

Dealer's Diary

On Thursday, markets witnessed selling pressure towards late trades wiping off almost entire gains in contrast to the strong start. Buoyant auto sales in August 2010 and robust manufacturing activity bolstered sentiment in early trades. European stocks too edged higher amidst volatile trades. The Asian markets were firm on encouraging economic data. The Indian markets pared gains in a volatile afternoon session only to regain strength in mid-afternoon trades. It cut gains in late trades as index heavyweight Reliance Industries declined. The Sensex and Nifty closed up 0.2% and 0.3%, respectively. The BSE mid- and small-cap indices closed up 0.8% and 1.1%, respectively. Among the frontliners, Jaiprakash Associates, Sterlite Industries, Tata Power, HDFC and HDFC Bank gained 1–4%, while Hero Honda, TCS, BHEL, Bharti Airtel and Infosys lost 1–3%. Among the mid-caps, Apollo Tyres, Gujarat NRE Coke, Bayer Corp, IOB, and Ispat Industries gained 6–12%, while Sterlite Technologies, KGN Industries, State Bank of Bikaner, Dredging Corp and MVL lost 4–5%.

Markets Today

The trend deciding level for the day is 18270/5491 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 18324–18140/5509–5533 levels. However, if NIFTY trades below 18270/5491 levels for the first half-an-hour of trade then it may correct up to 18184–18129/5467–5449 levels.

Indices	S2	S1	R1	R2
SENSEX	18,129	18,184	18,324	18,410
NIFTY	5,449	5,467	5,509	5,533

News Analysis

- Ashok Leyland – August 2010 sales numbers
- Cement despatch numbers – August 2010
- McNally Bharat – FY2010 consolidated results

Refer detailed news analysis on the following page.

Net Inflows (September 01, 2010)					
Rs cr	Purch	Sales	Net	MTD	YTD
FII	2,730	2,203	527	527	59,653
MFs	447	799	(352)	(3,169)	(15,793)

FII Derivatives (September 02, 2010)				
Rs cr	Purch	Sales	Net	Open Interest
Index Futures	1,695	750	944	15,900
Stock Futures	1,096	866	230	35,703

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	chg (%)	Company	Price (Rs)	chg (%)
Suzlon	51	10.2	Hind Copper	446	(4.1)
Guj Nre Coke	61	7.6	Adani Power	133	(3.5)
IOB	134	6.5	Hero Honda	1,700	(3.4)
Ispat	20	6.1	Adani Enter	654	(2.9)
Exide Inds	157	6.0	Hindustan Zinc	1,084	(2.7)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	0.2%	32.4	18,238
Nifty	0.3%	14.3	5,486
MID CAP	0.8%	60.0	7,784
SMALL CAP	1.1%	107.8	9,821
BSE HC	0.3%	14.3	5,598
BSE PSU	-0.3%	(28.0)	9,772
BANKEX	0.8%	97.4	12,449
AUTO	0.6%	52.0	8,890
METAL	0.6%	85.5	15,515
OIL & GAS	-0.3%	(35.1)	10,037
BSE IT	-0.7%	(36.6)	5,447
Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	0.5%	50.6	10,320
NASDAQ	1.1%	23.2	2,200
FTSE	0.0%	4.6	5,371
Nikkei	1.5%	135.8	9,063
Hang Seng	1.2%	245.1	20,869
Straits Times	0.1%	3.8	2,987
Shanghai Com	1.3%	32.9	2,656

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	0.1%	0.1	\$59.8
Wipro	-0.1%	(0.0)	\$13.1
Satyam	2.2%	0.1	\$4.7
ICICI Bank	0.3%	0.1	\$43.1
HDFC Bank	0.6%	0.9	\$167.4

Advances / Declines	BSE	NSE
Advances	1,851	897
Declines	1,106	497
Unchanged	98	32

Volumes (Rs cr)	
BSE	5,270
NSE	13,337

Ashok Leyland – August 2010 sales numbers

Ashok Leyland (ALL) reported a robust 56.4% yoy growth in total volumes to 7,480 units (4,784), led by strong sales in the M&HCV segment, which grew 58% yoy primarily due to the low base effect and recovery in the economic activity. The company's exports have also been recovering since the last few months and registered 40.7% yoy growth during the month. The bus segment (M&HCV passenger) grew 46.5% yoy, whereas the truck segment (M&HCV goods) logged growth of 63.4% yoy. At Rs75, the stock is trading at 16.5x FY2011E and 13.9x FY2012E earnings. We believe that the higher volume and earnings growth estimated to be clocked by the company over FY2010-12E is priced in. **Hence, we maintain our Neutral view on the stock.**

Cement despatch numbers – August 2010

Cement despatches in August 2010 was affected by monsoons and low demand from the housing and infrastructure sectors. Among the major cement manufacturers, JP Associates posted the highest yoy growth in despatches at 51% to 1.08mt (0.72mt) primarily due to the substantial yoy increase in its capacity. Ultratech Cement reported a marginal 2.4% yoy increase in despatches to 2.96mt. ACC reported 4.8% yoy drop and flat mom growth in despatches to 1.57mt for August 2010. However, the yoy dip in ACC's despatches during August is lower than the 12.3% decline reported by it in July 2010. Ambuja Cements' despatches for the month remained flat on a yoy basis at 1.43mt. **We maintain a Buy on Ultratech Cement, with a Target Price of Rs1,087. We remain Neutral on ACC and Ambuja Cement.**

McNally Bharat – FY2010 consolidated results

McNally Bharat (MBE) declared its FY2010 consolidated results. Total sales stood at Rs1,806cr, 11% below our estimate of Rs2,019cr. EBITDA margins came in line with our estimate of 8%. Total PAT for the year came in at Rs61cr as against our estimate of Rs75cr (18% lower) mainly on account of lower sales, higher interest and depreciation outflow.

We believe that an improving economic scenario (indicated by a revival in the IIP), the continuous government focus on infrastructure spend and pick-up in private capex augurs well for the companies providing EPC solutions to the core sectors of the economy. The overall emerging opportunities for MBE are expected to be around Rs51,600cr over FY2010-15E. Over the longer term, the port and steel sectors are likely to offer the highest opportunity of Rs22,200cr, while the power and mining sectors are likely to be the key growth drivers in the near term. The government's strong focus on the power sector through "Power for all by 2012", is expected to result in an expansion of generation capacity in the sector, leading to higher opportunities for the BoP players.

MBE has robust order book of Rs4,803cr (2.6x FY2010E consolidated revenues) led by the power sector, which lends high revenue visibility. Going ahead, over FY2010-12E, we estimate the company to register a CAGR of 36% in sales and profit, respectively. At Rs286, the stock is available at attractive valuations of 10x FY2012E earnings and 5x FY2012E EV/EBITDA. **We maintain a Buy on the stock, with a Target Price of Rs406.**

Economic and Political News

- Trade deficit in the first four months of the financial year reached US\$43.6bn
- CM wants incentives to SEZ to continue
- Shipping ministry sanctions funds to port for land

Corporate News

- JSW Steel raises prices by 3-4%
- IRB Infra in pact with Indian Hotels to build hotel
- Welspun Corp bags Rs700cr orders
- Nalco open to equity dilution in US\$3.9bn Indonesian project

Source: Economic Times, Business Standard, Business Line, Financial Express, Mint

Events for the day	
Allied Digit	Results
Apar Inds	Results
Jindal Poly	Bonus, Dividends, Results
Kalindi Rail	Results
Raj Oil	Results

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