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Equities Trend - Monthly

(Retail)

November 2006

Markets attained new highs, scope for more gains remain but some caution advisable

- Indices gained further ground, markets moved on to test new highs.
- Market managed to cross 13000 levels on the back of strong corporate performance.
- Banking, Software, capital goods and metals were the key drivers in this rally.
- Better than expected corporate performance has improved confidence among investors.
- Barring auto & sugar, other sectors have reported good performance.
- New highs has brought in some caution in the air.
- However Flows seem to be improving and thus high probability of market heading higher despite rich valuations.

Institutional Activity - October

- FIIs remained net buyers in cash market to the tune of Rs 6.8 bln in October

| | <u>Buy</u> | <u>Sell</u> | <u>Net</u> |
|------------|------------|-------------|------------|
| FII | 37512 | 30702 | 6810 |

- Domestic Mutual Funds have been in profit taking mode

| | | | |
|------------|------|------|------|
| *MF | 6777 | 7161 | -388 |
|------------|------|------|------|

- Risk appetite continues to improve, flows improving with better than expected Q2 results

- * MF data available only till 21st of October

Index Trends - October

| Index | Latest Close | 1 Month Ago | Change |
|---------------|--------------|-------------|--------|
| S&P CNX NIFTY | 3744.1 | 3588.4 | 4.3% |
| CNX MIDCAP | 4834.7 | 4691.65 | 3.0% |
| BANK NIFTY | 5588.7 | 5276.25 | 5.9% |

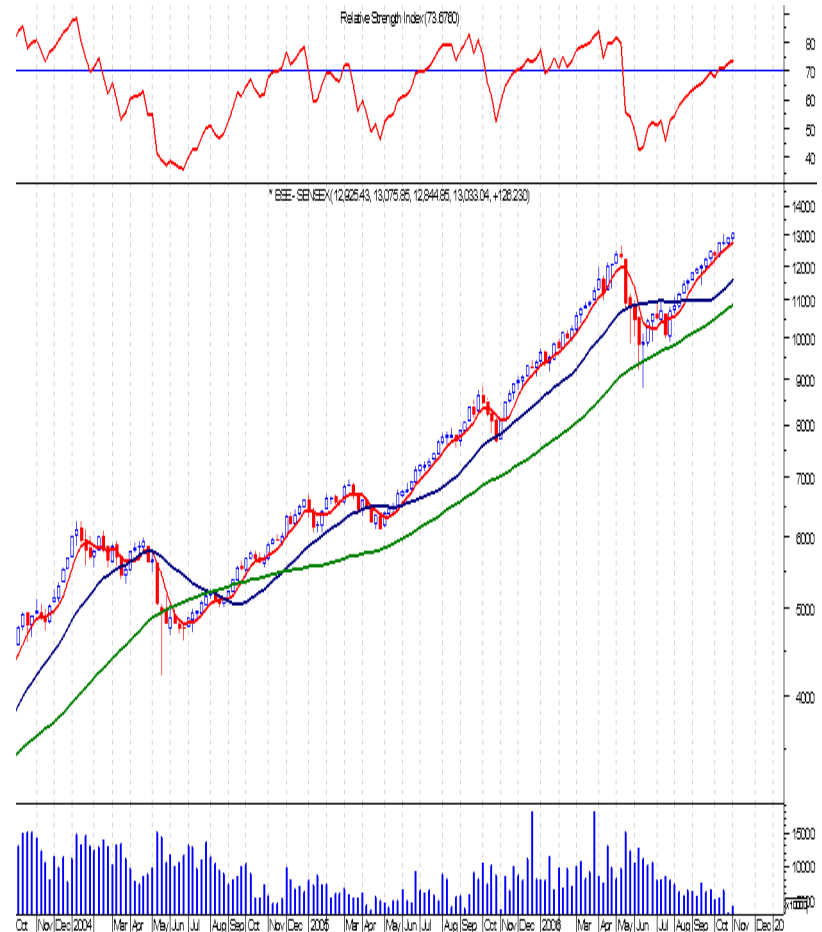
Sectoral Trend - October

- Banking sector continue to outperform rising 7.4 percent in October
- Metal and software sector outperformed the indices on back of better quarterly performance and revival to some extent in metal prices
- Auto stocks underperformed with two wheeler stocks contributing to the underperformance
- Small cap and Mid-cap indices moved in line with sensex

| Index | Closing | Month Ago | Change |
|---------------|---------|-----------|--------|
| BSE Sensex | 12962 | 12454 | 4.1% |
| BSE Mid-cap | 5396 | 5148 | 4.8% |
| BSE Small Cap | 6392 | 6161 | 3.7% |
| BSE Auto | 5357 | 5366 | -0.1% |
| BSE Bank | 6484 | 6039 | 7.4% |
| BSE HC | 3642 | 3684 | -1.1% |
| BSE IT | 4822 | 4393 | 9.8% |
| BSE Metal | 9066 | 8509 | 6.5% |
| BSE PSU | 5965 | 5816 | 2.6% |

What do the Charts say?

