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Weekly Review

July 24, 2010

Market breaches 18,000 mark

The Indian stock markets extended their gains during the week, amidst sessions marked by volatility, with the Sensex and Nifty ending higher by 1% each. BSE mid-cap and small-cap indices after many weeks underperformed their large-cap counterparts, with BSE mid-cap ending higher by 0.5% and BSE small-cap ending almost flat. The market traded in a narrow range during the week but finally managed to close above the psychological mark of 18,000 on the BSE index, thereby boosting investor sentiment. Factors such as the ongoing earnings season, positive sentiments from Chinese markets and mixed cues from European and US markets weighed on investors' sentiment during the week. On the sectoral front, most of the indices ended in green, with the BSE metals and BSE capital goods indices gaining the maximum of 4.1% and 2.1%, respectively.

BSE Metals

The BSE metal index gained 4.1% over the previous week, outperforming the Sensex by 3.1%. While Tata Steel, SAIL and Jindal Steel were up by 5.3%, 4.2% and 2.5%, respectively, as steel prices are expected to firm up in the coming months, JSW Steel was up 8.8% on media reports that the announcement of stake sale to JFE may conclude next week. Sesa Goa also witnessed an appreciation of 6.3% during the week as it reported strong quarterly numbers, but NMDC was down 1.8% due to the ongoing Naxal issue in the Dantewada region. On the non-ferrous front, Hindalco led the appreciation by 5.3% followed by Sterlite Ind, Hindustan Zinc and Nalco gaining 4.7%, 1.8% and 0.1%, respectively, as metal prices at the LME rebounded. Our top picks in the sector are Tata Steel, JSW Steel, Hindalco, Sterlite and Hindustan Zinc.

Inside This Weekly

RBI Policy Preview: In the coming Monetary Policy, the RBI's priority would be to focus on controlling inflation using monetary policy tools. We expect the RBI to hike repo and reverse repo rates by 25bp each to 5.75% and 4.25%, respectively. However, considering the current liquidity situation, we do not expect a CRR hike in the coming policy.

Bajaj Auto - 1QFY2011 Result Update: Bajaj Auto (BAL) posted strong set of numbers for 1QFY2011. The company's top line was in line with our expectations, while bottom line was above our estimates because of higher other income. High growth was also aided by higher operating leverage and robust volume growth in the domestic as well as export markets. Capacity constraints, however, restricted volume growth to a certain extent. **We recommend Accumulate on BAL with a Target Price of Rs2,762.**

HDFC Bank -1QFY2011 Result Update: HDFC Bank reported net profit growth of 33.9% yoy and a decline of 3% sequentially to Rs812cr, close to our estimate of Rs806cr. A strong pick-up in advances and improvement in asset quality were the key highlights of the result. **We recommend Buy on the stock.**

Note: Stock Prices are as on Report release date; Refer all Detailed Reports on Angel website.

FII activity

(Rs crore)

As on	Cash (Equity)	Futures	Net Activity
Jul 16	760	351	1,110
Jul 19	204	(458)	(254)
Jul 20	372	44	417
Jul 21	319	412	731
Jul 22	188	(96)	93
Net	**1,843**	**254**	**2,097**

Mutual Fund activity (Equity)

(Rs crore)

As on	Purchases	Sales	Net Activity
Jul 15	712	888	(176)
Jul 16	374	547	(172)
Jul 19	347	494	(147)
Jul 20	574	775	(201)
Jul 21	596	894	(298)
Net	**2,603**	**3,597**	**(995)**

Global Indices

Indices	July 16, 10	July 23, 10	Weekly (% chg)	YTD
BSE 30	17,956	18,131	1.0	3.8
NSE	5394	5449	1.0	4.8
Nasdaq	2,179	2,269	4.1	0.0
DOW	10,098	10,425	3.2	(0.0)
Nikkei	9,408	9,431	0.2	(10.6)
HangSeng	20,250	20,815	2.8	(4.8)
Straits Times	2,958	2,973	0.5	2.6
Shanghai Composite	2,424	2,572	6.1	(21.5)
KLSE Composite	1,337	1,346	0.7	5.7
Jakarta Composite	2,992	3,042	1.7	20.0
KOSPI Composite	1,738	1,758	1.1	4.5

Sectoral Watch

Indices	July 16, 10	July 23, 10	Weekly (% chg)	YTD
BANKEX	11,396	11,491	0.8	14.6
BSE AUTO	8,337	8,413	0.9	13.1
BSE IT	5,459	5,473	0.3	5.5
BSE PSU	9,389	9,527	1.5	(0.1)

RBI Policy Preview

RBI to continue its calibrated tightening

Signs of a revival in growth momentum are increasing, with IIP growth at 11.5% in May 2010. At the same time, food inflation (12.6% yoy) has taken the overall WPI in double digits at 10.6%. We believe the engines of growth are clearly shifting from government-driven consumption to risk capital-driven private consumption and investments. Hence, the RBI's priority would be to focus on controlling inflation using monetary policy tools. **Accordingly, we expect the RBI to hike repo and reverse repo rates by 25bp each to 5.75% and 4.25%, respectively. However, considering the current liquidity situation, we do not expect a CRR hike in the coming policy.**

To this end, looking at the level of headline inflation, which is clearly above the RBI's target of 5.5%, as well as strong uptick in credit growth in the last few months, we believe the RBI may find it prudent to continue the process of gradual domestic monetary tightening, with an increase in repo and reverse repo rates. It should be kept in mind that the withdrawal of monetary accommodation (including repo/reverse repo rates) will be gradual, likely over a couple of years and unlikely to stifle credit demand until monetary accommodation reaches an advanced state (at least 150-200bp above the current levels). **Thus, we expect repo and reverse repo rates to reach 7.0% and 6.5%, respectively, by end-FY2011.**

Focus on anchoring inflationary expectations: Until February 2010, food and textiles contributed as much as 70% of the overall 9.9% WPI inflation, on account of the drought-driven increase in prices of food grains, sugar and cotton, among others. By June 2010, their contribution to the 10.6% WPI, though on a downward trend, was still high at 51%. Oil continued to contribute 11% to overall inflation, though this is likely to increase in the coming weeks due to the hike in petrol and diesel prices. Contribution of other items (having 50% weightage in the WPI index) had increased to 39% in June 2010 due to increased prices of coal, metals, electricity and wood products, among others-indicating that inflation is becoming more broad-based. Therefore, monetary tightening to anchor inflation expectations is appropriate at this juncture.

WPI (food v/s non-food)

	Inflation (yoy)	Weightage in WPI Index	% contribution to current WPI
Food & Textiles	12.4	43	50
Oil	16.2	7	11
Others	8.2	50	39
Current WPI	10.6		

Source: Bloomberg, Angel Research; Note: As on June 2010

Over the next few months, we expect inflation to moderate from the peak levels seen in the recent months. However, the RBI has noted certain upside risks to inflation such as International commodity prices, revival in private consumption demand.

However, it should be noted that interest rates are well below peak levels, leaving ample scope for gradual monetary tightening, without adversely affecting the growth outlook.

Credit growth back; interest rates to rise but unlikely to hurt growth momentum: As on July 2, 2010, the yoy growth rate in credit increased to 21.7% compared to 10% in October 2009. Banks have incrementally lent Rs1,61,000cr YTD in FY2011 (compared to a meager Rs20,000cr during the corresponding period last year). At the same time, deposit growth has declined to 14.9% yoy compared to 22.0% yoy during the corresponding period last year. Though some banks increased their retail fixed deposit rates (in most cases by 25bp) in 1QFY2011, they continue to be unattractive for depositors, leading to a gap between savings and investments, which is being plugged by the high current account deficit at present.

Banking sector outlook: The expected increase in interest rates will not affect the sector negatively, as it will be outweighed by acceleration in core earnings growth on the back of improvement in credit growth and fee income coupled with a sharp reduction in NPA losses. However, on a relative basis, we continue to prefer banks with a high CASA ratio and a lower-duration investment book, given the rising interest rate scenario.

Among large banks, our top picks include HDFC Bank, ICICI Bank, Axis Bank and SBI on account of their stronger core competitiveness and likelihood of credit market share gains because of strong capital adequacy as well as CASA market share gains due to strong branch expansion. Among mid-cap PSUs, we like Dena Bank because of its structurally strong CASA ratio relative to its peers. We are also positive on Uco Bank, which is trading at 30% discount to its peers. We expect a directional improvement in core operating income to lead to re-rating of the stock.

