

Major indices movements

Major indices	Clsq	1d (%)	3m (%)	6m (%)
BSE Sensex	9,788	8.2	(33.2)	(44.4)
Nifty	2,886	7.0	(34.6)	(44.8)
Dow	9,325	1.6	(17.7)	(28.6)
Nikkei	8,577	(5.0)	(34.5)	(39.0)
Hang Seng	14,779	5.8	(35.4)	(43.7)
Brasil Bovespa	37,257	(0.5)	(35.4)	(46.3)
Mexico Bolsa	20,445	1.2	(24.2)	(33.1)

Turnover

Value Traded (Rs bn)	31 Oct 2008	% Chg	52 Wk Hi	52 Wk Lo
Cash BSE	37.2	19.8	#N/A	#N/A
Cash NSE	122.4	4.6	254.4	15.6
Total	159.6			
Del.(%)	41.3			
F&O	369.6	(31.8)	982.3	103.5
Total Trade	529.2			

Fund Activity

Net Inflows (Rs bn)	Purch	Sales	Net	YTD
29 Oct 08				
FII's	26.9	(37.6)	(10.7)	233.3
Domestic Funds	0.2	(0.0)	0.1	102.3

31 Oct 08

Cash Provisional			(2.7)	
F&O - Index	27.5	(17.2)	10.3	(27.6)
F&O - Stock	9.2	(6.6)	2.7	(11.6)

Advances/declines BSECash

31 Oct 2008	A	B1	B2	Total
Advance	163	1038	256	1457
Decline	40	559	166	765

Commodity Prices

Commodity	3 Nov 2008	1d (%)	3m (%)	6m (%)
Crude (USD/Bbl)	68.2	0.6	(45.5)	(41.3)
Copper(usd/t)	4,099	(2.4)	(49.1)	(52.1)
Aluminum H.G.(usd/t)	2,040	(1.0)	(31.5)	(29.8)
Zinc(usd/t)	1,125	(3.0)	(40.9)	(49.6)

Debt/Forex Mkt

Re/USD	49.45	0.0	(16.7)	(21.6)
10 yr Gsec Yield	7.45	(1.0)	(20.0)	(6.0)
Crude (USD/Bbl)	68.2	0.6	(45.5)	(41.3)

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News clippings

- **GAIL and Indian Oil Corporation** have signed a Memorandum of Understanding (MoU) for cooperation in the area of petrochemicals to collaborate for exploring the possibility of setting up of cracker complex including downstream derivatives at Barauni.
- Union Cabinet has approved a Bill for comprehensive amendment of insurance laws, including a proposal to raise the foreign investment ceiling from 26 per cent to 49 per cent.
- The government has abolished a 5% tax on aviation fuel and has also abolished the 15% export duty on certain steel products such as pig iron, steel ingots, bars and rods and retained a levy on exports of scrap metal. The government has removed a 15% duty on overseas sales of iron ore fines and replaced it with a flat tax of Rs200 per metric ton.
- India's foreign exchange reserves, including gold and SDRs, dipped to \$258.4 billion during the week ended October 24 from \$273 billion as of October 10.
- International ratings agency Standard and Poor's affirmed its 'BBB-' long-term and 'A-3' short-term sovereign credit ratings on India.
- The Oil Marketing companies have decided to slash aviation turbine fuel (ATF) prices by 17 percent (over Rs 9,400 per kilolitre) while the Government has decided to abolish customs duty on the ATF. In spite of these measures, the Airline companies are unlikely to reduce the airfares as these companies intent to bring down the losses incurred due to increases in ATF prices early this year.

Welspun Gujarat Stahl Rohren Ltd.

Reco	CMP	TP
N.A.	115	N.A

Y/e Mar	FY08	FY07	% YoY
Net Sales (Rsm)	40104.5	26834.4	46.7
EBITDA (Rsm)	6528.7	3285.3	98.7
EBITDA %	16.3	12.2	410 bps
Net Profit (Rsm)	3514.2	1425.87	146
EPS (Rs)	19.8	10.02	97.3

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Research views

Welspun Gujarat Stahl Rohren Ltd – Result Analysis

Welspun Gujarat Stahl Rohren Ltd (WGSRL) has announced its Q2FY09 result. The highlights of the same are as follows.

- Welspun Gujarat Stahl Rohren has reported topline growth of 61% (y-o-y) to Rs 14.9 bn. The growth was supported by higher realization and 35% growth in pipes volume.
- The company reported subdued bottomline with EBITDA grew by 4% (y-o-y) to Rs 1.569 bn and PAT declined by 21% to Rs 653.1 mn. The EBITDA and PAT took a hit of Rs 883.9 mn due to the impact of rupee depreciation. Out of the total Rs 883.9 mn, Rs 660 mn was MTM forex losses on foreign currency working capital and the rest was on ECB.
- The EBITDA during the quarter grew by 16.9% (on y-o-y basis) to Rs 1.98 bn and EBITDA margin grew by 148 basis points to 13.37%. PAT during the quarter grew by 11.1% (y-o-y) to Rs 1 bn. If we adjust the one time MTM losses of Rs 883.9 mn, then EBITDA during the quarter has grown by 60% (Y-o-Y) to Rs 2.46 bn and PAT by 52% to Rs 1.25 bn. The EBITDA margin on per tonne basis remained flat at Rs 11,500. The management expects to maintain EBITDA margin in the range of Rs 11,000-11,500.
- The management has guided for 800,000 tonnes of pipe volume whereas it has reduced the guidance for plate mills from 600,000 tonnes to 250,000-300,000 tonnes for FY09.
- WGSRL added Rs 30 bn of fresh orders during the quarter. As a result, the order book position of the company at the end of Q2FY09 is at Rs 90 bn (2.2x FY08 net sales) which is to be executed in the next one year.
- The HSAW mill in the US is expected to be commissioned in Q3FY09. WGSRL has received final clearance for SEZ Anjar, India for its 300,000 tons of LSAW project. The same is likely to be completed by Q2FY10. 150,000 tonnes of HSAW project at Anjar has already got commissioned. The coil mill at Anjar, Gujarat is under installation and will be commissioned by Q4FY09.
- The reported EPS for the quarter was at Rs 3.47 with a decline of 24% (on Y-o-Y). But after adjusting the forex loss, the EPS for the quarter comes to Rs 6.7 with Y-o-Y growth of 39%. The scrip currently trades at 5.8x its FY08 reported EPS.

Standalone Financials

Particulars Rs mn	Q2FY09	Q2FY08	% change Y-o-Y	H1FY09	H1FY08	% change Y-o-Y
Net Sales	14,928	9,319	60.2	25,898	17,484	48.1
Other Income	39	6	550.0	103	14	635.7
(Increase)/ Decrease in stock in trade	622	-1,643	-137.9	-843	-1,802	-53.2
Consumption of Raw Materials	9,005	7,839	14.9	17,449	13,529	29.0
Other manufacturing cost	3,732	1,615	131.1	5,983	2,915	105.2
EBIDTA	1,569	1,508	4.0	3,309	2,842	16.4
Net Interest/financial charge	314	131	139.7	754	286	163.6
Depreciation	300	127	136.2	594	247	140.5
Profit before Tax	994	1,256	-20.9	2,064	2,322	-11.1
Tax	228	232	-1.7	459	622	-26.2
Deferred Tax	112	199	-43.7	240	182	31.9
Profit After Tax	653	825	-20.8	1,364	1,519	-10.2
Equity	932.5	857.4	8.8	932.5	857.4	8.8
EPS Diluted Rs	3.47	4.54	-23.6	7.25	8.35	-13.2
EBITDAM(%)	10.5	16.2	-567 bps	12.8	16.3	-348 bps
PATM(%)	4.4	8.9	-448 bps	5.3	8.7	-342 bps

Source: Company

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Research views

McNally Bharat Engineering - Q2FY09 Result – First Cut

Strong performance at operational level

- McNally Bharat (MBE) reported strong revenue growth at 81% yoy to Rs2,070 mn, above estimates.
- MBE witnessed operating margin expansion of 160 bps yoy to 8.9%, ahead our estimates. Consequently operating profits increased 122% yoy to Rs184 mn, above our estimates.
- Despite strong revenue growth and expansion in operating margins, adjusted net profit grew at lower than expected 13% yoy to Rs68 mn, below estimates. This was due to 259% yoy jump in interest charge to Rs81 mn from Rs23 mn in Q2FY08, above estimates.
- Earnings for the quarter stood at Rs2.2 per share.
- Order book continued to witness strong traction- up 87% yoy to Rs26.5 bn.
- MBE has increased its stake in its newly acquired company – Sayaji Iron & Engineering to 87.32% from 62.3% for additional consideration of Rs164.7 mn.
- At CMP the stock is trading at 3.5X FY09E and 2.5X FY10E earnings of Rs13.5 and Rs19.3 respectively.

