



Economy News

- ▶ The government is determined to implement a policy intended to give those displaced by mining a share in the profits of the miners despite a less than enthusiastic response from industry, the minister for mines said on Thursday. (ET)
- ▶ The government may throw a lifeline to ailing state-run firms by asking public sector banks to offer easy financing options for those firms that can be revived through joint ventures with private sector players. The board for reconstruction of public sector enterprises (BRPSE), an agency for the revival of sick PSUs, has mooted the proposal to make sick public sector attractive to private sector suitors. (ET)
- ▶ Food, PDS and civil supplies minister Sharad Pawar made a big pitch to Prime Minister Manmohan Singh here on Thursday on sugar sector decontrol. He placed a plan for the Centre to buy sugar at prevailing market price for the public distribution system (PDS) directly from the open market in the new sugar year starting October. (ET)

Corporate News

- ▶ **HPCL** plans to invest around 150 bn in setting up a 9 million tonne-a-year refinery on the west coast. The new refinery, likely to be set up in Raigad district of Maharashtra, is expected to make up for the space constraint at its Mumbai refinery. (ET)
- ▶ **Fortis Healthcare** has been approached by overseas companies to collaborate in operating hospitals in markets such as South East Asia, Africa and the Middle East, said a top company executive. (ET)
- ▶ **DLF** has put on hold its plan to sell its non-core assets including ultra luxury hotel chain Aman Resorts and wind energy business for the next three quarters. (ET)
- ▶ **Kingfisher Airways** may sign a code-share agreement with British Airways on Saturday facilitating seamless travel to passengers who can also enjoy benefits while travelling on each others networks. (ET)
- ▶ A consortium led by **Tata Power**, India's largest private power utility, will develop a 240 mw-geothermal power project in Indonesia. The total cost of the project will range from Rs 29 bn to Rs 38 bn. (ET)
- ▶ **Kingfisher Airlines** said its board on Tuesday approved plans to raise funds of up to Rs 50 bn (approximately \$1 billion) by issuing one or more options, which include preference shares, equity shares, global depository receipts, a rights or a preferential issue. (BL)
- ▶ **Petronet LNG Ltd** plans to invest Rs23 bn crore to install two more storage tanks at its LNG receiving and regasification terminal at Dahej in Gujarat. The Dahej terminal has four tanks and with the addition of two storage tanks, the total capacity will go up to 15 million tonne per annum (mtpa) from 10 mtpa at present. The tanks are used for storage and regasification. (BS)

Equity

	2 Sep 10	% Chg		
		1 Day	1 Mth	3 Mths
Indian Indices				
SENSEX Index	18,238	0.2	0.7	7.1
NIFTY Index	5,486	0.3	0.9	7.4
BANKEX Index	12,449	0.8	4.4	16.5
BSET Index	5,447	(0.7)	(0.3)	3.8
BSETCG INDEX	14,732	0.5	1.0	6.8
BSEOIL INDEX	10,037	(0.3)	(2.9)	(1.2)
CNXMcap Index	8,861	0.9	3.8	12.9
BSESMCAP INDEX	9,821	1.1	3.7	13.8
World Indices				
Dow Jones	10,320	0.5	(3.0)	0.6
Nasdaq	2,200	1.1	(3.7)	(4.5)
FTSE	5,371	0.1	(0.5)	3.1
Nikkei	9,063	1.5	(6.2)	(8.2)
Hangseng	20,869	1.2	(2.6)	5.6

Value traded (Rs cr)

	2 Sep 10	% Chg - Day
Cash BSE	4,898	12.2
Cash NSE	13,337	(0.5)
Derivatives	84,089.5	(8.8)

Net inflows (Rs cr)

	1 Sep 10	% Chg	MTD	YTD
FII	527	(2.2)	527	59,615
Mutual Fund	161	(145.7)	161	(15,359)

FII open interest (Rs cr)

	1 Sep 10	% Chg
FII Index Futures	15,900	0.7
FII Index Options	65,832	1.6
FII Stock Futures	35,703	1.0
FII Stock Options	705	8.7

Advances / Declines (BSE)

