

**IIFL**

INDIA PRIVATE CLIENTS

Weekly Wrap

Investment idea

October 01, 2010

Chennai Petroleum Corp

BUY
CMP Rs257

Limited downside to GRMs from current levels

With outlook for global economic growth on the weaker side primarily in the developed economies, GRMs have remained muted over the past few quarters. Furthermore, fear of refining supply glut at global scale added to the woes. However, demand side worries will be offset by a strong demand emanating from emerging economies such as India and China. On the supply side refinery closures and delay in new capacities would provide cushion to GRMs. We expect GRMs to remain at current levels over the medium term.

CPCL upgrading capacities to improve yields and GRMs

Historically, CPCL's core GRMs (excluding inventory gains or losses) have been in line with the benchmark Singapore GRMs. However, we believe that going ahead, CPCL's GRMs could turn out to be better than the benchmark owing to the initiatives its taking to improve its distillate yield and reduce costs. The key projects towards these process include 1) Implementing auto fuel quality upgradation program, 2) Residue Upgradation Project, 3) Tie-up with Shell for improving refinery efficacy and 4) Single Point Mooring and Crude Oil Terminal Project.

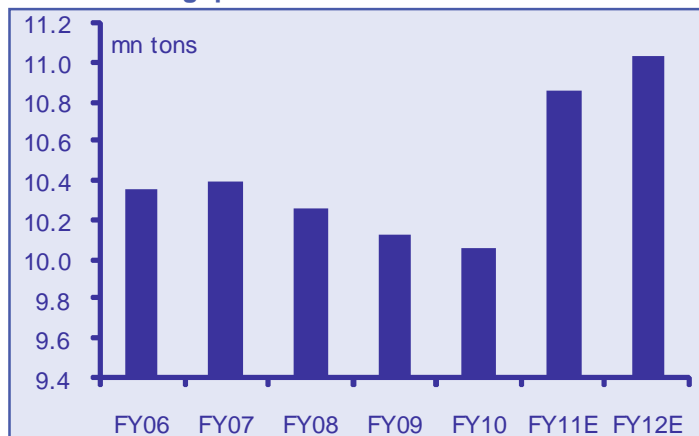
Higher crude oil output from RIL's MA-1 field to enhance utilization rate for Cauvery basin refinery

Historically, Cauvery basin refinery has been operating at about 50% utilization levels owing to lower availability of crude oil. However, with RIL's MA-1 field producing crude oil at the rate of 25,000bbls per day, the availability of crude oil has improved. This would result in higher utilization for the Cauvery basin refinery (~80%) leading to over all improvement in cost efficiency for CPCL.

Capacity to increase by 70% by 2015

CPCL is also planning to set up a 9.0 MMTPA brown-field refinery project at Manali, replacing the aging original 2.8 MMTPA refinery at a cost of Rs100bn and achieve better energy/utilities management and optimal product pattern. The project is expected to be commissioned by the end of 2015. Following the completion of project key operating parameters such as complexity of the refinery, distillate yields, fuel & loss and GRMs would improve.

