2011E.
- During the quarter, other expenditure increased by 102.1% yoy to ₹37cr, mainly on account of higher fuel consumption for producing pellets, which constituted ~₹22cr.
- 20MW biomass-based power plant at Siltara, (Raipur, Chhattisgarh) has started commercial production from November 1, 2010. Thus, GPIL's total power generation capacity now stands at 73MW from the earlier 53MW.

### Outlook and valuation

At the CMP, the stock is trading at 4.2x FY2011E and 2.5x FY2012E EV/EBITDA. On a P/BV basis, it is trading at 0.9x FY2011E and 0.7x FY2012E estimates.

We expect GPIL's earnings to log in a 77.8% CAGR over FY2010-12E, given the ramp-up in iron ore mining capacity and commercial production of pellets at Ardent Steel. **We maintain Buy on GPIL with a revised Target Price of ₹302 (₹313), valuing it at 4x FY2012E EV/EBITDA.**

We have revised our estimates downwards to factor in higher conversion cost of pellets from earlier ~₹2,250 to ₹3,200 in FY2011E and ₹3,000 in FY2012E, respectively.

### Key Financials (Consolidated)

| Y/E March (₹ cr) | FY2009 | FY2010E | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net sales** | **1,092** | **822** | **1,039** | **1,265** |
| *% chg* | *34.8* | *(24.7)* | *26.3* | *21.8* |
| **Net profit** | **62** | **53** | **100** | **166** |
| % chg | (37.4) | (15.7) | 89.8 | 66.6 |
| **FDEPS (₹)** | **22.3** | **18.8** | **35.7** | **59.5** |
| EBITDA margin (%) | 11.3 | 15.9 | 20.5 | 22.8 |
| P/E (x) | 9.1 | 10.8 | 5.7 | 3.4 |
| P/BV (x) | 1.2 | 1.1 | 0.9 | 0.7 |
| RoE (%) | 14.7 | 11.0 | 18.2 | 24.8 |
| RoCE (%) | 12.6 | 10.5 | 15.5 | 21.2 |
| EV/Sales (x) | 0.8 | 1.3 | 0.9 | 0.6 |
| EV/EBITDA (x) | 7.0 | 7.9 | 4.2 | 2.5 |

*Source: Company, Angel Research; Price as on November 1, 2010*

**Research Analyst - Paresh Jain/Pooja Jain**

# Jyoti Structures - Buy

**Price - ₹135**
**Target Price - ₹215**

## 2QFY2011 Result Update

### Performance Highlights

| (₹ cr) | 2QFY11 | 2QFY10 | % chg (yoy) | 1QFY11 | % chg (qoq) |
|---|---|---|---|---|---|
| **Revenues** | **542** | **473** | ***14.7*** | **564** | ***(3.9)*** |
| EBITDA | 63 | 54 | *17.3* | 64 | *(1.3)* |
| EBITDA margin (%) | 11.6 | 11.4 | *26bp* | 11.3 | *31bp* |
| **Reported PAT** | **25** | **21** | ***19.0*** | **26** | ***(5.7)*** |

*Source: Company, Angel Research*

**Results in line, order accretion soars:** Jyoti Structures (JSL) reported broadly in-line results for 2QFY2011, with revenue and net profit registering 14.7% and 19.0% yoy, respectively. The transmission, substation and rural electrification segments contributed 66%, 8% and 26% to 2QFY2011 revenues, respectively. Order intake increased 72% yoy to ₹700cr. We maintain a Buy on the stock.

**Steady performance, dilution plans scrapped:** Revenues reported steady growth of 14.7% yoy to ₹542cr, while EBITDA margin rose by 26bp to 11.6%, resulting in 17.3% increase in EBITDA to ₹63cr. The growth in top-line coupled with stable EBITDA margins resulted in a 19% increase in PAT to ₹25cr. The proposal to raise ~₹300-400cr through the issue of NCD with detachable warrants to finance its long-term working capital requirements is likely to be scrapped as the company now plans to fund the same through internal accruals. The proposal to issue sweat equity to the promoters has also been shelved.

**Order backlog improves:** Post registering a 37% yoy decline in order intake during 1QFY2011, JSL bounced back during 2QFY2011 with a 72% yoy increase in order intake on the back of a substantial order from Adani Power. Total order inflows for the quarter stood at ₹700cr, which included orders from PGCIL to the tune of ₹70cr.

Order backlog at the end of 2QFY011 was ₹4,250cr, spread across the transmission (76%), rural electrification (14%) and substation segments (9%). PGCIL orders constituted ~28% of the order backlog, while the private sector and various state utilities accounted for 14% and 58%, respectively. In line with the past trend, domestic orders constituted ~81% of the total order backlog. Going ahead, management expects PGCIL tendering to gather pace over the next two quarters and has guided to close FY2011 with an order backlog of ~₹5,000cr. In addition, JSL is likely to submit bids for the upcoming BOOT projects related to the Raichur-Sholapur 765kV S/C line and the 765kV D/C line of Jabalpur Power Transmission Co. These bids worth ~ ₹1,000cr would be submitted in November and December 2010.

The Gulf JV i.e., Gulf Jyoti has an order backlog of ₹1,100cr to be executed over the next two years. The South African subsidiary has bid for 4-5 projects worth ₹700cr, the results of which would be known in due course.

### Outlook and Valuation

Transmission EPC companies are expected to register increase in order inflow on the back of the ongoing investments in the domestic power sector. Over the next two years, PGCIL is expected to accelerate its capex schedule leading to higher order inflows for transmission EPC companies such as JSL. Apart from the transmission projects, JSL is also expected to garner significant portion of orders from RAPDRP and RGGVY schemes. At ₹135, the stock trades at 10x and 8.2x FY2011E and FY2012E earnings, respectively. **We maintain a Buy on the stock, with a Target Price of ₹215.**

### Key Financials

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **1,717** | **2,006** | **2,447** | **2,851** |
| *% chg* | *25.3* | *16.8* | *22.0* | *16.5* |
| **Net Profit** | **80** | **92** | **111** | **135** |
| *% chg* | *10.1* | *15.3* | *20.3* | *22.4* |
| EBITDA (%) | 11.4 | 11.3 | 11.0 | 11.0 |
| **EPS (₹)** | **9.7** | **11.2** | **13.5** | **16.5** |
| P/E (x) | 13.9 | 12.1 | 10.0 | 8.2 |
| P/BV (x) | 2.7 | 2.2 | 1.9 | 1.5 |
| RoE (%) | 21.1 | 20.1 | 20.2 | 20.6 |
| RoCE (%) | 19.6 | 18.5 | 18.8 | 19.3 |
| EV/Sales (x) | 0.8 | 0.7 | 0.6 | 0.5 |
| EV/EBITDA (x) | 7.1 | 6.3 | 5.4 | 4.6 |

*Source: Company, Angel Research; Price as on November 1, 2010*

**Research Analyst - John Perinchery/Hemang Thaker**

# JK Tyre - Buy

**Price - ₹160**
**Target Price - ₹202**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 2QFY10 | % chg (yoy) | 1QFY11 | % chg (qoq) |
|---|---|---|---|---|---|
| **Net Sales** | **1,139** | **941** | ***20.9*** | **1,168** | ***(2.5)*** |
| EBITDA | 74.5 | 136.9 | *(45.6)* | 68.6 | 8.5 |
| EBITDA margin (%) | 6.5 | 14.5 | *(800)bp* | 5.9 | *67bp* |
| **Reported PAT** | **20.2** | **59.5** | ***(66.1)*** | **19.5** | **3.4** |

*Source: Company, Angel Research*

**Top-line up 20.9%:** JK Tyre (JK) reported 20.9% yoy growth in net sales to ₹1,139cr (₹941cr) in 2QFY2011. In tonnage terms, the company registered ~14% yoy growth in volume, while net sales realisation grew ~6% during 2QFY2011. JK hiked its product prices by 2-3% in 2QFY2011 to pass through the increase in raw material cost. On the utilisation front, JK operated at higher utilisation levels of ~93%.