	2 Sep 10	A	B	S	Total	% total
Advances	133	1,220	259	1,612	60	
Declines	69	724	162	955	36	
Unchanged	2	91	11	104	4	

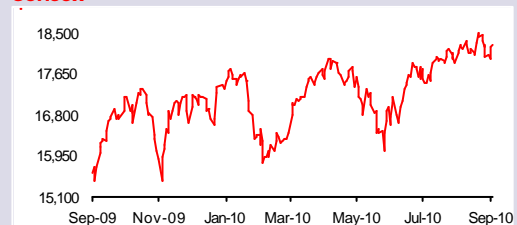
Commodity

	2 Sep 10	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	75	(0.3)	(9.4)	0.3
Gold (US\$/OZ)	1,251	0.5	5.4	3.6
Silver (US\$/OZ)	20	1.5	6.6	9.1

Debt / forex market

	2 Sep 10	1 Day	1 Mth	3 Mths
10 yr G-Sec yield %	7.98	7.96	7.81	7.57
Re/US\$	46.79	46.81	46.25	46.99

Sensex



COMPANY UPDATE

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MAHINDRA & MAHINDRA FINANCIAL SERVICES LTD

PRICE: Rs.594

TARGET PRICE: Rs.610

RECOMMENDATION: ACCUMULATE

FY12E P/E: 11x; P/ABV: 2.5x

- ❑ Buoyant rural economy, healthy monsoon to boost advances growth; revising our advances growth estimates to 25% CAGR over FY11-12.
- ❑ Revising our earnings estimates following strong advances growth; NIM expected to remain stable, asset quality performance to remain healthy.
- ❑ Trading at 2.9x FY11 and 2.4x FY12 P/ABVx; revising our price target to Rs.610 (Rs.520 earlier), maintain accumulate.

Buoyant rural economy, healthy monsoon to boost advances growth; revising our advances growth estimates to 25% CAGR over FY11-12.

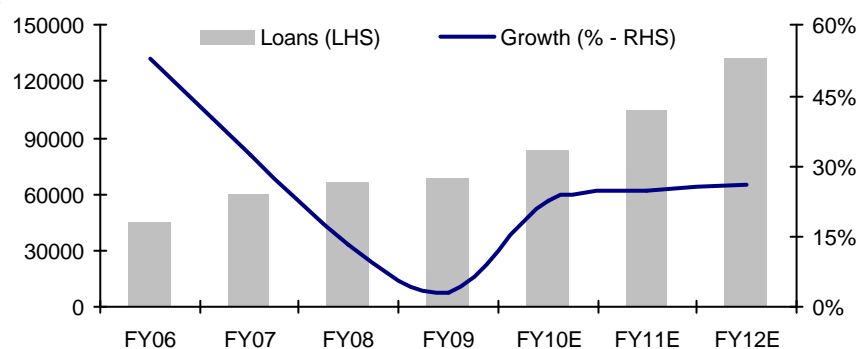
- MMFS is a leading financier in the rural and semi-urban regions for automobiles. In the wake of healthy monsoon and improved agriculture growth, business growth outlook for MMFS appears highly positive. A buoyant rural economy will significantly boost advances growth. Moreover, we are of the view that MMFS's strong geographic spread with a branch network of 487 in rural and semi-urban regions will aid in swiftly scaling up its loan book.
- We are raising our advances growth estimates for MMFS from 20% CAGR over FY11-12 to 25% CAGR to Rs.104.7bn and Rs.131.9bn in FY11 and FY12 respectively. We opine that the key growth drivers for the company continue to be the multi-utility vehicles, tractors and passengers car. While the commercial vehicle (CV) financing and pre-owned vehicle financing are expected to witness strong traction following a strong momentum in the economy activity going forward.

Summary table

(Rs bn)	FY10	FY11E	FY12E
Interest Income	15.3	19.0	23.7
Interest expenses	5.0	6.8	8.4
NII	10.3	12.3	15.2
Other Income	0.4	0.4	0.4
Total Income	10.7	12.7	15.6
Optg Profit	7.4	9.0	11.4
PAT	3.4	3.9	5.2
Gross NPA (%)	6.7	5.6	4.8
Net NPA (%)	1.0	0.9	0.7
NIM on Assets (%)	10.6	10.1	10.1
RoA (%)	4.6	4.3	4.5
RoE (%)	21.4	20.9	23.5
Divi. Payout (%)	25.0	25.0	25.0
EPS (Rs)	35.7	40.9	54.4
BV (Rs)	180.1	210.9	251.9
Adj. BV (Rs)	171.5	201.8	242.1
P/E (x)	16.6	14.5	10.9
P/ABV (x)	3.5	2.9	2.4

Source: Company, Kotak Securities - Private Client Research

Advances growth



Source: Company

Revising our earnings estimates following strong advances growth; NIM expected to remain stable, asset quality performance to remain healthy.

