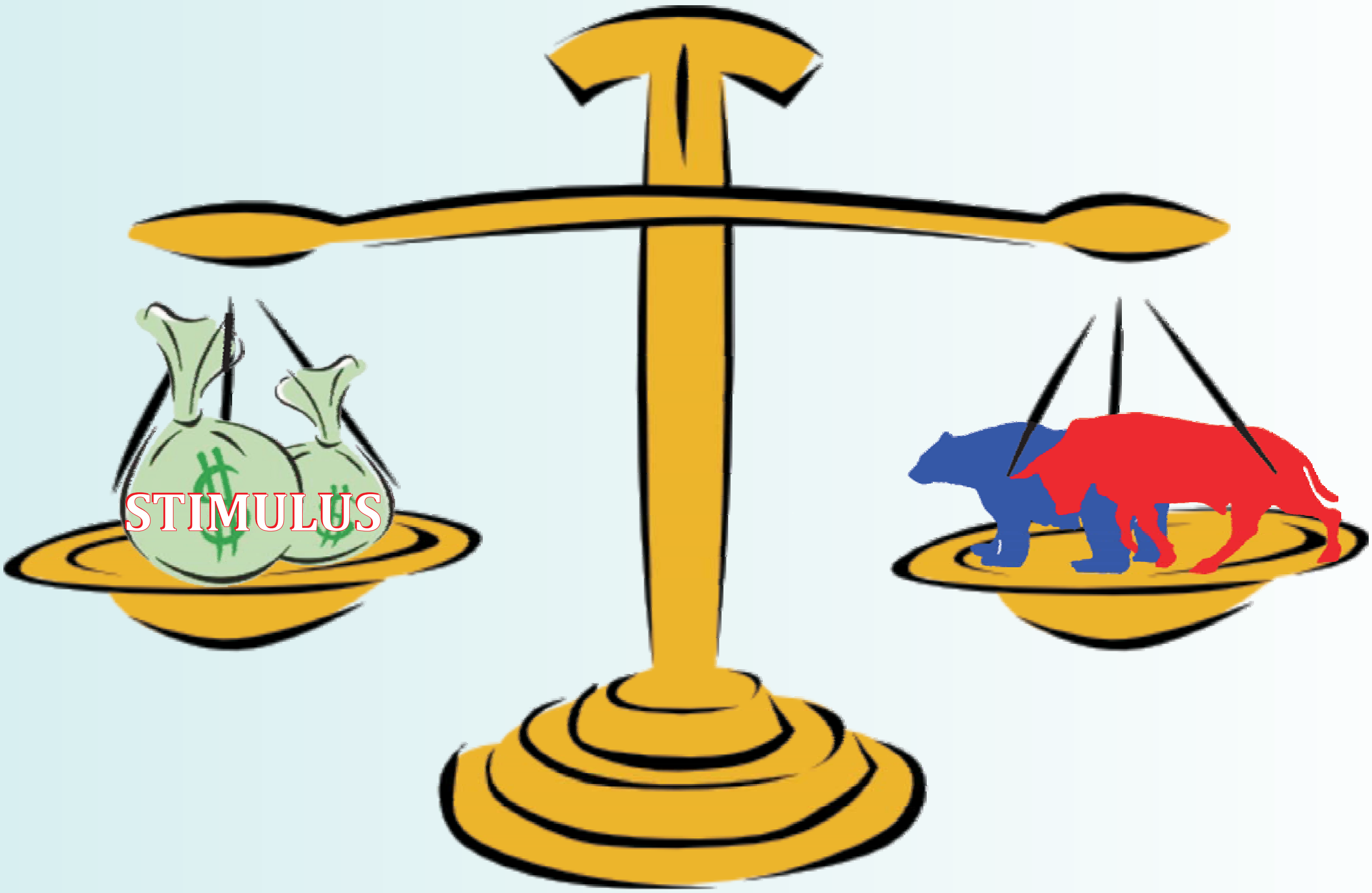
Anagram

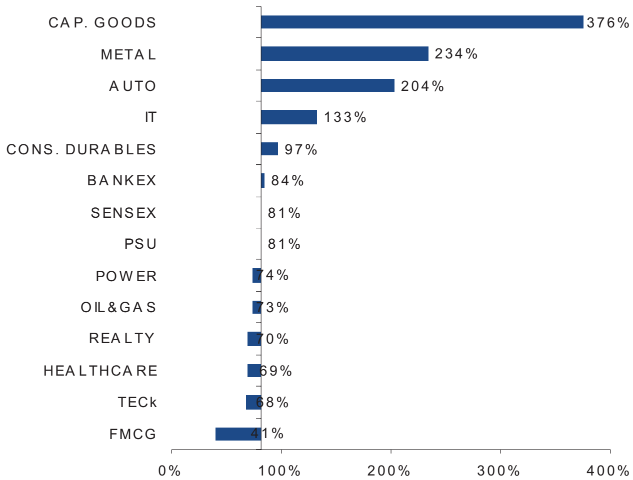
Decisive Thinking Pays

MARKETS HANG IN BALANCE



.....STOCK PICKING WILL BE THE KEY

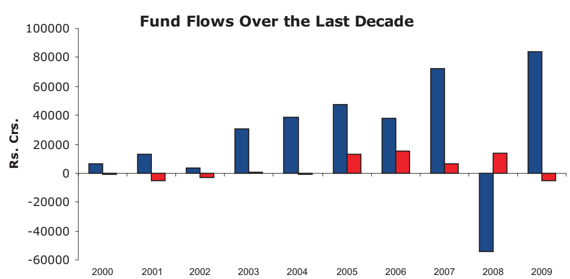
SECTORAL RETURNS



BSE 500 GAINERS & LOOSERS

Gainers	%	Loosers	%
Ahluwalia Cons	562.7%	Cranes Soft	-59.6%
McNally Bharat	527.0%	Cals Ref	-58.7%
JSW Holdings	508.2%	Sterling Bio	-38.6%
Sterlite Tech.	473.7%	Vishal Retail	-35.0%
Aurobindo	444.7%	Tata Comm	-32.9%

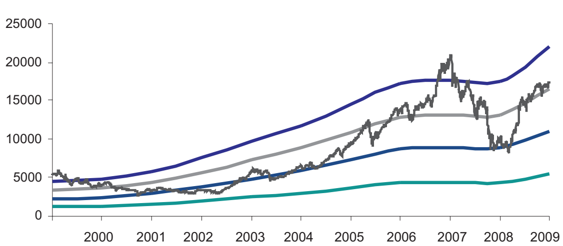
FII & MFs



REVIEW OF LAST YEAR PICKS

Companies	Dec.08	Dec.09	% chg
NIIT Ltd	26.5	180	579%
Hindustan Zinc	338	1213	259%
HCL Tech	115	371	223%
Hitachi Home	47	142	202%
Voltas	62	173	179%
Bharat Electronic	750	1908	154%
Cairn India	172	278	62%
Genus Power	121	171	41%
Astra Micro	52	71	37%
Average			**193%**

PE BANDS



After seeing the worst ever yearly fall in the year 2008, Indian equity markets staged a great comeback in the CY2009. It was one of the best performing years in the history of the market, post 1993 and 1999. The Indian market was one of the top four performing markets in the world. While the Nifty registered the highest ever yearly gains since its inception by putting on 76%, gains in Sensex at 81% were the best post 1991. Though the beginning of CY 2009 was gloomy with the biggest corporate scam in India –Satyam- resulting in markets dipping to new 'Lows' in the 1st 3 months, we are starting the year 2010 on a much more optimistic note. Financial systems across the world which were in a mess in the beginning of 2009 seem to have stabilized. Stimulus measures taken in the aftermath of the subprime crisis have resulted in most of the economies coming back on track.

Year 2009 also witnessed Gold skyrocketing to a new high in international markets (crossed $1200/oz). This was primarily due to the weakening dollar against major currencies. U.S. Dollar Index slipped from a high of 89.71 in March 09 to a low of 74.27 in Nov.09

Going forward, most of the governments are looking at raising interest rates and withdrawing the stimulus at some point in CY2010. It is not clear when that will happen because the recovery till today is still muted particularly in the US. This could possibly be in the second quarter of 2010. It is hard to predict about timings because the economic data coming out right now is still not that great.

Back home, Year 2009 also witnessed an exponential increase in food prices. The primary reason for this being supply side constraints and failure of the southwest monsoon in large parts of the country. This has resulted in food inflation touching a mind boggling 20% during the third week of December 09.