- **Medium Term Bullish as long as above 12,300 levels.**
- **Long Term bullish as long as above 10500 levels.**
- **Potential Medium term target 13300.**
- **Potential Long term target 14000.**
- **Below 10,500 risk of trend reversal high.**
- **Short term traders can use 12600 levels as stop loss for the time being.**



What do fundamentals say?

- Macro picture remains quite good – Rupee has strengthened further [44.87]; Oil has remained around \$60 levels, Inflation remains in the desirable band. Overall, Economic growth outlook remains better [RBI has recently upgraded GDP outlook to 8%.]
- Global outlook on interest rate scenario benign, especially with data suggesting slowdown in US, forcing US to keep a pause on interest rates. While the concern earlier was inflation. Today the biggest concern for markets is a significant slowdown in US economy.
- At current levels, sensex is valued at about 18 times '07 earnings. Not cheap, but with expectations on growth front being met, rich valuations could sustain.
- Better performance, strong economic growth have all meant better flows into India.

Q2 Result – Sectoral Trends

- **Banking** - Pvt Banking companies reported strong growth. PSU banks did not disappoint. Credit policy indicating hardening of interest rates may restrict gains for PSU banks in short term. Triggers for further upside could be from the reforms front
- **Software** - Strong performance by most of the large companies. Marginal hike in billing rates seen too. Rupee-dollar equation may be a slight concern but strong growth will keep players interested.
- **Metals** - Zinc and aluminium companies reported good performances. Steel companies too delivered performance in line. Tisco underperformed the indices with concerns over the Corus deal.
- **Pharma** - A mixed bag with Dr Reddys reporting stronger than expected numbers while Ranbaxy net profits were lower than expectation
- **Hotel** - Strong quarterly performance reported by most of them in line with expectation.. Room rates as well as utilisation have been up leading to better margins and profitability. Valuations of frontline players are high here and room for upside is limited in short term
- **Auto** - Some disappointment here with two-wheeler companies seeing pressure on margins. In the four wheeler segment too, Tata Motors warned of likely slowdown due to high base effect.
- **Sugar**- Not much was expected in terms of numbers given low sugar prices. Performance has been in line. Sugar price trend not yet positive. Thus will remain a trading play based on news flow about exports relaxation.
- **Cement**- Results were in line with expectation but stocks remained in consolidation mode. Triggers could be in the form of price increases or better despatch numbers

Investment Idea – Moser Baer

- The core business of Optical Storage media is showing improvement with falling cost of production and rising realisations.
- More improvement expected in second half working with full impact of cost reduction and improving realisation building in.
- With volumes in high margin new format products growing, margins in core business will get further boost.
- Company has now entered in to new business of making Solar cells [under its wholly owned subsidiary MB Photovolatic], with installed capacity of 80 MW in two phases. First phase of 40 MW to be commissioned in early '07 and second phase of 40 MW in late '07.
- Company has up its sleeve plans to further raise the capacity to around 240 MV by 2010.
- Demand and margins for Solar Cells [PV cells], is very strong from developed countries.
- PV being a high technology and low capital intensive business, the ROCE will be much better for new business.
- Long term investors can BUY the stock around current price of 230-235, for 25%-30% return in 6-8 months.

Our Latest Recommendations

| Quick Picks | | | | | |
|-------------------------|-------------|-------------------|------------|-------------------------|---------------------------|
| STOCK | DATE | Rec. PRICE | CMP | % Gain/ Loss | COMMENTS |
| Clutch Auto | 10/06 | 85.05 | 137 | 61 | Target Achieved |
| Aegis Logistics | 10/06 | 133.15 | 172 | 29 | ST - Target Achieved |
| SEAMEC | 10/06 | 124.75 | 193 | 55 | Target Achieved |
| RPG Lifescience | 20/06 | 104 | 104 | 5 | ST- Target Achieved |
| BASF | 21/06 | 188 | 235 | 25 | ST - Target Achieved |
| RPG Transmission | 04/08 | 102.75 | 143 | 39 | ST - Target Achieved |
| Thermax | 10/08 | 285 | 314 | 10 | HOLD |
| Kernex Microsys | 16/08 | 163 | 175 | 7 | ST - Target Achieved |
| Balaji Tele | 19/08 | 133 | 139 | 4 | HOLD |
| Indo Asian Fuse | 22/08 | 138.5 | 130 | -6 | EXIT, STOP LOSS TRIGGERED |
| Mercator Lines | 22/09 | 39.6 | 41 | 4 | HOLD |
| ABC Bearings | 27/09 | 155 | 165 | 6 | HOLD |
| Arvind Products | 03/10 | 7.8 | 8.5 | 9.0 | HOLD |
| Kalyani Steel | 17/10 | 320 | 371 | 16 | HOLD |