Trend in throughput

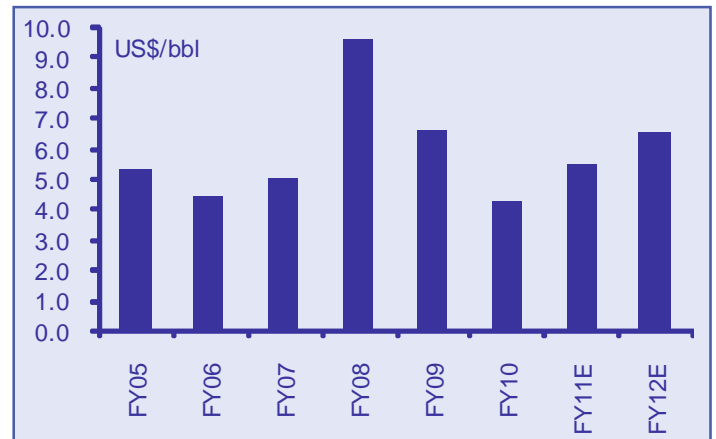


Source: Company, India Infoline Research

Undervalued relative to regional pure refining players

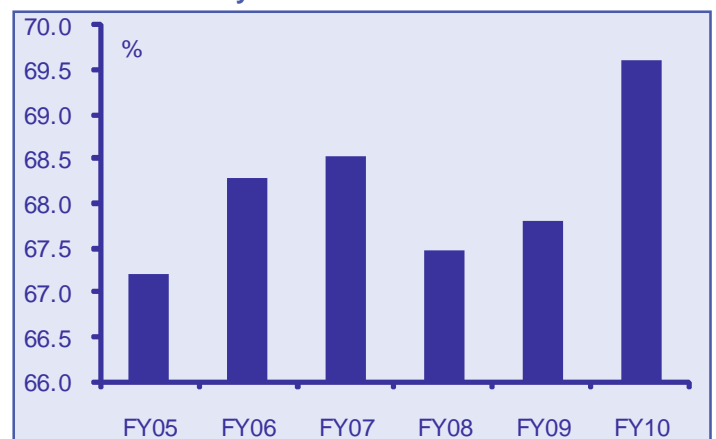
Despite substantial improvement in operating performance of CPCL, the stock continues to trade at a discount to global averages for refining companies. The stock, currently trades at P/E of 4.7x and EV/EBIDTA of 5.1x based on FY12 estimates vis-à-vis global average P/E of 10.5x and EV/EBIDTA of 6.1x. We value the stock at 5.5x FY12E EV/EBIDTA to derive a target of Rs291. Recommend BUY.

Trend in GRMs



Source: Company, India Infoline Research

Trend in distillate yield



Source: Company, India Infoline Research

Financials

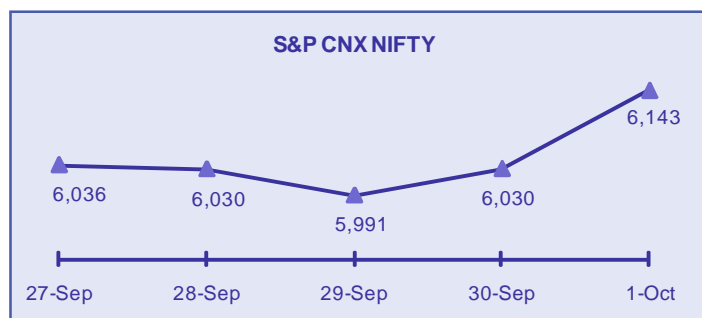
Y/e 31 Mar (Rs m)	FY09	FY10	FY11E	FY12E
Revenues	319,639	249,726	263,068	276,358
yoy growth (%)	14.1	(21.9)	5.3	5.1
Operating profit	(1,751)	8,300	11,863	14,827
OPM (%)	(0.5)	3.3	4.5	5.4
Reported PAT	(3,973)	6,032	6,490	8,141
yoy growth (%)	-	-	7.6	25.4
EPS (Rs)	(27.3)	40.5	43.6	54.6
P/E (x)	-	6.2	5.8	4.6

Source: Company, India Infoline Research

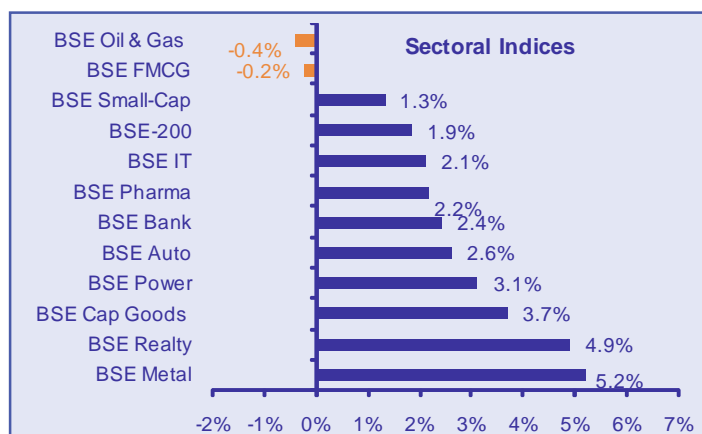
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Market review