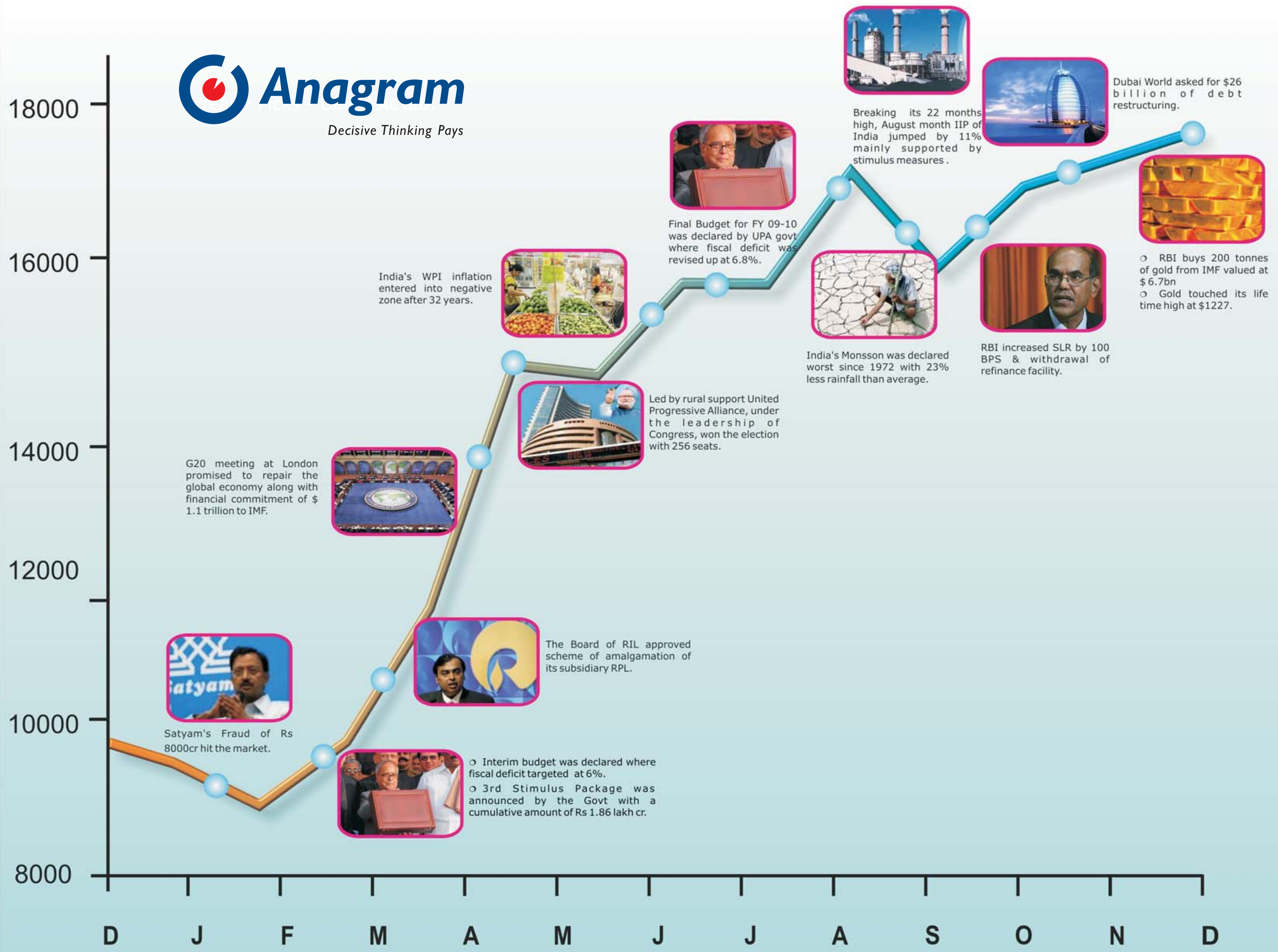
Although FIIs are expected to raise allocations to emerging markets, some Funds are waiting for meaningful 'corrections' for building up positions. Momentum is still strong towards emerging markets.

A stable, pro-reformist government, a strong central bank that has managed the country's monetary situation exceedingly well, strong domestic demand, burgeoning middle class, high savings rate, and a strong corporate India are big plus points for us going into 2010. India remains in a sweet spot and a preferred FII destination.

Concerns about valuations are also rising gradually. Valuations currently are not cheap. Therefore, those that have run ahead of fundamentals will probably underperform. Next two quarters' corporate earnings would be keenly watched and could be the drivers for markets in year 2010. Stocks that will have any earnings disappointments will get punished given that the valuations are quite vulnerable right now.

We believe last year's bumper returns are not expected to be replicated this year at the index level, though returns in the range of 15-20% in line with earnings growth are quite possible. It is a matter of time before policy rates, which were brought drastically lower in the aftermath of the subprime crisis, start moving up as inflation has moved up and is likely to go up further. Industrial growth has revived and credit growth is showing signs of revival. Some sort of withdrawal of stimulus measures is also not ruled out in Feb 2010 budget in a bid to control the fiscal deficit. Other things to watch out will be the following up of the big plans announced by the government, especially regarding Infrastructure and PSU divestment and how the monsoon spans out. If things work out well, Indian economy is all set to sustain an average growth of 8% over next 3-4 years. From the stock market point of view, unlike last year, when almost everything went up, this year will be a year of stock picking as easy money has been made. In the environments where inflation is running high and there is fear of interest rate hikes, inflation beneficiaries typically do better. Interest rate sensitive would possibly underperform at some point. Anything that is linked to rising prices could probably do better. We could see advertising spending pick up with inflation so that anything related to media could do well.

Among the sectors, Healthcare, Infrastructure and IT are our preferred bets. WISH YOU A PROSPEROUS 2010