**EBITDA margin contracts by 800bp due to increased raw material cost:** Operating profit declined 45.6% yoy to ₹74.5cr (₹136.9cr) during 2QFY2011. OPM fell by 800bp yoy primarily on account of the 1,187bp yoy jump in raw material cost. Despite the hike in product prices, the company has not been able to pass on the same entirely. The average procurement price of rubber for the company in 2QFY2011 stood at ₹177/kg compared to ₹158/kg in 1QFY2011 and ₹101/kg in 2QFY2010. Since 2QFY2010, the company has hiked its product prices by ~20% and has guided subsequent price hikes in the event of increasing rubber prices.

**Net profit at ₹20.2cr, down 66.1%:** JK Tyre recorded a 66.1% yoy decrease in net profit to ₹20.2cr (₹59.5cr) during the quarter, primarily on account of margin contraction. The drop in net profit growth was restricted due to the decline in interest expense, which fell 11.3% during the quarter.

**Capacity expansion plans:** JK has plans of incurring capex of around ₹2,400cr over the next 4-5 years to expand capacity. The company proposes to incur ₹2,000cr capex towards a green-field facility in Chennai over the next 4-5 years (has signed an MoU with the Tamil Nadu Government), which is broadly divided into two phases. The company's existing domestic capacity of 97 lakh tyres would be increased to 126 lakh tyres by end of Phase I and further to 156 lakh tyres p.a. by end of Phase II.

For FY2011, JK has planned capex of ₹930cr, of which ₹775cr would be incurred at the Chennai facility and ₹155cr at the existing plants. We note that, out of ₹930cr capex for FY2011, ~₹200-250cr may spill over to the next fiscal depending on the availability of machinery from the vendors. The capex of ₹930cr would be funded through a combination of debt and internal accruals. The company already has sanctioned loans of ~₹630cr, the balance ~₹300cr would be funded through internal accruals.

### Outlook and Valuation

We are revising downwards our earnings estimate owing to the rubber prices sustaining at high levels going ahead and the substantial impact on OPM thereof. Further, JK's plans of incurring higher capex would leverage the balance sheet and poses downside risk to our earnings estimates. We estimate EPS of ₹31.1 for FY2011E and ₹40.4 for FY2012E. At the CMP of ₹160, the stock is available at attractive valuations of 5.2x and 4x FY2011E and FY2012E EPS, respectively. **We maintain a Buy on the stock, with a Target Price of ₹202, based on 5x, 4.2x and 0.8x FY2012E EPS, EV/EBITDA and P/BV, respectively.**

### Key Financials (Consolidated)

| Y/E March (₹ cr) | FY2009* | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** (incl oth. op. inc.) | **5,523** | **4,571** | **5,588** | **6,362** |
| *% chg* | *97.6* | *(17.2)* | *22.3* | *13.9* |
| **Net Profit** | **(108.0)** | **219.7** | **127.6** | **166.0** |
| *% chg* | - | - | *(41.9)* | *30.1* |
| OPM (%) | 3.0 | 11.0 | 7.9 | 8.5 |
| **EPS (₹)** | **(26.3)** | **53.5** | **31.1** | **40.4** |
| P/E (x) | - | 3.0 | 5.2 | 4.0 |
| P/BV (x) | 1.0 | 0.8 | 0.7 | 0.6 |
| RoE (%) | (31.2) | 28.5 | 14.1 | 16.1 |
| RoCE (%) | 3.9 | 18.6 | 13.6 | 14.4 |
| EV/Sales (x) | 0.3 | 0.4 | 0.4 | 0.3 |
| EV/EBITDA (x) | 11.6 | 3.3 | 4.4 | 3.8 |

*Source: Company, Angel Research; Price as on November 2, 2010;*
*Note: *FY2009 numbers are for 18 months*

**Research Analyst - Vaishali Jajoo/Yaresh Kothari**

# Motherson Sumi Systems - Accumulate

**Price - ₹183**
**Target Price - ₹195**

## 2QFY2011 Result Update

### Performance Highlights

| Consolidated Y/E March (₹ cr) | 2QFY11 | 2QFY10 | % chg (yoy) | Angel Est. | % Diff |
|---|---|---|---|---|---|
| **Net sales** | **1,958** | **1,639** | ***19.4*** | **1,938** | ***1.0*** |
| EBITDA | 208.4 | 107.2 | *94.4* | 191.0 | *9.1* |
| OPM (%) | 10.6 | 6.5 | *411bp* | 9.9 | *79bp* |
| OPM ex. forex (%) | 9.8 | 7.7 | *212bp* | 9.7 | *10 bp* |
| **Reported PAT** | **86.0** | **15.0** | ***474.6*** | **67.6** | ***27.2*** |

*Source: Company, Angel Research*

**Consolidated results mixed-bag; lower-than-expected performance of SMR arrests growth:** For 2QFY2011, MSSL registered 19.4% yoy growth in net sales to ₹1,958cr (₹1,639cr), which was marginally above our expectation by 1%. Sales growth was largely aided by the ~60% yoy jump in domestic market revenue at ₹761cr and ~4% yoy increase in revenue from outside India at ₹1,156cr. However, the sequential decline in Samvardhana Motherson Reflectec (SMR) revenue arrested revenue growth during the quarter.

**Operating profit margin up 411bp:** On the operating front, MSSL reported a 411bp yoy increase in EBITDA margin to 10.6%, better than our expectation of 9.9%. Operating margin came in better due to favourable currency impact. Excluding the currency impact, EBITDA margin was broadly in line with our estimate at 9.8%. However, lower-than-expected margins of SMR at 6.5% (7.2% in 1QFY2011) arrested overall growth for the quarter. Staff and other expenditure, however, fell by 50bp qoq and 312bp yoy in 2QFY2011, aided by better operating leverage. Overall, the company recorded 94.4% yoy jump in operating profit.

Thus, net profit for the quarter came in above our expectation at ₹86cr (₹15cr in 2QFY2010), largely on account of better-than-expected performance in operating margin.

**Standalone performance:** On a standalone basis too, the company reported robust top-line growth of 67.2% yoy to ₹669cr (₹400cr), and an 118% yoy increase in operating profit.

OPM, excluding the exchange differences, stood higher at 16.3% (12.5%). Raw-material and staff costs registered a decline on a yoy basis, along with other expenditure declining by about 75bp yoy. MSSL reported net profit of ₹65.9cr during 2QFY2011 (₹29.5cr profit in 2QFY2010). Further, higher tax provision of 27.5% (22.9%) restricted net profit growth in 2QFY2011.

### Outlook and valuation

We expect MSSL's consolidated net sales to register a CAGR of 16.4% over FY2010-12E, aided by its strong order book position. We marginally revise our margin estimates to factor in better performance in 2QFY2011.

At the CMP of ₹183, the stock is trading 21x FY2011E and 15.8x FY2012E consolidated earnings (fully diluted). **We maintain Accumulate on the stock with a Target Price of ₹195, at which level the stock would trade at 16.8x FY2012E earnings.** We are valuing the company at 5% premium to its historical average of 16x due to estimated higher business RoEs in FY2011-12E. We believe the new business from OEs like Nissan and Toyota and recovery in the overseas operations will help the company to deliver better performance going forward, which would result the stock in generating higher returns over the next 2-3 years. Moreover, the company's consistent and strong execution track record implies further scope of re-rating. Thus, we recommend Accumulate on the stock on every correction.

### Key financials (Consolidated)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net sales** | **2,596** | **6,702** | **7,820** | **9,152** |
| *% chg* | *28.0* | *158.2* | *16.7* | *17.0* |
| **Net profit** | **175** | **241** | **339** | **451** |
| *% chg* | *10.3* | *37.8* | *40.3* | *33.1* |
| EBITDA margin (%) | 10.9 | 8.2 | 10.8 | 11.0 |
| **Adj. EPS (₹)** | **4.5** | **6.2** | **8.7** | **11.6** |
| P/E (x) | 37.2 | 28.5 | 21.0 | 15.8 |
| P/BV (x) | 8.3 | 5.9 | 5.4 | 4.8 |
| RoE (%) | 26.6 | 24.8 | 27.3 | 32.2 |
| RoCE (%) | 11.8 | 14.1 | 25.0 | 30.8 |
| EV/Sales (x) | 2.7 | 1.1 | 0.9 | 0.8 |
| EV/EBITDA (x) | 26.1 | 13.5 | 8.8 | 7.4 |

*Source: Company, Angel Research; Price as on October 29, 2010*

**Research Analyst - Vaishali Jajoo/Yaresh Kothari**

# PVR - Buy

**Price - ₹174**
**Target Price - ₹231**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 2QFY10 | *% chg (yoy)* | 1QFY11 | *% chg (qoq)* |
|---|---|---|---|---|---|
| **Revenue** | **134.3** | **90.0** | ***49.2*** | **102.0** | ***31.7*** |
| EBITDA | 33.0 | 15.8 | *109.3* | 14.3 | *130.0* |
| OPM (%) | 24.5 | 17.5 | *40bp* | 14.1 | *1,049bp* |
| **PAT** | **9.0** | **6.4** | ***39.3*** | **5.1** | ***76.9*** |

*Source: Company, Angel Research*

**Improved movie pipeline aids top-line growth:** PVR reported a robust top-line growth of 49.2% yoy/ 31.7% qoq on a consolidated basis to ₹134cr (₹90cr/₹102cr). The core exhibition business of the company registered a growth of 22.7%yoy/ 11.6% qoq to ₹105cr (₹85cr/₹94cr), aided by a 24% yoy/ 14% qoq increase in the net ticket sales to ₹65cr (₹52cr/ ₹57cr) as the ATP increased by ₹15 yoy to ₹160.

