

## Angel Broking wishes you a Happy Diwali and a Prosperous New Year

### Dealer's Diary

The key benchmark indices opened strong on expected lines as most global indices traded positive in anticipation of further monetary easing by the US Federal Reserve. Markets were volatile with sharp bouts of buying and selling witnessed throughout the session, but the range was narrow. A positive opening by European indices in the afternoon session further buoyed the positive sentiment. Indices managed to hold on to their gains and closed at three-week highs. The Sensex and Nifty ended the session with healthy gains of 0.6% and 0.7%, respectively. BSE mid-cap and small-cap indices also witnessed buying, posting gains of 0.6% and 0.7%, respectively. Among the front liners, Sterlite Inds., Tata Motors, ACC, SBI and HDFC gained 2-4%, while Cipla, RCOM, RIL, JP Associates and NTPC lost 0-1%.

### Markets Today

The trend deciding level for the day is 20477 / 6163 levels. If NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 20528 – 20590 / 6180 - 6199 levels. However, if NIFTY trades below 20477 / 6163 levels for the first half-an-hour of trade then it may correct up to 20415 – 20364 / 6144 - 6128 levels

Indices	S2	S1	R1	R2
SENSEX	20,364	20,415	20,528	20,590
NIFTY	6,128	6,144	6,180	6,199

### News Analysis

- Jain Irrigation – Acquisition
- 2QFY2011 Result Reviews: Gail, OBC, Aurobindo Pharma, CESC, KEC International, Essel Propack

Refer detailed news analysis on the following page

Net Inflows (November 01, 2010)					
₹ cr	Purch	Sales	Net	MTD	YTD
FII	3,729	2,801	929	7,410	120,333
MFs	1,037	699	338	338	(28,813)

FII Derivatives (November 03, 2010)				
₹ cr	Purch	Sales	Net	Open Interest
Index Futures	930	715	215	16,536
Stock Futures	913	1,157	(244)	41,803

### Gainers / Losers

Gainers			Losers		
Company	Price (₹)	chg (%)	Company	Price (₹)	chg (%)
Chambal Fert.	92	6.9	GE Shipping	351	(3.3)
Adani Power	139	5.0	Asian Paints	2,695	(3.1)
Voltas	250	4.5	Jain Irrigation	222	(3.0)
Patni Computers	491	4.3	Godrej Consu.	425	(2.7)
Deccan Chron.	141	4.2	Torrent Power	297	(2.2)

Domestic Indices	Chg (%)	(Pts)	(Close)
BSE Sensex	0.6%	120.1	20,466
Nifty	0.7%	41.5	6,161
MID CAP	0.6%	51.0	8,532
SMALL CAP	0.7%	73.1	10,809
BSE HC	0.6%	40.4	6,595
BSE PSU	0.7%	68.2	10,330
BANKEX	0.9%	128.2	14,651
AUTO	1.2%	120.1	10,072
METAL	1.6%	261.2	17,080
OIL & GAS	-0.5%	(53.0)	10,847
BSE IT	0.3%	18.1	6,091

  

Global Indices	Chg (%)	(Pts)	(Close)
Dow Jones	0.2%	26.4	11,215
NASDAQ	0.3%	6.8	2,540
FTSE	1.0%	54.4	5,749
Nikkei	0.1%	5.3	9,160
Hang Seng	2.0%	473.3	24,145
Straits Times	0.6%	19.7	3,225
Shanghai Com	-0.5%	(14.4)	3,031

Indian ADRs	Chg (%)	(Pts)	(Close)
Infosys	0.5%	0.3	\$68.1
Wipro	0.3%	0.0	\$14.8
ICICI Bank	-0.4%	(0.2)	\$55.5
HDFC Bank	-0.2%	(0.3)	\$179.2

Advances / Declines	BSE	NSE
Advances	1,667	818
Declines	1,345	56913
Unchanged	102	40

Volumes (₹ cr)	
BSE	4,977
NSE	15,080

## Jain Irrigation – Acquisition

Jain Irrigation Systems (JISL) has announced the acquisition of 80% stake in UK-based Sleaford Quality Foods (UK). Sleaford Quality Foods is a 40-year old company involved in the supply of food ingredients. We believe the acquisition gives JISL entry into one of the biggest food markets of the world - Europe. Due to pending information, we would revise our estimate post interaction with management. **The stock rating is currently under review.**

## Result Reviews – 2QFY2011

### GAIL

GAIL India (GAIL) reported top-line growth of 30.2% yoy to ₹8,104cr (₹6,223cr), which was much above our expectation of ₹6,944cr. The deviation happened due to higher-than-expected gas purchase cost, which we failed to capture in our estimates. However, robust top-line growth came on the back of good performance in the natural gas transmission and trading, and LPG and liquid hydrocarbon segments.

The natural gas transmission segment registered top-line growth of 19.1%. The segment's operating profit grew by 19% yoy. Gas transmission volumes registered growth of 7.8% yoy to 114.9mmscmd (106.6mmscmd), marginally higher than our expectation. The natural gas trading segment registered robust top-line growth of 33.9% to ₹5,597cr (₹4,180cr). The segment's operating profit increased by 45% yoy. Gas trading volumes fell by 2.5% yoy to 79mmscmd (81.1mmscmd), marginally lower than our expectation. Similarly, the LPG and liquid hydrocarbon segment also performed well during the quarter. This was driven by higher realisations coupled with lower-than-anticipated provision towards the subsidy burden of ₹346.4cr. The segment registered top-line growth of 43.1% yoy to ₹737cr (₹515cr). The segment's operating profit stood at ₹198cr against loss of ₹51cr in 2QFY2010.