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Decisive Thinking Pays
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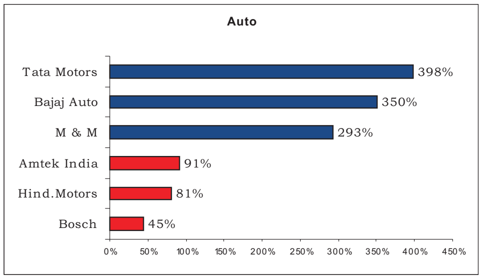
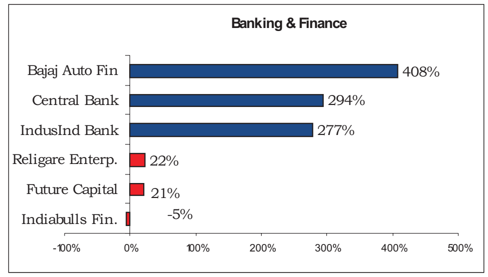
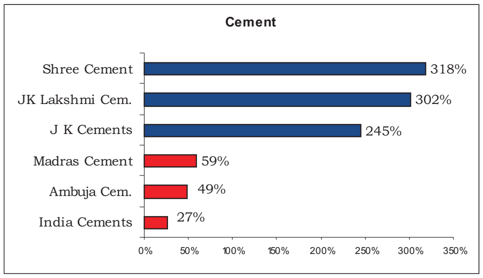
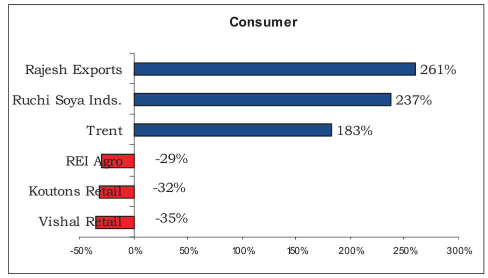
Satyam's Fraud of Rs 8000cr hit the market.
Interim budget was declared where fiscal deficit targeted at 6%.
3rd Stimulus Package was announced by the Govt with a cumulative amount of Rs 1.86 lakh cr.
The Board of RIL approved scheme of amalgamation of its subsidiary RPL.
G20 meeting at London promised to repair the global economy along with financial commitment of $ 1.1 trillion to IMF.
Led by rural support United Progressive Alliance, under the leadership of Congress, won the election with 256 seats.
India's WPI inflation entered into negative zone after 32 years.
Final Budget for FY 09-10 was declared by UPA govt where fiscal deficit was revised up at 6.8%.
Breaking its 22 months high, August month IIP of India jumped by 11% mainly supported by stimulus measures.
India's Monsson was declared worst since 1972 with 23% less rainfall than average.
RBI increased SLR by 100 BPS & withdrawal of refinance facility.
Dubai World asked for $26 billion of debt restructuring.
RBI buys 200 tonnes of gold from IMF valued at $ 6.7bn
Gold touched its life time high at $1227.