Research Analyst - Vaibhav Agrawal/Amit Rane/Shrinivas Bhutda

Automotive Axles - Buy

Price - Rs491
Target Price - Rs578

3QSY2010 Results Update

Performance Highlights

Y/E Sept (Rs cr)	3QSY10	3QSY09	% chg (qoq)	Angel Est.	% chg (yoy)
Net Sales	**196.2**	**65.9**	***197.7***	**175.5**	***11.8***
Operating Profit	27.5	7.6	*262.9*	24.4	*12.8*
OPM (%)	14.0	11.5	*252bp*	13.9	*12bp*
Reported PAT	**14.6**	**2.7**	***442.3***	**12.8**	***13.2***

Source: Company, Angel Research

Robust performance, Operating leverage aids high bottom-line growth: For 3QSY2010, AAL registered 198% yoy growth in net sales to Rs196cr (Rs65.9cr), which was above our expectation of Rs176cr. The company's top-line has been recovering following the uptick in CV volumes. During the quarter, MHCV volumes recorded almost 80% yoy growth (AAL derives almost 95% revenue from this segment), which helped the company to clock robust top-line growth. EBITDA margins came in almost in line with expectations at 14% for 3QSY2010, up 252bp yoy. Better operating leverage helped the company clock higher EBITDA margins. Net profit spiked to Rs14.6cr, up 442% yoy on a low base and higher operating leverage.

Sales up 198% yoy, above expectations: AAL posted robust top-line growth of 198% yoy to Rs196cr (Rs66cr), above our estimate of Rs176cr. The company's top-line has been recovering following the uptick in CV volumes. During the quarter, MHCV volumes recorded almost 80% yoy growth (AAL derives almost 95% revenue from this segment), which helped the company to clock robust top-line growth during 3QSY2010.

OPM at 14.0%, up by 252bp yoy on improved operating leverage: In 3QSY2010, the company's performance on the operating front exceeded our expectation largely owing to improved operating leverage. During 3QSY2010, AAL witnessed a 252bp yoy increase in EBITDA margins on account of improved operating leverage, primarily due to the 327bp yoy fall in staff costs. Raw material costs and other expenditure, however, increased by 45bp and 30bp yoy, respectively. Raw material accounted for about 70% (69.6%) of sales. Overall, AAL clocked 263% yoy growth in operating profit for 3QSY2010.

Net profit at Rs14.6cr beats estimates: Net profit stood at Rs14.6cr in 3QSY2010, up 442% yoy and beat our estimates by 13% despite the 16.2% jump in depreciation to Rs5.4cr (Rs4.6cr) and 123bp rise in the tax rate, largely driven by significant operating margin expansion. Lower interest cost of Rs0.7cr (Rs1.3cr) also aided bottom-line growth to a certain extent. The company continued its robust performance due to the ongoing recovery in the CV cycle and improved utilisation levels.

Outlook and Valuation

We have revised our estimates: 1) ~7% upward revision in revenue to account of robust top-line growth in 3QSY2010, 2) marginal increase in OPM on better operating leverage, and 3) ~10% revision in earnings.

During SY2009-11E, we expect AAL to report 74% CAGR in top-line (largely on volume growth) and have modeled in margin expansion of about 160bp despite higher input costs aided by higher operating leverage. Thus, in terms of earnings, we expect the company to register robust 145% CAGR over the same period. **Hence, we retain our Buy rating on the stock, with a target price of Rs578 (based on 15x FY2012E EPS in line with its historical valuation).**

Key Financials

Y/E Sept (Rs cr)	SY2008	SY2009	SY2010E	SY2011E
Net Sales	**746.0**	**266.3**	**686.4**	**805.0**
% chg	*22.9*	*(64.3)*	*157.8*	*17.3*
Net Profit	**55.8**	**9.7**	**49.4**	**58.2**
% chg	*4.0*	*(82.7)*	*411.8*	*17.8*
OPM (%)	14.3	12.0	13.7	13.6
EPS (Rs)	**36.9**	**6.4**	**32.7**	**38.5**
P/E (x)	13.3	76.8	15.0	12.7
P/BV (x)	4.4	4.2	3.6	3.1
RoE (%)	37.8	5.6	25.9	25.9
RoCE (%)	34.6	5.5	30.4	32.4
EV/Sales (x)	0.9	2.7	0.9	0.8
EV/EBITDA (x)	7.4	24.4	7.4	6.2

Source: Company, Angel Research; Price as on July 20, 2010

Research Analyst - Vaishali Jajoo/Yaresh Kothari

Bajaj Auto - Accumulate

Price - Rs2,469
Target Price - Rs2,762

1QFY2011 Result Update

Performance Highlights

Y/E March (Rs cr)	1QFY11	1QFY10	(qoq) % chg	Angel Est.	% Diff.
Net sales	**3,890**	**2,338**	***66.4***	**3,870**	***0.5***
Operating profit	777	455	*70.6*	780	*(0.4)*
EBITDA (%)	20	19	*50bp*	20	*(18)bp*
Reported PAT	**590**	**294**	***101.1***	**527**	***12.0***

Source: Company, Angel Research

Top line marginally above expectations, volumes up by 70%: BAL reported 66.4% yoy jump in top line to Rs3,890cr (Rs2,338cr), mainly driven by the substantial 70% yoy increase in total volumes. Discover 100 and Pulsar have been the primary game-changer brands for BAL. Average realisation recorded a decline of about 2.4% yoy during the quarter, primarily due to higher contribution of low-end bikes (Discover) in the sales mix.

The company's domestic motorcycle sales grew 71% (as against the industry growth of 24%) in 1QFY2011. Higher sales in the three-wheeler segment at 99,918 units (63,242) also supported healthy revenue growth. BAL exported 323,899 (178,295) vehicles, an increase of 81.7% yoy in 1QFY2011. During the quarter, production constraints limited sales to a certain extent. The company expects motorcycle capacity of 300,000units/ month to go on stream from 2QFY2011.

In terms of volume market share, the company improved its position in the two-wheeler category by 524bp yoy to 20.8% (15.5%) in 1QFY2011, largely owing to a 745bp yoy increase in the motorcycle segment's market share to 27% (19.5%). However, the three-wheeler segment's market share declined to 36.4% (41.2%) in 1QFY2011.

EBITDA expands marginally by 50bp: During 1QFY2011, BAL's operating margin expanded marginally by 50bp yoy to 20%, largely in line with our estimates. However, the company reported a 289bp qoq decline in EBITDA margin, largely on account of the 275bp qoq increase in raw-material costs, which accounted for 67.9% of net sales.

The increase in margin on a yoy basis was on account of a decline in other expenditure and staff costs by 158bp and 392bp, respectively, during the quarter. Higher volumes of sportier motorcycles, effective cost management and focused sales promotional activities helped the company to perform better than the industry at the operating front. Thus, overall, the operating profit for the quarter increased by 70.6% yoy to Rs777cr (Rs455cr), which largely came in line with our estimates.

Bottom line at Rs590cr, beats estimates: BAL recorded net profit growth of 101% yoy to Rs590cr (Rs294cr), which was higher than our expectation by 12%, primarily owing to higher other income of Rs81.7cr (Rs23.1cr). Other income comprised treasury income earned on liquid assets of ~Rs3,700cr. Further, improved operating leverage, lower depreciation, reduced tax rate and a dip in exceptional items (VRS expenditure), on a yoy basis, aided bottom-line growth.