Other highlights of the quarter include: 1) Mixed trend in terms of occupancy and average F&B realisation. While occupancy declined by 300bp yoy/increased 70bp qoq to 30% (33%/ 29.3%), average F&B spend increased 3.9% yoy/declined 2.9% qoq to ₹40 (₹38/₹41), 2) the bowling business, Blu-O'Ray continued to register flattish income of ₹3.7-3.8cr, 3) the movie production and distribution businesses recorded income of ₹29cr

**Strong earnings aided by margin expansion:** In terms of earnings, for 2QFY2011, PVR registered a growth of 39.3% yoy/ 76.9% qoq to ₹9cr (₹6cr/₹5cr), primarily aided by significant margin expansion and 5% yoy decrease in interest expense, despite high depreciation cost of ₹16.4cr (₹6.3cr) and 53% yoy/60% qoq decrease in other income to ₹1.6cr.

**Robust top-line and operating leverage expands operating margins:** In terms of operating performance, PVR's consolidated margins expanded by 705bp yoy/1,049bp qoq to 24.5% (17.5%/14.1%) aided by significant cost curtailment measures undertaken by the company. Film distributor's expense (down 643bp yoy/ 563bp qoq), F&B expense (down 139bp yoy/ 128bp qoq), staff cost (down 225bp yoy/ 211bp qoq), rental expense (down 408bp yoy/400bp qoq, on account of merger of Leisure World with itself) declined. However, increase in movie distribution and other expenditure by 643bp yoy and 90bp yoy respectively, restricted further margin expansion.

### Outlook and Valuation

We have revised our estimates upwards to factor in -1) revenue traction from profitable movies (production and distribution) and improved movie pipeline, 2) merger with Leisure World with itself, which we believe is EPS accretive by ~3-4%, 3) focus on cost optimisation undertaken by the company and 4) ammortisation on account of home production (*Aisha* and *Khelein Hum Jee Jaan Se*).

For FY2010-12, we expect PVR to register a 45% CAGR in top-line aided by seat additions (as we factor in only 4-5% improvements in ATP and F&B spends) and higher contribution from PVR Pictures. The earnings is expected to register a CAGR of 455% over the same period on a low base (FY2010 earnings were affected due to weak movie pipeline and 1QFY2010 washout due to the strike) and margin expansion (on low base, we expect OPM of 20-21% in FY2011-12). **At CMP of ₹174, the stock is trading at attractive valuations of 11.3x FY2012E EPS. We maintain a Buy with a revised Target Price of ₹231 (₹226) based on 15x FY2012E EPS of ₹15.4.** Downside risks to our estimates include delayed rollout of proposed multiplexes, higher rental expense and volatility in the movie's box office performance.

### Key Financials (Consolidated)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **352.1** | **334.1** | **550.7** | **700.2** |
| *% chg* | *32.4* | *(5.1)* | *64.8* | *27.1* |
| **Net Profit (Adj)** | **8.7** | **1.4** | **25.7** | **41.7** |
| *% chg* | *(59.7)* | *(84.5)* | *1,798.4* | *62.2* |
| EBITDA (%) | 13.4 | 10.2 | 20.1 | 21.2 |
| **EPS (₹)** | **3.7** | **0.5** | **9.5** | **15.4** |
| P/E (x) | 46.8 | 329.9 | 18.4 | 11.3 |
| P/BV (x) | 1.5 | 1.4 | 1.4 | 1.3 |
| RoE (%) | 3.6 | 0.5 | 8.0 | 11.8 |
| RoCE (%) | 2.8 | 1.3 | 8.0 | 11.9 |
| EV/Sales (x) | 1.6 | 1.7 | 1.0 | 0.7 |
| EV/EBITDA (x) | 12.9 | 18.4 | 5.2 | 3.7 |

*Source: Company, Angel Research; Price as on November 2, 2010*

**Research Analyst - Anand Shah/Chitrangda Kapur/Sreekanth P.V.S**

# Punj Lloyd - Buy

**Price - ₹124**
**Target Price - ₹153**

## 2QFY2011 Result Update

### Performance Highlights

| Y/E March (₹ cr) | 2QFY11 | 2QFY10 | % chg (yoy) | 1QFY11 | % chg (qoq) |
|---|---|---|---|---|---|
| **Net Sales** | **1,987.6** | **2,871.7** | ***(30.8)*** | **1,733.9** | ***14.6*** |
| Operating Profit | 183.2 | 212.0 | *(13.6)* | 134.1 | *36.6* |
| **Net Profit** | **23.9** | **52.9** | ***(54.7)*** | **(30.6)** | **-** |

*Source: Company, Angel Research*

Punj Lloyd (Punj) witnessed another quarter of below-par performance with the major disappointment coming on the top-line front. However, margins came in as a positive surprise. In 2QFY2011, order backlog stood at ₹25,470cr (yoy decline of 5%) with order inflow at a mere ₹1,030cr, driven mainly by the infrastructure segment.

**Top-line disappoints:** For 2QFY2011, Punj posted another set of lackluster numbers with the major disappointment coming on the top-line front, which yoy de-grew 30.8% to ₹1,988cr (₹2,872cr). However, a sequential growth by 14.6% indicates signs of revival are emerging on the execution front. Finally, the quarter witnessed some pick up in the Libyan orders (38% of the order book) and the company booked revenues of ₹168cr. Further, management has guided that nearly 40% of its Libyan orders have started contributing to top-line with the balance still at the re-designing phase.

However, qualification on the Heera project continued during the quarter owing to which we believe that despite the project achieving completion there could be a potential impact of ~₹300cr in FY2011. Against this backdrop, we have pruned our top-line estimates for FY2011.

**Back to profitability:** On the EBITDA front, the company posted 9.2% (7.4%) margins primarily due to lack of any one-off cost and lower raw material cost as a percentage of sales. However, earnings de-grew by 55% on account of higher interest cost. The tax rate was however lower at 18%.

Standalone numbers disappointed with de-growth of 43% in top-line to ₹1,052.5cr (₹1,855.7cr). EBITDA margin for the quarter came in at 11.3%, up by 310bp yoy from 8.2% in 2QFY2010 led by significantly lower raw material expenses as percentage of sales. The muted performance on the top-line front and higher interest cost led to PAT of ₹1.25cr v/s profit of ₹41.9cr in 2QFY2010, a de-growth of 97%.

### Outlook and Valuation

With problematic orders (Ensus and Heera) out of picture, the company is expected post better performance on the profitability front in 2HFY2011 and FY2012. Further, the slow moving orders (read Libya) have seen a pick up in momentum, which is positive given its significance in the company's total order book. On the bourses, the stock has witnessed huge underperformance over the last 12 months, which has brought it to trough valuations given the company's scale of operations. **Against this backdrop, we believe there is a strong case for the stock to outperform over the long term and maintain a Buy on the stock with a revised Target Price of ₹153 (₹156).** Due to erratic performance on the operational front, we believe that the stock is expensive on P/E basis compared to its peers. However, our Target Price the stock would be trading at reasonable valuations of ~1.5x BV and 0.7x EV/Sales on FY2012 estimates and at a discount to its peers. Hence, we maintain our bullish stance on the stock.

