Index performance

	Yesterday	MTD%	12 mth %
BSE Sensex	**19,261**	(0.5)	40.3
NSE Nifty	**5,777**	0.2	47.0
Nifty Junior Index	**11,701**	2.4	68.2
Nasdaq	**2,574**	(3.3)	5.7
DJIA	**13,167**	(1.5)	5.8
Nikkei	**15,265**	(2.7)	(10.0)

Commodity Prices

Commodity	Yesterday	MTD%	12 mth %
Crude (US$/bbl)	**91.6**	3.3	48.6
Gold (US$/troy oz)	**793.3**	1.3	29.2
Silver (US$/troy oz)	**13.9**	(1.4)	12.0
Copper (cents/lb))	**6,381.0**	(8.8)	(3.8)
Aluminium (US$/t)	**2,530.5**	(3.6)	(3.3)
Zinc (US$/t)	**2,299.0**	(11.4)	(46.7)

Currencies

	Yesterday	12 mth %
US$/Rs	**39.60**	12.7
US$/EUR	**1.44**	10.2
US$/Yen	**113.25**	4.4

Net Inflow/Outflows (US$m)

	14-Dec-07	MTD	YTD
FIIs	**102.9**	1,157.3	17,721.2
MFs	**(55.3)**	16.8	747.9

FII activity in derivatives (US$m)

	Index	Stocks
Net buying	**(426)**	(128.9)
Open interest	**7,216**	12,609
Chg in open int.(DoD %)	**(0.3)**	(5.4)

Source: Bloomberg

What's inside...

- **News analysis**
- **Dealer Comments** (Yesterday's wrap up and Outlook for today)
- **Stock Idea / Visit note** (Initiating Coverge – M&M)
- **Technical update**
- **Charts** (FII F&O open interest, Relative commodities, Indices)

News analysis

Corporate

- **Housing Development and Infrastructures Ltd (HDIL) – HDIL plans Rs10bn foray into entertainment**

  Key data: CMP: Rs966, Market cap: Rs206.9n / US$5.1bn, **Not rated**

  Impact: Positive

  Real estate firm HDIL has decided to enter the entertainment sector under the brand name 'Broadway'. HDIL will invest close to Rs10bn to fund its organic as well as inorganic expansion in the country's multiplex market. The company has plans to set up over 150 theaters in cities like Mumbai, Bangalore and Kochi by the end of the fiscal 2009. The company said that it is scouting for acquisitions in the theater chain business and talks are on with various firms in the industry. HDIL will set up its first Broadway theatre in Vasai, a Mumbai suburb (ET)

- **RCOM – RCOM to invest Rs 8bn in Uganda**

  Key data: CMP: Rs718, Market cap: Rs1469bn / US37.2$bn, FY08E P/E: 31.5x, **Hold**

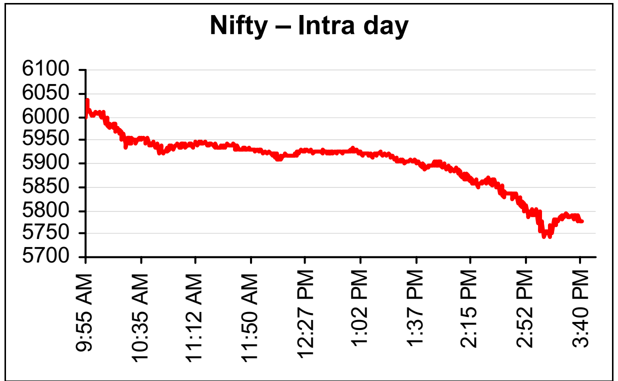
  Impact: Positive

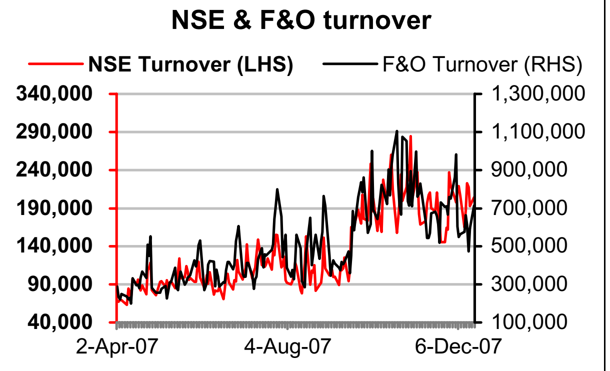
  RCOM will invest Rs 8bn to roll out telecom network- fixed and mobile- in Uganda. The company has bagged a licence to be the sixth telecom operator. RCOM has in principle bagged two licences – Public Infrastructure Provider (PIP) and Public Service Provider (PSP)- which will allow the company to offer mobile, fixed, internet, national and international long distance services in addition to WiMax and Wifi services in Uganda (ET)