Standalone Key Financials

YE Mar (Rs Million)	Q2FY09	Q2FY08	YoY Gr(%)	Q1FY09	QoQ Gr(%)
Net Sales	2,070	1,143	81.1	1,205	71.8
Expenses	1,886	1,060	77.9	1,107	70.4
Raw Materials	1,143	559	104.3	699	63.6
% Of Sales	55.2	48.9	-	58.0	-
Job Outsourcing Exp	403	258	56.1	187	115.7
% Of Sales	19.5	22.6	-	15.5	-
Employee Cost	134	77	73.1	100	33.4
% Of Sales	6.5	6.8	-	8.3	-
Other Expenditure	206	165	24.9	121	70.3
% Of Sales	10.0	14.4	-	10.1	-
Ebidta	184	83	122.0	98	87.9
Ebidta Margin (%)	8.9	7.3	160 bps	8.1	80 bps
Other Income	7	5	27.8	6	25.5
Interest	81	23	258.6	29	181.7
Depreciation	8	5	62.5	6	23.8
PBT	102	61	67.3	68	49.1
Tax	34	1	4112.5	23	44.0
PAT (Before EO Item)	68	60	13.3	45	51.8
Net Margin (%)	3.3	5.3	-200 bps	3.7	-40 bps
E/O Item	(4)	-	-	(4)	0.0
Reported PAT	64	60	6.5	41	57.0
Earnings	2.2	2.2	-0.1	1.4	51.8

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Research views

ABG Shipyard Q2FY09 Result – First Cut Analysis

Disappointing results, but bags maiden Rig order worth USD 480 mn

- ABG Shipyard reported disappointing results in Q2FY09. Revenues (including subsidy) increased 32% yoy to Rs2,802 mn , below estimates.
- Operating profits increased 31% yoy to Rs841 mn, below estimates led by low revenue growth and 40 bps yoy drop in operating margins.
- Adjusted net profit grew 20% yoy to Rs408 mn, lower than estimates- this was primarily due to higher financial charges. Adjusting for additional (extra-ordinary) financial charges of Rs148 mn incurred on account of the new rig order, ABG reported 23.5% yoy decline in net profit to Rs261 mn.
- ABG Shipyard has bagged its maiden Rig order from Essar Oilfield Services worth USD 480mn. The order is for manufacture of 2 premium self-elevating Jack-up rigs at its upcoming Dahej Rig yard- in line with our earlier estimates. With the above order, ABG Shipyard's order book stands at USD 2.91bn.

Key Financials

YE Mar (Rs Million)	Q2FY09	Q2FY08	YoY Gr(%)	Q1FY09	QoQ Gr(%)
Net Sales	2,802	2,118	32.3	2,722	2.9
Expenses	1,961	1,474	33.0	1,954	0.4
Raw Materials	1,577	1,224	28.9	1,488	6.0
% Of Sales	56.3	57.8	-	54.7	-
Other expenditure	318	203	56.4	388	-18.0
% Of Sales	11.4	9.6	-	14.3	-
Employee Cost	65	47	39.4	78	-15.9
% Of Sales	2.3	2.2	-	2.9	-
Ebidta	841	644	30.6	769	9.5
Ebidta%	30.0	30.4	-40 bps	28.2	180 bps
Other Income	3	1	140.8	14	-79.0
Interest	215	109	97.8	153	40.4
Depreciation	27	17	57.3	22	22.3
PBT	602	520	15.9	608	-0.9
Tax	194	178	8.6	202	-4.0
PAT (Before EO Item)	408	341	19.8	406	0.6
Net Margin%	14.6	16.1	-150 bps	14.9	-30 bps
E/O Item	(148)	-	-	64	-330.1
Reported PAT	261	341	-23.5	470	-44.5
Earnings	8.0	6.7	19.8	8.0	0.6

BILT Consolidated

Reco	CMP	TP
UR	20	UR

Y/e Jun	Q1FY08	Q1FY09	% YoY
Net Sales (Rsm)	6577	7718	17.3
EBITDA (Rsm)	1796	1830	1.9
EBITDA %	27.3	23.7	- 360 bps
APAT (Rsm)	731	765	4.7
Minority Interest	0.9	99.9	-
Net Profit (Rsm)	740	673	-9.0
EPS (Rs)	0.8	1.2	51.7

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Research views

BILT Q1FY09 results - in line with expectation

Consolidated

Company reported Q1FY09 results which were inline with our expectation. Net sales increased by 17% YoY to Rs 7.7 bn as against our expectations of Rs 8.1 bn. Revenues from paper segment increased by 25% YoY to Rs 5.9 bn and pulp revenues increased by 20% YoY to Rs 901 mn. EBITDA margins declined by 360 bps YoY to 23.7% (we expected 23.2%). EBITDA for the quarter inched up by 2% YoY to Rs 1.8 bn (we expected Rs 1.9 bn). EBIT margins in paper segment declined by 170 bps to 20.2% (21.9% previous year) and pulp margins increased by 650 bps to 13.3% (6.8%). Company reported other income of Rs 21 mn, +8.3% YoY. PBT was marginally up 2% YoY to Rs 943 mn as against our expectation of Rs 1 bn. PAT was Rs 765 mn, +5% YoY as against our expectation of Rs 825 mn. For the quarter, company reported, minority interest of Rs 100 mn resulting in net profit of Rs 673 mn, which declined by 9% YoY. EPS for the quarter works out to Rs 1.2 against Rs 0.8 in Q1FY08.

Valuations & Recommendations

We expect BILT to report net revenues of Rs 31.8 bn and PAT of Rs 3.4 bn in FY09E and net revenues of Rs 38.8 bn and PAT of Rs 4.3 bn in FY10E. EPS works out at Rs 4.5 for FY09E and Rs 5.5 for FY10E. At present, the stock trades at 4.5x FY09E earnings. **We are likely to revise our price target.**

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Research views

Tax revenues continue to report strong growth

The tax revenues continued to report strong growth as the same grew by 26.0% for the year till September 2008. The strong growth in tax revenues was driven by a 35.7% yoy growth in direct tax revenues.

The fiscal deficit after a slippage in the preceding months, remained under control as the same remained at 77.0% of the FY09E target.

While we believe that the reported numbers on the fiscal deficit are achievable and their might be positive surprise on the same driven by robust tax revenues, the off budget items are likely to cause strain on the liquidity in the system and consequently on interest rates. We estimate the impact of the off budget items to the tune of 2.5% of the GDP for FY09.

Central government accounts

Rs bn	YTFY09	% of FY09	YTFY08	% of FY08	% yoy chg	FY09BE	FY08P	% yoy chg
Revenue receipt	2,449.0	40.6	1,979.6	36.7	23.7	6,029.4	5,398.9	11.7
Tax (net)	2,022.5	39.9	1,605.0	36.7	26.0	5,071.5	4,375.2	15.9
Non tax	426.5	44.5	374.6	36.6	13.9	957.9	1,023.8	-6.4
Capital receipt	15.3	10.4	387.4	88.3	-96.1	146.7	438.9	-66.6
Recovery of loans	14.9	33.0	20.3	39.8	-26.8	45.0	51.0	-11.7
Others	0.4	0.4	367.1	94.6	-99.9	101.7	388.0	-73.8
Total receipt	2,464.3	39.9	2,366.9	40.5	4.1	6,176.1	5,837.9	5.8
Non-plan expenditure	2,406.3	47.4	2,311.3	45.5	4.1	5,075.0	5,080.4	-0.1
Non-plan expenditure (Excl Int)	1,545.7	48.8	1,583.1	47.0	-2.4	3,166.9	3,365.5	-5.9
Revenue	2,294.8	51.2	1,875.1	44.5	22.4	4,483.5	4,218.0	6.3
Interest	860.6	45.1	728.2	42.5	18.2	1,908.1	1,714.9	11.3
Capital	111.5	18.8	436.3	50.6	-74.5	591.5	862.5	-31.4
Plan expenditure	1,084.5	44.6	867.6	42.2	25.0	2,433.9	2,055.6	18.4
Revenue	937.3	44.7	715.7	41.2	31.0	2,097.7	1,736.3	20.8
Capital	147.3	43.8	151.9	47.6	-3.0	336.2	319.3	5.3
Total expenditure	3,490.8	46.5	3,178.9	44.5	9.8	7,508.9	7,136.0	5.2
Revenue	3,232.1	49.1	2,590.8	43.5	24.8	6,581.2	5,954.3	10.5
Capital	258.7	27.9	588.1	49.8	-56.0	927.7	1,181.7	-21.5
Fiscal surplus/(deficit)	-1,026.5	77.0	-812.0	62.6	26.4	-1,332.8	-1,298.1	2.7
Revenue surplus/(deficit)	-783.1	141.9	-611.2	110.1	28.1	-551.8	-555.3	-0.6
Primary surplus/(deficit)	-165.9	-28.8	-83.8	-20.1	98.0	575.3	416.8	38.0

