

Dealer's Diary

The key benchmark indices provisionally ended a tad higher as banking stocks and Reliance Industries reported growth. Strong sales reported by auto firms for July 2010, data showing sustained buying by foreign funds over the past two months and revival of the monsoon supported the domestic bourses. The market pared gains after a firm start triggered by higher Asian stocks. The Sensex moved in a narrow range until early afternoon trade and slipped into the red zone in afternoon trade as European stocks declined in early trade. The market regained the positive zone later; however, it moved in a narrow range in late trade. The Sensex and Nifty recovered and ended up by 0.2% each. BSE mid-cap and small-cap indices also closed up by 0.3% each. Among the front liners, Bharti Airtel, ICICI Bank, Hero Honda, RIL and HDFC gained between 1–3%, while RCOM, L&T, ITC, M&M and Jindal Steel lost between 1–2%. Among mid caps, HMT, Jubilant Food Works, Cox Kings, MVL and Shriram City gained between 8–15%, while Sigrun Holdings, REI Agro, KGN Industries, Akzo Nobel and Himadri Chemicals lost between 4–5%.

Markets Today

The trend deciding level for the day is 18118 / 5442 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 18164 – 18213 / 5457 – 5475 levels. However, if NIFTY trades below 18118 / 5442 levels for the first half-an-hour of trade then it may correct up to 18069 – 18023 / 5424 – 5409 levels.

Indices	S2	S1	R1	R2
SENSEX	18,023	18,069	18,164	18,213
NIFTY	5,409	5,424	5,457	5,475

News Analysis

- Aditya Birla Nuvo – Quick take
- Cement Numbers – July 2010
- Result Reviews: GPIL, Hindalco, Punj Lloyd
- Result Preview: GIPCL

Refer detailed news analysis on the following page.

Net Inflows (August 02, 2010)

Rs cr	Purch	Sales	Net	MTD	YTD
FII	2,647	1,782	864	864	48,805
MFs	469	336	133	133	(12,491)

FII Derivatives (August 03, 2010)

Rs cr	Purch	Sales	Net	Open Interest
Index Futures	1,043	794	249	15,357
Stock Futures	1,247	841	406	33,942

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	chg (%)	Company	Price (Rs)	chg (%)
Petronet LNG	97	5.2	Punj Lloyd	128	(3.4)
Jai Corp	265	4.9	RNRL	40	(3.3)
Sun TV	472	3.9	Reliance Power	158	(2.5)
IOB	119	3.4	RCOM	174	(2.3)
Jubilant Org	363	3.4	India Cement	103	(2.1)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	0.2%	33.6	18,115
Nifty	0.2%	7.9	5,440
MID CAP	0.3%	23.5	7,516
SMALL CAP	0.3%	31.4	9,467
BSE HC	0.4%	20.6	5,625
BSE PSU	0.3%	29.6	9,669
BANKEX	1.0%	112.3	11,929
AUTO	-0.1%	(7.5)	8,446
METAL	0.1%	22.0	15,636
OIL & GAS	0.7%	68.5	10,334
BSE IT	-0.5%	(26.3)	5,463

Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	-0.4%	(38.0)	10,636
NASDAQ	-0.5%	(11.8)	2,284
FTSE	0.0%	(0.6)	5,396
Nikkei	1.3%	123.7	9,694
Hang Seng	0.2%	44.9	21,458
Straits Times	-0.3%	(10.3)	3,015
Shanghai Com	-1.7%	(45.5)	2,627

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	2.1%	1.3	\$62.6
Wipro	0.9%	0.1	\$13.8
Satyam	2.9%	0.1	\$5.0
ICICI Bank	0.6%	0.2	\$41.6
HDFC Bank	-2.2%	(3.7)	\$161.7

Advances / Declines	BSE	NSE
Advances	1,848	708
Declines	1,495	628
Unchanged	80	50

Volumes (Rs cr)	
BSE	4,442
NSE	13,061

Aditya Birla Nuvo – Quick take

Aditya Birla Nuvo (ABNL), a diversified business conglomerate, is the holding company of several subsidiaries and has business interests in insurance, asset management, financial services, garments, carbon black, insulators, rayon, fertilisers, IT and ITeS businesses. Due to the diverse nature of ABNL's businesses, we have valued it on an SOTP basis and assigned 20% conglomerate discount. **We recommend a Buy rating on ABNL, with a Target Price of Rs1,166, implying an upside of 44% from current levels.**

Cement Numbers – July 2010

During July 2010, cement despatches decelerated on account of the slowdown in demand from the infrastructure sector and arrival of the monsoons. The slowdown was across the country, with the southern region being the most affected as demand fell in the key state of Andhra Pradesh due to the lull in government-sponsored construction activities. The cement off-take declined in the northern region as well as with the commonwealth games-related infrastructure spending, which was one of the major drivers of demand in the region, coming to an end. Although, demand was poor, despatches of some of the companies improved primarily due to the increase in capacities. Prices have also corrected in most of the regions with the average price of cement falling by around 10%.