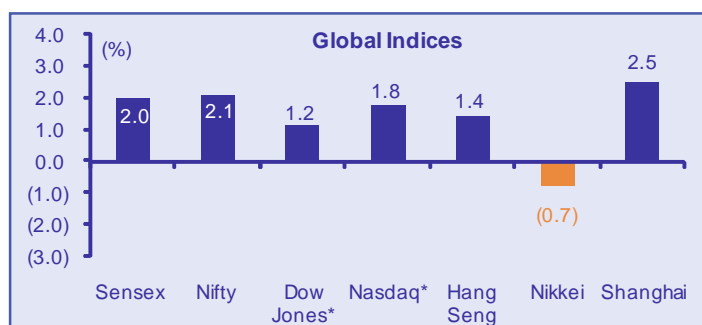
It was a super September indeed with indices racing closer to previous highs. While the long wait over the Ayodhya dispute ended with the Allahabad High Court declaring a split but pragmatic verdict. On the street, the verdict was very clear, Bullishness reigned supreme. A broad-based rally on Friday closed the indices around 2% higher. Being the F&O expiry week, volatility was at its peak especially on Thursday.



The Metal stocks were back with a bang after being under pressure for quite some time. The index gained over 5% during the week. The Realty index was another star performer adding 5% followed by the Capital Goods index, which added nearly 4%. On the other hand, the BSE Oil & Gas and the FMCG stocks witnessed some selling pressure.



Global markets rallied this week with the US market gaining 1.2% despite a drop in consumer confidence. Concerns over sovereign debt in some European countries resulted in mixed performance across European indices. On the commodity front, crude hit a 7-week high kissing US\$80 mark. Gold crossed US\$1300/ounce to hit fresh all-time highs.



*As per previous close

FII & MF activity

Date	(Rs cr)	
	FII Net Investment	MF Net Investment
23-Sep	583	(278)
24-Sep	1,339	(299)
27-Sep	1,307	(611)
28-Sep	895	(568)
29-Sep	-	-
Total 2010	83,528	(21,126)

BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
DLF	388	6.1	Tanla Solutions	29	21.0
Hindalco Inds	204	7.0	Unitech	94	10.6
Tata Steel	668	6.1	Indiabulls Sec	28	10.1
BHEL	2,590	5.5	Alstom Projects	827	8.9
NTPC	219	4.7	Glenmark Pharma	312	8.6

BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
ONGC	1,406	(2.2)	Nagarjuna Const	158	(6.5)
Acc Ltd	1,000	(1.4)	NIIT	67	(5.6)
RComm	168	(0.8)	Jain Irrigation	1,170	(5.4)
-	-	-	HPCL	513	(5.3)
-	-	-	IVRCL Infra	163	(5.1)

Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
27-Sep	RBS	Jupiter Bio	S	4.7	100
28-Sep	Reliance Cap	Astral Poly	B	1.4	171
30-Sep	Swiss Fin	Amtek India	S	23.8	64.3
30-Sep	RBS	Core Projects	S	5.7	299.8
30-Sep	CLSA	Delta Corp	B	10.4	76.8
30-Sep	Mahindra Life	American Funds	B	2.5	476.0

Book closures and record dates

Company	Date	Purpose
SBBJ	4-Oct-10	Interim Dividend
SBT	7-Oct-10	Dividend
Havells India	8-Oct-10	Bonus