Source: Controller General of accounts, Emkay Research

Tax revenues

Rs bn	YTFY09	% of FY09	YTFY08	% of FY08	% yoy chg	FY09BE	FY08P	% yoy chg
Total direct taxes	1,433.4	39.3	1,056.2	35.8	35.7	3,646.8	2,952.4	23.5
Corporation tax	969.9	42.8	701.8	37.0	38.2	2,263.6	1,895.4	19.4
Income tax	463.5	33.5	354.5	33.5	30.8	1,383.1	1,057.0	30.9
Total indirect taxes	1,368.0	42.3	1,178.7	39.8	16.1	3,230.4	2,958.8	9.2
Customs	562.4	47.3	481.0	46.8	16.9	1,189.3	1,028.8	15.6
Excise	478.7	34.7	448.9	36.4	6.6	1,378.7	1,233.2	11.8
Others	326.9	49.4	248.8	35.7	31.4	662.4	696.8	-4.9
Total tax collections (gross)	2,801.4	40.7	2,234.9	37.8	25.3	6,877.2	5,911.2	16.3
Transfer to states	778.9	43.1	629.9	41.0	23.7	1,805.7	1,536.0	17.6
Total tax collections (net)	2,022.5	39.9	1,605.0	36.7	26.0	5,071.5	4,375.2	15.9

Source: Controller General of accounts, Emkay Research

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Research views

IPCA-Q2FY09-First Cut

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IPCA posted its Q2FY09 results. Revenues grew by 21% to Rs3476mn (Rs 2862mn in Q2FY08) driven by robust growth in all the business segments. The EBIDTA during the quarter grew by 47% to Rs 832mn (Rs 568mn in Q2FY08) thereby improving the EBIDTA margins to 23.9% (19.8% in Q2FY08). The improvement in the EBIDTA margins was on the back of decline in the Raw Material cost to 37.1% of sales (43.1% of sales in Q2FY08). The RPAT declined by 20% to Rs 365mn (Rs 454mn in Q2FY08) mainly on the back of forex loss of Rs 235mn in Q2FY09 as compared to a Forex gain of Rs 158mn in Q2FY08. However after adjusting the Forex loss/gain, the company witnessed a growth of 103% in the Adjust PAT to Rs 601mn (Rs 296mn in Q2FY08). **At CMP of Rs383, the stock is trading at 4.8x FY10E FDEPS of Rs79.7. We maintain "Buy" Target price under review.**

Income Statement	Standalone					Consolidated		
	Y/E, Mar (Rs. m)	Q2FY09	Q2FY08	Y-o-Y Gr.(%)	Q1FY09	Q-o-Q Gr.(%)	FY08	FY09E
Net Sales	3476	2862	21%	2951	18%	10842	12671	14332
Expenses	2643	2294	15%	2354	12%	8660	9915	11229
Raw Materials	1288	1234	4%	1165	11%	4639	5251	5914
% of sales	37.1	43.1	-14%	39	-6%	42.8	41.4	41.3
Employee cost	476	365	31%	439	9%	1470	1691	1919
% of sales	13.7	12.7	8%	15	-8%	13.6	13.3	13.4
Other expenses	879	696	26%	750	17%	2551	2973	3396
% of sales	25.3	24.3	4%	25	0%	24	23	24
EBIDTA (Reported)	832	568	47%	596.8	39%	2182	2757	3102
EBIDTA %	23.9	19.8		20.2		20.1	21.8	21.6
Other income	5	3	47%	4	35%	100	37	40
Interest	71	52	37%	40	77%	204	258	231
Depreciation	94	80	17%	90	4%	325	368	398
PBT	437.3	597.7	-27%	294.5	48%	1753.5	2167.2	2513.3
Total Tax	72.2	143.5	-50%	58.2	24%	358.0	444.3	515.2
Effective tax rate (%)	16.5	24.0	-31%	19.8	-16%	20.4	20.5	20.5
RPAT	365.1	454.2	-20%	236.3	55%	1360.1	1722.9	1998.1
E/O items	-235.9	158.2		-176.5		0.0	0.0	0.0
Adjusted PAT	562	296.0	90%	377.9	49%	1360.1	1722.9	1998.1
Net Margin (%)	17.3	10.3		14.0		12.5	13.6	13.9
EPS (diluted)	24.0	11.8	103%	16.5	46%	54.5	68.7	79.7

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Research views

Panacea Biotec- First Cut

Panacea Biotec's Q2FY09 numbers were significantly below our expectations. 28% decline in vaccines sales resulted 16% decline in revenue to Rs1469mn (est. of Rs1804mn). The decline in vaccine sales was mainly because of lower volume on the back of shifting of Polio Immunization Drive by Indian government to H2FY09. 1490bps increase in other expenditures (up by 49%) mainly because of realised foreign currency loss on forward contracts (Rs81mn) and 540 bps increase in employee cost (up by 28%) resulted 1410 bps contraction in EBIDTA margins to 16.6% i.e., EBIDTA of Rs244mn (down by 55%). Adjusting to realised losses or gain on forward contracts, EBIDTA margins were down by 38% to Rs310mn. Panacea has reported Rs420.2mn un-realised mark to market loss on reinstatement of long term foreign currency debt (US\$65mn) including FCCBs (US\$36.8mn) in Q2FY09 vs. Rs391mn of gain over corresponding quarter. Higher interest cost (up by 182% to Rs60mn) and depreciation cost (up by 50% to Rs150mn) coupled with forex losses resulted a loss of Rs440.6mn in Q2FY09 vs. profit of Rs321mn in Q2FY08. However adjusting to un-realised forex loss of Rs420.2mn, APAT de-grew by 107% to loss of Rs20mn vs. profit of Rs282mn in Q2FY08. Our earning estimates and target price are under review.

Income Statement	Standalone					Consolidated		
	Y/E,Mar (Rs. mn)	Q2FY09	Q2FY08	Y-o-Y Gr.(%)	Q1FY09	Q-o-Q Gr.(%)	FY08E	FY09E
Net Sales	1469	1751	-16.1%	2245	-35%	8413	9818	12355
Expenses	1225	1214	1%	1668	-27%	6392	7177	8821
Raw Materials	479	688	-30%	797	-40%	3648	4251	5288
% of sales	32.6	39.3		35.5		43	43	43
Employee cost	234	183	28%	232	1%	980	1129	1359
% of sales	15.9	10.4		10.3		12	12	11
Other expenses	512	343	49%	638	-20%	1764	1797	2174
% of sales	34.9	20		28		21	18	18
EBIDTA	244	537.2	-55%	577	-58%	2021	2641	3533
EBIDTA %	16.6	30.7		25.7		24.0	26.9	28.6
EBIDTA Adjusted	310.0	498.1	-38%	818	-62%	2021	2641	3533
EBIDTA % adjusted	21.1	28.4		36.4		24.0	26.9	28.6
Other income	63	8	734%	75	-16%	342	217	261
Interest	60	21	182%	48	25%	151	255	195
Depreciation	150	100	50%	137	9%	335	533	666
E/o items W/O	420	-39		240		0	410	0
PBT	-323.4	462.4	-170%	467.0	-169%	1879	1660	2934
Total Tax	117.2	141.5	-17%	126.5	-7%	587.0	506.4	733.4
Effective tax rate (%)	-36.2	30.6		27.1		31.2	30.5	25.0
PAT	-440.6	320.9	-237%	340.5	-229%	1292	1154	2200
E/O items	-420.2	39.1		-240.3		0.0	0.0	0.0
Adjuted PAT	-20.4	281.8	-107%	580.8	-104%	1292	1154	2200
Net Margin (%)	-1.4	16.1		25.9		15.4	11.8	17.8
EPS (diluted)	-0.31	4.28	-107%	8.69	-104%	18.1	16.2	30.8
FDEPS	-0.3	3.9	-107%	8.1	-104%	18.1	16.2	30.8

[Home](#)