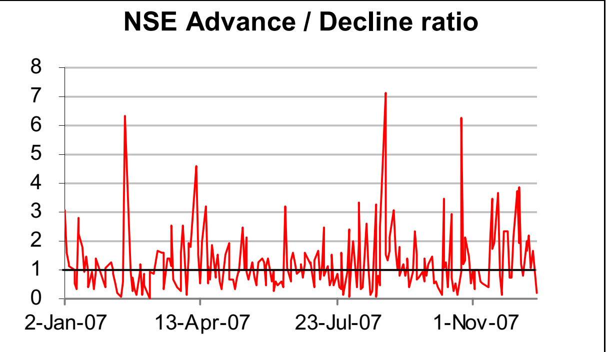
Others

- **BHEL, NTPC sign JV agreement.:** Power equipment supplier BHEL signed an agreement with NTPC Ltd for setting up a joint venture company for carrying out EPC projects in the sector. The move would help NTPC, the country's leading power generation firm, to enter into equipment manufacturing space. (BS)

Dealer comments







Source: Bloomberg, Religare Institutional Equity Research

Yesterday's wrap up

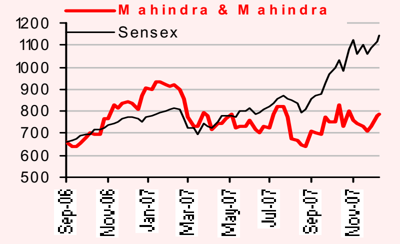
The Markets gave up all the gains that it had logged while consolidating in the past one month. The force with which the Markets sold off today showed that the strength that was being spoken about was only a camouflage. The Market fell 770 points and closed almost at the days lows. The sectors that bore the brunt of this huge selling today were Metals, Telecom and Power. Infact these were the very sectors that were outperforming since the past 2 weeks. If the Market falls another 500 points tomorrow, it would be a good buying opportunity for the short to medium trend.

Outlook for today

The US was once again down 172 points and the Nasdaq was down 61 points. The reason for the fall in the US is poor holiday sales and fears of a recession looming large. The Asian Markets have expectedly opened weak and India too should open weak. However if the Market does continue its fall with the same pace as yesterday, buying should emerge in frontline stocks by domestic FII's. This is not a market to short and buying on dips like the one we had yesterday can ensure handsome returns in both frontline and Mid cap stocks.

Stock Idea / Visit note

Key data	
Sector	Automobiles
Market Cap	Rs190bn/US$4.8bn
52 Wk H/L (Rs)	1002/608
Avg. daily vol. (6 month)	960,189
BSE Code	500520
NSE Code	M&M
Bloomberg	MM IN
Reuters	MAHM.BO
Sensex	19,261
Nifty	5,777



Shareholding pattern (%)

	30-Jun-07	30-Sep-07
FIIs NRI, Adr/GDR	37.3	35.0
MFs and institutions	23.2	25.6
Promoters	22.9	22.7
Others	16.7	16.8

Absolute returns (%)

	1mth	3mth	12mth
M&M	5.5	10.8	(4.3)
Sensex	(2.2)	24.2	41.5
BSE Auto	5.4	13.7	5.8

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Mahindra & Mahindra

Initiating coverage

Accumulate | **Current Price: Rs.768** | **Target price: Rs.939**

We are initiating coverage on Mahindra & Mahindra (M&M) with an **Accumulate** rating. We expect a rebound in tractors as growth rates reverse to their mean. New launches over the next two years will completely revamp its UV portfolio and help sustain its market position. Competition is expected to remain moderate. JVs and subsidiaries add significant value and provide a cushion in case of any slowdown in the core business. Rising capex and depreciation mean that earnings growth will moderate. However, valuations reflect this and will rebound with any positive news.

Upturn in the tractors cycle to benefit M&M the most. The recent slowdown in tractor sales was driven by an increase in interest rates, tightening of credit norms and rationalization of dealer inventory. Tractor sales will recover in FY09 driven by good monsoons, increase in prices of agricultural products, increase in allocation of fund towards rural credit and softening of interest rates. As the market leader, M&M will be the key beneficiary.

New launches will improve its product offering. M&M is set to completely revamp its UV product portfolio, with the launch its new MPV *Ingenio* in Q3FY09 and a new UV platform in H2FY10. The new MPV *Ingenio* will focus on the rural and the taxi segment and will be the key growth driver in the next few years. A presence across all sub-segments will boost volumes and improve its market position.