Outlook and Valuation

We maintain our positive stance on BAL. We revise our estimates upward to account 1) higher other operating income (higher export incentives) 2) higher operating margin and 3) higher other income on increased liquid investments. At the CMP of Rs2,469, the stock is trading at 14.3x FY2012E earnings, in. **We recommend Accumulate on BAL with a Target Price of Rs2,762.**

Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net sales	**8,810**	**11,921**	**15,926**	**17,859**
% chg	*(2.3)*	*35.3*	*33.6*	*12.1*
Adj. net profit	**769**	**1,784**	**2,251**	**2,497**
% chg	*(4.9)*	*132.0*	*26.1*	*11.0*
OPM (%)	11.1	20.2	19.5	19.0
Adj. EPS (Rs)	**53.2**	**117.7**	**155.6**	**172.6**
P/E (x)	46.4	21.0	15.9	14.3
P/BV (x)	19.1	12.2	8.1	5.9
RoE (%)	44.5	74.4	61.3	47.9
RoCE (%)	26.7	58.8	59.1	49.4
EV/Sales (x)	3.9	2.7	1.9	1.6
EV/EBITDA (x)	36.0	13.7	10.2	8.8

Source: Company, Angel Research; Price as on July 23, 2010

Research Analyst - Vaishali Jajoo/Yaresh Kothari

Crompton Greaves - Accumulate

Price - Rs283
Target Price - Rs307

1QFY2011 Result Update

Performance Highlights

Y/E March (Rs cr)	1QFY11	1QFY10	(qoq) % chg	4QFY10	% chg (yoy)
Net Sales	**2,302**	**2,198**	***4.7***	**2,508**	***(8.2)***
EBITDA	297	248	*19.8*	403	*(26.3)*
EBITDA (%)	12.9	11.3		16.1	
PAT	**190.8**	**160.3**	***19.5***	**307**	***(37.7)***

Source: Company, Angel Research

Crompton Greaves (CG) posted 4.7% yoy growth in consolidated top-line to Rs2,302cr (Rs2,192cr) for 1QFY2011, which was slightly below our expectations. While the consumer products and industrial systems segments continued to register robust growth, the power systems segment remained depressed, witnessing a drop in the quarterly revenues.

Better margins lead to increased profitability: On the operating front, consolidated EBITDA increased by 19.8% yoy to Rs297.3cr (Rs247.6cr), which was in line with our estimates. EBITDA margin witnessed an expansion of 160bp yoy to 12.9% (11.3%) during the quarter mainly due to lower other expenses that fell to 12.5% (13.9%) of net sales. Raw material cost, as a percentage of net sales, fell by 20bp yoy to 61.6% (61.8%). Interest cost remained nearly flat on a yoy basis, while other income dipped by 25% yoy to Rs18cr (Rs24cr). Improved operational efficiencies coupled with lower interest costs aided bottom-line growth. For 1QFY2011, net profit grew 19.5% yoy to Rs190.8cr (Rs160.3cr), which was in line in our estimates.

Domestic business aiding growth: While CG's consolidated revenues posted a moderate growth of 4.7% on a yoy basis, it clocked 14.5% yoy growth in standalone top-line to Rs1,343cr (Rs1,173cr). This was mainly attributable to the healthy performance recorded by its consumer products and industrial systems segments. On a standalone basis, the consumer products segment grew by 29% yoy to Rs532cr (Rs413cr) with operating margins expanding by 90bp to 15.0% (14.1%). The growth came mainly on account of the strong performance witnessed in the domestic market. The industrial segment, on a standalone basis, also reported revenue growth of 22% yoy to Rs311cr (Rs254cr) owing to healthy demand for motors and rail transport equipment. Operating margin of this segment gained by 60bp yoy to 20.6%. The revival in the domestic sector augured well for the segment.

Ongoing weakness in power segment: The power systems segment continued to stagnate and extended its lacklustre performance from the previous quarter owing to muted outlook from the overseas markets. On a standalone basis, the segment posted flattish yoy growth at Rs510cr (Rs508.4cr) mainly due to the delayed off-take of power transformers and switchgears by both the public as well as private sector customers. Management expects the backlog to be cleared over the next two quarters. On a consolidated basis, the segment de-grew by 1.9% to Rs1,456.4cr (Rs1,483.7cr) on account of the depressed performance by its overseas business, mainly the international power systems segment. Nonetheless, on a consolidated basis, the segment margin improved by 120bp yoy to 10.6% (9.4%) on the back of better margins registered by both the standalone as well as overseas entities.

Outlook and Valuation

CG is one of the leading players in the power transmission and distribution (T&D) space in India. During FY2010-12E, we expect the company to register top-line and bottom-line CAGR of 11.4% and 7%, respectively. At the current price, the stock is quoting at 20.6x and 18.3x FY2011E and FY2012E EPS, respectively. **We recommend an Accumulate on the stock, with a Target Price of Rs307.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**8,737**	**9,141**	**10,068**	**11,354**
% chg	*27.9*	*4.6*	*10.1*	*12.8*
Net Profit	**560**	**860**	**882**	**986**
% chg	*37.7*	*53.6*	*2.5*	*11.8*
EBITDA (%)	11.4	14.0	13.7	13.3
EPS (Rs)	**8.7**	**13.4**	**13.7**	**15.4**
P/E (x)	27.8	18.1	20.6	18.3
P/BV (x)	8.6	6.3	4.8	3.8
RoE (%)	36.1	39.9	30.9	27.3
RoCE (%)	27.5	31.5	29.0	27.1
EV/Sales (x)	1.8	1.7	1.5	1.3
EV/EBITDA (x)	15.7	12.0	10.8	9.5

Source: Company, Angel Research; Price as on July 21, 2010

Research Analyst - Hemang Thaker

FAG Bearing - Buy

Price - Rs760
Target Price - Rs931

2QCY2010 Result Update

Performance Highlights

Y/E Dec (Rs cr)	2QCY10	2QCY09	% chg (qoq)	Angel Est.	% Diff
Net Sales	**273**	**202**	***34.7***	**244**	***11.9***
Operating Profit	52	31	*66.3*	37	*42.1*
OPM (%)	19	15	*364bp*	16	*363bp*
Reported PAT	**34**	**19**	***81.6***	**22**	***53.3***

Company, Angel Research

Quarterly performance beats estimates: For 2QCY2010, net sales grew 34.7% yoy to Rs273cr (Rs202cr) exceeding our expectation of Rs244cr. This was largely driven by the substantial jump in overall auto volumes and sharp recovery in the industrial bearings segment. EBITDA margin expanded by a significant 364bp yoy to 19.1% (15.5%) basically due to decrease in raw material costs by 558bp during the quarter and better operating leverage. Bottom-line spiked 81.6% yoy to Rs33.8cr (Rs18.6cr) on robust top-line growth and improvement in operating performance. Higher other income and lower tax rate also aided net profit growth, which helped FAG register NPM of 12.4% (9.2%).

Top-line surges on robust auto growth and increase in industrial segment: For 2QCY2010, the company's net sales grew 34.7% yoy to Rs273cr (Rs202cr) above our expectation of Rs244cr. This was largely driven by a substantial jump in overall auto volumes and sharp recovery in the industrial bearing segment. Overall pickup in economic activities helped the company to clock robust top-line growth. The company is operating at almost 100% utilisation levels, which poses a risk of capacity constraints going forward if demand continues to be strong.

Margins up by 364bp on lower input cost: EBITDA margin expanded by a substantial 364bp yoy to 19.1% (15.5%) basically due to decrease in raw material costs by 558bp during the quarter. Further, better operating leverage helped 29bp yoy reduction in staff costs during the quarter. Other expenses, however, increased marginally by 18b yoy to 13.5%. Overall, operating profit increased substantially by 66.3% to Rs52cr (Rs31cr), beating our expectation by 42%. Bottom-line up 81.6%, beats estimates: For 2QCY2010, FAG registered 81.6% yoy increase in bottom-line to Rs33.8cr (Rs18.6cr) largely on account of robust top-line growth and substantial jump in operating performance. Further, higher other income and lower tax rate aided the robust growth in net profit to a certain extent and helped the company to register NPM of 12.4% (9.2%).

Outlook and Valuation

We have revised our estimates upward: 1) ~9% upward revision in revenue to account of robust top-line growth in 2QCY2010, 2) higher OPM on better operating leverage, and 3) ~30% revision in earnings. We believe that the recovery in auto demand will aid the company in registering a CAGR of around 20% in net sales and 33% in net profit over CY2009-11E.