Falls below 11.0%

October 31, 2008

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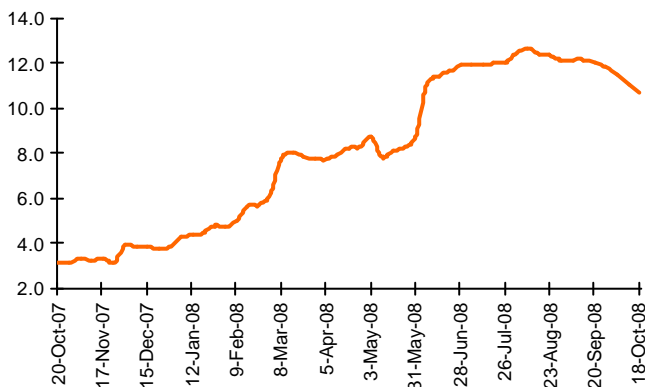
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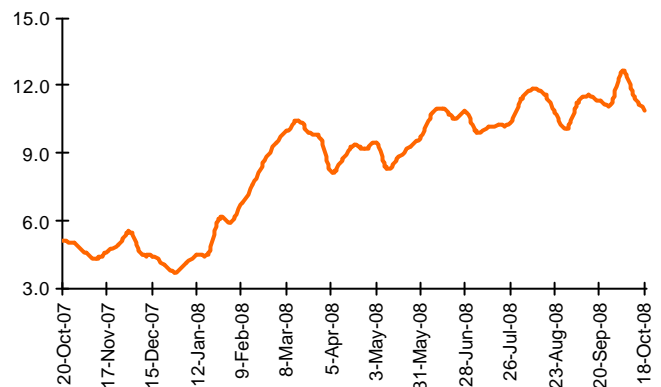
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- Inflation continues to decline for the fifth consecutive week as it stood at 10.68% for week ended October 18, 2008 as compared to 11.07% reported in the last week.
- The prices of primary articles grew by a slower 10.9% for week ended October 18, 2008 as compared to 11.5% for the preceding week.
- The prices of fuel items grew by 14.1% for the week from 14.5% in preceding week.
- The inflation for manufactured products continued to decline for eight consecutive week to 9.3% during the week, as compare to 9.5% for the preceding week.
- The moderation amongst the prices of manufactured articles as the prices of metal products, Beverages tobacco & tobacco products, woods products and chemicals rose by slower pace than the preceding week.

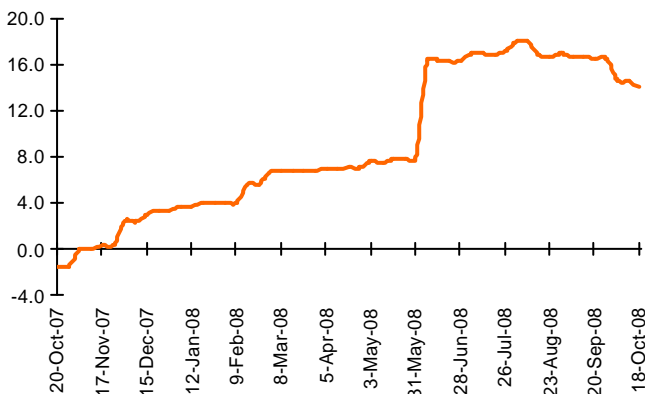
WPI – all (wt 100%)



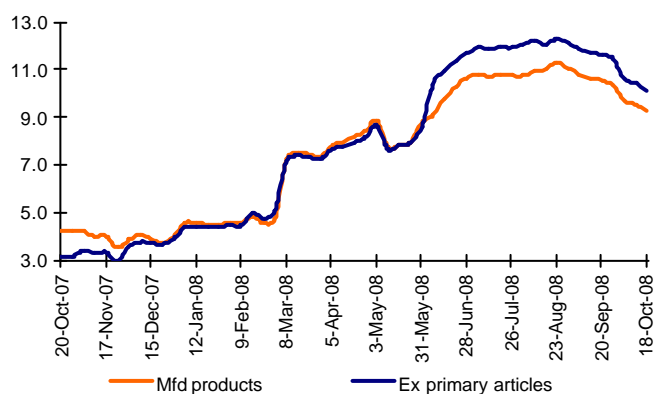
WPI – primary articles (wt 22.03%)



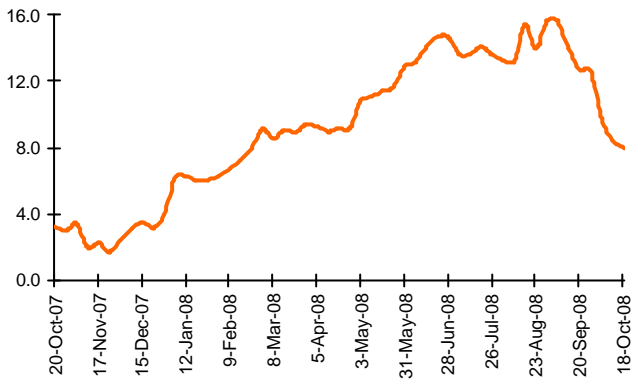
WPI – Fuel, power, light and lubricants (wt 14.23%)



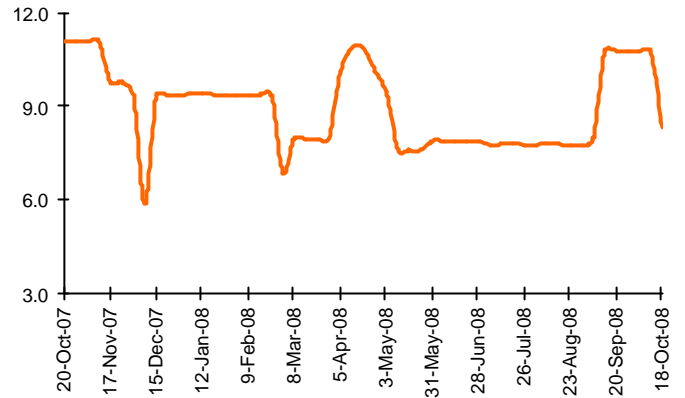
WPI – manufacturing products and ex primary products (wt 63.75%)



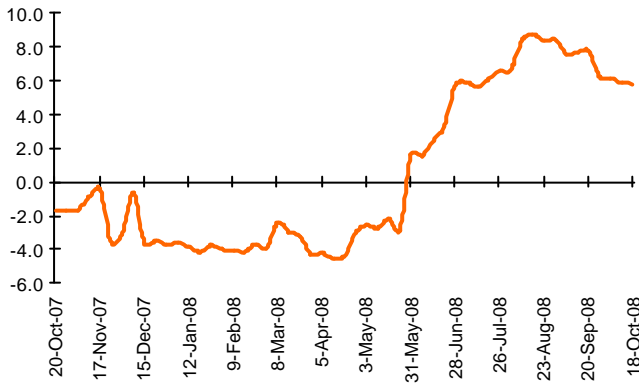
WPI – food products (wt 11.54%)



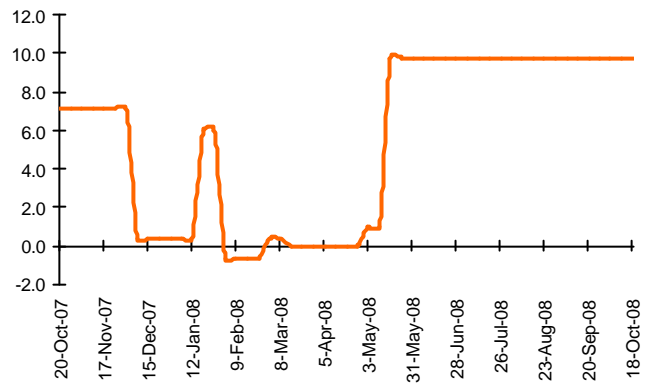
WPI – beverage, tobacco and tobacco products (wt 1.34%)



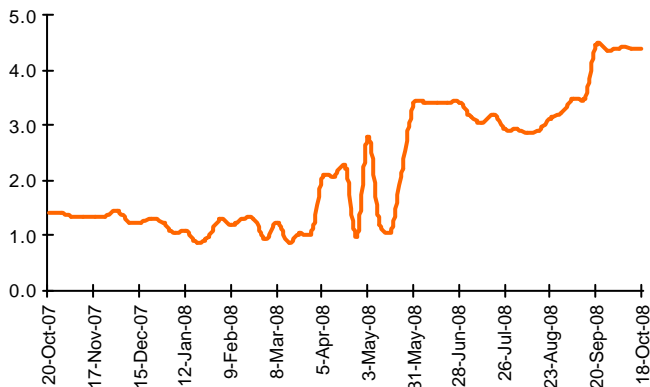
WPI – textiles (wt 9.8%)



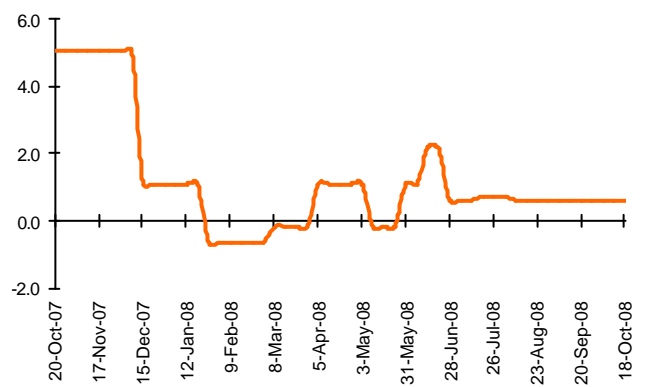
WPI – wood and wood products (wt 0.17%)