### Key Financials (Consolidated)

| Y/E March (₹ cr) | FY2009 | FY2010 | FY2011E | FY2012E |
|---|---|---|---|---|
| **Net Sales** | **11,912** | **10,448** | **9,118** | **12,371** |
| *% chg* | *53.6* | *(12.3)* | *(12.7)* | *35.7* |
| **Adj. Net Profit** | **(240.3)** | **(363.2)** | **167.9** | **363.0** |
| *% chg* | - | *51.1* | - | *116.2* |
| **FDEPS (₹)** | **(7.2)** | **(10.9)** | **5.1** | **10.9** |
| EBITDA Margin (%) | 3.7 | 3.5 | 9.1 | 9.3 |
| P/E (x) | - | - | 24.6 | 11.4 |
| RoAE (%) | (9.2) | (13.2) | 5.5 | 11.0 |
| RoACE (%) | 4.2 | 1.8 | 7.7 | 10.5 |
| P/BV (x) | 1.5 | 1.4 | 1.3 | 1.2 |
| EV/Sales (x) | 0.6 | 0.8 | 0.9 | 0.7 |
| EV/EBITDA (x) | 15.6 | 21.9 | 9.7 | 7.1 |

*Source: Company, Angel Research; Price as on November 2, 2010*

**Research Analyst - Shailesh Kanani/Nitin Arora**

# Bulls gun new all-time high

## Sensex (20894) / Nifty (6282)

In our previous Weekly report, in view of the price action in the range of 19768 - 20854 / 5932 - 6284 we had mentioned that a breakdown / breakout from either side of the range would dictate the direction of the trend. The week began on a positive note. Markets witnessed a rally which surpassed the high of the Weekly "Shooting star"(20854 / 6284), made a fresh 52-week high of 20917 / 6290 and has resumed the uptrend. The Sensex ended with net gain of 4.3%, whereas the Nifty gained 4.4% vis-à-vis the previous week.

### Pattern Formation

- On the **Daily chart**, the trend following indicator, viz. the ADX, is positively poised. This suggests further up-ward momentum going ahead *(Refer Exhibit No.1)*.
- On the **Weekly chart**, the intermediate trend is maintaining a higher -top higher-bottom formation, which is sign of strength *(Refer Exhibit No.2)*.

### Future Outlook

The coming week is likely to roll out with positive sentiment. On the Daily charts looking at the placement of the trend following indicator, viz. the ADX, suggests continuation of the upward momentum. On the upside, indices are poised to test all-time highs of 21206 / 6357 or even extend the gain further up to 21800 / 6600 in a couple of weeks. On the downside, 20470 - 20343 / 6150 - 6100 levels may act as support for the week.

**Exhibit 1: Sensex Daily chart**

*Source: Falcon*

**Exhibit 2: Sensex Weekly chart**

*Source: Falcon*

# Weekly Pivot Levels For Nifty 50 Stocks

| SCRIPS | R2 | R1 | PIVOT | S1 | S2 |
|---|---|---|---|---|---|
| SENSEX | 21,343 | 21,118 | 20,693 | 20,468 | 20,043 |
| NIFTY | 6,424 | 6,353 | 6,219 | 6,148 | 6,014 |
| BANK NIFTY | 13,677 | 13,430 | 12,958 | 12,711 | 12,239 |
| A.C.C. | 1,169 | 1,129 | 1,059 | 1,019 | 949 |
| ABB LTD. | 916 | 889 | 853 | 826 | 790 |
| AMBUJACEM | 162 | 157 | 149 | 144 | 136 |
| AXISBANK | 1,601 | 1,573 | 1,527 | 1,499 | 1,454 |
| BHARAT PETRO | 800 | 780 | 758 | 738 | 715 |
| BHARTIARTL | 340 | 333 | 329 | 322 | 318 |
| BHEL | 2,589 | 2,557 | 2,504 | 2,472 | 2,418 |
| CAIRN | 340 | 335 | 328 | 322 | 316 |
| CIPLA | 370 | 360 | 353 | 343 | 335 |
| DLF | 374 | 364 | 355 | 345 | 335 |
| GAIL | 508 | 501 | 492 | 485 | 476 |
| HCL TECHNOLO | 425 | 419 | 409 | 403 | 393 |
| HDFC BANK | 2,480 | 2,434 | 2,360 | 2,315 | 2,240 |
| HERO HONDA | 1,918 | 1,879 | 1,847 | 1,809 | 1,777 |
| HINDALCO | 239 | 233 | 222 | 216 | 206 |
| HINDUNILVR | 307 | 303 | 298 | 294 | 289 |
| HOUS DEV FIN | 778 | 759 | 725 | 706 | 672 |
| ICICI BANK | 1,325 | 1,296 | 1,241 | 1,211 | 1,156 |
| IDEA | 71 | 69 | 68 | 66 | 64 |
| IDFC | 225 | 220 | 211 | 205 | 196 |
| INFOSYS TECH | 3,150 | 3,114 | 3,048 | 3,012 | 2,946 |
| ITC | 182 | 179 | 175 | 173 | 168 |
| JINDL STL&PO | 740 | 730 | 710 | 699 | 680 |
| JPASSOCIAT | 134 | 131 | 127 | 124 | 120 |
| KOTAK BANK | 514 | 502 | 484 | 472 | 453 |
| LT | 2,312 | 2,242 | 2,143 | 2,073 | 1,974 |
| MAH & MAH | 827 | 802 | 771 | 746 | 715 |
| MARUTI | 1,594 | 1,551 | 1,517 | 1,473 | 1,439 |
| NTPC | 201 | 198 | 195 | 192 | 190 |
| ONGC CORP. | 1,427 | 1,398 | 1,354 | 1,325 | 1,281 |
| PNB | 1,434 | 1,402 | 1,347 | 1,315 | 1,260 |
| POWERGRID | 108 | 105 | 101 | 98 | 95 |
| RANBAXY LAB. | 630 | 619 | 600 | 589 | 571 |
| RCOM | 189 | 186 | 183 | 179 | 176 |
| REL.CAPITAL | 853 | 842 | 828 | 817 | 803 |
| RELIANCE | 1,160 | 1,132 | 1,098 | 1,070 | 1,035 |
| RELINFRA | 1,070 | 1,060 | 1,047 | 1,037 | 1,025 |
| RPOWER | 173 | 169 | 163 | 159 | 153 |
| SIEMENS | 865 | 851 | 836 | 822 | 807 |
| STATE BANK | 3,631 | 3,532 | 3,350 | 3,251 | 3,069 |
| STEEL AUTHOR | 202 | 199 | 195 | 192 | 188 |
| STER | 194 | 187 | 178 | 171 | 162 |
| SUN PHARMA. | 2,350 | 2,296 | 2,222 | 2,168 | 2,095 |
| SUZLON | 61 | 59 | 57 | 56 | 53 |
| TATA POWER | 1,457 | 1,427 | 1,401 | 1,371 | 1,344 |
| TATAMOTORS | 1,301 | 1,268 | 1,206 | 1,173 | 1,111 |
| TATASTEEL | 645 | 633 | 611 | 599 | 576 |
| TCS | 1,099 | 1,084 | 1,064 | 1,049 | 1,029 |
| UNITECH LTD | 94 | 92 | 89 | 87 | 83 |
| WIPRO | 451 | 444 | 433 | 426 | 415 |

**Technical Research Team**

# Market heading towards 6450-6500

Nifty spot has closed at **6282** this week, against a close of **6018** last week. The Put-Call Ratio is **1.36** levels and the annualized Cost of Carry (CoC) is positive **5.46**%. The Open Interest of Nifty Futures has increased by **5.47**%.

## Put-Call Ratio Analysis

The Nifty PCR has increased from1.20 to 1.36 points. According to the option data, we may see the market heading towards the 6500 levels. At this strike, call option accumulated the highest open interest over the week; and the strike is standing at the highest positions in terms of open interest. On the other hand, significant build up was observed in the 6100 and 6200 put options. The total open interest is almost same in the 6000 and 6100 puts, which is a support zone for the market.

## Open Interest Analysis

Total open interest of the market is ₹1,55,110cr against ₹1,33,827cr last week and the stock futures open interest has increased from ₹44,658cr to ₹49,490cr. Most of the large cap stocks were the out performers in the week gone by. Few stocks where we can see positive move in the coming week are GAIL, MARUTI and DLF. Few midcaps, named ADANIPOWER, PETRONET, TATACHEM, UCOBANK and IVRCLINFRA, where open interest has decreased after expiry.

