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Monarch View...

Monarch Project & Finmarkets Ltd
MAHURAT PICKS

17 OCT 2009.

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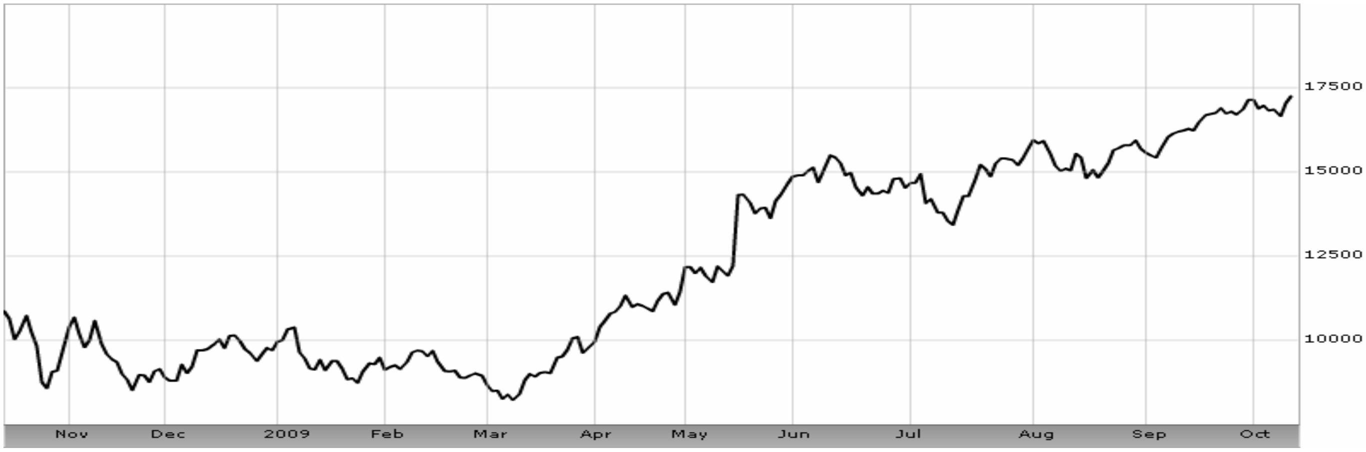
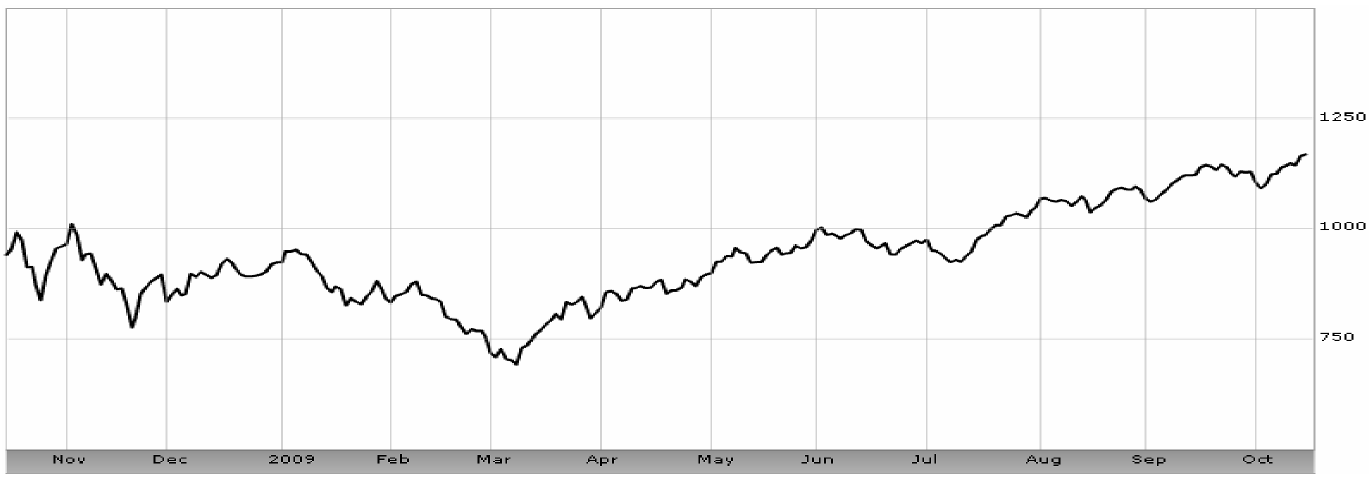
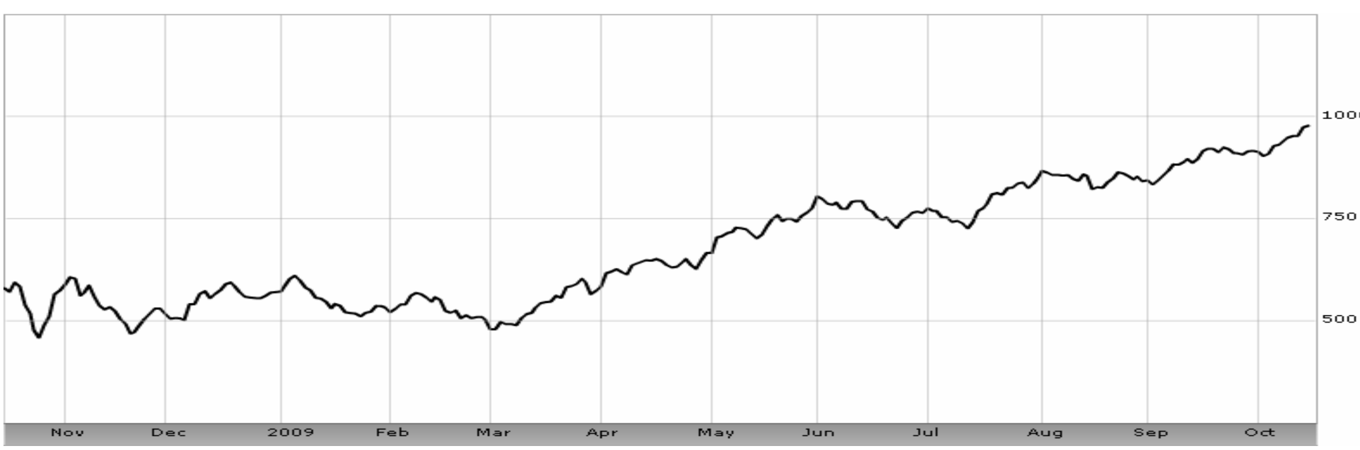
BSE– Sensex has reported 60% gain in last one Year



