

Dealer's Diary

The key benchmark indices opened higher on the back of mixed cues from the Asian markets. However, soon after the markets pared all its gains and slipped into the red. In mid-morning trades, markets traded volatile. The weak opening by the European bourses further dampened sentiment with the key benchmark indices hitting new intraday lows in early afternoon trades. The markets however recovered in the last hour of trade to end the day with moderate losses and both the Sensex and Nifty closing lower by 0.3%. The BSE mid- and small-cap indices tracked the key indices closing down by 0.5% and 0.3%, respectively. Among the front-liners, Cipla, Hindalco, Reliance Comm, Wipro and RIL gained 1-2%, while Tata Steel, M&M, Jaiprakash Associates, Tata Motors and ONGC ended 2-3% lower. Among the mid-caps, Jubilant FoodWorks, Indiabulls Fin., Atlas Copco, Edelweiss Capital and IFCI gained 5-7%, while Rajesh Exports, Greaves Cotton, JM Financial, Indian Bank and Nagarjuna Construction lost 3-5%.

Markets Today

The trend deciding level for the day is 20268 / 6106 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 20391 – 20532 / 6146 – 6188 levels. However, if NIFTY trades below 20268 / 6106 levels for the first half-an-hour of trade then it may correct up to 20128 – 20005 / 6064 - 6025 levels.

Indices	S2	S1	R1	R2
SENSEX	20,005	20,128	20,391	20,532
NIFTY	6,025	6,064	6,146	6,188

News Analysis

- **Surya Roshni - Initiating coverage**
- **Page Industries - Initiating coverage**
- **L&T bags Rs1,585cr order**
- **Punj Lloyd bags Rs539cr order from GAIL**

Refer detailed news analysis on the following page.

Net Inflows (October 07, 2010)

Rs cr	Purch	Sales	Net	MTD	YTD
FII	5,098	3,397	1,701	8,839	97,161
MFs	438	1,078	(640)	(1,759)	(24,788)

FII Derivatives (October 08, 2010)

Rs cr	Purch	Sales	Net	Open Interest
Index Futures	1,337	1,658	(321)	16,053
Stock Futures	1,111	2,147	(1,036)	42,887

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	chg (%)	Company	Price (Rs)	chg (%)
Indiabulls	183	6.7	Tata Steel	627	(3.5)
IFCI	73	5.5	Crompton Grev	323	(3.4)
Hind Const.	66	3.0	Indian Bank	300	(3.3)
Apollo Hospitals	531	3.0	Nagarjuna Const	152	(3.2)
PTC India	124	3.0	India Infoline	121	(2.9)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	-0.3%	(65.1)	20,250
Nifty	-0.3%	(16.9)	6,103
MID CAP	-0.5%	(39.1)	8,331
SMALL CAP	-0.3%	(29.2)	10,513
BSE HC	0.8%	51.2	6,306
BSE PSU	-0.6%	(58.4)	10,499
BANKEX	-0.3%	(38.8)	14,185
AUTO	-1.3%	(128.0)	9,701
METAL	-1.5%	(262.8)	17,392
OIL & GAS	0.2%	24.3	10,806
BSE IT	0.4%	22.5	6,053
Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	0.5%	57.9	11,006
NASDAQ	0.8%	18.2	2,402
FTSE	-0.1%	(4.5)	5,662
Nikkei	-1.0%	(95.9)	9,589
Hang Seng	0.3%	59.9	22,944
Straits Times	-0.4%	(13.3)	3,153
Shanghai Com	3.1%	83.1	2,739

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	0.9%	0.6	\$69.5
Wipro	1.2%	0.2	\$15.7
Satyam	2.4%	0.1	\$3.9
ICICI Bank	0.8%	0.4	\$51.5
HDFC Bank	0.0%	0.1	\$187.2

Advances / Declines	BSE	NSE
Advances	1,079	437
Declines	1,907	941
Unchanged	87	39

Volumes (Rs cr)	
BSE	5,353
NSE	16,805

Surya Roshni - Initiating coverage

Surya Roshni is a diversified company manufacturing steel pipes and branded lighting products. It has recently completed a large capacity expansion program across all products in the lighting and steel division (including capacity increase of 358% in CFL and 29% in steel pipes). The new capacities are expected to contribute to strong top-line growth of 23.8% CAGR over FY2010-12E.

The contribution of the high-margin lighting division to sales is expected to increase from 29.5% to 33.6% over FY2010-12E. This, along with the asset-light nature of the expanded capacity, would boost the RoE of the company from 19.7% to 20.4% over FY2010-12E, despite the decrease in the D/E ratio of the company from 2.5x to 1.3x over the same period.

Surya Roshni has been a household name in the lighting space for over two decades. The company has maintained its brand identity through substantial advertisement spend and a strong retail network. In FY2010, the company spent more than Rs11cr on advertisements, which is 2.0% of its lighting division sales.

The promoters have subscribed to two rounds of warrants, one of which has already been partially converted. We expect the outstanding warrants also to be converted into equity, thereby increasing the promoters' stake to 55.0% by FY2012E from 29.1% currently. The promoters would infuse Rs133cr into the company through these warrant conversions.

