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Technical View: Cash Market

Nifty made Long candlestick pattern on weekly charts, which shows bulls are in control at the moment. Nifty has crucial resistance within 5650-5750 range and some profit booking may be seen from these levels. Any correction can be used for taking fresh long positions.

For trading during the coming trading sessions, trend deciding level is 5650. If Nifty shows strength above 5650 levels then we may see rally to 5700/5750/5800/5850 levels. If Nifty doesn't sustain above 5650 levels then decline to 5550/5450//5350 may also be seen.

Recommendation for Monday- Intra Day Trading

Scrip (LTP)	Action	At Price	For Target of	Stop Loss	Duration
HDFCBANK (2246)	BUY	ABOVE 2245	2290	2210	1 day
ANDHRABANK (158.80)	BUY	ABOVE 158	165	155	1 day

Technical View: NIFTY Future

Duration	Action	Entry Zone	For Target of	Stop Loss
For Monday	Buy	5635-5610	5680/5720	5580
For the Week	Buy	5635-5600	5700-5750	5560

Fundamental Calls

Company	Recommendation	Buy Range	Target
Pidlite	Buy	145.1	160
Satyam Computers Services Ltd**	Buy	91.85	125

**A High Risk trading opportunity

News Roundup

- India's benchmark index, Nifty closed in green with gain of 2.93% for the week ended 9th Sept '10 out performing the world markets.
- Index of Industrial Production (IIP) accelerated to 13.8% y-o-y in July'10 as against 7.1% in June'10. The indices of industrial production for manufacturing and mining posted a higher growth of 15% and 9.7% respectively as against 7.4% and 8.7% a year ago. However electricity generation registered a slower growth of 3.7%, as compared to 4.2% a year ago. The capital goods industries recorded a growth rate of 63% in July'10. Meanwhile IIP growth for June'10 was revised down to 5.67% from the earlier estimate of 7.1%.
- The direct tax collections during the first five months of the current fiscal (Apr-Aug) have exceeded ` 1 lakh cr registering a growth of 13.9% y-o-y. The major constituents of direct taxes - corporate income tax and personal income tax registered a growth of 17% y-o-y and 9.6% y-o-y respectively.
- FDI inflows to India during Apr- July'10 declined by 27% y-o-y to \$7.59 bn as compared to the \$10.53bn during the same period a year ago. FDI inflows for the month of July'10 are down by 49% y-o-y to \$1.78bn. This is for the second consecutive month of drop.
- Food inflation index rose to 11.47% for the week ended on 28th Aug as compared to 10.86% for the week ended 21st Aug driven by higher prices of fruits and vegetables.
- Japan revised upward its economic growth rate to annualized 1.5% in the second quarter as against earlier reported 0.4%.
- A sharp appreciation of Yen touching 15 years high against USD has raised concerns regarding the export led recovery of Japan.
- China reported a monthly trade surplus of more than \$20bn for the third consecutive month in August'10. During August'10 China's exports rose by 34% while imports grew by 35% creating a trade surplus of \$20.03bn.
- China's factory production grew by 13.4%YoY in July 2010.
- Financial markets responded positively to the successful placement of Portuguese bonds worth 1.04bn euro. This eased the concerns about sovereign debt default.
- Bank of England has kept its interest rate unchanged for 18th month at 0.5%. The inflation at 3.1% is significantly above the target of 2%.
- UK's trade deficit widened to a two year high in July'10. The trade gap in July'10 was 8.7bn pound as against 7.5bn pound in June'10.
- In July '10 UK's manufacturing posted the biggest annual gain since 1994 and rose for third consecutive month.
- German exports fell in July'10 after two months of strong gains. In July'10, German exports fell 1.5% m-o-m while imports shrank by 2.2% m-o-m leaving a trade surplus of 12.7bn euros.
- The inflation in Germany eased in August'10 to 1.0% from 1.2% in July'10.
- USA also reported better data on employment front and has narrowed its trade deficit helped by higher exports- highest since August'08.
- IIP numbers announced on Friday when the stock markets were closed may influence the market in next week. Other important events due next week are credit policy review by RBI and Inflation data for August'10.

Market Indices

SECTORAL INDICES				
INDICES	3-Sep-10	9-Sep-10	Change (%)	Difference
BSE				
Sensex	18221.43	18799.66	3.17	578.23
Bankex	12471.47	12984.19	4.11	512.72
IT Index	5460.74	5664.43	3.73	203.69
Metal Index	15346.56	16131.46	5.11	784.90
FMCG Index	3456.75	3467.60	0.31	10.85
Cap. Goods Index	14730.29	15094.78	2.47	364.49
Realty Index	3487.89	3553.50	1.88	65.61
Consumer Durables Index	5828.43	5909.50	1.39	81.07
OIL & GAS	9981.75	10175.11	1.94	193.36
AUTO	8970.48	9096.55	1.41	126.07
Healthcare Index	5630.46	5679.04	0.86	48.58
PSU Index	9808.82	10053.16	2.49	244.34
Mid-Cap Index	7859.11	8050.73	2.44	191.62
NSE				
S&P CNX Nifty	5479.40	5640.05	2.93	160.65
Bank Nifty	10991.20	11446.70	4.14	455.50
CNX IT Index	6076.10	6302.00	3.72	225.90
S&P CNX 500	4623.65	4740.35	2.52	116.70

