

Sugar - 'In Bitter Taste'

The two largest sugar producers-Bajaj Hindusthan and Balrampur Chini-in Northern India have entered a period of firm prices but may not report any meaningful volume growth till at least F9/10. Existing capacities would be underutilized due to a severe cane shortage in the ongoing season with some relief likely only in the next year. Stable alcohol prices may offset to an extent lower distillery volumes for the two companies. Margins are forecast to remain below levels seen at a similar stage in previous cycles on rising cane prices in UP. On the other hand, South-based Shree Renuka Sugars has a flexible model that includes sugar refining and trading. Recent changes in import norms would aid the company post volume growth and benefit from up tick in sugar prices.

Bajaj Hindusthan
CMP Rs44

SELL
Target Rs40

Capacity utilization to decline on lower crushing

In the ongoing crushing season, sugar output is expected to decline by ~32% yoy due to falling recovery and lower acreage. Unresolved cane pricing disputes at the beginning of season also led to a delayed start to the operations, thereby diverting cane crop to alternative sweeteners in Uttar Pradesh (UP). Consequently, Bajaj Hindusthan (BJH) would see lower capacity utilization of about 65% as compared to 75% in the previous season.

Debt overhang poses risk; Downgrade to SELL

BJH has completed a four-fold capacity expansion in F9/08 spread over four years. In our meeting, it indicated further capacity additions are unlikely due to shortage of cane supply, as witnessed in the current year. Deleveraging would be a priority with net debt burden projected to continue at 3.5x in the current fiscal. We do not expect the company to post a profit in F9/09 (vs. our earlier profit forecast) and downgrade the stock to SELL.

Valuation summary

Y/e 30 Sep (Rs m)	F9/07	F9/08	F9/09E	F9/10E
Revenues	17,805	20,701	23,776	24,379
yoy growth (%)	20.1	16.3	14.9	2.5
Operating profit	1,907	2,941	2,614	3,739
OPM (%)	10.7	14.2	11.0	15.3
Reported PAT	20	(1,574)	(774)	55
yoy growth (%)	(98.9)	-	(50.9)	-
EPS (Rs)	0.1	(11.1)	(5.5)	0.4
P/E (x)	311.0	-	-	113.2

Source: Company, India Infoline Research

Balrampur Chini Mills
CMP Rs47

SELL
Target Rs41

Sugar sales likely to fall on 38% drop in production

Balrampur Chini Mills (BCM), the country's second largest sugar producer by capacity, is expected to report a 38.3% decline in sugar production. This could be worse than the overall drop of ~32% yoy in sugar output in the current season. Therefore, we project sugar volumes to fall the most in at least six years. Drop in company production is on account of a 96bps yoy decline in recovery and lower acreage leading to only about an average 90 days of crushing.

Lack of volume growth likely to hurt; Maintain SELL

A combination of lower production and lack of any fresh capacity expansions, imply that volume growth would be difficult to come by in the next 12-18 months. We have assumed a 28% jump in current

year realizations but even that may not be enough to tide over rising cane costs (SAP of Rs1,400/MT vs. Rs1,250/MT last year) and lower by-product revenues. Retain SELL.

Valuation summary

Y/e 30 Sep (Rs m)	F9/07	F9/08	F9/09E	F9/10E
Revenues	13,948	14,909	15,520	14,489
yoy growth (%)	10.2	6.9	4.1	(6.6)
Operating profit	823	3,640	2,894	3,226
OPM (%)	5.9	24.4	18.6	22.3
Reported PAT	(473)	783	657	991
yoy growth (%)	-	-	(16.1)	50.8
EPS (Rs)	(1.9)	3.1	2.5	3.7
P/E (x)	-	15.3	19.0	12.6

Source: Company, India Infoline Research

Shree Renuka Sugars
CMP Rs79

Market Performer
Target Rs73

Margins relatively stable compared to peers

Sugar prices in South are generally less by about 10-12% as compared to those prevailing in North. Hence, for Shree Renuka Sugars (SRS), OPM is lower but relatively stable as compared to that of UP-based mills. Unlike peers, the company focuses on management of leased sugar capacities along with greenfield expansions, which reduce capital expenditure. This reduces borrowings, critical in a commodity business with usually rising input (cane) prices.

