

A graphic of a spotlight beam originating from the top left corner and shining towards the center of the slide. The beam is a gradient of dark red to light red, illuminating the text below it.

# Weekly Spotlight

07<sup>th</sup> January 2011

**Aditya Birla Money**





- **Weekly Picks** - A short-term POSITIONAL bet for Investor-Trader / Trader-Investor
- **Strategy:** Take advantage of the technical selling in the market and identify scrip which are mispriced; capitalise on the directional as well as the consolidating market; Capture the sectoral rotation in the market.
- **Stock selection basis:** While selecting the stocks, emphasis is given on fundamentals, and prospective event flow in the market. This is supported and endorsed by technical indicators and derivative data.
- **Time horizon and potential returns:** The product carries two-to-three trading/investment ideas with a **time horizon ranging from one to eight weeks** targeting a potential return of 4-8% for the large caps and 8-12% for the mid-cap during the given timeframe.
- **Execution:** While the stock fundamentals are sound, stop loss is recommended for the leveraged traders based on the individual's risk appetite at the support level indicated in the technical view. The trade should be closed once the target is achieved or eight weeks, whichever happens earlier.
- **Frequency:** After weekly closing.

# Weekly Spotlight

## Dabur India Limited (Large Cap)

CMP ₹ 100.2

- Dabur India Limited (DIL) is a leading Indian consumer goods company with interests in hair care, oral care, health care, skin care, home care and foods. The company has 3 major strategic business units (SBU) - Consumer Care Division (CCD), Consumer Health Division (CHD) and International Business Division (IBD). The company is a market leader in a products like Chyawanprash (market share – 63%), Digestives - Hajmola (market share – 55%), and Fruit Juice (market share – 52%). The main brands under which the products are sold are Dabur, Vatika, Hajmola, Real and Fem. As of FY10, the company has posted consolidated sales and PAT to the tune of Rs 33913.7 mn and Rs 4904.1 mn.
- The company has recently acquired “Hobi Kozmetik Group”, a leading personal care products company in Turkey, for \$69 mn and this has added brand like Hobby and New Era to its portfolio. In addition, this acquisition will help the company to increase its international presence and thereby expand in Middle East and North Africa region. This week, the company has completed acquisition of the 4 companies of the Namaste group. Although, rising inflation may put pressure on margins, we believe that with well-established brand, the company will increase prices of the product over the period of time. Going forward, we expect the consumer care division to be a major growth driver for the company.
- At CMP, the stock is trading at 29.1x and 23.9x FY11E and FY12E earnings respectively (Bloomberg consensus estimates). On Price/Sales, the stock is trading at 4.3x and 3.6x FY11E and FY12E sales (Bloomberg consensus estimates). We believe, currently risk-reward ratio is favorable for the stock and recommends investors to get into it.

## Aditya Birla Money



## Dabur - Technical Perspective



- Dabur post October'08 lows of 33.75 has been trading in a well channeled uptrend suggesting that the major trend for Dabur continues to stay up.
- It has also been trading well above its major moving averages which further augment the aforementioned argument above the major trend been positive.
- Within this defined uptrend whenever Dabur has gone back and tested the convergence zone of inside band and the major moving averages it has found good support and generated positive return.
- This time too Dabur having tested the convergence support is now trading at the middle band and could probably go and test the upper band.
- Hence an investor could possible plan a long entry to profit from the anticipated uptrend.
- The support for Dabur is seen at 98 and 95.50 levels where resistance is seen at 104 and 106 levels.