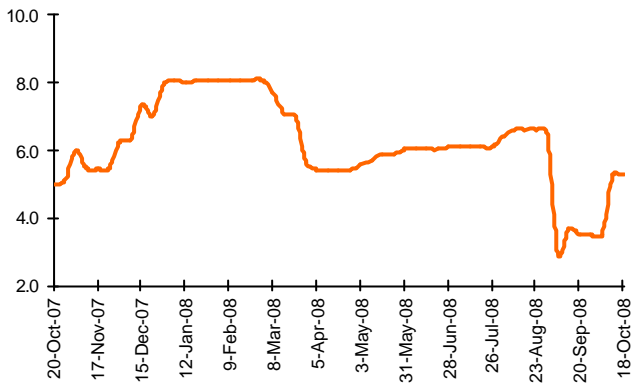
WPI – paper and paper products (wt 2.04%)



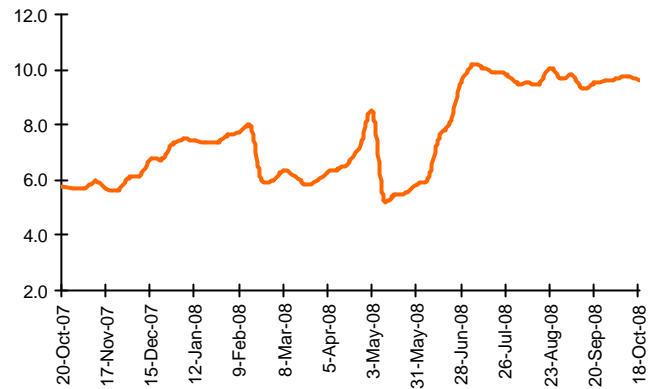
WPI – leather and leather products (wt 1.02%)



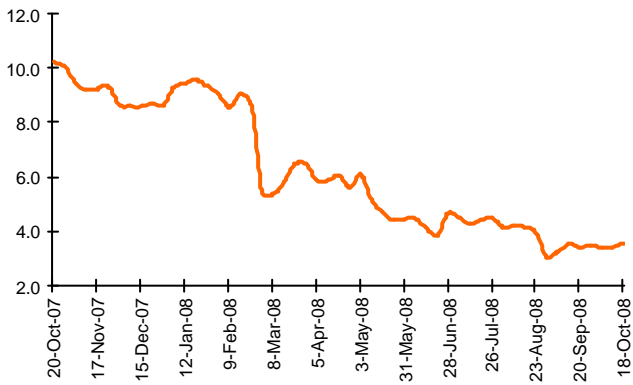
WPI – rubber and plastic products (wt 2.39%)



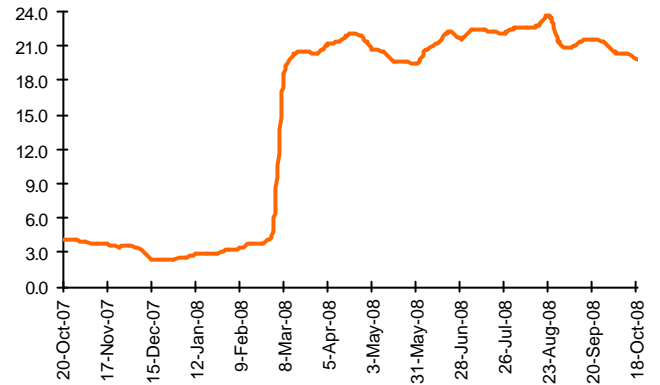
WPI – chemicals and chemicals products (wt 11.93%)



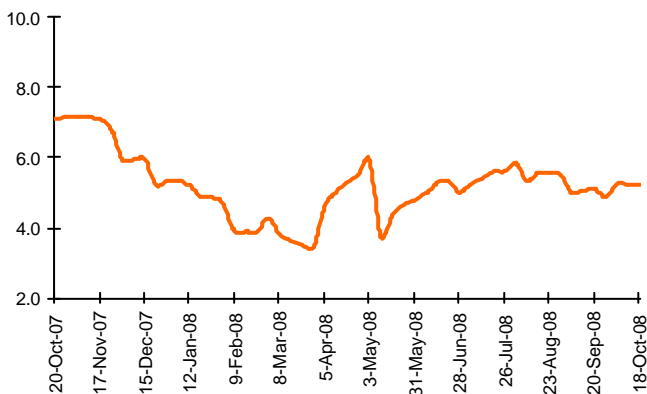
WPI – non-metallic mineral products (wt 2.52%)



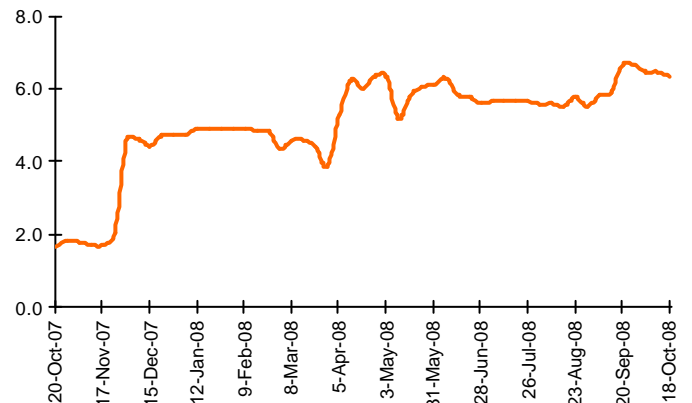
WPI – basis metals, alloys and metal products (wt 8.34%)



WPI – machinery and machine tools (wt 8.36%)



WPI – transportation equipments (wt 4.29%)



In line, rating revision

31st October 2008

BUY

Price	Target Price
Rs303	Rs410

Sensex - 9,045

Price Performance

(%)	1M	3M	6M	12M
Absolute	(40)	(40)	(55)	(59)
Rel. to Sensex	(16)	(8)	(14)	(11)

Source: Bloomberg

Stock Details

Sector	Automobiles
Reuters	MAHM.BO
Bloomberg	MM@IN
Equity Capital (Rs mn)	2586
Face Value (Rs)	10
No of shares o/s (mn)	259
52 Week H/L (Rs)	872/236
Market Cap (Rs bn/USD mn)	78/1,569
Daily Avg Vol (No of shares)	572368
Daily Avg Turnover (US\$ mn)	5.8

Shareholding Pattern (%)

	30/09/08	30/06/08	31/03/08
Promoters	26.5	22.7	22.6
FII/NRI	32.5	32.9	34.1
Institutions	26.5	28.0	26.4
Private Corp	4.7	6.0	6.5
Public	9.9	10.5	10.4

Source: Capitaline

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M&M's 2QFY09 performance was in line with expectation aided by higher inventory accretion and lower tax rate. While net sales at 31.1 bn were below our expectation by 4%, Adjusted EBIDTA at Rs 2.5 bn was ahead of our expectation by 4%. Adjusted net profits at Rs 2.3 bn, were in line with our expectation. The improved operating performance is largely attributable to significant inventory accretion. Increase in inventory (as % of sales) was 8%, higher by 120 bps YoY. With subdued demand in the near term, inventory accretion warrant some caution.

We had a HOLD rating on the stock. Post the recent correction in the stock price and improved performance of Punjab Tractors (which will be merged w.e.f. April 2009), we believe that current stock price factors in a steep discount for its subsidiaries, which is unwarranted for. Infact currently, the implied discount for subsidiaries works out to be 95%. Hence we upgrade our rating on the stock from HOLD to BUY with a target price of Rs 410.

Volumes led sales performance

M&M registered a 9.3% YoY growth in volumes to 78892 units in 2QFY09. Average realizations improved by 4.7% YoY to Rs 392,049. This is despite of adverse volumes mix. (Higher share of three wheelers and Bolero family withing Uvs). While the company has not made any significant price hikes in the UVs segment, Trctors witnessed a pricing action of around 12% to 15%.

Product mix %	2QFY09	2QFY08	1QFY09
Uvs	48.8	50.9	45.9
Three wheelers	18.2	13.1	13.8
Tractors	26.7	29.5	33.9
Exports	6.4	6.5	6.4

Inventory accretion aids EBIDTA outperformance

EBIDTA (adjusted for MTM forex loss of Rs 967 mn and Octroi refund of Rs 270 mn) at Rs 2449 mn was in line with our expectation. However, there has been a significant inventory build up during the quarter (Rs 2846 mn, YoY change of 35%). As a % of sales, increase in inventory stood at 8.0%, an increase of 120 bps YoY.