GLOBAL INDICES				
INDICES	3-Sep-10	10-Sep-10	Change (%)	Difference
US Market**				
NASDAQ	2233.75	2236.20	0.11	2.45
Dow Jones	10447.93	10415.24	-0.31	-32.69
S & P 500	1104.51	1104.18	-0.03	-0.33
European Market**				
FTSE 100	5428.15	5494.16	1.22	66.01
CAC 40	3672.20	3722.15	1.36	49.95
Asian Market				
Nikkei	9114.13	9239.17	1.37	125.04
Strait Times	3002.56	3022.28	0.66	19.72
Hang seng	20971.50	21257.39	1.36	285.89
Shanghai Comp.	2655.39	2663.21	0.29	7.82

**Closing Price of 9th Sept

Institutional Activity (Equity)

INSTITUTIONAL ACTIVITY (Equity)

(Rs. In Cr)			
Day Wise	Purchase	Sale	Net
FII Activity			
Friday	2172.50	1686.30	486.20
Monday	2758.90	1719.40	1039.50
Tuesday	2650.10	2448.80	201.30
Wednesday	2424.90	1962.30	462.60
Thursday (provisional)	3266.19	2278.20	987.99
Friday	MARKET CLOSED	MARKET CLOSED	
Total	13272.59	10095.00	3177.59
DII Activity			
Friday	759.60	883.10	-123.50
Monday	1816.24	1424.11	392.13
Tuesday	1780.21	1339.07	441.14
Wednesday	1210.86	1309.07	-98.21
Thursday	1581.77	1783.30	-201.53
Friday	MARKET CLOSED	MARKET CLOSED	
Total	7148.68	6738.65	410.03

Weekly Sectoral Roundup

Out performer	Under performer	Neutral
METAL (+5.11%)	FMCG (+0.31%)	CAPITAL GOODS (+2.47%)
BANK (+4.11%)	HEALTHCARE (+0.86%)	
IT (+3.73%)	CONSUMER DURABLES (+1.39%)	
	AUTO (+1.41%)	
	REALTY (+1.88%)	
	OIL&GAS (+1.94%)	

Weekly Top Gainers

Name	close	pclose	%change
GODREJIND	244.65	210.75	16.09
ULTRACEMCO	1026.30	920.20	11.53
MLL	55.85	50.55	10.48
TATASTEEL	593.65	540.95	9.74
RENUKA	75.65	68.95	9.72

Weekly Top Losers

Name	close	pclose	%change
ASHOKLEY	72.35	75.65	-4.36
IOC	410.15	424.75	-3.44
POWERGRID	104.50	108.00	-3.24
LICHSGFIN	1178.20	1214.50	-2.99
CAIRN	326.30	336.10	-2.92

Outlook for the Week

Last week we wrote:” If Nifty manages to show decisive strength above 5490-5510 levels then higher prices may be seen, else volatility and range bound scenario with in 5510-5350 levels may be seen”

Nifty opened the week on a positive note at 5479.55 levels and showed excellent strength throughout the week. Nifty sustained above 5500 levels and made new 52-week high at 5647.45 levels Nifty closed the week in green at 5640.05 levels with 2.93% gains. Volumes were marginally lower than previous week. Nifty’s long term trend as well as short term trend is up. Nifty made Long candlestick pattern on weekly

charts, which shows bulls are in control at the moment. Nifty has crucial resistance within 5650-5750 range and some profit booking may be seen from these levels, which may be used for making fresh long positions.

For trading during the coming sessions, trend deciding level is 5650 If Nifty shows strength above 5650 levels then we may see rally to 5700/5750/5800/5850 levels. If Nifty doesn’t sustain above 5650 levels then decline to 5550/5450//5350 may also be seen.

NIFTY Futures View

Nifty Sep Future opened at 5615.7 tested the low of 5397.20 then due to long buildup touched the high of 5711.30 & closed at 5631.85. Technically speaking 5500-5450 mark will act as a support for the coming week. Possible resistance will be around 5700-5800. Some profit booking may be seen from resistance around 5700-5800.

View for Medium term Traders: On Medium term basis, Nifty has strong support around 5500-5450 mark. Medium term resistance will be around 5700-5800.

Trading strategy for Short term Traders: We are recommending buying strategy for the short term traders. Long position may be taken in the zone of 5635-5600 with the SL of 5560 for the target of 5700-5750.

For day-trading purpose on Monday: Long position may be taken in support zone around 5635-5610 with the SL of 5580, for the likely target of 5680-5720.