- On the back of strong growth in advances over FY11-12, we have tweaked our earnings estimates. However, given the rising interest rate scenario, we opine that MMFS's NIM is likely to remain stable. Hence, we continue to maintain our NIM estimates for FY11-12 at around 10% (based on average AUM). We expect a net profit growth of 14% yoy to Rs.3.9bn for FY11 and 33% yoy for FY12 to Rs.5.2bn.
- On the asset quality front, government schemes like NREGA have bestowed rural population with higher cash, which has improved their purchasing power. With a healthy monsoon, we opine that asset quality is likely to improve with receding slippages.

- During Q1FY11, the rise in NPA was mainly due to the farmer's tendency of holding cash ahead of monsoon and beginning of Karif season, this is largely seasonal in nature. Higher provision coverage of 85%, coupled with better crop harvest and steady growth in rural disposable income will aid improvement in asset quality performance going forward. This reinforces our confidence in the company and will also help fetch premium valuations.
- **MMFS's subsidiaries** - insurance brokerage and rural housing finance are in nascent stage, and therefore we have not consolidated these businesses being insignificant.

Trading at 2.9x FY11 and 2.4x FY12 P/ABVx; revising our price target to Rs. 610, maintain accumulate.

We recommend ACCUMULATE on Mahindra & Mahindra Financial Services with a revised price target of Rs.610

- Tweaked our earnings estimates following steady growth in advances (25% CAGR) and improvement in asset quality performance amidst healthy monsoon in India. We expect a net profit of Rs.3.9bn, up by 14% yoy for FY11 and Rs 5.2bn in FY12, growth of 33%yoy; leading to an EPS of Rs.40.9 and Rs.54 for FY11 and FY12 respectively.
- We are highly positive on MMFS's earnings growth outlook; hence, revising our dividend discount model (DDM) based one-year forward price target to Rs.610 (Rs. 520 earlier). Our target price offer a limited upside of 3% from current level, however a correction in the stock price will be an opportunity to **ACCUMULATE** the stock.

Profit and Loss Statement

(Rs mn)	FY10	FY11E	FY12E
Income from operations	15,308	19,040	23,653
Interest Expenses	5,017	6,778	8,441
Net Interest Income	10,290	12,262	15,212
% chg	20	19	24
Other income	380	399	419
Total Income	10,671	12,661	15,631
Operating Expenses	3,250	3,654	4,196
Operating profit	7,421	9,007	11,435
Provisions and write offs	2,232	3,052	3,515
PBT	5,189	5,955	7,920
Provi. For taxes	1,762	2,032	2,702
PAT	3,427	3,924	5,218
% chg	60	14	33

