

Dealer's Diary

The markets opened on a firm note on data showing heavy buying by FII on Monday. The market surged in morning trade, extending initial gains. The sharp rally was followed by the Sensex instantly paring gains. The market came off the lower level in mid-morning trade as the rate of rise in inflation eased in August 2010. Stocks moved in a narrow range in early afternoon trade. The market strengthened in afternoon trade before coming off the higher levels in mid-afternoon trade. The Sensex and Nifty closed with gains of 0.7% and 0.6%, respectively. BSE mid and small-cap indices underperformed the benchmark indices to end lower by 0.6% and 0.7%, respectively. Among the front liners, Wipro, Jaiprakash Associates, Tata Motors, Sterlite Industries and DLF gained 3–4%, while Hindalco, ACC, SBI, Tata Power and Tata Steel lost 1–2%. Among mid caps, Sigrun Holdings, Dewan Housing, Ashok Leyland, Dish TV and Wockhardt gained 4–10%, while Ruchi Soya, Coromandel Intl, MVL, S. Kumars Nationwide and Britannia Industries lost 5–6%.

Markets Today

The trend deciding level for the day is 19351/5798 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 19483–19620/5836–5876 levels. However, if NIFTY trades below 19351/ 5798 levels for the first half-an-hour of trade then it may correct up to 19214–19082/5758–5720 levels.

Indices	S2	S1	R1	R2
SENSEX	19,082	19,214	19,483	19,620
NIFTY	5,720	5,758	5,836	5,876

News Analysis

- **ABB India to acquire Metsys Engineering and Consultancy Pvt. Ltd.**
- **BHEL bags Rs2,665cr order from Dainik Bhaskar Power**
- **HDIL raises US \$250mn through QIP**
- **KEC International to acquire Jay Railway Signaling Pvt. Ltd**
- **Lavasa files DRHP for IPO**
- **Madhucon Projects achieves fin closure for 300MW Phase-II power project**

Refer detailed news analysis on the following page.

Net Inflows (September 13, 2010)

Rs cr	Purch	Sales	Net	MTD	YTD
FII	4,592	1,956	2,636	6,677	65,803
MFs	452	887	(435)	(194)	(15,987)

FII Derivatives (September 14, 2010)

Rs cr	Purch	Sales	Net	Open Interest
Index Futures	4,138	2,513	1,625	20,064
Stock Futures	1,725	2,397	(673)	39,424

Gainers / Losers

Gainers			Losers		
Company	Price (Rs)	chg (%)	Company	Price (Rs)	chg (%)
Ashok Leyland	77	6.3	HDIL	271	(4.5)
NHPC	33	4.8	Sintex Inds	376	(3.5)
IOC	438	4.7	Max India	165	(3.5)
Kotak Bank	475	4.5	IB Real Estate	177	(3.2)
Titan Inds	3,100	4.1	Ispat Inds	21	(3.2)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	0.7%	138.6	19,347
Nifty	0.6%	35.6	5,796
MID CAP	-0.6%	(51.1)	8,061
SMALL CAP	-0.7%	(76.5)	10,195
BSE HC	0.0%	(0.2)	5,737
BSE PSU	0.4%	38.1	10,247
BANKEX	0.5%	69.5	13,524
AUTO	1.4%	125.1	9,279
METAL	-0.5%	(86.6)	16,302
OIL & GAS	0.2%	25.4	10,462
BSE IT	1.5%	83.2	5,805

Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	-0.2%	(17.6)	10,526
NASDAQ	0.2%	4.1	2,290
FTSE	0.0%	1.9	5,567
Nikkei	-0.2%	(22.5)	9,299
Hang Seng	0.2%	37.7	21,696
Straits Times	-0.6%	(18.2)	3,049
Shanghai Com	0.0%	0.2	2,689

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	0.6%	0.4	\$65.1
Wipro	2.2%	0.3	\$13.7
Satyam	-1.7%	(0.1)	\$5.2
ICICI Bank	-1.5%	(0.7)	\$47.2
HDFC Bank	0.2%	0.3	\$176.3

Advances / Declines	BSE	NSE
Advances	965	385
Declines	2,057	985
Unchanged	78	35

Volumes (Rs cr)

BSE	5,453
NSE	17,129

ABB India to acquire Metsys Engineering and Consultancy Pvt. Ltd.

ABB India would be acquiring Bangalore-based engineering and technical consultancy firm Metsys Engineering and Consultancy Pvt. Ltd (Metsys). As system integrators, Metsys offers cost-effective turnkey solutions to the metals industry and has emerged as one of the key technical solution providers to the steel industry in India and other emerging market countries. Management expects the acquisition to help in strengthening ABB's position in the metals business and enhance its portfolio of offerings in the automation segment.

Metsys' main areas of operation include:

- Supply and engineering of process automation and electrical systems for the ferrous and non ferrous industries, including professional services for expert consultancy services, process de-bottlenecking consultancy and annual maintenance contracts.
- ERP integration and with shop floor for all industry domains
- Process control systems (Level 2), production planning and scheduling (Level 3) and laboratory information management systems
- Products for the industry (drive systems and dimension measuring sensors)
- Consultancy services to metals customers before project initiation via feasibility studies, bid support etc.