MSCI world Index has reported 25% gain in last one Year

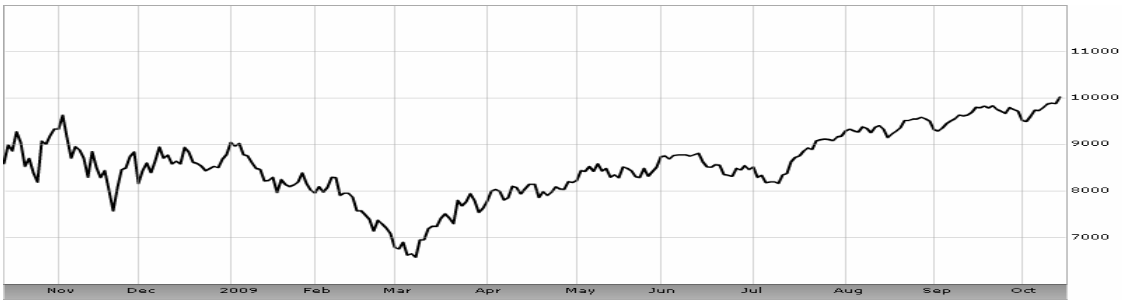


MSCI emerging market Index has reported 68% gain in last one Year

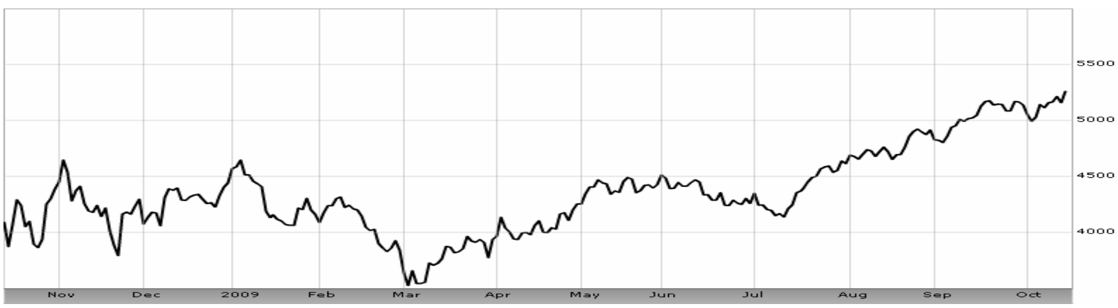


Performance of the Major Stock Indices Globally over the last one Year

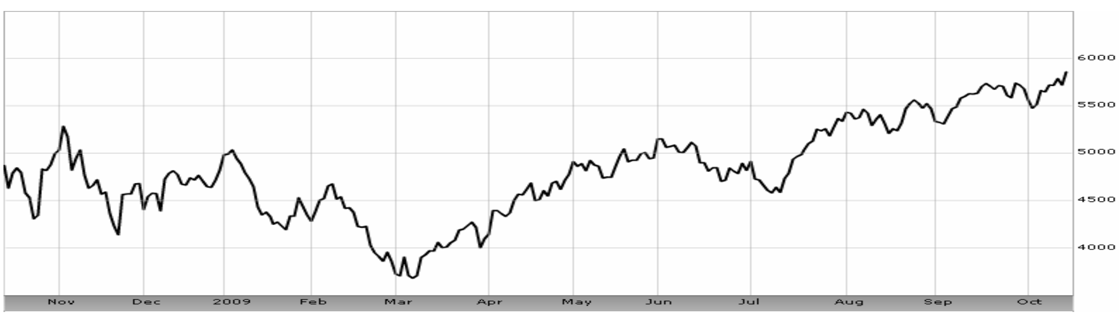
Dow Jones has reported gain of 16%



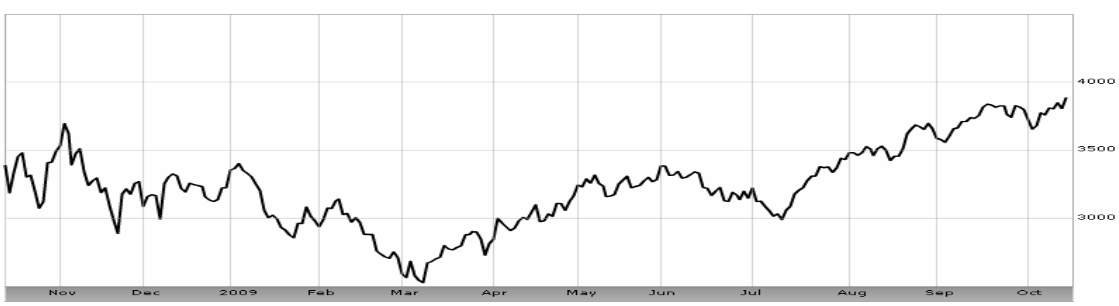
FTSE 100 INDEX reported gain of 28%



German DAX Index reported gain of 21%

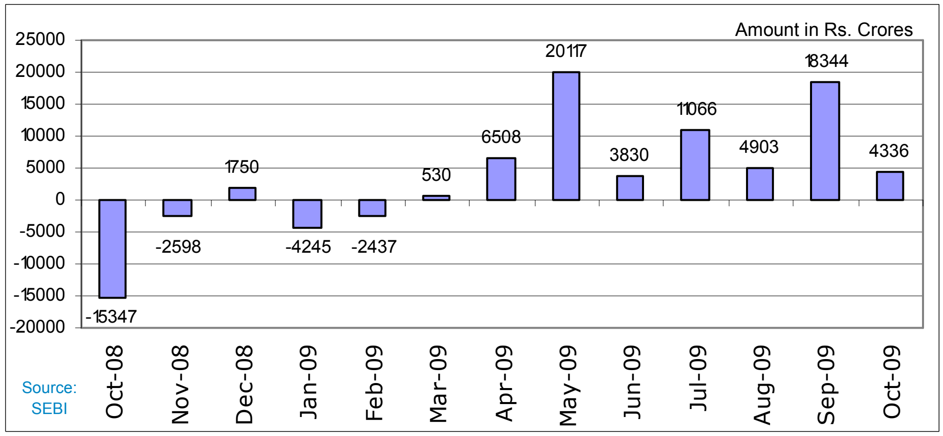


France CAC 40 Index reported gain of 15%



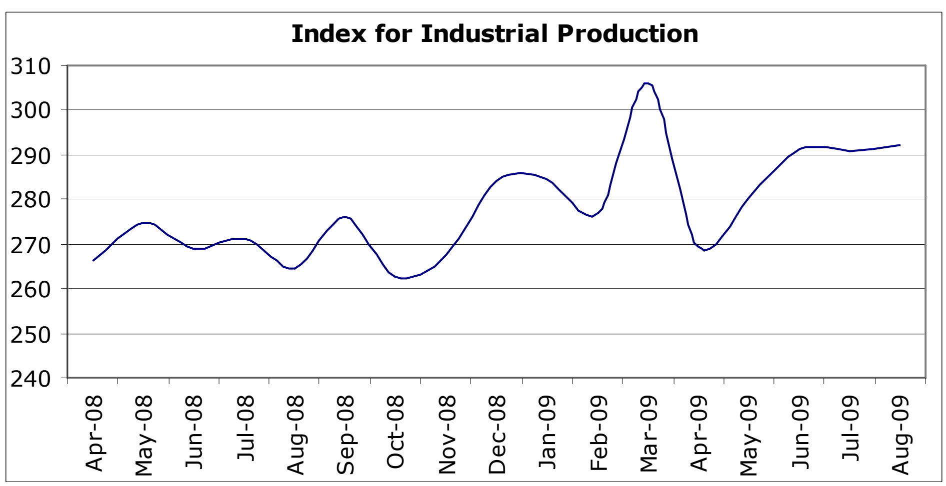
FIIs remains net buyer in Indian equity market through the last seven months

FIIs remain net buyer in the current financial year: During last year foreign institutional investor have sold large amounts of equities in the Indian market due to global slowdown. While in current financial year Foreign institutions have invested large amounts of money into Indian market. The reasons behind heavy buying into Indian equity market are weakening dollar, improving political and demographic environment in India.



India's Industrial Production reported growth of 10.4% in August 2009 compared to corresponding period last year

Index for Industrial production recovered smoothly: India's industrial output rose by a much faster-than-expected 10.4% in August - 2009 from a year earlier, driven by higher demand for consumer goods and mining activity. Industrial output rose for the fifth straight month and clocked its highest rate of expansion since February 2008. Industrial Output had fallen in last December, February and March as Asia's third-largest economy was hit hard by a sudden liquidity crunch and the global downturn. The cumulative growth for the period April-August 2009-10 stands at 5.8% over the corresponding period of the previous year.

