January 04, 2010

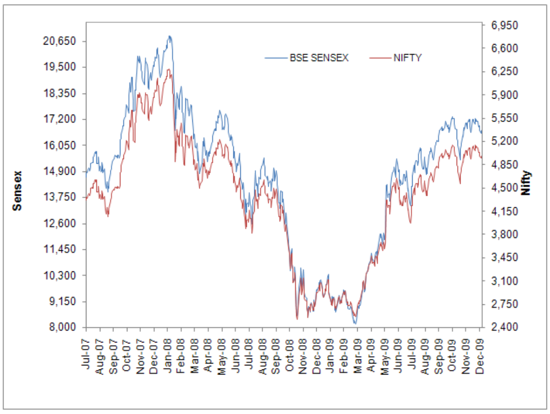
Domestic Indices		Chg (%)	(Pt)	(Close)
BSE Sensex	▲	0.7%	121.0	17,465
Nifty	▲	0.6%	31.6	5,201
MID CAP	▲	0.3%	21.1	6,718
SMALL CAP	▲	0.6%	49.7	8,358
BSE HC	▼	-0.1%	(7.3)	5,018
BSE PSU	▲	0.7%	67.1	9,532
BANKEX	▲	0.2%	18.7	10,031
AUTO	▲	1.0%	70.5	7,436
METAL	▲	0.2%	40.1	17,399
OIL & GAS	▲	1.0%	103.4	10,471
BSE IT	▲	0.7%	37.4	5,186
Global Indices				
Dow Jones	▼	-1.1%	(120.5)	10,428
NASDAQ	▼	-1.0%	(22.1)	2,269
FTSE	▲	0.3%	15.0	5,413
Nikkei	▼	-0.9%	(91.6)	10,546
Hang Seng	▲	1.8%	375.9	21,873
Straits Times	▲	0.6%	17.9	2,898
Shanghai Com	▲	0.5%	14.5	3,277
Indian ADRs				
Infosys	▼	-0.8%	(0.4)	$55.3
Wipro	▼	-0.5%	(0.1)	$22.3
Satyam	▼	-0.7%	(0.0)	$4.6
ICICI Bank	▼	-0.3%	(0.1)	$37.7
HDFC Bank	▲	0.4%	0.6	$130.1

Advances / Declines

	BSE	NSE
Advances	1,642	698
Declines	1,251	569
Unchanged	78	40

Volumes (Rs cr)

BSE	4,652
NSE	15,149



Dealer's Diary

After opening with an upward gap, the Sensex and Nifty scaled to their highest level in nearly 20 months, on firm global sentiments. The market breadth was strong. The BSE Sensex and NSE Nifty finally closed with gains of 0.7% and 0.6%, respectively. The BSE Mid-cap and Small-cap indices underperformed the benchmark indices and gained 0.3% and 0.6%, respectively. Among the front liners, Jaiprakash Associates, SBI, BHEL, M&M and Tata Power gained between 2-3% while DLF, Sun Pharma, Maruti Suzuki and Reliance Communications lost between 0-1%. In the Mid cap segment, Central Bank, Onmobile Global, Shriram Transport Finance, Sterlite Technologies and Blue Dart gained between 7-11% while Great Offshore, Tata Chemicals, Deccan Chronicle, Emami and Andrew Yule lost between 3-6%.

Markets Today

The trend deciding level for the day is 5197 / 17454. NIFTY trades above this level during the first half-an-hour of trade then we may witness a further rally up to 5226 – 5250 / 17542 - 17619. However, if NIFTY trades below 5197 / 17454 for the first half-an-hour of trade then it may correct up to 5173 / 17376.

Indices	S2	S1	R1	R2
NIFTY	5,144	5,173	5,226	5,250
SENSEX	17,288	17,376	17,542	17,619

News Analysis

- **3QFY2010E earnings - Expecting a statistically strong quarter**
- **Amtek Auto dismisses mergers**
- **Government to split NALCO into three companies**
- **Sun Pharma: Taro status quo maintained**
- **Godrej Consumer bids for Indonesia's Megasari**
- **Initiating Coverage – Dena Bank**
- **Auto Sales Numbers – December 2009**

Refer detailed News Analysis on the following page

Net Inflows (Dec 30, 2009)

Rs cr	Purch	Sales	Net	MTD	YTD
FII	1,417	1,063	354	9,533	83,696
MFs	657	456	201	(1,519)	(5,059)

FII Derivatives (Dec 31, 2009)

Rs cr	Purch	Sales	Net	Open Interest
Index Futures	3,347	3,406	(60)	12,038
Stock Futures	2,976	3,319	(343)	24,229