## Futures Annual Volatility Analysis

Historical volatility of Nifty has increased from 20.38% to 21.38%. IV of at-the-money options has decreased from 20.00% to 17.00%. Some liquid counters where HV has increased significantly are GMDCLTD, GESHIP, ADANIPOWER, DCHL and AUROPHARMA. Stocks where HV has decreased significantly are EDUCOMP, PANTALOONR, SAIL, HEROHONDA and TULIP.

## Cost-of-Carry Analysis

The Nifty November future closed at a premium of 19.75 points against a premium of 25.90 points last week and the December future closed at a premium of 51.00 points. Few liquid stocks where Cost-of-Carry turned from negative to positive are MARUTI, ULTRACEMCO, HINDUNILVR, UNIONBANK and GESHIP. Stocks where Cost-of-Carry turned from positive to negative are GMDCLTD, ZEEL, TATACHEM, HDFC and BAJAJ-AUTO.

## *Derivative Strategy*

**Scrip : NIFTY** **CMP : 6281.80** **Lot Size : 50** **Expiry Date (F&O) :** 25th Nov, 2010

**View: Mildly Bullish** **Strategy: Long Call Ladder**

| Buy/Sell | Qty | Scrip | Strike Price | Series | Option Type | Rate (Rs.) |
|---|---|---|---|---|---|---|
| Buy | 50 | NIFTY | 6300 | Nov. | Call | 100 |
| Sell | 50 | NIFTY | 6400 | Nov. | Call | 60 |
| Sell | 50 | NIFTY | 6500 | Nov. | Call | 30 |

**LBEP:** 6310.00/-

**HBEP:** 6590.00/-

**Max. Risk:** Unlimited
If Nifty continues to trade below HBEP.

**Max. Profit:** ₹4,500.00
If Nifty closes on or between 6400 and 6500 on expiry.

**Note:** Profit can be booked before expiry if Nifty moves in the desired range and time value decays.

**Expected Payoff**

| Closing Price | Expected Profit/Loss |
|---|---|
| 6200.00 | (₹10.00) |
| 6300.00 | (₹10.00) |
| 6400.00 | ₹90.00 |
| 6500.00 | ₹90.00 |
| 6600.00 | (₹10.00) |
| 6700.00 | (₹110.00) |

# Recommended Schemes in Balanced Funds

## HDFC Balanced Fund - Growth

### Scheme Objective

The primary objective of the Scheme is to generate capital appreciation along with current income from a combined portfolio of equity and equity related and debt and money market instruments.

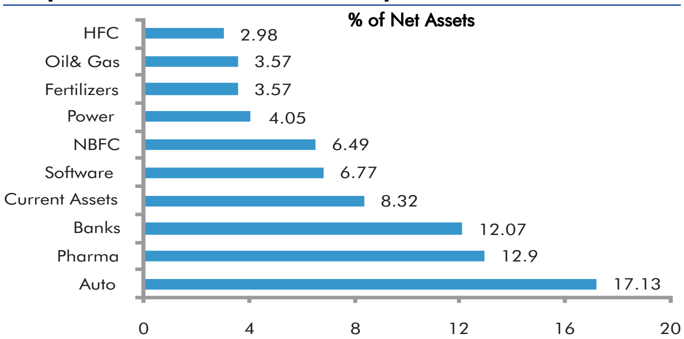
### Fund at a Glance

| | |
|---|---|
| **Face Value** | Rs. 10 |
| **NAV (02-Nov-10)** | Rs. 57.55 |
| **52-Week High (25-Oct-10)** | Rs. 57.64 |
| **52-Week Low (03-Nov-09)** | Rs. 40.36 |
| **Fund Category** | Balanced |
| **Type** | Open Ended |
| **Entry Load** | NIL |
| **Exit Load** | 1% for redemption within 1 year |
| **Minimum Inv.** | |
| Lump sum | Rs. 5000 |
| SIP | Rs. 500 |
| **Inception Date** | 11th September, 2000 |
| **AUM as on 31-Aug-10** | Rs. 199.62 crores |
| **Benchmark Index** | CRISIL Balanced Fund Index |
| **Fund Manger** | Mr. Chirag Setalvad / Mr. Anand Laddha |

### Top 10 Holdings as on 30th September 2010

| Company Name | Instrument | Rating | % of Net Assets |
|---|---|---|---|
| Tata Motors | ABS | AAA(SO) | 8.19 |
| Bajaj Finance | Bond | LAA+ | 4.95 |
| TCS | Equity | -- | 3.71 |
| Coromandel Int. | Equity | -- | 3.57 |
| Balkrishna Ind. | Equity | -- | 3.36 |
| IPCA Laboratories | Equity | -- | 3.11 |
| Motherson Sumi | Equity | -- | 3.09 |
| Infosys | Equity | -- | 3.06 |
| Bank of Baroda | Equity | -- | 3.06 |
| Sun Pharma | Equity | -- | 3.04 |

### Top 10 Sectors as on 30th September 2010




### Up & Down Phase

| Date | | HDFC Balanced Fund - Growth | Crisil Balanced Fund Index |
|---|---|---|---|
| **Up Phase** | 10/05/2006 - 08/01/2008 | 35.84 | 46.59 |
| | 24/04/2004 - 10/05/2006 | 78.02 | 52.97 |
| | 30/03/2002 - 24/04/2004 | 65.91 | 51.30 |
| **Down Phase** | 08/01/2008 - 27/10/2008 | (41.97) | (43.60) |

### Portfolio Attributes (30-Sept-10)

| | |
|---|---|
| Large Cap (%) | 30.88 |
| Mid Cap (%) | 28.95 |
| Small Cap (%) | 6.96 |
| **Equity (%)** | **66.79** |
| Bonds | 20.83 |
| **Debt (%)** | **22.10** |
| **Cash & Equivalent (%)** | **11.11** |

### Key Ratios

| | |
|---|---|
| **Expense Ratio (%)** | 2.15 |
| **Standard Deviation** | 0.35 |
| **Beta** | 0.83 |
| **Sharpe** | 0.43 |
| **Jensen** | 6.44 |

*Note: Ratios are for 3 Year Period, Yearly Rolling on daily frequency on CAGR Basis as on 2nd November, 2010*

### Investment Analysis (as on 3rd November, 2010)

| Years | Total Amount Invested | SIP Present Value | Lump sum Present Value |
|---|---|---|---|
| **1 year** | 12,000 | 14,041 | 15,903 |
| **3 years** | 36,000 | 56,444 | 53,802 |
| **5 years** | 60,000 | 1,02,770 | 1,38,547 |

*Note: SIP Investment of Rs. 1000 per month*

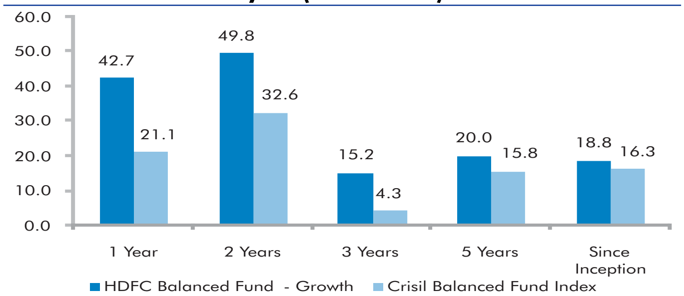
### Investment Pattern

| Type of Instrument | Asset Allocation (% of Net Assets) | Risk Profile |
|---|---|---|
| Equity | 0 - 60 | Medium to High |
| Debt | 0 - 40 | Low to Medium |

### Investment Strategy

- This fund is positioned as a low risk alternative to a pure equities scheme, while retaining some of the upside potential from equities exposure.
- The Scheme provides flexibility to fund manager to shift allocations regarding an asset class.
- Asset allocation between equities and debt is a critical function in a balanced fund.
- This fund will continuously monitor the potential of both debt and equities to arrive at a dynamic allocation between the asset classes.

### Performance Analysis (% Returns)




*Note: Returns are as on 2nd November, 2010 on CAGR*

# DSP BlackRock Balanced Fund - Growth

## Scheme Objective

The scheme aims to generate long term capital appreciation and current income from a portfolio constituted of equity and equity related securities as well as fixed income securities (debt and money market securities).