Lower tax rate aid net profits

Adjusted net profits at Rs 2268 mn, were in line with our expectation. Effective tax rate stood at 14% in 2QFY09 vis a vis 22.7% in 2QFY08 and 25.4% in 1QFY09. The company expects to remain under MAT provisions and hence the tax rate is on the lower side.

Valuation and View

We had a HOLD rating on the stock. Post the recent correction in the stock price, improved performance of Punjab Tractor (which will be merged w.e.f. April 2009), we believe that current stock price factors in a steep discount for its subsidiaries, which is unwarranted for. Based on CMP of Rs 303, the implied discount works out to be as high as 95%. Hence we upgrade our rating on the stock from HOLD to BUY with a target price of Rs 410.

We have valued the stock based on SOTP as indicated below. We have determined the SOTP value based on fully diluted equity of 292 mn shares.

Particulars	Basis	Discount	Value per share (Rs)
M&M	PER		263
Punjab Tractors	PER		23
Total			285
Listed Subsidiaries			
Mahindra Finance	CMP	30	23
Mahindra Forgings	CMP	30	3
Mahindra Life	CMP	30	9
Mahindra Ugine	CMP	30	1
Tech Mahindra	CMP	30	46
Unlisted subsidiaries			
Mahindra Resort	0.5x PE deal	30	42
Total			410

Quarterly results summary

Rs mn	2QFY08	2QFY09	% change	1HFY08	1HFY09	% change
Net Sales	27,182	31,110	14.5	53,310	64,045	20.1
Operating Expenses						
Raw Materials	17,855	22,089	23.7	35,729	45,056	26.1
<i>% of Sales</i>	65.7	71.0		67.0	70.4	
Staff Costs	2,303	2,575	11.8	4,216	4,797	13.8
<i>% of Sales</i>	8.5	8.3		7.9	7.5	
Other Expenses	4,052	3,998	-1.3	7,575	8,495	12.1
<i>% of Sales</i>	14.9	12.9		14.2	13.3	
<i>Forex loss/(gain)</i>	-39.8	967.5		61.9	779.0	
EBIDTA	3,012	1,481	-50.8	5,727	4,918	-14.1
EBIDTA %	11.1	4.8		10.7	7.7	
Adj EBIDTA	2,972	2,449		5,789	5,697	
Adj EBIDTA %	10.9	7.9		10.9	8.9	
Depreciation	577	639	10.8	1,148	1,260	9.8
EBIT	2,436	842	-65.4	4,580	3,658	-20.1
Other Income	692	1,143	65.3	1,008	1,527	51.5
Interest	82	153	84.9	31	250	698.2
PBT	3,045	1,833	-39.8	5,556	4,934	-11.2
Extraordinary inc/(exp)	909.8	783.0		893.9	783.0	
Tax	1,008	348	-65.4	1,647	889	-46.0
Net Profit	2,947	2,268	-23.0	4,803	4,828	0.5
<i>Net Margin %</i>	10.8	7.3		9.0	7.5	
Adj Net Profit	2,322	2,408	3.7	4,276	4,583	
<i>Net Margin %</i>	8.5	7.7		8.0	7.2	
EPS	11.3	8.7		18.4	18.5	
Adj EPS	9.7	9.2		17.9	17.9	

Financials

Profit & Loss Account

Mar ending (Rs mn)	FY07	FY08	FY09E	FY10E
Net Sales	98,161	112,058	130,137	150,079
Growth YoY %	20.9	14.2	16.1	15.3
Operating Expenses				
Raw Materials	68,498	77,441	92,759	106,664
% of sales	69.8	69.1	71.3	71.1
Staff Costs	6,662	8,525	9,496	10,712
% of sales	6.8	7.6	7.3	7.1
Other Expenses	12,715	15,625	16,680	19,581
% of sales	13.0	13.9	12.8	13.0
EBIDTA	10,287	10,468	11,202	13,122
Growth %	18.9	1.8	7.0	17.1
EBIDTA %	10.5	9.3	8.6	8.7
Depreciation	2,096	2,387	2,341	3,001
EBIT	8,191	8,082	8,861	10,121
Other Income	4,050	4,064	4,186	4,515
Interest	198	876	1,619	1,817
PBT	12,043	11,270	11,428	12,820
Extraordinary inc/(exp)	1,622	2,877	783	0
Tax	3,501	3,034	2,857	3,205
Net Profit	10,164	11,114	9,354	9,615
NPM %	10.4	9.9	7.2	6.4
Adj Net Profits	8,722	8,567	8,571	9,615
NPM %	8.9	7.6	6.6	6.4
EPS	40.9	44.5	35.8	36.8
Adj EPS	35.1	34.3	32.8	36.8

Cash Flow

Mar ending (Rs mn)	FY07	FY08	FY09E	FY10E
Net Profit before tax	12,043	11,270	11,428	12,820
Add: Depreciation	2,096	2,387	2,341	3,001
Add: Interest exp	198	876	1,619	1,817
Less: Other income	4,050	4,064	4,186	4,515
Dec/ (Inc) in Working capital	1,978	(2,472)	(216)	(200)
Other non operating items	(2,859)	(3,039)	(1,435)	(1,570)
Less: Tax paid	3,434	2,777	2,857	3,205
Cash from operations	11,689	8,258	6,694	8,147
Capex	(4,819)	(7,171)	(11,536)	(14,000)
Investments and Others	(6,680)	(14,926)	(5,500)	(6,000)
Other income	1,995	1,346	4,186	4,515
Cash from Investing activities	(9,504)	(20,751)	(12,850)	(15,485)
Borrowings/Equity raising	9,293	10,095	13,757	8,000
Interest paid	(278)	(801)	(1,619)	(1,817)
Dividend paid	(4,530)	(823)	(2,959)	(3,208)
Cash from financing activities	4,486	8,470	9,179	2,975
Cash generation during the year	6,671	(4,022)	3,024	(4,363)
Opening Balance	7,303	13,261	8,612	11,636
Forex (loss) / gain	(357)	-626.5		
Closing balance	13,617	8,612	11,636	7,274

Balance Sheet

Mar ending (Rs mn)	FY07	FY08	FY09E	FY10E
Share Capital	2,486	2,497	2,613	2,613
Reserves	33,044	41,003	52,187	57,024
Misc Exp	(176)	(135)	0	0
Owned Funds	35,354	43,365	54,800	59,636
Secured Loans	1,067	6,173	6,173	6,173
Unsecured Loans	15,294	19,698	26,198	34,198
Loan Funds	16,360	25,871	32,371	40,371
Differed Tax Liability	198	567	567	567
Total	51,912	69,803	87,738	100,574
Gross Fixed Assets	32,297	36,561	42,561	54,561
Acc. Depreciation	16,391	18,417	20,758	23,759
Net Fixed Assets	15,906	18,145	21,804	30,803
Capital WIP	2,806	5,465	11,000	13,000
Net Block	18,712	23,609	32,804	43,803
Investments	22,375	42,151	47,651	53,651
Sundry Debtors	7,009	10,049	10,961	12,641
Inventory	8,785	10,841	12,136	13,995
Cash & Bank	13,261	8,612	11,636	7,274
Advances	8,394	6,919	9,288	11,535
Other Current Assets	33	133	133	133
Current Assets	37,482	36,554	44,153	45,578
Liabilities	19,502	23,076	27,015	31,109
Provisions	7,154	9,435	9,854	11,348
Current Liabilities	26,656	32,510	36,870	42,457
Net Current Assets	10,825	4,044	7,284	3,121
Total	51,912	69,803	87,738	100,574

Valuation Summary

Mar ending	FY07	FY08	FY09E	FY10E
Per Share Data				
EPS	35.1	34.3	32.8	36.8
Cash EPS	43.5	43.9	41.8	48.3
BVPS	142.2	173.6	209.7	228.2
Valuation ratio				
P/E	8.6	8.8	9.2	8.2
Cash P/E	7.0	6.9	7.3	6.3
P/BV	2.1	1.7	1.4	1.3
EV/EBIDTA	12.8	12.1	11.7	10.5
Return Ratios (%)				
AROE	31.6	28.2	19.1	16.8
AROCE	26.9	20.0	16.6	15.5
Dupont				
NPM (%)	10.4	9.9	7.2	6.4
Sales/TA	1.2	1.1	1.0	1.0
TA/Equity	2.2	2.4	2.3	2.4
Other key ratios				
D/E	0.5	0.6	0.6	0.7
NCA/Sales (%)	11.0	3.6	5.6	2.1

November 3, 2008

REDUCE

Price	Target Price
Rs67	UR
Sensex	9,788

Price Performance

(%)	1M	3M	6M	12M
Absolute	(63)	(76)	(87)	(90)
Rel. to Sensex	(51)	(65)	(77)	(80)