Competition to remain moderate till FY10. Till FY10 M&M is unlikely to face any serious competition in its key segments i,e UVs, LCVs, tractors and three wheelers. Threat from new entrants also appears to be low till FY10, when competition in UVs could intensify.

New JVs and subsidiaries add value. M&M's JVs with international players can create substantial value in the coming years. The near term trigger will be the listing of Mahindra Holidays.

Capex cycle to slow earnings. M&M will spend Rs55bn or 1.7x its FY07 gross block in the next four years. The resultant increase in depreciation will slow down earnings growth.

Valuations attractive. We have valued M&M at Rs939 based on a sum-of-the parts (SOTP) valuation method. Its subsidiaries and investments are valued at Rs479 and its core business at Rs460/shares, based on a P/E of 11.0x 2- year forward earnings. We initiate coverage with an **Accumulate** rating.

Financials - Standalone

Year to 31 March	FY04	FY05	FY06	FY07	FY08E	FY09E	FY10E
Net Revenues (Rs mn)	49,757	66,748	82,408	100,798	120,344	140,536	163,259
EBITDA (Rs mn)	5,471	7,852	9,862	12,924	13,446	15,693	18,218
PAT adj (Rs mn)	3,311	5,038	7,169	9,995	9,624	10,775	11,843
EPS adj (Rs)	14.3	22.1	31.4	42.4	40.4	45.2	49.7
EPS diluted (Rs)	14.2	21.3	29.9	40.7	38.3	42.8	47.0
EPS growth (%)	202.4	55.1	41.9	35.1	(4.7)	11.9	9.9
P/E (x)	54.2	36.0	25.7	18.9	20.0	17.9	16.3
Div. yield (%)	0.6	0.8	1.3	1.5	1.6	1.6	1.6
RoE (%)	18.5	22.9	23.0	24.1	21.2	20.5	19.9
RoCE (%)	19.5	20.4	27.5	22.4	18.6	17.2	16.6
Price/BV (x)	10.0	8.6	6.2	5.1	4.3	3.7	3.1
EV/EBITDA (x)	32.8	21.9	17.7	14.0	14.3	12.6	11.0
EV/Sales (x)	3.6	2.6	2.1	1.8	1.6	1.4	1.2

Source: Religare Institutional Equity Research

Note: Detailed note will be shortly sent in a separate mail.

Technical update

S&P Nifty (5777.00 points) (-270.70 pts)

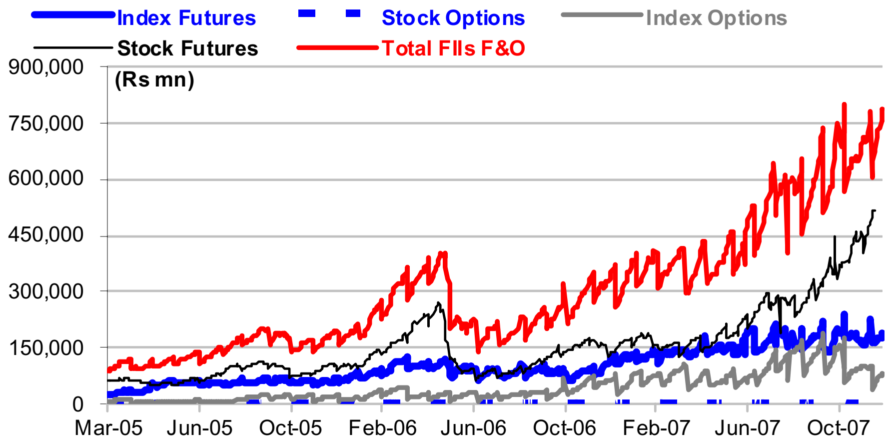
It was a brutal carnage of the Bulls as it was among the biggest single day fall on the bourses. From the opening bell the Bears were in command and when 5905 points got breached it was panic bull liquidation. The Bears got more active squeezing the Intraday die hard Bulls leading to an excessive fall. In the end over 300 points were shaved off from the Nifty. The leaders of the rally were the worst hit (Metals, Banking & Oil and Gas sector). The A/D ratio was negative at 1:3 and the volumes were higher during the fall.

Caution had been advocated in the weekly report that the Index heavy weights appear to be exhausted; hence one should protect their longs. The 61.8% retracement of the rise from 5395 to 6185 points is at 5696 points which should be treated as immediate support; but unless 6115 points is not decisively crossed upside is capped. The Nifty has to quickly get above the trendline in blue to signal strength.