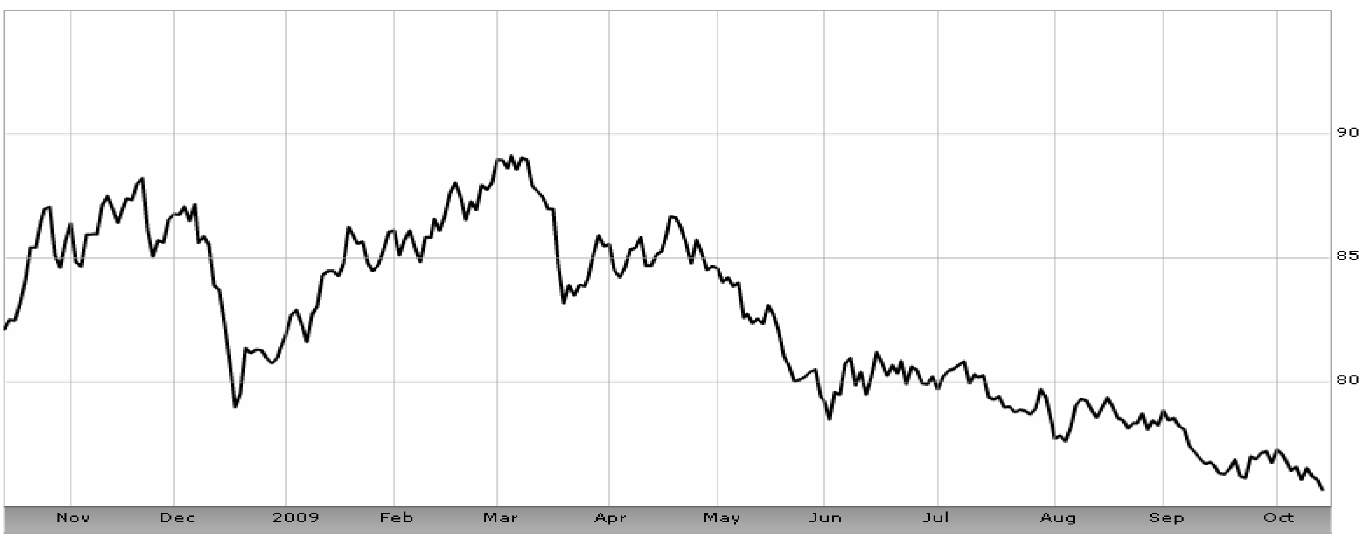


Source: MOSPI

REUTERS/JEFFERIES Commodity Index reported Marginal loss in one year

Source: bloomberg.com

Dollar is weakening against other Currencies

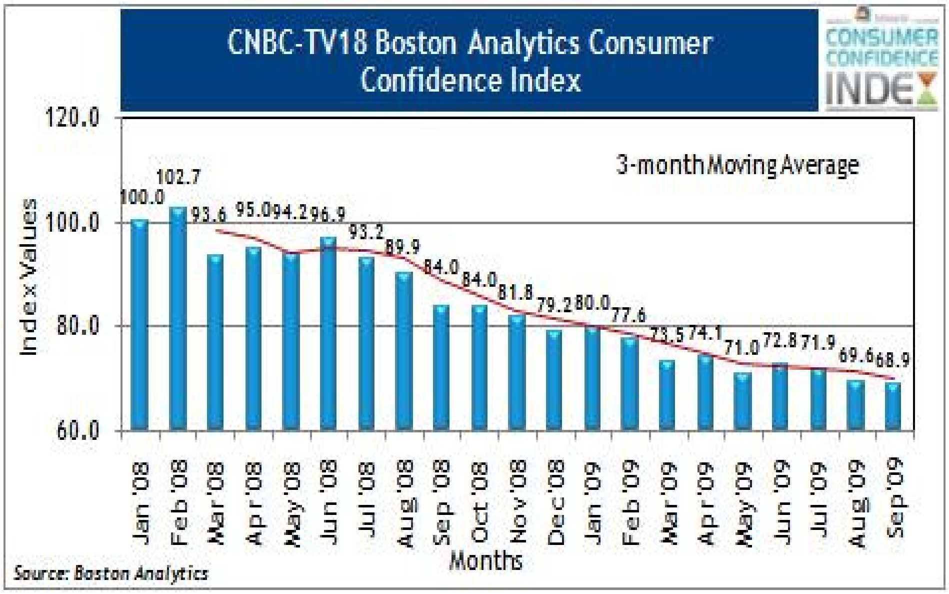


Source: bloomberg.com

In last one year equities and commodities both have been moving unidirectional, whether it would be recovery or correction. Theoretically it should be move in the opposite direction. It was happened because of the volatility of the dollar index against the other currencies. If we analyze above two graphs than we can conclude that worldwide there is no revival in the demand of the commodities over the period of one year but major reason behind increase in the price of commodities is weakening dollar.

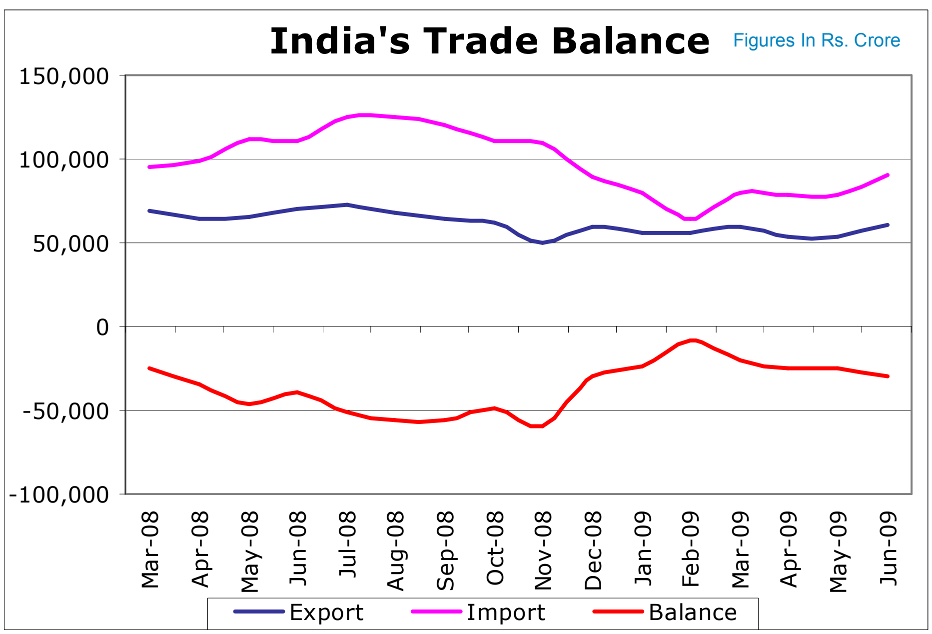