Source: Company

Bulk deals

Trade details of bulk deals

Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. price (Rs)
3-Sep	Axis Capital	Jash Investment Arcade	B	15,000	45.7
3-Sep	Bhoruka Alum	Rajkumar Aggarwal	S	58,000	41.4
3-Sep	Birla Shloka	Man Mohan Damani	B	400,087	37.2
3-Sep	Birla Shloka	Param Commodities Private Ltd	S	162,000	37.3
3-Sep	Birla Shloka	Apurva Commodities Private Ltd	S	228,087	37.1
3-Sep	Borosil Glass	BP Fintrade Private Limited	S	19,987	908.6
3-Sep	Crew Bos	Primus Real Estates Private Limited	B	75,000	121.5
3-Sep	Dazzel Conf	Golden Gale Inc- (Prop. Hemant Suresh Lokhnade)	B	80,000	32.7
3-Sep	Dazzel Conf	Rama Devi Bodhu	S	90,000	32.6
3-Sep	Elnet Tech	Urvi Shreyas Virani	B	24,500	80.3
3-Sep	Elnet Tech	Sar Auto Products Limited	B	57,500	76.7
3-Sep	Hanung Toys	Satyasai Investments	B	211,882	310.2
3-Sep	Hanung Toys	Maverick Investment Solutions Pvt Ltd	S	126,197	310.6
3-Sep	High Energy	Dharmendra R Doshi	B	12,816	103.5
3-Sep	High Energy	Incap Securities Pvt Ltd	S	12,700	103.5
3-Sep	IFL Promoters	Bharat Gupta	S	86,600	15.1
3-Sep	Jaihind Syn	Kiran Vinodchandra Shah	S	30,000	47.2
3-Sep	Kalpena Inds	Maryada Barter Private Limited	S	90,000	142.4
3-Sep	Master	Bala Rama Venkata Siva Naga S	S	66,300	47.8
3-Sep	Omkar Overseas	Anita Gupta	B	26,963	28.1
3-Sep	Oregon Comm	Bhavesh Shantilal Trivedi	B	11,000	275.1
3-Sep	Oregon Comm	Jimish J Soni	S	14,700	275.0
3-Sep	Oricon Enter	Clearwater Capital Partners Singapore			
		Fund Iii Private Limited	B	961,641	351.5
3-Sep	Oricon Enter	Beaumaris Investments Limited	S	961,641	351.5
3-Sep	Parichay Invest	Nikita Neil Pattni	B	25,000	55.1
3-Sep	Parichay Invest	Pandya Rasiklal Bhagvanji	B	21,500	55.0
3-Sep	Parichay Invest	Kapilaben Rasiklal Pandya	B	17,100	55.0
3-Sep	Piramal Health	BMK Laboratories Private Limited	B	12,000,000	510.0
3-Sep	Piramal Health	PHL Holdings Private Limited	S	12,000,000	510.0
3-Sep	Prak Steelage	Gunny Chem Tex India Limited	S	100,909	220.6
3-Sep	Prism Info	Idhasoft Limited	S	3,550	415.4
3-Sep	Raj Packaging	Indraneel Datta	B	21,188	66.7
3-Sep	Raj Packaging	Rajesh Navlani	B	50,000	66.5
3-Sep	Raj Packaging	Hemant Agnihotri	S	24,430	65.5
3-Sep	Raj Packaging	Highline Finance & Investments	S	30,000	66.4
3-Sep	Raj Packaging	Jatin Sampatkumar Dokwal	S	20,000	67.4
3-Sep	Rama Phosp	Think Bull Private Limited	B	30,716	82.6
3-Sep	Ranklin Sol	Bala Rama Venkata Siva Naga S	S	29,111	120.9
3-Sep	Ranklin Sol	Venkatrami Reddi Gorla	S	26,038	126.0
3-Sep	Roselabs Inds	Nilesh Krushna Palande	B	120,356	34.0
3-Sep	Roselabs Inds	Jayshree Shankar Bhosle	B	150,000	34.0
3-Sep	Saboo Sodium	Bags Registry Services Pvt. Ltd.	B	80,000	30.8
3-Sep	Saboo Sodium	Gopal Das Sonkia	S	87,800	30.5
3-Sep	Sankhya Info	Bakliwal Fincom Private Limited	B	70,000	33.3
3-Sep	Sankhya Info	Rajeev Khanna	S	51,949	33.0
3-Sep	Shalibhadra Fin	Ranjanben Anilbhai Shah	B	25,034	39.2
3-Sep	Tribhuvan Hous	Nilesh Krushna Palande	S	196,400	19.8
3-Sep	Trinethra In	A C P Industries Limited	S	375,000	44.0

Source: BSE

Gainers & Losers

Nifty Gainers & Losers

	Price (Rs)	chg (%)	Index points	Volume (mn)
Gainers				
HDFC Bank	2,187	1.8	4.6	0.6
HDFC	633	1.5	4.2	2.7
ITC	165	1.4	4.2	4.9
Losers				
Infosys Tech	2,753	(0.8)	(3.8)	0.4
TCS	844	(1.7)	(2.5)	1.4
Hero Honda Motors	1,696	(3.9)	(2.3)	0.9

Source: Bloomberg

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