Nifty Trend Watch

Date	Nifty	Cash	September Future
9-09-2010	Close Today	5640.05	5631.85
Week Beginning 13-09-2010	R2	5800/5850	5800/5850
	R1	5700/5750	5700/5750
	Weekly Trend Deciding	5650	5650
	S1	5550/5450	5550/5450
	S2	5350	5350

Nifty Weekly

NSE Nifty [N59901] 5479.55, 5647.45, 5479.55, 5640.05, 3245452544 2.93%
 Price



Investment Ideas

Pidilite Industries Ltd. Result Update

Buy
(Medium Risk – Medium Return)

Price - ₹ 145.1
Date: 9 Sept 2010

The Standalone results are

Rs. In Crore	Q1 FY11**	Q1FY10**	%y-o-y	Q4FY10	%q-o-q
Net Sales	626	515	21.6%	447	40.2%
Other Income	6	8	-16.2%	7	-14.0%
Total Income	633	523	21.1%	454	39.3%
Raw Material	215	188	14.2%	174	23.1%
Other Expenses	262	217	21.0%	208	26.3%
Total Expenses	477	405	17.8%	382	24.8%
PBDIT	156	118	32.2%	72	115.9%
Interest	8	8	7.9%	6	40.7%
Depreciation	11	11	-5.2%	12	-6.1%
PBT	136	98	38.7%	54	151.1%
Tax	30	14	114.9%	-1	-4269.4%
PAT	106	84	26.0%	55	93.2%
Cash Profit	117	96	22.3%	67	76.0%
Equity (FV 1)***	51	25		51	
EPS(Rs)*	8.39	13.32		4.34	
CMP(Rs)	145	145		145.1	
P/E	17.3				
Dividend%					
PBDITM%	24.9%	22.9%		16.1%	
PATM%	17.0%	16.4%		12.3%	
*Annualized					

*** PIL has issued 1:1 bonus shares in March 2010

Results Highlights:

- Pidilite Industries Limited (PIL) reported impressive results in Q1FY11 by registering a 26% y-o-y growth in net profit, while on q-o-q it posted a 93% growth.
- Top line of PIL grew by 22% y-o-y in Q1FY11 to ₹626cr.
- During Q1FY11 expenses increased by 18% y-o-y on account of higher production and promotional expenses.
- During Q1FY11 PBDITM and PATM improved by 200bps and 60 bps respectively on y-o-y basis while on q-o-q basis there is major jump in margins.
- Foreign exchange loss also reduced during Q1FY11 to ₹1cr as compared to ₹ 6.2cr in Q1FY10 on account of strong rupee during that period.
- The growth in PAT is lower than that of operating profit due to higher tax burden. The effective tax rate during the quarter is higher than last year owing to expiry of the tax holiday period (Five years) in three manufacturing units.
- During Q1FY11 PIL has a cash profit of ₹117cr which recorded a 22% growth from Q1FY10.

- In FY10 PIL has given total dividend of ₹1.50 per share including a special dividend of ₹ 0.50 per share

Segment Performance:

Revenues in ₹Cr	Q1FY11	Q1FY10	Var%	FY10	FY09	Var%
Consumer & bazaar products	497	411	21.17%	1482	1289	14.91%
Industrial chemicals	139	115	21.75%	465.3	410.8	13.27%
Others	18	25	-28.00%	17.6	146.7	-88.00%

EBIT in ₹ Cr	Q1FY11	Q1FY10	Var%	FY10	FY09	Var%
Consumer & bazaar products	150.5	121.6	23.77%	384.9	254.6	51.18%
Industrial chemicals	24.5	19.7	24.37%	91.5	53.1	72.32%
Others	(3.20)	(2.80)	14.29%	(12.60)	9.30	-

EBITM %	Q1FY11	Q1FY10	FY10	FY09
Consumer & bazaar products	30.26	29.62	25.98	19.75
Industrial chemicals	17.58	17.21	19.66	12.93
Others (VAM)	-	-	-	-

- The Consumer and Bazaar product segment registered a revenue growth of 21% y-o-y in Q1FY11 mainly driven by volume growth coupled with selective price increase of the products while EBIT of this segment showed a growth of 24% yoy.
- In Industrial Chemicals segment revenue grew by 22% y-o-y in Q1FY11 on account of higher volumes of Resins and Pigments in domestic as well as in international markets. The input cost of this segment increased during Q1 but that were offset by rise in prices of these products leading to growth of PBIT of 24% y-o-y.
- Company's other business includes manufacturing and Sale of Vinyl Acetate Monomer (VAM). Since the price of bought out VAM was lower than in-house production cost, the company has opted to import this for the time being.

Global operations:

PIL has 13 overseas subsidiaries whose contribution towards consolidated revenue was ₹75 cr during Q1FY11 as against ₹66cr in Q1FY10 while EBITDA contribution reduced on y-o-y basis to ₹1.7cr with a decline of 37%.

- North America: Slow economic recovery in this region resulted in flat sales in Q1FY11
- Middle East & Africa: Sales were impacted in the region mainly due to economic slowdown.

- South East Asia: This region has contributed higher sales and positive EBITDA. The operation in Bangladesh reported higher sales whose operation started in H2FY10.