The stock is currently trading at 10.7x CY2010E and 9.8x CY2011E EPS. At our Target multiple of 12x, we have arrived at a Target Price of Rs931. Further, FAG scores well over its peers and we believe that it is a good long-term investment pick, in view of its strong fundamentals. **We maintain a Buy rating on the stock.**

Key Financials

Y/E Dec (Rs cr)	CY2008	CY2009	CY2010E	CY2011E
Net Sales	**762**	**820**	**1,049**	**1,185**
% chg	*17.0*	*7.6*	*27.9*	*12.9*
Net Profit	**98.6**	**73.1**	**117.8**	**129.0**
% chg	*24.3*	*(25.9)*	*61.2*	*9.4*
OPM (%)	21.3	13.6	18.3	18.0
EPS (Rs)	**57.6**	**39.4**	**70.9**	**77.6**
P/E (x)	13.2	19.3	10.7	9.8
P/BV (x)	3.1	2.7	2.2	1.9
RoE (%)	26.5	15.1	22.9	20.6
RoCE (%)	38.6	20.8	32.6	29.7
EV/Sales (x)	1.5	1.3	0.9	0.8
EV/EBITDA (x)	7.4	9.8	5.4	4.6

Source: Company, Angel Research; Price as on July 23, 2010

Research Analyst - Vaishali Jajoo/Yaresh Kothari

HDFC Bank - Buy

Price - Rs2,050
Target Price - Rs2,514

1QFY2011 Result Update

Performance Highlights

Particulars (Rs cr)	1QFY11	4QFY10	% chg (qoq)	1QFY10	% chg (yoy)
Net Interest Income	**2,401**	**2,351**	***2.1***	**1,856**	***29.4***
Pre-Prov. Profit	1,749	1,694	*3.2*	1,519	*15.1*
PAT	**812**	**837**	***(3.0)***	**606**	***33.9***

Source: Company, Angel Research

Strong business growth with profitability: Advances registered robust growth of 40.2% yoy. The quarter also witnessed an increase in short-term wholesale loans, which accounted for around 10% of the overall loan growth. The retail loan book grew by 24.4% yoy during 1QFY2011.

Deposits reached Rs1,83,033cr in 1QFY2011, up 25.6% yoy. The CASA ratio stood at 49.2% of total deposits during 1QFY2011 (45.0% in 1QFY2010 & 52.0% in 4QFY2010). Reported NIMs declined to 4.3% in 1QFY2011, as against 4.4% in 4QFY2010, mainly on account of payment of interest on savings balances on a daily basis.

Strong capital adequacy and branch expansion to drive CASA and credit market share gains, respectively: CASA deposits grew 37.4% yoy and 3.4% sequentially, driven by 33.8% yoy growth in current deposits and 40% yoy growth in savings deposits. The cost-to-income ratio of the bank improved 28bp sequentially at 47.7% in 1QFY2011 as compared to 48% in 4QFY2010. The bank plans to open 150 branches during FY2011. Against this backdrop, we expect the bank to sustain a CASA ratio in the 49-52% range, going forward.

The bank's total capital adequacy remained strong at 16.3%, with Tier-1 constituting 76.1% of the total CAR. The bank has sufficient CAR to grow its advances by 5-8% above the industry's average growth over FY2011-12E.

Robust asset quality: The bank's asset quality improved sequentially, with gross NPAs at 1.2% (1.4% in 4QFY2010) and net NPAs at 0.3% (0.3% in 4QFY2010). The NPA coverage ratio atood at 77% in 1QFY2011 (78.4% in 4QFY2010 and 70% in 1QFY2010). Total restructured assets were 0.3% of gross advances, which is among the lowest in the sector.

Total provisions during 1QFY2011 stood at Rs555cr, of which Rs365cr was towards NPAs. We expect the bank to expand its provision coverage by increasing its floating provisions, going forward. During 1QFY2011, the bank also provided for certain non-recurring provisions such as contingency provision for indirect Forex exposures of Rs76cr and provisions worth Rs67cr related to premises.

Outlook and Valuation

We believe HDFC Bank is among the most competitive banks in the sector, with an A-list management team that has one of the best track records in the sector. At Rs2,050, the stock is trading at 17.1x FY2012E EPS of Rs120 and 3.3x FY2012E ABV of Rs629. We believe HDFC Bank is once again positioned for a high qualitative growth trajectory, with the CASA and cost-to-income ratios returning to pre-CBoP levels. In our view, with its strong capital adequacy and substantial branch expansion, the bank is set to further gain CASA market share and achieve strong growth in fee income, as the economic environment continues to improve. HDFC Bank has commanded a 32.8 premium to the Sensex in terms of its one-year forward P/E multiple over the last five years. We expect the premium to be around its historical average on account of the bank's robust growth and RoE prospects over the next two years. On the basis of the increase in Sensex valuations and our 17x target FY2012E P/E multiple for the Sensex, we are also increasing our target multiple for HDFC Bank. We now value the stock at 4.0x FY2012E ABV of Rs629 to arrive at a target price of Rs2,514, implying an upside of 23%. **Hence, we recommend a Buy on the stock.**

Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
NII (Rs cr)	**7,421**	**8,387**	**10,523**	**13,552**
% chg	*42.0*	*13.0*	*25.5*	*28.8*
Net Profit (Rs cr)	**2,245**	**2,949**	**3,915**	**5,490**
% chg	*41.2*	*31.3*	*32.8*	*40.2*
NIM (%)	4.9	4.3	4.3	4.4
EPS (Rs)	**52.8**	**64.4**	**85.5**	**119.9**
P/E (x)	39.0	32.0	24.0	17.1
P/ABV (x)	5.9	4.4	3.8	3.3
RoA (%)	1.4	1.5	1.6	1.7
RoE (%)	16.9	16.1	17.0	20.6

Source: Company, Angel Research; Price as on July 19, 2010

Research Analyst - Vaibhav Agrawal/Amit Rane/Shrinivas Bhutda

Infotech Enterprises - Accumulate

Price - Rs173
Target Price - Rs192

1QFY2011 Result Update

Performance Highlights

Y/E March (Rs cr)	1QFY11	4QFY10	(qoq) % chg	1QFY10	% chg (yoy)
Net Revenues	**253**	**244**	***3.6***	**233**	***8.7***
EBIDTA Margins (%)	16.0	21.6	*(5.6)*	22.5	*(6.5)*
PAT	**33**	**51**	***(35.9)***	**46**	***(28.9)***

Source: Company, Angel Research

Strong volume led growth with adverse currency playing spoilt-sport: For 1QFY2011, Infotech Enterprises (IEL) reported 3.6% qoq growth in top-line to Rs253cr, in rupee terms, backed by qoq volume growth of 2% and 10.6% in utility, telecom and government (UTG) and the engineering and mechanical (EMI) segments, respectively. IEL added 12 new customers, 6 each in the UTG and EMI segments with the top-10 clients witnessing 1.6% qoq (14.2% yoy) growth. Geography-wise, the growth was backed by the 12.4% and 6.2% qoq growth logged by North America and Asia-Australia regions. Europe however, witnessed de-growth of 6.8% qoq. The company made net employee addition of 32 taking the total headcount to 7,669 as on 1QFY2011. During the quarter, the company commenced operations at the new 500 seat facility in Visakhapatnam, which is IEL's first development centre in the SEZ. On the operating margin front, the adverse currency impact and salary hikes given during the quarter negatively impacted EBIDTA margins by 558bp qoq. Thus, primarily on account of lower operational profitability and other income as well as the increase in tax rate from 17.5% in 4QFY2010 to 20.2% in 1QFY2011, net profit fell by 35.9% qoq to Rs33cr.

Strong prospects expected in EMI segment: IEL is witnessing strong deal pipeline from the Asia-Pacific and North America geographies. In the EMI segment, IEL is expected to witness good ramp up with a strong demand pipeline being witnessed by all clients in the aerospace vertical. Further, in this segment the company is also working on few anchor deals to be ramped up in the automotive vertical, while the hi-tech vertical though currently suffering from negative macro-economic indicators is expected to witness healthy growth. Some of the new long-term projects in the EMI segment, viz. the Hamilton Sunstrand, Seawell (engineering support services for its drilling operations) and the recently signed US-based Westinghouse (for providing nuclear energy related network) projects are expected to see strong ramp up over the next few years. Through Seawell, the company is looking at business engagements in the size of

US $150-200mn to be executed over the next 18 months.

Outlook and Valuation

The company expects volume backed growth in the EMI and UTG segments, which would be mostly back-ended in FY2011E with pricing remaining stable. The company targets to maintain its EBIDTA margins at ~18% in FY2011E. The UTG vertical, which is currently seeing some downtick, is expected to witness some improvement as the company plans to provide new service offerings through acquisition of strategic fits.