Post the acquisition, Metsys' employees and R&D capabilities would be integrated with ABB India Process Automation division, enabling ABB to strengthen the executions and R&D centre for the metals business. **We maintain Neutral on the stock.**

BHEL bags Rs2,665cr order from Dainik Bhaskar Power

Power plant equipment major BHEL secured a Rs2,665cr order for the supply and installation of the main plant package for Dainik Bhaskar Power Ltd.'s 2x600MW coal-based thermal power project at Baradarha in the Janjgir district of Chhattisgarh.

As per the contract, BHEL will undertake design, engineering, MFR, supply, erection, testing and commissioning of boilers, steam turbines and turbo generators, along with the controls, instrumentations and other associated auxiliaries. **We maintain a Neutral view on the stock.**

HDIL raises US \$250mn through QIP

As per media reports, HDIL has successfully raised equity up to US \$250mn through a QIP at a price of Rs268.18/share. This would lead to equity dilution of 10–11%. The amount would be utilised to part-finance the second phase of the airport project and for new land acquisitions. As of June 2010, the company had net debt of Rs3,533cr (0.47x), with unpaid land cost of Rs300cr.

Majority of HDIL's repayment obligation largely starts from FY2012. Further, the recent media reports of Maharashtra state likely to hike FSI from 1 to 1.33 in suburbs will impact TDR prices. We have already factored stable TDR prices of Rs2,300–2,500 psf (i.e., 20% discount from the current level of Rs3200 psf) and do not expect a major negative impact incrementally. The stock has grossly underperformed over the last six months on account of the likely hike in FSI in suburbs, delay in Phase-I of the airport project and group-level issues. Phase-I is close to completion with more than 85% of the work already complete. Nearly 25,000 apartments have been constructed in Phase-I and the first 15,000 families are scheduled to be shifted in less than three months. Moreover, close to 75% of the ~5.7mn sq. ft. of residential projects launched since FY2009 have been pre-sold, providing revenue visibility of Rs4,000cr over FY2010–12E. **We maintain our Accumulate rating on HDIL with a Target Price of Rs302.**

KEC International to acquire Jay Railway Signaling Pvt. Ltd.

KEC International Ltd. (KEC) has signed a definitive share purchase agreement to acquire Jay Railway Signaling Private Ltd. (JRS), the railways signaling automation systems and technology company. KEC, with its strong EPC base, has the capability to undertake civil infrastructure and track works and railway electrification, while it lacks the expertise to provide signaling works that require high technical skills and experience. With this acquisition, KEC is poised to undertake the entire gamut of activities under the railway infrastructure segment—civil infrastructure and track works, railway electrification and signaling works. The acquisition would be valued on a debt-free and cash-free basis of Rs13.96cr (enterprise value), which includes Rs7.01cr of net current assets.

KEC has already submitted pre-qualification bids for big-size civil infrastructure and track project for the Dedicated Freight Corridor (DFC) as well as for the Kolkata Metro Projects. With the government planning to make large investments in railways, DFC, high-speed railways, metro projects, the acquisition of JRS would offer a huge opportunity to KEC in the long term. The current order book of KEC's railway division is ~Rs300cr and is at the L1 position in another Rs150cr. Consolidated order book of KEC as on date is ~Rs5,700cr. **We maintain a Buy on the stock with a Target Price of Rs648.**

Lavasa files DRHP for IPO

Lavasa Corporation, a real estate subsidiary of HCC, has filed the DRHP for raising money via primary markets, which was in line with news floating in media (print and television) over the last few weeks. We believe that this is a major development for HCC as a successful money-raising program would not only set a benchmark for valuing Lavasa as a business model but also ease its liquidity position. HCC has pumped over Rs1,000cr in this real estate venture, which was mainly funded through debt and has led to high debt/equity ratio of 1.7x despite raising more than Rs450cr funds (via equity) in FY2010. Therefore, we believe any money raising at the Lavasa level would improve the liquidity position of HCC. However, we are not factoring the same in our numbers, given the pipeline of real estate companies looking to raise money and the valuations sought for Lavasa by the management. Against this backdrop, **we would continue to maintain our Neutral view on the stock.**

Madhucon Projects achieves fin closure for 300MW Phase-II power project

Madhucon projects (MPL) has successfully achieved the financial closure for its 300MW thermal power plant (Phase-II) at Krishnapatnam, SPSR Nellore district, Andhra Pradesh. Total funds worth Rs1,205cr have been tied. It should be noted that EPC order from this project is yet to be given to MPL, which once done would add to revenue visibility. We had mentioned in our 1QFY2011 result update that ~20% of MPL's order book of Rs4,651cr is either slow moving or pending financial closure, which would take time to start contributing to the company's revenue; therefore, this development is positive for MPL.

The key triggers to watch out for MPL should be the pickup in execution in the development business and building of an attractive asset portfolio before it plans to raise money via the IPO route, which would fructify somewhere in FY2012 only and will be based on the market conditions prevailing then. Hence, we believe till then the stock would be a sector performer and real value would be created only on unlocking at the subsidiary level. Hence, **we maintain our Accumulate view on the stock with an SOTP Target Price of Rs174**, which has been arrived at by assigning a P/E of 10x to its FY2012E core construction earnings of Rs9.8, valuing its asset owning arm, Madhucon Infra, at 1.25x of equity invested, real estate venture on land cost.

Economic and Political News

- April-Aug indirect tax revenue up 45% yoy
- Inflation dips to 8.5% on new series debut
- Coal curbs to hit new power units

Corporate News

- S Kumars raises US \$50mn in share sale
- RPG firms buys 10% in Australian coal company
- United Spirits to buy 54.69% stake in PDL for Rs73.95cr

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

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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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