Source: Capitaline

Stock Details

Sector	Shipbuilding
Reuters	BHAR.BO
Bloomberg	BHSL@IN
Equity Capital (Rs mn)	276
Face Value(Rs)	10
No of shares o/s (mn)	28
52 Week H/L	865/63
Market Cap (Rs bn/USD mn)	2/40
Daily Avg Volume (No of sh)	87699
Daily Avg Turnover (US\$m)	0.4

Shareholding Pattern (%)

	S'08	J'08	M'08
Promoters	36.3	36.3	36.3
FII/NRI	16.4	18.5	16.3
Institutions	36.7	35.8	37.8
Private Corp	3.1	2.9	3.2
Public	7.4	6.4	6.5

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Bharati ShipyardResult
Update**Under Review**

Bharati Shipyard (BSL) reported below expected results in Q2FY09 – (1) revenue up 44% yoy to Rs2.1 bn (2) operating margins decline 170 bps yoy to 19.6% and (3) net profit grew 29% yoy to Rs332 mn. Management has clarified that FCCB worth Rs2.2 bn (USD 33.1 mn) are due for conversion by December 2010 versus Media speculation of December 2008. This addresses the key overhang and investor concern on the company. We will fine tune our earnings estimates for FY09E and FY10E to factor the delays in Dabhol and Mangalore Expansion and higher than expected slowdown in incremental order inflows. Post our initiating coverage with 'REDUCE' rating, BSL has corrected by 88%. We will review our 'REDUCE' rating amidst sharp decline in stock price.

Q2FY09 results below estimates – decline in execution

Q2FY09 performance of BSL was below expectation. Revenue growth at 44% yoy to Rs2.1 bn was below expectation- largely attributed to decline in execution at Ratnagiri Yard and lower than expected booking on the Rig order. Operating margins declined by 170 bps yoy to 19.6%, below estimates. Consequently, operating profit growth at 33% yoy to Rs419 mn was below expectation. BSL reported higher than estimated subsidy income of Rs216 mn, up 65% yoy. Led by low revenue growth and drop in operating margins, net profit grew 29% yoy to Rs332 mn, below estimates. Earnings for the quarter stood at Rs12 per share.

Rs2.2 bn FCCB due for conversion by December 2010- no near-term impact on cash flows

Management has clarified that FCCB worth Rs2.2 bn (USD 33.1 mn) are due for conversion by December 2010 versus Media speculation of December 2008. This addresses the key overhang and investor concern on the company. Thus, FCCB will not impact the near term cash flows. We expect BSL to modify its growth plans in coming quarters to accommodate FCCB repayment in December 2010- though categorically denied by the management.

Dabhol- Phase II to commence operations in Q3FY09

Expansion plans at Dabhol and Mangalore are running behind schedule. Dabhol – Phase II will commence operations in Q3FY09 – almost 3 Months behind schedule. Delays in delivery and installation of Swan Hunter Machinery led to delays in expansion of Dabhol Yard. Further, commencement of Mangalore Yard is expected to be later than earlier evinced.

Rating is Under Review- amidst 64% fall in stock price

We maintain our negative bias on the global shipbuilding industry amidst cyclical slowdown in incremental order inflows. But, recent fall in valuations and market capitalization of BSL is higher than our expectation. Post our initiating coverage with 'REDUCE' rating, BSL has corrected by 88%. We will fine tune our earnings estimates for FY09E and FY10E to factor the delays in Dabhol and Mangalore Expansion and higher than expected slowdown in incremental order inflows. We will review our 'REDUCE' rating amidst sharp decline in stock price.

Key Financials:

Rs Mn

YE-Mar	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	AEPS (Rs)	EV/ EBITDA	P/BV	Div Yld (%)	RoE (%)	P/E
FY2007	3,601	665	18.5	732	32.5	4.6	0.6	4.5	34.4	2.1
FY2008	6,420	1,312	20.4	1,074	38.5	3.0	0.3	3.7	25.8	1.7
FY2009E	14,635	3,086	21.1	1,909	59.6	2.2	0.2	5.2	24.5	1.1
FY2010E	17,295	3,611	20.9	2,521	78.7	2.1	0.2	5.2	22.9	0.9
FY2011E	13,703	2,414	17.6	1,374	42.9	2.4	0.2	5.2	10.7	1.6
FY2012E	13,181	2,195	16.6	1,010	31.5	2.1	0.1	5.2	7.3	2.1

Key Financials

YE Mar (Rs Million)	Q2FY09	Q2FY08	YoY Gr(%)	Q1FY09	QoQ Gr(%)
Net Sales	2,138	1,480	44.4	2,054	4.1
Expenses	1,718	1,165	47.5	1,657	3.7
Raw Materials	1,195	833	43.4	1,148	4.1
% Of Sales	55.9	56.3	-	55.9	-
Employee Cost	267	149	78.7	253	5.6
% Of Sales	12.5	10.1	-	12.3	-
Other expenditure	257	183	40.4	257	0.0
% Of Sales	12.0	12.4	-	12.5	-
Ebidta	419	315	33.1	397	5.8
Ebidta Margin (%)	19.6	21.3	-170 bps	19.3	30 bps
Other Income	1	11	-93.6	2	-64.7
Subsidy Income	216	131	64.8	169	27.7
Interest	109	47	133.8	93	17.3
Depreciation	23	19	19.9	23	0.1
PBT	504	391	28.8	452	11.6
Tax	172	134	29.0	155	11.4
PAT (Before EO Item)	332	258	28.8	297	11.7
Net Margin (%)	15.5	17.4	-190 bps	14.5	110 bps
E/O Item	-	-	-	-	-
Reported PAT	332	258	28.8	297	11.7
Earnings	12.0	10.8	11.1	10.8	11.7

Company	No. Of Shares (In lacs)	% Change In price
Carin	69.43	10.6
HDFC	20.72	17.5
M & M	6.29	23.1
Sterlite	23.05	14.5
Tata Steel	35.28	12.1

Nifty movers

Top Gainers	Price	Index Points
Reliance Ind	1375.45	44.2
HDFC	1764.70	12.0
Bharti Airtel	653.75	11.4
ICICI Bank	398.75	9.6
NTPC	141.10	9.5

Losers

BPCL	287.10	-1.2
Hero Honda	745.40	-0.8
Sun Pharma	1118.25	-0.6
Unitech	48.40	-0.6
TCS	537.50	-0.2

Index- volatility

Indices	Sensex	Nifty
High	9870	2921
Low	9361	2696
Close	9788	2885
Volatility (in %)	509	225
	5.16	7.70

Dealer Comments

Market Summary: The markets opened the session on firm note with 320 odd points upward gap reflecting strong cues from the global markets particularly the overnight US markets on the back of steep rate cut, a good decline in the inflation to 10.68% and market buzz of government planning measures to pump in more liquidity in the system triggered a solid rally in the early trades. The markets after rallying in the initial trades slumped post noon trades reflecting weak clues from the global markets with profit booking chipping at higher levels. The day's rally was led by heavy buying mainly in index heavy weights with metal, oil & gas, banking, telecom, capital goods and auto stocks witnessing major buying action. Since most global markets had rallied in the past week with Indian markets lagging behind so Friday's rally was mainly to catch up with global markets. Even heavy short covering in mostly borrowed short lending by FII's also played a crucial role in the day's rally as SEBI declared the crucial combined data of FII's short selling position in almost 224 stocks as on October 9th worth about 6500 crores led to aggressive buying in the last hour of trade. The overall market breadth was fairly positive and was at 1.8x. Finally Sensex closed a whopping 744 points or 8.22% higher to settle at 9788 levels while Nifty gained 189 points or 6.99% higher to settle at 2886 levels. Among the sectoral indices all of them ended in the green with Metal, Oil & Gas, Bankex, Teck, Auto, IT, Power, Capital Goods and FMCG out performing the most. Among the index heavy weights, which gained the most were Reliance Ind, HDFC, Bharti Airtel, ICICI Bank and NTPC while BPCL, Hero Honda, Sun Pharma, Unitech and TCS were weak and ended as losers. Among the midcap space some of the stocks which saw good buying action were JSW Steel, United Phosp, McDowell, Tata Chem, JP Associates, GE Shipping, CESC, IDFC, Aban Offshore, Nagarjuna Const, Voltas, Yes Bank, Educomp, LIC Hsg Fin, Welspun Guj and Glenmark and were up in the range of 11 – 30% respectively.

The overall traded volumes were much lower compared to earlier day by almost 24% and were at Rs 529 bn. Delivery-based volumes were at 41.3% the total turnover.