CCI is at a new low since the inception in January 2008: The consumer confidence index for September 2009 stands at 68.9, a decrease of 1% from August's reading of 69.6. Improvement in pessimism about inflation, the real estate sector, and comfort in borrowing have been offset by growing pessimism and weakening optimism about other aspects of the nation's economic conditions and personal household financial conditions. The Index has reported 18% fall over the last year, this shows the consumer sentiment is deteriorating.

Consumer confidence Index is at lowest level since its inception in January 2008



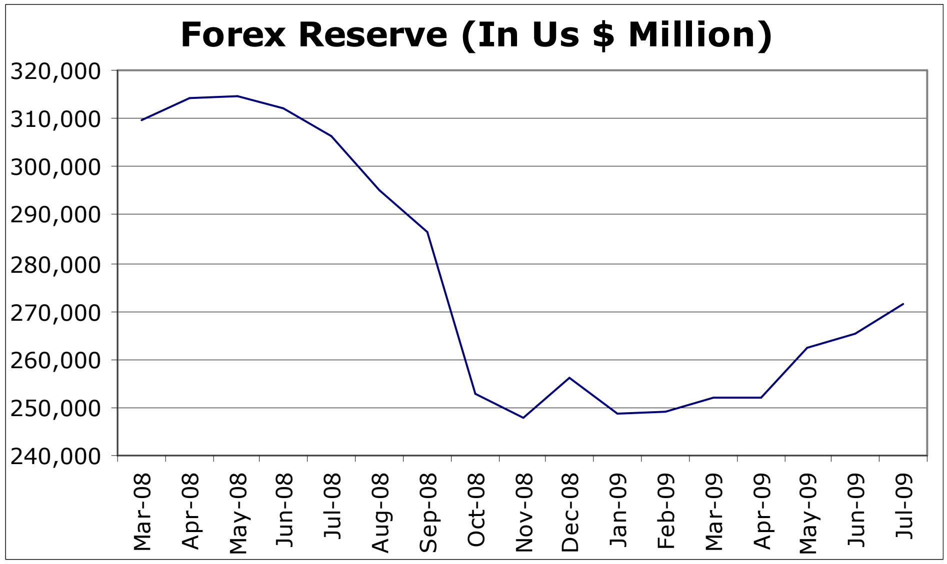
Source: Boston Analytics, CNBC TV-18

India's imports and exports are falling as demand slowdown happens across the world