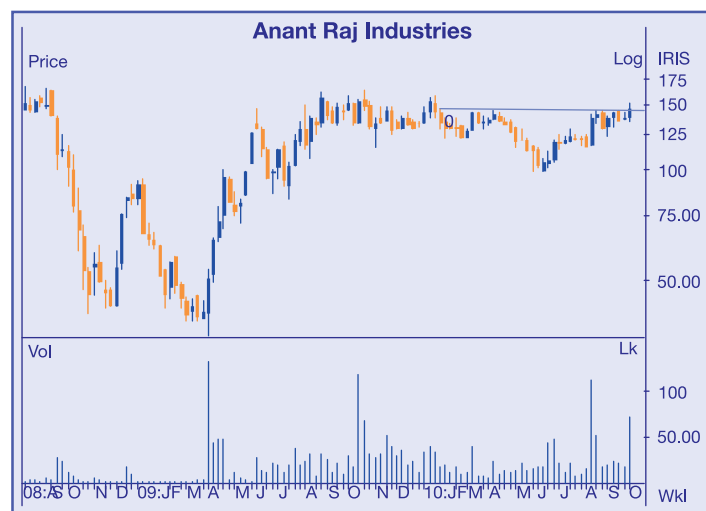
Insider Trades

Company	Name	B/S	Qty ('000)
Lupin	Atish Majumdar	S	3750
L&T	J. P. Nayak	S	10000
EKC	Srinivasa Rao	S	1,810.0

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Technical ideas

Anantraj Industries **BUY**
CMP Rs146



Anantraj Industries on daily chart has broken above neckline of bullish inverted head and shoulder pattern after its surpassed resistance of Rs145 with volumes expansion.

As amplitude of such structure opens scope for an upside of at least 15% from current levels. The moving averages also confirms positive trend with the stock closing above its long term moving averages. Immediate resistance is seen near Rs160 levels.

Breakout can also be witnessed on RSI front from falling intermediate peaks indicating end of consolidation phase in the near term and resumption of new bullish trend.

We advise buying stock in the range of Rs143-147 with a stop loss of Rs138 for target of Rs160.

Positive open interest build-up

Company	Price % chg	OI % chg	Vol % chg
SAIL	9.9	53.5	221.7
PFC	4.1	21.2	31.3
IFCI	9.9	18.4	49.5
Unitech	7.8	18.1	17.3
Syndicate Bank	6.0	17.8	30.8

Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
SBI	3,261	3,154	4.0	3.8
Arvind	45	44	11.7	9.2
Kotak Bank	497	482	2.2	1.8
Bharat Forge	371	360	1.4	0.4
Sun TV	531	516	0.9	0.5

ITC **BUY**
CMP Rs179



ITC continues to remain in its short-term uptrend and after Thursday's move, the stock has signaled fresh buy due to formation of 'piercing line' pattern on candlesticks.

Volumes have accelerated above the three-day moving average, which also suggests buying support during declines. We expect this pull back to continue for a while and should take prices towards the levels of Rs195-200 in coming days. Being a defensive counter, the stock is likely to outperform broader markets at times of volatility.

On monthly charts ITC has rising resistance line placed at Rs192 which is likely to be tested before stock faces any technical hurdles. Weekly RSI has surpassed its earlier peak of 79 corroborating bullish momentum of higher tops and higher bottom.

We advice accumulating ITC in the range of Rs176-179 with stop loss of Rs174 for a target of Rs192.

Negative open interest build-up

Company	Price % chg	OI % chg	Vol % chg
Jain Irrigation	(0.4)	45.3	(54.8)
GTL Infra	(2.2)	2.1	(86.7)
Hero Honda	(1.9)	(1.6)	(60.6)
Lanco Infra	(0.2)	(2.3)	(76.6)
-	-	-	-

Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (lacs)	10 days Average Traded Qty (lacs)
CESC	394	401	0.5	0.4
Guj. Fluoro	200	204	1.4	0.6
Jubilant Org	334	341	0.4	0.2
Patni	426	441	0.8	0.6
Asian Paints	2,667	2,777	0.2	0.1

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Mutual fund round-up

India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on September 30, 2010							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
HDFC Top 200 (G)	8,611	224.4	0.7	9.2	15.3	22.1	30.7	89.0	58.9	221.1
ICICI Pru Dynamic Plan (G)	2,499	108.7	0.8	6.7	9.1	13.7	29.6	71.7	39.4	182.8
IDFC Small & Midcap Eqty (G)	924	19.7	0.9	5.3	12.4	21.3	43.6	137.6	--	--
HDFC Tax Saver (G)	2,742	250.6	1.4	8.0	14.8	21.7	36.7	88.8	42.8	152.3
Reliance RSF - Balanced (G)	662	24.0	0.4	5.4	12.7	16.2	31.9	97.3	68.7	137.2