Gainers / Losers

Gainers			Losers		
Company	**Price (Rs)**	***% chg***	**Company**	**Price (Rs)**	***% chg***
Nalco	389.7	*7.3*	Great Offshore	502.5	*(6.1)*
Shriram Tran. Fin.	453.5	*6.9*	Tata Chemicals	332.9	*(3.2)*
Videocon Indus	227.3	*6.0*	Deccan Chronicle	169.6	*(3.0)*
Indiabulls Sec	32.7	*5.2*	Guj NRE Coke	82.3	*(2.9)*
Praj Industries	100.8	*4.9*	Titan Industries	1460.2	*(2.6)*

3QFY2010E Sensex earnings - Expecting a statistically strong quarter

After the near flat growth reported during the previous quarter, we expect 3QFY2010 earnings of India Inc. to be statistically robust as it will be aided by the low base effect of 3QFY2009, the quarter when the global financial crisis blows out of proportion with some of the biggest financial names in the world like Lehman Brothers, Fannie Mae and Freddie Mac, Merrill Lynch, etc. face the heat of the sub-prime mortgage crisis. Thus, for 3QFY2010, while we have estimated Net Sales of Sensex companies to increase by about 23% yoy, we have estimated the Net Profit to register a growth of about 20% yoy. Operating Margins are expected to improve by about 50-60bp during the quarter on the yoy basis. (*Refer all Detailed Reports on Angel website).*

Amtek Auto dismisses mergers

The Scheme of Arrangement of Amtek India, Ahmednagar Forgings, Amtek Ring Gears, Amtek Crankshafts India and Amtek Casting India with Amtek Auto has been dismissed on account of changed circumstances as regards valuation of shares, and a decline in turnover and profits. The Court held that it would be impermissible to order the scheme proposed on the basis of valuation of shares of the year 2007. The appropriate remedy could only be through a fresh petition and the scheme cannot be considered on the basis of the data available in the year 2007. **Thus, owing to the merger overhang, uncertainty of its time frame and the new swap ratios, we discontinue coverage on Amtek Auto, Amtek India and Ahmednagar Forgings.**

Government to split NALCO into three companies

According to media reports, the government is considering splitting Nalco into three companies at an opportune time. It plans to split Nalco into Nalco Metal, Nalco Power and Nalco International. Nalco International will be an investment vehicle. The demerger plan is a part of the company's 2020 vision and will take 2-4 years. The company intends to have revenues of Rs25,400cr and a net profit of Rs5,440cr by FY2020. **We maintain our Sell rating on Nalco, with a target price of Rs260.**

Sun Pharma: Taro status quo maintained

Sun Pharma, which holds 36% in Taro Pharma (Taro), failed to oust the existing Board of Directors of Taro in the company's AGM, in spite of most of the Minority shareholders voting against the re-election. The current management of Taro was saved due to the skewed voting structure, where 41% of the voting rights vests with the promoter (Levitt) family, which currently holds a mere 12%. However, on the positive front, minority shareholders representing almost 78% of minority votes and not affiliated with the Levitts or Sun, voted against the continued service of the Levitt slate of directors. A similar number voted against the Board's indemnification proposals. The Minority shareholders did manage to pass a resolution against the election of two external directors. Minority shareholders' vehement disapproval of the existing management implies strong support for Sun Pharma. However, the takeover of Taro would depend on the outcome of the decision of the Israeli Supreme Court. **On the valuation front, the stock is trading 20.6x FY2011E and 18.4x FY2012E earnings. We recommend a Neutral on the stock.**

Godrej Consumer bids for Indonesia's Megasari

According to Media reports, Godrej Consumer Products (GCPL) is close to acquiring Indonesian household products company Megasari in a deal estimated to be worth Rs1,200-1,400cr, which will be funded through internal accruals and debt, and has placed an attractive bid for the global pesticides business of Sara Lee Corp, with which it has a joint venture in India. The portfolio of Measari, with annual sales of over Rs600cr, includes *HIT* insecticide, *Stella* air freshener and instant foods. GCPL is expected to buy out the US-based Sara Lee's 51% stake in the JV in March or April for an estimated Rs800cr. Recently, GCPL board had approved fund raising of up to Rs3,000cr through both debt and equity dilution. **We maintain Buy on the stock with a Target Price Rs310.**