Source: Reserve Bank of India

India's forex reserve has reported 11% decline for the Month of July 2009 over the corresponding period previous year. Of course year till date forex reserve has reported gain of 10%.



Source: Reserve Bank of India

Outlook

There has been sea change in the global economic data and financial market performance across the world. Indian Stock market has shown tremendous performance as benchmark Index has recovered around 90% since Diwali - 2008. Some of the stock have given around 200 - 600% gain in last one year. There has been rapid improvement in the economic data as well. IIP, Forex reserve, Indian rupee, Commodity prices have recovered tremendously in last one year. But there is major worry around the consumer as consumer sentiment Index has reported de growth of 18% in last one year. We remain cautious for the Indian equity market as well stock discussed in this report and recommending to keep long positions hedged as fundamental valuations are stretched but liquidity could drive market anywhere. We remain bullish on the government bond and commodities across the world.

Review of September2009' s Portfolio

We have given Portfolio on 3rd September, 2009

On 3rd September 2009 Nifty was at 4592

Company	Market Price On 3rd Sept.	TGT	CMP	Return
Ahmednagar Forgin	65.00	89.00	69.8	7.38
Anant Raj	142.00	180.00	139.8	-1.55
Bajaj Auto	1224.00	1370.00	1554	26.96
Balrampur Chini	118.80	149.00	134.15	12.92
BEML	1078.00	1400.00	1092.65	1.36
Bharti	421.00	496.00	325.1	-22.78
Cipla	268.00	341.00	294	9.70
Federal Bank	223.00	300.00	242.55	8.77
Genus Power	183.00	255.00	198.8	8.63
Glaxosmith	1437.00	1657.00	1554.7	8.19
Hindalco	103.00	148.00	135	31.07
India Info	132.00	169.00	158.45	20.04
Indian Bank	129.00	166.00	181.35	40.58
ITC	229.65	265.00	255.85	11.41
JBF Industries Ltd.	93.75	135.00	95.5	1.87
LT	1550.00	1800.00	1691.5	9.13
Lupin	977.00	1210.00	1267.25	29.71
MLL	56.30	76.00	63.3	12.43
NTPC	210.00	235.00	217	3.33
Patel Eng.	437.00	530.00	484.25	10.81
Power grid	106.00	145.00	112.35	5.99
Punjab National Bank	684.00	825.00	857.05	25.30
Rcom	264.00	400.00	229.2	-13.18
Reliance Infra	1123.00	1314.00	1276.8	13.70
Rural Electrification Corp	213.00	270.00	212.6	-0.19
SBI	1733.00	2035.00	2330.45	34.47
TCS	526.00	631.00	582.45	10.73
United Spirits	947.00	1269.00	987.1	4.23

Return of the Portfolio Since inception: 14.10% versus Nifty:11.24%

In October, 2009 we hold stocks mentioned below…………………

Company	Market Price On 3rd Sept.	CMP	TGT
Ahmednagar Forging	65	69.8	89
Anant Raj	142	139.8	180
Balrampur Chini	118.8	134	149
BEML	1078	1092.65	1400
Bharti	421	325.10	496
Cipla	268	294	341
Federal Bank	223	242.55	300
Genus Power	183	198.8	255
Glaxosmith	1437	1554.70	1657
Hindalco	103	135	148
Indian Bank	129	181	195
India Info	132	158.45	169
ITC	229.65	255.85	265
JBF Industries Ltd.	93.75	95.5	135
LT	1550	1691.5	1800
Lupin	977	1267.35	1210
MLL	56.3	63.3	76
NTPC	210	217	235
Power grid	106	112	145
Punjab National Bank	684	857.05	907
Rcom	264	229.2	400
Reliance Infra	1123	1276.8	1314
Rural Electrification Corp	213	212.6	270
State Bank of India	1733	2330	2565
TCS	526	582.45	631
United Spirits	947	987	1269

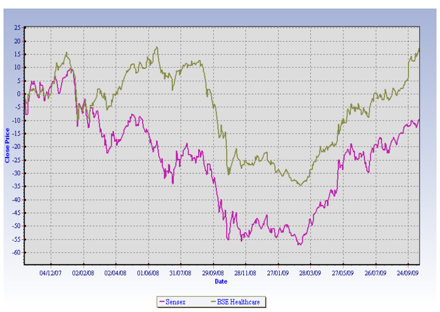
We add one more company from October 15th 2009, in our portfolio

Company	CMP	TGT
Dhampur Sugar	102	127

Pharmaceuticals

This sector has reported classic performance over the last one and half year as sector performed as a defensive during the correction and some companies from the sector has reported tremendous gain during the market recovery period.

The life style segments such as cardiovascular, anti-diabetes and anti-depressants will continue to be lucrative and fast growing owing to increased urbanization and change in lifestyles. Drugs having estimated sales of over US$ 108 bn are expected to go off patent between CY09 and CY13. With the governments in the developed markets looking to cut down healthcare costs by facilitating a speedy introduction of generic drugs into the market, domestic pharmaceuticals companies will stand to benefit. However, despite this huge promise, intense competition and consequent price erosion would continue to remain a cause for concern.