We expect Infotech to record 15.2% CAGR in top-line over FY2010-12E, while bottom-line is estimated to clock subdued CAGR of 2% mainly on account of the expected adverse currency impact and increase in personnel costs. **We recommend an Accumulate on the stock, with a Target Price of Rs192, valuing the stock at 12x FY2012E EPS of Rs16 similar to its historical average PE of 12x during FY2005-10, implying an upside of 11% from current levels.**

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**890**	**953**	**1,095**	**1,264**
% chg	*32.0*	*7.1*	*14.9*	*15.4*
Net Profit	**92**	**171**	**154**	**178**
% chg	*8.4*	*84.7*	*(10.1)*	*15.6*
EBIT Margin (%)	20.1	21.9	18.2	18.0
FDEPS (Rs)*	**8.7**	**15.5**	**13.9**	**16.1**
P/E (x)	19.9	11.2	12.4	10.8
P/BV (x)	1.2	1.0	1.7	1.5
RoE (%)	12.8	20.1	14.9	14.7
RoCE (%)	17.7	19.2	14.8	14.5
EV/Sales (x)	0.6	0.5	1.1	0.8
EV/EBITDA (x)	3.0	2.3	6.0	4.7

*Source: Company, Angel Research; Price as on July 21, 2010; Note: *FDEPS for FY2009 and FY2010 is based on post-bonus issue (1:1bonus effective from June'10)*

Research Analyst - Vibha Salvi

PTC India - Buy

Price - Rs113
Target Price - Rs136

1QFY2011 Result Update

Performance Highlights

Y/E March (Rs cr)	1QFY11	4QFY10	(qoq) % chg	1QFY10	% chg (yoy)
Net revenue	**2,758**	**1,243**	***121.8***	**2,373**	***16.3***
Operating profit	28	9	194.2	15	85.3
Net profit	**28**	**14**	***100.5***	**33**	***(16.7)***

Source: Company, Angel Research

PTC India (PTC) reported impressive results on the operating front in 1QFY2011, registering 85.3% yoy growth in operating profit to Rs27.8cr. Growth was primarily driven by robust 36.7% yoy growth in sales volume to 5,747MU. The improvement in sales was aided by a substantial increase in power traded under the long-term route and from captive power plants. Going ahead, we expect the company's trading volume to be boosted by additional volumes from the long-term route, with 4,500MW of projects for which PPAs have been signed getting operational during FY2011-12. The company's operating margin is also expected to expand going ahead, as old contracts on which trading margins were charged at lower 4 paise/unit would be renegotiated at higher trading margins of 7 paise/unit.

Increased trading volume boosts top line: PTC's 1QFY2011 top line grew by 16.3% yoy to Rs2,758cr due to a substantial 36.7% yoy increase in trading volume to 5,747MU. The company's OPM improved by 40bp yoy to 1%, aided by increased cap on short-term trading margins to 7 paise/unit. However, on the bottom-line front, the company's net profit declined by 16.6% yoy to Rs27.8cr (Rs33.3cr) on account of lower other income (down by 50% yoy to Rs13.8cr) and higher tax expense. During 1QFY2010, the company booked the profit out of the maturity of certain investments based on tax-free fixed maturity plans.

Outlook and Valuation

We believe PTC's emphasis on the LTT segment will help it in sustaining higher growth, going ahead. During FY2010, STT constituted 50% of the total power traded by the company. PTC proposes to increase its power trading mix to 70:30 in favour of LTT. The company's increased focus on LTT is expected to provide consistent cash flows compared to STT, as the number of units generated is expected to be uniform, resulting in reduced volatility. We expect PTC to register a 32.7% CAGR in its top line over FY2010-12E, following the commissioning of new power projects. We estimate the company's bottom line to register a 43.1% CAGR over FY2010-12E.

At the CMP of Rs113, PTC is trading at 22.2x FY2011E and 17.2x FY2012E earnings. We have arrived at an SOTP fair value of Rs136 for PTC, wherein we have assigned P/E of 10x FY2012E earnings from the core trading business (Rs65.2/share), while investments in PTC-FS, Teesta Urja, Krishna Godawari and Athena Energy Ventures have been valued at a P/BV of 1x FY2012E (Rs49.4/share). The cash and liquid investments in the company's books are valued at a P/BV of 1x FY2012E (Rs21.1/share). **Accordingly, we maintain our Buy recommendation on the stock.**

Key Financials

Y/E March (Rs cr)	FY2009	FY2010	FY2011E	FY2012E
Net Sales	**6,529**	**7,770**	**10,906**	**13,698**
% chg	*67.1*	*19.0*	*40.4*	*25.6*
Net Profit	**90.8**	**93.9**	**148.9**	**192.2**
% chg	*86.5*	*3.4*	*58.6*	*29.1*
OPM (%)	0.4	0.8	1.3	1.3
EPS (Rs)	**4.0**	**3.2**	**5.1**	**6.5**
P/E (x)	28.2	35.2	22.2	17.2
P/BV (x)	1.7	1.6	1.5	1.4
RoE (%)	6.0	5.2	7.0	8.6
RoCE (%)	1.3	3.2	6.0	7.3
EV/Sales (x)	0.3	0.3	0.2	0.2
EV/EBITDA (x)	74.1	32.0	17.1	15.3

Source: Company, Angel Research; Price as on July 21, 2010

Research Analyst - Rupesh Sankhe/V Srinivasan

Bulls on a firm ground

Sensex (18131) / Nifty (5449)

In our previous Weekly report, we had mentioned that indices are likely to test 18500 - 18700 / 5500 - 5570 levels based on the "Flag pattern" breakout on the Daily chart. The initial part of the week witnessed a sideways movement after which it made a new 52-week high of 18237 / 5476, which were close to the first target mentioned.

The Sensex ended with net gains of 0.98%, whereas the Nifty gained 1.02% vis-à-vis the previous week.

Pattern Formation

- On the **Daily chart**, we are witnessing continuation of higher- top higher-bottom formation. The recent higher bottom at 17848 / 5354 is a crucial support level. As long as 17848 / 5354 holds, there is a possibility that indices could test the higher levels of 18500 - 18700 / 5500 - 5570. Any breakdown below 17848 / 5354 would negate the formation and we could see loss of momentum on the upside (refer Exhibit 1).

- On the **Weekly chart,** the prices are very close to the upper trendline of the channel where some résistance is likely to emerge. Further, we are observing that the indices are close to the 78.6% retracement levels of the preceding down-move that started from 21000 to 7697 / 6357 to 2252 levels. These levels of 18315 / 5480 may act as a temporary resistance. Any closing above 18315 / 5480 levels would warrant further up-move (refer Exhibit 2).

Future Outlook

In view of continuation of higher-top higher-bottom formation on the Daily chart, we expect the market to trade with a positive bias in the coming week. The immediate short-term resistance is at 18315 / 5480 levels, which is a 78.6% retracement level of the entire down-move from 21000 to 7697 / 6357 to 2252 levels. Any close above these resistance levels would lead the indices to test the "Flag pattern" targets of 18500 - 18700 / 5500 - 5570, which we have been mentioning since past three weeks. Any break-down below the recent higher-bottom of 17848 / 5354 levels would negate the higher-top higher-bottom formation and we could see loss of momentum on the upside.

Traders holding long positions should trail the stop loss to 5340 levels and trade with a positive bias as long as the markets hold 5354 levels.