Sales in ₹Cr	Q1FY11	Q1FY10	Var%
North America	33.9	34.2	-0.88%
South America	28	22.8	22.81%
Middle East & Africa	4.8	5.3	-9.43%
South& South East Asia	8	4.3	86.05%

EBITDA in ₹Cr	Q1FY11	Q1FY10	Var%
North America	2.2	1.7	29.41%
South America	0.2	2.6	-92.31%
Middle East & Africa	-2.1	-1.1	-
South& South East Asia	1.4	-0.5	-

Status of synthetic elastomer manufacturing unit at Dahej: The commercial production has not started so far.

Risk & Concerns:

- The company has exposure to forex and currency fluctuation would result in fluctuation in bottom-line
- Most of the raw materials used by PIL are crude based. Any significant Increase in crude oil price would have impact on Bottom-line.

Recommendation:

The company reported strong Q1FY11 results improving its margins significantly on q-o-q basis. The overseas subsidiaries are in their initial period of business and have incurred small losses. Going forward once its Dahej project gets operational it can add to PIL's revenue & profits. We have revised our estimates on the basis of its Q1FY11 results and expect better margins for FY11E. At CMP ₹145 the Company is trading at a forward earning multiple of 21.2x of FY11E. Long term investor can buy at this counter for a target of ₹160 in medium term

Satyam Computers Services Ltd. **Buy**
Update **(High Risk-High Return)**

Price - ₹ 91.85
Date: 8th Sept, 2010

Satyam Expected to Announce Results

Satyam Computers Services (“Mahindra Satyam” or “Satyam”), a leading IT company, is expected to announce its results by the end of this month; after a gap of around a year and a half – since the fraud came open in Jan’2009. Recuperating under the able management of Mahindra Group, the company has done reasonably well as far as announcements and news is to be believed. Barring initial 6-7 months since the scam broke, there has been no news or announcements of company losing any major clientele. In fact, Satyam has secured over 40 orders in last 18 months. It successfully delivered project to one of the world’s largest sporting event, FIFA World Cup. The key success metrics for an IT company – new orders, existing clientele and manpower strength; are all in place for Mahindra Satyam.

We conservatively expect the company to post a sales of ₹8,000 Crore for FY10. Margins are expected to be quite tighter than in the past. But we believe that the company will be able to recover its margins (in line with its peers) under the effective leadership of Mahindra Group.

The stock is currently undervalued and we see a significant upside for high-risk investors for a high return.

Investment Rationale

- **New Orders received in recent past:** Satyam has been able to receive orders repeatedly from their existing as well as new clients indicating the faith it has regained under the umbrella of Mahindra group. In the last 18 months, the company secured over 40 orders. The key orders secured are included in the following table.

Announced Date	Order Size	Order Received From	Order Details
03-Sep-10	multi- million dollar	A large health insurer in US	For re-engineering of the electronic transaction system and upgrading the applications to make it compliant with the new HIPAA rules.
30-Jul-10		UIDAI	Consortium led by Satyam & Morpho selected to implement and deliver the Aadhaar program by UIDAI (Unique Identification Authority of India)
07-Jul-10		BASF IT Services	Launch of an Offshore Development Centre (ODC) for BASF IT at its Chennai Office. It provides managed services for the company’s extensive installed base of SAP, as well as user administration.
20-May-10		GlaxoSmithKline	Renews contract for next 5 yrs. The BPO arm to provide high-end artwork and design services to the pharmaceutical company.
12-Mar-10	USD 48mn	KMD	Renewal of 4 year offshore contract with KMD (one of Denmark’s largest companies) ending in Dec 2013. It was

			due to expire this year. Scope includes application development work, primarily SAP, as well as other technologies such as mainframe applications, .Net, Java, BizTalk, WebLogic, PL/1, Sharepoint and MQ Series
06-Feb-10	2 multi-million dollar contracts	Brazil countries	Satyam reinforces its business commitment towards Latin America. Its subsidiary, Satyam Services De Informatica in Sao Paulo, Brazil won two contracts
21-Oct-09	AED 30 million	MENA region	Secured sizeable contracts totalling to AED 30 million in Q2FY10.
25-Sep-09	multi-million dollar	GE	Extension of its multi-million dollar contract with GE for next 3 years effective 01 January 2010. GE is being ably supported in the specialized areas of Application Development Maintenance, Business Intelligence and engineering services.
09-Jul-09		GSK	A new 5 yr contract to provide systems support to GSK's businesses across the world.

- **Partnerships & JVs:** Even after the dent arising out of the scam, Mahindra Satyam has been able to attract various companies for collaborations to explore various services offerings. The key partnerships are listed below.

Date	Company	Objective
03-Aug-10	Sybase Software (India)	To provide secured enterprise mobility solutions to customers globally
30-Jun-10	Direct Channel Holdings	The alliance allows Direct Channel to extend its service offerings to its already extensive domestic customer base to meet today's complex business challenges
04-Nov-09	SAAB	To develop its operations in India for the global defence and homeland security market. Under this initiative, Mahindra Satyam and Saab will jointly address the Battlefield Management system (BMS) for the Indian Army
15-Sep-09	O C Tanner	To provide a range of application development services to expand O.C. Tanners technology platform and extend its industry leadership position.