For the domestic pharmaceuticals industry, FY09 was a decent year with most of the top players managing to clock a double digit growth. Contract manufacturing and research (CRAMS) is expected to gain momentum going forward. India’s competitive strengths in research services include English-language competency, availability of low cost skilled doctors and scientists, large patient population with diverse disease characteristics and adherence to international quality standards. As for contract manufacturing, both global innovators and generic majors are finding it profitable to outsource production.

Top Picks

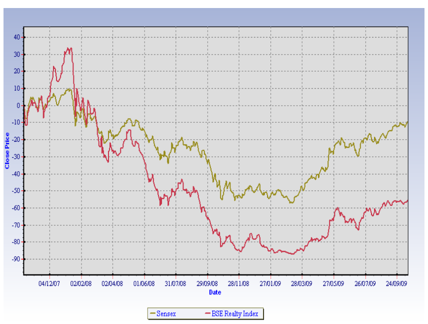
Company	FV	BV	P/E	RONW (%)	D/E	CMP
Cipla	2	62.5	27.16	19.21	0.18	294.15
Divi's Lab.	2	96.67	20.62	39.75	0.06	597.05
Glaxo Smith Pharma	10	181.95	27.6	30.89	0	1558.5
Lupin	10	183.76	22.59	30.97	0.71	1268.25

Infrastructure

Infrastructure sector has shown tremendous performance during the current financial year, but if we look index from two years perspective than index has underperformed the BSE benchmark Index (Sensex). The basic reason behind out performance of the index during the current financial year is the index was bitten the most as well as the stable political environment created in country.

India is on the verge of witnessing a sustained investment in infrastructure build up. With construction component accounting for 42% of the total investment in infrastructure, the construction industry has been witness to a strong growth wave powered by large spends in housing, road, ports, water supply and airports development.

The construction sector is a major employment driver, being the second largest employer in the country, next only to agriculture. This is because of the chain of backward and forward linkages that the sector has with other sectors of the economy. About 250 ancillary industries such as cement, steel, brick, timber and building material are dependent on the construction industry. A unit increase in expenditure in this sector has a multiplier effect and the capacity to generate income as high as five times.



Infrastructure companies continue to grow as result of a strong order book. The benefits of lower commodity prices from their lows and higher availability of funds will reflect in this quarter. Also, lower interest rates and marginal reduction in working capital should impact well for the earnings of the company. Post the elections and the stimulus package announced by the government, the infrastructure companies have been able to improve their order book intake, which had slipped in 2008-09. Projects from road, urban infrastructure, power and irrigation witnessed high activity.

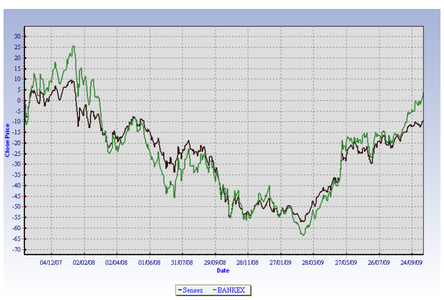
Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
IVRCL Infra.	2	135.41	24.84	13.25	0.72	407
J Kumar Infra.	10	70.7	11.6	24.08	0.32	177
Patel Engg.	1	163.96	17.17	19.13	1.28	484

Banking

In current scenario, Banking Industry is infusing large amount of Liquidity in to the system as compare to last year. Liquidity condition in the system are at very strong level. With having enough liquidity all banks have started their core activity after a gap of 8 to 10 months. Lending activity in Banks are at good level due to hope of economic recovery allover the world. If this type of Liquidity is going to continue till December then Inflation may come back to its original level of 6% by March, 2010. We believe that till December stimulus is going to continue & after that Reserve Bank of India could go for some tightening of Monetary policy to control the Inflation from rising beyond 6%.

We believe that the Interest Rate are likely to come down by end of March 2010 only because of Inflation fear. Reserve Bank of India may cut CRR or Repo Rate by the end of March 2010 to cut down excess liquidity from the system. In current situation banks are distributing loans very easily due to lowest reverse repo rate offered by RBI From January 2009 & banks are not having proper source of deployment for their excess cash. From our point of view these type of loan distributions are going to be the last & banks are offering their last low interest rate loan @ 8% (For Home & Car) to the Customers till December 2009. After march same Customers may pay more interest as compare to Loan took at December, so till December we believe that Liquidity conditions are at Normal or Above Normal level but after December Liquidity condition are likely to be tight & Interest rate on Home Loan & Car Loan likely to go upward.

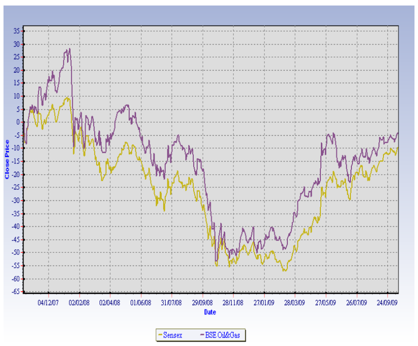


Top Picks

Company	FV	BV	P/E	RONW (%)	CMP
Federal Bank	10	252.57	7.3	12.15	242
Indian Bank	10	127.52	5.75	24.09	182
State Bank Of India	10	912.73	15.07	17.05	2328
ICICI Bank	10	444.81	26.67	7.83	935
Syndicate Bank	10	88.03	4.69	21.58	97

Oil & Gas

Globally refining industry is suffering from depressed refining margins owing to lower demand and rising inventories of petroleum products as a result of global economic slowdown. IEA expects that, if current margins persist, about 25% of refining capacity in North America and 30% in Europe will be idled within 5 years. Lower operating rates globally and shut down of uncompetitive refining capacity shall help reduce inventory overhang. Combined with expected global economic demand revival shall again put refineries companies back in shape. Indian refiners are rising to the occasion with huge capex increasing refining capacities to take the early advantage. Besides PSU refiners planned capacity expansion Reliance petroleum also started its 5,80,000 barrels per day (bpd) refinery 25th December 2008, Essar oil has envisaged a plan of 1 million barrels per day of refining capacity and Cals refineries is setting up 5 MMTPA refinery at Haldia, West Bengal.