Diversified revenue stream offers cushion

SRS by virtue of its near-coast based operations and a 4,000TPD refining capacity displays operational flexibility. A port-based refinery and brownfield capacity additions would aid in volume expansion in the next two years. Alcohol sales at 16% of revenues account for the largest share amongst the three companies. Maintain Market Performer.

Valuation summary

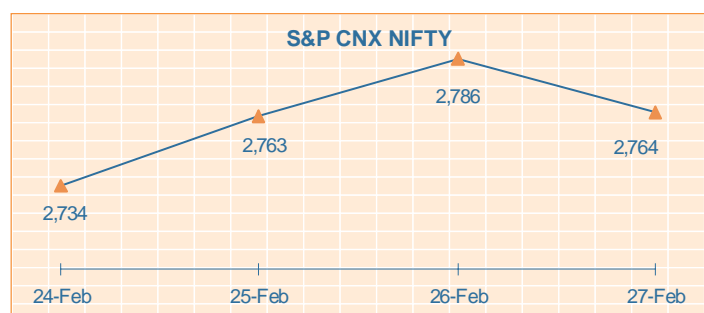
Y/e 30 Sep (Rs m)	F9/07	F9/08	F9/09E	F9/10E
Revenues	9,506	21,143	18,492	21,093
yoy growth (%)	(13.9)	122.4	(12.5)	14.1
Operating profit	1,320	2,526	3,040	3,337
OPM (%)	13.9	11.9	16.4	15.8
Reported PAT	830	1,339	1,250	1,537
yoy growth (%)	(30.7)	61.3	(6.7)	23.0
EPS (Rs)	3.3	4.9	4.2	5.2
P/E (x)	23.6	16.3	18.8	15.3

Source: Company, India Infoline Research

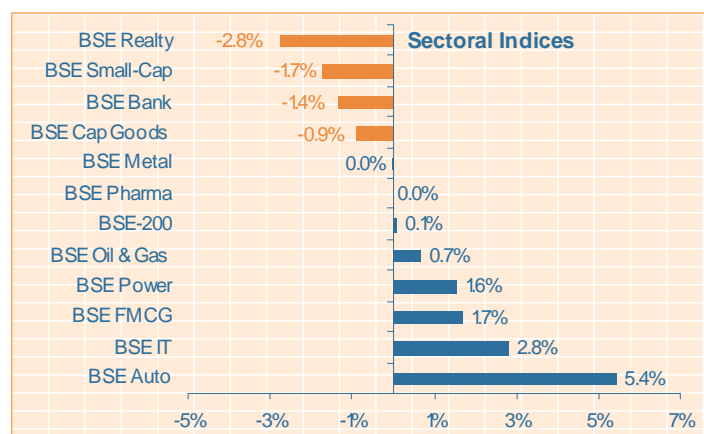
India Infoline Weekly Wrap

Market review

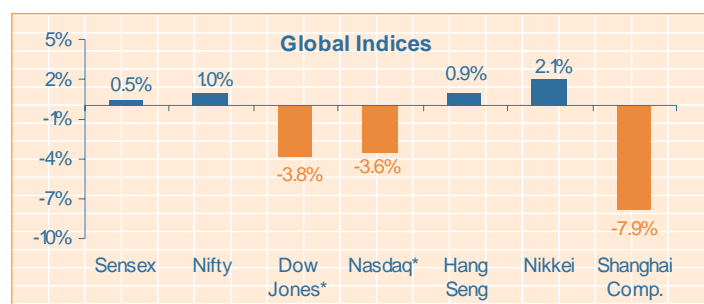
In a highly eventful week, the bulls managed to hold their own, thanks largely to the latest tax cuts announced by the government to spur demand. The Government also announced fresh measures for recession-hit export sectors. Expectations of interest rate cuts escalated after inflation hit a 14-month low of 3.36%. This helped the BSE-30 Sensex to post marginal gain of 0.5% to 8,892. The NSE Nifty added 1% to shut shop at 2,764. The bulls shrugged off weak Q3 GDP data, which missed market expectations.