- **New Recruitments in Progress:** Mahindra Satyam is once again on recruitment drive. The company is looking out for both fresh and experienced manpower indicating that the company is not over-staffed. It also indicates the company has orders in hand for which more manpower is being looked out.
- **Strong Focus on Regional Sales:** The Company has been focusing on growing its existing roster of regional clients in various regions.
 - Recently, company has augmented its team for Asia Pacific sales operations in recent past, with several new executive appointments. Some of senior level appointments include Head of Sales for ASEAN (The Association of Southeast Asian Nations), Country Manager for New Zealand, Head of SAP practice for APAC, Country Manager for Thailand, and Country Manager for Japan.

- Mahindra Satyam expanded its sales team by including two IT veterans for its Malaysian business, to accelerate growth in key industries and solutions segments in Malaysia.
- The Company has been building up its focus on MENA region. It has secured sizeable contracts totalling to AED 30mn in Q2FY10. It is strengthening its resources to leverage the growing demand within the government, banking, telecom and real estate sectors in the region.
- **Launch of single-window engagement model for Aerospace & Defence:** The Company is focussing on aerospace & defence sector for business. It has recently launched a single window 'Art-to-Part' engagement model for partners in Aerospace & Defence. The model covers both design and manufacturing areas across the product development lifecycle including after-market services. The will create another revenue stream for Satyam.
- **New Migration Solutions for Healthcare Sector:** Mahindra Satyam recently developed integrated migration solutions for healthcare payer organizations to meet the new federal and Health Insurance Portability and Accountability Act (HIPAA) rules. The new rule and technology will help Satyam secure new orders from Healthcare sector.
- **Certified Globally in the Run SAP methodology:** The Company was certified by SAP AG as a provider of solution implementation based on the Run SAP methodology globally. Previously, the company was certified locally to perform implementation for customers in India and the United States. This will further boost up the revenue generation capabilities for the company.
- **Oracle Partner Network (OPN) Platinum level partner:** Mahindra Satyam achieved platinum partner status in the OPN by attaining platinum level membership. This indicates that Oracle has recognized Mahindra Satyam for its in-depth expertise in delivering enterprise applications, providing accelerated business transformation solutions and for uniquely addressing the challenges of joint customers.
- **Re-instated variable portion of compensation for associates as early as in Sep'09:** In a cost rationalization exercise in March'09, Satyam (before takeover by Mahindra) announced a drastic cut in variable pay of its staffs. However, it was re-instated within 6 months under Mahindra management. Under this, benefits such as ESOPs and welfare programs were reintroduced.

Financial Analysis

Financials (Consolidated)

	Q3FY09	Q3FY08		Q2FY09		FY08
(in ₹ Crore)	(Dec'08)	(Dec'07)	Var(%)	(Sep'08)	Var(%)	(Mar'08)
Net Sales	2414.43	2,031.72	18.8	2,819.29	-14.4	8,473.49
Other Op. Income	-87.22	0	-	0	-	0
Total Income	2327.21	2031.72	14.5	2819.29	-17.5	8473.49
Total Expenditure	2058.54	1629.02	26.4	2168.37	-5.1	6638.66
Opr. & Adm. Exp.	443.39	325.59	36.2	446.84	-0.8	1,313.11
Employee Cost	1614.52	1,302.75	23.9	1,721.10	-6.2	5,259.50
Others Exp.	0.63	0.68	-7.4	0.43	46.5	66.05
PBDIT	268.67	402.7	-33.3	650.92	-58.7	1834.83
Depreciation	73.94	39.06	89.3	64.48	14.7	163.59
PBIT	194.73	363.64	-46.4	586.44	-66.8	1671.24
Other Income	0	0		0	-	267.2
Interest	14.79	4.18	253.8	13.21	12.0	20.19

PBT	179.94	359.46	-49.9	573.23	-68.6	1918.25
Tax	19.89	60.91	-67.3	71.96	-72.4	230.36
Profit after Tax	160.05	298.55	-46.4	501.27	-68.1	1687.89
Consol. PAT	160.05	298.55	-46.4	501.27	-68.1	1687.89
Cash Profit	233.99	337.61	-30.7	565.75	-58.6	1851.48
PBDIT%	11.1%	19.8%		23.1%		21.7%
PAT%	6.6%	14.7%		17.8%		19.9%
Remarks	Letter of Offer#	These results might be inflated, and so may not be correct				

#: Results are as per the Letter of Offer of Jun'09. It is still unaudited and based on Satyam's internal MIS & books of accounts

The former Chairman Ramalinga Raju admitted of inflated books of accounts in January 2009. According to him, the irregularities were in accounts of the standalone entity only. Since, no official estimate on the actual numbers have been declared to the public, either by probing team or company officials, we continue to assume that the revenue has been inflated by ₹588 Crore (for Q2FY09) as confessed by former chairman.