Exhibit 1: Sensex Daily chart

Source: Falcon; Note: #HT: Higher Top, HB : Higher Bottom

Exhibit 2: Sensex Weekly chart

Source: Falcon

Weekly Pivot Levels For Nifty 50 Stocks

SCRIPS	R2	R1	PIVOT	S1	S2
SENSEX	18462	18296	18072	17907	17683
NIFTY	5551	5500	5427	5376	5303
BANK NIFTY	10249	10171	10043	9966	9837
A.C.C.	846	833	819	806	792
ABB LTD.	901	870	837	806	773
AMBUJACEM	121	118	113	110	104
AXISBANK	1433	1412	1373	1352	1313
BHARAT PETRO	683	658	644	618	604
BHARTIARTL	332	323	307	298	283
BHEL	2514	2487	2439	2412	2363
CAIRN	346	336	323	313	300
CIPLA	335	330	327	323	319
DLF	340	331	322	314	305
GAIL	501	483	459	442	418
HCL TECHNOLO	387	380	373	366	359
HDFC BANK	2116	2078	2050	2011	1983
HERO HONDA	2008	1979	1950	1921	1892
HINDALCO	166	162	155	151	144
HINDUNILVR	273	268	264	258	254
HOUS DEV FIN	3144	3068	3012	2937	2880
ICICI BANK	943	928	906	890	868
IDEA	73	71	67	65	61
IDFC	200	196	192	189	185
INFOSYS TECH	2938	2862	2795	2719	2652
ITC	327	314	290	278	254
JINDL STL&PO	681	660	638	617	594
JPASSOCIAT	135	132	129	126	123
KOTAK BANK	812	791	776	755	741
LT	2002	1970	1913	1881	1824
MAH & MAH	667	648	621	602	575
MARUTI	1423	1390	1363	1330	1303
NTPC	210	206	202	198	194
ONGC CORP.	1300	1280	1263	1243	1226
PNB	1098	1074	1058	1034	1018
POWERGRID	105	103	101	99	97
RANBAXY LAB.	466	457	451	441	435
RCOM	199	194	189	184	180
REL.CAPITAL	838	817	804	782	769
RELIANCE	1083	1072	1060	1048	1036
RELINFRA	1172	1155	1141	1124	1111
RPOWER	177	175	173	171	169
SIEMENS	755	741	726	713	698
STATE BANK	2559	2528	2473	2442	2387
STEEL AUTHOR	217	212	204	199	191
STER	188	181	172	165	156
SUN PHARMA.	1801	1771	1734	1704	1667
SUZLON	62	61	60	59	58
TATA POWER	1349	1336	1327	1315	1305
TATAMOTORS	869	854	831	816	794
TATASTEEL	576	556	529	509	482
TCS	864	852	838	825	811
UNITECH LTD	92	88	84	80	76
WIPRO	447	430	413	396	379

Technical Research Team

Market remains in profit booking zone of 5400-5500

Nifty spot has closed at **5449** this week, against a close of **5394** last week. The Put-Call Ratio has increased from **1.41** to **1.47** levels and the annualized Cost of Carry (CoC) is negative **5.42**%. The Open Interest of Nifty Futures has increased by **4.05**%.

Put-Call Ratio Analysis

The Nifty PCR has increased from 1.41 to 1.47 levels. In a day, a huge build-up has been observed in the 5500 call option, which is more of buying. Simultaneously, Call writers of the strike 5400 and below have started covering their positions. On the Put side, the 5400 strike added around 69,000 contracts week-on-week. Over all data suggests market may move in a range of 5500 to 5350 till this week. In Aug series, the 5600 call and the 5300 put options have highest contracts.

Open Interest Analysis

The total Open Interest of the market is Rs1,71,520cr, as against Rs1,54,341cr last week, and the Stock Futures' open interest increased from Rs41,875cr to Rs45,431cr. Few liquid stocks which added significant open interest are DABUR, ABB, DRREDDY, ANDHRABANK and HCC. Stocks where open interest decreased significantly are ASHOKLEY, LUPIN, IFCI and ALBK.

Futures Annual Volatility Analysis

The Historical Volatility of the Nifty has decreased from 18.48% to 16.83%. IV of at the money options has decreased from 17.00% to 16.00%. Some liquid counters where HV has increased significantly are APIL, UCOBANK, ANDHRABANK, BIOCON and ABB. Stocks where HV has decreased are RNRL, CHENNPETRO, UNIONBANK, MPHASIS and GRASIM.

Cost-of-Carry Analysis

The Nifty July Future closed at a discount of 5.30 points as against a premium of 4.35 points last week and Aug future closed at a premium of 0.50 points. Some liquid counters where CoC turned from negative to positive are INDHOTEL, TECHM, ORIENTBANK, HINDUNILVR and MCLEODRUSS. Stocks where CoC turned from positive to negative are APOLLOTYRE, ASHOKLEY, ADANIENT, BHEL and INFOSYSTCH.

Derivative Strategy

Scrip : BHARTIARTL | **CMP : Rs. 313.80/-** | **Lot Size : 1000** | **Expiry Date (F&O) :** 29th July, 2010

View: Mildly Bearish | **Strategy: Call Hedge**

Buy/Sell	Qty	Scrip	Strike Price	Series	Option Type	Buy Rate (Rs.)
Sell	1000	BHARTIARTL	Fut.	July	-	315.00
Buy	1000	BHARTIARTL	320	July	Call	2.00

BEP: Rs. 313.00/-

Max. Risk: Rs.7,000.00/-
If Stock closes on or above Rs320 on expiry.

Max. Profit: Unlimited
If BHARTIARTL continues to trade below BEP.

Note: Profit can be booked before expiry, if stock moves in a favorable direction.

Expected Payoff

Closing Price	Expected Profit/Loss
Rs. 295.00	Rs. 18.00
Rs. 300.00	Rs. 13.00
Rs. 305.00	Rs. 8.00
Rs. 310.00	Rs. 3.00
Rs. 315.00	(Rs. 2.00)
Rs. 320.00	(Rs. 7.00)
Rs.325.00	(Rs. 7.00)

Recommended Schemes in Monthly Income Plans (MIPs)

HDFC MIP - LTP - Growth

Inception	26th December 2003
Type of Fund	Open Ended Debt Fund
Bench Mark Index	Crisil MIP Blended Index
Min Investment	Rs. 5,000
Entry/Exit Loads	Entry-Nil Exit - 1% if redeemed or switched within 1 year
Fund Manager	Mr. Prashant Jain Mr. Shobhit Mehrotra
Latest NAV	Rs. 21.98
52 Week High	Rs. 21.98 (22-Jul-10)
52 Week Low	Rs. 19.17 (23-Jul-09)
Corpus	Rs. 6918.34 crores (30-Jun-10)
Average Maturity	858 days
Modified Duration	628 days
Key Ratios	
Expense Ratio	1.58
Standard Deviation	0.23
Sharpe	0.19
Jensen	0.04
Asset Allocation	
Equity	23.75%
Debt	45.66%
Cash Equivalent Exposure	30.59%

Top 10 Holdings

Company Name	Instrument	Rating	% of Net Assets
HDFC Ltd.	Bond	AAA	5.31
Power Finance Corporation Ltd.	Bond	AAA	4.57
IDBI Ltd.	Bond	AA+	4.32
Tata Motors Ltd.	ABS	AAA(SO)	4.17
GOI	Securities	Sovereign	3.61
Cash	--	--	3.35
National Housing Bank	Bond	AAA	3.17
LIC Hsg. Fin.	Bond	AAA	3.04
REC	Bond	AAA	2.98
ICICI Bank Ltd.	Bond	AAA	2.92

Scheme Objective

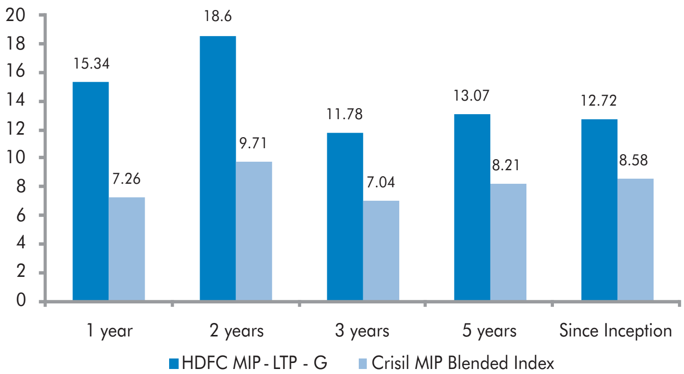
The primary objective of the Scheme is to generate regular returns through investment primarily in Debt and Money Market Instruments. The Secondary objective of the scheme is to generate long term capital appreciation by investing a portion of the Scheme's assets in equity and equity related instruments.

Key Analysis of Fund

The scheme has 23.75% equity exposure & 45.66% debt exposure. It has the highest exposure to sectors like Banks, Financial Institution, Housing Finance Company and Petroleum & Gas. The scheme has consistently outperformed its benchmark index since Inception. Currently, on Equity side fund manager has diversified across large & mid caps stocks and Debt side focuses on various high credit qualities like 35.33% in AAA and 25.52% in P1+Equ. Investment in Bonds, CDs and G-sec of long term maturity papers for balancing the risk rewards.

- High risk adjusted returns which are indicated from a positive Sharpe Ratio
- Positive Jensen Ratio shows Superior Stock and Debt Instruments Selection by Fund Manager
- Investment Analysis clearly indicates that the scheme has created wealth for investors

Performance Analysis (% Returns)



Source: Angel Research; Note: Returns are as on 22th July, 2010 on CAGR basis.