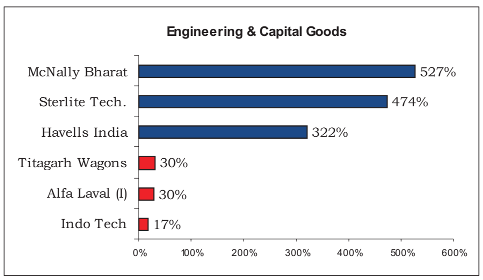
SECTOR WISE STOCK PERFORMANCE

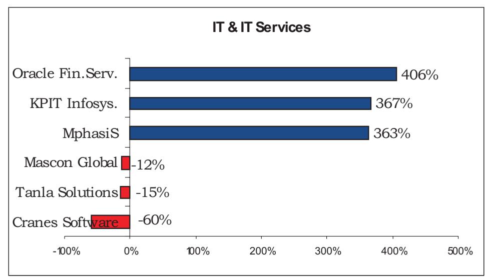


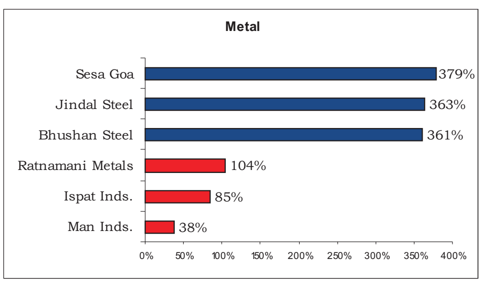


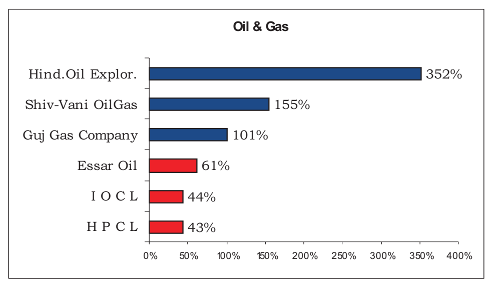


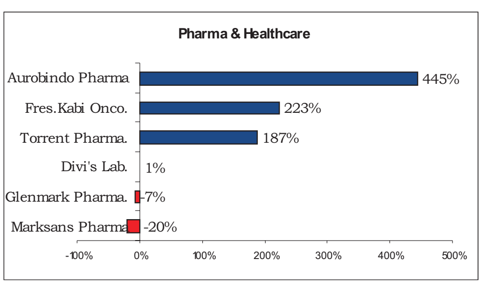


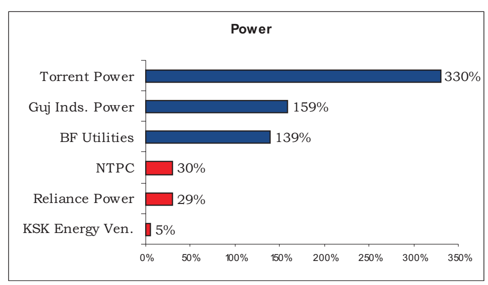


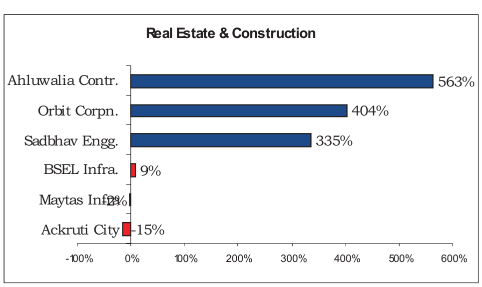


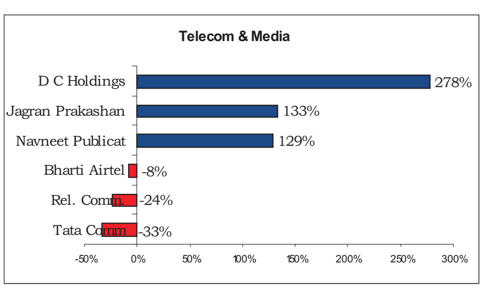


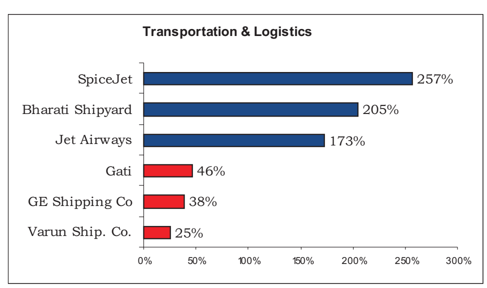












APOLLO TYRES LTD.

BUY

CMP	48
52 week Range	Rs 14- Rs 57
No. Shares (Cr.)	50.4
Market Cap (Rs. Cr)	2446
Avg Daily Volume	1516872
Sensex Level	17465

HOLDING STRUCTURE

Promoters	39.35
FII	14.27
Corporate	9.37
Institutions	21.61
Govt	1.98
Public	13.41

PRICE PERFORMANCE COMPARED TO SENSEX

FINANCIALS

	2010 (E)	2011(E)
Net Sales (Rs Cr)	6799	7850
Growth (%)	36%	15%
EPS (Rs)	6.9	7.0
EBIDTA Margin (%)	2.4%	11.7%
NPM (%)	5.1%	4.5%
ROE (%)	21.7%	17.9%
PE	6.8	6.7

Sector: Automobiles

BUSINESS:

The company is leading manufacturer of commercial vehicle tyres and has consolidated its position through acquisition in Europe and South Africa. Replacement market contributes 75%, OEMs 14% and 11% are exports. Commercial vehicles contribute 75% while passenger cars contribute 16% to revenues.

INVESTMENT RATIONALE:

- As M&H CV demand has recovered we expect Apollo Tyres to benefit the most from such an improvement in demand, given its leading position in this segment.
- Apollo Tyres has been able to turn around operations at its newly acquired subsidiary Vredestein Banden faster than expected. The South African operations are also expected to become profitable from FY11. As 40% of the company's revenues come from foreign subsidiary a turnaround in the subsidiaries will augur well for the company.
- Rubber prices have increased by 30% in past one quarter but we believe the company will be passing on most of its increased raw material cost as demand has picked up while industry faces supply problems.
- Automobile industry has grown by ~9% in past 7 years. This built up of vehicles will translate into good replacement demand thus giving good earnings visibility going forward.

VALUATION

We believe the stock will give good return in long run as automobile demand will sustain in coming years while pricing power will remain in hands of tyre manufacturers.

At CMP of Rs. 48 the stock trades at 6.8x its consensus earning estimates of Rs 7.

Anagram
Decisive Thinking Pays

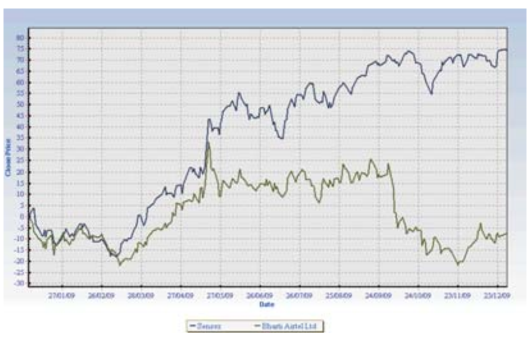
BUY

CMP	328
52 week Range	Rs495–Rs229
No. Shares (Cr.)	379.7
Market Cap (Rs. Cr)	124845
Avg Daily Volume	1763147
Sensex Level	17465

HOLDING STRUCTURE

Promoters	67.70
FII	18.73
Corporate	3.84
Institutions	8.15
Govt	0.00
Public	1.60

PRICE PERFORMANCE COMPARED TO SENSEX



FINANCIALS

	2011(E)	2012(E)
Net Sales (Rs Cr)	42881.0	47024.7
Growth (%)	10	10
EPS (Rs)	23.7	25.2
EBIDTA Margin (%)	38.5	38.5
NPM (%)	21.1	20.3
EV/EBITA	7.8	7.1
ROE (%)	20.1	18.9
PE	13.5	12.6

Sector: Telecom

BUSINESS:

Bharti Airtel is India's largest provider of Telecommunication services with a mobile subscriber base of over 11.5 Cr subscribers and a market share of 25%. The company provides mobile services, telemedia services, enterprise services and passive infrastructure services.