For Standalone (in ₹ Crore)	Reported (inflated)	Actual (as confessed)	Period/ as on	Q3FY09#
Revenue	2,700	2,112	Q2FY09	2,294
Operating Profit	649	61	Q2FY09	364
Cash & Bank Balance	5,361	321	Sep'08	-

#: Results are as per the Letter of Offer of Jun'09. It is still unaudited and based on Satyam's internal MIS & books of accounts

Our Revenue Estimate

Revenue for FY10 for Mahindra Satyam: **₹8,000 Crore**

We have estimated revenue on a conservative estimate. The following points have been taken into consideration for revenue assumption:

- Revenue for Q3FY09 is fair enough to give a guidance of actual un-inflated revenue of the company. Still, we discount this by 15% for the calculation of annual revenue assuming a uniformly distributed quarters.
- There have been a few clients who broke their association with Satyam within 6-7 months of scam. A significant revenue loss is not ruled out. However, there has been no news of loss of client/revenue in last one year.
- Over the last 18 months, the company has secured nearly 40-50 big & small contracts. The company successfully delivered project for the FIFA World Cup – one of the world's biggest sporting event. All these give an indication of revenue addition for the company.

- We assume that the loss of revenue identified in the scam and loss due to break-up with clients, would be compensated with new clients acquired in the last 18 months; and revenue growth in existing businesses/clients.
- Infosys, TCS and Wipro registered an average growth of over 34% in consolidated net sales (FY10) over their respective FY08 number. However, we have not estimated any sales growth for the company.

Valuation:

Due to unavailability of the company financials and irregularities in the historical data, it's difficult to estimate future results and other valuation metrics. So, we have tried to value Satyam vis-a-vis its near competitors using Market Cap.-to-Sales basis.

	Mahindra Satyam	Infosys	TCS	Wipro
Sales (₹ Crore)	8,000.0	22,742.0	30,028.9	27,212.9
CMP (₹, 08 Sep'10)	93.75	2,872.05	876.80	409.90
Market Cap. (₹ Crore)	11,028	164,827	171,609	100,452
Market Cap. to Sales (x)	1.38	7.25	5.71	3.69

Even with a conservative revenue estimate for Mahindra Satyam, Market Cap-to-Sales ratio for Mahindra Satyam is quite low compared to the selected peers.

In fact, analyzing Market Cap-to-Sales ratio for the top 10 companies (by Market Cap.), we see that Mahindra Satyam is the least valued company.

Company Name	Market Cap/Sale
Tata Consultancy Services Ltd.	5.71
Infosys Technologies Ltd.	7.25
Wipro Ltd.	3.69
HCL Technologies Ltd.	2.69
Oracle Financial Services Software Ltd	6.19
Mphasis Ltd.	3.17
Mahindra Satyam Ltd	1.38
Tech Mahindra Ltd.	1.91
Financial Technologies (India) Ltd.	19.97
Patni Computer Systems Ltd.	1.88
Avg. (excl. Financial Tech.)	3.75
Max. (excl. Financial Tech.)	7.25
Min. (excl. Financial Tech.)	1.30

Note: Market cap calculated as on 8th Sep'10

Targeting a Market Cap-to-Sales ratio of 2.5, we see the target price of Mahindra Satyam at ₹170.

Identified Liabilities

Apart from the unknown liabilities arising due to the scam, key liabilities for the company since the unveiling of scam and last announced results are as follow:

- 37 companies have made a refund claims of ₹1,230 Crore from Satyam.
- There was a legal tussle with Upaid Systems of UK since 2005 (before the scam). As per the settlement announced on 9th December 2009, Satyam was supposed to pay US\$ 45mn within 10 days and is liable to pay another US\$ 25mn within a year of the payment of US\$ 45mn.

Risk and Concerns

- The delay in the announcement of the restated results would imply that the share will continue to languish at the current levels.
- Mahindra Satyam has not reported its financial results since Q3FY09. Historical results too were manipulated. So any significant correction in financials might have adverse affect on the market capitalization of the company.
- The company generates around 75% of its revenue from North America. In case of any government regulation against outsourcing, revenue generation of the company might get affected. This is a risk for the IT industry and would impact the valuation of the companies in this space.
- Since most of revenue is generated in foreign exchange, particularly US Dollar, fluctuations in exchange rate would have a bearing on performance.
- In case there is a merger with the parent company, Tech Mahindra, the conversion ratio will influence the returns to the investors.
- High employee attrition is a typical risk associated with this industry.
- Impact of legal cases against the company arising out of the scam may be significant.
- L&T holds around 4.58% stake in the company. Stock might see a sharp downward movement if L&T intends to sale the stake.

Recommendation

Mahindra Satyam has done reasonably well after Mahindra group took over the management control of the company. There has been no announcement about any major client breaking up their association with the company in last one year. In fact, in last 18 months, Satyam has secured over 40 orders – both big & small. It has successfully delivered project for FIFA World Cup. With continued order flow, clientele retention, and efficient manpower in place; we believe the company is well in growth mode.