Auto stocks rallied this week, after the Government announced a 2% cut in excise duty and service tax. IT stocks also managed to notch up some gains after the Indian Rupee fell to a new record low below Rs51 against the US Dollar. At the same time, banking and realty stocks ended up on the losing side for the week.



Economic reports from across the globe continued to haunt the major equity markets. Top companies like GM and RBS announced massive losses. Japan's trade deficit reached a record level and its industrial production dropped 10%. Sales of existing US homes fell 5.3% to 12-year low. The Chinese stock market tumbled 7.9% snapping its rally.



*As per previous close

FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
19-Feb	(320)	(76)
20-Feb	(172)	(334)
24-Feb	(392)	24
25-Feb	(453)	130
Total 2009	(6,432)	(2,469)

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Tata Motors	149	11.6	Kirloskar Oil Eng	43	21.6
Infosys	1,231	4.6	Bharat Forge	95	19.5
NTPC	185	4.1	Century Text	179	18.8
BHEL	1,404	2.9	Ultratech Cement	470	12.7
Tata Steel	173	2.8	Mphasis BFL	169	12.4

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Ranbaxy	162	(21.7)	Pantaloen Retail	126	(13.0)
HDFC	1,269	(6.2)	Chennai Petro	91	(12.7)
Wipro	207	(3.7)	Aban Offshore	316	(12.4)
ACC	540	(2.5)	Bajaj Hind	44	(12.2)
ICICI Bank	328	(2.3)	Tanla Solutions	30	(11.4)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
24-Feb	Fidelity	Educomp	S	0.9	1,595
25-Feb	Deutsche Sec	ICSA India	S	15.9	75
26-Feb	Citigroup Glo	Chambal Fert	S	20.0	37
26-Feb	Deutsche Bk	IRB Infra	S	108.3	99
26-Feb	Lotus Global	Elpro Intern	S	0.7	275

Book closures and record dates

Company	Date	Purpose
Landmark Leisure	27-Mar-09	AGM

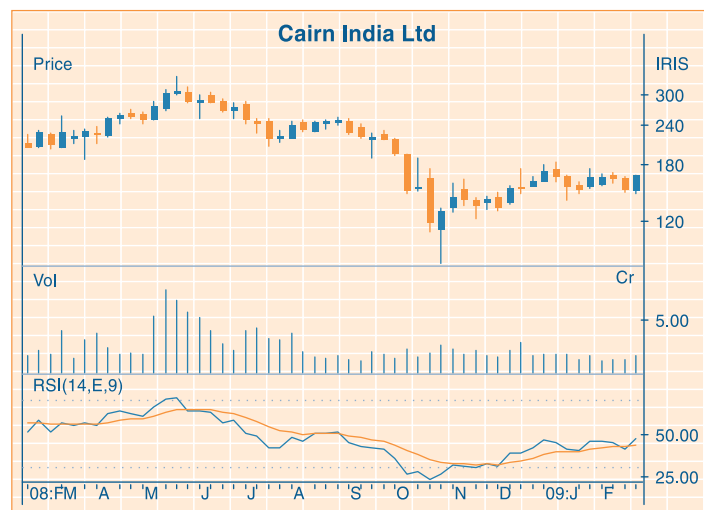
Insider trades

Company	Name	B/S	Qty ('000)
Fiem Ind	Seema Jain	B	247.2
JBF Ind	Bhagirath Arya	B	300.0
NIIT Tech	Rajendra Singh	B	435.2
Bilpower	Suresh Choudhary	B	10.0