ACC's despatches declined by 12.4% yoy to 1.56mt, largely due to its significant presence in the south (the company derives approximately 25% of its overall revenue from the region). Ambuja Cement, which is concentrated in the northern and western regions posted a marginal 1.3% yoy decline in despatches to 1.42mt during July 2010. However, JP Associates registered a 60% yoy increase in despatches to 1.22mt due to the substantial increase in capacity addition. The despatches of AV Birla Group comprising Ultratech Cement and Samruddhi Cement rose 7.9% yoy to 2.92mt. **We maintain a Buy rating on Ultratech, Grasim Industries, India Cements, Madras Cements and JK Lakshmi Cements and a Neutral rating on ACC and Ambuja Cements.**

Result Reviews-1QFY2011

Godawari Power and Ispat

Godawari Power and Ispat's (GPIL) 1QFY2011 net revenue decreased by 9.6% yoy to Rs196cr. This was mainly on account of a) reduced sales of billets and ferro alloys as the company had temporarily shut down the steel plant and sold power at attractive realisations of Rs5.12/unit; and b) lower production of sponge iron. Sponge iron realisation increased by 22.5% yoy (flat on a sequential basis) to Rs15,365/tonne. Pellet production increased to 55,396 tonnes from 48,305 tonnes in 4QFY2010. Average pellet realisation was Rs7,252/tonne. While EBITDA margin increased by 383bp yoy to 18.4% but declined by 119bp qoq. We believe this is on account of usage of carryover high-priced iron ore, purchased from third parties at ~Rs5,500–Rs6,000/tonne. We await further clarity from the management. Consequently, EBITDA increased by 14.1% yoy to Rs36cr, but declined by 22.8% qoq. Net income decreased by 12.8% to Rs13cr.

We expect GPIL's earnings to grow at a 94.2% CAGR over FY2010–12E, given the ramp up of iron ore mining capacity and the expected start up of commercial production of pellets at Ardent Steel. **We maintain our Buy rating on the stock with a Target Price of Rs322, valuing the stock at 3.5x FY2012E EV/EBITDA.**

Hindalco

For 1QFY2011, Hindalco's net revenue increased by 32.9% yoy to Rs5,146cr, driven by higher aluminium volumes and better by-product realisations in the copper business. However, copper production was lower on account of the planned smelter shutdown for 24 days in April 2010. Further, production at Hirakud is expected to be lower by 20,000 tonnes as operations have been affected by heavy rains. Operations are expected to restart by end-August 2010. EBITDA margin decreased by 340bp yoy to 16.2% (1QFY2010 included an exceptional gain of Rs150cr) and EBITDA increased by 9.9% yoy to Rs832cr. Net profit increased by 11.2% as interest expense and other income declined by 13.0% yoy and 8.5% yoy to Rs59cr and Rs69cr, respectively. **We maintain our Buy recommendation on the stock with a revised Target Price of Rs204 (earlier Rs208).**

Punj Lloyd

Punj Lloyd (Punj) posted another set of disappointing numbers with a major disappointment on the top-line front, which declined 41.7%. Operating margin for the quarter came in at 7.7% (10.3%), after booking losses of GBP 2.5mn on the Ensus Bioethonal project. Other expenses (interest and depreciation) were in line with expectations. On account of subdued operating margins and disappointment on the top-line front, the company reported a loss of Rs30.4cr for the quarter. We have downgraded our top-line and bottom-line estimates for FY2011E and FY2012E, and we maintain a Buy rating on the stock with a revised Target Price of Rs156 (implied P/BV of 1.5x and EV/Sales of 0.7x – huge discount to its peers).

Result Preview-1QFY2011

GIPCL

GIPCL is expected to announce its 1QFY2011 results. We expect the company to register a 22.0% yoy increase in revenue, primarily due to a substantial increase in its sales volume due to the recent commissioning of the 250MW Surat Lignite Power Plant. We expect the company to sell 1,312MU of power during the quarter, up 16% on a yoy basis. The company's OPM is expected to expand by an impressive 315bp to 26.8%, primarily on account of cheaper gas. We expect GIPCL's bottom line to increase by 40.5% to Rs41.3cr in 1QFY2011E. **We maintain a Buy rating on the stock with a Target Price of Rs135.**

Economic and Political News

- Indian aviation market seen at US \$130bn over 20 years: Boeing
- Government seeks additional Rs55,000cr for oil subsidy
- Mutual fund assets fall 1.5% in July 2010

Corporate News

- Adani Power eyes solar energy, inks 40MW deal
- Tata Motors to widen JLR range, boost China sales
- HPCL to sell jet fuel to Kingfisher only against cash

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

Events for the day	
Adani Power	Results
Ansal Housing	Results
Aurobindo Pharma	Results
BAG Films	Results
Dredging Corp	Results
Essar Ship Ports	Results
Galaxy Entertainment	Results
Garware Polyester	Results
Gujarat Industries Power	Results
Man Infra	Results
Oracle Financials	Results
Varun Shipping	Results

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