Initiating Coverage – Dena Bank

The Bank has maintained its CASA ratio at healthy 36.9% levels (2QFY2010) on account of having 63% of its branches in Gujarat and Maharashtra and 60% in the rural and semi-urban areas. In the last two years, the Bank has maintained a CASA market share of 1.1% despite intense competition from the private banks. This structural advantage is reflected in the Bank's lower cost of funds at 6% in FY2009 compared to the average 6.6% for mid-size PSU banks. The Bank's CAR at 13.3%, comprising only 7.3% Equity Capital, is below optimum levels (reflected in 22x leverage of the Bank for FY2009). Moreover, the GoI's holding at 51% prevented the Bank from diluting the government stake further. This constraint on raising equity for growth was an overhang on the stock. However, the government has consistently been reiterating its intention to infuse capital in PSU banks. Against this backdrop, Dena Bank is expected to receive Rs600cr over next 6-12 months. Post capital infusion, the Bank's Tier-I will improve to 9.9% in FY2011E from 6.8% in FY2009 and enable it to grow its Advances in line with our expectations of 16-17% growth for mid-size PSU banks over the next two years. The Bank's Gross and Net NPAs stood at 2% and 1.2% respectively, in 2QFY2010, with cumulative restructured Advances at Rs1,500cr (5% of loans, 69% of Net Worth). As per a recent RBI circular, the Bank's effective Provision Coverage including Technically written off portfolio (Rs1,525cr) is 82% as against the mandatory 70%, due to which an adjustment to Book Value for NPAs in no longer required. Further, this portfolio is expected to yield outsized income from recoveries relative to peers. Moreover, with the economic outlook improving, we believe that lower incremental Provisioning costs will aid the Bank in maintaining its Profitability levels. *We estimate Advances to grow at 16% CAGR over FY2009-12E driving Earnings' CAGR of 15% over the period. At the CMP, the stock is trading at attractive valuations of 0.7x FY2012E ABV. We have valued the stock at its 5-year median P/ABV of 0.9x FY2012E ABV and arrived at a 15-month Target Price of Rs104, an upside of 23% from current levels.* ***We Initiate Coverage on the stock with a Buy recommendation.***

Auto Sales Numbers – December 2009

Maruti Suzuki
Maruti Suzuki India sold a total of 84,804 vehicles in December 2009, growing by 50.6% yoy. This includes 13,804 units of exports. The company had sold a total of 56,293 vehicles in December 2008, including 4,264 units for the export markets. The sales in the A2 segment grew by 41.8%, while in the A3 segment the sales growth was 20.2%, as compared to December 2008.

Tata Motors
Tata Motors' total sales (including exports) of Tata commercial and passenger vehicles in December 2009 were 51,627 vehicles, a yoy growth of 105%. The company's sales of commercial vehicles in December 2009 in the domestic market were 33,519 units, the highest since March 2008 and a 138% growth yoy. LCV sales were 18,217 units, a growth of 97% yoy. M&HCV sales stood at 15,302 units, a growth of 218% yoy. The passenger vehicles business reported a total sale and distribution offtake of 15,662 units (14,654 Tata + 1,008 Fiat) in the domestic market in December 2009, a 55% yoy increase compared to 10,118 units (9,838 Tata + 350 Fiat) in December 2008. Sales of

the Tata *Nano* were 3,610 units and the *Indica* range's wholesale sales were 4,228 units, a yoy decline of 37%. The *Indigo* range recorded wholesale sales of 5,106 units, a yoy growth of 205.2%. The company's sales from exports at 3,454 vehicles in December 2009 and registered a yoy growth of 161%.

Mahindra and Mahindra (M&M)
M&M recorded a 114.8 % growth in Auto sales for the month of December 2009 to 24,001 units, largely aided by a 120%, 118.1% and a 145.4% yoy jump in total UV, LCV and Three-wheeler (Incl.*Gio*) sales, respectively. Exports also aided the growth for the auto segment and spurted by 38.6%. The tractor segment grew by a healthy 65.8% and the company reported a strong domestic overall sales growth of 100.3% yoy to 34,271 units for the month of December 2009.

Two Wheelers
Hero Honda reported a 74.1% yoy growth in December 2009 to 375,838 units. TVS Motor reported a 34.1% yoy growth in December 2009 to 119,701 units.

Economic and Political News

- TRAI likely to propose auction of 2G spectrum
- Steel sales jumps 50% in Dec'09 on firm demand
- Banks withdraw Rs22,000cr from MFs
- Government to set up Rs4,000cr shipyard

Corporate News

- ONGC loses Algeria oilfield to Chinese firm
- JSW Energy to list on bourses today
- Reliance Power moves SC over Dadri land issue

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

Research Team Tel: 4040 3800 E-mail: research@angeltrade.com Website: www.angeltrade.com