Overall, operating profit during the quarter increased by 40.9% yoy to ₹1,433cr (₹1,017cr), which was lower than our expectation of ₹1,524cr on account of higher other operating expenses and higher cost of finished goods purchased. PAT during the quarter stood at ₹924cr (₹713cr), registering growth of 29.5% yoy, which was also lower than our expectation of ₹942cr on account of lower EBITDA and higher tax paid by the company. **We maintain an Accumulate rating on the stock with a Target Price of ₹534.**

### Oriental Bank of Commerce (OBC)

OBC announced its 2QFY2011 results, reporting healthy net profit growth of 9.5% qoq and 46.8% yoy to ₹398cr, in line with our estimates of ₹402cr. Advances registered growth of 0.7% qoq and 14.2% yoy. Deposits increased by 2.2% qoq and 16.6% yoy. On a sequential basis, calculated NIM stood flat at 3.15%, while on a yoy basis calculated NIM improved by ~120bp. This resulted into moderate NII growth of 1.9% qoq but a robust 92.0% yoy growth to ₹1,077cr. Gross NPAs declined by 2.5% qoq, while net NPAs fell by 1.5% sequentially. The bank's provision coverage ratio excluding write-offs stood at 58.4% (58.8% as of 1QFY2011 and from 57.6% as of 2QFY2010). The capital adequacy ratio stood at 12.8%.

OBC has a weak deposit mix (low CASA of 24.3%) and low fee income. Also, the bank's NIM is likely to witness pressure in the coming quarters, as deposit rates increase. At the CMP, the stock is trading at 1.4x FY2012E ABV. **We maintain our Neutral view on the stock.**

## Aurobindo Pharma (APL)

APL reported its 2QFY2011 results, which were primarily in line with our estimates. Net sales came in at ₹1,043cr (₹843cr), up 23.8% yoy, driven by the formulation segment (US and ARV business). US formulation sales grew by 28.8% to ₹296cr (₹229cr), while ARV business was up 48.5% to ₹172cr (₹116cr). The API segment grew by 6.9% to ₹452cr (₹422cr), driven by Cephs products. APL reported OPM of 17.7% (19.8%), which contracted by 213bp on the back of gradual scale up of its new facilities. During the quarter, the company recorded forex gain of ₹76cr as MTM gains on FCCBs. As a result, net profit came in at ₹198cr (₹103cr), up 91.8%. Adjusting for forex gain, recurring profit increased by 14.3% to ₹122cr (₹107cr). **We recommend Accumulate on the stock with a Target Price of ₹1,330.**

## CESC

CESC's 2QFY2011 standalone top line grew by an impressive 14.6% yoy to ₹1,105cr, aided by higher volumes arising out of Budge-Budge Unit-3, which became operational in 4QFY2010, and higher tariff charged by the company in Kolkata-regulated area. OPM increased by 543bp yoy to 28.8%, primarily due to lower other expenses on account of certain prior-period tariff adjustments relating to fuel and electricity purchased amounting to ₹217cr. The operating expense for the quarter stood at negative ₹14cr as against ₹131cr in 2QFY2010. Interest and depreciation expenses for the quarter were up by 67.4% yoy and 30.6% yoy, respectively, on account of capacity addition. Net profit rose by 23% yoy during the quarter to ₹155cr primarily due to superior operational performance. At the CMP, the stock is trading at 7.9x FY2012E EPS and 1.0x FY2012E P/BV. **We maintain Buy on the stock with an SOTP-based Target Price of ₹470.**

## KEC International

KEC announced its 2QFY2011 results. Revenue grew by 14.3% yoy to ₹1,001cr, which was marginally below our estimate of ₹1,050cr. EBITDA margin for the quarter came in at 10.1%, which was in line with our estimate of 10%. On a yoy basis, the margin contracted by around 28bp. EBITDA for the quarter increased by 11.3% yoy to ₹101cr (₹91cr), largely reflecting growth in turnover and steady margins. PAT from normal operations stood at ₹51cr, which was 17% higher than our estimate of ₹44cr. Reported PAT for the quarter was at ₹43crs, which includes VRS expenditure of ₹8.5cr. At the CMP of ₹492, the stock is trading at 11.8x and 9.9x its FY2011E and FY2012E earnings estimate. **We maintain our Buy rating on the stock with a Target Price of ₹648.**

## Essel Propack

EPP's 2QFY2011 performance was marginally ahead of our expectations. The company's European operations pruned losses to a great extent in 2QFY2011. The Poland plant broke-even on the EBITDA front, though not on the PAT front, which is likely to happen in 4QFY2011. We have revised our estimates upwards to account for the higher-than-estimated sales in 2QFY2011 and higher tax outflow guidance. At current valuations of 0.9x FY2012E P/BV, the stock is attractively valued. **We believe the worst is over for the company and, hence, recommend Buy on the stock with a revised Target Price of ₹75 (₹57).**

## Economic and Political News

- NCDEX starts index for agri futures
- October M&A at US \$650mn, lowest in 12 months: VCCEdge
- DoT extends subscriber verification deadline to December 31

## Corporate News

- Parsvnath, Red Fort Capital launch ₹225cr office building in Delhi
- Videocon forays into insurance with Liberty Mutual
- Ansal API plans to raise up to ₹400cr from PE deals
- ABB bags US \$32mn order
- Pipavav Shipyard gets license to construct warships

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

Events for the day	
Engineers India	Results
ICSA India	Results
Jubilant Foodworks	Results
Karuturi Global	Results
Polyplex Corp	Results
Mcleod Russel	Results
Videocon Inds	Results
XL Telecom	Results

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

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