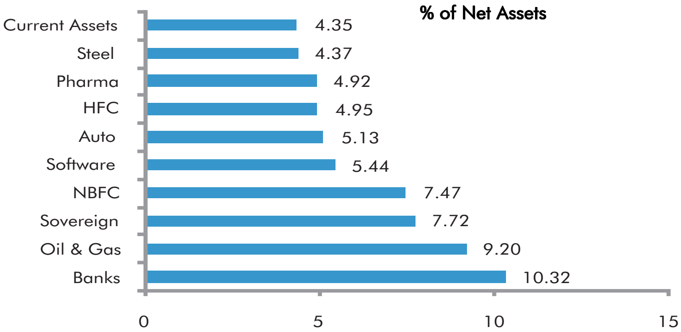
## Fund at a Glance

| | |
|---|---|
| **Face Value** | Rs. 10 |
| **NAV (02-Nov-10)** | Rs. 70.53 |
| **52-Week High (13-Oct-10)** | Rs. 71.06 |
| **52-Week Low (03-Nov-09)** | Rs. 53.37 |
| **Fund Category** | Balanced |
| **Type** | Open Ended |
| **Entry Load** | NIL |
| **Exit Load** | 1% for redemption within 1 year |
| **Minimum Inv.** | |
| Lump sum | Rs. 5000 |
| SIP | Rs. 500 |
| **Inception Date** | 27th May, 1999 |
| **AUM as on 31-Aug-10** | Rs. 778.62 crores |
| **Benchmark Index** | CRISIL Balanced Fund Index |
| **Fund Manger** | Mr. Apoorva Shah |

## Top 10 Holdings as on 30th September 2010

| Company Name | Instrument | Rating | % of Net Assets |
|---|---|---|---|
| 8.13% GOI (2022) | Gilt | Sovereign | 4.54 |
| LIC Hsg. Fin. | FRB | AAA | 3.26 |
| Shriram Transport Fin. | Bond | AA | 3.21 |
| Tata Motors | Equity | -- | 2.74 |
| Axis Bank | FRB | LAA+ | 2.55 |
| HPCL | Bond | AAA | 2.54 |
| BPCL | Equity | -- | 2.21 |
| LIC Hsg. Fin. | Equity | -- | 1.69 |
| Info Edge | Equity | -- | 1.63 |
| SBI | Equity | -- | 1.61 |

## Top 10 Sectors as on 30th September 2010




## Up & Down Phase

| Date | | DSP BlackRock Balanced Fund - Growth | Crisil Balanced Fund Index |
|---|---|---|---|
| **Up Phase** | 10/05/2006 - 08/01/2008 | 61.34 | 46.59 |
| | 24/04/2004 - 10/05/2006 | 90.76 | 52.97 |
| | 30/03/2002 - 24/04/2004 | 97.48 | 51.30 |
| **Down Phase** | 08/01/2008 - 27/10/2008 | (42.52) | (43.60) |

## Portfolio Attributes (30-Sept-10)

| | |
|---|---|
| Large Cap (%) | 32.85 |
| Mid Cap (%) | 35.71 |
| Small Cap (%) | 2.26 |
| **Equity (%)** | **70.95** |
| Bonds (%) | 16.07 |
| **Debt (%)** | **23.80** |
| **Cash & Equivalent (%)** | **5.25** |

## Key Ratios

| | |
|---|---|
| **Expense Ratio (%)** | 2.08 |
| **Standard Deviation** | 0.31 |
| **Beta** | 0.78 |
| **Sharpe** | 0.44 |
| **Jensen** | 5.70 |

*Note: Ratios are for 3 Year Period, Yearly Rolling on daily frequency on CAGR Basis as on 2nd November, 2010*

## Investment Analysis (as on 3rd November, 2010)

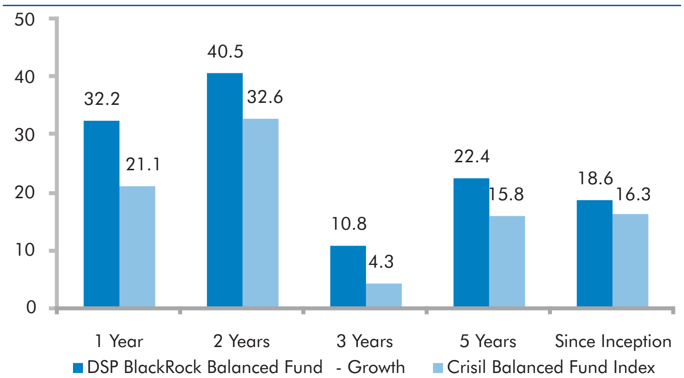
| Years | Total Amount Invested | SIP Present Value | Lump sum Present Value |
|---|---|---|---|
| **1 year** | 12,000 | 13,605 | 14,523 |
| **3 years** | 36,000 | 51,553 | 47,095 |
| **5 years** | 60,000 | 98,033 | 1,52,111 |

*Note: SIP Investment of Rs. 1000 per month*

## Investment Pattern

| Type of Instrument | Asset Allocation (% of Net Assets) | Risk Profile |
|---|---|---|
| **Equity** | 0 - 75 | Medium to High |
| **Debt** | 0 - 25 | Low to Medium |

## Performance Analysis (% Returns)




*Note: Returns are as on 2nd November, 2010 on CAGR*

## Ideal for Investors

- Investment Horizon: Long Term
- Risk Appetite: Low to Medium

# Currencies Weekly Performance Snapshot

The last week was a crucial one especially for the currency segment, as global investors were closely eyeing the FOMC statement which was declared in the mid-week. The US Dollar Index (DX) declined more than 1% in the last week, whereas, the Euro touched a nine-month high of 1.4183 against the dollar. The Euro gained more than 2% against the greenback, trading well above the psychological 1.400 mark. The British pound also took cues from the movement in the dollar and gained more than 1%. The Bank of England (BOE) left interest rates unchanged at 0.50% for a further period in its monetary policy on Thursday. The Indian Rupee (INR) also appreciated against the dollar after the Reserve Bank of India (RBI) increased interest rates. Economic data from the US in the last week indicated that the ISM Manufacturing index rose to 56.9 in October from 54.4 in September. Markets had anticipated the index to increase to 54.2. US construction spending increased by 0.5% in September, against forecasts of 0.5% decline. Personal spending increased by 0.2% in September, less than the forecasts of 0.4%.

### Exhibit 1: Currencies Performance

| Currency | 4th Nov | 30th Oct | Chg | %Chg |
|---|---|---|---|---|
| DX | 75.93 | 77.04 | (1.11) | (1.4) |
| Euro | 1.4215 | 1.3925 | 0.0290 | 2.1 |
| INR | 44.21 | 44.42 | (0.21) | (0.5) |
| JPY | 80.95 | 80.43 | 0.52 | 0.6 |
| GBP | 1.6225 | 1.6038 | 0.0187 | 1.2 |

*Source: Telequote*

## US Federal Reserve announces QE2

The FOMC statement released on November 3rd stated that the US Federal Reserve aims to buy $600 billion bonds through June 2011 to boost the US economic recovery. This amount would be spread over a period of 8 months with stimulus amount accounting to $75 billion per month. The purchases of bonds would be further adjusted depending on the strength of economic recovery. At the same time, the US Fed continues to keep interest rates at record low of 0-0.25% and maintained stance that the rates would remain low for an extended period. However, many officials at the central bank see the risk of a vicious deflationary cycle through the QE program. But, Fed Chairman Ben Bernanke is of the view that this may not lead to deflationary pressures. In his earlier speeches this year, he had stated that the Federal Reserve has enough tools to avoid a deflationary situation in the country.

## RBI increases interest rates for a sixth time in 2010

The RBI increased both the repo and reverse repo rates by 25 bps to 6.25% and 5.25% respectively. However, the Statutory Liquidity Ratio (SLR) and the Cash Reserve Ratio (CRR) were left unchanged at 25% and 6% respectively. The central bank's growth expectation for 2010-11 was left unchanged at 8.5%. The hike in the interest rates was mainly to curb inflation which remains above the central bank's targets. The current inflation rate is at 8.6% and the RBI wants it to bring it below 5%.