The company is expected to declare results by the month end after a gap of around 2 years. We expect the results to be quite better than expected. In fact, we believe the revenue would be above ₹8,000 Crore for FY10. Margins might be a bit low but under the able management of Mahindra, we believe the company will improve the margins at the levels of its peers in due course of time. Currently, the stock trades at ₹91.85. Even with a conservative revenue estimate, the stock trades at 1.38x on Market Cap to Sales compared to an average of 3.75x for top 10 companies (by market cap, except Financial Technologies).

The above is based on a number of assumptions and a fall in share prices is not ruled out in the event the results are not in line with the assessment or there are negative surprises on the liabilities front. Therefore, it would be prudent for investors to wait for the announcement of results and other important details about the financial position of the company. However traders willing to take high risk can accumulate the stock around current market price for a target of Rs 125.

Derivatives Statistics

SYMBOL	PREV. WEEK	PCR OI		% CHANGE	TOTAL FUTURES OI		% CHANGE
		CURR. WEEK			OI PREV. WEEK	OI CURR WEEK	
NIFTY	1.38	1.48	7.25	36,672,450	41,287,700	12.59	
MININIFTY	0.91	1.36	49.45	1,379,060	2,068	-99.85	
BANKNIFTY	1.91	2.13	11.52	2,580,275	2,801,675	8.58	
ABB	0.81	0.74	-8.64	1,191,000	1,207,000	1.34	
ACC	0.56	1.43	155.36	2,673,000	3,136,750	17.35	
AMBUJACEM	0.46	0.78	69.57	22,332,000	27,424,000	22.80	
AXISBANK	1.11	0.90	-18.92	4,210,000	4,388,500	4.24	
BHARTIARTL	0.50	0.63	26.00	22,947,000	24,213,000	5.52	
BHEL	0.30	0.39	30.00	2,617,250	2,594,000	-0.89	
BPCL	0.36	0.30	-16.67	4,050,500	4,393,000	8.46	
CAIRN	0.33	0.32	-3.03	18,386,000	18,877,000	2.67	
CIPLA	0.23	0.24	4.35	7,147,000	7,808,000	9.25	
DLF	0.62	0.56	-9.68	14,840,000	15,008,000	1.13	
GAIL	0.32	0.24	-25.00	4,217,500	4,607,500	9.25	
HCLTECH	0.26	0.22	-15.38	2,643,000	3,069,000	16.12	
HDFC	0.41	0.52	26.83	9,792,500	10,785,625	10.14	
HDFCBANK	0.56	0.60	7.14	4,373,000	4,604,000	5.28	
HEROHONDA	3.91	2.95	-24.55	4,040,250	4,401,000	8.93	
HINDALCO	0.69	0.91	31.88	20,654,000	24,082,000	16.60	
HINDUNILVR	0.92	0.81	-11.96	12,251,000	12,720,000	3.83	
ICICIBANK	0.72	0.94	30.56	18,021,000	20,247,500	12.36	
IDEA	0.46	0.51	10.87	37,244,000	37,280,000	0.10	
IDFC	0.37	0.33	-10.81	16,392,000	18,792,000	14.64	
INFOSYSTCH	0.55	0.92	67.27	4,035,750	4,577,500	13.42	
ITC	0.48	0.32	-33.33	37,158,000	42,970,000	15.64	
JINDALSTEL	0.36	0.33	-8.33	6,211,500	6,110,500	-1.63	
JPASSOCIAT	0.39	0.43	10.26	38,716,000	36,466,000	-5.81	
KOTAKBANK	0.14	0.20	42.86	3,156,500	3,166,500	0.32	
LT	0.64	0.50	-21.88	4,125,000	4,814,000	16.70	
M&M	0.32	0.21	-34.38	7,483,750	8,171,500	9.19	
MARUTI	0.36	0.33	-8.33	3,132,750	3,115,000	-0.57	
NTPC	0.22	0.22	0.00	19,487,000	21,031,000	7.92	
ONGC	0.37	0.40	8.11	2,457,750	3,118,000	26.86	
PNB	0.81	1.13	39.51	2,429,500	2,865,000	17.93	
POWERGRID	0.13	0.13	0.00	19,366,000	20,058,000	3.57	
RANBAXY	0.43	0.32	-25.58	2,990,000	3,071,000	2.71	

RCOM	0.29	0.25	-13.79	33,450,000	35,718,000	6.78
RELCAPITAL	0.54	0.38	-29.63	9,452,000	9,611,000	1.68
RELIANCE	0.27	0.33	22.22	32,324,250	30,893,750	-4.43
RELINFRA	0.34	0.26	-23.53	9,680,000	9,750,250	0.73
RPOWER	0.26	0.26	0.00	27,570,000	28,112,000	1.97
SAIL	0.26	0.40	53.85	7,915,000	7,868,000	-0.59
SBIN	0.57	1.10	92.98	5,220,875	6,367,875	21.97
SIEMENS	0.11	0.13	18.18	1,485,500	1,783,000	20.03
STER	0.27	0.32	18.52	35,677,000	34,579,000	-3.08
SUNPHARMA	0.00	0.07	0.00	787,125	927,750	17.87
SUZLON	0.37	0.39	5.41	87,332,000	87,740,000	0.47
TATAMOTORS	0.42	0.45	7.14	14,218,000	14,727,500	3.58
TATAPOWER	0.07	0.05	-28.57	1,841,500	1,899,750	3.16
TATASTEEL	0.59	0.70	18.64	23,046,000	24,016,000	4.21
TCS	0.42	0.44	4.76	6,741,000	6,807,500	0.99
UNITECH	0.60	0.70	16.67	60,136,000	58,320,000	-3.02
WIPRO	0.41	0.26	-36.59	7,042,182	7,577,801	7.61