Ideal for Investors

- MIPs are good solution for those who want to invest in safer assets and still want some 'equity icing'.
- Suitable for those who prefer to have low-risk investment and still want to participate in an upside should consider investing into an MIP.
- It is for investors looking for Regular income in form of dividends which are tax free.

Reliance MIP - Growth

Inception	13th January 2004
Type of Fund	Open Ended Debt Fund
Bench Mark Index	Crisil MIP Blended Index
Min Investment	Rs. 10,000
Entry/Exit Loads	Entry-Nil Exit - 1% if redeemed or switched within 1 year
Fund Manager	Mr. Amit Tripathy Mr. Ashwani Kumar
Latest NAV	Rs. 20.95
52 Week High	Rs. 20.95 (22-Jul-10)
52 Week Low	Rs. 18.27 (10-Aug-09)
Corpus	Rs. 5207.83 crores (30-Jun-10)
Average Maturity	887 days
Modified Duration	672 days
Key Ratios	
Expense Ratio	1.56
Standard Deviation	0.23
Sharpe	0.19
Jensen	0.04
Asset Allocation	
Equity	18.45%
Debt	49.45%
Cash Equivalent Exposure	30.10%

Top 10 Holdings

Company Name	Instrument	Rating	% of Net Assets
GOI	Securities	Sovereign	16.55
Bank of India	CD	P1+	11.24
IDBI Ltd.	CD	A1+	7.08
Tata Teleservices (Maharashtra) Ltd.	ABS	A+(SO)	4.88
Tata Steel Ltd.	FRB	AA	4.22
HDFC Ltd.	Debenture	AAA	3.61
BPCL	Debenture	AAA	2.94
Tata Motors	Debenture	AAA	2.88
Power Finance Corporation Ltd.	Debenture	AAA	2.63
HDFC Bank Ltd.	CD	PR1+	2.30

Scheme Objective

Primary objective is to generate regular income in order to make dividend payments to unit holders and secondary objective is growth of capital.

Key Analysis of Fund

The scheme has 18.45% equity exposure & 49.45% debt exposure. It has the highest exposure to sectors like Banks, Sovereign, Financial Institution and Housing Finance Company. The Scheme has consistently outperformed its benchmark index since inception. Currently Equity Side fund manager is focused on large cap stocks with 7.8% exposure and Debt side focus on various high credit qualities like 19.62% in AAA, 29.26% in P1+Equ. and 18.66% in Sovereign. Investment in Zero coupon Bonds, NCDs, G-Sec & C.Ds of long term maturity papers for balancing the risk rewards.

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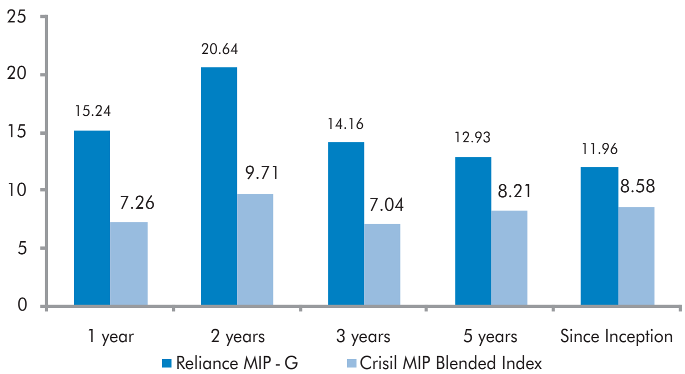
Performance Analysis (% Returns)



Source: Angel Research; Note: Returns are as on 22th July, 2010 on CAGR basis.

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- Suitable for those who prefer to have low-risk investment and still want to participate in an upside should consider investing into an MIP.
- It is for investors looking for Regular income in form of dividends which are tax free.

Currencies end week on a flat note

In the last week, major currencies closed almost on a flat note. The US Dollar Index (DX) traded with a negative bias in the last week but closed flat. The Indian Rupee (INR) depreciated marginally by 0.3% to close at 46.94 and the Euro fell slightly by 0.1%. Mildly bullish sentiments in the last week coupled with the European banks stress test results kept sharp gains in the currencies under check. Economic data out of the US in the last week continued to come on the negative side.

In the initial part of the week, equity markets traded on a mixed note awaiting the European banks stress test results. However, the results of the tests came in against expectations as 92% banks passed the tests. On the back of this, sentiment turned bullish by the end of the week as the stress tests data showed that the European banking scenario is not as bleak as expected.

Spot Rupee Weekly Price Chart

Source: Telquote

The INR depreciated to a level of 47.41 in the last week as a weak start on the equities front in the beginning of the week restricted gains in the currency. Week-on-week too, the currency weakened as sentiments remained largely mixed. FII inflows in India in the month of July totaled Rs.10,126cr. In the month of June, FIIs bought equities worth Rs.10,508cr and year-to-date inflows stand at Rs.41,203cr.

Economic Update

- The demand for the US financial assets also declined in May. Global demand for the financial assets totaled $35.4 billion in May as against the previous figures of $81.5 billion in April.

- In the last week Ben Bernanke in his testimony before the Senate Banking Committee said that US has very little probability of being affected by deflation. However, he also added the Federal Reserve has possible tools to prevent it. Moreover, the Fed chairman also said that the employment scenario remains a major concern for the US.

- Unemployment claims in the US increased by 37,000 to 464,000 in the last week.

- Existing home sales increased by 5.37 million in June as against forecasts of 5.18 million.

- Current account deficit in the Euro area widened in the month of May. The European central bank said that deficit increased by 5.8 billion Euros in May from 5.6 billion in April. Markets had expected the deficit to narrow down to 3 billion Euros.

- The Euro zone manufacturing PMI increased to 56.5 in July from 55.6 in June. Markets had expected the index to decline to 55.2. The Services PMI also increased to 56.0 in July as against 55.5 in the earlier month.

Fundamental Outlook

The Reserve Bank of India (RBI) is expected to give its monetary policy review on 27th July, 2010. The central bank is expected to tighten monetary policy by raising interest rates by another 25 basis points. RBI has lifted rates three times since March by 25 basis points each. In this week we expect the INR to appreciate as higher risk appetite coupled with continuing inflows in the country will help support gains in the currency. Weakness in the DX is also positive for the INR. We expect the INR to trade in the range of 46.75 - 47.60 in this week with an appreciation bias.

Research Analyst (Commodity) - Reena Walia Nair

Commodities Update

Exhibit 1: Commodities Weekly Performance

	24th July, 2010	17th July, 2010	% Change
Non Agri- Commodities (MCX)			
Top Gainers			
Lead	91.9	83.15	10.5
Copper	330.9	306.2	8.1
Zinc	89.4	83.65	6.9
Top Losers			
Gold	18250	18324	-0.4
Agri Commodities (NCDEX)			
Top Gainers			
Jeera	15180	14396	5.5
Refined Soy Oil	483.9	466.5	3.7
Soybean	2075	2013.5	3.1
Top Losers			
Potato	362.4	404.7	-10.5

International Perspective

The commodities segment delivered a strong performance, mainly in the later part of the week taking cues from the positive sentiments in the financial markets. The base metals pack posted strong gains in the last week with the major metals touching their multi-week highs.

Lead prices gained a stunning 10 percent in the last week, leading the rally in the base metals pack. Lead prices touched a 9-week high of $1975/tonne on Friday and managed to close around the same level. Inventory scenario for lead seems to be improving at the LME warehouse. Lead inventories declined by around 3.5% in the month of July. But, on a year-to-date basis inventories are still above by 25%.

Copper prices also rallied in the last week gaining around 8% on the MCX. The red metal prices breached the $7000/tonne mark on the LME in the last week. The International Copper Study Group (ICSG) said that the copper market swung into a 67,000-tonne deficit in January-April 2010 from a 75,000-tonne surplus in the corresponding quarter of 2009. Moreover, BHP Billiton, a major mining company of copper said that its copper output could fall by 5-10 percent in 2010. Copper inventories declined for 24 out of the last 25 sessions on the LME warehouse to close at 419,650 tonnes on Friday, the lowest level since November 2009.