INVESTMENT RATIONALE:

- **Highest Arpu's:** Bharti's average revenues per user is currently Rs. 252 which is highest in the industry which leaves a room for further decrease in charges to fight the current cost competitive telecom environment.
- **Strong Balance sheet:** Compared to other telecom companies Bharti has a much stronger balance sheet with cash more than Rs. 5000 Cr and the company is expected to generate the same amount of free cash flows this year which will help fund the acquisition of Warid an Abu Dhabi based telecom company which the company is currently eyeing, as well as in bidding for 3G spectrum.
- **Passive Infrastructure:** Bharti has a well established tower network with over 29000 towers and a 42% stake in industowers. The sharing factor of its towers is currently 1.5x which is expected to go up significantly as new companies will have to use Bharti's towers for not only minimizing capital expenditure but also rolling out services at a faster pace.
- As the competition intensifies the telecom sector will undergo consolidation and Bharti with a strong balance sheet and steady generation of cash flows will be the best placed to make acquitions.

VALUATION

At a current market price of Rs. 328 the stock is trading at 14x its FY11E EPS of 23.7.

BUY

CMP (Rs.)	238
52 week Range (Rs.)	Rs.273-Rs.87
No. Shares (Cr.)	8.07
Market Cap (Rs. Cr)	1903
Avg Daily Volume (3 m)	87268
Sensex Level	17465

HOLDING STRUCTURE

Promoters	60.77
FII	9.77
Corporate	10.51
Institutions	15.05
Public	3.90

PRICE PERFORMANCE COMPARED TO SENSEX

FINANCIALS

	2010(E)	2011(E)
Net Sales (Rs Cr)	1058	1254
Growth (%)	0	19
EPS (Rs)	16.7	21.4
EBIDTA Margin(%)	24.2	24.9
NPM (%)	12.8	13.9
ROE (%)	17.2	19.1
PE	14	11

Sector: Pharmaceuticals

BUSINESS

Dishman has come a long way from primarily being a manufacturer of QUATS and supplier of Eprosartan Mesylate (EM) to Solvay. Over the last few years, Dishman has added considerable depth and breadth to its CRAMS business through the acquisition of Carbogen Amcis and focus on building a rich contract research projects pipeline in the Indian business. While the balance sheet is indeed stretched as Dishman invested in capacity expansion and acquisitions, we expect the pressure to ease given the improving internal accruals. With a much diversified and stronger business model, rise in supplies to its key client Solvay and addition of new capacities, Dishman is now poised to move on to the next phase of growth as it seeks to leverage on the relationships cultivated with global pharma majors, that would aid the company's business in FY11 after a muted current fiscal.

INVESTMENT RATIONALE

- Dishman is likely to begin the API production for Omeprazole tablets for AstraZeneca soon; the company has signed contracts to supply 14APIs to AstraZeneca and expects $10 million revenues for the current fiscal from this contract. It has also received orders from Johnson & Johnson and Novartis. The Novartis order is for a new drug intermediary, which is in Phase-III production. Further ramp up in Eprosartan supply to Solvay and continuing negotiations for contracts with around 6-7 companies as indicated be the company for 30 molecules worth Euro 200-250 mn, gives us confidence in its the future growth visibility. Also, the Abbott's acquisition of Solvay brings in greater long-term opportunities for Dishman.
- Dishman is setting up a USFDA approvable multipurpose API facility in China, Dishman is negotiating with 2-3 global players for supplying APIs for their Chinese market formulations from this unit. It is also setting up a Bavla based Hypo facility for producing specialized products for Carbogen Amcis. Both these facilities would be commercialized by the end of FY10 or in the first half of FY11 and would help power the earnings in medium term. In fact, Dishman expects revenue worth US$10mn in FY11E from its Hypo facility.
- Dishman is setting up a dedicated facility, likely to be ready by end of FY10, for the manufacture of disinfectants at a capex of Rs250m. Dishman has already developed around 78 disinfectants and is the only company in India to have developed fourth generation disinfectants like Octinindine and Hexatidine. While Dishman is targeting the Indian FMCG market in the initial phase, the big opportunity lies in catering to the regulated markets of US and EU. Dishman will be the only serious Indian player with a comprehensive product portfolio in the $500m-600m global disinfectant market. Dishman expects to generate Rs1bn in revenues from the disinfectant segment over the next three years.

VALUATION

After a subdued FY10 we expect Dishman to bounce back in FY11 on the back of new contracts from AstraZeneca, Novartis, J&J, etc., and negotiations being carried out with around 6-7 companies for contracts valued at Euro 200-250 mn, also expected recovery of supply of Eprosartan supply to Solvay and new facilities coming up at Bavla, India & China, gives us visibility for future growth. Further Abbott's acquisition of Solvay would bring in long-term opportunity for the company. At CMP 237.60 the company is trading at 11x its FY11 earnings, we recommend BUY rating on the stock.