Fund this week: HDFC Top 200 Fund

Fund snapshot		Asset allocation (%)	
Fund Manager	Prashant Jain	Equity	96.4
Latest NAV	Rs224.4	Debt	0.0
NAV 52 high/low	Rs224/162	Cash/call	3.6
Latest AUM (cr)	Rs8,611	Top 5 holdings (%)	
Type	Open-ended	State Bank of India	8.0
Class	Equity - Diversified	Infosys Tech	5.4
Options	Growth & dividend	ICICI Bank	4.8
Min investment	Rs5,000	ONGC	4.5
Benchmark	BSE200	Bank of Baroda	4.1
No. of stocks	24	Financial	24.7
No. of sectors	14	Energy	20.9
Expense ratio	1.9%	Technology	8.7
Exit load	1%		

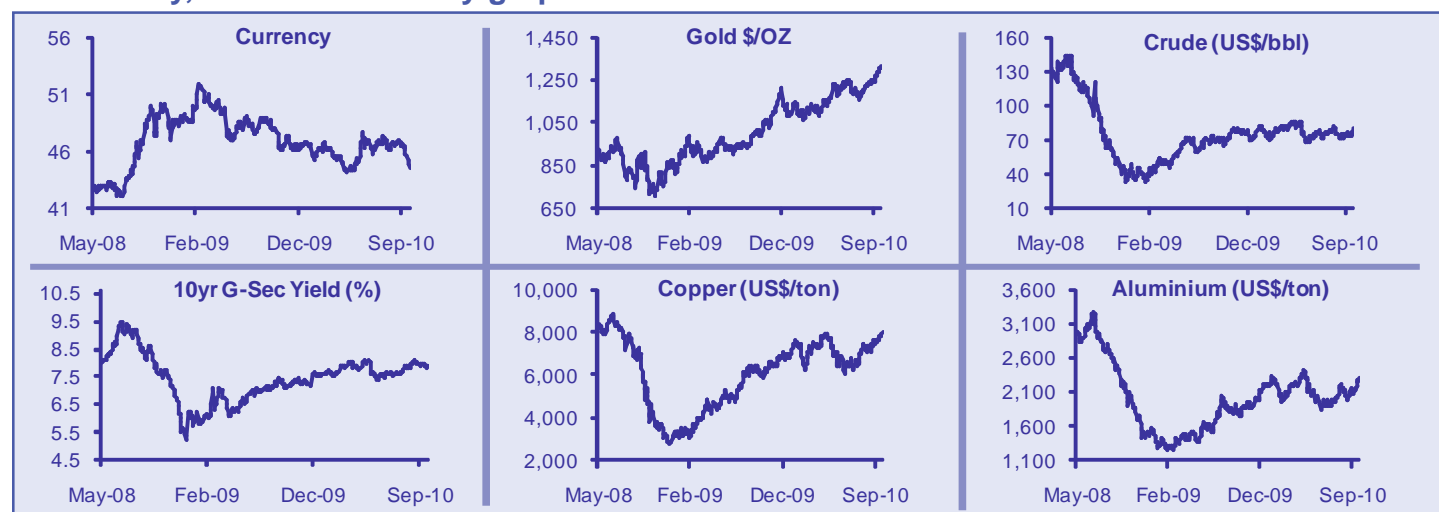
NFO update

Fund Name	Close	Type	Class
DSP-BR FMP 3M - Sr-21	06-Oct	CE	Debt - FMP
Reliance Arbitrage Advantage	08-Oct	OE	Hybrid
HDFC FMP 370D Sept 2010 (2)	14-Oct	CE	Debt - FMP

Dividend update

Mutual Fund	Dividend %	Record date	Class
IDFC Asset Allocation Fund	0.2	04-Oct	Hybrid
UTI Trans.& Logistic fund	20.0	06-Oct	Debt - FMP
ICICI Pru. Ann Interval Plan II	4.0	05-Oct	Debt - Invnt

Commodity, debt and currency graphs



* As per previous close

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