# Weekly Spotlight

## ITC LTD (Large Cap)

CMP ₹ 172.5

- ITC is the dominant player in the tobacco industry in India with a market share of 80%. In addition to cigarettes, the company has interests in diverse businesses such as foods, personal products, hotels, commodity trading, and paperboards. These contribute more than half of net sales but cigarettes contribute 80%+ to company's EBIT.
- In 2QFY11, ITC has posted 23% YoY increase in PAT at ₹12.5 bn, ahead of street expectation. Sales grew by 17% YoY to ₹51.5 bn mainly due to excellent performance of cigarettes division led by increase in cigarettes prices. In addition to the core business, the company has witnessed across the board growth in businesses like agri, hotels, paperboard and FMCG. The company has witnessed margin expansion in cigarettes business since the last 9 consecutive qtrs and this strengthen our belief in ITC's pricing power.
- At CMP, the stock is trading at 27.4x and 23.1x FY11E and FY12E earnings respectively (Bloomberg consensus). Post 2QFY11 result, the stock has seen upward revision in earnings by the street. In addition, due to the strong cash generating business model, the stock has characteristics of withstanding the market storm and at the same time move upward during the rising market. We recommend investors to get into the stock.

## Aditya Birla Money



## ITC - Technical Perspective



- ITC has been rising in a well defined upward moving channel since Oct 08. After testing the upper band of channel at 180 the stock has been consolidating in a range between 180 and 164 since the last 3 months.
- After testing the upper end of the range at 180 last week, the stock once again faced selling pressure and has corrected lower towards 170. With this the stock is approaching crucial support at 164 formed through the convergence of 55 DEMA and sideways channel support.
- Momentum indicators are supportive with a positive crossover in weekly stochastic and RSI holding above 50 zone indicating that the support at 164 zone should once gain hold true.
- According to wave structure the stock seems to be in its last leg of consolidation post termination of which the uptrend should resume towards prior high at 180 and beyond towards 200
- The stock is trading above its 200 DEMA (placed at 158) indicating that the medium term trend continues to be positive.
- Immediate support is placed at 164/158 and resistance is placed at 175/180

# Weekly Spotlight

Aditya Birla Money



Weekly Spotlight MIS for last eight weeks

Current Nifty Level: 5904.6

Reco Date	Stocks	Category*	Reco Price	High	Closing Price	Return at high price (%)	Return at Closing Price (%)	Nifty Level	Target Achieved / Calls open
12-Nov-10	CIPLA	L	329.7	381.0	357.0	15.6	8.3	6,071.7	Achieved
12-Nov-10	IDFC	L	190.1	197.8	168.9	4.1	(11.2)	6,071.7	Achieved
19-Nov-10	CIPLA	L	342.8	381.0	357.0	11.1	4.1	5,890.3	Achieved
19-Nov-10	ITC	L	171	181.0	172.5	5.8	0.9	5,890.3	Achieved
26-Nov-10	Maruti Suzuki Ltd	L	1367	1454.9	1,340.6	6.4	(1.9)	5,752.0	Achieved
26-Nov-10	Nifty BEES	L	584.01	623.5	599.0	6.8	2.6	5,752.0	Achieved
3-Dec-10	Bharti Airtel	L	345.6	365.0	338.5	5.6	(2.1)	5,992.8	Achieved
3-Dec-10	Tata Power	L	1290.4	1413.0	1,389.3	9.5	7.7	5,992.8	Achieved
10-Dec-10	Larsen & Toubro Limited	L	1943.8	2020.0	1,846.3	3.9	(5.0)	5,857.4	Call open
10-Dec-10	Coal India Ltd	L	317.3	331.8	309.1	4.6	(2.6)	5,857.4	Achieved
16-Dec-10	HDFC Bank	L	2200.8	2399.7	2,269.5	9.0	3.1	5,948.8	Achieved
16-Dec-10	Spice Jet	M	74.5	83.9	77.7	12.6	4.3	5,948.8	Achieved
24-Dec-10	Tata Chemical	L	391.9	412.0	376.5	5.1	(3.9)	6,011.6	Achieved
24-Dec-10	Cairn India	L	328.2	345.2	340.2	5.2	3.6	6,011.6	Achieved
31-Dec-10	ICICI Bank	L	1145.1	1158.4	1,049.2	1.2	(8.4)	6,134.5	Call open
31-Dec-10	Power Grid	L	98.3	99.9	97.9	1.6	(0.5)	6,134.5	Call open