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Technical ideas

Cairn **BUY**
CMP Rs167

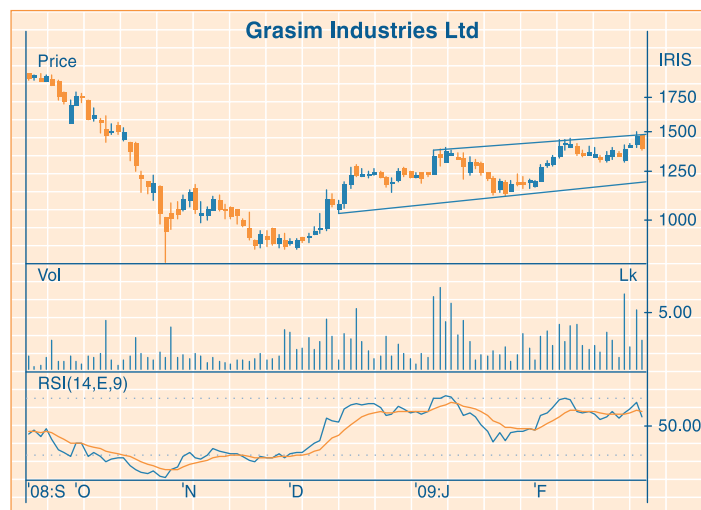


Cairn has correctly sharply from an all time high of Rs342 in May 2008 to a low of Rs88 in the October 2008. Since then, for past few weeks, it is consolidating sideways in a broad range between Rs149-165 levels.

The rebound from the low of Rs88 is still in progress and further upside seems on the cards. In our view, a medium term bottom is in place around the levels of Rs147 and we expect a rebound to take the stock around the levels of Rs185-190.

As shown in the weekly chart above, the stock has also formed a bullish engulfing candlestick formation. The weekly RSI is exhibiting positive divergences. The volumes have also shown a smart increase in the past few trading sessions. Based on the above-mentioned technical evidences, we recommend traders to buy the stock at current levels and up to the levels of Rs162 for target of Rs184 and Rs188. A stop loss of Rs156 is recommended on all long positions.

Grasim Industries **SELL**
CMP Rs1,395



The stock has been a strong outperformer against the broader indices. It recorded its 52-week low of Rs824 on 27th October 2008. Since then, it consolidated between the price range of Rs875-935 before making an upmove.

Daily chart suggest that the price movement since December 2008 till date has occurred in a broad Rising Channel between price levels of Rs1,028-1,440. However, as seen in the last few sessions, the stock has struggled to cross past the crucial resistance levels. On Friday, the stock declined sharply from the peak of Rs1,470 from its intermediate top.

We expect the stock to decline towards the support of the ascending trendline as shown in the chart above in the coming trading weeks. Traders can sell the stock at current levels and on rallies to resistance of Rs1,430 levels for target of Rs1,280 and Rs1,240. It is advisable to maintain a stop loss of Rs1,475 on all short positions.

Positive open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
KSK Energy	1.6	50.0	0.0
Powergrid	2.0	45.2	348.3
Amtek Auto	14.7	42.9	17.3
Canara Bank	3.3	36.9	9.0
Tata Tea	0.5	35.9	0.7

Negative open interest build-up

Company	Price % chg	OI % chg	Vol (lacs)
ACC	(6.4)	31.2	18.7
Indian Bank	(0.9)	27.1	4.5
Allahabad Bank	(4.8)	26.5	10.4
Ambuja Cem	(4.3)	18.4	52.1
Mphasis	(2.1)	18.3	23.6

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
TTML	24	23	63.9	41.5
Colgate Pal.	465	447	3.2	2.1
Lupin	649	623	1.8	1.3
Nalco	208	200	4.6	3.6
ITC	183	181	40.0	34.6

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
BEML	361	369	0.6	2.2
Asian Paints	786	800	0.1	0.2
BEL	861	877	0.1	0.4
Sun TV	161	168	1.0	2.8
GSFC	79	82	0.6	1.6

India Infoline Weekly Wrap

Mutual fund round-up

India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on February 26, 2009							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP-BR Top 100 Equity - RP (G)	982	49.4	0.5	(0.7)	(1.0)	(26.8)	(36.5)	(12.4)	15.6	124.6
Franklin India Prima Plus - (G)	1,041	101.7	(1.8)	(1.7)	(1.5)	(31.6)	(43.4)	(26.2)	(0.2)	108.7
HDFC Top 200 Fund (G)	1,971	84.3	0.2	(0.7)	(2.6)	(33.5)	(43.2)	(20.9)	(3.0)	113.2
Sundaram BNP Tax Saver (G)	515	21.8	0.3	(3.4)	(3.3)	(30.3)	(43.0)	(18.5)	(4.5)	168.9
UTI Dividend Yield Fund (G)	878	14.3	(0.5)	(0.3)	2.0	(23.4)	(35.9)	(9.7)	3.5	--