Intraday, support in declines in the Nifty is pegged at 5665 points and at 5609 points. It has to sustain above 5824 points in that case can touch resistance at 5875 points. The Bears have capitalized on the opportunity created in the last week. They should continue with it for a couple of sessions to erode the Bulls support at 5595 points. It's going to be a high risk trading as the weak and short term players would be tested. High risk traders who can quantify their risks can take small positions in longs in panic declines for short gains (from a short term perspective); else let the dust settle.

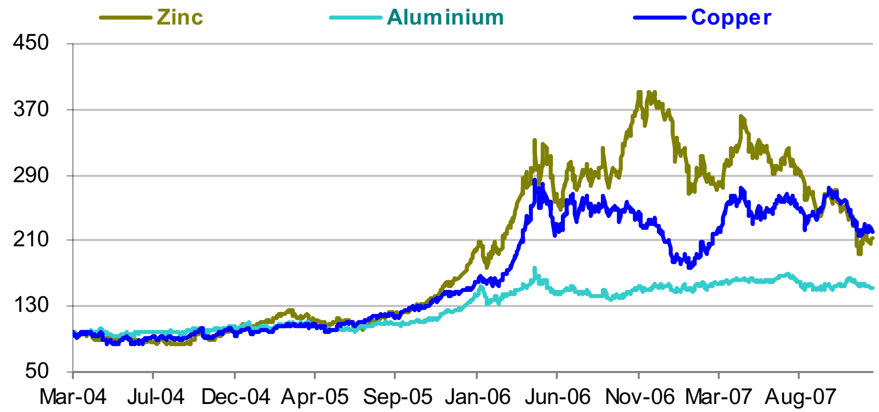
Charts

FIIs F&O Open Interest From March 05



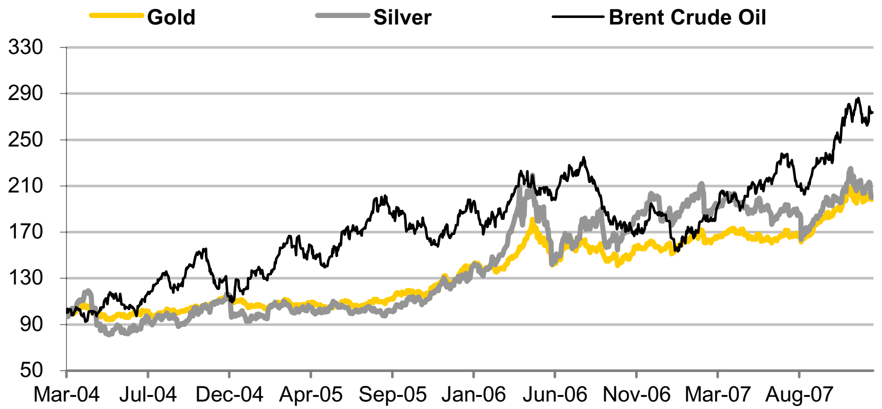
Source: Bloomberg, Religare Institutional Equity Research

Relative Commodities From March 04



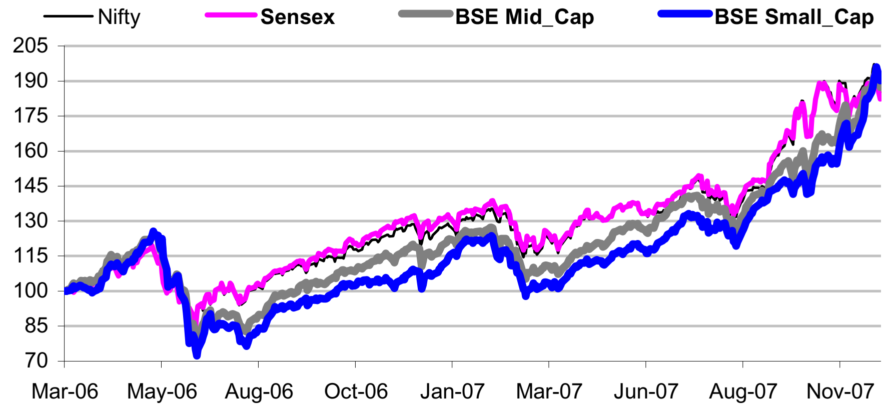
Source: Bloomberg, Religare Institutional Equity Research

Relative Commodities From March 04



Source: Bloomberg, Religare Institutional Equity Research

Indices



Source: Bloomberg, Religare Institutional Equity Research

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Rating definition

Buy	: > 15% returns relative to Sensex	**Accumulate**	: +5 to +15% returns relative to Sensex
Sell	: > (-)15% returns relative to Sensex	**Reduce**	: (-) 5 to (-) 15% returns relative to Sensex
Hold	: Upto + / (-) 5% returns relative to Sensex		

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