Among the institutional activities FII's were net sellers to the tune of Rs 10.75 bn while Domestic Funds were net buyers to the tune of Rs 6.20 bn respectively in the cash segment on 29th October 2008. While on 31st October 2008 FII's bought shares worth Rs. 12.37 bn in cash segment (provisional) and in the F&O segment bought Futures and Options worth Rs. 12.93 bn whereas Domestic Funds sold shares worth Rs. 1.16 bn (provisional).

Movement of indices

Indices	Previous close	This week	% chg
Sensex	8701	9788	12.49
Nifty	2584	2885	11.65
S&P CNX 500	2035	2225	9.34
BSE 500	3257	3570	9.61
BSE Mid-Cap	3095	3200	3.39
BSE Small-Cap	3661	3765	2.84
BSE Auto	2480	2685	8.27
BSE Health	2811	2778	-1.17
BSE FMCG	1817	1799	-0.99
BSE IT	2598	2861	10.12
BSE PSU	4422	4564	3.21
BSE Bankex	4649	5011	7.79
BSE Oil & Gas	5151	6195	20.27
BSE Metals	4393	5367	22.17
BSE Cons Dur	2011	2072	3.03
BSE Cap Good	6610	7017	6.16
BSE Realty	1743	1978	13.48
BSE Power	1452	1583	9.02

Levels to watch

	Sensex	Nifty
Week High	9870	2921
Week Low	7697	2252
34 DMA	11447	3435
55 DMA	12289	3686
Swing High	9870	2252
Swing Low	7697	2921

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Technical Comments



Outlook for next week

After a sharp fall, Nifty opened weak tested our target of 2300 and made a low of 2252, but the five week fall terminated on Monday, we witnessed sharp bounce back after that the Bulls took the driver's seat and maintained a tight hold throughout the week. Finally, after nonstop five week fall, Nifty has registered decent gains and closed at 2885 with a gain of 11.65% w-o-w basis. In sectoral indices, last week, the BSE Metals (+22.17%) and BSE Oil & Gas index (+20.27%) were the star performers. However, BSE Realty (+13.48%), BSE Power (+9.02%) and BSE IT (10.12%) participated in the rally. The BSE HC (-1.17%) and BSE FMCG (-0.99%) closed with marginal losses.

On Monday Nifty took support at upper band of the 8 years old "Channel" and made a low of 2252 after that it recovered smartly and on the daily chart it had formed "Hammer" pattern, and "Stochastic" oscillator had given buy signals. And after Tuesday's move "RSI" had also given a buy signal. All these factors indicated a "Trend Reversal" for short term. Looking at these positive developments, on Wednesday we gave short term target of 3450 on Nifty. After Friday's closing, we are more confident that Nifty can test our target in the coming weeks. On the weekly chart, Nifty has made a "Piercing" pattern and "Stochastic" oscillator has given a Buy signal. Thus we believe that this rally will continue and Nifty can test 3168 and above that 3451, these are 38.20% and 50% retracement levels of the fall from 4649 to 2252.

Today's Strategy:

Hold Long position in Nifty Nov Futures with stop-loss of 2439.30 for the target of 3075. For Intra-day, Nifty is having resistance at 2921 and it has support at 2778.

Sectoral Speak

The **BSE Metals** index outperformed the broader markets last week; it tested our first target of 5149 on Friday and finally closed at 5367 with a gain of 22.17% w-o-w basis. On the weekly chart, It made a "Piercing" pattern and "Stochastic" oscillator has given a Buy signal. Thus we revised our target from 5564 to 7555 and above that 8713, these are 38.20% and 50% retracement levels of the fall from 13620 to 3806.

On Friday the **BSE Oil & Gas** index tested our mentioned target of 5976 and finally closed at 6195 with a gain of 20.27% w-o-w basis. On the weekly chart, It made a "Piercing" pattern and "Stochastic" oscillator has given a Buy signal. Now it can test 6866 and above that 7576, these are 38.20% and 50% retracement levels of the fall from 10582 to 4569.

After taking support at 1512 on Monday, The **BSE Realty** index bounced back sharply and closed at 1978 with a gain of 13.48% w-o-w basis. The "Stochastic" oscillator has given a Buy signal on the weekly chart. Thus we maintain bullish view on this index with the target of 2272 and above that 2452.

The **BSE CG** index also made a "Piercing" pattern and "Stochastic" oscillator has given a Buy signal on the weekly chart. It finally closed at 7017 with a gain of 6.16%. Thus we may see further recovery and it can test 8509, it is 38.20% retracement level of the fall from 12815 to 5847.

Nifty

	24.10.08	31.10.08	Chg	% Chg
Spot	2557.25	2905.25	348	13.61
Nov Fut	2520	2900	380	15.08
Dec Fut	2537.8	2898.05	360.25	14.20

Nifty Cost of Carry

	24.10.08		31.10.08	
	Basis	COC %	Basis	COC %
Nov Fut	-37.3	-15.6	-5.3	-2.4

Nifty open interest

	No of Shares ('000)			
	24.10.08	31.10.08	Chg	%Chg
Nov Fut	18256	28679	10423	57.09
Dec Fut	826	1060	234	28.33
Total	42424	29755	-12669	-29.86

Nifty put call ratio

	No of Shares ('000)			
	24.10.08	31.10.08	Chg	%Chg
Call OI	62122	25742	-36380	-58.56
Put OI	40759	27435	-13324	-32.69
PCR	0.66	1.07	0.41	

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Derivative Comments**Market Activity**

This week Nifty opened negative; and continued trading with a negative bias initially. But later on it took strong support and lower levels and posted a smart recovery to give a weekly close at 2885.60 with a gain of 301.6 points (11.67%) from its previous weeks close. Major Gainers for the week were Unitech, Coreproject, JSW Steel, OFSS and Essar Oil. Losers were SCI, Auropharma, Brigade, Matrix Labs and AIA Engg.

FII's remained net Buyers in Index futures to the tune of 87722 contracts and have shed 288921 contracts in OI. They remained net Buyers in Index options to the tune of 63979 contracts and the OI has decreased by 548622 contracts. In stock futures too they were net Buyers to the tune of 126074 contracts and have shed 338573 contracts in OI.

Market Outlook:

The Nov futures cost of carry for the Nifty stood at a Negative 2.44 % against a Negative 15.64 % for the last week. Nifty Nov Futures traded at a Discount of 0 - 5 Points. The Implied Volatility of Nifty dropped from around 85% to 70 - 71% levels this Friday. These levels of IV are uncomfortably high and hence traders could witness very high amount of volatility in the coming days. Also on a week on week basis Nifty shed 126.7 lac shares (29.86%) in Open Interest.

Open Interest (OI) Analysis:

On Friday in the November series Long OI was seen in Educomp(9%), Essar Oil(12%), Hind Oil Exp(9%), IDBI(10%), JSW Steel(25%), M&M(9%), MLL(13%), RPL(14%), RPower(8%) and Tata Comm(38%). Hence we expect these stocks to show further upside move. CoC for Essar Oil and M&M having turned Negative we would advise clients to enter these stocks at lower levels.

Put Call Ratio Analysis:

The Put Call Ratio of Nifty WoW increased from 0.66 to 1.07. On w-o-w basis Nifty Call options shed 363.8 Lakh shares (58.56%) and Put options shed 133.24 Lakh shares (32.7%) in OI.

On Friday on the calls side incrementally maximum OI was added at 3000(15.39L) strike followed by strike 3100(10.77L).

On the Puts front maximum OI addition was witnessed at 2700 Strike (20.18L) also significant OI addition was seen at 2800 Strike (11.98L). Now on the puts front maximum OI build up stands at 2700 strike(20.23L). Hence Nifty has immediate support at 2700 levels.

Cost of Carry (CoC):

Turned Positive: BPCL, DLF, HCC, Hindalco, HPCL, IDBI, IDEA, IDFC, IFCI, ITC, Maruti, RNRL, RPL, SAIL, SBI, TCS and Tech M.

Turned Negative: Bank of India, Bharti Airtel, Essar Oil, Gail, Lic Hsg Fin, M&M, MTNL, ONGC and TTML.

FII's Weekly Derivative Statistics 29.10.08

	Buy		Sell		Open Interest as on 29.10.08		Open Interest as on 23.10.08		Change in FII's Open Interest (W-o-W)	
	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.	No. Of Contracts	Amt in Crs.
Index Futures	874146	11384.07	786424	10287.82	576921	7840.38	865842	12701.01	-288921	-4860.63
Index Options	153387	2168.91	89408	1358.77	741920	10004.98	1290542	18966.01	-548622	-8961.03
Stock Futures	750258	7992.66	624184	6831.56	845862	8984.74	1184435	13658.88	-338573	-4674.14
Stock Options	0	0	361	3.25	1966	12.31	46663	601.86	-44697	-589.55
TOTAL	1777791	21545.64	1500377	18481.4	2166669	26842.41	3387482	45927.76	-1220813	-19085.4

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