### Exhibit 2: Spot Rupee Weekly Price Chart

*Source: Telequote*

## Fundamental and Technical Outlook

In this week, we expect the DX to continue to weaken as the newly introduced quantitative easing program by the US Federal Reserve is negative for the currency. It is expected to test levels below 75 in the coming week. On the other hand, we expect the Indian Rupee to appreciate, taking cues from continuing FII inflows, strong domestic markets and a weaker DX. There is no major economic data in this week and we expect the latest announcement by the US Fed to continue to have an impact in the short-term.

### Exhibit 3:Technical Levels

| Currency | Support | Resistance |
|---|---|---|
| DX | 74.98 | 77.50 |
| Euro | 1.3980 | 1.4350 |
| INR | 43.75 | 44.90 |
| JPY | 79.00 | 82.21 |
| GBP | 1.5860 | 1.6475 |

*Source: Telequote*

**Research Analyst (Commodity) - Naser Parkar**

# Commodities Update

### Exhibit 1: Commodities Weekly Performance

| | 4th Nov. 2010 | 30th Oct. 2010 | % Change |
|---|---|---|---|
| **Non Agri- Commodities (MCX)** | | | |
| **Top Gainers** | | | |
| Silver | 37798 | 37105 | 1.9 |
| Gold | 19847 | 19807 | 0.2 |
| **Top Losers** | | | |
| Natural Gas | 171.80 | 187.90 | (8.5) |
| **Agri Commodities (NCDEX)** | | | |
| **Top Gainers** | | | |
| Mentha | 1240 | 1167.8 | 6.2 |
| Cardamom | 920 | 874.5 | 5.2 |
| Red Chilli | 5199 | 4944 | 5.2 |
| Kapas | 736.5 | 715.1 | 3.0 |
| **Top Losers** | | | |
| Maize | 1000 | 1014.5 | (1.4) |

## International Perspective

Commodity prices traded on a volatile note in the last week, but were mainly influenced by the dollar movement. Especially on the day of the FOMC meet, commodity prices right from the bullion to the base metal pack witnessed huge speculation on the amount of debt-purchases to be undertaken by the US Federal Reserve. Commodity prices declined before the release of the statement but later rebounded strongly towards the end of the week.

**Gold** prices traded on a volatile note on Wednesday evening and the yellow metal prices touched an intra-day low of 1325/oz. However, after the release of the statement, gold prices bounced back and the dollar retreated. The FOMC statement stated that the US Federal Reserve aims to buy $600 billion bonds by the end of June 2011 to boost the US economic recovery. This amount would be spread over a period of 8 months with stimulus amount accounting to $75 billion per month. We have entered the festival season in India but gold sales on the auspicious day of Dhanteras did not witness a growth in sales volume. Sales were the same as in 2009 in terms of volume. However, in terms of value, it increased because of the sharp rise in prices this year. Moreover, as compared to gold, sales of silver were higher on the same day, the president of Gem & Jewellery Trade Council of India, Shanti Patel said.

**Crude oil** prices gained, both on the Nymex as well as on the MCX touching multi-month highs. On the Nymex, crude oil prices touched a five-month high of above $86/bbl on Thursday. Saudi Arabia's oil minister said that he hoped of oil prices staying around $70-$90 levels, and that more oil would be pumped to the market if needed.

## Agri Perspective

Among the agri commodities, **Mentha** continued to trade firm in the previous week due to improved demand from the overseas and domestic buyers. Prices surged by 4 percent and ended the week positively. **Cardamom** after trading weak in the last week strengthened this week due to bargain buying and reduced arrivals at the domestic mandis. **Kapas and Red Chilli** both strengthened on reports of cyclonic storms hitting A.P and Tamil Nadu. Heavy rainfall in the above regions will hamper the sown crop of Chilli and standing crop of Kapas. There are reports that coastal rains have already damaged cotton crops in over 1 lakh hectares. This can further add fuel to the already rallying cotton prices in the domestic markets. **Black pepper** touched new historical high of Rs. 22,137/qtl due to expected demand from the overseas and domestic buyers ahead of winter season. Pepper prices of all the major origins are quoting at the same levels in the international market. Thus, overseas buyers may place orders in India thereby, supporting Pepper prices. Among the losers only **Maize** dipped by 1.4% due to profit booking by the market participants.

### Exhibit 2: Major Economic Data Releases this week

| Date | Country | Indicator | Forecast | Previous |
|---|---|---|---|---|
| Nov-10 | US | Trade Balance | - | -46.3B |
| Nov-10 | US | Unemployment Claims | - | 457K |
| Nov-11 | US | Federal Budget Balance | - | -34.5B |
| Nov-12 | US | Prelim UoM Consumer Sentiment | - | 67.7 |

## Outlook

In this week, we expect gold and silver prices to trade with a positive bias as the debt-purchases program of the US Federal Reserve will further lead to weakness in the dollar, thus helping the precious metal prices to gain. Copper prices are expected to gain on possibility of a strike in the Collahuasi in Chile, which is the third-largest copper mine in the world. Crude oil prices will also trade with an upside bias on the back of weaker DX. Moreover, positive comments of the OPEC members over the current prices will also boost crude oil prices.

Among Agri commodities, Kapas and Red Chilli may extend the earlier gains in the coming week due to price supportive fundamentals. Oil Complex may continue to gain further due to higher export figures of domestic Soy meal in the month of September and October. Cardamom may also strengthen due to demand from the domestic buyers.

**Research Analyst (Commodity) - Nalini Rao/ Naser Parkar**

# Soybean

NCDEX December soybean prices moved higher in the in the last week and touched a high of 2301 levels on account of firm overseas market due to extremely bullish USDA's monthly Supply and Demand report and in anticipation of higher export order of domestic soy meal. Higher export figures of domestic soy meal in the month of September and October favored the bulls. Soy meal export surged to 3.96 lakh tonnes in the month of October 2010, up about 80% as compared to 2.20 lakh tonnes in October 2009. However, total oil meal increased to 4.98 lakh tonnes in the month of October 2010, up 61% as compared to 3.09 lakh tonnes in October 2009. Soybean daily arrivals were about 4-5 lakh bags (bags=100 kg) in major mandis of Madhya Pradesh during the last week.

**Exports of Soybean Meal & Total Oil meals: Month Wise (April to October 2010)**

Quantity in '000' tonnes)

| Month | Soybean Meal | Other Oil meal | Total |
|---|---|---|---|
| April 2010 | 60.26 | 144.09 | 204.35 |
| May 2010 | 60.58 | 113.02 | 173.60 |
| June 2010 | 98.40 | 60.35 | 158.75 |
| July 2010 | 166.63 | 74.55 | 241.18 |
| Aug 2010 | 176.14 | 67.94 | 244.08 |
| Sept 2010 | 290.87 | 63.38 | 354.25 |
| Oct 2010 | 395.51 | 102 | 498.16 |
| **Total** | **1248.39** | **625.33** | **1874.37** |

*Source: The Solvent Extractors Association of India.*

As per the latest Monthly Supply & Demand Report, WASDE (USDA), Global production of soybean has declined to 254.9 million tonnes in 2010-11, down 1.92% as compared to 259.9 million tonnes in 2009-10 due to lower production in the South American region (Brazil and Argentina) on account of unfavorable weather conditions for soybean crop. In Brazil, Soybean output declined to 65 million tonnes in 2010-11, down 5.80% as compared to 69 million tonnes in 2009-10. Soybean output in Argentina declined to 50 million tonnes in 2010-11, down 8.25% as compared to 54.50 million tonnes in 2009-10. Global soybean exports for 2010-11 are projected at 94.52 million tonnes; up 4% as compared 90.84 million tonnes in 2009-10 on account of strong demand from China.

## Outlook

For the coming week, prices are expected to move northward due to sharp rise of domestic soy meal export in the month of October 2010. Brazil's lower soybean production estimates and better USDA's soybean exports figures are in favor of bulls. The USDA pegged average yield of US soybean at 44.4 bushels per acre compared to 44.7 last month. Ending stocks of US soybean for the 2010/11 season are now estimated at 265 million bushels compared with 350 million bushels posted in the last month (September 10, 2010) by the USDA. As per Solvent Extractors Association of India, India's oil meal export in the first seven months of financial year (April to October 2010) increased to 18.74 lakh tonnes tonnes, up 21% from 15.44 lakh tonnes a year earlier during the same period. However, soy meal in first seven months surged to 12.48 lakh tonnes (up about 45%) from 8.64 tonnes. Farmer's are not willing to sell at lower rates in anticipation of higher prices in coming days due to higher expectations of domestic soy meal. The Brazilian crushing industry association, Abiove, forecast this upcoming crop at 67.9 million tonnes, down from last year's record 68.7 million. The USDA's weekly Export Sales report showed US soybean sales at a 10-week high at 2,025,800 tonnes and this was also viewed as supportive.