BUY

CMP (Rs.)	132
52 week Range (Rs.)	Rs.158-Rs.38
No. Shares (Cr.)	9.22
Market Cap (Rs. Cr)	1220
Avg Daily Volume (3 m)	292998
Sensex Level	17465

HOLDING STRUCTURE

Promoters	22.74
FII	54.42
Corporate	7.47
Institutions	2.89
Public	12.47

PRICE PERFORMANCE COMPARED TO SENSEX

FINANCIALS

	2010(E)	2011(E)
Net Sales (Rs Cr)	711	851
Growth (%)	9	20
EPS (Rs)	25.6	26.6
EBIDTA Margin (%)	54.8	52.4
NPM (%)	33.2	28.8
ROE (%)	34.0	26.6
PE	4.9	4.7

Sector: Information Technology

BUSINESS

Geodesic Limited has developed a portfolio of innovative communication and entertainment products for enterprise and retail clients. Geodesic's prime offerings to its enterprise clients are Comprehensive Customer Alignment and Relationship Management (CARM) solutions, IP-based instant messaging (IM), text, multimedia and telephony solutions and white-labeled social networking tools to portals and publishers. Moreover, it provides IP telephony, internet radio, SMS over IP and other solutions to its retail clients through the proprietary "Mundu" platform. Geodesic retails "GeoAmida" Simputers, which are being used for rural development and E-governance projects.

INVESTMENT RATIONALE

- GeoAmida has been chosen for the public distribution system in Madhya Pradesh. The pilot project for National Identity Card project was also done on GeoAmida. Moreover, government thrust on schemes like NREGA, PDS, etc. will prove beneficial to Geodesic.
- Geodesic has signed up with handset manufactures like BenQ, Medion, etc. to bundle "Mundu" products with their handsets. The shipment of Geodesic IM solutions has started on Android handsets as well. In addition, the management is looking to sign new deals with European handset manufacturers as well.
- Geodesic ventured into voice messaging with VOIP solution- "Spokn". This solution will allow the user to converge all means of communication like laptops, cell phones, desktops, landlines and IP phones. It will let the user leave voice messages via email as well.
- Geodesic has signed deals that will lead to a sale of 1 to 1.2 millions GeoAmida devices in the next year. If the UID project rolls out in this year the numbers will further amplify.

VALUATION

Based on the consensus estimates, the forward EPS figures of Geodesic for FY2010 and FY2011 are Rs. 25.6 and Rs.26.6. There is a huge growth potential due the new launch of "Spokn" telephony solution and transformation of "Chandamama" comic line in the coming quarters. Geodesic might easily beat the FY2011 forecasts. We recommend a **BUY** banking on strong innovation potential of Geodesic.

BUY

CMP	196
52 week Range	Rs 194 – Rs 49
No. Shares (Cr.)	1.57
Market Cap (Rs. Cr)	Rs 308
Avg Daily Volume	22300
Sensex Level	17465

HOLDING STRUCTURE

Promoters	49.53
FII	2.91
Corporate	9.03
Institutions	7.93
Public	30.60

PRICE PERFORMANCE COMPARED TO SENSEX

FINANCIALS

	2008	2009
Net Sales (Rs Cr)	251.7	243.8
Growth (%)		-3
EPS (Rs)	43.9	18.6
EBIDTA Margin (%)	21.0	18.0
NPM (%)	14.0	12.0
Debt/Equity	0.30	0.25
ROE (%)	33	25
PE	4.4	10.3

Sector: Construction

BUSINESS

Incorporated in 1986, Gujarat Apollo Industries is one of the leading road construction equipment manufacturers in India.

The company manufactures entire range of road construction equipments which includes manual/ automatic road making machines, crushing & screening equipment range, paver finishers, bitumen pressure distributers, kerb laying machines, compaction equipment and other allied equipments. GAIL also offers various models of wet mix plants and asphalt plants of which its boasts of more than 400 and 1000 installations respectively, across the world.

INVESTMENT RATIONALE

- While the government focus on the construction of roads in India was first visible in 1998 when the National highways development project (NHDP) was launched in order to upgrade, rehabilitate and widen major highways in India, large scale project awarding and faster execution, in our view, has only been warranted recently.
- From around 5131 km of roads in FY06, the project awarding moderated to mere 1000 km in FY08 and went from bad to worse in FY09. However, now when the major policy issues surrounding awarding, bidding and execution of projects have been resolved and economy has demonstrated solid strength after the financial crisis together with stronger and focused government, we expect to see unprecedented pace of project awarding going forward.
- This should result in massive demand of road construction equipments by the road developers. The magnitude of the demand can also be gauged from the roads and highways minister Mr Kamal Nath's ambitious target of building 20 km of roads a day from the current pace of 4-5 km. In total, 33000 km of roads worth Rs 3,30,000 cr. are expected to be awarded in next 4-5 years.

VALUATION

The company has, even in the challenging time (i.e. FY09), maintained operating margins around 18% and net margins of around 12%. The very low debt on books (D/E 0.25) provides flexibility for further expansion and also augurs well for expected higher interest rates going forward. The TTM EPS of the company stands at Rs 15 resulting in the PE of 13.

