



Oct 16<sup>th</sup>, 2009

### Outlook-

- The key benchmark indices may remain volatile as investors may refrain from taking large positions ahead of extended holiday. Market will remain closed on Monday, 19 October 2009 on account of Diwali. Asian markets were trading mixed.
- Investors will keenly watch Q2 result from India's largest software services exporter TCS today, 16 October 2009. A total of ten brokerages expect a between 6.8% fall to a 4.9% growth in TCS' consolidated net profit as per US accounting standards at between Rs 1416.30 crore to Rs 1595.40 crore in Q2 September 2009 over Q1 June 2009. Their expectations peg a between 0.4% to 3.8% growth in revenue at between Rs 7237.70 crore to Rs 7478.40 crore in Q2 September 2009 over Q1 June 2009.
- Meanwhile, Inflation based on the wholesale price index (WPI) rose 0.92% in 12 months to 3 October 2009, slightly above previous week's annual rise of 0.7%, data released by the government on Thursday showed. Within the WPI, the food articles index rose 13.34%. The government revised upwards inflation for the year through 8 August 2009 to a much smaller decline of 0.37% from an estimated fall of 1.53%.
- The IPO of Indiabulls Power was subscribed 21.84 times. Indiabulls Power, a unit of Mumbai-based developer Indiabulls Real Estate, is developing five thermal power plants in western and central India, with total capacity of 6,600 megawatts, and will use the issue proceeds to fund two projects. The issue closed on Thursday, 15 October 2009.
- Asian stocks were trading mixed today as a decline among financial shares was offset by a weakening yen that boosted the outlook for Japan's exporters.
- US markets closed with marginal gains after a topsy- turvy session on Thursday on positive economic news and better than estimated earnings from Goldman Sachs and Citigroup.
- As per provisional data, foreign funds on Thursday, 15 October 2009, bought equities worth a net Rs 752.48 crore. Domestic funds dumped stocks worth a net Rs 443.08 crore

### Support & Resistance

	Support	Resistance
Nifty	5065	5165
Sensex	17050	17550

### Global Indices

	Close	% Change
Dow Jones	10063	0.47
NASDAQ	2173	0.05
FTSE	5223	0.63
Hang Sang	21961	0.18
Nikkei	10223	0.16
Bovespa	66703	-
CBOE VIX	21.72	1.14



## House View:

### Escorts Ltd.

**About the Company:** Having pioneered farm mechanization in the country, Escorts has played a pivotal role in the agricultural growth of India for over five decades. One of the leading tractor manufacturers of the country, Escorts offers a comprehensive range of tractors, more than 45 variants starting from 25 to 80 HP. The company is the key player in agricultural equipment. As there is push by the government for the betterment of agri sector, the company is expected to benefit in medium term.

Rising commodity price will bring more investment into the agricultural sector and hence will benefit the company. In 11th five year plan there is huge outlay on the infrastructure sector. Escort is also major player in heavy equipment needed for different activities in infrastructure. So company will also benefit from the higher infrastructure budget. Escorts supplies different engineering equipment to railway, the expansion of railway network will help increase the top line of the company.

Escorts Ltd is also rightly placed in the outsourcing domain. As the international player looks for cost cutting they can transfer some part of work to low cost destination. The company can benefit by working for renowned international player as it has years of expertise in the field of engineering equipments making.

Financially, Q1FY2010 earning has shown robust jump of 139.3% as compared to last year same period. Q1FY2010 PBDITA margin has improved by 250 basis points from 7.18% to 9.9%. This shows improvement in operational efficiency. Escorts construction subsidiary, which is going to report almost Rs 600 crore of turnover and which could come out with an IPO in the next six months at about Rs 300 crore, that makes the company has got a long way to go.

**Technical:** The counter has been a consistent performer and witnessing a continuous upside rally since the beginning of this year, Counter bottomed out in the Jan – March 2009 and after that it started its one way momentum along with rise in amount of volumes. Counter is trading at its 562 week high level and has just given a breakout above the crucial resistance level of 113-115.

	June'09	June'08
Net Income	58200	54280
Total Expenditure	53207	51373
Net Profit	2222	931
Face Value	Rs 10	Rs 10
Basic EPS	2.45	1.08
Market cap as on Date	Rs 19344.59 cr	



As per other technical indicators it is trading well above the crossover of 9 & 18 days WMA and 50 days SMA. This indicates the counter is bullish in short to medium term However 14 Days RSI is trading at 80 level, indicating that the counter is already in overbought zone. Therefore we may expect fresh some correction in prices in the coming days. On weekly chart the counter is facing a small resistance at 130 level. Weekly stochastic is in highly overbought area, again a sign of profit booking. So any dip in price levels from here will be taken as an opportunity to make fresh long position for the target of 150-155



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