At the current price of Rs113, the stock is trading at 5.2x its FY2012E standalone EPS (5 year average is 6.6x). We have valued the company using the SOTP method, valuing its standalone business at a P/E of 6.0x FY2012E EPS and its investment in its subsidiary company, Surya Global Steel Tubes Ltd, at a P/BV of 1.0x. **We assign a Buy rating to the stock with a Target Price of Rs141.**

Page Industries - Initiating coverage

Page Industries is the exclusive licensee of Jockey International, Inc. (USA). The company manufactures and distributes the JOCKEY® brand of innerwear and leisurewear products for men and women in India, Sri Lanka, Bangladesh and Nepal.

Exclusive licensee for JOCKEY® through 2030: Page Industries has entered into a new licensing agreement with Jockey International, which makes Page Industries the exclusive licensee to manufacture and distribute the JOCKEY® brand of products up to end of CY2030. Under this agreement, United Arab Emirates (UAE) will be added to the list of existing markets served by Page Industries. In essence, this agreement of exclusivity for 20 years, of a well renowned global brand, lends good visibility of growth.

Huge market size, with a fast-growing premium segment: We estimate the potential national innerwear and leisurewear market size at Rs15,600cr. In India, JOCKEY® is positioned as a premium innerwear and leisurewear brand, catering to the premium and super premium segments. We estimate the current market potential of these segments at Rs3,740cr. Currently, Page Industries is the market leader commanding a 14.4% market share of these segments.

Strong brand recall + Wide distribution network: JOCKEY® is one of the most trusted and well-respected innerwear brands in India. The company's advertising and branding budget is a good ~6% of its net revenues. Page Industries commands a wide, pan-India distribution network, encompassing 16,000 retail outlets in 1,100 cities and towns. Revenue growth at 34% CAGR: During FY2010, the innerwear segment contributed about 76% of the company's net sales, leisurewear segment added 21% and the remaining 3% came in from sale of factory seconds. We estimate the innerwear segment to witness a 32% CAGR, a 40% CAGR for leisurewear segment and a 35% CAGR for factory seconds over FY2010-12E. All the segments put together, we estimate total net sales to grow at a 34% CAGR over FY2010-12E.

Margins: Due to rising yarn prices, Page Industries may not be able to fully pass on the prices, thus affecting the core operating EBITDA and PAT margins.

Expanding Return Ratios: Considering the sound capex funding model with a slightly higher leveraging ratio aided by zero equity dilution and high dividend payout ratio, we believe Page Industries will command higher RoEs and RoCEs over FY2010-12E.

Valuation: Considering the company's dominant presence in a fast-growing market, strong brand recall, consistent financial performance and high dividend payout, we believe Page Industries is an ideal contender to get re-rated. Historically, it has traded in the 1-year forward P/E band of 12x-20x. Estimating the company's PAT at a 28% CAGR over FY2010-12E and robust RoE profile, we have assigned a P/E multiple of 24x for its FY2012E earnings. **Hence, we initiate coverage on the stock assigning an 'Accumulate' rating with a Target Price of Rs1,392.**

L&T bags Rs1,585cr order

Larsen & Toubro (L&T) has bagged orders aggregating Rs1,585cr from the buildings and factories segment. Orders worth Rs435cr are for construction of residential building projects, while Rs781cr worth of orders relate to the construction of hotel, office building and add on orders from its ongoing airport and commercial building projects. Orders adding up to Rs369cr are for construction of factory buildings.

L&T has been one of the few companies to bag consistent orders in recent times. This reflected in the sharp run in the stock price. **At Rs2,042, the stock is trading fair valuations of - P/E of 29.7x and P/, BV of 4.9x on FY2012 estimates on a standalone basis. Hence, we remain Neutral on the stock. However, we remain positive on the stock with the near-term catalysts in place for the stock.**

Punj Lloyd bags Rs539cr order from GAIL

Punj Lloyd has bagged an order worth Rs539cr from the state-owned gas utility, GAIL India, for laying natural gas pipelines and terminal work from Dabhol to Bangalore. The project is expected to be executed over a period of 13 months. We believe that order book visibility has been a major overhang on the Punj Lloyd stock, and consistent order inflows would lend support to the stock performance going ahead.

On the valuation front, post the substantial underperformance (~50%) registered by the stock on the bourses over the last one year, it is trading inexpensive. Nonetheless, given the company's scale of operations and the opportunities that lie ahead, we expect the stock to outperform over the medium to long term. **Hence, we maintain a Buy on the stock, with a Target Price of Rs156.**

Economic and Political News

- Forex reserves swell to US \$294.2bn
- Eased hybrid securities' pricing hits RBI barrier
- Steady inflows likely to keep rupee strong

Corporate News

- M&M to sign pact with SsangYong by January 2011
- Fortis Global to buy Hong Kong's Quality Healthcare Asia for Rs882cr
- Vedanta likely to sweeten open offer price to Rs405
- SPIC promoters to infuse Rs100cr more

Source: Economic Times, Business Standard, Business Line, Financial Express, Mint

Events for the day	
CMC	Results
Indusind Bank	Results
Praj Industries	Results
Sintex Industries	Results

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Ratings (Returns) :	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
	Reduce (-5% to -15%)	Sell (< -15%)	

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