Agri Perspective

All the major Spices particularly Black pepper and Jeera continued to trade firm in the last week tracking supportive fundamentals and gave returns of 2.4 percent and 5.5 percent. Prices however, in the later part of the week (Friday), witnessed correction from highs in all spices. Prices of **jeera** surged due to firm international prices of all major origins such as Syria, India and Turkey. Further, expected demand from overseas and domestic market added to the gains. All major Oil Complex too, witnessed a surge in the last week due to inadequate rainfall in the Central part of India, the major edible oilseed producing area. Prices of **Soybean** and **Refined Soy Oil** prices surged by 4.7 % and 3.4% respectively. Further, hot and dry weather in U.S, (the major producer and exporter of oil complex) provided support to the bulls in the domestic market. Crude Palm Oil at Bursa Malaysia Derivatives Exchange sparked on account of better export demand from Islamic nations ahead of Ramzan (fasting month). Potato continued its downward trend in last week too and stood in the major loser category with prices falling by 10.5%. Good stocks of potato in the cold storage and better arrivals pressurized the prices.

Exhibit 2: Major Economic Data Releases this week

Date	Country	Indicator	Forecast	Previous
26-July	US	New Home Sales	317K	300K
27-July	US	CB Consumer Confidence	51.5	52.9
28-July	US	Core Durable Goods Orders	0.6%	1.6%
30-July	US	Advance GDP q/q	2.5%	2.7%
30-July	US	Employment Cost Index	0.5%	0.6%
30-July	Euro Zone	Unemployment Rate	10.0%	10.0%

Outlook

The Euro zone bank stress tests announced at the end of the week was fairly positive. As per the results, seven out of the 91 banks tested failed to pass the test. This would help to ease concerns over the Euro zone banking system. Global markets are expected to trade with a positive bias in this week. On the back of that we expect the US Dollar Index (DX) to weaken. A weaker DX is expected to provide upside support to base metals and crude oil prices. But gold prices are expected to remain under pressure as the yellow metal has already made sharp gains in this year and demand for gold is expected to remain subdued as risk appetite will raise demand for riskier assets.

In the agri segment major commodities may witness correction particularly in Spices and Oil Complex on account of profit booking by the market participants. Technically, prices in spices have formed "Evening Star Doji" a bearish candlestick pattern. Thus, prices may correct if, crucial support levels are breached.

Research Analyst (Commodity) - Nalini Rao/ Naser Parkar

Base Metals

Metals shine as the dollar loses sheen

The base metals pack gained sharply in the last week as weakness in the US Dollar Index (DX) coupled with improved sentiments helped push prices higher. Lead was the outperformer among the base metals pack with gains of 10.5% on the LME and the MCX in the last week. Lead prices gained despite a rise in production in China coupled with an oversupply of the metal in the market. Copper, the leader of the base metals pack gained 8.2% on the LME in the last week as falling inventories and reports of mine shutdown at Codelco supported prices. Chile's COdelco had to shut mining operations at Radomiro Tomic, Chuquicamata and part of the Mina Sur mines on Sunday on the back of strong winds that lowered visibility. These three mines are part of Codelco Norte division, the company's biggest copper unit that produces approximately 870,000 tonnes per annum.

Base Metals Weekly Performance

		Open	High	Low	Close	Prev.	Chg	% Chg
Copper	LME $	6,665	7,080	6,470	7,005	6,474	531	8.2
	MCX (Aug Rs)	306.70	332.90	306.70	330.90	306.20	24.70	8.1
Zinc	LME $	1,827	1,955	1,780	1,920	1,780	140	7.9
	MCX (June Rs)	83.85	91.05	83.85	89.40	83.65	5.75	6.9
Nickel	LME $	19,265	20,580	18,660	20,400	18,890	1,510	8.0
	MCX (June Rs)	896.70	965.50	887.20	958.40	894.90	63.50	7.1
Lead	LME $	1,800	1,975	1,755	1,950	1,765	185	10.5
	MCX (June Rs)	83.40	92.00	82.85	91.90	83.15	8.75	10.5
Alumi-	LME $	2,023	2,065	1,943	2,030	1,960	70	3.6
nium	MCX (June Rs)	92.95	96.10	91.75	94.95	92.85	2.10	2.3
Tin	LME $	17,855	19,700	17,650	19,050	17,550	1,500	8.5

Source: Telequote

Lead rises despite oversupply in market

Lead output in China rose the highest by more than 14% in June as the country produced 312,000 tonnes of lead. Production was up by 39,000 tonnes from the last month but it was 10.3% lower than a year ago. China's lead production up to June touched 1.56 million tonnes, down by 7.1% from the previous year. Another set of data released by the International Lead and Zinc Study Group (ILZSG) indicated that lead was oversupplied during the first five months of this year. Lead was oversupplied by around 34,000 tonnes, but down from 94,000 tonnes during the first five months of 2009. Despite release of this data lead prices rose on the back of general weakness in the DX coupled with bullish sentiments. Although economic recovery in the US, Euro Zone and China is under scanner, demand for higher-yielding and riskier investment assets has gone up in the last few days. Risk sentiment in general has witnessed an improvement.

LME Lead Daily Price Chart

Source: Telequote

Fundamental Outlook

The European stress test results released in the last week indicated that 92% banks passed the test. On the back of this positive analysis we expect risk sentiments in the market to remain upbeat in this week. Appetite for higher-yielding investments will rise as positive stress test results of European banks clears any doubt over the bleak economic scenario in the 16-nation Euro Zone. We also expect the DX to weaken in this week as risk appetite in the financial markets will lead to decreased demand for the low-yielding currency. Weakness in the DX will in turn provide upside support to base metals on the LME as a weaker DX makes them look attractive for holders of other currencies.

Technical range and trend for this week

Metal	Range	Trend
Copper	325 - 345	Up
Zinc	86 - 95	Up
Nickel	920- 1000	Up
Lead	86 - 98	Up
Aluminum	93 - 99	Up

Research Analyst (Commodity) - Reena Walia Nair

Commodity Technical Report

MCX August Gold

Last week, Gold prices opened week at Rs.18, 305 per 10 grams. Initially, fell to Rs.18,191 but could not sustain the lower levels. Later during the week, prices rallied upwards and made a high of Rs.18,399 and finally closed the week at Rs.18,255 down by Rs 68 as compared with previous week's close of Rs.18,324.

Technically, the trend for Gold prices during this week is bearish as market is currently trading below 10 Day EMA and also Daily MACD histogram is also in negative territory.

Trend : Down (MCX GOLD Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 18,160	**R1 - 18,400**
S2 - 18,070	**R2 - 18,500**

MCX September Silver

Last week, Silver prices opened at Rs.28,739 per kg. Initially, prices fell sharply and found strong support at Rs.28,461 levels. Later, Silver prices recovered sharply and made a high of Rs. 29,254 levels. Prices finally ended the week with a gain of Rs.350 to close at Rs.29140 as compared with previous week's close of Rs.28793.

As per the Daily chart below, Silver prices have closed below the supporting trend line. Along with this, prices are trading above 10 Day EMA and Daily MACD histogram too is in positive territory.

Trend : Sideways (MCX SILVER Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 28,640	**R1 - 29,430**
S2 - 28,150	**R2 - 29,740**

MCX August Copper

Copper prices opened last week with a low of Rs.306.70 per kg. During the past week, copper traded with positive bias throughout the week breaking both the resistance and touched a high of 332.90 and prices finally ended the week with a huge gain of Rs.25.55 to close at Rs.331.70 as compared with previous week's close of Rs.306.20.

Trend is for the week is Up with daily charts showing strong bullishness in prices. Prices are trading above 10 Day EMA, with daily MACD histogram is positive territory.

Trend : UP (MCX COPPER Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 323	**R1 - 340**
S2 - 314	**R2 - 350**

MCX Autust Crude

In the past week, Crude prices traded with positive bias showing some volatility. Prices opened the week at Rs.3,595 per barrel. In the opening session of the week, prices fell slightly, but recovered sharply from strong support at Rs.3591 and made a high of 3738 and prices finally ended the week with a huge gain of Rs.127 to close at Rs.3721 as compared with previous week's close of Rs.3594.

Daily chart is showing weekly upside movement Prices are trading above 10 Day EMA , with daily MACD histogram also in positive territory.

Trend : UP (MCX CRUDEOIL Daily Chart)

Source: Telequote

Key Levels For Week :

S1 - 3625	**R1 - 3775**
S2 - 3535	**R2 - 3850**

Sr. Technical Analyst (Commodities) - Abhishek Chauhan

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