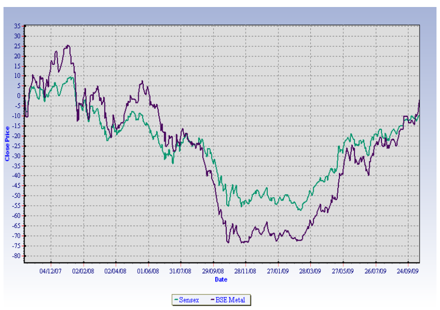
Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
Reliance Industries	10	697.38	23.47	21.64	0.45	2171.5
Oil India	10	503.63	13.89	25.04	0.01	1184.55
KS OILS	1	24.64	13.83	21.83	0.78	68.45
Shiv-Vani Oil & Gas	10	169.58	15.27	13.55	1.51	358.10
Petronet LNG	10	26.45	11.05	28.79	1.07	76

Metals

There was a sharp demand destruction in the commodity available across the world. Metal price has recovered sharply from their year lows. Price recovered is mainly based on the demand revival across the globe as well dollar weakening against the other currencies. Last year there was a sharp cut in the metal prices due to recession fears across the globe as well as inventory pile up.

Metals space has also seen improving fundamentals on a sequential basis due to the stimulus packages announced by governments and resultant recoveries seen in some major consuming countries. This is also led to recovery in demand, which is partly on account of inventory build up and demand from the Chinese market. Domestic steel companies have hiked steel prices leading to 8-10 percent gain in quarter ending September 2009. National gas grid and commonwealth game 2010 will also increase demand for the pipes and metal companies.



Overall, steel companies will see sequential improvement in quarter ending September 2009, though the margins and net profits are expected to be significantly lower as compared to last year. Non-ferrous companies are expected to show better realization sequentially due to higher metal prices at LME, which have recovered by about 50-100 percent since their lows. However, since they are still lower by about 20 percent on YOY basis, companies are expected to report decline in operating margins compared to last year.

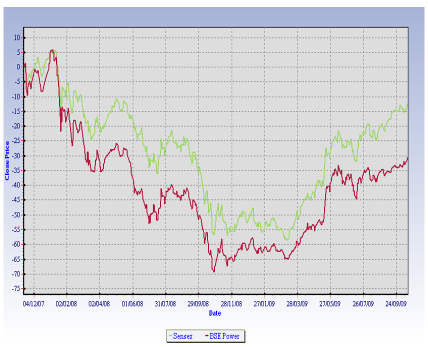
Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
Hind.Zinc	10	339.8	14.08	20.82	0	866.05
Hindalco Inds.	1	139.68	11.4	10.83	0.4	135
Jindal Saw	10	448.67	8.69	16.26	0.65	741.8
S A I L	10	67.75	13.43	24.19	0.21	183.85
Tata Steel	10	340.86	10.58	21.88	0.78	574.65

Power

There has been huge demand of the electricity in the India as there is huge power deficit in the country during the peak hours. If we analyze last two years than we can conclude that power sector has underperformed the benchmark Index. Power utilities are not performing well despite of the large demand because of the large gestation period for power projects and negative cash flow in the first few years.

Power sector is one of the key drivers for rapid economic growth and poverty alleviation, the industry has set itself the target of providing electricity access to all households in next four to five years. Currently central institutions like National Thermal Power Corporation (NTPC) and the State Electricity Boards dominate the power sector in India. India has adopted a blend of thermal, hydro and nuclear sources with a view to increasing the availability of electricity.



Power distribution was loss-making business in India. But with the privatization coming in, the investment in transmission and distribution network is expected to improve. Trading in electricity has brought a sea change in the structure of the industry because some parts of country are power surplus and some are deficient.

The power generation companies are expected to report decent growth in the coming quarter revenue on the back of higher generation and better utilization along with higher tariffs. During July and August 2009, all India power generation volumes grew by 7 percent on YOY basis. The PLF in the month August stood at 72 percent for the thermal based power plants.

Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
NTPC	10	72.66	20.64	14.4	0.54	216.95
Power Fin.Corpn.	10	108.18	16.62	17.27	4.07	233.7
Power Grid Corpn	10	35.28	24.5	11.82	1.77	112.45
Rural Elec.Corp.	10	72.09	12.28	22.01	6.85	212.7

Sugar

When India had surplus sugar production, farmers had huge arrears of sugarcane dues. This coupled with rising profitability of other crops had forced farmers to shift away from sugarcane. Now sugar mills in many states have significantly scaled up payment for sugarcane, much above Statutory Minimum Price or even State Advised Price. Ironically India turns exporter and importer of sugar in a short span of two years, the former at a lower price and the latter at an exorbitant price. The flare-up in global sugar prices on fall in India's production is an eye-opener for the government and sugar mills alike. Farmers need to get viable price for their produce, and this has been proved beyond doubt in 2007 on wheat scarcity and now in 2009 on shortage in sugar. Meanwhile various measures are being taken by the government to prevent flare-up in sugar prices. As the global markets have also sensed the urgency and desperation of India's import needs, global prices are likely to go up, we believe that if this Demand-Supply mismatch will continue till 2 Half of 2010 & retail sugar price may touch to Rs. 40 or even higher in short to medium term scenario.

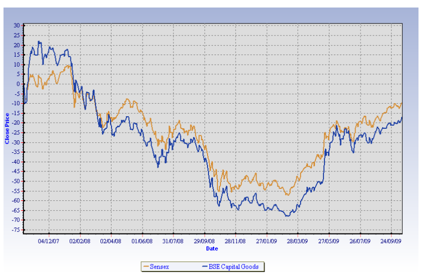
On the other side Government has hiked it's levy quota to 20% from 10% at higher price of Rs. 20 as compare to Rs. 13 before, these move will have positive effects on the revenue of the Sugar companies like Balrampur Chini, Shree Renuka Sugar, Dhampur Sugar etc.

Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
Balrampur Chini	1	39.90	17.35	10.28	1.40	134
Shree Renuka Sugar	1	36.22	61.64	16.93	1.73	209
Dhampur Sugar	10	83.03	9.01	5.35	1.84	105

Capital Goods

Capital goods sector is the major sufferer of slowdown in private investment on the back of economic slowdown. Now with improvement in macroeconomic indicators there are signs of positives in most of the key sectors although certain industrial segments continue to face stiff challenges in driving demand. With crude oil prices showing signs of stability/ hardening, renewed interest is expected in oil exploration and production not only in the country but also in Gulf there by giving push for renewal of infrastructure building activity in that region. Indian capital goods sector having greater interest in building infrastructure of Middle East countries are expected to gain if that happens. The Election process that hindered the finalization of public sector/ government orders are to resume in the second half of current fiscal there by replenishing the order book of industry players. With new stable government in place also lend confidence among private players to invest especially in infrastructure development such as roads, power etc. Though short-term outlook is cloudy the long-term outlook for the sector is good with renewal of private investment to back up the public sector spending in the country as well as infrastructure buildup in overseas markets.



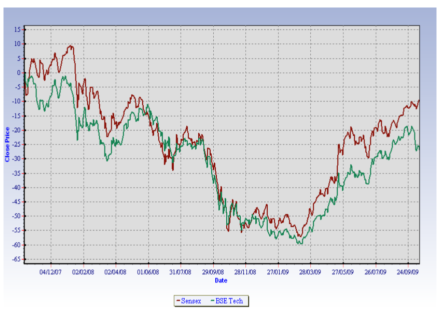
Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
BEL	10	264.32	37.84	26.47	0.01	2492.25
BEML	10	459.95	15.64	14.85	0.24	1094.85
BHEL	10	475.89	14.03	21.19	0	1541.4
Larson & Toubro	2	211.61	34.59	23.98	0.46	1692.85

Telecom

Indian telecom sector has shown tremendous growth in the last six years on the back of the subscriber growth. At current level telecom Industry is more matured and urban market is totally penetrated, only rural area is available to penetrate. Tariff in the India is lowest across the world as still price war between the competitor is increasing. Customers is benefiting from this but operators will have their margins eroded due to tariff cut. In the last few days telecom stock is corrected most due to this issue and moving negatively, from the opposite directions of the BSE benchmark Index.

FY09 saw the strong growth for the Indian telecom market, which witnessed a 49% YoY increase in its subscriber base during the 12-month period. At the end of September 2009, the country's total telecom subscriber base stood at about 500 million. Presently, Tele density level for the country stood above the 40%. Policy measures like lowering of taxes on the cellular industry and benefits of enhanced FDI limits shall further the prospects of the cellular industry.



During the current fiscal, a lot of focus will be given to new policy initiatives in the industry. The predominant one is the allocation of spectrum for the 3G and broadband wireless access (BWA) services. In addition, the telecom regulator TRAI recently unveiled a draft to allow mobile number portability (MNP) which allows subscribers to switch networks without changing the number.

Improved competitive scenario and wide variety of choices available to the subscribers will lead to fall in ARPU and ultimately eroding profit margins. Introduction of the MNP will ultimately lead to the MOU of the operators as presently multi SIM card holder will switch to the one operator without changing the number and avail the best plan.

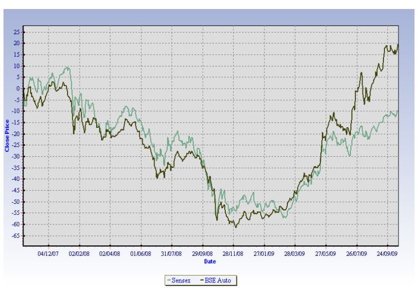
Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
Bharti Airtel	5	72.5	14.72	32.46	0.3	325.1
M T N L	10	191.42	253.91	2.38	0	81.25
Reliance Comm.	5	250.44	27	3.51	0.67	228.95
TTML	10	-1.94	0	0	0	32.6

Auto

Huge Sales Growth till Monetary tightening:

Auto is one of major component to measure practical level of economic recovery in any country. India is a Hub of Small Car. All major Car producing companies around the world are coming to India to have plant in India & started the production of Small Car according to the situation of Indian economy. The passenger vehicle production grew by 24% to 185969 units in Aug '09 from 149830 units in Aug '08. Out of this, its passenger car production stood at 152356 units, up by 22%; utility vehicle production rose by 26% to 22215 units and multi purpose vehicle production up by 50% to 11398 units in Aug '09. The spurt in the utility vehicle production and multi purpose vehicle production was partially on account of low base effect. The passenger vehicle sales has been on upward trend since its low in Dec '08 fueled by the rural demand in domestic market and strong exports for small fuel efficient cars in developed countries such as Europe. On y-o-y basis, it improved by 25% to 193445 units in Aug '09 from 154366 units in Aug '08. Its domestic sales grew by 22% to 152100 units while its exports rose by robust 37% to 41345 units.



We believe that the Trend of Sales Growth will lead up July 2010, only on the base of Low interest rate scenario is going on in our country. Currently customer can buy a Car at 8% & 8% of loan will continue till December 2009. On the other part as we have discussed in Banking Sector that the Interest rate scenario is likely to be tighten by RBI in coming quarters or up to March 2010 due to fear of High Inflation scenario, so we believe that the Auto sector likely to face trouble by the end of June 2010 till our view on the sector is remain bullish.

Top Picks

Company	FV	BV	P/E	RONW (%)	D/E	CMP
Ahmednagar Forgin	10	131.46	6.71	17.57	0.33	69.5
Maruti Suzuki	5	323.44	33	12.08	0.09	1526.05
Lumax Auto Technology	10	31.69	175	1.52	0.41	50.75

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