



Weekly Picks

Equity Advisory Group

23 April 2010

HSBC  InvestDirect

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POTENTIAL RETURN

- We are recommending three investment/trading ideas from one week to four weeks perspective. We expect investors/traders to buy or accumulate these stocks with a potential return of 8–10% during the given timeframe.
- While selecting the stocks, we give more emphasis on the company's fundamentals followed by sectoral rotation and the prospective event flow in the market. It is supported by technical studies as well. However it is recommended to keep a stop loss on the basis of your risk appetite at the support level indicated in the technical view.
- The MIS at the end of the note represents the performance of the stock from the day of recommendation initiation to the next four weeks i.e. Performance during the target period of our call.

Rain Commodities Ltd

Closing Price: Rs 187.30

Rain Commodities Ltd (Rain), a Hyderabad-based company, is engaged in the manufacturing of calcined petroleum coke (CPC) and cement with an installed capacity of 2.5mn tonnes and 3.2 mn tonnes respectively. Rain has CPC operations at 8 locations, seven in US and one in India. Its cement operations are spread across two locations in Andhra Pradesh, South India viz Nalgonda (1.7 mn tonnes) and Kurnool (1.5mn tonnes). The company has acquired a Chinese calciner with a capacity of 20,000mn tonnes for USD 1mn. As the demand in the aluminium sector is showing signs of revival and new aluminium capacities are coming onstream in the Middle East, the activity in the CPC segment is likely to be robust in coming days. Further the good cement demand in Q1 CY10 coupled with escalation in cost should reflect in the company's numbers. The company is expected to declare its number by next week, we expect the company to achieve a turnover of Rs 38.48bn with a profit of 3.32bn during the year FY10e. At the CMP of Rs 187.3, the stock is quoting at an attractive multiple of 3.9 times of its FY10e and 3.1 times of its FY11e earning.

Rain Commodities Ltd Technical View



Source: HISL Advisory, FALCON

As we can observe on the daily charts the stock is witnessing a pull back after an “Inverse Head & Shoulder” breakout which took place during December 09. Such a pull back towards the neckline is a healthy sign for the stock to reverse from the current downtrend. On the oscillator front RSI is signaling some weakness which would drag the stock further and could take a pause near its neckline. Therefore, short-term traders can accumulate the stock around its crucial support levels for short- to long-term gains. Immediate supports in the stock are placed at Rs 175–Rs 160, whereas resistances are placed at Rs 230–Rs 257.

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Tata Steel

Closing Price: Rs648.35

Tata Steel with its overseas operations in UK, Thailand and Singapore has a total steel capacity of ~28.2 mn tpa. Tata Steel's Indian operations have a crude steel making capacity of 6.8mn tpa, which it plans to expand to 10mn tpa by August 2011, while its UK subsidiary, Corus, has a steel capacity of ~19mn tonnes. Tata Steel's domestic operations will benefit from increasing steel prices led by cost push from rising raw material prices as it is completely integrated in terms of iron ore and 55% in coking coal. With Chinese steel prices having risen by ~USD 40 per tonne, steel prices are likely to rise in May. Recent price correction in the stock presents a good buying opportunity.

Tata Steel Technical View



Source: HISL Advisory, FALCON

Tata Steel is hovering in an upward rising “Parallel Channel” since July 09 lows such a journey was followed by higher tops and higher bottom pricing pattern. Currently, the stock had taken a breather slipping towards its 50Day EMA support at 629 which is very near. On lower time frame charts, the RSI is placed in deep oversold territory which indicates of a technical bounce could occur from current or lower support levels. Therefore, short-term traders and investors can accumulate the stock around its lower support levels for immediate technical bounce. Immediate supports in the stock are placed at Rs 628–Rs 585 whereas resistances are placed at Rs 678–Rs 700.

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Vijaya Bank

Closing Price: Rs 52.50

Vijaya Bank is a mid-sized state-owned bank with a balance sheet size of Rs 600bn. It has a network of 1149 branches with a strong presence in Southern India. The bank has witnessed a strong traction on its deposit with a CAGR growth of 21% over FY03-09 whereas its advances has grown at 28% CAGR, resulting in improvement in CDR from 46% in FY03 to 65% in FY09. For the nine months period ended December 09, it has reported a jump of 44% in the net interest income to Rs 116bn. Further, the interest cost to income ratio was reduced by 100 bps to 52%, which has resulted in a jump of 27% in the operating profit. With a capital adequacy ratio of 13.3% under Basel II and Tier I of 9.3%, the bank is well capitalized to fund its incremental growth plans. During the last quarter the bank has significantly reduced its NPA from 1.58% to 1.30%. Further it is targeting to contain the NPA within 1% by Q4FY10. Also, the government has indicated to provide required capital so that the bank maintains minimum Tier I of 8%. High business growth, improving CDR, well-capitalized, improving deposit franchise, strong network base in the region are the other key factors which make the bank an attractive buy. At the CMP of Rs 52.5, the stock is trading at a P/BV of 0.84x its FY11e book. We expect the improving performance warrants a re rating, and recommend a **Buy**.

Vijaya Bank Technical View



Source: HISL Advisory, FALCON

Currently the stock had moved out of the congestion area of 45–52 and had experienced some volume activity on the higher side. However, the stock had also witnessed a breakout from a downward falling “Parallel Channel” which is a positive sign. On the oscillator front RSI had signaled a positive divergence indicating positive momentum to continue further. Such a combination of positive signal could be used as an opportunity to add the stock in the trading portfolio. Hence, short-term traders are advised to accumulate the stock at lower important support levels for medium- to short-term gains. Immediate supports in the stock are placed at Rs 48–Rs 45, whereas resistances are placed at Rs 58–Rs 65.

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Performance of Weekly Picks (erstwhile Activation Ideas) in past 4 weeks

Reco Date	Stocks	Reco Price	High	23 rd April 10 Closing Price	High Returns %	Closing Price Returns %
26-Mar-10	JSW Energy	114.7	130.0	121.8	13.4	6.19
26-Mar-10	Maruti Suzuki India Ltd	1396.85	1,450.0	1,361.4	3.8	(2.54)
26-Mar-10	Patel Engineering Limited	460.45	480.0	451.3	4.2	(1.99)
1-Apr-10	Reliance Industries	1,092.1	1,171.0	1,088.2	7.2	(0.35)
1-Apr-10	Spicejet	57.9	64.8	59.0	11.8	1.81
1-Apr-10	Television 18	79.2	85.3	82.3	7.6	3.91
9-Apr-10	JK Tyre	201.8	208.8	198.1	3.5	(1.83)
9-Apr-10	Sun TV	426.25	444.1	433.5	4.2	1.69
9-Apr-10	Bajaj Electricals	215.8	224.0	218.3	3.8	1.16
16-Apr-10	Escorts Ltd	170.6	183.9	180.4	7.8	5.75
16-Apr-10	Jsw Steel	1288.9	1,279.7	1,198.3	(0.7)	(7.03)
16-Apr-10	Tata Tea	984	1,045.0	1,038.0	6.2	5.48

Source: NSE, BSE & HISL Advisory.

Disclaimer:

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