\* Category : L for Large cap (Target Price for L cap: 4% to 8% in 8 Weeks)

M for Mid cap (Target Price for M cap: 8% to 12% in 8 Weeks)

Total Open Call 3 / Achieved 13

Aditya Birla Money

# Weekly Spotlight

Aditya Birla Money



## Research Team

**Vivek Mahajan**

**Head of Research**

022-42333522

vivek.mahajan@adityabirla.com

## Fundamental Team

Avinash Nahata	Head of Fundamental Desk	022-42333459	avinash.nahata@adityabirla.com
Akhil Jain	Metals & Mining	022-42333540	akhil.jain@adityabirla.com
Sunny Agrawal	FMCG/Cement	022-42333458	sunny.agrawal@adityabirla.com
Sumit Jatia	Banking & Finance	022-42333460	sumit.jatia@adityabirla.com
Shreyans Mehta	Construction/Real Estate	022-42333544	shreyans.m@adityabirla.com
Dinesh Kumar	Information Technology/Auto	022-42333531	dinesh.kumar.k@adityabirla.com
Pradeep Parkar	Database/Production	022-42333597	pradeep.parkar@adityabirla.com

## Quantitative Team

Rizwan Khan	Technical and Derivative Strategist	022-42333454	rizwan.khan@adityabirla.com
Jyoti Nangrani	Sr. Technical Analyst	022-42333454	jyoti.nangrani@adityabirla.com
Raghuram	Technical Analyst	022-42333537	raghuram.p@adityabirla.com
Rahul Tendolkar	Derivatives Analyst	022-42333532	rahul.tendolkar@adityabirla.com

## Advisory Support

Lalitha.MR	Advisory Desk – Retail	044-39181903	lalitha.r@adityabirla.com
Indranil Dutta	Advisory Desk – HNI	022-42333494	indranil.dutta@adityabirla.com
Suresh Gardas	Advisory Desk	022-30442101	suresh.gardas@adityabirla.com
Sandeep Pandey	Advisory Desk	022-30442104	sandeep.pandey@adityabirla.com

Aditya Birla Money



### Disclaimer:

This document is not for public distribution and is meant solely for the personal information of the authorised recipient. No part of the information must be altered, transmitted, copied, distributed or reproduced in any form to any other person. Persons into whose possession this document may come are required to observe these restrictions. This document is for general information purposes only and does not constitute an investment advice or an offer to sell or solicitation of an offer to buy / sell any security and is not intended for distribution in countries where distribution of such material is subject to any licensing, registration or other legal requirements.

The information, opinion, views contained in this document are as per prevailing conditions and are of the date of appearing on this material only and are subject to change. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. Neither Aditya Birla Money Limited (ABML) nor any person connected with it accepts any liability or loss arising from the use of this document. The views and opinions expressed herein by the author in the document are his own and do not reflect the views of Aditya Birla Money Limited or any of its associate or group companies. The information set out herein may be subject to updating, completion, revision, verification and amendment and such information may change materially. Past performance is no guarantee and does not indicate or guide to future performance.

Nothing in this document is intended to constitute legal, tax or investment advice, or an opinion regarding the appropriateness of any investment, or a solicitation of any type. The contents in this document are intended for general information purposes only. This document or information mentioned therefore should not form the basis of and should not be relied upon in connection with making any investment. The investment may not be suited to all the categories of investors. The recipients should therefore obtain your own professional, legal, tax and financial advice and assessment of their risk profile and financial condition before considering any decision.

Aditya Birla Money Limited, its associate and group companies, its directors, associates, employees from time to time may have various interests/positions in any of the securities of the Company(ies) mentioned therein or be engaged in any other transactions involving such securities or otherwise in other securities of the companies / organisation mentioned in the document or may have other potential conflict of interest with respect of any recommendation and / related information and opinions.