NCDEX December soybean shall find a strong support at 2250/2220 levels and resistance at 2330/2350 levels for this week.

## Technical Indicators

On daily charts, prices closed above its 10 Day EMA (2260) and its 20 Day EMA (2242). Daily MACD-Histogram is in negative territory and 14-Day RSI is at 60.51.

**Exhibit 2: NCDEX December Soybean Contract**

*Source: Telequote*

**AVP Research (Commodities) - Badruddin**

# Commodity Technical Report

### MCX December Gold

Last week, Gold prices opened the week at Rs.19,840 per 10 grams, initially made a high of 19889, then fell sharply and breached the initial support but finally found support at 19310 levels. Later prices recovered towards 19800 levels as on November 04, 2010 and previous week's close was Rs.19,807/ 10 gm.

**Trend : UP (MCX GOLD Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 19,552** **R1 - 19,974**

**S2 - 19,278** **R2 - 20,220**

Recommended Strategy: Neutral

### MCX December Silver

Last week, Silver prices opened at Rs.37,188 per kg initially found resistance at 37,485 levels, then fell sharply lower, but finally found strong support at Rs.35,956 levels. Later Silver prices moved sharply higher made a new record high of 37,870 levels as on November 04, 2010 and previous week's close was 37,105 levels.

**Trend : UP (MCX SILVER Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 37,105** **R1 - 38,250**

**S2 - 36,450** **R2 - 38,900**

Recommended Strategy: Neutral

### MCX November Copper

Last week, Copper prices opened on its low at Rs.368.50, then moved sharply higher, breaking the initial resistance at 378 levels and made a high of 378.80 as on November 04, 2010 and previous week's close was 369.10 levels.

**Trend : UP (MCX COPPER Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 374.80** **R1 - 381**

**S2 - 368.0** **R2 - 385**

Recommended Strategy: Neutral

### MCX November Crude

Last week Crude prices opened the week on its low at Rs.3634 levels then moved sharply higher throughout the week and made a high of 3817 as on November 04, 2010 and previous week's close was 3660 levels.

**Trend : UP (MCX CRUDEOIL Weekly Chart)**


*Source: Telequote*

**Key Levels For Week :**

**S1 - 3752** **R1 - 3870**

**S2 - 3685** **R2 - 3935**

Recommended Strategy: Neutral.

Note : Closing prices of all the commodities have been taken on Thursday at 6.00 pm and as such no trades are recommended.

**Sr. Technical Analyst (Commodities) - Samson Pasam**

## Disclaimer

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel Broking Limited, its affiliates, directors, its proprietary trading and investment businesses may, from time to time, make investment decisions that are inconsistent with or contradictory to the recommendations expressed herein. The views contained in this document are those of the analyst, and the company may or may not subscribe to all the views expressed within.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavours to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Angel Broking Limited and its affiliates may seek to provide or have engaged in providing corporate finance, investment banking or other advisory services in a merger or specific transaction to the companies referred to in this report, as on the date of this report or in the past.

Neither Angel Broking Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

**Note: Please refer to the important `Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.**

| | | | |
|---|---|---|---|
| **Ratings (Returns) :** | Buy (> 15%)<br>Reduce (-5% to -15%) | Accumulate (5% to 15%)<br>Sell (< -15%) | Neutral (-5 to 5%) |

**Address: Acme Plaza, 'A' Wing, 3rd Floor, M.V. Road, Opp. Sangam Cinema, Andheri (E), Mumbai - 400 059.**
**Tel : (022) 3952 4568 / 4040 3800**

**Research Team**

**Fundamental:**

| | | |
|---|---|---|
| Sarabjit Kour Nangra | VP-Research, Pharmaceutical | sarabjit@angelbroking.com |
| Vaibhav Agrawal | VP-Research, Banking | vaibhav.agrawal@angelbroking.com |
| Vaishali Jajoo | Automobile | vaishali.jajoo@angelbroking.com |
| Shailesh Kanani | Infrastructure, Real Estate | shailesh.kanani@angelbroking.com |
| Anand Shah | FMCG , Media | anand.shah@angelbroking.com |
| Deepak Pareek | Oil & Gas | deepak.pareek@angelbroking.com |
| Sushant Dalmia | Pharmaceutical | sushant.dalmia@angelbroking.com |
| Rupesh Sankhe | Cement, Power | rupeshd.sankhe@angelbroking.com |
| Param Desai | Real Estate, Logistics, Shipping | paramv.desai@aangelbroking.com |
| Sageraj Bariya | Fertiliser, Mid-cap | sageraj.bariya@angelbroking.com |
| Paresh Jain | Metals & Mining | pareshn.jain@angelbroking.com Amit |
| Rane | Banking | amitn.rane@angelbroking.com |
| John Perinchery | Capital Goods | john.perinchery@angelbroking.com |
| Srishti Anand | IT, Telecom | srishti.anand@angelbroking.com |
| Jai Sharda | Mid-cap | jai.sharda@angelbroking.com |
| Sharan Lillaney | Mid-cap | sharanb.lillaney@angelbroking.com |
| Naitik Mody | Mid-cap | naitiky.mody@angelbroking.com |
| Amit Vora | Research Associate (Oil & Gas) | amit.vora@angelbroking.com |
| V Srinivasan | Research Associate (Cement, Power) | v.srinivasan@angelbroking.com |
| Mihir Salot | Research Associate (Logistics, Shipping) | mihirr.salot@angelbroking.com |
| Chitrangda Kapur | Research Associate (FMCG, Media) | chitrangdar.kapur@angelbroking.com |
| Pooja Jain | Research Associate (Metals & Mining) | pooja.j@angelbroking.com |
| Yaresh Kothari | Research Associate (Automobile) | yareshb.kothari@angelbroking.com |
| Shrinivas Bhutda | Research Associate (Banking) | shrinivas.bhutda@angelbroking.com |
| Sreekanth P.V.S | Research Associate (FMCG, Media) | sreekanth.s@angelbroking.com |
| Hemang Thaker | Research Associate (Capital Goods) | hemang.thaker@angelbroking.com |
| Nitin Arora | Research Associate (Infra, Real Estate) | nitin.arora@angelbroking.com |

**Technicals:**

| | | |
|---|---|---|
| Shardul Kulkarni | Sr. Technical Analyst | shardul.kulkarni@angelbroking.com |
| Mileen Vasudeo | Technical Analyst | vasudeo.kamalakant@angelbroking.com |

**Derivatives:**

| | | |
|---|---|---|
| Siddarth Bhamre | Head - Derivatives | siddarth.bhamre@angelbroking.com |
| Jaya Agarwal | Derivative Analyst | jaya.agarwal@angelbroking.com |

**Institutional Sales Team:**

| | | |
|---|---|---|
| Mayuresh Joshi | VP - Institutional Sales | mayuresh.joshi@angelbroking.com |
| Abhimanyu Sofat | AVP - Institutional Sales | abhimanyu.sofat@angelbroking.com |
| Nitesh Jalan | Sr. Manager | niteshk.jalan@angelbroking.com |
| Pranav Modi | Sr. Manager | pranavs.modi@angelbroking.com |
| Sandeep Jangir | Sr. Manager | sandeepp.jangir@angelbroking.com |
| Ganesh Iyer | Sr. Manager | ganeshb.Iyer@angelbroking.com |
| Jay Harsora | Sr. Dealer | jayr.harsora@angelbroking.com |
| Meenakshi Chavan | Dealer | meenakshis.chavan@angelbroking.com |
| Gaurang Tisani | Dealer | gaurangp.tisani@angelbroking.com |

**Production Team:**

| | | |
|---|---|---|
| Bharathi Shetty | Research Editor | bharathi.shetty@angelbroking.com |
| Simran Kaur | Research Editor | simran.kaur@angelbroking.com |
| Bharat Patil | Production | bharat.patil@angelbroking.com |
| Dilip Patel | Production | dilipm.patel@angelbroking.com |