Nifty Stock Level (Cash)

SCRIPS	LTP	R1	R2	S1	S2	trend
ABB LTD.	785.00	794.00	803.00	778.00	770.00	Downtrend
A.C.C.	980.90	1025.00	1069.00	915.00	848.00	Uptrend
AMBUJACEM	136.50	142.00	148.00	128.00	119.00	Uptrend
AXISBANK	1379.40	1402.00	1425.00	1362.00	1344.00	Downtrend
BHARTIARTL	350.10	360.00	370.00	339.00	327.00	Uptrend
BHEL	2477.20	2509.00	2542.00	2418.00	2359.00	Uptrend
BHARAT PETRO	750.80	770.00	789.00	736.00	720.00	Downtrend
CAIRN	326.30	335.00	343.00	322.00	316.00	Downtrend
CIPLA	306.50	314.00	322.00	302.00	297.00	Downtrend
DLF	322.00	327.00	332.00	315.00	307.00	Uptrend
GAIL	461.60	471.00	481.00	455.00	448.00	Downtrend
HCL TECHNOLO	410.10	415.00	421.00	401.00	392.00	Uptrend
HDFC BANK	2244.85	2273.00	2302.00	2194.00	2143.00	Uptrend
HERO HONDA	1733.15	1758.00	1783.00	1701.00	1668.00	Uptrend
HINDALCO	182.40	187.00	192.00	175.00	167.00	Uptrend
HINDUNILVR	279.05	286.00	294.00	270.00	261.00	Uptrend
ICICI BANK	1050.20	1070.00	1090.00	1016.00	981.00	Uptrend
IDEA	76.75	80.00	84.00	72.00	67.00	Uptrend
IDFC	189.35	473.00	510.00	416.00	395.00	Uptrend
INFOSYS TECH	2895.00	2935.00	2976.00	2820.00	2745.00	Uptrend
ITC	162.35	166.00	170.00	160.00	157.00	Downtrend
JINDL STL&PO	714.95	728.00	741.00	695.00	674.00	Uptrend
JPASSOCIATEQ	119.60	123.00	126.00	115.00	109.00	Uptrend
LT EQ	1881.50	1905.00	1929.00	1843.00	1804.00	Uptrend
MAH & MAH	655.60	671.00	687.00	627.00	598.00	Uptrend
MARUTI	1314.80	1343.00	1371.00	1282.00	1248.00	Uptrend
NTPC EQ	202.65	208.00	213.00	194.00	184.00	Uptrend
ONGC CORP.	1355.95	1379.00	1403.00	1326.00	1296.00	Uptrend
PNB	1222.40	1244.00	1266.00	1201.00	1179.00	Uptrend
POWERGRID	104.50	108.00	112.00	102.00	99.00	Downtrend
RANBAXY LAB.	506.20	519.00	532.00	499.00	491.00	Downtrend
RCOM	163.60	168.00	172.00	160.00	155.00	Uptrend
REL.CAPITAL	781.65	799.00	817.00	769.00	756.00	Downtrend
RELIANCE	958.55	979.00	1000.00	930.00	901.00	Uptrend
RELINFRA	1011.25	1042.00	1073.00	994.00	976.00	Downtrend
RPOWER	155.30	160.00	165.00	153.00	150.00	Downtrend
SAIL	199.85	204.00	210.00	193.00	187.00	Uptrend
SIEMENS	710.35	721.00	732.00	699.00	687.00	Uptrend
STATE BANK	2984.05	3061.00	3138.00	2841.00	2697.00	Uptrend
STER EQ	165.55	170.00	175.00	160.00	154.00	Uptrend
SUN PHARMA.	1745.55	1824.00	1903.00	1692.00	1638.00	Uptrend
SUZLON	51.35	53.00	55.00	50.00	48.00	Uptrend

TATA POWER	1259.90	1287.00	1315.00	1241.00	1222.00	Uptrend
TATAMOTORSEQ	1014.85	1048.00	1081.00	995.00	975.00	Downtrend
TATASTEEL	593.65	613.00	633.00	558.00	522.00	Uptrend
TCS EQ	874.70	893.00	912.00	847.00	819.00	Uptrend
UNITECH LTD	82.05	84.00	87.00	80.00	78.00	Uptrend
WIPRO	408.00	416.00	424.00	401.00	393.00	Uptrend

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