Yield Stocks List

| Company Name | Y/E | EQUITY | MKT CAP | FV | BV | PRICE | EPS | Dividend [Latest] | DIVI 1 Yr before | DIVI 2 Yr before | YIELD |
|-------------------------------------|--------|--------|---------|----|--------|--------|-------|--------------------|------------------|------------------|-------|
| HCL Infosys | 200606 | 33.75 | 2126.25 | 2 | 25.00 | 126.00 | 6.74 | 400 | 310 | 210 | 6.35 |
| Varun Shipping | 200603 | 117.00 | 858.20 | 10 | 42.00 | 73.35 | 15.80 | 45 | 30 | 16 | 6.13 |
| Wim Plast | 200603 | 6.00 | 34.86 | 10 | 80.00 | 58.10 | 3.02 | 35 | 35 | 35 | 6.02 |
| Panasonic Carbon | 200603 | 4.80 | 54.24 | 10 | 99.00 | 113.00 | 10.33 | 60 | 60 | 60 | 5.31 |
| Nippo Batteries | 200603 | 3.75 | 133.67 | 10 | 371.00 | 356.45 | 27.33 | 200 | 200 | 200 | 5.61 |
| Salora International | 200603 | 8.82 | 77.04 | 10 | 118.00 | 87.35 | 11.84 | 45 | 50 | 50 | 5.15 |
| India Card | 200603 | 4.55 | 97.35 | 10 | 152.00 | 213.95 | 33.74 | 125 | 120 | 100 | 5.84 |
| Swaraj Engines | 200603 | 12.42 | 172.20 | 10 | 49.00 | 138.65 | 11.26 | 75 | 225 | 150 | 5.41 |
| Aarti Ind | 200603 | 36.40 | 250.07 | 5 | 32.53 | 34.35 | 6.47 | 39 | 101 | 75 | 5.68 |
| T.N.Petroproducts | 200603 | 89.98 | 159.71 | 10 | | 17.75 | 0.37 | 10 | 10 | 12.5 | 5.63 |
| Indo Rama Synth | 200603 | 133.00 | 735.49 | 10 | 41.00 | 55.30 | 3.51 | 30 | 40 | 40 | 5.42 |
| Chambal Fertilisers & Chemicals Ltd | 200603 | 416.00 | 1483.04 | 10 | 21.00 | 35.65 | 4.59 | 18 | 18 | 16 | 5.05 |

Yield Stock List contd..

| Company Name | Y/E | EQUIT Y | MKT CAP | FV | BV | PRICE | EPS | Dividen d [Latest] | DIVI 1 Yr before | DIVI 2 Yr before | YIELD |
|---------------------|--------|------------|------------|----|--------|--------|-------|--------------------------|------------------------|------------------------|-------|
| Ador Welding | 200603 | 13.60 | 420.04 | 10 | 75.00 | 308.85 | 23.94 | 150 | 80 | 25 | 4.86 |
| Narmada Chematur | 200603 | 61.64 | 207.73 | 10 | 32.00 | 33.70 | 5.7 | 16 | 15 | 5 | 4.75 |
| Cosmo Films | 200603 | 19.44 | 169.23 | 10 | 68.00 | 87.05 | 6.60 | 40 | 35 | 45 | 4.60 |
| Allahabad Bank | 200603 | 446.00 | 4100.97 | 10 | 50.00 | 91.95 | 16.06 | 40 | 30 | 20 | 4.35 |
| Canfin Homes | 200603 | 20.50 | 116.75 | 10 | 48.00 | 56.95 | 13.15 | 25 | 25 | 25 | 4.39 |
| Vardhman Polytex | 200603 | 10.69 | 103.75 | 10 | 147.00 | 97.05 | 8.35 | 42 | 42 | 42 | 4.33 |
| Chemfab Alkalies | 200603 | 3.47 | 79.50 | 5 | 48.00 | 114.55 | 19.67 | 100 | 100 | 25 | 4.36 |
| Mercator Lines | 200603 | 18.92 | 775.72 | 1 | 25 | 41.00 | 9.39 | 180 | 200 | 50 | 4.39 |
| Ginni Filament | 200512 | 59.26 | 111.41 | 10 | 21.00 | 18.80 | 0.94 | 8 | 7.5 | 7.5 | 4.26 |
| Ador Fontech | 200603 | 3.50 | 30.80 | 10 | 42.00 | 88.00 | 12.7 | 40 | 35 | 25 | 4.55 |

Thank You

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