Fund this week: Franklin India Prima Plus - Growth

Fund snapshot		Asset allocation (%)	
Fund Manager	Anand Radhakrishnan	Equity	93.5
Latest NAV	Rs101.7	Debt	0.0
NAV 52 high/low	Rs181/98	Cash/call	6.5
Latest AUM	Rs1,041cr	Top 5 holdings (%)	
Type	Open-ended	HDFC Bank Ltd	7.6
Class	Equity - Diversified	Infosys Technologies Ltd	6.9
Options	Growth & dividend	Bharti Airtel Ltd	6.3
Min investment	Rs5,000	Reliance Industries Ltd	5.7
Entry load	2.25%<Rs5cr	Nestle India Ltd	5.0
Exit load	1%<Rs5cr<1yr	Top 3 sectors (%)	
Benchmark	CNX500	Banks	15.3
No. of stocks	55	Oil & Gas, Petroleum & Refinery	11.0
Expense ratio	2.0%	Telecom	8.2

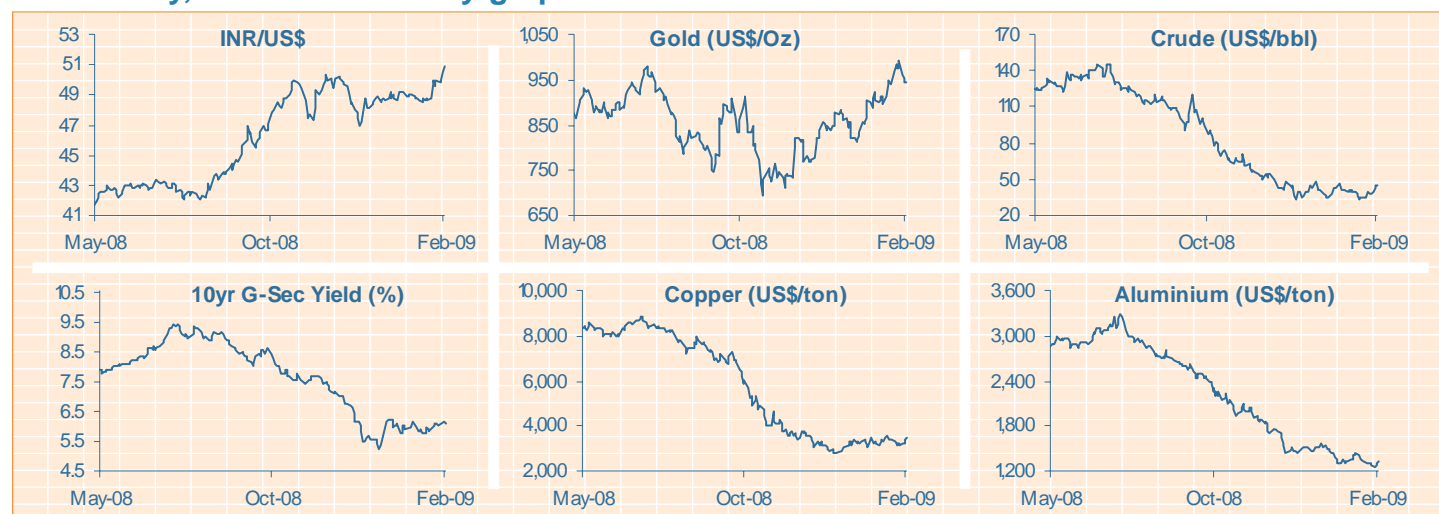
NFO update

Fund Name	Close	Type	Class
Shariah BeES	05-Mar	OE	Equity - ETF
Tata Infra Tax Saving	16-Mar	CE	Equity - ELSS
DBS Chola Tax Advantage	19-Mar	CE	Equity - ELSS

Dividend update

Mutual Fund	Dividend %	Record date	Class
Kotak Q Interval Plan Sr 7	100.0	02-Mar	Debt - Invnt
HDFC FMP 90D Nov 08 (4)	100.0	02-Mar	Debt - FMP
UTI Interval Sr II Qrt Plan-VI	100.0	04-Mar	Debt - Invnt

Commodity, debt and currency graphs



* As per previous close

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