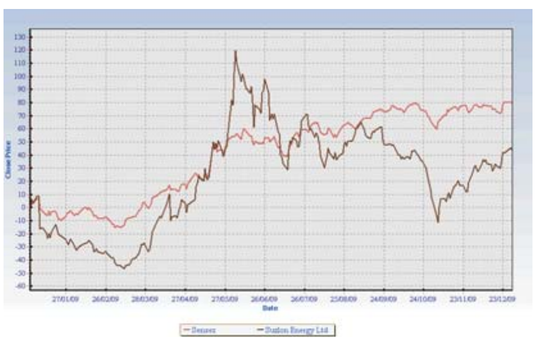
BUY

CMP	90
52 week Range (Rs.)	Rs.146-Rs.33
No. Shares (Cr.)	155.67
Market Cap (Rs. Cr)	13948
Avg Daily Volume (Cr.)	14474306
Sensex Level	17465

HOLDING STRUCTURE

Promoters	53.08
FII	16.65
Corporate	7.03
Institutions	7.79
Public	15.44

PRICE PERFORMANCE COMPARED TO SENSEX



FINANCIALS

	2010 (E)	2011(E)
Net Sales (Rs Cr)	20604	22871
Growth (%)	(21)	11
EPS (Rs)	3.4	9.5
EBIDTA Margin (%)	10.0	13.0
NPM (%)	2.5	6.5
ROE (%)	7.0	11.0
PE	26	10

Sector: Engineering & Capital Goods

BUSINESS

Suzlon is a leading player in Wind Turbine Manufacturing and ranks 3rd in the world, with the market share of around 10-12% and Domestic share of 50%. Company has a major global foot prints especially in leading markets like China, US, Europe and niche markets of Asia Pacific.

INVESTMENT RATIONALE

- The Global Wind Energy sector, which was down and out last year, is showing some signs of improvement on account of recovery in global economics, rise in energy prices, climatic changes gaining importance etc.
- Incentives from various governments around globe like: - Recently GOI has announced 50p/unit incentive for generation based which will result into 4000MW of additional capacity 11^{th} five year plan. In US, apart from granting PTC, it is also offering Cash grants up to 30%total project outlay.
- Worst is over for the company as order inflow has started picking up. In past 2 months, Suzlon group has bagged total orders more than 1000MW & we expect another 500 MW of order inflow in next 3-6 months. Total order book is more than 4000 MW (Suzlon+repower).
- Company debt has also reduced to Rs. 12000 crore and we expect further debt reduction going forward. Suzlon is also negotiating re-finance of Rs, 11000 Crore to consolidate its debt under one single facility. This step is part of its restructuring process, which will give some breathing space.

VALUATION

Improving global economic scenario, continued policy support and higher credit availability has led to the better order visibility for WTG. With Hansen stake sale, refinancing the entire debt, coupled with incentive from the various govt. across the globe, indicates good times ahead for the suzlon.

At CMP the stock trades at 10 x its earnings estimates of Rs 9.5/share.

BUY

CMP	173.9
52 week Range	R Rs186–Rs73.05
No. Shares (Cr.)	44
Market Cap (Rs. Cr)	7651.6
Avg Daily Volume	240444
Sensex Level	17465

HOLDING STRUCTURE

Promoters	27.98
FII	37.06
Corporate	7.80
Institutions	19.46
Govt	0.00
Public	7.71

PRICE PERFORMANCE COMPARED TO SENSEX

FINANCIALS

	2010 (E)	2011(E)
Net Sales (Rs Cr)	5462	6135
Growth (%)	11	12
EPS (Rs)	13.0	16.0
EBIDTA Margin (%)	19.0	20.0
NPM (%)	10.0	12.0
ROE (%)	19.0	20.0
PE	13	10

Sector: Chemicals & Fertilizers

BUSINESS

United phosphorus is one of the major players in the field of generic agrochemical business, which ranks among top 5 generic agro-chemical companies in the world. The company has a universal presence with a portfolio that includes pesticides and fungicides.78% of the company's revenues come from agrochemical and remaining 22% is contributed by industrial chemical and trading activity. UPL has acquired Advanta to further develop its agro seeds business.

INVESTMENT RATIONALE

- UPL is expected to get benefit of lower crop yield and rising food demand on the back of increasing population growth and increase in the income. To match the demand of food with constraint of arable land productivity will be the prime challenge.
- UPL has presence in 120 countries and company believes in expanding in new geography through organic and inorganic growth to get benefit of synergy with respect to manufacturing technology, distribution channel, and increase in product offerings.
- Company is producer of generic products. The company has the special ability of launching the product with minimum time lag as soon as expiration of patent. Company has the benefit of cost reduction in manufacturing by transferring operations in countries like India.
- UPL has acquired carex-agri business which is going through restructuring. First phase of restructuring at Rotterdam, which is biggest facility in Europe, will be completed in coming three or four months.
- Loss of Sugarcane and rice crop is not recoverable but India contributes 21% of consolidated sales of UPL so it will have marginal impact on overall performance of company on consolidated basis.

VALUATION

At CMP of 166 Stock trades at 10 X its consensus estimate of Rs 16 for FY 11 E. Considering Core business growth on the back of increase in food demand, patent expiry in medium term, margin expansion due to restructuring at Rotterdam carex-agri plant, bottom-line is likely to grow at 23% in years to come we recommend to BUY this stock.

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RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Hold Expected to remain in a narrow range

Avoid Expected to depreciate up to 10% over a 12-month period

Exit Expected to depreciate more than 10% over a 12-month period